



# John Menzies plc

Interim Results  
20 August 2013

## People Powering Performance





## PEOPLE POWERING PERFORMANCE

### Group Highlights

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# Group Highlights & Financial Overview

Paula Bell, Group Finance Director



## Performance

Delivering against our strategy

Aviation growth on track

Distribution reacting to difficult markets

## Acquisitive growth

Orbital Marketing Services delivering expected returns

Aviation invests for growth with two acquisitions

- Consolidation play in Australia & New Zealand
- Strategic entry into Latin America

## Financial stability

Strong balance sheet

Robust platform for growth

Increase in interim dividend reflects future confidence

**On track to deliver second half progress**

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# Financial overview

£m	H1 2013	H1 2012	FY 2012
Turnover	997.9	988.4	1,996.8
Underlying operating profit	26.1	27.0	61.0
External interest	(2.1)	(2.0)	(3.8)
Pensions interest	(1.2)	(1.5)	(2.7)
Total interest	(3.3)	(3.5)	(6.5)
Underlying profit before tax	22.8	23.5	54.5
Profit before tax	18.4	16.4	28.1
Basic EPS	22.0p	19.0p	31.3p
Underlying EPS	28.2p	29.6p	68.8p
Dividend	7.7p	7.35p	25.2p

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Note: "Underlying operating profit" reflects the changes as a result of IAS19R, as detailed on slide 5. "Pensions interest" reflects the changes as a result of IAS 19R, as detailed in the Appendices on slide 38



## Underlying operating profit

£m	H1 2013	H1 2012	FY 2012
<b>Aviation</b>	16.0	14.5	35.6
IAS 19R impact	(0.5)	(0.4)	(0.8)
<b>Underlying operating profit</b>	<b>15.5</b>	<b>14.1</b>	<b>34.8</b>
<b>Distribution</b>	12.5	14.0	28.8
IAS 19R impact	(0.7)	(0.5)	(1.3)
<b>Underlying operating profit</b>	<b>11.8</b>	<b>13.5</b>	<b>27.5</b>
<b>Corporate</b>	(1.2)	(0.6)	(1.3)
<b>Underlying operating profit</b>	<b>26.1</b>	<b>27.0</b>	<b>61.0</b>

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# Menzies Aviation – Overview

£m	H1 2013	H1 2012	Change
Turnover (incl. JVs & Assoc.)	361.3	340.2	+6%
Underlying operating profit	15.5	14.1	+10%
Operating margin %	4.3%	4.1%	

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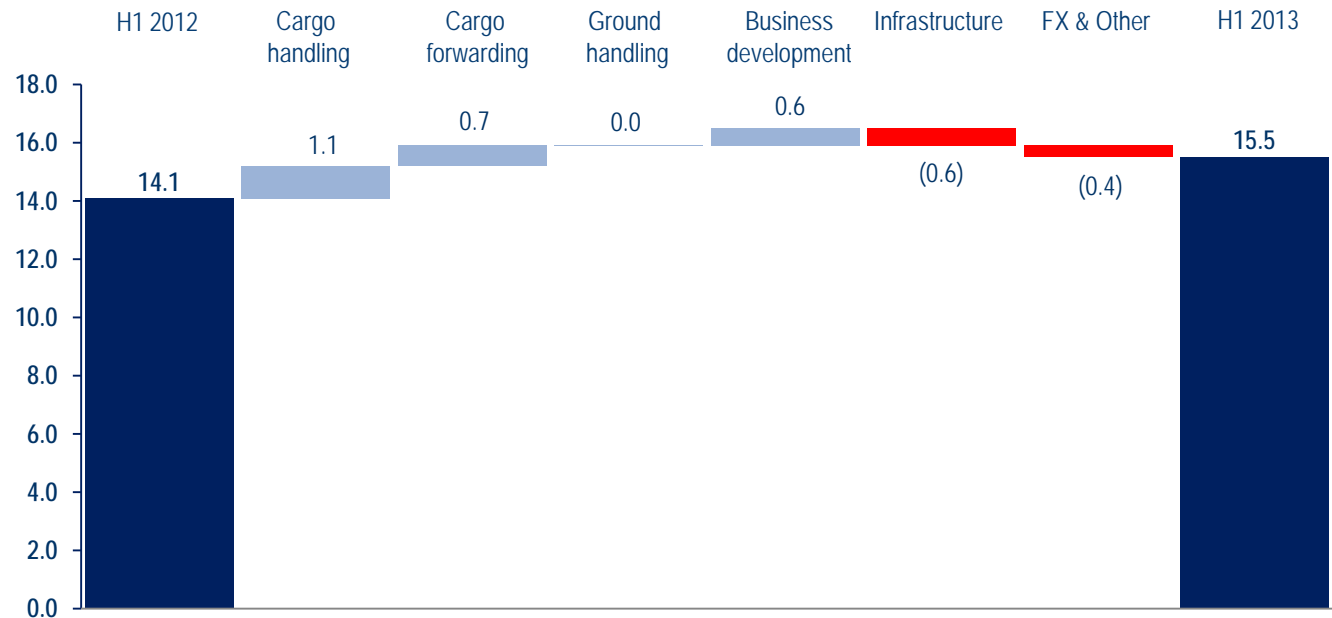
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Momentum continues



# Menzie's Distribution – Overview

£m	H1 2013	H1 2012	Change
Turnover (incl. JVs and Assoc.)	636.6	648.2	-2%
Underlying operating profit	11.8	13.5	-13%
Operating margin %	1.9%	2.1%	

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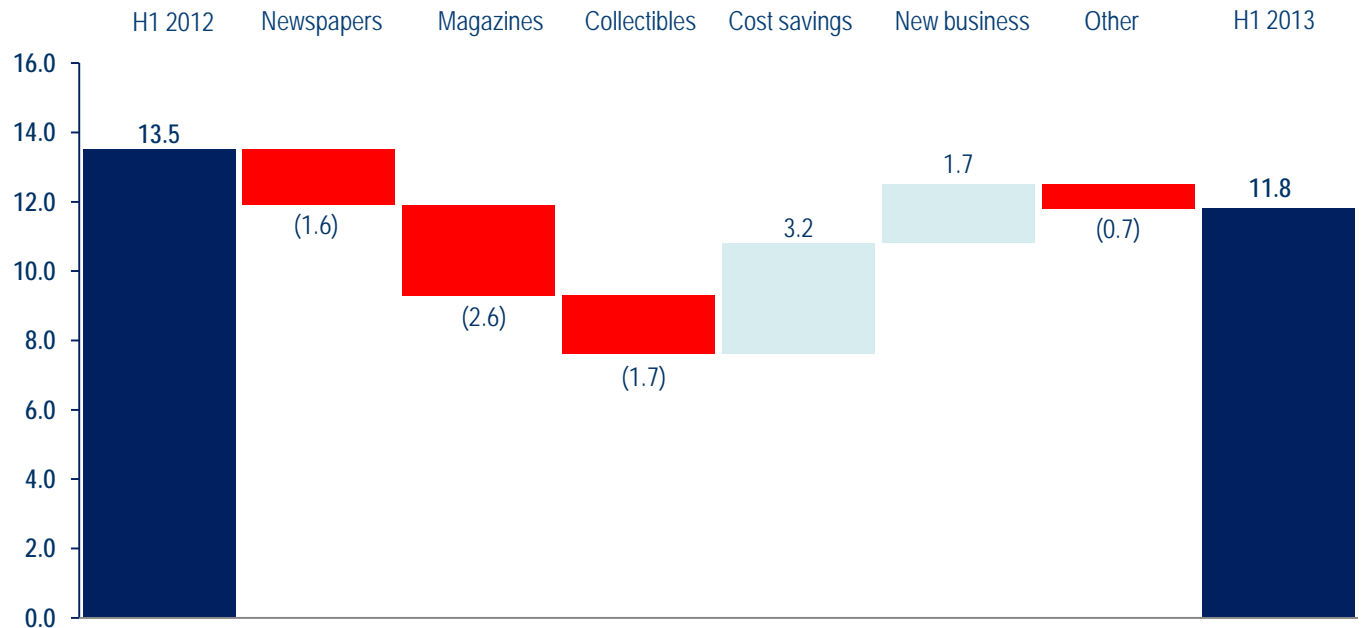
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Challenging first half



