



Manchester Airports Group

Investor Presentation
FY15 Interim Results

December 2014

Introduction

Introduction



Neil Thompson ACA, CTA – Chief Financial Officer

Joined MAG in 2005, being Commercial FD and then Corporate FD, prior to taking on the role of Chief Financial Officer in March 2011. Neil previously held senior finance roles at The MAN Group and ALSTOM, with responsibility across businesses in the UK, Europe, North America, Canada, India, Singapore and Australia. Prior to the power generation sector, Neil spent seven years in financial practice, specialising in Corporate Finance and M&A transactions, latterly with PricewaterhouseCoopers



Ken O'Toole FCA – Chief Commercial Officer

Ken was appointed as Chief Commercial Officer in January 2012. Prior to that he spent six years with Ryanair Holdings plc, joining initially as Head of Revenue Management and latterly as Director of New Route Development. A qualified Chartered Accountant, his previous experience includes Musgrave Group, a leading Irish and UK based retailer, and Credit Suisse First Boston.

Contents

- FY15 H1 Highlights
- Passenger Growth & Commercial Development
- EBITDA & Capital Investment
- Financing & Cash



FY15 H1 Highlights

FY15 H1 Highlights

The success of MAG's commercial and operational strategy is reflected in a 8.7% year-on-year increase in EBITDA

Group Pax: 28.1m (+8.5%)

Commercial strategy driving passenger growth

MAN Pax: 13.2m (+7.3%)

MAN passengers close to pre-recession peak

STN Pax: 11.3m (+11.9%)

STN is the fastest growing major London airport

EMA Pax: 3.1m (+3.3%)

EMA continues to grow

- Continued strong growth in passenger numbers – up 8.5% to 28.1 million for FY15 H1.
- STN is now the fastest growing major airport in London.
- Continued expansion of the route network with important developments in the Group's offering.
- EBITDA ahead of target – 8.7% growth through increased passengers and increased commercial yields.
- STN security and terminal transformation on track.
- Successfully refinanced STN acquisition bank debt through the issuance of a second listed bond in April 2014.
- Sir Adrian Montague appointed as new Chairman.



EBITDA: £183m (+8.7%)

Strong EBITDA growth ahead of plan

Cash generated from operations: £167m (+32%)

Excellent cash conversion

Capex: £46m (+£1m)

Ongoing capital investment

Leverage: 3.5x (-0.1x)

Stable financial leverage

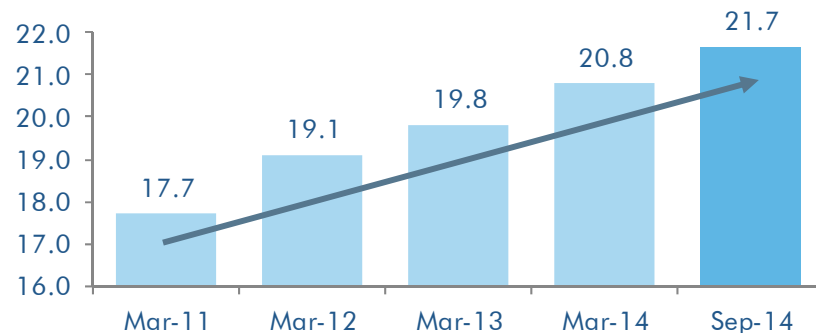
Source: MAG FY15 Interim Report, management information (all figures relate to the 6 months ended September 2014 with the prior period being the 6 months ended September 2013)

Passenger Growth & Commercial Development

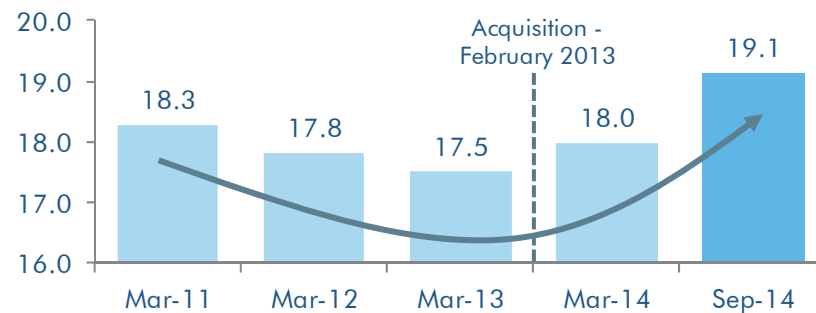
Passenger Growth & Commercial Development

