

# Financial summary

David Mellors,  
Chief Financial Officer



## What we have delivered so far

Revenue\*

**+ 19%**

to £4.0bn

Operating profit\*

**+ 30%**

to £265m

Margin\*

**+ 60bp**

to 6.6%

Backlog\*\*

**+ £3.2bn**

to £9.6bn

Net debt<sup>+</sup>

**down c.£ 1.1bn**

to £(493)m

Credit rating

**Upgraded 2x  
to BBB+ (stable)**

Defence revenue<sup>++</sup>

**+13pp to 69%**

**Dividend  
reinstated**

**Improved focus, a strong foundation and pointing in the right direction**

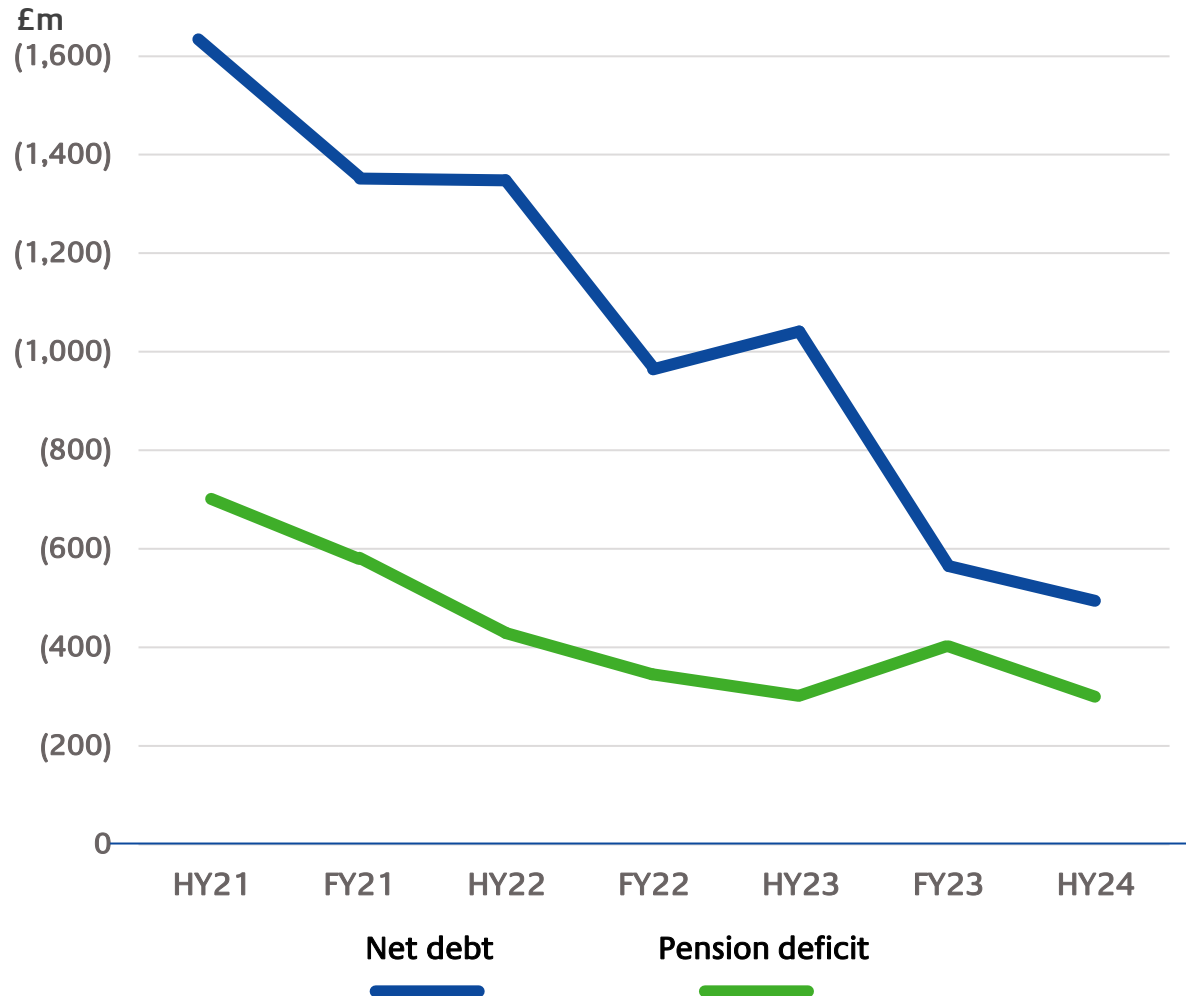
\* FY23 underlying revenue, operating profit and operating margin (excluding T31 loss, one-off Land credit, disposals) vs FY21 rebased to on ongoing business as at 01 April 2023 (excludes disposals, CPBS, and consolidates the NSM JV)