# Cash flow and net debt

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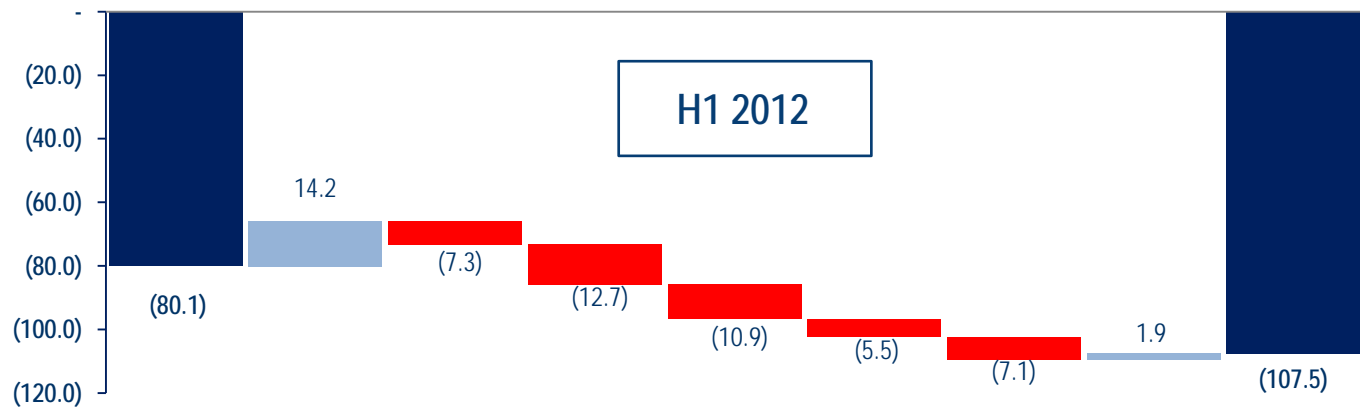
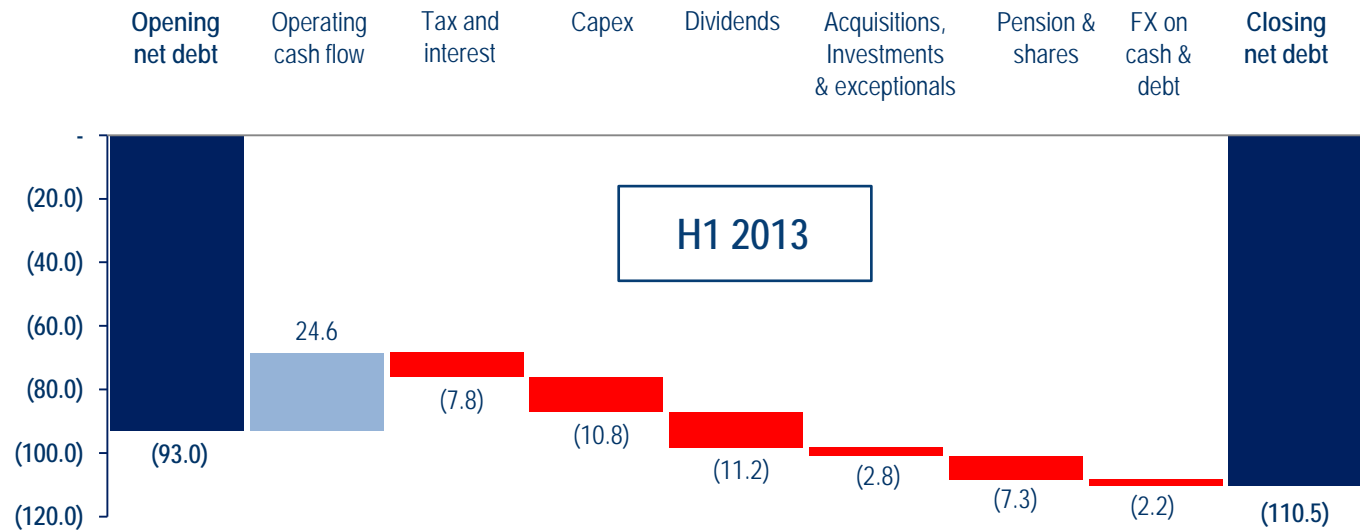
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**Strong operating cashflow**





# Balance sheet

£m	H1 2013	H1 2012
Tangible fixed assets and investments	146.0	146.6
Goodwill, intangibles & other assets	122.7	108.0
	<b>268.7</b>	<b>254.6</b>
Working capital and other	(28.4)	(17.9)
Net debt	(110.5)	(107.5)
Pension liability (net of deferred tax)	(37.4)	(56.7)
<b>Net assets</b>	<b>92.4</b>	<b>72.5</b>

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# Business Review - Menzies Aviation

Craig Smyth, Managing Director



# Aviation overview

## Highlights

- Positive progress made against subdued global economy
- Benefits from cargo closures delivered
- Continued top line momentum through contract wins and renewals
- Some yield sacrifice partially offset by productivity
- Overall EBIT margin up to 4.3%
- Growth strategy being executed with two acquisitions announced
  - consolidation play in Australia and NZ
  - strategic entry in to Latin America

## Revenue

**£361.3m**      **+6.0%**

## Operating profit

**£15.5m**      **+10.0%**

## Investing for growth

**£14.1m**  
**invested in**  
**two acquisitions**

**Overall performance in line with expectation**

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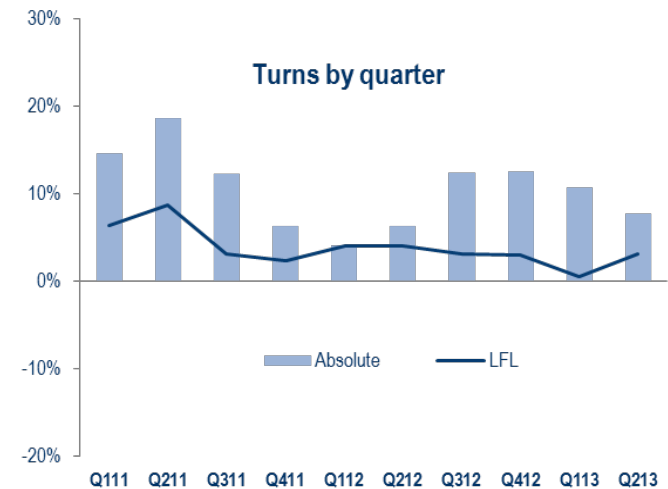


