AIR PARTNER

Air Partner plc
2018 Full Year Results

Mark Briffa, CEO | Chris Mann, Interim CFO

Founded in 1961, Air Partner is an aviation services group that provides worldwide aviation charter, consulting and training services to industry, commerce, governments and private individuals and across civil and military organisations

Operating 24/7, 365 days

20 key gateway cities

300 employees globally

AIR PARTNER: TWO DIVISIONS

AIR PARTNER

CHARTER

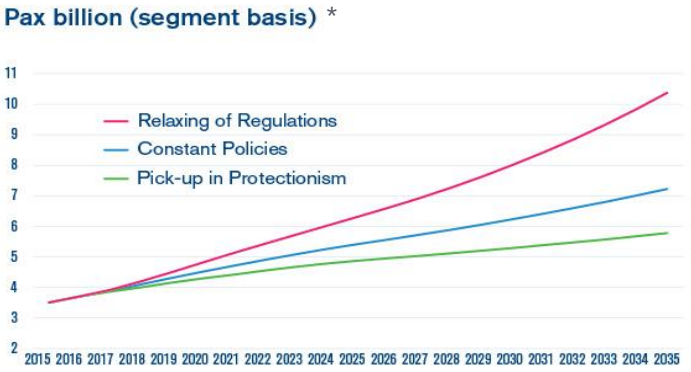
COMMERCIAL JETS	**Charter of large aircraft for 20+ people for governments, corporates, sports and entertainment teams, industrial, manufacturing customers and tour operators**
FREIGHT	**Charter of cargo aircraft & part-charter for regular & bespoke requirements, including emergency aid drops, time critical door to door freight delivery and on-board couriers**
REMARKETING	**A global aircraft remarketing service akin to second-hand sales, covering both commercial and private jets**
PRIVATE JETS & JETCARD	**Charter of small aircraft or jets for up to 19 people, for business and leisure, by corporates, HNWIs and government. Pre paid solution offering fixed hourly rates, guaranteed aircraft availability.**
SUPPORT SERVICES	**24/7 Operations Travel Management**

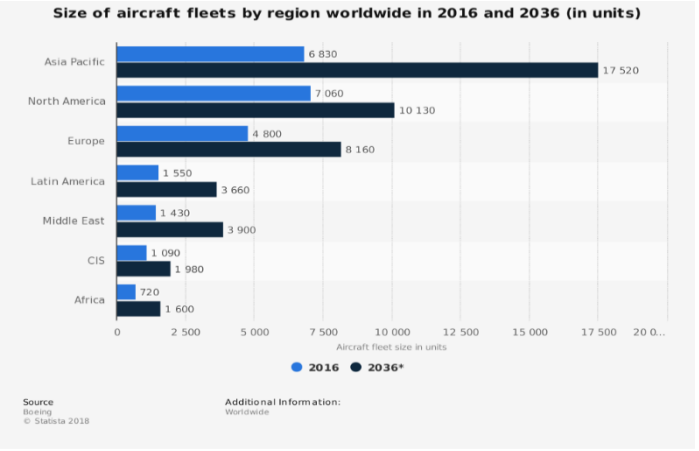
CONSULTING & TRAINING

BAINES SIMMONS	**A world leading aviation safety consultant specialising in regulation & compliance, safety management, training, consulting and outsourcing**
CLOCKWORK RESEARCH	**A leading fatigue risk management consultancy delivering innovative & effective fatigue risk management solutions for clients across various sectors of the aviation industry.**
SAFESKYS	**A leading provider of turnkey ATC Services including ATC engineering and wildlife management units.**
EMERGENCY PLANNING	**Experts in planning, executing and managing air support and evacuations worldwide.**

AVIATION INDUSTRY AND AIR PARTNER

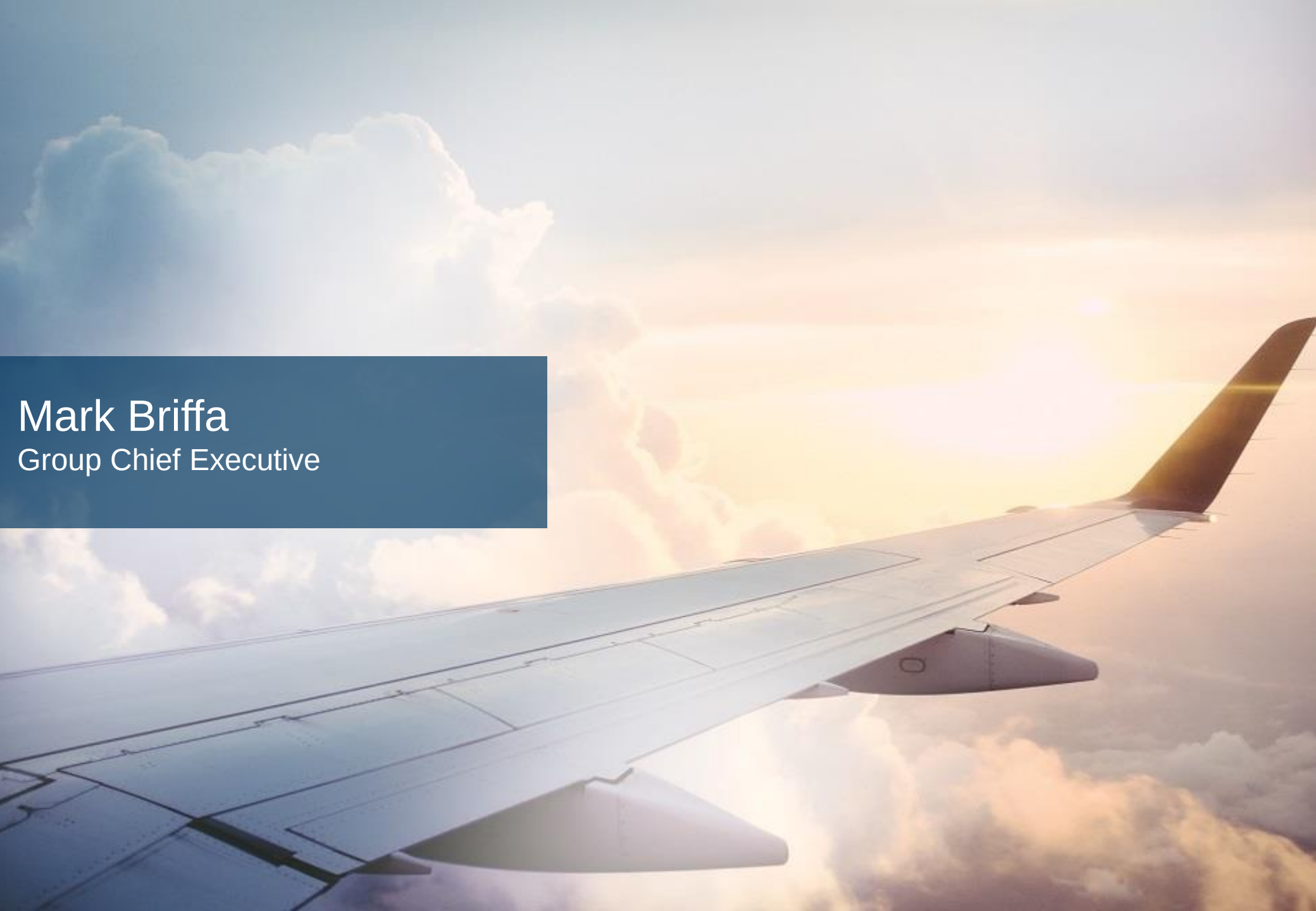
- Consistent increasing demand for aviation services globally
  - Passengers
  - Aircraft fleet
  - Airports
  - Customers
- Clear growth strategy
  - Align to global customers
  - Manage and invest for the long term
  - People, offices, geographies
  - Balanced business
- Simple business
  - Global customers
  - Asset light
  - Portfolio approach
  - Cash generative





