

Heathrow

# HEATHROW (SP) LIMITED

RESULTS FOR THE 3 MONTHS ENDED  
31 MARCH 2023



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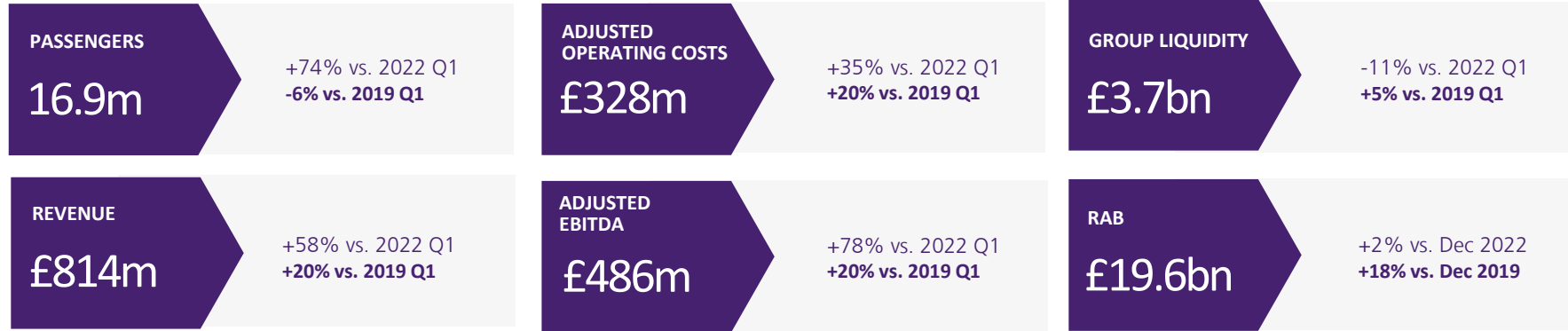
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# 2023 Q1 PERFORMANCE



# OPERATIONAL AND FINANCIAL PERFORMANCE



## Operational and financial highlights

- Europe's busiest airport and second in the world for international travel
- Improved service metrics
- 2023 focus on building experience and operational resilience
- Smooth Easter and well placed for Summer
- Strong EBITDA performance
- Continue to make an adjusted loss before tax
- Strong balance sheet

# STRATEGIC PRIORITIES

- Rebuild the aviation eco system to focus on efficiency, resilience, skills and training
- Regulatory settlement that incentivises investment to deliver for consumers
- Net zero-carbon aviation
- Sustainable, affordable, financeable and deliverable expanded Heathrow

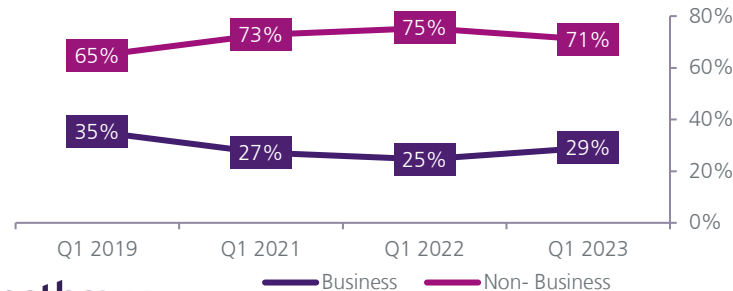
# BUSINESS UPDATE



# STRONG START TO THE YEAR ACROSS ALL REGIONS AND PASSENGER SEGMENTS

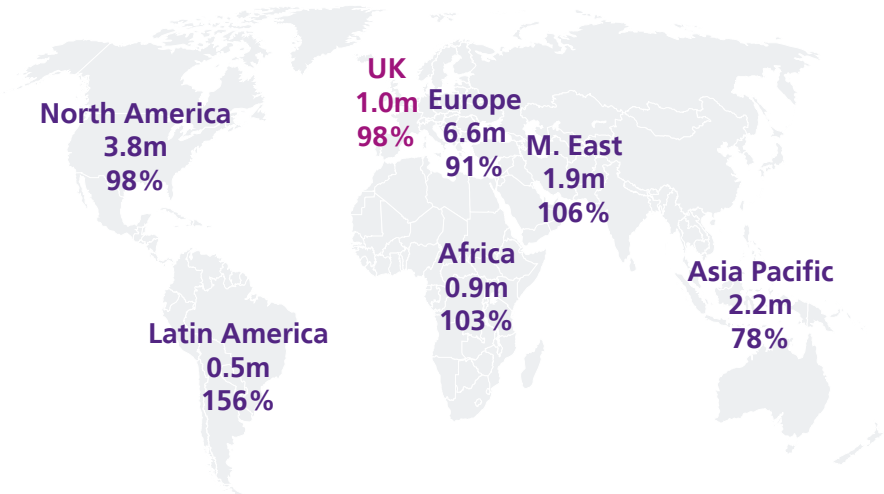
Heathrow	2019 Q1	2022 Q1	2023 Q1
Passengers	17.9	9.7	16.9
Passengers ATM	112,016	66,230	103,176
Cargo ATM	677	3,897	957
Load factors (%)	74.7	66.7	74.3
Seats per ATM	214.3	218.7	220.7
Cargo tonnage ('000)	408	349	317

