

2018 INTERIM RESULTS

7 August 2018

presented by
Tony Wood, Chief Executive
Doug Webb, Chief Financial Officer



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HIGHLIGHTS

Tony Wood
Chief Executive

Financial highlights

Growth accelerating

- Organic orders up 24%; book to bill of 1.13x
- Organic revenue up 9%
 - Civil OE +4%
 - Civil Aftermarket +11%
 - Military +8%
 - Energy +32%
- H1 operating margin of 15.8% (2017: 16.7%)
- Free cash flow up 19% to £27.1m
- Net borrowings at 1.9x EBITDA (2017: 2.2x)
- Dividend increased by 5% to 5.3p

Enabling the Extraordinary
To Fly To Power To Live



Strategic highlights

Strong progress in strategy execution

Strategic priority



H1 progress

Portfolio Strategy

- 70% of revenue now in attractive markets where we have strong positions
- Three non-core divestments
- Developing next generation technologies (e.g. optical sensing, wireless systems, thermal management)

Customers

- New content on MA700, Wizz Air A321neo brakes and wireless TPMS agreement with Textron Aviation
- Military awards include: F-135, F/A-18, UH-60, KFX and M1A
- Energy agreement with Solar Turbines
- Continued progress at CSS to improve customer satisfaction and accelerate growth

Competitiveness

- Site consolidation and expansion in Mexico, Vietnam, US and UK
- Inventory turns increased from 2.5¹ to 2.7
- Direct materials purchasing savings of 1.4%
- MPS focused on increasing maturity at early stage sites

Culture

- New customer-aligned organisation from January 2019
- Airframe Systems, Engine Systems, Energy & Equipment and Services & Support divisions well positioned to further accelerate growth

FINANCIAL OVERVIEW

Doug Webb
CFO

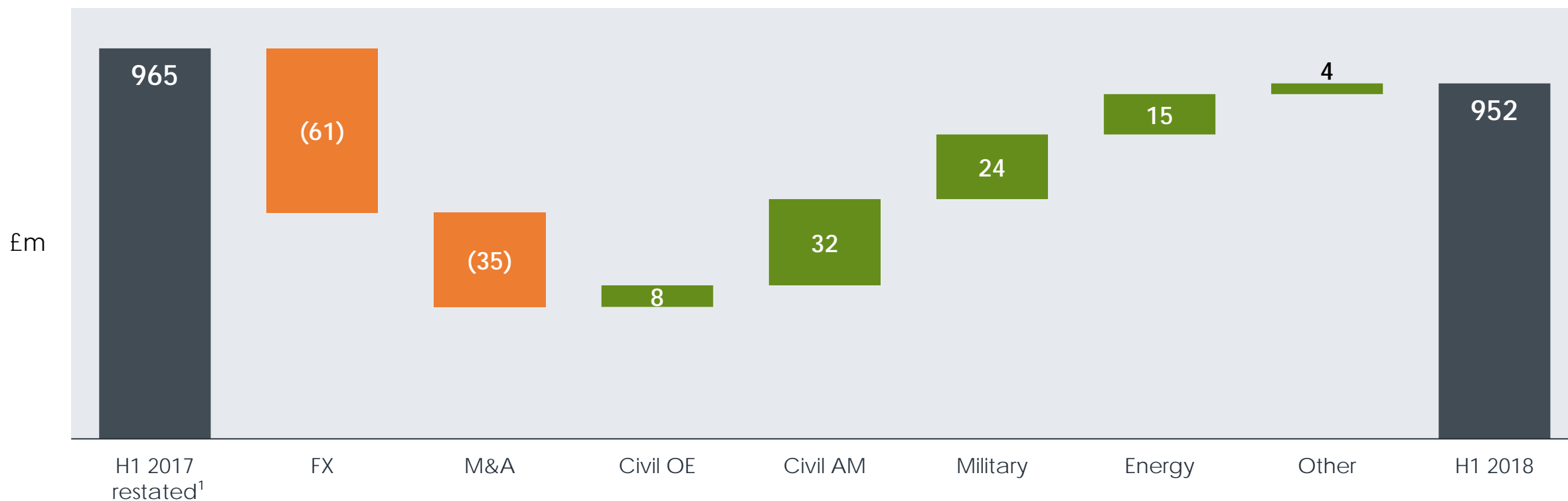
Income statement

Strong organic revenue growth

Underlying	H1 2018	H1 2017 ¹	Growth (%)		
	£m	£m	Reported	Organic	
Orders	1,087.2	968.3	12	24	Strong organic growth including a number of multi-year orders
Revenue	952.2	965.4	(1)	9	
Operating profit	150.8	161.4	(7)	(2)	
Operating margin	15.8%	16.7%			Strong organic growth, particularly in civil AM and military
Finance costs	(14.7)	(18.3)	20	10	MPC elevated learning curve costs, increased D&A and growth in FoCs offset broader margin improvement
Profit before tax	136.1	143.1	(5)	(1)	
Tax	(28.6)	(33.3)	14	3	
Tax rate	21.0%	23.3%			Proceeds from divestments, FX and organic cash generation
Profit for the half year	107.5	109.8	(2)		
Earnings per share	13.9p	14.2p	(2)		US tax reform enacted in December 2017
Interim dividend	5.30p	5.05p	5		

Revenue

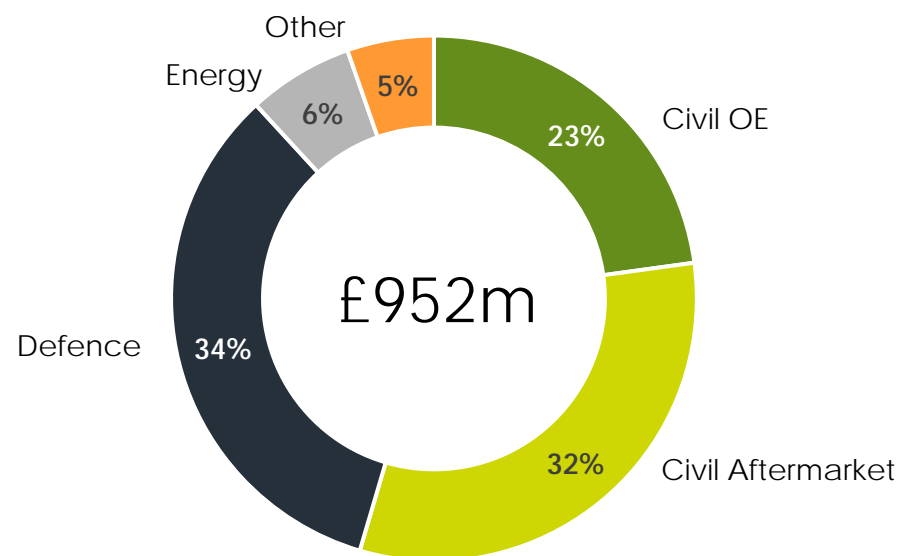
Strong organic growth across all end markets



