

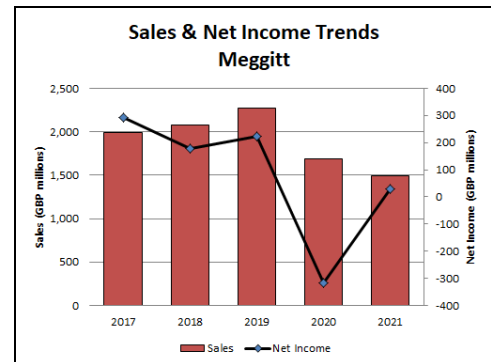
ARCHIVED REPORT

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Meggitt

Outlook

- For 2021, Meggitt posted sales of GBP1.5 billion, down 11.6 percent from GBP1.7 billion in 2020
- The company recorded a gain of GBP31 million for 2021, compared to a loss of GBP315 million for 2020
- In August 2021, Parker Hannifin agreed to acquire Meggitt plc for GBP6.3 billion (\$8.8 billion) in cash
- Thanks to its newfound economies of scale, the merged entity will be able to better compete as aviation rebounds



Headquarters

Meggitt plc
 Pilot Way
 Ansty Business Park
 Coventry, CV7 9JU, U.K.
 Telephone: + 44 0 2476 826900
 Website: <https://www.meggitt.com>

The company traces its roots back to the 1940s, when it was established as a machine tool business known as Willson Lathes, which went public in 1947. In 1964, the company acquired Meggitt Engineering Ltd and changed the company name to Meggitt.

The company hit difficult financial times in the early 1980s and was bought out by management. The new

team's strategy was to build a geographically diverse, international engineering company serving niche sectors in aerospace, controls, electronics, and energy.

Meggitt refined this strategy in the 1990s to focus on its core operations of aerospace equipment, defense systems, and electronics. A series of aerospace acquisitions then began, starting with Whittaker Controls in 1999, which increased Meggitt's presence in the aircraft aftermarket business. The company further expanded into aerospace with the acquisition of the design and manufacturing division of Dunlop Standard Aerospace Group (2004), K&F Industries (2007), and Pacific Scientific Aerospace (2011).

Structure and Personnel

Tony Wood
 Chief Executive Officer
 Louisa Burdett
 Chief Financial Officer
 Andrew Garard
 Group General Counsel and
 Director Corporate Affairs
 Paul Devaux
 Director and President, Energy & Equipment
 Chris Allen
 President, Airframe Systems

Stewart Watson
 President, Services & Support
 Hugh Clayton
 Group Director, Engineering & Strategy
 Geoff Lloyd
 Group Director, Human Resources
 Marina Thomas
 Executive Vice President, Ethics and
 Communications, and Secretary
 Troy Peterson
 President, Engine Systems

Meggitt

Product Area

Meggitt is a Tier 2 designer and manufacturer of components and subsystems for aerospace and defense markets. It also leverages its sensing expertise in the hydro, steam and gas turbomachinery generator sectors; oil and gas applications; and the medical, industrial, test engineering, and transportation sectors. The company is organized into four divisions, believed to be organized as follows.

1. Airframe Systems
 - 1.1 Braking Systems
 - 1.2 Fire Protection & Safety Systems
 - 1.3 Power & Motion
 - 1.4 Fuel Systems
 - 1.5 Avionics & Sensors
 - 1.6 Polymer Seals
2. Engine Systems
 - 2.1 Flow Control
 - 2.2 Thermal Systems
 - 2.3 Engine Composites
 - 2.4 Engine Sensing
3. Energy & Equipment
 - 3.1 Defense Systems
 - 3.2 Energy Sensing & Controls
 - 3.3 Heatric
4. Services & Support
 - 4.1 Civil Aftermarket
 - 4.2 Military Aftermarket

Airframe Systems. This unit produces products for military and commercial aircraft manufacturers, including braking systems, fire and safety systems, and electrical power capabilities.

Engine Systems. This division focuses on offerings to aero-engine manufacturers, including flow control systems, thermal management systems, sensors, and engine composites.

Energy & Equipment. This division provides systems and components to selected energy markets. Defense Systems provides a series of complex engineered products to defense agencies in the areas of electronic cooling, ammunition handling, and scoring systems. *Energy Sensing & Controls* provides a range of valves, actuators, sensors, and condition-monitoring systems for oil and gas applications. *Heatric* provides innovative printed circuit heat exchanger technology for offshore gas applications.

Services & Support. This operation provides a range of spare parts distribution and maintenance, repair and overhaul (MRO) services to support Meggitt's aftermarket customers.

Facilities

Selected facilities are as follows. A full listing can be found at: <https://www.meggitt.com/about-us/our-company/locations>

Meggitt Aircraft Braking Systems, 1204 Massillon Rd, Akron, OH 44306 USA. Telephone: + 1 (330) 796-4400.

Website: <https://www.meggitt-mabs.com>

Meggitt Control Systems, 12838 Satcoy St, North Hollywood, CA 91605 USA. Telephone: + 1 (818) 765-8160.

Meggitt Avionics, Unit 2-5 Titchfield Park, 20-26 Barnes Wallis Rd, Fareham, Hampshire PO15 5TT, United Kingdom. Telephone: + 44 0 1489 483300.

Website: <https://www.meggitt-avionics.co.uk/>

Meggitt Safety Systems, 1785 Voyager Ave, Simi Valley, CA 93063 USA. Telephone: + 1 (805) 584-4100.

Meggitt Defense Systems Inc, 9801 Muirlands Blvd, Irvine, CA 92618 USA. Telephone: + 1 (949) 465-7700.

Website: <https://meggittdefense.com>

Power & Motion, Artus, 37 Chemin du Champ des Martyrs, BP 20009 49241 Avrille Cedex, France. Telephone: + 33 241 33 63 40.

Website: <https://meggittpower.com>

Power & Motion, TFE Electronics, Zone Actisud, Le Chapitre, 18 Rue Jean Perrin, 31100 Toulouse, France. Telephone: + 33 0 534 666 565.

