



JOHN MENZIES PLC

INTERIM
RESULTS
PRESENTATION

18 AUGUST 2015

John Menzies plc – Interim Results



18 August 2015

Agenda

- Headlines Jeremy Stafford
- Performance Overview Paula Bell
- Strategy & Operational Update Jeremy Stafford
- Questions

John Menzies plc

H1 headlines



Overview

- A challenging first half – 2014 issues still being addressed
- Group transition plans on track, progress made on both strategic and operational agendas
 - Aviation turnover up 8%
 - Aviation profits impacted by restructuring costs, UK operational improvement programme and 2014 contract losses
 - Distribution outperformed management's expectations
 - As projected, profits will be weighted to H2
- Strong cash conversion

Distribution Strategy

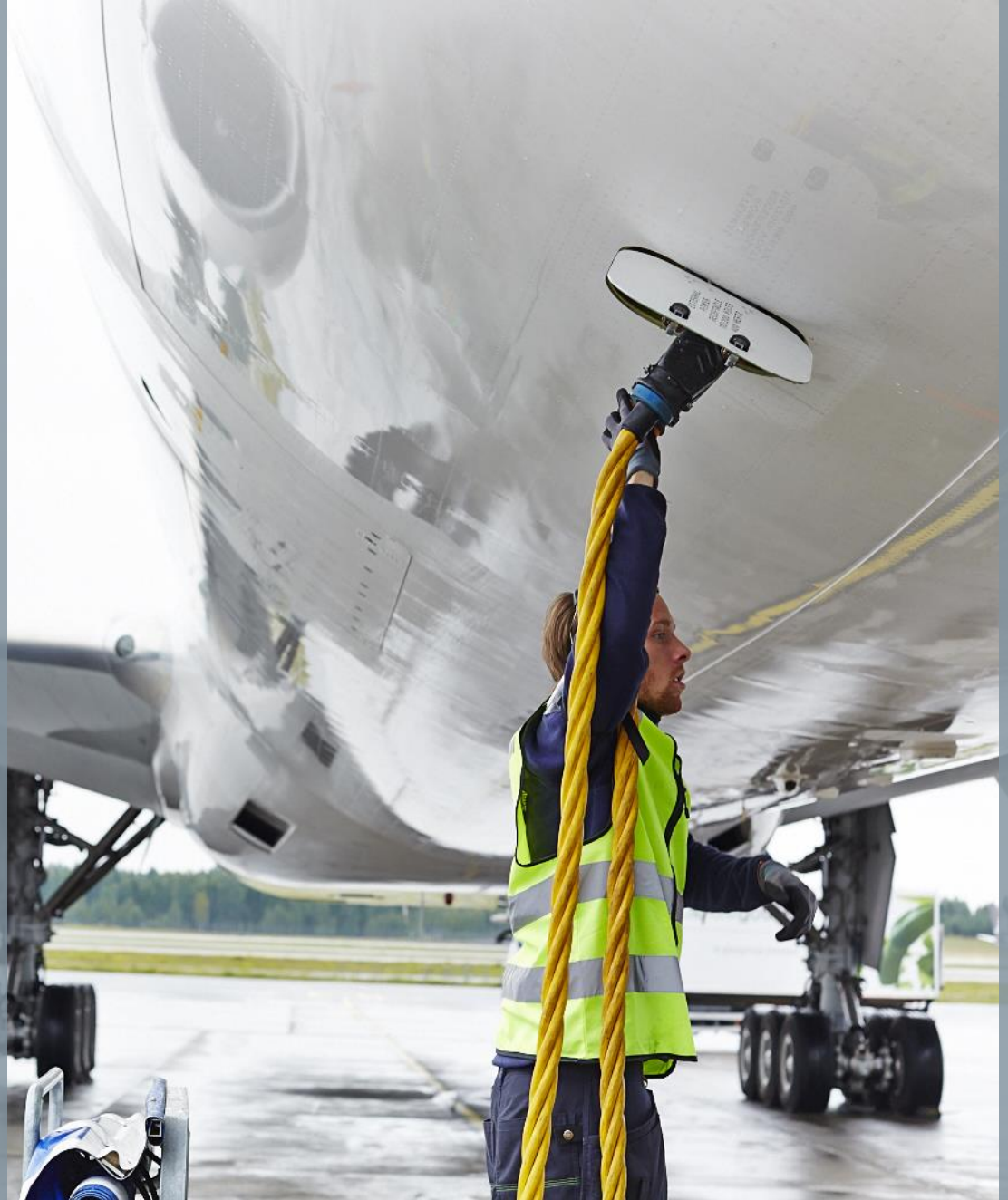
- Distribution strategic review complete
- Decline in earnings has been arrested
- A strategy for growth based on e-commerce parcel delivery
- Becoming a collaborator with national parcel carriers as a neutral consolidator

Route to earnings growth in both divisions

JOHN MENZIES PLC

PERFORMANCE OVERVIEW

PAULA BELL
CHIEF FINANCIAL OFFICER



Financial overview



£m	H1 2015	H1 2015	H1 2014	FY 2014
	Reported	Constant currency		
Turnover	1,001.4	1,013.7	992.6	1,999.9
Underlying operating profit	20.2	20.2	24.0	51.0
Interest	<u>(3.2)</u>	<u>(3.2)</u>	<u>(3.3)</u>	<u>(6.4)</u>
Underlying profit before tax	17.0	17.0	20.7	44.6
Net debt	120.8		113.4	110.9
Underlying effective tax rate	32%		27%	32%
Underlying EPS	18.8p		24.7p	49.2p
Basic EPS	4.7p		16.2p	22.7p
Dividend	5.0p		8.1p	16.2p

Divisional performance



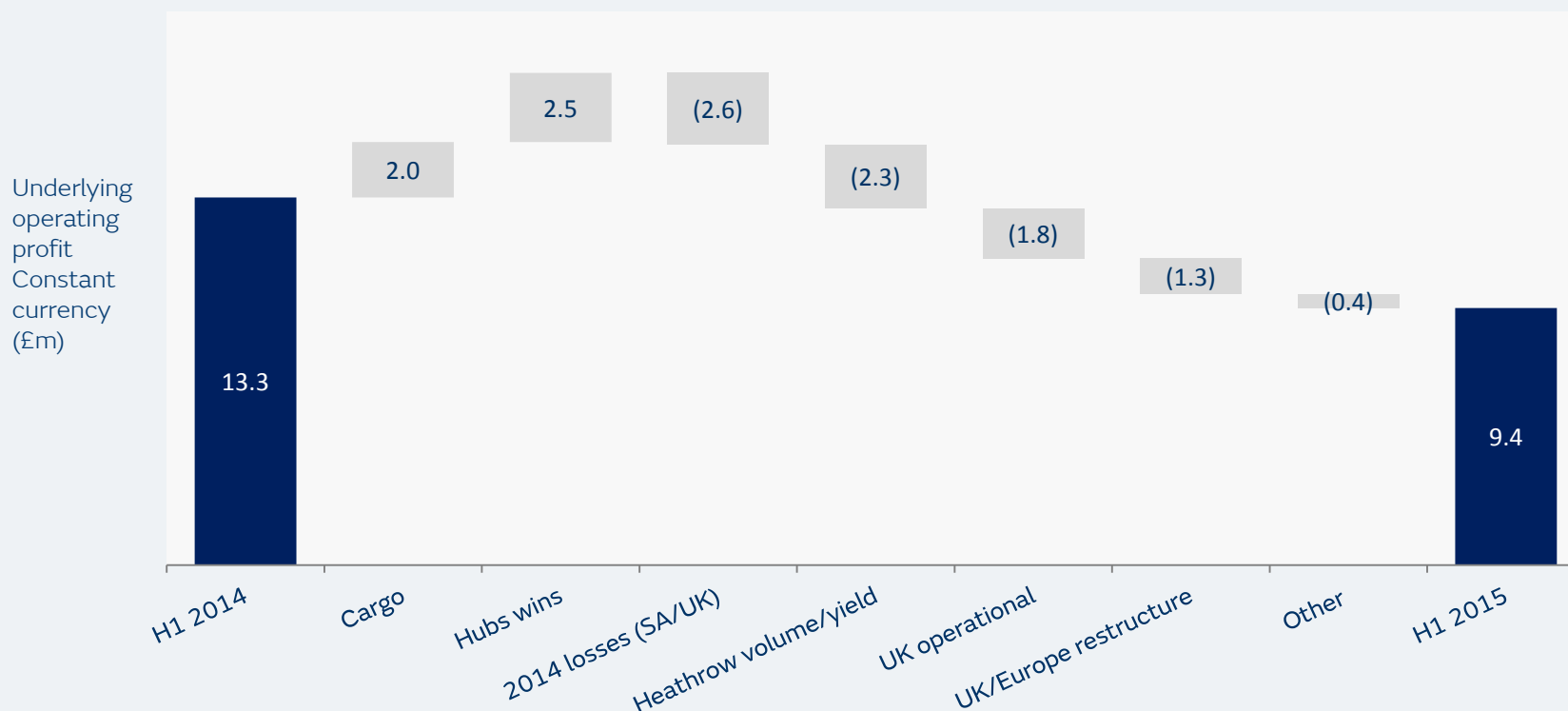
£m	Turnover			Underlying operating profit		
	H1 2015	H1 2015	H1 2014	H1 2015	H1 2015	H1 2014
	Reported	Constant currency		Reported	Constant currency	
Ground handling	240.9	248.4	228.6	0.8	0.6	6.6
Cargo handling	72.5	75.8	71.3	6.9	7.1	5.1
Cargo forwarding	57.4	57.6	54.0	1.7	1.7	1.6
Aviation	370.8	381.8	353.9	9.4	9.4	13.3
 Distribution	 630.6	 631.9	 638.7	 12.2	 12.2	 12.0
 Corporate	 –	 –	 –	 (1.4)	 (1.4)	 (1.3)
Group	1,001.4	1,013.7	992.6	20.2	20.2	24.0

