

BBA Aviation 2016 Full Year Results

I think 2016 was a year when the BBA Aviation team as a whole did extraordinary things. We bought well. We completed the acquisition of Landmark Aviation for \$2.1 billion in February. And we also acquired towards the end of the year a business from GE, a legacy avionics business, for Ontic. We sold well. We were mandated to sell six FBOs by the Department of Justice as part of the Landmark acquisition and we got those done in the first quarter. And we also sold ASIG, our commercial aviation services business, as a result of an approach we'd received just after we announced the Landmark transaction.

We integrated really well. We have seamlessly integrated the Landmark FBOs into the Signature network and we've done it quicker than expected. We have found more cost opportunity than we'd thought and we've generated lots of cash and we've de-levered as we said we would. I think we've done all of this at the same as delivering a really good underlying operating performance, so, really, 2016 the BBA Aviation team has done an exceptional job for stakeholders.

Landmark Aviation integration

We have integrated the 60-plus Landmark FBOs into Signature pretty seamlessly and with no real surprises. We had an opportunity to do lots of due diligence on Landmark before we closed the transaction and we knew these assets relatively well anyway. I think the surprises, if any, have all been on the positive side. We're very pleased with the opportunities that we have found to run the FBO network more efficiently. We're very pleased with the customer reaction of being able to access a broader range of high-quality services across our FBO network.

And I think we've been really pleased with the people that we have brought on board with the Landmark acquisition. They're very much engaged in BBA Aviation's values now, which are all about customer focus, customer service and performing effectively and safely in the delivery of the operations that we undertake day to day, so generally pleased and positive surprises on the upside.

Business performance

Yet again, despite everything else that was going on, the team delivered a really strong operating performance, really, across all of businesses. If you look at Signature just on an organic basis, it outperformed the market again. We saw good drop-through on that outperformance. And in addition to integrating the 60-plus FBOs of Landmark, we also acquired four FBOs in Europe and we added a number of Signature Select locations to further enhance the quality of our network.

We've delivered this exceptional operating performance in Signature despite the fact that markets were actually only up just over 1% in the course of 2016. In Aftermarket, our Ontic business delivered as we anticipated it would, with a very strong second-half performance and good delivery from licences signed up in 2015. And in ERO, despite another tough year where markets didn't help them and where work scopes were challenging, they produced a much stronger second half, thanks to the continued work they're doing on footprint restructuring and cost reduction.

BBA Aviation today

Our business model hasn't really changed. What we've done is really turbo charged it. If you look at what all the transactions that we've done during the course of 2016 have done, they're all around higher value-added services. They're all around high intellectual property businesses that generate cash and demonstrate really good returns on invested capital. And we're really well set up, I think, for a period of extended and further value creation from the businesses that we have today.

So I think we've been through a period of great transformation for the Group and, as I look forward, a lot of our future growth and value creation will come from making these transformational transactions work best for us and for our customers. Clearly, we will continue to invest in our FBO network. We can see opportunities to acquire and build and further extend our FBO reach.

We look at opportunities for further service enhancement. We'll continue to invest in the great demand we see for legacy product support. And Ontic has done a great job so far and has a great pipeline and there's further opportunity in that space. And we'll continue to invest and improve our engine repair business. But I don't see, certainly not for the next couple of years at least, another Landmark on the horizon.

Outlook

All our work in 2016 I think has created a really exciting opportunity for growth and value creation in 2017 and beyond. If you look at what we have in Signature, it is a unique network of FBOs across the globe. We're in more places that our customers want to fly to, where we can provide them with a broader range of services to satisfy their flying needs and reduce their overall cost of flying.

In Ontic we have an extraordinary business that is a unique model to support the increasing demand for legacy product out there. And in Engine Repair and Overhaul we see a business that is slowly improving in a difficult trading environment. Against all of this background we're going to see lots of growth from shifting from growing our network to making our network work best for customers. We're going to see lots of cash generation, which will clearly be for deleveraging, will be for investment in our core businesses and, ultimately, for returning to our shareholders.

So, all in all, the efforts of the team in 2016 have put BBA Aviation and the whole of the BBA Aviation team in a place where we will see the opportunity to create really exciting value creation for all of our stakeholders in 2017 and beyond.

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