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Meggitt Aftermarket Services, 11700 NW 102nd Rd, Ste 6, Miami, FL 33178 USA. Telephone: + 1 (305) 477-4711.

Securaplane, 12350 N Vistoso Park Rd, Tucson, AZ 85755 USA. Telephone: + 1 (520) 297-0844.

Website: <https://www.securaplane.com>

Meggitt Fuel Systems & Advanced Composites, 669 Goodyear St, Rockmart, GA 30153. Telephone: + 1 (770) 684-7855.

Meggitt Customer Services & Support, Holbrook Ln, Coventry, Warwickshire, CV6 4AA, United Kingdom.

Website: <https://mymeggittsupport.com>

Corporate Overview

Headquartered in the U.K., Meggitt plc is a global engineering group specializing in niche sectors in the civil aerospace, military, and energy markets.

New Products and Services

737 MAX Cockpit Indicators. In March 2021, Meggitt signed a long-term agreement with Boeing for the supply of cockpit indicators on the 737 MAX. The contract covers a suite of cockpit indicators across all versions of the aircraft. This contract expands Meggitt content on the 737 MAX program, which already includes the engine and APU fire detection and suppression systems, electrical power conversion equipment, and elastomeric seals. Deliveries are scheduled to commence in the second quarter of 2022.

Typhoon Radome. In November 2020, Meggitt secured a GBP4.2 million contract with BAE Systems for the supply of an updated radome for use with the multifunction array radar system on the U.K. Royal Air Force's Eurofighter Typhoons. BAE Systems and Leonardo are on contract to deliver the European Common Radar Systems Mk 2 (ECRS Mk 2), which equips RAF pilots with the ability to locate, identify and suppress enemy air defenses using high-powered jamming. Meggitt has used its advanced composite expertise to design a new higher and broader bandwidth radome to protect the instrumentation from environmental effects and prevent electromagnetic interference, while being aerodynamically stable and highly transmissive for the AESA radar system's operational modes.

M1 Abrams TMS. In April 2020, Meggitt received a \$22 million contract to provide thermal management systems (TMS) to General Dynamics Land Systems for the Abrams program. Supplied by Meggitt Defense Systems Inc, Irvine, California, the TMS provides active cooling for the Abrams' upgraded electronics and crew. This contract is the second half of the Abrams ARC1 contract that MDSI was awarded in 2019 for a similar number of TMS. MDSI produced more than 2,520 thermal management systems for the Abrams program prior to this award.

V-22 Components. In February 2020, Meggitt signed an estimated \$73 million contract with Bell Textron to supply composite de-icing propeller rotor blankets, heated spinners, fairings, and pendulums for the Bell/Boeing V-22 Osprey. The contract is valid for five years.

Fuel Bladders. In November 2019, Meggitt was awarded a potential \$130 million contract from the U.S. Defense Logistics Agency for the supply of fuel bladders for the F/A-18 Super Hornet, V-22 Osprey, and CH/MH-53 Super Stallion.

G700 Braking System. In October 2019, Meggitt was selected to supply the braking system for the new Gulfstream G700 business jet. The contract includes the main wheels and nosewheels, carbon brakes, the brake control system, the brake temperature monitoring system, and full autobrake capability via touchscreen controls.

Falcon 6X Systems. In August 2019, Dassault Aviation selected Meggitt to provide the wheels, brakes, brake control system, and tire pressure monitoring system for the Falcon 6X program. Meggitt will also provide landing gear control computers.

Pratt & Whitney Components. In January 2019, Meggitt signed a long-term agreement with Pratt & Whitney to continue the supply of advanced composite components for the F119 and F135 engines that power the F-22 Raptor and F-35 Lightning II aircraft. The 10-year global agreement is valued at around \$750 million.

DLA Spare Parts. In October 2018, Meggitt was awarded a five-year indefinite delivery/indefinite quantity (IDIQ) agreement with the U.S. Defense Logistics Agency to supply wheels, brakes and related spare parts. The contract, worth \$323 million over the life of the award, covers the supply of depot-level spares for a number of defense platforms, including the F-16 Falcon, UH-60 Black Hawk, and CH-47 Chinook. The contract includes a five-year option period and replaces a prior five-year IDIQ agreement that expired on September 30, 2018.

Meggitt

Plant Expansion/Organization Update

Danville Expansion. In September 2019, Meggitt announced plans to expand its carbon brake manufacturing facility in Danville, Kentucky, USA. Under the expansion, the facility will increase in size by 95,000 square feet. This move is part of a broader expansion plan for the Danville facility. The facility already provides braking components for a number of customer programs, including the Airbus A220 and A321, as well as for Gulfstream, Dassault, and Bombardier aircraft. The facility will also serve as an MRO hub.

Miami Expansion. In July 2019, Meggitt opened its newly expanded aerospace services and support center of excellence in Miami, Florida, USA. The purpose-built facility serves as the Americas regional hub for aftermarket services and support. The facility has more than doubled in size to 48,000 square feet, and plans called for a further 50 percent expansion in 2020. The new site includes service and support capabilities for fire extinguishing systems; safety restraints; oxygen sensor systems; heat transfer systems; and mechanical, hydraulic, electronic, and avionics system repairs.

Divisions Restructured. At the start of 2019, Meggitt implemented a new divisional structure aimed at better aligning its divisions to match its customer base. The company's five divisions were consolidated into four: Airframe Systems, Engine Systems, Energy & Equipment, and Services & Support.

The Airframe Systems division brings together the group's capabilities that serve commercial, business and military aircraft manufacturers, including braking systems, fire and safety systems, and electrical power capabilities.

The Engine Systems division aggregates the group's offerings to aero-engine manufacturers, including flow control systems, thermal management systems, sensors, and engine composites.

The Energy & Equipment division encompasses the group's positions in selected energy markets, together with its training systems and defense systems capabilities.

The Services & Support division (formerly Customer Services & Support) provides spare parts distribution and MRO services.

Ansty Park Expansion. In July 2018, Meggitt broke ground on a new GBP130 million facility at Ansty Park in West Midlands, the U.K. The project houses up to 1,000 employees and also serves as the location for Meggitt's international headquarters.

