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GKN eDrive



Nortek StatePoint®

# Melrose Industries PLC

Investec conference

17 November 2020

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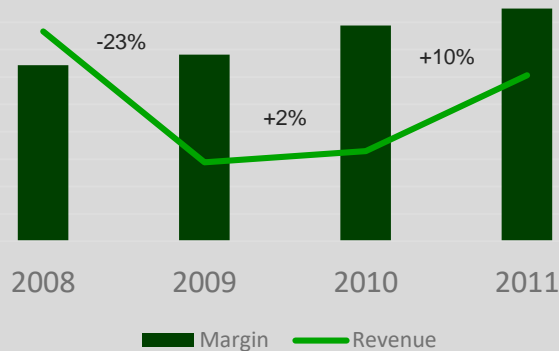
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# Melrose: a successful track record in tough and good times

## FKI: Successfully managed in a downturn

- In the 2008/09 downturn, despite a 23% sales drop, a c.2.6x return on equity was achieved on FKI
- Decisive management actions corrected the previous underperformance in FKI
- As revenues returned, strong cost discipline enhanced margin growth

FKI: Revenue and margin 2008-2011



## Nortek Air Management: Strong performance improvement

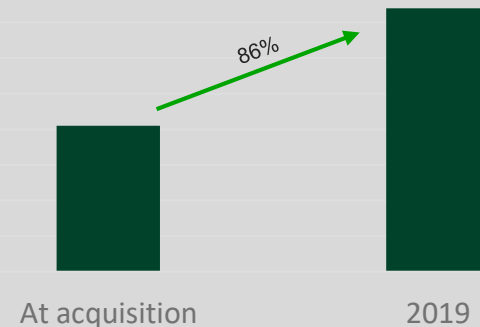
- Increase in adjusted operating margin since acquisition
- Adjusted profit increase CAGR since acquisition
- Innovative investment in new StatePoint Technology® succeeding

4.3 ppts

23%

\$100m+ revenue<sup>1</sup>

## Nortek Air Management: Strong profit growth



# Melrose: GKN has strong value potential

Margin targets	Actions needed to achieve targets
<ul style="list-style-type: none"><li>➤ Aerospace (revised) – to allow for new market dynamics</li></ul>	<ul style="list-style-type: none"><li>▪ Further efficiency savings</li></ul>
<ul style="list-style-type: none"><li>➤ Automotive (unchanged) – achievable on lower sales than previously planned</li></ul>	<ul style="list-style-type: none"><li>▪ Some market recovery</li></ul>
<ul style="list-style-type: none"><li>➤ Powder Metallurgy (unchanged) – achievable on lower sales than previously planned</li></ul>	<ul style="list-style-type: none"><li>▪ Consistent with GKN Investor Day</li></ul>

10%

10%

14%

Another 2% to 3% of total cost base<sup>1</sup>

Only partially back to 2019 levels

Updated for new volumes & opportunities

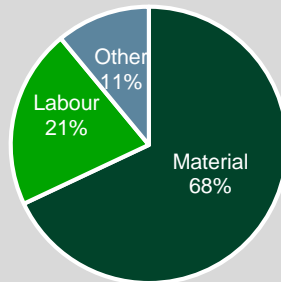
# Melrose: GKN has strong value potential

## Swift reaction to COVID-19 → achieving planned savings faster

- Total cost savings for 2020 on track (mostly volume related)

>£1.5bn  
approaching  
20%

→ Split of cost savings



- Extra net savings announced for 2021 (not volume related)

>£100m

- Total efficiency savings achieved or announced so far in GKN

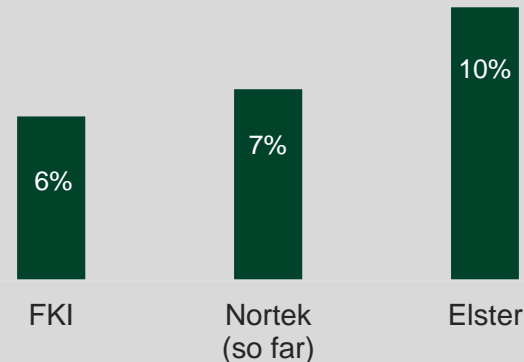
c.2.5% of  
total cost  
base<sup>1</sup>

