

# YOUR LONDON AIRPORT *Gatwick*



## **GATWICK AIRPORT RESULTS**

**FOR THE YEAR ENDED 31 MARCH 2019\***

\* Consolidated results for Ivy Holdco Limited, the parent of Gatwick Airport Limited, representing the performance of the Gatwick Airport group of companies

# OPERATIONAL AND FINANCIAL PERFORMANCE

## HIGHLIGHTS <sup>1</sup>

TRAFFIC GROWTH	EBITDA GROWTH	PROFIT FOR THE PERIOD	CAPITAL EXPENDITURE	SENIOR NET DEBT <sup>2</sup>	SENIOR RAR <sup>2</sup>	SENIOR ICR <sup>2</sup>
+1.6%	+7.3%	£208.1m	£249.3m	£2,664.6m	0.59x	2.93x

Overall growth increased but at a moderate rate, as the airlines consolidated Monarch's slots. Stand out performance in long haul, with **passenger growth +14.3%**.

**Strong financial performance in line with expectations**, robust revenue increases and careful cost management.

**Delivered consistently high levels of overall passenger service and satisfaction.** On time performance and special assistance service are key areas of service focus for both the airport and airline community.

**Efficient capital investment**, delivering increased capacity, enhanced resilience and service improvements.

In December 2018 Gatwick published a proposal to amend its Commitments and **extend them to 31 March 2025**, and is currently consulting on these proposals.

The **Government's Aviation Strategy** expects all UK airports to look at "**making best use of their existing runways**". Following Gatwick's recently completed consultation, it expects to publish a Final Master Plan during the second half of 2019.

**New long term partnership** formed by VINCI Airports (50.01%) and Global Infrastructure Partners (49.99%) to support Gatwick's **passenger focused strategy** and continued investment programme.

<sup>1</sup> For the year to 31 March 2019 and vs comparable last year, save as noted. <sup>2</sup> Senior Net Debt, Senior RAR and Senior ICR as per covenant test, 31 March 2019.



# OUR AMBITION & STRATEGY, CONSISTENTLY APPLIED

Compete to grow  
and become  
London's airport of choice

Deliver the best passenger experience

Help our airlines grow

Increase value and efficiency

Protect and enhance our reputation

Build a strong EH&S culture

Develop the best people,  
processes & technology

# HELP OUR AIRLINES GROW

## Further long haul growth, underpinned by a large European network

**easyJet**

- Passengers exceeded 18.9m for the financial year, a 1.8% increase over prior year.
- Delayed aircraft deliveries impacted growth in the year. This has been largely resolved with six A321's now in the Gatwick fleet.



**BRITISH AIRWAYS**

- Passengers exceeded 7.5m for the financial year, up 11.9% over prior year. This has been driven by new routes to Toronto and Las Vegas which began in Summer 2018, and the additional short haul flights which were made possible following the purchase of Monarch's runway slots.
- BA are adding a 14<sup>th</sup> 777 aircraft at Gatwick this summer. This is to boost their flying programme in the peak months, and to provide greater resilience for their long haul programme.



**norwegian**

- Growth exceeded 18.0% due to new and increased frequencies on long haul services. Total passengers for the year were 5.8m, of which just over 2.1m were travelling long haul.
- Increased frequencies on long haul routes: Buenos Aires (commenced in February) became daily and a third daily service to New York was added.
- Norwegian have just commenced a brand new four weekly service to Rio de Janeiro, which started on 31 March 2019. In addition they have switched their Fort Lauderdale service to Miami and their Oakland service to San Francisco.



**TURKISH AIRLINES**

- Turkish Airlines launched year round flights to Ankara and Antalya, and a seasonal service to Bodrum.

**QATAR AIRWAYS**  
الخطوط القطرية

- Expansion in the Middle East and new services to China:
  - In May 2018 Qatar started double daily operations to Doha, which moved to triple daily on Friday and Saturday from June 2018.
  - China Eastern commenced a three weekly morning service to Shanghai in December 2018.



