



# 2019 Full Year Results

10 March 2020



# WELCOME – PHILIPP JOEINIG

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## MENZIES EXECUTIVE MANAGEMENT BOARD



**PHILIPP JOEINIG**

Executive Chairman



**GILES WILSON**

Chief Executive Officer



**ALVARO GOMEZ-REINO**

Chief Financial Officer



**JOHN GEDDES**

Corporate Affairs Director



**MERVYN WALKER**

Chief Operating Officer





# Highlights



# 2019 HIGHLIGHTS

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## ACTIONS DELIVERED

- Decisive action taken to right-size the business for growth
- Cost and efficiency programmes delivered and benefits realised
- Commercial team bolstered to target customer engagement and drive growth
- Greater focus on operational discipline
- Executive team strengthened

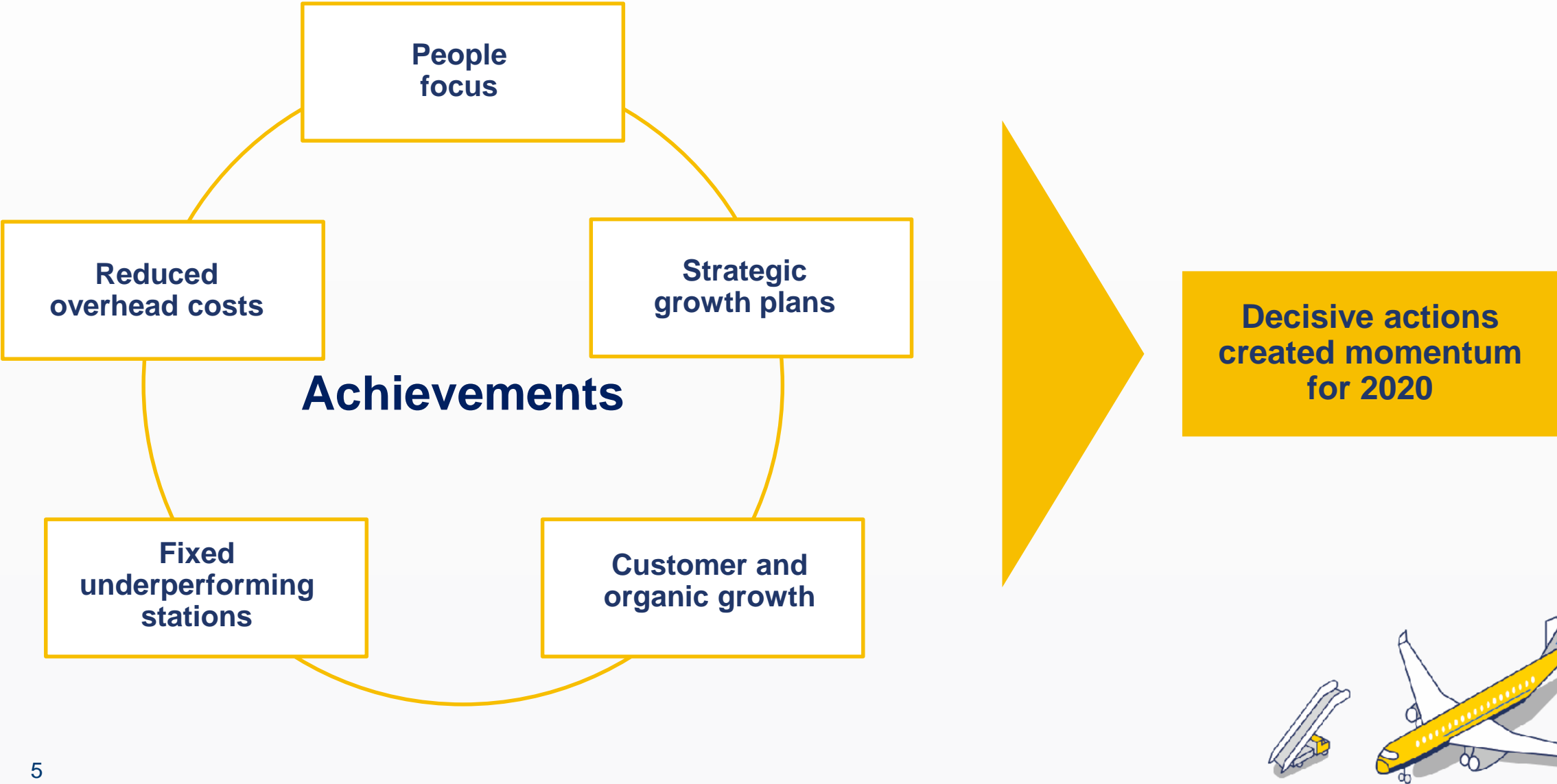
## MENZIES HERITAGE PEOPLE. PASSION. PRIDE.

Since 1833

- Logistics specialists
- Time critical services
- Customer centric
- Innovators



# 2019 ACHIEVEMENTS



# 2020 IMMEDIATE RESPONSE TO COVID-19

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## RESILIENT BUSINESS MODEL

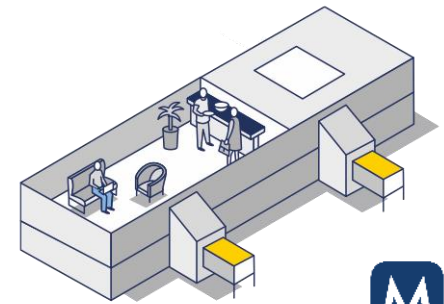
- Flexible operating model
- Remaining close to customer
- Global business
- Experienced management team

## COST ACTIONS

- Tight cost management across all areas
- Ban on all non essential spend
- Recruitment freeze

## BALANCE SHEET ACTIONS

- No final dividend
- Reduction in capital expenditure outlay
- Target leverage reduction:  
Net debt to EBITDA below 2 to 2.5 times by year end







