

Melrose Industries PLC

Investor Day

New sustainable technology driving above market growth
Clear path to improve operating margins

20 May 2021

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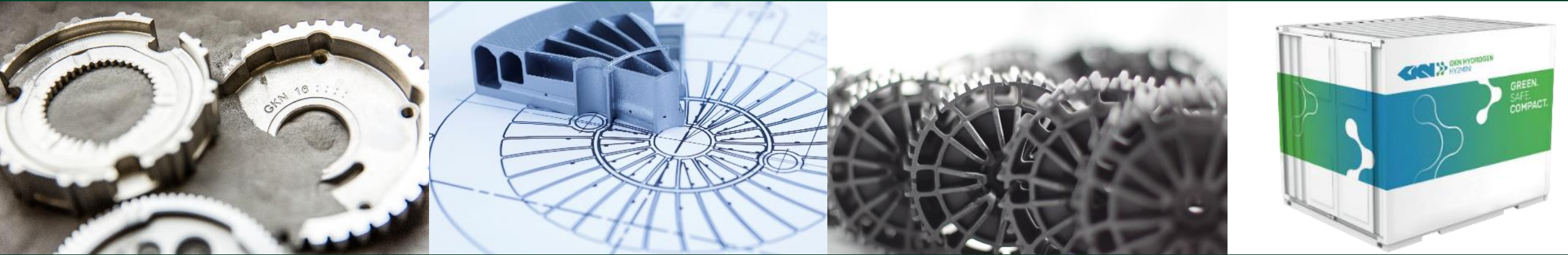
- 1. Key messages from the Melrose CEO**
- 2. Powder Metallurgy**
- 3. Automotive**
- 4. Closing remarks from the Melrose CFO**



Key messages from the Melrose CEO

Key messages from the Melrose CEO

- GKN Automotive and Powder Metallurgy are both high quality businesses with leading market shares
- Both can profitably grow ahead of their markets
- Operating margin targets for both are achievable and well in progress
- Both businesses only require a partial market recovery to achieve their target operating margins
- Both have exciting new technology opportunities to enhance growth and improve their businesses
- Both businesses have substantial opportunities to reduce the impact of climate change through new technology



GKN Powder Metallurgy

Executive summary



Global leader in Powder Metallurgy



A clear path to improve to 14% operating margin¹, over two thirds of sales already above 14% margins










Growth in the core business with market share gains, of which one third of the requirement to 2030 is already won



Incremental high growth from exciting and sustainable new technologies

Experienced team with a new approach

Executive leadership team

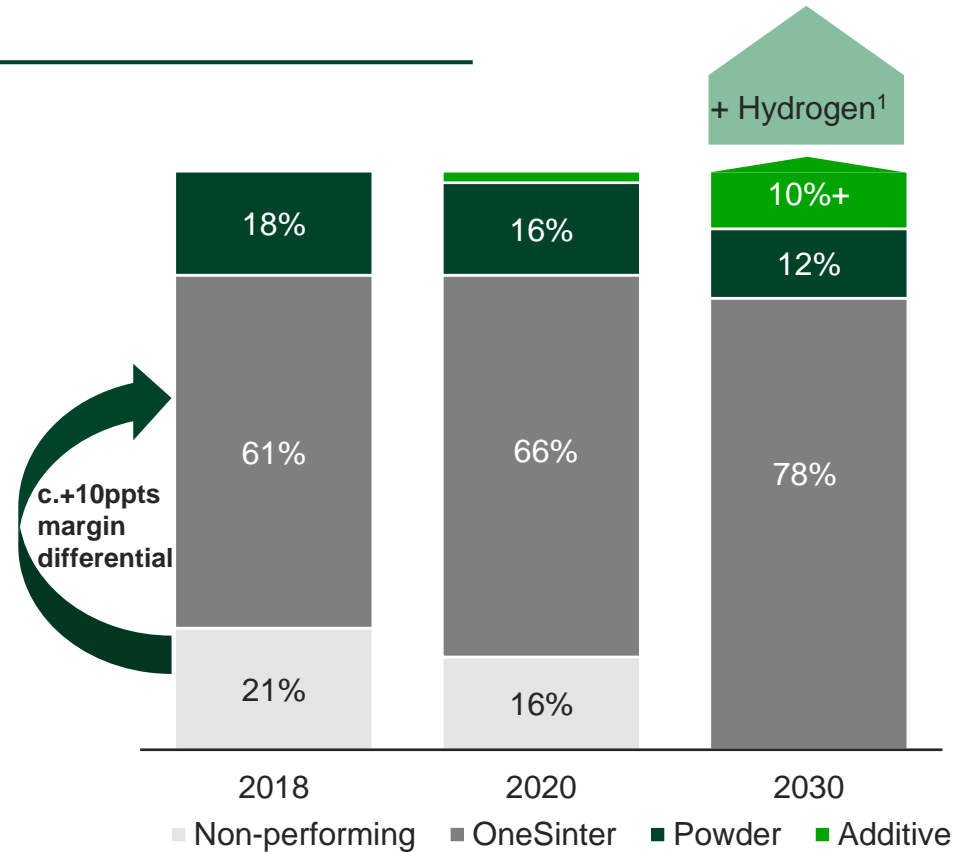
Name	Position	Experience
 Peter Oberparleiter	Chief Executive Officer	30+ years
 Diego Laurent	Chief Financial Officer	25+ years
 Guido Degen	Chief Operations Officer GKN Additive	30+ years
 Wolfram Messner	Chief Operations Officer GKN Sinter Metals	20+ years
 Matthias Voss	Chief Operations Officer GKN Powders	20+ years
 Gottfried Rier	Chief Technology Officer & Quality	20+ years
 Karl-Friedrich Roth	Chief HR Officer & Risk Management	30+ years

The world's #1 in powder metallurgy



Refocusing to OneSinter, the premium margin segment

Revenue by segment



- Sinter business refocused into OneSinter and non-performing to drive efficiencies
 - 16% non-performing already reduced to 10%, to become zero in next few years
- Active exit of certain lower margin products
- Growth focused on more complex, higher margin components
- Additive to grow strongly, further opportunity from Hydrogen

Significant margin benefit from refocusing on higher precision applications, plans already well underway

Growth through share gains and new technologies (2019-2030)

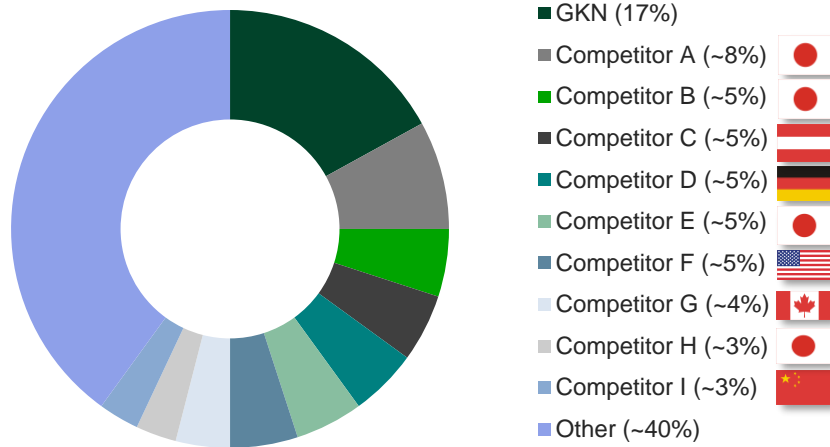


- Core business growing ahead of market as share gains and market growth in general industrial and automotive more than offset headwinds from ICE²
- One third of required share gains already achieved

Growing core business plus high growth from new technologies

GKN PM is well placed to gain market share in OneSinter

GKN PM is the #1 player in segment, well placed to gain share



GKN PM has been growing share and focusing on high value precision applications

£120 million

Annual share gains already achieved, one third of the requirement to 2030

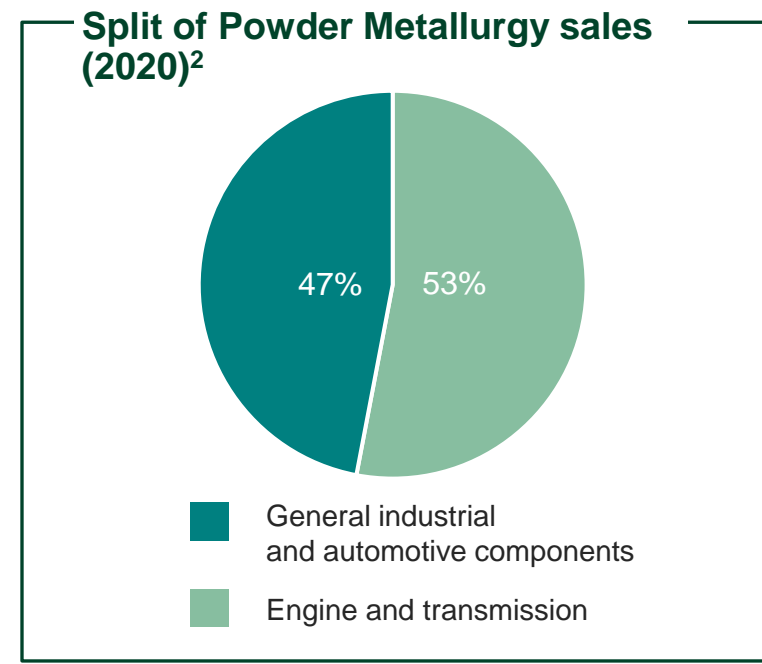
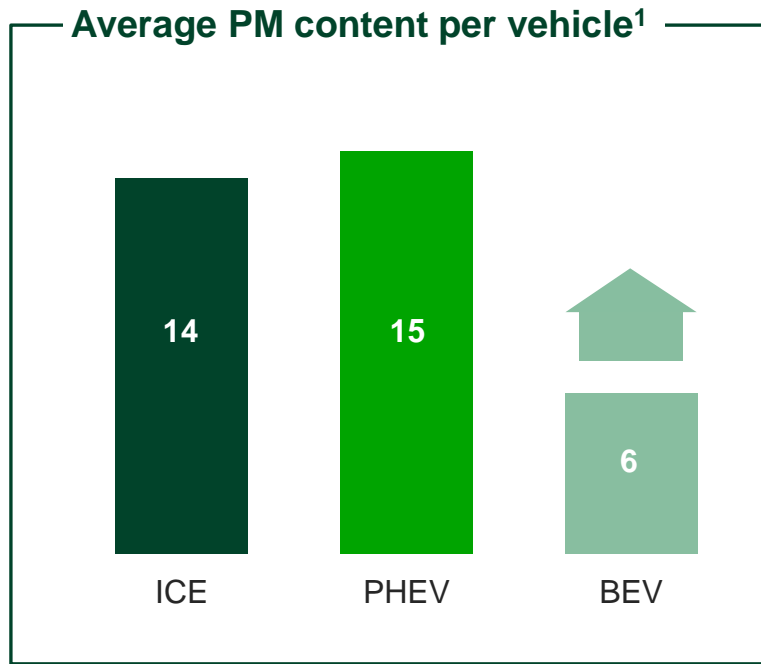
Share gains in OneSinter take market share to just over 20% by 2030

GKN PM well placed to continue winning

- ✓ Fragmented market
- ✓ Global leader
- ✓ Competitive advantages
 - High digital penetration
 - Unique bespoke manufacturing assets including software
- ✓ Targeting higher value precision applications

Potential for c.2 to c.3% CAGR from net new business wins, 1/3 already won

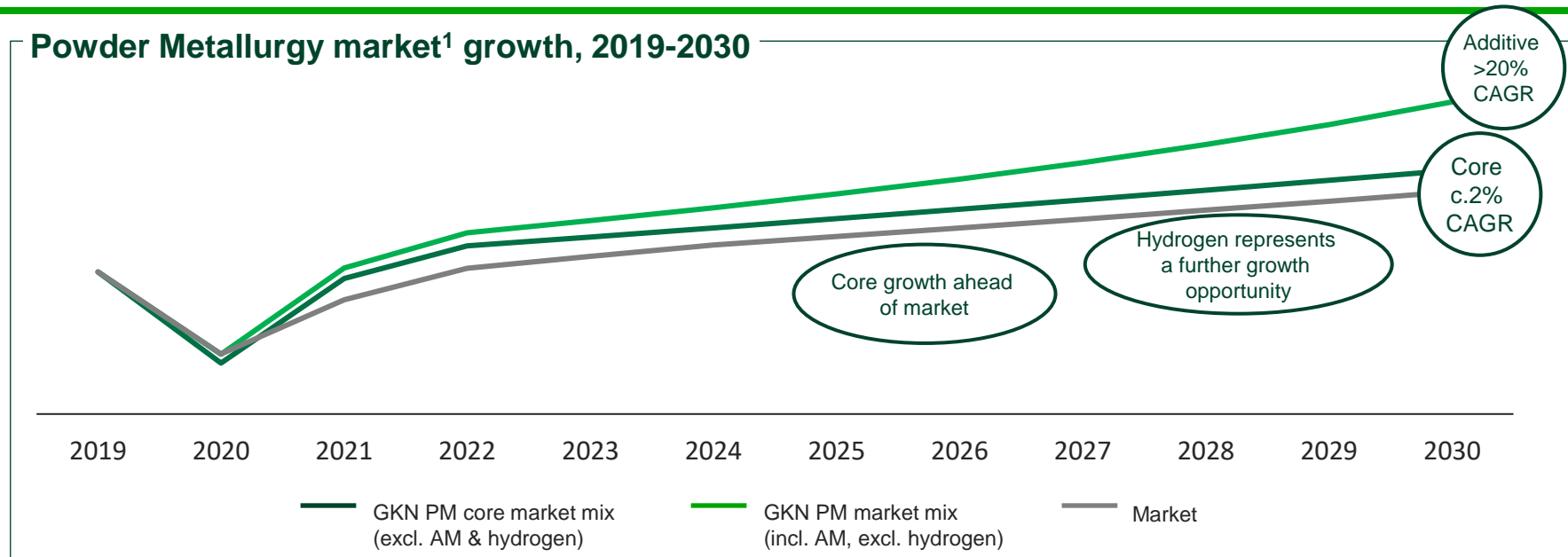
Content per vehicle



- Currently BEV content per vehicle below ICE and hybrid, but increasing as traditional OEMs ramp up BEV production
- Expect by 2030 content per vehicle increases for BEV and core market growth to largely balance out declines in ICE
- Equal spread across ICE, hybrid and BEV for non engine and transmission components
- In addition business well placed to continue to gain market share

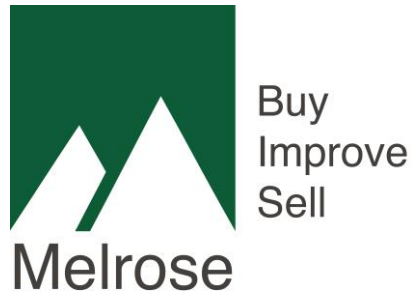
Realistic plan to grow Powder Metallurgy longer term

Medium term outlook robust; gaining pace from new technologies



	Securing today	Focusing on the future
Revenue	Growth ahead of the market	High growth from new technologies
Profitability	Achieve 14% operating profit margin, with only partial market recovery required	Maintain higher margins

An exciting and profitable future



Global leader in powder metal solutions

Strategic evolution aligning with emerging megatrends



GKN POWDER METALLURGY

- Strategically evolved amidst a shifting industry landscape to maintain a competitive advantage
- Distinct focus on technological investments
- Pivoting towards more commercially beneficial product categories

1967

- GKN acquired Birfield Industries, with sinter plant in Italy

1998

- Acquisition of Hoeganaes (Powders)

