

# YOUR LONDON AIRPORT *Gatwick*



## **GATWICK AIRPORT RESULTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

\* Consolidated results for Ivy Holdco Limited, the parent of Gatwick Airport Limited, representing the performance of the Gatwick Airport group of companies for the year ended 31 December 2020.

# PRESENTERS

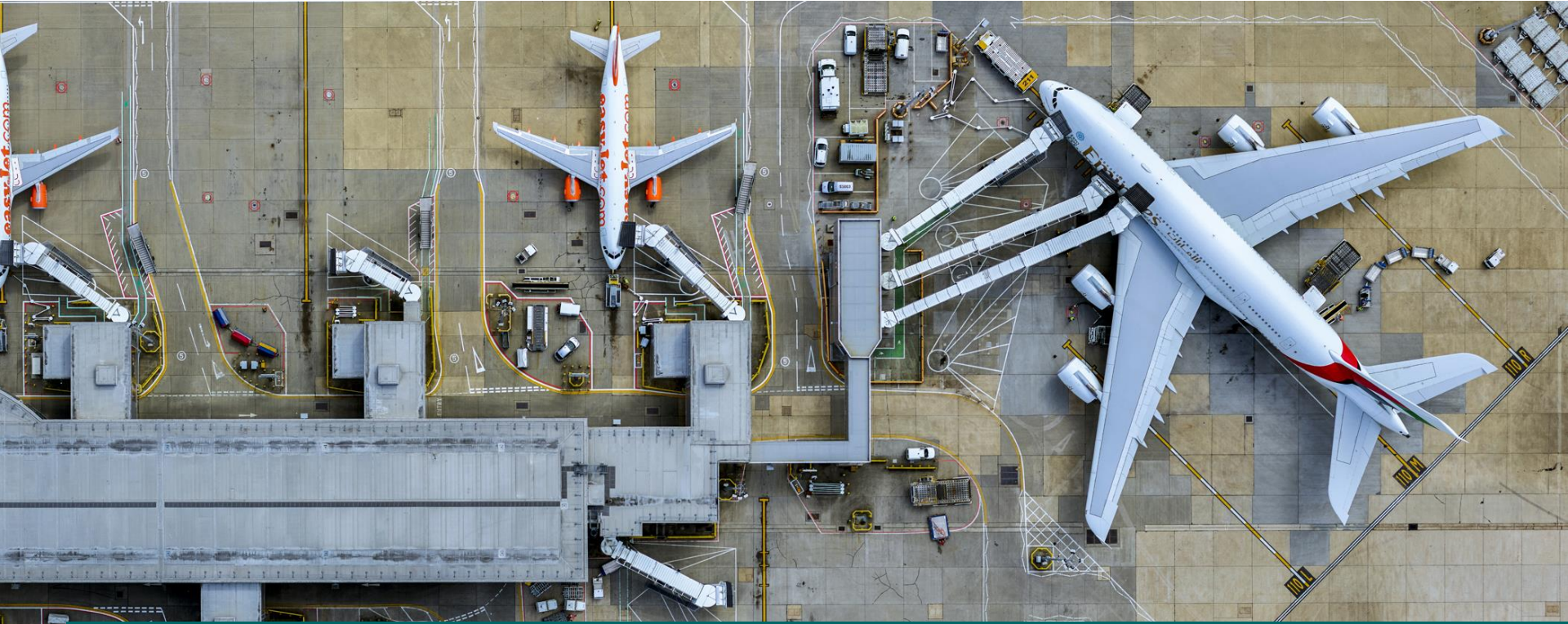


**Stewart Wingate**  
CEO



**Lorenzo Rebel**  
Interim CFO

# YOUR LONDON AIRPORT *Gatwick*



**YEAR TO 31 DECEMBER 2020 PERFORMANCE**

# OPERATIONAL AND FINANCIAL PERFORMANCE

## 2020 OPERATIONAL AND FINANCIAL PERFORMANCE

TRAFFIC <sup>1</sup>	EBITDA	LOSS FOR THE PERIOD	CAPITAL EXPENDITURE	SENIOR NET DEBT <sup>2</sup>	SENIOR RAR <sup>2</sup>	SENIOR ICR <sup>2</sup>
-78.2%	-£25.1m	-£465.5m	£86.0m	£3,132.0m	0.94x	-1.29x

**Collapse in demand due to the COVID-19 pandemic** resulting in an overall decline in passenger numbers of 78% leading to a 75% fall in revenue and a 105% fall in EBITDA.

**Decisive actions to reduce operating costs by over £140m in 2020** through renegotiating contracts, temporary infrastructure shutdowns and halting discretionary expenditure. Further mitigations available.

