



2013 Full-year results

4 March 2014

MEGGITT

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Highlights

Stephen Young - Chief Executive



2013 – Building future growth

Highlights

- » Revenue up 2% (organic up 1%)
- » Underlying profit before tax up 3%
- » Underlying EPS up 3%
- » MPS off to a flying start
- » Total research and development spend up 10%
- » Free cash flow of £110m
- » Proposed full year dividend up 8% at 12.75p

November IMS Update

Progress

- » Civil aftermarket growth
- » Site consolidation in North America
- » Heatric – milestone and order slippage
- » Raw material issues
- » Foreign exchange translation





Financial Review

Doug Webb – Chief Financial Officer

Income statement

Underlying* (£m)			Growth	
	2013	2012***	Total	Organic**
Revenue	1,637.3	1,605.8	2%	1%
Operating profit	397.2	392.1	1%	0%
Finance costs : Interest	(19.4)	(26.1)		
Profit before tax	377.8	366.0	3%	2%
Tax	(80.9)	(80.5)		
<i>Tax rate</i>	21.4%	22.0%		
Profit for the year	296.9	285.5	4%	3%
EPS	37.5p	36.5p	3%	
Dividend	12.75p	11.80p	8%	

* A full reconciliation from underlying to statutory figures is given in notes 3 and 9 of today's full-year announcement.

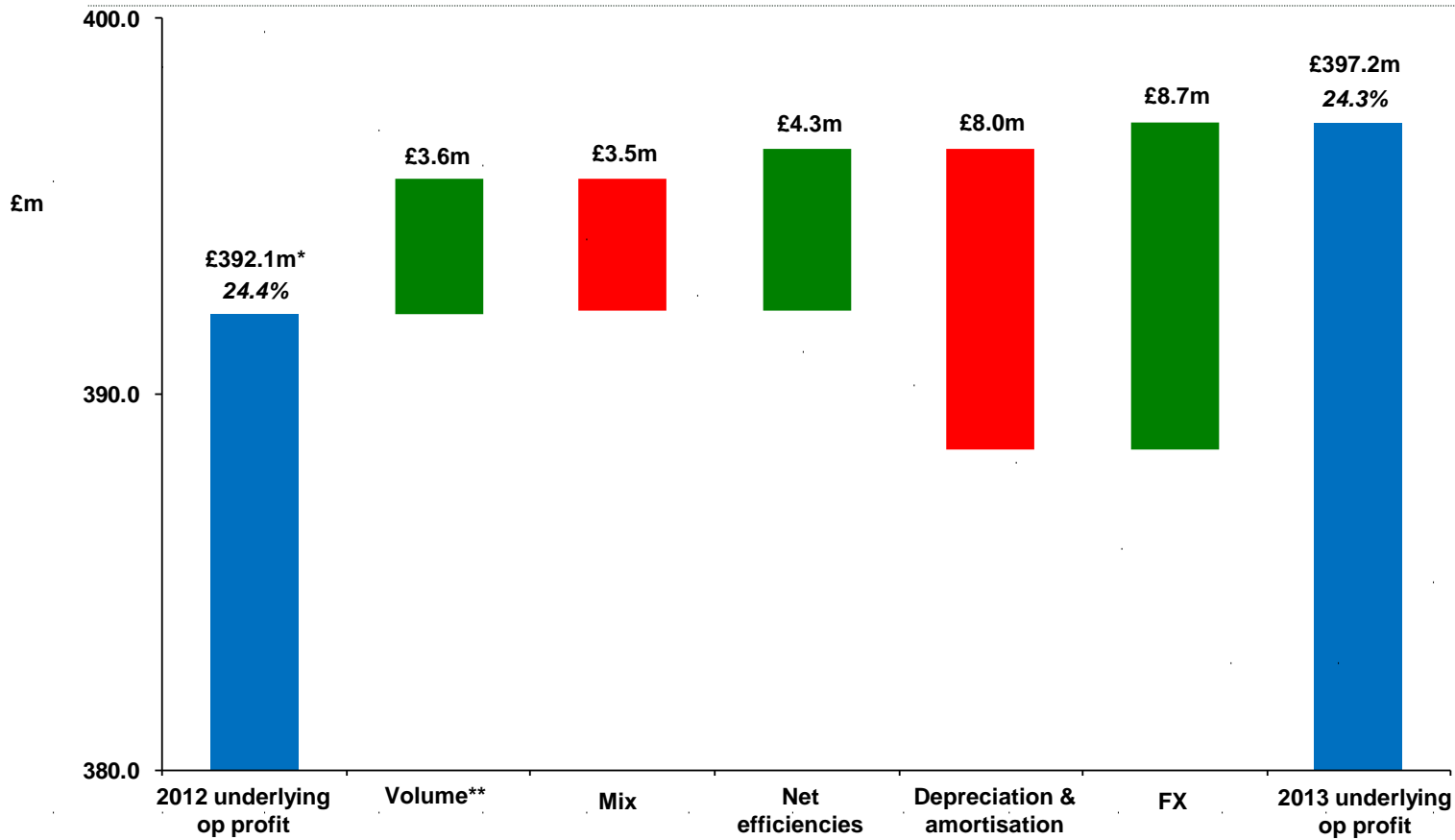
** Organic figures exclude the effect of currency, acquisitions and disposals.

*** Restated for the effect of IAS19 (Revised) and treatment of net pension finance costs.

Divisional financials

Revenue	Growth			Underlying		Growth		Margin	
	2013	Total Organic		Operating Profit	2013	Total Organic	2013	2012	
£m				£m					
330.4	+6%	+5%	Aircraft Braking Systems	122.4	+5%	+4%	37.0%	37.6%	
205.6	-4%	+2%	Control Systems	50.4	+1%	+7%	24.5%	23.2%	
181.0	-3%	-5%	Polymers & Composites	30.2	-11%	-12%	16.7%	18.1%	
240.4	+0%	-2%	Sensing Systems	34.3	-5%	-14%	14.3%	15.1%	
679.9	+4%	+3%	Equipment Group	159.9	+3%	+2%	23.5%	23.8%	
1,637.3	+2%	+1%	Total	397.2	+1%	0%	24.3%	24.4%	

Operating profit/margin bridge

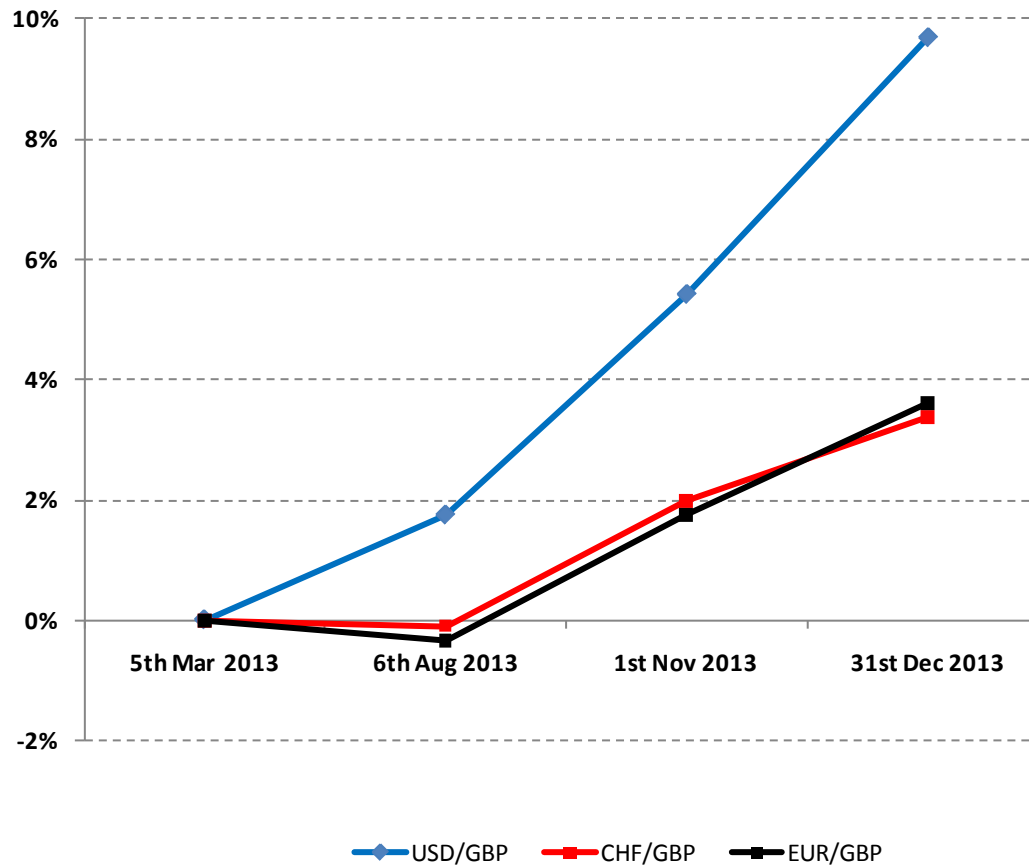


* Adjusted for IAS19 (Revised)

