Full Year Results Presentation

10 March 2009

Menzies
JOHN MENZIES PLC

Agenda

Group Highlights & Financial Review

Business Review:

- Menzies Aviation

- Menzies Distribution

Current Trading

Questions

Group Highlights and Financial Review

Paul Dollman, Group Finance Director

Menzies
JOHN MENZIES PLC

Overview

Menzies Distribution

Good year despite difficult trading conditions

First class cost performance

Menzies Aviation

Continuing to grow in significant new markets

Profits affected by Q4 volumes

Group

Year end net debt affected by FX

All long term facilities secured to 2011 and beyond

Focus on cash generation in 2009

Results reflect challenging markets

Financial highlights

John Menzies Plc

£m	2008	2007	Change
Revenue	1,667.1	1,541.1	+8%
Underlying profit before tax	30.7	38.0	-19%
Free cash flow	(8.7)	14.9	-158%
Underlying earnings per share	31.3 p	47.9 p	-35%
Interim dividend	7.6 p	7.2 p	
Final dividend	- p	18.4 p	
Total dividend	7.6 p	25.6 p	

Segmental operating profit

John Menzies Plc

£m	2008	2007	Change
Aviation	14.1	20.6	-31%
Distribution	23.9	23.4	+2%
Corporate	(1.5)	(3.0)	+50%
	36.5	41.0	-11%
Interest *	(5.8)	(3.0)	+93%
Underlying profit before tax	30.7	38.0	-19%
Tax	(12.1)	(9.7)	+25%
Underlying profit after tax	18.6	28.3	-34%
Tax rate	39%	25%	

* Interest charge is net of IAS 19 credit of £2.3m (2007: £3.4m), resulting from strong pension asset performance; and £1.0m benefit (2007: £0.6m) from a low cost financing transaction in the year. The exchange loss on the low cost financing transaction at the date of maturity was £7.7m (2007: £2.1m). This is excluded from the interest figure as it is fully offset in the tax line.

Taxation

Underlying effective tax rate

%	Underlying 2008	2007
Standard UK rate	28.5	30.0
Overseas impact - losses/tax rates	12.4	5.1
Non tax-deductibles	1.5	0.5
Utilisation of tax losses	(3.0)	(6.2)
Prior year adjustments	-	(2.8)
Reduction in tax rate	-	(1.1)
	39.4	25.5

Overseas impact caused by higher losses incurred in differing tax jurisdictions

Higher non tax-deductibles caused by a deferred tax charge on the undistributed reserves in an associate

Taxation

2008 effective tax rate

%	2008 Underlying	2008 Basic
Standard UK rate	28.5	28.5
Overseas impact - losses/tax rates	12.4	12.4
Non tax-deductibles	1.5	1.5
Utilisation of tax losses	(3.0)	(3.0)
JVs & Associate tax	-	4.8
Exceptional items	-	23.7
Intangible amortisation	-	14.0
Deferred tax adjustments:		
IBA legislative change	-	17.5
Overseas assets written-off	-	12.7
	39.4	112.1

Exceptional items attract minimal tax relief, being incurred in loss-making operations

Intangible amortisation does not attract any tax relief

IBA legislative changes were enacted in the Finance Act 2008 (non-cash)

Overseas deferred tax assets were written off in the Netherlands and the USA (non-cash)

Exceptional items

John Menzies Plc

£m	2008	2007
Gain on disposal of Peru JV	8.2	-
Goodwill impairment	(3.8)	-
Onerous lease provisions	(5.0)	-
Sterling Airlines bankruptcy	(1.3)	
Rationalisation costs	(5.4)	-
Net gain on exchange of business	-	2.5
Dilapidations settlement on onerous lease	-	(2.4)
	(7.3)	0.1