MAN continues to grow strongly and STN is back on an upwards trajectory and recapturing lost market share

MAN Passengers – 12 months (million)



STN Passengers – 12 months (million)



Source: Management information

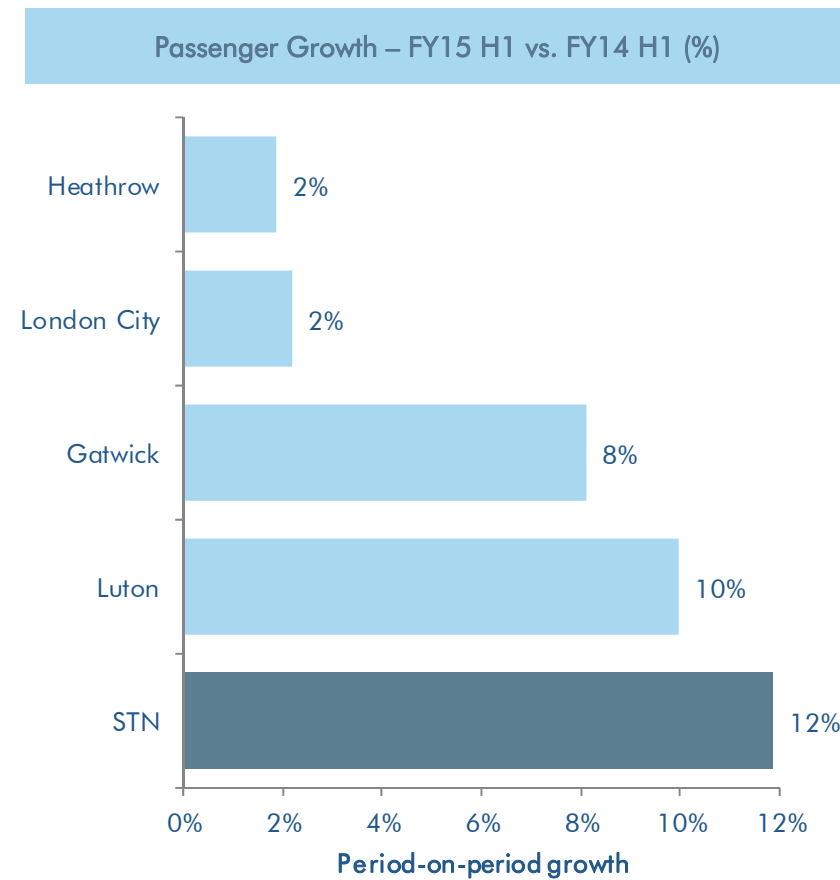
Significant passenger growth...

- MAG continues to grow passenger numbers:
 - 8.5% up to 28.1 million for the 6 months to Sep-14:
 - MAN: 13.2 million (+7.3%); and
 - STN: 11.3 million (+11.9%).
 - 6.7% up to 46.0 million for the 12 months to Sep-14:
 - MAN: 21.7 million (+5.7%); and
 - STN: 19.1 million (+8.4%).
- Passengers back on a positive trajectory at STN – fastest growing major airport in the London system.
- Expect MAN to surpass pre-recession peak of 22 million and STN to breach 20 million in FY15.
- Long-term commercial agreements driving increased frequencies, additional capacity and new routes.
 - Flybe – 10 new routes at three airports, delivering extra 0.5 million passengers.
- New routes for Winter 2014 and Summer 2015.



