

BAE Systems to acquire Ball Aerospace

A Space and Defence Technology Leader

August 17 2023



Cautionary statement

Forward-Looking Statements

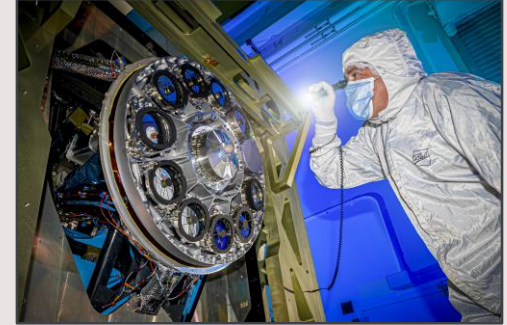
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BAE Systems Acquires Ball Aerospace – A Space and Defence Technology Leader

- Space Systems and Mission Enabling Defence Technology leader delivering mission critical solutions to customers
- Strongly aligned with Intelligence Community, Department of Defense, and US Government's highest priorities
- Attractive positioning and outlook across military and civil space, C4ISR and missile and munitions
- Long and distinguished track record of innovation and development
- Enhances the growth profile of the Group and margin accretive post synergies



A unique opportunity to strengthen our BAE Systems' world class multi-domain portfolio

Financially Compelling - Complementing the Strength of BAE Systems Investment Case

Ball Aerospace Value Enhancing Financial Effects

- Expected c.10% revenue CAGR over next 5 years
- c.\$4.8bn EV Net of Tax Benefit⁽¹⁾
- Implied 2024 EBITDA ~13x multiple post cost synergies ⁽²⁾
- EPS accretive post run-rate cost synergies expected
- Cash flow per share accretive excluding synergies
- Expected ROIC > WACC within 5 years post completion

BAE Systems Structurally Compounding Investment Case

- Strong revenue growth outlook
- Improved margins with continued expansion
- Strong cash conversion
- Strong investment grade balance sheet
- Disciplined capital allocation framework
 - 19 years dividend increase
 - Share buy back programme to be maintained
 - Recent M&A track record

(1) For US tax purposes the transaction will be treated as an asset purchase for federal tax purposes with an expected net present value tax benefit of c.\$750m

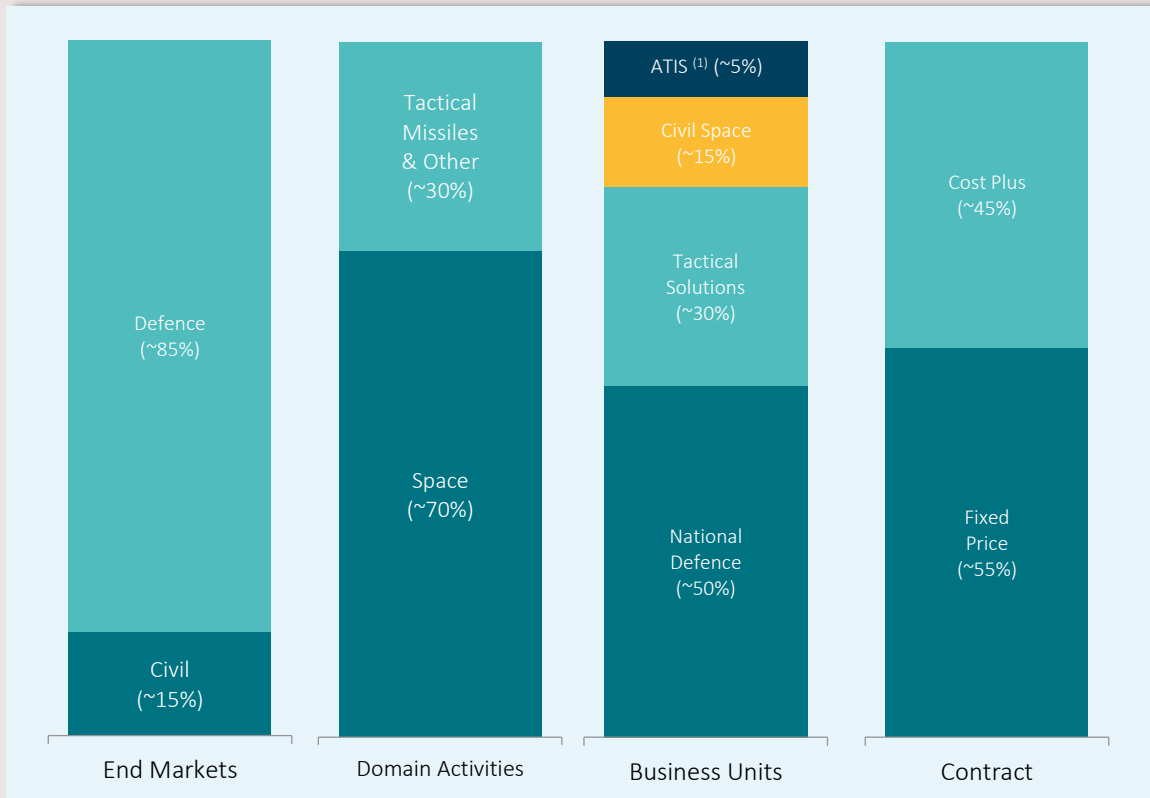
(2) Net of c.\$750m net present value tax amortisation benefit and \$30m run-rate cost synergies