## Building market share continues

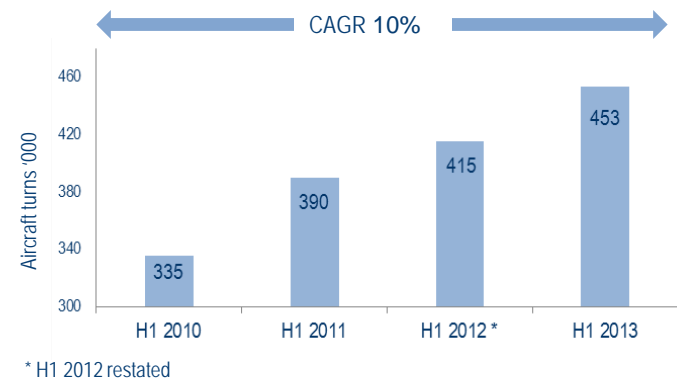
- Now represents 63% of Aviation turnover
- Turns: absolute ↑ 9.1% LFL ↑ 2.0%
- Contracts:
  - 36 net wins adding £10m revenue
  - 43 renewed securing £26m revenue
- Continued focus on yield and productivity
- Operating profit maintained at £9.3m



## Turns performance year on year



## Turns momentum



Short term profit constraint, significant opportunities to grow



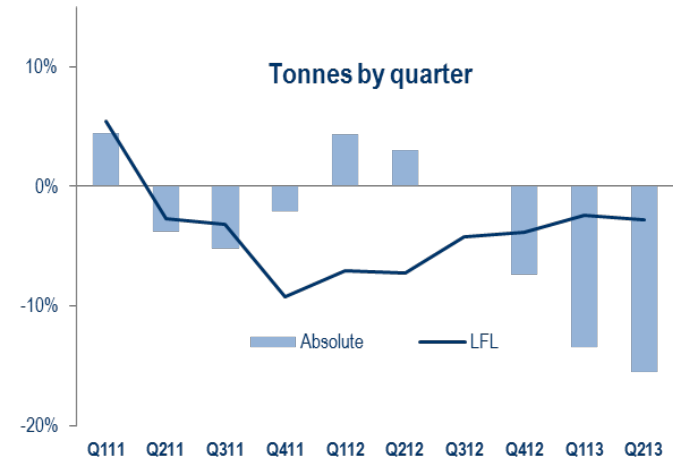
# Cargo handling & forwarding

## Refocused portfolio

- Operating profit up 24% to £4.6m, margin 6%
- Now represents 21% of Aviation turnover
- Weak GDP & shed closures
- Tonnes: absolute ↓ 14.5% LFL ↓ 2.6%
- 12 contract renewals £17m



## Tonnes performance year on year

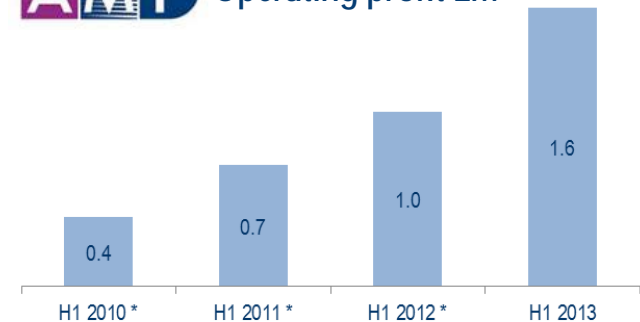


## Continued success

- Operating profit up £0.6m to £1.6m
- Growth from leveraging global platform
- New operations opened in India
- Deepening relationships with key airlines



## Operating profit £m



\* H1 2010-12 restated

### New formula successfully applied

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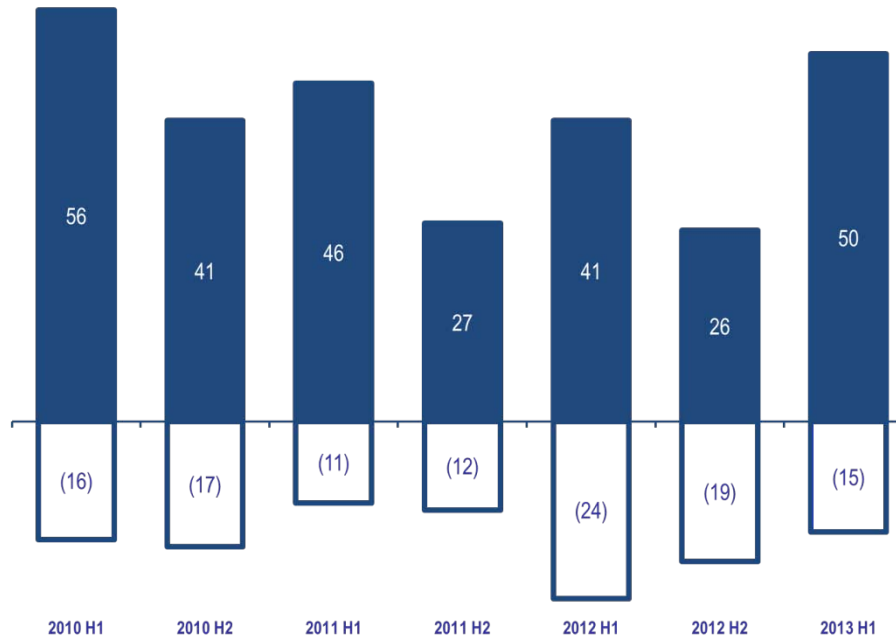
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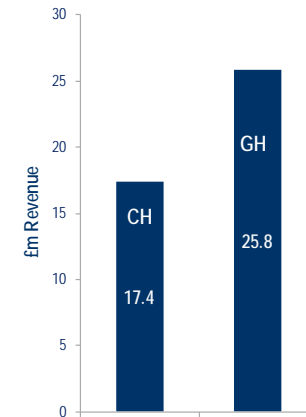
# New contracts and renewals

