MANCHESTER AIRPORTS GROUP

FY22 Q3 UPDATE

MARCH 2022

magairports.com

Introduction

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EXECUTIVE SUMMARY

Executive Summary

MAG continues to maintain strong liquidity to cover the operating costs of the business, required capex and finance charges. YTD PAX are below the Management Case but ahead of the Downside Case estimates shared as part of the consent solicitation process as a result of travel restrictions supressing demand over the summer period and following Omicron in December. The removal of travel restrictions in February saw passenger numbers rise to more than 70% of pre-pandemic levels during half-term school holidays, demonstrating pent-up demand for travel and providing confidence heading into Summer'22.

FY22 TRADING PERFORMANCE	▪ Passenger numbers rebounded strongly in October and November upon release of some travel restrictions but further restrictions imposed as a result of the Omicron variant tempered the recovery temporarily in December and January ▪ Following the relaxation of UK entry requirements in February, half-term passengers rose to over 70% of pre-pandemic levels. Momentum has carried through into March, where actual performance is expected to exceed the management case
LIQUIDITY UPDATE	▪ MAG continues to maintain strong liquidity to cover the operating costs of the business, required capex and finance charges ▪ Actual cash balances to February 2022 are ahead of projections shared with banks and bondholders as part of the consent solicitation process ▪ Current liquidity position of over £480 million and expected to remain above £400 million for the six month period to September 2022
INTERNATIONAL TRAVEL UPDATE	▪ MAG's commissioned research, by specialist public health consultants, was instrumental in the Government's decision to relax travel to the UK in February ▪ Government's 'Living with COVID' plan has set the bar very high for implementing future travel restrictions. MAG is working with the DFT to help shape a 'toolbox of contingency options' for responding to future events ▪ All remaining UK travel restrictions released by 18 March 2022 ▪ MAG's key airlines have remained in strong financial position throughout the pandemic and seeing strong demand for Summer'22 at similar levels to Summer'19

MAG

TRADING PERFORMANCE

FY22 YTD pax performance

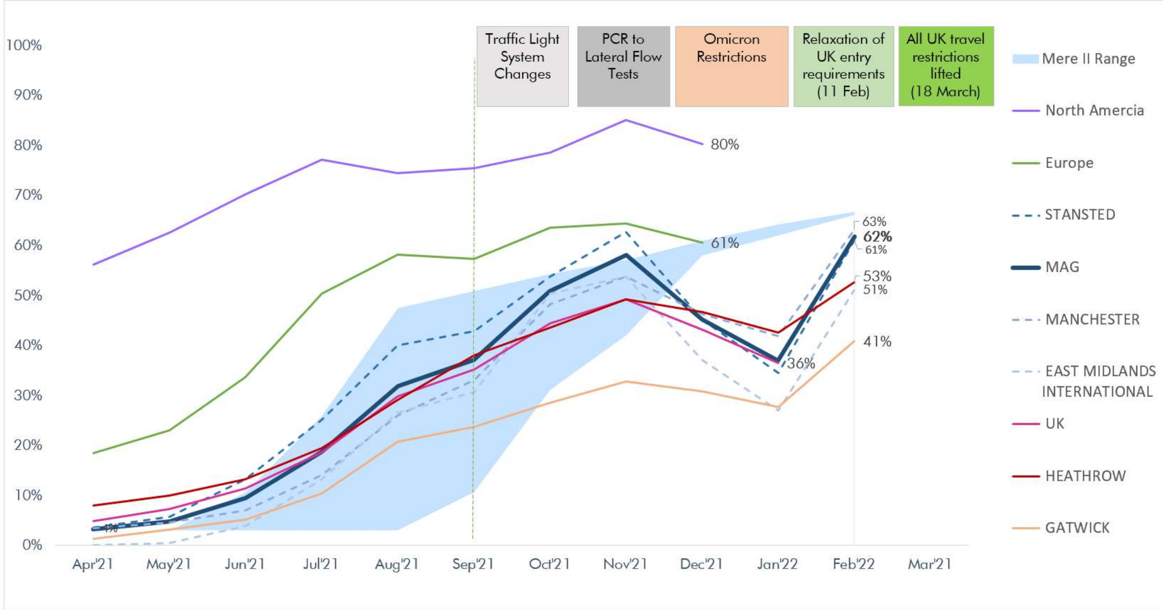
Passenger numbers rebounded strongly in October and November upon release of some travel restrictions, however further restrictions imposed as a result of the Omicron variant tempered the recovery temporarily in December and January. Following the relaxation of UK entry requirements in February, half-term passengers rose to over 70% of pre-pandemic levels. Momentum has carried through into March, where actual performance is expected to exceed the management case.

