

Desautels Capital Management

Greater Toronto Airports Authority GTAAIR 2.730% 2029

Fixed Income Fund

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DESAUTELS Capital Management
Gestion de capitaux

Executive Summary

Fixed Income Analysis on GTAA



Toronto Pearson
For You. The World.

Canada's largest airport and second in North America to John F. Kennedy in New York

\$1,472M revenue	\$444M EBIT
\$6,651M liabilities	330,000 jobs facilitated
49.5M passengers in 2018	476,000 flights in 2018

Business Overview

GTAA Introduction

Revenues & Costs

Bond Overview

Investment Theses

1 Favourable Industry Trends

Shift Towards Narrow Body Planes

GTA Population Growth

International Middle-Class

2 Economic Moat

Exposure to Foreign Economies

Route Demand

Event of Default

Investing in GTAA's Senior Secured debt offers an opportunity to generate investment grade returns in the near future

Recommendation to **BUY** GTAAIR 2.730% 2029

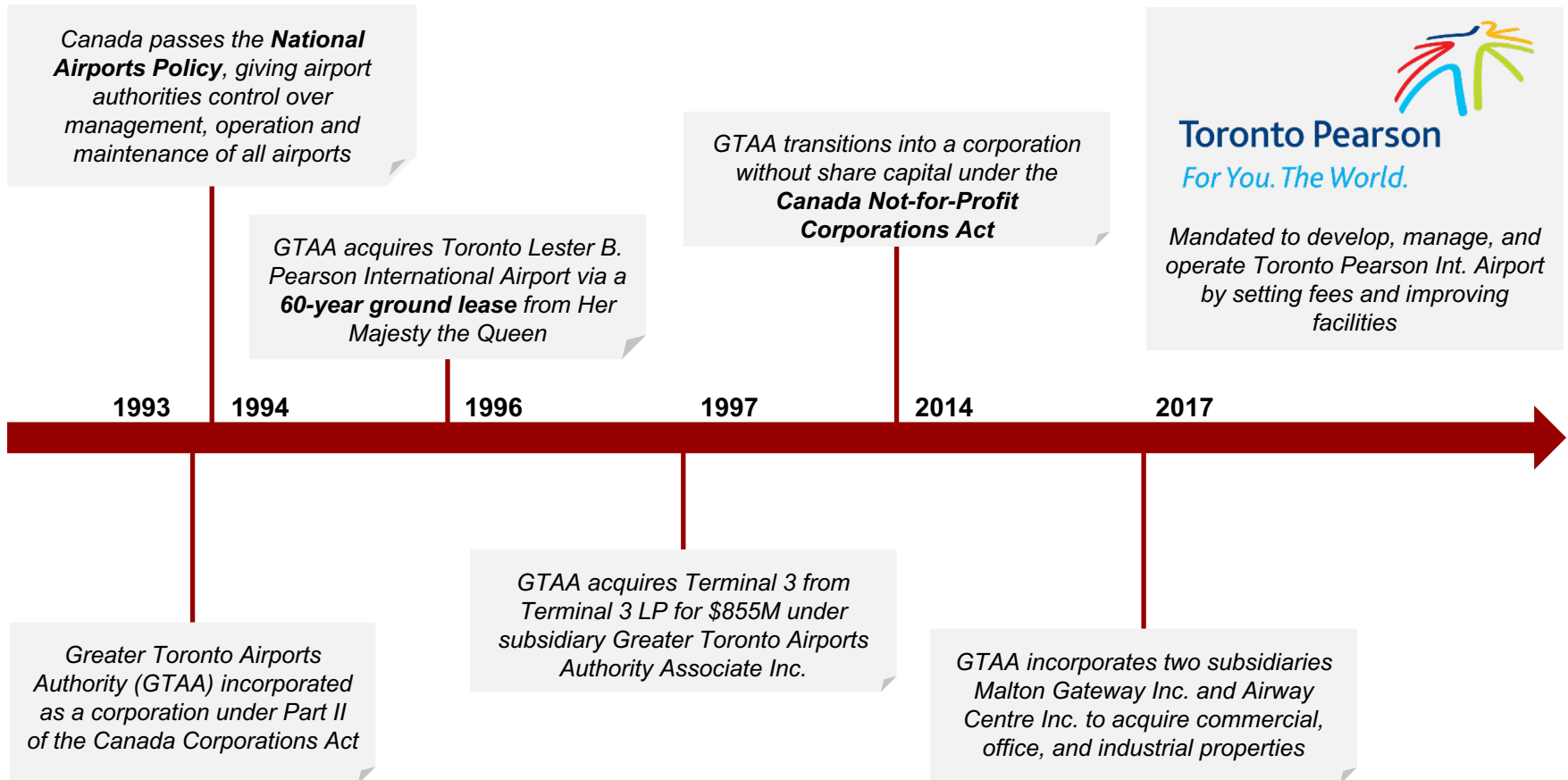
Business Overview

SECTION I



Some History

Establishing the GTAA



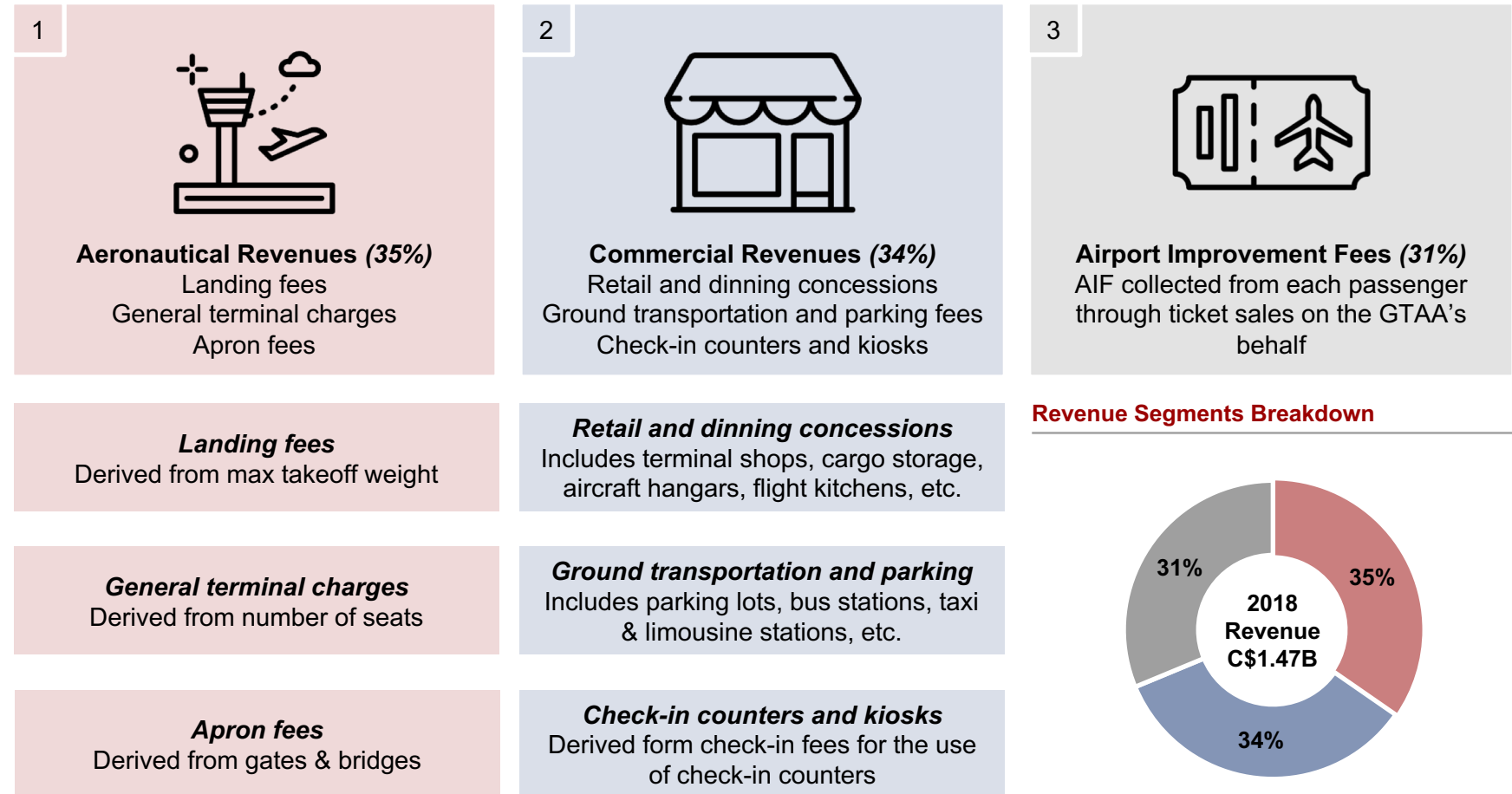
The government of Canada maintains its presence as the guarantor of the ground lease and regulator of safety and security standards

Source: GTAAIR Website

Business Overview

Watch the Breakdown

Revenue Streams



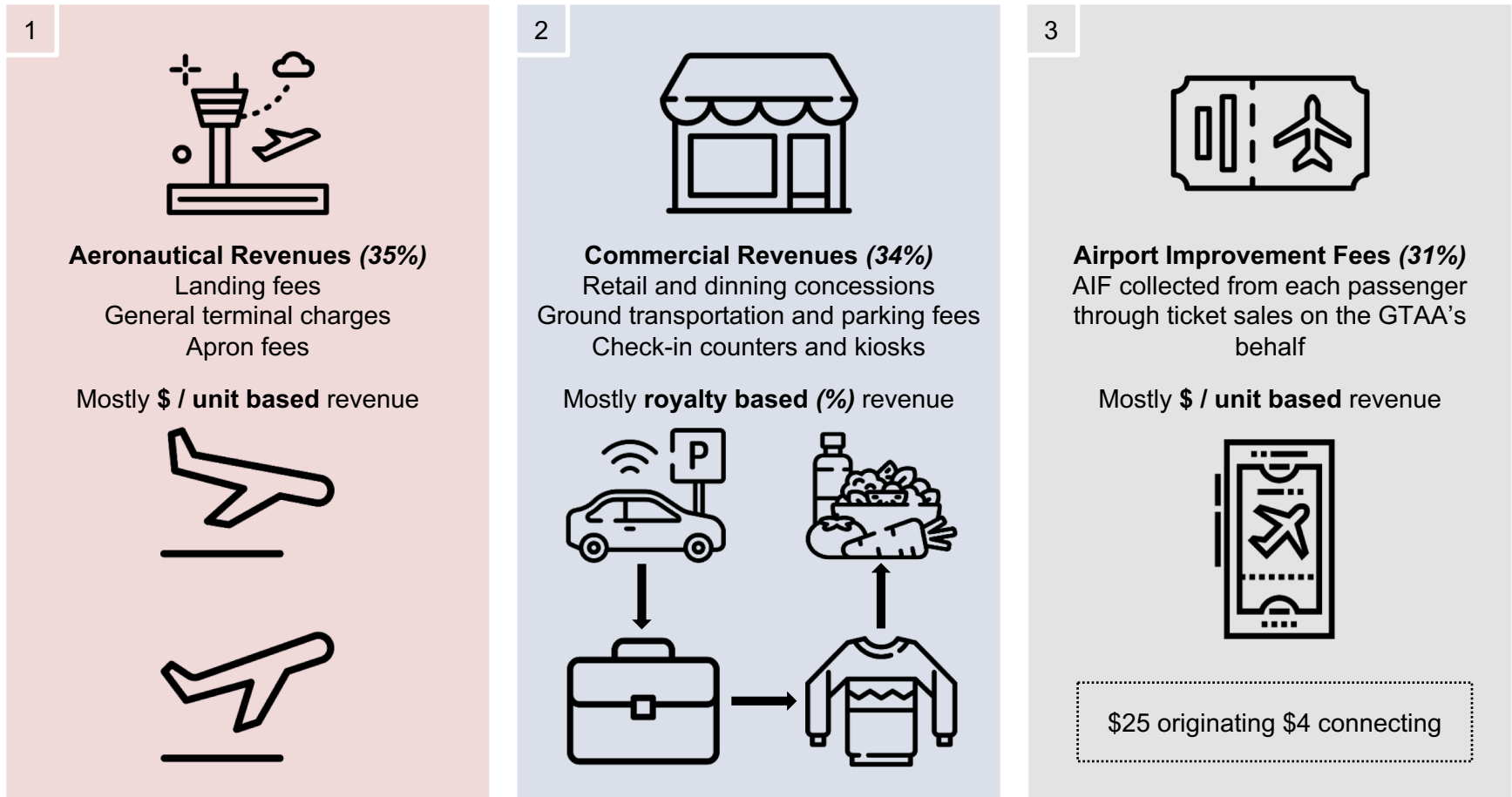
GTAA's diverse revenue streams are influenced by trends in multiple factors

