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Enabling the Extraordinary
To Fly To Power To Live

2018 FULL YEAR RESULTS

26 February 2019

presented by
Tony Wood, Chief Executive
Louisa Burdett, Chief Financial Officer

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HIGHLIGHTS

Tony Wood
Chief Executive

Financial highlights

2018 a landmark year – on track for 2021 targets

- Organic orders up 12%; book to bill of 1.08x
- Organic revenue up 9%
  - Civil OE +6%
  - Civil AM +8%
  - Defence +10%
  - Energy +19%
- Underlying operating profit up 4% to £367m (margin of 17.7%)
- Free cash flow conversion of 63%
- Dividend increased by 5% to 16.65p

Strategic highlights

Further good progress in strategy execution

Strategic priority

2018 progress

Portfolio Strategy

- 72% of revenue in attractive markets with strong positions
- Sustained investment in differentiated technology
- Immediate non-core disposals completed

Customers

- $1bn+ defence orders including composites and brakes
- Aftermarket agreements with customers including Air France, Emirates, SR Technics, MTU and Wizz Air
- Modec awards underpin continued Heatric recovery

Competitiveness

- Purchased costs down 2%
- # of suppliers down 9%
- Footprint down 20%[1]
- LCM capacity up 20%
- Composites operational performance improving

Culture

- Customer-aligned organisation implemented
- 2,000 leaders trained in High Performance Culture
- Employee engagement up 4%

[1] Footprint reduction vs 2016 baseline of 56 sites

FINANCIAL OVERVIEW

Louisa Burdett
Chief Financial Officer

Income statement

Strong organic revenue growth

Underlying[1]	FY18 £m	FY17[2] £m	Growth (%) Reported	Growth (%) Organic[3]
Orders	**2,237**	2,079	8	**12**
Revenue	**2,081**	1,994	4	**9**
Operating profit	**367**	353	4	**4**
Operating margin	**17.7%**	17.7%		
Net finance costs	**(32)**	(33)		
Profit before tax	**335**	320	5	**5**
Tax	**(70)**	(73)		
Tax rate	***21.0%***	*22.7%*		
Profit for year	**265**	247	7	
Earnings per share	**34.2p**	32.0p	7	
Dividend per share	**16.65p**	15.85p	5	

Book to bill of 1.08x (including 1.10x in civil aerospace) supports outlook for continued growth

Strong performance and positive conditions in all end markets

Financial contribution from strategic initiatives and lower NPI costs offset FoC growth and learning curve costs at composites sites

US tax reform enacted in December 2017 reduces effective rate

Continued confidence in the prospects for the group

[1] A full reconciliation from underlying to statutory figures is provided in notes 5 and 11 of the preliminary results announcement;
[2] Restated for IFRS 9 / 15 / 16; [3] Organic figures exclude the impacts of acquisitions, disposals and foreign exchange

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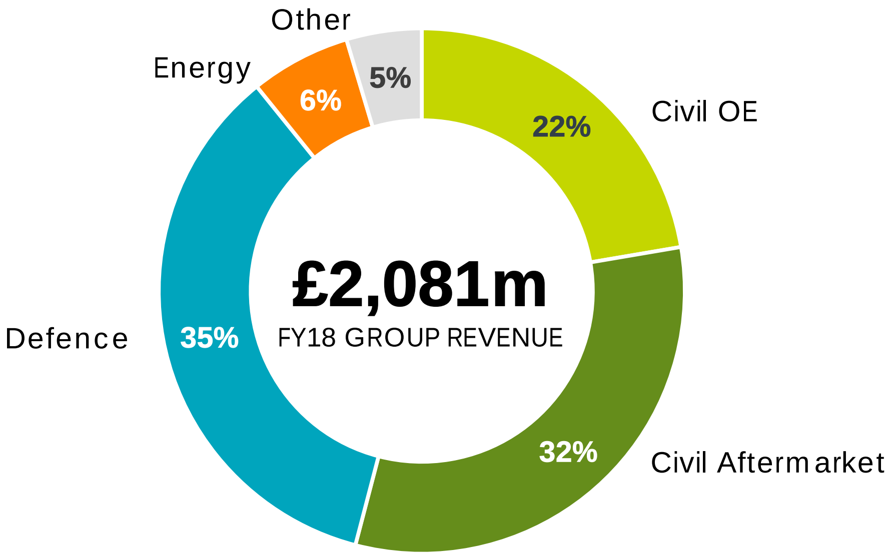
Revenue by end market

Strong organic growth across all end markets

2018 Revenue Growth

	Reported	Organic	2018 Guidance[1]
Civil OE	4%	6%	6 to 8%
Civil AM	6%	8%	8 to 9%
Total Civil	*5%*	*7%*	
Defence	7%	10%	7 to 9%
Energy	9%	19%	>5%
Other	(22%)	9%	
Total Group	**4%**	**9%**	**7 to 8%**

Revenue by market

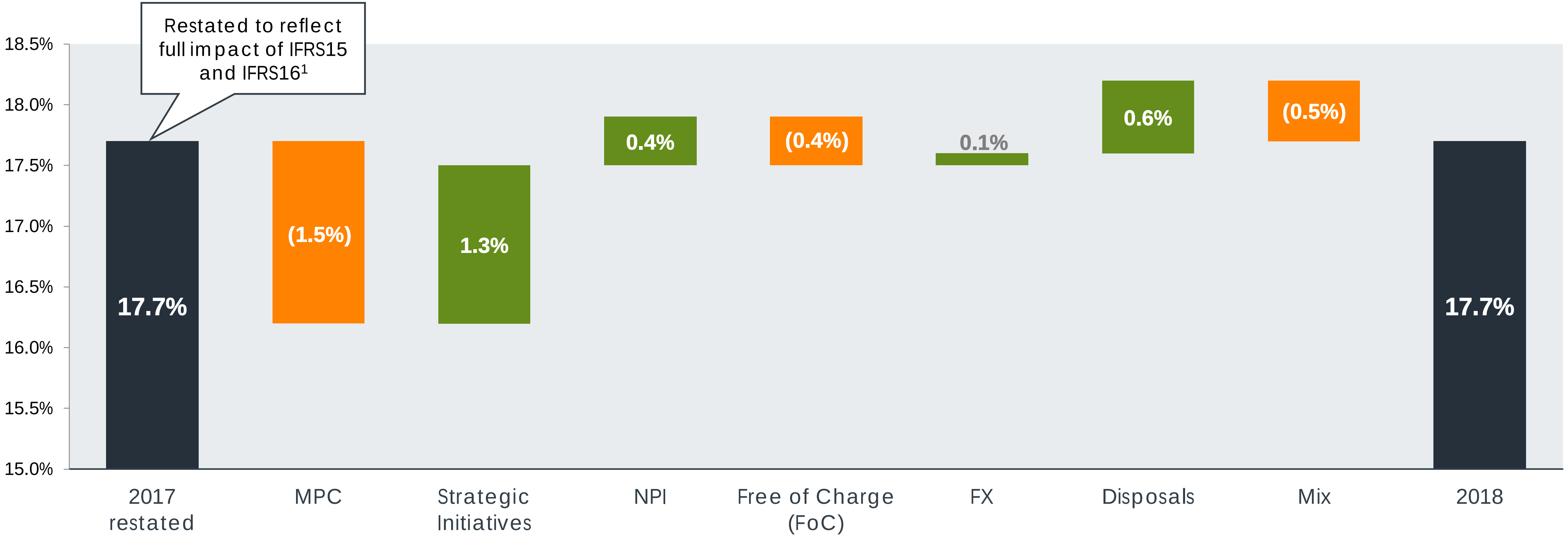


OE: 52%, Aftermarket: 48%

[1] From: 'Q3 trading update and upgrade to 2018 revenue guidance' 16 October 2018

Underlying operating profit

Strategic initiatives offset composites headwind and FoC growth



[1] Supersedes 'Restatement for new IFRS standards' guidance issued to market on 10 Dec 2018

Divisional performance

Summary

Underlying	Revenue		Operating profit	Operating margin	
		Organic Growth		2018	*2017*[1]
	£m	%	**£m**	%	%
Aircraft Braking Systems	382	1	122	*31.8*	*35.0*
Control Systems	576	13	127	*22.1*	*22.5*
Polymers & Composites	389	16	6	*1.5*	*7.1*
Sensing Systems	499	4	84	*16.8*	*12.8*
Equipment Group	236	12	29	*12.2*	*5.8*
Total	**2,081**	**9**	**367**	**17.7**	**17.7**

Unfavourable mix and higher FoC costs

Good performance in civil AM further enhanced by distributor stocking, together with strong military growth

Strong demand for composites on new generation engines where elevated and extended learning curve costs have constrained margin

Operational efficiencies and lower NPI more than offset significant increase in FoC costs

Return to profitability at Heatric and margin accretive divestments

[1] Restated for IFRS 15 /16

New Reporting Structure

Pro-forma 2018 results by new division

CAPABILITY BASED STRATEGIC BUSINESS UNITS

- Aircraft Braking Systems
- Polymers & Composites
- Control Systems
- Sensing Systems
- Equipment Group

