

Welcome to Capital Markets Day 2024

Devonport Royal Dockyard



Agenda

Introduction	Andrew Gollan – Director of Investor Relations
Babcock today and Babcock tomorrow	David Lockwood – Chief Executive Officer
Operations and risk management	Donna Sinnick – Chief Programme Management Officer
Engineering and technology	Brad Yelland – Chief Engineering and Technology Officer
Q&A	
<i>Coffee break (0945-1010)</i>	
Land	Tom Newman – Chief Executive Officer, Land
Aviation	Pierre Basquin – Chief Executive Officer, Aviation
Marine	Paul Armstrong – Chief Executive Officer, Marine
Nuclear	Harry Holt – Chief Executive Officer, Nuclear
Financial review	David Mellors – Chief Financial Officer
Q&A	
<i>Lunch (1210-1310)</i>	
Devonport overview and safety briefing	Harry Holt – Chief Executive Officer, Nuclear
Tour of Devonport Royal Dockyard	

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CAPITAL MARKETS DAY

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**BABCOCK IS AN INTERNATIONAL
DEFENCE, AEROSPACE AND
SECURITY COMPANY**



Capital Markets Day 2024

Babcock today and tomorrow

David Lockwood,
Chief Executive Officer



Key messages

Strongly positioned

- › Around 70% defence revenue*
- › Critical supplier to governments
- › Complex programme delivery
- › Customer intimacy
- › Deep platform knowledge
- › Engineering know-how
- › Product development capability

Sustainable growth

- › £9.6bn contract backlog*
- › Supportive markets: military capability vs fiscal constraints
- › Differentiated proposition delivering availability, affordability and capability
- › Partnerships and collaboration

Improving margins and cash flow

- › Contract terms and discipline
- › Enhanced operational, programme and technical risk management
- › Operational improvement
- › Unwind of legacy contracts

*HY24

Presenters



David Lockwood
Chief Executive Officer



David Mellors
Chief Financial Officer



Donna Sinnick
Chief Programme Management Officer



Tom Newman
Chief Executive, Land



Paul Armstrong
Chief Executive, Marine



Brad Yelland
Chief Engineering and Technology Officer



Pierre Basquin
Chief Executive, Aviation and CEO France



Harry Holt
Chief Executive, Nuclear

Who we are

Babcock is an international defence, aerospace and security company providing support and product solutions to enhance our customers' defence capabilities and critical assets



With a portfolio focused across marine, nuclear, land and aviation

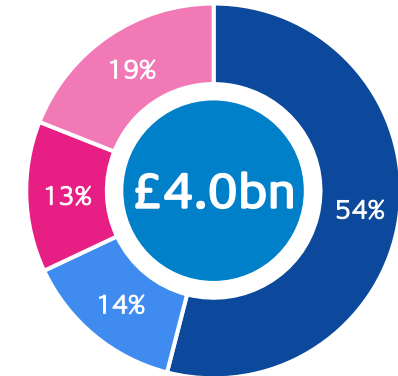


With a clear strategy for growth, margin expansion and cash generation, supported by long term trends

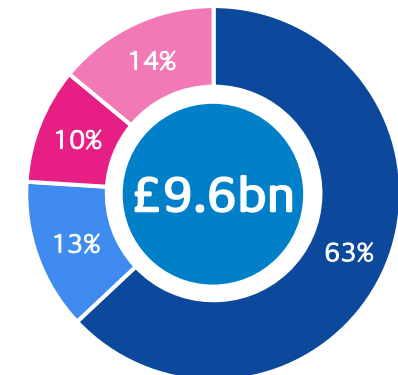


Our 26,000+ employees deliver our customers' key requirements of **affordability, availability and capability**

FY23 Revenue



HY24 Backlog



Our differentiated proposition

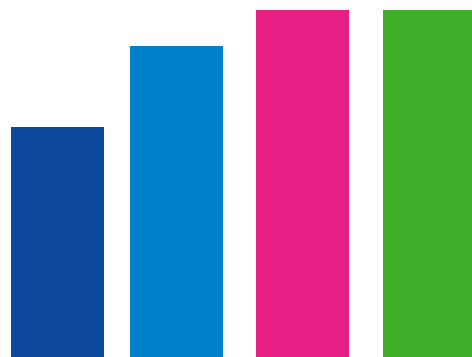
Product providers



Service providers

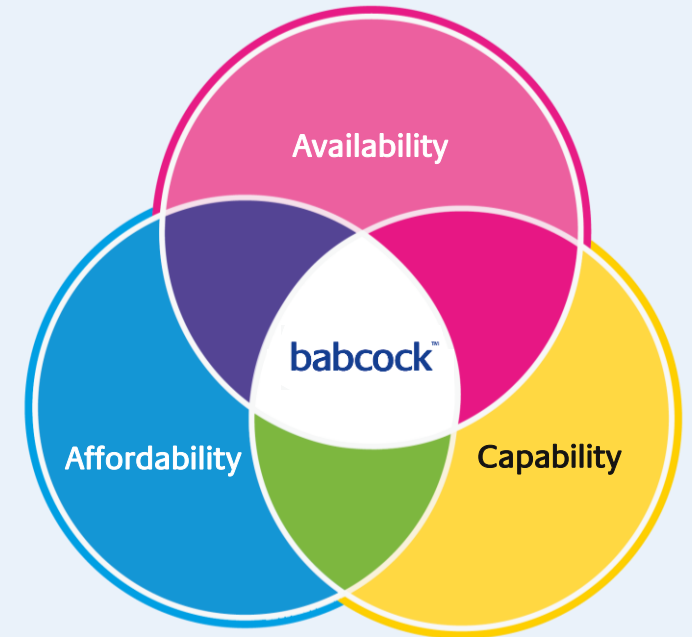


■ Product development capability
 ■ Engineering know-how
 ■ Customer intimacy
 ■ Operational asset knowledge



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Babcock combines **extensive experience** of customers' assets in operation with strong **engineering know-how** and highly collaborative **customer relationships**



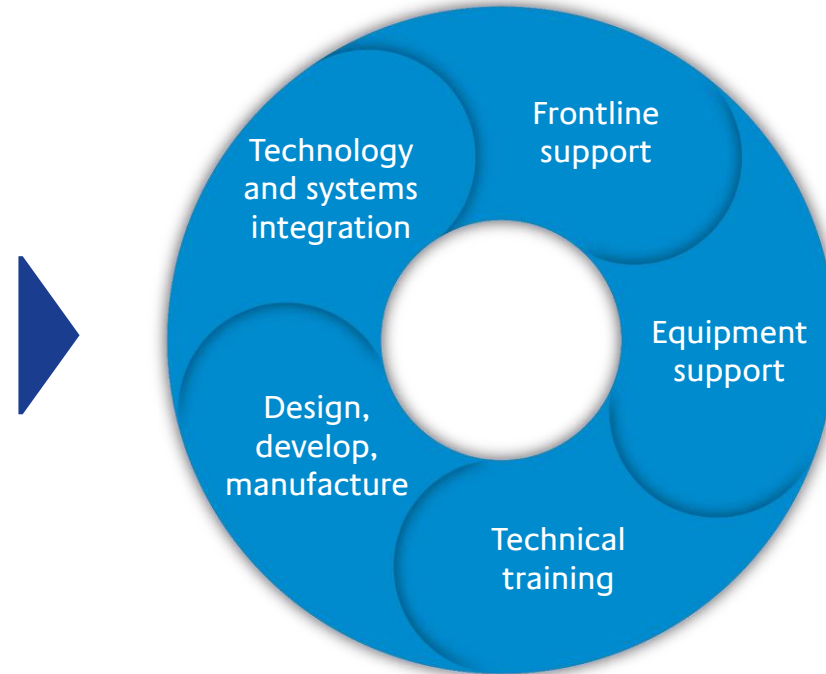
This highly differentiated proposition enables us to deliver complex product and service solutions which meet our key customer requirements of **availability, affordability and capability**

What this means

Our proposition



Our capabilities



Complex programme delivery



Delivering at every step in the asset life-cycle

Affordable improvements in capability and availability

1st commission

Deep maintenance

2nd commission

Deep maintenance - capability upgrades

3rd commission

LIFEX

Disposal / second owners

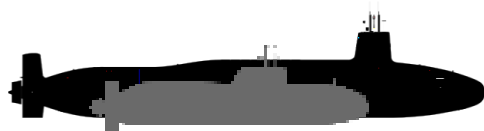
Replacement



UK, Australian and New Zealand warship through-life support and LIFEX



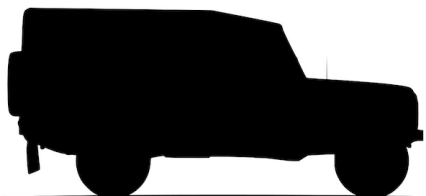
Modular, adaptable general purpose frigate, designed for availability



UK, Australian and Canadian submarine through-life support



Design partner for future class support



British Army Land Rover through-life support and hybrid-propulsion pilots

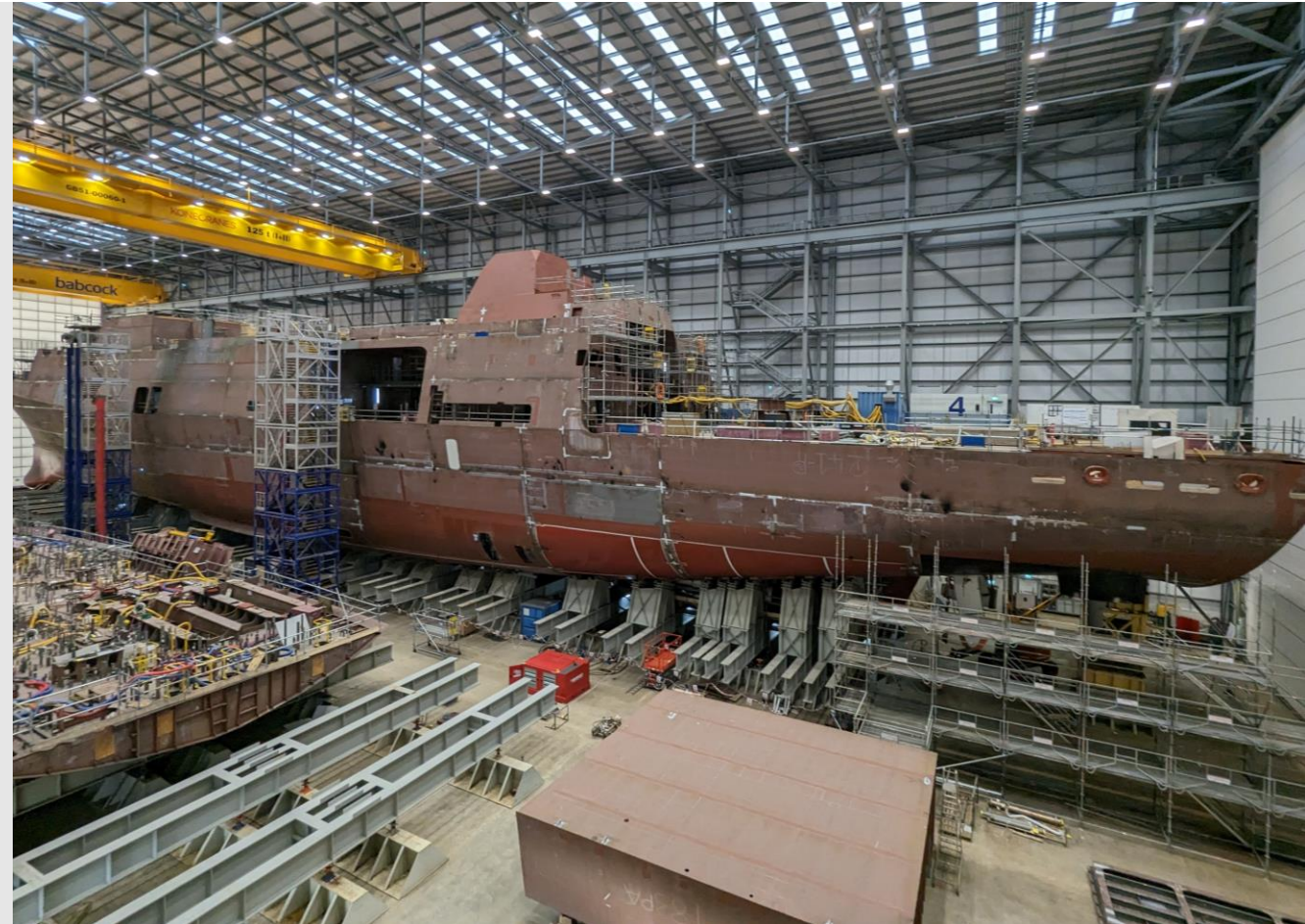


Babcock General Logistics Vehicle designed around evolving operational demands



Type 31 / Arrowhead 140 update

- › Five Type 31 ships awarded in 2019
- › HMS Venturer (ship 1): float off expected 2024
- › HMS Active (ship 2): build in progress – keel laid HY24
- › Dispute Resolution Process negotiations completed
- › A world-class highly agile affordable frigate
- › A world-class shipbuilding capability
- › Arrowhead 140 international exports:
 - › Indonesia licence (x2) FY22
 - › Poland licence (x3) HY24
 - › Other export opportunities