# Financial overview



# FINANCIAL HIGHLIGHTS

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Record aviation revenue

**£1.3bn**

+2% on 2018 in constant currency

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Exceptional charge

**£3.0m**

Significant reduction on prior year

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Underlying EBITDA

**£138.7m**

10.5% margin

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Covenanted debt to EBITDA

**2.86x**

Within 3.25x covenant

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Underlying operating profit

**£52.5m**

Robust despite market challenges

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Net borrowings

**£391.5m**

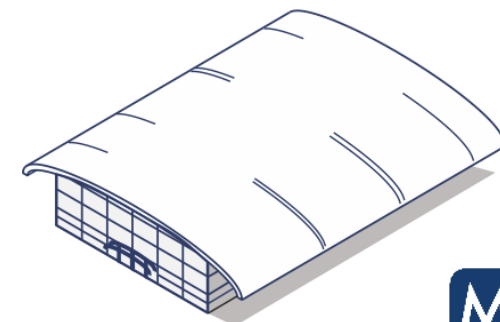
New facilities agreed to 2025

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Underlying EPS

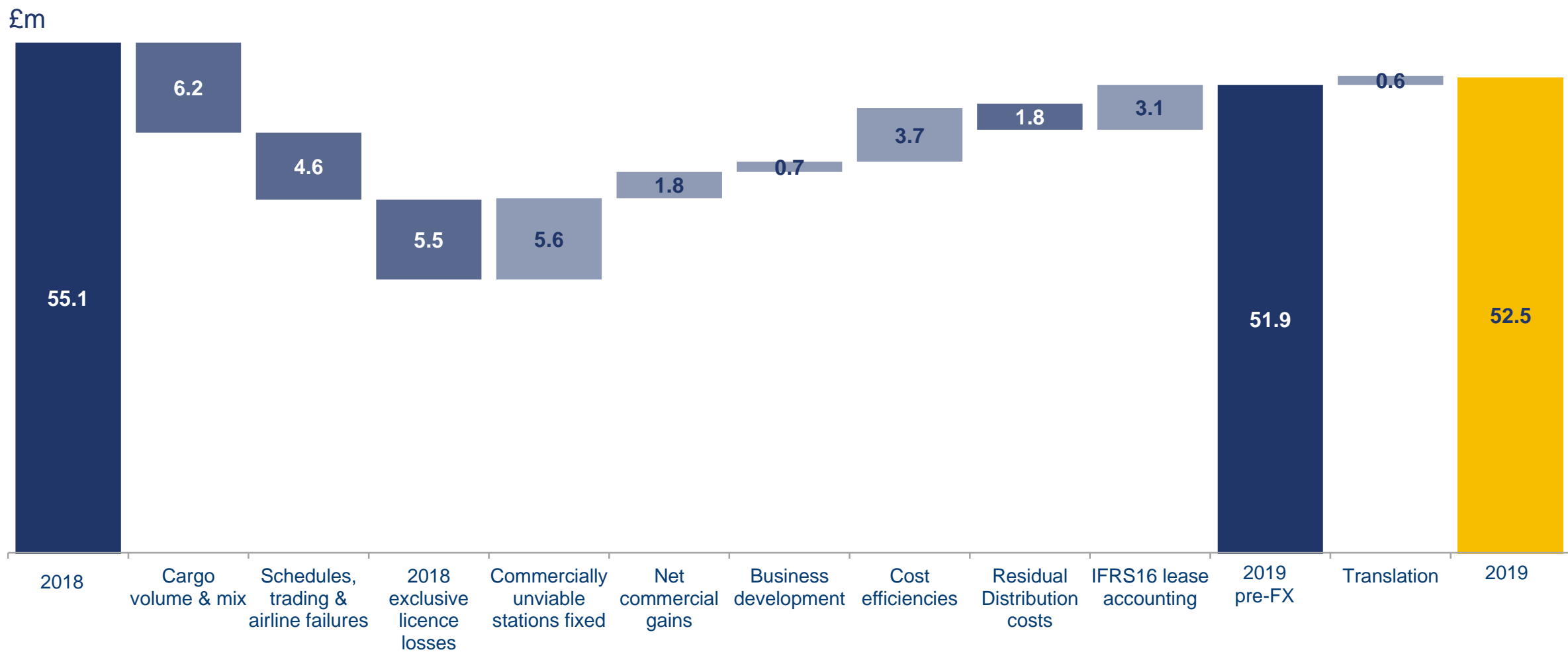
**24.9p**

Tax and interest impact





# UNDERLYING OPERATING PROFIT



# SEGMENTAL PERFORMANCE

£m

	Revenue			Underlying operating profit		
	2019	2019	2018	2019	2019	2018
	Reported	Constant currency		Reported	Constant currency	
Americas	464.3	447.9	463.8	20.9	20.0	17.2
EMEA	552.5	559.6	517.3	13.4	13.6	16.6
Rest of World	161.3	165.1	157.6	12.2	12.3	14.8
Cargo Forwarding	147.5	148.9	152.3	6.0	6.0	6.5
	<b>1,325.6</b>	<b>1,321.5</b>	<b>1,291.0</b>	<b>52.5</b>	<b>51.9</b>	<b>55.1</b>
Margin				4.0%	3.9%	4.3%

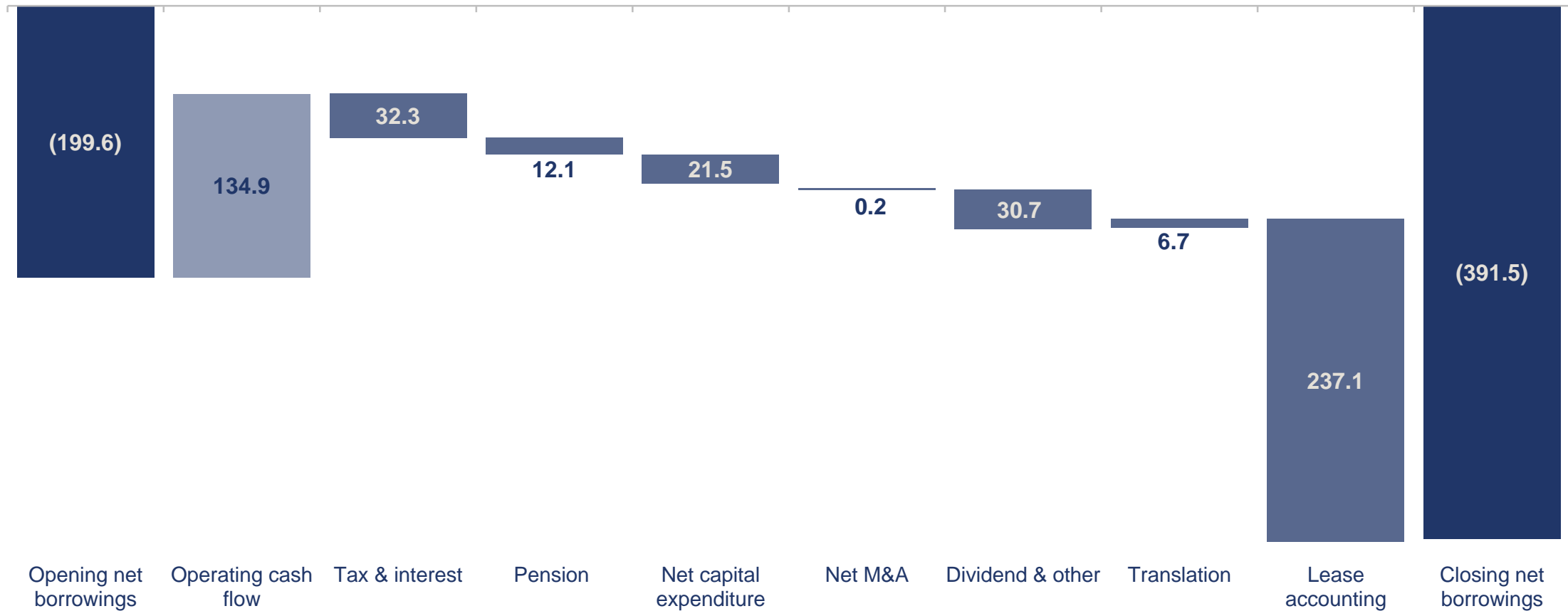
Notes:

Current year underlying operating profit adjusted for constant currency for comparative purposes

Prior year restated to show the previously reported Corporate function subsumed within the four operating segments

# MOVEMENT IN NET BORROWINGS

£m



Note:  
Operating cash flow and tax & interest include the impact of the new lease accounting standard as appropriate



# GROUP RE-FINANCING IN JANUARY 2020

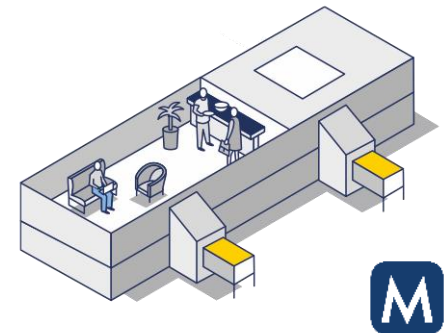
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## NEW FIVE-YEAR FACILITY

- Extended maturities until 2025
- Same margins as previous financing
- Strong support from existing and new banks

## IMPROVED TERMS

- Improved covenants:  
3.25x and up to 3.5x in case of acquisitions
- Improved documentation on exchange rate:  
Consistent P&L and balance sheet rates
- New asset-backed financial indebtedness permitted







# Business review



# THE MARKET IN 2019

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## ECONOMY

- Global economic uncertainty in depressed markets
- Brexit and US/China trade war

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## CARGO

- Economic uncertainty reduced cargo volumes globally
- Mix from import to export in Oceania reduced yields

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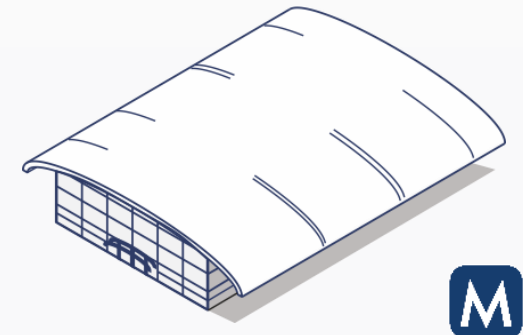
## AIRLINES

