



YOUR LONDON AIRPORT
Gatwick

INVESTOR UPDATE 2022

9 March 2022

IVY HOLDCO CONSOLIDATED ACCOUNTS – PARENT COMPANY OF GATWICK AIRPORT LIMITED

Meet the Team



Stewart Wingate

Chief Executive
Officer



Jim Butler

Chief Financial
Officer



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9 March 2022

BUSINESS UPDATE

2021 key highlights

- **Persistent low levels of traffic** between January and June 2021, as slot waiver disproportionately impacted Gatwick.
- **Recovery grew over H2**, with 85% of 2021 traffic materializing over this period, highlighting increased passenger resilience through Covid despite continually changing travel restriction
- **Positive EBITDA for H2 2021** incorporating the **full benefit of decisive actions** to restructure the business and reduce cost base, partially offsetting H1 losses and resulting in a FY £26m EBITDA loss.
- **Strict discipline maintained on capital expenditure**, 79.8% below pre-pandemic levels.
- **Strong liquidity position** as at 31 December 2021, a £370m capital injection providing significant headroom. **Continuous support from investors** through the approval of a **Second waiver** (93% in favour).
- **Competitiveness bolstered** within the London system by extended Contracts and Commitments Framework.
- Introduced important long term business strategies including publishing our **second Decade of Change sustainability policy**.
- **Continuous investment and engagement with local communities.**



Positive outlook for 2022...

- **Expecting strong first year of recovery in 2022** driven by:
 - ✓ Government decision on travel requirement and slot utilisation rules
 - ✓ Strong commitment from key airlines with significantly increased flying programmes
 - ✓ Significant pent-up demand and unique catchment area
- Exposure to the Eastern European market is limited, and although the impact of the crisis in Ukraine on passenger confidence and airfare prices remains uncertain, traffic outlook remains positive.
- Attention is now focussed on ensuring the business is **ready to respond rapidly** as markets re-open and the aviation industry recovers.
- Operational coordination and investment in advance of **opening South Terminal in March 2022**.

...and beyond

- **Strong confidence in long term sustainable growth:** continued work to prepare for a planning application to bring the existing standby runway into routine use and to increase main runway capacity up to 60 movements per hour.
- **Building long term resilience** by resurfacing central section of main runway in 2022.
- **Continue to support the rail station transformation** – improving the passenger journey and experience at UK's best connected airport by rail.





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BUSINESS PERFORMANCE

Key financial metrics continued to be impacted by COVID-19 pandemic

Traffic

6.3m

↓38.5% from 2020

↓86.5% from 2019

Revenue

£192.7m

↓11.2% from 2020

↓77.4% from 2019

Operating costs ¹

£219.2m

↓9.5% from 2020

↓43.0% from 2019

EBITDA

(£26.3)m

↓5.6% from 2020

↓105.6% from 2019

Loss for the year

(£370.6)m

↑20.4% from 2020

↓317.5% from 2019

Capital expenditure ²

£51.2m

↓40.5% from 2020

↓79.8% from 2019

Available liquidity

£713.0m

↑24.4% from 2020

↑87.6% from 2019

Senior net debt

£2,859.4m

↓8.7% from 2020

↓1.1% from 2019



¹ Operating costs excluding depreciation and amortisation.

² Capital expenditure in 2021 includes £19.9m (2020: £0.9m) of right of use assets in accordance with IFRS 16.

