



## 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

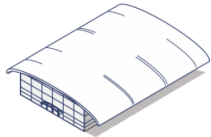
Fuelling  
events  
↓ 41%

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

| LIQUIDITY  | OPERATIONS  | CUSTOMERS   | EMERGING STRONGER   |
|--|---|---|---|
| <ul style="list-style-type: none"><li>• Immediate actions were taken to cut costs and preserve cash</li><li>• Used many job retention schemes across the world</li><li>• Disciplined approach to capital expenditure</li><li>• Non-essential expenditure stopped</li></ul> | <ul style="list-style-type: none"><li>• Scaled back operations to match volume and mothballed equipment</li><li>• Peak headcount reduction was 16,000 with extensive use of furlough schemes</li><li>• Skeleton staff at many airports</li><li>• Focus on recovery and our ability to quickly react</li></ul> | <ul style="list-style-type: none"><li>• Working with our customers to navigate the crisis</li><li>• Amending commercial terms to reflect new volume levels</li><li>• Being agile to adjust to customer needs</li><li>• Product line experts</li></ul> | <ul style="list-style-type: none"><li>• Understanding how the new normal will look</li><li>• Recalibration of the portfolio</li><li>• Review of station profitability. Exit loss makers</li><li>• Be ready to react quickly</li></ul> |
|   |   |    |    |





# Financial Overview

---

**Alvaro Gomez-Reino**

Chief Financial Officer

# FINANCIAL OVERVIEW

Significant loss due to Covid-19 impact

## Revenue

**£431.5m**

down  
**33%**

## Underlying operating loss

**£(39.0)m**

down  
**£56.9m**

## Underlying EBITDA

**£8.5m**

## Exceptional charge

**£27.6m**

## Period end liquidity

**£201.1m**

up  
**£129.2m in six months**

## Covenanted debt/EBITDA

**New covenants in place**

# EXCEPTIONAL ITEMS

£m

Acquisition and transaction costs

Restructuring costs

Asset impairments

Acquisition integration and claims settlement

| H1 2020       | H1 2019      |
|---------------|--------------|
| (1.3)         | (2.7)        |
| (11.0)        | (2.3)        |
| (15.3)        | -            |
| -             | (2.9)        |
| <b>(27.6)</b> | <b>(8.5)</b> |

# STRONG CASH FLOW AND GOOD LIQUIDITY



£m

|                                 | H1 2020          | H1 2019  |
|---------------------------------|------------------|----------|
| Underlying EBITDA               | 8.5              | 59.7     |
| Working capital movement        | 68.4             | 0.3      |
| US CARES Act grant funding      | 51.1             | -        |
| Other movements                 | 3.3              | (1.1)    |
| <b>Operating cash flow</b>      | <b>131.3</b>     | 58.9     |
| Tax and net interest paid       | (11.3)           | (15.8)   |
| Net capital expenditure         | (10.5)           | (16.3)   |
| <b>Free cash flow</b>           | <b>109.5</b>     | 26.8     |
| <br><b>Cash less overdrafts</b> | <br><b>201.1</b> | <br>60.6 |



# FACILITIES CONTINUITY – TEMPORARILY REVISED COVENANTS

---

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

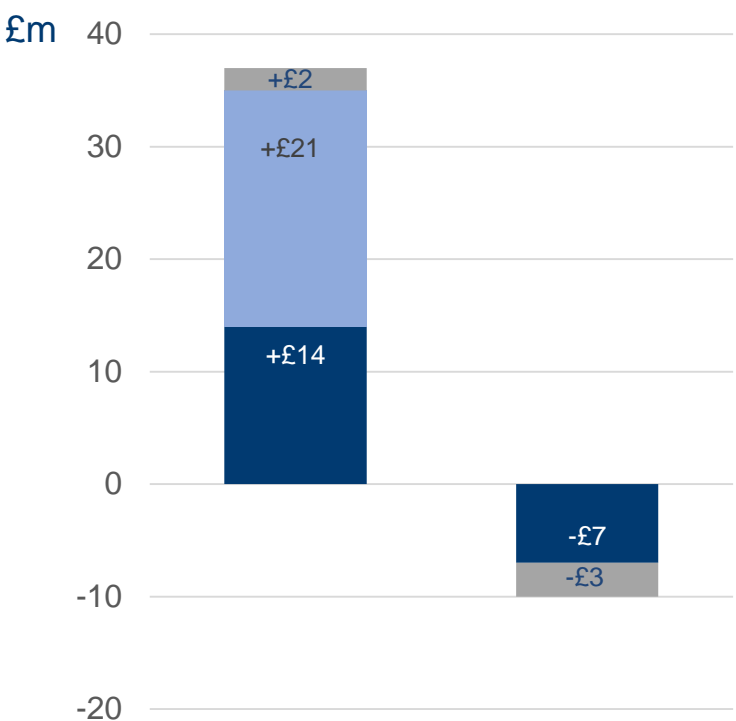
- Region most impacted by Covid-19. Flight volumes -58%
- Commercial successes – significant cargo contracts won in South Africa and UK
- Successful start-up with Mango Airways, South Africa
- Strong support from government schemes