The new 440,000-square-foot facility combines a range of operations, including Aircraft Braking Systems, Control Systems, Services & Support, and Corporate Shared Services.

Customer Services & Support Formed. In 2017, Meggitt formed a new Customer Services & Support (now Services & Support) unit, a dedicated aftermarket operation focusing on the company's aerospace products. In addition to supplying parts and MRO services, the new entity expands the company's offerings in key areas, including control systems, sensing systems, and commercial polymers and composites, the latter including lightweight composite replacements for metal components.

Website: <https://mymeggittsupport.com>

Mergers/Acquisitions/Divestitures

Parker Hannifin to Acquire Meggitt. In August 2021, Parker Hannifin agreed to acquire Meggitt plc for GBP6.3 billion (\$8.8 billion) in cash. Shortly after Parker's acquisition announcement, TransDigm announced a non-binding GBP7.0 billion (\$9.7 billion) offer for the company. However, in September the TransDigm offer was withdrawn, clearing the way for Parker's deal to continue. The European Commission approved the proposed acquisition of Meggitt by Parker in April 2022, subject to conditions. As part of the deal, Parker will divest its entire aircraft wheels and brakes division in order to alleviate competition concerns. Parker's acquisition is expected to close in the third quarter of 2022 once regulatory hurdles are cleared.

Parker Hannifin, headquartered in the US, is a diversified manufacturer of motion and control technologies and systems, providing precision-engineered solutions for a wide variety of mobile, industrial, and aerospace markets. In the aerospace industry, Parker Hannifin, through its subsidiary Parker Aerospace, is primarily a subcomponent and services provider. Aerospace segment sales are made to the commercial, military, and general aviation markets as well as to original equipment manufacturers (OEMs) and to end users for MRO. A full report on Parker Hannifin is available in Forecast International's *Defense & Aerospace Companies - Volume I*.

Website: <https://www.aerospacegrowth.com/home/>

Ducting Business Sold. In January 2021, Meggitt completed the sale of its Dunstable, U.K., business that designs and manufactures ducting products for a range of space, defense, and civil customers. Terms were not announced.

Meggitt

Meggitt Training Systems Sold. In June 2020, Meggitt sold its U.S.-based Meggitt Training Systems to Pine Island Capital Partners, a private investment firm, for \$146 million. The unit now operates as InVeris Training Solutions and provides integrated live-fire and virtual weapons training solutions for military and law enforcement clients. The company remains headquartered in Suwanee, Georgia.

Website: www.InVerisTraining.com

T&M Assets Sold. In August 2019, the company divested its MEMS facility in Sunnyvale, California, and the Endevco non-aerospace test and measurement (T&M) sensor product lines from its Orange County, California, facility.

French Unit Sold. In April 2019, Meggitt sold its Meggitt (France) SAS operations to a subsidiary of AF Technologies. The operation produces ignition systems, indicators, and sensors for aerospace markets. The deal was valued at EUR1 million.

Precision Micro Sold. In April 2018, Meggitt sold Precision Micro, a specialist in production photo etching for the automotive and medical sectors, to LDC, the private equity arm of Lloyds Banking Group, for GBP22.5 million in cash.

Linear Motion Sold. In March 2018, Meggitt sold Linear Motion LLC (Thomson Aerospace & Defense), a provider of precision engineered products, to UmbraGroup for an undisclosed amount. The operation produces ball screws and a related suite of electromechanical systems.

Sensing Units Divested. In August 2017, Meggitt divested three industrial sensing operations to Amphenol Corporation. The units – Wilcoxon Research, Piezo Technologies, and Piher Sensors and Controls – all produce aerospace and defense components such as position indicators and vibration sensors. Terms were not reported.

Elite Aerospace Acquired. In March 2017, Meggitt completed the acquisition of Elite Aerospace, a Miami-based provider of test, repair and overhaul services for aircraft components. Terms were not disclosed.

Target Systems Sold to QinetiQ. In December 2016, QinetiQ acquired Meggitt Target Systems for GBP57.5 million. Meggitt Target Systems is a provider of unmanned aerial, naval, and land-based target systems and services for test and evaluation, and operational training and rehearsal.

EDAC Acquired. In December 2015, Meggitt completed its \$340 million acquisition of the composites division of EDAC, formerly known as

Parkway Aerospace & Defense, from Greenbriar Equity Group and associated sellers. The business produces aerospace components for jet engine and airframe applications, with over 85 percent of revenues in civil aerospace composites. Key customers include GE, Snecma, and United Technologies. EDAC employs 579 people and has facilities in Erlanger, Kentucky and Cincinnati, Ohio, and two sites (one of which is a joint venture with UTC Aerospace Systems) in Saltillo, Mexico. The operations would be integrated into Meggitt Polymers & Composites (now Energy & Equipment). The deal was first announced in September 2015.

Cobham Composites Unit Acquired. In November 2015, Meggitt acquired the advanced composites business of Cobham in a deal worth \$200 million. The operations acquired – Cobham Advanced Composites Ltd, Compass Composites Products Inc, and certain assets of Cobham Advanced Electronic Solutions Inc – produce aerospace composite engine components (spinners, internal multistage components, exhaust flaps), radomes (C4I and defensive measures radomes, with a growing position in civil radomes), and complex secondary structures (air-to-air refueling systems, structural munitions components). Facilities are located in the United States (San Diego, California and Baltimore, Maryland) and the U.K. (Shepshed, Leicestershire and Stevenage, Hertfordshire). The businesses would be integrated into Meggitt Polymers & Composites (now Energy & Equipment). The purchase was first announced in August 2015.

Precision Engine Controls Acquired. In January 2015, Meggitt acquired Precision Engine Controls Corporation from United Technologies Corporation for \$44.2 million in cash. PECC is a supplier of actuation systems and fuel-metering valves to manufacturers of small-frame gas turbines used predominantly in the oil & gas and power generation industries. PECC's products are complementary to Meggitt's existing valve technology in the aeroderivative gas turbine market and expand the firm's range of actuation capabilities, Meggitt said. PECC, headquartered in San Diego, employs 78 people and would be integrated into the Meggitt Control Systems division.

