



# John Menzies plc

Interim Results Presentation

Edinburgh | 14 August 2012





## Our team & agenda

### 1. Group highlights & financial overview



Paul Dollman,  
Group Finance Director

### 2. Aviation business review



Craig Smyth,  
MD Menzies Aviation

### 3. Distribution business review



David McIntosh,  
MD Menzies Distribution

### 4. Outlook and summary

Paul Dollman,  
Group Finance Director

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# Group Highlights & Financial Overview

Paul Dollman, Group Finance Director



# Group highlights

## Financial performance

Group continues to deliver its strategy  
Underlying operating profits ahead at both divisions  
Progressive dividend policy continues

## Operational performance

Both divisions continue to deliver operational excellence  
UK cargo restructure provides a significant step forward  
Major branch rationalisation completed

## Value creation

Three acquisitions & two new country entries completed  
Contract gain momentum continues at Aviation  
Clear and deliverable growth prospects for the Group

**Good progress in difficult economic times**

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## Segmental operating profit

£m	H1 2012	H1 2011	Change
Aviation	14.5	13.8	+5%
Distribution	14.0	13.7	+2%
Corporate	(0.6)	(0.6)	-
<b>Underlying operating profit</b>	<b>27.9</b>	<b>26.9</b>	<b>+4%</b>
External interest	(2.0)	(2.5)	
Pension interest (charge) / income	(0.5)	0.7	
	(2.5)	(1.8)	
<b>Underlying profit before tax</b>	<b>25.4</b>	<b>25.1</b>	<b>+1%</b>
Underlying earnings per share	32.0p	32.4 p	-1%

Profits up across both divisions

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## Menzies Aviation – Financial overview

£m	H1 2012	H1 2011	Change
Turnover (incl. JVs and Assoc.)	340.2	332.7	+2%
Underlying operating profit	14.5	13.8	+5%
Underlying operating profit at constant FX	15.4	13.8	+12%
Operating margin %	4.3%	4.1%	

**Underlying earnings growth continues**

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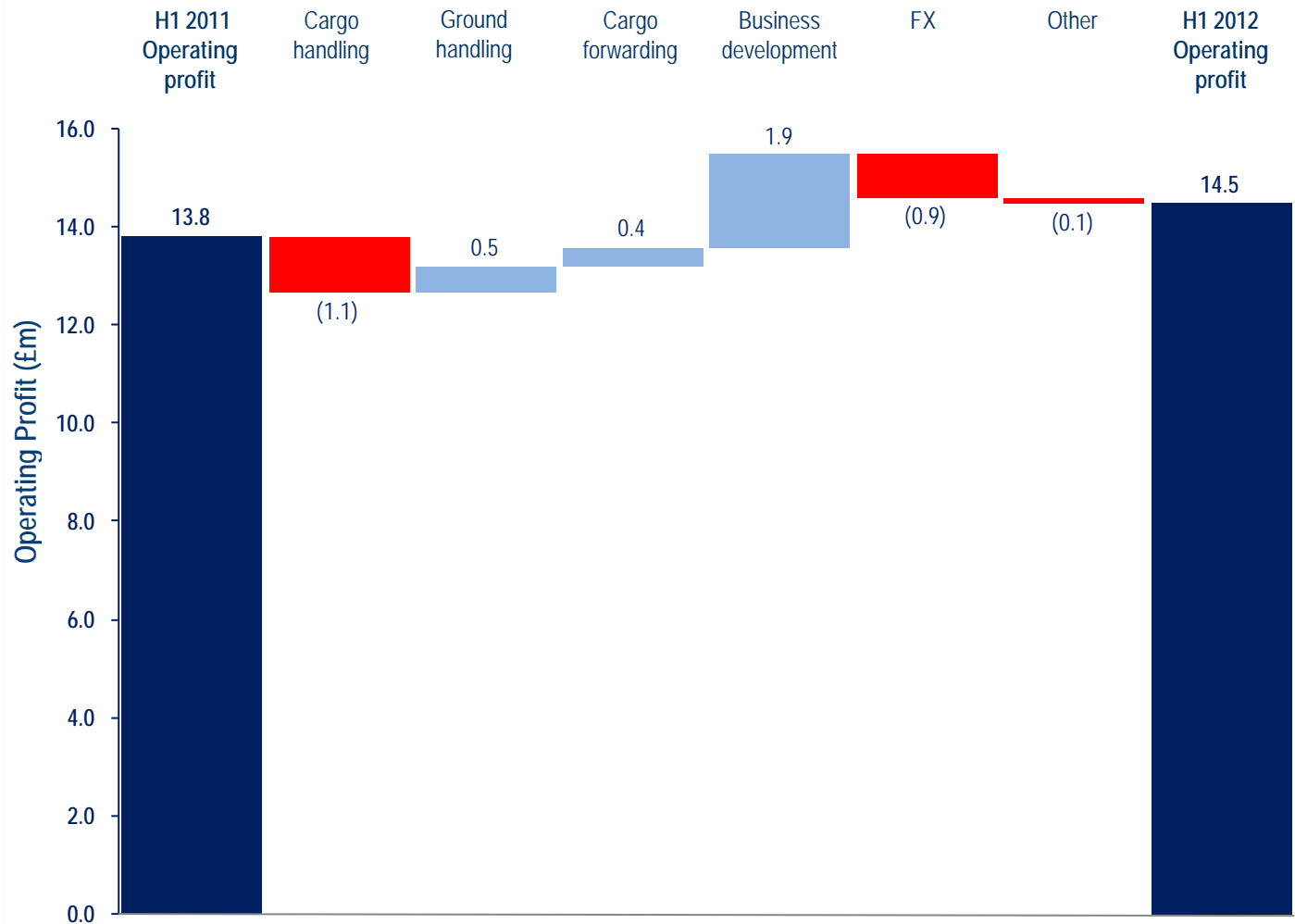
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# Menzies Aviation – Underlying operating profit bridge



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Continued momentum



# Menzies Distribution – Financial overview

£m	H1 2012	H1 2011	Change
Turnover (incl. JVs and Assoc.)	648.2	673.0	-4%
Underlying operating profit	14.0	13.7	+2%
Operating margin %	2.2%	2.0%	

