

# HEATHROW (SP) LIMITED

RESULTS FOR THE 9 MONTHS  
ENDED 30 SEPTEMBER 2020



Heathrow

# CONTENTS

Q3 2020 Performance	03
Business Update	05
Financial Review	10
Strategic Update	18
Appendices	21





# Q3 2020 PERFORMANCE

# IMPACT OF COVID-19

## Operational performance

- Keep people safe
- Testing regime to reduce quarantine
- 19.0 million passengers, down 68.9%, Q3 down 84.1%
- Revised traffic outlook for 2020 and 2021

## Financial performance

- Strong liquidity position with £2.4 billion in cash and committed facilities
- £1.4 billion bonds issued post period end
- ~£750m capital injection from ADIF2 into Heathrow Finance group
- Adjusted EBITDA down 82.2% to £259 million
- Adapting cost base to remain competitive

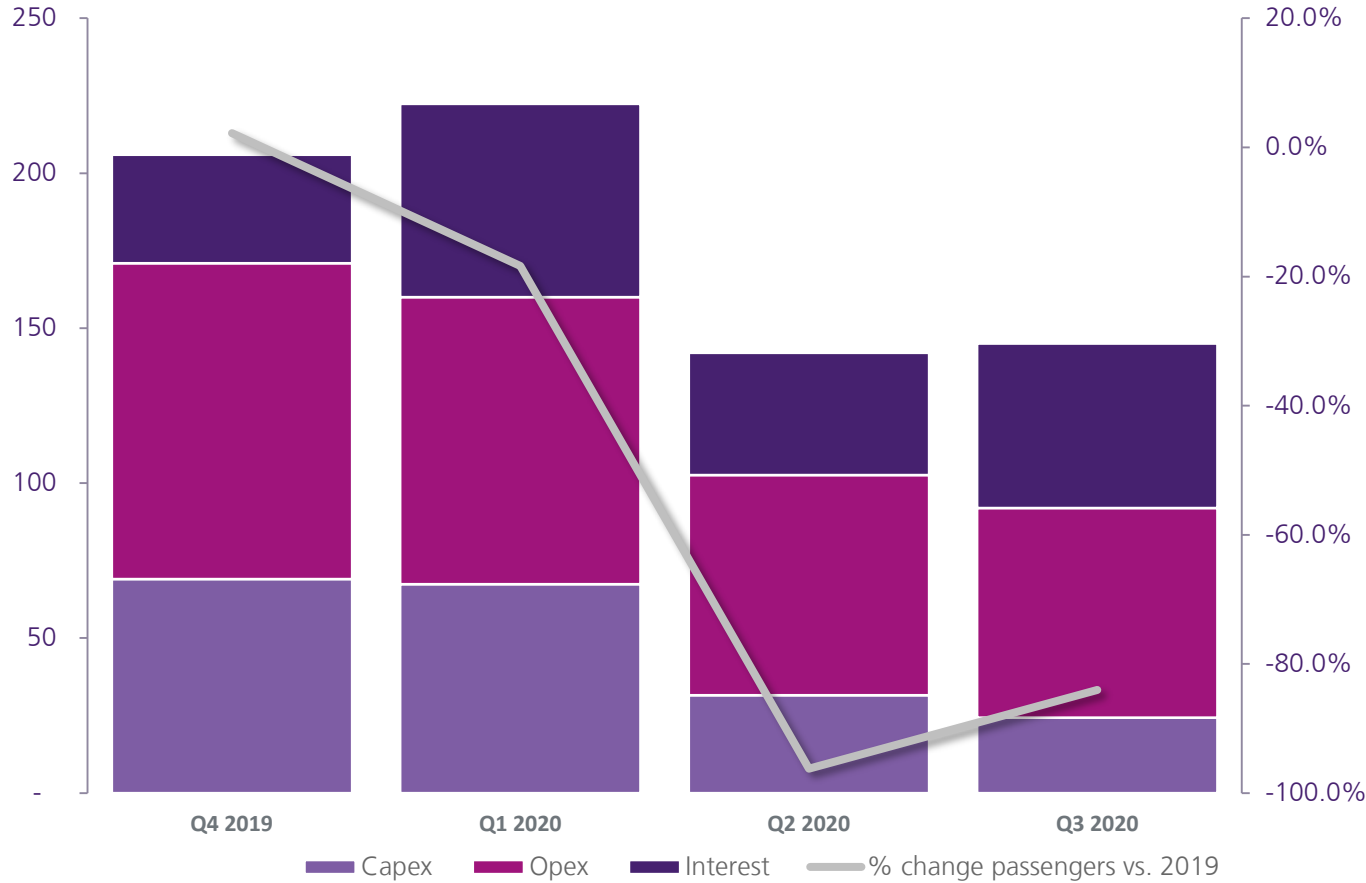
## Strategic priorities

- Greater resilience, better service, lower cost
- Common International Standard for pre-departure testing
- Timely enforcement of existing regulation to correctly balance risk and reward
- Net zero-carbon aviation

