
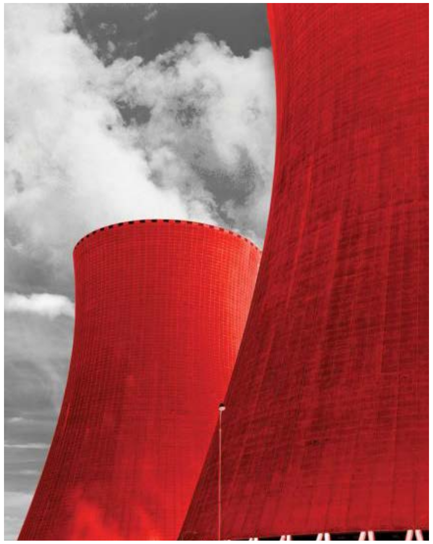

Capital Markets Day

16 May 2017

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MEGGITT

Agenda

Strategic overview	Stephen Young
Operational review	Tony Wood
Customer Services & Support	Lorraine Rienecker
Meggitt Production System	Louis Chavez
Operational review (continued)	Tony Wood
Closing remarks and Q&A	Stephen Young

MEGGITT

Meggitt
Smart engineering for extreme environments

- » Focus on markets with high certification requirements / long life assets
  - Challenging technology requirements mean few providers can do what we do
  - Aerospace and defence focused (86% of revenues)
- » Strength and depth of IP supports long term returns
  - Proprietary product and manufacturing technologies
  - 75% of revenues generated from sole source, life of programme positions
  - Up-front investment delivers strong long term returns
- » Broad and balanced business
  - 55:45 split between Original Equipment and Aftermarket
  - No one platform accounts for more than 3.5% of revenue
  - Content on almost every western aircraft – installed base of over 67k aircraft
- » Exposure to growing markets

Strategy implementation

Becoming a more integrated business

	2013	2014	2015	2016
MPS	Launched MPS	Initial improvement in Q&D	Roll-out complete at all sites[1]	First three sites reach bronze stage
Portfolio	Centralised budget for AR&T	Refreshed strategy process	Advanced Composites acquisitions	Disposal of Meggitt Target Systems
CSS			Launched customer facing organisation	Transition to full service provider
Purchasing & Footprint		Launched supplier quality programme	Established group footprint team	Resume programme of site consolidations

[1] Excludes sites subsequently acquired

Outlook

Revenue guidance unchanged

	2016 GROWTH[1]	2016[1]	2017 GROWTH[2]	MEDIUM TERM GROWTH
Civil OE	3%	£432m	6 – 8%	Increased shipset on new aircraft 4% large jet delivery growth to 2021
Civil AM	5%	£577m	4 – 6%	CSS matures / 45k+ installed base / 5% ASK growth / pricing / younger fleet
Military	1%	£697m	1 – 3%	4% DoD spend growth to 2021 / 22k+ installed base / positions on growth platforms
Energy / Other	(10%)	£286m	(5) – (10)%	Market recovery
Group	1%	£1,992m	2 – 4%	Progressively stronger growth over the medium term

1 2016 military revenue includes Target Systems disposed in December 2016 (£37.2m revenue)
2 Organic growth excluding FX and M&A

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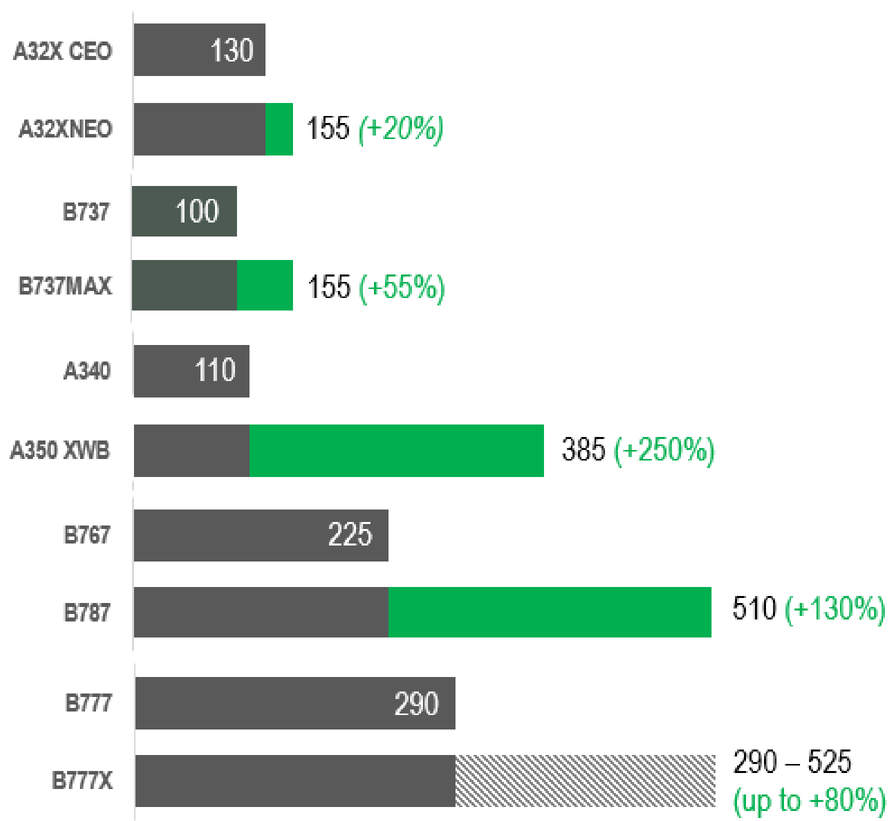
Outlook

Increased content on new aircraft platforms

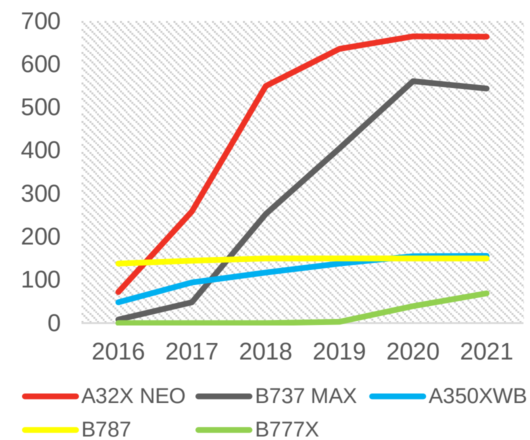
OE SHIPSETS ($k) ON NEW VS OLD AIRCRAFT PLATFORMS



FLEET SIZE

	2016	2026
A32X CEO	6,780	4,866
A32XNEO	77	7,041
B737	6,085	5,401
B737MAX	9	5,337
A340	271	120
A350 XWB	67	1,650
B767	872	546
B787	503	2,146
B777	1,400	1,135
B777X	0	701

GROWTH PLATFORM BUILD RATE



- Increased content on growing platforms will drive increased aftermarket for decades
- Selected platforms account for over 30% of total civil revenues in 2016

Existing / retained shipset Increased shipset Shipset being bid

Source: Meggitt Forecast, Forecast International

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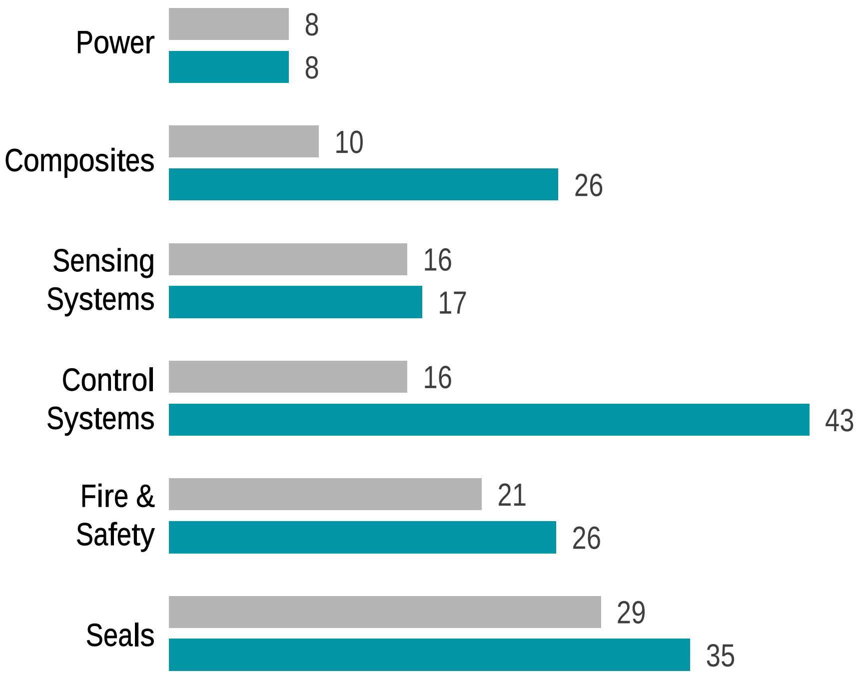
Outlook

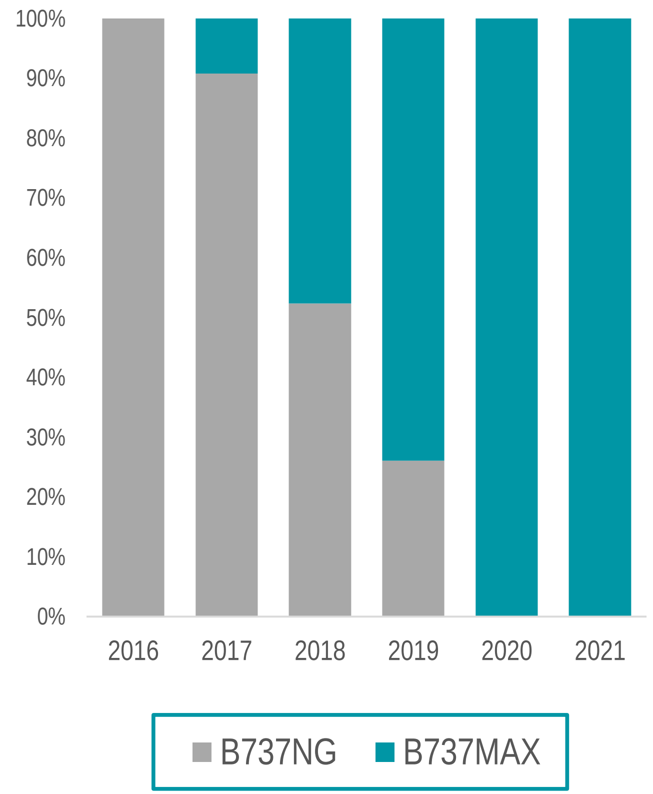
Growth in shipset: 737MAX example

OE SHIPSETS ($K) ON 737MAX VS 737NG[1]



TOTAL 737MAX Shipset **$155k** (+55% vs 737NG)

DELIVERY FORECAST 737MAX VS 737NG[2]

