2019 CAPITAL MARKETS DAY

Wednesday 15 May
2019 Capital Markets Day

Objective and Agenda

To provide an update on our progress in strategy execution and how it underpins our confidence in delivering margin and cash targets by 2021

0900: Market and strategic context
Tony Wood  Chief Executive Officer

0920: Investing in technology to sustain long term competitive advantage
Hugh Clayton  Engineering & Strategy Director

0940: Increasing Meggitt Production System (‘MPS’) maturity and optimising our global footprint
Russell Buxton  Operations Strategy Director

1000: Q&A / Break

1045: Reducing costs through centre-led procurement
Chris Bryant  Chief Procurement Officer

1105: Accelerating growth through our customer aligned organisation
Chris Allen  President – Airframe Systems

1120: Delivering our 2021 targets
Louisa Burdett  Chief Financial Officer

1140: Closing Remarks
Tony Wood  Chief Executive Officer

1145: Q&A

1215: Lunch

Speaker biographies included in appendix
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STRATEGIC OVERVIEW

Tony Wood
Chief Executive

2019 Capital Markets Day
Enabling the Extraordinary
To Fly; To Power; To Live

- Deep intellectual property underpins differentiated technology and products
- Broad exposure across aerospace, defence and selected energy markets
- Installed base of 71k aircraft
- 70%+ of revenue from sole-source contracts
- Building and supporting our aftermarket annuity
Market Dynamics

**Strong Macros**

**Air traffic growth forecast (Global RPKs)**

- World Air Traffic Growth (Trillions RPK)
- 4.5% p.a. growth

**Defence spending (US DoD $bn)**

- 4% p.a. base budget growth

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GROWTH IN AIR TRAVEL AND DEFENCE SPENDING UNDERPINS HEALTHY OUTLOOK

2019 Capital Markets Day


Note: DoD base budget includes OCO for base spending in 2020 / 2021. Chart excludes emergency funding.
Market Dynamics

The ramp up on new civil programmes is far from over

Narrowbody ramp-up - A320neo (deliveries)

<table>
<thead>
<tr>
<th>Year</th>
<th>Deliveries</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>181</td>
</tr>
<tr>
<td>2018</td>
<td>404</td>
</tr>
<tr>
<td>2019</td>
<td>633</td>
</tr>
<tr>
<td>2020</td>
<td>687</td>
</tr>
<tr>
<td>2021</td>
<td>723</td>
</tr>
</tbody>
</table>

Narrowbody ramp-up - 737MAX (deliveries)

<table>
<thead>
<tr>
<th>Year</th>
<th>Deliveries</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>76</td>
</tr>
<tr>
<td>2018</td>
<td>259</td>
</tr>
<tr>
<td>2019</td>
<td>496</td>
</tr>
<tr>
<td>2020</td>
<td>660</td>
</tr>
<tr>
<td>2021</td>
<td>660</td>
</tr>
</tbody>
</table>

Source: Meggitt Forecast, FlightGlobal - Boeing forecast updated to reflect 5 April revision to production schedule
Market Trends
Navigating uncertainty and opportunity

1. Environmental Impact
2. Digitisation
3. Additive Manufacturing
4. Airframer Business Models
5. Market Consolidation
6. Geo-Political Uncertainty

Our markets will change materially over the next ten years
Market Trends
Implications for aerospace and defence suppliers

Develop differentiated technology
Successfully deliver ramp up
Ensure a competitive cost base
Invest in world class equipment, facilities and processes
Closer alignment with customer operations
Attract and retain the best talent
Build a resilient balance sheet

ONLY THE BEST SUPPLIERS WILL PROSPER
Our Strategy
Four priorities to accelerate growth and returns

**STRATEGIC PORTFOLIO**
- Attractive markets
- Strong positions
- World class technology

**CUSTOMERS**
- Upper quartile performance
- OE/aftermarket growth

**COMPETITIVENESS**
- Productivity
- Inventory
- Purchasing
- Footprint

**CULTURE**
- High performance culture
- Employee engagement & talent
- Diversity & inclusion

**GROWTH ROCE**

Strategy designed to build competitive advantage in an evolving market
Strategic Portfolio
Focused portfolio better equipped to accelerate growth and returns

2016 PORTFOLIO COMPOSITION

- Market attractiveness: L - 13%, H - 66%
- Meggitt position: L - 6%, H - 15%

2019 PORTFOLIO COMPOSITION

- Market attractiveness: L - 9%, H - 73%
- Meggitt position: L - 1%, H - 17%

MID TERM PORTFOLIO COMPOSITION

- Market attractiveness: L - 6%, H - 80%+
- Meggitt position: L - 15%, H - 13%

Strengthening Our Portfolio
Strategic Portfolio
Market share gains from out-investment vs market

DEEP IP ENABLES DIFFERENTIATION IN ATTRACTION MARKETS

R&D costs excluding customer funded R&D and amortisation of development costs
R&D peer group includes: Esterline, Moog, Woodward, Triumph