# BUSINESS UPDATE

# PROTECTING OUR BUSINESS – REDUCING CASH BURN

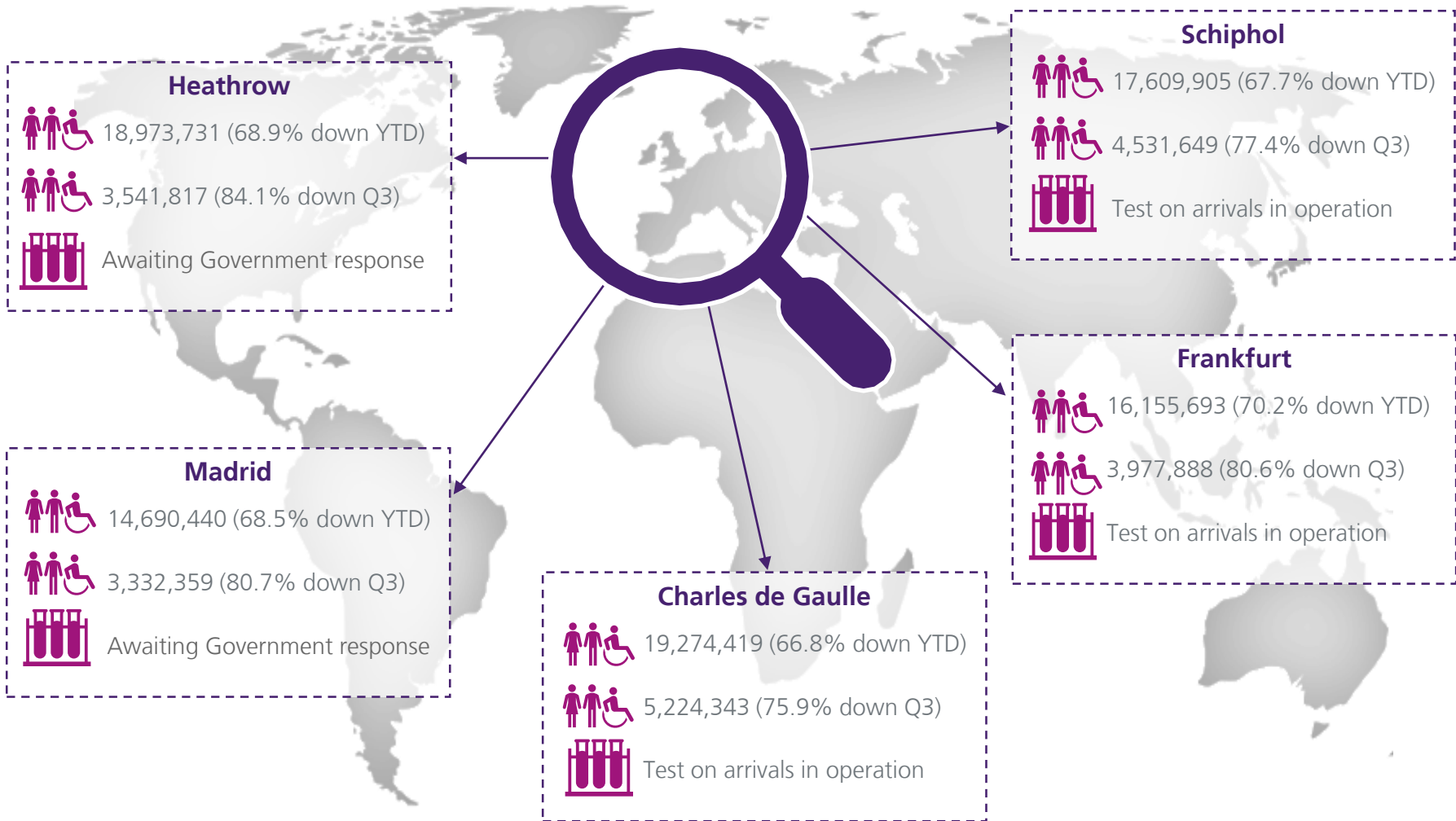
Average monthly cash burn levels (£m)



- Q3 2020 PERFORMANCE
- BUSINESS UPDATE
- FINANCIAL REVIEW
- STRATEGIC UPDATE
- APPENDICES



# WINNING THE RECOVERY – COMPARISON TO EUROPEAN HUBS



# WINNING THE RECOVERY – FLY SAFE

UK Government has established a global travel taskforce

- Commitment from transport secretary to implement testing regime by 1<sup>st</sup> December
- Expected to half quarantine with a negative test
- Private sector to meet testing demand

We are playing our part in developing solutions

- Thermal screening trial
- Rapid point of care testing trial
- Airside and landside testing centres in both terminals





# BUILDING BACK BETTER

## Sustainability:



Net zero-carbon  
by 2050



Heathrow 2.0  
aligned with the  
UN's sustainable  
development  
goals



Task force for  
Climate related  
Financial  
Disclosures

## Regulation:

Execution of regulatory protections is needed in  
2020 / 2021

- CAA has statutory duties to consumers and financeability
- RAB adjustment request allowed within current settlement before it is due to expire
- Regulatory inaction could have expensive consequences for consumers

H7 framework also needs to rebalance risk and return

- CAA acknowledged the need to balance risk and reward for H7
- Heathrow's Revised Business Plan will be submitted in coming months

