

BMO Capital Markets
Annual Infrastructure &
Utilities Conference

407 International

February 8, 2018



407 ETR
Express Toll Route
FAST. SAFE. RELIABLE.

Disclaimer/Disclosure

- This presentation has been prepared by 407 ETR.
- The financial information presented is taken from quarterly and year-end statistics that have been disclosed publicly.
- All financial amounts are shown in Canadian dollars unless otherwise indicated.
- Additional information relating to 407 ETR and / or 407 International, including the 2016 Annual Information Form dated February 9, 2017, can be accessed on SEDAR.
- The statements about expected future events and financial and operating results are forward-looking. Forward-looking statements may include words such as anticipate, believe, could, expect, goal, intend, may, outlook, plan, strive, target and will. These statements reflect internal projections, expectations, future growth, performance and business prospects and opportunities, and, as they are subject to a number of risks and uncertainties, you are cautioned not to put undue reliance upon such statements as they may differ from actual results and developments.



1 Fundamentals

407 International Shareholders

SNC Lavalin: 16.77%

Engineering, construction and investor in infrastructure projects. Developer and Initial Investor.

CPPIB: 10% + 30%

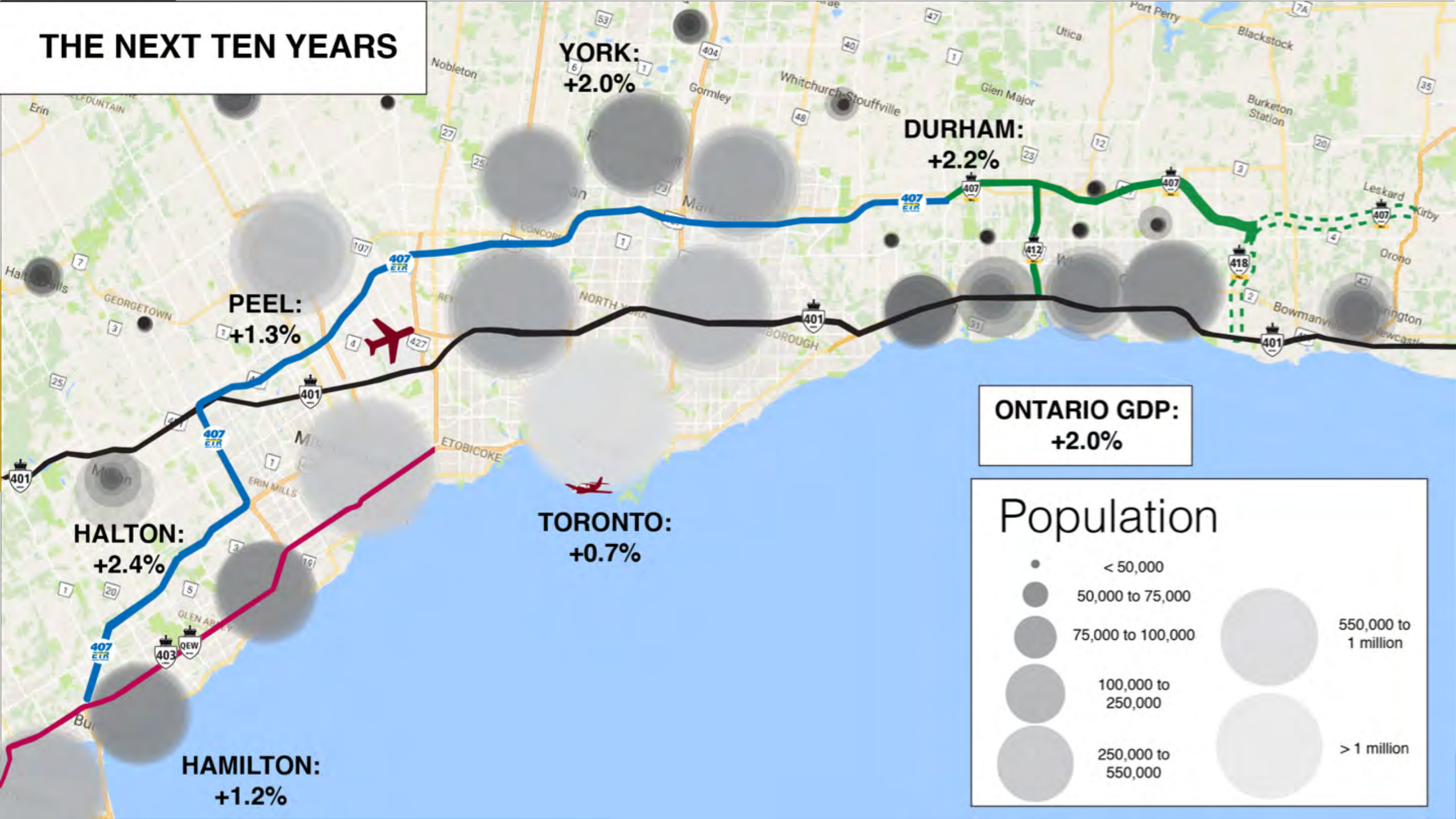
Canada Pension Plan Investment Board. Over \$328B under mgmt. Bought 10% of Cintra interest and Intoll in 2010.

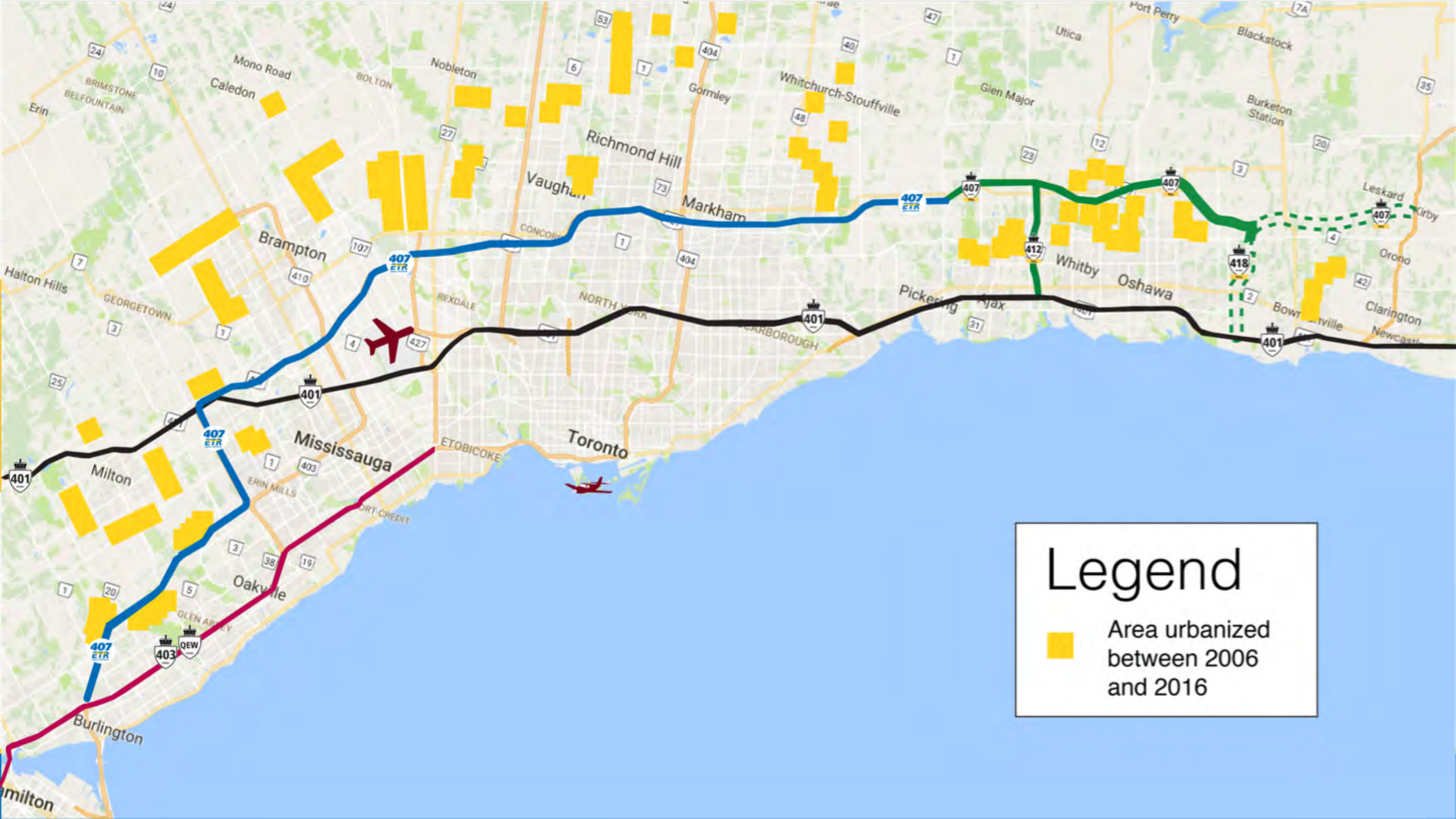


Cintra: 43.23%


100% subsidiary of Ferrovial. Owns and operates toll roads worldwide. Developer and Initial Investor.