- Boeing 737 Max materially impacted airline flying schedules
- Airline failures

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## LABOUR

- Some improvement in North American market, but remained difficult
- Hardening in Eastern Europe as economies prosper



# BUSINESS REVIEW

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## AMERICAS

- Improved commercial engagement
- HR initiatives reducing staff turnover in tight labour markets
- Expansion in Canada drives higher profits
- Operations in Mexico and Colombia perform strongly
- Focus on operational performance improvements

## EMEA

- Restructure enhanced operational performance and focus
- UK turnaround plans delivering a return to profitability
- Tight labour markets in Eastern Europe
- Lower volumes at Heathrow and Amsterdam cargo
- Airline bankruptcies including Thomas Cook

## REST OF WORLD

- Change in cargo import/export mix impacted returns
- Commercial success with key contract renewals
- Macau delivered excellent returns
- New Indonesian operations gaining traction

## CARGO FORWARDING

- Strong performance in Europe and Africa
- Operating model invested for growth
- Organic network expansion UK and Australia
- Acquisition of GTO Logistics in Canada integrated



# 2019 RETURN TO COMMERCIAL GROWTH

## COMMERCIAL ACTIVITY

**+£8m**

additional annual  
revenue secured

**FRONTIER**  
AIRLINES

**UNITED**

**BRITISH AIRWAYS**

**mango**

**QATAR**  
AIRWAYS

**WorldFuel**  
SERVICES

**179**

new contracts won

**£153m**

revenue renewed

**easyJet**

**Lufthansa**

**AIRFRANCE KLM**

**norwegian**

**213**

contracts renewed  
across the network

**WESTJET**

## ACTIONS

- Refocused to be customer centric
- Solution orientated approach
- Dedicated key account management

## HIGHLIGHTS

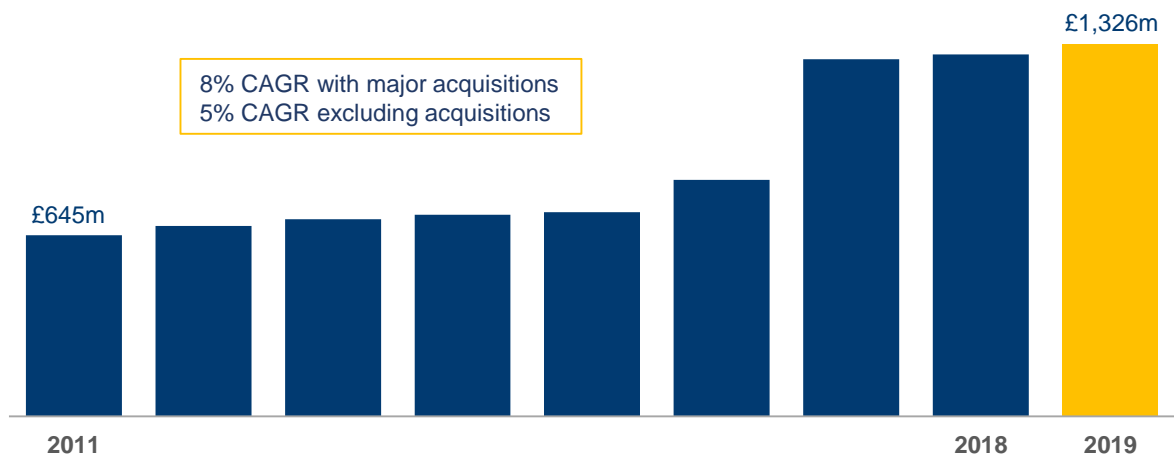
- Secured further five years with easyJet at their Luton hub
- Successful key account cargo renewals in Oceania
- Mango Airlines contract win in South Africa
- New cleaning contracts with easyJet and British Airways
- Norwegian extensions across USA
- WestJet in Toronto secured for a further four years
- Qatar success in Scandinavia



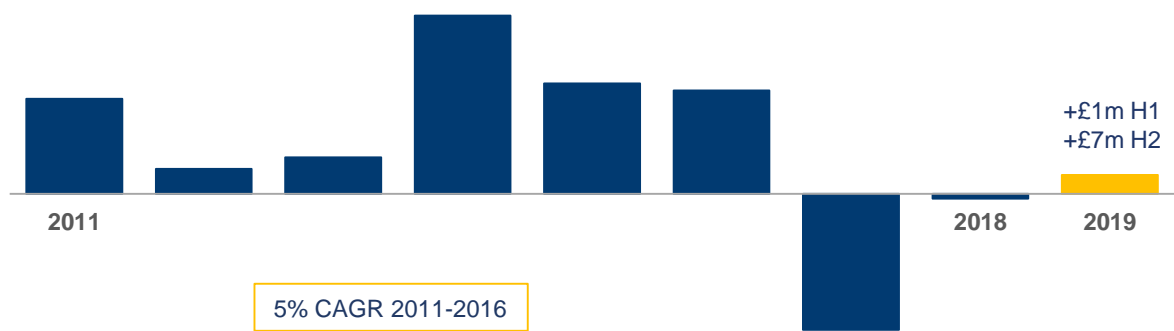


# INVESTMENT CASE – RETURNING TO HISTORICAL GROWTHS

## OUR REVENUE SHOWS TRACK RECORD OF GROWTH



## NET COMMERCIAL GROWTH IS RETURNING

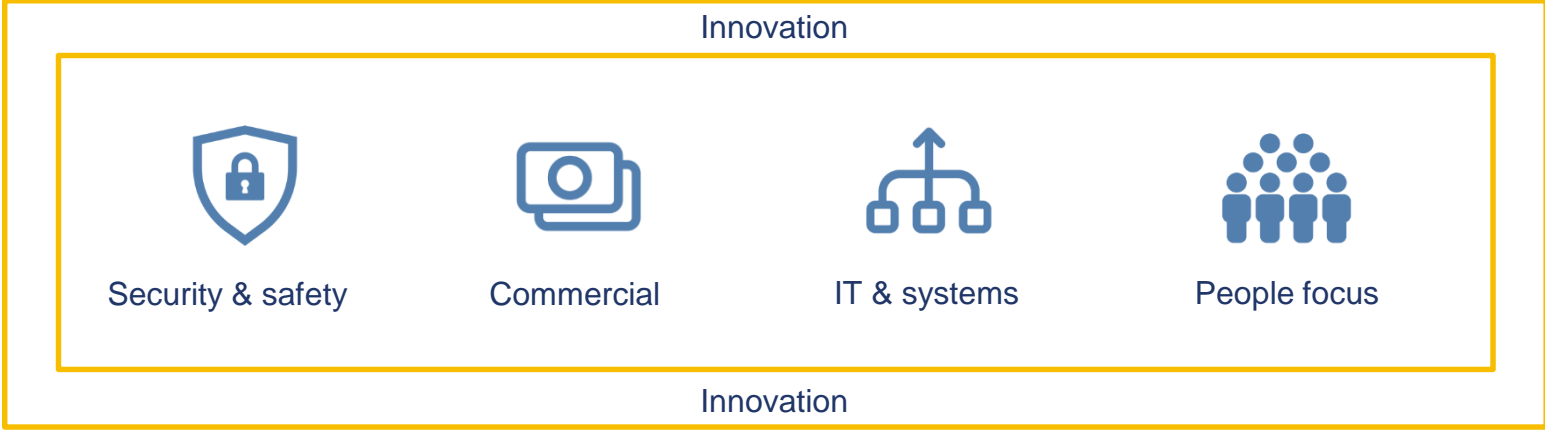


# 2020 AND BEYOND – STRATEGIC FOCUS

## STRATEGIC PRIORITIES



## STRATEGIC ENABLERS



# INVESTMENT CASE REMAINS STRONG

<b>OUR MARKET DYNAMICS</b>	<b>Aviation services market</b> <div><div>Overall</div><div>\$60bn</div></div> <div><div>Outsourced</div><div>\$30bn</div></div> <p>Outsourced market increasing annually</p>	<b>Annual growth to 2038</b>  3.4% aircraft 4.2% cargo 4.5% passengers	<b>REVENUE GROWTH</b>  Market growth Consolidation Low cost carrier growth   <div>3-4% growth</div>
<b>OUR GROWTH DYNAMICS</b>	<b>Organic targets</b> Scale operations driving higher returns Growing airlines with increasing volume Entering new airports with existing customers	<b>Business development targets</b> New markets with high margin potential New market opportunities through JVs Fuelling expansion in new markets	 Outperformance  Business development   <div>2-3% growth</div>  <div>2-3% growth</div> <div>c7-10% growth</div>
<b>OUR ABILITY TO DELIVER</b>	<b>Right team</b> Strong experienced executive team Strengthened during 2019 Industry leading regional management Focus on delivery and margin growth	<b>Right operating model</b> Safe & secure Standardisation Integrated IT platform Training and people development	<b>Right customer centric approach</b> Put our customers needs first Key account managers Focus on growing key accounts Focus on delivering innovative solutions



