John Menzies plc

2019 INTERIM RESULTS

13 August 2019

H1 2019 OVERVIEW

- Top line revenue £649.9m, an increase of £22.7m on H1 2018
- Underlying operating profit £17.9m, £5.3m behind last year on a comparative basis due to prior year licence losses, stranded costs and challenging 2019 market conditions
- H1 aviation marketplace has been challenging with weak cargo volumes and mix and flight schedule reductions
- Senior management team realignment complete to right size the business for growth
- Cost efficiency and rationalisation programmes on track to deliver in excess of annualised £10m of savings
- Aggressive Fix/Close/Sell plan initiated to tackle underperforming stations
- Commercial proposition and customer interaction enhanced
- easyJet won for a further 5 years at their home operation in Luton

CEO PRIORITIES

REDUCED
OVERHEAD COSTS

FIX UNDERPERFORMING
OPERATIONS

CUSTOMER &
ORGANIC GROWTH

PEOPLE FOCUS

STRUCTURE GROWTH
PLANS

BUILDING AND SECURING 2020 & BEYOND

JOHN MENZIES INVESTMENT CASE

Strong growth dynamics in the Aviation Services sector

STRONG MARKET DYNAMICS

Marketplace

$60bn 5% CAGR to 2025

Passenger growth

+4.7% to 2037

Aircraft growth

+3.5% to 2037

Cargo growth

+4.2% to 2037

EXCELLENT GROWTH OPPORTUNITIES

Customer focus

- Renewed focus on customer needs
- Delivering operational excellence
- Innovative solutions to changing landscape

Organic growth

- Scale customers at their hub airports
- Increased volume from existing customers
- Higher margin complementary services expansion
- Significant fuelling opportunities outside home markets

Acquisitive growth

- Challenging markets provide opportunities
- Highly synergistic deals prioritised
- All deals must be margin accretive

MENZIES UNIQUE STRENGTHS

Strong leadership team

- New Chairman with 10 years industry experience
- Experienced senior executive team now in place

Market leading operating model

- Strong market positions in Oceania and Americas
- Industry leading safety record
- Strong financial ethos and discipline
- New strong commercial structure and focus
- Leading edge IT solutions

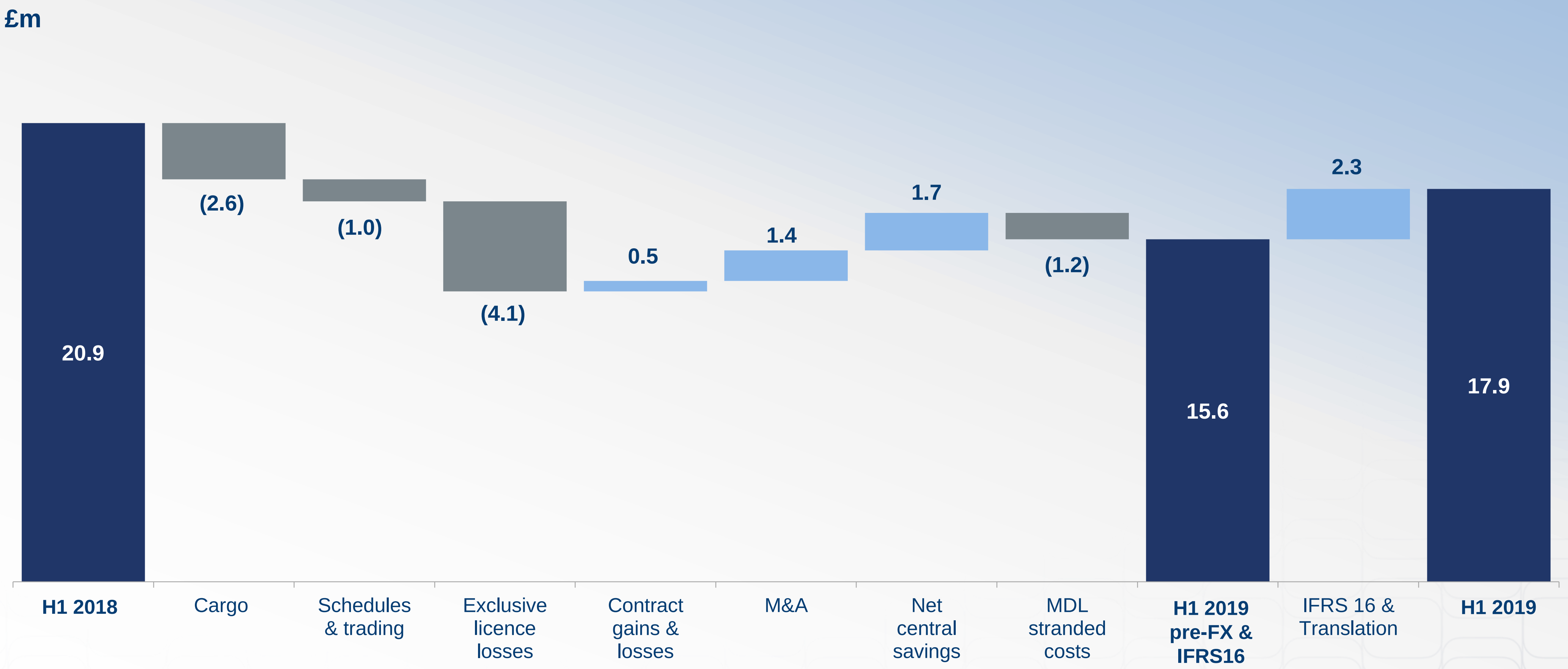
FINANCIAL OVERVIEW

FINANCIAL OVERVIEW

£m	H1 2019	H1 2019	H1 2018
	Reported	Adjusted	
Continuing operations:			
Revenue	649.9	645.8	627.2
EBITDA	59.7	27.0	33.6
Underlying operating profit	17.9	15.6	20.9
Interest	(9.7)	(5.8)	(5.4)
Underlying profit before tax	**8.2**	**9.8**	**15.5**
Underlying effective tax rate	29%		30%
Underlying EPS	6.8p	8.1p	13.0p
Including discontinued operations:			
Net debt	421.8		231.8
Exceptional charge in operating profit	(6.4)		(26.0)
Debt to EBITDA ratio	2.8x		2.1x
Basic EPS	(3.3)p	(2.0)p	(9.6)p
Dividend per share	6.0p		6.0p