Source: Sedar, GTAAIR Website

Business Overview

Watch the Breakdown

Revenue Streams

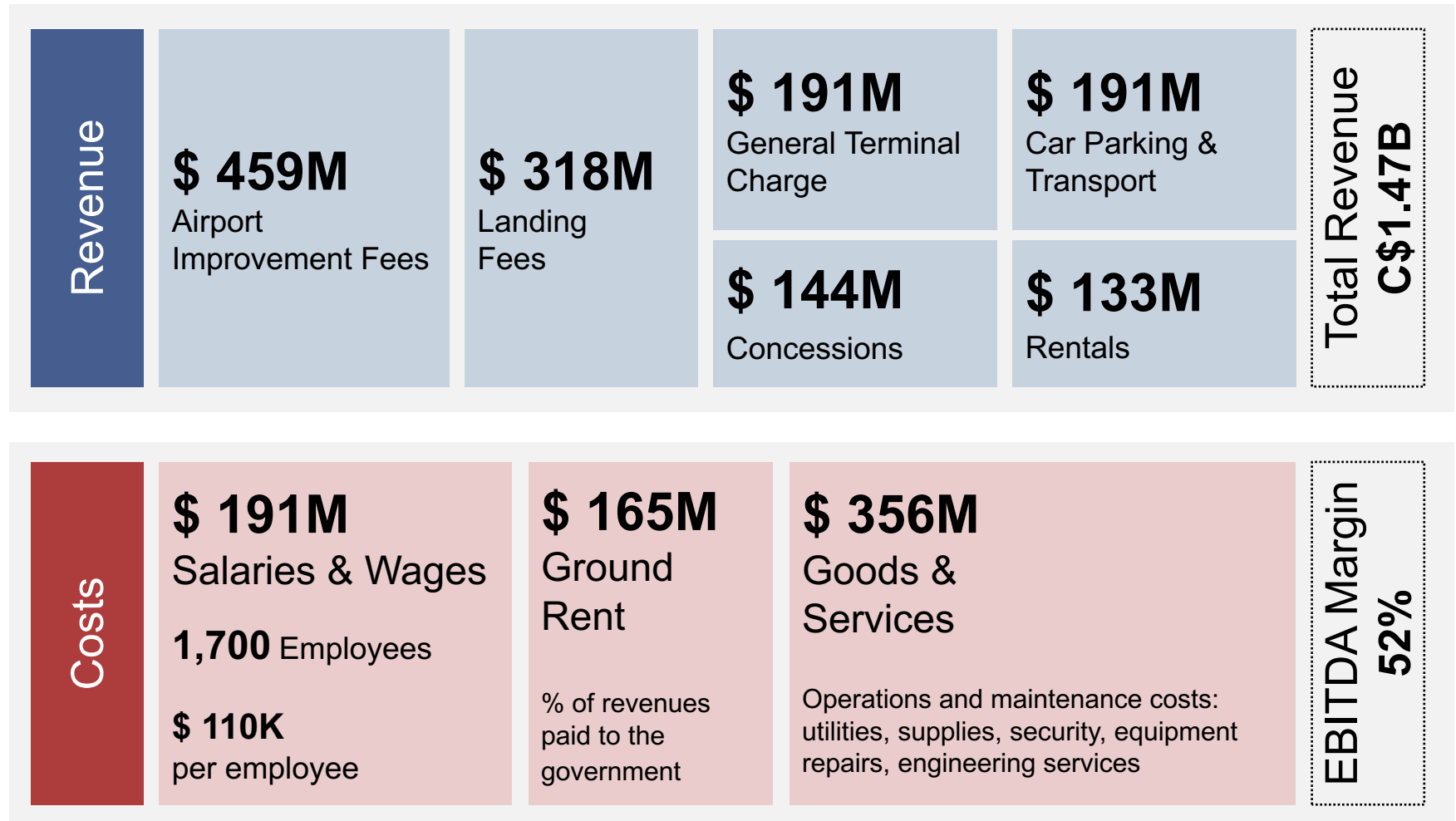


GTAA's diverse revenue streams are influenced by trends in multiple factors

Source: Sedar, GTAAIR Website

Business Overview

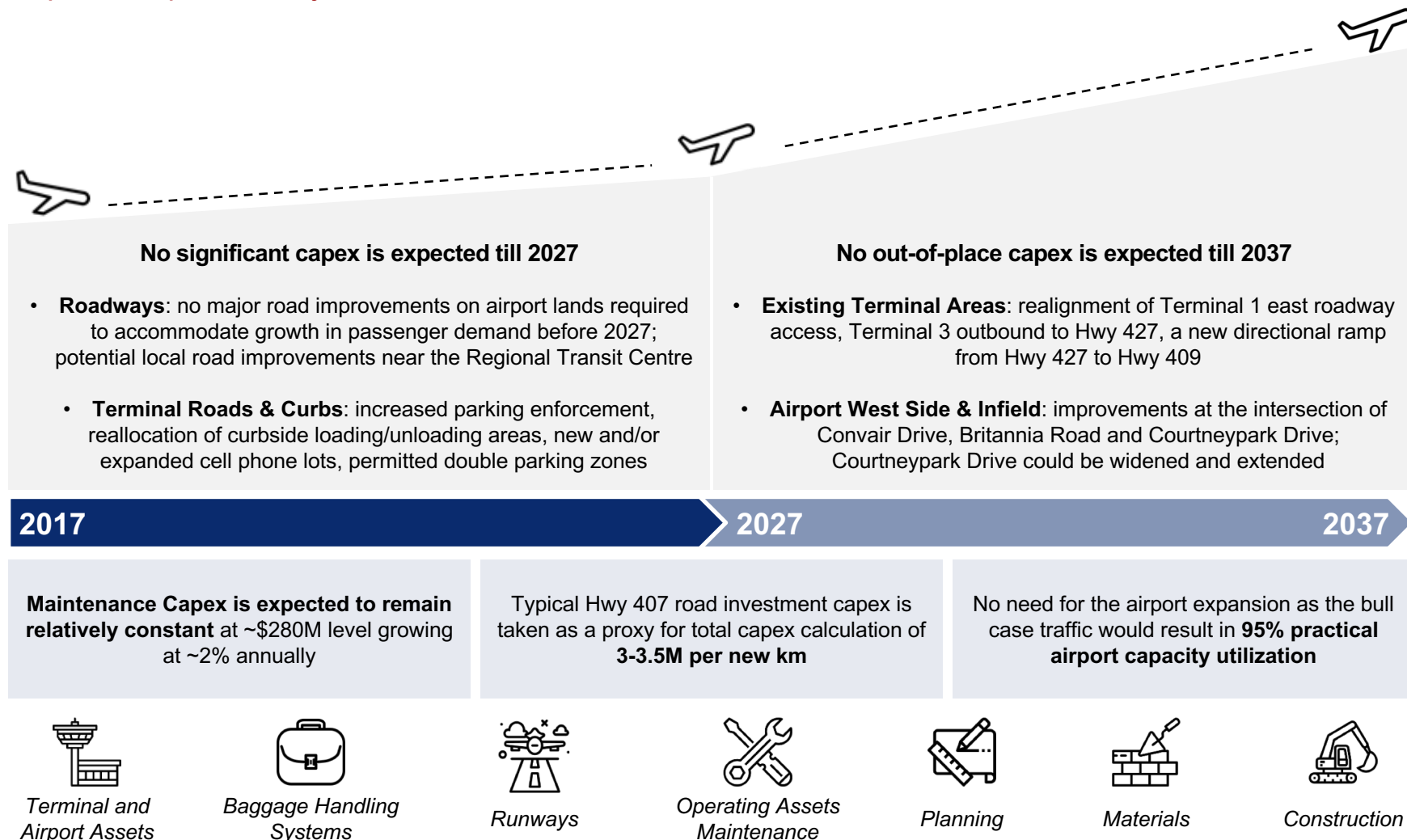
Breaking Down the Revenue & Costs



Fixed and low costs contribute to the positive cash flow generation of the company