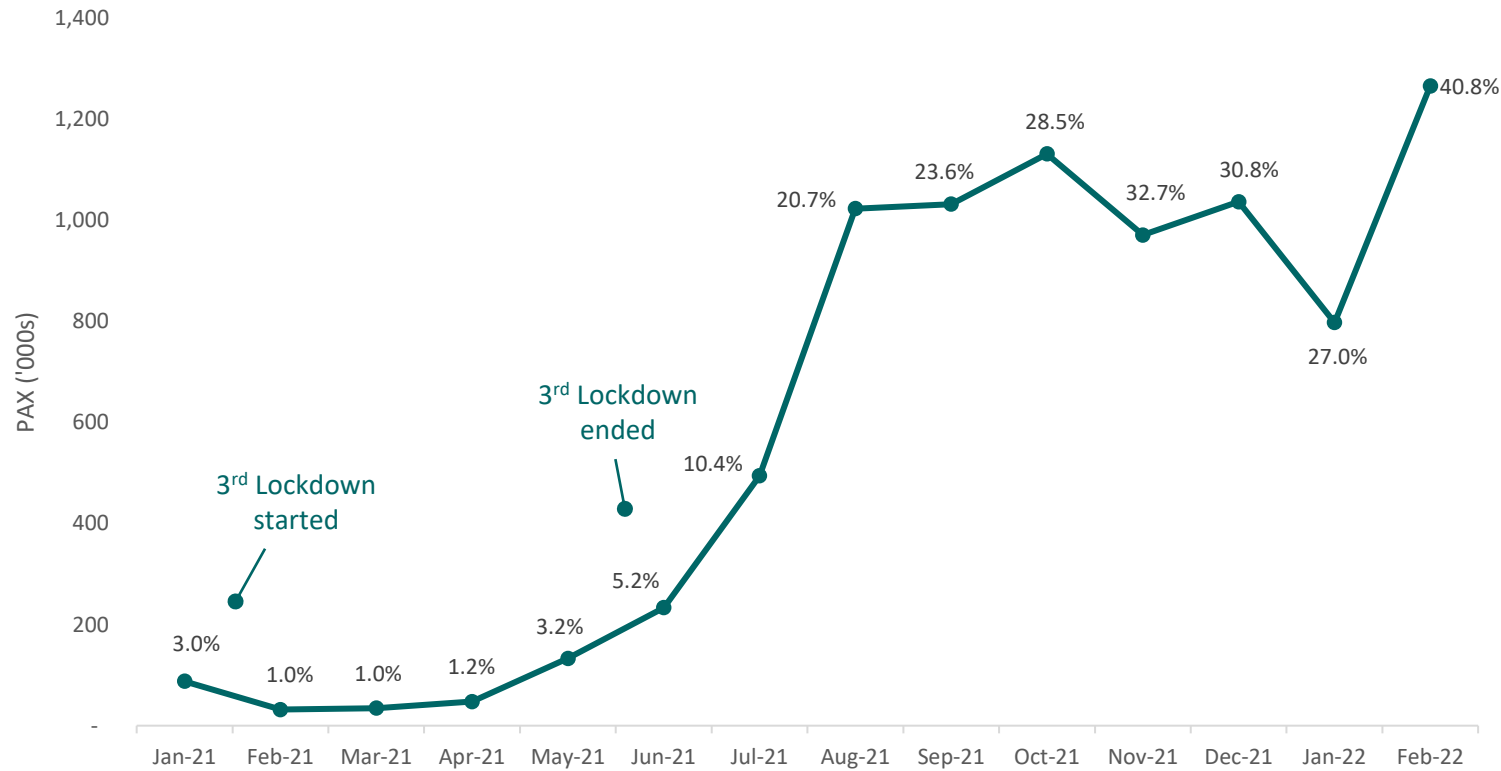
Traffic performance

2021 traffic

6.3m

↓38.5% from 2020

- Traffic performance continued to be impacted by COVID-19 related travel restrictions.
- Short term impact from Omicron variant in December but passengers proved more resilient giving strong momentum to a 2022 recovery.



