



Half year results

for the six months ended
30 September 2024

13 November 2024







Financial review

David Mellors
CFO

Key messages

- › Strong revenue and profit growth
- › Cash flow significantly ahead at H1

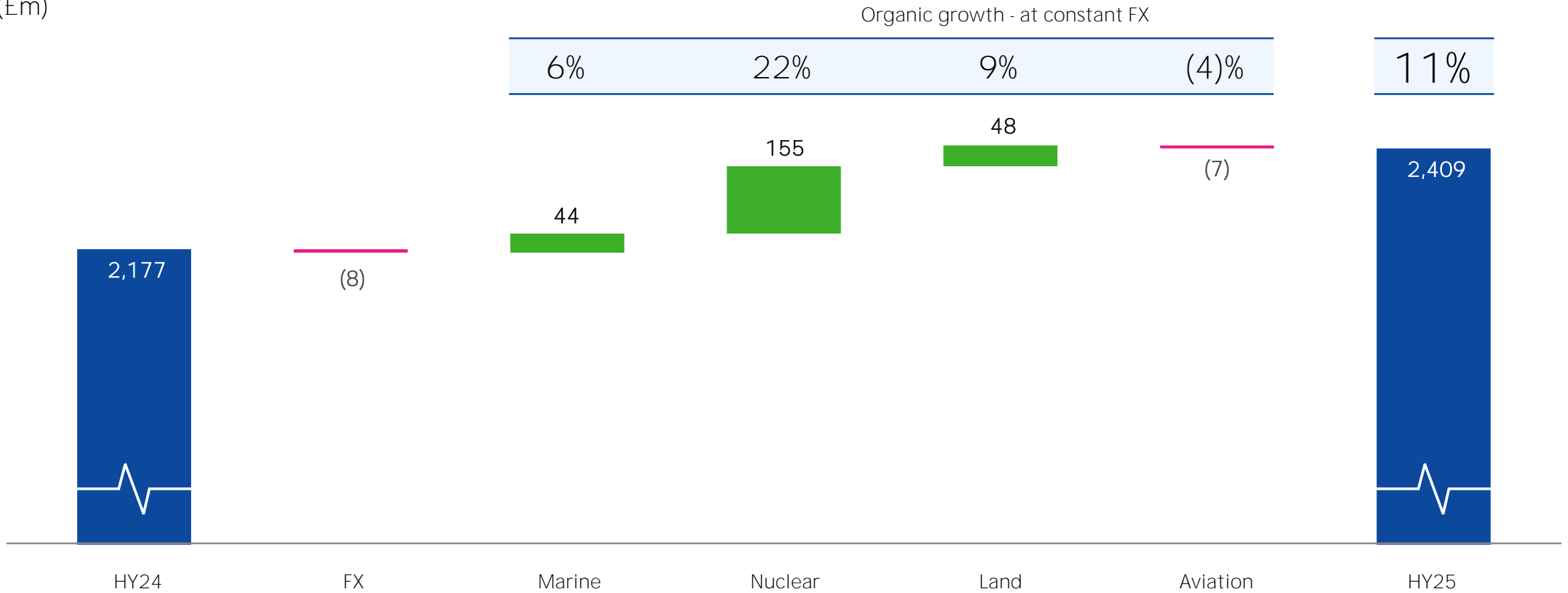
Underlying financial results overview

	HY25	HY24
Backlog	£9,517m	£9,636m
Revenue	£2,409m	£2,177m
Underlying operating profit	£168.8m	£154.4m
Underlying operating margin	7.0%	7.1%
Underlying basic EPS	23.5p	20.6p
Underlying operating cash flow	£135m	£127m
Underlying free cash flow	£95m	£67m
Net debt (excluding leases)	£(146)m	£(288)m
Net debt to EBITDA	0.6x	1.1x
Interim dividend per share	2.0p	1.7p