- MAG published two scenarios with different dates for the lifting of international travel restrictions: a Management Case, assuming a June opening; and a Downside Case, based on a September opening. These estimates assumed pax for FY22 at 40% and 25% of pre-COVID levels respectively.
- However, it was not until October when the UK's traffic light system was replaced with a two tier system and testing requirements reduced.
- Passenger numbers rebounded strongly following the relaxation of UK restrictions in October, demonstrating the pent up demand for international travel. In November these reached 58% of 2019 levels
- Restrictions imposed as a result of Omicron tempered the recovery temporarily in December and January. However, relaxation of UK entry requirements in mid-Feb saw pax rebound to over 70% during the half-term holidays and 62% on average in February, outperforming other leading UK airports due to a favourable airline mix.
- Momentum has carried through into March with pax expected to exceed the Management Case estimate.
- All UK travel restrictions were lifted on 18 March.

Traffic v Estimates

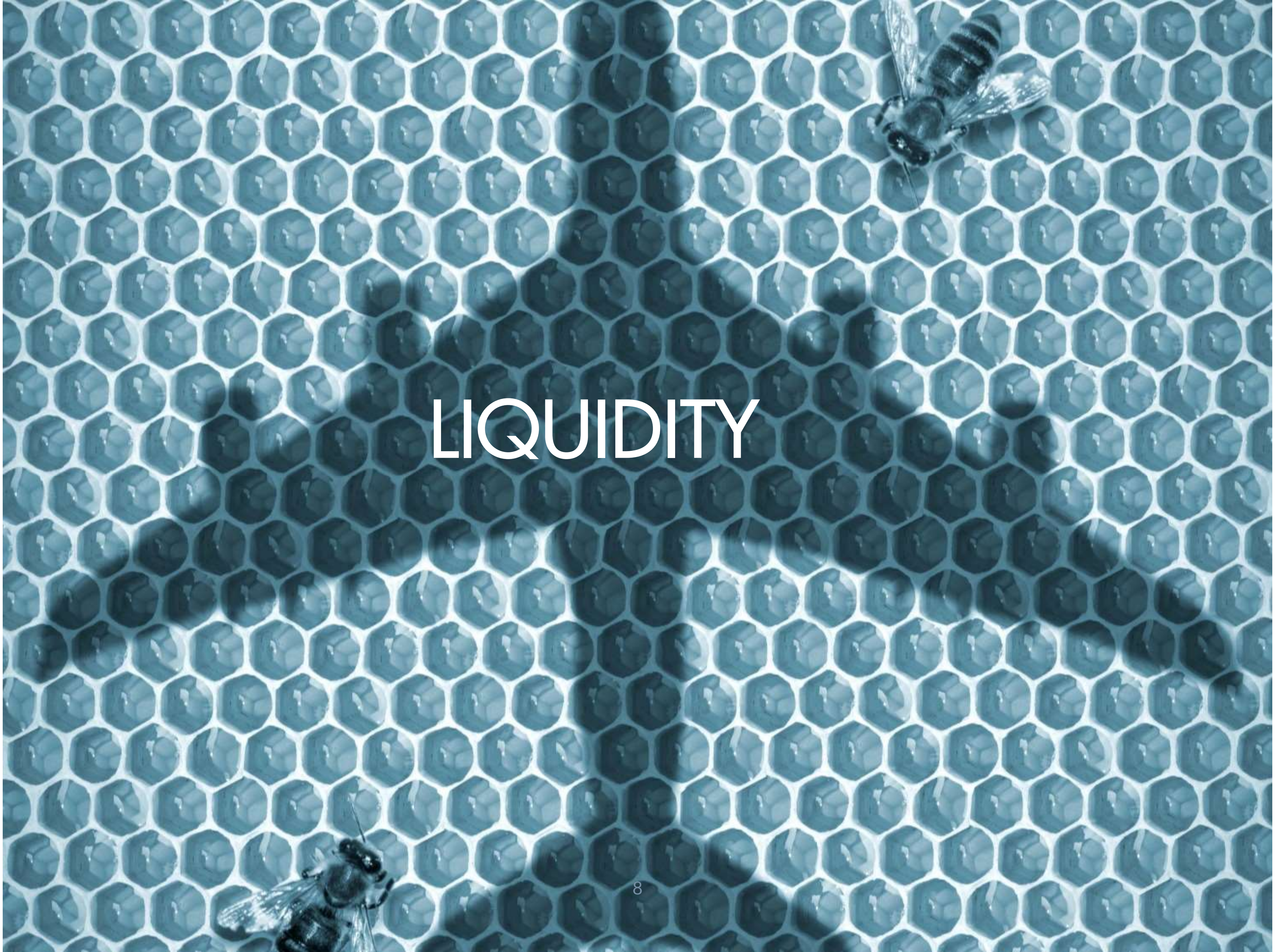
PAX (% of Pre-COVID)	FY22 Q1	FY22 Q2	FY22 Q3	Jan'22	Feb'22	Mar'22	FY22 Q4	FY22 Total
Actual	**6%**	**29%**	**51%**	**37%**	**62%**	*Not Available*	*Not Available*	*Not Availabe*
Management Case est.	6%	41%	55%				64%	**40%**
Downside Case est.	3%	5%	41%				63%	**25%**

