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Financial summary

David Mellors,
Chief Financial Officer

What we have delivered so far

Revenue*	Operating profit*	Margin*	Backlog**
+ 19%	+ 30%	+ 60bp	+ £3.2bn
to £4.0bn	to £265m	to 6.6%	to £9.6bn

Net debt+	Credit rating	Defence revenue++	Dividend reinstated
down c.£1.1bn to £(493)m	Upgraded 2x to BBB+ (stable)	+13pp to 69%	

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

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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

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

Supports growth and shareholder returns

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Shareholder value generation

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Capturing good quality growth

Organic growth

Mid-single digit

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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**

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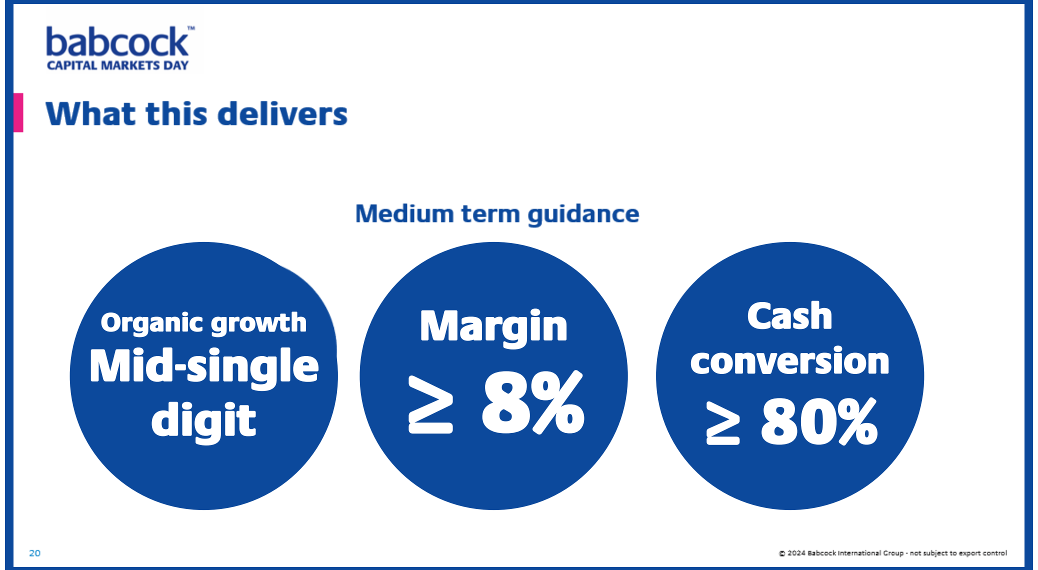
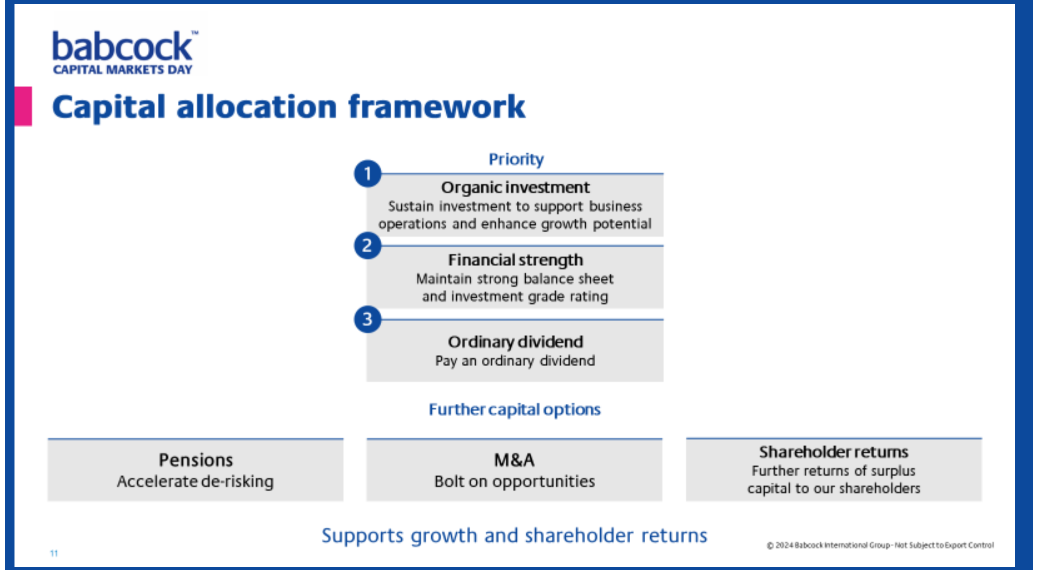
Creating shareholder value

