

John Menzies plc

Interim Results Presentation

16 August 2016

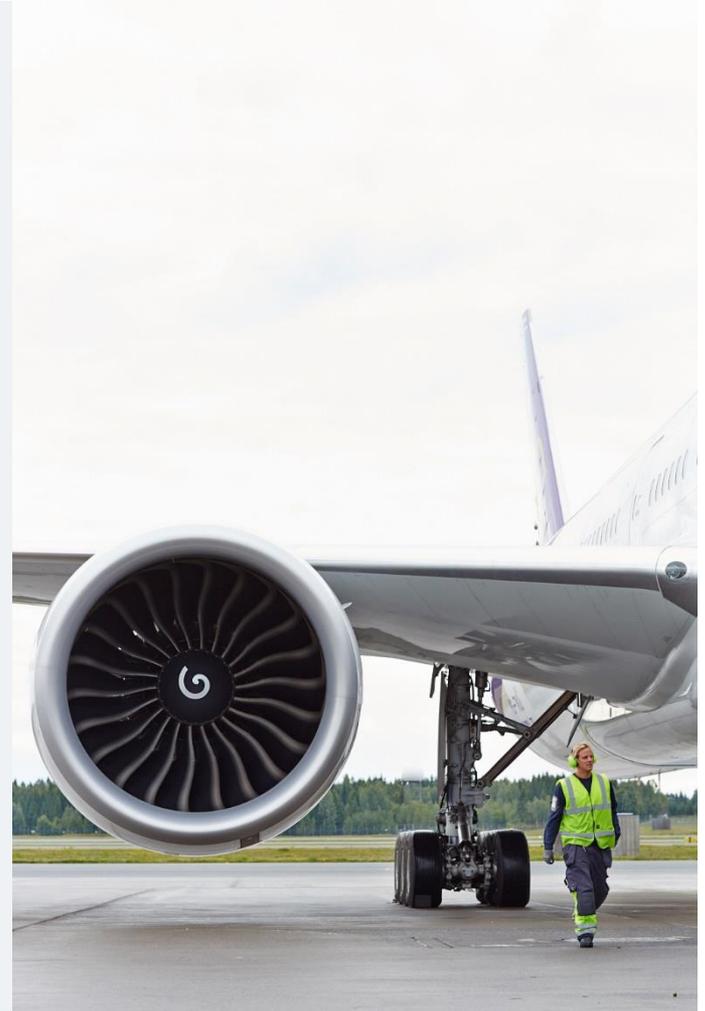


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Interim Results - 16 August 2016

Agenda

- Interim Results Overview
- Financial Overview
- Operational Overview
 - Aviation
 - Distribution
- Summary and Outlook



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Executive Team

Giles Wilson

Chief Financial Officer –
John Menzies plc



Giles was appointed Chief Financial Officer in June 2016.

A chartered accountant, he has worked with John Menzies plc for 5 years in a variety of senior roles, including Finance Director of Menzies Aviation. Most recently he has been based in Dubai as Senior Vice President of our Africa, Middle East and India.

Forsyth Black

Managing Director –
Menzies Aviation



Forsyth joined the Board as Managing Director of Menzies Aviation in January 2016.

He has been with the Group for 16 years, in senior Aviation roles, latterly SVP of Africa, Middle East and India. Most recently, as Managing Director of Menzies Distribution he successfully led a network rationalisation and entry into the growing e-commerce logistics market.

John Geddes

Company Secretary & Head of
Corporate Affairs –
John Menzies plc



John joined the Group in 1997. He was appointed as Group Company Secretary in 2006.

A chartered secretary, he has 18 years Menzies experience including time as Company Secretary of Menzies Aviation.

His career has also included posts at Bank of Scotland plc and Guinness plc.