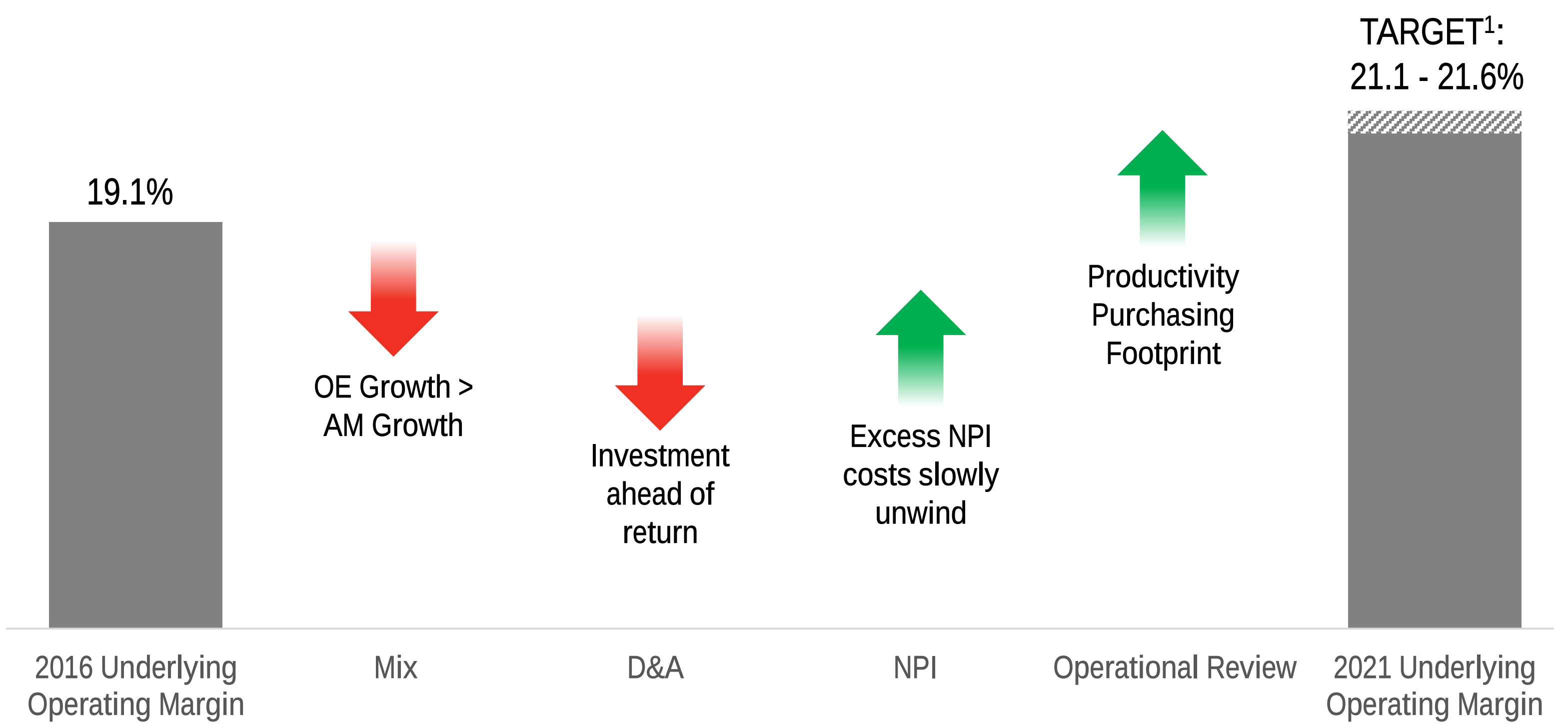


[1] 737NG includes content on the CFM56-7B engine; 737MAX includes content on the Leap-1B
[2] Source: Forecast International

Outlook

Target – margin improvement

200-250bps net underlying operating margin improvement



[1] Current GAAP

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Outlook
Positive momentum

- » Strong competitive positions / growing markets
  - 67k+ and growing installed base
  - 20 – 250% increase in shipset on new commercial aircraft
  - Market share gains on business jet brakes
  - Strong exposure to growth and 'workhorse' military platforms

- » Strategic initiatives enhancing competitiveness
  - MPS starting to drive margin and cash from Q&D improvement
  - CSS improving customer service and customer access
  - Technology to further expand content on next gen aircraft
  - Purchasing and footprint initiatives reducing fragmentation

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Operational review

Tony Wood – Chief Operating Officer

Operational review

Q1 2017

Initial Impressions

- Depth and breadth of technology
- Strong competitive positions
- High quality continuous improvement system (MPS)
- Fragmented footprint
- Working capital opportunity
- Great people, collaborative culture

Operational review

Market leading technology

#1 Business Jet, Regional Jet and Military Wheel & Brake

#2 Engine Thermal Management

#1 Aerospace Sensing & Monitoring

#1 Advanced Engine Composites supplier

#1 Fire Suppression & Detection

#1 Military Fuel Tanks

#2 Engine Valves

75% of revenue from sole source positions

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Operational review
Delivering breakthrough performance

PORTFOLIO STRATEGY
Attractive markets
Strong positions

CUSTOMERS
OE / Aftermarket growth
Performance
Technology

GROWTH / ROCE

COMPETITIVENESS
Productivity
Purchasing
Footprint
Inventory

CULTURE
Collaborative
High performance

Targeting 200-250 bps net margin improvement and £200m of cash from inventory by 2021

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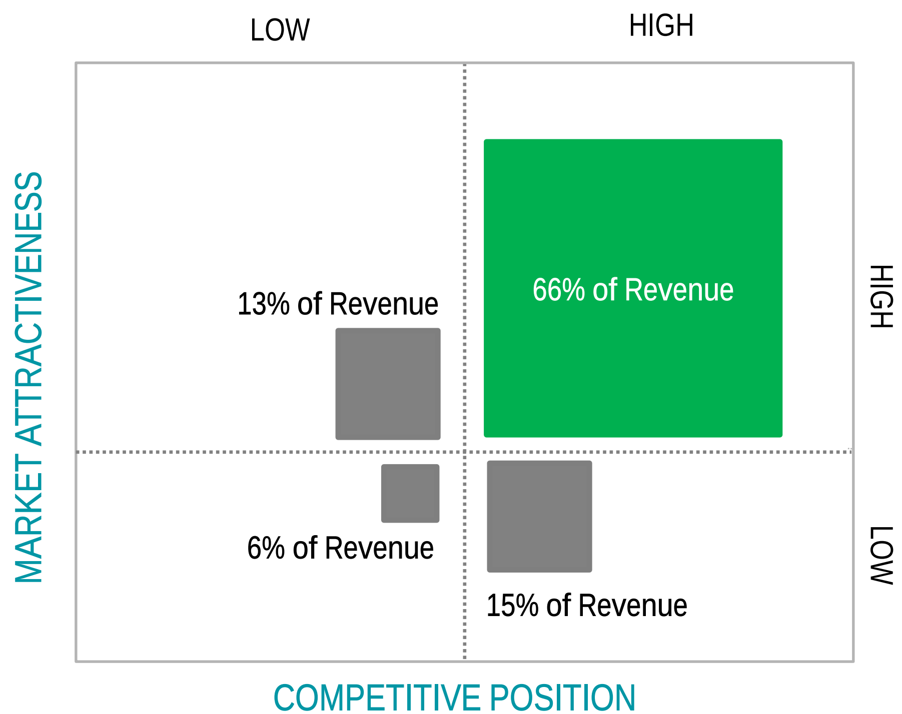
Portfolio strategy
Shape to optimise returns



How we are executing	Strategic initiatives	Disposals	Acquisitions

Customers

Accelerating growth

Near term growth already underpinned by strong market positions

- Ship set on new commercial platforms up 20 – 250%
- Share in super mid size and large business jet wheel & brake approaching 70%
- 8 of top 10 military positions on growing platforms

Strengthening customer relationships to accelerate growth

- Operational performance
- Enhanced customer service
- World-leading technologies

Competitiveness
Industry benchmarking

	Progress to date	Current State	U/Q[1] Performance
Quality	Defects down 87%	600 DPPM	<500 DPPM
Delivery	OTD up 13%	88% OTD	>95% OTD
Inventory	Flat	2.3 turns	4.0 turns
Productivity	Flat	Flat	3% net saving pa

[1] Upper quartile

Culture

Driving high performance

A healthy corporate culture is a valuable asset, a source of competitive advantage and vital to the creation and protection of long-term value

Financial reporting council – July 2016

Practical action in place to accelerate performance

Set upper quartile performance benchmarks → Align leadership objectives and rewards → Select and equip leaders to coach high performance

Operational review

Four drivers for breakthrough performance

Drivers	Target Outcome
CSS	▪ Sustainable growth ahead of the market
MPS	▪ Inventory turns to improve from 2.3 to 4.0x by 2021 (>£200m cash) ▪ Productivity savings accelerate as more sites enter later phase of MPS
Purchasing	▪ Year on year lower net purchased costs
Footprint	▪ 20% reduction in footprint by 2021

Customer Services & Support (CSS)

Transactional to relationship based approach

World-class customer service and support

- Single customer interface
- Global spares distribution and MRO
- 24/7 Customer Response Centre
- World-class operational performance

Through life approach to create value

- Retrofit, Modifications and Upgrades
- Data capture and exploitation

Accelerate growth through services

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Customer Services & Support (CSS)

Strong growth in year of transition

5.4% civil aftermarket growth vs 3.5% market average for components[1]

Consolidated 3 MRO facilities and 5 commercial spares distribution operations

Growth in hydraulics & pneumatics MRO – acquisition of Elite Aerospace

Strengthened the team

Improved customer satisfaction

[1] Canaccord Genuity 2016 Q4 MRO Survey

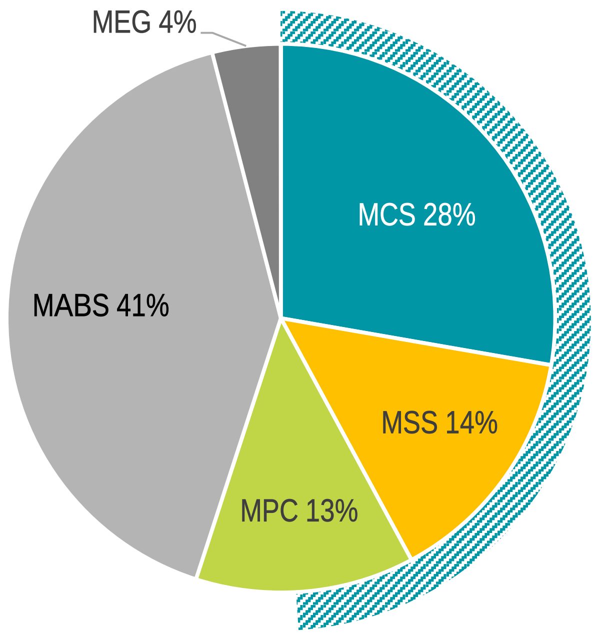
Aftermarket

Lorraine Rienecker – President, CSS

Customer Services & Support

Introduction

£869M - TOTAL MEGGITT AFTERMARKET



CSS strategically responsible for the aftermarket
Operationally responsible for ~45%

