



LONDON GATWICK

IVY HOLDCO LIMITED INVESTOR REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

20 March 2024

This Investor Report is prepared in accordance with the requirements of the Common Terms Agreement dated 15 February 2011 between, among others, the Issuer, the Obligors and Deutsche Trustee Borrower Limited (“the Borrower Security Trustee”) (“the Common Terms Agreement”). It summarises certain information contained in the **Security Group’s** (Ivy Holdco Limited) Annual Report and the Consolidated Financial Statements for the year ended 31 December 2023, and the Compliance Certificate for the period then ended.

Overview of the **Securitisation Group’s performance for the year ended 31 December 2023**

Building on our recovery

Passenger numbers continued to grow in peak periods, reaching 94% of pre-pandemic levels, but remained lower outside of the peak. This is due to travel still not returning to 2019 levels for some business and discretionary leisure flights.

During 2023, 40.9 million passengers flew through London Gatwick.

Overall successful year

Delivering strong service levels remains our critical focus. Supported by the hard work of frontline colleagues, our airport hit 546 out of 552 of our agreed service measures. This includes getting 97.2% of passengers through security in less than five minutes. To support this important standard, we successfully recruited a further 200 security officers. These new colleagues were fully trained ahead of the busy summer season to ensure smooth and efficient journeys for our passengers.

Ground operational challenges did however impact our airport’s on-time performance. We took a strong leadership role facilitating collaboration between airlines and air control traffic providers across this complex area. **We’re pleased to report significant progress has been made and we’re now confident that aircraft will be better prepared and ‘ready to go’ for their dedicated runway slots.** This way passengers will experience more reliable and predictable schedules throughout 2024.

Air traffic restrictions were our biggest challenge during the first half of 2023. European air traffic control (“ATC”) strikes, en route ATC staffing issues and air-space restrictions led to cancellations and delays. Also, the ongoing conflict in Ukraine continues to cause restrictions on the use of large volumes of airspace. Despite this and industrial action from both UK Border Force and train drivers, **we’ve continued to operate at a good level.** Our teams developed action plans, which were well executed and minimised the impact of wider disruption across Europe.

ATC staffing issues in our control tower also led to some disruption towards the end of the summer. With that in mind, strong leadership and intensive dialogue with the airlines, NATS and Eurocontrol has seen robust plans developed. This increased **resilience for the remainder of 2023 and into 2024.** **Five new air traffic controllers will also start in our airport’s control tower** ahead of summer 2024, added to the four that joined in 2023.

Initiatives to improve the passenger journey during the year include a successful trial with UK Border Force for 10- and 11-year-olds to use the e-gates at immigration. This initiative is now fully operational across our airport. The number of passengers using the facility is up 6% as more families choose to travel through immigration more quickly and conveniently.

A new Accessibility Strategy furthered our vision to be the airport for everyone, by improving services for passengers who may **require assistance.** **We resourced our airport’s assisted services well throughout the year and hit all service standard targets.** This was supported by new PRM location beacons providing high-quality digital tracking of service provision in real time. Also, we retained the incumbent service provider, Wilson James, for a further five-year period.



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Overview of the Securitisation Group's performance for the year ended 31 December 2023 (continued)

Ahead of the summer period, we worked closely with airlines, ground handlers and the wider airport community. This ensured adequate resources were in place to enable an overall smooth operation. This included contingencies to ensure healthy resource levels.

Safety and security remain at the very heart of our operation. We've worked tirelessly with the wider airport community to ensure we're well-prepared to provide passengers with reliable services during what is forecast to be a busy 2024 summer season.

New brand and vision

In April the airport unveiled its new brand identity and refreshed vision, providing a platform for the airport's next phase of growth. The new brand reaffirms London Gatwick's position as a major international gateway. It also recognises the airport as part of the broader VINCI Airports network.

The vision – To be the airport for everyone, whatever your journey – focuses on delivering a personalised experience to meet passengers' individual needs. Underpinning the vision is a strengthened focus and investment on simplifying the journey through the airport by focusing on ease, efficiency and experience.

Investing in our future

As recovery continued in 2023, we restarted our capital investment plan with a refreshed pipeline of key projects. These range from construction on the airfield with the Rapid Exit Taxiway ("RET"), to starting a major transformation of our North Terminal departure lounge.

Recognising the urgent need to make net zero a reality, we've accelerated our commitment to reach net zero (Scope 1 and 2) by 2030, 10 years ahead of our previous commitment. We'll achieve this by investing over £250 million in initiatives to reduce carbon emissions.