Profit before tax reconciliation

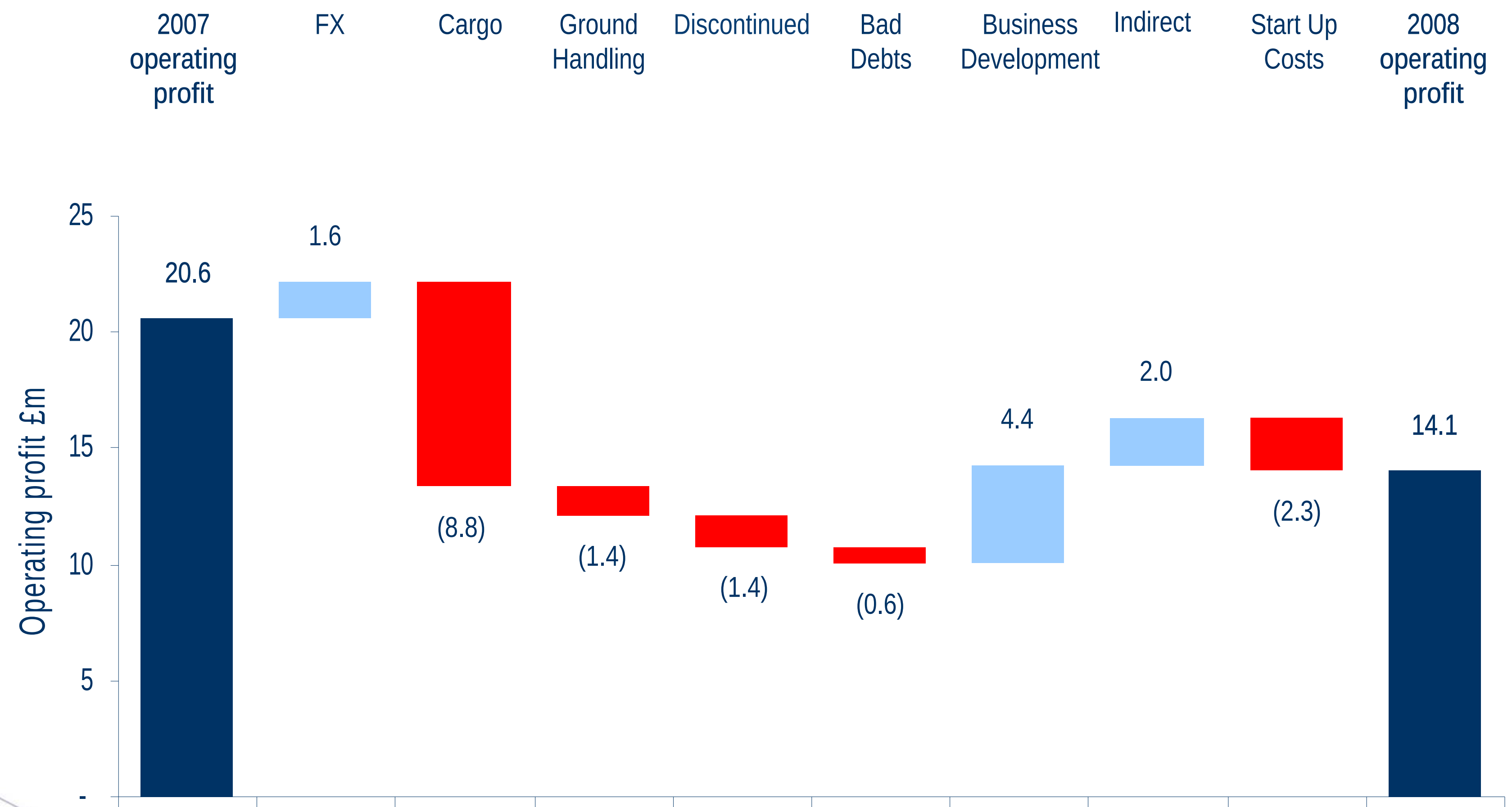
John Menzies Plc

£m	2008
Underlying profit before tax	30.7
Exceptionals	(7.3)
Foreign currency loss on cross currency basis swaps	(7.7)
Joint venture and associate taxation	(1.5)
Contract amortisation	(2.5)
Goodwill	(1.8)
Profit before tax	9.9

£m	2008	2007	Change
Revenue	500.9	393.8	+27%
JVs & Associates	34.6	31.3	+11%
Turnover	535.5	425.1	+26%
Underlying operating profit pre start up costs	18.3	22.5	-19%
Operating margin before start up costs	3.4%	5.3%	
Underlying operating profit	14.1	20.6	-32%
Operating margin	2.6%	4.8%	

Menzies Aviation

Underlying operating profit bridge



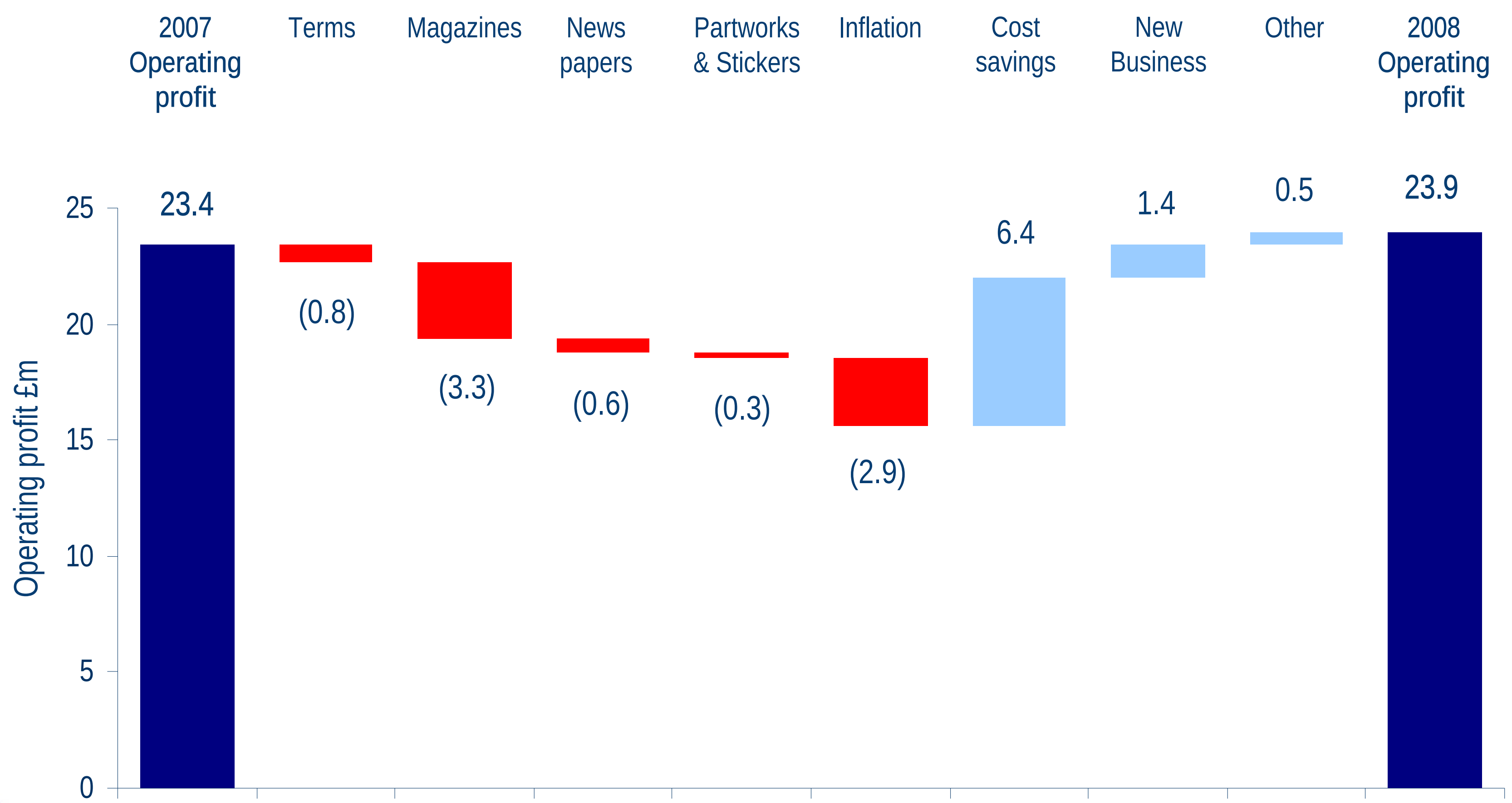
Menzies Distribution

Financial overview

£m	2008	2007	Change
Revenue	1,166.2	1,147.3	+2%
JVs & Associates	85.6	43.0	+99%
Turnover	1,251.8	1,190.3	+5%
Underlying operating profit	23.9	23.4	+2%
Operating margin	1.9%	2.0%	