# SUMMARY AND OUTLOOK

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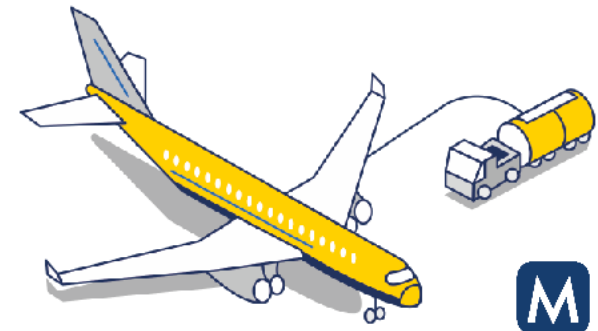
## SUMMARY

- Robust performance in difficult markets
- Executive leadership team strengthened
- Commercial performance much improved
- Operational performance much improved
- Group banking re-financing in January 2020
- People development programmes in place

## OUTLOOK

- COVID-19 is having a significant impact
- Focus on strengthening balance sheet
- Net debt target of less than 2 to 2.5 times
- Underlying business performing well
- Commercial pipeline strong
- Business development plans in place

**Right team and right structure  
to seize opportunities in current challenging conditions**







**Thank you**





## Appendix 1

# Environmental, social & governance



# ENVIRONMENTAL, SOCIAL & GOVERNANCE

## Sustainability strategy and programme delivery

People	Wellbeing	Environment	Communities	Governance
<ul style="list-style-type: none"><li>• Inclusivity training</li><li>• Living leadership</li><li>• People engagement</li></ul>	<ul style="list-style-type: none"><li>• Mental health awareness</li><li>• Health &amp; safety standards</li></ul>	<ul style="list-style-type: none"><li>• Electric turns every day</li><li>• Carbon offsetting</li><li>• De-icing efficiencies</li></ul>	<ul style="list-style-type: none"><li>• Ex-military back to work</li><li>• Community initiatives</li><li>• Industry groups</li></ul>	<ul style="list-style-type: none"><li>• Code of conduct</li><li>• Compliance programme</li><li>• Due diligence</li></ul>

Woven throughout our business and decision making for the future

We commit to and measure against ESG benchmarks and standards

IMMEDIATE  
FOCUS

Reduce  
carbon  
footprint

Plan for  
future

Engage with  
communities

Develop our  
people

Be a  
responsible  
business







## Appendix 2

# Further financial information



# 2019 FINANCIAL SUMMARY

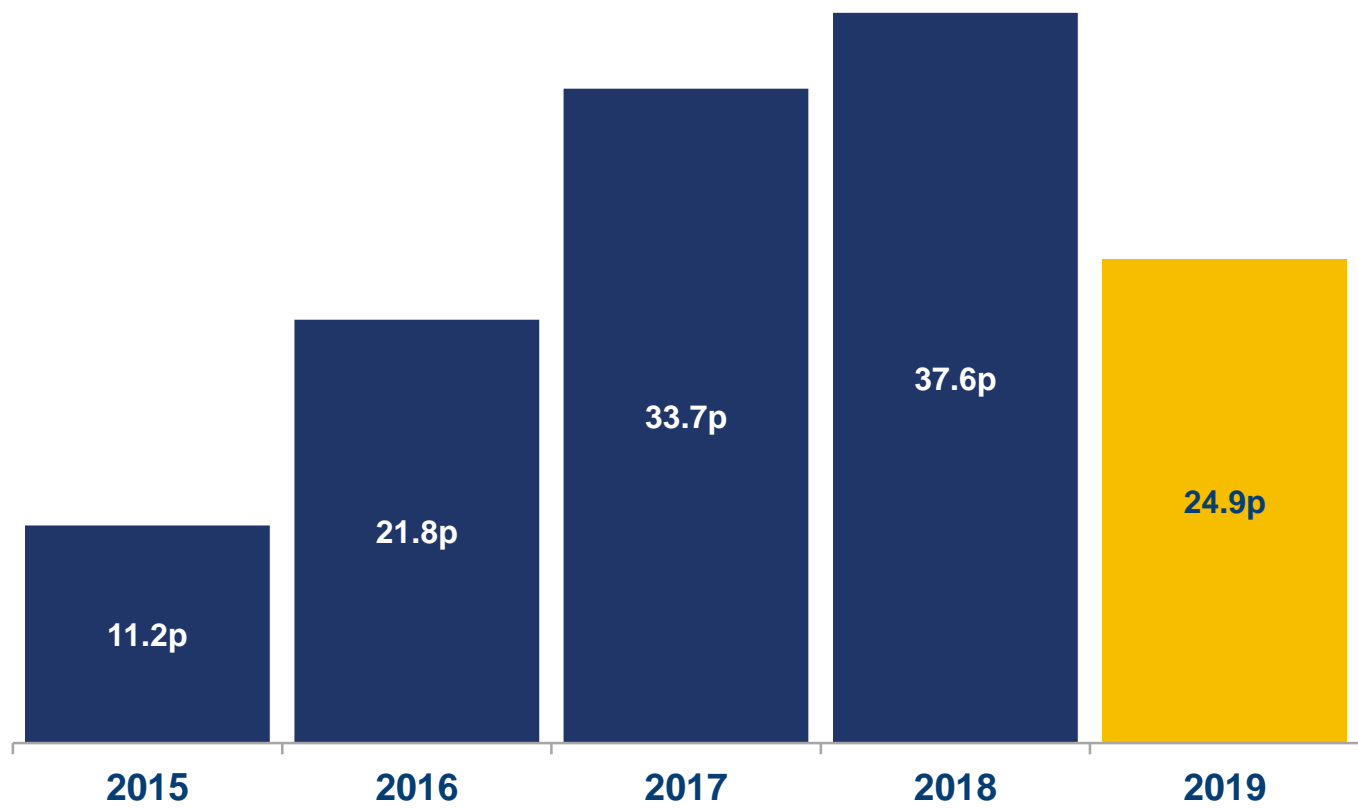
£m	2019 Reported	2019 Constant currency	2018
<b>Continuing operations</b>			
Revenue	1,325.6	1,321.5	1,291.0
Underlying EBITDA	138.7	137.5	80.3
Underlying operating profit	52.5	51.9	55.1
Interest	(22.1)	(22.1)	(11.0)
Underlying profit before tax	30.4	29.8	44.1
Underlying effective tax rate	31%		28%
Underlying EPS	24.9p		37.6p
<b>Including discontinued operations</b>			
Net borrowings	391.5		199.6
Exceptional charge in operating profit	(3.0)		(43.8)
Covenanted debt to EBITDA ratio	2.86x		2.41x
Basic EPS	12.8p		(6.8)p
Dividend per share	6.0p		20.5p

Notes:  
 Current year underlying operating profit adjusted for constant currency for comparative purposes  
 Current year data reflect the impact of the new leasing accounting standard

