



# John Menzies plc

Interim Results Presentation

Edinburgh | 14 August 2012





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## Our team & agenda

### 1. Group highlights & financial overview



Paul Dollman,  
Group Finance Director

### 2. Aviation business review



Craig Smyth,  
MD Menzies Aviation

### 3. Distribution business review



David McIntosh,  
MD Menzies Distribution

### 4. Outlook and summary

Paul Dollman,  
Group Finance Director



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## Group Highlights & Financial Overview

Paul Dollman, Group Finance Director



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## Group highlights

### Financial performance

Group continues to deliver its strategy

Underlying operating profits ahead at both divisions

Progressive dividend policy continues

### Operational performance

Both divisions continue to deliver operational excellence

UK cargo restructure provides a significant step forward

Major branch rationalisation completed

### Value creation

Three acquisitions & two new country entries completed

Contract gain momentum continues at Aviation

Clear and deliverable growth prospects for the Group

**Good progress in difficult economic times**



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## Segmental operating profit

£m	H1 2012	H1 2011	Change
Aviation	14.5	13.8	+5%
Distribution	14.0	13.7	+2%
Corporate	(0.6)	(0.6)	-
<b>Underlying operating profit</b>	<b>27.9</b>	<b>26.9</b>	<b>+4%</b>
External interest	(2.0)	(2.5)	
Pension interest (charge) / income	(0.5)	0.7	
	(2.5)	(1.8)	
<b>Underlying profit before tax</b>	<b>25.4</b>	<b>25.1</b>	<b>+1%</b>
Underlying earnings per share	<b>32.0p</b>	<b>32.4 p</b>	<b>-1%</b>

**Profits up across both divisions**



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## Menzies Aviation – Financial overview

£m	H1 2012	H1 2011	Change
Turnover (incl. JVs and Assoc.)	<b>340.2</b>	332.7	+2%
Underlying operating profit	<b>14.5</b>	13.8	+5%
Underlying operating profit at constant FX	<b>15.4</b>	13.8	+12%
Operating margin %	<b>4.3%</b>	4.1%	

**Underlying earnings growth continues**



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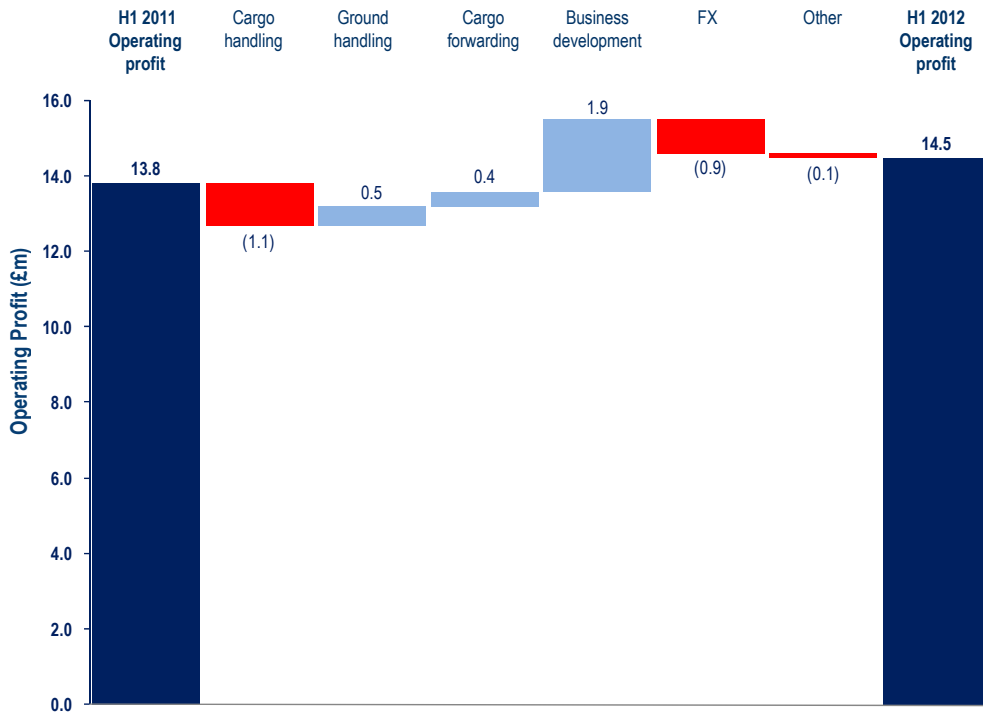
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## Menzie's Aviation – Underlying operating profit bridge