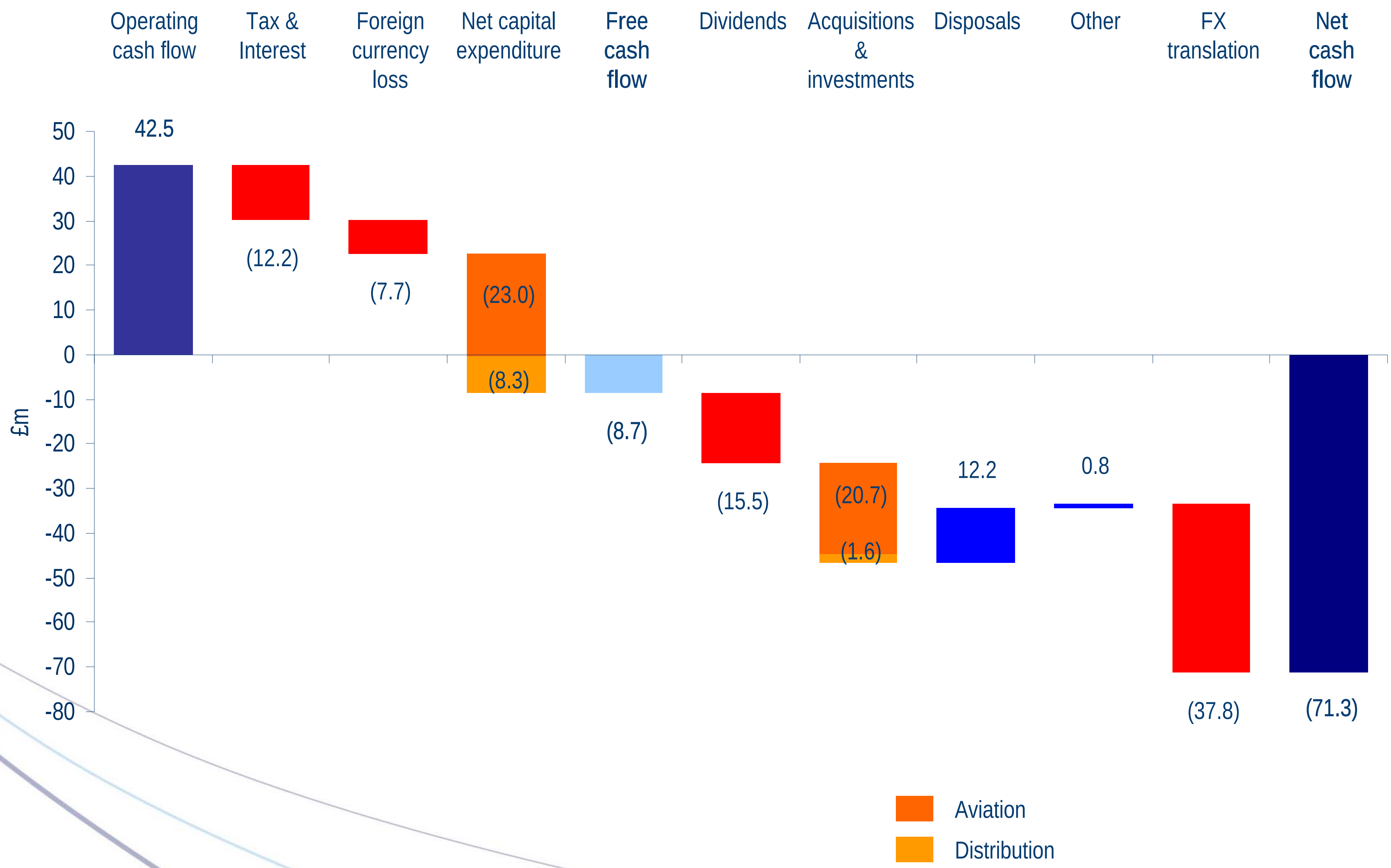
Menzies Distribution

Underlying operating profit bridge



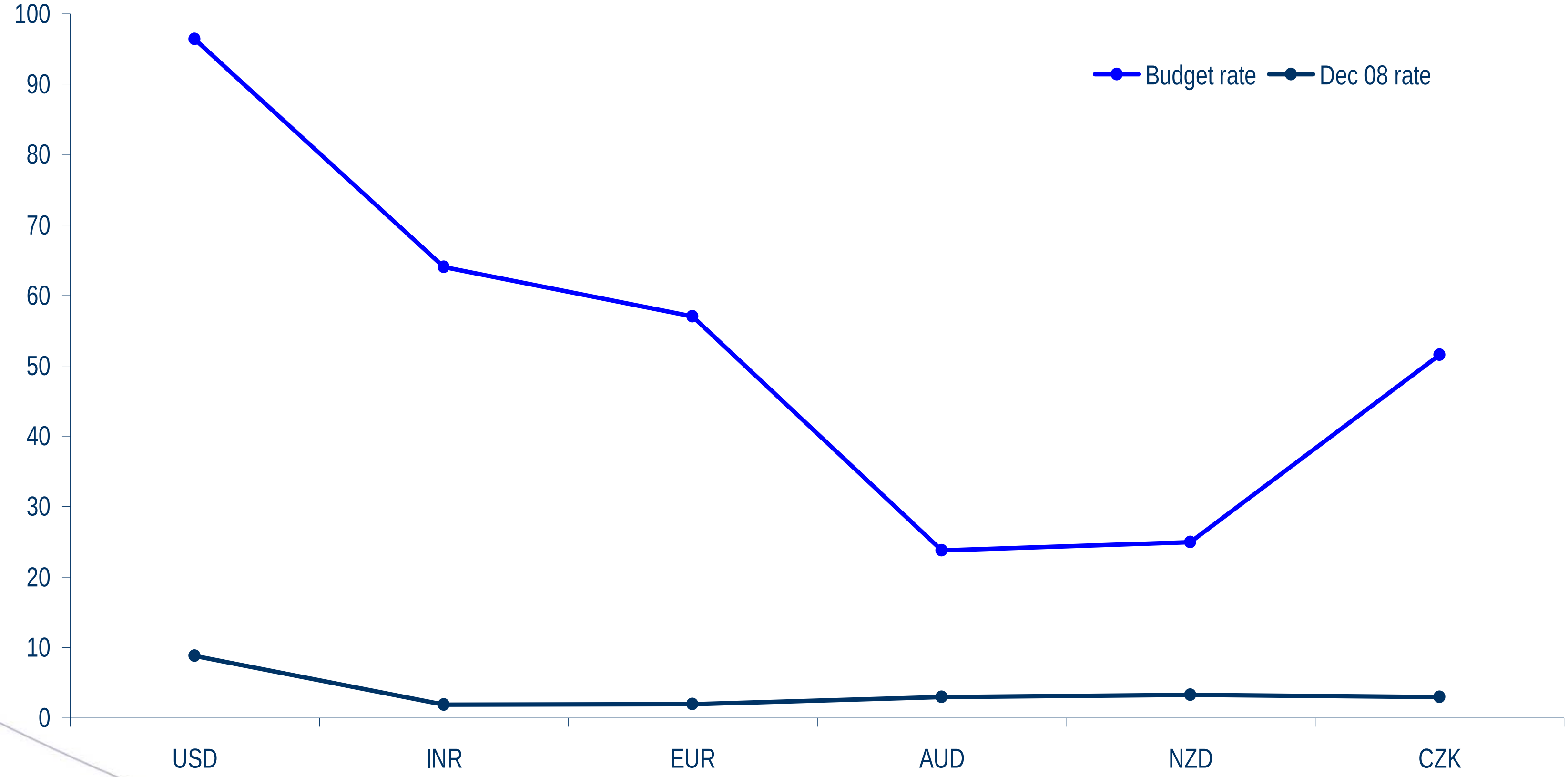
Cash Flow

John Menzies Plc



Currency movement vs. 10 year high and low * (indexed to 100)

H2 2008 saw certain currency rates hit 10 year lows



* INR available from October 2003 and CZK available from April 2005

2008 closing rates close to 10 year lows

Debt & Facilities

Net debt reconciliation

	£m
Opening net debt	(111.3)
Net cash flow excluding forex	(33.5)
Currency effect on bank debt	(20.2)
Net bank debt	**(165.0)**
Mark to market value of forward contracts	(17.6)
Closing net debt	**(182.6)**

Net bank debt in line with market expectations

Increase in closing net debt caused by adverse FX translation due to weakening of Sterling against US$ and Euro

Our response to FX volatility

Forward contracts entered into to reduce exposure to currency debt, with majority not maturing until H2 2009

Balance sheet hedging reduced by c.30%

Net bank debt in line with expectations

Debt & Facilities

Existing facilities

	£m	Maturity
HBOS	25.0	Oct 2009
RBS	20.0	June 2010
Lloyds TSB	50.0	Nov 2011
Barclays	50.0	Jan 2013
RBS*	28.7	Mar 2020
GBP committed facilities	173.7	

	US$	
HSBC	40.0	Nov 2011
US$ committed facilities	40.0	

* Property lease financing

Un-drawn committed facilities of £22.6m

Annual facilities maturity profile:

In 2009	12%
In 2010	10%
In 2011	39%
In 2013	25%
Beyond 2013	14%

All long term facilities secured to 2011 and beyond

Balance Sheet

John Menzies Plc

£m	2008	2007
Tangible fixed assets & investments	206.1	172.5
