

# 2024 Preliminary Results 19 February 2025

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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 107,400<sup>1</sup> 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

# Agenda

- 2024 Review

- SMS Update

- Business Outlook

- Wrap-up and Q&A

- ▶ Charles Woodburn - CEO
- ▶ Tom Arseneault – CEO, Inc.
- ▶ Brad Greve – CFO
- ▶ Charles Woodburn – CEO

# 2024 - Year in review

Charles Woodburn - CEO

## Our three key messages today

1 Another year of strong operational and financial results

2 Significant strategic progress on major programmes and reshaping portfolio

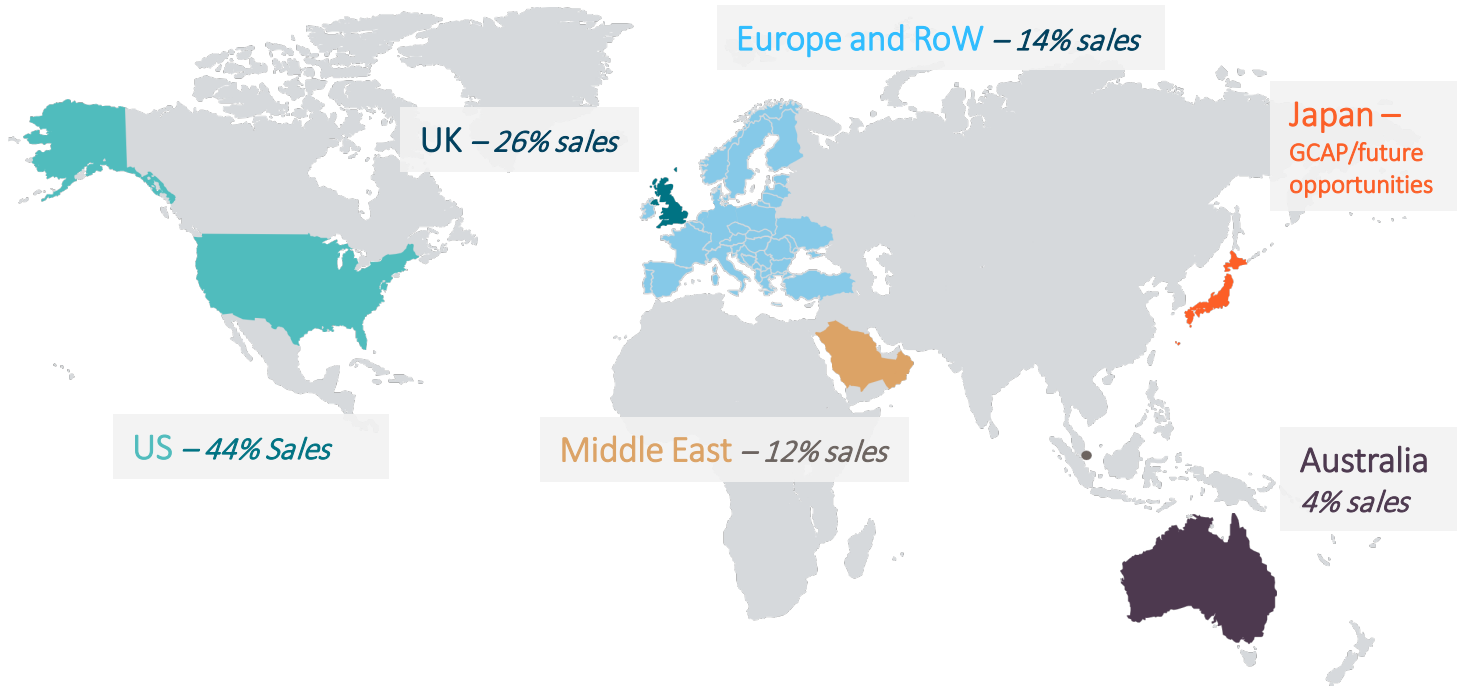
3 Record order backlog driving confidence in our medium-term outlook



