
Capital Market Day 2018: MTU Aero Engines maintains its growth trajectory

- **Improved outlook for organic growth in all segments**
- **Ongoing investments in automation and capacity expansion**
- **Long-term targets for net income and free cash flow confirmed**

Munich, November 30, 2018 – At its Capital Market Day, MTU Aero Engines AG presented its outlook for the group’s short- and long-term growth. The commercial series production and spare parts revenues are expected to be the main sources of growth in 2019. In a turnaround from previous years, the military engine business is predicted to take off again. MTU expects its adjusted EBIT margin to remain stable. In the short and long term, the prospects for growth in all business units are better than originally assumed. Net income is forecast to rise steadily between now and 2025, accompanied by further improvements in free cash flow.

In 2019, the commercial new engine business looks set to become the fastest growing segment with a percentage revenue increase in the low teens. Spare parts sales are expected to increase by a mid-to-high single-digit percentage, while revenues in the military business are projected to increase by around ten percent. MTU expects revenues in the commercial maintenance business to remain at the same high level as in 2018. CFO Peter Kameritsch said: “Changes in the invoicing process as of 2019 will moderate MRO revenues. If calculated on a comparable basis, the 2019 outlook for the MRO business is high single-digit percentage growth.” The group expects its EBIT margin to remain stable in 2019, despite the strong increase in the new engine production, a business which has a negative impact on earnings. MTU estimates that the cash conversion rate will reach around 50 to 60 percent, thus improving in line with expectations. “All in all, this points to sustained strong growth in all operating segments in 2019,” concluded CEO Reiner Winkler. “Current market indicators and the group’s positioning give us reason to assume that this trend will continue and that it will have a positive impact on our business prospects through to 2025.”

Given the outstanding sales record of engines in MTU’s OEM portfolio, the company expects to see a further increase in its production output over the next few years. Michael Schreyögg, chief program officer: “We have identified potential for growth in all market segments. In the coming years we will benefit, for example, from an additional application for our new PW800 business-jet engine, and generally from the involvement of the major aircraft manufacturers in the regional jet segment. Added to this, the continuing popularity of the A320neo family will most likely lead to increased engine production for these aircraft. In the long-haul sector, we received more orders for the GENx last year than anticipated, enabling us to expand our market share.” MTU also expects to see a further increase in the already high production volume of spare parts. As for the military engine business, growing domestic and export orders and en-



gines for the next generation of fighter jets offer growth potential. MTU's commercial maintenance business is flourishing, thanks to its reputation as an independent service provider and a partner in MRO networks and to the expansion of its portfolio of MRO services. "The next step is to consolidate and build on the group's already strong position, in order to exploit all possible future opportunities," said Schreyögg.

Kameritsch added: "To cope with this increased demand, MTU will need to augment its capacity. This in turn will require a higher investment level in the years to come. Nonetheless, we continue to expect an average cash conversion rate within the high double digits in the period until 2025." MTU is currently expanding its facilities at many of its worldwide locations. Building projects include the expansion of its maintenance centers in Hanover and Ludwigsfelde, and increasing the size of the MTU Maintenance location in Zhuhai, China, by 50 percent. In Poland, work has begun on the second stage of the expansion of MTU Aero Engines Polska, and furthermore, MTU is steadily increasing its leasing business. Other expansion projects include the group's headquarters in Munich and its Malaysian joint venture. EME Aero, a new maintenance facility for Geared Turbofan™ engines, is also currently being built. "We also need additional capacity to cope with the growing demand for repair services," said Winkler. "We are currently studying our options with regard to setting up a new repair shop in a best-cost country."

Chief operating officer Lars Wagner added: "Our production ramp-up is well on track. When expanding or modernizing our facilities, we always bear in mind our role as a technology leader. We try to integrate as many new concepts as possible, such as digitization, smart factories, increased automation, and connected manufacturing. In this way, we can prepare for new challenges, such as those laid out in our product roadmap." MTU's technology roadmap foresees the entry into service of next-generation Geared Turbofan™ engines after the next ten years or so. And the next generation of fighter jets equipped with new engines can be expected to hit the market 20 years from now. MTU estimates that it will take around 30 years until new propulsion concepts enter service. "Whatever happens, we want to be in the front line when it comes to engines," said Winkler. "As a first step for the coming ten years, we have set ourselves the goal of increasing our share in the next generation of Geared Turbofan™ engines to up to 25 percent. In this way, we aim to further expand MTU's position in growth markets."

About MTU Aero Engines

MTU Aero Engines AG is Germany's leading engine manufacturer, with core competencies in low-pressure turbines, high-pressure compressors, turbine center frames, manufacturing processes and repair techniques. MTU plays a key role in the new engine market through its partnership in many international development, manufacturing and sales programs, to which it contributes its high-tech components. One third of the global fleet of passenger airliners relies on components supplied by MTU. MTU is one of the world's top 5 providers of maintenance services for commercial aircraft engines and industrial gas turbines. These activities are combined under the roof of MTU Maintenance. In the military sector, MTU Aero Engines is the lead industrial partner for almost



every type of engine flown by the German armed forces. MTU operates affiliates around the globe; its corporate headquarters are based in Munich, Germany.

Geared Turbofan is a trademark application of Pratt & Whitney.

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