## AMI cargo forwarding

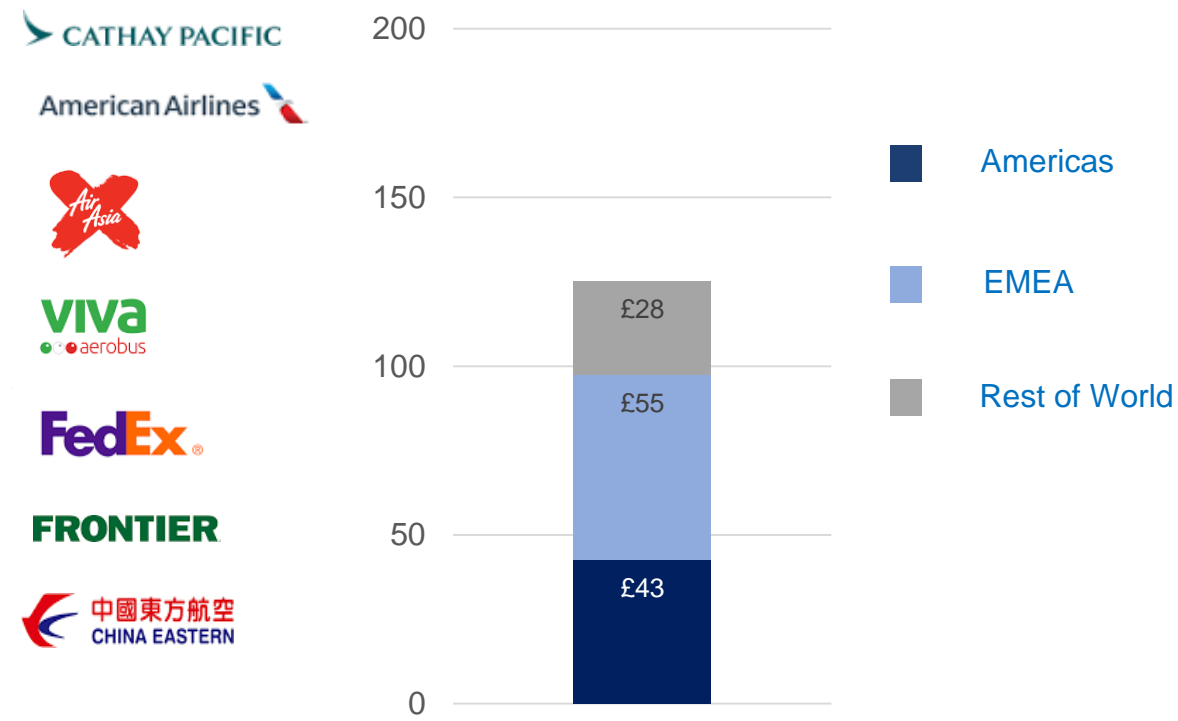
- Excellent first half performance
- Returns boosted by shortage of cargo capacity
- Canadian acquisition integrated and performing as planned
- Investing for the future

