

2023 Preliminary Results 21 February 2024

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About BAE Systems

At BAE Systems, we provide some of the world's most advanced, technology-led defence, aerospace and security solutions. We are a workforce of 99,800¹ highly skilled people in around 40 countries. Working with our customers and local partners, we develop, engineer, manufacture and support products and systems that deliver military capability, protect national security, and keep critical information and infrastructure secure.

¹ Including share of equity accounted investments and excludes the impacts of the M&A transactions in February 2024.
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Agenda

2023 Review



Charles Woodburn – CEO

Financial Review



Brad Greve - CFO

Business Outlook



Charles Woodburn – CEO
Tom Arseneault – CEO Inc

Q&A

2023 - Year in review

Charles Woodburn - CEO

Our 3 key messages today

1

2023 was another year of strong operational and financial delivery

2

Significant strategic progress

3

Enhanced visibility & confidence in the long term outlook and our value compounding model



2023 – Our year in review

Delivered mission critical requirements and significant strategic progress

Record order intake; record order backlog of £70bn – well set for good long-term growth

Strong operational performance

Delivered good top line and earnings growth

Increased Investment in business

Disciplined Capital Allocation

Orders

£37.7bn

(2022: £37.1bn)

Sales

£25.3bn

(2022: £23.3bn)

Underlying EBIT

£2,682m

(2022: £2,479m)

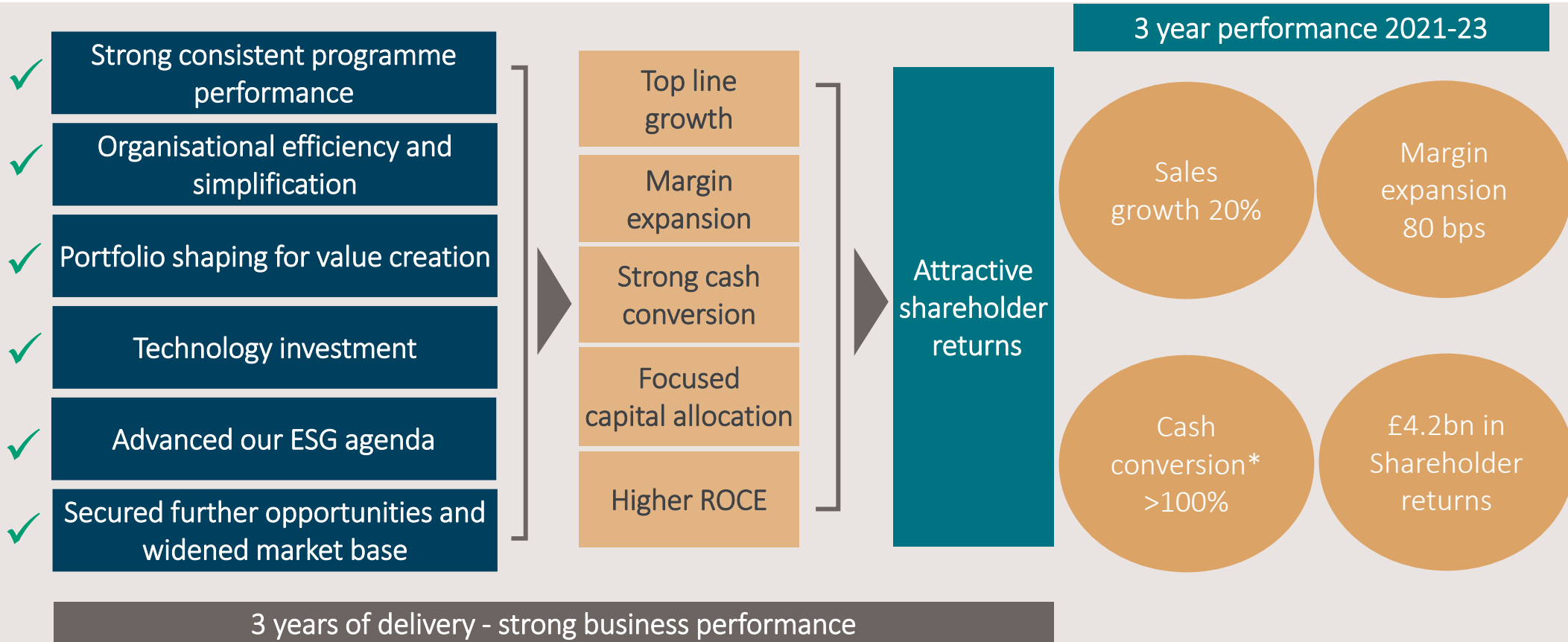
Free cash flow

£2,593m

(2022: £1,950m)

Continuing track record of strong and consistent operational and financial performance

What we have achieved in the 3 years 2021-23



* Conversion defined as Operating Cash Flow as a percentage of Underlying EBIT

2023 a year of long-term strategic progress

Increased investment

Supporting future growth

6,700

net increase in employees

c.2,400

apprentice graduates hired

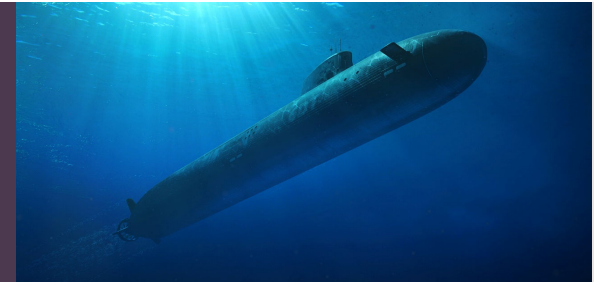
£0.8bn

Capital Expenditure

£2.3bn

Total R&D spend

AUKUS



GCAP

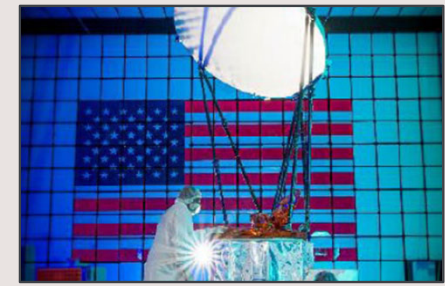
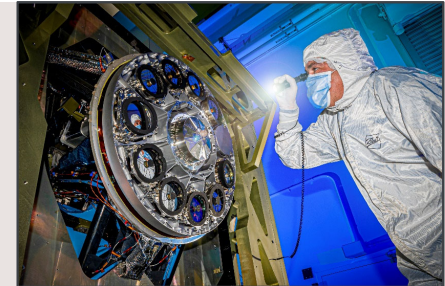


Ball Aerospace



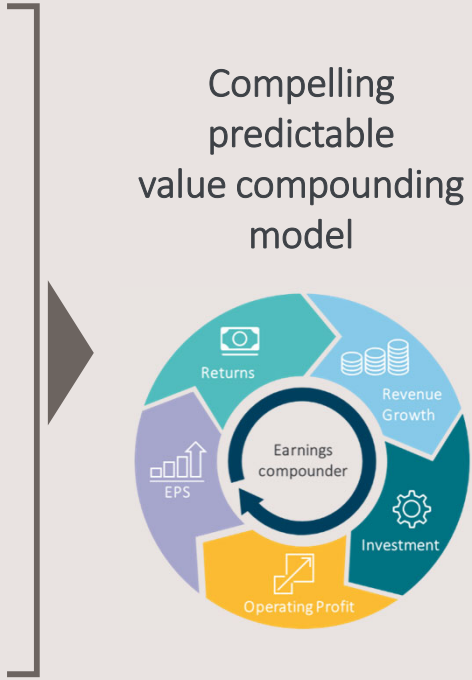
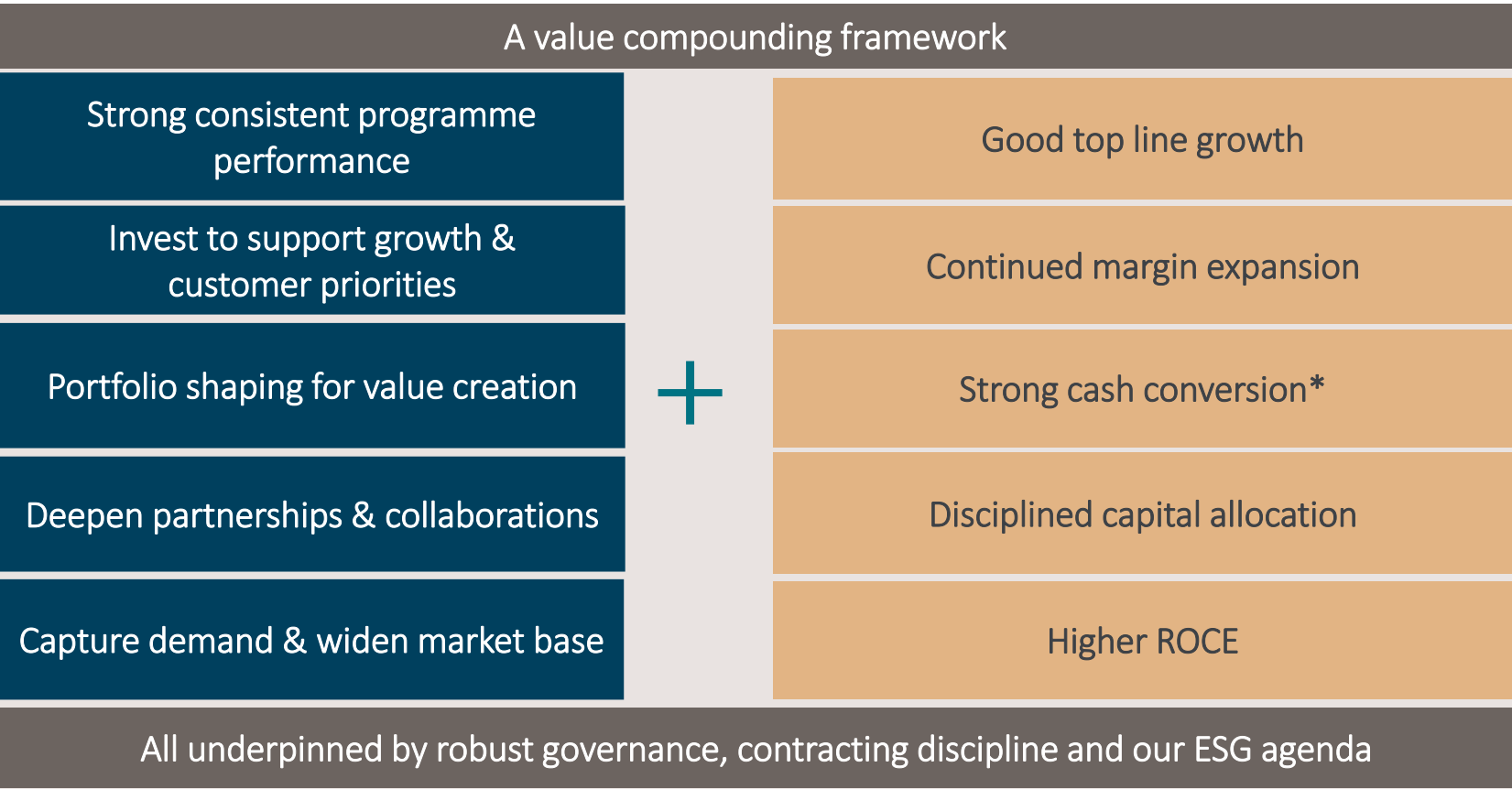
Ball Aerospace acquisition – a space and defence technology leader

- Space Systems & Mission Enabling Defence Technology leader
- Strongly aligned with Intelligence Community, US DoD, and US Government’s highest priorities
- Attractive positioning & outlook across military & civil space, C4ISR & missile & munitions
- Long and distinguished track record of innovation and development
- Excellent cultural fit with Electronic Systems business
- Opportunities for synergy over time