Passenger Profile by Segments



Heathrow

2023 Q1 passenger numbers by market  
(2023 as a % of 2019 levels)



Total of 16.9 million passengers  
(94% of 2019 levels)

# EUROPE'S BUSIEST AIRPORT AND SECOND IN THE WORLD FOR INTERNATIONAL TRAVEL

## Heathrow

16.9m passengers  
+7.2m vs. Q1 2022  
+75% vs. Q1 2022  
-6% vs. Q1 2019

Cargo 0.3m tonnes  
-9% vs Q1 2022  
-22% vs Q1 2019

## Charles de Gaulle

14.3m passengers  
+4.7m vs. Q1 2022  
+49.7% vs Q1 2022  
-13.1% vs Q1 2019

## Schiphol

12.3m passengers  
+3.4m vs. Q1 2022  
+38% vs Q1 2022  
-21% vs Q1 2019

Cargo 0.3m tonnes  
-9% vs Q1 2022  
-13% vs Q1 2019

## Madrid

13.4m passengers  
+4.3m vs. Q1 2022  
+47.2% vs Q1 2022  
-0.1% vs Q1 2019

Cargo 0.2 tonnes  
+7.5% vs Q1 2022  
+14.9% vs Q1 2019

## Frankfurt

11.4m passengers  
+4.1m vs. Q1 2022  
+56% vs Q1 2022  
-23% vs Q1 2019

Cargo 0.5m tonnes  
-12% vs Q1 2022  
-13% vs Q1 2019

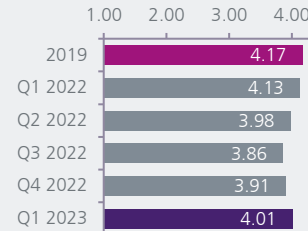




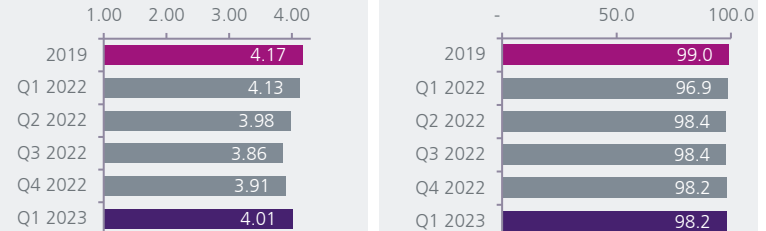
# OPERATIONS PERFORMING WELL, 2023 FOCUS ON BUILDING EXPERIENCE AND OPERATIONAL RESILIENCE



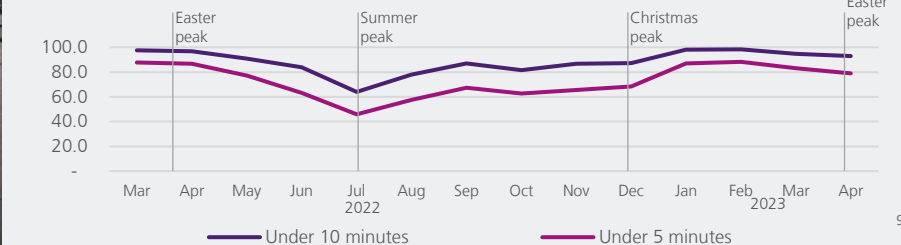
Passenger satisfaction  
Airport Service Quality 'ASQ'



Baggage connection - %  
Connection rate per 1,000 passengers



Monthly Security Queuing - %  
Waiting time measured under 5 and 10 minutes



Arrivals and Departures punctuality - %  
Within 15 minutes of the schedule



# NEXT GENERATION SECURITY IS CENTRAL TO OUR H7 INVESTMENT PLAN



## Next Generation Security

- Huge benefit for our passengers, keeping liquids and laptops in bags
- First lanes in T2 and T5, and work underway in T3 to expand the central search
- Heathrow has more security lanes than all other UK airports
- Training 3,500 security and engineering colleagues in the new equipment and processes
- Most advanced imaging systems available will enhance threat detection



