

YOUR LONDON AIRPORT *Gatwick*



GATWICK AIRPORT RESULTS

FOR THE PERIOD ENDED 30 SEPTEMBER 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 ¹

TRAFFIC GROWTH	EBITDA GROWTH	PROFIT FOR THE PERIOD	CAPITAL EXPENDITURE	SENIOR NET DEBT ²	SENIOR RAR ²	SENIOR ICR ²
+0.2%	+7.9%	£137.0m	£124.2m	£2,833.7m	0.58x	3.25x

Gatwick continues to develop its long haul market with passenger growth at 2.3%, but reflecting a broader softening of customer demand, overall passenger numbers were up 57,000 to **26.6 million**.

Solid financial performance with EBITDA growth at 7.9%, robust revenue increases and careful cost management.

Delivered consistent high levels of overall passenger service and satisfaction. On time performance and special assistance service remain areas of service focus for both the airport and airline community.

Efficient capital investment during the period, delivering increased capacity, enhanced resilience of existing facilities and service improvements.

In **October 2019** Gatwick issued for consultation its updated proposal to extend the “**Contract and Commitments**” framework beyond March 2021.

Released final master plan as a direct response to the **Government’s recent Aviation Strategy**. Gatwick has set out its intention to take its **Standby Runway** plans forward through a statutory planning process

Start of a new long term partnership formed by VINCI Airports and Global Infrastructure Partners to support Gatwick’s **passenger focused strategy**.

¹ For six months to 30 September 2019 and vs comparable period last year, save as noted. ² Senior Net Debt, Senior RAR and Senior ICR as per covenant test, 30 September 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

SUPPORTING OUR AIRLINES

Increased capacity with an increasingly diverse European & long haul network

easyJet

- Gatwick welcomed almost 11m easyJet passengers during the 6 month period.
- Seats per movement increased by 4 to an average of 175 from 171 in the previous year, however load factor was marginally down 1.9% points to an average of 91.0% for the period.
- During the period easyJet received their 6th A321 which was deployed to Gatwick.



BRITISH AIRWAYS

- Long haul passengers increased by 10.1% compared to the same period in 2018; with short haul passengers increasing by 1.7%.
- Growth was driven by capacity increased through higher gauge. Long haul average seats per movement increased by 8 to 205 and short haul increased by 3 to 164.



norwegian

- Total passengers for the period were 2.9m, with long haul growing by 7.3% in the period; this was despite the engine issues on their 787 fleet.
- Long haul growth was in part due to the new route to Rio de Janeiro and increased frequencies to Buenos Aires, and in part due to Norwegian switching destinations from Oakland to San Francisco and the increased demand from American travelers on their Seattle, Denver and Austin routes.



TURKISH AIRLINES

- Additional year round services to Antalya, Ankara and a seasonal service to Bodrum contributed to a 32% increase compared to the same period in 2018.

Wizz

- Wizz commenced 3 new daily routes to Budapest, Cluj and Gdansk, adding to existing services to Kraków and Bucharest.