## Contract gains and losses



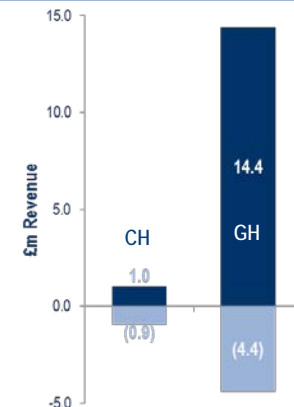
## Contract Renewals

Renewed revenue £43.2m



## Net Contract Gains

Additional revenue £10.1m



Good win and renewal track record

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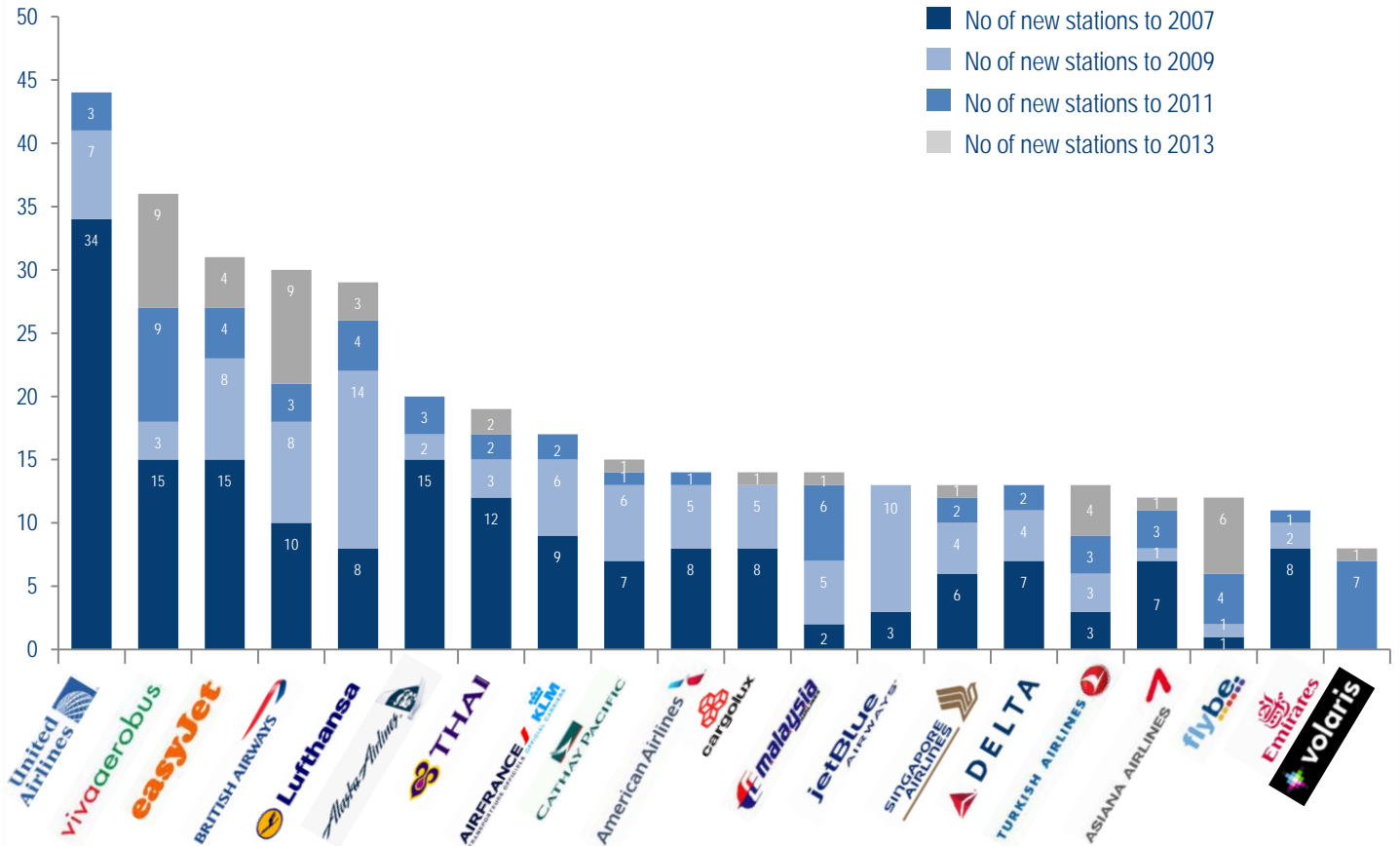
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# Customer penetration update



Formidable track record building customer trust

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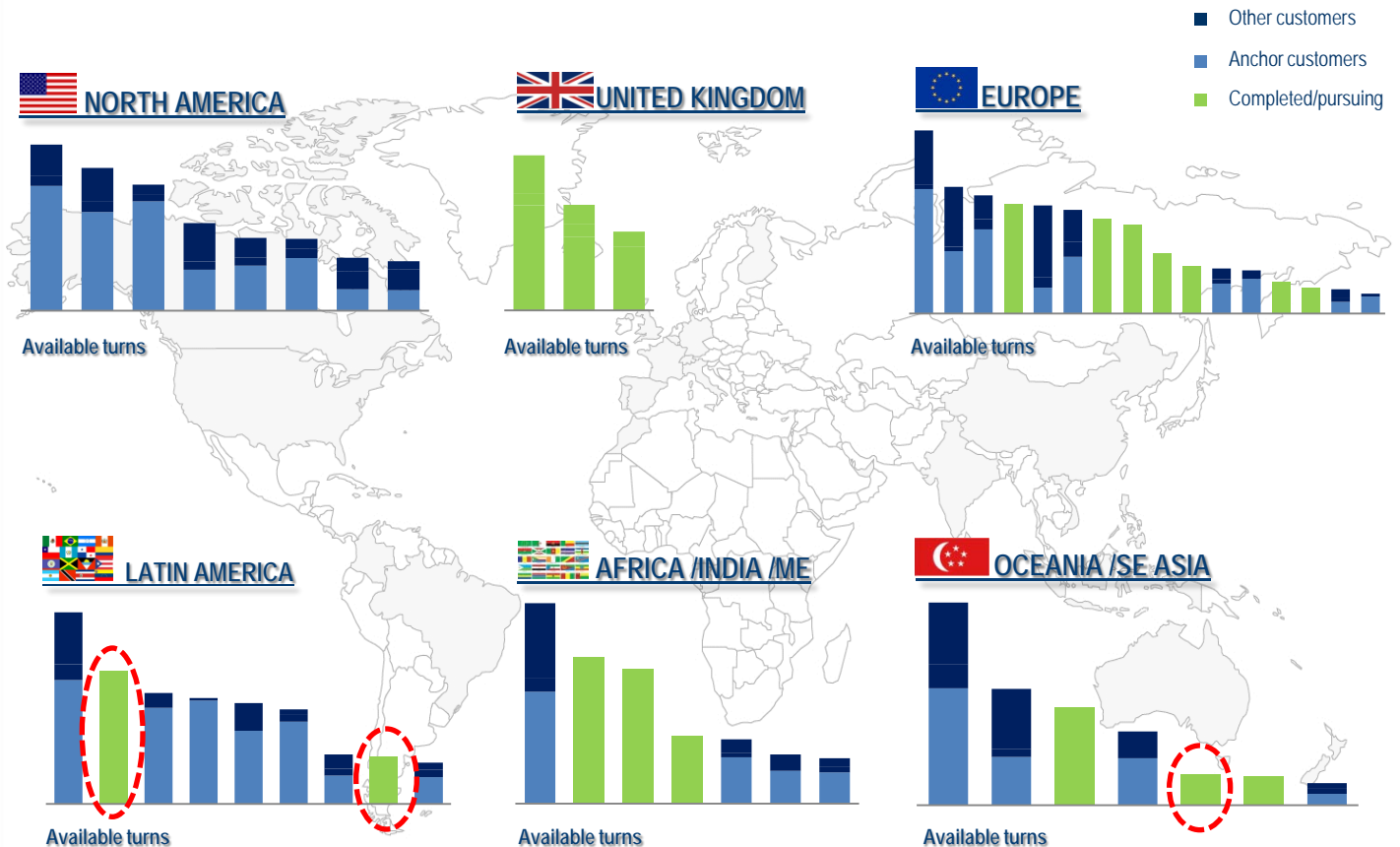
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# Our 'rifle shot' growth plan

## Top 50 new attractive stations



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## Actively pursuing our top targets