Sunbank Connectors Sold. In December 2013, Meggitt sold its Sunbank connectors business to Esterline Corp for \$45 million. Sunbank is a Southern California-based supplier of connector accessories, backshells, and conduit systems for aerospace and industrial markets. The company employs approximately 500 people at its facilities in California and Mexico.

Meggitt

Meggitt (Addison) Sold. In May 2013, Air Comm Corp (ACC) acquired Meggitt (Addison) Inc, the former Keith Products, for an undisclosed amount. The unit specializes in compact air conditioning systems for business jets and general aviation aircraft. Meggitt originally acquired Keith Products for \$16.6 million in September 2006.

Pacific Scientific Acquired. In April 2011, Meggitt acquired Danaher's Pacific Scientific Aerospace for \$685 million in cash. The Danaher businesses that were involved in the sale included Artus, HTL, OECO, Securaplane, Sunbank, and Thomson Aerospace & Defense. These six businesses offer fire suppression, sensing, electric power, electric actuation, and security products, with revenues balanced between civil aerospace (57 percent) and military business (43 percent). Pacific Scientific Aerospace generated operating income of \$79 million on revenues of \$378 million in 2010. Pacific Scientific Energetic Materials Company was not part of the transaction and remained a part of Danaher.

S-TEC Divested. In March 2008, Cobham acquired S-TEC Corporation from Meggitt for \$38 million. S-TEC designs, certifies, and manufactures autopilots for general aviation aircraft, ranging from small single-engine to light commuter aircraft. Based at Mineral Wells Airport in Texas, S-TEC has a workforce of 180 people.

Ferroperm Piezoceramics Acquired. In January 2008, Meggitt's Sensing Systems division acquired Ferroperm Piezoceramics AS, a Danish manufacturer of piezoceramic components, for GBP10 million. Ferroperm supplies standard PZT materials, as well as a number of piezoelectric products, for high-temperature applications and materials with special acoustic properties.

K&F Industries Holdings Acquired. In July 2007, Meggitt acquired K&F Industries Holdings for \$1.8 billion. K&F is a manufacturer of braking equipment for commercial transport, general aviation,

and military aircraft through its Aircraft Braking Systems Corp subsidiary. K&F – now part of Meggitt Aircraft Braking Systems – manufactures braking equipment, including anti-skid, autobrake, and brake-by-wire systems; brake-temperature monitoring systems; main wheels and nosewheels; carbon and steel brakes; and ancillary equipment. In addition, K&F operates Engineered Fabrics Corporation, a producer of aircraft fuel tanks, de-icing equipment, and specialty coated fabrics used for storage, shipping, environmental, and rescue applications by commercial and military customers.

Teaming/Competition/Joint Ventures

HiETA Technologies. In January 2020, Meggitt invested in HiETA Technologies Ltd, a U.K. company specializing in metal additive manufacturing. The investment will accelerate the development of the next generation of thermal systems, such as heat exchangers, for aerospace and energy applications.

Website: <https://www.hieta.biz/>

Lufthansa Technik. In June 2019, Meggitt and Lufthansa Technik signed an agreement for the provision of component MRO services in China. Under the agreement, Lufthansa Technik Shenzhen (LTS) – a joint venture between Lufthansa Technik AG and Beijing Kailan Aviation Technology Co Ltd – will build local MRO capabilities for Meggitt products, including heat exchangers, valves, fire detectors, and fire suppression systems.

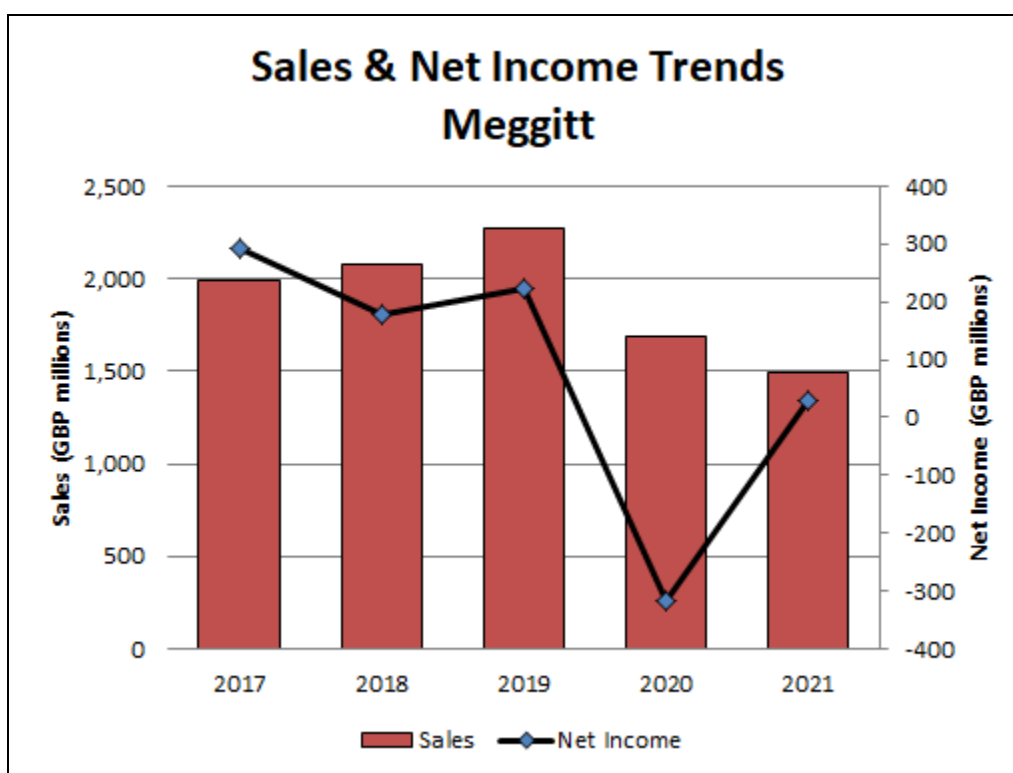
Raytheon Technologies. In September 2017, Meggitt and Raytheon Technologies (formerly United Technologies Corporation), signed a long-term agreement to support production at Raytheon Technologies' aerospace businesses. The agreement facilitates the supply of key engineered items required by Raytheon Technologies at Pratt & Whitney and Collins Aerospace Systems across a wide range of programs.

