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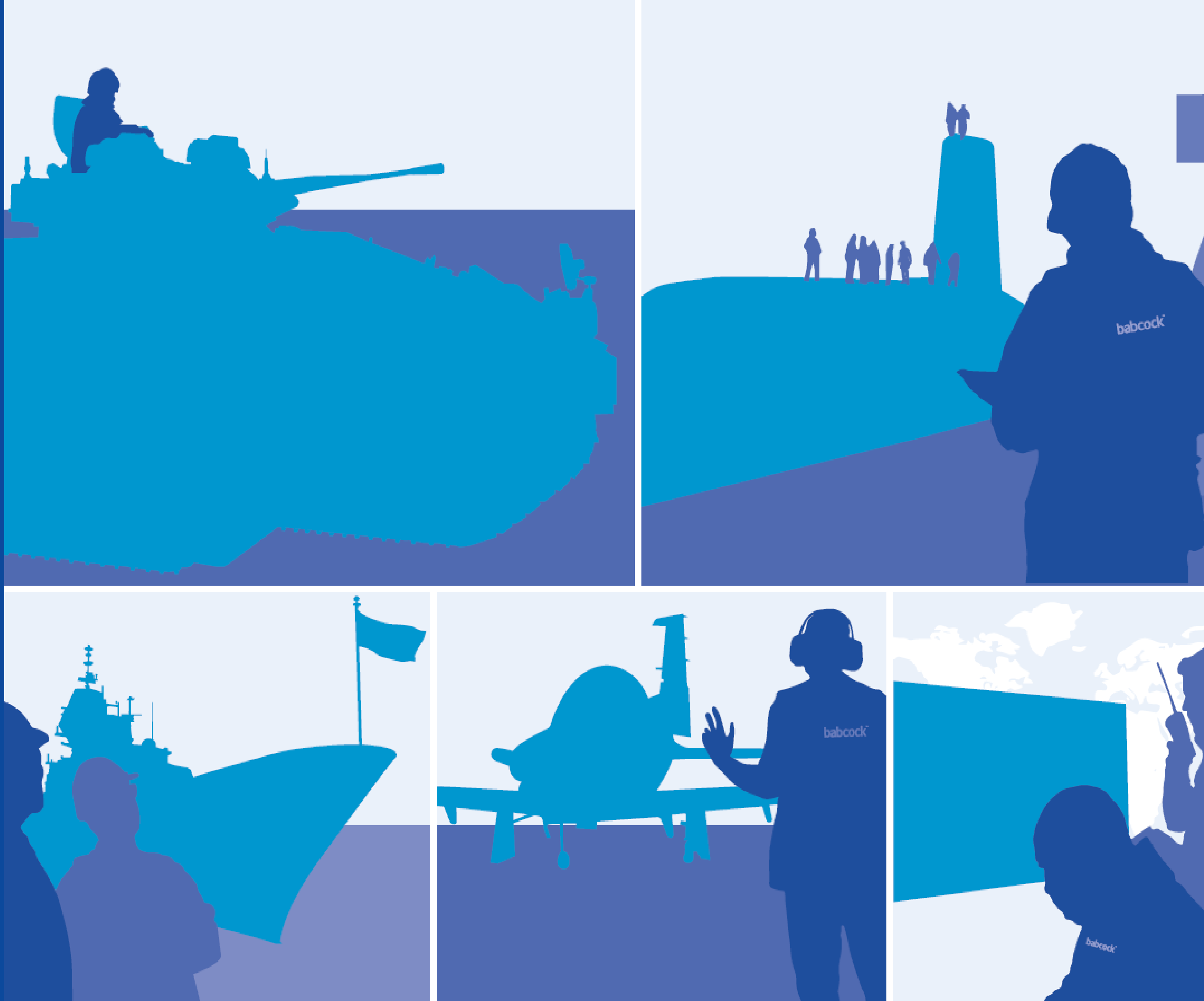
Investor Relations presentation

December 2024



Key investment points

Strongly positioned

- Around 74% defence revenue
- Critical supplier to governments
- Complex programme delivery
  - Customer intimacy
  - Deep platform knowledge
  - Engineering know-how
  - Product development capability