"As we always state, the global charter business has consistently been, and will continue to be, a volatile industry. Against this backdrop we will manage the business for the long term, with a very clear strategy of alignment to the needs of our global customer base."

* The International Air Transport Association (IATA) predicts passenger traffic to increase to 7.2 billion passengers in 2035 from 3.8 billion in 2016



Mark Briffa

Group Chief Executive

OVERVIEW

AIR PARTNER

- Clear, long term growth strategy delivered strong full year trading performance
- Accounting review contained and resolved; no cash lost from the business
- Underlying full year PBT of £5.8m
- Strong cash generation
- Prior year long term investments are delivering; exciting plans underway
- Recommended final dividend of 3.8p, an increase of 5.6%; full year dividend up 5.8% to 5.5p
- Acquisition of SafeSkys for £3m in September 2017; integration complete by November 2017
- Looking forward with full transparency of figures, improved financial control and a clean balance sheet

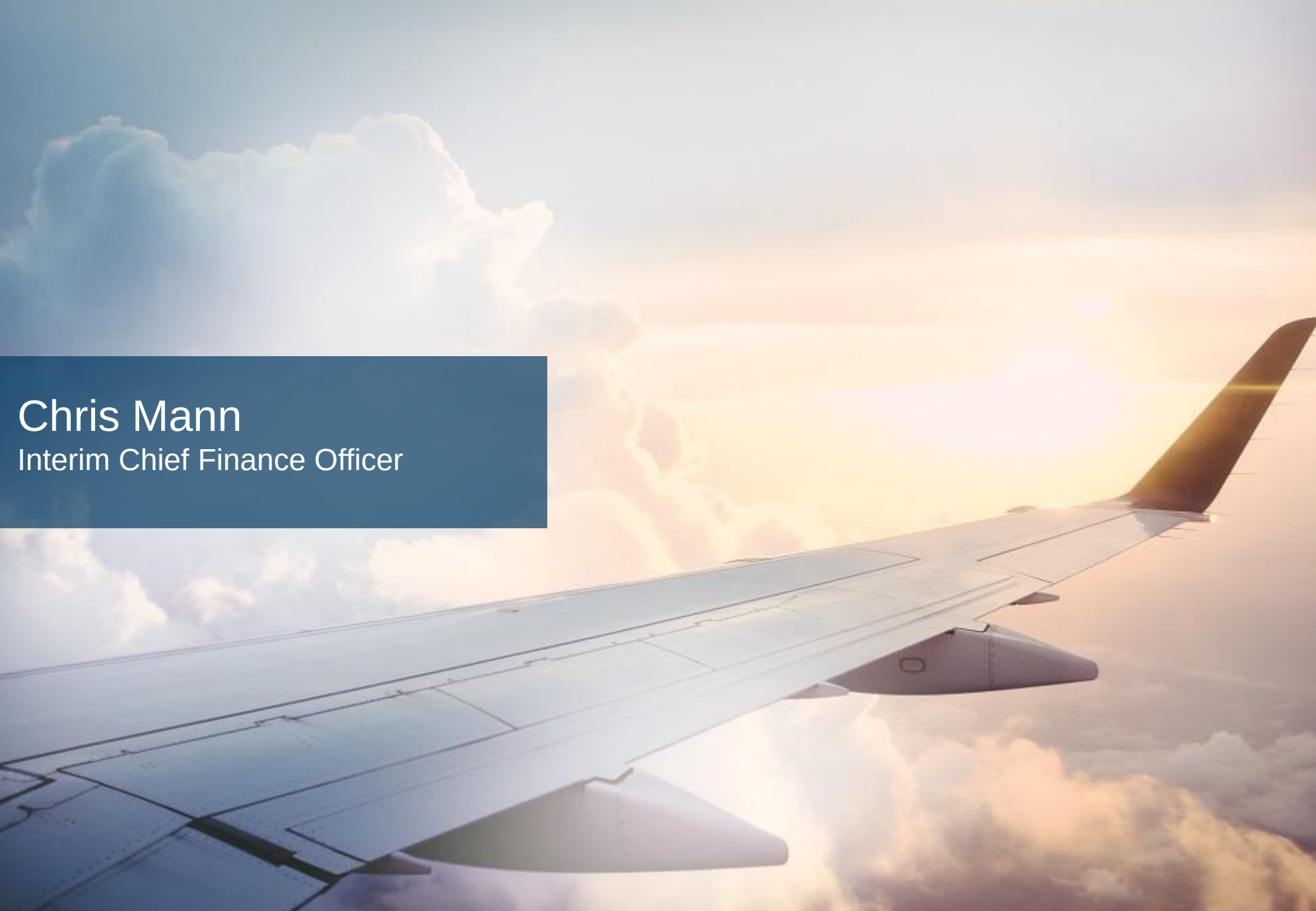
2017/18 OPERATING HIGHLIGHTS

AIR PARTNER

- Charter
  - £3.2m increase in gross profit from Commercial Jets
  - Record results in US and Freight
  - JetCard No.1 again
  - Organic investment in people, offices and products