中國東方航空
CHINA EASTERN

الجزيرة
Jazeera

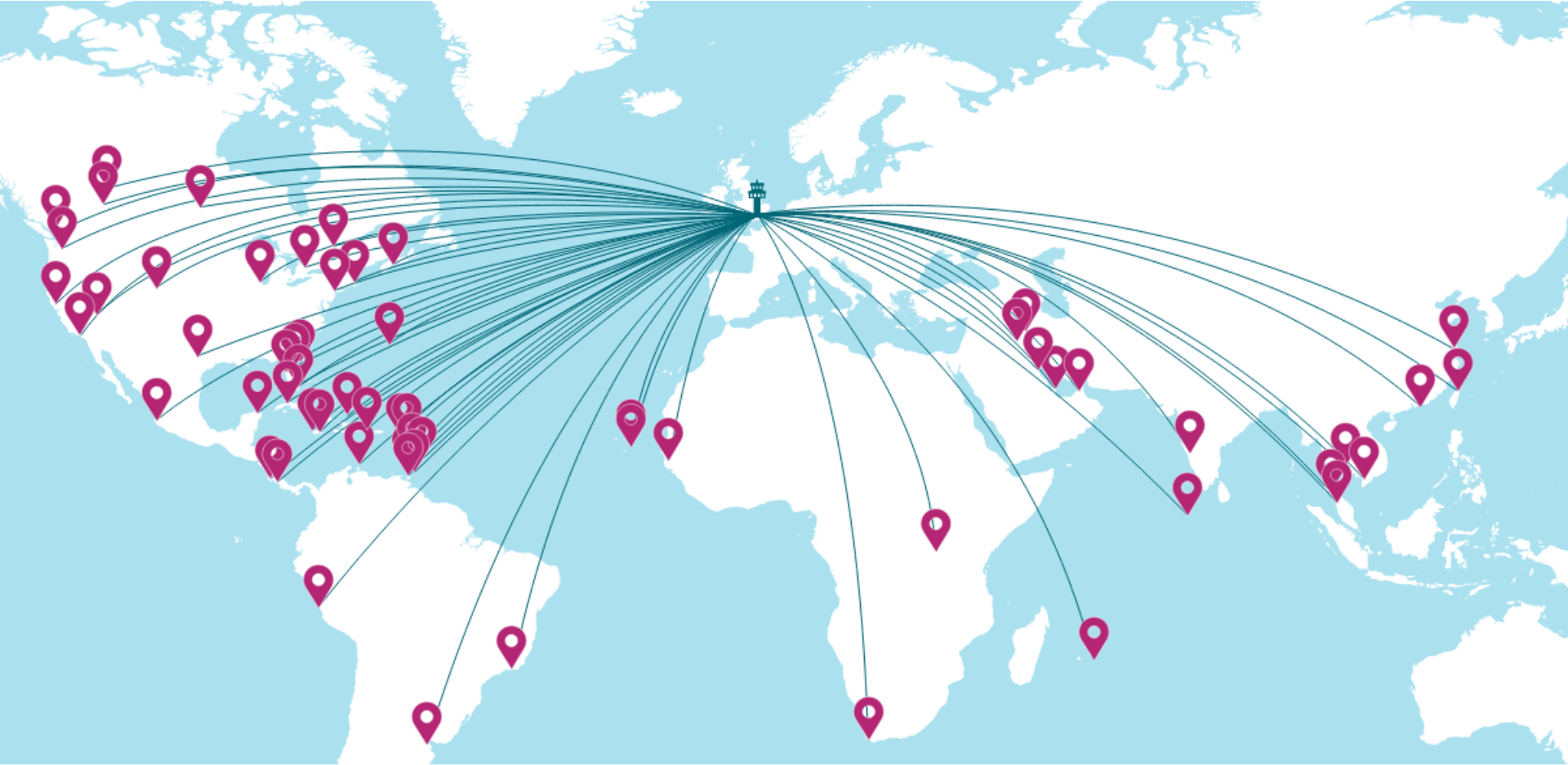
AIR CHINA
中國國際航空公司

Future Growth:

- China Eastern move their 3 per week service to daily this winter.
- Air China return to Gatwick with a 4 per week service to Shanghai.
- Jazeera commence services to Kuwait, 4 per week in November moving to daily in December.



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
القطرية

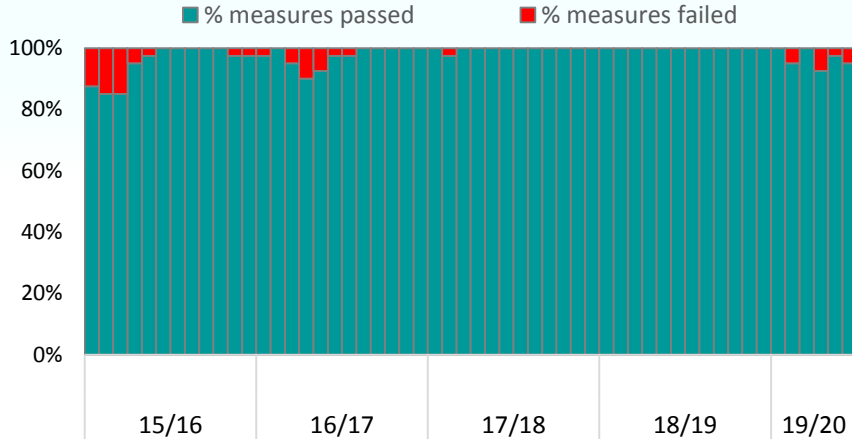
virgin atlantic

WESTJET

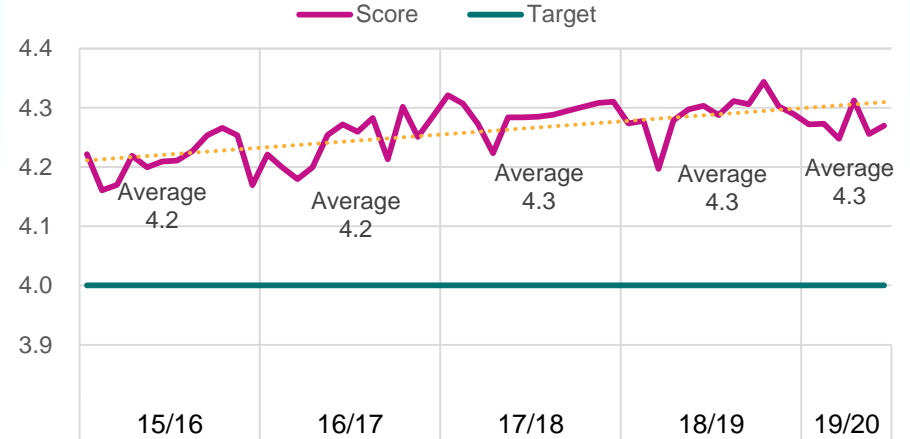
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HIGH LEVELS OF CUSTOMER SERVICE AND SATISFACTION