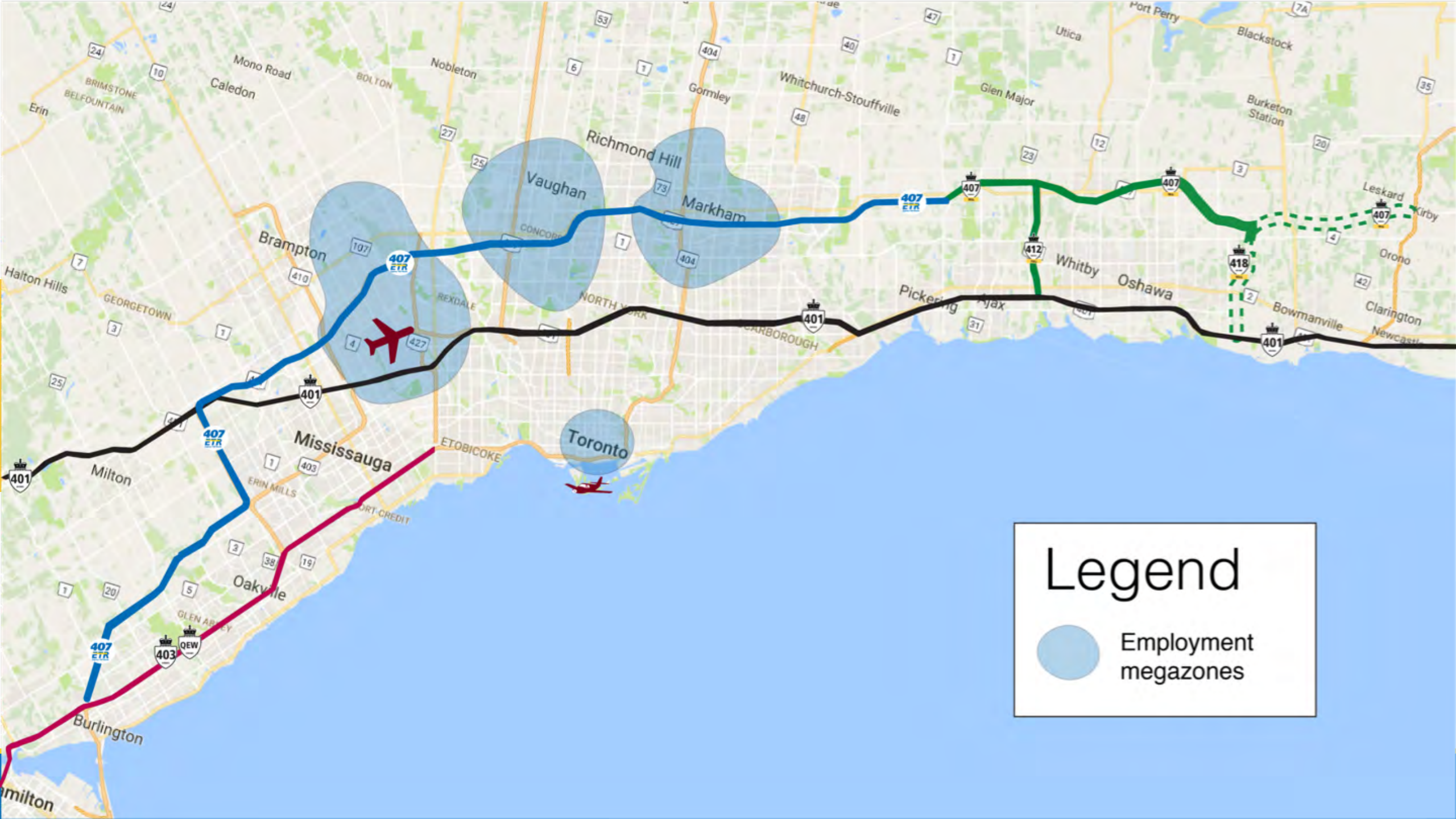
THE NEXT TEN YEARS






Legend

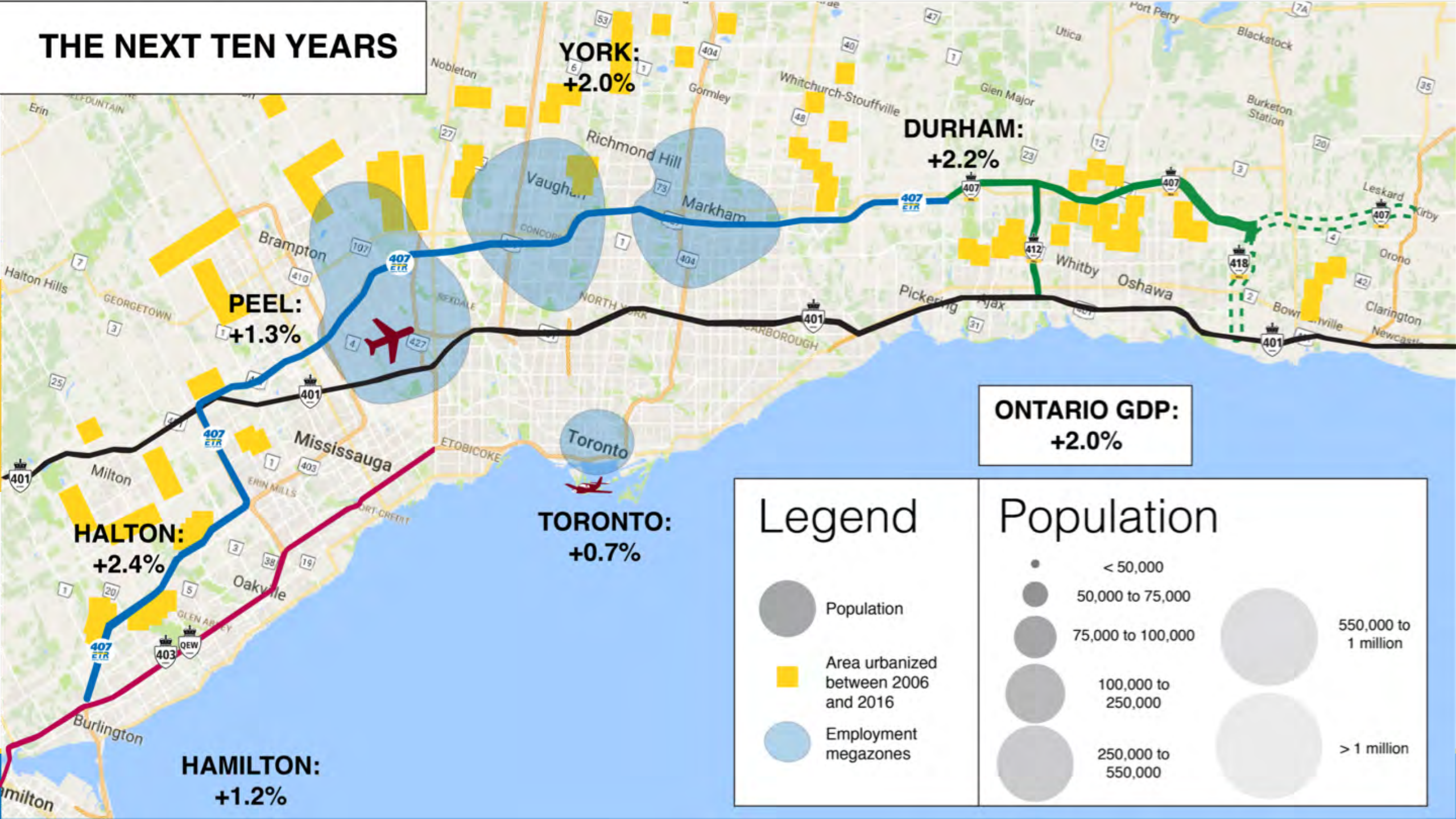
 Area urbanized between 2006 and 2016



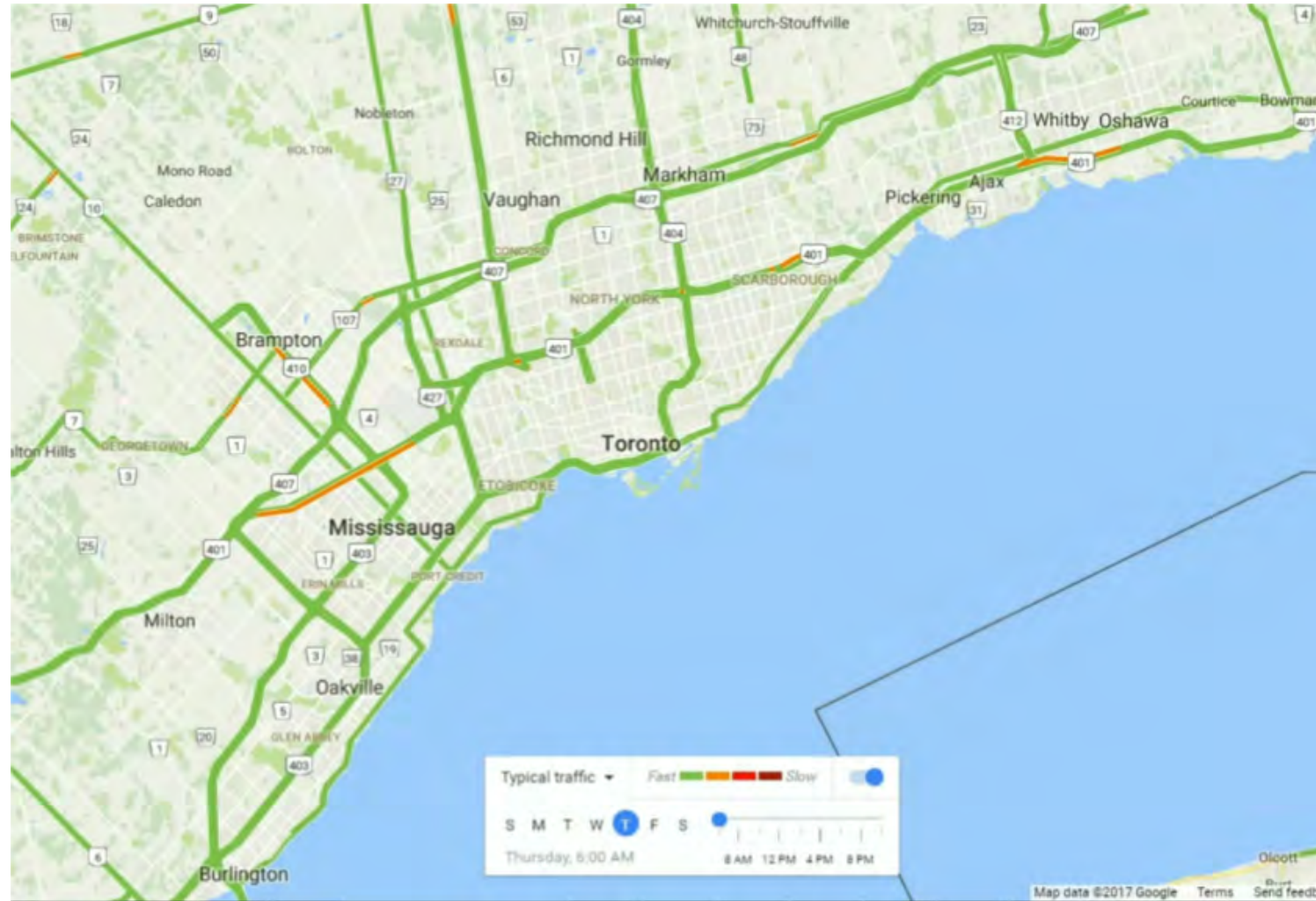
Legend

 Employment megazones

THE NEXT TEN YEARS



Regular Workday Traffic Pattern



Congestion: Greater Toronto Area Morning Rush

Highway 401



Highway 407 ETR



Outlook and Considerations

GTA Population

- +1.0 million people by 2026

Operational Advantages

- Highway 407 East extension
- Speed advantage: 4x
- 20% more lane capacity

Lease Considerations

- Flexibility to set tolls
- 81 years remaining





2 Recent developments

New Zone in 2018 to Reflect Driving Patterns



\$5.44

2010 average revenue per trip

\$9.02

2016 average revenue per trip

Light Vehicle Rates* for vehicles 5,000 kg or less (cars, minivans and SUVs)

Highway 407 ETR				Highway 407 and Highway 412 Toll rates are set by the Government of Ontario and the revenues retained by the Province. For more information, visit www.on407.ca .
WEEKENDS & HOLIDAYS 11 am - 7 pm 30.83 ¢/km 7 pm - 11 am 23.38 ¢/km	WEEKDAYS 7 pm - 6 am 23.38 ¢/km 10 am - 2:30 pm 33.81 ¢/km	Weekday rates between 6 am and 7 pm are determined by the zone, direction and time of travel. Detailed rates are listed by zone below.	PEAK HOURS AM: 7 - 9 & PM: 3:30 - 6 PEAK PERIODS AM: 6 - 7 & 9 - 10 PM: 2:30 - 3:30 & 6 - 7	

Zone 1 QEW to Highway 401		Zone 2 Highway 401 to Highway 427		Zone 3 Highway 427 to Highway 404		Zone 4 Highway 404 to Brock Road	