6.7% 7.7% 8.0% 6.3% 6.0% 5.1%

4.1% 4.2% 4.5% 4.6% 4.9% 4.3%

1.0% 2.0% 3.0% 4.0% 5.0% 6.0% 7.0% 8.0% 9.0% 10.0%

2013 2014 2015 2016 2017 2018

#1 in regional, bizjet and defence brakes
#1 in fire suppression and detection
#1 in sensing and monitoring
#1 in advanced composites
#1 in military fuel tanks
#2 in engine valves
#2 in engine thermal systems
Customers

Increased content on growing new Civil platforms

**MARKET SHARE GAINS UNDERPIN GROWTH POTENTIAL IN CIVIL**

Average shipset values for listed platforms

<table>
<thead>
<tr>
<th>Legacy</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>$110k</td>
<td>$185k</td>
</tr>
<tr>
<td>A320ceo, 737NG</td>
<td>A320neo, 737MAX, A220</td>
</tr>
</tbody>
</table>

**1.7x SHIP SET VALUE ON NEW NARROWBODIES**

<table>
<thead>
<tr>
<th>Legacy</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>$200k</td>
<td>$340k</td>
</tr>
</tbody>
</table>

**1.7x SHIP SET VALUE ON NEW WIDEBODIES**
Customers

Broad shipset exposure across all Defence platforms

Average shipset value by platform type

- **Rotorcraft**: $420k
- **Transport / Tankers**: $290k
- **Trainers / Special Mission**: $330k
- **Fighters**: $425k

**Figures**

- **Typhoon**: $935k
- **F/A-18**: $560k
- **F-35**: $415k
- **Gripen**: $325k
- **Rafale**: $125k

Positions on all of the fastest growing and hardest worked platforms
Aftermarket
Maximising the share of our growing annuity

- Build to order
- Build to forecast
- Transactional Relationships
- Smart Support Partnerships
- Siloed data capture
- Integrated data capture and analytics
- Distributed aftermarket operations
- 4 global spares hubs and optimised MRO network

A GLOBAL SERVICES CAPABILITY TO MAXIMISE OUR GROWING AFTERMARKET ANNUITY
**Competitiveness & Culture**

**Key initiatives**

### COMPETITIVENESS

**The Meggitt Production System**

**Footprint Optimisation**

**Centre-led Procurement**

### CULTURE

New customer-aligned organisation accelerating our journey to a more integrated group

- Aligning and growing with our customers
- Leveraging our scale
- Simplifying our organisation
- Strengthening our focus on innovation
- Underpinned by our HPC approach
### 2019 Capital Markets Day

#### 2021 Targets

**Good progress against targets for margin and cash improvement**

<table>
<thead>
<tr>
<th>2017 CMD OPERATIONAL REVIEW TARGETS</th>
<th>CURRENT STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Productivity</strong></td>
<td></td>
</tr>
<tr>
<td>Sites at latter phases of MPS deliver efficiencies (incl lower NPI)</td>
<td>60% of sites in Green+ stage</td>
</tr>
<tr>
<td><strong>Inventory</strong></td>
<td></td>
</tr>
<tr>
<td>Tums to improve from 2.3 to 4.0x (equates to £200m cash)</td>
<td>2.7x tums achieved in 2018</td>
</tr>
<tr>
<td><strong>Footprint</strong></td>
<td></td>
</tr>
<tr>
<td>20% reduction in footprint</td>
<td>21% footprint reduction achieved</td>
</tr>
<tr>
<td><strong>Purchasing</strong></td>
<td></td>
</tr>
<tr>
<td>Year on year net cost down on purchases</td>
<td>2% cost down in 2018</td>
</tr>
<tr>
<td><strong>Margin</strong></td>
<td></td>
</tr>
<tr>
<td>200 bps improvement (equates to 19.9% under IFRS15)</td>
<td>17.7% margin in 2018</td>
</tr>
</tbody>
</table>
TECHNOLOGY

Hugh Clayton
Group Engineering & Strategy Director
Key Themes
How we see the world

MANUFACTURING TECHNOLOGY
DIGITISATION
RELIABILITY
ENVIRONMENTAL IMPACT
SMARTER, MORE ELECTRIC FLIGHT

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Market Landscape
Opportunities in the near, mid and long term

**NEAR TERM**
- Supporting the ramp up of narrowbody production

**MID TERM**
- New Midsize Airplane (NMA)
- Geared Turbo Fan (GTF) 2.0

**LONG TERM**
- Next generation of regional jet and narrowbodies
How we manage technology investments

- Industry Research Programmes
- Acquisitions
- Sales & Marketing
- Emerging Technologies
- Technology Advisory Board
- Customer Engagement
- Technology Roadmaps
- Programme Governance
- Product Group Strategy
- Divisional and PLC Strategy
- Research & Technology Budgets
Focused investment in innovative technology

