

John Menzies plc

Interim Results Presentation

14 August 2018



Results Overview

Highlights

- Underlying operating profit at £33.9m, up 18% at constant currency
- Conditional sale of Menzies Distribution, creating a pure play global Aviation Services business
- Exceptional charge of £26.0m relates mainly to the disposal of Menzies Distribution
- On track to meet expectations for the full year

Great progress at Menzies Aviation

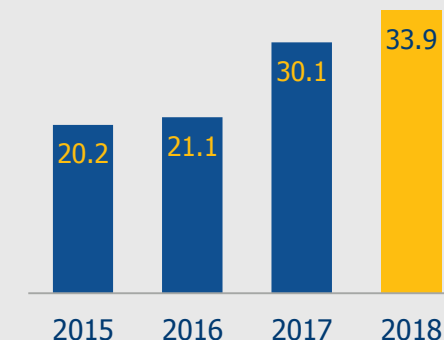
- Underlying operating profit at £23.7m, up 17% at constant currency
- Contract gain and renewal momentum continues
- Investment in people and processes for industry leadership

Menzies Distribution produced a solid performance

Profit progression

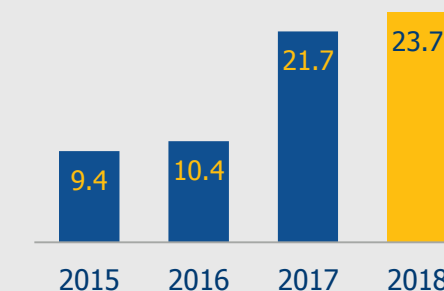
John Menzies plc

H1 underlying operating profit £m



Menzies Aviation

H1 underlying operating profit £m



John Menzies plc – Our ambitions

Key goals over the next 3 years to deliver a strong plan and create shareholder value

- Target top line growth of 8%
- Target a minimum of 10% EPS growth
- Progressively grow Menzies Aviation margin
- Target net debt to EBITDA ratio between 1.5 to 2.0 times
- Continue a progressive dividend policy keeping cover between 2 and 3 times
- Strengthen our People Agenda
- Invest and innovate to ensure we lead the market in our technology offering

**Underpinning
growth**

**Strong financial
disciplines**

**Embedded governance
culture**

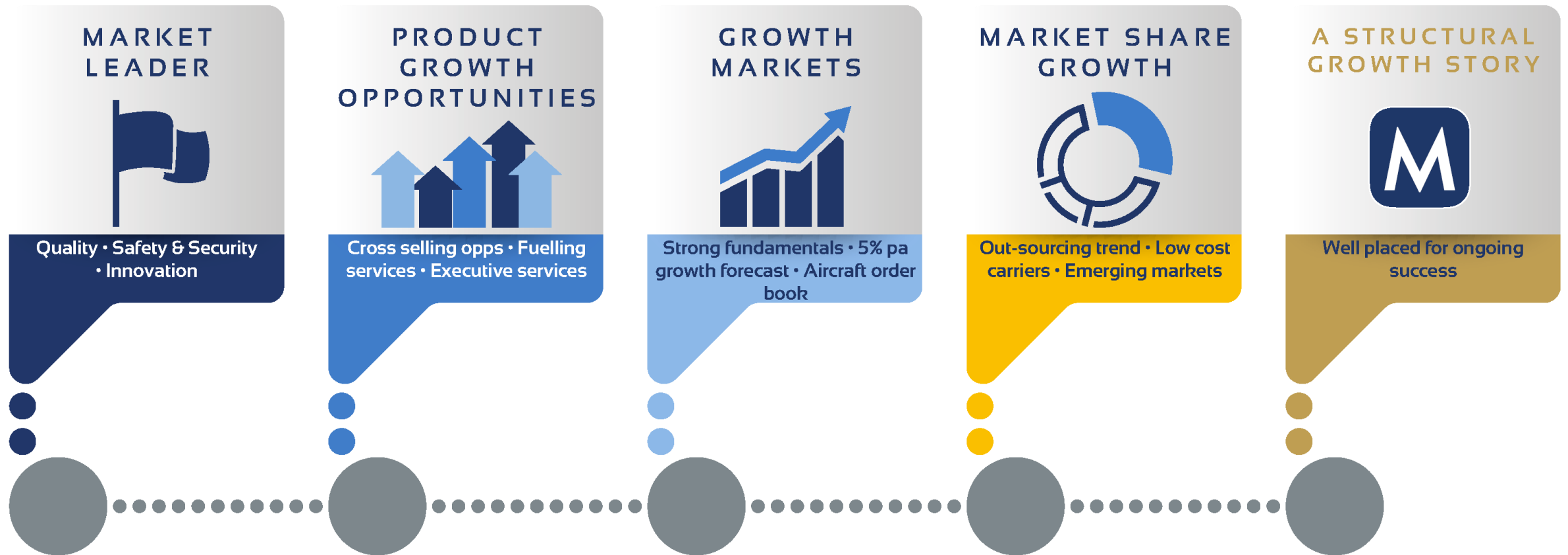
Great people

**Transformational
technology**

Operational excellence

**Safety & Security at
the heart of everything
we do**

Investment Case



UNDERPINNED BY A STRONG MANAGEMENT TEAM

Industry experience • Track record for delivery • Strong commercial principles • Focus on growing margin

Financial Overview

Giles Wilson

Chief Financial Officer



Menzies Distribution conditional sale to Endless LLP

Enterprise value

£75m

Deal breakdown

£54m
Cash receipt
on cash-free, debt-free basis
with normalised working capital

£5m
Equity stake
retained by John Menzies plc

£16m
Pension liability transferred
with Section B of pension
scheme

Use of funds

£10m
Pension fund contribution
for de-risking of remaining fund

£6m
Estimated deal costs

£38m
Balance to reduce net debt

HIGHLIGHTS

**Strategic re-alignment
completed**

**Sale expected to
complete soon after
General Meeting
22 August**

**Aviation Services pure
play created**

**New management
structure**



John Menzies plc – Financial overview

£m	H1 2018		H1 2018	H1 2018	H1 2017
	Reported	Discontinued operations	Group	Constant currency	
Turnover	641.4	606.7	1,248.1	1,271.6	1,216.8
Underlying operating profit	20.9	13.0	33.9	35.5	30.1
Interest	(5.4)	-	(5.4)	(5.4)	(5.4)
Underlying profit before tax	15.5	13.0	28.5	30.1	24.7
Operating cash flow	38.4				35.5
Net debt	231.8				235.4
Exceptional charge in operating profit	26.0				17.6
Debt to EBITDA covenant ratio	2.1x				2.3x
Underlying effective tax rate	26%				28%
Underlying EPS	25.3p				21.8p
Basic EPS	(9.6)p				(4.3)p
Dividend per share	6.0p				6.0p

HIGHLIGHTS

Group underlying operating profit in constant currency

UP 18%

Underlying EPS

UP 16%

Reduced gearing

DEBT TO EBITDA 2.1x

Segmental performance – Continuing business

£m	Turnover			Underlying operating profit		
	H1 2018	H1 2018	H1 2017	H1 2018	H1 2018	H1 2017
	Reported	Constant currency		Reported	Constant currency	
Americas	230.2	248.3	226.5	11.0	12.0	11.9
EMEA	258.6	257.4	248.2	4.1	4.1	1.8
Rest of World	80.6	85.9	84.6	5.8	6.3	6.1
Cargo Forwarding	72.0	74.2	66.1	2.8	2.9	1.9
Aviation	641.4	665.8	625.4	23.7	25.3	21.7
Corporate	-	-	-	(2.8)	(2.8)	(2.4)
Continuing operations	641.4	665.8	625.4	20.9	22.5	19.3

