John Menzies plc

Full Year 2013 Results Presentation

4 March 2014

John Menzies plc

Paula Bell, Group Finance Director

2013 Overview

- Aviation EBIT up 11%, momentum continues
- Cargo turnaround drives margin increase
- Three acquisitions broaden the Aviation platform
- Distribution impacted by weak magazine sales
- Continued strong cost focus - £5m savings
- Over 80% of publisher revenues secured through renewals to 2019
- Strong balance sheet and cash generation
- Full year dividend up 5% - reflects future confidence

2013 Financial review

Financial overview

£m	2013	2012*
Turnover	2,000.3	1,996.8
Underlying operating profit	60.1	61.0
Total interest	(7.0)	(6.5)
Underlying profit before tax	53.1	54.5
Operating cash flow	68.3	64.3
Underlying effective tax rate	25.0%	24.2%
Underlying EPS	65.6p	68.8p
Dividend	26.5p	25.2p

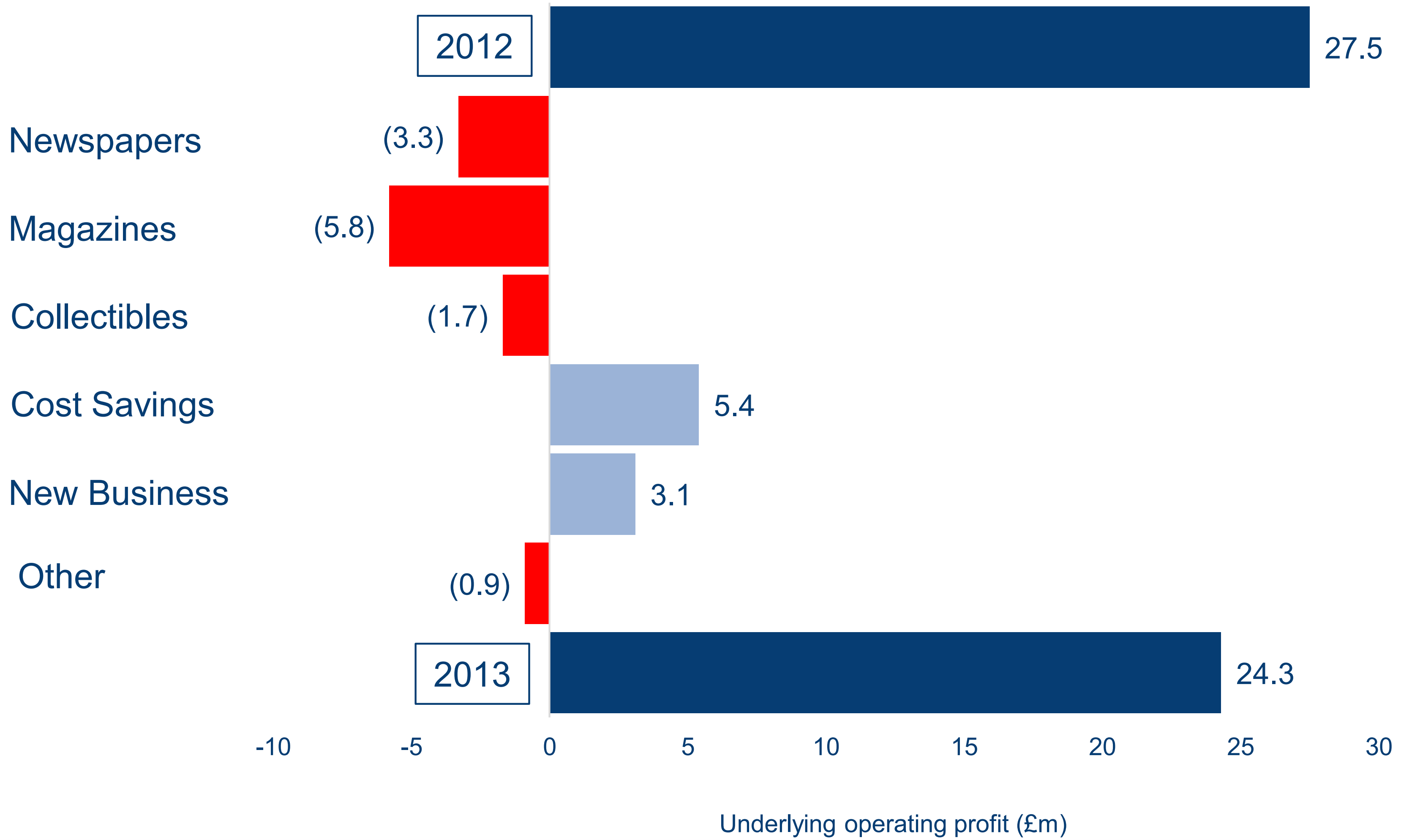
*2012 re-stated for IAS19R

Segmental performance

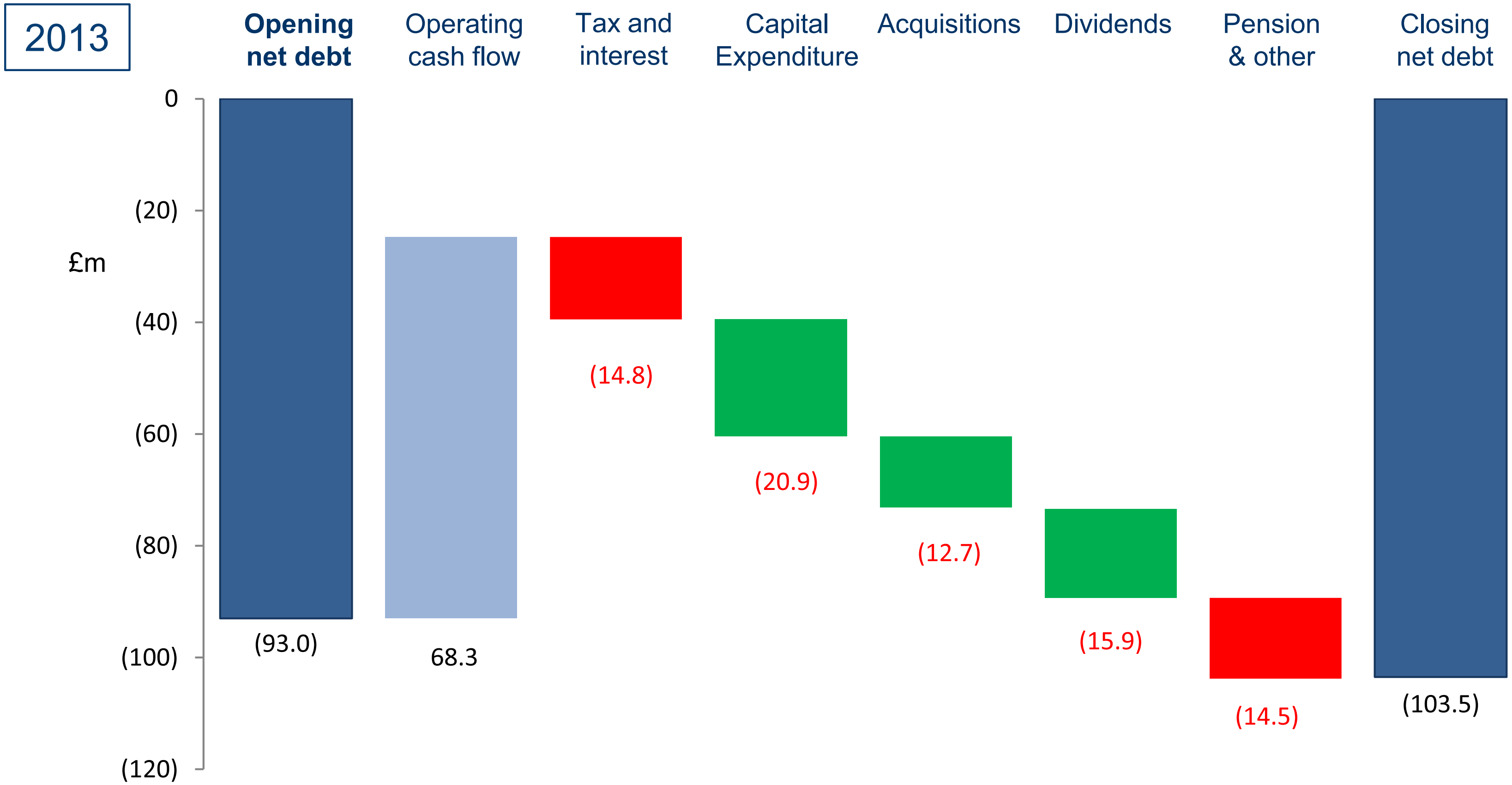
£m	Turnover 2013	Turnover 2012	Turnover Change	EBIT 2013	EBIT 2012*	EBIT Change
Ground handling	454.0	422.1		21.9	21.3	
Cargo handling	149.8	158.6		11.7	9.7	
Cargo forwarding	119.0	116.5		4.2	3.8	
Aviation Total	722.8	697.2	+5%**	37.8	34.8	+11%**
Distribution	1,277.5	1,299.6		24.3	27.5	
Corporate	-	-		(2.0)	(1.3)	
Total	2,000.3	1,996.8		60.1	61.0	

