

# YOUR LONDON AIRPORT *Gatwick*



Quarterly information package to secured creditors

13<sup>th</sup> November 2020

# Timetable and contents of quarterly information package

Quarter	Reporting Date *	Traffic Update	Historical Covenant Ratios	3-year forecast Covenant Ratios	6-month Liquidity Forecast
September 2020	13/11/2020	✓	✓	-	✓
December 2020	12/02/2021	✓	✓	✓	✓
March 2021	14/05/2021	✓	✓	-	✓
June 2021	13/08/2021	✓	✓	✓	✓

In addition to the quarterly information package, Gatwick continues to prepare a Compliance Certificate and Investor Report for each half year, Financial Statements (within 120 days of 31 December), and Interim Financial Statements (within 60 days of 30 June)

# Traffic Update

	Quarter			Moving Annual Total		
	Q3 2020 (Jul20 – Sep20)	Q3 2019 (Jul19 – Sep19)	% change	Oct19 - Sep20	Oct18 - Sep19	% change
<b>Total terminal passengers (000's)</b>	1,915	14,052	-86.4%	19,755	46,499	-57.5%
<b>Market Analysis:</b>						
<b>Domestic (incl Channel islands)</b>	189	848	-77.7%	1,716	3,523	-51.3%
<b>Short Haul – EU</b>	1,322	8,839	-85.0%	11,191	27,352	-59.1%
<b>Short Haul – Non EU</b>	348	1,835	-81.0%	3,031	6,723	-54.9%
<b>Long haul</b>	56	2,530	-97.8%	3,817	8,900	-57.1%
<b>Air Transport Movements</b>	17,864	80,907	-77.9%	131,576	281,411	-53.2%

The -86.4% reduction in passengers in Q3 2020 compares to -99.6% reduction in Q2 2020

# Covenant Ratios update

	12 months to September-2020	
<b>Senior ICR</b>		
Net cash inflow from operating activities	[£m]	92.6
Add back exceptionals (cash)	[£m]	22.6
Less: Cash Taxes	[£m]	(25.0)
Less: 2% RAB (ave)	[£m]	(85.2)
<b>Cash Flow (A)</b>	<b>[£m]</b>	<b>4.9</b>
Interest and equivalent charges paid on Senior Debt	[£m]	120.3
Interest received	[£m]	(1.2)
<b>Net interest paid on Senior Debt (B)</b>	<b>[£m]</b>	<b>119.1</b>
<b>Senior ICR (A/B)</b>	<b>[x]</b>	<b>0.04x</b>
<b>Senior RAR</b>		
Bonds	[£m]	2,800.0
Bank Debt	[£m]	600.0
Inflation Accretion on SWAPs	[£m]	24.7
Senior Debt	[£m]	3,424.7
Less Cash	[£m]	(249.6)
<b>Senior Net Debt (X)</b>	<b>[£m]</b>	<b>3,175.1</b>
<b>Transfer RAB (Y)</b>	<b>[£m]</b>	<b>3,679.2</b>
<b>Senior RAR (X/Y)</b>	<b>[x]</b>	<b>0.86x</b>

# Liquidity Update

## Available Cash:

### Cash generated from operations of the group

Traffic over the 6-months to end March 2021 is expected to be materially impacted by the second wave of the Covid-19 virus and associated impediments to travel e.g. quarantine restrictions and/or test requirements prior to travel. Traffic forecasts have been set at around 10% of 2019 levels on average for the duration of the winter season. The recent announcement of a UK lockdown for four weeks from 5 November will mean lower traffic than this average over November and potentially early December, but it is from a low base and not a material impact to the liquidity assessment after factoring in the extension of the government furlough scheme. At this stage, no account is taken of the potential for revisions to the UK quarantine requirements or the impact of vaccine developments.

The mix of airlines over the next 6 months will broadly continue in line with the latest run-rate with over 95% of traffic driven by five airlines: British Airways, easyJet, Ryanair, TUI, and Wizz Air. Outside of the national lockdown period, British Airways intends to operate only its long-haul services at Gatwick and Norwegian Air intends to serve only a limited number of Scandinavian destinations whilst its long haul business will not return before April 2021.

In response to the lower level of traffic in the autumn and projected for the remainder of the winter season, Gatwick has continued to take significant steps to reduce its operating costs and protect the business. To minimise its operational footprint and therefore operating costs, Gatwick will continue to operate from just the North Terminal over the winter. At end-October, Gatwick completed a further redundancy programme and headcount is now c. 1,850 compared to c. 3,250 in March. There are additional one-off exceptional costs relating to these staff redundancies which have been reflected in this 6 month forecast, but this action ensures a lower ongoing staff cost for 2021 and beyond. The continuation of the government furlough/job support schemes through the winter ensures the preservation of remaining jobs through this low demand environment, ahead of the expected rebound of demand and operational activity in the summer.

### Any committed Permitted Financial Indebtedness

New committed financial indebtedness of £300m from Bank of England Covid Commercial Financing Facility (CCFF), of which £175m of commercial paper was sold to the Bank of England CCFF scheme on 12 November.

## Required Expenditure:

### Corporation Tax

Cash tax refund in 2021 has increased, reflecting the deterioration in the 2020 trading position.

### Capital Expenditure

Further rationalisation of Gatwick's investment plan has been carried out leading to an immediate reduction in capex spend rates. The estimated annual capex for 2021 is now £40m.

	September- 2020 Quarter End
	October 2020 – March 2021
	[£m]
Cash at start of period	249.6
Cash generated from operations of the group	-113.4
Interest received	0.0
Any committed Permitted Financial Indebtedness:	
Of which: Bank of England CCFF (memo: £175m drawn 12 Nov)	300.0
Of which: Liquidity Facility and Overdraft	155.0
<b>Available Cash</b>	<b>591.2</b>
Interest paid on senior debt	-98.1
Principal repayments on senior debt (incl SWAP accretion)	-29.5
Corporation Tax	8.0
Capital expenditure	-16.3
<b>Required Expenditure</b>	<b>-135.8</b>
<b>Available Cash Less Required Expenditure</b>	<b>455.4</b>