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Strategic priorities

Clear strategic priorities



Focus on key customers

Expand emerging markets

Re-focus geographical investment

Accelerate complementary services

Pursue hubs and bases



Focus on key customers

Grow neutral parcel business

Cost and network optimisation

Expand Menzies Response

Sustain cash generation

Making good progress against our objectives

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Interim Results overview

Group has had a positive half

Aviation turnover up 7%

- Clear strategy delivering benefits
- Ground handling profitability improving, particularly in the UK
- Oman Air joint venture secured

Distribution steady performance

- Media declines and one week less trading offset by strong sticker sales
- Diversification away from the core print media business continues
- 3 year national stock distribution deal secured with WHSmith

Strong cash generation – robust Balance Sheet

Favourable foreign exchange rates increasing returns on overseas profits

Dividend up 8% to 5.4p

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Financial overview

£m	H1 2016	H1 2016	H1 2015	FY 2015
	Reported	Constant currency		
Turnover	1,002.2	995.3	1,001.4	1,993.3
Underlying operating profit	21.1	20.4	20.2	44.9
Interest	(3.0)	(3.0)	(3.2)	(6.7)
Underlying profit before tax	18.1	17.4	17.0	38.2
Free cash flow	16.4		11.6	31.7
Net debt	126.6		120.8	123.2
Exceptional charge	10.0		6.2	10.5
Debt: EBITDA	1.7x		1.7x	1.8x
Underlying effective tax rate	32%		32%	32%
Underlying EPS	20.4p		18.8p	42.7p
Basic EPS	(2.4)p		4.7p	16.5p
Dividend	5.4p		5.0p	16.8p

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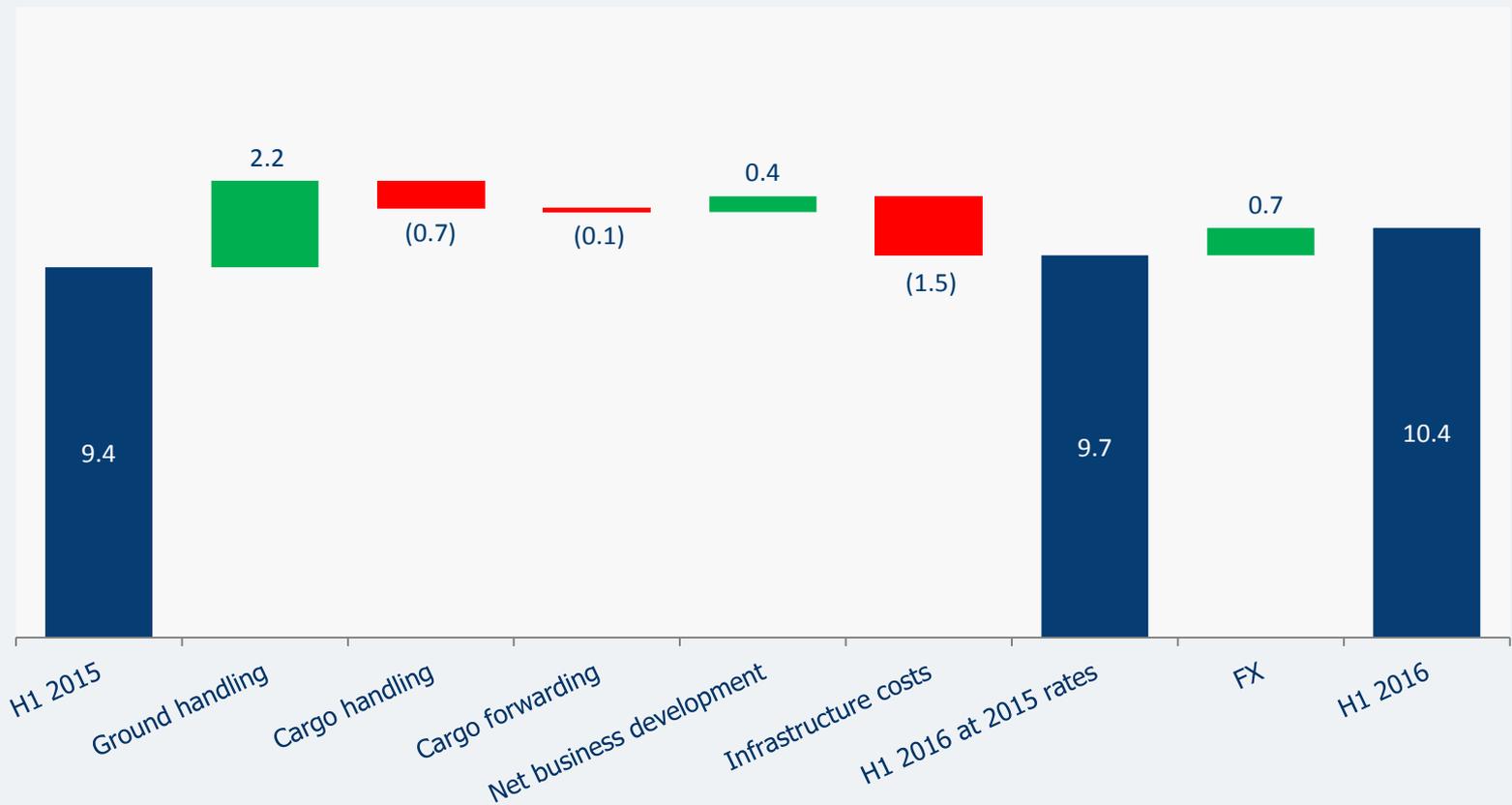
Divisional performance