**Strategic reduction in capital expenditure** resulted in the deferral or cancellation of over £380m from the investment originally planned in 2020 and 2021. Further mitigations available.

**£550m of additional liquidity** – sufficient to meet operating cashflows, planned investment levels and interest payments for 2021. Waiver granted on Financial Covenants for 31 December 2020 calculation date.

**Contracts & Commitments framework extended to 2025** – allows for pricing and capex flexibility during recovery period

**Gatwick remains focused on its sustainability commitments**

<sup>1</sup> For the year to 31 December 2020 and vs comparable prior period, save as noted. <sup>2</sup> Senior Net Debt, Senior RAR and Senior ICR as per covenant test, 31 December 2020.

# FINANCIAL PERFORMANCE FOR GATWICK AIRPORT\*

£m	YEAR ENDED 31 DECEMBER 2020	YEAR ENDED 31 DECEMBER 2019	CHANGE
<b>Passengers (m)</b>	<b>10.2</b>	46.6	(78.2%)
<b>Revenue</b>	<b>217.0</b>	853.5	(74.6%)
<b>Other operating income</b>	-	3.9	(100%)
<b>Operating costs</b> (excl. depreciation, amortisation and exceptional items)	<b>(242.1)</b>	(384.6)	(37.1%)
<b>EBITDA</b>	<b>(25.1)</b>	472.7	(105.3%)
<b>Depreciation and amortisation</b>	<b>(180.4)</b>	(179.3)	0.6%
<b>Exceptional costs</b>	<b>(42.6)</b>	(18.4)	131.5%
<b>EBIT</b>	<b>(248.1)</b>	275.0	(190.2%)
<b>(Loss)/profit after tax <sup>1</sup></b>	<b>(465.5)</b>	170.4	(373.2%)
<b>Capital expenditure</b>	<b>86.0</b>	253.0	(66.0%)
<b>Net debt</b>	<b>3,235.7</b>	2,829.6	14.4%

<sup>1</sup> Tax charge for the period includes an increase in deferred tax as a result of the cancellation of the corporation tax rate reduction from 19% to 17%.

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# YOUR LONDON AIRPORT *Gatwick*



**IMPACT OF COVID-19**

# COVID-19 – OPERATIONAL AND BUSINESS IMPACT

- COVID-19 is causing **widespread disruption to Global, European and UK aviation** markets:
  - **The Airport has remained open**, servicing repatriation, critical freight, positioning and maintenance flights alongside a small number of scheduled services and is poised to respond to demand increases at any time.
  - Traffic **fell by 78% or 36.4m passengers** from 46.6m in 2019 to 10.2m in 2020.
  - In 2020 the virus had a limited impact in the first two months of the year, with **the full impact being felt from mid-March onwards**.
  - During the summer the **easing of restrictions** and **strong, pent-up passenger demand** allowed for the return of flights. However this was tempered by the uncertainty brought about by changes in the travel corridors.
  - As we entered the final quarter, **the second and third national lockdowns**, coupled with the border restrictions and quarantine imposed on travellers to and from the UK, **again reduced demand**.
  - Retail and food and beverage has been affected by the various Government restrictions implemented throughout the year including **bans on non-essential retail trading** and **limits on opening hours**.
  - Looking ahead, the early success of the vaccination programme in the UK and the recent Government roadmap announcement should **boost passenger confidence** however the timing of relaxations will depend on Government restrictions.

# COVID-19 – MITIGATIONS

- Gatwick has taken a series of necessary steps to safeguard its business:
  - **Reduced operational footprint:** initially, night closure and shutdown of 2 out of 6 piers; then operations limited to a single terminal. As at the end of January 2021 South Terminal remains closed and the Airport continues to vary the operational footprint in the North Terminal to meet the changing demand.
  - **Actions to limit the operating expenses:** including renegotiations with sub-contractors to reduce manning and operating hours, temporarily reduced pay rates and “furloughing” of staff. Between March and November the overall headcount was reduced from 3,261 to 1,867. Reduced operating costs has saved over £140m in 2020.
  - **Significant reduction** to active capital expenditure has resulted in the deferral of over £380m from the investment originally planned in 2020 and 2021 with safety critical projects prioritised.
  - Improved liquidity having drawn the RCF in full, put in place a new **£300m term loan** in April and received approval to draw up to **£300m under the Bank of England CCF**. At 31 December 2020 available Liquidity of £573m is **sufficient to meet operating cashflows, planned investment levels and interest payments for 2021.**
  - The Group has been **granted a covenant waiver** and amendment of certain terms under the financing documents, from Qualifying Borrower Secured Creditors



