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Air Cargo Conference

June 2017

# “How CVG landed its biggest deal in history.”

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## A Monumental Moment

How CVG landed its biggest deal in history.

By Liz Engel

It's Jan. 31 and the Cincinnati/Northern Kentucky International Airport is a flurry of activity. After months of being tight lipped, the news is out.

Amazon, a company known for its fast and free delivery, the Kindle Fire, and now, the Echo, will build a new centralized air hub on leased land here. The project will top a billion dollars, bring 2,000-plus jobs and house a growing fleet of cargo planes, all dedicated to Amazon Prime. In short, fast shipping that will soon get faster.

But besides potential same-day service in the Tri-state—that's certainly possible, some say—it's a monumental win for the region. A "once-in-a-generation" type project. The "sky is the limit" for growth.

So just how did CVG land the deal of a century? It goes to show timing and location are still truly everything.

**Featured Video**

Power 100 2017 recap

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Cincy HOW WE RANK

The *deal—at \$1.49 billion—is* the largest ever one-time capital investment by a company in Northern Kentucky, and “by a significant margin,” says Dan Tobergte, president of the Northern Kentucky Economic Development Corporation (Tri-ED). It tops a half-a-billion-dollar build by Delta at CVG in 1986 and, later, another \$375 million project by the airline in 1994.

*“They were fully prepared and ready for this scenario,* not even knowing if or when [something like this] would ever occur,” Bevington says. “Without that, this wouldn’t have happened.”

At CVG, McGraw knows the impact Amazon will have there. More flights, especially the cargo kind, mean lower cost of operation, like landing fees. That’s attractive when recruiting additional passenger service. But beyond that? “To me, the impact on the region is what’s most exciting,” she says. *“It’s limitless.”*

# It Started with a Plan

*“Success occurs when opportunity meets preparation.” Zig Ziglar*

## Focusing Strategic Goals on Development & Economic Impact

### ➤ TAKE FLIGHT

- Expand and diversify passenger carriers
- Grow air cargo and related businesses
- Increase corporate flight activity

### ➤ GROW BUSINESS

- Maintain competitive cost structure and strong financial position
- Diversify airline and non-airline net revenue streams

### ➤ PROPEL COMMUNITY

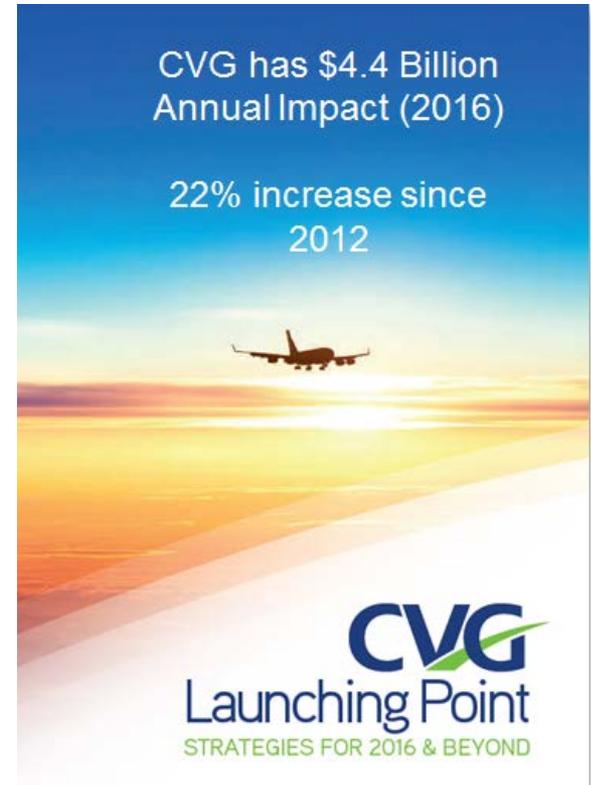
- Act as a socially responsible neighbor
- Foster relationships with local governments, business and community leaders to strengthen and grow our business
- Build a culture of collaboration and teamwork

### ➤ ELEVATE SERVICE

- Ensure safety and security of employees, passengers and stakeholders
- Manage assets strategically to ensure clean, effective and efficient operations
- Deliver outstanding customer service

### ➤ GO BEYOND

- Activate brand promise and enhance reputation among key audiences
- Provide a seamless passenger experience through innovative solutions