** At 2012 Group average margin and FX

Foreign exchange

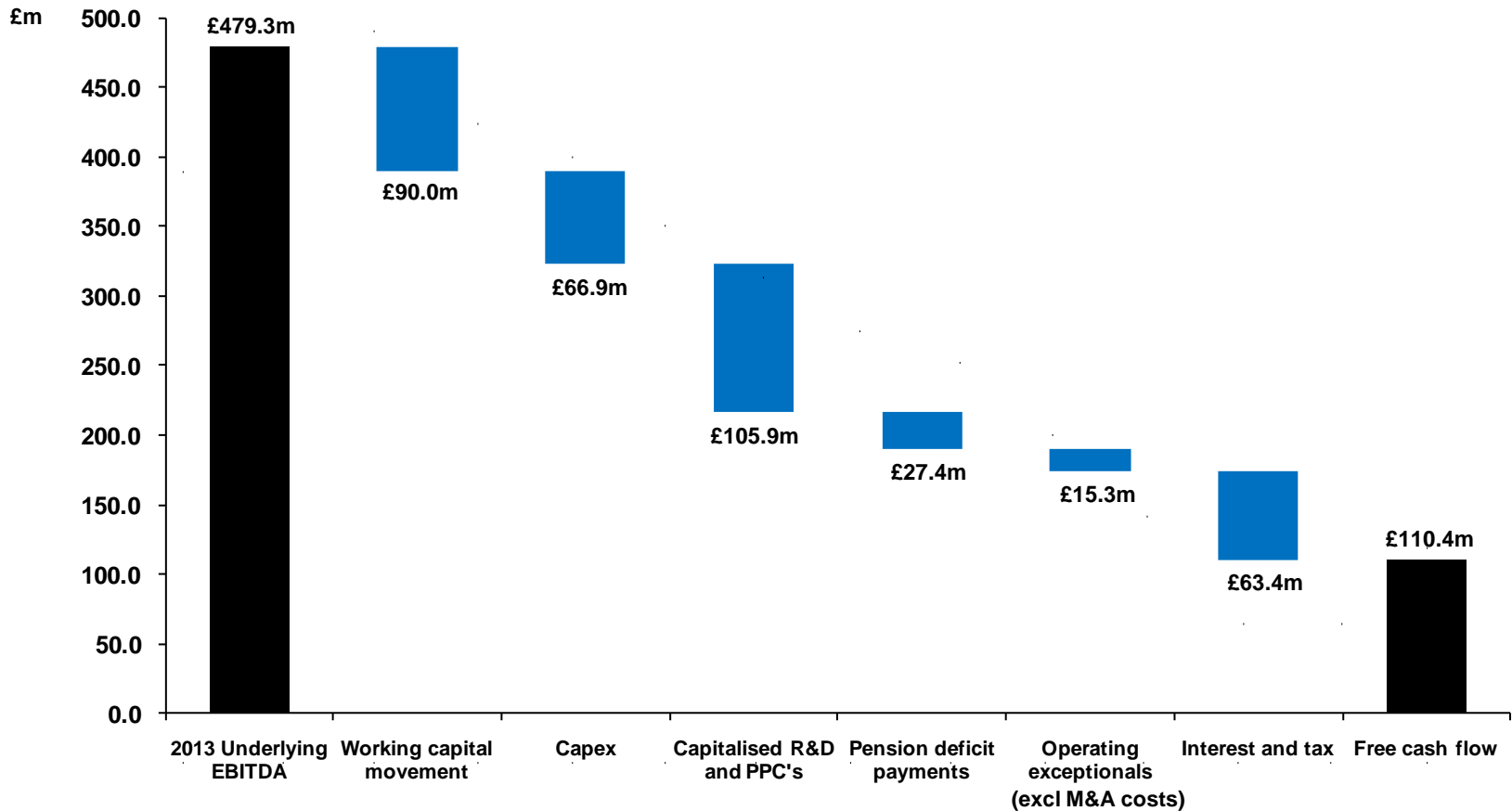
Significant translation headwind



- » USD 10% weaker than this time last year
- » CHF & EUR 3.5% weaker than this time last year
- » £8m adverse revenue impact since November IMS
- » 5c move in USD = £35m revenue impact and £8m underlying operating profit impact
- » 2013 average US\$ rate: 1.57
February 2014 spot rate: 1.67

Cash flow

Reconciliation from underlying EBITDA



Financing and covenants

Strong balance sheet

£m	At 1 Jan 2013 at \$1.63	FX	Other	At 31 Dec 2013 at \$1.66
Total assets (excluding cash)	3,779.8	(45.6)	(66.6)	3,667.6
Retirement benefit obligations	(299.7)	(0.9)	62.5	(238.1)
Other liabilities	(932.2)	6.6	137.1	(788.5)
Capital employed	2,547.9	(39.9)	133.0	2,641.0
Net debt	(642.5)	2.7	75.2	(564.6)
Net assets	1,905.4	(37.2)	208.2	2,076.4
 <u>Covenant ratios*</u>				
Net debt/EBITDA ($\leq 3.5x$)	1.3x			1.2x
Interest cover ($\geq 3.0x$)	16.2x			22.0x

* As defined in financing agreements

Capital allocation

Investing for growth

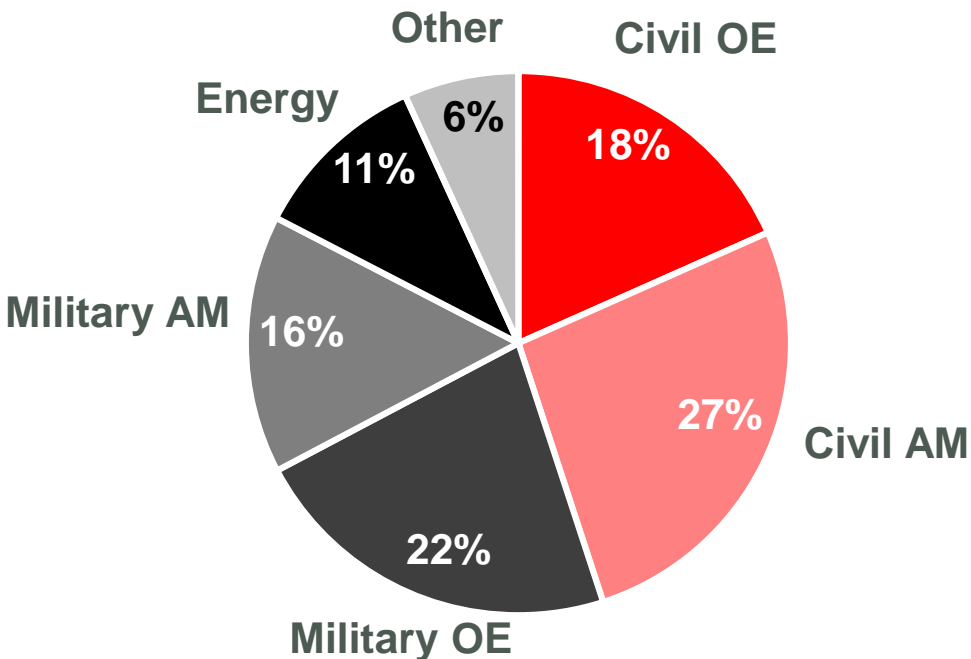
- » Context:
 - Cash generative business model
 - Nearing the peak of a major development cycle
 - Normal operating range of net debt:EBITDA is ~1x to 2.5x
 - Comfortable to move above and below this range in certain circumstances

- » Within this context, our priorities are:
 1. Funding organic growth and driving operational efficiency
 2. Growing dividends in line with earnings through the cycle
 3. Targeted, value-accretive acquisitions in our core markets
 4. Maintain efficient balance sheet

