



Manchester Airports Group

Investor Presentation

Results for the Year Ended 31 March 2015

July 2015

Introduction

Introduction



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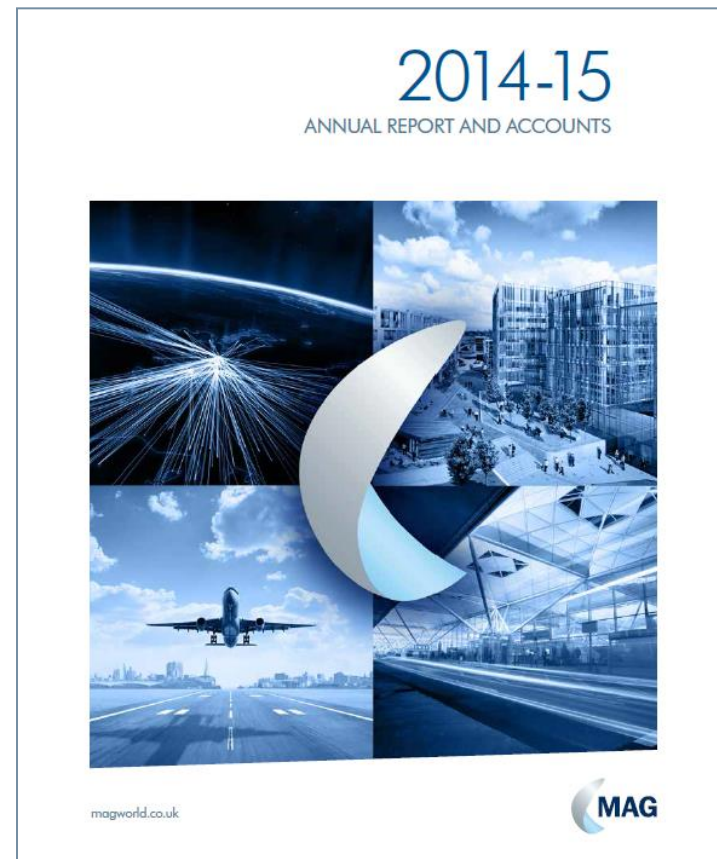


FY15 Highlights

FY15 Highlights

Another strong year for MAG with financial outperformance and investment across the Group to target long-term growth

✓	Continued strong growth in passenger numbers.
✓	STN is the fastest growing major airport in the UK.
✓	MAN passenger numbers at an all-time high.
✓	Continued expansion of the route network with important developments in the Group's offering.
✓	EBITDA ahead of 5-year plan and significantly up on last year.
✓	STN terminal transformation on track – Phase 2 completed in April 2015.
✓	Successfully refinanced the STN acquisition debt through the issue of a second bond in April 2014.
✓	Sir Adrian Montague appointed as new Chairman with Ken O'Toole now MAN MD and Andrew Cowan as CSO.
✓	Well positioned for growth – aviation pipeline, spare capacity, focussed MAN & STN investment, MAG US.



FY15 Highlights

The success of MAG's commercial and operational strategy is reflected in significant improvements in passenger numbers and trading performance

Group Pax: 48.5m (+11%)

Commercial strategy driving passenger growth

MAN Pax: 22.3m (+7%)

MAN passengers at all time high

STN Pax: 20.9m (+16%)

STN is the fastest growing major airport in the UK

EMA Pax: 4.6m (+7%)

EMA continues to grow



EBITDA: £284m (+17%)

Strong EBITDA growth ahead of plan

Cash generated from operations: £298m (+30%)

Excellent cash conversion

Capex: £123m (-£15m)

Ongoing capital investment

Leverage: 3.2x (-0.4x)

