

MEGGITT PLC

**Credit Suisse Presentation**  
**9 September 2009**  
**London**



**MEGGITT**  
smart engineering for  
extreme environments

## 2009 First half summary

- Good performance in a challenging environment, helped by currency
- Revenues up 11%
- Military revenues up 31%; civil revenues flat; other markets up 2%
- Underlying operating profit up 4%; underlying EPS up 1%
- Order book down 2% at constant exchange rates
- Free cash inflow up 93%
- Net debt down 15% to £895m; 2.5x EBITDA
- Interim dividend maintained at 2.7p

# Responding well to challenging markets

- Significant proprietary technology and sole source positions
- Balanced portfolio (43% military; civil 43%; 14% other markets)
  - Military demand remains healthy
  - Civil air traffic declining by 5% to 6% in 2009 – flat to recovering in 2010
  - Civil markets affected by cancellations and destocking
  - Other markets mixed
- £50m cost reduction plans by 2010 ahead of schedule; 2009 target raised to £25m
- Sound financial position

# Segmental analysis

£m

Revenue				Underlying Operating Profit			Return on Sales %	
2009	2008	change		2009	2008	change	2009	2008
384.9	351.3	+10%	Aerospace Equipment	111.3	104.5	+7%	28.9%	29.7%
		-11%	<i>Constant FX</i>			-17%		
129.2	122.2	+6%	Sensing Systems	19.8	22.6	-12%	15.3%	18.5%
		-11%	<i>Constant FX</i>			-23%		
72.3	53.1	+36%	Defence Systems	9.7	8.4	+15%	13.4%	15.8%
		+11%	<i>Constant FX</i>			+1%		
<u>586.4</u>	<u>526.6</u>	+11%	Total	<u>140.8</u>	<u>135.5</u>	+4%	<u>24.0%</u>	<u>25.7%</u>
		-9%	<i>Constant FX</i>			-17%		

NB Appendix 2 provides detail on currency impact

## Cash flow

£m	2009	2008	% change
<b>EBITDA</b>	<b>169.5</b>	<b>156.5</b>	<b>+8%</b>
Working capital movement	(17.5)	(35.5)	
Capex	(14.6)	(22.8)	
Capitalised R&D and PPC's	(32.0)	(24.7)	
<b>Operating cash flow</b>	<b>105.4</b>	<b>73.5</b>	<b>+43%</b>
Interest and tax	(45.0)	(36.5)	
Pension deficit payments	(11.1)	(8.8)	
Operating exceptionals	(12.7)	(9.2)	
<b>Free cash flow</b>	<b>36.6</b>	<b>19.0</b>	<b>+93%</b>
Dividends and issue of share capital	(20.0)	1.8	
Mergers and acquisitions	0.4	10.6	
<b>Net cash flow</b>	<b>17.0</b>	<b>31.4</b>	<b>-46%</b>



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## Balance sheet

£m	At 1 Jan 2009	FX	Other	At 30 Jun 2009
Total assets (excluding cash)	3,502	(342)	(41)	3,119
Retirement benefit obligations	(241)	22	(23)	(242)
Other liabilities	(927)	76	89	(762)
Capital employed	<u>2,334</u>	<u>(244)</u>	<u>25</u>	<u>2,115</u>
Net debt	(1,048)	136	17	(895)
Net assets	<u>1,286</u>	<u>(108)</u>	<u>42</u>	<u>1,220</u>

# Good covenant (Net debt/EBITDA) headroom

		<i>EBITDA (before exceptionals)</i>				
			-10%	-20%	-30%	
<b>Net debt (FX sensitivity)</b>	Avge \$1.75	<b>2.3</b>	<b>2.6</b>	<b>3.0</b>	<b>3.5</b>	( -30% EBITDA ≤ 3.5x )
	Avge \$1.50	<b>2.4</b>	<b>2.7</b>	<b>3.1</b>	<b>3.6</b>	( -28% EBITDA ≤ 3.5x )
	Avge \$1.25	<b>2.5</b>	<b>2.8</b>	<b>3.2</b>	<b>3.8</b>	( -25% EBITDA ≤ 3.5x )

Ratios calculated in accordance with credit agreements.

