

Melrose Industries PLC

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RBC downgrades Melrose Industries but still sees value

Melrose Industries PLC (LON:MRO) shares dipped after RBC Capital Markets downgraded the stock to 'outperform' from 'top pick'.

The FTSE 100-listed group lost its place in the bank's pantheon as the potential upside to RBC's price target, even though it was upped to 265p from 245p, is not quite as great as it was after climbing more than 25% since the end of August.

READ: Melrose in a good place as GKN profits improve
Melrose, which seeks to acquire underperforming industrial businesses to improve their operational performance, has seen margins improving despite lower sales for GKN automotive offsetting the growth of GKN's aerospace arm.

According to RBC's analysts, self-help gains should continue in 2020 and auto markets are expected to stabilise, while there is potential for £5bn worth of disposals over the next two years to boost market sentiment.

Melrose had to shelve possible sales of two units in 2018, while this year saw only two sales, due to tougher economic conditions and geopolitical pressures slowing the M&A market.

"We continue to view Melrose shares as attractive into 2020, supported by a forecast 80bps of margin improvement as end markets are more stable," analysts at RBC said in a note.

Shares dipped 2% to 230.1p on Thursday afternoon.

Price: 106.2

Market Cap: £5.16 billion

1 Year Share Price Graph



March 2019 September 2019 March 2020

Share Information

Code: MRO

Listing: LSE

52 week	High	Low
	309.4	83.3

Sector: Manufacturing & engineering

Website: www.melroseplc.net

Company Synopsis:

Melrose floated with the strategy of acquiring businesses whose operational performance can be improved to create shareholder value. Since then, Melrose has acquired several engineering companies, including Dynacast, McKechnie, FKI, Nortek and GKN. Melrose went on to sell a large part of McKechnie in August 2007, and returned the bulk of the proceeds to shareholders.

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