Menzies Aviation

H1 2015 overview



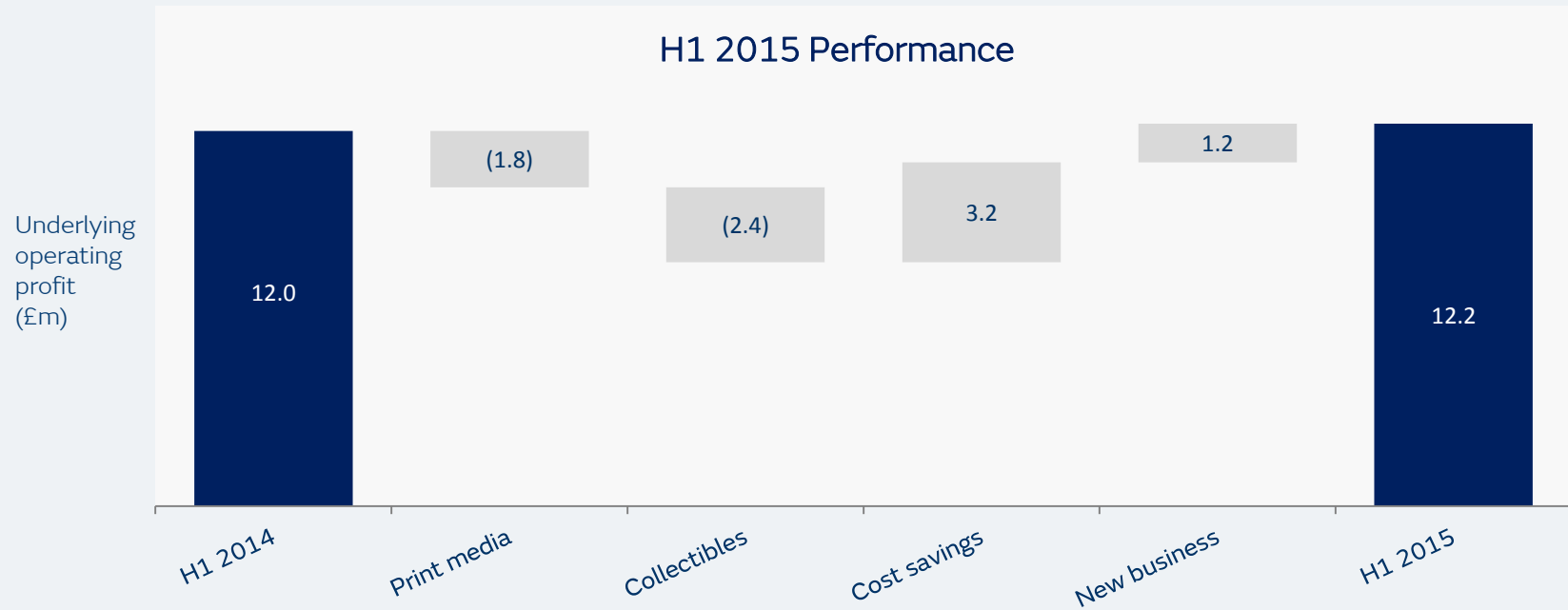
H1 2015 Performance



Menzies Distribution

H1 2015 overview

- Strong trading performance
- Profit ahead (despite no World Cup)
- Magazine declines slowed
- Network rationalisation on track
- AJG Parcels acquired
- Earnings enhancing deal
- Operates as a neutral consolidator



Non-recurring items – H1 2015

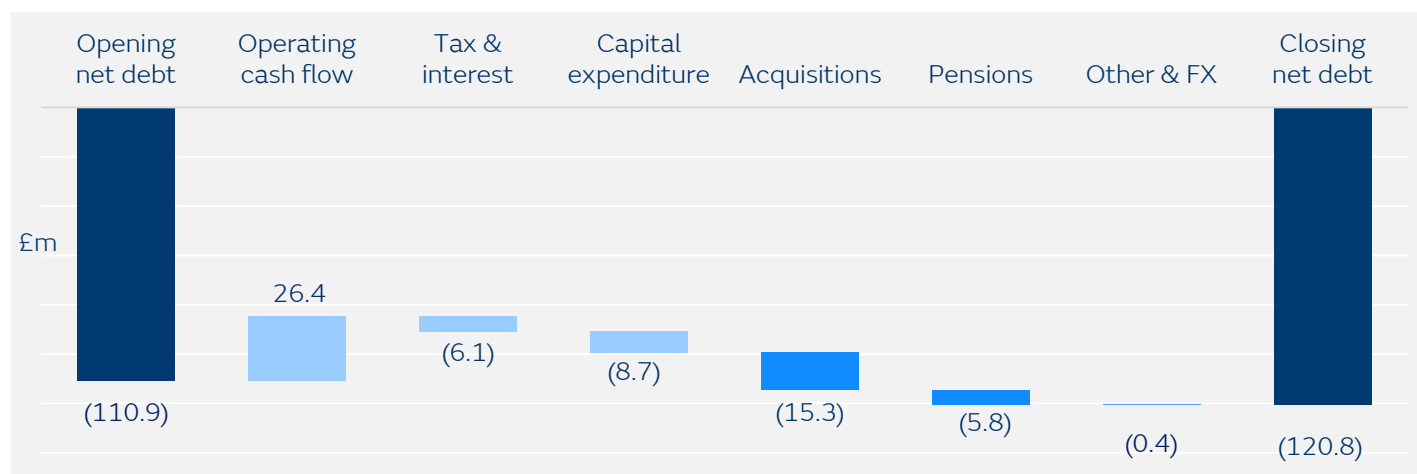


£m	Cash	Non-cash	Total
Planned Distribution rationalisation	0.5	-	0.5
Management restructure and strategic review	1.4	-	1.4
Impairment of assets - Spain	-	4.7	4.7
Deferred consideration	(0.4)	-	(0.4)
	1.5	4.7	6.2

Cash flow



£m	H1 2015	H1 2014
Underlying EBITDA	32.3	35.6
Working capital increase	(4.3)	(5.9)
Other movements	(1.6)	(0.7)
Operating cash flow	26.4	29.0
Tax and net interest paid	(6.1)	(6.8)
Capital expenditure	(8.7)	(10.1)
Free cash flow	11.6	12.1



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STRATEGY & OPERATIONAL UPDATE