# FINANCIAL REVIEW

# FINANCIAL REVIEW



(£ million)	9M 2019	9M 2020	Versus 2019 %
Revenue	2,302	951	<b>(58.7)</b>
Adjusted operating costs	843	692	<b>(17.9)</b>
Adjusted EBITDA	1,459	259	<b>(82.2)</b>
Loss before tax	(76)	(1,517)	--
Capital expenditure	649	370	<b>(43.0)</b>

	Q3 2019	Q3 2020	Versus 2019 %
	841	239	<b>(71.6)</b>
	(289)	(202)	<b>(30.1)</b>
	552	37	<b>(93.3)</b>
	(83)	(458)	--
	237	74	<b>(68.8)</b>

(£ million)	Dec 2019	Sept 2020	Versus 2019 %
Consolidated nominal net debt			
Heathrow (SP)	12,412	13,082	<b>5.4</b>
Heathrow Finance	14,361	15,199	<b>5.8</b>
Regulatory Asset Base	16,598	16,472	<b>(0.8)</b>
Cash at Heathrow (SP & Finance)	1,570	2,425	--
Cash at Heathrow (SP & Finance)*	1,570	4,456	--

(\*) Proforma calculation including the £1.4 billion raised in debt post period end and the £750 million capital injection from ADIF 2.



Q3 2020  
PERFORMANCE

BUSINESS  
UPDATE

FINANCIAL  
REVIEW

STRATEGIC  
UPDATE

APPENDICES



# REVENUE IMPACTED BY REDUCED TRAFFIC

## Aeronautical revenue decline

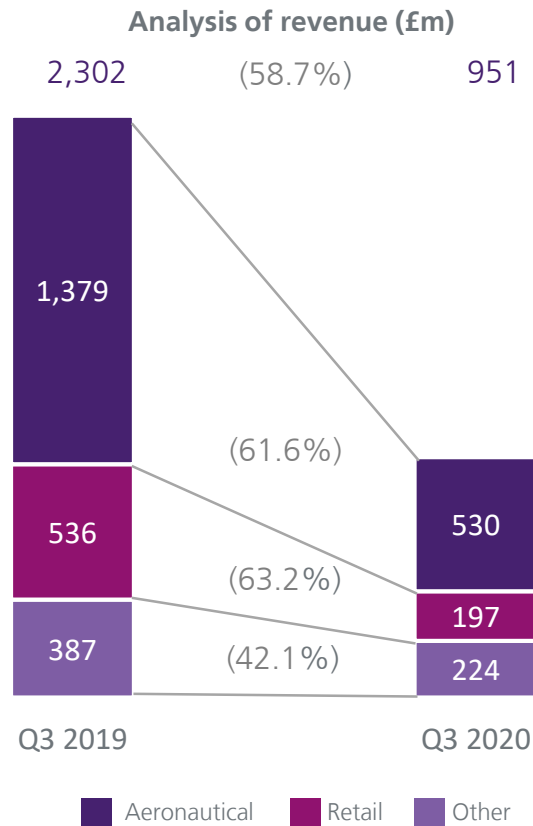
- passenger numbers remain low
- lower aircraft movements
- partially offset by higher cargo movements

## 77% of retail outlets now open across T2 and T5

- lower passenger numbers

## Relative resilience in other revenue

Q3 revenue down 71.6% vs 2019



# ON TRACK TO MEET AT LEAST £300M OF COST SAVINGS

~£200 million cost efficiencies realised

## Cost management initiatives

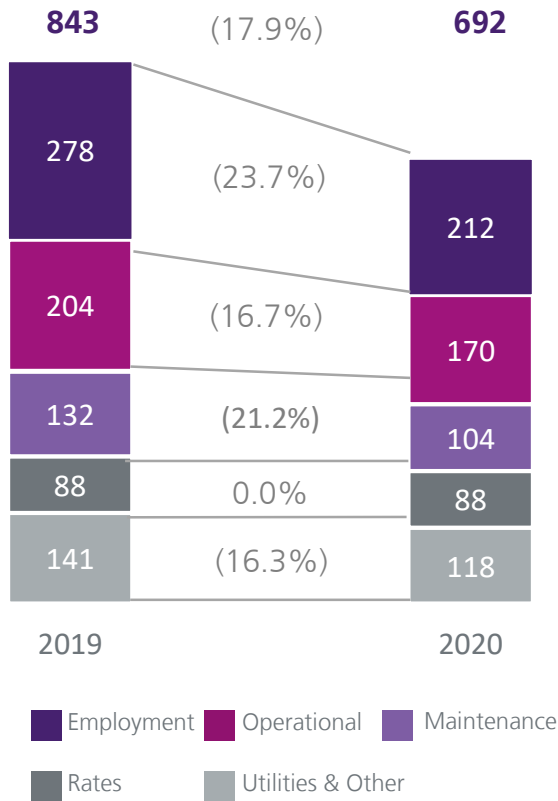
- company-wide pay reduction
- restructuring organization
- only essential capex
- renegotiation supplier contracts

Q3 costs down 30.1% vs. 2019

## Remaining competitive

- adapting cost base
- lack of government support on business rates

Analysis of adjusted operating costs (£m)



