

John Menzies plc

Interim Results Presentation
19 August 2014



Key Priorities

1

Substantially grow our Aviation Services division

Develop organic and acquisitive opportunities maximising our existing extensive global management infrastructure

2

Leverage cargo as a complementary product

Most profitable model involves ground handling with bolt on cargo business

3

Build new revenue streams

Pursue ancillary revenues at existing scale airports e.g. de-icing, lounges etc.

4

Manage efficiencies within our Distribution division

The strong cash generative nature of Distribution provides a source of investment funds for our growth agenda

Performance Highlights

A busy start to the year...

Momentum continues across the Group

- Group turnover up 3%, Aviation 7%
- Strong operating cash flow at £29.0m (H1 2013: £24.6m)
- Dividend increased by 5% to 8.1p (H1 2013: 7.7p)

Aviation continues to progress against its objectives

- Underlying operating profit up 7%, excluding start-up costs
- Strong contract wins and renewals during the period grows market share
- Entry into new markets provides platforms for future growth

Positive first half in Distribution boosted by collectible sales



Financial Overview

£m	H1 2014	H1 2014	H1 2013	FY 2013
	Reported	Constant currency		
Turnover	992.6	1,025.0	997.9	2,000.3
Underlying operating profit	24.0	26.2	26.1	60.1
Interest	(3.3)	(3.3)	(3.3)	(7.0)
Underlying profit before tax	20.7	22.9	22.8	53.1
Operating cash flow	29.0	--	24.6	68.3
Underlying effective tax rate	27%	--	25%	25%
Underlying EPS	24.7p	--	28.2p	65.6p
Dividend	8.1p	--	7.7p	26.5p