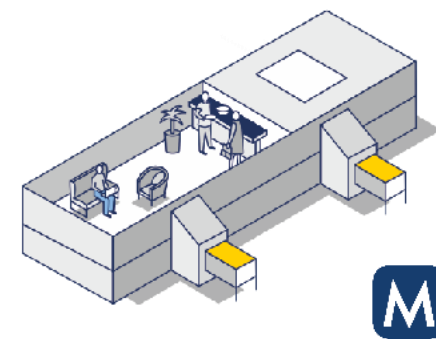




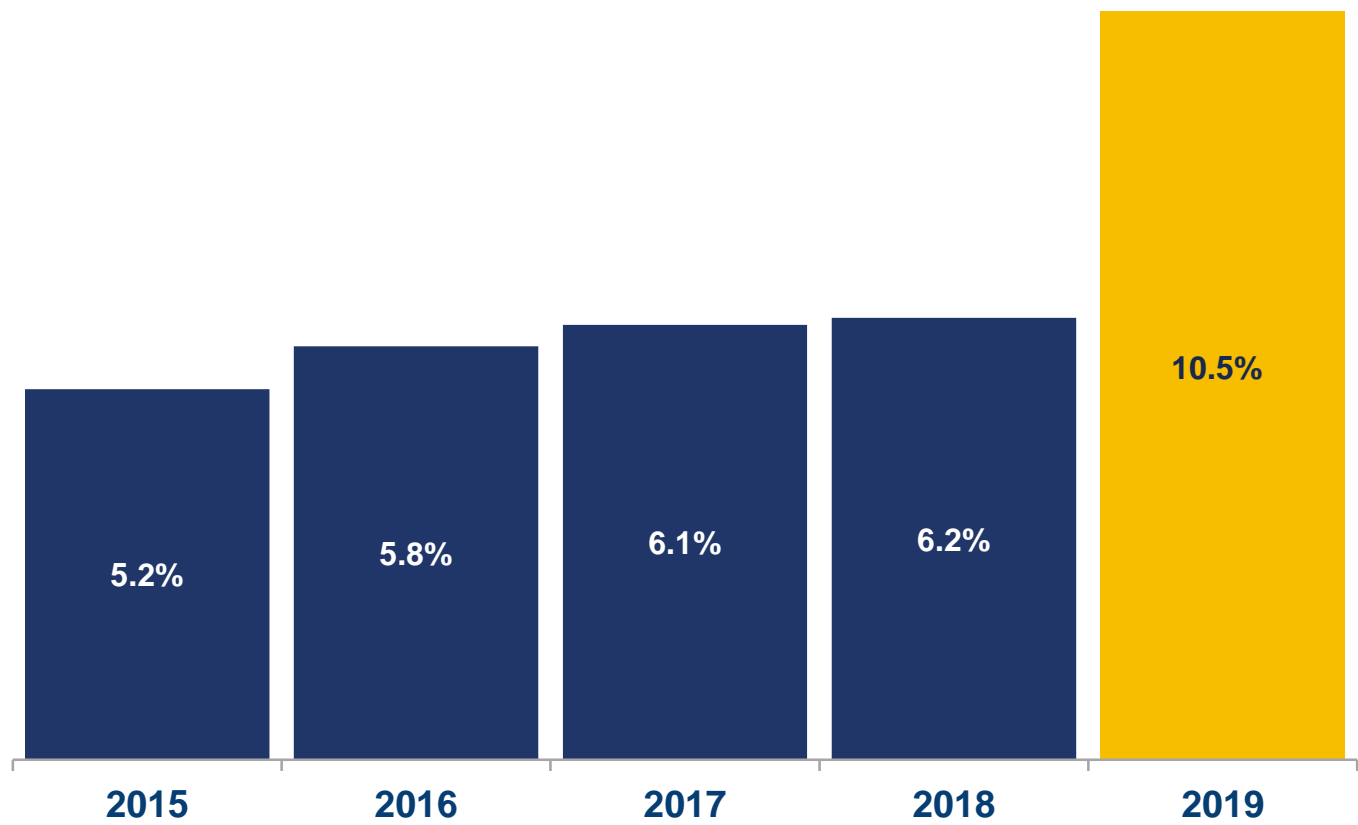
# UNDERLYING EARNINGS PER SHARE PROGRESSION



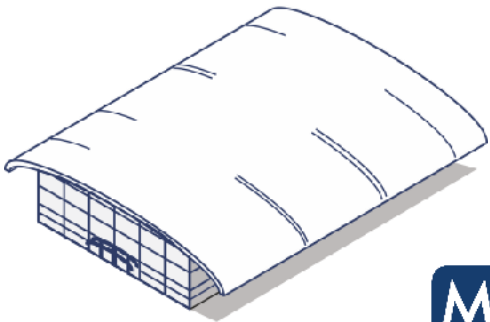
Notes:  
All data is stated excluding Menzies Distribution Ltd and its associated subsidiaries disposed of 2018  
2015 to 2018 have not been restated for the adoption of the new leasing standard, a 3.7p per share reduction in 2019



# EBITDA MARGIN PROGRESSION



Notes:  
Margin is reported EBITDA divided by revenue. All data is stated excluding Menzies Distribution Ltd and its associated subsidiaries disposed of in 2018  
2015 to 2018 have not been restated for the adoption of the new lease accounting standard, a benefit of 5.0% in 2019



# SEGMENTAL UNDERLYING EBITDA PERFORMANCE

£m	Revenue			Underlying EBITDA		
	2019	2019	2018	2019	2019	2018
	Reported	Constant currency		Reported	Constant currency	
Americas	464.3	447.9	463.8	58.1	55.8	29.6
EMEA	552.4	559.6	517.3	47.6	48.4	23.9
Rest of World	161.3	165.1	157.6	23.2	23.4	19.4
Cargo Forwarding	147.6	148.9	152.3	9.8	9.9	7.4
	<b>1,325.6</b>	<b>1,321.5</b>	<b>1,291.0</b>	<b>138.7</b>	<b>137.5</b>	<b>80.3</b>
Margin				10.5%	10.4%	6.2%

## Notes:

2019 EBITDA adjusted for constant currency. Prior year restated to show the previously reported Corporate function subsumed within the four aviation operating segments

2018 has not been restated for the adoption of the new leasing accounting standard in 2019



# EXCEPTIONAL CHARGE IN OPERATING PROFIT

£m

Continuing operations:

Acquisition and transaction costs

Acquisition integration costs

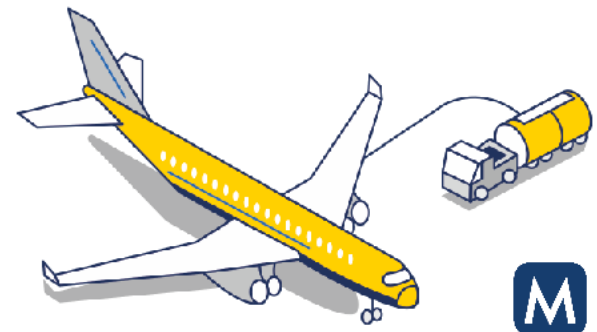
Acquisition and other claims settlement

Restructuring, property and pension items

Impairment

Discontinued operations

	2019	2018
	(3.9)	(2.9)
	(3.3)	(2.1)
	18.1	(6.7)
	(15.6)	1.9
	-	(3.7)
	(4.7)	(13.5)
	1.7	(30.3)
	<b>(3.0)</b>	<b>(43.8)</b>



# PROFIT BEFORE TAX

£m

Underlying profit before tax

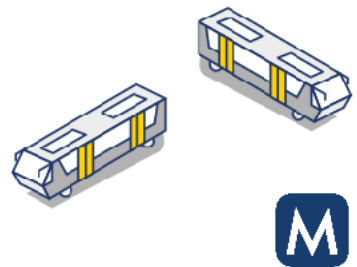
Non-recurring items in operating profit

Non-recurring items in finance costs

JV and associate tax

Contract amortisation

2019	2018
30.4	44.1
(4.7)	(13.5)
-	(0.7)
(1.8)	(2.0)
(6.6)	(6.3)
<b>17.3</b>	<b>21.6</b>