- Consulting & Training
  - Baines Simmons contract wins across military and civil
  - Clockwork performing in line with expectations
  - SafeSkys acquisition and integration

- Customer First continues to deliver and will begin to drive future cross selling opportunities
- Investments and initiatives over two prior years evident in performance



Chris Mann

Interim Chief Finance Officer

ACCOUNTING REVIEW

AIR PARTNER

- Accounting issue contained and resolved; no cash has left the business
- Identified by (new) Finance team although the issue, predominantly relating to receivables and deferred income, began in 2010/11 and had been prevalent and worsening in all trading periods since
- PwC forensic accounting experts and Rosenblatt solicitors appointed immediately:
  - Work covered extensive substantive internal audit and cleaning of the balance sheet, a review of over 430,000 journals, over 200 credit notes and all bank payments across the extended period (including detailed investigation of every bank payment in vulnerable accounts during the 2017/18 year)
  - Above supported by many interviews with current and ex-employees
- Quantified as a £4.0m overstatement of net assets as at 31 January 2018. Represented by £4.4m cumulative gross profit overstatement less £0.4m corporation tax (including £0.3 considered recoverable next year)
- £0.9m of the overstatement identified as relating to 2010/11; remainder spread evenly across all other periods resulting in £0.4m of exceptional costs recorded in 2017/18 and a prior year restatement of the same amount
- Costs of £1.3m resulting from the issue are to be expensed in 2018/19 and comprise professional review fees of £0.8m and £0.5m of aborted acquisition costs
- Evolutionary change in the financial control environment is being implemented (notably balance sheet control)

FY 2018 FINANCIAL HIGHLIGHTS

AIR PARTNER

	January 2018	January 2017	Change (%)
Gross transaction value (£m)	**261.3**	215.8	**21**
Gross profit (£m)	**36.1**	31.7	**14**
Underlying profit before tax (£m)	**5.8**	4.7	**24**
Statutory profit before tax (£m)	**4.8**	4.0	**20**
Net cash/(debt) (£m)	**4.8**	(1.8)	
Underlying basic EPS (pence)	**8.4**	5.9	**42**
Basic continuing EPS (pence)	**6.9**	4.8	**42**
Final dividend (pence)	**3.8**	3.6	**6**
Total dividend (pence)	**5.5**	5.2	**6**

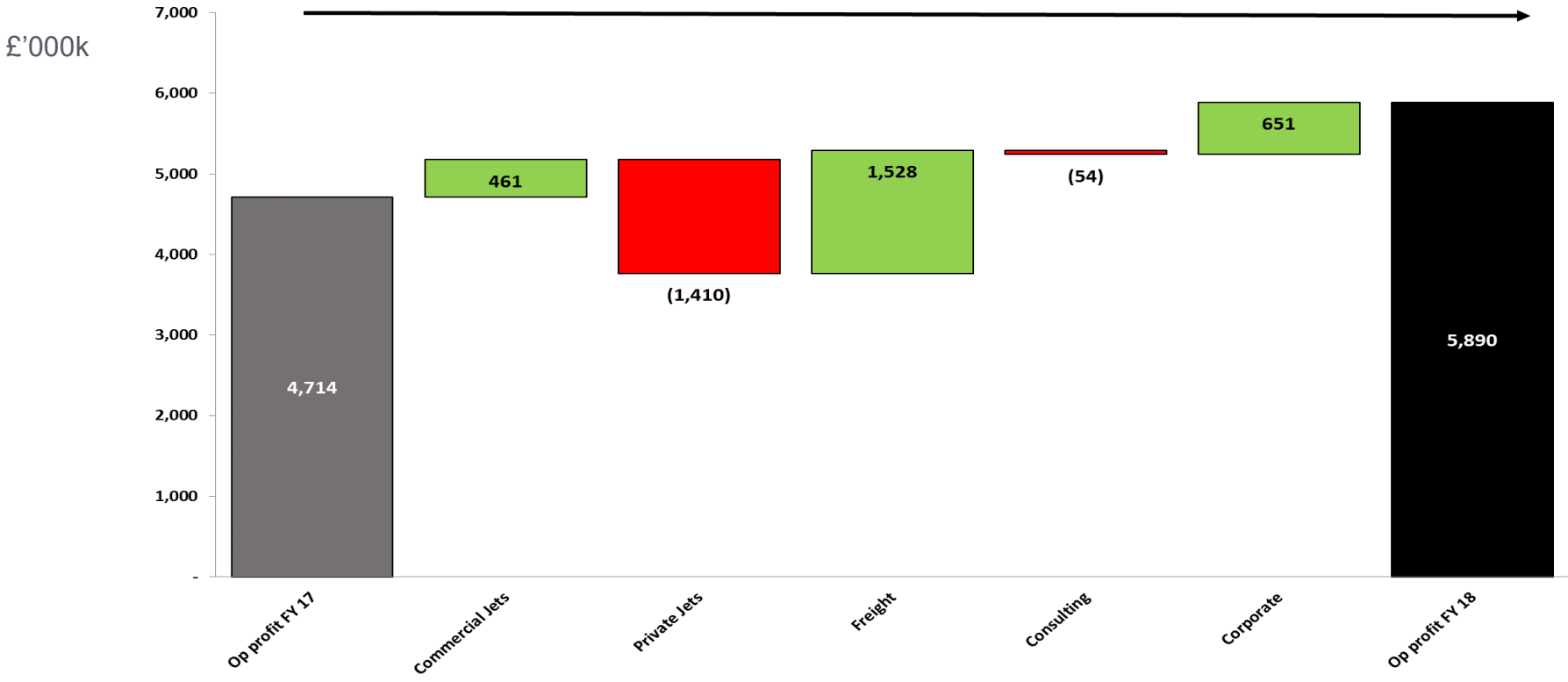
- Underlying results are stated before “other items” comprising costs of £1.0m
- Prior year profit before tax and EPS figures are restated following the accounting issue identified