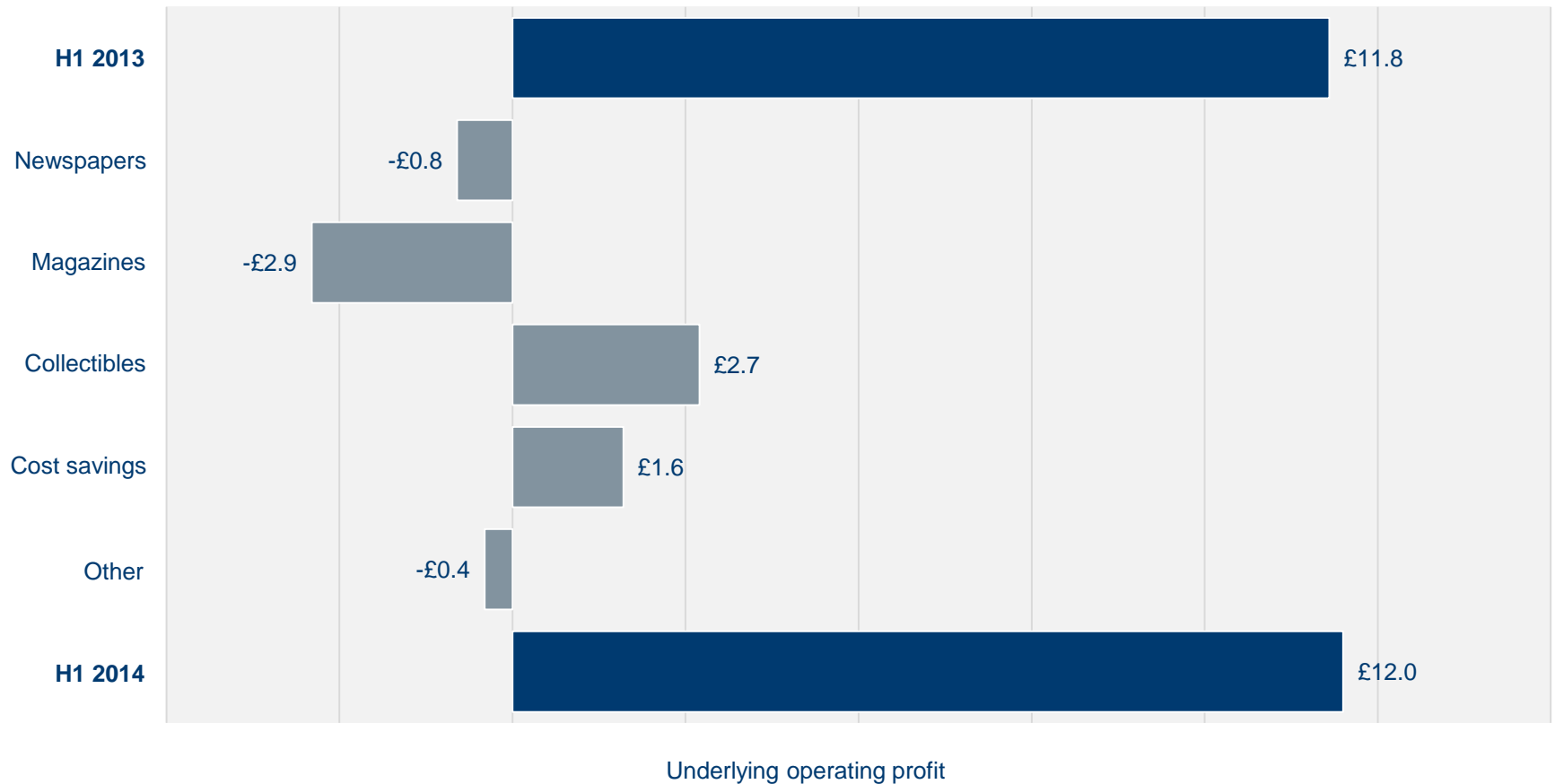


Divisional Performance

£m	Turnover			Underlying operating profit		
	H1 2014	H1 2014	H1 2013	H1 2014	H1 2014	H1 2013
	Reported	Constant currency		Reported	Constant currency	
Ground handling	228.6	248.5	226.0	6.6	7.4	9.3
Cargo handling	71.3	77.8	75.3	5.1	6.2	4.6
Cargo forwarding	54.0	60.0	60.0	1.6	1.9	1.6
Aviation	353.9	386.3	361.3	13.3	15.5	15.5
Distribution	638.7	638.7	636.6	12.0	12.0	11.8
Corporate	–	–	–	(1.3)	(1.3)	(1.2)
Total	992.6	1,025.0	997.9	24.0	26.2	26.1

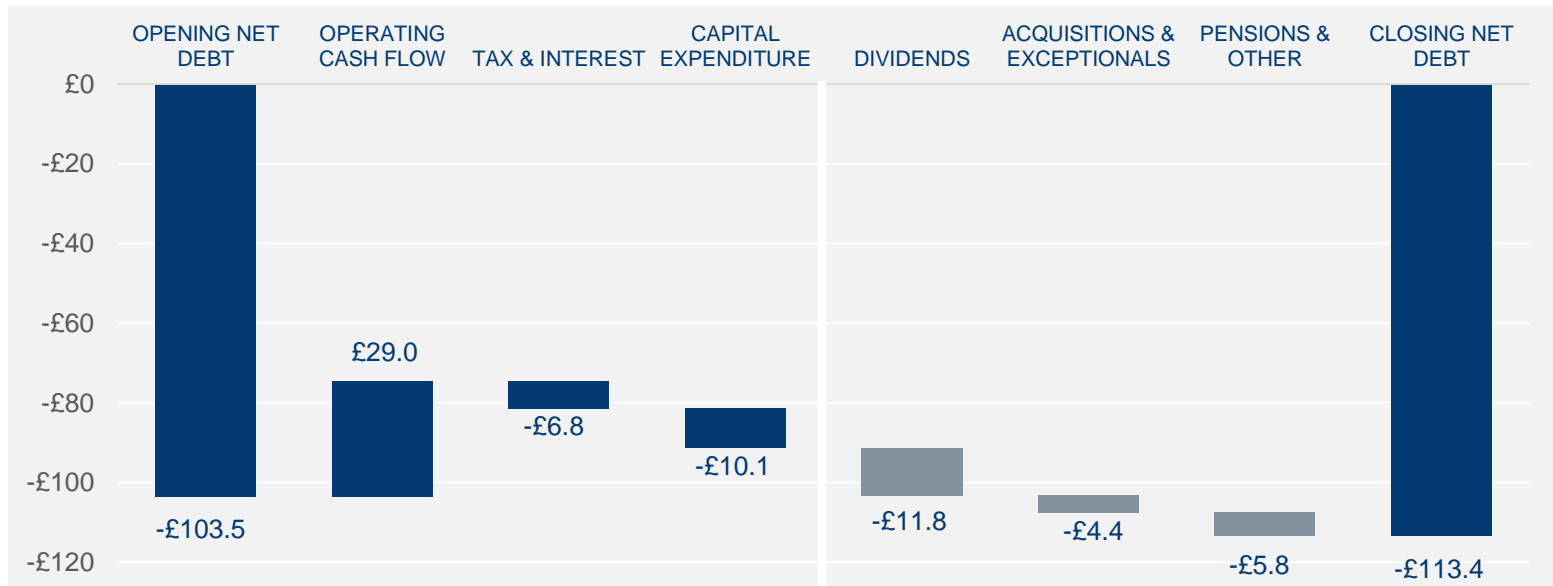


Menzies Distribution : Performance overview



Cash Flow

£m	H1 2014	H1 2013
Underlying EBITDA	35.6	37.4
Working capital	(5.9)	(11.5)
Other movements	(0.7)	(1.3)
Operating cash flow	29.0	24.6
Tax and net interest paid	(6.8)	(7.8)
Net capital expenditure	(10.1)	(10.8)
Free cash flow	12.1	6.0