- › **Backlog down 1%** driven by trading on long-term contracts
 - Key contracts expected in H2
- › **Revenue growth 11%** (at constant FX)
 - Strong performance in Nuclear and Land
- › **Underlying operating profit up 10%** (at constant FX)
 - Strong performance in Nuclear and Land
 - HY24 included Polish AH140 frigate licences in Marine
- › **Underlying EPS up 14%**
- › **Underlying free cash flow**
 - OCF cash conversion 80% (HY24: 82%)
 - Lower pension deficit contributions
- › **Net debt (excluding leases) reduced by 49%**
- › **Interim dividend up 18%**

Revenue bridge summary

(£m)











Free cash flow significantly ahead

- › **Working capital:** negative working capital and early customer receipts, similar position to FY24
- › **Net capex:** continued investment across the Group to support programme delivery and drive operational performance
 - Gross capex £51m (HY24: £62m) infrastructure and systems catch up investment; lower proceeds from asset disposals £3m (HY24: £10m)
- › **Cash conversion of 80%**

Balance sheet much stronger

£m	HY21	FY21	FY22	FY23	FY24	HY25
Net debt	(1,609)					

- › **Net debt reduced £1.2bn to £(386)m** from September 2020 (HY21)
 - Leverage 0.6x – below target range of 1.0x – 2.0x
 - Ample liquidity headroom, in excess of £1.4bn

- › **Pension deficit:**
 - Pension deficit repair cash contributions £20m in HY25
 - Expected future contributions reduced to c.£40m pa

- › **Working capital commentary**
 - Favourable timing factors could reverse over 12 to 18 months

Capital allocation – supporting shareholder value

Target gearing ratio
1.0x – 2.0x

	Priority	HY25 progress
1	Organic investment Sustain investment to support business operations and enhance growth potential	<i>Ongoing investment in business improvement and growth.</i>
2	Financial strength Maintain strong balance sheet and investment grade rating	<i>Leverage reduced to 0.6x Pension deficit reduced</i>
3	Ordinary dividend Pay an ordinary dividend	<i>Interim dividend 2.0p (HY24: 1.7p)</i>