# Global technology portfolio aligned to meet current and future threats

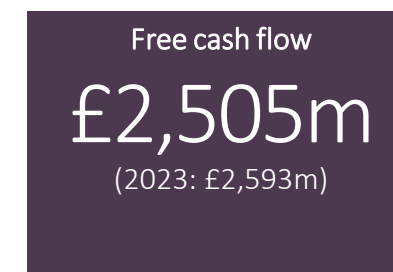
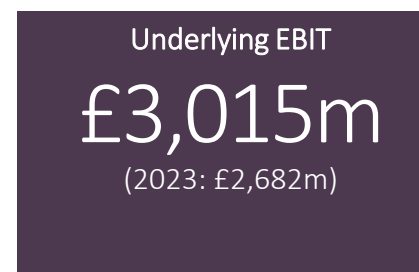
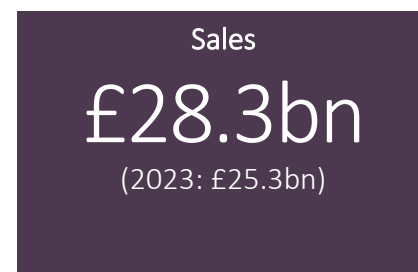
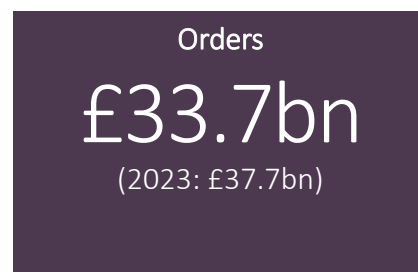


Positive global spending outlook in long term structural growth markets



Underpinned by agile and efficient delivery customers are demanding

## 2024 – our year in review

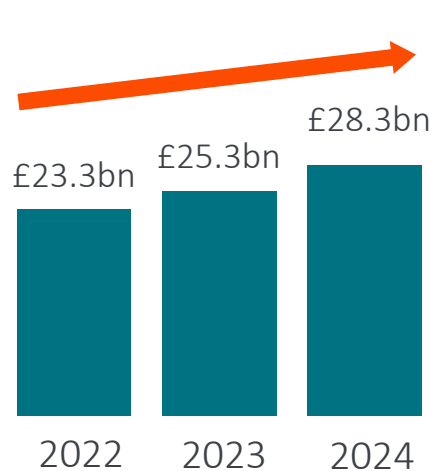


Order intake remains robust - new record order backlog of £78bn

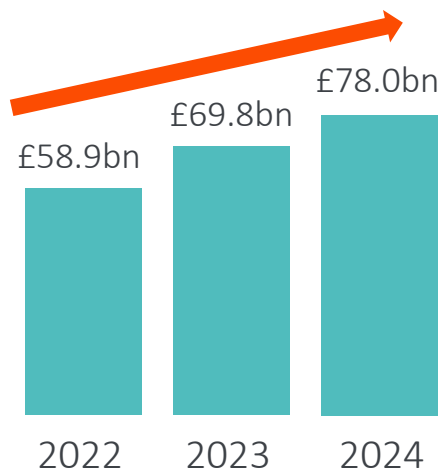
Company extends its track record of strong operational and financial performance

# Record backlog and programme incumbencies provide visibility into embedded medium-term sales growth

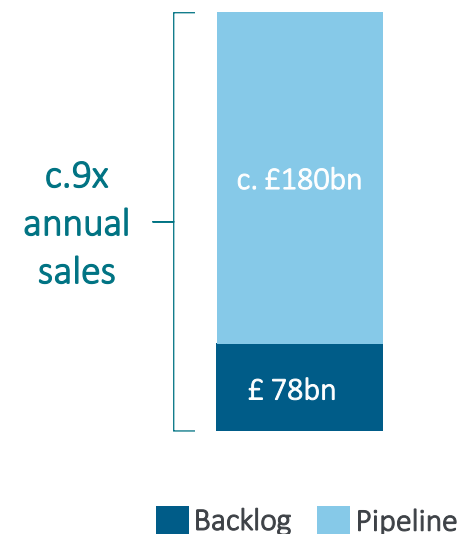
**Sales Increase**  
£5.0bn; *Up 21.5%*



**Backlog Increase**  
£19.1bn; *Up 32.4%*



**Backlog and pipeline/incumbent position: ~£260bn<sup>1</sup>**



**Backlog growth has significantly exceeded sales growth over the last 3 years 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