EASTBOUND PEAK HOURS: AM: 47.09 ¢/km PM: 43.30 ¢/km PEAK PERIOD: AM: 39.33 ¢/km PM: 38.11 ¢/km	WESTBOUND PEAK HOURS: AM: 42.18 ¢/km PM: 51.00 ¢/km PEAK PERIOD: AM: 37.08 ¢/km PM: 42.55 ¢/km	EASTBOUND PEAK HOURS: AM: 46.66 ¢/km PM: 49.21 ¢/km PEAK PERIOD: AM: 39.57 ¢/km PM: 41.05 ¢/km	WESTBOUND PEAK HOURS: AM: 43.78 ¢/km PM: 48.34 ¢/km PEAK PERIOD: AM: 38.49 ¢/km PM: 42.55 ¢/km	EASTBOUND PEAK HOURS: AM: 46.24 ¢/km PM: 50.55 ¢/km PEAK PERIOD: AM: 39.21 ¢/km PM: 42.17 ¢/km	WESTBOUND PEAK HOURS: AM: 44.60 ¢/km PM: 47.91 ¢/km PEAK PERIOD: AM: 39.21 ¢/km PM: 42.17 ¢/km	EASTBOUND PEAK HOURS: AM: 41.39 ¢/km PM: 48.76 ¢/km PEAK PERIOD: AM: 36.38 ¢/km PM: 40.68 ¢/km	WESTBOUND PEAK HOURS: AM: 46.24 ¢/km PM: 42.89 ¢/km PEAK PERIOD: AM: 39.21 ¢/km PM: 37.75 ¢/km

The Heavy Vehicle Rate** for vehicles over 5,000 kg (large trucks and buses) is two times the Light Vehicle Rate.
The Heavy Multiple Unit Vehicle Rate** (tractor trailers) is three times the Light Vehicle Rate.

Current and Ultimate Number of Lanes



E2:
Two additional lanes
in each direction

Current Construction



407 ETR as a Service Provider

The New Toll Roads

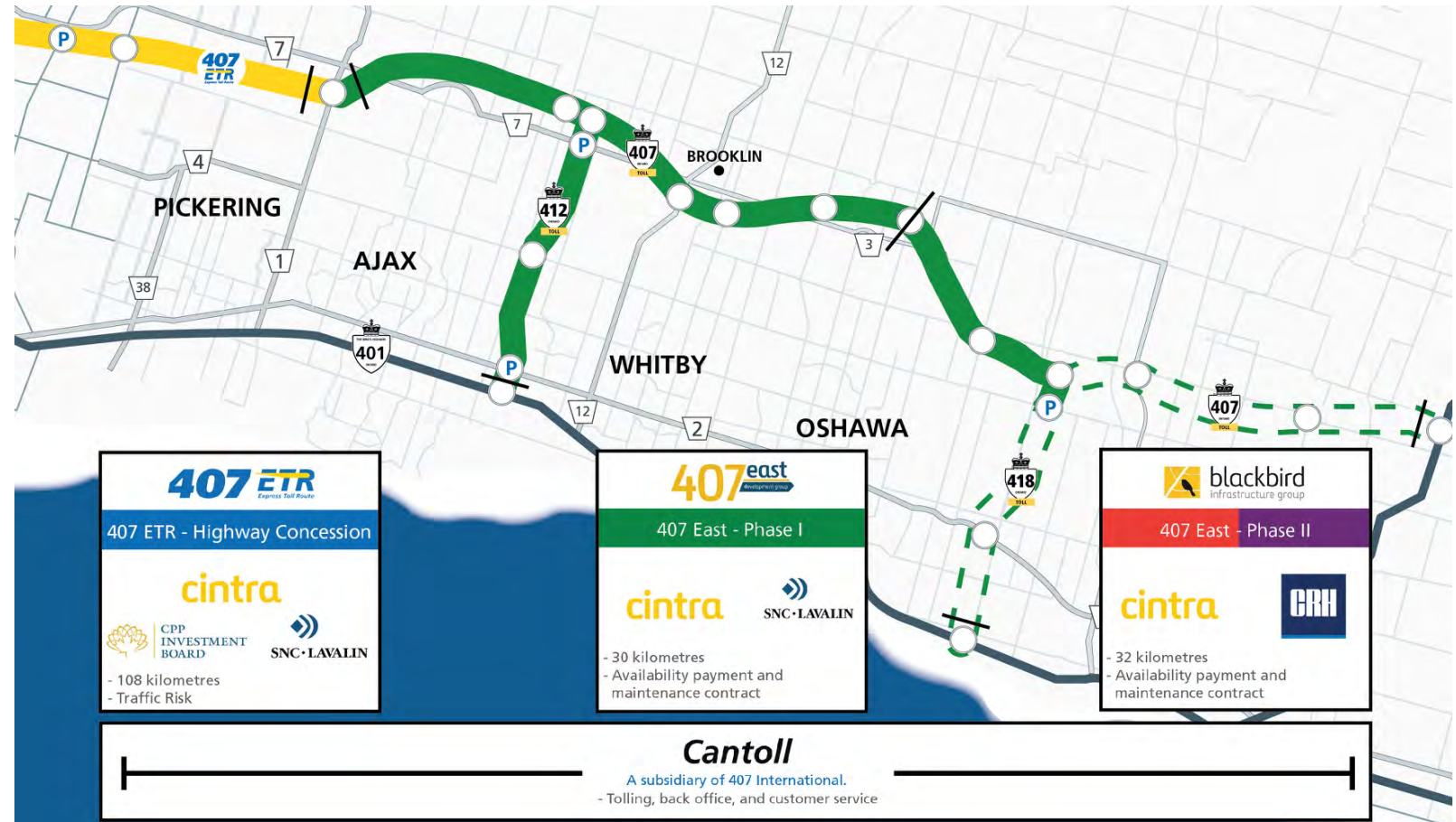
- Government of Ontario has contracted 407 ETR to provide transponder lease management, billing, bilingual call centre and customer service, collections and the website for the new highways
- The Province will set and regulate tolls on the new highways and retain the revenue
- Experience is seamless for drivers – both on and off the road