Sustainable growth

- £9.5bn contract backlog
- Supportive markets: military capability vs fiscal constraints
- Differentiated proposition delivering availability, affordability and capability
  - Leverage technical capability
  - Develop people
  - Partnerships & collaborations

Improving margins and cash flow

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

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Who we are

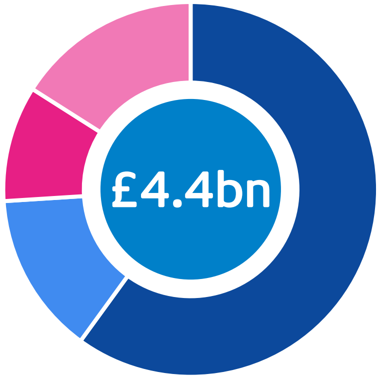
Babcock is an international defence, aerospace and security company providing support and product solutions to enhance our customers' defence capabilities and critical assets

With a portfolio focused across marine, nuclear, land and aviation

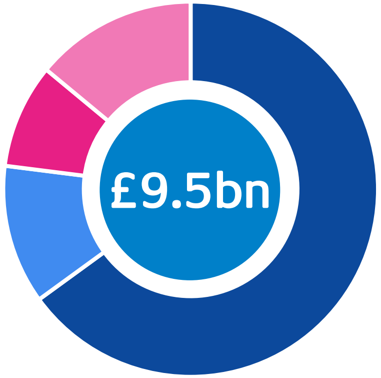
With a clear strategy for growth, margin expansion and cash generation, supported by long term trends

Our 26,000+ employees deliver our customers' key requirements of **affordability, availability and capability**

FY24 Revenue



HY25 Backlog



Defence UK | Defence International | Civil UK | Civil International babcock

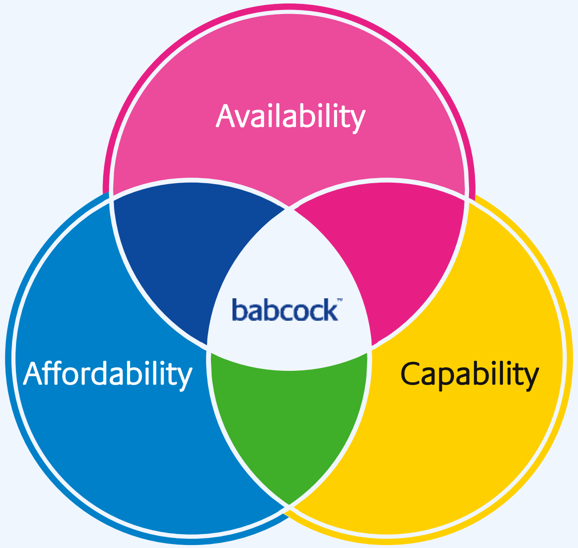
Delivering sustainable growth

Why we grow

Market dynamics

- Defence budget growth in focus countries
- Greater demand for asset availability
- Requirement for greater value-add
- Equipment modernisation
- Energy transition

Capabilities aligned with customers' needs



What we deliver

- Through-life support
- Product and development
- Advanced training

Strategy for growth

- Optimise position
- Selective new programmes
- Expand in focus countries
- Direct exports
- Strategic partnerships