Revenue by market

Strong organic growth across all end markets

Revenue by market

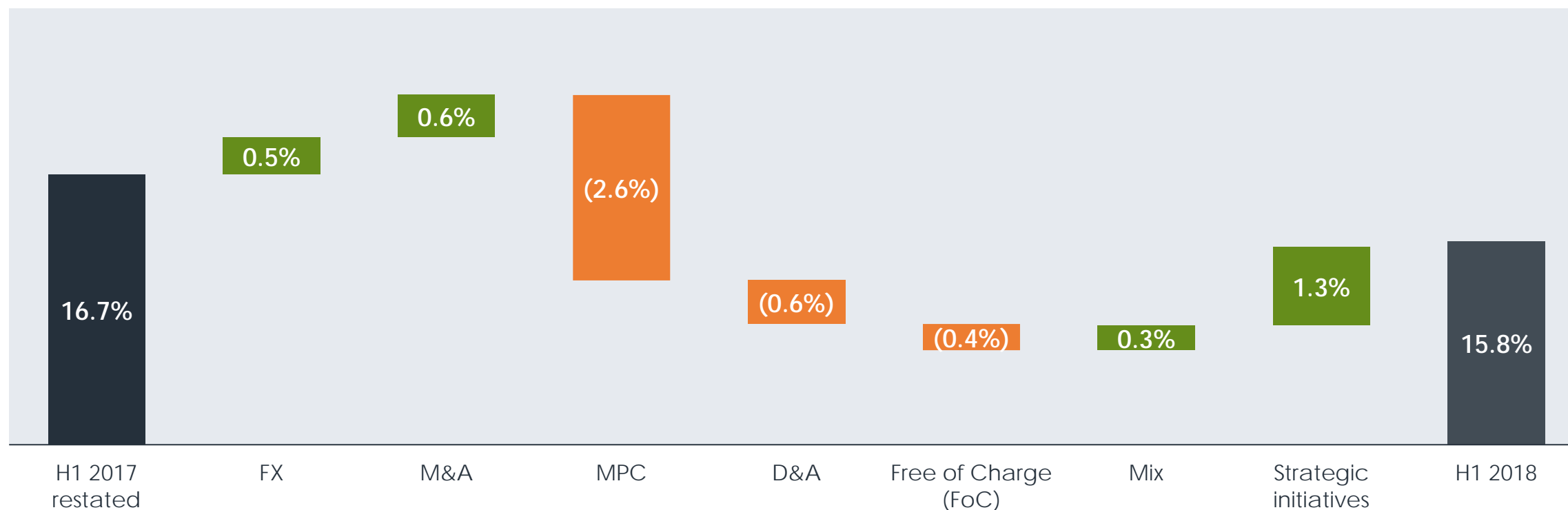


OE: 52%, Aftermarket: 48%

	H1 2018 Growth		
	Revenue Reported	Revenue Organic	Orders Organic
Civil OE	(3%)	4%	17%
Civil AM	4%	11%	43%
Total Civil	1%	8%	31%
Defence	0%	8%	23%
Energy	8%	32%	(6%)
Other	(28%)	9%	1%
Total Group	(1%)	9%	24%

Underlying operating margin

Benefits of strategic initiatives offset by near term challenges at MPC



Divisional financials

Summary

	Revenue		Underlying operating profit	Margin		
		Organic Growth		H1 18	H117	
	£m	%	£m	%	%	
Aircraft Braking Systems	162.4	+1	40.2	24.8	28.8	Unfavourable mix and higher FoC costs
Control Systems	268.2	+13	61.3	22.9	21.9	Favourable mix from strong civil aftermarket growth (including distributor stocking) and reduced NPI costs
Polymers & Composites	173.3	+10	2.3	1.3	13.1	Elevated learning curve costs in composites and investment to support accelerated military growth
Sensing Systems	237.0	+5	34.8	14.7	12.7	Reduced NPI costs, lower R&D and disposal of lower margin businesses partly offset by mix and increasing FoC
Equipment Group	111.3	+23	12.2	11.0	1.4	
Total	952.2	+9	150.8	15.8%	16.7%	Strong recovery at Heatric and good performance in training systems

Free cash flow

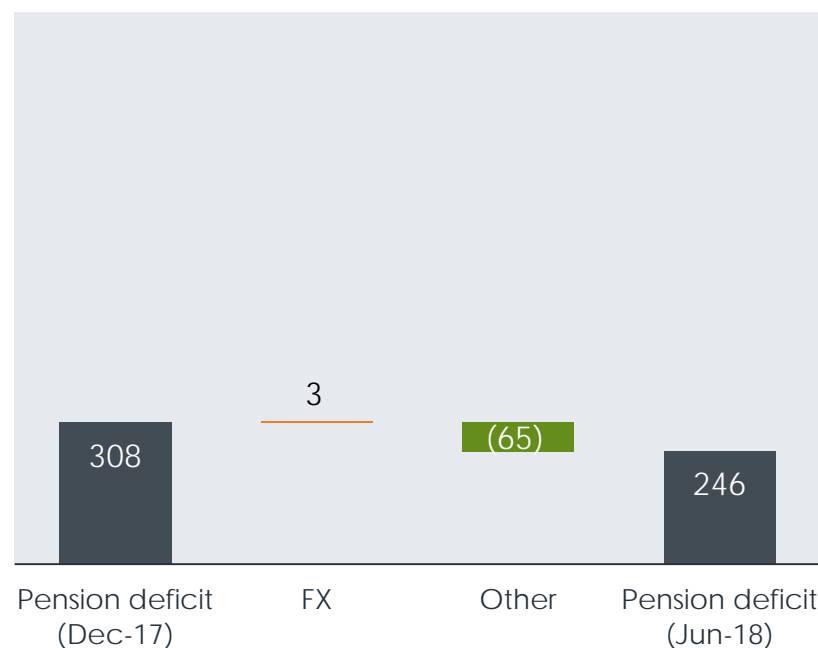
Free cash flow up 19%

	H1 2018	H1 2017 restated ¹	Change (%)	
Underlying EBITDA	197.3	202.6	(3)	Organic growth of 3%
Working capital movement	(57.0)	(63.9)	+11	
Capex	(36.8)	(33.4)	(10)	Improvement in inventory turns (2.5x to 2.7x)
Capitalised R&D	(27.1)	(29.0)	+7	
Programme participation costs ²	(0.8)	(2.0)	+60	Organic increase of 29% Investment in capacity to support growth and future site rationalisation
Underlying operating cash flow	75.6	74.3	+2	
Pension deficit payments	(16.4)	(14.0)	(17)	Organic decrease of 5% Total R&D as a % of revenue declined to 6.9% (June 2017: 7.9%)
Operating exceptionals	(5.3)	(8.0)	+34	
Interest & tax	(26.8)	(29.5)	+9	
Free cash flow	27.1	22.8	+19	Increased deficit payments for UK and US schemes

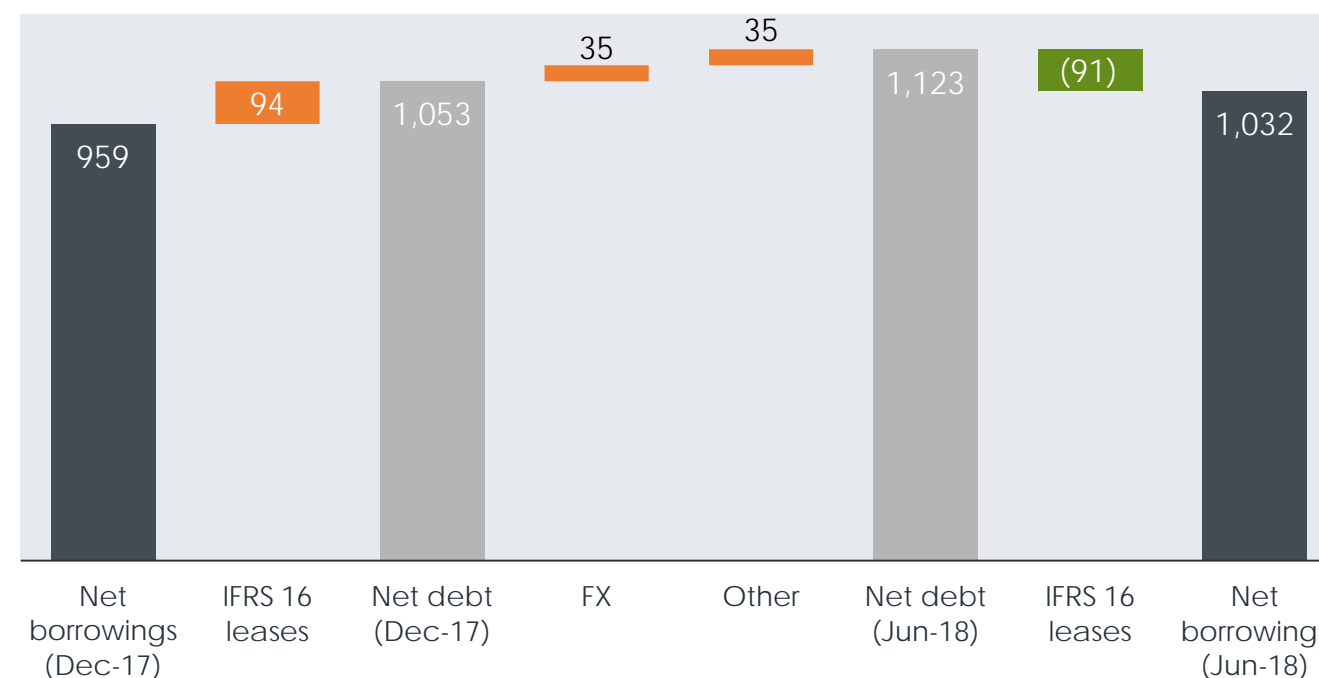
Financing and covenants

Healthy balance sheet

Pension deficit



Net borrowings



COVENANT RATIOS:

NET BORROWINGS / EBITDA ($\leq 3.5x$)

Jun 2018: 1.9x

INTEREST COVER ($\geq 3.0x$)

Jun 2018: 14.7x

STRATEGIC & OPERATIONAL OVERVIEW

Tony Wood
Chief Executive

Market dynamics

Improving macro trends in most end-markets



Civil OE

- 5% growth in large jet deliveries
- 9% decline in business jet deliveries
- 14% decline in regional jet deliveries



Civil Aftermarket

- 6% ASK growth
- Commercial parked fleet declined by 5%
- Business and regional jet utilisation up 1.8% and 2.7%



Military

- DoD outlays increasing
- FY19 US budget \$675bn
- Global military budgets rising

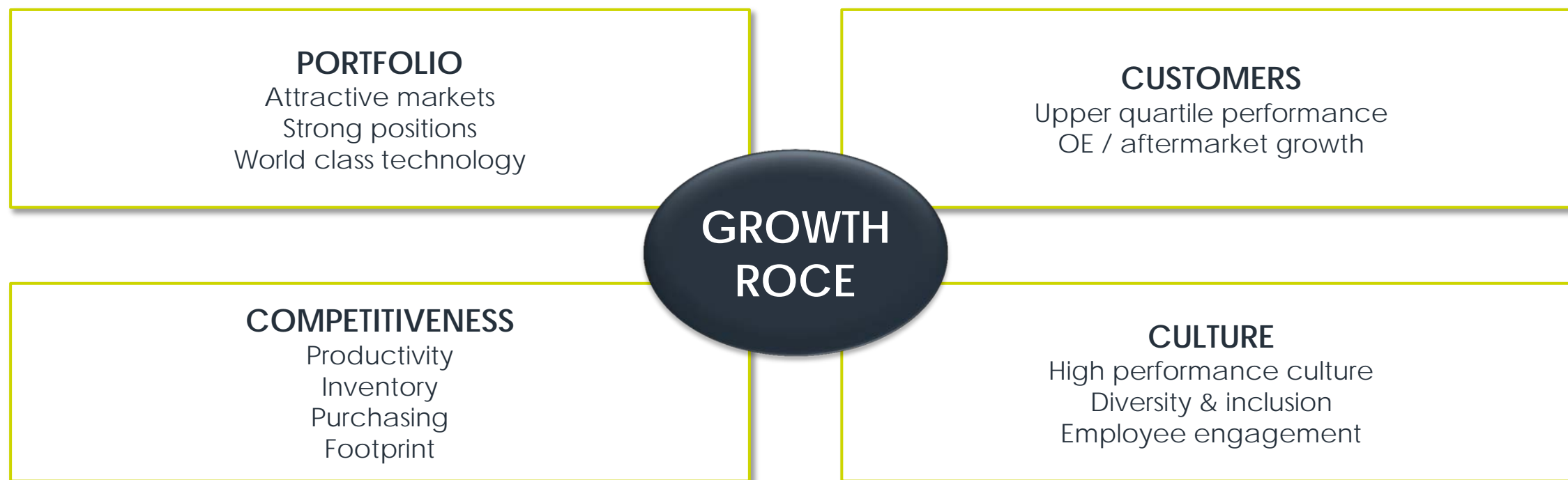


Energy

- Continued recovery in oil and gas
- Industrial gas turbine demand at a cyclical low but stabilising

Our strategy

Four priorities to increase growth and returns



Portfolio

Enhancing our market positions with investment in differentiated technologies



Wireless tyre pressure monitoring system

- Technology which can extend tyre life, increase flight safety and reduce weight
- Wireless system capable of transmitting data up to 50m to off-the-shelf devices
- Enables real-time measurement of tyre pressure, reducing maintenance costs for operators
- **\$40m contract secured with Textron Aviation**

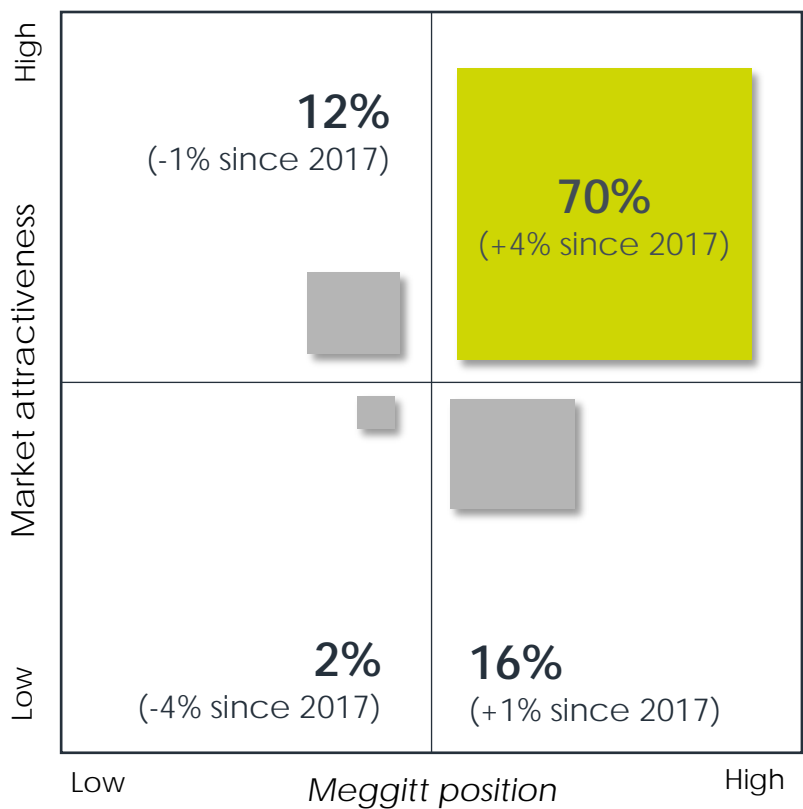


Thermal systems

- Integrated technology solution that reduces fuel consumption while providing crew comfort in extreme environments
- Reduces electronic and thermal loads by providing cooling
- Rugged palletised solution for M1 Abrams that can be adapted to multiple platforms
- **\$26m contract secured with General Dynamics**

Portfolio

Sharpened focus on attractive markets where we have strong positions



Disposal	Overview	Date	Proceeds	Revenue ¹
Meggitt Target Systems	Aerial and marine training targets	Dec 16	£57m	£30m
Piher	Industrial sensors and controls			
Piezotech	Industrial sensors	Mar 17	£82m	£51m
Meggitt Maryland	Industrial sensors			
Aviation Mobility	Wheelchair rental services	Jan 18	£10m	£4m
Thomson	Precision engineering for industrial and aerospace markets	Mar 18	£3m	£25m
Precision Micro	Industrial production photo-etching	Apr 18	£23m	£15m
TOTAL			£175m	£125m