# £78bn backlog + pipeline supports medium to long-term growth

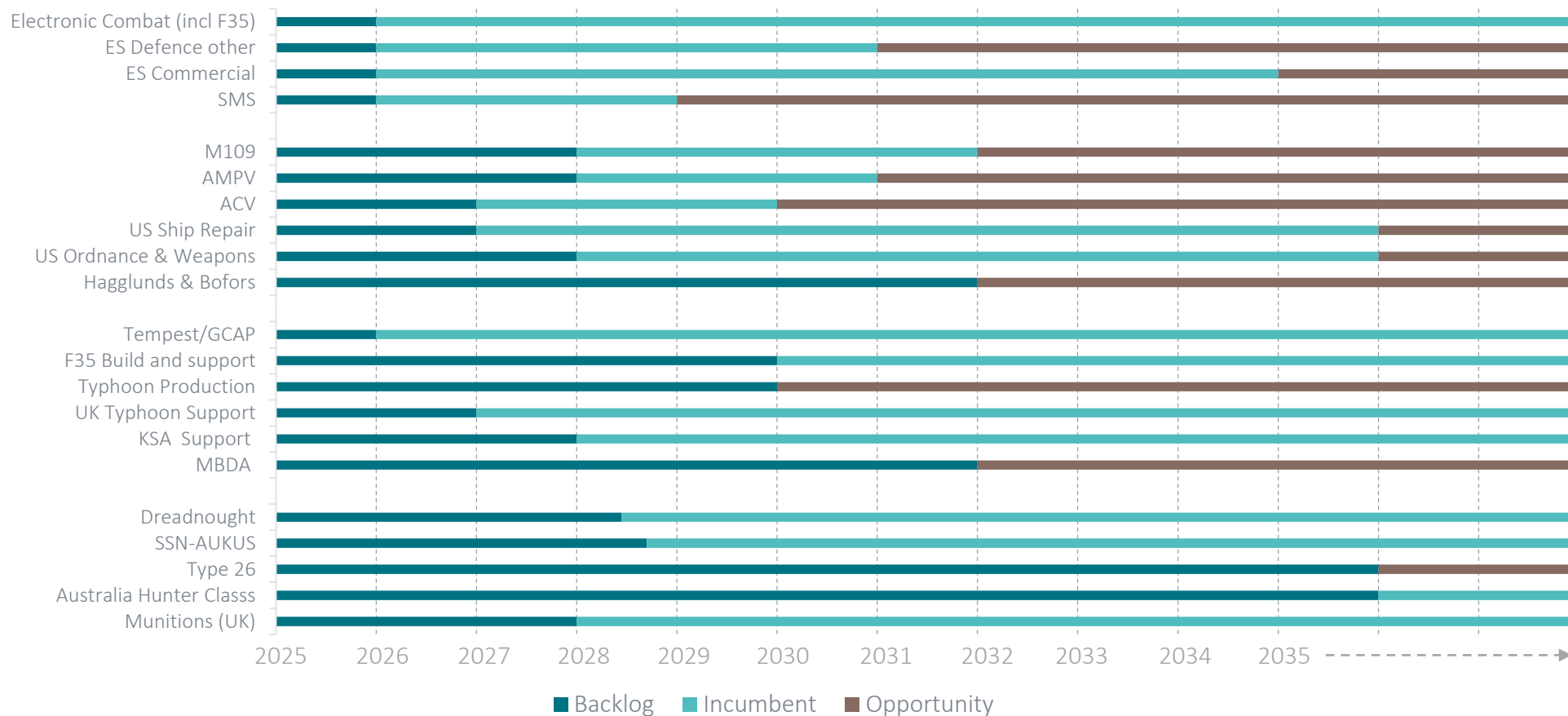
## Funded Backlog

**ES**  
£12.7bn

**P&S**  
£14.3bn

**Air**  
£26.8bn

**Maritime**  
£23.2bn



(1) Projections are based on internal management estimates and reflect management’s current assumptions, including assumed receipt of future orders over the medium term

# Investing in technology for now and into the future

Technology today



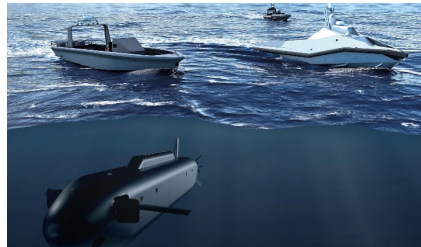
Rapidly transitioning from concepts to reality to enable near term deployment



Innovating for the future



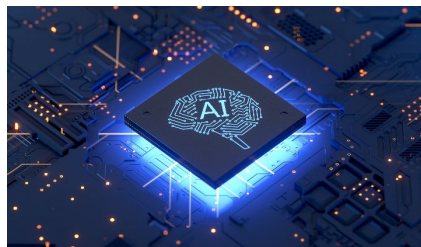
Significant R&D investment to deliver the next generation of defence and security capabilities



Efficiency through innovation



Investing in digital tools, advanced manufacturing techniques, and technologies to save time and cost



# 2024 a year of long-term strategic progress

Investing in our people  
  
Supporting future growth

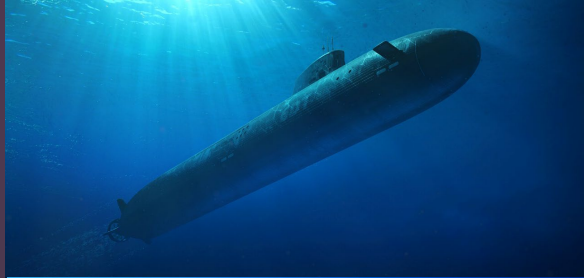


Global workforce  
**+8%**  
including 5,200 SMS employees

Recruiting the next generation  
**c.2,300**  
UK graduates and apprentices onboarded

