

2021 HALF YEAR RESULTS



2 August 2021

presented by
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Louisa Burdett, Chief Financial Officer

Agenda

- Highlights
- Half year financial results
- Recovery and outlook
- Summary
- Q&A



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HIGHLIGHTS

Tony Wood

Chief Executive

Market dynamics in H1 2021

Recovery in civil aerospace continues



Civil OE
(18% of revenue)

- Combined deliveries by Airbus and Boeing +70% in H1
- Regional jet and business deliveries +42% and -6%
- Large jet build rate increases announced



Civil AM
(25% of revenue)

- Active fleet recovered to 74% at end of June 2021
- Progressive improvement in global ASKs
- Strong recovery in domestic, cargo and business jets



Defence
(44% of revenue)

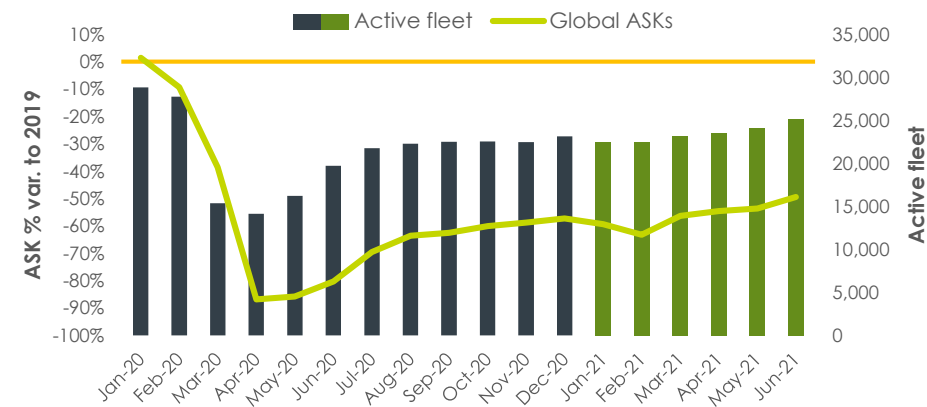
- US DoD, procurement and RDT&E outlays up 5%, 9% and 10% respectively
- DLA orders softer for aftermarket spares and repairs
- Proposed defence budget up 2% for FY22 at \$715bn



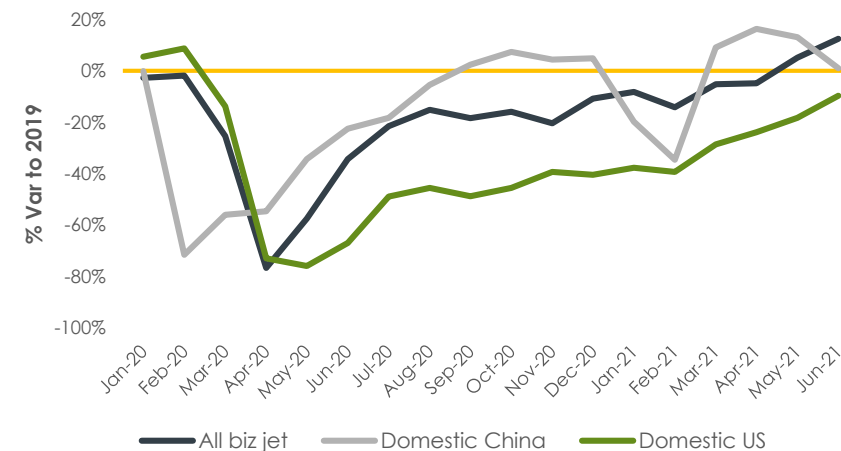
Energy
(13% of revenue)

- Continuing robust investment in LNG and renewables
- Global investment in clean energy and energy efficiency now over 40% of total energy investment¹
- Recovery in oil price provides supportive backdrop for capital investment

Global flight activity



Strong recovery in business jets and domestic



Overview of the first half

Strong cash performance and sequential Q2 improvement

- Group book to bill¹ of 0.97x
- Organic revenue¹ 16% lower vs 2020 with sequential improvement in civil aerospace in the half:
 - Civil OE -28% (Q2: +3%)
 - Civil AM -24% (Q2: +10%)
 - Defence -9% (Q2: -7%)
 - Energy +4% (Q2: +7%)
- Strong sequential growth in Civil AM organic revenue up 31% in Q2 vs Q1
- Underlying operating profit 37% lower¹ at £62m (H1 2020: £102m)
- Strong cash performance with free cash outflow of £35m (H1 2020: £122m)
- Strong liquidity with headroom of £858m on committed facilities
- Net debt:EBITDA of 2.4x
- Board not recommending payment of an interim dividend

¹:Organic figures exclude the impacts of acquisitions, disposals and foreign exchange.

Strategic highlights

Continued momentum on all four priority areas

Strategic priority

Portfolio Strategy



Customers



Competitiveness



Culture



H1 2021 Achievements

- Significant progress on sustainable technology development across aerospace and energy
- Increasingly leveraging ALM and digital manufacturing
- Growing aftermarket share with 5 new SMARTSupport® wins
- Strong pipeline in Energy
- Direct Customer shipments underway from Ansty Park
- High Performance System deployed across the Group
- Launch of operations and business leadership programmes
- ERGs continue to drive engagement across the Group

FINANCIALS

Louisa Burdett
Chief Financial Officer

Income statement

Improvement in order intake and revenue in second quarter

Underlying ¹	H121	H120	Growth		
	£m	£m	Reported	Organic ²	
Orders	671	882	(24%)	(9%)	<ul style="list-style-type: none"> Improvement in order intake and revenue in Q2 Group organic revenue -29% in Q1 and flat in Q2 vs comparative periods and +10% sequentially
Revenue	680	917	(26%)	(16%)	
Operating profit	62	102	(40%)	(37%)	
Operating margin	9.1%	11.1%			<ul style="list-style-type: none"> Lower volume, adverse mix and operational issues, partially offset by management actions
Net finance costs	(13)	(16)			
Profit before tax	48	86	(43%)		
Tax	(10)	(19)			<ul style="list-style-type: none"> Lower interest rates and stronger sterling
Tax rate	21.4%	21.2%			
Profit for the half	38	67	(44%)		
Earnings per share	4.9p	8.7p			

1: A full reconciliation from underlying to statutory figures is provided in notes 5 and 10 of the interim results announcement.

9 2: Organic figures exclude the impacts of acquisitions, disposals and foreign exchange.