# COVID-19 – AIRPORT READINESS AND WELLBEING

- Following the recent Government COVID-19 response announcement Gatwick is prepared for the restart and servicing the **pent up demand for travel**
  - **Safety Measures:** new hygiene measures (hand sanitiser stations, extra cleaning, perspex screens, extensive signage, PPE), compulsory mask wearing throughout the terminal, UV disinfection of security trays, critical staff testing and independent certification by **Bureau Veritas**
  - **Private tests:** for staff, passengers and public (pre-departure, post arrival, test and release and reassurance tests).
  - **Vaccination:** Potential for vaccination hub. Combination of testing alongside the continued vaccination roll out will likely lead to restrictions on travel being eased both in the UK and abroad, with a consistent approach from international governments accelerating this.
- **Health and wellbeing** is a priority for Gatwick and the Airport has acted quickly to support both the public and its staff.
  - **NHS COVID-19 Tests** – In April 2020 Gatwick was the first airport in England to open its long-stay car park as a NHS drive-through testing centre
  - **Mental Health:** increased focus on mental health and wellbeing with initiatives such as our 24/7 free, independent Employee Assistance Programme, internal guidance and tools and use of external programmes from qualified organisations such as Mindapples.
  - **Employee Engagement & Wellbeing:** additional emphasis on employee engagement including monthly virtual Town Halls, webinars, online training, a weekly virtual newsletter and regular material sent to home addresses.

# 74.6% decrease in revenue from 2019 to 2020

**Aeronautical income** decreased by 80.4% driven by a 78.2% reduction in passenger volumes and a decrease in the average income per passenger due to the seasonality of the traffic and the lower charges in the winter season.

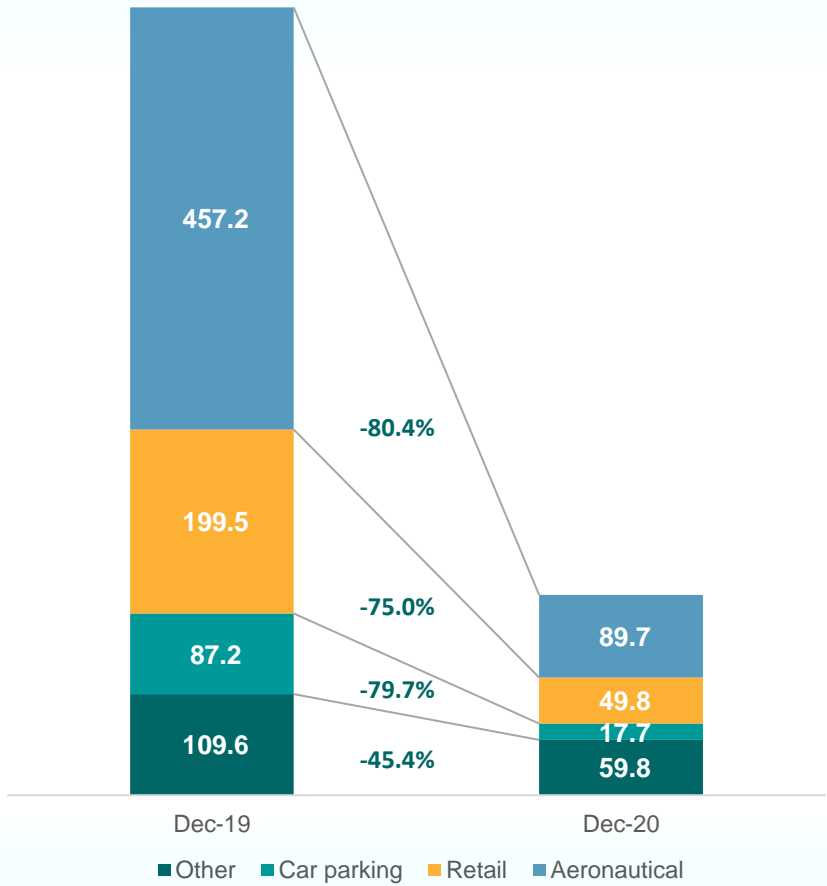
**Retail income** decreased by 75.0% due to the impact of COVID-19 both on passenger numbers and the closure of retail units due to Government restrictions throughout the year. Retail gross income per passenger for the year was £4.88.

**Car parking income** decreased by 79.7% in line with reduced passenger numbers. The product offering was flexed in line with demand but net car parking income decreased by 84.1% compared to 2019 due to the proportion of fixed costs.

**Other income** decreased by 45.4%. Property income decreased by £2.7m due to terminal closures. Operational facilities and utilities income and other income were impacted by the lower passenger numbers and decreased by £21.8m and £25.3m respectively.

