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MELROSE INDUSTRIES PLC SWOT & PESTLE ANALYSIS

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Company Name : Melrose Industries Plc

Company Sector : Manufacturing (including aerospace, automotive and powder metallurgy)

Operating Geography : United Kingdom , Europe, Global

About the Company : Melrose Industries is a British manufacturing company which specialises in buying and improving underperforming businesses. It is headquartered in London, United Kingdom. In 2003, the company was established by David Roper, Christopher Miller and Simon Peckham. Brush Turbogenerators, GKN and Nortek are the main subsidiaries of the company. Melrose capitalizes its acquisitions using a low level of leverage, upgrades the businesses by a combination of significant investment and changed management focus, sells them and returns the proceeds to shareholders. This British conglomerate possesses under its belt, many manufacturing and industrial businesses with leading market positions operating in a number of various geographical regions and sectors. The company has acquired, various engineering companies which include Dynacast, McKechnie, FKI, Elster, Nortek, and GKN and even sold off, some of these after booking plump profits. It serves its customers in United States and United Kingdom. The company aims to reduce the cost structure of Aerospace in 2021 to improve its business performance without relying on sales growth from the level anticipated in 2020. Melrose Industries is registered on the London Stock Exchange as a constituent of the FTSE 100 Index.

Melrose Industries' Unique Selling Proposition or USP lies in achieving the highest standards of product quality, reliability and safety in its business and for having a highly-skilled workforce. Melrose Industries's mission statement reads, "Melrose aims to increase value for shareholders through growth in our current businesses, whilst seeking acquisitions of good businesses with solid fundamentals whose performance can be improved in the medium term under Melrose management".

Revenue :

11,592 million pounds – FY ending 31 December, 2019 (y-o-y growth 34%)

8,645 million pounds – FY ending 31, December, 2018

SWOT Analysis :

The SWOT Analysis for Melrose Industries Plc is given below:

Strengths	Weaknesses
<p>1. Seen significant success in adding value to companies it acquires with the motto of "Buy, Improve, Sell"</p> <p>2. Strong presence in multiple sectors such as aerospace, automotive, powder metallurgy.</p> <p>3. All Key Performance Indicators (KPI indices) show robust performance.</p> <p>4. GKN Aerospace has a presence in 15 countries, serving 90% of world's aircraft manufacturers while GKN Automotive is present across 21 countries.</p>	<p>1. High operating costs and global competition are forcing factory closure and jeopardizing jobs</p> <p>2. Repeated criticism from various authorities (particularly the British Government) for engaging in hostile takeover tactics</p>
Opportunities	Threats
<p>1. GKN aerospace (a major subsidiary) is leading UK's venture into hydrogen propulsion system in sub regional aircraft.</p> <p>2. Potential for growth with the expansion predicted for the global hybrid additive market</p> <p>3. Increased focus on electronically powered engines leaves much scope for growth and development in this sector.</p>	<p>1. Suffered considerable losses amidst the COVID -19 pandemic</p> <p>2. Several trade and tariff problems may crop up under 'no deal' Brexit.</p> <p>3. Increasing risk of cyber security breaches might pose a serious threat since GKN has regular interactions with the US and UK Governments for defense purposes.</p>

PESTLE Analysis :

The PESTLE Analysis for Melrose Industries Plc is given below:

<p style="text-align: center;">Political</p> <p>1.Chances of 'no deal Brexit' will have an adverse impact on the UK Economy and the manufacturing industry.</p> <p>2.Melrose Industries' GKN bid was under immense government scrutiny as an alleged hostile takeover</p>	<p style="text-align: center;">Economical</p> <p>1.COVID -19 significantly affecting demand in aerospace and automotive market.</p> <p>2.The automotive industry will face higher tariffs post Brexit</p>
<p style="text-align: center;">Social</p> <p>1.Increase in remote working may reduce demand for business travel impacting aviation market</p>	<p style="text-align: center;">Technological</p> <p>1.Increasing focus on e-vehicles will require significant investment on research and development of such technology.</p> <p>2.Hydrogen powered aircraft emerging as favoured alternative to aid decarbonization of aircraft.</p> <p>3.Smart technologies driving residential security and home automation market</p>
<p style="text-align: center;">Legal</p> <p>1.Operations in highly regulated sectors require increasing complexity</p> <p>2.Regulatory changes governing refrigerants used in the HVAC sector</p>	<p style="text-align: center;">Environmental</p> <p>1.Robust policies implemented to deal with the increasingly stringent global laws to protect the environment.</p> <p>2.Helping customers deliver on their environmental goals through product innovations</p>

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