¹ Revenue for the year prior to disposal

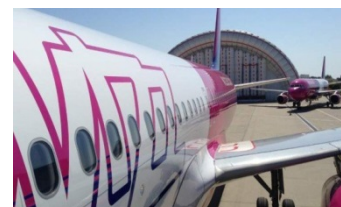
Customers

Expanding our relationships with key Customers

Pratt & Whitney
F-135
engine
composites



Wizz Air
A321neo
brakes



**Solar
Turbines**
Long term
agreement



Sikorsky
UH-60
fuel tanks



Airbus
A320neo
sensors and
actuators



**Textron
Aviation**
Wireless tire
pressure
monitoring
system



**Defence
Logistics
Agency**
F/A-18
fuel tanks



XAC
MA700
safety
systems,
thermal
mgmt. and
avionics



KAI
KFX brakes, fire
detectors,
bleed air leak
detectors



1.13x

H1 2018
Book to bill

MEGGITT

Customer Services & Support

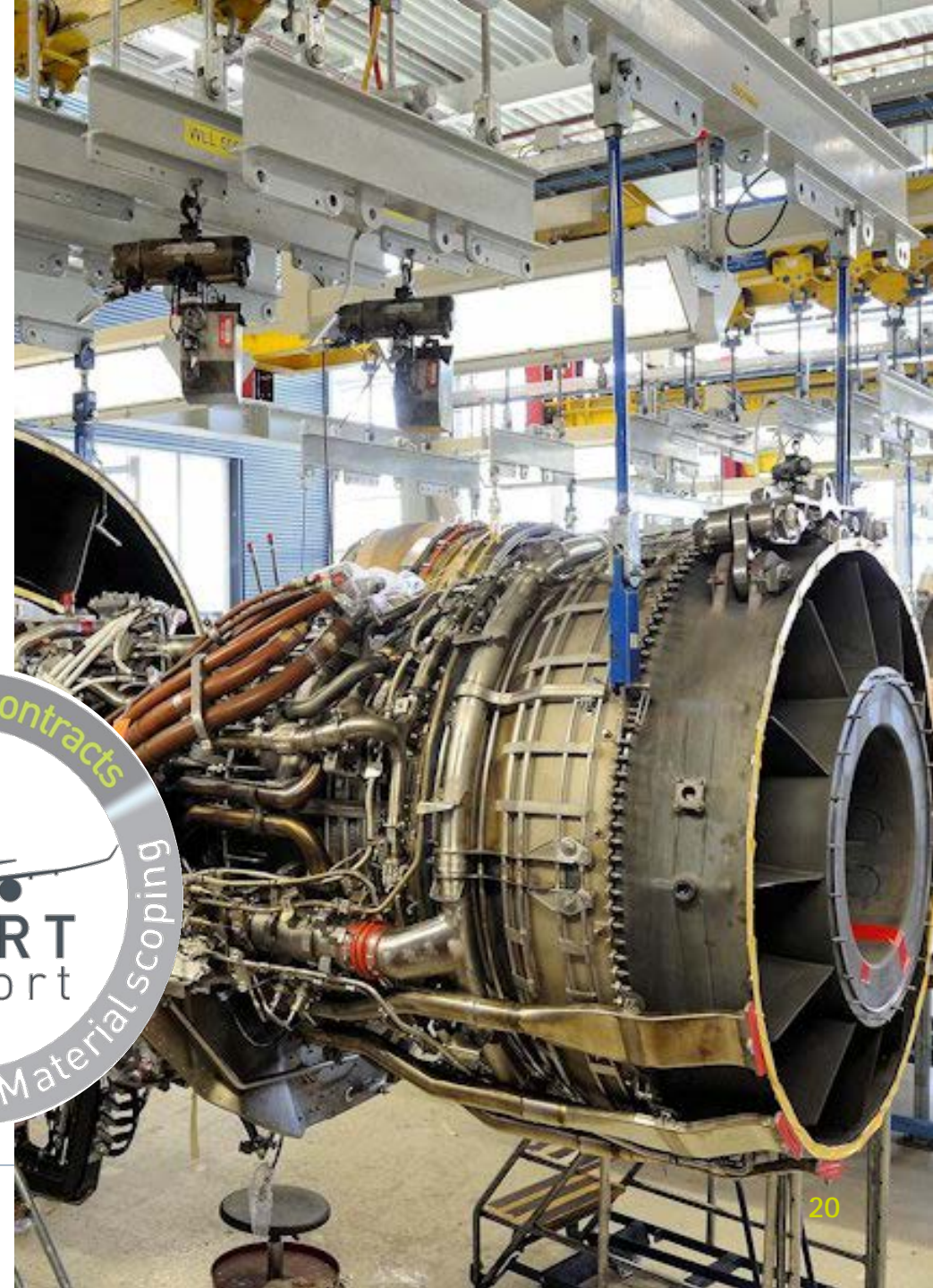
From transactions to partnerships

Increased capture of addressable Meggitt aftermarket to accelerate **near term growth**

- Distributor stocking
- Dedicated sales team to accelerate military growth
- Scarcity of available used parts

Building capabilities to improve customer service and **long term position**

- Smart Support Proposition
- Customer Response Centre
- Long Term Agreements / Strategic Alliances



Competitiveness

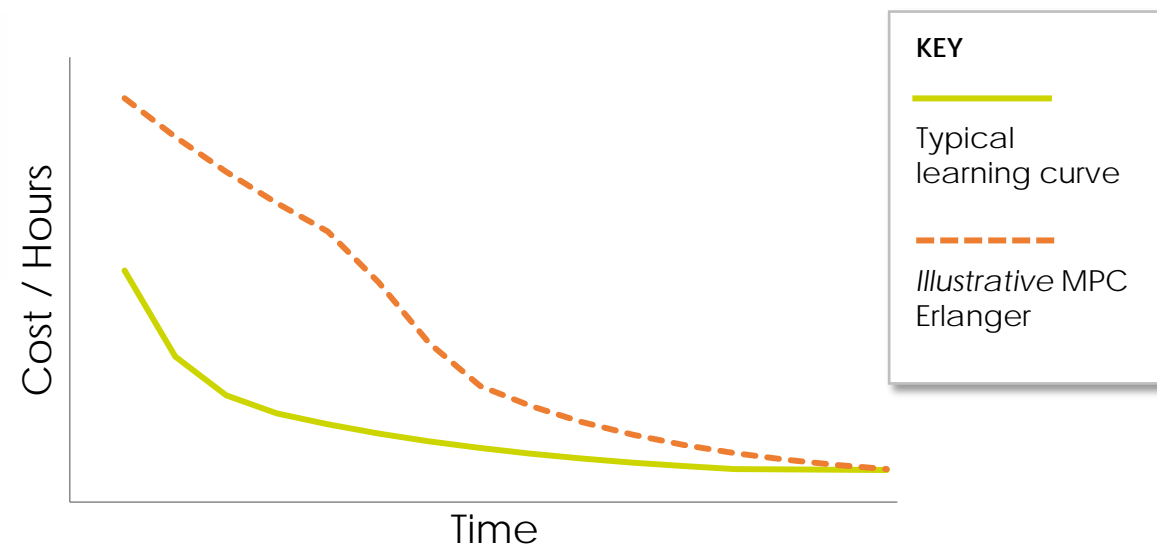
Elevated and extended learning curve costs at MPC Erlanger