Capital expenditures  
**£1.0bn**  
Preparing for tomorrow

Research & Development  
**£1.9bn**  
Self and Customer-funded

## Major milestones achieved in 2024

AUKUS	
GCAP	
Space & Mission Systems	

# Space & Mission Systems

Tom Arseneault



# Space & Mission Systems performance

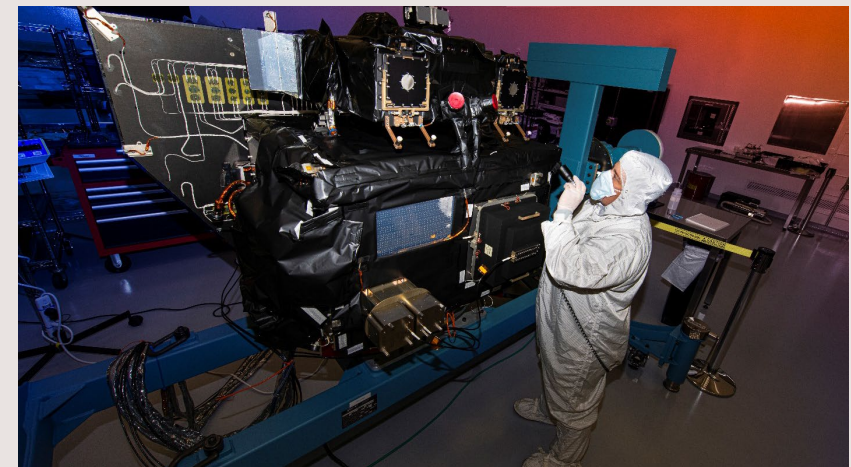
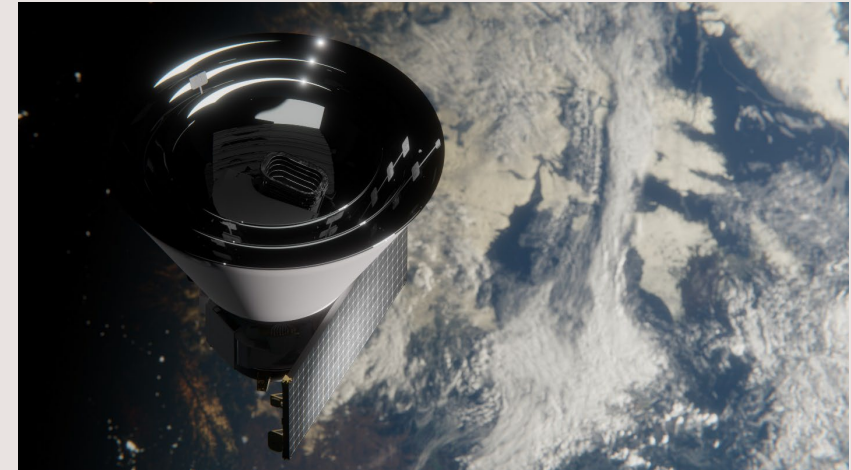
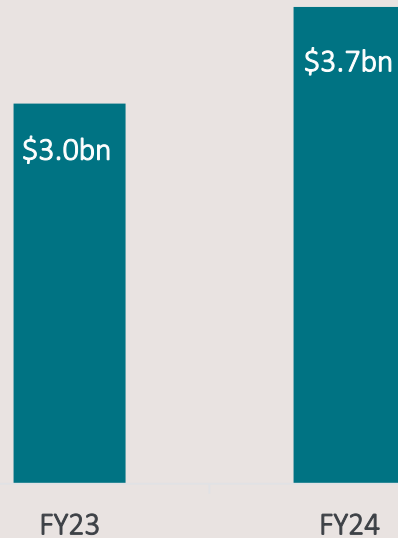
## Key metrics and integration update

- **Sales** – delivered strong H2 in line with half-year expectations
- **Margin** – 11.7% performance in year ahead of acquisition case
- **Cash** generation in line with expectations
- **Backlog** – closed the year at \$3.7bn, up 25% from FY23

## Integration progress

- Core functional transitions completed in September, driving greater efficiency
- Cost synergies on track for expected near-term \$30m p.a.

