

# Interim Results Presentation

19 August 2009





## Group Highlights & Financial Review

### Business Review

Menzies Aviation

Menzies Distribution

### Current Trading & Summary

# Group Highlights and Financial Review

Paul Dollman, Group Finance Director





## Menzies Aviation

Resilient performance in extremely difficult markets

Rigorous cost base actions help offset volume declines

Underlying operating profit broadly in line at £4.0m

## Menzies Distribution

Contract gains to increase divisional net sales revenue by over £180m

Underlying operating profit up 25% to £13.6m

Excellent performance driven by cost base actions

## Group

Focus on cash generation reduces net debt by c£30m

Excellent first half result



# Financial highlights

John Menzies Plc

£m	<u>H1 2009</u>	<u>H1 2008</u>	<u>Change</u>
Revenue	821.3	826.5	-1%
Underlying profit before tax	13.2	11.4	+16%
Free cash flow	11.9	(21.4)	
Total net cash flow (including FX)	29.8	(41.4)	
Net debt	(152.8)	(152.7)	
Underlying earnings per share	15.7 p	14.3 p	+10%



# Segmental operating profit

John Menzies Plc

£m	H1 2009	H1 2008	Change
Aviation	4.0	4.1	-2%
Distribution	13.6	10.9	+25%
Corporate	(0.5)	(0.9)	
	<u>17.1</u>	<u>14.1</u>	
External interest	(3.0)	(3.9)	
Pension (charge) / credit	(0.9)	1.2	
	<u>(3.9)</u>	<u>(2.7)</u>	
<b>Underlying profit before tax</b>	<b>13.2</b>	<b>11.4</b>	<b>+16%</b>
Tax	(3.9)	(2.9)	
<b>Underlying profit after tax</b>	<b>9.3</b>	<b>8.5</b>	<b>+9%</b>
Tax rate	30%	25%	



# Exceptional items

John Menzies Plc

£m	<u>H1 2009</u>	<u>H1 2008</u>
Gain on disposal of fixed assets	1.4	-
Rationalisation costs	(4.4)	-
Gain on disposal of Peru JV	-	8.2
Goodwill impairment	-	(3.4)
Onerous lease provision	-	(2.4)
	<u>(3.0)</u>	<u>2.4</u>



