
MTU Aero Engines AG on a profitable growth track in 2022

- **Earnings forecast exceeded, cash flow forecast fully achieved**
- **Outlook for 2023: revenue between €6.1 and €6.3 billion, stable adjusted EBIT margin**
- **Executive Board to propose a dividend of €3.20**

- Preliminary figures – pending the approval of the Supervisory Board -

Munich, February 14, 2023 – MTU Aero Engines AG increased revenue by 27% to €5.3 billion in 2022 (2021: €4.2 billion). The operating profit¹ increased by 40% from €468 million to €655 million. The adjusted EBIT margin rose from 11.2% in 2021 to 12.3% in 2022. Net income² developed in line with the operating profit and rose 39% to €476 million in 2022 (2021: €342 million).

“These figures highlight the profitable growth path of MTU Aero Engines AG in 2022. After the first nine months, we were able to raise our guidance and at year-end we significantly exceeded our earnings forecast and fully achieved our cash flow forecast,” reported Lars Wagner, CEO of MTU Aero Engines AG, when the company presented its preliminary figures on Tuesday, February 14, 2023. At the end of October, MTU forecast group revenue to be between €5.4 billion and €5.5 billion. Wagner: “Our revenue for the year was €5.3 billion, which was slightly below our target, because revenue in both the OEM and the MRO business fell slightly short of our expectations as a result of the volatility of supply chains.” The guidance for adjusted EBIT was an increase in the low thirty-percent range. MTU forecast that adjusted net income would develop in line with the operating profit. “Based on the current market outlook, the supply-side situation and the development of exchange rates, we are revising the 2023 revenue and earnings targets issued at our Capital Market Day in November,” said Wagner.

Outlook for 2023

MTU expects to report revenue of between €6.1 billion and €6.3 billion in 2023. In November 2022, it forecast that revenue would be between €6.4 billion and €6.6 billion. “The revised guidance is mainly due to a change in our assumption on the US dollar exchange rate,” explained Wagner. MTU’s forecast is now based on a U.S. dollar/euro exchange rate of 1.10 per euro instead of the previous assumption of 1.05. Commercial series business is expected to post the highest revenue increase, with organic revenue growth being up around 30%. In the spare parts business, organic revenue growth should be in the high teens- to low twenty-percent range in 2023. In the commercial maintenance business, organic revenue growth is expected to be in the high teens percentage range. All three forecasts are unchanged. In the military business, catch-up effects and the start of work on the Next European Fighter Engine should generate higher revenue than previously anticipated: MTU is projecting revenue growth of around 10 percent. So far, it assumed an increase in the mid single-digit percentage range. Based on these assumptions, MTU has detailed its EBIT forecast and now expects a stable adjusted EBIT margin in

¹ Adjusted EBIT = adjusted earnings before interest and taxes

² Adjusted net income = adjusted income after income taxes



2023. Its previous guidance was for an increase in adjusted EBIT in the low twenty-percent range. Wagner detailed the mid-term outlook: “We want to continue to grow beyond 2023. Our target formula is 8 – 1 – 25, in other words: revenue of €8 billion and earnings of €1 billion in 2025.”

Higher revenue in the OEM and MRO businesses

MTU grew revenue in both the OEM business and the MRO business in 2022.

The highest revenue growth was 32% to €3.6 billion in commercial maintenance (2021: €2.7 billion). Around 70% of the revenue mix was work in MTU’s core MRO business and around 30% comprised maintenance work on the Geared Turbofan™. “On a dollar basis, MRO reported a 17% rise in revenue, which was not quite as strong as had been anticipated. That was due to longer turnaround times in commercial maintenance,” reported CFO Peter Kameritsch. MTU had expected organic revenue growth of around 20% in the commercial maintenance business. The main revenue drivers in this business were the PW1100G-JM engine for the A320neo and the V2500, which is used in the classic A320.

In the OEM business, revenue rose 18% to €1.8 billion (2021: €1.5 billion).