Sensitivity scenario assumes that 12 months ended June 2009 results in currency are repeated in 12 months ended June 2010.

This is for illustrative purposes only and is not a forecast.

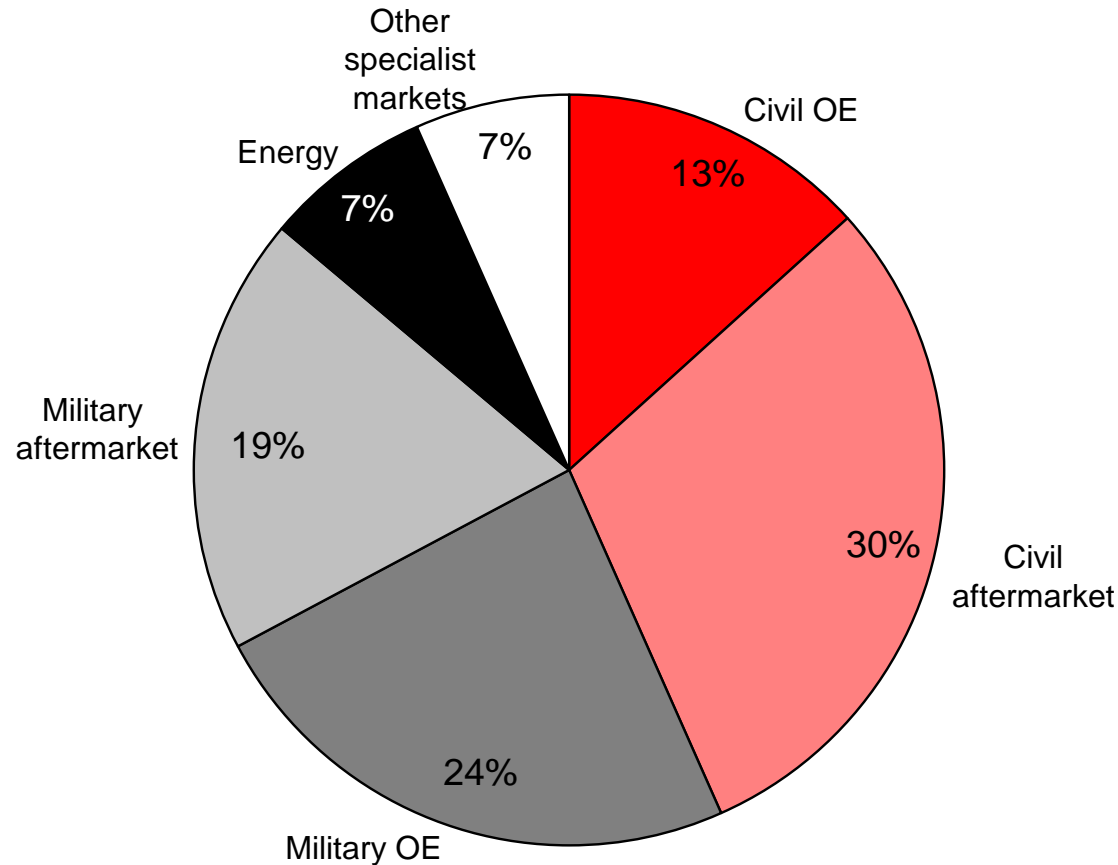
# Key business developments

- ▶ **Multiple programme wins**
  - Wheel and brake system for Bombardier CRJ 1000 and CSeries
  - ATA 26 fire detection and extinguishing system on Learjet 85
  - Over \$100m retrofit orders for fuel bladders
  - Tier 1 sensors package for PW 1000G geared turbofan
  - Environmental control unit for F18 Super Hornet
- ▶ **Substantial investment in new technologies**
  - Lightweight seals being patented
  - First fuel flow sensor integrated into a Tier 1 multiple sensors package
  - Engine qualification of Tier 1 sensors and ignition package for Rolls Royce BR725 engine
  - First flight demonstration of our Ebrake<sup>®</sup> wheel and braking technology
  - Launch of next generation industrial condition monitoring product
- ▶ **Expanding into new markets**
  - Energy market expanding, with first half revenues increasing by over 30%
  - Growing international training presence, including opening of a Middle East office