Full-service organisation, providing sales through order fulfilment and support for commercial & military aerospace products

500+ skilled and dedicated staff

27 global facilities

Aligned to our customers in 3 core regions

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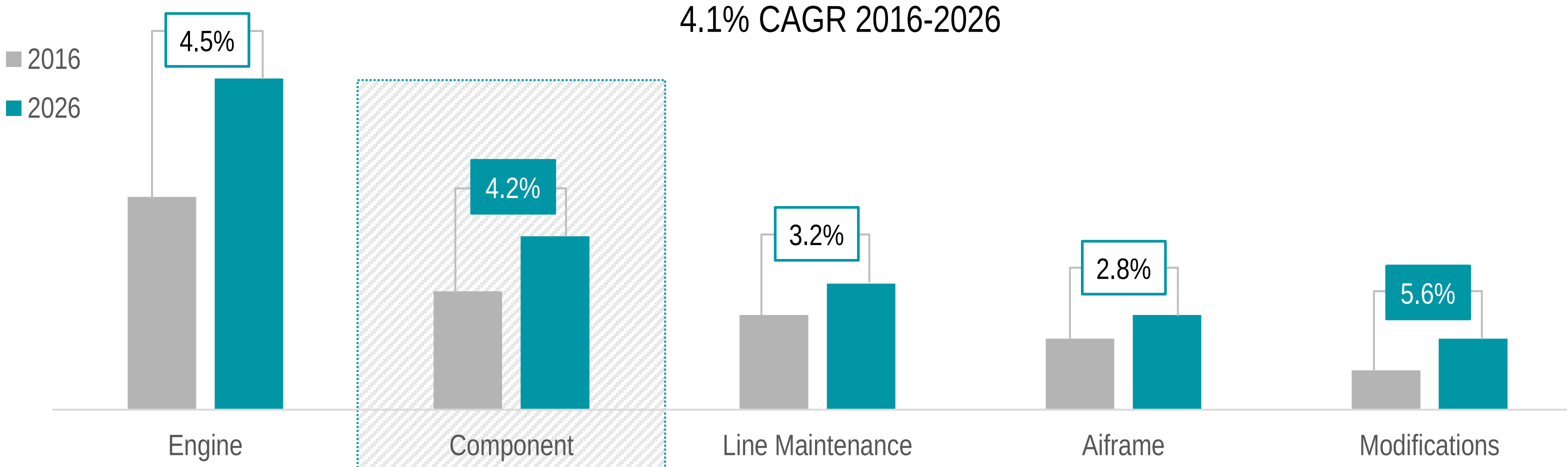
Customer Services & Support

MRO market overview

Global MRO Market Growth

4.1% CAGR 2016-2026



Well positioned in a growth market

Source: ICF International

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Customer Services & Support

Growth drivers

Air traffic growth

Meggitt content

Improving customer service

TAILWINDS

Surplus parts

Inventory pooling

Deferred maintenance

Meggitt fleet getting younger

HEADWINDS

Strong aftermarket growth but continuing to lag traffic

Customer Services & Support

Our journey…

Phase I

Mitigate leakage and align to our customers

- Customer-facing org.
- Build CSS and stabilise operations

Phase II

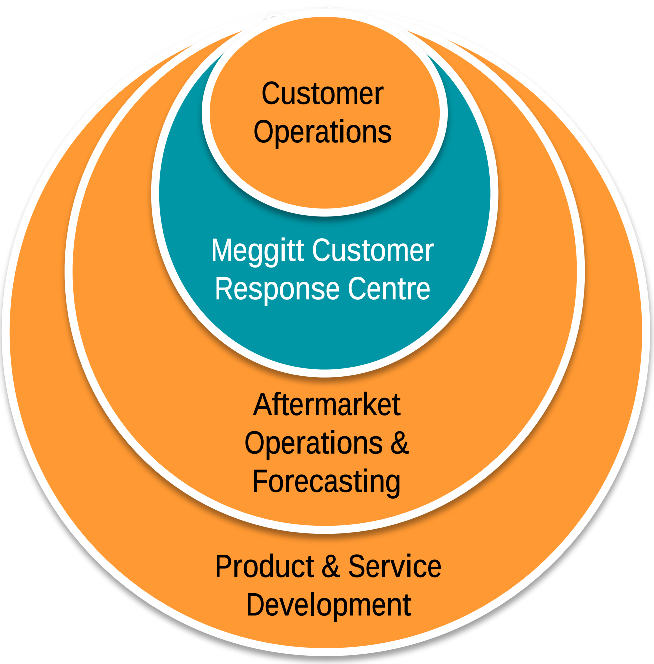
Improve customer satisfaction & deliver breakthrough performance

1. Improve customer satisfaction
2. Accelerate growth
3. Optimise our operations
4. Invest in key enablers – data & capability

2015 | 2016 | 2017 | 2018 | 2019

Improve customer satisfaction

Developing our Customer Response Centre



- Providing 24/7 AOG, technical support & technical publications
- ‘Case management’ tracking 700 enquiries per month since October implementation
- Vision is centralised response centre in Miami
- Positive customer feedback

Putting the customer at the heart of our Aftermarket business to create value

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Accelerating growth

Accelerate our Surplus trading capability — 25%
- Achieved ~10% share of Meggitt parts in 2016
- Targeting 25% share by 2020

Strengthen our partnerships & routes to market — £
- New partnerships - e.g.10 year LTA with Emirates & MOU with integrator
- Enhancing routes to market - e.g. consolidating distributors

Build retrofit, modification and upgrade pipeline — £
- Getting closer to our customers, implementing data capture & analysis tools, and investing in engineering

Building the platform to accelerate medium term growth

Deliver breakthrough growth
Repair, Modification & Upgrades (RMUs)

Some examples:

Engine fire detection cables

- Silicon Dioxide cabling
- Lighter weight & greater reliability

Revenue potential ~$ 6m

Turbine clearance control valve

- Improved wear life of piston seals
- Reduces unscheduled removals & delays

Revenue potential ~ £16m

Flight lock actuator

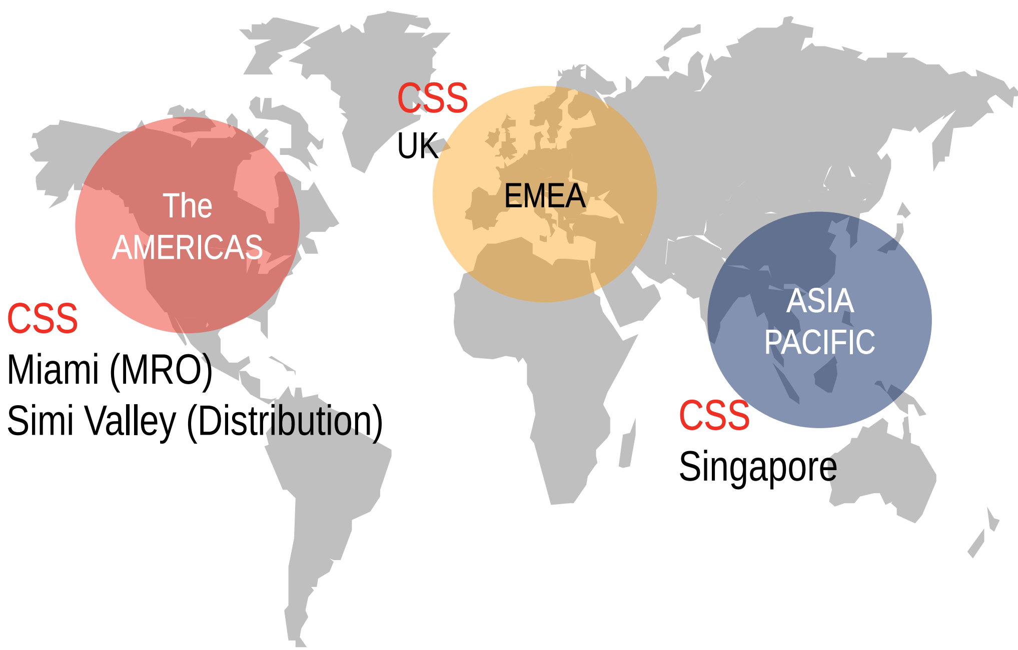
- New brushless motor technology
- Reduced maintenance & longer life

Revenue potential ~ £9m

Creating value along the product lifecycle

Optimise operations

Three regional MRO hubs

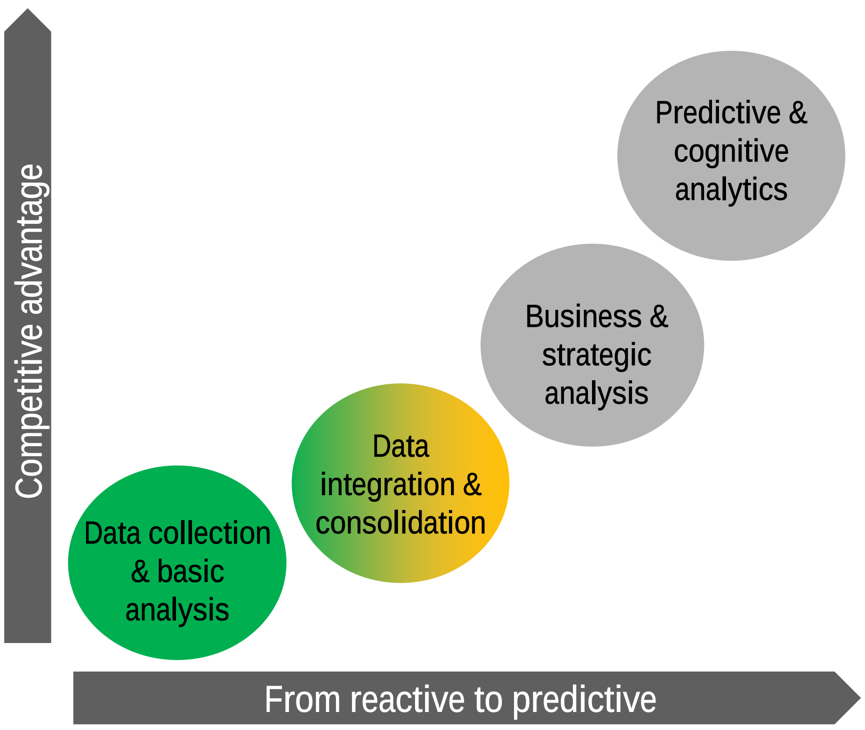


- 3 MRO operations closed in 2016 and a further 2 by end 2017
- 17 distribution operations closed by end 2017
- Investing in our global network
- Acquired Elite Aerospace
- Improving performance with MPS

Improving our performance and competitiveness

Investing in key enablers – data

Creating value & improving customer satisfaction



- **Performance** - Group standard metrics
- **Customer responsiveness** – managing enquiries through Case Management
- **Consolidated pricing** – by platform and customer for 80% of parts
- **Forecasting** - enhancing market intelligence
- **Product reliability** - collecting & analysing our data
- **IP Protection** - centralised technical publications & contracts

