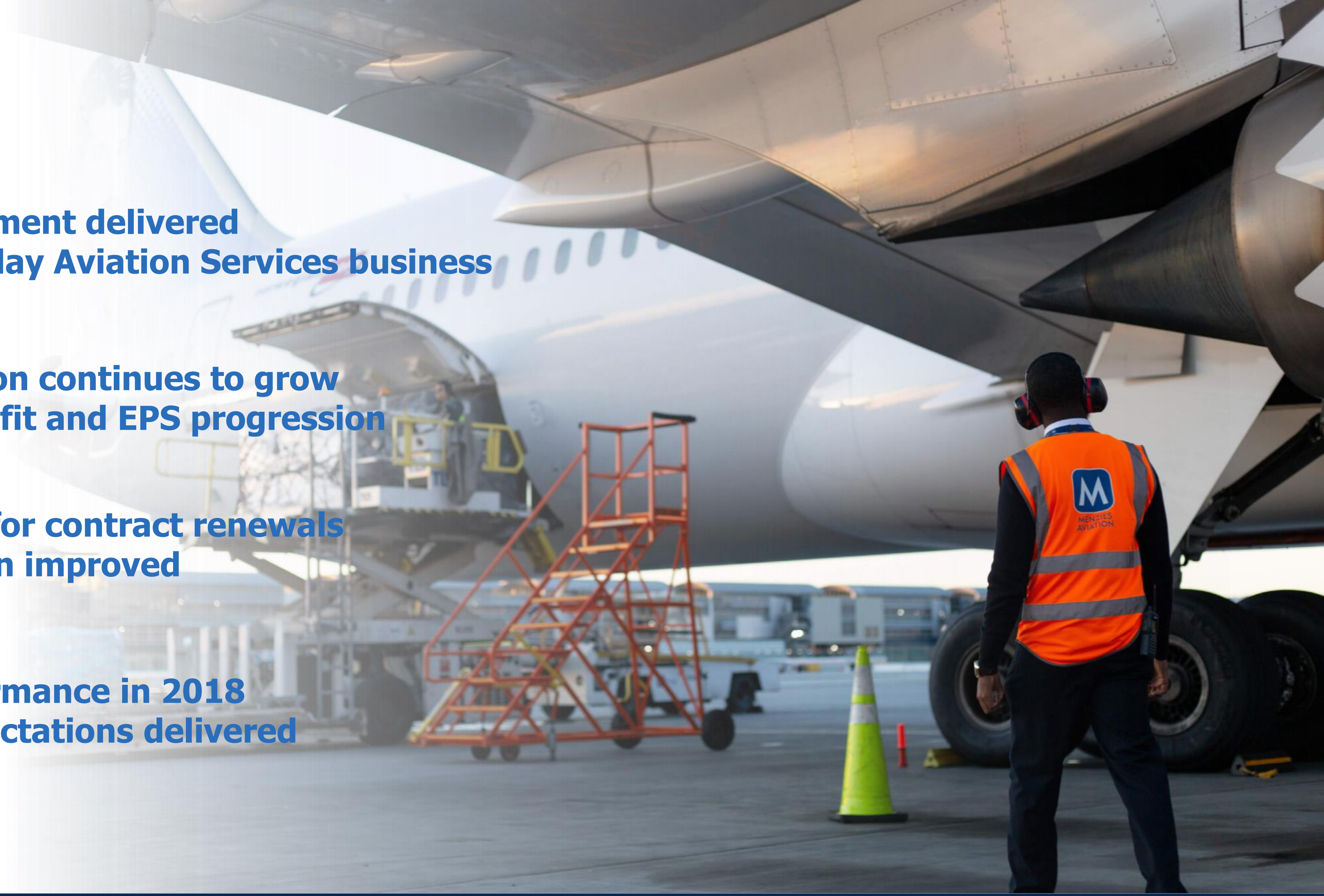
John Menzies plc

2018 Final Results Presentation

12 March 2019

2018 Highlights



1 **Strategic alignment delivered**
– now a pure play Aviation Services business

2 **Menzies Aviation continues to grow**
– Revenue, Profit and EPS progression

3 **Excellent year for contract renewals**
– overall margin improved

4 **Resilient performance in 2018**
– full year expectations delivered

Robust and diversified business model

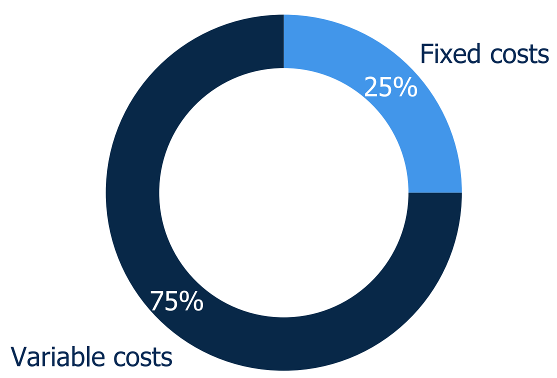
Key facts

Robust business model underpinned by: global product, geographical & customer diversification and flexible cost base

- Strong governance underpins all activities
- Capital discipline
  - 15% modified internal rate of return on all projects
  - 10% minimum new business margin at station level
  - 3 years targeted minimum payback
- Average contract length of 3 years
- Contract renewal rate 83%
- 500+ airline customers