# Group H1 2009 revenue – A balanced portfolio

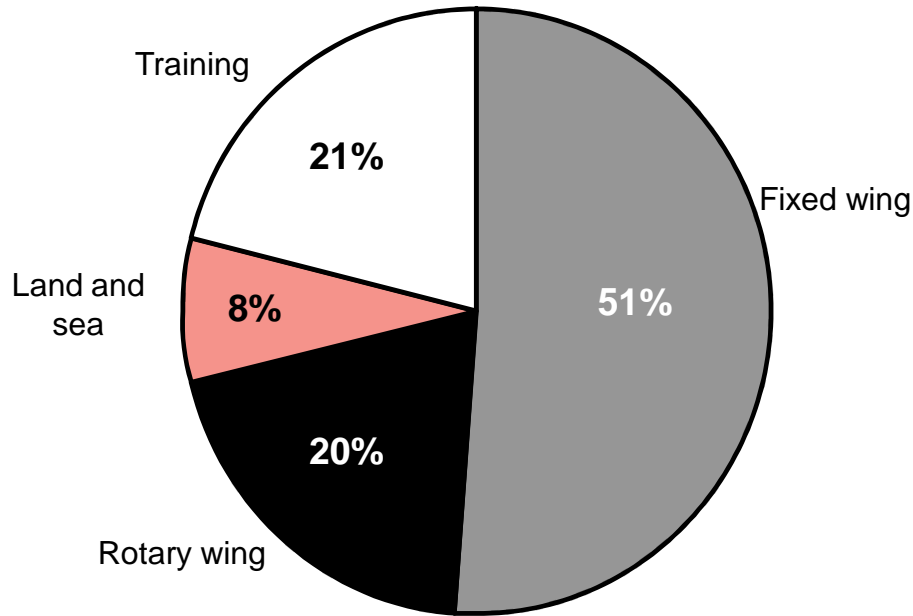
Revenue by market segment  
£586.4m



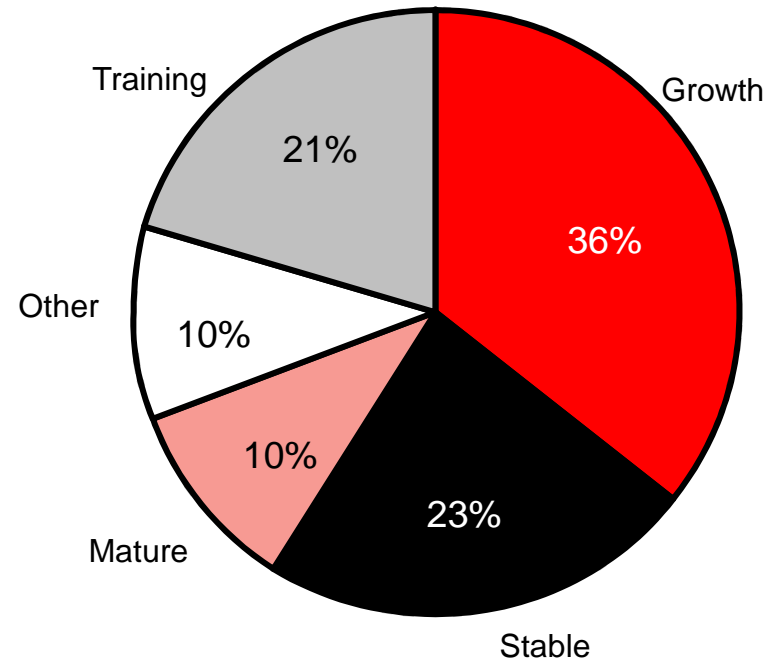
# Military H1 2009 – 43% of Group revenues