BALANCE SHEET

AIR PARTNER

- Despite the net assets correction resulting from the accounting review, the balance sheet strength is continuing to support competitive advantage and market position
- Goodwill increased by £2.0m in the year, representing the acquisition of SafeSkys
- Cash, net of borrowings, at £4.8m (2017: net debt £1.8m)
- Debt facility currently in use but this has been tactical and the Group can operate freely on its own cash resources
- JetCard cash is held in segregated client accounts

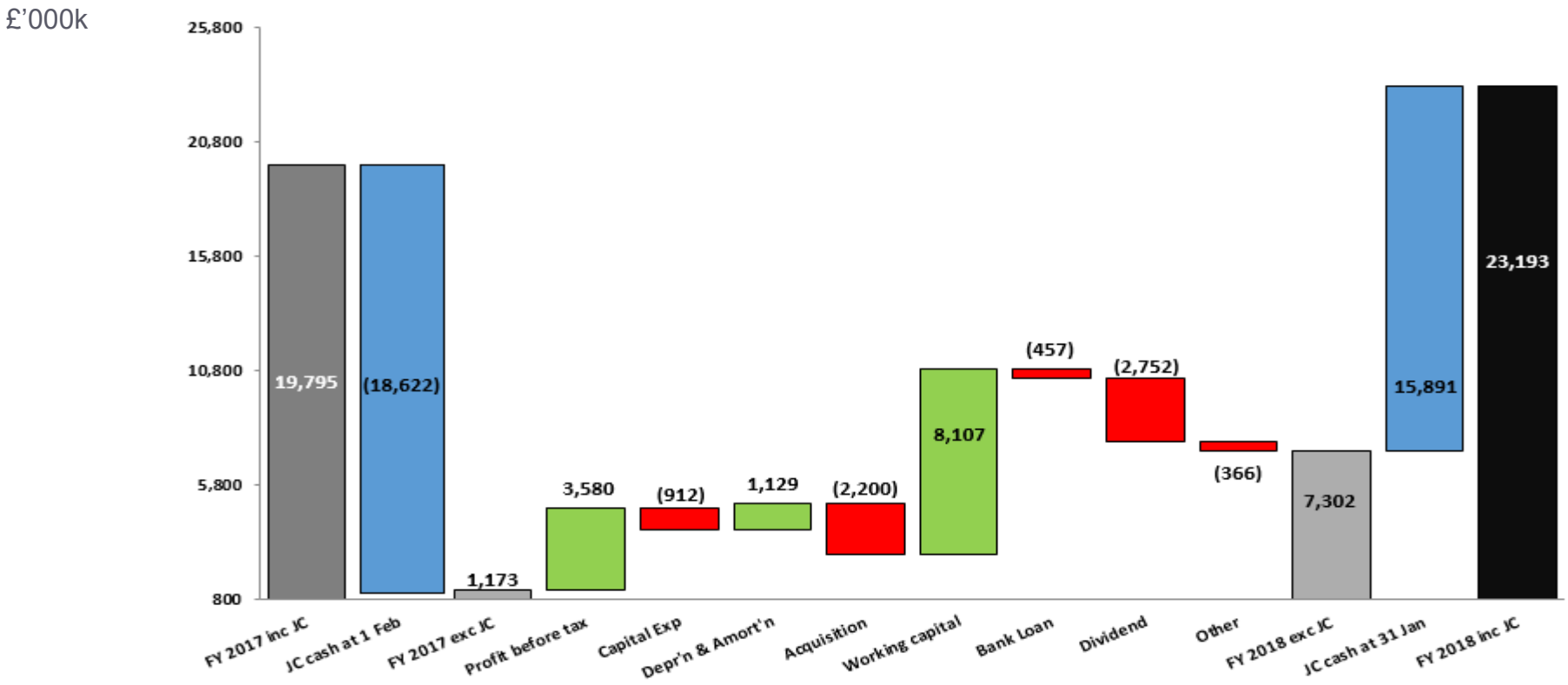
OPERATING PROFIT



- 25% (or £1.2m) increase in underlying operating profit (after restatement of prior year figures)
- Commercial Jets and Freight driving year on year increase
- Private Jet performance down 57% due to investment in sales teams and reorganisation of existing teams
- Consulting & Training down 9% year on year due to timing of projects
- Reduction in corporate costs comprised bonuses and controllable spend across marketing, travel and entertainment