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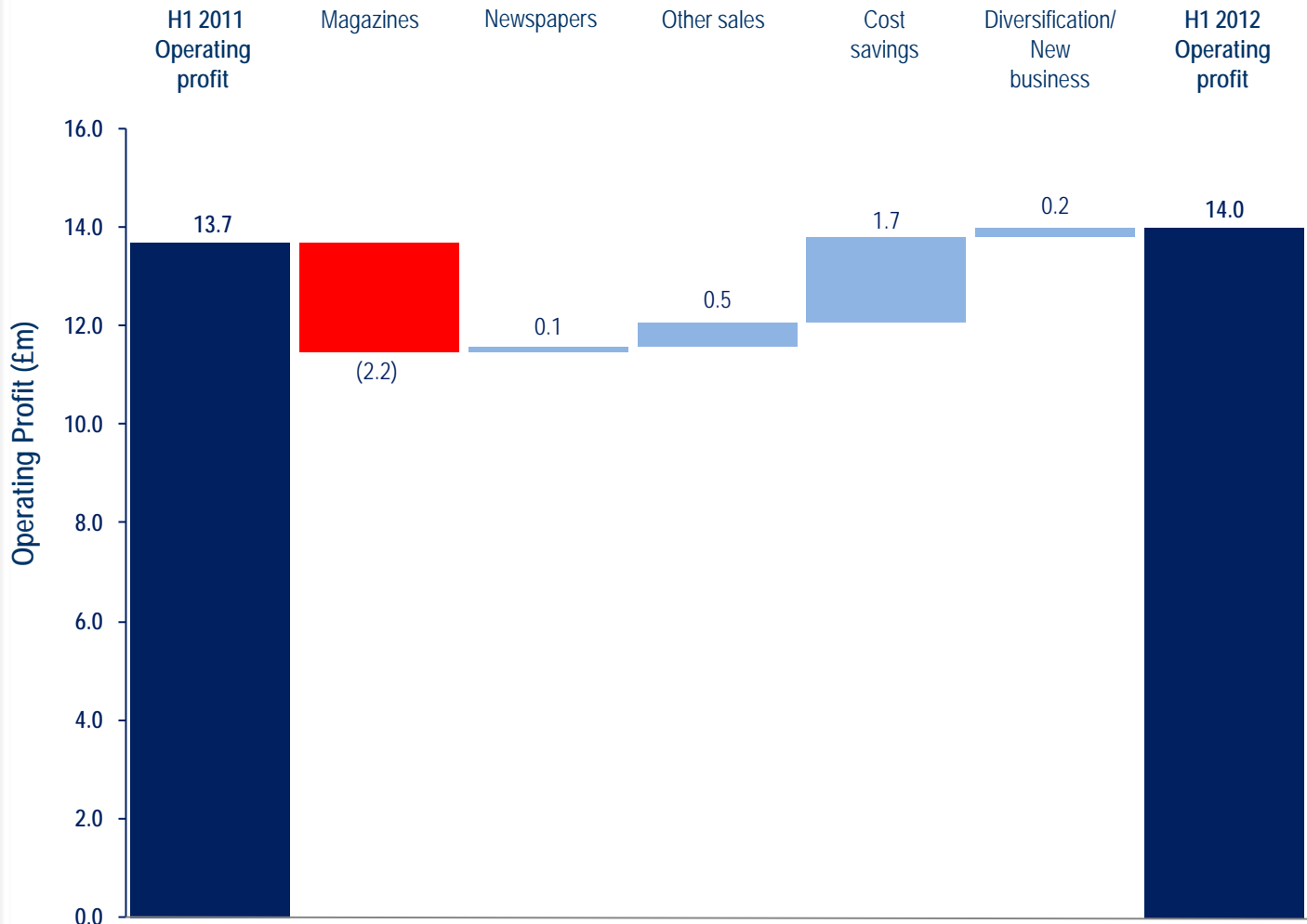
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Improved business efficiency





# Menzie's Distribution – Underlying operating profit bridge



Cost savings continue to be delivered

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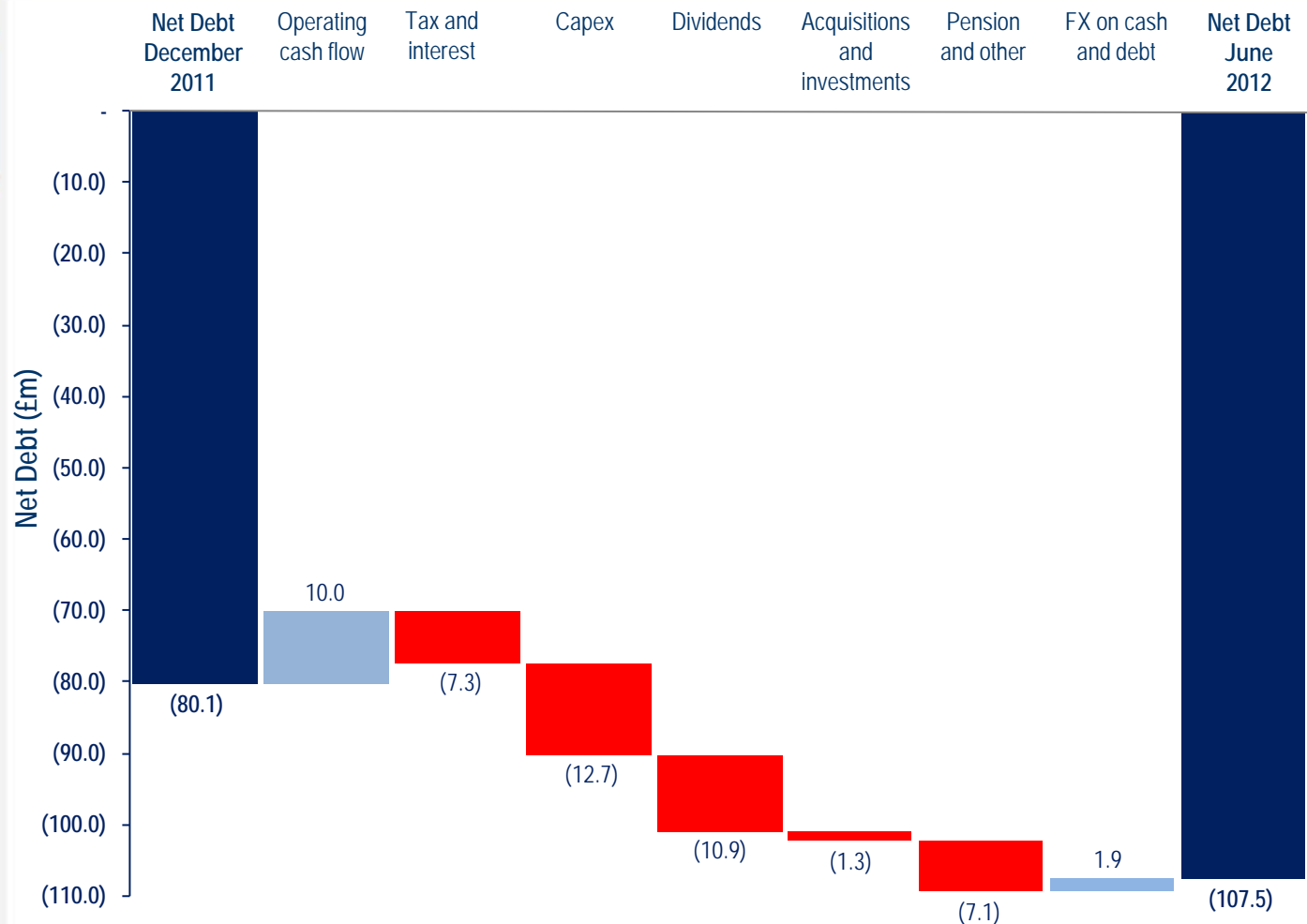
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# Net debt development