2013/14

- Started development of H₂ storage and Additive Manufacturing

2019

- Expansion to Mexico

2020/21

- Acquisition of Forecast 3D California (US), a leading AM business
- Ambitious and successful programme of margin improvement through **refocusing** and **restructuring**
- Refocused into OneSinter (2021)
- Launch of Hydrogen storage systems (May 2021)

1997

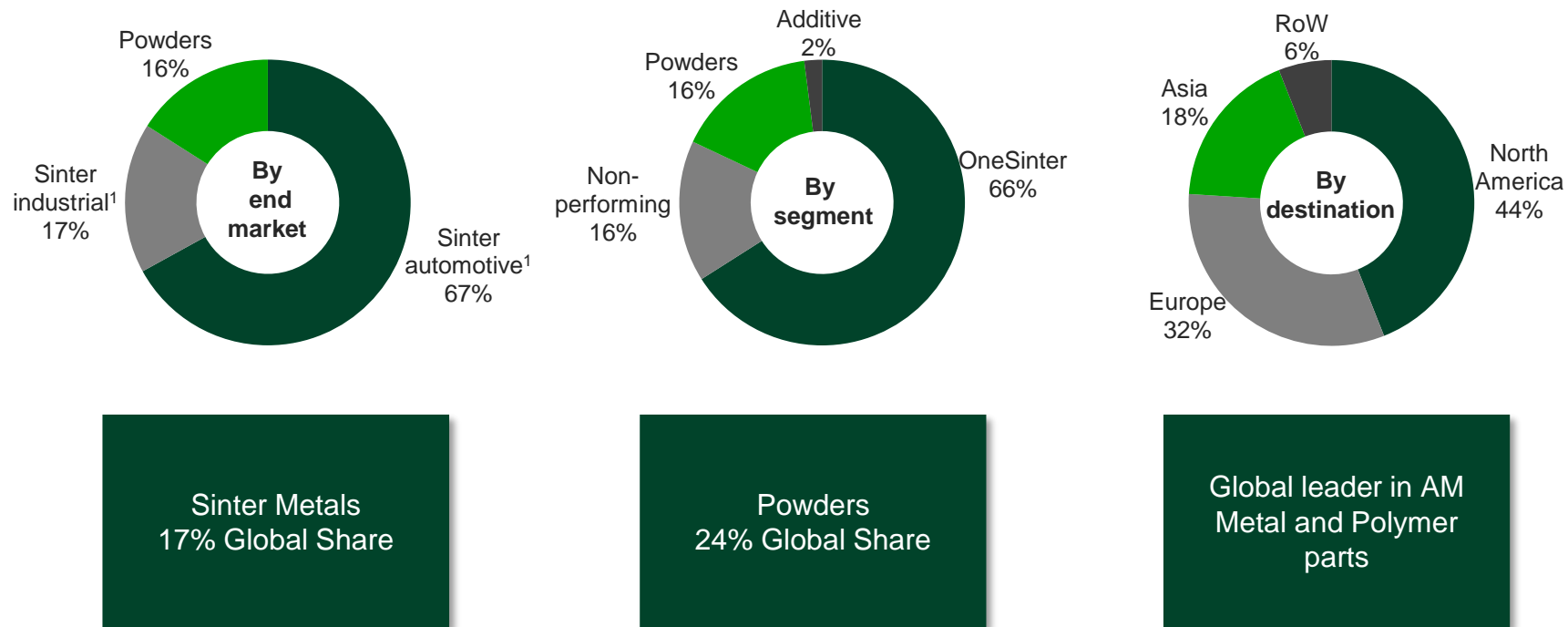
- Acquired Sinter Metals Inc., including German Krebssoege Group
- Formed GKN Sinter Metals and followed with several acquisitions in North America

Acquired by Melrose 2018

- Acquired by Melrose, leading to an acceleration in **restructuring** with greater independence for GKN PM
- Start of the business refocusing

GKN Powder Metallurgy today

2020 Revenue breakdown



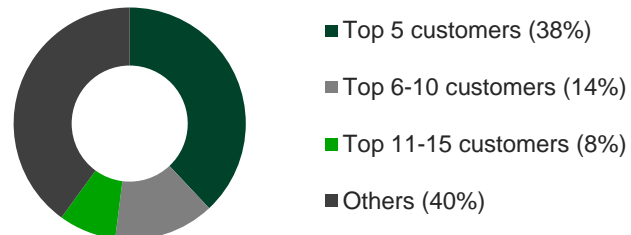
A quality business with global leadership in its markets

Long standing relationships with broad customer base

Top powder customers



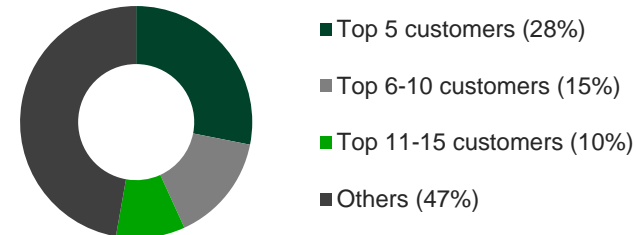
Revenue by powder customers



Top sinter customers

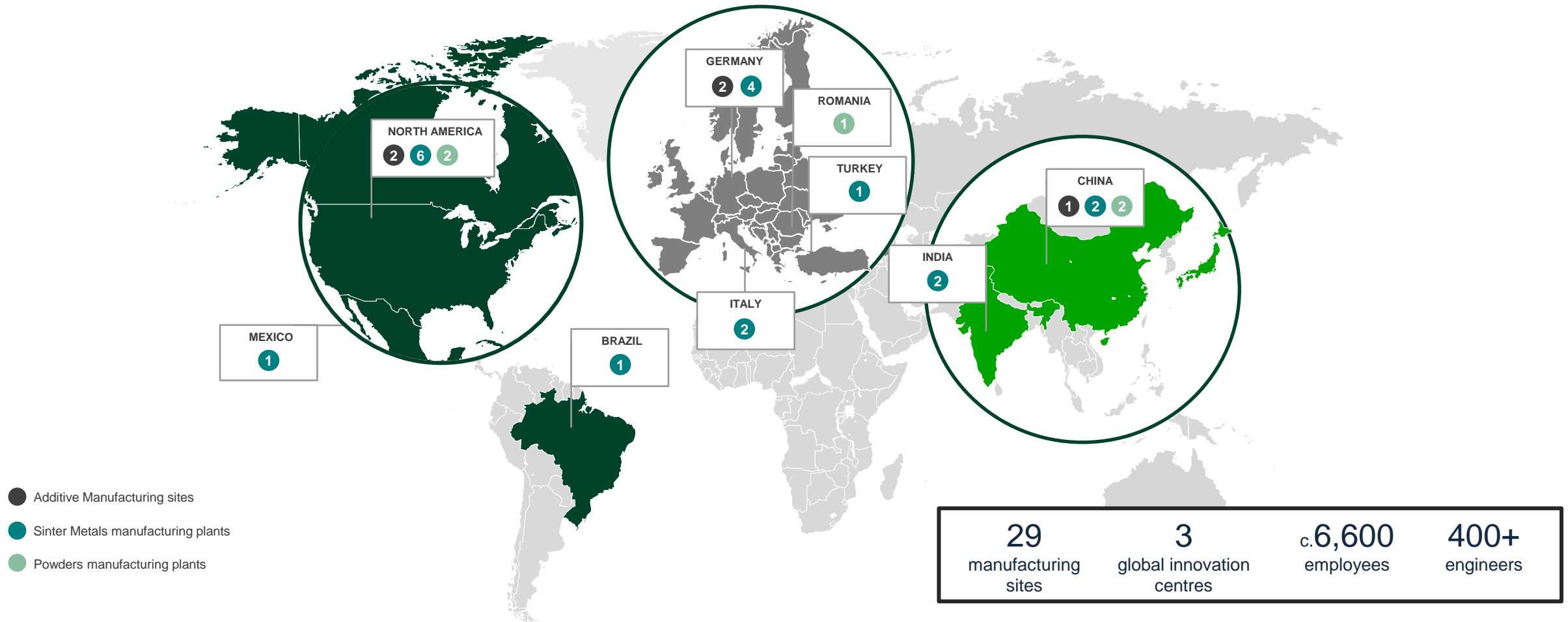


Revenue by sinter customers

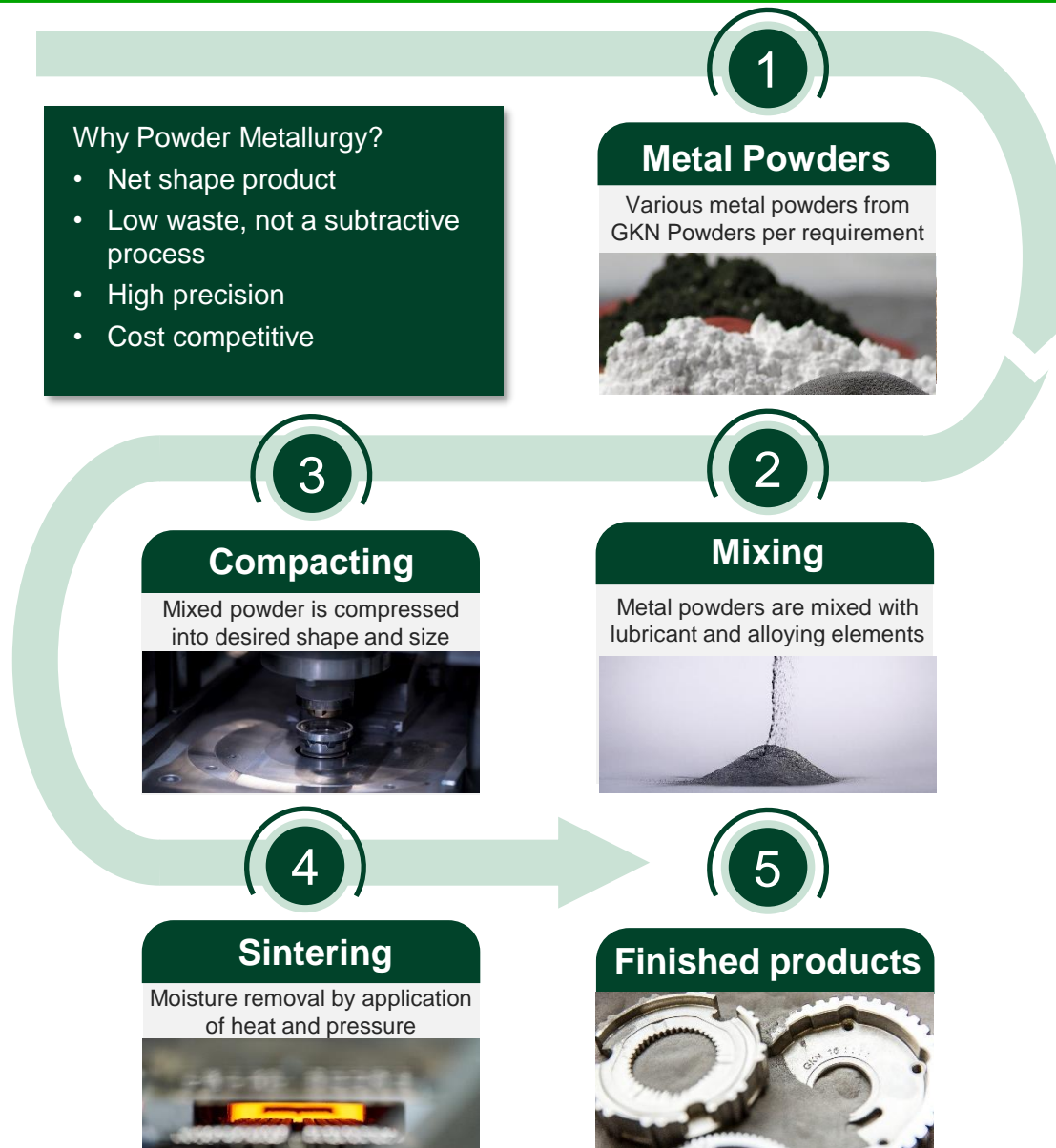


Relationships with our top customers span on average 20 years

Optimised global footprint strategically located close to our customers



Highly efficient process that delivers extreme precision



Example products

Powder

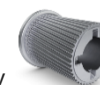


Powder metal
Advanced titanium and steel powders

Automotive



Shock absorber
Ensuring vehicle comfort and safety



eMotor pulley
Electric power assisted steering



VVT sprocket
Optimises camshaft/valve timing to increase efficiency



eMotor components
Transverse flux motor with high torque density



Solenoids
Convert electrical energy into linear motion



Planetary carrier
Used to transfer high-power torque

Industrial and other



Valve plate
Used for pressure control



Filter cartridge
Filtration of liquids and gases in industrial settings

Environmental, Social and Governance

Products

- 100% of the powder produced comes from recycled metal scrap
- 99% of all PM products are recyclable
- Low waste production, not a subtractive process
- Strong focus on **3D Metal Printing** and **Hydrogen Storage** to mitigate climate change issues
 - Hydrogen Storage committed with zero-emission-programmes
 - 3D Metal printing is focusing on material and weight reduction based on topology optimised product designs



Mamata Bal Sadan school supported by GKN PM in India for 10 years

Environment

- **Significant year-on-year improvement**
 - **Water:** Reduction of -5% in m³/shipped ton
 - **Waste:** Reduction of -5% in kg/shipped ton
 - **Energy:** Reduction of -2% kWh/shipped ton

Social Responsibility

- Continued support to our communities with different projects (cash donations or community support activities)
- We are recognising good examples with our “Hearts of Gold” award

Health & Safety Standards

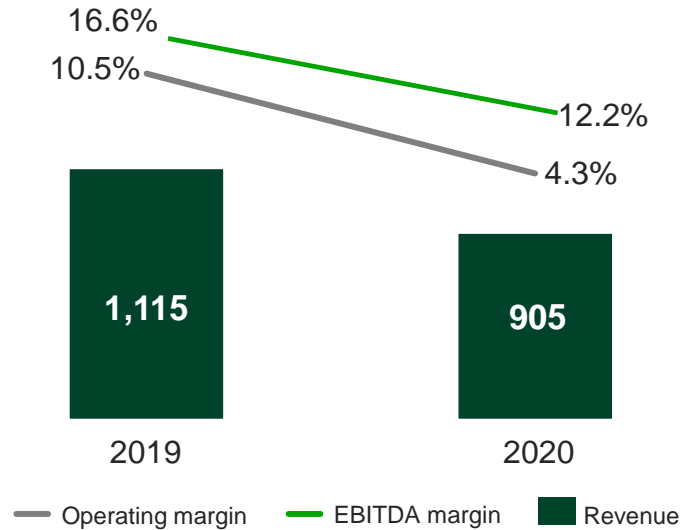
- Significant reduction in safety incidents, with no major accidents for many years
- Think Safe Training Programme – quarterly awareness programme
- Near Miss and Behavior Based Safety Programmes – above the industry benchmark



Clear path to 14% operating margin

Summary of 2020 financial performance

Full year revenue and margin (£m, %)



- **18%** decline in sales in 2020¹
- **6.3ppts** drop in operating margin in 2020¹, strong recovery in H2 2020
- 2020 Pre-CAPEX cash conversion of **156%**