JEREMY STAFFORD
CHIEF EXECUTIVE OFFICER



Menzies Aviation

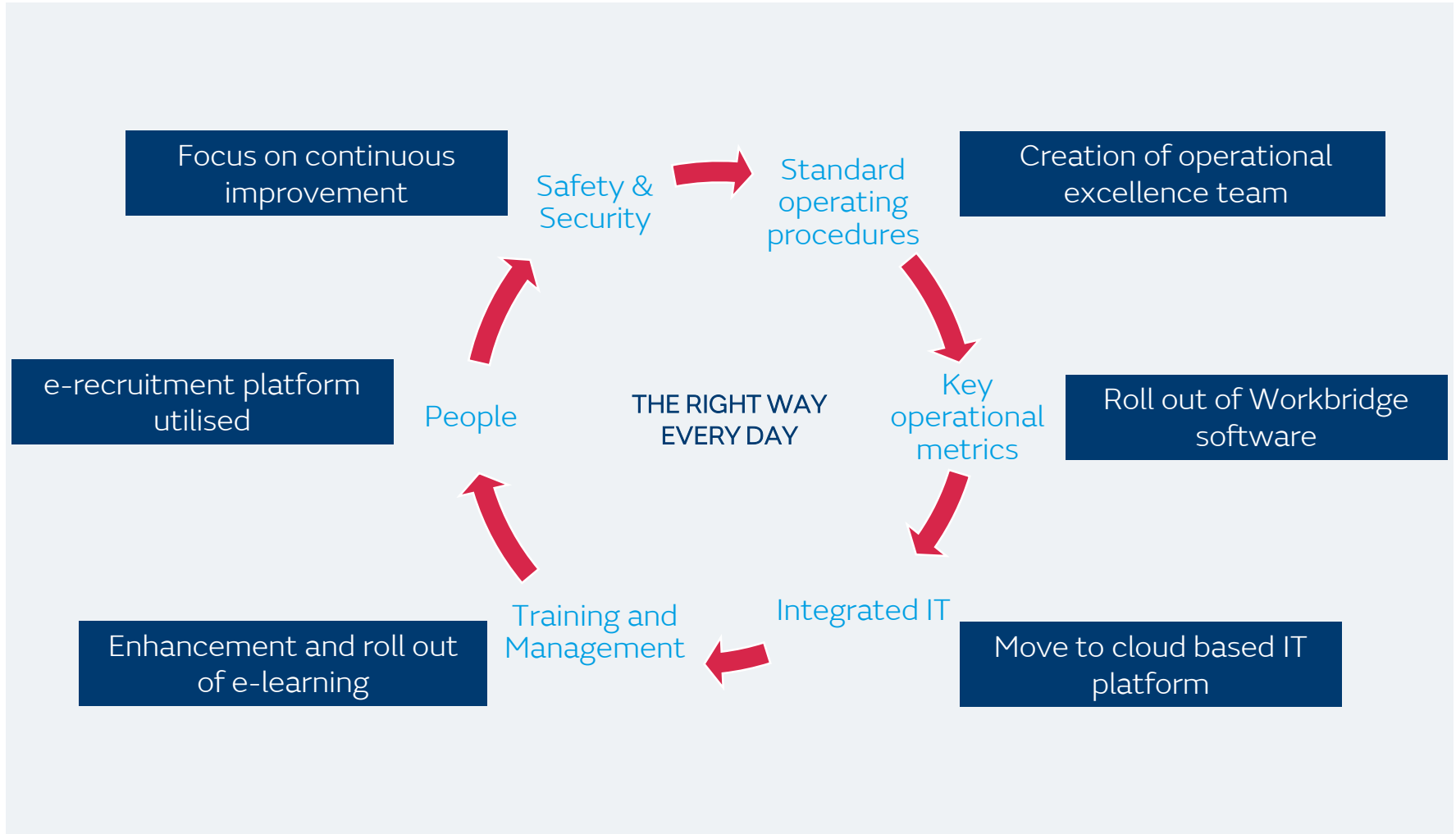
Period of planned transition

Building robust operations

- New hub operations all running well
 - Full suite of systems and tools being utilised – standardisation of best practice
 - High level of customer satisfaction
- London Heathrow operating well and will move into profit in H2 as planned
 - New business secured and existing key contracts extended
 - Star Alliance to 2017, Qantas to 2020
 - Significant improvement in on-time performance – now at 97%
- Other UK operations transitioning
 - Staff turnover and skill shortages impacted performance in the early summer
 - New UK management team in place – skill sets to match business demands

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Driving standardisation - Progress



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Five strategic priorities



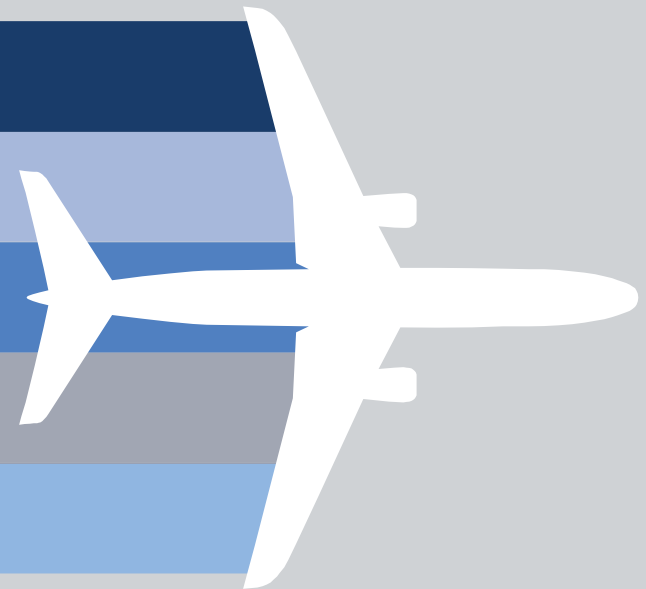
Focus on key customers

Pursue hubs & bases

Accelerate complementary services offering

Re-focus geographical investment

Expand in emerging markets



Driving earnings growth

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Implementing our strategy

Focus on key customers



Fundamental change of emphasis

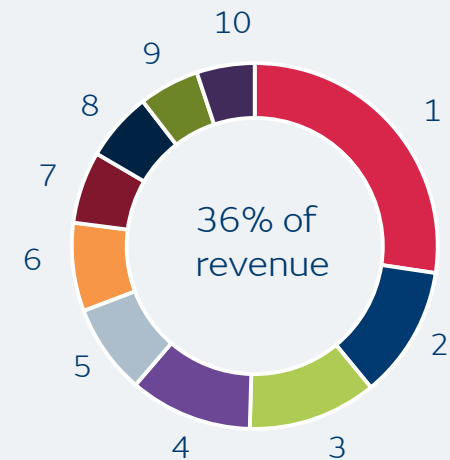
Focus on growing market share with our top customers

- Larger accounts with fewer customers
- Driving better returns

Global/regional outlook to key account management

- Put in place master agreements for multiple airport deals
- Benefits for Menzies and airlines

Top 10 Customers



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Implementing our strategy

Focus on key customers



Thai Airways

- Significant contract extensions secured
- Standard terms agreed, preferred supplier status in place
- Multi year platform to grow partnership



WestJet

- Building a strong relationship
- Offering in Toronto extended to wide body aircraft
- Now handling in 14 airports across 5 countries



Qantas

- Sole provider of ground handling in all major New Zealand airports
- Global relationship helped secure 5 year extension at London Heathrow

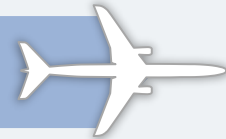


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Implementing our strategy



Pursue hubs & bases



Accelerated outsourcing trend gives opportunity to build scale

- 3 locations awarded in June by United Airlines – Tucson, Lubbock & Cincinnati
 - Operations start in Q4
 - Award was part of first outsourcing wave that included 18 airports
- 7 year Norwegian Air Shuttle contract in Oslo and Copenhagen started well
- American Airlines' largest base outside of USA secured for 3 years at London Heathrow in April
- Operations for Frontier Airlines in Orlando upgraded to key base with an increase from 13 to 40 daily flights



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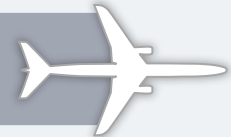
Implementing our strategy

Accelerate complementary services offering



- Opportunities exist to increase returns by offering more services at existing stations
- Further lounges opened in South Africa and New Zealand – 25 now in the portfolio

