

# YOUR LONDON AIRPORT *Gatwick*



## **GATWICK AIRPORT RESULTS**

**FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2021\***

\* Consolidated results for Ivy Holdco Limited, the parent of Gatwick Airport Limited, representing the performance of the Gatwick Airport group of companies for the 6 month period ended 30 June 2021.

# GATWICK TEAM



**Stewart Wingate**  
CEO



**Lorenzo Rebel**  
Deputy CFO



**Jim Butler**  
Joining September 2021 as CFO

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**6 MONTHS TO 30 JUNE 2021 PERFORMANCE**

## COVID-19 STILL SIGNIFICANTLY IMPACTING TRAFFIC, REVENUE AND EBITDA 2021 OPERATIONAL AND FINANCIAL PERFORMANCE (6 MONTHS)

TRAFFIC	REVENUE	OPERATING COSTS	EBITDA	LOSS FOR THE PERIOD	CAPITAL EXPENDITURE
0.6m	£42.3m	£92.5m	-£50.2m	-£244.6m	£35.4m

**Very low traffic levels for the first 4 months** with total traffic of 0.6m for the period.

Revenue in the period fell by £101.9m to £42.3m driven by reduced passenger volumes and a limited retail proposition as a result of government restrictions.

**Full benefit of decisive actions taken in 2020 has reduced operating costs by 34.4% in the first half of the year** through renegotiated contracts, temporary infrastructure shutdowns and halting discretionary expenditure. **Staff costs are £31.3m lower** (46.4%) in the first half of the year. Furlough support received was comparable between the two periods.

Despite cost savings, the very low traffic levels led to a negative EBITDA of £50.2m and a loss for the period of £244.6m

**Strategic reduction in capital expenditure** resulting in the deferral or cancellation of over £570m from the investment originally planned in 2020, 2021 and 2022. Current investment levels are around £3.0m per month.

**Contracts & Commitments framework extended to 2025** – allows for pricing and capex flexibility during recovery period.

Continued work to prepare for a planning application to **bring the existing standby runway into routine use.**

# STRONG LIQUIDITY POSITION

## FINANCIAL COVENANTS

SENIOR NET  
DEBT<sup>1</sup>

£2,778.5m

SENIOR  
RAR<sup>1</sup>

1.12x

SENIOR  
ICR<sup>1</sup>

-2.51x

Transfer RAB<sup>1</sup>

£2,479m

SENIOR  
INTEREST<sup>1</sup>

£77.1m

**Strong liquidity position of £779m including £624m of cash at 30 June 2021** – sufficient liquidity to meet operating cashflows, planned investment levels and interest payments **for at least the next 12 months**.

**Managed refinancing risk** – the Group issued £300m of bonds to repay the term loan and received a capital injection of £370m.

**Covenant waivers in place** for 30 June 2021 calculation date.

Gatwick has commenced a **consent solicitation** process to address forecast breaches in Financial Covenants, following successful discussions with its banks and with bondholders forming a special committee of the Investment Association, in aggregate representing c. 46% of total secured debt.

**Gatwick is well placed for recovery** due to pent up demand for international travel and decisive action taken last year:

- Gatwick has the **largest rail catchment of any UK airport** and 15 million people - more than a quarter of the population of England - can access Gatwick by road or rail within 60 minutes.
- Key markets (domestic and short-haul leisure) expected to recover fastest driven by LCCs.

<sup>1</sup> Senior Net Debt, Senior RAR and Senior ICR as per covenant test, 30 June 2021.