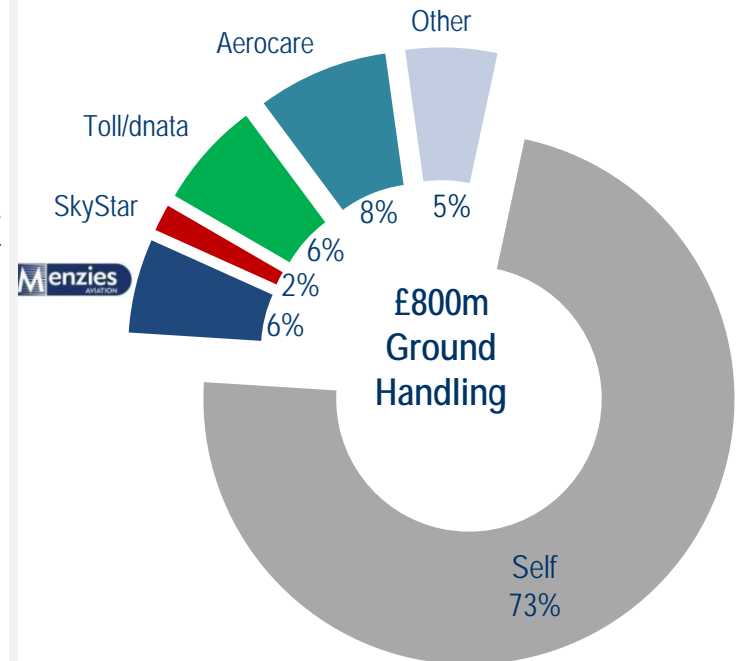


# Skystar Acquisition

## Summary

- Consideration of £7.7m
- 4<sup>th</sup> largest independent handler in region
  - 17,000 turns, 340 staff
- Key consolidation play in Australia and NZ
- 8 ground handling stations – incl. 6 new
  - Perth (target station) & 5 regional
  - strengthens 2 existing stations in NZ
- Customers
  - low cost anchor (Jetstar & QantasLink)
  - complements our international platform
  - deepens Qantas relationship
- Further expansion opportunities

## Australia & New Zealand Market



Attractive acquisition in successful existing market

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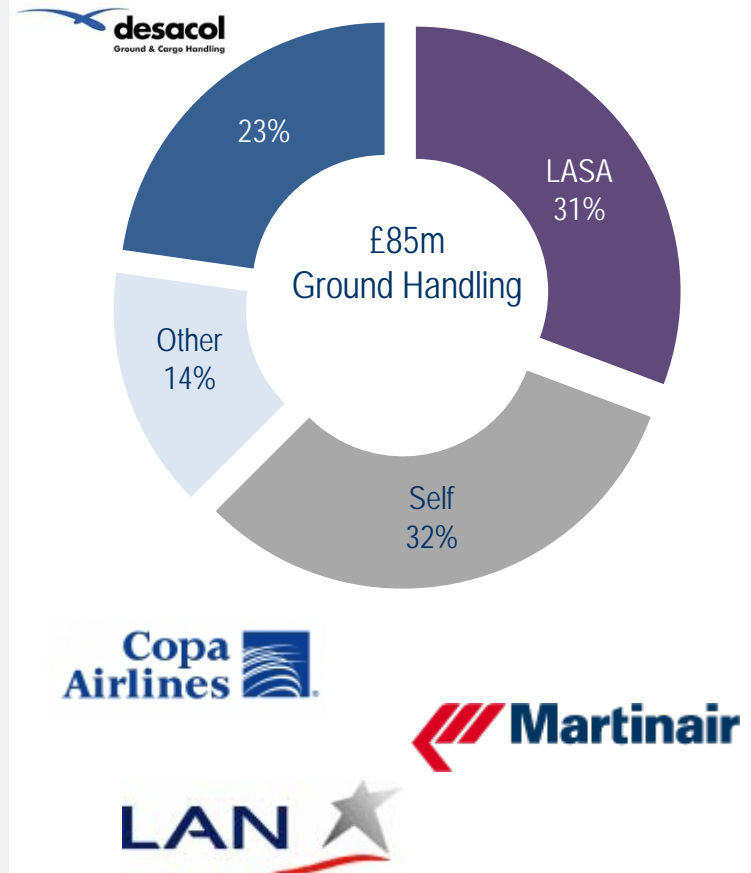


# Desacol Acquisition

## Summary

- Consideration of £6.4m
- Second largest player in market
  - 60,000 turns, 50,000 tonnes
- Ground handling in 5 stations
  - 3 target stations + 2 regional stations
  - potential growth from new low cost entrants plus increase in US airlines
- Cargo handling in Bogota
  - Attractive market dynamics
  - strong export market
    - coffee, flowers, emeralds
- Customers
  - regional anchors (COPA & LAN)
- 4<sup>th</sup> largest economy in Latin America

## Colombia ground handling market



Exciting expansion into new market and region

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## Continued growth

10% profit increase

Refocus of cargo delivering bottom line improvement

Competitive pressures impacting margin

Enviably contract renewal and win track record

## Growth strategy

Targeted growth strategy working

Focus on attractive customer airlines and attractive stations

Two targeted acquisitions delivered

Actively pursuing "rifle-shot" new station opportunities

**Good performance with continued strong growth prospects**

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# Business Review - Menzies Distribution

David McIntosh, Managing Director



# Distribution overview

## Highlights

- Expected tough trading conditions
- Contract renewal process progressing well
- Track record in delivering cost reductions
- Additional cost actions identified
- Integration of Orbital on track
  - Growth opportunities identified

## Operating profit

**£11.8m**

## Contract Renewals

**60% complete**

## Orbital integration

**Delivering expected returns**

**Full year expectations remain on track**

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# Core product categories

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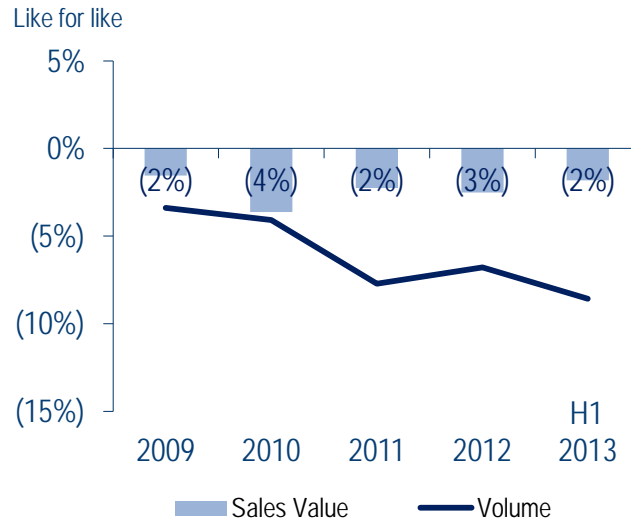
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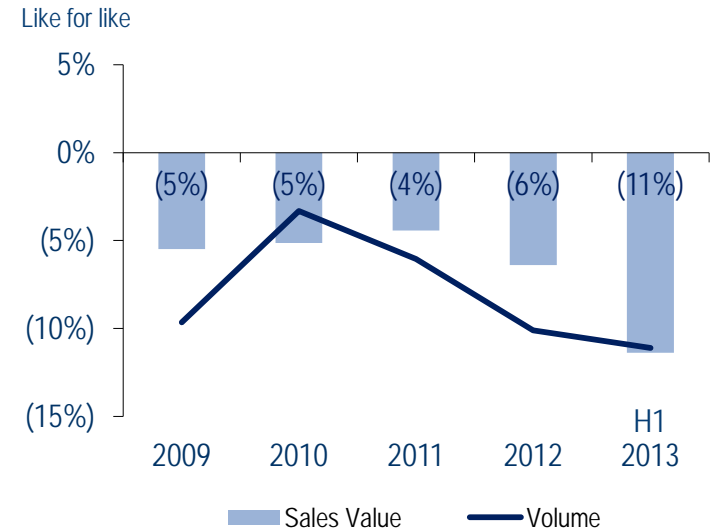
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## Newspapers



