



# INVESTOR UPDATE

Ivy Holdco Consolidated Results - Parent Company of Gatwick Airport Limited

30 August 2023



**LONDON  
GATWICK**

# Meet the team



**Stewart Wingate**

Chief Executive  
Officer



**Jim Butler**

Chief Financial  
Officer

# BUSINESS UPDATE



# Executive summary

Solid H1 2023 traffic and financials performance, increased revenue along with careful cost management resulting in improved EBITDA and net profit

Our passengers received good levels of service as we hit 99.6% of our agreed service levels.

Our proactive approach, facilitated by our Contract and Commitments Framework, once again delivered strong service to passengers by avoiding industrial action by ground handlers and other partners

Existing and new airlines offering our passengers more choice, now flying to over 200 destinations

Consulted with airlines to build a six year Capital Investment Programme encompassing our new brand and vision, an ambition to invest over £2 billion through to 2029.

Executing sustainability road maps through robust and achievable plans to meet our goals including net zero by 2030

Proposed extension to Contract and Commitments Framework, looking to secure great service and more choice at competitive pricing

Northern Runway planning application progressing to examination, sustainable growth plans expected to boost region's economy and generate thousands of new jobs

# OUR STRATEGY

## OUR VISION

To be the airport for everyone, whatever your journey

## OUR VALUES

### **Ambitious**

We are redefining what's possible

### **Competitive**

We give our best

### **Resilient**

We never give up

### **Resourceful**

We deliver what matters

### **Together**

We are a team

## OUR PRIORITIES

### **Great service**

Give every passenger an enjoyable and effortless experience

### **Be sustainable**

Continually drive greener and more sustainable solutions

### **Build and grow**

Strengthen our airline, retail and commercial offer

### **Work smarter**

Drive efficiency and resilience

### **Engage our people**

Foster excitement and pride in working here

### **Keep our airport moving forward**

Invest in projects that serve our customers and enable growth

**Safety and Security underpins everything we do**





# LONDON GATWICK

“Our vision is to be the airport for everyone, whatever your journey. Underpinning this is a strengthened focus and investment on simplifying the journey through the airport, ensuring it is an easy and efficient experience”

# Solid H1 2023 traffic and financial performance

Traffic

**18.5m**

↑ 41.2% from Jun 22

Revenue

**£423.3m**

↑ 45.2% from Jun 22

Operating costs <sup>1</sup>

**£187.6m**

↑ 31.0% from Jun 22

EBITDA

**£235.7m**

↑ 58.9% from Jun 22

Profit for the period

**£79.1m**

↑ 56.3% from June 22

Capital expenditure

**£49.4m**

↑ 63.6% from Jun 22

Available liquidity

**£567.8m**

↑ 14.3% from Jun 22

Senior net debt

**£2,744.0m**

↓ 11.4% from Jun 22

<sup>1</sup> Operating costs excluding depreciation, amortisation and exceptional costs

# BUSINESS PERFORMANCE





# Continued traffic recovery in peak periods

6 months to June 23

**18.5m**

↑ 41.2% from 2022

↓ 16.7% from 2019

Passenger numbers have continued to grow in peak periods, but headwinds remain outside of the peak with long-haul and business travel taking longer to reach 2019 levels

Improved full year traffic guidance with recovery expected to peak at 97% in October