We deliver through four sectors

Marine



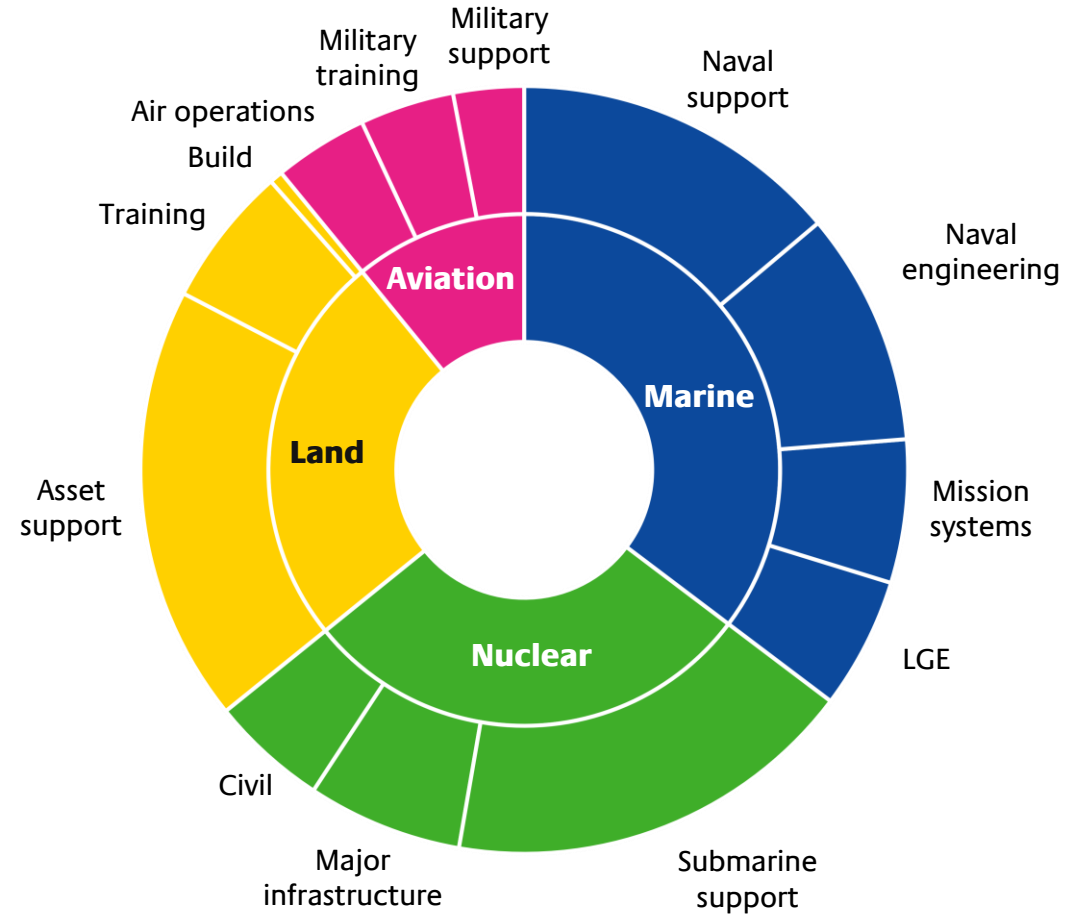
Nuclear



Aviation



Land



Based on FY23 Revenue

Who we partner with

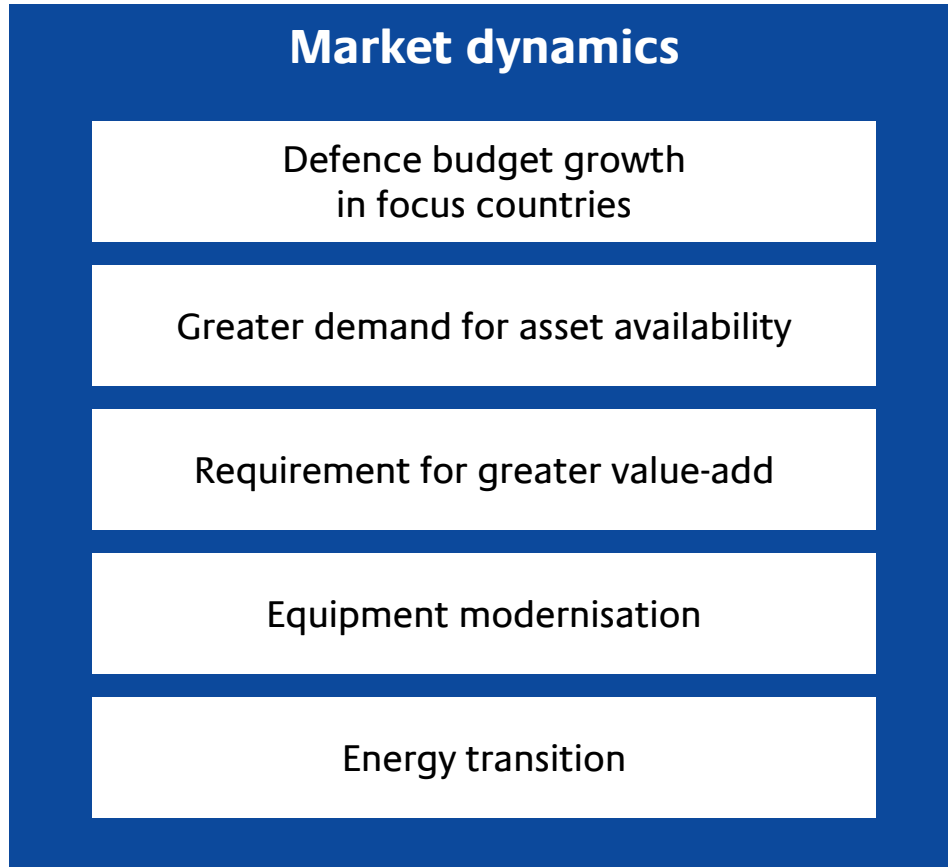
Industrial partners



Government partners



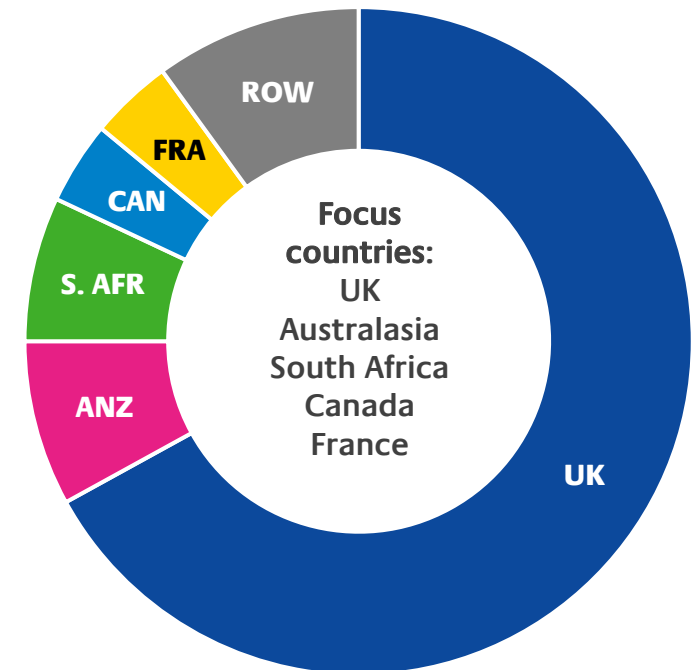
Supportive market dynamics



Medium term guidance



Geographical revenue profile



Our growth strategy

UK

Optimise position

- › Long-term UK submarine support
- › UK military vehicle support
- › Vessel disposal and second owners
- › Military flying training
- › Space defence

Selective new programmes

- › Army Collective Training
- › UK aircraft autonomy programme
- › UK Protected Mobility programme
- › AWE fissile support
- › Mobile Fires system
- › SSN-AUKUS
- › Naval Support Integrated Global Network

International

Expansion in focus countries

- › Canadian future submarine programme
- › Ukraine vehicle MRO
- › AUKUS submarines, support model, infrastructure
- › Belgium military flying training
- › Australian military fleet support

Direct exports

- › Advanced corvette design
- › Ukraine opportunities
- › AH140
- › Netherlands submarine programme
- › Surface autonomy programmes
- › Australian nuclear infrastructure

Strategic partnerships

- › Jackal high mobility transport
- › General Logistics Vehicle
- › Nuclear decommissioning
- › Poland ORKA submarine programme
- › Naval Support Integrated Global Network
- › HII
- › SAAB

Leverage our technical capability

Develop our people and capabilities

Build strategic partnerships

Leveraging our technical capability

- › Optimising our UK market presence drives growth
- › Enhanced execution, underpinned by technical capability and customer intimacy creates incremental and adjacent opportunities
- › Continued execution and strong track record increases awareness of expertise and opens opportunities in new markets (eg Australian Defence High Frequency Communications System)
- › Increased mobility facilitates knowledge-sharing across the Group to deliver bespoke customer solutions
- › Markets entered in the past 24 months include Poland, Ukraine, Belgium and Indonesia
- › Market-making in France (defence), Australia (AUKUS), US (nuclear) and UK (land systems)

Australian Defence High Frequency Communications System (DHFCS)



- › 10-year contract
- › c.£500m programme
- › Followed DHFCS awards by UK and New Zealand Governments
- › Built on a common mission system architecture
- › Babcock is a leading global provider of strategic high frequency comms

Building strategic partnerships

- › Central pillar of our international growth strategy
- › Leverages our technical capability and track record of providing value-add solutions to complex problems
- › Strategic partnerships enable low risk access to new markets
- › Platform agnostic approach makes Babcock a partner of choice for many OEMs
- › Combining complementary expertise to deliver affordable, market-leading, bespoke solutions
- › Enables an innovative approach to strategic procurement to further enhance competitiveness of combined bids

SAAB: development of advanced naval corvette design

Combines our technical naval platform design and integration expertise with Saab's naval combat management systems and composite structures expertise to create a new class-leading capability

HII: civil and naval nuclear collaboration in UK, US and Australia

- › Collaborate on naval and civil decommissioning and construction opportunities in the UK and US
- › Apply complementary opportunities to existing nuclear decommissioning contracts for US ships and UK submarines
- › AUKUS MoU between Babcock, HII and Bechtel in support of Australia's conventionally-armed nuclear-powered submarine programme

Developing our people for future growth

Engineering capability

Diverse engineering projects across Babcock provide opportunity for broad engineering capability development of staff

We operate across different phases of the engineering lifecycle - early design and integration, production and into support and asset management



Early careers

Today we have 1,500+ people on Early Careers programmes

Annual intake of c.600 apprentices and graduates in FY24, 39% up vs FY23

Additional 'Train to Fit' programme accelerates the development of motivated individuals for high demand roles



Babcock role framework

Babcock role framework provides all employees with greater visibility of career pathways and greater equality of opportunity

Enhances the mobility of our engineers so that their capability can be deployed and developed across the business



Babcock Skills Academy

Developing complex skills for deep submarine maintenance through the Babcock Skills Academy

2,000+ people expected to flow through in its first three years and 10,000+ over the next five years

Ambition to broaden focus beyond nuclear skills



Engineering and nuclear skills

Supporting the national skills agenda through the UK Nuclear Skills Taskforce and Defence Supplier Forum

Member of the AUKUS workforce alliance through our partnership with HII and three Australian Universities

MoU with the University of Adelaide



Being a responsible corporate citizen

- › Contributed £3.3bn to the UK GDP and supported the creation of 56,800 jobs directly/indirectly across the UK supply chain*
- › Committed to championing and driving sustainability in the sector as a signatory of the ADS UK Defence ESG Charter in January 2024
- › Established our Net Zero 2040 plan to set us on course to achieve net zero across our own operations by 2040, and full value chain by 2050
- › Supporting local communities in the UK through charitable donations and sponsorships such as our partnership with the Army Benevolent Fund (the national charity of the British Army)
- › Supporting employment and education opportunities for indigenous communities in Canada, Africa and New Zealand through STEM outreach programmes, as well as developing supply chain partnerships with indigenous-owned businesses
- › Improving gender balance and driving inclusion as a signatory to the Women in Defence Charter
- › Held our second global Safety Summit in November 2023 – our second GPS survey indicated that 83% of our people believe Babcock is truly committed to the health and safety of employees

Contributing to the communities in which we operate



Black Economic Empowerment

Babcock Africa is bringing authentic entrepreneurial mentorship to black-owned businesses through its new in-house Enterprise Supplier Development programme, by providing the tools and resources needed to establish, sustain and grow entrepreneurial ventures.

