23 April 2020

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No 596/2014.

Meggitt PLC – First quarter trading statement and Covid-19 update

Meggitt PLC ("Meggitt" or "the Group"), a leading international company specialising in high performance components and sub-systems for the aerospace, defence and energy markets, today issues a trading update providing: further details of the measures being taken to protect our people and our business in this challenging period; a summary of the Group's financial and operational performance during the first quarter and; an update on our funding and liquidity position.

Safeguarding our people and our operations

Our priorities are to safeguard the health and wellbeing of our employees and to continue to support our customers, suppliers and the communities in which we operate across the globe. In support of this, we have implemented a number of proactive measures across the business which comply with local and national guidelines issued by government and health authorities.

Our operational plans are working well and the response of our employees has been outstanding. The majority of our manufacturing facilities remain open to continue to support the critical markets that we serve in Defence, Energy and in Aerospace for repatriation of citizens and transport of food, freight and medical supplies. Our Defence portfolio represents a significant part of the Group's revenues and is performing strongly as work on key defence programmes continues as scheduled.

First quarter trading performance

While trading in the first quarter of 2020 was ahead of the comparative period, in the last few weeks we have started to see a softening in our civil aerospace business both in terms of revenue and the forward order book.

Group revenue was up 5% on an organic basis in the first quarter, with strong growth in defence more than offsetting a softer performance in civil aerospace and energy.

Civil aerospace revenue was slightly ahead of the comparative period on an organic basis, within which original equipment revenue decreased by 1% and aftermarket revenue grew by 2%, with good growth in both OE and AM in business jets.

Defence revenue increased 15% organically, driven by particularly strong growth for original equipment. We continue to see good order flow and expect demand in this part of the business to be robust throughout 2020.

Energy revenue was 3% lower than the comparative period.

Impact of Covid-19 and actions to reduce cash expenditure and our cost base

Covid-19 will result in a significant reduction in demand across our civil aerospace business in 2020 in both OE and AM, as our customers adapt and scale back their activities to reflect the reduction in global air traffic.

We have modelled a number of scenarios for planning purposes based on a combination of actual and anticipated customer demand signal changes and external industry forecasts, including those of IATA. We have also assumed that demand remains robust across our defence business, which represented 36% of the Group's revenues in 2019, of which over 70% is derived from the US.

To mitigate the reduction in demand, we have already taken action to reduce variable costs including accessing furlough schemes where available and reducing temporary labour. While we recognise the need to retain flexibility as demand patterns develop over the coming months, we have taken the difficult decision to reduce the size of our global workforce by around 15%, subject to ongoing consultation in the regions in which we operate. This action will ensure that our internal capacity across our civil aerospace business reflects the reduction in demand and positions us appropriately as we enter 2021.

We are also implementing a number of other measures to reduce our operating cost base in 2020. These include: a freeze on all new hiring; removal of annual salary increases for all employees; material cuts in operating costs; and, for the second half, reducing fees for our Non-Executive Directors and salaries for our CEO, CFO and Executive Committee by 20%.

In addition, we are also taking a number of cash specific actions including significant reductions in both capital expenditure and inventory. This is in addition to the cancellation of our final dividend payment for 2019 (as announced on 27 March).

The successful implementation of these combined measures throughout the year will be to reduce our cash expenditure levels by around £400m to £450m in 2020.

Financial and liquidity position

At the end of the first quarter, we had £1,671m of committed facilities in place providing headroom of £668m. On 22 April, Meggitt was confirmed as an eligible issuer under the UK Government's Covid Corporate Financing Facility (CCFF).

Medical ventilators

As previously announced, Meggitt continues to work within the VentilatorChallengeUK consortium to increase the supply of intensive care medical ventilators needed to treat patients hospitalised with Covid-19.

Outlook

In light of a highly fluid market and global macro-economic situation, it remains the Board's position that it is too early to provide forward looking guidance at the current time.

We will continue to monitor external events and keep the market updated on developments as appropriate.

Information regarding our Annual General Meeting, which takes place today, can be found on our website: http://www.meggitt.com.

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