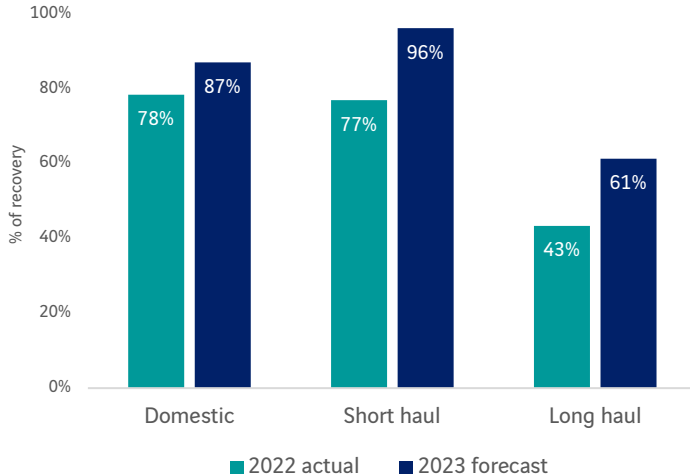
Forecast 2023

**41.3m**

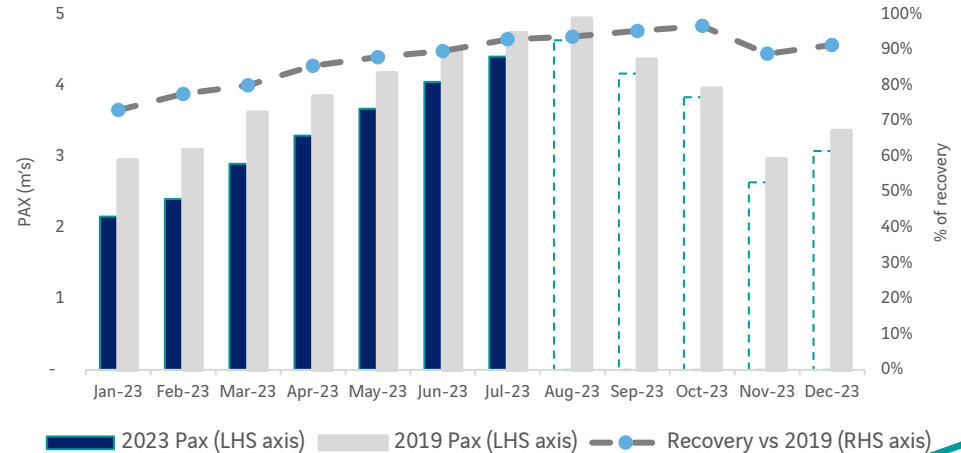
↑ 25.6% from 2022

↓ 11.4% from 2019

Passengers by haul vs 2019



2023 passengers by month



# 50 LONG HAUL DESTINATIONS

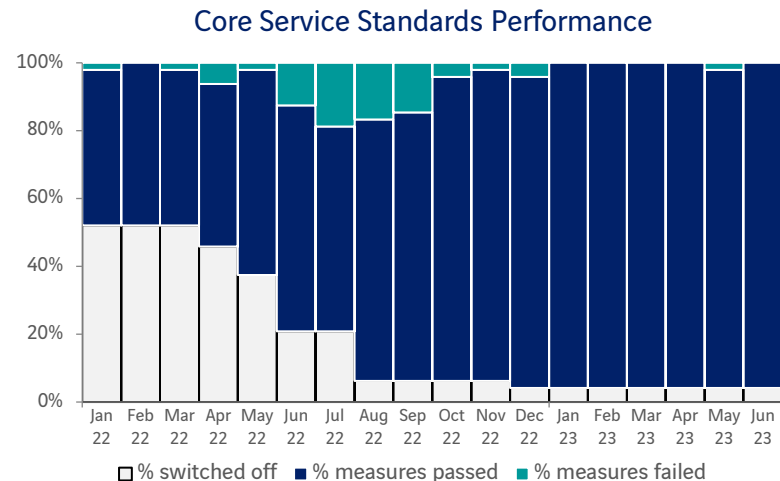
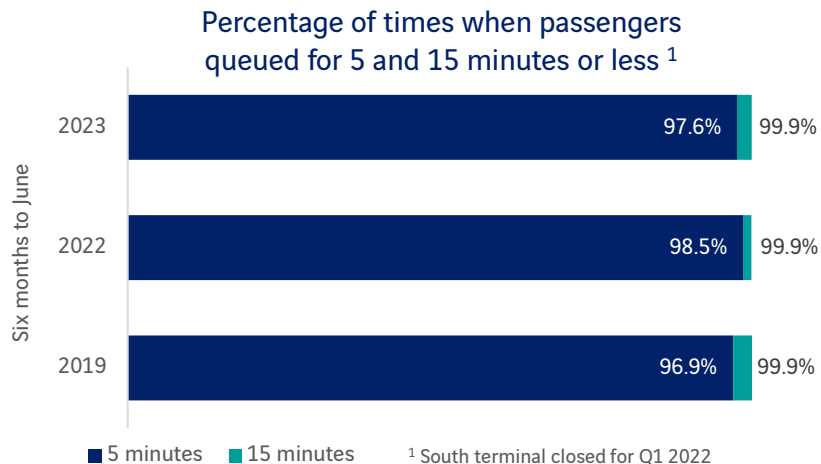
OVER 200 DESTINATIONS FROM LONDON GATWICK



