

Babcock is an engineering services company with market leadership in our core markets. We provide skilled bespoke engineering services to our customers to provide them with better capability, reliability and availability of their critical assets as well as significant cost savings.

Our strategy focuses on three markets:

with strong market positions based on our strengths:

and clear priorities:

**Defence** **47%**  
of Group revenue

**Emergency Services** **12%**  
of Group revenue

**Nuclear** **13%**  
of Group revenue

Sector specific technical expertise

Deep customer relationships

Unique infrastructure assets

Long-term contract visibility

Focus on core markets

Sustain margins

Develop UK business

Expand internationally

Driving value for customers and shareholders

**FY18 results** Underlying revenue **£5,363m** Underlying operating profit **£585m**

**HY19 results** Underlying revenue **£2,577m** Underlying operating profit **£280m**

**Marine** **FY18** **33%** of Group revenue

Delivering complex through-life marine engineering

**UK Naval and International Naval**

- UK, CAN, AUS submarine fleet support and refits (100% UK & CAN)
- UK, AUS, NZ surface fleet support
- Naval base operations and training
- Vessel design & build engineering

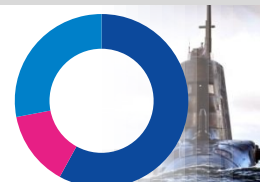
**Technology**

- Equipment support
- Engineering consultancy
- Cyber, intelligence and security
- Weapons handling & launch systems
- Liquid gas process engineering

Revenue: **£1,788.9m**  
Operating profit: **£235.1m**  
Margin: **13.1%**  
International: **21%**  
Civil/defence split: **15/85**  
Public/private split: **90/10**

Revenue split

- UK Naval
- International Naval
- Technology



**Land** **FY18** **35%** of Group revenue

Delivering large scale critical fleet management and training

**Defence**

- British Army training
- British Army fleet management, c.50,000 vehicles

**Emergency Services and Training (ES&T)**

- Fleet management
- Technical training
- Apprentice training

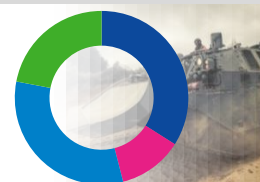
**Networks and Equipment Support (N&ES)**

- Rail, Power, Airports
- South Africa
- Equipment, Power support

Revenue: **£1,849.1m**  
Operating profit: **£140.1m**  
Margin: **7.6%**  
International: **29%**  
Civil/defence split: **64/36**  
Public/private split: **62/38**

Revenue split

- Defence
- ES&T
- N&ES
- South Africa



**Aviation** **FY18** **19%** of Group revenue

Delivering critical aviation services

**Defence**

- UK and French fixed and rotary wing training
- Aircraft support and availability
- Airbase support

**Emergency Services**

- Air ambulances
- Firefighting
- Search and rescue
- Maintenance, repair and overhaul

**Oil and Gas**

- Crew change services

Revenue: **£1022.1m**  
Operating profit: **£144.3m**  
Margin: **14.1%**  
International: **60%**  
Civil/defence split: **80/20**  
Public/private split: **88/12**

Revenue split

- Defence
- Emergency Services
- Oil and Gas



**Cavendish Nuclear** **FY18** **13%** of Group revenue

Delivering complex nuclear engineering and decommissioning

**Decommissioning JVs**

- Dounreay
- Magnox

**Projects**

**Nuclear services**

- Sellafield
- EDF
- AWE

**New build**

- Hinkley
- Wylfa

Revenue: **£702.7m**  
Operating profit: **£68.8m**  
Margin: **9.8%**  
International: **1%**  
Civil/defence split: **97/3**  
Public/private split: **91/9**