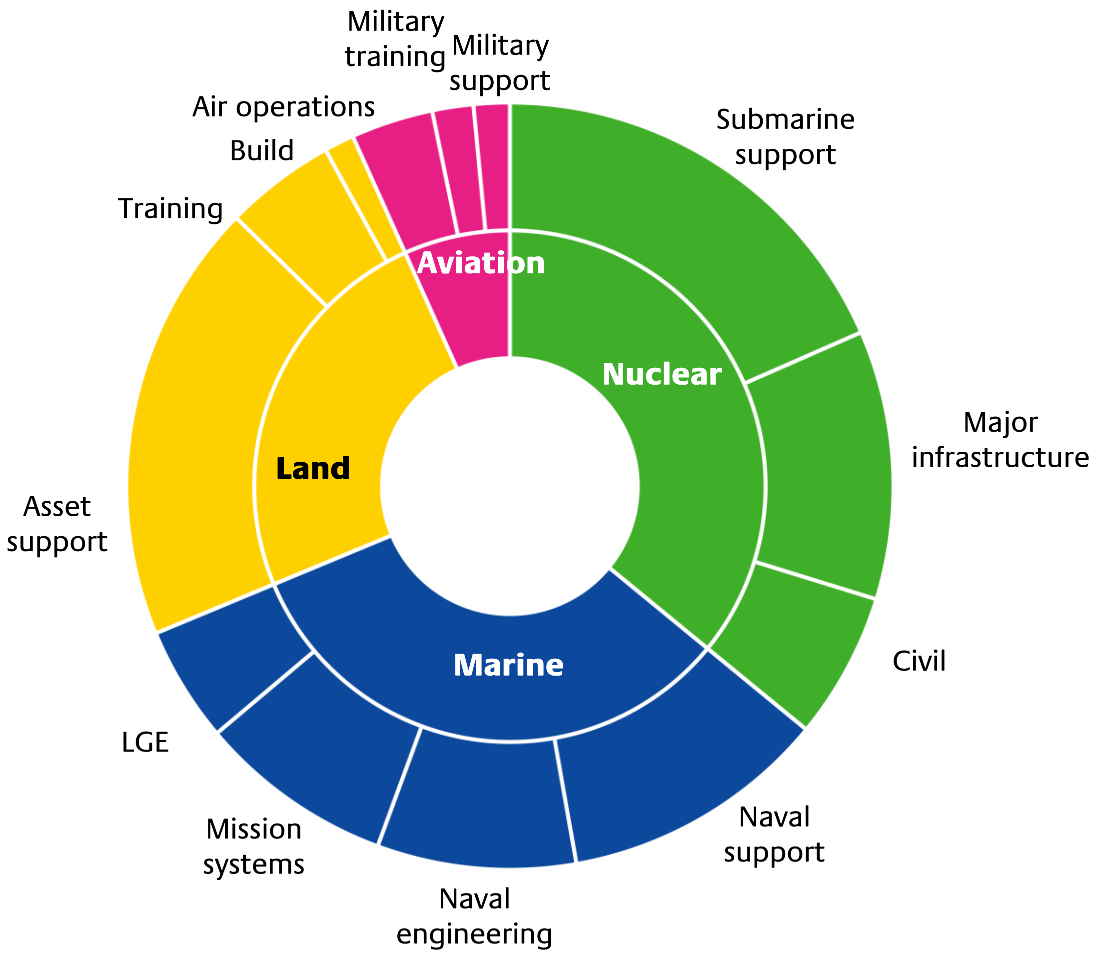
We deliver through four sectors

Marine

Nuclear

Aviation

Land



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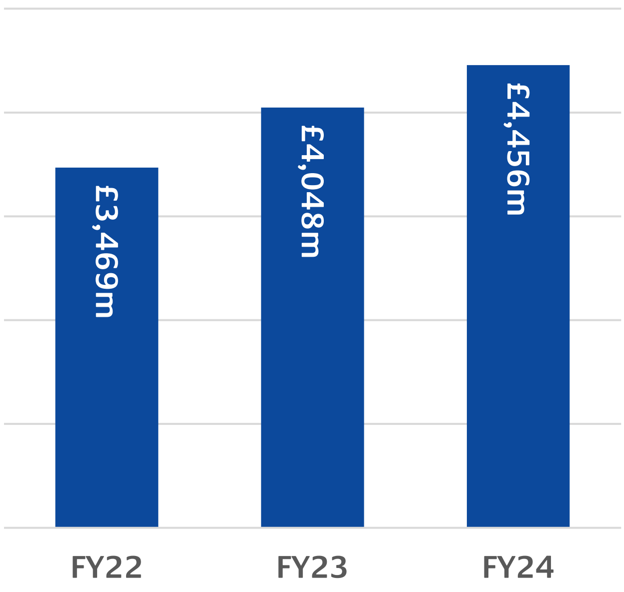
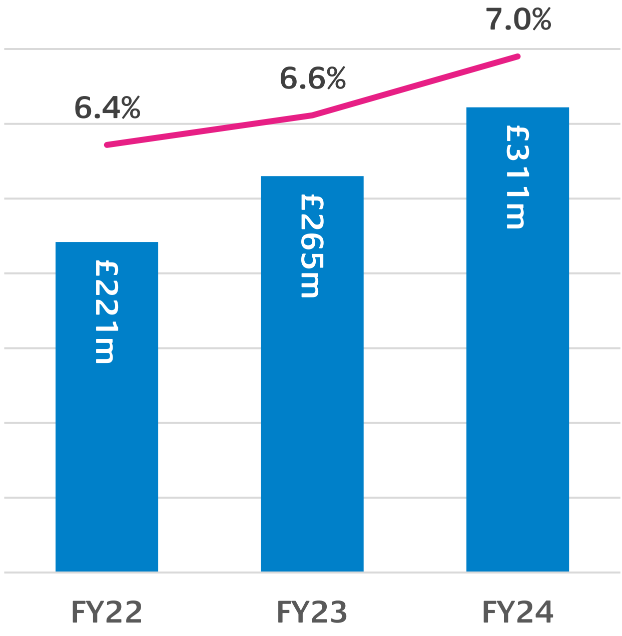
Financial highlights