Highly engineered products



Fast growing market
High barriers to entry

Supporting customers with extensive investments
in people, process and plant



Operational performance improving
Financial recovery extending into 2019

Competitiveness

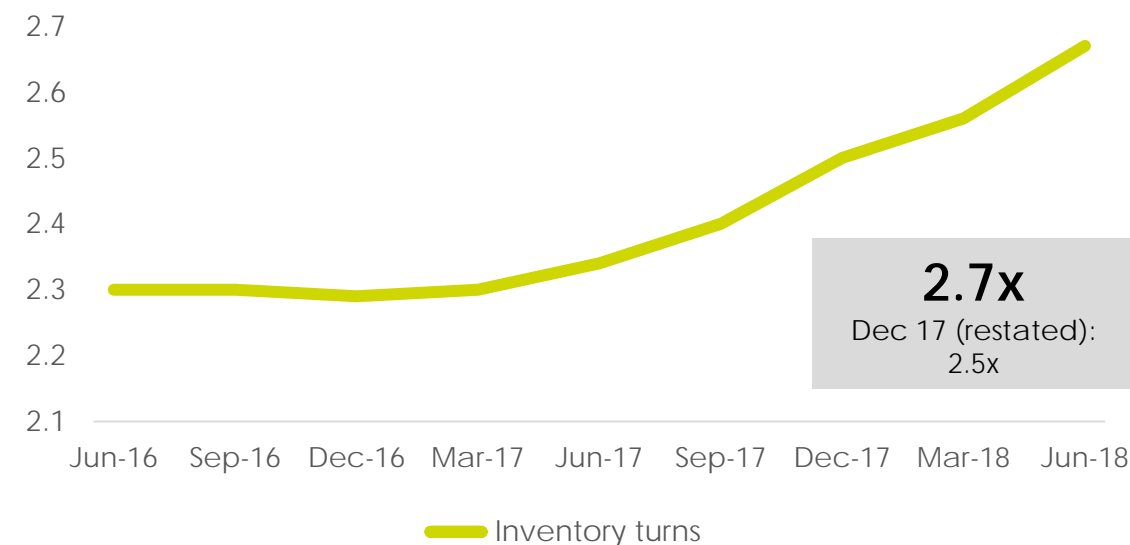
Further improvement in purchased costs and inventory turns

Purchased costs



2021 target to achieve 2.0% net cost down p.a

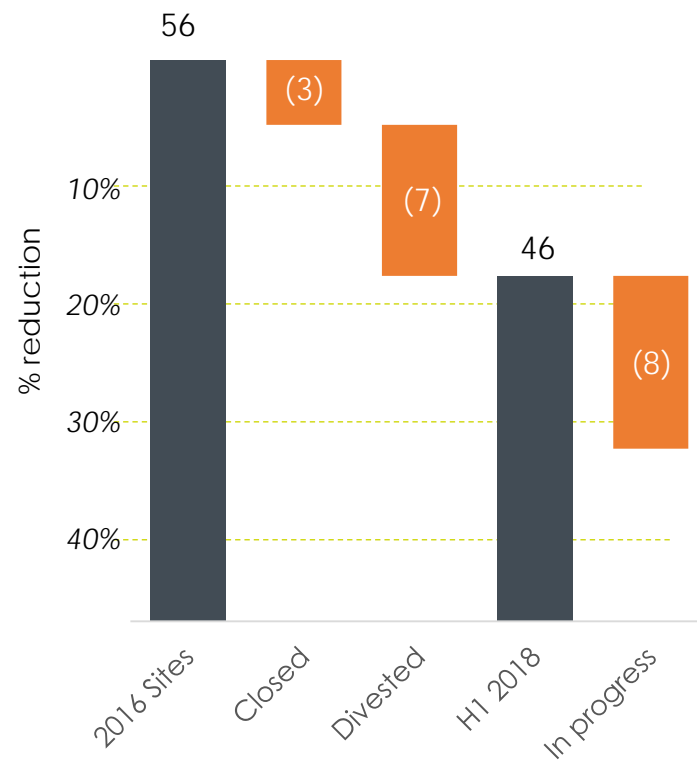
Inventory turns¹



2021 target to achieve 4.0x inventory turns

Competitiveness

On track to reduce footprint by at least 20%



Doubled capacity in Vietnam for sensors and electronics



Proposal to move Basingstoke sensors into Fareham and Vietnam



Increasing capacity in Mexico facilities by 33%



Valves centre of excellence in North Hollywood



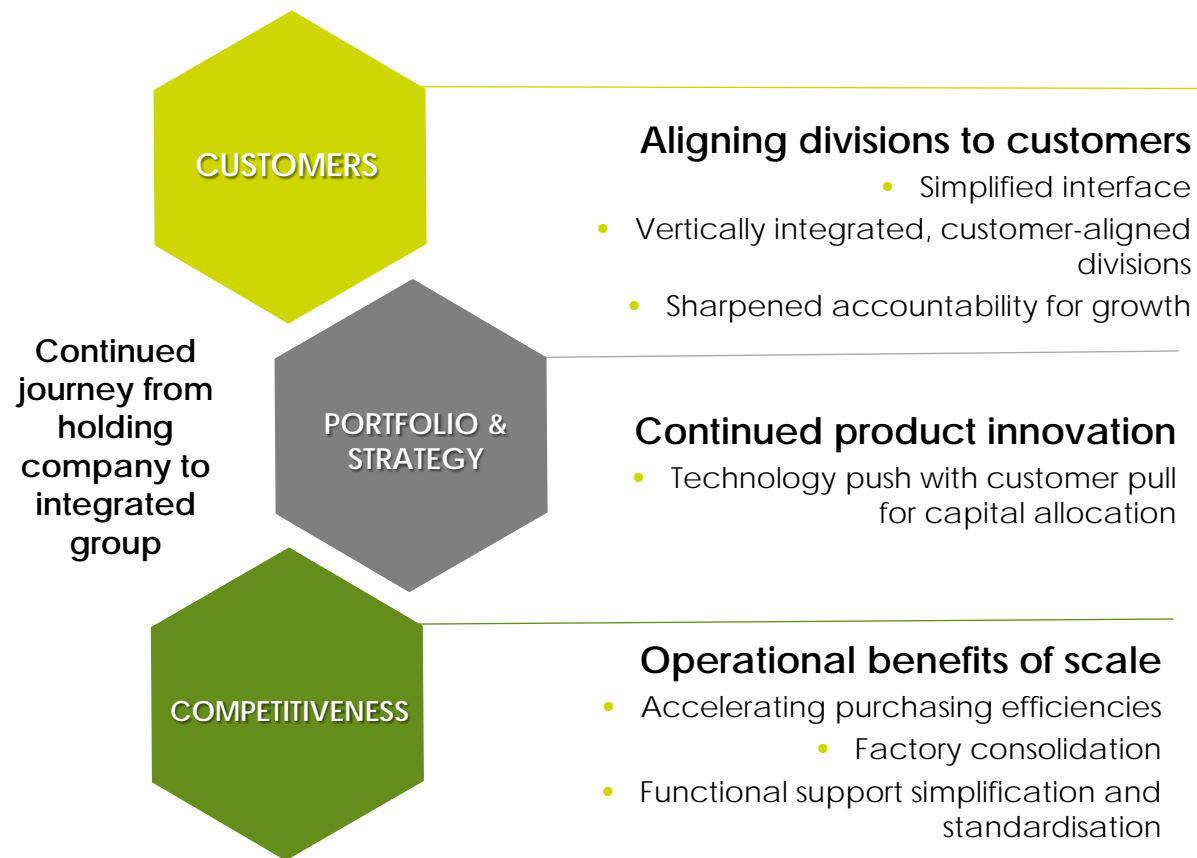
Advanced composites facility in San Diego – 70% increase in capacity