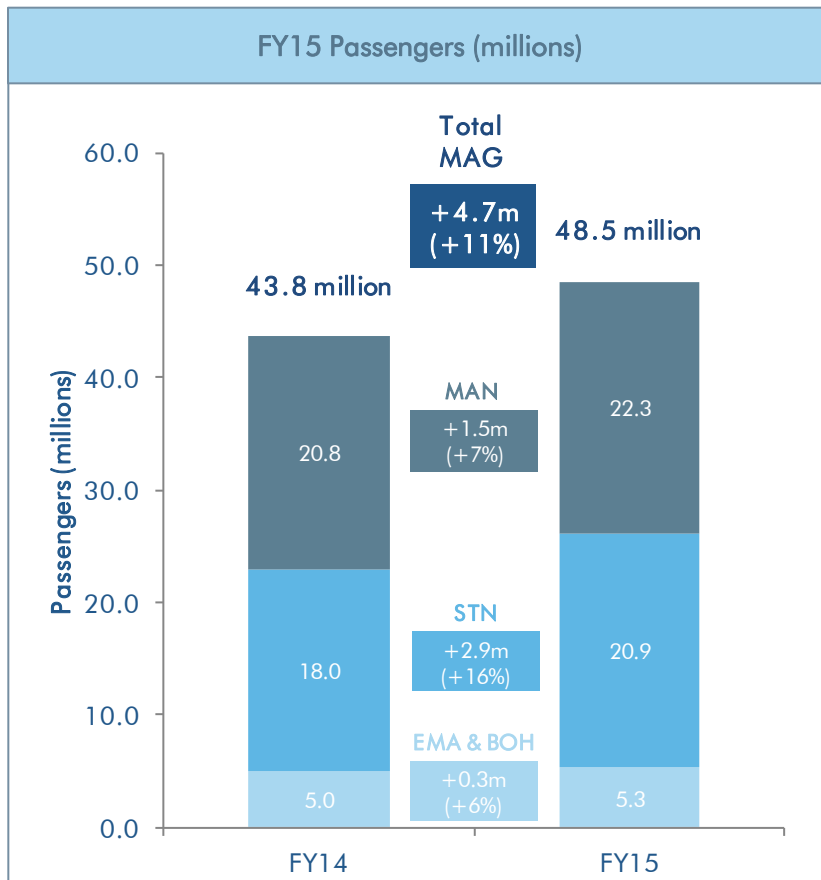
Conservative financial leverage

Source: MAG FY15 Annual Report & Accounts

Passenger Growth & Commercial Development

Commercial Growth Strategy Yielding Results

The success of MAG's commercial strategy is reflected in an 11% year-on-year increase in passengers



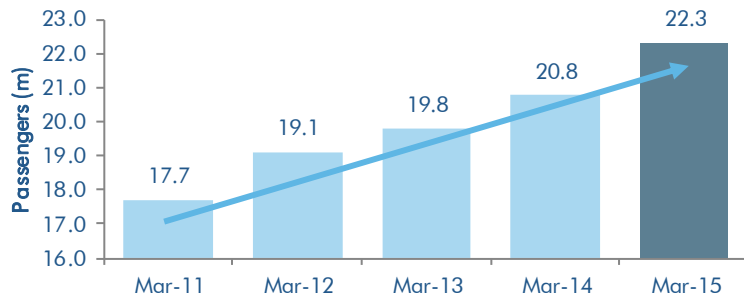
Source: MAG FY15 Annual Report & Accounts

Group	<ul style="list-style-type: none"> MAN, STN and EMA growing strongly. Benefiting from a commercial strategy that incentivises growth. Increased frequencies, additional capacity and new routes.
MAN	<ul style="list-style-type: none"> Busiest year on record – beats previous record of 22.2 million set in FY07. 70+ airlines and in 200+ destinations. Demonstrates importance of MAN to UK aviation and wider capacity debate.
STN	<ul style="list-style-type: none"> Fastest growing major airport in the UK. Ten consecutive months of double digit % growth. Important additions to long- and short-haul connectivity.
EMA & BOH	<ul style="list-style-type: none"> Solid growth at EMA – fully recovered following loss of bmibaby in FY13. BOH is steady with a stronger outlook for FY16.