# COMMERCIAL UPDATE – PROGRESS MADE

## Net commercial position



## Contract renewals

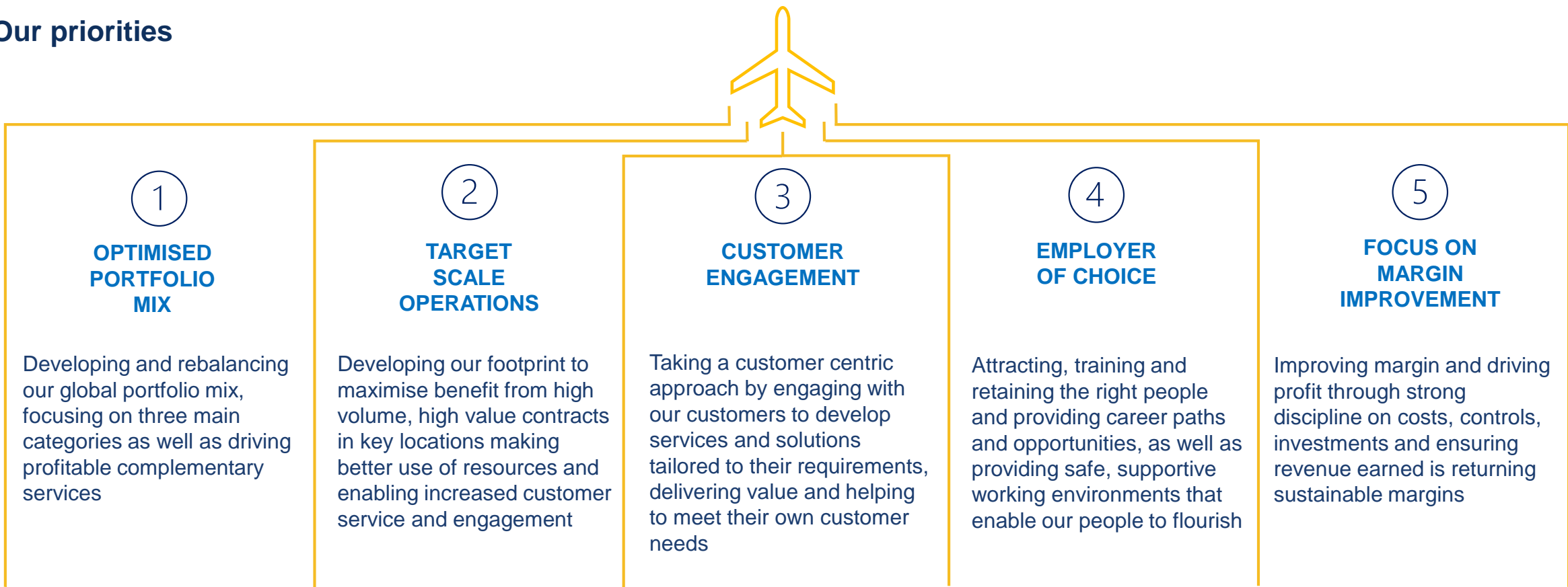


2019 investment in commercial resource is paying back



# OUR STRATEGIC FOCUS

## Our priorities



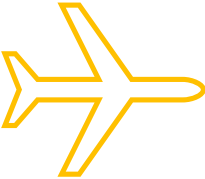
## Our enablers



# 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

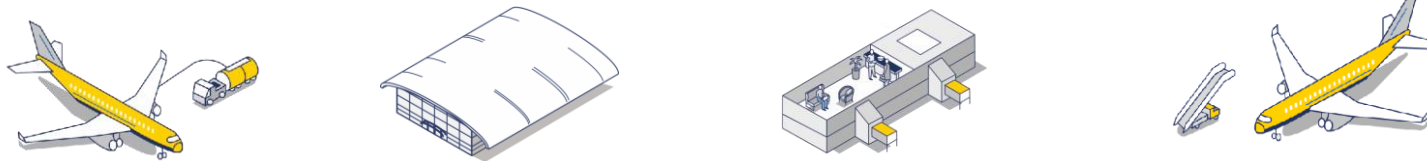
- Focus on people
- Station viability
- Cash management
- Cost base management
- Winter resilience

# 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

£m

|                  | Revenue      |                   |              | Underlying operating profit/(loss) |                   |             |
|------------------|--------------|-------------------|--------------|------------------------------------|-------------------|-------------|
|                  | H1 2020      | H1 2020           | H1 2019      | H1 2020                            | H1 2020           | H1 2019     |
|                  | Reported     | Constant currency | Reported     | Reported                           | Constant currency | Reported    |
| Americas         | 160.5        | 158.8             | 230.4        | (8.7)                              | (8.6)             | 10.6        |
| EMEA             | 148.8        | 151.3             | 268.6        | (34.6)                             | (35.1)            | 1.0         |
| Rest of World    | 50.1         | 52.7              | 80.0         | 2.4                                | 2.7               | 4.5         |
| Cargo Forwarding | 72.0         | 74.5              | 70.9         | 1.9                                | 1.9               | 1.8         |
|                  | <b>431.5</b> | <b>437.3</b>      | <b>649.9</b> | <b>(39.0)</b>                      | <b>(39.1)</b>     | <b>17.9</b> |