Further capital options

M&A
Bolt on opportunities

Pensions
Acceleration of our pension scheme obligations

Shareholder returns
Further returns of surplus capital to our shareholders

Outlook and guidance

Medium

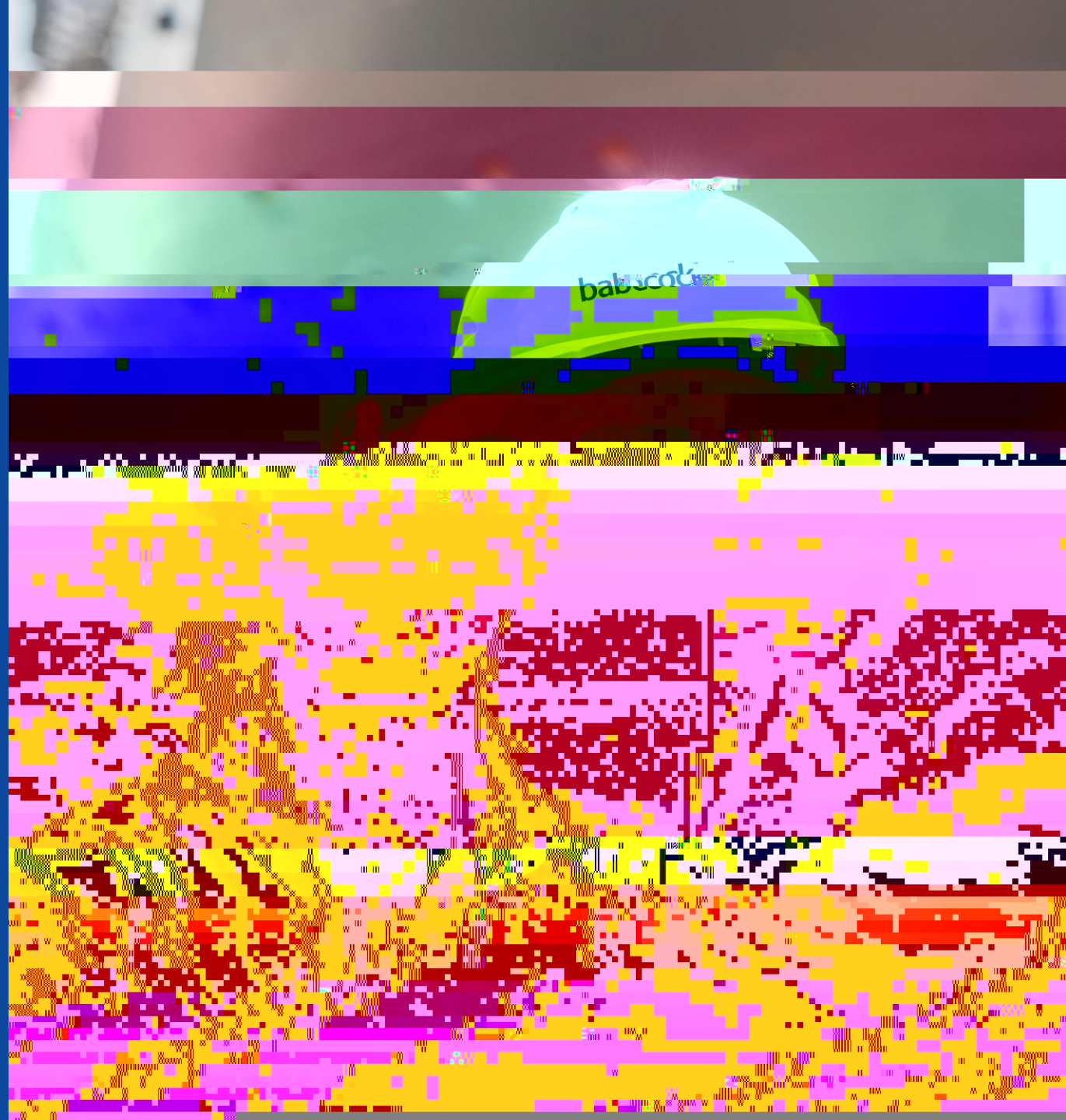




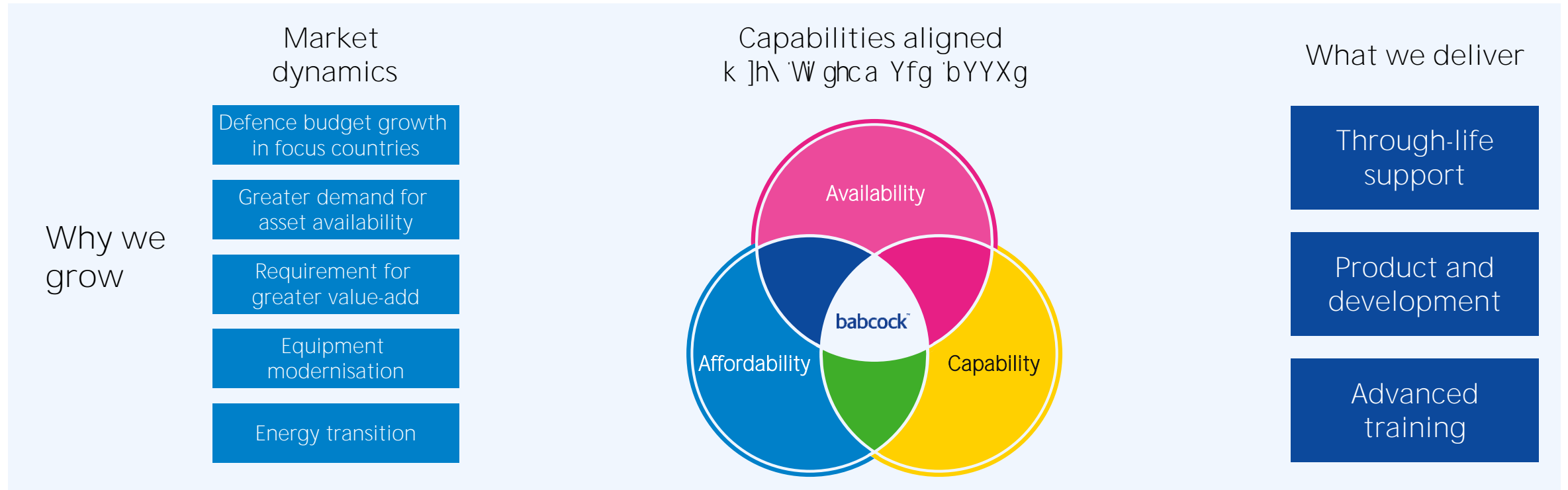
Strong progress towards medium-term guidance