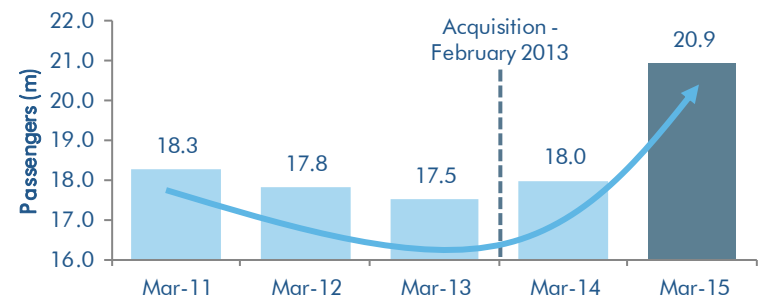
Long-term Passenger Trends...Success of MAG's Strategy

The continued growth at MAN and EMA combined with the turnaround at STN illustrates the success of MAG's commercial strategy and the quality of the catchment areas

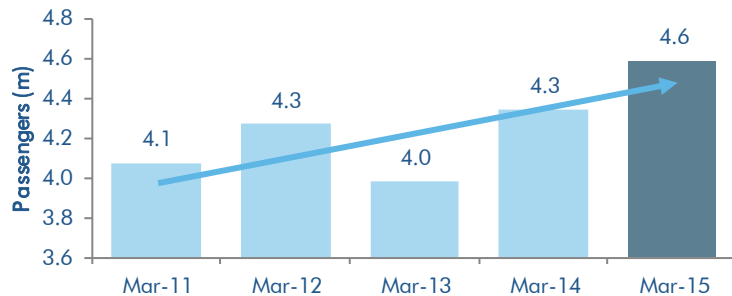
MAN...fourth consecutive year of growth



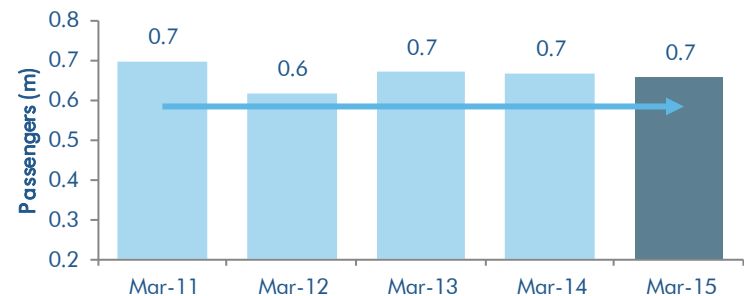
STN...back on an upwards trajectory



EMA...strong growth following loss of bmibaby in FY13



BOH...broadly stable but small component of MAG total

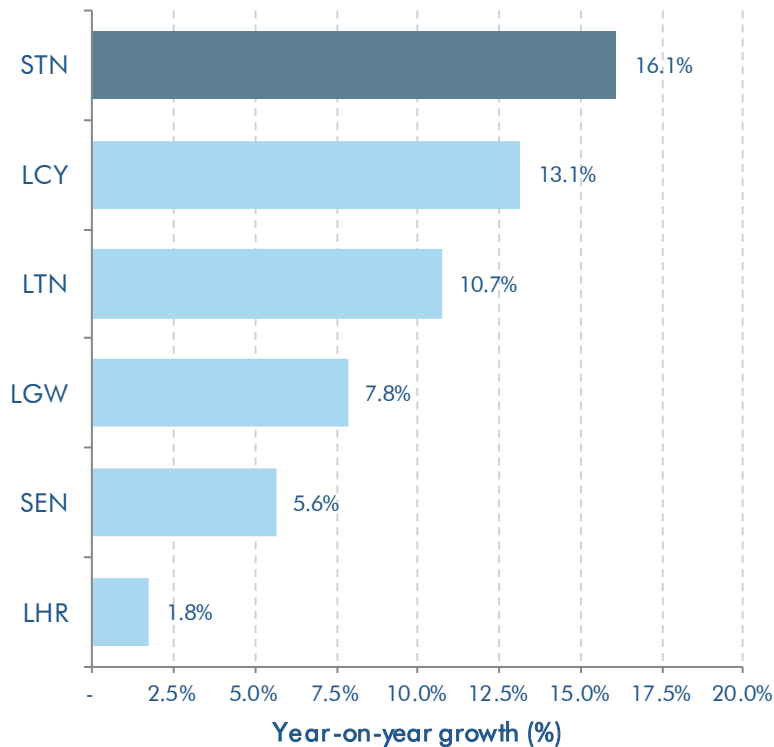


Source: Management Information

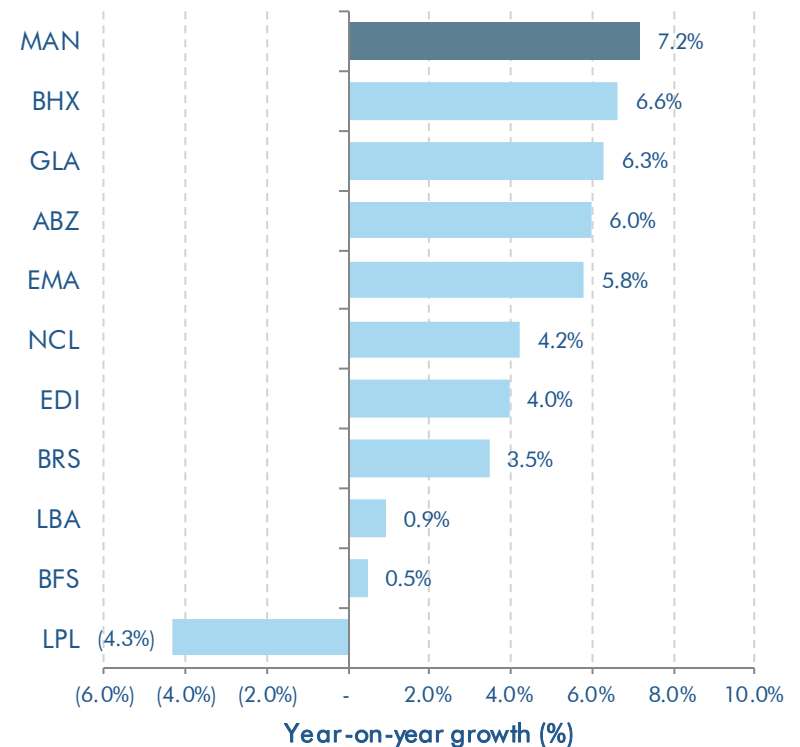
Above-Market Growth & Market Share

A commercial strategy that incentivises growth is translating into above-market performance and recapture of lost market share

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



...and MAN is the fastest growing airport outside of London



Source: CAA

A Growing and Diversified Route Network

MAG continues to diversify its routes and airline network and now serves more than 270 routes – more than any other UK airport group. There has been significant success in further widening our network of services.



North America

- **New MAN-NY service** from Delta
- **Additional capacity** on MAN-Atlanta from Virgin
- Thomas Cook adding **long-haul services** from STN to Orlando, Cancun & Las Vegas
- **New MAN connection** to Miami and NY from Thomas Cook (plus LA and Boston from 2016)

Europe / North Africa