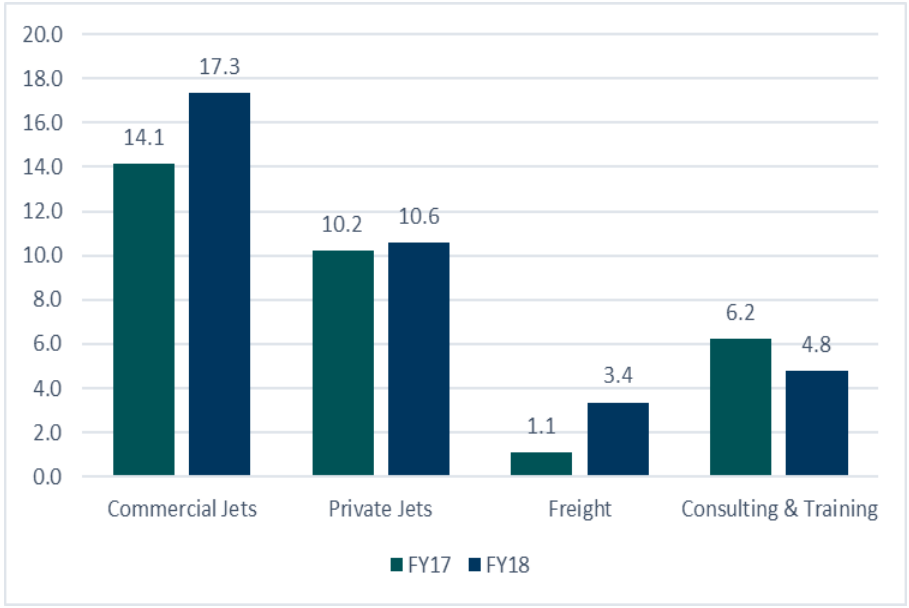
CASH FLOW

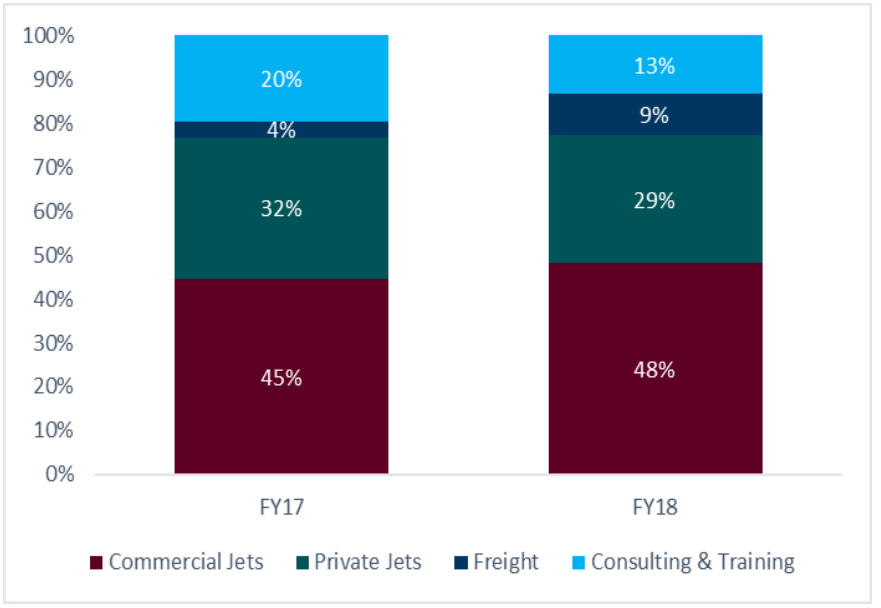
AIR PARTNER



- The above explains the net increase in cash between the opening and closing balances
- Overall £3.4m increase supported by £3.6m of profit after tax
- Healthy improvements in working capital management have supported acquisition costs and dividends payments

GROSS PROFIT BY PRODUCT

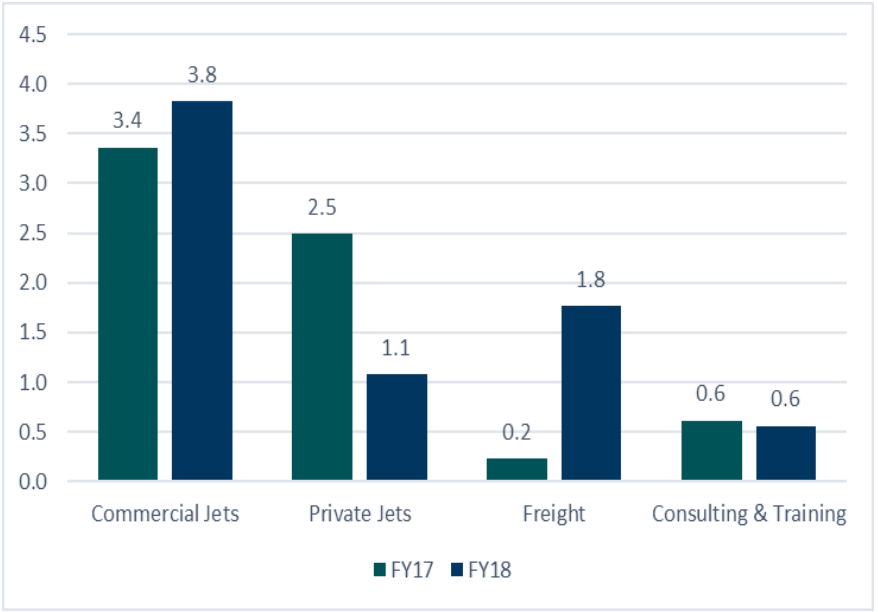


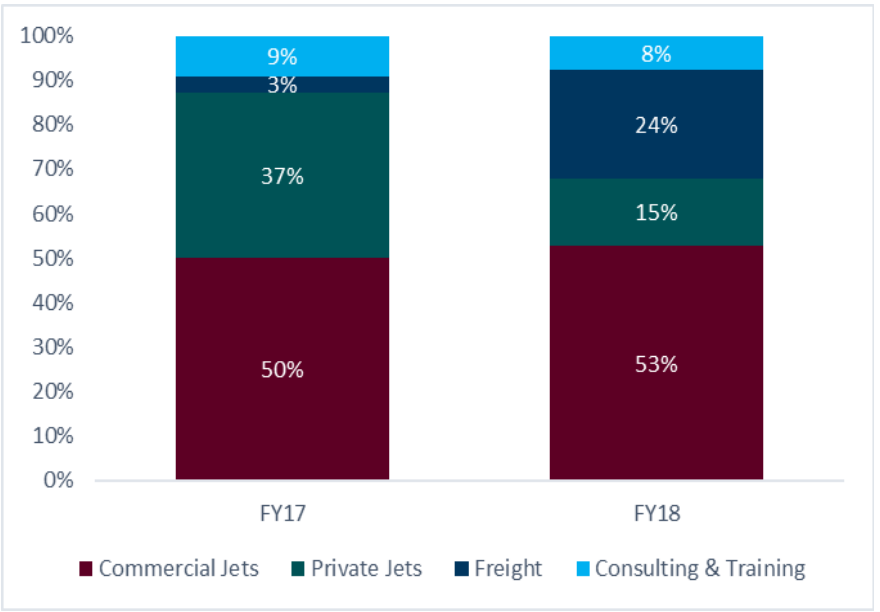


- Gross profit for the year as a percentage of GTV is 11.2% for Commercial Jets, 16.4% for Private Jets and 9.4% for Freight
- Charter gross profit up 22.8%
  - ✓ Commercial Jets strong and continuing to grow
  - ✓ Record performances from US and Freight
- Consulting & Training gross profit impacted by timing of major projects, now due in 2018/19