What this delivers

Medium term guidance

**Organic growth
Mid-single
digit**

**Margin
≥ 8%**

**Cash conversion
≥ 80%**

Operational and risk management

Donna Sinnick,
Chief Programme Management Officer



Key themes of our operations and business delivery

People

People deliver through integrated cross functional teams

Enabled, accountable and highly competent workforce

Process

Consistent end to end Lifecycle Management, supported by mature governance

Agile and integrated ways of working

Controls

Proportionate controls delivering predictable outcomes

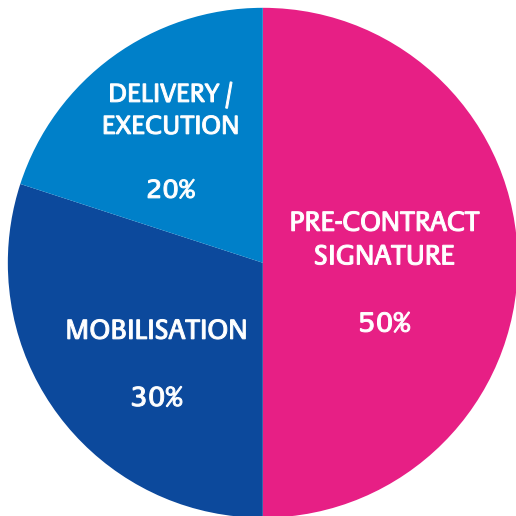
Enabling systems and technology

**Predictable
delivery,
predictable
business**

End to end risk management framework



Contract Risk Phasing



Pre-contract signature

- › Improved focus on contractual set up and 'what Babcock needs'
- › Linked to Global Management Framework
- › Renewed bid governance
- › **WHY?** To ensure we sign contracts we can deliver that best benefit all stakeholders

Mobilisation

- › Early in the business lifecycle
- › Resourcing contractual requirements
- › Cross organisation communication
- › **WHY?** To ensure a smooth transition to delivery, with a lower risk profile

Delivery

- › Increased oversight
- › Effective course correct
- › Restructured relationships
- › Rationalised supply chain
- › Strategic supplier relationships
- › **WHY?** To delight all stakeholders and maximise margin return

The change story

HMS Victorious Deep Maintenance Period

- › Baselined technical requirements
- › Strong change control
- › Improved planning approach
- › Greater work enablement
- › Developed infrastructure and facilities
- › Commercially enabled
- › Joint working as standard



Engineering and technology

**Brad Yelland,
Chief Engineering and Technology Officer**



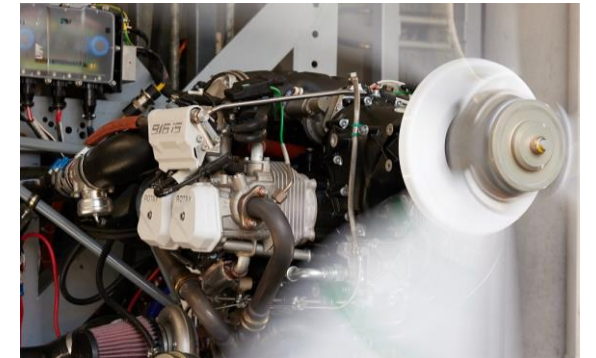
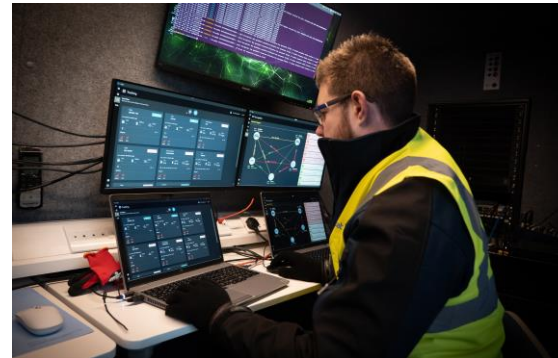
Engineering and technology

Babcock is an engineering-led defence, aerospace and security company with a growing technology capability

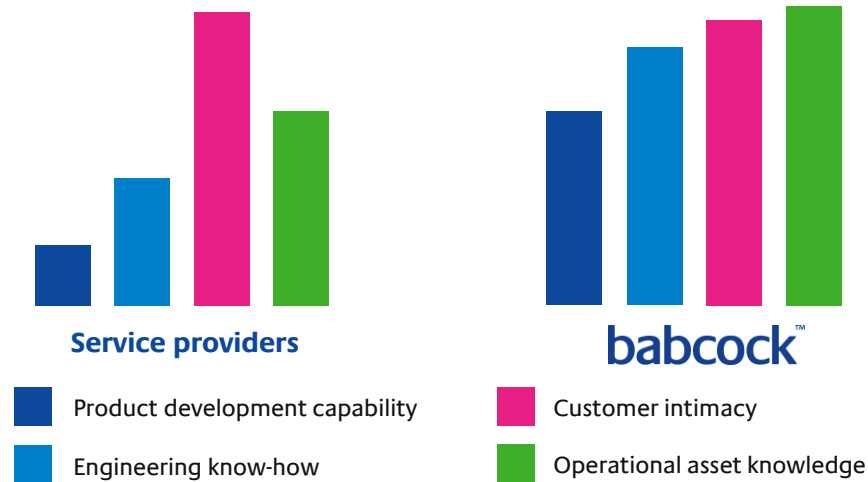
- › Our engineering and technology capability has been built up through decades of supporting complex, advanced technology systems and platforms for our customers

The diversity of these systems and platforms across the spectrum of operational domains has created a broad capability, and opportunities to develop our engineers

- › From satellites to nuclear submarines and surface warships to land vehicles
- › From nuclear power to complex electronic and software-based mission systems



Being an engineering and technology company



Supporting and upgrading complex systems and platforms has;

- › Increased our engineering and technology know-how
- › Increased knowledge of the customer and their operational requirements
- › Increased the customer's confidence in our engineering capability

As a result, Babcock is increasingly securing prime roles as a capability partner on engineering development and systems integration programmes

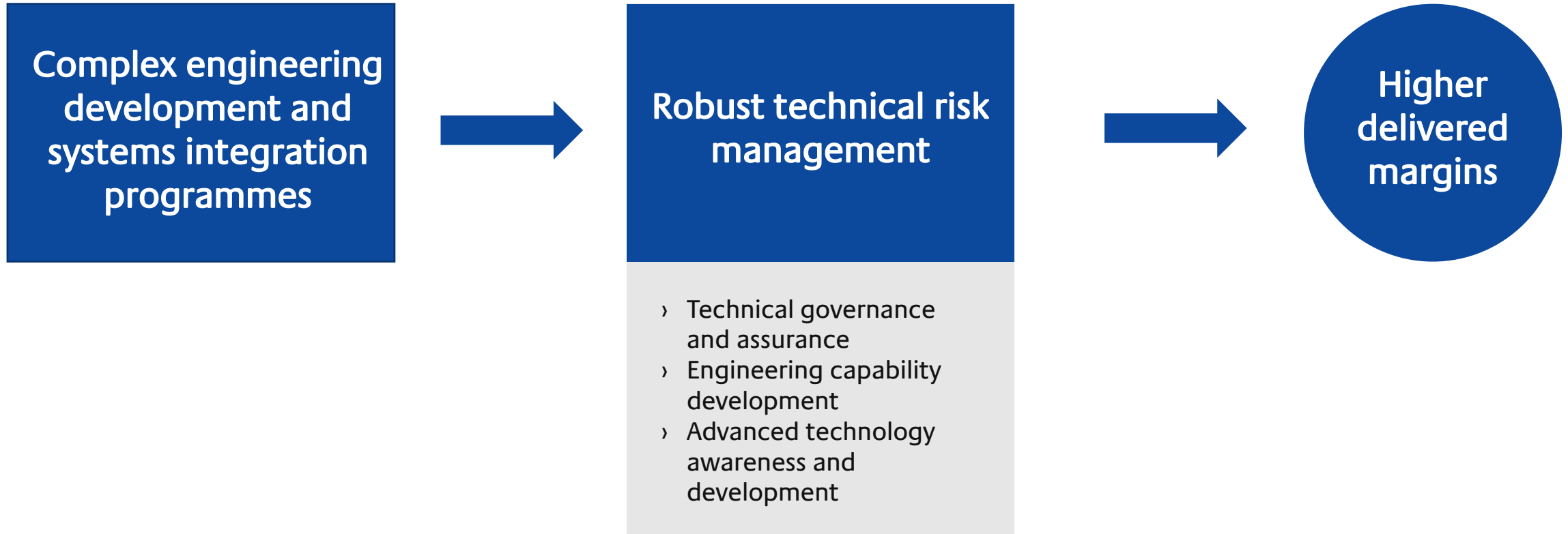
Defence High Frequency Communications Systems



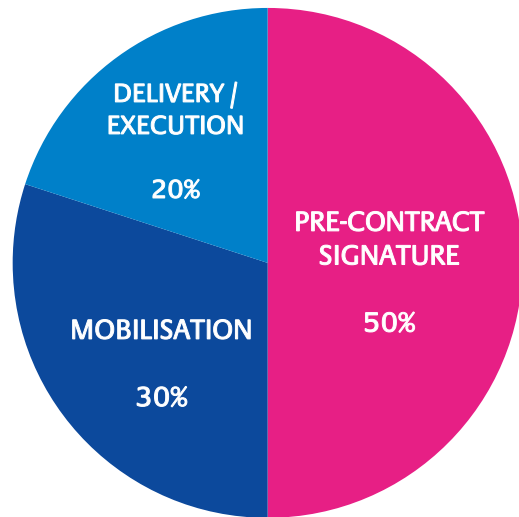
Arrowhead 140 general purpose frigate



Capturing learning experience to deliver higher margins



End to end technical governance framework



CONTRACT RISK PHASING

Pre contract signature

1. Is the proposed technical solution **compliant** (customer and regulatory requirements)?
2. Is the technical solution **achievable** (technical, workforce, cost, schedule)?
3. Do we have a known, acceptable and manageable **risk profile**?

Ensures we can deliver the technical solution to which we are about to commit

Mobilisation

Ensure we have:

1. Defined and planned engineering work scope
2. Alignment with customer on requirements
3. Appropriate resource mobilisation
4. Access to tools and facilities
5. Technical risk management plan

Ensures everything is in place before we start delivering the solution

Delivery

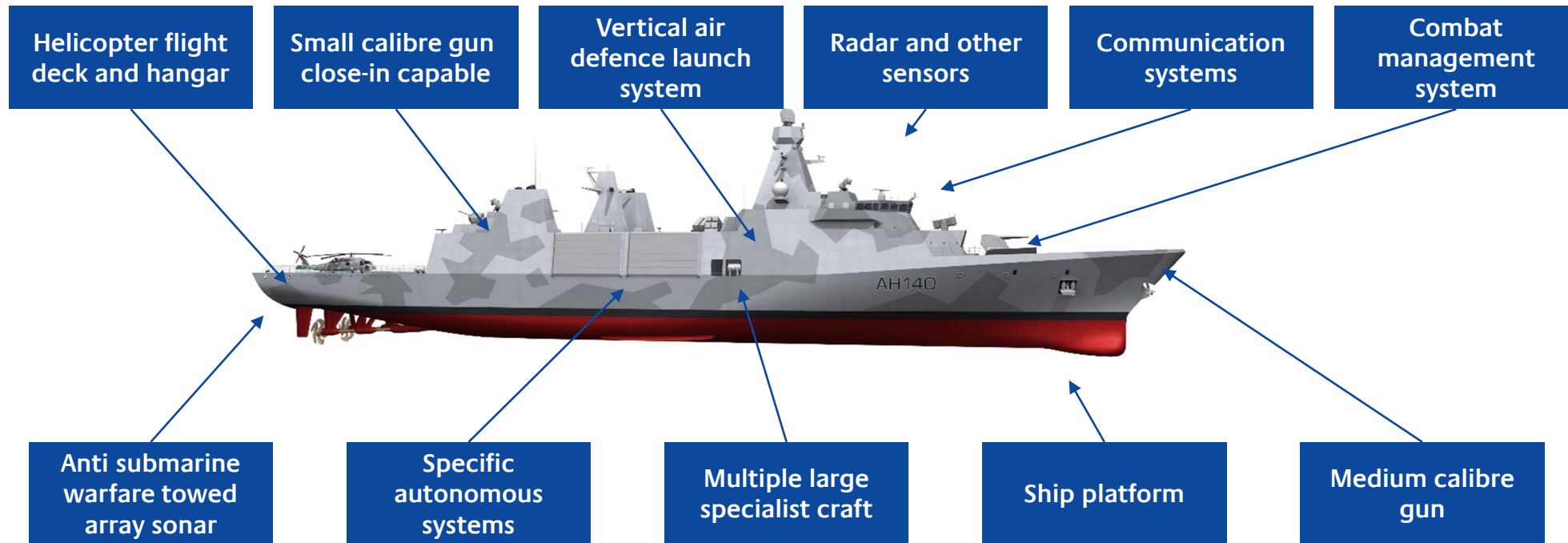
Technical reviews aligned with engineering life-cycle transition points to test:

1. Progress against requirements
2. Cost and schedule
3. Managing risks

Ensures the delivered technical solution is compliant, on time and within cost

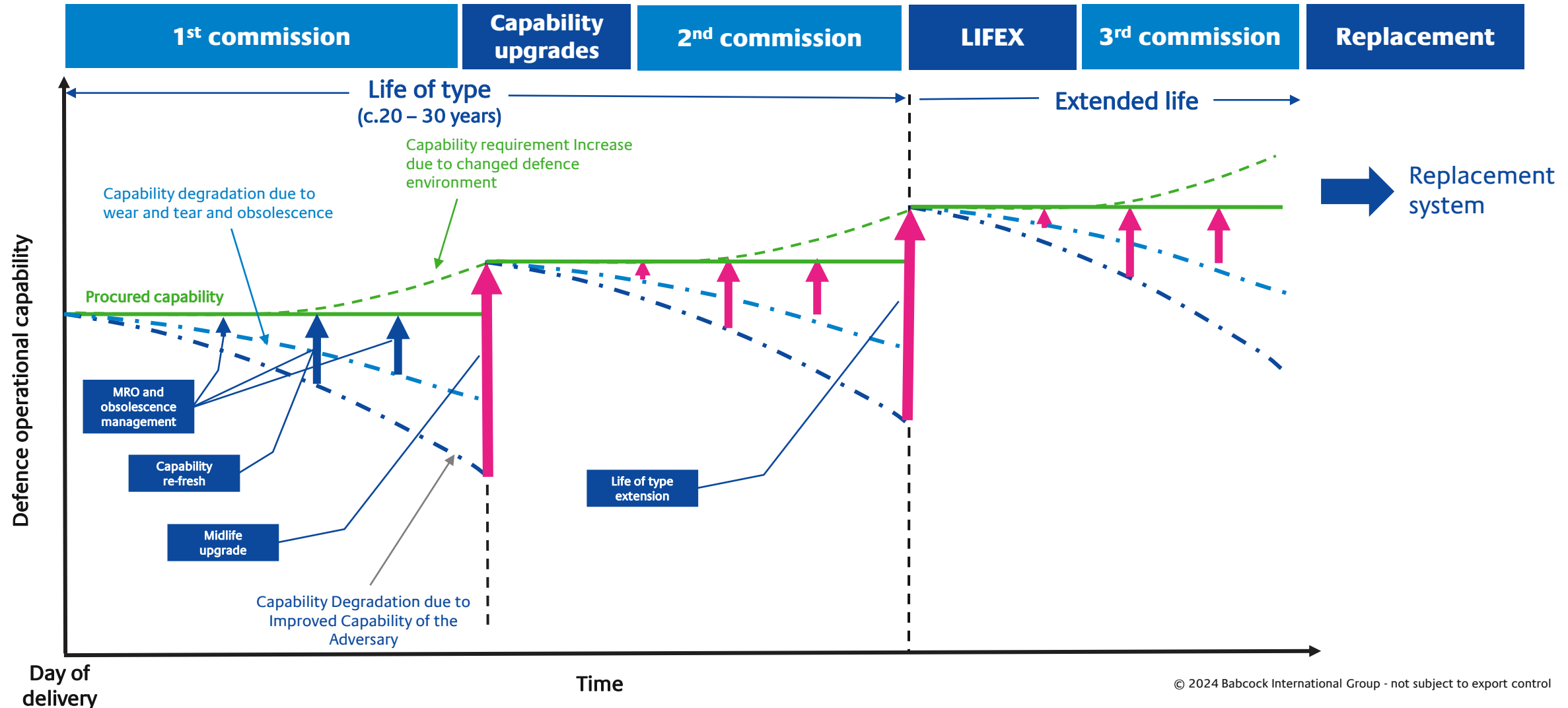
Life-cycle technical framework with independent governance and risk management

Today's defence assets are complex integrated systems

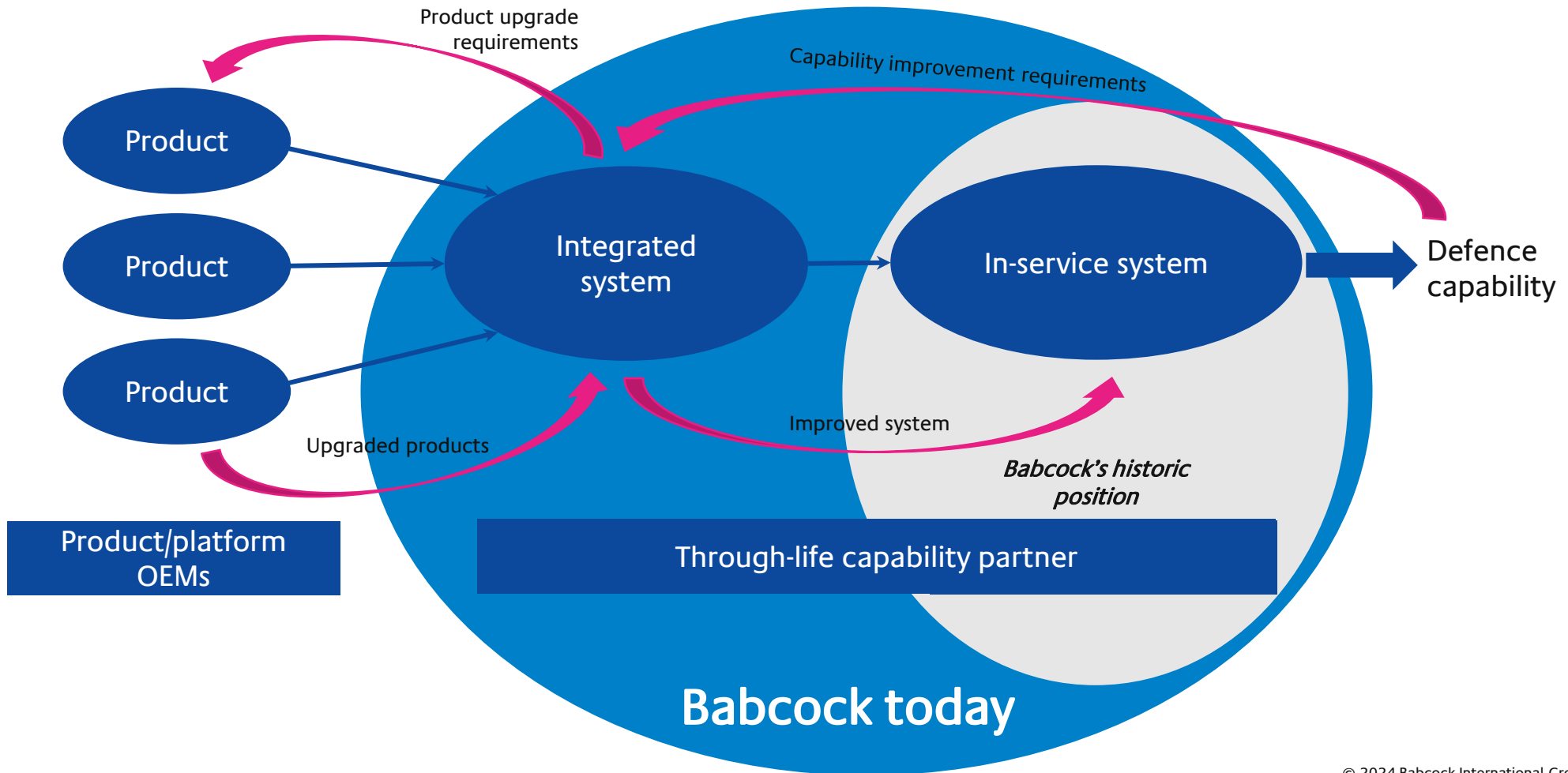


Increasing complexity drives the need for value-add integration capabilities through-life

Supporting complex systems through-life



Leveraging our position to drive profitable growth



Developing as a capability partner



Strengthening our through-life support provider position

- › Maturing asset management
- › Prognostic health management
- › Data sciences
- › Digitally enabled engineering
- › Digital twins for business processes
- › Advanced manufacturing for obsolescence treatment



Cementing systems engineering and integrator role

- › Systems engineering and integration
- › System modelling and operational analysis
- › Autonomous technologies
- › Data sciences and digital design
- › Software development
- › Product cyber resilience

Strengthening technical governance and assurance underpins guidance

Engineering and technology summary

- › Strengthening our technical risk management
- › Leveraging our knowledge of our customer and their operational requirements to support capability enhancements
- › Building our knowledge and access to advanced technologies that underpin defence systems
- › Growing our capability to strengthen our position as a support provider and grow our opportunities in the systems and engineering integration areas

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Question and answers

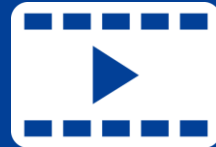
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Will resume at 10:10 (GMT)

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LAND SECTOR



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Land

Tom Newman,
Chief Executive, Land

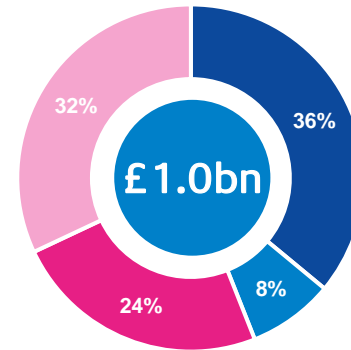


Land

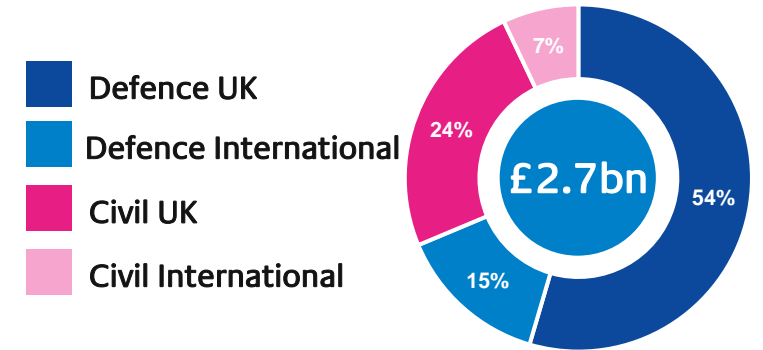
Our c.8500 strong workforce delivers:

- › Build: military vehicle build, engineering, and systems integration
- › Support: strategic asset management and through-life engineering support for military equipment; engineering services in power generation and transport networks; through-life support of mining equipment
- › Train: modern individual and collective training for customers with critical missions

FY23 revenue



HY24 backlog



What we do

Build



- › Military vehicle build and systems integration
- › Civilian armoured and specialist vehicles for agencies

Support



- › Strategic asset management and engineering support
- › National infrastructure programme delivery

Train



- › Training design, delivery, assessment and support for mission critical customers
- › Training infrastructure design, construction and management

Key contracts

Civilian armoured vehicles FCDO
Jackal 3
Government Agency conversion

DSG (British Army vehicle support)
London Fire Brigade
South Africa mining HME and power generation

Royal School Military Engineering
Armour training support
Metropolitan Police and London Fire Brigade

Advanced Manufacturing and sourcing



Data synthesis and insight generation



Engineering knowledge

Global context: strategic shift in Land domain



Achieving 'more for less'
with existing equipment



Integration and
exploitation of
off-the-shelf solutions



Tactical mobility vehicles, increasing manoeuvrability and situational awareness



Long-range fires and artillery systems



Maximising value and efficiencies from existing systems



Increasing focus on collective, multi-domain and inter-partner training

Global context creates significant opportunities

Key growth opportunities

Our competitive advantage

BUILD

Opportunity size:
c.£4bn



- › Land Mobility pipeline
- › Mobile Fires Platform; 120mm mortar
- › General Logistics Vehicle UK and export

- › Deep expertise in operational support
- › UK civilian armoured vehicle market leader
- › Customer intimacy drives better product solutions
- › Archer Artillery Alliance (BAE, Babcock, RBSL)

SUPPORT

Opportunity size:
c.£6bn



- › Future British Army support (LIOS)
- › Equipment support in Australia, France and Poland
- › Irish rail programme
- › Power generation demand in South Africa