Revenue by end market

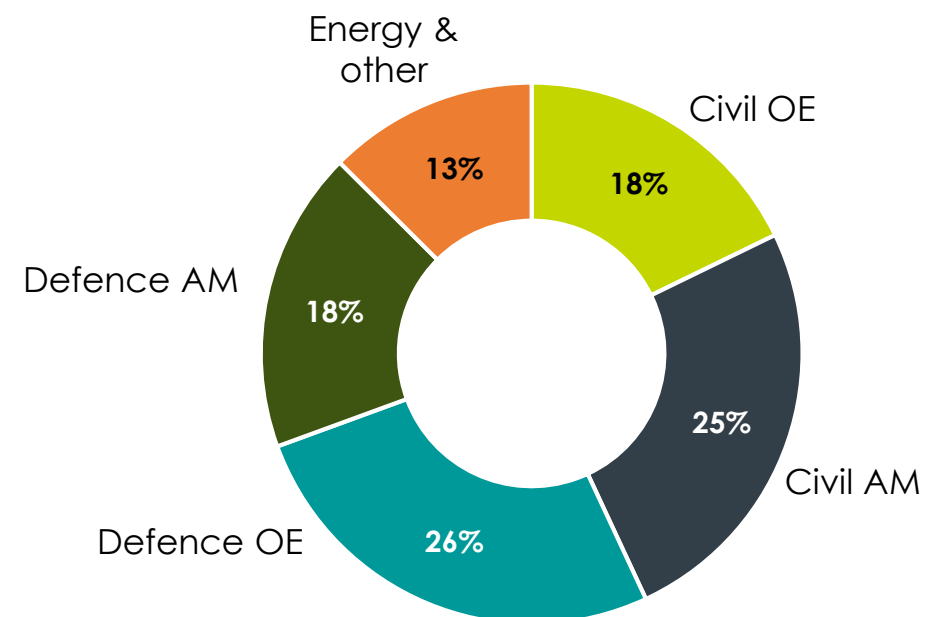
Group performance reflects portfolio breadth

Organic revenue growth % vs 2020			
	Q1	Q2	H1
Civil OE	(46)	3	(28)
Civil AM	(46)	10	(24)
Defence	(10)	(7)	(9)
Energy	0	7	4
Other	(7)	(15)	(11)
Group	(29)	0	(16)

H1 2021 Revenue Growth		
	Reported %	Organic %
Civil OE	(34)	(28)
Civil AM	(31)	(24)
<i>Total civil</i>	(32)	(26)
Defence	(23)	(9)
Energy	(1)	4
Other	(20)	(11)
Total Group	(26)	(16)

LJ (31)% RJ (36)% Biz (19)%
LJ (29)% RJ (32)% Biz (6)%

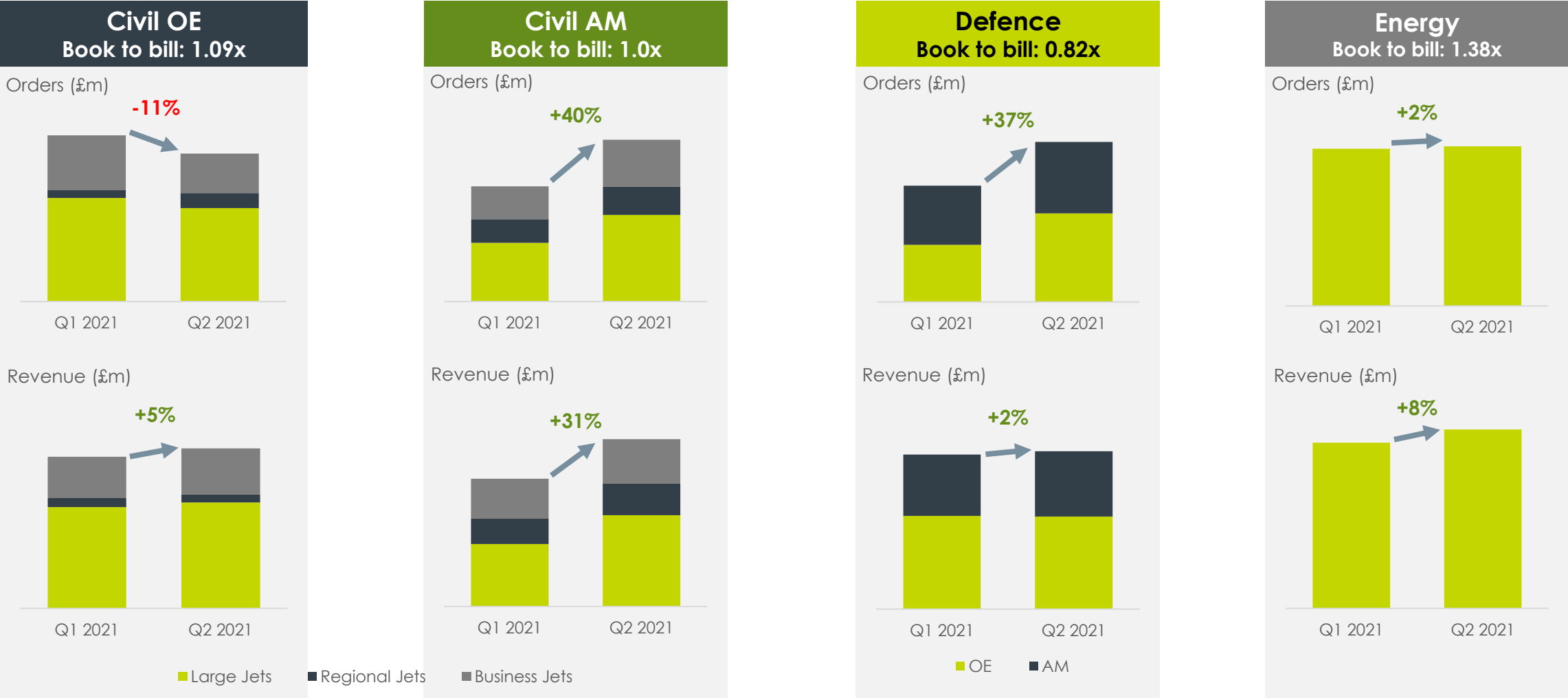
H1 2021 Revenue by market (Reported)



OE: 55%, Aftermarket: 45%

First half orders and revenue trends

Quarterly sequential improvement is encouraging



1: All growth figures are on an organic basis

Divisional performance

Robust performance from Energy & Equipment

Underlying	Revenue		Operating profit	Operating margin	
		Organic Growth		H1 21	H1 20
	£m	%	£m	%	%
Airframe Systems	340	(15)	42	12.3	16.3
Engine Systems	91	(27)	(15)	-15.9	-6.4
Energy & Equipment	131	4	20	15.6	9.5
Services & Support	118	(27)	14	12.0	14.0
Total	680	(16)	62	9.1	11.1

- **Airframes:** lower volume of brakes aftermarket and COVID-related disruption at US site; brakes AM order intake in May and June encouraging
- **Engines:** Loss primarily driven by Engine Composites:
 - Saltillo site waiting for volume recovery
 - Erlanger productivity issues
 - Supplier issue disrupted defence throughput
- **Energy & Equipment:** strong energy revenue growth +12% partially offset by flat defence
- **Services & Support:** Reflects lower volumes in both civil and defence aftermarket; sequential improvement between Q1 and Q2

Free cash flow

Continued focus on cash with strong first half performance

£m	H1 21	H1 20
Underlying EBITDA	116	156
Working capital movement	(51)	(128)
Capex	(32)	(57)
Capitalised R&D/PPC	(13)	(19)
Proceeds from disposal of PP&E	23	2
Underlying operating cash flow	43	(46)
Pension deficit payments	(22)	(7)
Operating exceptionals	(12)	(28)
Net interest paid	(15)	(17)
Tax paid	(29)	(24)
Free cash flow	(35)	(122)
Net cash outflow	(15)	(19)