% = percentage of 2019 traffic



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Financial performance: Positive EBITDA for H2 2021

£m	6 month period ended 30 June 2021	6 month period ended 31 December 2021	Year ended 31 December 2021	Year ended 31 December 2020 (% change / £m)	Year ended 31 December 2019 (% change / £m)
Passengers (m)	0.6	5.7	6.3	(38.5%)	(86.5%)
Revenue	42.3	150.4	192.7	(11.2%)	(77.4%)
Other operating income	-	0.1	0.1	-	(97.4%)
Operating costs ¹	(92.5)	(126.6)	(219.1)	(9.5%)	(43.0%)
EBITDA	(50.2)	23.9	(26.3)	4.8%	(105.6%)
Depreciation and amortisation	(86.9)	(87.8)	(174.7)	(3.2%)	(2.6%)
Exceptional costs	(0.1)	-	(0.1)	(99.8%)	(99.5%)
EBIT	(137.2)	(63.9)	(201.1)	(18.9%)	(173.1%)
(Loss)/profit after tax ²	(244.6)	(126.0)	(370.6)	(20.4%)	(317.5%)
Capital expenditure ³	35.4	15.7	51.1	(40.6%)	(79.8%)
Senior net debt	2,778.5	2,859.4	2,859.4	£3,132.0	£2,829.6

¹ Excluding depreciation & amortisation and exceptional costs

² An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This has resulted in a tax charge for the year ended 31 December 2021 despite a loss before tax due to the effect on the Group's deferred tax liability.

³ Capital expenditure in 2021 includes £19.9m (2020: £0.9m) of right of use assets in accordance with IFRS 16.

Revenue: Increased yield against a backdrop of 86.5% decrease in PAX

REVENUE

£192.7m

↓77.4% from 2019

AERONAUTICAL INCOME

Airport charges

£85.6m

↓81.3% from 2019

- Reduction in passenger volumes partially offset by traffic mix.

NON-AERONAUTICAL INCOME

Total	Retail	Car parking	Property	Other
£107.1m	£38.6m	£18.0m	£25.9m	£24.6m
↓73.0% from 2019	↓80.7% from 2019	↓79.4% from 2019	↓22.2% from 2019	↓67.8% from 2019

- Passenger volume impact on retail partially and car parking offset by increased yield on both revenue streams and forecourt charging introduction.
- Property income less susceptible to passengers volumes.
- Other income decrease mainly driven by reduced traffic.