Re-focus geographical investment

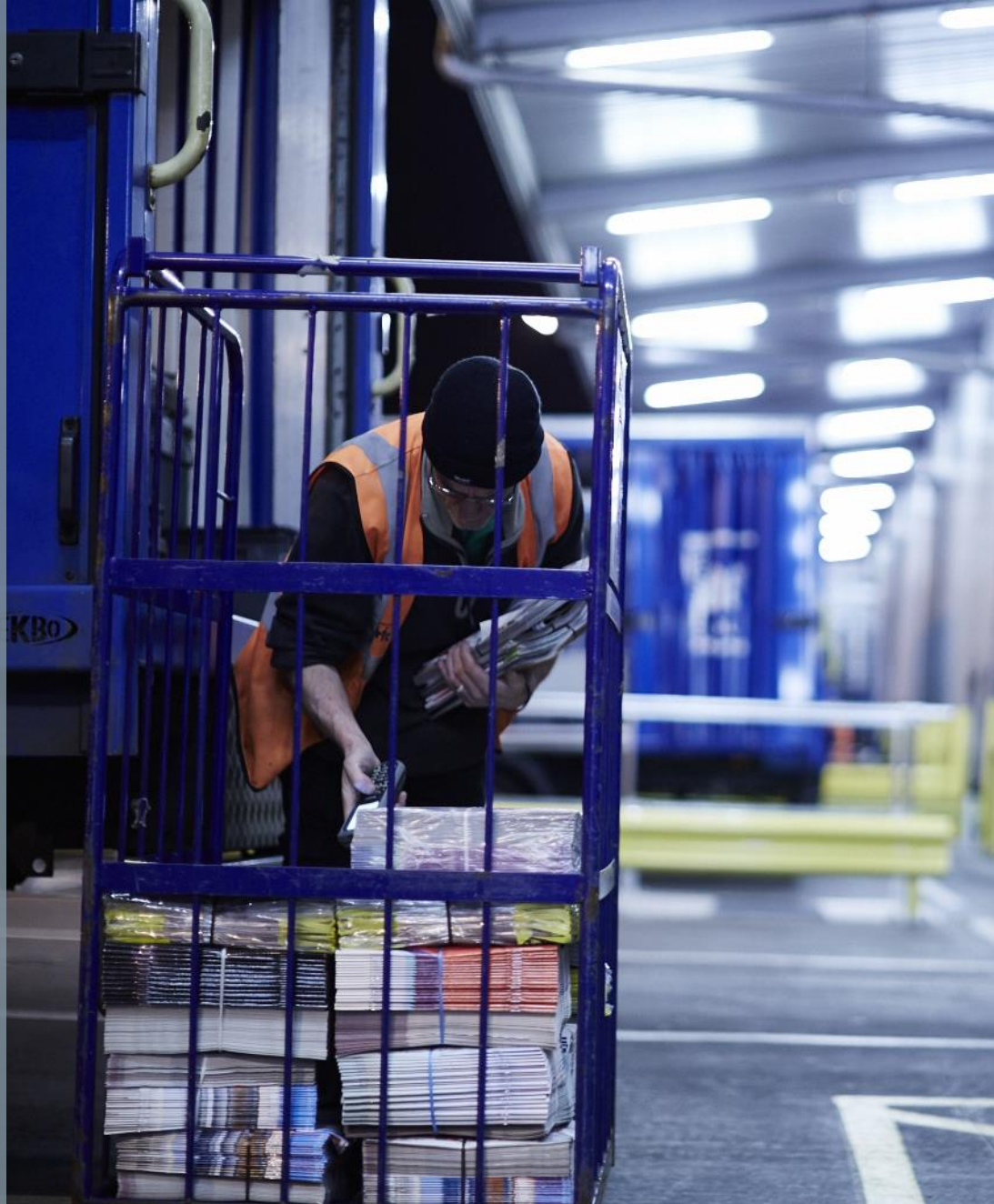


- Global/regional key account focus will result in more base operations for fewer airlines
- Re-shaping the portfolio, non viable stations closed – Naples & Birmingham (H2)
- Developing positions of strength in target regions

Expand in emerging markets



- New office opened in United Arab Emirates
- Opportunities emerging in Far East with legacy and low cost carriers



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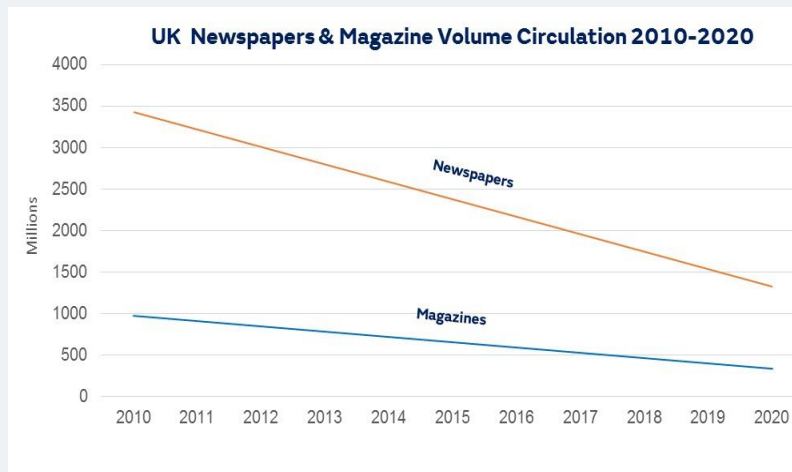
MENZIES DISTRIBUTION

STRATEGIC REVIEW

Print media declining – time to evolve

Profitable stable core business

- 45% market share
- Long term contracts secured to 2019
- Volume declines more stable
- Strong cash conversion
- Provides a stable platform to grow from
- We must replace volume with volume
- Utilise existing property and vehicle assets
- Evolve into growing markets



25,000 customers
EVERY DAY

5m newspapers
EVERY DAY

2m magazines
EVERY DAY

7
HUB BRANCHES

3,500
EMPLOYEES

110m delivery units
EVERY YEAR

WE DO FIVE THINGS

1



TRUCKING

2



FINALMILE

3



HANDTOHAND

4



MENZIESRESPONSE

5



RETAILSOLUTIONS

Menzies Distribution

Five strategic priorities

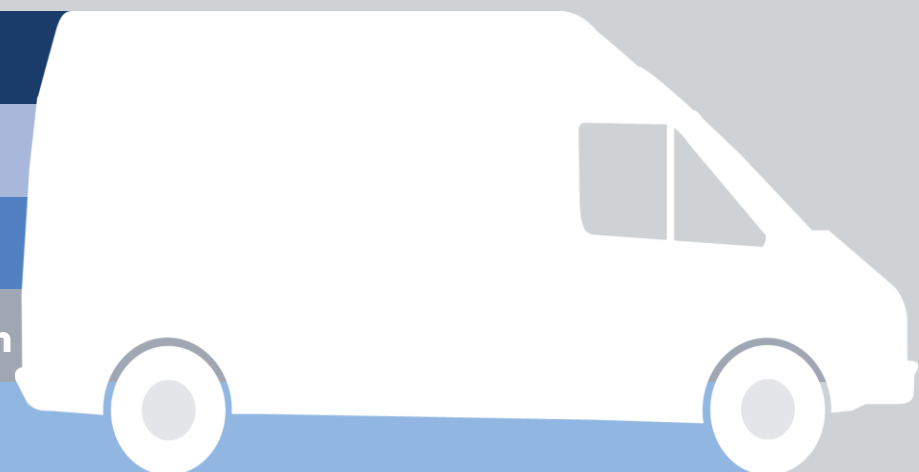
Grow B2C business through neutral consolidation

