

Melrose cheers City with plans for another £750m handout

Turnaround specialist [Melrose](#) is poised to return £729 million to [shareholders](#) after successful disposals – and could do the same again next year.

The cars to planes giant – the third biggest UK aerospace business after [BAE](#) and [Rolls Royce](#) – is handing out [cash](#) in a few days from the proceeds of its sale of air conditioning business Nortek Air Management.

A tease in the statement notes the balance sheet has “spare capacity for a significant further capital return” – [analysts](#) speculate that means another £750 million before long.

On that, the shares rose 8p to 180p, valuing the business at £7.9 billion. Melrose bounced back into the black, making a profit of £109 million compared to a loss last time of £80 million. Debts are down from £3.4 billion to just £300 million.

CEO Simon Peckham is frustrated by a chip shortage and supply chain problems.

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“We have great demand for cars, we just can’t make them,” he told the Standard. “There will be a solution to the chip shortage, but the consensus view is it won’t be cured until next year.”

That is likely to hit the economic recovery from Covid. “People are travelling more now, it is beginning to get better,” said Peckham.

Melrose inherited a pension fund blackhole of £1 billion when it bought GKN – that deficit is now down to £150 million, good news for both pensioners and the company balance sheet.

“We have kept our promises,” said Peckham.

While Melrose remains deal hungry, its guidance to the [City](#) is likely to be that it won’t do anything else big this year.

Chairman Justin Dowley said: “As with all its promises, Melrose has delivered its acquisition funding commitment to GKN pensioners early. We have scope on our balance sheet to return more money to shareholders next year and we are excited by the upcoming possibilities.”