**Continued momentum**



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## Menzie's Distribution – Financial overview

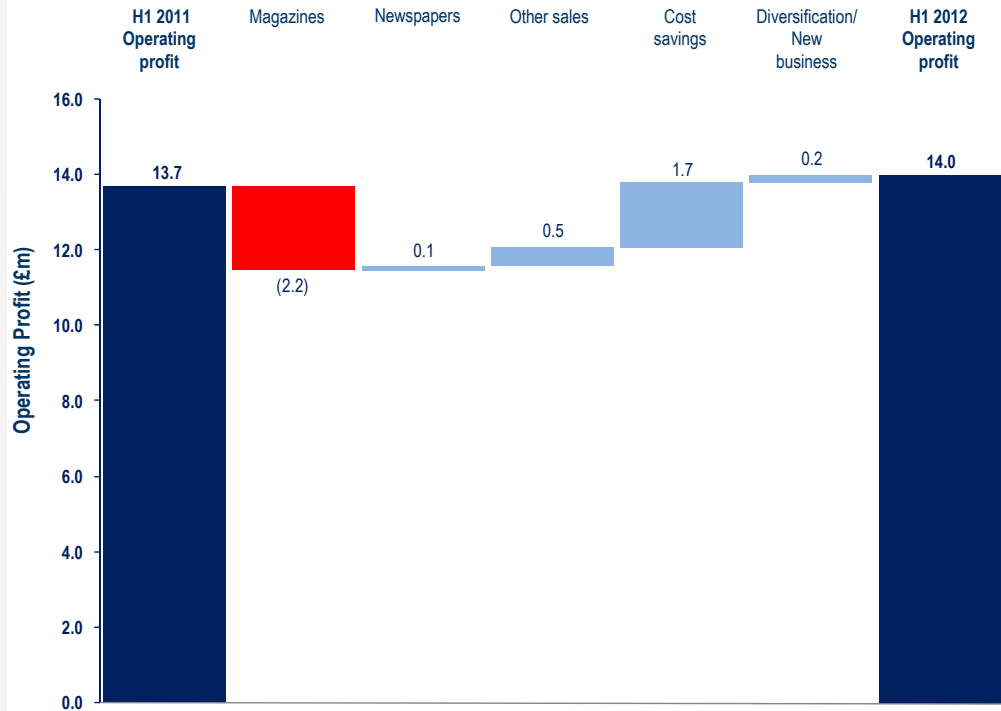
£m	H1 2012	H1 2011	Change
Turnover (incl. JVs and Assoc.)	648.2	673.0	-4%
Underlying operating profit	14.0	13.7	+2%
Operating margin %	2.2%	2.0%	

**Improved business efficiency**





## Menzies Distribution – Underlying operating profit bridge



**Cost savings continue to be delivered**

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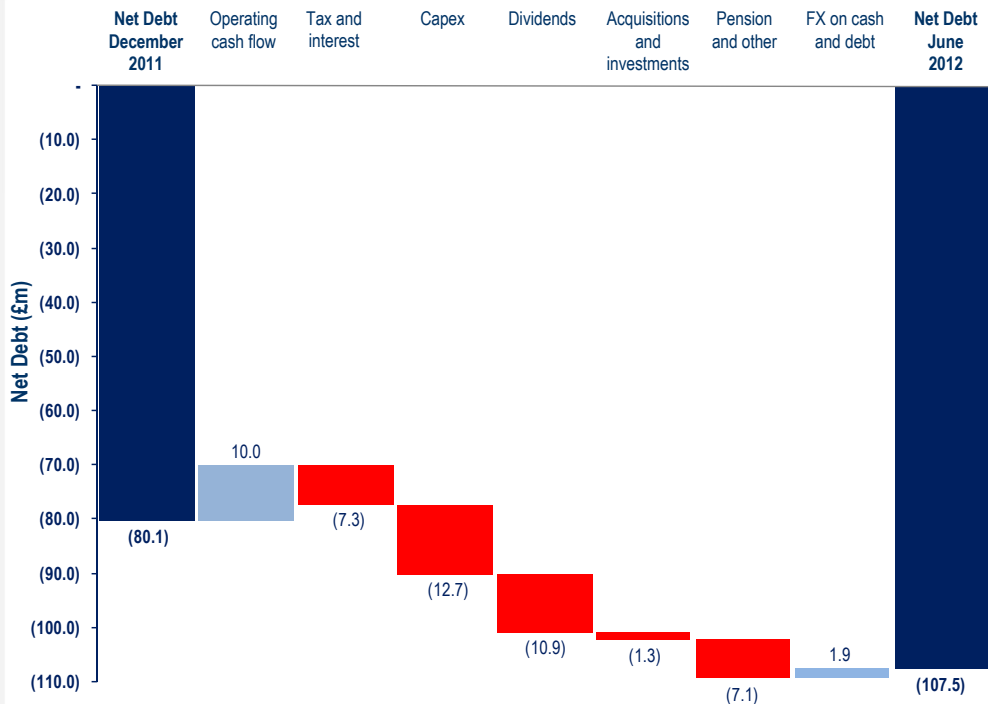
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## Net debt development