# Menzies Aviation

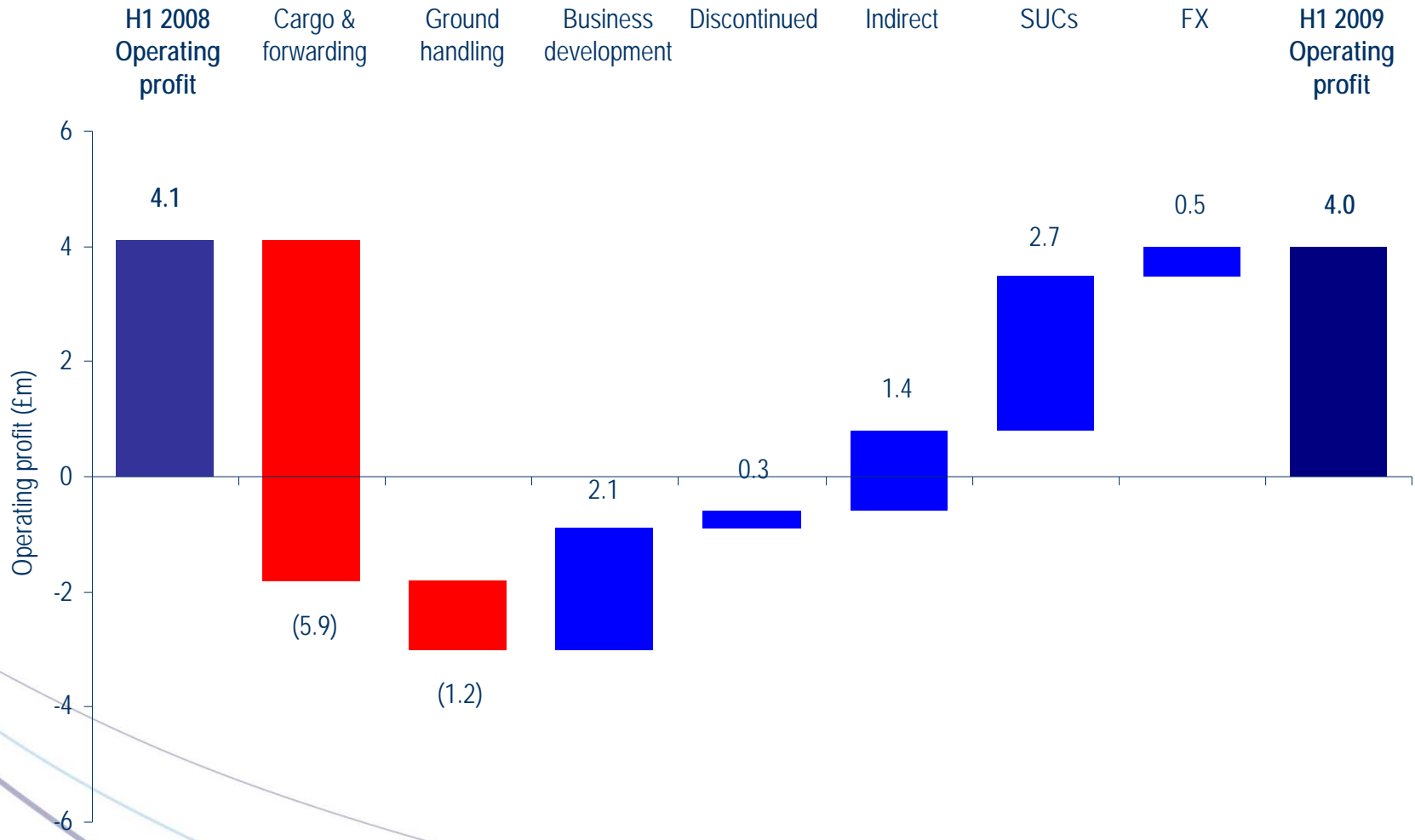
Financial overview

£m	H1 2009	H1 2008	Change
Revenue	248.1	239.3	+4%
JVs & Associates	16.3	17.8	-8%
<b>Turnover</b>	<b>264.4</b>	<b>257.1</b>	<b>+3%</b>
<b>Underlying operating profit pre start-up costs</b>	<b>4.8</b>	<b>7.6</b>	<b>-36%</b>
Operating margin pre start-up costs	1.8%	3.0%	
<b>Underlying operating profit</b>	<b>4.0</b>	<b>4.1</b>	<b>-2%</b>
Operating margin	1.5%	1.6%	



# Menzies Aviation

Underlying operating profit bridge





# Menzie's Distribution

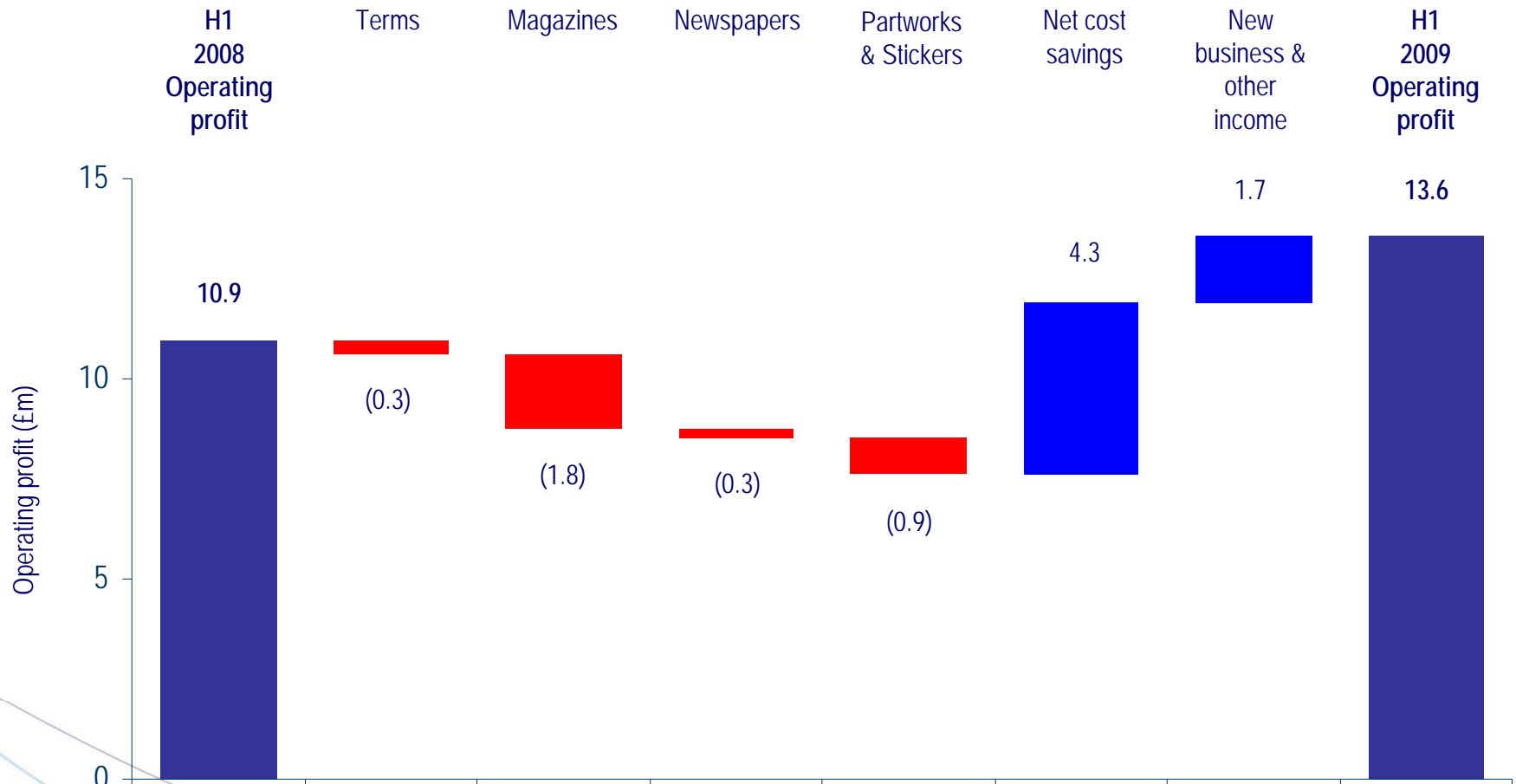
Financial overview

£m	<u>H1 2009</u>	<u>H1 2008</u>	<u>Change</u>
Revenue	573.2	587.2	-2%
JVs & Associates	43.1	41.0	+5%
<b>Turnover</b>	<u>616.3</u>	<u>628.2</u>	<u>-2%</u>
<b>Underlying operating profit</b>	13.6	10.9	+25%
Operating margin	2.2%	1.7%	



