

The Babcock logo is displayed in a bold, blue, sans-serif font. The letters 'b', 'a', 'b', 'c', 'o', 'c', 'k' are lowercase, while 'T' and 'M' are in a smaller, uppercase font as a trademark symbol. The background of the slide features a photograph of an airport tarmac with a large aircraft tail fin visible in the upper right, and a ground service vehicle in the lower right. The sky is clear and blue.

babcockTM

Full year results

for the year ended 31 March 2023

20 July 2023

Key messages

Type 31 update

Type 31 frigate programme

Five ships awarded in 2019

Contracted to 2028

HMS Venturer: keel laying in April 2022,
assembly and outfitting underway

HMS Active: steel cut in January 2023

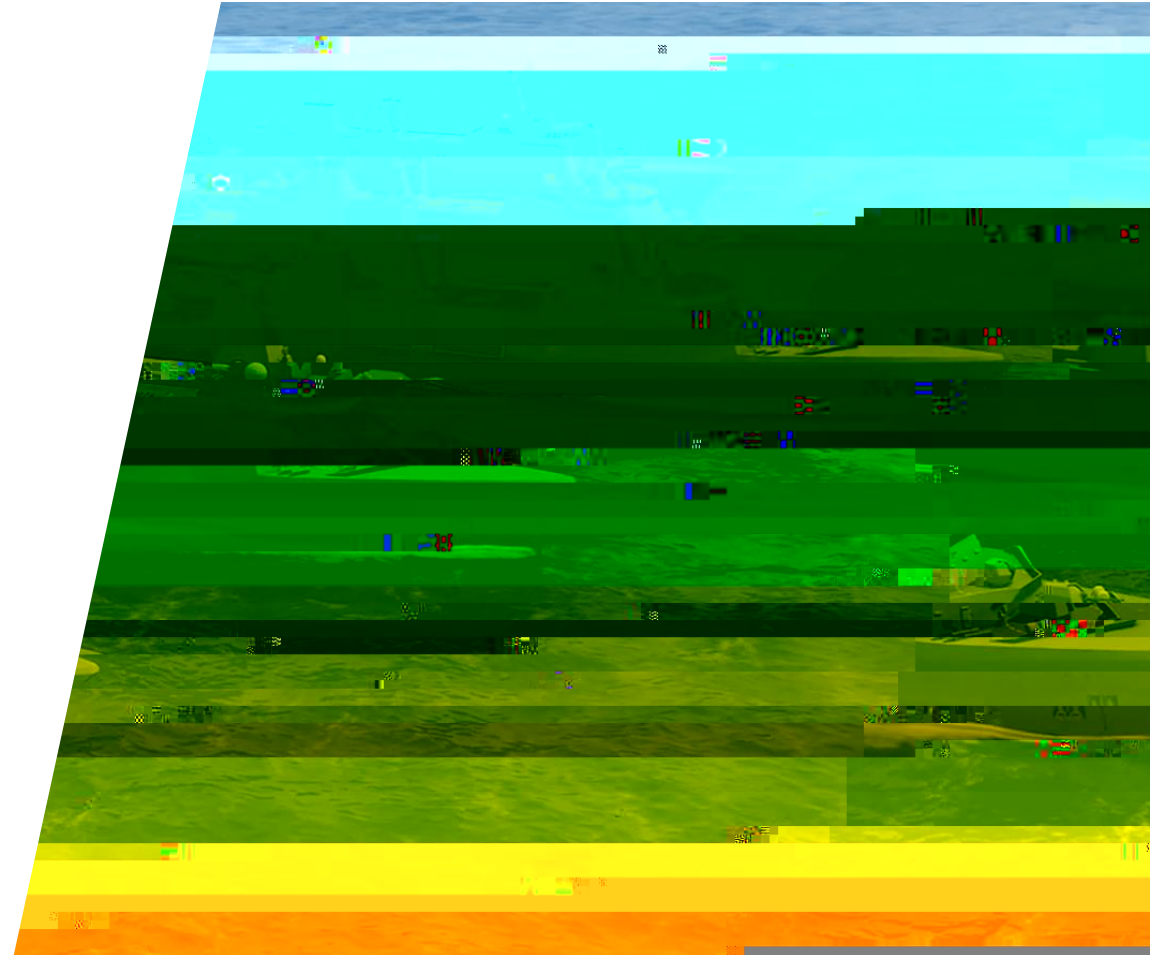
Cash impact: £100m loss over
remaining life of contract

Customer relationship

Controls

Commercial

Operational



Excellent progress

Babcock today

**Strengthened
balance sheet**

**Focused
Portfolio**



Financial review

David Mellors
CFO

Key messages

- Results in line with expectations, cash flow significantly ahead

- Balance sheet stronger

- FY24 expectations unchanged

- Medium term guidance issued

Underlying financial results overview

| | FY23 | FY22 |
|---|----------------|----------------|
| Revenue | £4,439m | £4,102m |
| Underlying operating profit | £177.9m | £237.7m |
| <i>Type 31 loss</i> | <i>£100.1m</i> | - |
| Underlying operating profit excluding the Type 31 loss | £278.0m | £237.7m |
| <i>Underlying margin excluding the Type 31 loss</i> | <i>6.3%</i> | 5.8% |
| <i>Underlying basic EPS excluding the Type 31 loss</i> | <i>33.8p</i> | 30.7p |
| Underlying free cash flow | £75m | £(191)m |
| Net debt (excluding operating leases) | £(346)m | £(557)m |