*2012 re-stated for IAS19R
** at constant currency

Menzies Distribution – Performance overview



Cash flow and net debt



Balance sheet

£m	2013	2012*
Tangible fixed assets and investments	140.6	144.3
Goodwill, intangibles & other assets	126.8	124.4
Working capital and other	(31.0)	(44.1)
Net debt	(103.5)	(93.0)
Pension liability (net of deferred tax)	(36.6)	(48.1)
Net assets	96.3	83.5

* Re-stated for IAS19R

- Facilities in place to support growth agenda

Menzies Distribution – Business overview
David McIntosh, Managing Director

2013 Overview

Performance

Step change in weekly magazine sales

- title closures exacerbate volume weakness

Newspaper sales value better than expectations

Achievements

Over 80% of 2013 revenue secured through contract renewals

Efficiency initiatives deliver £5m savings

Orbital Marketing in line with expectations - further opportunities

Looking ahead...

Network rationalisation identified and planned

- commences 2014

Continuing to explore opportunities away from the core

Core product categories

Sales performance

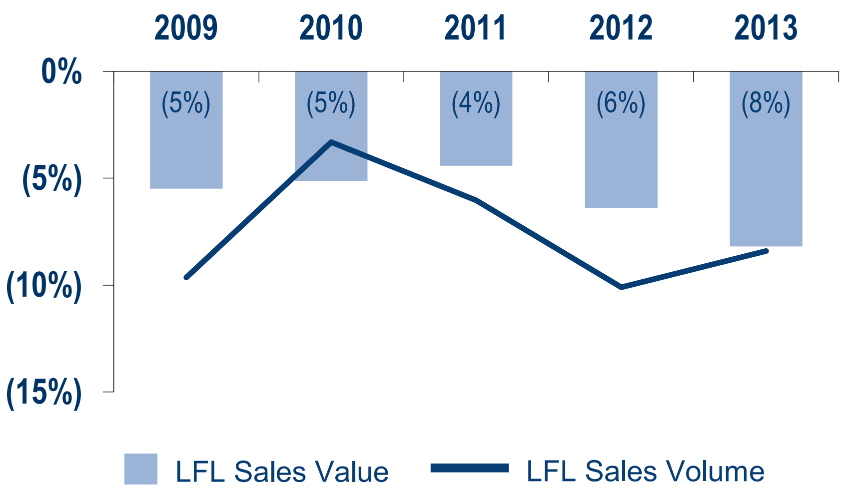
Magazines

- Celebrity sector badly affected by volume decline
  – step change in sales
- High profile title closures