Passenger Growth & Commercial Development

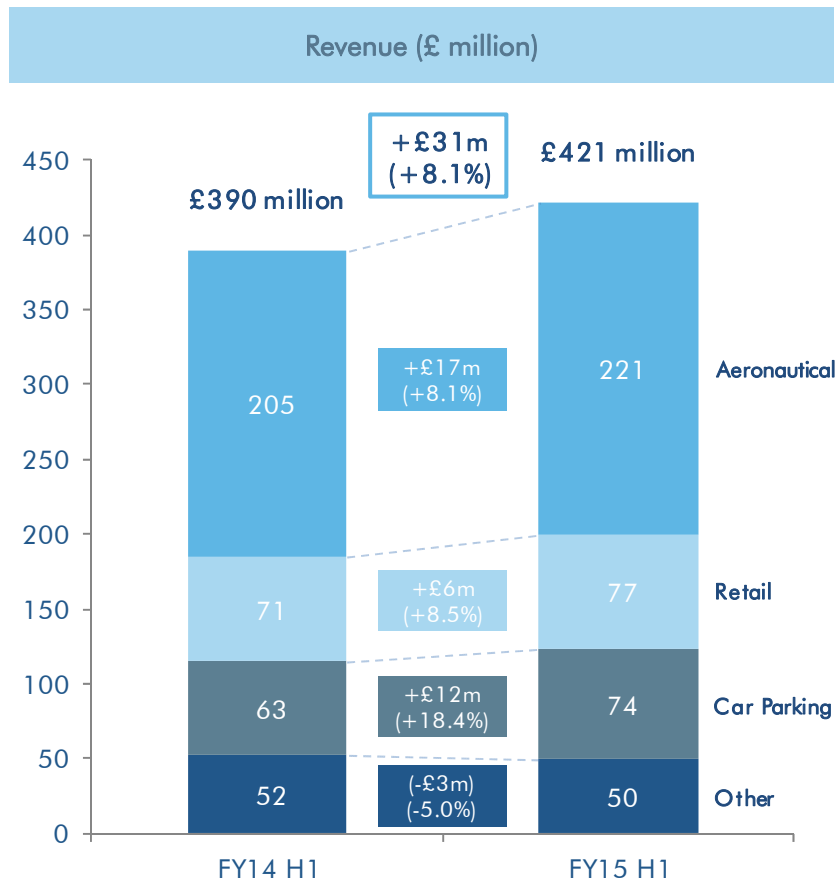
STN is now the fastest growing major airport in the London system...



Source: CAA

FY15 H1 Revenue

£31 million (or 8.1%) increase in revenues driven by the significant increase in passenger numbers and growing commercial yields



Source: MAG FY15 Interim Report



FY15 H1 Revenue

Balanced growth across major revenue categories evidences the success of the Group's commercial growth strategy



Aeronautical

£221 million

(+£17 million)
(+8.1%)

- Robust growth in passengers at MAN (+7%), STN (+12%) and EMA (+3%) continues to drive our strong aeronautical revenue performance.
- Aeronautical yields are broadly stable with the yield down marginally from £7.90/pax to £7.88/pax due to an evolving passenger mix.
- The MAG aeronautical strategy is focused on making the best use of capacity and incentivising off-peak traffic, new carriers and new routes.



Retail

£77 million

(+£6 million)
(+8.5%)

- Passenger growth drives most of the retail revenue increase with retail yields increasing slightly from £2.72/pax to £2.73/pax (+0.2%).
- The terminal re-development plan at STN will depress yields whilst the development is put in place but once completed yields are expected to increase significantly.
- Retail yields will benefit from the STN terminal re-development plan from FY16 onwards.



Car Parking

£74 million

(+£12 million)
(+18.4%)

- Product innovation, new distribution deals and investment in car parking capacity and facilities continues to underpin the significant increase in car parking revenue.
- Yields have increased significantly across all of the airports with the Group-wide yield up from £2.41/pax to £2.64/pax (+9.3%).
- The MAG car parking strategy is focused on providing more choice for customers and maximising car park utilisation.

Stansted Transformation

The Stansted Transformation Project is proceeding to plan and will transform the passenger experience and drive up commercial yields

- Relocation of check-in desks to free up space for the reconfigured retail and security areas.
- New security area opened in December 2013:
 - Additional lanes;
 - Dedicated channels for Fast Track, families and passengers needing assistance; and
 - Increase in operational efficiency.