Future of Tolling in Ontario

407 ETR as a Tolling Leader

- Cantoll has been developed as the tolling, back office and customer service component of 407 International
- 407 ETR stands ready and prepared to offer these services to the Government of Ontario in future tolling projects
- Focus on technology and innovation allows 407 ETR to stay on top of current trends and changes in the industry



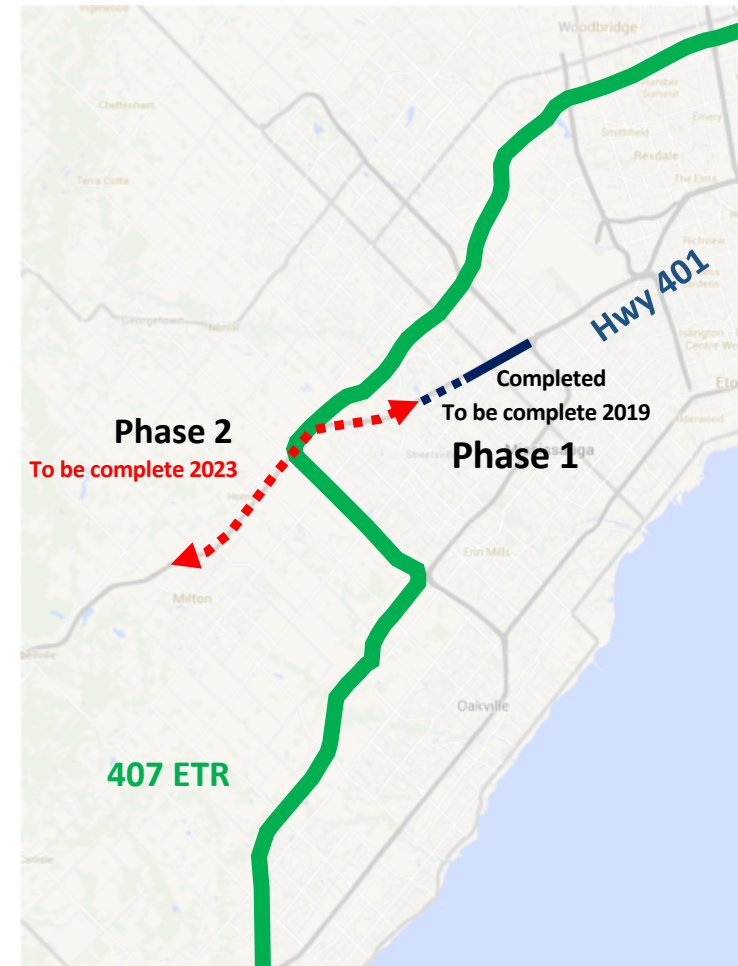
Highway 401 – Core Collector Expansion

Phase 1

From highway 410/403 to the Credit River
Addition of two general purpose lanes and
one HOV lane
Fully opening in 2019

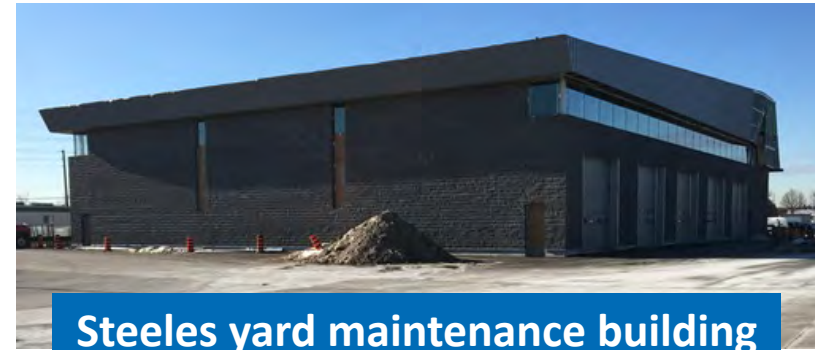
Phase 2

From Credit River to Milton Regional Road 25
Anticipated opening in 2023

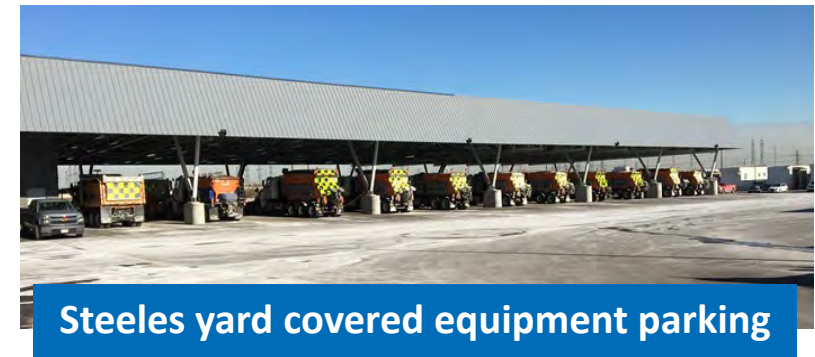


Major Investments in Operations

- New Highway Operations facility buildings opened in 2017.
- New ramp created direct from the office to the highway to bypass local roads and ensure optimal response times to weather and other incidents on the road.



Steeles yard maintenance building



Steeles yard covered equipment parking



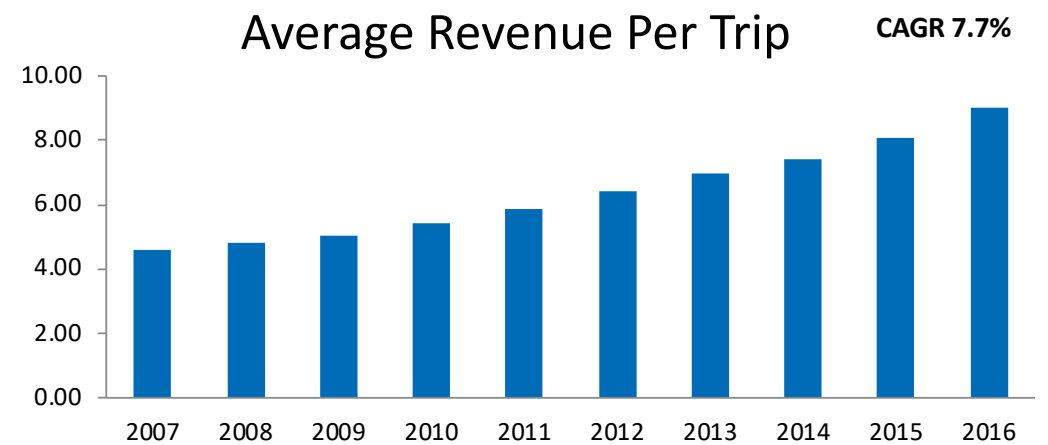
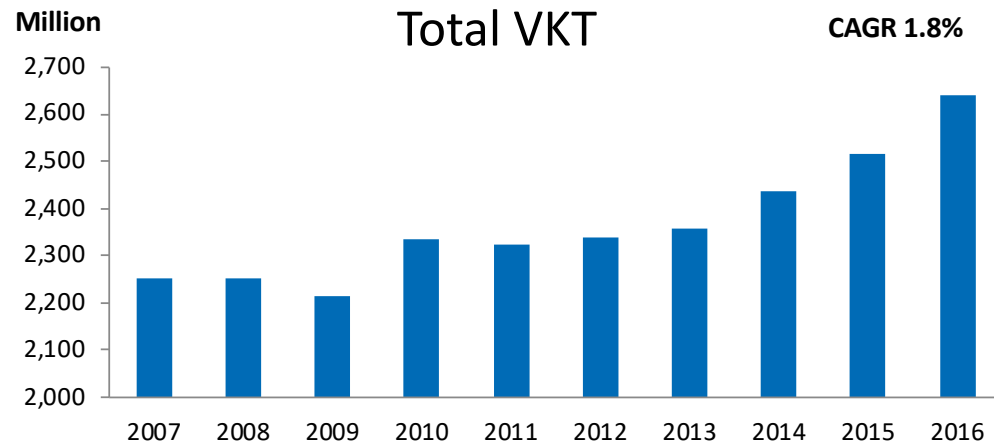
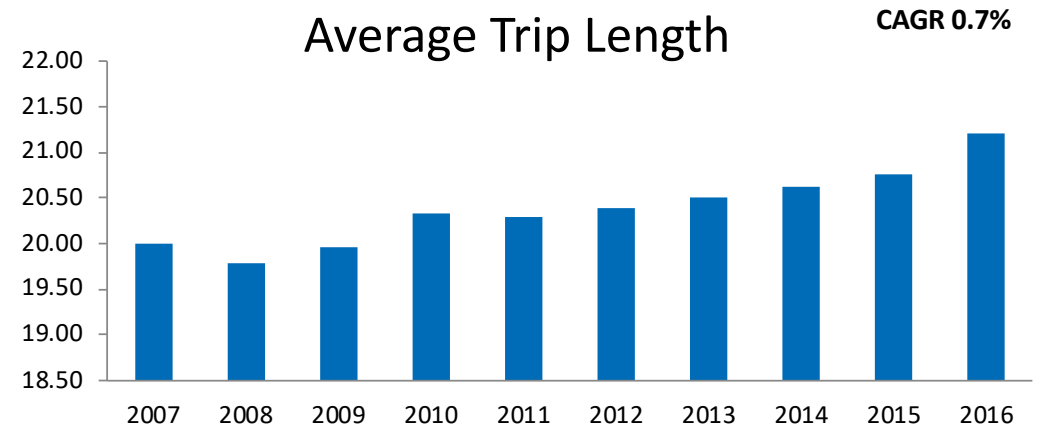
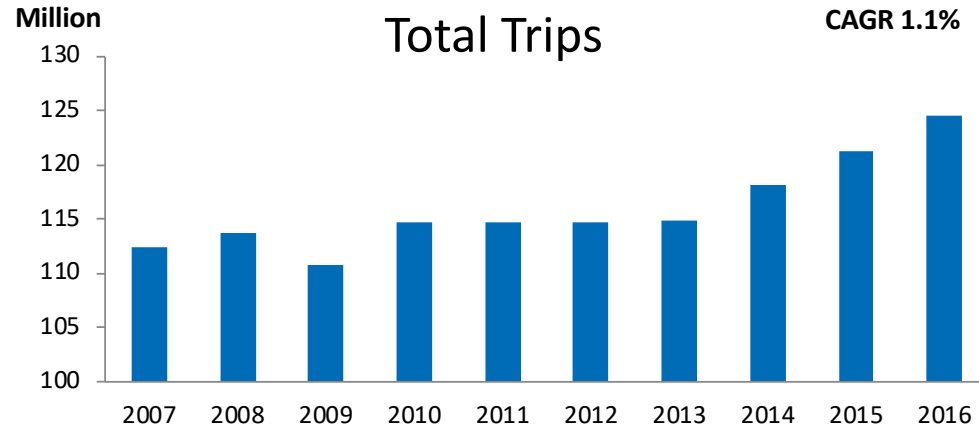
407 OPP Detachment building

