



# Manchester Airports Group

Investor Presentation

FY16 Interim Results

December 2015

# Introduction

# Introduction



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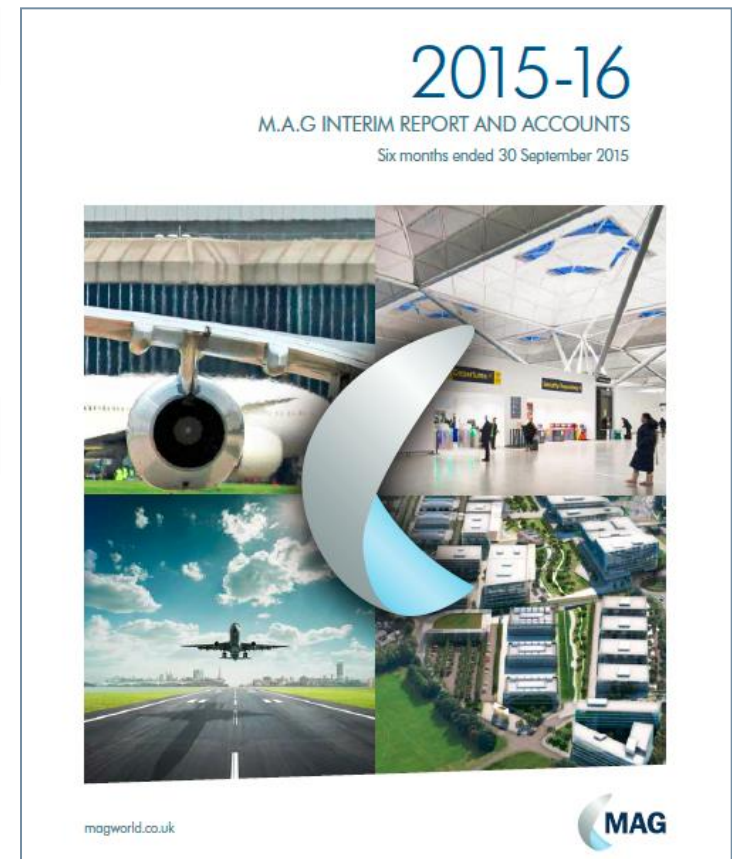


# FY16 H1 Highlights

# FY16 H1 Highlights

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

✓	Continued strong growth in passenger numbers.
✓	STN is the fastest growing major airport in the UK. Record load factors in Summer 2015.
✓	MAN passenger numbers at an all-time high.
✓	Continued expansion of capacity and routes. First direct route to Beijing from a UK regional airport announced.
✓	EBITDA ahead of 5-year plan and 11% up on H1 last year.
✓	STN terminal transformation near completion. Final outlets from Phase 3 specialist retail development opening shortly.
✓	MAN Transformation Programme - phased and modular to optimise cash requirements and manage financial risk.
✓	Chinese President's visit highlights Manchester Airport's position at the hub of the Northern Powerhouse project.
✓	Well positioned for continued growth – aviation pipeline, spare capacity, focussed MAN & STN investment, MAG US.



# FY16 H1 Financial Highlights

The continuing success of MAG's commercial and operational strategy is reflected in a 6% year on year increase in passenger numbers and an 11% increase in EBITDA

