



Buy
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Melrose

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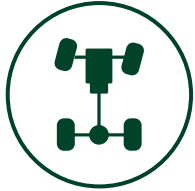
Melrose Industries PLC

GKN Automotive

Investor Day presentation

20th May 2021

Executive summary



Global leader in drive systems



Transforming the business, with a clear path to >10% profit^{1,2}



Structural growth in our core business




Well positioned to capture incremental electrification growth

Delivering on our promises

What we said in 2019

- We will drive operational performance

Where we stand today

 *Ahead of original plan on lower sales*

- We will focus on selective, profitable growth

 *On track*

- We will invest in new electrification capabilities

 *On track*

- We will change the team, flatten the organisation and instil a more agile culture

 *Completed*

GKN Automotive is delivering on all promises

New team with a new approach

Executive leadership team

Name	Position	Experience & background
 Liam Butterworth	Chief Executive Officer	30+ years   
 Roberto Fioroni ¹	Chief Financial Officer	25+ years   
 James Pedder ¹	Chief of Staff	10+ years  
 Thierry Minel ¹	Chief Procurement Officer	25+ years   
 Mark Gabriel	Chief Commercial Officer	30+ years 
 Clare Wyatt ¹	Chief Communications Officer	25+ years  Morgan Stanley
 Markus Bannert ¹	President Driveline & Aftermarket	20+ years 
 Dirk Kesselgruber ¹	President ePowertrain	20+ years   
 Shaoling Qiu ¹	President GKN Automotive China	25+ years  thyssenkrupp
 John Webb ¹	Chief Human Resources Officer	25+ years 

Agile

Lean and simplified decision making processes

Bold

Culture of swift and decisive action

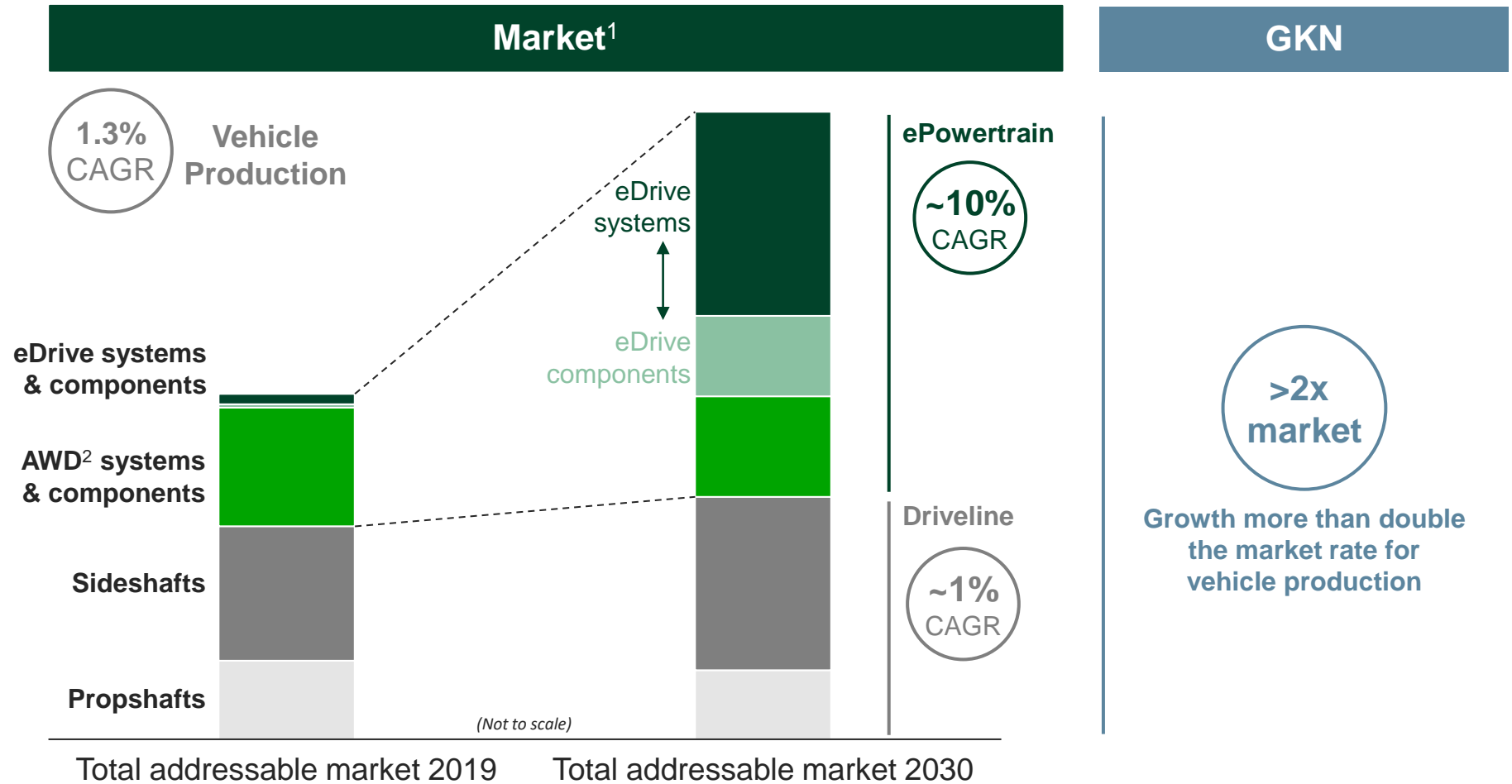
Selective

Pursuit of profitable growth opportunities

New team driving sustainable value creation

1) Joined after April 2019

Addressable market growth presents a significant opportunity



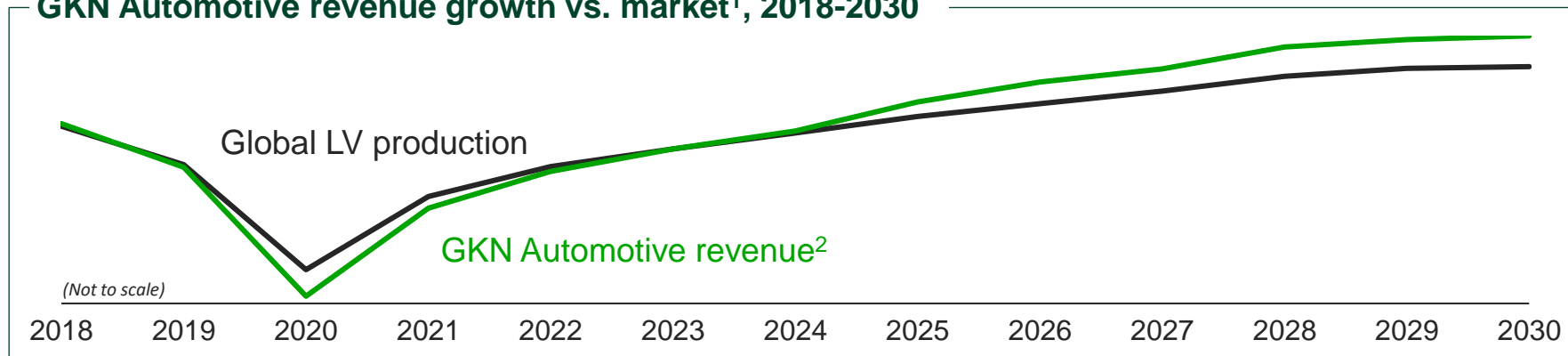
Well positioned for profitable growth ahead of market