- 25,000 sq. ft. walk through Duty Free store opened in July 2014.
- Next's largest tax free store opened in November 2014.
- New Escape Lounge opening in early 2015 based on the successful MAN template.
- A further 16 retail units opening in Autumn 2015 including mix of high end fashion, accessories, and gifting.

Stansted Transformation

The Stansted Transformation Project is proceeding to plan and will transform the passenger experience whilst driving an increase in commercial yields



- Revitalised Food and Beverage offering to open in Spring 2015.
- 70 tenders for 12 available units – significant demand allowed MAG to tailor the F&B offering.
- New concepts, celebrity chefs and old favourites.



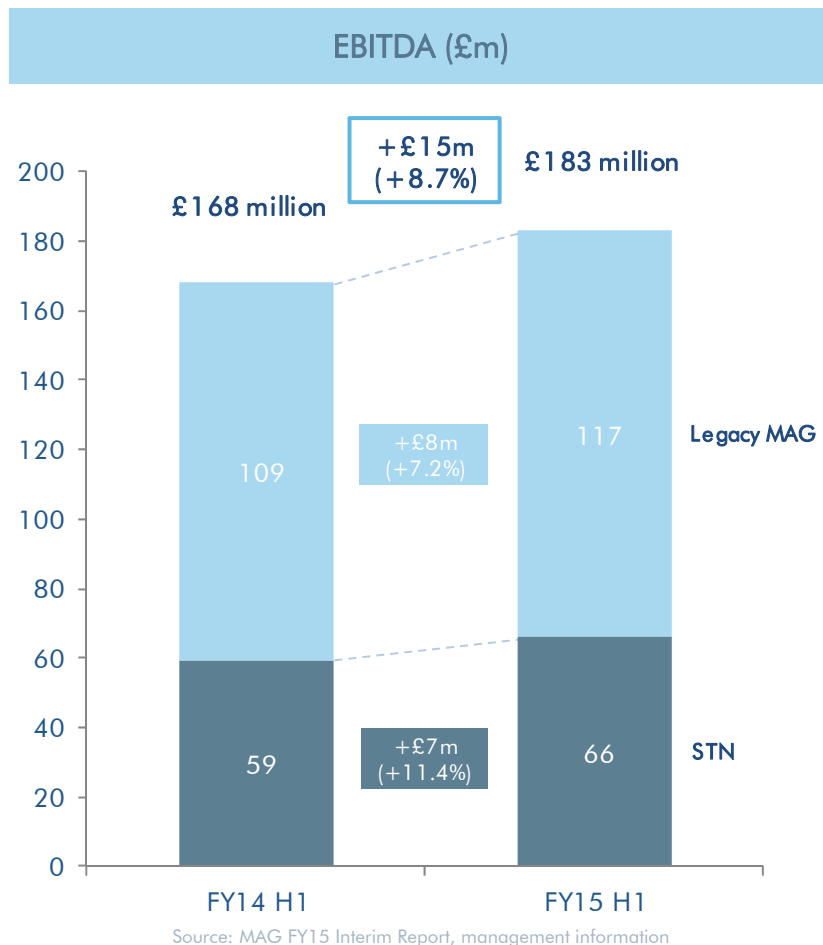
- In summary...investing £40 million in the terminal with our retail partners contributing a further £40 million will:
 - Double the retail airside space;
 - Improve passenger flows and experience;
 - Provide comprehensive footfall for all retailers; and
 - Increase retail yields.



EBITDA & Capital Investment

FY15 H1 EBITDA

MAG EBITDA growth of £15 million (or 8.7%) from £168 million to £183 million with Legacy MAG contributing £8 million growth and STN contributing £7 million



MAG commercial strategy yields strong results...