HIGHLIGHTS

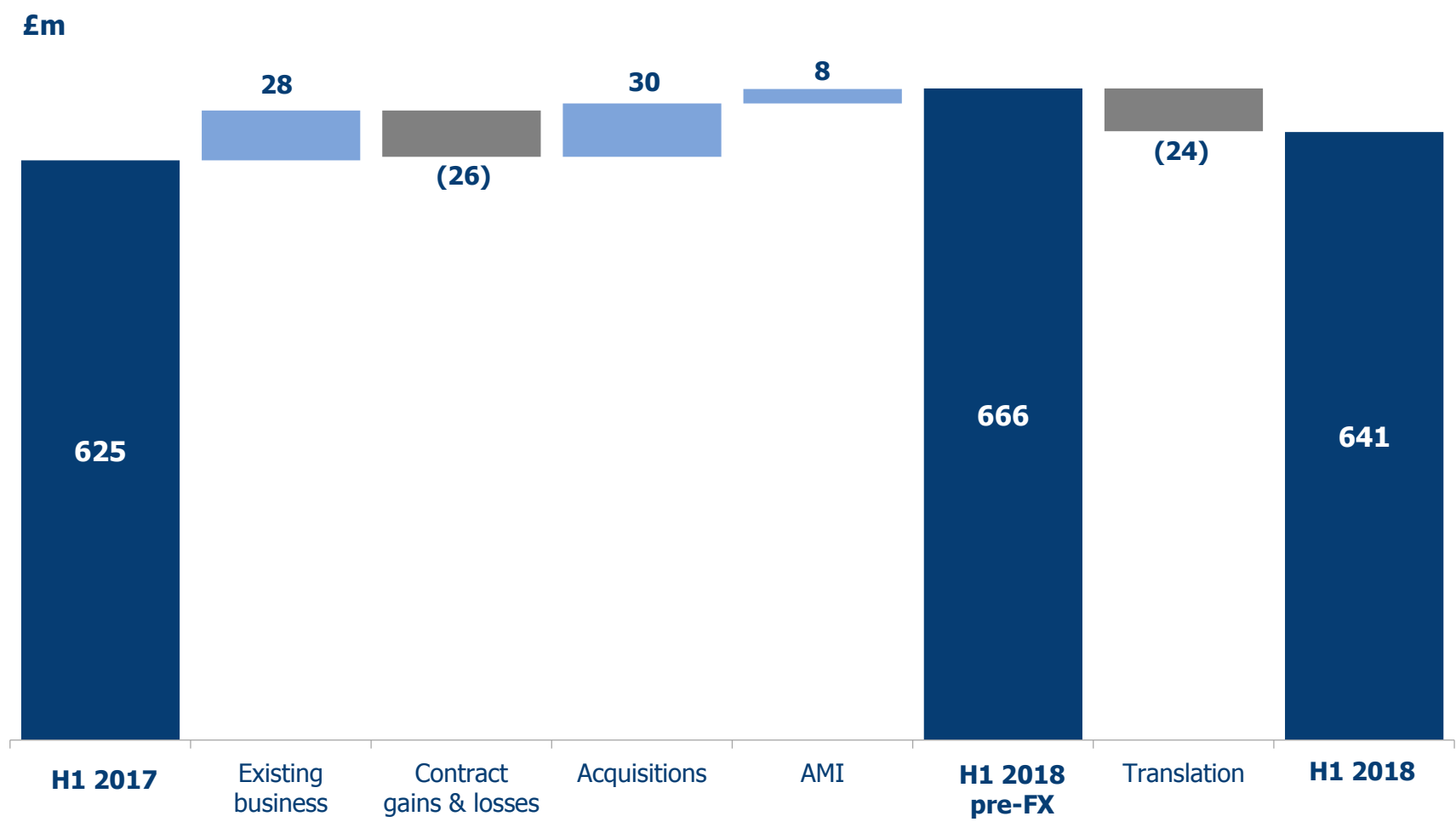
Aviation margin

GROWS to 3.7%

Aviation underlying operating profit at constant currency

UP 17%

John Menzies plc – Reported turnover



HIGHLIGHTS

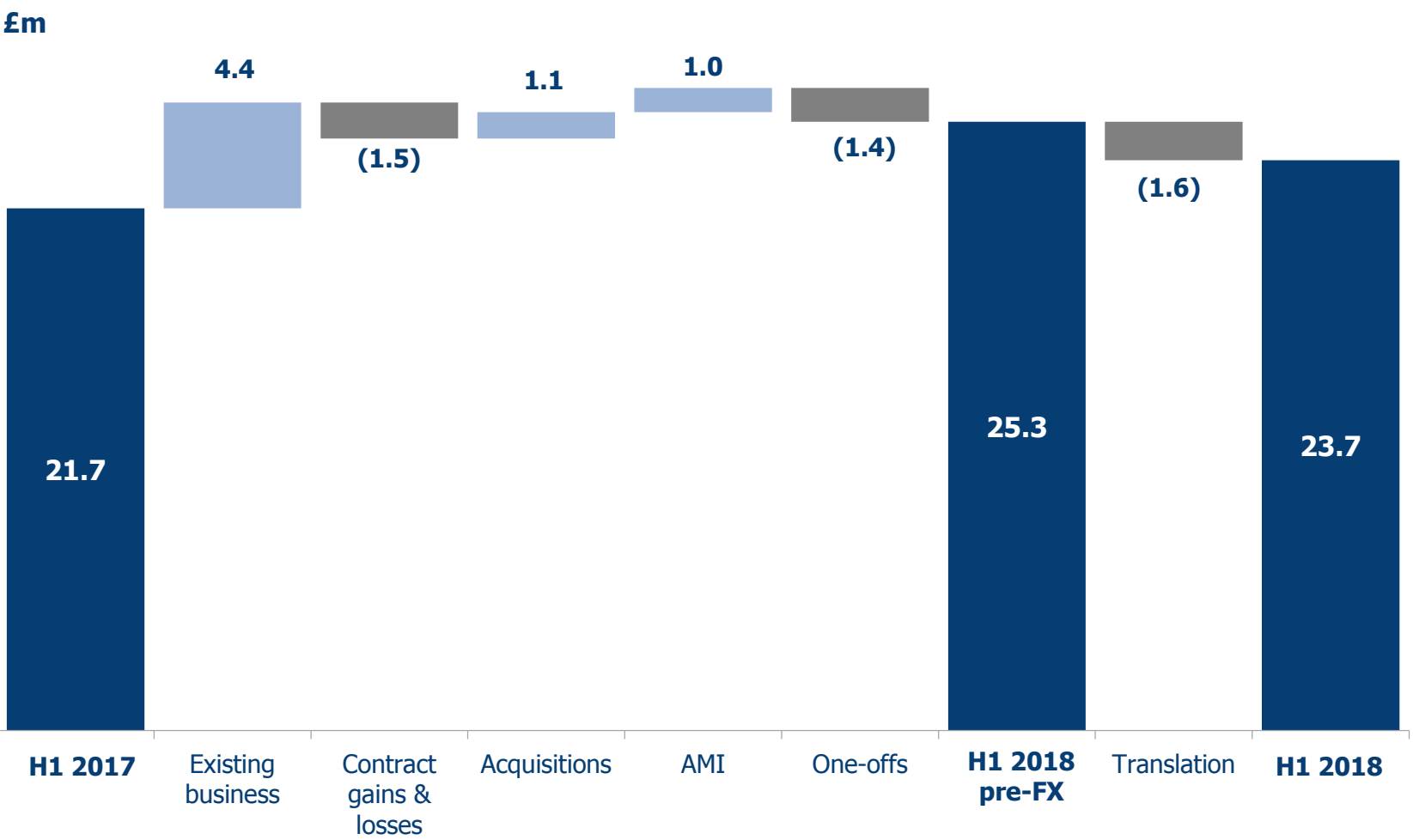
Reported turnover

£641m

Continued focus on
margin improvement



Aviation underlying operating profit



HIGHLIGHTS

Underlying operating profit

£23.7m

Underlying operating profit at constant currency

UP 17%



Exceptional charge in operating profit

£m	Cash	Non-cash	H1 2018	H1 2017
Continuing business				
Acquisition integration and other transaction related costs	2.1	-	2.1	9.2
Pension de-risking	0.6	-	0.6	3.8
Discontinued business				
Distribution transaction related costs	2.5	-	2.5	3.3
Impairment of Distribution intangibles and other assets	-	20.8	20.8	-
Pension de-risking	-	-	-	1.3
	5.2	20.8	26.0	17.6