CUSTOMER-ALIGNED DIVISIONS	PRODUCT GROUPS	EXTERNAL REVENUE FY18[1]	UOP% FY18
AIRFRAME SYSTEMS	6 Product Groups: Braking Systems; Fire Protection & Safety Systems; Power & Motion; Fuel Systems & Composites; Avionics & Sensors; Polymer Seals	£1,009m	25.7%
ENGINE SYSTEMS	4 Product Groups: Engine Sensors; Flow Control; Thermal Management; Engine Composites	£279m	6.6%
ENERGY & EQUIPMENT	5 Product Groups: Energy Sensors & Controls; Heatric; Industrial Equipment; Training Systems; Defense Systems	£372m	8.3%
SERVICES & SUPPORT	3 Regions: Americas; Europe, Middle East & Africa; Asia Pacific	£395m	14.7%

[1] External revenue excludes £26m from divestments / assets held for sale

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Free cash flow

Investments in pension and inventory offset growth in EBTIDA

£m	2018	2017[1]	Change
Underlying EBITDA	**462**	**448**	14
Working capital movement	(30)	3	(33)
Capex	(72)	(78)	6
Capitalised development costs	(59)	(63)	4
Programme participation costs[2]	(1)	(4)	3
Underlying operating cash flow	**300**	**306**	(6)
Pension deficit payments	(68)	(34)	(34)
Operating exceptionals	(12)	(14)	2
Interest & tax	(53)	(61)	8
Free cash flow	**167**	**197**	(30)
Free cash conversion	***63%***	***80%***	

£38m investment in inventory to support revenue growth and to build buffer stocks ahead of site consolidations and Brexit

One-off £30m payment to reduce US deficits which is deductible against 2017 US taxable earnings

Excludes £21m inflow for sale of land and buildings anticipated in cash drivers guidance, which was received in Jan 2019

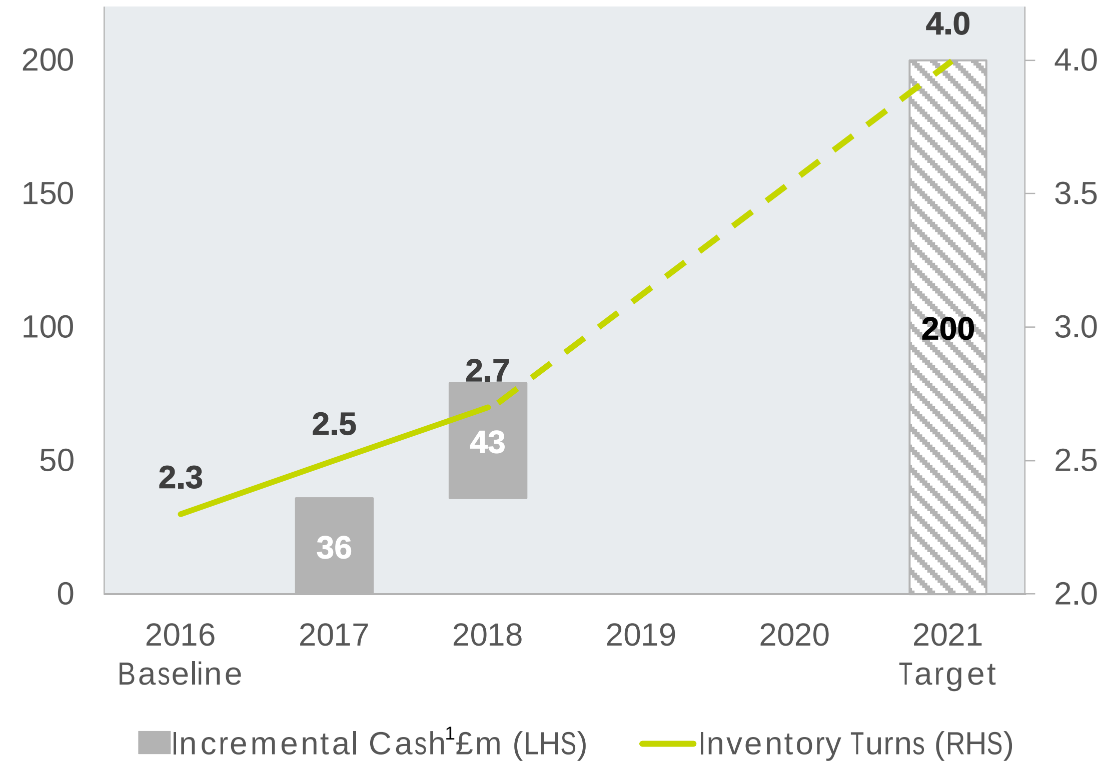
Implementation of IFRS 15 reduced taxable earnings in 2018

[1] Restated for IFRS 9 / 15 / 16
[2] Cash contributions only

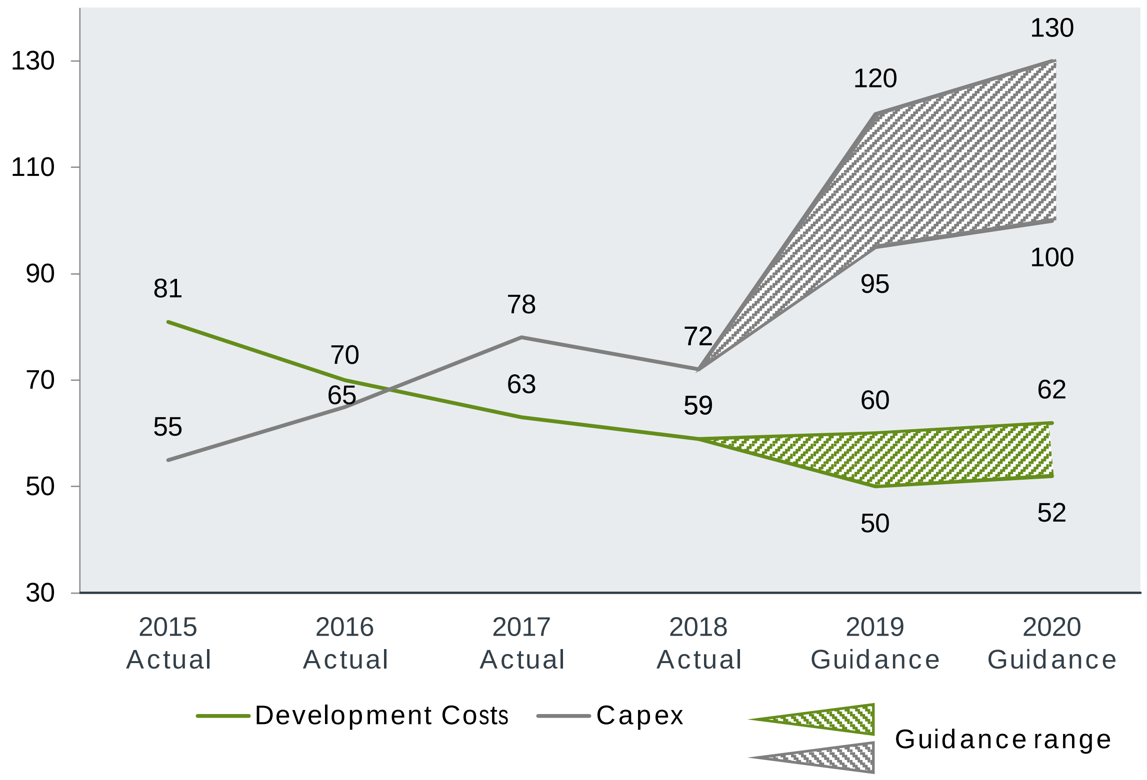
Cash drivers

Inventory turns and reduced development costs to be offset by increase in capex

Inventory Turns



Capitalised Development and Capex (£m)