Financial Results/Corporate Statistics

For 2021, Meggitt posted sales of GBP1.5 billion, down 11.6 percent from GBP1.7 billion in 2020. The company recorded a gain of GBP31 million for 2021, compared to a loss of GBP315 million for 2020. Latest year statistics, restated to the company's current presentation, are as follows. (U.S. dollar figures are translated as of December 31, 2021, at the rate of GBP1 = USD1.34894.)

| Meggitt (LON: MGGT) | | | | | | |
|----------------------------|--------|--------|--------|-------|-------|------------|
| (GBP millions) | 2017 | 2018 | 2019 | 2020 | 2021 | (USD) 2021 |
| Net Sales | 1,994 | 2,081 | 2,276 | 1,684 | 1,489 | 2,009 |
| Net Income* | 293 | 179 | 223 | -315 | 31 | 42 |
| R&D Expenditures | 158 | 138 | 119 | 98 | 71 | 96 |
| Long-Term Debt | 1,006 | 1,148 | 695 | 797 | 696 | 939 |
| Shareholder Equity | 2,312 | 2,492 | 2,457 | 2,033 | 2,162 | 2,916 |
| Debt-to-Equity Ratio | .43 | .46 | .28 | .39 | .32 | - |
| Employees | 11,074 | 11,382 | 12,224 | 9,280 | 9,270 | - |

* Profit for the year attributable to equity owners of the company.



Meggitt

Industry Segments

The following is a breakdown of Meggitt's sales and operating income by major market segment for the past four years. Totals may have been rounded.

| SALES | 2018 | 2019 | 2020 | 2021 |
|-------------------------|--------------|--------------|--------------|--------------|
| (GBP millions) | | | | |
| Airframe Systems | 1,009 | 1,030 | 793 | 737 |
| Engine Systems | 279 | 330 | 234 | 208 |
| Energy & Equipment | 372 | 413 | 335 | 271 |
| Services & Support | 395 | 499 | 322 | 274 |
| Other | 26 | 6 | 0 | 0 |
| TOTAL | 2,081 | 2,278 | 1,684 | 1,490 |
| OPERATING INCOME | | | | |
| (GBP millions) | | | | |
| Airframe Systems | 259 | 248 | 121 | 120 |
| Engine Systems | 18 | 27 | -13 | -17 |
| Energy & Equipment | 31 | 53 | 42 | 42 |
| Services & Support | 58 | 74 | 41 | 32 |
| Other | 1 | 1 | 0 | 0 |
| TOTAL | 367 | 403 | 191 | 177 |

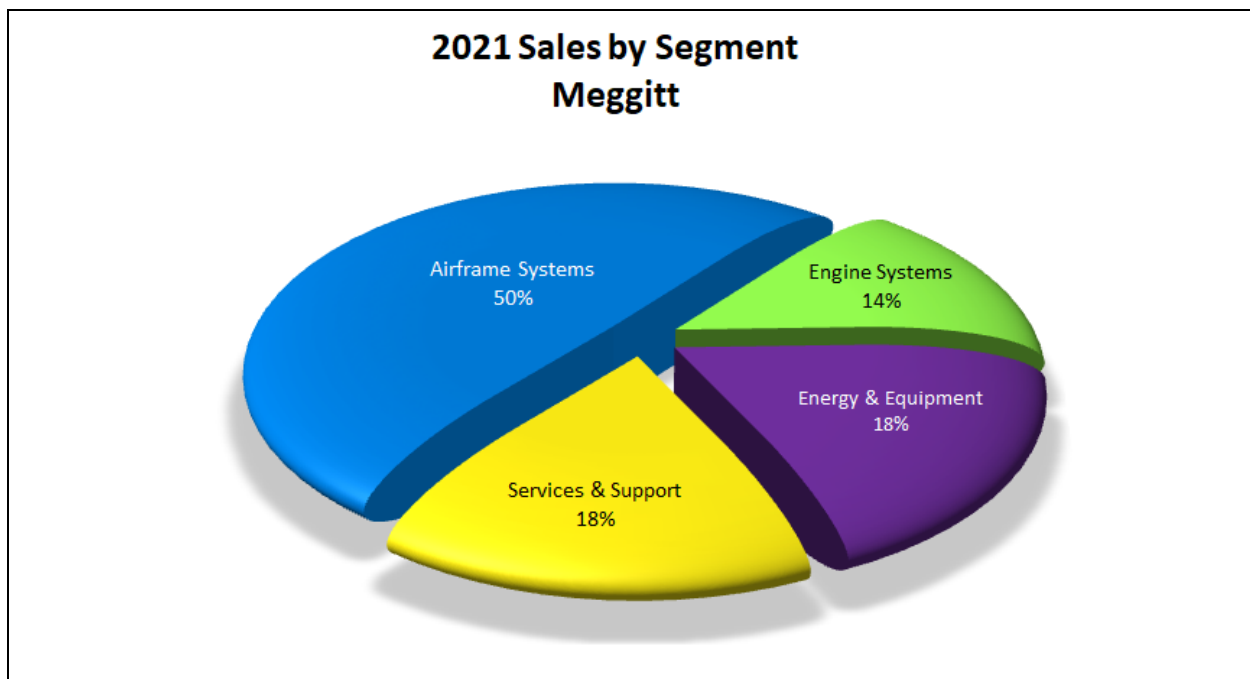
Segment Details

Below is a breakdown of key financial data for the company's major business segments and geographic regions for the past four years.

