Interim Results

29 September 2020
MEET THE TEAM

Philipp Joeinig
Executive Chairman

Alvaro Gomez-Reino
Chief Financial Officer

John Geddes
Corporate Affairs Director

Mervyn Walker
Chief Operating Officer
HALF YEAR HEADLINES

UNPRECEDENTED TIMES
• Covid-19 pandemic has had a dramatic impact on results
• Significant drop in volume across all product categories
• New normal will emerge and we are well placed to prosper

FAST RESPONSE
• Management acted quickly and decisively to respond to the crisis
• Operations right-sized to match volume
• Workforce reduced by 50% - utilisation of govt support schemes

COMMERCIAL PROGRESS
• Enhanced commercial team delivering results
• Significant wins and renewals from new commercial focus
• Strong pipeline of opportunities

RESULTS OVERVIEW

Revenue
£431.5m
Down by 33%

Ground handling turns
50%

Underlying operating loss
£(39.0)m

Cargo tonnes handled
22%

Underlying earnings per share
(69.2)p

Fuelling events
41%

New normal will emerge and we are well placed to prosper
**OUR RESPONSE TO COVID-19**

Fast actions taken to ensure short term viability and longer term strength

<table>
<thead>
<tr>
<th>LIQUIDITY</th>
<th>OPERATIONS</th>
<th>CUSTOMERS</th>
<th>EMERGING STRONGER</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Immediate actions were taken to cut costs and preserve cash</td>
<td>• Scaled back operations to match volume and mothballed equipment</td>
<td>• Working with our customers to navigate the crisis</td>
<td>• Understanding how the new normal will look</td>
</tr>
<tr>
<td>• Used many job retention schemes across the world</td>
<td>• Peak headcount reduction was 16,000 with extensive use of furlough schemes</td>
<td>• Amending commercial terms to reflect new volume levels</td>
<td>• Recalibration of the portfolio</td>
</tr>
<tr>
<td>• Disciplined approach to capital expenditure</td>
<td>• Skeleton staff at many airports</td>
<td>• Being agile to adjust to customer needs</td>
<td>• Review of station profitability. Exit loss makers</td>
</tr>
<tr>
<td>• Non-essential expenditure stopped</td>
<td>• Focus on recovery and our ability to quickly react</td>
<td>• Product line experts</td>
<td>• Be ready to react quickly</td>
</tr>
</tbody>
</table>
Financial Overview

Alvaro Gomez-Reino
Chief Financial Officer
## FINANCIAL OVERVIEW

Significant loss due to Covid-19 impact

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£431.5m</td>
<td>down 33%</td>
</tr>
<tr>
<td>Underlying operating loss</td>
<td>£(39.0)m</td>
<td>down £56.9m</td>
</tr>
<tr>
<td>Underlying EBITDA</td>
<td>£8.5m</td>
<td></td>
</tr>
<tr>
<td>Exceptional charge</td>
<td>£27.6m</td>
<td></td>
</tr>
<tr>
<td>Period end liquidity</td>
<td>£201.1m</td>
<td>up £129.2m in six months</td>
</tr>
<tr>
<td>Covenanted debt/EBITDA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New covenants in place</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Exceptional Items

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition and transaction costs</td>
<td>(1.3)</td>
<td>(2.7)</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>(11.0)</td>
<td>(2.3)</td>
</tr>
<tr>
<td>Asset impairments</td>
<td>(15.3)</td>
<td>-</td>
</tr>
<tr>
<td>Acquisition integration and claims settlement</td>
<td>-</td>
<td>(2.9)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(27.6)</strong></td>
<td><strong>(8.5)</strong></td>
</tr>
</tbody>
</table>
## STRONG CASH FLOW AND GOOD LIQUIDITY

<table>
<thead>
<tr>
<th></th>
<th>H1 2020</th>
<th>H1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying EBITDA</td>
<td>8.5</td>
<td>59.7</td>
</tr>
<tr>
<td>Working capital movement</td>
<td>68.4</td>
<td>0.3</td>
</tr>
<tr>
<td>US CARES Act grant funding</td>
<td>51.1</td>
<td>-</td>
</tr>
<tr>
<td>Other movements</td>
<td>3.3</td>
<td>(1.1)</td>
</tr>
<tr>
<td><strong>Operating cash flow</strong></td>
<td><strong>131.3</strong></td>
<td>58.9</td>
</tr>
<tr>
<td>Tax and net interest paid</td>
<td>(11.3)</td>
<td>(15.8)</td>
</tr>
<tr>
<td>Net capital expenditure</td>
<td>(10.5)</td>
<td>(16.3)</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td><strong>109.5</strong></td>
<td>26.8</td>
</tr>
<tr>
<td>Cash less overdrafts</td>
<td>201.1</td>
<td>60.6</td>
</tr>
</tbody>
</table>
Existing facilities agreed in January 2020 remain in place

