



Buy
Improve
Sell

Melrose

Strictly private and confidential



Melrose Industries PLC

Investec conference

16 November 2021

Executive summary

- Buy, Improve, Sell
- Nortek largely sold and value doubled, GKN being significantly improved
- Aerospace seeing better trends, operational performance improving
- Automotive and Powder Metallurgy restructuring well progressed; all projects underway. Underlying demand strong and on track to hit margin targets when supply returns
- Cash generation remains positive and the balance sheet is more conservative than usual with some spare capacity
- Poised for further value creation

Melrose key financial numbers: sensibly conservative positioning

1. Balance sheet well placed with spare capacity when the time is right

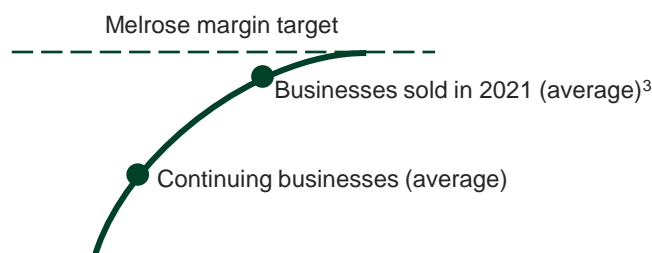
Net debt¹
£1,029m

Leverage¹
1.5x

- Proforma net debt¹ of £1,029 million and proforma leverage¹ of 1.5x, including the £729 million Return of Capital (but excluding the Nortek Control proceeds)

Melrose key financial numbers: increasing momentum

2. Increasing momentum: significant upside potential in the continuing businesses



Based on 2020 revenue



	Average upside ¹ from H1 margins to margin targets	Average sales recovery to 2019 level	Resulting average profit potential uplift ²
Continuing businesses	c.5 ppts	19%	c.2.5x

- Significant upside potential in the continuing businesses
- This keeps Melrose shareholders invested in high rates of return

Melrose key financial numbers: good margin progression

3. Margin progression: Automotive & Powder Metallurgy well advanced

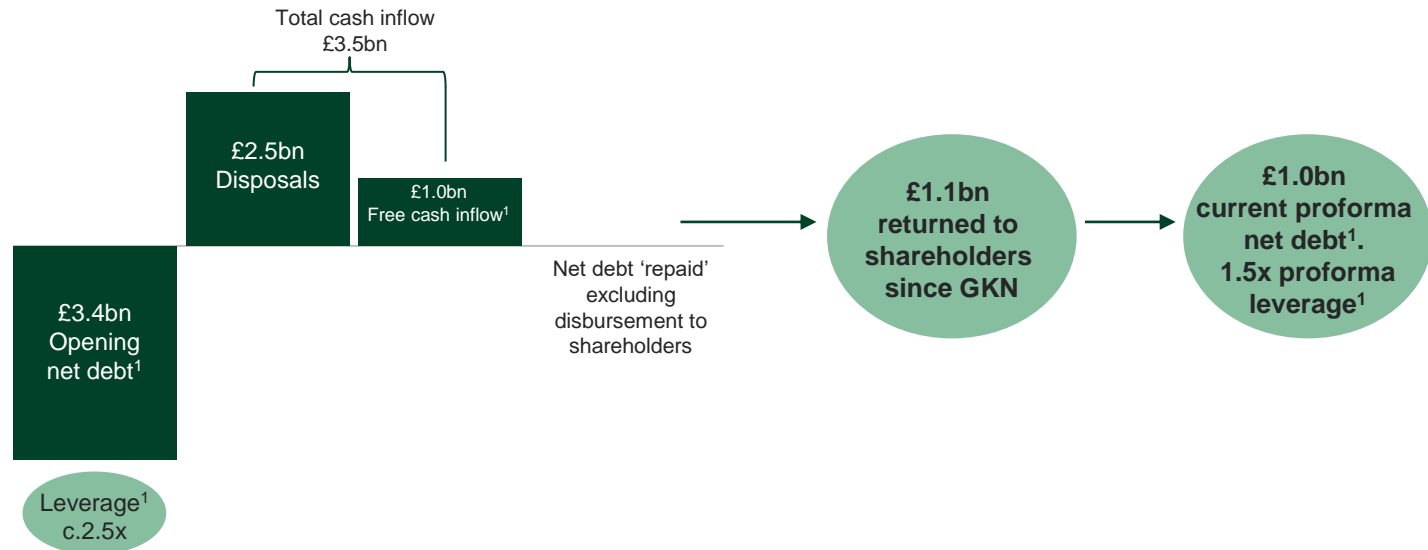
	Target operating margins	% of required projects already underway	
Aerospace	10% ¹	c.50%	Half the required projects have started, the rest to commence in H2 this year
Automotive	>10%	100%	All required projects fully underway, ahead of plan
Powder Metallurgy	14%	100% ²	All required projects fully underway, ahead of plan

- All the required restructuring initiatives to achieve the target margins in Automotive and Powder Metallurgy are fully underway. Target margins on track to be delivered when supply returns
- Half of the projects in Aerospace required to achieve the target margin are underway. The remaining c.50% of projects are identified, and due to commence in H2 2021