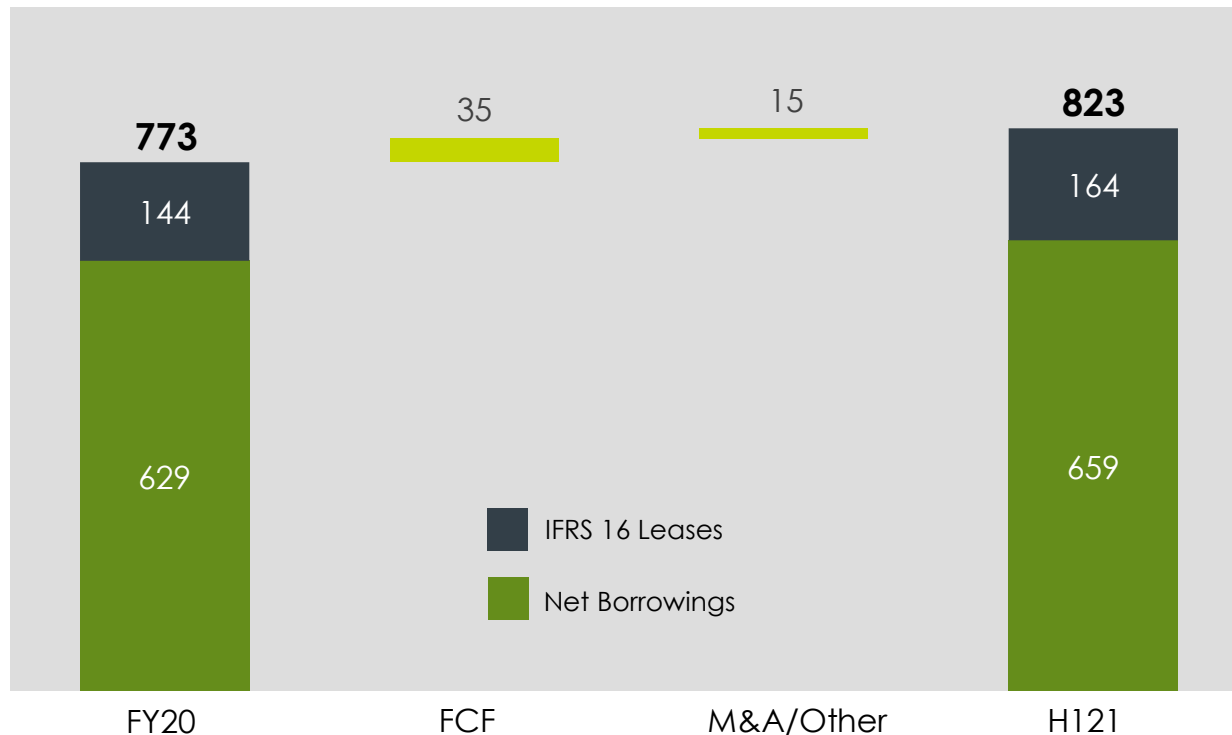
- Continued focus on **working capital** management
- Tight control of **capital expenditure** in H1; lapping peak investment cycle capex in Q1 2020
- Pension** payments in line with revised payment schedule which includes deferral of £9.6m from 2020
- Cash Tax** includes £18m CFC payment as expected
- Free cash outflow** better than expected
- Disposal proceeds** from MTSI and Dunstable in 2020 and 2021 respectively
- As in H1 2020, broadly neutral impact on net debt from **net cash outflow** before leases and forex

Balance sheet and liquidity

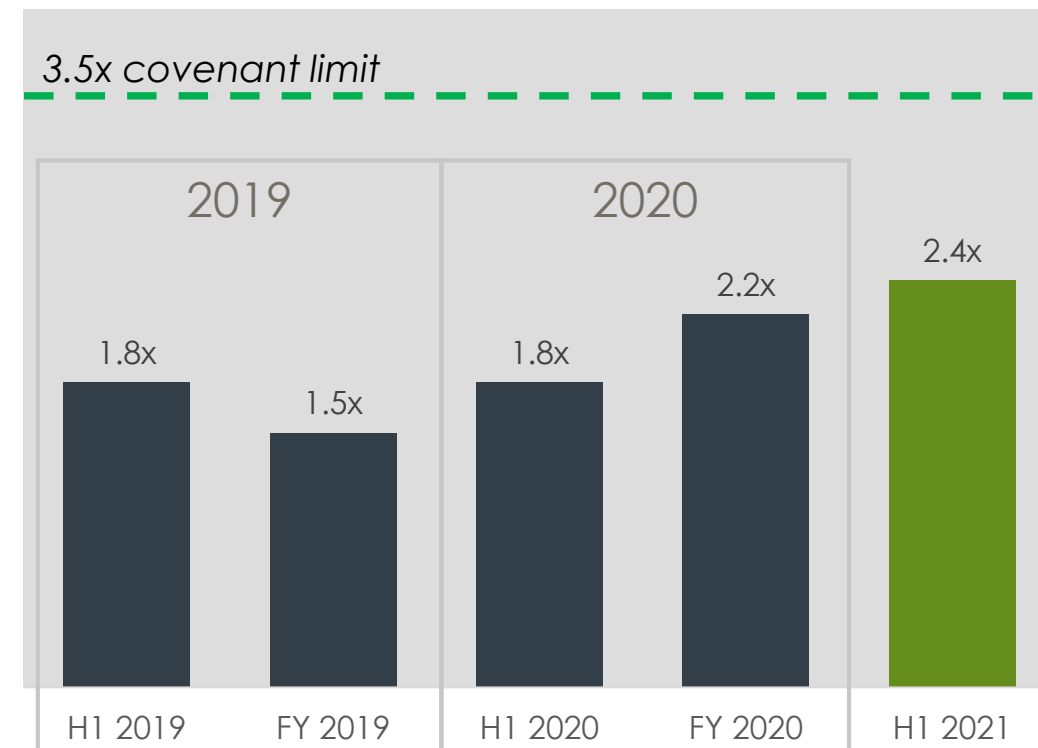
Strong liquidity and headroom

	Covenant	HY 2021	FY 2020
Net debt:EBITDA	≤3.5x	2.4x	2.2x
Interest cover	≥3.0x	9.7x	9.8x
Liquidity headroom		£858m	£908m