Revenue by market

A well balanced portfolio

Total revenue: £1,637.3m



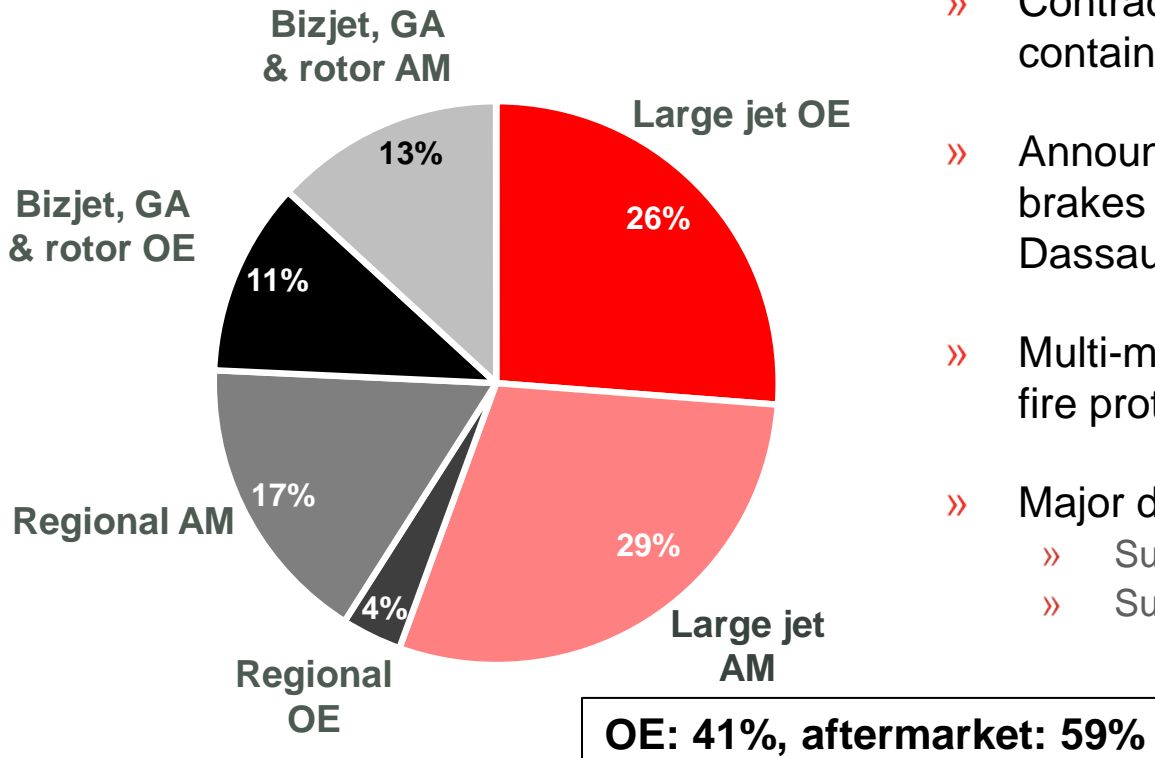
OE: 56%, aftermarket: 44%

	2013 growth	
	Total	Organic
Civil OE	7%	11%
Civil AM	1%	0%
Total Civil	3%	4%
Military	-1%	-3%
Energy	5%	5%
Other	9%	1%
Total Group	2%	1%

Civil aerospace

45% of total revenue

2013 revenue £736.2m



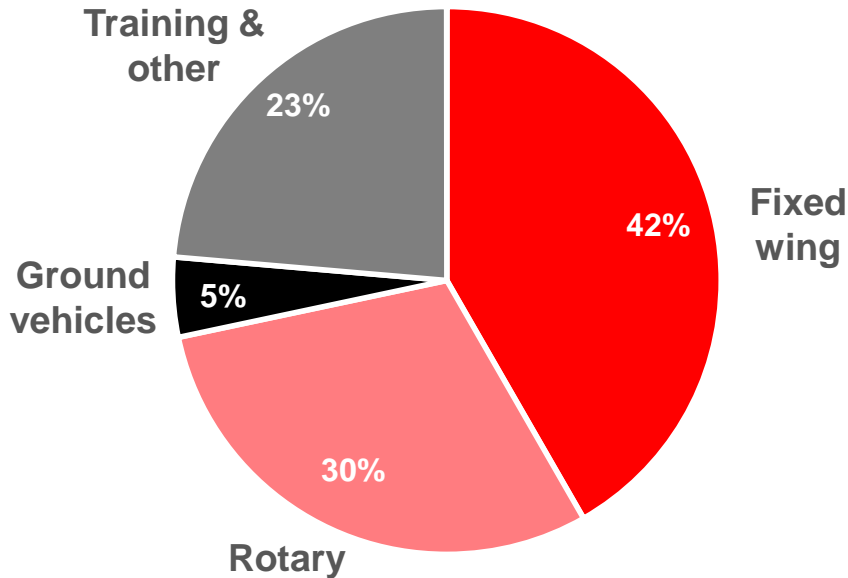
Commercial highlights:

- » Contract from Sikorsky for full fuel containment system on S-92
- » Announcement of contract for wheels, brakes and brake control system for Dassault Falcon 5X
- » Multi-million dollar contract for ATA-26 fire protection on Irkut MC-21 aircraft
- » Major development milestones
 - » Successful first flight of CSeries
 - » Successful first flight of A350XWB

Military revenue

38% of total revenue

2013 revenue £616.4m



OE: 59%, aftermarket: 41%

Military highlights:

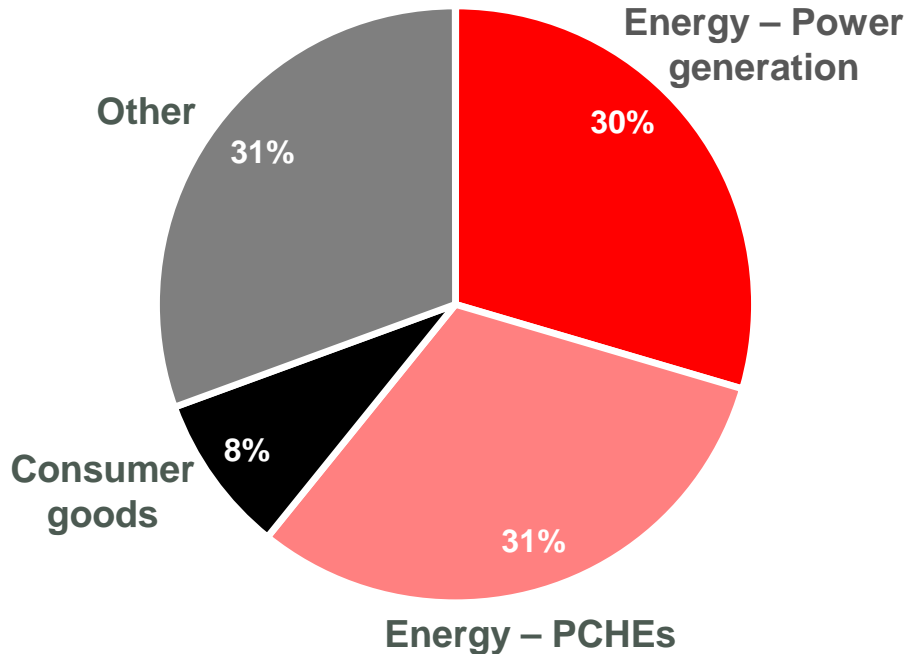
- » Commencement of initial deliveries of new B-1B wheel & brake following completion of qualification testing
- » Award for fuel containment system on AW159 helicopter
- » Further international revenue growth in the training businesses

US: 61%; Europe 23%, RoW 16%

Energy & other markets

17% of total revenue

2013 revenue £284.7m



Energy/other highlights:

- » Phase 1 of Heatric site expansion completed
 - » Phase 2 currently under way
- » Strong growth potential in MCS energy business
 - » Good technological progress on electric IGV for large frame turbines
 - » Order intake +33% year on year
- » Further strong growth in medical equipment
 - » New enlarged facility in Denmark