# FINANCIAL PERFORMANCE FOR GATWICK AIRPORT\*

All 6 months impacted by COVID compared to March – June in 2020

£m	6 MONTH PERIOD ENDED 30 JUNE 2021	6 MONTH PERIOD ENDED 30 JUNE 2020	CHANGE
<b>Passengers (m)</b>	<b>0.6</b>	7.5	(92.4%)
<b>Revenue</b>	<b>42.3</b>	144.2	(70.7%)
<b>Operating costs</b> (excl. depreciation, amortisation and exceptional items)	<b>(92.5)</b>	(141.0)	(34.4%)
<b>EBITDA</b>	<b>(50.2)</b>	3.2	n.m.
<b>Depreciation and amortisation</b>	<b>(86.9)</b>	(90.0)	(3.4%)
<b>Exceptional costs</b>	<b>(0.1)</b>	(16.6)	(99.4%)
<b>EBIT</b>	<b>(137.2)</b>	(103.4)	32.7%
<b>Loss after tax</b> <sup>1</sup>	<b>(244.6)</b>	(321.0)	(23.8%)
<b>Capital expenditure</b>	<b>35.4</b>	66.5	(46.8%)
<b>Senior net debt</b>	<b>2,778.5</b>	3,096.3	(10.3%)

<sup>1</sup> An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 25 May 2021. This has resulted in a tax charge for the six months ended 30 June 2021 despite a loss before tax due to the effect on the Group's deferred tax liability.

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# GOVERNMENT ENGAGEMENT

We will continue to make the case to Government to support the recovery of the aviation industry to ensure we don't fall further behind other countries and regions by:

## Simplifying travel to improve passenger confidence

- Create a stable traffic light system with more countries on the 'green list'
- Bilateral/multilateral agreements to ensure reciprocal arrangements for travellers
- Remove onerous testing regime for green and amber countries

	GREEN	AMBER	RED
Double Vaccinated (from any country)	No pre or post arrival tests	No pre or post arrival test	Quarantine
Not double vaccinated	No pre or post arrival tests	Day two lateral flow test	Quarantine

## Allowing competition and choice

- Reinstating the 80:20 slot utilisation rules for the summer 2022 season incentivising airlines to fly or requiring slots to be handed back

## Seeking sector specific and tailored financial support, including

- Extension of the furlough scheme to April 2022
- Full business rate relief
- Extended repayment terms for Government loans

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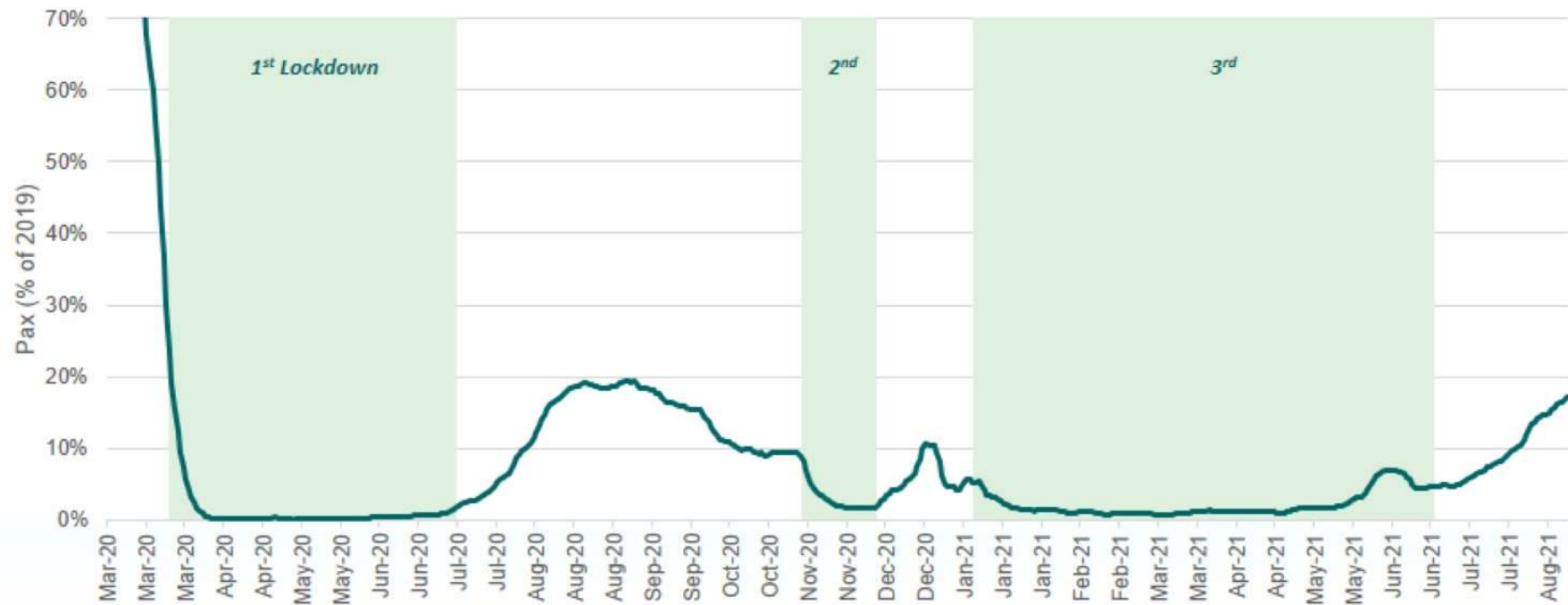
**BUSINESS PERFORMANCE**