**Group Pax: 29.7m (+6%)**

Commercial strategy driving passenger growth

**MAN Pax: 13.8m (+5%)**

MAN passengers at all time high

**STN Pax: 12.5m (+11%)**

STN is the fastest growing major airport in the UK

**EMA and BOH Pax: 3.4m (-6%). EMA cargo income up 9%**



**EBITDA: £203m (+11%)**

Strong EBITDA growth ahead of plan

**Cash generated from operations: £180m (+3%)**

Excellent cash conversion

**Capex: £45m (stable)**

Ongoing capital investment

**Leverage: 3.0x (-0.5x)**

Conservative financial leverage

Source: MAHL FY16 Interim Report & Accounts

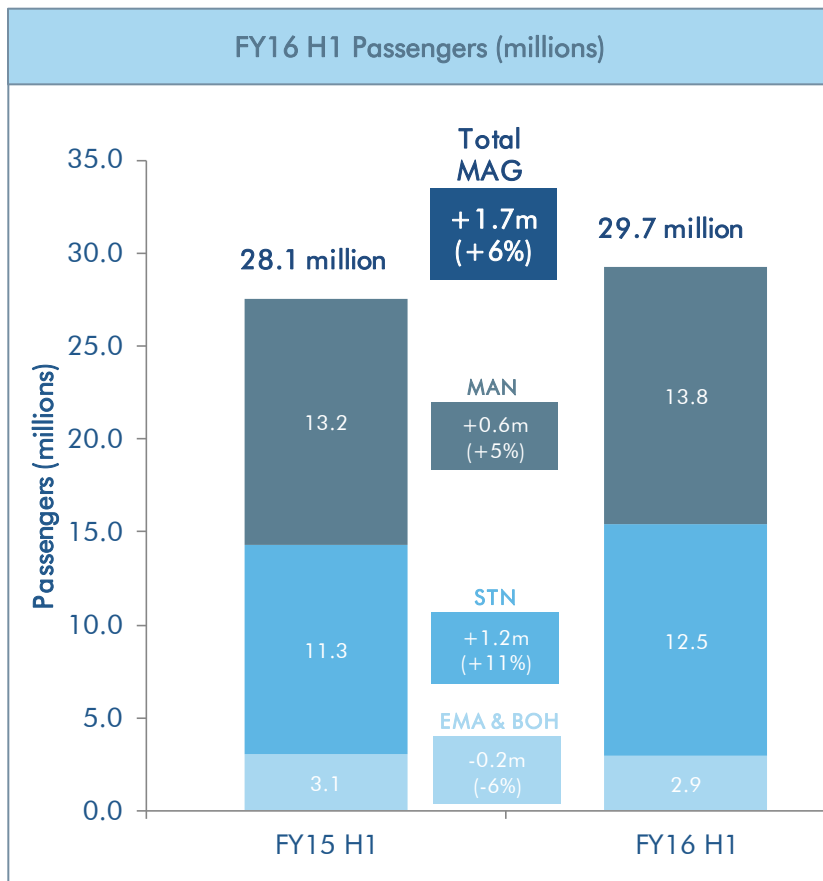
Note: For a reconciliation between MAHL and MAGIL FY16 Interim Results see Appendix on Page 29

# Passenger Growth & Commercial Development



# Commercial Growth Strategy Yielding Results

The success of MAG's commercial strategy is reflected in a 6% year-on-year increase in passengers



<b>Group</b>	<ul style="list-style-type: none"> <li>MAN and STN pax growing strongly.</li> <li>Benefiting from a commercial strategy that incentivises growth.</li> <li>Increased frequencies, additional capacity, and new routes.</li> </ul>
<b>MAN</b>	<ul style="list-style-type: none"> <li>Record passenger numbers.</li> <li>70+ airlines flying to 200+ destinations.</li> <li>Demonstrates importance of MAN to UK aviation and wider capacity debate.</li> </ul>
<b>STN</b>	<ul style="list-style-type: none"> <li>Fastest growing major airport in the UK.</li> <li>Continued strong growth by key customer Ryanair.</li> <li>Important additions to long- and short-haul connectivity.</li> </ul>
<b>EMA &amp; BOH</b>	<ul style="list-style-type: none"> <li>EMA and BOH delivering broadly stable passenger numbers over the last three years. EMA an increasingly important cargo hub.</li> </ul>

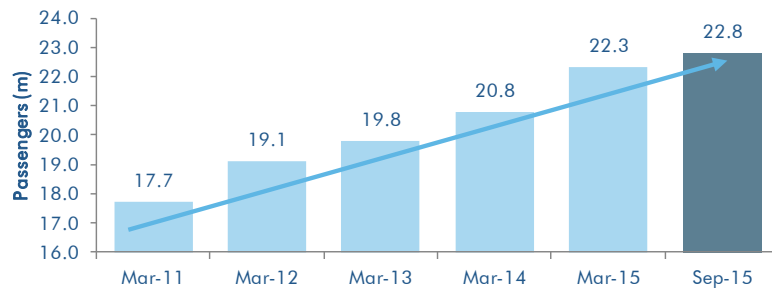
Source: MAHL FY16 Interim Report & Accounts

