
Capital Market Day 2019: MTU Aero Engines provides an initial outlook on 2020

- **Organic growth forecast in all commercial business sectors**
- **Long-term growth potential in all segments**

Munich, November 28, 2019 – At its Capital Market Day, MTU Aero Engines AG presented an initial outlook on its expected business development in 2020. In the upcoming financial year, the commercial business sectors – i.e. commercial new engine and spare parts business as well as commercial maintenance business – are predicted to be the main sources of growth. The military engine business is expected to remain stable. For 2020, MTU is anticipating an increase in operating profit in the high single-digit percentage range. The cash conversion rate – that is, the ratio of free cash flow to net income adjusted – is expected to be around 70 percent. In the longer term, MTU sees prospects for growth in all business segments. “This puts us on track to maintain our course of profitable growth going forward,” said Reiner Winkler, CEO of MTU Aero Engines AG.

Commercial maintenance business and commercial new engine business look set to become the fastest growing segments in 2020.

In its MRO core business, MTU expects revenues to grow by a high single-digit percentage. In this segment, the company benefits from its strong market position as an independent MRO provider, as well as from its MRO partnerships with OEMs. Maintenance activities for new engine programs such as the PW1100G-JM for the A320neo are likely to increase in 2020 on the back of scheduled upgrades. “Our customers greatly appreciate the comprehensive portfolio of services and the high degree of reliability they have come to expect from MTU Maintenance. The volume of orders in 2019 will exceed six billion U.S. dollars, securing capacity utilization for years to come,” said Chief Program Officer Michael Schreyögg. MTU is responding to unabated growth in the commercial maintenance business by expanding its capacities. At the end of 2019, for example, the new maintenance joint venture EME Aero for Geared Turbofan™ engines will be put into operation in Poland. In Serbia, construction of a new repair site scheduled to start operations in 2022 is underway and in China, MTU Maintenance Zhuhai is forging ahead with the implementation of its expansion concept. CFO Peter Kameritsch explained: “These expansion measures lay the foundation for future long-term growth in the MRO segment. We are expecting revenue in the commercial maintenance business to double over the next ten years.”

MTU is also anticipating high single-digit percentage revenue growth in the series production of commercial engines in 2020. The biggest single revenue driver in this segment will most likely be the PW1100G-JM engine program. “The Geared Turbofan™ is now widely acknowledged to be the most advanced engine technology currently available,” said Schreyögg. “We



estimate that, by 2030, around 15,000 installed Geared Turbofan™ engines will be in service with airline customers.” MTU is optimizing the series production of commercial engines by systematically increasing the degree of automation. “This shortens turnaround times and reduces costs and the amount of working capital. It also helps us to improve process stability and quality,” Chief Operating Officer Lars Wagner added.

MTU has charted the course ahead for the commercial new engine business in its technology roadmap. “This provides the framework for evolutionary concepts such as refining the Geared Turbofan™, as well as revolutionary new propulsion concepts for the aircraft of the future,” Wagner explained. MTU is determined to play a stronger role in shaping tomorrow’s engine development. CEO Winkler said: “We want to apply our expertise in this area to a greater extent than we do today, and have set ourselves the goal of boosting MTU’s share in future new engine programs to up to 25 percent.”

MTU anticipates that in 2020 spare part sales for commercial engines will increase by a percentage in the mid-to-high single digits, with the V2500 engine that powers the A320neo being the key revenue driver. The ongoing expansion of the already large GENx fleet also reflects the growing importance of the GENx engine for Boeing’s 787 and 747-8 models.

Revenues in the military business are expected to remain stable in 2020. “Our position as a leading German partner with full system capability underscores our excellent prospects in the military sector,” Schreyögg said. “Here, we stand to benefit from Germany’s increased spending budget on defense, coupled with pending decisions on a replacement for the Tornado and the Tranche 1 Eurofighters. Further positive impetus is expected to come from the next generation of European fighter jets, for which we are jointly developing the Next European Fighter Engine.”

Summing up, Kameritsch added: “Despite the high level of capital expenditure required in order to expand our business and sustain growth, our outlook on a cash conversion rate of around 70 percent and a high single-digit percentage increase in EBIT adjusted is testimony to MTU’s sound financial position.” In 2019, MTU initiated measures to optimize its capital structure, among other things by issuing a new convertible bond and partially repurchasing an outstanding convertible bond.

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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