John Menzies plc – Interim Results
18 August 2015

Agenda

• Headlines  
  Jeremy Stafford

• Performance Overview  
  Paula Bell

• Strategy & Operational Update  
  Jeremy Stafford

• Questions
Overview

• A challenging first half – 2014 issues still being addressed
• Group transition plans on track, progress made on both strategic and operational agendas
  • Aviation turnover up 8%
  • Aviation profits impacted by restructuring costs, UK operational improvement programme and 2014 contract losses
  • Distribution outperformed management’s expectations
  • As projected, profits will be weighted to H2
• Strong cash conversion

Distribution Strategy

• Distribution strategic review complete
• Decline in earnings has been arrested
• A strategy for growth based on e-commerce parcel delivery
• Becoming a collaborator with national parcel carriers as a neutral consolidator

Route to earnings growth in both divisions
## Financial overview

<table>
<thead>
<tr>
<th></th>
<th>H1 2015</th>
<th>H1 2015</th>
<th>H1 2014</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Turnover</strong></td>
<td>£1,001.4</td>
<td>£1,013.7</td>
<td>£992.6</td>
<td>£1,999.9</td>
</tr>
<tr>
<td><strong>Underlying operating profit</strong></td>
<td>20.2</td>
<td>20.2</td>
<td>24.0</td>
<td>51.0</td>
</tr>
<tr>
<td><strong>Interest</strong></td>
<td>(3.2)</td>
<td>(3.2)</td>
<td>(3.3)</td>
<td>(6.4)</td>
</tr>
<tr>
<td><strong>Underlying profit before tax</strong></td>
<td>17.0</td>
<td>17.0</td>
<td>20.7</td>
<td>44.6</td>
</tr>
<tr>
<td><strong>Net debt</strong></td>
<td>£120.8</td>
<td>£113.4</td>
<td>£110.9</td>
<td></td>
</tr>
<tr>
<td><strong>Underlying effective tax rate</strong></td>
<td>32%</td>
<td>27%</td>
<td>32%</td>
<td></td>
</tr>
<tr>
<td><strong>Underlying EPS</strong></td>
<td>18.8p</td>
<td>24.7p</td>
<td>49.2p</td>
<td></td>
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<tr>
<td><strong>Basic EPS</strong></td>
<td>4.7p</td>
<td>16.2p</td>
<td>22.7p</td>
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<tr>
<td><strong>Dividend</strong></td>
<td>5.0p</td>
<td>8.1p</td>
<td>16.2p</td>
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</table>
## Divisional performance

<table>
<thead>
<tr>
<th></th>
<th>Turnover</th>
<th>Underlying operating profit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>H1 2015</td>
<td>H1 2015</td>
</tr>
<tr>
<td></td>
<td>Reported</td>
<td>Constant currency</td>
</tr>
<tr>
<td>Ground handling</td>
<td>240.9</td>
<td>248.4</td>
</tr>
<tr>
<td>Cargo handling</td>
<td>72.5</td>
<td>75.8</td>
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<tr>
<td>Cargo forwarding</td>
<td>57.4</td>
<td>57.6</td>
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<tr>
<td>Aviation</td>
<td>370.8</td>
<td>381.8</td>
</tr>
<tr>
<td>Distribution</td>
<td>630.6</td>
<td>631.9</td>
</tr>
<tr>
<td>Corporate</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Group</td>
<td>1,001.4</td>
<td>1,013.7</td>
</tr>
</tbody>
</table>
Menzies Aviation
H1 2015 overview

Underlying operating profit (Constant currency (£m))

H1 2014: 13.3
Cargo: 2.0
Hubs wins: 2.5
2014 losses (SA/UK): (2.6)
Heathrow volume/yield: (2.3)
UK operational: (1.8)
UK/Europe restructure: (1.3)
Other: (0.4)
H1 2015: 9.4

H1 2015 Performance
Menzies Distribution
H1 2015 overview

- Strong trading performance
- Profit ahead (despite no World Cup)
- Magazine declines slowed
- Network rationalisation on track