- **4 new Ryanair and EasyJet STN routes** for Summer 2015
- **Flybe now operating** at STN with 3 domestic routes
- **2 new European carriers** at MAN - Vueling and Iberia Express
- Ryanair Winter 2015 - **2 new STN routes** and **extra flights** on 23 existing routes

Middle East

- Continuing to add capacity – now over **50 direct links a week**
- Emirates has added a **second A380** to their MAN-Dubai route
- Qatar now **2x daily** on MAN-Doha
- **Two new MAN routes** from Iraqi Airways
- Turkish now **3x daily** on MAN-Istanbul

Far East

- Cathay's **direct connection** from **MAN to Hong Kong** started in December 2014 and is the only direct scheduled route to China outside of London

Source: Management Information

Trading Performance

FY15 Trading Performance

Group EBITDA up by £42 million (or 17%) from £242 million to £284million

Group Income Statement

£m	Group FY15	Group FY14	Variance (£)	Variance (%)
Aeronautical	378.8	342.7	+36.1	+10.5%
Retail	134.3	119.4	+14.9	+12.5%
Car Parking	125.7	104.4	+21.3	+20.4%
Other	99.6	104.7	(5.1)	(4.9%)
Revenue	738.4	671.2	+67.2	+10.0%
Employee costs	(165.9)	(153.5)	(12.4)	(8.1%)
Non-employee costs	(288.9)	(277.2)	(11.7)	(4.2%)
Operating Costs	(454.8)	(430.7)	(24.1)	(5.6%)
Disposal of fixed assets	-	1.4	(1.4)	n/a
EBITDA	283.6	241.9	+41.7	+17.2%

Source: MAG FY15 Annual Report & Accounts

Aeronautical revenue

- Robust growth in pax drives strong aeronautical revenues.
- Aeronautical yields are broadly stable.
- Best use of capacity & incentivising off-peak traffic, new carriers & routes.