# COVID-19 CAUSING UNPRECEDENTED DECLINES IN TRAFFIC

- Traffic in the period fell by 6.9m to 0.6m driven by the **impact of government restrictions**.
- Summer 2020: **easing of restrictions** and **strong, pent up passenger demand** allowed for the return of flights.
- Winter 2020: **the second and third national lockdowns**, coupled with the border restrictions and quarantine imposed on travelers to and from the UK, **resulted in further reduced demand**.
- Traffic remains severely impacted due to Covid pandemic and related government restrictions.

Daily Pax (% vs 2019)



# 70.7% decrease in revenue from 2020 to 2021

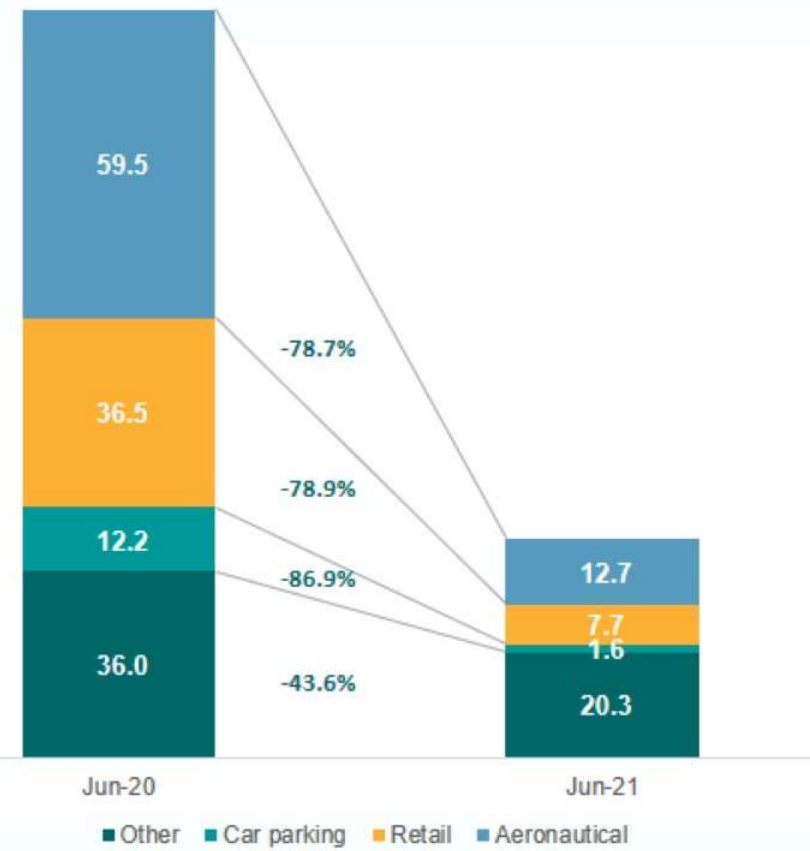
**Aeronautical income** decreased by 78.7% driven by a 92.4% fall in passenger volumes, offset by an increase in revenue from non-passenger activity, accounting for 33% of aeronautical income.