Revenue



Underlying operating profit



Free cash flow

Strong revenue growth from long-term contracts and new programmes

Solid profit and margin progression from improved performance and delivery

Improved cash flow from discipline, enhanced controls and vigilant cash focus

Revenue, underlying operating profit and margin excluding disposals, one-offs, and Type 31 programme impacts as defined in our FY24 presentations slide 33

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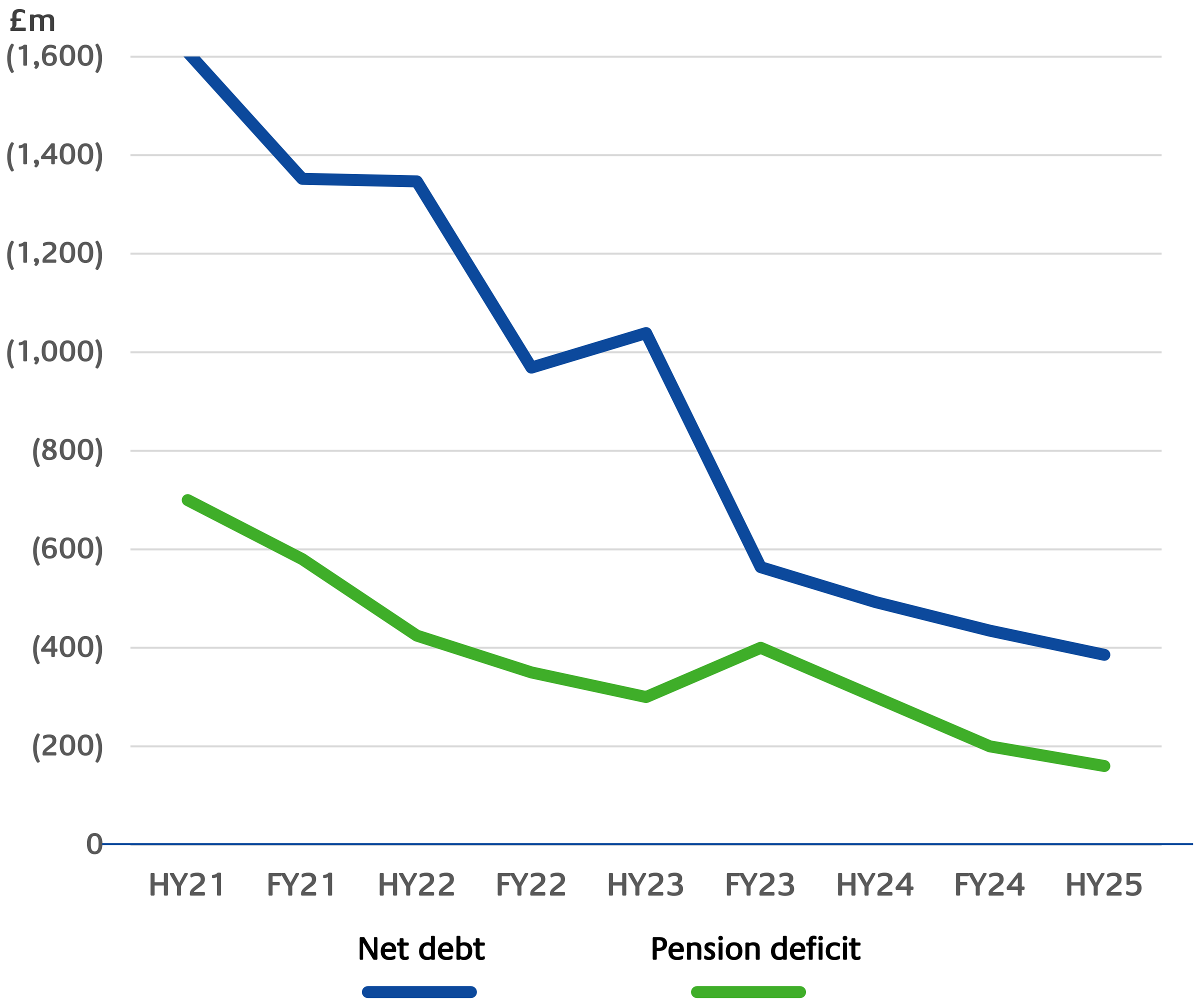
Strengthened balance sheet