Goodwill, intangibles & other assets	112.5	87.8
Other	15.0	4.1
	333.6	264.4
Working capital & other creditors	(39.0)	(43.0)
Available for sale investment	2.7	-
Net debt	(182.6)	(111.3)
Creditors >1 year	(16.5)	(11.2)
Pension (liability)/asset	(35.6)	9.5
	62.6	108.4
Equity shareholders funds	62.6	108.4
Minority interest	-	-
	62.6	108.4

Business Review - Menzies Aviation

Craig Smyth, Managing Director

2008… a year of challenges

H1 driven by unprecedented oil prices, with H2 reflecting start of economic slowdown

Cargo less resilient than ground handling, but both products structurally sound

Our response

Swift and decisive cost actions, with 15% of indirect labour and 5% of direct labour savings delivered

Aggressively pursued Fix, Close, Sell programme, delivering a cash positive outcome

Remaining true to our strategy

Getting the basics right...	renewed 35% of long-term contracts, on schedule and without material yield diminution
Building strength…	creating regional and product densities in India and South Africa
Growing from strength…	£39m of revenue generated through contract gains, much with top 10 customer base

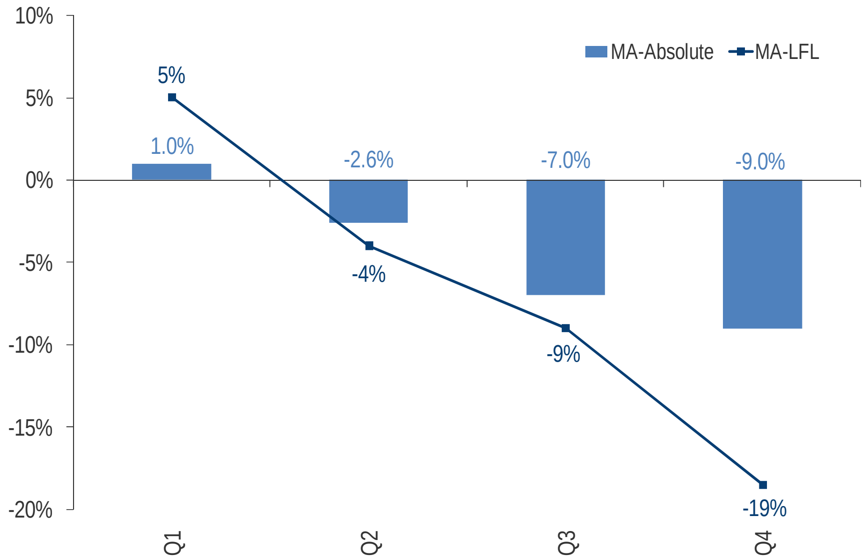
A robust business for the uncertainties ahead

Cargo handling

Menzies Aviation

Absolute tonnes down 3.1%

Like-for-like tonnes down 6.8%



Industry comparison

IATA reported year-on-year global freight traffic down 4%

Airlines reducing capacity by 10-20%

Our weaker performance reflects US and European bias in our cargo business

Extent of earnings impact limited by cargo handling accounting for only 30% of total revenue