2020 H1 vs. H2

	2020		
	H1	H2	Δ
Revenue (£m)	396	509	+29%
Operating margin (%)	-0.8%	8.3%	+9.1ppts

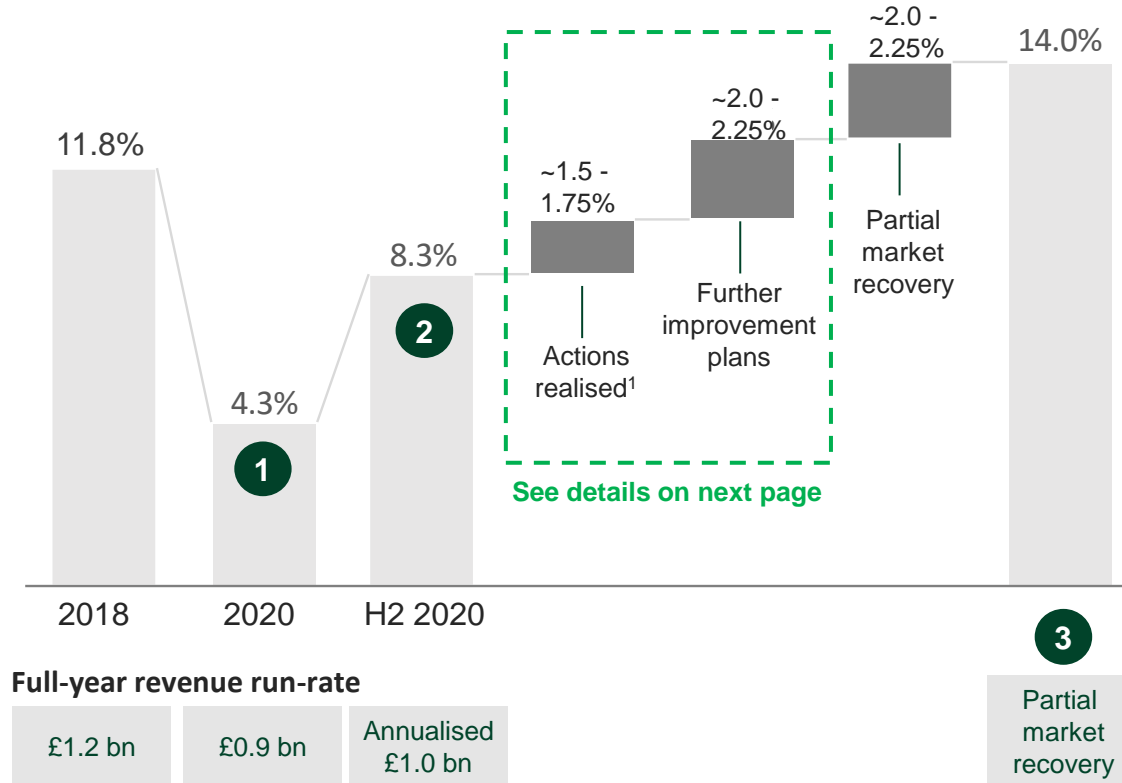
Accelerated strategic actions

- Concentration of product in core profitable plants, exit of certain lower margin products and focus growth on more complex, higher margin components
- Acceleration of indirect and overhead reductions, renegotiation of contracts and improved productivity

Highly cash generative business, emerging from the pandemic stronger

Clear refocus and restructuring plan to deliver 14% margin target

Operating profit margin (%)



1 Rapidly reacted to the pandemic

- Adopted flexible workforce from the first month
- Further accelerated restructuring activities
- Maintained positive return on sales for 2020

2 Profit recovering whilst activity started to ramp back up

- Solid margin during H2, with additional benefits from improvement actions

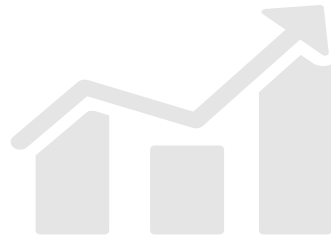
3 14% operating margin target in sight²

- All actions in place to continue improvement and deliver margin expansion

All actions required to deliver 14% operating margin target underway, requiring only partial market recovery

Projected improvements to achieve 14% margins

Refocusing



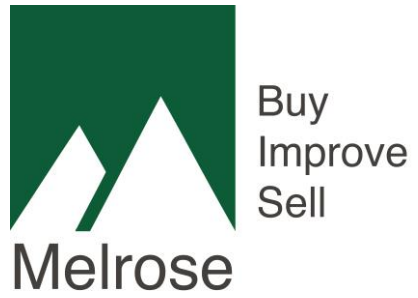
- Commenced end of 2018
- Focus of opportunities on higher precision applications
- Achieved £120 million of booked annual sales in new business through market share gain
 - Extra margin from business in most profitable areas
- Closed two sites in the USA in 2018/19
- Streamlining European footprint
- Announced closure of Canadian transmission plant
- Sinter business refocused into OneSinter and non-performing to drive efficiencies

Restructuring



- Restructuring projects started in 2019
- Various projects executed in all business areas, across geographies
- Right-sized business promoting a reduction of 400+ people from overheads, nearly 25% of total
- Streamlined support functions structures by digitising processes
- Reorganised Tech Centre in Germany, in order to accelerate development of new technologies whilst delivering cost efficiencies

Delivered £27 million of annualised cost benefits since 2019, with £22 million further improvement planned



High growth from new technologies

Additive Manufacturing



Differentiated Technology Aligned With Our Expertise

Opening new markets & applications

Consumer electronics

SYNG



AM enables next generation sound experience
~10,000¹ speakers

Space

PYTHOM



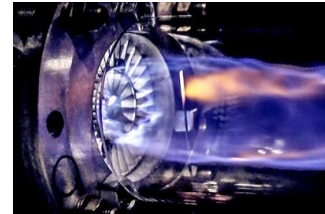
PANGEA[™]
AEROSPACE



Next generation rocket engines and propulsion systems for commercial uses

Industrial

Kuepper Solutions

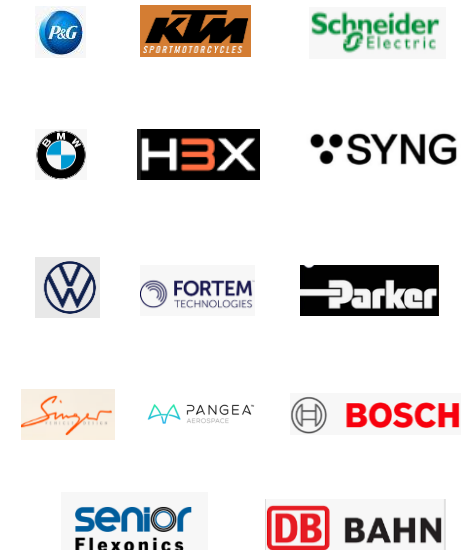


Next generation industrial burners
+20% energy efficiency
300m² burners

Technology partners



Customers



AM market growth projections strong

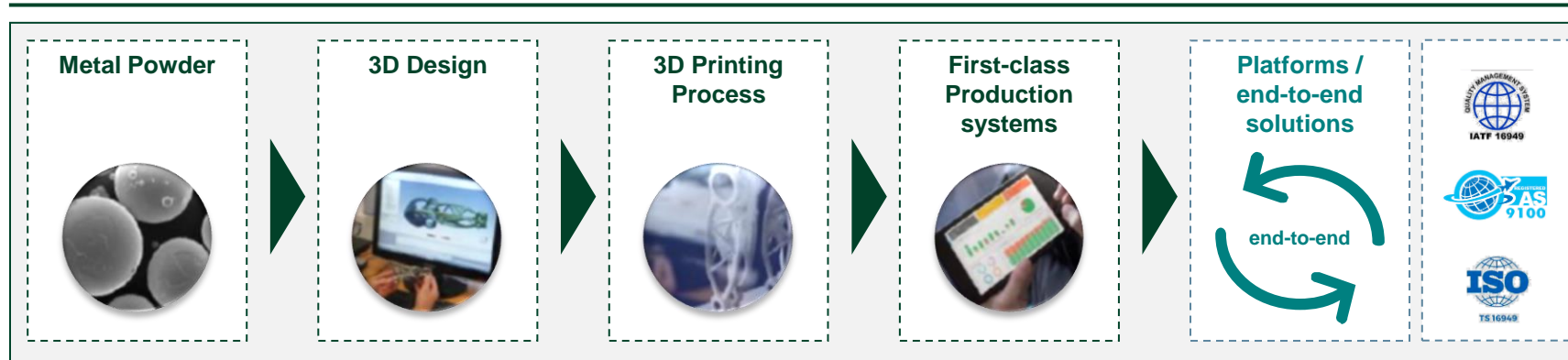
- >20% CAGR 2019-2030
- GKN Additive should be 10% of the business³ by 2030 through organic growth

Market progression from

- Prototypes → Production → End-to-end solutions

Summary position

We offer the full value chain



GKN Additive is a leading player in plastic and metal 3D printing

- With five production locations and over 65 printers, the business produces parts for many different markets & customers
- Serves local markets with the ability to scale globally through global digital network
- Also offers a huge variety of high-quality powders for additive manufacturing

Exciting partnership with HP signed in 2018

2013-2019

- Dedicated R&D in Germany since 2013
- Dedicated materials development in the US since 2014
- GKN Additive Business Unit since 2017

DEVELOP

2020-21

- Acquisition and integration of Forecast 3D
- 5 full manufacturing sites ready
- Full production readiness on Laser, Binder & Plastics MJF¹

PORTFOLIO READY

2022 onwards

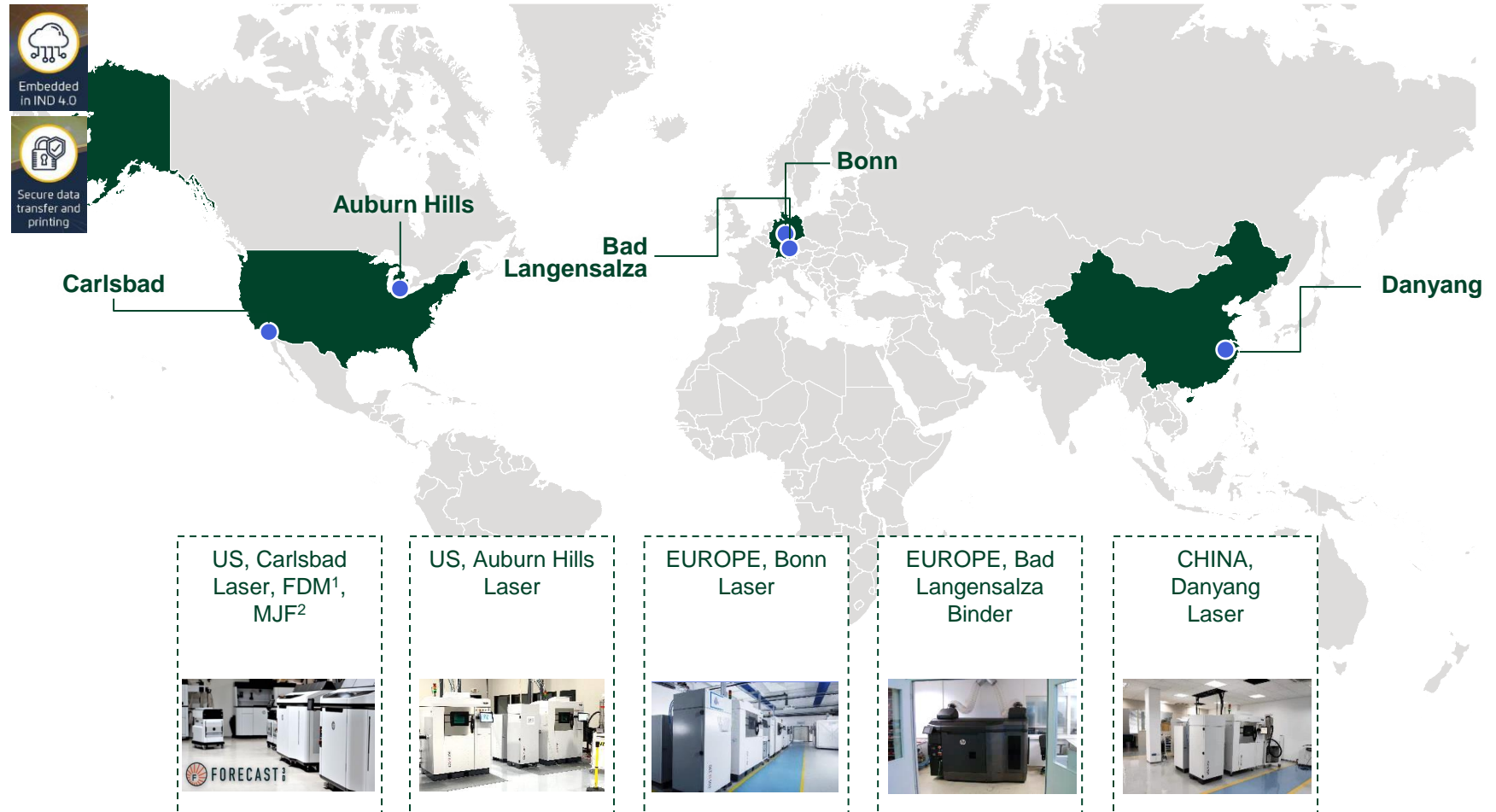
- Full digital end to end solutions
- Automated, digital development process
- Scale production capacity globally in plastics and metals

GROW

Serving local markets in a global print network

> GLOBALLY and DIGITALLY CONNECTED

ADD[®] MANUFACTURING
vantage EXECUTION
SYSTEM



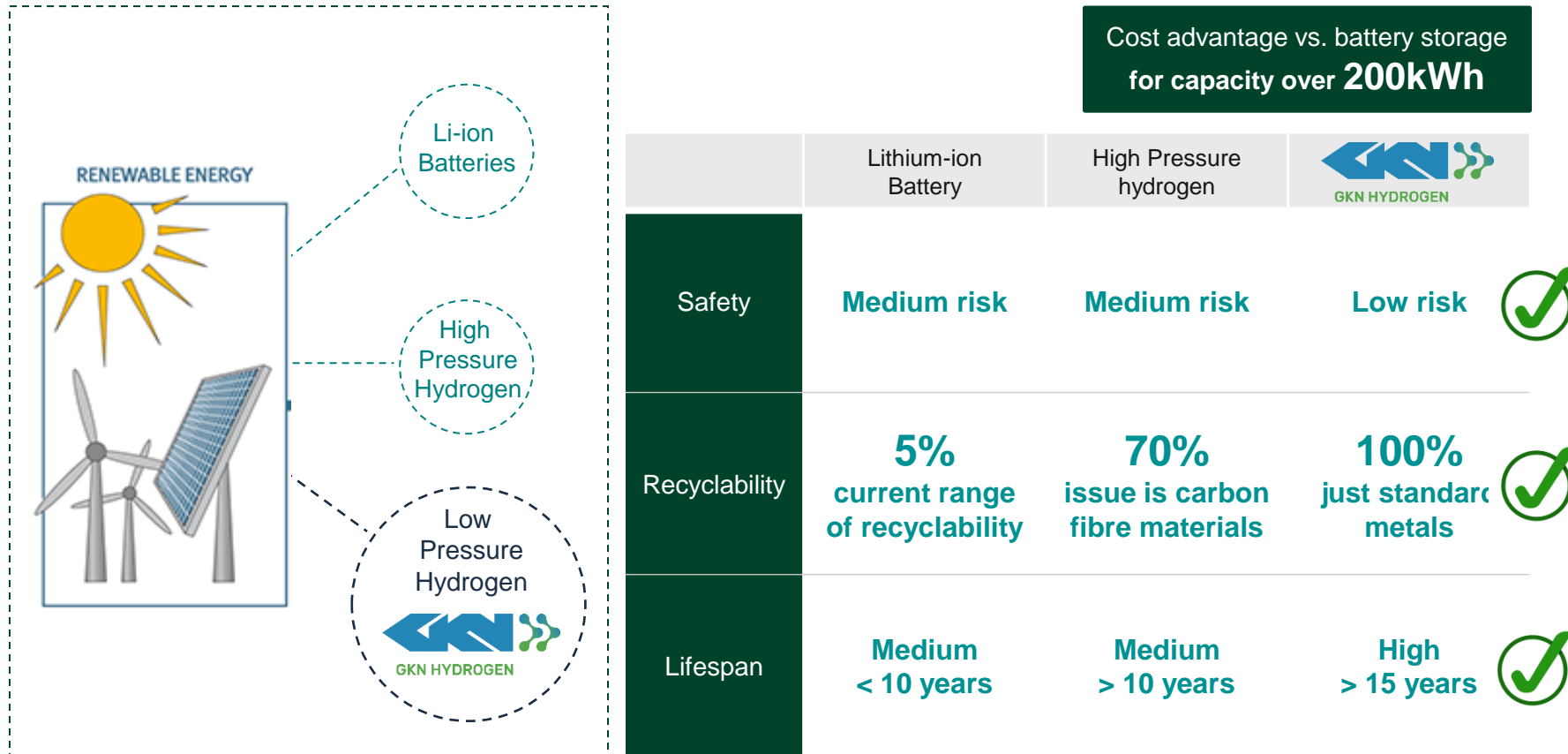
Exciting new product line targeting Hydrogen storage