MATURING DIFFERENTIATED TECHNOLOGIES
BRAKING, THERMAL AND SAFETY SYSTEMS
OPTICAL SENSING
ENGINE COMPOSITES

DEPLOYING ENABLING TECHNOLOGIES
DIGITAL MANUFACTURING
DIGITAL SERVICES
ADDITIVE MANUFACTURING

UTILISING EXISTING TECHNOLOGIES
COMMERCIALISING OUR EXTENSIVE PORTFOLIO OF INTELLECTUAL PROPERTY
Technology Focus Areas

- THERMAL SYSTEMS
- OPTICAL SENSING
- ADVANCED MANUFACTURING
Today’s Thermal Systems

Ducted air oil mini-system mounted on fan case with plate & fin matrix cooler

Shell & tube Fuel-Oil heat exchanger mounted on fan case

Fuel bypass valve
Fuel in
Fuel out
Tomorrow’s Thermal Systems

Engines will be more efficient, with hotter and denser cores that require much more cooling

**NEAR TERM**

- Power Gearbox and Slim-Line Nacelle
  - 2x Heat Load

**LONG TERM**

- Colder air for turbine blade cooling
  - 4x Heat Load

- ‘More Electric’ Propulsion and Engine Systems
  - 10x Heat Load

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Step-change Thermal System Technology
Supporting aero engines of the future

Innovative Air-Oil Coolers

Diffusion Bonded Etched Plate Heat Exchangers

High fidelity, proprietary design tools

Advanced Plate & Fin Hex

Additively Manufactured Heat Exchangers
# Pioneering Optical Systems

Measuring temperature, pressure, strain & torque using fibre optic sensors.

<table>
<thead>
<tr>
<th><strong>KEY AREAS</strong></th>
<th><strong>Temperature measurement</strong></th>
<th><strong>Pressure measurement</strong></th>
<th><strong>Strain measurement</strong></th>
<th><strong>Physical properties</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bleed Air Leak Detection</strong></td>
<td><strong>Fire Detection</strong></td>
<td><strong>Pressure measurement for combustion control in both industrial and aero gas turbines</strong></td>
<td><strong>Landing gear strain and torque measurement</strong></td>
<td><strong>Emerging aero capabilities to measure smoke, exhaust gases, fuel, composite material properties</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Gas Turbine Temperature sensors</strong></td>
<td></td>
<td><strong>Structures and axles embedded in composites</strong></td>
<td></td>
</tr>
</tbody>
</table>
Advanced Manufacturing Technology

Robotic and additive manufacturing being used to improve composite production

Additive manufactured heat exchanges and valves

Intelligent workbench supporting A220 ramp 5 sites and 150 production cells in 2019

Software-connected machines
Summary

GROWING MARKET DEMAND + DIFFERENTIATED TECHNOLOGY + FLAWLESS OPERATIONS = SUSTAINABLE GROWTH & RETURNS
OPERATIONS STRATEGY

Russell Buxton
Operations Strategy Director
Operations Strategy
Driving sustainable improvements in competitiveness

Objectives

- Build capability for upper quartile performance
- Drive efficiency and leverage scale

Context

- Strong order book
- Significant new product introduction activity
- Historically fragmented footprint and supply chain
- Sites at varying maturity levels

Key focus areas

- Accelerate MPS maturity at 8 early stage sites
- Improve ‘manufacturability’ of new products
- Optimise our global footprint
- Reduce purchased costs and improve supplier performance
- Achieve 4 inventory turns
Competitiveness
The Meggitt Production System

- Global approach to Lean and High Performance Culture (HPC)
- Six stage programme
- Requires sustainable performance improvement
- Common standards
Meggitt Production System
Step-up in performance demonstrated at mature sites

On-Time Delivery

~75% average improvement in OTD%

Quality

~70% reduction in defect parts per million

Operational performance improvement enables

- Increased inventory turns
- Reduced NPI costs
- Improved productivity
Meggitt Production System
Driving all sites to green and beyond

% of sites at each MPS stage

2013: 24% 25%
2014: 29% 35%
2015: 29% 35%
2016: 4% 29%
2017: 4% 33%
2018: 9% 31%
2019F: 20% 20%
2020F: 2% 4%
2021F: 2% 4%
### Meggitt Production System

**Case Study - Leap machining kaizen**

<table>
<thead>
<tr>
<th>North Hollywood Leap Machining Kaizen</th>
<th>Key KPIs</th>
<th>Before</th>
<th>After</th>
<th>Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>WIP (pieces)</td>
<td>330</td>
<td>52</td>
<td><strong>84%</strong></td>
</tr>
<tr>
<td></td>
<td>Distance travelled (ft)</td>
<td>2,261</td>
<td>520</td>
<td><strong>77%</strong></td>
</tr>
<tr>
<td></td>
<td>Throughput (pieces per hour)</td>
<td>0.17</td>
<td>0.31</td>
<td><strong>82%</strong></td>
</tr>
<tr>
<td></td>
<td>Delivery (OTD%)</td>
<td><strong>84%</strong></td>
<td>100%</td>
<td><strong>19%</strong></td>
</tr>
</tbody>
</table>