£m	Turnover			Underlying operating profit		
	H1 2016	H1 2016	H1 2015	H1 2016	H1 2016	H1 2015
	Reported	Constant currency		Reported	Constant currency	
Ground handling	271.5	266.0	240.9	2.8	2.2	0.8
Cargo handling	72.7	70.7	72.5	6.0	5.9	6.9
Cargo forwarding	52.4	53.6	57.4	1.6	1.6	1.7
Aviation	396.6	390.3	370.8	10.4	9.7	9.4
Distribution	605.6	605.0	630.6	12.0	12.0	12.2
Corporate	-	-	-	(1.3)	(1.3)	(1.4)
Group	1,002.2	995.3	1,001.4	21.1	20.4	20.2

Menzies Aviation

H1 2016 overview

Underlying operating profit (£m)



Menzies Distribution

H1 2016 overview

Underlying operating profit (£m)



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Headroom and ratios

At 30 June 2016

- Committed bank facilities of £216.4m
- Undrawn committed bank facilities of £55.5m
- Net debt £126.6m (June 2015: £120.8m)
- Debt: EBITDA 1.7x (June 2015: 1.7x)
- Interest cover ratio (EBITA to external interest charge) 9.3x



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Cash flow

Movement in net debt



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Exceptional items H1 2016

£m	Cash	Non-cash	H1 2016
Aborted disposals	0.9	-	0.9
Other transaction related	1.9	-	1.9
Impairment of goodwill - Amsterdam cargo	-	7.2	7.2
	2.8	7.2	10.0

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Operational overview

Menzies Aviation



Menzies Aviation

Overview

- Positive first half
- Progress made against all five strategic goals
- Improvement in ground handling profitability
 - UK operations performing to plan
 - Returns still below network averages
- Operating profit benefits from foreign exchange tailwinds
- Significant new deals
 - Joint venture in Oman
 - Acquisition of Renaissance Aviation in Bermuda
 - Frontier Airlines hub contract in Denver
- Expansion of complementary services

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Commercial development

Hubs and bases

- Existing hubs and bases performing well
- Operations at London Gatwick performing to plan
- Virgin America hub in Los Angeles secured in May
 - Returning customer, recognising the need for service delivery
- Frontier Airlines in Denver
 - 22,000 turns per annum



New customer relationships

- Memorandum of understanding signed with Oman Air to create a joint venture operating at nine airports in Oman
- First significant entry into the Middle Eastern market



الطيران العماني
OMAN AIR

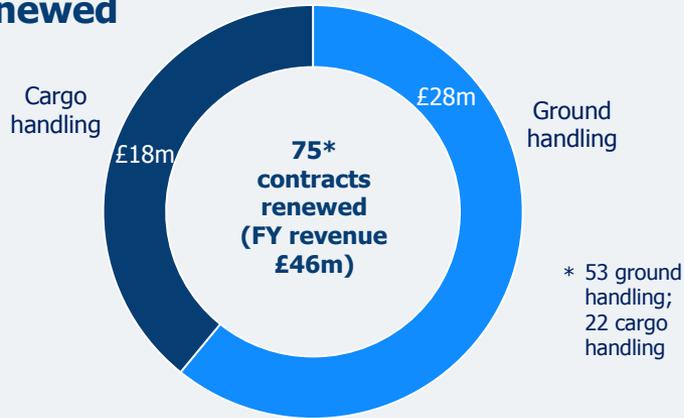
Deepening customer relationships

- New contract with British Airways, Vueling and Iberia in Copenhagen, including lounge and de-icing