Long-term growth

Fundamentals remain sound

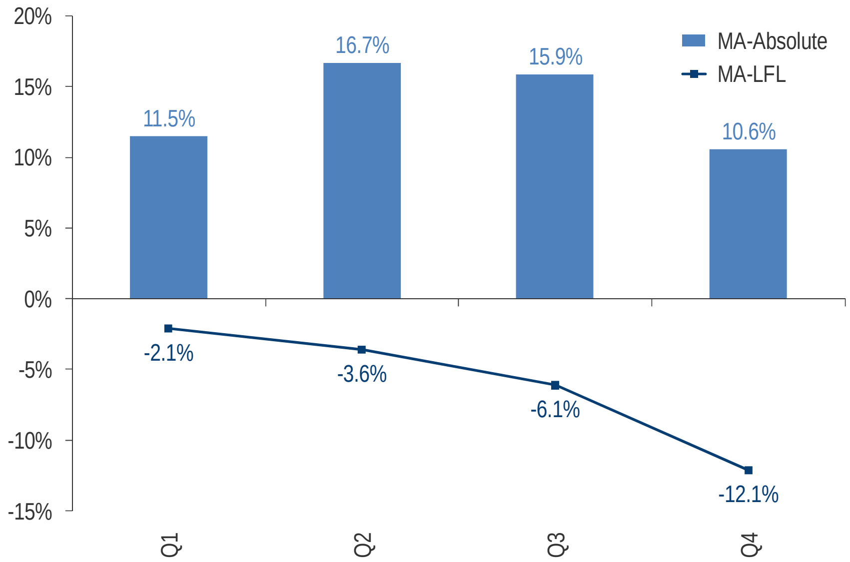
Average 5.5% growth predicted over medium to long-term by all commentators

Cargo temporarily weak, but structurally sound

Ground handling
Menzies Aviation

Absolute turns up 13.7%

Like-for-like turns down 5.5%



Industry comparison

Year-on-year total market passenger volumes down

Earnings impact of volume performance limited by:

- focus on low-cost carriers
- 81% of aircraft handled are narrow-bodied

Both deliver significant operational gearing upside

Long-term growth

Fundamentals again remain sound

Average 5.0% growth predicted over medium to long-term by all commentators

Strategy driving more resilient earnings

Our response

Controlling labour costs

15% reduction in central and regional management, saving £2m in H2 and £4m annually

Direct operational headcount reduced by 800, maintaining like-for-like productivity

Capital restraint

Operational capital expenditure limited to essential safety and security spend

Business development spend limited to the absolute best projects

Fix, Close, Sell

Fix…	Los Angeles, Seattle, Auckland
Close…	Copenhagen, Fort Myers, Atlanta
Sell…	Peru, Hong Kong

… delivering cash positive outcomes
… a programme of continual improvement
… 2009 actions progressing to plan

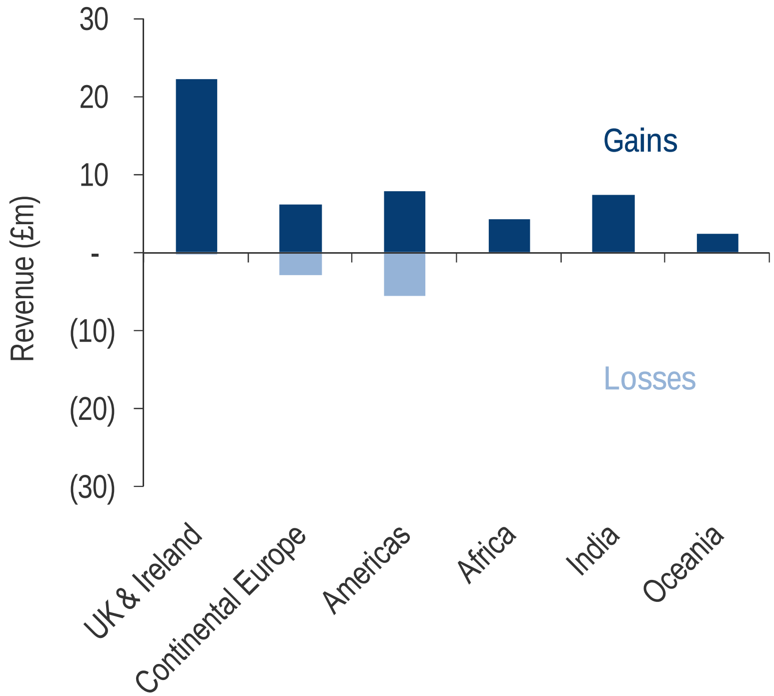
Swift and decisive actions, protecting our market leading position