- Increase in volume declines
- Significant cover price increases

## Magazines



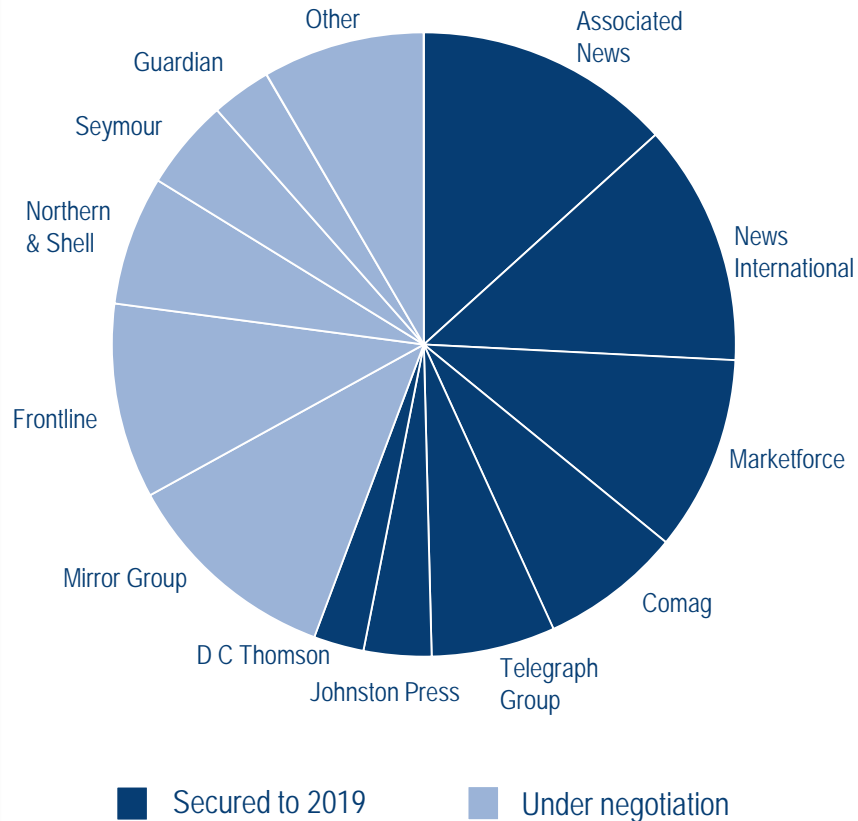
- Title closures
  - AutoTrader, More, Easy Living
- Celebrity sector badly affected by volume decline

**Newspapers continue to benefit from cover price appreciation**



# Contract renewals

## Top Customers



## Securing the core

- Good progress made
- 60% of revenue secured through to 2019
- Negotiations underway with others
- Provides stable platform

Contract security provides stable platform

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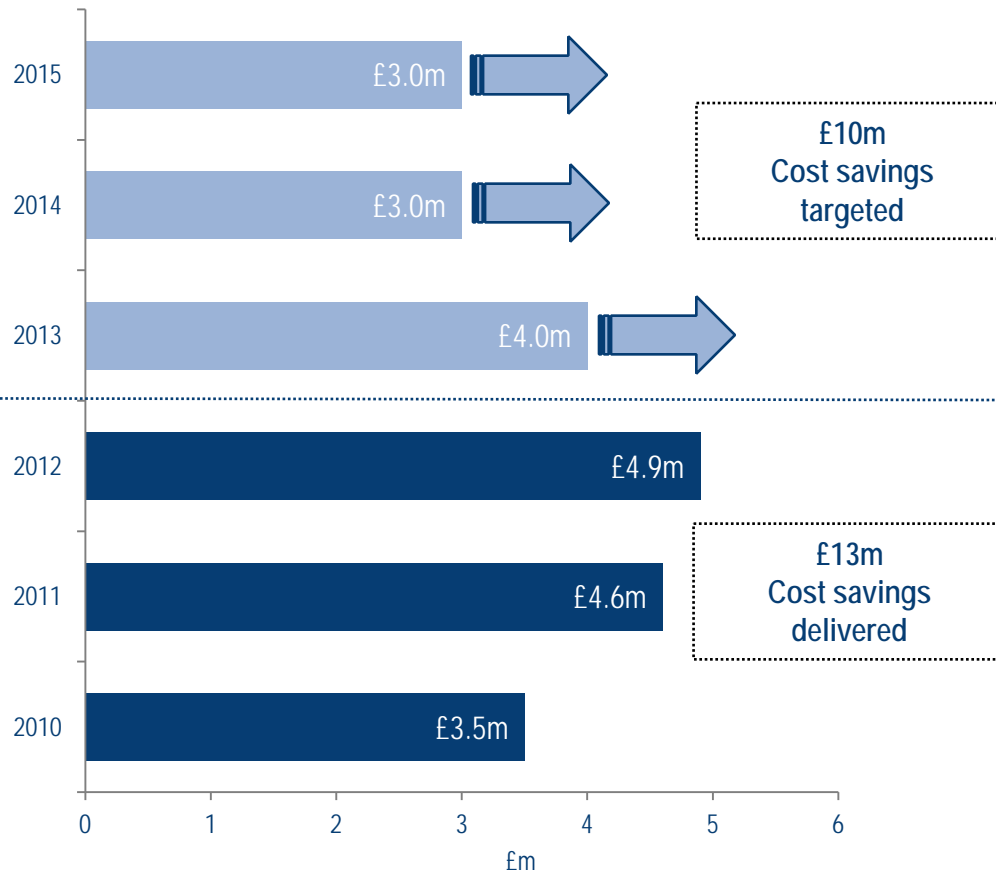
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## Continuous Improvement



Operational efficiencies

Network rationalisation

SAP implementation

Headcount reduction

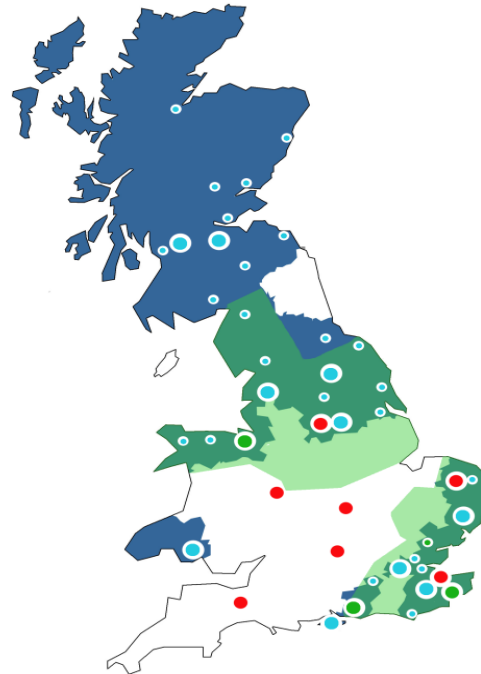
**Continuous improvement through innovation**

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## Orbital Marketing Services



- On track to deliver £1m synergies
- Combined footprint offers new opportunities
  - potential for national distribution

