

John Menzies plc

2016 Final Results Presentation

8 March 2017



John Menzies plc

Agenda

- Results Highlights
- Financial Overview
- Business Overview
- Acquisition of ASIG
- Summary and Outlook



Giles Wilson
Chief Financial Officer
John Menzies plc



Greg Michael
Managing Director
Menzies Distribution



Forsyth Black
President & Managing
Director, Menzies Aviation

John Menzies plc – Results Highlights



Delivering against our strategy produced a transformational year with Group **underlying PBT up 30% to £49.7m**, helped by foreign exchange tailwinds



Acquisition of ASIG with successful rights issue of **£75m**



Aviation underlying operating profit up 48% to £34.2m (27% in constant currency) as the division returns to growth including winning and renewing contracts



After a period of change **new management team is in place** and focused on delivery



Distribution produced stable performance with underlying operating profit broadly in line with the prior year **at £24.7m**



Review of **Group structure** continues

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Financial Overview



Financial overview

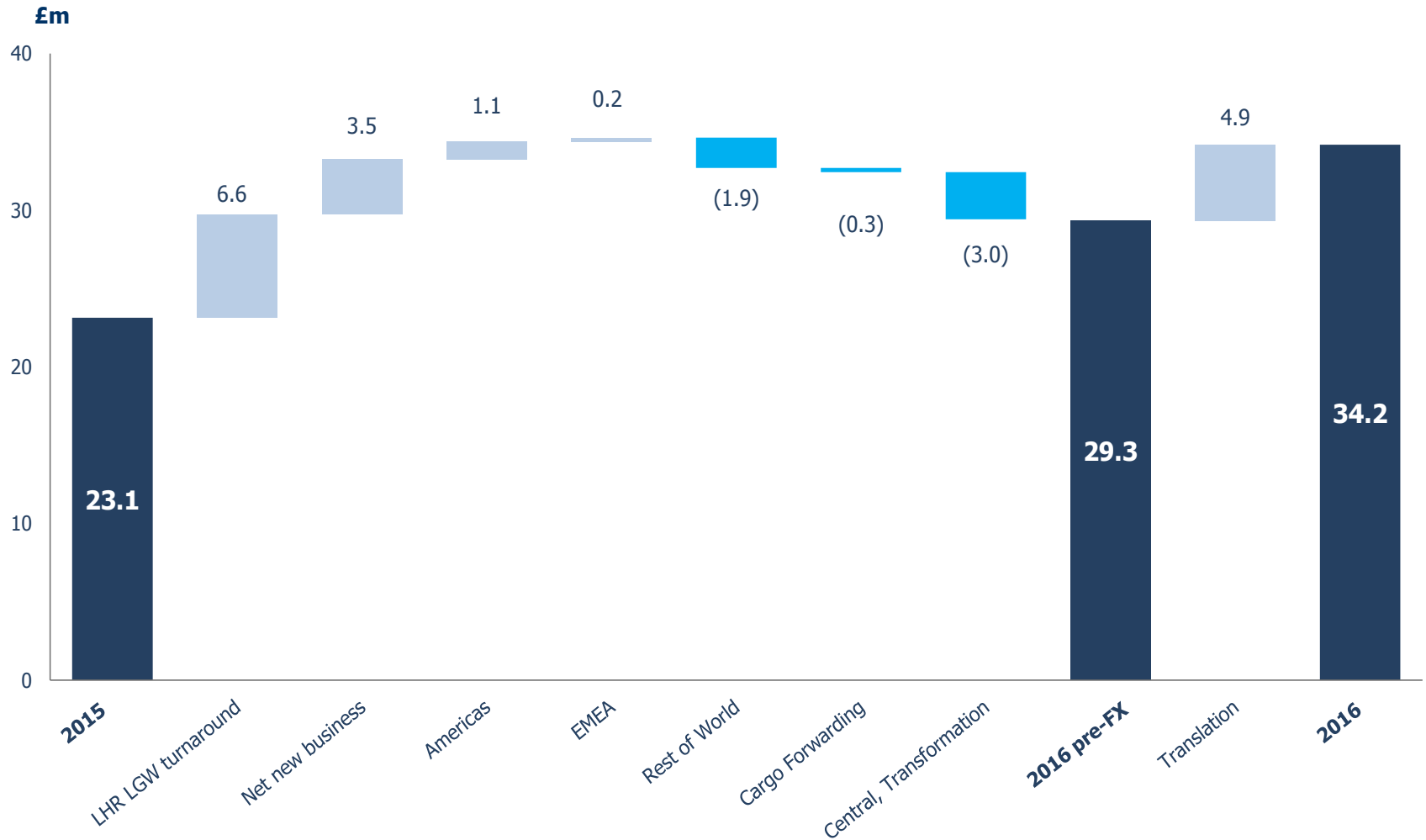
£m	2016	2016	2015
	Reported	Constant currency	
Turnover	2,076.7	2,008.6	1,993.3
Underlying operating profit	55.2	50.3	44.9
Interest	(5.5)	(5.5)	(6.7)
Underlying profit before tax	49.7	44.8	38.2
Free cash flow	31.1		31.7
Net debt	70.5		123.2
Exceptional charge in operating profit	18.4		10.5
Debt: EBITDA	0.8x		1.8x
Underlying effective tax rate	32%		32%
Underlying EPS ⁽¹⁾	47.8p		37.8p
Basic EPS ⁽¹⁾	11.8p		14.6p
Dividend per share	18.5p		16.8p