## Revenue analysis

<b>TOTAL</b>	<b>£853.5m</b>	<b>-74.6%</b>	<b>£217.0m</b>
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# 37.1% decrease in operating costs from 2019 to 2020\*

**Staff costs** decreased by 51.7% due to a reduction of over 1,390 employees through COVID-19 severance programmes, terminating fixed term contracts, reducing working hours for remaining staff, and accessing the Government Coronavirus Job Retention Scheme. Monthly staff costs were £7.6m in December (excluding any furlough subsidy), down from £15.6m in January 2020.

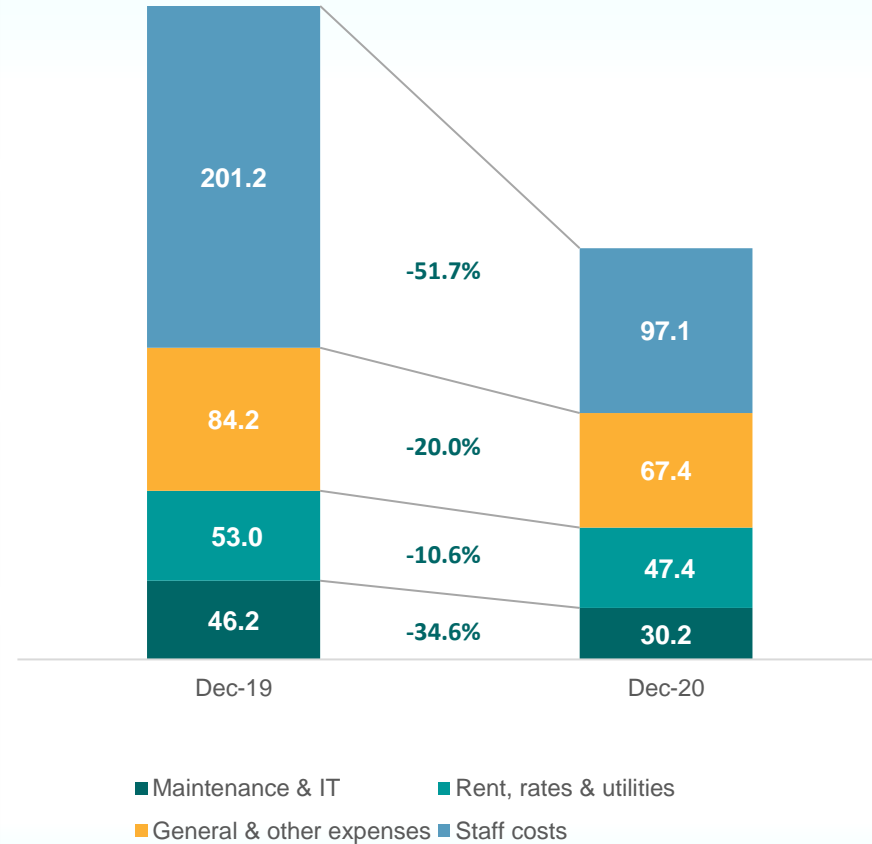
**General & other expenses** decreased by 20.0% due to lower passenger volumes, renegotiating with suppliers and third party service providers and halting discretionary expenditure.

**Rent, rates & utilities** decreased by 10.6%, with lower wholesale prices and consumption due to infrastructure closures and lower occupancy due to COVID-19.

**Maintenance & IT costs** decreased by 34.6%. Gatwick entered into discussions with all major suppliers. Reduced services were negotiated and activities were paused, deferred or stopped in some cases. Infrastructure was shut down where possible.

## Operating costs analysis\*

<b>TOTAL</b>	<b>£384.6m</b>	<b>-37.1%</b>	<b>£242.1m</b>
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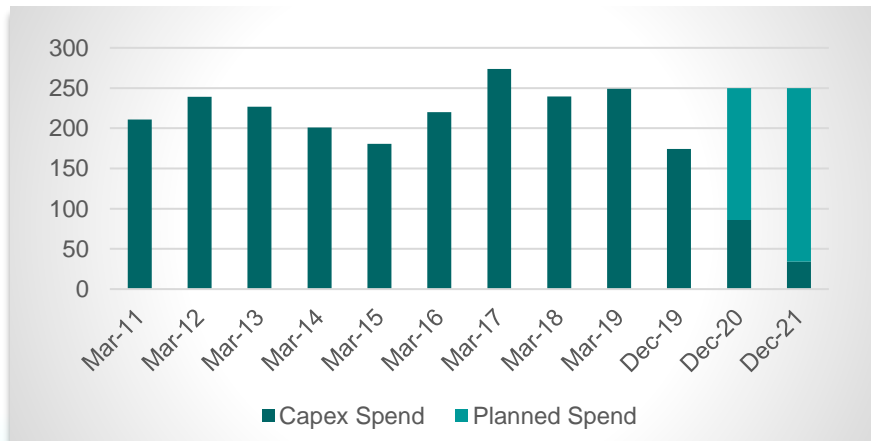