Recovery Profile (% of pre-pandemic pax)



Source: Management Information, CAA, ACI, company websites

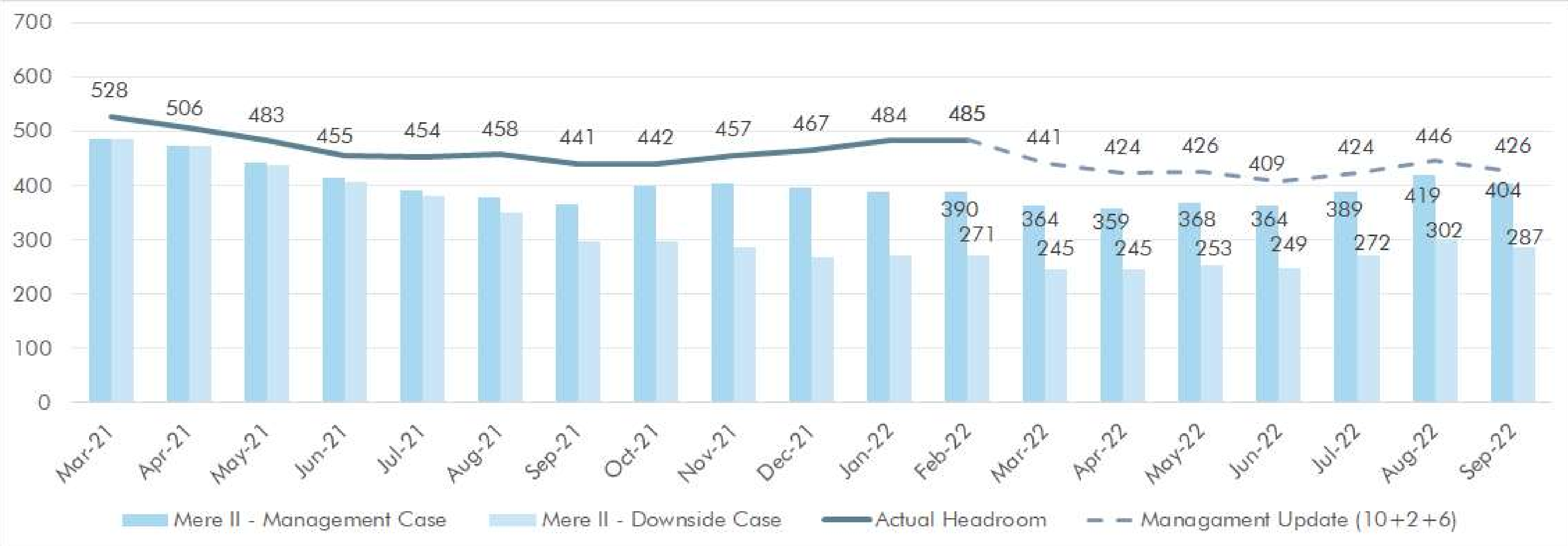
LIQUIDITY



Liquidity Management

MAG continues to maintain strong liquidity to cover the operating costs of the business, required capex and finance charges. Actual cash balances to February 2022 are ahead of projections shared with banks and bondholders as part of the recent consent solicitation process. Current liquidity position of over £480 million and expected to remain above £400 million for the six month period to September 2022.