**中國東方航空**  
CHINA EASTERN

# FLYING TO OVER 60 LONG HAUL DESTINATIONS



BRITISH AIRWAYS

CATHAY PACIFIC

CHINA AIRLINES

中國東方航空  
CHINA EASTERN

Emirates

norwegian

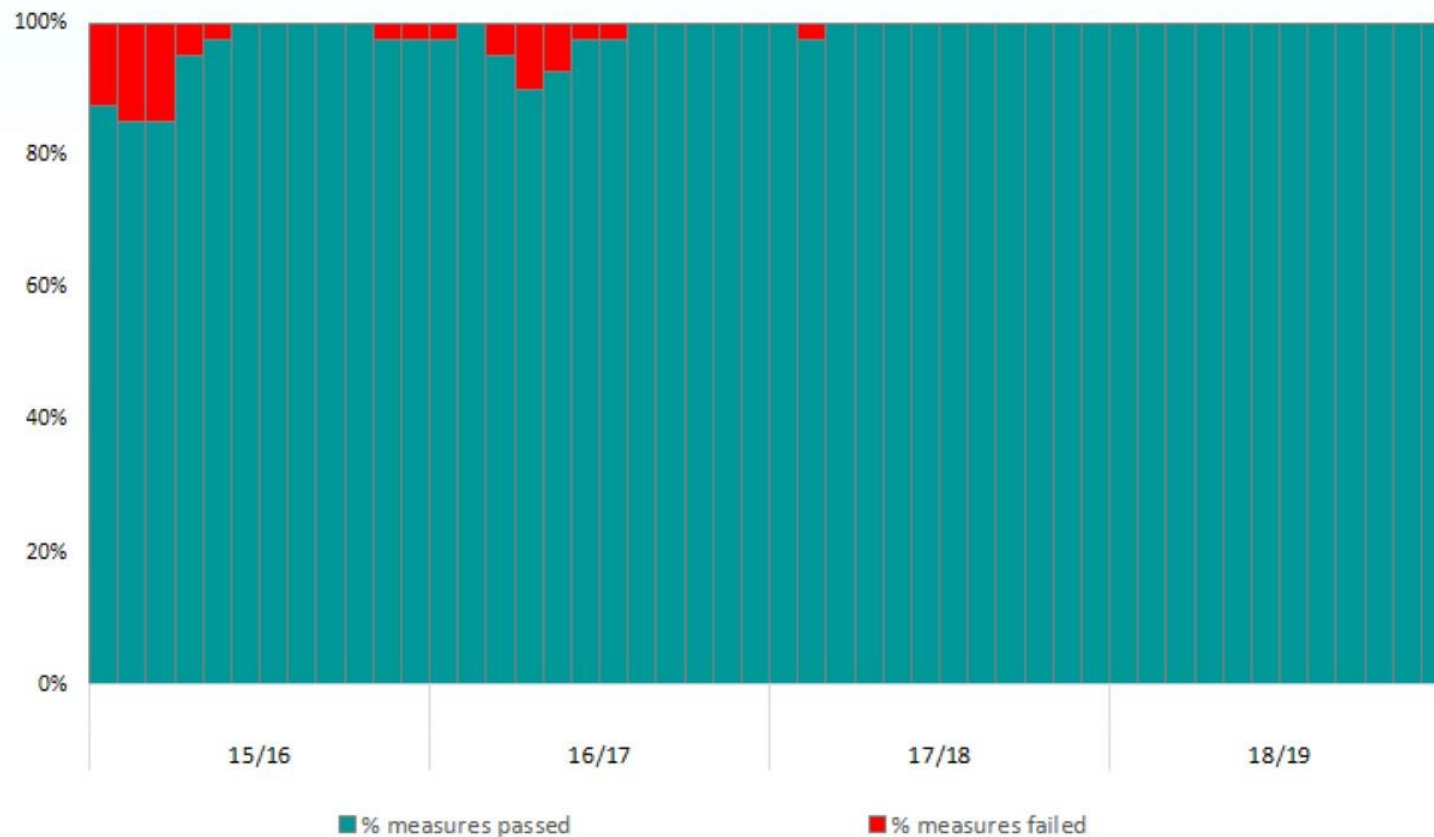
QATAR  
AIRWAYS

virgin atlantic

WESTJET

YOUR LONDON AIRPORT  
*Gatwick*

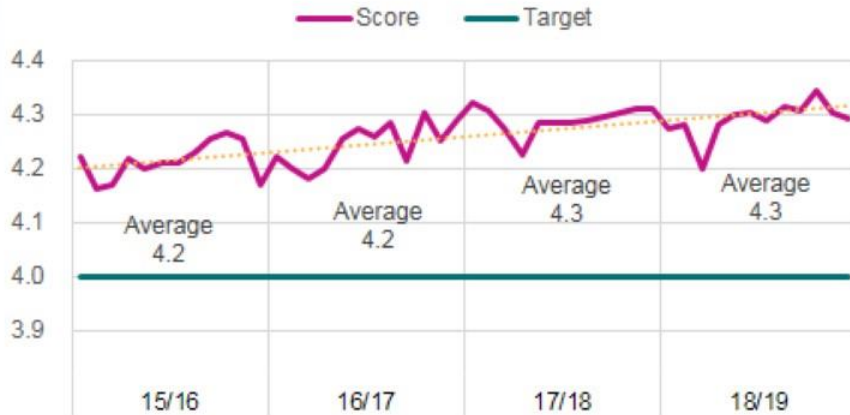
# SERVICE QUALITY SCORES REMAIN EXTREMELY HIGH



