



26 September 2022

Babcock International PLC

AGM trading update – Continued progress. Full year expectations unchanged

Babcock International Group PLC ("Babcock" or "the Group") provides a trading update for the first five months of the year ahead of its Annual General Meeting to be held at 2pm today.

Trading continues to be in line with the Board's expectations for the full year.

Market

The market backdrop remains dynamic. Ongoing geopolitical uncertainty is leading to increased national defence requirements and potentially more opportunities, while macro factors such as inflation and supply chain stress increase delivery challenges.

Group trading for the first five months of the year

Overall group revenue and profit in the first five months of FY23 was in line with expectations. Organic revenue growth is largely offsetting the impact of disposals made in the prior year. Operating profit is being driven by our focus on execution and the efficiencies we are realising from our new operating model.

As previously guided, we anticipate a net cash outflow in the first half of FY23, reflecting the timing of pension deficit payments, with a return to positive free cash flow in the second half. Overall, our expectations of trading for the full year are unchanged.

Order momentum remains good. We have won a number of new contract awards in the period, including a 10-year support contract for the Queen Elizabeth class aircraft carriers, multiple orders for LGE equipment, two further contracts relating to Poland's frigate programme, MIECZNIK (Swordfish), and renewal of the Royal Air Force's Hawk fleet support contract at RAF Valley, in an 11-year agreement.

Disposals

We have continued to progress our portfolio alignment programme to focus the Group and reduce complexity. On 19 July 2022 we announced an agreement with Ancala Partners for the sale of certain aerial emergency services business, for a gross cash consideration of €136.2 million. We expect to complete this transaction before the end of the calendar year.

Ends

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