1) Market sizes based on IHS light vehicle production data and GKN addressability & pricing assumptions, 2) All-Wheel Drive

Source: IHS

Financial outlook delivers both profitability & growth

GKN Automotive revenue growth vs. market¹, 2018-2030



	Securing today	Focusing on the future
Revenue	Grow with the market	>2x market growth
Profitability	>10% operating profit margin with partial market recovery	Maintain higher margin

Margin expansion followed by profitable growth



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GKN Automotive Overview

Global leader in drive systems

...trusted partner for

90%

of global OEMs¹

...content on

50%

of vehicles²

Global sales
2019

£4.7 bn

...ranks

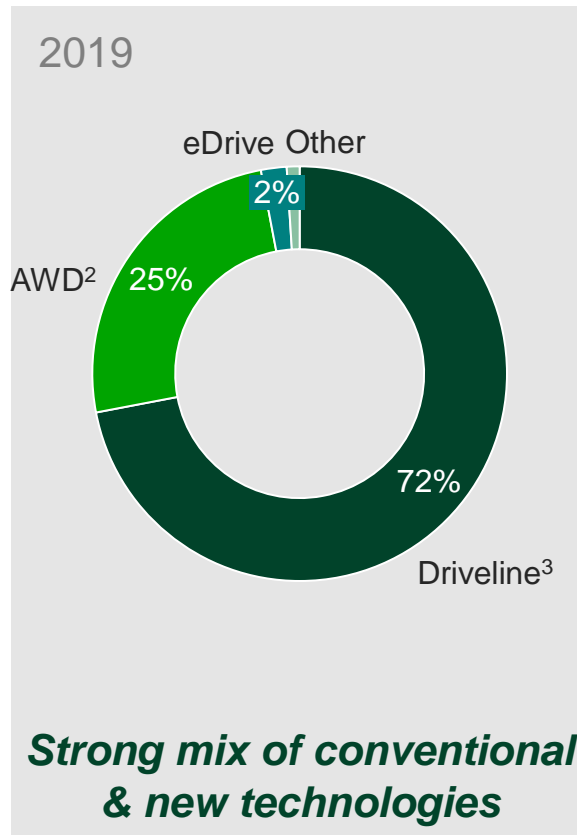
#1

in Driveline

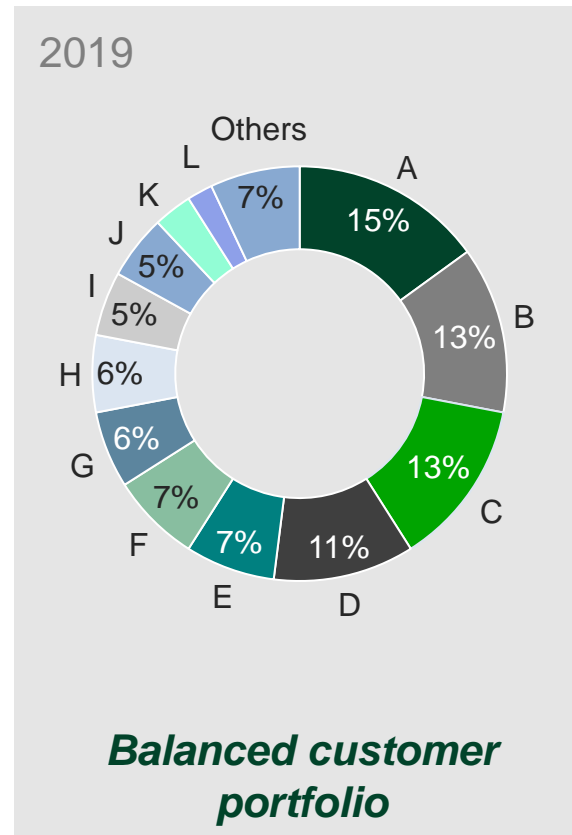
1) Global OEMs are those with manufacturing locations in multiple regions; 2) Vehicles refers to individual nameplates of global OEMs

A balanced business following market dynamics

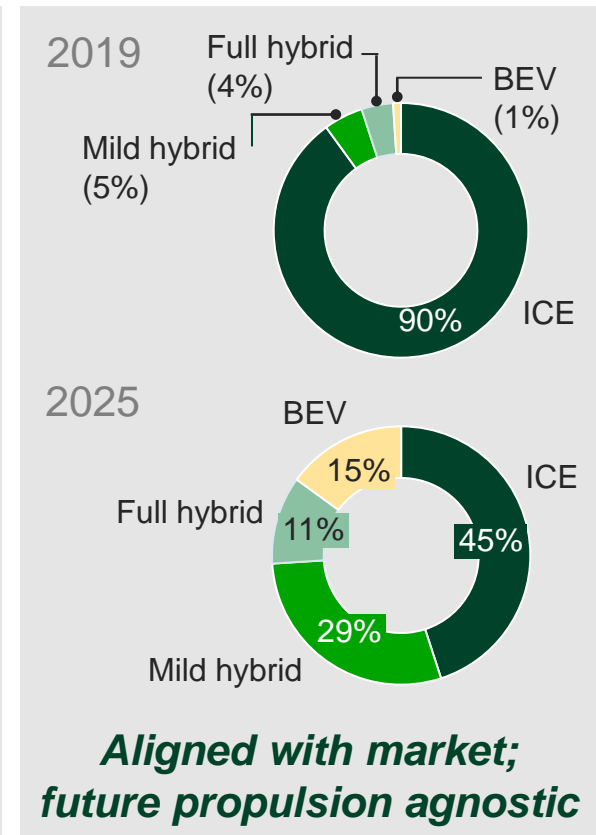
Product mix¹



Customer mix¹



Propulsion mix⁴



A globally balanced business across products, customers and propulsion types

- 1) Includes JVs at GKN share; 2) All-Wheel Drive; 3) Includes Niche, Motorsports, and Aftermarket
4) Internal combustion engine (ICE), battery electric vehicle (BEV)