**Debt : EBITDA remains below 1.5**



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## Exceptionals

£m	2012
Aviation – Mexican labour agreement	(1.4)
Aviation – Stansted restructure	(0.4)
Distribution – Rationalisation costs	(1.5)
	(3.3)



# Business Review **Menzies Aviation**

Craig Smyth, Managing Director



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## Half year overview

### Robust performance

Operating profit up £0.7m at £14.5m

Underlying profits up 12% on constant currency basis

Progress with loss making sheds

### Top line momentum

Ground handling turns      Absolute 5.3%  LFL 2.2% 

Cargo volumes      Absolute 3.7%  LFL 6.7% 

Continued contract gains and successful renewals

### Looking forward...

Continued attractive airline focus

Analytical approach to targeting new attractive stations

Organic and acquisition business development

**Robust performance through adverse economic conditions**



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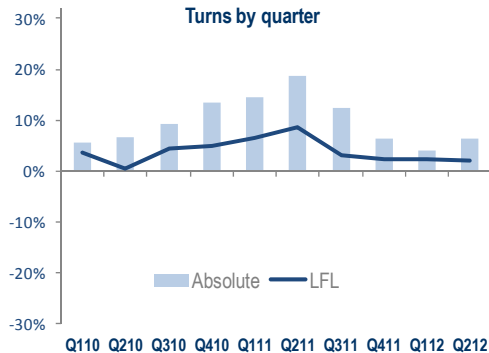
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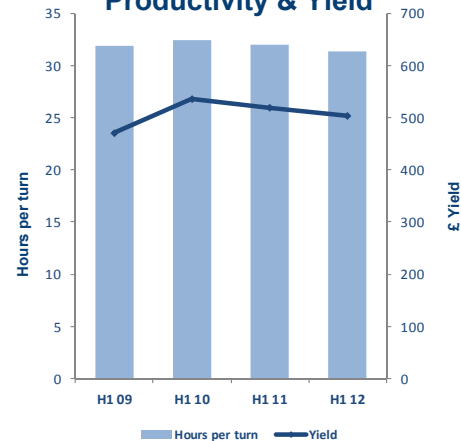
## Ground handling

### Volumes | YoY% change



- Absolute volume growth continues to outstrip underlying market
- LFL dropped off due to economic environment but has stabilised
- Growth strategy continues to work through contract wins

### Productivity & Yield



- Yield slightly decreasing due to aircraft mix and competitive pressures
- Improved productivity offsets yield diminution
- On time performance strong at >99%

**Continue to outperform market**



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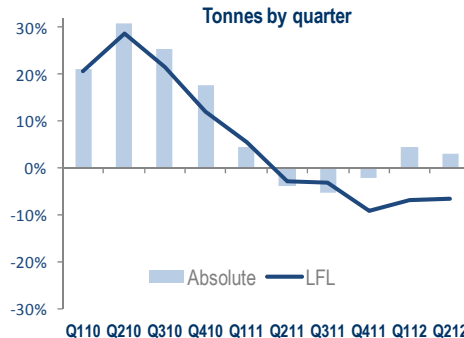
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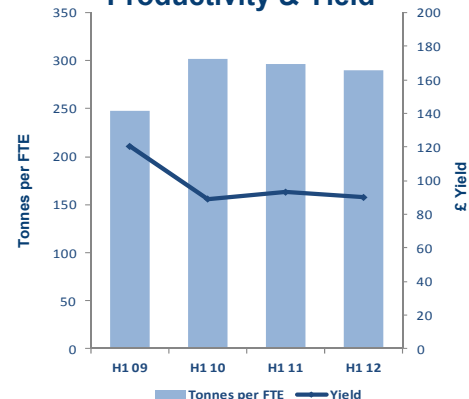
## Cargo handling