\*\* HY24 vs FY21 excluding disposals

+ HY24 vs HY21

++ HY24 vs FY21

# Balance sheet significantly stronger



## Net debt reduced by c.£1.1bn

- › Gearing reduced from 2.8x (HY22) to 1.1x (HY24)
- › Target range of 1.0x to 2.0x EBITDA
- › S&P credit rating upgraded to BBB+ (Dec 2023)
- › Ample liquidity, in excess of £1bn

## Pension deficit reduced by c.£400m

- › Estimated actuarial technical provision deficits (aggregated for all schemes)
- › c.£65m deficit contributions in FY24
- › Contributions will reduce in medium term as schemes approach self sufficiency
- › We continue to assess options to accelerate de-risking the schemes

# Creating shareholder value

## Improvement in performance

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**What this delivers**

Medium term guidance

Organic growth

Mid-single  
digit

Margin  
≥ 8%

Cash  
conversion

≥ 80%

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## Disciplined capital allocation

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**Capital allocation framework**

Priority

- 1

**Organic investment**  
Sustain investment to support business operations and enhance growth potential
- 2

**Financial strength**  
Maintain strong balance sheet and investment grade rating
- 3

**Ordinary dividend**  
Pay an ordinary dividend

Further capital options

**Pensions**  
Accelerate de-risking

**M&A**  
Bolt on opportunities

**Shareholder returns**  
Further returns of surplus capital to our shareholders

Supports growth and shareholder returns

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Shareholder value generation

# Capturing good quality growth

Organic growth  
**Mid-single digit**

## Our growth strategy



# Creating shareholder value

## Improvement in performance

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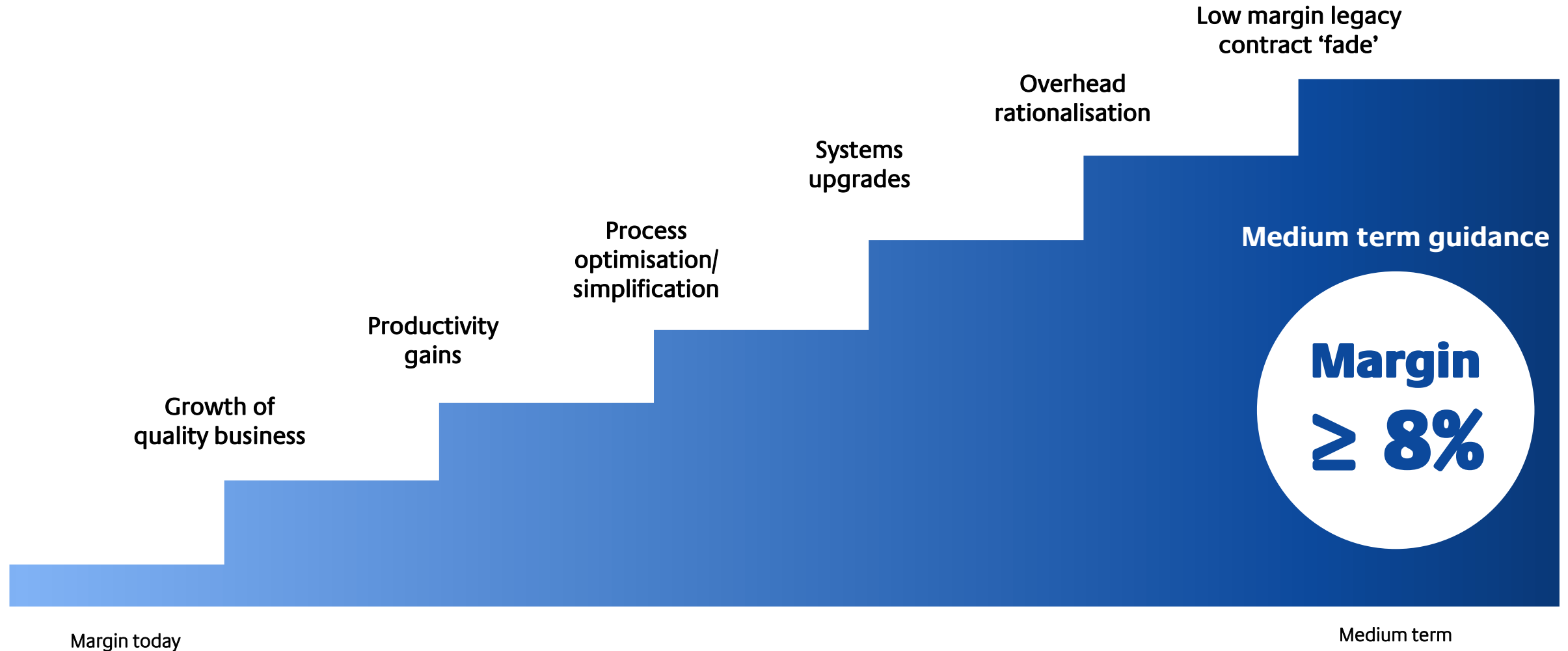
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Shareholder value generation

# Medium term guidance – margin improvement levers



# Creating shareholder value

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# Medium term guidance – high cash conversion