- › Integrated with British Army equipment support and planning
- › Market data leadership through Palantir collaboration
- › Leading industry in deployment of Advanced Manufacturing

TRAIN

Opportunity size:
c.£2bn



- › Army Collective Training System
- › Armed Forces Driver Training project
- › UK Fire Fighting training evolution
- › European and NATO military training

- › Largest training supplier to British Army
- › 20+ years of delivering critical mission training to reference customers
- › R&D on human performance in high-pressure environments

Case study: high potential military product business

From civilian armoured vehicle conversion to the design, build, and through-life upgrade of militarised mobility vehicles

Civilian armoured vehicle
(LC300)



Babcock General
Logistics Vehicle



High Mobility
Transporter (Jackal 3)



Land Mobility
pipeline



Significant export
opportunities

Strong UK government
support through Land
Industrial Strategy

- › Harnessing reliable commercial/military off-the-shelf platforms
- › Support expertise influences design

- › Sustainable vehicle technologies
- › Freeport facility created to support Land Industrial Strategy

Case study: Strategic Asset Management

Evolving from MRO to digital sustainment products, material availability services and equipment life extensions

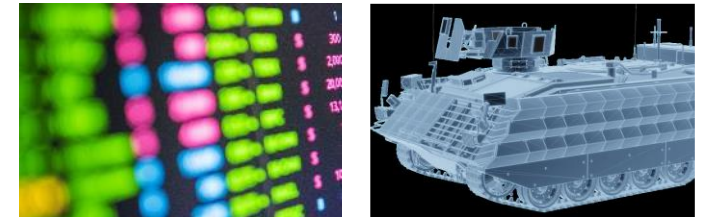
Past: Manpower substitution



Present: Leading strategic partner to the British Army



Developing: Insight and export



- › Unparalleled technical understanding of the Army equipment lifecycle
- › Deep customer intimacy

- › Investment in Advanced Manufacturing to address legacy obsolescence
- › First UK defence industry partnership with Palantir

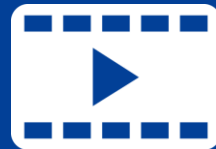
Land summary

- › Refocused and upgraded capabilities – Build, Support, Train
- › Investment in leading technologies to give us a competitive edge
- › Macro environment is generating demand across our customer base
- › Quality of opportunities enable at least 8% sector margin in medium term

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AVIATION SECTOR



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Aviation

**Pierre Basquin,
Chief Executive, Aviation**

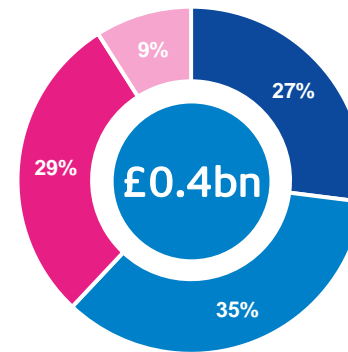


Aviation

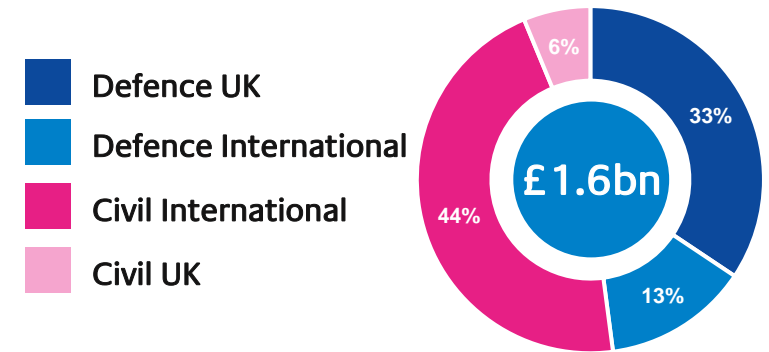
Our c.3000 strong workforce delivers

- › Military training for the two largest Air Forces in Europe (France and UK), training pilots and operators from university through to combat operations
- › Military support providing through-life support to operational military flying assets
- › Critical air operations for governments, saving lives and protecting communities

FY23 revenue

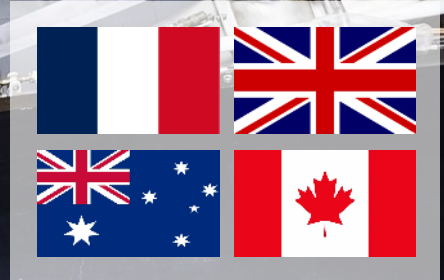


HY24 backlog



62% in Defence 64% International

International business operating in four core countries, well-balanced between defence and civil



What we do

Military training



Military support



Critical air operations



Capabilities

- › Global end-to-end military flying training
- › Provide, integrate and maintain training platforms, ground devices and flying assets
- › Train Air Force, Army and Naval personnel
- › Support training on all platforms: fighter aircraft, transport aircraft, helicopters

- › Through-life support of military flying assets, including line, base and overall maintenance, and equipment design and modifications
- › Military air base management and support

- › Operate government programmes to deliver critical air operations:
 - › firefighting
 - › medical evacuation
 - › search and rescue
 - › police, security
 - › fisheries protection



Largest military flying training supplier in Europe

What differentiates us

Customer intimacy

- › Embedded into Air Forces and their organisations. We deliver alongside them through long-term partnering contracts
- › Our performance directly influences military operational readiness
- › As a critical air missions operator, we understand the operational challenges faced by Air Forces: specialist pilot training and asset availability

Operational asset understanding

- › Extensive experience of providing operational support and training on multiple fixed wing and rotary wing platforms
- › Not reliant on OEMs to maintain and repair the platforms we fly; we do it ourselves
- › We optimise flying platforms through the life cycle to maximise availability and reduce operational costs

Engineering know-how

- › Platform agnostic, we deliver tailored solutions to Air Forces
- › Ability to mutualise engineering services to jointly support our assets and those owned by military customers
- › Wide range of in-house engineering capabilities

Our business spans asset conversion, flying operations, through-life support and training

Supportive market dynamics

Market trends

- › Geopolitical situation driving higher demand from Air Forces for both support and training
- › Increasing military aircraft acquisition driving higher volumes for both support and training
- › Global climate changes driving higher demand for critical air services

Our strategy for growth

- 1** Focus on core geographies and defence
- 2** Expand into selected territories
- 3** Expand into complementary capabilities



Targeted growth opportunities

1 Focus on core geographies and defence



- › Expand military training: MENTOR2, transport and helicopter
- › Diversify air operations: fixed-wing, intelligence and surveillance



- › Expand in military support: RAF air base technical support
- › Target large military opportunities: Next Generation Operational Training, New Medium Helicopter



- › Expand our air operations



- › Diversify into military aviation

2 Expand into selected territories

- › From France into Europe
- › From the UK into NATO
- › Develop Aviation in other Babcock countries

3 Expand into complementary capabilities

- › Aerial tactical training and combat readiness
- › Heavier military aircraft platforms
- › Babcock Military Flying Academy



Near term growth opportunities

Around £3bn of contract opportunities targeted over next three years, of which c.£1.7bn is under active bidding

- › Average contract c.£300m / 12 years duration
- › 80% international
- › 75% in defence



Multiple, multi-year growth opportunities underpin medium term guidance

France – success story

- › Revenue up 10x since FY16, driven primarily by defence opportunities (now c.80% defence)
- › Grown our position as the leading training partner to the French Air Force
- › The largest engineering partner for Armed Forces' medium size helicopters (H160, H145, H135)
- › Strong partnership with leading defence OEMs Dassault Aviation and Airbus Helicopters
- › Successful expansion into supporting military ground assets
- › In France, Babcock is now perceived as a French defence company with appropriate access to classified opportunities and defence investments

Why we succeed:

- › Differentiated value proposition – combining equipment acquisition and conversion, maintenance, operation and training
- › Strong track record in UK – flexible model adaptable to French requirements
- › We shaped the French Air Force's approach to outsourcing
- › Consistent delivery



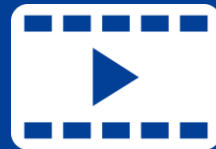
Aviation summary

- › International business delivering training and engineering services to Air Forces and critical air operations to save lives and protect communities
- › The wide range of our activities, from asset conversion, operational and through-life support, and training is a core differentiator
- › Deeply embedded into Air Force organisations, we directly influence their operational readiness
- › Confident in delivering sustainable international growth in military aviation focusing on our core capabilities and core geographies

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MARINE SECTOR



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Marine

**Paul Armstrong,
Chief Executive, Marine**

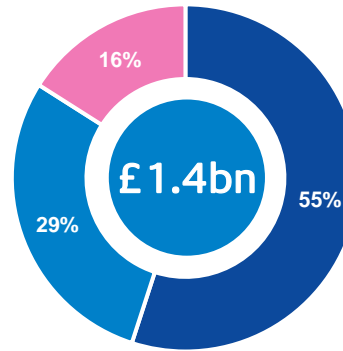


Who we are

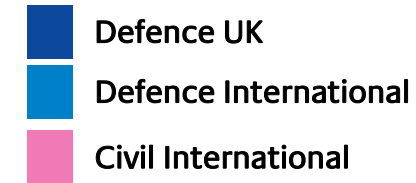
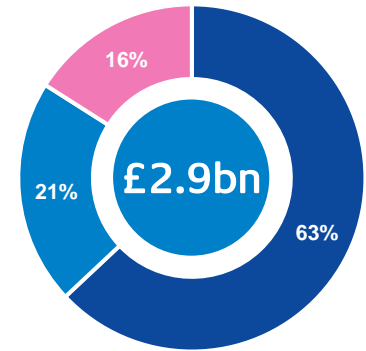
Our c.5200 strong workforce delivers:

- › Design and build of warships for the UK and international markets
- › Warship through-life support programmes
- › Submarine and equipment through-life design and support
- › World leading commercial liquid gas engineering systems
- › Weapons handling and launch systems for ships and submarines
- › Design, build and support of secure military communications systems
- › The UK's support capability for naval and close-in weapon systems
- › Operation and support UK's military satellite communications system

FY23 revenue



HY24 backlog



c.60% Support 40% Product



Engineering, advanced manufacturing and systems integration business

What We Do

Design, develop, manufacture and integrate specialist systems, and deliver technical through-life support

Design



Complex platforms, systems and equipment design for through-life affordability, capability, availability

- › Warship design and licencing (UK, IND, POL)
- › Weapons handling and launch systems (WHLS) for ships and submarines
- › Liquid gas engineering (LGE) handling systems
- › Naval design consultancy

Build



Digitally-enabled, high-integrity advanced manufacturing of platforms, systems and equipment

- › Build and final assembly of Type 31 Inspiration Class frigates
- › Manufacture of ballistic missile tube assemblies for UK and US submarines
- › Warship build programmes
- › LGE handling systems

Integrate



Integration of complex technology across in-service and future platforms, systems and equipment

- › Next generation electronic warfare system for the UK Royal Navy
- › Technology and WHLS integration
- › Defence secure communications systems
- › Space integration and support
- › Weapons handling systems

Support



Through-life support, life extension and upgrade of platforms, systems and equipment

- › Warship support (UK, AUS, NZ, BRA, UKR, US)
- › Submarine and equipment support (CAN, AUS)
- › Submarine and weapons systems support (Valves, Mk 8, Phalanx)
- › Naval base management (NZ)

What differentiates us

Customer intimacy

- › Long term warship support partner to UK, Canada, Australia and New Zealand
- › Working in alliances with our customers in joint support teams across the same sites
- › Developing additional international long-term partnerships

Operational asset understanding

- › In-service support to every UK class of warship
- › Deep maintenance support to 50% of UK surface warships
- › Through-life capability partner for all UK naval guns
- › Using digital twin data to improve operational support solutions
- › Technical Babcock personnel deployed internationally

