JOHN MENZIES PLC
RESULTS PRESENTATION
10 MARCH 2015
John Menzies plc – Final Results
10 March 2015

Agenda

• Headlines
  Jeremy Stafford

• Financial & Business Overview
  Paula Bell

• Strategy & Operational Update
  Jeremy Stafford

• Questions
John Menzies plc
2014 Headlines

Group underlying operating profit down 9% in constant currency

- Distribution continues to be resilient and highly cash generative
- Aviation turnover growth of 9% at constant currency
  – profitability held back by start-up costs, operational and integration issues

Strong financial position

- Operating cash flow of £74.0m
- Net debt of £110.9m

Dividend rebased

Strategic refresh – more later
FINANCIAL & BUSINESS OVERVIEW

Paula Bell
Chief Financial Officer
## Financial Overview

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Menzies Distribution
2014 Overview

Summary

- New management team
- Resilient profit performance
- Strong FIFA World Cup collectibles sales and cost savings
- Strong performance from Orbital Marketing Services
- Reshaped with clear business streams

Network Rationalisation

- Reduced main hubs from 10 to 8
- Maidstone magazine super-hub created
- Anticipated cost efficiencies delivered
- Programme to continue into 2015

2014 Performance

Underlying operating profit (£m)

- 2013: 24.3
- Newspapers: (1.9)
- Magazines: (5.7)
- Collectibles: 2.3
- New business: 1.6
- Cost savings: 3.4
- 2014: 24.0
Menzies Aviation
2014 Overview

**Summary**
- Challenging year for the business
- Turnover increased 9% in constant currency
- Profit impacted by foreign exchange, start-up costs to support new contracts and operational issues
- Net contract gain momentum continued

**Volume**
- Ground Handling – absolute turns up 15%
  - Turns handled now exceed one million annually
- Cargo Handling – absolute tonnes up 10%
  - Tonnage growth from existing and new operations

**2014 Performance**

![Graph showing performance metrics over 2013 and 2014]
Menzies Aviation
Operational issues & recovery

**London Heathrow**
- New management team in place – performance levels restored
- Customer confidence restored
  - 50% of business already renewed until 2017
  - New contract wins: American Airlines, Royal Jordanian
- 2015 reshape planned – margins restored for 2016

**Colombia**
- Difficult start with integration challenges
- Unforeseen customer losses
Menzies Aviation
Contract status

Wins
• easyJet at London Gatwick renewed on a 5 year contract, c60,000 turns per annum
• Excellent progress in North America as the outsourcing trend accelerates
  • Delta Air Lines in Detroit, United Airlines in Denver and WestJet in Toronto, c200,000 total turns
• Significant hub operations won in Europe
  • Norwegian Airshuttle hub in Oslo and bases in Copenhagen & Gothenburg secured on a 7 year contract, c55,000 turns per annum

Volume
• British Airways material volume reduction at London Heathrow Terminal 1
• Martinair fleet reduction will impact Amsterdam cargo operations from H2 2015

Losses
• Contracts lost during the year will impact 2015
  • Significant contract lost - SA Express at 10 locations across South Africa

Future Tenders
• Spanish ground handling tender process delayed - anticipated benefit will now be realised in 2016
## Non-recurring Items - 2014

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<td>Colombia impairment review (non-cash)</td>
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## Cash Flow

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<td><strong>Free cash flow</strong></td>
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### Cash Flow Diagram

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<td>Tax &amp; interest</td>
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<td>Acquisitions &amp; exceptionals</td>
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<td>Closing net debt</td>
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Headroom and Ratios

At 31 December 2014

- Undrawn bank facilities of £106m

- Total debt to EBITDA – 1.96 times
  Looking forward – range 2.0 to 2.5x

- Interest cover ratio (EBITA to external interest charge) – 10.5 times
STRATEGIC REFRESH

Jeremy Stafford
Chief Executive Officer
Since October 2014 …

- MENZIES DISTRIBUTION
  Business re-shape

- BROAD RANGE OF STAKEHOLDER ENGAGEMENT
  • Customers
  • Employees
  • Investors

- MENZIES AVIATION
  Review complete
Menzies Distribution

Five main business areas

1. TRUCKING
2. FINALMILE
3. HANDTOHAND
4. MENZIESRESPONSE
5. FORE

leading retail thinking
Menzies Distribution
Key characteristics

**Significant player in the UK logistics market**

- We handle an estimated 110m delivery units each year throughout the UK
- Expertise in:
  - Time-critical logistics management
  - Effective cost management in a declining market
- From new base of five main business areas, we will:
  - Leverage customer relationships
  - Achieve greater utilisation of our asset base
  - Exploit our geographical footprint
- Strong and sustained cash generation
Menzies Distribution
Cash generative

