

25 November 2020

## MELROSE INDUSTRIES PLC



### Trading Update

Melrose Industries PLC (“Melrose” or the “Group”) publishes the following trading update for the four months from 1 July 2020 to 31 October 2020 (the “Period”). All numbers are calculated at constant currency.

#### Trading update

Melrose is currently trading at the top end of the Board’s expectations for 2020. Your Board is encouraged by this, but clearly given the global uncertainty caution is required on any predictions for next year.

The performance of the Group in the Period reflected the faster than expected recovery in automotive markets, first seen over the summer, the continued strong performance in Nortek Air Management, and the more challenging, although currently stable, market conditions in Aerospace.

#### Divisional highlights

##### *Aerospace*

As expected, Aerospace did not see a recovery in its trading conditions with sales declining by 37% in the Period compared to the same period last year, a very similar trend to that seen since mid-March this year. The benefits of significant restructuring and cost saving actions are starting to feed through and we continue to expect the business broadly to break even for the full year.

##### *Automotive & Powder Metallurgy*

Both businesses saw an improvement in trading during the Period, with Automotive revenue down 3% and Powder Metallurgy 7% lower compared with the same period last year. There has, in both cases, been an improving trend through the Period, although it is fair to note that these stronger trends are boosted by the impact of the General Motors strike in the latter part of the same period last year.

Encouragingly, both businesses quickly returned to profitability with operating margins over 6% for the Period in Automotive and over 7% in Powder Metallurgy, reflecting the increasing benefits arising from the significant management actions taken.

##### *Nortek Air Management*

The business has continued to trade well in the Period with impressive revenue growth of 13% compared to the same period last year and nearly 3 percentage points of operating margin improvement. For the relevant Period this represents Nortek Air Management’s highest trading performance under Melrose ownership. The business has continued to grow despite the challenging macro conditions seen since mid-March due to the success of its new technologies, strong market positioning, adept operational and supply chain management, and a rebounding residential housing construction market.

## *Other Industrial*

Other Industrial is trading in line with the Board's expectations.

### **Net debt**

Group cash generation in the Period was at the higher end of the Board's expectations with significant restructuring actions continuing to be self-funded through an improving trading performance and ongoing working capital inflows. Even after significant expenditure on restructuring, it is expected that Group net debt will be reduced this year, ignoring currency fluctuations.

Melrose will be presenting its full year results on 4 March 2021.

### **Justin Dowley, Chairman of Melrose Industries PLC, said:**

"Trading in the Period has been encouraging in a number of our end markets and we are seeing the benefits of actions taken by management in our businesses' performance. While short-term uncertainty remains, we are confident that our businesses can substantially improve their margins from today over the medium-term even without the need for full end market recovery."

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