Source: Financial Reports

Capex & Expected Projects

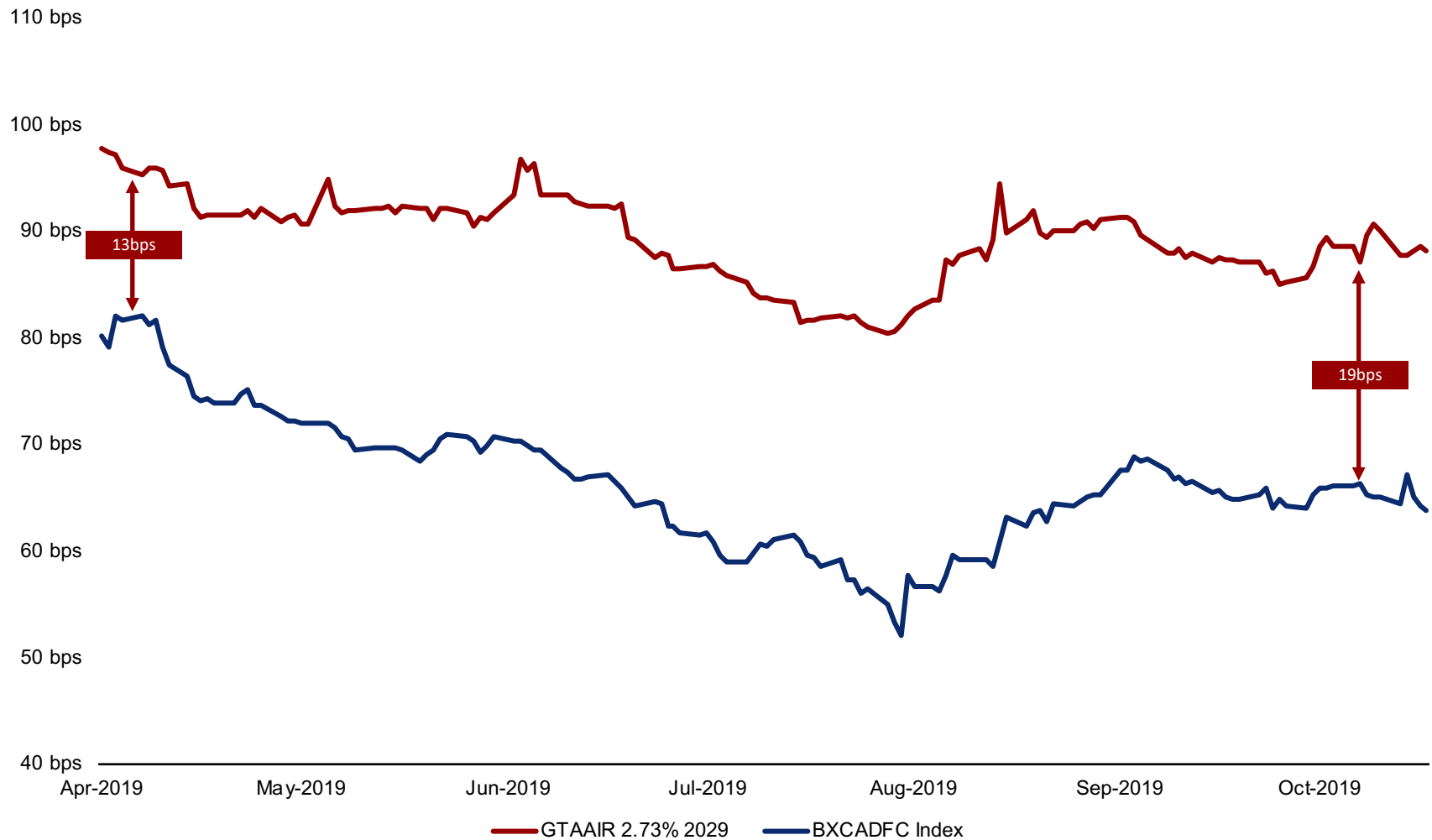


No substantial capex is expected before the maturity of this 2029 bond

Source: Company filings

Business Overview

Option-Adjusted Spread



OAS trading in line with the Canadian Investment Grade Corporate Bond Index with a slight premium priced in

Source: Bloomberg 19/10/2019

Company Overview

Bond Overview

(in \$ millions, unless noted)

Bond Metrics

Maturity	04/03/2029
Price	\$102.63
Coupon	2.730 %
YTM	2.420 %
YTW	2.420 %
OAS	87.3 bps
Modified Duration	8.156
Amount Outstanding	500M
Seniority	Secured
Rating (Issue / Corporate)	A+ / A+
Issue Date	04/03/2019

Capital Structure

\$99M First Lien Loans

\$5,645M Senior Secured Bonds

GTAAIR 2.730% 2029 - \$500M

\$1,000M Secured Bonds

No Equity

Source: Company filings, Bloomberg 10/21/2019

Investment Theses

SECTION II



Investing in Senior Secured debt of Greater Toronto Airport Authorities offers an investment grade opportunity with risks that are overpriced by bond investors

1

Favourable industry trends encourage spread compression

Shift towards narrow body planes, local population growth and international middle class growth to improve interest coverage

2

Strong economic moat

Exposure to several economies, route demand elasticity and performance in event of default strengthen GTAA's economic moat

GTAA is a great investment opportunity for with considerable yield and attractive risk profile for an investment grade bond

Investing in Senior Secured debt of Greater Toronto Airport Authorities offers an investment grade opportunity with risks that are overpriced by bond investors

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Favourable industry trends encourage spread compression

Shift towards narrow body planes, local population growth and international middle class growth to improve interest coverage

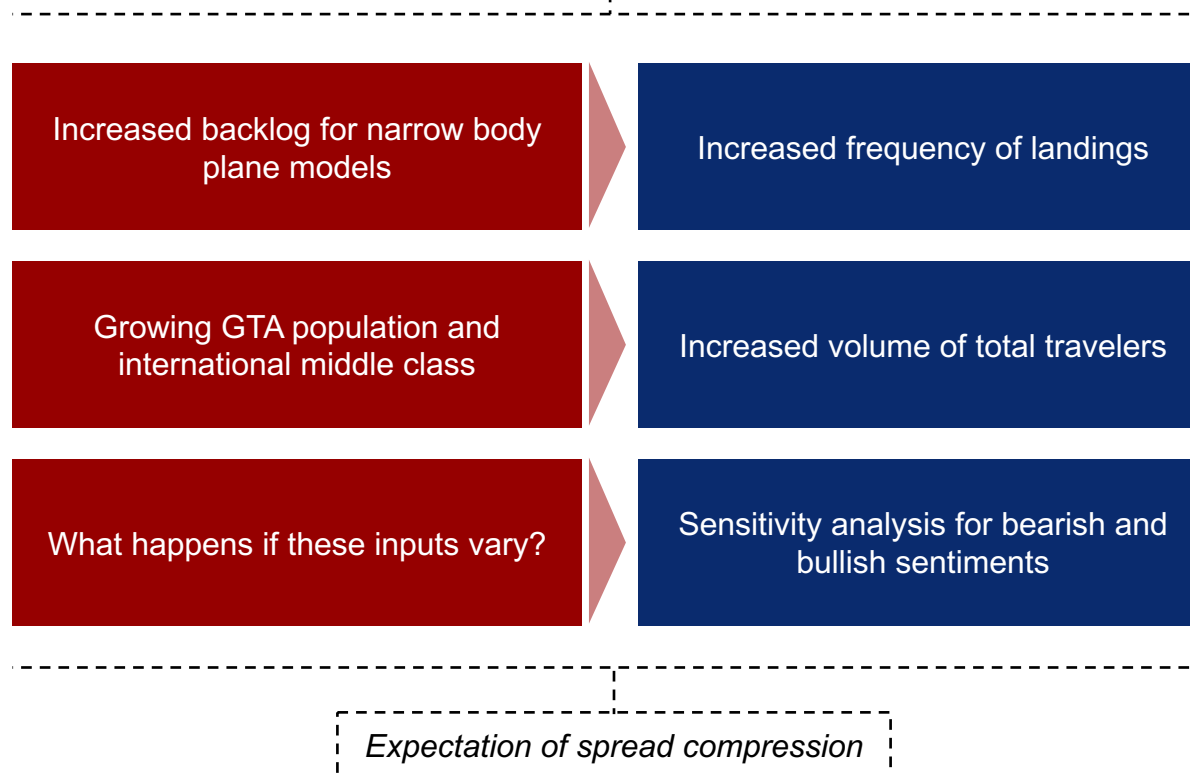
2

Strong economic moat

Exposure to several economies, route demand elasticity and performance in event of default strengthen GTAA's economic moat

GTAA is a great investment opportunity for with considerable yield and attractive risk profile for an investment grade bond

Favourable Industry Trends Will Encourage Spread Compression via Improved Debt Metrics



Industry trends are expected to increase revenues – improving interest coverage and resulting in spread compression

Favourable Industry Trends Encouraging Spread Compression

Shift Towards Narrow-Body Planes

Why Bigger Isn't Better

Fuel Efficiency

Improved aerodynamics, lighter materials, new engines

Long-Haul Distances

Possible for narrow-bodies after technological advances

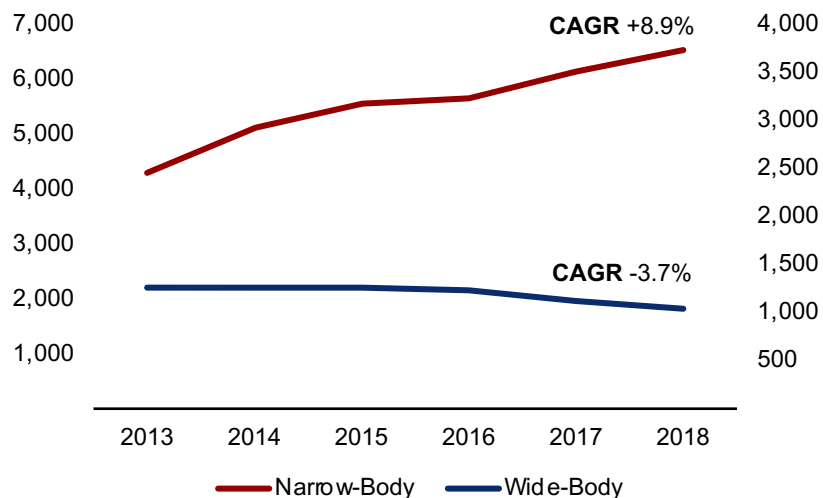
Increased Optionality

Greater service into demanded destinations

Positive Brand Sentiment

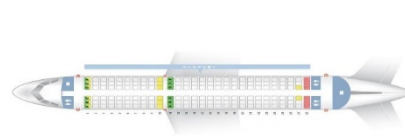
Lower fuel burns, both carbon and noise

Airbus Model Backlog



Narrow vs. Wide-Body Models

Narrow-Body (A320,B737)



MTOW ~80t

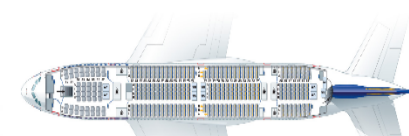
Max. carrying capacity ~108

3.60 planes

3.60x apron fees

1.13x landing fees

Wide-Body (A350,B787)



MTOW ~255t

Max. carrying capacity ~385

1 plane

1x apron fees

1x landing fees

Assuming a constant demand of passengers

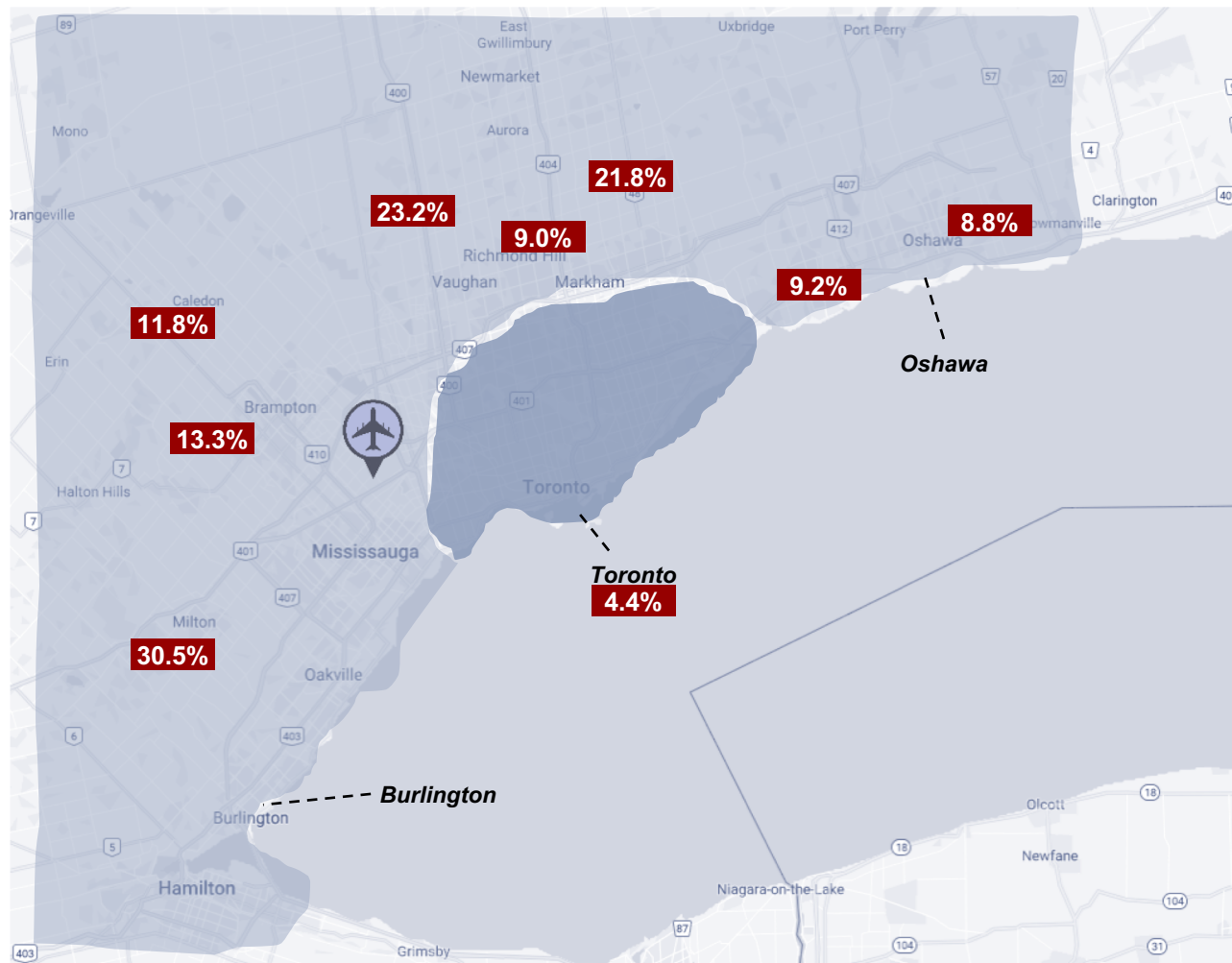
Implied revenue upside of at least 13%

Industry trend towards narrow body planes to increase revenues generated from landing fees and terminal charges