End market analysis & operational review

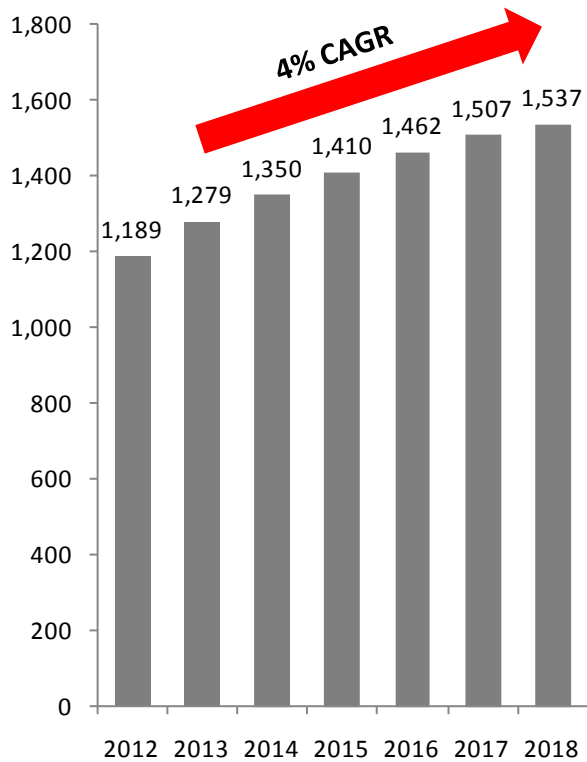
Stephen Young – Chief Executive



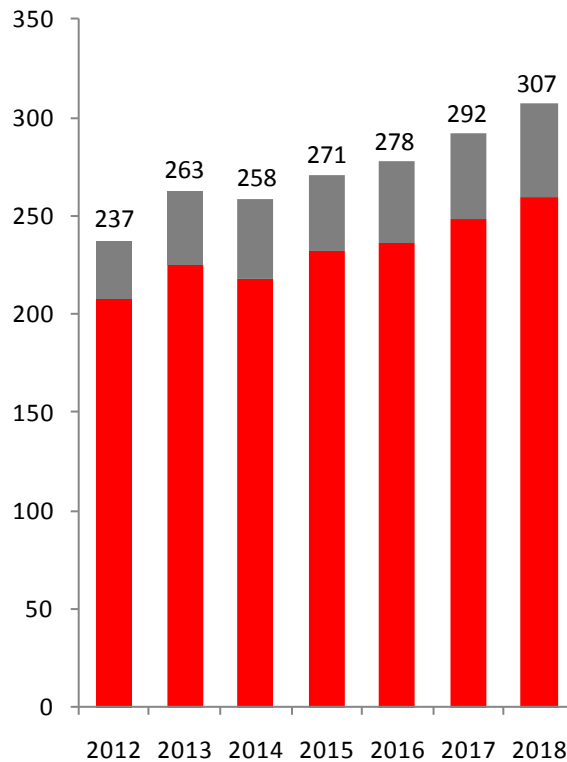
Aircraft OE deliveries

Strong outlook for large jets

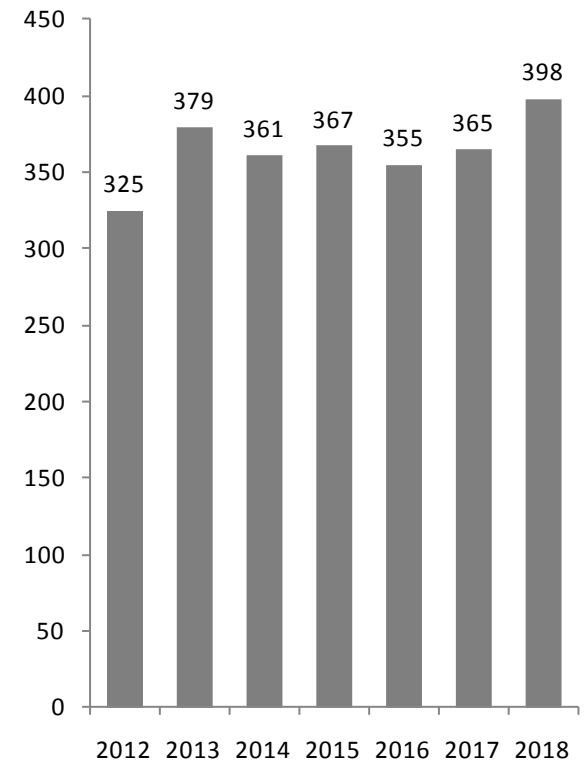
Large jet - 26% of civil revenue



Regional aircraft - 4% of civil revenue



Business jet - 11% of civil revenue
(chart shows super-midsize & large only)



■ <70 seats ■ 70+ seats

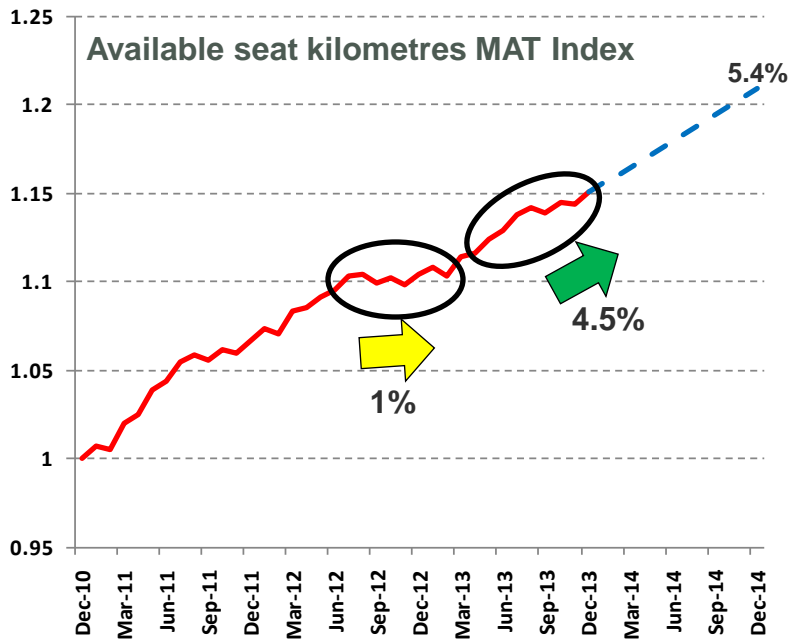
Source: Meggitt estimates

Civil aerospace aftermarket

Large jets & regionals

Commercial aftermarket driver

46% of civil revenue

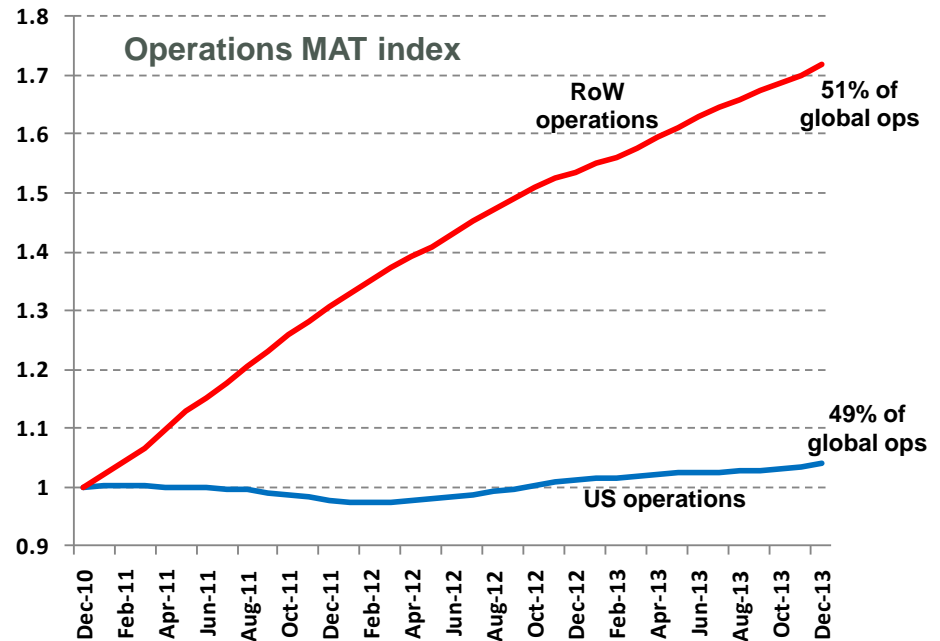


Source: IATA/Meggitt estimates

- » 1% ASK growth in H2 2012
- » 4.5% ASK growth in 2013
- » IATA estimate 5.4% ASK growth in 2014