\* Operating costs excluding depreciation, amortisation, and exceptional items

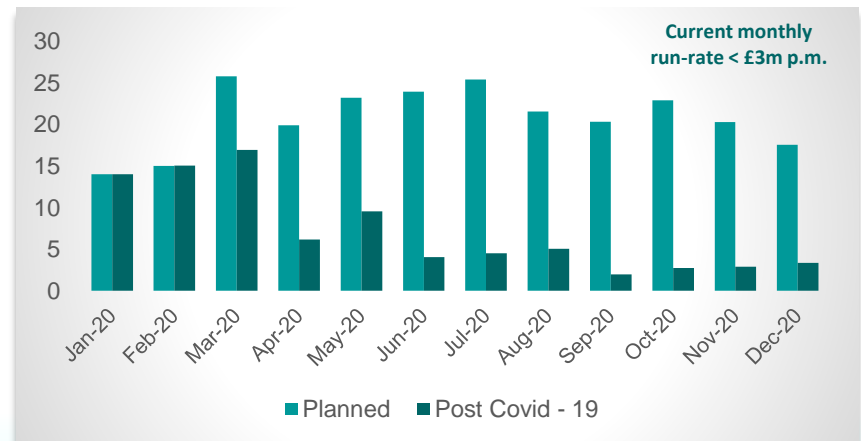
# CAPEX – SIGNIFICANT STRATEGIC REDUCTION

- c.£1.2bn invested in Gatwick over past 5 years provides substantial capacity and limited near-term maintenance requirements – **no need for extensive capital expenditure until recovery well under way.**
- Only operationally critical projects or those that were near to completion continuing in line with Government guidance – **47 out of 49 projects in design phase stopped or delayed.**
- **Planned capital investment reduced by a combined £380m** for 2020 and 2021 with in year reductions of 66% and 86% respectively. Current run-rate is < £3m p.m. An updated CIP will be published in due course.
- Major projects completed / ongoing during the year include: Runway and taxiway rehabilitation, Automatic call forward in NT, COVID-19 measures, Airfield Data Network, Rail station.