Menzies Distribution



**Forsyth Black
Managing Director**

Initial Observations

Operations

- Generally excellent
- High levels of logistics expertise
- Provide direction and confidence

Customers

- Positive meeting with publishers & distributors
- Positive trade press
- Commonwealth Games and Tour de France

Stability

- Comprehensive handover from David McIntosh
- Business as usual



Menzies Distribution : Strong delivery

Print media categories performing well

- Magazine volumes ahead of expectations
- Strong cover price growth in newspapers

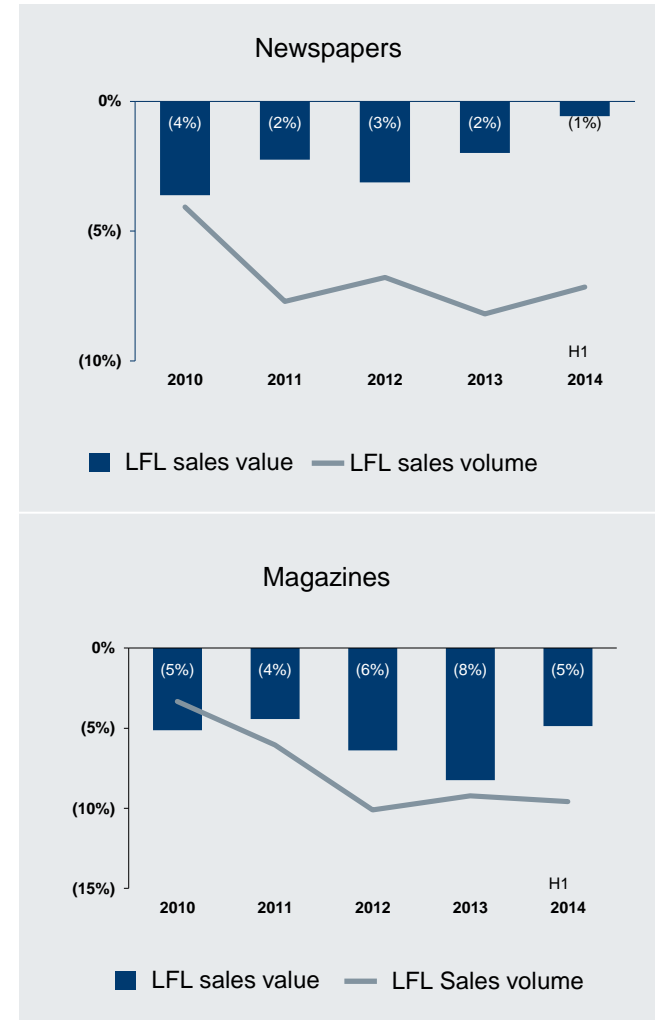
World Cup fever

- Sticker sales look positive
- Return levels still to be finalised



Orbital marketing services

- Delivering to plan
- Opportunities being explored



Menzies Distribution : Rationalisation on track

Large scale network change project on track

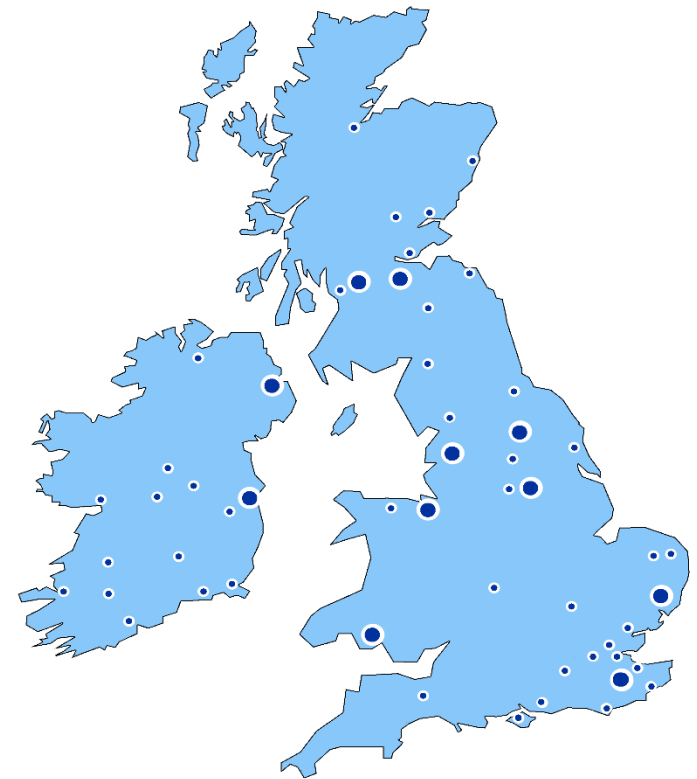
- 4 branches closed
- 1 scaled down to a newspaper spoke

Maidstone super hub

- Largest magazine packing centre in Europe
- 6,000 customers served from one location

Other cost initiatives continue to deliver...