Revenue up 10% organically

Organic growth across all sectors

Underlying operating profit* up £40m

Strong organic performance in Land (incl. one-off credit of £12m), Marine and Aviation

Underlying margin* up 50 bps to 6.3%

Underlying EPS* up 10% to 33.8p

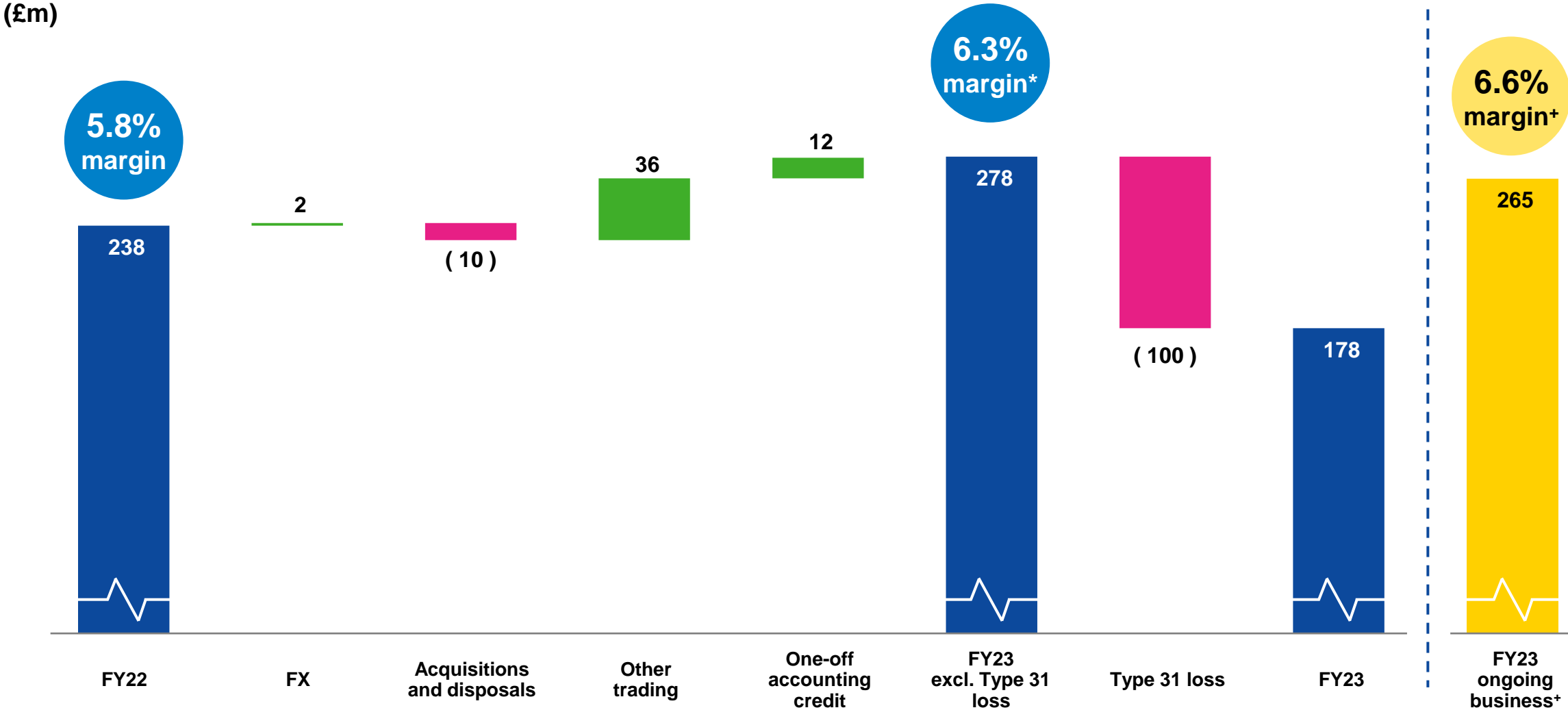
Underlying free cash flow better than expected

Working capital inflow, capex timing
Accelerated pension payments of £35m

Net debt to EBITDA 1.5x (FY22: 1.8x) well within target range of 1.0x-2.0x. (Excluding Type 31 loss: 1.1x)

Type 31 loss of £100m includes £43m reversal of revenue, £2m asset impairment, £56m onerous contract provision

Underlying operating profit bridge



* Excluding the Type 31 loss (£100m)

+ Ongoing business excludes the Type 31 loss, £1m profit from divested businesses (AES & Civil training) and the £12m one-off accounting credit in Land (revenue and profit)



Marine

| £m | FY22 | FX | Acquisitions & disposals | Other trading | FY23 |
|-----------------------------|-------------|----|--------------------------|---------------|-------------|
| Contract backlog | 2,492 | | | | 2,581 |
| Revenue | 1,259 | 12 | 72 | 96 | 1,440 |
| Underlying operating profit | 98 | 1 | (0) | (86) | 13 |
| <i>Underlying margin</i> | <i>7.8%</i> | | | | <i>0.9%</i> |