To make clear our plans, we've also published the 2023 six-year Capital Investment Programme. This programme sets out our ambition to invest over £2 billion in facilities and services for our passengers and airline customers through to 31 March 2029.

The CIP also includes measures to secure our airport's long-term future by developing its plans to bring the Northern Runway into routine use. A planning application was submitted in July 2023 and was subsequently accepted for detailed examination by the Planning Inspectorate in August. A period of detailed and rigorous examination of the proposals by a panel of independent experts started in February 2024.

Reflecting on 2023

In the year ended 31 December 2023, passenger numbers increased by over 24%, from 32.8 million in 2022 to 40.9 million, reaching over 88% of 2019 levels.

The first quarter, traditionally the quietest period during the year, saw passenger traffic increasing to 80% of 2019 levels in March when airlines began their ramp-up ahead of a busy summer. At the start of the summer season, a string of new airlines and services contributed to the increase in traffic with the recovery reaching 94% of 2019 levels in July and October.

In the short-haul market, the recovery continued to be higher with passenger levels reaching 94% of 2019 levels, an increase of 16 percentage points compared to 2022.

- easyJet traffic reached 100% of 2019 levels, peaking at 113% in July and remaining above 100% for the remainder of the summer season despite their decision to reduce their capacity.
- British Airways increased by 77% compared to 2022 as they continued to build back their short-haul operation. Their traffic benefitted from the gradual introduction of the larger Airbus A321 aircraft to their London Gatwick fleet from the start of the summer season.
- Vueling continued to deliver more passengers building on their 2022 operations, delivering 37% more passengers in 2023 compared to 2022.



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Overview of the Securitisation Group's performance for the year ended 31 December 2023 (continued)

- Wizz Air's traffic in 2023 reached 2.6 million passengers, growing by over 40% compared to 2022, fully using their five based aircraft in addition to inbound flying from their other European bases.
- New short-haul airlines such as Lufthansa and SkyExpress began operating at London Gatwick during 2023 as part of 36 airlines flying to 177 short-haul destinations, providing a greater choice for passengers.

The long-haul market continued its path towards recovery throughout the year. In the first quarter, long-haul passenger traffic reached over 55% of 2019 levels, increasing to 68% in the fourth quarter. 2023 was the year when Chinese traffic began its recovery following the removal of the last remaining travel restrictions, which enabled Air China and China Eastern to start their services in the second quarter.

During the first half of the year, London Gatwick saw the arrival of several new airlines such as Air India, Delta and Saudia. Incumbent carriers such as BA and Norse also continued adding new long-haul services. Norse grew from one to five based aircraft, adding routes to Orlando, Washington, Miami, Los Angeles, San Francisco and Boston.

Meanwhile, BA started operations to Vancouver, Las Vegas, Aruba and Georgetown, Guyana. Furthermore, in October British Airways added new flights to Accra, while Norse commenced new services to the Caribbean.

In addition, another three new airlines started their long-haul operations at London Gatwick. Air Mauritius moved their daily Heathrow operation to London Gatwick while Ethiopian Airlines and China Southern also chose London Gatwick to grow their London services.

In total, 2023 saw 5.8 million passengers on 53 long-haul routes served by 20 airlines.

We're expecting a strong 2024, benefitting from the new capacity that was launched by new and existing airlines in 2023. Also, we've already seen a number of exciting announcements from airlines coming to London Gatwick. This includes Singapore Airlines launching a new service five times per week from June 2024.

Attention is now focused on our 2024 operations and ensuring we offer our passengers the high levels of service they expect from us.

2023 saw strong financial performance compared with 2022, as passenger numbers continued to grow. Revenue increased from £776.6 million in 2022 to £1,015.1 million in 2023 (30.7%), with increases across all revenue streams. Operating expenditure faced inflationary pressures, as we and many of our key suppliers awarded staff pay increases for the first time since before the COVID-19 pandemic; however, operating costs (pre-exceptional items) grew at a slower rate than revenues. Operating costs, excluding exceptional items, increased from £494.5 million in 2022 to £551.5 million in 2023 (11.5%).

The Group has reported a profit of £314.8 million for the year ended 31 December 2023 compared to £196.5 million for the year ended 31 December 2022.