Strengthening our world class multi-domain portfolio

What we look to achieve in the 3 years 2024-26



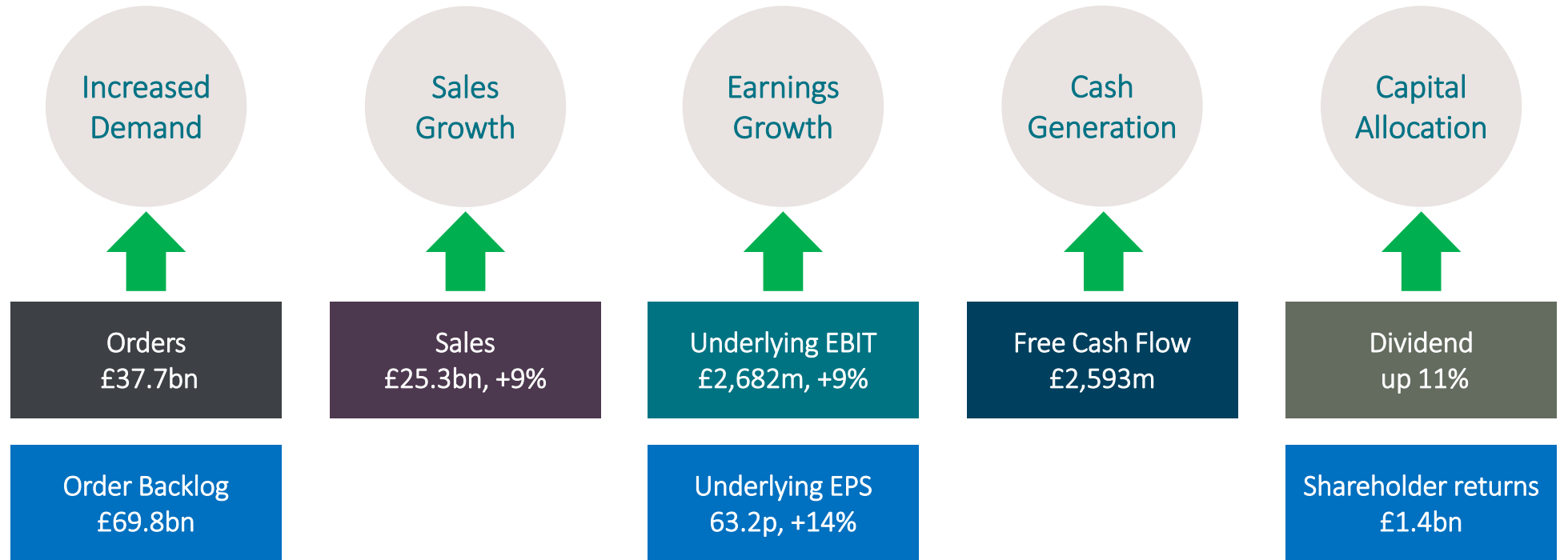
* Conversion defined as Operating Cash Flow as a percentage of Underlying EBIT

Financial Review

Brad Greve - CFO



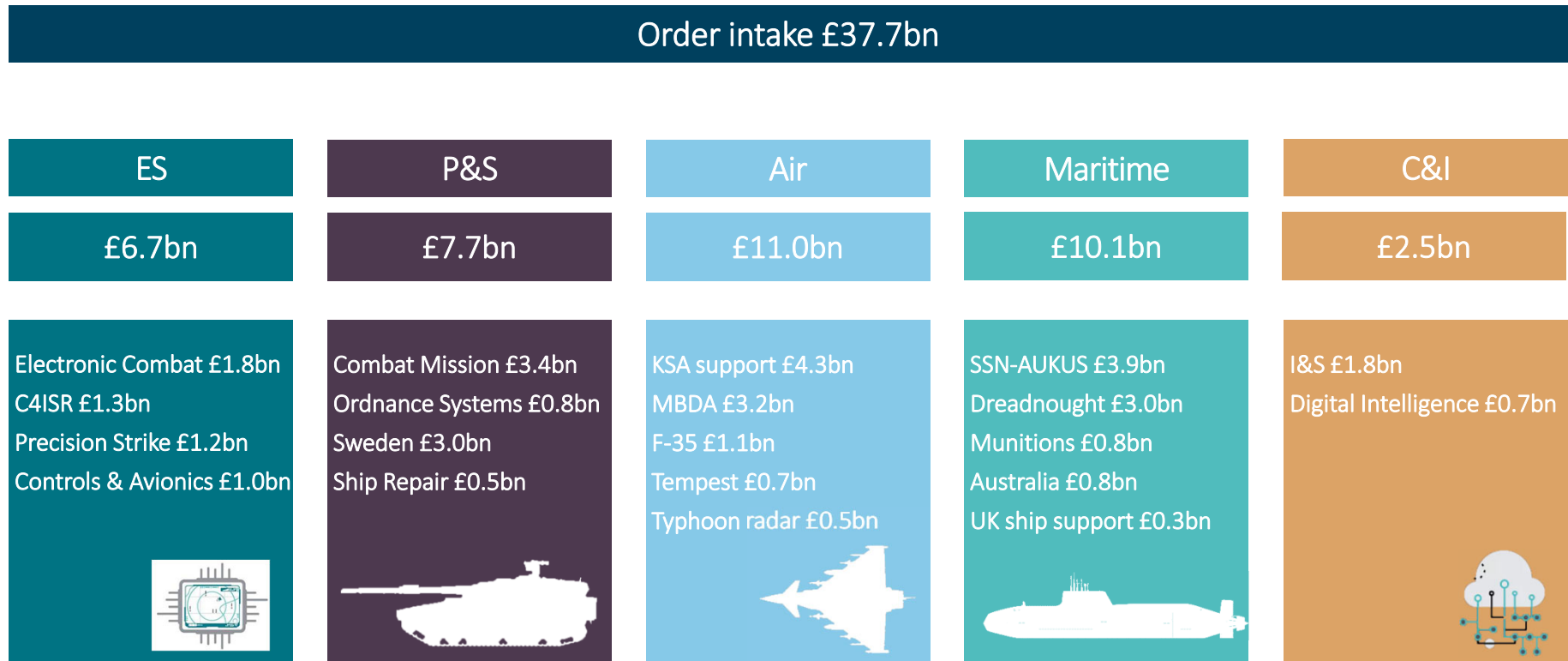
2023 financials



Record backlog, strong earnings growth & cash generation

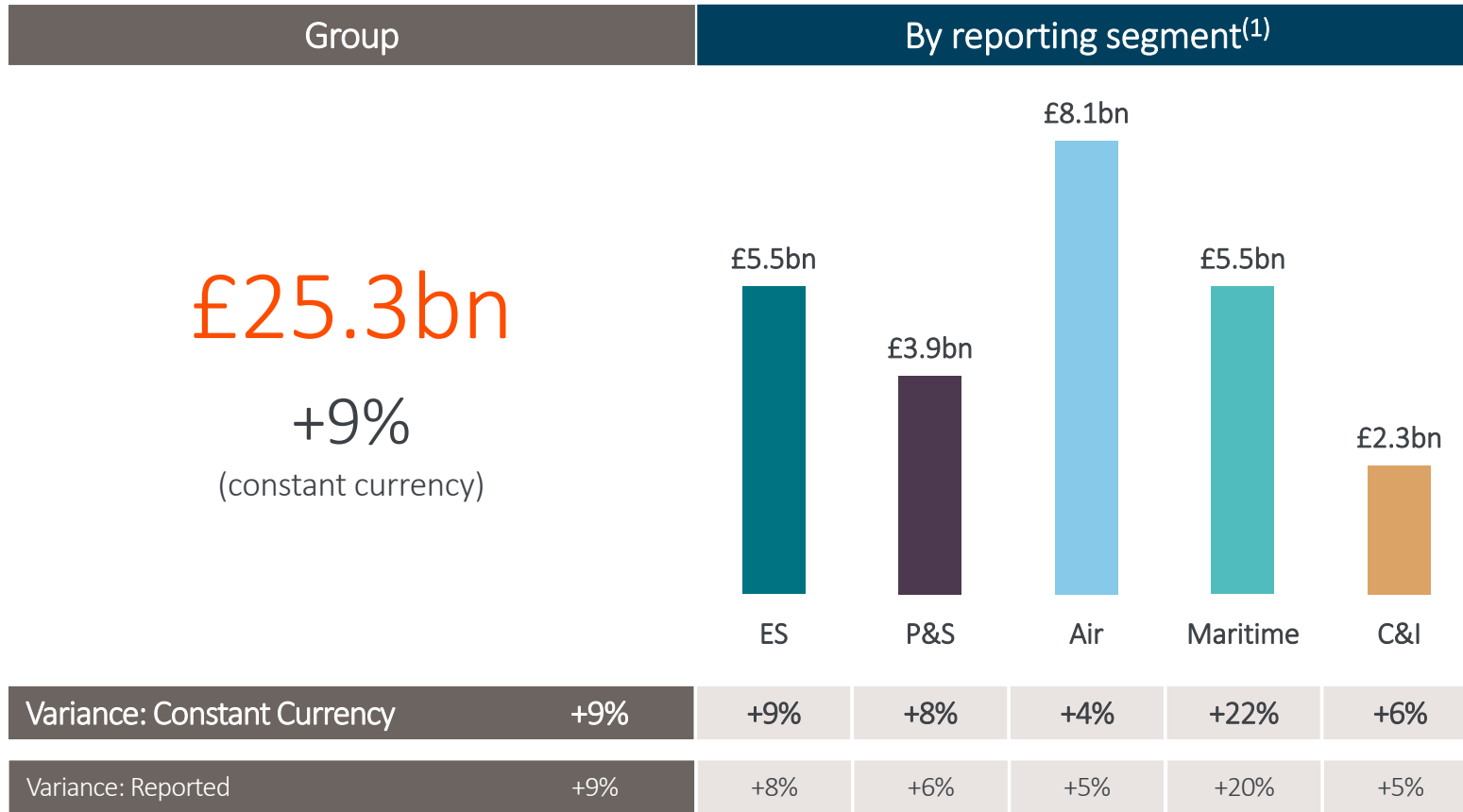
Growth %s stated on a constant currency basis (USD: December 2023 \$1.244, December 2022 \$1.236)