**Further Kaizens being pursued to reduce cycle times, eliminate bottlenecks and re-evaluate standard work**
Meggitt Production System
Case Study - Improving inventory turns at Avrillé

7x
INVENTORY TURNS
ACHIEVED THROUGH
RELENTLESS APPLICATION
OF MPS PRINCIPLES

Daily layered accountability
70% of spend with preferred suppliers
Eliminating non-value add tasks
Make vs Buy strategy
Robust planning capability
Meggitt Production System
Improving manufacturability of composite spinners

20% IMPROVEMENT THROUGH SPINNER MANUFACTURABILITY KAIZEN

YIELD IMPROVEMENT

[Chart showing yield improvement from June 18 to December 18 with a 20% increase]
Footprint Strategy
Three pronged approach to optimise our global footprint

Consolidate small sites

Establish Super Sites / CoE’s

Expand low cost capability

2016 Sites: 56
Divest: 8
Acq: +1
Exits: -5
2019 Sites: 44
New: +1
Exits: 8
2021 Sites: 37

20% reduction
Footprint Case Study
Ansty Park Super Site

ANSTY PARK SUPER SITE
Full transition to state of the art manufacturing campus in 2020

HOME TO:

- BRAKING SYSTEMS
- THERMAL SYSTEMS
- SERVICES & SUPPORT HUB
- ENGINEERING CENTRE OF EXCELLENCE
- GROUP SHARED SERVICES
- GROUP HEADQUARTERS

Pictures: (L) Ansty Park construction progress as at May 2019; (R) Ansty Park architect’s impression January 2019
Operations Strategy
Summary

- MPS – the backbone of operational improvement
- Green+ focus underpins operational and financial improvement
- Footprint down over 20% since 2017 - driving further opportunities
- Ansty Park on plan for occupation in 2020
Our Objective

Reducing cost and building a supply chain for top quartile performance

Industry Best Practice

Focused Core of Strong Suppliers

Global Approach to Supplier Management

Effective, Integrated Procurement Teams

Meggitt Status End 2017

Fragmented spend
Mixed supplier performance (Q&D)

Inconsistent processes
Immature commodity strategies

Strong geographical coverage
Focused on local, tactical purchasing
Supply Chain
The Opportunity In Numbers

£615m
Direct Materials
Spend in 2018

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2017</th>
<th>2017</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of suppliers</td>
<td>6.1k</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of spend under category strategies</td>
<td>10%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of spend in low cost regions</td>
<td>6%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplier Delivery (OTIF)</td>
<td>94%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplier Quality (DPPM)</td>
<td>2,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of spend under LTA</td>
<td>21%</td>
<td></td>
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</tbody>
</table>
Supply Chain
The Opportunity In Numbers

2%

Net cost down on direct purchasing in 2018

- Number of suppliers: 6.1k (2017) to 5.3k (2018)
- % of spend in low cost regions: 6% (2017) to 7% (2018)
- % of spend under category strategies: 10% (2017) to 38% (2018)
- % of spend under LTA: 21% (2017) to 30% (2018)
- Supplier Delivery (OTIF): 94% (2017) to 89% (2018)
- Supplier Quality (DPPM): 2,000 (2017) to 2,500 (2018)
Purchasing Strategy
Focus areas to build strong and collaborative relationships with key suppliers
Supply chain rationalisation
Driving sustainable reduction in direct purchased costs

11 categories cover 70% of direct spend

<table>
<thead>
<tr>
<th>Categories</th>
<th>% of Spend</th>
<th># of Suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machining</td>
<td>33%</td>
<td>1,400</td>
</tr>
<tr>
<td>PCB</td>
<td>11%</td>
<td>1,200</td>
</tr>
<tr>
<td>Fasteners</td>
<td>25%</td>
<td>1,700</td>
</tr>
<tr>
<td>Consumables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elec Components</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elec Assemblies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cable / Wire</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metal Fabrications</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Castings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forgings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raw Materials</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Completed strategies for 5 categories - 38% of spend

~1,000 Supplier reduction*
~500 Supplier reduction*
~1,000 Supplier reduction*

2018 2019 2020 2021

* 5,300 total suppliers as at May 2019

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Category Strategy

Case Study - Low cost printed circuit board (PCBA) sourcing

- **Targeting ~70% reduction in total PCBA suppliers**
- **Consolidated demand across Meggitt**
  - Five major work packages
  - Annual spend of ~$15m (25% of total category)
- **Signed a long term preferred supplier agreement**
  - Low cost sourcing - Malaysia
  - Potential for 20% cost down when fully implemented
  - Reduced risk
  - Significant operational performance benefits
Data and Supplier Development

Data: Insights into Action

Data Driven Decision Making

Supplier Development:
Prevention Rather than Detection

- Zero Defect mind-set
- Collaborative approach
- Quality and delivery improvement

