

In Andrew's Portfolio - Meggitt Plc [UK]

Meggitt PLC is an engineering company. Meggitt designs and manufactures technology products and systems primarily for the aerospace and defence industries in North America, Europe and Asia. The Company operates through three segments : Aerospace equipment Sensing systems, and Defence Systems

Company Facts [web site](#)

| Ticker | Market Cap | Sector | Exchange | Currency | Indices |
|--------|------------|--------------|----------|------------|---------|
| MGGT | £3.95bn | Aero/Defence | LSE | £ Sterling | FTSE250 |

Key Features

- A leading international engineering company specialising in high performance components and sub systems for the aerospace, defence and energy markets
- Headquartered in the UK, Meggitt PLC is a global engineering group specialising in smart engineering for extreme environments – components and sub-systems providing critical functionality in challenging market applications within civil aerospace, military and energy markets.
- Global company that has widespread operations in many areas of the world including
- The transfer of Meggitt's core technologies to other markets includes sensing materials for breakthrough medical devices and the test and measurement industry worldwide.
- Benefits from synergistic capabilities endorsing Meggitt core strategic belief that its operation is greater than the sum of its parts.
- Over 11,000 people are employed across manufacturing facilities in Asia, Europe and North America and in sales offices in Brazil, India and the Middle East.
- Over the past four years, Meggitt has secured increased content on a new generation of large civil aircraft during a period of unprecedented product renewal by the major airframe and engine manufacturers.
- Strong free cash in flow of £19m for 2017 (June 2016: £33m outflow)
- Healthy balance sheet with net debt:EBITDA on a covenant basis of 2.2x (June 2016: 2.6x)
- Year on year share performance increase 11%. (22 Aug 2017 £4.60 23 Aug 2017 £5.10)
- Interim dividend up 5% to 5.05 [Ex Dividend date 7 Sept 05p for payment on 29 Sept17]
- The possibility that the upcoming US defence budget for fiscal year 2018 might provide significantly higher funding for Operations & Maintenance, which would benefit Training Systems and the Military after market.
- US Governments political ideology favours the defence industry and Meggitt may be ideally placed to capture opportunities as a global company in the defence spectre.
- The US presidents agenda of favouring a post Brexit trade deal with the US may be particularly beneficial for companies involved with industries in vogue such as defence.