# Menzies Distribution

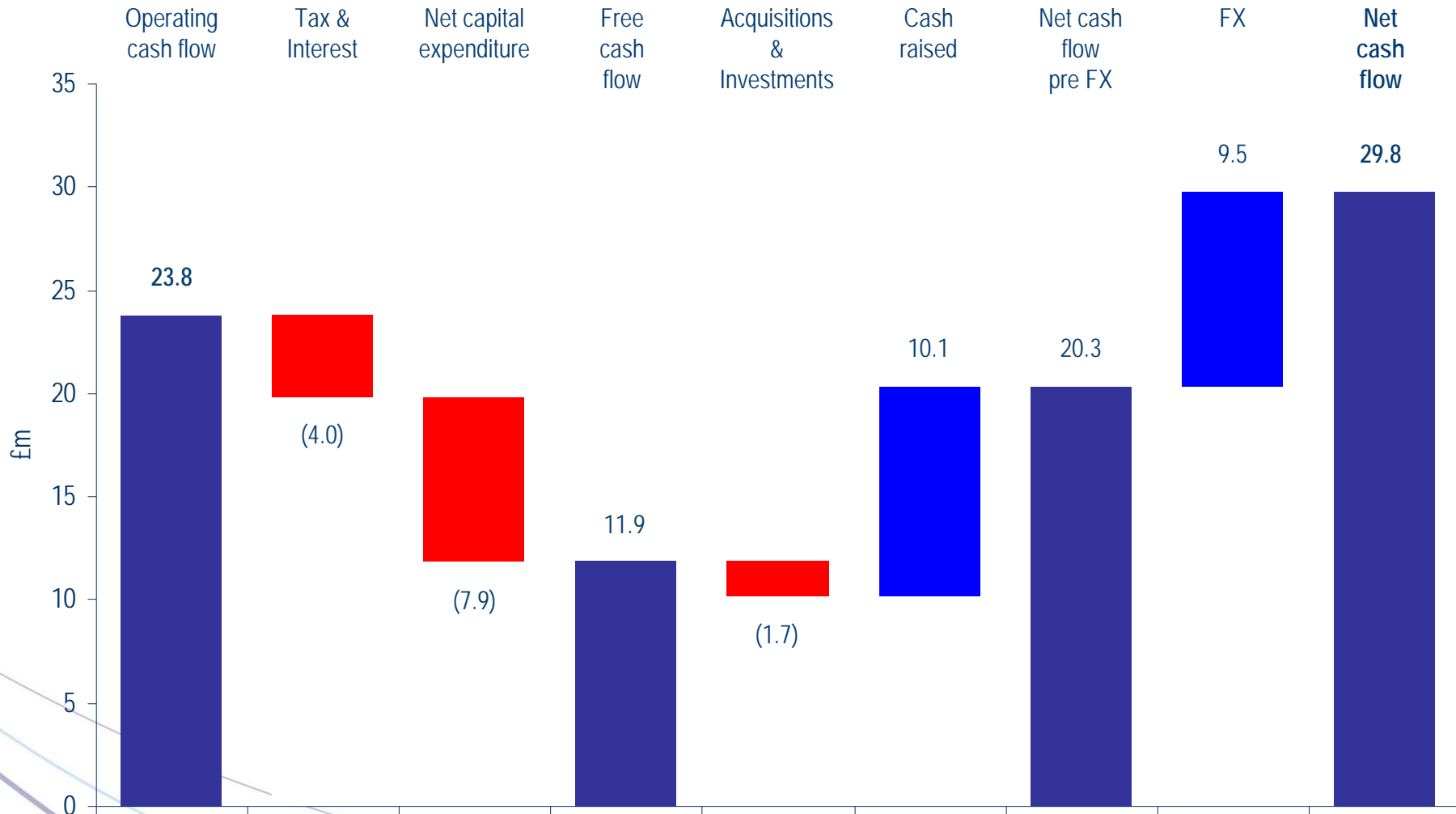
Underlying operating profit bridge





# Cash Flow

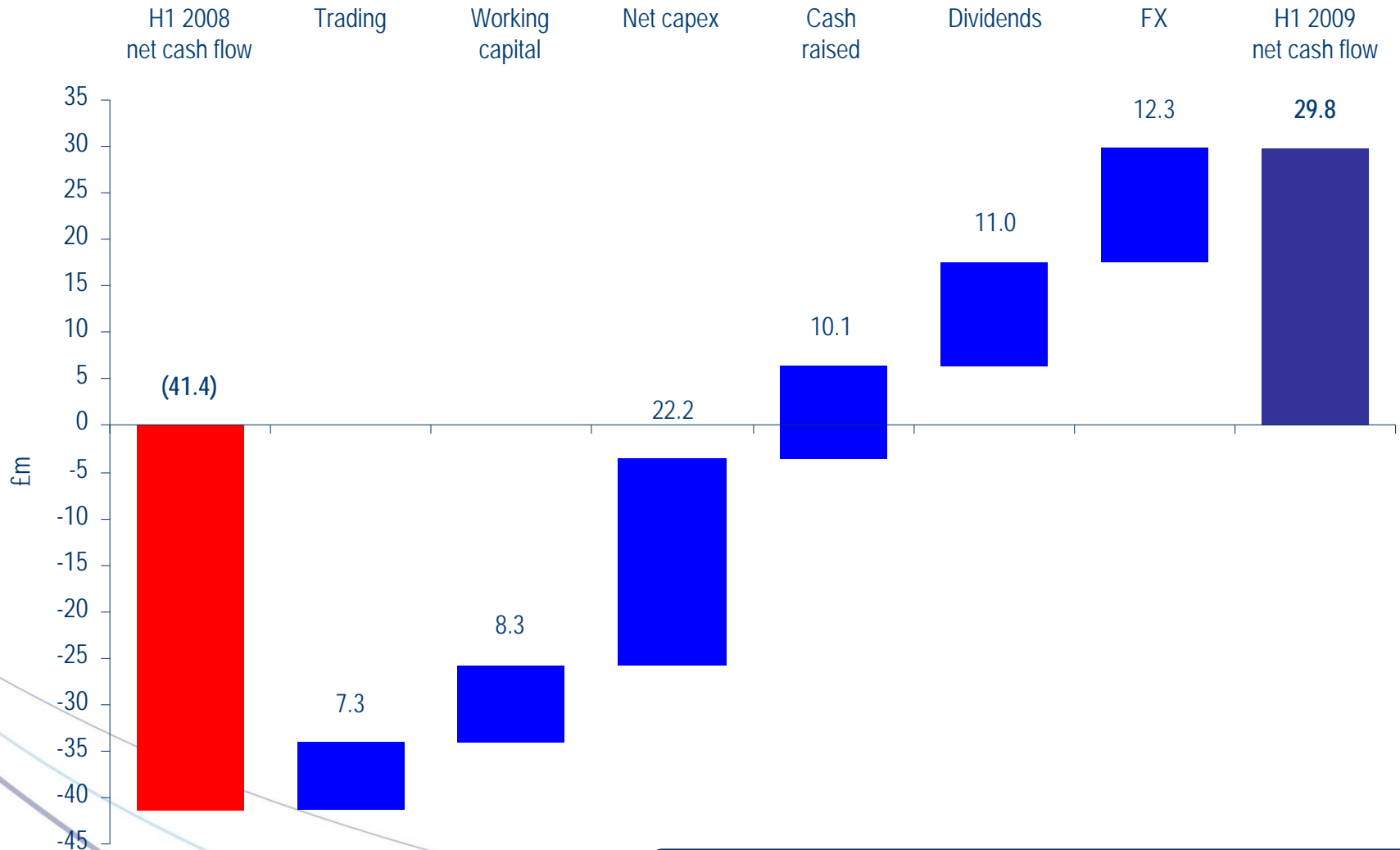
John Menzies Plc





# Cash Flow

John Menzies Plc



Net cash flow in H1 2009 £71m higher than H1 2008



## Net debt reconciliation

	<u>£m</u>
Opening net debt at December 2008	(182.6)
Trading cash flow	10.2
Cash raised	10.1
FX translation	9.5
<b>Closing net debt at June 2009</b>	<b><u>(152.8)</u></b>

## Existing facilities

	<u>£m</u>	<u>Maturity</u>
HBOS	25.0	Nov 2011
RBS	20.0	June 2010
Lloyds TSB	50.0	Nov 2011
Barclays	50.0	Jan 2013
RBS*	28.0	Mar 2020
<b>GBP committed facilities</b>	<b><u>173.0</u></b>	
	<u>US\$m</u>	
HSBC	40.0	Nov 2011
<b>US\$ committed facilities</b>	<b><u>40.0</u></b>	

\* Property lease financing

**Financial stability**



# Balance Sheet

John Menzies Plc

£m	H1 2009	H1 2008
Tangible fixed assets & investments	183.7	195.6
Goodwill, intangibles & other assets	103.5	95.6
Other	3.1	4.4
	<u>290.3</u>	<u>295.6</u>
Working capital & other	(37.5)	(31.7)
Net debt	(152.8)	(152.7)
Creditors >1 year	(16.6)	(10.0)
Pension liability (net of deferred tax)	(32.6)	(6.5)
	<u>50.8</u>	<u>94.7</u>
Equity shareholders' funds	<u>50.8</u>	<u>94.7</u>

# Business Review, Menzies Aviation

Craig Smyth, MD Menzies Aviation





## H1 – the ongoing challenge...

Weakness in underlying volumes across all products  
Ground handling in line, but cargo shortfall more significant

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## Rigorous cost actions...

Headcount, pay freezes, restricted hours, shed rationalisation  
Indirect cost actions & lower start-up costs

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## Selective development...

Organic wins in ground handling with new profitable stations  
Contract renewal steady progress, but more difficult in cargo

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## Carefully managing capital...

Managing working capital hard, minimising risk  
Essential capex only, operating leases for business development

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## Not compromising our strategy...