Net debt reduced by c.£1.2bn

- Gearing reduced from 2.8x (HY22) to 0.6x (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.£540m

- Estimated actuarial technical provision deficits (aggregated for all schemes)
- BIGPS reached self-sufficiency, future company contributions not expected
- Deficit contributions expected to be c.£40m per annum for 5 years, then further reductions expected
- Devonport and BIGPS closed to future accrual
- Rosyth triennial valuation in progress
- We continue to assess options to accelerate de-risking the schemes

FY24: strong foundations and continuing momentum

Revenue [1]	Operating profit [2]	Margin [2]	Backlog [3]
+ 30%	+ 61%	+ 100bp	+ £4bn
to £4.4bn	to £311m	to 7.0%	to £10.3bn

Track record of delivery over three years

Net debt [4]	Credit rating	Defence revenue	Dividend reinstated
down c.£1bn to £(435)m	Upgraded 2x to BBB+ (stable)	+18ppt to 74%	

1. FY24 revenue vs FY21 rebased to exclude disposals, CPBS impacts, one-off credits and losses and consolidates the NSM JV, see slide 33
2. FY24 operating profit and margin, excluding Type 31 loss (and associated revenue reversal £66m) and profit on property disposal vs FY21 rebased to exclude disposals, CPBS impacts, one-off credits and losses and consolidates the NSM JV, see slide 33
3. FY24 backlog vs FY21 rebased to ongoing business (excludes disposals, and consolidates the NSM JV), see slide 33
4. FY24 vs FY21

Our growth strategy

UK		International		
Optimise position	**Selective new programmes**	**Expansion in focus countries**	**Direct exports**	**Strategic partnerships**
› Long-term UK submarine support › UK military vehicle support › Vessel disposal and second owners › Military flying training › Space defence	› Army Collective Training › UK aircraft autonomy programme › UK Protected Mobility programme › AWE fissile support › Mobile Fires system › SSN-AUKUS › Naval Support Integrated Global Network	› Canadian future submarine programme › Ukraine vehicle MRO › AUKUS submarines, support model, infrastructure › Belgium military flying training › Australian military fleet support	› Advanced corvette design › Ukraine opportunities › AH140 › Netherlands submarine programme › Surface autonomy programmes › Australian nuclear infrastructure	› Jackal high mobility transport › General Logistics Vehicle › Nuclear decommissioning › Poland ORKA submarine programme › Naval Support Integrated Global Network › HII › SAAB

Leverage our technical capability | Develop our people and capabilities | Build strategic partnerships