# HEATHROW 2.0: GOOD PROGRESS ON DECARBONISING GLOBAL AVIATION



## Net zero aviation

- First airport to achieve SBTi validation for a 1.5 degree pathway
- SAF incentive for 2023 increased to 1.5% of total aviation fuel
- '30 by 30' campaign for SAF purchase by corporates
- Jet Zero Council plan for ramping up SAF supply and demand
- Update to UK sector's Sustainable Aviation Net Zero Roadmap published

## Great place to live and work

- Giving Back programme to benefit at least 1 million local residents by 2030
- Held the first Lift Off event for local businesses
- Revised noise insulation and vortex repair scheme launched
- Good performance on nights without aircraft noise, in line with target

# THE CAA'S FINAL DECISION HAS BEEN APPEALED TO THE CMA

## CAA's Final Decision

Average price cap of £23.06 (2020 CPI)

Passenger forecast of 375.5m

Capex of £3.6bn (2020 CPI)

Pre-tax WACC of 4.04%

RAB adjustment of £300m

## CMA Appeal Process

On 18 April, we filed an appeal of the CAA's decision to the CMA, formally requesting the CMA to review the following parts of the CAA's decision:

- The decision on WACC, specifically the asset beta and cost of embedded debt;
- The decision to only apply a £300m RAB adjustment;
- The decision to apply an additional K-factor to claw back over recovery against the passenger yield in 2020 and 2021; and
- The CAA's new capital incentive framework which will be more costly and complex.



# FINANCIAL REVIEW



# FINANCIAL REVIEW

(£ million)	Q1 2022	Q1 2023	Versus 2022 %
Revenue	516	814	<b>57.8</b>
Adjusted operating costs	(243)	(328)	<b>35.0</b>
Adjusted EBITDA	273	486	<b>78.0</b>
Adjusted Loss before tax	(223)	(139)	<b>(37.7)</b>
Cash generated from operations	278	374	<b>34.5</b>
Capital expenditure	74	101	<b>36.5</b>

(£ million)	Dec 2022	Mar 2023	Versus Dec 22 %
Consolidated nominal net debt			
Heathrow (SP)	14,579	14,681	<b>0.7</b>
Heathrow Finance	15,786	15,881	<b>0.6</b>
Regulatory Asset Base	19,182	19,591	<b>2.1</b>

# CONTINUED REVENUE GROWTH REFLECTS PASSENGER RECOVERY

## Solid growth in aeronautical revenue

- Higher passenger numbers and inflation
- 2023 price cap unchanged
- Higher ATMs

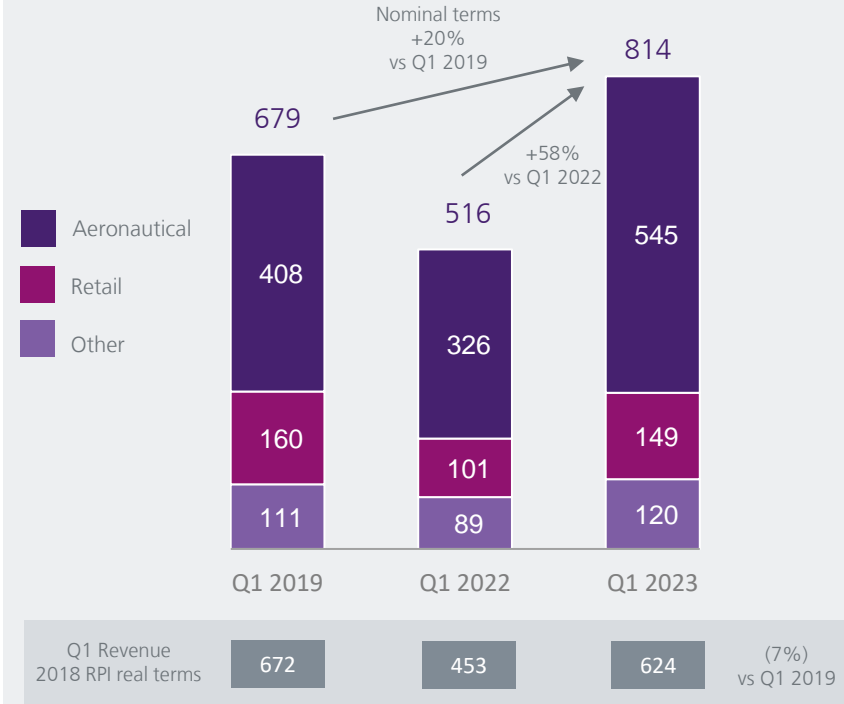
## Retail growth supported by passenger growth

- Higher departing passengers
- Increased car parking
- Drop off
- Premium services