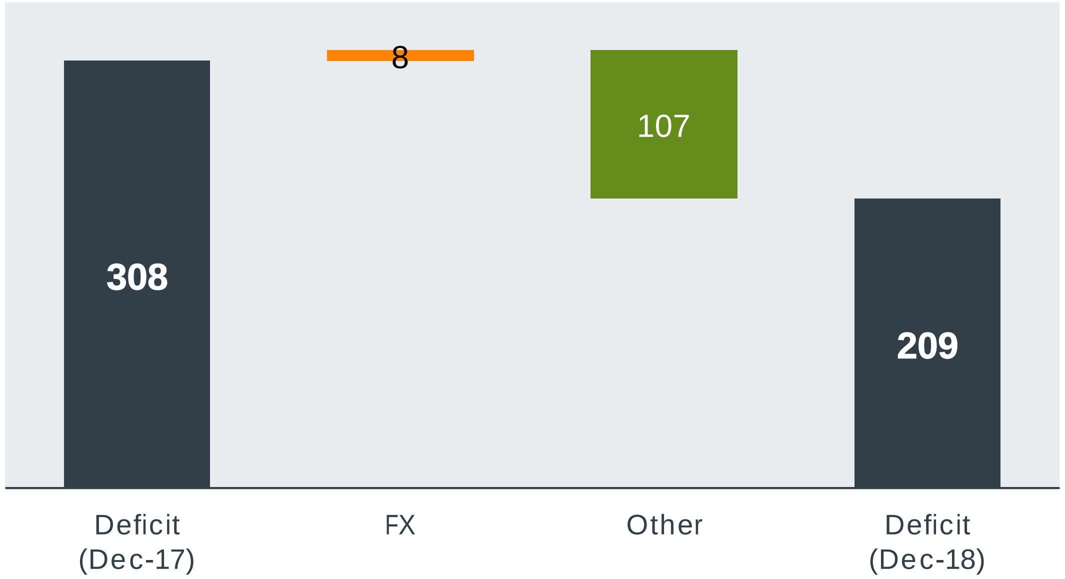


[1] Incremental cash vs 2.3x inventory turn baseline

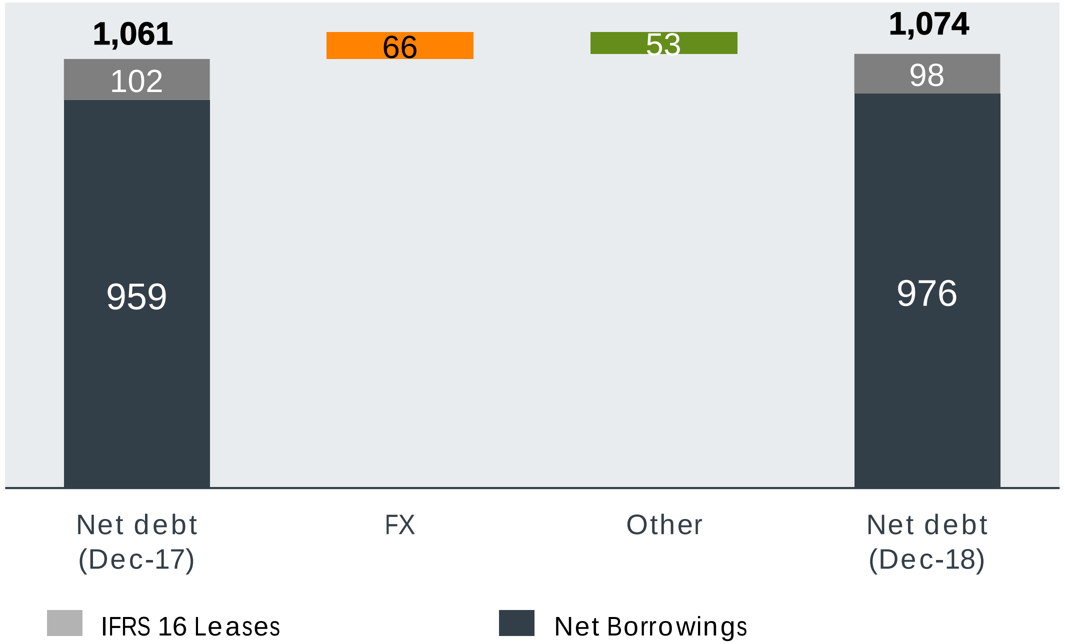
Financing and covenants

Balance sheet in good health

Retirement benefit deficit £m



Net debt £m



Net debt : EBITDA reduced to 2.3x (2017: 2.4x) and 1.8x on covenant basis[1] (2017: 1.9x)

[1] On a covenant basis, net debt: EBITDA should not exceed 3.5x

MARKET AND STRATEGY OVERVIEW

Tony Wood
Chief Executive

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Market dynamics

Good performance in growing end markets

Civil OE
(22% of revenue)

- 6% growth in large jet deliveries
- 11% decline in regional jet deliveries
- 7% decline in super mid-size and large cabin business jet deliveries

Civil AM
(32% of revenue)

- 6% growth in air traffic
- 28% decline in large jet retirements
- 5% growth in large regional jet utilisation
- Flat business jet utilisation

Defence
(35% of revenue)

- Global defence spending grew by 5% in 2018
- DoD budget growth of 10% in 2018 for procurement, RDT&E and O&M
- Strong growth on new programmes (e.g. F-35) and retrofits (e.g. F/A-18)

Energy
(6% of revenue)

- 10% growth in oil and gas capex in 2018
- Challenging market for large frame gas turbines
- Growth in renewables increasing demand for small frame turbines

NB – Group includes 5% of from ‘other’ revenues

Our strategy

Four priorities to increase growth and returns

PORTFOLIO STRATEGY
Attractive markets
Strong positions
World class technology

CUSTOMERS
Upper quartile performance
OE / aftermarket growth

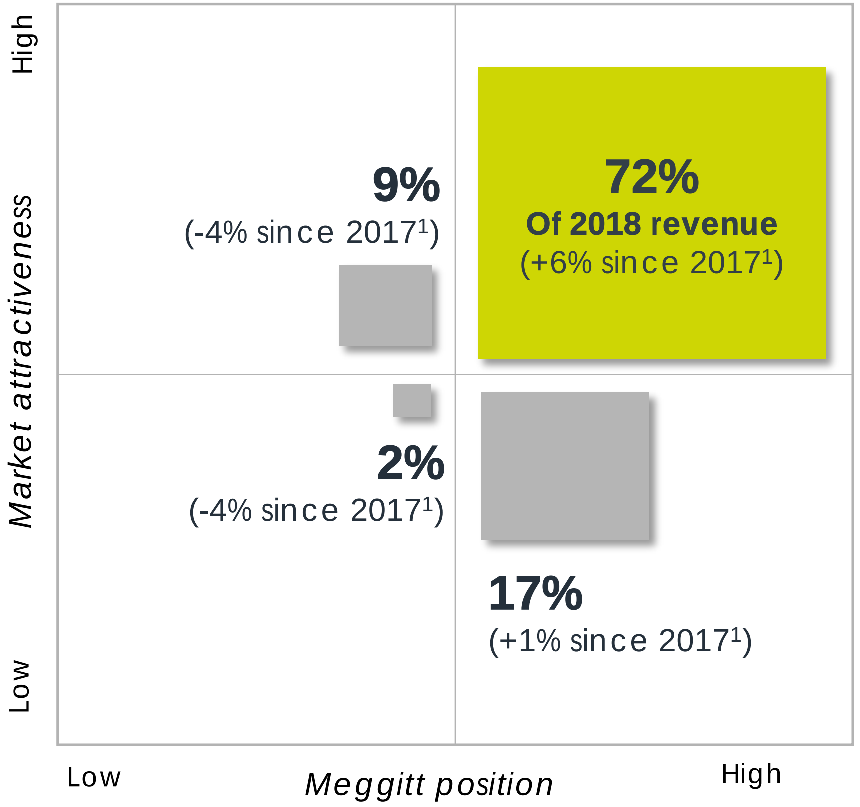
GROWTH
ROCE

COMPETITIVENESS
Productivity
Inventory
Purchasing
Footprint

CULTURE
High performance culture
Diversity & inclusion
Employee engagement

Portfolio

72% of revenue in attractive markets where we have strong positions



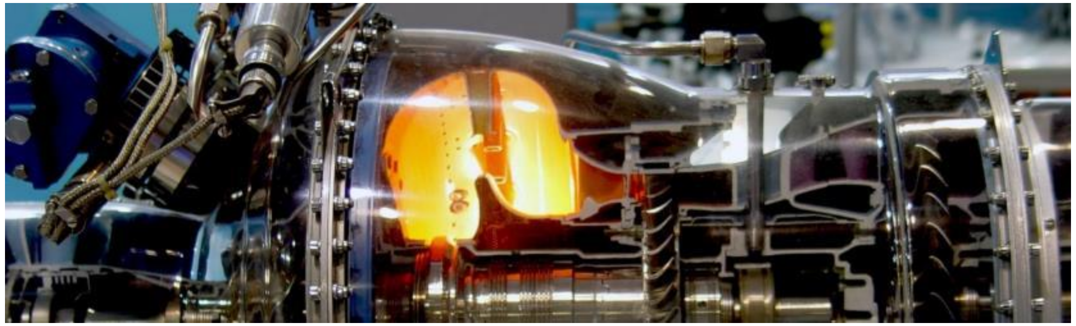
Levers for further portfolio improvement

- **Non-core divestments** of businesses in unattractive markets
- Accelerating **growth** in 'focus' market segments
- Improving our competitive position through:
  - Deployment of **MPS**
  - Investment in **differentiated technology**
  - **Bolt-on acquisitions**

[1] Change in revenue by quadrant compared to initial disclosure during 2017 Capital Markets Day (16 May 2017)

Portfolio

Investing in differentiated product and manufacturing technologies



Thermal Systems

- Meggitt has a 100 year pedigree in thermal management including good content on Leap and GTF engines
- Step change in thermal management requirements on next gen ultra-high bypass ratio engines
- **Meggitt next gen thermal systems key to enabling significant improvement in weight and space envelope**