Operating costs: Full year benefit of business restructuring

OPERATING COSTS ¹

£219.2m

↓43.0% from 2019

STAFF COSTS

£84.8m

↓57.9% from 2019

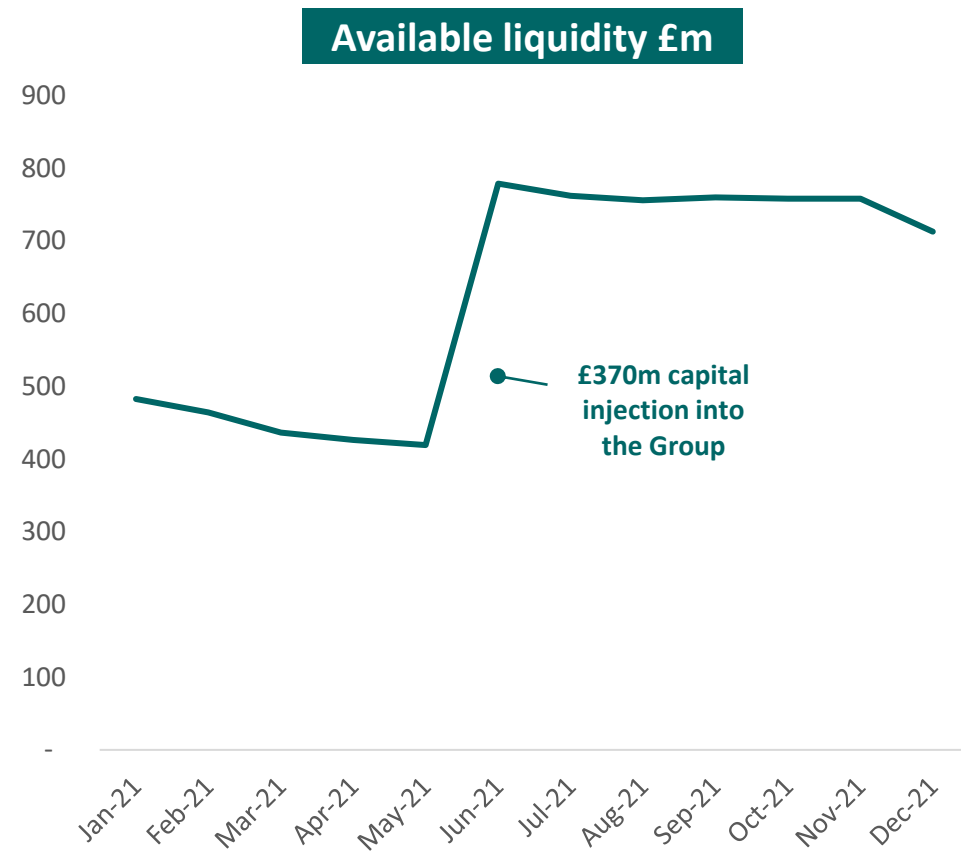
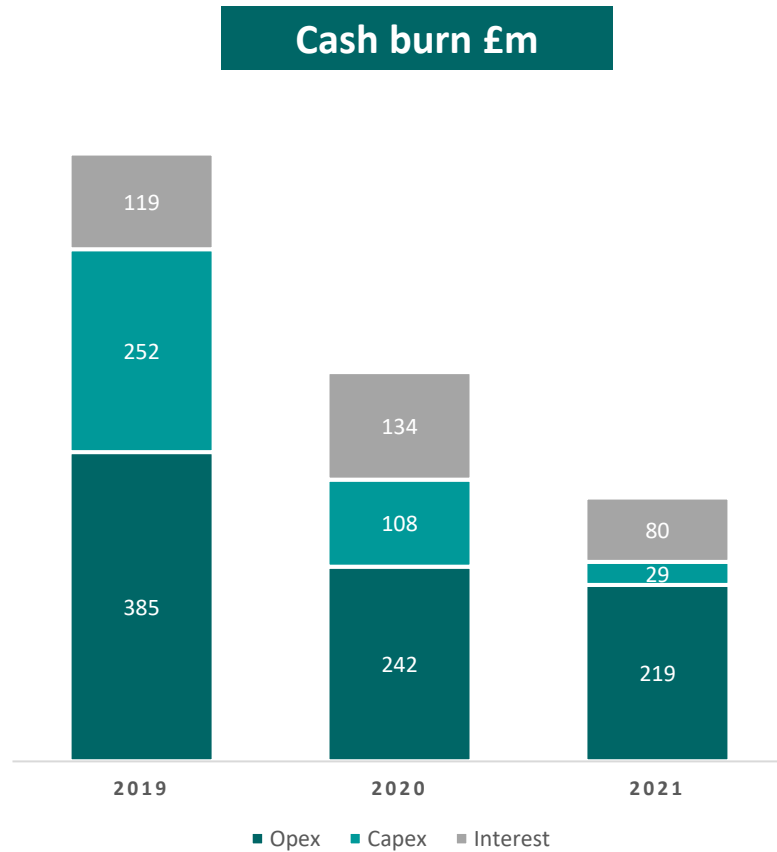
- Reduced average FTE from 3,188 in 2019 to 1,718 in 2021 (-53%).
- Reduction of hours and pay by 20% for remaining workforce, also received “Furlough” income of £16.0m during 2021.

NON-STAFF COSTS

Total	Maintenance & IT	Rent, rates & utilities	General & other
£134.4m	£30.4m	£49.8m	£54.1m
↓26.7% from 2019	↓34.2% from 2019	↓6.0% from 2019	↓35.7% from 2019

- IT costs reduction driven by contracts review and consolidation.
- Operational consolidation in North Terminal and scope revisions driving maintenance and operational costs reduction.
- Halting of all discretionary spend driving general expense reduction.