## Other revenue growth

- Heathrow Express recovery consistent with passenger numbers

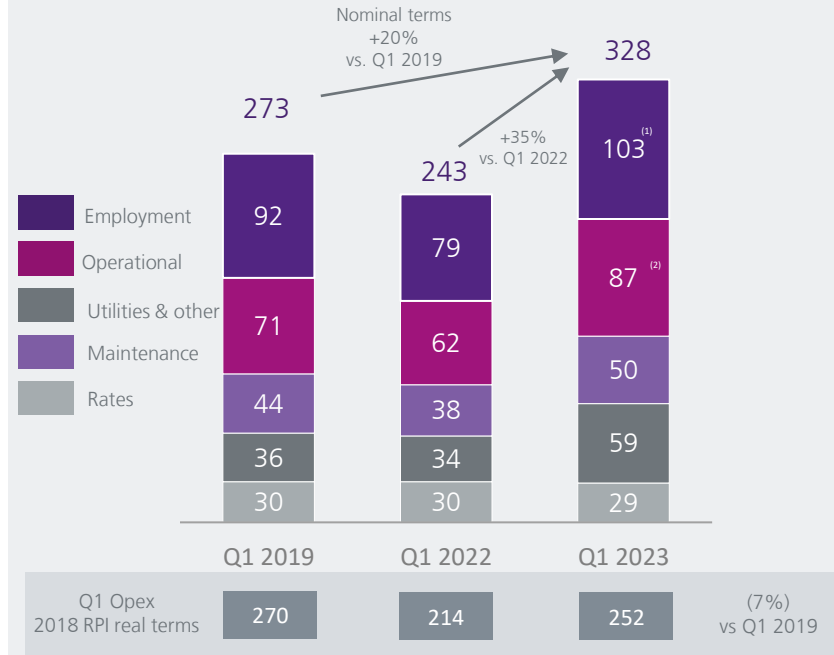
Analysis of revenue (£m)



# OPERATING COSTS INCREASED TO SUPPORT THE GROWTH IN DEMAND AND CAPACITY

- Employment costs increased as we invested in recruitment and training
- Operational and maintenance costs reflect terminal operations, service quality rebates paid, and high inflation
- Utility costs increased due to higher consumption and increased energy prices
- Business rates remained broadly flat

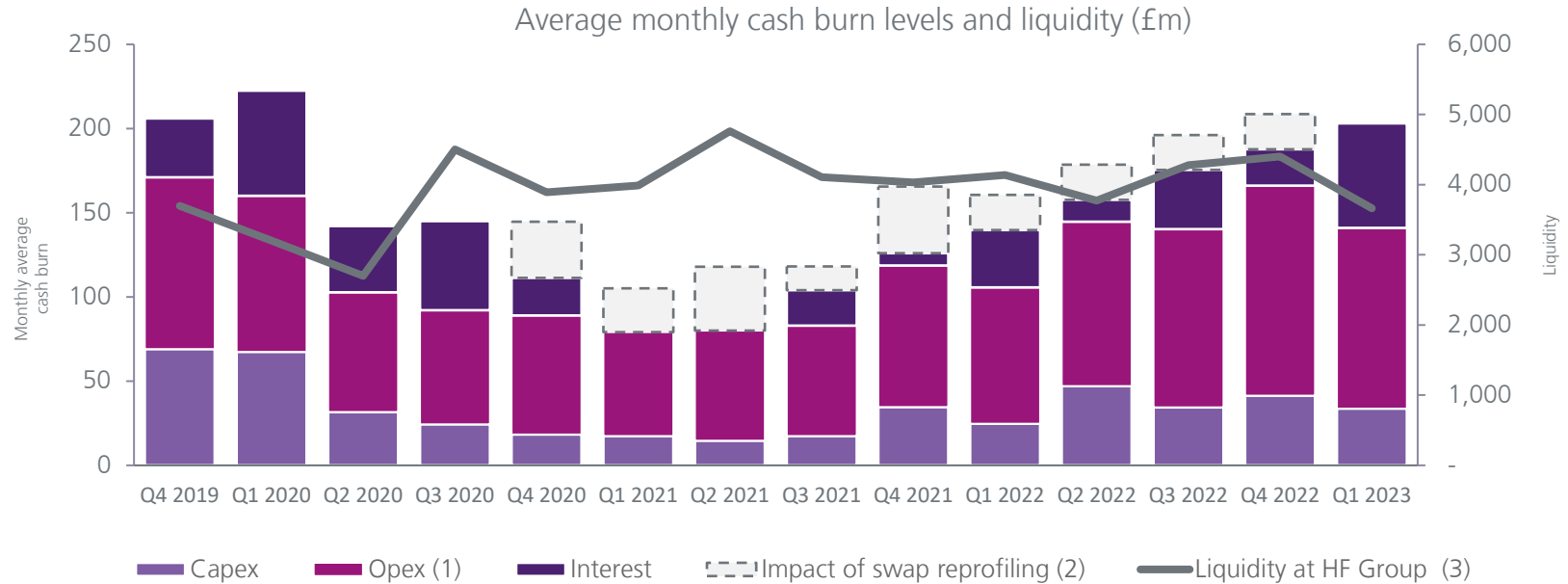
Analysis of adjusted operating costs (£m)