## Melrose track record on acquisitions

Efficiency savings achieved over Melrose ownership

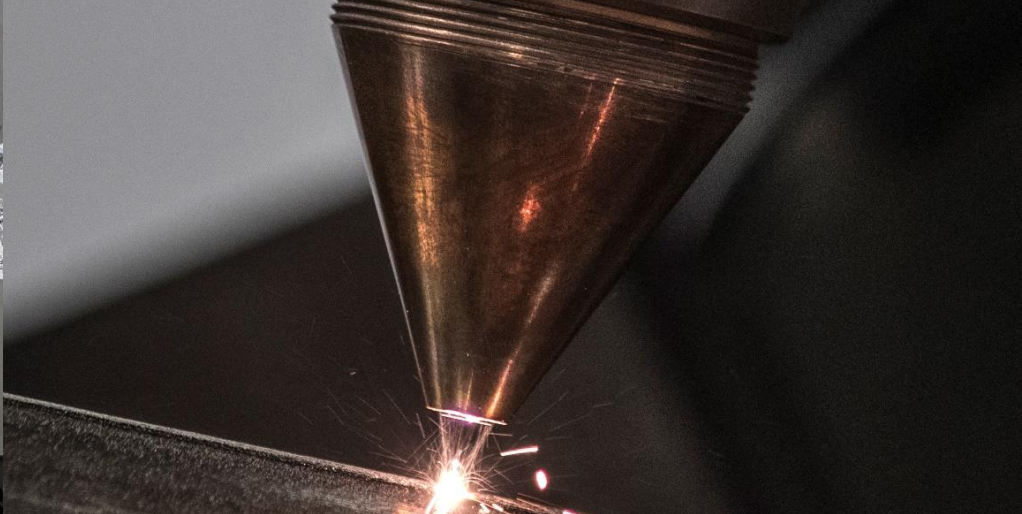
- Average of all previous transactions
- Deal by deal track record

c.7%  
achieved  
savings



- Total GKN requirement (half already underway)