Net debt £m



Net debt:EBITDA ratio



CONTINUED FOCUS DELIVERS STRONG CASH PERFORMANCE

RECOVERY AND OUTLOOK

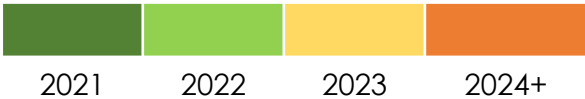
Tony Wood

Chief Executive

MEGGITT

Civil aerospace recovery is underway

China and US domestic leading the recovery



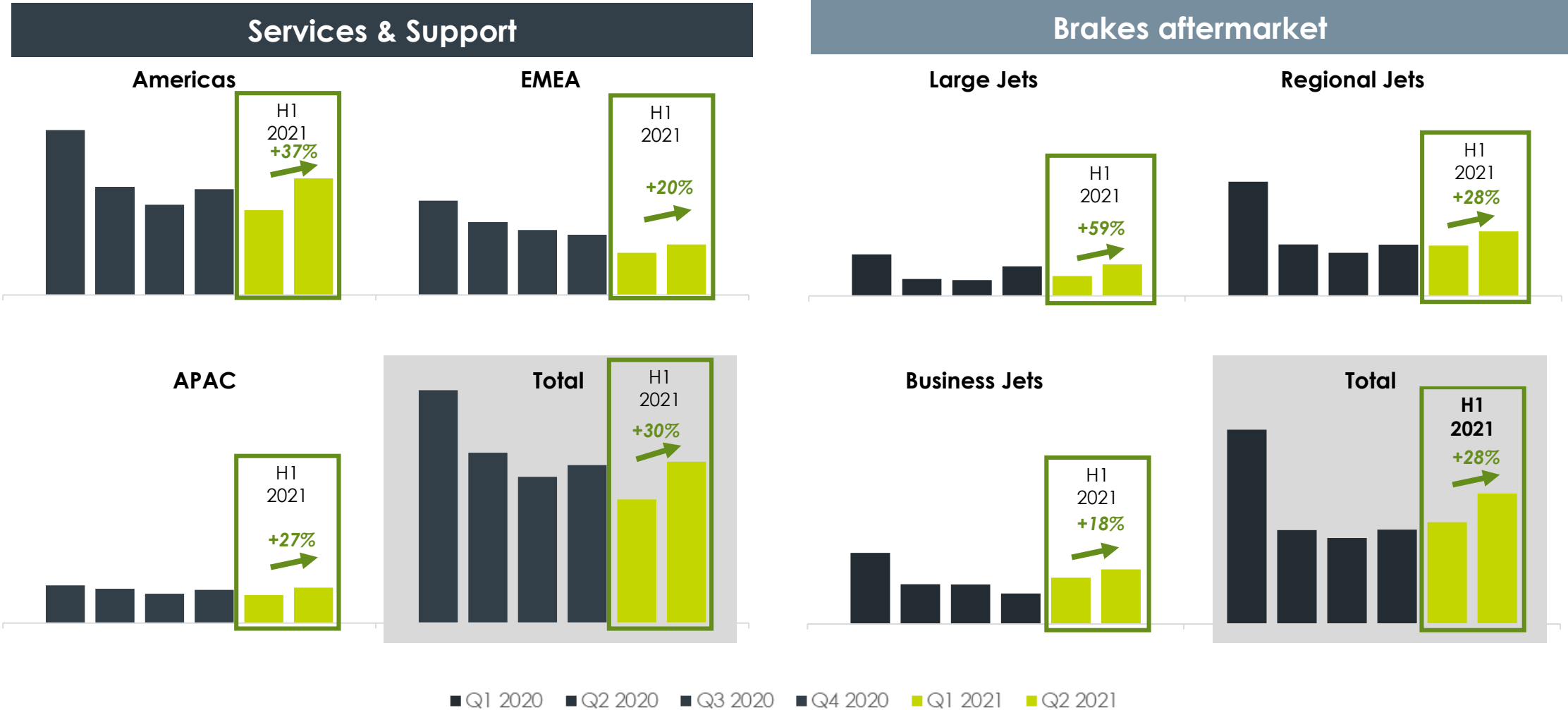
OVER 90% OF 2019 CAPACITY EXPECTED TO RETURN BY END OF 2023

Source: IATA, Meggitt analysis: Segments' ASK as % of total 2019 ASKs

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Meggitt aftermarket trends

Quarterly sequential improvement in civil aftermarket revenue in the first half



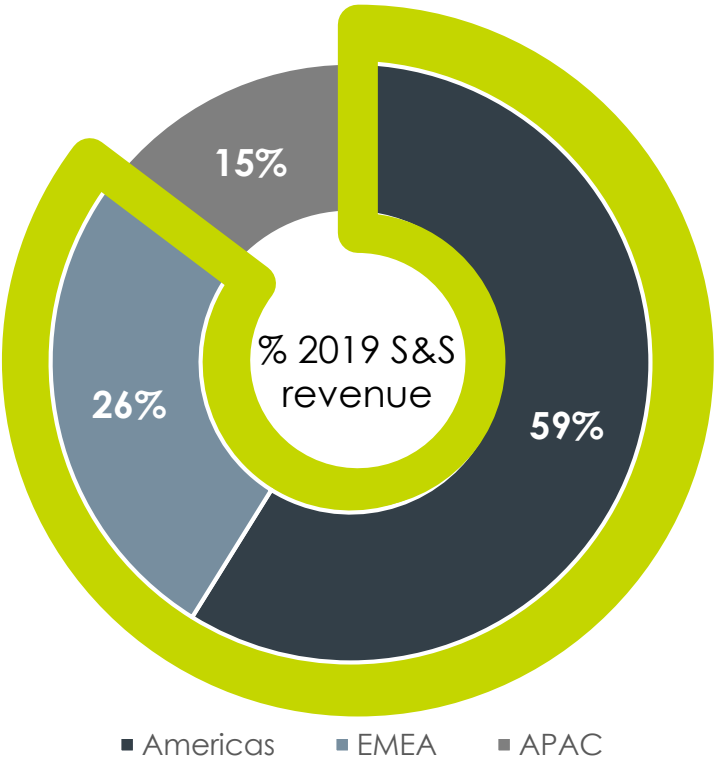
Large jet aftermarket (52% of civil AM revenue)

Narrow body aircraft are leading the recovery

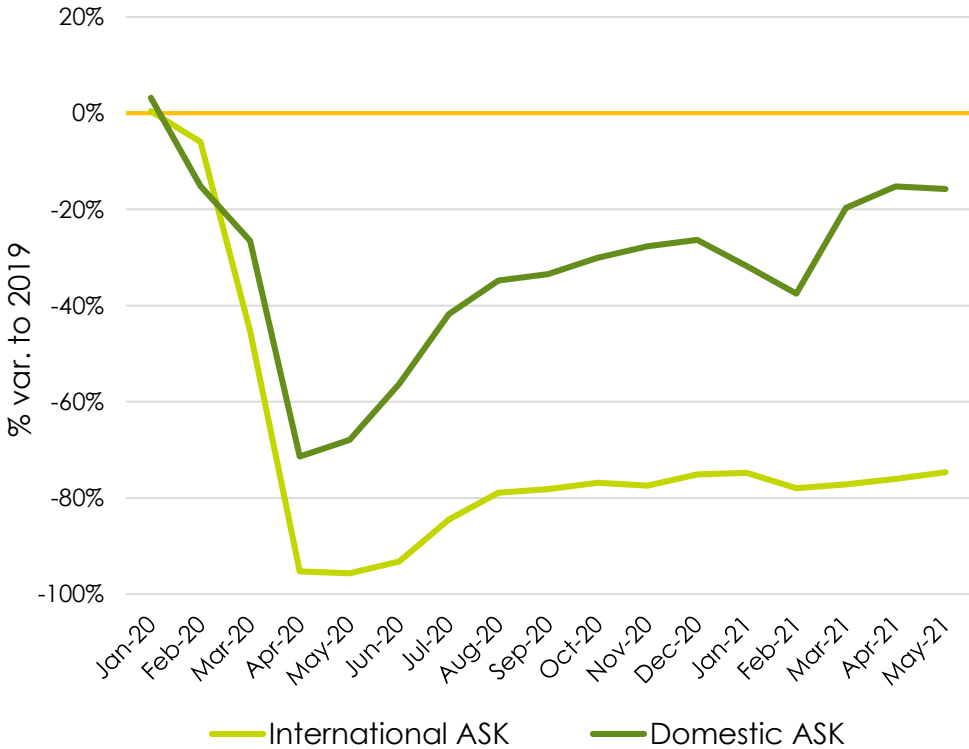
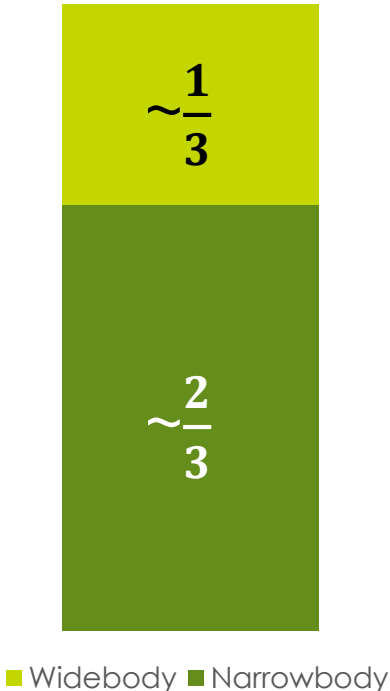
85% of S&S revenue from US & EMEA