- £1.6m cost reduction in H1
- CI team continue to deliver efficiencies
- Telematics technology helps drive efficiencies



● Hub branch ● Spoke branch



A large white commercial airplane is parked on a tarmac. The image is overlaid with a semi-transparent blue filter. The airplane's nose, cockpit, and tail are visible. A ground service vehicle is positioned in front of the aircraft. The sky is clear and blue.

Menzies Aviation

Craig Smyth
Managing Director

Menzies Aviation : H1 Performance

Performance

- Operating profit maintained during challenging first half

Core products performing well with volumes strong

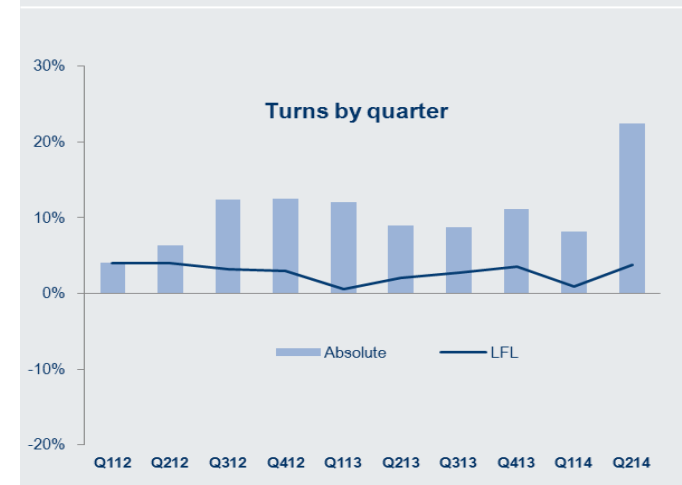
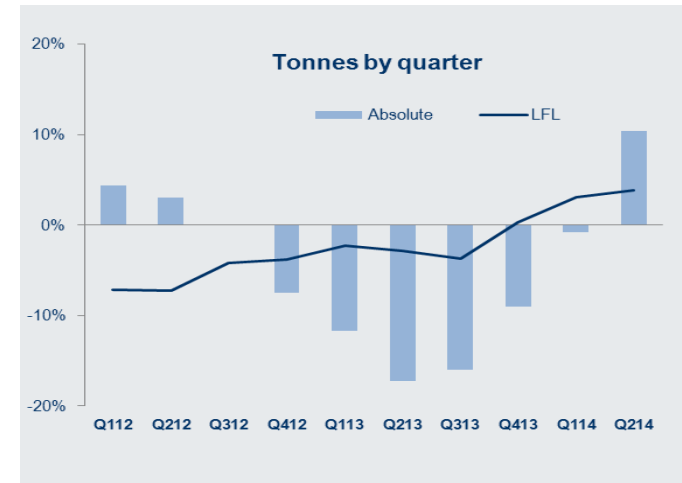
- Absolute cargo volume up 4.7%,
- Absolute ground handling volume up 15.7%
- Poor de-icing season in first quarter

Successful business development

- Strong contract win season
- Start up costs to support these wins reflected in H1 result
- H1 renewals on track, important renewals in H2

Operational challenges

- Good performance across most regions
- Operational pressures in the UK



Menzies Aviation : Business development

Market share growth

- Strong operating model
- Structured approach combining attractive airports and attractive customers

Strong contract gains

- Best period ever with cargo wins as well as ground handling
- Etihad at Amsterdam, AF/KLM at four locations in Canada and an out sourced ground handling contract with Delta at Detroit

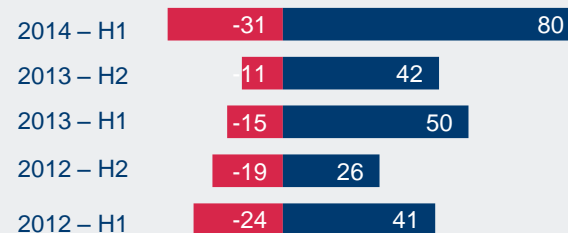
Good renewals

- Yield erosion successfully defended in the first half
- More significant renewals in H2 2014

New stations

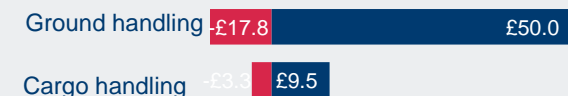
- Business development on track with 7 new stations
- Organic pipeline strong, particularly in Spain, Nordics and North America

Contract gains & losses



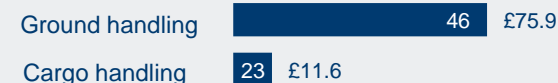
49 net contract wins in H1 2014

Contract gains & losses



Additional FY revenue £38m

Contract renewals



69 Contracts renewed securing revenue of £88m



Menzies Aviation : UK Operational issues

Short term operational challenges prevail in the UK

- Airlines driving up load factors and demanding tighter turnaround times
- Airports tackling creaking infrastructure
- Reliance on other service providers and influences
- Highly competitive market environment - aggressive pricing by competitors
- Operational management team strengthened and refocused