| AIRFRAME SYSTEMS | 2018 | 2019 | 2020 | 2021 |
|--------------------------|-------------|-------------|-------------|-------------|
| (GBP millions) | | | | |
| Net Sales | 1,009 | 1,057 | 793 | 737 |
| <i>Civil OEM</i> | 280 | 318 | 208 | 171 |
| <i>Civil Aftermarket</i> | 326 | 327 | 177 | 202 |
| <i>Defense</i> | 375 | 385 | 378 | 344 |
| <i>Energy</i> | 9 | 11 | 14 | 12 |
| <i>Other</i> | 19 | 17 | 17 | 9 |
| Operating Income | 259 | 248 | 121 | 120 |
| Employees | 5,529 | 5,935 | 5,324 | 4,793 |
| ENGINE SYSTEMS | | | | |
| (GBP millions) | | | | |
| Net Sales | 279 | 330 | 234 | 208 |
| <i>Civil OEM</i> | 166 | 189 | 95 | 89 |
| <i>Civil Aftermarket</i> | 7.0 | 6.0 | 4 | 3 |
| <i>Defense</i> | 84 | 110 | 117 | 97 |
| <i>Energy</i> | 1 | 1 | 1 | 2 |
| <i>Other</i> | 21 | 25 | 17 | 17 |
| Operating Income | 18 | 27 | -13 | -17 |
| Employees | 2,058 | 2,344 | 2,013 | 1,773 |

Meggitt

| ENERGY & EQUIPMENT | | 2018 | 2019 | 2020 | 2021 |
|-------------------------------|--|-------------|-------------|-------------|-------------|
| <i>(GBP millions)</i> | | | | | |
| Net Sales | | 372 | 413 | 335 | 271 |
| <i>Civil OEM</i> | | 11 | 11 | 3 | - |
| <i>Defense</i> | | 195 | 239 | 191 | 127 |
| <i>Energy</i> | | 118 | 131 | 116 | 121 |
| <i>Other</i> | | 48 | 32 | 25 | 23 |
| Operating Income | | 31 | 53 | 42 | 42 |
| <i>Employees</i> | | 1,921 | 1,911 | 1,479 | 1,133 |
| SERVICES & SUPPORT | | 2018 | 2019 | 2020 | 2021 |
| <i>(GBP millions)</i> | | | | | |
| Net Sales | | 395 | 499 | 322 | 274 |
| <i>Civil Aftermarket</i> | | 324 | 383 | 239 | 220 |
| <i>Defense</i> | | 70 | 88 | 83 | 53 |
| <i>Energy & Other</i> | | 1 | 0.3 | 1 | 1 |
| Operating Income | | 58 | 71 | 41 | 32 |
| <i>Employees</i> | | 480 | 546 | 543 | 520 |



| GEOGRAPHIC SALES | | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------------------|--|--------------|--------------|--------------|--------------|--------------|
| <i>(GBP millions)</i> | | | | | | |
| U.K. | | 192 | 169 | 177 | 130 | 110 |
| Europe | | 396 | 393 | 414 | 271 | 255 |
| USA | | 1,134 | 1,221 | 1,343 | 1,028 | 912 |
| Rest of World | | 273 | 298 | 341 | 256 | 212 |
| TOTAL | | 1,995 | 2,081 | 2,275 | 1,685 | 1,489 |

Meggitt

Major Competitors

Most of Meggitt's competitors are also involved in other major segments of the aerospace and defense industry. Key competitors include units or divisions of Airbus, Boeing, Cobham, Collins Aerospace, Honeywell, Howmet Aerospace, Moog, QinetiQ, Safran, and TransDigm.

Strategic Outlook

It has been a whirlwind year for Meggitt as it dealt with a pandemic and then a quick takeover skirmish.

The company soldiered through another year of the COVID-19 pandemic, which saw sales drop 11.6 percent to GBP1.5 billion from GBP1.7 billion in 2020. However, the company recorded a gain of GBP31 million for 2021, compared to a loss of GBP315 million for 2020. Looking ahead, the firm expects the building momentum of the recovery to continue in the long term, despite some short-term hiccups.

Overall, thanks to the diverse nature of its offerings, Meggitt was not as decimated by the pandemic as some other aerospace industry suppliers were. While the company was hard hit across its aerospace operations, the impact was mitigated by the performance of its defense and energy businesses.

Despite the pandemic, the company's long-term strategy – focusing on core aerospace markets – has so far remained in place. Prior to the crisis, the company set a goal of consolidating its 56 sites down to a reported 35 and transforming its business into more efficient hubs. At the same time, Meggitt moved into its new headquarters in Ansty Park in the U.K. Meanwhile, other campus expansions have occurred in Mexico, Vietnam, and the U.S.

A key part of this transformation was the restructuring of the company into four core divisions focused on airframes, engines, energy and equipment, and services and support. This focus is aimed at better aligning the company's capabilities with its customers' requirements. Additionally, Meggitt has continued to divest non-core operations, most recently selling off its Training Systems unit in the U.S. and an aerospace-related ducting operation in the U.K.

Post-pandemic, the company still hopes to capture a greater share of the aerospace aftermarket. To this end, the company created a Services & Support unit that supplies repair and upgrade components directly to end-users. By establishing an organization solely dedicated to aftermarket efforts, the company hopes to capture an even larger share of the used serviceable materials (USM) and components market.

This solid management performance did not go unnoticed, and in the summer of 2021 suitors came a calling. In August 2021, Parker Hannifin agreed to acquire Meggitt plc for GBP6.3 billion (\$8.8 billion) in cash. While there was a brief interruption in the plan when TransDigm offered GBP7.0 billion (\$9.7 billion) for the company, this offer was quickly withdrawn, allowing Parker's bid to proceed.

The acquisition of Meggitt follows Parker's strategy of growth through acquisition. The company offers a complementary portfolio of programs through its four principal business divisions of, as mentioned above, Airframe Systems, Engine Systems, Energy & Equipment, and Services & Support. The company's defense operations account for about 46 percent of its revenue, with some 70 percent of its revenue originating in the U.S.