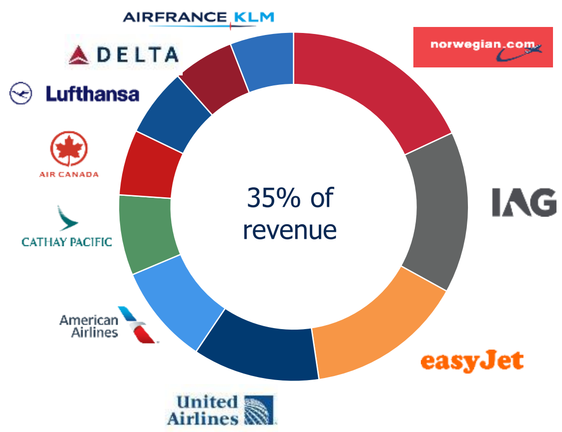
Flexibility of cost base

As % of total operating costs



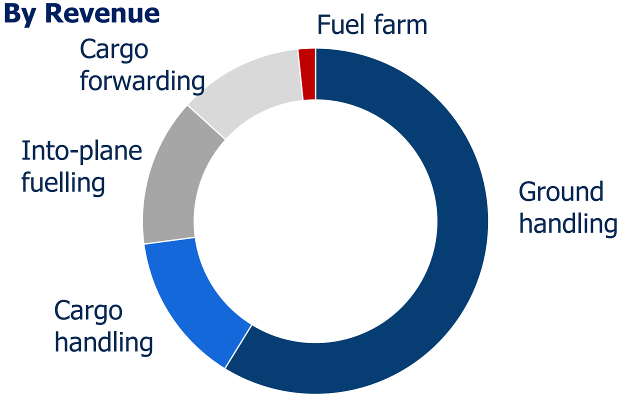
Top 10 customers

By Revenue



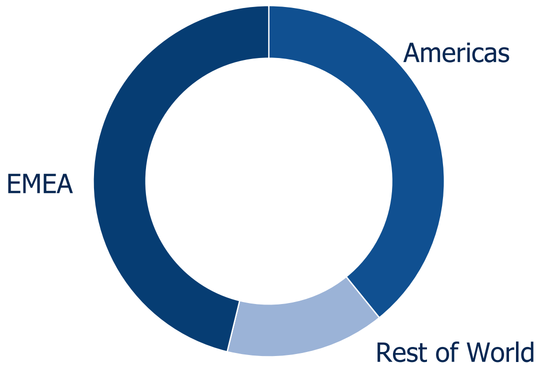
Core products

By Revenue



Geography

By Revenue



Menzies Investment Case

Pure Play Aviation Service Business

MARKET Dynamics

Structural growth market

Marketplace

$60bn 5% CAGR to 2025

Passenger growth

+4.7% to 2037

Aircraft growth

+3.5% to 2037

Cargo growth

+4.2% to 2037

GROWTH Dynamics

Highly fragmented market

Organic growth

- Increased volume from existing customers
- New customer at an existing airport
- New airport with scale customer
- Continuing outsourcing trend

Acquisitive growth

- Highly synergistic prioritised
- Bolt-ons boost returns from existing operations
- All deals must be margin accretive

SHAREHOLDER Value

Management's ambitions – 3 year outlook

Revenue

+8% per annum

Earnings Per Share

+10% per annum

Dividend Policy

2-3 times covered

Net Debt

1.5-2 times EBITDA

Financial Overview

Financial Highlights

Continuing to drive the business forward

Revenue

£1.3bn
+4%

Underlying Operating Profit

£55.1m
+8%

Underlying Earnings per Share

37.6p
+20%

Net Debt

£199.6m
-7%

Full year expectations delivered >

Note: Revenue, underlying operating profit and underlying earnings per share are for continuing operations only with growths at constant currency

Financial overview – continuing operations

£m	2018	2018	2017	vs 2017
	Reported	Constant currency		
Revenue	**1,291.0**	**1,318.2**	**1,273.6**	+4%
Underlying operating profit	55.1	57.4	53.1	+8%
Interest	(11.0)	(11.0)	(10.8)	
Underlying profit before tax	**44.1**	**46.4**	**42.3**	+10%
Net debt	199.6		214.4	
Exceptional charge in operating profit	13.5		27.1	
Debt to EBITDA covenant ratio	2.4x		1.9x	
Underlying effective tax rate	28%		35%	
Underlying EPS	37.6p		33.7p	+20%
Basic EPS	14.6p		0.1p	
Dividend per share	20.5p		20.5p	

Note: 2017 results for the continuing operations have been restated to exclude the results of Menzies Distribution Ltd and its associated subsidiaries disposed of on 4 September 2018

HIGHLIGHTS

Underlying operating profit

UP 8% at constant currency

Underlying EPS

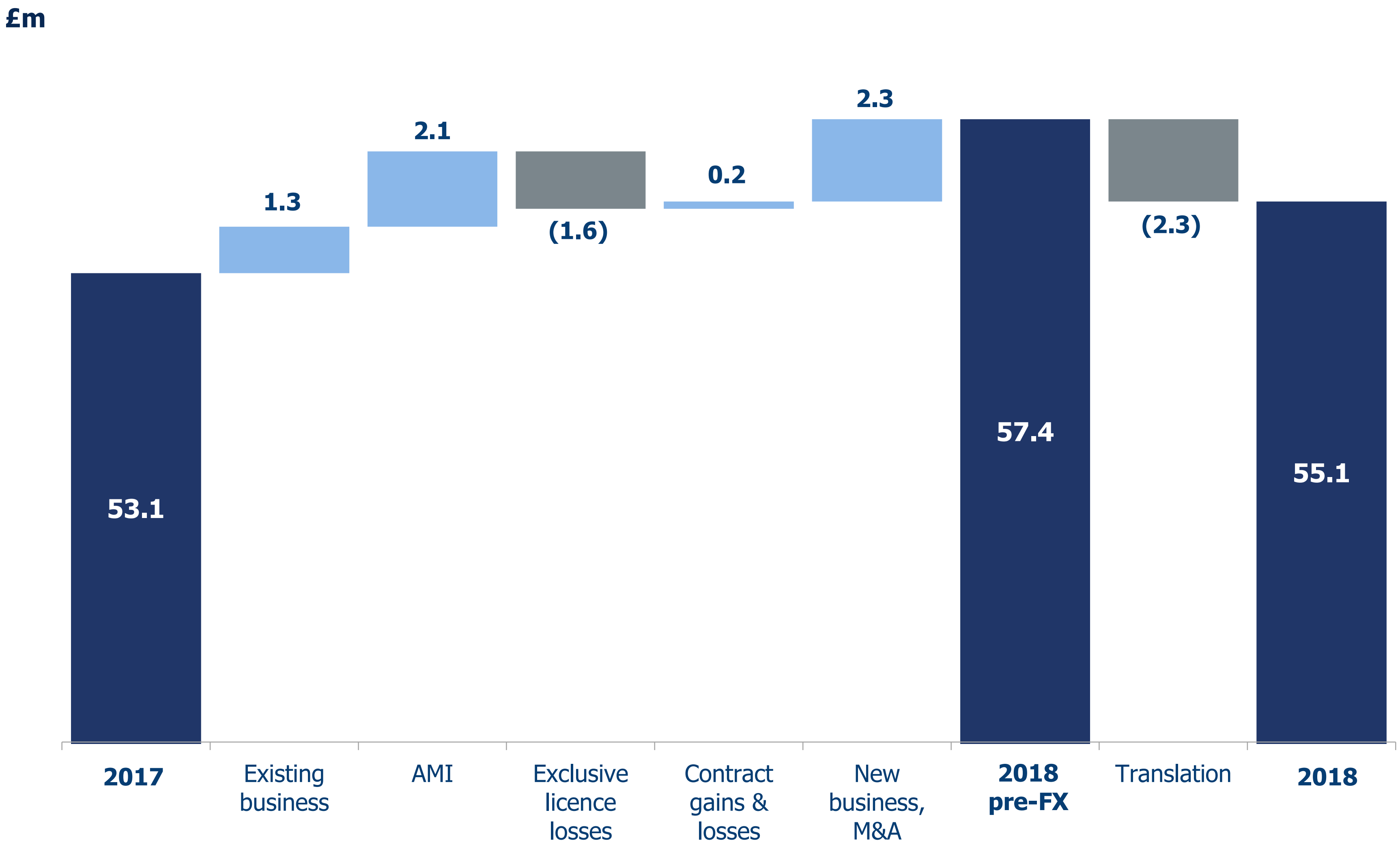
UP 20% at constant currency

Segmental performance

£m	Revenue 2018	Revenue 2018	Revenue 2017	Underlying operating profit 2018	Underlying operating profit 2018	Underlying operating profit 2017
	Reported	Constant currency		Reported	Constant currency	
Americas	463.8	477.9	460.4	19.2	20.0	23.0
EMEA	517.3	518.2	508.2	18.7	18.9	14.9
Rest of World	157.6	166.3	162.6	15.9	16.9	15.5
Cargo Forwarding	152.3	155.8	142.4	7.2	7.5	5.4
Corporate	-	-	-	(5.9)	(5.9)	(5.7)
	1,291.0	**1,318.2**	**1,273.6**	**55.1**	**57.4**	**53.1**
Margin				**4.3%**	**4.4%**	**4.2%**