# NET ASSETS

£m

Tangible fixed assets and investments

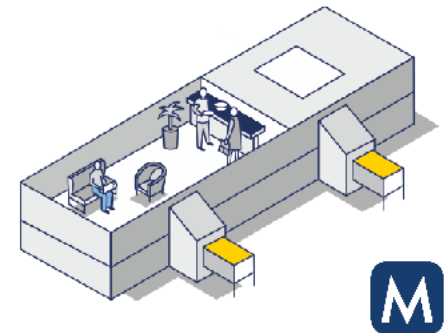
Goodwill, intangibles and other assets

Working capital and others

Net borrowings

Pension liability, net of deferred tax

2019	2018
294.5	140.5
200.9	179.3
(12.2)	(4.0)
(391.5)	(199.6)
(4.4)	(14.9)
<b>87.3</b>	<b>101.3</b>





# CASH FLOW AND NET BORROWINGS

£m

## Underlying EBITDA

Working capital movement

Other movements

## Operating cash flow

Tax and net interest paid

Net capital expenditure

## Free cash flow

M&A

Exceptional and other items

Dividends

Additional pension contribution

## Net cash flow

Net borrowings at start of year

New lease accounting standard impact

Currency translation

## Net borrowings at end of year

	2019	2018
	138.7	98.7
	(2.7)	(1.8)
	(1.1)	(2.0)
	134.9	94.9
	(32.3)	(25.5)
	(21.5)	(17.3)
	81.1	52.1
	0.2	29.2
	(13.4)	(15.4)
	(17.3)	(17.1)
	(12.1)	(24.8)
	38.5	24.0
	(199.6)	(214.4)
	(237.1)	-
	6.7	(9.2)
	(391.5)	(199.6)

Note:  
Prior year cash flow presented on a combined  
continuing and discontinued basis





Appendix 3

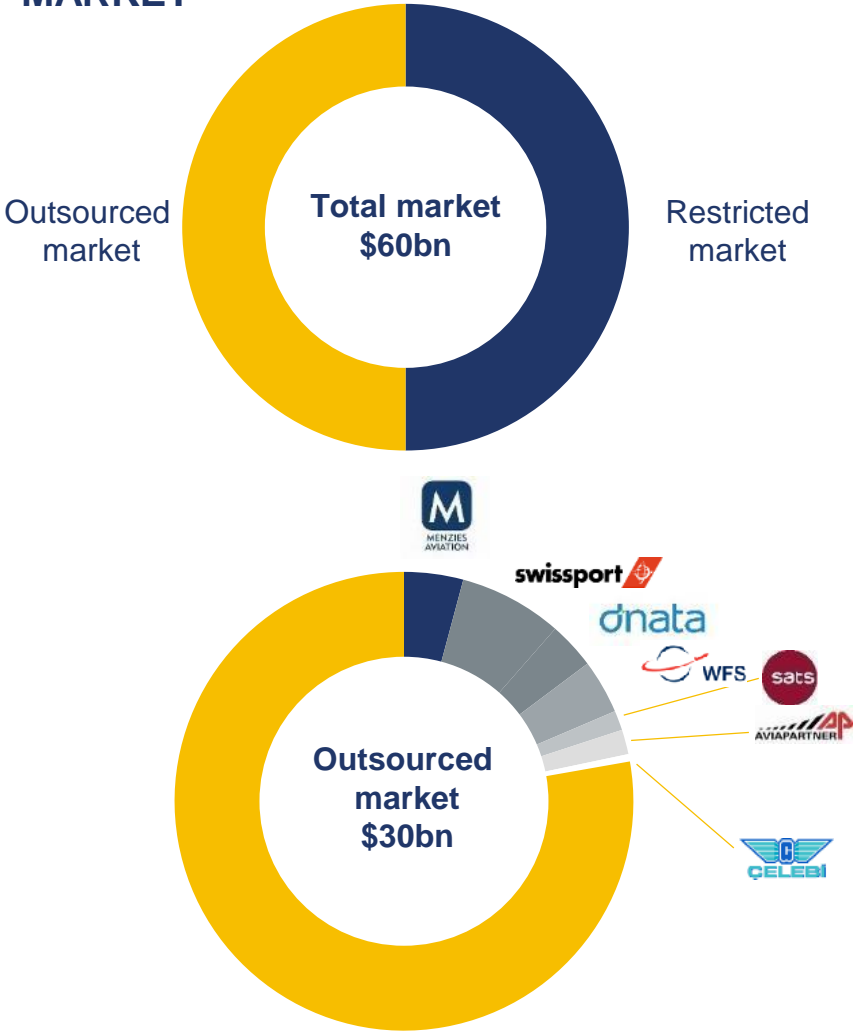
# Market dynamics



# MARKET OVERVIEW – COMPETITIVE LANDSCAPE

GLOBAL PLAYERS							
	50	315	G	F	C	E	O
	34	202	G	F	C	E	O
	22	195	G		C		O
	19	129	C		C	E	
REGIONAL PLAYERS							
	13	60	G		C		
	6	38	G		C	E	
	5	36	G		C		

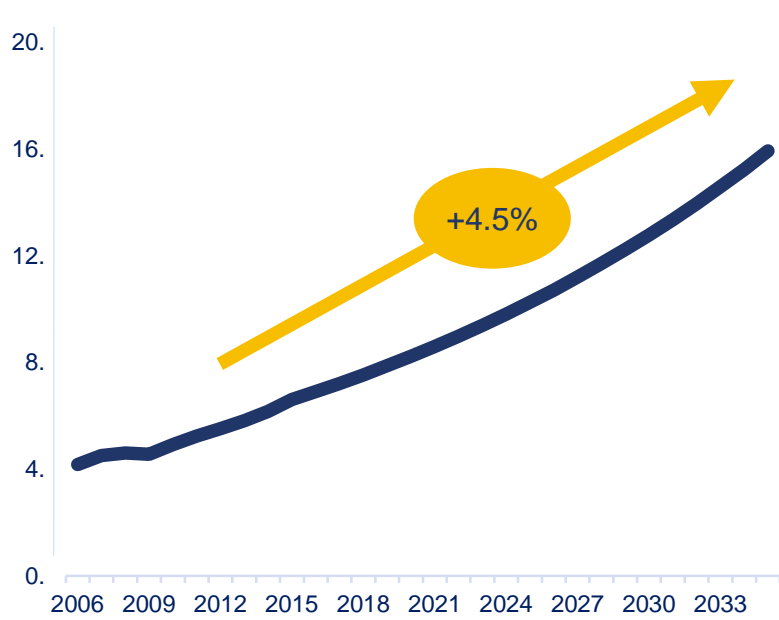
## MARKET



# MARKET DYNAMICS – GROUND HANDLING

## Global passenger traffic to double by 2035

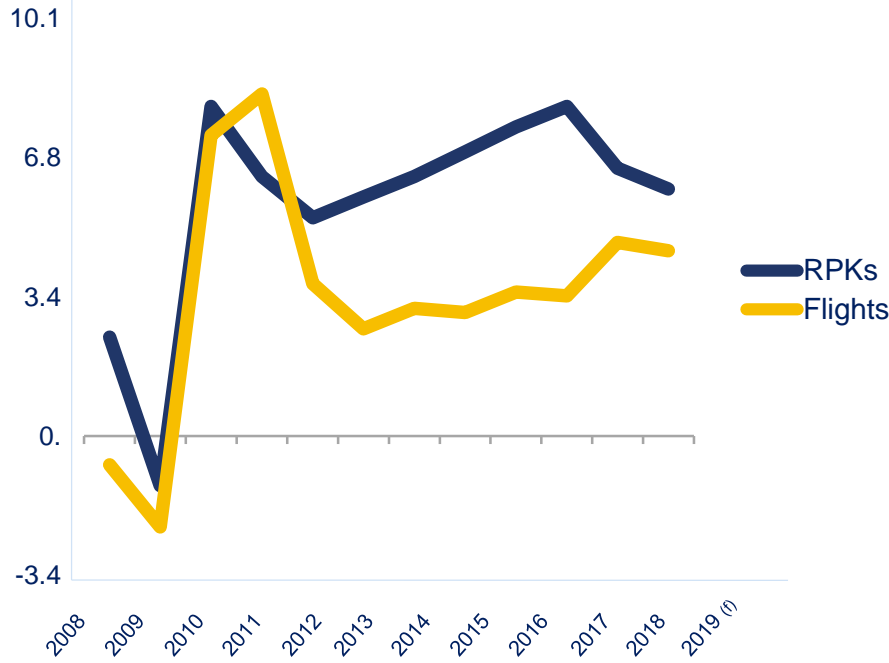
Revenue Passenger  
Kilometres (Trillions)