New emerging market with wide variety of applications, huge growth opportunity

We solve the hydrogen storage problem

We store green hydrogen safely and use it for electric power, heat and mobility solutions

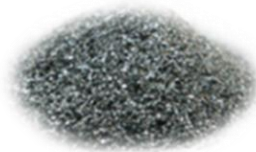


Metal hydrides offer a safe storage solution

The heart of the system: it's metal hydride storage



Here we are at home:
State-of-the-art technology
made by us, the world
market leader for metal
powder solutions



Metal powder



Pressed metal
pellets



H2 energy storage (<40bar at 60° / inherent)

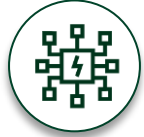
safe

100%
recyclable

Most
reliable
system
on the
market



A modular system for many needs



Micro grids & residential buildings



Industry / transportation



Power back-up



Autonomy



Customers / Partners



Value Proposition

- Clean Power - CO₂ optimized
- Increase renewable sources
- Avoid CO₂ penalties
- Safety

- Durability
- Safety
- Compactness
- Scalability
- Integration

- Safety
- Reliability
- Lifespan
- Zero Hazard

- Robustness
- Safety
- Flexibility
- Zero Hazard
- Digital accessibility

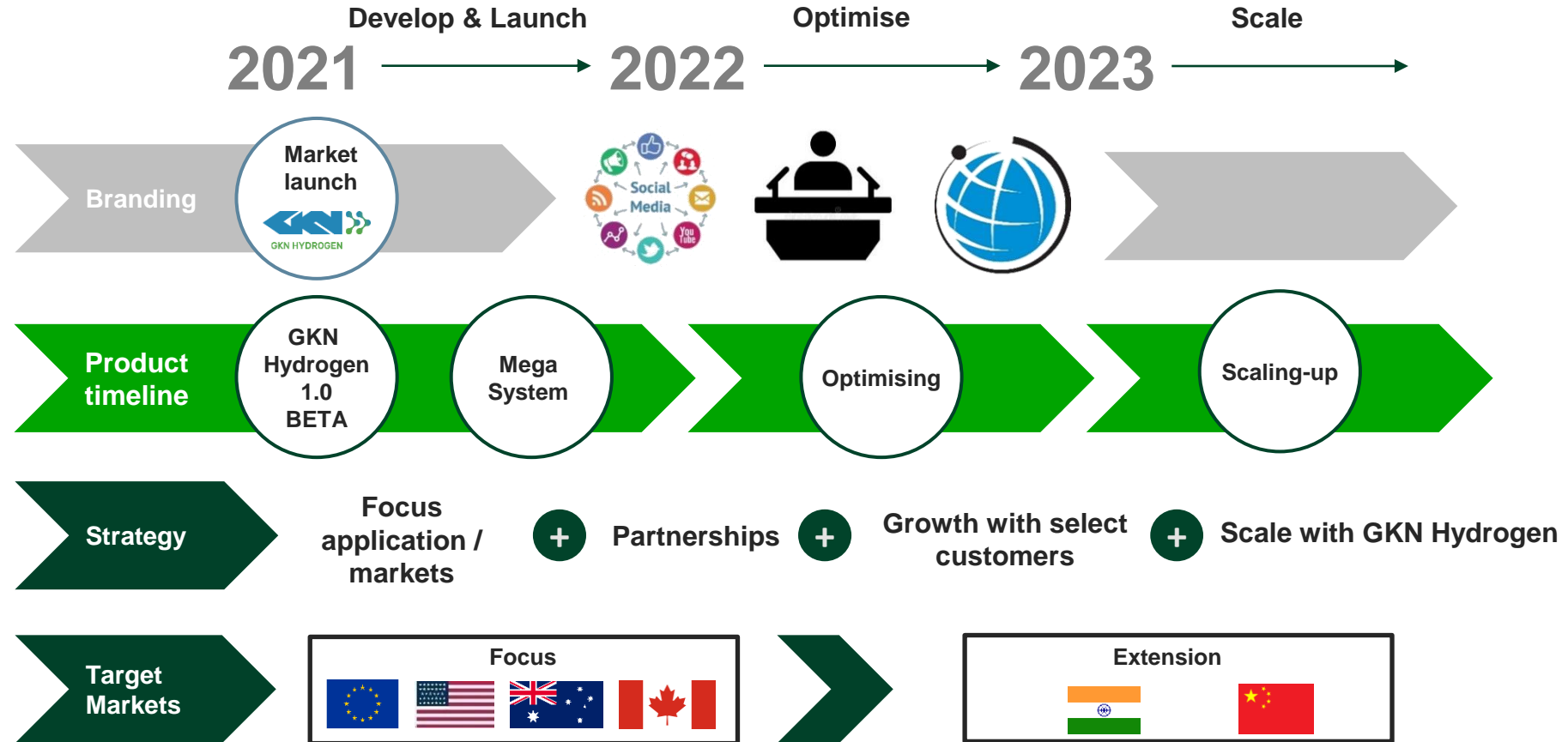


Strong strategic partnerships



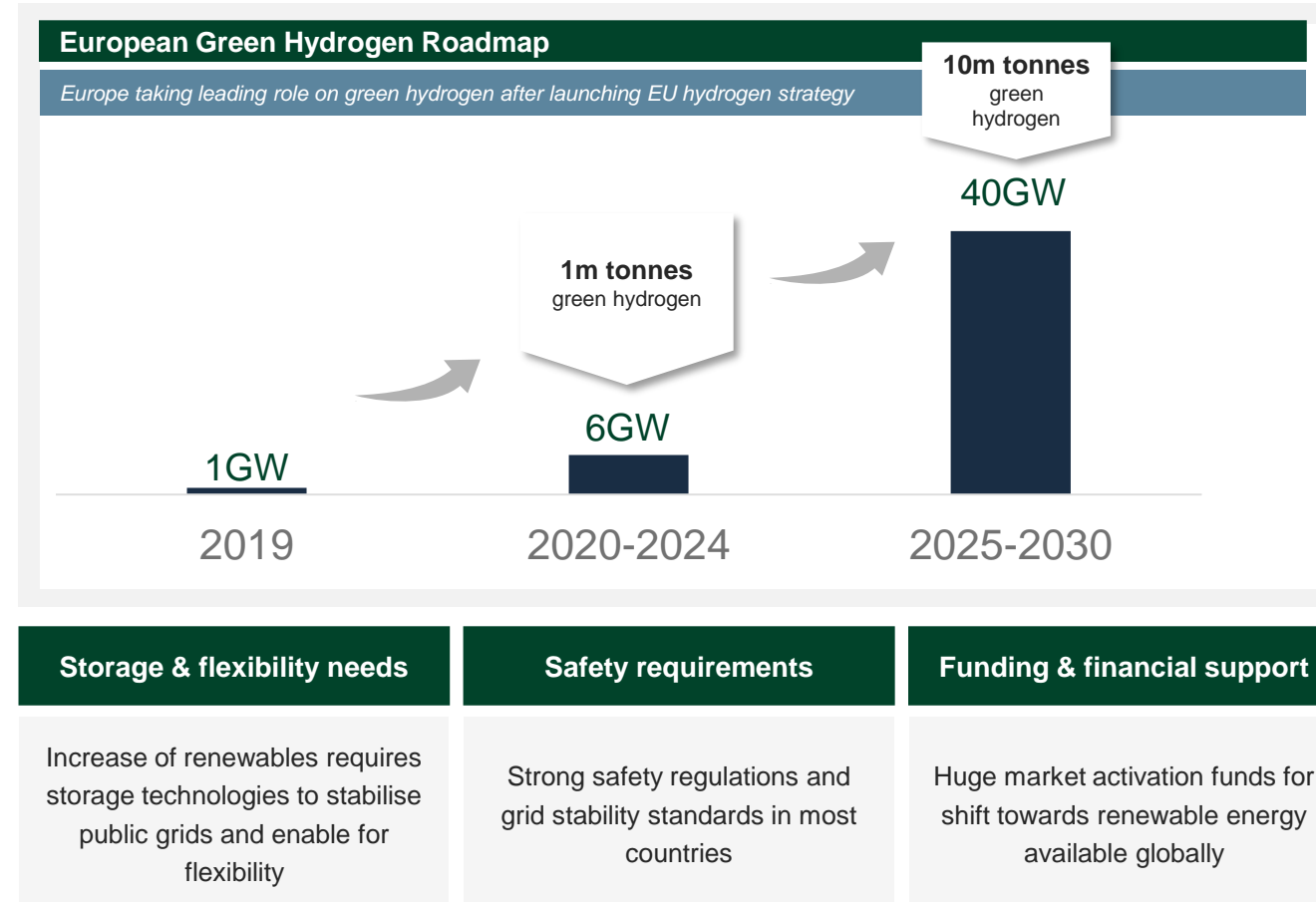
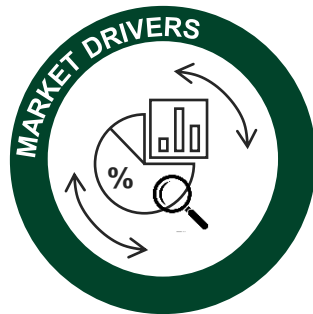
4 demonstrators in place, 11 more planned in 2021

Path to commercialisation



A comprehensive strategy to make GKN Hydrogen a commercial success

Example market drivers for Hydrogen storage



Well positioned to gain some of this high growth opportunity – exact size to be determined



Conclusion

Conclusion



Global leader in Powder Metallurgy



A clear path to improve to 14% operating margin¹, over two thirds of sales already above 14% margins



Growth in the core business with market share gains, of which one third of the requirement to 2030 is already won



Incremental high growth from exciting and sustainable new technologies



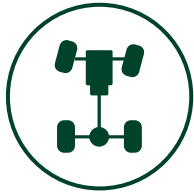
Melrose

Buy
Improve
Sell



GKN Automotive

Executive summary



Global leader in drive systems



Transforming the business, with a clear path to >10% profit¹



Structural growth in our core business



Well positioned to capture incremental electrification growth

Delivering on our promises

What we said in 2019


- We will drive operational performance

- We will focus on selective, profitable growth

- We will invest in new electrification capabilities

- We will change the team, flatten the organisation and instil a more agile culture

Where we stand today

 *Ahead of original plan on lower sales*

 *On track*





























 *On track*

 *Completed*

GKN Automotive is delivering on all promises

New team with a new approach

Executive leadership team

Name	Position	Experience & background
 Liam Butterworth	Chief Executive Officer	30+ years   
 Roberto Fioroni¹	Chief Financial Officer	25+ years   
 James Pedder¹	Chief of Staff	10+ years  
 Thierry Minel¹	Chief Procurement Officer	25+ years   
 Mark Gabriel	Chief Commercial Officer	30+ years 
 Clare Wyatt¹	Chief Communications Officer	25+ years  Morgan Stanley
 Markus Bannert¹	President Driveline & Aftermarket	20+ years 
 Dirk Kesselgruber¹	President ePowertrain	20+ years   
 Shaoling Qiu¹	President GKN Automotive China	25+ years 
 John Webb¹	Chief Human Resources Officer	25+ years 