**Retail income** decreased by 78.9% due to the reduction in passenger numbers and the enforced closures as a result of COVID-19. Gatwick has worked closely with retailers to reopen their units and to ensure the appropriate measures are in place following the easing of restrictions.

**Car parking income** decreased by 86.9% in line with reduced passenger numbers. The product offering was flexed in line with demand but net car parking income was negative due to the high proportion of fixed costs. Forecourt charging implemented during the period generating £0.3m revenue.

**Other income** decreased by 43.6%. Property income decreased by £4.0m due to terminal closures. Operational facilities and utilities income and other income were impacted by the lower passenger numbers and decreased by £5.7m and £6.0m respectively.

Revenue analysis			
<b>TOTAL</b>	<b>£144.2m</b>	<b>-70.7%</b>	<b>£42.3m</b>



# 34.4% decrease in operating costs from 2020 to 2021\*

**Staff costs** decreased by 46.4% due to a reduction of over 1,400 employees since the start of the pandemic through COVID-19 Severance programmes, terminating fixed term contracts, reducing working hours for remaining staff, and accessing the Government Coronavirus Job Retention Scheme. Monthly staff costs were £7.9m in June (excluding any furlough subsidy), down from £15.6m in January 2020.

**General & other expenses** decreased by 45.9% due to lower passenger volumes, renegotiating with suppliers and third party service providers and halting discretionary expenditure.

**Rent, rates & utilities** decreased by 0.4% overall. Utility costs decreased by £1.2m due to a reduction in consumption but this was offset by a £1.1m increase in rent and rates due to an inflationary increase and a new baseline cost for the current period.

**Maintenance & IT costs** decreased by 9.9%. Gatwick entered into discussions with all major suppliers. Reduced services were negotiated and activities were paused, deferred or stopped in some cases.

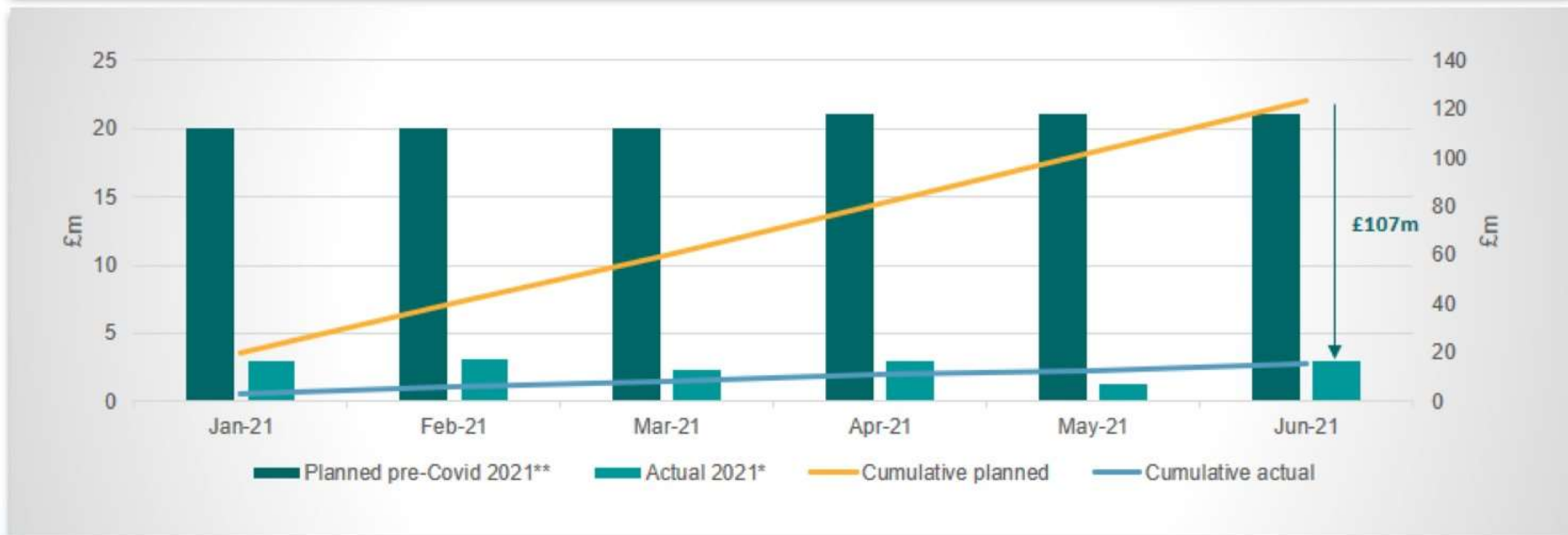
\* Operating costs excluding depreciation, amortisation, and exceptional items