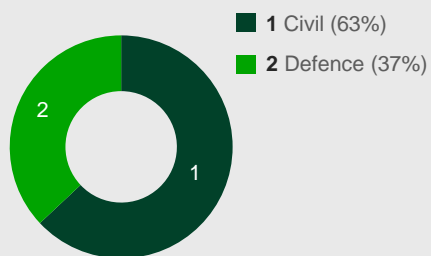
c.5%  
target  
savings



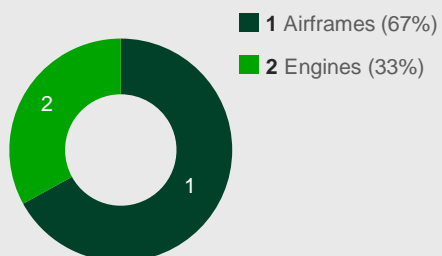
# GKN Aerospace

36% of Melrose<sup>1</sup>

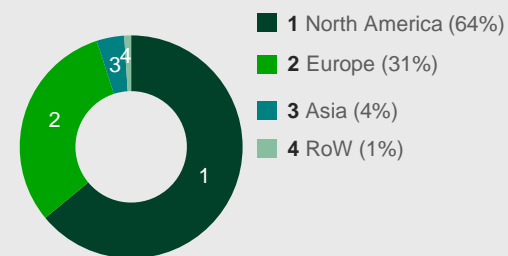
Revenue by market



Revenue by product type



Revenue by destination



1. Based on adjusted 2020 revenue for all continuing businesses

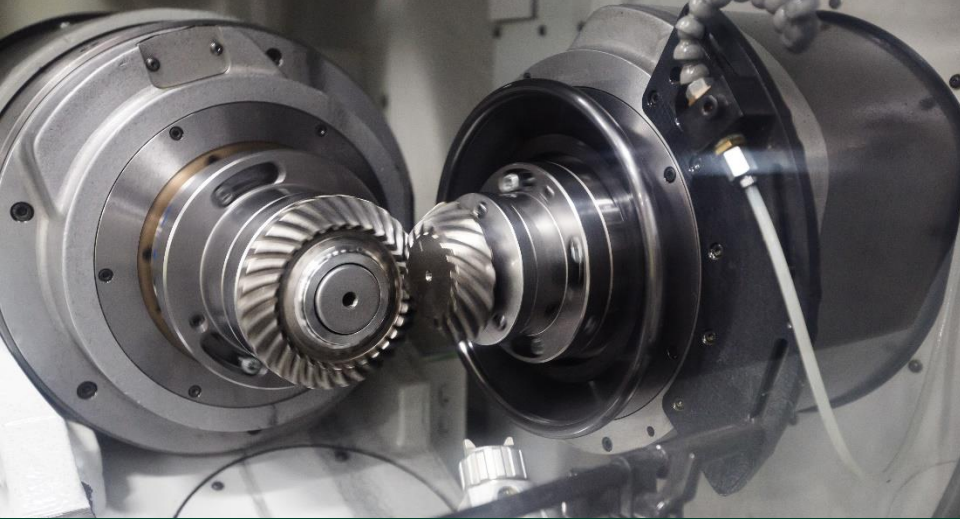
Sales growth in 2020	Q1	Q2	July/August
Aerospace	-	(36%)	(36%)

- Aerospace markets significantly impacted by COVID-19 since March 2020
- Overall H1 sales down 18% - resulting from flat Q1 and 36% lower Q2 - demand not expected to recover in H2

## Actions

- Continues to build on the One Aerospace structure - implemented on 1 January 2020. Moving from a previously fragmented structure to better serve customers and generate efficiencies
- Further restructuring, post COVID-19, will be completed in Q1 2021 to adapt the business to lower demand
- Importantly, investment in technology in GKN Aerospace will be sustained. Includes immediate engineering improvements and longer-term advanced technologies for both electric and hydrogen powered aircraft

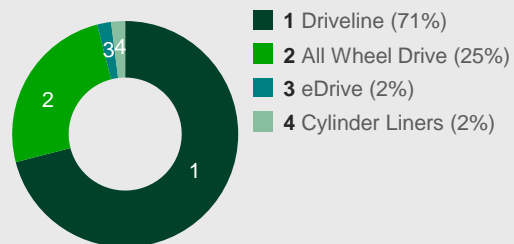




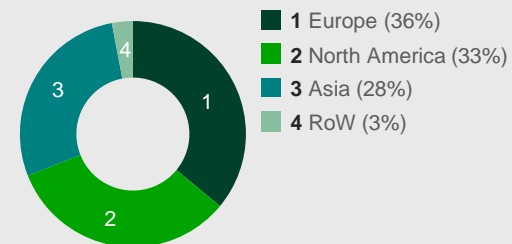
# GKN Automotive

35% of Melrose<sup>1</sup>

Revenue by product type



Revenue by destination



1. Based on adjusted 2020 revenue for all continuing businesses

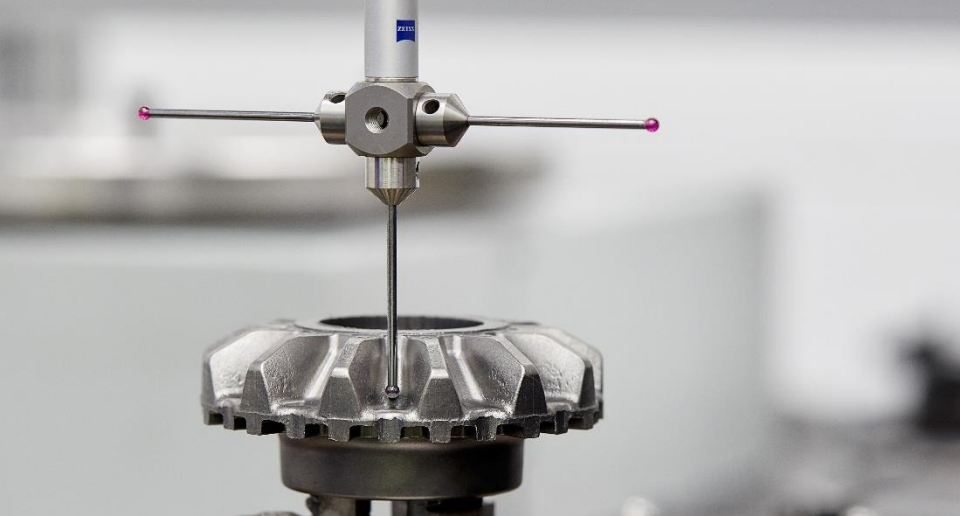


Sales growth in 2020	Q1	Q2	July/August
Automotive	(18%)	(58%)	(13%)