Agile

Lean and simplified decision making processes

Bold

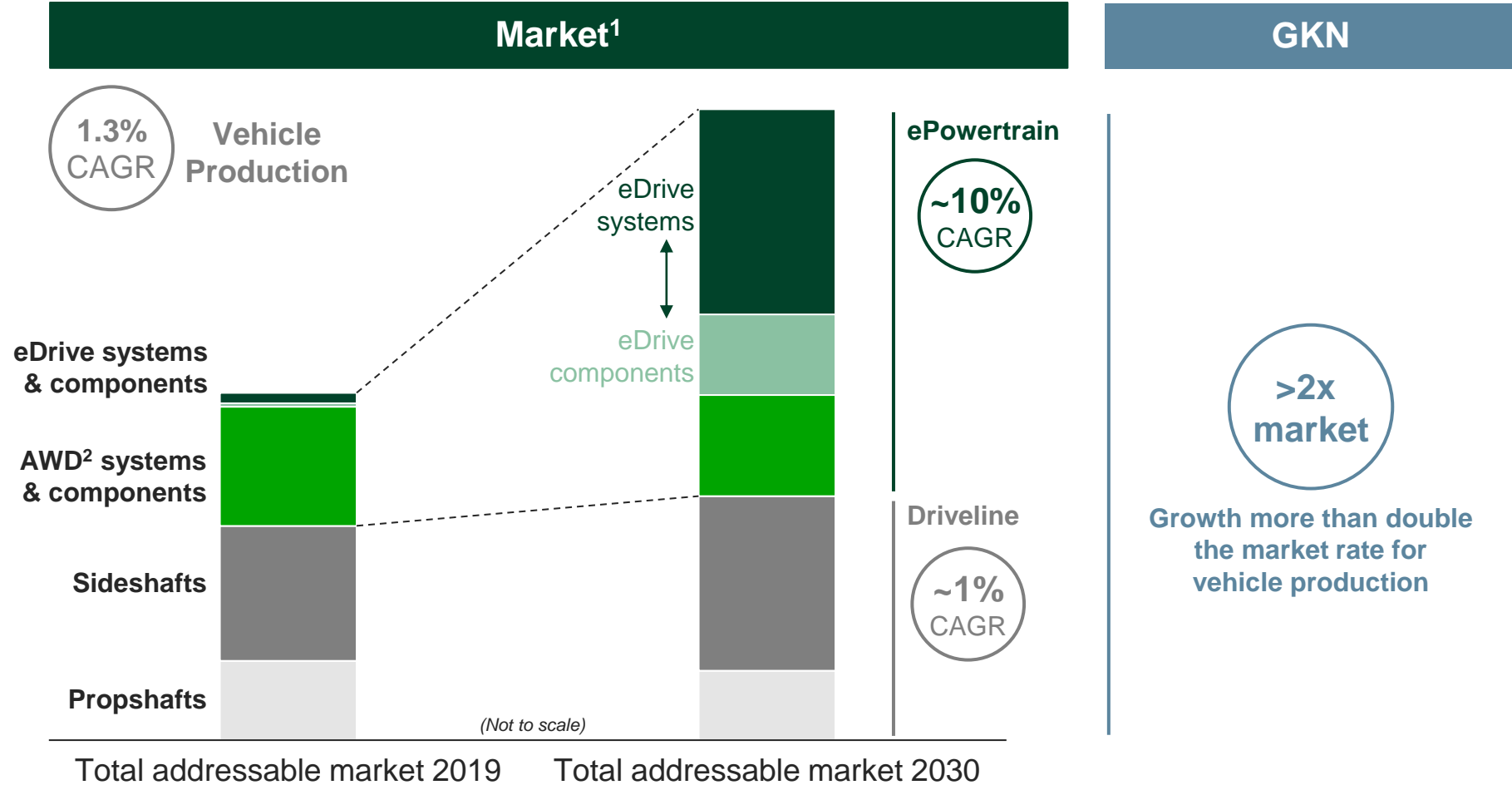
Culture of swift and decisive action

Selective

Pursuit of profitable growth opportunities

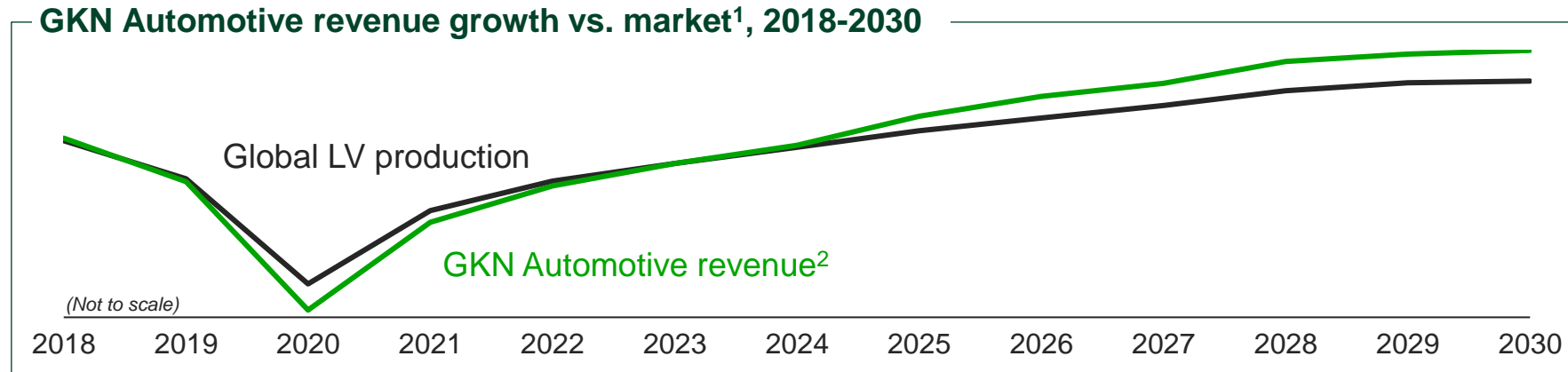
New team driving sustainable value creation

Addressable market growth presents a significant opportunity



Well positioned for profitable growth ahead of market

Financial outlook delivers both profitability & growth



	Securing today	Focusing on the future
Revenue	Grow with the market	>2x market growth
Profitability	>10% operating profit margin with partial market recovery	Maintain higher margin

Margin expansion followed by profitable growth

Source: IHS

1. Market sizes based on IHS data and GKN addressability & pricing assumptions
2. Derived by applying GKN product mix to market forecasts



GKN Automotive Overview

Global leader in drive systems

...trusted partner for **90%** of global OEMs¹

...content on **50%** of vehicles²

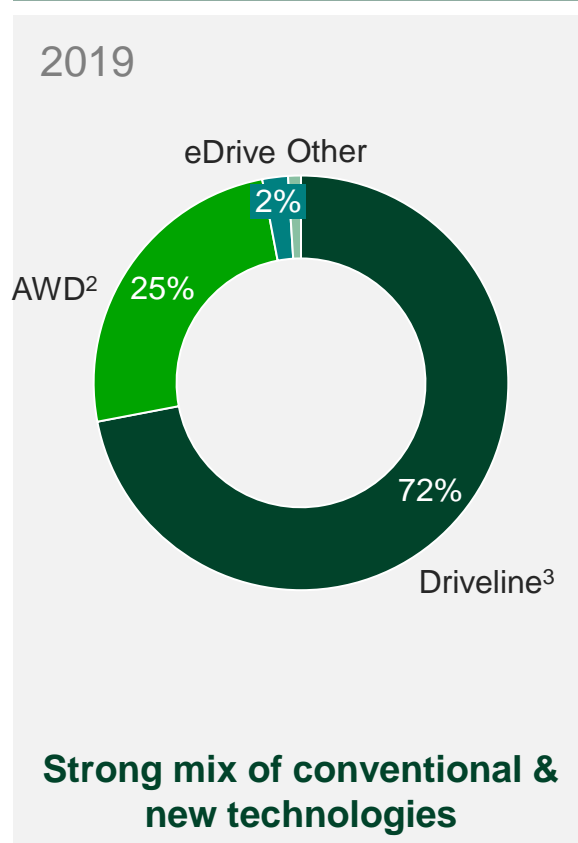
Global sales
2019

£4.7 bn

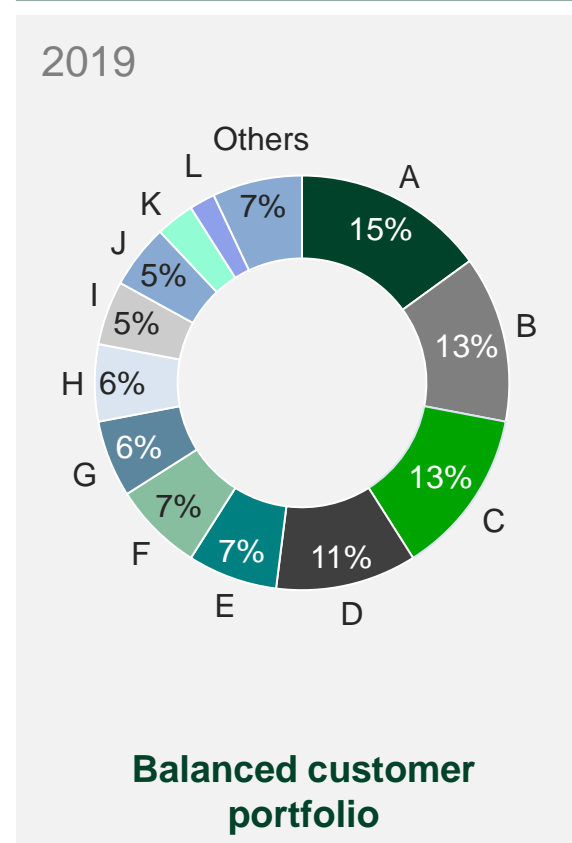
...ranks **#1** in Driveline

A balanced business following market dynamics

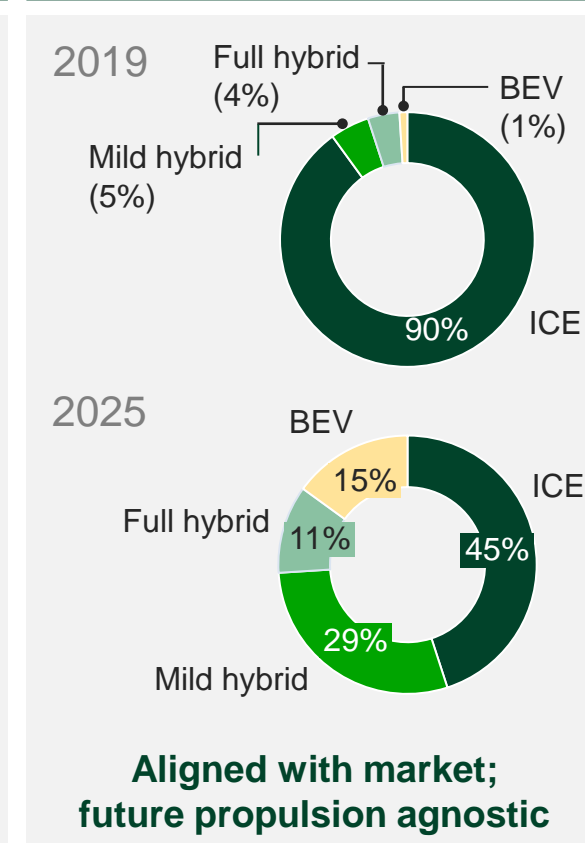
Product mix¹



Customer mix¹



Propulsion mix⁴



A globally balanced business across products, customers and propulsion types

GKN Automotive works with 90% of global OEMs

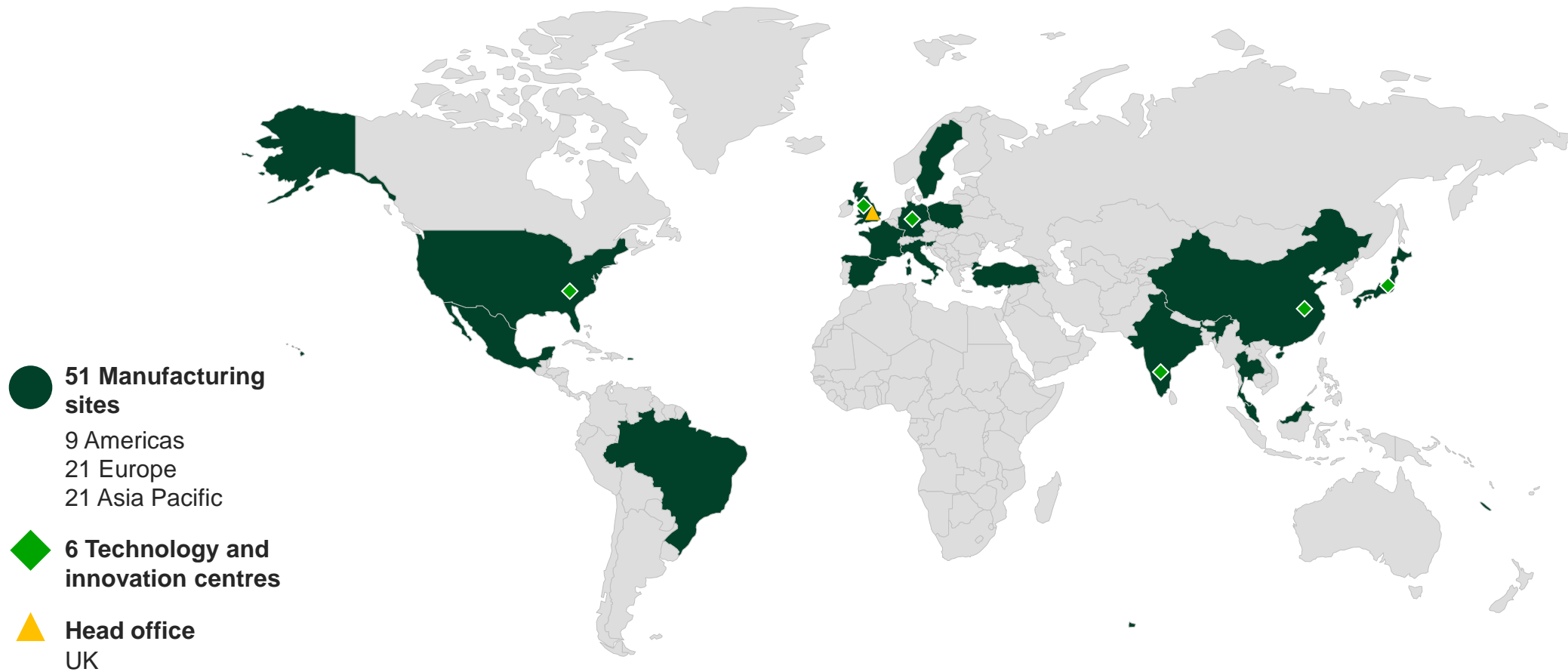


Pure-play EV OEMs



Strongly positioned with traditional and emerging OEMs across all regions

GKN Automotive – global presence



Global, localised manufacturing footprint

Long established position in China

GKN Automotive in China

- >30 years of experience and profitable growth
- Established joint venture with Hasco in 1988
- In 2013, agreed to extend the SDS joint venture for 50 years
- Leading positions in sideshafts and AWD modules
- Emerging position in eDrive; 9 live or launch-phase eDrive programs
- Strong customer relationships with both global & local players

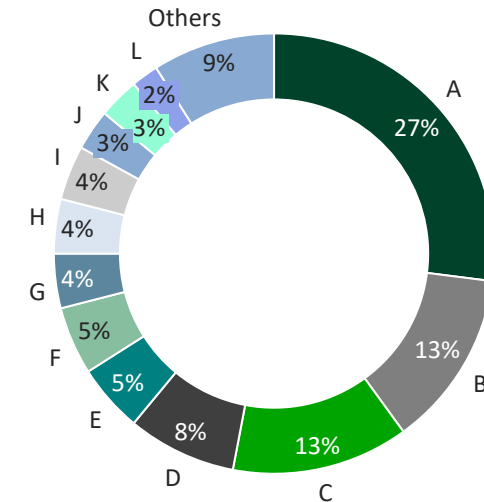
£1.2bn 2020 sales¹

>40% market share, sideshafts

5,000+ employees

10 Production sites

Balanced customer mix Revenue by customer (2019)



Balance of global and local players

Uniquely positioned to capture growth in the largest xEV market globally



Sustainability

Driving a sustainable future for our industry

Driving electrification of the industry

We are a major force in electrification

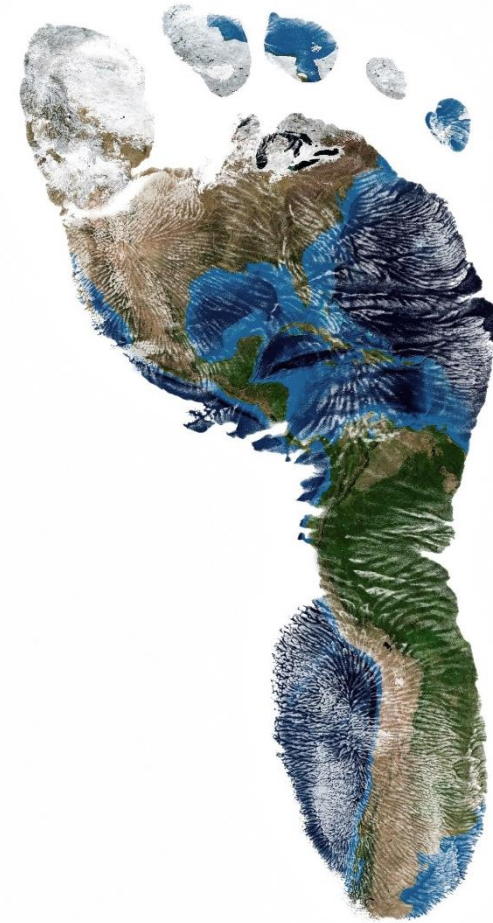
- 19 years of eDrive system development
- Efficient, sustainable driveshafts

Investing in innovative solutions

- 2021 R&D spend >£100m on the development of future generations of eDrive system & sideshaft solutions for electrification

Delivering material benefit

- 180k tonnes CO₂ saving from 2020 eDrive sales¹
- New technology constantly improving emissions performance
 - Advanced **eDrive** cooling & control
 - Improved **AWD**² transmission efficiency
 - Lighter and more efficient **sideshafts**



Driving a sustainable future for our business



Ensuring the long term sustainability of our business

Driving a more sustainable environment

- A core ethos of environmental improvement
- Global plant environmental accreditation
- 2020 annual energy savings of 13M kWh