The deal does face one concern: fears on the part of the U.K. government over another acquisition of a key aerospace and defense enterprise by a U.S. firm. Earlier in 2021, Cobham, which is owned by a U.S. equity firm, moved to acquire the U.K.-based Ultra Electronics. The takeover of Meggitt is another example of corporate America's continuing desire for British companies, whose valuations are proving attractive due to the impact of the pandemic and Brexit. These acquisitions have led to growing concerns in the U.K. about what these deals mean for the U.K.'s aerospace and defense industrial base.

To alleviate industrial base and national security concerns, Parker Hannifin has agreed to a number of time-limited and legally binding contractual commitments to ensure that Meggitt retains a significant presence in the U.K. going forward. Among the commitments is a pledge to maintain the existing R&D, product engineering, and direct manufacturing labor headcount in the U.K. at no less than current levels, while increasing the number of apprenticeship opportunities. Also, Parker Hannifin will at least maintain Meggitt's existing level of research and development spending in the U.K. and increase it by at least 20 percent over the next five years – subject to normal levels of aerospace industry activity and growth. Additionally, the majority of the board of directors must be U.K. nationals, Meggitt's U.K. headquarters will be maintained, each of Meggitt's existing divisions will

Meggitt

operate under the new Parker-Meggitt name, and all four current divisions of Meggitt will remain in place. In addition, Parker Hannifin will honor Meggitt's obligations as a key supplier to the U.K. government along with other national security commitments. Finally, Parker Hannifin will keep Meggitt's carbon emission reduction targets in place.

The level of binding commitments sets the proposed acquisition of Meggitt apart from other recent deals. On top of that, Parker Hannifin has been doing business in the U.K. for over 50 years and today employs more than 2,100 people at 18 locations across the country.

So far approvals are moving forward, with the deal receiving regulatory approval from the European Commission in early 2022, albeit with a caveat. The EU antitrust regulators have agreed to the deal with the condition that Parker divest its entire aircraft wheels and brakes division. This will mostly entail the divestment of Parker's plant in Ohio in the U.S., which will remove the overlap in the supply of aircraft wheels and brakes between Parker and Meggitt globally.

With such assurances in place, the deal is expected to proceed, and the newly enlarged "Parker-Meggitt Aerospace" – which doubles the size of the current Parker Aerospace – will begin operations in late 2022. The goal is that this combination will provide long-term growth via a combined product portfolio and an increased geographic footprint.

Thanks to its newfound economies of scale, the merged entity will be able to better compete as commercial aviation rebounds. Aviation subcontractors have been facing increased pressure not only on pricing but also on manufacturing, as OEMs are also setting up dedicated operations for spare parts. For example, Boeing's Partnering for Success effort is targeted at cutting component costs and, in some cases, acquiring aftermarket sales rights for components used on its aircraft. By combining operations, the new Parker-Meggitt will be strongly positioned for future negotiations.

Prime Award Summary

Unavailable.

Program Activity

The following are Meggitt's aerospace- and defense-related business interests:

- Aircraft Wheels and Brakes
- Aircraft Fire Protection
- Aircraft Safety and Security
- Avionics
- Composite Structures
- Control Systems
- Electrical Power Systems
- Fuel Systems
- Military Training Systems
- Sensing and Monitoring Systems

Meggitt and its subsidiaries are primarily Tier 2 subcomponent producers for many industry prime contractors and subcontractors, including Airbus, Boeing, Bombardier, General Dynamics, General Electric, Gulfstream, Honeywell, Leonardo (AgustaWestland), Lockheed Martin, Raytheon Technologies, and Rolls-Royce. Recent program awards are detailed below.

AVIC MA700 Components. In July 2018, Meggitt was selected to provide subsystems for the Aviation Industry Corporation of China (AVIC) MA700 aircraft

program. Meggitt will supply the MA700's fire detection and suppression system, high-performance engine bleed air leak detection (BALD) system, custom-designed air-cooled oil cooler, and integrated secondary flight display systems.

Earlier, in February 2015, AVIC selected Meggitt to embark on a multimillion-dollar program involving work for the MA700 70-seat regional aircraft. Specifically, Meggitt and AVIC Aircraft Xi'an Branch are jointly developing two fire protection systems – one for the engine and auxiliary power unit and the other for the cargo and cabin.

Boeing 737 MAX Fire Protection. In August 2014, Boeing awarded Meggitt Safety Systems a contract to design, develop, manufacture, and support the fire protection system for the 737 MAX engine and auxiliary power unit. The contract comprises the control computer, the engine and APU fire detectors, and the engine and APU fire suppression bottles. First delivery of the 737 MAX occurred in 2018.

Boeing 777X ISFDs. In June 2017, Meggitt won a contract from Boeing Commercial Airplanes to produce integrated standby flight displays for its 777X commercial aircraft. The ISFD measures critical

Meggitt

secondary flight data – attitude, altitude, air speed and heading – and displays it for the pilot. Meggitt's contract covers the design, development and delivery of ISFDs, which were to enter service in 2020.

COMAC C919 Components. In June 2017, Meggitt was contracted to provide door safety systems for COMAC's C919 aircraft. The systems will be produced at Meggitt's Simi Valley site in California. Meggitt supports COMAC's C919 and ARJ21 programs by supplying a range of technologies for braking systems and sensing and control systems for both airframes and engines.

Dassault Falcon 5X Brakes. Dassault selected Meggitt Aircraft Braking Systems to supply the braking system and integrated control and monitoring unit for the landing gear extension and retraction, nosewheel steering, and aircraft hydraulic systems for the new Falcon 5X business jet. The braking system includes nose and main wheels, carbon brakes, a fully integrated brake-by-wire brake control system, and flight deck-based brake-temperature and tire-pressure monitoring systems.

Embraer E-Jet E2 Components. In September 2017, Embraer selected Meggitt to design a tri-band radome assembly for in-flight connectivity, supporting the E-Jet E2 aircraft family's offering of Ka- and Ku-band Internet services. Meggitt will provide the radome, skirt seal, adapter plate, and fittings.

F-35 Components. In June 2020, Meggitt signed a \$15 million contract with Chemring Australia Pty for the continued supply of flare countermeasure assemblies for the F-35 fighter jet.

In September 2019, Meggitt signed a \$16 million contract with Chemring Australia for the supply of advanced heat-resistant composites for the F-35.