Q3 2020 PERFORMANCE

BUSINESS UPDATE

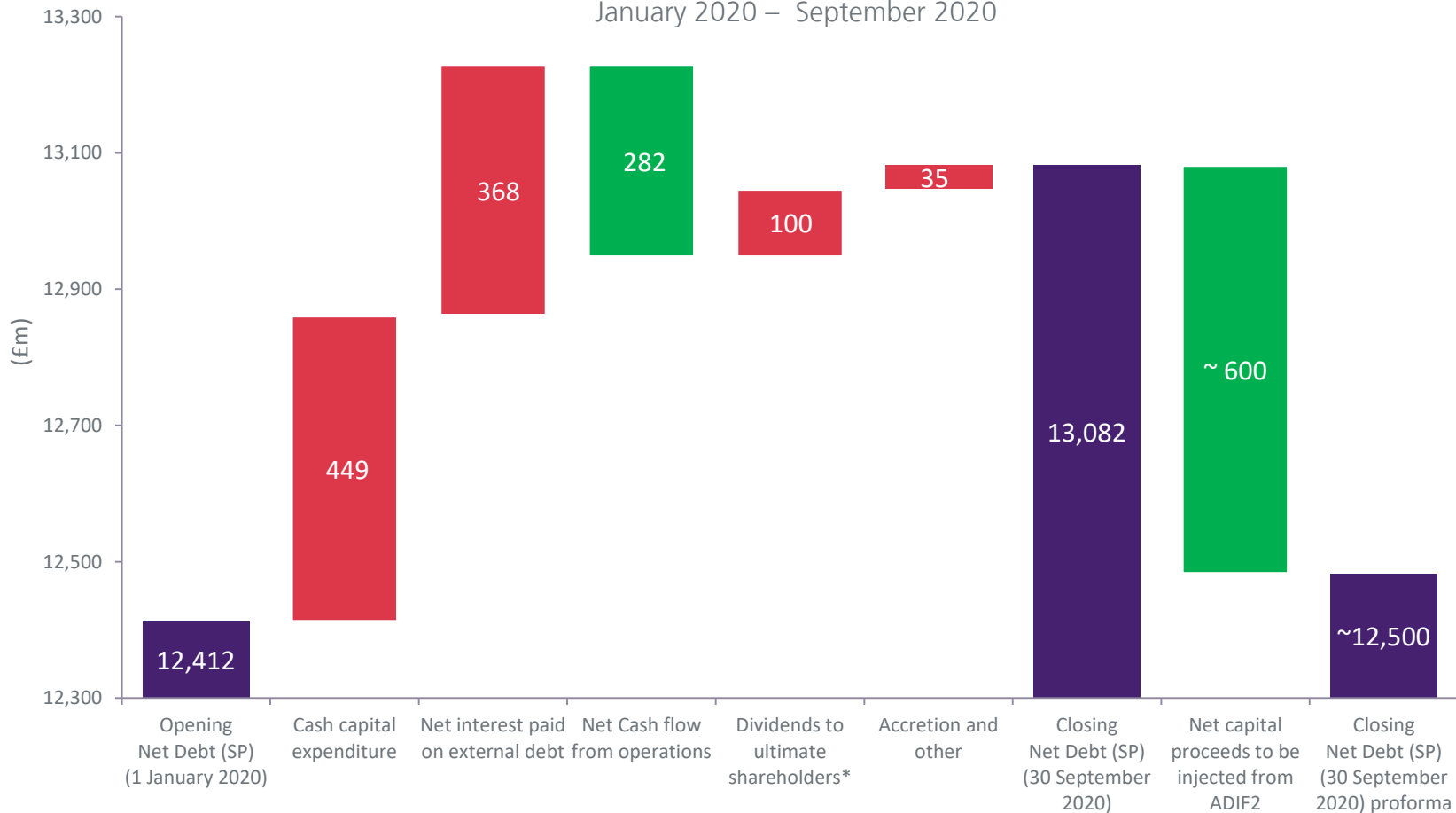
FINANCIAL REVIEW

STRATEGIC UPDATE

APPENDICES

# NEGATIVE FREE CASHFLOW MITIGATED BY CAPITAL INJECTION

Heathrow (SP) nominal net debt  
January 2020 – September 2020



(\* ) Dividend payment was made in February reflecting the cumulative outperformance of the business in 2019



# FINANCIAL RESILIENCE

## Protecting the business

- £2.4 billion in cash and committed facilities
- 2021 funding plan complete, prudent step to prefund maturities
- Capital injection from ADIF 2 to provide more headroom
- Swap restructuring to reduce interest payment for the next couple of years while traffic recovers