- Group EBITDA up £15 million to £183 million (+8.7%).
 - Legacy MAG EBITDA up £8 million (+7.2%); and
 - STN EBITDA up £7 million (+11.4%).
- Passenger numbers and increased aeronautical and commercial yields driving EBITDA growth for Legacy MAG.
- Cost increases to support volume, income growth and customer service - inflation and infrastructure increases mitigated by efficiencies.
- The benefits of MAG ownership are now flowing through to the STN bottom line.
 - Long-term commercial agreements & new security facilities → pax growth.
 - Product expansion and investment in capacity driving car parking revenues.
 - One-off costs in prior year not required this year or going forward: Q6 review and separation costs.
 - But...some planned short-term retail disruption during the STN terminal re-development.
- Group FY15 H1 EBITDA is ahead of our Business Plan and with a sustainable and growing run rate into FY15 H2.

FY15 H1 Capital Investment

Continued investment in asset base including maintenance of existing assets and new value generating developments

Well invested asset base with discretionary spend based on need



£40m STN Terminal Transformation Project on track while the £12m EMA terminal redevelopment nears completion.



Significant investment in IT infrastructure to enable the Group to manage its assets more efficiently.



Continued expansion in the car parking estate across the Group's airports.



Focused investment in growth schemes – refurb of STN Satellite 1, MAN T1 security extension and other MAN terminal enhancement options.

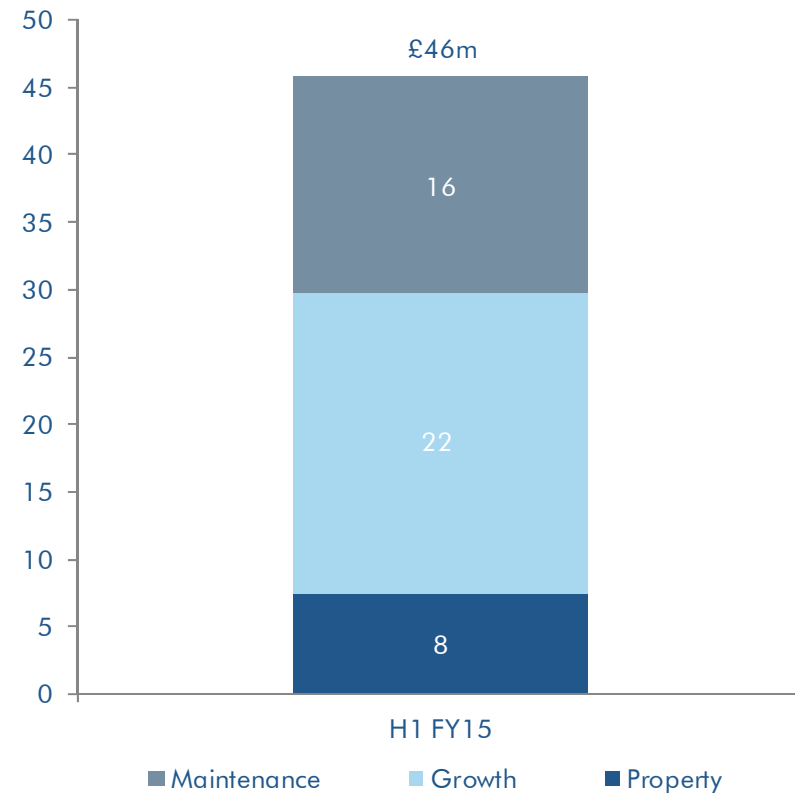


On-going investment in maintenance of core airport assets – £16 million.



Revenue diversification from low-risk investment in property estate - £8 million.

Capital Investment (£m)



Source: Management information



Financing & Cash

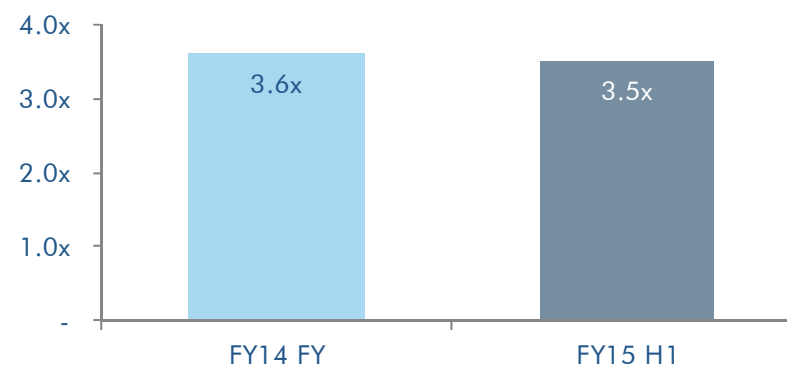
Stable Financial Leverage & Strong Interest Cover