Ball Aerospace is a Space Systems and Mission Enabling Defence Technology Leader

Leading Space Systems and Mission Enabling Defence Technology and Critical Mission Partner

- **Advanced solutions offering including:**
 - Space Systems
 - Advanced remote sensing and other scientific systems
 - Tactical systems
 - Analytic tools and expertise
- **Track record as a trusted mission partner to IC, DoD, NASA, NOAA**
 - US government >90% of contracts
- **Highly innovative culture with demonstrated results**
- **Strong financial scale and profile**
 - Estimated revenue of ~\$2.2bn 2023 and ~10% EBIT margin
 - Medium term ~10% CAGR revenue growth expected
 - All-time high \$8bn of forward revenue visibility ⁽²⁾

Ball Aerospace Revenue Mix

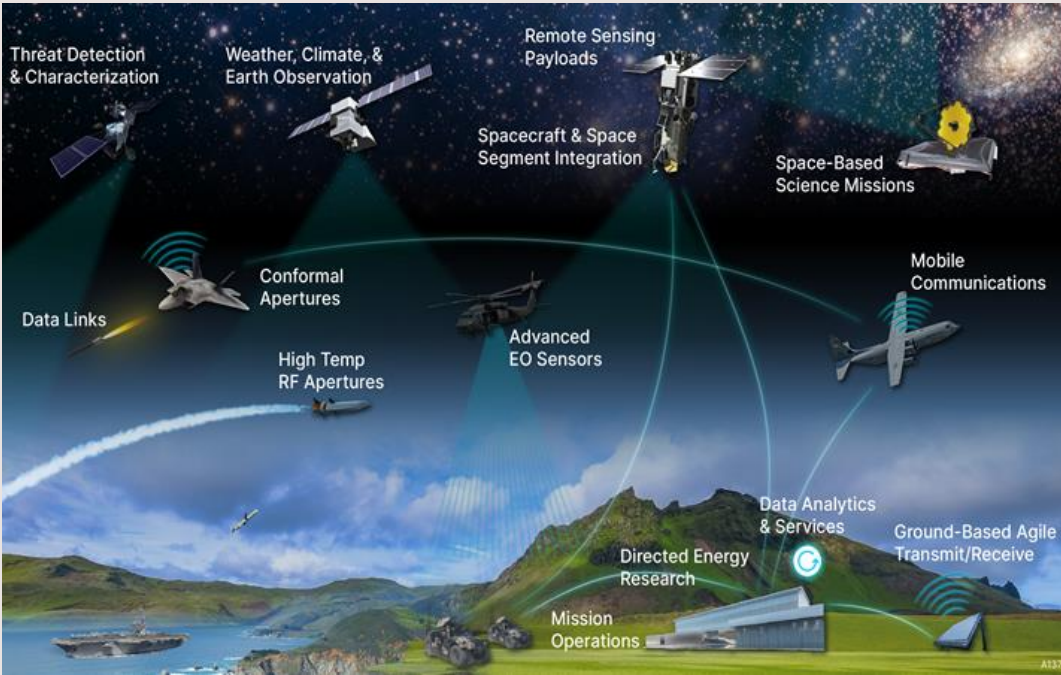


(1) Advanced Technology and Information Solutions

(2) Order backlog and contracts won not booked

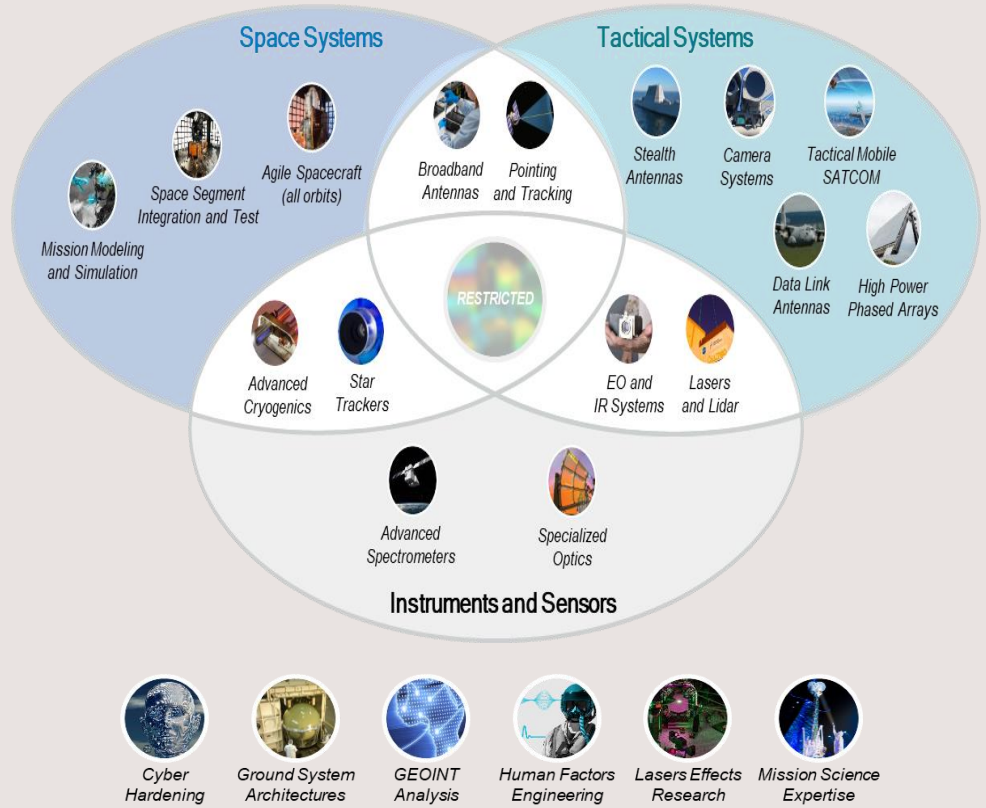
Mission Critical Solutions Underpinned by World Class Capabilities

Delivering mission critical solutions to customers...



















...across growing space, C4ISR, and missile markets

Breadth of advanced capabilities...



...underpin delivery of differentiated offerings

Ball Aerospace - Strong Outlook and Positioning Across the Portfolio

% Revenues 	National Defence 	Tactical Solutions 	Civil Space 	Advanced Technology and Information Solutions 
<p>Mission Solutions</p>	<ul style="list-style-type: none"> Geospatial Intelligence Space Domain Awareness Defence Weather 	<ul style="list-style-type: none"> Airborne Antenna Systems Advanced Tactical Imaging Shipboard Systems 	<ul style="list-style-type: none"> Space-based Environmental Monitoring Operational Weather Technology Ground-breaking Imaging 	<ul style="list-style-type: none"> Remote Sensing Analytics Open Data Architectures Directed Energy Research
<p>Key Customers</p>	 	 	  	   
<p>Ball Aerospace Differentiation</p>	<ul style="list-style-type: none"> End-to-end solutions that transform the National Security Space architecture 	<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"> Science offerings at any scale 	<ul style="list-style-type: none"> Leading edge data solutions and scientific and engineering expertise
<p>Segment Growth Drivers</p>	<ul style="list-style-type: none"> DoD / IC investing in evolving space architectures to meet emerging threats 	<ul style="list-style-type: none"> DoD investing in new technologies to meet emerging threats 	<ul style="list-style-type: none"> Focus on climate change driving increased funding in government, commercial and international markets 	<ul style="list-style-type: none"> Aligned with key R&D priorities