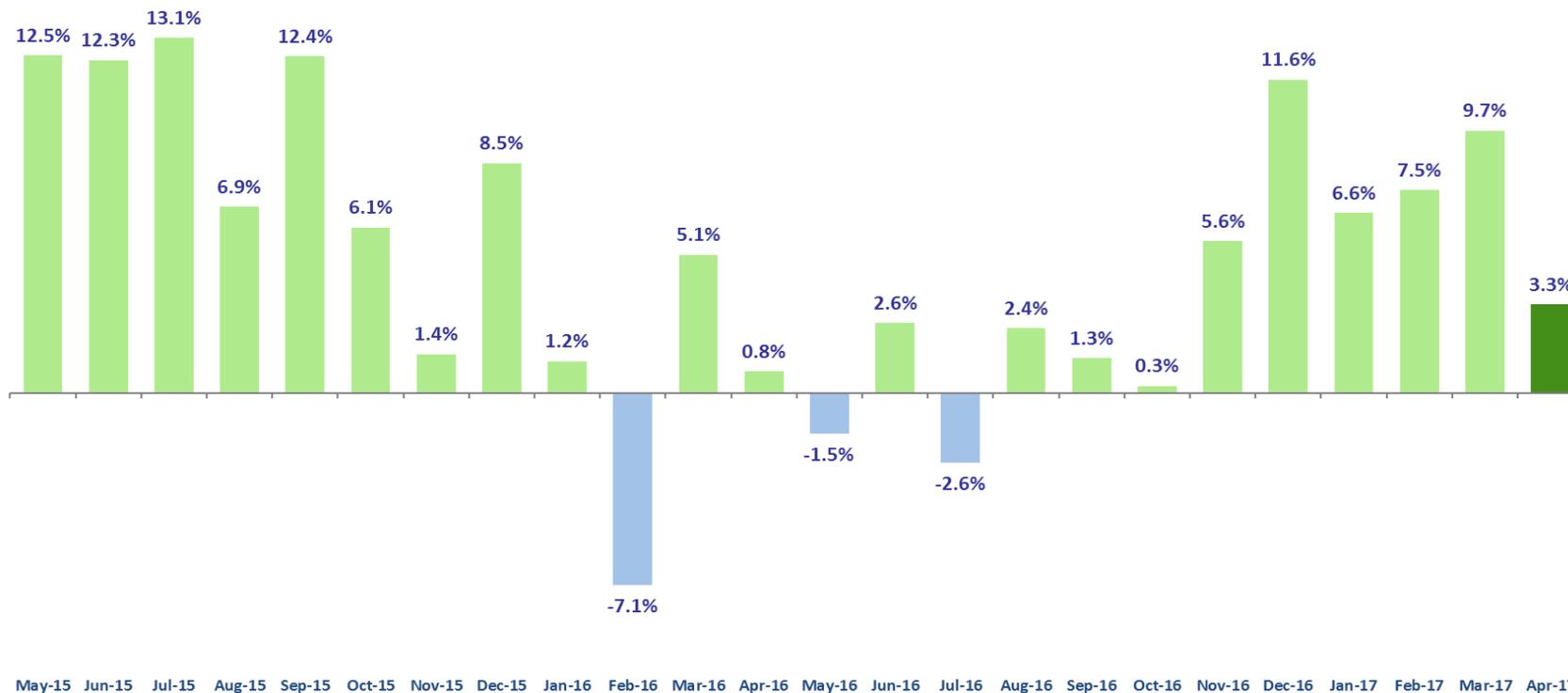


# Take Flight

## Grow Air Cargo and Related Businesses

### Monthly Cargo Trend

YOY Percent Change May 2015 – April 2017



**April total cargo tonnage was 71,802 tons, the busiest April on record.**

Source: CVG Airport Statistics: Cargo Data