On-going commitment to conservative financing structure...the successful issuance of a £360m bond in April 2014 substantially completed the refinancing of the STN acquisition facility

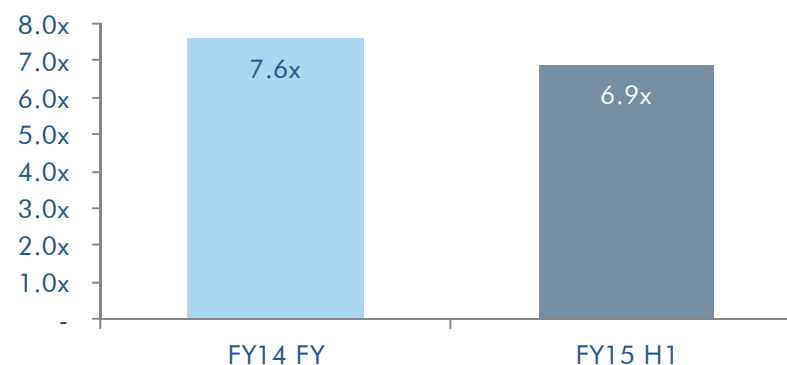
Prudent financing and dividend policy...

- MAG is committed to maintaining strong investment grade ratings and conservative leverage is core to that objective.
 - Baa1 rating reaffirmed by Moody's in August.
 - BBB+ rating reaffirmed by Fitch last week.
- Proceeds from April issuance of MAGAIR £360m 4.125% 2024 applied to repayment of bank debt.
 - No net increase in leverage.
- Stable Net Debt / EBITDA with the reduction in interest cover in line with plan and due to the entry into the bond market.
- Significant headroom in financial covenants.
 - Leverage at 3.5x vs. lock-up at 6.0x.
 - Interest cover at 6.9x vs. lock-up at 2.0x.
- Sufficient liquidity to fund operations and invest in growth with the £300m Revolving Credit Facility unutilised at 30 September 2014.
- No requirement to return to the bond market in the short-term.

Leverage: Net Debt / EBITDA



Interest Cover: EBITDA less Tax / Finance Charges



Source: Management information



Strong Cash Generation

Strong trading performance combined with an excellent cash conversion ratio underpins prudent financial leverage

£m	FY15 H1	FY14 H1
Cash generated from operations	166.5	126.3
Interest paid / received	(38.5)	(13.7)
Tax paid	(4.5)	(4.7)
Purchase of property, plant and equipment	(58.9)	(32.3)
Purchase of intangible assets	-	(10.0)
Net cash before distributions	64.6	65.6
Dividends paid to shareholders	(46.0)	(50.0)
Net change in borrowings	(16.3)	-
Loss on settlement of interest rate swaps	(18.0)	-
Net movement in cash	(15.7)	15.6
Cash and cash equivalents at 1 April	19.0	56.9
Cash and cash equivalents at 30 September	3.3	72.5

Source: MAG FY15 Interim Report

Modest reduction in net debt of £10 million from £1,148 million to £1,139 million (including the Shareholder Loan, derivatives and other non-cash items).

Strong cash generation

- Strong cash generation from operating activities allows the Group to continue to invest in the asset base and fund growth.
 - Cash generated from operations up by £40 million (or 31.8%) from £126 million to £167 million.
 - Net cash before distributions broadly stable period-on-period, due to the timing of capital investment and higher interest costs from long-term bonds vs. the STN acquisition facility.
- Interest rate swaps fully unwound following the April bond issue and resulted in a cash payment of £18 million.
- Commitment to sustaining strong investment grade credit ratings drives the dividend policy.
 - Dividend of £46 million paid in July following publication of the FY14 Annual Report & Accounts.
 - In line with the Group's dividend policy and market norms an interim dividend of £31 million will be paid December 2014.
 - Dividends supported by the above plan YTD trading performance and strong forecast outlook.