(1) Employment including 3rd party resourcing  
 (2) Operational excluding 3rd party resourcing



# CASH BURN IS STABILISING

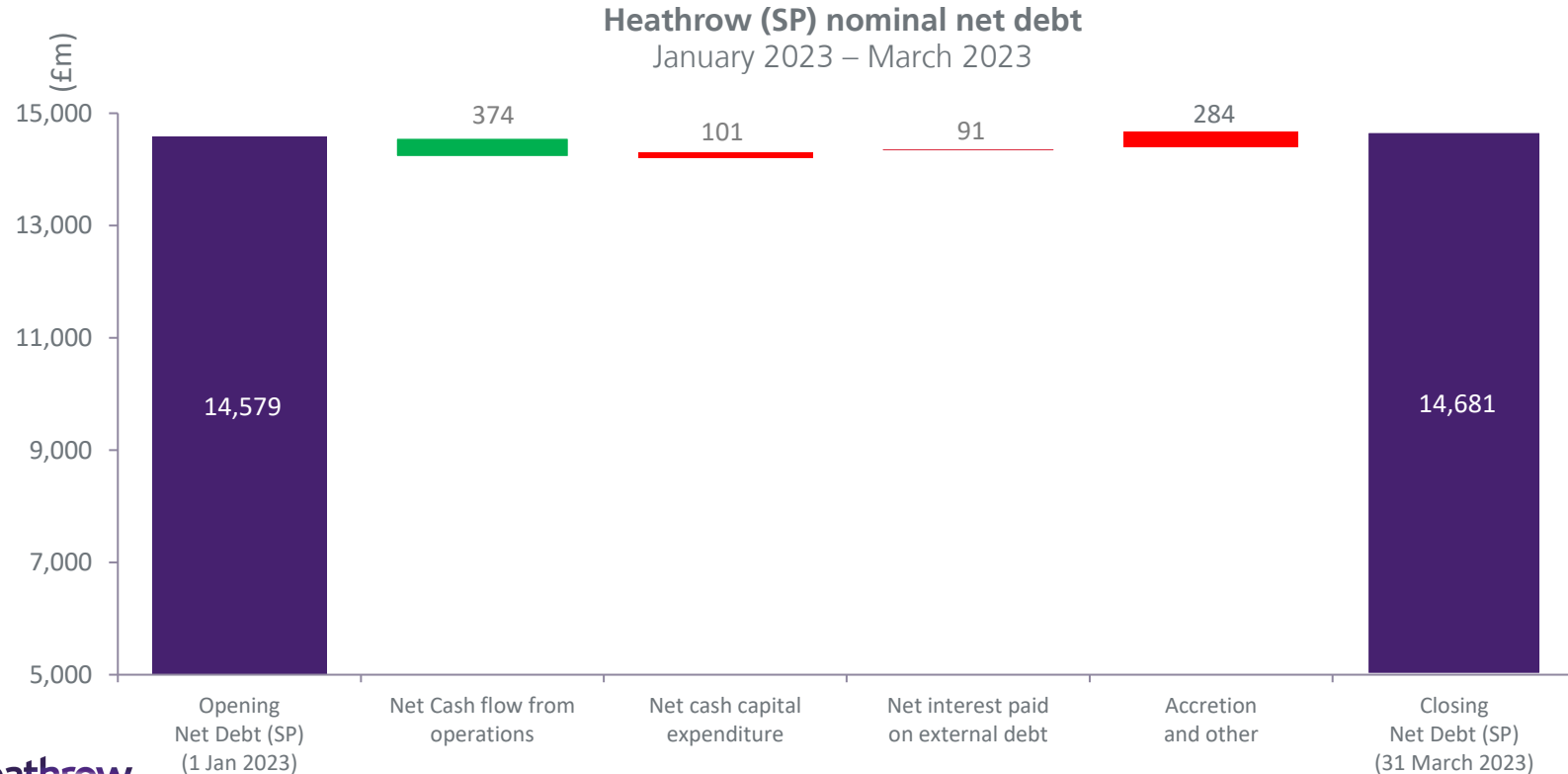


(1) Opex excludes impact of 2020 opex prepayments of c.£280m

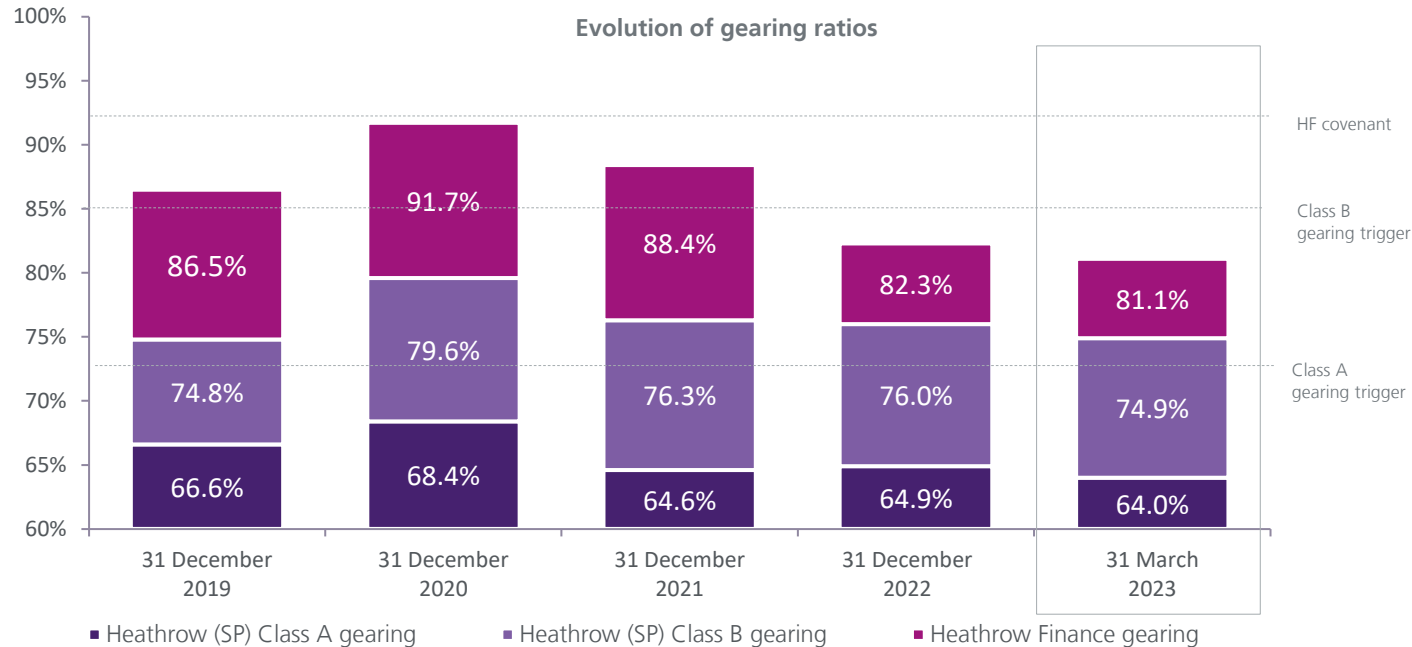
(2) Our swap portfolio reprofiling resulted in c.£100m of interest prepayment in Q4 2020 with interest savings arising from Q1 2021 to Q4 2022.

(3) Liquidity position including cash and undrawn facilities

# NET DEBT REMAINS STABLE



# GROUP GEARING RATIOS CONTINUE TO BE BELOW PRE-PANDEMIC LEVELS



# OUTLOOK

- Traffic forecast revised to a range from 70 million to 78 million passengers
- Further update alongside a revised financial forecast as part of our June Investor Report
- H1 results to be published on 26 July 2023



# STRATEGIC UPDATE



# TO GIVE PASSENGERS THE BEST AIRPORT SERVICE IN THE WORLD

We delivered...

...and we will do more



- Resourcing level to meet demand
- Winter support plan for all colleagues
- 50% female colleagues at Band A and Executive level

- Invest further in recruitment, training and development
- Become the employer of choice for local diverse talent



- Service and punctuality improved
- Smooth service during the strike period
- Build Back Capacity Programme executed

- Celebrate the King's coronation
- New security scanners and T2 baggage system



- Strong start to 2023
- Europe's busiest airport
- Second in the world for international travel

- Next generation retail and digital strategy
- Cargo transformation
- Property and estate optimisation



- 2023 SAF incentive fully subscribed
- First airport to achieve 1.5 degree SBTi validation
- Surface Access Strategy published
- Expansion review has commenced