HIGHLIGHTS

Cash costs for acquisitions, disposals and pension de-risking

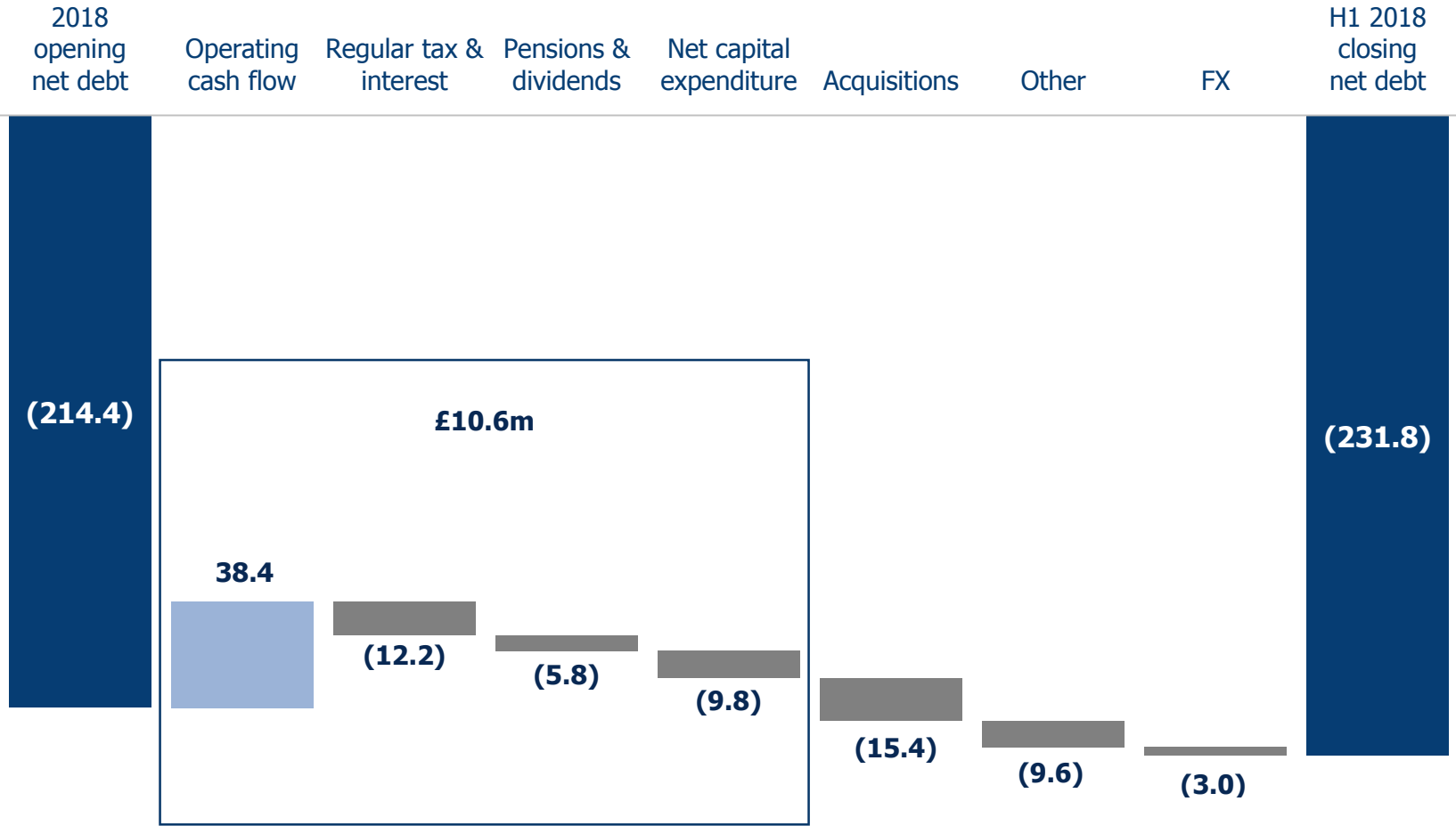
£5.2m

Non-cash impairment of Distribution intangibles and other assets pending sale

£20.8m

Movement in net debt

£m



HIGHLIGHTS

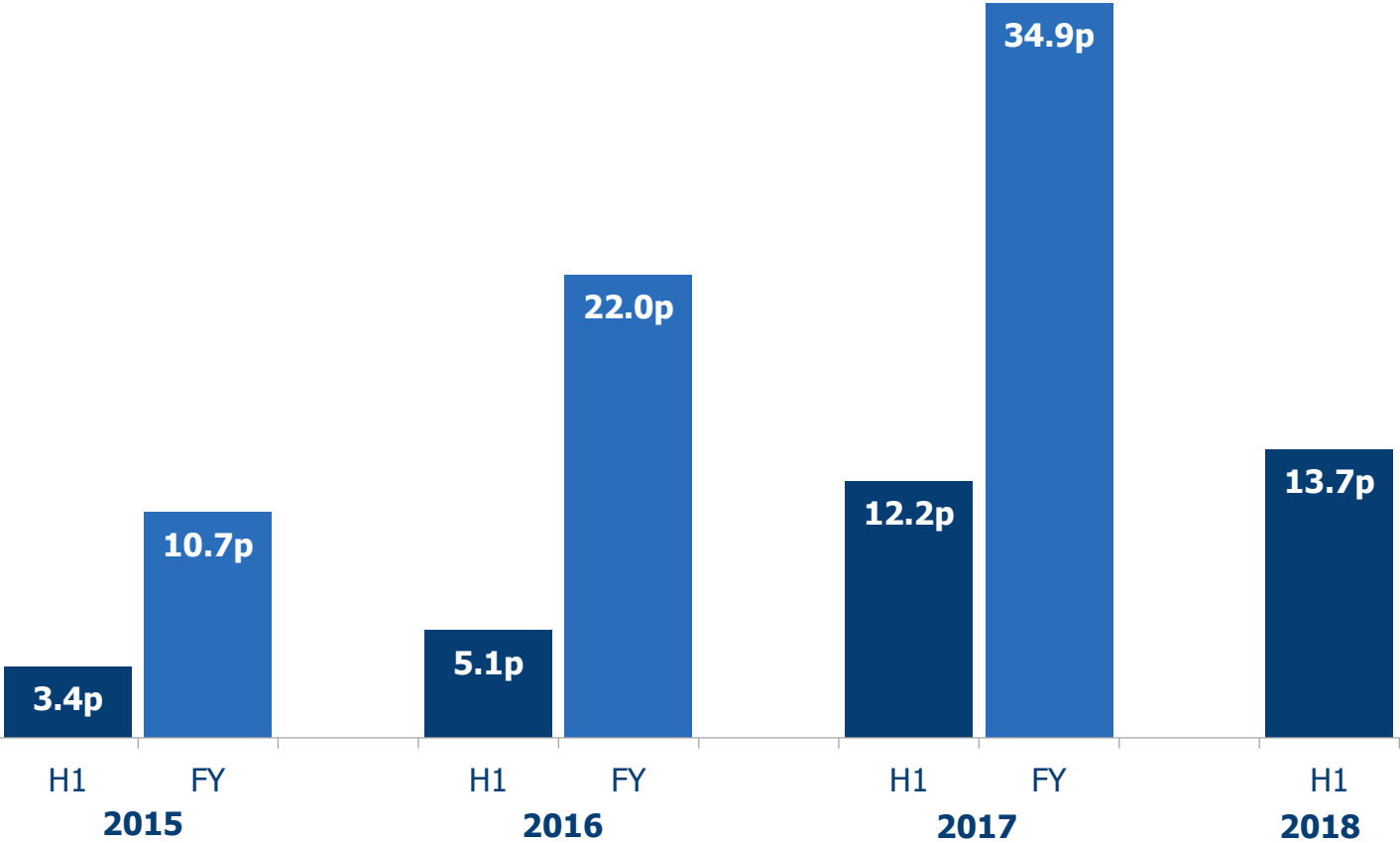
Headroom allows for continued business development

2.1x EBITDA

Strong operating cash flow performance



Earnings per share – Pure play aviation services business



Pro forma data is underlying earnings per share and assumes Menzies Distribution removed as reported, at 20% effective tax rate and no stranded costs

HIGHLIGHTS

Strong progress

H1 three-year
compound annual
growth rate

59%



Business Overview

Forsyth Black

Chief Executive Officer (designate)



H1 2018 Highlights

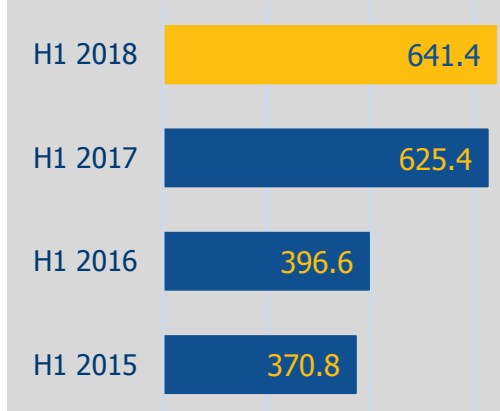
A period of great progress at Aviation

- 17% uplift in underlying operating profit at constant currency
- Tangible progress made with our Excellence Manifesto
- Growth plans continuing to deliver
 - Commercial focus delivered excellent contract gain momentum deepening customer relationships
 - Multiple business development opportunities to pursue
- Continued focus on quality of earnings
 - Business won and retained at acceptable margins

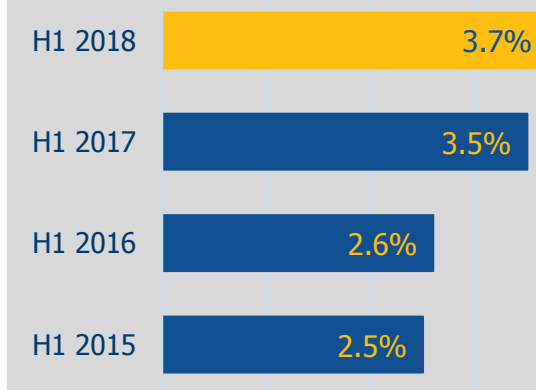
Resilient business model

- Strategic contract losses help to focus on profitable contracts
- Margin improvement continues – focus on cost and efficiency