David Lockwood

CEO



Delivering sustainable growth



Vehicle support

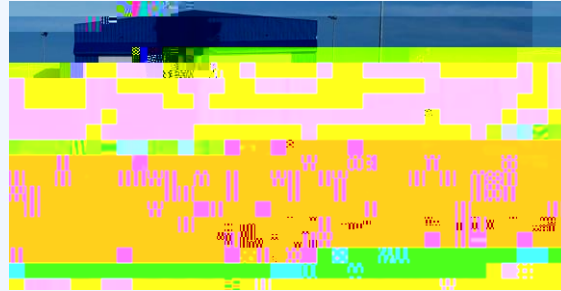
- 9-Dock reopened – critical for V Class
- DSG operational performance
- New contract in final negotiation

Driving international growth

H&B Defence

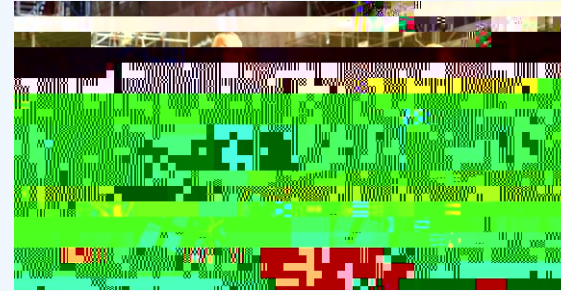
- JV with HII to support AUKUS
- Focused on building Australia's sovereign nuclear capabilities

PGZ



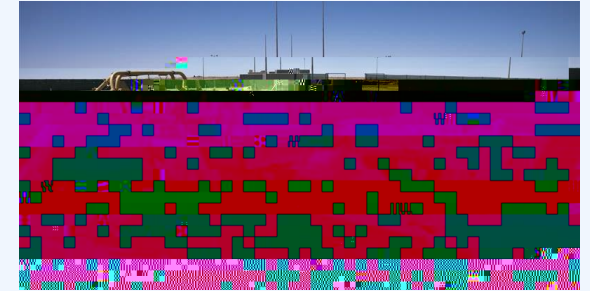
- Contract extension to support Polish Miecznik frigate programme to 2031
- International apprenticeship programme with CKZiu apprentices

SAAB



- Design contract for Swedish Navy's Luleå Class Surface Combatant
- Engineering support for basic design