- Host the first passenger plane to fly transatlantic on 100% SAF
- Airspace modernization progress
- Consult on updated Noise Action Plan for 2024-2028
- Develop nature positive and zero waste strategies

# Q&A

# APPENDICES CONTENT





# HEATHROW EXPANSION

We remain committed to a long-term sustainable expansion

- Currently reviewing our plans for delivering expansion
- ANPS is in full effect post legal challenge
- Expanding capacity to meet growing demand
- Decarbonising aviation a central part of the Government's green growth agenda



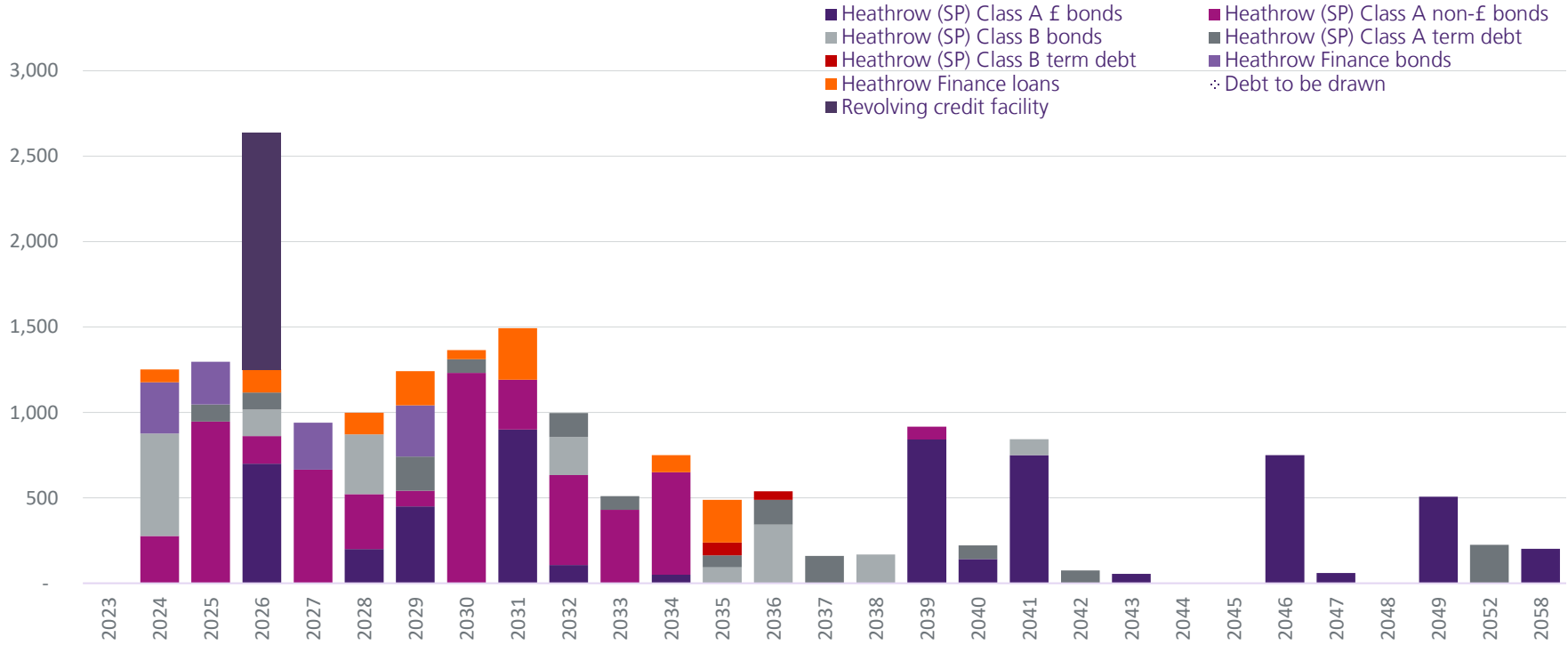
# HEATHROW NOMINAL NET DEBT AT 31 MARCH 2023

