

13 May 2026

## FY26 post close trading update and Type 31 contract update - FY27 expectations unchanged

Babcock International Group (“Babcock” or “the Group”) provides a post close trading update for the financial year ending 31 March 2026 (FY26) and an update on the Type 31 contract.

### FY26 performance

We delivered a strong underlying operational and financial performance in FY26, reflecting continued momentum and particularly strong performances in Nuclear and Aviation. The Group’s strong underlying financial results were partly offset by a non-recurring charge on the Type 31 contract, estimated to be £140 million, fully recognised in FY26. Based on unaudited management accounts, subject to detailed review by the Audit Committee and the external audit process, we expect the FY26 results to be:

<b>Unaudited underlying FY26 financial highlights</b>	<b>31 March 2026</b>	<b>31 March 2025</b>
Contract backlog	<b>£9.6bn</b>	£10.4bn
Revenue*	<b>£5,273m</b>	£4,831m
Underlying operating profit	<b>£293m</b>	£363m
Underlying operating margin	<b>5.7%</b>	7.5%
Underlying basic earnings per share	<b>39.6p</b>	50.3p
<i>Type 31 charge</i>	<b>£140m</b>	-
<i>Underlying operating profit excluding Type 31 charge</i>	<b>£433m</b>	£363m
<i>Underlying operating margin excluding Type 31 charge</i>	<b>8.2%</b>	7.5%
<i>Underlying basic earnings per share excluding Type 31 charge</i>	<b>60.5p</b>	50.3p
Underlying free cash flow	<b>£262m</b>	£153m
Net debt <sup>1</sup>	<b>£(329)m</b>	£(373)m
Net debt/EBITDA (covenant basis)	<b>0.2x</b>	0.3x

\* before c.£100 million revenue reversal resulting from Type 31 charge

### Financial highlights

- Revenue of £5,273 million (before c.£100 million revenue reversal as a result of the Type 31 charge), represents organic growth at constant FX of 10%, driven by strong performance in Nuclear and Aviation
- Underlying operating profit increased 19% at constant FX to £433 million, excluding the Type 31 charge. Including the charge, underlying operating profit was £293 million
- Underlying operating margin increased to 8.2%, excluding the Type 31 charge, exceeding our FY26 target of 8.0%. Including the charge, underlying operating margin was 5.7%
- Underlying free cash flow increased significantly to £262 million, driven by strong underlying operating cash conversion of 85%, excluding the impact of the Type 31 charge on underlying operating profit
- Net debt reduced to £329 million<sup>1</sup>, delivering a gearing ratio of 0.2x
- Contract backlog of £9.6 billion, reflects execution on long-term contracts
- Completed £200 million share buyback programme. New £200 million share buyback programme announced

## Outlook

- FY27 expectations are unchanged, supported by good revenue visibility with around 70% revenue under contract at 01 April 2026, a similar percentage to the prior year
- We remain confident in our medium-term guidance of average revenue growth of mid-single digit, underlying operating margin of at least 9% and average underlying operating cash conversion of at least 80%

### Sector performance:

**Nuclear** revenue increased 14% (at constant FX) to £2,070 million (FY25: £1,816 million) driven by strong growth in our Cavendish Nuclear business (+18%) and higher submarine support activity, more than offsetting the expected decline in Major Infrastructure Programme revenue. Underlying operating profit increased by 23% to £197 million, driven by revenue growth, mix and the final year of trading the Future Maritime Support Programme (FMSP) contract. As a result, underlying margin increased 70 basis points to 9.5%, meeting our Group medium-term margin target of at least 9%.

**Marine** revenue increased 8% (at constant FX) to £1,687 million (FY25: £1,576 million), before a c.£100 million revenue reversal as a result of the Type 31 charge, due to higher volumes in our LGE business and growth in the Skynet programme. Underlying operating profit increased 15% (at constant FX) to £110 million (FY25: £97 million), excluding the Type 31 charge of £140 million, generating an underlying margin of 6.5%. Including the charge, the underlying operating loss was £30 million, generating an underlying margin of (1.9)%.

**Land** revenue returned to growth in the second half of the year, as expected, but declined 3% overall in FY26 (at constant FX) to £1,084 million (FY25: £1,117 million). Growth in our defence businesses was more than offset by lower volumes in our civil businesses, particularly Rail and South Africa. Underlying operating profit increased 10% (at constant FX) to £95 million reflecting growth in higher margin defence programmes and contract completion. As a result, underlying margin increased 110 basis points to 8.8%.

**Aviation** revenue increased 34% (at constant FX) to £431 million (FY25: £322 million), due to the ramp up of the Mentor 2 programme in France and the British Columbia helicopter emergency services contract in Canada, and increased scope in UK military support contracts. Underlying operating profit increased 52% (at constant FX) to £31 million, due to revenue growth and mix. As a result, underlying margin increased 90 basis points to 7.1%.

### Continued strategic and operational momentum

As the nature of defence and energy security continues to evolve amid an increasingly complex and rapidly changing geopolitical context, Babcock's critical defence and nuclear energy capabilities remain highly relevant to its customers. As a result, strong business momentum was maintained throughout the year while the Group continued to deliver against its growth strategy. This included strengthening and expanding strategic partnerships globally, enhancing product and export capabilities, and reinforcing our position in key strategic markets, including civil nuclear.

