



12 February 2020

## **Babcock International Group PLC (Babcock or the Group) Trading update**

Babcock, the aerospace and defence company, is issuing this update following trading in the first nine months of the financial year.

### **Expectations for this financial year**

Our expectations for underlying earnings per share are in line with current consensus expectations<sup>1</sup>. We update our detailed guidance previously set out in November 2019.

	<b>Previous guidance</b>	<b>New guidance</b>
Underlying revenue	Around £4.9 billion	Around £4.9 billion
Underlying operating profit <sup>2</sup>	£540 million to £560 million	Around £540 million
Free cash flow	Over £250 million	Over £250 million
Net debt	Reduced	Reduced

In response to current trading in Aviation, as explained further below, we are implementing improvement and restructuring programmes to ensure we remain on track to deliver for the medium term. We will also write down assets and leases in our oil and gas business. We expect to incur an exceptional charge related to these issues of around £85 million, predominantly in oil and gas.

### **Trading update**

Our **Marine** sector continues to perform well and exceed expectations. Strong revenue growth has been helped by warship support activity in the UK and Australia and continued high growth in our technology businesses. Demand for complex liquid gas transportation systems has been higher than expected.

In **Nuclear**, revenue growth in UK defence continues in line with our expectations, underpinned by ongoing submarine engineering support work. The civil nuclear market remains subdued and we continue to progress closer integration of our nuclear engineering businesses.

**Land** continues to trade well, with underlying revenue growth supported by defence revenues and strong trading in South Africa.

Trading in our **Aviation** business is mixed with good performances across our UK and international defence businesses offset by continued challenges in Southern Europe and in our oil and gas business. As a result, we have lowered our expectations for Aviation for this financial year as reflected above.

As flagged in November, there have been delays in the award of new contracts for aerial emergency services in Italy and Spain. Since then, we have won or been selected as preferred bidder for contracts worth around £600 million but the delays have pushed revenue into future periods.

Oil and gas continues to be a tough market. The three large providers of helicopter services who operate worldwide in oil and gas have all emerged from Chapter 11 bankruptcy protection with reduced debt and written-down assets. This has effectively reset global market pricing levels, forcing us to respond quickly to remain competitive. We will also exit our oil and gas businesses in Ghana and Congo.

### **Order book and pipeline**

The Group continued to win work across all sectors in the period, with win rates in line with our targets. Our combined order book and pipeline remains at the record level of £34 billion, with an order book of £18 billion and pipeline of £16 billion.

**For further information please contact:**

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**Conference call**

A conference call for analysts and investors will be held at 08:00 (UK time) this morning, hosted by Archie Bethel (Chief Executive) and Franco Martinelli (Group Finance Director).

**Webcast link:**

[www.babcockinternational.com/investors/results-and-presentations](http://www.babcockinternational.com/investors/results-and-presentations)

**Live call:**

Standard International Access	+44 (0) 20 3003 2666
UK Toll Free	0808 109 0700

**Replay (available for 7 days):**

Standard International Access	+44 (0) 20 8196 1480
UK Toll Free	0800 633 8453
PIN	3144160#

A transcript will be made available at [www.babcockinternational.com/investors](http://www.babcockinternational.com/investors).

**Notes**

1. FY20 consensus for underlying EPS: 71.4p (Vuma, 19 December 2019), 71.1p (Bloomberg, 11 February 2020), 71.1p (Reuters, 11 February 2020)
2. Guidance set in May 2019 was for underlying operating profit in the range of £515 million to £535 million on an IAS 17 basis. Guidance was updated in November 2019 on an IFRS 16 basis, which added around £25 million to operating profit