Expand Menzies Response

Focus on key customers

Continued focus on cost and network rationalisation

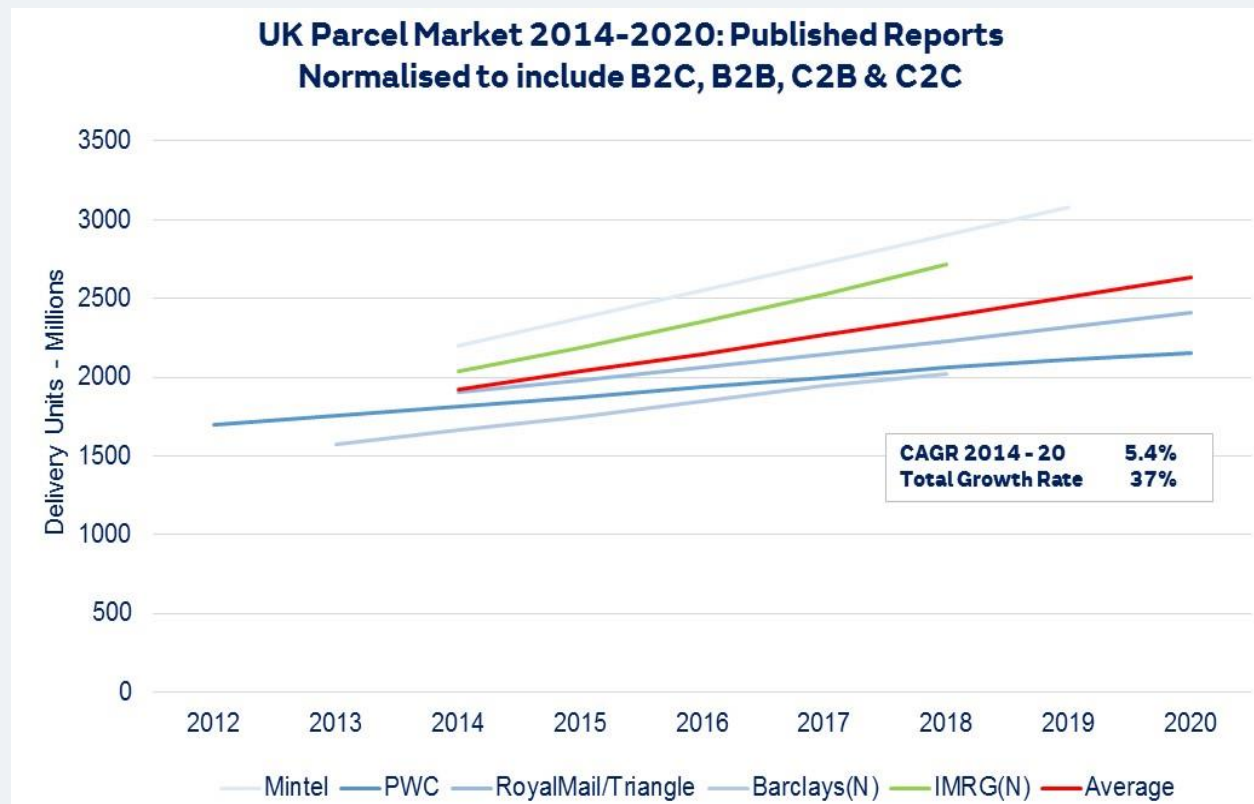
Sustain cash generation



Driving earnings growth

Volume growth : UK parcel market – an opportunity

Grow B2C business through neutral consolidation



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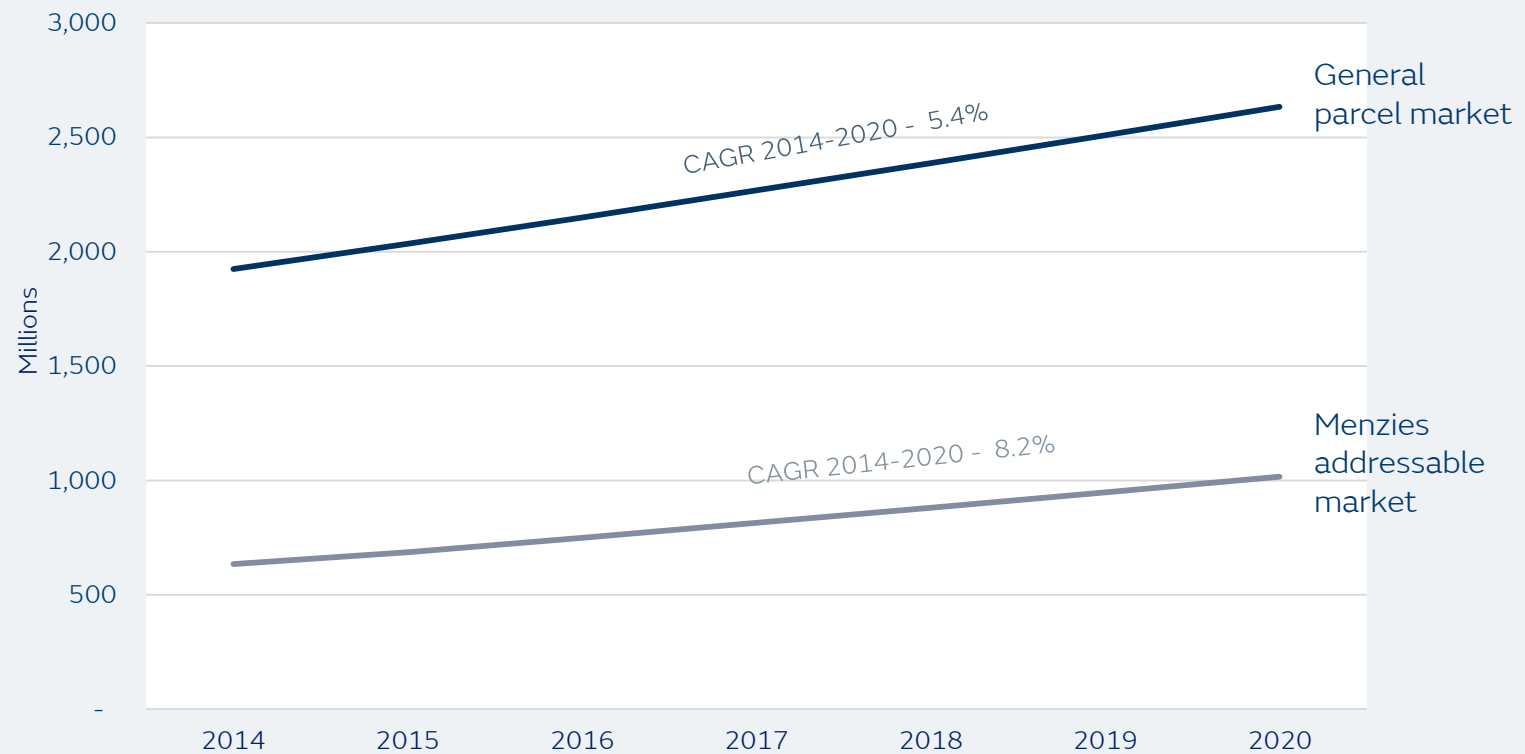
Collaborator in the UK parcel market



Grow B2C business through neutral consolidation



Parcel Market vs Addressable Market



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Our addressable market



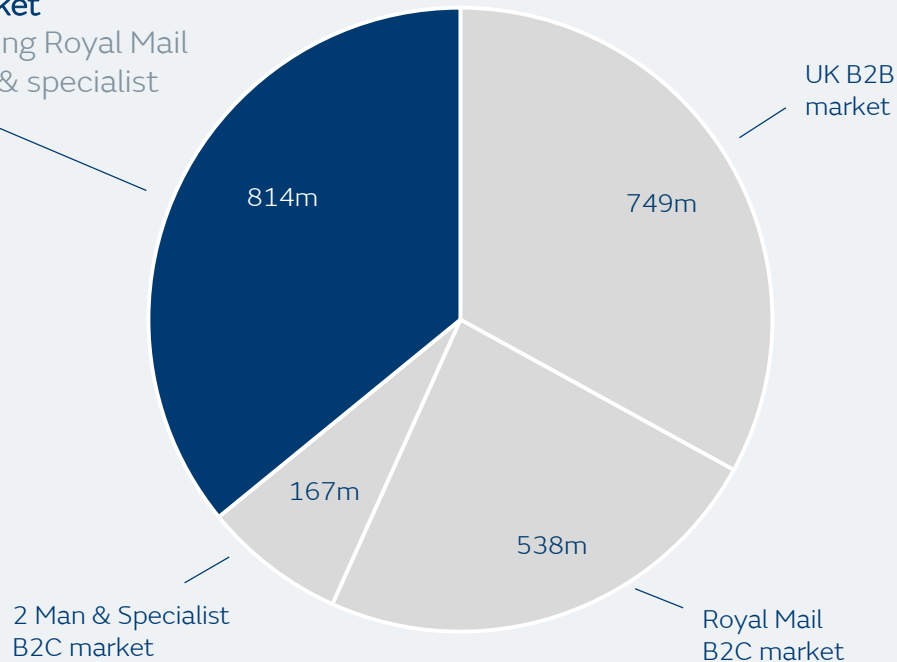
Grow B2C business through neutral consolidation



Estimated 2017 UK Parcel Market
(Volume in Millions)