Revenue split

- Decommissioning Joint Ventures
- Projects



## Half year 2018/19 underlying results

### Organic Growth

at constant fx

- 1.1%  
Revenue

+ 2.4%  
Operating profit

10.9%  
margin

### Visibility

£32bn  
Order book  
+ pipeline

92%  
FY19 revenue  
in place

Stable win  
rates

### Cash

Cash conversion  
120% pre capex  
82% post capex

£140m  
HY free cash flow

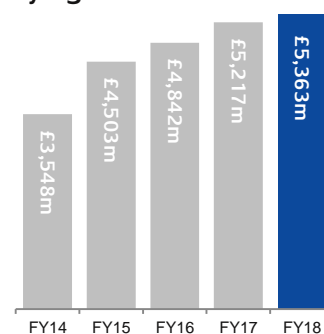
1.6 x  
Net debt/  
EBITDA

### Returns

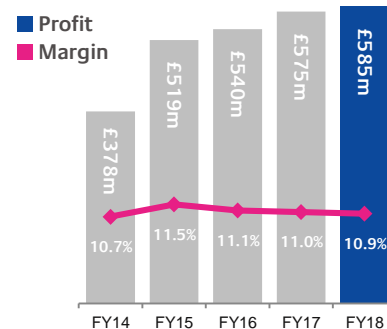
+ 3.1%  
EPS

+ 3.6%  
DPS

## Underlying revenue



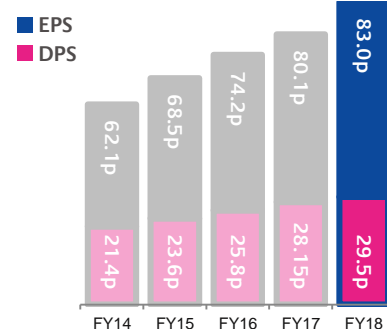
## Underlying operating profit



## Long-term positions in key markets

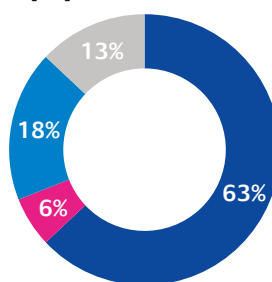
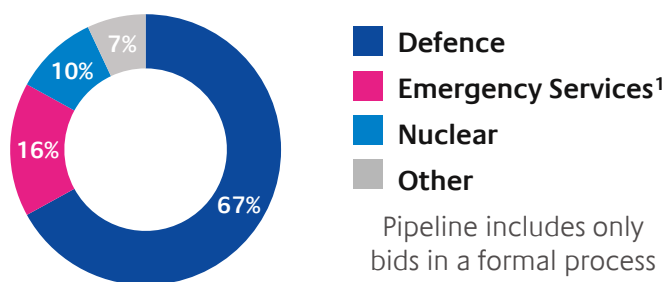
Average contract length	Market	Key Features
> 10 yrs	Defence	<ul style="list-style-type: none"> <li>Through-life critical platform support</li> <li>Technology and equipment support</li> <li>Technical training provision</li> <li>High visibility of complex programmes</li> </ul>
> 8 yrs	Emergency Services	<ul style="list-style-type: none"> <li>High criticality, non-cyclical</li> <li>Large-scale fleet management</li> <li>Growth linked to GDP</li> <li>Technical training and infrastructure</li> </ul>
> 8 yrs	Nuclear	<ul style="list-style-type: none"> <li>Complex long-term and major projects</li> <li>Operations and fuel route management</li> <li>Ongoing decommissioning across UK</li> <li>Technical training and safety consultancy</li> </ul>

## Shareholder returns



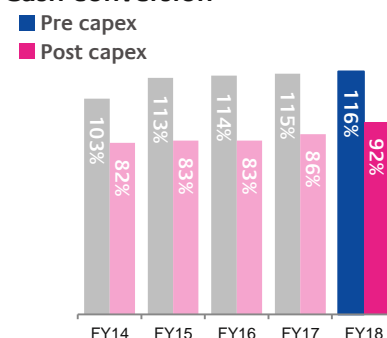
## Order book c.£18bn

## Bid pipeline c.£14bn



<sup>1</sup> Emergency Services typically shorter bid periods so underrepresented in pipeline

## Cash conversion



## Capital allocation priorities

① Invest in the business	② De-gear balance sheet	③ Return capital to shareholders
Drive growth	Flexibility	Growing and sustainable dividend

## Order book and pipeline