Heathrow (SP) Limited	Amount	Available	Maturity
Senior debt	(£m)	(£m)	
CHF400m 0.5%	277	277	2024
C\$500m 3.25%	266	266	2025
€750m 1.50%	681	681	2025
CHF210m 0.45%	161	161	2026
€700m 6.75%	700	700	2026
NOK1,000m 2.65%	84	84	2027
C\$650m 2.7%	374	374	2027
C\$400m 3.4%	226	226	2028
€200m 7.075%	200	200	2028
AS\$175m 4.150%	96	96	2028
CHF165m 1.800%	136	136	2029
€450m 2.75%	450	450	2029
NOK1,000m 2.50%	91	91	2029
€750m 1.5%	566	566	2030
C\$400m 3.872%	238	238	2030
€500m 1.125%	427	427	2030
C\$500m 3.661%	291	291	2031
€900m 6.45%	900	900	2031
€50m Zero Coupon	42	42	2032
€75m RPI +1.366%	107	107	2032
€50m Zero Coupon	42	42	2032
€500m 1.875%	443	443	2032
C\$300m 3.7%	363	363	2033
€650 1.875%	559	559	2034
€50m 4.171%	50	50	2034
€50m Zero Coupon	40	40	2034
€50m RPI +1.382%	72	72	2039
€86 Zero Coupon	75	75	2039
€460m RPI +3.334%	771	771	2039
¥10,000m 0.8%	71	71	2039
€100m RPI +1.238%	141	141	2040
€750m 5.875%	750	750	2041
AS\$125m 3.500%	68	68	2041
€55m 2.926%	55	55	2043
€750m 4.625%	750	750	2046
€60m 4.702%	60	60	2047
€75m RPI +1.372%	107	107	2049
€400m 2.75%	400	400	2049
€160m RPI +0.147%	201	201	2058
<b>Total senior bonds</b>	<b>11,331</b>	<b>11,331</b>	
Term debt	1,455	1,455	Various
Index-linked derivative accretion	783	783	Various
Revolving / WC facilities	0	1,019	2026
Operating lease liability	49	49	Various
<b>Total other senior debt</b>	<b>2,287</b>	<b>3,306</b>	
<b>Total senior debt</b>	<b>13,618</b>	<b>14,637</b>	
<b>Heathrow (SP) Limited cash</b>	<b>(1,088)</b>		
<b>Senior net debt</b>	<b>12,530</b>		

Heathrow (SP) Limited	Amount	Available	Maturity
Junior debt	(£m)	(£m)	
€600m 7.125%	600	600	2024
€155m 4.221%	155	155	2026
€350m 2.625%	350	350	2028
€182m 0.101%	223	223	2032
€75m RPI + 0.347%	93	93	2035
€75m RPI + 0.337%	93	93	2036
€180m RPI +1.061%	251	251	2036
€51m RPI + 0.419%	63	63	2038
€105m 3.460%	105	105	2038
€75m RPI + 0.362%	93	93	2041
<b>Total junior bonds</b>	<b>2,026</b>	<b>2,026</b>	
Term debt	125	125	Various
Junior revolving credit facilities	0	367	2026
<b>Total junior debt</b>	<b>2,151</b>	<b>2,518</b>	
<b>Heathrow (SP) Limited group net debt</b>	<b>14,681</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
€125m	125	125	2028
€150m	200	200	2029
€52m	53	53	2030
€301m	301	301	2031
€52m	100	100	2034
€300m	250	250	2035
<b>Total loans</b>	<b>1,239</b>	<b>1,239</b>	
<b>Total Heathrow Finance plc debt</b>	<b>2,364</b>	<b>2,364</b>	
<b>Heathrow Finance plc cash</b>	<b>(1,164)</b>		
<b>Heathrow Finance plc net debt</b>	<b>1,200</b>		
<b>Heathrow Finance plc group</b>	<b>Amount</b>	<b>Available</b>	
	(£m)	(£m)	
<b>Heathrow (SP) Limited senior debt</b>	<b>13,618</b>	<b>14,637</b>	
<b>Heathrow (SP) Limited junior debt</b>	<b>2,151</b>	<b>2,518</b>	
<b>Heathrow Finance plc debt</b>	<b>2,364</b>	<b>2,364</b>	
<b>Heathrow Finance plc group debt</b>	<b>18,133</b>	<b>19,519</b>	
<b>Heathrow Finance plc group cash</b>	<b>(2,252)</b>		
<b>Heathrow Finance plc group net debt</b>	<b>15,881</b>		

# DEBT MATURITY PROFILE AT 31 MARCH 2023



# 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 8**

Passenger and cargo numbers as of 31 March 2023 were sourced from companies' websites.

**Page 9**

Courtesy & Helpfulness of Airport Colleagues (QSM)  
International (ACI). Survey scores range from 1 up to 5.  
Arrivals / Departure punctuality – the percentage of flights departing within 15 minutes of schedule.  
Baggage connection – number of bags connected per 1,000 passengers.  
Security queuing - % of security waiting time measured under 5 and 10 minutes time period measured.

**Page 14**

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 16**

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

**Page 18**

Opening and closing nominal net debt includes index-linked accretion.  
Cash capital expenditure for the period.  
Other comprises index-linked accretion, external tax payments and fees paid in relation to financing transactions.

**Page 19**

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

**Page 26-27**

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.

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# Heathrow

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