Note:
H1 2019 adjusted for the impact of IFRS 16 leasing for comparative purposes (Underlying operating profit, EBITDA and Net debt) and constant currency (Revenue, Underlying operating profit and EBITDA)

UNDERLYING OPERATING PROFIT



SEGMENTAL PERFORMANCE

£m	Revenue H1 2019 Reported	Revenue H1 2019 Constant currency	Revenue H1 2018	Underlying operating profit H1 2019 Reported	Underlying operating profit H1 2019 Adjusted	Underlying operating profit H1 2018 Restated
Americas	230.4	219.8	230.2	10.6	9.1	10.1
EMEA	268.6	272.4	250.2	1.0	0.6	3.1
Rest of World	80.0	81.7	75.2	4.5	4.1	5.3
Cargo Forwarding	70.9	71.9	71.6	1.8	1.8	2.4
	649.9	**645.8**	**627.2**	**17.9**	**15.6**	**20.9**
Margin				2.8%	2.4%	3.3%

Notes:
H1 2019 Underlying operating profit adjusted for constant currency and the impact of IFRS 16 leasing for comparative purposes
H1 2018 restated to show the previously reported Corporate function subsumed within the four aviation operating segments

EXCEPTIONAL CHARGE IN OPERATING PROFIT

£m	H1 2019	H1 2018
Continuing operations:		
Acquisition and transaction costs	(2.7)	(0.3)
Integration costs	(1.0)	(1.8)
Warranties and claims	(1.9)	-
Restructuring and others	(2.9)	(0.6)
	(8.5)	(2.7)
Discontinued operations	2.1	(23.3)
	(6.4)	**(26.0)**

Note:
H1 2019 Discontinued operations exceptional income comprises incremental disposal proceeds from sale of Menzies Distribution relating to pension liability

MOVEMENT IN NET DEBT

Note:
Operating cash flow and Tax & interest include the impact of IFRS 16

BUSINESS REVIEW

H1 2019 BUSINESS REVIEW

Focused activity in challenging markets

EFFICIENCY PROGRAMME ACROSS OUR NETWORK

Removal of targeted central support costs

Targeted system implementation driving greatest efficiency benefit and returns

On track to deliver at least £10m savings for 2020

CUSTOMER & COMMERCIAL CENTRAL TO STRATEGY

Executive led customer engagement strategy

New executive positions created to lead strategic realignment

Regional commercial structures strengthened and incentivised on winning new business

Customer opportunity pipeline building

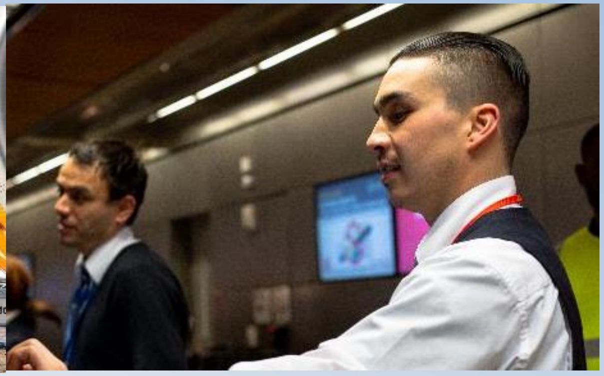
WINS AND RENEWALS KEY TO SUCCESS

easyJet contract at Luton a significant step forward

Key Oceania renewals secured with Cathay Pacific, Thai Airways and Air Macau

Price re-negotiations help boost returns in North America and key contracts secured

Licence extension at Sint Maarten



FOCUS ON PEOPLE

Central HR strategies being delivered and benefits achieved

Flattened senior management structure & new experienced team

Emerging issues within the Eastern Europe labour market being addressed

US labour market is improving but remains challenging

GLOBAL OVERVIEW

AMERICAS

Closure of loss making operations help improve margins

Price renegotiations continue to realign the business

Some early successes in reducing labour turnover

Strong performance in Mexico and Colombia

Pipeline of opportunities now building

EMEA

Restructured to ensure lean cost and direct accountability

Airline Services acquisition helping to win new UK business

Focused profit improvement at key airports

Traction gained in fuelling expansion

Soft cargo markets impact results

REST OF WORLD

Excellent commercial performance:

- Key renewals with Thai and Cathay Pacific
- Excellent wins with Qatar and Korean

Cargo performance impacted by volume and mix

Strong performance in Macau with Air Macau renewal secured

CARGO FORWARDING

Impacted by difficult market conditions

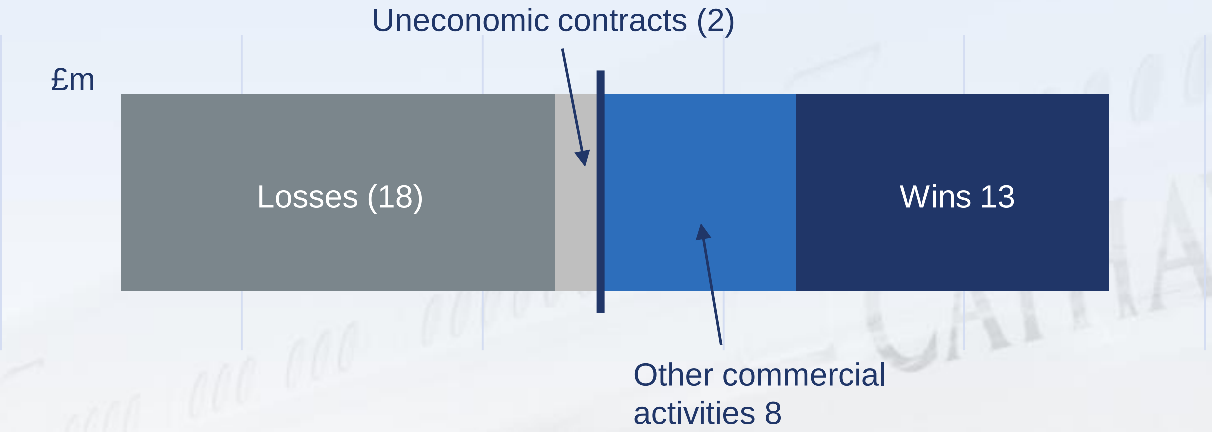
Core acquisitions identified and at an advanced stage

