

Melrose Industries PLC

Investec conference

November 2024



Melrose



Trading Update – 1 July to 31 October 2024

1

1 Strong performance

- Revenue up 7%², with Engines, up 17%³ and Structures growing at 1%^{2,3}
- Engines driven by aftermarket (+32%), Structures impacted by OE volume pressures and destocking
- Internal business improvement actions progressing as planned
- Profit growth in line with expectations

2 Structural long-term demand

- End market demand continues to be positive
- Increasing government spending on defence due to geo-political situation

3 Clear growth strategy

- Core strategic focus is profitably capturing OEM and aftermarket growth from established positions
- Further expansion opportunities in differentiated areas, particularly in Engines additive fabrication
- Strong cash generation outlook including RRSP aftermarket inflows with NPV of £5.7bn

4 Outlook

- Full year expectations unchanged and net debt anticipated to end the year in line with expectations
- Strong trading progress anticipated in 2025 - adjusted Aerospace operating profit target of £700m
- Cash flow position to improve and to deliver substantial free cash flow in 2025 (post interest and tax)
- Long term targets beyond 2025 to be provided at full year results on 6 March 2025

1. All numbers calculated at constant currency and guidance provided at a foreign exchange rate of USD 1.25: £1
2. Growth rates are adjusted for disposals made in the first half of 2024
3. On a like-for-like basis adjusting for a transfer of business between segments
4. Slides updated for November trading update only

Melrose Growth Strategy

Market underpinned with strong structural long-term demand

Design led 'Super-Tier 1' proprietary technology



Profitably capture OEM and aftermarket growth

- Increasing returns from RRSPs
- Engines repair expansion
- Production ramp-up
- Operational and commercial excellence



Expand in new targeted opportunities

- Engines additive fabrication
- China expansion
- UAM¹ and eVTOL²
- Military uncrewed air vehicles



Favourably position for next generation aircraft

- Next generation single aisle
- 6th generation fighters
- Hydrogen flight

Ongoing returns

Near-term returns

Longer-term returns

Sustainable operations and products

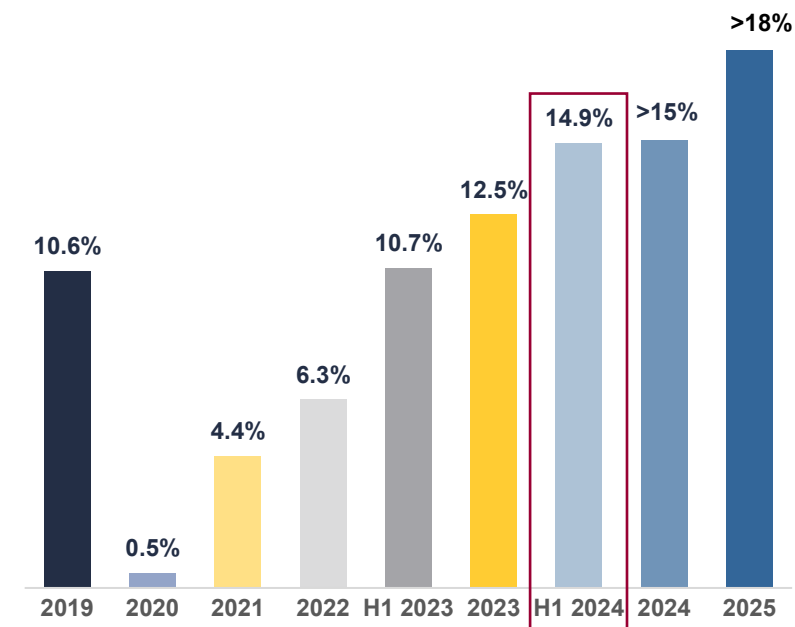
Double-digit YoY EPS growth and disciplined capital allocation

2024 and 2025 Outlook

Aerospace 2024 guidance¹ and 2025 target¹

£m	H1 2024 results	2024 guidance ¹	2025 target ¹
Revenue	1,742	3,600-3,750	3,800
Adjusted ² operating profit	260	550-570	700
Adjusted ² operating margin	14.9%	>15%	>18%
Margin by division:			
Engines	29.4%	28%	>28%
Structures	4.7%	7%	>9%
Total Aerospace	14.9%	>15%	>18%
PLC costs	(13)	(30)	

Aerospace operating margin² %



On track to achieve 2024 guidance, driven by strong aftermarket performance and business improvement benefits being delivered