5 year cash conversion

5 year average 91%

5 year free cash flow

£121m cash generated in 5 years
Menzies Distribution
Orbital Marketing Services acquisition (Nov 2012)

**Deal Rationale**
Synergistic travel brochure distribution business with niche fulfilment business positioned for growth. Other small marketing businesses complemented Menzies existing offering

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<td>为增长电子商务业务赢得新合同和增加EBIT</td>
<td>Orbital Response</td>
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<td>将旅行小册子分发业务整合到核心新闻和杂志网络，实现预算协同</td>
<td>BP Travel Marketing Services</td>
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<td>将旅游传单业务整合到现有相似营销服务业务中</td>
<td>Take One Media</td>
<td>符合</td>
<td>Hand to Hand</td>
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Delivering to plan
MENZIES AVIATION
Aviation
A growth industry

Market Growth Rates

- World economy: 3.2%
- Number of airline passengers: 4.2%
- Airline traffic (RPK): 4.2%
- Cargo traffic (RTK): 3.2%

Source: Boeing Outlook 2014 - 2033

Global Aviation market projected to grow faster than GDP
Aviation Services
A fragmented market

Other market participants

Independents’ market share

Total available market

Market €38bn

Top 9 Independent handlers 17%
Airlines, Airports & Other handlers 83%

Current addressable market

Top 9 Independent handlers 38%
Other handlers 62%

Source: KPMG Estimates

Top 9 independent handlers account for only 17% of the global market
Menzies Aviation
Concentration in key markets

149 airports
31 Countries
77m passengers
22,000 employees
1.5m tonnes of cargo
1m turnarounds
500 airline customers
Menzies Aviation
A balanced platform for growth

Service mix
- Cargo Handling
- Cargo Forwarding
- Ground Handling

Geography
- Americas
- Continental Europe
- Africa & India
- Oceania
- UK

Top 10 customers
- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
Menzies Aviation

Five strategic priorities

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

Driving better returns
Key customers – three main groupings
Our approach

- LOW COST CARRIERS / REGIONALS
- TRADITIONAL CARRIERS
- ASIAN & MIDDLE EASTERN CARRIERS
Hub outsourcing

Four ‘waves’

Wave I: Outsourcing of LCC bases
- Enabled by deregulation
- Driven by cost
- Already peaked

Wave II: Outsourcing of LCC bases
- Facilitated by LCC network expansion
- Menzies Aviation a pioneer with easyJet
- Wave cresting in Europe and with small LCCs in NA

Wave III: Outsourcing of network carriers regional ops
- Led by American based carriers
- Wave starting now with United and Delta.

Wave IV: Outsourcing of network carriers mainline hubs
- Airlines reluctant to outsource complex and large scale operations at main hubs
- Opportunities nonetheless starting to emerge

Source: Boston Consulting Group
Hub outsourcing
The importance of hubs in global aviation

Global distribution of air passenger traffic by region and by airport type

Breakdown of passengers by airport type by region %

Share of World traffic by region %

North America: 68%
Europe: 47%
Asia-Pacific: 50%
Latin America: 31%
Middle East: 9%
Africa: 11%

Source: Boston Consulting Group

Menzies are a global leader in hub outsourcing and #1 in North America
Hub outsourcing

Significant opportunity at North American regional hubs

Ground handling at North American hubs

Network carriers
- Mainline
- Regional
- LCCs
- Total

Turns (millions)

- Self-handled
- Outsourced

Source: Boston Consulting Group

*Network carriers* are American, United, Delta, and Air Canada. *LCCs* are Southwest, JetBlue, Alaskan, WestJet, Frontier, Spirit, Virgin America, Air Transat, etc. Source: MA N.A., OAG, BCG analysis
Hub outsourcing
Delta Air Lines – Detroit, USA

Major contract win – April 2014

• Sub-brand targeted at US domestic market
• First generation out-sourcing
• 58,000 turns per annum
• Low capital investment – airline owned equipment
• On time performance averaging 99.25%
Cross selling complementary services
Chance to deepen our offering

Opportunity for margin growth

• Our historic approach has been opportunistic - our coverage is thinly spread

• Attractive to extend our product offering at existing sites
  • Airlines prefer to contract with fewer suppliers
  • Typically higher margin activities
  • Promotes customer retention
## Product breadth and complementary services offering

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<th>GH - PAX</th>
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<th>Cargo</th>
<th>Cleaning</th>
<th>De-icing</th>
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### subcontracted
Focus our geographical investment and target Emerging Markets

Stabilise current market position
Focus our geographical investment and target Emerging Markets

- Acceleration of outsourcing in an established market. Excellent hub and base opportunities.
- Stabilise current market position.
Focus our geographical investment and target Emerging Markets

- Acceleration of outsourcing in an established market. Excellent hub and base opportunities
- Stabilise current market position
- Key region with growing airlines
- Emerging market with hub and base opportunities
Menzies Aviation
Five strategic priorities