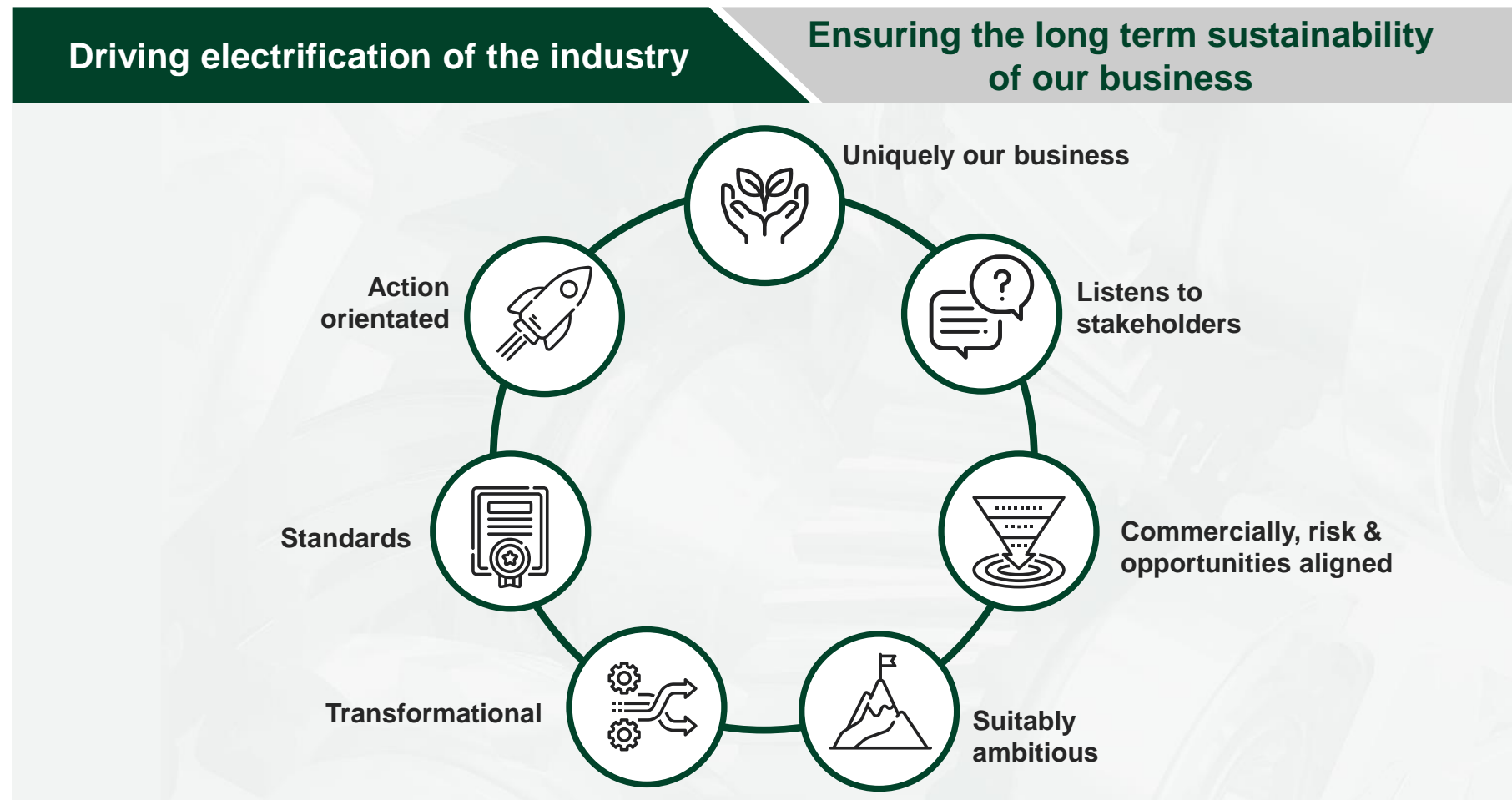
Investing in our people and our communities

- >£10m spent on training over the last 3 years
- Global community support during COVID-19

Responsibly managing our business

- Exemplary ethical and compliance record, supported by well embedded compliance framework, culture and training
- A code of practice to ensure suppliers conduct business ethically, respectfully & sustainably

Driving a sustainable future for our industry and our business



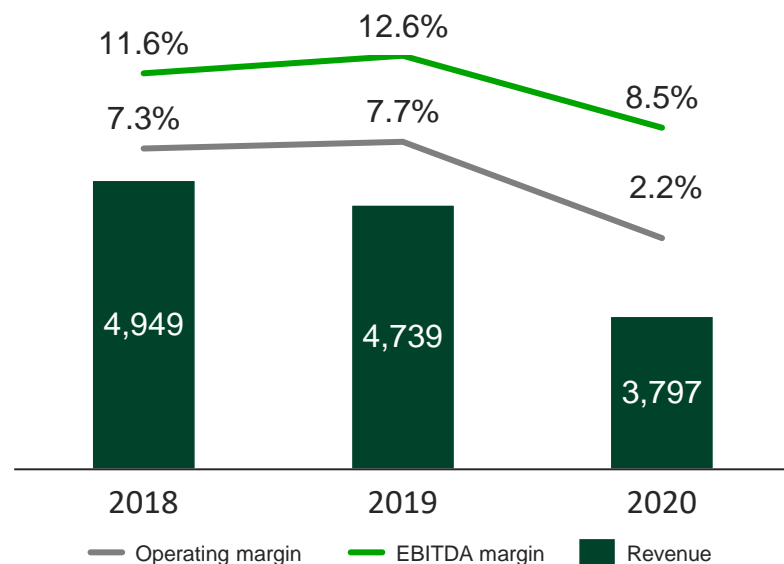
Through 2021 we will develop a multi year sustainability roadmap



Clear path to best-in-class profitability

Summary of 2020 financial performance

Full year revenue and margin¹ (£m, %)



- **19%** decline in sales in 2020²
- **<30%** decremental margins²
- 2020 Pre-CAPEX cash conversion of **153%**

2020 H1 vs. H2

	2020		Δ
	H1	H2	
Revenue (£m)	1,541	2,256	+46%
Operating margin (%)	-4.2%	6.5%	+10.7 ppts

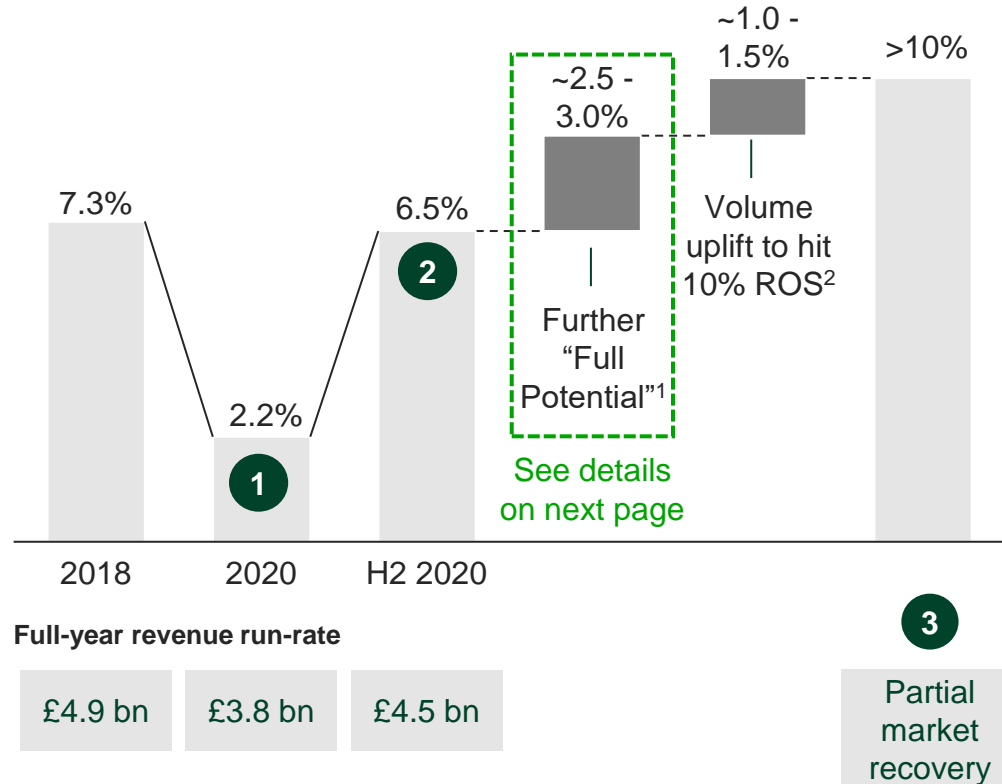
COVID-19 response actions

- Shut down manufacturing plants in line with OEMs
- Accelerated cost reductions in indirect and in SG&A
- Direct workforce flexibility demonstrated to manage demand fluctuations

Severe impact from COVID-19 enabling accelerated transformation

On track to meet communicated profitability targets

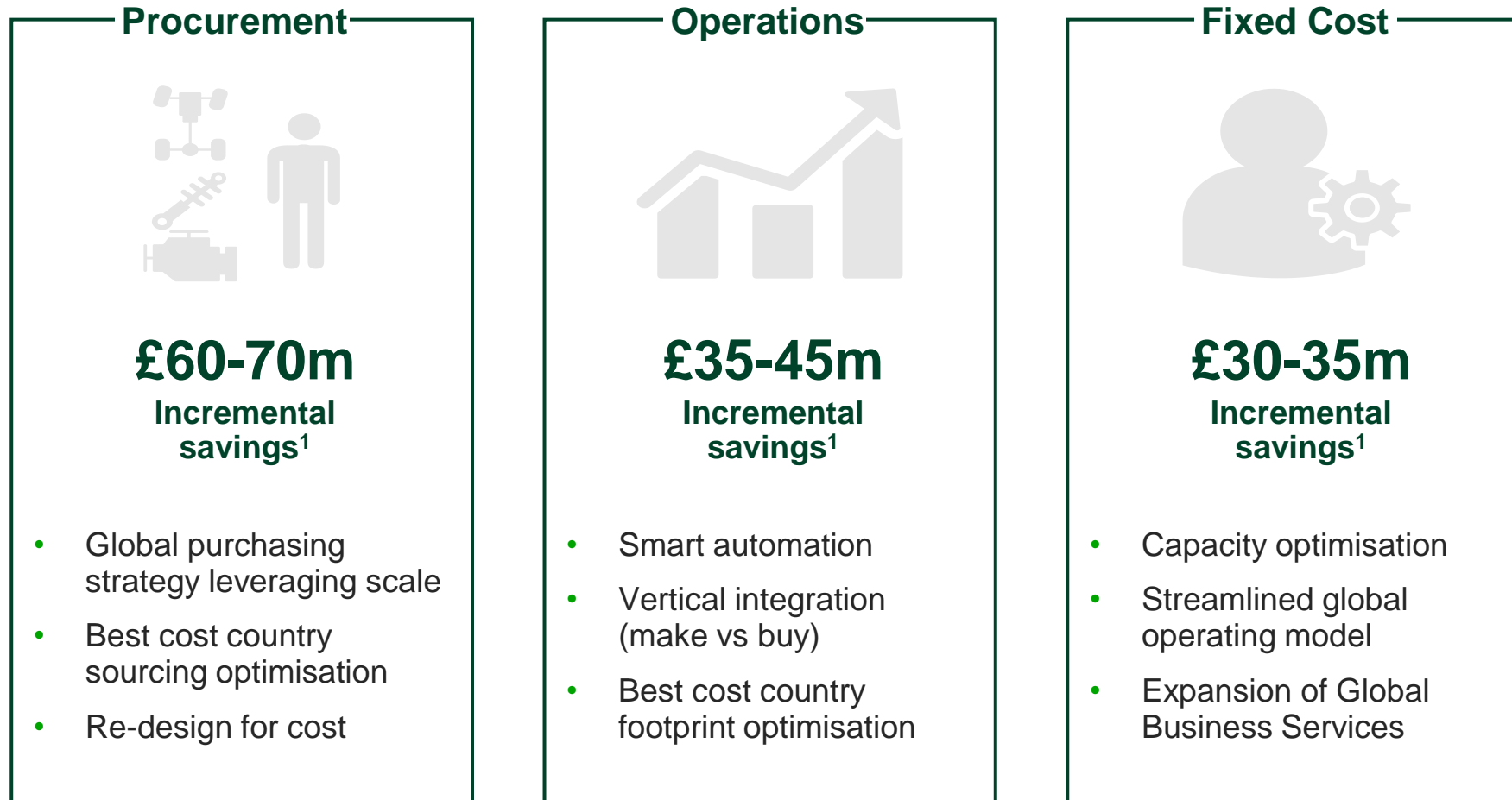
Operating profit margin (%)



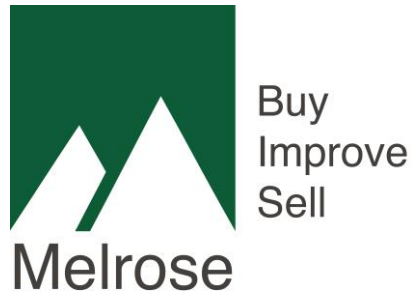
- 1 Successfully navigated COVID-19**
 - Maintained positive return on sales for 2020
 - Utilised flexible adjustments to headcount and plant closures to match OEM production demand
- 2 Full Potential already delivering**
 - 2020 H2 operating profit margin approaching 2018 levels at lower sales (-9%)
- 3 On track to grow margin to 10%**
 - Further Full Potential value identified to take operating profit margin over 10% with only partial market recovery (sales below 2018 levels)

Clear path to double digit margins

Further "Full Potential" defined to enable >10% margin ambition



£125-150m of additional net savings to be realised



Rapidly changing market

Key market drivers for GKN Automotive



Automotive industry dynamics



Key drivers of market performance

- COVID-19 recovery
- Share of investment between megatrends (CASE¹)
- Industry consolidation



C A S E

Electrification



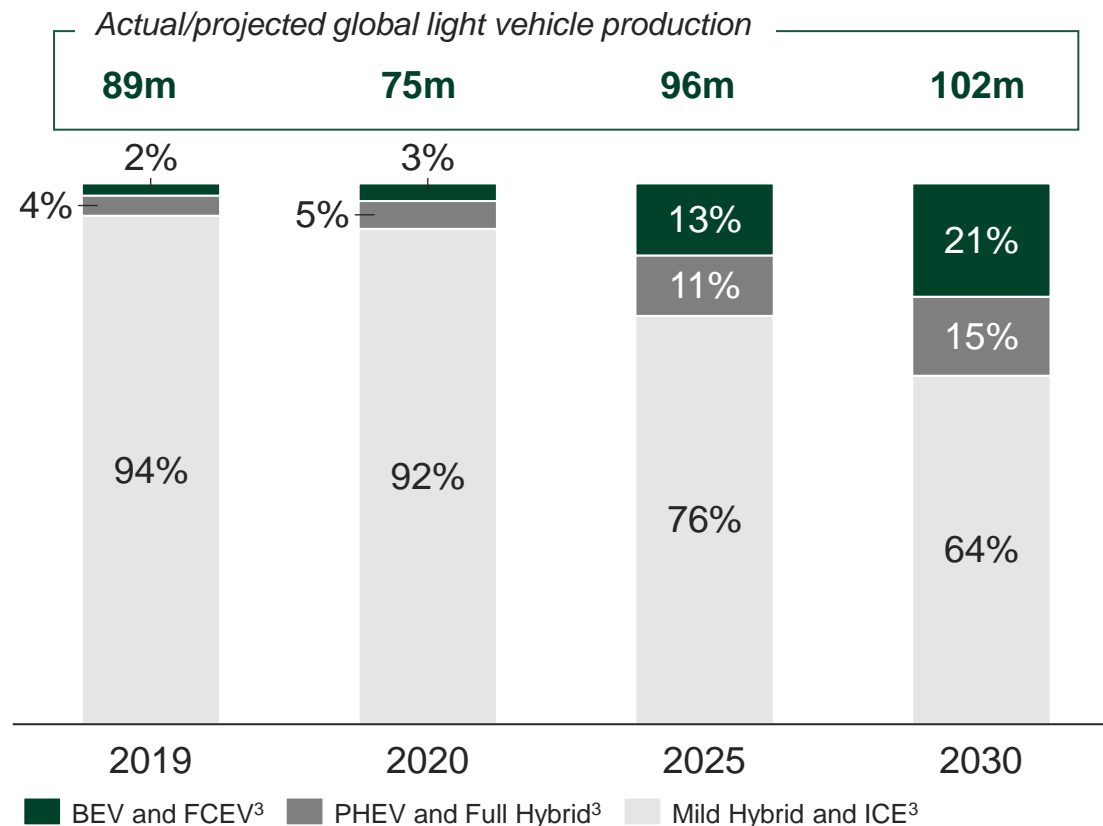
Most relevant automotive megatrend for GKN

- Widespread adoption by 2030
- Strong OEM commitments to electrify
- Regulatory push (Europe, China, US)
- Emergence of new players

Major dynamics impacting our industry, with electrification particularly relevant for our business and offering a significant opportunity

xEVs¹ will become mainstream over the next decade...