Debt : EBITDA remains below 1.5

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# Exceptionals

£m	2012
Aviation – Mexican labour agreement	(1.4)
Aviation – Stansted restructure	(0.4)
Distribution – Rationalisation costs	(1.5)
	(3.3)

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# Business Review Menzies Aviation

Craig Smyth, Managing Director



# Half year overview

## Robust performance

Operating profit up £0.7m at £14.5m

Underlying profits up 12% on constant currency basis

Progress with loss making sheds

## Top line momentum

Ground handling turns

Absolute 5.3% ↑ LFL 2.2% ↑

Cargo volumes

Absolute 3.7% ↑ LFL 6.7% ↓

Continued contract gains and successful renewals

## Looking forward...

Continued attractive airline focus

Analytical approach to targeting new attractive stations

Organic and acquisition business development

**Robust performance through adverse economic conditions**

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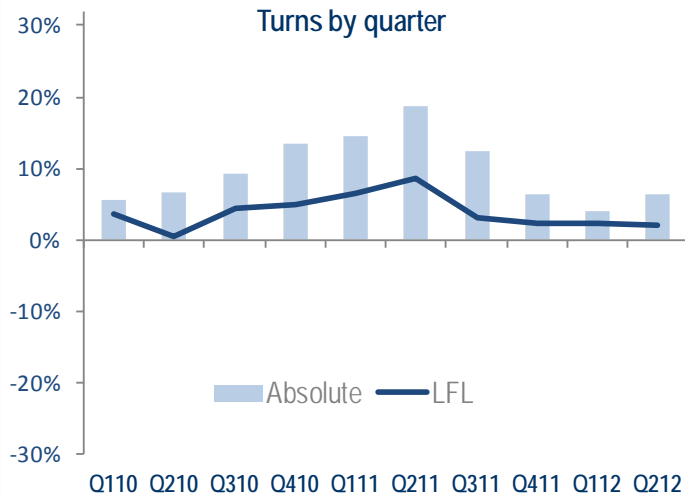
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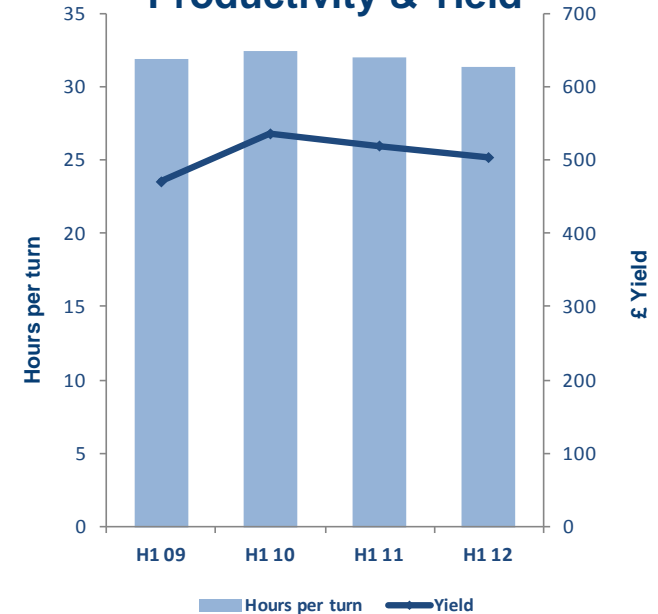
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## Volumes | YoY% change



## Productivity & Yield



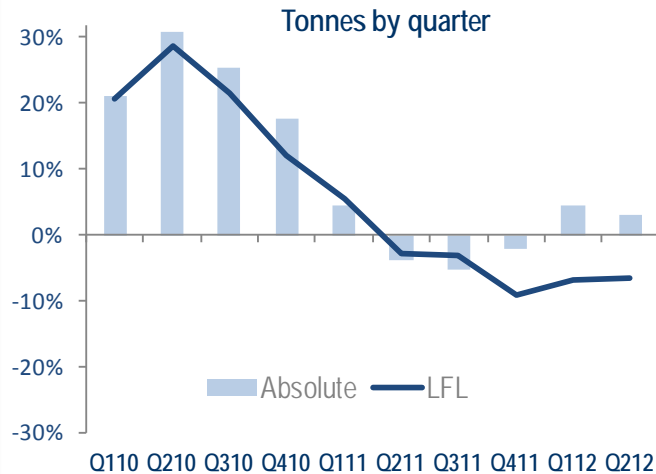
- Absolute volume growth continues to outstrip underlying market
- LFL dropped off due to economic environment but has stabilised
- Growth strategy continues to work through contract wins

- Yield slightly decreasing due to aircraft mix and competitive pressures
- Improved productivity offsets yield diminution
- On time performance strong at >99%

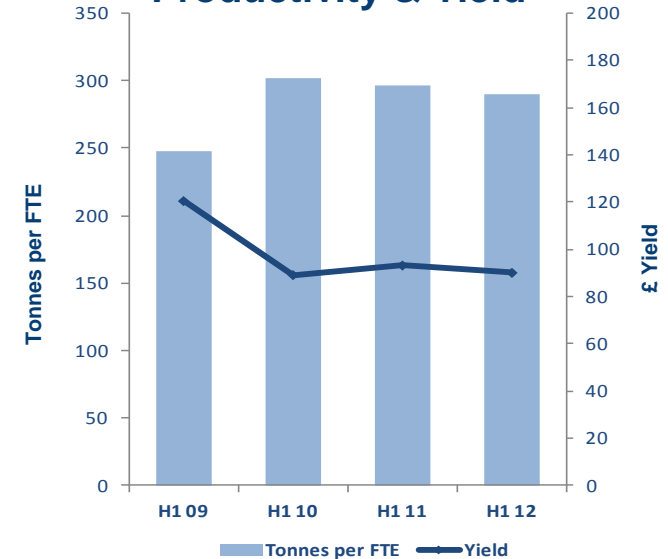
Continue to outperform market



## Volumes | YoY% change



## Productivity & Yield



- Absolute volume growth in first half of 2012 through contract wins
- Adverse economic conditions impacting underlying volumes
- LFL volumes remain fragile