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Regulatory Environment

London Gatwick is subject to economic regulation by the Civil Aviation Authority (“CAA”) under the Civil Aviation Act 2012. This takes the form of legally enforceable undertakings (“commitments”) made by London Gatwick to airlines. These cover price, service, transparency, financial resilience, operational resilience and dispute resolution. The commitments put commercial agreements between airports and airlines at the very centre of our business and have transformed outcomes for passengers. **They’re backed** by an economic licence issued by the CAA.

The first generation of commitments expired on 31 March 2021 having delivered consistently for passengers and airlines, with service levels and overall investment significantly exceeding what was committed. Having consulted with stakeholders, in January 2020 we proposed an extension to the arrangement with an improved set of commitments to run from 1 April 2021 to 31 March 2025. The CAA confirmed the extension and final licence conditions in May 2021.

Following conversations with airlines and passenger representatives, we’ve proposed an extension to the current commitments until 31 March 2029, incorporating several important enhancements. This extension will benefit passengers and provide a more stable, predictable environment to help airlines continue to recover from the pandemic. Over this period, we’ll give confidence to airlines and passengers by striving for outstanding service. We’ll also significantly increase investment in facilities. All under a price ceiling which is expected to decline, on average, in real terms. Furthermore, we’ll actively strive to get consent to start work needed to bring our Northern Runway into routine use and add capacity and additional resilience to the airfield.

The CAA consulted on our proposal in Summer 2023. We expect it to reach its final decision on the regulatory framework by the end of 2024 and this would be applied from April 2025. The proposal’s key features are as follows:

- **Service:** London Gatwick commits to maintain excellent service delivery for its passengers and airlines and will remain financially incentivised to do so. London Gatwick is engaging with the airline community as the package of Core Service Standards (“CSS”) is reviewed. We’ve proposed reintroducing a CSS metric focused on ATC performance at our airport and strengthening the special assistance metric.
- **Investment:** The 2023 Capital Investment Programme (“CIP”) reflects a substantially enhanced capital programme with over £80 million added to deliver sustainability objectives. What’s more, there’ll be an additional £100 million investment in the international departure lounges and over £500 million to start the Northern Runway programme. Over the 10-year period from 2019, London Gatwick’s planned investment is £2.6 billion. This is substantially higher than the minimum investment commitment of £1.5 billion and delivered under a lower price ceiling.
- **Price:** Recognising cost pressures and economic uncertainty and underlining our commitment to sharing commercial risk, London Gatwick proposes to switch from RPI to CPI. We propose limiting airport charges with a ceiling and maximum annual rate increase of CPI-1% for the first two years of the extension (but not to reduce below 0% nominal) with a trajectory of CPI+0% thereafter.
- **Vision:** London Gatwick has published its vision “To be the airport for everyone, whatever your journey”. The vision recognises the range of customers and is built on three core foundations – ease, efficiency and experience. This will flow through investment plans and operations.
- **Capacity growth:** London Gatwick commits to increase the resilience and efficiency of its airfield infrastructure. In our 2023 CIP we’ve committed for the period to March 2029 to bearing the cost of developing these plans, securing necessary statutory and planning approvals, and implementing the projects. This includes potential projects to maximise the use of the existing Main Runway and to bring into routine use the existing Northern Runway (sometimes referred to as the ‘stand-by’ or ‘emergency’ runway). We’re also committed to delivering greater passenger choice with routes and airlines, as well as retail growth.

All airport operators are also subject to aerodrome licensing under the Air Navigation Order 2009, which requires an airport operator to demonstrate its competence for conducting aerodrome operations safely. That licensing requirement is not affected by the Civil Aviation Act 2012.

Impact of COVID-19

The COVID-19 pandemic had an unprecedented impact on the global aviation industry, with significantly reduced traffic and substantial cuts in capacity by airlines.

From March 2020, we took a number of steps to reduce cash outgoings and to reposition the business for the mid-term. These included reducing operating expenditure and minimising our Capital Investment Programme, with only operationally critical projects or those near completion continuing.

In addition to the actions to reduce cash outgoings, we took steps to increase the availability of cash and committed funding. During 2020 and 2021 we were granted covenant waivers and an amendment of certain terms under the financing documents from Qualifying Borrower Secured Creditors.

During 2022, after two years impacted by COVID-19, London Gatwick saw its fastest ramp-up in passenger traffic.