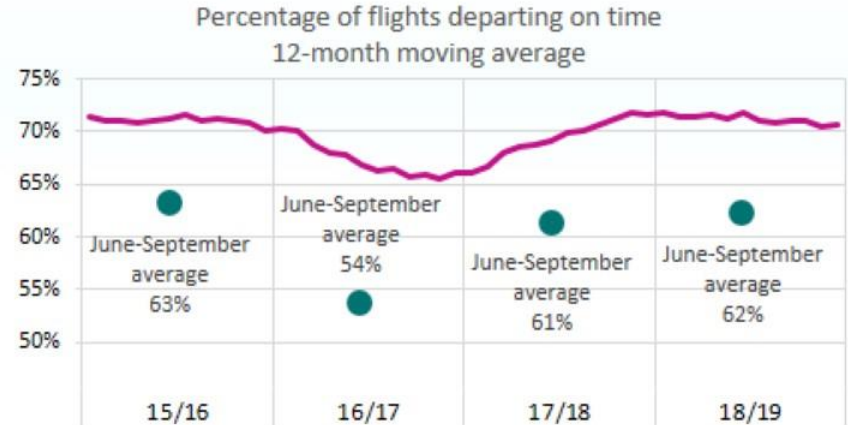


# HIGH LEVELS OF CUSTOMER SERVICE AND SATISFACTION

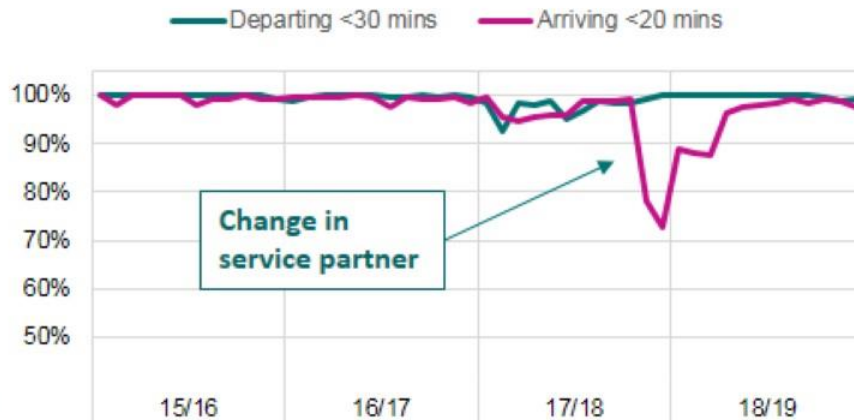
## Overall Quality of Service Monitor scores remain high



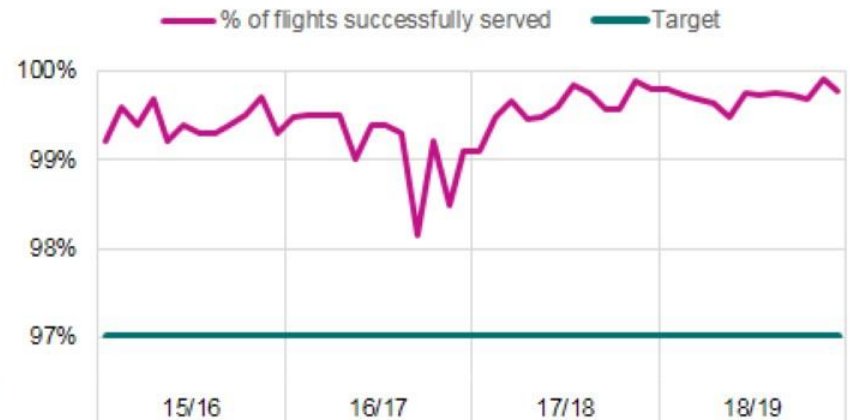
## On-time Departure improves slightly but remains a key focus



## Special Assistance Service is a key area of focus



## Arrivals Bags continues to perform well



# IMPROVEMENTS TO THE PASSENGER EXPERIENCE



- Gatwick continues to invest in its retail offering through new store openings and the creation of increased retail space. The benefits are shown through **strong retail income growth** and **continued high passenger satisfaction levels**.
- Works continue on the **extension of the Mezzanine level in North Terminal**. These works will conclude in 2019 with the opening of three new catering units and two new retail units.
- Driving passenger engagement with the use of terminal **events and activities**. The 2018 Summer Festival in conjunction with World Duty Free and catering operators showcased local products and exclusive products.