(1) 2015 EPS has been restated for the impact of the October 2016 rights issue

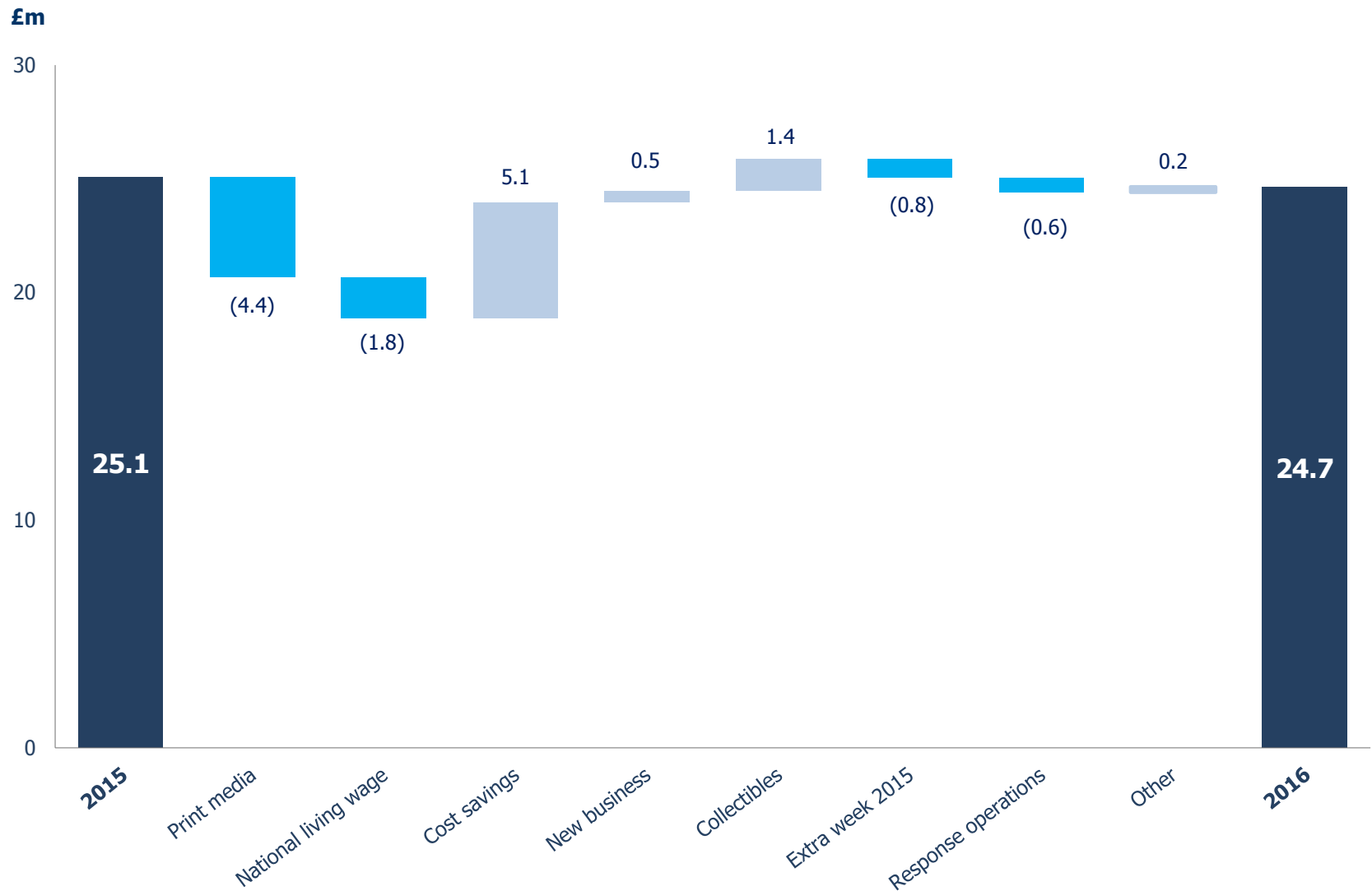
Divisional performance

£m	Turnover			Underlying operating profit		
	2016	2016	2015	2016	2016	2015
	Reported	Constant currency		Reported	Constant currency	
Americas	219.8	195.2	173.7	12.9	11.2	9.6
EMEA	391.2	371.1	350.7	6.0	4.7	(0.8)
Rest of World	139.6	124.5	112.4	10.9	9.4	10.0
Cargo Forwarding	117.5	111.8	112.5	4.4	4.0	4.3
Aviation	868.1	802.6	749.3	34.2	29.3	23.1
Distribution	1,208.6	1,206.0	1,244.0	24.7	24.7	25.1
Corporate	-	-	-	(3.7)	(3.7)	(3.3)
Group	2,076.7	2,008.6	1,993.3	55.2	50.3	44.9

Menzies Aviation – 2016 underlying operating profit



Menzies Distribution – 2016 underlying operating profit



Exceptional charge in operating profit

£m	Cash	Non-cash	2016
ASIG acquisition	7.0	-	7.0
Aborted disposals	0.9	-	0.9
Other transaction related	0.9	-	0.9
Asset impairment – Amsterdam cargo	-	9.6	9.6
	8.8	9.6	18.4