Source: Wall Street Journal, Forbes, Airbus Company Filings

Favourable Industry Trends Encouraging Spread Compression

Favourable Economic Factors for GTA



Population

Population of the GTA has been increasing at a pace higher than Canadian average

Household Income

Median GTA Household Income is 18% higher than Canadian average & the rest of Ontario

Income 60-80k

Income \$80k+

Canada Average: \$71k

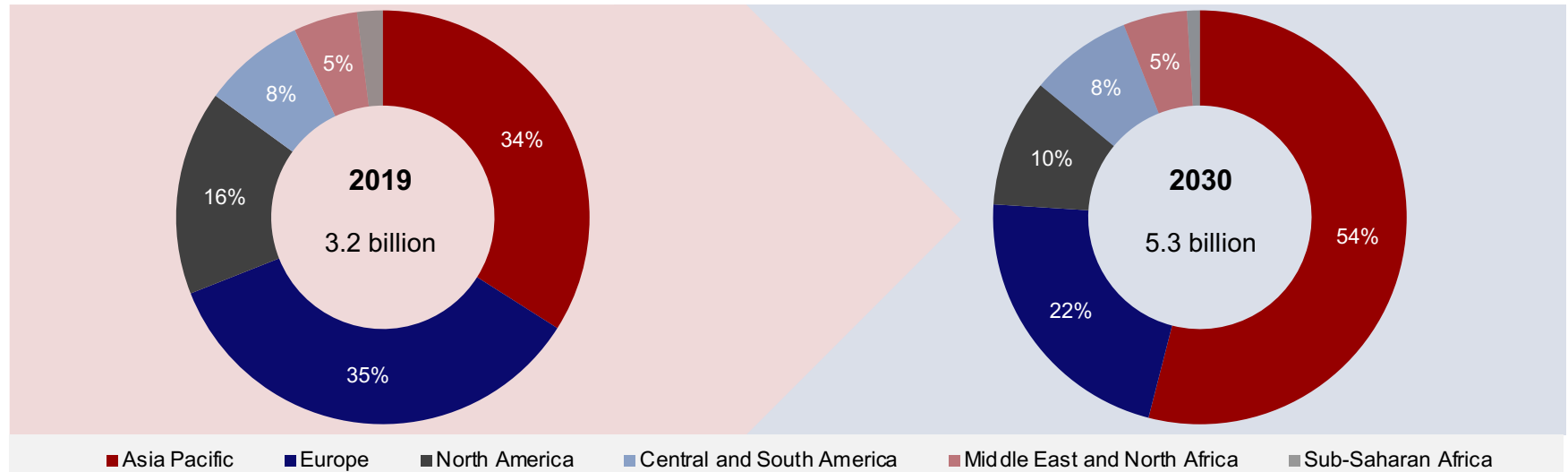
Note: Population growth 2011-2016; population density decreases by 2500 residents per sq. km. with each colour

An increasing population in the GTA combined with a rise in disposable income will lead to further passenger activity for the GTAA

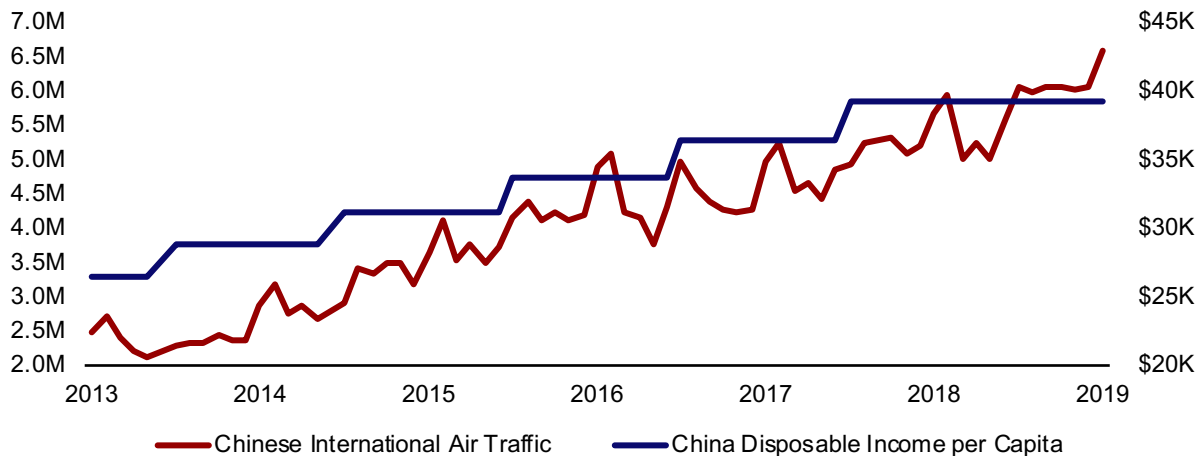
Source: Statistics Canada 27/10/2018, Company filings

Favourable Industry Trends Encouraging Spread Compression

Is the Middle Class Growing?



Disposable Income and Air Travel in China



Increase in disposable income leads to an increase in air travel

Asia will make up **88%** of the additional middle class

Toronto Pearson has **50** departures a week for China

An emerging global middle class is set to increase demand for air travel

Source: Sedar, Company filings, DCM

Favourable Industry Trends Encouraging Spread Compression

Sensitivity Analysis – The Dashboard

Case

- Different Cases on Critical Assumptions
- Two Stage of Projections
- Recovery Rate for Critical Cases

Op. Metrics

- Non-Profit = No Taxes
- Revenue and costs broken down by their respective drivers

Debt Metrics

- Covenant at 1.25x Revenue / Debt Service
- Kept Constant Capital Structure

MODEL ASSUMPTIONS

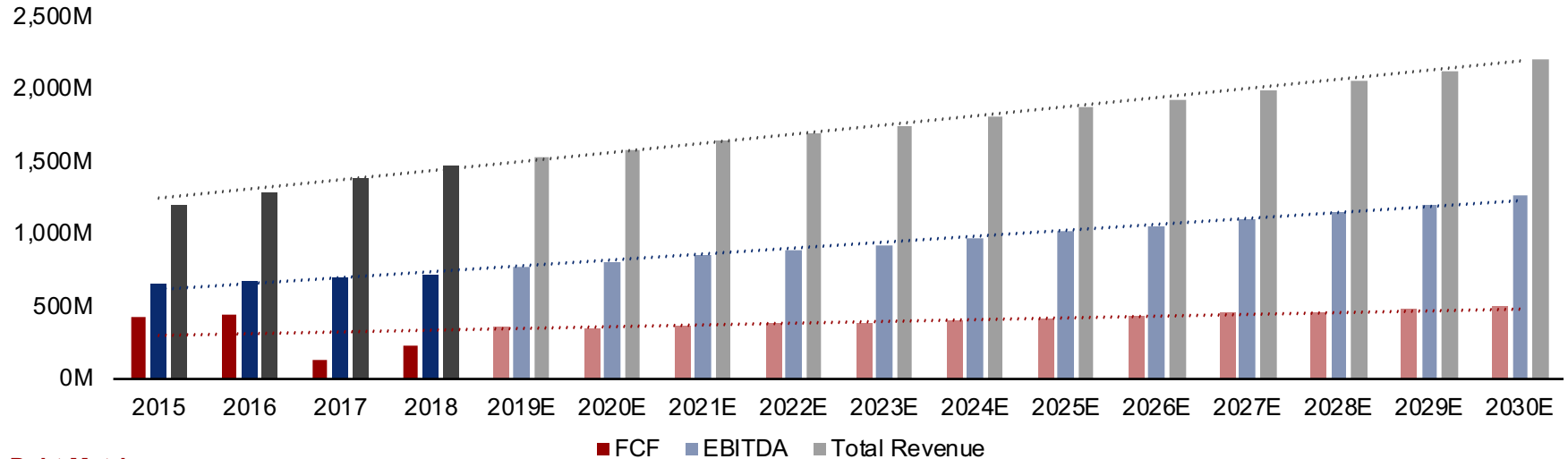
1	Revenue Drivers																																	
2	Landing & Terminal Fee		9/11 Case	Disaster	Recession	Bear	Base	Bull	2020E to 2022E		2023E+		Improvement Fees		9/11 Case	Disaster	Recession	Bear	Base	Bull	2020E to 2022E		2023E+											
3	Aircraft Movement (thds)												Fee per Seat										Base		1.0%	Base	1.0%							
4	YoY Growth		(20.0)%	(15.0)%	(10.0)%	0.6%	1.5%	1.8%	Base	1.5%	Base	1.5%	YoY Growth								(1.0)%		1.0%	2.0%	Base	1.0%								
5	MTOW per Aircraft												Car Parking And Ground Transportation & Concessions & Rentals																					
6	YoY Growth						(0.5)%	0.0%	0.5%	Base	0.0%	Base	0.0%	Passengers		(20.0)%	(15.0)%	(10.0)%	1.3%	3.1%	4.1%	Base	3.1%	Base	3.1%									
7	Fee per MTOW												YoY Growth																					
8	YoY Growth						(1.0)%	1.0%	2.0%	Base	1.0%	Base	1.0%	Pass. Parking Contribution								(1.0)%		1.0%	2.0%	Base	1.0%							
9	Pricing per Seat												YoY Growth																					
10	YoY Growth						(1.0)%	1.0%	2.0%	Base	1.0%	Base	1.0%	Pass. Concession Contribution								(1.0)%		1.0%	2.0%	Base	1.0%							
11	Seat per Plane												YoY Growth																					
12	YoY Growth						0.0%	0.0%	0.0%	Base	0.0%	Base	0.0%	Pass. Rental Contribution								(1.0)%		1.0%	2.0%	Base	1.0%							
13	YoY Growth												YoY Growth																					
14	Cost Drivers												Recovery Rate on Bear- Cases																					
15	Full-Time Employee												Recovery Rate After Recession & Below Case in 2022E																					
16	YoY Growth						(1.0)%	1.0%	2.0%	Base	1.0%	Base	1.0%	2020E-2021E Recovery								75.0%		80.0%	85.0%	Base	80.0%							
17	Cost per Employee												Recovery Rate After Recession & Below Case in 2023E																					
18	Salary Increase						1.0%	2.0%	4.0%	Base	2.0%	Base	2.0%	2020E-2022E Recovery								85.0%		90.0%	100.0%	Base	90.0%							
	Output Snapshot		2015A		2016A		2017A		2018A		2019E		2020E		2021E		2022E		2023E		2024E		2025E		2026E		2027E		2028E		2029E		2030E	
19	Revenue Metrics																																	
20	Total Revenue		1,200,640		1,285,530		1,387,686		1,471,728		1,530,409		1,583,752		1,639,007		1,696,245		1,751,829		1,809,397		1,869,023		1,930,783		1,994,757		2,061,027		2,129,680		2,200,804	
21	YoY Growth				7.1%		7.9%		6.1%		4.0%		3.5%		3.5%		3.5%		3.3%		3.3%		3.3%		3.3%		3.3%		3.3%		3.3%		3.3%	
22	Total Operating Expenses		776,927		859,188		948,462		1,028,086		1,051,557		1,087,333		1,124,354		1,162,663		1,200,238		1,239,114		1,279,337		1,320,957		1,364,023		1,408,589		1,454,709		1,502,439	
23	YoY Growth				10.6%		10.4%		8.4%		2.3%		3.4%		3.4%		3.4%		3.2%		3.2%		3.2%		3.3%		3.3%		3.3%		3.3%		3.3%	
24	EBITDA		658,716		675,139		703,816		720,616		775,382		809,284		845,220		882,662		919,607		958,424		998,981		1,041,345		1,085,462		1,131,749		1,180,299		1,231,478	
25	YoY Growth				2.5%		4.2%		2.4%		7.6%		4.4%		4.4%		4.4%		4.2%		4.2%		4.2%		4.2%		4.2%		4.3%		4.3%		4.3%	
26	EBIT		423,713		426,342		439,224		443,642		478,852		496,419		514,653		533,582		551,591		570,283		589,686		609,826		630,733		652,438		674,971		698,365	
27	YoY Growth				0.6%		3.0%		1.0%		7.9%		3.7%		3.7%		3.7%		3.4%		3.4%		3.4%		3.4%		3.4%		3.4%		3.5%		3.5%	
28	Net Income		65,905		85,481		112,153		113,703		158,389		207,067		218,401		232,935		262,740		281,432		300,835		320,975		334,488		376,929		393,024		422,363	
29	YoY Growth				29.7%		31.2%		1.4%		39.3%		30.7%		5.5%		6.7%		12.8%		7.1%		6.9%		6.7%		4.2%		12.7%		4.3%		7.5%	
30	Debt Metrics																																	
31	Revenue / Debt Service (>1.25x)		3.36x		3.77x		4.24x		4.46x		4.78x		5.47x		5.53x		5.64x		6.06x		6.26x		6.47x		6.68x		6.73x		7.48x		7.55x		7.97x	
32	Interest Coverage		1.18x		1.25x		1.34x		1.34x		1.49x		1.72x		1.74x		1.77x		1.91x		1.97x		2.04x		2.11x		2.13x		2.37x		2.39x		2.53x	
33	EBITDA Interest Coverage		1.84x		1.98x		2.15x		2.18x		2.42x		2.80x		2.85x		2.94x		3.18x		3.32x		3.46x		3.61x		3.66x		4.11x		4.19x		4.46x	
34	Net Debt / EBITDA		9.39x		8.96x		8.81x		8.72x		8.11x		7.69x		7.26x		6.96x		6.58x		6.20x		5.83x		5.46x		5.10x		4.74x		4.39x		4.03x	