Supplier development

Product Conformance

- Regulatory compliance
- Product conformance
- Supplier scorecard control
Purchased cost reduction
Indirect cost reduction provides further opportunity

£325m
INDIRECT PURCHASING
(FY18)

Diverse spend with over 10,000 suppliers
Developing revised organisational model
Early focus on ‘low hanging fruit’
Mid-term drive 5%-10% aggregate savings target
Summary

Good progress on purchased cost reduction but plenty more opportunity to come

- Commodity strategy, building a **supply chain**, fit for the future

- Building relationships with **fewer, more capable suppliers** with the global reach to serve our business

- Long term relationships delivering **cost down and improved quality and delivery**

- Enabled by a Meggitt **procurement capability at the leading edge** in A&D
AIRFRAME SYSTEMS

Chris Allen
President - Airframe Systems
Airframe Systems

CAPABILITY BASED STRATEGIC BUSINESS UNITS
- Aircraft Braking Systems
- Polymers & Composites
- Control Systems
- Sensing Systems
- Equipment Group

CUSTOMER-ALIGNED DIVISIONS
- AIRFRAME SYSTEMS
  - Braking Systems
  - Fire Protection & Safety Systems
  - Power & Motion
  - Fuel Systems & Composites
  - Avionics & Sensors
  - Polymer Seals

PRODUCT GROUPS
- ENGINE SYSTEMS
- ENERGY & EQUIPMENT
- SERVICES & SUPPORT

EXTERNAL REVENUE FY18
- £1,009m

UOP% FY18
- 25.7%
Customers
The growth opportunity

15 CUSTOMERS ACCOUNT FOR 90%+ OF 10 YR PIPELINE

- 15 customers = 90%+ of opportunity and ~41K aircraft
- Over 100 platforms equipped with Meggitt technology
- 650+ live opportunities
- A tremendous opportunity for growth

2019 Capital Markets Day
Customer-aligned Organisation Structure

Initial insights

- Positive feedback from customers
- One sales team
- Cross-business ventures easier to execute
- Clear account strategies driving capital allocation
- Closer integration with Services & Support
Avionics & Sensors
Product Group growth drivers

CORE COMPETENCE

- The industry’s leading sensor company
- Data processing - sensor to answer
- Reliable, rugged electronics
- Pioneering wireless technology
Power & Motion

Product Group growth drivers

CORE COMPETENCIES

- Power-dense electrical machines
- Advanced, efficient power electronics
- High integrity, electrical actuation
- World-leading low cost manufacturing
Braking Systems

Product Group growth drivers

**CORE COMPETENCIES**

- High performance NuCarb®
- Total braking system capability
- Revolutionary eBrake® technology
- Competitive, global capability

Anti-skid brake control

Landing gear control

Steel and carbon fibre friction materials

Hydraulic brakes

Electric brakes

Main wheels

Landing systems monitoring

Hydro-mechanical, electro-mechanical, brake-by-wire, all electric control

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Polymer Seals
Product Group growth drivers

**CORE COMPETENCIES**

- Advanced composite structure sealing
- Leading provider of fire-rated solutions
- Proprietary automation technology
- World-leading low cost capability
Fire Protection & Safety Systems

Product Group growth drivers

**CORE COMPETENCIES**

- High integrity, trusted sensors
- Whole aircraft systems integration capability (engine, APU, cargo)
- Proprietary, particle discriminating smoke detection
- Market-ready with ‘green agent’ options
Fuel Systems & Composites

Product Group growth drivers

CORE COMPETENCIES

- Life-saving crashworthy technology
- Ballistic tolerance via proprietary self-sealing technology
- Radomes (RF transmissivity, aerodynamic loading)
- Composite anti-icing (rotary and fixed wing)
New Products
Coming Soon…

**wTPMS:**
OE and aftermarket opportunities

**Optical Sensing:**
Overheat sensing and landing gear monitoring

**Fuel Tanks:**
Commercial Crashworthy

**Energy Storage:**
SLA and Li-ion

**TDR:**
Hydraulic level and main fuel quantity

**vGen ISFD:**
777x and Airbus Helicopters

**Actuation:**
Electro-mechanical and pneumatic A320 Neo RTA, single aisle EPAS, canopy actuation

**Sealing:**
Fire Seals, Composite Structures

**Fire Protection:**
Environmentally friendly fire suppression agent

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EXTENSIVE CAPABILITY, BROAD CUSTOMER EXPOSURE, DIFFERENTIATED TECHNOLOGY
FINANCIAL OVERVIEW

Louisa Burdett
Chief Financial Officer
Financial Overview
Four key business models at Meggitt

Civil Aero
Typical Economics:
- Lower margin OE revenue
- Higher margin aftermarket
- Upfront investment in R&D
- Fire protection, valves, heat exchangers, sensors, electrical power, composites
- 5 to 10 year replacement cycle