Debt and facilities

December 2016 facilities

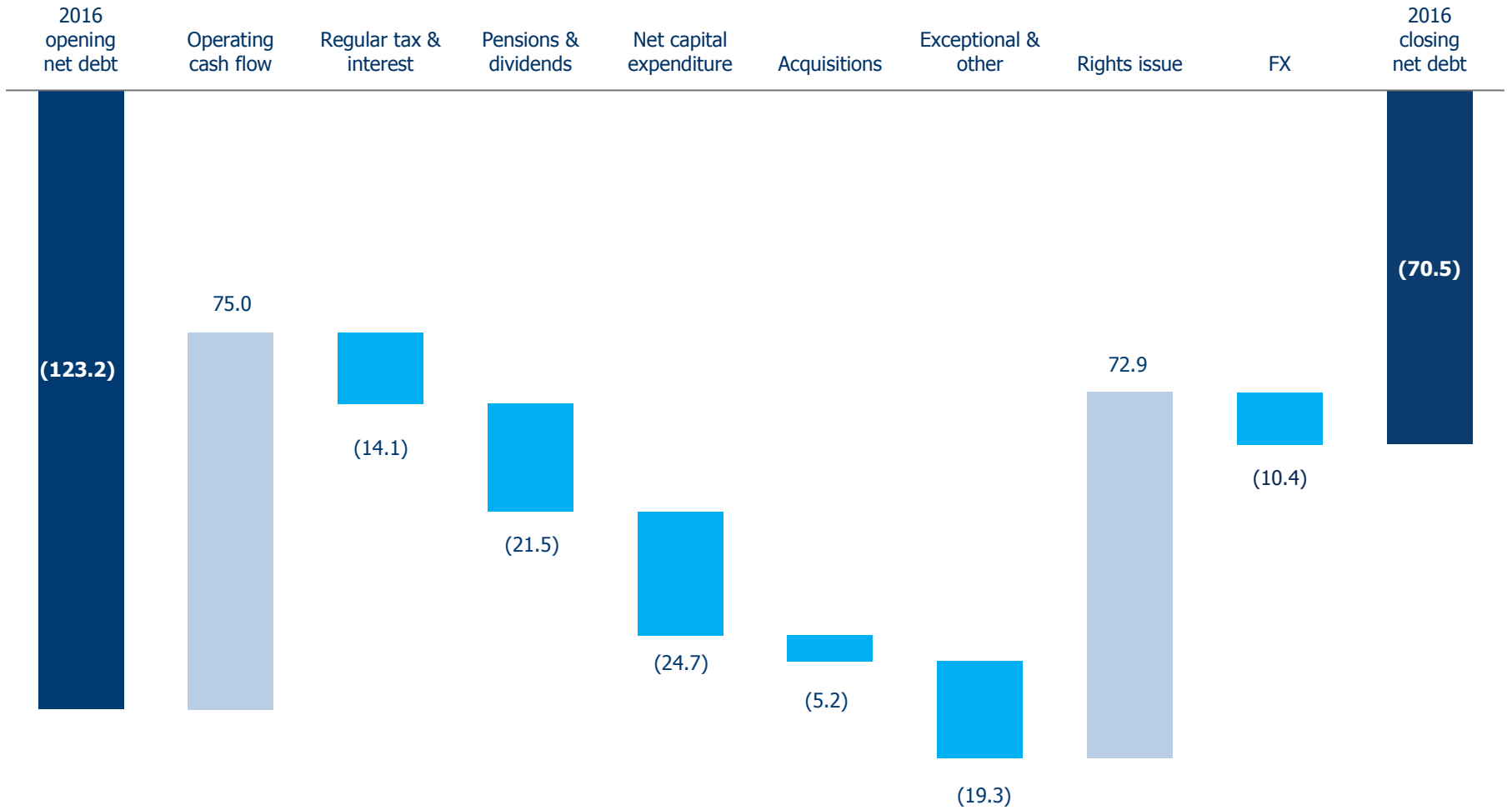
- Committed bank facilities of £170.0m, undrawn £68.7m
- Net debt £70.5m (2015: £123.2m)
- Debt: EBITDA 0.8x (2015: 1.8x)
- Interest cover ratio (EBITA to external underlying interest charge) 13.0x (2015: 8.8x)

New facilities

- New syndicated facility led by Barclays and HSBC, including current banks of (RBS, Lloyds & KBC), extended to include new banks of (BNP Paribas, SunTrust & Fifth Third)
- \$250m term loan and £150m revolving credit facility to 4 June 2021
- First drawn to pay \$202m ASIG consideration on 1 February 2017 and repay majority of existing debt facilities
- Strong position with headroom to support future growth

Movement in net debt

£m



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Business Overview



Menzies Distribution – Review of 2016



-  2016 **underlying profit broadly in line** with the prior year, despite significant cost pressures
-  **Cost savings of £5.1m** achieved partly mitigating the impact of volume decline and **National Living Wage**
-  Strong **football related sticker sales** provided expected boost
-  Progress made in **the retail logistics market** by securing a **national WHSmith** trucking contract
-  **Acquisition and integration** of Thistle Couriers, Oban Express and EAE further expand Menzies Parcels and Response
-  **2019-2020 publisher contract negotiation** planning commenced

Menzies Distribution – Overview

- Volume decline largely as expected
 - Newspaper like-for-like value down 2.5%, Magazines down 6.0%
- Cost pressures continue with National Living Wage having a material impact
- Branch optimisation plans complete and network performing well
 - New branch opened in Exeter gives the division national capability
- Traditional asset base being utilised to support parcels and logistics ventures
- New Menzies Response management team - recovery plans in place
- Good year for Hand2Hand and Fore Partnership



Menzies Aviation – Review of 2016



2016 was a **strong year** with increased profits, a transformational acquisition and a return to growth



Delivery of strategy continues – progress against all five pillars



Extension of complementary services – new lounge, line maintenance and de-icing activities added



Continued contract gain momentum – excellent contract wins and renewals across the network



Transformational **acquisition of ASIG in 2017 adds scale** and enhances core product offering



Significant investment in infrastructure – building a leading position to scale business through enhanced systems, processes and people

Business development

Contract momentum – excellent progress made

Americas

- Significant wins in Los Angeles with **Virgin America** and **China Airlines**
- Second hub operation awarded by **Frontier Airlines**
 - Over 5,000 annual turnarounds in Chicago, operations started in February 2017
- Acquisition of Renaissance Aviation in Bermuda

EMEA

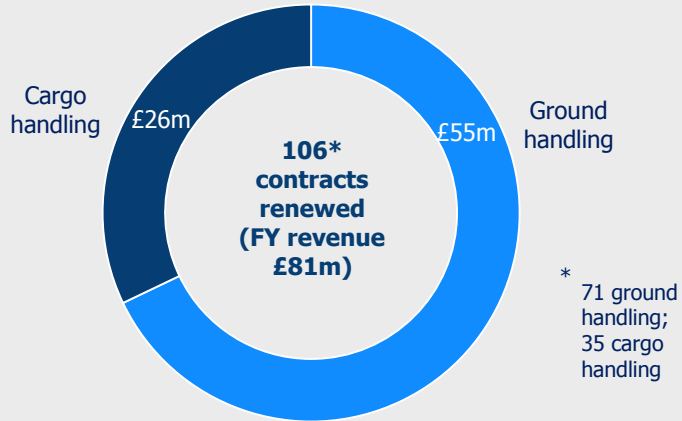
- De-icing contract with **Norwegian Air Shuttle** at their Oslo hub bolts on to existing ground handling contract
- 13 contracts gained at London Gatwick following a competitor failure – including **Vueling, Ryanair, Icelandair** and **Thomas Cook**
- **Oman Air** joint venture due to start by the end of Q2
- Expansion into German market with **British Airways** in 2017