Our Vital Few

Clear plans to accelerate growth

Lever	Target Outcome
Customer satisfaction	▪ Enhanced Customer Response Centre and capability
Accelerate growth	▪ 25% market share of Meggitt surplus by 2020 ▪ 3-5 new strategic partnerships ▪ Strengthening our pipeline of RMUs
Optimised operations	▪ 3 core regional hubs ▪ Improved performance and costs using MPS
Data / Capability	▪ Data / systems to pro-actively create value and accelerate growth

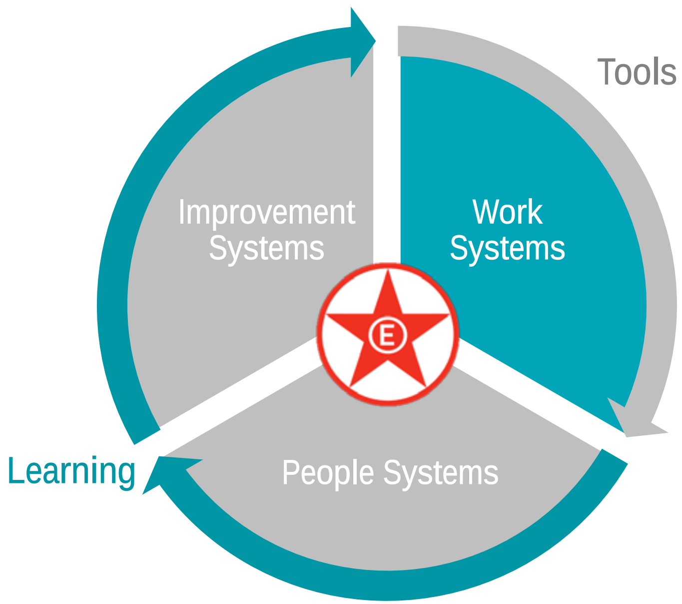
On track to deliver 4-6% civil AM growth in 2017 and exceed market growth to 2021

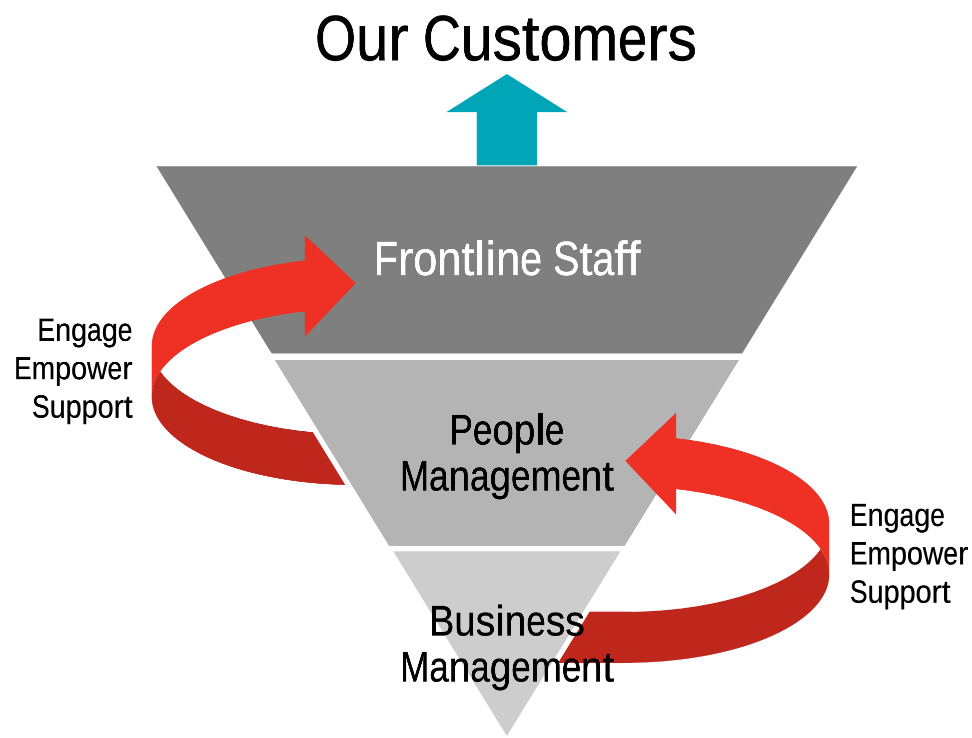
Operational review

Tony Wood – Chief Operating Officer

Meggitt Production System

What is MPS?





Inverting the organisational pyramid to focus activity on adding value for customers

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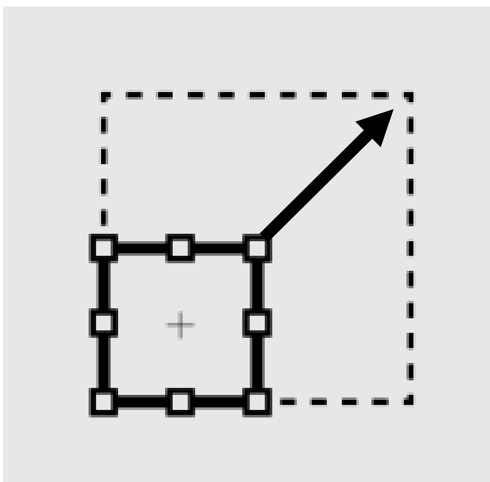
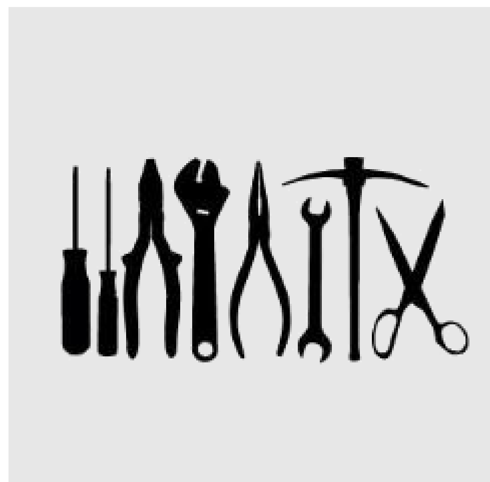
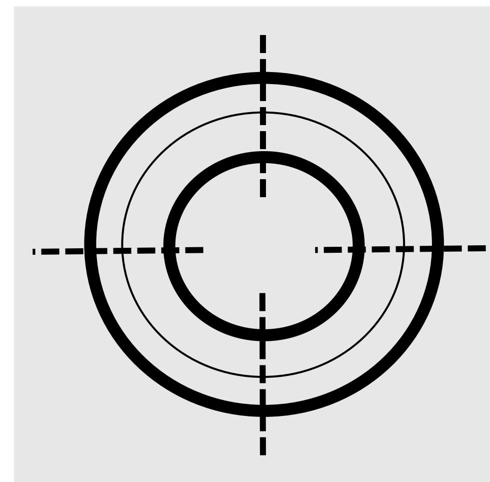
Meggitt Production System

