



MANCHESTER AIRPORTS GROUP

Q1 UPDATE

September 2020

Welcome

- The MAG management team welcome this opportunity to continue our positive engagement with secured creditors.
- The objective today is to present a brief update on MAG's performance and strategy, including a discussion of the liquidity position of the Security Group.



Neil Thompson

Chief Financial Officer



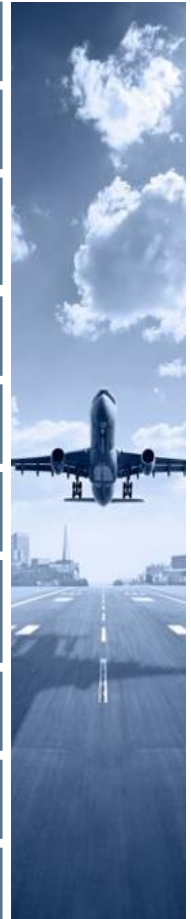
Ken O'Toole

Chief Development Officer

Executive Summary

MAG put in place and implemented a comprehensive COVID-19 financing strategy that has delivered £640m additional liquidity and is expected to deliver £110m+ opex savings in FY21 and over £360m capex savings for FY21 and FY22. Although FY22 pax forecasts remain fluid with a range of scenarios being considered MAG is looking to deliver planned FY22 EBITDA through further opex and capex savings and, if required, through tariff changes. Improved quarantine, testing and potential vaccines provide upside trading potential.

| | |
|---|---|
| Comprehensive financing strategy | <ul style="list-style-type: none"> MAG put in place a comprehensive financing strategy in response to the impact of COVID-19. |
| Successful implementation | <ul style="list-style-type: none"> Strategic financing response to COVID-19 successfully implemented - £300m of additional support provided by shareholders and waivers granted by secured creditors to 2021. |
| Liquidity ahead of plan | <ul style="list-style-type: none"> Successfully completed Project Victoria in Aug-20, the sale of a significant element of MAG's non-core property assets, ahead of plan which delivered an additional £340m of liquidity. Available liquidity at Mar-21 is expected to be c.£460m |
| Opex savings delivered | <ul style="list-style-type: none"> Successfully delivered opex savings in the FY21 business plan of £94m. Expect to outperform plan and deliver £110m+ of savings. |
| Capex savings delivered | <ul style="list-style-type: none"> Delivered on capex savings of £190m in the FY21 business plan. FY22 expected to be £177m with potential further savings. |
| Summer PAX ahead of downside scenarios | <ul style="list-style-type: none"> PAX in July and August are ahead of MAG's quarantine scenarios despite continuing changes to Government quarantine restrictions for international travel. |
| Quarantine remains a key issue | <ul style="list-style-type: none"> Government policy on international air travel restrictions and wider COVID trends in the UK and overseas remain the key factors impacting the return to flying and near term financial performance. |
| Lower FY21 PAX forecast but EBITDA on target | <ul style="list-style-type: none"> Uncertainty in the pax forecast for the remainder of the year. Extra cost savings mean that MAG can cope with downside scenarios and still hit EBITDA and cash plan. |
| FY22 expectation remains fluid | <ul style="list-style-type: none"> FY22 expectation remains fluid. A range of scenarios are being considered to deliver planned EBITDA through opex, capex and, if required, through tariff changes. |
| Potential upside of quarantine, testing and vaccine | <ul style="list-style-type: none"> More targeted quarantines, improved testing and potential vaccines provide an opportunity for a faster return to normal travel patterns. |



Summer FY21 YTD Traffic Performance

MAG previously highlighted that the summer financial performance in FY21 would be primarily driven by Government policy on international air travel restrictions and this remains the key issue. Traffic to the end of September is expected to be around the Mid-August Restart Case.

- MAG published three scenarios with varying lengths of quarantine impact, the Mid-July, Mid-August and Mid-September Restart Cases, which assumed pax for FY21 at 47%, 43% and 30% of pre-COVID levels respectively.
- In these scenarios the lifting of restrictions was a binary impact with subsequent pax forecasting being driven by other macro factors.
- July was the first part month of operations for MAG's key airline customers with passenger numbers increasing on a weekly basis. Across the full month passenger numbers remained down by 86%.
- Despite the reintroduction of restrictions during August, pax returned to 25% of prior year levels continuing the upwards trend in propensity to fly.
- Given that the lifting of quarantine measures has not been binary in nature, MAG is currently tracking behind the Mid-July Restart Case but remains ahead of the Mid-August and Mid-September Restart Cases.