The non-cyclical nature of the assets returns strong operating and debt metrics running base assumptions – Let's test it...

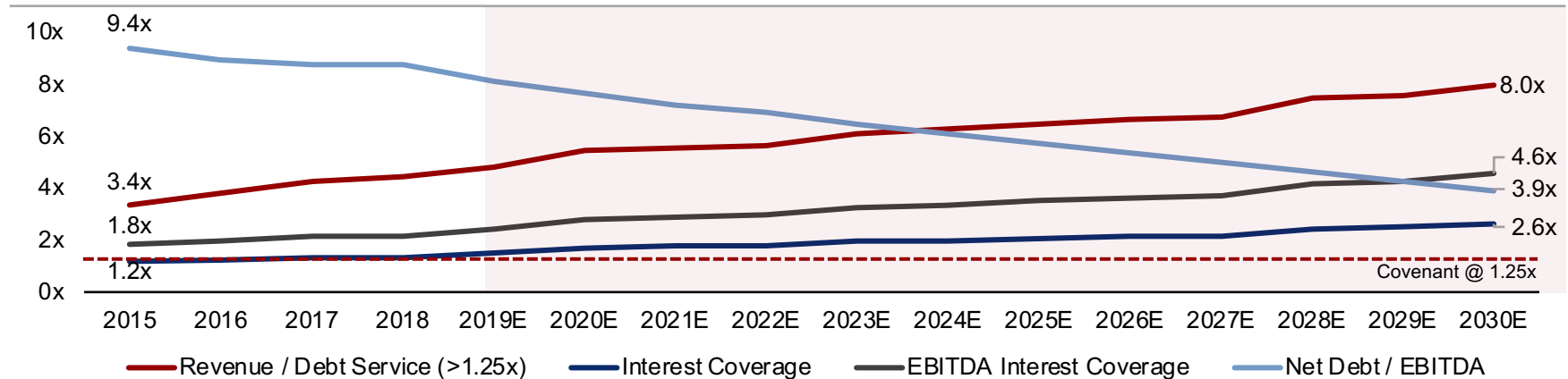
Favourable Industry Trends Encouraging Spread Compression

Sensitivity Analysis – Projected Metrics on Base Case

Operating Metrics



Debt Metrics



The non-cyclical nature of the assets returns strong operating and debt metrics running base assumptions – Let's test it...

Favourable Industry Trends Encouraging Spread Compression

Sensitivity Analysis – Recession 2008-2009 – Unexpected Decrease in Traffic

Output Snapshot	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue Metrics												
Total Revenue	1,530,409	1,519,209	1,508,169	1,497,287	1,489,873	1,482,589	1,475,434	1,468,405	1,461,501	1,454,721	1,448,062	1,441,524
YoY Growth	4.0%	(0.7)%	(0.7)%	(0.7)%	(0.5)%	(0.5)%	(0.5)%	(0.5)%	(0.5)%	(0.5)%	(0.5)%	(0.5)%
Total Operating Expenses	1,051,557	1,045,489	1,039,512	1,033,625	1,029,676	1,025,801	1,022,000	1,018,272	1,014,616	1,011,031	1,007,516	1,004,070
YoY Growth	2.3%	(0.6)%	(0.6)%	(0.6)%	(0.4)%	(0.4)%	(0.4)%	(0.4)%	(0.4)%	(0.4)%	(0.3)%	(0.3)%
EBITDA	775,382	773,813	772,575	771,081	771,765	772,612	773,425	774,206	774,831	775,648	776,672	777,339
YoY Growth	7.6%	(0.2)%	(0.2)%	(0.2)%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
EBIT	478,852	473,720	468,657	463,662	460,197	456,788	453,433	450,133	446,885	443,690	440,547	437,454
YoY Growth	7.9%	(1.1)%	(1.1)%	(1.1)%	(0.7)%	(0.7)%	(0.7)%	(0.7)%	(0.7)%	(0.7)%	(0.7)%	(0.7)%
Net Income	158,389	184,368	172,405	163,015	171,346	167,937	164,582	161,282	150,640	168,181	158,600	161,452
YoY Growth	39.3%	16.4%	(6.5)%	(5.4)%	5.1%	(2.0)%	(2.0)%	(2.0)%	(6.6)%	11.6%	(5.7)%	1.8%
Debt Metrics												
Revenue / Debt Service (>1.25x)	4.78x	5.25x	5.09x	4.98x	5.16x	5.13x	5.11x	5.08x	4.93x	5.28x	5.14x	5.22x
Interest Coverage	1.49x	1.64x	1.58x	1.54x	1.59x	1.58x	1.57x	1.56x	1.51x	1.61x	1.56x	1.58x
EBITDA Interest Coverage	2.42x	2.67x	2.61x	2.56x	2.67x	2.67x	2.68x	2.68x	2.62x	2.82x	2.75x	2.82x
Net Debt / EBITDA	8.11x	8.06x	8.00x	8.02x	7.93x	7.84x	7.74x	7.63x	7.52x	7.40x	7.27x	7.14x

General Case

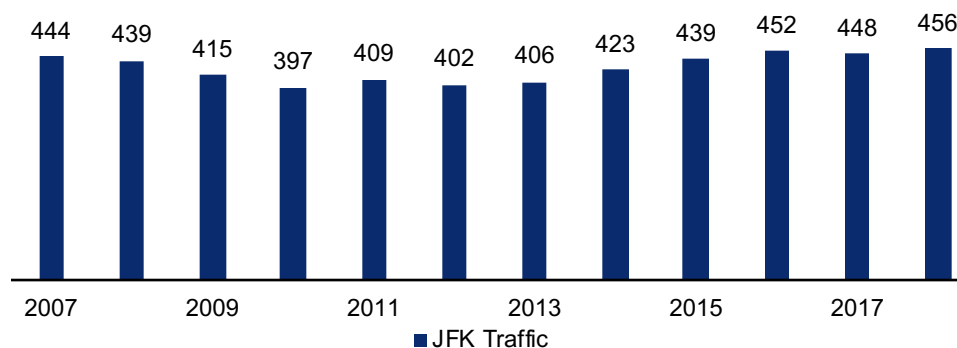
Bear

Aircraft/Passenger Movement

Debt Metrics are at an acceptable level

No default is expected

-10%

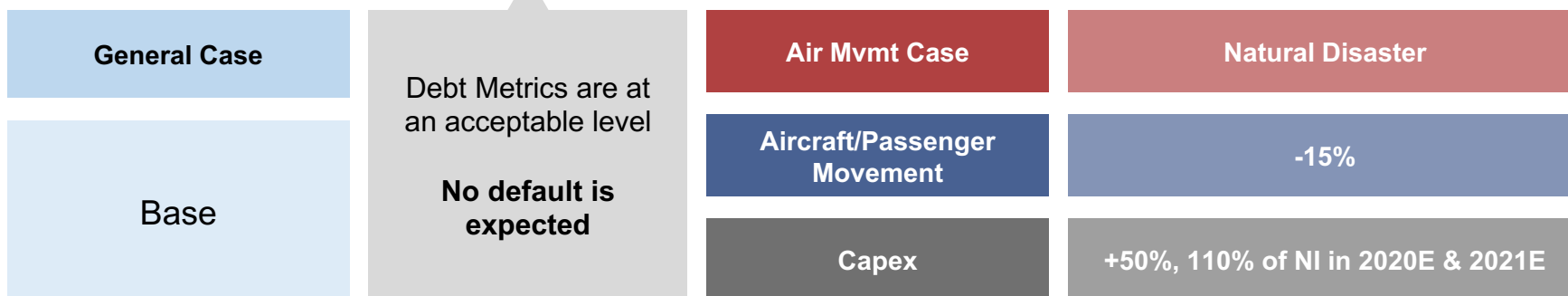


The macro situation would need to worsen more than recession levels combined with our bear case for GTAAIR to be at risk of default