Rest of World

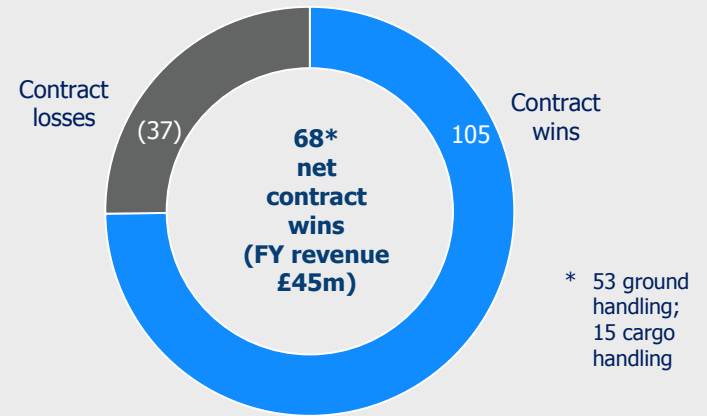
- Full service contract with **Malaysia Airlines** at three airports across Australia
- **Emirates Airline** renewed in New Zealand
- New customers at Sydney and Auckland – **Air Canada, LAN Airlines**

Business development

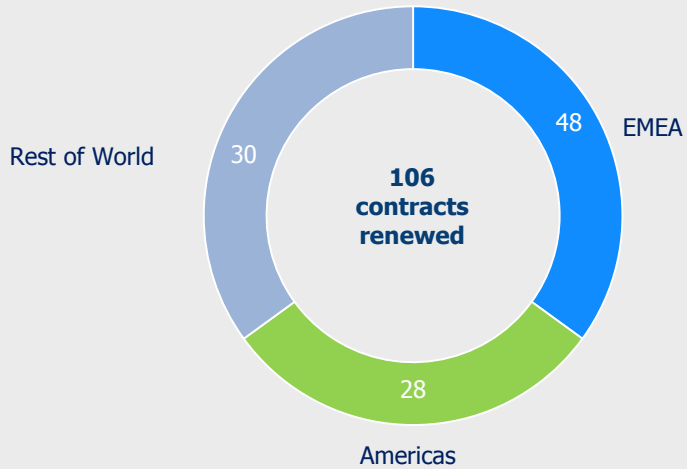
Contract renewals by service



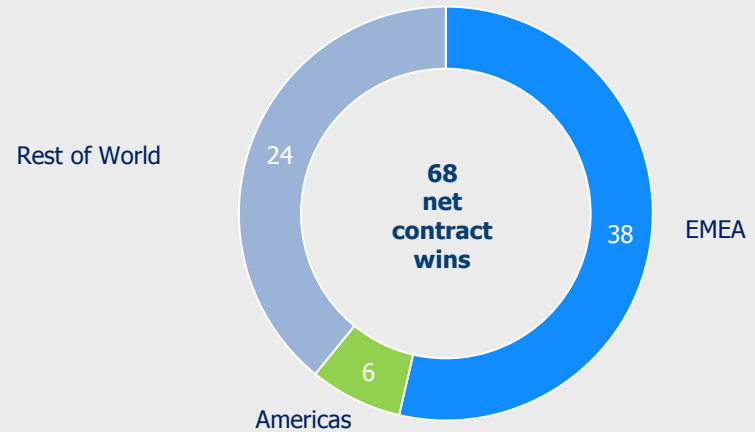
Contract wins



Contract renewals by region



Net contract wins by region



Investment in Infrastructure

- ✓ **Safety & security**
Investment in **additional people, enhanced systems** and **centrally led teams** have enhanced our safety & security offering and cultural approach
- ✓ **Standard operating procedures**
SOPs are at the heart of everything we do. During the year **full process libraries** were created and processes reviewed, enhanced and communicated
- ✓ **Key operational systems**
Leading edge systems provide a competitive advantage. WorkBridge rostering tool rolled out **driving efficiency and service provision**
- ✓ **Integrated IT**
Having a **common integrated platform is key**. All our infrastructure now with **SunGard** which eases standardisation and expansion
- ✓ **People & training**
Investment in new teams, systems, recruitment tools have **revolutionised our people approach**. This runs through the business from **recruitment to training** and then ongoing **development**

