transurban

asx release

9 August 2016

Transurban FY16 proportional EBITDA up 14.8% and guides to 11% FY17 DPS growth

FY16 financial highlights:

- Statutory profit from ordinary activities of $22 million
- Proportional toll revenue increased by 17.5 per cent to $1,946 million[1]
- Average daily traffic (ADT) grew by 8.0 per cent
- Proportional earnings before interest, tax, depreciation and amortisation (EBITDA) and before significant items increased by 14.8 per cent to $1,480 million
- Free cash increased by 20.6 per cent to $926 million
- $9 billion of development projects to improve customers' trips in Melbourne, Sydney, Brisbane and Greater Washington Area
- FY16 distribution of 45.5 cents per security (cps); FY17 distribution guidance of 50.5 cps, which is a 11.0 per cent increase on the FY16 distribution

Transurban Chief Executive Officer Scott Charlton noted the continued investment in and development of our networks delivered value for customers and security holders. Technology initiatives will increasingly be a part of this investment as we prepare our networks for future environments.

"Beyond our current pipeline, we are working on the next generation of potential projects. We continue to see opportunities across our markets to bring our expertise in network planning, forecasting, community engagement, development, technology, operations and customer management," Mr Charlton said.

Key network activities

Sydney:

- ADT increased 7.4 per cent with strong traffic growth observed across the network. The M5 South West Motorway and Hills M2 continued to benefit from upgrade works which were completed in December 2014 and August 2013 respectively
- Toll revenue[1] grew 13.9 per cent with truck toll multipliers continuing to increase on the Lane Cove Tunnel (LCT), M5 and Westlink M7 (M7). Weighted average truck toll multipliers across the Sydney network are 2.35 times cars
- EBITDA grew by 14.1 per cent
- Construction of the NorthConnex project remains on time and on budget with works underway at all tunnelling sites
- Implementation of GLIDe tolling system increasing revenue capture

"Our Sydney network traffic numbers were up 7.4 per cent as we continue to see all assets in this market performing well," Mr Charlton said.

[1] Toll revenue includes service and fee revenue. Service and fee revenue includes customer administration charges and enforcement recoveries.

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Melbourne:

- ADT increased by 1.0 per cent, with average weekend/public holiday traffic growth of 3.2 per cent
- Toll revenue[1] increased by 7.3 per cent
- EBITDA was up 7.9 per cent
- Major Construction commenced on the CityLink Tulla Widening project in mid-March 2016 and is expected to be completed by early 2018
- Transurban is continuing to work with the Victoria Government on the $5.5 billion Western Distributor proposal. Financial close is expected on the project by late 2017
- Works to commence on the Monash Freeway Upgrade in September 2016 and are scheduled for completion in 2018

"Our CityLink Tulla Widening project is progressing on time and on budget with traffic disruption being managed to minimise the impact to drivers," Mr Charlton said.

Brisbane:

- ADT increased 26.5 per cent
- Toll revenue[1] grew by 18.1 per cent
- EBITDA was up 18.1 per cent
- Financial close was reached on AirportlinkM7 on 1 April 2016
- Brisbane City Council has entered discussions with Transurban Queensland for the potential delivery of the Inner City Bypass upgrade

"We are pleased to see the performance of our two newest assets, Legacy Way and AirportLinkM7 at the upper end of expectations. These assets strengthen our network position in Brisbane by providing an attractive path to the north of the city. We have also announced our first potential development project with the Brisbane City Council via the Inner City Bypass upgrade. This project will relieve congestion and improve safety for drivers," Mr Charlton said.

Greater Washington Area:

- ADT increased 13.5 per cent
- Toll revenue[1] grew 107.8 per cent influenced by the continued ramp up and a full year of operations on the 95 Express Lanes
- EBITDA was up 140.3 per cent
- An agreement has been reached with VDOT to extend the 95 Express Lanes by three kilometres. Transurban's capital contribution is US$25 million
- In addition Transurban is negotiating a further 14 kilometre extension to the 95 Express Lanes as part of the Atlantic Gateway Extension Project
- Transurban has been shortlisted in the competitive process to design, build, finance, operate and maintain the Express Lanes system on the I-66. Proposals are due in October 2016

"Our two North American assets continue to deliver strong traffic growth, giving us confidence to expand the 95 Express Lanes inside the beltway and to the south," Mr Charlton said.

[1] Toll revenue includes service and fee revenue. Service and fee revenue includes customer administration charges and enforcement recoveries.

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Distribution and DRP

A distribution totalling 23.0 cps will be paid on 12 August 2016 for the six months ended 30 June 2016. This will consist of a 19.5 cps distribution from Transurban Holding Trust and a 3.5 cps fully franked dividend from Transurban Holdings Limited.

The Distribution Reinvestment Plan (DRP) will operate again for this distribution payment. For further information on distributions and the DRP, visit the Investor Centre at www.transurban.com.

