



5 June 2019

Babcock International Group PLC (Babcock or the Company)

This announcement contains inside information

Capital Markets Day

Babcock, the aerospace and defence company, is today holding a Capital Markets Day in London.

Babcock is focused on three markets: Defence, Emergency Services and Civil Nuclear. Today's presentations will show how the leadership positions we have in these markets are built on our core strengths: our technology and expertise, owned infrastructure and assets and a successful operating model. Our strategy is to build on these positions to deliver for our customers, employees and shareholders over the medium term.

Financial targets

We announce today our medium term financial targets:

- Earnings growth of 3% to 4% CAGR
- Sustain margins at around 11%
- Increase cash flows each year in line with earnings
- Generate around £1.4 billion of free cash flow over the next five years
- Continue to reduce net debt and increase flexibility
- Improve ROIC
- Sustainable dividend

These medium term targets relate to periods beyond the year ending 31 March 2020 and exclude the impact of the end of our Magnox and QEC contracts. Guidance for the Group for the year ended 31 March 2020 was set out in our full year results announcement on 22 May 2019 and remains unchanged.

Delivering medium term growth

We will set out today how we will deliver this growth across our sectors. In summary, we will:

- Focus on three markets with strong leadership positions: Defence, Emergency Services and Civil Nuclear
- Grow revenue from these markets from around 75% of group revenue today to over 85%
- Develop and operate our adjacent businesses for value
- Grow international revenue from 30% of group revenue today to over 40%
- Develop multi-sector, multi-market opportunities in Australia, Canada, France and Spain
- Embed technology as a core growth driver across all four sectors
- Maintain our historical business win rates

Change to our Nuclear sector

We are today also announcing that our Naval Nuclear business, which was within our Marine sector, has been combined with Cavendish Nuclear to create a new Nuclear sector, under a single management team led by Simon Bowen. This optimises alignment with our primary customers in both the defence and civil nuclear areas and creates one nuclear business that will share resources and operate under the regulatory environment managed by the Office for Nuclear Regulation.

The restated results for the year ended 31 March 2019 are included in the notes to this announcement and further details have been published on our website this morning.

Capital Markets Day

The event will start at 10:00am and will be streamed live at: www.babcockinternational.com/investors.

A replay and transcript will be made available after the event. The presentations will cover:

- Strategy (Archie Bethel)
- Technology (Jon Hall)
- Marine (John Howie)
- Nuclear (Simon Bowen)
- Land (John Davies)
- Aviation (Roger Hardy)
- Business model (Franco Martinelli)

Sector highlights

During the day we will set out our strategy by sector.

In **Marine**, we will:

- As the trusted partner to the Royal Navy, grow the UK defence business
- Build on the longevity of key naval programmes both in the UK and internationally
- Grow our technology systems, equipment management and consultancy capabilities in defence and adjacent markets
- Continue to expand overseas in our target markets
- Continue operational excellence to improve returns

We expect this to lead to revenue growth of around 4% CAGR for our Marine sector over the medium term.

In **Nuclear**, we will:

- Grow our UK submarine business as the trusted partner to the Submarine Delivery Agency
- In partnership with the Royal Navy, MOD and SDA, continue to develop strategic naval base infrastructure
- Continue to develop improved in-service and long term sustainment in support of entire submarine fleet
- Establish the FMSP contract as driver of continued productivity improvement and operating excellence
- Build on the longevity of multiple programmes
- Grow our UK civil nuclear business as a trusted partner to the NDA and EDF
- Explore and develop civil nuclear international markets
- Continue operational excellence to improve returns

We expect this to lead to revenue growth of around 4% CAGR for our Nuclear sector over the medium term.

In **Land**, we will:

- Become the British Army's strategic readiness partner as we continue to transform DSG and develop our training business
- Build on opportunities in UK defence
- Deliver international growth, primarily in Australia, and elsewhere as opportunities arise
- Continue operational excellence to improve returns
- Manage adjacent businesses for value as we continue to pursue attractive opportunities and enhance operating efficiency to deliver for customers

We expect this to lead to revenue growth of around 3% CAGR for our Land sector over the medium term.

In **Aviation**, we will:

- Become the largest aerial emergency services provider in the world as we grow share in established countries and enter new countries and regions
- Develop our defence business in existing and new international markets to become a recognised world leader in flight training and a leader in maintenance, repair and overhaul
- Build on our significant pipeline of opportunities
- Continue operational excellence, including optimising our aircraft fleet, to improve returns

We expect this to lead to revenue growth of around 5% CAGR for our Aviation sector over the medium term.

ends

For further information please contact:

Babcock International Group PLC

Simon McGough

Director of Investor Relations
Tel: +44 (0)20 3823 5592

Kate Hill

Group Director of Communications
Tel: +44 (0)20 7355 5312

FTI Consulting

Nick Hasell / Alex Le May / Andrew Lorenz
Tel: +44 (0)20 3727 1340

Notes: Sector restatements

The restated sector splits for the results for the year ended 31 March 2019 are shown below.

Year ended 31 March 2019:

| Revenue (£m) | 31 March 2019 reported | Movement | 31 March 2019 restated |
|--------------|------------------------|----------|------------------------|
| Marine | 1,706.6 | (620.6) | 1,086.0 |
| Nuclear | 698.3 | 620.6 | 1,318.9 |
| Land | 1,620.2 | – | 1,620.2 |
| Aviation | 1,135.5 | – | 1,135.5 |
| Group | 5,160.6 | – | 5,160.6 |

| Operating profit (£m) | 31 March 2019 reported | Movement | 31 March 2019 restated |
|-----------------------|------------------------|----------|------------------------|
| Marine | 220.5 | (79.3) | 141.2 |
| Nuclear | 64.2 | 79.3 | 143.5 |
| Land | 146.0 | – | 146.0 |
| Aviation | 160.5 | – | 160.5 |
| Unallocated | (2.8) | – | (2.8) |
| Group | 588.4 | – | 588.4 |

Full detail of these restatements, including for the half year ended 30 September 2018, has been published on our website this morning at www.babcockinternational.com/investors.