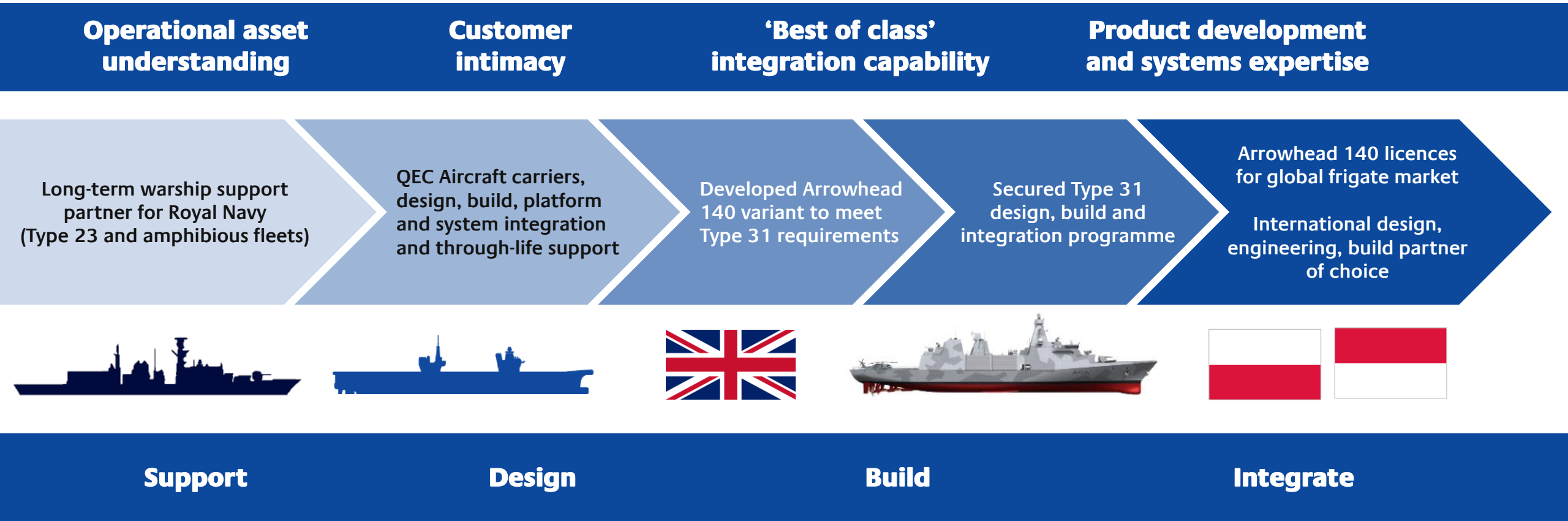
Product development and systems expertise

- › Market-leading adaptable naval designs for through-life affordability
- › Delivering innovative and complex naval systems and equipment using advanced manufacturing capabilities
- › Leader in marine LGE systems
- › Leading Five Eyes provider of secure defence communications

'Best of class' integration capability

- › Delivering multi-OEM solutions which offer better availability, affordability and capability
- › Unique ability to collaborate with a range of international OEM partners
- › Clear focus on customer need, based on intimacy and operational asset knowledge

Developed capability: support to global design and build



Arrowhead 140 licences for global frigate market

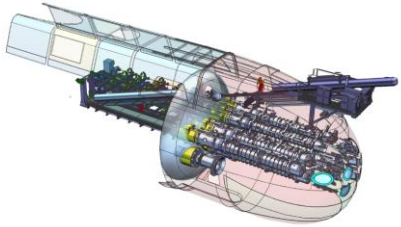
International design, engineering, build partner of choice

Capability developed through support of complex assets

Unmatched submarine weapons systems experience

Over 50 years experience in providing weapons handling and launch systems (WHLS) to global navies with safe, proven, effective and reliable solutions

Babcock-owned IP



Experience of design, manufacture and integration of WHLS for customers around the globe, incorporating unmatched technological IP

Global leader in WHLS



Trafalgar, Vanguard, Astute, Dreadnought, SSN-A



S-80



Jangbogo-III



Collins Class



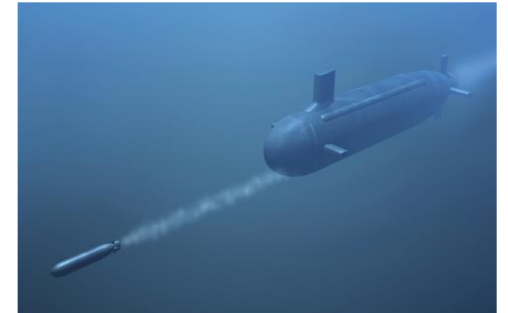
Victoria Class

Critical UK supplier



Technical Authority for WHLS on all classes of UK submarines

New-build opportunities



Opportunities in Netherlands, Poland, Canada and AUKUS

- › Experienced OEM of complex mechanical handling systems, designing and manufacturing WHLS solutions meeting varying demands of global customers
- › A deep understanding of both the platform and weapon systems interfaces, in a highly complex domain

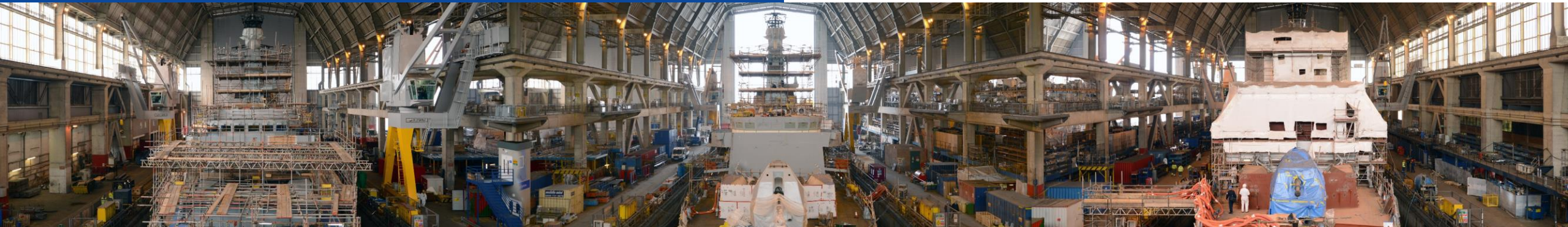
- › Positive Launch capability: proven compatibility with wide range of torpedoes, missiles and mines maximising platform operating envelope
- › Continuous development of the next generation of WHLS to provide enhanced capabilities for the next generation of submarines

Supportive market dynamics

- › Growing focus on defence capability due to ongoing conflicts supported by increasing defence budget, NATO expansion and global instability
- › Desire for affordable indigenous sovereign shipbuilding and in-service support capability
- › Speed of technology development
- › Increasing demand for digital products and services
- › Emerging demand in autonomous systems and space
- › Net Zero and emissions targets

Our growth strategy

- 1** Optimise position
- 2** Selective new programmes
- 3** Expansion in focus countries
- 4** Direct exports
- 5** Strategic partnerships



Marine growth strategy

UK		International		
Optimise position	Selective new programmes	Expansion in focus countries	Direct exports	Strategic partnerships
<ul style="list-style-type: none"> › Platforms, systems and equipment support › Vessel disposal and second owners › Growth in advanced manufacturing (US/UK) › Submarine systems 	<ul style="list-style-type: none"> › New ship programmes › Space and defence communications › Autonomous systems › Naval Support Integrated Global Network (NSIGN) › Marine Systems Transformation (MaST) 	<ul style="list-style-type: none"> › Canadian future submarine programme › AUKUS submarine systems › Space and secure defence comms › Support to second owners 	<ul style="list-style-type: none"> › Ukraine opportunities › AH140 customers › Netherlands submarine systems › Broaden LGE customer base 	<ul style="list-style-type: none"> › Advanced corvette design › Developing the product family › Partner on submarine systems › NSIGN › Global support at reach › Module build

Breadth of product and support with geographic diversification underpins sustainable long-term growth

Expertise driving international opportunities

Our long-standing support expertise driving international growth

UK Royal Navy
mine counter measure
vessel (MCMV) support



Long-standing
through-life
support the UK
MCMV fleet

Babcock, UK and Ukraine
MOD tripartite
memorandum



Memorandum of
Implementation
signed in Odesa,
June 2021

Ukrainian Naval
Capabilities Enhancement
Programme (UNCEP)



UK industrial lead
for broad ranging
programme

Platform capability
upgrade



Reconfiguring and
recommissioning
former UK MCMVs
for Ukraine

Ukraine MCMV support
contract award



Support and
maintain Ukraine
MCMVs Cherkasy
and Chernihiv

Office opened
in country



Dedicated Babcock
support to Ukraine
and other sector
opportunities

**New customer entry point creating 2nd lifecycle and future design,
build, integrate and support opportunities**

Marine summary

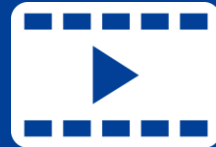
Positioned for profitable growth

- › New market entrant and disruptor in global frigate segment with proven export credentials
 - › Significant pipeline of UK and International shipbuilding opportunities
- › Future profitability will improve over time from mix of new contracts entered under good principle
- › Largest support provider in the UK and internationally across platform, systems and equipment
- › Offering 'best of class' technology integration solutions
- › Market leader in key operationally-critical technologies

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NUCLEAR SECTOR



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Nuclear

Harry Holt,
Chief Executive, Nuclear

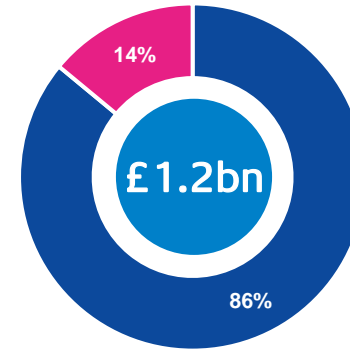


Nuclear

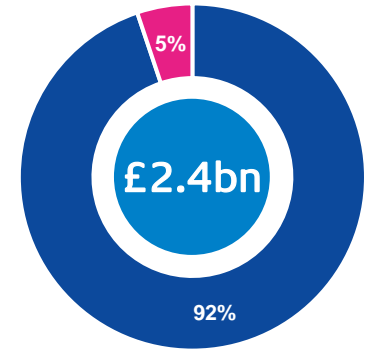
Our c.10000 strong workforce supports nuclear assets through life:

- › Complex engineering support to the entire UK nuclear submarine fleet
- › Management of critical national infrastructure at Devonport, Faslane and Rosyth
- › The world's first nuclear submarine dismantling pilot, and ongoing disposal
- › End to end engineering integration partnership for AWE deterrent production
- › UK civil nuclear new build, generation support and decommissioning projects
- › Growing international nuclear services portfolio and partnerships

FY23 revenue



HY24 backlog



■ Defence UK
■ Civil UK



UK's largest civil and defence nuclear services provider

What We Do

Whole life support to nuclear assets

Design



Build



In-Service operations



Defuel and dismantle



Defence

- › SSN-AUKUS and Dreadnought submarine design (not build)
- › Fissile production facilities

- › Major infrastructure capital projects for new submarine classes
- › Specialist nuclear equipment manufacture and install

- › Maintain the whole UK submarine fleet
- › Operate HMNB Devonport and HMNB Faslane critical national infrastructure

- › Nuclear submarine dismantling
- › Defuel and disposal of 22 legacy UK submarines

Civil

- › High integrity Magnox nuclear waste management solutions
- › New UK fuel processing facilities

- › Delivery alliance lead for Hinkley Point C and Sizewell C
- › Partner to all prospective UK modular reactor technologies

- › Lifetime extensions to all EDF UK power stations
- › Provision of specialist radiometric services for Sellafield

- › Major projects for UK Nuclear Decommissioning Authority
- › International decommissioning (USA and Japan)

What differentiates us

Customer intimacy

- › Long term UK MOD submarine support partner
- › Strong nuclear regulator relationships
- › Growing international portfolio and partnerships eg Huntington Ingalls Industries (HII)

Operational asset understanding

- › Support to every class of UK nuclear submarine
- › Deploying innovative technology AWE fissile production facilities
- › OEM for fuel route and primary control systems for EDF-Energy UK fleet
- › AUKUS – SSN-A platform design for maximum support efficiency