Breaking ground on UK 'Super Site' – 4 site consolidation

Culture

Our new organisation







Enabling the Extraordinary
To Fly To Power To Live



Culture

Our new organisation

Division	Airframe Systems	Engine Systems	Energy & Equipment	Services & Support
Leadership	Chris Allen Joined Meggitt in 2004 27yrs industry experience 	Dennis Hutton Joined Meggitt in 2011 35yrs industry experience 	Paul Devaux Joined Meggitt in 2015 13yrs industry experience 	Stewart Watson Joined Meggitt in 2000 18yrs industry experience 
Key Capabilities	Braking Systems Fire Protection & Safety Systems Power & Motion Fuel Containment & Systems Advanced Composite Structures Airframe Sensors Polymer Seals	Flow Control Thermal Systems Advanced Engine Composites Engine Sensors	Sensors & Controls Printed Circuit Heat Exchangers Training Systems Defense Systems Industrial Equipment	Single aftermarket interface Global spares distribution and MRO network 24/7 Customer Response Centre
Market Opportunities	More electric aircraft Halon-free fire suppression Rotorcraft safety regulation Inflight connectivity	Ramp-up on LEAP, GTF and F-135 Mid-life engine upgrades Next generation engines (ultra high bypass ratio)	Growing US and global defence budgets Investment in LNG Gas turbine retrofit	Increased content on new aircraft Retrofit, modification & upgrade

Guidance

Group organic revenue guidance increased in July to 4% to 6%



Civil OE



Civil Aftermarket



Military



Energy

2018
guidance

2% to 4%
Revenue growth

4% to 6%
Revenue growth
Up from 3% to 5%

6% to 8%
Revenue growth
Up from 3% to 5%

>5%
Revenue growth
Up from 0% to 5%

GROUP

4% to 6%
Revenue growth
Up from 2% to 4%

17.7% to 18.0%
Underlying operating margin
Lower end of the range

Medium
term
outlook

- Healthy large jet backlogs
- +50% to +250% shipset on new platforms
- Business jets stabilising

- 48k installed base
- Strong traffic growth
- Improving trend for business jet utilisation

- Broad platform positions
- Growth in DoD budget

- Improving outlook in oil & gas
- Investment in LNG

Unchanged at
>19.9%
2021 Underlying operating margin

Summary

Well positioned to deliver upgraded full year guidance

- Strong revenue growth and order intake in H1
- Clear line of sight to H2 margin improvement
- Good cash performance
- Excellent progress in strategy deployment
 - Technology development
 - Footprint consolidation
 - Purchasing savings
 - Inventory turn improvements
 - New customer-aligned structure from 2019



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Currency impact

Appendix 1

	H1 2017 Act	FY 2017 Act	H1 2018 Act	FY 2018 Est
\$/£ rate				
Translation rate	1.27	1.30	1.36	
Transaction rate (hedged)	1.47	1.47	1.43	1.43
Euro rate				
€/£ Translation rate	1.16	1.14	1.14	
\$/€ Transaction rate (hedged)	1.18	1.19	1.21	1.21
CHF rate				
CHF/£ Translation rate	1.25	1.28	1.33	
\$/CHF Transaction rate (hedged)	1.06	1.06	1.07	1.07
PBT impact £m				
Year-on-year translation			(7.2)	
Year-on-year transaction			<u>1.2</u>	2.9
Year-on-year currency benefit/(headwind)			(6.0)	

Currency sensitivity:

± 10 US\$ cents = ± £90m Revenue; ±12m PBT
 ± 10 Euro cents = ± £11m Revenue; ± 2m PBT

Operating exceptionals

Appendix 2

£m	H1 2017 Actual at \$1.27	H1 2018 Actual at \$1.36	FY 2018 Previous guidance at \$1.43	FY 2018 Updated guidance at \$1.33	
P&L charge					
Site consolidations	4.0	5.7	13-16	24 – 27	Increased to reflect charge on newly announced site rationalisation activities
Business restructuring costs	-	1.8	-	3 – 5	
Integration of acquired businesses	2.7	0.6	1	1	
Total	6.7	8.1	14 - 17	28-33	
Cash out					
Site consolidations	5.3	3.1	13 – 16	(5) – (2)	Includes cash receipts for expected sale of land related to UK super site
Business restructuring costs	-	1.6	2	3 – 4	
Integration of acquired businesses	2.7	0.6	1	1	
Total	8.0	5.3	16 - 19	(1) – 3	

Cash drivers

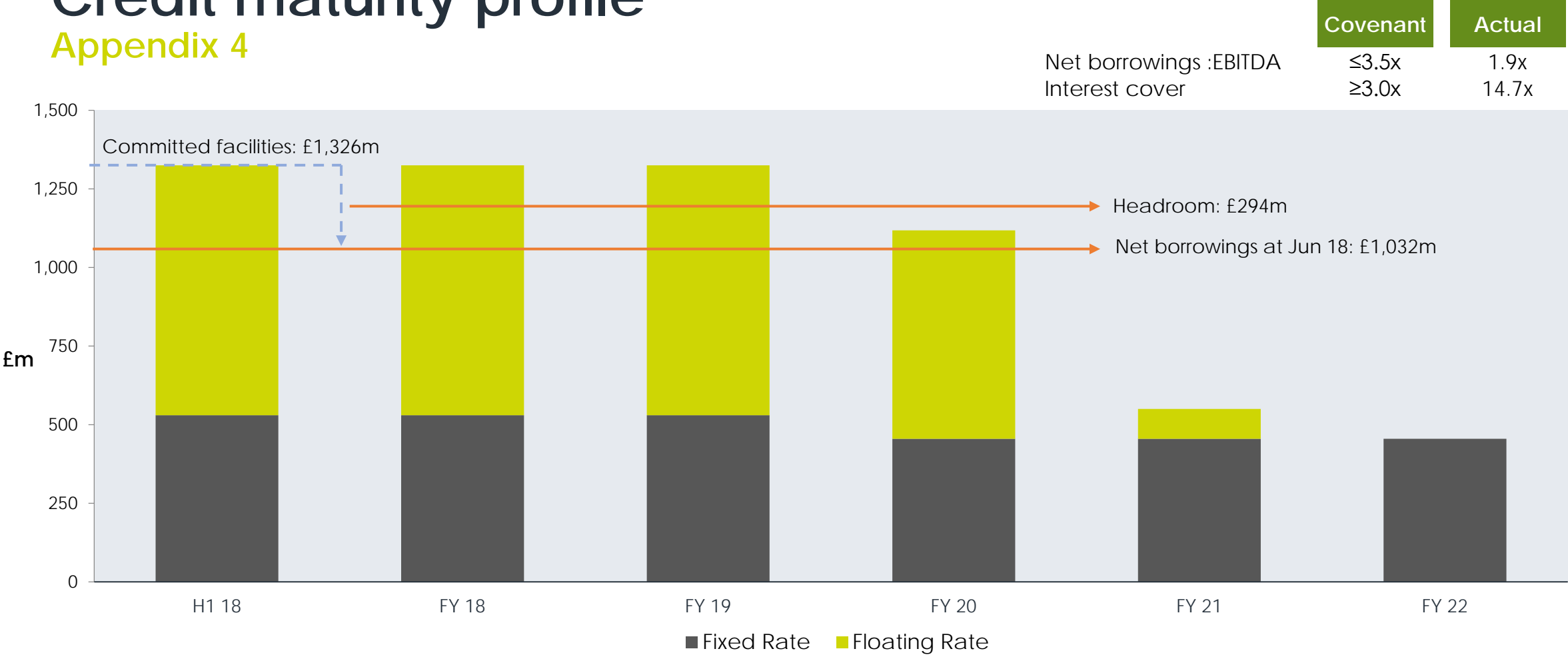
Appendix 3

£m	H1 2017 Actual at \$1.27	H1 2018 Actual at \$1.36	FY 2018 Previous Guidance at \$1.40	FY 2018 Updated Guidance at \$1.33	FY 2019 Previous Guidance at \$1.40	FY 2019 Updated Guidance at \$1.33
1. R&D						
Total expenditure	77	66				
Less: customer funded	(15)	(13)				
Group spend	62	53	105 – 115	105 – 110	100 – 115	105 – 120
Capitalisation	(29)	(27)	(57) – (62)	(57) – (60)	(50) – (60)	(52) – (62)
Amortisation/impairment	8	11	22 – 24	22 – 24	25 – 30	26 – 31
Charge to net operating costs	41	37	70 – 77	70 – 74	75 – 85	79 – 89
2. Fixed assets						
Capital expenditure	33	37	85 – 105	85 – 100	85 – 110	90 – 120
Depreciation	(33)	(35)	(62) – (66)	(70) – (74)	(71) – (77)	(79) – (85)
3. Retirement benefit deficit payments	14	16	38	69	43	35
4. Free of charge costs						
Expensed	29	33	62 – 67	69 – 72	65 – 75	70 – 80