Order intake



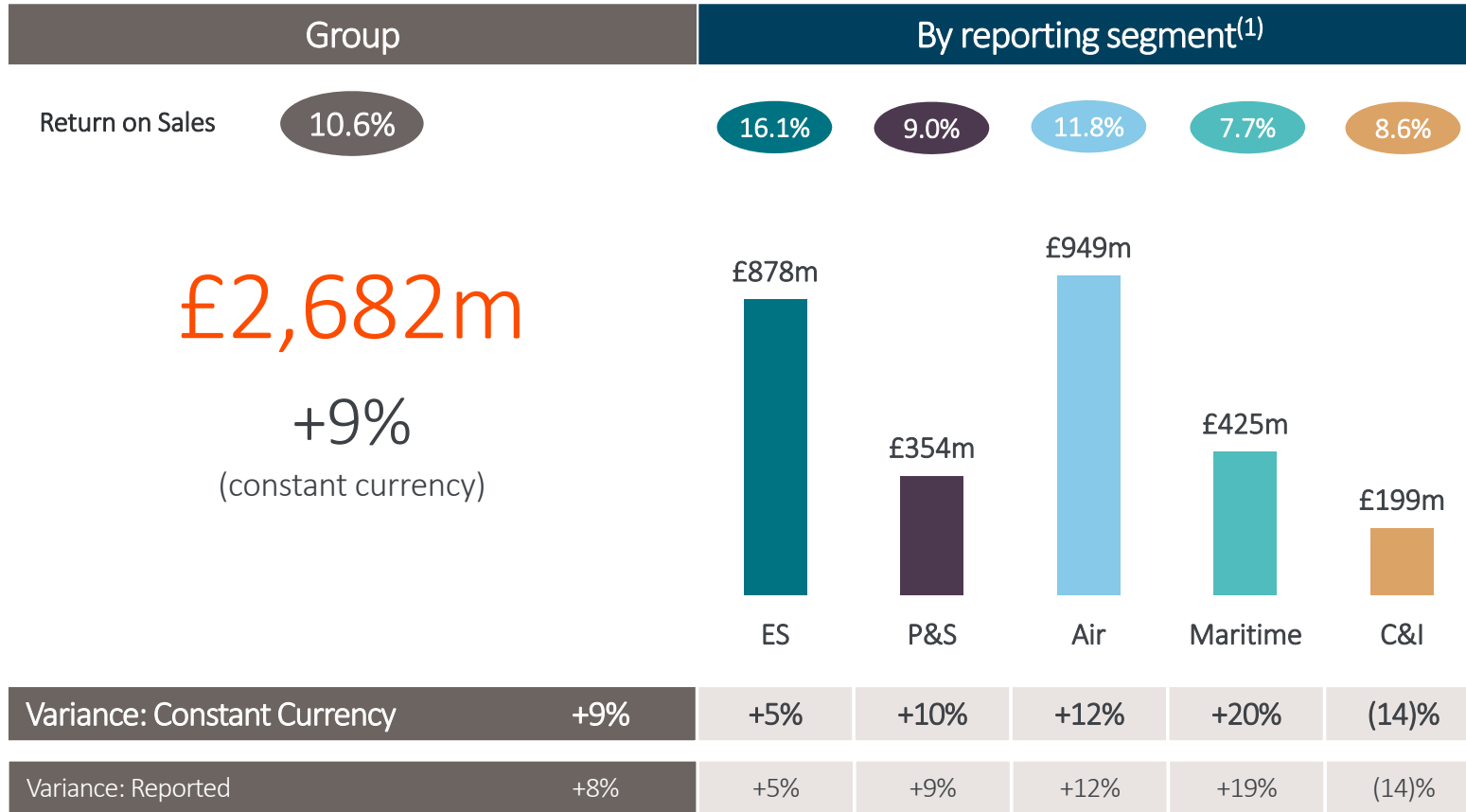
Excludes HQ & intra-group eliminations

Sales



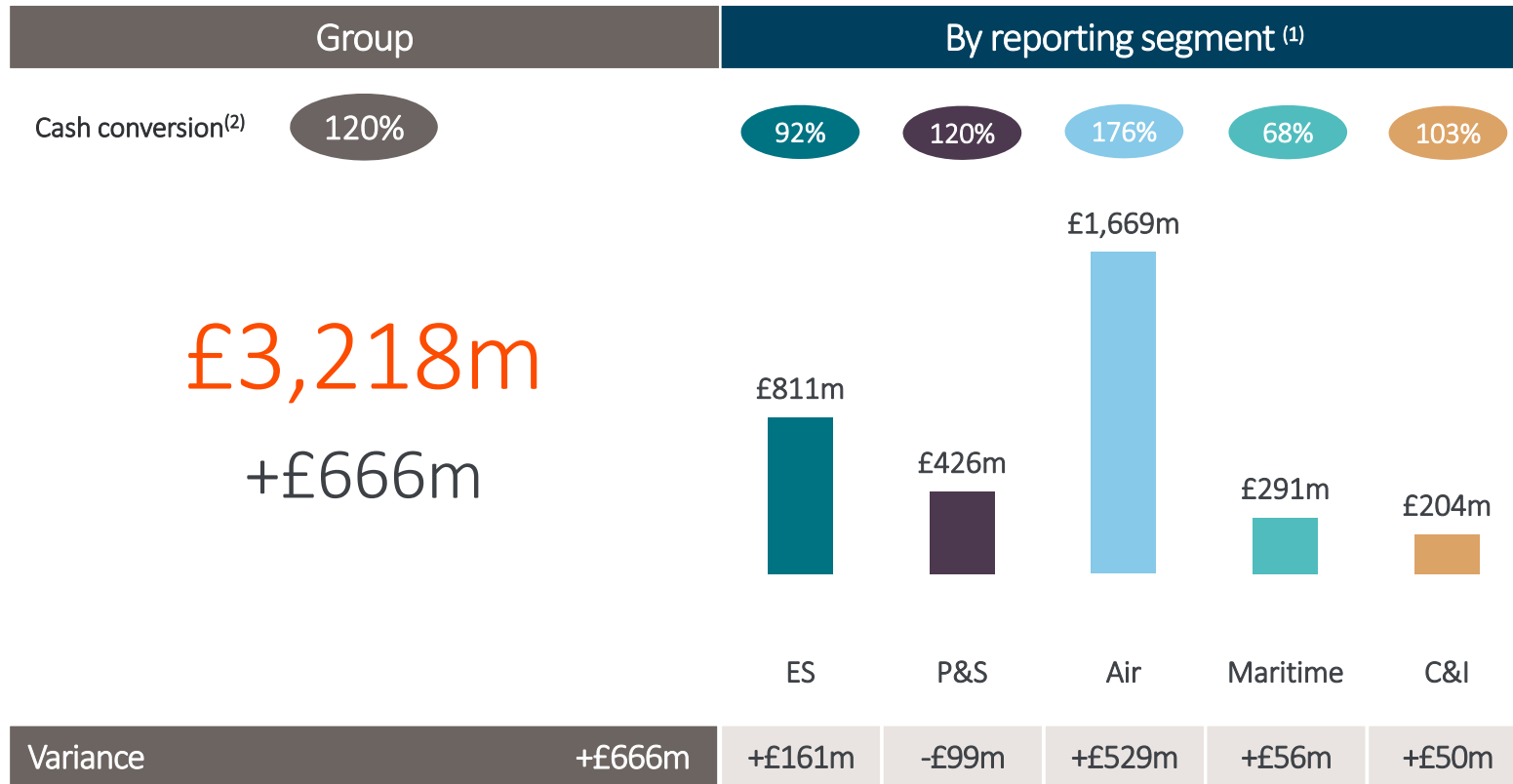
(1) excludes HQ & intra-group eliminations

Underlying EBIT / Return on Sales



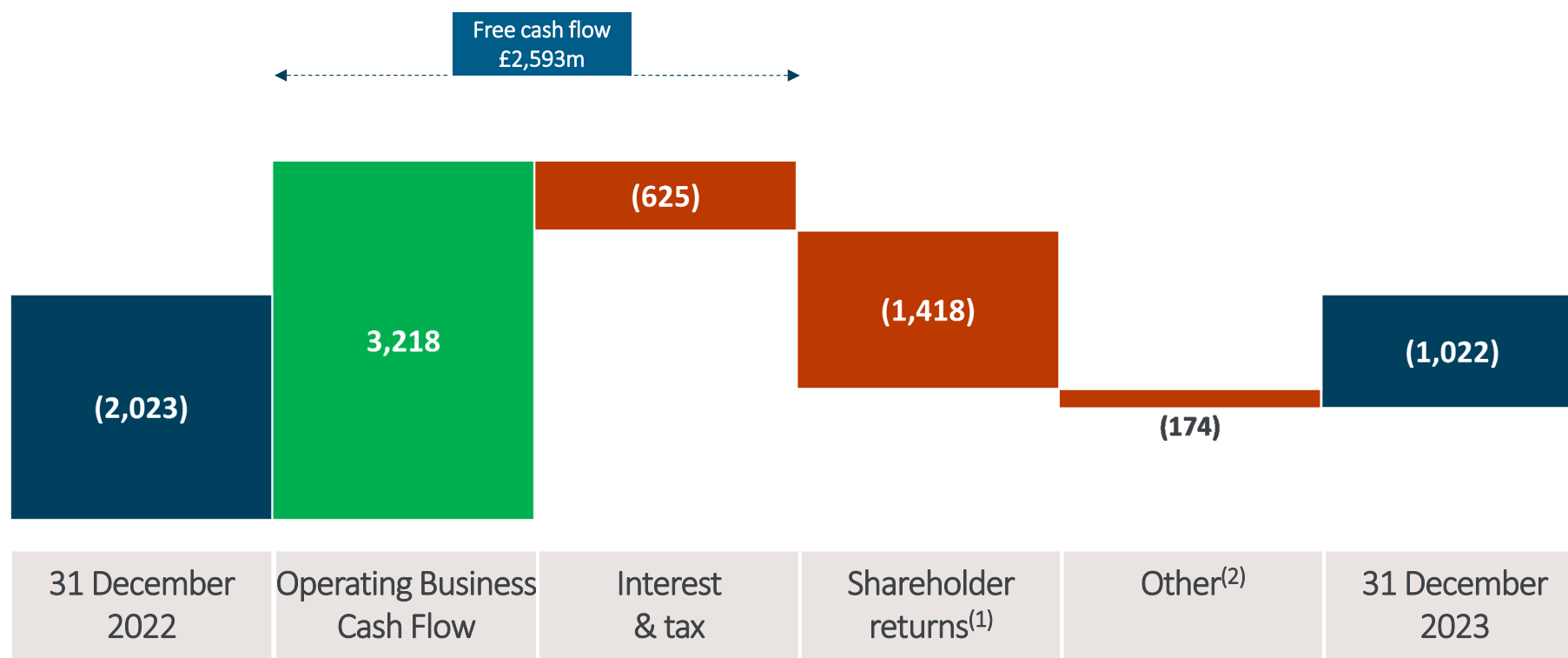
(1) excludes HQ £(123)m (variance -£1m)

Operating business cash flow



1) Excludes HQ £(183)m (variance -£31m)
 2) Defined as Operating business cash flow as a percentage of Underlying EBIT

Net Debt (£m, excluding lease liabilities)



(1) Dividends £857m & share buyback £561m

(2) Includes cash outflows in respect of dividends paid to non-controlling interests £88m, business acquisitions & disposals £22m and FX & other non-cash movements

2024 Indicative organic outlook (excluding the Ball Aerospace acquisition)

- based on £1:\$1.24

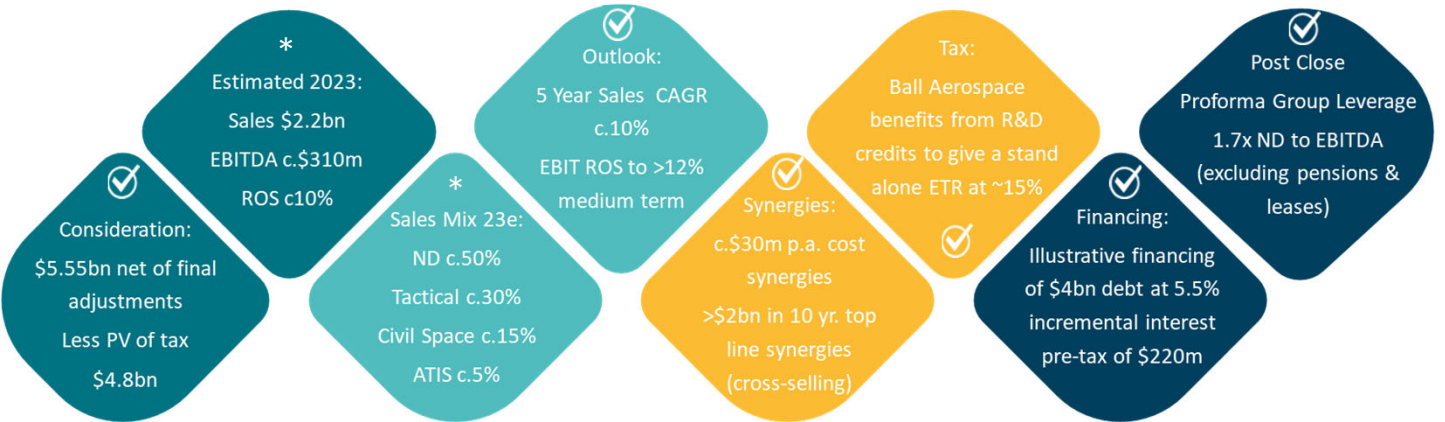
Sales (organic)	Underlying EBIT (organic)	Underlying EPS (organic)	2024 Free Cash Flow ⁽¹⁾
+5% to +7% (2023: £25,284m)	+6% to +8% (2023: £2,682m)	+7% to +9% (2023: 63.2p)	>£1.2bn (2023: £2,593m)
+4% to +6% (post-Air Astana disposal)	+5% to +7% (post-Air Astana disposal)	+6% to +8% (post-Air Astana disposal)	

In addition to the FCF above, net debt improved by a further £0.2bn proceeds from Air Astana IPO

(1) The cash flow impact of business acquisitions & disposals is excluded from the Group's definition of Free Cash Flow

Ball Aerospace update

Original acquisition assumptions August 2023



*** 2023/24 Ball Aerospace updates:**

- Pipeline has grown from \$8bn to \$9bn
- 2023 sales at c.\$2bn due to timing delays
 - 2024 sales outlook: low double digit growth
- Margin 11.2% in 2023 vs 10% estimate (sales mix)
 - 2024 margin c.11%, ahead of expectations

Medium term - consistent with acquisition assumptions:

- Medium-term double digit sales CAGR
- Medium-term margin with synergies >12%
- Medium-term average cash conversion at 80%

© 2024 BAE Systems. All Rights Reserved. (1) 2024 guidance incorporates Ball Aerospace's financial performance for 2024 reflecting a completion date of 16 February 2024

2024 Group guidance⁽¹⁾

Guidance based on £1:\$1.24, including the acquisition of Ball Aerospace, & the reduction in the stake in Air Astana

Sales	Underlying EBIT	Underlying EPS	2024 Free Cash Flow
+10% to +12%	+11% to +13%	+6% to +8%	>£1.3bn
(2023: £25,284m)	(2023: £2,682m)	(2023: 63.2p)	(2023: £2,593m)