Meggitt large jet AM exposure

Domestic activity driving narrow body utilisation¹



% 2019 civil AM revenue



GOOD EXPOSURE TO FASTER RECOVERING NARROW BODIES

¹: IATA analysis

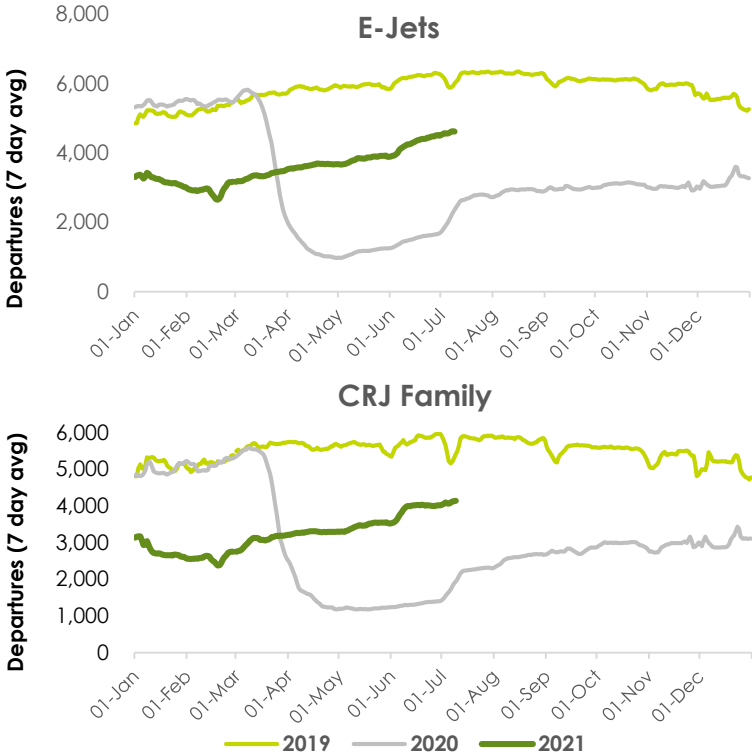
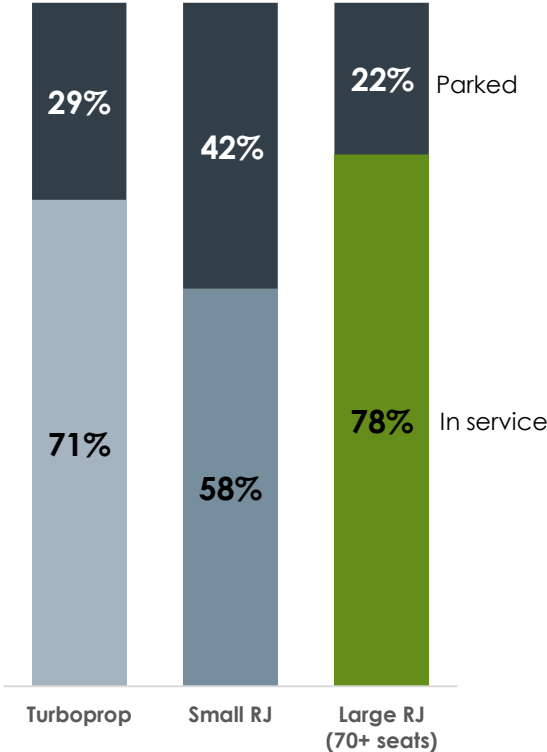
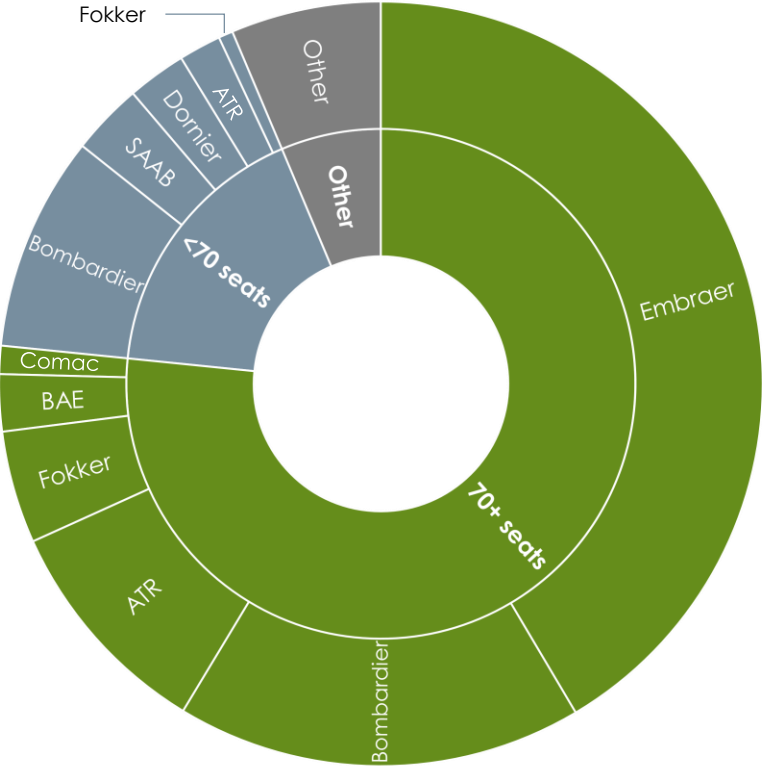
Regional jet aftermarket (19% of civil AM revenue)

Strong exposure to fastest recovering segments in regional jets

>75% revenue from large regional jets¹

Active fleet²

Large regional jet activity³



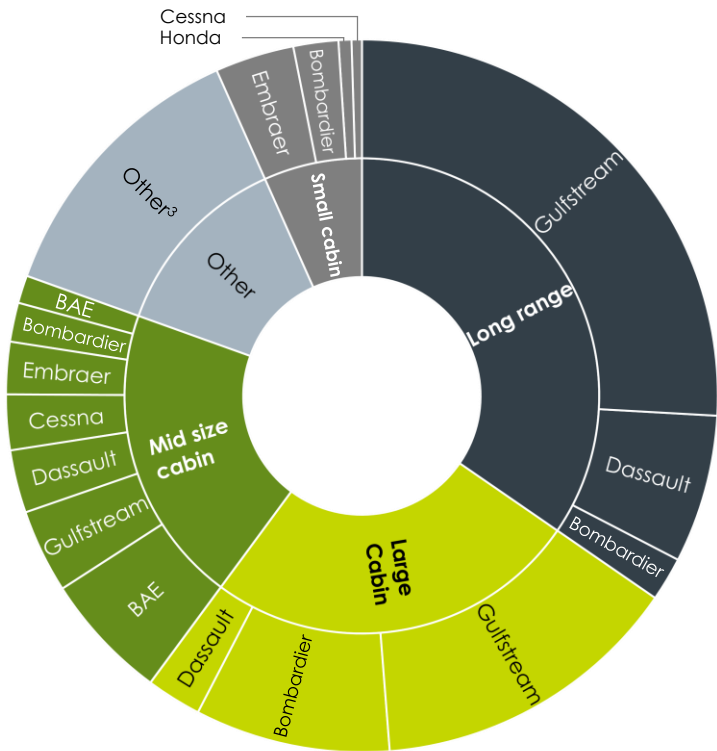
VERY GOOD EXPOSURE TO LARGE REGIONAL JETS