Continued contract gain momentum

Menzies Aviation

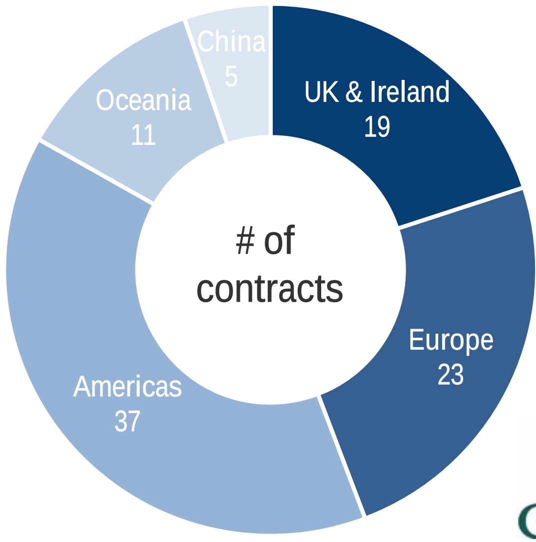
Contract gains and losses

Net 66 contract gains, generating an additional £39m revenue



Contract renewals

95 contracts renewed during 2008, protecting £190m revenue



Lufthansa

Asiana Airlines

bmi

Emirates

Cathay Pacific

Air France KLM

Continuing to improve our quality of earnings

Case study: India

Menzies Aviation

Getting the basics right

Projects delivered on time and on budget

International operating standards implementation in all 3 operations

Earnings performance ahead of expectations

Building strength

Created station density

Significant opportunity to expand product and regional densities further

Growing from strength

1 of 2 handlers at two greenfield airports

Secured long-term contracts with attractive airlines

An outstanding performance, from a standing start

Case study: South Africa

Menzies Aviation

Getting the basics right

6 start-ups delivered on time, initial over-manning fixed

International operating standards implementation in all 6 airports

Countless airline awards

Building strength

Created regional & product density

Market leading performance gives competitive edge

Growing from strength

1 of 2 handlers at all ACSA airports

Secured long-term contracts & continuing to grow

BRITISH AIRWAYS

CATHAY PACIFIC

الإتحاد ETIHAD AIRWAYS

SOUTH AFRICAN EXPRESS

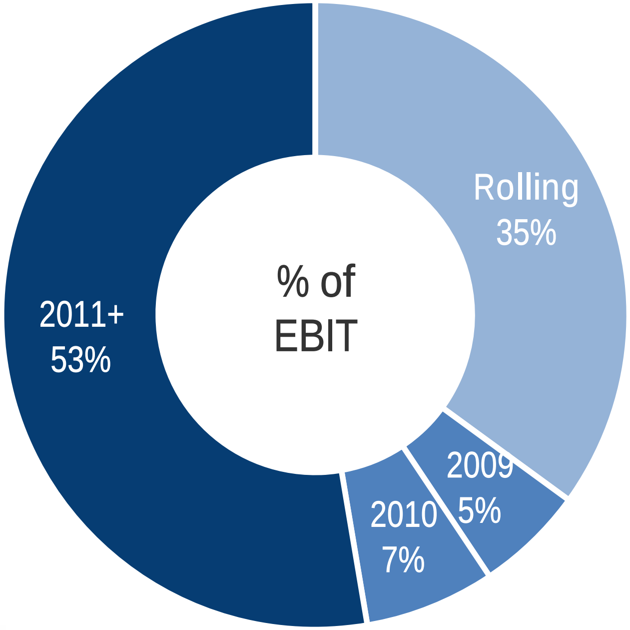
Delivered structural improvement in SA ground handling

An increasingly resilient model

Menzies Aviation

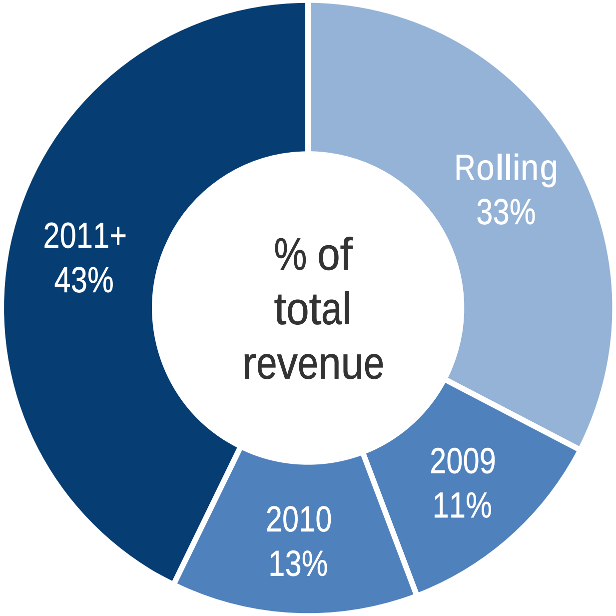
Majority of business is licensed

53% of earnings secured through licences not expiring within next two years



Contract tenure gives greater security

56% of revenue with two or more years to run

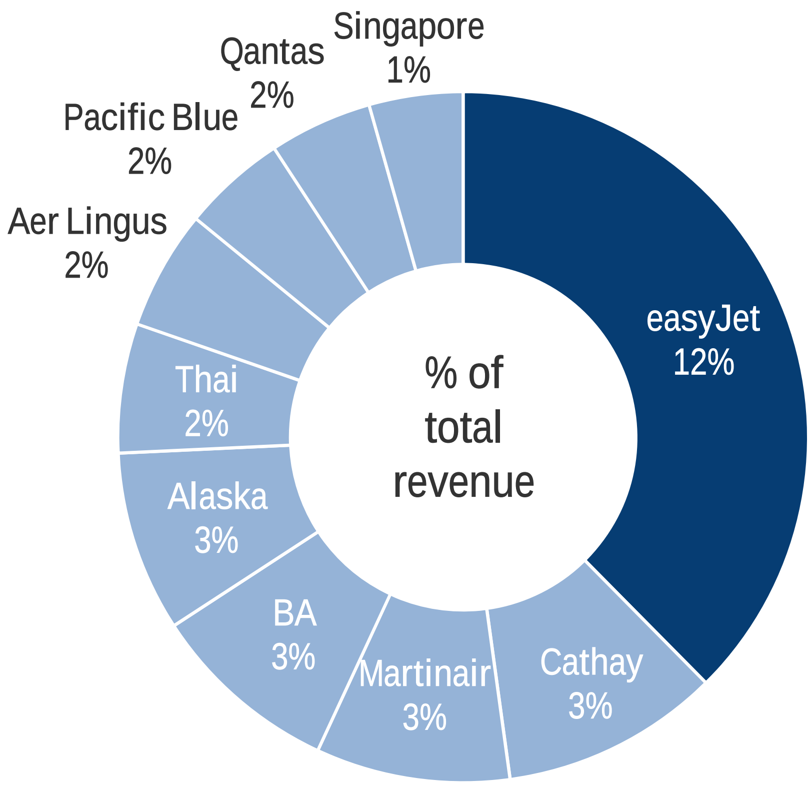


Protected, long-term contractual earnings

An increasingly resilient model

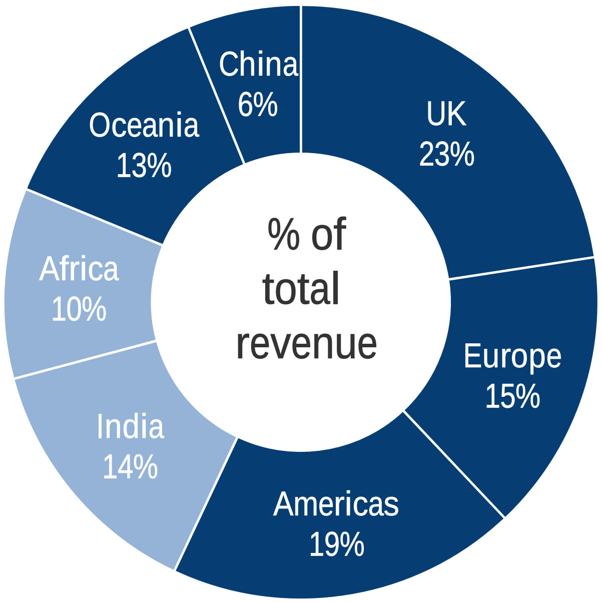
Menzies Aviation

An exceptional top 10 customer base



Strategic geographic diversity

Material improvement in geographic diversity and regional density over past four years



Attractive customers, in attractive markets

Short-term actions

Addressing volume shortfalls through productivity, direct cost control and limiting indirect costs