Significant Board changes

Baroness Margaret Ford of Cunninghame (OBE) was appointed as London Gatwick's new chair in November 2023. Baroness Ford is one of the most experienced chairs in the UK having chaired four public companies and acted as senior director on a further four. In addition, she has chaired several privately owned businesses and National Government bodies, mainly in the infrastructure/regulated sector. Baroness Ford has taken over from Sir David Higgins, who had been chair since 2017.

Sir David Higgins will remain on the Board as a non-executive director following the retirement of William Woodburn in November 2023. Eric Delobel resigned from **the Board of Directors in November and was replaced by Guillaume Dubois.** **We'd like to welcome** Baroness Ford and Guillaume and also thank William Woodburn and Eric Delobel for their contribution.

After two and half years as Gatwick's Chief Operating Officer, Adrian Witherow moved to Sydney Airport in January 2023 as its Chief Transformation Officer. Adrian joined London Gatwick during the height of the pandemic and led the Operations team through an extremely challenging period. The Executive Management Board thanks Adrian for his work in ensuring we delivered a smooth operation in 2022. Business Improvement Director John Higgins has taken over as interim Chief Operating Officer.

In addition, Mark Johnston joined London Gatwick from AGS Airports (owners of Aberdeen, Glasgow and Southampton airports) in March 2024, taking on the role of Chief Operating Officer. Mark will join our airport with over two decades of highly relevant technical and professional experience, having led security, technical, infrastructure and airport terminal departments.

Finally, General Counsel and Company Secretary Rachel Ford left London Gatwick in December.

Capital expenditure

The Group spent £154.7 million (year ended 31 December 2022: £64.4 million) on **the Airport's** Capital Investment Plan during the year ended 31 December 2023.

The business review in the Ivy Holdco Limited Annual Report and the Consolidated Financial Statements details the key capital projects delivered during the year and in progress at 31 December 2023.

Financing

The Group has a Revolving Credit Facility ("RCF") under an Authorised Credit Facility ("ACF") of £300.0 million with a termination date of 21 June 2025.

In December 2022, Gatwick Airport Limited launched a tender offer to purchase some of the outstanding Class A bonds. As result of the £354.0 million equity injection in 2021 coupled with strong performance in 2022 the company utilised some of the cash headroom to lower short-term cost of carry and thus temporarily reducing gross debt. A total of £462.6 million of nominal debt was purchased at a cost of £350.9 million. At the same time, the borrower loans between Gatwick Funding Limited and Gatwick Airport Limited were reduced by the same nominal amount.

To provide additional liquidity following the purchase of some of the outstanding Class A bonds, in February 2023 the Group entered into a new RCF under an ACF of £100.0 million with a termination date of 23 August 2024 and an option to extend to 23 February 2025.

Acquisitions and Disposals

No acquisitions or disposals occurred during the year ended 31 December 2023.

Restricted Payments

There were no restricted payments during the year ended 31 December 2023.

Ratios

We confirm that in respect of this Investor Report dated 20 March 2024, by reference to the most recent financial statements that we are obliged to deliver to you in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 2 (Covenants) of the Common Terms Agreement:

the historical Senior ICR for the Relevant Period ended 31 December 2023 was 3.48;

the forecast Senior ICR for the Relevant Period ended 31 December 2024 is 4.20;

the historical Senior RAR for the Relevant Period ended 31 December 2023 was 0.45; and

the forecast Senior RAR for the Relevant Period ended 31 December 2024 is 0.50;

(together the Ratios).

Current Hedging Position

As at 31 December 2023, after taking hedging with derivatives into account, fixed and inflation-linked debt represented 91% of the Borrower's Relevant Debt.



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Confirmations

We confirm that each of the above Ratios has been calculated in respect of the Relevant Period or as at the Relevant Dates for which it is required to be calculated under the Common Terms Agreement.

We confirm that:

- a) no Default or Trigger Event has occurred and is continuing:
 - (i) the Group issued a request for a covenant waiver and amendment of certain terms under the financing documents, which was approved by the Qualifying Borrower Secured Creditors and documented under the Amendment and Waiver Agreement dated 8 September 2021. This includes a temporary amendment (until June 2024) to the calculation of the Senior RAR to replace both the April 2020 to March 2021 EBITDA and the April 2021 to March 2022 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
- b) the Borrower is in compliance with the Hedging Policy; and
- c) the statements set out in this Investor Report are accurate in all material respects.

Yours faithfully,

Stewart Wingate
Chief Executive Officer

Jim Butler
Chief Financial Officer

Signing without personal liability, for and on behalf of Gatwick Airport Limited as Borrower.