## Winning the recovery

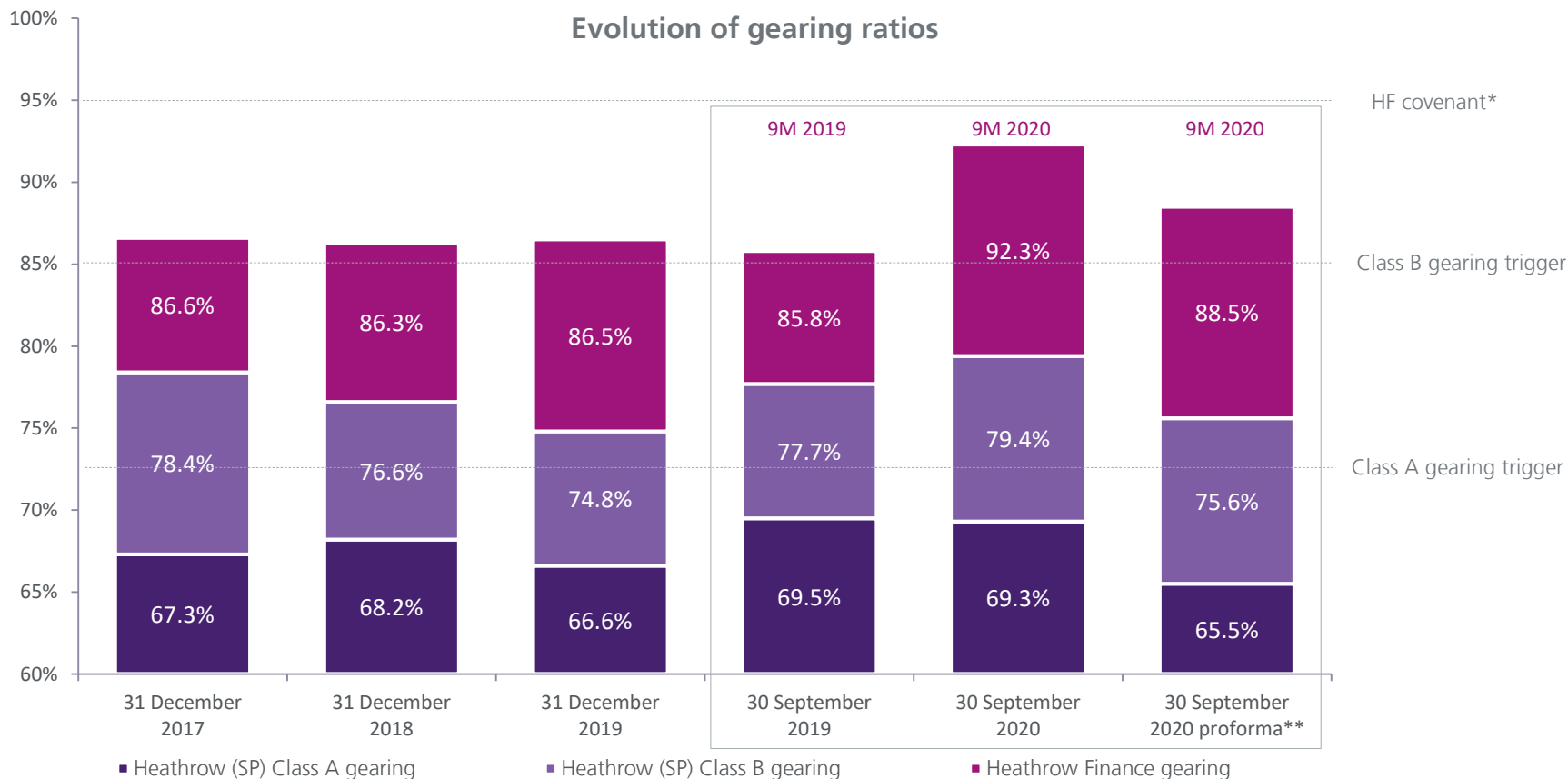
- Restoring stronger credit metrics in the medium term

## Building back better

- ESG financing



# SUFFICIENT HEADROOM ON GEARING WITH ADDITIONAL BUFFER PROVIDED BY FURTHER CAPITAL INJECTION



(\*) As a result of the waiver secured on 8 July 2020, Heathrow Finance's RAR covenant increased to 95.0% for the testing date occurring on 31 December 2020, and 93.5% for the testing date occurring on 31 December 2021.

(\*\*) Proforma calculation including the £1.4 billion raised in debt post period end and the £750 million capital injection from ADIF 2.

# OUTLOOK

We recognise the current volatile climate:

- 2020 expected traffic: 22.6 million passengers, 6.6 million down vs. June guidance
- 2020 Adjusted EBITDA: £70 million down vs. June guidance
- 2021 expected traffic: 37.1 million passengers
- No covenant breach forecast in 2021 given additional mitigation plans
- Detailed revised guidance in our December Investor Report

		June Investor Report		Revised Outlook	
	2019	2020	2021	2020	2021
<b>Passengers (m)</b>	80.9	29.2	62.8	22.6	37.1
<b>Variation vs. 2019 (%)</b>	-	(63.9)	(22.4)	(72.1)	(54.2)