1: 2019 aftermarket revenue. 2: Cirium analysis as at 30 June 2021. 3: WingX analysis

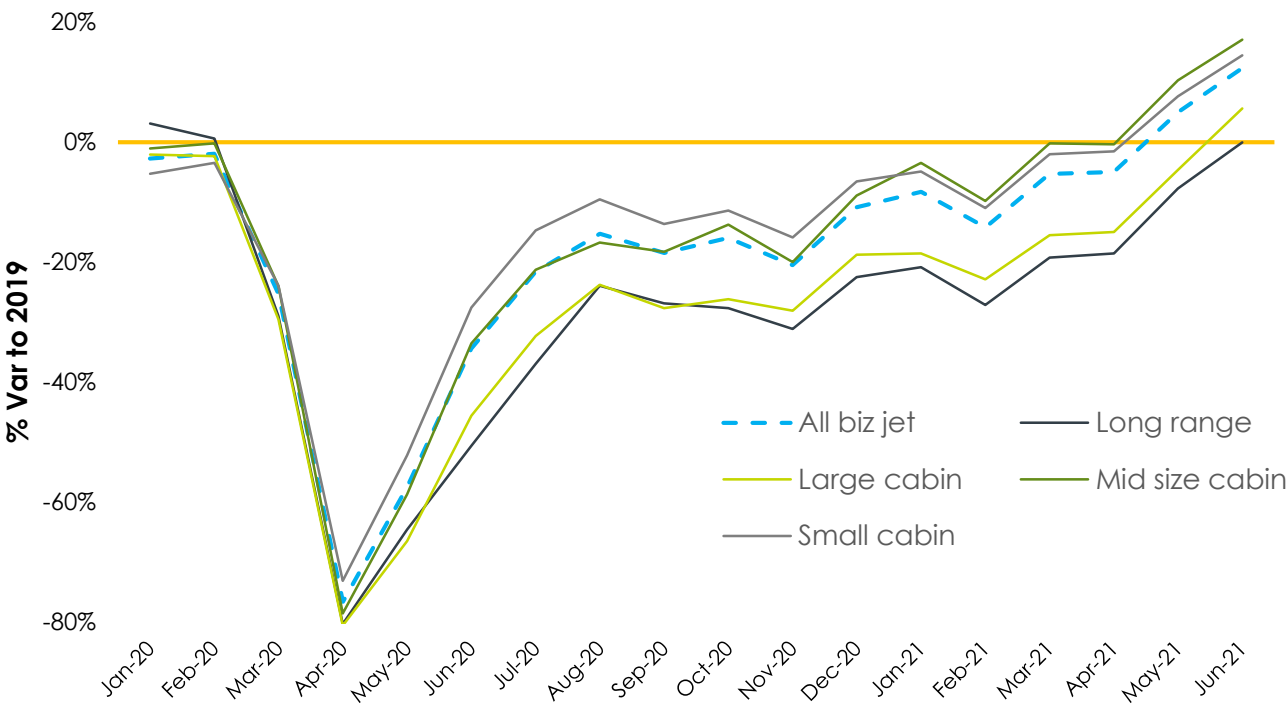
Business jet aftermarket (29% of civil AM revenue)

Broad exposure across all business jet classes

Meggitt business jet exposure¹



Activity across all segments above 2019 levels²

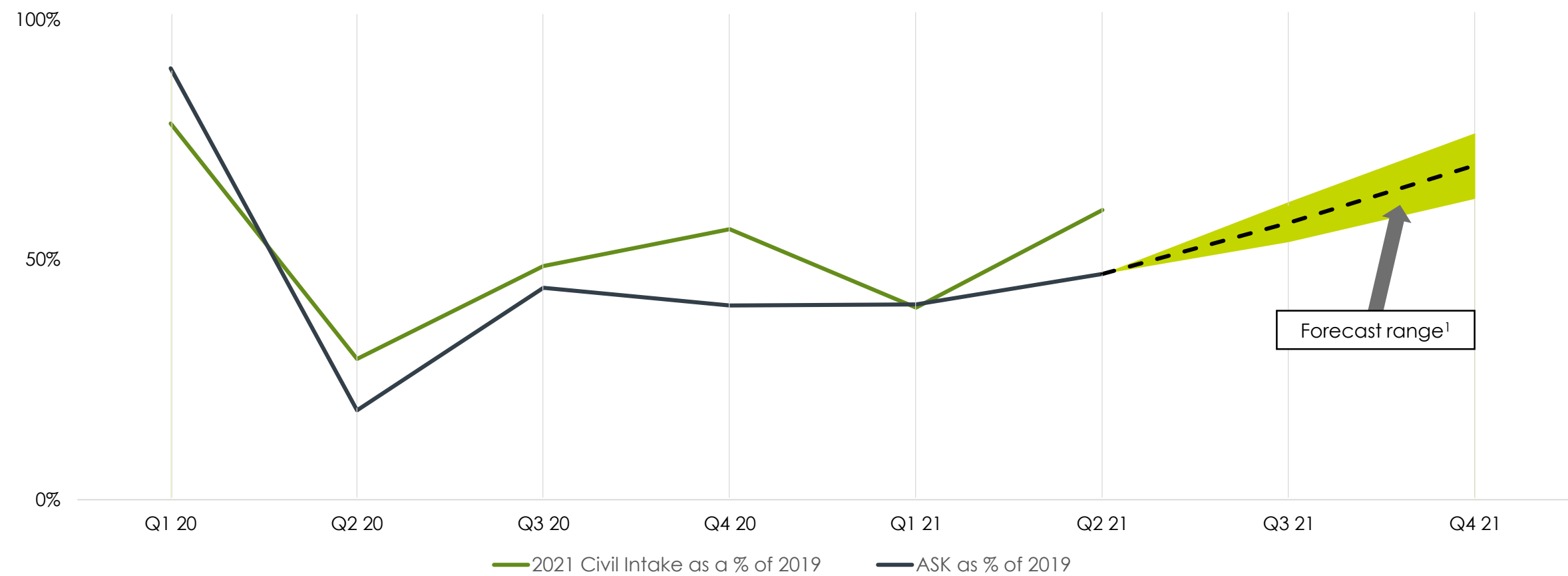


DIVERSE EXPOSURE ACROSS ALL BUSINESS JET CATEGORIES

1: 2019 aftermarket revenue. 2: WingX analysis. 3: Other includes business jets not listed