## How we achieve it

- › Improved bidding
- › Programme execution
- › Working capital focus
- › Short term: good cash conversion but with:
  - › Investment ‘catch up’
  - › Working capital over performance in FY22 and FY23
  - › Legacy onerous contracts
- › Medium term: expect higher cash conversion (80% - 100%)

## Medium term guidance



**Cash  
conversion  
≥ 80%**

# Creating shareholder value

## Improvement in performance

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## Disciplined capital allocation

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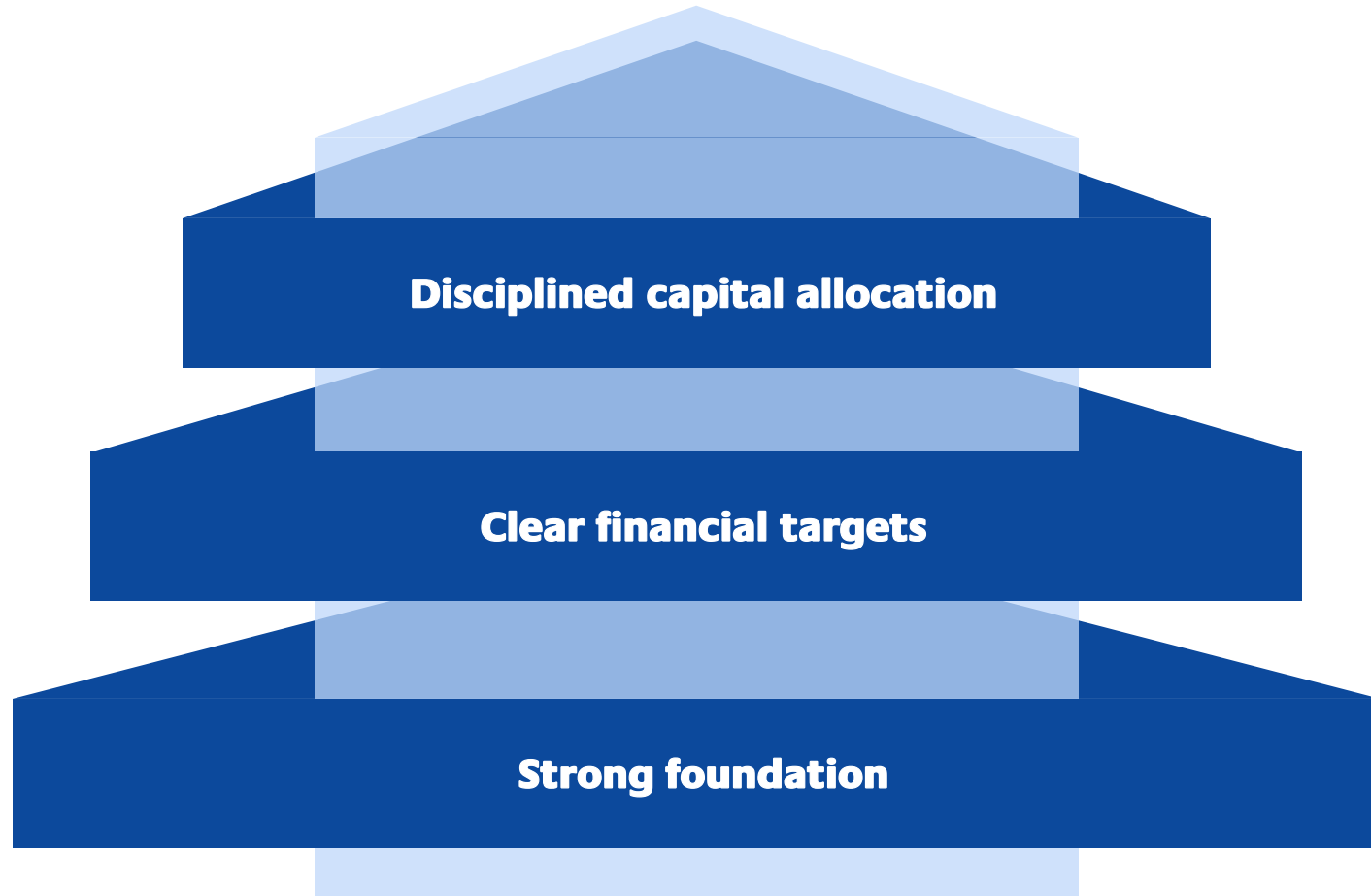
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# Summary: confidence in driving value



# Key messages

## Strongly positioned

- › ~70% defence revenue\*
- › Critical supplier to governments
- › Complex programme delivery
- › Customer intimacy
- › Deep platform knowledge
- › Engineering know-how
- › Product development capability

## Sustainable growth

- › £9.6bn contract backlog\*
- › Supportive markets: military capability vs fiscal constraints
- › Differentiated proposition delivering availability, affordability and capability
- › Partnerships and collaboration

## Improving margins and cash flow

- › Contract terms and discipline
- › Enhanced operational, programme and technical risk management
- › Operational improvement
- › Unwind of legacy contracts

\*HY24