John Menzies plc – Final Results
8 March 2016

Agenda

• Headlines

• Performance Overview

• Business Updates

• Questions
John Menzies plc
Headlines

• Implementation of Group strategy on track

• Group earnings impacted by Aviation operational issues at London Gatwick – now resolved

• Aviation turnover up 6%
  • Business performed well outside of the UK
  • Strong cargo handling volumes driving margin improvement
  • Ground handling hub wins performing well

• Distribution strategy delivering
  • Good progress, media decline mitigated
  • Distribution network rationalisation complete
  • Winning new contracts in wider logistics market
  • E-commerce bolt-ons acquired and integrated

• Strong cash conversion, robust balance sheet

• Dividend up 4% to 16.8p
JOHN MENZIES PLC

PERFORMANCE OVERVIEW

PAULA BELL
CHIEF FINANCIAL OFFICER
## Financial overview

<table>
<thead>
<tr>
<th>£m</th>
<th>2015</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reported</td>
<td>Constant currency</td>
<td></td>
</tr>
<tr>
<td>Turnover</td>
<td>1,993.3</td>
<td>2,029.3</td>
<td>1,999.9</td>
</tr>
<tr>
<td>Underlying operating profit</td>
<td>44.9</td>
<td>46.0</td>
<td>51.0</td>
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<tr>
<td>Interest</td>
<td>(6.7)</td>
<td>(6.7)</td>
<td>(6.4)</td>
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<tr>
<td>Underlying profit before tax</td>
<td>38.2</td>
<td>39.3</td>
<td>44.6</td>
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<tr>
<td>Free cash flow</td>
<td>31.7</td>
<td></td>
<td>30.0</td>
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<tr>
<td>Net debt</td>
<td>123.2</td>
<td></td>
<td>110.9</td>
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<tr>
<td>Net debt: EBITDA</td>
<td>1.78x</td>
<td></td>
<td>1.48x</td>
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<tr>
<td>Underlying effective tax rate</td>
<td>32%</td>
<td></td>
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<tr>
<td>Underlying EPS</td>
<td>42.7p</td>
<td></td>
<td>49.2p</td>
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<td>Basic EPS</td>
<td>16.5p</td>
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<td>22.7p</td>
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<td>Dividend</td>
<td>16.8p</td>
<td></td>
<td>16.2p</td>
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<tr>
<td>Pension deficit (net of deferred tax)</td>
<td>35.6</td>
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<td>47.2</td>
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## Divisional performance

<table>
<thead>
<tr>
<th></th>
<th>Turnover</th>
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<th>Underlying operating profit</th>
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<tr>
<td></td>
<td>Reported</td>
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<tr>
<td>Ground handling</td>
<td>490.0</td>
<td>512.6</td>
<td>470.6</td>
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<td>Cargo handling</td>
<td>146.8</td>
<td>154.2</td>
<td>149.4</td>
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<td>Cargo forwarding</td>
<td>112.5</td>
<td>116.1</td>
<td>118.6</td>
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<td>Aviation</td>
<td>749.3</td>
<td>782.9</td>
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<td>Distribution</td>
<td>1,244.0</td>
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<td>Corporate</td>
<td>-</td>
<td>-</td>
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<td>Group</td>
<td>1,993.3</td>
<td>2,029.3</td>
<td>1,999.9</td>
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Menzies Aviation
2015 overview

• Continued progress in cargo – tonnes up 3%
• North American hub wins delivering well
• Q4 2014 contract losses (SA Express and UK customers)
• Exit of non-viable stations included as an operating cost
• London Gatwick operational challenge – now resolved

2015 Performance

Underlying operating profit
Constant currency (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cargo</th>
<th>Hub wins</th>
<th>2014 contract losses</th>
<th>Gatwick operations</th>
<th>UK/Europe restructure</th>
<th>Other</th>
<th>2015</th>
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<tbody>
<tr>
<td>2014</td>
<td>30.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>2.2</td>
<td>4.7</td>
<td>(4.4)</td>
<td>(6.2)</td>
<td>(1.5)</td>
<td>(0.8)</td>
<td>24.2</td>
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Menzies Distribution
2015 overview

- Media decline mitigated
- Network rationalisation complete
- National Living Wage headwind from 2016
- Move into e-commerce parcel market

### 2015 Performance

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>Print media</th>
<th>Collectibles</th>
<th>Week 53</th>
<th>Cost savings</th>
<th>New business</th>
<th>2015</th>
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</thead>
<tbody>
<tr>
<td>Underlying operating profit (£m)</td>
<td>24.0</td>
<td>(3.6)</td>
<td>(1.0)</td>
<td>0.8</td>
<td>4.0</td>
<td>0.9</td>
<td>25.1</td>
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### Non-recurring items 2015