- Investment in people and technologies at the heart of our plans

Growing the top line £m



Repairing the margin



Business review

Product volume

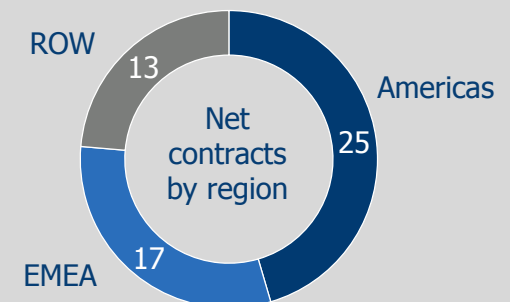
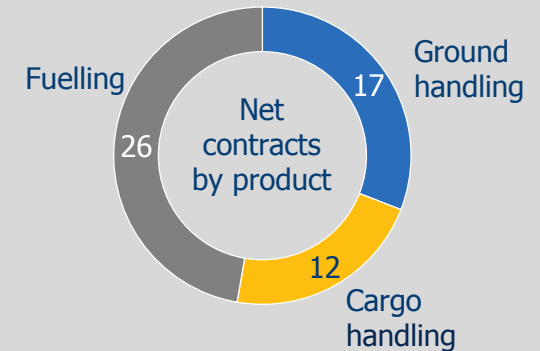
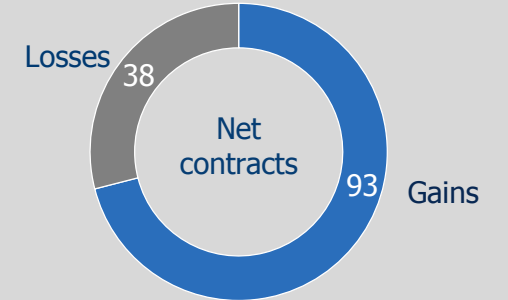
- Ground handling – like for like turns up 5%
 - Increased volume at existing stations – Denver, Heathrow, Copenhagen
- Cargo handling – like for like tonnes up 4%
 - Strong volumes in USA and India
- Fuelling – turns up 18%
 - Increased turns in USA – Austin, Denver, Portland, San Francisco

Contracts

- 55 net contract gains
 - 26 net contract gains in fuelling business
 - Continuing strong performance in Oceania
- 100 contracts renewed securing £51m of annual revenue
 - Excellent progress in North America into-plane fuelling contracts

Contractual progress

H1 2018



Segmental review

Americas

- Strong operational performance with ASIG integration
- Significant labour issues for all market participants in North America impacting costs and service
- Excellent fuelling wins and renewals across USA, incl. Los Angeles, San Francisco and Cincinnati

EMEA

- Significant contract awards including Air China at Heathrow and fuelling expansion in Nice, Bordeaux and Paris Le Bourget
- Strong cargo performance throughout region – strong yields and tonnage
- Acquisition of Airline Services expands our service offering across the UK