| PAX (% of Prior Year) | ACTUALS | | | | | | FORECAST | |
|----------------------------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|
| | Apr | May | Jun | FY21 Q1 | Jul | Aug | Sept | FY21 Q2 |
| MAN | 1.0% | 0.7% | 1.4% | 1.0% | 10.4% | 20.3% | | |
| STN | 0.6% | 0.8% | 2.2% | 1.2% | 16.9% | 31.5% | | |
| EMA | - | - | 0.2% | 0.1% | 13.9% | 21.0% | | |
| Total | 0.7% | 0.7% | 1.6% | 1.0% | 13.5% | 25.1% | 25.0% | 21.2% |
| Total (millions) | 0.04 | 0.04 | 0.10 | 0.18 | 0.88 | 1.70 | 1.53 | 4.11 |
| Mid-July Restart Case | - | - | - | - | 20.0% | 49.4% | 50.1% | 39.8% |
| Mid-July Restart Case (millions) | - | - | - | - | 1.30 | 3.36 | 3.06 | 7.72 |
| Mid-Aug Restart Case | - | - | - | - | - | 24.7% | 34.8% | 19.6% |
| Mid-Aug Restart Case (millions) | - | - | - | - | - | 1.68 | 2.13 | 3.81 |
| Mid-Sept Restart Case | - | - | - | - | - | - | 20.3% | 6.4% |
| Mid-Sept Restart Case (millions) | - | - | - | - | - | - | 1.24 | 1.24 |

FY21 Trading Update

Financial Performance to August 2020 remains ahead of the Mid-September Restart Case. Traffic for the balance of FY21 looks likely to be lower than plan, but cost savings look to mitigate the impact and deliver planned FY21 EBITDA.

| £m | FY21 August YTD Actual (Unaudited) | FY21 YTD Mid-Sept Restart | Variance (£) | Variance (%) |
|----------------------------|------------------------------------|---------------------------|--------------|------------------|
| Revenue | 63.1 | 24.1 | 39.1 | +162.4% |
| Operating Costs | (141.8) | (134.7) | (7.1) | +5.3% |
| EBITDA | (78.7) | (110.6) | 31.9 | (28.8%) |
| Exceptional items | (6.3) | (7.3) | 1.0 | +13.5% |
| Net working capital | (44.3) | (50.9) | 6.6 | +13.0% |
| Operating Cash flow | (129.3) | (168.9) | 39.5 | (23.4%) |
| Capex | (78.0) | (73.0) | (5.0) | (6.8%) |
| Tax | - | - | - | - |
| Pension | (3.8) | (3.8) | (0.0) | (0.0%) |
| Project Mere | 300.0 | 300.0 | - | - |
| Acq'ns / Disposals / Other | 345.3 | (36.6) | 381.9 | +1,043.4% |
| Interest | - | (0.3) | 0.3 | +100.0% |
| Net Cash Flow | 434.2 | 17.4 | 416.8 | +2,394.7% |
| Cash Headroom | 693.9 | 281.4 | 412.5 | +146.6% |

Source: Management Information;

Note: The financial information presented in the table above is on a management reporting basis.

5

- Revenue and EBITDA remain ahead of the Mid-September Restart Case supported by an earlier restart for our key airline partners, an increase in cargo operations, strong yield performance and decisive action taken to reduce the cost base.
- Short-term performance remains dependent on further travel restriction actions taken by Government to control the virus in the UK. MAG is still targeting planned EBITDA with potentially lower pax mitigated by cost savings.
- £300m of additional support was provided by shareholders in June.
- £340m of proceeds received from Project Victoria in August, ahead of plan timing, has de-risked MAG's liquidity position.
- FY22 expectation remains fluid. A range of scenarios are being considered to deliver planned EBITDA through opex, capex and, if required, through tariff changes.



Airline Partners

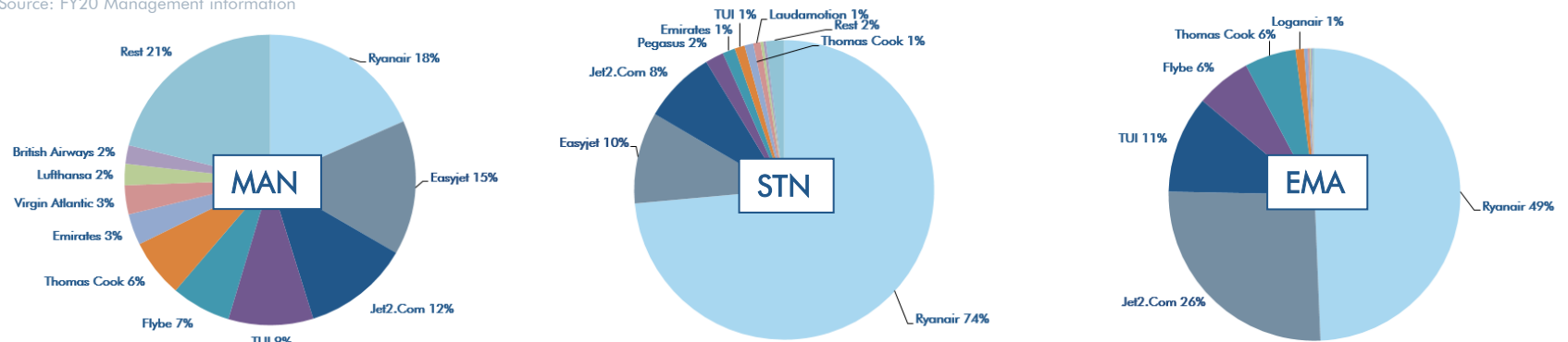
Key airline partners were planning and started to resume flights in late June, with capacity stepping up over the summer season. The timing and nature of air travel recovery will depend on agreed UK, EU and to some extent global travel protocols