£3.0m recurring investment from 2016



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Acquisition of ASIG

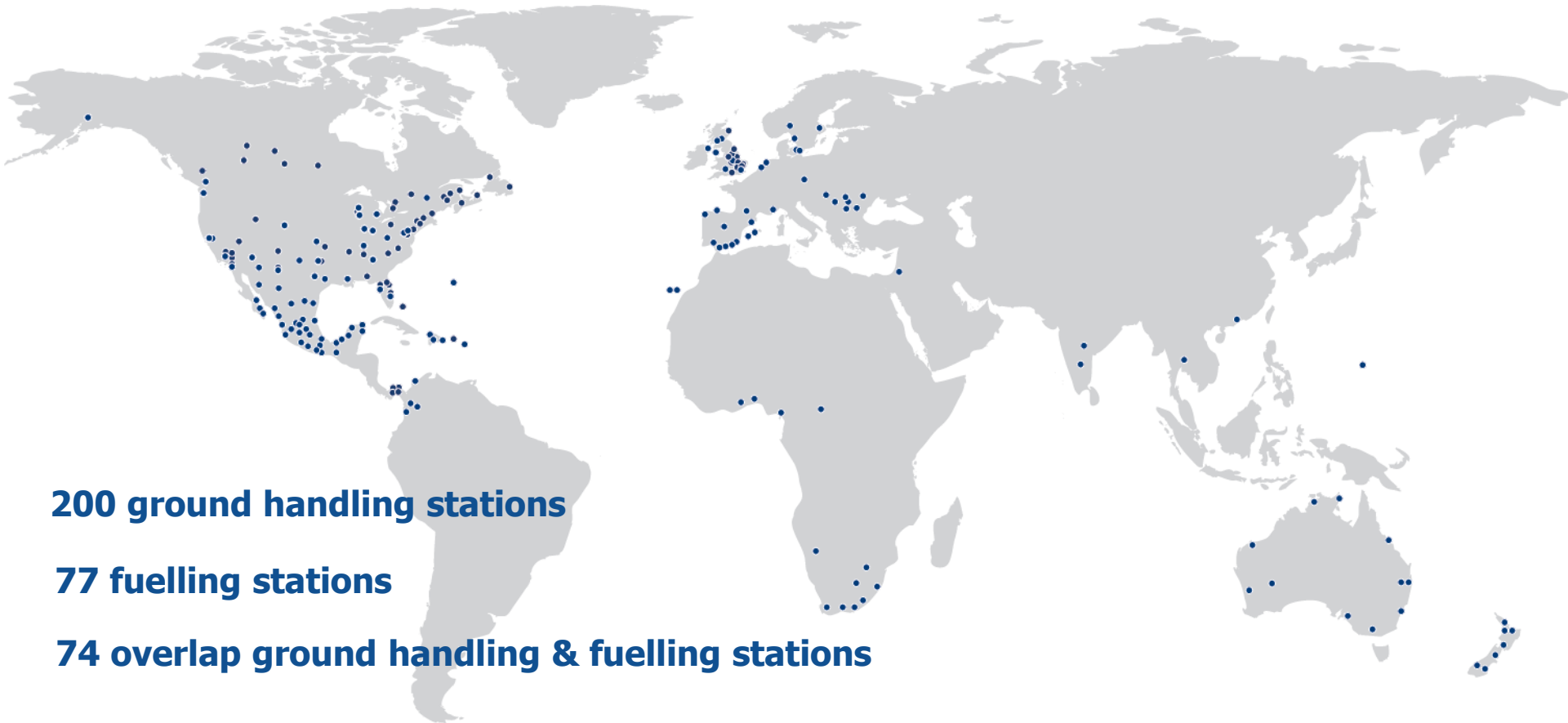


Acquisition of ASIG – First Look

- Employee base full of enthusiasm for Menzies ownership
- Unexploited opportunities exist
- Integration progressing at pace
 - Early synergies already banked
 - Group meetings with all senior managers completed
- 2016 financials in line with expectations
- Customer reaction is positive
 - Some ground handling operations require improvement plans
 - New customer relationships with oil companies
- Senior management team in place
- New Americas regional head office opened in Dallas, Texas



Combined Aviation footprint



200 ground handling stations

77 fuelling stations

74 overlap ground handling & fuelling stations

1.6m tonnes

1.3m
turnarounds

4m flight fuelled

10bn gallons of
fuel handled

3 global regions

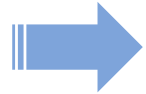
31,600
employees

34 countries

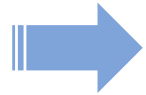
209 airports

Integration

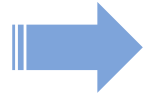
DEDICATED INTEGRATION TEAM IN PLACE



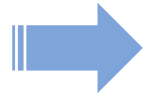
Detailed plan for every station and every product line



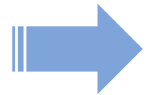
All teams have clear areas of responsibility



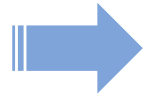
Subject matter experts in place as required



New management structures in place with clear reporting lines



Synergy benefits being realised



Combine best practice from both companies

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Summary and Outlook



John Menzies plc – Summary and Outlook



- ✓ Protect the core at **Menzies Distribution** and replace volume with volume
- ✓ Continue working on **Group structure review** – outcome expected at Interim Results
- ✓ Integrate the **ASIG acquisition** and deliver synergy benefits
- ✓ New **focused management team** in place driving the Group strategy
- ✓ Continue to embed **operational excellence and standardisation** across the network to ensure leading positions
- ✓ Group is in a strong position and well placed to **deliver earnings growth**

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Appendix 1

Additional Financial Information



Profit before tax

£m	2016	2015
Underlying profit before tax	49.7	38.2
Non-recurring items in operating profit	(8.8)	(5.8)
Non-recurring items in finance costs	(1.7)	(0.2)
JVs and associates tax	(1.9)	(2.2)
Contract amortisation	(7.9)	(7.1)
Impairment of assets	(9.6)	(4.7)
Profit before tax	19.8	18.2

Cash flow and net debt

£m	2016	2015
Underlying EBITDA	80.7	69.4
Working capital movement	(5.8)	(2.2)
Other movements	0.1	(2.4)
Operating cash flow	75.0	64.8
Regular tax and net interest paid	(14.1)	(12.8)
Non-recurring tax paid	(5.1)	-
Net capital expenditure	(24.7)	(20.3)
Free cash flow	31.1	31.7
Acquisitions, investments and earn-outs	(5.2)	(16.0)
Exceptional items	(14.2)	(8.5)
Additional pension payment	(10.9)	(11.6)
Net rights issue proceeds	72.9	-
Dividends	(10.6)	(8.0)
Net cash flow	63.1	(12.4)
Net debt at start of year	(123.2)	(110.9)
Currency translation	(10.4)	0.1
Net debt at end of year	(70.5)	(123.2)

Balance sheet

£m	2016	2015
Tangible fixed assets and investments	158.2	140.8
Goodwill, intangibles and other assets	116.1	112.7
Working capital and others	(16.6)	(23.5)
Net debt	(70.5)	(123.2)
Pension liability, net of deferred tax	(58.9)	(35.6)
Net assets	128.3	71.2

Divisional performance – restated historic Aviation

£m	Turnover			Underlying operating profit		
	2016	2015	2014	2016	2015	2014
Americas	219.8	173.7	145.3	12.9	9.6	4.5
EMEA	391.2	350.7	356.4	6.0	(0.8)	11.6
Rest of World	139.6	112.4	118.3	10.9	10.0	9.7
Cargo Forwarding	117.5	112.5	118.6	4.4	4.3	4.4
Aviation	868.1	749.3	738.6	34.2	23.1	30.2
Distribution	1,208.6	1,244.0	1,261.3	24.7	25.1	24.0
Corporate	-	-	-	(3.7)	(3.3)	(3.2)
Group	2,076.7	1,993.3	1,999.9	55.2	44.9	51.0