£251.1m

Estimated military revenues by market segment



Estimated breakdown of military revenue across lifecycle



# Strong positions on military platforms

## Wide exposure to secure growth and stable platforms

- Positions on key high growth aircraft
- Well positioned for equipment reset
- Positions across all divisions



Typhoon



F-35 Lightning



V-22 Osprey



C-130/J



Black Hawk



Abrams



KC-135



Apache



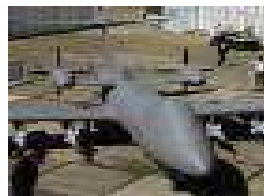
Chinook

## Positioning for future opportunities – new platforms and upgrades

- Investing in new technologies and extending capabilities



Gearbox-brake system  
MULE / FCS



E-Brake  
Mantis UAV



Ammo Handling

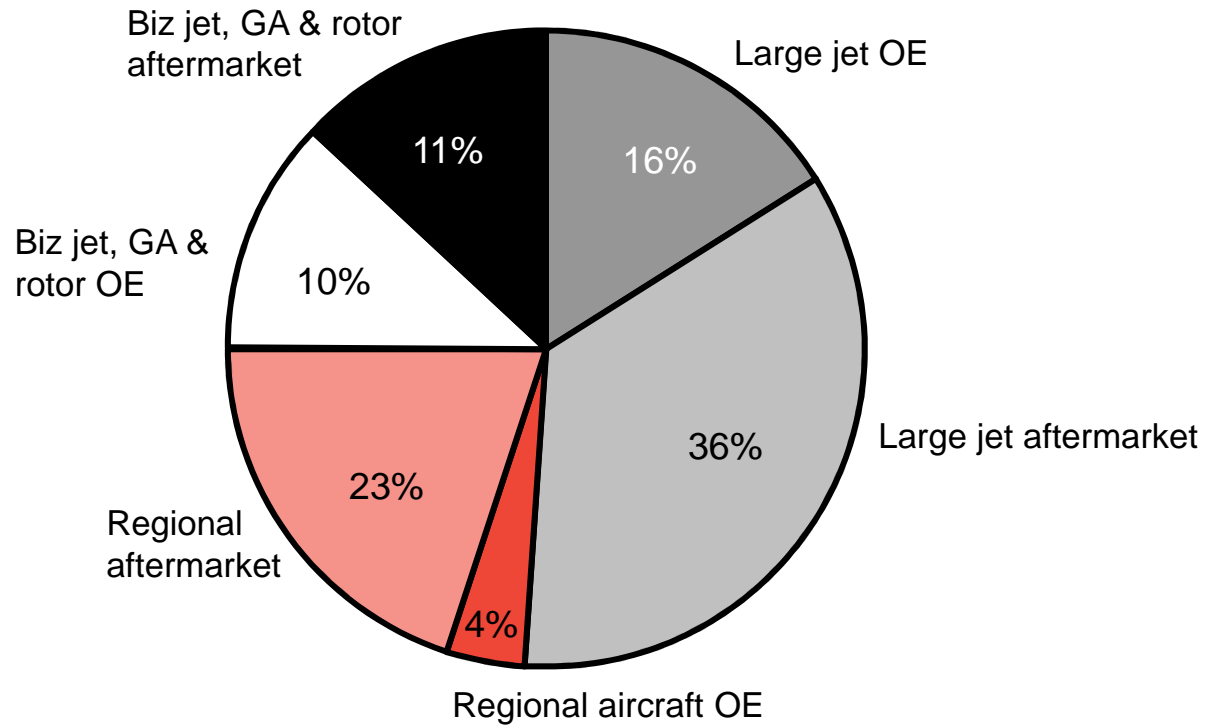


Training



# Civil aerospace - 43% of total revenues

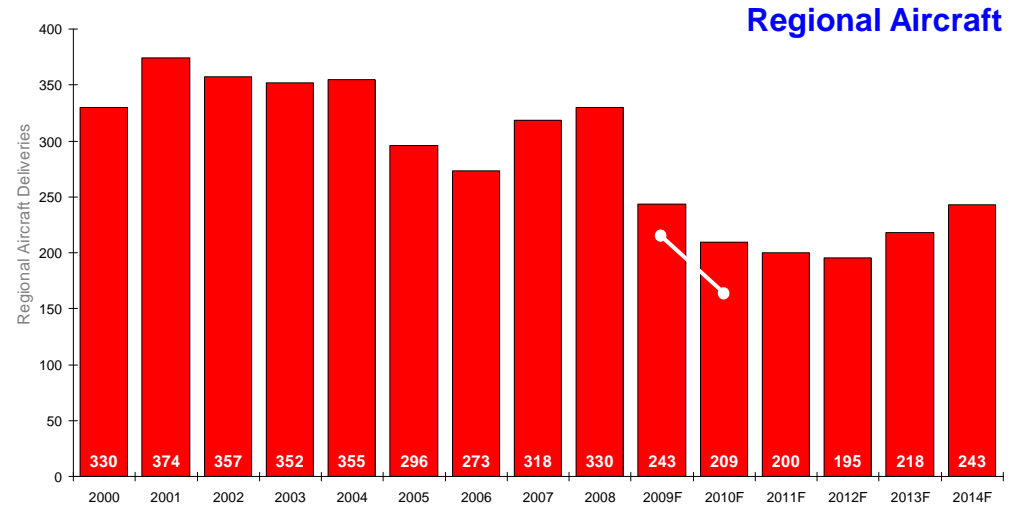
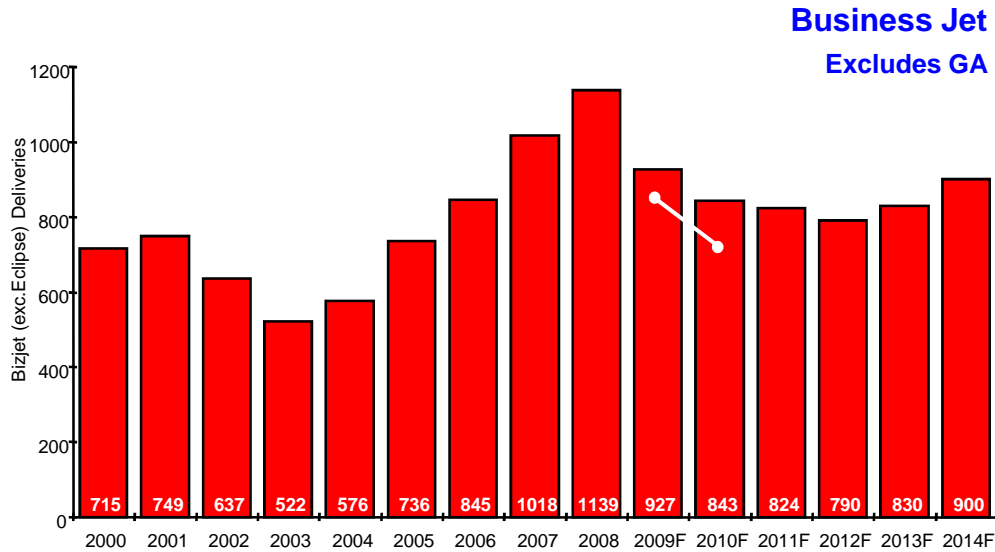
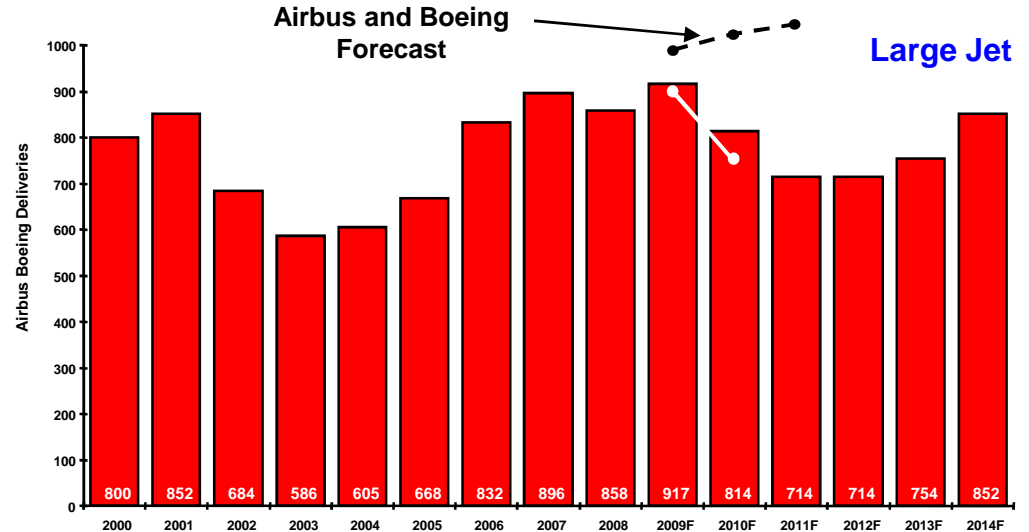
## Civil revenues by market segment