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

Driving better returns
Operational excellence
More scalable & more robust

THE RIGHT WAY, EVERY DAY
John Menzies plc
Improving revenue and returns

**Revenue**
- Increase presence at hubs/bases, particularly in the US
- Tap into additional revenue streams in complementary services
- Re-focus geographical investment
- Build presence in Middle East and Asia over time

**Returns**
- Realise scale benefits from increasing presence at hubs/bases
- Increase density of operations with broader service range
- Move to longer term contracts
- Standardise best practices
- Optimise assets
John Menzies plc
Funding our growth

• Strong financial position essential for the business, its customers and its investors

• Targeted Total Debt/EBITDA range of 2.0-2.5x through the cycle

• Business is cash generative, but we will require upfront capex / opex, and might also involve bolt-on acquisitions

• Pragmatic approach to equipment funding

• Targeting returns on investment of at least 15%

• Aim to build headroom via EBITDA growth

• Dividend rebased to contribute investment into new opportunities
Concluding observations

2015

• Our focus on the Right Way, Every Day

• Distribution business continuing to perform to plan

• Exciting growth potential in Aviation with favourable market dynamics

• Drive targeted growth
APPENDIX 1

ADDITIONAL INFORMATION
## Profit Before Tax

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Underlying profit before tax</strong></td>
<td></td>
<td>44.6</td>
<td>53.1</td>
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<tr>
<td>Non-recurring items in operating profit</td>
<td></td>
<td>(6.0)</td>
<td>(0.7)</td>
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<tr>
<td>Impairment charges</td>
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<td>(3.2)</td>
<td>(1.4)</td>
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<tr>
<td>Non-recurring items in finance costs</td>
<td></td>
<td>(0.5)</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Joint venture and associates tax</td>
<td></td>
<td>(2.0)</td>
<td>(1.6)</td>
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<tr>
<td>Contract amortisation</td>
<td></td>
<td>(7.2)</td>
<td>(6.6)</td>
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<tr>
<td><strong>Profit before tax</strong></td>
<td></td>
<td>25.7</td>
<td>42.1</td>
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## Balance Sheet

<table>
<thead>
<tr>
<th>£m</th>
<th>2014</th>
<th>2013</th>
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<tbody>
<tr>
<td>Tangible fixed assets and investments</td>
<td>147.9</td>
<td>140.6</td>
</tr>
<tr>
<td>Goodwill, intangibles and other assets</td>
<td>116.1</td>
<td>126.8</td>
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<tr>
<td>Working capital and other</td>
<td>(36.2)</td>
<td>(31.0)</td>
</tr>
<tr>
<td>Net debt</td>
<td>(110.9)</td>
<td>(103.5)</td>
</tr>
<tr>
<td>Pension liability, net of deferred tax</td>
<td>(47.2)</td>
<td>(36.6)</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>69.7</td>
<td>96.3</td>
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## Cash Flow and Net Debt

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<tr>
<th></th>
<th>£m 2014</th>
<th>£m 2013</th>
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<tbody>
<tr>
<td><strong>Underlying EBITDA</strong></td>
<td>74.9</td>
<td>82.5</td>
</tr>
<tr>
<td>Working capital decrease/(increase)</td>
<td>2.0</td>
<td>(13.0)</td>
</tr>
<tr>
<td>Other movements</td>
<td>(2.9)</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Operating cash flow</td>
<td>74.0</td>
<td>68.3</td>
</tr>
<tr>
<td>Tax and net interest paid</td>
<td>(13.9)</td>
<td>(14.8)</td>
</tr>
<tr>
<td>Net capital expenditure</td>
<td>(30.1)</td>
<td>(20.9)</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>30.0</td>
<td>32.6</td>
</tr>
<tr>
<td>Dividends</td>
<td>(17.1)</td>
<td>(15.9)</td>
</tr>
<tr>
<td>Acquisitions and investments</td>
<td>(2.2)</td>
<td>(12.7)</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>(5.2)</td>
<td>(4.0)</td>
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<tr>
<td>Additional pension payment</td>
<td>(11.4)</td>
<td>(10.4)</td>
</tr>
<tr>
<td>Net spend on shares</td>
<td>(0.9)</td>
<td>(1.8)</td>
</tr>
<tr>
<td><strong>Net cash flow</strong></td>
<td>(6.8)</td>
<td>(12.2)</td>
</tr>
<tr>
<td><strong>Net debt at start of year</strong></td>
<td>(103.5)</td>
<td>(93.0)</td>
</tr>
<tr>
<td>Currency translation</td>
<td>(0.6)</td>
<td>1.7</td>
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<tr>
<td><strong>Net debt at end of year</strong></td>
<td>(110.9)</td>
<td>(103.5)</td>
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</table>
## Divisional Cash Flow