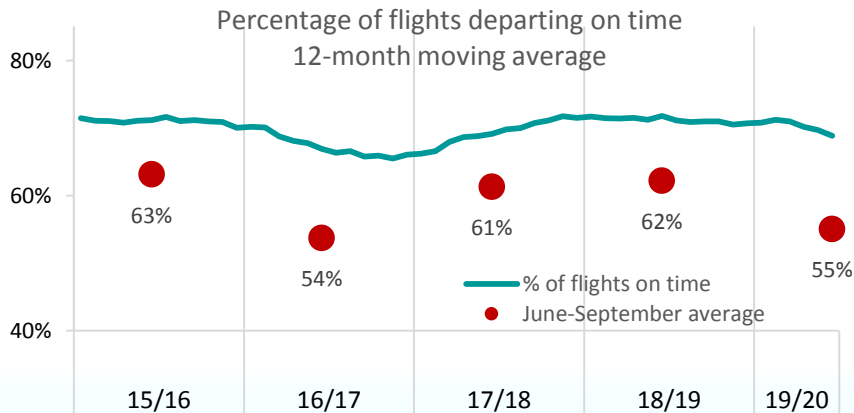
Service Quality Scores Remain High



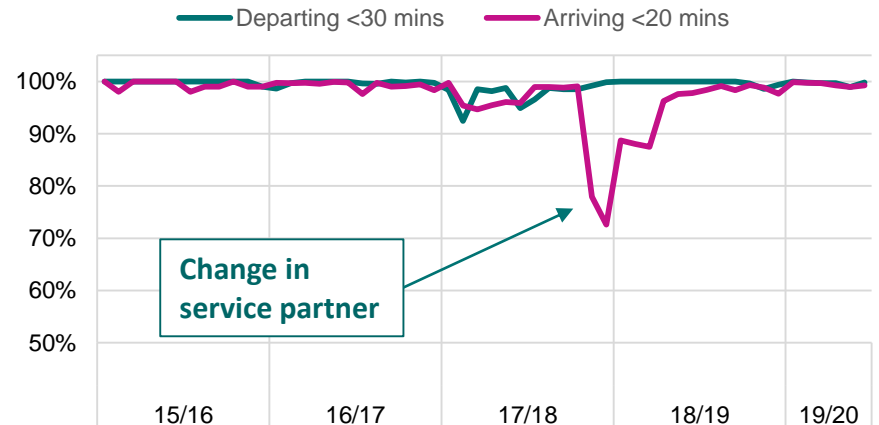
Overall Quality of Service Monitor Scores at a Record High



On Time Departure Remains a Key Focus



Special Assistance Service is a Key Area of Focus



CONTINUED IMPROVEMENTS TO THE PASSENGER EXPERIENCE



- Gatwick continues to invest in its retail offering through **new store openings and bringing new brands to the airport.**
- The benefits are shown through strong retail income growth and **continued high passenger satisfaction levels.**
- Work has progressed on the extension of the mezzanine level in North Terminal. These works will conclude later this year with the **opening of three new catering units and two new retail units.**
- The **2019 Summer Festival** in conjunction with World Duty Free and catering operators showcased **local products and exclusive products.**

CARBON – GATWICK IS COMMITTED TO SUSTAINABLE GROWTH



Our carbon strategy is based on:

- A business model built around high efficiency airlines.
- Energy and fuel efficiency in our buildings and operations.
- Purchasing renewable electricity since 2013.
- Preferring low emission vehicles in airport operations.
- Promoting public transport for travel to the airport.