Civil Aero: Free of Charge
Typical Economics:
- High Investment in R&D and FoC
- No OE revenue recognised
- Manufactured cost charged to P&L
- Attractive aftermarket
- 2 to 5 year replacement cycle
- Predominantly brakes

Aero-derivative Energy / Other
Typical Economics:
- Modest upfront investment in R&D
- Similar pricing across OE and AM
- Valves, sensors, heat exchangers

Defence
Typical Economics:
- Customer-funded R&D
- Similar pricing across OE and AM
- Cost-based contracts limit margin
- Broad range of Meggitt capability

FY18 GROUP REVENU: £2,081m
Margins: Headwinds and Tailwinds

Short-term investment to grow our installed base

Strategic initiatives to drive sustainable long-term financial benefits

- Includes: MPS productivity, lower NPI and composites recovery

2018 Revenue mix FOC D&A Purchasing Footprint Production Efficiency 2021 Target

17.7% 19.9%
Investing in our Installed Base

Growth drivers to 2021 by end-market

<table>
<thead>
<tr>
<th>End-market</th>
<th>FY18 Revenue</th>
<th>2018-21 Growth Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>LARGE JET OE</td>
<td>22%</td>
<td>Very high</td>
</tr>
<tr>
<td>REGIONAL JET OE</td>
<td></td>
<td>Moderate</td>
</tr>
<tr>
<td>BUSINESS JET OE</td>
<td></td>
<td>Declining</td>
</tr>
<tr>
<td>CIVIL AM</td>
<td>32%</td>
<td>High</td>
</tr>
<tr>
<td>DEFENCE</td>
<td>35%</td>
<td>Very high</td>
</tr>
</tbody>
</table>

Chart excludes energy and other markets which accounted for 11% of revenue in 2018.
Investing in our Installed Base

Free of charge hardware

Free of charge guidance 2019-2021

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bizjet: Brakes</td>
<td>£67m</td>
<td>£77m - £90m</td>
<td>£85m - £100m</td>
<td>£90m - £108m</td>
</tr>
<tr>
<td>Commercial: Other (26%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial: Brakes (31%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bizjet: Brakes (44%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

40 bps headwind

KEY PLATFORM GROWTH DRIVERS

- Bizjet: Brakes
  - Gulfstream G600/G500
  - Bombardier Global 7000/8000
- Commercial: Brakes
  - Airbus A220
  - Airbus A321neo
  - Embraer E170/E190
- Commercial: Other
  - CFM1 Leap

2021 TARGETS ASSUME 60 BPS HEADWIND¹ - POTENTIAL TO BE HIGHER AS ANNUITY GROWS

¹ See FY17 Results Presentation page 25
Investing in our Installed Base

Depreciation and amortisation

**Amortisation**
15 years increasing over the first 5 years to maximum rate, to reflect the pattern of growing fleets

**Depreciation**
Booked over the useful economic life of the asset, between 3 to 50 years

Note: Depreciation and Amortisation guidance for 2019 and 2020 as per FY18 Results presentation (appendix 4).  2021 Guidance is new
Strategic Improvement Initiatives

Financial Benefits

**PURCHASING**

- (2%) PCV Target
- £615m Direct Purchased Costs per annum

**FOOTPRINT**

- 2x Growth in Vietnam / Mexico Capacity
- Reduce duplicated fixed costs from site closures

**MPS**

- 4x Target for Inventory Reduction
- 70%+ Q&D improvement in Green+ stages

**COMPOSITES**

- 150bps Yield improvement and LCM to underpin improvement by 2021
- Margin headwind in FY18

---

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PCV – Purchased Cost Variance
# Margin

## Drivers of improved margin performance

<table>
<thead>
<tr>
<th>Key Drivers</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchasing</td>
<td></td>
<td></td>
<td>↑↑↑</td>
<td>↑↑</td>
</tr>
<tr>
<td>Footprint</td>
<td>130bps</td>
<td></td>
<td>↑↑</td>
<td>↑</td>
</tr>
<tr>
<td>MPS</td>
<td></td>
<td>↑</td>
<td>↑↑</td>
<td>↑↑↑</td>
</tr>
<tr>
<td>Composites</td>
<td>(150)bps</td>
<td>↑</td>
<td>↑↑</td>
<td>↑↑↑</td>
</tr>
<tr>
<td>Mix</td>
<td>(50)bps</td>
<td>↓</td>
<td>↓↓</td>
<td>↓</td>
</tr>
<tr>
<td>FoC</td>
<td>(40)bps</td>
<td>↓↓</td>
<td>↓↓</td>
<td>?</td>
</tr>
<tr>
<td>D&amp;A</td>
<td>-</td>
<td>↓↓</td>
<td>↓↓</td>
<td>↓</td>
</tr>
<tr>
<td>Underlying Operating Margin</td>
<td>17.7%</td>
<td>0 - 50bps</td>
<td>↑↑</td>
<td>19.9%</td>
</tr>
</tbody>
</table>

## Key Drivers

- **Further progress on category strategy**
- **Deliver full benefits of footprint strategy**
- **Move a critical mass to bronze+ stage**
- **Progressive yield improvement and cost reduction (LCM)**
- **OE revenue growing faster than AM**
- **New deliveries (A220) / Market share (A321neo)**
- **Recent investment in capex / R&D**

**NOTE:** Arrows reflect the relative financial impact of each individual driver by year. The financial contribution from each driver will vary and as such the arrows cannot be compared across drivers.