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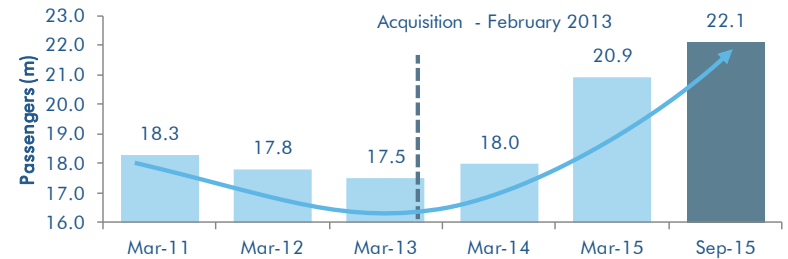
# Long-term Passenger Trends...Success of MAG's Strategy

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

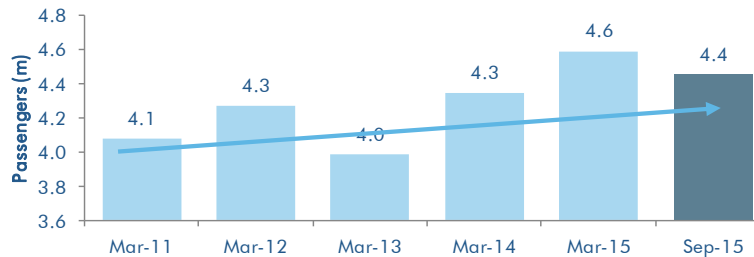
MAN...now in fifth year of sustained growth