## Appendix 2

---

Environmental, Social & Governance



# ENVIRONMENTAL, SOCIAL & GOVERNANCE

## SUSTAINABILITY STRATEGY AND PROGRAMME DELIVERY

| People   | Wellbeing  | Environment  | Communities  | Governance   |
|--|--|--|--|--|
| <ul style="list-style-type: none"><li>• New engagement, communication &amp; support channels</li><li>• Training &amp; development – Dignity &amp; Respect</li><li>• Inclusivity training &amp; living leadership</li></ul> | <ul style="list-style-type: none"><li>• Covid-19 response – protecting the safety, health &amp; wellbeing of our people</li><li>• Enhanced health &amp; safety operational standards</li></ul> | <ul style="list-style-type: none"><li>• Electric turns every day</li><li>• Carbon offsetting</li><li>• De-icing efficiencies</li></ul> | <ul style="list-style-type: none"><li>• Industry groups</li><li>• Community initiatives</li><li>• Government engagement &amp; working groups</li></ul> | <ul style="list-style-type: none"><li>• Code of conduct</li><li>• Compliance programme</li><li>• Due diligence</li><li>• Supply chain review</li><li>• Australian Modern Slavery Statement</li></ul> |

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





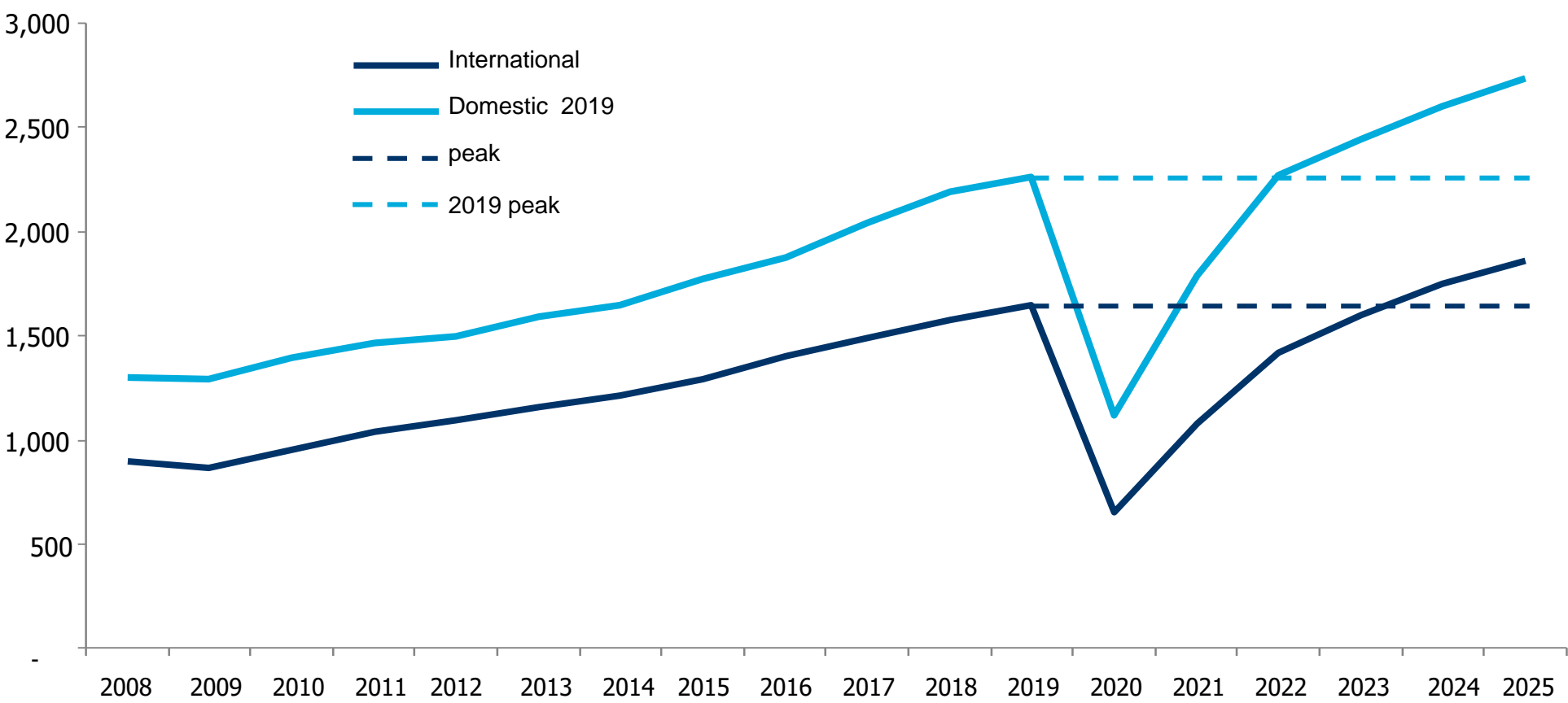
## Appendix 3

---

Market recovery data

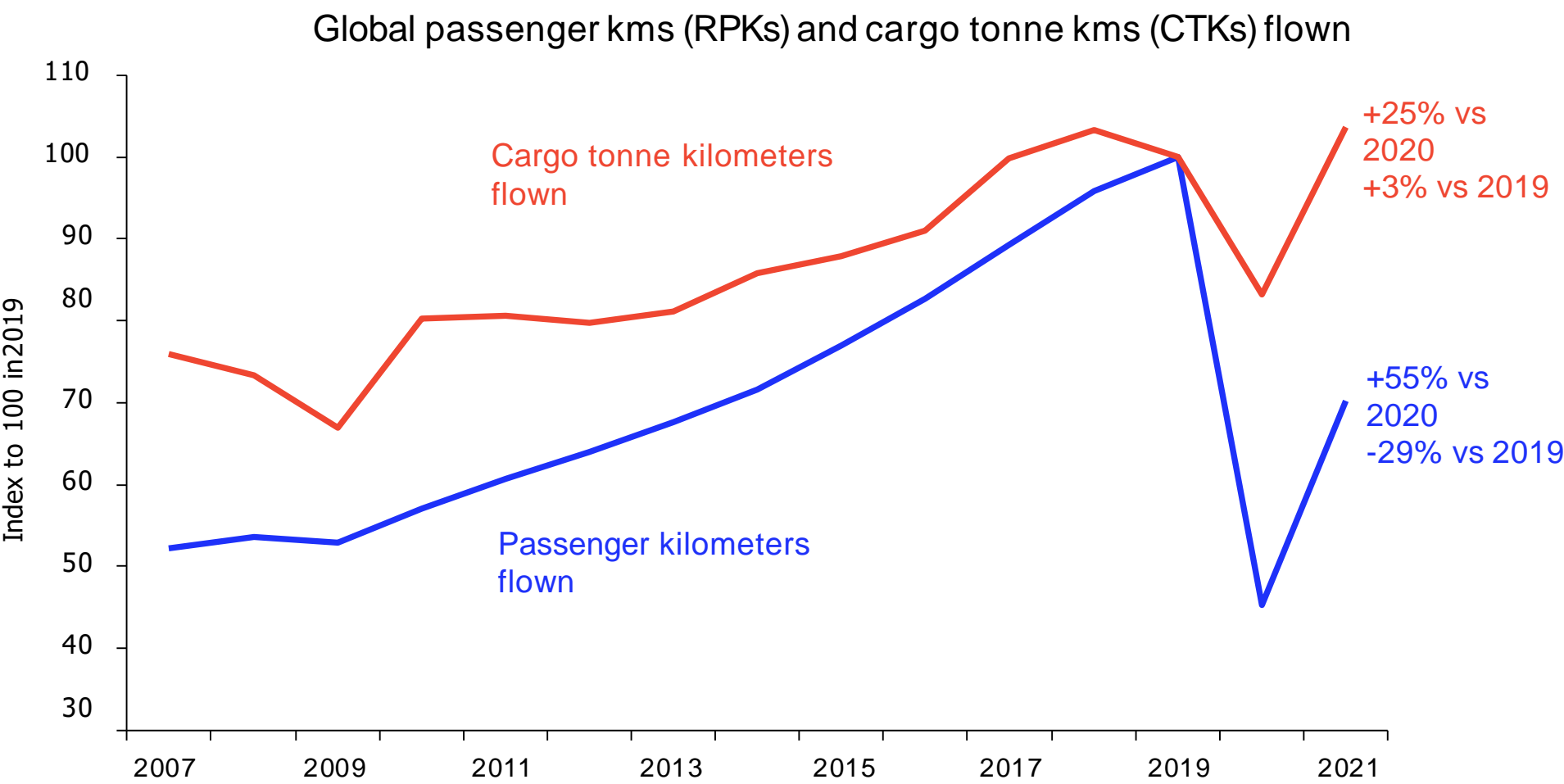
# DOMESTIC MARKETS WILL RECOVER FASTER THAN INTERNATIONAL TRAVEL

World international and domestic air passengers

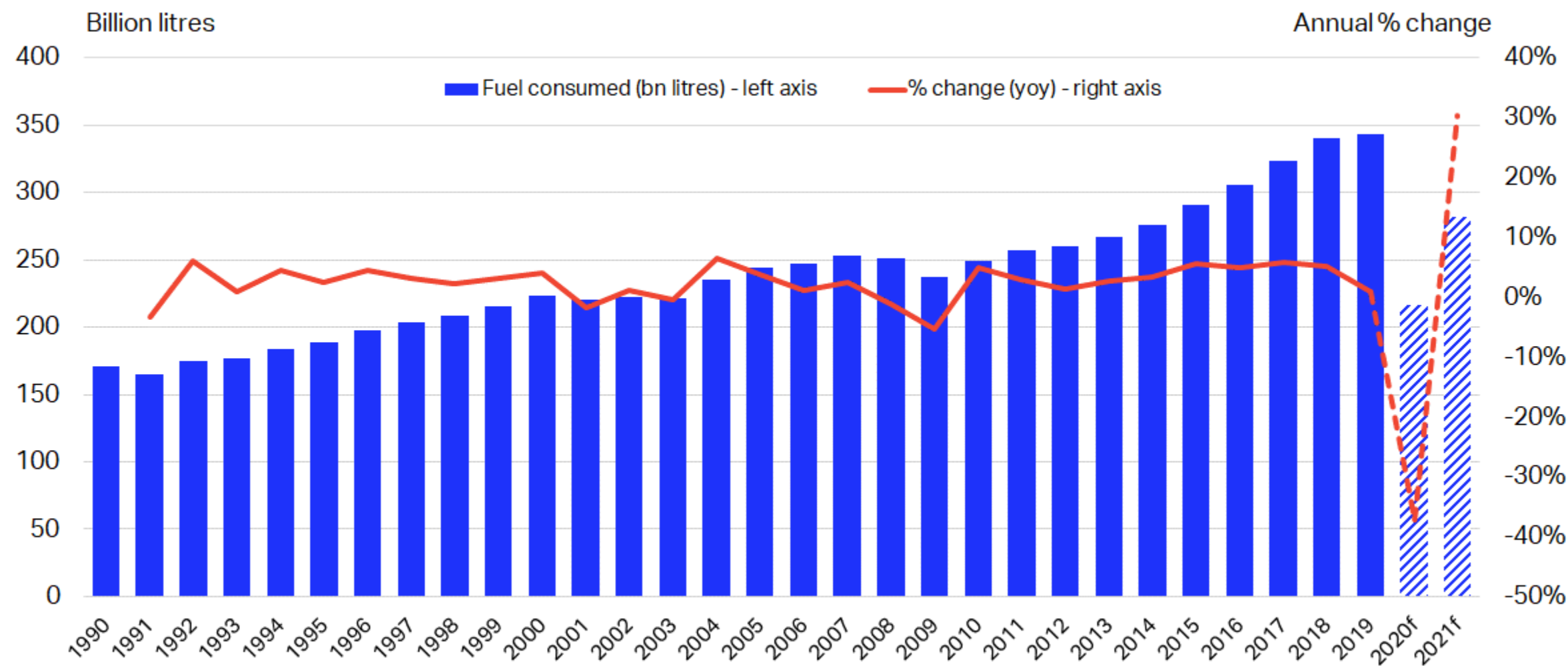


# DEMAND FOR AIR CARGO AND TRAVEL WILL RISE SHARPLY IN 2021

Stronger volumes next year but demand remains well below 2019 levels



# SHARP FALL IN FUEL CONSUMPTION BEFORE 2021 RECOVERY





# 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%