2024 guidance maintained despite OEM volume changes, supply chain challenges

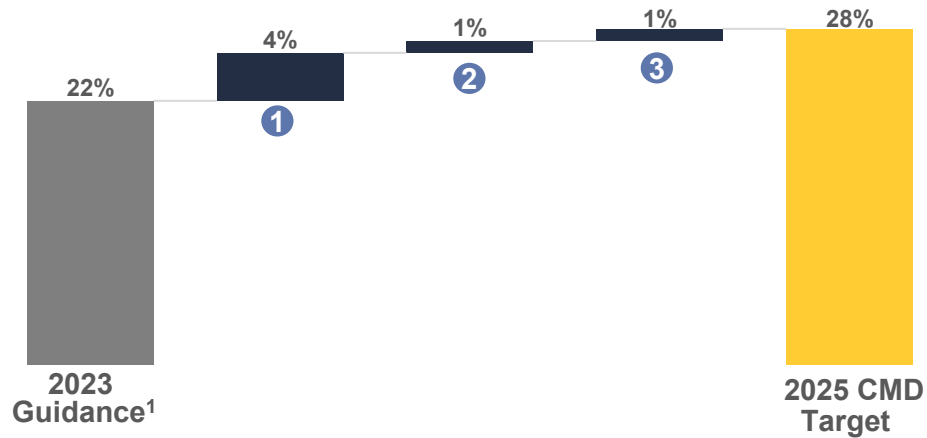
Operating profit guidance maintained at £700 million pre-PLC costs. As a result, Group margin increased to >18%

1. Assuming USD:GBP of 1.25:1
 2. Described in the glossary to the 2024 Interim Financial Statements and considered by the Board to be a key measure of performance

Path to 2025 Margin Targets

2025 targets

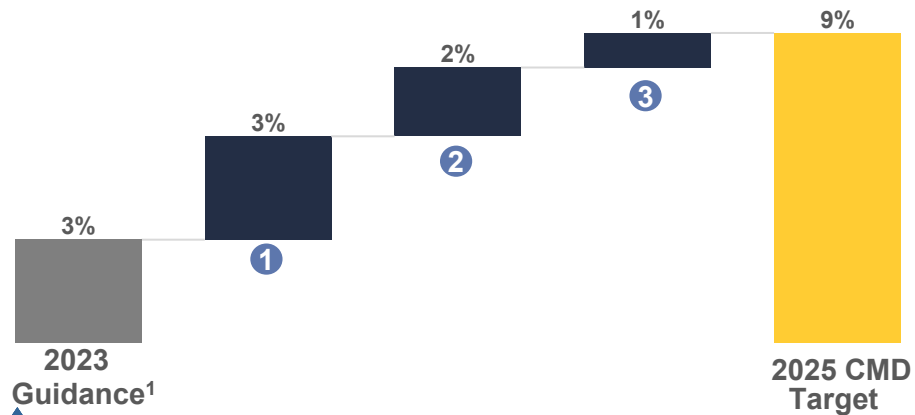
Engines well ahead of plan; target to be exceeded



Progress to date

Lever	Status	Details
① RRSP Contribution		• Ahead of plan due to high flight hours and strong profitable aftermarket, especially with older engines flying longer
② Growth initiatives		• Parts repair progressing well with increased breadth of certified components and new facilities coming on line
③ Business improvements		• Ahead of plan, with significant improvement delivered in productivity and quality

Structures on track overall despite industry challenges; target reconfirmed



Lever	Status	Details
① Civil ramp-up		• Margin progression from civil ramp-up as per the plan; improved margin drop through from business improvement initiatives
② Defence portfolio & pricing		• Continued good progress in line with the plan to achieve 85% target
③ Business improvements		• Good progress on disposals, productivity gains hampered by supply chain shortages, ongoing restructuring focused in NL

Consistent Compelling Equity Case

Structural market growth

- Long-term structural growth underpinned by strong end market demand and record backlogs

- Technology embedded on the world's most successful, highest volume platforms¹

Exceptional Engines aftermarket

- RRSP portfolio gives entitlement to lifetime share of growing aftermarket profit pool

- £22 billion of lifetime net cash inflow (£5.7 billion NPV²) coming increasingly from Engines aftermarket

Sustained profit growth

- On track to deliver further improvement supporting 2025 targets

- Increasingly higher profit drop through from strong Engines growth and Structures improvement

Investment & ongoing share buyback

- Additive fabrication investment of £300m over 5 years as well as £250m buyback planned until March 2026

- Significant positive cash flows over coming decades from Engines aftermarket and wider Group

1. All of the world's high-volume platforms based on Airbus and Boeing narrowbody/widebody fleets, plus F-35 and major rotorcraft
2. Using a foreign exchange rate of USD:GBP of 1.25:1 and calculated using a discount rate of 7.5% which is between a debt related discount rate and a pre-tax weighted average cost of capital

Appendix

Foreign exchange environment

Transactional hedging position¹

EUR:USD (figures in USD)	2024	2025	2026	2027	2028	2029
Exposure in \$m	630	491	361	293	289	184
Hedged	100%	85%	73%	61%	54%	43%
Hedged rate	1.14	1.17	1.20	1.15	1.16	1.16
Unhedged	2%	16%	30%	43%	51%	65%