Source: IATA

## Sustained growth in passengers and flights

Growth (%)



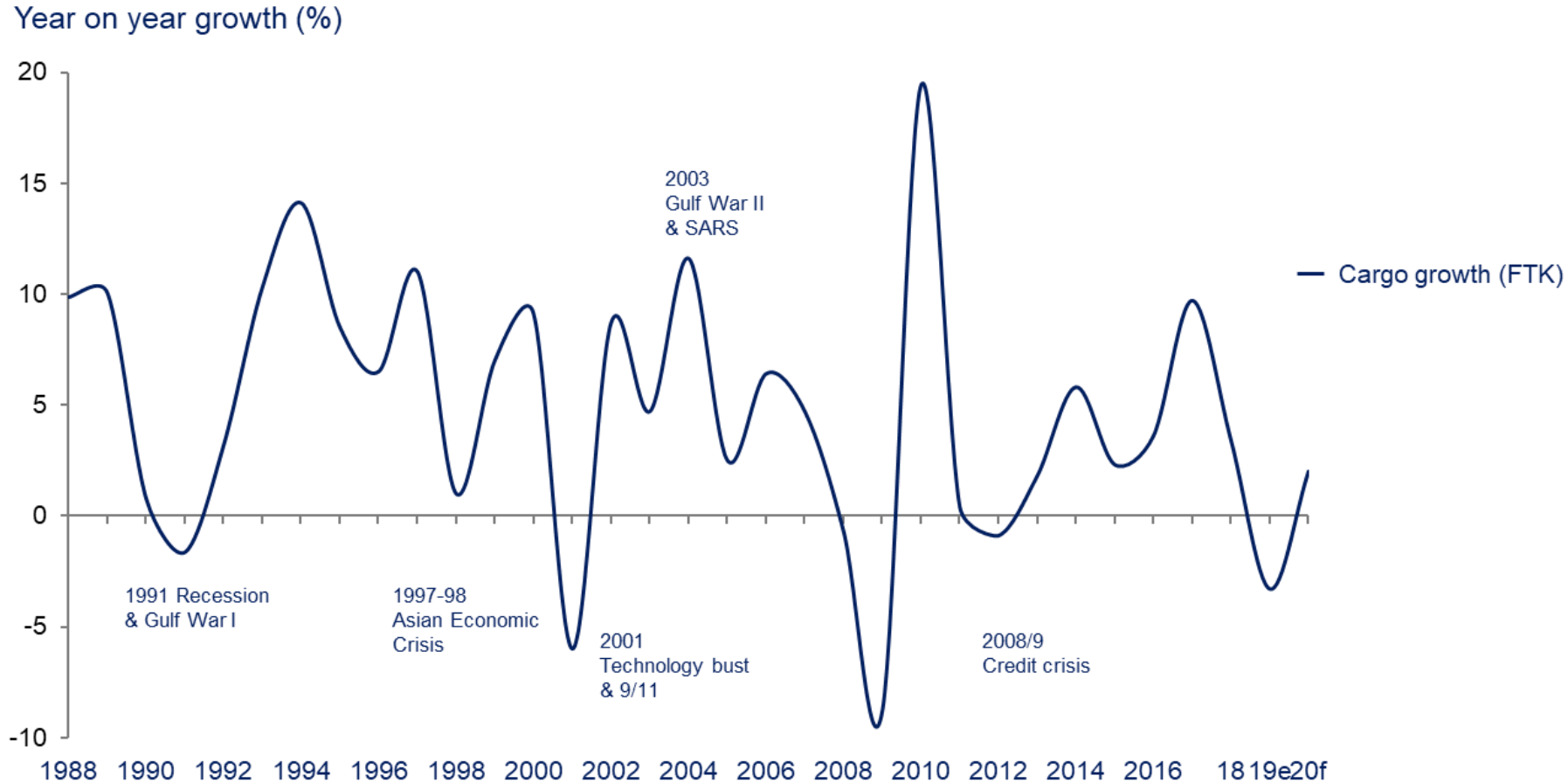
- Passenger annual growth 4.5% forecast
- Airlines tactically reduce schedules with Boeing 737 Max groundings
- EC261 fines an opportunity to work collaboratively with airlines





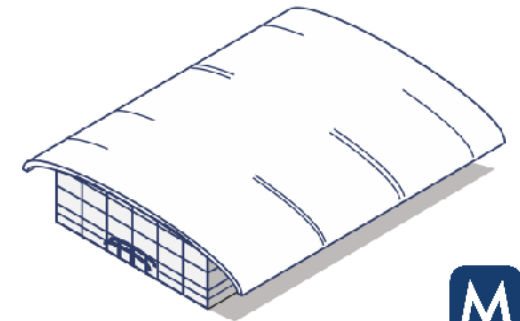
# MARKET DYNAMICS – CARGO

## Cargo demand growth

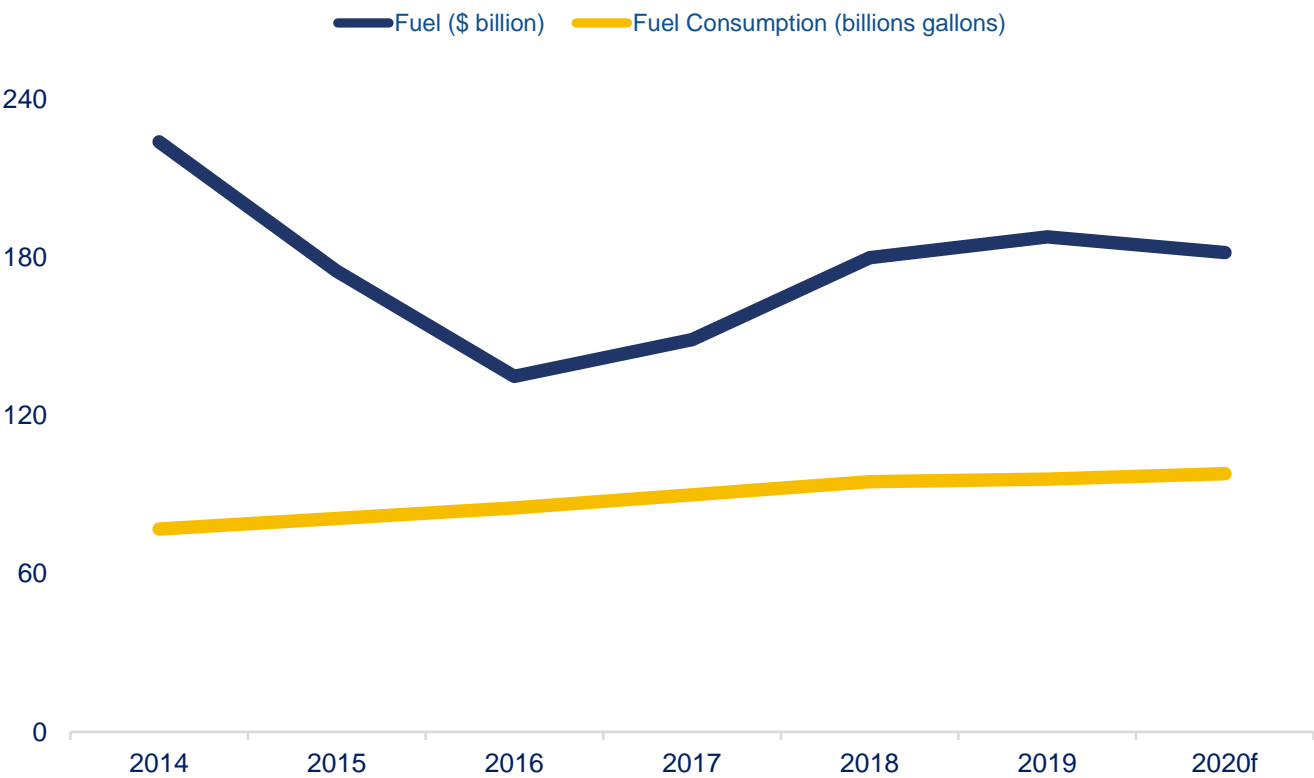


- Global cargo demand is cyclical and volatile
- Boom in cargo demand 2016 to 2017
- Slowdown in 2018
- Downturn further in 2019
- Forecast to improve through 2020

