



25 September 2019

**Babcock International Group PLC (Babcock or the Group)**

Babcock, the aerospace and defence company, is issuing the following trading update for the period from 1 April 2019.

**Trading update**

Trading across the Group is in line with our expectations.

Our Marine sector is performing well with increased activity across our UK warship support business and strong orders across our technology businesses. The Queen Elizabeth Class (QEC) programme is nearing completion with HMS Prince of Wales leaving Rosyth for sea trials while our Type 23 frigate life extension programme continues to progress. In Australia and Canada we continued to make good progress on our submarine and surface ship sustainment programmes. In Land, we are continuing to make good progress across our Defence Support Group (DSG) business and have successfully transitioned to the new CP6 contract in Rail. We have also seen an improvement in our South African business.

In Nuclear, activity levels have increased across defence though the civil nuclear market remains challenging. As expected, the Magnox contract transitioned to the Nuclear Decommissioning Authority at the end of August. In Aviation, we saw the successful start of our new international businesses in Canada and Norway and have made continued progress across our military businesses. While we have seen some delays in the award of new contracts in Aviation, overall bidding activity across the sector has increased.

**Contract awards**

The Group continued to win work across all sectors in the period, with win rates in line with our targets.

The highlight in the period was our selection as the preferred bidder for the Type 31 general-purpose frigate programme, which will provide the UK with a fleet of five new warships for £1.25 billion. The ships will be assembled at Babcock's Rosyth facility, and involve supply chains throughout the UK. Work will begin immediately following formal contract award later this financial year, with detailed design work to start now and manufacture commencing in 2021 and concluding in 2027.

**Expectations for the year**

We confirm our full year guidance for revenue, operating profit and free cash flow as set out in May 2019, including the phasing between the first and second halves of the year, especially for cash generation. We expect the first half to reflect the phasing of previously communicated step downs<sup>1</sup>, the normal seasonality of our business and last year's phasing of Fomedec equipment sales in our Aviation business.

### **Refinancing completed**

During the period, both Standard & Poor's and DBRS confirmed the Group's credit rating of BBB following their annual credit reviews. We renewed our 5-year Revolving Credit Facility of up to £775 million and issued €550 million (c.£500 million) of 8-year bonds expiring in 2027.

As already announced, the estimated impact of this is to increase finance costs by around £5 million in FY20 and around £7 million in FY21 and reduce finance costs by around £2 million each year in the years following.

*ends*

### **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	4072877#

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

### **Notes**

1. As stated in May 2019:
  - a. Revenue step downs for the full year of £410 million (QEC £80 million, Magnox £256 million, exit and disposals £74 million). The first half impact is expected to be around £150 million.
  - b. Operating profit step downs for the full year of £63 million (QEC £2 million, Magnox £24 million, Holdfast £17 million, exits and disposals £10 million and Brexit-related Aviation restructuring costs of £10 million). The first half impact is expected to be around £35 million.