Get the basics right ... safety no 1, great service, right price  
Build strength... resilience through density & diversity  
Grow from strength ... attractive airlines in attractive markets

**Challenging market, results in line with expectations**

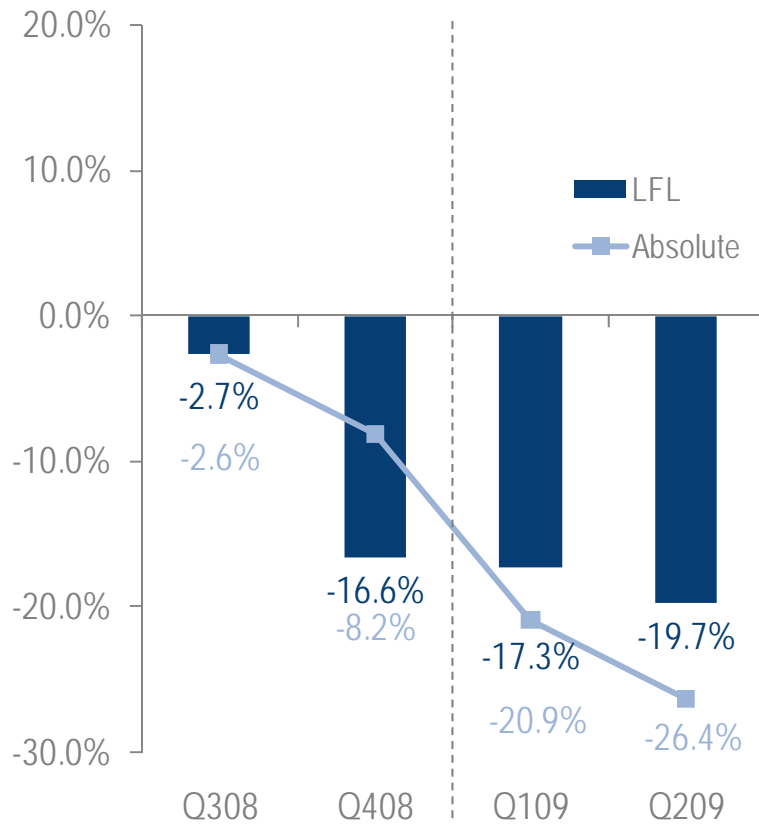


# H1 – the ongoing challenge

Menzies Aviation

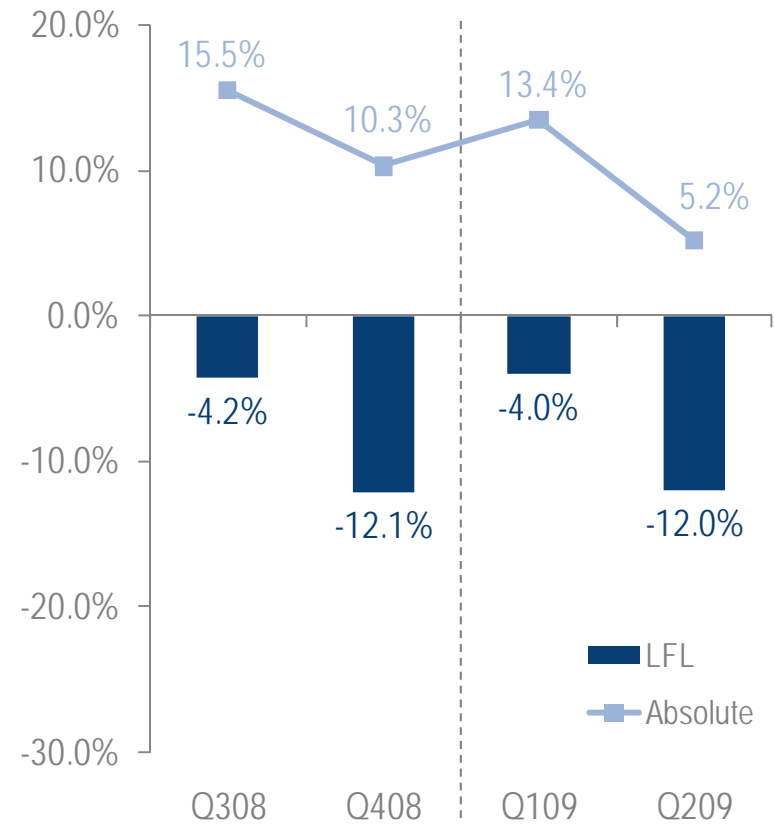
**Absolute tonnes down 23.8%, LFL down 18.2%**

IATA 30 July 2009: down 20.6% year to date



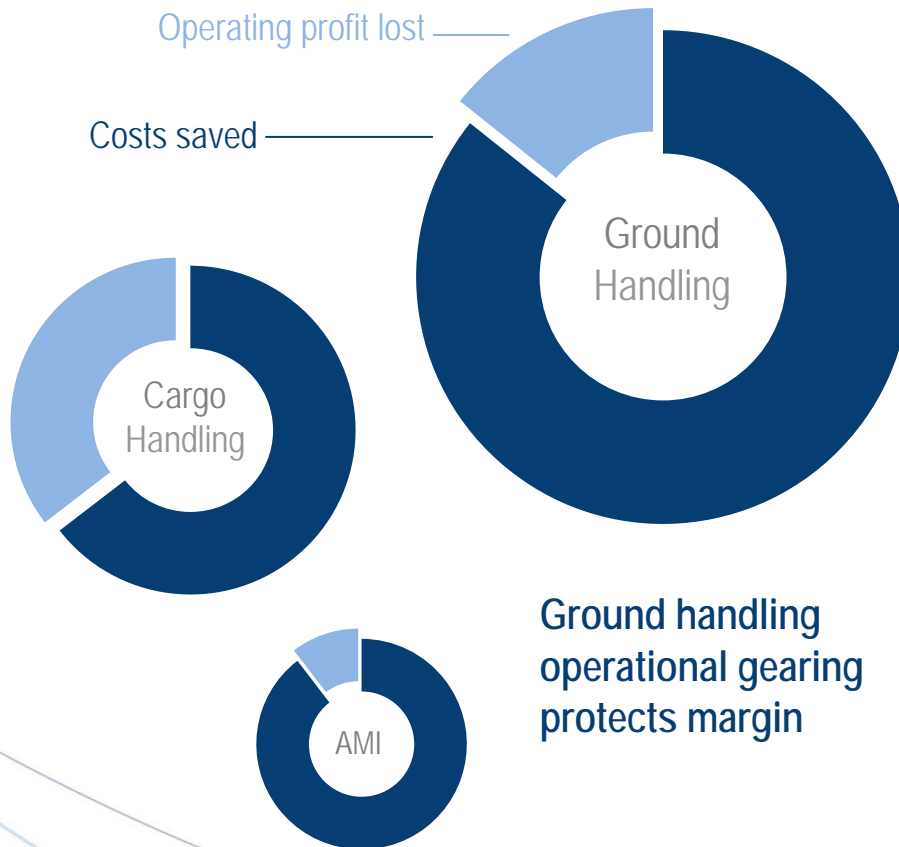
**Absolute turns up 9.0%, LFL down 7.4%**