Note: Continuing operations only

Underlying operating profit



Note: Continuing operations only

HIGHLIGHTS

Underlying operating profit

£55.1m

Underlying business

DELIVERS £3.4m profit

Exceptional costs and discontinued operations

Exceptional costs in continuing operations

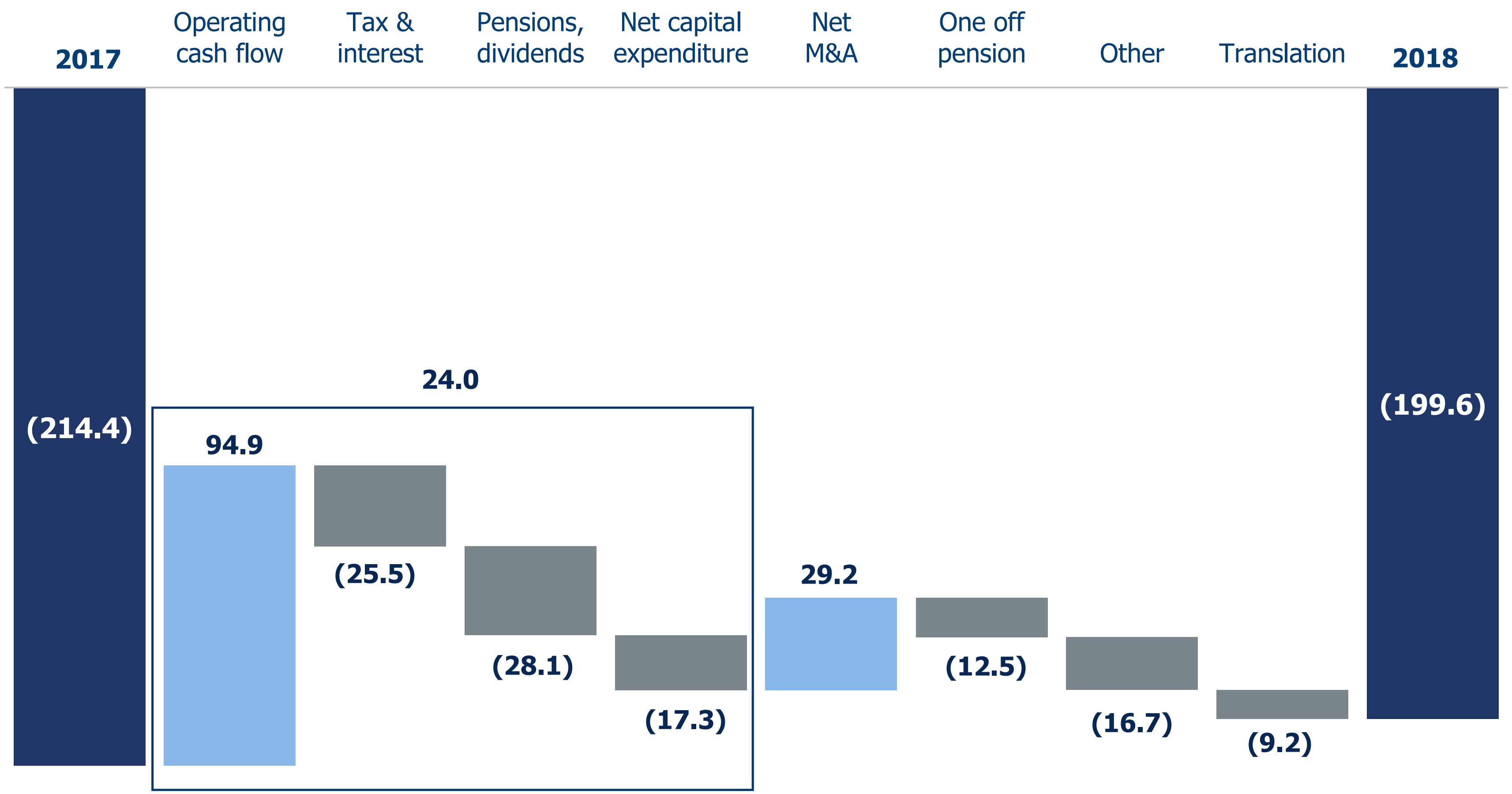
£m	2018	2017
Acquisition and transaction costs	(2.9)	(4.6)
Integration costs	(2.1)	(13.9)
Warranty and claim costs	(6.7)	-
Others	(1.8)	(4.1)
	(13.5)	**(22.6)**

Discontinued operations loss before tax

£m	2018	2017
Underlying operating profit	17.1	24.8
Exceptional costs	(3.3)	(8.0)
Loss on disposal	(27.9)	-
Interest	(0.1)	-
	(14.2)	**16.8**