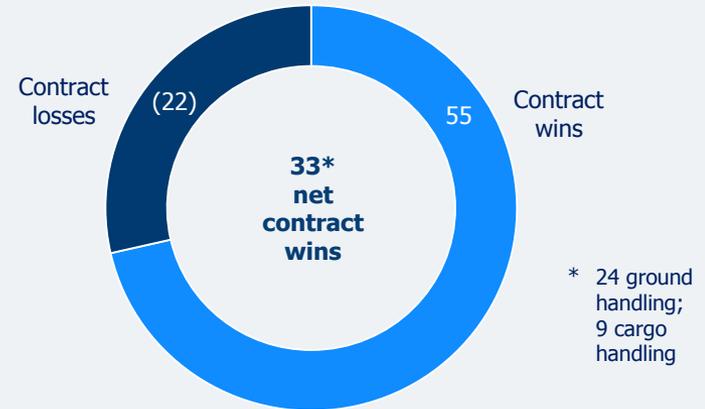
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Commercial development

Contracts renewed



Contract wins



Contract renewals by region



Net contract wins by region



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Investment in infrastructure

Investment in people management

- WorkBridge dynamic scheduling being rolled out to key stations in Europe and North America
- Online recruitment tool for accelerating hires

Investment in risk management

- Safety and security enhancements
- Outsourced IT infrastructure for scalability and resilience

Investment in systems

- SAP HR
- Triaster



EXCELLENCE FROM TOUCHDOWN TO TAKEOFF



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Operational overview

Menzies Distribution



Menzies Distribution

Overview

- Profitability maintained
 - Media decline rates in line with expectations
 - National Living Wage impact mitigated in the period
 - Further progress in utilising our assets during daylight hours
- Strong sticker sales performance from EURO 2016 collection and Frozen
- Parcels and Trucking businesses continuing to gain traction
 - Acquisition of Thistle Couriers
 - National stock delivery deal with WHSmith
- Cost reduction initiatives continue to deliver to plan
 - Savings of £2.2m in the first half



Menzies Distribution

Print media

Volume

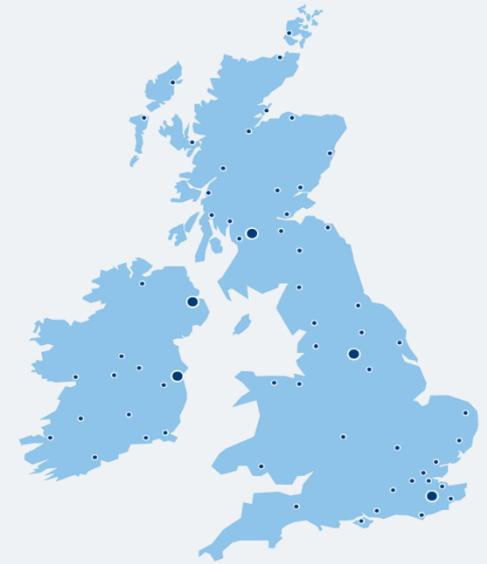
- Print media declines in line with expectations
 - Newspapers down 3.7%, Magazines down 4.7%
- Newspaper sales benefitted from EU Referendum and EURO 2016

Contracts

- Five year renewal of Northern & Shell contract signed in July 2016
- Focus on 2019 renewals

Cost initiatives

- Branch network nearing optimum level
- Robot technology now being used within hub branches
- Variable cost reductions in line with volume declines



Menzies network – March 2016

Menzies Distribution

Away from the core

Trucking

- Good progress made in utilising our assets during daylight hours
- National contract with WHSmith starts late August

Parcels

- Continuing to make good progress
- Acquisition of Thistle Couriers completed
- Business now handling 3.1m parcels per annum

Response

- Travel brochure move to Wakefield suffered operational issues
- New management team in place



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Summary and outlook



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Summary and outlook

Group

- Good first half performance - well placed to improve returns
- Group structure under review
- Seeking opportunities to grow through acquisition

Aviation

- A major player in the aviation services market with strong portfolio of products
- Investment in core systems and operational excellence paying dividends
- Well placed to exploit this position to deliver future growth

Distribution

- Maintaining the core whilst pursuing growth ambitions in growing e-commerce market
- Significant opportunities to utilise our assets during daylight hours

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Appendix 1

Additional Financial Information



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Profit before tax

£m	H1 2016	H1 2015
Underlying profit before tax	18.1	17.0
Non-recurring items in operating profit	(2.8)	(1.5)
Non-recurring items in finance costs	(0.1)	(0.1)
JVs and associates tax	(1.1)	(1.2)
Contract amortisation	(3.9)	(3.7)
Impairment of assets	(7.2)	(4.7)
Profit before tax	3.0	5.8