# COMMUNITY ENGAGEMENT AND INVESTMENT

Our objective is to be a good neighbour, to be trusted by local people and to play a valued role in local and regional matters



# STRATEGIC CAPITAL INVESTMENT REMAINS KEY FOCUS

## Over £1.16 billion invested in the last 5 years:

- Pier 1 redevelopment (£189m)
- North Terminal redevelopment (£118m)
- Airport Transformation Programme (£68m)
- Pier 5 reconfiguration (£82m)
- Increase in car park capacity (£32m)
- Boeing Hangar (£17m)
- Asset stewardship and resilience (£216m)

## Selection of key projects ongoing/planned:

- HBS Standard 3 replacement
- Pier 6 extension
- NT IDL expansion
- Common Travel Area
- Railway station transformation
- MSCP 7 and MSCP 4
- Car Park Robotics
- Runway optimisation
- Asset stewardship and resilience

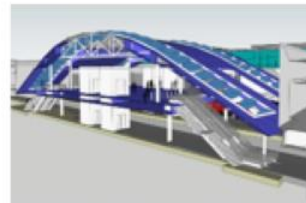
## 2018/19 Capital Investment Programme:

- The five year £1.1bn programme was published in May 2018

## Capital Investment – c.£1.6bn (over 7 years)

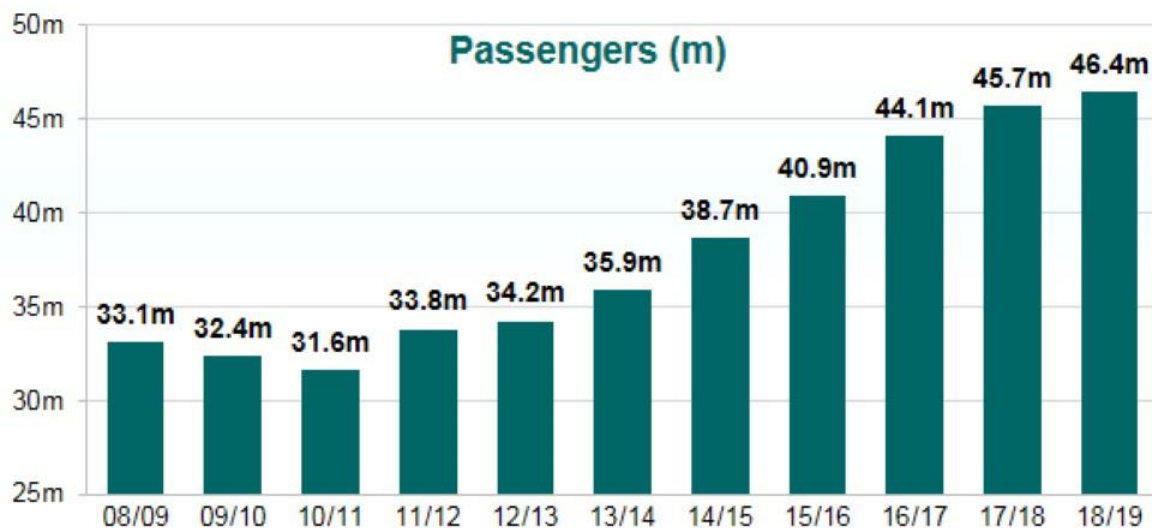


Forecasts source: 2018 Capital Investment Programme





# TRAFFIC GROWTH THROUGH EFFICIENT ASSET UTILISATION



	YEAR ENDED 31 MAR 2018	YEAR ENDED 31 MAR 2019	CHANGE
Passengers (m)	45.7	46.4	+1.6%
Seats per ATM	187.4	191.0	+1.9%
Load factors	86.8%	86.3%	-0.5% pts
ATMs (k)	280.8	281.7	+0.3%

*Commercial flight types only*

- **Year of overall moderated growth** with passenger numbers up 0.7 million (+1.6%) to 46.4 million.
- **Significant long haul growth** of 14.3% in the year from both existing and new airlines, delivered through a mixture of additional frequencies and new routes.
- **Short haul traffic** affected due to slow utilisation of Monarch's slots over the Summer months, and a general softening of the European demand during the Winter months.
- Estimated shortfall in traffic of 160k due to **closure of Gatwick airspace** in December 2018.
- Traffic **growth is expected to continue** into the new financial year, with projected passenger numbers reaching c.48 million.