- New covenant package agreed
  - Net leverage replaced with a minimum EBITDA covenant, tested quarterly from 30 September 2020
  - New liquidity covenant - minimum £45m liquidity
  - Interest cover covenant suspended
  - Interest margin increased by 0.5% to 4.0% while leverage is greater than 3.5x

- We will revert to former covenants on earlier of June 2022 or when leverage below 3.0x
Business Overview

Philipp Joeinig
Executive Chairman
HALF YEAR REGIONAL REVIEW

Americas

- Domestic traffic more resilient than rest of Group
- Further expansion for Sunwing in Canada
- Rapid cost reductions completed to right-size business
- Excellent support from US CARES Act funding

Rest of World

- Region least impacted by Covid-19 due to cargo strength
- Cargo only flights resulted in improved margins
- Small acquisition in Indonesia successfully integrated
- Operations in Macau severely impacted with recovery not expected until later in Q4

EMEA

- Region most impacted by Covid-19. Flight volumes -58%
- Commercial successes – significant cargo contracts won in South Africa and UK
- Successful start-up with Mango Airways, South Africa
- Strong support from government schemes

AMI cargo forwarding

- Excellent first half performance
- Returns boosted by shortage of cargo capacity
- Canadian acquisition integrated and performing as planned
- Investing for the future
COMMERCIAL UPDATE – PROGRESS MADE

Net commercial position

£m

2019 investment in commercial resource is paying back

Contract renewals

£m

0
10
20
30
40
0
100
200
Americas
EMEA
Rest of World

CATHAY PACIFIC
American Airlines
interjet
AIR CHINA
air astana
AEGEAN
Emirates
CHINA EASTERN

£21
£14
£7
£3
£43
£55
£28
OUR STRATEGIC FOCUS

Our priorities

1. OPTIMISED PORTFOLIO MIX
   Developing and rebalancing our global portfolio mix, focusing on three main categories as well as driving profitable complementary services

2. TARGET SCALE OPERATIONS
   Developing our footprint to maximise benefit from high volume, high value contracts in key locations making better use of resources and enabling increased customer service and engagement

3. CUSTOMER ENGAGEMENT
   Taking a customer centric approach by engaging with our customers to develop services and solutions tailored to their requirements, delivering value and helping to meet their own customer needs

4. EMPLOYER OF CHOICE
   Attracting, training and retaining the right people and providing career paths and opportunities, as well as providing safe, supportive working environments that enable our people to flourish

5. FOCUS ON MARGIN IMPROVEMENT
   Improving margin and driving profit through strong discipline on costs, controls, investments and ensuring revenue earned is returning sustainable margins

Our enablers

- PEOPLE
- SAFETY & SECURITY
- COMMERCIAL
- SYSTEMS
SHORT TERM SCENARIO PLANNING

Focus areas

**OPERATIONS**
- Right size or close
- Harmonisation of labour
- Ready to react

**CUSTOMER**
- Volume based pricing
- Contracting at sustainable margins
- Solution provider to key customers

**NETWORK**
- Review market opportunities
- Exit structural loss makers
- Short term solutions to longer term gains

**MARKET**
- Realistic view on recovery
- Low volume winter schedules
- Be ready to quickly react in Spring 2021

**FINANCIAL**
- Tightly manage cash
- Control of all expenditure
- Utilisation of government schemes

Immediate priorities

- Focus on people
- Station viability
- Cash management
- Cost base management
- Winter resilience
NAVIGATING THE FUTURE

Looking ahead

• Maintaining significant liquidity headroom reflects the strong fundamental cash generation capability of the business

• Strong cash generation to continue, as activity levels recover

• Capability exists to invest in support of our commercial objectives whilst also enabling the Group to reduce net indebtedness

• Market conditions will remain challenging through the winter and the early part of 2021. Recovery in activity levels will emerge during 2021