Favourable Industry Trends Encouraging Spread Compression

Sensitivity Analysis – Natural Disaster Case – Unexpected Jump in Capex & Decrease in Traffic

Output Snapshot	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue Metrics												
Total Revenue	1,530,409	1,319,941	1,528,432	1,589,316	1,641,191	1,694,912	1,750,548	1,808,169	1,867,849	1,929,666	1,993,698	2,060,028
YoY Growth	4.0%	(13.8)%	15.8%	4.0%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
Total Operating Expenses	1,051,557	940,118	1,062,649	1,102,994	1,138,499	1,175,228	1,213,224	1,252,534	1,293,205	1,335,285	1,378,826	1,423,881
YoY Growth	2.3%	(10.6)%	13.0%	3.8%	3.2%	3.2%	3.2%	3.2%	3.2%	3.3%	3.3%	3.3%
EBITDA	775,382	640,084	770,415	808,566	841,557	876,277	912,588	950,551	990,108	1,031,669	1,075,320	1,121,353
YoY Growth	7.6%	(17.4)%	20.4%	5.0%	4.1%	4.1%	4.1%	4.2%	4.2%	4.2%	4.2%	4.3%
EBIT	478,852	379,823	465,783	486,323	502,693	519,685	537,324	555,635	574,644	594,380	614,871	636,147
YoY Growth	7.9%	(20.7)%	22.6%	4.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.5%
Net Income	158,389	90,471	169,531	185,677	213,842	230,834	248,473	266,784	278,399	318,872	332,924	360,144
YoY Growth	39.3%	(42.9)%	87.4%	9.5%	15.2%	7.9%	7.6%	7.4%	4.4%	14.5%	4.4%	8.2%
Debt Metrics												
Revenue / Debt Service (>1.25x)	4.78x	4.56x	5.16x	5.29x	5.68x	5.87x	6.06x	6.26x	6.31x	7.00x	7.07x	7.46x
Interest Coverage	1.49x	1.31x	1.57x	1.62x	1.74x	1.80x	1.86x	1.92x	1.94x	2.16x	2.18x	2.30x
EBITDA Interest Coverage	2.42x	2.21x	2.60x	2.69x	2.91x	3.03x	3.16x	3.29x	3.34x	3.74x	3.81x	4.06x
Net Debt / EBITDA	8.11x	9.89x	8.17x	7.79x	7.40x	7.00x	6.62x	6.24x	5.86x	5.49x	5.12x	4.76x

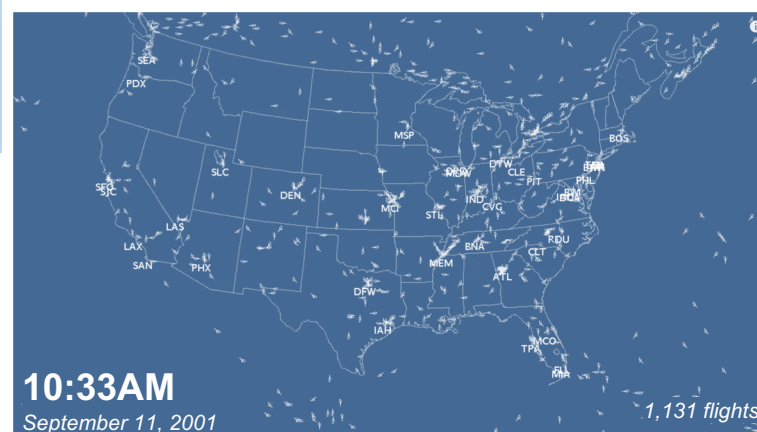
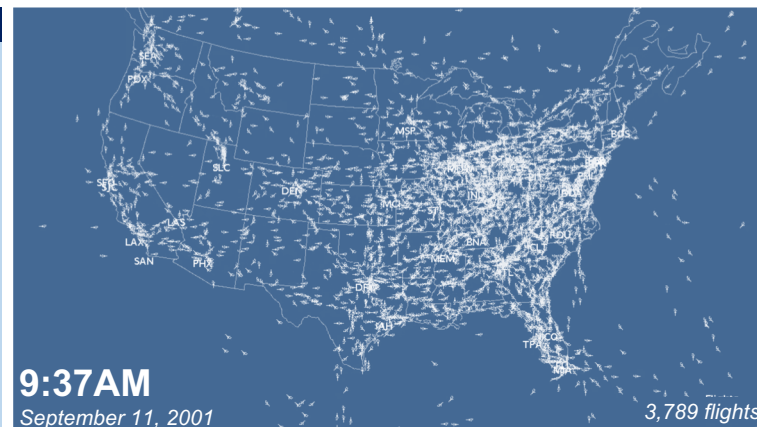
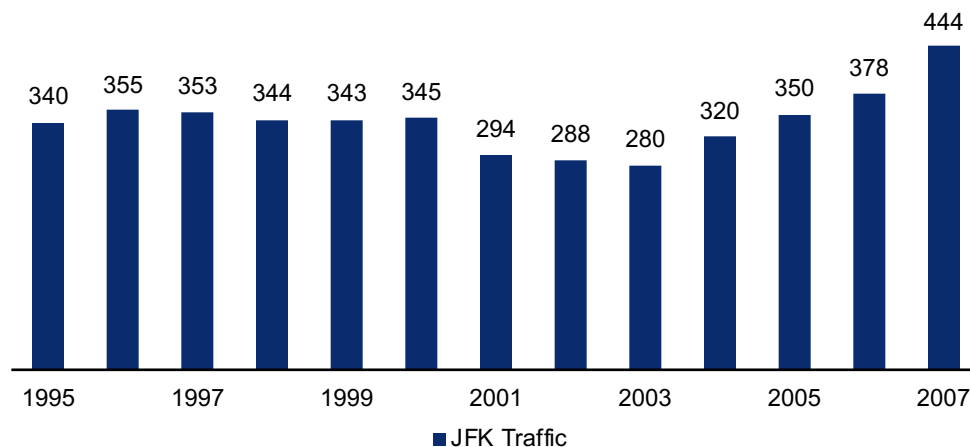


The macro situation would need to worsen to catastrophic level for GTAAIR to be at risk of default

Favourable Industry Trends Encouraging Spread Compression

Sensitivity Analysis – 9/11 Case – Decrease in Traffic

Output Snapshot	2019E	2020E	2021E	2022E	2023E	2024E
Revenue Metrics						
Total Revenue	1,530,409	1,242,298	1,512,675	1,586,118	1,637,889	1,691,502
YoY Growth	4.0%	(18.8)%	21.8%	4.9%	3.3%	3.3%
Total Operating Expenses	1,051,557	896,790	1,053,856	1,101,209	1,136,656	1,173,324
YoY Growth	2.3%	(14.7)%	17.5%	4.5%	3.2%	3.2%
EBITDA	775,382	590,286	759,165	805,139	838,016	872,618
YoY Growth	7.6%	(23.9)%	28.6%	6.1%	4.1%	4.1%
EBIT	478,852	345,507	458,819	484,909	501,233	518,178
YoY Growth	7.9%	(27.8)%	32.8%	5.7%	3.4%	3.4%
Net Income	158,389	56,155	162,567	184,263	212,382	229,327
YoY Growth	39.3%	(64.5)%	189.5%	13.3%	15.3%	8.0%
Debt Metrics						
Revenue / Debt Service (>1.25x)	4.78x	4.29x	5.11x	5.28x	5.67x	5.86x
Interest Coverage	1.49x	1.19x	1.55x	1.61x	1.74x	1.79x
EBITDA Interest Coverage	2.42x	2.04x	2.56x	2.68x	2.90x	3.02x
Net Debt / EBITDA	8.11x	10.71x	8.20x	7.73x	7.34x	6.95x



Traffic

Decreased from 4,000 to 500 within 2hrs; JFK 15% drop y/y

FAA Closure of US Airspace

The macro situation would need to worsen even more than 9/11 for GTAAIR to be at risk of default

Favourable Industry Trends Encouraging Spread Compression

Sensitivity Analysis – Default Case

Output Snapshot	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue Metrics												
Total Revenue	1,530,409	361,434	1,273,496	1,522,253	1,571,925	1,623,363	1,676,634	1,731,806	1,788,949	1,848,137	1,909,446	1,972,956
YoY Growth	4.0%	(76.4)%	252.3%	19.5%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
Total Operating Expenses	1,051,557	405,239	920,386	1,065,570	1,099,845	1,135,301	1,171,978	1,209,921	1,249,176	1,289,790	1,331,811	1,375,292
YoY Growth	2.3%	(61.5)%	127.1%	15.8%	3.2%	3.2%	3.2%	3.2%	3.2%	3.3%	3.3%	3.3%
EBITDA	775,382	25,329	592,786	747,678	778,267	810,502	844,243	879,547	916,351	955,064	995,767	1,038,710
YoY Growth	7.6%	(96.7)%	2240.4%	26.1%	4.1%	4.1%	4.2%	4.2%	4.2%	4.2%	4.3%	4.3%
EBIT	478,852	(43,806)	353,110	456,683	472,079	488,062	504,656	521,885	539,773	558,348	577,635	597,664
YoY Growth	7.9%	(109.1)%	(906.1)%	29.3%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.5%	3.5%
Net Income	158,389	(333,158)	56,857	156,037	183,228	199,211	215,805	233,034	243,528	282,839	295,688	321,661
YoY Growth	39.3%	(310.3)%	(117.1)%	174.4%	17.4%	8.7%	8.3%	8.0%	4.5%	16.1%	4.5%	8.8%
Debt Metrics												
Revenue / Debt Service (>1.25x)	4.78x	1.25x	4.30x	5.06x	5.44x	5.62x	5.80x	6.00x	6.04x	6.71x	6.77x	7.15x
Interest Coverage	1.49x	(0.15)x	1.19x	1.52x	1.63x	1.69x	1.75x	1.81x	1.82x	2.03x	2.05x	2.17x
EBITDA Interest Coverage	2.42x	0.09x	2.00x	2.49x	2.69x	2.81x	2.92x	3.04x	3.09x	3.47x	3.53x	3.76x
Net Debt / EBITDA	8.11x	259.76x	10.81x	8.57x	8.13x	7.73x	7.34x	6.96x	6.58x	6.20x	5.82x	5.45x

General Case	The bond defaults at Revenue/Debt Service of 1.25x	Air Mvmt Case		9/11 Case
Base		Aircraft Movement		-75%
		Passenger Traffic		-80.5%
		Recovery Rate	Stage 1	75%
			Stage 2	85%

The macro situation would need to worsen to catastrophic level for GTAAIR to be at risk of default

Favourable Industry Trends Encouraging Spread Compression

Case Study – Airport Bankruptcy Cases



Name	Viracopos Int. Airport	Ciudad Real Airport	Ljubljana Jože Pučnik Airport
Location	17km to Campinas; 100km to Sao Paulo, Brazil	222km to Madrid, Spain	26km to Ljubljana, Slovenia
State	Bankrupt (Filed in 2018)	Bankrupt (Opened 2009 – Closed 2012)	In poor condition
Reason	<ul style="list-style-type: none"> • US\$847m of debt • Passenger volumes at their lowest level for the period since 2013; although commercial results were good it was only 40% of what was initially projected • Continues to operate 	<ul style="list-style-type: none"> • Was intended to act as an overflow airport for Madrid → not convenient as it's 227km from Madrid • Over-optimism → anticipated 10M passengers; Madrid expanded the airport to 70M 	<ul style="list-style-type: none"> • Bankruptcy of an airline (Adria) that operated half of the routes of the airport <ul style="list-style-type: none"> • Continues to operate • Routes will be operated by other players
Conclusion	Poor economic conditions	Poor planning of its construction	High exposure to a few airlines