Movement in net debt

£m



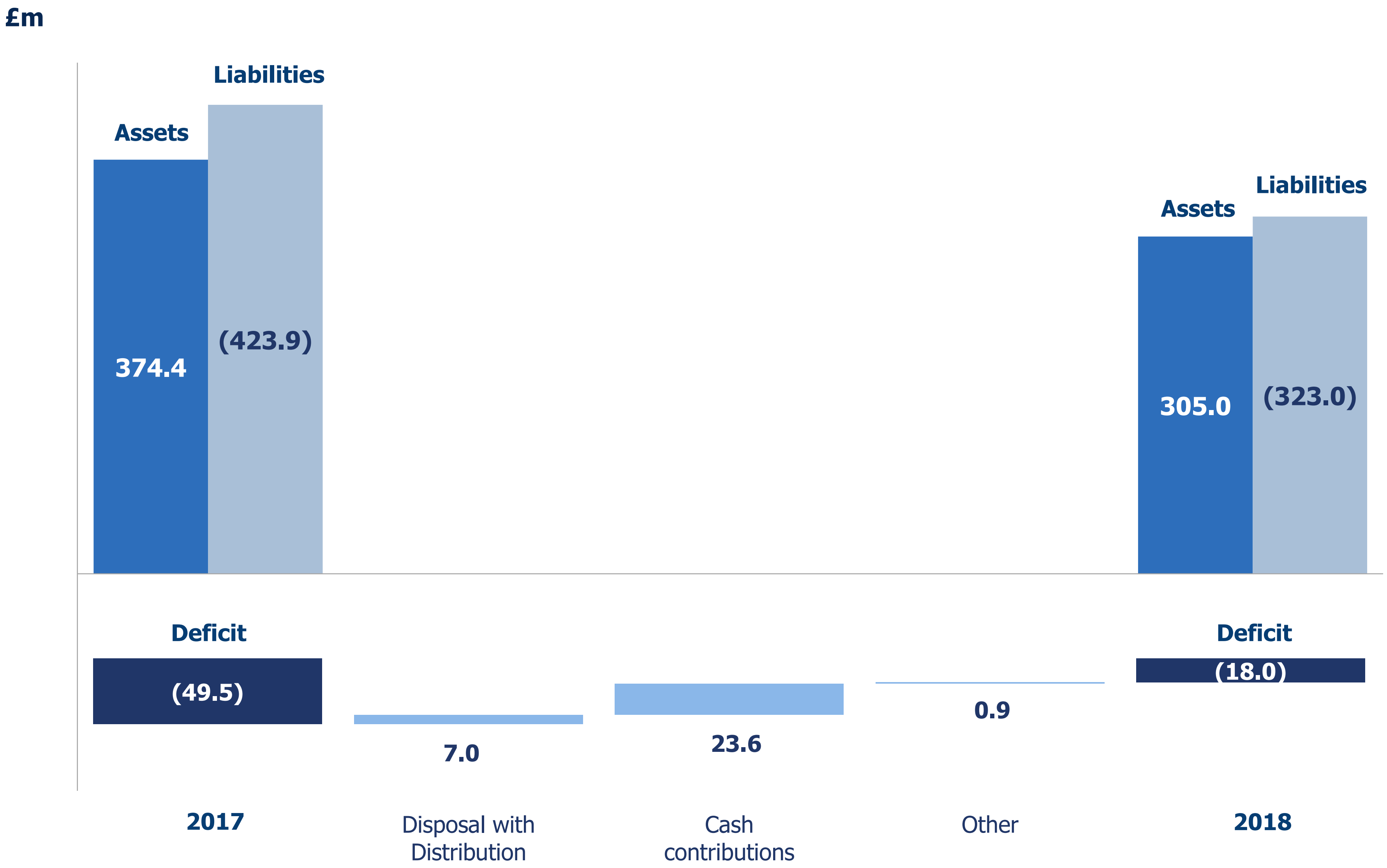
HIGHLIGHTS

Strong operating cash flow performance

Debt within covenant

2.4x EBITDA

Pension liability and deficit reduction



HIGHLIGHTS

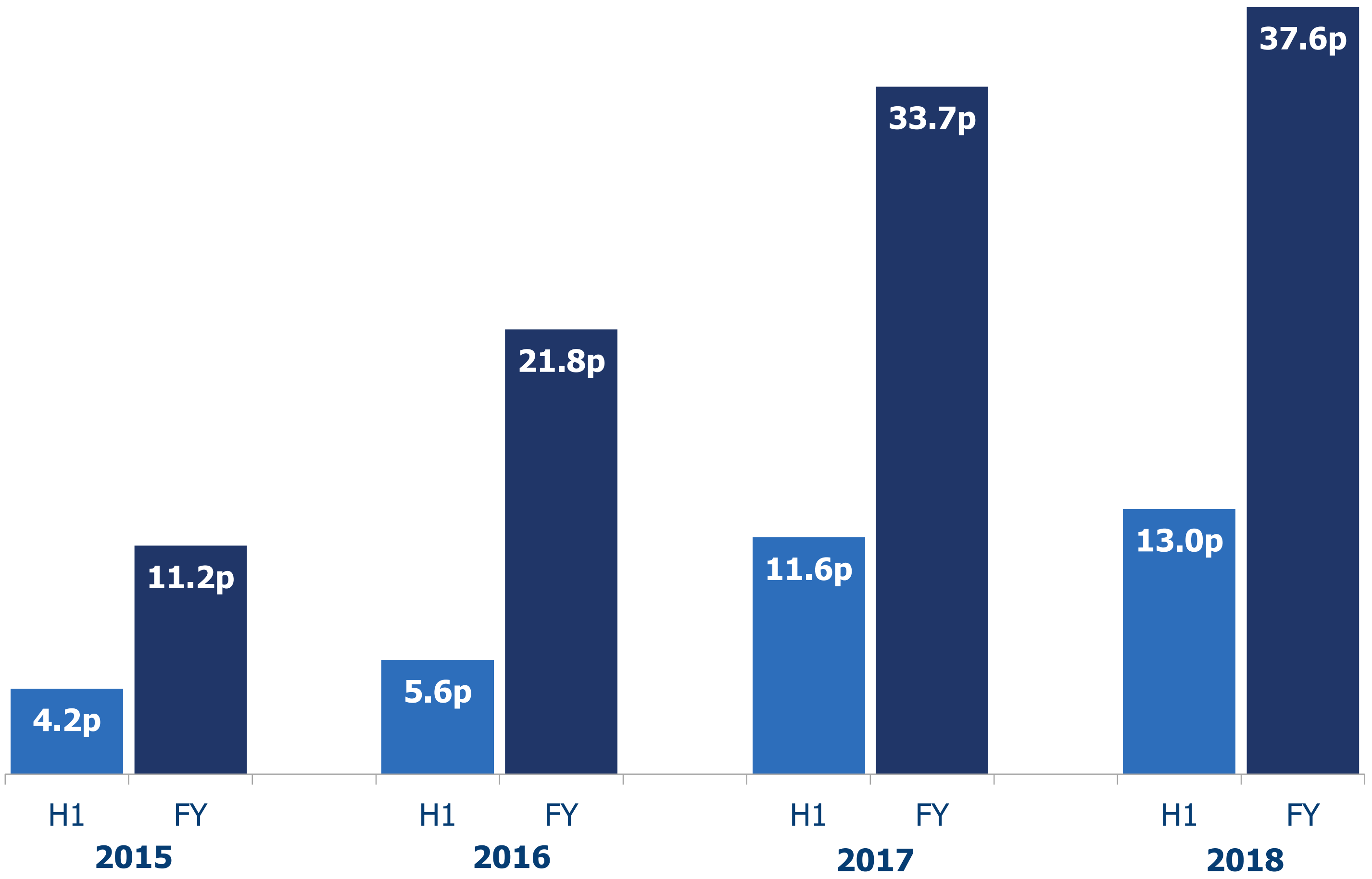
Deficit improved by disposal with Distribution and cash contributions

£31m

Annual contributions 2019-2026 of £9m

DOWN £2m on 2018

Underlying earnings per share



Note: All data is stated excluding Menzies Distribution Ltd and its associated subsidiaries disposed of on 4 September 2018

HIGHLIGHTS

Strong progress since 2015

Three year annual growth rate

50%

Business Review

2018 business review

Continued progress underpinned by product and geographical resilience

Underlying Profit up by 8%

- Continuing focus on margin improvement
- Close management of cost base

Wins and Renewals key to success

- Excellent year of renewals
- Win momentum continues

A People business

- US labour market proved to be very challenging
- Innovative approaches in place and delivering benefits

Excellence Manifesto being delivered

- Continuing deployment of systems driving benefits
- Investment delivers customer satisfaction