GKN Automotive works with 90% of global OEMs



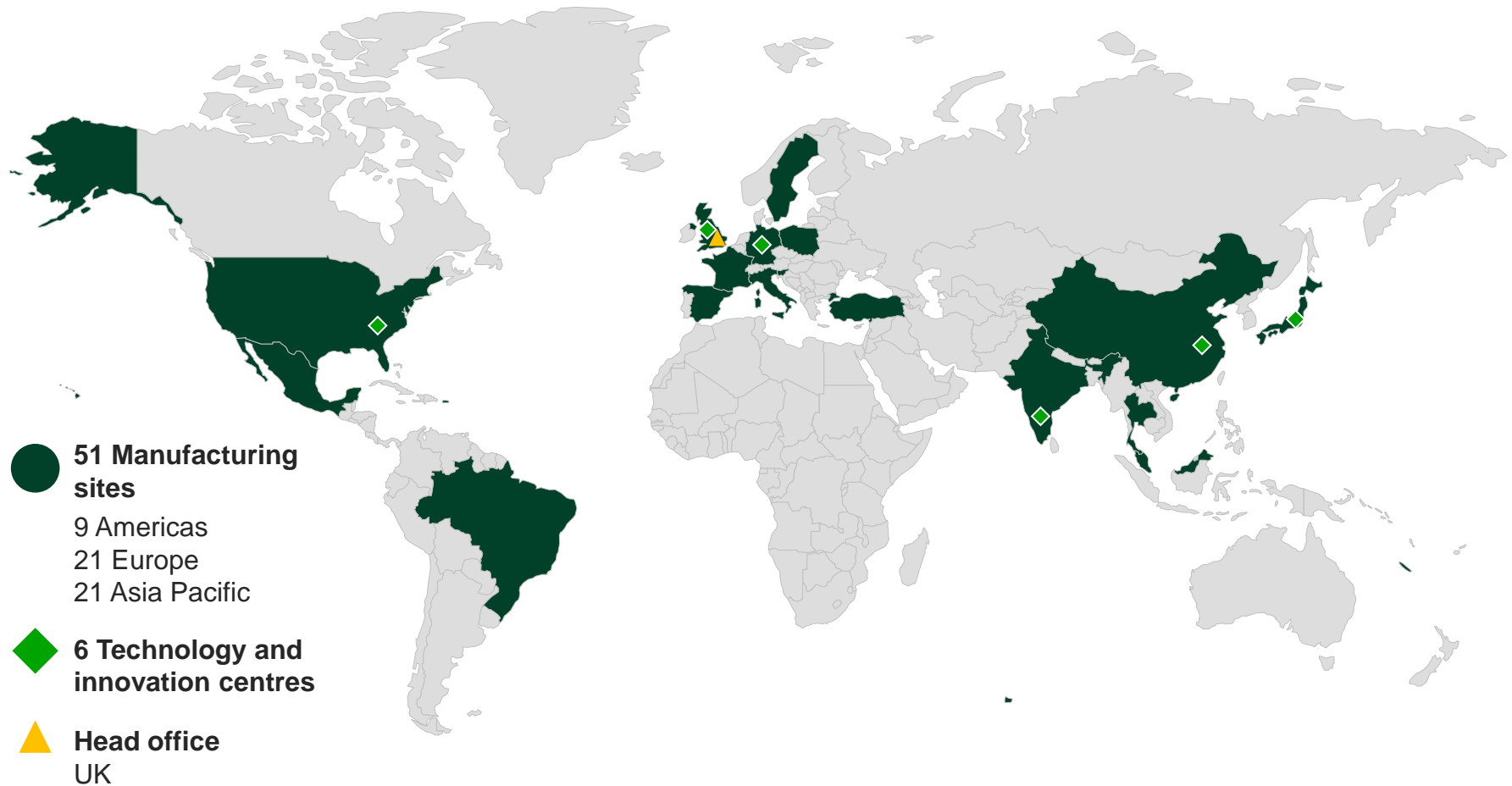
Pure-play EV OEMs



Strongly positioned with traditional and emerging OEMs across all regions

1) Sales splits includes JVs at GKN share

GKN Automotive – global presence



Global, localised manufacturing footprint

Long established position in China

GKN Automotive in China

- >30 years of experience and profitable growth
- Established joint venture with Hasco in 1988
- In 2013, agreed to extend the SDS joint venture for 50 years
- Leading positions in sideshafts and AWD modules
- Emerging position in eDrive; 9 live or launch-phase eDrive programs
- Strong customer relationships with both global & local players

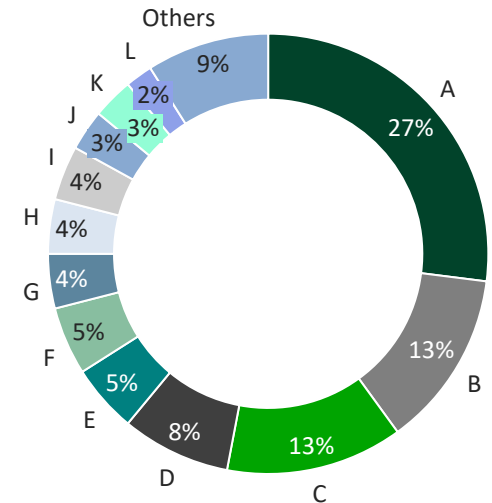
£1.2bn 2020 sales¹

>40% market share, sideshafts

5,000+ employees

10 Production sites

Balanced customer mix Revenue by customer (2019)



Balance of global and local players

Uniquely positioned to capture growth in the largest xEV market globally

1) JV sales at 100% of which GKN has 50% share



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Sustainability

Driving a sustainable future for our industry

Driving electrification of the industry

We are a major force in electrification

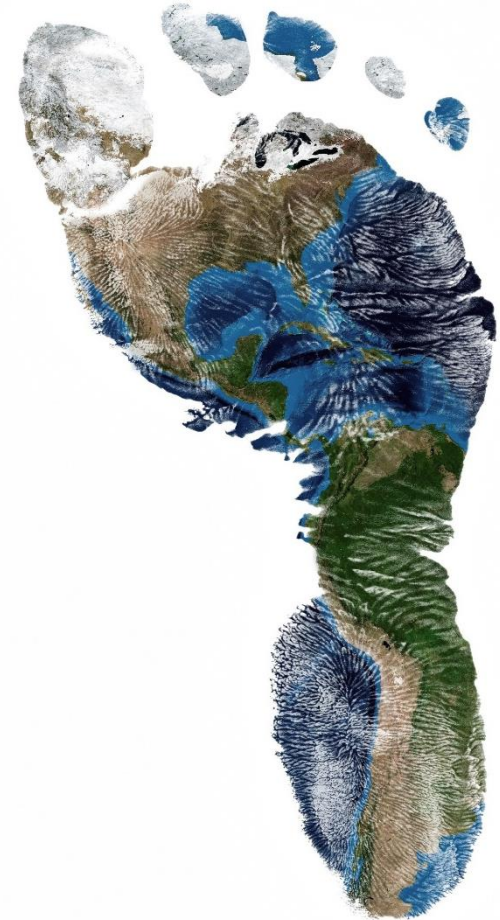
- 19 years of eDrive system development
- Efficient, sustainable driveshafts