## SOLID FINANCIAL PERFORMANCE FOR GATWICK AIRPORT\*

£m	YEAR ENDED 31 MAR 2018	YEAR ENDED 31 MAR 2019	CHANGE
<b>Passengers (m)</b>	45.7	<b>46.4</b>	1.6%
<b>Revenue</b>	764.2	<b>810.8</b>	6.1%
<b>Operating costs</b> (excl. depreciation, amortisation and exceptional items)	(353.0)	<b>(369.4)</b>	4.6%
<b>EBITDA</b>	411.2	<b>441.4</b>	7.3%
<b>Depreciation and amortisation</b>	(167.6)	<b>(170.0)</b>	1.4%
<b>EBIT</b>	243.6	<b>271.4</b>	11.4%
<b>Profit after tax</b>	202.3	<b>208.1</b>	2.9%
<b>Capital expenditure</b>	239.7	<b>249.3</b>	4.0%
<b>Net debt</b>	2,462.4	<b>2,577.8</b>	4.7%

\* Consolidated results for Ivy Holdco Limited, the parent of Gatwick Airport Limited, representing the performance of the Gatwick Airport group of companies

## 6.1% INCREASE IN INCOME

**Aeronautical income** increased by 7.9% due to an increase in the level of published airport charges and a 1.6% increase in passengers, offset by increased discounts earned by airlines through bilateral contracts.

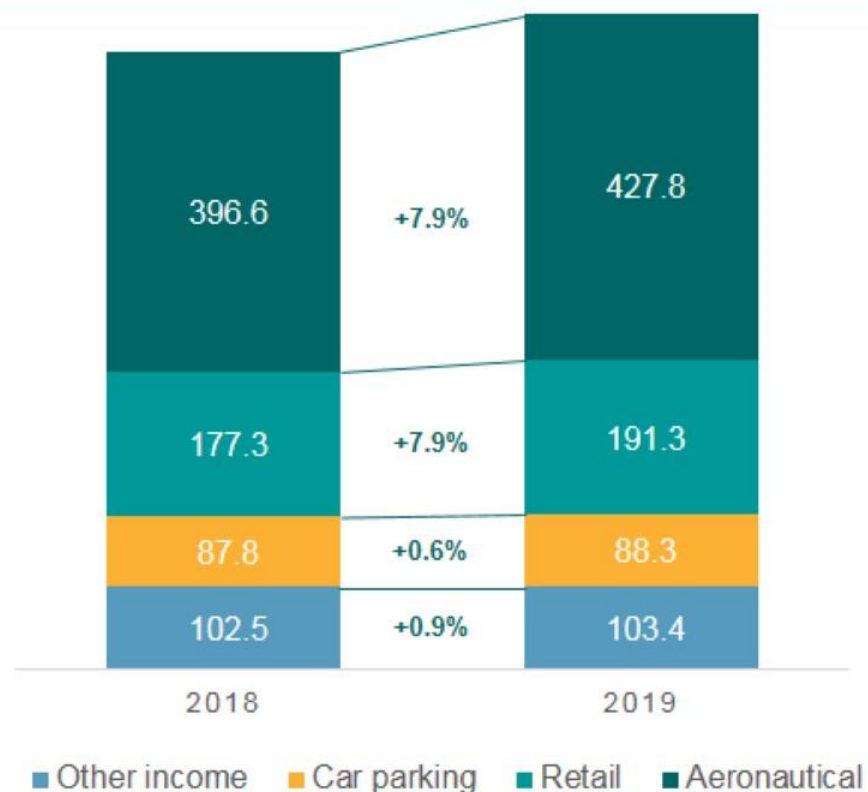
**Retail income** up by 7.9%, with net income per passenger increasing by 6.0% to £4.05. Duty and tax-free income has grown 10.5%, while catering continues to perform strongly, delivering 11.5% growth for the year. A number of new retail offerings and revised concession agreements contributed to the overall increase in retail income.

**Car parking income** increased marginally by 0.6% in the year. Gatwick market research data showed an average decline in UK resident non-transfer departing passengers of 3.9% for the year; this has impacted both demand and yield. Sales strategy continues to focus on direct sales through our website.

**Other income** categories remained fairly consistent.

### Income analysis

<b>TOTAL</b>	<b>£764.2m</b>	<b>+6.1%</b>	<b>£810.8m</b>
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## 4.6% INCREASE IN OPERATING COSTS\*

**Staff costs** increased by 0.8% primarily due to a cost of living increase in average salaries, which is partly offset by a 1.3% decrease in the number of full-time employees, driven through more efficient resourcing across operational areas.