## Travel Brochure distribution

- Volume levels in line with predictions
- Delivery being integrated into core network
- Now live in:
  - London, Kent, East Anglia, NW England

## Fulfilment & Direct Mailing

- Focus on increasing capacity utilisation
- Contract wins in charity, travel and home shopping sectors

## Placement & Category Management

- Metro contract renewed
- Time Out contract secured

**Synergy delivery on track – opportunities to grow**

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## Dealing with challenges

Managing declining markets

Diversification businesses gain traction

- Orbital synergies on track

Further cost actions being implemented to deliver H2

## Strategic target

Securing the core

- Complete remaining contract renewals
- Deliver further operational efficiencies

Grow diversification ventures

- Leverage Orbital opportunities
- Explore national distribution capabilities

**Progress made – more to do**

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# Summary & Outlook

Paula Bell, Group Finance Director



## Consistent strategy

Track record of delivering against goals  
Well understood markets

## Financial strength

Strong balance sheet  
Fire power to pursue targets

## Value creation

Opportunities being explored – organic & acquisitive  
Platform in place to deliver further expansion

## Outlook

In line with expectations  
Well positioned for future progress

**Strong growth prospects**

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# Appendix 1

## Additional operational information



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## Ground handling

**63%** of total revenue

- Check-in & boarding
- Baggage, ramp handling and de-icing
- Cleaning
- Lounges
- Other passenger services

## Cargo handling

**21%** of total revenue

- Build & break
- Roll-through
- Trucking (airside & landside)
- Manpower provision
- Documentation processing

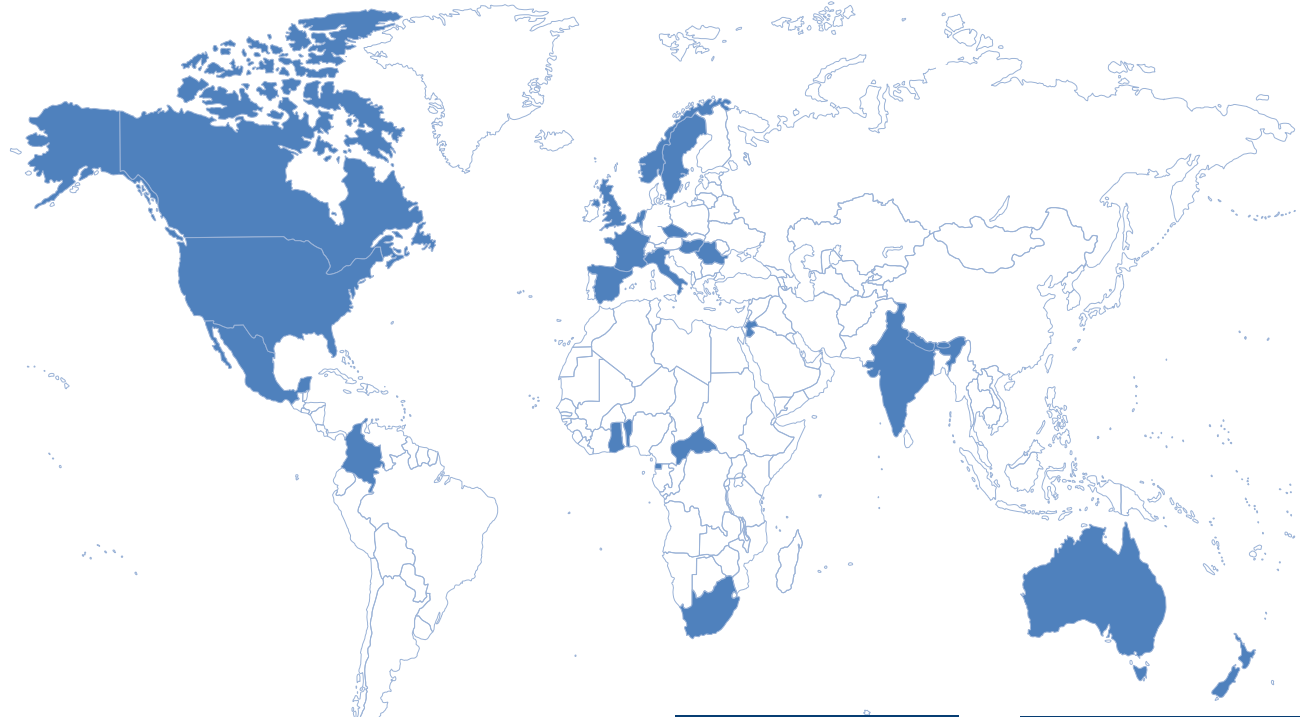
## Cargo forwarding

**16%** of total revenue

- World's largest wholesale freight forwarder
- Air freight & express
- Support major passenger carriers as well as freighters
- £97m spend in 2012



# Menzie's Aviation network



**144**  
stations

**30**  
countries

**6**  
continents

**20,500**  
employees

**500**  
airlines

**77m**  
passengers

**1.6m**  
tonnes of cargo

**1.0m**  
aircraft turns

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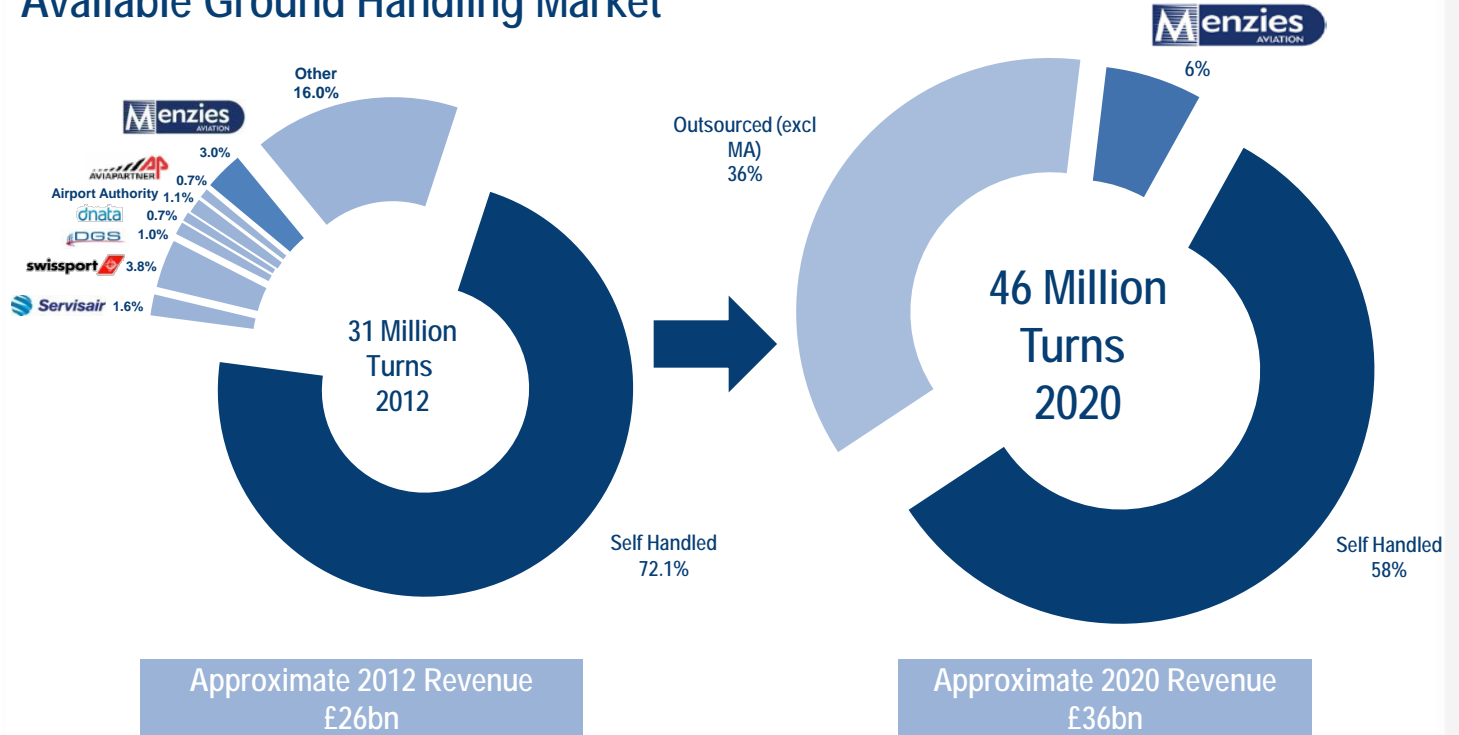
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# Our longer term ambition