Underlying finance costs
c.£350m – c.£375m

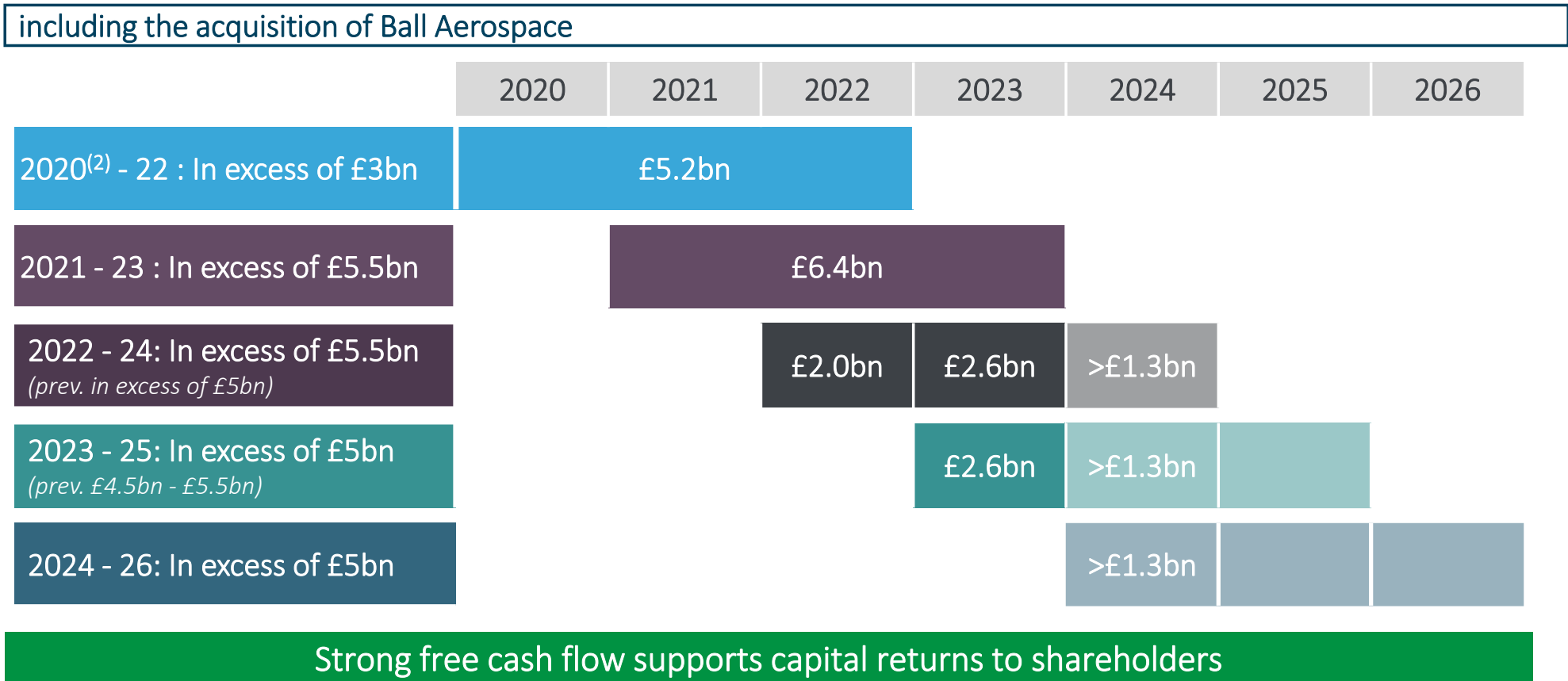
Effective tax rate
c.21%

Non-controlling interest
c.£80m

Guidance reinforces long-term value compounding model

- (1) Whilst the Group is subject to geopolitical and other uncertainties, the guidance is provided on current expected operational performance
- (2) Sensitivity to 5c movement: Sales c.£500m, Underlying EBIT c.£70m, Underlying EPS c.1.3p
- (3) 2024 guidance incorporates Ball Aerospace’s financial performance for 2024 reflecting a completion date of 16 February 2024
- (4) In addition to the Free Cash Flow above, the Group received £0.2bn from the reduction of its stake in Air Astana. The cash flow impact of business acquisitions & disposals is excluded from the Group’s definition of Free Cash Flow

Three year free cash flow guidance⁽¹⁾

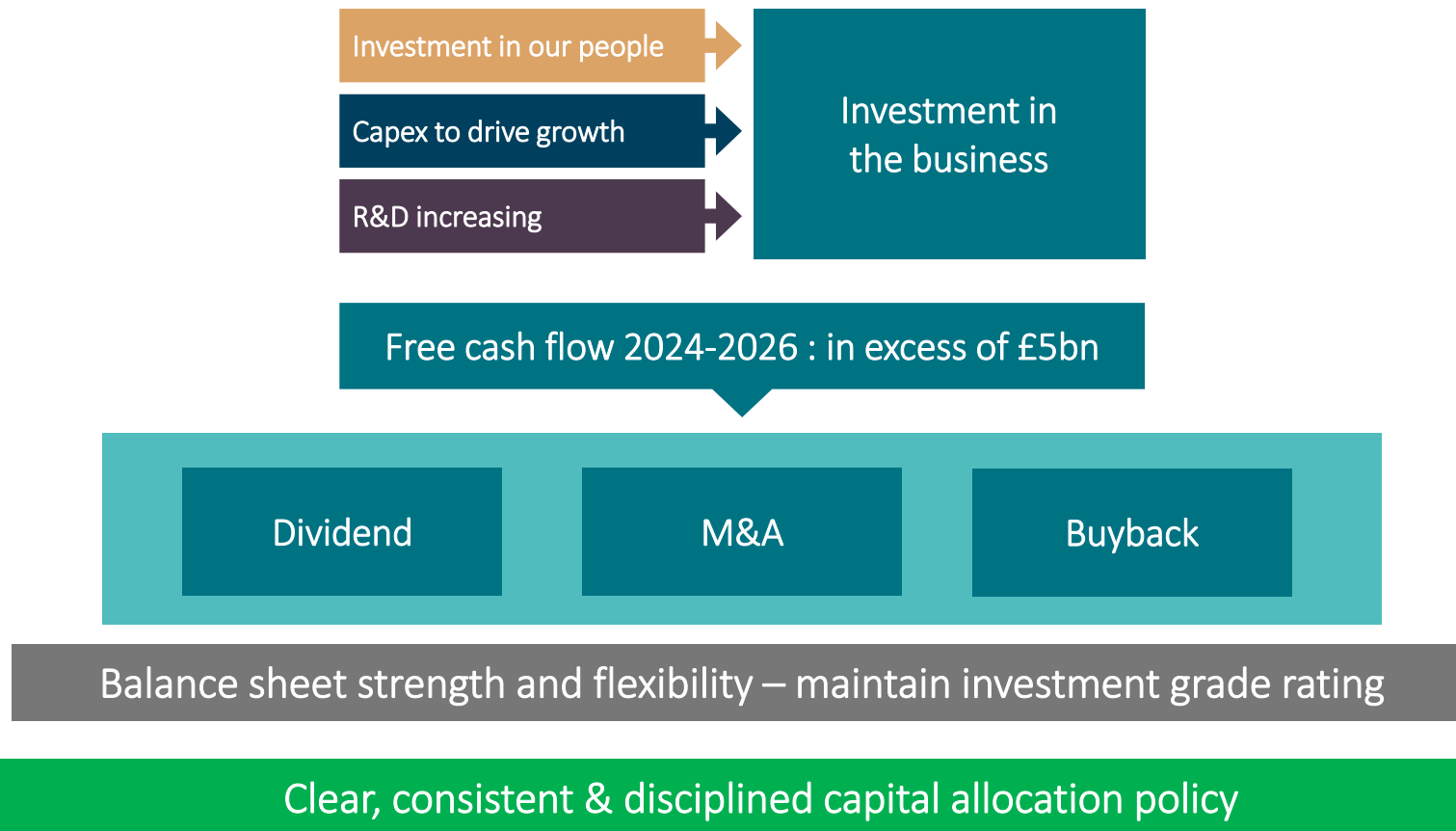


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(1) Whilst the Group is subject to geopolitical and other uncertainties, the guidance is provided on current expected operational performance
 (2) Excluding the £1bn one-off UK pension contribution