Large regional jet aftermarket driver

9% of civil revenue



Source: Capstats/Meggitt estimates

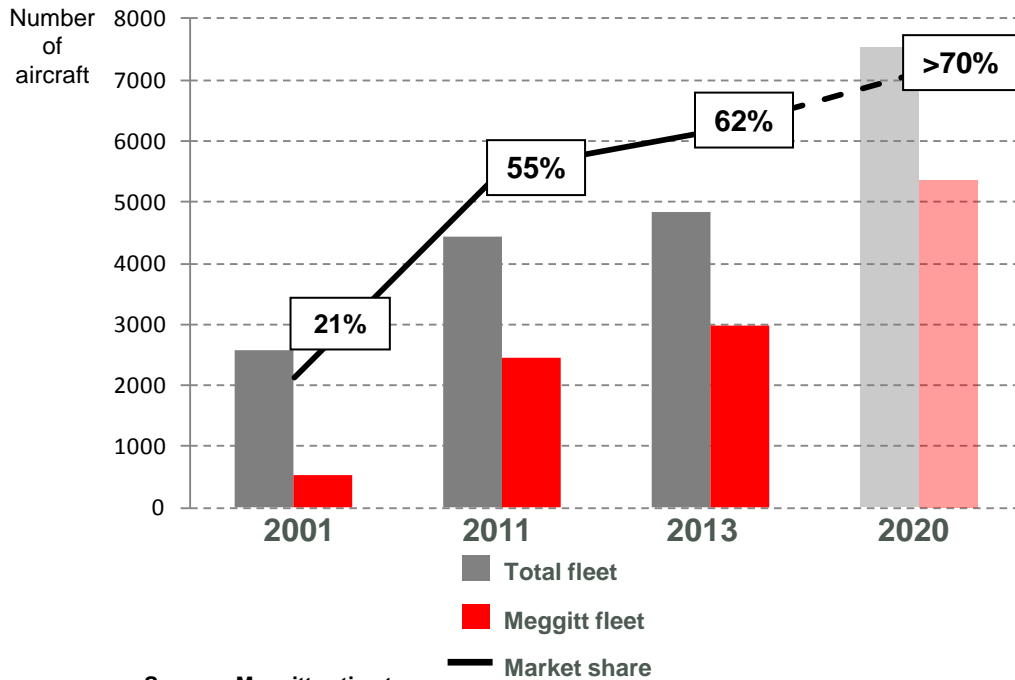
- » 7% recovery in US operations since 2012
- » 70% growth in RoW operations since 2010

Civil aerospace aftermarket

Business jets

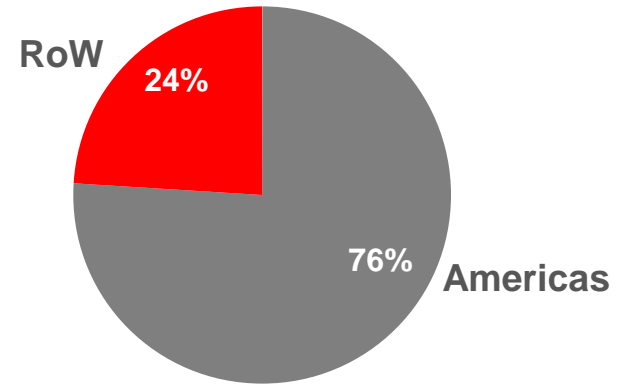
Business jet aftermarket - 13% of civil revenue