Improvement in performance

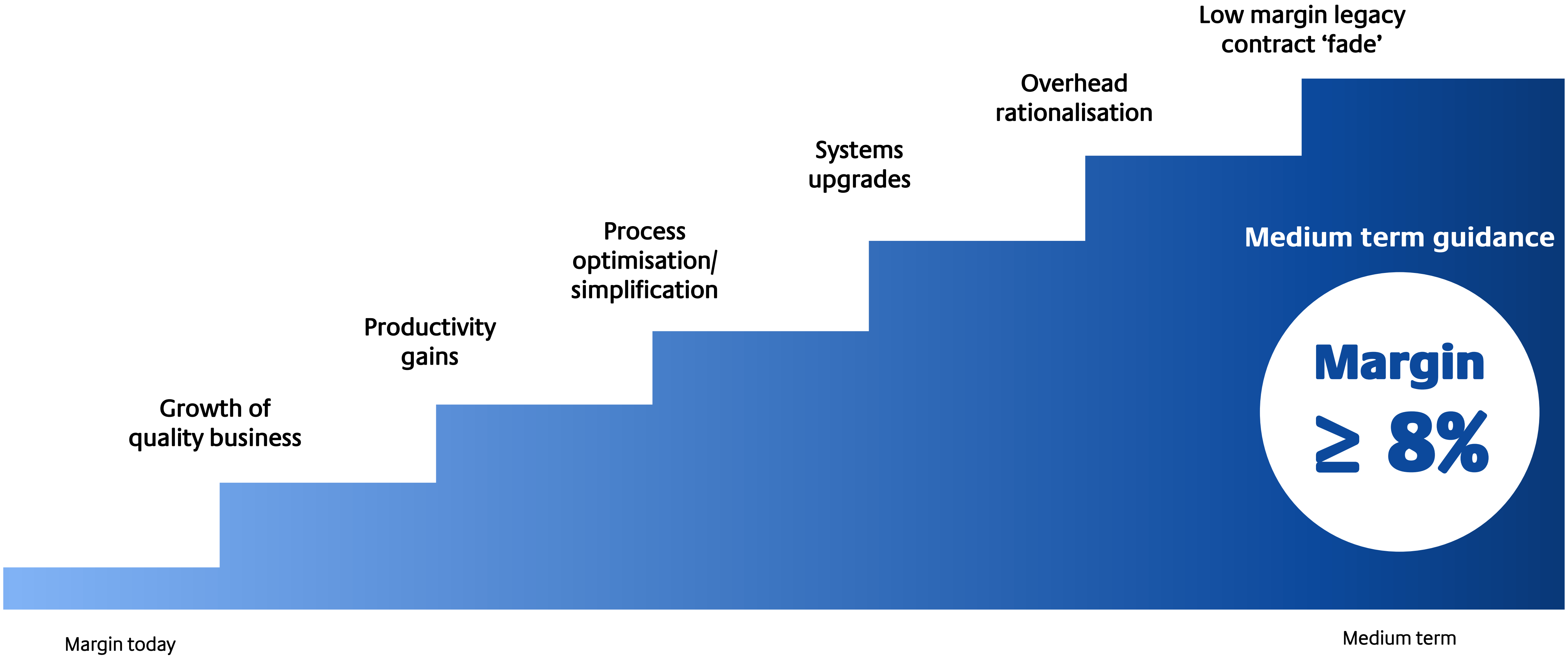


Disciplined capital allocation



Shareholder value generation

Medium term guidance – margin improvement levers



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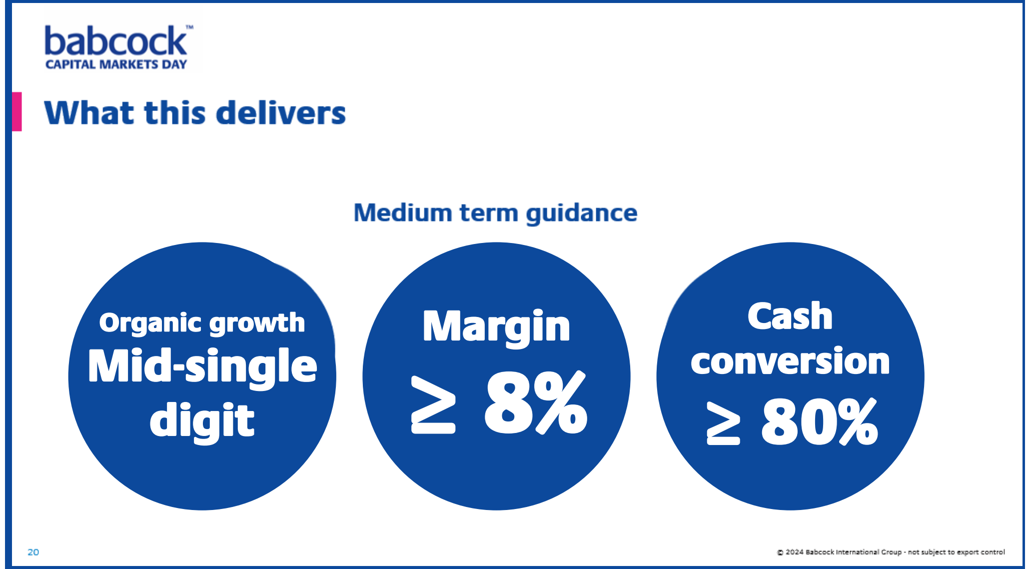
Creating shareholder value

Improvement in performance



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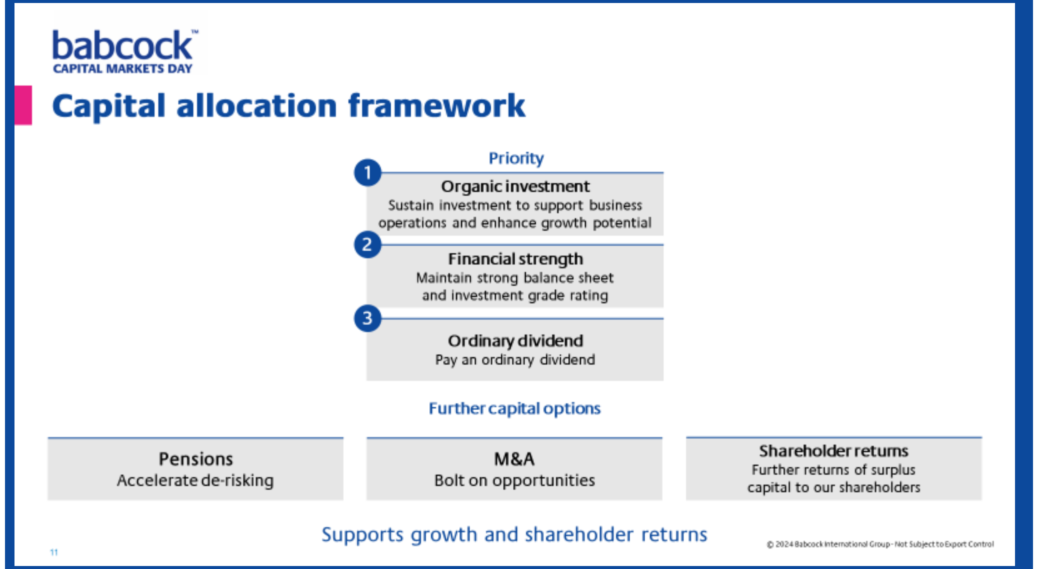
Disciplined capital allocation



Shareholder value generation

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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%

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

Supports growth and shareholder returns

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Shareholder value generation