**H1 2015 Performance**

<table>
<thead>
<tr>
<th>Component</th>
<th>Profit (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2014</td>
<td>12.0</td>
</tr>
<tr>
<td>Print media</td>
<td>(1.8)</td>
</tr>
<tr>
<td>Collectibles</td>
<td>(2.4)</td>
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<tr>
<td>Cost savings</td>
<td>3.2</td>
</tr>
<tr>
<td>New business</td>
<td>1.2</td>
</tr>
<tr>
<td>H1 2015</td>
<td>12.2</td>
</tr>
</tbody>
</table>

- AJG Parcels acquired
- Earnings enhancing deal
- Operates as a neutral consolidator
## Non-recurring items – H1 2015

<table>
<thead>
<tr>
<th>£m</th>
<th>Cash</th>
<th>Non-cash</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>Planned Distribution rationalisation</td>
<td>0.5</td>
<td>-</td>
<td>0.5</td>
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<tr>
<td>Management restructure and strategic review</td>
<td>1.4</td>
<td>-</td>
<td>1.4</td>
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<tr>
<td>Impairment of assets - Spain</td>
<td>-</td>
<td>4.7</td>
<td>4.7</td>
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<tr>
<td>Deferred consideration</td>
<td>(0.4)</td>
<td>-</td>
<td>(0.4)</td>
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**Cash flow**

<table>
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<td>(5.9)</td>
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<td><strong>Other movements</strong></td>
<td>(1.6)</td>
<td>(0.7)</td>
</tr>
<tr>
<td><strong>Operating cash flow</strong></td>
<td>26.4</td>
<td>29.0</td>
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<tr>
<td><strong>Tax and net interest paid</strong></td>
<td>(6.1)</td>
<td>(6.8)</td>
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<tr>
<td><strong>Capital expenditure</strong></td>
<td>(8.7)</td>
<td>(10.1)</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>11.6</td>
<td>12.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>£m</th>
<th>Opening net debt</th>
<th>Operating cash flow</th>
<th>Tax &amp; interest</th>
<th>Capital expenditure</th>
<th>Acquisitions</th>
<th>Pensions</th>
<th>Other &amp; FX</th>
<th>Closing net debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2015</td>
<td>(110.9)</td>
<td>26.4</td>
<td>(6.1)</td>
<td>(8.7)</td>
<td>(15.3)</td>
<td>(5.8)</td>
<td>(0.4)</td>
<td>(120.8)</td>
</tr>
</tbody>
</table>
Menzies Aviation
Period of planned transition

Building robust operations

- New hub operations all running well
  - Full suite of systems and tools being utilised – standardisation of best practice
  - High level of customer satisfaction

- London Heathrow operating well and will move into profit in H2 as planned
  - New business secured and existing key contracts extended
    - Star Alliance to 2017, Qantas to 2020
  - Significant improvement in on-time performance – now at 97%

- Other UK operations transitioning
  - Staff turnover and skill shortages impacted performance in the early summer
  - New UK management team in place – skill sets to match business demands
Menzies Aviation
Driving standardisation - Progress

Focus on continuous improvement

Safety & Security

Creation of operational excellence team

Roll out of Workbridge software

e-recruitment platform utilised

THE RIGHT WAY EVERY DAY

People

Key operational metrics

Integrated IT

Move to cloud based IT platform

Enhancement and roll out of e-learning

Standard operating procedures

Training and Management

Menzies Aviation
Five strategic priorities

Focus on key customers
Pursue hubs & bases
Accelerate complementary services offering
Re-focus geographical investment
Expand in emerging markets

Driving earnings growth
Menzies Aviation
Implementing our strategy

Focus on key customers

Fundamental change of emphasis

Focus on growing market share with our top customers
- Larger accounts with fewer customers
- Driving better returns

Global/regional outlook to key account management
- Put in place master agreements for multiple airport deals
- Benefits for Menzies and airlines