Aftermarket: Services and Support

Global ASKs and Meggitt civil order aftermarket intake closely correlated

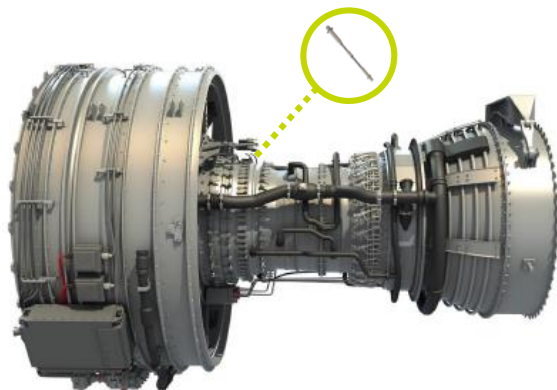


CIVIL AM OUTLOOK DEPENDENT ON CONTINUED RECOVERY INCLUDING EMEA AND APAC

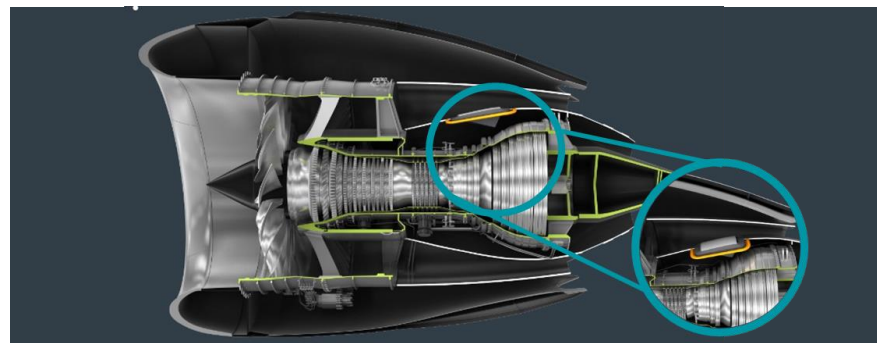
1: ASK NAVEO analysis

Technology development

Key technologies supporting lower carbon applications



Optical sensing



Thermal systems for next generation propulsion



Wireless monitoring



Energy decarbonisation



VERDAGENT™ green fire suppression



Urban air mobility

STRONG PROGRESS ON SUSTAINABLE TECHNOLOGY DEVELOPMENT

Outlook for the full year

Civil aerospace recovery is encouraging

- The gradual recovery in civil aerospace and improving quarterly trends are encouraging
- Forecasting civil aerospace demand with precision remains difficult
- Assuming no further disruption to normal operations during the year as a result of additional lockdowns, in 2021 we continue to expect the Group to generate:
 - Revenue broadly in line with 2020 on an organic basis
 - Underlying operating profit ahead of 2020¹; and
 - Positive free cash flow



Summary

We are well prepared for the recovery

- Thank you to our global teams for their continued hard work and dedication
- We delivered a strong cash performance in the first half
- Positive momentum on order intake and revenue is encouraging
- Continued to deliver our strategy with excellent progress on new technologies and the completion of Ansty Park
- Good progress on readying our sites as we prepare for the recovery
- With strong fundamentals we remain well placed for the recovery in civil aerospace

QUESTIONS

Appendix

1. Currency impact
2. Operating exceptionals
3. Other cash and investment drivers
4. Cash flow drivers
5. Retirement benefit obligations
6. Shares in issue
7. Market segment exposures by division
8. Market segment exposure by sub-segment
9. Revenue growth by quarter

Currency impact

Appendix 1

	H1 2020 Act	FY 2020 Act	H1 2021 Act
\$/£ rate			
Translation rate	1.27	1.29	1.40
Transaction rate (hedged)	1.37	1.38	1.36
Euro rate			
€/£ Translation rate	1.15	1.14	1.15
\$/€ Transaction rate (hedged)	1.17	1.17	1.16
CHF rate			
CHF/£ Translation rate	1.23	1.22	1.27
\$/CHF Transaction rate (hedged)	1.09	1.09	1.13
PBT impact £m			
Year-on-year translation	0.9	(0.1)	(2.4)
Year-on-year transaction	2.0	2.5	(0.7)
Year-on-year currency benefit/(headwind)	2.9	2.4	(3.1)

Currency sensitivity ¹:

± 10 US\$ cents = ± £85m Revenue; ±5m PBT
 ± 10 Euro cents = ± £9m Revenue; ± 1m PBT

¹: As measured against 2020 actual full-year revenue and underlying PBT.

Operating exceptionals

Appendix 2

£m	H1 2020 Actual at \$1.27	H1 2021 Actual at \$1.40
P&L charge		
Asset impairments/write-downs	373.2	-
Covid-19 costs	13.2	1.6
Site consolidations	14.8	3.1
Business restructuring costs	0.6	-
Total	401.8	4.7
Cash out		
Covid-19 costs	8.7	2.4
Site consolidations	18.7	9.7
Business restructuring costs	0.7	0.1
Total	28.1	12.2

Other cash and investment drivers

Appendix 3

£m	H1 2020 Actual	H1 2021 Actual	FY 2021 Updated Guidance
	at \$1.27	at \$1.40	at \$1.30
1. R&D			
Total expenditure	56	39	90 to 95
Less: charged to cost of sales / WIP	(14)	(10)	
Group spend	42	29	65 to 70
Capitalisation	(19)	(12)	
Amortisation ¹	17	17	
Charge to U/L net operating costs	40	34	65 to 70
2. Fixed assets			
Capital expenditure	57	32	80
Depreciation / amortisation ²	(36)	(36)	(75) to (85)
3. Retirement benefit deficit payments	7	22	44
4. Free of charge costs			
Expensed	33	25	50 to 55

1: Amortisation of R&D spend

29 2: Depreciation of fixed assets and software amortisation

Cash flow drivers

Appendix 4

	H1 2021	FY Outlook
Capex	£32m	~£80m as deferred projects completed
Opex	£12m	~£40m reflecting peak cash for Ansty / footprint moves
Capitalised R&D	£12m	~£30m reflecting cash control
Pension	£22m	£44m ¹ with a proportion deferred from 2020
Cash Tax	£29m	~£60m reflecting CFC payment
FoC	£25m	~£50m in line with 2020

Retirement benefit obligations

Appendix 5

			Deficit funding cash payments						
£m	FY 2020	H1 2021		FY19	FY20	FY21	FY22	FY23	FY24
Opening deficit	(267.9)	(295.4)							
Net deficit payments	21.7	21.7	UK deficit ¹	31.2	21.8	38.0	40.2	29.0	0.0
Actuarial movements - assets	93.5	(22.3)	Other schemes	4.0	(0.1)	5.7	2.8	5.6	5.6
Actuarial movements - liabilities	(136.1)	88.0							
	(42.6)	65.7		35.2	21.7	43.7	43.0	34.6	5.6
Other movements (including FX)	(6.6)	6.9							
Closing deficit	(295.4)	(201.1)							
UK discount rate	1.40%	1.90%							
US discount rate	2.30%	2.80%							

Shares in issue

Appendix 6

Shares in millions

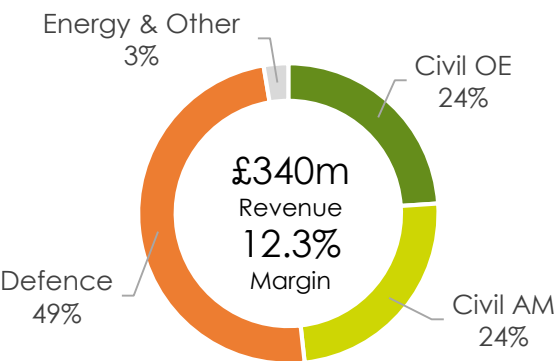
	FY 2020	H1 2021
Opening	777.5	781.2
Share schemes	3.7	0.2
Closing	781.2	781.4
Average¹	777.8	779.7