Revenue in the commercial engine business increased by 25% to €1.3 billion (2021: €1.1 billion). The most important revenue driver was the PW1100G-JM. Within the commercial engine business, organic revenue growth in the spare parts business was in the high teens percentage range, while in the series business it was in the teens percentage range. “The spare parts business therefore exceeded our expectations. As well as engines for narrowbodies and cargo aircraft, growth was driven by engines for business jets and the GEnx for the Boeing 787 and 747-8,” said Kameritsch. The commercial series business was dominated by high deliveries of Geared Turbofan™ engines, stable business with business jet engines and lower deliveries of the GEnx and industrial gas turbines.

In the military engines business, revenue rose by 3% to €496 million (2021: €482 million) and was therefore below MTU’s guidance, which had assumed a rise in the high single-digit percentage range. Kameritsch: “In the military business, delays in the supply chain had an impact, especially in the fourth quarter.” The main revenue driver in the military business was the EJ200 engine for the Eurofighter.

Sustained high order backlog

At year-end 2022, MTU’s order backlog was at the prior-year level at €22.3 billion (2021: €22.2 billion). The majority of orders were for Geared Turbofan™ engines for the PW1000G family, especially the PW1100G-JM, and the V2500. Wagner: “This renewed high level is further evidence of the sustained demand for our products. In commercial maintenance, we secured new order wins worth U.S.\$3.6 billion in 2022. That reflects the pick-up in air traffic and the confidence placed in us by our customers.”



Earnings hike in commercial maintenance

In 2022, MTU posted a hike in earnings in the commercial maintenance business. Adjusted EBIT increased by 80% from €149 million to €268 million. The adjusted EBIT margin in the MRO business rose from 5.4% to 7.4%.

In the OEM business, earnings were 21% higher at €387 million (2021: €320 million). The adjusted EBIT margin was 21.1%, compared with 20.7% in 2021.

Kameritsch: “The improvement in the margin in the OEM business was attributable to the business mix. In commercial maintenance, the high proportion of our core MRO business in particular had a positive effect on the margin. Tailwind also came from the strong IGT and CF34 business and the development of the dollar exchange rate.”

Dividend proposal on March 21

Kameritsch announced the Executive Board’s dividend proposal: “We would like our shareholders to participate in our good performance by paying them a dividend of €3.20 per share.” This will be put to the Supervisory Board when it meets on March 21 to adopt the financial statements as a recommendation for a resolution at the Annual General Meeting. For 2021, MTU paid a dividend of €2.10 per share.

Research and development

€265 million was spent on research and development in 2022, 15% more than in 2021 (2021: €230 million). R&D at MTU focuses on enhancing the performance of the Geared Turbofan™ programs, technology studies for future engine generations, especially hydrogen and flying fuel cells, and expanding capabilities in the area of virtual engines. Wagner gave some examples of future-oriented technology programs: “In 2022, we embarked on the SWITCH project, which combines the MTU Water-Enhanced Turbofan based on the Geared Turbofan™ with hybrid electric drive elements. Moreover, the 1B demonstrator phase for the next generation of European fighter jets started. Together with its partners, MTU’s contribution to this is the Next European Fighter Engine. In this way, we are actively driving forward sustainable, emissions-free aviation and therefore investing in the future of MTU.”

Strong free cash flow

The free cash flow increased by 36% to €326 million in 2022 (2021: €240 million). The cash conversion rate was 69%, compared with 70% in 2021. Kameritsch: “As well as another strong free cash flow, we fully achieved our target for the year of a cash conversion rate of between 60% and 70%.”

Property, plant and equipment

Net capital expenditure on property, plant and equipment increased by 27% from €241 million to €306 million in 2022. Capital expenditure focused predominantly on building up and expanding production capacity in Munich, Hanover and Serbia, the growing engine leasing business, and automation and



digitalization projects. “In this way we are safeguarding a renewed production ramp-up and protecting our technology and cost leadership,” said Wagner.