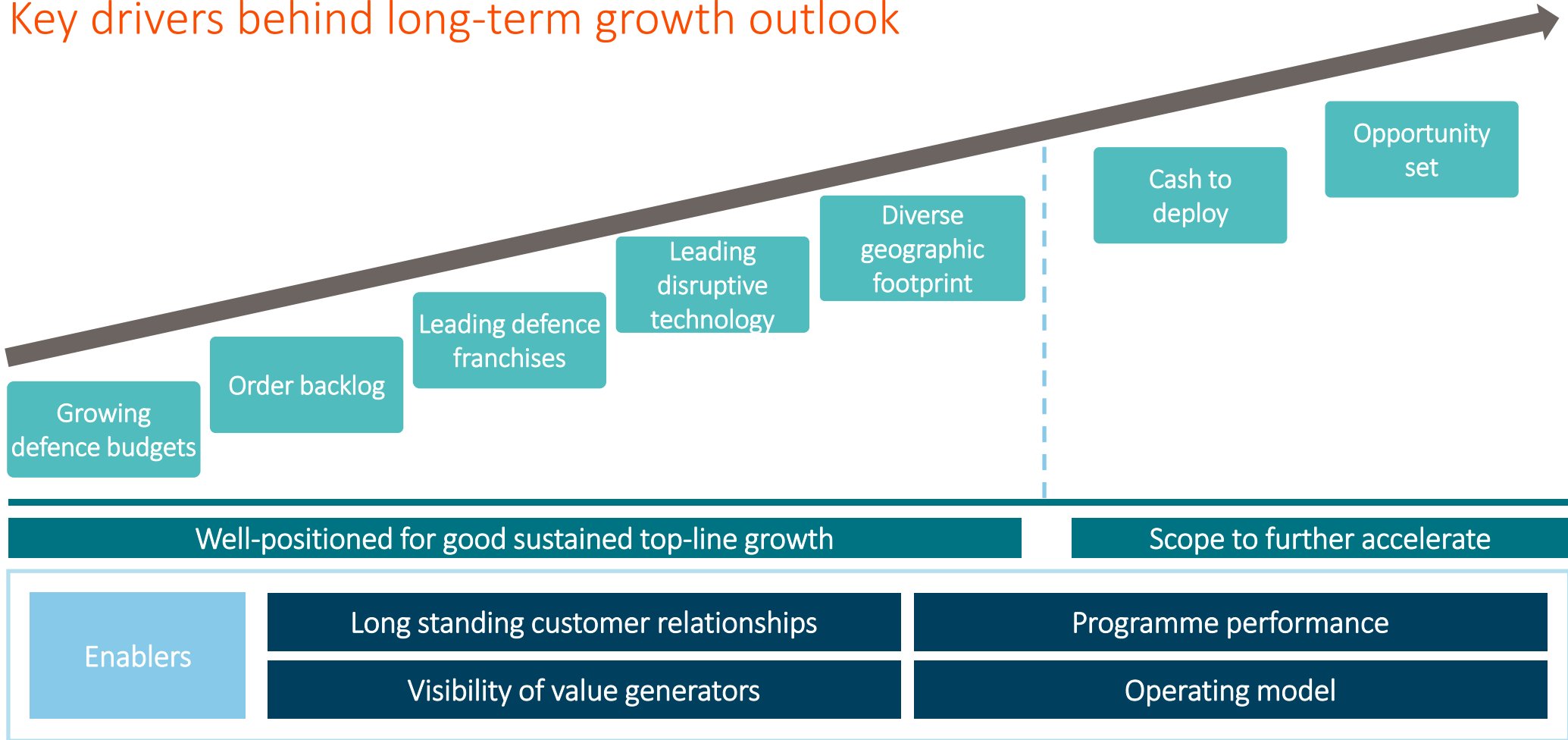
Capital allocation



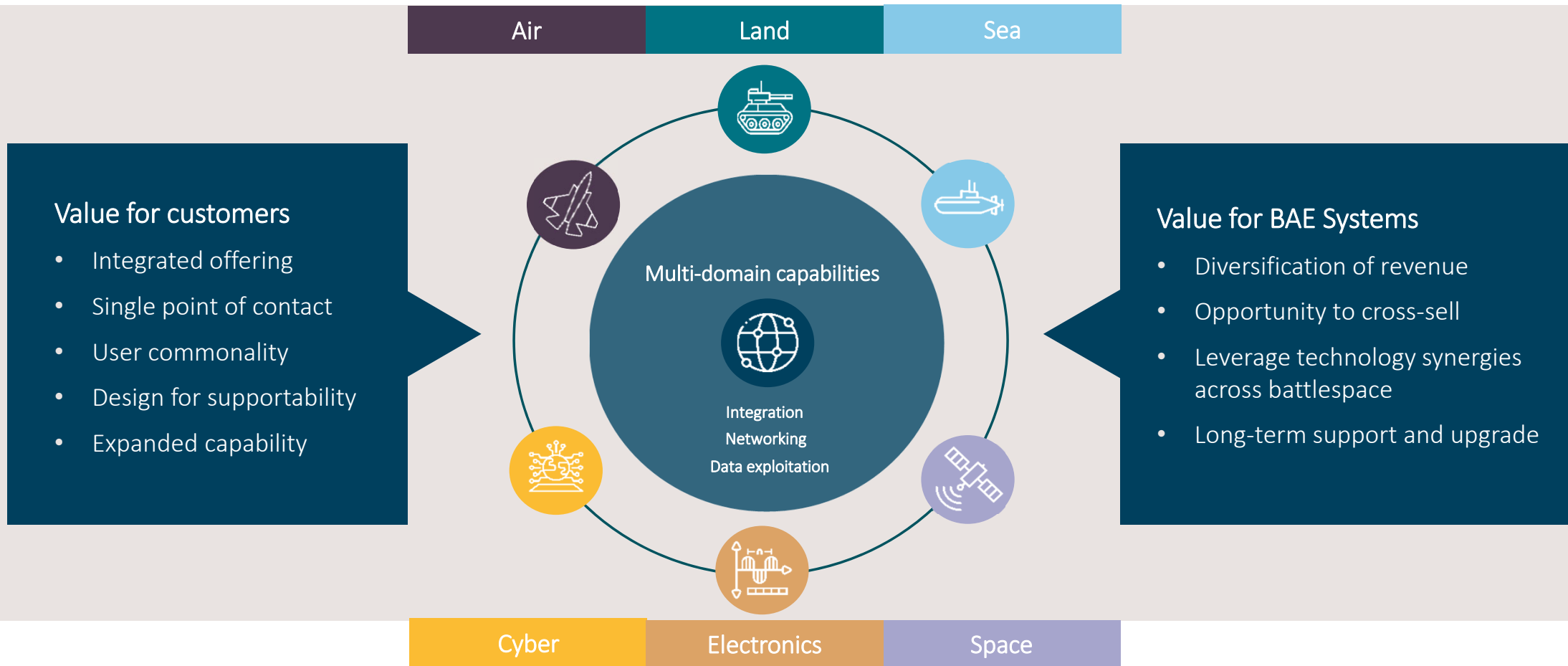
Business Outlook

Charles Woodburn – CEO
Tom Arseneault – CEO Inc.

Key drivers behind long-term growth outlook




World class multi-domain capabilities - enabling an integrated and networked battlespace




Technology and innovation


Five core technology areas supporting growth




Autonomy



Space



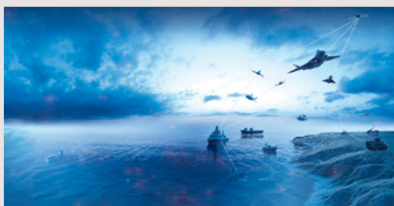
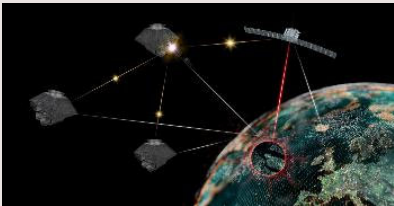
Multi-Domain and digital integration



Manufacturing & Design



Sustainability



Driving innovation through our research labs

Acquisition of Ball Aerospace

A Space and Defence Technology Leader



Innovating for a broad spectrum of intelligence, scientific & defence missions

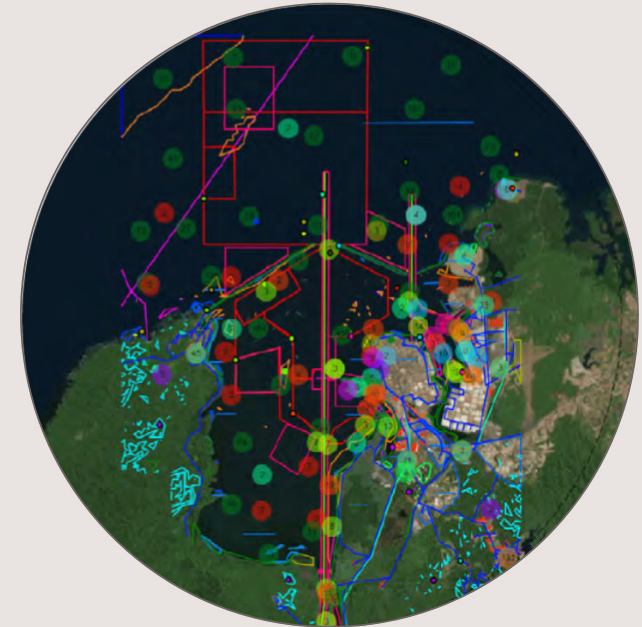
Space



Tactical Solutions



Ground Systems



Space & Mission Systems: Bringing a deep understanding of customer missions

	Space	Tactical Solutions	Ground Systems
Mission Solutions	<ul style="list-style-type: none"> • Geospatial Intelligence • Space Domain Awareness • Environmental Monitoring & Operational Weather • Ground-breaking Imaging 	<ul style="list-style-type: none"> • Airborne Antenna Systems • Advanced Tactical Imaging • Shipboard Systems 	<ul style="list-style-type: none"> • Remote Sensing Analytics • Open Data Architectures • Directed Energy Research
Key Customers			
S&MS Differentiation	<ul style="list-style-type: none"> • End-to-end solutions that transform the National Security Space architecture • Science at any scale 	<ul style="list-style-type: none"> • Mission-enabling technologies to the warfighter across land, sea, air and space domains 	<ul style="list-style-type: none"> • Leading edge data solutions and scientific and engineering expertise
Segment Growth Drivers	<ul style="list-style-type: none"> • DoD / IC investing in evolving space architectures • Focus on climate change 	<ul style="list-style-type: none"> • DoD investing in new technologies to meet emerging threats 	<ul style="list-style-type: none"> • Aligned with key R&D priorities

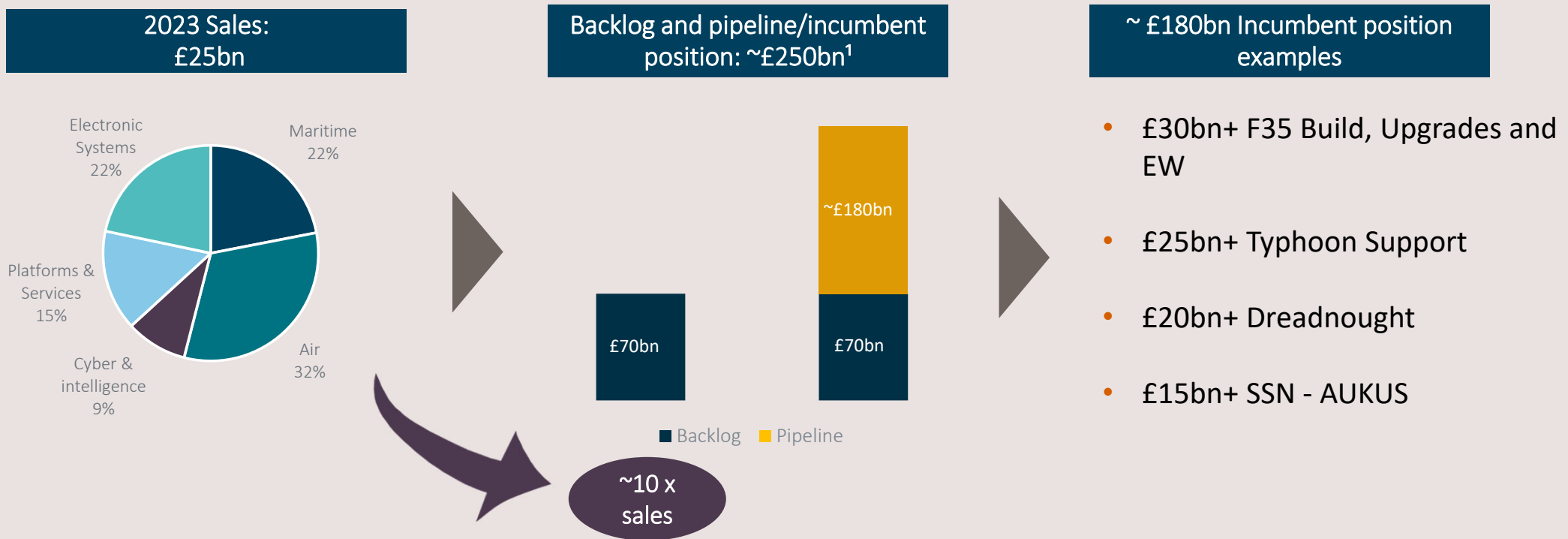
A talented team solving our customers' challenges

- 5,200 highly skilled and talented colleagues
- >60% hold US Security Clearances
- ~40% have earned advanced degrees
- ~70% in technical roles
- Near 10-year average tenure
- Shared mission and culture



(1) Proportion of the c. 87% full-time employees who self-reported education level.
(2) Includes Engineering and Other Technical roles.

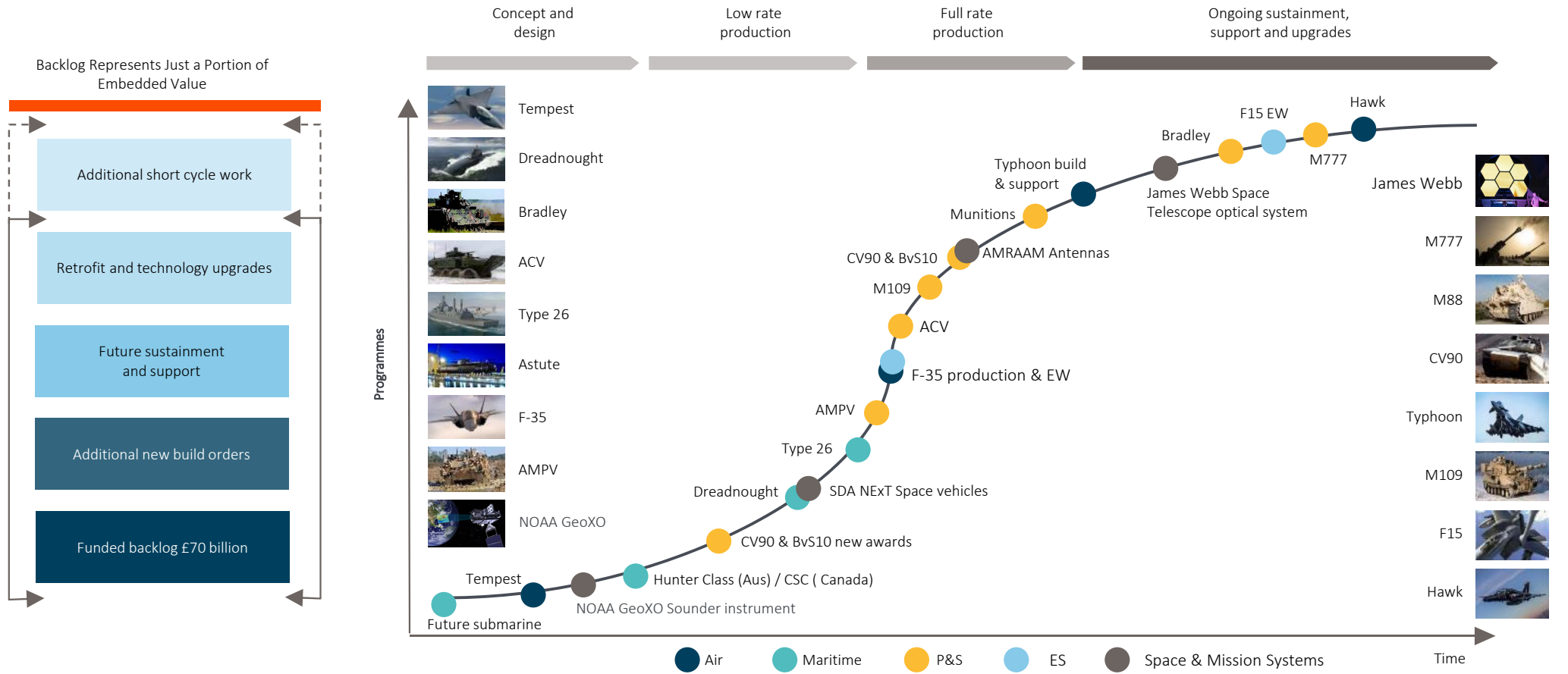
Significant backlog and pipeline supports sustainable and visible medium term sales growth