Multiaxial Compression Moulding

- Proprietary composites fabrication process
- Applies pressure to the composite parts in multiple axes whilst being cured at high temperatures
- Enables the manufacture of engine stators for the compressor on the F-135 engine
- **$750m contract with Pratt & Whitney to provide composite components to F-135 and F-119 engines**

Customers

Expanding relationships with key customers through differentiated technology

Boeing
Fuel tanks for V-22, F-15 and AH-64

UTC
F-135 & F-119 engine composites

Textron
Wireless tyre pressure monitoring

Airbus
A321neo brakes

GE
Long term agreement

Modec
Printed Circuit Heat Exchangers

1.08
Book to bill[1]

Defense Logistics Agency
Brakes & fuel tanks

Safran
Leap engine composites

Siemens
Condition Monitoring Equipment

[1] Organic book to bill

Customers

Building capability in Services & Support

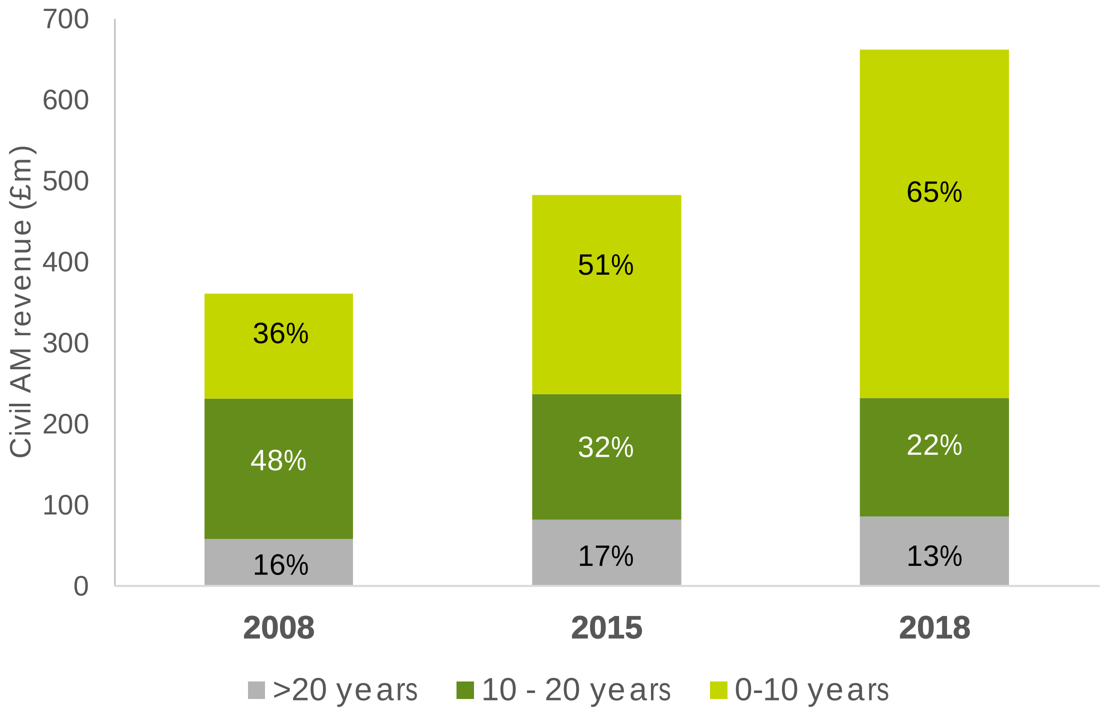
Growing market share in 2018 through Smart Support[TM]

Tailor made care packages to support our customers through-life

- Predictive maintenance
- Fixed price repairs
- Power by the hour
- Exchange pools
- Used surplus material
- Retrofit modification and upgrade

Refreshing our aftermarket annuity

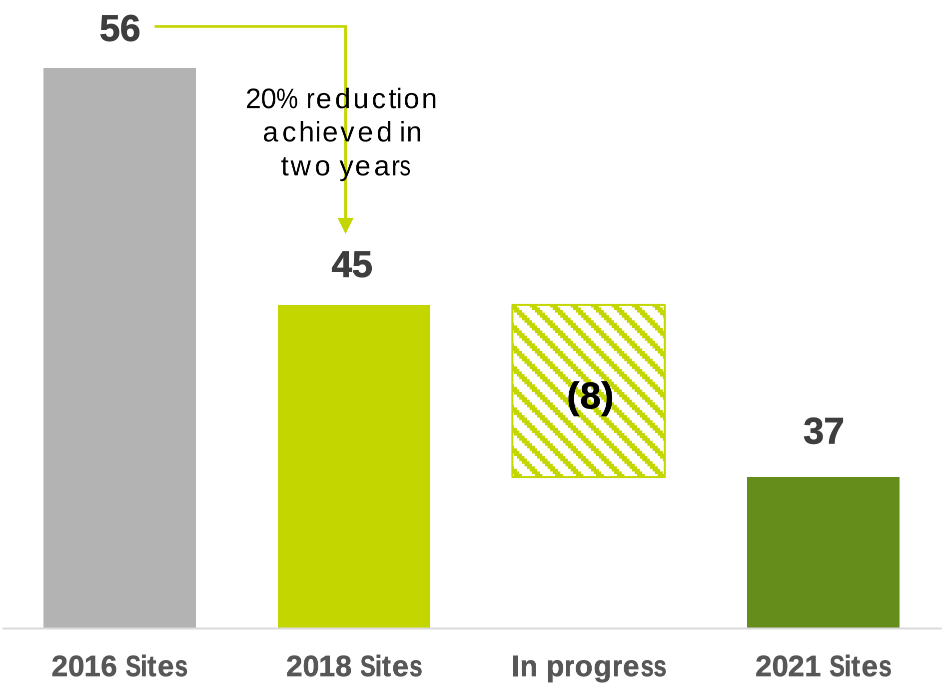
% of Civil AM revenue by fleet average age



Competitiveness

2021 target for footprint reduction achieved ahead of plan

Site footprint vs 2016 baseline[1]



Vietnam low cost manufacturing – 100% increase in capacity

Mexico advanced composites facility – 50% increase in capacity

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

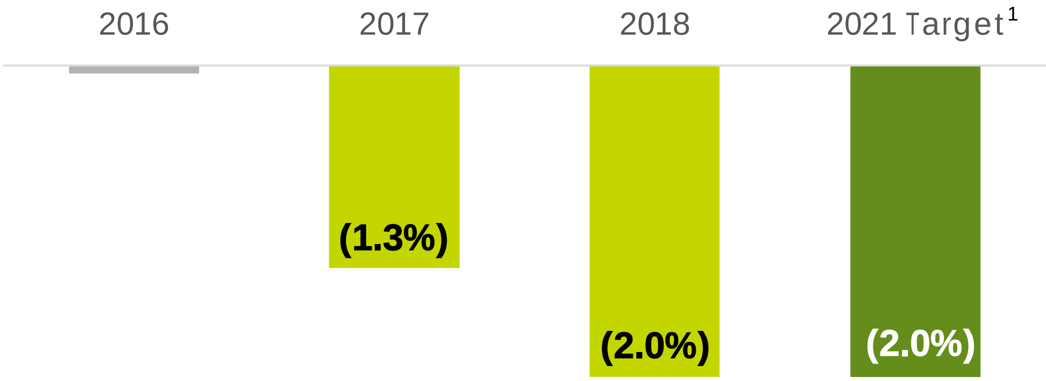
Progress at Ansty Park, UK – Due to open in early 2020

[1] Baseline published during 2017 Capital Markets Day

Competitiveness

2021 target for purchased cost reduction achieved ahead of plan

Purchased cost variance (PCV) 2016-18



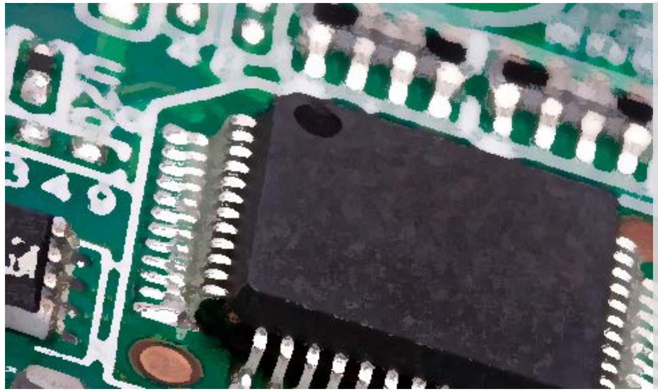
2018 supply base transformation

9% ⬇
direct materials suppliers

26% ⬆
average purchase transaction value

46%
Of direct spend with preferred suppliers

Case Studies – Low cost sourcing



$15m annual PCBA purchasing sourced from Malaysia

~20% savings when fully deployed in 2020 with preferred supplier

$22m annual machining moved to low cost regions following latest supplier conference