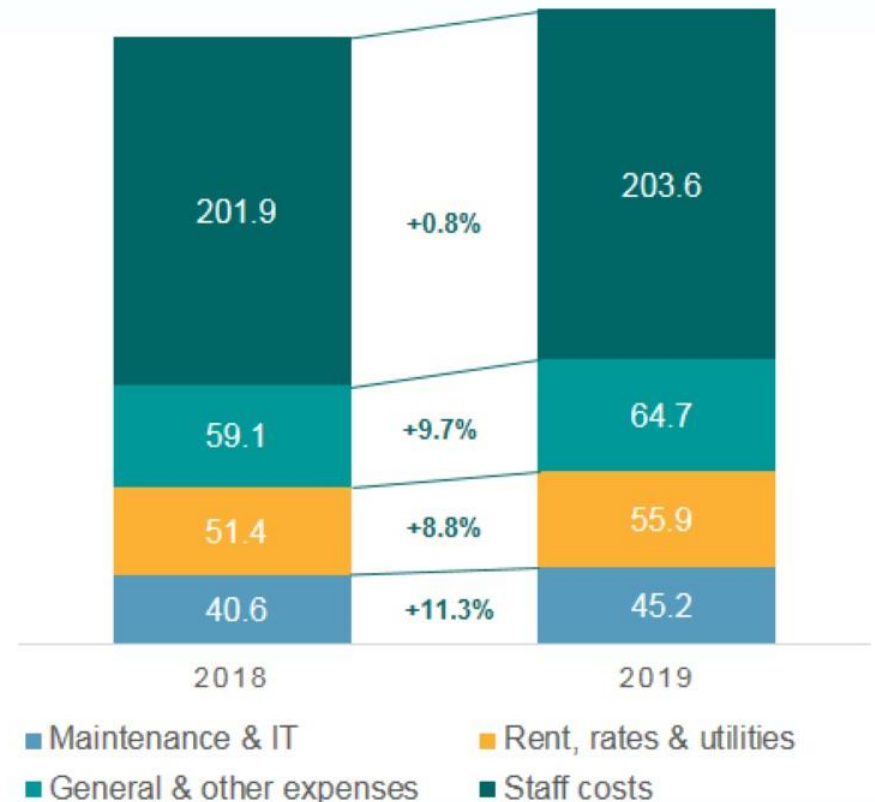
**General & other expenses** increased by 9.7% primarily due to writing off legacy design costs in relation to capital projects and an increase in Special Assistance Service costs reflecting the change in contracted supplier and scope.

**Rent, rates & utilities** increased by 8.8% due to an inflationary increase in the rates multiplier applied to all valuations. In addition, the rateable area has increased as refurbishment and expansion projects have completed.

**Maintenance & IT costs** increased by 7.0% due to increases in IT licence and maintenance costs, increases in project costs, and compliance activities associated with the introduction of GDPR.

### Operating costs analysis\*

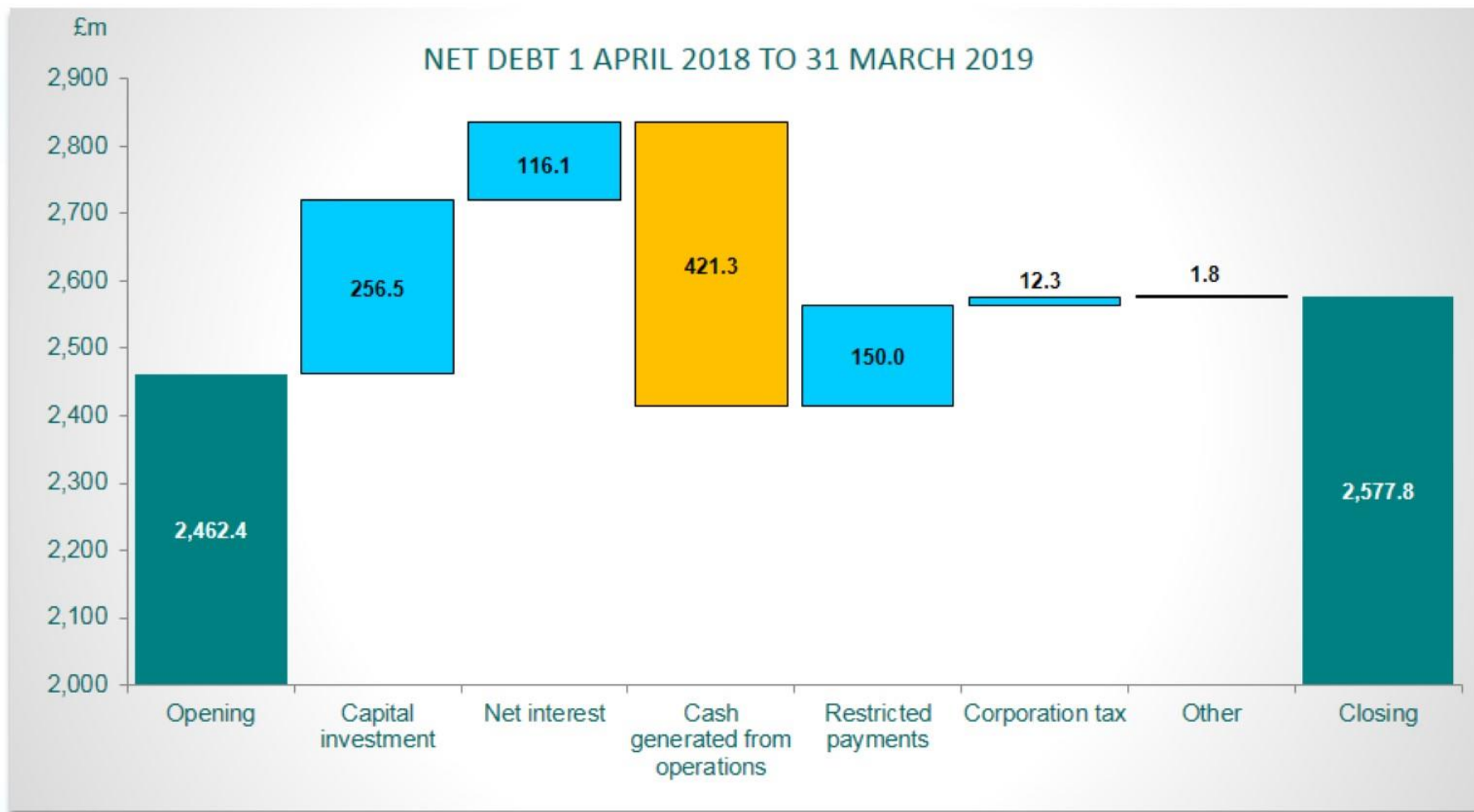
<b>TOTAL</b>	<b>£353.0m</b>	<b>+4.6%</b>	<b>£369.4m</b>
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\* Operating costs excluding depreciation, amortisation, and exceptional items