IT platform being upgraded to facilitate future growth

Bolt on GTO acquisition with more to come

H1 2019 COMMERCIAL PERFORMANCE

COMMERCIAL ACTIVITY



- Annual revenue from net commercial activity positive
- Further £68m of annual revenue from renewals

HIGHLIGHTS

- Secured a further five years with easyJet at Luton
- New cleaning contracts with easyJet and British Airways
- Secured cargo deals with Thai Airways (Australia) and Cathay Pacific (Australia and New Zealand)
- New start ups with Air China in Nice and San Francisco
- Air Macau ground handling and cargo secured for a further five years in Macau
- Norwegian extensions across USA
- WestJet in Toronto secured for a further 4 years

NEW COMMERCIAL FOCUS

Strategic targeting

Tendering process

Global agreements

Contract renewal

- Global commercial structures overhauled
- New EVP Commercial and EVP Cargo appointments in place
- Renewed focus on key customer relationships with significant executive interaction
- New specialist commercial support team to handle administration allowing sales teams to sell
- Regional commercial structures revamped with focus on sales conversion

- Global Terms Agreements being progressed with major customers
- Structured bid process helping win major bids and renewals
- Focus on customer needs in bidding process:
    - EU 261 challenge
    - Cost plus arrangements
    - Environmental agendas
    - Composite aircraft and insurance

SUMMARY AND OUTLOOK

CEO PRIORITIES – ACTIONS TO ADDRESS

REDUCED OVERHEAD COSTS	○ In excess of £10m cost savings targeted and actioned ○ Removing corporate costs while investing in commercial and operations
FIX UNDERPERFORMING OPERATIONS	○ UK fix underway with new management team, key actions already delivered ○ Specific Europe and US station fix plans in progress to fix in 2019 exit rate
CUSTOMER & ORGANIC GROWTH	○ New commercial structure to support sales growth ○ Visited multiple customers including eleven key accounts, across four continents to build closer relationships
PEOPLE FOCUS	○ New flattened experienced management structure in place ○ Key focus to attract, recruit and reduce staff turnover
STRUCTURE GROWTH PLANS	○ New markets targeted through concessions and JVs ○ Bolt on M&A and new product categories

DECISIVE ACTIONS TO UNDERPIN AND DELIVER 2020 OUTLOOK

JOHN MENZIES SUMMARY

- Undisputed premium brand in the aviation services sector and the supplier of choice
- Highest standards for safety, security and performance
- Focus on delivering our customers needs
- Deliver profitable operations
- Recruit and retain the right people

DRIVING VALUE THROUGH DELIVERING OUR VISION

THANK YOU

APPENDIX 1

Further financial information

SEGMENTAL PERFORMANCE – EBITDA

£m	Revenue H1 2019 Reported	Revenue H1 2019 Constant currency	Revenue H1 2018	EBITDA H1 2019 Reported	EBITDA H1 2019 Adjusted	EBITDA H1 2018 Restated
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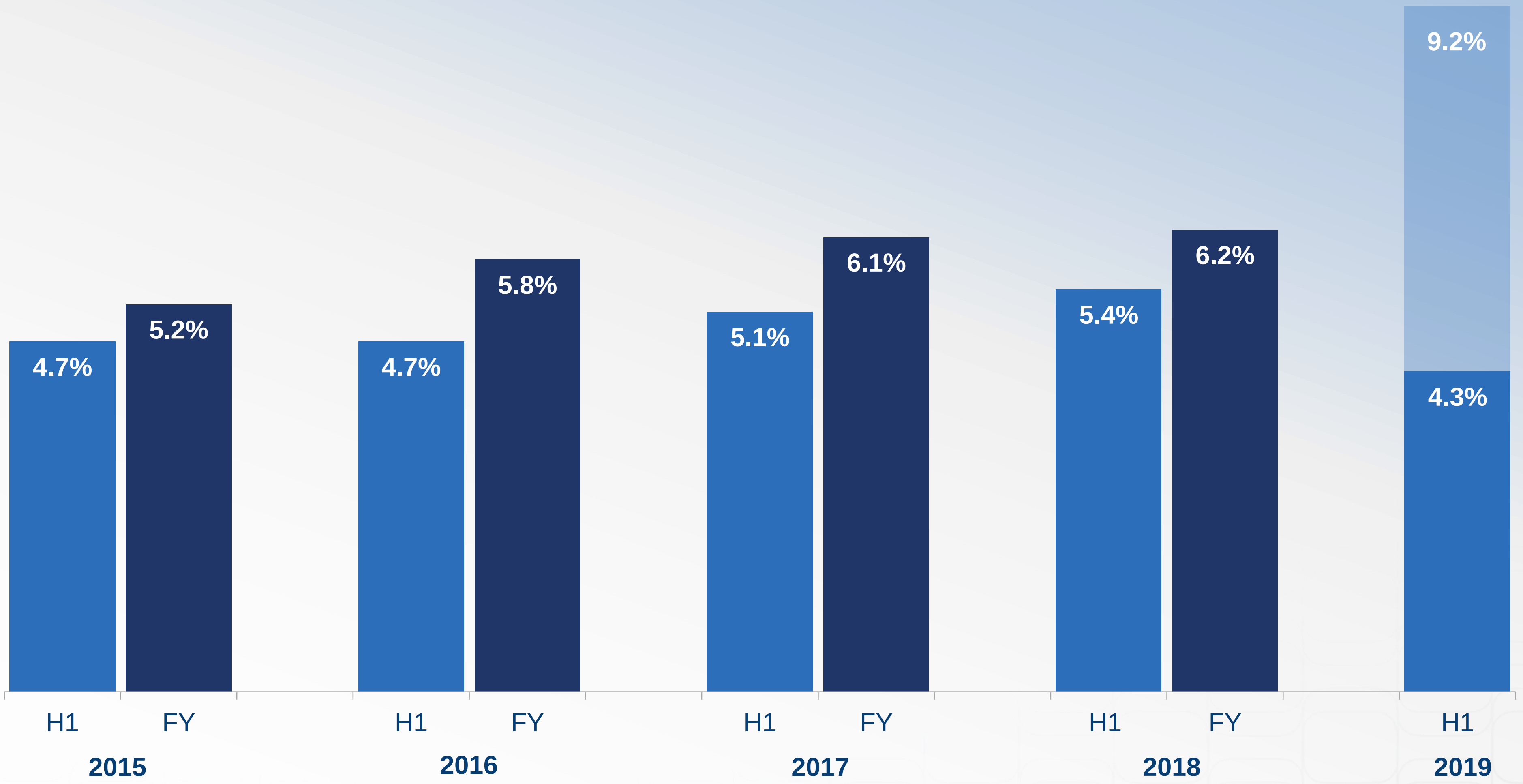
	649.9	**645.8**	**627.2**	**59.7**	**27.0**	**33.6**
Margin				9.2%	4.3%	5.4%