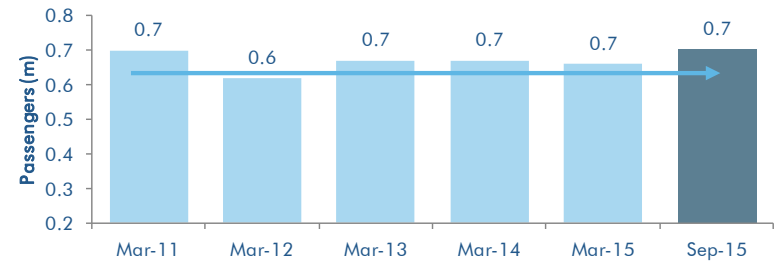
STN...continued strong growth



EMA...consistent performance



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



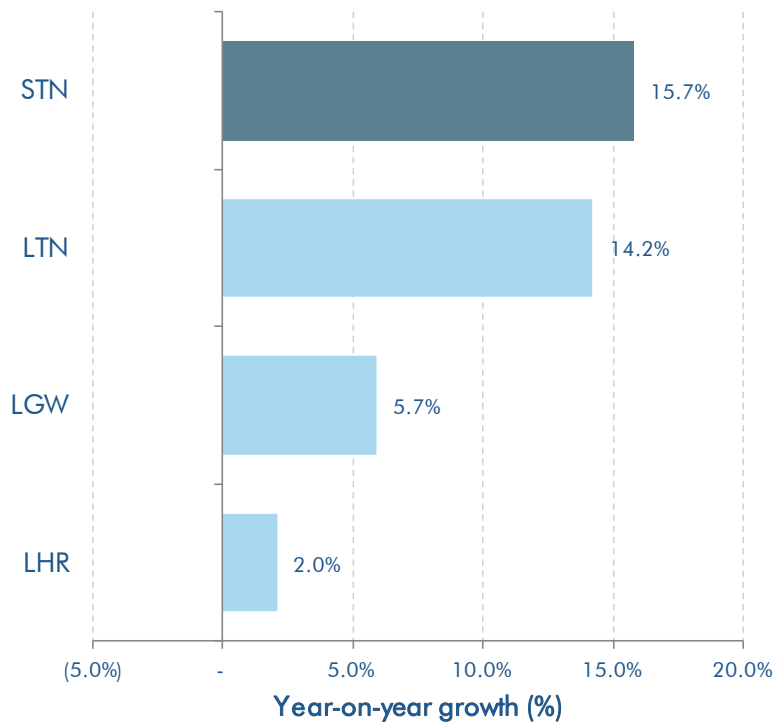
Source: Management Information

Note: volumes for Sep-15 on a rolling 12 months basis

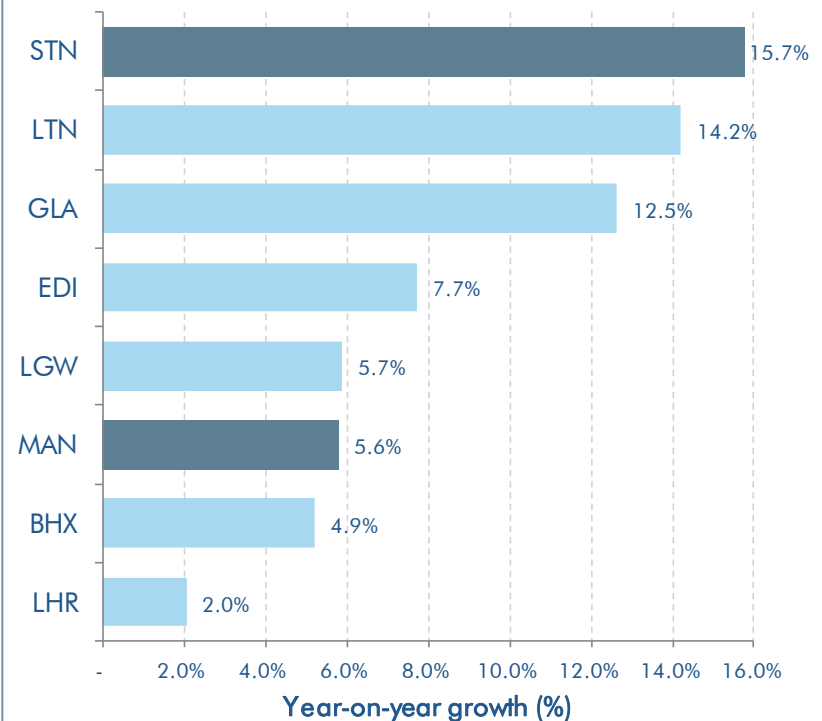
# Above-Market Growth & Rising Market Share

A commercial strategy that incentivises growth is translating into above-market performance and rising market share

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



...and together MAN and STN have added more passengers than LHR and LGW combined



Source: CAA – Rolling 12 months

# A Growing and Diversified Route Network

MAG continues to diversify its routes and airline network and now serves 282 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 connection** to Los Angeles and Boston for Summer 2016
- **New route** from MAN to Tobago with Thomas Cook

## Europe / North Africa

- **New Ryanair and EasyJet routes** from STN/MAN in Summer 2016
- **Flybe to grow their MAN hub** in Summer 2016 with increases on Paris and Amsterdam
- **New FSS carrier at MAN** – Austrian Airlines continue their Vienna operation into Summer 2016
- EasyJet will base **additional aircraft** at MAN to extend their network

## Middle East

- Continuing to add capacity – now over **50 direct links a week**
- **Etihad has upgraded** their aircraft, now using Boeing 777 on each service
- **Saudia will increase MAN capacity** to Jeddah in Summer 2016
- **Turkish continues the 3 x daily** service into Summer 2016

## Far East

- **Hainan Airlines will launch a 4 x weekly service** to Beijing from MAN
- **Thomson set to grow** their MAN long haul network with services to Phuket, Mauritius and Goa

Source: Management Information

# Trading Performance

# FY16 H1 Trading Performance

Group EBITDA up by £20 million (11%) from £183 million to £203 million

## Group Income Statement

£m	Group FY16 H1	Group FY15 H1	Variance (£)	Variance (%)
Aeronautical	227.9	221.2	+6.7	+3.0%
Retail	83.0	77.8	+5.2	+6.7%
Car Parking	79.6	72.3	+7.3	+10.1%
Other	55.0	50.1	+4.9	+9.8%
<b>Revenue</b>	<b>445.5</b>	<b>421.4</b>	<b>+24.1</b>	<b>+5.7%</b>
Employee costs	(86.2)	(83.2)	(3.0)	(3.6%)
Non-employee costs	(159.2)	(155.3)	(3.9)	(2.5%)
<b>Operating Costs</b>	<b>(245.4)</b>	<b>(238.5)</b>	<b>(6.9)</b>	<b>(2.9%)</b>
Disposal of fixed assets	2.4	-	+2.4	n/a
<b>EBITDA</b>	<b>202.5</b>	<b>182.9</b>	<b>+19.6</b>	<b>+10.7%</b>

### 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.
- Best use of capacity & airline incentives.

### Retail

- Pax growth drives retail revenues with year on year retail yields broadly stable.
- Retail yield uplift from STN TTP completion.
- Emphasis on creating commercial spaces and increasing positive dwell time.