# STRONG OPERATING CASH FLOW EXCEEDING CAPEX AND INTEREST



# CREDIT OVERVIEW AND SUMMARY OF COMPLIANCE CERTIFICATE

- BANK REFINANCING**

- **£300m Bank Facilities** – refinanced June 2018. Expires June 2023, with extension options to 2024 and 2025.
- **Liquidity Facility increased to £150m** in June 2018. New 5 year facility, with annual extension.

- STRONG LIQUIDITY IN THE YEAR ENDED 31 MARCH 2019**

- Annual cash flow from **operations £421.3m for the year ended 31 March 2019.**
- Undrawn bank commitments **£180m as at 31 March 2019.**
- Continued commitment to maintaining a strong **Investment Grade rating.**

<b>FINANCIAL RATIO</b>	<b>YEAR ENDED 31 MARCH 2019</b>	<b>YEAR ENDING 31 MARCH 2020</b>	<b>YEAR ENDING 31 MARCH 2021</b>	<b>YEAR ENDING 31 MARCH 2022</b>
Cash flow (per covenant)	£421.3m	£464.8m	£566.3m	£636.5m
Total Senior interest (net)	£109.9m	£111.0m	£135.3m	£145.2m
Senior ICR ( trigger <1.50x)	2.93x	3.13x	3.09x	3.18x
Senior Net Debt (per covenant)	£2,664.6m	£3,083.9m	£3,460.2m	£3,859.2m
Transfer RAB <sub>1</sub>	£4,541.4m	£4,938.3m	£5,593.9m	£6,350.2m
Senior RAR (trigger >0.70x)	0.59x	0.62x	0.62x	0.61x
Senior Net Debt to EBITDA <sub>2</sub>	6.04x	6.41x	5.88x	5.98x
FFO to Senior Net Debt <sub>3</sub>	11.2%	10.7%	11.2%	11.3%

<sup>1</sup> Transfer date 1 April 2014 and Relevant Multiple – 11.1. <sup>2</sup> EBITDA is pre-exceptional costs. <sup>3</sup> FFO is net cash flow from operating activities less cash tax and net interest charge.

# AIRPORT GROWTH



Gatwick consulted on its Draft Master Plan in which three growth scenarios for the airport's longer term future were presented:

- One where it remains a single runway operation using the **existing main runway**;
- One where the **existing standby runway** is routinely used together with the main runway; and,
- One where we continue to **safeguard for an additional runway** to the south.

Gatwick will be reviewing all the feedback received (5,285 responses) before publishing a Final Master Plan during the second half of 2019.