Available Liquidity Estimate (£'millions)



Source: Management Information

INTERNATIONAL TRAVEL UPDATE

International Travel Update

MAG's commissioned research was instrumental in the Government's decision to relax travel to the UK in February and removing all remaining travel restrictions by 18 March 2022. Government's 'Living with COVID' plan has set the bar very high for implementing future travel restrictions. MAG is working with the DFT to help shape a 'toolbox of contingency options' for responding to future events.

Continued progress on Government's approach to international travel

- MAG commissioned research by specialist public health consultants to provide evidence for the appropriate use of travel restrictions in response to future variants.
- Research considered both the response to Omicron and the general case of a potential future variant; the results of the analysis were unambiguous and emphatic in demonstrating the severe limitations of international travel restrictions in managing the spread of future variants.
- This research was highly valuable in supporting the removal of all testing requirements for vaccinated passengers travelling to the UK from 11 February, followed by the removal of all remaining inbound travel measures from 18 March.

Living with Covid-19

- On 23 February, the Government published its 'Living with Covid-19' plan, in which it accepted the significant costs of travel restrictions and set the bar "very high" for introducing such measures in the future.
- The Transport Secretary has committed his department to the development of a "toolbox of contingency options" for responding to future variants. MAG's earlier work with public health experts supports the case for use of travel restrictions in future to be extremely limited, and we are working with the DfT to help shape the toolbox and ensure it provides maximum confidence for consumers going into this summer season.

11 February
UK inbound testing measures removed for vaccinated travellers

11-13 February
Spain and France relax entry requirements for UK travellers

1 March
EU removes travel restrictions

18 March
All remaining international restrictions to the UK are removed

Airlines

Travel restrictions suppressed demand in H1 and traffic continued its slow recovery, but the removal of all remaining measures for passengers travelling to the UK has seen a strong bounce-back in demand in Q4. Airlines are now planning for a busy Summer 2022, with schedules similar to those operated in Summer 2019.

- Long-term commercial agreements have been signed with all key customers
- Continuing to focus on securing growth from the robust and fast growing low cost carrier market. The Low Cost Carrier market has, in particular proven resilient to economic downturns and has proven capability to respond to changing restrictions during the pandemic.
- In the next few years, the intra-Europe market is expected to benefit from passenger preferences for short-haul travel as confidence rebuilds.
- Airlines have limited exposure to Russia and Ukraine and fuel price increases

	Airline	MAG	MAN	STN	EMA
Airlines in number of PAX (FY20)	RYANAIR	**46%**	18%	74%	49%
	easyJet	**12%**	15%	10%	-
	Jet2	**11%**	12%	8%	26%
	TUI	**6%**	9%	1%	11%
	61+ Other Airlines	**25%**	46%	7%	14%

Ryanair

Fitch: BBB; S&P: BBB

- **€3bn cash as at 31 December2021**
- **80% fuel hedge for H1 FY23 and 70% for H2**
- €1.2bn 5-year unsecured bond issued in May at record low 0.875% coupon
- Net debt to €2.1bn as at 31 Dec 2021 with a target of zero within 2 years
- Almost 90% of the B737 fleet are unencumbered
- Took delivery of first three B737-8200 aircraft from an orderbook of 210
- 5-year growth accelerates to 225m guests p.a. by FY26 (prev. 200m p.a.).

easyJet

Moody's: Baa3; S&P: BBB-

- **£2.9bn liquidity and £1.2bn net debt at 31 December 2021**
- **60% hedged for fuel in the financial year ending on 30 September 2022**
- Liquidity raised during the pandemic of c.£7.0 billion comprises (RCF, UK CCFF, sale and leaseback, UKEF, bond issues, equity), most recently a £1.2bn rights issue
- Cash burn for Q1 to December 2021 was £450m.
- Q4'22 on sale capacity unchanged, remaining at near 2019 levels

Jet2

Not Rated

- **Cash of £1,524m as at 30 September 2021**
- £1.5bn of liquidity raised in FY21, including £594m equity
- Bookings for Summer 22, for which package holiday bookings are displaying a materially higher mix of the total, are encouraging
- Optimistic that Summer 22 will be a considerable improvement on both Summer 20 and Summer 21

TUI

Moody's: B3; S&P: B-

- **€3.3bn available cash as at 3 February 2022**
- Successful c.€1.1bn subscription offer on 06 October with a view to returning to a gross leverage ratio of c.3x
- Q1 2022 net debt position of €5.1bn is in line with 2021 year-end position.
- Summer 2022 capacity assumption is for close to 2019 summer levels.

Q&A

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