### Car Parking

- Focus on innovation, providing more customer choice and maximising utilisation.
- Yields have increased Y-on-Y by 4.2%.
- Strong growth in pre-booked income at MAN and STN.

### Operating Costs

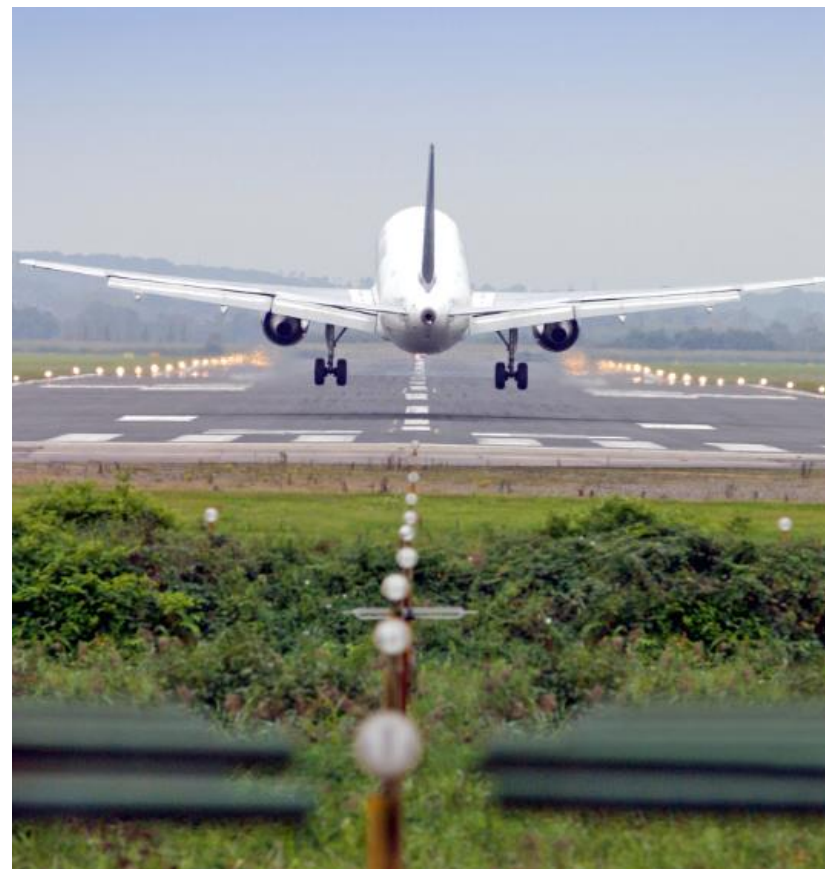
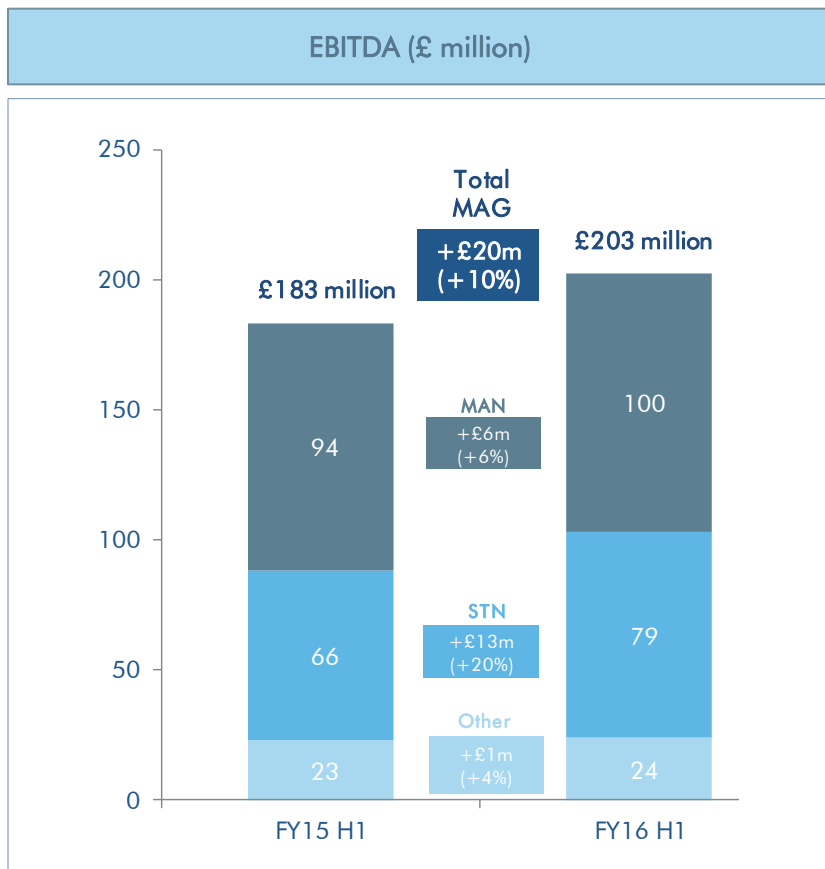
- Investment in security and customer service to support growth.
- Tight control of costs but further investment in staff to support growing pax volumes.
- Costs per pax down by £0.23 (or 3%).