### Volumes | YoY% change



- Absolute volume growth in first half of 2012 through contract wins
- Adverse economic conditions impacting underlying volumes
- LFL volumes remain fragile

### Productivity & Yield



- Yield remains consistent
- Consistent focus on productivity improvements
- Further progress with UK closures - Chicago now the only significant loss making shed

**Cargo business improving through restructure and contract wins**



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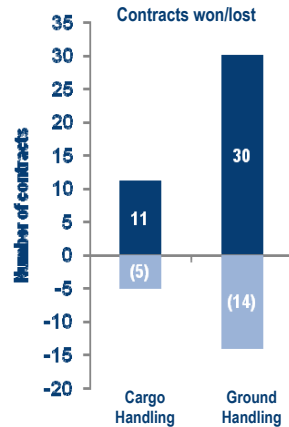
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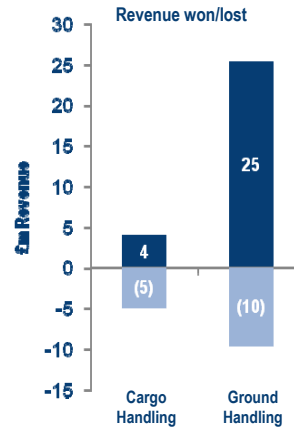
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## Contracts