<table>
<thead>
<tr>
<th></th>
<th>Cash</th>
<th>Non-cash</th>
<th>Total</th>
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<tbody>
<tr>
<td>Network rationalisation costs</td>
<td>3.5</td>
<td>-</td>
<td>3.5</td>
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<tr>
<td>Organisation restructure and strategic review</td>
<td>1.7</td>
<td>-</td>
<td>1.7</td>
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<tr>
<td>Impairment of assets – Spain</td>
<td>-</td>
<td>4.7</td>
<td>4.7</td>
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<tr>
<td>Acquisition related costs</td>
<td>0.6</td>
<td>-</td>
<td>0.6</td>
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<tr>
<td><strong>Total</strong></td>
<td>5.8</td>
<td>4.7</td>
<td>10.5</td>
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## Cash flow

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
<th>2015</th>
<th>2014</th>
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</thead>
<tbody>
<tr>
<td><strong>Underlying EBITDA</strong></td>
<td></td>
<td>69.4</td>
<td>74.9</td>
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<tr>
<td><strong>Working capital movement</strong></td>
<td></td>
<td>(2.2)</td>
<td>2.0</td>
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<tr>
<td><strong>Other movements</strong></td>
<td></td>
<td>(2.4)</td>
<td>(2.9)</td>
</tr>
<tr>
<td><strong>Operating cash flow</strong></td>
<td></td>
<td>64.8</td>
<td>74.0</td>
</tr>
<tr>
<td><strong>Tax and net interest paid</strong></td>
<td></td>
<td>(12.8)</td>
<td>(13.9)</td>
</tr>
<tr>
<td><strong>Capital expenditure</strong></td>
<td></td>
<td>(24.8)</td>
<td>(31.1)</td>
</tr>
<tr>
<td><strong>Asset sales</strong></td>
<td></td>
<td>4.5</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td></td>
<td>31.7</td>
<td>30.0</td>
</tr>
</tbody>
</table>

### Diagram

- **Opening net debt**: £110.9
- **Operating cash flow**: £64.8
- **Tax & interest**: £12.8
- **Net capital expenditure**: £20.3
- **Dividends**: £8.0
- **Acquisitions**: £16.0
- **Exceptional items**: £8.5
- **Pensions & other**: £11.5
- **Closing net debt**: £123.2

### Underlying EBITDA

- 2015: £69.4
- 2014: £74.9

### Working capital movement

- 2015: £-2.2
- 2014: £2.0

### Other movements

- 2015: £-2.4
- 2014: £-2.9

### Operating cash flow

- 2015: £64.8
- 2014: £74.0

### Tax and net interest paid

- 2015: £-12.8
- 2014: £-13.9

### Capital expenditure

- 2015: £-24.8
- 2014: £-31.1

### Asset sales

- 2015: £4.5
- 2014: £1.0

### Free cash flow

- 2015: £31.7
- 2014: £30.0
Headroom and ratios

At 31 December 2015

• Committed bank facilities of £217.7m

• Undrawn committed bank facilities of £64.3m

• Net debt £123.2m (2014: £110.9m)

• Net debt: EBITDA 1.78x (2014: 1.48x)

• Interest cover ratio (EBITA to external interest charge) 8.8x
JOHN MENZIES PLC

BUSINESS UPDATE

FORSYTH BLACK
MANAGING DIRECTOR
AVIATION
Menzies Aviation
Strategic update

Clear strategy

- Focus on key customers
- Pursue hubs and bases
- Accelerate complementary services offering
- Re-focus geographical investment
- Expand in emerging markets

Progress

- Focus on key accounts delivers preferred supplier status with Cathay Pacific and Etihad
- Further hub and base wins in Oslo, Copenhagen, Cincinnati, Lubbock, Tucson and Wichita
- Complementary services are an area of slow burn – but opportunities on horizon
- Closure of under-performing stations – focus on station density in growth markets progressing
- Regional office in Dubai opened. Additional emerging market opportunities being explored
Menzies Aviation
2015 overview

Building a stable platform

- Ground handling performed well outside the UK
  - London Gatwick operational issues addressed
  - Strong progress in North America
  - Key contracts secured

- Cargo handling performed well
  - Continued margin improvement
  - New contracts secured

- Commercial focus on key accounts delivering results
  - Preferred supplier status secured with Etihad and Cathay Pacific

- Continued focus and reshape of non-performing activities

- Period of transition underway
  - A focus on operational excellence continues
Menzies Aviation

Contracts

Contract gains & losses

- Net 53 contracts gained during the year
- £47m additional revenue – drives H2 2016 revenue weighting
- Key ground handling wins with United, Norwegian, Copa, easyJet
- Key cargo handling wins with Virgin Australia, ANA, Cathay Pacific
- Acquisition in Bermuda in February 2016