Revenue:

+8% organic growth driven by:

LGE, ship support and South Korea submarine work

+6% acquisitions & disposals: NSM (acquired Mar 2022) £122m incremental revenue; FNC (sold Aug 2021) £50m

Low or zero margin programme revenue c.£260m (FY22: c.£230m)

Operating profit:

D

Nuclear

| £m | FY22 | FX | Acquisitions & disposals | Other trading | FY23 |
|------------------|-------|----|--------------------------|---------------|------|
| Contract backlog | 2,789 | | | | |

Revenue:

+17% organic growth driven by:

Major Infrastructure Programme (MIP) revenue doubled to £267m (FY22: £134m)

Increased submarine support work

Civil nuclear growth

Operating profit:

Driven by:

Contribution from MIP revenue growth

Increased investment in control environment

Future inflation assumptions

£16m programme write-off (FY22: £22m) as project nears completion

Underlying margin decreased 80 bps to 5.4%

Aviation

Retained business:

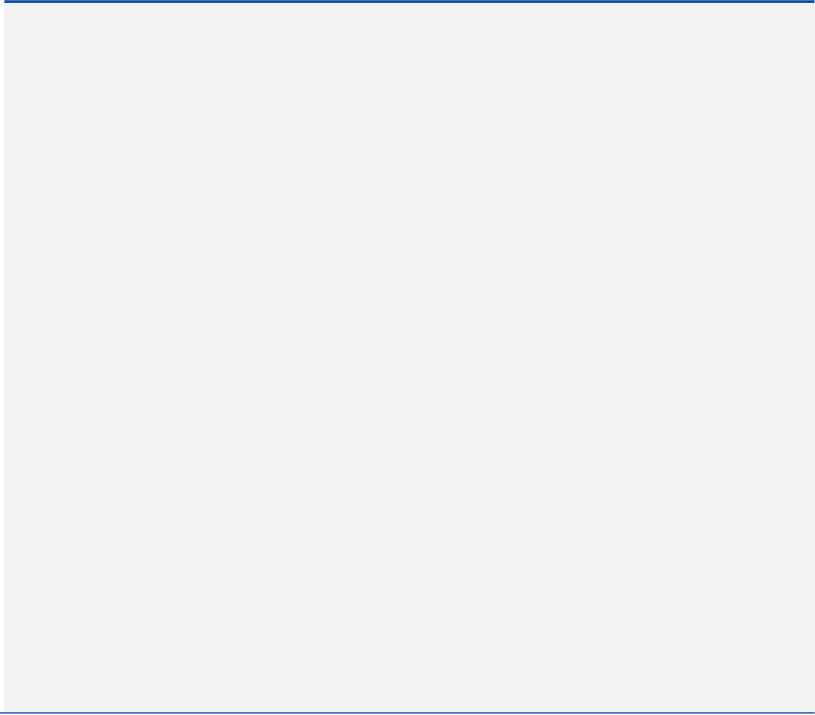
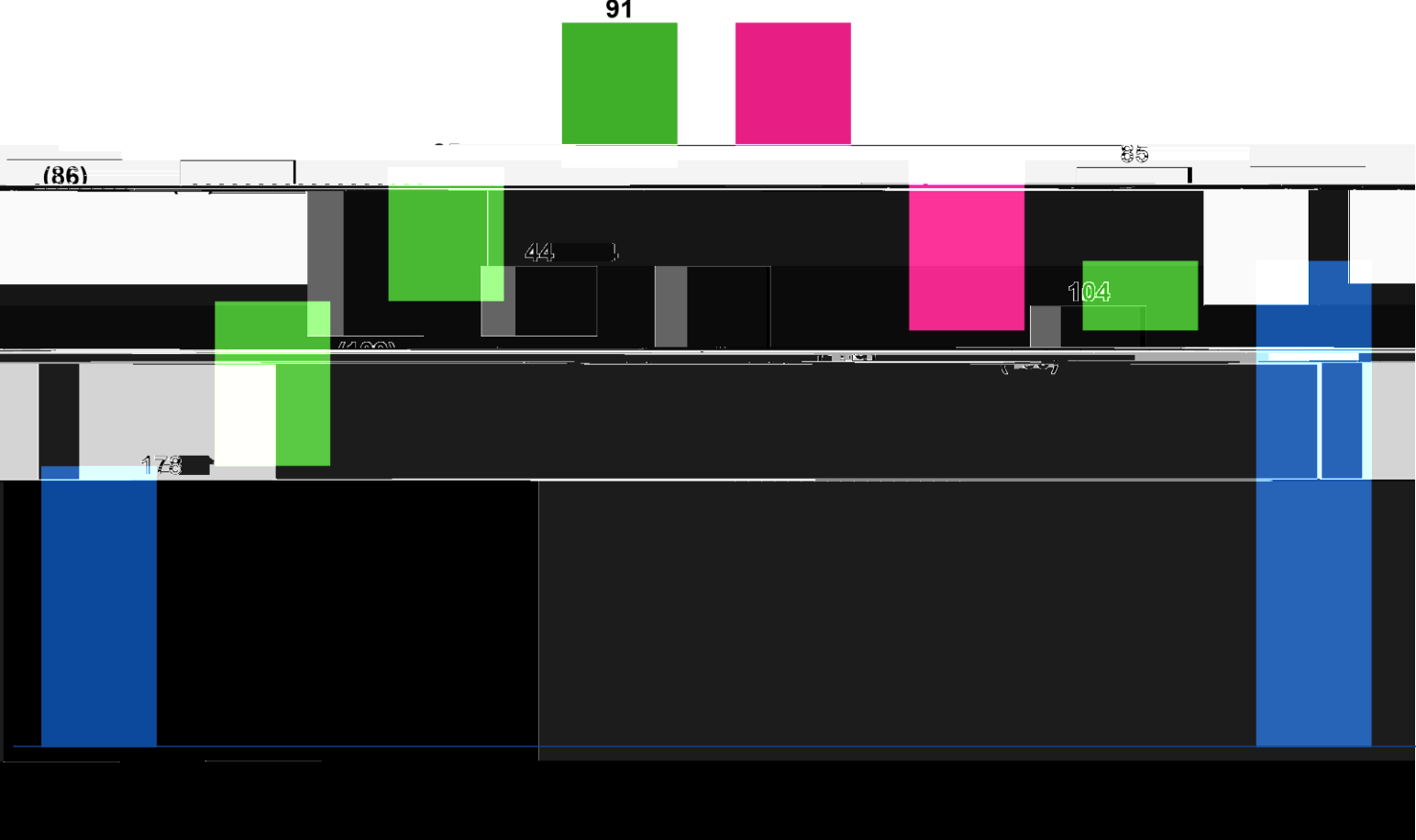
Revenue +22% organically driven by:

France defence contracts: Mentor, H160, FOMEDEC

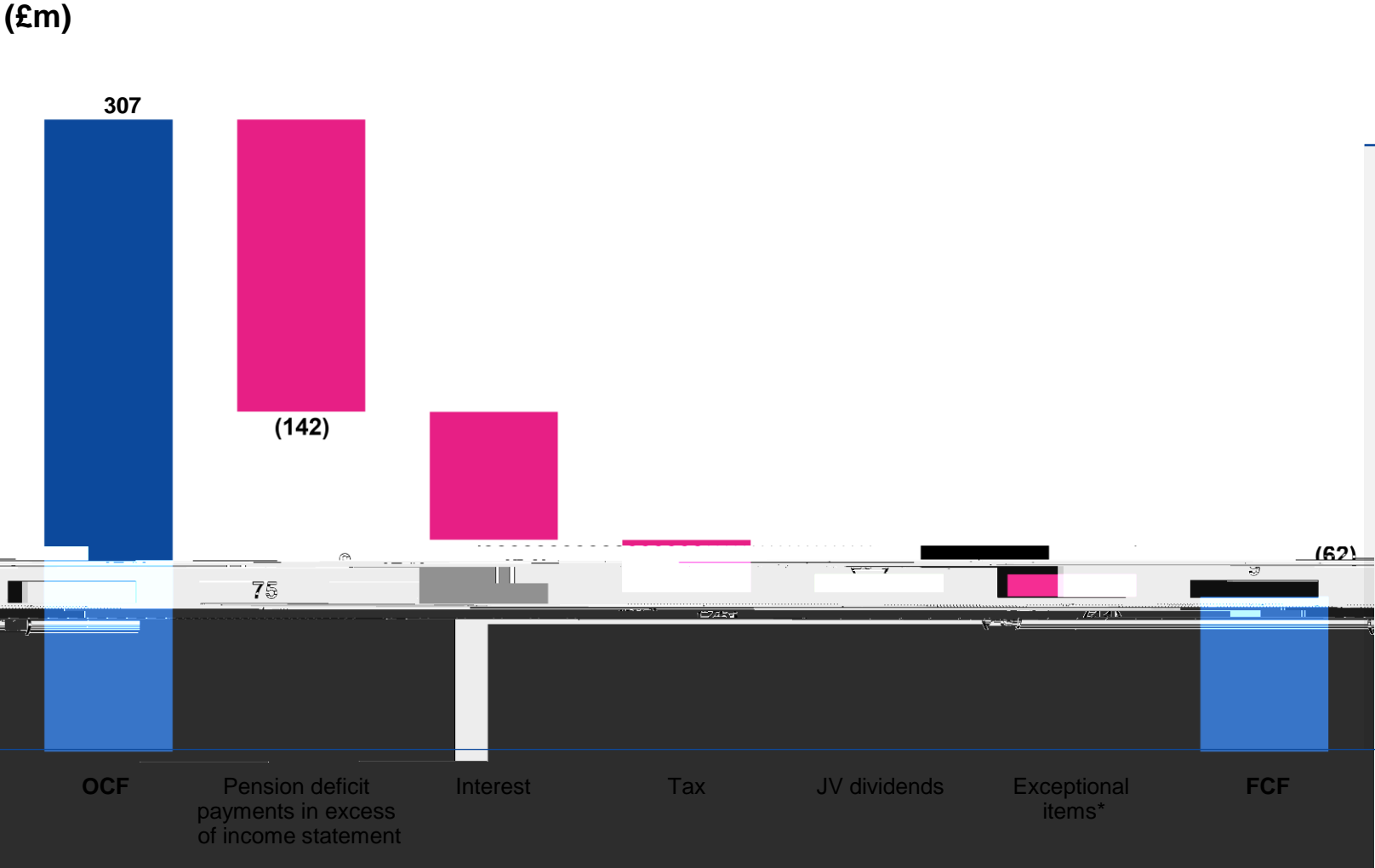
Underlying margin flat:

Revenue growth offset by high bid costs on FAcT

Underlying operating profit to operating cash flow bridge



Underlying operating cash flow to free cash flow bridge



FCF commentary:

- £35m pension deficit payments accelerated from FY24-FY26
- c.£12m non-recourse contract financing included in net interest

FY24 technical guidance:

- Pensions in excess of income statement c.£65m
- Interest c.£40m
- Tax c.£35m
- Dividends from JVs less than c.£5m

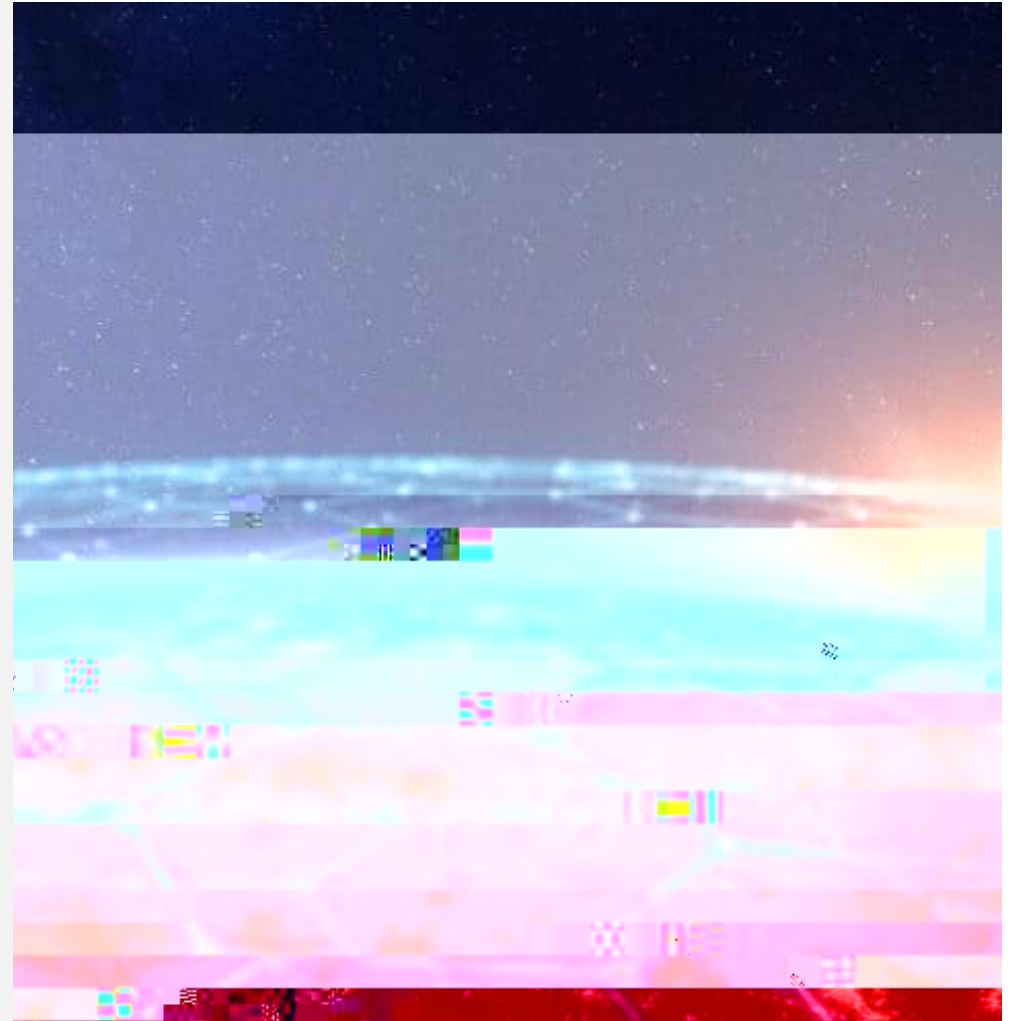
17 * Remaining outflows from prior year major restructuring programme

Outlook and guidance

FY24 outlook – expectations unchanged:

c.£2.8bn of FY24 revenue under contract

c.