- Yield remains consistent
- Consistent focus on productivity improvements
- Further progress with UK closures - Chicago now the only significant loss making shed

**Cargo business improving through restructure and contract wins**

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# Contracts

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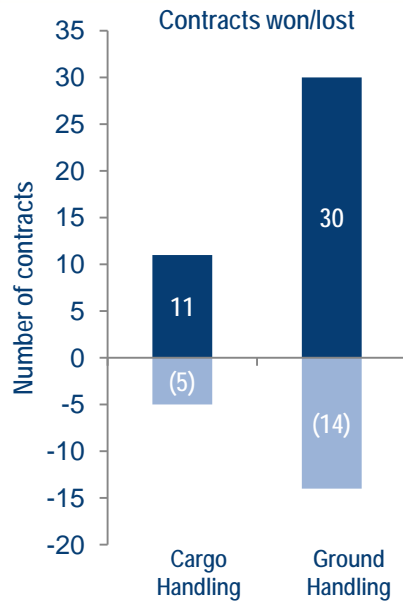
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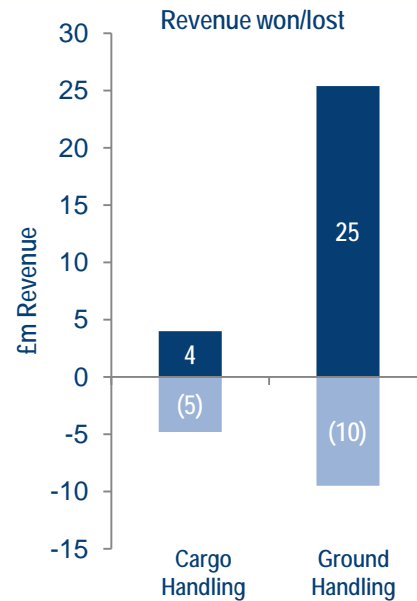
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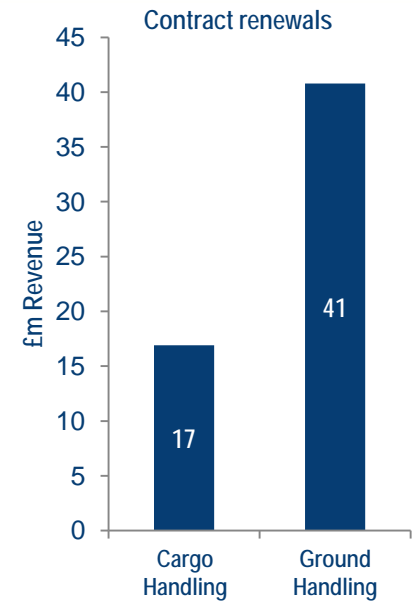
# 22