# Constant focus on delivering high levels of service

## Continued to deliver good service levels demonstrated by:

- Highest net promoter score across major UK airports at 46%, up 4pts on 2019 levels
- Met 99.6% of all measured service metrics for the first half 2023
- 97.6% of passengers queued for 5 minutes or less at central security search
- Regulator ranked London Gatwick as “very good” for special assistance services



# Driving improvements to airfield performance

Worked with the wider airport community to prepare in advance of the summer season

## OUR READINESS

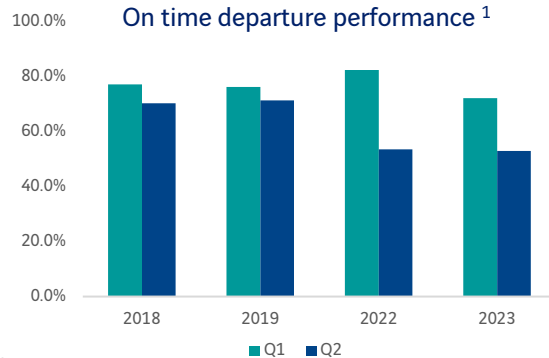
- London Gatwick ensured all infrastructure was available for peak season, such as:
  - Renewed Main Runway following successful resurfacing last summer
  - All piers and stands available for airlines
  - Increased resilience in air traffic control tower by adding five more controllers ahead of busy period

## CHALLENGES EXPERIENCED

- Performance impacted by heavier than normal air traffic control restrictions across large parts of Europe due to:
  - French air traffic control strikes
  - Closure of Ukrainian airspace
  - Weather patterns
- Preparedness of ground operations

## SWIFT ACTION TAKEN

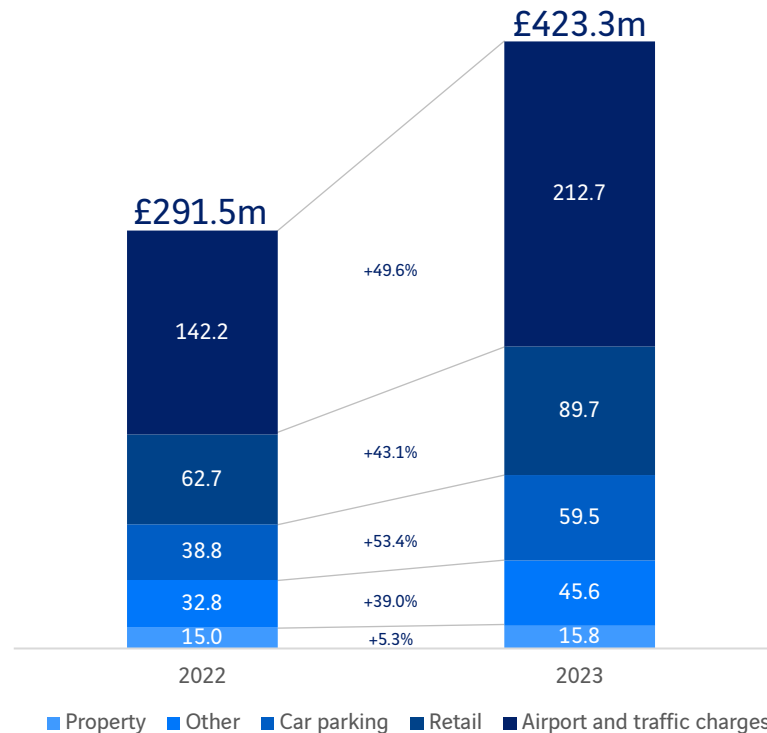
- London Gatwick is partnering with airlines and ground handlers on ground operations to ensure aircraft are ready to go for the first wave of departures and throughout the rest of the day
- Joint taskforce with airlines, EUROCONTROL and NATS to tactically optimise flight plans
- Worked with five ground handlers and mitigated planned industrial action