Retail

- Pax growth drives the retail revenue increase with retail yields broadly stable.
- Retail yield uplift from STN TTP from FY16.
- Emphasis on creating commercial spaces and increasing positive dwell time.

Car Parking

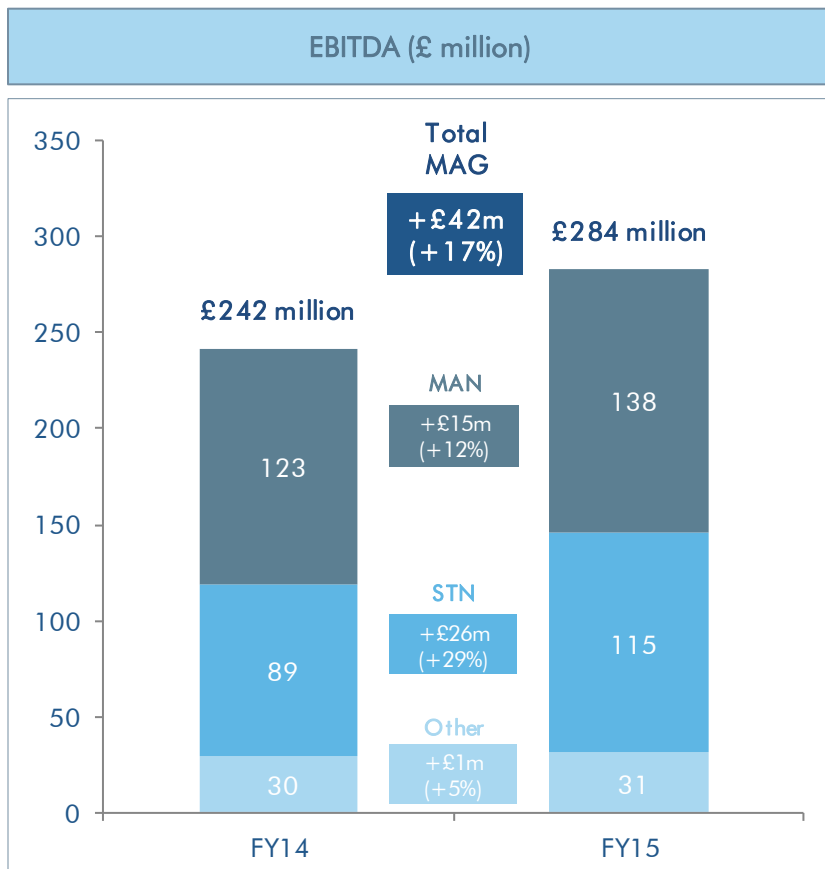
- Product innovation, distribution deals and capacity / facilities investment drives growth
- Yields have increased Y-on-Y by 8.7%.
- Focus on providing more customer choice and maximising utilisation.

