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Babcock International Group PLC
23 April 2025

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**FY25 Post-close Trading Update**

**Strong underlying operating profit and cash flow performance**

Babcock International Group PLC ("Babcock" or "the Group") provides a positive update on trading for the financial year ending 31 March 2025.

## FY25 financial performance

Full year performance was strong, driven by the continuation of the positive trends seen in the third quarter across the Group. Based on unaudited, draft management accounts for FY25, subject to detailed review by the Audit Committee and the external audit process, we expect the FY25 results to be:

- Revenue of £4.83 billion, driven by organic growth at constant currency of 11%, with a continuation of the strong growth noted at the third quarter update in February, particularly in Nuclear and Marine
- Underlying operating profit of £363 million, a 17% increase yoy (1)
- Underlying operating margin of 7.5% (FY24: 7.0% (2)), with all four sectors performing well in the fourth quarter, including a c.£5 million one-off benefit in Marine
- Underlying operating cash conversion of c.80%, boosted by working capital timing
- Underlying free cash flow of £153 million, despite an additional accelerated pension deficit repair contribution of £40 million (see below)
- Net debt including leases reduced to £373 million at 31 March 2025 (FY24: £435 million), or £101 million excluding leases (FY24: £211 million)

## Continued strong business momentum

The Group's contracted backlog was £10.1 billion as at 31 March 2025, up from £9.5 billion at HY25, providing a strong platform for sustained growth. During the fourth quarter, we announced two key multi-year contracts:

In January, we were awarded a new contract (Mentor 2) for the provision and support of military air training solutions for the French Air and Space Force and the French Navy, worth up to c.€800 million (3). This represents a significant expansion of our military activity in France.

In March, we secured a sole-source five-year extension to our military land equipment support contract worth around £1.0 billion, on terms that will result in better outcomes for all stakeholders. Through the course of the extension we will deliver improved readiness, regeneration and asset management services underpinned by extensive engineering and supply chain expertise, to maximise the availability of critical army equipment. This contract cements our position as strategic partner to the British Army, thereby setting the foundation for the army modernisation programme in the coming decades.

## Pensions further de-risked

We continue to strengthen the Group's balance sheet. In the second half of the year we further de-risked the Group's pension schemes. Following completion of the triennial valuation of the Rosyth Royal Dockyard Pension Scheme (RRDPS), one of the Group's three principal schemes, the Company and trustees have jointly agreed a long-term funding arrangement (LTFA) for the scheme. Within the last 12 months, the Company has finalised LTFA's with all the three main pension schemes and, as part of this has contributed an additional £40 million deficit repair lump sum in FY25. As a result, we expect annual deficit repair payments to reduce from around £40 million per annum to around £20 million per annum for the next six years.

Babcock Chief Executive David Lockwood said: "In an uncertain world, we continue to see momentum across the business. This has driven strong performance in all four of our divisions in the fourth quarter, resulting in full year underlying operating profit ahead of expectations. Our experience, know-how and application of technology play a critical role in ensuring that our customers are ready to respond to ever-changing global threats."

## FY25 reporting date

Further details and the outlook for FY26 will be provided on publication of our FY25 preliminary results, which we expect will be on 25 June 2025.

## Civil nuclear teach-in event

We will be hosting a teach-in for analysts and investors on our civil nuclear business on 20 May at the London Stock Exchange. The event will also be webcast and available on the Investor Relations website. Registration details to follow.

(1) Compared to FY24 underlying operating profit of £311 million, which excludes the loss on Type 31 of £90 million and a profit on property disposal of £17 million.
(2) FY24 underlying operating margin was 7.0% excluding the loss on Type 31 and profit on property disposal.
(3) Approximately £310 million has been recorded in the contract backlog for the Mentor 2 contract.

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**For further information:**

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