Includes one-off (\$40m) acceleration of payments to reduce US scheme deficit

Credit maturity profile

Appendix 4



Retirement benefit obligations

Appendix 5

£m	FY 2017	H1 2018
Opening deficit	(414.7)	(308.1)
Net deficit payments	33.5	16.4
Actuarial movements - assets	56.8	(18.6)
Actuarial movements - liabilities	9.8	73.7
	66.6	55.1
Other movements (including FX)	6.5	(8.9)
Closing deficit	(308.1)	(245.5)
UK discount rate	2.55%	2.80%
US discount rate	3.55%	4.05%

Shares in issue

Appendix 6

Share in millions

	FY 2017	H1 2018
Opening	775.7	776.4
Share schemes	0.7	0.1
Closing	776.4	776.5
Average*	774.2	772.7

* Adjusted to exclude own shares held by employee benefit trust

Capital allocation

Appendix 7

CONTEXT

Cash generative
business model

Passed the peak of a
major development
cycle

Normal net borrowings:
EBITDA range of
~1.5x to 2.5x

FOUR CONSISTENT PRIORITIES FOR CAPITAL ALLOCATION

#1

Funding organic growth and driving operational efficiency

#2

Growing dividends in line with earnings through the cycle

#3

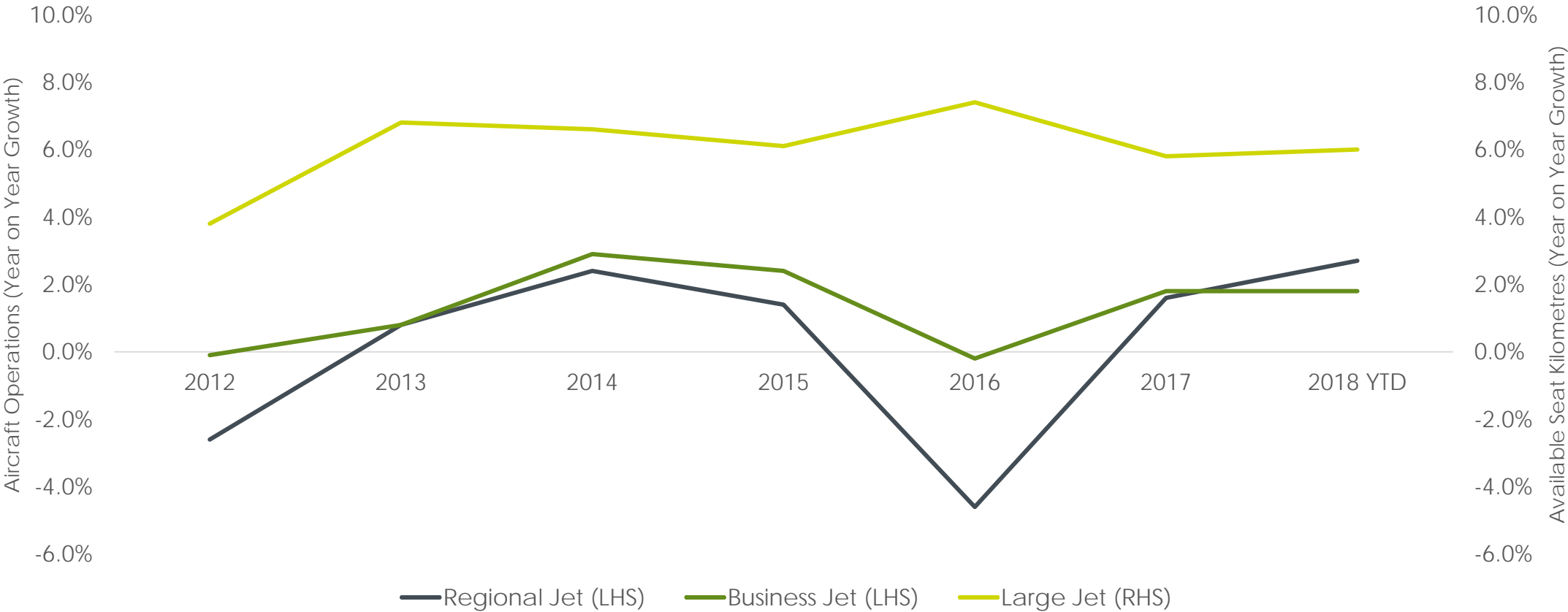
Targeted, value-accretive acquisitions in our core markets