- Significant disruption from COVID-19 in second quarter, leading to H1 sales decline of 37% versus prior year
- Encouraging signs of recovery with sales in July and August only down 13% versus prior year

## Actions

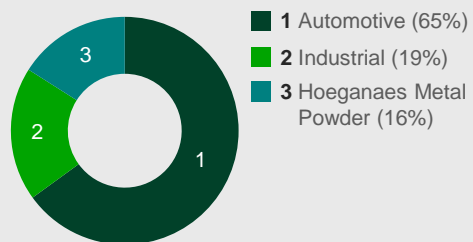
- Pre-COVID-19, GKN Automotive was already responding to market challenges - implementing measures to control costs and reduce working capital to limit the impact of declining sales on its profitability
- Extensive restructuring projects launched in Q2, accelerating those previously planned
- GKN Automotive is well placed to benefit from the long-term electrification trend in the future



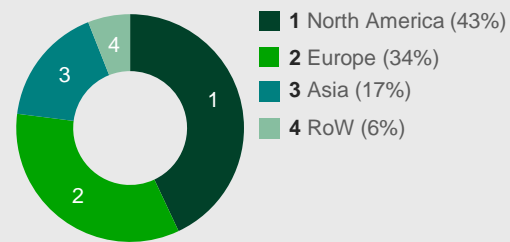
# GKN Powder Metallurgy

9% of Melrose<sup>1</sup>

Revenue by market type



Revenue by destination



1. Based on adjusted 2020 revenue for all continuing businesses

Sales growth in 2020	Q1	Q2	July/August
Powder Metallurgy	(11%)	(54%)	(16%)

- First half revenue down 32% due to COVID-19 impacts, July and August showed signs of market recovery (similar to Automotive)

## Actions

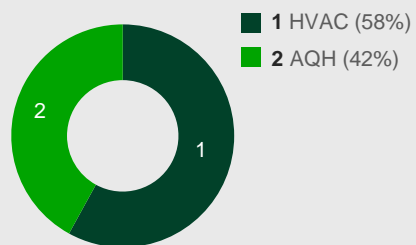
- A significant headcount reduction in the US was commenced in Q2 due to lower sales and challenged margins
- The business is being repositioned towards higher-margin Precision components and additive manufacturing, utilising technology advantages and reducing reliance on larger Structural automotive components
- Powder Metallurgy further developed its 3D printing capability including the acquisition of Forecast 3D in January 2020, supporting the growth in additive manufacturing technologies