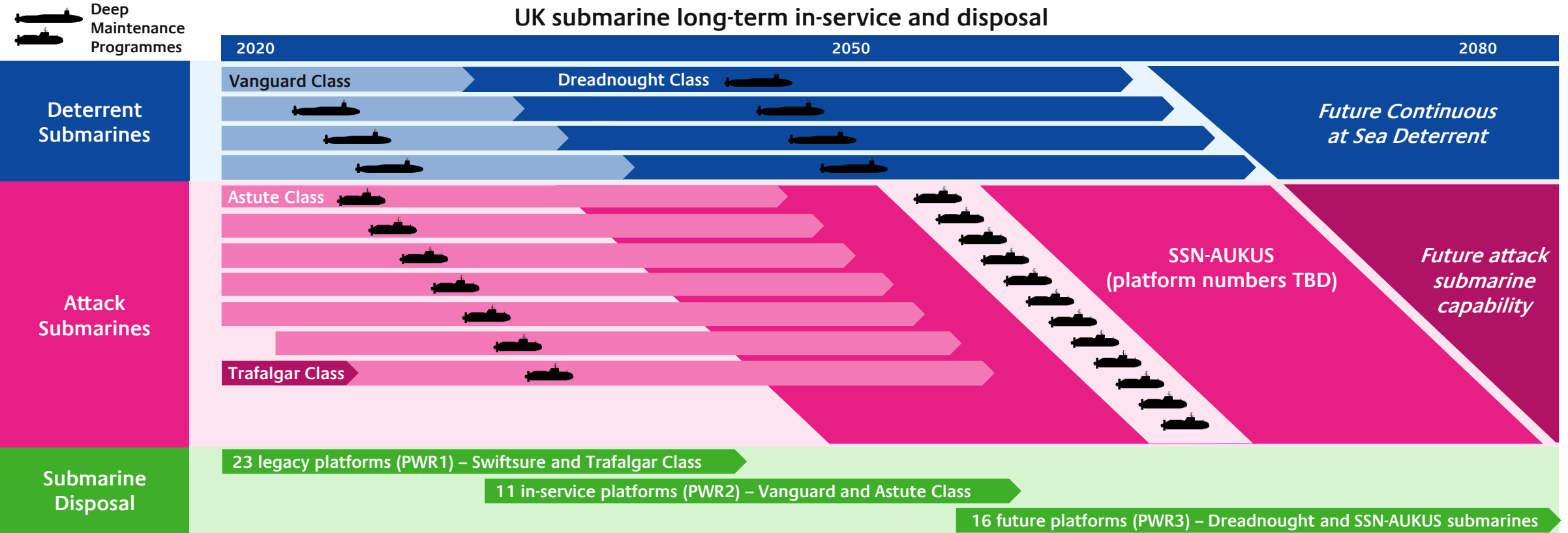
Engineering know-how

- › UK's largest nuclear workforce for civil and defence (10,000)
- › Prime partner for Nuclear Skills Taskforce
- › Babcock Skills Academy to train 10,000 people in next five years
- › Leveraging digital asset data to improve engineering decisions

Unique infrastructure

- › Own and operate highly regulated nuclear sites – Devonport and Rosyth
- › Management of critical national infrastructure at Devonport, Faslane and Rosyth Naval Bases

UK submarine fleet transition underpins growth



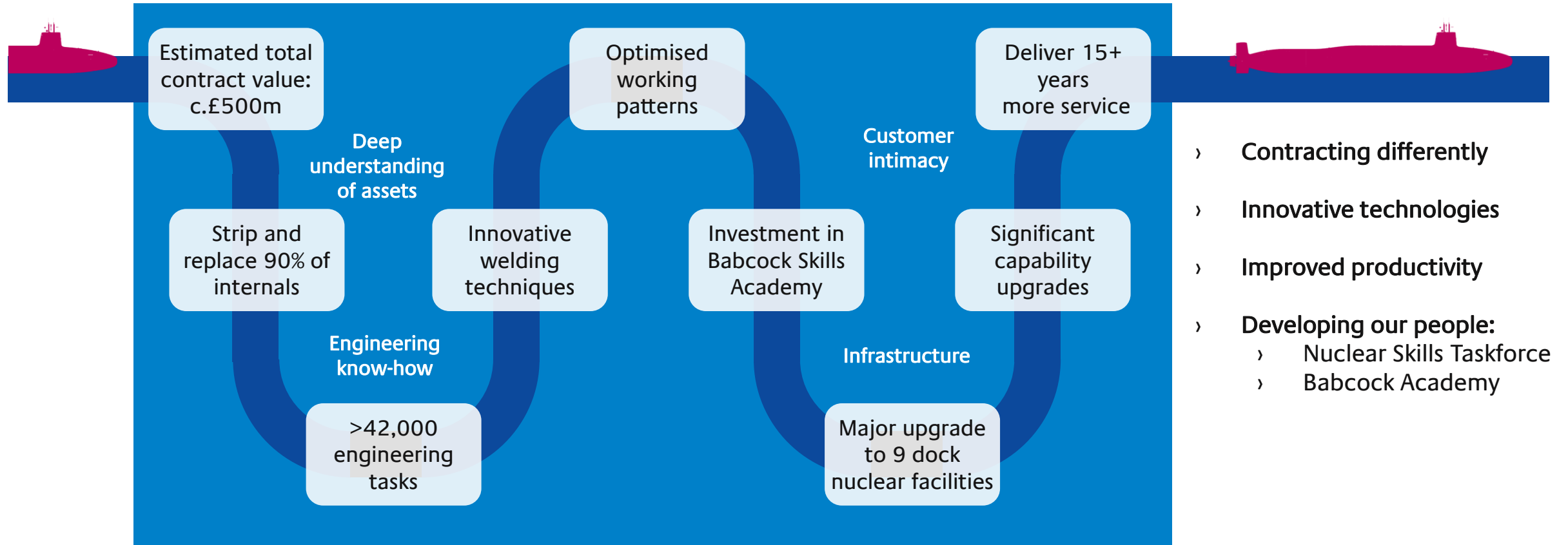
A c.60-year UK defence pipeline including:

- Fleet growth from 11 up to 16 submarines
- Two submarine class transitions
- Two major infrastructure re-capitalisation programmes
- A new deterrent to bring into service
- Fifty submarines to defuel and dispose

Growth

Macro trends	Programmes	Opportunities	Duration	Total value*	Status
Global security	CASD 50+ years	Long term submarine partnership: in-service support for increased UK fleet (11 up to 16 boats)	2026 - 2050s	£30-50bn	Incumbent
	AUKUS	Naval infrastructure: Devonport and Clyde major infrastructure programmes for new classes	Now - 2035	£6-8bn	Incumbent
Climate change	Legacy fleet disposal	AWE: partnership scope growth in delivery of new fissile production facilities	Now - 2035	£1-2bn	Incumbent
		AUKUS: build of up to 8 SSN-As for Australia plus enabling infrastructure and through-life support	Now - 2070s	£10-20bn	Competitive
Energy security	24GW new UK nuclear by 2050	Submarine disposal: 50-year disposal capability for the UK's 22 laid-up and 28 future submarines	2025 - 2070s	£10-12bn	Competitive
		International decommissioning: incremental growth through partnerships in US and Japan	Now - 2040s	£5-10bn	Competitive
		New UK nuclear: delivery against UK Government roadmap for large and modular reactors	Now - 2050	£25-30bn	Competitive

Case study: HMS Victorious deep maintenance period



Case study: Partnering with HII

Rationale

Complementary capabilities
in nuclear maritime asset
build and support

Shared challenge of
dealing with legacy
nuclear platforms

Strong infrastructure
and support proposition
for AUKUS

Mutually beneficial
access in UK and US
markets

Partnership status

- › Strategic agreement signed in July 2023 to explore mutually beneficial growth opportunities in international civil and defence nuclear domains
- › AUKUS memorandum of understanding signed in Dec 23 between Babcock, HII and Bechtel in support of Australia's conventionally-armed nuclear-powered submarine programme

Mutually beneficial growth opportunities identified

- › US and UK Navy nuclear ship and submarine dismantlement
- › North American and UK Government nuclear contracts
- › Civil nuclear power plant component design, fabrication and construction in North America, UK and Europe
- › UK and US dockyard infrastructure upgrades
- › AUKUS Submarine infrastructure and maintenance in Australia

Nuclear summary

Market Trends and Position

- › Global insecurity is driving the prioritisation of UK MOD funding into nuclear defence enterprise (submarines and AWE) both of which are core, long term markets for Babcock which has strong incumbent positions
- › Net Zero and Energy Security agenda are catalysing the civil nuclear power renaissance, where Cavendish Nuclear is uniquely positioned across both large scale and modular technologies

Growth momentum

- › Key defence opportunities include: long term submarine support agreement in development with MOD; major nuclear infrastructure re-capitalisation; and an enduring UK submarine disposals capability
- › AUKUS presents the largest international growth opportunity – Babcock and HII have formed a global alliance to secure the enabling infrastructure delivery and enduring in-service submarine support
- › UK Government's new nuclear roadmap (large scale and modular) provides further confidence in nuclear power renaissance

Financial summary

David Mellors,
Chief Financial Officer



What we have delivered so far

Revenue*

+ 19%

to £4.0bn

Operating profit*

+ 30%

to £265m

Margin*

+ 60bp

to 6.6%

Backlog**

+ £3.2bn

to £9.6bn

Net debt⁺

down c.£ 1.1bn

to £(493)m

Credit rating

**Upgraded 2x
to BBB+ (stable)**

Defence revenue⁺⁺

+13pp to 69%

**Dividend
reinstated**

Improved focus, a strong foundation and pointing in the right direction

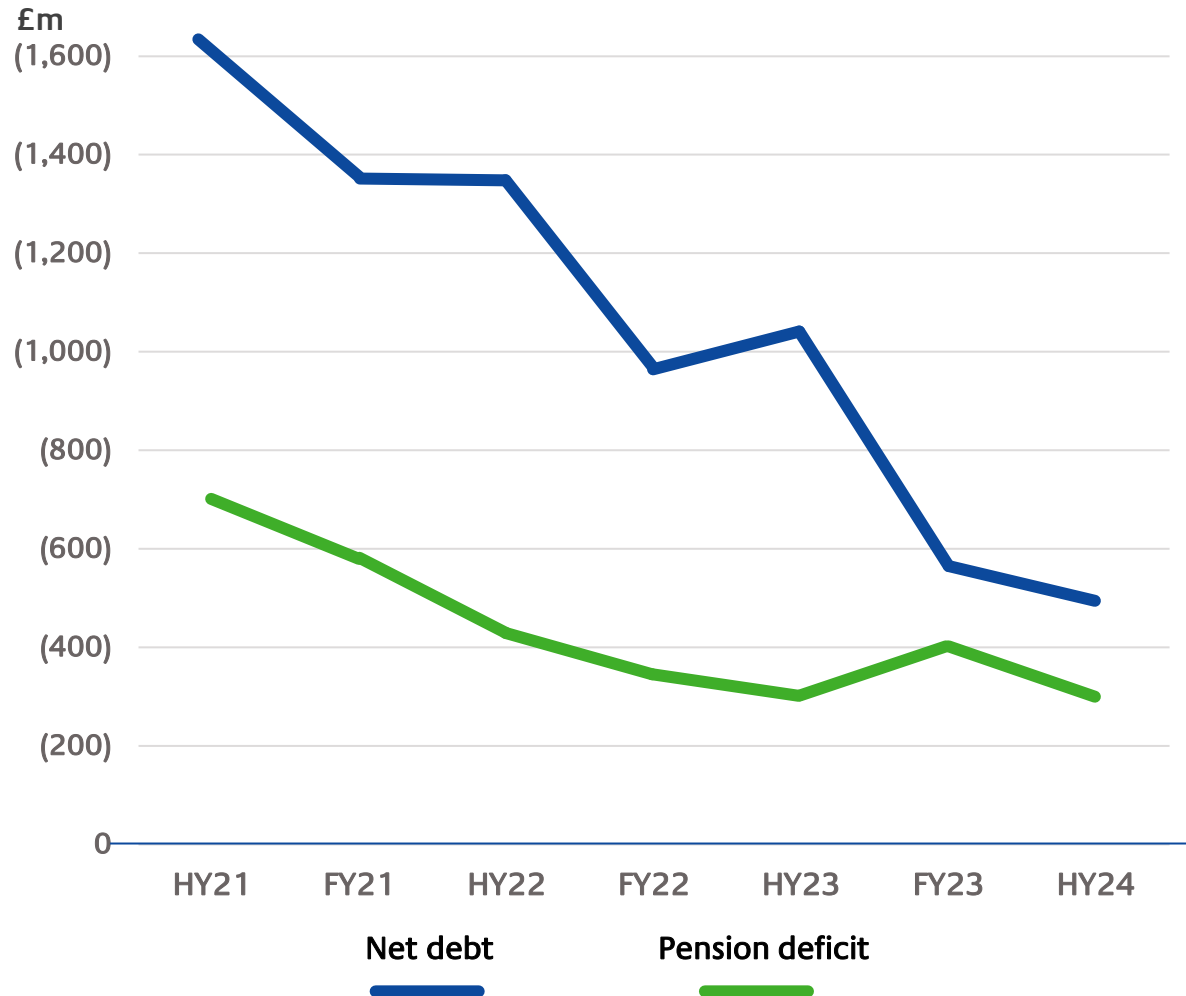
* FY23 underlying revenue, operating profit and operating margin (excluding T31 loss, one-off Land credit, disposals) vs FY21 rebased to on ongoing business as at 01 April 2023 (excludes disposals, CPBS, and consolidates the NSM JV)

** HY24 vs FY21 excluding disposals

+ HY24 vs HY21

++ HY24 vs FY21

Balance sheet significantly stronger



Net debt reduced by c.£1.1bn

- › Gearing reduced from 2.8x (HY22) to 1.1x (HY24)
- › Target range of 1.0x to 2.0x EBITDA
- › S&P credit rating upgraded to BBB+ (Dec 2023)
- › Ample liquidity, in excess of £1bn