London Heathrow issues – the perfect storm

- British Airways moving volume from T1 to T5
- Phased opening of T2 and associated teething issues
- Unprecedented contract churn
 - 15 airlines changed handler (TUPE issues to manage)
- Short term increase in costs to meet airline service delivery agreements



Aviation Growth Drivers

1

Organic market growth

The airline market grows by 3-5% annually and air traffic doubles every 15 years. A doubling of fleet from 2011 to 2031 is predicted by Boeing and Airbus

We are one of the few global ground handling companies with the density to meet market needs on a station, regional and country basis together with strong airline relationships

2

Growth in demand for turnaround services

Every year, low cost airlines grow market share and drive an increase in flight movements

We have become a trusted partner and we are the world's largest handler to the low cost carriers

3

Increasing outsourcing by airlines

Increased evidence of out-sourcing trend by major flag carrier airlines across the globe

With a track record for managing hub operations and delivering first class safety to airlines, we are well placed to benefit from the increasing outsourcing trend

4

A consolidating marketplace

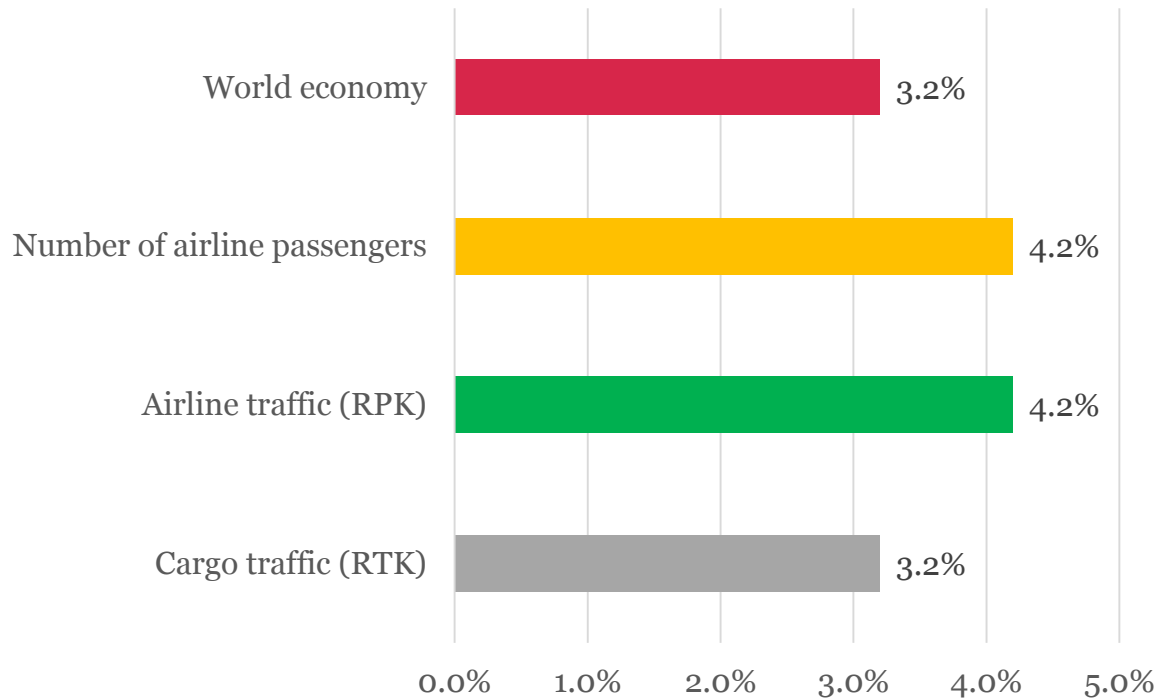
Market consolidation is taking place and is expected to continue for the next few years

With our strong operating model, financial strength, focus on safety and service, we are one of the strongest independent handlers in the market