Pearson Airport is not expected to be impacted by the same factors as it has shown its resilience to different situations throughout the years

Investing in Senior Secured debt of Greater Toronto Airport Authorities offers an investment grade opportunity with risks that are overpriced by bond investors

1

Favourable industry trends encourage spread compression

Shift towards narrow body planes, local population growth and international middle class growth to improve interest coverage

2

Strong economic moat

Exposure to several economies, route demand elasticity and performance in event of default strengthen GTAA's economic moat

GTAA is a great investment opportunity for with considerable yield and attractive risk profile for an investment grade bond



Risk of influence from foreign
macroeconomic conditions

Highly diversified destinations does
not place any excess weight on any
specific location

Risk of airlines changing hubs for
international connecting flights

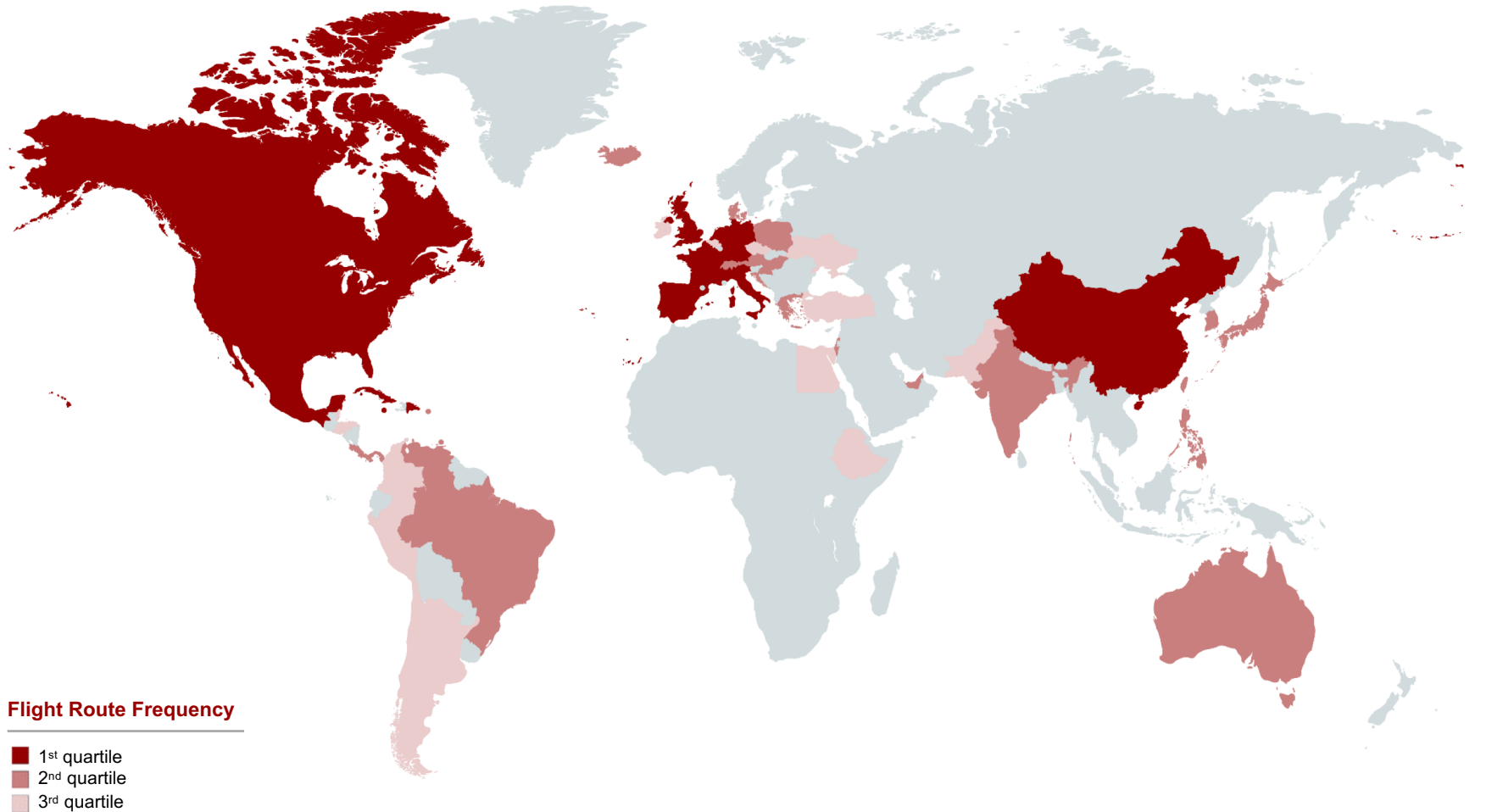
Canadian international positioning
gives few options for path changes

Economic Moat

Positioning and natures of GTAA's Toronto Pearson Int. Airport creates a significant economic moat

Strong Economic Moat

Where Are We Going?



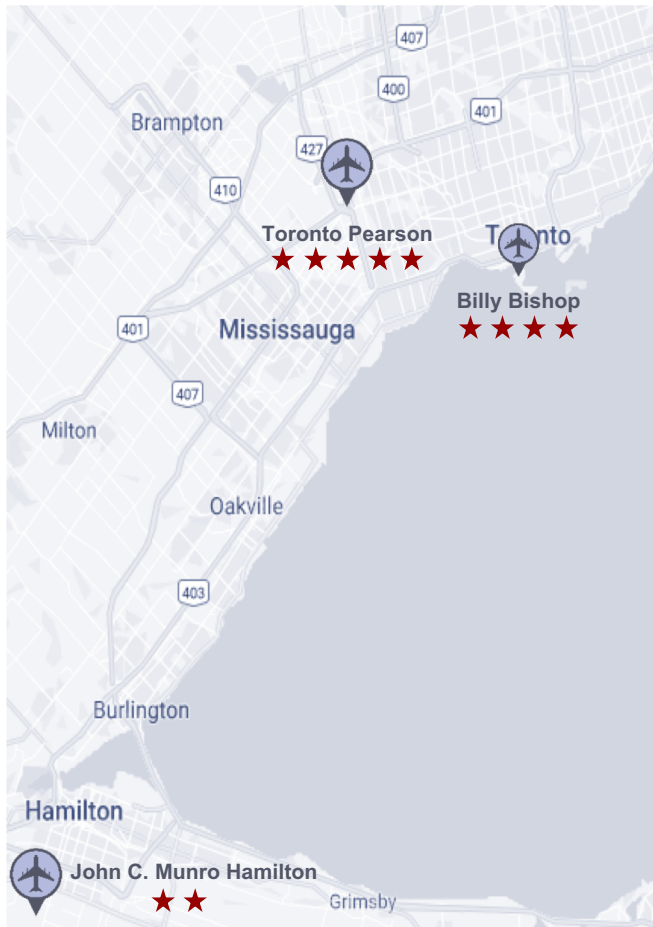
Diversified exposure to worldwide macro economic conditions with flight route frequency

Source: Company Filings

Strong Economic Moat

What Are My Options?

Ranking the GTA Airports



	Toronto Pearson	Billy Bishop	John C. Munro
International	★★★★★	★★	★
Domestic	★★★★★	★★★★★	★★★★★
Reliability	★★★★★	★★★	★★★
Accessibility	★★★★	★★★★	★★★

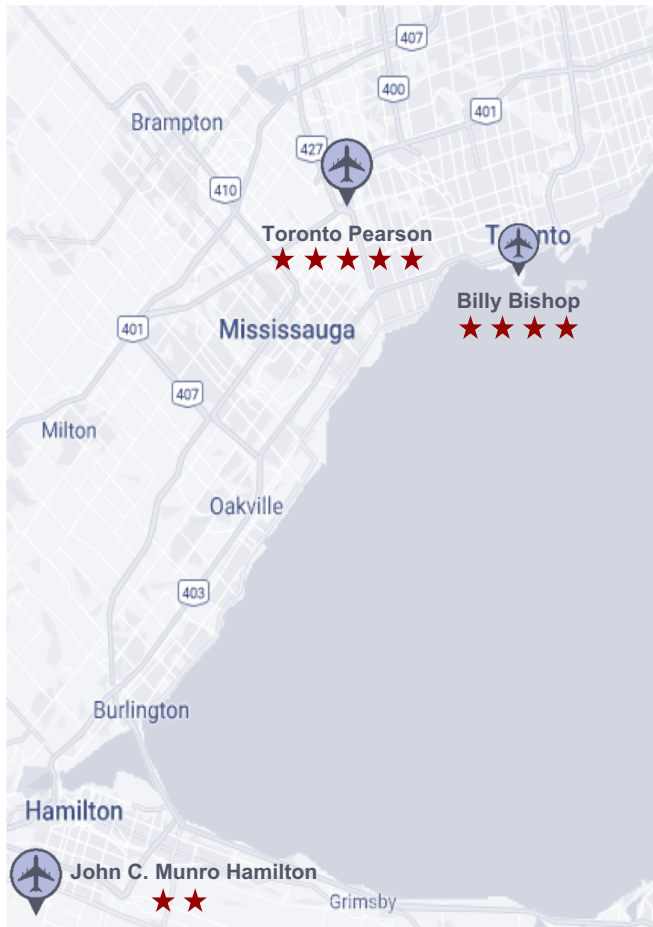
Domestic flight connections is the most competitive space for airports in and surrounding the GTA

Source: Company Filings, WSP Consulting Report

Strong Economic Moat

What Are My Options?

Ranking the GTA Airports



	Toronto Pearson	Billy Bishop	John C. Munro
International	★★★★★	★★	★
Domestic	★★★★★	★★★★★	★★★★★
Reliability	★★★★★	★★★	★★★
Accessibility	★★★★	★★★★	★★★

Toronto Pearson's differentiation in accessibility, reliability and international routes outweighs concern for added domestic competition

Source: Company Filings, WSP Consulting Report

Strong Economic Moat

What Are My Options? – International Travelling



Transfer: International

Route: **LHR-KEF-YYZ**
 Time: **~11hrs**
 Cost: **\$600-800**
 Connecting Flight: **Yes - 1**

Fees paid to Pearson: **Yes**

Direct Flight

Route: **LHR-YYZ**
 Time: **~7hrs**
 Cost: **\$600-700**
 Connecting Flight: **No**

Fees paid to Pearson: **Yes**

Transfer: Domestic Billy Bishop

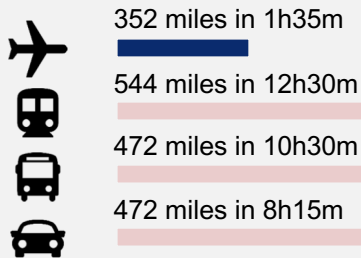
Route: **LHR-FRA-YUL-YTZ**
 Time: **~13hrs**
 Cost: **\$600-800**
 Connecting Flight: **Yes - 2**

Fees paid to Pearson: **No**



Strong Economic Moat

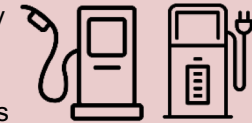
Environmental & Social Concerns – Possible Shift Away From Flying