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Balance Sheet

£m	H1 2016	H1 2015
Tangible fixed assets and investments	148.9	139.1
Goodwill, intangibles and other assets	107.9	110.2
Working capital and others	(14.9)	(18.5)
Net debt	(126.6)	(120.8)
Pension liability, net of deferred tax	(43.2)	(32.1)
Net assets	72.1	77.9

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Cash flow and net debt

£m	2016 H1	2015 H1
Underlying EBITDA	33.1	32.3
Working capital movement	(0.3)	(4.3)
Other movements	(1.8)	(1.6)
Operating cash flow	31.0	26.4
Tax and net interest paid	(7.7)	(6.1)
Net capital expenditure	(6.9)	(8.7)
Free cash flow	16.4	11.6
Acquisitions, investments and earn-outs	(5.2)	(15.3)
Exceptional items	(2.8)	(2.8)
Additional pension payment	(5.6)	(5.8)
Other	0.1	0.3
Net cash flow	2.9	(12.0)
Net debt at start of period	(123.2)	(110.9)
Currency translation	(6.3)	2.1
Net debt at end of period	(126.6)	(120.8)

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Appendix 2 Additional Information



Menzies Aviation

Concentration in key markets

+22,000 employees

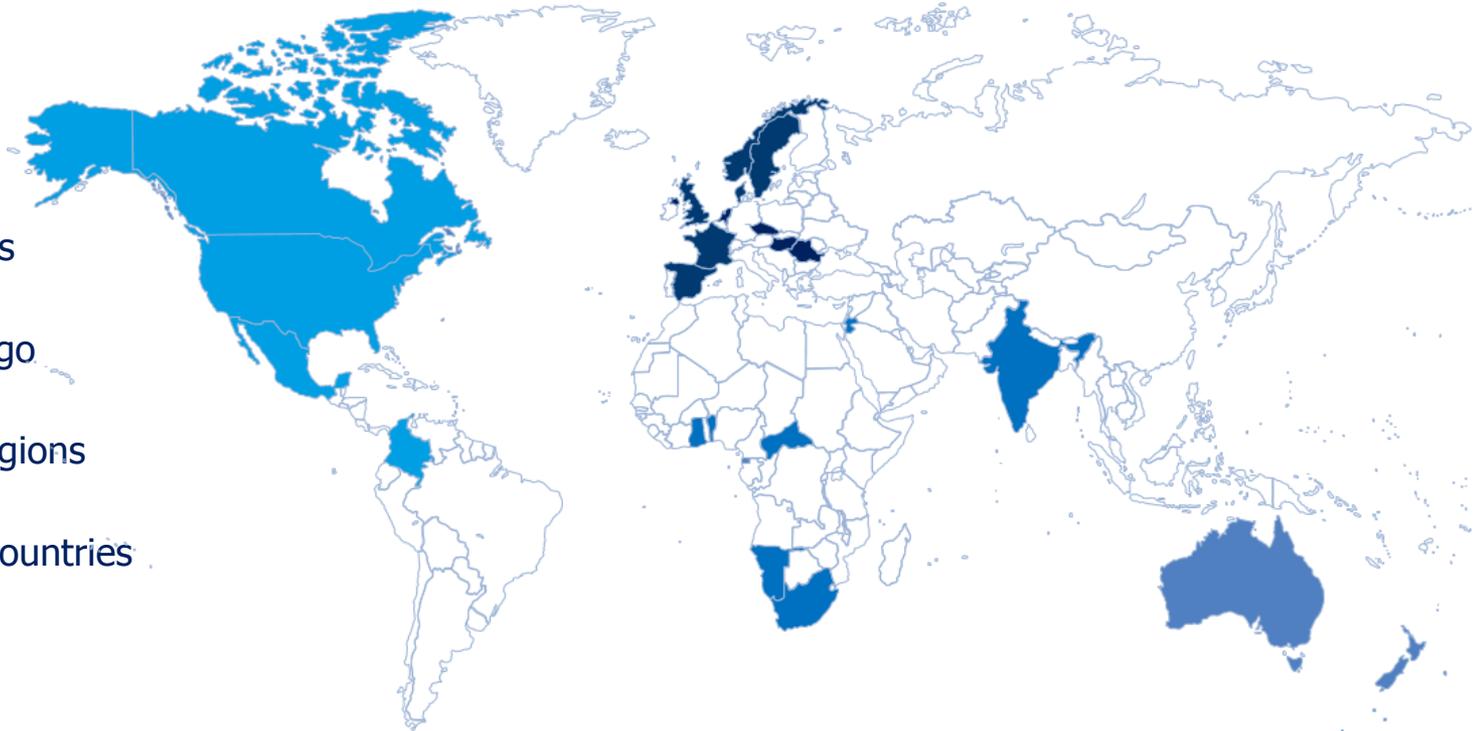
1.7m tonnes of cargo

Four geographic regions

149 airports – 32 countries

1.2m turnarounds

500 airline customers



EXCELLENCE FROM TOUCHDOWN TO TAKEOFF



Menzies Aviation

Key business streams

Ground handling

- 2015 Revenue - £490m
- Passenger handling
- Baggage
- Aircraft despatch
- Load control

Cargo handling

- 2015 Revenue - £147m
- Import/export
- Build/breakdown
- Aircraft loading
- Airside trucking