Reducing cash burn whilst increasing liquidity



- Confident in our liquidity position at end of December-21 with a safety net sufficient to meet all of our 2022 obligations
- Gatwick continues to monitor the risks and uncertainties in the market and retains flexibility to raise up to £300m unsecured debt under its waiver agreement once CCFF debt is repaid in March 2022

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BUSINESS OUTLOOK

Offering passengers more choice on short haul

easyJet

easyJet have 120 routes on sale from Gatwick this summer and their greatest ever capacity in Gatwick

British Airways announced the return of short haul at Gatwick for summer 2022 with 18 aircrafts flying 35 short haul routes

BRITISH AIRWAYS 

Wizz

Wizz are significantly expanding their Gatwick base with a total of 25 routes

Vueling capacity 92% higher than 2019

vueling

TUI

TUI are scheduling capacity to almost the same level that they flew in summer 2019

Rebuilding long haul offering with more than 30 long haul routes

BRITISH AIRWAYS



British Airways are flying to 14 long haul destinations including a new service to Doha and Islamabad

Emirates increasing to a third daily service in July



virgin atlantic



Virgin planning to retain slot portfolio at Gatwick

Westjet's capacity from Gatwick in 2022 has increased from summer 2019 by 25%



Air Transat are launching a new route to Quebec in May 2022

JetBlue successful launch of New York route during Covid

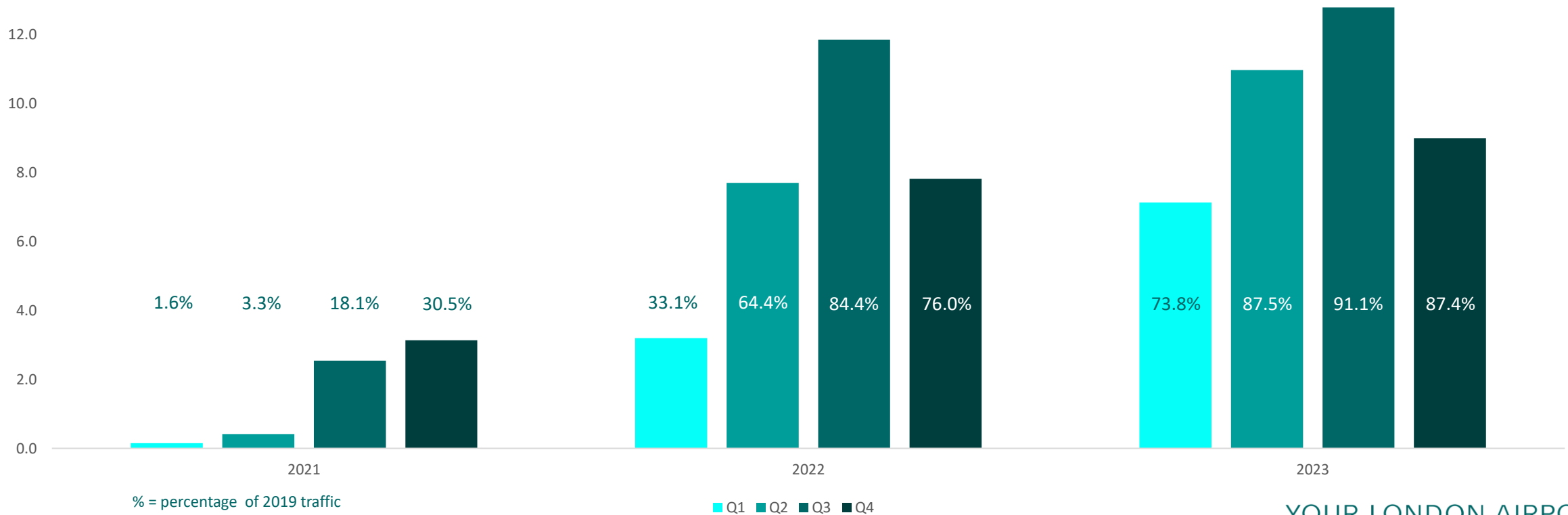
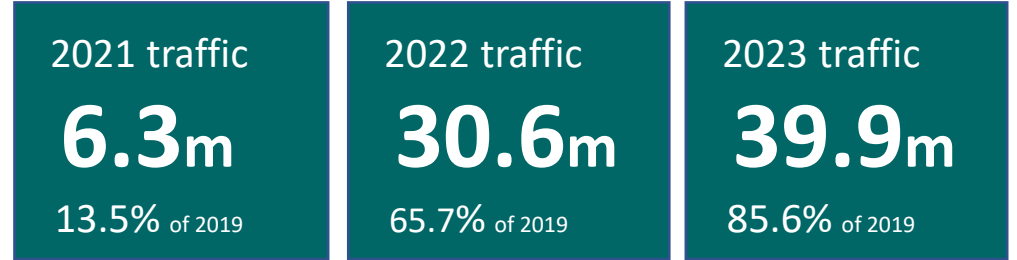