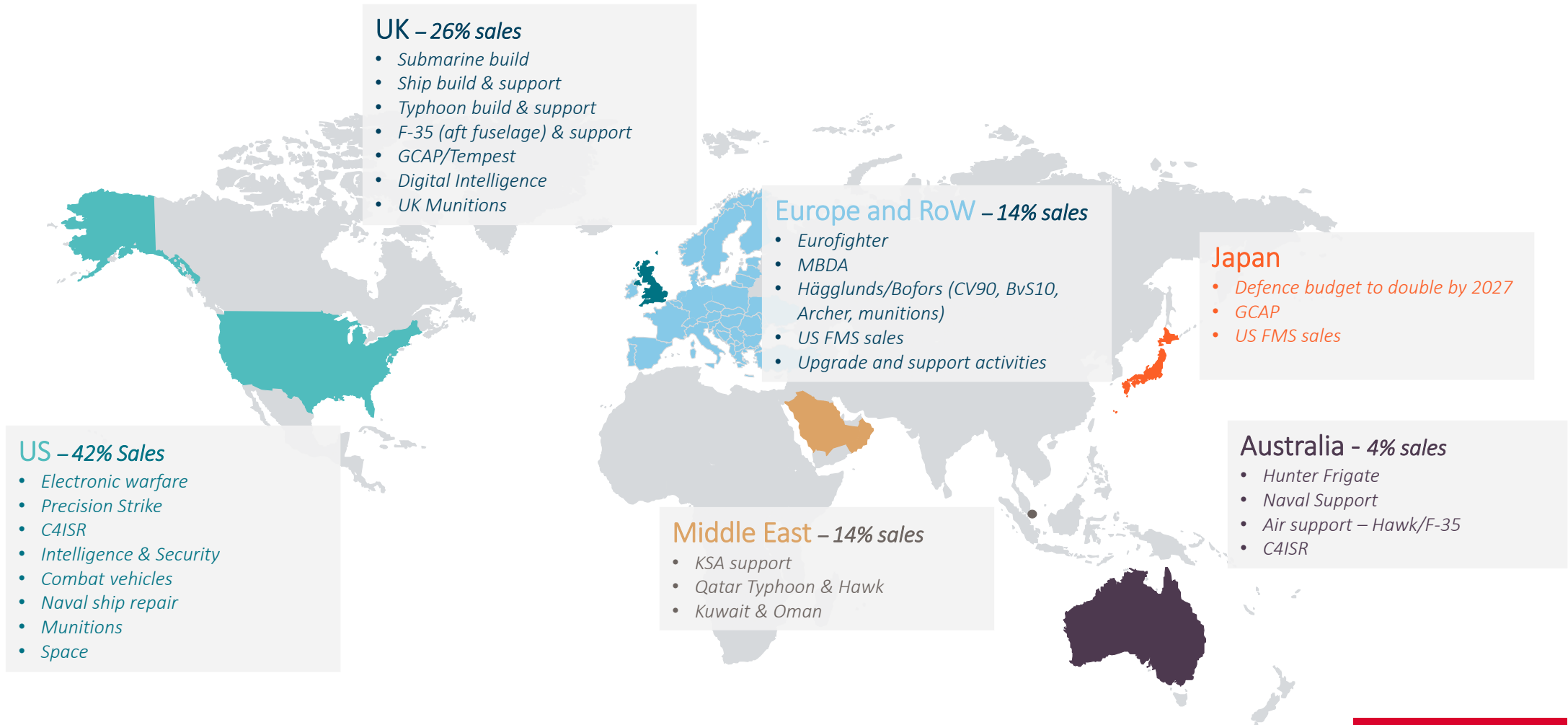
Over the last 3 years: Sales growth 20%, Order backlog growth >50%. Providing enhanced visibility

1) Projections are based on internal management estimates and reflect management’s current assumptions, including assumed receipt of future orders over the medium term
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Multi-decade programmes with long-term embedded value - illustrative

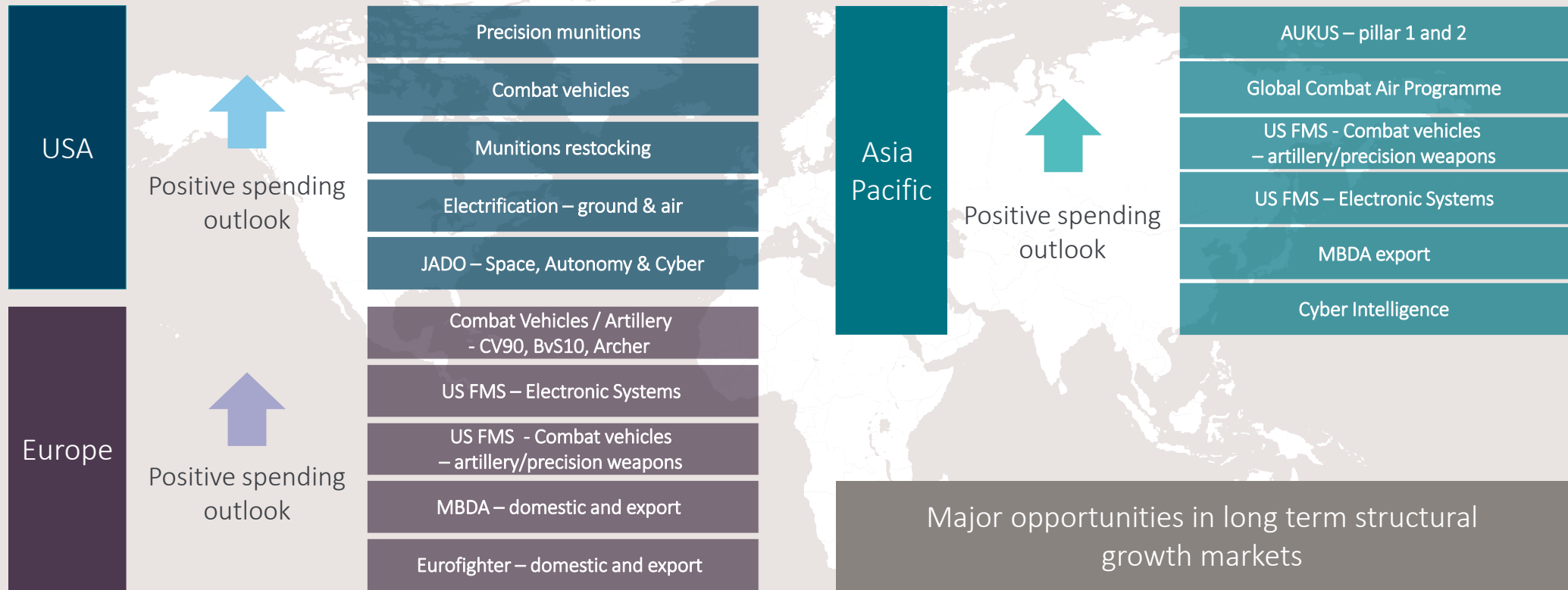


Geographic diversity - a strength now and into the future




Defence spending increasing in many countries

Portfolio uniquely placed to address current and future threat environment



BAE Systems proposition for significant long-term value creation

 Defence supercycle beneficiary - well positioned on multiyear programmes

 Diverse portfolio and multi-domain capabilities


 Excellent backlog and opportunity pipeline


 Leading edge technology and innovation


 Global reach

 Sustainable and visible revenue growth

 Underlying margin progression

 High return on capital employed

 Strong earnings growth

 Robust cash generation supporting good capital returns

Long-term visibility on our value compounding model

Supplementary Information



2023 summary financials

	2023	2022	Constant Currency	Reported
Order Intake	£37,697m	£37,093m		
Sales	£25,284m	£23,256m	+9%	+9%
Underlying EBIT ⁽¹⁾	£2,682m	£2,479m	+9%	+8%
Return on Sales	10.6%	10.7%	-	-10 bps
Underlying EPS ^(1,2)	63.2p	55.5p	+14%	+14%
Underlying Tax Rate	19%	19%		
Operating Business Cash Flow ⁽³⁾	£3,218m	£2,552m		+£666m
Free Cash Flow ⁽³⁾	£2,593m	£1,950m		+£643m
Dividend per Share	30.0p	27.0p		+11%
Order Backlog	£69.8bn	£58.9bn		
Net Debt (excluding lease liabilities)	£(1,022)m	£(2,023)m		
Pension Surplus, net ⁽⁴⁾	£0.2bn	£0.6bn		

Average \$ rate: 2023 \$1.24, 2022 \$1.24

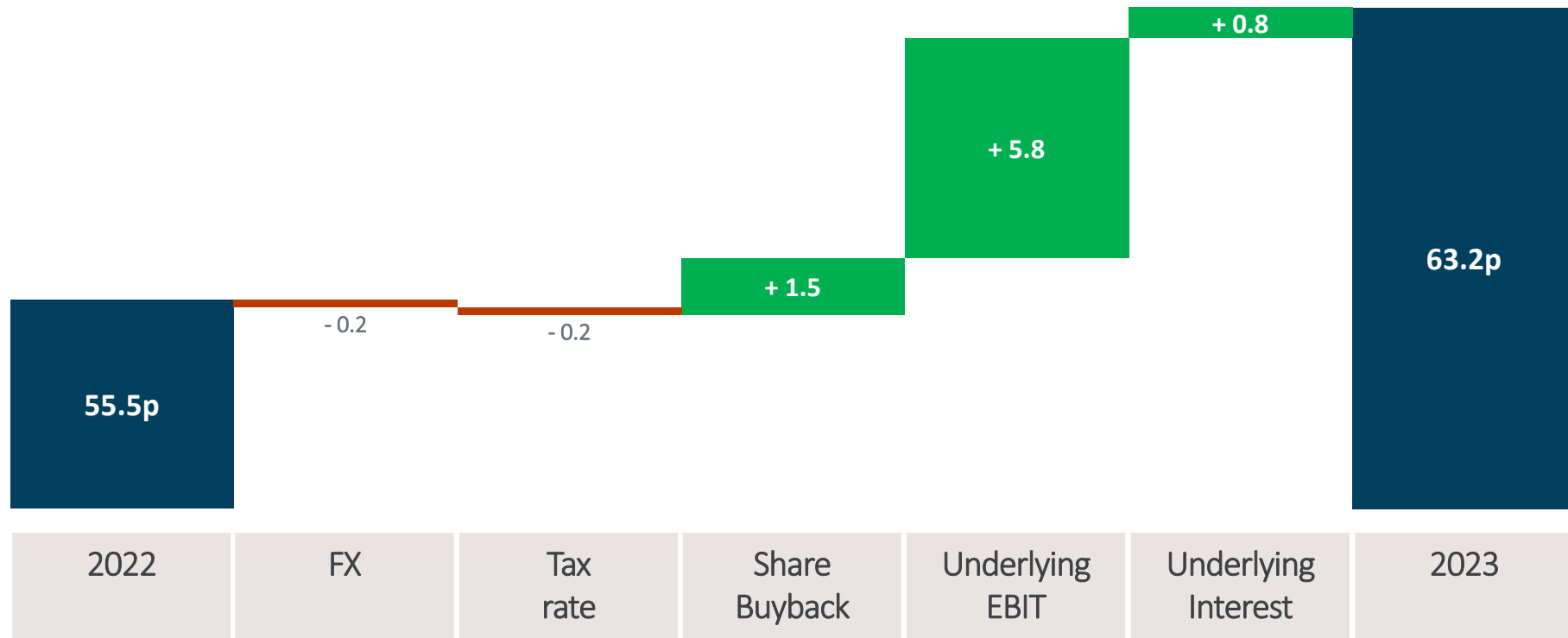
1 Operating profit excluding amortisation of programme, customer-related and other intangible assets, impairment of intangible assets, finance costs & taxation expense of equity accounted investments and adjusting items

2 Basic Earnings per Share (EPS) excluding the post-tax impact of amortisation of programme, customer-related and other intangible assets, impairment of intangible assets, non-cash finance movements on pensions and financial derivatives and adjusting items attributable to shareholders