Top 10 Customers

36% of revenue
Menzies Aviation
Implementing our strategy

Focus on key customers

Thai Airways
- Significant contract extensions secured
- Standard terms agreed, preferred supplier status in place
- Multi year platform to grow partnership

WestJet
- Building a strong relationship
- Offering in Toronto extended to wide body aircraft
- Now handling in 14 airports across 5 countries

Qantas
- Sole provider of ground handling in all major New Zealand airports
- Global relationship helped secure 5 year extension at London Heathrow
Menzies Aviation
Implementing our strategy

Pursue hubs & bases

Accelerated outsourcing trend gives opportunity to build scale

- 3 locations awarded in June by United Airlines – Tucson, Lubbock & Cincinnati
  - Operations start in Q4
  - Award was part of first outsourcing wave that included 18 airports

- 7 year Norwegian Air Shuttle contract in Oslo and Copenhagen started well

- American Airlines’ largest base outside of USA secured for 3 years at London Heathrow in April

- Operations for Frontier Airlines in Orlando upgraded to key base with an increase from 13 to 40 daily flights
Menzies Aviation
Implementing our strategy

Accelerate complementary services offering
• Opportunities exist to increase returns by offering more services at existing stations
• Further lounges opened in South Africa and New Zealand – 25 now in the portfolio

Re-focus geographical investment
• Global/regional key account focus will result in more base operations for fewer airlines
• Re-shaping the portfolio, non viable stations closed – Naples & Birmingham (H2)
• Developing positions of strength in target regions

Expand in emerging markets
• New office opened in United Arab Emirates
• Opportunities emerging in Far East with legacy and low cost carriers
Menzies Distribution
Print media declining – time to evolve

Profitable stable core business

- 45% market share
- Long term contracts secured to 2019
- Volume declines more stable
- Strong cash conversion
- Provides a stable platform to grow from
- We must replace volume with volume
- Utilise existing property and vehicle assets
- Evolve into growing markets

UK Newspapers & Magazine Volume Circulation 2010-2020

- 25,000 customers EVERY DAY
- 5m newspapers EVERY DAY
- 2m magazines EVERY DAY
- 7 HUB BRANCHES
- 3,500 EMPLOYEES
- 110m delivery units EVERY YEAR
WE DO FIVE THINGS

1. TRUCKING
2. FINAL MILE
3. HAND TO HAND
4. MENZIES RESPONSE
5. RETAIL SOLUTIONS
Menzies Distribution
Five strategic priorities

- Grow B2C business through neutral consolidation
- Expand Menzies Response
- Focus on key customers
- Continued focus on cost and network rationalisation
- Sustain cash generation

Driving earnings growth
Menzies Distribution
Volume growth: UK parcel market – an opportunity

Grow B2C business through neutral consolidation

UK Parcel Market 2014-2020: Published Reports

- CAGR 2014-20: 5.4%
- Total Growth Rate: 37%

Delivery Units - Millions


Mintel PWC RoyalMail/Triangle Barclays(N) IMRG(N) Average
Menzies Distribution
Collaborator in the UK parcel market

Grow B2C business through neutral consolidation

Parcel Market vs Addressable Market

- General parcel market
  - CAGR 2014-2020: 5.4%
- Menzies addressable market
  - CAGR 2014-2020: 8.2%
Menzies Distribution
Our addressable market

Grow B2C business through neutral consolidation

Estimated 2017 UK Parcel Market
(Volume in Millions)

Addressable market
- All B2C excluding Royal Mail
- 50% of 2 man & specialist market

- 814m
- 749m
- 167m
- 538m

- UK B2B market
- Royal Mail B2C market
- 2 Man & Specialist B2C market

Total Market Value
c.£8 billion

Total Market Size
2.3 billion parcels
Menzies Distribution
Collaborator in the UK parcel market