£254.1m



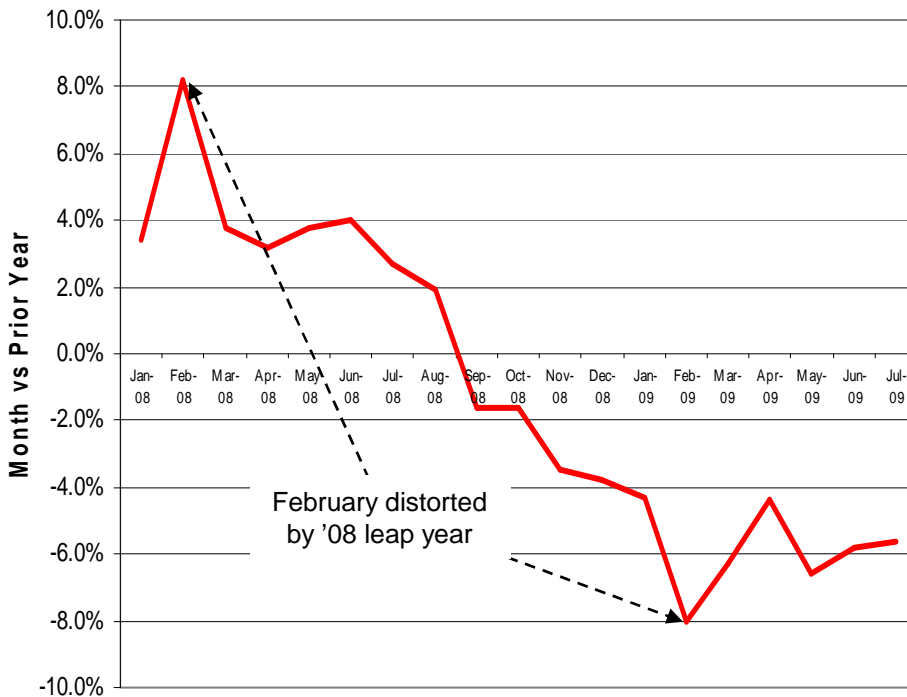
# Aircraft OE deliveries

-  Meggitt cost plan
-  Meggitt view of consensus forecasts



# Civil aftermarket

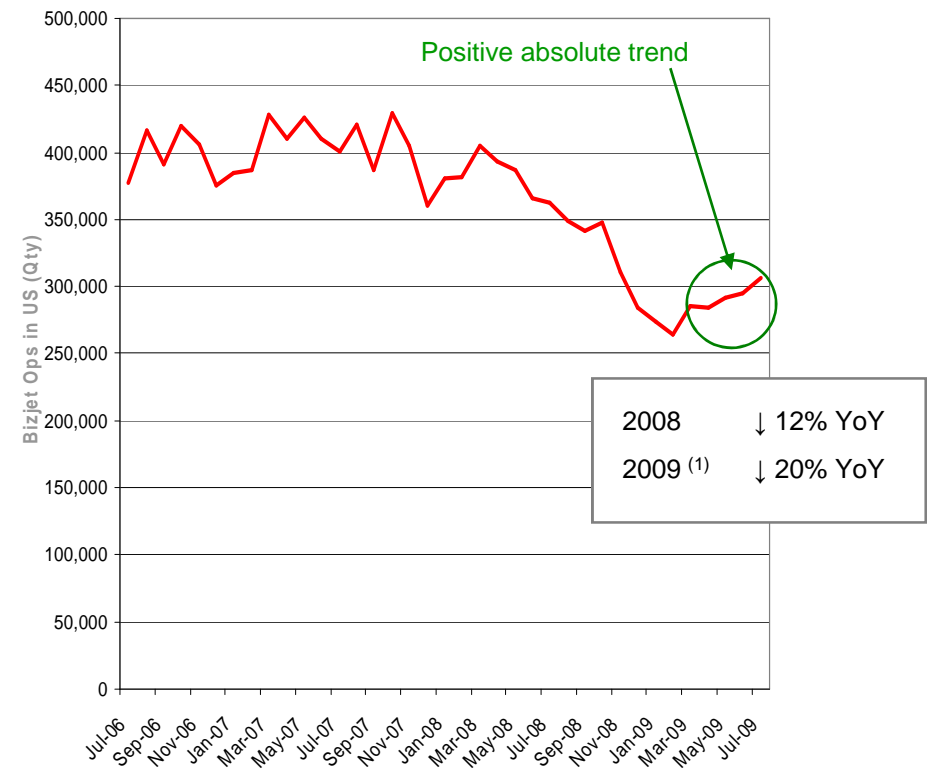
**Estimated Monthly Change in ASKs\***



Source: IATA/ATA Meggitt management estimates

\* Available Seat Kilometers

**Business Jet (excludes GA)**



Source: FAA ETMISC Database / Meggitt management estimates

Note: (1) Meggitt cost plan

# Civil market summary

- ▶ **Decline in civil OE market in line with expectations**
  - Airbus and Boeing holding deliveries
  - Delivery rates now stabilising for regional jets and bizjets
- ▶ **ASKs down 5% to 6% as anticipated**
  - Bizjets impacted the worst
  - Better year on year comparisons in second half
- ▶ **More civil destocking in 1H 09 than expected**
  - Customers holding less stock
  - Lower utilisation rates in aftermarket
- ▶ **Offset by**
  - Currency benefits
  - Growth in the military market
  - Aggressive cost cutting

# Cost reduction plans ahead of schedule

- **Confident in delivering £50m run rate by end 2010**
  - £5m from executive pay freeze, benefits and travel
  - £25m from factory direct and indirect headcount
  - £20m from management and administration
  
- **Savings of £25m expected in 2009**
  - Ahead of £20m scheduled
  
- **£10m savings delivered in first half**
  - Exec pay frozen, UK pensions and US medical benefit changes implemented
  - Headcount reduced by 655, including 513 from production
  - Further 100 FTE on short time working



# Ongoing operational improvements

- ▶ **Supply chain sourcing initiatives**
  - Producing incremental savings of £11m pa
- ▶ **K&F synergies on track**
  - Cumulative £18m pa 2009 savings identified; on track for £22m in 2010
  - Headcount reduced by 197 from June 2007 acquisition date
- ▶ **Low cost manufacturing initiatives in Mexico and China**
  - Wheels & brakes, polymers and ground fuelling
  - Second facility in Mexico and third facility in China opened



Xiamen



Queretaro

MEGGITT

## Summary and outlook

- As expected, good first half performance, helped by currency
- Market outlook in line with expectations
  - Military demand will remain healthy
  - Civil air traffic declining in 2009 with some destocking but projected flat/recovery in 2010
- Cost savings ahead of schedule; 2009 target raised to £25m; on track for £50m a year by end of 2010
- Currency benefits first half; neutral second half at current exchange rates
- Strong balance sheet with good visibility of financing and covenant headroom
- Interim dividend maintained

**Meggitt responding successfully to challenging environment**

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