# STRATEGIC UPDATE

# TO GIVE PASSENGERS THE BEST AIRPORT SERVICE IN THE WORLD



# QUESTIONS?



# APPENDICES



# COMPARISON AGAINST EUROPEAN HUBS

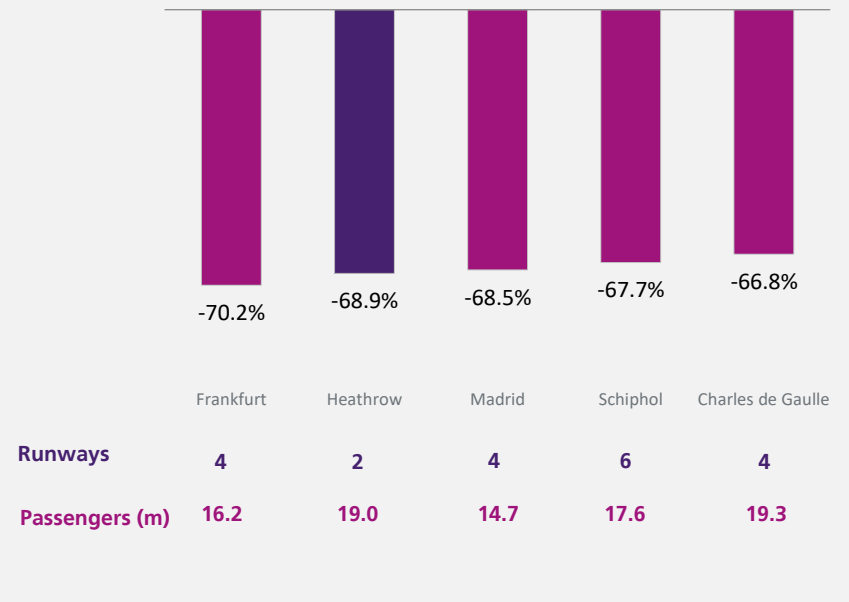
	9M 2019	9M 2020
Passengers	61.0	19.0
Long-haul traffic growth/(decline) (%)	(0.7)	(66.6)
Short-haul traffic growth/(decline) (%)	1.9	(70.9)
Passengers ATM	356,319	143,277
Cargo ATM	2,042	15,754
Load factors (%)	80.2	61.5
Seats per ATM	213.2	215.2
Cargo tonnage ('000)	1,189	811.8

	9M 2019	9M 2020
ASQ	4.16	--*
Baggage connection	99.0%	99.2%
Departure punctuality	80.4%	87.3%

(\*) Passenger satisfaction and colleague engagement research has been temporarily suspended

## Passenger traffic at European hubs

Year on year growth in traffic for 9 months to 30 September 2020



# BUILDING BACK BETTER – EXPANSION

Once the benefits of air travel and connectivity have been restored, an expanded Heathrow will be required

- Court of appeal decision relates to government process
- Supreme Court hearing held on 8<sup>th</sup> October; next steps expected in 2021
- Government can amend ANPS
- Opening delayed by at least two years