Rest of World

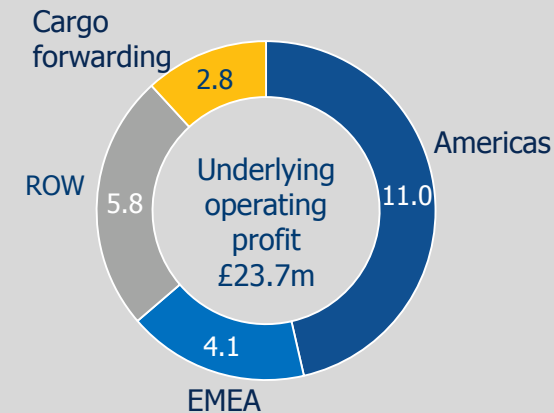
- Good momentum in both cargo and ground handling
- New operations in Indonesia in Q3 widen footprint in South East Asia and China

Cargo Forwarding

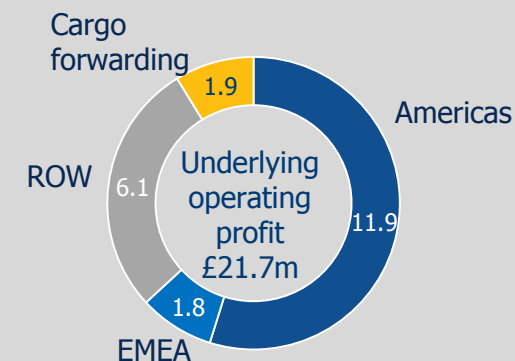
- Trading remains strong, particularly in the UK and USA
- Excellent opportunities exist, with new leadership team in place

Growing the bottom line

H1 2018



H1 2017



John Menzies plc

A pure play Aviation Services business



THE EXCELLENCE MANIFESTO

In order to become the undisputed, premium brand in the Aviation Services sector, Menzies Aviation will:

1

SET THE HIGHEST
STANDARDS FOR SAFETY,
SECURITY & PERFORMANCE

2

OFFER THE DEEPEST
COMBINATION OF
SERVICE PORTFOLIO AND
GEOGRAPHY

3

DEPLOY THE MOST
SOPHISTICATED TECHNICAL
SOLUTIONS



Product Strategy – growing the core



Continue to grow our footprint by:

- Focusing on scale operations in existing and new markets
- Leveraging existing airline relationships to grow organically
- Enter new markets where growth dynamics are strong and anchor customers can be secured
- Continue to innovate to become the logistics partner of choice for airlines
- Delivering safe and secure operations that deliver on time performance



Build on our skills and infrastructure to:

- Drive new technologies to lead the industry. Existing industry practices can be improved
- Develop our into-plane presence in markets where we already operate
- Work with oil majors to organically grow
- Seek to enter new markets through joint venture or acquisition
- Target markets where liberalisation is imminent and use our credentials to gain business



A robust strategy to deliver growth:

- Enhanced operating system, that helps to drive consistency through every facility
- Selectively growing our presence to complement existing facilities but also to stand alone where market dynamics are favourable
- Empower our people – introduce standard training packages and programmes to drive service excellence
- Deliver a comprehensive safety and security programme to ensure compliance with customer requirements and local legislation

Product Strategy – developing around the core



Launch and scale a product strategy that will focus on:

- Build a framework for tiered lounge offering, with global consistency and local design elements
- Secure acquisition targets whilst ensuring organic growth across target markets
- Ensure our people embrace a service culture to support the brand and quality of service
- Utilise technology to enhance customer experience and product revenue



Enhance our product offering where market dynamics allow:

- Build station scale through offline services such as MRO, cleaning, aircraft washing and load control
- Local opportunities exist to broaden our offering where airline demand exists
- Leverage existing overhead

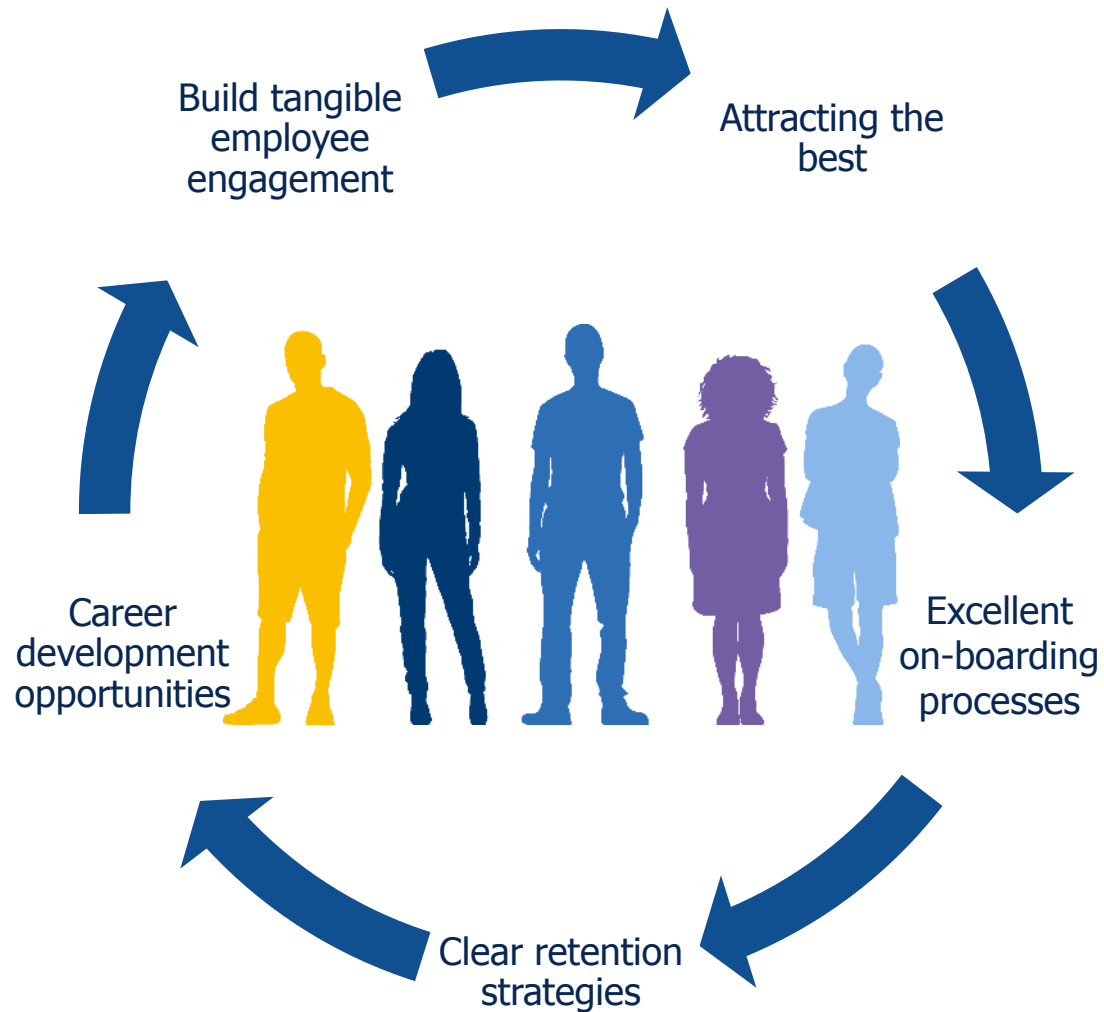


AIR MENZIES INTERNATIONAL

Refresh strategic direction to ensure future growth prospects are secured:

- New product offerings such as ocean freight and expansion of click to ship
- Grow the business strategically through acquisition and new country entry to build a leading global network
- Embrace new technologies to ensure customer interface is optimal