Additional contracts



# £14m

Additional revenue



# £58m

Renewed revenue

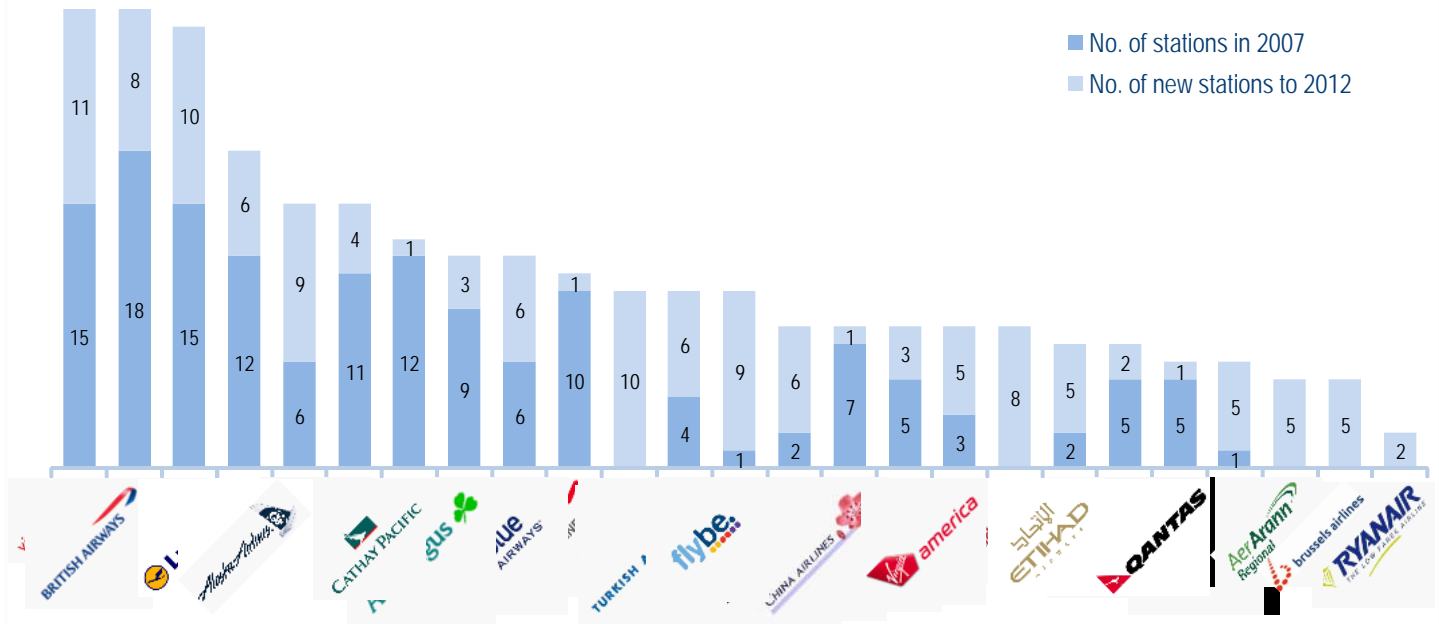


## Good contract win and renewals track record





# Customer penetration



## Top 5 customer penetration



## Expanding attractive relationships

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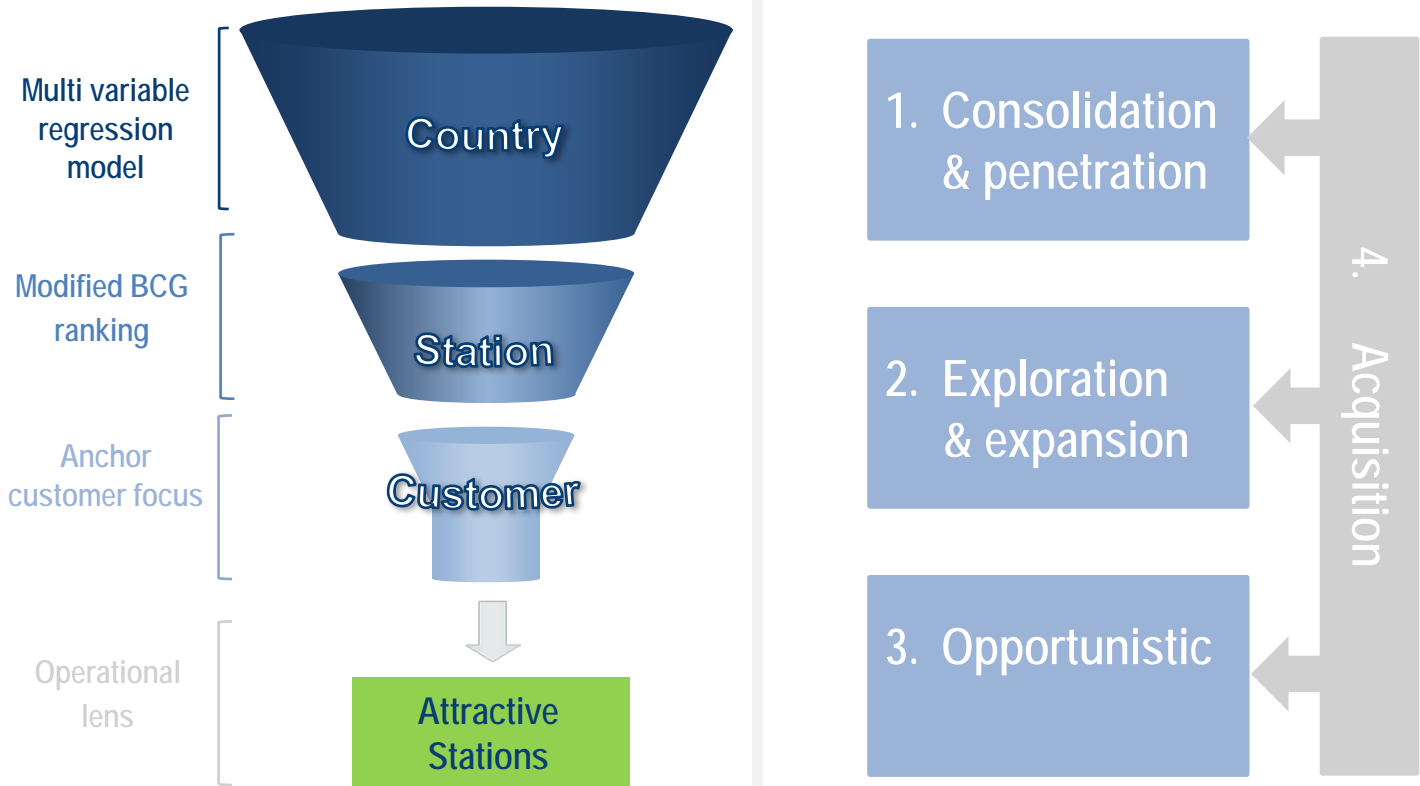


# Refined growth strategy

To be the world's Number One aviation ground services provider

## Strategic analysis model

## Growth strategy



Focussed growth model with analytical prioritisation

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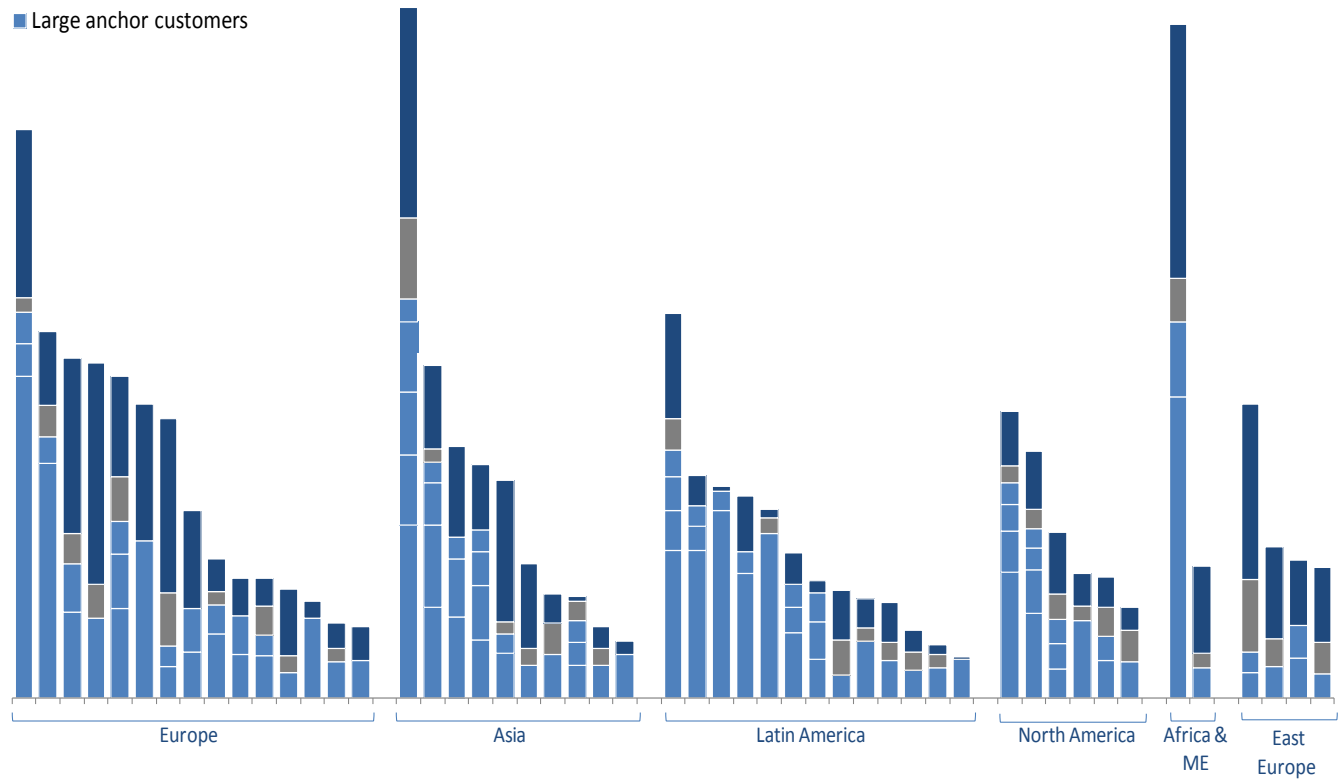
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## Top 50 attractive stations in new countries