Investing in innovative solutions

- 2021 R&D spend >£100m on the development of future generations of eDrive system & sideshaft solutions for electrification

Delivering material benefit

- 180k tonnes CO₂ saving from 2020 eDrive sales¹
- New technology constantly improving emissions performance
 - Advanced **eDrive** cooling & control
 - Improved **AWD**² transmission efficiency
 - Lighter and more efficient **sideshafts**



Driving a sustainable future for our business



Ensuring the long term sustainability of our business

Driving a more sustainable environment

- A core ethos of environmental improvement
- Global plant environmental accreditation
- 2020 annual energy savings of 13M kWh

Investing in our people and our communities

- >£10m spent on training over the last 3 years
- Global community support during COVID-19

Responsibly managing our business

- Exemplary ethical and compliance record, supported by well embedded compliance framework, culture and training
- A code of practice to ensure suppliers conduct business ethically, respectfully & sustainably

Driving a sustainable future for our industry and our business

Driving electrification of the industry

Ensuring the long term sustainability
of our business



Through 2021 we will develop a multi year sustainability roadmap

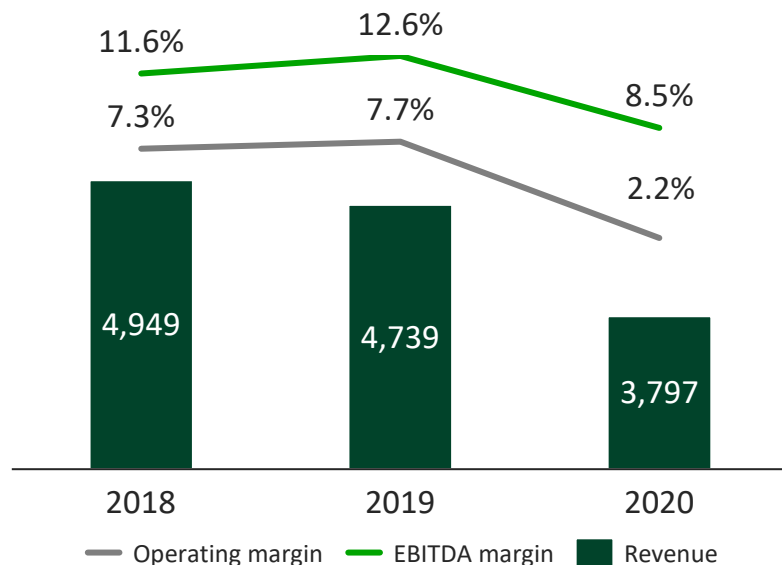


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Clear path to best-in-class profitability

Summary of 2020 financial performance

Full year revenue and margin¹ (£m, %)



- **19%** decline in sales in 2020²
- **<30%** decremental margins²
- 2020 Pre-CAPEX cash conversion of **153%**

2020 H1 vs. H2

	2020		Δ
	H1	H2	
Revenue (£m)	1,541	2,256	+46%
Operating margin (%)	-4.2%	6.5%	+10.7 ppts

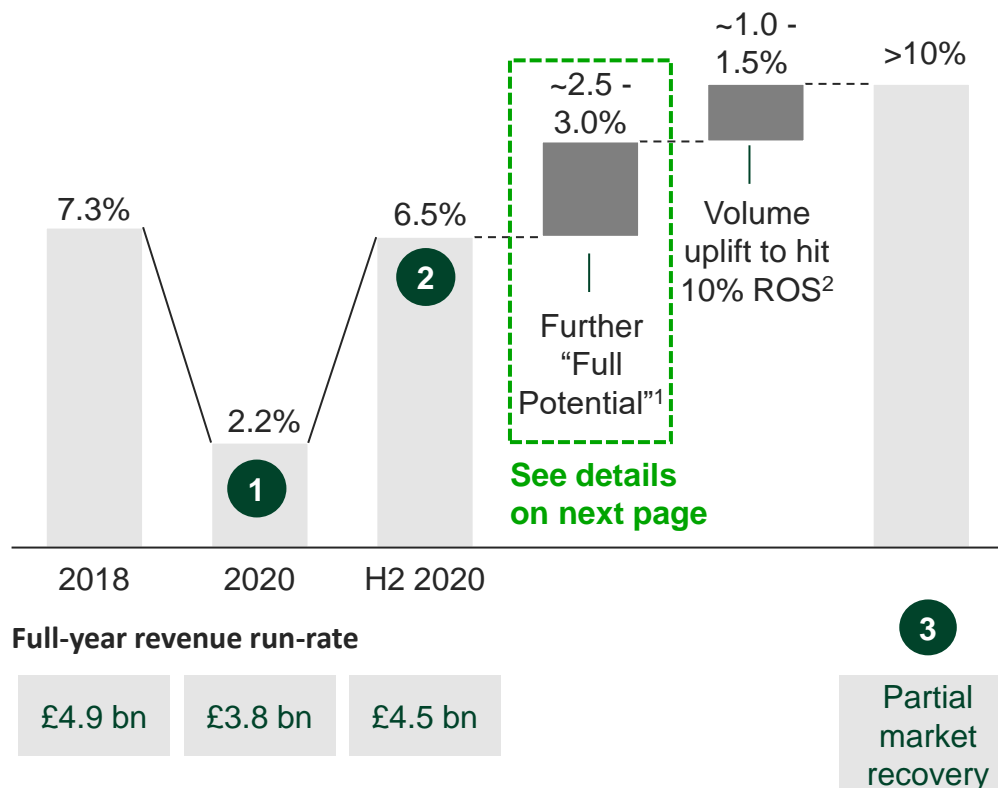
COVID-19 response actions

- Shut down manufacturing plants in line with OEMs
- Accelerated cost reductions in indirect and in SG&A
- Direct workforce flexibility demonstrated to manage demand fluctuations

Severe impact from COVID-19 enabling accelerated transformation

On track to meet communicated profitability targets

Operating profit margin (%)