Addressable market

- All B2C excluding Royal Mail
- 50% of 2 man & specialist market



Total Market Value
c.£8 billion

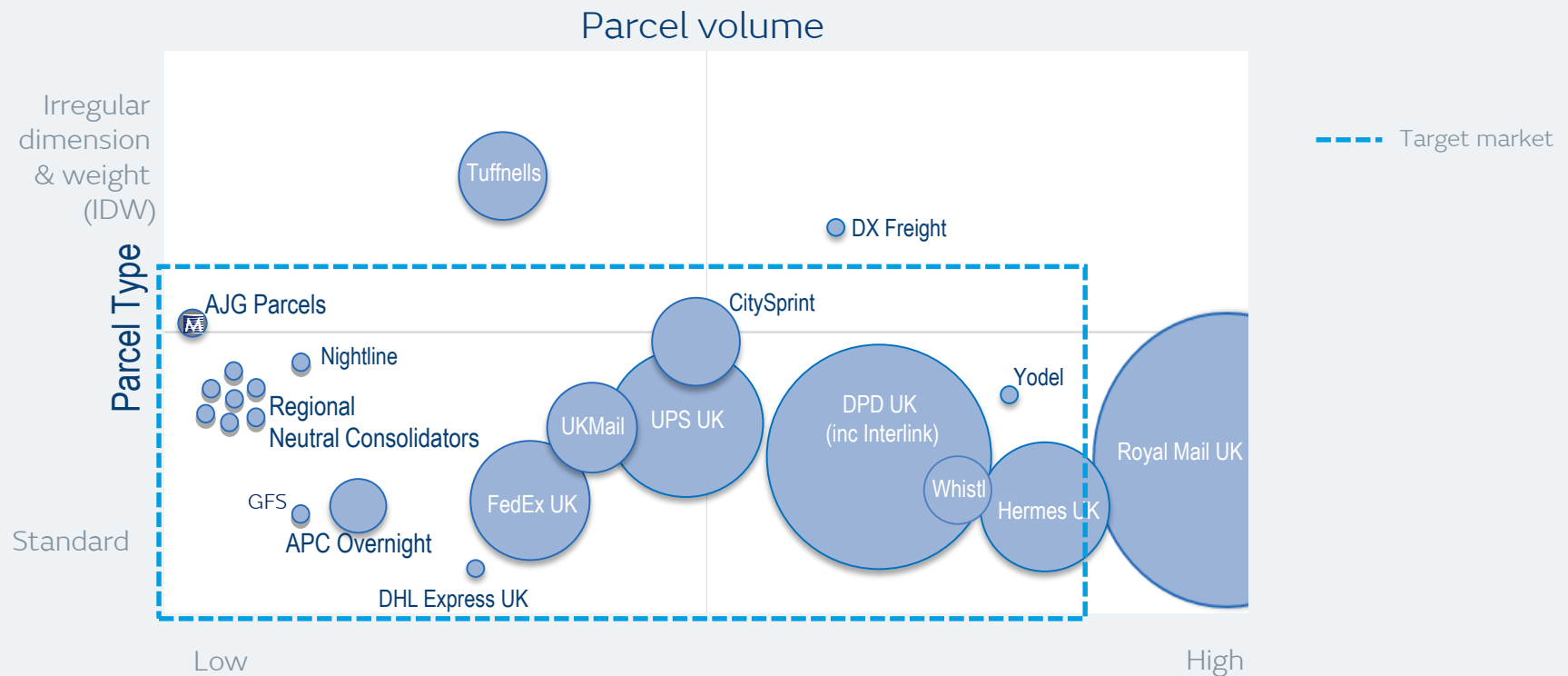
Total Market Size
2.3 billion parcels

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Collaborator in the UK parcel market



Grow B2C business through neutral consolidation



Note: The following categories have been excluded from the overall market: i All B2B parcels, ii Royal Mail B2C parcels, iii 50% of the 2 man and specialist B2C market

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Acquisition of AJG Parcels



Grow B2C business through neutral consolidation



A strategic move – implementing our strategy

- Acquired for a consideration of £7.5m
- Annual revenue £8m, earnings enhancing
- AJG is a neutral consolidator for national parcel carriers
- It handles over 3m parcels per annum in Argyll and the Scottish Highlands and Islands
- Key relationships with national carriers including: DPD, UK Mail, UPS, APC Overnight
- Integration has gone well and delivering to plan – business has been re-branded Menzies Parcels
- First step into servicing the fast growing e-commerce parcel market



Menzies Response – e-commerce fulfilment

Expand Menzies Response



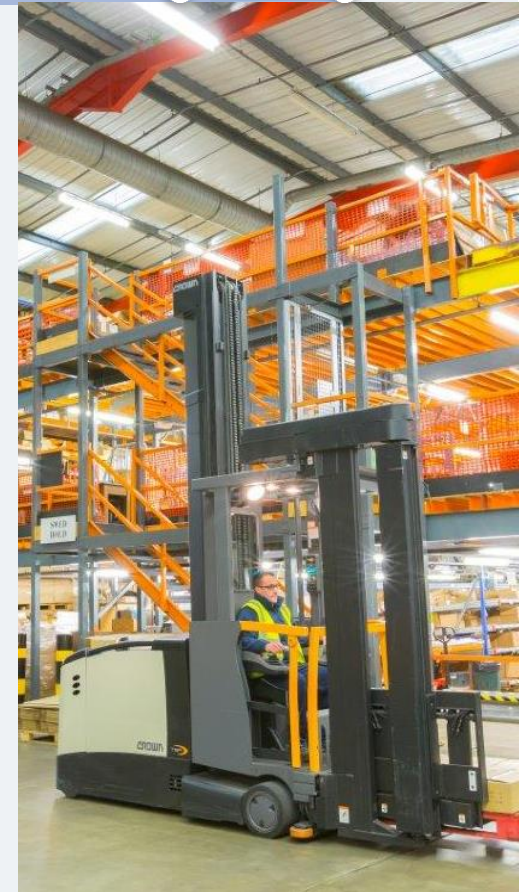
Growing market

- Menzies Response continues to operate effectively in the growing fulfilment market
- Rushden facility now at capacity and expansion into existing property portfolio is underway
- Strategic opportunities exist but we will build sensibly
- Long term market with strong growth dynamics
- Short term focus is on organic development

+100
customers

+10,000
picks per day

+50,000
products



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Network optimisation



Continued focus on cost and network optimisation



Delivering to plan

- Rationalisation programme on track and delivering benefits
- Second super-hub opened in Wakefield
 - c9,000 customers served from one site
 - Largest magazine packing centre in Europe
 - Travel brochures relocated
- Hub branches reduced from 10 to 7
- Existing property portfolio being utilised to sustain growth at Menzies Response



Menzies network – August 2015

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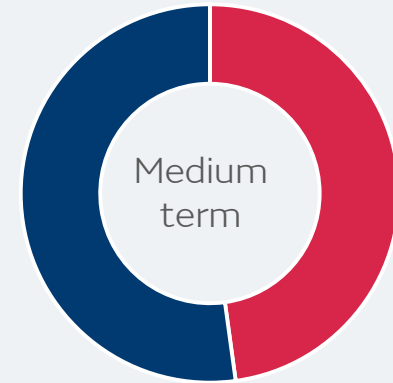
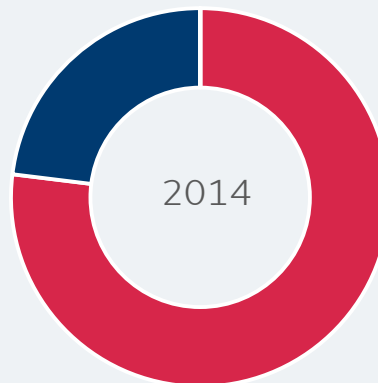
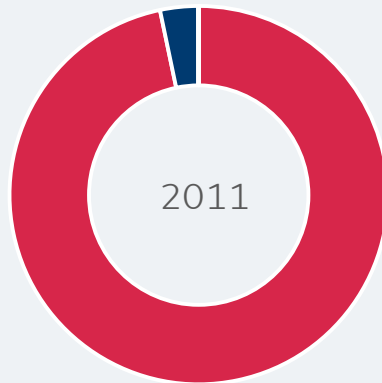
Evolution into growth markets