TRACK RECORD OF DELIVERING GROWTH

2018 commercial activity

Product volume

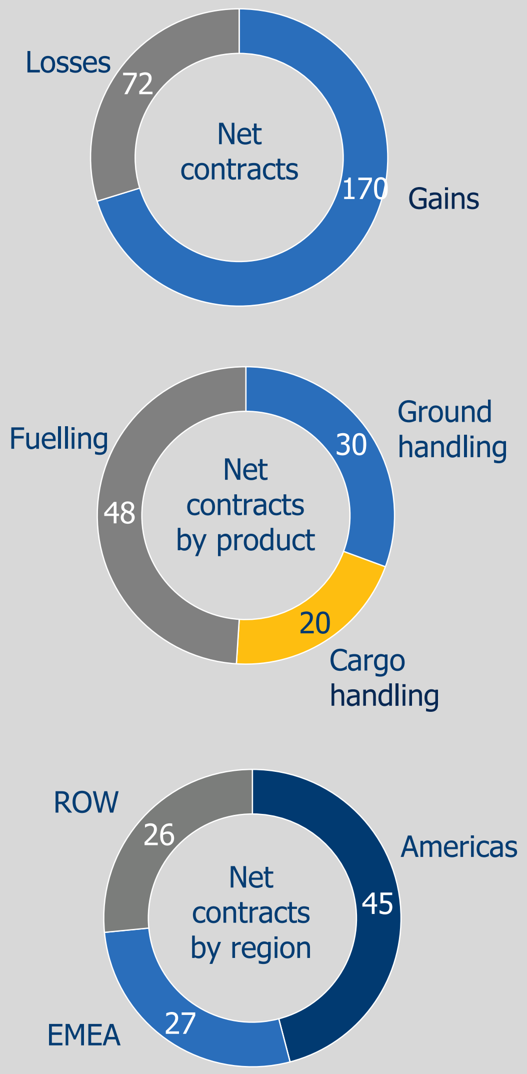
- Ground handling – like for like turns up 7%
  - Increased volume at existing stations – Denver, Heathrow, Mexico
- Cargo handling – like for like tonnes up 3%
  - Strong volumes in USA and India
- Fuelling – turns up 7%
  - Increased turns in USA and new EMEA stations

Contracts

- 98 net contract gains
  - 48 net contract gains in fuelling business
  - Continuing strong performance in ROW
- 276 contracts renewed securing £152m of annual revenue
  - Excellent progress in North America into-plane fuelling contracts

Contractual progress

2018



Organic growth – 2018 achievements

Growth with Chinese carriers	Targeted expansion at major airports	Continued growth with key accounts	Cargo handling success
Air China	Sunwing	Malaysia Airlines	Virgin Atlantic
Hongkong Airlines	Finnair	American Airlines	Cebu Pacific
Tianjin Airlines	Singapore Airlines	World Fuel Services	Vietnam Airlines Cargo

Regional overview

AMERICAS

Multi-site into-plane fuelling renewals with major US carriers

North American labour market was challenging

Latin American operations continue to deliver good results

EMEA

Strong performance in Continental Europe with new contracts and key renewals

UK regional business remains challenged

Eastern European operations bolstered by win of Czech Airlines hub

REST OF WORLD

Operations in Oceania continue to prosper

Good progress in New Zealand, particularly with Chinese carriers

Operations in Indonesia commenced

AMI AIR MENZIES INTERNATIONAL

New management team continue to invigorate the business

Profit progression continues

Investment in global IT system provides platform for further growth

STRONG PERFORMANCE IN MORE CHALLENGING MARKETS

John Menzies plc

Summary and Outlook

Industry leading standards

Why customers choose Menzies

Safety & security	• Best-in-class training programme • Industry leading safety record • Low aircraft damage 0.06 per 1,000 turns
Increased productivity	• Expertise in on-time turnaround • Industry leading technical solutions • Investment in employee
Right price	• Securing the right contract with the right partner at disciplined pricing • Pricing power deriving from quality offering
Great service	• Provide on-time performance • High quality consistent service

Menzies operational excellence

- ✓ Minimising damage costs
- ✓ Lower insurance premiums

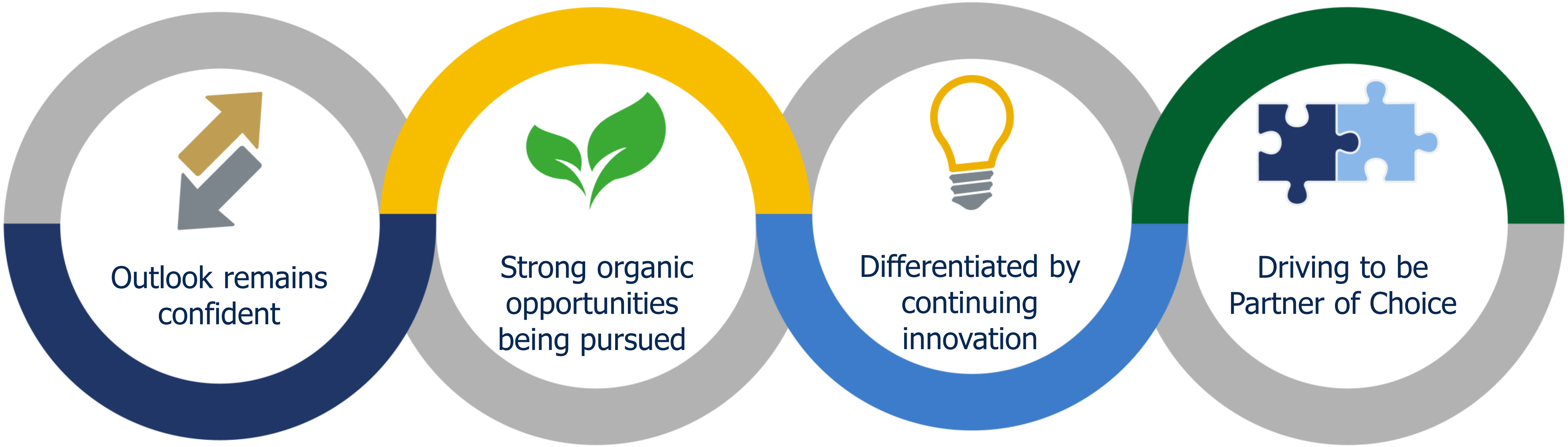
- ✓ Investment in people
- ✓ Lower employee turnover