Recent News

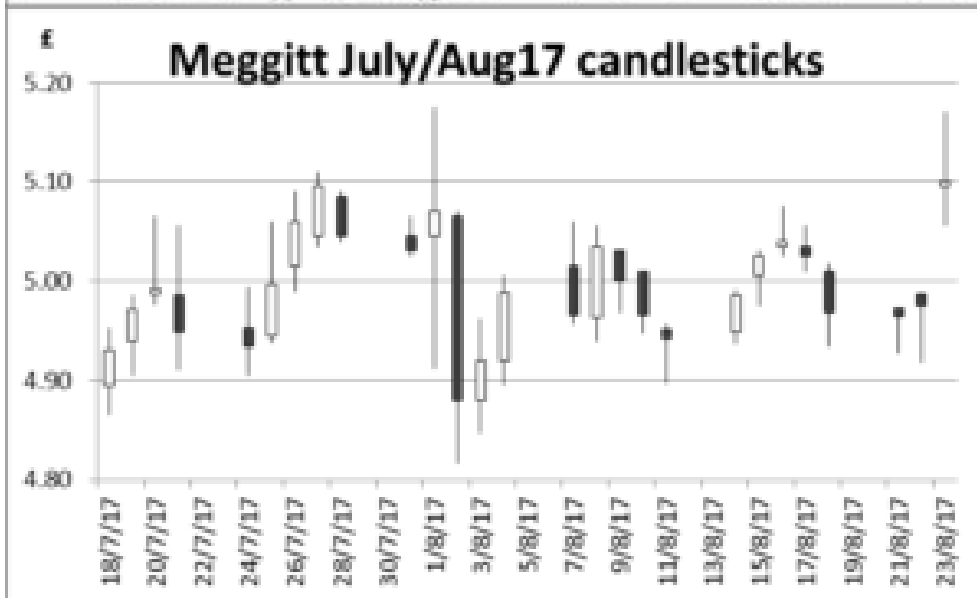
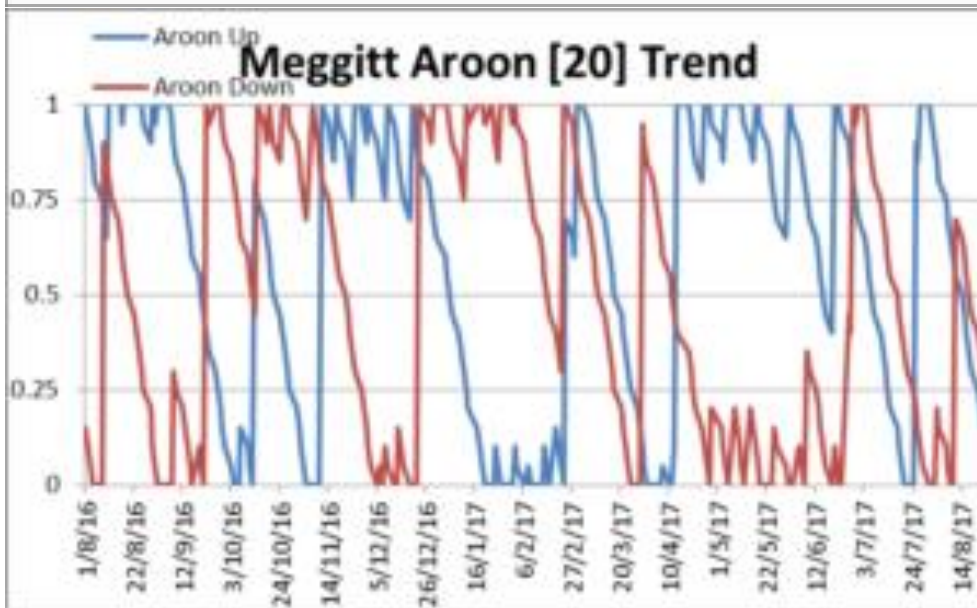
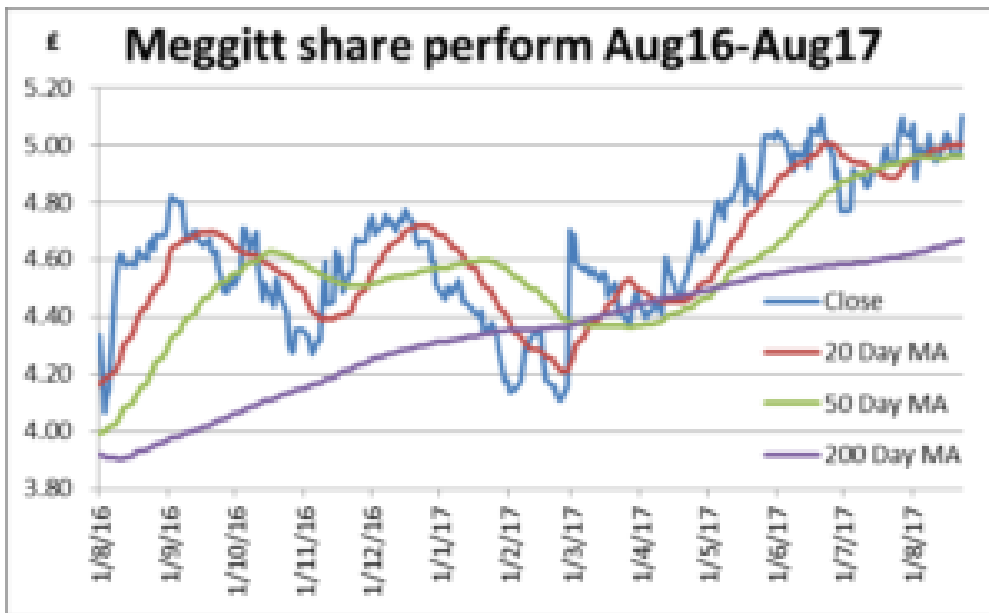
- International aerospace and defence engineering group Meggitt today announced that it has finalised the terms of a long-term supply agreement with Airbus.
- (ShareCast News) - Research analysts at investment banking firm, Jefferies stated while the company's ongoing "rejuvenation" process was likely to last for the next few years, the analysts said that having won an "unprecedented" amount of contracts to include its parts and systems in new aircraft and engine programs the company should begin to see the fruits of its labour within the next 12 months.