TM

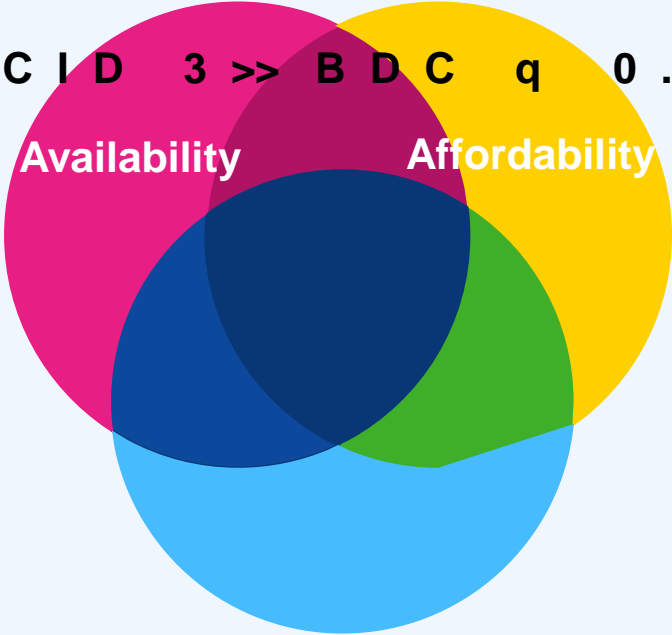
Building momentum

David Lockwood
CEO

Grow: the right capabilities in a supportive market

- Geopolitical uncertainty
- Defence spending
- Defence requirements

6 9 . 2 4 6 . 5 4 3 C / A 2 E M C / P <</ M C I D 3 >> B D C q 0 . 0 0 0



Grow: capturing opportunities

Support

Frontline support

Equipment support

Technical training

Product

Grow: ESG progress on our commitments

Submitted interim and Net Zero 2040 carbon reduction targets

Climate related risk assessment integrated into five-year plan

Launched a volunteer framework

Established a shadow executive committee

Further embedded ESG into our performance framework

Remuneration linked to Net Zero emissions, diversity and inclusion targets



bioacodTM

babcock™

Appendix

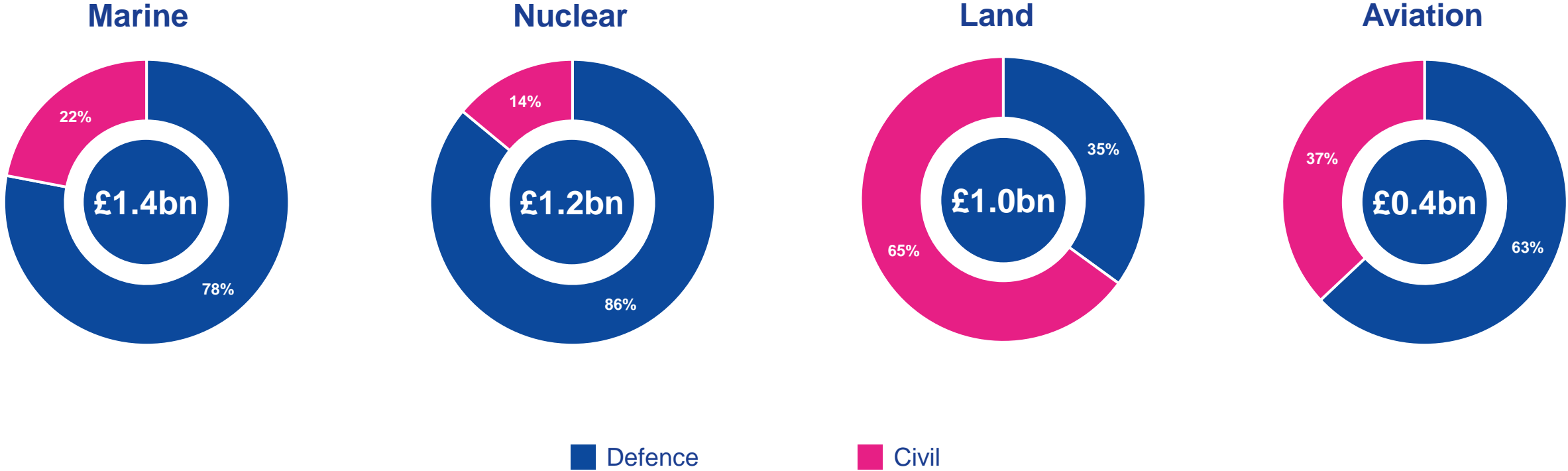
How we look post disposals - FY23 pro forma