Source : IATA

Aviation Market Dynamics

Global aviation market growth rates



Source: Boeing Outlook 2014 - 2033

Strong organic growth projections

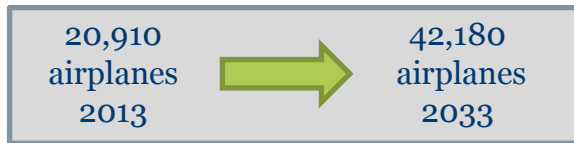
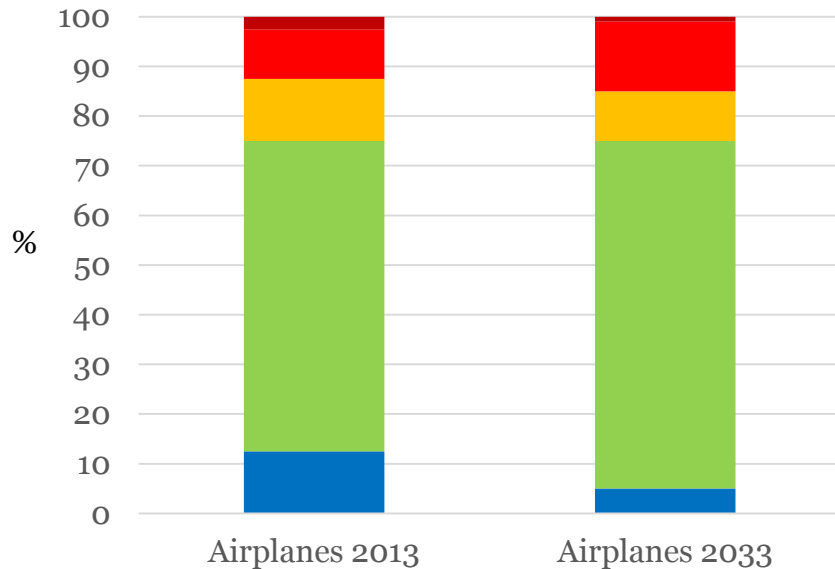


Aviation Market Growth

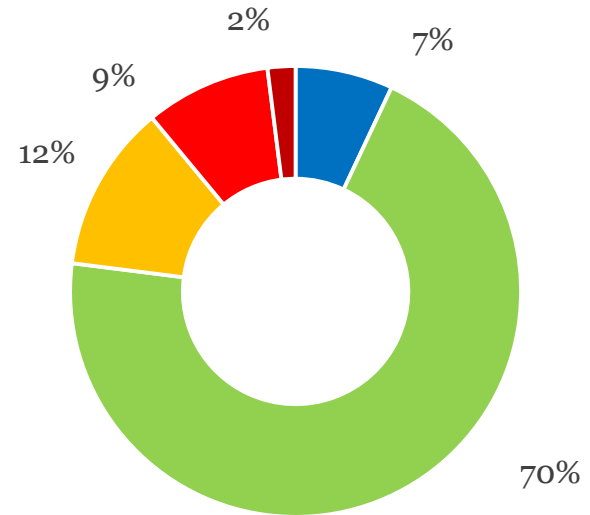
World's aircraft fleet set for substantial growth

Narrow bodied aircraft represents vast majority of global fleet

Share of Fleet



Aircraft delivery units



● Regional Jets ● Single Aisle ● Small widebody ● Medium widebody ● Large widebody