Operating costs analysis*			
TOTAL	£141.0m	-34.4%	£92.5m



# CAPEX – SIGNIFICANT STRATEGIC REDUCTION

- c.£1.2bn invested in Gatwick over the 5 years pre-COVID (2015-2019) provides substantial capacity and limited near-term maintenance requirements
- Only operationally critical projects or those that were near to completion continuing
  - Planned capital investment reduced by a combined c. £570m vs pre-COVID estimates of £780m for FY2020 - FY2022
  - Current cash capex monthly run-rate < £3m p.m.
  - Investment in the period includes a non-cash addition of £18m in respect to a right to operate asset.
  - Optionality to defer more Capex out of 2022.
- The revised Capex plan is in full compliance with the Contracts and Commitments level

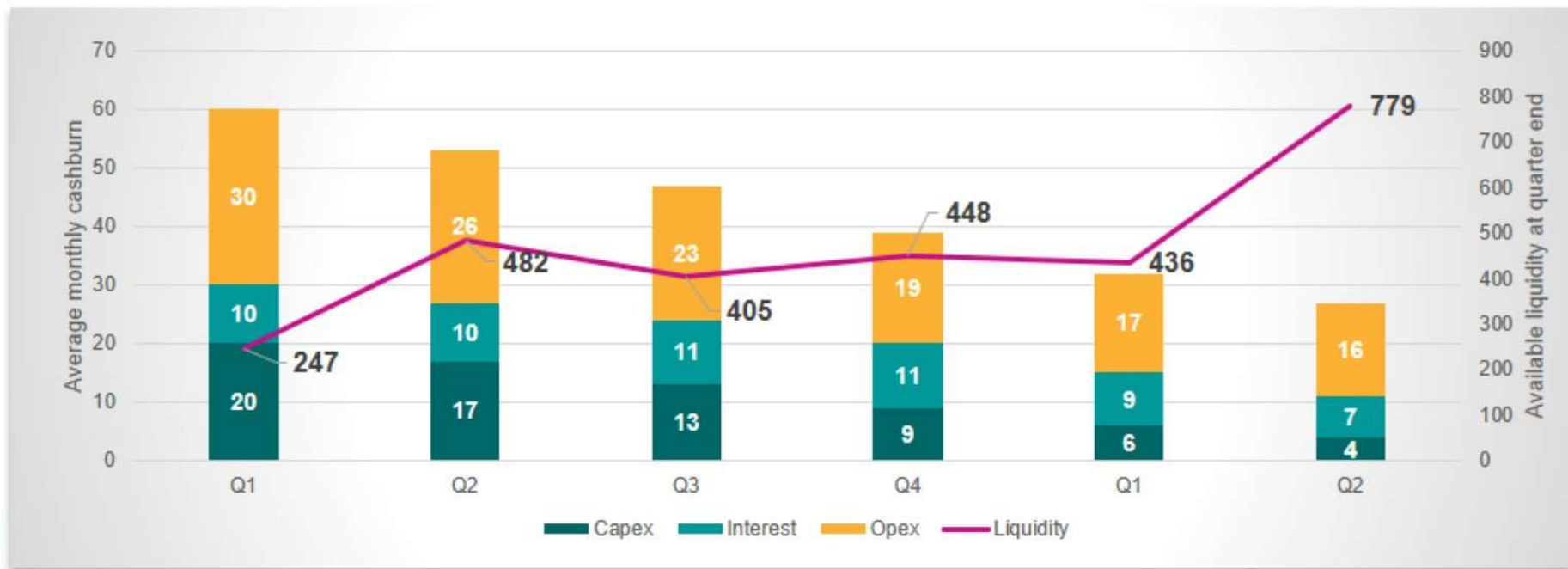


\*excludes additions relating to right of use assets

\*\*2021 planned investment levels are derived from the published 2019 CIP with annual investment allocated evenly by month.

# STRONG LIQUIDITY AND REDUCED CASH BURN

- Gatwick has £779m of liquidity available as at June 2021**
  - Comprised of £624m of cash & cash equivalents, £5m overdraft (undrawn), and £150m debt service Liquidity Facility (fully undrawn)
- Current liquidity is sufficient to cover Gatwick's expenses for over 12 months**
  - £435m more than forecast during previous waiver process
  - £370m of capital injected into security ringfence
- Refinanced £300m term loan with long term senior bond in April 2021**
- Gatwick is seeking to retain CCFF Replacement Debt for up to £300m in line with the current CCFF access should a similar funding scheme become available in the future.