Excellent Cultural Fit and Alignment

A mission-driven workforce with a culture of innovation

- Highly skilled and talented workforce
- >60% hold US Security Clearances
- ~40% have earned advanced degrees⁽¹⁾
- ~70% in technical roles⁽²⁾
- Near 10 year average tenure

“Mission Inspired. Results Driven. Values Oriented.”

State-of-the-art and well resourced facilities



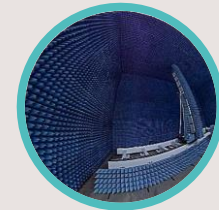
Tactical Development and Test Facilities



Payload Development



Cleanrooms



Near-Field Range



Thermal Vacuum Test Chamber



EMI XL Chamber

~ \$1bn invested over last five years ⁽³⁾

(1) Proportion of the c. 87% full-time employees who self-reported education level.
 (2) Includes Engineering and Other Technical roles.
 (3) Investment amount includes Capex, R&D and IRAD.

Complementary portfolio capabilities offer potential top line growth opportunities

Acquisition brings leading positions in satellite systems, geospatial intelligence, space-based Space Domain Awareness, tactical solutions and antenna arrays

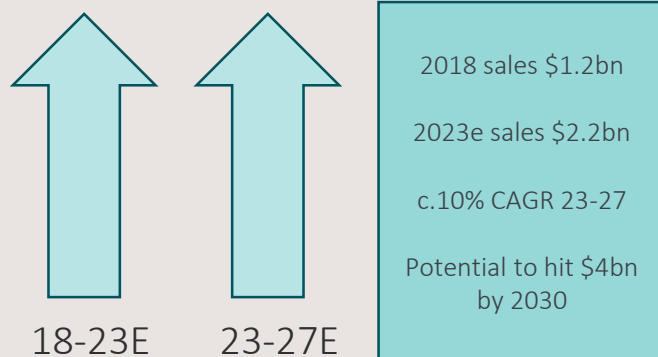
To complement existing BAE Systems core capabilities in EW, communications, ISR systems and PGMs



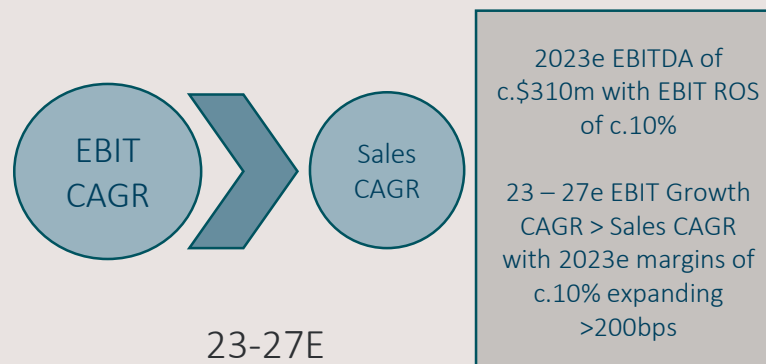
High Quality Value Accretive Asset

Gross Cash of \$5.55bn less PV of Tax benefit = Economic cost of \$4.8bn

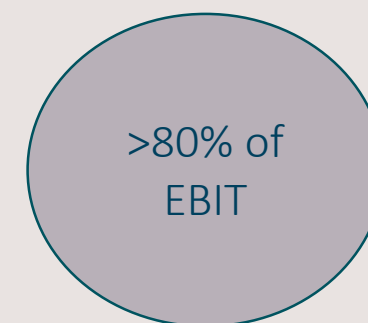
Double Digit Sales CAGRs



Profitable Growth



Strong Cash Conversion



Expected EPS and cash flow accretive in first full year, ROIC > WACC within 5 years

Value Creation – Significant Operational and Revenue Synergy Potential

Operational Opportunities

- Benefits from Global Supply Chain
- Proven Life Cycle Management Framework
- Operational excellence embedded across programmes
- Balance Sheet strength to support long term contracts
- Shared service optimisation and functional cost take-out
- Access to engineering, manufacturing and test facilities to reduce future investment by Electronic Systems
- Access to Electronic Systems lower cost manufacturing lines