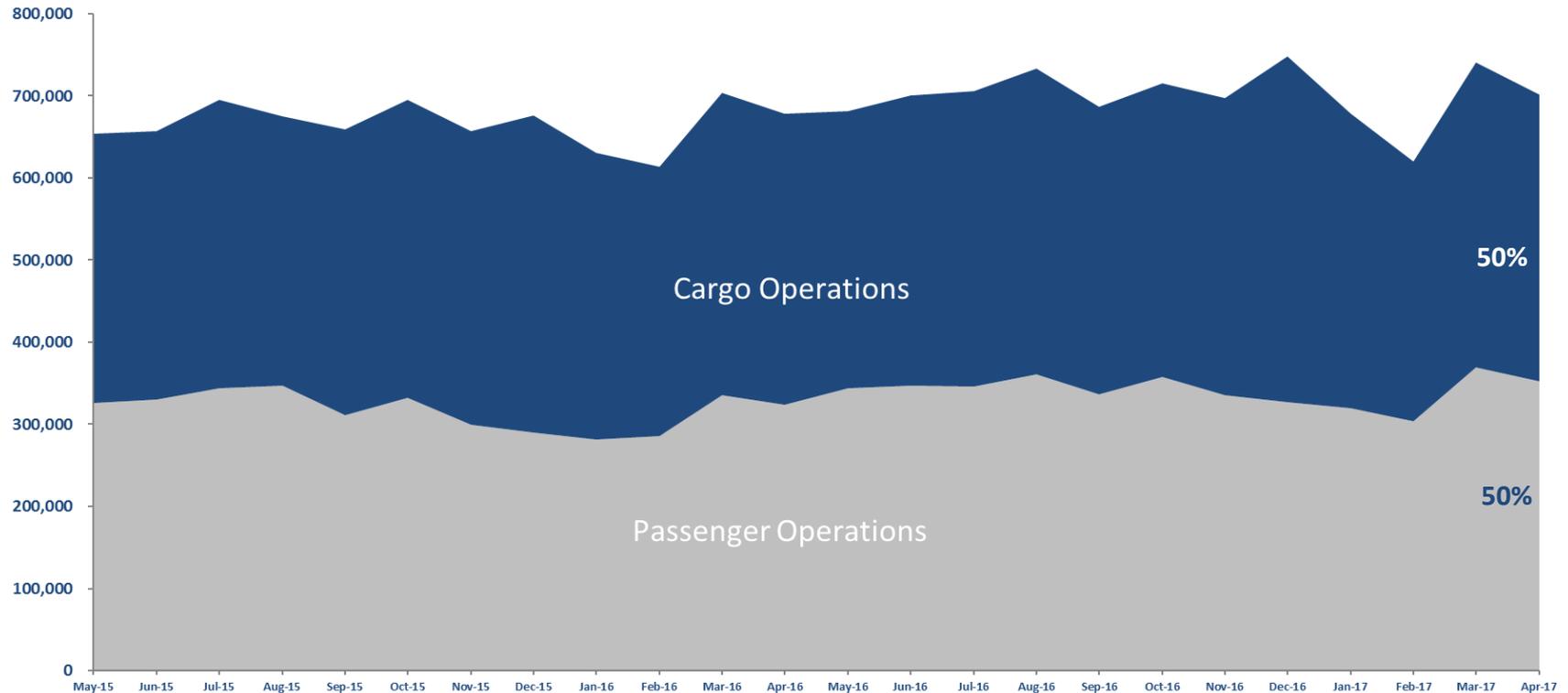


# Grow Business

Diversify Airline and Non-Airline Revenues

## Monthly Landed Weight Trend

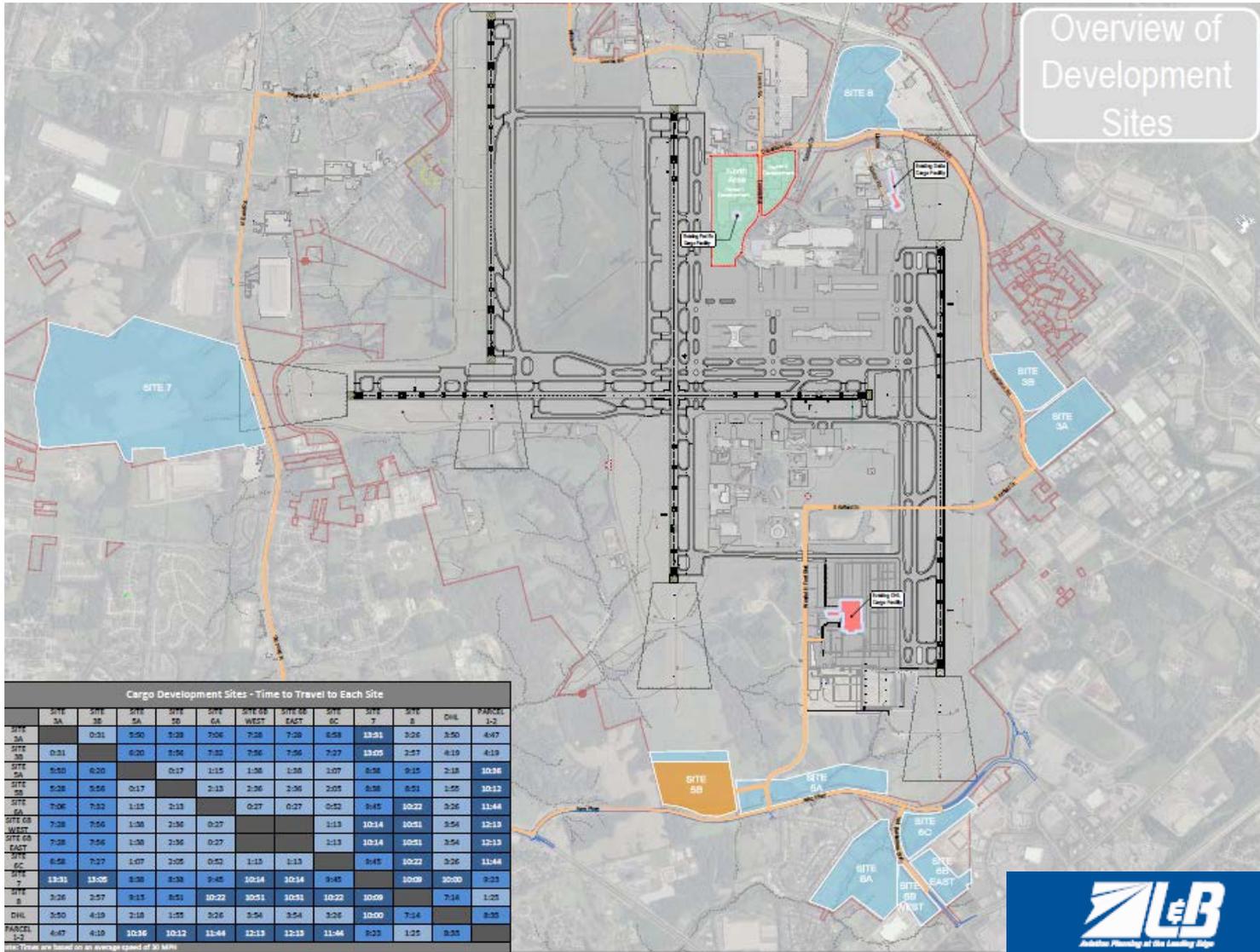
Landed weight (1,000 lbs) by Operation Type May 2015 – April 2017