~10% savings delivered in 2018

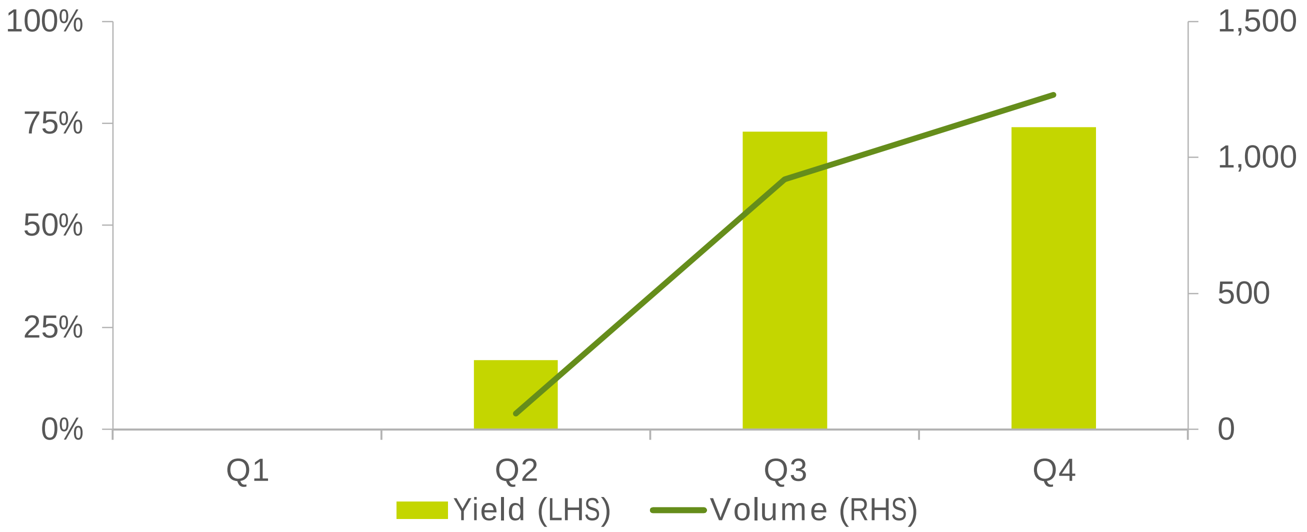
[1] 2021 target set during 2017 Capital Markets Day

Competitiveness

Improving operational performance in engine composites

Operational performance achieved in 2018

Example for one key part type



Improvements on four key part types

2x	4x	29%
average yield improvement H2 vs H1	average growth in output H2 vs H1	Growth in revenue at Erlanger in 2018

Key levers for cost reduction in 2019

- Further improve yield and reduce scrap
- Increase productivity and release contract labour
- Transfer volume production to low cost sites

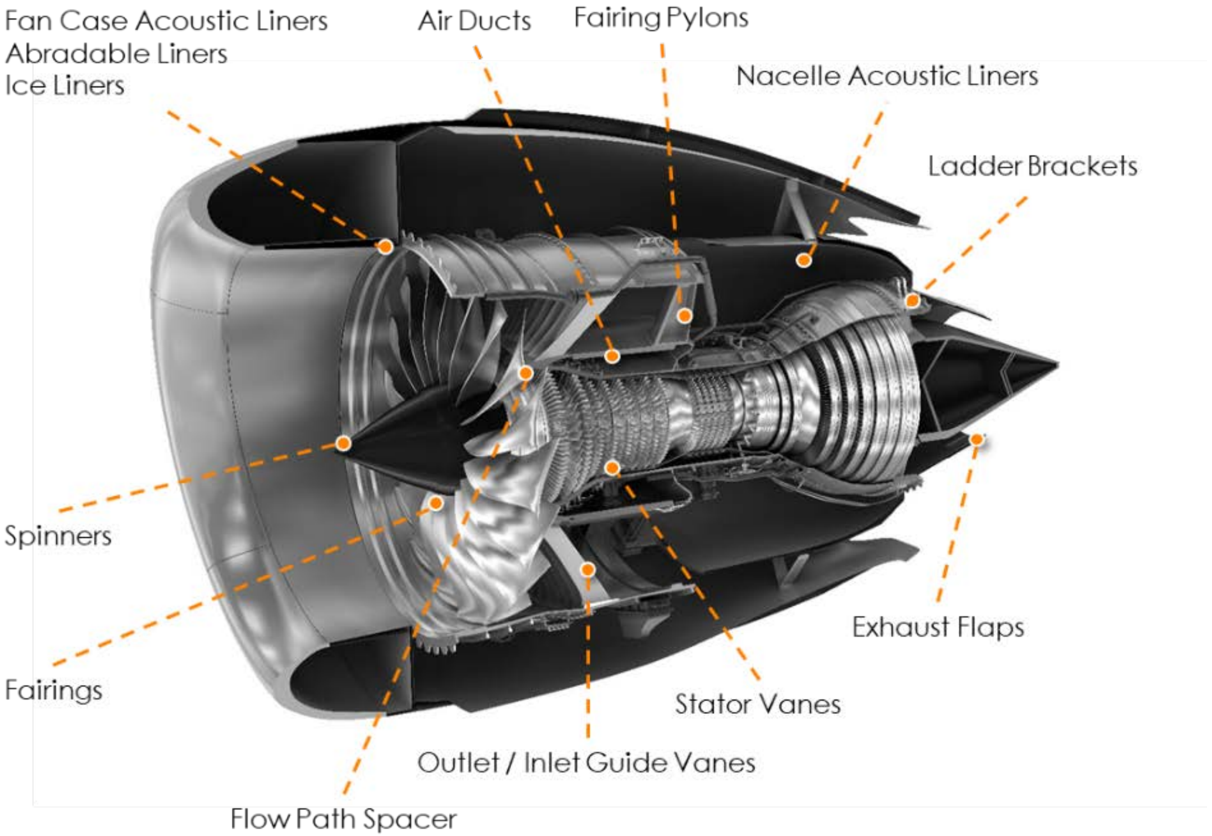
Financial improvements to accelerate through 2019

Competitiveness

Building a market leading capability in the high growth engine composites market

- ~$1bn annual market for aero-engine composite components
- Rapid growth as new engines replace metallic components with composites to save weight
- Fragmented competition
- Significant technical barriers for complex and high temperature parts
- Manufacturing / process IP critical

Meggitt Engine Composite Capability



Culture

The benefits of our High Performance Culture

- High Performance Culture now rolled-out to 2,000 leaders
- Notable improvement in employee engagement
- Strong health and safety performance
- New customer-aligned organisation in place to accelerate long term growth

GUIDANCE

Tony Wood
Chief Executive

2019 outlook

Revenue guidance

Civil OE	Civil AM	Defence	Energy
4% to 6%	**3% to 5%**	**4% to 6%**	**0% to 5%**
Organic growth	Organic growth	Organic growth	Organic growth

Civil OE
- Large jet growth underpinned by strong shipset content
- Strong 2018 business jet comparator
- Regional jet deliveries to fall further in 2019

Civil AM
- Content on new aircraft continues to drive growth
- One-off distributor stocking accelerated growth in 2018
- Regional and business jet utilisation (46% of revenue) to grow more slowly than large jet

Defence
- 3% growth in US defence spending on procurement, O&M and RDT&E
- Slower growth in non-US defence budgets (27% of revenue)

Energy
- Improving outlook for power generation
- Heatric recovery accelerated growth in 2018