Meggitt share of super-midsize to long-range business jet wheels & brakes market

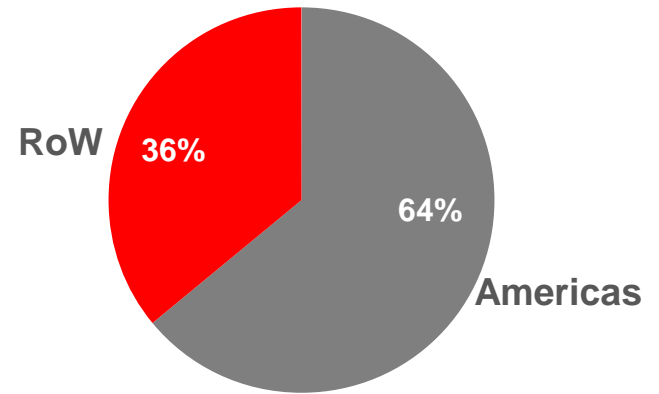


Source: Meggitt estimates

Current bizjet fleet by geography



Estimated bizjet fleet by 2022



Source: Bombardier/Meggitt estimates

Military

A broad spread of business

Growth >>

US platforms

- >> Blackhawk
- >> Apache
- >> P-8 Poseidon
- >> JSF
- >> V-22

Non-US platforms

- >> Eurofighter
- >> Rafale
- >> Gripen
- >> A400M

Mature >>

- >> C-130
- >> Harrier AV8B
- >> F15
- >> B1-B

- >> Tornado
- >> Hawk
- >> C-17

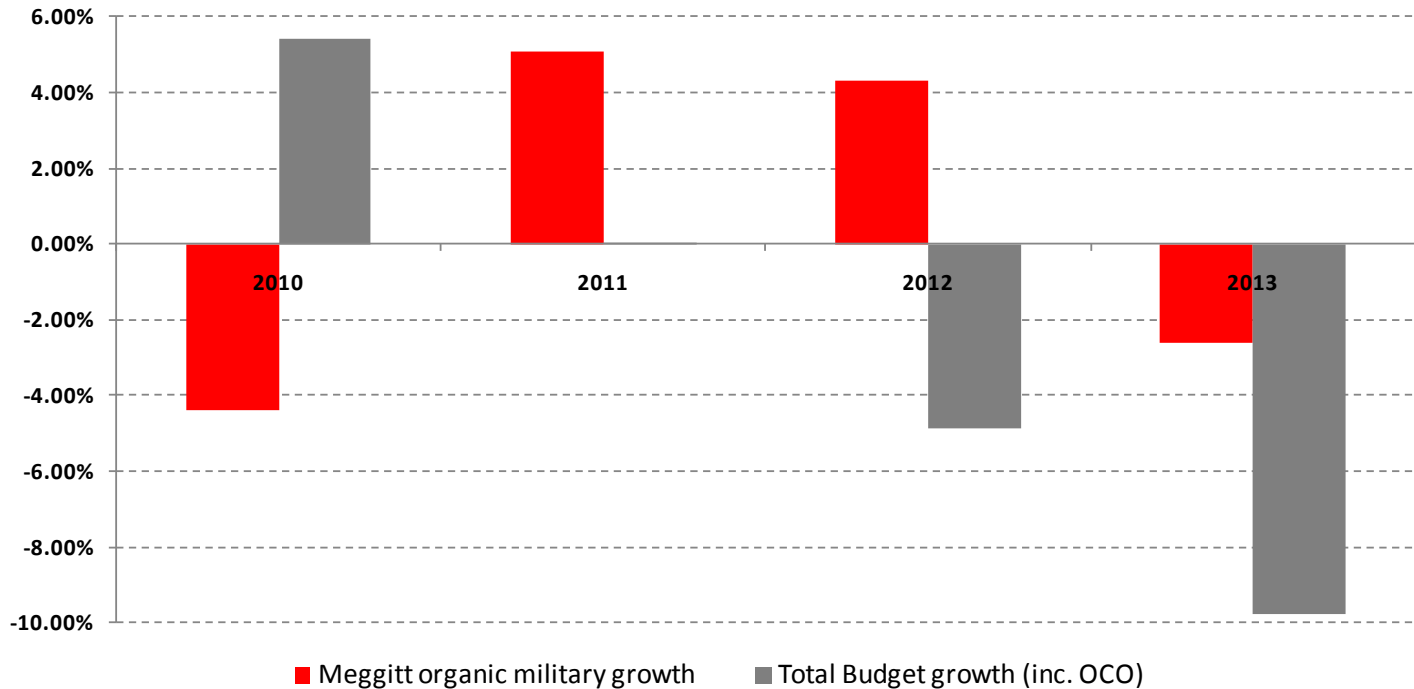
**One-off/
retrofit >>**

- >> KC135
- >> Bradley fighting vehicle

- >> Live-fire and virtual training systems, notably into Middle East and Asia

Military

Meggitt organic military revenue vs DoD budget



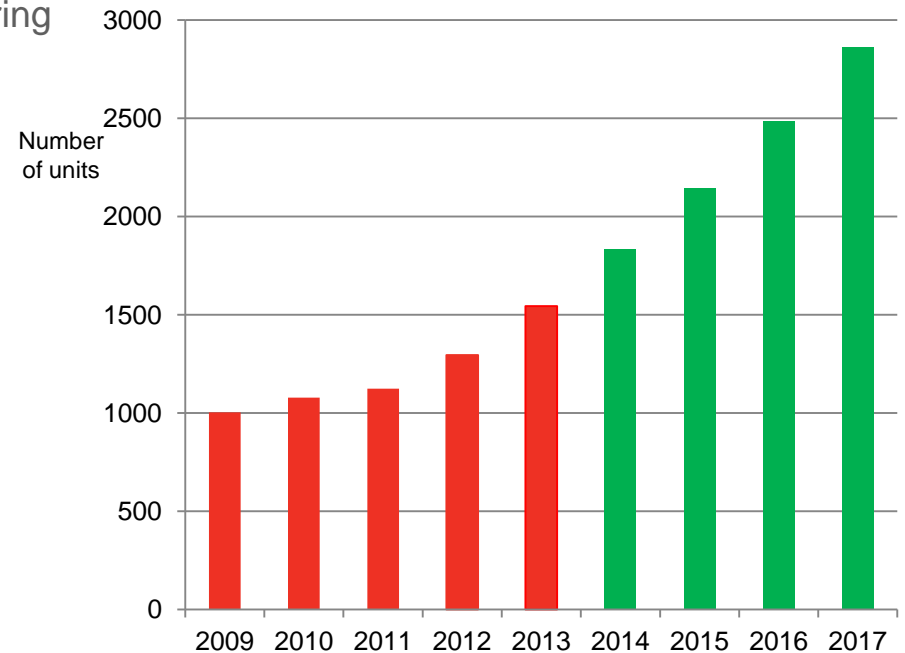
- » Minimal correlation
- » Breadth of platform exposure drives limited variability

Energy markets

Further growth opportunities

- » Strong record of revenue growth since 2009
 - » >30% growth in energy condition monitoring
 - » >50% growth in energy control valves
 - » >300% growth at Heatric
- » New product introduction
 - » VibroSight® upgrade launched in 2013
 - » Electrical actuation on large frame gas turbines
- » Visible Heatric project pipeline valued in excess of £600m, covering:
 - » Oil and gas
 - » FLNG
 - » Waste heat recovery
 - » Power generation

PCHEs – growth in installed base



Source: Meggitt estimates

Execution, execution, execution...

...is what our customers want

- » Unprecedented level of development engineering
 - » Achieve supplier gold or equivalent
 - » Embed continuous improvement culture – Meggitt Production System
 - » Rationalise manufacturing footprint
 - Consolidation of six factories into three
 - » Continuing to invest in growth
 - Heatric expansion
 - New Denmark facility
 - New Securaplane facility
 - » Appointment of a Group Chief Operating Officer
-

Meggitt Production System

Driving cultural change

- » A comprehensive toolkit that will:
 - Enable sustainable quality, cost and delivery improvements
 - Streamline production processes
 - Improve consistency of output
 - Drive cultural change
 - Deliver enhanced organic growth in the longer term

 - » Excellent progress
 - Dedicated and highly experienced roll-out team
 - 3-5 year journey per site
 - Launched at 16 sites. Remainder over 2014 and 2015
 - 54% reduction in quality defects leaving the factory gates
 - 10% on-time delivery improvement
-

2013 summary

- » Revenue growth of 2%
- » Gradual recovery in civil aftermarket
- » Underlying PBT up 3%; underlying EPS up 3%
- » Strong balance sheet – net debt to EBITDA 1.2x
- » Continuing to invest in future growth
- » Proposed full year dividend up 8%

Outlook

- » Civil aircraft deliveries continue to increase
 - » Civil aerospace aftermarket recovery under way
 - » Energy – good demand continuing
 - » Military – modest decline in 2014, with return to growth (excluding sequestration) over the medium term
 - » Focus on cash
 - » Group average 6-7% organic revenue CAGR reaffirmed over the medium term
 - » Mid single digit organic revenue growth for 2014, consistent with our IMS
-

Appendices

1. Currency PBT impact
 2. Operating exceptionals
 3. Investment accounts
 4. Shares in issue
 5. Credit maturity profile
 6. Pension information
 7. Effect of acquisitions and disposals
 8. Fleet age profile
 9. Typical MCS programme life cycle
 10. Air traffic history and forecast
 11. Impact of shock events on traffic growth
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Currency PBT Impact

	2012 Act	2013 Act	H1 2014 Est	H2 2014 Est	FY 2014 Est*
\$/£ rate					
Translation rate (unhedged)	1.59	1.57	1.66	1.66	1.66
Transaction rate (hedged)	1.65	1.62	1.53	1.53	1.53
CHF rate					
£ Translation rate (unhedged)	1.49	1.45	1.48	1.48	1.48
\$ Transaction rate (hedged)	0.90	0.94	0.93	0.93	0.93
PBT impact against 2013 (£m)					
Year-on-year translation			(10.3)	(5.2)	(15.5)
Year-on-year transaction			<u>1.8</u>	<u>2.3</u>	<u>4.1</u>
Year-on-year currency headwind			<u>(8.5)</u>	<u>(2.9)</u>	<u>(11.4)</u>
Currency sensitivity:	± 5 cents = ± £35m revenue; ± £8m PBT				

* 2014 estimated translation rates based on February 2014 spot rates

Operating exceptionals

£m	2013 FY Act at \$1.57	2014 FY Est at \$1.66
P&L charge		
Site consolidation	8	1-2
PacSci integration	7	0-1
Non-conforming vendor supply issue	20	-
Net profit on sale of businesses	(9)	-
Other	2	-
Total	28	1-3
Cash out		
Site consolidation	7	1-2
PacSci integration	5	1-2
Non-conforming vendor supply issue	3	5-10
Other	1	-
Total	16	7-14

Investment accounts

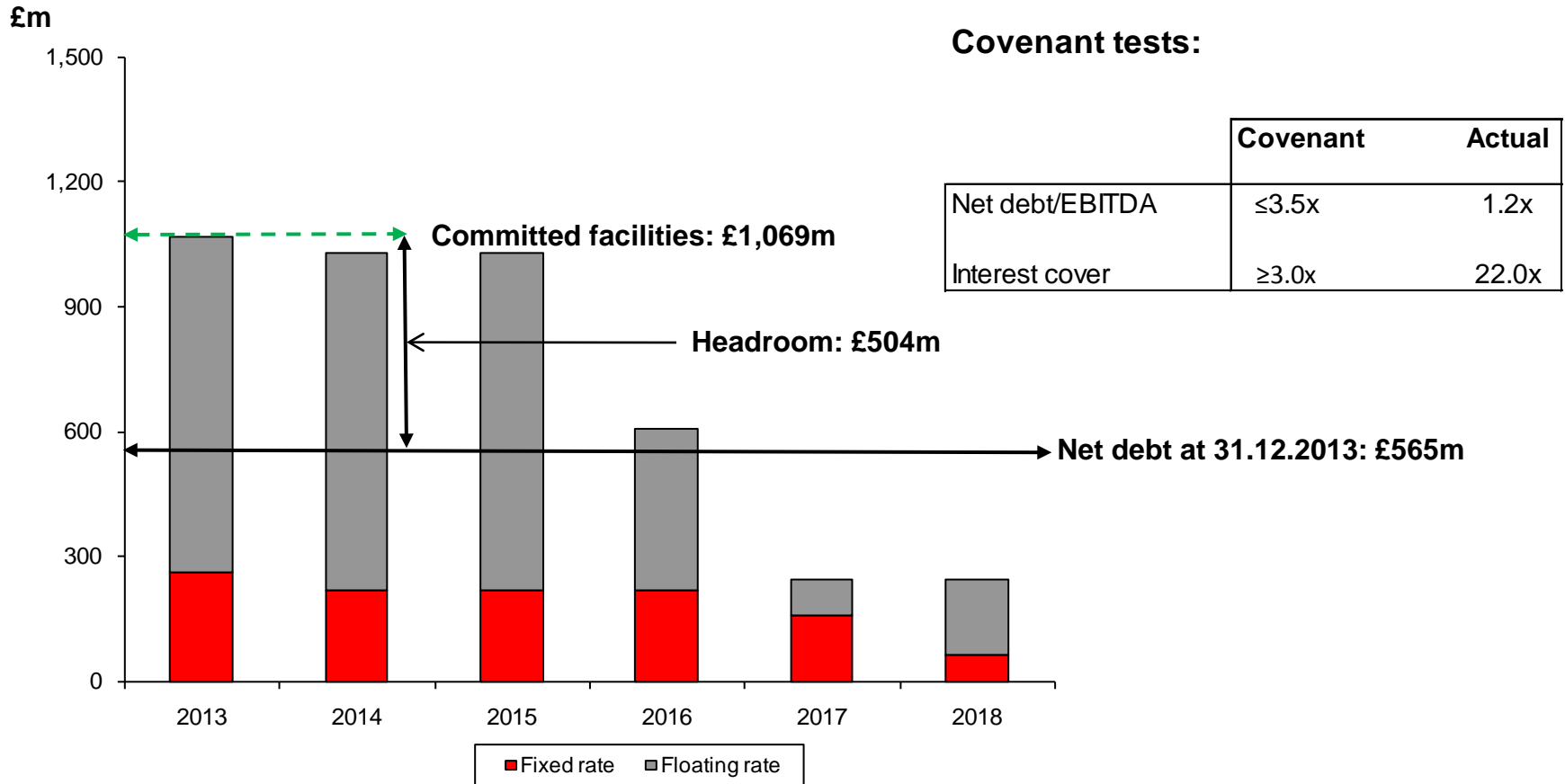
£m	2013 Act at \$1.57	FY 2014 est at \$1.66	FY 2015 est at \$1.66
1. R&D			
Total expenditure	135	133-143	140-150
Less: customer funded	<u>(25)</u>	<u>(20-25)</u>	<u>(20-25)</u>
Company spend	110	113-118	120-130
Capitalised	<u>(70)</u>	<u>(67-73)</u>	<u>(65-75)</u>
Amortised	<u>17</u>	<u>14-16</u>	<u>15-19</u>
Income statement	57	55-65	60-79
2. Programme participation costs	36	38-43	40-50
Amortised	25	24-26	26-29
3. Fixed assets	71	70-80	73-83
Depreciation/amortisation	42	46-48	49-52
4. Retirement benefit deficit reduction payments	27	33	32-34