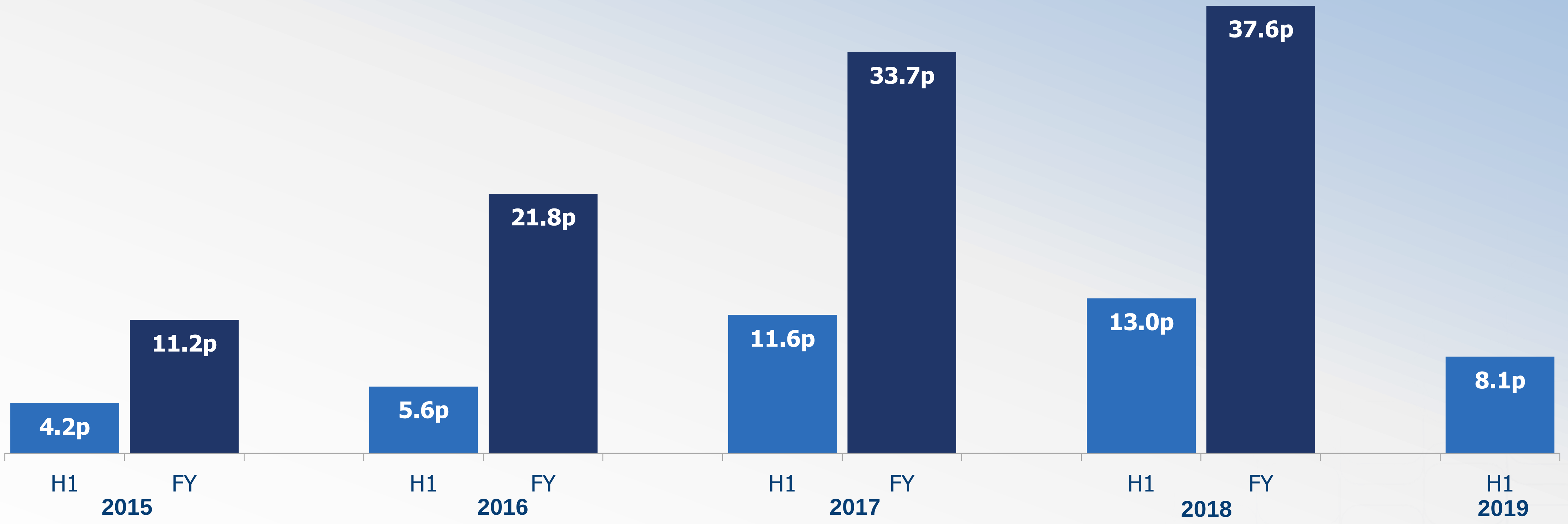
Notes:
H1 2019 EBITDA adjusted for constant currency and the impact of IFRS 16 leasing for comparative purposes
H1 2018 restated to show the previously reported Corporate function subsumed within the four aviation operating segments

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 on 4 September 2018
H1 2019 includes 4.9% benefit from IFRS16

UNDERLYING EARNINGS PER SHARE



Notes:
All data is stated excluding Menzies Distribution Ltd and its associated subsidiaries disposed of on 4 September 2018
H1 2019 excludes impact of IFRS 16

PROFIT BEFORE TAX

£m	H1 2019	H1 2018
Continuing operations:		
Underlying profit before tax	8.2	15.5
Non-recurring items in operating profit	(8.5)	(2.7)
Non-recurring items in finance costs	-	(0.1)
JV and associate tax	(0.9)	(1.0)
Contract amortisation	(3.2)	(3.4)
(Loss)/profit before tax	**(4.4)**	**8.3**

CASH FLOW AND NET DEBT

£m	H1 2019	H1 2018
Underlying EBITDA	59.7	48.1
Working capital movement	0.3	(5.9)
Other movements	(1.1)	0.1
Operating cash flow	58.9	42.3
Tax and net interest paid	(15.8)	(12.2)
Net capital expenditure	(16.3)	(9.8)
Free cash flow	26.8	20.3
M&A	(0.9)	(19.3)
Exceptional and other items	(5.8)	(9.6)
Additional pension contribution	(4.6)	(5.8)
Net cash flow	**15.5**	**(14.4)**
Net debt at start of period	(199.6)	(214.4)
IFRS 16 lease liability movements	(231.4)	-
Currency translation	(6.3)	(3.0)
Net debt at end of period	**(421.8)**	**(231.8)**