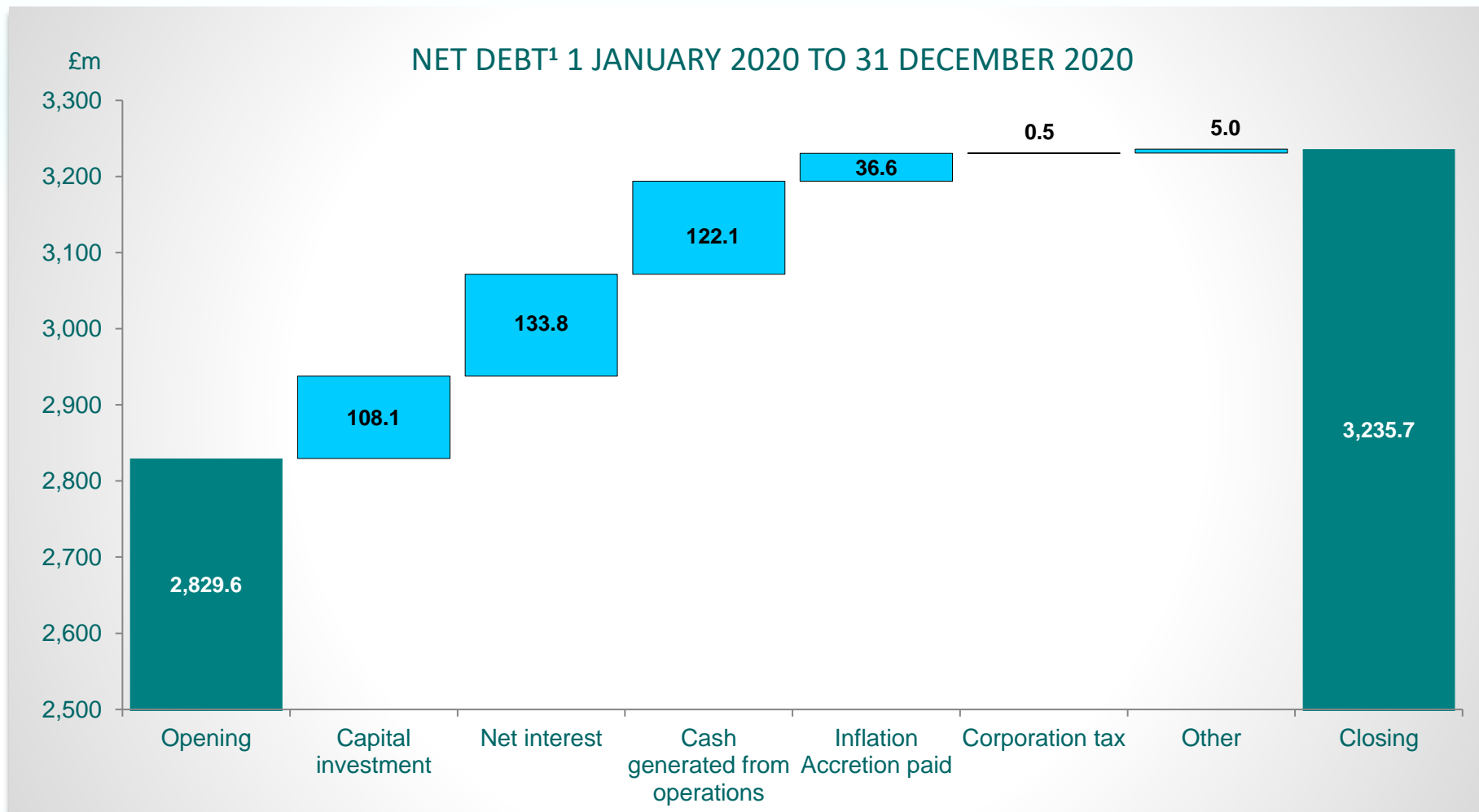
## Annual investment levels



## 2020 monthly investment profile



# NET DEBT INCREASE MITIGATED BY REDUCED CAPITAL INVESTMENT AND NO DIVIDEND PAYMENTS



<sup>1</sup> Net Debt represents Borrowings (net of deferred issue costs) less available cash

# SUMMARY OF COMPLIANCE CERTIFICATES: HISTORIC

	12 MTHS ENDED 31 DEC 2019 <sup>1</sup>	12 MTHS ENDED 31 DEC 2020
Annual Passenger Traffic	46.6m	10.2m
Cash flow (per covenant)	£482.8m	-£158.1m
Total Senior interest (net)	£109.8m	£122.8m
<b>Senior ICR</b> (trigger <1.50x; default <1.10x)	<b>3.15x</b>	<b>-1.29x</b>
Cash ICR <sup>2</sup>	4.01x	-0.61x
Senior Net Debt (per covenant)	£2,931m	£3,132m
Transfer RAB <sup>3</sup>	£4,902m	£3,317m
<b>Senior RAR</b> (trigger >0.70x; default >0.85x)	<b>0.60x</b>	<b>0.94x</b>

- As a result of the unprecedented impact of COVID-19, Gatwick has been granted a covenant waiver and amendment of certain terms under the financing documents from Qualifying Borrower Secured Creditors.
- This 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 2020 and June 2021; and b) a temporary amendment (until June 2023) to the calculation of the Senior RAR to replace the April 2020 to March 2021 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.

## Notes

<sup>1</sup> Unaudited. 31 December 2019 figures for comparison only.

<sup>2</sup> Cash ICR is net cash flow from operating activities less cash tax divided by Senior interest (net) (i.e. net cash flow not adjusted downwards by 2% of Transfer RAB, unlike Senior ICR). <sup>3</sup> Transfer date 1 April 2014 and Relevant Multiple – 11.1.

# YOUR LONDON AIRPORT

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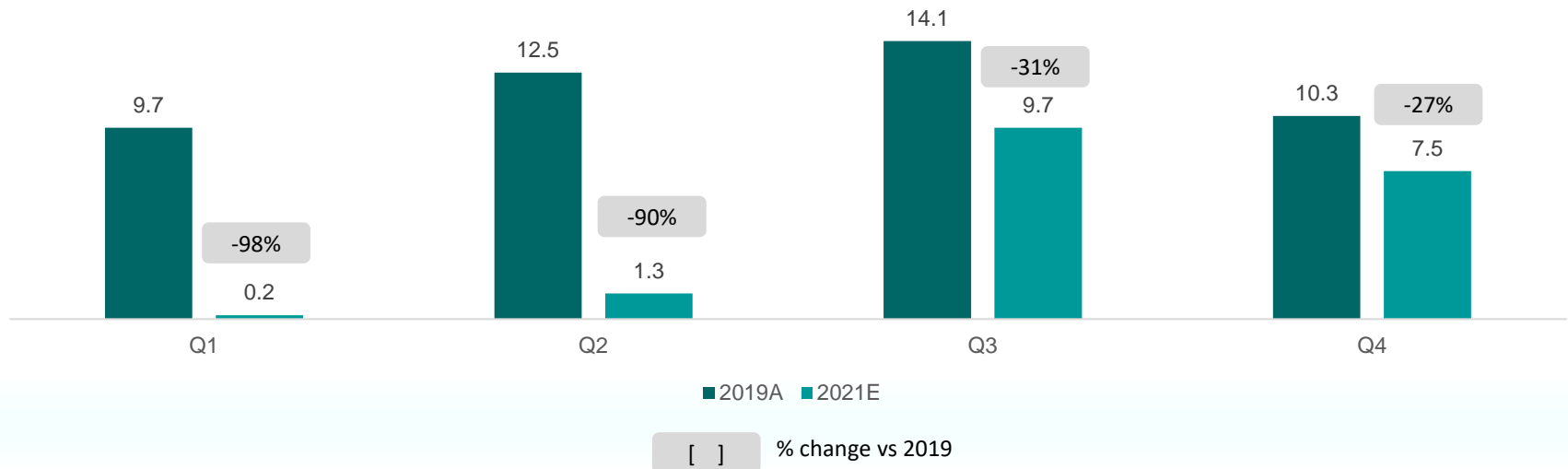
**OUTLOOK**