## Growth in order backlog



Backlog growth and synergies support strong future growth

# Revenue synergies proceeding at pace to address contested space domain

- Established synergy capture process with work streams in space, EW, CNI and support services
- Positioned to meet growing US and global demand for missiles, space and other next-generation programmes
- US Iron Dome initiative and other programmes becoming priorities for defence and national security

## Aligned capabilities include:

- THAAD and next-generation seeker technology
- Advanced tactical and strategic communications
- Affordable, proliferated Electro-Optical/Infrared and Radio Frequency sensors
- Radiation hardened and space microelectronics



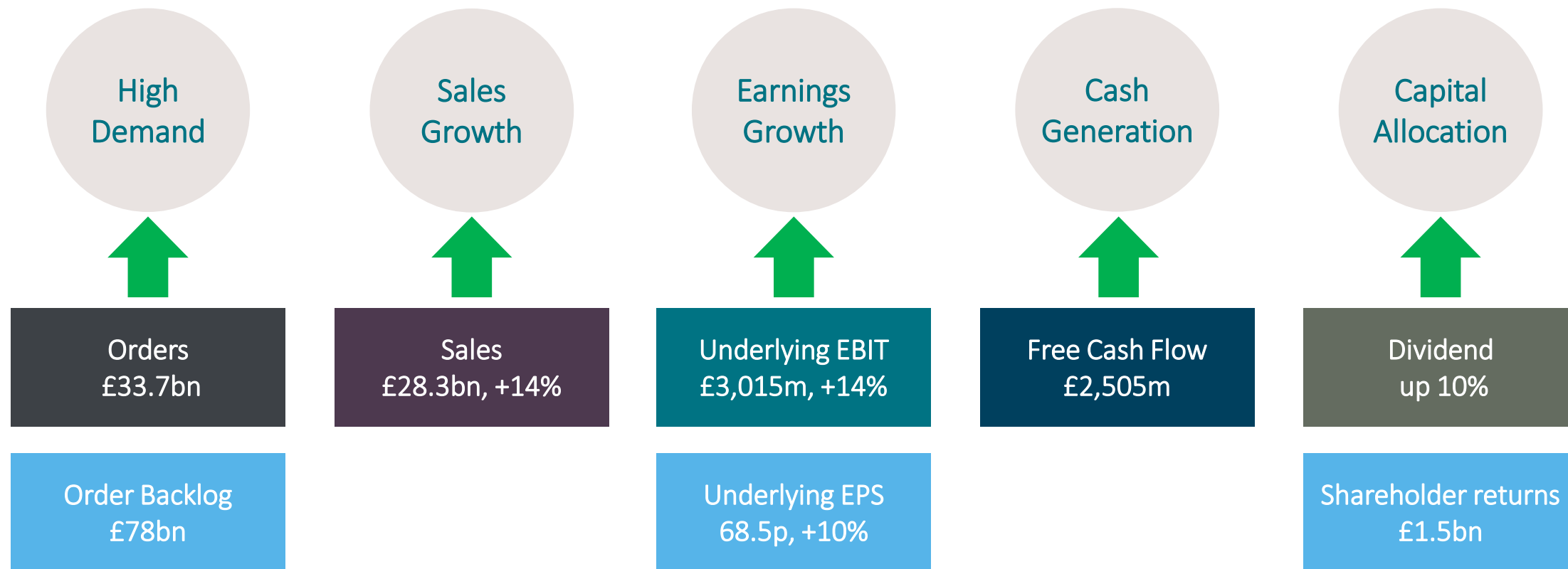
**Positioned to deliver discriminating capabilities at speed**