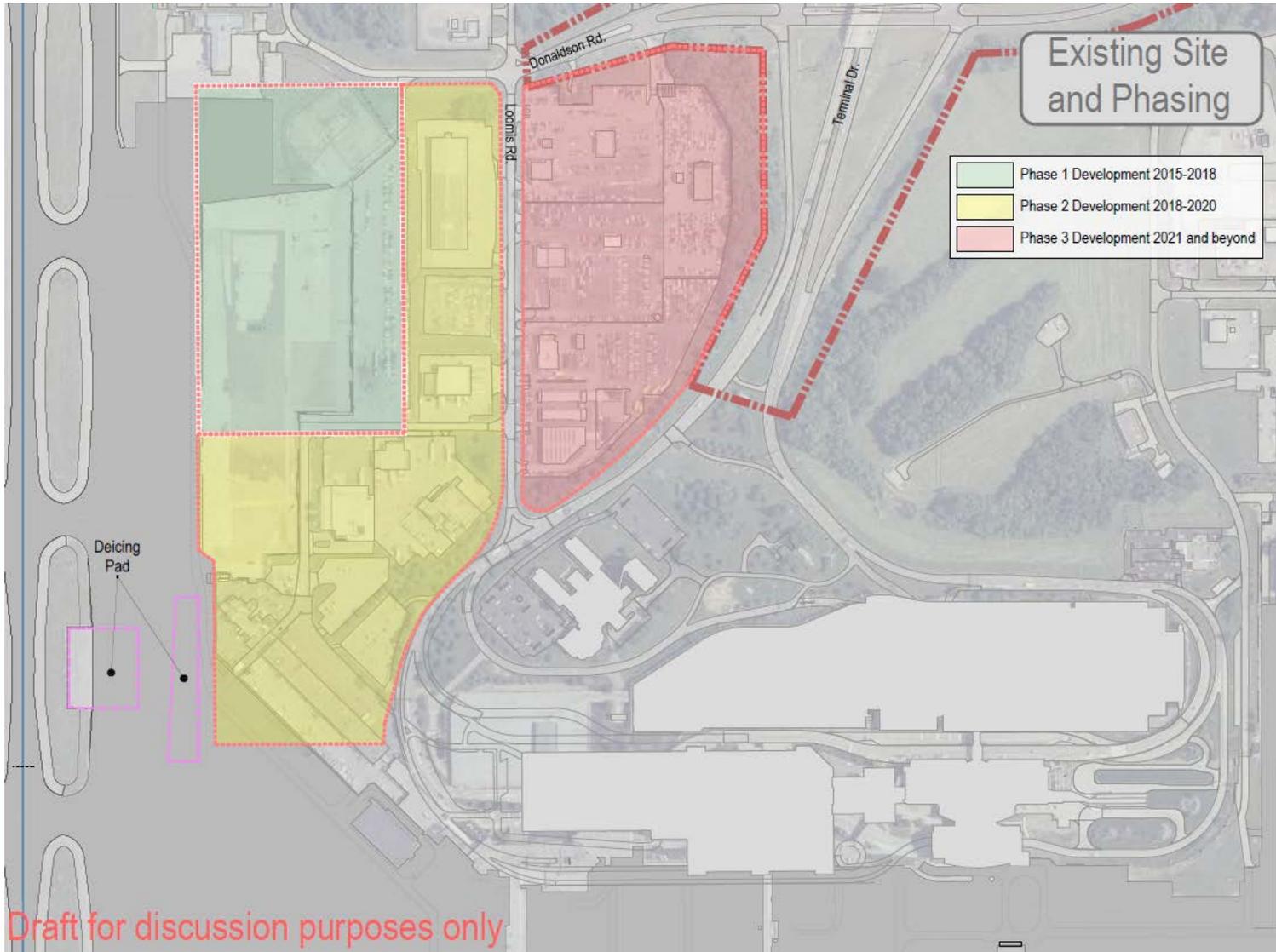
**Overall landed weight in February was up 3.3% over April 2016.**