Maintaining capital discipline

Aggressively delivering on Fix, Close, Sell

More contract gains and annualisation of 2008 business development

Business model remains sound

Increasing resilience through consistent application of strategy

Management team experienced, with outstanding turnaround track record

Stronger and more agile than any other handler

A resilient business, able to withstand short-term turbulence

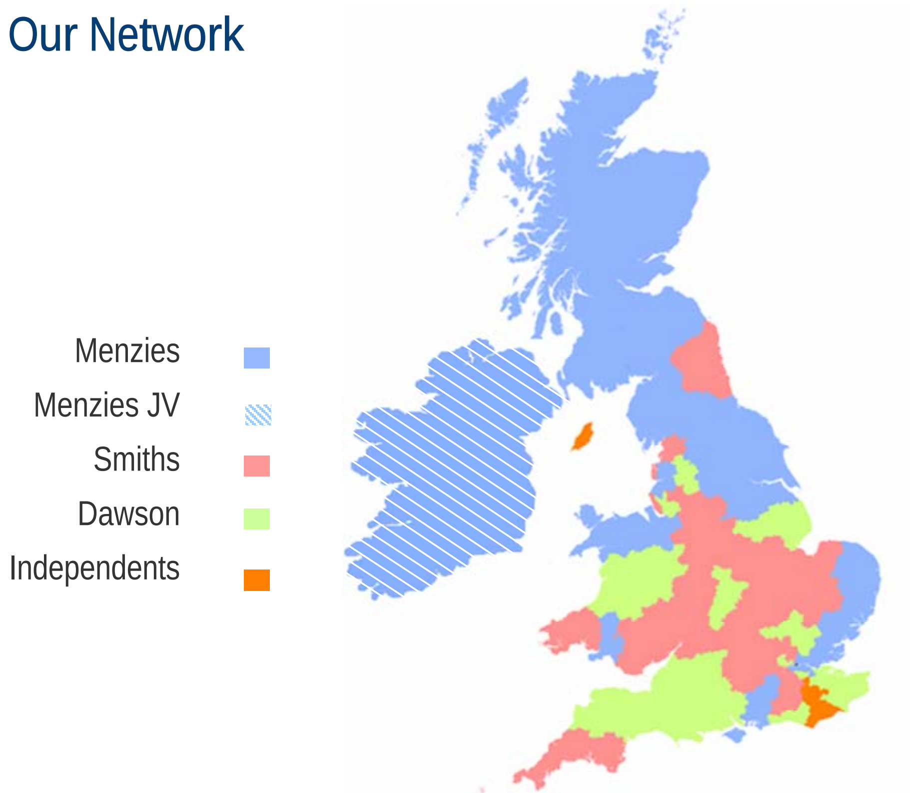
Business Review - Menzies Distribution

Ellis Watson, Managing Director

Overview

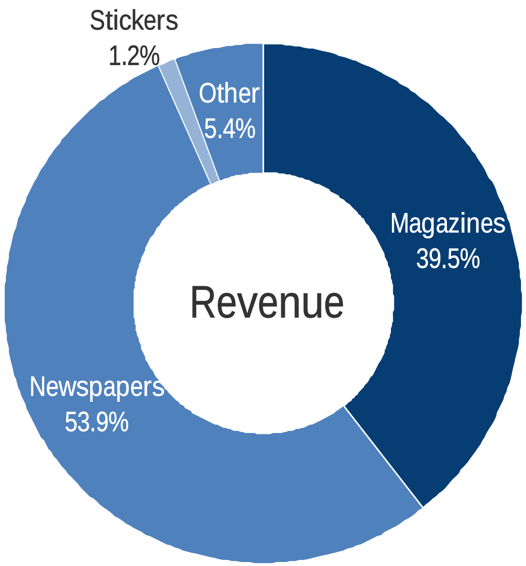
Menzies Distribution

Our Network



5.3m newspapers daily | 5.5m Sunday newspapers
2.2m magazines | 3,000 magazine titles
23,000 Retailers | 4,000 FTEs
c. 35% market share

The shape of our business



Revenue: £1,166.2m, Operating Profit : £23.9m

The market and its outlook

Menzies Distribution

Overview | Current economic conditions creating challenging markets

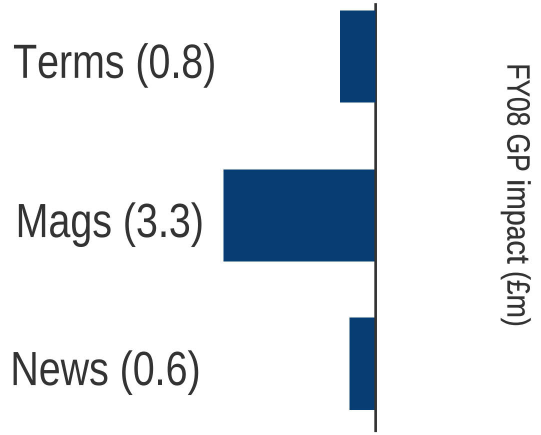
Magazines |volumes in decline, only partially offset by cover price increases

Newspapers | cover price increases mostly offset by volume declines

Net like for like sales |0.8% down on last year

Outlook | Volume declines expected to continue into 2009 - driving cover price growth

Looking to protect margins and grow market share through contract renewal process



consumer recession impact

Challenging times ahead

Strategy – a three step approach

Menzies Distribution

Drive aggressive top line growth	Drive operational cost base	Drive outstanding customer service
Regional business	More than out run inflation	Improve retail standing
Irish JVs	Continuous productivity improvement	Constant focus on quality measures
D-Cipher	SAP	SAP
The Network		
Contract Renewals		

Stable platform for growth

Clear strategic vision

Managing the cost base

Menzies Distribution

Customer service

Efforts redoubled on delivering great service

Annual customer satisfaction surveys a key tool

Dedicated account management teams

‘Great Service’ team on the road 364 days a year

Focus on cost remains

Underlying cost savings greater than inflation effect

Further efficiencies set to more than out run inflation again in 2009

Future cost savings and service quality improvements following SAP implementation

Cost focus will not compromise customer service

Aggressive control of costs while maintaining service levels

Grow the top line

Menzies Distribution

New revenue streams delivering….