# HEATHROW NOMINAL NET DEBT AT 30 SEPTEMBER 2020

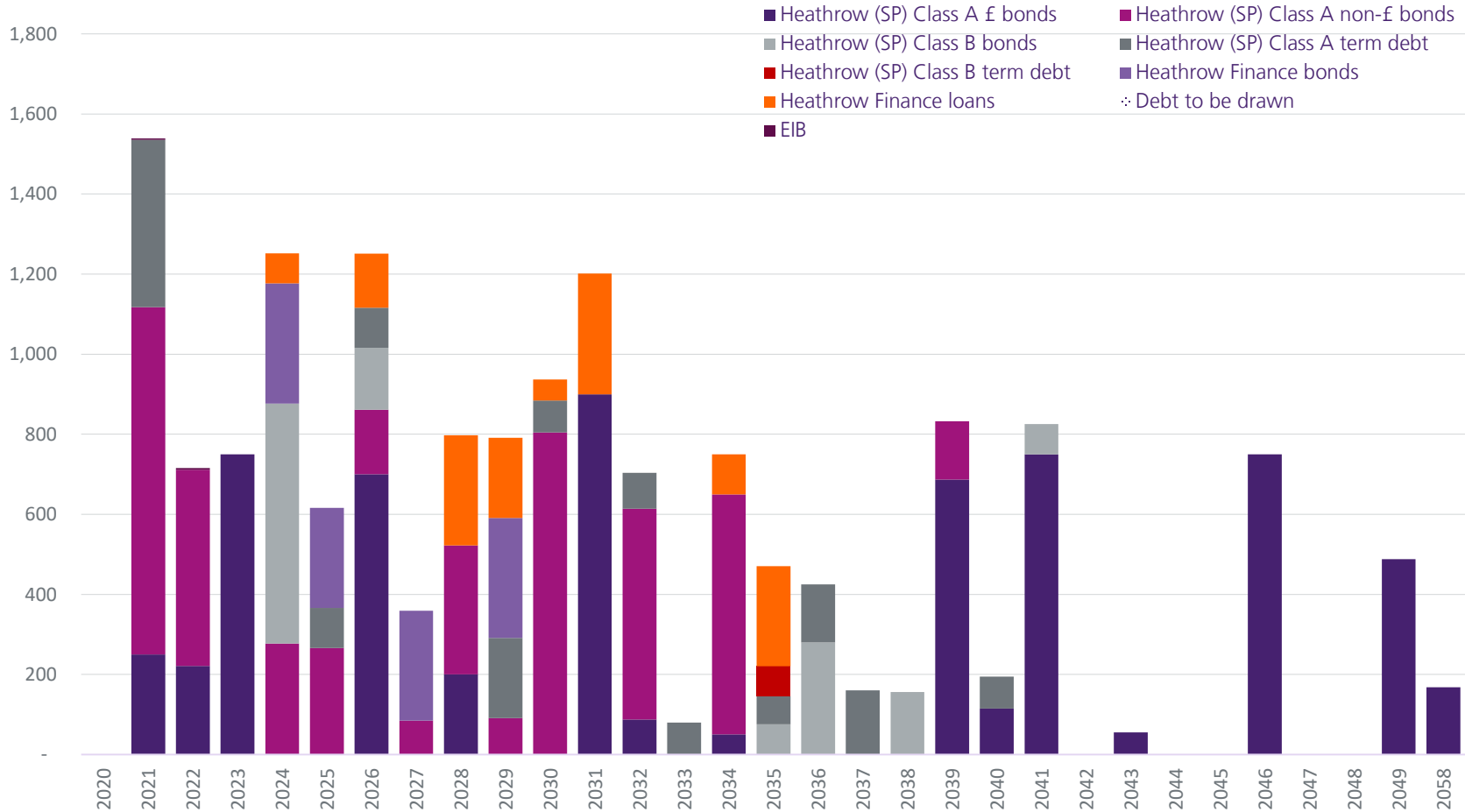
Heathrow (SP) Limited	Amount	Available	Maturity
Senior debt	(£m)	(£m)	
£250m 9.2%	250	250	2021
C\$450m 3%	246	246	2021
US\$1,000m 4.875%	621	621	2021
£180m RPI +1.65%	221	221	2022
€600m 1.875%	490	490	2022
£750m 5.225%	750	750	2023
CHF400m 0.5%	277	277	2024
C\$500m 3.25%	266	266	2025
CHF210m 0.450%	161	161	2026
£700m 6.75%	700	700	2026
NOK1,000m 2.65%	84	84	2027
C\$400m 3.4%	226	226	2028
£200m 7.075%	200	200	2028
A\$175m 4.150%	96	96	2028
NOK1,000m 2.50%	91	91	2029
€750m 1.5%	566	566	2030
C\$400m 3.782%	238	238	2030
£900m 6.45%	900	900	2031
€50m Zero Coupon	42	42	2032
£75m RPI +1.366%	88	88	2032
€50m Zero Coupon	42	42	2032
€500m 1.875%	443	443	2032
€650m 1.875%	559	559	2034
£50m 4.171%	50	50	2034
€50m Zero Coupon	40	40	2034
£50m RPI +1.382%	58	58	2039
€86 Zero Coupon	75	75	2039
£460m RPI +3.334%	629	629	2039
¥10,000m 0.8%	71	71	2039
£100m RPI +1.238%	115	115	2040
£750m 5.875%	750	750	2041
£55m 2.926%	55	55	2043
£750m 4.625%	750	750	2046
£75m RPI +1.372%	88	88	2049
£400m 2.75%	400	400	2049
£160m RPI +0.147%	168	168	2058
<b>Total senior bonds</b>	<b>10,806</b>	<b>10,806</b>	
Term debt	1,531	1,531	Various
Index-linked derivative accretion	201	201	Various
Revolving/working capital facilities	900	900	2023
Lease liability	5	5	
<b>Total other senior debt</b>	<b>2,637</b>	<b>2,637</b>	
<b>Total senior debt</b>	<b>13,443</b>	<b>13,443</b>	
<b>Heathrow (SP) Limited cash</b>	<b>(2,028)</b>		
<b>Senior net debt</b>	<b>11,415</b>		

Heathrow (SP) Limited	Amount	Available	Maturity
Junior debt	(£m)	(£m)	
£600m 7.125%	600	600	2024
£155m 4.221%	155	155	2026
£75m RPI + 0.347%	75	75	2035
£75m RPI + 0.337%	75	75	2036
£180m RPI +1.061%	204	204	2036
£51m RPI + 0.419%	52	52	2038
£105m 3.460%	105	105	2038
£75m RPI + 0.362%	76	76	2041
<b>Total junior bonds</b>	<b>1,342</b>	<b>1,342</b>	
Term debt	75	75	2035
Junior revolving credit facilities	250	250	2023
<b>Total junior debt</b>	<b>1,667</b>	<b>1,667</b>	
<b>Heathrow (SP) Limited group net debt</b>	<b>13,082</b>		

Heathrow Finance plc	Amount	Available	Maturity
	(£m)	(£m)	
£300m 4.75%	300	300	2024
£250m 5.75%	250	250	2025
£275m 3.875%	275	275	2027
£300m 4.125%	300	300	2029
<b>Total bonds</b>	<b>1,125</b>	<b>1,125</b>	
£75m	75	75	2024
£135m	135	135	2026
£275m	275	275	2028
£200m	200	200	2029
£52m	53	53	2030
£302m	302	302	2031
£100m	100	100	2034
£250m	250	250	2035
<b>Total loans</b>	<b>1,389</b>	<b>1,389</b>	
<b>Total Heathrow Finance plc debt</b>	<b>2,514</b>	<b>2,514</b>	
<b>Heathrow Finance plc cash</b>	<b>(397)</b>		
<b>Heathrow Finance plc net debt</b>	<b>2,117</b>		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
<b>Heathrow (SP) Limited senior debt</b>	<b>13,443</b>	<b>13,443</b>
<b>Heathrow (SP) Limited junior debt</b>	<b>1,667</b>	<b>1,667</b>
<b>Heathrow Finance plc debt</b>	<b>2,514</b>	<b>2,514</b>
<b>Heathrow Finance plc group debt</b>	<b>17,624</b>	<b>17,624</b>
<b>Heathrow Finance plc group cash</b>	<b>(2,425)</b>	
<b>Heathrow Finance plc group net debt</b>	<b>15,199</b>	

# £1.5 BILLION MATURITIES ARE PREFUNDED





# NOTES, SOURCES AND DEFINED TERMS

## **Page 4**

Adjusted EBITDA: is profit before interest, taxation, depreciation, amortization and fair value adjustments on investment properties and exceptional items.