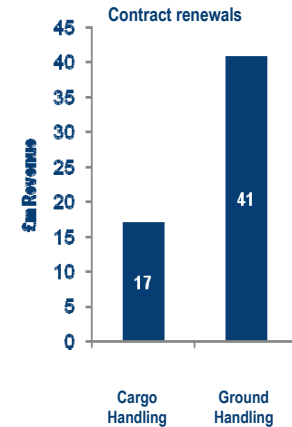
**22**

Additional contracts



**£14m**

Additional revenue



**£58m**

Renewed revenue



**flybe.com**

**BRITISH AIRWAYS**

**TURKISH AIRLINES**

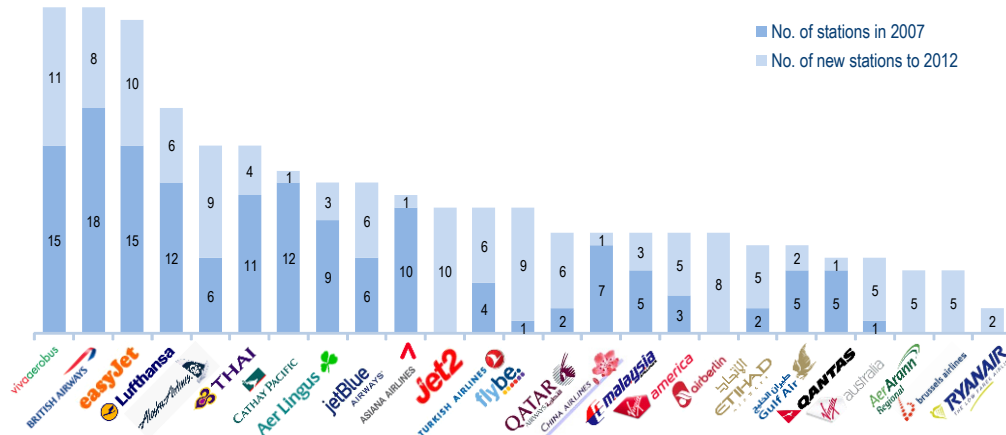


**Good contract win and renewals track record**





## Customer penetration



### Top 5 customer penetration



Expanding attractive relationships

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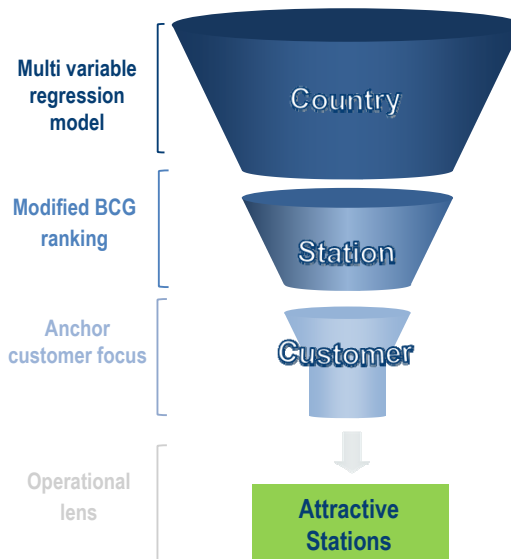
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## Refined growth strategy

To be the world's Number One aviation ground services provider

### Strategic analysis model



### Growth strategy

1. Consolidation & penetration

2. Exploration & expansion

3. Opportunistic

4. Acquisition

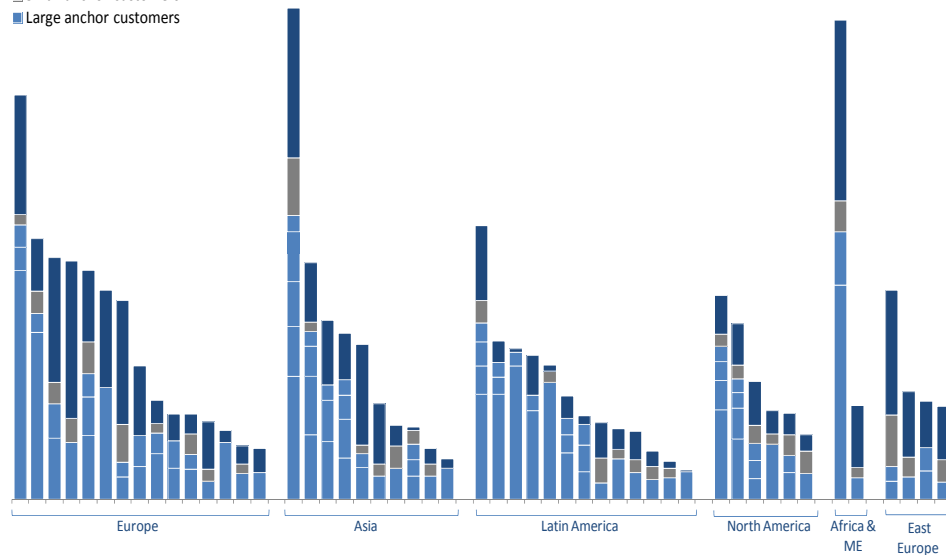
Focussed growth model with analytical prioritisation



## Market opportunities

### Top 50 attractive stations in new countries

- Remaining Addressable turns
- Small anchor customers
- Large anchor customers



c.£1bn revenue opportunity from top attractive stations



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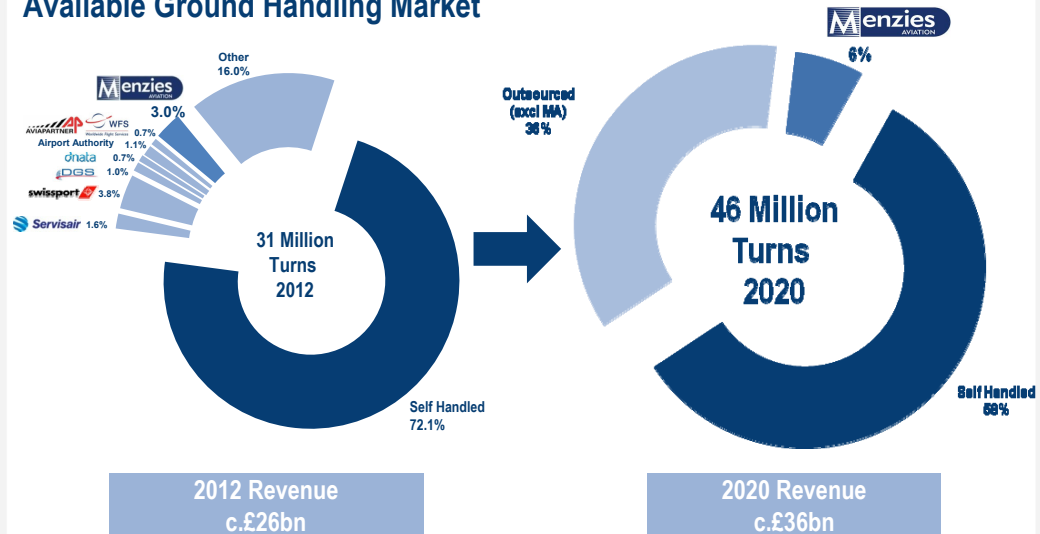
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## Longer term ambition