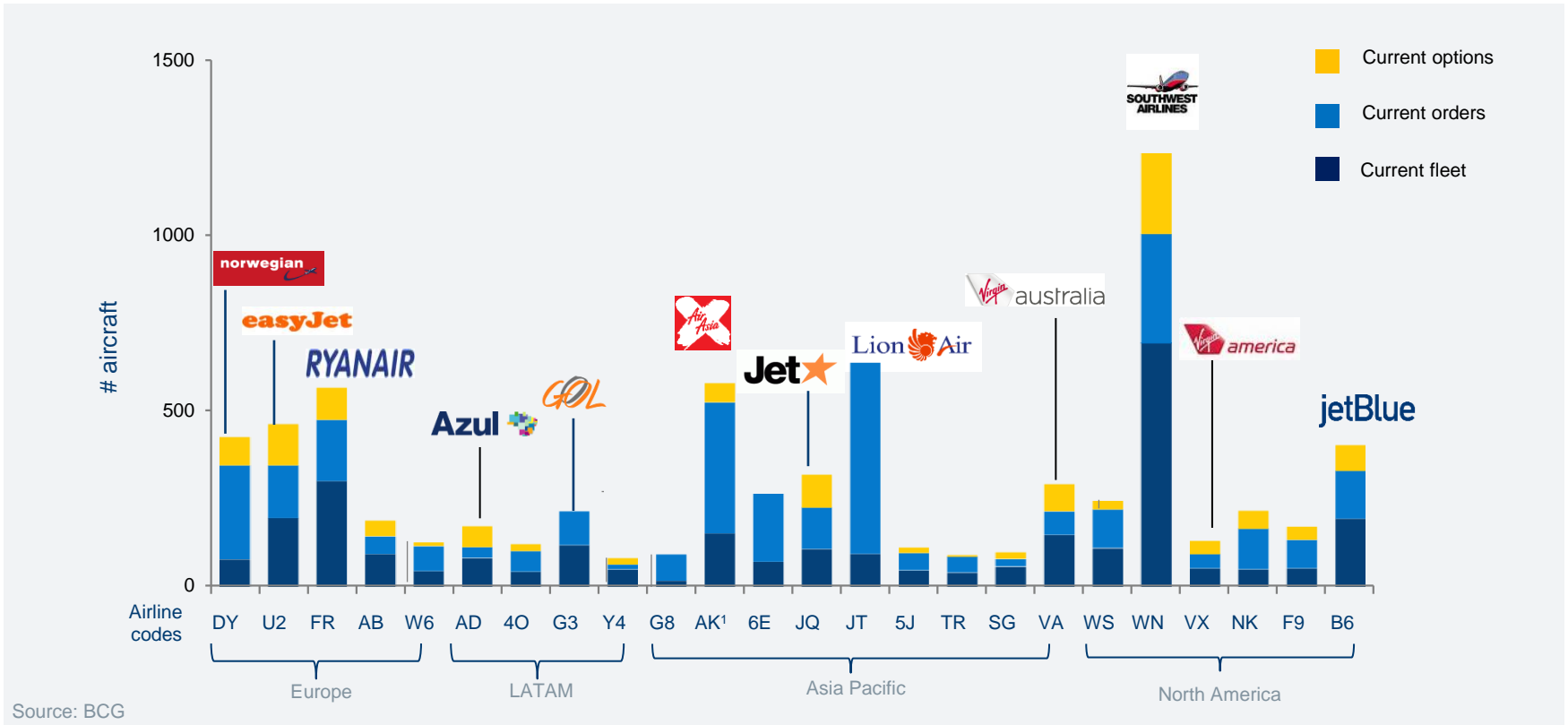
Source: Boeing Outlook 2014 - 2033



Aviation Market Dynamics

Low Cost Carrier growth

- Menzies Aviation is the world's no1 handler of LCC's
- Based on fleet orders LCC's are the fastest growing aviation market



Source: BCG

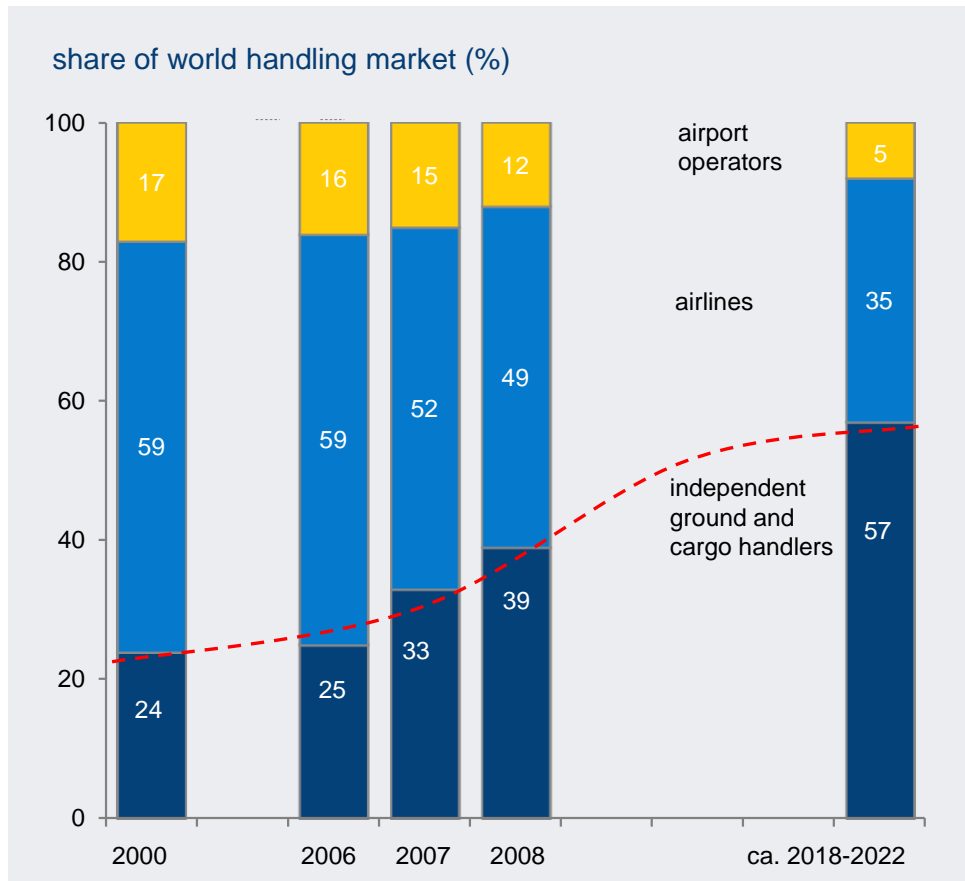


Aviation Market Dynamics

Outsourcing momentum – ground handling outsourcing is expected to continue to increase

INDEPENDENTS HAVE BEEN GAINING SHARE

OUTSOURCING DRIVERS



Airport deregulation is opening the market to independent handlers

Airlines continue to address costs from non-core activities

Low Cost Carriers increasing market share and have a model that out-sources non-core activities

Flag carriers increasingly out-sourcing away from their core hubs

Source: BCG



Aviation : Summary

2015 and beyond

- Market dynamics are strong and highly attractive
- Industry consolidation to continue
- Larger handlers with economies of scale can provide airlines with price and service level required

We are well placed

- Strong operating model & experienced team
- Cargo business re-shaped and delivering bottom line growth
- Responding to yield pressure with productivity initiatives and market share growth
- Diverse geographical portfolio is a real strength



A large commercial airplane is parked on a tarmac. The image is overlaid with a semi-transparent blue filter. The airplane's nose, cockpit, and tail are visible. A ground service vehicle is positioned in front of the aircraft. The sky is clear and blue.