Q&A

Appendices

FY15 H1 Financial Results

Group EBITDA up by £15 million (or 8.7%) from £168 million to £183 million

Group Income Statement

£m	Group FY15 H1	Group FY14 H1	Variance (£)	Variance (%)
Aeronautical	221.2	204.7	+16.5	+8.1%
Car Parking	74.1	62.6	+11.5	+18.4%
Retail	76.5	70.5	+6.0	+8.5%
Other	49.6	52.2	(2.6)	(5.0%)
Revenue	421.4	390.0	+31.4	+8.1%
Employee costs	(83.2)	(72.4)	(10.8)	(14.9%)
Non-employee costs	(155.3)	(149.2)	(6.1)	(4.1%)
Operating Costs	(238.5)	(221.6)	(16.9)	(7.6%)
Disposal of fixed assets	-	(0.1)	+0.1	n/a
EBITDA	182.9	168.3	+14.6	+8.7%

Source: MAG FY15 Interim Report



FY15 H1 Financial Results

The benefits of MAG ownership are now flowing through to the Stansted bottom line – STN EBITDA up £7 million (or 11.4%) year-on-year

Legacy MAG Income Statement

£m	Legacy FY15 H1	Legacy FY14 H1	Variance (£)	Variance (%)
Aeronautical	141.4	128.2	+13.2	+10.3%
Car Parking	46.7	40.3	+6.5	+16.0%
Retail	49.2	44.9	+4.3	+9.5%
Other	37.3	38.3	(1.0)	(2.7%)
Revenue	274.6	251.7	+22.9	+9.1%
Employee costs	(52.1)	(45.8)	(6.3)	+13.6%
Non-employee costs	(105.6)	(96.8)	(8.8)	+9.1%
Operating Costs	(157.7)	(142.6)	(15.1)	+10.6%
Disposal of fixed assets	-	-	-	n/a
EBITDA	116.9	109.1	+7.8	+7.2%

Source: Management information

STN Income Statement

£m	STN FY15 H1	STN FY14 H1	Variance (£)	Variance (%)
Aeronautical	79.8	76.5	+3.3	+4.3%
Car Parking	27.4	22.4	+5.0	+22.5%
Retail	27.3	25.5	+1.8	+6.9%
Other	12.3	14.0	(1.7)	(11.9%)
Revenue	146.8	138.4	+8.4	+6.1%
Employee costs	(31.1)	(26.6)	(4.5)	(16.9%)
Non-employee costs	(49.7)	(52.5)	+2.8	+5.3%
Operating Costs	(80.8)	(79.0)	(1.8)	(2.3%)
Disposal of fixed assets	-	(0.1)	+0.1	n/a
EBITDA	66.0	59.3	+6.7	+11.4%

Source: Management information

Appendix 1 – Reconciliation of Security Group Consolidation to Group Results

MAGIL to MAHL reconciliation						
£m	MAGIL consolidated	Shareholder Loan	Dividends	Airport City	Other	MAHL consolidated
Income Statement						
Revenue	421.4	-	-	-	-	421.4
EBITDA	182.9	-	-	-	-	182.9
Operating Result	111.5	-	-	(1.8)	-	109.7
Net Finance Costs	(29.7)	(15.2)	-	-	-	(44.9)
Profit Before Taxation	81.8	(15.2)	-	(1.8)	-	64.8
Balance Sheet						
Non-current Assets	3,155.4	-	-	17.7	-	3,173.1
Current Assets	281.9	(45.6)	(118.0)	(23.1)	11.0	106.2
Current Liabilities	(204.6)	-	-	-	8.8	(195.8)
Non-current Liabilities	(1,268.6)	(251.4)	-	-	-	(1,520.0)
Net Assets	1,964.1	(297.0)	(118.0)	(5.4)	19.8	1,563.4

Source: MAG FY15 Interim Report, MAGIL FY15 Interim Report, management information

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