In August 2019, Lockheed Martin awarded Meggitt a three-year, \$65 million contract for the supply of rudder pedal assemblies for the F-35.

KAI KF-X Components. In August 2018, Meggitt and Korea Aerospace Industries (KAI) signed a contract for the development of an Engine Vibration Monitoring Unit. The contract covers the development of a high-temperature electronic EVMU and the delivery of prototypes for the KF-X fighter jet. In July, the company had been selected for the fire detection and bleed air leak detection systems. Earlier, in April 2018, Meggitt was selected to provide the advanced wheel and digital braking system for the KF-X.

Gulfstream Braking System. In October 2014, Meggitt Aircraft Braking Systems was awarded the autobrake system contract for Gulfstream Aerospace's G650 and G650ER aircraft. The new automatic braking feature would be introduced through Gulfstream's service network on braking systems already supplied by Meggitt, and will become standard on future production aircraft. In addition, the company was awarded a contract for an advanced wheel and braking system for Gulfstream's new G500 and G600 business jets.

LEAP Components. In early 2013, Meggitt was selected to provide a package of thermal management products for LEAP engine variants 1A, 1B, and 1C. The package is worth more than \$175 million over the life of the program. Components include fuel oil heat exchangers that perform at extremely high temperatures, helping to optimize engine efficiency and lower fuel consumption. In addition, Meggitt Sensing Systems was tapped to provide a package of sensor products for the LEAP-1B engine. Meggitt will supply a comprehensive suite of sensing products to measure vibration, shaft speed, critical temperatures, and oil level. Meggitt won engine sensor packages on the LEAP-1A and -1C in January 2012. The follow-on LEAP-1B win takes the value of Meggitt's sensors on LEAP family engines to some \$500 million over the life of the program.

U.S. Contract Awards

The following is a listing of major contracts awarded to Meggitt and its subsidiaries from the U.S. government in the past six years (contracts as of press date). Note that the Description section is excerpted directly from U.S. DoD listings. For full details on contracts and their associated modifications, visit <https://www.defense.gov/Newsroom/Contracts/>

| Date | Award (USD millions) | Contract # | Description |
|----------|----------------------|------------------|--|
| 6/7/16 | 21.5 | SPRHA4-16-D-0001 | TWO-SEAT CANOPY ACTUATORS FOR THE F-16. |
| 9/26/16 | 22.0 | SPRHA4-16-D-0007 | F-16 FUEL CELLS. |
| 9/27/16 | 7.1 | W15QKN-16-D-0096 | HIGH GRAVITY ACCELEROMETERS FOR EXCALIBUR & OTHER TELEMETRY PROGRAMS. |
| 9/29/16 | 8.4 | SPRHA4-16-D-0009 | A-10 FUEL CELLS. |
| 6/30/17 | 9.1 | SPRPA1-15-G-0013 | F-18 AIRCRAFT SPARE PARTS. |
| 7/26/17 | 16.2 | SPRPA1-15-G-003X | AIRCRAFT FUEL CELL SUPPORT & TOOLING. |
| 9/19/17 | 19.1 | SPRPA1-15-G-003X | F/A-18 FUEL TANKS. |
| 9/25/17 | 12.9 | SPRPA1-15-G-003X | F/A-18 FUEL TANKS. |
| 11/30/17 | 9.9 | SPRRA1-18-D-0026 | SOLENOID VALVES. |
| 3/16/18 | ? | W56HZV-18-D-0001 | MEGGITT TRAINING SYSTEMS INC, SUWANEE, GA, WILL SHARE IN A \$125,000,000 FFP CONTRACT FOR THE ARMY TARGETRY SYSTEMS. |
| 9/28/18 | 322.7 | SPE4AX-18-D-9452 | AIRCRAFT CONSUMABLE & REPARABLE PARTS. |
| 8/29/19 | 22.2 | SPRDL1-19-C-0250 | MAGAZINE ASSEMBLIES FOR THE APACHE AH-64. |
| 9/18/19 | 8.1 | N00019-19-D-0039 | NINE LIQUID PALLETIZED SYSTEM UNITS IN SUPPORT OF LOT 8 FULL-RATE PRODUCTION P-8A AIRCRAFT. |
| 9/23/19 | 48.6 | W900KK-19-D-0010 | AERIAL WEAPONS SCORING SYSTEM DEVELOPMENT, PRODUCTION, FIELD OPERATIONS SUPPORT, INSTALLATION SUPPORT, TRAINING, CYBERSECURITY SUPPORT, SYSTEMS AND SPARES PRODUCTION AND REPAIRS. |
| 9/26/19 | 19.0 | W56HZV-19-F-0641 | SPARE PARTS FOR OVER 230 RANGES. |
| 11/8/19 | 8.6 | SPE4A1-19-G-0013 | F/A-18 FUEL TANKS. |
| 3/2/20 | 10.1 | SPRPA1-15-G-003X | F/A-18 FUEL TANKS. |
| 4/28/20 | 9.0 | W911SA-16-A-0002 | DELIVERY OF LIVE-FIRE TARGET SYSTEM PARTS TO FORT MCCOY, WI. |
| 12/21/20 | 27.4 | N00019-19-D-0039 | ADDITIONAL P-8A LIQUID PALLETIZED SYSTEMS IN ORDERING YEARS TWO, THREE & FOUR, WITH 10 UNITS IN YEAR TWO, 11 UNITS IN YEAR THREE & 11 UNITS IN YEAR FOUR, IN SUPPORT OF U.S. NAVY P-8A AIRCRAFT. |
| 6/16/21 | 8.5 | SPRPA1-20-D-001X | F/A-18 AIRCRAFT FUEL TANKS. |
| 9/28/21 | ? | SPRWA1-21-D-0012 | MEGGITT IS SHARING AN ESTIMATED \$32,000,000 FFP, IDIQ CONTRACT UNDER SOLICITATION SPRWA1-21-R-0009 FOR PRODUCTION OF FUEL-CELL BLADDERS APPLICABLE TO THE C-130 AIRCRAFT. |

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