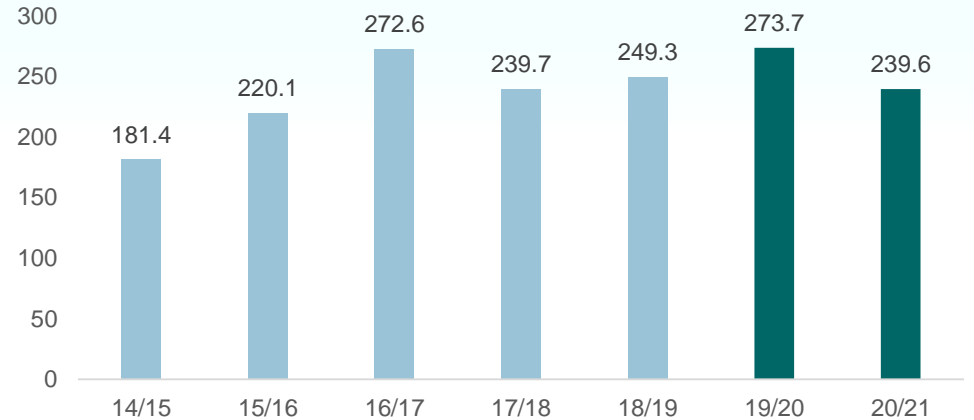
- **London's first Carbon Neutral Airport** as of 2017 - improving energy efficiency of buildings in modernising the airport to **cut own emissions by 50%** since 2010.
- Retained **highest level** of Airport Carbon Accreditation, **LEVEL 3+ Neutral**.
- **Investing £1m** per year in electric vehicle infrastructure for airport operations and public transport providers.
- **Gatwick has one of the most modern aircraft fleets** in the UK and operates a Fly Quiet and Clean collaboration with airlines.



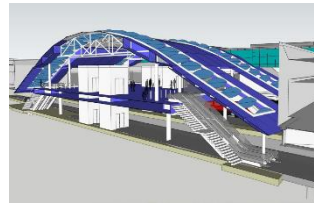
STRATEGIC CAPITAL INVESTMENT REMAINS KEY FOCUS

- Over £1.16 billion invested in the last 5 years.
- **Capital Investment Programme:**
 - The most recent five year £1.1bn programme was published in July 2019.
- **Further re-prioritisation of capital programme underway reflecting slower traffic development.**
- **Selection of key projects ongoing/planned:**
 - HBS Standard 3 replacement
 - Pier 6 extension
 - NT IDL expansion
 - Boeing Hanger
 - Railway station transformation
 - MSCP 7
 - Car Park Robotics
 - Runway optimisation
 - Asset stewardship and resilience

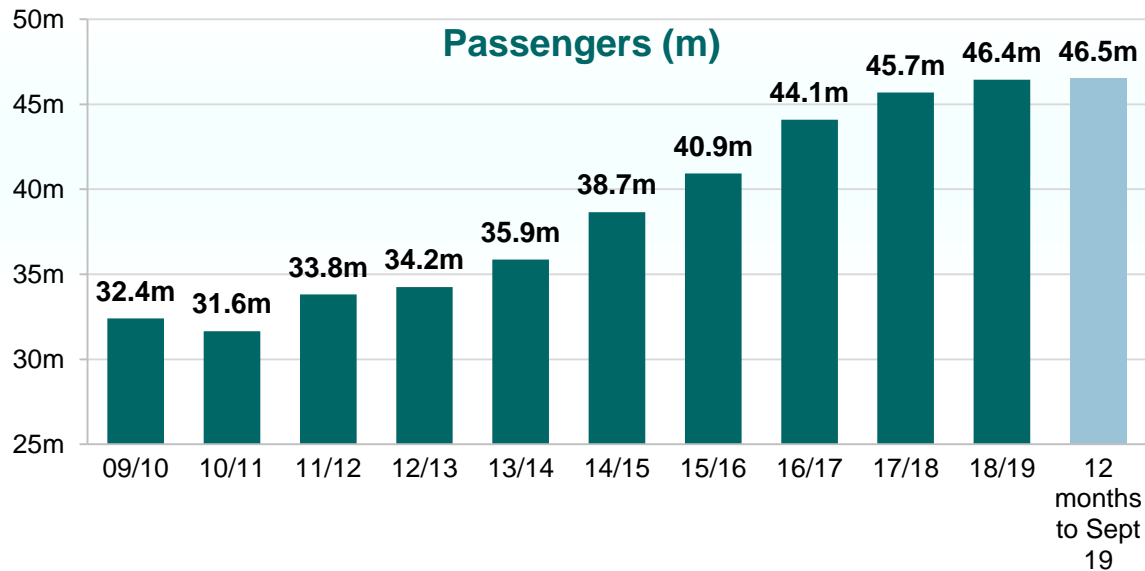
Capital Investment – c.£1.7bn (over 7 years)



Forecasts source: 2019 Capital Investment Programme



TRAFFIC GROWTH SLOWING REFLECTING BROADER ECONOMIC OUTLOOK



	TRAFFIC KPIs		
	6 MTHS ENDED 30 SEP 2018	6 MTHS ENDED 30 SEP 2019	CHANGE
Passengers (m)	26.5	26.6	+0.2%
Seats per ATM	189.8	192.0	+1.2%
Load factors	89.2%	88.5%	-0.7% pts
ATMs (k)	156.8	156.5	-0.2%