Sustain cash generation



Divisional EBIT



Print media



Other

Evolving the profit mix

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Driving efficiencies



Re-shaping the Group

- New streamlined executive management structure in place
 - Matrix management beginning to operate effectively
 - Two boards replaced by one Executive Committee
 - Significant annualised cost saving
- New Commercial function
 - Focus on customer relationships
 - Dedicated M&A resource
- Single support services function to maximise synergies
 - Safety, Human Resources, IT, Procurement
- IT infrastructure
 - Move to cloud based solutions for the Group
- Creating an efficient scalable platform

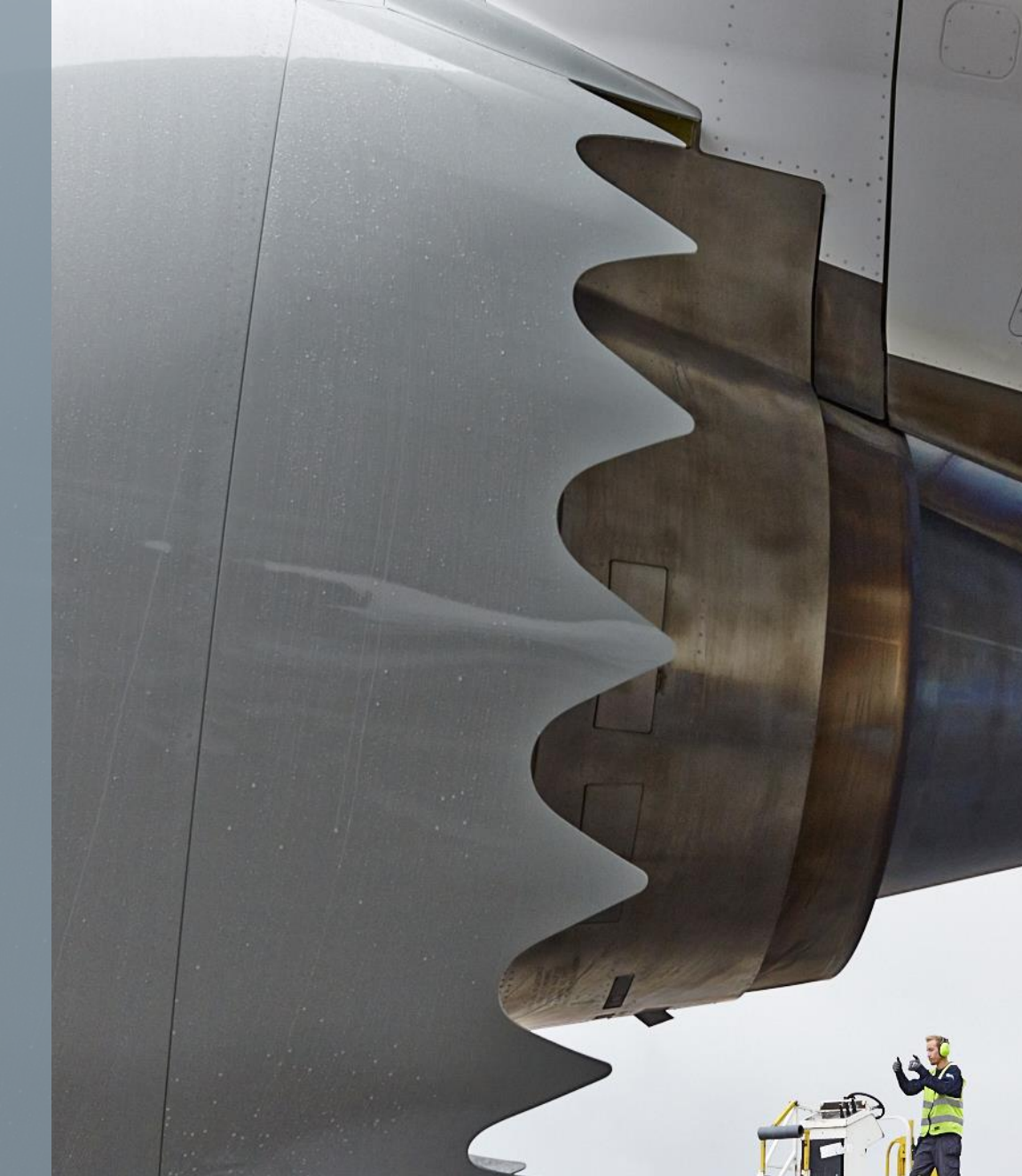
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Summary & Outlook



- We are in a period of transition, with focus on both growing and re-shaping the existing business
- Strategic reviews are complete
- Consolidated management team
- Aviation
 - Increased outsourcing opportunities continue in North America
 - Continue to seek both organic and acquisitive opportunities as we look to build our overall market position
- Distribution
 - Strategy to grow earnings
 - Continued cost reduction
 - Strong sustained cash generation

Route to earnings growth in both divisions



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APPENDICES

Profit before tax



£m	H1 2015	H1 2014	FY 2014
Underlying profit before tax	17.0	20.7	44.6
Non-recurring items in operating profit	(1.5)	(1.8)	(6.0)
Non-recurring items in finance costs	(0.1)	(0.3)	(0.5)
JVs and Associates tax	(1.2)	(0.9)	(2.0)
Contract amortisation	(3.7)	(3.5)	(7.2)
Impairment of assets	(4.7)	-	(3.2)
Profit before tax	5.8	14.2	25.7

Balance sheet



£m	H1 2015	H1 2014
Tangible fixed assets and investments	139.1	138.0
Goodwill, intangibles and other assets	110.2	121.7
Working capital and others	(18.5)	(22.3)
Net debt	(120.8)	(113.4)
Pension liability, net of deferred tax	(32.1)	(40.2)
Net assets	77.9	83.8

Cash flow and net debt



£m	H1 2015	H1 2014
Underlying EBITDA	32.3	35.6
Working capital increase	(4.3)	(5.9)
Other movements	(1.6)	(0.7)
Operating cash flow	26.4	29.0
Tax and net interest paid	(6.1)	(6.8)
Net capital expenditure	(8.7)	(10.1)
Free cash flow	11.6	12.1
Dividends	-	(11.8)
Acquisitions, investments and earn-outs	(15.3)	(1.9)
Additional pension payment	(5.8)	(5.6)
Other	(2.5)	(3.4)
Net cash flow	(12.0)	(10.6)
 Net debt at start of year	 (110.9)	 (103.5)
Currency translation	2.1	0.7
Net debt at end of period	(120.8)	(113.4)
 Group cash conversion	 105%	 98%

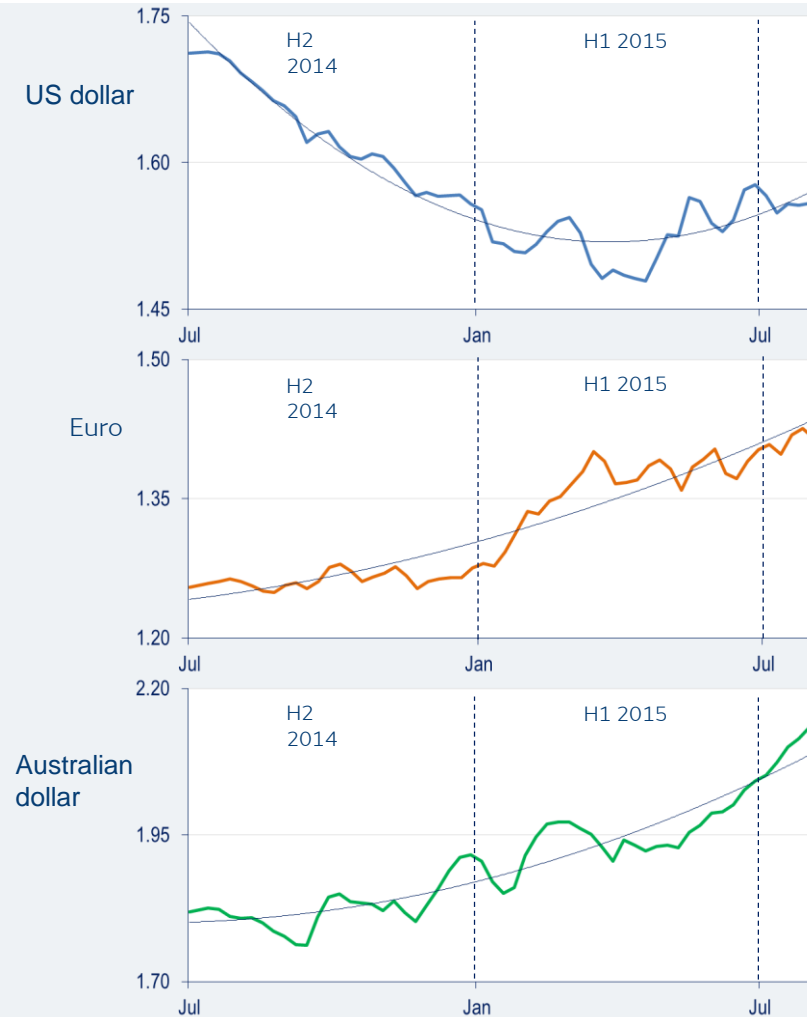
Cash conversion is underlying operating cash flow before business development capital expenditure divided by underlying operating profit