### Available Ground Handling Market



**Growth over the next 8 years:**

**Market Growth 5%**

**Shape of Menzies Aviation in 2020:**

**Revenue £2bn, EBIT £100m  
40 countries & 250 stations**

Source: OAG of handling market (2011), Boeing Current market outlook



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## Summary

### Resilient results

Good year given the economic conditions

Underlying profit up 12% on a constant currency basis

Growth through contract gain momentum

### The way forward

Grow through our refined and targeted growth strategy

Continue to grow with attractive customers

Still a big market opportunity

**Robust performance with targeted approach to the future**



# Business Review Menzies Distribution

David McIntosh, Managing Director



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## Half year overview

### Operating profit

Operating profit up £0.3m to £14.0m

Cover price growth boosts newspaper margins

Cost savings of £1.7m achieved

### Sales

Volume declines continue to track as predicted

Monthly magazines more resilient than weeklies

Monday to Friday newspapers ahead

### Cost & productivity

Cost savings initiatives continuing to deliver

Further branch rationalisation completed

SAP benefits being realised

## Delivering expectations



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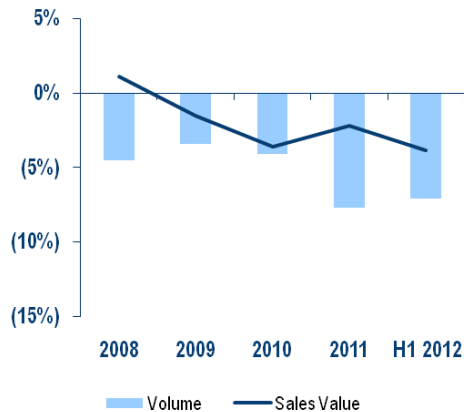
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## Sales