Source: CVG Airport Statistics: Cargo Data

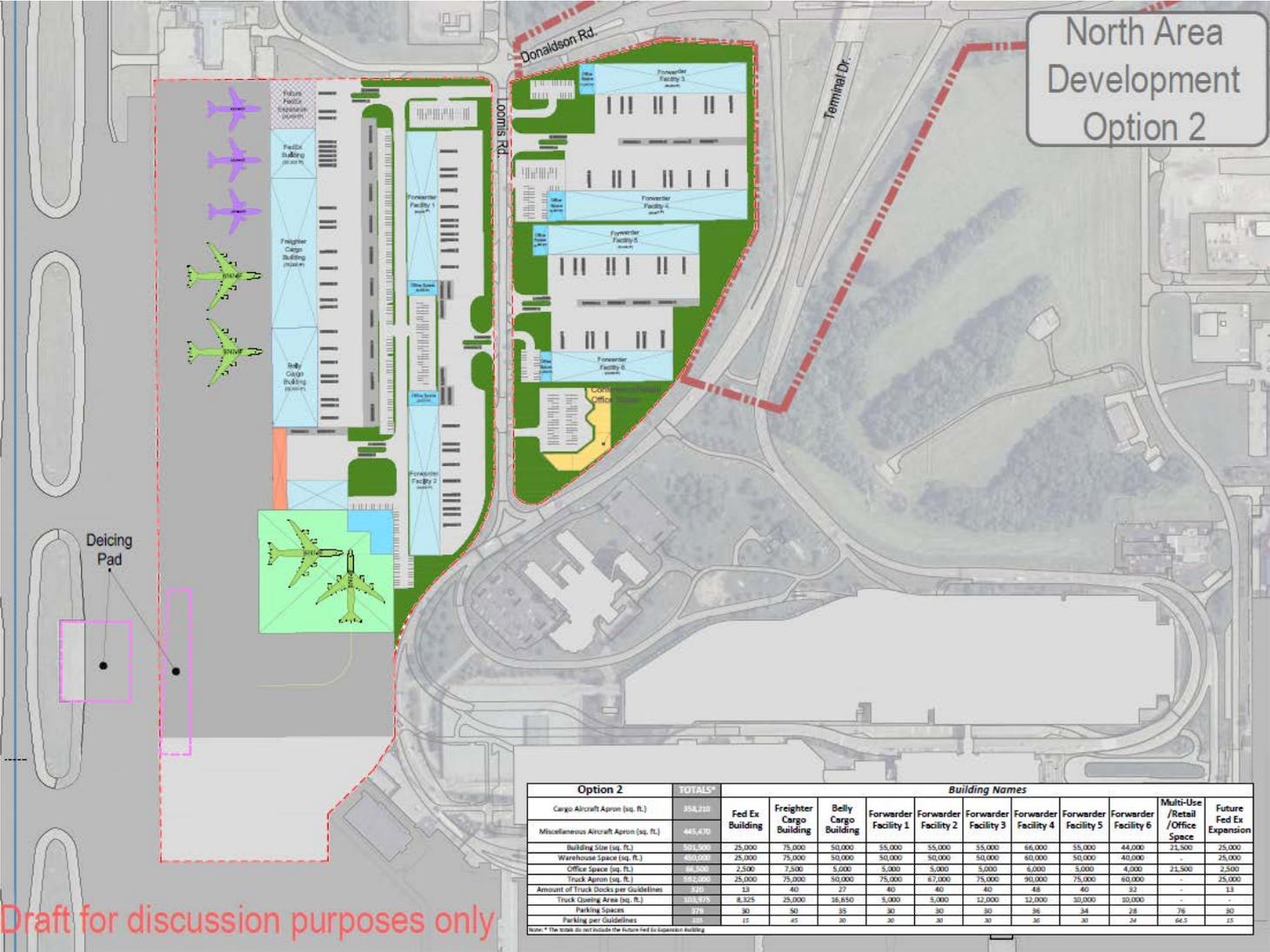
# Identify Sites



# Flexible Phasing



# Co-Locate Complimentary Uses



Draft for discussion purposes only

# Infrastructure

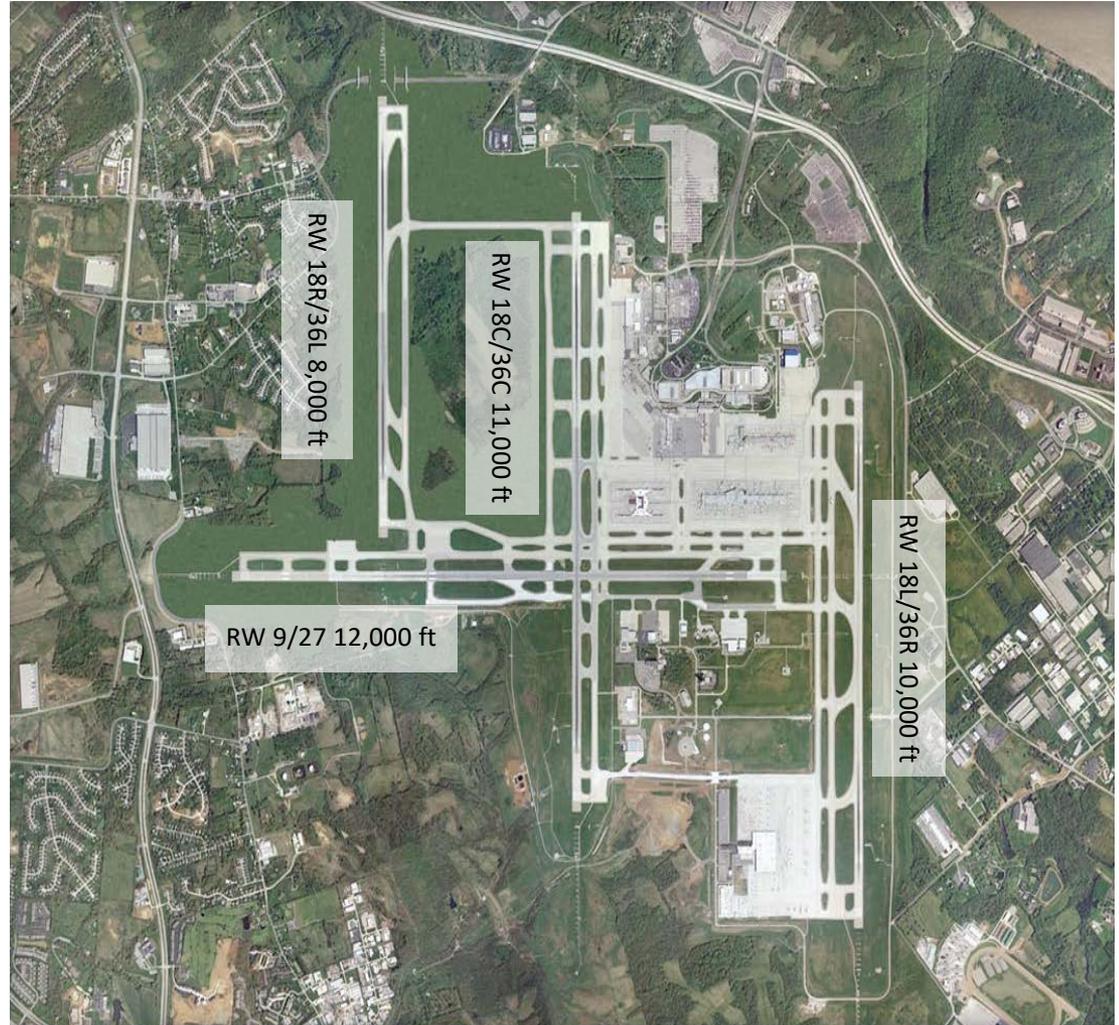
## Know Your Strengths & Areas for Discussion

### *Our Strengths*

- Efficient airfield
  - All weather operations
- 7,500 acres of airport property
- Highway accessibility
- Utility capacity

### *Areas for Discussion*

- Development traffic impacts
- Special site requirements
  - Deicing
  - Storm
  - Adjacency needs



# Leverage Strategical Geographical Position



# Factors for Success

- Make it a focus
  - Hire staff
  - Utilize experts
  - Start with manageable program
- Start due diligence
  - Development plan
  - Utility master plan
  - Environmental
- Communicate with stakeholders
  - Federal, state and local levels
  - Know your stakeholder needs
- Market the program
  - Leverage your strengths
  - Local and state economic agencies
  - Developer organizations
  - Standard real estate methods
  - Technology tools
- Evaluate and Reset
  - Review program regularly
  - Reset priorities to respond to market changes
  - Modify as applicable
  - Debrief with developers



2016 & Beyond

## THE AIRPORT OF CHOICE TO WORK FOR, FLY FROM AND DO BUSINESS WITH

### Take Flight

#### Continuing Passenger and Cargo Growth

CVG continued to grow air service in 2016 through new routes and expanded schedules, all of which contribute towards our objective to reach nine million passengers by 2021.

2016 air service highlights include:

- 12 new service routes
- Airfare ranking dropped to #44, with a 15% decrease in average fares
- Served 6.8 million passengers
- Seat capacity increased 7.6%
- Local passenger volume grew 12.7%, while total traffic was up 7.1%
- New carrier, OneJet, launched service

CVG saw continued growth through new routes and expanded service.