- ✓ Strong contracting disciplines/governance
- ✓ Higher margins

- ✓ Higher contract renewal rate
- ✓ Market share gains and revenue growth

Evolving commercial approach

John Menzies plc – 2019 Outlook



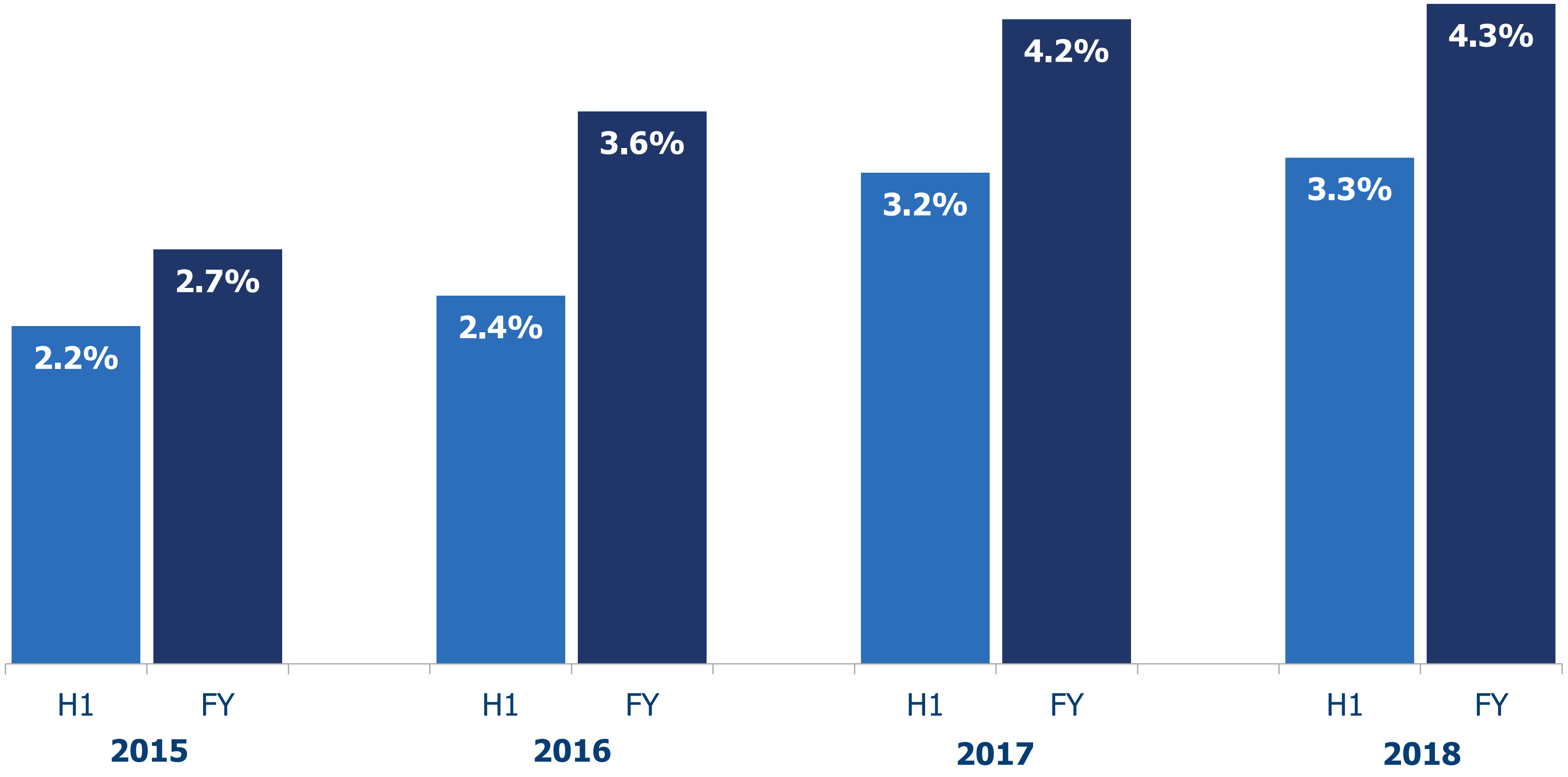
DELIVERING SUSTAINABLE, QUALITY EARNINGS & SHAREHOLDER VALUE

Questions

Appendix 1

Further financial information

Margin progression



Note: Margin is reported underlying operating profit divided by revenue. All data is stated excluding Menzies Distribution Ltd and its associated subsidiaries disposed of on 4 September 2018

HIGHLIGHTS

2018 margin

4.3%

Track record of increasing margin

Profit before tax

£m	2018	2017
Underlying profit before tax	44.1	42.3
Non-recurring items in operating profit	(10.5)	(22.6)
Non-recurring items in finance costs	(0.7)	(0.8)
JV and associate tax	(2.0)	(1.9)
Acquisition intangible amortisation	(6.3)	(7.1)
Profit before tax	**24.6**	**9.9**

Note: Continuing operations only

Cash flow and net debt

£m	2018	2017
Underlying EBITDA	98.7	109.1
Working capital movement	(1.8)	1.9
Other movements	(2.0)	(1.1)
Operating cash flow	94.9	109.9
Tax and net interest paid	(25.5)	(28.9)
Net capital expenditure	(17.3)	(31.8)
Free cash flow	52.1	49.2
M&A	29.2	(158.4)
Exceptional items	(11.0)	(22.7)
Additional pension contribution	(24.8)	(11.3)
Dividends	(17.1)	(15.9)
Other	(4.4)	1.5
Net cash flow	**24.0**	**(157.6)**
Net debt at start of year	(214.4)	(70.5)
Currency translation	(9.2)	13.7
Net debt at end of year	**(199.6)**	**(214.4)**

Net assets

£m	2018	2017
Tangible fixed assets and investments	140.5	183.3
Goodwill, intangibles and other assets	179.3	219.5
Working capital and others	(4.0)	(14.8)
Net debt	(199.6)	(214.4)
Pension liability, net of deferred tax	(14.9)	(41.1)
	101.3	**132.5**

Indicative 2019 impact of IFRS 16 Leases

£m	2019
Balance Sheet at 1 January 2019	
Right of use assets in property, plant and equipment	190
Lease liabilities in net debt	(190)
Income Statement projection 2019	
EBITDA	50
Profit before tax	(3)

Note: Indicative only and does not constitute a forecast. These numbers are based on current plans, estimates and projections as at the time they are made and therefore undue reliance should not be placed on them

HIGHLIGHTS

New standard will gross up the Balance Sheet

c£190m

EBITDA enhanced

c£50m

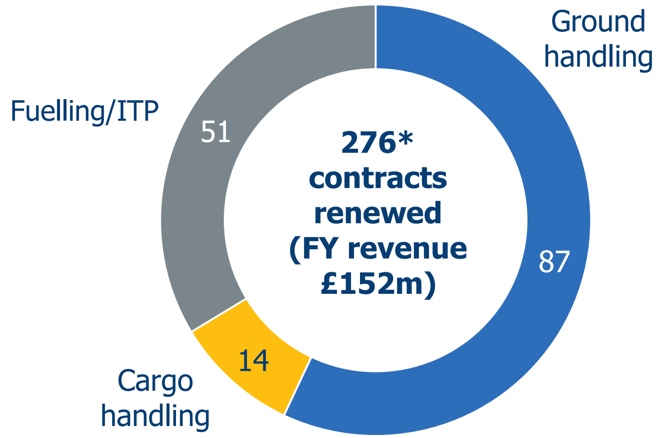
Small reduction in profit before tax

Appendix 2

Additional information

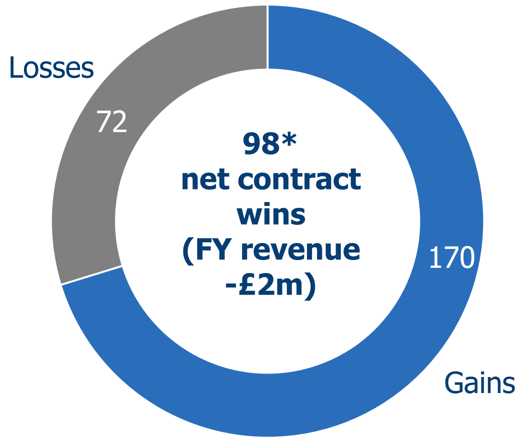
Business development

Contracts renewals by service



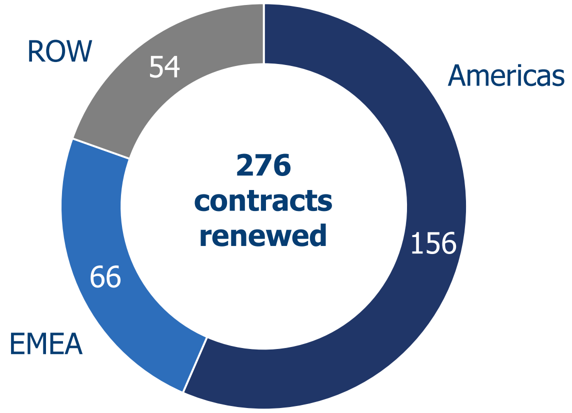
* 125 ground handling
28 cargo handling
123 fuelling/ITP