What this delivers

Medium term guidance

Organic growth
Mid-single digit

Margin
≥ 8%

Cash conversion
≥ 80%

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Capital allocation framework

Priority

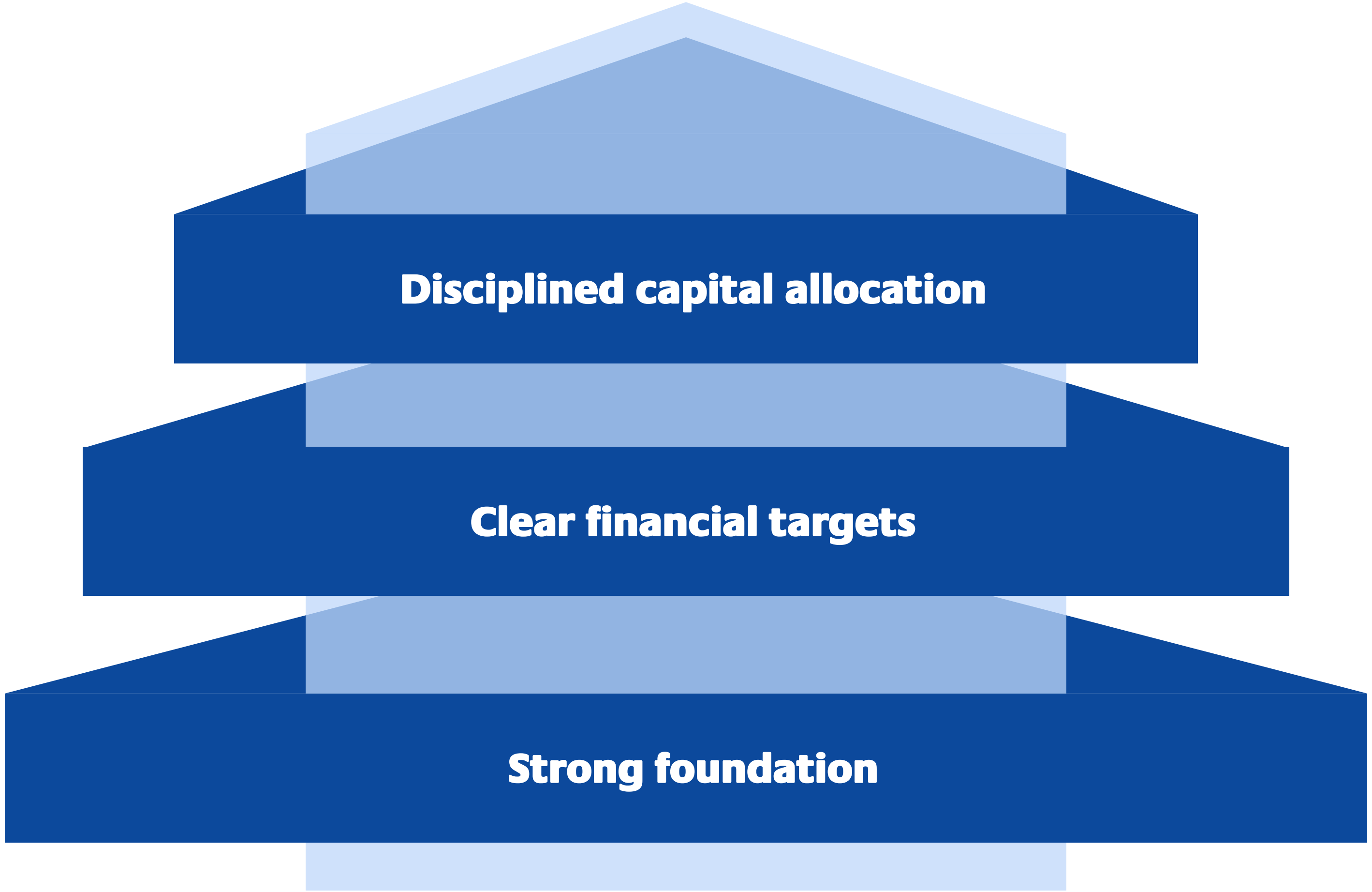
1. **Organic investment**
   Sustain investment to support business operations and enhance growth potential
2. **Financial strength**
   Maintain strong balance sheet and investment grade rating
3. **Ordinary dividend**
   Pay an ordinary dividend