Foreign exchange



Sterling volatility continues

- US dollar **strength** against Sterling in H1 offsets impact of Euro and Australian dollar
- H2 trading impacted by seasonality of Europe and Oceania

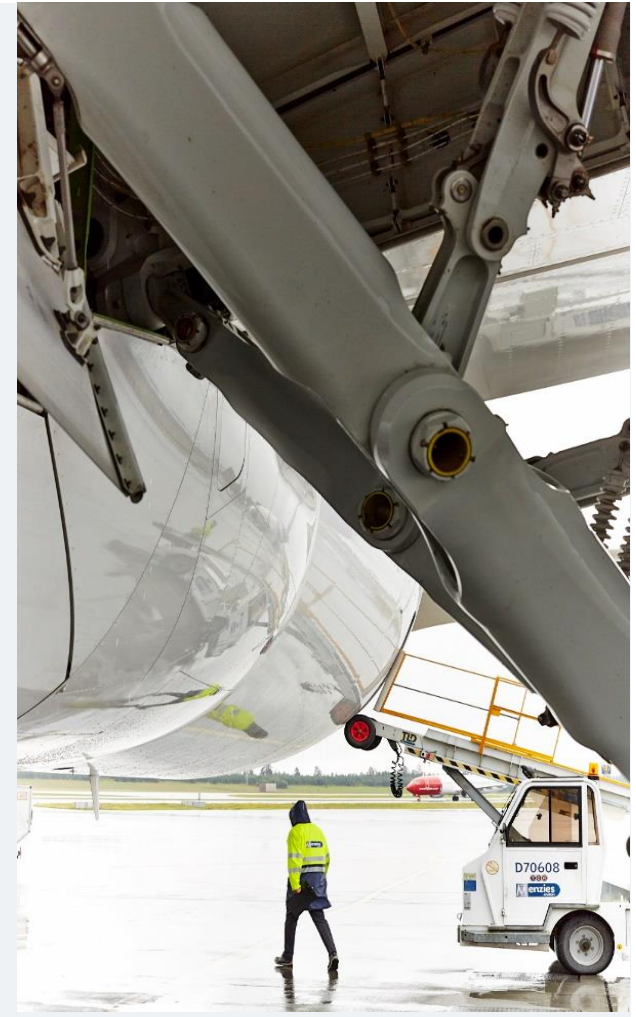


Headroom and ratios



At 30 June 2015

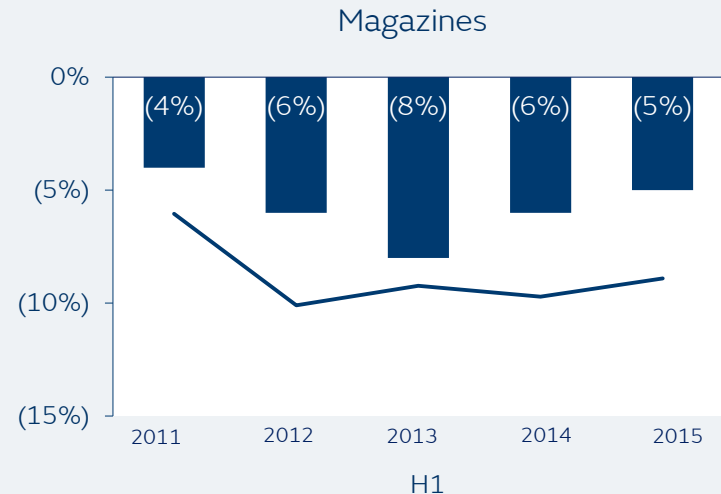
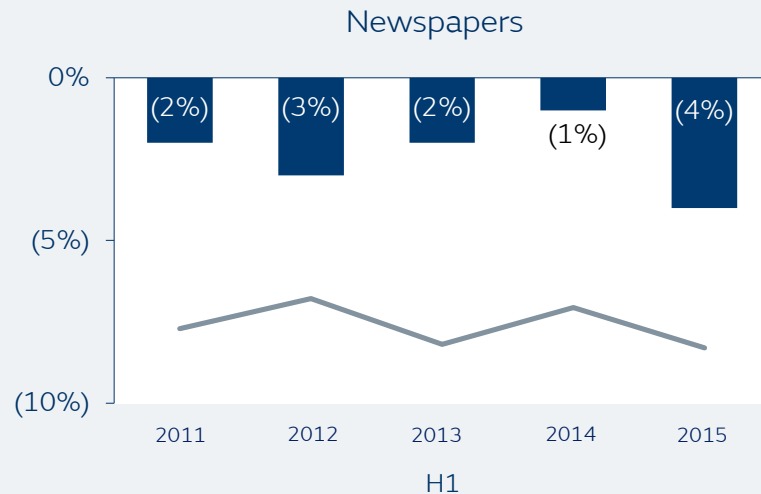
- Committed bank facilities of £259m
- Undrawn bank facilities of £106m
- Net debt to EBITDA – 1.7 times
- Interest cover ratio (EBITA to external interest charge) – 10.0 times



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Newspaper and magazine trends

Core sales value and volume



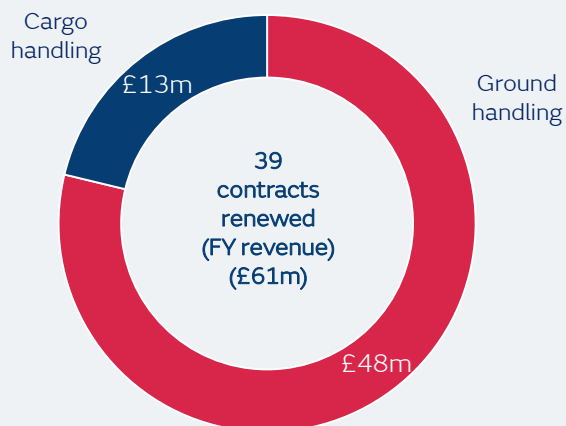
■ LFL sales value — LFL sales volume

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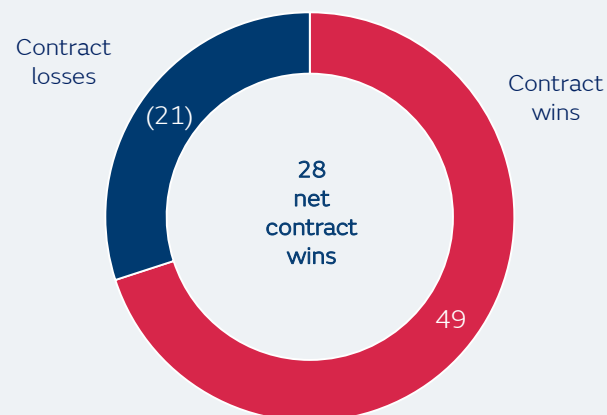
Business development



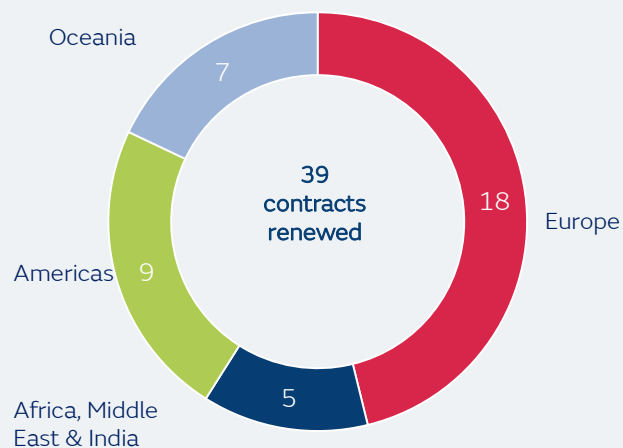
Contracts renewed



Contract wins



Contract renewals by region



Net contract wins by region