## SUMMARY OF COMPLIANCE CERTIFICATES: HISTORIC

	12 MTHS ENDED 31 DEC 2020	12 MTHS ENDED 30 JUN 2021
Annual Passenger Traffic	10.2m	3.2m
Cash flow (per covenant)	-£158.1m	-193.4m
Total Senior interest (net)	£122.8m	£77.1m
<b>Senior ICR</b> (trigger <1.50x; default <1.10x)	<b>-1.29x</b>	<b>-2.51x</b>
Cash ICR <sub>1</sub>	-0.62x	-1.63x
Senior Net Debt (per covenant)	£3,132m	£2,778.5m
Transfer RAB <sub>2</sub>	£3,317m	£2,479.4m
<b>Senior RAR</b> (trigger >0.70x; default >0.85x)	<b>0.94x</b>	<b>1.12x</b>
Group RAR	N/a	1.38x

- As a result of the unprecedented impact of COVID-19, Gatwick has been granted a covenant waiver and amendment of certain terms under the financing documents from Qualifying Borrower Secured Creditors.
- This includes : a) that any Default relating to Senior ICR and Senior RAR levels shall be waived in respect of the calculation dates falling on December 2020 and June 2021; and b) a temporary amendment (until June 2023) to the calculation of the Senior RAR to replace the April 2020 to March 2021 EBITDA in such calculation with the average of the 2017, 2018 and 2019 financial years corresponding to each relevant calendar quarter, to prevent results in this exceptional period continuing to impact the Senior RAR.

### Notes

<sup>1</sup> Cash ICR is net cash flow from operating activities less cash tax divided by Senior interest (net) (i.e. net cash flow not adjusted downwards by 2% of Transfer RAB, unlike Senior ICR). <sup>2</sup> Transfer date 1 April 2014 and Relevant Multiple – 11.1.