Divisional performance – 2015 basis

£m	Turnover			Underlying operating profit		
	2016	2016	2015	2016	2016	2015
	Reported	Constant currency		Reported	Constant currency	
Ground handling	591.5	546.3	490.0	13.0	10.7	4.1
Cargo handling	159.1	144.4	146.8	16.8	14.6	14.7
Cargo forwarding	117.5	111.8	112.5	4.4	4.0	4.3
Aviation	868.1	802.6	749.3	34.2	29.3	23.1
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Appendix 2

Who we are & what we do



John Menzies plc - Headlines

FTSE Small Cap – Market cap c£0.5bn

Our businesses

Two operating divisions

Menzies Aviation

Leading global provider of outsourced services to airlines

Menzies Distribution

Provider of print media, retail and parcel logistics to the UK and Ireland market

Our focus

Integrate and leverage transformational acquisition

Continue to expand in an attractive growing market

Replace volume with volume

Protect the core

Ongoing review of Group structure

What we do.....



Ground handling

Encompasses all activities effecting a passenger and a plane on the ground.

Services include: check-in, ticketing, load control, baggage handling, pushback, aircraft loading & unloading, into-plane fuelling, toilet and water services.



Complementary services

Include other services away from the core that can drive revenue and increase station margin.

Services include: lounges, de-icing, catering logistics, line maintenance, fuel farm management, fuel logistics.



Cargo handling

Product line involves the physical management of cargo on behalf of airlines through airport warehouse facilities.

Services include: screening, build & break up, customs management, warehousing, aircraft loading & unloading, airside trucking.



Cargo forwarding

World's largest wholesale freight forwarder. Air freight & express. Broker of airline belly space. Customer of major airlines.



What we do.....



NEWSTRADE

This business trunks, packs and delivers 4.3m newspapers and 1.4m magazines to 23,000 retailers daily across UK&I. It is also an outsourced service provider for all other businesses within Menzies Distribution.



PARCELS

This business carries out parcel collection and delivery work across the UK, acting as a neutral consolidator for parcel networks in Scotland.



RETAIL LOGISTICS

This business delivers caged product to retail locations, bridging the gap between RDCs and the store-front.



FORE

This business provides retail consultancy and event management services to its clients.



RESPONSE

This business commercially manages the distribution of travel brochures to travel agents. It also provides fulfilment services to a range of specialist sectors.



JYL H2H

This business performs specialist micro-delivery, sampling and free distribution activities, primarily within Central London.

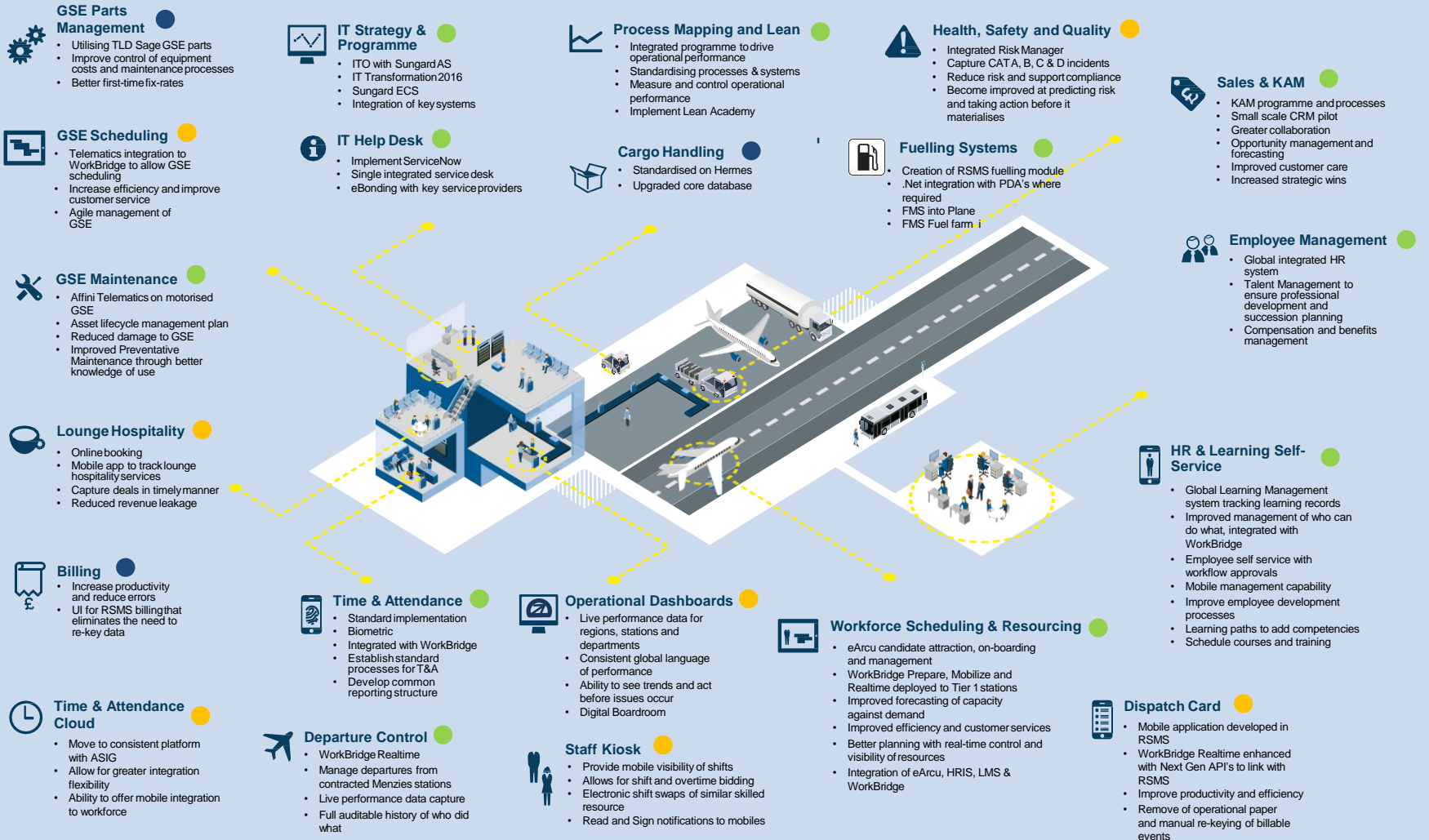


Underpinning our Operations – vision created in February 2015

Operational Excellence – Centre of Excellence Landscape

Work in Progress but real traction and “clear blue water” between Menzies and competitors

