

YOUR LONDON AIRPORT *Gatwick*



Quarterly information package to secured creditors – June 2022

12 August 2022

Timetable and contents of quarterly information package

Quarter	Reporting Date *	Traffic Update	Historical Covenant Ratios	3-year forecast Covenant Ratios	6-month Liquidity Forecast
September 2021	12/11/2021 (issued)	✓	✓	-	✓
December 2021	14/02/2022 (issued)	✓	✓	✓	✓
March 2022	13/05/2022 (issued)	✓	✓	-	✓
June 2022	12/08/2022 (issued)	✓	✓	✓	✓

In addition to the quarterly information package, Gatwick continues to prepare a Compliance Certificate and Investor Report for each half year, Financial Statements (within 120 days of 31 December), and Interim Financial Statements (within 60 days of 30 June)

Traffic Update

	Quarter		Moving Annual Total		
	Q2 2022 (Apr22 – Jun22)	% change (Q2 2022 vs Q2 2019)	Jul21 - Jun22	% change (2022 vs 2021)	% change (2022 vs 2019)
Total terminal passengers (000's)	9,327	-25.7%	21,775	583%	-53.3%
Market Analysis:					
Domestic (incl Channel islands)	744	-17.5%	2,292	390%	-37.0%
Short Haul – EU	6,114	-20.7%	14,432	623%	-47.3%
Short Haul – Non EU	1,517	-9.8%	2,953	456%	-56.6%
Long haul	952	-57.7%	2,098	970%	-76.3%
Air Transport Movements	61,816	-18.2%	134,427	317%	-52.5%

Covenant Ratios update

Senior RAR

	<u>12m ended</u> <u>30 June 2022</u>	<u>12m ending</u> <u>31 December</u> <u>2022</u>	<u>12m ending</u> <u>31 December</u> <u>2023</u>	<u>12m ending</u> <u>31 December</u> <u>2024</u>
	[£m]	[£m]	[£m]	[£m]
Bonds	3,100.0	3,100.0	3,100.0	3,100.0 ₁
Bank Debt	300.0	300.0	300.0	0.0
Inf Accretion	39.7	62.9	88.3	108.7
Senior Debt	3,439.7	3,462.9	3,488.3	3,208.7
Less Cash	(341.9)	(552.9)	(737.2)	(131.7)
Senior Net Debt (X)	3,097.8	2,910.0	2,751.1	3,077.0
RAB (Y)	3,412.4	4,962.1	5,241.6	5,656.6
Senior RAR (X/Y)₂	0.91	0.59	0.52	0.54

Covenant Ratios update

Senior ICR

	<u>12m ended</u> <u>30 June 2022</u>	<u>12m ending</u> <u>31 December</u> <u>2022</u>	<u>12m ending</u> <u>31 December</u> <u>2023</u>	<u>12m ending</u> <u>31 December</u> <u>2024</u>
	[£m]	[£m]	[£m]	[£m]
Net cash inflow from operating activities	149.8	421.9	524.7	565.4
Add back exceptionals (cash)	2.0	0	0	0
Less: Cash Taxes	(5.2)	21.0	(20.8)	(32.7)
Less: 2% RAB (ave)	(58.9)	(85.2)	(102.0)	(109.0)
Cash Flow (A)	87.7	357.7	401.9	423.7
Net interest on Senior Debt (B)	96.9	95.6	138.9	137.0
Senior ICR (A/B)₁	0.91	3.74	2.89	3.09

₁ Trigger < 1.50x; default < 1.10x

Liquidity Update

Available Cash:

Cash generated from operations of the group

Cash at the start of the period was £68m above our liquidity forecast set out in the December 2021 quarterly information package. This predominantly reflected an improved Q2 traffic performance where we saw traffic return to c74% of 2019 levels. Overall liquidity has also benefited from strong trading within our commercial activities, which has continued into Q3.

Traffic over the 6 months from July 2022 to December 2022 is forecast to be around 80% of 2019 levels. This reflects the ATM capacity cap that Gatwick introduced for July and August of 825 and 850 flights per day respectively which ensured its growth trajectory aligned with airlines and ground handler's resource capabilities. It also takes into account the summer slot amnesty where airlines were granted a mid-season slot hand-back window, as well as the latest winter 2022/23 slot decision which allows for an additional slot hand back of 10% pre-season. GAL is currently observing a trend of rising load factors over the summer in response to a reduction in flights.

At the time of publishing this report, GAL's operation had fulfilled the first wave of peak summer holiday demand where it achieved days of around 800 flights. During this period, service performance in GAL's control has been comparatively strong with average queues of around 6 minutes in security. GAL however continues to make extensive investment in staffing and resource mitigations, and expects to be fully resourced in the next couple of months. GAL is working collaboratively with its other stakeholders on bridging resource gaps, particularly around airline ground handling capability. GAL has provided both its own resource, as well as invested in external resource, to support airline ground handler operations.

Required Expenditure:

Interest Payable

Relates to bond and RCF interest payments.

Capital Expenditure

Capex is predominantly driven by asset maintenance including construction activity associated with our main runway re-surfacing (due to be completed by end of August), spend associated with upgrades to passenger and staff screening technology mandated by the Department of Transport, and contributions relating to the rail station project.

Corporation Tax

This includes a £34.1m corporation tax refund relating to prior years (deferred from Q2 into Q3), offset by c£9.5m within-year tax payments.

	Jul 2022 – Dec 2022
	[£m]
Cash at start of period	341.9
Cash generated from operations of the group	260.6
Interest received	3.0
Any committed but undrawn PFI ¹ : Liquidity Facility and Overdraft	155.0
Available Cash	760.5
Interest payable	-36.2
Corporation Tax	24.6
Capital expenditure	-38.9
Required Expenditure	-50.5
Available Cash Less Required Expenditure	710.0