Cargo forwarding

- 2015 Revenue - £112m
- Cargo brokerage
- Cargo make up
- Freight forwarding

Complementary services

- Lounges
- De-icing
- Line maintenance
- Bussing
- Inter-link

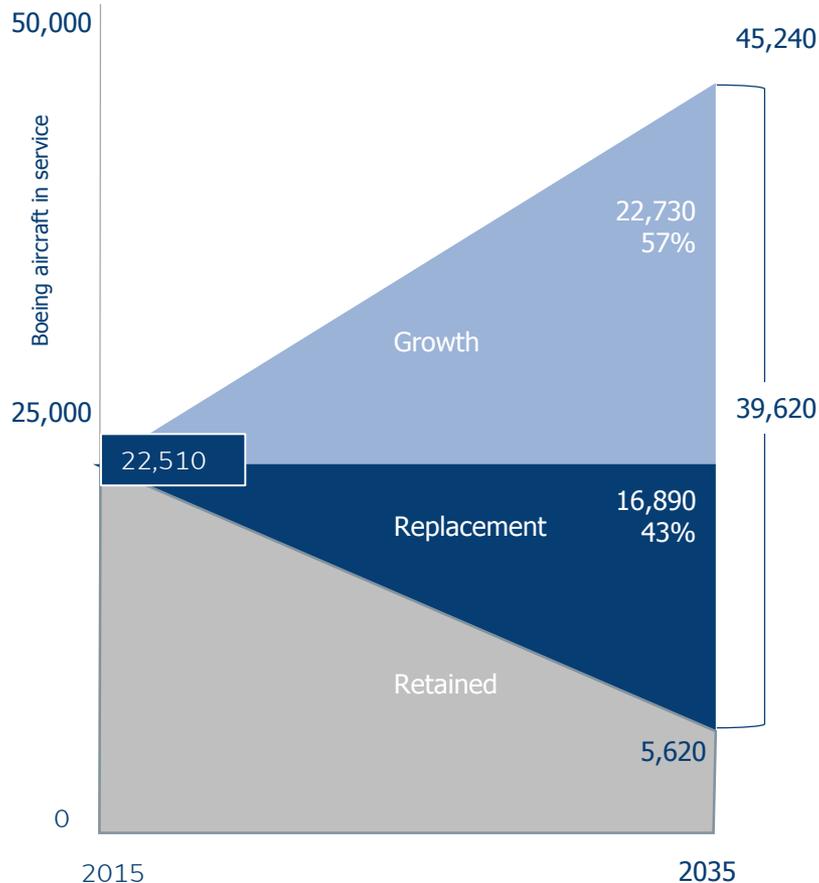
Major customers



Aviation - Market dynamics

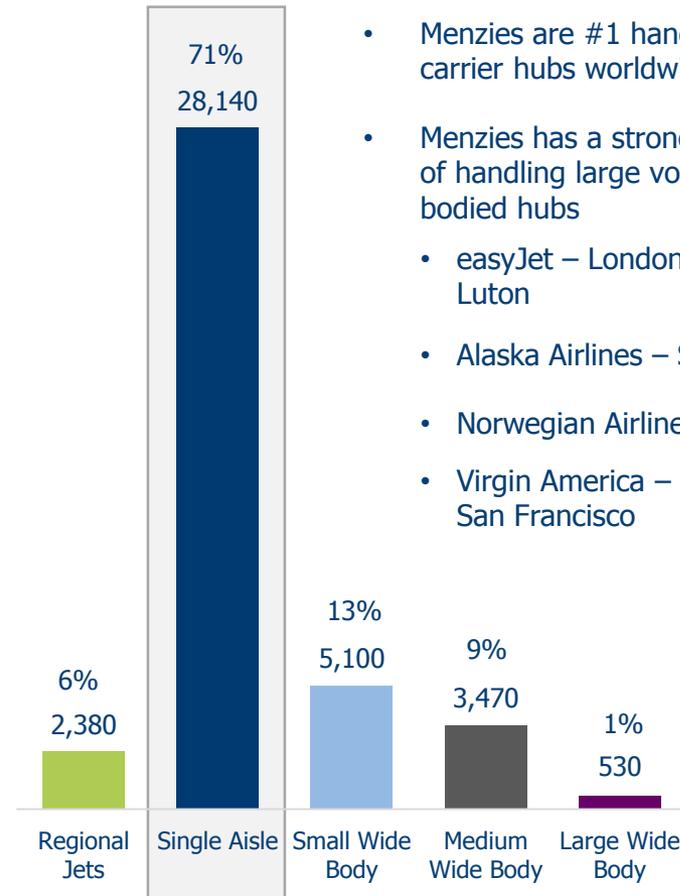
Strong growth projections

A growth market



Source: Boeing market forecasts 2015 - 2035

Aircraft deliveries 2015 - 2035



- Menzies are #1 handler of low cost carrier hubs worldwide
- Menzies has a strong track record of handling large volume narrow bodied hubs
 - easyJet – London Gatwick and Luton
 - Alaska Airlines – Seattle
 - Norwegian Airlines – Oslo
 - Virgin America – Los Angeles and San Francisco