1 Successfully navigated COVID-19

- Maintained positive return on sales for 2020
- Utilised flexible adjustments to headcount and plant closures to match OEM production demand

2 Full Potential already delivering

- 2020 H2 operating profit margin approaching 2018 levels at lower sales (-9%)

3 On track to grow margin to 10%

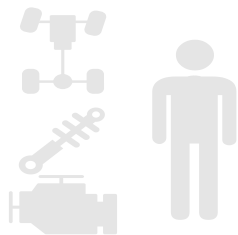
- Further Full Potential value identified to take operating profit margin over 10% with only partial market recovery (sales below 2018 levels)

Clear path to double digit margins

1) Full Potential impact refers to net savings, 2) Assumes 30% drop-through margin

Further "Full Potential" defined to enable >10% margin ambition

Procurement

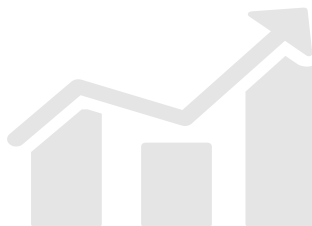


£60-70m

Incremental savings¹

- Global purchasing strategy leveraging scale
- Best cost country sourcing optimisation
- Re-design for cost

Operations



£35-45m

Incremental savings¹

- Smart automation
- Vertical integration (make vs buy)
- Best cost country footprint optimisation

Fixed Cost



£30-35m

Incremental savings¹

- Capacity optimisation
- Streamlined global operating model
- Expansion of Global Business Services

£125-150m of additional net savings to be realised

1) Incremental savings are net cumulative values from 2021 to 2023; they refer to unrealised value from initiatives defined in 2019, plus value associated with subsequently defined initiatives



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Rapidly changing market

Key market drivers for GKN Automotive



Automotive industry dynamics



Key drivers of market performance

- COVID-19 recovery
- Share of investment between megatrends (CASE¹)
- Industry consolidation



C A S E

Electrification



Most relevant automotive megatrend for GKN

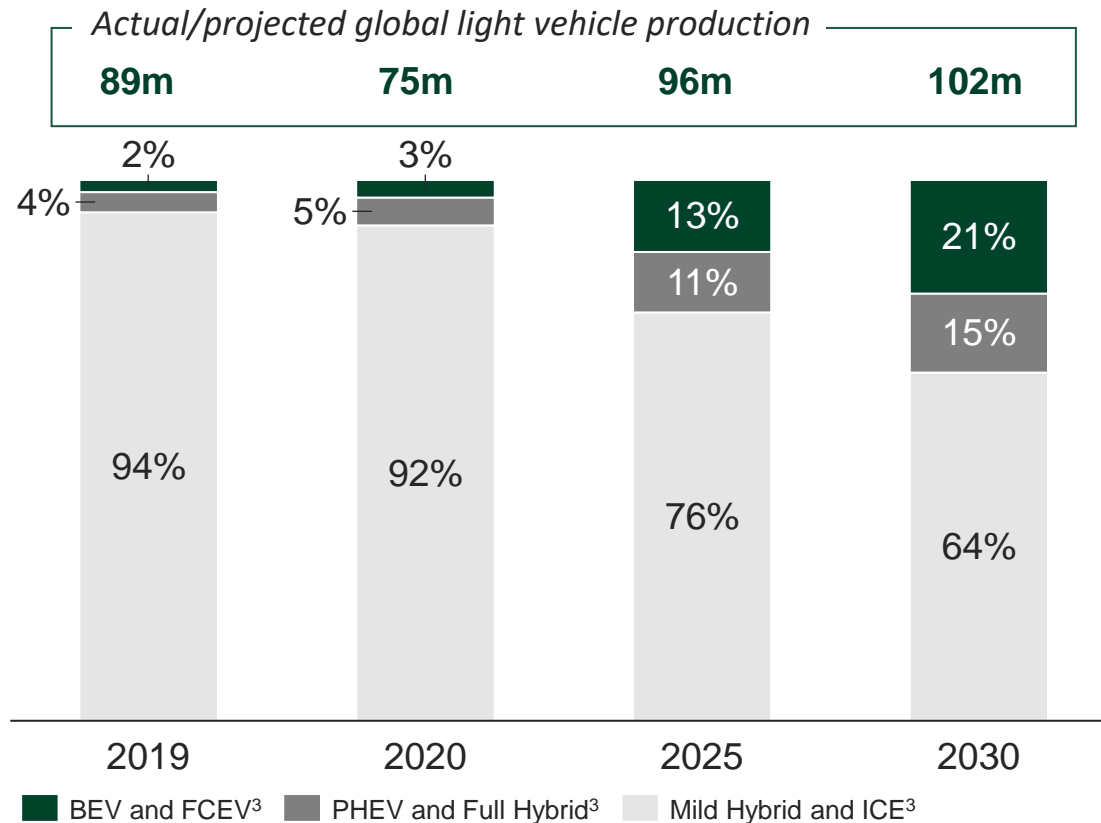
- Widespread adoption by 2030
- Strong OEM commitments to electrify
- Regulatory push (Europe, China, US)
- Emergence of new players

Major dynamics impacting our industry, with electrification particularly relevant for our business and offering a significant opportunity

1) Connected, Autonomous, Shared, Electric

xEVs¹ will become mainstream over the next decade...

Global light vehicle² electrification forecast

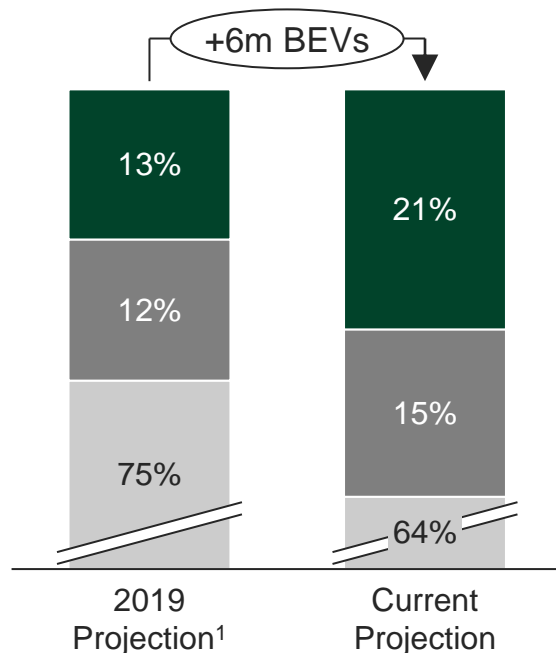


- Electrification is expected to progress significantly faster post-pandemic
- The main electrification regions are Europe and China, with North America expected to accelerate
- By 2030, >35% of vehicles expected to be full hybrid or battery electric
- Mild hybrid to grow strongly medium term, but expected to be a bridging technology only

