

10 May 2023



## MELROSE INDUSTRIES PLC

### Trading Update & New Guidance

Melrose Industries PLC ("Melrose") publishes the following trading update for the first four months of the year to 30 April 2023 (the "Period"). All numbers are calculated at constant currency and exclude the businesses recently demerged under Dowlais Group PLC.

Following completion of the demerger, Melrose is an aerospace business and will report as two divisions: Engines and Structures. For the first time Melrose introduces written trading guidance for the current year.

#### Trading update

Melrose is trading materially ahead of expectations with significant growth in revenue, profit and margin being achieved.

For the first four months of this year revenue was up 19% on the same period in 2022, with Engines showing the fastest momentum, up 28%, and Structures up 14%. The adjusted<sup>1</sup> operating margin has increased substantially year-over-year to c.10% prior to PLC costs. Restructuring projects are also proceeding to plan and should be materially complete in the next 12 months.

New guidance for Melrose for full year<sup>2</sup> 2023:

- Revenue between £3.35 billion and £3.45 billion<sup>3</sup>
- Adjusted<sup>1</sup> operating profit between £340 million and £360 million (prior to PLC costs)
- Adjusted<sup>1</sup> EBITDA between £495 million and £515 million (prior to PLC costs)
- PLC head office costs reducing from c.£45 million to c.£30 million in total

And in addition:

- Substantial further growth is expected in future years, with the 14%+ Aerospace adjusted<sup>1</sup> operating margin target expected to be reached on a run rate basis during 2024
- New 2025 Melrose guidance, including for Engines and Structures, will be announced at the Capital Markets Event on 17 May

#### Strategy

Since flotation in 2003, Melrose has created significant shareholder value through its 'Buy, Improve, Sell' strategy.

For the next 12 months the focus is to create further substantial value for shareholders by maximising the embedded quality and potential of Aerospace.

Beyond that, Melrose will continue as a pureplay aerospace company. Consequently, the Board will not seek to do another acquisition of an unrelated industrial business or, in the near term, a material aerospace business. As the Aerospace restructuring completes over the next 12 months, this strategy will give Melrose the ability to consistently buy back a proportion of its shares each year thereafter. Further details on this will be given at the Aerospace Capital Markets Event.

The Melrose Board remains, as ever, focused on realising shareholder value in the best way possible.

### **New guidance versus company compiled consensus**

With the introduction of formal written guidance in this statement, it is noted that, at the close of business yesterday, the company-compiled consensus for 2023 for analysts following Melrose was revenue of £3.4 billion, adjusted<sup>1</sup> operating profit for Aerospace of £324 million, and adjusted<sup>1</sup> operating profit post PLC costs of £279 million. The new company guidance announced today is therefore an increase of between 5% and 11% for Aerospace adjusted<sup>1</sup> operating profit and between 11% and 18% for total Melrose adjusted<sup>1</sup> operating profit post PLC costs.

### **Simon Peckham, Chief Executive of Melrose Industries PLC, said:**

“Aerospace has huge embedded value and an EBITDA of £1 billion is achievable within the next few years, much of this coming from the premium Engines business. With the new simplified strategy for Melrose announced today, we look forward to explaining the full potential of Aerospace at the upcoming Capital Markets Event next week including the route to realising this value.”

1. Described in the glossary to the Melrose Industries PLC Annual Report and considered by the Board to be a key measure of performance
2. Calculated using a foreign exchange rate of £1 = US\$1.25
3. Including c.£150 million of revenue from planned site closures to be exited in 2024

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