11,273 employees

MTU’s workforce increased by 7% to 11,273 employees in 2022 (December 31, 2021: 10,508 employees). The headcount was increased mainly at the locations in Munich, Poland and Serbia. Wagner: “We hope to welcome a similar number of new colleagues to the MTU family in 2023 to drive forward our future-oriented programs and safeguard the future of MTU. As in 2022, new employees are mainly needed in the areas of engineering and digitalization.”

MTU Aero Engines will publish its Annual Report on March 29, 2023.

MTU Aero Engines – Key financial data for 2022

(Amounts in € million)

MTU Aero Engines	Q4 2021	Q4 2022	as of Dec. 2021	as of Dec. 2022	Change
Revenue	1,180	1,513	4,188	5,330	+ 27%
thereof OEM business	473	576	1,547	1,831	+ 18%
thereof commercial engine business	300	388	1,066	1,335	+ 25%
thereof military engine business	172	187	482	496	+ 3%
thereof commercial maintenance	731	973	2,741	3,616	+ 32%
Adjusted EBIT	161	207	468	655	+ 40%
thereof OEM business	118	136	320	387	+ 21%
thereof commercial maintenance	44	72	149	268	+ 80%
<i>Adjusted EBIT margin</i>	<i>13.6%</i>	<i>13.7%</i>	<i>11.2%</i>	<i>12.3%</i>	
<i> in the OEM business</i>	<i>25.0%</i>	<i>23.5%</i>	<i>20.7%</i>	<i>21.1%</i>	
<i> in commercial maintenance</i>	<i>6.0%</i>	<i>7.4%</i>	<i>5.4%</i>	<i>7.4%</i>	
Adjusted net income	122	156	342	476	+ 39%
Net income (reported)	41	121	231	333	+ 44%
Earnings per share (basic, reported)	0.67	2.23	4.17	6.21	+ 49%
EBITDA (reported)	221	255	712	865	+ 22%
Free cash flow	35	107	240	326	+ 36%
Research and development expenses	68	74	230	265	+ 15%
thereof company-funded	44	54	160	201	+ 25%
thereof customer-funded	24	20	70	65	- 7%
<i>Company-funded R&D expenses as stated in the income statement</i>	<i>24</i>	<i>30</i>	<i>83</i>	<i>106</i>	<i>+ 27%</i>
Net capital expenditure on property, plant and equipment	125	136	241	306	+ 27%



			Dec. 31, 2021	Dec. 31, 2022	Change
Balance sheet key figures					
Intangible assets			1,128	1,151	+ 2%
Cash and cash equivalents			722	823	+ 14%
Pension provisions			948	707	- 25%
Equity			2,760	3,107	+ 13%
Net financial debt			673	753	+ 12%
Total assets and liabilities			8,304	9,230	+ 11%
Order backlog					
			22,237	22,273	+ 0%
Employees					
			10,508	11,273	+ 7%

Outlook for 2023

Revenue	Between €6.1 and €6.3 billion
<i>thereof: organic revenue development</i>	
<i>Commercial series business</i>	<i>Increase of around 30%</i>
<i>Spare parts business</i>	<i>Increase in the high teens to low twenty-percent range</i>
<i>Military business</i>	<i>Increase of around 10%</i>
<i>Commercial maintenance</i>	<i>Increase in the high-teens percentage range</i>
Adjusted EBIT margin	Stable

About MTU Aero Engines

MTU Aero Engines is Germany's leading engine manufacturer. The company is a technological leader in low-pressure turbines, high-pressure compressors, turbine center frames as well as manufacturing processes and repair techniques. In the commercial OEM business, the company plays a key role in the development, manufacturing and marketing of high-tech components together with international partners. Some 30 percent of today's active aircraft in service worldwide have MTU components on board. In the commercial maintenance sector the company ranks among the top 3 service providers for commercial aircraft engines and industrial gas turbines. The activities are combined under the roof of MTU Maintenance. In the military arena, MTU Aero Engines is Germany's industrial lead company for practically all engines operated by the country's military. MTU operates a network of locations around the globe; Munich is home to its corporate headquarters.

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