- Commercial Jets remains largest division, with a proportion of total GP at 48%
- Consulting & Training 13% of total gross profit with % of contribution to Group total lower due to relative success of Commercial Jets and Freight

OPERATING PROFIT BY PRODUCT

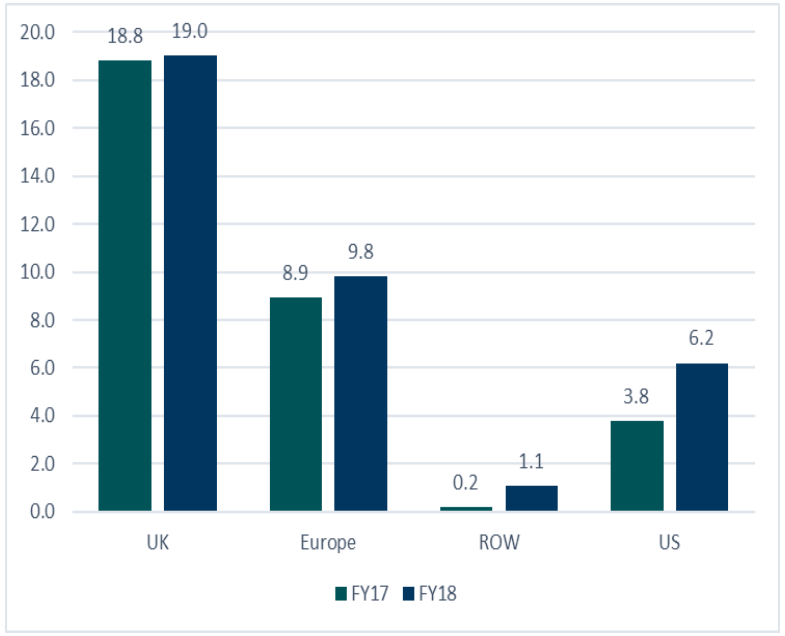


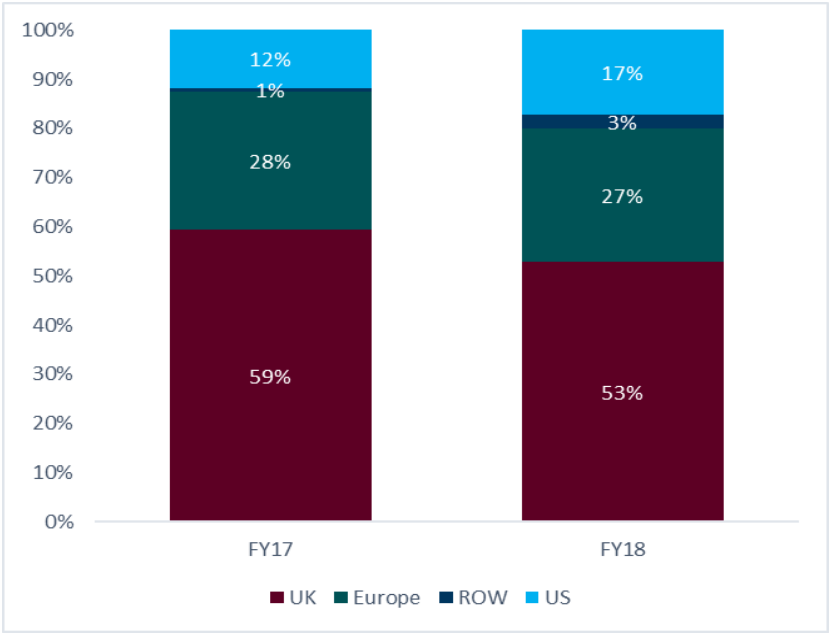


- Commercial Jets operating profit up 14%
- Private Jets operating profit down due to costs of reorganisation and investment in sales team
- Freight operating profit up reflecting increased level of activity

- Commercial Jets remains our largest division contributing in excess of 50% of operating profits

GROSS PROFIT BY REGION





- UK performance marginally up in absolute terms although down as a share of Group gross profit, reflecting increased activity in the US
- Europe gross profit increased 10%
- US and ROW gross profit up 111% year on year
- Office opened in Los Angeles in June 2018 supporting further overseas expansion

MARGINS PERFORMANCE SUMMARISED - BY ACTIVITY AND REGION

AIR PARTNER

Charter business

Commercial Jets

- Continuing strong performance: gross margin increase of 22.7% driving 13.7% improvement in operating profit
- Contributes approximately half of both gross and operating profit of the overall Group business

Private Jets

- 3.4% increase in gross profit; cost of reorganisation and investment in sales team supports strategic delivery but with a current year impact on operating profit of £1.1m, down from £2.5m in the prior year
- Contributes nearly one third of overall Group gross profit

Freight

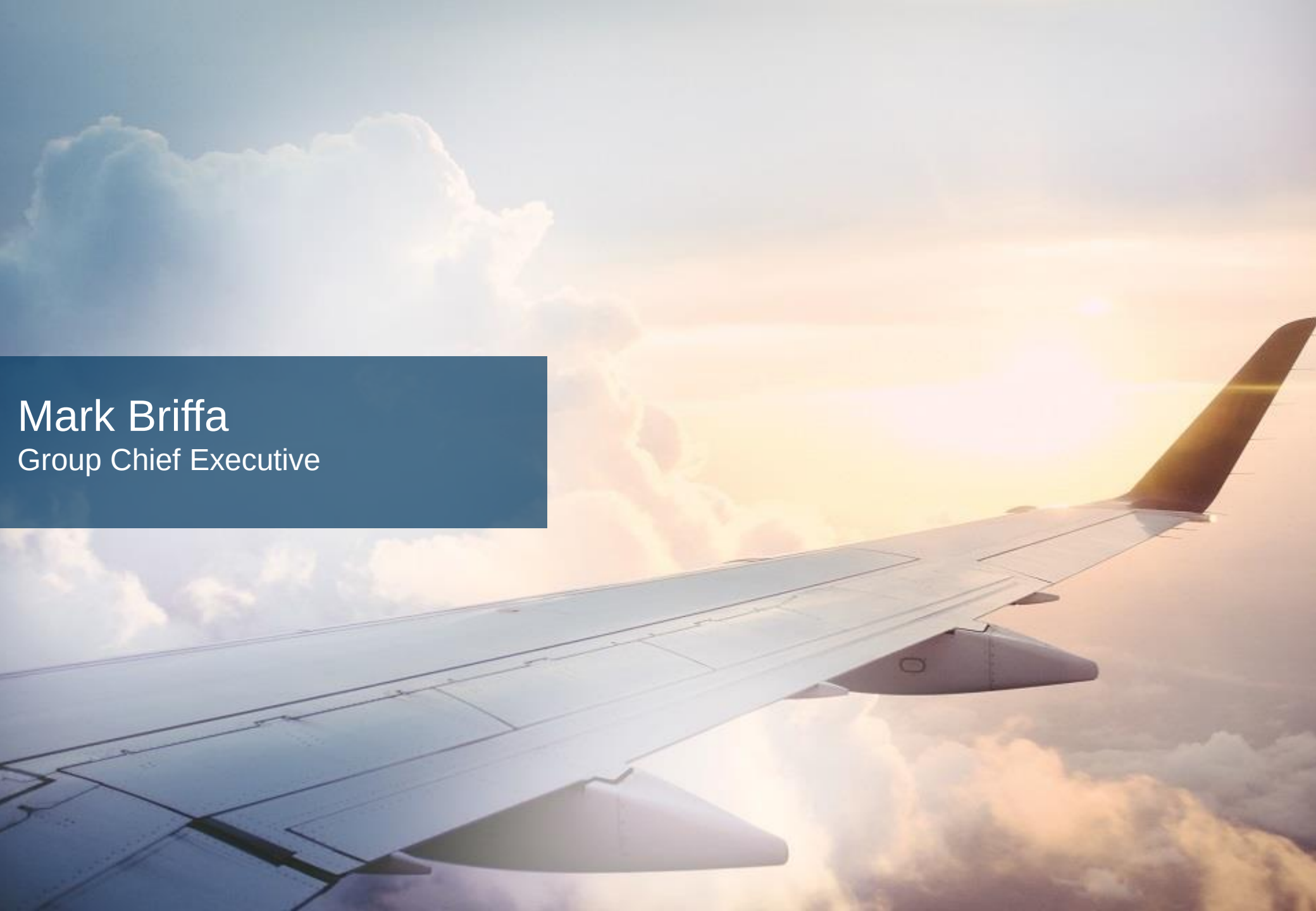
- Significant increase in activity levels resulted in gross profit increase from £1.1m to £3.4m, reflected in a £1.5m increase in operating profit

Consulting & Training

- Gross profit down by 23.1% due to the timing of projects
- Cost control has maintained steady operating profit margins, leaving the division well placed for the future

Regional analysis

- UK gross profit increased by £0.2m year on year; non-UK regions are developing a larger share of Group activity with a 32.5% increase in gross profit to £17.1m



Mark Briffa

Group Chief Executive

- Gross profit up 22.8% with operating profit up 3.9%

Charter Divisions

Commercial Jets:

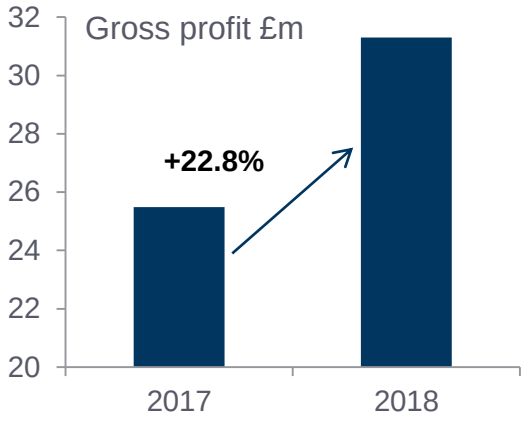
- Gross profit up 22.7%, operating profit up 13.7%
- US outperformance: investment in people and hurricane related flying
- Europe and UK: steady demand for Government requirements
- Growing MICE sector
- Continued strength in Sports, Tour Operations and Automotive
- Encouraging year for remarketing; secured number of exclusive mandates

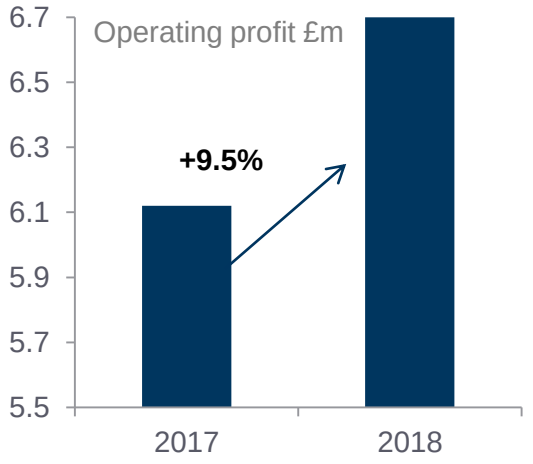
Private Jets:

- Gross profit up 3.4% year on year, operating profit down 56.6% due to investment and reorganisation in sales teams; benefits being seen
- Strong US and JetCard performances
  - Record client numbers in the US
  - JetCard renewals up 16%; utilisation up 8%
- Lifestyle partnerships introducing new clients
- Roll out of bespoke catering enhancing customer experience

Freight:

- Gross profit up 202.4%, operating profit up by £1.5m to £1.7m
- Record year with client numbers at their highest level
- Hurricane relief work, continued Middle East contracts along with automotive
- Investment in people coming through in the results
- Strategic offering enabling provision of full aviation service





- Gross profit down 23.1% with operating profit down 8.8% due to timing of projects

Consulting & Training Divisions

Baines Simmons:

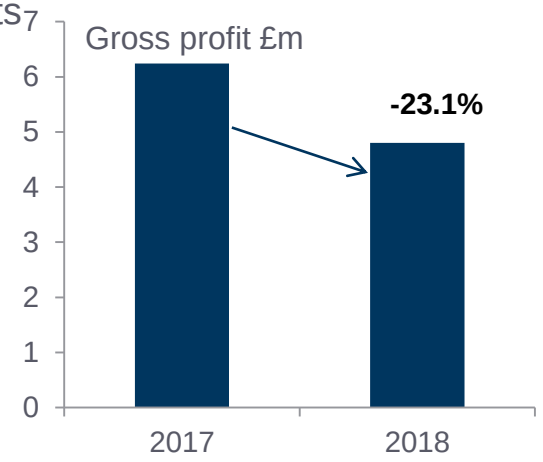
- Good longer term contract wins; pipeline crystallising in the second half
- 4-6 year STEP contract secured for MoD
- Continued strength in training with over 4,000 people trained
- MD appointed April 2018: stronger leadership and business knowledge
- 3 year strategy now in place
- Lack of large in company contracts in second half of year

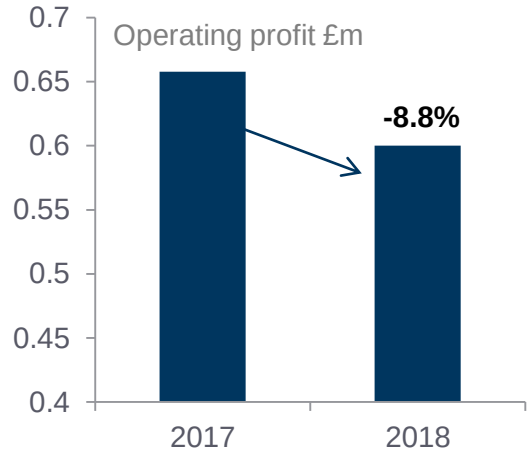
Clockwork Research:

- Encouraging second half
- Contracts for Tier 1 national carriers and airlines and high profile train provider
- Further efficiencies expected following integration into Baines Simmons

SafeSkys:

- Acquired September 2017; integrated by November 2017
- Key RAF contract won
- Air Traffic Control in line with expectations; global growth opportunities
- Stable long term contracts providing good visibility of revenues
- Complementing our long term strategic plan





Group Strategy

STRATEGY DELIVERING

- Clear growth strategy to build a global aviation services group
- Market growth leading to increased demand for aviation services
- Growth through investments in organic initiatives and selective acquisitions to broaden our services, capabilities, geographies and customers
- Managing for the long term; aligning with global customers and consistently putting the Customer First will drive shareholder returns
- Objective to achieve balance between our two market leading divisions and increase quality and visibility of earnings
- Clear recognition of risks in Aviation

AIR PARTNER

CUSTOMER FIRST

- A point of differentiation
- Enabling deeper understanding of customers and cross sell opportunities
- New CRM system roll out completed by end of 2018

ORGANIC GROWTH

- Investment in people, processes, upskilling business & driving efficiencies
- Record results delivered by US and Freight
- Organic growth up 12% year on year

BROADENING OUR OFFER

- Acquisition of SafeSkys extends offer and global growth potential
- Continually reviewing investment opportunities both organic & acquisition
- Strong cash generation supports long term growth strategy

OUR PEOPLE

- Upskilled management teams; US, Finance, Freight, Baines Simmons
- Key recruits already delivering in US, Finance and in Freight
- Engagement KPI introduced – 69% achieved; graduate trainee programme

2017/18 reported results

- Strong full year trading performance
- Returns from prior year investments evident in these results with exciting plans ahead. Investing in Freight, JetCard, Commercial Jets and regional office network

Current financial year 2018/19

- Accounting review an unwelcome start to the year: £1.3m of cost, as a direct impact of the accounting issue, will be expensed in FY18/19
- Product portfolio: particularly strong performance in Freight and USA, Commercial Jets flat, Private Jets UK has started the year slowly. Consulting & Training and Remarketing have encouraging order books which will develop further during the year ahead

Looking forward

- Clear, long term strategy positions the business for future growth
- Board continues to look at further investment opportunities, both organic and acquisition

Appendix

Ask about the risks: we are transparent about the risks and challenges in our industry and business

The Aviation Industry is not without risk. These risks have been ever present since Kitty Hawk in 1903. Anyone with a connection to flying knows them, and while they are shared with many other industries, they are part of Air Partner's everyday life.

Since 1961 we have operated in this exciting growth industry and it's risks and challenges have provided us with some of our most significant commercial opportunities. We have innovated, invested, adapted and overcome.

Recognising and understanding *the risk & challenges* in the industry enables Air Partner to manage and mitigate our exposure. It also is an enabler, helping us to capture those commercial opportunities.

For shareholders, understanding the risks and challenges can aide insight into our business, our opportunities and priorities, and why and how we manage the business. In this exciting, challenging and often volatile industry, Air Partner chooses to be different. We take a long term approach to every facet of our business. We are always commercial and professional and our priority will always be safety, our focus will always be our global customers and our people. As a consequence of this we will strive to create value and improving economic returns for our shareholders, we will better innovate and adapt to and overcome the risks and challenges.

Aviation Industry

- Safety & Security
- Operators, lessors, suppliers, customers
- Regulation
- Industrial disputes
- Economic cycles and events
- Fuel
- War
- Environment
- Natural disasters
- Competition
- Technology
- Cyclicality
- Unforeseen

Business

- Low visibility
- Volatility
- Brand
- People
- Product
- Systems
- Competition
- Unforeseen

1903

Today

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