Current industry forecasts predict considerable xEV growth

...and the pace of change is accelerating

IHS 2030 LV production forecast



- BEV and FCEV
- PHEV and Full Hybrid
- Mild Hybrid and ICE

Selected major xEV product announcements










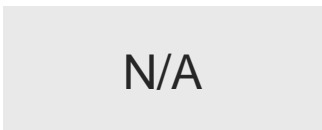







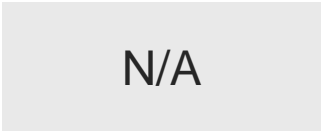


- VOLKSWAGEN AG** Full-electric vehicles are expected to account for more than 70 percent of VW's European vehicle sales by 2030
- TOYOTA** Toyota plans to sell 5.5 million electric vehicles by 2030, including hybrids and fuel-cell vehicles
- Ford** Ford of Europe became the first major automaker in the region to announce it would only sell full-electric passenger cars by 2030
- VOLVO** Volvo aims to exclusively sell electric vehicles by 2030
- DAIMLER** Daimler announced plans to invest USD 85bn through 2025 to accelerate the transformation towards electrification and digitization
- BMW** Mini will have an exclusively electric model range by the mid-2030s according to BMW
- GM** GM aims to stop selling gasoline powered passenger cars by 2035

OEM announcements indicate an even faster pace not yet captured in industry forecasts

1) Projection assumed at the time of the 2019 investor presentation

Source: IHS

Comprehensive electrification stage product coverage

Segment	Product	Share of '19 sales ²	ICE & 48V	Full-hybrid & PHEV	BEV & FCEV
Driveline	 Sideshafts				
	 Propshafts				
ePowertrain	 AWD ¹ systems & components				
	 eDrive systems & components			 DHT, 3-in-1 EDU ³	 3-in-1 EDU ³

GKN Automotive covers all stages of electrification with modular & scalable systems

Significant opportunity in electrification

2-Wheel Drive

ICE

BEV



£100- £400

£1100- £1300

- 2 sideshafts
 - Differential gearset
 - 2 sideshafts
 - Rear drive unit
 - Propshaft
- } FWD¹
- } RWD²

- 2 sideshafts
- 1 electric drive unit

Content per vehicle

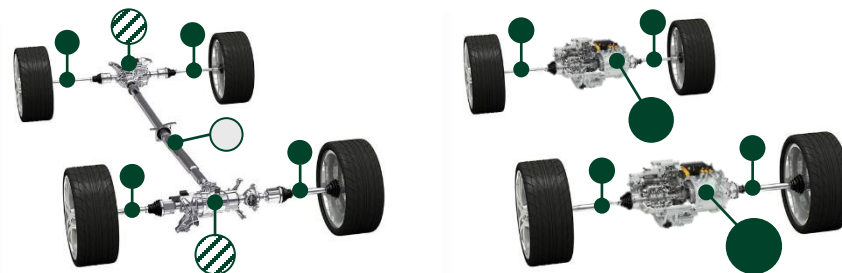
Content lost with electrification

Content partly or fully moves into eDrive

4-Wheel Drive

ICE

BEV



£500- £1200

£2500- £3000

- 2 front sideshafts
- 2 rear sideshafts
- Propshaft
- Power transfer unit
- Rear drive unit

- 2 front sideshafts
- 2 rear sideshafts
- 2 electric drive units

Electrification will increase GKN Automotive's potential content per vehicle

1) Front wheel drive; 2) Rear wheel drive

Impact of electrification on GKN Automotive's portfolio

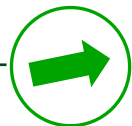
GKN Automotive product portfolio



Sideshafts



Front and rear sideshafts

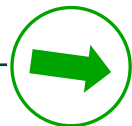


Increasing number & size of sideshafts per vehicle, plus higher technological content for xEVS

Propshafts



Front and rear propshafts



No propshafts required in BEVs

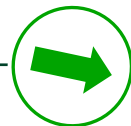
AWD



Power transfer units



Final drive units

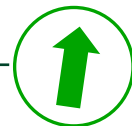


Reduced number of AWD components in BEVs

eDrive



eDrive systems & components



High value systems required in electrified powertrains



Negative impact on sales



Positive impact on sales



Share of 2019 revenues

Electrification is a significant growth opportunity



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Driveline - Sideshafts

Product snapshot – Sideshafts

Product	ICE & 48V	FH & PHEV	BEV & FCEV
Sideshafts			
Propshafts			
AWD			
eDrive			

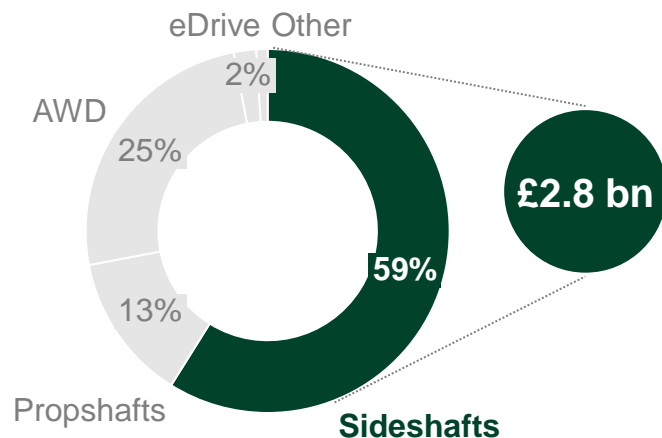
Overview

Products



Front and rear sideshafts

2019 sales contribution



Status today

Technology leadership with high intimacy with global and emerging xEV OEMs. A profitable business with sustainable cash generation

Impact of electrification



Increased torque and power on xEV driving larger sizes and further refinement. Growing prevalence of AWD increasing vehicle content

Market outlook¹

+2%

'19 – '30
CAGR

Increase of addressable market value slightly ahead of light vehicle production

Strong position in sideshafts today to be leveraged to win additional xEV business



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1) Outlook figure is a projection for 2019 – 2030 addressable market CAGR

Source: IHS

Clear technology leadership in sideshafts

GKN Automotive advantage



Long history of innovation

Leading efficiency, superior NVH¹, low weight and a broad product portfolio developed over decades of product technology leadership



Intimacy with the OEM engineering community

Close relationships at all OEMs and reputation for tailored advanced solutions and high flexibility as well as complete vehicle systems expertise



Global cost competitiveness

Industry leading scale and recent footprint adjustments provide customers with premium quality products at a competitive cost level

xEV drive optimisation

GKN has developed a suite of technologies tailored to the unique needs of xEV, focusing on efficiency & silent operation