Travel Time In Hours

Equation

Travel mode energy
with fuel types
converted to
gasoline equivalents



Energy Intensity



X

Based on
average passenger
load to calculate
occupancy

Passenger Transported

=

Based on how
far a passenger
can be moved with a
gallon of fuel



Efficiency

Assumptions

Average Occupancy

80%

Passengers per Car

2.2

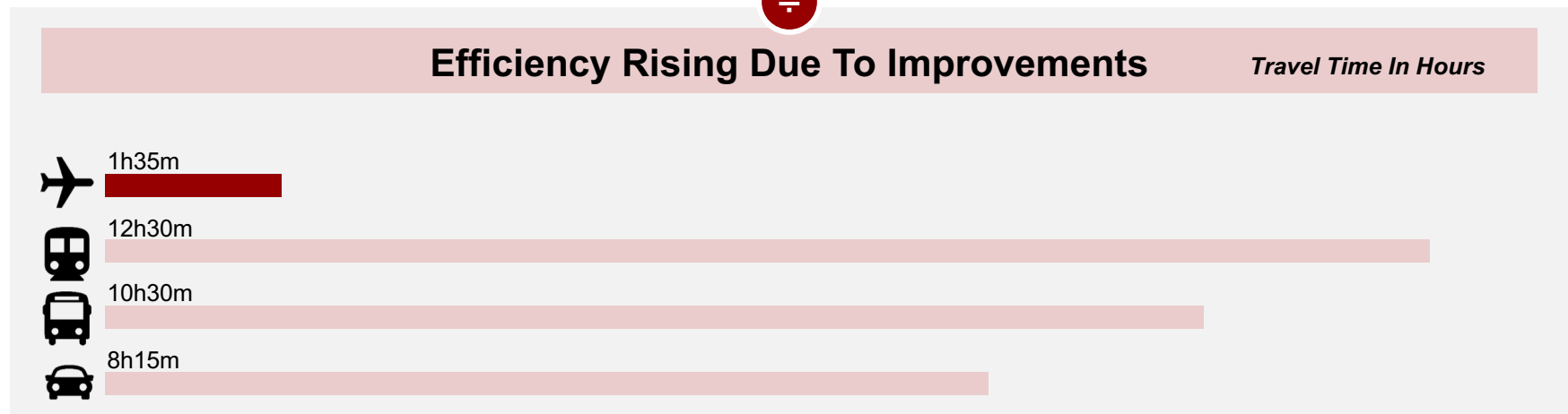
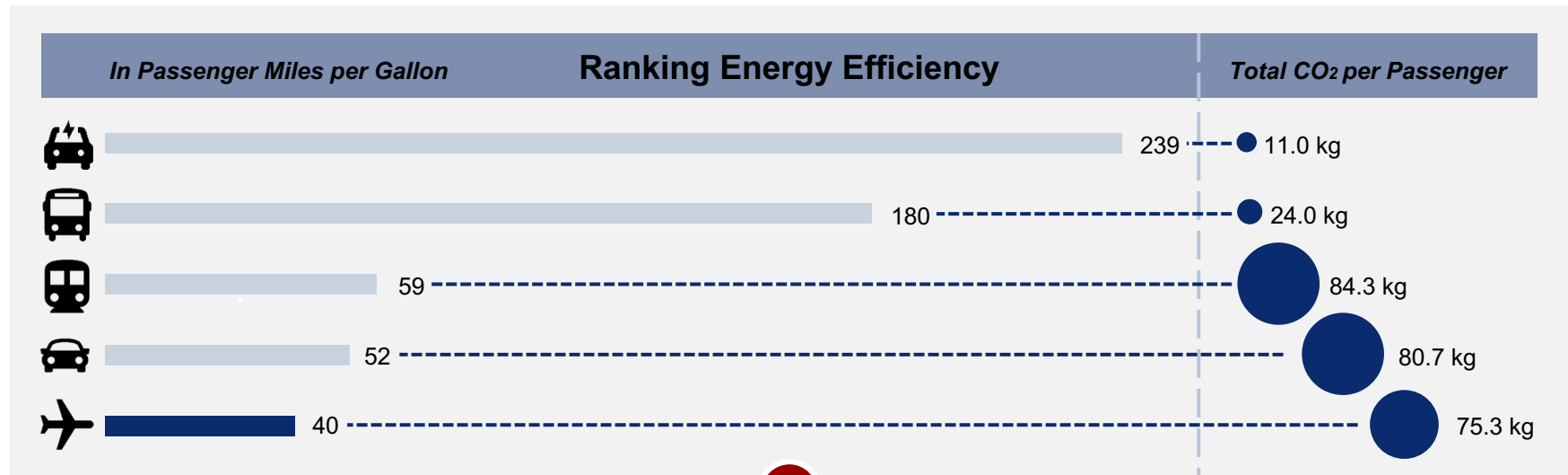
Efficiency is impacted by distance
traveled, occupancy and vehicle design

Choosing to fly might not be the greenest option at first sight, but it is much faster – Although, is it the greenest on a mile & time adjusted-basis?

Source: National Geographic

Strong Economic Moat

Environmental & Social Concerns – Possible Shift Away From Flying

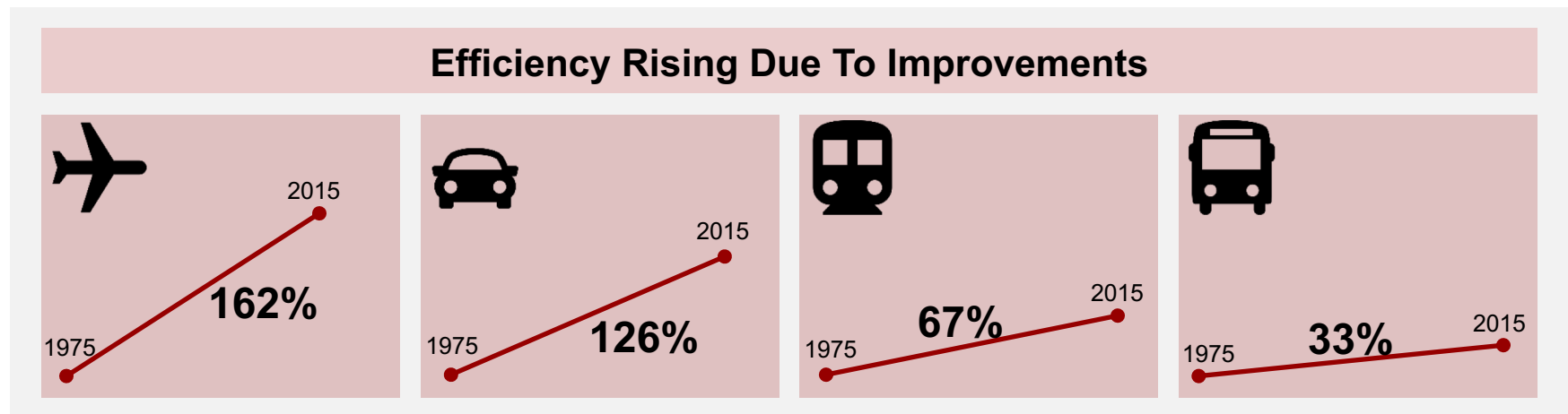
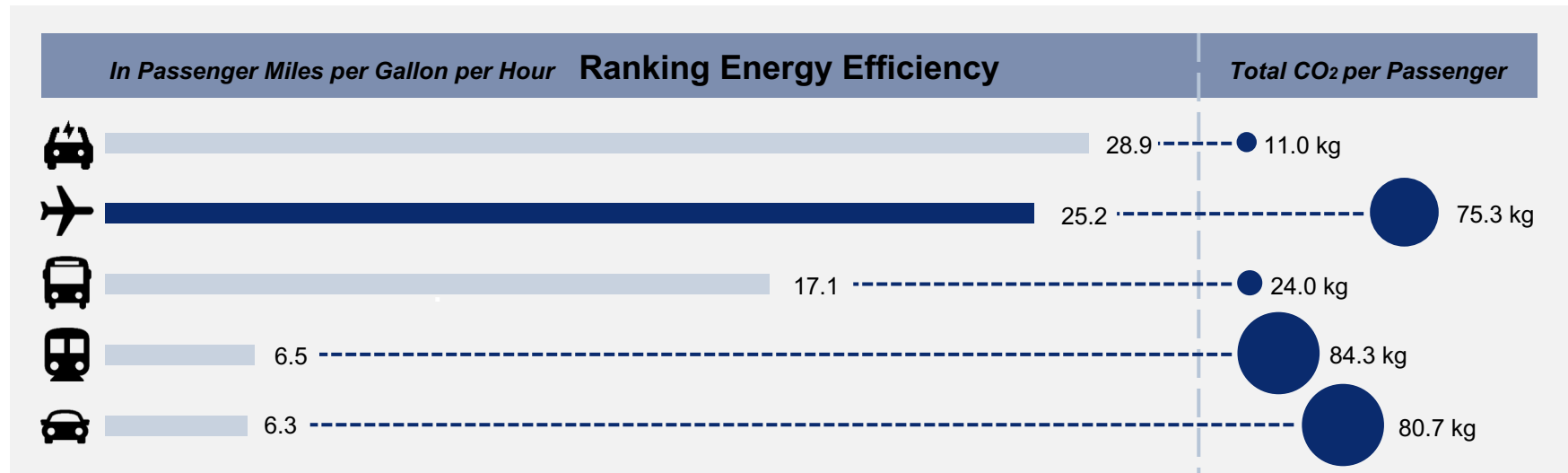


On a distance travelled adjusted-basis in miles, the Bus and the Electric Car are by far more efficient – What if we adjust for time?

Source: National Geographic

Strong Economic Moat

Environmental & Social Concerns – Possible Shift Away From Flying



While choosing plane as transportation mode might not be perceived as the “greenest option”, it is on an efficiency time and distance adjusted-basis

Source: National Geographic

Strong Economic Moat

What Needs to Happen for GTAA to Default?

GTAA's revenue growth is its primary focus in meeting covenants

Covenant, consisting of two financial tests (an operating covenant and debt service covenant) such that: i) Revenues in each Fiscal Year are sufficient to make all required debt service payments and deposits in funds and reserve funds, and all other payments required to be made by the GTAA in the ordinary course of its consolidated business; and ii) Net Revenues, together with any Transfer from the General Fund in each Fiscal Year, equal at least 125 per cent of the Annual Debt Service for each Fiscal Year; (as such capitalized terms are defined in the Trust Indenture). The GTAA sets

1 Debt service payments cannot exceed **revenues** within a fiscal year

2 Net **revenues** must be at least 1.25x debt service payments for the fiscal year

The Landlord

Her Majesty The Queen

Represented by the Canadian Minister of Transport



The Tenant

Greater Toronto Airports Authority

Largest and busiest international airport in Canada

Generation of **332,000 jobs** & serving of **49.5 million passengers**

In the event of default, the Canadian government has a strong incentive to support the airports recovery due to its economic impact


Source: Company Filings

Conclusion and Q&A



Conclusion and Q&A

Fixed Income Analysis on GTAA



Toronto Pearson
For You. The World.

Canada's largest airport and second in North America to John F. Kennedy in New York

<p>\$1,472M revenue</p>	<p>\$444M EBIT</p>
<p>\$6,651M liabilities</p>	<p>330,000 jobs facilitated</p>
<p>49.5M passengers in 2018</p>	<p>476,000 flights in 2018</p>

Business Overview

GTAA Introduction

Revenues & Costs

Bond Overview

Investment Theses

1 Favourable Industry Trends

Shift Towards Narrow Body Planes

GTA Population Growth

International Middle-Class

2 Economic Moat

Exposure to Foreign Economies

Route Demand

Event of Default

Investing in GTAA's Senior Secured debt offers an opportunity to generate investment grade returns in the near future

Recommendation to **BUY** GTAAIR 2.730% 2029

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