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## John Menzies bullish despite COVID-19

By Victoria Masterson



Giles Wilson, chief executive, John Menzies

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THE global aviation industry has survived 911, SARS, the credit crunch and the Icelandic ash cloud – so can get through coronavirus, the chief executive of aviation services **business** John Menzies said.

“If you look at the history of the sector over the last 25 years, it has always bounced back,” said Giles Wilson. “These are all situations that we have managed before.”

Mr Wilson was speaking as the Edinburgh-based company announced a 19.9% decline in pre-tax profits to £17.3 million for the year to end December and a temporary suspension of its annual dividend to conserve cash.

“Given the otherwise underlying positive momentum of the business, the headwind presented by COVID-19 is very disappointing,” John Menzies said in its annual results statement.

The company, which employs about 700 of its 32,000 staff in Scotland, warned investors two weeks ago that it expected **Coronavirus** to dent its profits by £6m to £9m.

“In Macau (China), we have gone from 120 flights a day to six flights a day,” Mr Wilson said. “We have turned

off agency labour, asked people to take holidays and to do more training. We need to manage things as tidily as we can because we need to be prepared for flights ramping up again.”

The grounding of Boeing’s 373 Max aircraft and wider economic uncertainty had also put airlines under pressure and depressed cargo volumes and yields, John Menzies said. The company specialises in ground handling, cargo handling and into-plane fuelling and operates at more than 200 airports in 34 countries for more than 500 airline customers.

“There have also been several airline failures in the year with the demise of Thomas Cook in the UK having the most impact on the group,” Mr Wilson added. The loss of exclusive licences in the Dominican Republic and Panama and the end of a cargo joint venture in Hyderabad, India, also impacted 2019 performance.

Despite very difficult market conditions, the company said it had delivered a ‘solid’ set of results, with revenues increasing by 2% to £1.32 billion for the year.

Action to ‘right-size’ the business in 2019 included removing a layer of management and rationalising office space.

To improve less profitable airport bases, the company had sought price increases, labour efficiencies, new profitable contracts and, where necessary, had closed down operations.

“In particular, the turnaround of the UK business is continuing apace with the new management team renewing important business, winning new contracts and driving the business forward,” Mr Wilson said. “The win of a further five-year contract at London Luton with easyJet, one of our leading customers at their home airport, was particularly pleasing and evidence of the growing ability of our UK team to deliver.”

Key board changes in the year included Mr Wilson’s appointment as chief executive in June and his replacement as chief financial officer by Alvaro Gomez-Reino, who previously held senior financial positions at Amey, Ferrovial and Swissport.

Looking ahead, John Menzies said it was looking at new geographic **markets** and service offerings.

“We are very close to opening up in Baghdad, which is an interesting high yield market,” Mr Wilson said. “We are also looking at Eastern Europe and beyond. And we have just bought a small business in Jakarta to attach to our ground handling business there.”

New services with growth potential include executive lounges; de-icing and aircraft cleaning.

Projected 4.6% annual growth in passenger traffic and 3.4% annual growth in the world’s aircraft fleet to 2038 presented significant opportunities, the firm said.



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