Commercial flight types only

- **Summer of consolidation** primarily driven by a softening of customer demand but also in part due to aircraft delivery delays, engine issues and the grounding of the 737 MAX; with passenger numbers up 57,000 to 26.6 million.
- Additional capacity coming into operation through **up-gauging of aircraft size and configuration**, with average seats per ATM increasing by 1.2%.
- **Long haul growth** of 2.3% in the period from existing airlines, delivered through a mixture of additional frequencies and new routes.
- Gatwick is **working with airline partners** to backfill the traffic following the liquidation of Thomas Cook **to maintain growth**, with the expectation of reaching 46.6 million passengers in the year to 31 March 2020.

SOLID FINANCIAL PERFORMANCE FOR GATWICK AIRPORT*

£m	6 MTHS ENDED 30 SEP 2018	6 MTHS ENDED 30 SEP 2019	CHANGE
Passengers (m)	26.5	26.6	0.2%
Revenue	512.5	541.3	5.6%
Other income	-	3.9	-
Operating costs (excl. depreciation, amortisation and exceptional items)	(187.5)	(194.6)	3.8%
EBITDA	325.0	350.6	7.9%
Depreciation and amortisation	(84.9)	(89.5)	5.4%
Exceptional costs	-	(14.9)	-
EBIT	240.1	246.2	2.5%
Profit after tax	138.6	137.0	1.2%
Capital expenditure	114.6	124.2	8.4%
Net debt	2,501.4	2,738.9	9.5%

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5.6% INCREASE IN INCOME

Aeronautical income increased by 6.7%, reflecting a 0.2% period-on-period increase in passengers and an increase in the annual level of published airport charges.

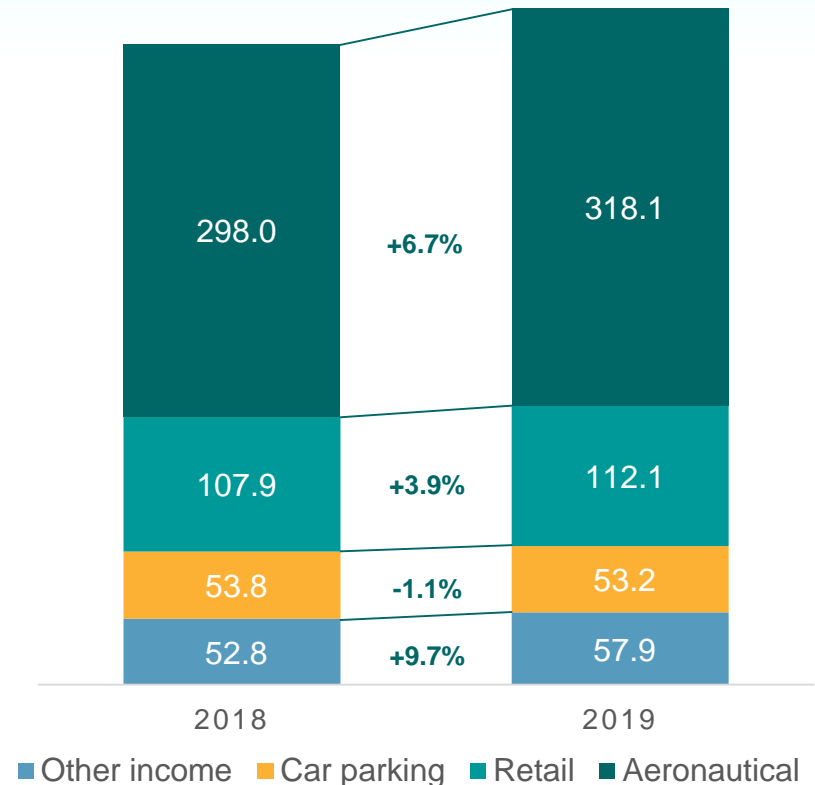
Retail income up by 3.9%, with net income per passenger increasing by 3.3% to £4.13. Duty and tax-free income has grown 1.5%, while catering continues to perform strongly, delivering 11.0% growth for the period.

Car parking income down by 1.1%. Gatwick market research data showed a decline in the number of passengers starting and finishing their journeys at Gatwick of 2.6%. This has impacted both demand and yield.

Other income categories increased by 9.7%, largely a result of a new charge associated with airports taking responsibility for hold baggage screening.

Income analysis

TOTAL	£512.5m	+5.6%	£541.3m
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3.8% INCREASE IN OPERATING COSTS*

Staff costs decreased by 2.8% due to a reduction in the average number of full-time employees in construction, IT and operations teams. In addition the average cost per FTE also reduced due to new starter rates, staff mix and discretionary payments.