- Completed
- Funded Project in Place
- Funding to be Approved



Acquisition of ASIG

Further information



ASIG integration - Dedicated team with strong leadership

Steering Committee

Forsyth Black
President and
Managing Director
Menzies Aviation

Giles Wilson
Chief Financial
Officer
John Menzies plc

John Geddes
Corporate Affairs
Director
John Menzies plc

Philip Harnden
Integration Chief
Menzies Aviation

John Redmond
EVP Americas
Menzies Aviation

Andy Lord
EVP EMEA
Menzies Aviation

Integration Leads



Philip Harnden
Integration Chief
Menzies Aviation

16 years Menzies Aviation
experience

- Philip joined John Menzies in 1993 before moving to Menzies Aviation in 2000
- He played a major part in the acquisition and integration of Ogden Ground Services acquired in 2000
- His roles at Menzies Aviation include Company Secretary and SVP Corporate & Commercial before moving to the USA to become VP Commercial and Corporate Services
- He has significant knowledge of acquisitions and integration built up over the last 16 years with the division

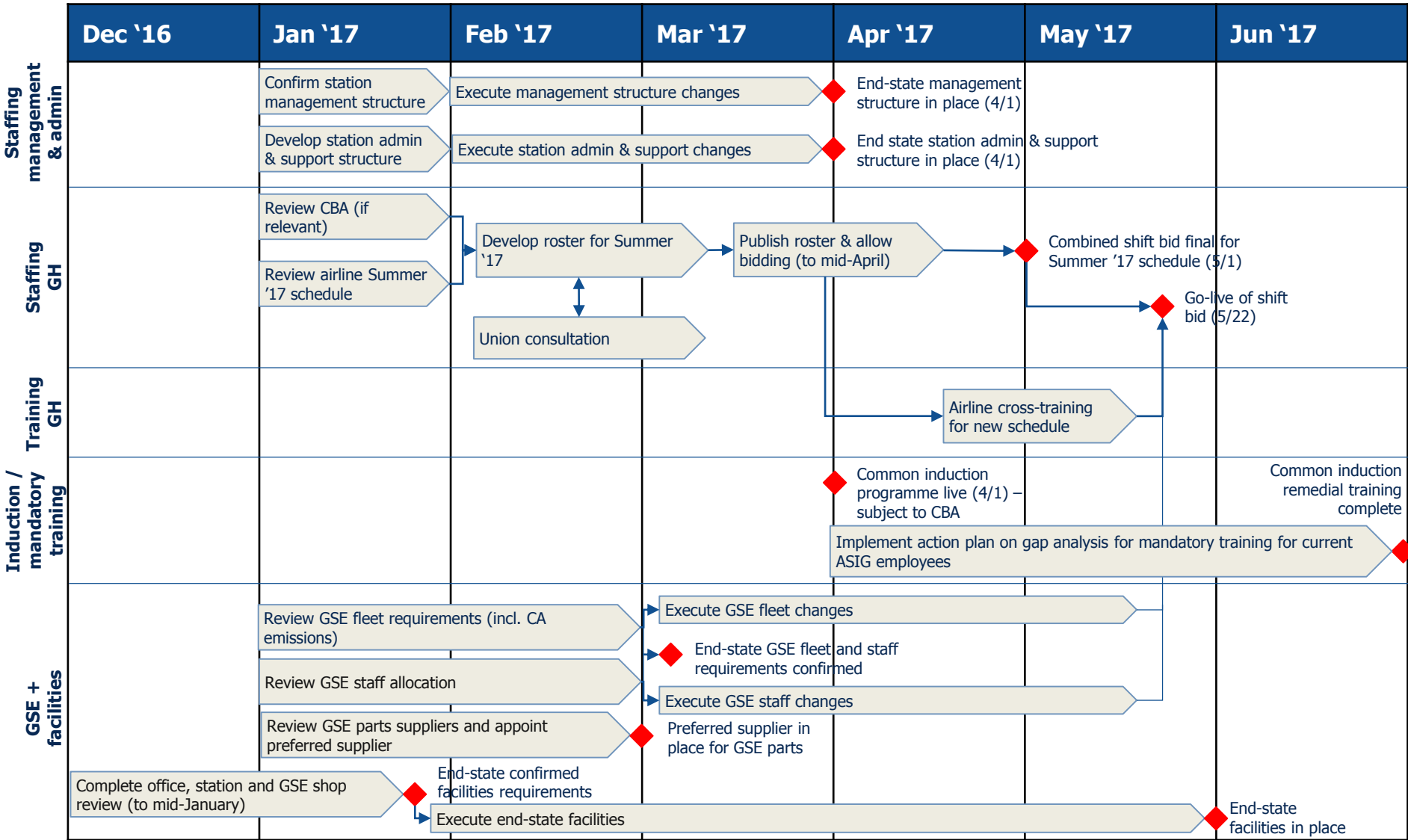


Neil Thomas
Financial Lead
Menzies Aviation

2 years Menzies experience
30 years financial experience

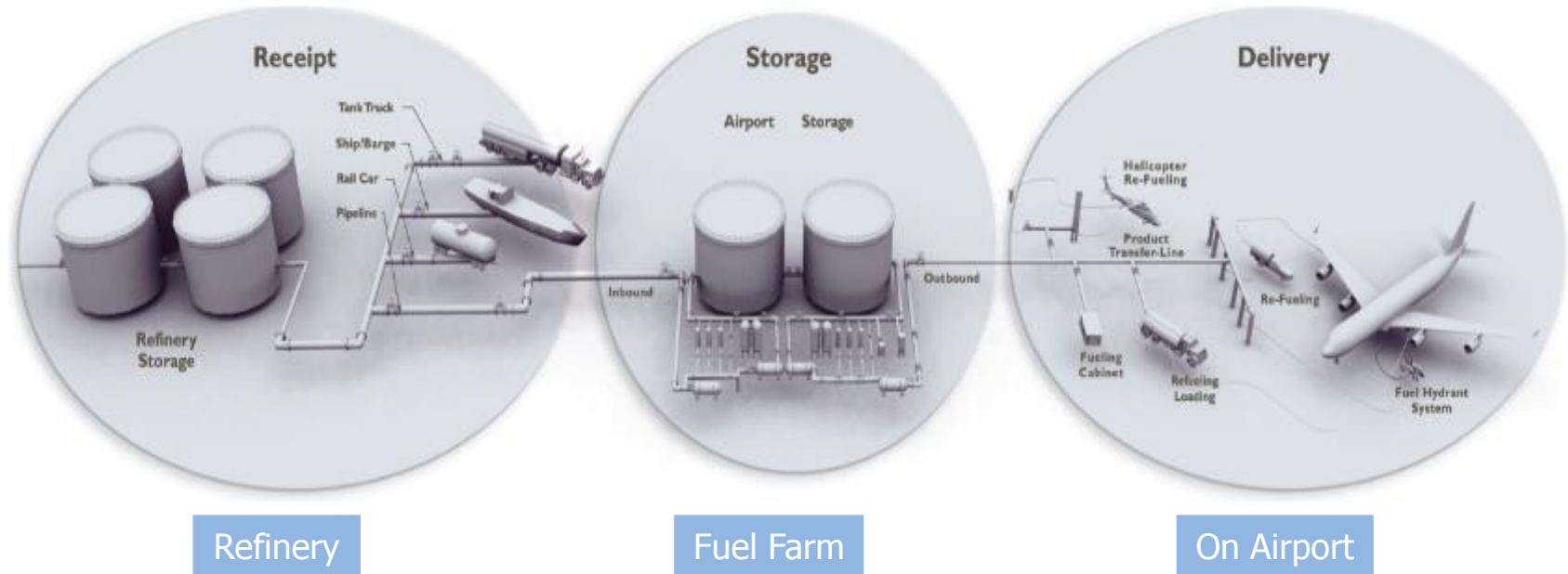
- Neil joined John Menzies in 2014
- In the past 30 years Neil has operational experience working for KPMG in UK & Germany; Federal Mogul in South America, Africa & Asia; SPX Corporation in Europe & Global operations; and Ricardo in UK, Europe, India & Japan.
- He has undertaken some 20 M&A activities. These have ranged in revenue size from \$10m to \$1bn. His role in these activities included assessing initial targets, undertaking due diligence and purchase negotiations, integration and assimilation into the acquiring group.

ASIG integration - Sample of station plan



ASIG – Fuelling operations

A new product offering

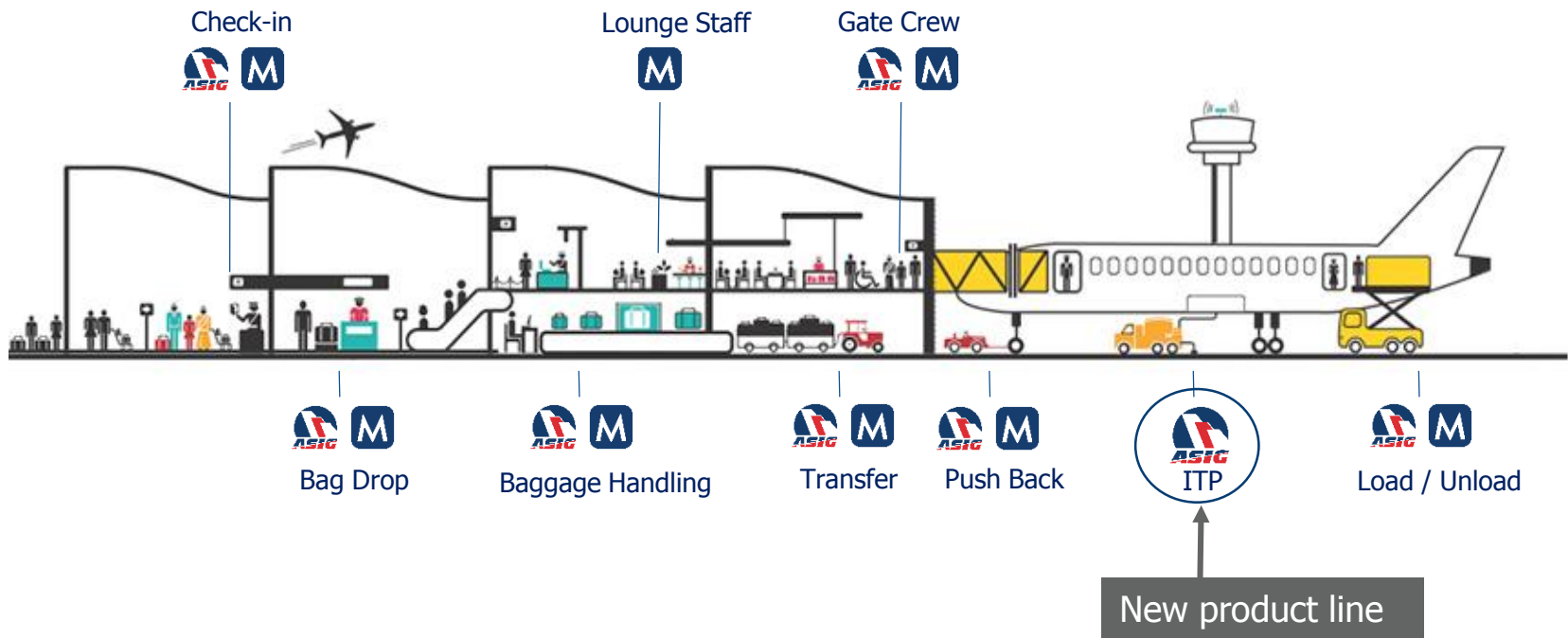


Stable revenue streams – strong growth potential



ASIG – Extends our services offered

Ground handling – combined operation touch points



Ground handling overlap and back office infrastructure drive synergies