THANK YOU
FOR USING 407 ETR

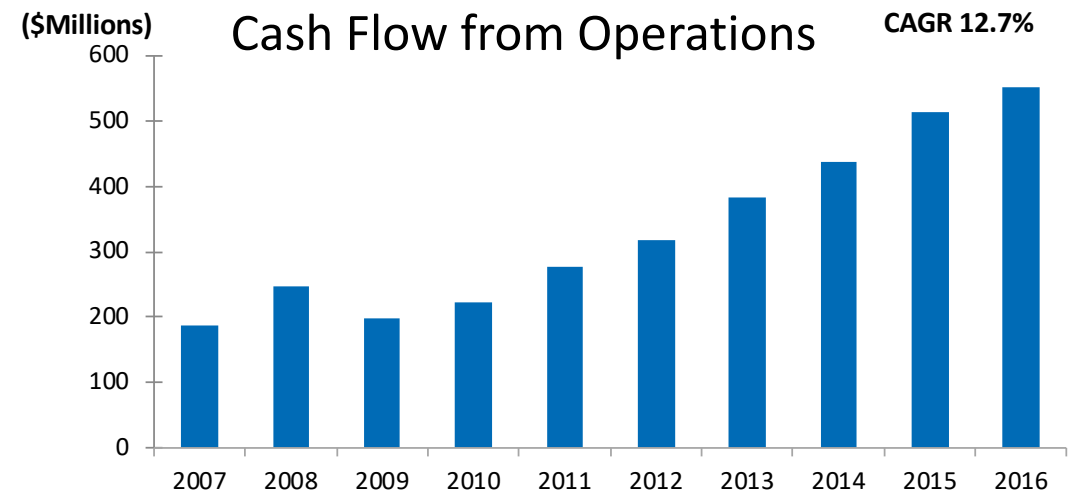
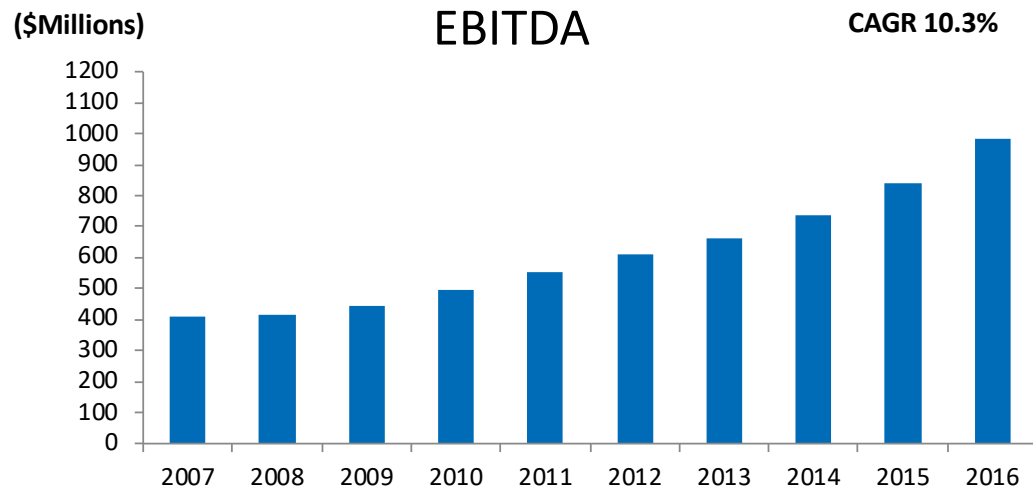
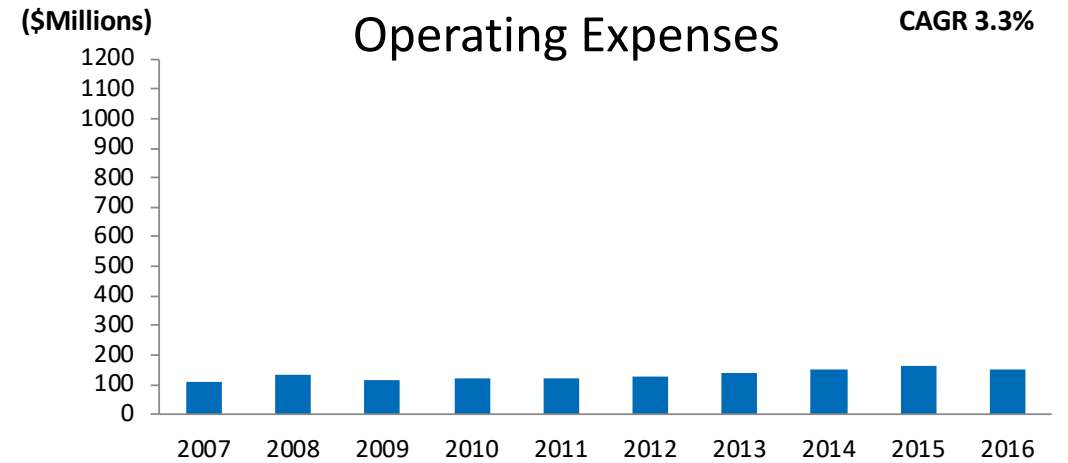
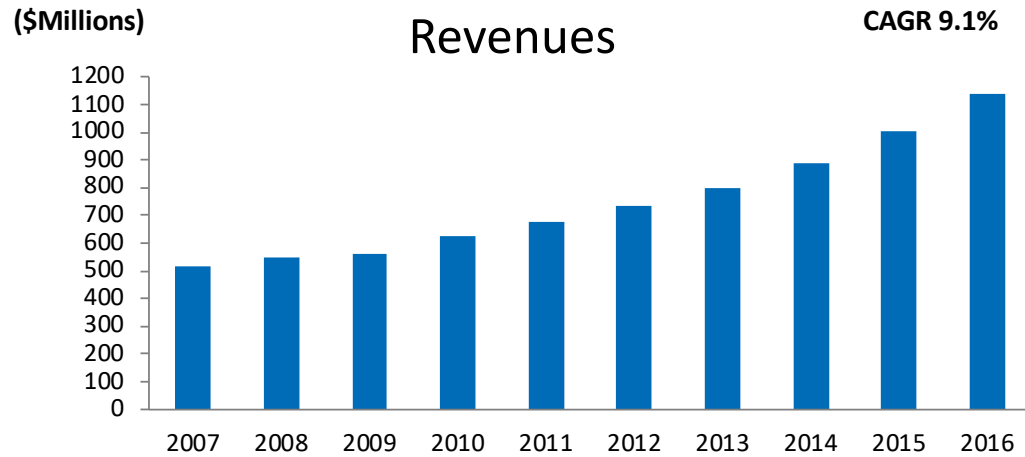
3 Performance