ST Engineering



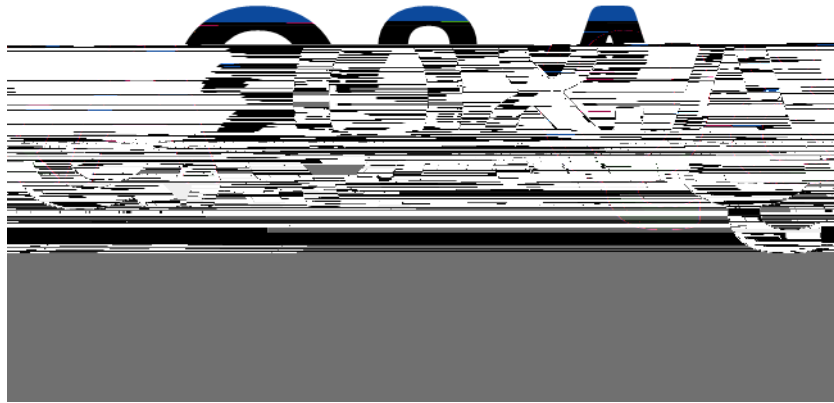


People – key to delivering sustainable growth

- › The Engineer top 100 employers 2024 (UK) – Babcock International ranked 13th
- › Babcock Engineering & Nuclear Skills building at City College Plymouth opened
- › Second Skills-based Work Academy Programme hosted in Devonport
- › Signing of the Nuclear Skills Charter



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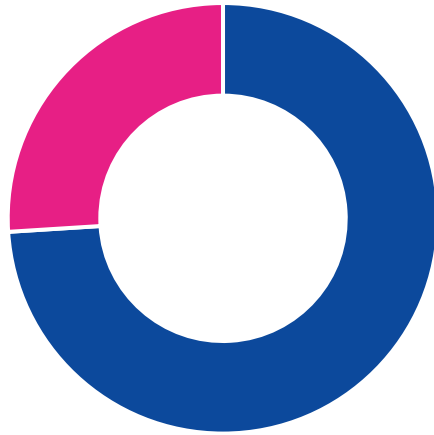


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HY25 Group splits

Defence revenue



Statutory to underlying reconciliation

(£m)	HY25			HY24		
	Underlying	Specific Adjusting Items	Statutory	Underlying	Specific Adjusting Items	Statutory
Revenue	2,408.9	-	2,408.9	2,177.0	-	2,177.0
Operating profit	168.8	15.0	183.8	154.4	(10.2)	144.2
Share of results of joint ventures and associates	5.1	-	5.1	6.0	-	6.0
Net finance costs	(16.8)	(0.1)	(16.9)			

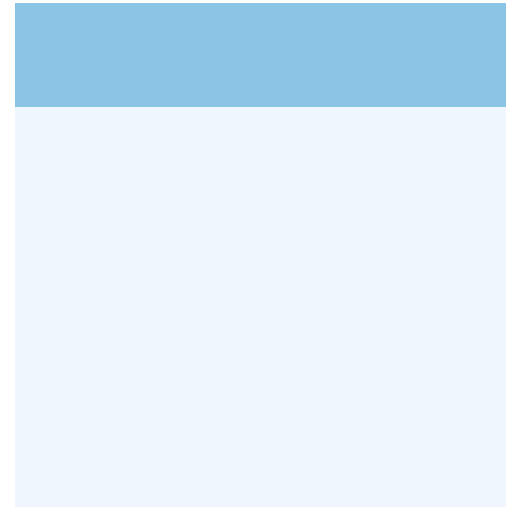
Sector detail (full years)

	Revenue			Underlying operating profit			Underlying margin			Contract backlog		
	FY24	FY23	FY22	FY24	FY23	FY22	FY24	FY23	FY22	FY24	FY23	FY22
Marine	£1,429.1m	£1,439.6m	£1,259.3m	£13.1m	£12.7m	£98.0m	0.9%	0.9%	7.8%	£2,993m	£2,581m	£2,492m
Nuclear	£1,520.9m	£1,179.2m	£1,009.7m	£109.2m	£63.5m	£62.4m	7.2%	5.4%	6.2%	£3,105m	£2,454m	£2,789m
Land	£1,098.6m	£1,017.1m	£1,015.5m	£96.3m	£85.9m	£58.8m	8.8%	8.4%	5.8%	£2,594m	£2,809m	£2,309m
Aviation	£341.5m	£802.7m	£817.3m	£19.2m	£15.8m	£18.5m	5.6%	2.0%	2.3%	£1,641m	£1,633m	£2,294m
Group total	£4,390.1m	£4,438.6m	£4,101.8m	£237.8m	£177.9m	£237.7m	5.4%	4.0%	5.8%	£10,333m	£9,477m	£9,883m