Grow B2C business through neutral consolidation

Note: The following categories have been excluded from the overall market: i All B2B parcels, ii Royal Mail B2C parcels, iii 50% of the 2 man and specialist B2C market
Menzies Distribution
Acquisition of AJG Parcels

Grow B2C business through neutral consolidation

A strategic move – implementing our strategy

- Acquired for a consideration of £7.5m
- Annual revenue £8m, earnings enhancing
- AJG is a neutral consolidator for national parcel carriers
- It handles over 3m parcels per annum in Argyll and the Scottish Highlands and Islands
- Key relationships with national carriers including: DPD, UK Mail, UPS, APC Overnight
- Integration has gone well and delivering to plan – business has been re-branded Menzies Parcels
- First step into servicing the fast growing e-commerce parcel market
Menzies Response
– e-commerce fulfilment

Growing market

• Menzies Response continues to operate effectively in the growing fulfilment market

• Rushden facility now at capacity and expansion into existing property portfolio is underway

• Strategic opportunities exist but we will build sensibly

• Long term market with strong growth dynamics

• Short term focus is on organic development

+100 customers

+10,000 picks per day

+50,000 products
Continued focus on cost and network optimisation

Delivering to plan

- Rationalisation programme on track and delivering benefits
- Second super-hub opened in Wakefield
  - c9,000 customers served from one site
  - Largest magazine packing centre in Europe
- Travel brochures relocated
- Hub branches reduced from 10 to 7
- Existing property portfolio being utilised to sustain growth at Menzies Response

Menzies network – August 2015
Sustain cash generation

Divisional EBIT

2011

2014

Medium term

- Print media
- Other

Evolving the profit mix
John Menzies plc
Driving efficiencies

Re-shaping the Group

- New streamlined executive management structure in place
  - Matrix management beginning to operate effectively
  - Two boards replaced by one Executive Committee
  - Significant annualised cost saving
- New Commercial function
  - Focus on customer relationships
  - Dedicated M&A resource
- Single support services function to maximise synergies
  - Safety, Human Resources, IT, Procurement
- IT infrastructure
  - Move to cloud based solutions for the Group
- Creating an efficient scalable platform
John Menzies plc
Summary & Outlook

• We are in a period of transition, with focus on both growing and re-shaping the existing business
• Strategic reviews are complete
• Consolidated management team
• Aviation
  • Increased outsourcing opportunities continue in North America
  • Continue to seek both organic and acquisitive opportunities as we look to build our overall market position
• Distribution
  • Strategy to grow earnings
  • Continued cost reduction
  • Strong sustained cash generation

Route to earnings growth in both divisions
## Profit before tax

<table>
<thead>
<tr>
<th></th>
<th>H1 2015</th>
<th>H1 2014</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying profit before tax</td>
<td>17.0</td>
<td>20.7</td>
<td>44.6</td>
</tr>
<tr>
<td>Non-recurring items in operating profit</td>
<td>(1.5)</td>
<td>(1.8)</td>
<td>(6.0)</td>
</tr>
<tr>
<td>Non-recurring items in finance costs</td>
<td>(0.1)</td>
<td>(0.3)</td>
<td>(0.5)</td>
</tr>
<tr>
<td>JVs and Associates tax</td>
<td>(1.2)</td>
<td>(0.9)</td>
<td>(2.0)</td>
</tr>
<tr>
<td>Contract amortisation</td>
<td>(3.7)</td>
<td>(3.5)</td>
<td>(7.2)</td>
</tr>
<tr>
<td>Impairment of assets</td>
<td>(4.7)</td>
<td>-</td>
<td>(3.2)</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td><strong>5.8</strong></td>
<td><strong>14.2</strong></td>
<td><strong>25.7</strong></td>
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### Balance sheet