• Restructured cost base and portfolio will generate higher returns

• Assessing inorganic opportunities to accelerate recovery where we can identify a clear strategic fit and long term value enhancement
OUTLOOK

- Group is now in recovery mode following the systemic shock of Covid-19
- Actions taken and prudent assumptions will leave us well placed to recover strongly
- Commercial successes set to continue as we re-shape our portfolio
- Strong and experienced management team
- On the basis of current assumptions and visibility second half revenue is expected to be in line with the first half
- Market recovery is inevitable and we can scale up quickly to take advantage

Short term turbulence will be replaced by medium term opportunity
Menzies’ purpose is to provide safe and trusted aviation services, for every customer, every time.

We strive to be the supplier of choice in our market at every airport where we operate.

Since 1833
Appendix 1

Additional financial information
## SEGMENTAL ANALYSIS

<table>
<thead>
<tr>
<th>£m</th>
<th>Revenue</th>
<th>Underlying operating profit/(loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>H1 2020</td>
<td>H1 2020</td>
</tr>
<tr>
<td></td>
<td>Reported</td>
<td>Constant currency</td>
</tr>
<tr>
<td>Americas</td>
<td>160.5</td>
<td>158.8</td>
</tr>
<tr>
<td>EMEA</td>
<td>148.8</td>
<td>151.3</td>
</tr>
<tr>
<td>Rest of World</td>
<td>50.1</td>
<td>52.7</td>
</tr>
<tr>
<td>Cargo Forwarding</td>
<td>72.0</td>
<td>74.5</td>
</tr>
<tr>
<td>Total</td>
<td>431.5</td>
<td>437.3</td>
</tr>
</tbody>
</table>
Appendix 2

Environmental, Social & Governance
In September 2020 we began working with an external sustainability consultancy to develop a comprehensive responsible business framework and roadmap. In 2021 we will launch our new strategy, defining how we create societal and environmental value, and the actions we will take to continually improve our performance and realise our ambitions.

**IMMEDIATE FOCUS**

- Reduce carbon footprint
- Plan for the future
- Engage with communities
- Develop our people
- Be a responsible business

**ENVIRONMENTAL, SOCIAL & GOVERNANCE**

<table>
<thead>
<tr>
<th>People</th>
<th>Wellbeing</th>
<th>Environment</th>
<th>Communities</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• New engagement, communication &amp; support channels</td>
<td>• Covid-19 response – protecting the safety, health &amp; wellbeing of our people</td>
<td>• Electric turns every day</td>
<td>• Industry groups</td>
<td>• Code of conduct</td>
</tr>
<tr>
<td>• Training &amp; development – Dignity &amp; Respect</td>
<td>• Enhanced health &amp; safety operational standards</td>
<td>• Carbon offsetting</td>
<td>• Community initiatives</td>
<td>• Compliance programme</td>
</tr>
<tr>
<td>• Inclusivity training &amp; living leadership</td>
<td></td>
<td>• De-icing efficiencies</td>
<td>• Government engagement &amp; working groups</td>
<td>• Due diligence</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Supply chain review</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Australian Modern Slavery Statement</td>
</tr>
</tbody>
</table>
Appendix 3

Market recovery data
DOMESTIC MARKETS WILL RECOVER FASTER THAN INTERNATIONAL TRAVEL

World international and domestic air passengers

Source: IATA, Tourism Economics
DEMAND FOR AIR CARGO AND TRAVEL WILL RISE SHARPLY IN 2021

Stronger volumes next year but demand remains well below 2019 levels

Global passenger kms (RPKs) and cargo tonne kms (CTKs) flown

- Cargo tonne kilometers flown: +55% vs 2020, +3% vs 2019
- Passenger kilometers flown: -29% vs 2019

Source: IATA Economics using data from IATA Statistics
SHARP FALL IN FUEL CONSUMPTION BEFORE 2021 RECOVERY

Source: ICAO, IATA
HALF YEAR BUSINESS REVIEW

• 2019 actions provided a strong platform
• Initial progress halted by Covid-19 pandemic
• Flexible nature of ground handling cost base allowed fast response
• Cargo volumes more resilient
  ➢ High value goods and perishable items continued to fly
  ➢ Shortage of capacity boosts AMI performance
• Strong commercial progress in all regions

Ground handling turns
↓ 50%

Cargo tonnes handled
↓ 22%

Fuelling events
↓ 41%