Summary

Paula Bell
Group Finance Director

Summary & Outlook



First half results delivered

Distribution business performing well

Aviation experiencing short term headwinds offset by contract wins and cargo performance

Long term Aviation growth dynamics remain strong

Solid financial base to maximise organic and acquisitive opportunities

Appendix 1

Further information








Structured Growth Model

Growth model in practice



Our Competitors

Market consolidation taking place

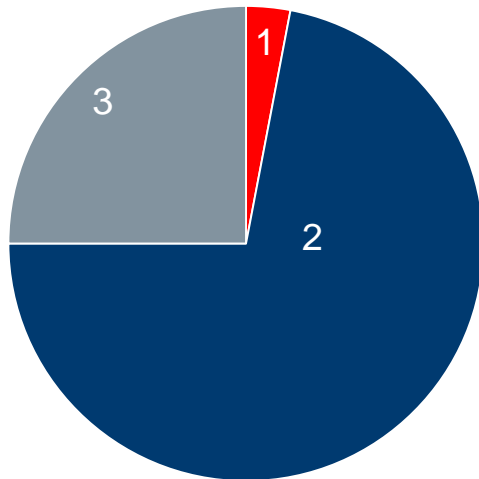
Handler	Ownership	Description
	Private equity: Pia partners	€450m takeover of Servisair complete No1 player acquiring no 3 player Large integration task ongoing 7% global market share
	Private owner: Emirates group	Individually managed hubs based on Emirates airline
	Private equity: LBO France	Largely cargo focused with strong European presence Good links with US carriers
	Private equity: 3i	Strong presence in continental Europe Management under pressure to achieve returns
	Listed plc: BBA Aviation plc	Small division of BBA Aviation Higher margin activities of de-icing and refuelling
	Private equity: Actera	Regional player with reliance on Turkish market Some signs of global ambitions
	Government owned	Large regional player in Asia – Singapore key market Also provides catering and other services



Aviation Market Dynamics

Increasing available market

2012



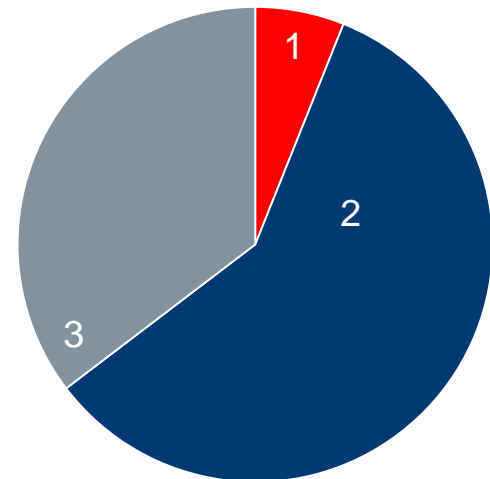
1.	MENZIES	3%
2.	SELF HANDLED	72%
3.	OTHER	25%

2012 – 31m aircraft turnarounds
Revenue c£26bn

We expect:

- Organic market growth driven by increased travel
- Increased travel will fuel Low Cost Carrier growth
- Market will respond by:
 - further consolidation
 - increased outsourcing

2020



1.	MENZIES	6%
2.	SELF HANDLED	58%
3.	OTHER	35%

2020 – 46m aircraft turnarounds
Revenue c£36bn

SOURCE: OAG OF HANDLING MARKET (2011) - BOEING CURRENT MARKET OUTLOOK



Financial Overview

Profit Before Taxation Reconciliation

£m	H1 2014	H1 2013	FY 2013
Underlying profit before tax	20.7	22.8	53.1
Non recurring items in operating profit	(1.8)	-	(0.7)
Non recurring items in finance costs	(0.3)	-	(0.7)
JVs and Associates tax	(0.9)	(0.6)	(1.6)
Contract amortisation	(3.5)	(3.1)	(6.6)
Goodwill impairment	-	(0.7)	(1.4)
Profit before tax	14.2	18.4	42.1



Financial overview

Balance sheet

£m	H1 2014	H1 2013
Tangible fixed assets and investments	138.0	146.0
Goodwill, intangibles and other assets	121.7	122.7
Working capital and other	(22.3)	(28.4)
Net debt	(113.4)	(110.5)
Pension liability, net of deferred tax	(40.2)	(37.4)
Net assets	83.8	92.4