<sup>1</sup> Departure that occurs within 15 minutes of the scheduled time

# Revenue grows with traffic up 41%

- **Airport and traffic charges**
  - Income per passenger +6% resulting from a combination of inflation, seasonality, traffic mix and contractual arrangement with airlines
- **Retail**
  - Strong performance in catering, Duty Free consistent with passenger growth but softer increase in Bureau income
- **Car parking**
  - Temporary effect continues of higher proportion of UK-originating departing passengers than pre-COVID-19 along with a different mix of products driving increased average transaction value leading to a higher revenue per passenger
- **Other**
  - Mainly pass through costs such as check-in facilities, hold-baggage screening, services for special assistance passengers and utility costs
- **Property**
  - Property income less susceptible to passengers volumes



# Continued focus on balancing operating costs

- **Staff costs**

- Average FTE increase of 397 from H1 2022 to H1 2023 as traffic recovered
- Salary increase following pay deal effective April 1<sup>st</sup> 2023

- **General & other**

- A proportion of these costs are largely fixed such as police, ATC and insurance
- Operational contracts like special-assistance, cleaning and hold baggage screening linked to traffic volumes and salary inflation

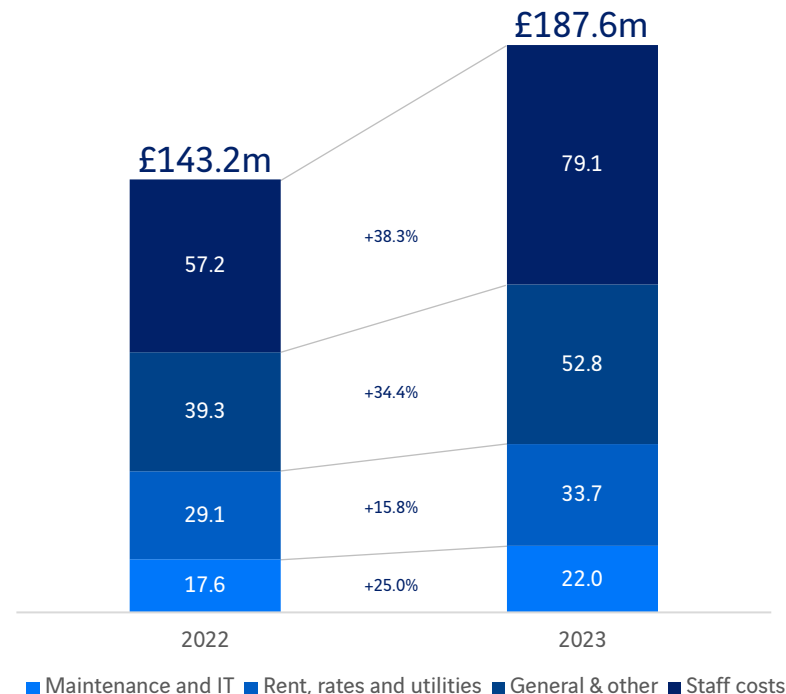
- **Rent, rates and utilities**

- Rates increased driven by higher rateable value effective from 1 April 2023
- Increased utilities costs resulting from higher prices and consumption as South Terminal was closed for Q1 2022