People – The heart of our organisation



People agenda

People are c.65% of our costs

Well trained experienced staff deliver excellence

Offering good employment with prospects is our goal

Staff retention is key

High staff turnover is an industry issue

Technology – Delivering our Vision 2021

Operational Excellence – Delivering the vision

The Menzies Method

- Policies manuals & processes
- New Menzies Intranet
- Business Process Library using Triaster process mapping, lean and six sigma tools

Employee Management HRiS

- SAP Success Factors & Ultipro
- Integration with WorkBridge and T&A
- Improve employee management
- More engagement from accurate data
- Monitor work profile and absence
- Employee and Manager Self Service
- Performance Management using Success Factors

Workforce Recruitment

- eArcu & Ultipro candidate attraction, on boarding and management
- Integrated into HRiS
- Improve efficiency and customer services
- Better planning with real-time control and visibility of resources

Learning Self-Service

- SAP Success Factors & Harley Interactive
- Improve employee development processes
- Learning paths to add competencies
- Schedule courses and training
- Integrated with Telematics and WorkBridge

Time & Attendance

- Standard implementation
- Biometric clocking
- Integrated with WorkBridge
- Common reporting structure

IT Strategy & Programme

- ITO with Sungard AS
- IT Transformation
- Integration of key systems
- Private and Public Cloud

Sales & KAM

- KAM programme and processes
- CRM using Microsoft Dynamics
- Opportunity management and forecasting
- Contract Management using CobbleStone

IT Help Desk

- Implement ServiceNow
- Single integrated service desk
- eBonding with key service providers

GSE Scheduling and Billing

- GSE integration to WorkBridge to allow GSE scheduling
- Increase efficiency and improve customer service
- Agile management of GSE
- Integrated GSE asset management and utilisation with SAM and EBis
- Preventative Maintenance

Departure Control

- WorkBridge Airport Management System
- Digital allocation of employees to customer tasks
- Agents provided tasks via handhelds
- Push to Talk via handheld removing radios to commence rollout in 2018

GSE Parts Management

- Standardising GSE recording and management globally by end of 2018 on EBis
- Improve control of equipment costs and maintenance processes
- Better first-time fix-rates
- Integrated parts management and billing

Cargo Handling

- Standardise on Hermes NextGen globally
- Deliver tighter integration with AMI

Health, Safety and Quality

- Integrated Risk Manager
- Capture CAT A, B, C, D & E incidents
- Reduce risk and support compliance
- Aircraft, Personal Injury and Environmental

Long-term Planning

- WorkBridge - Prepare & Mobilize implemented for rostering
- Integration with RSMS and T&A
- Improve cost management
- More accurate forecasting of capacity against demand

Lounge Hospitality

- Online booking & mail app to access hospitality services
- RSMS billing integration

Signature on Glass

- Single consistent data capture on every Menzies turn globally
- Dispatch Card, De-Icing, Fuelling digital data capture
- Increase productivity and reduce errors
- User Interface for RSMS that eliminates the need to re-key data
- Ensure services delivered to customers are charged

Leading the way

Innovative technologies are at the heart of our service offering

Cutting edge technologies drive better productivity

High quality management information helps drive smarter decision making

Margin improvement plan

- Margin improvement is a key management focus across the business. Every station can do better, and all are challenged to do so
- Margin improvement plan launched in 2017 to increase low margin stations to internal target
- 2017 provided the benchmark and momentum – 108 initiatives fully or partially realised with 18 stations recording an improved exit margin
- Focus remains in 2018 with a further 198 initiatives across 69 station/product line combinations
- Management's target is to progressively improve the overall Group margin



**Margin
improvement
approach**

108

**Initiatives realised
in 2017**

198

**Initiatives underway
in 2018**

Commercial – connecting with our customers

- Key account management is now an integral part of our business philosophy
- Commercial structure now aligned to key customers
- Proactive approach to developing relationships and deepening our offering
- Move towards global terms agreements
- Global approach allows leverage of regional strength
- Developing relationships is key to become a logistics partner of choice for airlines
- Commercial focus to ensure all new technologies and products are communicated to airlines at the right level
- Developing new relationships with oil majors and infrastructure players