~\$30m run-rate synergies, net of pass-back to customer

Revenue Opportunities

- Complementary capabilities, customers and business models to a wide range of Electronic Systems franchises
 - Deeper customer relationships
 - Enhanced offerings to our customers
 - Cross-sell opportunities
 - Improved performance through cost efficiencies
- Integration plan to enable collaboration and shared understanding of capabilities

≥ \$2bn in additional ES sales (cross-selling) over 10 years

Attractive financial rationale

Key Points of Reference

Tax Effects

- Gross Cash Consideration \$5.55bn
- PV of section 338 election c.\$750m
- Economic value of \$4.8bn ~13X 24 EBITDA post cost synergies
- \$30m p.a. in run rate cost synergies expected

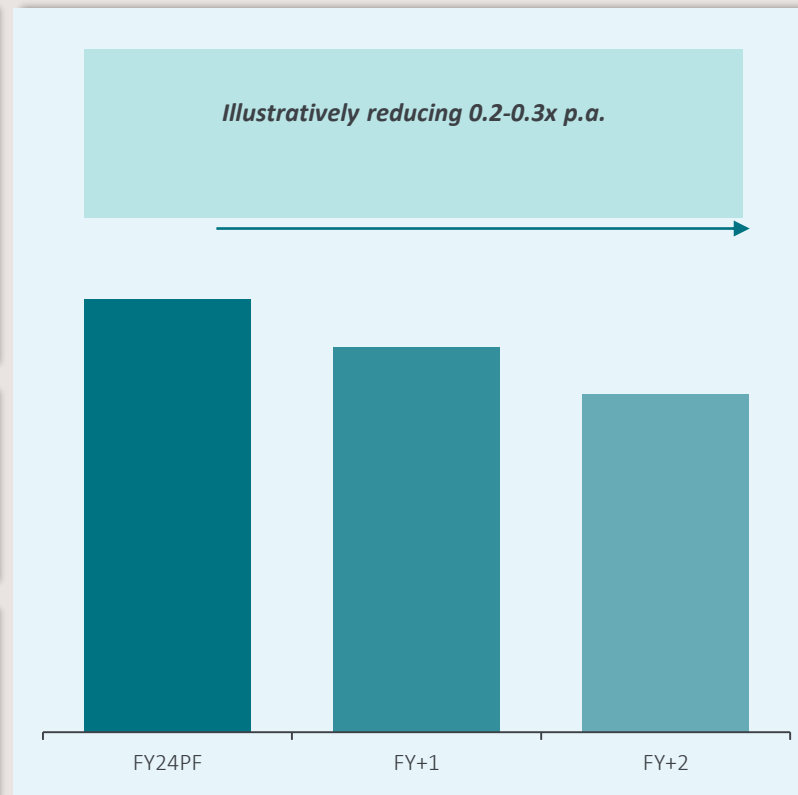
Cash Generation

- Acquisition is FCF accretive to the Group (ex-synergies)
- Acquisition EBITDA >> assumed incremental interest

Leverage

- Group proforma 24E Net Debt including pensions and leases <2.0X
- Excluding pensions and leases ~1.5X

