



15 January 2021

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

Babcock, the aerospace and defence company, issues the following trading update for the first nine months of the financial year ending 31 March 2021.

Group trading

Trading in the third quarter saw a continuation of trends in the first half of the year, with weakness in our civil aviation businesses and a negative impact from COVID-19.

Underlying revenue in the nine months year to date (YTD) was £3,399 million (9M 2020: £3,574 million), down 3% on last year excluding disposals and FX. Underlying operating profit in the nine months YTD was £202 million (9M 2020: £320 million), down 34% excluding disposals and FX, with a negative impact from civil nuclear insourcing, COVID-19 and civil aviation.

Order intake YTD was £3.1 billion with the Group's order book standing at £16.8 billion at 31 December 2020 (31 March 2020: £17.6 billion).

Balance sheet

The Group's net debt¹ (excluding lease obligations) at 31 December 2020 was £1,207 million, a reduction of £255 million compared to 31 December 2019². Although this position is higher than that reported at 30 September 2020 of £871 million, it is consistent with the average net debt for the first nine months of this financial year of £1,222 million³.

Review of contract profitability and balance sheet

We have recently started a detailed review of our balance sheet and contract profitability. Early indications suggest that there may be negative impacts on the balance sheet and/or income statement for current and/or future years. This review is being supported by an independent accounting firm and the outputs will be reviewed by our auditor (PWC), Audit Committee and Board prior to the publication of our audited results for the year ending 31 March 2021 expected in May.

Outlook

Uncertainty remains around the outturn for this financial year, especially given that our fourth quarter is historically our strongest and that the COVID-19 situation has worsened in most of our markets. Given this uncertainty, and the start of our review of contract profitability and balance sheet, we continue not to provide financial guidance for this financial year.

Review of strategic priorities

We announced a review of the Group's strategic priorities in November 2020 and this is now well underway. Our focus throughout this review will be on cash delivery, being a strategic partner to the UK Government, international growth, driving innovation across the Group, and transforming our ESG and people agenda. We will outline our refreshed strategy alongside our full year results.

David Lockwood, CEO said:

"While trading in the third quarter has continued to reflect the challenges of the first half and there remain a number of near term uncertainties, the fundamental strengths of the Group and the opportunities ahead give us confidence for future years and I look forward to reporting back at the full year results".

For further information please contact:

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Notes

1. Net debt includes the benefit of ongoing receivables factoring and supply chain finance programmes.
2. This includes net proceeds from the sales of Context, Holdfast and Conbras of £194 million.
3. Based on the average of nine month end positions.