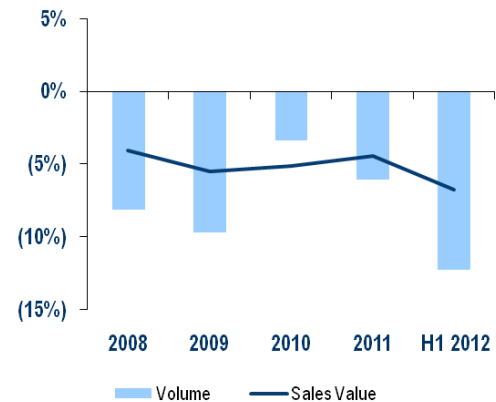
### Newspapers



Sunday Sun launch depresses sales value

Cover price growth helps to mitigate fall

### Magazines



Volume declines in line with expectations

Celebrity category continues to struggle

**Tough market conditions**





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## Efficiency initiatives

### Branch rationalisation programme

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Branch closures

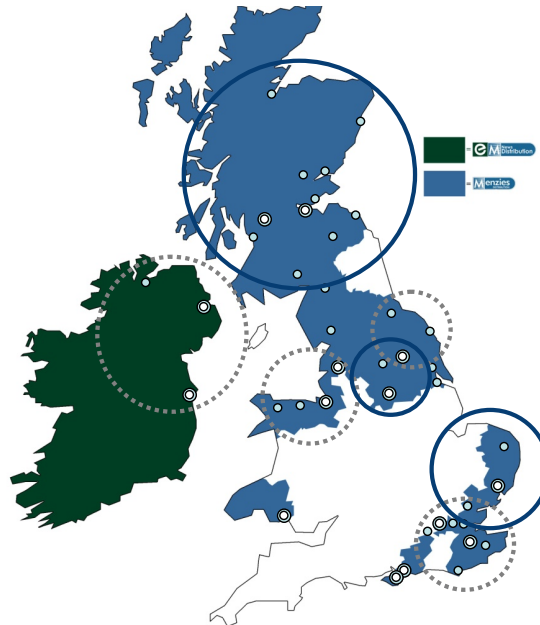
3

Downsized to spoke

Magazine packing in hubs

Returns processing centralised

Transport routes redrawn



Constant evolution of the branch network



## Diversify

### Menzie's Marketing Services Expands

- Acquisition of Fore Partnership's retail consultancy arm

**£500m**  
annual news turnover

**8,000**  
retail outlets served

**12%**  
of overall UK market

YOUR **M&S**

**SPAR**



**Martin McColl**

### Regional Press

- £50m of new revenue target achieved early



**northcliffmedia**



**Continuing to make progress**

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## Summary

### Robust performance

Continuing to deliver stable profit stream

Potential for further cover price growth

### Cost efficiency

SAP efficiencies being delivered

Major rationalisation of branch infrastructure

### Outlook

Outlook for magazine market looks challenged

Clear expansion opportunities within new revenue ventures

**Continued strong performance**



## Outlook & Summary

Paul Dollman, Group Finance Director



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## Outlook & Summary

### Results summary

Good results in challenging times

Structural progress made at both divisions

Investment for growth

### Outlook

Group continues to trade well

Difficult economic conditions persist

On track to meet expectations

### Strategy

Financially strong

Consistent strategy

Clear and deliverable growth prospects



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# Questions



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## Additional Information



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## Menzie's Aviation services

### Ground handling

**61%** of total revenue

- Check-in & boarding
- Baggage, ramp handling and de-icing
- Cleaning
- Lounges
- Other passenger services

### Cargo handling

**23%** of total revenue

- Build & break
- Roll-through
- Trucking (airside & landside)
- Manpower provision
- Documentation processing

### Cargo forwarding

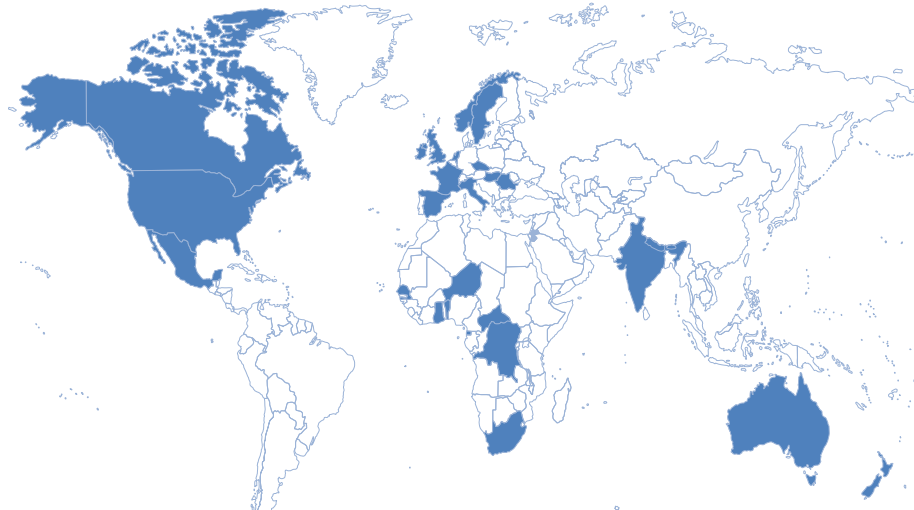
**16%** of total revenue

- World's largest wholesale freight forwarder
- Air freight & express
- Support major passenger carriers as well as freighters
- £93m spend in 2011