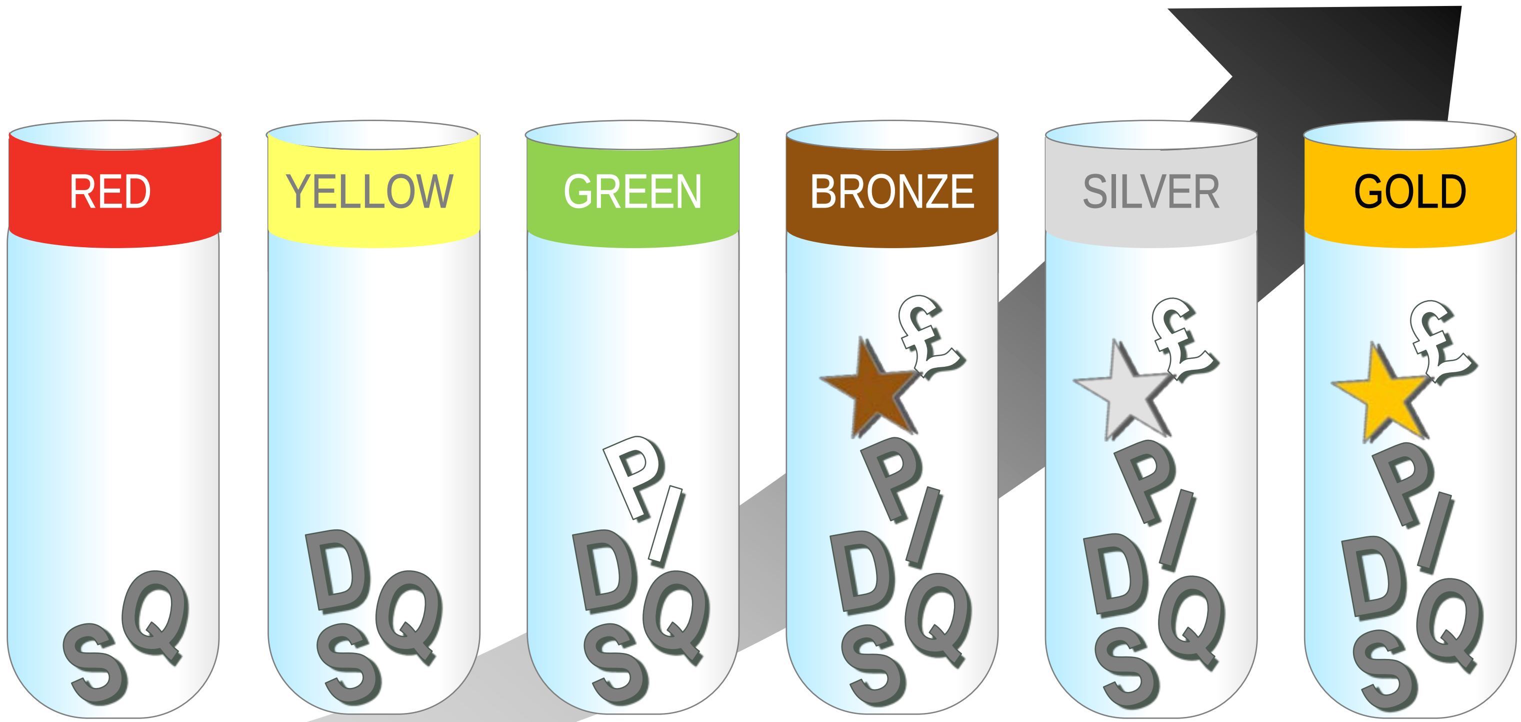
How we deploy

Scalable	Flexible	Targetable
		

‘Scale the deployment’ ‘*flex* the tools’ ‘deliver the *targets’*

Meggitt Production System

Six stage programme



Operational Improvement
SQD – Build Trust

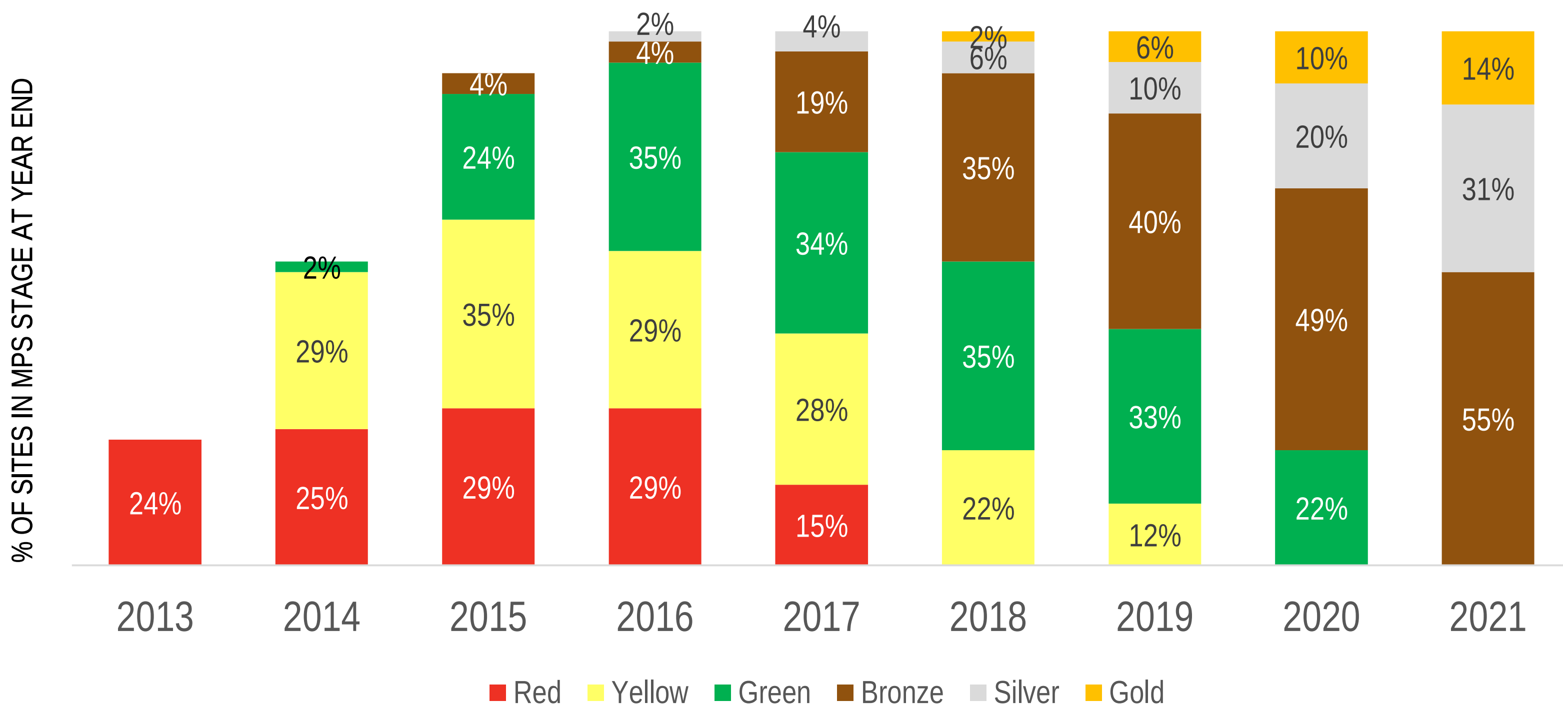
Competitive Capabilities
IP – Profitable Growth

Strategic Advantage
Benchmark

S = Safety; Q = Quality; D = Delivery; I = Inventory; P = Productivity

Meggitt Production System

Accelerating progress



Financial benefits accelerate as more sites enter later stages

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Meggitt Production System

Louis Chavez

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OPERATIONAL REVIEW DRIVERS

- CSS
- MPS
- Purchasing
- Footprint

Meggitt Production System

Our journey

Focused on people not tools

Experienced team

Honeywell

AIRBUS

Carlsberg

Johnson Controls

United Technologies

Rolls-Royce

Autoliv

DANAHER

TOYOTA

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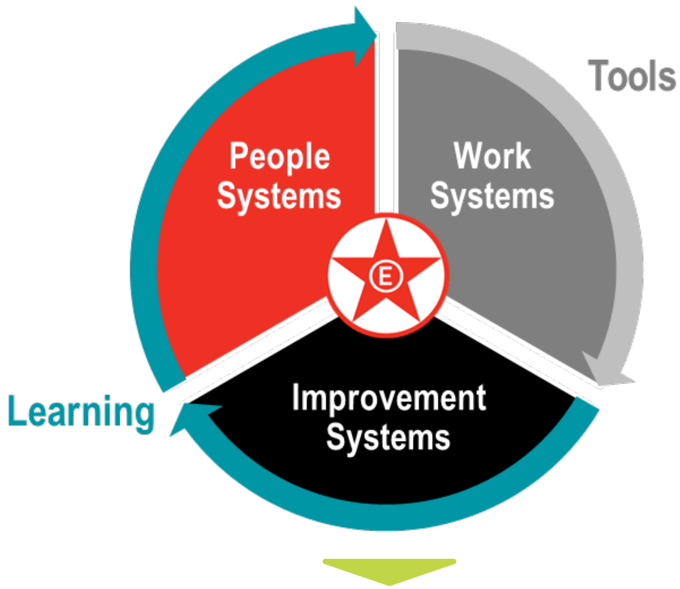
Meggitt Production System

Our system



KEY ELEMENTS

Focused on people	*Hands on deployment*	*Everyone engaged*

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Meggitt Production System

Focused on people

- Capacity to Innovate
- Leadership Role Models
- Capability Building

Meggitt Polymers & Composites

Rockmart, GA

138 Yellow Belts

↑10% Productivity

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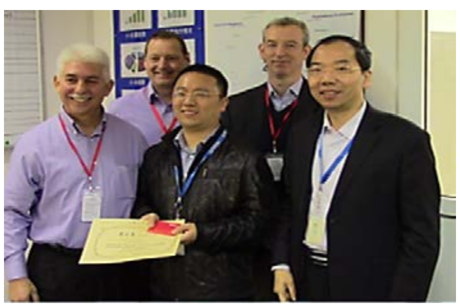
Meggitt Production System

Hands on launches and exits



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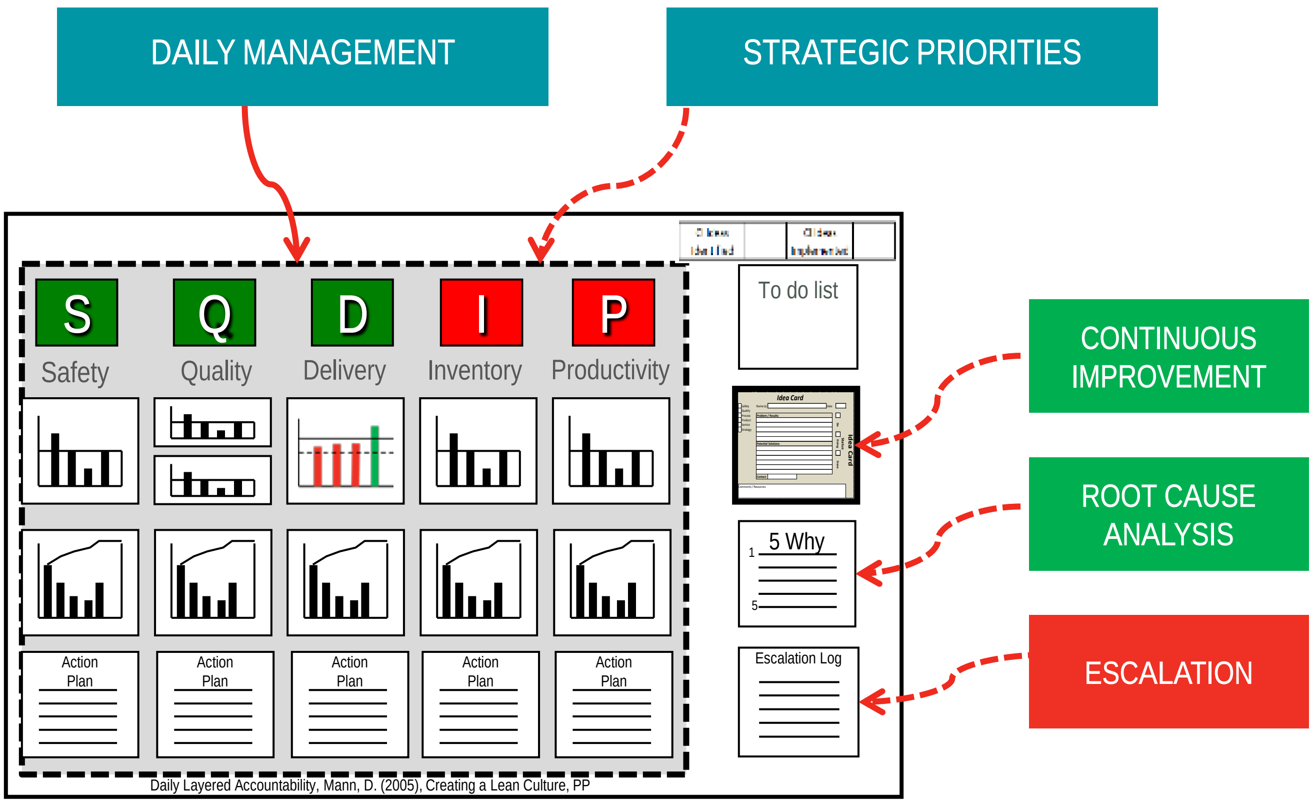
Meggitt Production System

Daily Layered Accountability



OPERATIONAL REVIEW DRIVERS
- CSS
- MPS
- Purchasing
- Footprint

Meggitt Production System
Better decisions

Customer Services & Support

Singapore

99% Delivery

UTC Supplier Award

Meggitt Sensing Systems

Fareham, UK

99.5% Delivery

+500bps Gross Margin

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Meggitt Production System

Continuous improvement mindset

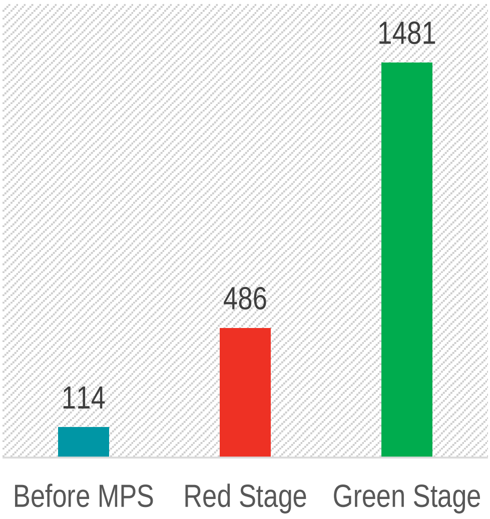
Meggitt Equipment Group

Xiamen, China

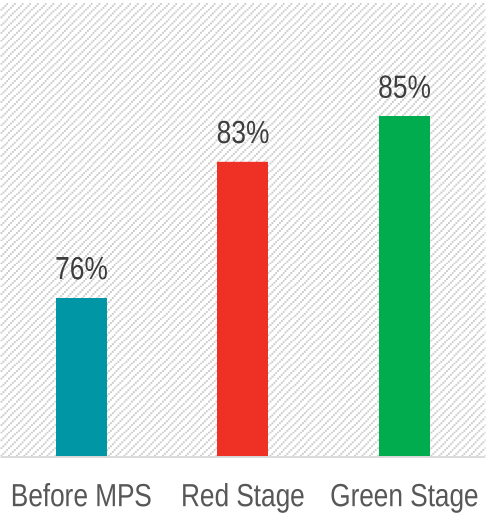
£400k

Annual savings

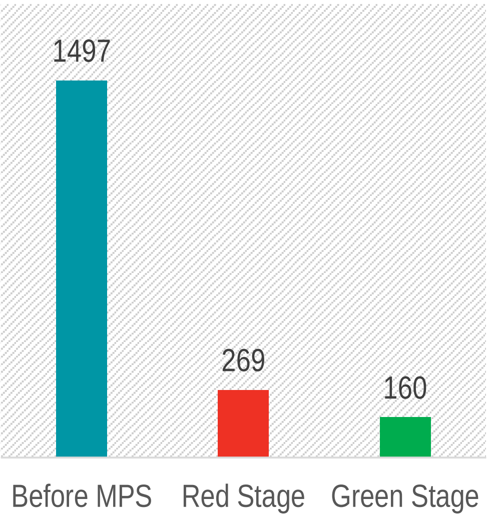
10x increase in continuous improvement ideas