- Remaining Addressable turns
- Small anchor customers
- Large anchor customers

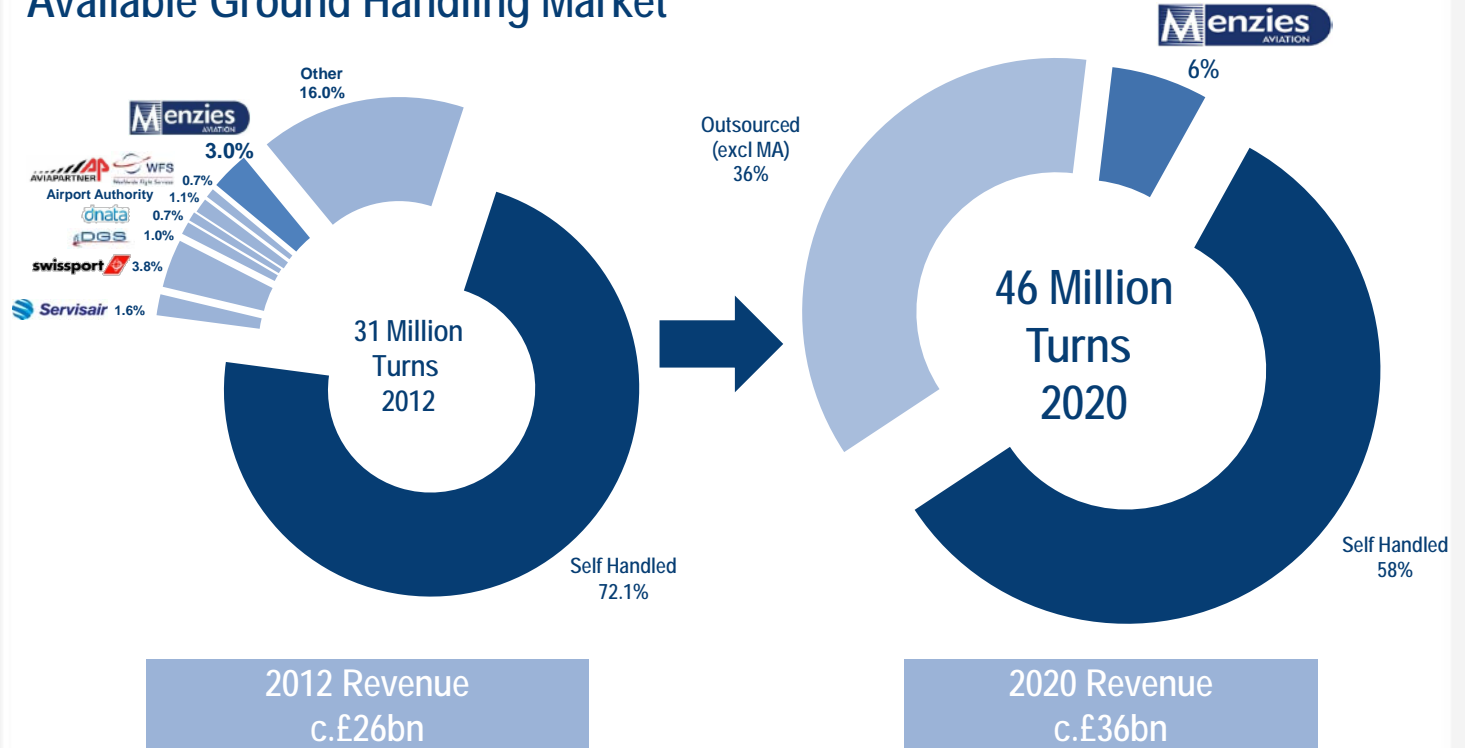


c.£1bn revenue opportunity from top attractive stations



# 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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## Resilient results

Good year given the economic conditions

Underlying profit up 12% on a constant currency basis

Growth through contract gain momentum

## The way forward

Grow through our refined and targeted growth strategy

Continue to grow with attractive customers

Still a big market opportunity

**Robust performance with targeted approach to the future**

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# Business Review Menzies Distribution

David McIntosh, Managing Director



# Half year overview

## Operating profit

Operating profit up £0.3m to £14.0m  
Cover price growth boosts newspaper margins  
Cost savings of £1.7m achieved

## Sales

Volume declines continue to track as predicted  
Monthly magazines more resilient than weeklies  
Monday to Friday newspapers ahead

## Cost & productivity

Cost savings initiatives continuing to deliver  
Further branch rationalisation completed  
SAP benefits being realised

**Delivering expectations**

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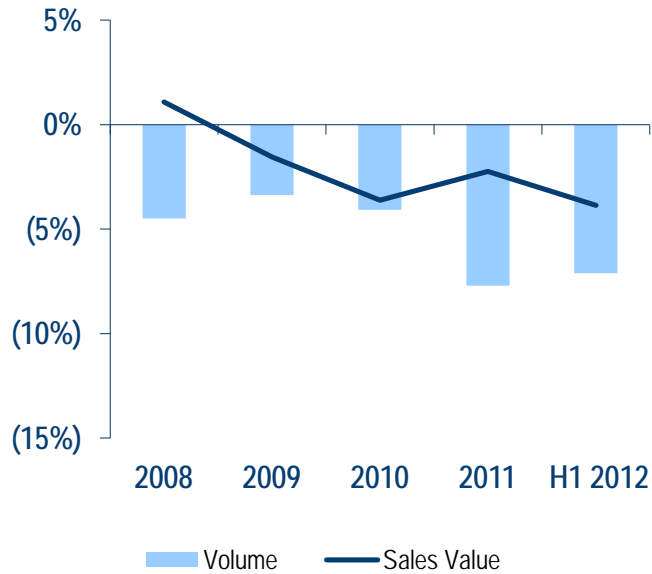
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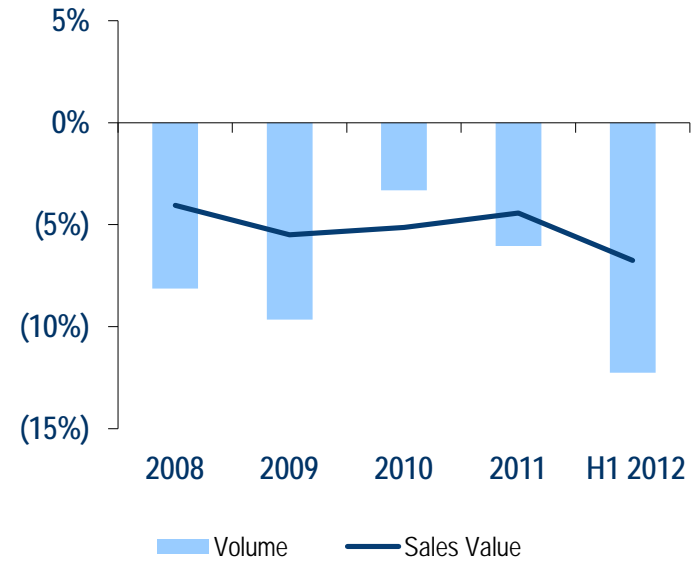
## Newspapers



