



# Interim Results

6<sup>th</sup> August 2009

# Agenda

- **Highlights and Key Messages** : Simon Pryce
- **Financial Performance** : Andrew Wood
- **Cash Flow and Treasury** : Mark Hoad
- **Business Overview** : Simon Pryce
- **Summary** : Simon Pryce
- **Q&A**

# Another robust performance in tough markets

- Positive results in line with, or ahead of, expectations
- A strong performance given the trading environment
- Proactive management action to optimise cost structure
- Focus on cash generation delivering strong and sustainable free cash flow and debt reduction
- Dividend maintained reflecting cash and earnings cover and long term prospects

# BBA Aviation continues to demonstrate resilience

- **Solid business performance**
  - Signature delivering further share gains
  - ASIG out performs
  - ERO managing later cycle decline
  - Legacy continuing to grow strongly
  - APPH addressing OE, service and de-stocking driven weakness
- **Benefiting from aviation service and aftermarket focus and cyclical balance**
- **Financial headroom with committed long-term facilities**
- **Continued strategic development**
  - Signature network expansion
  - ASIG business wins
  - ERO service/ RTC expansion and new authorisations
  - Legacy adoptions, UK facility
  - APPH business wins

# Financial Performance



**Andrew Wood**

# Financial Overview

- Operating profits of £50.6m in line with prior period (2008: £51.6m)
  - ↓ Market related sales decline
  - ↑ Cost reductions
  - ↑ Translation effect of exchange rates
- Business flexing to environment as anticipated
- Significant headcount and discretionary spend reduction at minimal cost
- Lower tax rate than anticipated of 22.5% (2008: 26.1%)
- Strong free cash flow of £65.8m (2008: £19.9m) with cash conversion of 175%
- Net debt reduced by more than £100m since year-end

# Exchange Rates

	H1 2009		FY 2008		H1 2008	
	\$	€	\$	€	\$	€
Average \$	1.50	1.12	1.85	1.26	1.98	1.30
Period End \$	1.65	1.17	1.44	1.03	1.99	1.26

# Income Statement (1)

£m	H1 2009	H1 2008 As reported	Change	Change (constant fx)
Revenue	550.2	560.5	(2)%	(22)%
Revenue (Fuel adjusted)	621.0		11%	(12)%
Operating Profit*	50.6	51.6	(2)%	(24)%
Margin %*	9.2%	9.2%		
Margin % (Fuel adjusted)*	8.1%			
EBITDA*	70.5	67.6	4%	(18)%
EBITDA Margin*	12.8%	12.0%		
Net Interest	(12.2)	(7.8)	(56)%	5%
Profit Before Tax**	38.4	43.8	(12)%	(28)%
EPS*	7.2p	7.8p	(8)%	
Dividend	2.30p	2.30p	-	
Return on Invested Capital†	9.0%	9.9%		

\* Pre exceptional items

\*\* Operating profit pre exceptional items less interest

† H1 09 rolling 12 months, 2008 Full Year

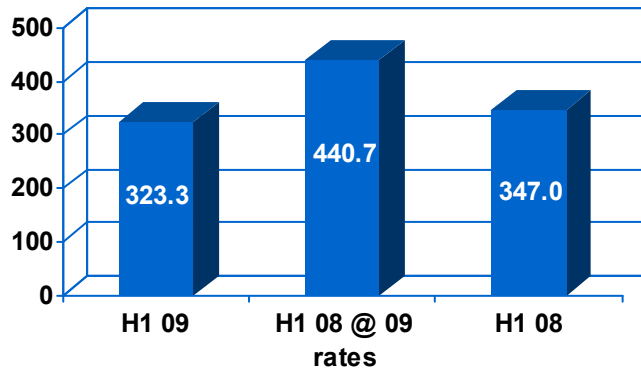
# Income Statement (2)

£m	H1 2009	H1 2008
Profit Before Tax*	38.4	43.8
Restructuring costs	(3.7)	(1.3)
Amortisation of acquired intangibles	(1.8)	(0.7)
Other operating income	-	4.9
Other operating expense	(5.6)	-
Loss on disposal of businesses	(1.5)	-
Exceptional items	(12.6)	2.9
<i>Cash exceptional items</i>	<i>(3.0)</i>	<i>(1.3)</i>
Total Profit Before Tax	25.8	46.7
Profit for the period	18.4	33.5
Tax rate	22.5%	27.0%

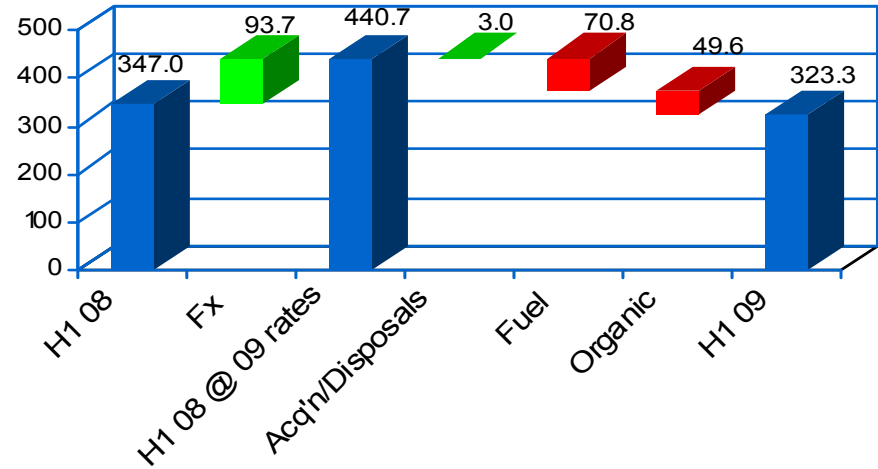
\* Pre exceptional items

# Flight Support

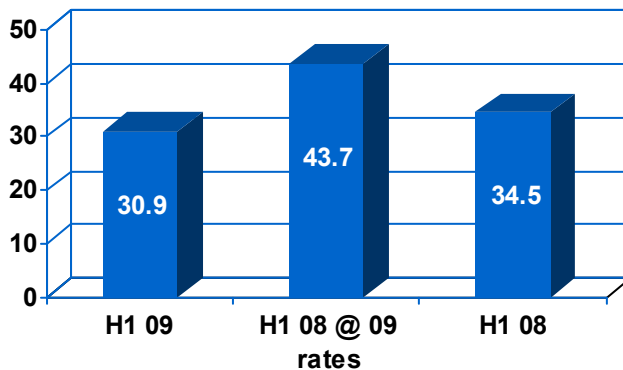
Revenue (£m)



Revenue Bridge (£m)



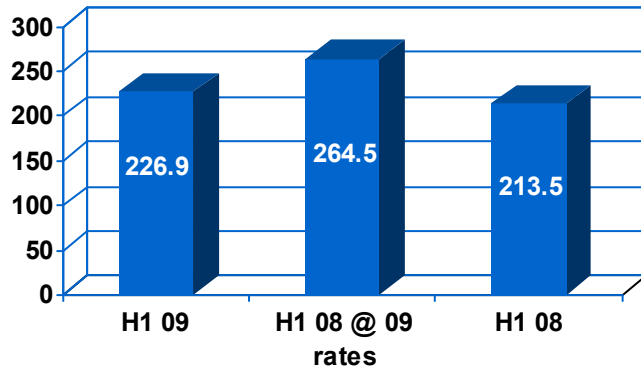
Operating Profit (£m)



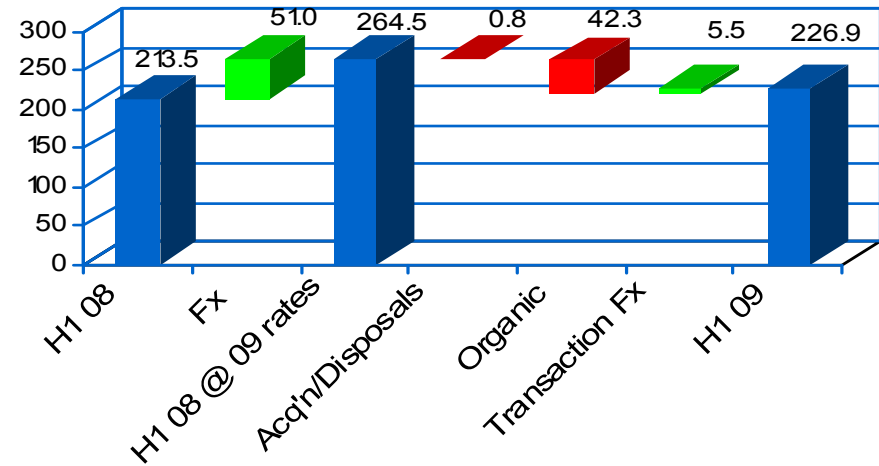
- Organic revenue decline of 11%
  - Signature (14)%
  - ASIG (4)%
- Underlying operating profit down 30% at constant exchange rates
- Margin of 9.6%, but 7.9% at constant fuel prices (2008: 9.9%)
- Cash conversion 108% (2008: 25%)
- Divisional ROIC 7.9% (2008: 9.7%)

# Aftermarket Services & Systems

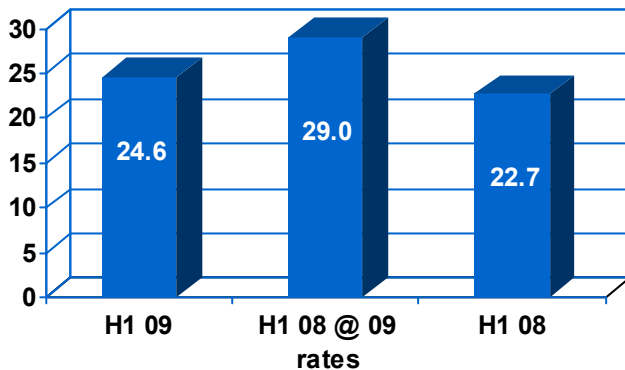
Revenue (£m)



Revenue Bridge (£m)



Operating Profit (£m)



- Organic revenue decline of 16%
- Margins slightly improved at 10.8% (2008: 10.6%)
- Underlying operating profit down 15% at constant exchange rates
- Engine sale and leaseback generates cash of £12.8m and operating profit of £3.2m
- Cash conversion 207% (2008: 64%)
- Divisional ROIC 10.7% (2008: 11.3%)

# Cost Savings and Operational Gearing

- Headcount reduction

	<u>Total</u>	<u>SFS</u>	<u>ASIG</u>	<u>ERO</u>	<u>Legacy</u>	<u>APPH</u>
<b>2008</b>	<b>308</b>	<b>87</b>	<b>140</b>	<b>47</b>	<b>3</b>	<b>31</b>
<b>2009</b>	<b>1,001</b>	<b>368</b>	<b>235</b>	<b>256</b>	<b>6</b>	<b>136</b>
<b>Total</b>	<b>1,309</b>	<b>455</b>	<b>375</b>	<b>303</b>	<b>9</b>	<b>167</b>
<b>% Red'n</b>	<b>13%</b>	<b>19%</b>	<b>7%</b>	<b>22%</b>	<b>5%</b>	<b>27%</b>

- 20% overall reduction excluding ASIG
- Cost of rationalisation circa £8m
- Cost savings (including discretionary spend)

	<u>2008</u>	<u>H1 09</u>	<u>H2 09</u>	<u>2009</u>	<u>Annualised</u>
<b>£m</b>	<b>3</b>	<b>10</b>	<b>15</b>	<b>25</b>	<b>30</b>

- Operational gearing

	<u>SFS</u>	<u>ASIG</u>	<u>ERO</u>	<u>Legacy</u>	<u>APPH</u>
<b>% of costs fixed</b>	<b>30%</b>	<b>30%</b>	<b>20%</b>	<b>30%</b>	<b>25%</b>

# Cash Flow and Treasury



**Mark Hoad**

# Cash Flow / Debt

£m	H1 2009	H1 2008
Cash flow from operating activities	88.5	50.9
Net Capital Expenditure	(8.8)	(18.8)
Capital Expenditure to Depreciation	0.5x	1.3x
Working Capital Movement	30.8	(6.1)
Free Cash Flow*	65.8	19.9
Acquisitions	-	(5.4)
Disposals (net of costs)	0.4	-
	H1 2009	Yr end 2008
Debt	£448.6m	£554.4m
Net Debt to EBITDA (covenant calculation)	3.0x	2.9x

\* Cash generated by operations plus dividends from associates less tax, interest & capital expenditure

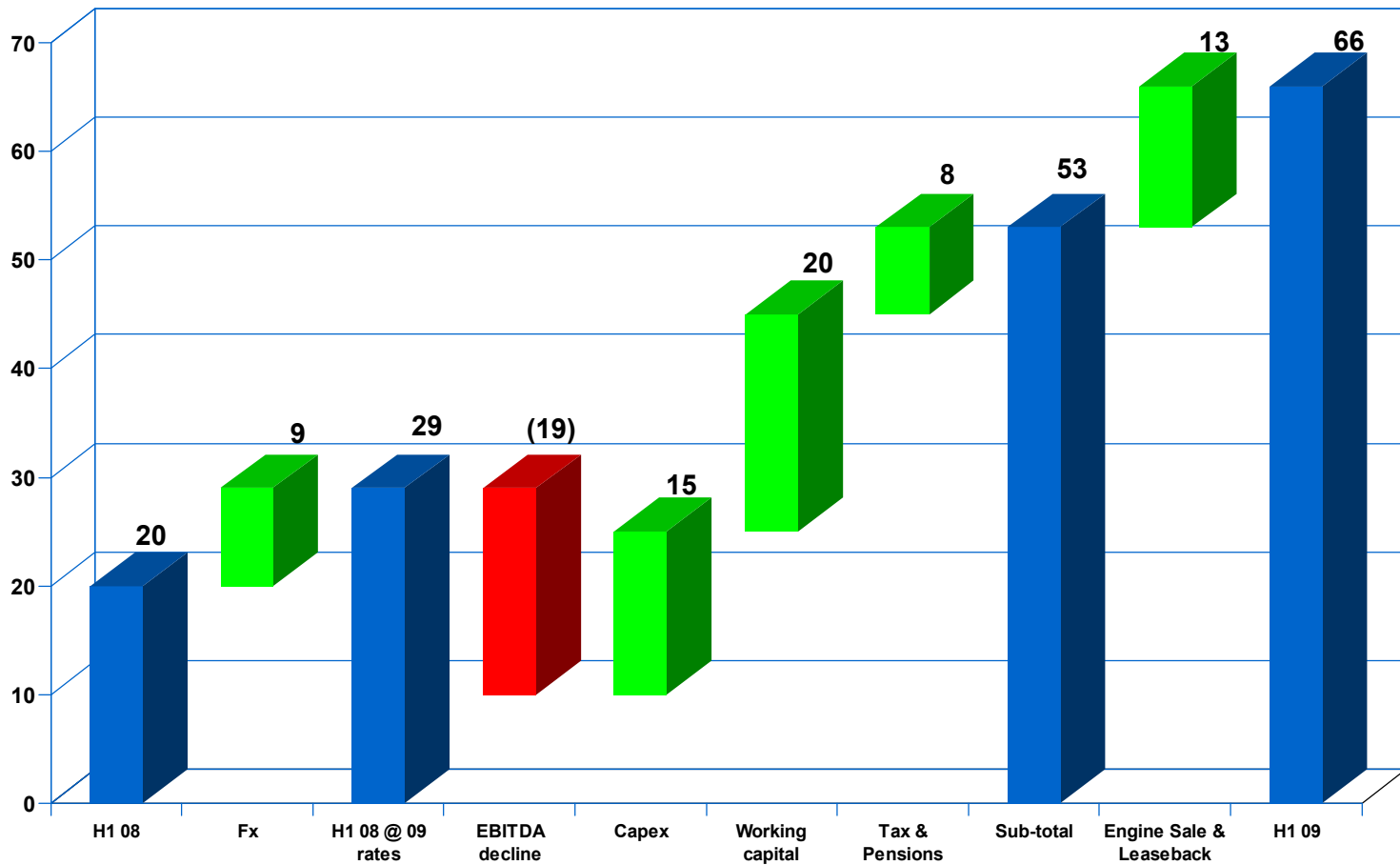
# Capital Expenditure

	H1 2009 £m	H1 2008 £m (Constant fx)
Signature	2	6
ASIG	2	10
Flight Support	4	16
ERO	4	7
Legacy Support	-	-
APPH	1	1
Aftermarket Services & Systems	5	8
Group	9	24

- H1 08 £19m as reported

# Significant and Sustainable Cash Flow

H1 Cash Flow Bridge (£m)



# Cross-currency Swaps

- New policy of hedging without swaps
- Current hedges down from \$550m to \$400m
- Current mark-to-market loss of £32m down from £98m at year end
- Maturity profile
  - \$175m in 2011
  - \$175m in 2012
  - \$50m in 2013
- Maturity profile has been extended and is being actively managed

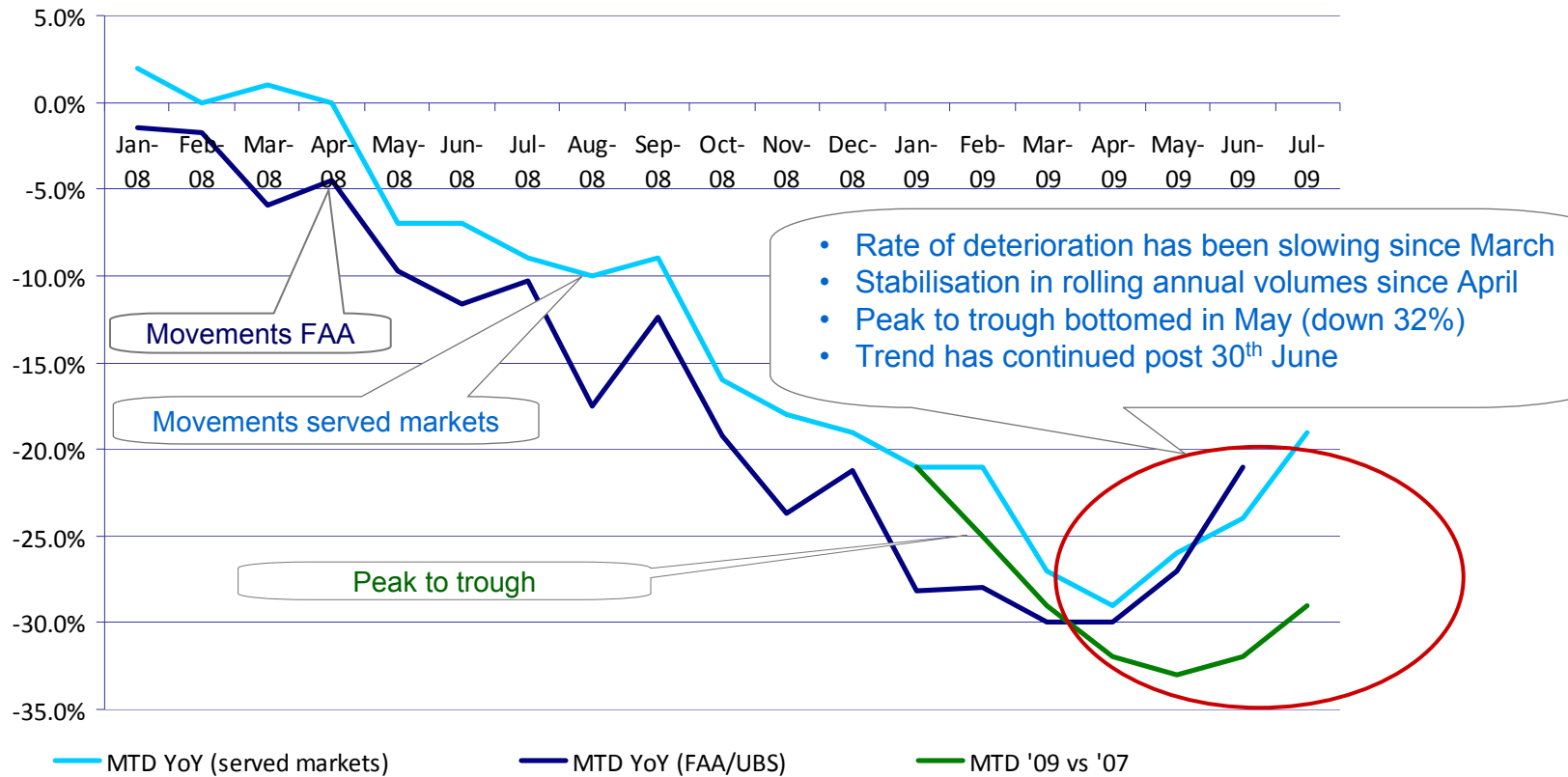
# Business Review



**Simon Pryce**

# Signature - deep GA downturn, seems to have stabilised

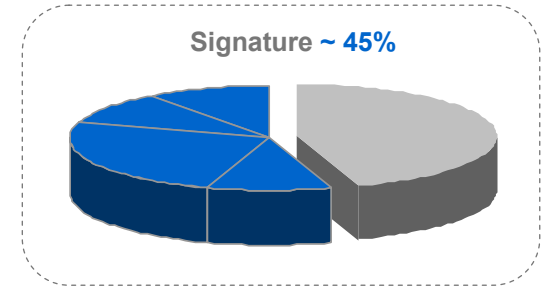
## North America GA movements relative to comparable earlier period



# Signature - outperforming in a difficult market

## Performance

- Organic sales decline 14%
  - North American down 15%, Europe down 8%
- US market down 24%, Europe market down 18%
- Continuing US share gain
- Improved European mix and less slot constraints



## Strategic/Operational Progress

- Headcount reduced by 10%, another 9% to come
- New global organisation working well
- Exited EB aircraft sales, charter and management, small engineering/MRO business
- New network deals adding 3m gallons
- Nice added to network
- Indianapolis disposal proceeding as anticipated

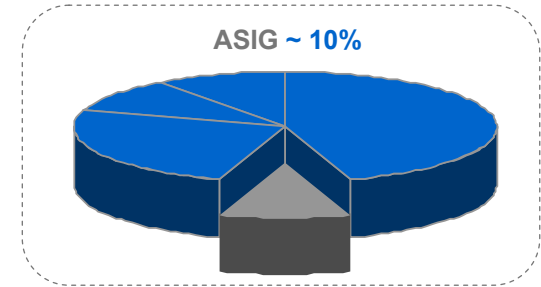
# ASIG – continued progress despite softer markets

## Performance

- Organic sales decline 4%
- Market down 10%
- De-icing season “normal”

## Strategic/Operational Progress

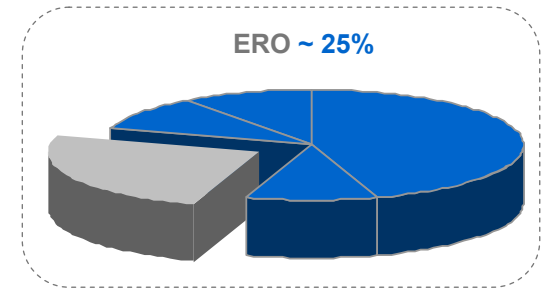
- Headcount reduced by 7%
- Continued operational improvement
- TOGA and Flygiene performing
- Further new contract wins in core locations, net gains £5m
- Network expansion
- Thailand a strategic foothold in a growth region



# ERO – dealing with expected market decline

## Performance

- Organic revenue decline of 18%
- Later cycle impact of GA/ regional down turn
- Leasing transaction boosts engine sales
- Excellent cash generation from effective asset management



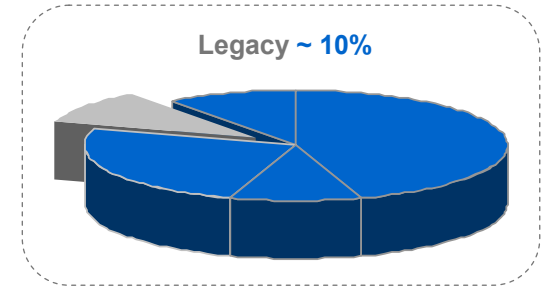
## Strategic/Operational Progress

- Headcount reduced by 18%, another 4% to come
- Tight control of discretionary spend
- New contracts with Brazilian Air Force, Avantair
- Expanded international reach
- Further success in developing closer relationships with airframe OE's
- Important new authorisations

# Legacy – continued growth with successful adoption

## Performance

- Revenue up 16%
- Weakness in IGS offset by continued growth in Ontic
- Record order book – in excess of \$50m



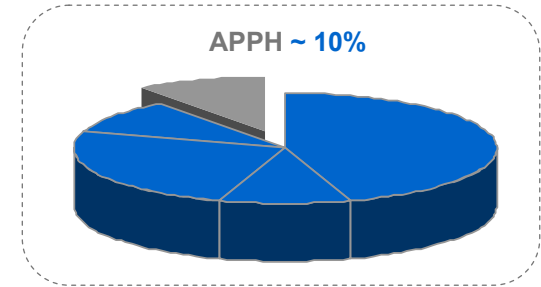
## Strategic/Operational Progress

- Honeywell APU licence adopted, exceeding expectations
- Ontic UK now operational
- Enhancing capability and capacity to support continued growth
- Good licence pipeline
- Current and impending OE cycles creating favourable licensing environment

# APPH – working hard to mitigate downturn

## Performance

- Organic sales decline 13%
- B&GA OEM cutbacks
- Weak demand for regional turbo prop MRO
- Supply chain de-stocking



## Strategic/Operational Progress

- Site rationalisation
- Exit from wheels and brakes MRO
- Headcount reduced by some 22% of FTEs with a further 5% to come
- Continued new business wins for longer term

# Summary



**Simon Pryce**

# Despite market, BBA Aviation delivered in H1 2009

- Steep and cyclical downturn in majority of markets, as expected
- Businesses responding rapidly and performing strongly given trading environment
- Results in line with or ahead of expectations
- Strong and sustainable cash generation
- Operating well within covenants, no short term re-financing requirement
- Continued strategic development
- Interim dividend maintained reflecting cash and earnings cover and long term prospects

# Well positioned for H2 2009 and beyond

- Evidence of stabilisation in most of our major markets
- Benefit from portfolio balance, service and aftermarket focus and limited exposure to OE cycles
- Market leading businesses with low operational gearing, not planning for a steep and rapid recovery
- Second half benefit from further share gains, new business wins, legacy growth, and full impact of cost reduction actions
- On-going focus on cash generation, reducing debt and creating greater financial flexibility
- Continued strong performance relative to markets, exciting prospects, particularly when this cycle turns



# Q&A

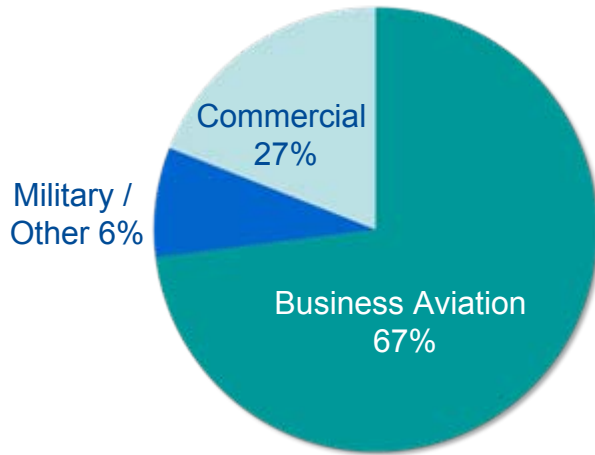


# APPENDICES

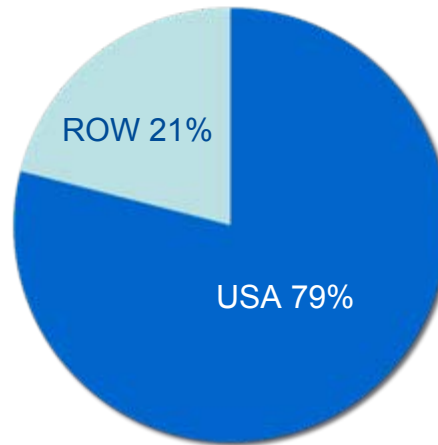
# BBA Aviation – A Reminder

- Unique, focused aviation services and systems and legacy support group

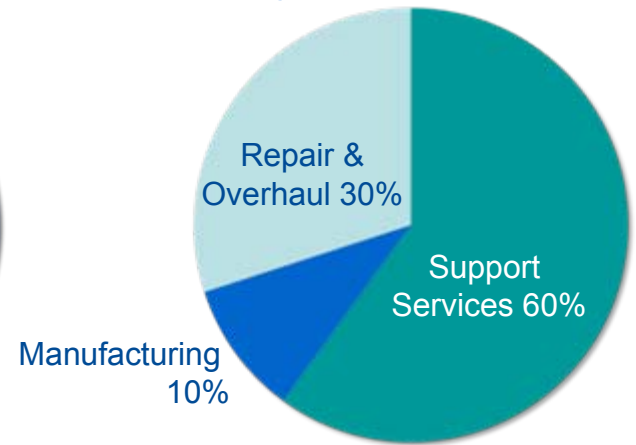
**Markets**



**Geography (Origin)**



**Type of Business**



- Focused on B&GA, with military & legacy mitigating cyclical exposure
- Services and aftermarket focus with repair and overhaul & manufacturing strengths
- US \$ based, US business but with growing non-US exposure

# Market leading, some balance and low operational gearing

Business	Principal Market	% Group	Barriers to Entry	Operational Gearing (% costs fixed)
Signature	Global B&GA support services	45%	Brand strength and reputation Long term leases in high quality locations Integrated global network Economies of scale	ca 30%
ASIG	UK, US commercial aviation services	10%	Licences to operate Technical expertise Brand strength and reputation Customer relationships	ca 30%
ERO	Global B&GA engine repair and overhaul	25%	Engine authorisations Sales and service infrastructure Capital investment OE/Customer relationships	ca 20%
Legacy	Military, commercial and B&GA legacy product support	10%	OEM sole source licences Intellectual property Adoption process Supply chain management expertise	ca 30%
APPH	Military and B&GA OE and aftermarket services	10%	Intellectual property, proprietary design Technological capability System integration expertise 3rd party approvals	ca 25%

# Signature – The world leader in B & GA services



## Key Information

- Annual revenue circa \$0.9bn
- 84 wholly owned locations (60 US, 24 Europe & Africa) plus minority interest positions
- Only truly international network and largest player globally measured in gallons pumped
- Strategic focus
  - Organic and acquisitive growth
  - Leveraging strength of the network

# ASIG – Focused commercial aviation services provider



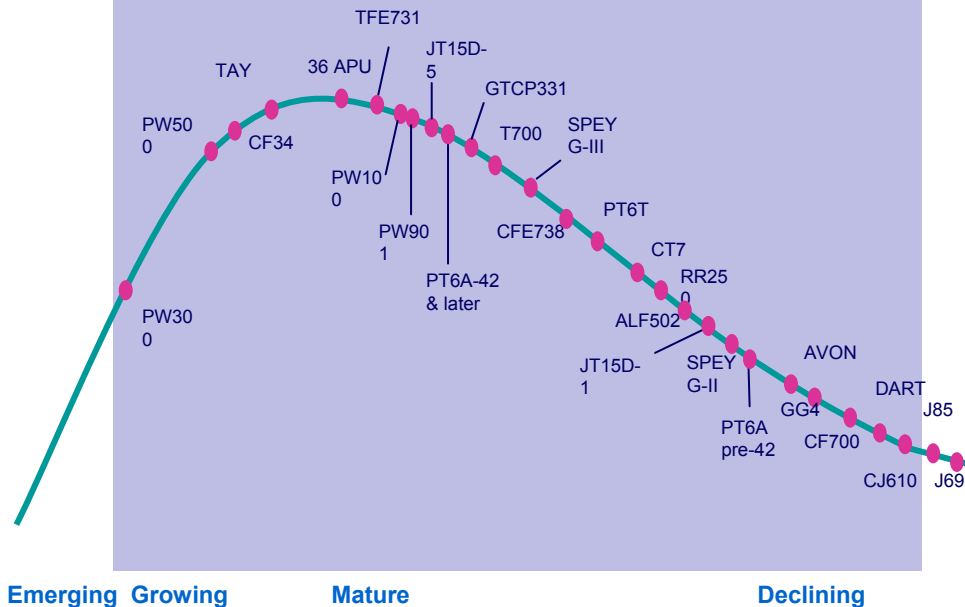
## Key Information

- Annual revenue circa \$0.4bn
- 63 wholly-owned locations in North America, Europe and Asia plus 3 joint-ventures
- Growing market with outsourcing potential
- Strategic focus
  - Focus on hubs and international gateways
  - Locations where labour flexibility exists
  - Enter market through core contracts then add more work at low additional marginal cost

# ERO – The B & GA engine R & O market leader



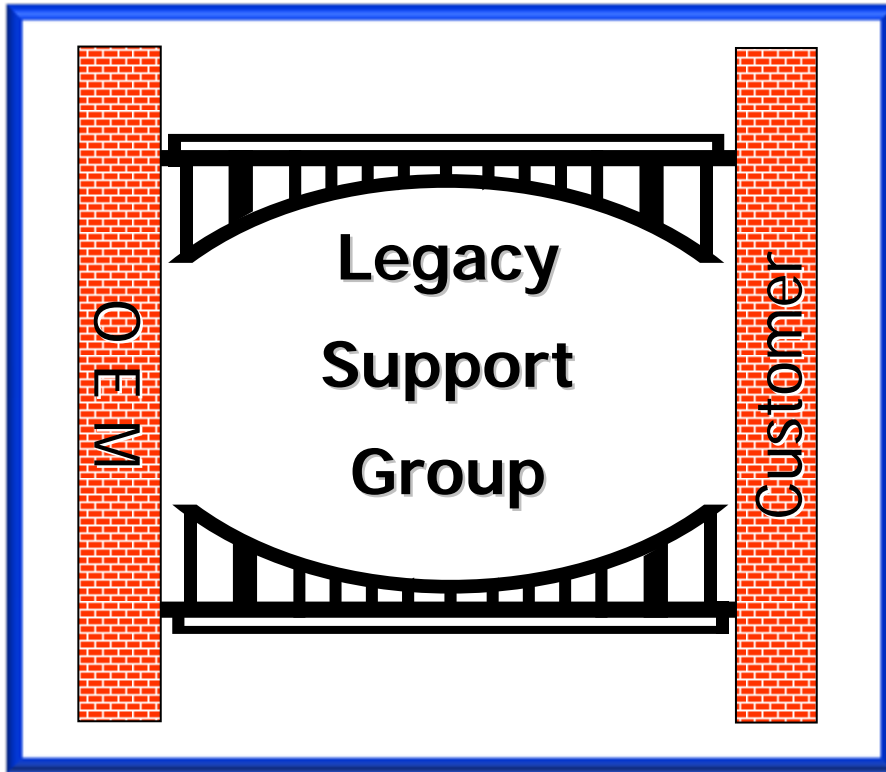
## ERO programme maturity profile



## Key Information

- Annual revenue circa \$0.6bn
- Authorisations across 80% of engines on the B&GA fleet
- Market leader in its major programmes
- Good maturity and growth profile
- Strategic focus
  - Organic growth
  - Operational and productivity improvement

# Legacy Support – An emerging opportunity



## Key Information

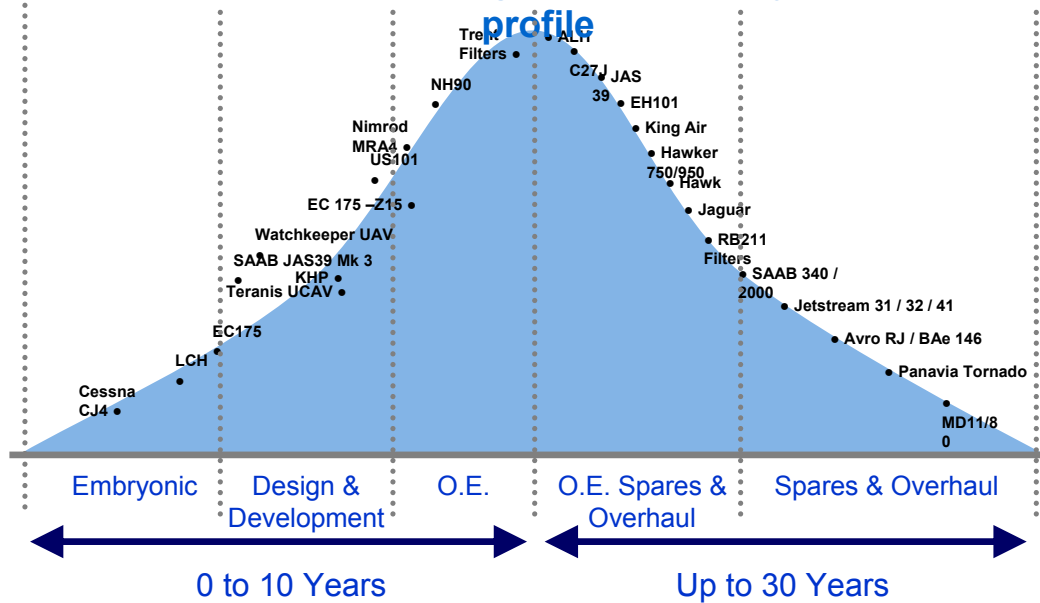
- Annual revenue circa \$0.1bn
- Fastest growing part of the Group
- Strategic focus
  - Organic growth and growth through licence acquisition
  - Effective management of the supply-chain
  - Providing a solution to OEM and customer issues

# APPH – Niche landing gear and hydraulic sub-systems



## APPH – programme maturity

### profile



## Key Information

- Annual revenue circa \$0.1bn
- Full service niche OE life of programme provider
- Strong portfolio, good maturity profile
- Strategic focus
  - Organic and acquisitive growth
  - Continuous operational improvement

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