Note: H1 2018 cash flow presented on a combined continuing and discontinued basis and restated for Airline Services adjustment

NET ASSETS

£m	H1 2019	H1 2018
Tangible fixed assets and investments	347.2	152.5
Goodwill, intangibles and other assets	195.9	177.5
Working capital and others	(25.8)	34.4
Net debt	(421.8)	(231.8)
Pension liability, net of deferred tax	(10.0)	(19.5)
	85.5	**113.1**

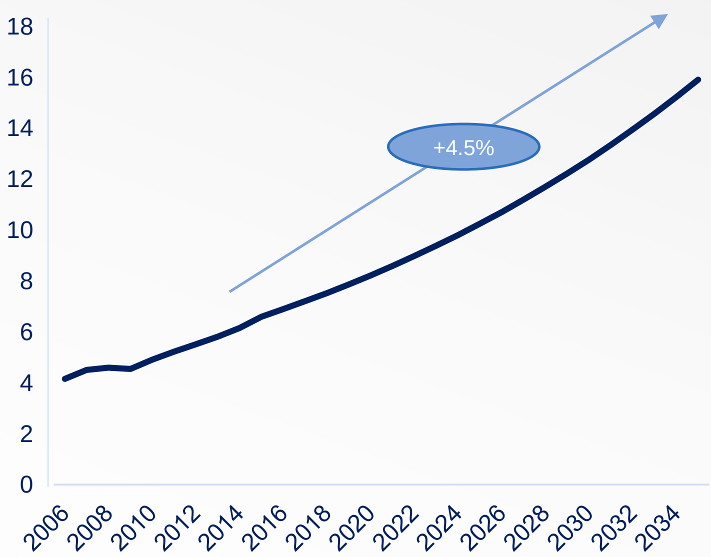
Note: H1 2018 presented on a combined continuing and discontinued basis, restated for the impact of treatment of the acquisition of Airline Services from 19 January 2019