Source: MAHL FY16 Interim Report & Accounts

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

# FY16 H1 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 Interim Report & Accounts

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

# Capital Investment



# FY16 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



£80m STN Terminal Transformation Project completing shortly with final phase of new speciality retail outlets.



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.



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



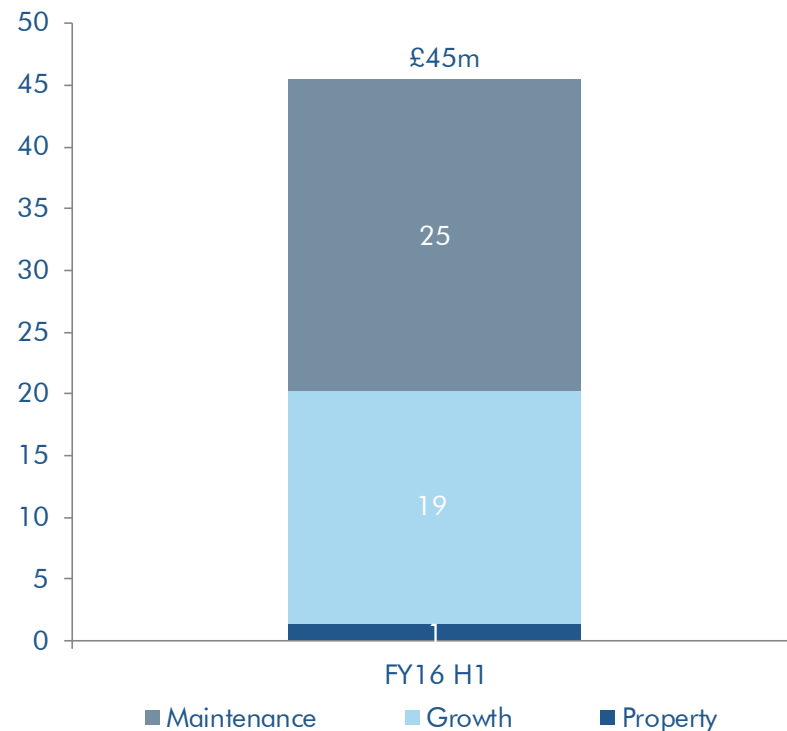
Focused investment in schemes to improve customers' journey and experience whilst complying with increased security regulations.



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 is on track for completion by end 2015. Phase 3 retail development of 15 new speciality retail units already opened and 3 more scheduled during December

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

Opening of new Food and Beverage offering in April 2015

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



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

Wide range of dining options, new concepts, celebrity chefs & old favourites

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

# MAN Transformation Programme

# MAN Transformation Programme: In Detailed Design Phase

In June 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



## 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.
- ▶ Operations will move from T1 to an enlarged facility at T2, providing a future-proofed operational environment with world class facilities and improved surface access.