Scot start their 3 per week service to Bangkok

Traffic outlook: Strongly positioned for recovery

Confident in a significant recovery during 2022 boosted by:

- Announcement of 70:30 slot usage rules for the Summer 2022 season
- Positive announcements from key airline partners committing to rebuild at Gatwick



Operational readiness: Getting ready for recovery

Gatwick and the Airport Community are preparing for a strong recovery in 2022

Gatwick Operations

- Airport operations underpinned with a safe ramp up back up to two terminal operations
- Strong focus on service standards and rebuilding passenger confidence
- Gatwick recruitment has commenced, over 300 roles in security operations required for summer 2022
- Intensive period of onboarding, vetting, training ahead of peak summer

Infrastructure

- Re-opening of the South Terminal on 27th March
- Maintenance, testing and commissioning of infrastructure on target for restart of operations

Airport Community of airlines, retailers and other operators

- Building plan to transition key airline partners and operators to South Terminal
 - Restart of British Airways short haul
 - Significant growth of Wizz, easyJet, Vueling
- Over 4,000 roles and jobs created across retail, airlines and supply chain in the ramp up



Sustainable investment for the future

During 2021 Gatwick limited capital expenditure to key projects and critical asset replacement.

During 2022 Gatwick will invest in:

- Carrying out critical asset replacement including airfield data systems – building resilience
- Partnership to transform significantly the rail station improving passengers journey and experience
- Continued progress on Northern Runway project to prepare Development Consent Order submission

During 2022 Gatwick will be resurfacing the central section of main runway.

- Our project team have value engineered a proposal taking learnings from other airports from the wider VINCI Group
- Reduce the amount of asphalt used and impact to the environment by over 70% whilst also reducing costs by 60% compared to a 10 year life proposal.



Compliance certificate summary

- Gatwick completed a second waiver process, 93% of banks and bondholders voted to support the Airport's proposal.
- The terms of the second waiver 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 2021 and June 2022; and b) a temporary amendment until June 2024 to the calculation of the Senior RAR.
- Sufficient headroom expected on both Senior ICR and Senior RAR as traffic recovers.

	12 MTHS ENDED 31-Dec-21	YEAR ENDED 31-Dec-22	YEAR ENDED 31-Dec-23	YEAR ENDED 31-Dec-24
Cash flow (per covenant)	-£100.7m	£272.9m	£394.9m	£428.9m
Total Senior interest (net)	£67.7m	£96.8m	£141.4m	£141.1m
Senior ICR (trigger <1.50x; default <1.10x)	-1.49x	2.82x	2.79x	3.04x
<i>Cash ICR₁</i>	<i>-0.47x</i>	<i>3.68x</i>	<i>3.49x</i>	<i>3.78x</i>
Senior Net Debt (per covenant)	£2,859m	£2,974m	£2,816m	£3,074m
Transfer RAB ₂	£3,549m	£4,761m	£5,026m	£5,382m
Senior RAR (trigger >0.70x; default >0.85x)	0.81x	0.62x	0.56x	0.57x

¹ Cash ICR is net cash flow from operating activities less cash tax divided by net Senior interest (i.e. net cash flow not adjusted downwards by 2% of Transfer RAB, unlike Senior ICR).

² Transfer date 1 April 2014 and Relevant Multiple – 11.1.