**ACCELERATED MARGIN EXPANSION ANTICIPATED IN 2020 - 2021**
## Cash

### Drivers of improved cash performance

<table>
<thead>
<tr>
<th>(£m)</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>Key Drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying operating profit</td>
<td>367</td>
<td>0 - 50 bps</td>
<td>↑↑</td>
<td>19.9%</td>
<td>Revenue growth and margin expansion</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>95</td>
<td>↑↑</td>
<td>↑↑</td>
<td>↑↑</td>
<td>Prior R&amp;D spend and 2019-20 capex growth</td>
</tr>
<tr>
<td>Working Capital Movement</td>
<td>(30)</td>
<td>↑↑</td>
<td>↑↑</td>
<td>↑↑</td>
<td>Increasing inventory turns from 2.7 to 4.0</td>
</tr>
<tr>
<td>Capitalised Development¹</td>
<td>(60)</td>
<td>(50) - (60)</td>
<td>(52) - (62)</td>
<td>(54) - (64)</td>
<td>Passed the peak of development</td>
</tr>
<tr>
<td>Pension</td>
<td>(68)</td>
<td>(37)</td>
<td>(37)</td>
<td>(37)</td>
<td>UK Triennial review due for completion in FY19</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>(72)</td>
<td>(95) - (120)</td>
<td>(100) - (130)</td>
<td>↓</td>
<td>Footprint activity peaks in FY20</td>
</tr>
<tr>
<td>Operating Exceptionals</td>
<td>(12)</td>
<td>(11) - (19)</td>
<td>↑↑</td>
<td>↓</td>
<td>Cash costs related to site consolidation</td>
</tr>
<tr>
<td>Interest &amp; Tax</td>
<td>(53)</td>
<td></td>
<td></td>
<td></td>
<td>Cash tax lower than underlying tax (US s338)</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>167</td>
<td>↑↑</td>
<td>↑↑</td>
<td>↑↑</td>
<td>Progressive growth expected in free cash flow and cash conversion</td>
</tr>
</tbody>
</table>

¹ Includes cash payments to programme participation

**NOTE:** Arrows reflect the relative financial impact of each individual driver by year. The financial contribution from each driver will vary and as such the arrows cannot be compared across drivers.
# Capital Allocation

## Our priorities

### FOUR CONSISTENT PRIORITIES FOR CAPITAL ALLOCATION

<table>
<thead>
<tr>
<th>#1</th>
<th>#2</th>
<th>#3</th>
<th>#4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organic investment</strong> to accelerate growth and drive operational efficiency</td>
<td><strong>Growth in the ordinary dividend</strong> in line with earnings through the cycle</td>
<td><strong>Targeted bolt-on acquisitions</strong> to enhance our position in attractive markets</td>
<td><strong>Maintain efficient balance sheet</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>£1bn</th>
<th>33 years</th>
<th>73%</th>
<th>1.5-2.5x</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in new product development and capex since 2013</td>
<td>Maintaining or growing the ordinary dividend</td>
<td>Of our portfolio where we have strong position in attractive markets</td>
<td>Target gearing range</td>
</tr>
</tbody>
</table>
CFO Review
Well positioned to deliver 2021 targets

REVENUE
Above market growth

MARGIN
+200 basis point improvement

CASH
+£200m cash from 4x inventory turns
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Strong progress in executing our strategy

- Develop differentiated technology ✓
- Successfully deliver ramp up ✓
- Closer alignment with customer operations ✓
- Ensure a competitive cost base ✓
- Invest in world class equipment, facilities and processes ✓
- Attract and retain the best talent ✓
- Build a resilient balance sheet ✓

Significant IP portfolio, long track record of technology innovation
Good progress supporting our customers through rapid ramp up
New customer-aligned organisation launched
More competitive supply chain and expanded LCM reducing costs
Investment underway to optimise footprint, including Ansty Park Super Site
Strong leadership team in place, underpinned by high performance culture
Net debt 1.8x EBITDA on a bank covenant basis

ON TRACK TO DELIVER OUR 2021 MARGIN AND CASH TARGETS
Q&A
APPENDIX

Speaker Biographies
Chris Allen
President - Airframe Systems

Skills and experience
Chris was appointed President of Meggitt Sensing Systems in May 2017. Prior to this he served as the Group Director for Engineering & Strategy, from April 2012 to 2017. An engineer by degree, this gave Chris direct responsibility for the engineering and central programme management functions and the Applied Research & Technology team. This overview enabled him to formulate an integrated, market focused strategy.