Shares in issue

Shares in millions

	2012	2013
Opening	778.8	785.0
Scrip/other	<u>6.2</u>	<u>12.1</u>
Closing	<u>785.0</u>	<u>797.1</u>
Average	782.3	791.1

Credit maturity profile



Pension information

£m

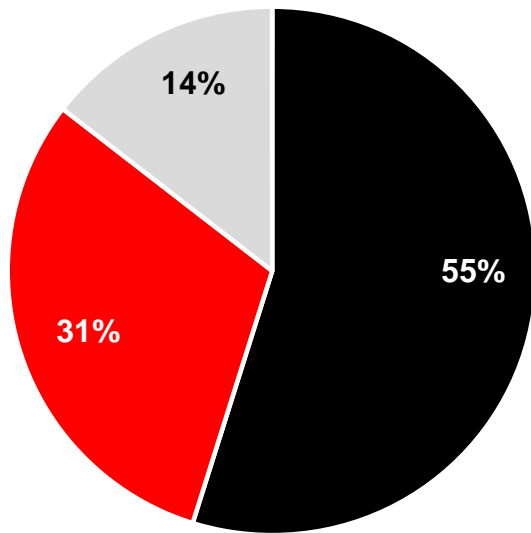
	2012	2013
Opening deficit	(319.9)	(299.7)
Net deficit payments	25.0	27.4
Actuarial movements - assets	28.9	25.5
Actuarial movements - liabilities	(24.9)	21.3
	4.0	46.8
Other movements	(8.8)	(12.6)
Closing deficit	(299.7)	(238.1)
UK discount rate	4.50%	4.60%
US discount rate	3.80%	4.55%

Effect of acquisitions and disposals

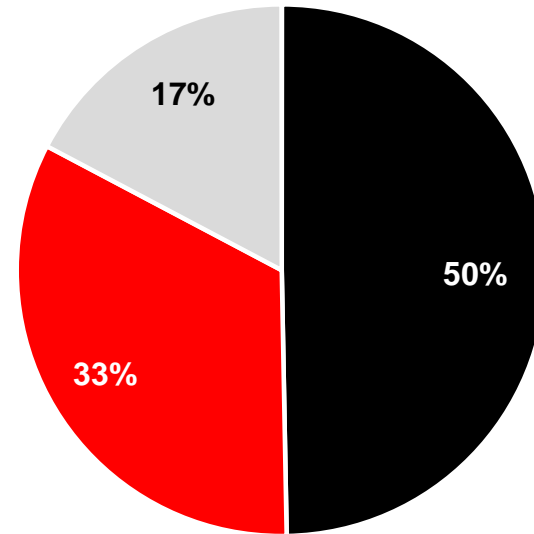
£m	2013 FY Act at \$1.57
2013 revenues from businesses disposed in 2013	
Addison	4.6
Sunbank	<u>26.6</u>
Total	<u>31.2</u>
2013 revenues from businesses acquired in 2013	
Piezotech (acquired August 27)	<u>3.1</u>
Total	<u>3.1</u>
Net cash proceeds from acquisitions and disposals	<u><u>25.9</u></u>