# Financial Review

## Brad Greve - CFO



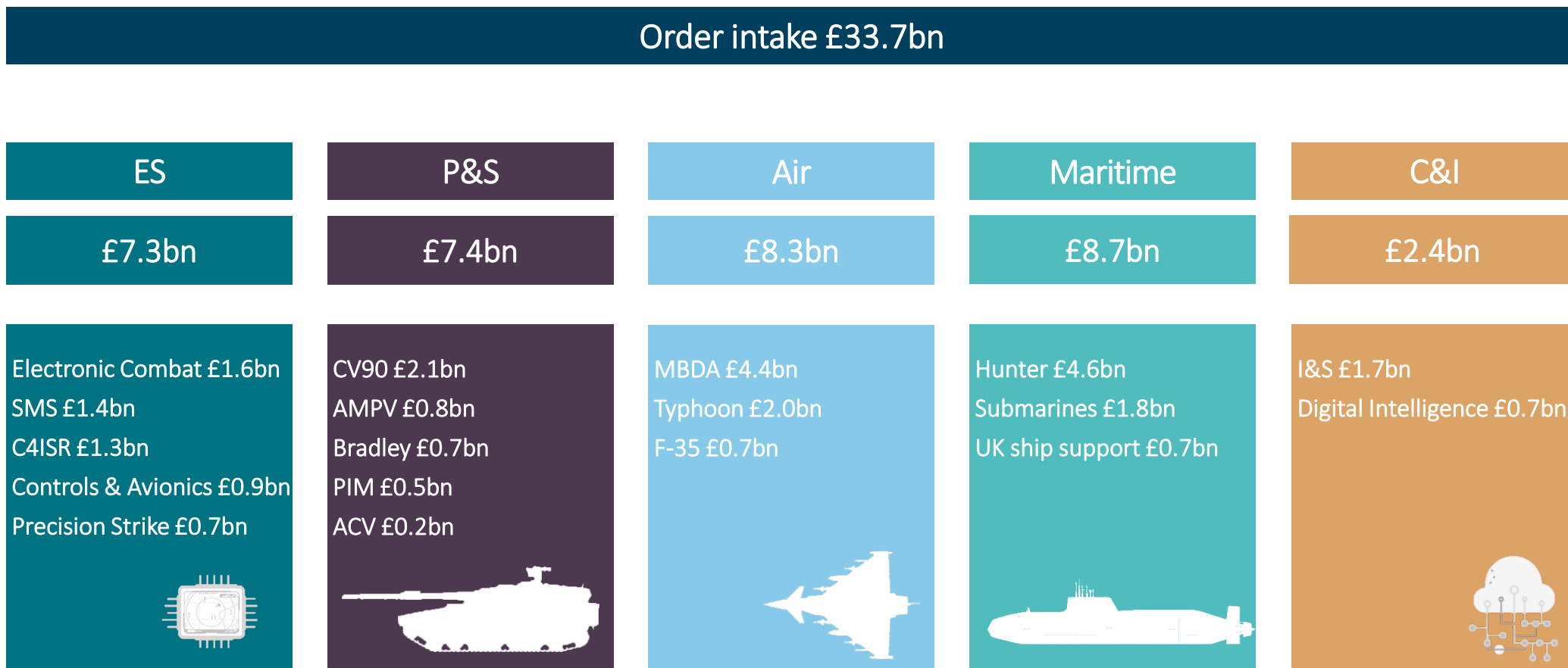
# 2024 financials



Strong 2024 results, well-positioned for continued growth

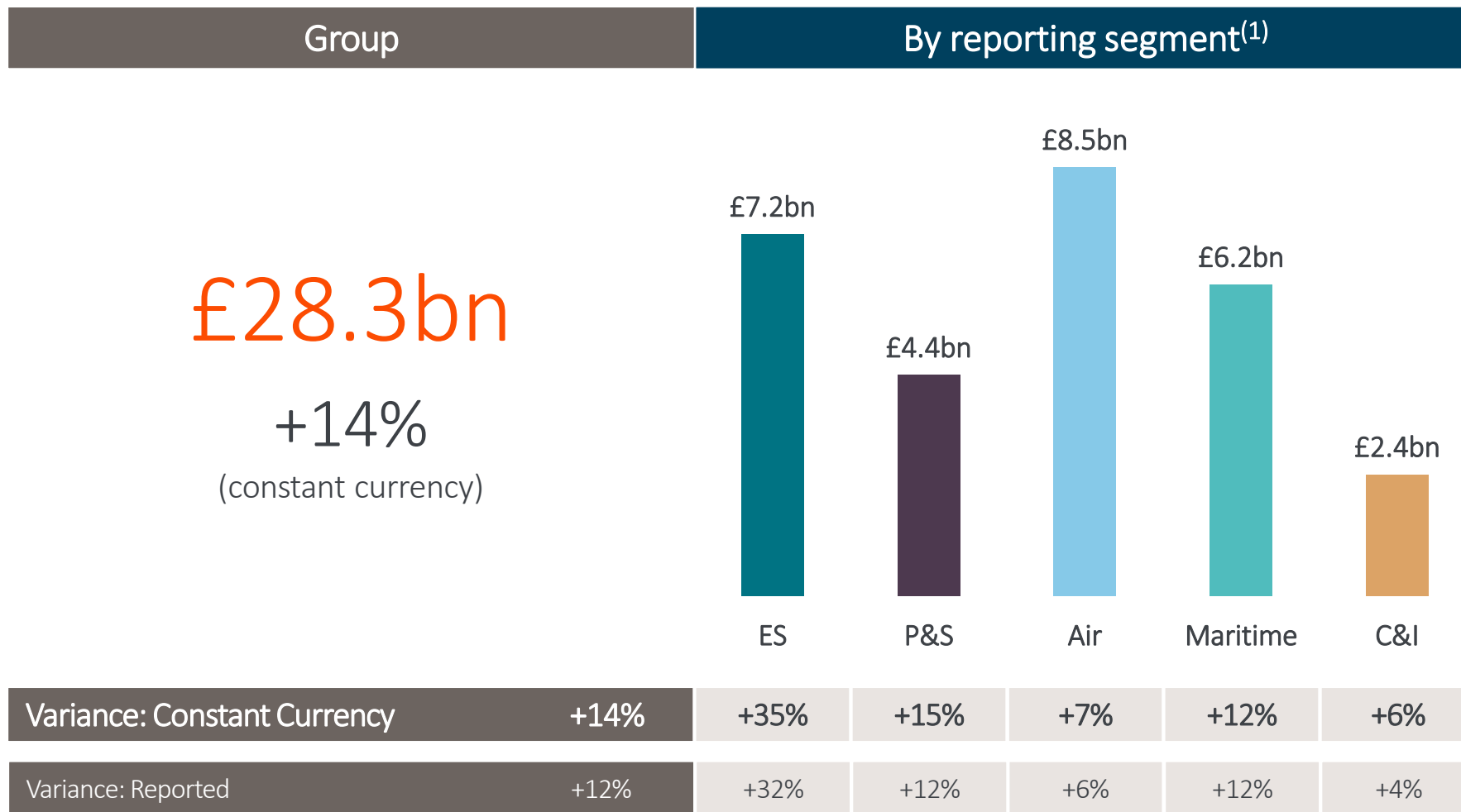
*Growth % stated on a constant currency basis (USD: Dec 2024 \$1.28, Dec 2023 \$1.24)*