Traffic Performance



Financial Performance



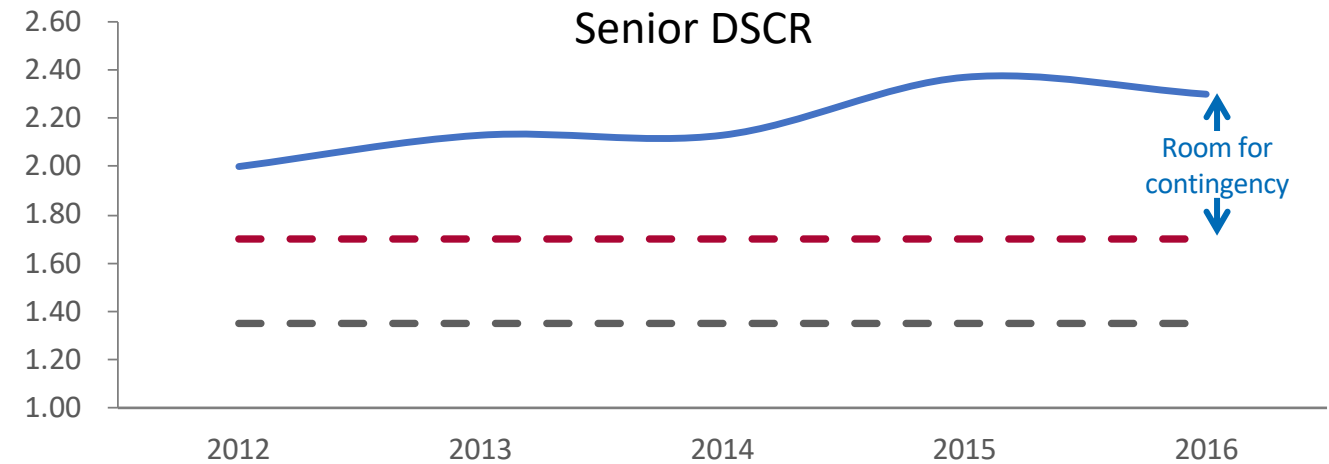
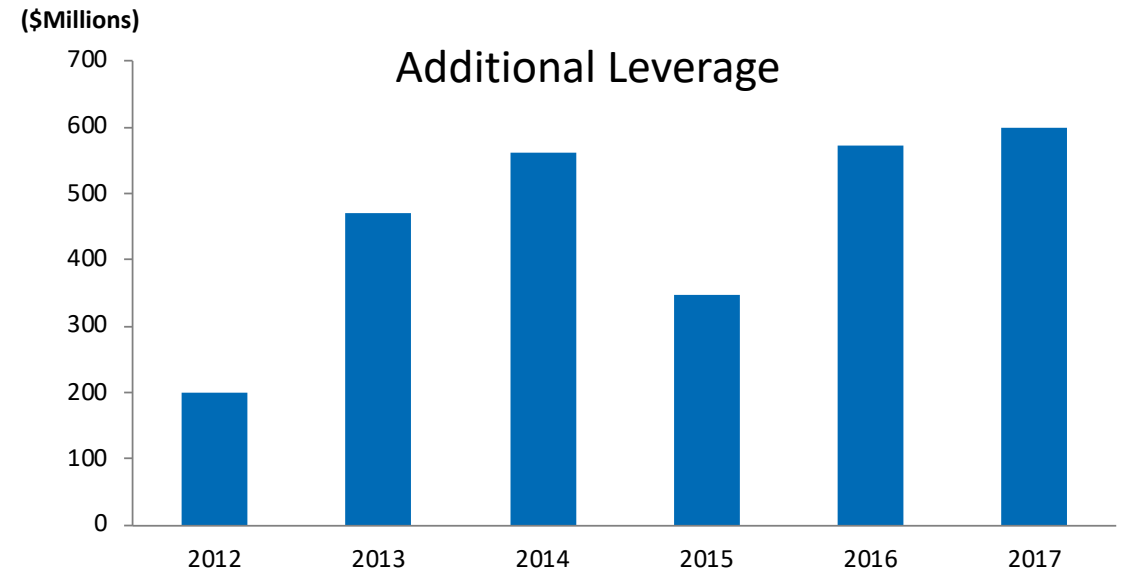


4 Capital Structure

Capital Structure Plan

- Continue to increase the leverage of the highway asset
- Slow down deleveraging due to increasing EBITDA
 - Gradual additional leverage
 - Performance based

- Maintain existing credit ratings: S&P (A), DBRS (A)
- Debt Service Coverage Ratios:
 - Target senior indenture DSCR: 1.70x; indenture requirement: 1.35x
 - Target senior and junior cash DSCR: 2.00x



— Actual Senior Indenture DSCR — Indenture Requirement (1.35x) - - Capital Structure Plan Target (1.70x)

Credit Ratings

Senior/Junior/Subordinated Bonds A/A- (low)/BBB, Stable Trend

- “All trends are Stable, supported by the solid long-term economic fundamentals of the catchment area, sound cash flow generation and good operating efficiency.”
- “Further population increases and the extension of the Highway east to Oshawa, which opened to traffic in June 2016, should support continued traffic growth. The Ontario government estimates that the population of the GTA will reach 9.6 million by 2041.”
- “The growth in leverage was in line with the Company’s intentions as framed in its management discussion and analysis of June 2012 to gradually increase debt by way of bullet bonds of staggered maturities, with long-term preferences, while maintaining a cash-based senior and junior DSCRs above 2.0x and a senior DSCR, including shadow amortization as per its Master Trust Indenture, above 1.7x.”



insight beyond the rating.

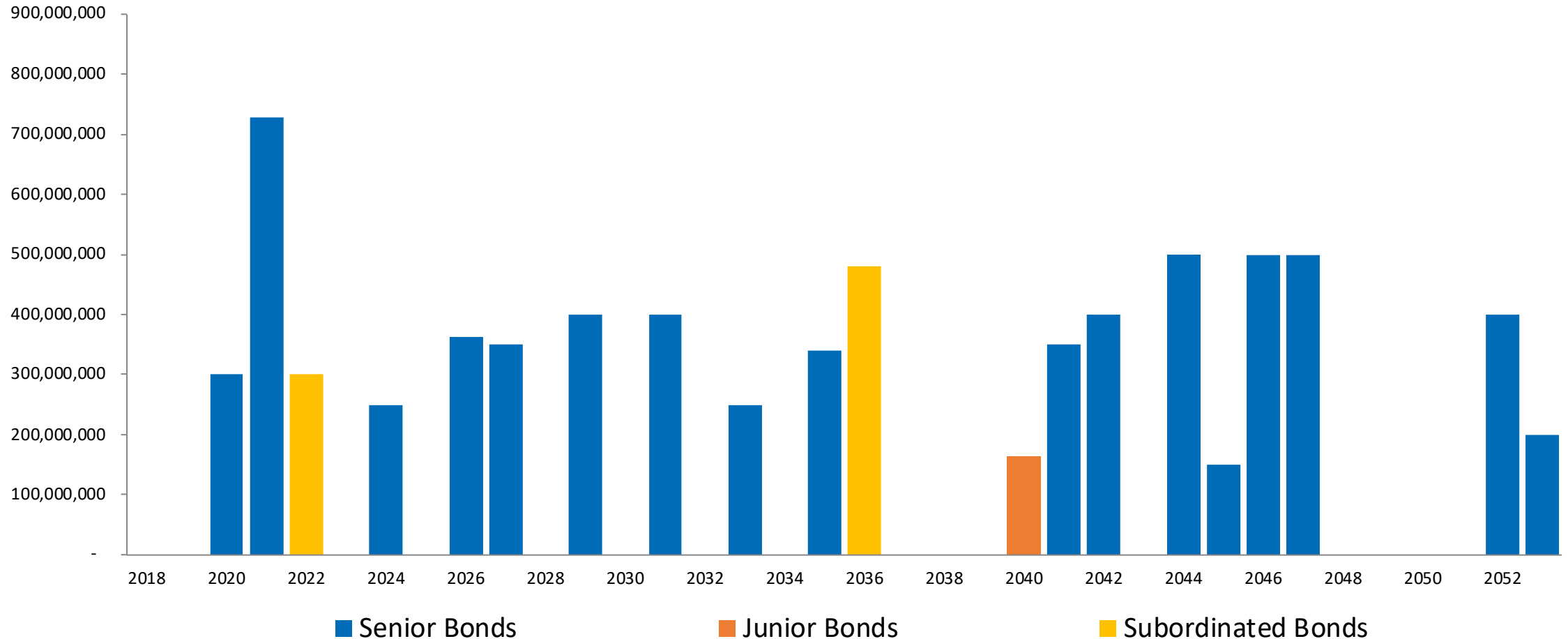
Senior/Junior/Subordinated Bonds A/A-/BBB, Stable Outlook

- “407 benefits from its strong competitive position, favourable tolling mechanism which allows complete freedom over its pricing strategies, and very low operating leverage.”
- “407 has a strong competitive position, and continues to see fairly stable and inelastic motorist demand owing to the strong value proposition of its highway. It is a mature commuter route in a key transportation corridor that is well-integrated with other regional highways.”



