



Manchester Airports Group

Investor Presentation

Results for the Year Ended 31 March 2016

July 2016

Introduction

Introduction



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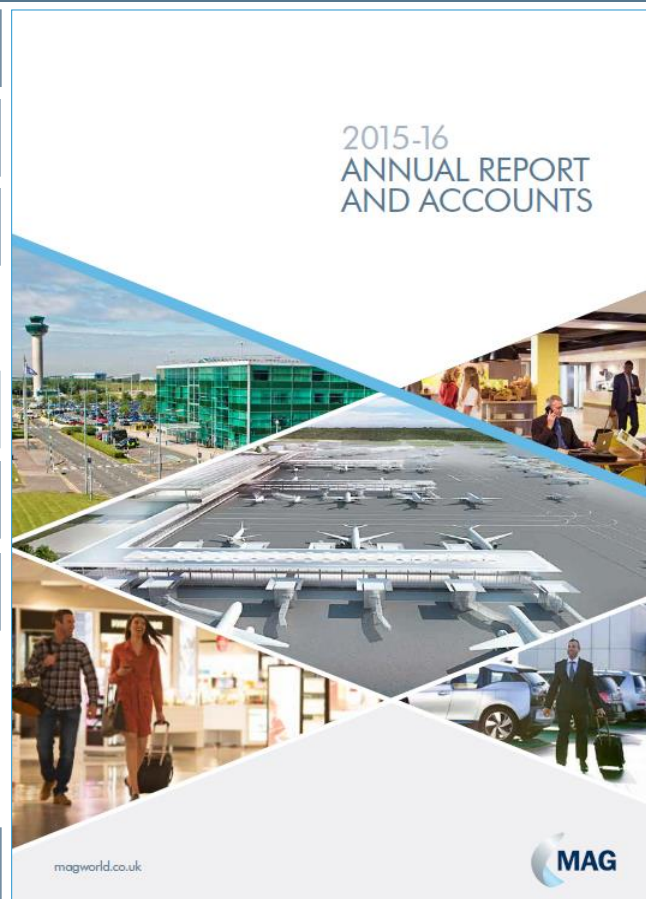
- FY16 Highlights
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FY16 Highlights

FY16 Highlights

Another record year for MAG with financial outperformance against budget and continued investment across the Group to support long-term growth

✓	Continued strong growth carrying 52 million passengers with increase in load factors and new destinations.
✓	STN is the fastest growing major airport in the UK. BA launches scheduled flights. Awarded 'Best London Airport' 2016.
✓	MAN passenger numbers at an all-time high and more cargo processed than ever before.
✓	Expansion of capacity and routes. First direct route to Beijing outside of London.
✓	EBITDA ahead of 5-year plan and 12% up on prior year.
✓	STN £80m terminal transformation complete. Final outlets from Phase 3 specialist retail development opened.
✓	MAN TP underway - phased and modular to optimise value and manage risk. Planning permission granted in March.
✓	Chinese President's visit highlights Manchester Airport's position at the hub of the Northern Powerhouse project.
✓	Property Business – Deals agreed with Amazon and DHL; Rt Hon David Cameron unveils plans for China Cluster at Airport City.
✓	Well positioned for continued growth – aviation pipeline, spare runway capacity, focussed MAN & STN investment, MAG USA.



FY16 Financial Highlights

The continuing success of MAG's commercial and operational strategy is reflected in a 7% year on year increase in passenger numbers and a 12% increase in EBITDA

Group Pax: 51.9m (+7%)

Commercial strategy driving passenger growth

MAN Pax: 23.5m (+5%)

MAN passengers at all time high

STN Pax: 23.2m (+11%)

STN is the fastest growing airport in the UK

EMA and BOH Pax: Flat at 5.2m but EBITDA up by 5%.



EBITDA: £318m (+12%)

Strong EBITDA growth ahead of plan

Cash generated from operations: £325m (+5%)

Excellent cash conversion

Capital Investment: £125m (+11%)

Improving efficiency and supporting growth

Leverage: 2.8x (-0.6x)