## Progress to Date

- ▶ Testing of the inception design and further iterations to improve on concept.
- ▶ Development of procurement strategy and soft market engagement.
- ▶ Customer and service partner engagement on design.
- ▶ Planning strategy developed ahead of first application.
- ▶ Project now in detailed design phase.



# 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 H1	FY15 H1
Cash generated from operations (before significant items)	180.2	174.4
Interest paid	(36.5)	(38.5)
Tax paid	(13.5)	(4.5)
Purchase of property, plant and equipment	(56.4)	(58.9)
Investment in associate	(1.6)	-
Proceeds from transfer of assets to associate	0.4	-
Proceeds from sale of property, plant and equipment	6.8	-
Cash outflow on settlement of interest rate swaps	-	(18.0)
Net change in borrowings	(20.0)	(16.3)
Dividends paid to shareholders	(62.0)	(46.0)
Adjustment for significant items	-	(7.9)
<b>Net movement in cash</b>	<b>(2.6)</b>	<b>(15.7)</b>
Cash and cash equivalents at 1 April	10.3	19.0
Cash and cash equivalents at 30 Sep	7.7	3.3

## 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 £6 million from £174 million to £180 million.
  - £20m decrease in borrowings as a result of strong cash flow.
- Commitment to sustaining strong investment grade credit ratings drives the dividend policy.
  - Final Dividend of £62 million paid in July 2015 following publication of the FY15 Annual Report and Accounts.
  - Interim Dividend of £38.6 million to be paid in December 2015 following publication of FY16 Interim Report and Accounts.

Source: MAHL FY16 Interim Report & Accounts

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



# Stable Financial Leverage & Strong Interest Cover

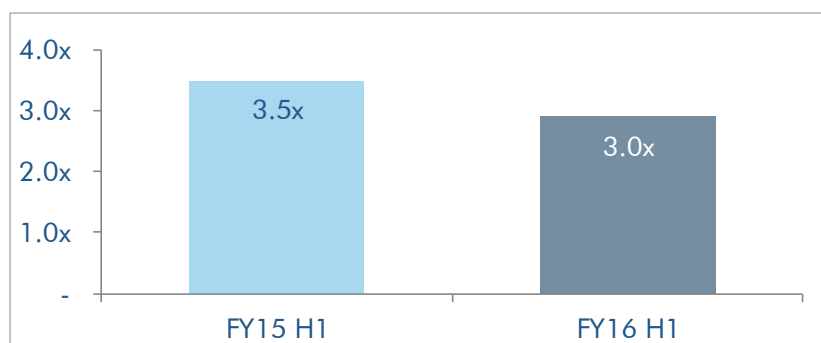
On-going commitment to conservative finance structure incorporating a large proportion of medium term fixed interest Bond finance with shorter term flexibility provided by a £300m Revolving Credit Facility

## Prudent financing and dividend policy...

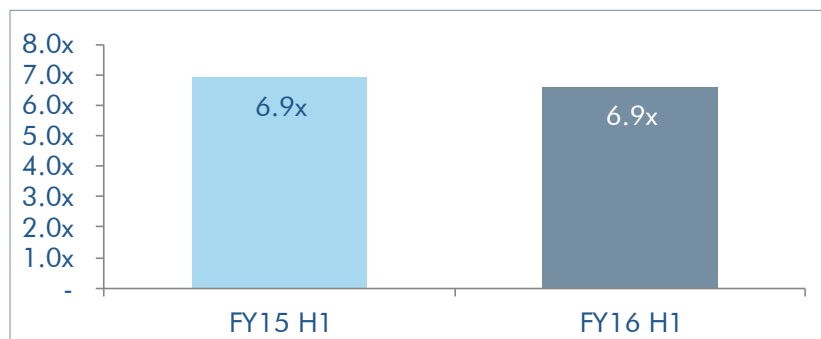
- MAG is committed to maintaining strong investment grade ratings and conservative leverage is core to that objective.
  - Baa1 rating reaffirmed by Moody's in August 2015.
  - BBB+ rating reaffirmed by Fitch in November 2015.
- Reduced Net Debt / EBITDA with interest cover higher than plan due to lower than forecast usage of the Revolving Credit Facility (RCF).
- Significant headroom in financial covenants.
  - Leverage at 3.0x vs. lock-up at 6.0x.
  - Interest cover at 6.9x vs. lock-up at 2.0x.
- Leverage has improved due to strong EBITDA growth over last year.
- Sufficient liquidity to fund operations and invest in growth with no drawdown on the £300m RCF at September 2015.
- No requirement to return to the bond market in the short-term.