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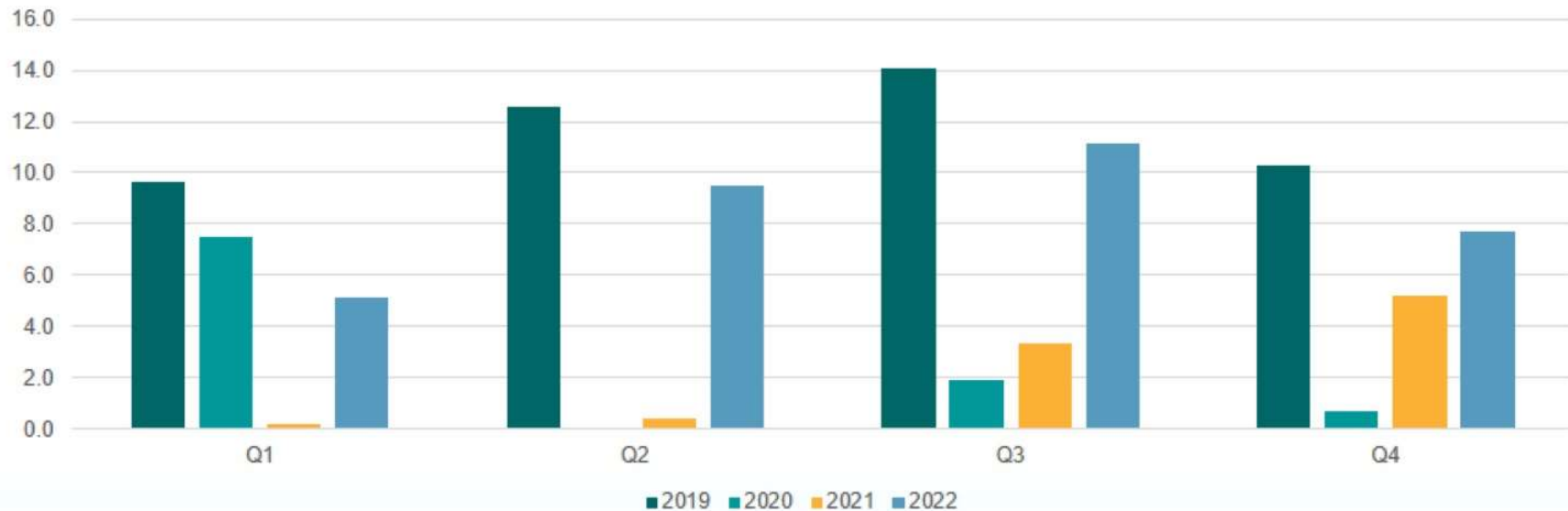
**OUTLOOK**

# TRAFFIC OUTLOOK

Gatwick is currently forecasting 9.1m pax in 2021 and 33.5m pax in 2022, a return to c.72% of 2019.

- Demand uncertainty driven by government travel restrictions.
- Indications remain that key carriers are positioned for recovery and ready to ramp-up quickly.
- Gatwick well placed to capitalise on a recovery, and win market share from other London airports.
- Travel restrictions have delayed recovery to Q3 2021.
- Gatwick's projections are in line with IATA's forecasts.

## Quarterly passenger numbers for 2019 – 2022





# SUMMARY OF COMPLIANCE CERTIFICATE: PROJECTION

## Forecast ICR impacted by extended travel restrictions

- The December 2021 ICR is forecast to breach the financial covenant due to the extended travel restrictions which are being progressively lifted.
- Significant headroom forecast for December 2022 following strong recovery.
- The exceptional impact of Covid-19 on the EBITDA for 2020 and 2021 affects the Senior RAR until 2024 (the Transfer RAB is driven by the average EBITDA over the last 3 years)
- Gatwick has commenced a second waiver process to address forecast breaches. Gatwick's banks and bondholders, representing c46% of total debt, have indicated they intend to support the proposal.