Rise in aircraft movements is positive for ground handling markets

WE DO FIVE THINGS

1



TRUCKING

2



FINALMILE

3



HANDTOHAND

4



MENZIESRESPONSE

5



RETAILSOLUTIONS

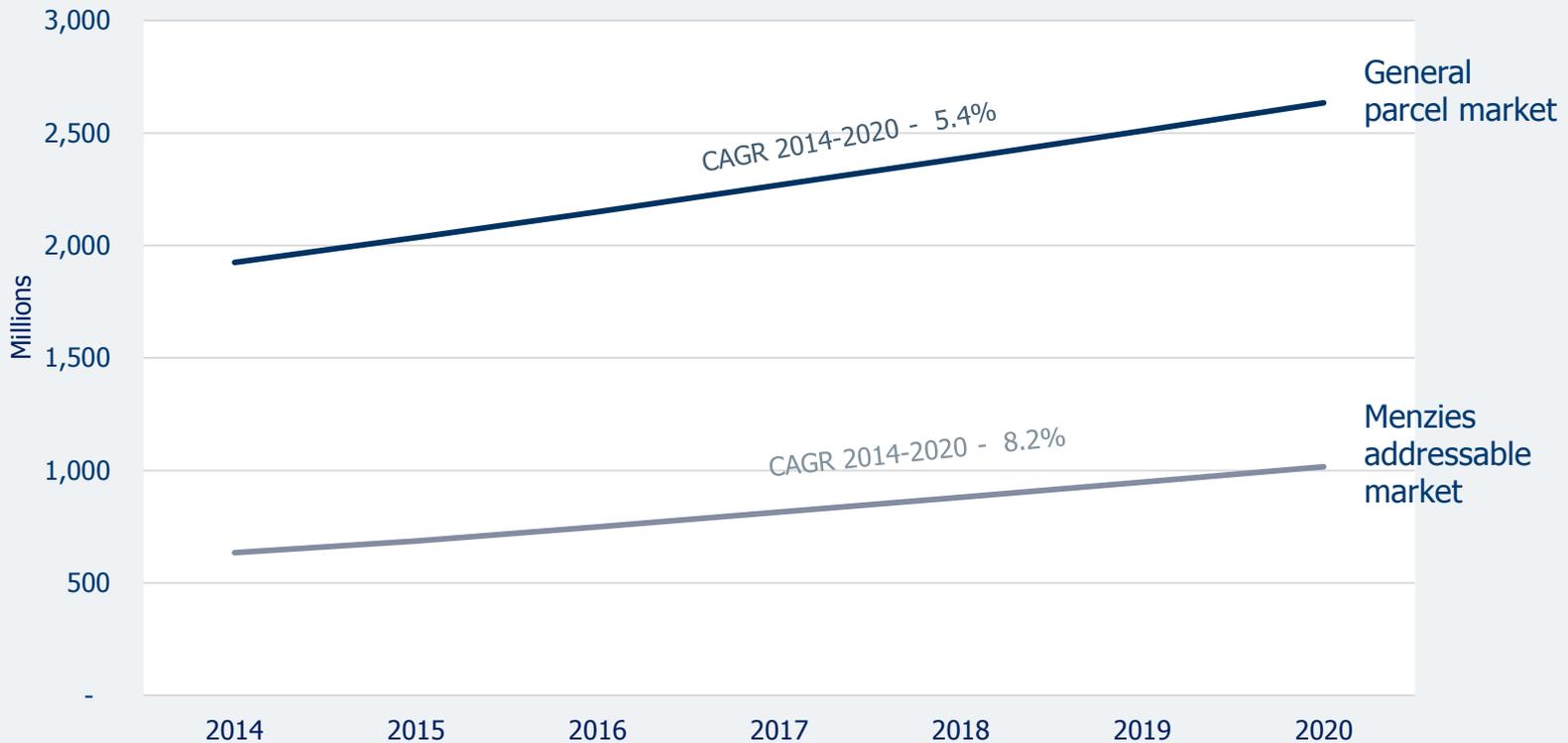
Menzies Distribution

Collaborator in the UK parcel market

Grow B2C business through neutral consolidation



Parcel Market vs Addressable Market



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Our addressable market

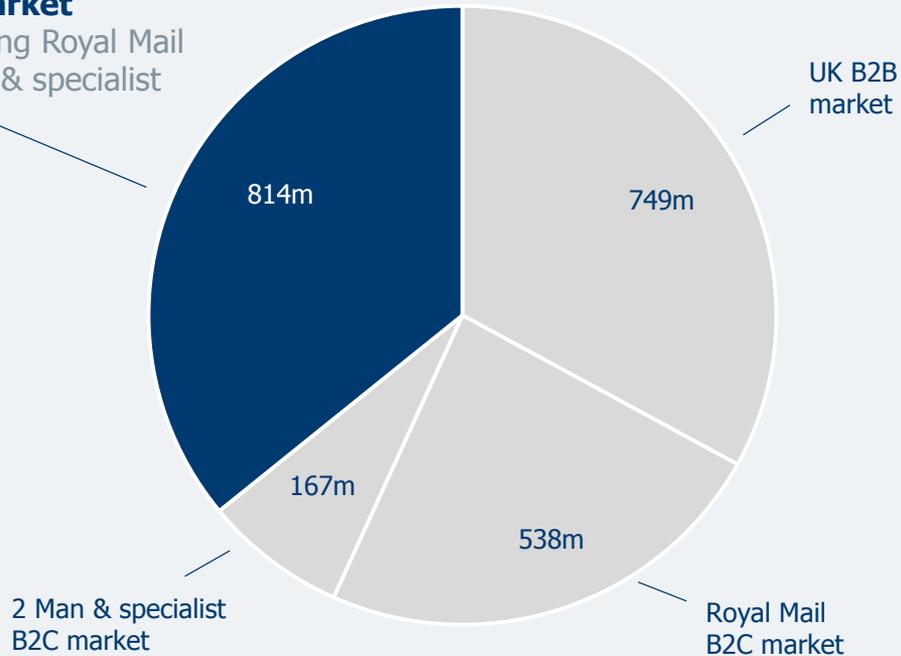
Grow B2C business through neutral consolidation



Estimated 2017 UK Parcel Market (Volume in millions)

Addressable market

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



**Total market value
c.£8 billion**

**Total market size
2.3 billion parcels**

DISCLAIMER

This presentation contains forward-looking statements including, without limitation, statements relating to: future demand and markets of the Group's products and services; liquidity and capital; and implementation of restructuring plans and efficiencies. These forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Accordingly, actual results may differ materially from those set out in the forward-looking statements as a result of a variety of factors including, without limitation, changes in interest and exchange rates, commodity prices and other economic conditions; negotiations with customers relating to renewal of contracts and future volumes and prices; events affecting international security, including global health issues and terrorism; changes in regulatory environment; and the outcome of litigation. The Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise.