

## **BBA Aviation - interim results update 2016**

### **Simon Pryce, Group Chief Executive**

It has been an incredibly busy and successful first half for BBA Aviation. On the 5th February we closed the Landmark acquisition, and we've done more in the first six months of this year than most other organisations would do in five years. We've commenced the integration of Landmark; we've combined it with Signature to create the largest FBO network in the world, with 200 locations in some of the busiest and most important airports out there.

We're really pleased with what we found; the people that we've acquired with Landmark are highly capable. We've got an organisation structure in place today that takes the best of both organisations and that's effectively running the business whilst continuing to integrate it well.

The people in Landmark have been really good at adopting the BBA Aviation values-based culture and it's really pleasing to see them blossom in our service and safety orientated environment.

But it's not just about Signature, everybody in our organisation has been working really effectively and really hard in the first six months of this year. And we're seeing the benefit of that, both in our operational performance and in our financial results.

So clearly the integration process that we're going through is probably the single biggest project that we as a Group have done. It's required a huge amount of resource and very rigorous planning, and some very stringent programme management. But the efforts have all paid off. We're well through phase 1 now. Most of the actions that we needed to do to integrate the business in terms of its customer interface; branding, training, badging our employees... all of that's now done.

We're now into phase 2 which is integrating the back office systems. It's about taking the best processes from both businesses and then applying those across the large 200 FBO network in Signature.

And of course one of the important things about the integration was the delivery of at least \$35m of synergies between the two businesses when they're combined. And I'm pleased to say that we're already ahead of where we thought we were going to be [at this stage] and we've undertaken and completed actions that will deliver the vast majority of those synergies.

So lots more work to do, lots of opportunity but I'm really pleased with where we are and very excited about the opportunity that the combination creates for us.

So despite all the additional efforts of integration, disposals and all the other things that we've been doing in the half, the underlying businesses have performed really well. In Signature itself and indeed Landmark - day to day operational performance has been really good; continuing to outperform markets. We're seeing good drop-through, excellent performance in things like customer service and safety - the things that we care about most.

Our Engine Repair business continues to have a tough time. The market that it really depends on which is legacy, fixed wing, mid-cabin flying and rotorcraft flying remains depressed. And there's no visible signs of that picking up any time soon. They're doing a lot of work to restructure the footprint in our Engine Repair businesses and have been very successful at that.

Our new big test cell facility in DFW is up and running, commercially testing engines now. And that business is going through a continuing amount of change. Once the footprint reduction is broadly finished, which will be the end of this year, that will be a much more stable base around which to build the value creation strategy for our Engine Repair business going forward.

And then Legacy has had another really good first half. We've adopted a number of new licenses in the first half very successfully and we've got a very strong order book as we enter the second half. So everybody's going to be pretty busy in ONTIC at the same time as continuing to pursue this great pipeline of opportunity.

And finally if I look at ASIG I'm really pleased with what's going on there. They had a tough 2014 and 2015 but the management team have really knuckled down; they're driving operational improvement across the globe. We're seeing that feed through in significant improvement in numbers. But more importantly they're meeting their customers' expectations. And, as a result of that, we're winning new business... profitable business. So I'm very pleased with what's going on in ASIG.

Clearly at the time we announced the Landmark transaction we did get a couple of inbound approaches from people that were interested in ASIG. And as a public company we are required to look at the value maximising alternatives for everybody. As a result of that, and some ongoing discussions, we have decided to treat ASIG for the moment as a business held for sale. And whilst there's no certainty that a transaction will result, we expect to make an announcement one way or another later this year. But importantly ASIG continues to drive forward, it continues to grow and it continues to satisfy its customers really effectively.

So at the end of this first half, I'm immensely proud of what the BBA Aviation team has done and what it has created. Our people are incredibly capable. They've got through a huge amount of work in the first six months of this year and they've created an organisation that has world leading businesses. Our Signature FBO network can service more customers, with a broader range of services, at more locations that they want to fly to around the world... and we're more than double the size of our nearest competitor.

Our Engine Repair business has created a world class test facility. Our Legacy business, Ontic provides a unique service to the owners and operators of legacy fixed wing rotorcraft airframe. And there's increasing demand for what they do and how they do it.

This is a really exciting time to be at BBA Aviation. Our team has created a fantastic opportunity for value creation for them, for us, for our customers, our suppliers and for all our stakeholders.

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