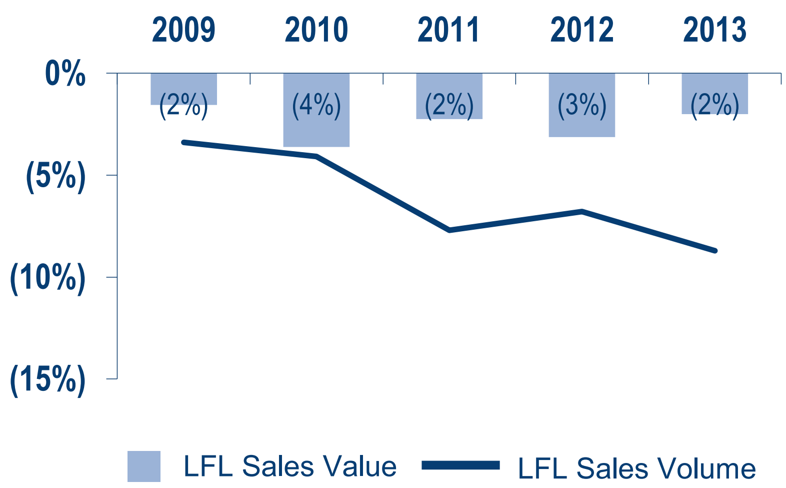
Newspapers

- Stable trends continue
- Strong daily market fuelled by cover price growth

Magazines

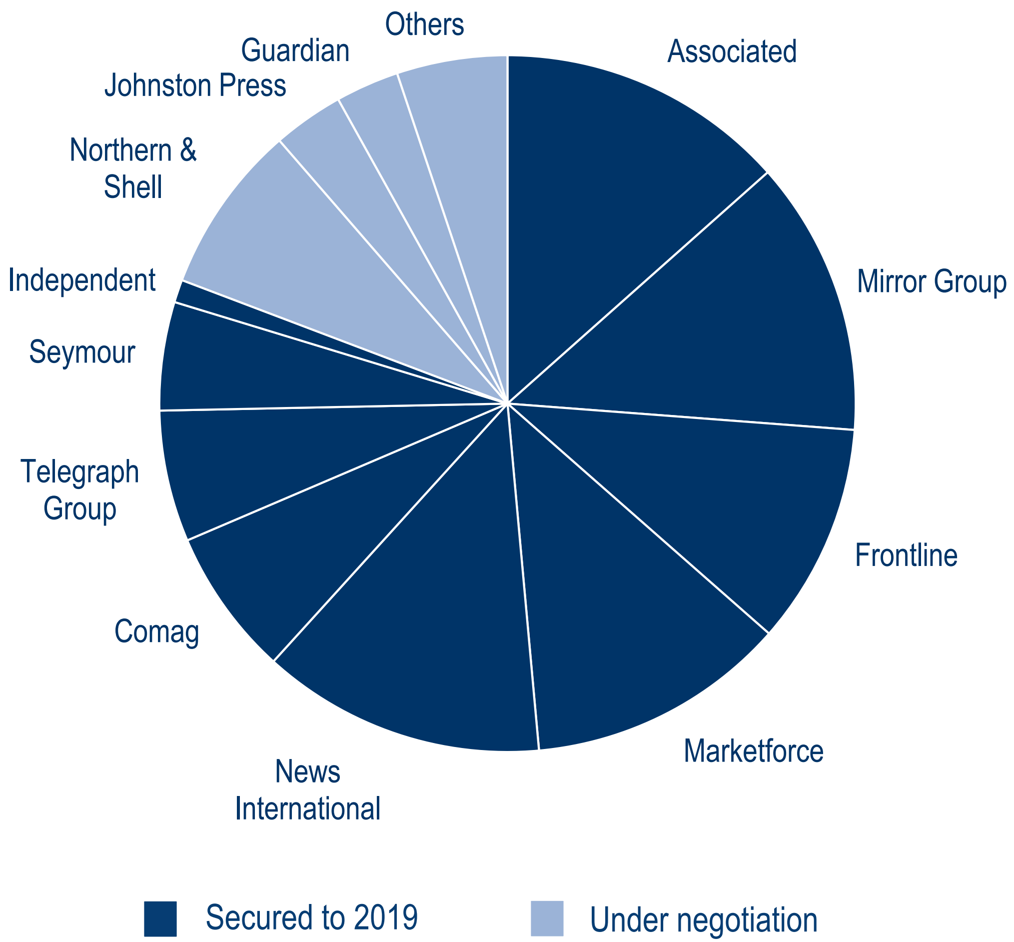


Newspapers



Contract renewals

Top Customers



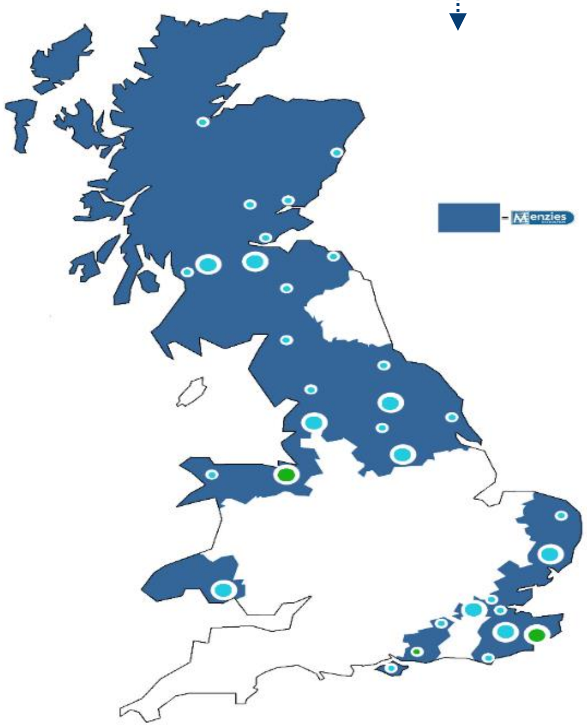
Securing the core

- Good progress made
- Over 80% of 2013 revenue secured through to 2019
- Negotiations underway with others
- Stable platform for future plans
- Basis for further rationalisation

Network rationalisation

Maximising operational efficiency

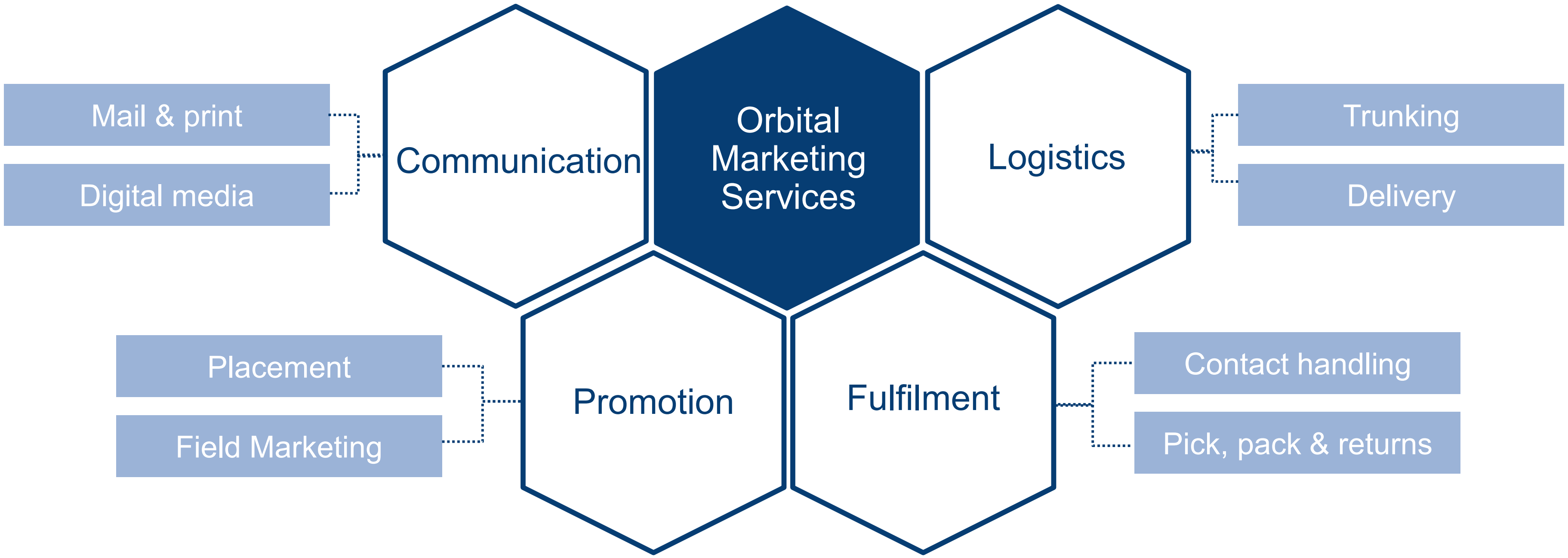
Operational efficiencies → Network rationalisation → Headcount reduction



- Large scale rationalisation plan
- Accelerated centralisation of magazine packing
- Reduction in newspaper packing spokes
- Increased efficiencies from new network
- Commences Q1 2014 – completion date Q4 2015

Business development

- Orbital acquisition is delivering against all its targets
- Integrated model
- Next steps being evaluated



Menzies Aviation – Business overview

Craig Smyth, Managing Director

2013 Overview

Targets delivered

11% EBIT growth at constant currency

Underlying business performs well

Resilience through customer, geographical and product diversity

Momentum continues

Ground handling turns LFL 2% ⬆ Absolute 9% ⬆

Cargo turnaround delivered

Building the business organically & through selective acquisitions

Looking ahead...

Underlying volume recovery upside

Following our “rifle shot” plan for growth

Development pipeline strong - contracts/licences/acquisitions

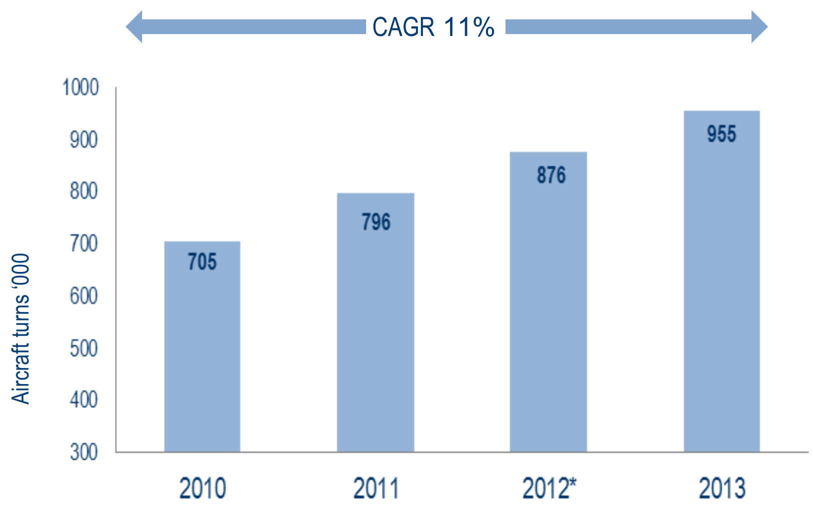
Ground handling

Continuing to build market share

- Excellent volume growth – underlying and contract wins
- Like for like turns supressed by UK scheduling changes
- Yield pressure evident at renewals
- Improved EBIT to £21.9m