An updated, agile commercial approach fits the needs of both xEV units of established players and new pure play customers



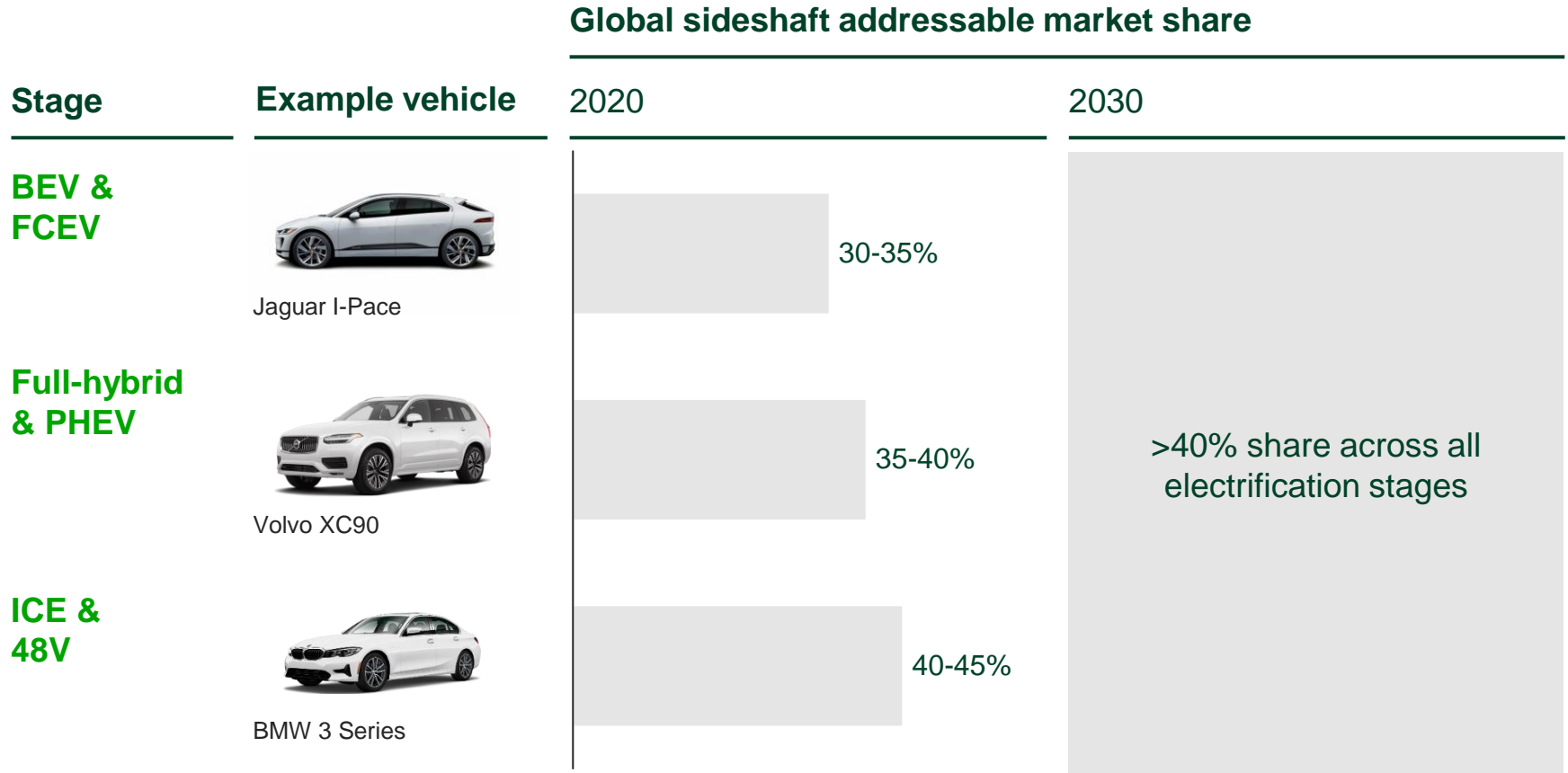
GKN Automotive is optimising its industry leading sideshafts for xEVs



Buy
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Sell

1) Noise, vibration & harshness

Sideshaft market leadership across all electrification stages



GKN Automotive is the preferred sideshaft supplier for OEMs across all stages of electrification



Buy
Improve
Sell

Driveline - Propshafts

Product snapshot – Propshafts

Product	ICE & 48V	FH & PHEV	BEV & FCEV
Sideshafts			
Propshafts			
AWD			
eDrive			

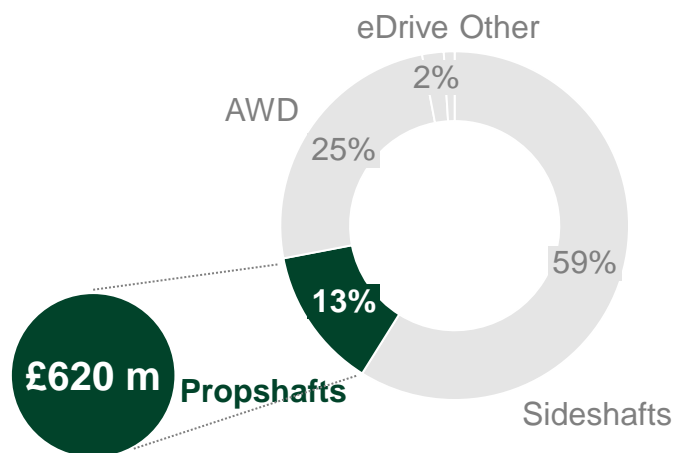
Overview

Products



Front & rear propshafts

2019 sales contribution



Status today

Market and technology leadership in profitable and cash generative business

Impact of electrification



Components are relevant through hybridisation, but will gradually decline with increased BEV penetration

Market outlook¹

-1%

'19 – '30
CAGR

Addressable market projected to decline marginally up to 2030

Propshafts business to continue to drive cash inflow



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ePowertrain – All Wheel Drive (AWD)

Product snapshot – All Wheel Drive

Product	ICE & 48V	FH & PHEV	BEV & FCEV
Sideshafts			
Propshafts			
AWD			
eDrive			

Overview

Products

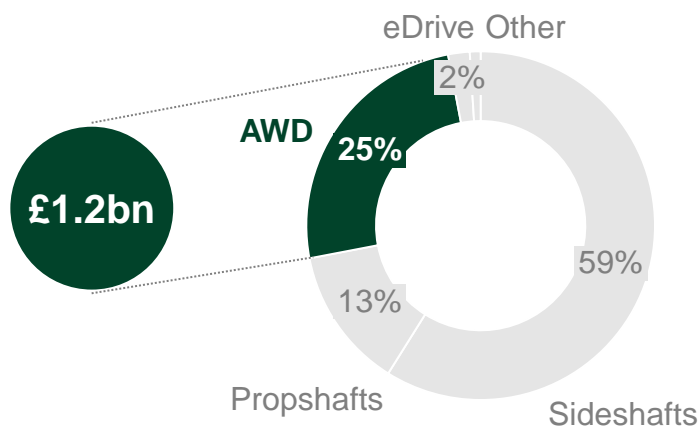


Power transfer units



Final drive units

2019 sales contribution



Status today

Recognised technology and innovation leadership providing a platform for eDrive growth