GDP:USD (figures in USD)	2024	2025	2026	2027	2028	2029
Exposure in \$m	337	271	209	199	218	241
Hedged	100%	89%	82%	78%	62%	54%
Hedged rate	1.32	1.35	1.35	1.31	1.26	1.29
Unhedged	0%	11%	18%	22%	38%	46%

Transactional FX exposures and approach

- Main currency pairs are EUR:USD and GBP:USD
- Additional SEK and NOK hedged vs USD¹
- Policy to hedge our exposures to allow greater planning stability
- Assessed on a quarterly basis
- Exposure is risk assessed according to the level of certainty (3 categories based on progressive likelihood)

Translational FX

- 1c change in the USD rate changes revenue by £16 million and operating profit by £4 million
- 1c change in the EUR rate changes revenue by £7m and operating profit by £0.2 million

Disclaimer

This presentation has been prepared by or on behalf of Melrose Industries PLC (“Melrose”). The information set out in this presentation is not intended to form the basis of any contract. By attending (whether in person, by telephone or webcast) the presentation to which this document relates or by reading the presentation slides, you will be taken to have represented, warranted and undertaken that you have read and agree to comply with the contents of this notice and agree to the conditions set out below. This presentation (including any oral briefing and any question-and-answer session in connection with it) is for information only. The presentation is not intended to, and does not constitute, represent or form part of any offer, invitation, inducement or solicitation of any offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or the solicitation of any vote or approval in the US or any other jurisdiction. Securities may not be sold in the U.S. absent registration or an exemption from registration. This presentation must not be acted on or relied on in connection with any contract or commitment whatsoever. It does not constitute a recommendation regarding any securities. Past performance, including the price at which Melrose’s securities have been previously bought or sold and the past yield on Melrose’s securities, cannot be relied on as a guide to future performance. Nothing herein should be construed as financial, legal, tax, accounting, actuarial or other specialist advice. In the United Kingdom, this presentation is being made available only to persons who fall within the exemptions contained in Article 19 and Article 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. This presentation is not intended to be available to, and must not be relied upon, by any other person. The release, presentation, publication or distribution of this presentation in jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about and observe any applicable requirements. It is your responsibility to satisfy yourself as to the full observance of any relevant laws and regulatory requirements. Any failure to comply with applicable requirements may constitute a violation of the laws and/or regulations of any such jurisdiction. Nothing in this presentation constitutes investment advice and any recommendations that may be contained herein have not been based upon a consideration of the investment objectives, financial situation or particular needs of any specific recipient. None of Melrose, its shareholders, subsidiaries, affiliates, associates, or their respective directors, officers, partners, employees, representatives and advisers (the “Relevant Parties”) makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this presentation, or otherwise made available, nor as to the reasonableness of any assumption contained in such information, and any liability therefor (including in respect of direct, indirect, consequential loss or damage) is expressly disclaimed. No information contained herein or otherwise made available is, or shall be relied upon as, a promise, warranty or representation, whether as to the past or the future and no reliance, in whole or in part, should be placed on the fairness, accuracy, completeness or correctness of such information. Unless expressly stated otherwise, no statement in this presentation is intended as a profit forecast or estimate for any period and no statement in this presentation should be interpreted to mean that cash flow from operations, free cash flow, earnings or earnings per share for Melrose for the current or future financial years would necessarily match or exceed the historical published cash flow from operations, free cash flow, earnings or earnings per share of Melrose. Statements of estimated cost savings relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, any cost savings referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. This presentation contains forward-looking statements concerning the financial condition, results of operations and businesses of Melrose. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management’s current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among other things, statements concerning the potential exposure of Melrose to market risks and statements expressing management’s expectations, beliefs, estimates, forecasts, projections and assumptions including as to future potential cost savings, synergies, earnings, cash flow, return on average capital employed, production and prospects. These forward-looking statements are identified by their use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “objectives”, “outlook”, “probably”, “project”, “will”, “seek”, “target”, “risks”, “goals”, “should” and similar terms and phrases. There are a number of factors that could affect the future operations of Melrose and could cause those results to differ materially from those expressed in the forward-looking statements included in this presentation, including (without limitation): (a) changes in demand for Melrose’s products; (b) currency fluctuations; (c) loss of market share and industry competition; and (d) changes in trading conditions. All forward-looking statements contained in this presentation are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as at the specified date of the relevant document within which the statement is contained. Melrose does not undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this presentation. Certain financial data has been rounded. As a result of this rounding, the totals of data presented in this presentation may vary slightly from the actual arithmetic totals of such data.

The appearance of U.S. Department of Defense (DoD) visual information does not imply or constitute DoD endorsement.

