

Heathrow reports -15% retail revenue fall in Q1; total revenue drops -12.7%

London Heathrow Airport has reported a 15% retail revenue decline to £136m for the three months ended 31 March 2020.

The revenue fall was driven by an 18.3% drop in passenger numbers to 14.6 million during the quarter. The airport says passenger numbers are expected to be down by around 97% in April and is expecting passenger demand to remain weak until governments worldwide lift travel restrictions.

Retail revenue per passenger increased +4% in Q1 to £9.28 from £8.92 in Q1 2019. According to the airport, the increase is due to the inclusion of minimum value guarantees in many of its concession agreements, which provides a bottom threshold while passenger numbers decline.

Overall revenue at the airport fell -12.7% to £593m and adjusted EBITDA dropped by 22.4% to £315m. As the spread of the coronavirus (Covid-19) intensified, Heathrow took immediate action to conserve cash and reduce costs by around 30%. This was through cutting management pay, renegotiating contracts and consolidating operations. Capital expenditure has been cut by £650m.

In terms of liquidity, Heathrow has £3.2bn at its disposal. This is sufficient to maintain the business for the next 12 months at least, even without any passengers.

HEATHROW SETS KEY OBJECTIVES

The airport, which has temporarily shifted passenger operations from Terminals 3 and 4 into Terminals 2 and 5 said: "Heathrow is working with partners around the world to establish a common international standard for safe air travel to help the economy recover from the Covid-19 crisis.

Spend per passenger at London Heathrow Airport decreased -4% in Q1 2020 to £9.28, while total retail revenue dropped 15% to £136m. (Source: All charts courtesy of Heathrow Airport).

"Re-establishing long-haul passenger flights is critical for the UK's supply chain, exports, inbound tourism and education."

Heathrow CEO John Holland-Kaye said: "Heathrow is proud to serve Britain by remaining open for repatriating UK citizens and critical supplies of PPE. When we have beaten this virus, we will need to get Britain flying again so that the economy can recover as fast as possible. That is why we are calling on the UK government to take a lead in setting a Common International Standard for safe air travel.

In response to the Covid-19 pandemic, which represents a 'seismic challenge for the aviation industry', the airport has revealed five key objectives, which guide the actions it is implementing during the crisis.

The first objective is to ensure the protection of passengers and people working at the airport. Measures include the provision of hand sanitiser dispensers, additional cleaning and sanitation procedures and signage and floor stickers which reminding passengers to socially distance.



Passenger numbers at London Heathrow dropped -18.3% to 14.6 million in the first quarter of 2020.

Heathrow reports -15% retail revenue fall in Q1; total revenue drops -12.7%



Decreased retail revenue has contributed to an overall airport-wide revenue drop of 12.7% during the period.

"We are ready to work with governments and the global aviation industry to agree a consensus around the standardised processes for responding to health crisis like Covid-19 in the future. This could include a number of measures such as a health passport, health screening and enhanced cleaning standards and innovation, which will reduce physical contact in airports.

"Common measures across the world would help passengers build confidence in flying so that the personal and economic benefits of global travel can continue after Covid-19," the airport said.

Other objectives include keeping the airport open, supporting industry partners at Heathrow, protecting the airport's financial resilience and supporting the local community.

MAJOR CRISIS FOR GLOBAL AVIATION

Holland-Kaye added: "The catastrophic impacts of Covid-19 across the world have been swift and significant. The tragic human cost alone is something we've not seen in generations and the lockdown of economies across the world is something that no one could have imagined possible.

"Our industry is struggling. It's hard to imagine that 2019 was our busiest year ever with 81 million passengers. Now only five months into 2020, we are operating from a single runway and consolidating our operations into only two terminals. Daily passenger numbers have also shrunk to the thousands. This is a major crisis for global aviation and no one can be sure of how fast we will recover from it."

He also reveals how the airport is benefitting from increasing its financial resilience over the past decade.

Heathrow reports -15% retail revenue fall in Q1; total revenue drops -12.7%

“Over the last decade, Heathrow has transformed its service to passengers while systematically reducing operating costs by 16% in real terms between 2014 and 2018.

“This transformation has allowed us to deliver the best airport service in Europe, while airport charges dropped 16% in real terms in the same period. Sound management earned the confidence of private investors and we steadily built up £3.2bn in cash and committed facilities which our business can now call on.”

Passenger numbers dropped 18.3% in Q1 to 14.6 million during the quarter.

Despite the airports financial strength, it is not immune to the crisis, emphasises Holland-Kaye: “We must act responsibly to protect the long-term success of Heathrow and deliver on our commitments to all stakeholders that rely on our national critical role.

“The actions we are taking now are ones that none of us like having to do. These include reducing pay, restructuring the organisation, renegotiating contracts and consolidating down to just two terminals and a single runway. This, however, is what we have had to do to survive and remain competitive.

“The cost savings we are making now will help us to secure as many jobs as possible, while maintaining the agility to return to growth when passenger demand increases.”