| | |
|---|---|
| <p>Ryanair (BBB/NR/BBB)</p> | <ul style="list-style-type: none"> One of the strongest balance sheets in the industry, with cash equivalents of €3.9bn as at 30 June 2020 and 333 of the Group's owned fleet unencumbered and debt free. In, raised a further €400m through an equity placing and €850m through a bond issue. Implemented cost cutting measures to improve liquidity and cash flows Recommended operations ahead of plan on 21 June. Returned to 40% of normal flights from 1 July and increased to 60% during August. It is reported that they are cutting planned capacity for October to 40% of last year's level due to weakening forward bookings as a result of travel restricted countries including Spain, France and Sweden. |
| <p>EasyJet (BBB/Baa3/NR)</p> | <ul style="list-style-type: none"> Raised £2.4bn of additional liquidity since the start of the pandemic with closing cash equivalents of £2.6bn as at 30 June 2020 Services restarted on 15 June with 10 aircraft. Increased to 147 lines of flying in July and 210 in August. Expect to run at 40% capacity in Q4. In July easyJet announced based aircraft would be pulled out of STN. It will continue to fly from STN albeit with away based aircraft. Minimal impact on forecasts expected with lower capacity from all airlines, including easyJet, already factored into FY21/FY22 forecasts. |
| <p>Jet 2</p> | <ul style="list-style-type: none"> £1.1bn cash balance as at 28 August with up to £300m still available from the Bank of England Covid Corporate Finance Facility. Relaunched 15 July. Returned to 40% of planned capacity in August. Winter forward bookings have yet to match on-sale seat capacity with bookings displaying a shorter lead time. Summer 21 bookings are encouraging with average load factors ahead of the same point in 2019. |
| <p>TUI</p> | <ul style="list-style-type: none"> c.€2.4bn total cash and available facilities as at 12 August 2020 including €1.2bn facility from German Government to cover Winter 20/21 working capital requirement. Relaunched 11 July. Capacity for Winter 20/21 reduced by 40%. Bookings for Summer 21 are currently up significantly as customers both rebook holidays from this Summer and look to secure new holidays early. |

Diversified airline mix protects against a failure of an individual airline with a broad range of airlines available to assume lost routes as the industry recovers

FY20 – Aviation Revenue by Airline

Source: FY20 Management information



Additional Levers Available

In the potential event of a slower recovery in passengers, MAG retains levers to maintain a strong liquidity position and support the target Baa1 / BBB+ ratings. These levers are an extension of the successful mitigating actions taken in FY21, with the ability to consider contractual mitigations and wider alterations to aviation tariffs for a short period of time.

| Additional Opex Savings | Additional Capex Savings | Airline Contracts | Aviation Tariffs |
|---|--|---|---|
| <ul style="list-style-type: none"> ■ Variable cost savings in lower pax scenarios. ■ Work ongoing to obtain improved contractual positions. | <ul style="list-style-type: none"> ■ Freeze/deferral on all other growth and non-essential maintenance capex for a longer period. | <ul style="list-style-type: none"> ■ MAG has signed long-term contracts with its key customers including Ryanair, easyJet, Jet2.com and TUI. ■ Contract maturities differ by airline and airport with a range of 1 to 7 years remaining term and an average of 4 years. ■ Contracts have minimum passenger thresholds in order for airlines to obtain pricing discounts. | <ul style="list-style-type: none"> ■ MAG has the option to look at wider alterations to aviation tariffs for a short period of time. |

Liquidity Forecast

The Group continues to maintain adequate liquidity to cover the operating costs of the business, required capex and finance charges. Actual cash balances to August 2020 are ahead of projections shared with banks and bondholders as part of the consent solicitation process. Sale of a substantial element of MAG's non-core property portfolio on 7 August, substantially bringing forward the FY22 assumption by a year, further enhances MAG's liquidity position. Current cash position of over £600 million and expected to remain above £450 million for the remainder of the calendar year.



Note: Shareholder £300m injection received on 2 July. For the purpose of the chart above it is shown in June to aid comparability to Project Mere forecasts. Victoria Proceeds of £340m received in August-20 ahead of planned timing.

FY21 funding requirement already achieved through £300m additional shareholder injection and £340m funding available from non-core property disposal.



Wrap-up and Q&A

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