Defence revenue



FY23 results split by sector pro forma

FY23 sector revenue splits pro forma

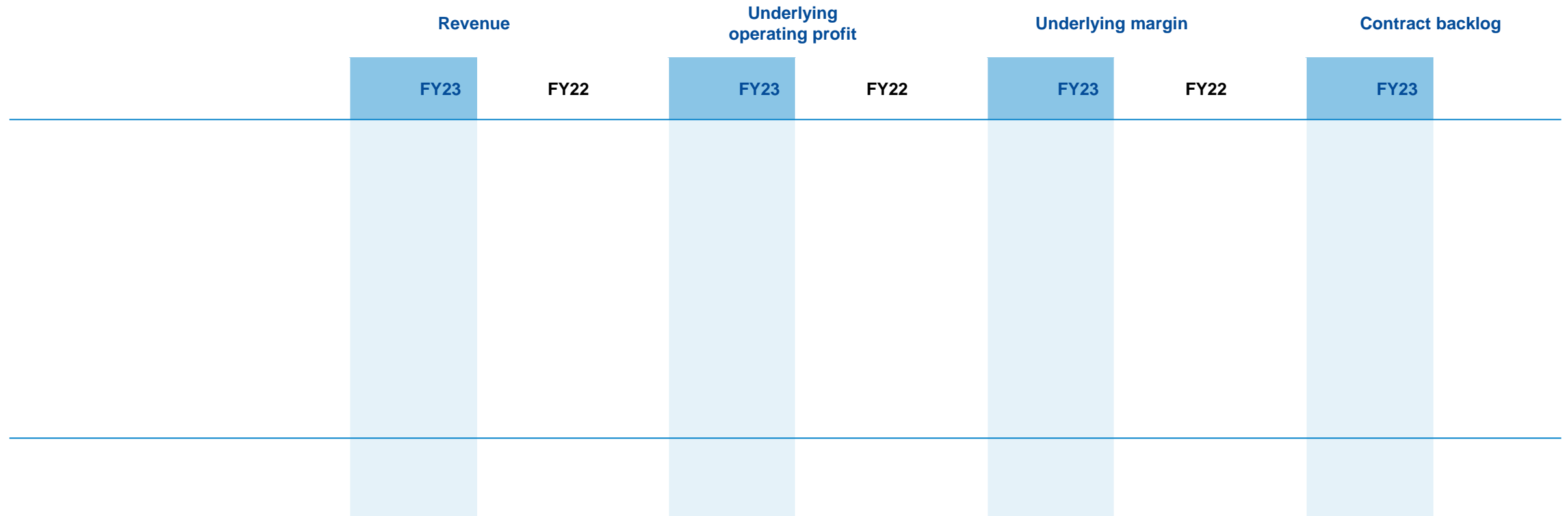


33 Pro forma excludes £422m revenue from divested businesses (AES & Civil training)



Statutory to underlying reconciliation

Sector detail



Net debt / EBITDA (covenant basis)

| (£m) | FY23 (Rolling 12 months) | FY22 (Rolling 12 months) |
|--|-----------------------------|-----------------------------|
| Underlying operating profit | 178 | 238 |
| Depreciation and amortisation | 85 | 74 |
| Other covenant adjustments | (8) | (13) |
| EBITDA | 254 | 299 |
| JV and associate dividends | 9 | 42 |
| EBITDA + JV and associate dividends | 263 | 341 |
| Net debt | (346) | (557) |
| Covenant adjustments (adding back finance lease receivables, loans to JVs, avg FX) | (49) | (60) |
| Net debt (covenant basis) | (395) | (617) |
| Net debt / EBITDA | 1.5x | 1.8x |

Pensions

| (£m) | 31 Mar 2023 | 31 Mar 2022 |
|-------------------------|-------------|-------------|
| Assets | 3,188.0 | 4,733.1 |
| Obligations | (3,249.4) | (4,541.5) |
| Net surplus / (deficit) | (61.4) | 191.6 |

| Key assumptions | 31 Mar 2023 | 31 Mar 2022 |
|-----------------|-------------|-------------|
| Discount | | |

Technical provision for defined benefit schemes (including longevity swaps)