	YEAR ENDING 31 DEC 2021	YEAR ENDING 31 DEC 2022	YEAR ENDING 31 DEC 2023
Cash flow (per covenant)	-£18.9m	£277.8m	£378.7m
Total Senior interest (net) <sup>1</sup>	£67.9m	£96.6m	£141.1m
<b>Senior ICR</b> (trigger <1.50x; default <1.10x)	<b>-0.28x</b>	<b>2.88x</b>	<b>2.68x</b>
Cash ICR <sup>2</sup>	0.75x	3.59x	3.13x
Senior Net Debt (per covenant)	£2,765m	£2,884m	£2,769m
Transfer RAB <sup>3</sup>	£3,649m	£3,227m	£3,070m
<b>Senior RAR</b> (trigger >0.70x; default >0.85x)	<b>0.76x</b>	<b>0.89x</b>	<b>0.90x</b>
Senior Net Debt to EBITDA <sup>4</sup>	n.m.	8.03x	5.90x

<sup>1</sup> Reduction in Senior interest relates to intra group interest and derivative activity <sup>2</sup> Cash ICR is net cash flow from operating activities less cash tax divided by Senior interest (net) (i.e. net cash flow not adjusted downwards by 2% of Transfer RAB, unlike Senior ICR). <sup>3</sup> Transfer date 1 April 2014 and Relevant Multiple – 11.1. <sup>4</sup> EBITDA is pre-exceptional costs.

# DECADE OF CHANGE

- During our first Decade of Change, Gatwick grew substantially 31 million in 2010 to 46.6 million in 2019 passengers. At the same time, we met or exceeded our Decade of Change goals, achieving substantial reductions in Gatwick's noise contours, direct carbon emissions and water usage, expanding our contribution to the economy and the local community and achieving key certifications for zero waste to landfill and biodiversity management.
- We launched our second Decade of Change sustainability policy in June 2021 which looks ahead to 2030 and sets out the airport's goals on the transition to Net Zero, contributing to local environmental stewardship and supporting the local economy, people and communities. Key actions to meet 2030 goals will be incorporated in GAL business plan.
- The 2030 goals take account of local and national sustainability priorities and will enable Gatwick to play its part in national and international action to deliver on the Paris Agreement to limit climate change and the UN Sustainable Development Goals.



# CARBON – GATWICK IS COMMITTED TO SUSTAINABLE GROWTH



## Gatwick's carbon strategy is based on:

- A business model built around high efficiency airlines.
- Energy and fuel efficiency in our buildings and operations.
- Purchasing renewable electricity since 2013.
- Preferring low emission vehicles in airport operations.
- Promoting public transport for travel to the Airport.

- Retained Airport Carbon Accreditation, **LEVEL 3+ Neutral** since 2017.
- Committed to net zero carbon aviation by 2050 and part of UK Jet Zero Council delivery group on sustainable aviation fuels.
- **Reduced GAL's emissions by 60% since 2010** by improving energy efficiency of buildings in modernising the Airport.
- Collaborating on **electric vehicle infrastructure** for airport operational fleets, passenger and staff.
- **Gatwick has one of the most modern aircraft fleets** in the UK and operates a Fly Quiet and Clean collaboration with airlines.



## CONCLUSION

- COVID-19 has caused **widespread disruption** to Global, European and UK aviation markets in the first half of 2021
- The UK has a **world leading vaccination programme** with over 75% of adults double vaccinated.
- Despite the success of the UK's vaccination programme the **UK continues to lag both the EU and US** markets in terms of recovery due to the excessive restrictions.
- Gatwick, like most in the UK travel industry, has been **severely impacted**, facing an unprecedented decline in traffic (-92.4%) and revenues (-70.7%).
- Gatwick continues to ask the Government to create a **more stable and predictable traffic light list**, with more countries being 'green' and to **remove the onerous and costly testing requirements** for those travellers that are double vaccinated.
- **Gatwick is in a solid financial position** with a leaner organisation and a robust level of liquidity (£779m) which is **sufficient to meet operating cashflows, planned investment levels and interest payments** for at least the next 12 months.
- However, the Company continues to **deploy further remediation actions** in order to preserve its liquidity and its business in a slower traffic recovery scenario.
- As we move through the summer, we are **beginning to see the green shoots of recovery** with traffic volumes in August are on track to break the 1 million passengers per month level for the first time since the pandemic began.

Full details at: [gatwickairport.com/investor](https://gatwickairport.com/investor)

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QUESTIONS