10% increase in productivity



89% reduction in defects



OPERATIONAL REVIEW DRIVERS
- CSS
- MPS
- Purchasing
- Footprint

Meggitt Production System
Improvement awards

Meggitt Control Systems
North Hollywood, CA

L.I.F.E.
Employee Recognition

BEFORE: Set-up for 1 valve

AFTER: Set-up for 4 valves

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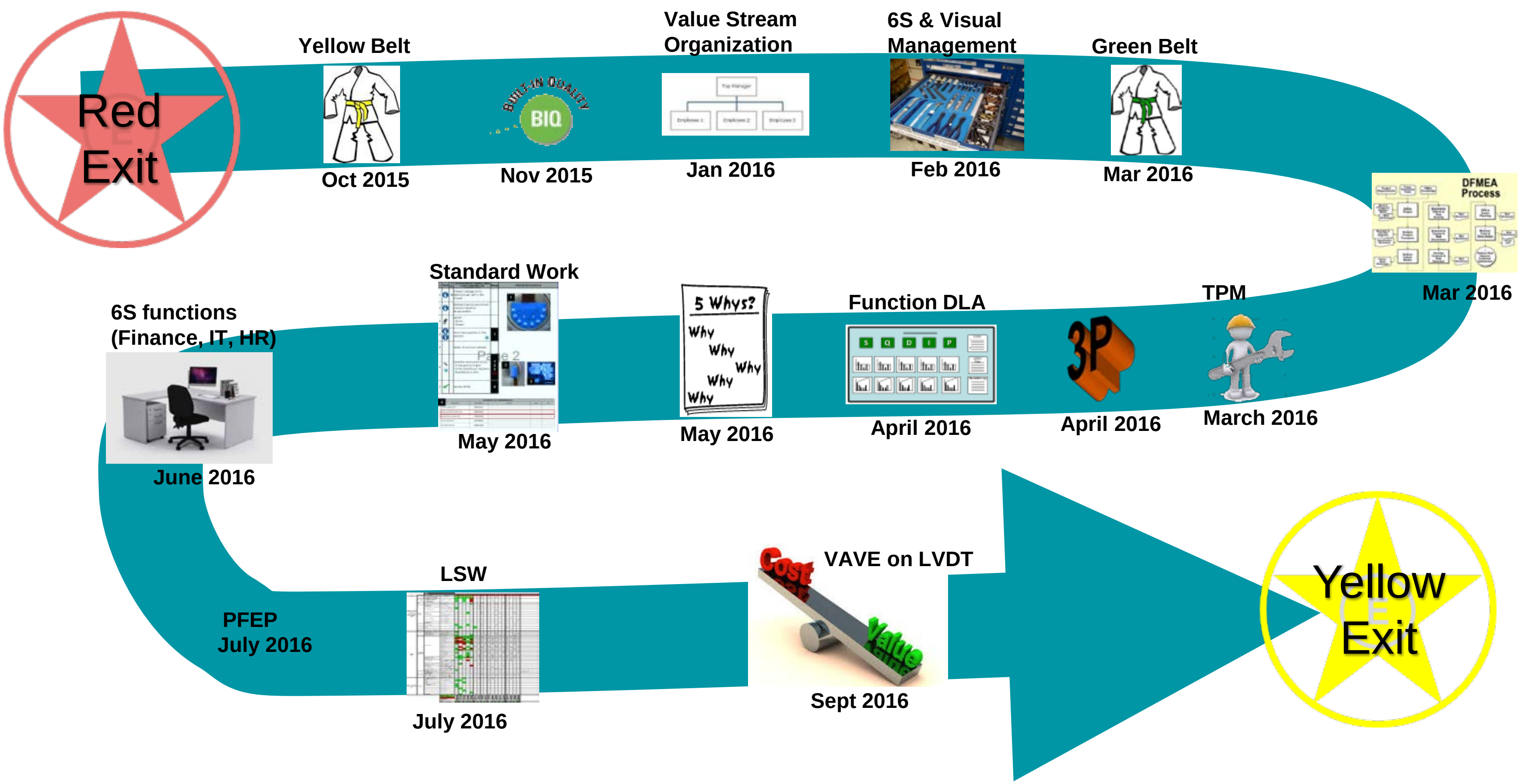
OPERATIONAL REVIEW DRIVERS

- CSS
- MPS
- Purchasing
- Footprint

Meggitt Production System

Targeting the tools



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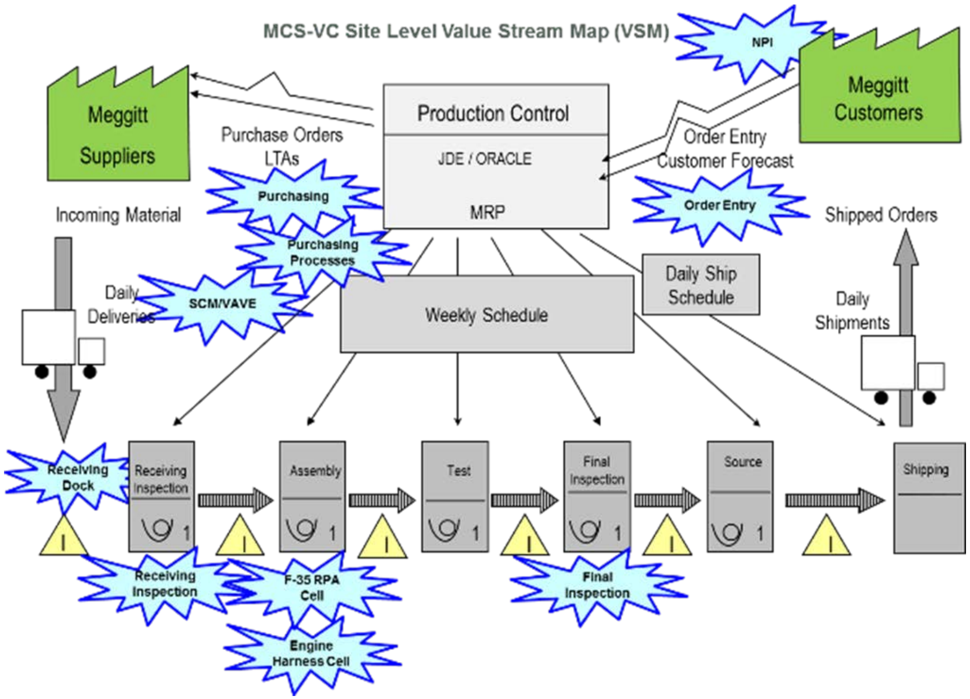
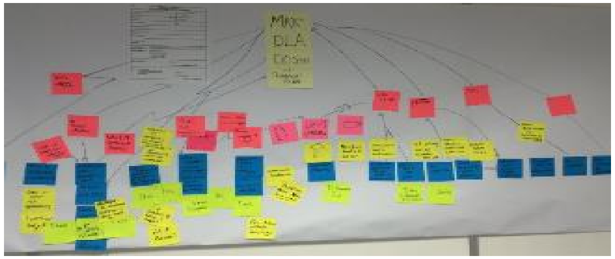
MPS tools and results

Value Stream Mapping (VSM)





Meggitt Control Systems

Ventura County, CA

↑ 0.8 Inventory turns

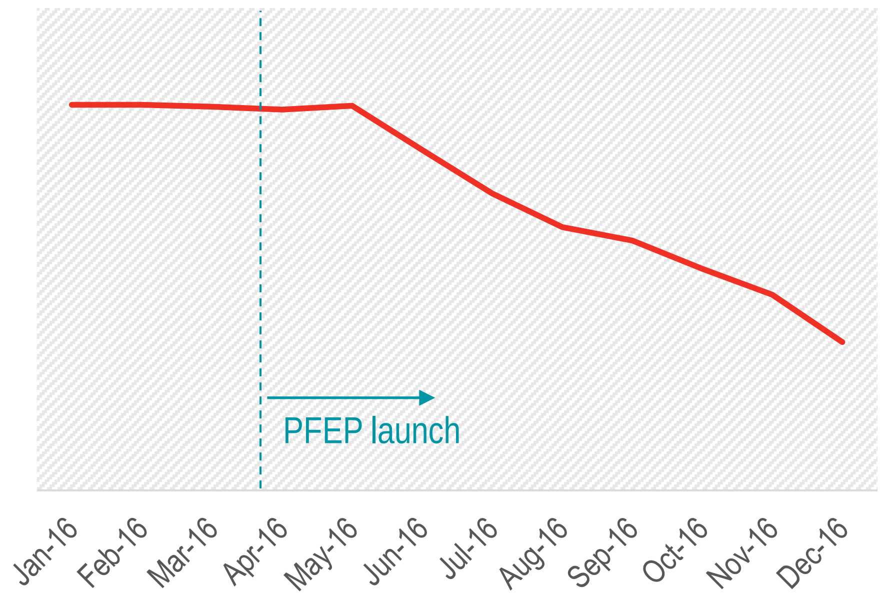
↓ 60% Defects

97%+ Delivery

MPS tools and results

Plan for Every Part (PFEP)