Turns performance year on year

Absolute turns momentum



* 2012 restated

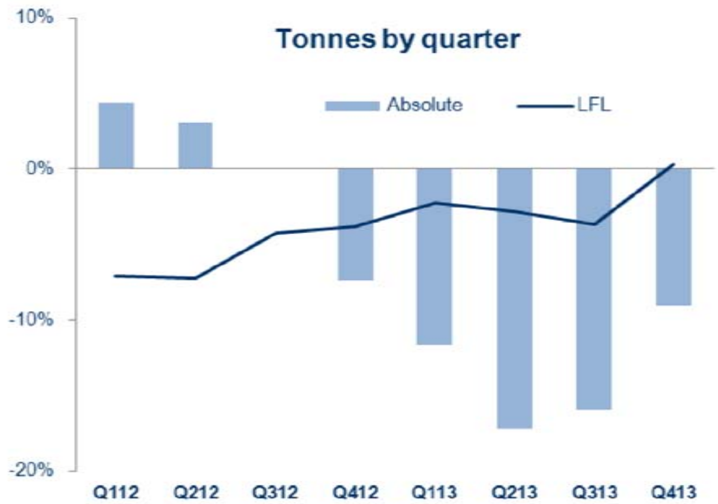
Cargo handling & forwarding

Continuing to improve

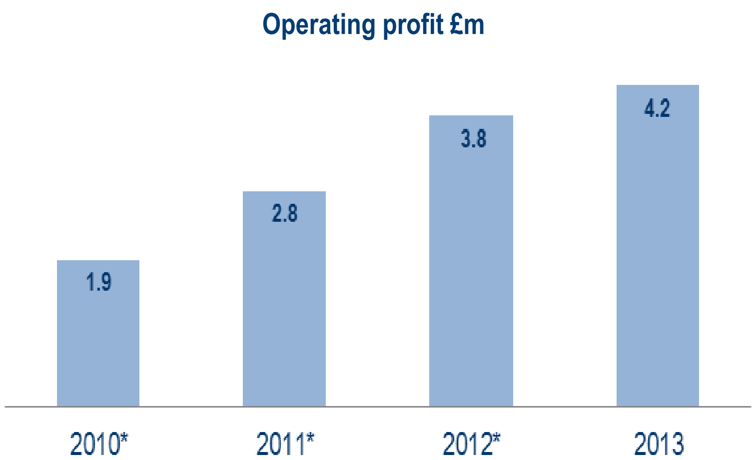
- Profit and margin improvements
- Rationalisation now complete
- Attractive margin product in the right markets

- Forwarding profit growth continues
- Good expansion opportunities in niche global market

Handling Volume



Forwarding EBIT

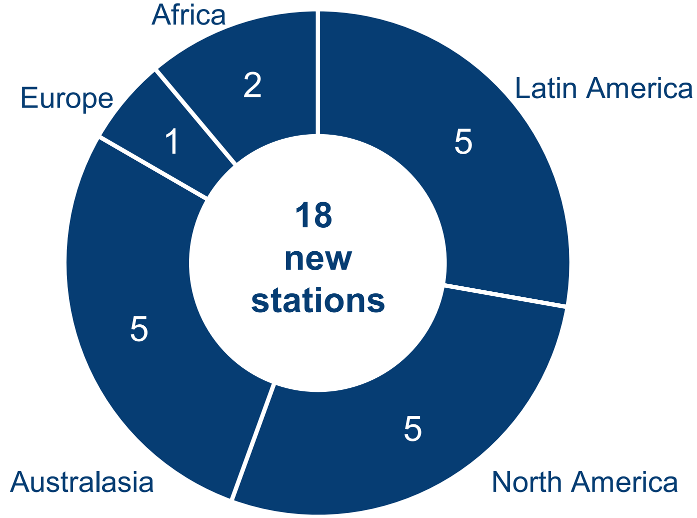


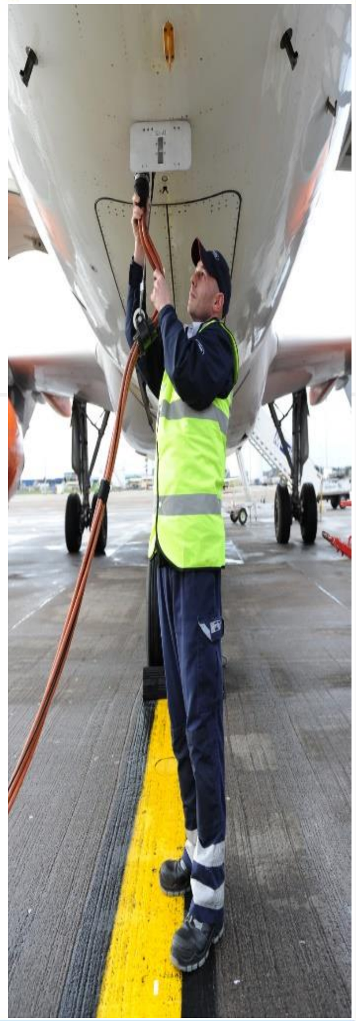
* 2010 - 2012 restated

Business development

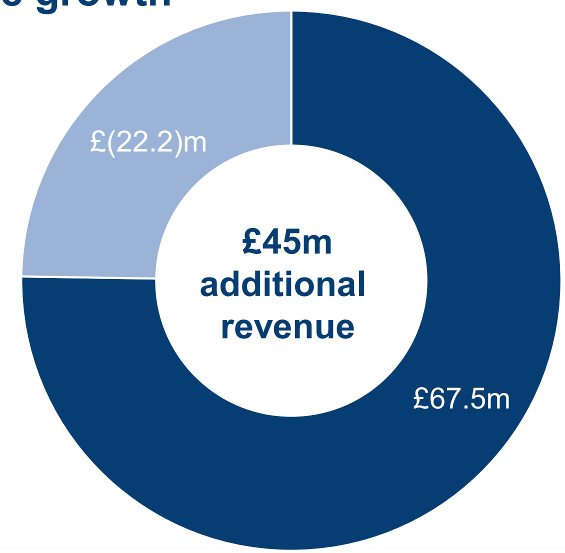
Contracts renewed

New Stations





Revenue growth



Contract Wins

Business development - acquisitions

£13m Invested in three acquisitions

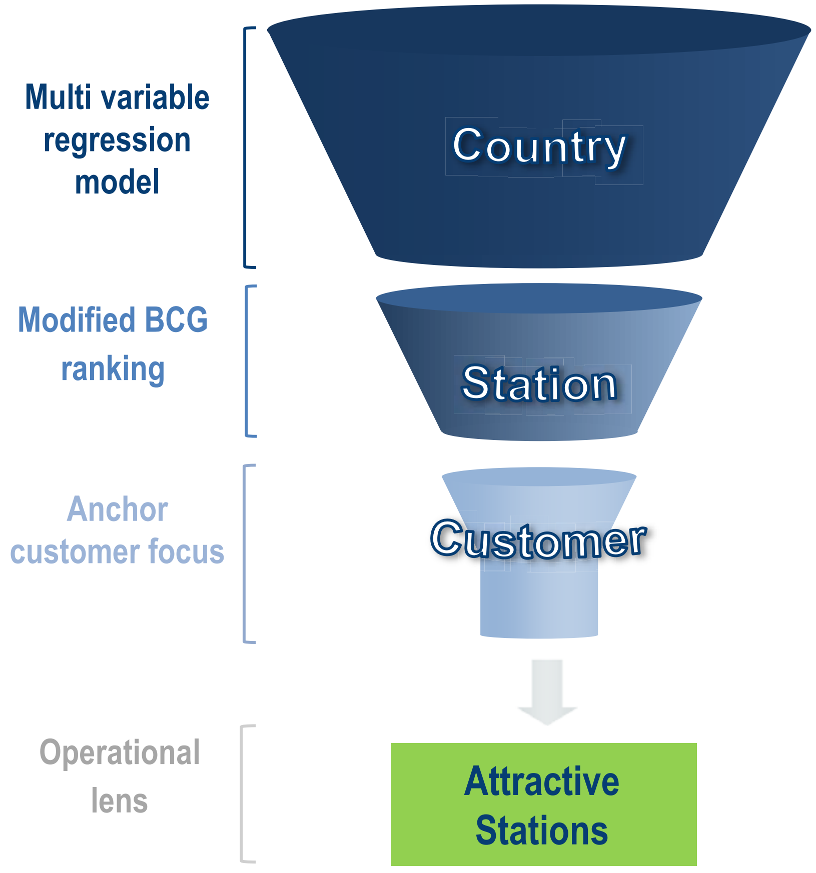
- **Desacol – Colombia**
  - Acquisition of ground and cargo handler at 5 locations
  - Strong anchor customer & deepens several customer relationships
  - Strategic entry into Latin America
- **Skystar – Australia & New Zealand**
  - Ground handling business located at 8 stations – 5 new stations
  - Strong anchor customers gained & existing relationships deepened
  - Consolidation play into existing market with good regional density
- **Moose Aviation – Scandinavia**
  - Acquisition of small ground handler at Stockholm Arlanda Airport
  - Enhances regional strength in key product
  - Broadens product offering, adding ancillary revenue around the core

2014 and beyond ....