IATA 30 July 2009: down 7.6% year to date





## Like-for-like revenue shortfall



## Direct labour savings

- Headcount reductions
- Pay freezes
- Restricted hours & flexible working patterns

## Operating cost savings

- Cargo shed rationalisation
- Support from cargo shed landlords
- Annualisation of 2008 plus additional 2009 indirect savings

## Lower start-up investment

- £2.7m lower start-up costs
- Reflects selective development strategy

Every cost challenged to minimise impact



## Organic wins for ground handling...

Over 30 new contracts, adding £9m revenue

New profitable stations at Bristol, Stansted, Chicago, Tijuana, Tenerife and Ibiza

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## Steady progress on renewals...

Renewed key Alaska ground handling contracts in US until 2012

Renewed Thai ground/cargo handling contracts in Australia until 2012

Cargo more difficult, with route cessations and overcapacity leading to predatory pricing, resulting in contract losses

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## Annualisation of 2008 development...

India & South Africa performing better

Scandinavia improving, but still work to do

UK and US Ground Handling ahead of expectations

**Momentum for ground handling, but cargo more challenging**



## Continuing to improve working capital...

In difficult environment, debtor days of 40 delivered  
No material bad debts

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## Reduction in investment spend...

Investment limited to essential requirements  
Operational capex spend below depreciation  
Equipment recycled between existing stations and to establish new

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## Changing the capital model...

Increased use of operating leases for growing the business  
Continuing with sale and leaseback programme for equipment  
Reviewing small property portfolio



## Delivering in line with expectation...

Volumes exceptionally weak, but cost savings & lower start-up costs broadly mitigate

Ground handling operational gearing helping to protect margin against cargo pressures

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## H1 demonstrates increasing resilience...

Customer base trending towards more attractive airlines

Regional density and geographical diversity

Portfolio of products, with lessening reliance on cargo handling

Stronger and more agile than any other handler

# Business Review - Menzies Distribution

David McIntosh, Managing Director





## Delivering on all levels...

Excellent first half performance with underlying operating profits up 25%

Cost and productivity initiatives continue to deliver real benefits

Magazine and newspaper volumes largely as forecast

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## Contract gains change landscape forever ...