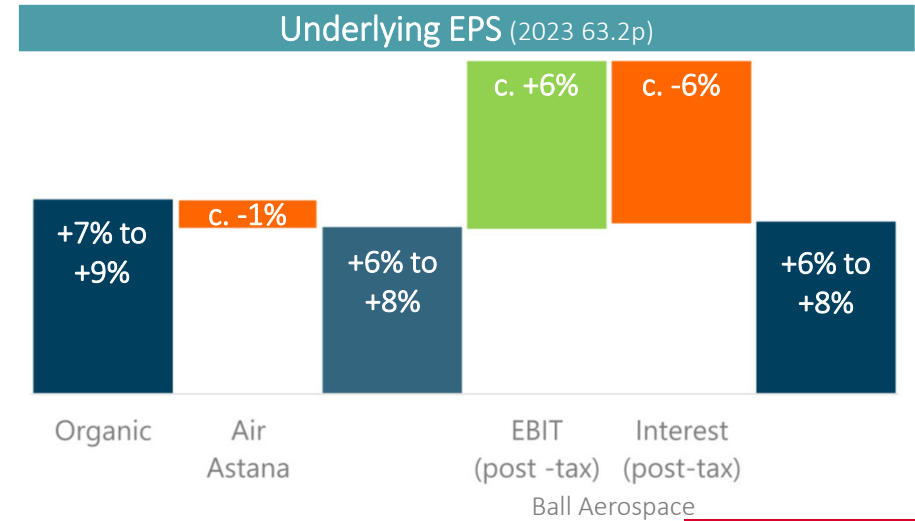
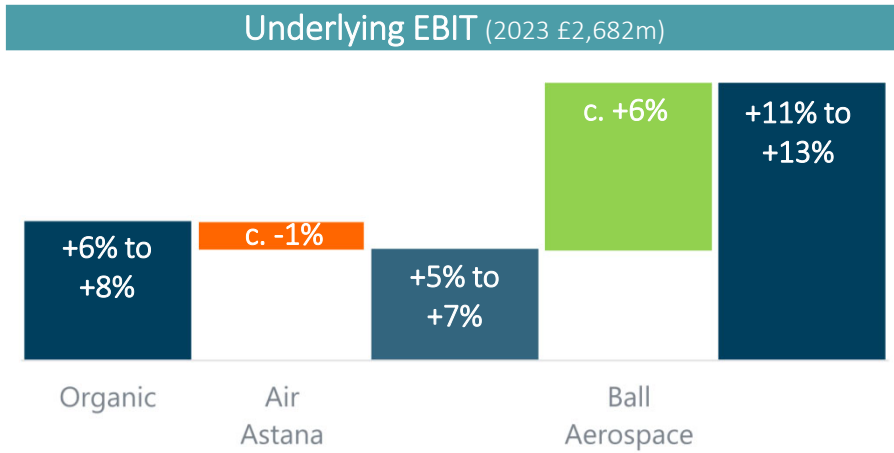
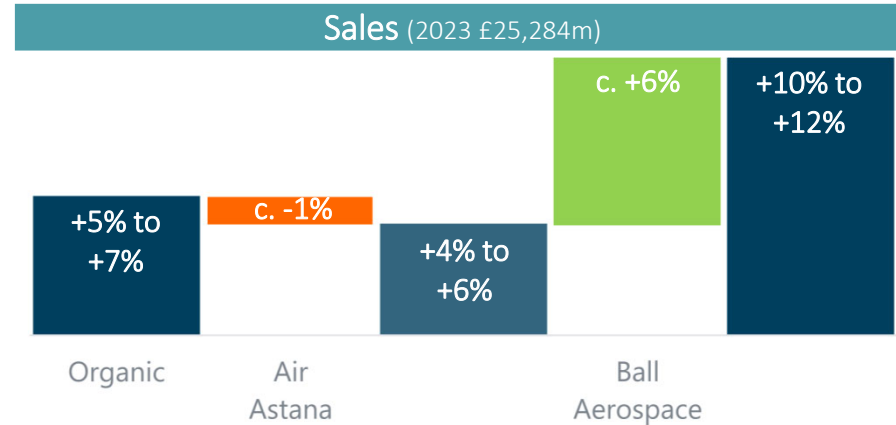
3 Free Cash Flow defined as Operating Business Cash Flow less interest paid (net) and taxation

4 The pension surplus is stated net of a 35% withholding tax charge (£0.4bn, 2022 £0.7bn) on a number of UK defined benefit pension schemes that are in an accounting surplus position.

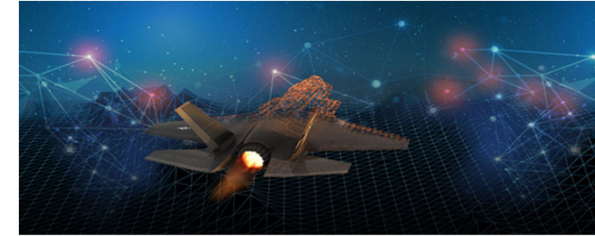
Underlying earnings per share (pence)



Indicative impact of recent transactions on 2024 guidance



Electronic Systems



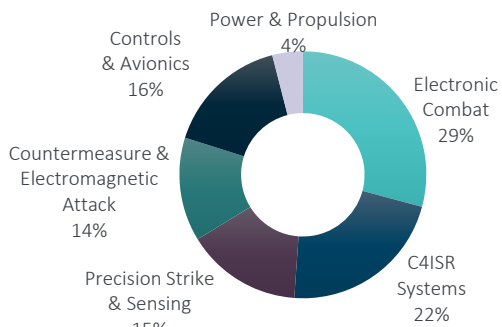
Business Description

Electronic Systems, with 17,500 employees, comprises the US- and UK-based electronics solutions, including electronic warfare systems, navigation systems, electro-optical sensors, military and commercial digital engine and flight controls, precision guidance and seeker solutions, next-generation military communications systems and data links, persistent surveillance capabilities, space electronics and electric drive propulsion systems.

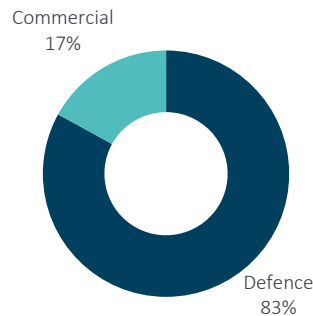
Financial Performance

	2023	2022
Sales	\$6,788m	\$6,248m
Underlying EBIT	\$1,092m	\$1,036m
Return on sales	16.1%	16.6%
Operating cash flow	\$1,009m	\$803m
Order intake	\$8.3bn	\$6.7bn
Order backlog	\$11.4bn	\$9.7bn

2023 Sales by Line of Business



2023 Sales



- Sales up 9% on a constant currency basis
 - Continued recovery in Commercial Aerospace
 - Growth in Electronic Combat Systems
- Margin performance in line with guidance range
 - FAS/CAS pension impact offset partially by growth in commercial revenues
- Cash flow - high conversion levels
- Record backlog. Book-to-bill at 1.2x:
 - Notable awards on F-35, Precision Strike, Commercial aerospace, C4ISR capabilities and hybrid-electric technologies

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Platforms & Services



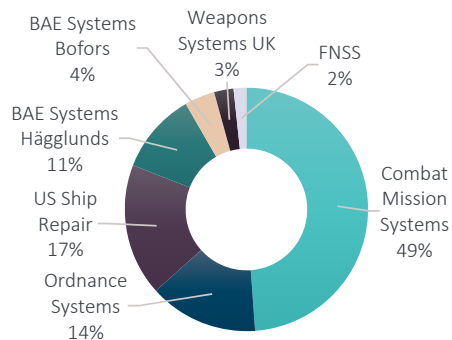
Business Description

Platforms & Services, with 11,900 employees, has operations in the US, Sweden and UK. It manufactures and upgrades combat vehicles, weapons and munitions, and delivers services and sustainment activities, including naval ship repair and the management and operation of two government-owned munitions facilities.

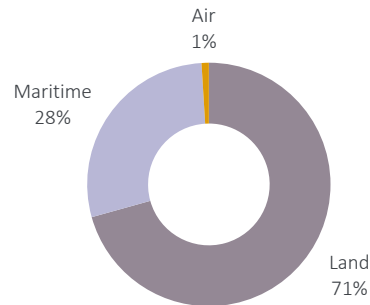
Financial Performance

	2023	2022
Sales	\$4,878m	\$4,557m
Underlying EBIT	\$440m	\$403m
Return on sales	9.0%	8.8%
Operating cash flow	\$530m	\$649m
Order intake	\$9.6bn	\$7.1bn
Order backlog	\$14.6bn	\$9.7bn

2023 Sales by Line of Business



2023 Sales by Domain



- Sales up 8%, on a constant currency basis
 - Combat vehicles volumes
 - Ship repair volumes
- Margin improved by 20bps on improvements at Combat Mission Systems & BAE Systems Hägglunds
- Cash performance reflects advances on CV90 programmes, net of facilities investment, and the consumption of advances from prior years
- Order intake driven by CV90 Czech, Bradley, AMPV & ARCHER awards

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Air

Business Description

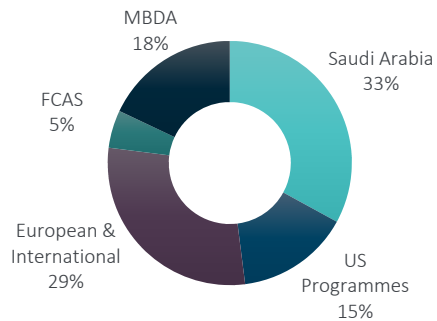
Air, with 26,000 employees, comprises the Group’s UK-based air build and support activities for European and international markets, US programmes, development of Future Combat Air Systems and FalconWorks®, alongside our business in the Kingdom of Saudi Arabia and interests in our European joint ventures Eurofighter and MBDA.



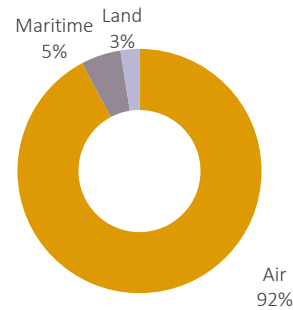
Financial Performance

	2023	2022
Sales	£8,058m	£7,698m
Underlying EBIT	£949m	£849m
Return on sales	11.8%	11.0%
Operating cash flow	£1,669m	£1,140m
Order intake	£11.0bn	£14.0bn
Order backlog	£27.2bn	£24.4bn

2023 Sales by Line of Business



2023 Sales by Domain



- Sales up 4% on a constant currency basis
 - Increased Tempest volumes
 - Higher Typhoon Support activity
 - MBDA c.8% higher
- Margin performance reflects risk retirement
- Cash flow performance driven by advances on MBDA contracts & Saudi support
- Order backlog:
 - Saudi support 5-year renewal, Tempest & strong MBDA order flow

Maritime

Business Description

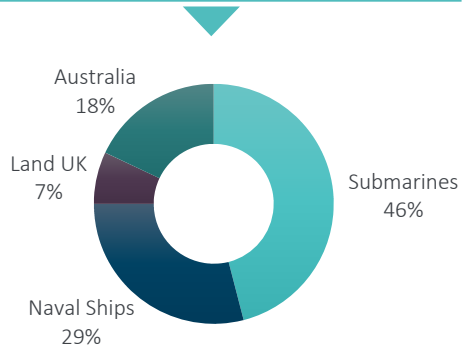
Maritime, with 27,500 employees, comprises the Group’s UK-based maritime and land activities, including major submarine, ship build and support programmes, as well as our Australian business.



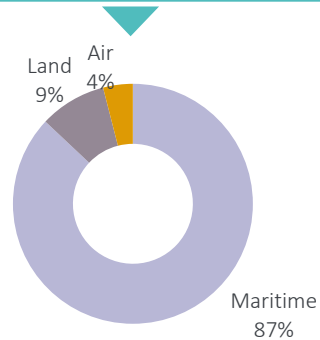
Financial Performance

	2023	2022
Sales	£5,536m	£4,598m
Underlying EBIT	£425m	£356m
Return on sales	7.7%	7.7%
Operating cash flow	£291m	£235m
Order intake	£10.1bn	£9.7bn
Order backlog	£21.3bn	£17.2bn

2023 Sales by Line of Business



2023 Sales by Domain



- Sales growth at 22% on a constant currency basis
 - largely due to accelerated funding on the Dreadnought programme
 - Global Combat Ship: higher Type 26 & Hunter Class activity
- Cash performance reflects investment in UK ship build facilities
- Orders driven by additional Dreadnought funding, UK SSN-AUKUS and UK munitions

Cyber & Intelligence

Business Description

Cyber & Intelligence, with 11,000 employees, comprises the US-based Intelligence & Security and UK-headquartered Digital Intelligence business, and covers the Group’s cyber security activities for national security, central government and government enterprises.