Global light vehicle² electrification forecast



- Electrification is expected to progress significantly faster post-pandemic
- The main electrification regions are Europe and China, with North America expected to accelerate
- By 2030, >35% of vehicles expected to be full hybrid or battery electric
- Mild hybrid to grow strongly medium term, but expected to be a bridging technology only

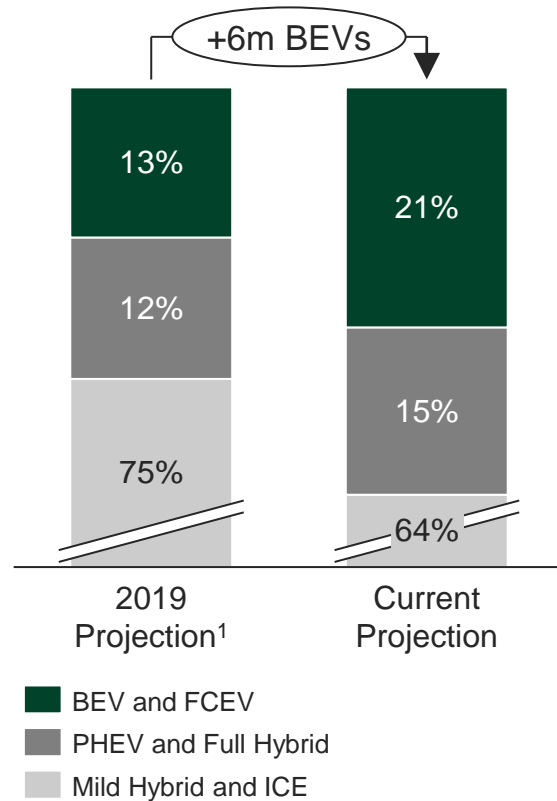
Current industry forecasts predict considerable xEV growth

Source: IHS

1. xEV refers to vehicles with any degree of electrification
2. Includes passenger cars and light commercial vehicles
3. Internal combustion engine (ICE), plug-in hybrid electric vehicle (PHEV), battery electric vehicle (BEV), fuel cell electric vehicle (FCEV)

...and the pace of change is accelerating

IHS 2030 LV production forecast



Selected major xEV product announcements










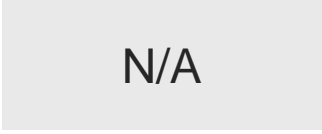







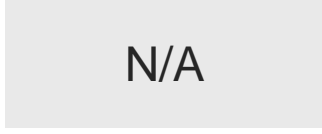


- VOLKSWAGEN AG** Full-electric vehicles are expected to account for more than 70 percent of VW's European vehicle sales by 2030
- TOYOTA** Toyota plans to sell 5.5 million electric vehicles by 2030, including hybrids and fuel-cell vehicles
- Ford** Ford of Europe became the first major automaker in the region to announce it would only sell full-electric passenger cars by 2030
- VOLVO** Volvo aims to exclusively sell electric vehicles by 2030
- DAIMLER** Daimler announced plans to invest USD 85bn through 2025 to accelerate the transformation towards electrification and digitization
- BMW** Mini will have an exclusively electric model range by the mid-2030s according to BMW
- GM** GM aims to stop selling gasoline powered passenger cars by 2035

OEM announcements indicate an even faster pace not yet captured in industry forecasts

Source: IHS

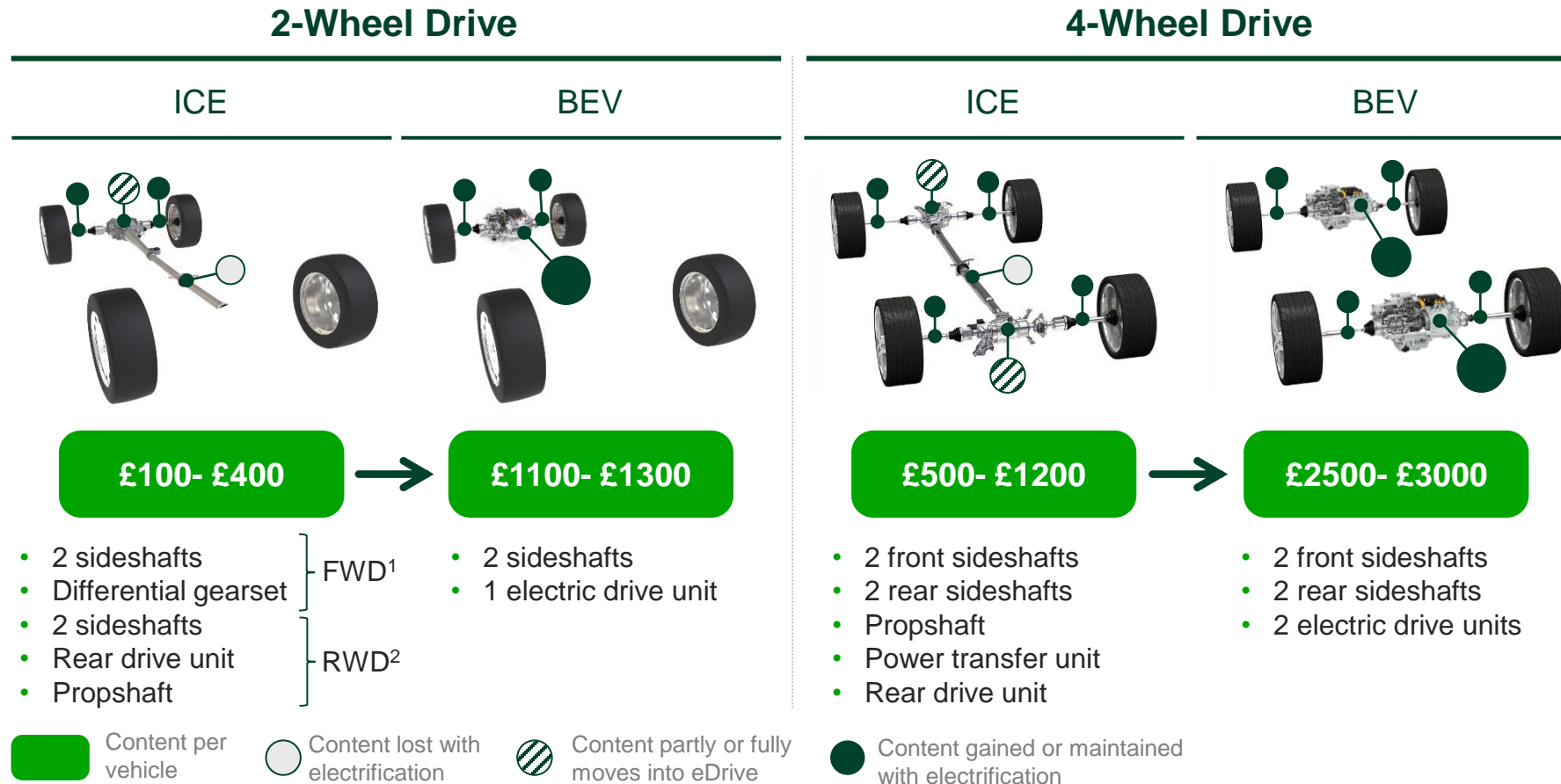
1. Projection assumed at the time of the 2019 investor presentation

Comprehensive electrification stage product coverage

Segment	Product	Share of '19 sales ²	ICE & 48V	Full-hybrid & PHEV	BEV & FCEV
Driveline	 Sideshafts				
	 Propshafts				 N/A
ePower-train	 AWD ¹ systems & components				
	 eDrive systems & components		 N/A	 DHT, 3-in-1 EDU ³	 3-in-1 EDU ³

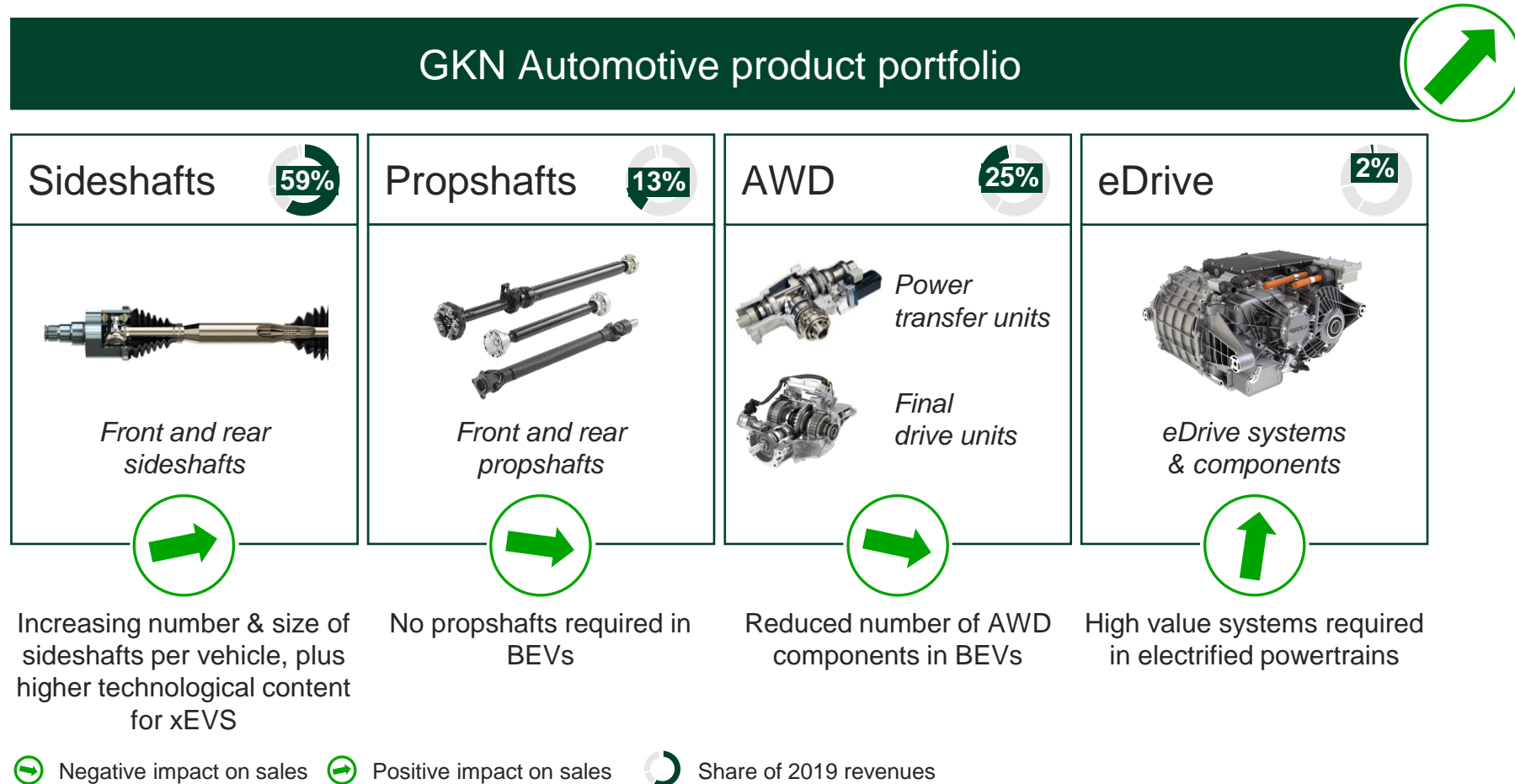
GKN Automotive covers all stages of electrification with modular & scalable systems

Significant opportunity in electrification

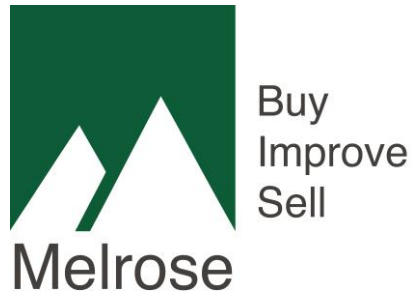


Electrification will increase GKN Automotive's potential content per vehicle

Impact of electrification on GKN Automotive's portfolio



Electrification is a significant growth opportunity



Driveline - Sideshafts

Product snapshot – Sideshafts

Product	ICE & 48V	PH & PHEV	BEV & FCEV
Sideshafts			
Propshafts			
AWD			
eDrive			

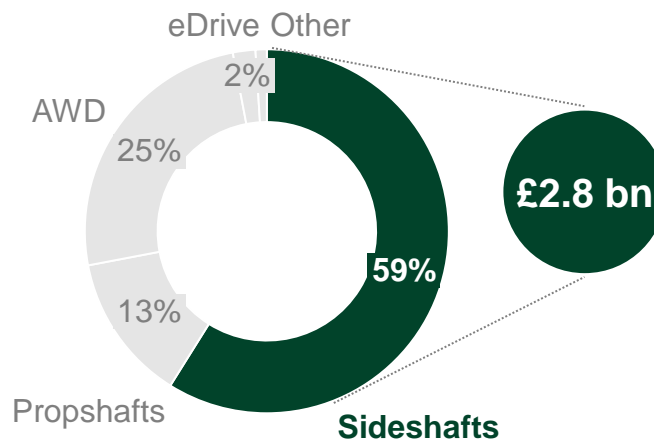
Overview

Products



Front and rear sideshafts

2019 sales contribution



Status today

Technology leadership with high intimacy with global and emerging xEV OEMs. A profitable business with sustainable cash generation

Impact of electrification



Increased torque and power on xEV driving larger sizes and further refinement. Growing prevalence of AWD increasing vehicle content

Market outlook¹

+2%

'19 – '30
CAGR

Increase of addressable market value slightly ahead of light vehicle production

Strong position in sideshafts today to be leveraged to win additional xEV business

Source: IHS

1. Outlook figure is a projection for 2019 – 2030 addressable market CAGR

Clear technology leadership in sideshafts

GKN Automotive advantage



Long history of innovation

Leading efficiency, superior NVH¹, low weight and a broad product portfolio developed over decades of product technology leadership



Intimacy with the OEM engineering community

Close relationships at all OEMs and reputation for tailored advanced solutions and high flexibility as well as complete vehicle systems expertise