Financial Performance

- [2017 interim Results](#)
- [Investors Presentation May 2017](#)
- [2016 full year results](#)
- [h2016 Annual Report and Accounts](#)
- **Key Statistics** [MGGT](#)

| interim-results *unaudited - page 29 | Six months ended 30 June 2016 | Six months ended 30 June 2017 | Change % |
|---|-------------------------------------|-------------------------------------|----------|
| Revenue (Millions) | 882.9 | 968.1 | 9.65 |
| Operating Profit | 55.4 | 208.2 | 275.8 |
| Profit before Tax | 39.0 | 185.5 | 375.6 |
| Retirement obligations | 414.7 | 369.3 | -10.9 |
| Total Assets | 5,313.5 | 5,013.8 | -5.6 |
| Current Asset Ratio | 1.43 | 1.37 | -4.20 |
| Cash & Equivalent | 61.2 | 96.6 | 57.8 |
| EPS | 4.8p | 20.7p | 331.2 |

TECHNICAL ANALYSIS – Technical Diagnosis – From Aug 2016 to March 2017 the share has been range bound oscillating between £4.00 and £4.80. With a pull back in April 2017 the share saw upward momentum which lasted to July when another pull back saw a minor correction to the upward momentum that had been in evidence. Since July 17 the share again returned to upward trend momentum where an invisible resistance level has been established [£5.10]. Since March 2017 there is evidence of an ascending triangle which signifies bullish characteristics. Couple with the fact that the 200 Day Moving average has been in the ascendancy suggests that long term price action is seeing steady upward growth. The share has recently passed the £5.00 level suggesting that price action may continue as enough momentum seems to be in evidence. Recent consolidation in price action has been confirmed through the Aroon patterns where falling Aroon UP and Down have been in evidence from the 14 Aug. The near future will see one aroon have the dominance over the other. If Aroon UP follows its previous pattern as happened during the period 10 April to 3 July, price would see a break out from the artificial resistance of £5.10. When aroon UP and Down are at the opposite extremes price action will follow per se. When Aroon UP is 1 and Aroon down is 0 price heads northwards. And vice versa. The fact that an ascending triangle is in evidence suggests that price may well break above the current resistance level of £5.10. When and if aroon up stays at 1 and aroon down stays down trodden at 0, this will add fuel to the fire that a break out above the £5.10 level is probable. The cross overs of aroons are very important as this often provides guidance when a change of direction is imminent. The July /Aug candlesticks has seen consolidation been in evidence. Despite the significant bearish candlestick on the 2 Aug the price has remained within a tight range. The gap on the 23 August is a positive sign. Normally a doji implies indecision. However, the recent long legged doji on the 23 Aug saw significant upside on that doji candlestick suggesting that positive sentiment exists and that the shadow highs of the last month may well be broken if price optimism continues. Current political sentiment in the US favours defence related industries and Meggitt being a major player may be ideally placed to capture possible forthcoming opportunities in this pace. Believing this to be a worthwhile opportunity in conjunction with fundamental analysis, I bought 1015 shares at £5.11 on 23 Aug on the basis that the stock is consistent with value momentum and good growth prospects.. The upward trend has been in existence since June 2016. Unless general market changes course, I see this share as potential growth momentum although this can not be guaranteed. Although not an advocate of doubling down and despite a retracement to sub £5.00 a share at the end of August, I decided to add to my position by buying a further 285 shares @ £4.99 on 29 August believing that medium to long time price appreciation to be in evidence in the future and therefore capturing another opportunity at a fair price level. **Please note this analysis is not advice but interpretation of potential market moves. Performance is no guide to the future.** First Share Reviewed on 23 Aug 2017 at £5.20 Current Price 17 Nov 2017 £4.78



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