Before 2012, Chris served as Meggitt’s Programme Director, where he oversaw the biggest reorganisation in the Company’s history by helping to create five divisions around complementary capabilities and markets.

Chris joined Meggitt in August 2004 as Director, Engineering & Programmes when the Group acquired Dunlop Standard Aerospace. He later became General Manager of Meggitt Aircraft Braking Systems, UK.

His earlier career at Standard Aero focused on gas turbine maintenance, repair and overhaul, leading to technical, business development and general management roles in Canada and the United States.

Qualifications
BSc Engineering, University of Manitoba, Canada
Fellow of the Institute of Mechanical Engineers
Fellow of the Royal Aeronautical Society
Meggitt Leadership Development Programme, Saïd Business School at Oxford University.
Skills and experience
Chris joined Meggitt in December 2017 as Chief Procurement Officer.

Having started his career in 1991, Chris has been in Procurement the majority of his career, with extensive knowledge of the automotive industry, and having been a key player in the transformation role Procurement has played over this time.

Having spent 27 years employed by Jaguar Land Rover (JLR), in a variety of different roles he has worked in the UK, Sweden and China and during this time he had completed assignments working within all of the brands owned by Ford during this period – Aston Martin, Ford, Volvo and JLR.

Prior to joining Meggitt, his last role was as President of Chery Jaguar Land Rover, in a wider General Management role Chris led the team in China that formed, established and launched the first overseas manufacturing plant for JLR, a joint venture company with Chery located in Changshu.

Qualifications
He is CIPS qualified and has a BA (Hons) in Business studies from the University of East London.
Skills and experience
Louisa joined Meggitt in October 2018 as Chief Financial Officer Designate prior to taking up the role of Chief Financial Officer on 1 January 2019.

Louisa’s most recent role was as Group Finance Director of Victrex, a FTSE-250 industrial polymers group focused on several strategic markets including aerospace and energy. Prior to that, she has extensive experience in senior financial roles at companies including the Financial Times Group, GE and GlaxoSmithKline.

Other Positions and Qualifications
Non-Executive Director and Chair of the Audit Committee of Electrocomponents plc
Member of the Institute of Chartered Accountants in England & Wales
Russell Buxton  
Group Operations Strategy Director

Skills and experience
Russell joined Meggitt in July 2017, initially as SVP and General Manager for Meggitt Control Systems in the UK, before being appointed to his current role as Group Operations Strategy Director.

Russell began his career as an engineer with Rolls-Royce plc and spent almost 35 years with the company, in a variety of different roles. He has extensive experience in both Aerospace and Energy, particularly in the services arena.

His last role at Rolls-Royce was President of Controls & Data Services Ltd and prior to that he spent 2 ½ years, based in Germany, as President of Rolls-Royce’s Civil Small & Medium Engines business, which designed, developed, assembled, tested and provided aftermarket support for aero engines for business jets and regional aircraft markets.

He has a Master's Degree in Mechanical Engineering from Cambridge University and a MBA from the University of Warwick

Qualifications
Masters degree in Mechanical Engineering from Cambridge University  
MBA, University of Warwick
Hugh Clayton
Group Director, Engineering & Strategy

Skills and experience
Hugh joined Meggitt from Rolls-Royce early in 2017 as Group Director, Engineering & Strategy.

He began his career at BG Group as an engineer working in the oil and gas sector before embarking on a 15-year stint at ABB. As a project manager in Texas, he was responsible for the development of a new design of a deep-water Blow-Out Preventer Control System. The first application of this system resulted in the drilling of what was then the world’s deepest oil production well (2,777m, Brazil).

Moving to Rolls-Royce in 2012, he led their Aftermarket and Services business for the Energy sector before leading their global engineering teams developing power and propulsion systems in the marine, industrial, nuclear and off-highway sectors. He became the company’s Head of Transformation in 2015, and oversaw a far-reaching program focused on cost, complexity, culture, engineering excellence and operational performance.

Hugh has led teams in over forty countries and is a keen sailor, cyclist and fly fisherman.

Qualifications
BEng Electrical and Electronic Engineering, Sheffield University
MSc Subsea Engineering, Heriot-Watt University, Edinburgh
Executive Management Programmes at IMD Lausanne and Oxford University’s Saïd Business School.
Skills and experience
Tony was appointed to the Board of Directors on 1 December 2016, serving initially as Chief Operating Officer and becoming Chief Executive on 1 January 2018. Tony has over 30 years’ experience in the aerospace sector.


Tony began his career at Messier-Dowty (1984 – 2000) where he held a variety of management roles, most notably Vice-President Manufacturing (1995-1997) and Vice-President Operations (1998-2000); both of which were based in Canada.

Tony has lived and worked in the UK, France and Canada. He is a Fellow of the Royal Aeronautical Society; a Fellow of the Association of Project Management and in 2015 was awarded an honorary Doctorate of Science by Cranfield University.

Qualifications
BA Engineering, Open University
MBA, INSEAD