# COMMITMENTS FRAMEWORK



- The **current commitments framework** runs until 31 March 2021. Two years in advance, Gatwick has committed to make proposals regarding the **continuation of commitments** on pricing, service standards, etc.
- CAA has initiated consultation on its approach to the **future licensing of Gatwick**.
- Gatwick and the Airline Consultative Committee have undertaken a 6 month programme of work with **emphasis on service standards and independent customer research**.
- **Gatwick presented its commercial proposal** for continuation of the commitments in December 2018. We expect to publish a revised proposal for consultation with airlines later this year.

# CONCLUSION

- **Strong financial performance in line with expectations**, robust revenue increases and careful cost management.
- Moderated traffic **growth is expected to continue** into the new financial year, with projected passenger numbers reaching c.48 million.
- Maintained consistent **high levels of overall passenger service and satisfaction**, on time performance and special assistance service are key areas of service focus for both the airport and airline community.
- **Efficient capital investment** delivering increased capacity, lower costs, enhanced resilience and service improvements.
- Brexit negotiations and economic uncertainty may have short term effects in the form of impacted traffic levels and lower consumer confidence, however **Gatwick continues to monitor both risks and opportunities** from current Brexit discussions and negotiations.
- The **Government's Aviation Strategy** expects all UK airports to look at "**making best use of their existing runways**". Following Gatwick's recently completed consultation, it expects to publish a Final Master Plan during the second half of 2019.
- **New long term partnership** formed by VINCI Airports (50.01%) and Global Infrastructure Partners (49.99%) to support Gatwick's **passenger focused strategy** and continued investment programme.
- Gatwick and its Shareholders remain focussed on **maintaining a strong investment grade rating**.

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



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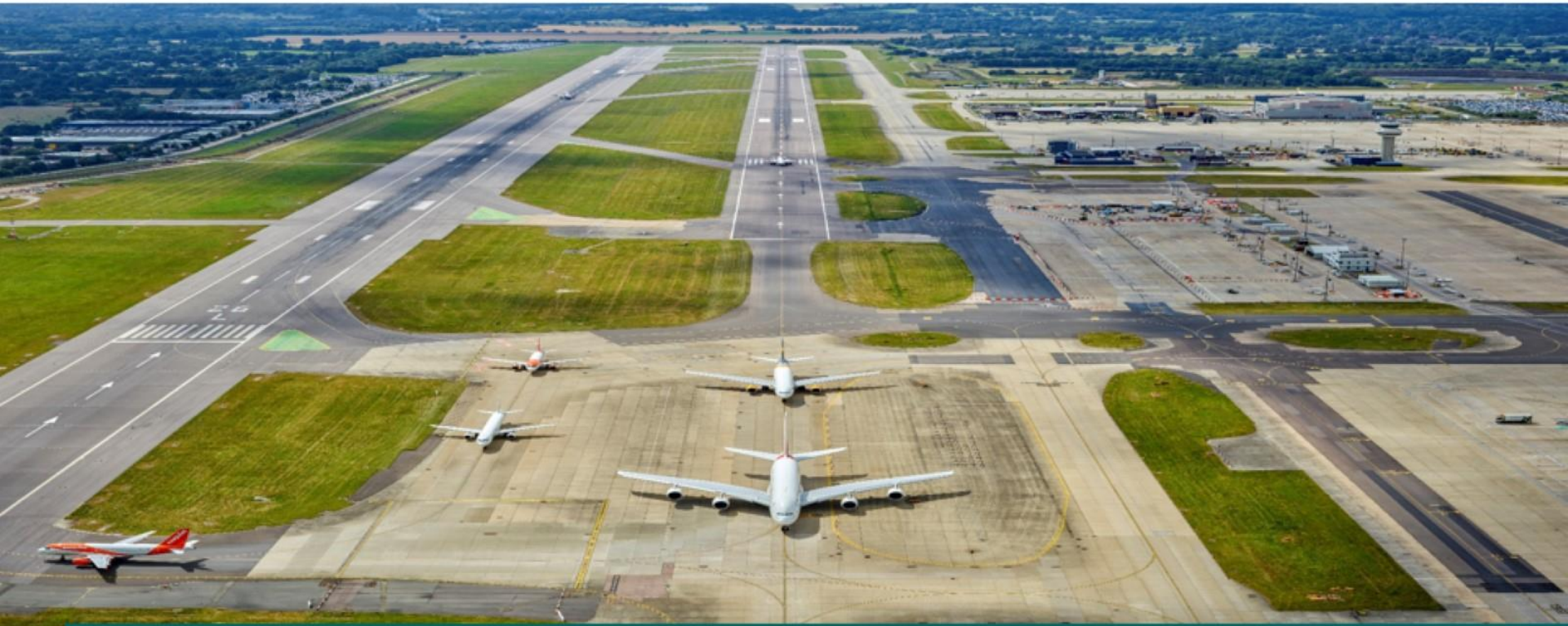
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QUESTIONS