- **Maintenance and IT**

- Greater maintenance activity in 2023 as a result of both terminals being open
- In 2022 some activity was rescheduled to the second half of 2022 to enable a major capital project to resurface the Main Runway

Above operating costs exclude depreciation, amortisation and exceptional costs

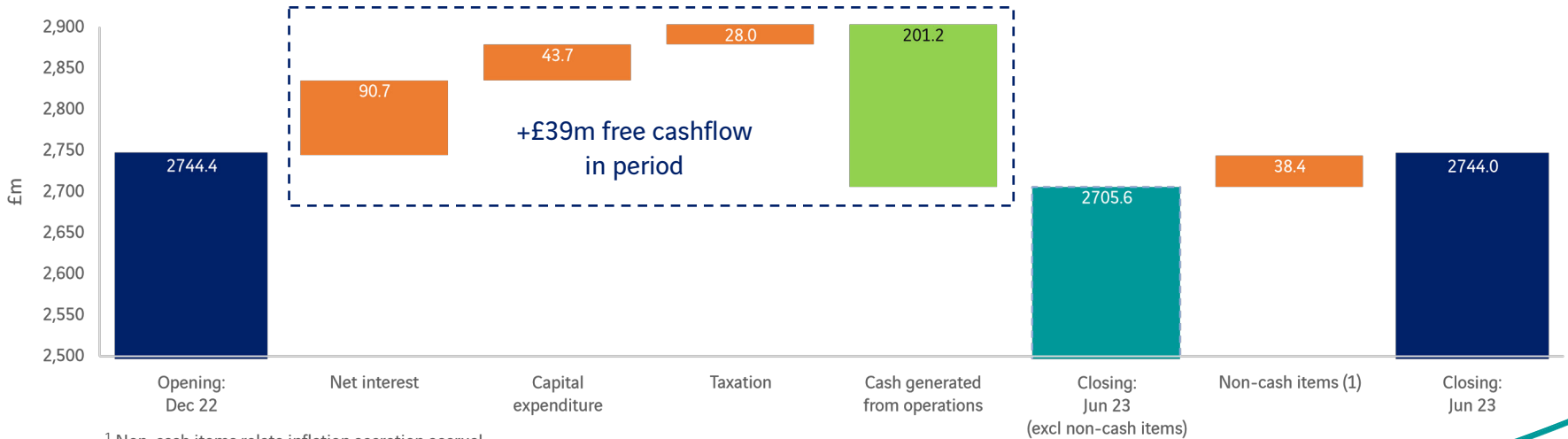


# Free cashflow continues to improve

Operating cash for period exceeded financing costs, taxation and capital investment

Net debt flat versus December 2022 despite positive free cash flow - offset from increased inflation accretion in Gatwick's inflation-linked SWAP portfolio

## Senior net debt: change from December 2022 to June 2023



<sup>1</sup> Non-cash items relate inflation accretion accrual

# Compliance certificate summary

Sufficient headroom on both Senior ICR and Senior RAR as traffic and financials recovery continues

Temporary amendment to the calculation of the Senior RAR (under the second waiver agreement) remains in place until June 2024

	12 mths ended 30 Jun 23	Year ended 31 Dec 23	Year ended 31 Dec 24	Year ended 31 Dec 25
Cash flow (per covenant)	£467.4m	£430.0m	£474.5m	£504.1m
Total senior interest (net)	£124.3m	£136.6m	£132.0m	£169.9m
<b>Senior ICR</b> (trigger <1.50x; default <1.10x)	<b>3.76x</b>	<b>3.15x</b>	<b>3.59x</b>	<b>2.97x</b>
Senior net debt (per covenant)	£2,744m	£2,536m	£3,107m	£3,745m
Transfer RAB <sup>1</sup>	£5,231m	£5,730m	£6,251m	£7,120m
<b>Senior RAR</b> (trigger >0.70x; default >0.85x)	<b>0.52x</b>	<b>0.44x</b>	<b>0.50x</b>	<b>0.53x</b>