## Menzie's Aviation network



**136**  
stations

**32**  
countries

**9**  
regions

**17,000**  
employees

**500**  
airlines

**71m**  
passengers

**1.8m**  
tonnes of cargo

**850,000**  
aircraft turns

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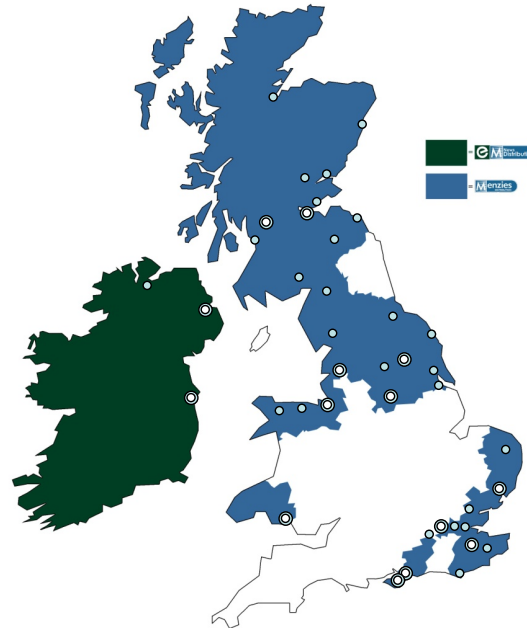
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## Menzies Distribution network



**13**

Hub branches

**4,000**

Employees

**5.0m**

Newspapers  
EVERY DAY

**2.1m**

Magazines  
EVERY DAY

**25,000**

customers  
EVERY DAY



## **Appendix 2**

# **Additional financial information**



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## Profit before tax reconciliation

£m	2012
Underlying profit before taxation	25.4
JVs & Associates tax	(0.7)
Contract amortisation	(2.2)
Exceptionals	(3.3)
Associate goodwill impairment	(0.9)
Profit before taxation	18.3



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## Balance sheet

£m	H1 2012	H1 2011
Tangible fixed assets and investments	<b>146.6</b>	161.2
Goodwill, intangibles and other assets	<b>108.0</b>	104.8
	<b>254.6</b>	266.0
Working capital and other	<b>(17.9)</b>	(40.8)
Net debt	<b>(107.5)</b>	(99.7)
Pension liability (net of deferred tax)	<b>(59.5)</b>	(33.7)
<b>Net assets</b>	<b>69.7</b>	91.8
<b>Total equity</b>	<b>69.7</b>	91.8



## Earnings per share

£m	H1 2012	H1 2011	Change
Earnings per share	<b>21.3p</b>	27.9p	-24%
Underlying earnings per share	<b>32.0p</b>	32.4p	-1%
Weighted ave. number of shares (m)	<b>60.056</b>	58.415	

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## Free cash flow

£m	H1 2012	H1 2011
Underlying operating profit	27.9	26.9
- Depreciation	11.7	11.1
- Other non-cash items	(3.9)	(4.6)
	35.7	33.4
Dividends from JVs & associates	1.7	2.6
Working capital movement	(23.2)	(7.6)
Exceptional spend	(4.2)	(0.6)
<b>Operating cash flow</b>	<b>10.0</b>	<b>27.8</b>
Tax	(4.8)	(4.9)
Net capex	(12.7)	(8.6)
Net interest paid	(2.5)	(3.1)
<b>Free cash flow</b>	<b>(10.0)</b>	<b>11.2</b>



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## Net cash flow

£m	H1 2012	H1 2011
Free cash flow	(10.0)	11.2
Dividends	(10.9)	(8.1)
Acquisitions and investments	(1.3)	0.6
Additional pension payment	(3.2)	(3.1)
Purchased shares	(3.9)	(2.3)
<b>Net cash flow</b>	<b>(29.3)</b>	<b>(1.7)</b>
<b>Net debt at start of period</b>	<b>(80.1)</b>	<b>(99.0)</b>
Currency translation	1.9	1.0
<b>Net debt at end of period</b>	<b>(107.5)</b>	<b>(99.7)</b>




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## Aviation segmental analysis

£m	H1 2012	H1 2011	Change
<b>Underlying operating profit</b>			
Ground handling	10.6	11.6	
Cargo handling	3.7	2.5	
Cargo forwarding	1.3	0.9	
Unallocated costs	(1.1)	(1.2)	
	<b>14.5</b>	<b>13.8</b>	<b>+5%</b>
<b>Operating margin</b>			
Ground handling	5.1%	5.7%	
Cargo handling	4.7%	3.2%	
Cargo forwarding	2.4%	1.7%	
Unallocated costs	-	-	
	<b>4.3%</b>	<b>4.1%</b>	<b>+0.2%</b>



**John Menzies plc**

108 Princes Street  
Edinburgh  
EH2 3AA  
T: +44 131 459 8018

E: [info@johnmenziesplc.com](mailto:info@johnmenziesplc.com)  
[www.johnmenziesplc.com](http://www.johnmenziesplc.com)