APPENDIX 2

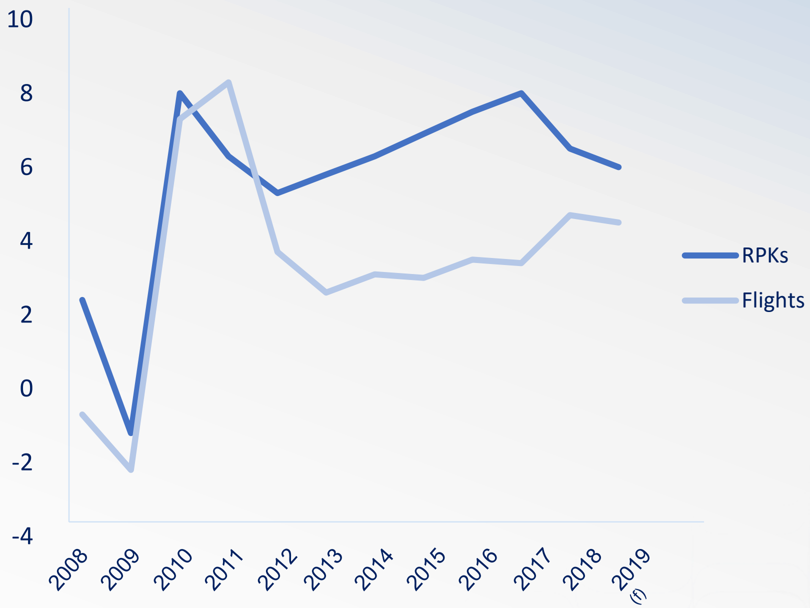
Market dynamics

MARKET DYNAMICS – GROUND HANDLING

Global passenger traffic to double by 2035



Sustained growth in passengers and flights



Highlights

Passenger and turns growth forecast

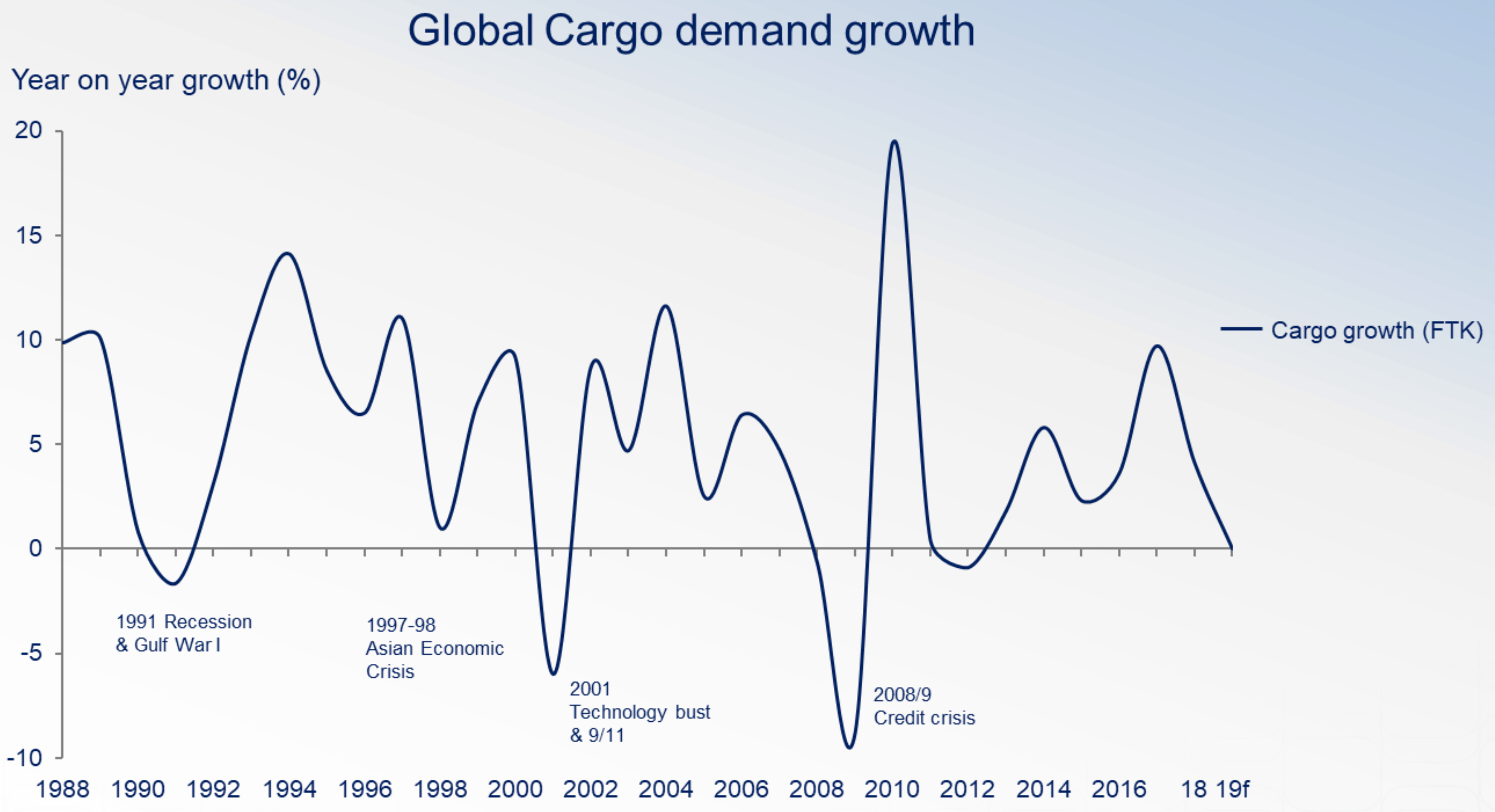
Airlines tactically reduce schedules

Ongoing Boeing 737 Max issues

EU 261 fines an opportunity to work collaboratively with airlines

Source: IATA

MARKET DYNAMICS – CARGO



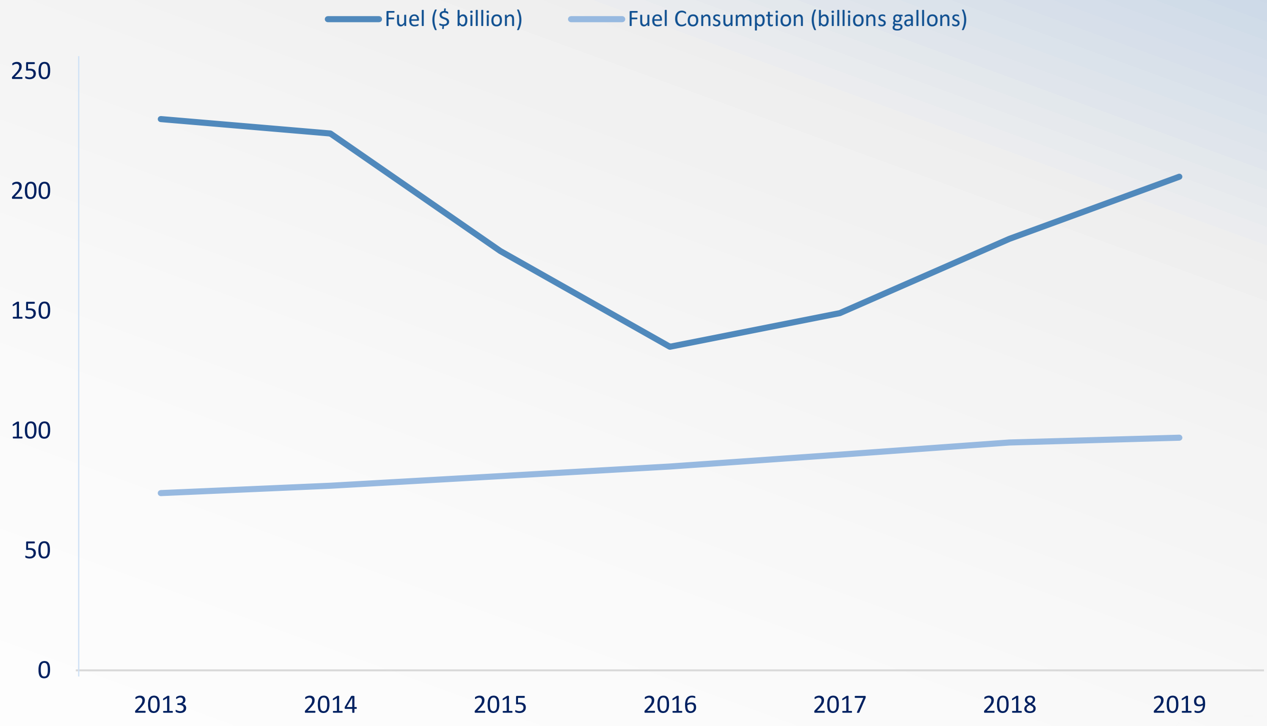
Highlights

Global cargo demand is cyclical and highly volatile

After boom in cargo demand 2016-2017, a slowdown in 2018 led to downturn in H1 2019

Source: IATA

MARKET DYNAMICS – FUELLING



Highlights

Compound annual growth rate over 5% for fuel consumption

Fuel consumption growth marginally slower than flight growth due to improved aircraft efficiency