3% to 5% Group organic growth in 2019

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2019 outlook

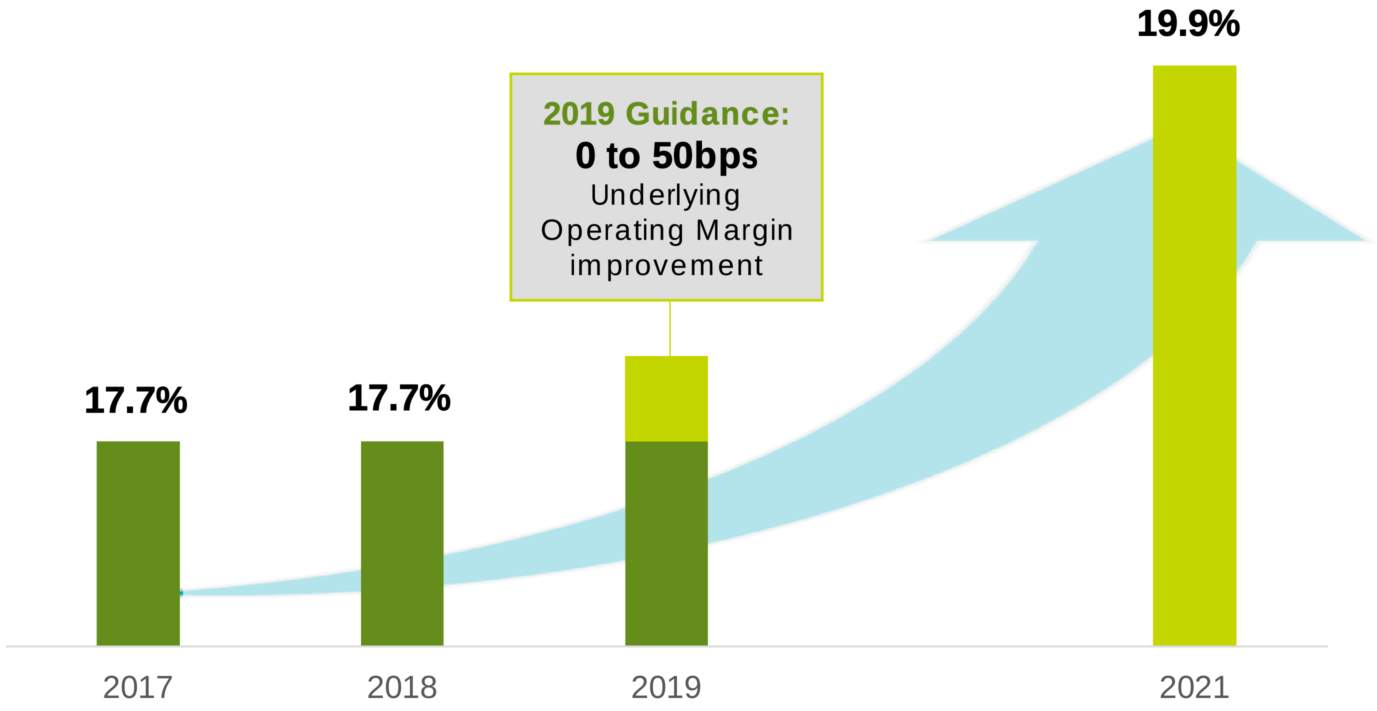
Margin guidance

Strategic initiative tailwinds

- 2% direct purchased cost savings
- Productivity improvements from MPS
- Lower new product introduction costs
- Site consolidation efficiencies
- Financial improvement at Composite sites

Fleet renewal headwinds

- Increased depreciation and amortisation
- Civil OE growing faster than aftermarket
- Accelerated growth of free of charge content



8 May 2019: Capital Markets Day
Roadmap to 2021 targets and medium term potential

Summary

A landmark year for Meggitt

- **Competitive positions in attractive markets underpin 9% organic revenue growth**
- **Increasing benefit of strategic execution offset near term headwind in Composites and FoC growth**
- **Continued progress in strategy deployment**:
  - Transformational A321neo brakes and F-135 / F-119 composites wins secured
  - Immediate portfolio re-focusing actions completed
  - 20% footprint reduction delivered
  - 2% purchasing target achieved
  - 2.7x inventory turns
  - New customer-facing organisation implemented in January 2019
  - Installed base grown to over 71k aircraft

Appendix

Statutory profit reconciliation

Appendix 1

	FY18	FY17
Underlying operating profit	**367.3**	**353.3**
Mark to market of derivatives	(10.1)	60.7
Acquisitions and disposals	25.1	25.3
Programme impairment	-	(58.0)
Site consolidations	(28.7)	(7.9)
Acquisition integration and business restructuring	(3.8)	(7.2)
Amortisation of acquired intangibles	(91.5)	(93.5)
GMP pension equalisation	(1.7)	-
Statutory operating profit	**256.6**	**272.7**

Currency impact

Appendix 2

	H1 2018 Act	FY 2018 Act	H1 2019 Est	FY 2019 Est
$/£ rate				
Translation rate	1.36	1.31	1.30	1.30
Transaction rate (hedged)	1.43	1.44	1.43	1.43
Euro rate				
€/£ Translation rate	1.14	1.13	1.13	1.13
$/€ Transaction rate (hedged)	1.21	1.21	1.19	1.19
CHF rate				
CHF/£ Translation rate	1.33	1.30	1.30	1.30
$/CHF Transaction rate (hedged)	1.07	1.06	1.07	1.07
PBT impact £m				
Year-on-year translation		(2.7)		
Year-on-year transaction		1.5		
Year-on-year currency benefit/(headwind)		**(1.2)**		

Currency sensitivity:

± 10 US$ cents = ± £115m Revenue; ±16m PBT
± 10 Euro cents = ± £11m Revenue; ± 2m PBT
± 10 Swiss cents = ± £9m Revenue; ± 3m PBT

Operating exceptionals

Appendix 3

£m	2018 Actual at $1.31	2019 Guidance at $1.30
P&L charge		
Site consolidations	28.7	25 – 30
Business restructuring costs	3.1	3 – 6
GMP pension equalisation	1.7	-
Integration of acquired businesses	0.7	-
Total	**34.2**	**28 – 36**
Cash out		
Site consolidations	8.2	29 – 34
Proceeds from sale of land	-	(21)
Business restructuring costs	3.1	3 – 6
Integration of acquired businesses	0.7	-
Total	**12.0**	**11 - 19**

Cash drivers

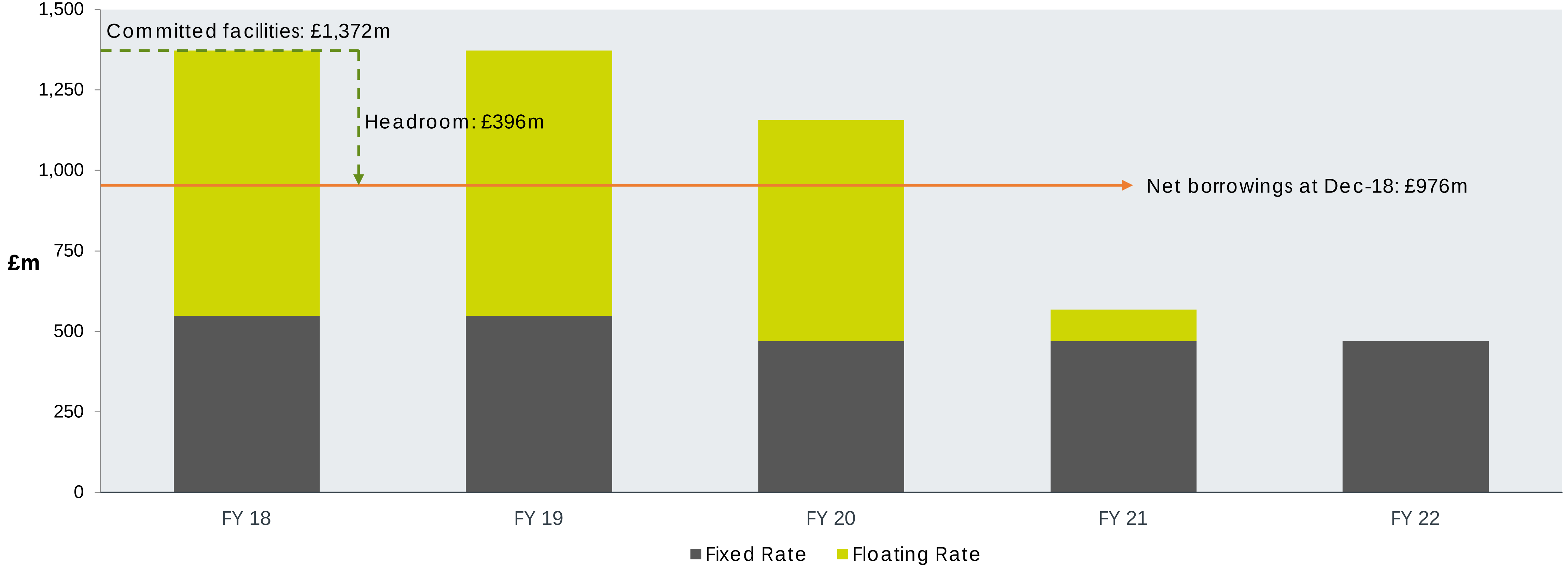
Appendix 4

£m	2018 Actual at $1.31	2019 Guidance at $1.30	2020 Guidance at $1.30
1. R&D			
Group spend (less charge to WIP/COGS)	**107**	**90 – 105**	**95 – 110**
Capitalisation	(59)	(50) – (60)	(52) – (62)
Amortisation/impairment	22	28 – 33	35 – 40
Charge to net operating costs	**70**	**68 – 78**	**78 – 88**
2. Fixed assets			
Capital expenditure	72	95 – 120	100 – 130
Depreciation	(71)	(77) – (82)	(85) – (95)
3. Retirement benefit deficit payments	68	37	37
4. Free of charge costs			
Expensed	67	77 - 90	85 - 100

Credit maturity profile

Appendix 5

	Covenant	Actual
Net debt:EBITDA	≤3.5x	1.8x
Interest cover	≥3.0x	14.7x



Retirement benefit obligations

Appendix 6

£m	FY 2017	FY 2018
Opening deficit	(414.7)	(308.1)
Net deficit payments	33.5	67.6
Actuarial movements - assets	56.8	(52.1)
Actuarial movements - liabilities	9.8	98.3
	66.6	46.2
Other movements (including FX)	6.5	(14.8)
Closing deficit	(308.1)	(209.1)
UK discount rate	2.55%	2.90%
US discount rate	3.55%	4.15%