Notable recent developments and milestones included:

- **Indonesia:** signed a Letter of Intent for the sale of a further two Arrowhead 140 frigate licences, to be delivered in early FY27, under the £4 billion Maritime Partnerships Programme (MPP) framework to develop maritime security and capability for Indonesia's navy and fishing fleets. We continue to make good progress on negotiations to define contract structures to deliver the broader MPP programme.

- **US Virginia Class submarine build programme:** through expansion of our strategic partnership with HII, Babcock is now authorised to manufacture and build complex submarine assemblies at Rosyth for Virginia Class Block VI fast-attack submarines. A small initial engineering contract is underway.
- **Initial light utility vehicle orders:** we are delivering 270 units of a Light Utility Vehicle to the British Army's 11 Brigade, as part of the Army's RAPSTONE taskforce to deliver high performance products at speed and have also secured a contract for the first tranche of a small number of vehicles to the Albanian Ministry of Defence.
- **FMSP follow on contracts:** at the year end, we agreed a six-month bridging agreement with the UK Ministry of Defence to maintain continuity of our nuclear submarine fleet support and naval base management services, critical to the UK. In addition, we received a two-year contract extension of vital surface ship fleet maintenance and infrastructure support for the Royal Navy.
- **Civil Nuclear - Small Modular Reactor (SMR) Owners Engineer contract:** after the year end, in early April, 'Litmus Nuclear', a joint venture between our Cavendish Nuclear business and Amentum was selected by Great British Energy – Nuclear (GBE-N) for the Owner's Engineer contract to deploy GBE-N's preferred SMR reactor technology for the UK's first SMR project at the Wylfa site in North Wales. The contract, worth up to £300 million over 14 years, will ensure that the SMR programme meets regulatory requirements while delivering reliable, low-carbon power for decades to come.

### Type 31 contract update

During the year we floated off the first and second ships in the five-ship programme, laid the keel of ship three and formally commenced the build of ship four at its steel cutting ceremony.

As we finish structural completion of ship one, the bulk of the remaining work now relates to outfitting and commissioning. During the outfitting stage we have experienced higher than expected levels of rework as a result of changes to the design and the long-term impacts of out-of-sequence build activity earlier in the programme. Whilst the number of such rework events is not entirely unexpected, the work is being performed in the later stages of completion and therefore is more complex and more costly. The ability to enable the work to be performed to support increasing levels of programme productivity has also been impacted. As the build of ship two is close behind ship one, there is also some cross over in the design-related rework necessary to this ship. With ships three and four still in the early construction stages, the extent of impact on these and future vessels is comparatively reduced.

As a consequence, we have performed an engineering maturity review, and we have updated our financial estimates to complete the programme, given the elevated levels of work due to engineering change and productivity. These re-estimates not only cover the production costs of material and personnel, but also an increased programme risk contingency.

This is reflected in an expected charge on the contract (subject to audit) of £140 million for the revised costs to complete delivery of the Type 31 design and build contract, which is fully recognised in FY26, but the cash costs of which will be incurred over the remainder of the programme. We estimate c.£100 million of this £140 million will be recognised as a revenue reversal in FY26 with the balance increasing the contract loss provision.

## Capital allocation – new £200 million share buyback announced

We continue to combine strong operational performance with disciplined capital allocation to drive shareholder value creation through investment in both organic and inorganic opportunities and shareholder returns. In April 2026, we completed the £200 million share buyback programme started in July 2025. Today, due to the Group's balance sheet strength, and continuing strong underlying performance and cash generation, we are announcing a further £200 million share buyback programme. The new share buyback programme will commence at or around the time of the announcement of the Group's full results.

## CEO succession

In January 2026, we announced David Lockwood's decision to retire as Group CEO to be succeeded by Harry Holt, previously the Chief Executive of Babcock's Nuclear sector. As of 1 April 2026, Harry assumed the role of Deputy CEO and will join the Board in June 2026.

## FY26 publication

Further details and the outlook for FY27 will be provided on publication of our FY26 full year results. The FY26 external audit is progressing well and would have been complete by the end of May. Given the re-estimate of Type 31, the audited Preliminary Results are now expected to be in late June.

## Conference call

There will be a conference call at 08:30 BST today, Wednesday 13th May, for investors and analysts.

### Babcock Conference Call dial in details

- UK +44 (0)203 481 4247
- UK +44 (0)800 260 6466 (toll free)
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## Notes

<sup>1</sup> Net debt excluding leases as at 31 March 2026 reduced to £23 million (FY25: £101 million)

**Consensus:** As at 13 May 2026, the average of analysts' forecasts, compiled by Modular Finance, for FY26 was

- Revenue of £5,112 million (Range: £5,072 million to £5,201 million)
- Underlying operating profit of £411 million (Range: £405 million to £417 million)
- Free cash flow of £215 million (Range: £192 million to £236 million)

Consensus can be found on our website at: [www.babcockinternational.com/investors/consensus](http://www.babcockinternational.com/investors/consensus)

This announcement contains inside information: the person responsible for arranging the release of this announcement on behalf of Babcock is Jack Borrett as Company Secretary.

## ENDS

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