Source: IATA

MARKET OVERVIEW – COMPETITIVE LANDSCAPE

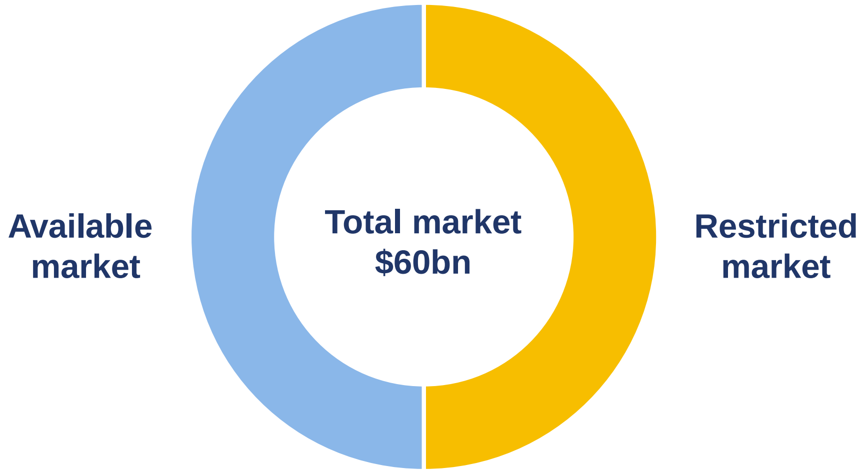
GLOBAL PLAYERS

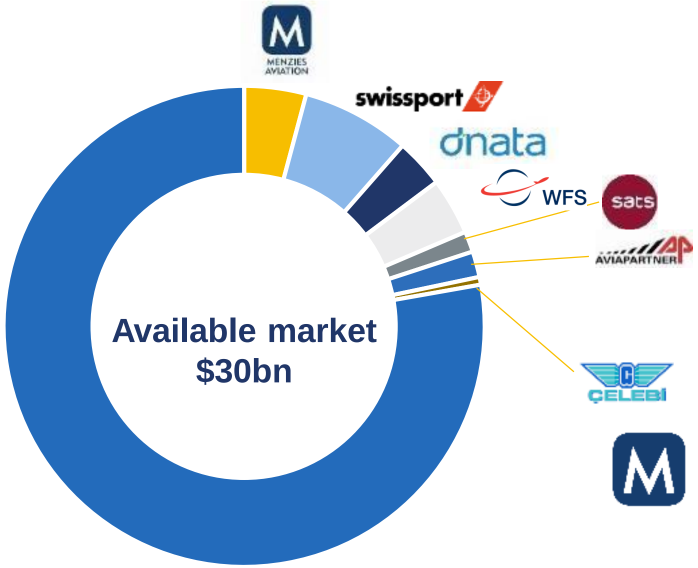
swissport	50	315	G	F	C	E	O
MENZIES AVIATION	36	220	G	F	C	E	O
WFS	22	195	G		C		O
dnata	19	129	G		C	E	

REGIONAL PLAYERS

sats	13	60	G		C		
AVIAPARTNER	6	38	G		C	E	
ÇELEBİ	5	36	G		C		

AVAILABLE MARKET





APPENDIX 3

Further information

JOHN MENZIES PRODUCT OFFERING

We operate in a range of markets that serve the needs of the growing Aviation Services sector. Our core products are:

GROUND HANDLING

Performing aircraft turns, managing passengers and handling baggage

OFFLINE SERVICES

Handling key services for airline partners which take place away from front-line operations, such as maintenance and central load planning

FUELLING

Providing into-plane fuelling services for airlines and managing fuel farms for our partners

EXECUTIVE SERVICES

Providing premium experiences for travellers via executive lounges, VIP meet-and-greet services, and more

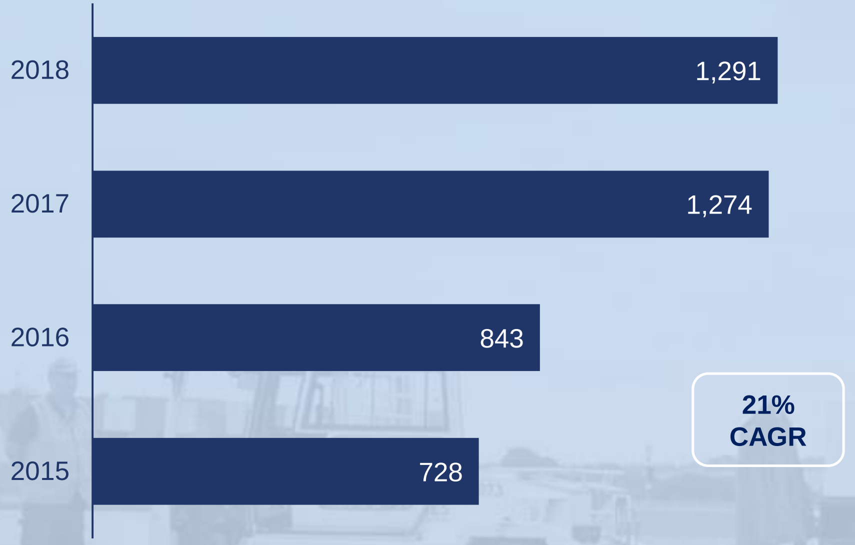
CARGO

Receiving cargo and storing and preparing it for transit; loading and unloading the consignment and readying it for onward transit; and wholesaling air cargo capacity