#4

Maintain efficient balance sheet

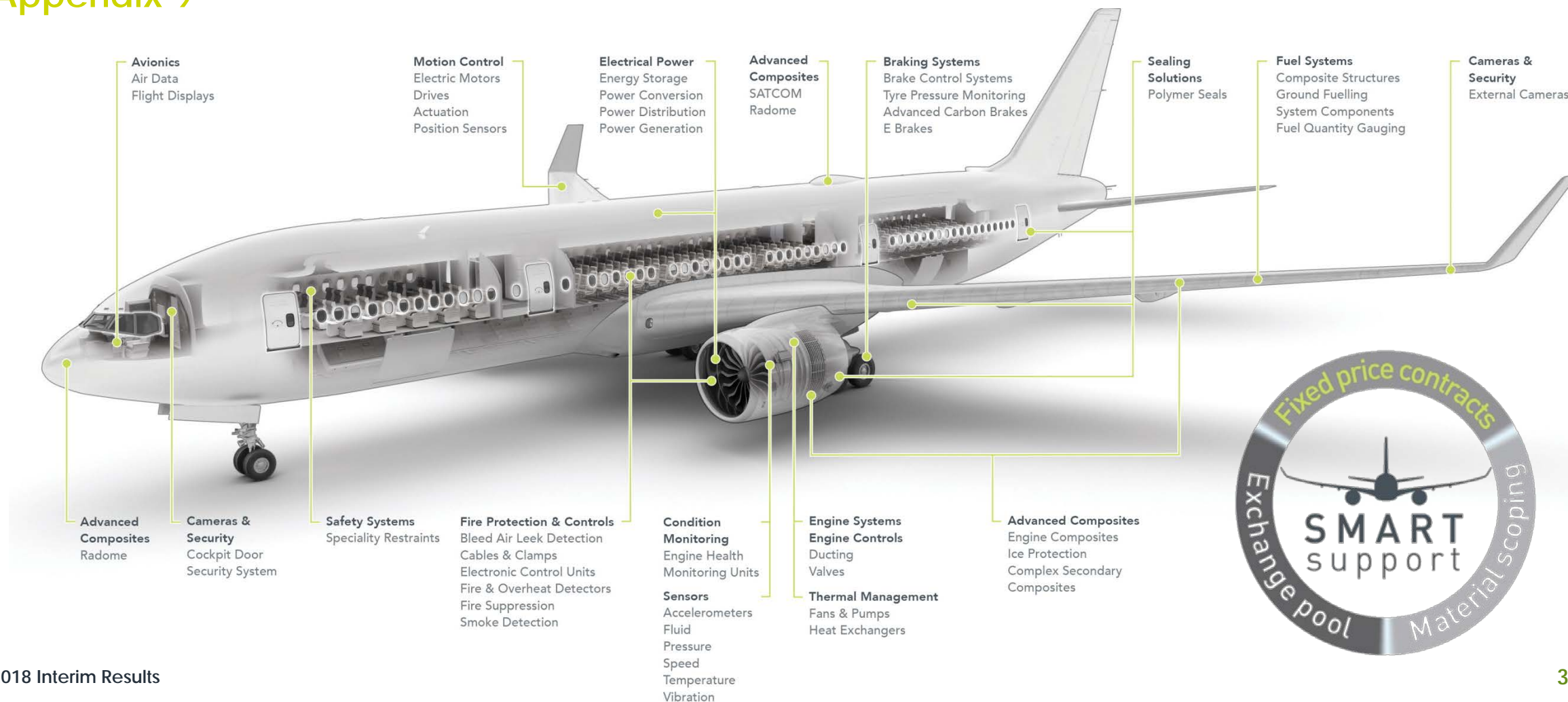
Market data: aircraft utilisation

Appendix 8



Meggitt capabilities

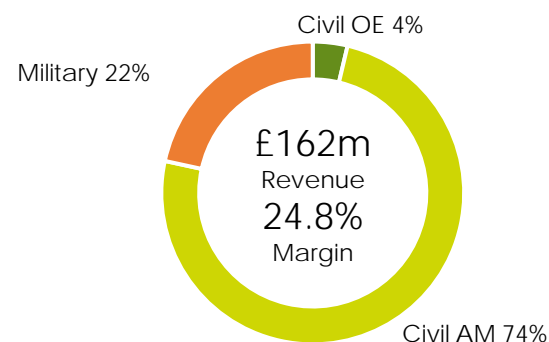
Appendix 9



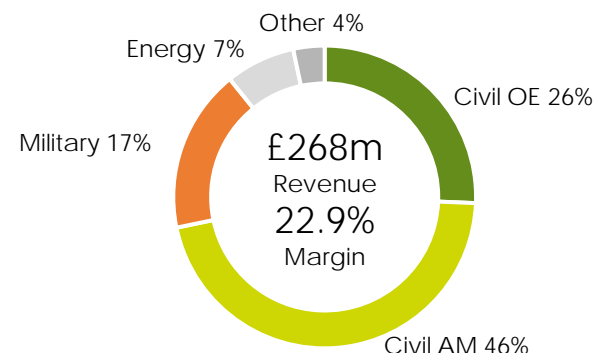
Market segment exposure: by division

Appendix 10

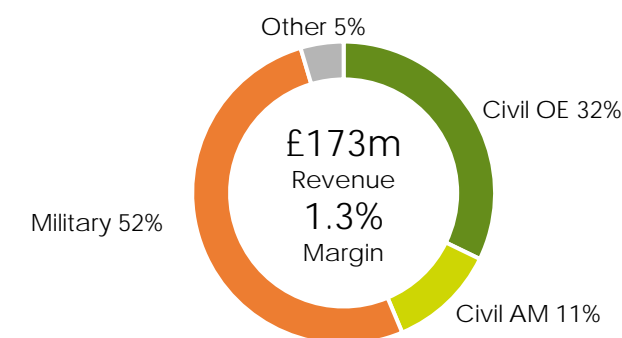
Aircraft Braking Systems



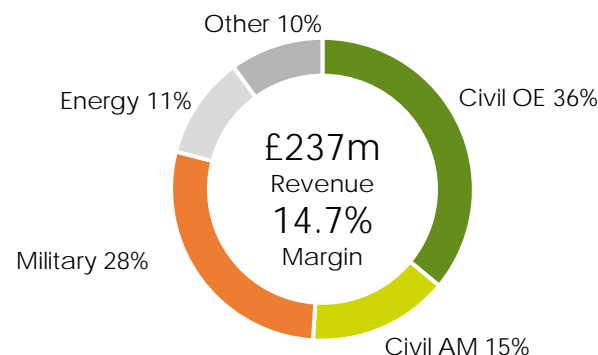
Control Systems



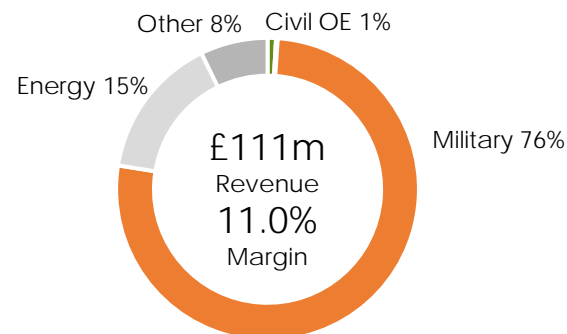
Polymers & Composites



Sensing Systems



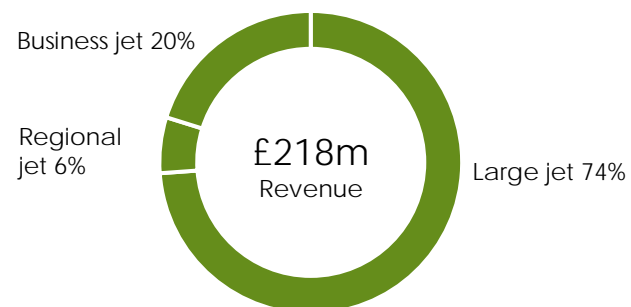
Equipment Group



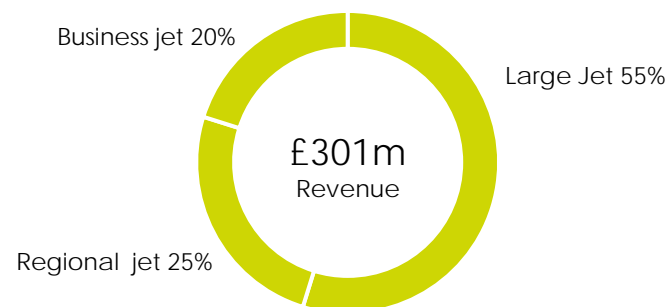
Market segment exposure: by sub-segment

Appendix 10

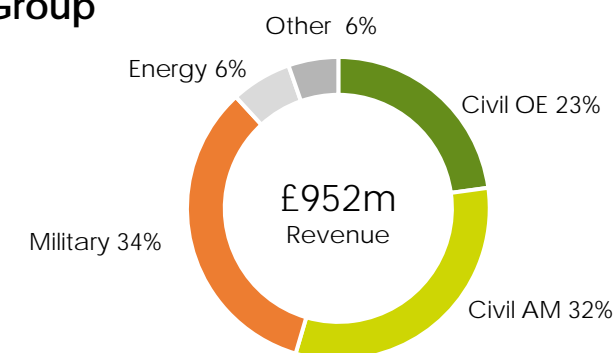
Civil OE



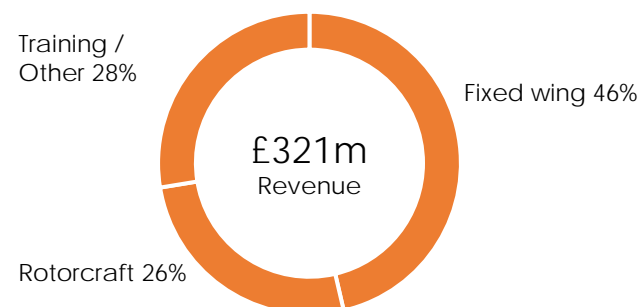
Civil aftermarket



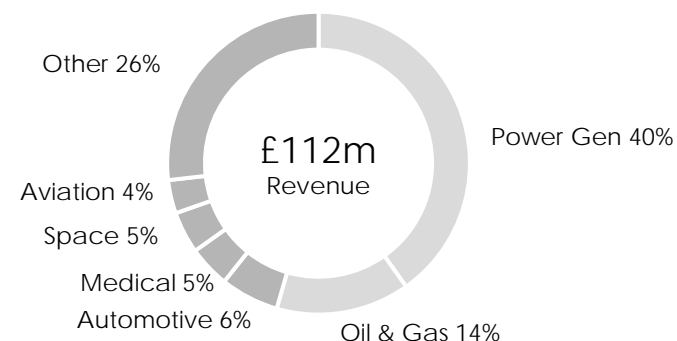
Group



Military



Energy / Other



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