1: Adjusted to exclude own shares held by employee benefit trust

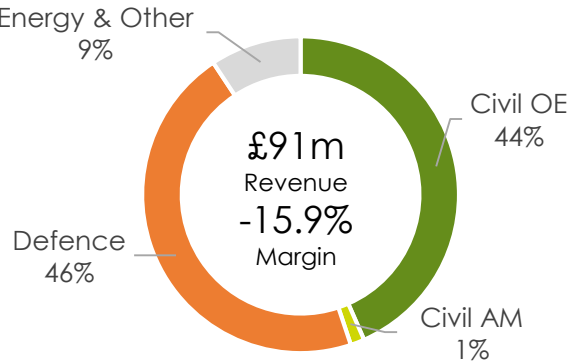
Market segment exposure: by division

Appendix 7

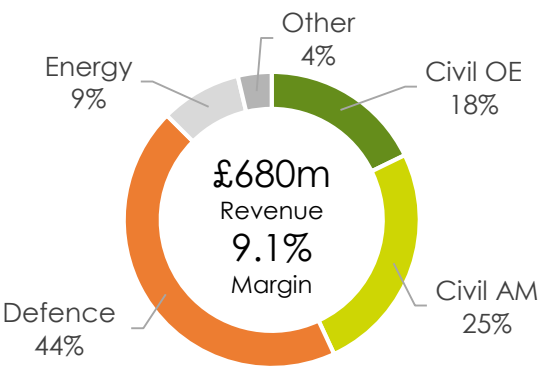
Airframe Systems



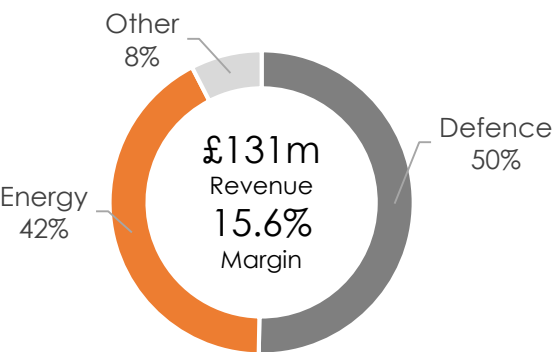
Engine Systems



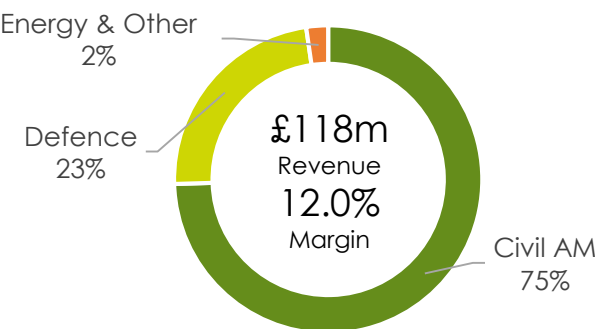
GROUP



Energy & Equipment



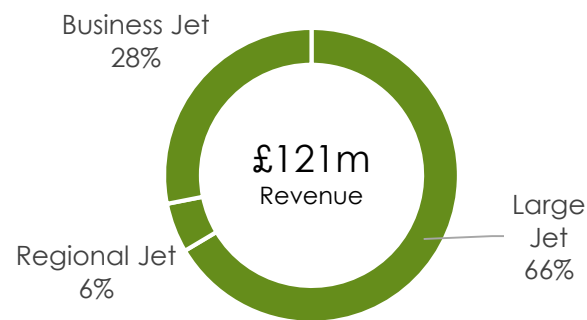
Services & Support



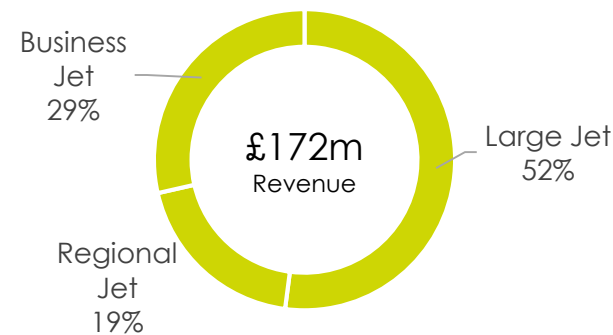
Market segment exposure: by sub-segment

Appendix 8

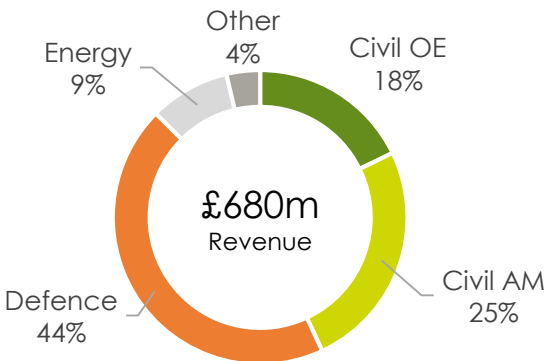
Civil OE



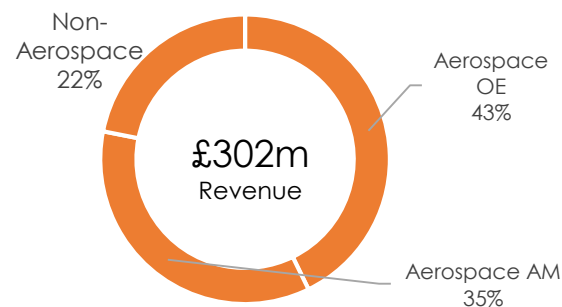
Civil aftermarket



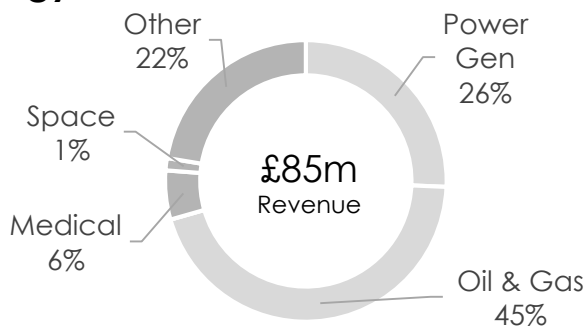
GROUP



Defence



Energy / Other



Revenue growth by quarter

Appendix 9

Organic Growth	Q1 2020	Q2 2020	H1 2020	Q3 2020	Q4 2020	H2 2020	FY 2020	Q1 2021	Q2 2021	H1 2021
Civil OE	(2)%	(53)%	(29)%	(47)%	(55)%	(51)%	(40)%	(46)%	3 %	(28)%
Civil Aftermarket	1 %	(47)%	(26)%	(50)%	(57)%	(54)%	(41)%	(46)%	10 %	(24)%
Defence	20 %	(2)%	8 %	8 %	(7)%	0 %	4 %	(10)%	(7)%	(9)%
Energy	(3)%	(8)%	(5)%	4 %	(22)%	(11)%	(8)%	0 %	7 %	4 %
Group	6 %	(30)%	(13)%	(25)%	(35)%	(30)%	(22)%	(29)%	(0)%	(16)%

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