Shares in issue

Appendix 7

Share in millions

	FY 2017	FY 2018
Opening	775.7	776.4
Share schemes	0.7	0.5
Closing	776.4	776.9
Average[1]	**774.2**	**773.2**

[1] Adjusted to exclude own shares

Capital allocation priorities

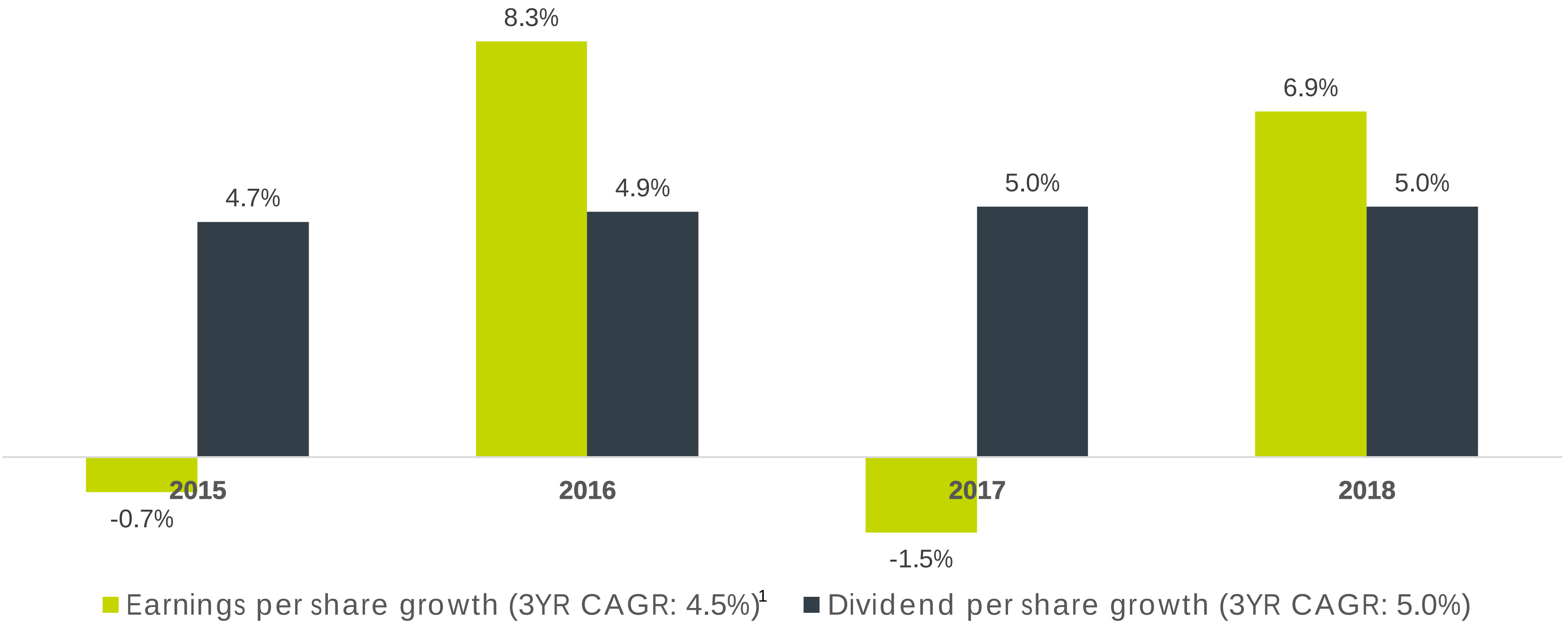
Appendix 8

CONTEXT
Cash generative business model
Passed the peak of a major development cycle
Normal net debt : 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

Dividend history

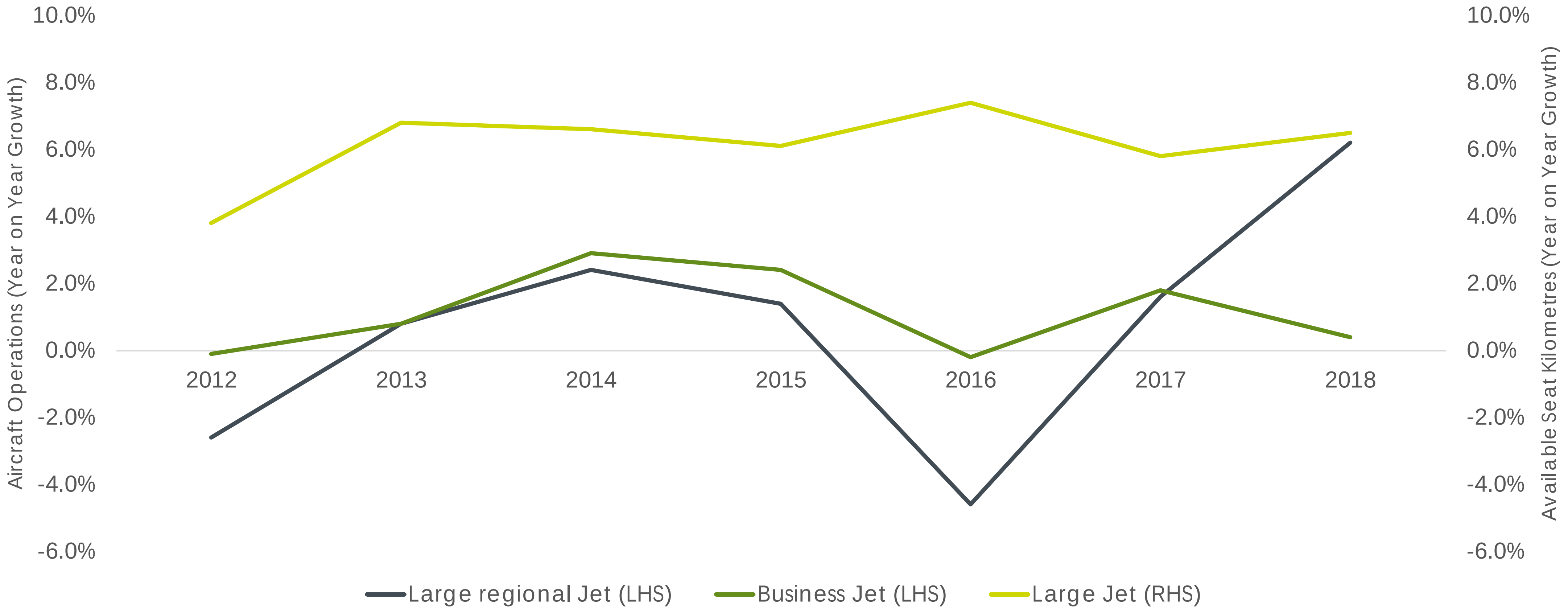
Appendix 9



[1] 2017 EPS restated to reflect the full effects of IFRS 15 and IFRS 16. For earlier years, EPS figures have been restated only to reflect the actual effects of expensing FOCs