Sector detail (half years)

	Revenue			Underlying operating profit			Underlying margin			Contract backlog		
	HY25	HY24	HY23	HY25	HY24	HY23	HY25	HY24	HY23	HY25	HY24	HY23
Marine	£789.8m	£750.1m	£666.4m	£40.0m	£63.0m	£47.3m	5.1%	8.4%	7.1%	£2,991m	£2,929m	£2,426m
Nuclear	£865.7m	£710.8m	£558.2m	£75.7m	£45.2m	£30.1m	8.7%	6.4%	5.4%	£2,461m	£2,400m	£2,547m
Land	£591.3m	£545.6m	£478.2m	£45.4m	£37.5m	£38.0m	7.7%	6.9%	7.9%	£2,410m	£2,734m	£2,429m
Aviation	£162.1m	£170.5m	£441.2m	£7.7m	£8.7m	£6.3m	4.8%	5.1%	1.4%	£1,655m	£1,573m	£2,450m
Group total	£2,408.9m	£2,177.0m	£2,144.0m	£168.8m	£154.4m	£121.7m	7.0%	7.1%	5.7%	£9,517m	£9,636m	£9,852m

Net debt / EBITDA (covenant basis)



Key contracts: Marine

Contract	Customer	Start	End	Country	Notes
Type 31 + Capability Insertion Programme	UK MOD	2019	2028	UK	Design, build and assembly of five general purpose frigates for the Royal Navy
Future Maritime Support Programme (FMSP)	UK MOD	2024	2026	UK	Through-life ship engineering management and support delivery for the Royal Navy
Victoria In Service Support Contract	RCN	2008	2027	Canada	Victoria In Service Support Contract (VISSC) to sustain Royal Canad



Key contracts: Aviation

Contract	Customer	Start	End	Country	Notes
Victoria Air Ambulance	Victoria Gov	2016	2026	Australia	Helicopter Emergency Medical Services (HEMS) contract with six specially configured AW139 aircraft
Hades air base support	UK MOD	2018	2027	UK	Provision of engineering services and technical aviation support to 17 air stations across the UK, with two single year extension options
Hawk T1&T2	BAE Systems	2004	2033	UK	Engine maintenance and technical support for 54 Hawk T1 jets supporting the RAF's advanced jet training programme
H160 French Navy SAR	French DOD	2021	2032	France	Providing six H160 helicopters, technical modifications and through-life support for the French Navy search and rescue operations
Light Aircraft Flying Task II (LAFT)	UK MOD	2009	2026	UK	Provision of 91 aircraft, instructors and services to deliver RAF air squadrons up to 35,000 flying training hours across 14 sites
Manitoba - Firefighting	Manitoba state Government	2018	2028	Canada	Firefighting in Manitoba operated with Babcock surveillance aircraft and customer owned Canadair water bombers. Option to extend by further three years
FOMEDEC	French DOD	2017	2028	France	Provision of aircraft, training support and maintenance to the French Air Force
Mentor	French DOD	2021	2027	France	Provision of aircraft, training support and maintenance to the French Air Force contract includes five one-year options for extension
UK Military Flying Training System (UKMFTS) (Ascent JV)	UK MOD	2008	2033	UK	Ascent 50/50 JV with Lockheed Martin - rotary and fixed-wing flight training
Future Strategic Tanker Aircraft (FSTA) (AirTanker JV)	UK MOD	2008	2035	UK	JV with Thales, Rolls-Royce and Airbus. Infrastructure that supports air-to-air refueling and air-transport operations

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This document has been prepared by Babcock International Group PLC (the "Company") solely for use at a presentation in connection with the Company's results announcement for the six months ended 30 September 2024. For the purposes of this notice, the presentation that follows