- **Our markets…**
  - Aircraft manufacturer order books are very full
  - Market growth dynamics remain strong
    - LCC's continue to win market share
    - Out-sourcing trend continues
  - Fragmented market
    - Consolidation opportunities

- **Our actions…**
  - Strong platform established
    - Excellent track record
    - Strong ground handling reputation
  - Cargo handling portfolio re-shaped
  - Refined growth model with clear targets
  - Contract pipeline very healthy

Strategic Analysis Model



Group summary

Paula Bell, Group Finance Director

Summary

- 2013/14 contract renewals – progressing well
- Refocus on cost rationalisation across the Group
- Solid growth in Aviation, robust operating model
- Improving performance from cargo handling
- Acquisitions delivered and performing well
- Global reach strengthened

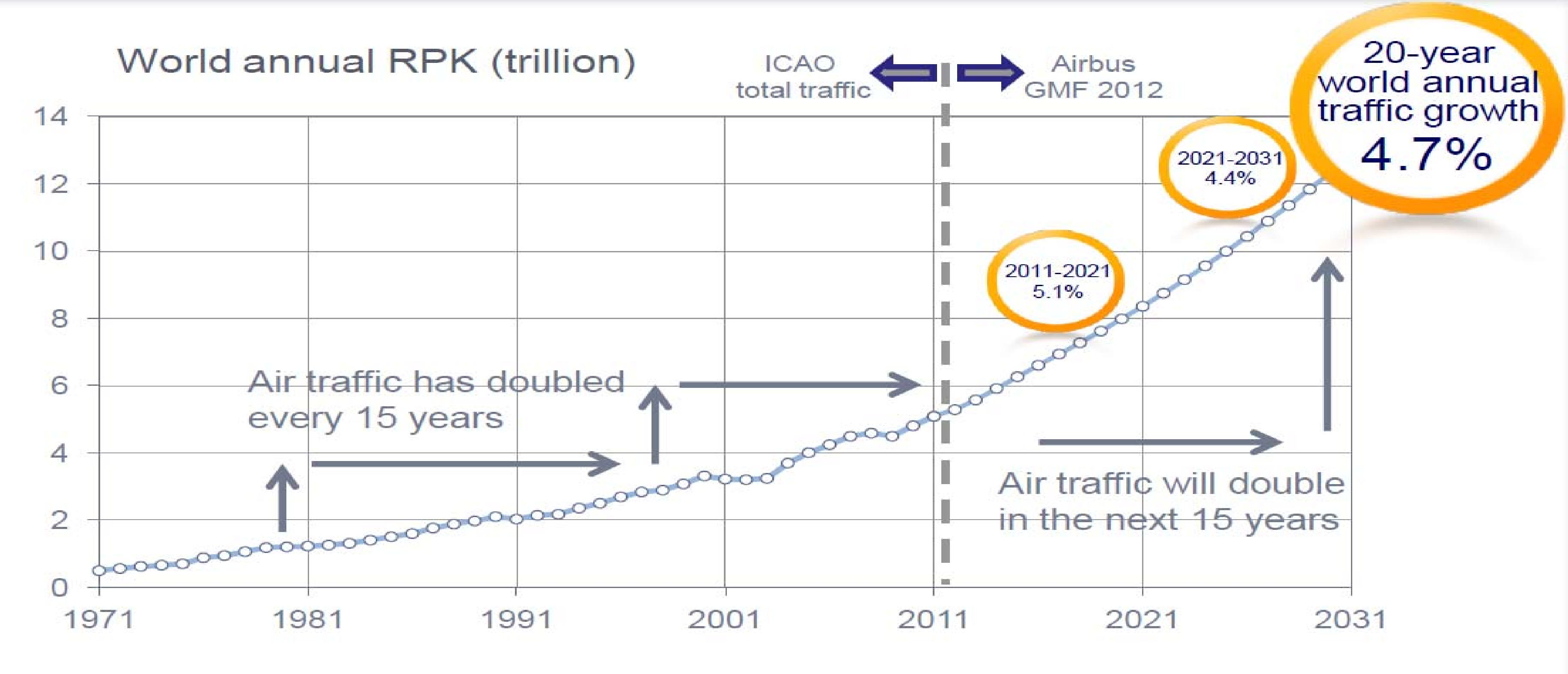
Looking ahead with confidence

Appendix 1

Menzies Aviation – Market dynamics and growth ambitions

Looking to the future

Boeing / Airbus Projections 2012 – 2031



Passenger aircraft fleet	**2011** 15,556	**2031** 32,551	↗	**+109%**
Freighter Aircraft fleet	**2011** 1,615	**2031** 2,938	↗	**+82%**

4.7% CAGR	➡	**Pax traffic growth next 20 years**
4.9% CAGR	➡	**Freight traffic growth**

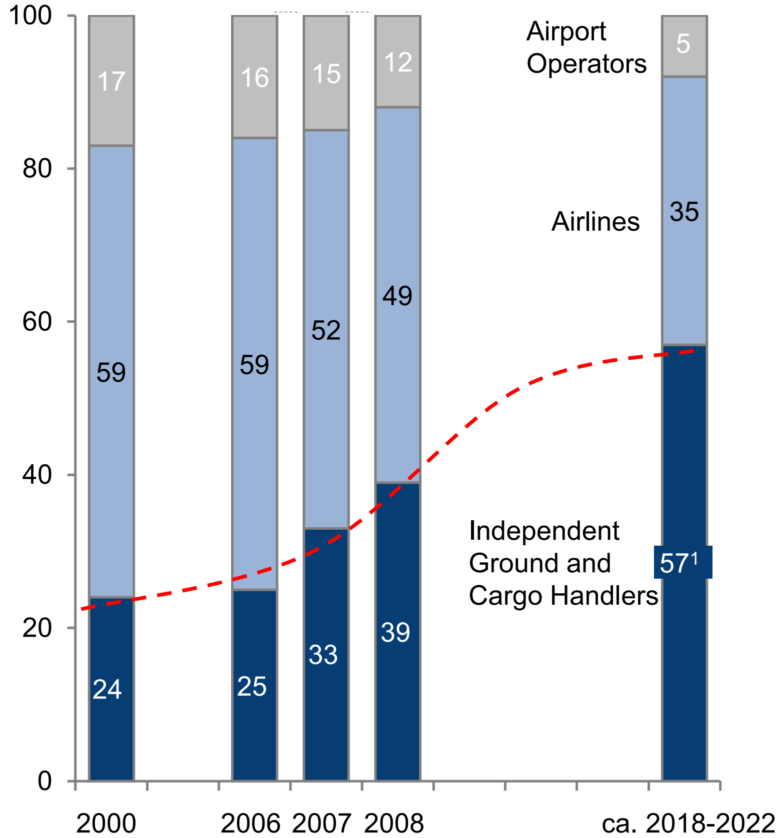
Source: Boeing CMO 2012 – 2031 & Airbus Global market forecast

Industry dynamics – strong fundamentals

Ground handling outsourcing is expected to continue to increase

Independents have been gaining share

Share of world handling market (%)



Outsourcing drivers

Overall	Airport deregulation opening market to independent handlers • up to 15-25% cost decrease Address costs from non core activities • GH costs being one of the key addressable cost elements for airlines (3-11% of operating revenue) New entrants with cost advantages compared to incumbents • More focus on workforce cost effectiveness
Outsourcing of spoke-station	Operations less critical and less complex for airlines and easier to outsource
Outsourcing of hub-stations	Until recently, airlines were reluctant to outsource large hub operations • Airlines reluctant to put at risk their flagship airports in terms of safety, efficiency, quality • Higher complexity at bigger airports However partial outsourcing at large hubs or full outsourcing in mid-sized hubs is growing

1.Hypothesis: 40% of outsourced GH in hubs, 60% in secondary hubs and 80% in spoke stations in 2018-2022, mix 20-80 for the rest between airport operators and airlines; mostly driven by secondary hubs

Source: Respective Airline 2008 Financials, Interviews, BCG analyses

Industry dynamics – strong fundamentals

GROWTH

Air traffic volume growth

- Long term growth expected to be c5%pa for passenger & cargo
- Total distance travelled by air expected to double every 15 years