## Available Ground Handling Market



Growth over the next 8 years:  
Market Growth 5%

### Shape of Menzies Aviation in 2020:

Revenue £2bn, EBIT £100m  
40 countries & 250 stations

Source: OAG of handling market (2011), Boeing Current market outlook

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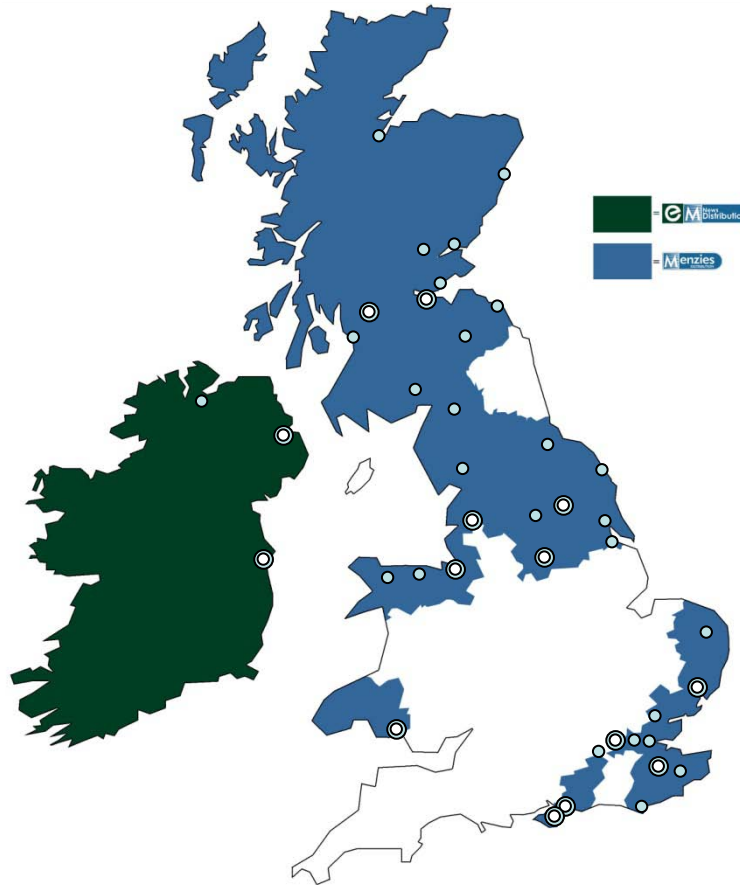
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# Core distribution network

## Newspaper & Magazine Wholesale



**14**

Hub branches

**3,700**

Employees

**4.7m**

Newspapers  
EVERY DAY

**2.0m**

Magazines  
EVERY DAY

**25,000**

Customers  
EVERY DAY

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## Appendix 2 Additional Financial Information



## Free cash flow

£m	H1 2013	H1 2012	FY 2012
<b>Underlying operating profit</b>	<b>26.1</b>	27.0	61.0
Depreciation	10.7	11.7	20.2
Dividends from JVs & associates	1.7	1.7	4.5
Working capital movement	(11.5)	(23.2)	(17.9)
Net pension movement	0.1	(0.9)	(0.9)
Other non-cash items	(2.5)	(2.1)	(2.6)
<b>Operating cash flow</b>	<b>24.6</b>	14.2	64.3
Tax	(5.0)	(4.8)	(9.5)
Net capex	(10.8)	(12.7)	(15.9)
Net interest paid	(2.8)	(2.5)	(4.2)
<b>Free cash flow</b>	<b>6.0</b>	(5.8)	34.7

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## Net cash flow and net debt

£m	H1 2013	H1 2012	FY 2012
Free cash flow	6.0	(5.8)	34.7
Dividends	(11.2)	(10.9)	(15.3)
Acquisitions and investments	(0.9)	(1.3)	(14.9)
Exceptionals	(1.9)	(4.2)	(10.0)
Additional pension payment	(4.4)	(3.2)	(6.5)
Net spend on shares	(2.9)	(3.9)	(3.0)
<b>Net cash flow</b>	<b>(15.3)</b>	<b>(29.3)</b>	<b>(15.0)</b>
<b>Net debt at start of period</b>	<b>(93.0)</b>	<b>(80.1)</b>	<b>(80.1)</b>
Currency translation	(2.2)	1.9	2.1
<b>Net debt at end of period</b>	<b>(110.5)</b>	<b>(107.5)</b>	<b>(93.0)</b>

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£m

## Turnover

Ground handling

Cargo handling

Cargo forwarding

## Underlying operating profit

Ground handling

Cargo handling

Cargo forwarding

H1 2013

H1 2012

Change

226.0

206.6

75.3

78.7

60.0

54.9

361.3

340.2

+6%

9.3

9.4

4.6

3.7

1.6

1.0

15.5

14.1

+10%



# IAS 19R changes

£m	H1 2013 IAS19R	IAS19R impact	H1 2012 IAS19R	H1 2012 IAS19	IAS19R impact	FY 2012 IAS19R	FY 2012 IAS19	IAS19R impact
Aviation	15.5	-0.5	14.1	14.5	-0.4	34.8	35.6	-0.8
Distribution	11.8	-0.7	13.5	14.0	-0.5	27.5	28.8	-1.3
Corporate	(1.2)	-	(0.6)	(0.6)	-	(1.3)	(1.3)	-
<b>Underlying operating profit</b>	<b>26.1</b>	<b>-1.2</b>	<b>27.0</b>	<b>27.9</b>	<b>-0.9</b>	<b>61.0</b>	<b>63.1</b>	<b>-2.1</b>
External interest	(2.1)	-	(2.0)	(2.0)	-	(3.8)	(3.8)	-
Pension interest charge	(1.2)	-1.0	(1.5)	(0.5)	-1.0	(2.7)	(0.9)	-1.8
	(3.3)	-1.0	(3.5)	(2.5)	-1.0	(6.5)	(4.7)	-1.8
<b>Underlying profit before tax</b>	<b>22.8</b>	<b>-2.2</b>	<b>23.5</b>	<b>25.4</b>	<b>-1.9</b>	<b>54.5</b>	<b>58.4</b>	<b>-3.9</b>

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