Melrose key financial numbers: GKN & Nortek both highly cash generative

4. Strong cash generation since the GKN acquisition from all businesses

Total Melrose cash flows since GKN acquisition:



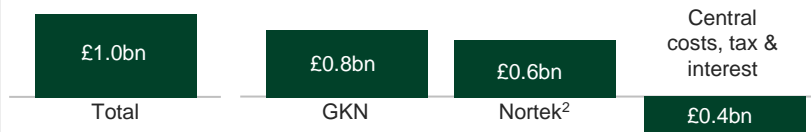
- £3.5 billion total cash inflow since GKN acquisition:
 - £2.5 billion of disposal proceeds (excluding Nortek Control)
 - £1.0 billion of free cash flow¹ from the business post all costs (see next slide)

1. Described in the glossary to the 2021 Interim Financial Statements, released on 2 September 2021

Melrose key financial numbers: GKN & Nortek both highly cash generative (continued)

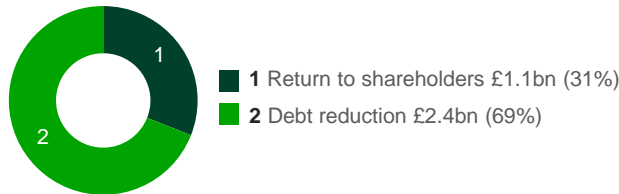
4. Strong cash generation since the GKN acquisition from all businesses (continued)

Free cash inflow¹ since GKN acquisition → £1 billion:



- GKN has generated £1.7 billion of gross cash inflow since ownership (120% profit conversion to cash post capex) which has more than self funded its £0.5 billion of restructuring costs and £0.4 billion³ of pension contributions, giving £0.8 billion of total net free cash inflow from GKN in Melrose ownership so far

Use of £3.5 billion total cash generation since GKN acquisition:



Total cash inflow

- Melrose has generated £3.5 billion of total cash inflow since the GKN acquisition, consisting of £1 billion of free cash inflow and £2.5 billion of proceeds from disposals (excluding Nortek Control)

Use of proceeds

- Currently debt reduction has been prioritised with £2.4 billion (69%) of the total cash inflow being used to lower debt and £1.1 billion (31%) returned to shareholders. There is room for a further Capital Return next year

Melrose business portfolio

	Aerospace	Automotive	Powder Metallurgy
Strong market position	<ul style="list-style-type: none"> ▪ Leading global tier one supplier ▪ Strong positions on major civil and defence platforms 	<ul style="list-style-type: none"> ▪ #1 in Driveline with technology leadership ▪ Supplies 90% of OEMs, 50% of global vehicles 	<ul style="list-style-type: none"> ▪ #1 in supply of precision powder metal parts ▪ #2 in powder metal production
Recovering markets	<ul style="list-style-type: none"> ▪ Civil market recovering, led by narrowbody demand ▪ Defence demand remains strong 	<ul style="list-style-type: none"> ▪ Sales currently constrained by semi-conductor shortage ▪ Strong underlying consumer demand, especially for EVs 	<ul style="list-style-type: none"> ▪ Sales currently constrained by semi-conductor shortage ▪ Strong industrial demand and auto recovery expected
Margin expansion opportunity	<ul style="list-style-type: none"> ▪ Around half of required restructuring underway ▪ Momentum for significant operational gains (quality, delivery, productivity) 	<ul style="list-style-type: none"> ▪ All restructuring projects underway ▪ Transformation opportunity greater than expected on acquisition 	<ul style="list-style-type: none"> ▪ All restructuring projects underway ▪ Focused in few remaining non-performing areas
Sustainable technology	<ul style="list-style-type: none"> ▪ Improving existing fleet efficiency ▪ Developing next generation of greener aircraft 	<ul style="list-style-type: none"> ▪ Leading EV drive system technology ▪ Significant investment into full range of eDrive system capabilities 	<ul style="list-style-type: none"> ▪ Compact and safe hydrogen storage solutions ▪ Commercialising additive manufacturing

Plus Ergotron, a leading manufacturer of digital display mounting, furniture and mobility products

Sustainable technology

Aerospace

Improving efficiency and sustainability of current aircraft:



Wing of Tomorrow



Additive manufacturing air cases

Developing next generation of alternative power aircraft:



Alice electric aircraft



H2GEAR hydrogen propulsion

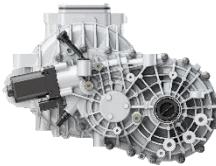
Automotive

Producing driveline solutions tailored to electric vehicles:



High efficiency, high torque, low NVH sideshaft

Developing a range of eDrive systems for electric/hybrid vehicles:



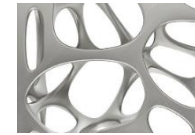
2-in-1 eDrive system



3-in-1 eDrive system

Powder Metallurgy

Commercialising additive manufacturing (AM) across sectors:



Intricate metal powder AM



Forecast 3D plastic AM

Developing breakthrough sustainable storage solutions:



GKN Hydrogen

Providing focus and investment to make our businesses sustainable and valuable