Conservative financial leverage

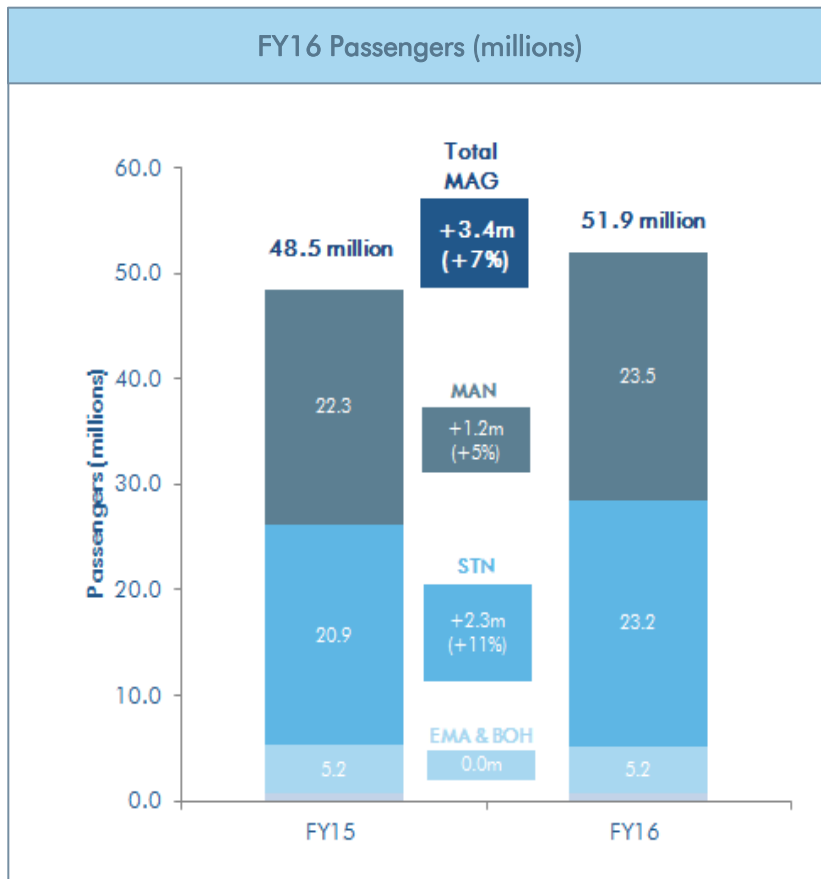
Source: MAHL FY16 Annual Report & Accounts

Note: For a reconciliation between MAHL and MAGIL FY16 Results see Appendix on Page 29

Passenger Growth & Commercial Development

Commercial Growth Strategy Yielding Results

The success of MAG's commercial strategy is reflected in a 7% year-on-year increase in passengers



Group

- MAN and STN pax growing strongly.
- Benefiting from a commercial strategy that incentivises growth.
- Increased frequencies, additional capacity, and new routes.

MAN

- Record passenger numbers.
- Around 70 airlines flying to c.200 destinations
- Demonstrates importance of MAN to UK aviation and wider capacity debate.

STN

- Fastest growing airport in the UK.
- Named 'Best London Airport' 2016.
- BA adds scheduled service; Thomas Cook, TUI launch new long-haul routes; Ryanair increases frequencies.

EMA & BOH

- EMA and BOH delivering broadly stable passenger numbers over the last three years.
- DHL expansion planned at EMA - the UK's largest pure freight hub.

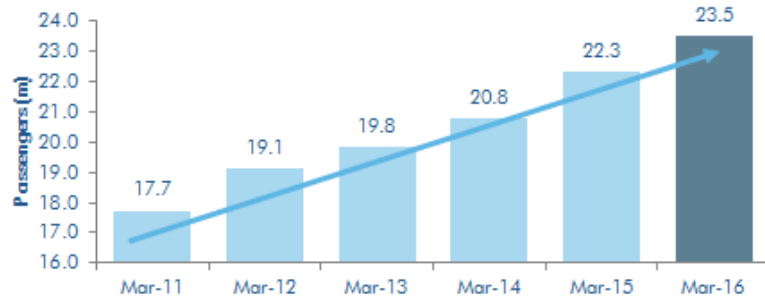
Source: MAHL FY16 Report & Accounts

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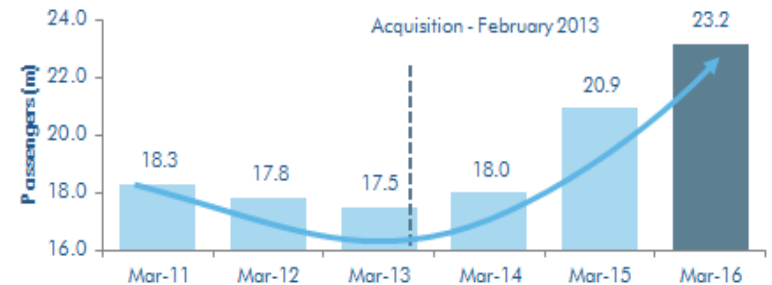
Long-term Passenger Trends...Success of MAG's Strategy

The continued strong growth at MAN and STN illustrates the success of MAG's commercial strategy and the extensive reach of the catchment areas

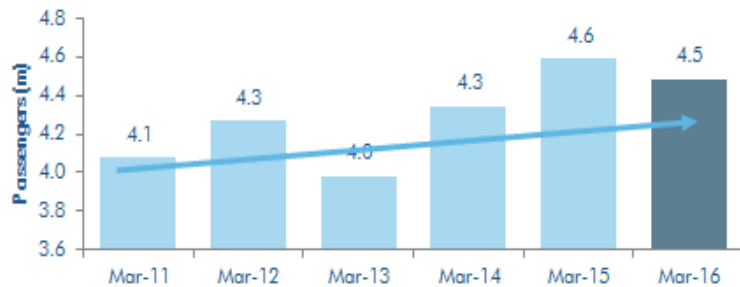
MAN...now in fifth year of sustained growth



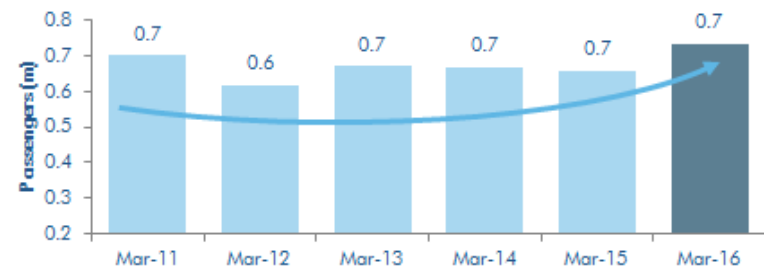
STN...strongest growth in the UK



EMA...consistent performance



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

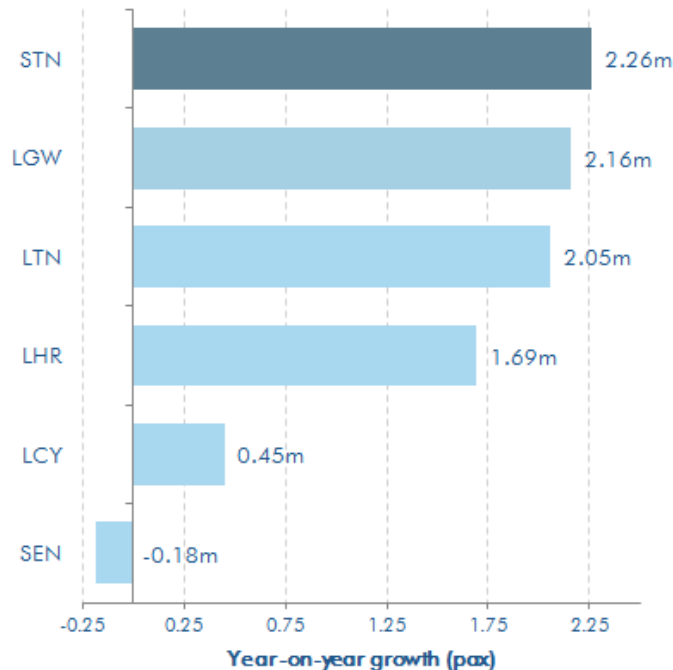


Source: Management Information

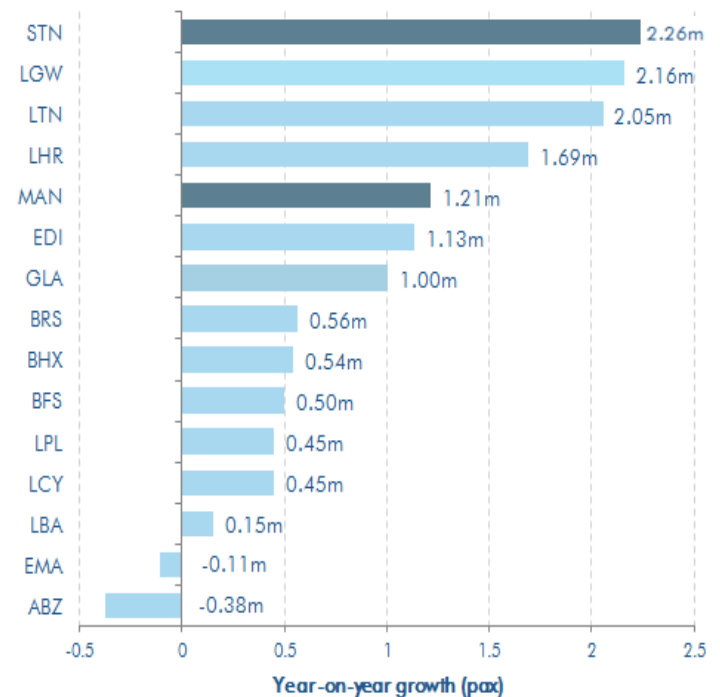
Above-Market Growth & Rising Market Share

A commercial strategy that incentivises growth is translating into above-market performance and rising market share
(20.3% of UK market reflecting +0.3% increase)

STN is the fastest growing major airport in the London system



MAG has 2 of the top 5 UK airports for passenger growth. MAG has the fastest growing airport in the London market (STN) and MAN is the fastest growing outside of the London system.



Source: CAA – March 2016

A Growing and Diversified Route Network

MAG continues to diversify its routes and airline network and now serves 279 routes – more than any other UK airport group. Capacity is growing together with introduction of some exciting new routes announced for Summer 2016

North America

- **Additional MAN** – New York capacity with Thomas Cook in Summer 2016
- **New MAN** link to Los Angeles and Boston for Summer 2016
- **New route** from MAN to Tobago with Thomas Cook
- **New Thomson** services from STN to Cancun and Orlando
- **Virgin** to operate to San Francisco and Boston from 2017 from MAN

Middle East

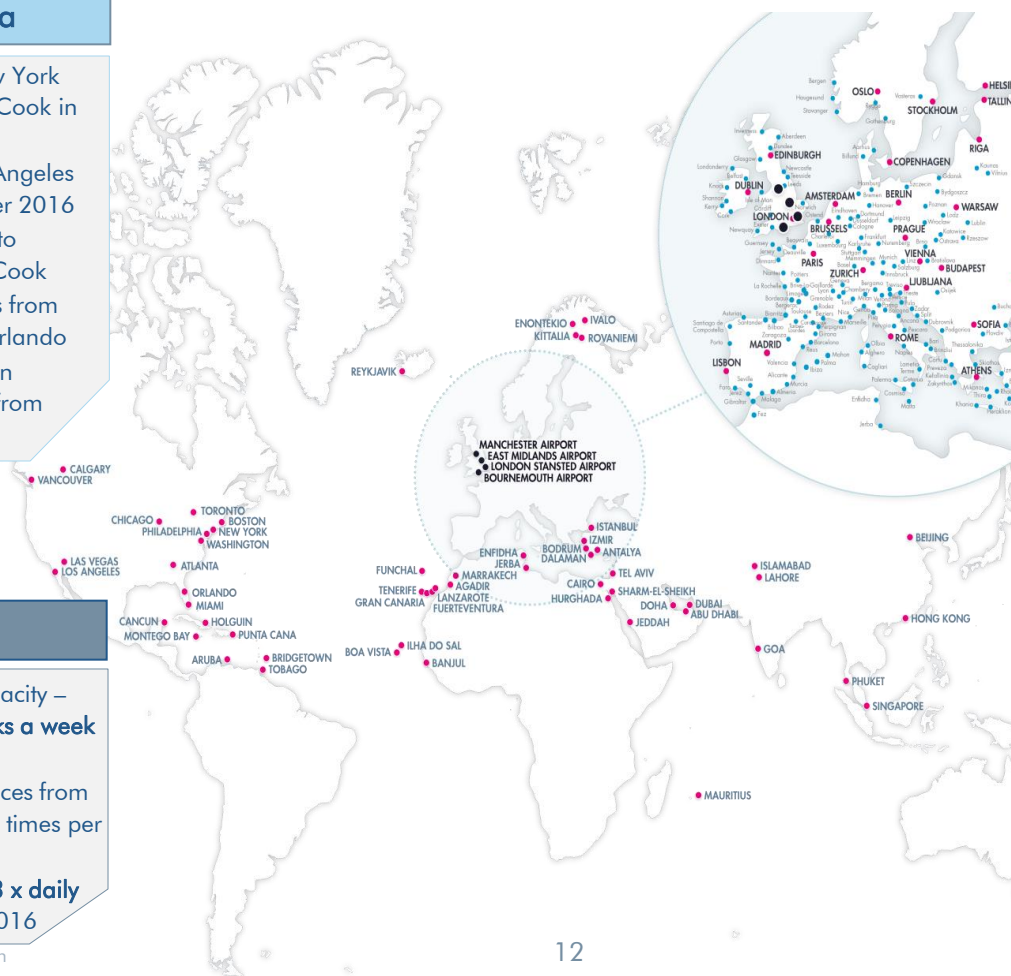
- Continuing to add capacity – now over **50 direct links a week from MAN**
- **New Shaheen Air** services from MAN to Islamabad - 4 times per week
- **Turkish** continues the **3 x daily** service into Summer 2016

Europe / North Africa

- **New Ryanair and EasyJet** routes from STN/MAN in Summer 2016
- **Jet2** adding new routes from MAN and EMA
- **Flybe** adding services from MAN to Lyon and Luxembourg
- **New BA** summer weekend services from STN
- **New Krakow** service from BOH
- **New Vueling** services to Alicante, Rome and Tenerife from MAN

Far East

- **Hainan Airlines** launched a **4 x weekly service** to Beijing from MAN in June 2016
- **Thomson** set to **grow** its MAN long haul network with services to Phuket, Mauritius and Goa



Trading Performance

FY16 Trading Performance

Group EBITDA up by £34 million (12%) from £284million to £318 million

Group Income Statement

£m	Group FY16	Group FY15	Variance (£'m)	Variance (%)
Aeronautical	387.4	378.8	+8.6	+2.3%
Retail	143.8	134.3	+9.5	+7.1%
Car Parking	137.6	122.4	+15.2	+12.4%
Property	47.5	46.4	+1.1	+2.4%
Other	62.5	56.5	+6.0	+10.6%
Revenue	778.8	738.4	+40.4	+5.5%
Employee costs	(174.2)	(165.9)	(8.3)	(5.0%)
Non-employee costs	(297.5)	(288.9)	(8.6)	(3.0%)
Operating Costs	(471.7)	(454.8)	(16.9)	(3.7%)
Property development	10.6	-	+10.6	n/a
EBITDA	317.7	283.6	+34.1	+12.0%

Aeronautical revenue

- Continuing growth in pax at STN and MAN drives strong aeronautical revenues.
- Aeronautical yields are slightly lower due to strong pax increases in non-peak periods.

Retail

- Pax growth drives retail revenues ↑ 7%.
- Retail yield stable despite challenging conditions, particularly duty free.
- Benefit of investment seen at STN and EMA

Car Parking

- Focus on innovation, providing more customer choice and maximising utilisation.
- Growth of 12%. Strong growth in pre-book coupled with additional capacity, roll out of M&G.

Operating Costs

- Investment in security, customer service, and marketing to support growth and new routes.
- Tight control of costs but further investment in staff to support growing pax volumes. Costs per pax down by £0.29 (3%).

Property development

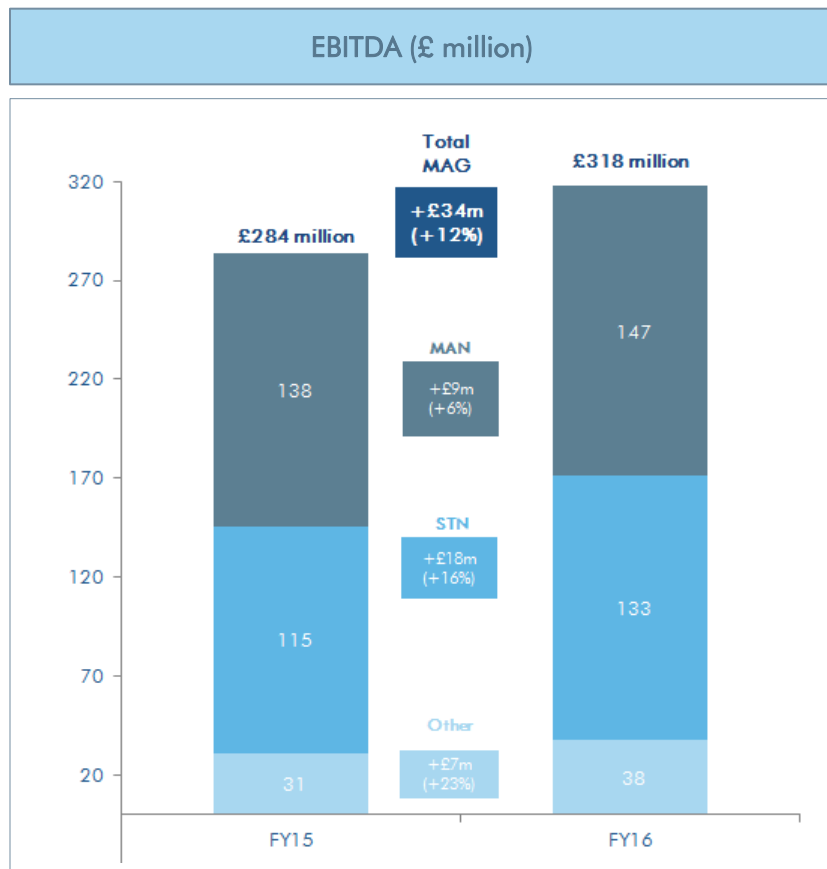
- Property strategy to realise best value from our estate results in five completed deals.
- Occupiers seek benefits of locating close to global connectivity.

Source: MAHL FY16 Report & Accounts

Note: For a reconciliation between MAHL and MAGIL FY16 Results see Appendix on Page 29

FY16 EBITDA

Robust trading performance across the portfolio of assets with the benefits of MAG ownership of STN continuing to strongly enhance the bottom line



Source: MAHL FY16 Report & Accounts

Note: For a reconciliation between MAHL and MAGIL FY16 Results see Appendix on Page 29

Capital Investment

FY16 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



£80m STN Terminal Transformation Project completed final phase of new speciality retail outlets including Hugo Boss, Ted Baker, Lacoste, Oasis, Superdry, Mulberry and Swarovski.



Significant ongoing investment in IT infrastructure, back-office systems and software to enable the Group to support additional growth and manage its assets more efficiently.



MAN TP progressing well through design stages. Infrastructure options for STN being considered to make best use of spare runway capacity over short, medium and long-term.



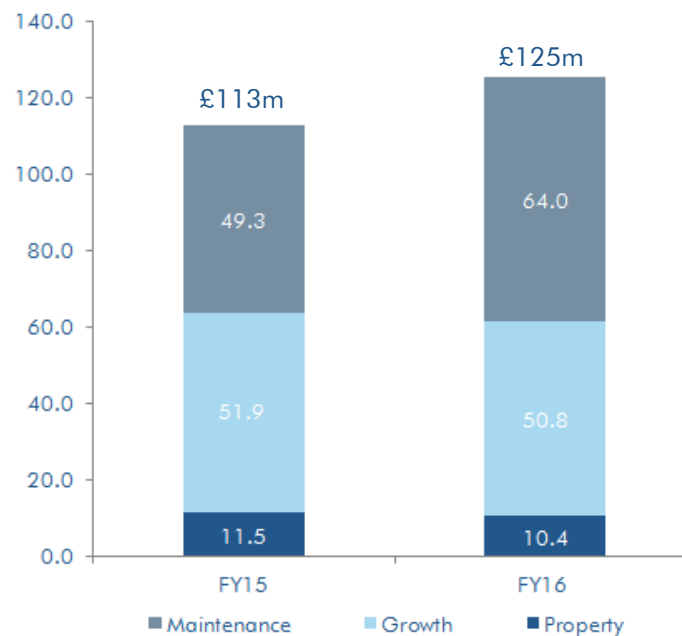
Focused investment in schemes to improve customers' journey and experience whilst complying with increased security regulations.



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

Source: Management Information

Capital Investment (£m)



STN Transformation Project

STN Transformation Project – Enhancing Customer Experience

The final phase of the STN Transformation Project was completed in December 2015 culminating in the opening of Phase 3 of the retail development

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

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

Opening of new Food and Beverage - new concepts, celebrity chefs & old favourites

Compelling mix of high profile brands & vibrant new entrants to airports/ UK

A further 18 speciality retail units opened in Autumn/ Winter 2015



MAN Transformation Programme

MAN Transformation Programme: In Detailed Design Phase

In June '15 MAG announced a £1bn 10-year programme, which would see the passenger and airline experience at Manchester Airport transform to meet modern requirements and this key transport hub continue to grow and contribute towards the dynamic Northern Powerhouse region – Planning consent received in March'16



The Scheme

▶ £1 billion, 10-year capex programme, phased and modular, split into 30+ different projects to maintain maximum flexibility to cope with a market downturn or changes in the operating environment.

▶ An enlarged facility at T2, providing a future-proofed operational environment with world class facilities and improved surface access.

Progress to Date

- ✓ 0 - Strategic definition - Business case and strategic brief developed and buy-in gained from MAG Board and Airline Customers
- ✓ 1 - Preparation and brief - Project objectives developed, team mobilised and feasibility understood
- ✓ 2 - Concept Design - Structural design, building services system, outline specifications and preliminary costings
- ▶ 3 - Developed design - Preparing of developed design including updated proposals for structural design, building service systems, outline specifications and cost information

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 £1bn 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	FY16	FY15
Cash generated from operations (before significant items)	325.3	309.5
Interest paid	(73.2)	(74.8)
Tax paid	(30.4)	(17.7)
Purchase of property, plant and equipment	(123.7)	(114.9)
Investment in associate	(6.5)	(7.7)
Proceeds from transfer of assets to associate	3.2	10.0
Proceeds from sale of property	18.8	-
Purchase of intangible assets	-	(10.5)
Cash outflow on settlement of interest rate swaps	-	(18.0)
Net change in borrowings	(20.0)	3.8
Dividends paid to shareholders	(100.6)	(77.0)
Adjustment for significant items	(2.9)	(11.4)
Net movement in cash	(10.0)	(8.7)
Cash and cash equivalents at 1 April	10.3	19.0
Cash and cash equivalents at 31 Mar	0.3	10.3

Source: MAHL FY16 Report & Accounts

Note: For a reconciliation between MAHL and MAGIL FY16 Results see Appendix on Page 29

Strong cash generation

- Strong translation of Operating Profits into Cash allows the Group to continue to invest in the asset base and fund growth.
 - Cash generated from operations up by £15.8 million from £309.5 million to £325.3 million.
 - £20m decrease in borrowings as a result of strong cash flow.
 - Proceeds of £18.8m received from disposal of land and investment property
- Commitment to sustaining strong investment grade credit ratings drives the dividend policy.
 - Final dividend of £62 million paid in July 2015 following FY15 Annual Report and Accounts.
 - Interim dividend of £38.6 million paid in December 2015 following FY16 Interim Report and Accounts.
 - Final dividend of £77.2 million to be paid in July 2016 following publication of the FY16 Annual Report and Accounts.

Stable Financial Leverage & Strong Interest Cover

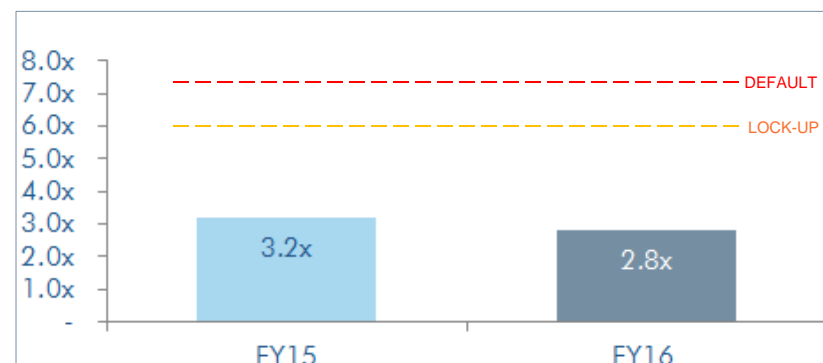
On-going commitment to conservative finance structure incorporating a large proportion of medium and long-term fixed interest Bond finance with shorter term flexibility provided by the new £500m Revolving Credit Facility

Prudent financing and dividend policy...

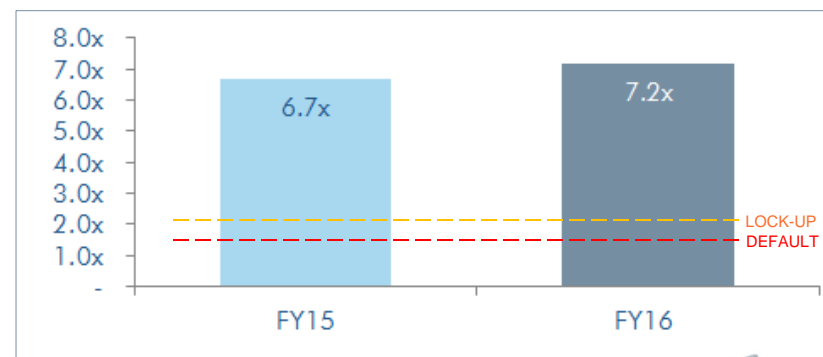
- MAG is committed to maintaining strong investment grade ratings and conservative leverage is core to that objective.
 - Baa1 rating reaffirmed by Moody's in August 2015.
 - BBB+ rating reaffirmed by Fitch in November 2015.
- Reduced Net Debt / EBITDA with interest cover higher than plan due to lower than forecast usage of the Revolving Credit Facility (RCF).
- Significant headroom in financial covenants.
 - Leverage at 2.8x vs. lock-up at 6.0x.
 - Interest cover at 7.2x vs. lock-up at 2.0x.
- Leverage has improved due to strong EBITDA growth over last year – planned to increase through investment cycle, including MAN TP project, but stay within BBB+ rating
- Sufficient liquidity to fund operations and invest in growth with no drawdown on the £300m RCF at March 2016.
- RCF and LF were refinanced in June 2016 providing a new larger £500m RCF (LF remains at £60m) providing further flexibility for investments at MAN and STN.

Source: Management Information

Leverage: Net Debt / EBITDA



Interest Cover: EBITDA less Tax / Finance Charges



MAGIL covenant calculations per Common Terms Agreement dated 14 Feb 2014

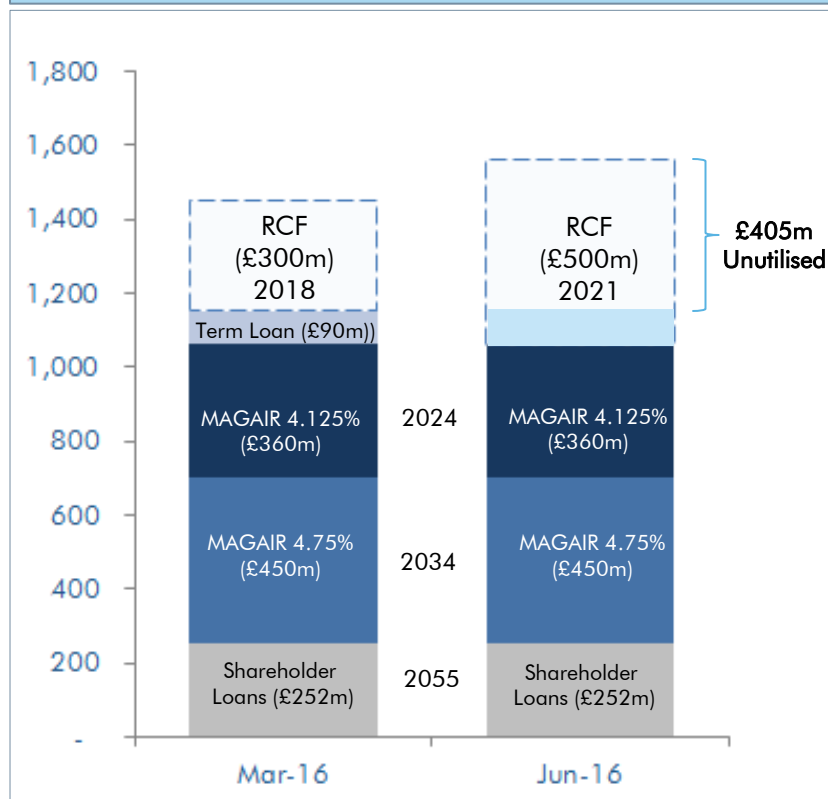
Refinancing enhances long-term funding platform

A new £500m RCF and £60m LF to support the continued growth of the business, including investment in our infrastructure at MAN and STN. Financing strategy to access the capital markets for medium and long-term lending to support growth and investment

Larger facility and significant savings

- In June 2016 MAG refinanced its existing £300 million Revolving Credit Facility and £60 million Liquidity Facility which were scheduled to mature in February 2018.
- The new facilities comprise a £500 million revolving credit facility and £60 million in standby liquidity facilities.
 - five year term, with optional extensions, maturing in June 2021.
 - LF providing committed 12 months of interest cover supporting MAG's listed bonds and other credit facilities.
- Repayment of £90 million acquisition loan
- Significant savings to margin and fees.
- New and existing banks - a testament to the strong results that have been achieved together and an ability to extend relationships into new banking markets.
- MAG will continue to access the long-term capital markets for core long-term debt as it invests in the business and grows earnings

Flexible, long-term financial structure with headroom



Source: Management Information

MAGIL covenant calculations per Common Terms Agreement dated 14 Feb 2014

Q&A

Appendix

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

£m	MAGIL	Intra-group interest	Shareholder Loan	Dividends	Airport City	MAG International	Tax/other	MAHL
Income Statement								
Revenue	778.8	-	-	-	-	-	-	778.8
EBITDA	319.7	-	-	-	1.7	(3.7)	-	317.7
Result from operations	192.6	-	-	-	(1.9)	(3.8)	-	186.9
Significant items	(11.3)	-	-	-	-	-	-	(11.3)
Result from operations after significant items	181.3	-	-	-	(1.9)	(3.8)	-	175.6
Share of result of associate	-	-	-	-	(0.7)	-	-	(0.7)
Movement in investment property fair values	16.5	-	-	-	-	-	-	16.5
Finance costs	(37.2)	(6.7)	(30.3)	-	-	-	-	(74.2)
Taxation	(7.1)	-	-	-	-	-	6.6	(0.5)
Result for the year	153.5	(6.7)	(30.3)	-	(2.6)	(3.8)	6.6	116.7
Balance Sheet								
Non-current assets	3,168.1	-	-	-	33.7	2.0	-	3,203.8
Current assets	467.1	(6.7)	(90.7)	(249.6)	(45.0)	(4.6)	7.6	78.1
Current liabilities	(241.0)	-	-	-	1.2	(1.2)	17.3	(223.7)
Non-current liabilities	(1,218.0)	-	(251.5)	-	-	-	-	(1,469.5)
Net assets	2,176.2	(6.7)	(342.2)	(249.6)	(10.1)	(3.8)	24.9	1,588.7

Source: MAHL FY16 Report & Accounts, MAGIL FY16 Report & Accounts, Management Information

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