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

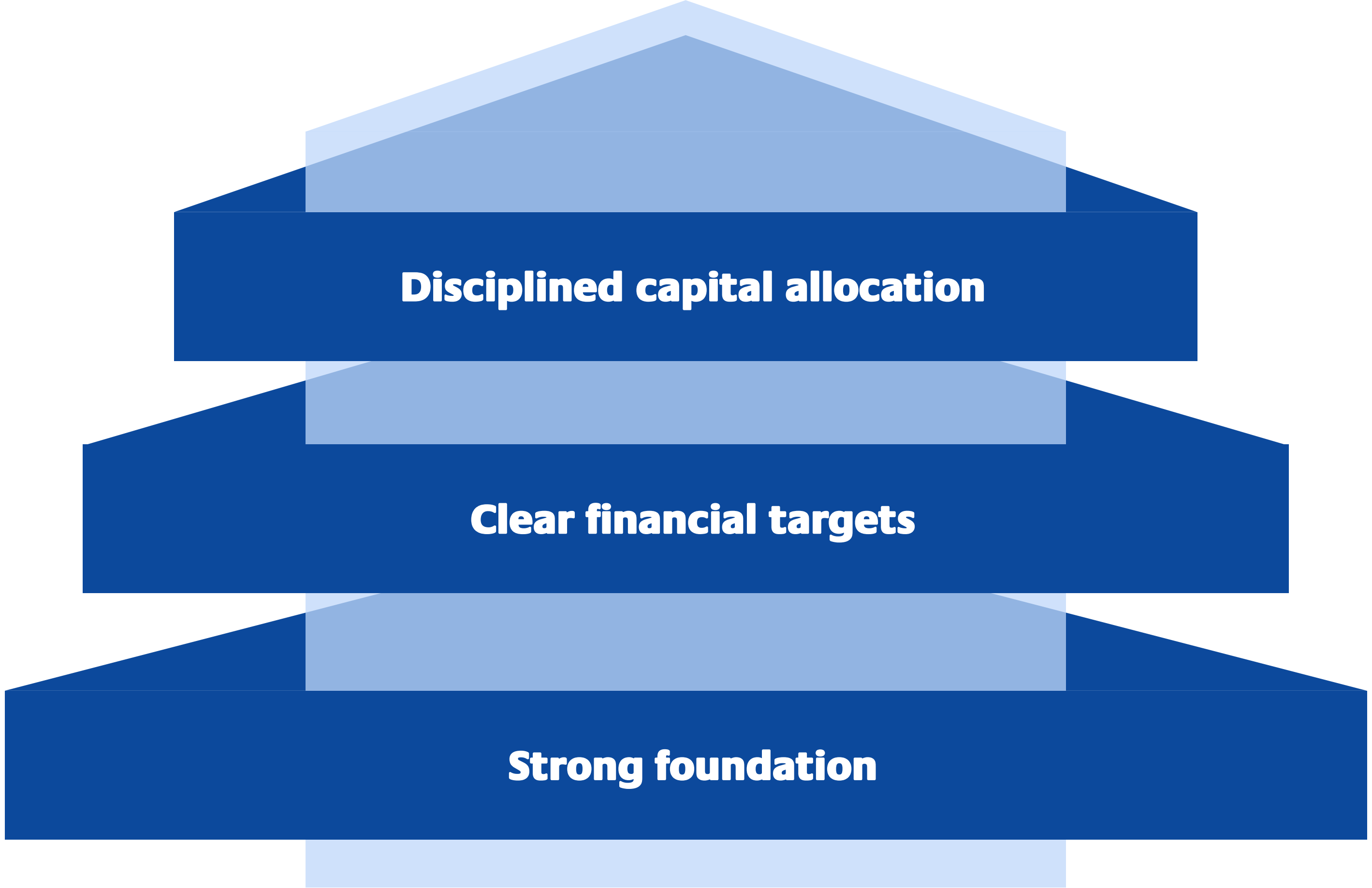
Pensions
Accelerate de-risking

M&A
Bolt on opportunities

Shareholder returns
Further returns of surplus capital to our shareholders

Supports growth and shareholder returns

Summary: confidence in driving value



Key messages

Strongly positioned	Sustainable growth	Improving margins and cash flow
› ~70% defence revenue*	› £9.6bn contract backlog*	› Contract terms and discipline
› Critical supplier to governments	› Supportive markets: military capability vs fiscal constraints	› Enhanced operational, programme and technical risk management
› Complex programme delivery	› Differentiated proposition delivering availability, affordability and capability	› Operational improvement
› Customer intimacy	› Partnerships and collaboration	› Unwind of legacy contracts
› Deep platform knowledge		
› Engineering know-how		
› Product development capability		

*HY24