FedEx

World Fuel
Services

WESTJET

 **Lufthansa**

 **CATHAY PACIFIC**

 **THAI**

SINGAPORE AIRLINES 

easyJet



IAG

 **RYANAIR**

AIRFRANCE KLM

FRONTIER

 **AIR CHINA**
中國國際航空公司

 **QANTAS**

TURKISH AIRLINES 

AIR CANADA 

malaysia 

United Airlines 

Southwest 



norwegian.com 

 **DELTA**

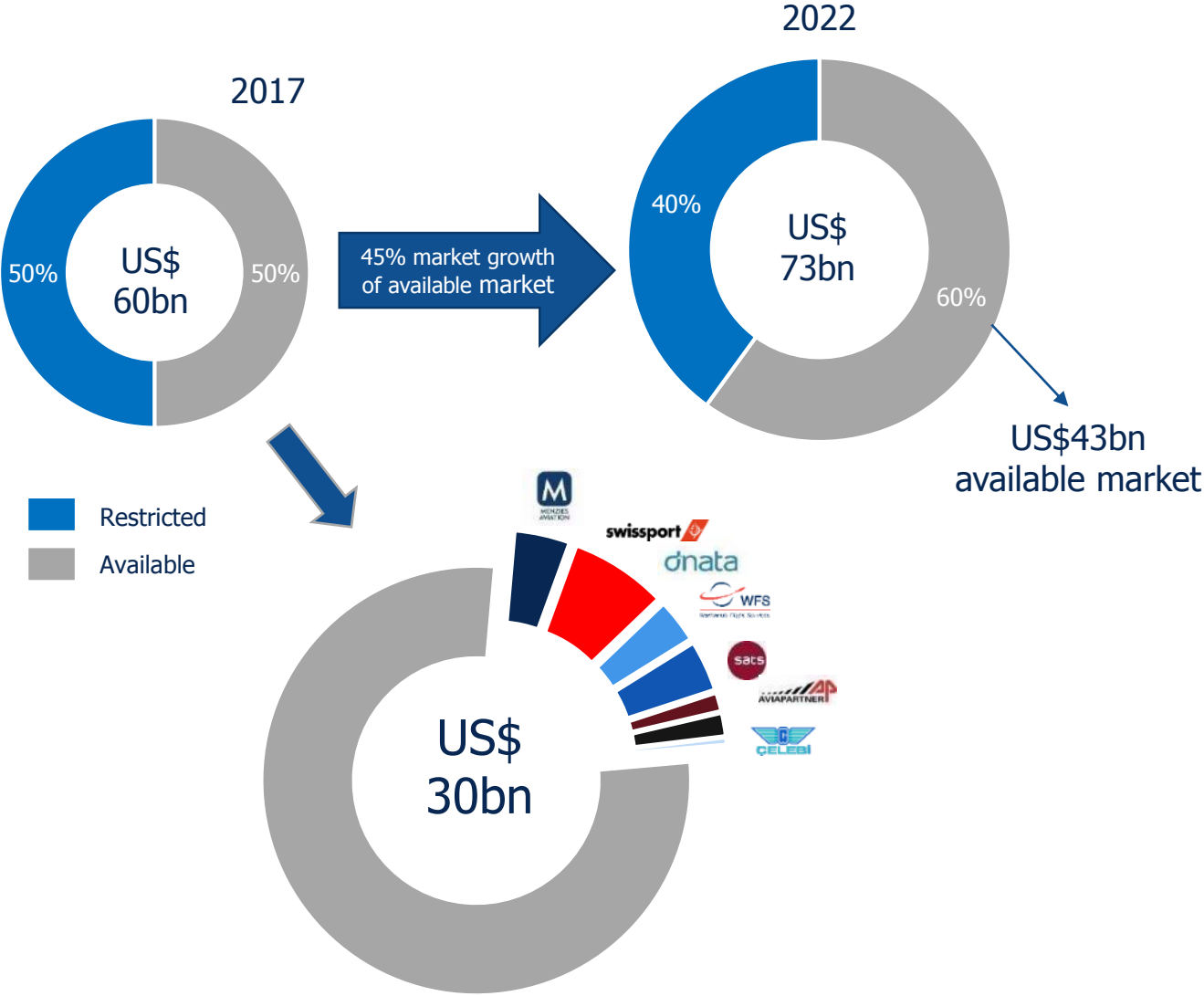
 **Emirates**

Alaska
AIRLINES

 **australia**

Market dynamics – a growing market

Available market growing



Underlying market growth



Strong passenger growth
4.7% p.a.



More aircraft = more turnarounds
21,230 net new aircraft by 2030



Continuing **investment in airport infrastructure** will promote market growth

Investment Case



UNDERPINNED BY A STRONG MANAGEMENT TEAM

Industry experience • Track record for delivery • Strong commercial principles • Focus on growing margin

Questions





Appendix 1

Further financial information



Profit before tax

£m	H1 2018	H1 2017
Underlying profit before tax	28.5	24.7
Non-recurring items in operating profit	(5.2)	(17.6)
Non-recurring items in finance costs	(0.1)	(0.7)
JVs and associates tax	(1.0)	(1.0)
Contract amortisation	(4.3)	(4.9)
Impairment of assets	(20.8)	-
(Loss)/profit before tax	(2.9)	0.5

Cash flow and net debt

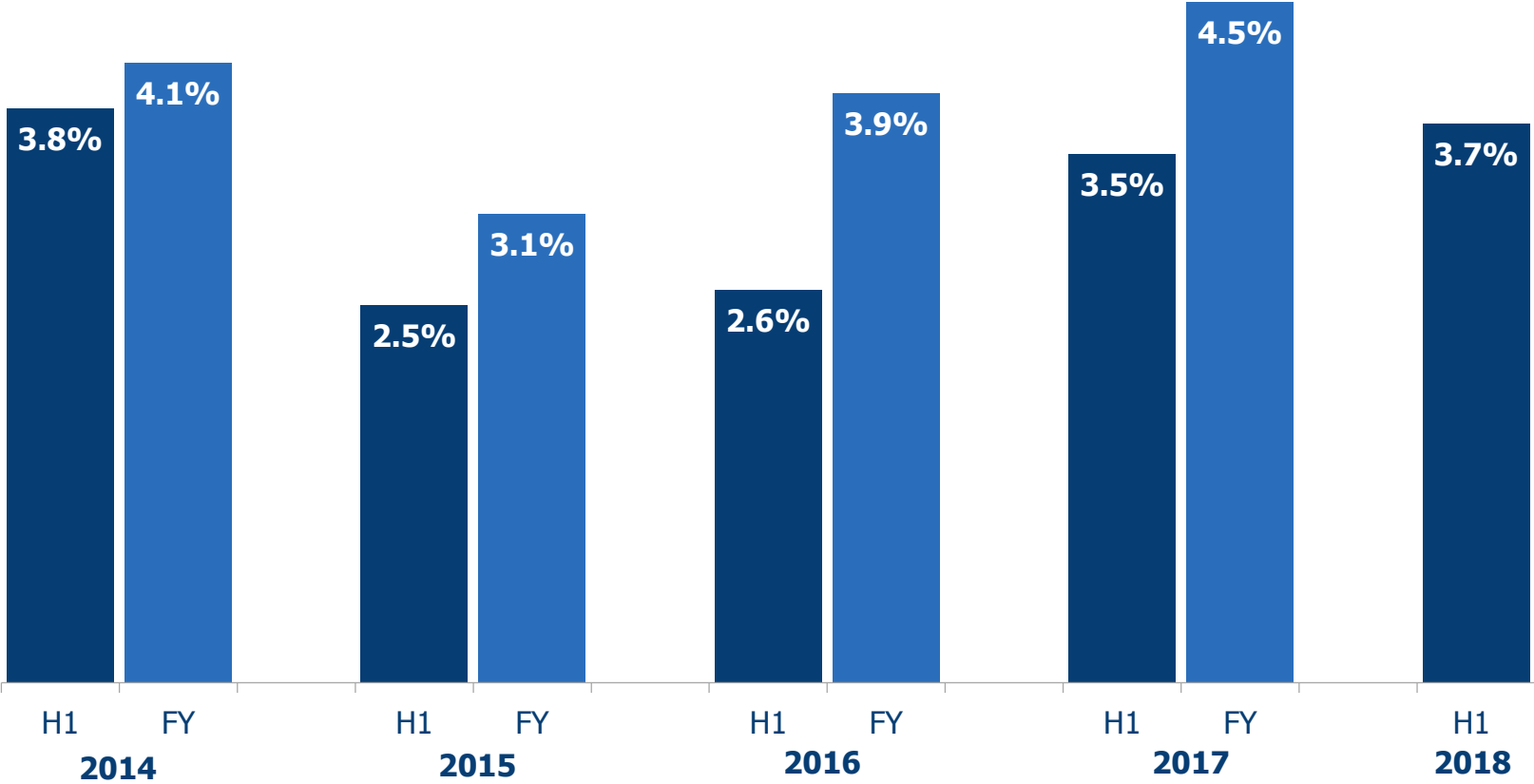
£m	H1 2018	H1 2017
Underlying EBITDA	48.1	44.9
Working capital movement	(9.8)	(9.7)
Other movements	0.1	0.3
Operating cash flow	38.4	35.5
Tax and net interest paid	(12.2)	(14.8)
Net capital expenditure	(9.8)	(15.3)
Free cash flow	16.4	5.4
Acquisitions and investments	(15.4)	(159.4)
Exceptional items	(6.6)	(11.0)
Additional pension contribution	(5.8)	(5.4)
Other	(3.0)	0.3
Net cash flow	(14.4)	(170.1)
Net debt at start of period	(214.4)	(70.5)
Currency translation	(3.0)	5.2
Net debt at end of period	(231.8)	(235.4)

Balance sheet

£m	H1 2018	H1 2017
Tangible fixed assets and investments	180.7	187.5
Goodwill, intangibles and other assets	209.9	217.1
Working capital and others	(15.1)	(5.7)
Net debt	(231.8)	(235.4)
Pension liability, net of deferred tax	(30.6)	(43.2)
Net assets	113.1	120.3