Fleet age profile

Meggitt civil fleet by age at 31st December 2013



Meggitt civil aftermarket revenues by fleet age in 2013



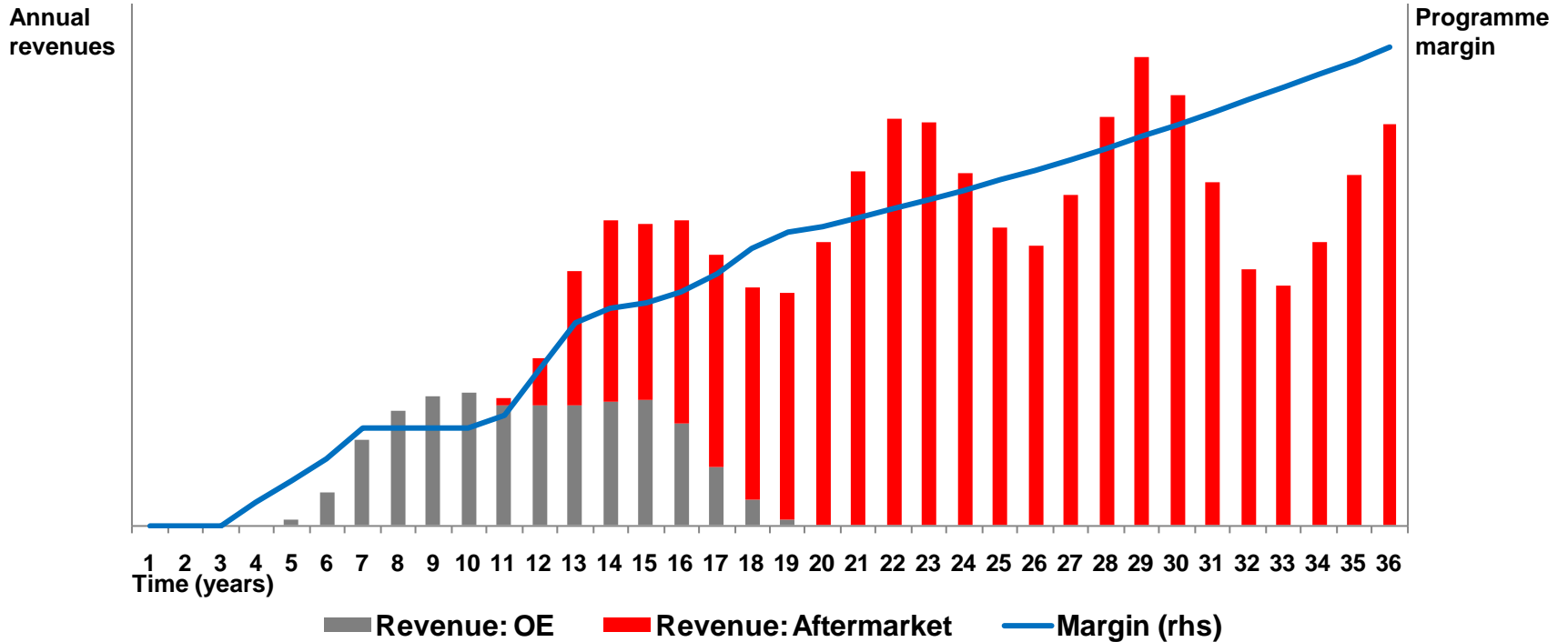
0 – 10 years

10 - 20 years

>20 years

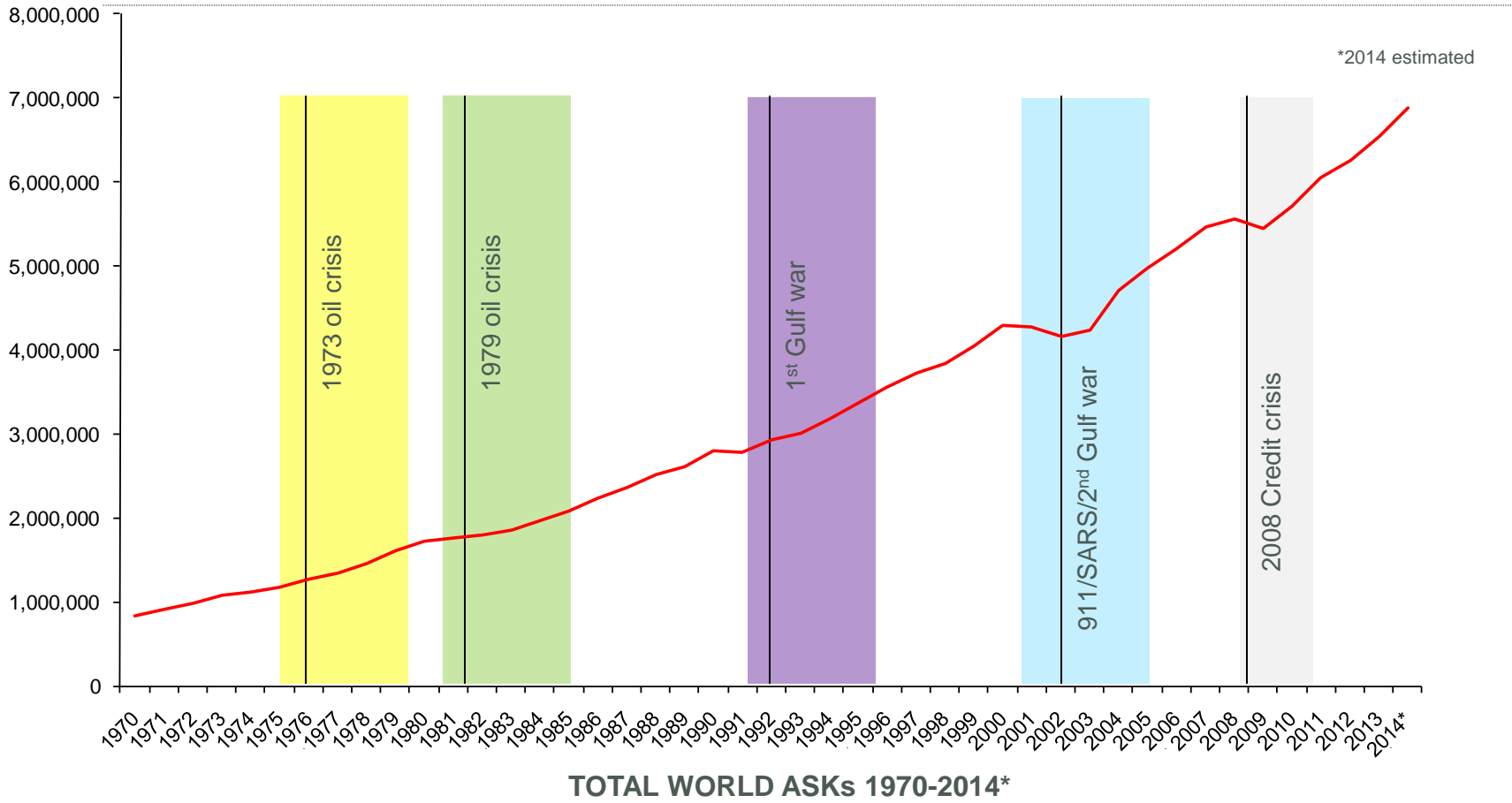
Civil aerospace

Typical MCS programme life cycle



- » Aftermarket revenues more than 6 times greater than OE revenues
- » Margin progression through the lifecycle

Air traffic history and forecast



TOTAL WORLD ASKs 1970-2014*

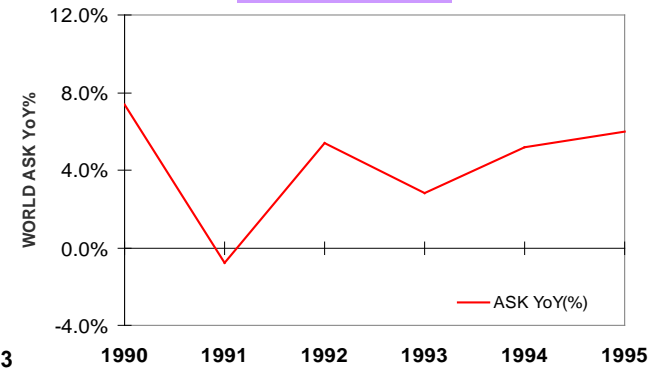
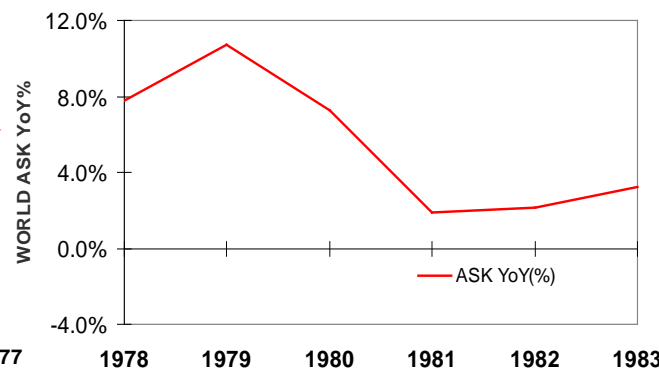
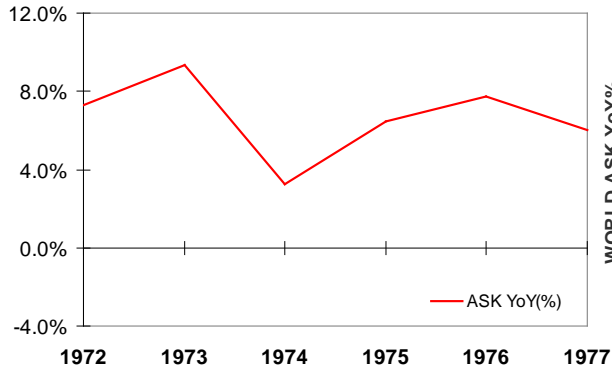
Source: ICAO – worldwide traffic, international & domestic...

Impact of 'shock' events on traffic growth

1973 Oil Crisis

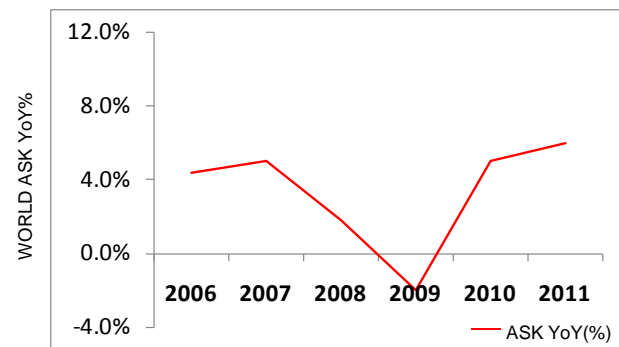
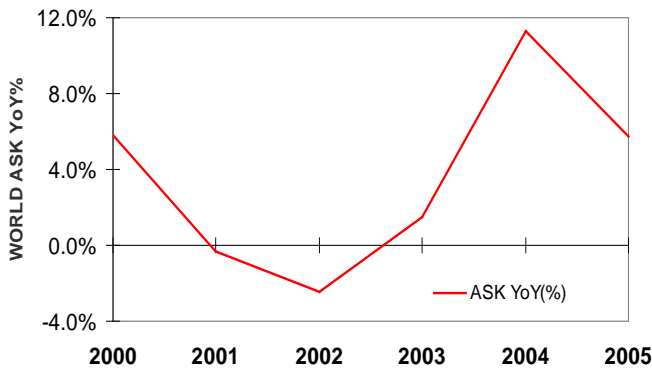
1979 Oil Crisis

1991 First Gulf War



2001 9/11, SARS and Second Gulf War

2008 Credit crisis



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