<sup>1</sup> Transfer date 1 April 2014 and relevant multiple –11.1

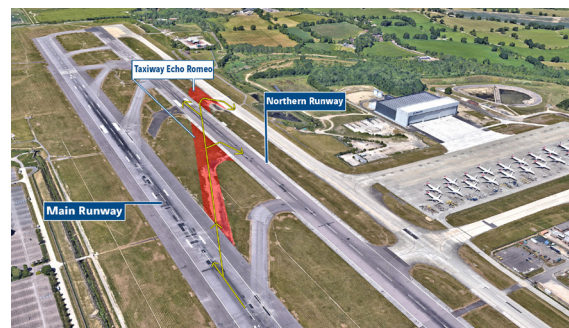
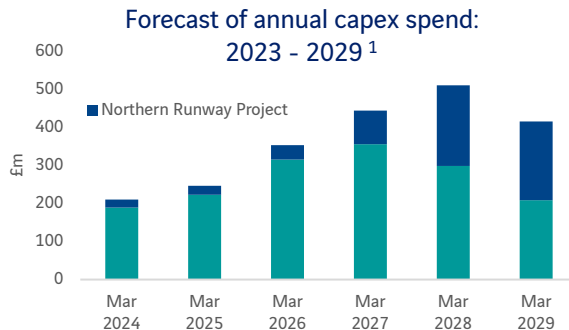


# BUSINESS OUTLOOK



# Investing to be the airport for everyone

Rapidly building back our Capital Investment Programme, consulted and agreed with airlines to invest in passenger experience, service, capacity and building further airfield resilience



# Enhancing experience and choice for passengers

Investing in and strengthening passenger experience with a broad range of retail choice, introducing new and exciting brands



# Executing our sustainability road maps

## PEOPLE AND COMMUNITIES

Support our people and invest in our local communities

- Continue to build education and careers programmes, the programmes have reached almost 50,000 students this year
- Held 16 airline engagement sessions to improve awareness and operational compliance that promotes improved environmental performance.



## NET ZERO

Continue our transition to Net Zero and improve air quality

- Planned first phase of project to decarbonise heating systems
- Progressing plan to replace diesel in our vehicles HVO in 2023
- Project to change conventional lighting with low-energy LEDs underway, 50% already complete
- Submitted application for Airport Carbon Accreditation at Level 4+



## LOCAL ENVIRONMENT

Reduce our impact on the local environment and waste

- Won Airports Council International's Eco Innovation Award
- Partnered with Crawley & Horley Hygiene Bank to donate toiletries sacrificed by passengers at security, estimated to divert 7 tonnes in 2023



# Securing great service and choice at a competitive price

Following extensive engagement with airlines and passenger representatives, a proposal to extend the current commitments until 31 March 2029 delivering improved outcomes for passengers

The CAA consulted on Gatwick's proposal, key features included:

Our vision of "To be the airport for everyone, whatever your journey" will flow through our investment plans and operations

## Service

- Commitment to **maintain excellent service delivery** for passenger and airlines
- Consider reintroducing metric on ATC and **strengthen special assistance metric**

## Investment

- Substantially enhanced capital programme, ambition to **invest a further £2 billion** by 2029
- Substantially higher minimum investment commitment delivered under a **lower price ceiling**

## Price

- Commitment to share commercial risk
- Proposal to **switch to CPI** and limit airport charges with a ceiling and a maximum annual rate **increase of CPI-1%** for the first two years of the period with a trajectory of **CPI+0%** thereafter.