Outlook

FY17 distribution guidance of 50.5 cps has been provided.

"Transurban expects to deliver double digit year on year growth in distributions again this year," Mr Charlton said.

Market briefing

Transurban will be providing a market briefing at 9.30am (AEDT) today, 9 August 2016. The market briefing will be webcast via the Transurban website at www.transurban.com.

ENDS

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Note: Further details are provided in the Appendices and the Investor Presentation attached to this release.

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Appendix 1:

Statutory results

	FY16 $m	FY15 $m	% change
Toll revenue	1,870	1,611	16.1%
Construction revenue	282	190	48.4%
Other revenue	58	59	(1.7%)
Total revenue	**2,210**	**1,860**	**18.8%**
Employee benefits expenses	(149)	(130)	14.6%
Road operating costs	(309)	(243)	27.2%
Construction costs	(282)	(185)	52.4%
Transaction and integration costs	(131)	(429)	(69.5%)
Corporate / other expenses	(91)	(91)	0.0%
Total costs	**(962)**	**(1,078)**	**(10.8%)**
Profit before depreciation and amortisation, net finance costs, equity accounted investments and income taxes	**1,248**	**782**	**59.6%**
Depreciation and amortisation	(584)	(551)	6.0%
Net finance costs	(728)	(611)	19.1%
Share of net profits of equity accounted investments	17	17	0.0%
Profit/(loss) before income tax	**(47)**	**(363)**	**(87.1%)**
Income tax benefit (expense)	69	(10)	N.M.[1]
Profit/(loss) from continuing operations	**22**	**(373)**	**N.M.[1]**

[1]Not meaningful.

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Appendix 2:

Proportional results

	FY16 $m	FY15 $m	% change
Toll revenue	1,946	1,656	17.5%
Other revenue	60	70	(14.3%)
Total revenue	**2,006**	**1,726**	**16.2%**
Total costs	**(526)**	**(437)**	**20.4%**
EBITDA (excluding significant items)	**1,480**	**1,289**	**14.8%**
Significant items	(82)	(272)	(69.9%)
EBITDA	**1,398**	**1,017**	**37.5%**

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Appendix 3:

Proportional results by segment (excluding significant items)

FY16	Melbourne, Victoria	Sydney, New South Wales	Brisbane, Queensland[1]	Greater Washington Area[2]	Corporate and other	TOTAL
Toll revenue ($m)	660	799	313	174	0	1,946
Other revenue ($m)	21	28	7	0	4	60
Total revenue ($m)	**681**	**827**	**320**	**174**	**4**	**2,006**
Total costs ($m)	(117)	(190)	(102)	(88)	(29)	(526)
EBITDA (excluding significant items) ($m)	**564**	**637**	**218**	**86**	**(25)**	**1,480**
Toll revenue growth	7.3%	13.9%	18.1%	107.8%	N/A	17.5%
Traffic growth[3]	1.0%	7.4%	26.5%	13.5%	N/A	8.0%
EBITDA growth (excluding significant items)	7.9%	14.1%	18.1%	140.3%	150.0%	14.8%

1. Excluding Legacy Way and AirportlinkM7 from FY16, ADT increased by 2.7%, toll revenue grew by 5.4%, EBITDA grew by 13% and EBITDA margin is 74.7%.
2. Toll revenue growth and EBITDA growth are calculated in USD.
3. Traffic growth is based on movement in ADT.

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Appendix 4:

Reconciliation of Statutory EBITDA to Proportional EBITDA

	FY16 $m	FY15 $m
Statutory EBITDA	**1,248**	**782**
Less: EBITDA attributable to non-controlling interest – ED	(24)	(20)
Less: EBITDA attributable to non-controlling interest – Drive USA	-	(3)
Less: EBITDA attributable to non-controlling interest - TQ	(82)	44
Add: M5 proportional EBITDA	111	98
Add: M7 proportional EBITDA	145	116
Proportional EBITDA	**1,398**	**1,017**
Significant items	82	272
Proportional EBITDA (excluding significant items)	**1,480**	**1,289**

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Appendix 5:

Reconciliation of Statutory Cash Flow from operating activities to Free Cash

	FY16 $m	FY15 $m
Cash flows from operating activities	910	304
Add back transaction and integration costs related to acquisitions (non-100% owned entities)	23	419
Add back payments for maintenance of intangible assets	52	91
Less cash flow from operating activities from consolidated non-100% owned entities	(284)	(338)
Less allowance for maintenance of intangible assets for 100% owned assets	(60)	(11)
Adjust for distributions and interest received from non-100% owned entities		
ED distribution	44	31
M5 distribution and term loan note interest	39	67
TQ distribution and shareholder loan note interest	108	118
NorthWestern Roads Group distribution and M7 term loan note interest	94	87
Free cash	**926**	**768**

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