Confidence to move forward on long term sustainable growth projects



Benefits of the Northern Runway Project

In 2038:

10,900
Local jobs
Gatwick Diamond

⇒

18,400
Regional jobs
Local + East & West Sussex, Surrey, Kent, and Brighton & Hove

⇒

20,300
Total
Local + regional + national

Up to £22 billion
The value of the Project to the wider economy over a 60-year period

Over 50% skilled jobs
More than half of new airport jobs would be in higher and semi-skilled categories such as pilots, air traffic controllers and flight operations staff, customs, immigration, police, fire staff, and information technology roles.

33% more airport jobs
Jobs at the airport would increase from 24,000 (pre-COVID levels) to 32,000 in 2038

Our approach to a sustainable Gatwick remains focused on what matters:



People and Communities - Support our people and invest in our local communities.



Net Zero Emissions - Continue our transition to Net Zero and improve air quality.





Local Environment - Reduce our impact on the local environment and waste.

Our Sustainability Policy - Decade of Change

PEOPLE AND COMMUNITIES

-  1. LOCAL ECONOMY
-  2. OPPORTUNITY AND ACCESSIBILITY
-  3. WORKPLACE SAFETY
-  4. LOCAL COMMUNITIES
-  5. NOISE

NET ZERO EMISSIONS

-  6. AIRPORT EMISSIONS
-  7. AIRCRAFT AND GROUND TRANSPORT EMISSIONS

LOCAL ENVIRONMENT

-  8. WATER
-  9. ZERO WASTE
-  10. BIODIVERSITY

LOCAL COMMUNITIES

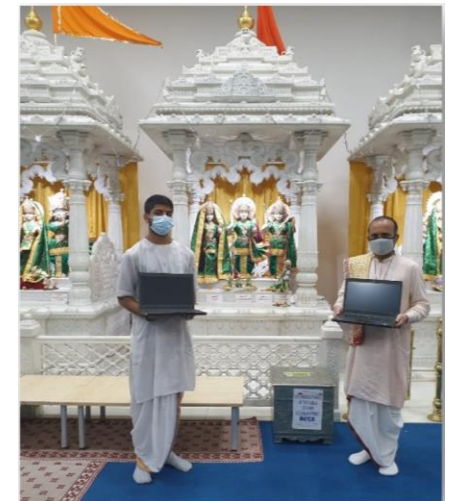
Our goal: Invest resources in programmes and partnerships for those communities most affected by Gatwick's operations.

Our progress during 2021:

- Worked in partnership with the Coast to Capital Careers Hub to ensure young people in our region have access to employer insight and understand what opportunities lie before them.
- With the pandemic interfering with in-person fundraising events and donations, we committed to supporting our charity partners beyond the usual two-year term. Surrey and Sussex Healthcare NHS Trust charity (SASH) and Air Ambulance Kent Surrey Sussex will enjoy two extra years of support from the airport.
- Continued to partner with onsite Gatwick TravelCare, as we've done since 1984.
- Launched a new newsletter "Gatwick in Touch" to keep local residents updated with latest news and announcements from the airport. The newsletter is shared with nearly 250 neighbourhood groups, parish and town councils across East Surrey, West Sussex and West Kent.

Donating Laptops

In the latter part of 2021, Gatwick donated nearly 200 laptops to 19 local community groups, projects and charities. Colleagues from IT donated around 100 hours of their time on furlough to clear Gatwick data, install clean operating systems and sanitise the cases and keyboards ready for use.





Our Sustainability Policy - Decade of Change

PEOPLE AND COMMUNITIES

-  1. LOCAL ECONOMY
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NET ZERO EMISSIONS

-  6. AIRPORT EMISSIONS
-  7. AIRCRAFT AND GROUND TRANSPORT EMISSIONS

LOCAL ENVIRONMENT

-  8. WATER
-  9. ZERO WASTE
-  10. BIODIVERSITY

BIODIVERSITY

Our goal: Have a sector-leading ‘net gain’ approach to protecting and enhancing biodiversity and habitats on the airport estate, including zero use of pesticides by 2030; and support biodiversity partnerships in our region.