General & other expenses increased by 28.2% as airports are now responsible for providing the hold baggage screening service with costs recharged to the airline community. Staff costs associated with the capital expenditure programme decreased as a result of a different capital works programme. The remaining growth is due to royalties and service fees, plus contractual increases across a range of activities and services.

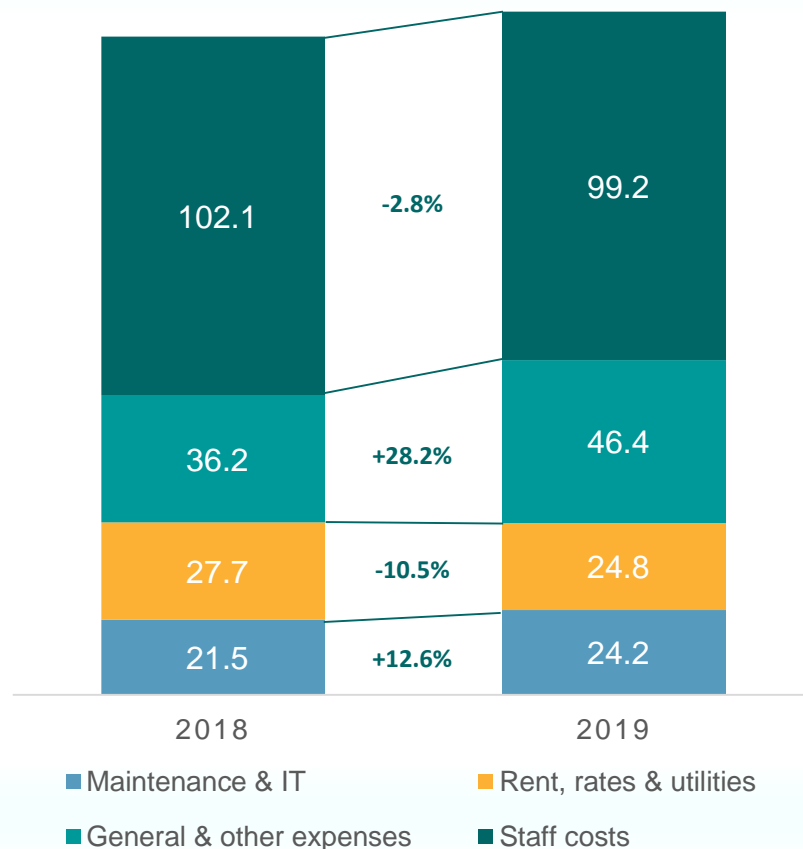
Rent, rates & utilities decreased by 10.5% due to a change in rates valuation methodology, resulting in a new baseline cost for the current period and a one-off revision of costs for prior periods.

Maintenance & IT costs increased by 12.6% as a result of a different schedule of maintenance related activities, specific new costs in relation to EDS Standard 3 baggage screening machines, along with increased IT software, licence and maintenance costs.