Operating Costs

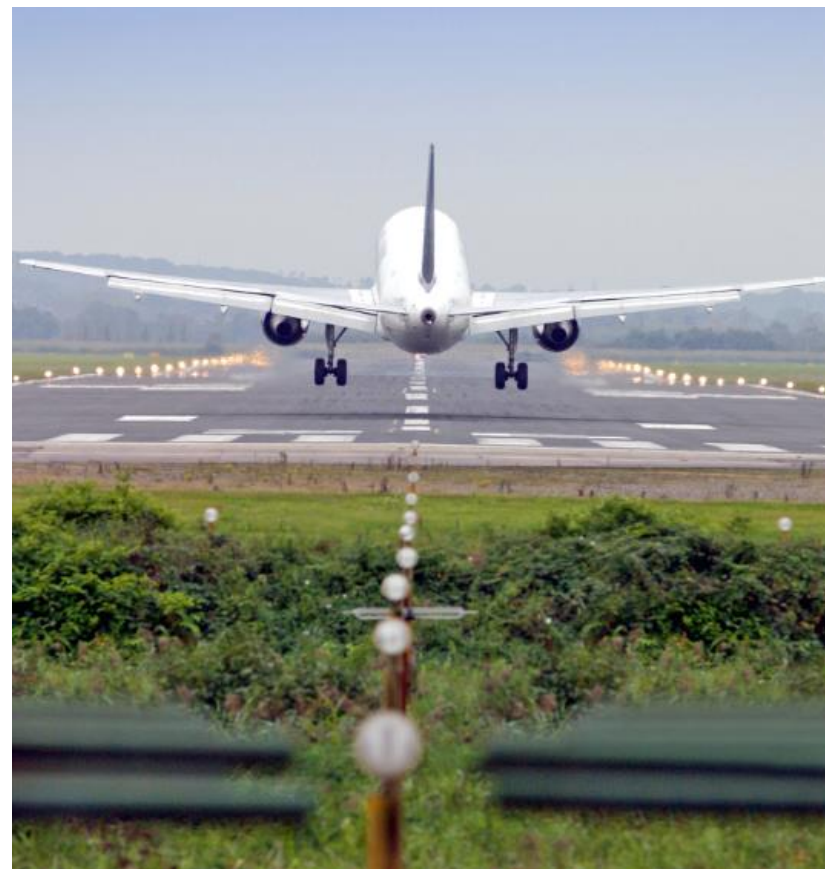
- Investment in security and customer service to support growth.
- Tight control of underlying costs and focus on delivery of efficiency programmes.
- Costs per pax down by £0.46 (or 4.6%)

FY15 EBITDA

Strong trading performance across the portfolio of assets with the benefits of MAG ownership of STN now flowing through to the bottom line



Source: MAG FY15 Annual Report & Accounts



Capital Investment

FY15 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 is now complete.



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 STN Escape Lounge development.



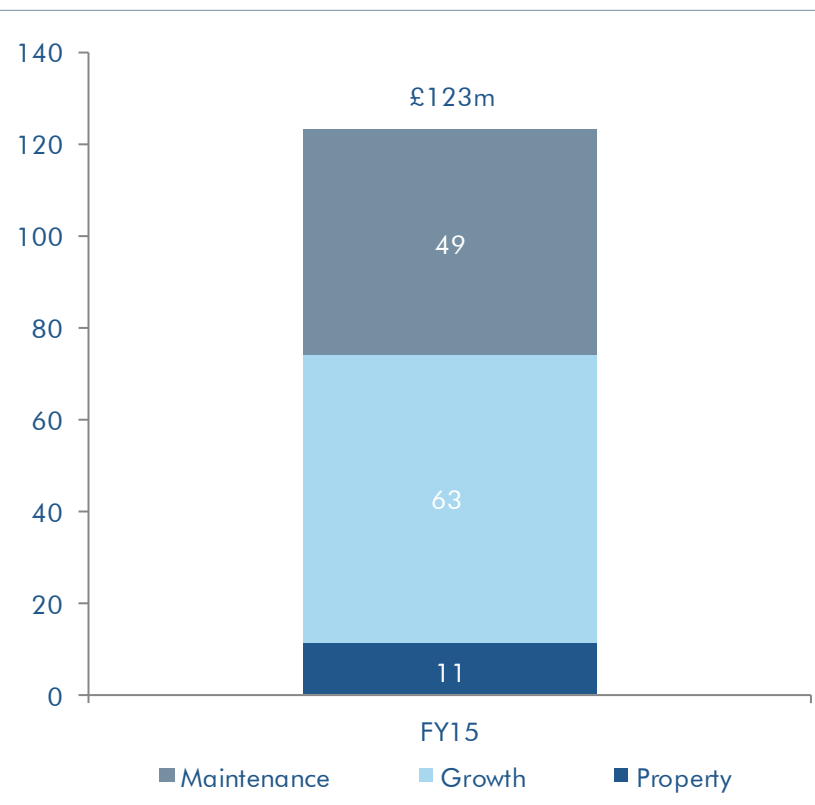
The MAN airport spur of the Metrolink line is now fully operational



Revenue diversification from low-risk investment in property estate, including Airport City

Source: Management Information

Capital Investment (£m)



STN Transformation Project

STN Transformation Project – On Track

The £80 Million Terminal Transformation Project at Stansted will transform the passenger experience and boost commercial yields