Our progress during 2021:

- Awarded the Wildlife Trusts Biodiversity Benchmark Award for the 8th consecutive year.
- Continued implementing Gatwick’s wildflower road verge management programme to enhance the biodiversity value of our greenspaces. Our approach received a VINCI Environment Award.
- Maintained our rigorous ecological monitoring programme. This identified several new notable species including the Small-flowered Buttercup, Alder Kitten Moth, Ox-eye Daisy Lacebug and a new breeding site for Nightingales.
- Held 58 volunteering and 15 education events, while complying with COVID-19 restrictions.

Award for wildflower road verges initiative

In 2021, we received a VINCI Environment Award for the establishment of wildflower road verges at Gatwick Airport. We have continued to implement our verge management plan which adopts a less intensive maintenance approach. We also undertook botanical surveys of 20 different verges covering a total area of 6.79 ha to measure changes in species composition and abundance. Botanical surveys recorded positive indicator species, including three different species of orchids and our first record of the nationally notable Long-horned Bee foraging on the verges.



Net Zero Emissions



AIRPORT EMISSIONS

Our goal:

- Reducing Gatwick Scope 1 and 2 emissions by a further 25% by 2030;
- Sourcing 50% of airport network electricity and 50% of heat network from UK renewable sources by 2030;
- Requiring all Gatwick and airport duty vehicles, ground support equipment and mobile construction equipment to meet zero or ultra-low emission standards by 2030.

Our progress in 2021:

- Reduction in Scope 1 (natural gas, fuel, refrigerants, fire training) and Scope 2 (electricity) emissions by 16.1% and 48.8% respectively (vs 2019 baseline).
- Purchased 99.6% REGO certified electricity and 0.05% electricity generated on site.
- Initial development of a business case for a multi-year energy efficiency programme.



AIRCRAFT AND GROUND TRANSPORT EMISSIONS

Our goal:

- Playing our part in UK aviation and ground transport transition to net zero carbon;
- Working with airlines and fuel providers to implement the Sustainable Aviation decarbonisation roadmap;
- Working with transport partners to increase airport passenger and staff usage of public transport and zero and ultra-low emission journey modes to 60% by 2030.

Our progress in 2021:

- Played an active role in the UK Sustainable Aviation coalition's work on decarbonisation.
- Partnered with sustainable energy company GRIDSERVE to install the first all-electric charging station at a UK airport.
- Pilot program started for electric vehicle charging bays for use by staff.



First departing flight from Gatwick to use a Sustainable Aviation Fuel, 19 October 2021

Governance at Gatwick

The Board

The Gatwick Airport Limited Board of Directors approves the strategy, direction and performance of the Gatwick Group.

The Board Committees

The Board has delegated specific responsibilities to the Committees, these Committees are:

Capital,
Environment &
Sustainability
Committee

Operations,
Health &
Safety
Committee

Commercial
Committee

Audit, Risk
& Finance
Committee

Remuneration
& People
Committee

Executive Management Board

The Board delegates responsibility for the day to day operational management of the Group to the CEO, Stewart Wingate, who is supported by the Executive Management Board.

The Executive Management Board is supported by specific Sub Committees, these Committees are:

Investment &
Growth Board

People
Committee

Managing
Corporate
Responsibility
& Risk

Security
Executive
Group



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Conclusion

- **Expected strong recovery in 2022** after 2 difficult years, supported by a positive decision on airport slot regulations, the relaxation of travel restrictions, strong pent up demand, favourable traffic mix and unique catchment area.
- **Gatwick will benefit from extensive restructuring** achieved and covering all areas of the business.
- Attention on ensuring **the business is ready to respond rapidly** as markets re-open and the aviation industry recovers.
- Gatwick working with the wider airport community to coordinate strong focus on the **successful reopening of the South Terminal** on March 27th.
- **Strong confidence in Gatwick's long term sustainable growth potential:**
 - ✓ Continuing to prepare for a planning application to bring the existing standby runway into routine use.
 - ✓ Commitment to make best use of our infrastructure by increase in main runway capacity.
 - ✓ Second Decade of Change.



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9 March 2022

QUESTIONS

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9 March 2022

THANK YOU



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