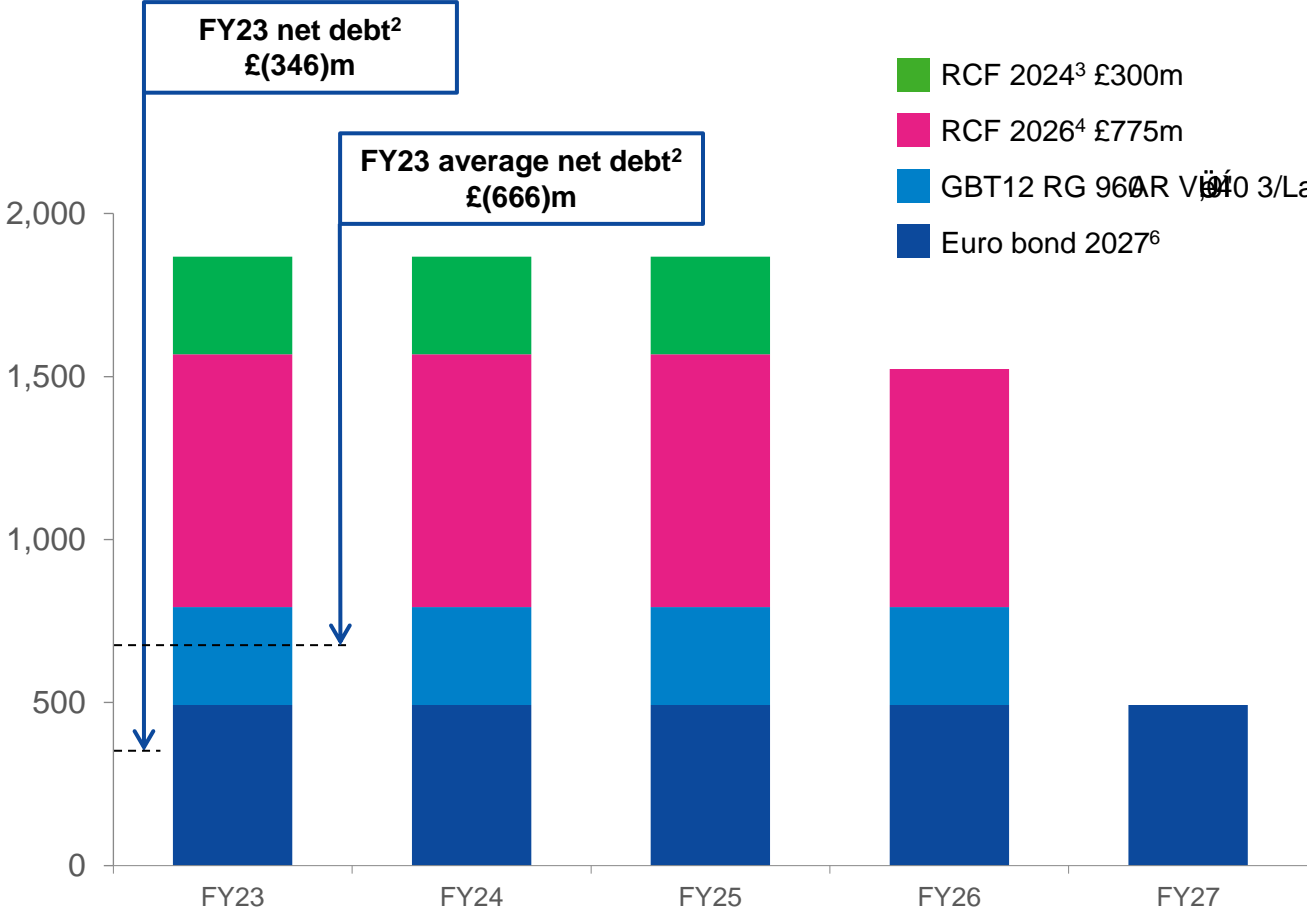
| | |
|-------------|-----------------|
| March 2023: | c.£400m deficit |
| March 2022: | c.£350m deficit |

Disposals programme

| | Date | Proceeds | Income statement impact |
|----------------|----------|--------------------------|-------------------------|
| 1) Oil and Gas | Sep 2021 | £10m (+ £137m leases) | |
| | | | |

Liquidity and debt maturity profile

Debt maturity profile¹ (£m)



2022 using cash resources

Reduced exposure to variable debt (83% is fixed rate).
Only £123m drawn debt is variable rate

c.£1.9bn of total available borrowings and facilities

GBT12 RG 960 (AR V10 3/LanSpa reWDC 940 3/LanSpa 15) liquidity headroom c.£1.6bn

No refinancing required until 2026
(assuming the 2024 £300m RCF lapses)

Ample liquidity and covenant headroom to prudently protect downside

Improving delivery

Strengthened bidding governance throughout a five gate bidding process



Improved contract outcomes can be largely linked to early bidding controls



Strong focus on cash-positive and margin-positive structures

Drive to mitigate and monitor risk, only taking on manageable risk

Improving our efficiency, process and our people

New focus will aim to improve margins over medium to long-term

Joint ventures: summary

| | Babcock underlying JVs | Share | Country | Sector | Start | End | |
|------------------------|---|--------------|---------|----------|-------|------|---|
| Asset JVs | Ascent Aviation JV with Lockheed Martin to deliver UK rotary and fixed-wing flight training and support | 50% | UK | Aviation | 2016 | 2033 | Asset JVs Typically assets and debt Dividends follow after paying down JV debt Typically long-term |
| Operational JVs | AirTanker Services JV to deliver services and maintenance for air to air refuelling aircraft for the UK RAF | 23.5% | UK | Aviation | 2008 | 2035 | Operational JVs Capability partnerships No debt Dividends follow profits, subject to short-term phasing |

Key contracts: Marine

| Contract | Customer | Start | End | Country | Notes |
|--|-----------------|-------|------|---------|--|
| Type 31 | 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 | 2021 | 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 |
| Marine Systems Support Partner | UK MOD | 2017 | 2024 | UK | MSSP: Technical Authority and equipment support package for QEC aircraft carriers and Type 45s |
| UK Dreadnought Class systems | UK MOD | 2006 | 2031 | UK | Design and manufacture weapons handling launch systems and signal ejectors for Dreadnought |
| Maritime Fleet Sustainment Service | RNZN | 2022 | 2029 | NZ | Management of Devonport Dockyard in Auckland and sustainment of Royal New Zealand Navy |
| UK/US CMC tube assemblies | General Dynamic | 2014 | 2026 | UK/US | Manufacturing tube assemblies for the joint UK Dreadnought and US Columbia programme |
| Defence Strategic Radio Service | UK MOD | 2021 | 2030 | UK | |
| | | | | | |
| | | | | | |
| | | | | | |

Key contracts: Land

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 | 2025 | 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 | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Disclaimer

This document has been prepared by Babcock International Group PLC (the "Company") solely for use at a presentation in connection with the results announcement for the year ended 31 March 2023. For the

bioacodTM