## **Page 6**

Capital expenditure includes capital creditors.

## **Page 8**

Passenger numbers as at 30 September 2020 sourced from companies websites.

## **Page 11**

Operating costs exclude depreciation, amortization and fair value adjustments on investment properties and exceptional items.

Adjusted EBITDA: is profit before interest, taxation, depreciation, amortization and fair value adjustments on investment properties and exceptional items.

Capital expenditure includes capital creditors.

Consolidated net debt at Heathrow (SP) Limited and Heathrow Finance plc is calculated on a nominal basis excluding intra-group loans and including index-linked accretion.

RAB: Regulatory Asset Base.

## **Page 13**

Operating costs exclude depreciation, amortization and fair value adjustments on investment properties and exceptional items.

## **Page 14**

Opening and closing nominal net debt includes index-linked accretion.

Cash capital expenditure for the period.

Other comprises index-linked accretion, other restricted payments, external tax payments and fees paid in relation to financing transactions.

The financing arrangements of the Group and Heathrow Finance restrict certain payments unless specified conditions are satisfied. These restricted payments include, among other things, payments of dividends, distributions and other returns on share capital, any redemptions or repurchases of share capital and payments of fees, interest or principal on any intercompany loans involving entities outside the Group or Heathrow Finance, as appropriate.

## **Page 16**

Gearing ratio: external nominal net debt (including index-linked accretion and additional lease liabilities) to RAB (regulatory asset base).

## **Page 22**

Passenger satisfaction: quarterly Airport Service Quality surveys directed by Airports Council International (ACI). Survey scores range from 1 up to 5.

Passenger numbers as at 30 September 2020 sourced from companies websites.

## **Page 24 & 25**

Net debt is calculated on a nominal basis excluding intra-group loans and including index-linked accretion and includes non-sterling debt at exchange rate of hedges entered into at inception of relevant financing.

Maturity is defined as the Scheduled Redemption Date for Class A bonds.

# DOCUMENT DISCLAIMER

**The information and opinions contained in this presentation are provided as at the date of this document.**

This presentation contains certain statements regarding the financial condition, results of operations, business and future prospects of Heathrow. All statements, other than statements of historical fact are, or may be deemed to be, "forward-looking statements". These forward-looking statements are statements of future expectations and include, among other things, projections, forecasts, estimates of income, yield and return, pricing, industry growth, other trend projections and future performance targets. These forward-looking statements are based upon management's current assumptions (not all of which are stated), expectations and beliefs and, by their nature are subject to a number of known and unknown risks and uncertainties which may cause the actual results, prospects, events and developments of Heathrow to differ materially from those assumed, expressed or implied by these forward-looking statements. Future events are difficult to predict and are beyond Heathrow's control, accordingly, these forward-looking statements are not guarantees of future performance. Accordingly, there can be no assurance that estimated returns or projections will be realised, that forward-looking statements will materialise or that actual returns or results will not be materially lower than those presented.

All forward-looking statements are based on information available as the date of this document, accordingly, except as required by any applicable law or regulation, Heathrow and its advisers expressly disclaim any obligation or undertaking to update or revise any forward-looking statements contained in this presentation to reflect any changes in events, conditions or circumstances on which any such statement is based and any changes in Heathrow's assumptions, expectations and beliefs.

This presentation contains certain information which has been prepared in reliance on publicly available information (the "Public Information"). Numerous assumptions may have been used in preparing the Public Information, which may or may not be reflected herein. Actual events may differ from those assumed and changes to any assumptions may have a material impact on the position or results shown by the Public Information. As such, no assurance can be given as to the Public Information's accuracy, appropriateness or completeness in any particular context, or as to whether the Public Information and/or the assumptions upon which it is based reflect present market conditions or future market performance. The Public Information should not be construed as either projections or predictions nor should any information herein be relied upon as legal, tax, financial or accounting advice. Heathrow does not make any representation or warranty as to the accuracy or completeness of the Public Information.

All information in this presentation is the property of Heathrow and may not be reproduced or recorded without the prior written permission of Heathrow. Nothing in this presentation constitutes or shall be deemed to constitute an offer or solicitation to buy or sell or to otherwise deal in any securities, or any interest in any securities, and nothing herein should be construed as a recommendation or advice to invest in any securities.

This document has been provided to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Heathrow nor any person who controls it (nor any director, officer, employee not agent of it or affiliate or adviser of such person) accepts any liability or responsibility whatsoever in respect of the difference between the document provided to you in electronic format and the hard copy version available to you upon request from Heathrow.

Any reference to "Heathrow" means Heathrow (SP) Limited (a company registered in England and Wales, with company number 6458621) and will include its parent company, subsidiaries and subsidiary undertakings from time to time, and their respective directors, representatives or employees and/or any persons connected with them.

This presentation must be read in conjunction with the Heathrow's annual report and accounts for the year ended 31 December 2019.

# Heathrow