Further capital options

Pensions	M&A	Shareholder returns
Accelerate de-risking	Bolt on opportunities	Further returns of surplus capital to our shareholders

Supports growth and shareholder returns

Summary: confidence in driving value



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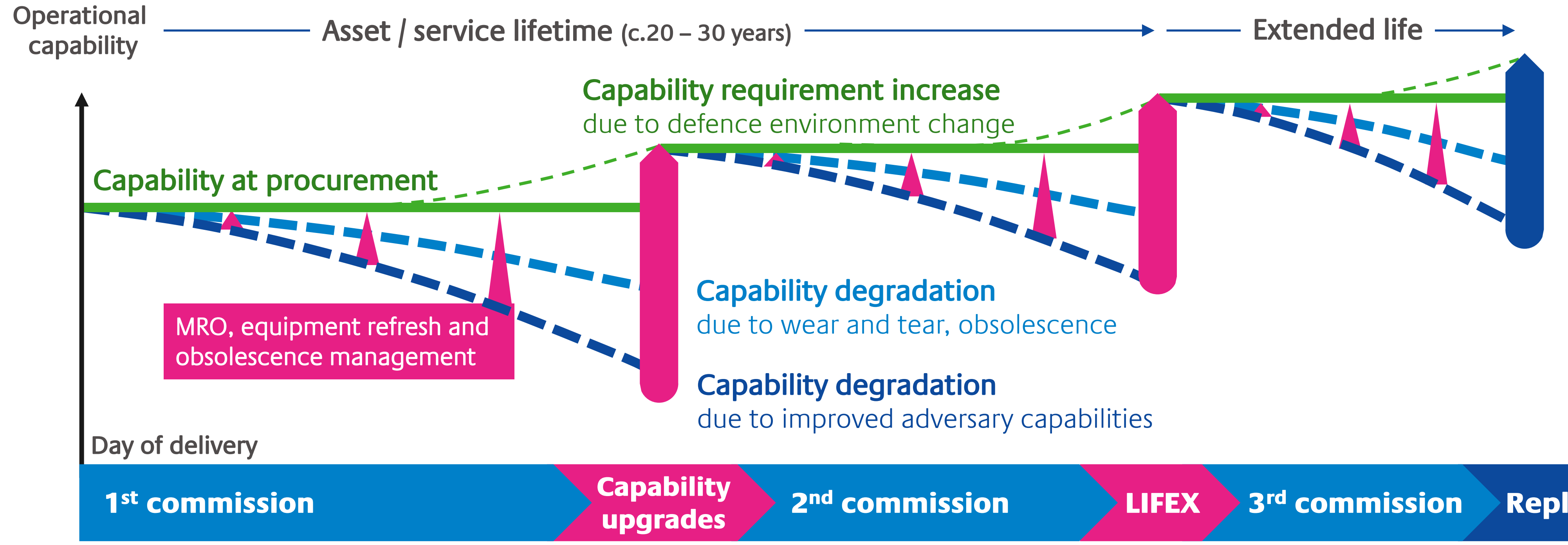
Delivering at every stage of the asset life-cycle

Operational asset knowledge	Engineering know-how	Customer intimacy	Product development capability

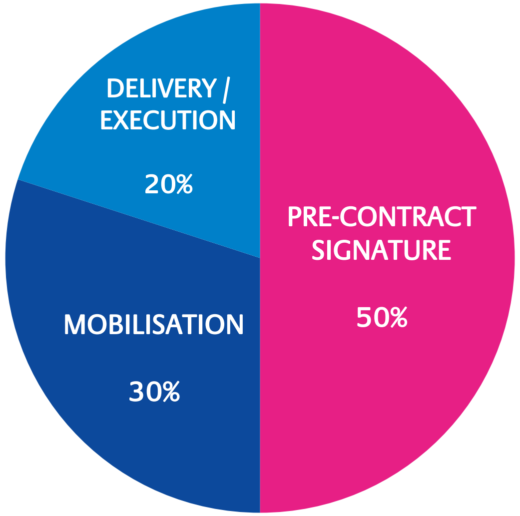


Typical asset support cycle

- Ship support
- Submarine support
- Vehicle support
- Defence systems
- Training programmes follow similar pattern

