

30 November 2021

John Menzies plc

Trading Update

John Menzies plc (“Menzies”) the aviation logistics service business, today provides an update on current trading.

Key highlights:

- The Board expects trading for the full year to be at least in line with market expectations after stronger than expected trading in recent months.
- The Company’s financial position remains solid with liquidity standing at £150m on 31 October 2021. Net debt is in line with our expectations and is currently expected to be around £200m at the year end.
- Globally the air cargo services market remains robust, and we are seeing a steady increase in aircraft movements in all regions, supporting the continued recovery in our ground and fuelling services businesses.
- Commercial momentum has continued with some excellent new contract wins and retention of key contracts. Year to date we report a record £73m net sales win in annualised revenue.

Trading Update:

Menzies is a business that has strong resilience through its geographical, customer and product mix and we are emerging positively from the Covid-19 pandemic. We provide essential services to the aviation supply chain and are very well placed to prosper as the industry returns to structural growth.

The global cargo services market has generally remained robust throughout the pandemic, with increased volume from new business driving higher returns. Our cargo forwarding business is having a record year as we embrace the continuing expansion of the e-commerce market. Excellent contract wins over the last two years have driven our absolute volumes handled in 2021 to 115% of 2019 levels.

In ground and fuel services the continued recovery in aircraft movements is evident across all regions. In ground services, the returning volume has attracted a significantly higher margin as our supporting cost base is already in place. We expect this will continue until volumes reach an inflection point in 2022. For the year to date ground services turns are currently 45% and fuelling events are 60% of 2019 levels although volumes in Q4 to date are significantly above these levels. Whilst regional variations exist, domestic and regional markets are generally stronger, particularly in the Americas.

In some markets, particularly North America, labour availability is currently challenging. This issue is more prevalent within the ground services business, with our air cargo and fuelling businesses less affected. In terms of general inflation, most customer contracts contain cost inflation clauses. However, we do at times discuss pass through price increases with customers to ensure service delivery is maintained and airline on time performance is protected.

Strategic process continues:

Commercially we are having a record year, driven by our reinvigorated commercial focus and customer centric approach. Our successes have been across the network but importantly predominately focussed in target markets where we believe there are strong growth prospects and the ability to generate higher than average margins.

In Mexico, we recently secured a multi station deal to provide a range of ground services at 15 airports to Aeromexico, the country's flag ship carrier, which will see us handle over 23,000 turns per annum. In the same region we have secured the business of Ultr Air, a new low-cost carrier, in Colombia at four airports with very strong growth projections. In Oceania, we renewed our existing business and secured significant new business with Virgin Australia, Menzies will now handle c8,000 flights and over 68,000 tonnes of cargo per annum at a total of 10 locations across Australia and New Zealand.

A key part of our strategy is to build customer relationships rather than just contract wins, and this was recently evidenced with a new customer, Avianca. In May 2021 we won Avianca's cargo handling business at their Miami hub; after delivering significantly improved service levels in Miami we have now added three new locations, Los Angeles, Toronto and Amsterdam, and we look forward to expanding further with Avianca in the future.

Renewing our existing business is an important part of our success and we were delighted to recently announce the renewal of all our existing business with one of our major customers, easyJet. The renewals covered 21 locations across Europe for a further five years.

Our business development pipeline continues to be strong, and we are confident of announcing further expansion before the year end. Of the investments made during the year we are pleased with the progress made. Operations in China at Guangzhou Airport have been delayed due to Covid-19 but will start soon. Our recent acquisition in Costa Rica is performing well and we have developed a clear plan of how we can grow its range of services across the Latin American region.

We continue to pursue our ESG strategy and have made tangible progress during the year. Recently our fuelling team at London Heathrow supported British Airways in flying the first transatlantic flight using Sustainable Aviation Fuel. We have also supported our customers' ESG credentials and are performing green turnarounds at a number of locations for Ryanair, Aer Lingus and Norwegian. We are committed to striving for greater diversity in the business and, as part of that commitment, we have launched a global female leadership programme.

Outlook:

We continue to look forward positively. The delivery of our strategic priorities is firmly on track and our pipeline of opportunities remains full.

Our vision of growing our portfolio to produce a more balanced and resilient mix of revenue is well underway and our recent expansions are delivering strong returns. We expect this growth to continue into 2022 and beyond with cargo volumes already ahead of 2019 levels.

Volume recovery in ground and fuelling services continues to gain traction, although impacted from time to time by local Covid-19 related travel restrictions, but we expect the recovery to continue and currently forecast 2022 flight volumes to be at around 80% of 2019 volumes.

Overall, we forecast a strong end to the year, particularly in air cargo services and we are confident that the growth ambitions we have for future years can be met and exceeded.

Philipp Joeinig, Chairman & CEO, John Menzies plc said:

“I would like to thank our customers for their increased trust in us. I would also like to thank our people for their dedication and passion to our business.

Despite current news on travel restrictions, we have proved time and again that we are a resilient business due to our product mix, geographical diversity and the fact that less than 10% of our business relates to long haul passenger flights.

Our increased focus on air cargo services and emerging markets is delivering great results and enhanced returns. We will continue to pursue our strategic priorities, and this will drive our business forward and allow us to deliver our growth ambitions.”

For further information, please contact:

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Notes

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation ("MAR") EU no.596/2014 and is disclosed in accordance with the Company's obligations under Article 17 of MAR. Upon the publication of this announcement via Regulatory Information Service, this inside information is now considered to be in the public domain. For the purposes of MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055, the person responsible for arranging for the release of this Announcement on behalf of the Company is John Geddes, Corporate Affairs Director & Group Company Secretary.

Forward-Looking Statements

This announcement may include statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts and involve predictions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events, and depend on circumstances, that will occur in the future. Forward-looking statements may and often do differ materially from actual results expressed or implied in these forward-looking statements. Any forward-looking statements reflect the Company’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the business, results of operations, financial position, liquidity, prospects, growth or strategies of the Company, and the industry in which John Menzies operates. Forward-looking statements speak only as of the date they are made and cannot be relied upon as a guide to future performance. Save as required by law or regulation, John Menzies disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements in this announcement that may occur due to any change in its expectations or to reflect events or circumstances after the date of this announcement.