Global cost competitiveness

Industry leading scale and recent footprint adjustments provide customers with premium quality products at a competitive cost level

xEV drive optimisation

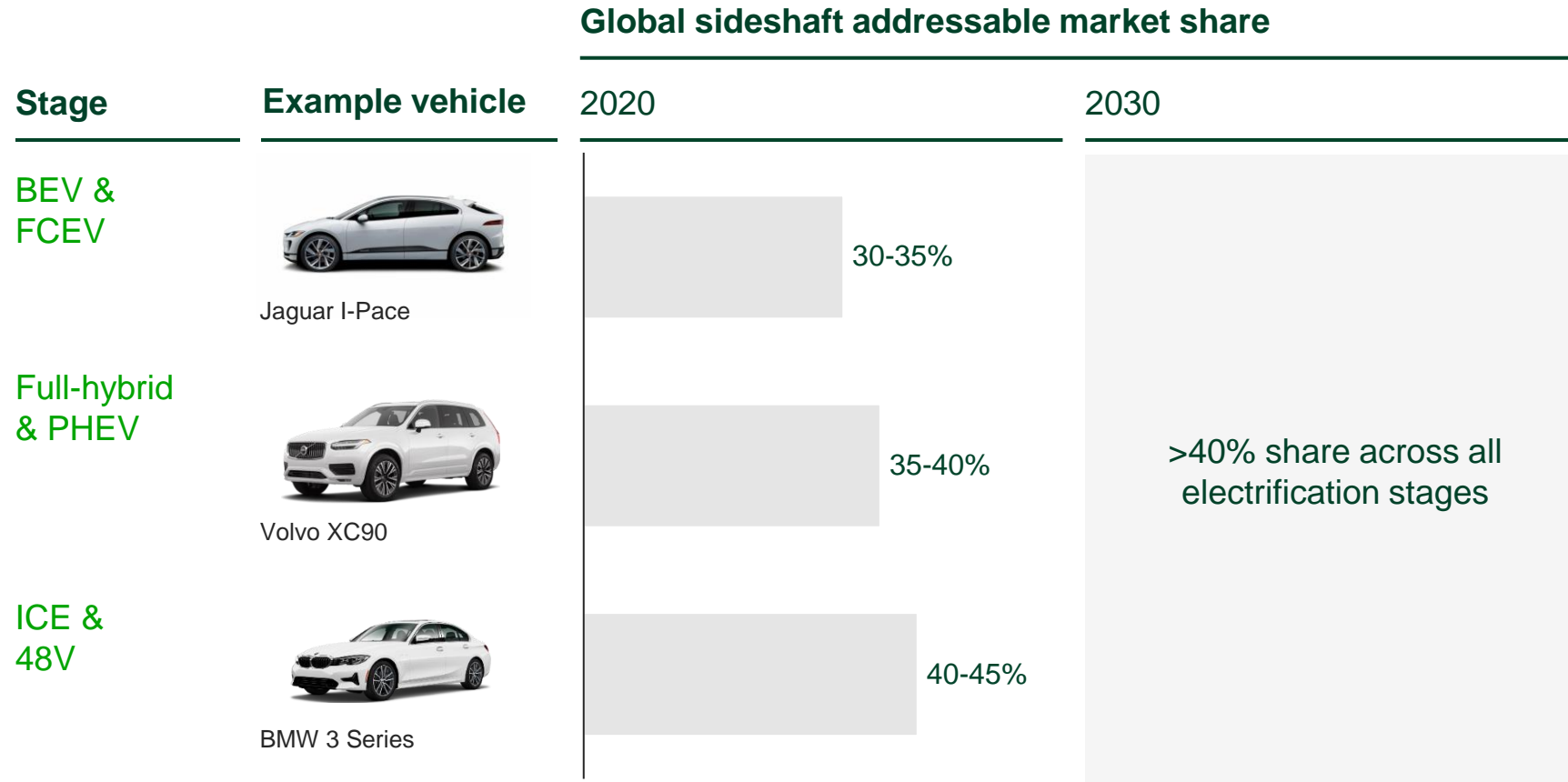
GKN has developed a suite of technologies tailored to the unique needs of xEV, focusing on efficiency & silent operation

An updated, agile commercial approach fits the needs of both xEV units of established players and new pure play customers

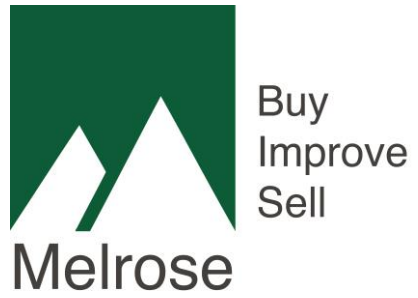


GKN Automotive is optimising its industry leading sideshafts for xEVs

Sideshaft market leadership across all electrification stages



GKN Automotive is the preferred sideshaft supplier for OEMs across all stages of electrification



Driveline - Propshafts

Product snapshot – Propshafts

Product	ICE & 48V	PH & PHEV	BEV & FCEV
Sideshafts			
Propshafts			
AWD			
eDrive			

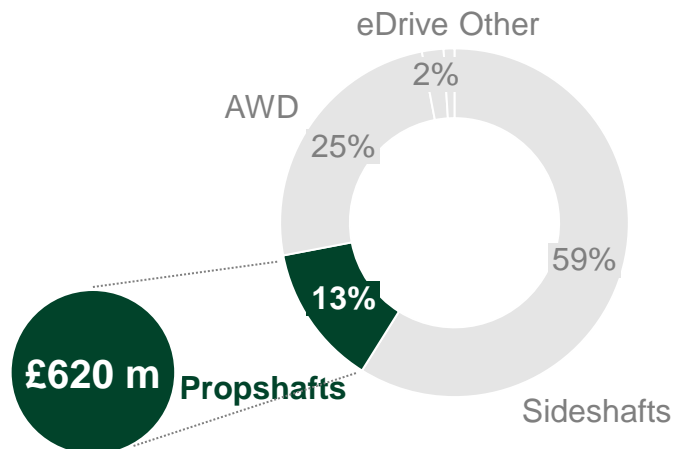
Overview

Products



Front & rear propshafts

2019 sales contribution



Status today

Market and technology leadership in profitable and cash generative business

Impact of electrification



Components are relevant through hybridisation, but will gradually decline with increased BEV penetration

Market outlook¹

-1%

Addressable market projected to decline marginally up to 2030

'19 – '30
CAGR

Propshafts business to continue to drive cash inflow

Source: IHS

1. Outlook figure is a projection for 2019 – 2030 addressable market CAGR



ePowertrain – All Wheel Drive (AWD)

Product snapshot – All Wheel Drive

Product	ICE & 48V	PH & PHEV	BEV & FCEV
Sideshafts			
Propshafts			
AWD			
eDrive			

Overview

Products

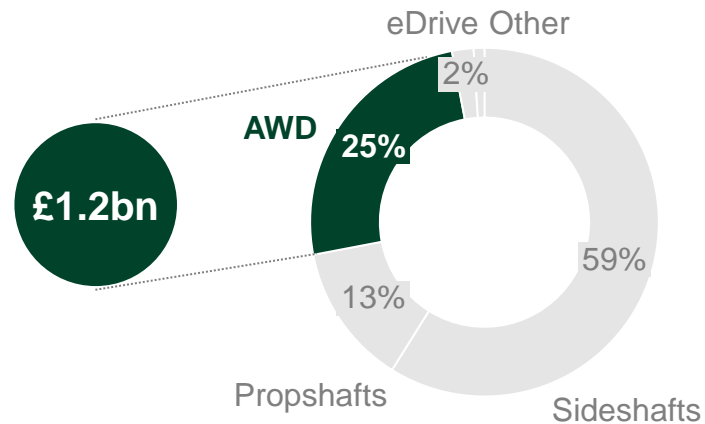


Power transfer units



Final drive units

2019 sales contribution



Status today

Recognised technology and innovation leadership providing a platform for eDrive growth



Impact of electrification



All AWD products are relevant through hybridisation, with many of the components and sub-systems¹ migrating into eDrive solutions

Market outlook²



-2%

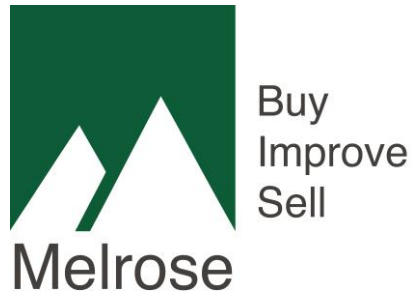
'19 – '30
CAGR

Electrification impact partially offset through premiumisation (more 4WD) & stable transmission components business

AWD provides core technology capabilities for eDrive systems

Source: IHS

1. Differentials, diff lockers, disconnects, torque vectoring
2. Outlook figure is a projection for 2019 – 2030 addressable market CAGR



ePowertrain - eDrive

Product snapshot – eDrive

Product	ICE & 48V	PH & PHEV	BEV & PCEV
Sideshafts			
Propshafts			
AWD			
eDrive			

Overview

Products

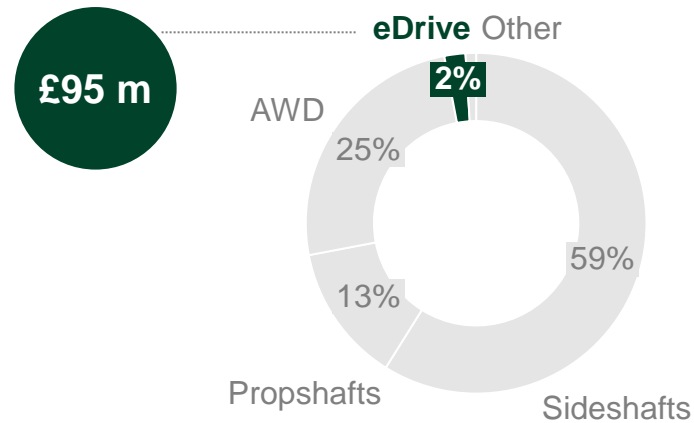


eDrive components



eDrive systems

2019 sales contribution



Status today

A rapidly growing business that offers competitive systems or components and has delivered >1.5 million units to date

Impact of electrification



Acceleration of electrification pushing the number of full hybrid or battery electric vehicles to 30-40% by the end of the decade

Market outlook¹

+20 - 30%

'19 – '30
CAGR

Significant growth from the first half of the decade expected (both full system and component sales)

GKN is optimally positioned to capture growth from electrification

Source: IHS

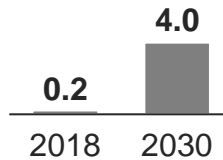
1. Outlook figure is a projection for 2019 – 2030 addressable market CAGR

Flexible approach to eDrive solutions

eDrive components



Addressable market (£ bn)

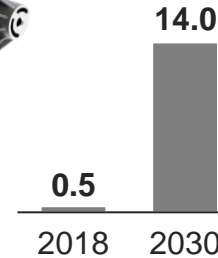


- Higher margin potential
- Leverage of GKN Automotive's AWD heritage capabilities
- Active component supply also an option
- Tier 1 or Tier 2 role

Integrated eDrive systems






Addressable market (£ bn)





- Higher total addressable market
- Lower margin potential
- GKN Automotive has invested heavily in full eDrive system capabilities
- Tier 1 role with OEM as system supplier

eDrive portfolio allows GKN to be flexible and selective

eDrive capability development

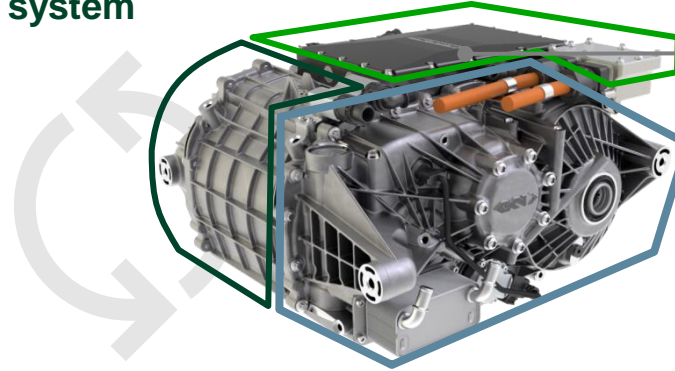
		eDrive system components				
Key GKN Automotive advantages		Gearbox	E-Motor	Inverter	Software	Integration
 AWD heritage capability <ul style="list-style-type: none"> Industry-leading high efficiency transmission systems and features Leading provider of systems control software and driving dynamics experience Trusted partner in vehicle system integration, incl. hardware, software and NVH¹ 	 Organic capability expansion <ul style="list-style-type: none"> E-motor development since 2007 provides ability to design, manufacture and integrate 300+ software engineers with balanced footprint 	 Technology collaboration <ul style="list-style-type: none"> Expertise and scale of a leading global electronics player combined with GKN's systems integration capability 				
			Covered	Partially covered	Covered	Covered
				Covered		

 Covered
  Partially covered

GKN Automotive strategy covers all components of an eDrive system

eDrive system competence

GKN Automotive eDrive system



Software =
Functionality



Gearbox



- NVH¹ optimised and highly efficient
- Complete & mature features: parklock, disconnect, torque vectoring etc.
- Decades of GKN experience



Electric Motor



- Highly efficient and scalable design
- Compact package
- Designed & manufactured by GKN Automotive



Inverter



- Drives the eMotor & controls the system
- Collaboration with Delta Electronics
- Jointly developed architecture for HW and SW modularity



Software



- Proven and mature SW platform based on in-production AWD systems
- Fast growing software engineering workforce in balanced footprint



Integration



- Leveraging AWD systems and integration capabilities
- Ensuring best performance on vehicle level

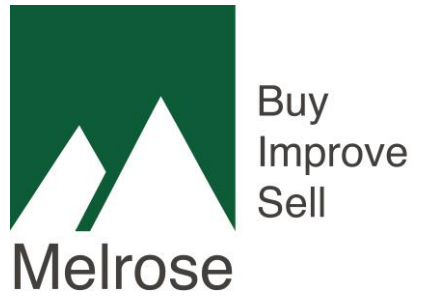
Technologically advanced offering across all eDrive system components

Customer adoption of GKN Automotive eDrive solutions

Selected vehicles equipped with GKN Automotive eDrive systems

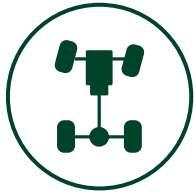


>1.5 million vehicles to date powered by our eDrive systems or components



Conclusions

Conclusions



Global leader in drive systems



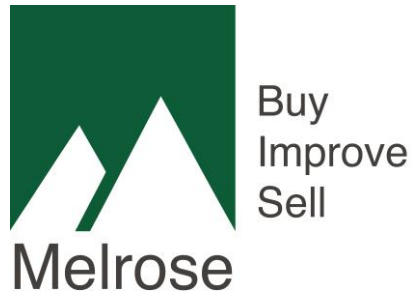
Transforming the business, with a clear path to >10% profit¹



Structural growth in our core business



Well positioned to capture incremental electrification growth



Closing remarks from Melrose CFO

Closing remarks from the Melrose CFO

- Two clear and powerful strategies have been outlined
- All numbers are based on external market data, applying the GKN Auto and Powder Metallurgy product mixes, not internal forecasts.
- CAGR's are from 2019 to 2030, as 2019 is a fair baseline, they would clearly be higher if starting from 2021
- Both strategies highlight the 'Improve' stage of the Melrose "Buy, Improve, Sell" strategy
- Both show high quality businesses with market leading positions
- Both have realistic margin targets
 - '10% plus' for Automotive
 - 14% for Powder Metallurgy
- Both have exciting new technology and expectations of above market growth to 2030
 - GKN Automotive positioned to grow at more than double the market rate for vehicle production
 - GKN Powder Metallurgy is gaining market share
- Both show businesses that improve their, and their customers', impact on climate change

Well positioned to deliver substantial value