Sunday Sun launch depresses sales value

Cover price growth helps to mitigate fall

## Magazines



Volume declines in line with expectations

Celebrity category continues to struggle

**Tough market conditions**

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## Branch rationalisation programme

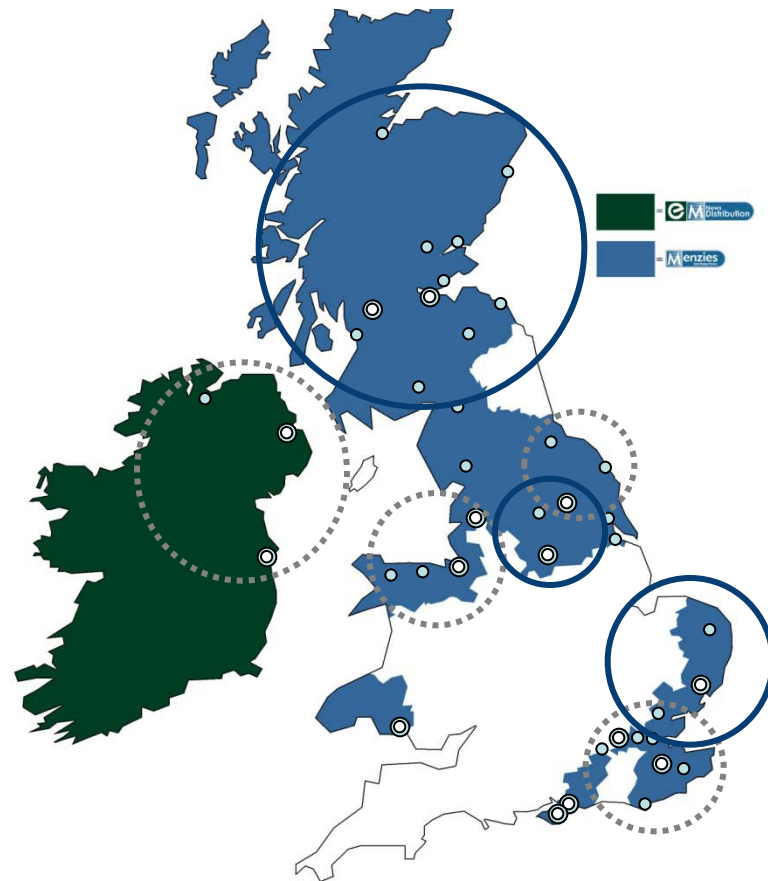
4  
Branch closures

3  
Downsized to spoke

Magazine packing in hubs

Returns processing centralised

Transport routes redrawn



Constant evolution of the branch network

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## Menzie's Marketing Services Expands

- Acquisition of Fore Partnership's retail consultancy arm

£500m  
annual news turnover

8,000  
retail outlets served

12%  
of overall UK market

YOUR  
M&S

SPAR



Martin McColl

## Regional Press

- £50m of new revenue target achieved early



northcliffemedia



Continuing to make progress

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## Robust performance

Continuing to deliver stable profit stream  
Potential for further cover price growth

## Cost efficiency

SAP efficiencies being delivered  
Major rationalisation of branch infrastructure

## Outlook

Outlook for magazine market looks challenged  
Clear expansion opportunities within new revenue ventures

**Continued strong performance**

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# Outlook & Summary

Paul Dollman, Group Finance Director



## Results summary

Good results in challenging times  
Structural progress made at both divisions  
Investment for growth

## Outlook

Group continues to trade well  
Difficult economic conditions persist  
On track to meet expectations

## Strategy

Financially strong  
Consistent strategy  
Clear and deliverable growth prospects

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## Additional Information



## Ground handling

**61%** of total revenue

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

## Cargo handling

**23%** 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
- £93m spend in 2011

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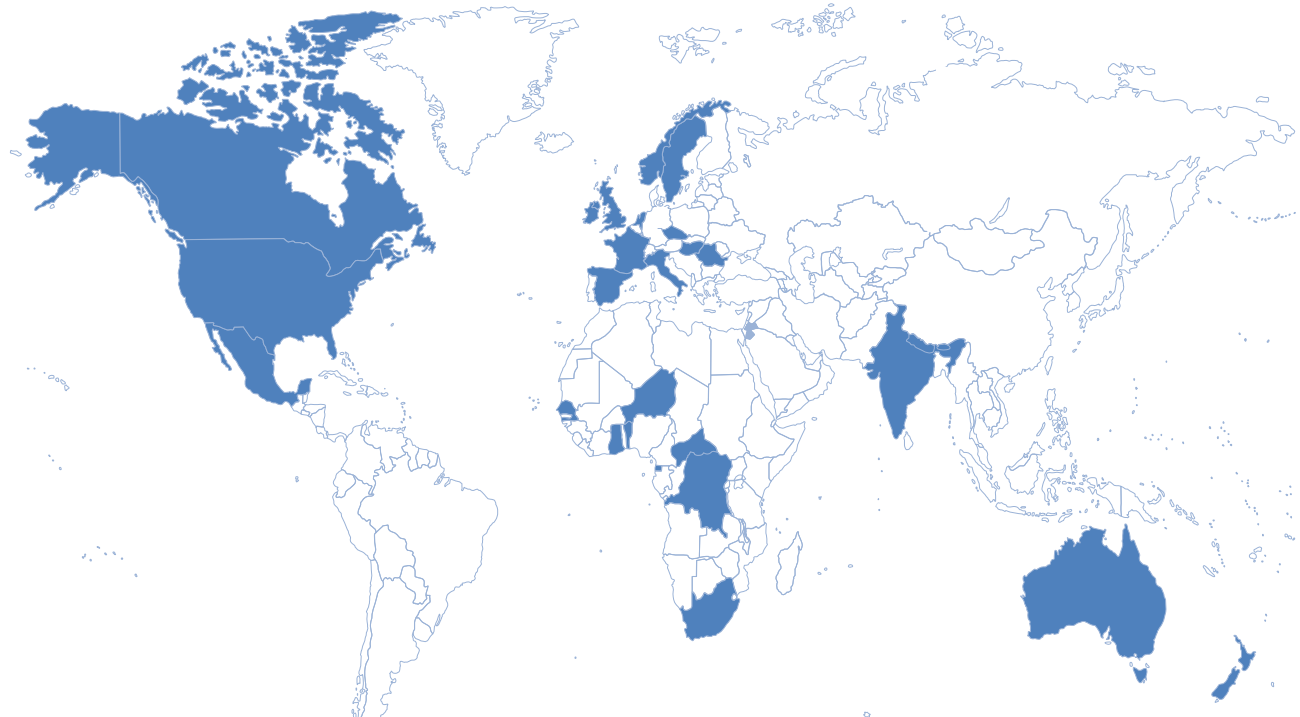
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# Menzies Aviation network