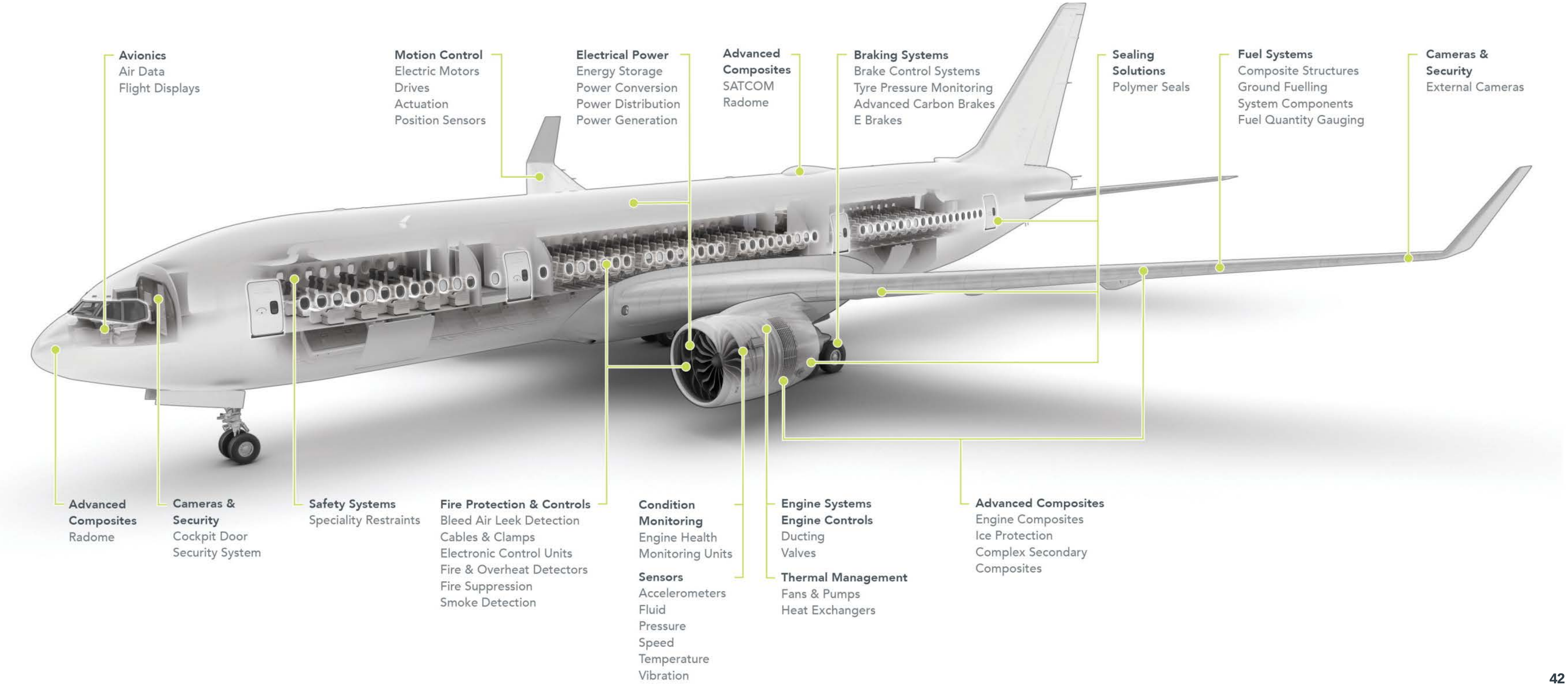
Market data – aircraft utilisation

Appendix 10



Meggitt capabilities

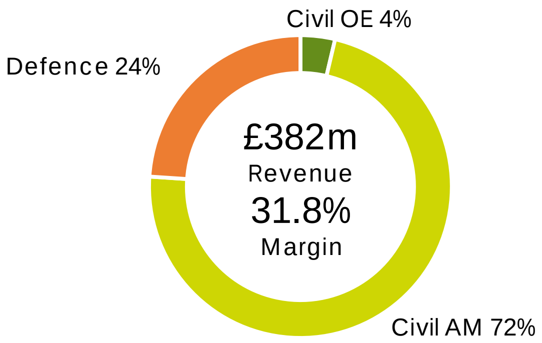
Appendix 11



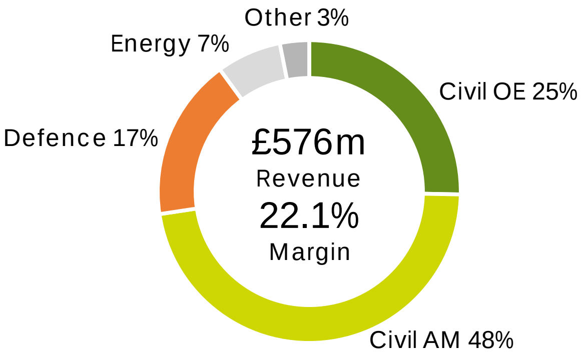
Market segment exposures

Appendix 12

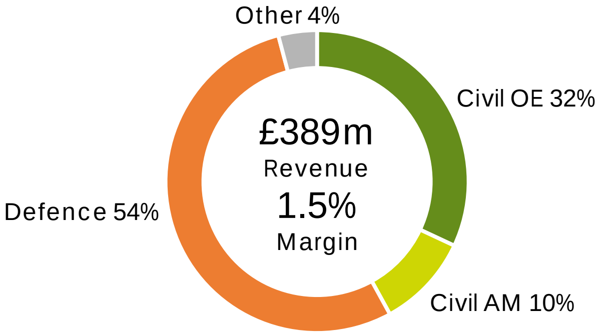
Meggitt Aircraft Braking Systems



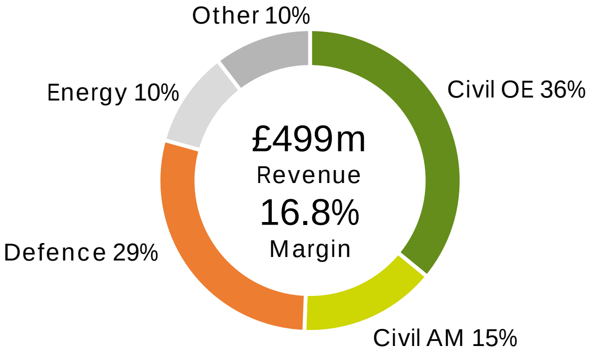
Meggitt Control Systems



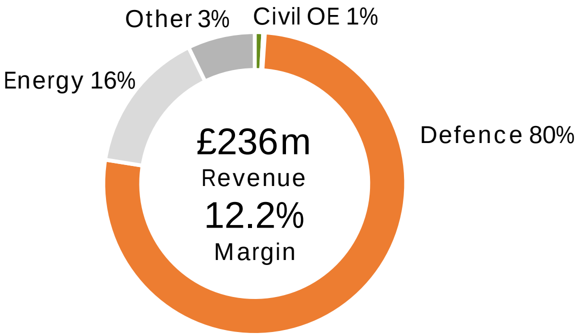
Meggitt Polymers & Composites



Meggitt Sensing Systems



Meggitt Equipment Group



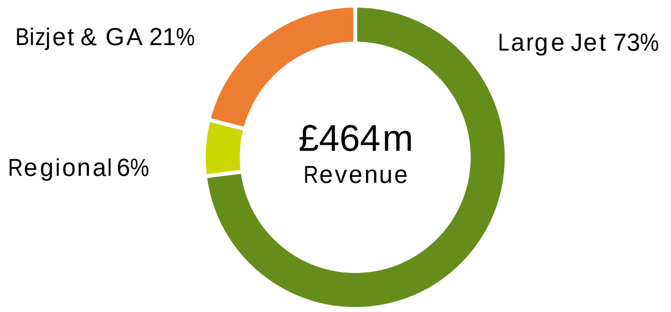
LEGEND

- Civil OE
- Civil AM
- Defence
- Energy
- Other

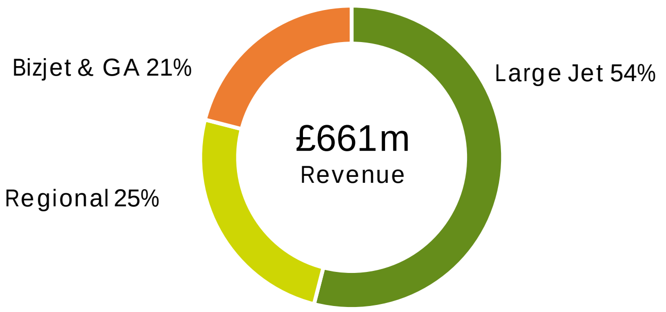
Market segment exposures

Appendix 12

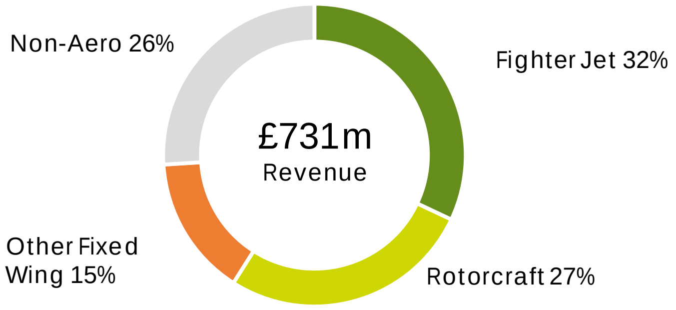
Civil OE



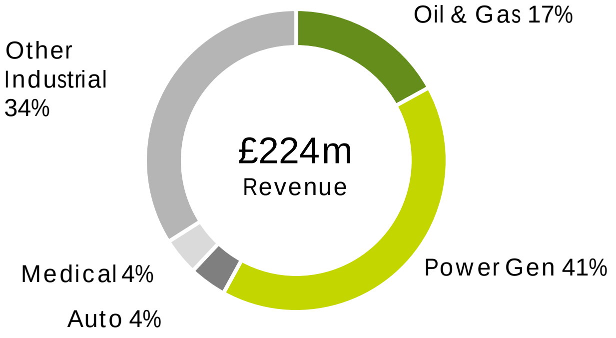
Civil AM



Defence



Energy & Other



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Revenue growth by quarter

Appendix 13

Organic Growth	Q1 2018	Q2 2018	H1 2018	Q3 2018	Q4 2018	H2 2018	FY 2018
Civil OE	(1%)	9%	4%	5%	11%	8%	6%
Civil Aftermarket	7%	14%	11%	10%	1%	5%	8%
Defence	0%	15%	8%	11%	14%	13%	10%
Energy	40%	23%	31%	(8%)	24%	9%	19%
Other	14%	5%	10%	(7%)	26%	8%	9%
Group	**5%**	**14%**	**9%**	**7%**	**10%**	**9%**	**9%**

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