# 2021 TRAFFIC OUTLOOK

Gatwick is currently forecasting 18.7m pax reflecting the latest Government announcement, with traffic returning to c.70% of 2019 by year end.

- Demand uncertainty driven by Government travel restrictions
- Indications remain that key carriers (easyJet, TUI, Wizz) are positioned for recovery and ready to ramp-up quickly
- Gatwick well placed to capitalise on a recovery in Summer 2021, and win market share from other London airports
- Forecast heavily weighted to second half of the year (c.90% of 2021 pax)

## 2021 Pax (% vs 2019 and m pax)





# STRONG LIQUIDITY POSITION MAINTAINED THROUGHOUT COVID-19 PANDEMIC

- At 31 December 2020 available Liquidity of £573m **sufficient to meet operating cashflows, planned investment levels and interest payments for 2021.**
- £300m Term Loan and £300m RCF facility fully drawn with £175m CCFF issued to maximise cash on hand - **£293.1m at 31 December 2020.**
- £5m overdraft, £125m CCFF and **£150m Liquidity Facility remain available.**
- **Gatwick remains investment grade** (S&P BBB credit watch negative; Moody's Baa2 negative outlook; Fitch BBB+ negative outlook) and continues to target a Baa1/BBB+ long-term rating.
- **No short term refinancing risk:** term-loan extendable up to 2022; RCF extended to 2025; and, no bond maturity before 2024.
- CCFF repaid in January 2021 before a **further £250m issued** to both increase working capital and extend the maturity to January 2022.

# SUMMARY OF COMPLIANCE CERTIFICATE: PROJECTION

	YEAR ENDING 31 DEC 2021	YEAR ENDING 31 DEC 2022	YEAR ENDING 31 DEC 2023
Cash flow (per covenant)	£182.9m	£250.5m	£341.4m
Total Senior interest (net) <sup>1</sup>	£69.5m	£93.1m	£138.4m
<b>Senior ICR</b> (trigger <1.50x; default <1.10x)	<b>2.63x</b>	<b>2.69x</b>	<b>2.47x</b>
<i>Cash ICR</i> <sup>2</sup>	3.73x	3.58x	3.04x
Senior Net Debt (per covenant)	£2,929m	£3,082m	£2,973m
Transfer RAB <sup>3</sup>	£4,277m	£3,993m	£3,925m
<b>Senior RAR</b> (trigger >0.70x; default >0.85x)	<b>0.68x</b>	<b>0.78x</b>	<b>0.76x</b>
<i>Senior Net Debt to EBITDA</i> <sup>4</sup>	16.28x	7.77x	6.15x

- The forecast covenants have been updated incorporating a revised traffic forecast following the Government COVID-19 response announcement on Monday, resulting in a different forecast for both EBITDA and cashflow from operations for 2021. These differences result in a different ICR and RAR from the information published on 12 February 2021.

## Notes

<sup>1</sup> Reduction in Senior interest relates to intra group interest and derivative activity <sup>2</sup> Cash ICR is net cash flow from operating activities less cash tax divided by Senior interest (net) (i.e. net cash flow not adjusted downwards by 2% of Transfer RAB, unlike Senior ICR). <sup>3</sup> Transfer date 1 April 2014 and Relevant Multiple – 11.1. <sup>4</sup> EBITDA is pre-exceptional costs.

# UPDATED AND EXTENDED COMMITMENTS FRAMEWORK

On 25 February 2021 the CAA published its formal notice regarding **economic regulation** at Gatwick **adopting the Commitments** as licence conditions.