Net contract wins

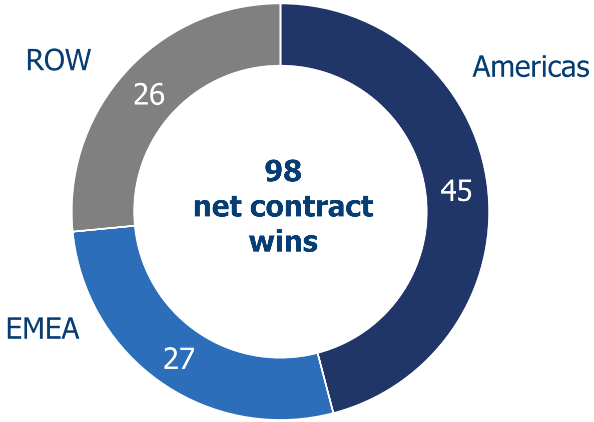


* 30 ground handling
20 cargo handling
48 fuelling/ITP

Contract renewals by region



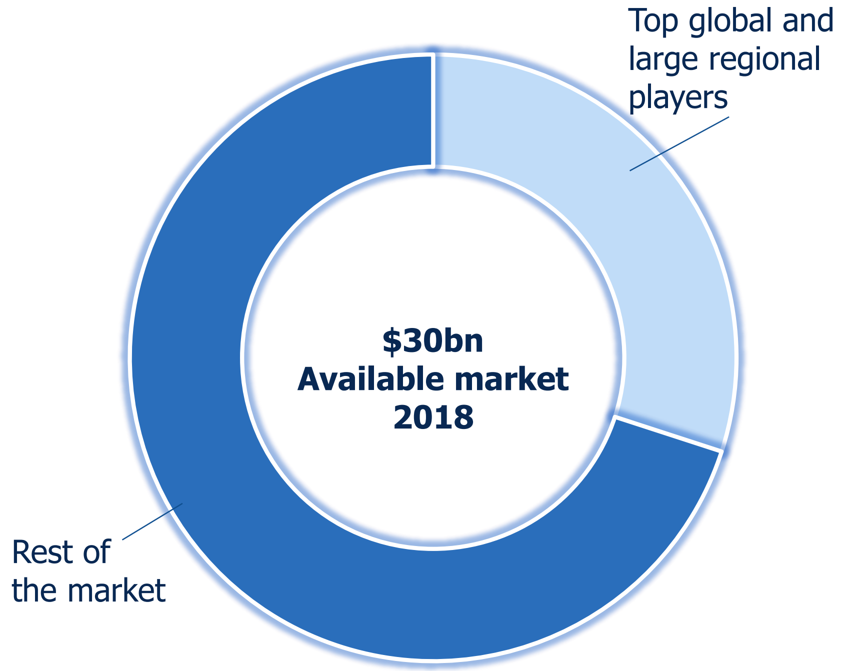
Net contract wins by region



Competitor landscape and key product offering

Fragmented market place

Available market



- Significant addressable market to go after
- Quality of service now at a premium
- Airline demands moving the market to the fully invested handlers

Competitors

MENZIES AVIATION

swissport

WFS Worldwide Flight Services

dnata

- Four truly international players
- Represent less than 30% of the available market
- Only Menzies and Swissport offer a full suite of services
- Major players investing in technologies that drive the industry forward
- Many regional and single market competitors

Key product categories

- Addresses servicing requirements of an airline between arrival and departure
- Focus on operational scale by entering dynamic new markets, continue to innovate to become partner of choice

- Managing fuelling requirements of aircraft and airport vehicles
- Organically grow through co-operating with oil majors and leveraging existing customer relationships

- Facilitate transportation of goods by accepting, storing and preparing cargo for worldwide transit
- Grow presence in favourable markets and enhance services through operational enhancements and employee training

Innovation drives business forward

PEOPLE

- 65% of our spend
- Focus on engagement and retention
- Initiatives in North America delivering improvements
- Online training delivery accelerates process and drives standardisation
- STANDARDISATION

SYSTEMS

- Dynamic rostering systems
  - Telematics
  - Safety benefits
  - Asset allocation benefits
  - Efficiency benefits
- Fuelling systems driving the industry forward
- Focus on revenue recognition
- STANDARDISATION

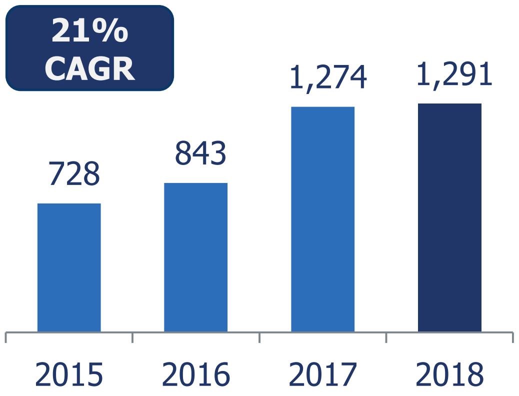
QUALITY ASSURANCE

- Risk management led organisation
- Industry leading QA programme
- Continuing investment will allow airlines to rely on our processes
- Overall QA programme saves cost
- STANDARDISATION

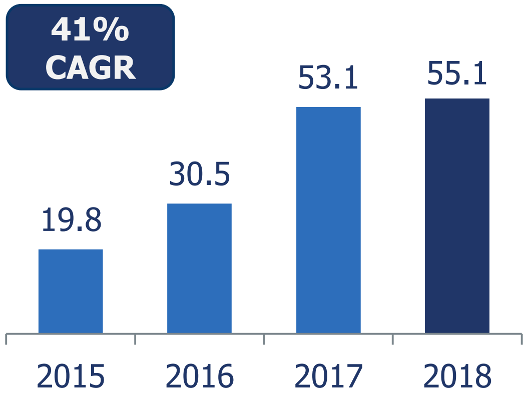
Right Cost • Increased Productivity • Service Excellence