Integrate new business | Delivering the promised benefits

Ireland JVs| Northern Ireland bedded in, successful entry into Republic of Ireland

Jones Yarrell Leadenhall | Become industry leader

D-Cipher | Contract gains with M&S, Boots and Total Petrol

The Network | delivering in line with plan

Contract renewals

News International secured for five years with effect July 2009

Successfully targeting regional news business

Significant momentum behind other publisher renewals

Implementing initiatives to secure growth

In the last 3 years, we have completely transformed our business…

Revolutionised our Operating Model

Aggressively driven top-line growth

Continually, consistently reduced our cost base

With significant momentum behind our contract renewals, Menzies Distribution is on course to grow substantially

In a difficult climate, our flair for finding cost-effective solutions and spotting new opportunities leaves us uniquely well placed

Market opportunities are still out there – and we're ready to take them

Summary

Paul Dollman, Group Finance Director

Current Trading

Aviation

Trading slightly behind our expectations as a result of weak cargo volumes

Contract win momentum continues

Focus on cost and productivity

Resilient business model well placed to benefit from market recovery

Distribution

Positive start to the year – trading slightly ahead of last year

Continued stability delivers excellent cash generation

Focus on cost and productivity

New revenue streams continue to show promise

Management focus on driving cost base

Summary

John Menzies plc – The Way Ahead

Well placed in challenging markets

Long term banking facilities secured to 2011 and beyond

Proven track record on cost management and productivity initiatives

Well positioned to benefit from recovery

Focus in 2009 on cash generation and cost management

Questions

Appendix 1

Additional financial information

Appendix 1 - Definitions

Underlying profit before tax is defined as profit before taxation, intangible amortisation and exceptional items.

Underlying operating profit includes each division's share of pre-tax profit from joint ventures and associates, and excludes intangible amortisation and exceptional items.

Underlying earnings per share is profit after taxation and minority interest, but before intangible amortisation and exceptional items, divided by the weighted average number of ordinary shares in issue.

Free cash flow is defined as the cash generated by the business after capital investment, interest and tax, and before acquisitions, disposals, ordinary dividends, share issues and one-off pension fund contributions.

Operating cash flow is cash generated from operations plus dividends received but excluding one-off pension payments.

Appendix 1 – EPS & Dividends

EPS	2008	2007	Change
Earnings per share	(2.0) p	44.2 p	-105%
Underlying earnings per share	31.3 p	47.9 p	-35%
Final proposed dividend	- p	18.4 p	-100%

Appendix 2

Menzies Aviation

Growing in attractive markets

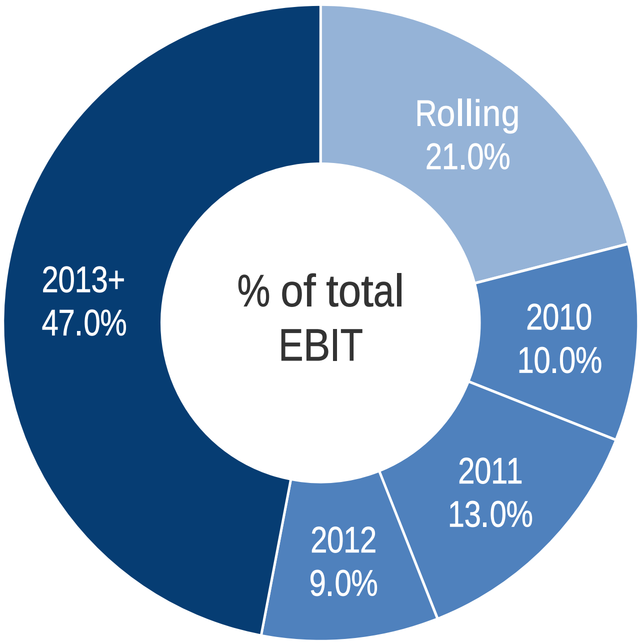
Menzies Aviation

Continuing to grow in markets with effective barriers to entry

Deliberate strategy of investment in markets where licences are for longer than five years:

South Africa	7 years
India	10 – 15 years
Spain	7 years
New Zealand	10 years

Developed markets in the UK, Europe & USA have less restrictions



Source: 2009 Budget

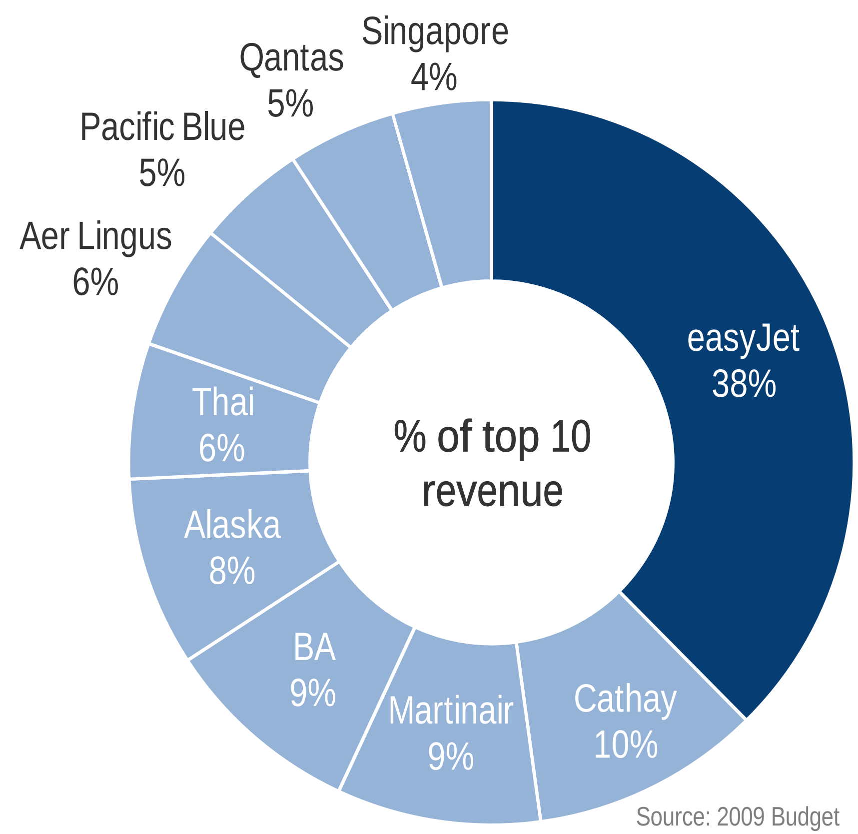
Protecting our quality of earnings

Increasingly attractive customer base

Menzies Aviation

Focus over last five years on enhancing robustness of core customer base

Top 10 customers	31.4%
Low-cost carriers	21.5%
Narrow-bodied	81.4%
Wide-bodied	18.6%
Ground handling	55.9%
Cargo handling	26.1%
Forwarding	17.4%
Other	0.6%



Source: 2009 Budget

Targeted customer focus yielding benefits