INDEPENDENT PLAYERS

Liberalisation and outsourcing

- Independent handlers continue to strengthen their position
- Competitive pressures drive airlines to out-source ground operations
- Independent players market share forecast to rise significantly

Development of low cost carriers

- Low cost carriers aggressively gaining market share
- Low cost model is to out-source ground operations

COMPETITION

High barriers to entry

- Security, training, certifications, initial investment, reputation, ISAGO
- Insurance – significant cover levels required

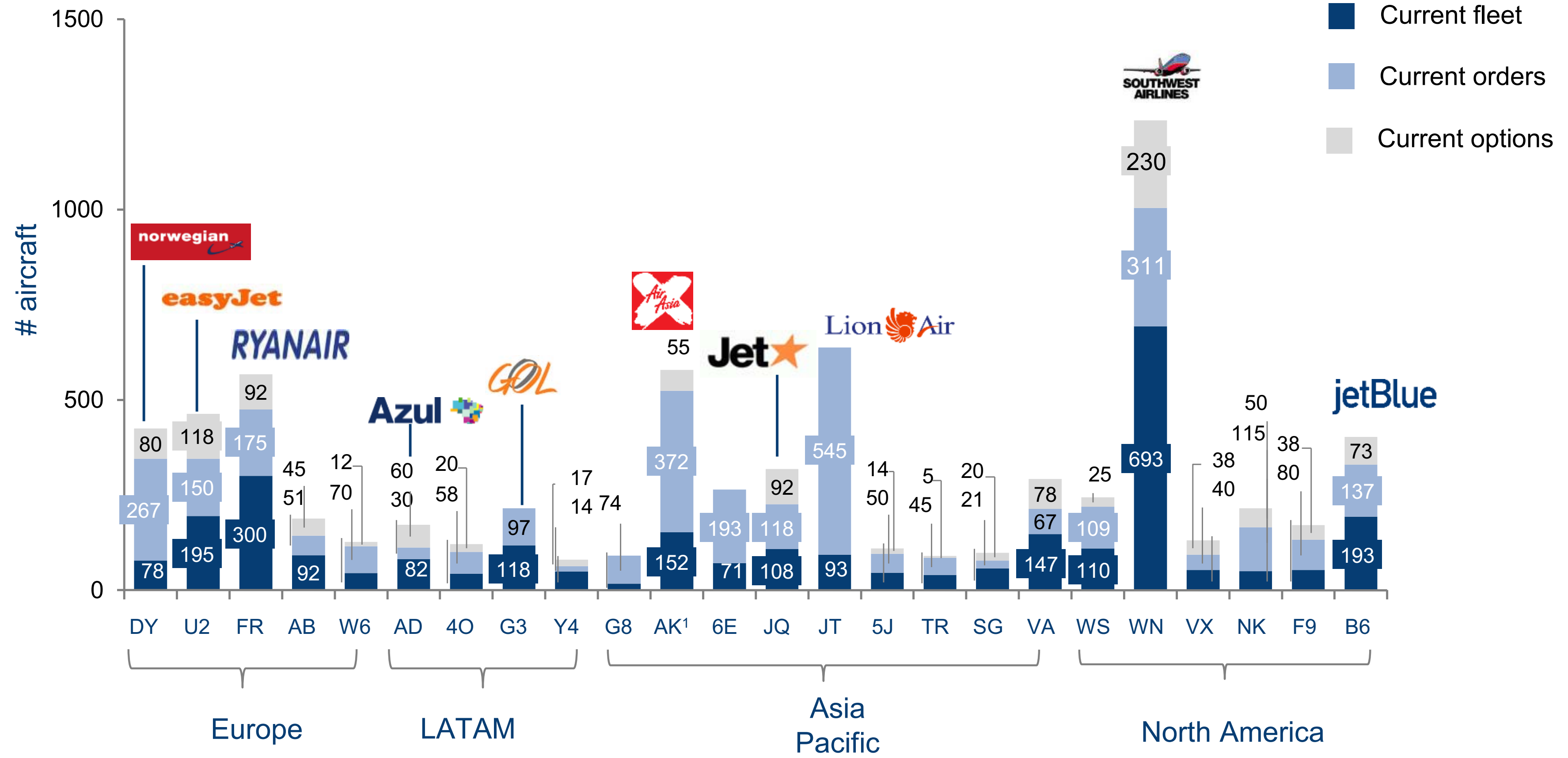
Consolidation

- Airlines favour international players with consistent service delivery
- Financial issues point to further consolidation – best will win out

Source: Boeing CMO 2012 – 2031 & Airport Airside Services – Aug 2011

Low Cost Carriers (LCC's)

- Menzies Aviation is the world's No1 handler of LCC's
- Based on fleet orders LCC's are the fastest growing aviation market
- Good opportunities with existing and potential customers



Source: ACAS; Flightglobal Pro Database. Data as at October 2013

Growth – managing our risk profile

Structured, targeted approach

Macro Risk	Micro Risk	Outcome
Country	GDP profile Political environment / stability	
Labour	Flexibility of labour market Available labour	
Competition	Less than three handlers Size/scale of competition	**Profitable station + Platform for growth**
Customer	Anchor customer with +4k turns Attractive airline profile	
Operational	Airport infrastructure Available licence	

Business Development

Structured growth model – in practice

Airports	Existing (Customers)	New (Customers)
New Country	AIRLINK Freedom of the African Sky Namibia – Entry into new country with well known customer	desacol Ground & Cargo Handling Acquisition in Colombia bringing entry into new region and with new customers
New Airport	vivaaerobus Mexico – entry into several new airports	Jet★ Australia – Darwin Significant anchor customer at new airport
Existing Airport	BRITISH AIRWAYS UK – Manchester Existing customer added to existing location	TURKISH AIRLINES UK – Edinburgh New customer added to existing location

Appendix 2
Additional financial information

Profit before tax reconciliation

£m	2013	2012*
Underlying profit before tax	**53.1**	54.5
Non recurring items in operating profit	**(0.7)**	(18.4)
Non recurring items in finance costs	**(0.7)**	-
JV's and Associates tax	**(1.6)**	(1.6)
Contract amortisation	**(6.6)**	(4.6)
Goodwill impairment	**(1.4)**	(1.8)
Profit before tax	**42.1**	28.1

*2012 re-stated for IAS19R

Free Cash Flow

£m	2013	2012*
Underlying operating profit	**60.1**	61.0
Depreciation	**19.4**	20.2
Dividends from JV's and Associates	**4.4**	4.5
Working capital movement	**(13.0)**	(17.9)
Net pension movement	**0.7**	(0.9)
Other non cash items	**(3.3)**	(2.6)
Operating cash flow	**68.3**	64.3
Tax	**(10.1)**	(9.5)
Net capex	**(20.9)**	(15.9)
Net interest paid	**(4.7)**	(4.2)
Free cash flow	**32.6**	34.7

*2012 re-stated for IAS19R

Net cash flow

£m	2013	2012*
Free cash flow	**32.6**	34.7
Dividends	**(15.9)**	(15.3)
Acquisitions and investments	**(12.7)**	(14.9)
Exceptional items	**(4.0)**	(10.0)
Additional pension payment	**(10.4)**	(6.5)
Net spend on shares	**(1.8)**	(3.0)
Net cash flow	**(12.2)**	(15.0)
Net debt at start of year	**(93.0)**	(80.1)
Currency translation	**1.7**	2.1
Net debt at end of the year	**(103.5)**	(93.0)

*2012 re-stated for IAS19R

Key foreign exchange rates

	2013 Actual average rate	2014 Rate @ 28 Feb
Australian Dollars	1.6	1.9
Euro	1.2	1.2
Indian Rupee	91.8	103.9
US Dollar	1.6	1.7
South African Rand	15.1	18.0