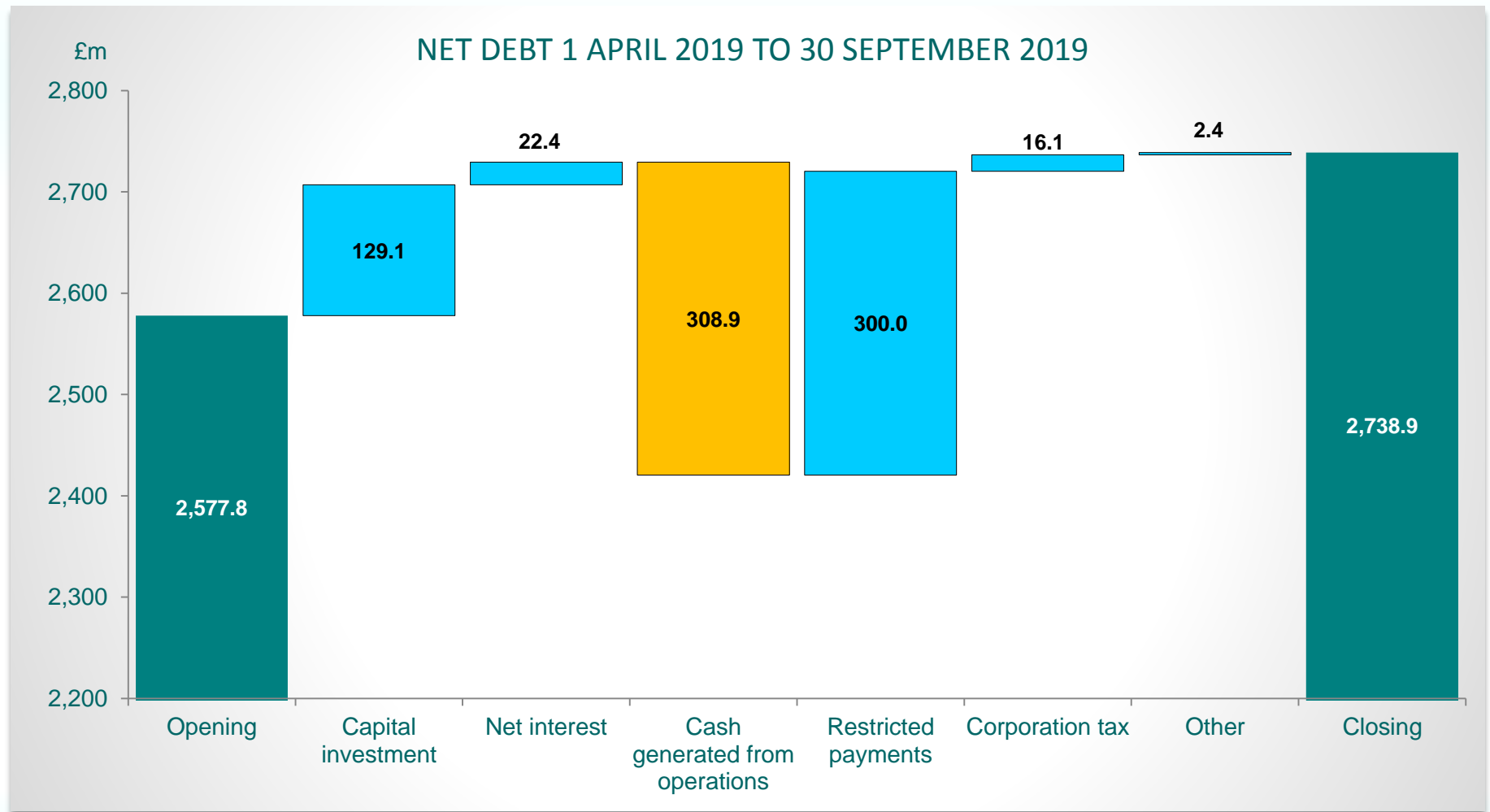
* Operating costs excluding depreciation, amortisation, and exceptional items

Operating costs analysis*

TOTAL	£187.5m	+3.8%	£194.6m
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STRONG OPERATING CASH FLOW EXCEEDING CAPEX AND INTEREST



CREDIT OVERVIEW AND SUMMARY OF COMPLIANCE CERTIFICATE

- BANK FACILITIES**

- **£300m Bank Facility** – refinanced June 2018, one year extension option exercised giving a revised termination date of June 2024 with further extension option available to June 2025.
- **Liquidity Facility increased to £150m** in June 2018. New 5 year facility, with annual extension.

- STRONG LIQUIDITY IN THE SIX MONTHS TO 30 SEPTEMBER 2019**

- Annual cash flow from **operations £461m for the 12 months ended 30 September 2019.**
- Undrawn bank commitments **£300m as at 30 September 2019.**
- **£300m restricted payment** made in July 2019.

FINANCIAL RATIO	12 MONTHS ENDED 30 SEPTEMBER 2019	YEAR ENDING 31 MARCH 2020	YEAR ENDING 31 MARCH 2021	YEAR ENDING 31 MARCH 2022
Cash flow (per covenant)	£470.2m	£458.6m	£524.0m	£585.9m
Total Senior interest (net)	£109.2m	£112.7m	£121.7m	£139.3m
Senior ICR (trigger <1.50x)	3.25x	2.98x	3.17x	3.05x
Senior Net Debt (per covenant)	£2,833.7m	£3,037.3m	£3,357.1m	£3,666.5m
Transfer RAB ₁	£4,860.0m	£4,918.8m	£5,403.7m	£5,971.3m
Senior RAR (trigger >0.70x)	0.58x	0.62x	0.62x	0.61x
Senior Net Debt to EBITDA ₂	6.07x	6.39x	6.19x	6.17x
FFO to Senior Net Debt ₃	11.9%	10.4%	10.9%	10.9%