Robust contract risk management framework

Contract Risk Phasing



Pre-contract signature

- Improved focus on contractual set up and ‘what Babcock needs’
- Linked to Global Management Framework
- Renewed bid governance

- **WHY?** To ensure we sign contracts we can deliver that best benefit all stakeholders

Mobilisation

- Early in the business lifecycle
- Resourcing contractual requirements
- Cross organisation communication

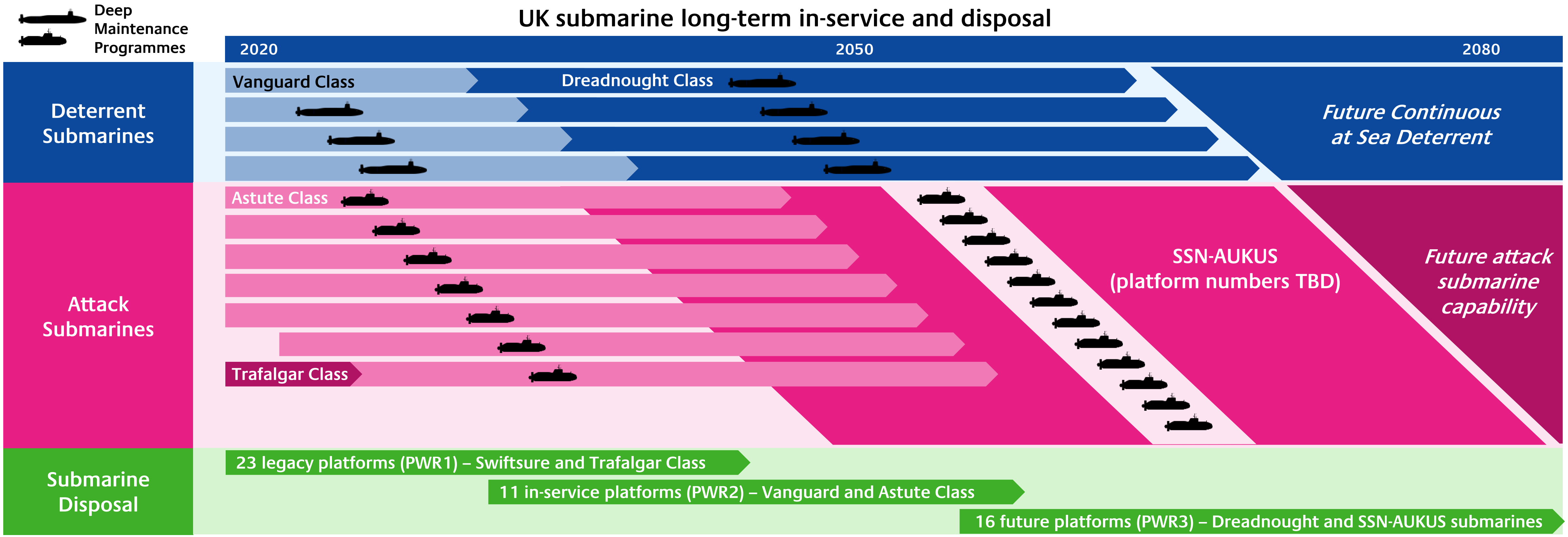
- **WHY?** To ensure a smooth transition to delivery, with a lower risk profile

Delivery

- Increased oversight
- Effective course correct
- Restructured relationships
- Rationalised supply chain
- Strategic supplier relationships

- **WHY?** To delight all stakeholders and maximise margin return

UK submarine fleet transition underpins Nuclear growth



A c.60-year UK defence pipeline including:

- Fleet growth from 11 up to 16 submarines
- Two submarine class transitions
- Two major infrastructure re-capitalisation programmes
- A new deterrent to bring into service
- Fifty submarines to defuel and dispose

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Medium term guidance – margin improvement levers