Appendix 3
Further information

Menzies Aviation services

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

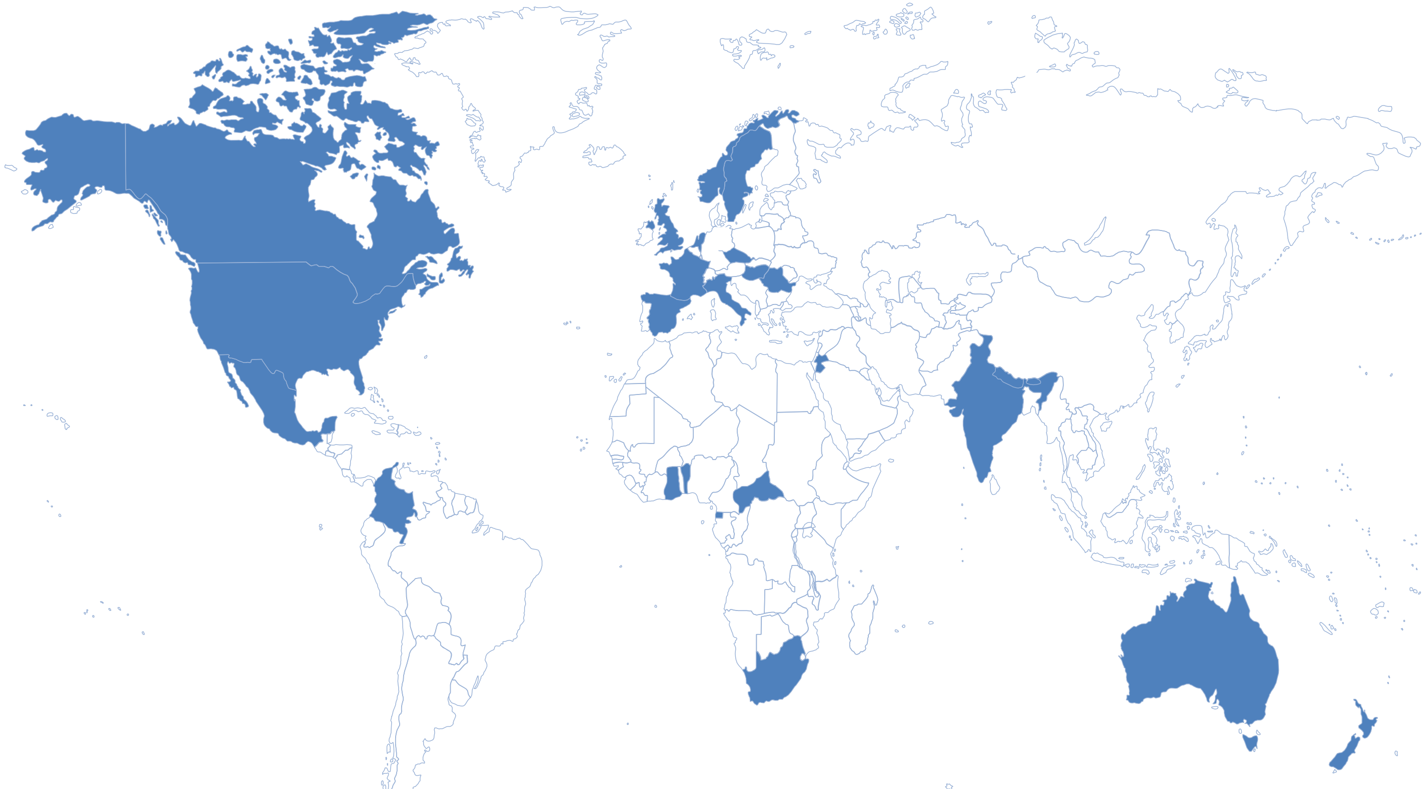
- Build & break
- Roll-through
- Trucking (airside & landside)
- Manpower provision
- Documentation processing

Cargo forwarding

16% of total revenue

- World's largest wholesale freight forwarder
- Air freight & express
- Support major passenger carriers as well as freighters
- £103m spend in 2013

Menzies Aviation network



144 stations

31 countries

6 continents

19,500 employees

500 airlines

77m passengers

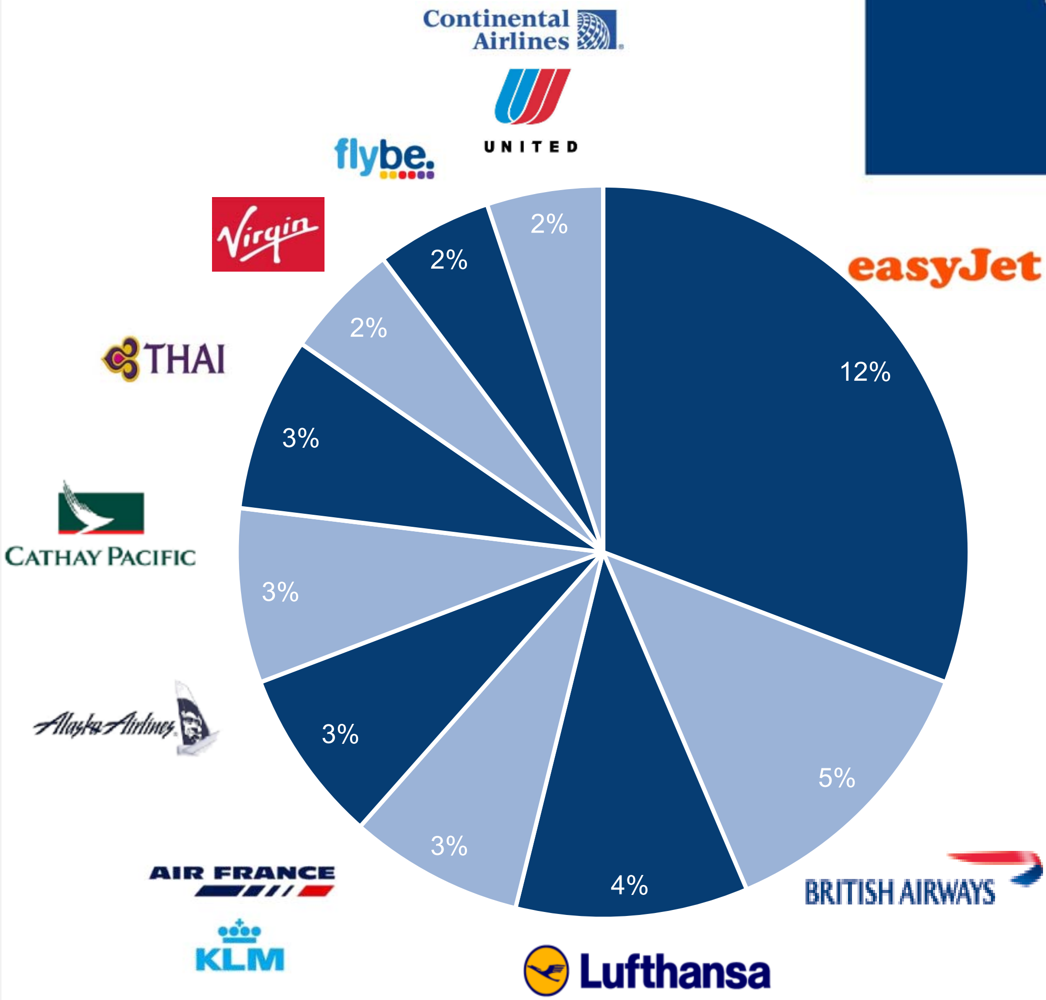
1.5m tonnes of cargo

1.0m aircraft turns

Our underlying strength – customers

Through our customer base

- Deliberate focus on "attractive airlines"
- Top 10 account for 39% of revenue
- Leverage strong customer relationships as we grow