Seven new territories

Over 3,000 extra retail customers



In excess of £180m of net sales revenue added

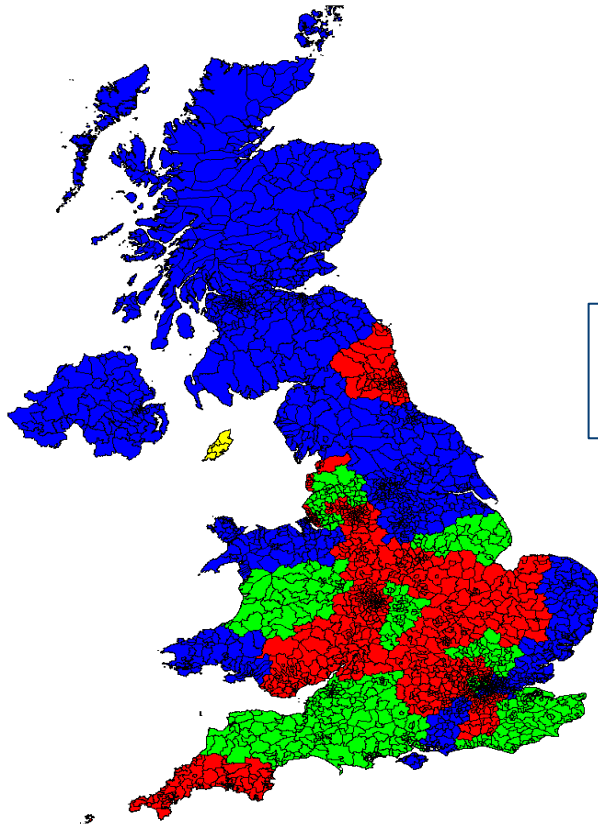
Significant progress made



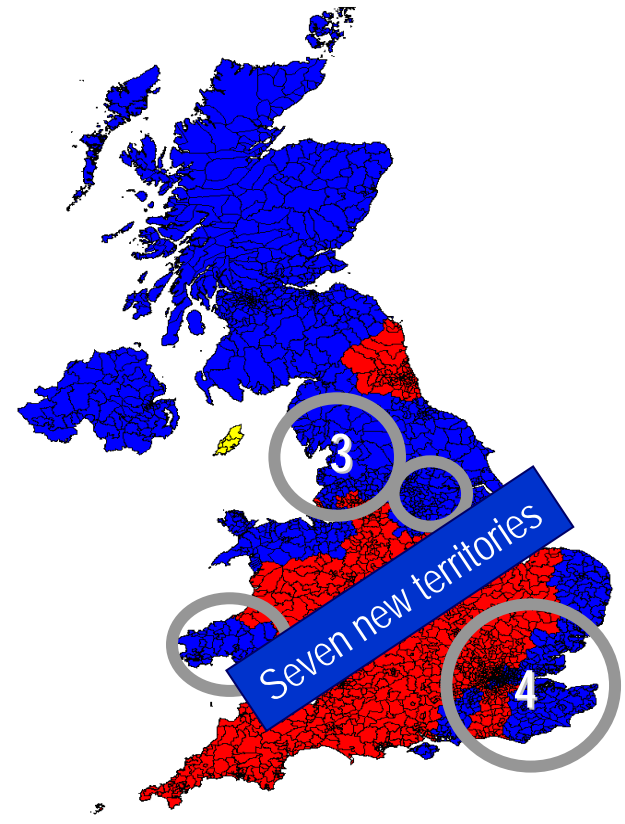
# Contract negotiations

Menzie's Distribution

-  Menzie's Distribution
-  Smiths News
-  Dawson Holdings



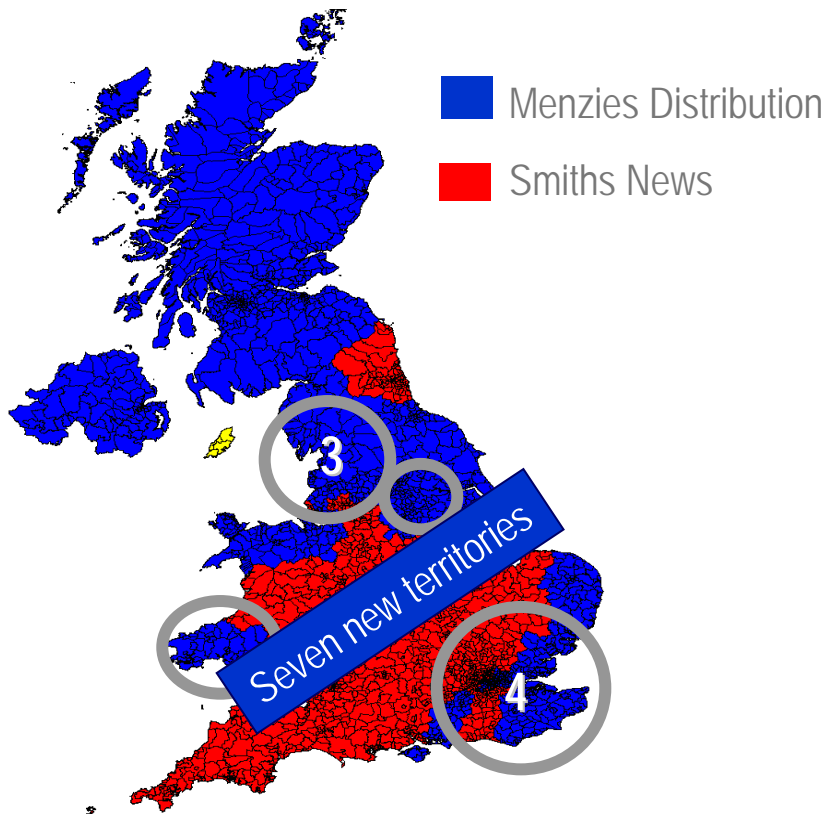
Three player market reduced to two



Step change for the industry



## News Distribution Network - 2011



Publisher	£m Total Contract Value	£m Additional Revenue
Frontline	167	27
Seymour	66	11
COMAG	114	20
Associated Newspaper	142	27
Telegraph Media Group	76	19
Marketforce	155	29
Trinity Mirror	204	21

Market share estimated to increase from 36% to 43%



# Strategy – a three step approach

Menzies Distribution

## Drive aggressive top line growth

Contract Renewals

Irish JVs

D-Cipher

The Network

Regional business

Logistics services

## Drive operational cost base

More than out run inflation

Continuous productivity improvement

SAP

## Drive outstanding customer service

Improve retail standing

Constant focus on quality measures

SAP

**Stable platform for growth**

**Clear strategic vision**



## Having completely transformed our business...

Revolutionised our operating model

Aggressively driven top-line growth

Continually reducing our cost base

## Look forward with confidence ...

Contract renewals provide a step change for Menzies and the industry

Flair for finding cost-effective solutions and spotting new opportunities leaves us well placed

Continue to expand other businesses and services

Excellent first half

# Current Trading & Summary

Paul Dollman, Group Finance Director





## Aviation

Continuing to trade in line with our expectations

Volumes continuing as predicted

Q4 visibility emerging but not yet certain

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## Distribution

Early start of publisher contracts successfully commenced on 2 August 2009

Cost initiatives continuing to drive transport and labour efficiencies

Positive first half performance continuing into H2

**Both divisions trading well**



## Group performing well in difficult markets

### Menzies Aviation

Still operating in difficult markets

Demonstrating flexible cost base - delivering profit expectations

### Menzies Distribution

New contract gains create a step change

Cost and productivity initiatives continue to deliver

Focus on Group debt continues

2009 ahead of current expectations

# Questions

# Appendix 1

## Additional Financials





# Appendix 1 - EPS

John Menzies Plc

	<u>H1 2009</u>	<u>H1 2008</u>	<u>Growth</u>
<b>EPS</b>			
Earnings per share	6.6 p	14.3 p	-54%
Underlying earnings per share	15.7 p	14.3 p	10%