Net inventory



Meggitt Sensing Systems

Orange County, CA

↓22% Inventory

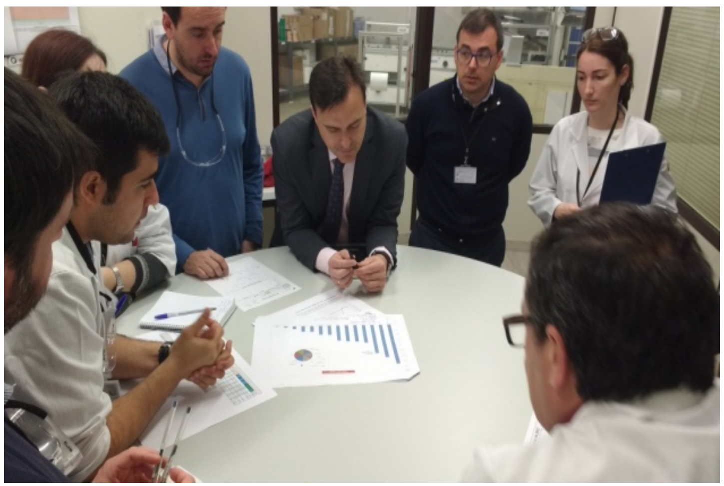
↑0.5 Inventory turns

↑6% Delivery

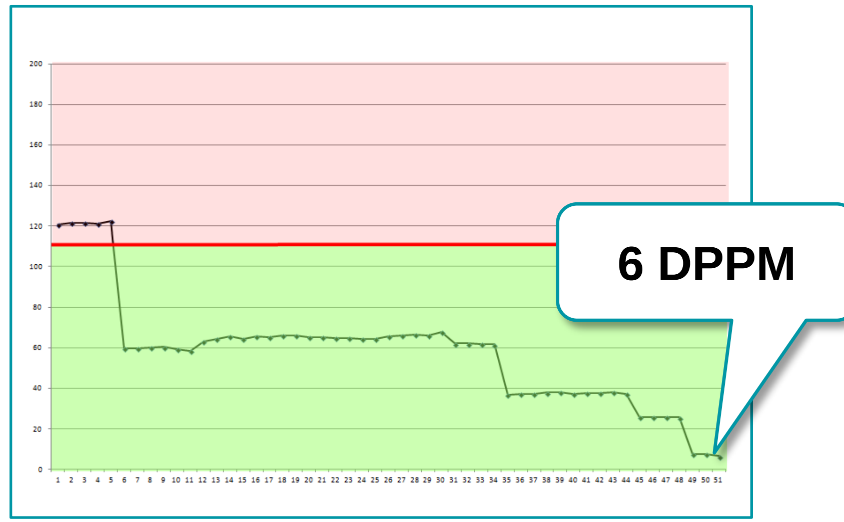
MPS tools and results

Built-in quality and quality clinics

Quality clinics



Defect rate analysis



Meggitt Equipment Group

PIHER, Spain

↓10% Scrap

↓95% Defects

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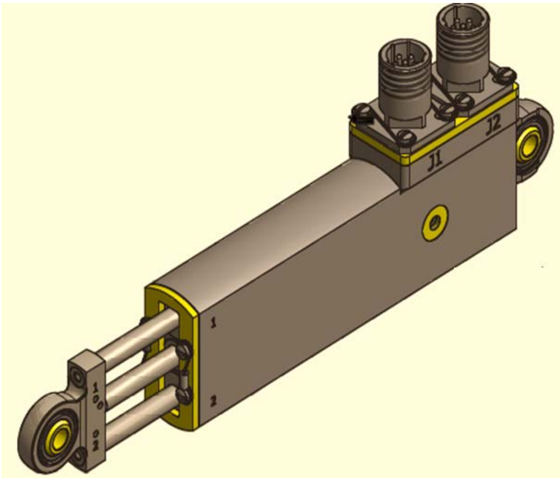
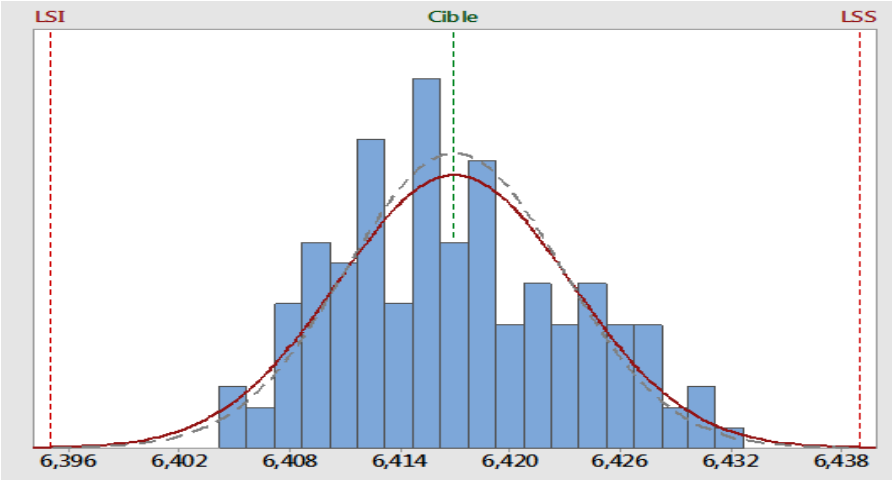
MPS tools and results

Variation reduction

Linear Variable Displacement Transducer (LVDT)



Advanced variation reduction tools and simulations



Meggitt Sensing Systems

Archamps, France

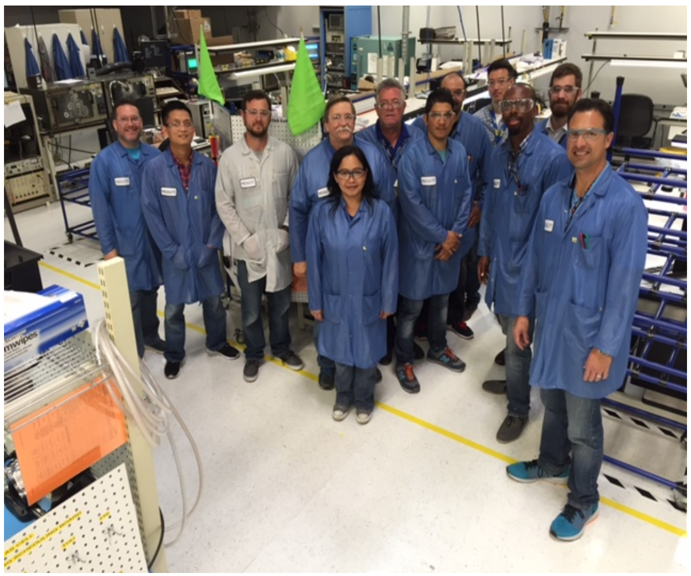
↑35% First pass yield

↑27% Delivery

MPS tools and results

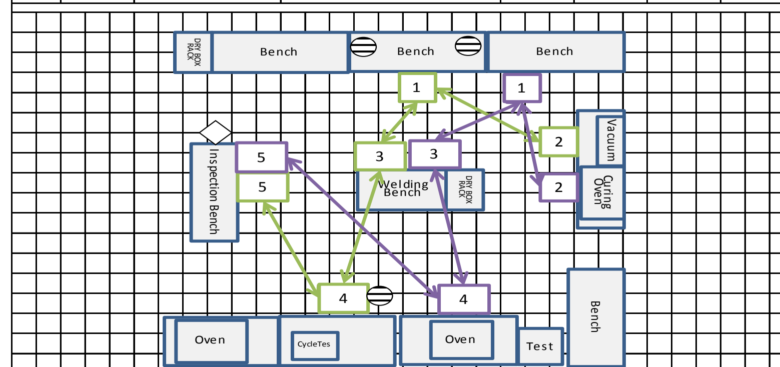
Standard work

Light-Off Detector Team



Cell layout sheet

MEGGITT	Model Number	910-70966 (70869) AND 470M14000M40	Standard Work	Date Prepared	Prepared By	Pieces/Week	Operator #
	Model Name	LOD (UTAS CELL)	Cell Layout Sheet	4/19/2016	J. Hauswirth	8	2



Takt Time	Cycle Time	Quality Check	Safety Precaution	Standard WIP	# in Standard WIP
51 min	63 min	◇	+	⊖	12

Meggitt Sensing Systems

Orange County, CA

49% Cycle time

23% Inventory

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Meggitt Production System
What customers say…

United Technologies

Supplier of Excellence Award for zero defects, outstanding Turn-around-time and customer service

AIRBUS

Toulouse, France recognized with Best Performer Gold Award 2015, 2016 for excellent operational performance

BOEING

Fareham, UK recognized at the Bronze Achievement Ceremony

Aggregation of thousands of small improvements

Operational review

Tony Wood – Chief Operating Officer

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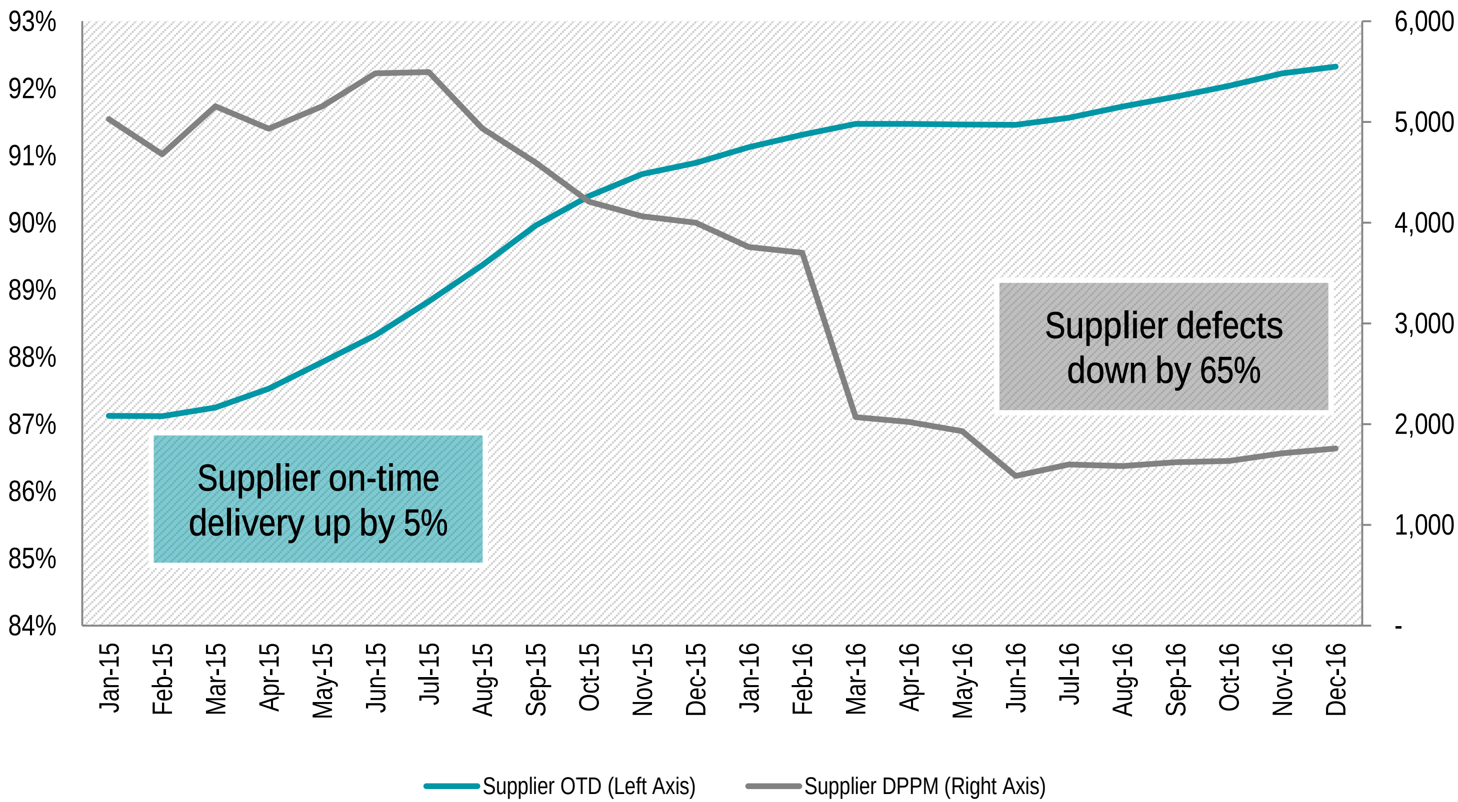
Purchasing