Invest £40m
with retail
partners
contributing
a further
£40m

Improve
passenger
flows and
experience

Double the
retail airside
space

70% more
seating

Provide
100%
footfall for
all retailers

Increase
retail yields

STN Transformation Project – On Track

The Transformation Project is on schedule and on budget with the latest milestone being the official opening of the revitalised food & beverage offering in April 2015



Relocation of
check-in
desks to free
up space for
reconfigured
retail areas

New security
area opened
in late 2013
– additional
lanes &
dedicated
channels

25,000 sq. ft.
walk through
Duty Free
store opened
in July 2014

New Escape
Lounge
opened in
Spring 2015

STN Transformation Project – On Track

Exciting new line up of cafes, bars and restaurants and designed to offer passengers a wide range of options depending upon budget, appetite and taste.

70 tenders
for 12
available
units

70% more
seating, free
wifi, charging
points and
flight
countdown
screens

New
concepts,
celebrity
chefs and old
favourites

A further 16
retail units
opening in
Autumn
2015



MAN Transformation Programme

MAN...Responding to an Evolving Market

The growth of MAN provides an opportunity to revisit the Master Plan and consolidate MAN's position as the key strategic transportation hub in the North of England and continue to reflect evolving passenger and airline requirements

1

MAN is **well invested** with significant spare capacity and the discretion to review and re-scope projects in the event of an economic downturn.

2

MAN is now the fastest growing major airport outside of the London system and illustrates the **success of MAG's commercial strategy** of incentivising growth.

The **refresh of the MAN Master Plan** is an opportunity to:

3

- Create more flexibility in capacity options;
- Provide more operational resilience;
- Create facilities that are more adaptable to change; and
- Create space to facilitate new products and processes.



MAN Transformation Programme: Refreshing the Master Plan

The MAN capex plan is being re-profiled to deliver more resilient and flexible infrastructure that best meets our long-term requirements



- | | |
|--|---|
| <p>1 Additional car parking facilities.</p> | <p>4 New stands and piers, offering improved departure gate facilities.</p> |
| <p>2 Expansion and reconfiguration of Terminal 2, to become the airport's primary terminal building.</p> | <p>5 Introduction of customer friendly enhancements, including self-service check-in facilities and around 50 F&B and retail outlets.</p> |
| <p>3 Implementation of new and enlarged airside transfer facilities, including the direct linkage between T2 & T3.</p> | <p>6 A new, enlarged security hall which will screen more passengers, quicker.</p> |

MAN Transformation Programme: Core Financing Principles

Re-profiling of long-term capital plan. Financing and debt investor considerations are central to the refresh of the MAN Master Plan with the focus on component separability, resilience in the event of a downturn and conservative financing



With more than 30 components spread over 10+ years component separability will be hard-wired into the contracting strategy and project plan with the ability to defer investment in the event of downturn in trading performance.

Limited disruption to existing commercial and operational activities due to (1) the phasing strategy; and (2) the extension and modification of existing facilities rather than their replacement.

Re-profiles £0.9bn of the MAG £3.5bn+ long-term capital plan with new investment offset over the longer-term by significant capex savings on account of a simpler and more efficient terminal configuration.

The refresh of the MAN Master Plan is **subject to a robust Business Case assessment** with the commercial and capital investment inputs subject to third party review and validation.

The Group remains committed to maintaining strong investment grade credit ratings with the investment to be funded through a mixture of debt and equity with flexibility in the dividend policy.

Financing

Strong Cash Generation

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

Group Cash Flow Statement

£m	FY15	FY14
Cash generated from operations	298.1	230.2
Interest paid	(74.8)	(63.4)
Tax paid	(17.7)	(12.9)
Purchase of property, plant and equipment	(114.9)	(122.2)
Purchase of intangible assets	(10.5)	(10.0)
Investment in associate	(7.7)	-
Proceeds from transfer of assets to associate	10.0	
Proceeds from sale of investment properties	-	0.9
Net change in borrowings	3.8	7.4
Cash outflow on settlement of interest rate swaps	(18.0)	4.1
Dividends paid to shareholders	(77.0)	(72.0)
Net movement in cash	(8.7)	(37.9)
Cash and cash equivalents at 1 April	19.0	56.9
Cash and cash equivalents at 31 March	10.3	19.0

Source: MAG FY15 Annual Report & Accounts

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 £68 million (or 29.5%) from £230 million to £298 million.
- Interest rate swaps fully unwound following the April bond issue and resulted in a cash payment of £18 million.
- Airport City activity increasing but outside of security ring-fence.
- Commitment to sustaining strong investment grade credit ratings drives the dividend policy.
 - Final Dividend of £46 million paid in July 2014 following publication of the FY14 AR&A.
 - Interim Dividend of £31 million paid December 2014.
 - Proposed Final Dividend of £62 million to be paid following publication of FY15 AR&A.