Menzies track record

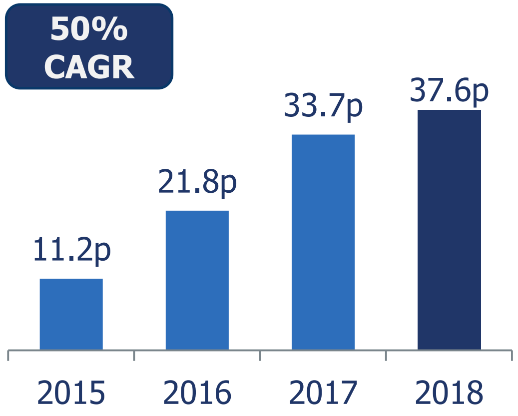
Revenue £m



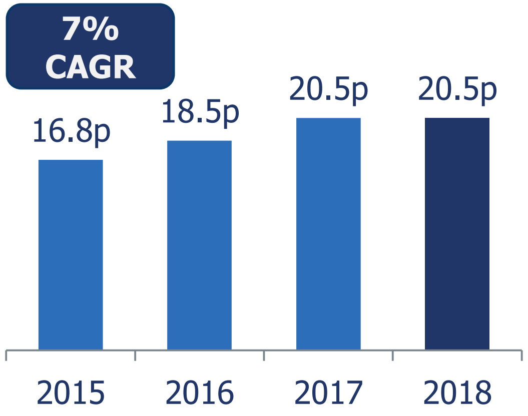
Underlying operating profit £m



Underlying EPS



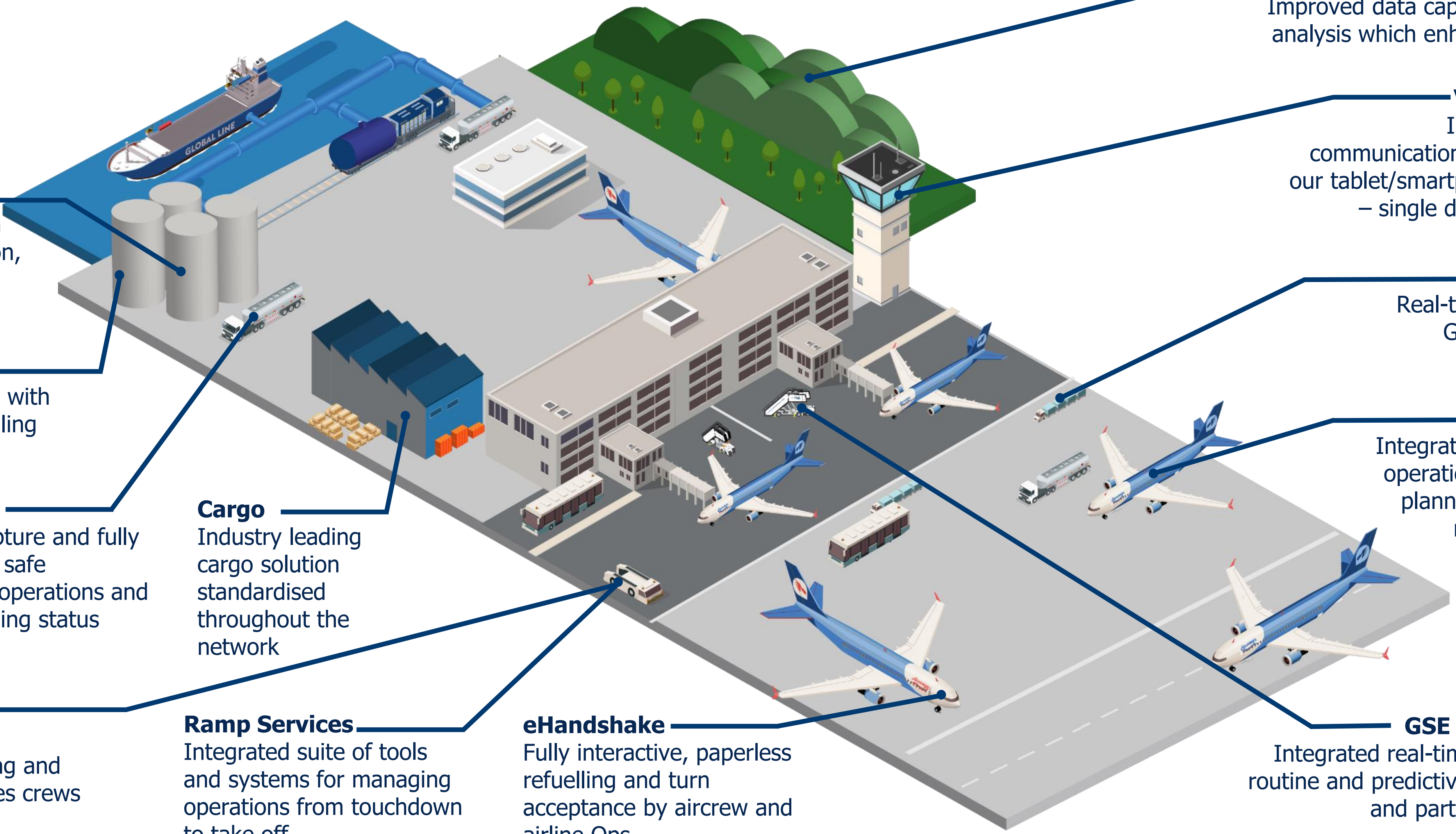
Dividend per share



Menzies Aviation management team in place since 2015

- ✓ EPS growth at 50% CAGR
- ✓ Margin improved by 160 bps
- ✓ On track to deliver three year plan

Innovating throughout the airport



Bulk Storage
Managing fuel farm stocks, reconciliation, loss and gain calculations

Fuel Suppliers
Integrating directly with suppliers IT and billing systems

Fuel Operations
On-vehicle data capture and fully mobile, intrinsically safe equipment, airside operations and real time flight fuelling status information

Cargo
Industry leading cargo solution standardised throughout the network

Staffing
Real-time dynamic scheduling, rostering and allocation of Menzies crews and GSE

Ramp Services
Integrated suite of tools and systems for managing operations from touchdown to take off

eHandshake
Fully interactive, paperless refuelling and turn acceptance by aircrew and airline Ops

Environmental Reporting
Improved data capture, speed and analysis which enhances reporting

VoIP/COMMS
Integrated VOIP communications capability via our tablet/smartphone interface – single device operation

Telemetry
Real-time analysis of GSE and vehicle activities

Airlines
Integration with airline operations centres for planning, billing and real time event management

GSE Maintenance
Integrated real-time approach to routine and predictive maintenance and parts management

Menzies Aviation

36
Countries

32,000
Employees

212
Stations

1.3m
Aircraft turns per year

1.6m
Tonnes of cargo handled per year

3.9m
Fuelling turns per year

Creating shareholder value

	2018 Results	3 Year Plan
Sales	4% Revenue growth	8% Revenue growth per annum
EPS	20% EPS growth	10% EPS growth per annum
Leverage Ratio	2.4x Net debt/EBITDA	1.5-2x Net debt/EBITDA
Dividend	2.7x Dividend cover	2-3x Dividend cover

Capital Discipline

+15%
modified IRR
on projects

+10%
minimum new business margin
at station level

3 years
targeted minimum
payback period