# Appendix 1 - Free cash flow

John Menzies plc

£m	H1 2009	H1 2008
Underlying operating profit	17.1	14.1
- Depreciation	12.8	11.6
- Other non-cash items	(3.2)	(3.2)
	<u>26.7</u>	<u>22.5</u>
Dividends from JVs & Associates	1.9	1.3
Working capital movement	(0.1)	(10.2)
Exceptional spend	(4.7)	(3.1)
<b>Operating Cash Flow</b>	<u>23.8</u>	<u>10.5</u>
Tax	(0.4)	(2.0)
Net capex	(7.9)	(23.6)
Net interest paid	(3.6)	(3.8)
Foreign-currency loss	-	(2.5)
<b>Free Cash Flow</b>	<u>11.9</u>	<u>(21.4)</u>



# Appendix 1 - Cash flow

John Menzies plc

£m	<u>H1 2009</u>	<u>H1 2008</u>
Free Cash Flow	11.9	(21.4)
Dividends	-	(11.0)
Additional contribution to Pension Fund	-	-
Acquisitions & investments	(1.0)	(16.4)
Disposals	-	10.1
Intangible additions	(0.7)	(0.7)
Proceeds from shares issued	-	0.8
Cash raised	10.1	-
<b>Net Cash Flow</b>	<u>20.3</u>	<u>(38.6)</u>
<b>Net Debt at start of period</b>	(182.6)	(111.3)
Currency translation	9.5	(2.8)
<b>Net Debt at end of period</b>	<u>(152.8)</u>	<u>(152.7)</u>

# Appendix 2

Additional Information – Menzies Aviation

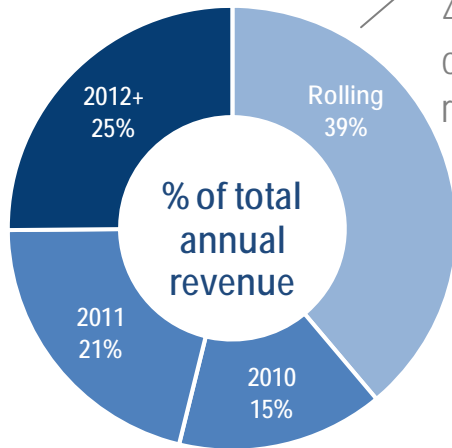






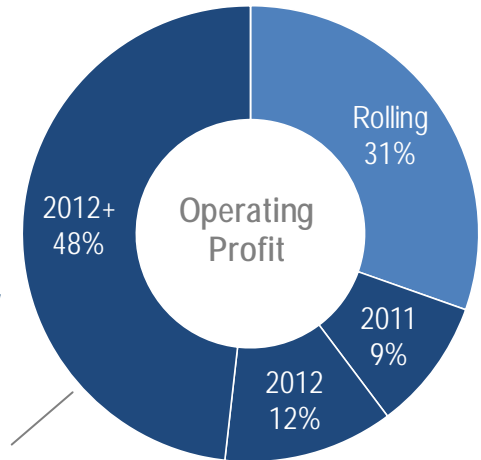
## Revenue by contract expiry

46% of revenue relates to contracts not falling due for renewal before 2011



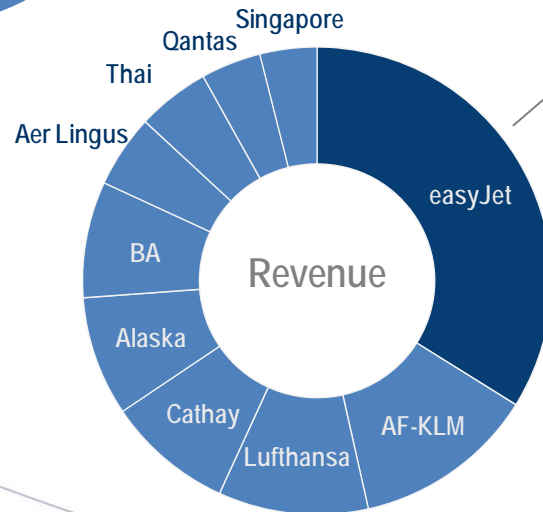
## Operating profit by licence expiry

60% of operating profit relates to licences not falling due for renewal before 2012



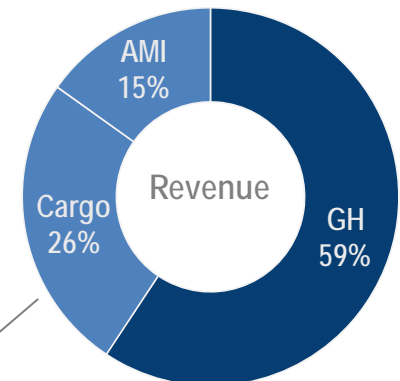
## Top 10 customers

attractive & resilient customer portfolio accounts for 38% of total revenue



## Product split

favourably geared GH accounts for 59% of total revenue



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