Bond Maturity Profile

No more than **20%** total debt maturing during any 24-month period



407 ETR

Express Toll Route



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A Appendix

2001 Company builds east and west extensions (40km).

1999 Privatization. Taxpayers receive over \$3.1 billion; directed to other government priorities.

1997 Government builds central section (68km). Cost to taxpayer \$1.5 billion.

1980s Preliminary construction.

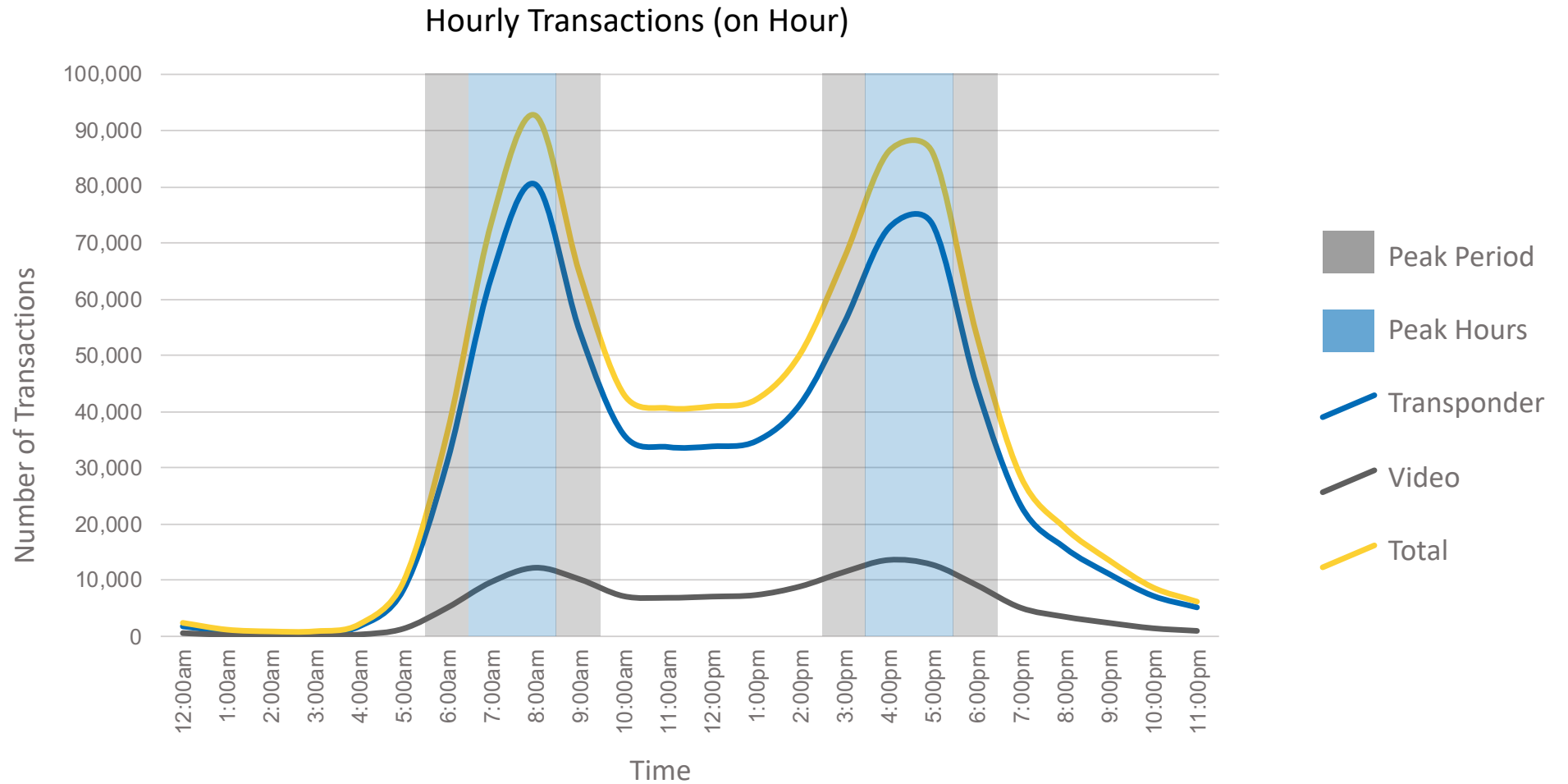
1950s Government acquires (reserves) lands.



Since Privatization

- ◆ 108 kilometres (67 miles), 41 Interchanges with 7 major highway to highway interchanges
- ◆ Open-access, all-electronic tolling with 198 entry-exit points
- ◆ 99-year concession
- ◆ Over \$1.6 billion invested to extend and expand highway and meet customer demand
- ◆ Over 200 lane-km added

Typical Workday Traffic Distribution



Regulatory Framework

Well-defined regulatory framework. 407 ETR is not subject to periodic regulatory reviews as the Concession Agreement applies for the full concession term (i.e. until 2098) and can only be changed by mutual agreement.

Highway 407 Act:

- Powers of Concessionaire (collection of tolls, exemption of tolls, etc.)
- Plate denial, enforcement of tolls, dispute process
- Collection and use of personal information
- Highway closure, emergency planning

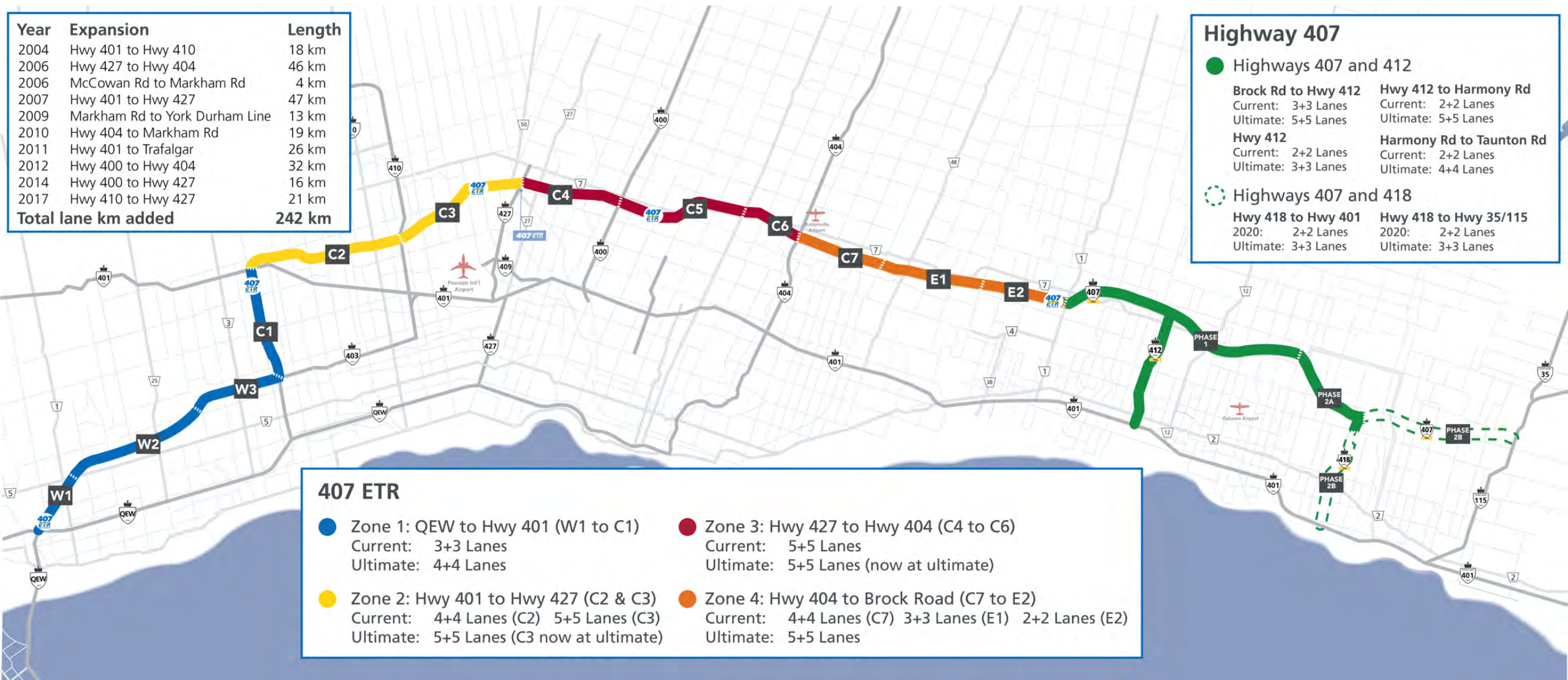
Highway Traffic Act:

- Plate visibility
- Powers of police officers (search and seizure)
- Definition of toll device and transponder mounting
- Toll evasion, sale of interference devices, etc.
- Compulsory use of transponders for heavy vehicles

Current and Ultimate Number of Lanes

Year	Expansion	Length
2004	Hwy 401 to Hwy 410	18 km
2006	Hwy 427 to Hwy 404	46 km
2006	McCowan Rd to Markham Rd	4 km
2007	Hwy 401 to Hwy 427	47 km
2009	Markham Rd to York Durham Line	13 km
2010	Hwy 404 to Markham Rd	19 km
2011	Hwy 401 to Trafalgar	26 km
2012	Hwy 400 to Hwy 404	32 km
2014	Hwy 400 to Hwy 427	16 km
2017	Hwy 410 to Hwy 427	21 km
Total lane km added		242 km