<table>
<thead>
<tr>
<th>£m</th>
<th>2014</th>
<th>2013</th>
<th>2014</th>
<th>2013</th>
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<tr>
<td><strong>Aviation</strong></td>
<td><strong>Distribution</strong></td>
<td><strong>Aviation</strong></td>
<td><strong>Distribution</strong></td>
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</tr>
<tr>
<td>Underlying EBITDA</td>
<td>46.8</td>
<td>52.7</td>
<td>30.6</td>
<td>31.1</td>
</tr>
<tr>
<td>Working capital decrease/(increase)</td>
<td>1.5</td>
<td>(6.2)</td>
<td>(2.5)</td>
<td>(6.9)</td>
</tr>
<tr>
<td>Other movements</td>
<td>(2.9)</td>
<td>-</td>
<td>2.8</td>
<td>0.5</td>
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<tr>
<td>Operating cash flow</td>
<td>45.4</td>
<td>46.5</td>
<td>30.9</td>
<td>24.7</td>
</tr>
<tr>
<td>Net capital expenditure</td>
<td>(25.8)</td>
<td>(18.0)</td>
<td>(4.3)</td>
<td>(4.2)</td>
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<tr>
<td><strong>Free cash flow</strong></td>
<td><strong>19.6</strong></td>
<td><strong>28.5</strong></td>
<td><strong>26.6</strong></td>
<td><strong>20.5</strong></td>
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</table>

**Cash conversion %**

| 112% | 98% | 111% | 84% |

Cash conversion is underlying operating cash flow before business development capital expenditure divided by underlying operating profit.
2015 Dynamics

**Cash**
- Orbital deferred payment £10.4m
- Working capital increase to support Aviation growth
- Capital expenditure c.£25m
- Dividend rebased to 16.2p
- Total Debt to EBITDA 2.0 to 2.5 times

**Profit**
- Underlying tax rate 32% unchanged
- Ongoing volatile foreign exchange
- Spanish tender delay likely now to benefit 2016

**Restructuring**
- Distribution rationalisation/Aviation reshape
Low Cost Carriers
The growth opportunity

Share of capacity (%)
Our 10 year financial record

Revenue (£m)

EBITDA (£m)

Capital Employed (£m)

EBITA (£m)

EBITA margin (%)

ROCE post-tax (%)

Note that historical numbers have been restated to reflect the impact of IAS 19.
Menzies Distribution
Volume

Core Volume

**Newspapers**

- 2010: (4%)
- 2011: (2%)
- 2012: (3%)
- 2013: (2%)
- 2014: (1%)

**Magazines**

- 2010: (5%)
- 2011: (4%)
- 2012: (6%)
- 2013: (8%)
- 2014: (6%)
Menzies Aviation
Business development

Contracts renewed
- Cargo handling: £18m
- Ground handling: £127m
- Total contracts renewed: 122
- Total additional revenue: £127m

New stations
- Europe: 2
- North America: 6
- Oceania: 1
- Total new stations: 9

Revenue growth
- Additional revenue: £76m
- Total revenue: £135m
- Total revenue growth: £76m

Contract wins
- Total contract wins: 125
- Net contract wins: 60
- Total additional revenue: £76m
A typical contract

<table>
<thead>
<tr>
<th>Contract</th>
<th>Length</th>
<th>Mainly 3 years – Industry standard contracts widely used</th>
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</thead>
<tbody>
<tr>
<td>Revenue basis</td>
<td>Price per turn – paid per service / per turn</td>
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<tr>
<td>Turns</td>
<td>Aircraft type specific</td>
<td></td>
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<tr>
<td>Ancillary services</td>
<td>Typically separate contracts</td>
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<table>
<thead>
<tr>
<th>Start-up costs</th>
<th>Duration</th>
<th>60 days – all start-up costs are expensed</th>
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<tbody>
<tr>
<td>Costs</td>
<td>Travel / accommodation, team, training</td>
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</table>

<table>
<thead>
<tr>
<th>Equipment</th>
<th>Requirements</th>
<th>Contract specific</th>
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<tr>
<td>Jet type</td>
<td>Narrow bodied and regional jets = cheaper equipment than wide bodied</td>
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<table>
<thead>
<tr>
<th>Financials</th>
<th>Equipment</th>
<th>Capex or lease – dependent on leasing price and availability</th>
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<thead>
<tr>
<th>Target returns</th>
<th>IRR 15%, Payback 3-4 years</th>
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<table>
<thead>
<tr>
<th>Legals</th>
<th>Contracts</th>
<th>Standard industry terms - IATA's Standard Ground Handling Agreement</th>
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<tbody>
<tr>
<td>Liability</td>
<td>Capped and consistent across countries</td>
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