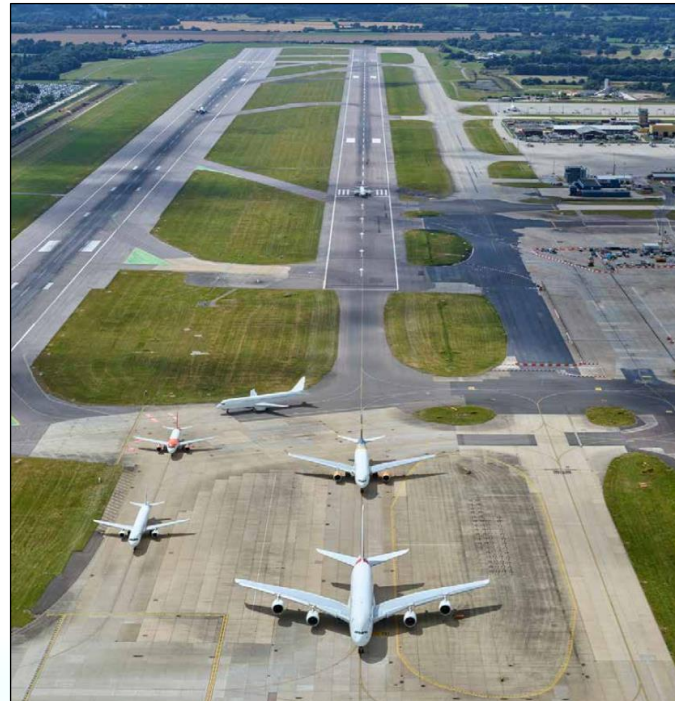
## KEY FEATURES

- Gatwick will remain subject to its existing Commitments until **31 March 2021**. Extended Commitments to apply from **1 April 2021 to 31 March 2025**.
- **Simplified annual price ceiling based on gross yield of £10.29** (real, 18/19 price base, to be indexed at RPI+0%). Pricing benefit accelerated to be **effective retrospectively from 1 January 2020**.
- **Improved service offer** based on joint passenger research with our airlines, with additional emphasis on passenger service: **tighter targets** (e.g. terminal seating measured quarterly, baggage system availability increased) and **new metrics** (e.g. WiFi access and special assistance service).
- Additional **emphasis on resilience and punctuality**.
- **Minimum investment commitment** increased to an **average of £120m per annum over the 6 year period from 2019/20 to 2024/25**.
- In its notice the CAA outlined that it will continue with its monitoring regime for Gatwick for the upcoming period and undertake three “focused assessments” in relation to specific topics.

# AIRPORT RESILIENCE AND CAPACITY GROWTH

Following extensive consultation our Master Plan was published in final form in July 2019. Gatwick will:

- Continue to make best use of its **existing main runway** through the use of technology;
- Have restarted work to prepare a planning application (DCO) to bring the **existing standby runway** into routine use alongside the main runway (after work was temporarily paused in 2020 due to COVID-19); and,
- Continue to seek that planning policy **safeguards land for an additional runway** to the south in the future.



## GATWICK AIRPORT MASTER PLAN 2019

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# CARBON – GATWICK IS COMMITTED TO SUSTAINABLE GROWTH



## Gatwick's 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.

- Retained **highest level** of Airport Carbon Accreditation, **LEVEL 3+ Neutral** since 2017.
- Committed to net zero carbon aviation by 2050 and part of UK Jet Zero Council delivery group on sustainable aviation fuels.
- **Reduced GAL's emissions by 60% since 2010** by improving energy efficiency of buildings in modernising the Airport.
- Investing in **electric vehicle infrastructure** for airport operational fleets 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.



# CONCLUSION

- COVID-19 is causing **widespread disruption** to Global, European and UK aviation markets.
- Gatwick, like most travel industry, has been **severely impacted**, facing an unprecedented decline in traffic (-78.2%) and revenues (-74.6%).
- We expect that **pent up demand** to travel will come to fruition in 2021 following Government COVID-19 response announcement but there remains uncertainty regarding the timing of this until international government restrictions are lifted.
- The Group demonstrated its **resilience and ability to preserve its business** through swift and efficient actions, significantly reducing its Opex (-37%), Capital expenditures (-66%) and replenishing its liquidity through additional credit facilities.
- The Group has been granted a **covenant waiver** and amendment of certain terms under the financing documents.
- **Gatwick is now in a solid position** with a leaner organisation and a robust level of liquidity (£573m) which is **sufficient to meet operating cashflows, planned investment levels and interest payments for 2021**.
- However, the Company is prepared to engage **further remediations actions** in order to preserve its liquidity and its business in a slower traffic recovery scenario.

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

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QUESTIONS