## Capacity growth & resilience

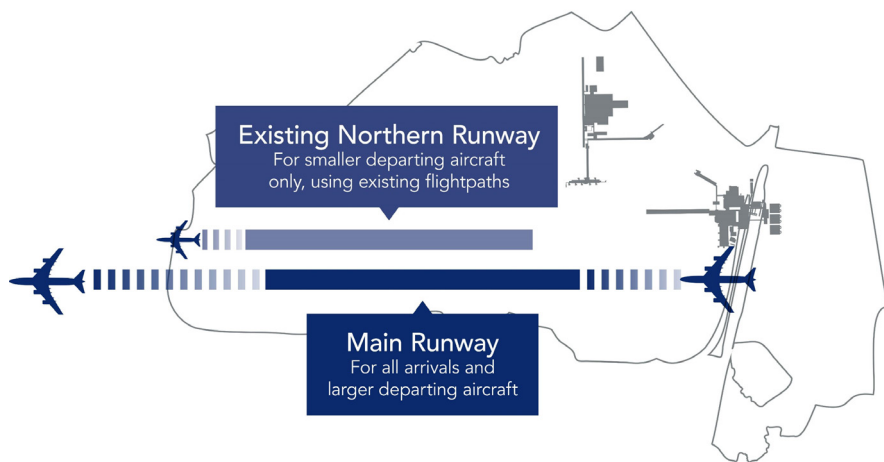
- Commits to increase the **resilience and efficiency** of airfield infrastructure
- For the present, to **bear the cost** of developing plans, securing the necessary statutory and planning approvals, and implementing growth projects



# Sustainable growth plans to boost region's economy

Planning application submitted and accepted to bring its existing Northern Runway into routine use to improve resilience and increase capacity

Significant commitments given to local communities include legally binding agreements to control noise and reduce carbon emissions



## Timeline:

2018-2023	<b>Pre Application:</b> develops project and consults
Aug 2023	<b>Acceptance stage:</b> application submitted to the Planning Inspectorate, they have 28 days to accept or reject
Q3 2023	<b>Pre-examination:</b> applicant publicises acceptance and how interested parties can get involved
H1 2024	<b>Examination:</b> written evidence and hearings take place
End of 2024	<b>Recommendation and Decision:</b> PINs has three months to submit recommendation to Secretary of State
2025	<b>Delivery</b>
2029	<b>Operational implementation</b>

# Conclusion

Solid H1 2023 financial performance with full year traffic guidance increased accordingly. Traffic recovery will continue in 2024 but medium-term uncertainty remains from macro-economic conditions

Driving progress with EUROCONTROL, our airlines and NATS to improve on time performance

Rapidly delivering refreshed Capital Investment Programme with focus on service, capacity, sustainability and building further airfield resilience. Further investment planned to ensure passengers receive high levels of service expected at London Gatwick

Driving forward plans to meet our commitment to reach net zero by 2030 (for Scope 1 and 2 emissions)

Proposed important enhancements to Contract and Commitments Framework alongside extension through to March 2029, delivering positive outcomes for passengers and airlines

Northern Runway planning application submitted and accepted by the Planning inspectorate for examination. Strong confidence in London Gatwick's long term ambitions and potential

# THANK YOU

Presentation available on our website at [www.gatwickairport.com](http://www.gatwickairport.com)





# Appendix 1

Financial performance £m	Period ended 30 June 2023	Period ended 30 June 2022
Passengers (m)	18.5	13.1
Revenue	423.3	291.5
Operating costs <sup>1</sup>	(187.6)	(143.2)
EBITDA	235.7	148.3
Depreciation and amortisation	(74.8)	(81.9)
EBIT	160.9	66.4
Profit after tax	79.1	50.6
Capital expenditure	49.4	30.2
Senior net debt	2,744.0	3,097.7

Available liquidity £m	As of 30 June 2023	As of 30 June 2022
Cash and cash equivalents	32.8	342.0
Overdraft	5.0	5.0
Revolving credit facility	280.0	-
Additional credit facility <sup>2</sup>	100.0	-
Liquidity facility	150.0	150.0
<b>Total available liquidity</b>	<b>567.8</b>	<b>497.0</b>

<sup>1</sup> Operating costs excluding depreciation, amortisation and exceptional costs

<sup>2</sup> Group entered into new facility in February 2023