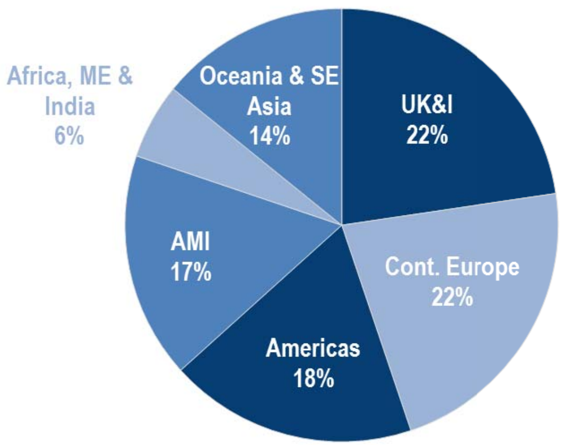


Good spread of "attractive" customers

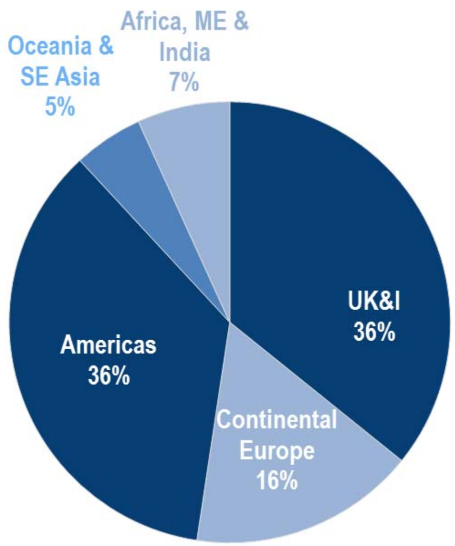
Our underlying strength – geography

Through our geographical spread

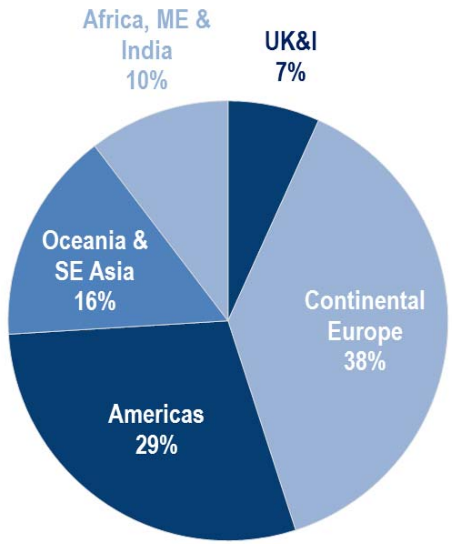
- No over reliance on one geography
- Geographical split allows creation of regional densities
- International presence increasingly important



Split of revenue by geography



Split of turns by geography

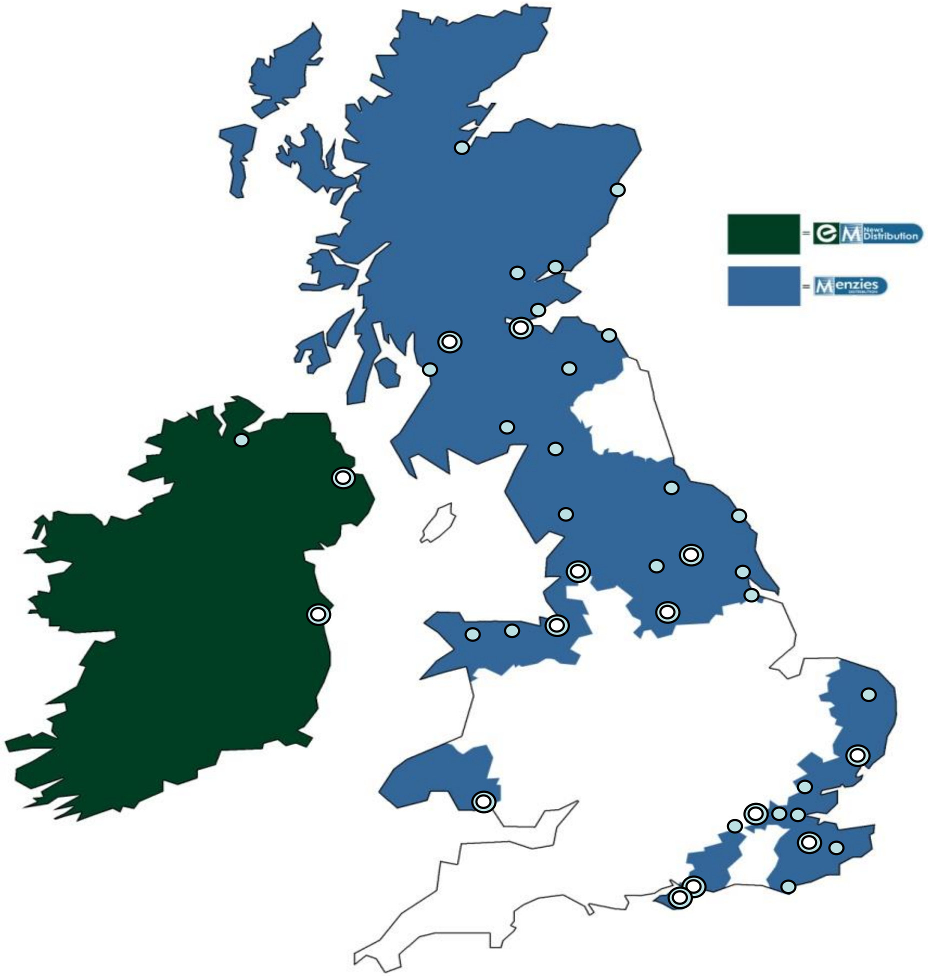


Split of tonnes by geography

Resilient set of geographies

Core distribution network

Newspaper & Magazine Wholesale



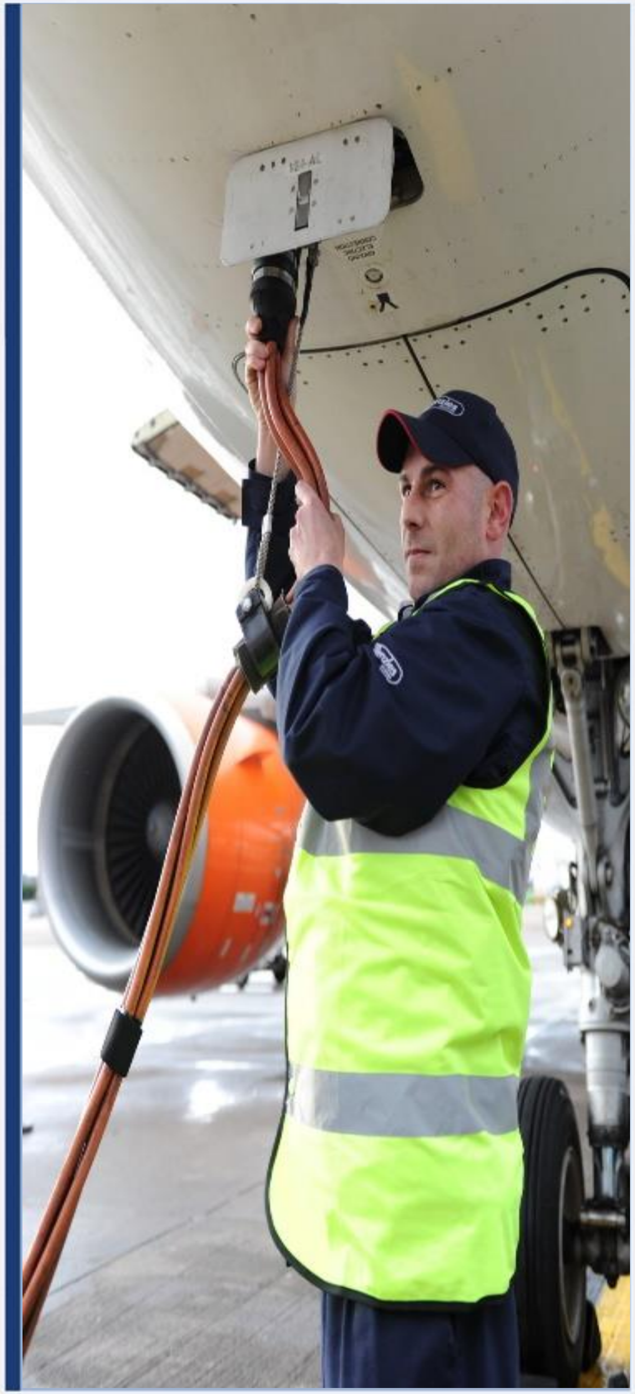
10
Hub branches

4.7m
Newspapers
EVERY DAY

2.0m
Magazines
EVERY DAY

3,800
Employees

25,000
Customers
EVERY DAY



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