Source: Management Information

## Leverage: Net Debt / EBITDA



## Interest Cover: EBITDA less Tax / Finance Charges

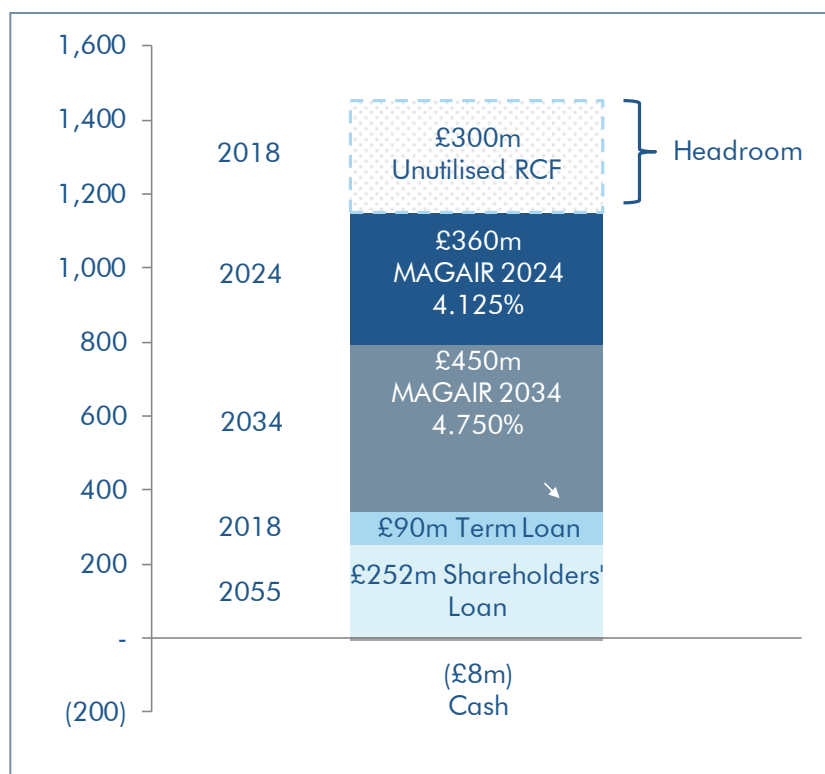


MAGIL covenant calculations per Common Terms Agreement dated 14 Feb 2014

# Significant Funding Headroom

Significant facility headroom to support investment in the asset base and to fund growth. RCF and remaining term loan to be refinanced in good time next calendar year

Components of net debt (£m)



Source: MAHL FY16 Interim Report & Accounts and Management Information

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

# Q&A

# Appendix

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

£m	MAGIL	Shareholder Loan	Inter-company	Airport City	MAG International	Other	MAHL
<b>Income Statement</b>							
Revenue	445.5	-	-	-	-	-	445.5
EBITDA (before significant items)	201.9	-	-	1.9	(1.3)	-	202.5
Result from operations (after significant items)	138.2	-	-	0.1	(1.3)	-	137.0
Finance costs	(21.9)	(15.2)	-	-	-	-	(37.1)
Taxation	(30.7)	-	-	-	-	0.8	(29.9)
<b>Result for the year</b>	<b>91.8</b>	<b>(15.2)</b>	<b>-</b>	<b>(0.1)</b>	<b>(1.3)</b>	<b>0.8</b>	<b>76.0</b>
<b>Balance Sheet</b>							
Non-current assets	3,167.3	-	-	24.9	-	-	3,192.2
Current assets	422.3	-	(286.9)	(31.2)	(0.8)	5.8	109.2
Current liabilities	(224.3)	-	-	(1.4)	(0.5)	13.6	(212.6)
Non-current liabilities	(1,256.5)	(251.4)	-	-	-	-	(1,507.9)
<b>Net assets</b>	<b>2,108.8</b>	<b>(251.4)</b>	<b>(286.9)</b>	<b>(7.7)</b>	<b>(1.3)</b>	<b>19.4</b>	<b>1,580.9</b>

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

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