**136**  
stations

**32**  
countries

**9**  
regions

**17,000**  
employees

**500**  
airlines

**71m**  
passengers

**1.8m**  
tonnes of cargo

**850,000**  
aircraft turns

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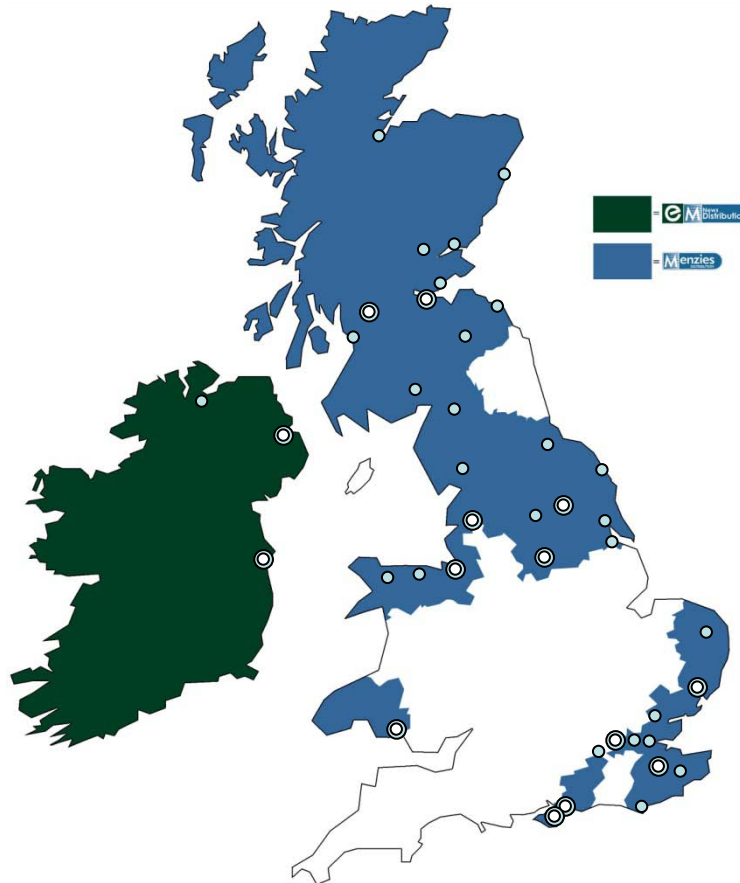
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# Menzie's Distribution network



**13**

Hub branches

**4,000**

Employees

**5.0m**

Newspapers  
EVERY DAY

**2.1m**

Magazines  
EVERY DAY

**25,000**

customers  
EVERY DAY

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# Appendix 2

## Additional financial information



## Profit before tax reconciliation

£m	2012
Underlying profit before taxation	25.4
JVs & Associates tax	(0.7)
Contract amortisation	(2.2)
Exceptionals	(3.3)
Associate goodwill impairment	(0.9)
Profit before taxation	18.3

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## Balance sheet

£m	H1 2012	H1 2011
Tangible fixed assets and investments	146.6	161.2
Goodwill, intangibles and other assets	108.0	104.8
	254.6	266.0
Working capital and other	(17.9)	(40.8)
Net debt	(107.5)	(99.7)
Pension liability (net of deferred tax)	(59.5)	(33.7)
<b>Net assets</b>	<b>69.7</b>	<b>91.8</b>
<b>Total equity</b>	<b>69.7</b>	<b>91.8</b>

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## Earnings per share

£m	H1 2012	H1 2011	Change
Earnings per share	21.3p	27.9p	-24%
Underlying earnings per share	32.0p	32.4p	-1%
Weighted ave. number of shares (m)	60.056	58.415	

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## Free cash flow

£m	H1 2012	H1 2011
Underlying operating profit	27.9	26.9
- Depreciation	11.7	11.1
- Other non-cash items	(3.9)	(4.6)
	35.7	33.4
Dividends from JVs & associates	1.7	2.6
Working capital movement	(23.2)	(7.6)
Exceptional spend	(4.2)	(0.6)
<b>Operating cash flow</b>	<b>10.0</b>	<b>27.8</b>
Tax	(4.8)	(4.9)
Net capex	(12.7)	(8.6)
Net interest paid	(2.5)	(3.1)
<b>Free cash flow</b>	<b>(10.0)</b>	<b>11.2</b>

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## Net cash flow

£m	H1 2012	H1 2011
Free cash flow	(10.0)	11.2
Dividends	(10.9)	(8.1)
Acquisitions and investments	(1.3)	0.6
Additional pension payment	(3.2)	(3.1)
Purchased shares	(3.9)	(2.3)
<b>Net cash flow</b>	<b>(29.3)</b>	<b>(1.7)</b>
<b>Net debt at start of period</b>	<b>(80.1)</b>	<b>(99.0)</b>
Currency translation	1.9	1.0
<b>Net debt at end of period</b>	<b>(107.5)</b>	<b>(99.7)</b>

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# Aviation segmental analysis

£m	H1 2012	H1 2011	Change
<b>Underlying operating profit</b>			
Ground handling	10.6	11.6	
Cargo handling	3.7	2.5	
Cargo forwarding	1.3	0.9	
Unallocated costs	(1.1)	(1.2)	
	<b>14.5</b>	<b>13.8</b>	<b>+5%</b>
<b>Operating margin</b>			
Ground handling	5.1%	5.7%	
Cargo handling	4.7%	3.2%	
Cargo forwarding	2.4%	1.7%	
Unallocated costs	-	-	
	<b>4.3%</b>	<b>4.1%</b>	<b>+0.2%</b>

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