Illustrative Deleveraging Profile

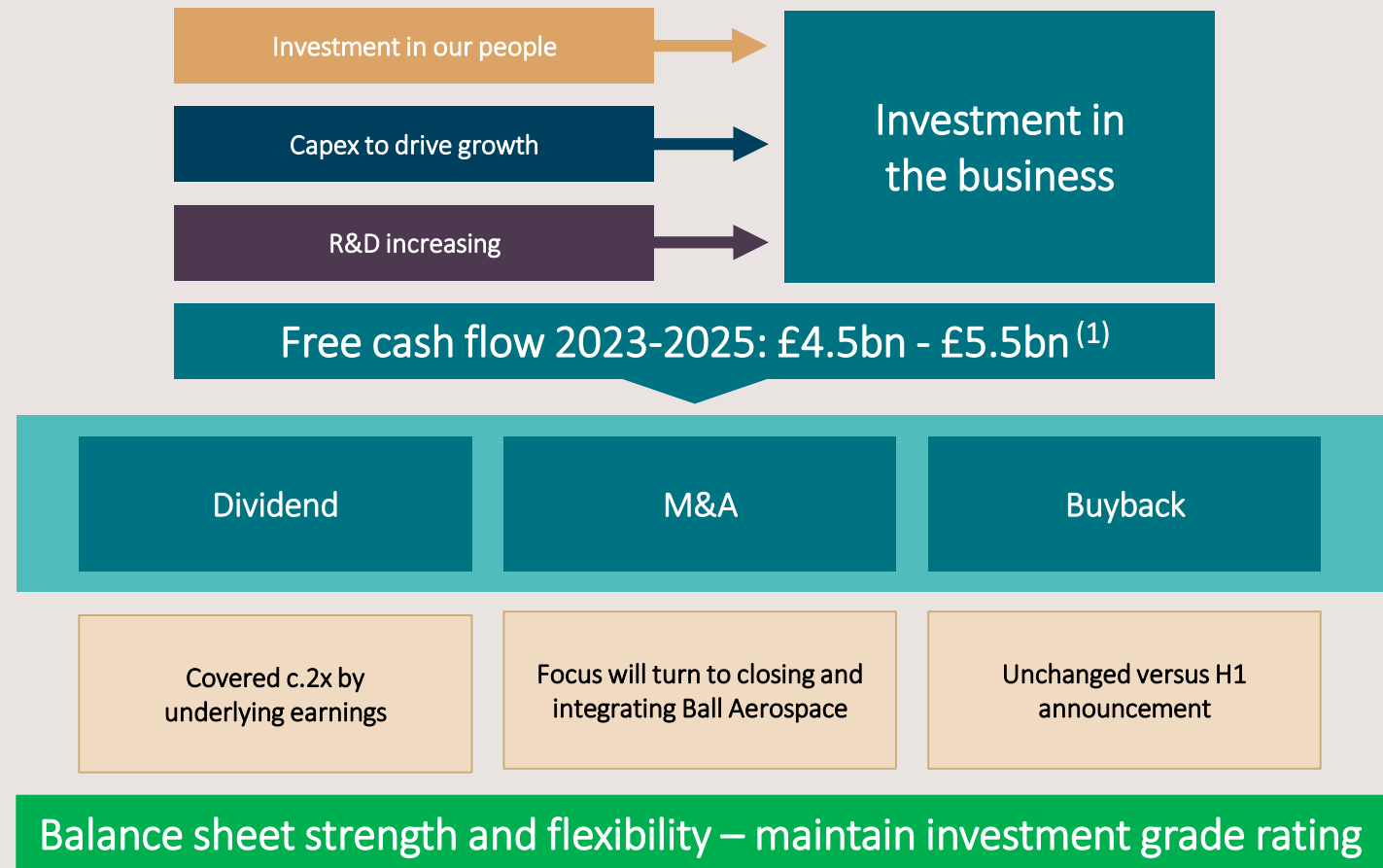


Compelling financial rationale: EPS and cash flow accretive in year 1 expected

Note: Illustratively at current FX rates

Strong Balance Sheet and Capital Allocation Priorities Unchanged

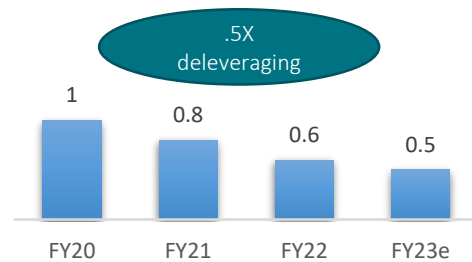
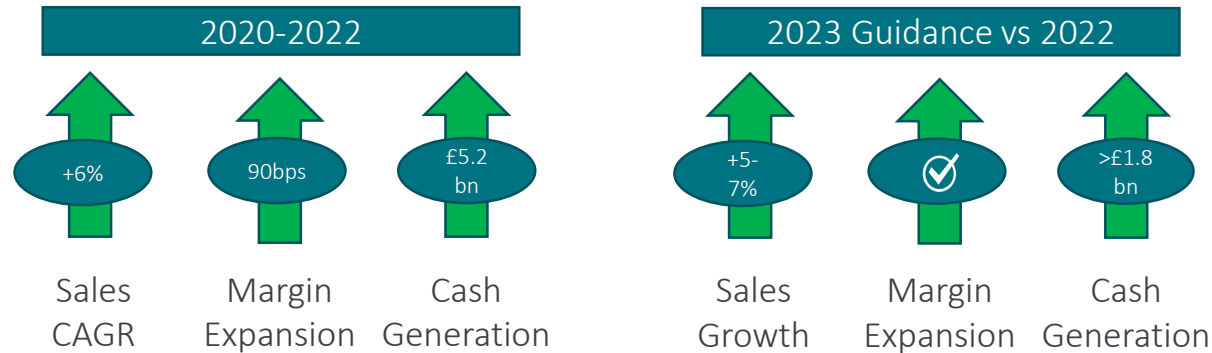
- Strong and flexible balance sheet, with capital allocation optionality
- Capital allocation priorities unchanged
- Commitment to maintaining strong investment grade credit rating
- Ongoing share buyback programme to continue as announced at H1 results



(1) Targeted guidance, subject to geopolitical and other uncertainties. Excludes the impact of the proposed acquisition of Ball Aerospace.