### Grow Business

#### Building On Our Success

CVG made major strides in 2016 towards enhancing its competitive cost structure and strong financial position by diversifying revenue streams.

Cargo volume hit a record 1.6 billion pounds (equivalent to 500,000 Toyota Camrys), continuing CVG's trend of being the fastest-growing cargo airport in North America. DHL's recently-completed \$108 million expansion promises more growth to come.

CVG is also well underway to reaching its goal of having 350 acres of land leased for development by 2021. The widening of Ted Bushelman Boulevard will further enhance our ability to develop and market additional parcels.

Moody's Investors Service and Fitch Ratings have taken notice of CVG's strong financial profile, with both upgrading our bond ratings based on a diverse carrier base, large-scale cargo services and minimal debt.

CVG continued its trend of being the fastest-growing cargo airport.

CVG's strong financial profile, with both upgrading our bond ratings based on a diverse carrier base, large-scale cargo services and minimal debt.

### Propel Community

#### Making a Positive Impact

We're committed to growing relationships and supporting local organizations in order to have a greater positive impact on the community.

In October, the fifth Honor Flight Tri-State of the year took off from CVG to Washington D.C. with 72 veterans and their guardians on board. Veterans got to see memorials and participate in ceremonies honoring their service.

CVGairport.com | 2016 Air In-Review

# Where Are We Now?

## Commercial Development



### Bosch Development

350,000 SF (2 buildings on 32 acres)  
180,000 sf new building 4 under construction

### Future retail or warehousing

On 20 acres

### Future Retail Development

90,000 SF on 7 acres

### Vantrust Development

511,000 SF warehouse on 41 acres



Dermody/Wayfair Warehouse - 898,560 SF on 52 acres  
Completed June 2016



Dermody #2 - 260,000 SF Warehouse  
Facility on 22 Acres

- Over 2.2 million square feet of buildings constructed
- Over \$300 million in capital improvements constructed
- Over 180 acres of airport property leased

# Multi Tenant Cargo Building – West Service Area

## Projected Completion Fall 2018



- Future home to new Multi-Tenant Cargo Building
- Up to 140,000 square foot facility
- To be constructed 2018
- Home to FedEx and other cargo operators and support functions



# DHL Hub Development



- Home to one of three DHL global super hubs; other hubs are located in Leipzig, Germany and Hong Kong
- DHL employs a local workforce of over 2,600 employees at CVG
- Processes 2.6 million cargo pieces a month and sorts 92% of all US delivery shipments as well as all Canadian, Mexican, and Latin American shipments at CVG
- Connects over 100 service centers and international gateways in DHL's International network in the U.S.
- DHL recently completed a ramp expansion to accommodate an additional 16 aircraft (\$108 million)

**Total investment by DHL at CVG since 2009 exceeds \$280 Million**

# 2016 DHL Ramp Expansion and Improvements



# Future Home of Amazon Prime Air Global Hub



- Amazon plans to invest \$1.4 billion U.S. in a new centralized air hub
- At full build out, the Amazon operation will occupy approximately 900 acres at CVG
- Anticipate a local workforce of over 2,000 employees
- Current aircraft fleet of 40 Boeing 767 Freighters (including orders)
- Operations at CVG began May 2017

# Keep Planning

## 2017 Master Plan Study Update

### ***Purpose***

Road map for efficiently meeting airport demand through the foreseeable future while preserving flexibility necessary to respond to changing aviation industry conditions. Last update completed in 2012.

### ***Goals and Objectives***

Framework for providing near-, medium-, and long-range plans (2040 plan horizon)

Graphic depictions of existing airport features, future airport development, and anticipated land uses

Realistic schedule and financial plan for implementation of proposed development

Comply with FAA requirements

### ***Primary Drivers for 2017 Update***

Completion/start of projects in 2012 Master Plan

Demolition, CONRAC, Common Use Cargo, Development

Increased land development

Operational changes

Facility lease expirations

Concourse Allocations

Condition/age of facilities

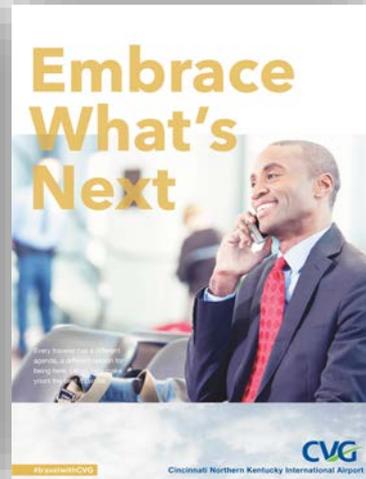
#### Schedule

- Consultant selection 3/17
- Future Terminal/Concourse development alternative analysis 9/17
- Master Plan and ALP update complete 6/18

# Embrace What's Next

CVG plays an important role in our region's growth and success as:

- The premier airport for the Tri-State region
- An active community leader that drives economic growth
- An innovator that delivers an unforgettably positive experience

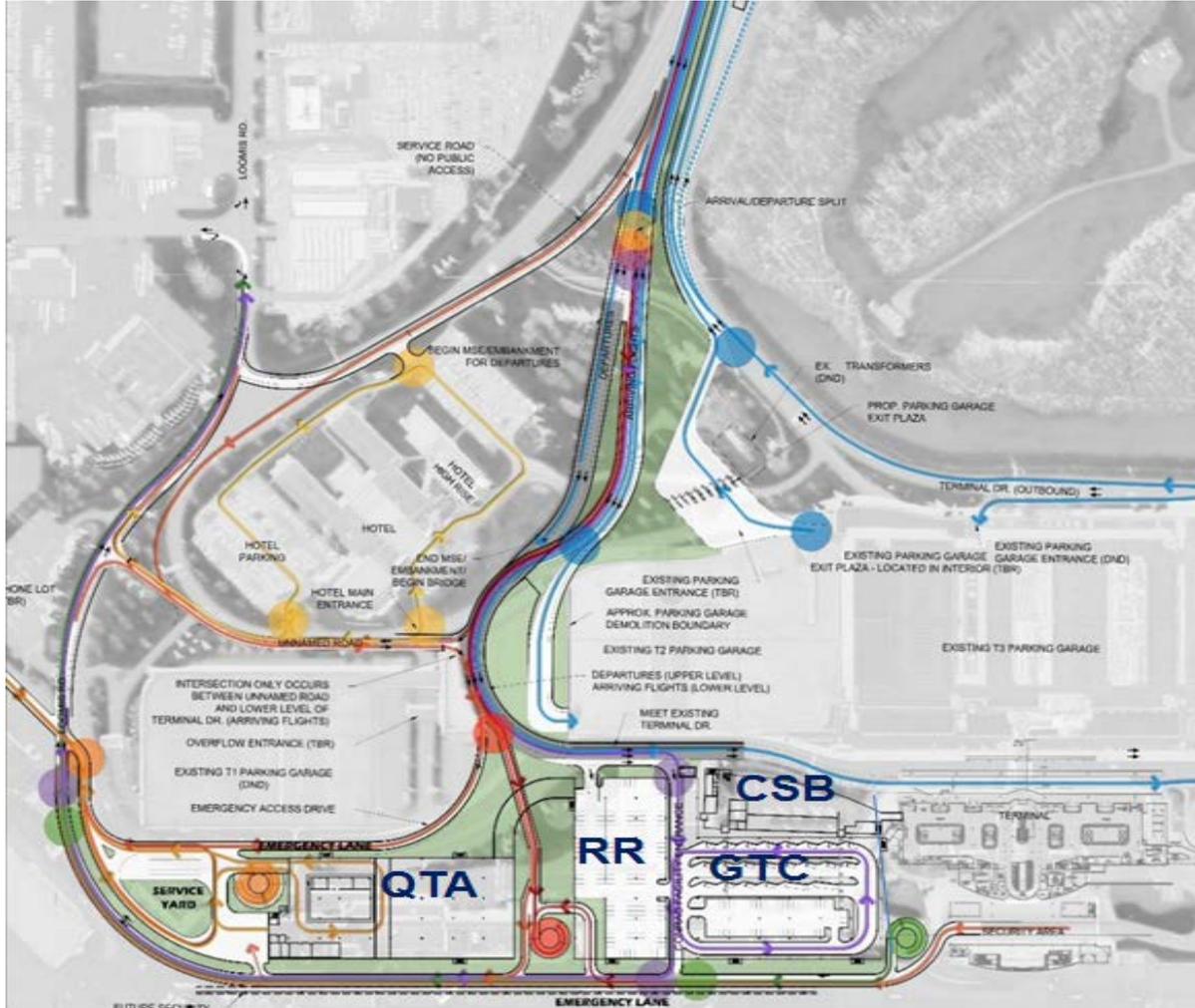


**CVG**

**Embrace What's Next**



# Consolidated Rental Car Project (CONRAC)



## Project Highlights:

- Direct Terminal Access
- Terminal Curb Traffic Reduced
- Wayfinding Simplified
- New Texas Turnaround
- Vehicle Inspection Area
- Ground Transportation Center
- Increased Premium Garage Parking within T2 Garage
- Fire Department Access
- Limited Access under Security Checkpoint
- New Cell Phone Lot

- CSB – Customer Service Building
- GTC – Ground Transportation Center
- QTA – Quick Turnaround Facility
- RR – Ready Return Garage

# Conceptual Rendering of Preferred Option



*Conceptual Rendering: For Illustration Purposes Only*

## ➤ Schedule

- Final Design 2017
- Construction 2018 – 2021
- Facility Operational 2021