Contract renewals

- 68 contract renewals during the year
- £106m revenue secured for up to four years
- Key ground handling renewals with easyJet, Singapore, LAN
- Key cargo handling renewals with Thai Airways, Air China, Lufthansa
Menzies Aviation
Operational issues – London Gatwick and UK

- Material operational issues at London Gatwick
  - High staff turnover created by new market entrants
  - Increased resources were deployed to meet contractual obligations
  - Material impact on profitability – £6m
  - Contractual terms renegotiated
  - Station now operationally sound

- UK reshaping continues to align with overall strategy
  - Review sub-scale stations
  - Focus on customer and station density
  - Embed operational excellence
  - Low “single digit” margin region
Menzies Aviation
Driving standardisation

Focus on continuous improvement
Safety & security
Standard operating procedures
Creation of operational excellence team

eRecruitment platform utilised
People
THE RIGHT WAY EVERY DAY
Key operational metrics
Roll out of eRostering software

Enhancement and roll out of eLearning
Training management
Integrated IT
Move to cloud based IT platform

THE RIGHT WAY EVERY DAY
People
Training management
Integrated IT
Move to cloud based IT platform

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Standard operating procedures
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THE RIGHT WAY EVERY DAY
Key operational metrics
Roll out of eRostering software

Enhancement and roll out of eLearning
Training management
Integrated IT
Move to cloud based IT platform
Menzies Distribution
Strategic update

Clear strategy

- Grow B2C business through neutral consolidation
- Expand Menzies Response
- Focus on key customers
- Sustain cash generation
- Continued focus on cost & network rationalisation

Progress

- Move into new and growing e-commerce market has commenced
- Three acquisitions made (AJG Parcels, Oban Express in 2015 and Thistle Couriers in 2016)
- Operations focused on Rushden hub and expansion into existing property network
- New relationships with major parcel carriers and B2C businesses
- Impressive cash conversion
- Branch rationalisation complete – further automation initiatives on stream
Menzies Distribution
Print media

Strong performance – protecting the core

- Magazine volumes ahead of expectations
  - Frozen, Star Wars and Minions titles boost sales

- Newspaper volumes in line with expectations
  - New contract wins by Fore taking newspapers into new retailers

- Strong performance from collectibles despite no major football event
Menzies Distribution
Network rationalisation

• Successful delivery of a complex network rationalisation from 10 main hubs to 5

• 3 super hubs now live, serving our network of spokes across the UK

• Linwood, Wakefield and Maidstone strategically placed to serve 25,000 retailers with magazine media product

• Strategy to replace volume with volume underway

• Focus to better utilise property and vehicle assets has commenced
Menzies Distribution
Collaborator in the UK parcel market

Grow B2C business through neutral consolidation

Parcel volume

<table>
<thead>
<tr>
<th>Target market</th>
</tr>
</thead>
<tbody>
<tr>
<td>AJG Parcels</td>
</tr>
<tr>
<td>Nightline</td>
</tr>
<tr>
<td>GFS</td>
</tr>
<tr>
<td>DHL Express UK</td>
</tr>
<tr>
<td>FedEx UK</td>
</tr>
<tr>
<td>UKMail</td>
</tr>
<tr>
<td>UPS UK</td>
</tr>
<tr>
<td>DPD UK (inc Interlink)</td>
</tr>
<tr>
<td>Whistl</td>
</tr>
<tr>
<td>Hermes UK</td>
</tr>
<tr>
<td>Royal Mail UK</td>
</tr>
<tr>
<td>DX Freight</td>
</tr>
<tr>
<td>Yodel</td>
</tr>
</tbody>
</table>

1 excluded from the overall market are all B2B parcels, Royal Mail B2C parcels and 50% of the two-man and specialist B2C market
Menzies Distribution
E-commerce fulfilment

**Evolution plans on track**

- Acquisition of AJG Parcels
  - Integration successfully completed

- Acquisition of Oban Express
  - Complementary to AJG Parcels
  - Major customer contracts secured

- Acquisition of Thistle Couriers in February 2016
  - Aberdeen based parcel business

- Contract gains
  - WnDirect, B2C Europe, Card Factory, WHSmith

- Solid pipeline of opportunities being pursued
John Menzies plc
Summary and outlook

• 2015 a challenging year
• Aviation impacted by London Gatwick operational challenges – now resolved
• Slowing of contract wins
• Focus on driving new business wins and execution increased
• Distribution strategy delivering results
• Move into e-commerce gaining traction
• M&A focus – earnings enhancing deals
• Strong cash conversion and robust balance sheet