Financial Summary

BAE Systems Strong Performance



Acquisition Adds a Quality Business Featuring:

- Double digit sales growth
- Strong synergies
- Earnings accretive
- Margin accretive
- Cash Flow accretive

Acquisition builds on a strong, value compounding business model

Continuing to Deliver Against Our Investment Proposition

Long Term Sustainable Growth



Track record positions BAE Systems well to maximise this opportunity to enhance long term sustainable growth

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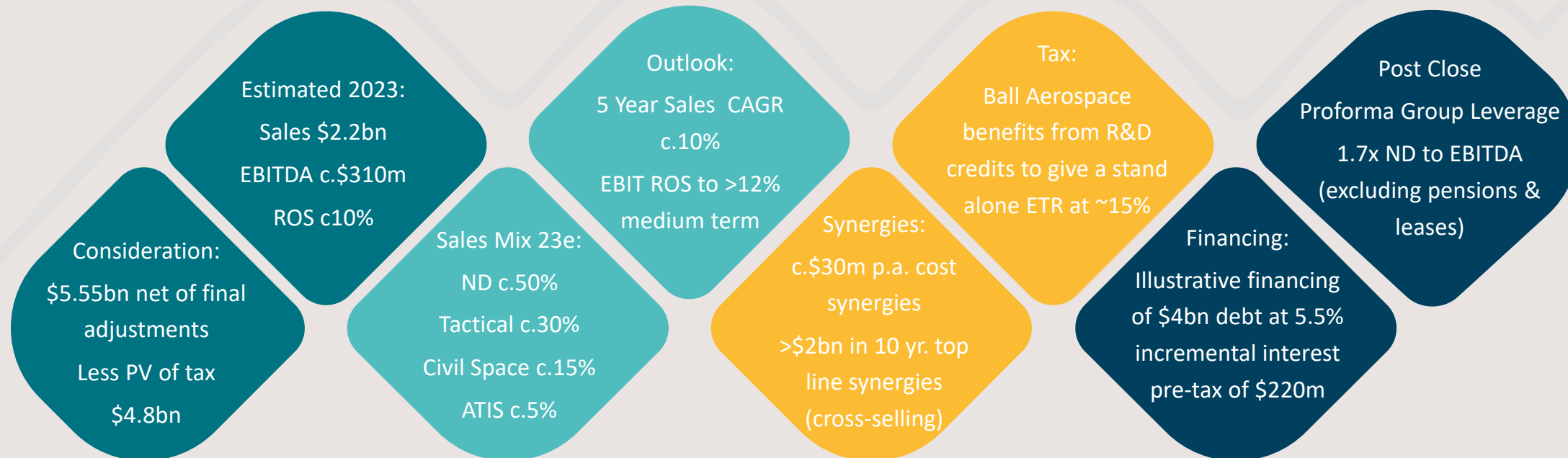


Questions

Supplementary Information



Appendix: Reference Numbers for Acquisition



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