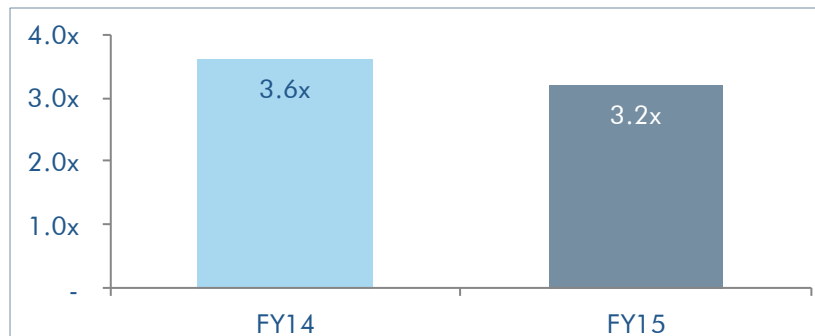
Stable Financial Leverage & Strong Interest Cover

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

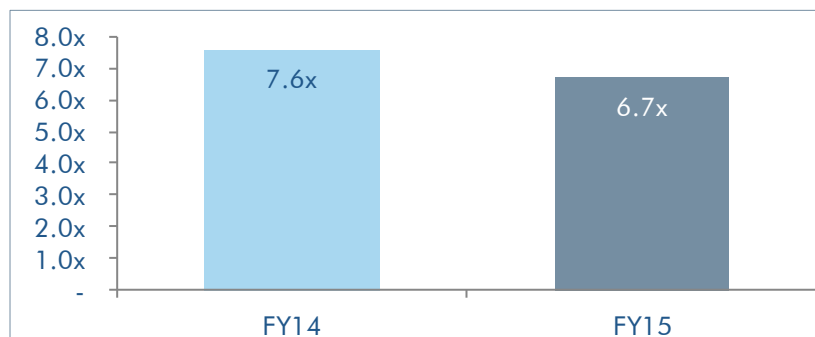
Prudent financing and dividend policy...

- 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 in December.
- Proceeds from April issuance of MAGAIR £360m 4.125% 2024 applied to repayment of bank debt.
- 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 3.2x vs. lock-up at 6.0x.
 - Interest cover at 6.7x vs. lock-up at 2.0x.
- Sufficient liquidity to fund operations and invest in growth with £280m of the £300m Revolving Credit Facility remaining unutilised at 31 March 2015.
- 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

Q&A

Appendix

Appendix – Reconciliation of Security Group Consolidation (MAGIL) to Group Results (MAHL)

£m	MAGIL	Shareholder Loan	Dividends	Airport City	Other	MAHL
Income Statement						
Revenue	738.4	-	-	-	-	738.4
EBITDA (before significant items)	283.6	-	-	-	-	283.6
Result from operations. (after significant items)	145.8	-	-	(3.6)	-	142.2
Finance costs	(51.1)	(30.4)	-	-	-	(81.5)
Taxation	(26.9)				5.2	(21.7)
Result for the year	97.8	(30.4)	-	(4.0)	5.2	68.6
Balance Sheet						
Non-current assets	3,186.5	-	-	26.3		3,212.8
Current assets	323.3	(60.8)	(149.0)	(33.9)	7.5	87.1
Current liabilities	(230.8)	-	-	-	11.2	(219.6)
Non-current liabilities	(1,274.3)	(251.4)	-	-	-	(1,525.7)
Net assets	2,004.7	(312.2)	(149.0)	(7.6)	18.7	1,554.6

Source: MAG FY15 Annual Report & Accounts, MAGIL FY15 Annual Report & Accounts, Management Information

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