Significant improvement in supplier Q&D



Purchasing
Current state

£600m
On direct materials

8.5%
Reduction in suppliers Q1-17 vs. Q1-16

10%
Of suppliers represent 80% of spend

41%
Single site supply

77%
Of suppliers represent bottom 5% of spend

Purchasing
Focus areas

	Current status	Focus areas
Cost savings	**Flat** Offsetting inflation	▪ Target average saving of at least 2% per annum ▪ Centre-led purchasing to drive scale efficiencies ▪ Increase sourcing from low cost regions from 6% - 20%
Supplier consolidation	**600 suppliers** 80% of spend	▪ 30% reduction in suppliers which account for 80% of spend
Simplification	**~6k suppliers** For remaining 20%	▪ 30% reduction in tail (low spend purchase orders) ▪ Reduces overheads required to manage many small suppliers

Centre-led approach to category management

Purchasing – Direct materials

Example: Supplier consolidation

Electronics Example

Current state

- £100m+ annual spend
- 1,000+ suppliers
- 10% low cost region supply
- 17% of spend with preferred suppliers

Emerging Outcomes

- 10% spend reduction
- 50% reduction in suppliers
- 20% low cost region supply
- 50% of spend with Group preferred suppliers

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Purchasing – Direct material

Example: Supply chain simplification

Fasteners Example

Current state

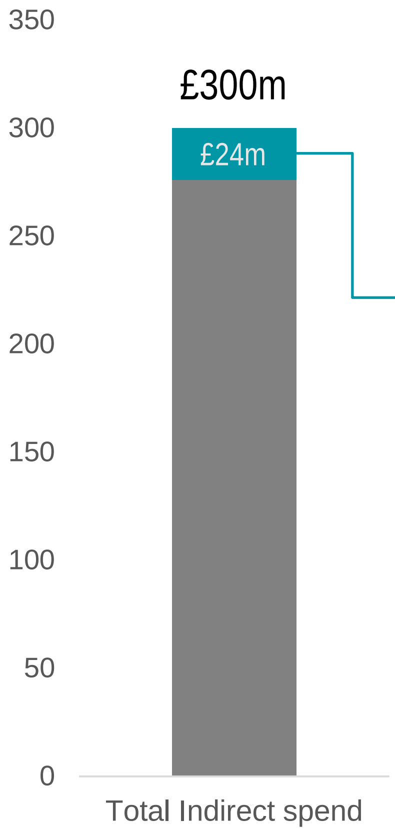
- £14m+ annual spend
- Fragmented - 700 suppliers
- Many low spend POs

Targeted Outcomes

- ~10% reduction in spend
- 2 main suppliers
- Simpler purchasing

Purchasing – Indirect materials

Example: PPE



PPE[1] – Current State

- £24m annual spend
- 2,000 suppliers
- 21k purchase orders (POs)

Targeted outcomes

- 8% spend reduction
- 75% supplier reduction
- 50% reduction in POs

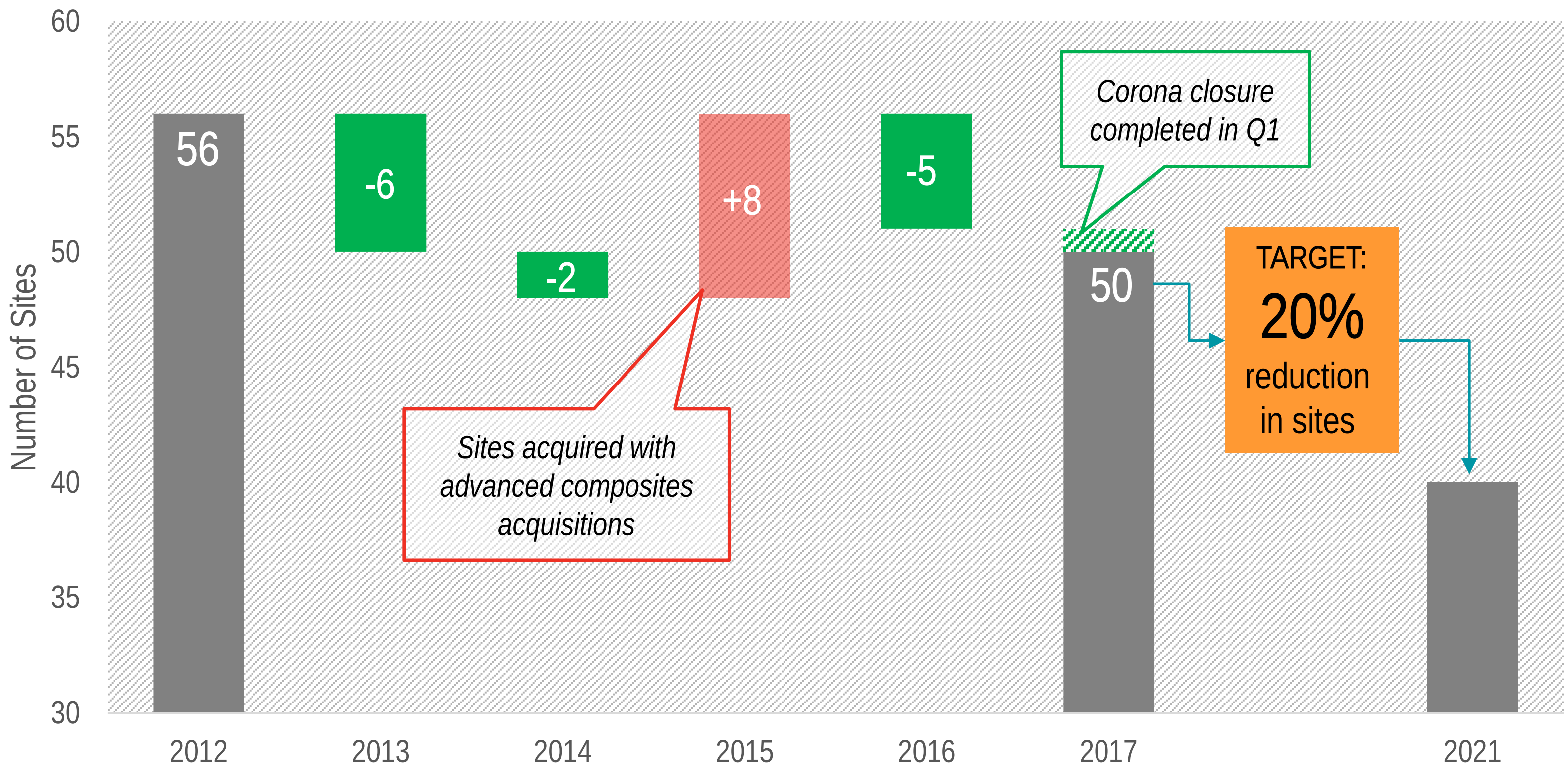
Safety glasses example:

- 760 safety glasses purchased in 2016
- 13 suppliers of 21 different products
- Unit price range between £1.22 - £125

[1] Personal Protective Equipment

Footprint

20% reduction by 2021



Footprint
Rationalisation programme

1. Consolidating into Centres of Excellence
2. Growth in lower cost regions
3. Regional MRO hubs

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Footprint

Example: Low cost manufacturing

VIETNAM	MEXICO
100k sq ft / 475 people	275k sq ft / 400 people
20 year track record	*10 year track record*

Vietnam	Mexico
$5m investment to double capacity and transfer 650k hours of work to Vietnam	50% increase in capacity to satisfy demand growth
Expansion due for completion: Q3 2018	*Capability transfer begins: Q2 2017*

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Footprint

Example: Site consolidation

BEFORE

Rugby location

1,650 m^2 footprint

22 employees

3P
VSM
work transfer process

MPS tools used

AFTER

Integrated into Fareham

Footprint saving
88%

Current employees
5 direct
5 Indirect

annual savings
~£700k

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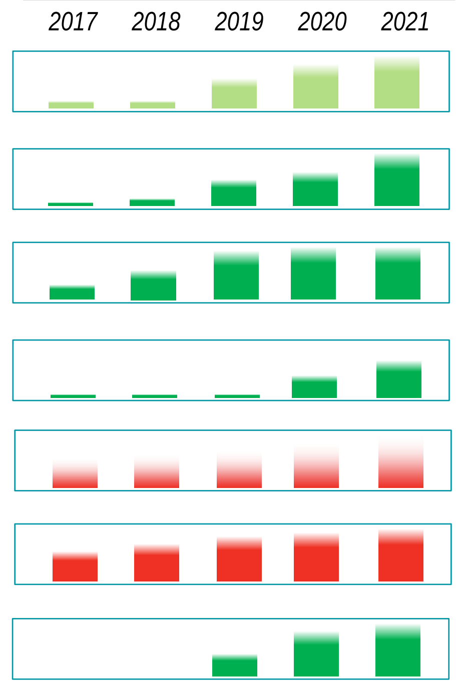
Operational review

Five year margin / cash impact

		Margin	Cash
OPERATIONAL REVIEW	CSS	DISTRIBUTOR RATIONALISATION	
	MPS	PRODUCTIVITY	INVENTORY
	Purchasing	COST REDUCTION	VMI
	Footprint	SCALE	
Other Key Drivers		MIX	
		D&A	
		NPI	
2021 TARGET		21.1 – 21.6% Underlying Operating Margin[1]	+£200m from inventory

Indicative Cumulative Phasing



KEY STRONG TAILWIND | STRONG HEADWIND | MODEST TAILWIND

Limited cumulative impact on margin | Full cumulative impact on margin

[1] Current GAAP

Operational review

Summary

DELIVERING BREAKTHROUGH PERFORMANCE

PORTFOLIO STRATEGY
Attractive markets
Strong positions

CUSTOMERS
OE / Aftermarket growth
Performance
Technology

GROWTH / ROCE

COMPETITIVENESS
Productivity
Purchasing
Footprint
Inventory

CULTURE
Collaborative
High Performance

Targeting 200-250 bps net margin improvement and £200m from increased inventory turns by 2021

Closing remarks

Stephen Young – Chief Executive

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Closing remarks
Point of inflection

Strong positions in attractive markets

Progress on strategic initiatives

Detailed and well resourced plans

High quality team

High level of confidence in delivering 2021 targets

- Progressively stronger revenue growth
- **200-250bps** Net margin improvement
- **£200m** Cash from inventory

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Questions

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