Source: IATA

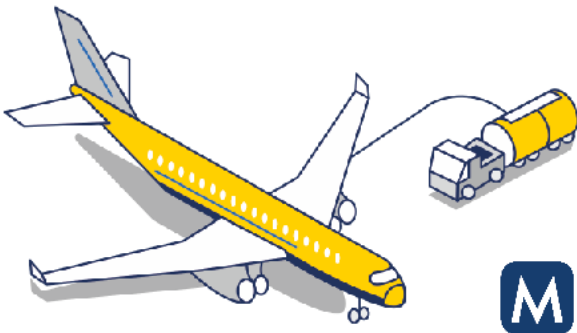


# MARKET DYNAMICS – FUELLING



Source: IATA

- Improved aircraft efficiency
- Fuel consumption growth marginally slower than flight growth







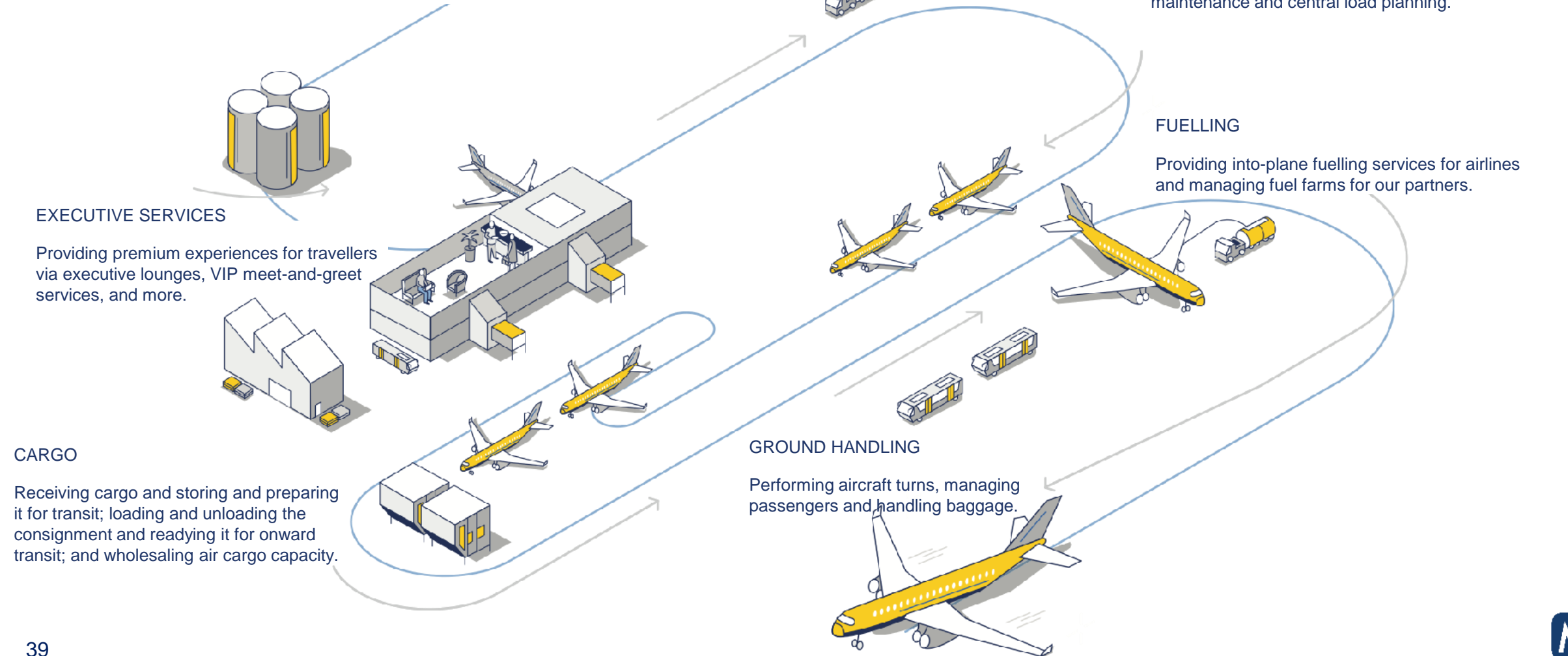
Appendix 4

# Further information



# OUR PRODUCT OFFERING

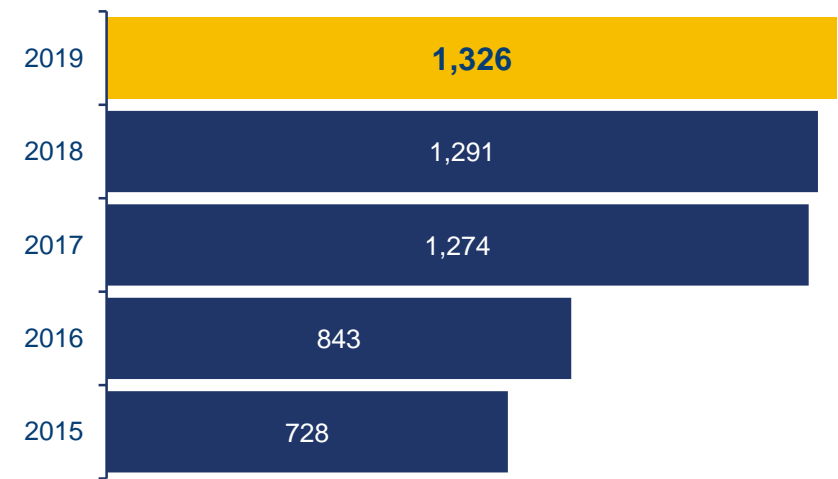
We operate in a range of markets that serve the needs of the growing Aviation Services sector



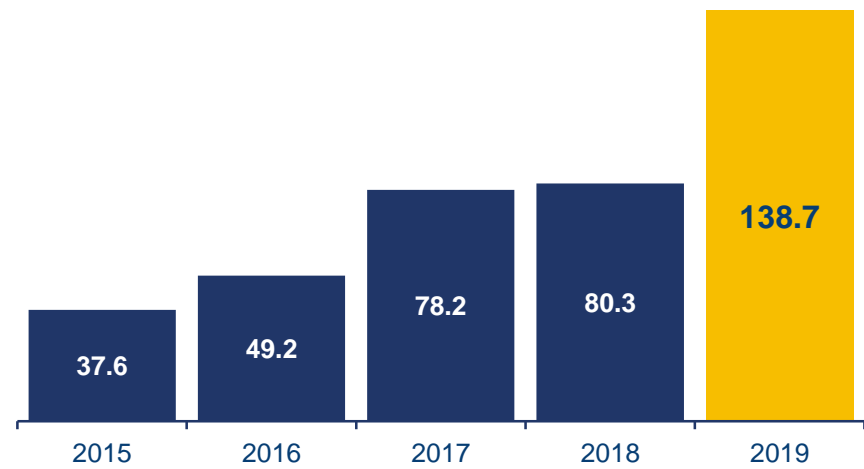
# JOHN MENZIES PLC AT A GLANCE

## FINANCIAL OVERVIEW

Revenue £m



EBITDA £m



## COVERAGE

Based on 2019

Countries  
**34**

Airports  
**202**

Employees  
**32,000**

Flights handled  
**1.2m**

Cargo tonnes  
**1.5m**

Fuelling turns  
**3.6m**