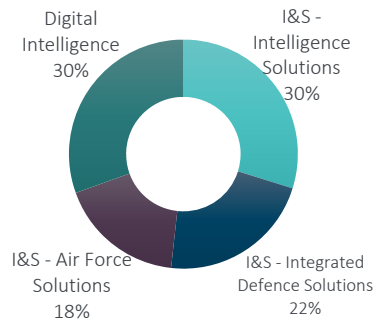


Financial Performance

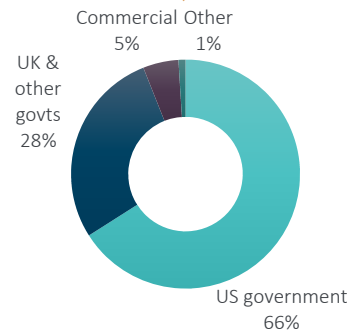
	2023	2022
Sales	\$2,887m	\$2,724m
Underlying EBIT	\$248m	\$287m
Return on sales	8.6%	10.5%
Operating cash flow	\$254m	\$190m
Order intake	\$3.1bn	\$3.0bn
Order backlog	\$2.5bn	\$2.5bn

- Sales up 6% on a constant currency basis
- Margin performance in line with expectations & reflects investments in space, multi-domain networking & normalised utilisation levels
- Cash performance – high conversion levels
- Order backlog:
 - I&S book-to-bill 1.1x ; DI 1.0x

2023 Sales by Business



2023 Sales by customer



Overview of US FAS/CAS

- The “FAS/CAS impact” reflects the difference between pension expense recognised in the income statement under financial accounting standards (FAS) & the pension expense recoverable under US Government cost accounting standards (CAS)
- This affects all US defence contractors with defined benefit pension schemes, and has been a net benefit in recent years
 - The annual net benefit largely reflects amortisation of the significant losses incurred by pension schemes during the global financial crisis (2008)
- FAS/CAS has the most significant impact in the Electronic Systems segment, with smaller impacts across the rest of the US-based portfolio
- The table below sets out the approximate FAS/CAS benefit to margins in 2023 & 2024 in Electronic Systems:

Financial Year	In-year benefit	Δ to prior year
2023	160bps	- 60bps
2024	30bps	- 130bps

- In 2024 the FAS/CAS benefit at Group level is expected to be around 20bps (2023 50bps)

2024 expected to be last year of material FAS/CAS impact – absorbed at Group level with offsetting operational improvements

2023 summary by reporting segment⁽¹⁾

	Sales £m	Underlying EBIT £m	Return on Sales %	Free Cash Flow ⁽²⁾ £m	Order Intake £bn	Order Backlog £bn
Electronic Systems	5,458	878	16.1	811	6.7	8.9
Platforms & Services	3,922	354	9.0	426	7.7	11.5
Air	8,058	949	11.8	1,669	11.0	27.2
Maritime	5,536	425	7.7	291	10.1	21.3
Cyber & Intelligence	2,321	199	8.6	204	2.5	2.0
HQ	471	(123)	-	(183)	0.4	-
Eliminations	(482)	-	-	-	(0.7)	(1.1)
Interest & tax paid	-	-	-	(625)	-	-
Group	25,284	2,682	10.6	2,593	37.7	69.8

(1) USD FX rate of \$1.24 (backlog @ \$1.27)

(2) Free Cash Flow applies to Group; Reporting Segments reflect operating business cash flow

2024 guidance by reporting segment

- guidance below assumes a £1 : US\$1.24 exchange rate
- includes Ball Aerospace from 16 February 2024 and the reduction in the Group's stake in Air Astana

	2023 Actual		2024 guidance ⁽¹⁾	
	Sales	Return on Sales	Expected Sales	Expected Return on Sales
Electronic Systems	5,458	16.1%	Up 32% to 34%	c.15%
Platforms & Services	3,922	9.0%	Up 5% to 7%	10% to 11%
Air	8,058	11.8%	Up 3% to 5%	11% to 12%
Maritime	5,536	7.7%	Up 6% to 8%	c.8%
Cyber & Intelligence	2,321	8.6%	Up 3% to 5%	8% to 9%

The HQ reporting segment is expected to be an expense of c.£155m (2023 expense £123m) following the partial disposal of the Group's shareholding in Air Astana in February 2024

Return on Sales defined as Underlying EBIT as a percentage of Sales

(1) Whilst the Group is subject to geopolitical and other uncertainties, the guidance is provided on current expected operational performance

Summarised balance sheet (£m)

	2023	2022
Intangible fixed assets	12,099	12,644
Tangible fixed assets	5,003	4,723
Investments	916	886
Working capital	(5,468)	(4,119)
Pension surplus	229	646
Lease liabilities	(1,396)	(1,582)
Tax assets & liabilities	474	363
Financial assets & liabilities	(112)	(138)
Net debt	(1,022)	(2,023)
Net Assets	10,723	11,400
USD FX	\$1.27	\$1.20

Reconciliation of earnings

(£m / pence EPS)

	2023				2022			
	Income Statement	Reclass. EAI interest & tax	Reclass. Other	"Reported"	Income Statement	Reclass. EAI interest & tax	Reclass. Other	"Reported"
Operating Profit / Underlying EBIT	2,573	33	76	2,682	2,384	75	20	2,479
Other Intangible amortisation/impairment			(116)	(116)			(111)	(111)
Adjusting items			40	40			91	91
Finance Costs - <i>Underlying</i>	(231)	20	-	(211)	(230)	(16)	-	(246)
- <i>Fair Value</i>	(16)	(6)	-	(22)	(165)	(9)	-	(174)
	(247)	14	-	(233)	(395)	(25)	-	(420)
Profit before tax	2,326	47	-	2,373	1,989	50	-	2,039
Tax - <i>Underlying</i>				(472)				(422)
- <i>Other</i>				39				57
	(386)	(47)	-	(433)	(315)	(50)	-	(365)
Non-controlling interest	(83)	-	-	(83)	(83)	-	-	(83)
Earnings	1,857	-	-	1,857	1,591	-	-	1,591
Weighted average number of shares				3,031				3,112
Earnings per Share:								
- Underlying				63.2p				55.5p
- Basic				61.3p				51.1p

Our Investment Proposition



Franchise Programs and Multi-Domain Capabilities

1



Innovative Technologies and Sustainable Business Practices

2



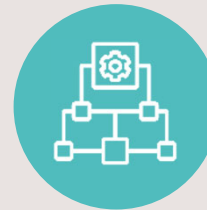
Unique Global Reach, Leadership and Diversification

3



Long Term Value Creating Business Model

4



Clear Path for Margin Expansion

5



Consistent Capital Allocation and Cash Generation

6



Focused on Shareholder Returns

7

Well positioned for long term growth and value creation

Multi year programme visibility underpinned by a £70bn backlog

	2023 Sector Backlog	Sector sales outlook	Major Programme/Franchise	2023 Sales	Sales outlook ⁽¹⁾
ES	\$11.4bn	↑	Electronic Combat Solutions	\$1.9bn	↑
			ES Defence other	\$3.8bn	↑
			ES Commercial	\$1.1bn	↑
P&S	\$14.6bn	↑	Combat Mission Systems	\$2.4bn	↑
			Hagglunds & Bofors	\$0.7bn	↑
			US Ordnance	\$0.7bn	↑
Air	£27.2bn	↑	F-35 (AIR)	£1.1bn	↑
			Typhoon Support & Upgrade	£2.0bn	↑
			Typhoon Production & Tempest Development	£1.3bn	↑
			KSA Support*	£1.7bn	↑
			MBDA	£1.4bn	↑
Maritime	£21.3bn	↑	Submarine Design and Build	£2.4bn	↑
			Global Combat Ship	£1.1bn	↑
C&I	\$2.5bn	↑	Intelligence and Security	\$2.0bn	↑
			Digital Intelligence	\$0.9bn	↑

Reported orderbook - a subset of true programme visibility

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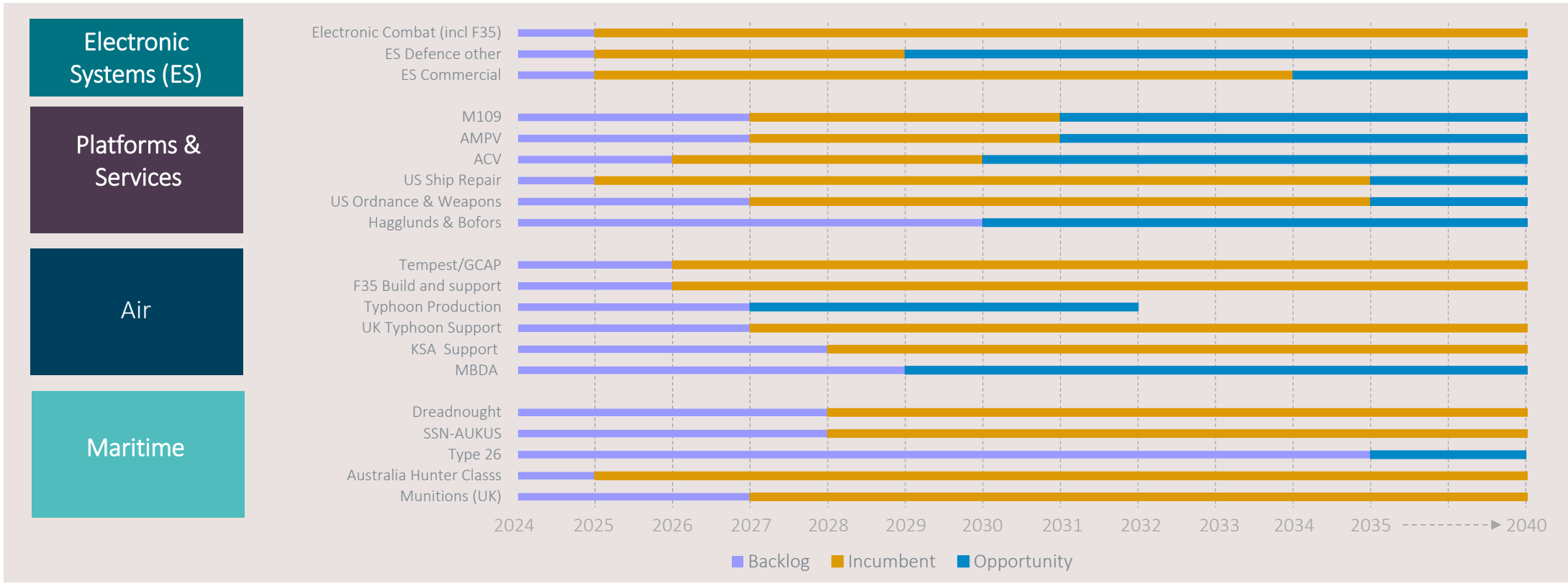
1) Projections are based on internal management estimates and reflect management’s current assumptions, including assumed receipt of future orders over the medium term
 * KSA Support excludes KSA Typhoon support which is included in “Typhoon Support and Upgrade”

Platforms & Services – Well positioned across opportunity pipeline

	Opportunity	Comment
US combat systems	AMPV, M109, Bradley, M88, M777, ACV, HIMARS	Various FMS opportunities and US DoD opportunities
CV90	CV90 Next Gen (NG)	Swedish customer interested in developing next generation of CV90
	Sweden, Denmark, Norway, Italy and Ukraine	New, upgrade and backfill opportunities
BvS10 family of vehicles	US, Sweden, Netherlands and other European nations	New vehicle opportunities for both BvS10 and Beowulf
ARCHER mobile howitzer	US & European nations	Responding to customer interest and discussing potential orders
	Sweden	Order increase received; further orders possible
	UK	Selected as interim artillery solution; discussing potential for long-term solution
Naval Guns	Exports	World leader in naval guns
US Ordnance Systems	Enduring franchise	Operating Radford and Holston Army Ammunition Plants and discussing potential increased production capacity



£70bn backlog + pipeline supports medium to long-term growth



ESG Agenda evolving and progressing

'We serve, supply and protect those who serve and protect us, in a corporate culture that is performance driven and values led'



MSCI AA leader class rating