Pension deficit reduced by c.£400m

- › Estimated actuarial technical provision deficits (aggregated for all schemes)
- › c.£65m deficit contributions in FY24
- › Contributions will reduce in medium term as schemes approach self sufficiency
- › We continue to assess options to accelerate de-risking the schemes

Creating shareholder value

Improvement in performance

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What this delivers

Medium term guidance

Organic growth
**Mid-single
digit**

Margin
≥ 8%

Cash
conversion
≥ 80%

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Disciplined capital allocation

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Capital allocation framework

Priority

- 1 **Organic investment**
Sustain investment to support business operations and enhance growth potential
- 2 **Financial strength**
Maintain strong balance sheet and investment grade rating
- 3 **Ordinary dividend**
Pay an ordinary dividend

Further capital options

Pensions
Accelerate de-risking

M&A
Bolt on opportunities

Shareholder returns
Further returns of surplus capital to our shareholders

Supports growth and shareholder returns

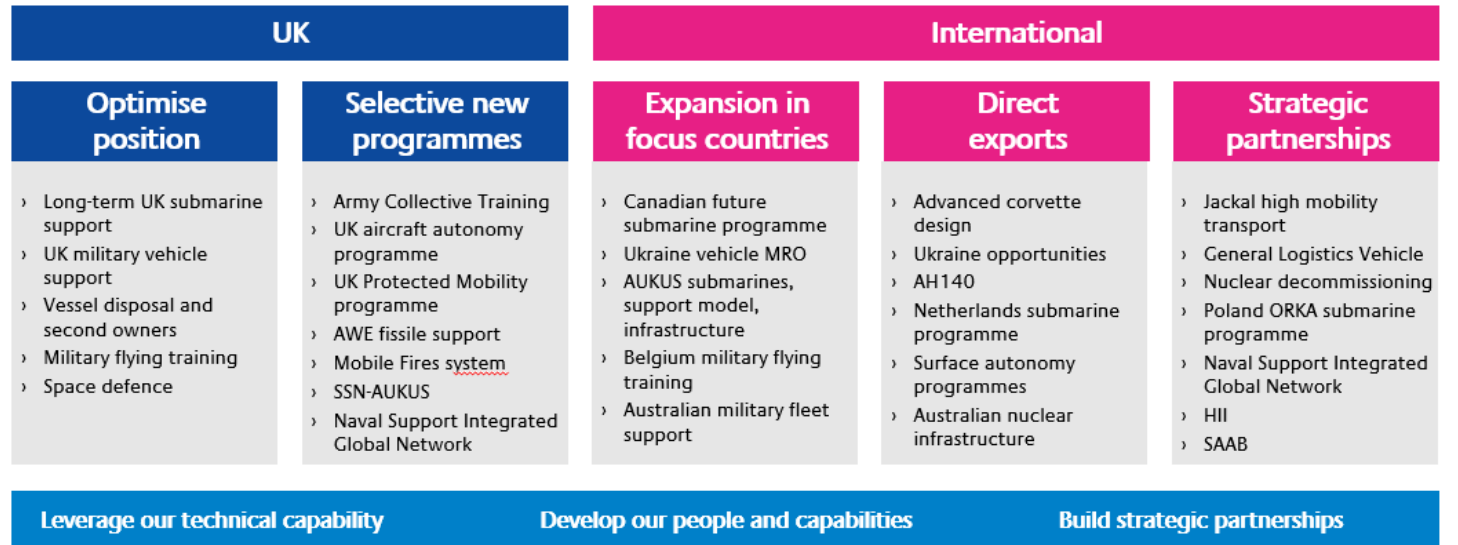
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Shareholder value generation

Capturing good quality growth

Organic growth
**Mid-single
digit**

Our growth strategy



Creating shareholder value

Improvement in performance

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- 3

Ordinary dividend

Pay an ordinary dividend

Further capital options

Pensions

Accelerate de-risking

M&A

Bolt on opportunities

Shareholder returns

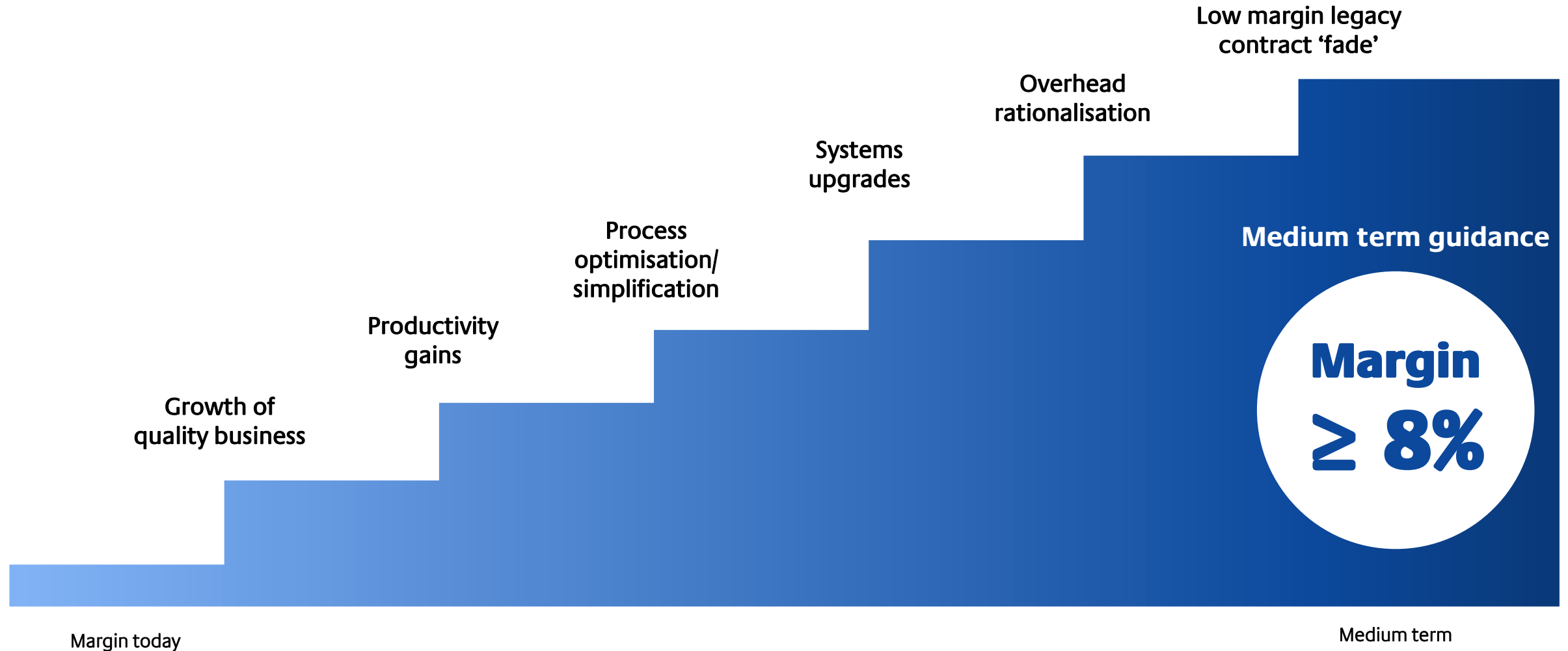
Further returns of surplus capital to our shareholders

Supports growth and shareholder returns

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Shareholder value generation

Medium term guidance – margin improvement levers



Creating shareholder value

Improvement in performance

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What this delivers

Medium term guidance

Organic growth

Mid-single
digit

Margin
≥ 8%

Cash
conversion

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Disciplined capital allocation

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Capital allocation framework

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Further capital options

Pensions
Accelerate de-risking

M&A
Bolt on opportunities

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Supports growth and shareholder returns

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Shareholder value generation

Medium term guidance – high cash conversion

How we achieve it

- › Improved bidding
- › Programme execution
- › Working capital focus
- › Short term: good cash conversion but with:
 - › Investment ‘catch up’
 - › Working capital over performance in FY22 and FY23
 - › Legacy onerous contracts
- › Medium term: expect higher cash conversion (80% - 100%)

Medium term guidance



**Cash
conversion
≥ 80%**

Creating shareholder value

Improvement in performance

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What this delivers

Medium term guidance

Organic growth
**Mid-single
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Disciplined capital allocation

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Further capital options

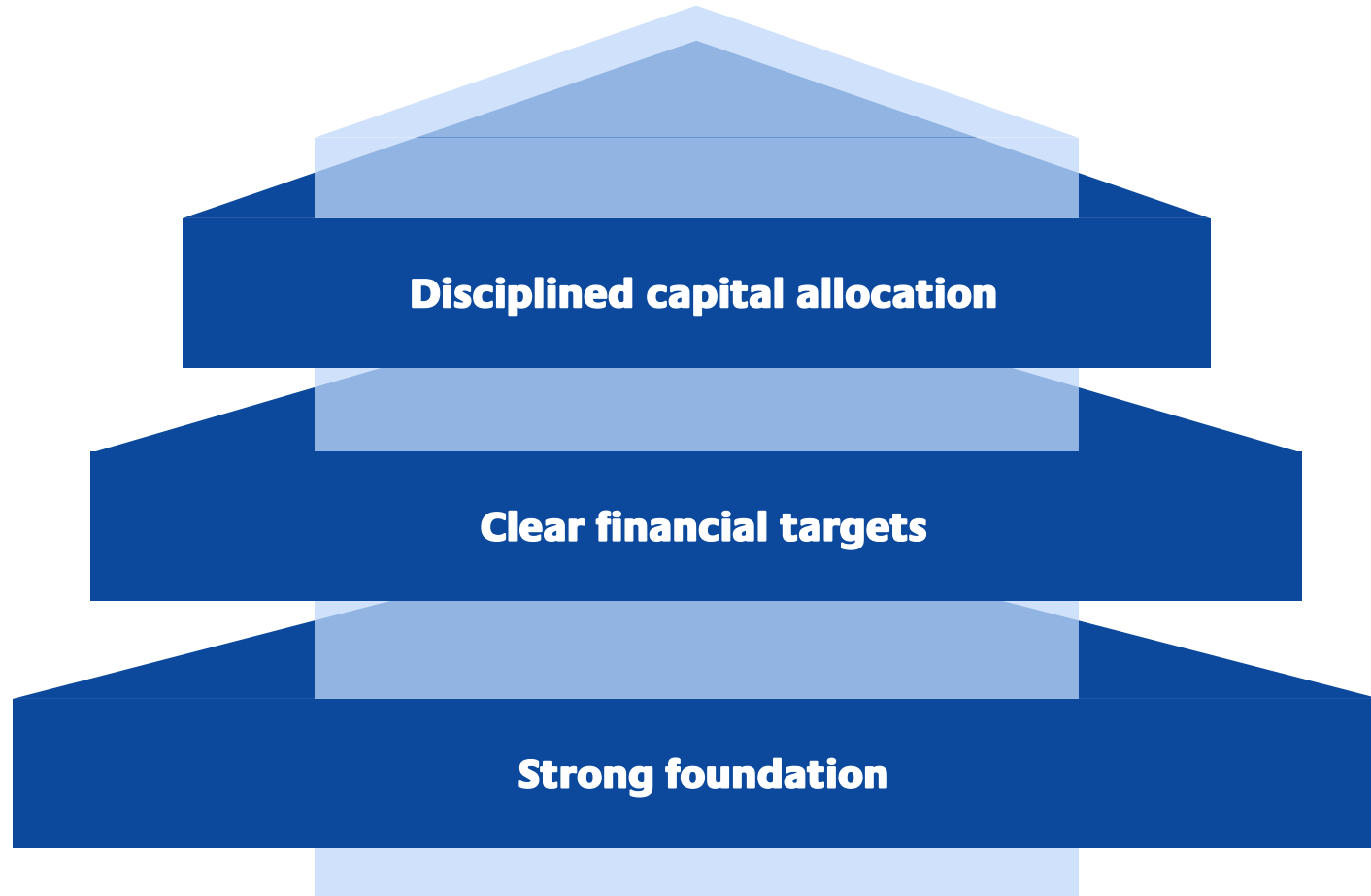
Pensions
Accelerate de-risking

M&A
Bolt on opportunities

Shareholder returns
Further returns of surplus capital to our shareholders

Supports growth and shareholder returns

Summary: confidence in driving value



Key messages

Strongly positioned

- › ~70% defence revenue*
- › Critical supplier to governments
- › Complex programme delivery
- › Customer intimacy
- › Deep platform knowledge
- › Engineering know-how
- › Product development capability

Sustainable growth

- › £9.6bn contract backlog*
- › Supportive markets: military capability vs fiscal constraints
- › Differentiated proposition delivering availability, affordability and capability
- › Partnerships and collaboration

Improving margins and cash flow

- › Contract terms and discipline
- › Enhanced operational, programme and technical risk management
- › Operational improvement
- › Unwind of legacy contracts

*HY24

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Question and answers