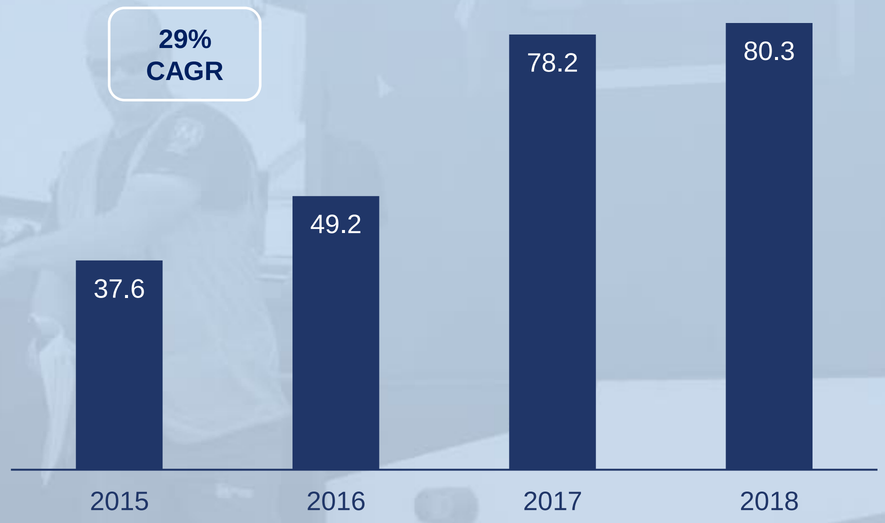
JOHN MENZIES AT A GLANCE

FINANCIAL OVERVIEW

Revenue £m



EBITDA £m



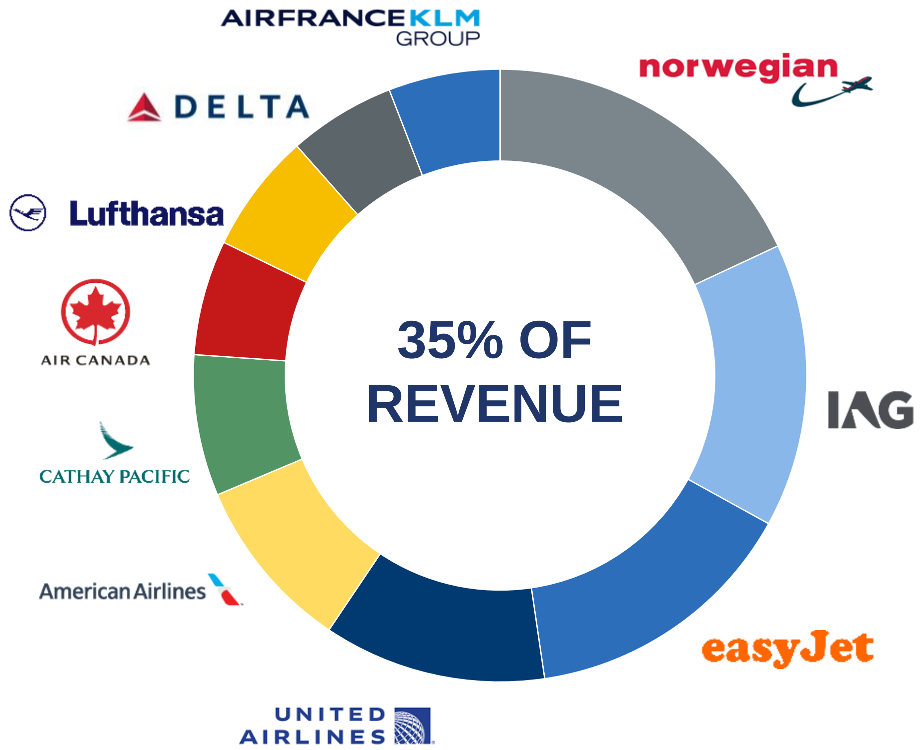
COVERAGE

Based on 2018

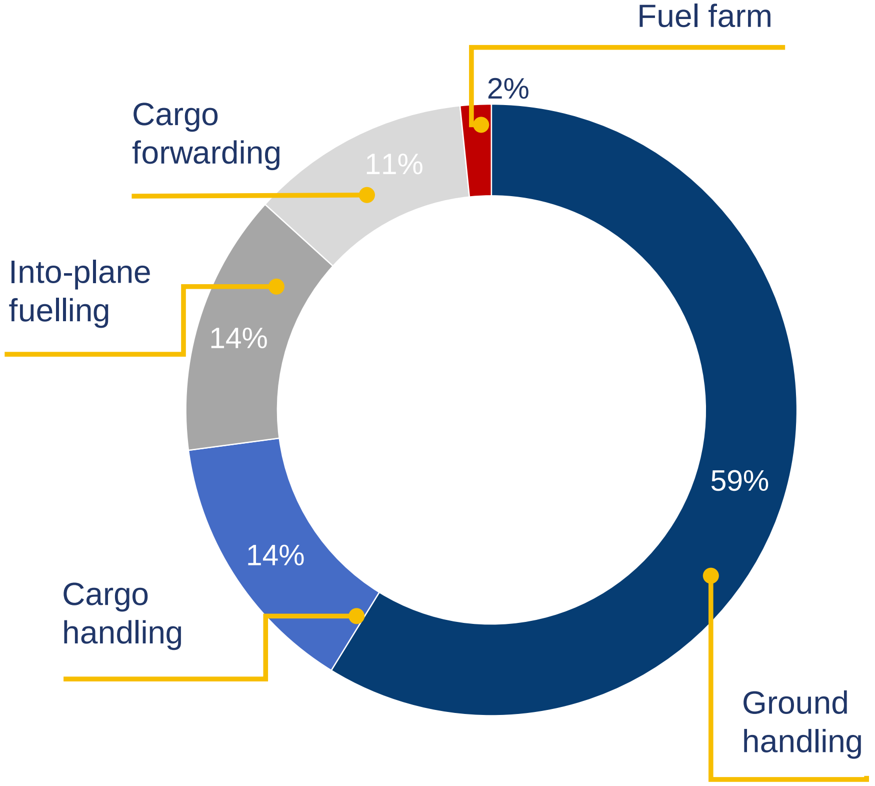
COUNTRIES	**36**	AIRPORTS	**212**	EMPLOYEES	**36,000**
FLIGHTS HANDLED	**1.3M**	TONNES	**1.6M**	FUELLING TURNS	**3.9M**

MIX BY CUSTOMER, PRODUCT & GEOGRAPHY

TOP 10 CUSTOMERS BY REVENUE



CORE PRODUCTS BY REVENUE



GEOGRAPHY BY REVENUE