Impact of electrification



All AWD products are relevant through hybridisation, with many of the components and sub-systems¹ migrating into eDrive solutions

Market outlook²

-2%

'19 – '30
CAGR

Electrification impact partially offset through premiumisation (more 4WD) & stable transmission components business

AWD provides core technology capabilities for eDrive systems

1) Differentials, diff lockers, disconnects, torque vectoring; 2) Outlook figure is a projection for 2019 – 2030 addressable market CAGR



Buy
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ePowertrain - eDrive

Product snapshot – eDrive

Product	ICE & 48V	FH & PHEV	BEV & FCEV
Sideshafts			
Propshafts			
AWD			
eDrive			

Overview

Products

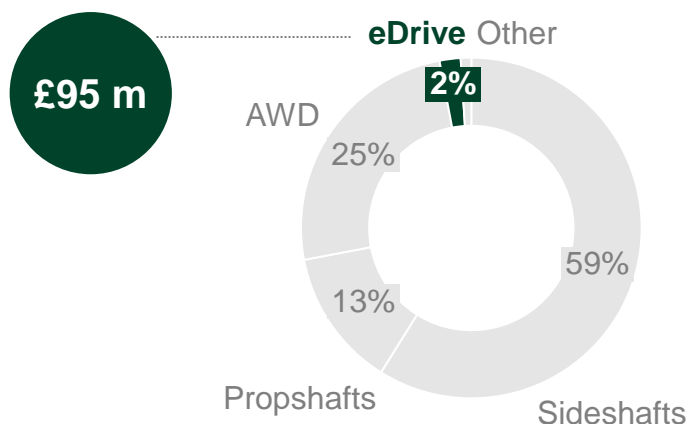


eDrive components



eDrive systems

2019 sales contribution



Status today

A rapidly growing business that offers competitive systems or components and has delivered >1.5 million units to date

Impact of electrification



Acceleration of electrification pushing the number of full hybrid or battery electric vehicles to 30-40% by the end of the decade



Market outlook¹

+20 - 30%

'19 - '30
CAGR

Significant growth from the first half of the decade expected (both full system and component sales)



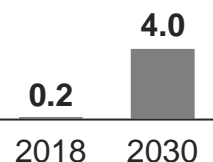
GKN is optimally positioned to capture growth from electrification

Flexible approach to eDrive solutions

eDrive components



Addressable
market (£ bn)

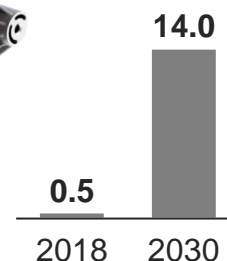


- Higher margin potential
- Leverage of GKN Automotive's AWD heritage capabilities
- Active component supply also an option
- Tier 1 or Tier 2 role

Integrated eDrive systems



Addressable
market (£ bn)



- Higher total addressable market
- Lower margin potential
- GKN Automotive has invested heavily in full eDrive system capabilities
- Tier 1 role with OEM as system supplier

eDrive portfolio allows GKN to be flexible and selective

eDrive capability development

Key GKN Automotive advantages



AWD heritage capability

- Industry-leading high efficiency **transmission** systems and features
- Leading provider of systems control **software** and driving dynamics experience
- Trusted partner in vehicle system **integration**, incl. hardware, software and NVH¹



Organic capability expansion

- E-motor development since 2007 provides ability to design, manufacture and integrate
- 300+ software engineers with balanced footprint



Technology collaboration

- Expertise and scale of a leading global electronics player combined with GKN's systems integration capability

eDrive system components

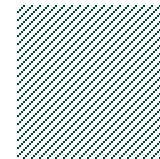
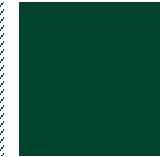
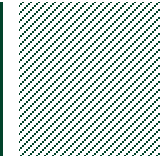
Gearbox

E-Motor

Inverter

Software

Integration



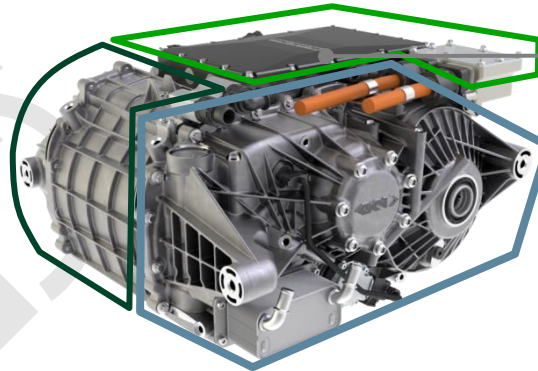
GKN Automotive strategy covers all components of an eDrive system

 Covered  Partially covered

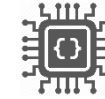
1) Noise, vibration & harshness

eDrive system competence

GKN Automotive eDrive system



Software =
Functionality



Gearbox



Electric Motor



Inverter



Software



Integration



- NVH¹ optimised and highly efficient
- Complete & mature features: parklock, disconnect, torque vectoring etc.
- Decades of GKN experience

- Highly efficient and scalable design
- Compact package
- Designed & manufactured by GKN Automotive

- Drives the eMotor & controls the system
- Collaboration with Delta Electronics
- Jointly developed architecture for HW and SW modularity

- Proven and mature SW platform based on in-production AWD systems
- Fast growing software engineering workforce in balanced footprint

- Leveraging AWD systems and integration capabilities
- Ensuring best performance on vehicle level

Technologically advanced offering across all eDrive system components

1) Noise, vibration & harshness

Customer adoption of GKN Automotive eDrive solutions

Selected vehicles equipped with GKN Automotive eDrive systems



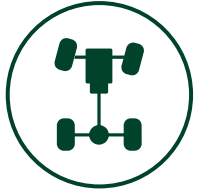
>1.5 million vehicles to date powered by our eDrive systems or components



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Conclusions

Conclusions



Global leader in drive systems



Transforming the business, with a clear path to >10% profit^{1,2}



Structural growth in our core business



Well positioned to capture incremental electrification growth