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<thead>
<tr>
<th></th>
<th>£m</th>
<th>H1 2015</th>
<th>H1 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible fixed assets and investments</td>
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<td>139.1</td>
<td>138.0</td>
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<tr>
<td>Goodwill, intangibles and other assets</td>
<td></td>
<td>110.2</td>
<td>121.7</td>
</tr>
<tr>
<td>Working capital and others</td>
<td></td>
<td>(18.5)</td>
<td>(22.3)</td>
</tr>
<tr>
<td>Net debt</td>
<td></td>
<td>(120.8)</td>
<td>(113.4)</td>
</tr>
<tr>
<td>Pension liability, net of deferred tax</td>
<td></td>
<td>(32.1)</td>
<td>(40.2)</td>
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<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td>77.9</td>
<td>83.8</td>
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# Cash flow and net debt

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</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>11.6</td>
<td>12.1</td>
</tr>
<tr>
<td>Dividends</td>
<td>-</td>
<td>(11.8)</td>
</tr>
<tr>
<td>Acquisitions, investments and earn-outs</td>
<td>(15.3)</td>
<td>(1.9)</td>
</tr>
<tr>
<td>Additional pension payment</td>
<td>(5.8)</td>
<td>(5.6)</td>
</tr>
<tr>
<td>Other</td>
<td>(2.5)</td>
<td>(3.4)</td>
</tr>
<tr>
<td><strong>Net cash flow</strong></td>
<td>(12.0)</td>
<td>(10.6)</td>
</tr>
<tr>
<td><strong>Net debt at start of year</strong></td>
<td>(110.9)</td>
<td>(103.5)</td>
</tr>
<tr>
<td>Currency translation</td>
<td>2.1</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>Net debt at end of period</strong></td>
<td>(120.8)</td>
<td>(113.4)</td>
</tr>
</tbody>
</table>

**Group cash conversion**

Cash conversion is underlying operating cash flow before business development capital expenditure divided by underlying operating profit.

|                          | 105%    | 98%     |
Foreign exchange

Sterling volatility continues

- US dollar **strength** against Sterling in H1 offsets impact of Euro and Australian dollar

- H2 trading impacted by seasonality of Europe and Oceania
Headroom and ratios

At 30 June 2015

• Committed bank facilities of £259m
• Undrawn bank facilities of £106m
• Net debt to EBITDA – 1.7 times
• Interest cover ratio (EBITA to external interest charge) – 10.0 times
Menzies Distribution
Newspaper and magazine trends

Core sales value and volume

Newspapers

<table>
<thead>
<tr>
<th>Year</th>
<th>LFL sales value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>(2%)</td>
</tr>
<tr>
<td>2012</td>
<td>(3%)</td>
</tr>
<tr>
<td>2013</td>
<td>(2%)</td>
</tr>
<tr>
<td>2014</td>
<td>(1%)</td>
</tr>
<tr>
<td>2015</td>
<td>(4%)</td>
</tr>
</tbody>
</table>

Magazines

<table>
<thead>
<tr>
<th>Year</th>
<th>LFL sales value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>(4%)</td>
</tr>
<tr>
<td>2012</td>
<td>(6%)</td>
</tr>
<tr>
<td>2013</td>
<td>(8%)</td>
</tr>
<tr>
<td>2014</td>
<td>(6%)</td>
</tr>
<tr>
<td>2015</td>
<td>(5%)</td>
</tr>
</tbody>
</table>

LFL sales value
LFL sales volume
Menzies Aviation
Business development

Contracts renewed

- Cargo handling: £48m
- Ground handling: £13m
- Total contracts renewed: 39 (FY revenue £61m)

Contract renewals by region

- Americas: 9 contracts renewed
- Oceania: 7
- Africa, Middle East & India: 5
- Europe: 18
- Total contracts renewed: 39

Contract wins

- Contract wins: 49
- Contract losses: (21)
- Net contract wins: 28

Contract wins by region

- Oceania: 4
- Americas: 3
- Africa, Middle East & India: 4
- Europe: 17
- Total net contract wins: 28

Net contract wins by region

- Americas: 3
- Oceania: 4
- Africa, Middle East & India: 4
- Europe: 17
- Total net contract wins: 28