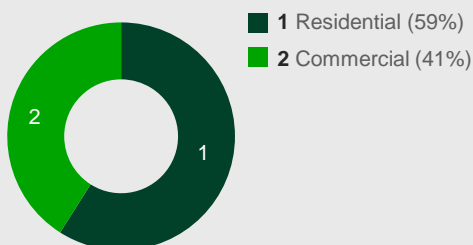
# Nortek Air Management

13% of Melrose<sup>1</sup>

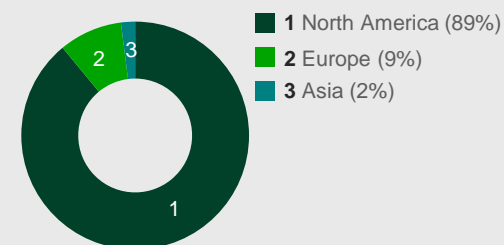
Revenue by business



Revenue by market



Revenue by destination



1. Based on adjusted 2020 revenue for all continuing businesses

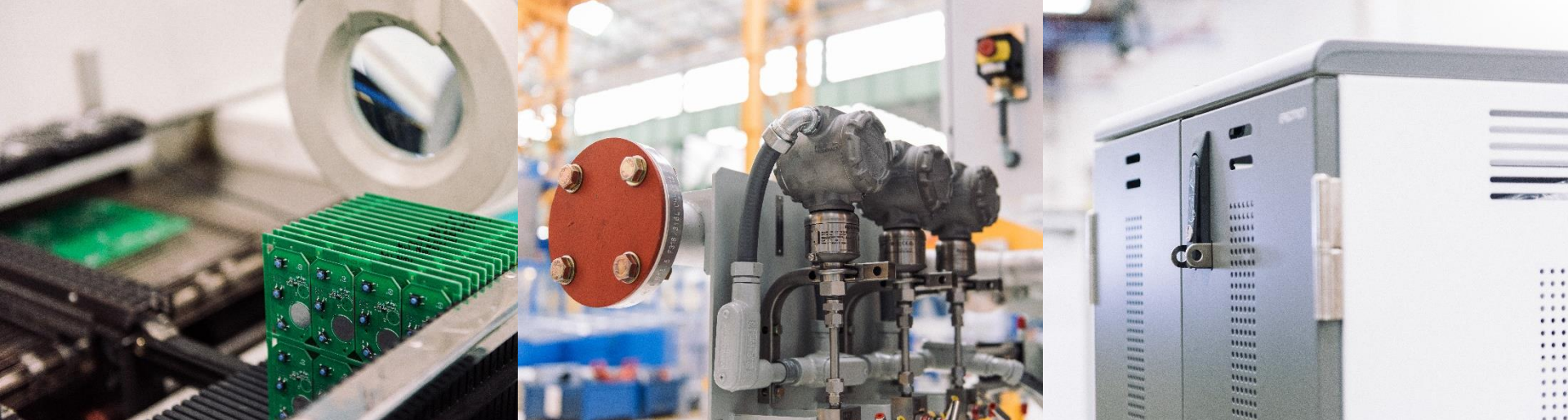
Sales growth in 2020	Q1	Q2	July/August
Nortek Air Management	(1%)	(13%)	13%

- Performing well - sales were down only 7% in the first half, despite COVID-19 challenges
- Less impacted than the GKN businesses, and recovered quicker with July and August sales up 13% versus prior year

## Actions

- Successfully targeting the rapidly growing global data centre market with dedicated proprietary technology
- Developed new sustainable innovations that address important global trends such as air quality, energy reduction and water efficiency.
- StatePoint Technology®, enables surrounding communities to benefit from 30% energy savings and 90% water efficiency
- Growing demand for Nortek's new anti-microbial product ranges in order to protect homes/offices

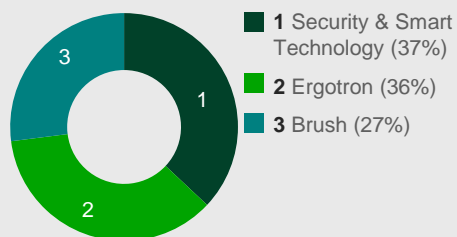




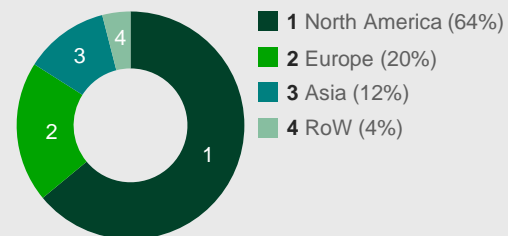
## Other Industrial

7% of Melrose<sup>1</sup>

Revenue by business



Revenue by destination



1. Based on adjusted 2020 revenue for all continuing businesses

Sales growth in 2020	Q1	Q2	July/August
Other Industrial	(16%)	(24%)	(2%)

## Brush

- Benefitting from the significant restructuring activities completed over the last few years to consolidate the business
- Enhanced focus on growing share in the profitable services market, albeit 2020 field activity constrained by COVID-19

## Security & Smart Technology

- Continuing progression toward smart technology
- Good progress on portfolio development with significant new product launch planned
- Operations have been restructured to reduce the impact of US tariffs

## Ergotron

- Strong performance in Healthcare segment and tougher Office segment caused by COVID-19
- New products and active channel management gaining traction