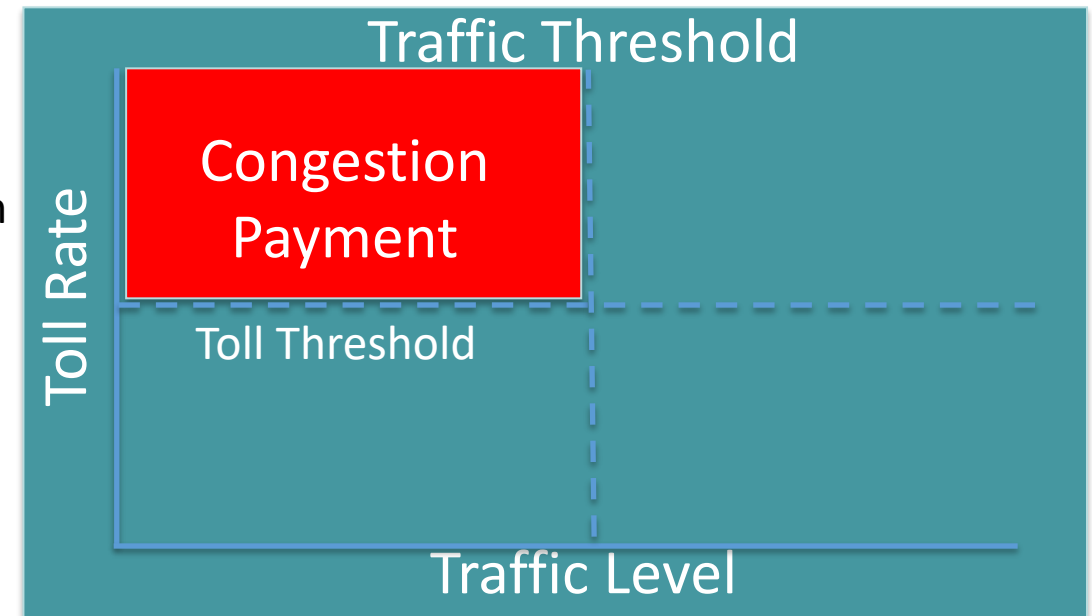
Highway 407	
● Highways 407 and 412	
Brock Rd to Hwy 412	Hwy 412 to Harmony Rd
Current: 3+3 Lanes	Current: 2+2 Lanes
Ultimate: 5+5 Lanes	Ultimate: 5+5 Lanes
Hwy 412	Harmony Rd to Taunton Rd
Current: 2+2 Lanes	Current: 2+2 Lanes
Ultimate: 3+3 Lanes	Ultimate: 4+4 Lanes
○ Highways 407 and 418	
Hwy 418 to Hwy 401	Hwy 418 to Hwy 35/115
2020: 2+2 Lanes	2020: 2+2 Lanes
Ultimate: 3+3 Lanes	Ultimate: 3+3 Lanes



407 ETR	
● Zone 1: QEW to Hwy 401 (W1 to C1)	● Zone 3: Hwy 427 to Hwy 404 (C4 to C6)
Current: 3+3 Lanes	Current: 5+5 Lanes
Ultimate: 4+4 Lanes	Ultimate: 5+5 Lanes (now at ultimate)
● Zone 2: Hwy 401 to Hwy 427 (C2 & C3)	● Zone 4: Hwy 404 to Brock Road (C7 to E2)
Current: 4+4 Lanes (C2) 5+5 Lanes (C3)	Current: 4+4 Lanes (C7) 3+3 Lanes (E1) 2+2 Lanes (E2)
Ultimate: 5+5 Lanes (C3 now at ultimate)	Ultimate: 5+5 Lanes

Schedule 22 of the Concession and Ground Lease Agreement

- A Congestion Payment may be due if:
 1. Applicable rate > Toll Threshold and Average Segment Flow Rate (ASFR) is less than the Traffic Threshold.
 2. The congestion payment is twice the traffic shortfall times the toll rate overage.
- Only one Congestion Payment made (\$30,000 for 2003).
- As Traffic Threshold increases, the likelihood of a “Traffic Shortfall” increases on some segments.
- Schedule 22 includes the concept of a Congestion Payment to ensure traffic relief in the corridor.
- Sets minimum traffic levels (Traffic Thresholds) for each segment and direction, base on 2002 levels, and a minimum Toll Threshold.
- The Traffic Threshold grows by 1%-3% per year after the Base Year, up to a maximum of 1,500 vehicles per hour per lane.
- The Toll Threshold also increases, up to 30% in real terms from 1999 level.



Regulatory Framework: Plate Denial

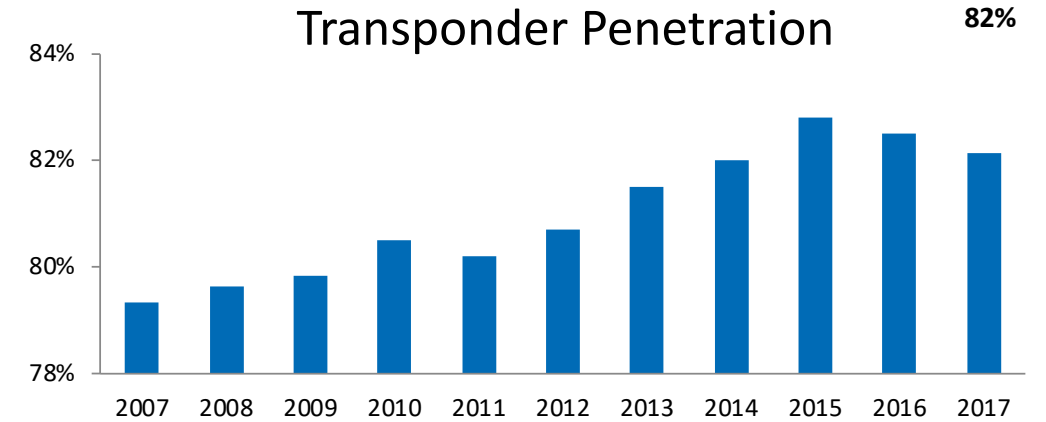
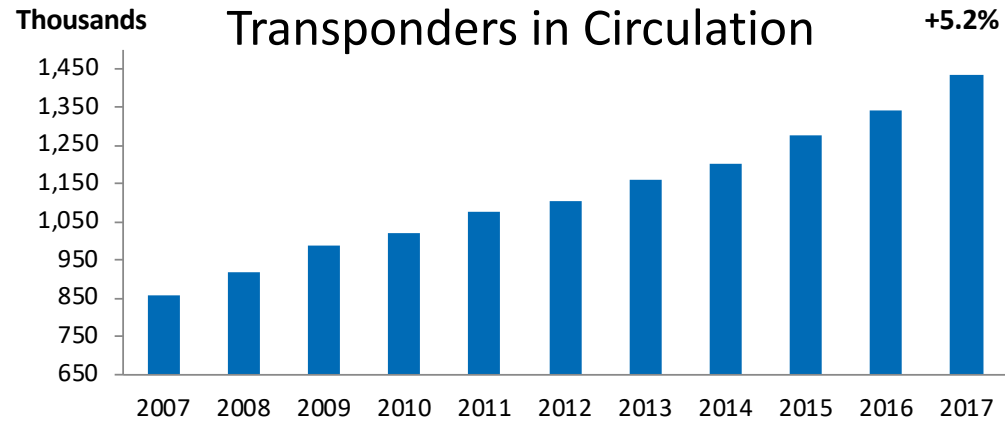
When a customer does not pay their bill within a prescribed period of time, the Ontario Government will not allow the person to renew the licence plate sticker required by law

- Targeted at people who refuse to pay their bills
- Necessary because there are no toll booths or barriers
- Cannot restrict use, cut off service, etc. like other companies
- Used by Government before the sale, key part of sale agreement



NOT UNIQUE TO ONTARIO
SIMILAR PLATE DENIAL SYSTEMS IN PLACE IN OTHER JURISDICTIONS TO MAINTAIN OPEN ACCESS ROAD AND FAIRNESS TO ALL DRIVERS.

Traffic Performance



1.4 million
transponders in
circulation

Light



Heavy



Highway Operations by the Numbers

198
gantries

1,184 km
of lanes across 108 km

68 km
of concrete pavement (central)

40 km
of asphalt (east and west)

40
interchanges
(seven 400-series highways)

212
bridges



Customer Service - Then & Now

1999	2016	Increase
300,000 transponders	Over 1.2 million transponders	4x
21 phone lines	640 phone lines	30x
1,400 sq. ft. call centre	13,800 sq. ft. call centre	10x
21 workstations	140 workstations	7x



Current Customer Base

> 500,000

electronic bills distributed each month

< 1 million

paper bills produced each month

641,416

calls received in 2016,
0.0052% of all trips made



Reasons
people call:



407 ETR in the Community



Sponsorships, Donations and Community Involvement



Youth sport team sponsorships



Hospitals and rehabilitation



Supporting communities along the corridor



Other Partnerships



Safety initiatives



Traffic and transportation initiatives



Community Engagement