Note: Balance sheet presented on a combined continuing and discontinued basis

Menzies Aviation – Margin progression



Note: Margin is reported underlying operating profit divided by turnover



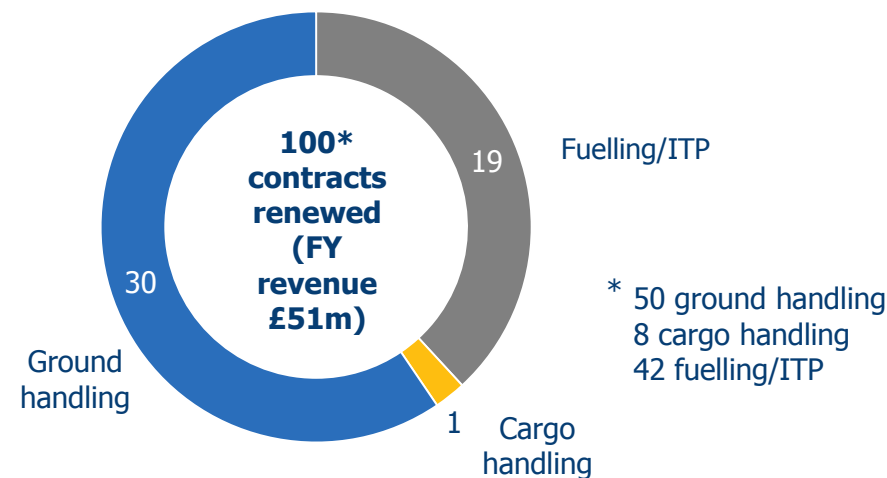
Appendix 2

Additional Information

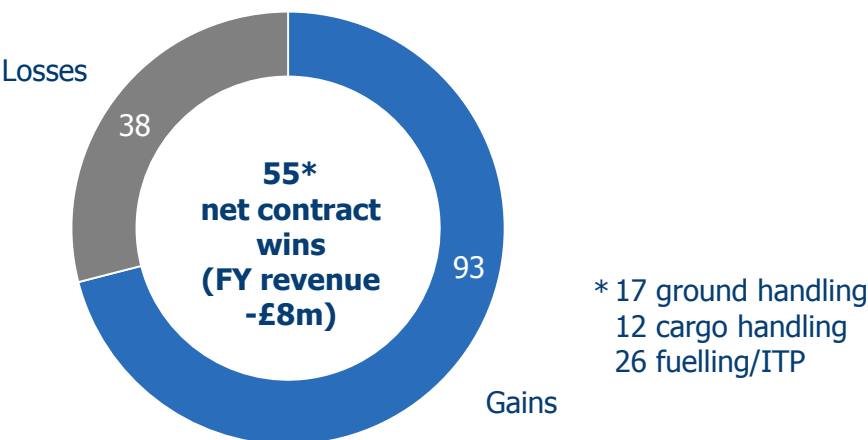


Business development

Contracts renewals by service



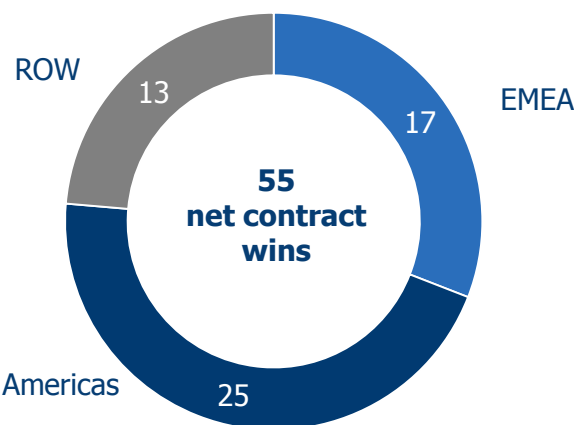
Net contract wins



Contract renewals by region



Net contract wins by region



Menzies Aviation

37

Countries

33,000

Employees

219

Stations

1.4m

Aircraft turns per year

1.6m

Tonnes of cargo handled per year

3.7m

Fuelling turns per year



Americas

15,000

Employees

122

Stations

0.6m

Aircraft turns per year

0.4m

Tonnes of cargo handled per year

3.3m

Fuelling turns per year



GROUND HANDLING



CARGO HANDLING



FUELLING



EXECUTIVE SERVICES



OFFLINE SERVICES

EMEA

15,000

Employees

76

Stations

0.7m

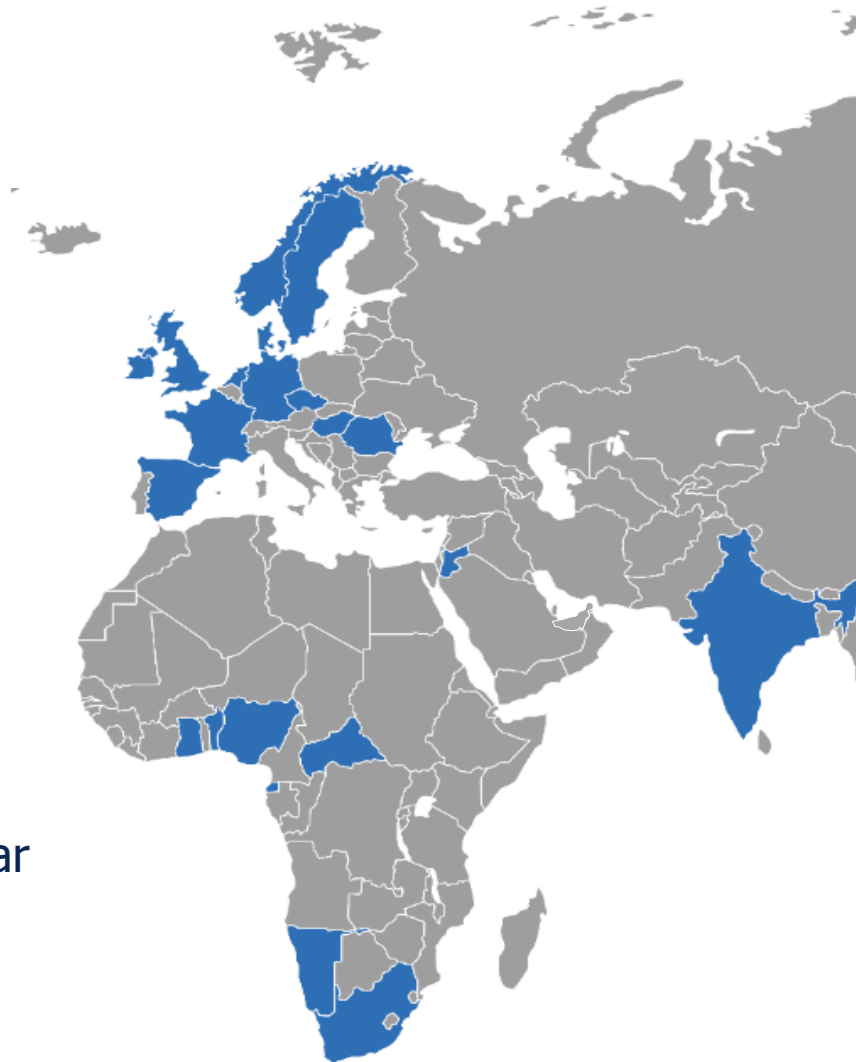
Aircraft turns per year

0.8m

Tonnes of cargo handled per year

0.4m

Fuelling turns per year



GROUND HANDLING



CARGO HANDLING



FUELLING



EXECUTIVE SERVICES



OFFLINE SERVICES

Rest of World

- G** GROUND HANDLING
- C** CARGO HANDLING
- F** FUELLING
- E** EXECUTIVE SERVICES
- O** OFFLINE SERVICES



3,000
Employees

21
Stations

0.1m
Aircraft turns per year

0.4m
Tonnes of cargo handled per year

13,000
Fuelling turns per year



AMI

430

Employees

22

Branches

7

Regions

500,000

Bookings per year

120,000

Tonnes of cargo handled per year