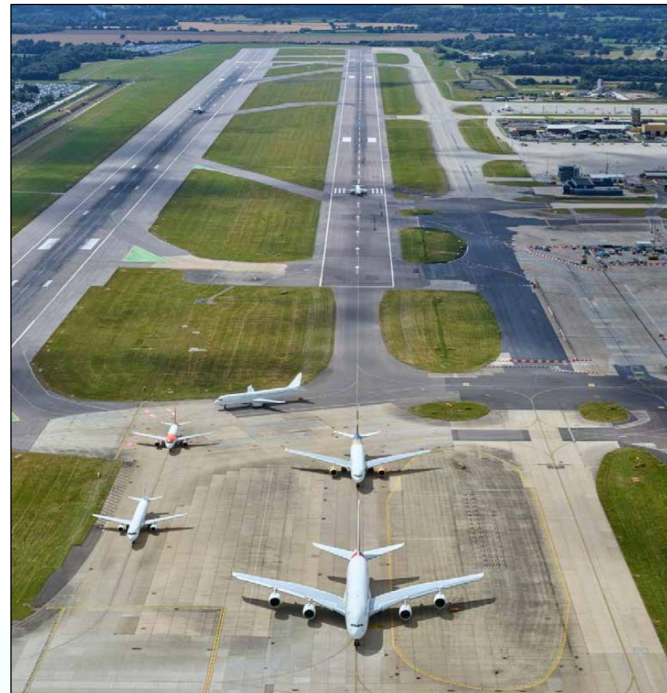
¹ Transfer date 1 April 2014 and Relevant Multiple – 11.1. ² EBITDA is pre-exceptional costs. ³ FFO is net cash flow from operating activities less cash tax and net interest charge.

AIRPORT GROWTH

Following extensive consultation our Master Plan was published in final form in July 2019, and Gatwick announced it will:

- Continue to make best use of its **existing main runway** through the use of technology;
- Prepare a planning application to bring the **existing standby runway** into routine use alongside the main runway; and,
- Continue to seek that planning policy **safeguards land for an additional runway** to the south in the future.

Gatwick has started to undertake design and development work and **environmental and other studies** to prepare for a Development Consent Order (DCO), the statutory planning process which will include a further stage of **public consultation** in 2020.



GATWICK AIRPORT MASTER PLAN 2019

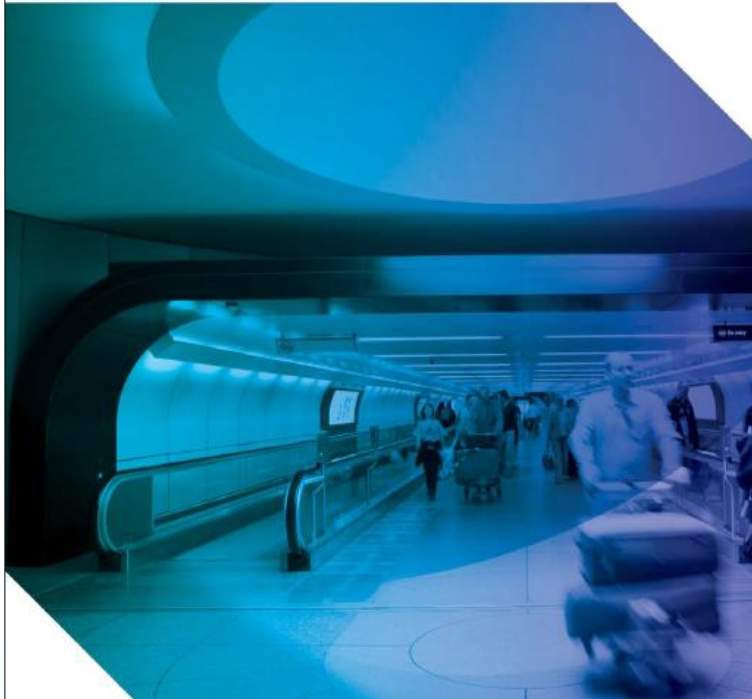
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COMMITMENTS FRAMEWORK

Consumers and Markets Group

Future economic regulation of Gatwick Airport Limited: initial consultation

CAP 1684



- 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 six month work programme with **emphasis on service standard and independent customer research**.
 - Gatwick issued its commercial proposal for continuation of the commitments framework in December 2018, and reissued an updated proposal in October 2019 for consultation with stakeholders. Following this consultation, Gatwick expect to publish a **finalised proposal by the end of the year**.

CONCLUSION

- **Solid financial performance with EBITDA growth at 7.9%**, robust revenue increases and careful cost management.
- **Gatwick is working with airline partners** to backfill the traffic following the liquidation of Thomas Cook **to maintain growth**, with the expectation of reaching 46.6 million passengers in the year to 31 March 2020.
- Maintained consistent **high levels of overall passenger service and satisfaction**, on time performance and special assistance service remain 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 moderate growth short to medium term at Gatwick, **but with no long term material effect**.
- Gatwick has set out its intention to take its **Standby Runway plans forward through a statutory planning process**.
- Gatwick remains focussed on **maintaining a strong investment grade rating**.

Full details at: gatwickairport.com/investor

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QUESTIONS