# Order intake



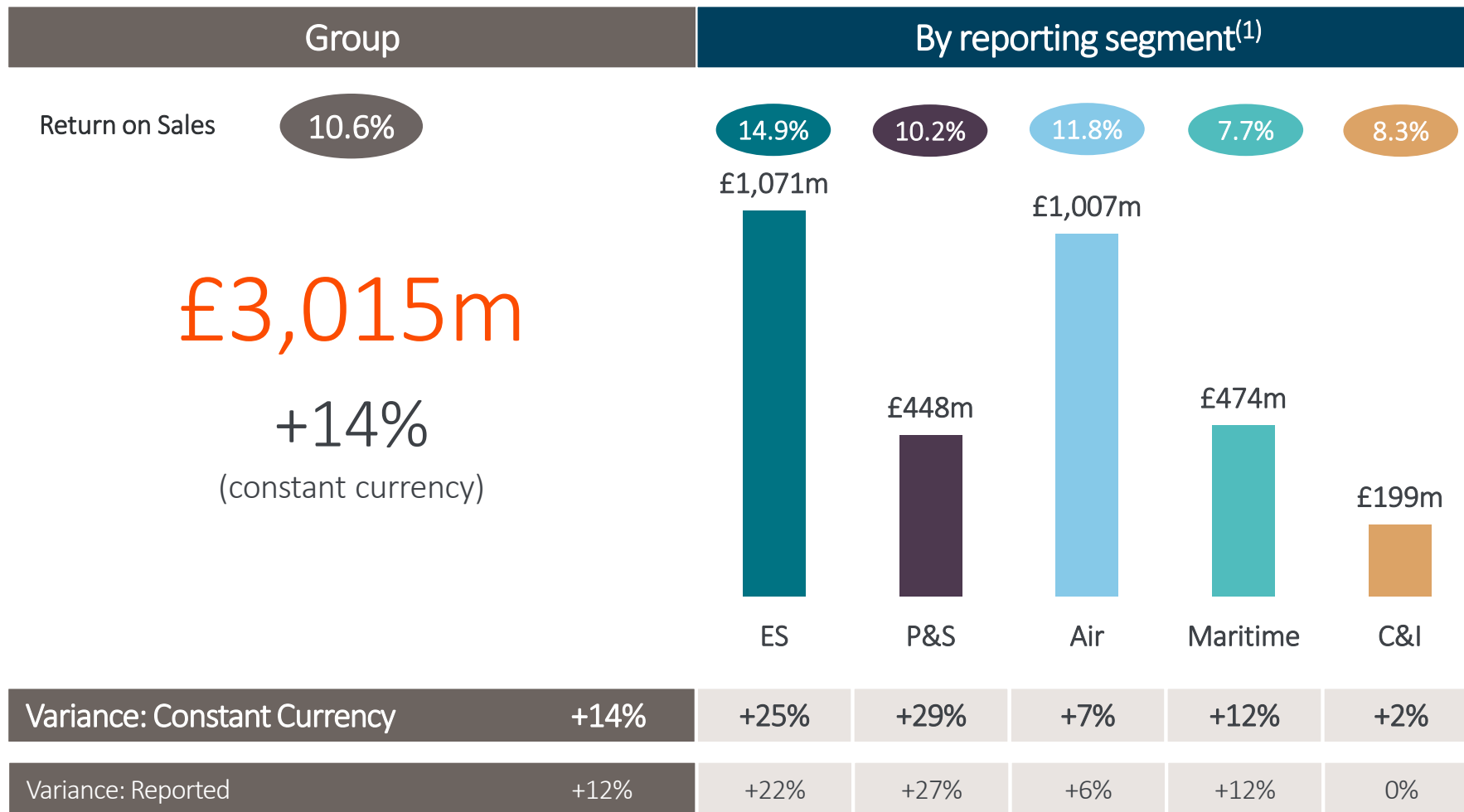
Excludes HQ & intra-group eliminations

# Sales



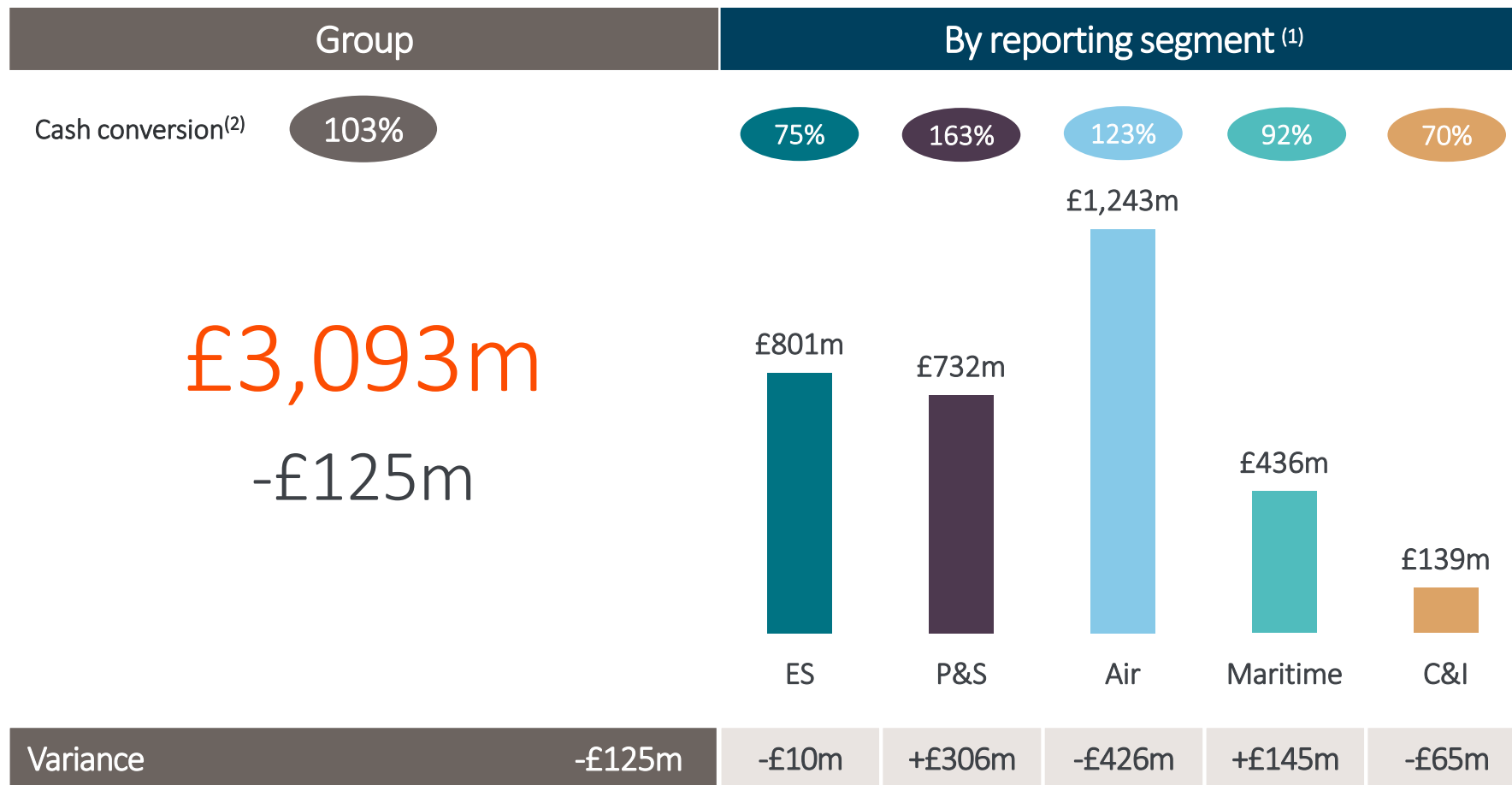
(1) excludes HQ £203m & intra-group eliminations

# Underlying EBIT / Return on Sales



(1) excludes HQ £(184)m

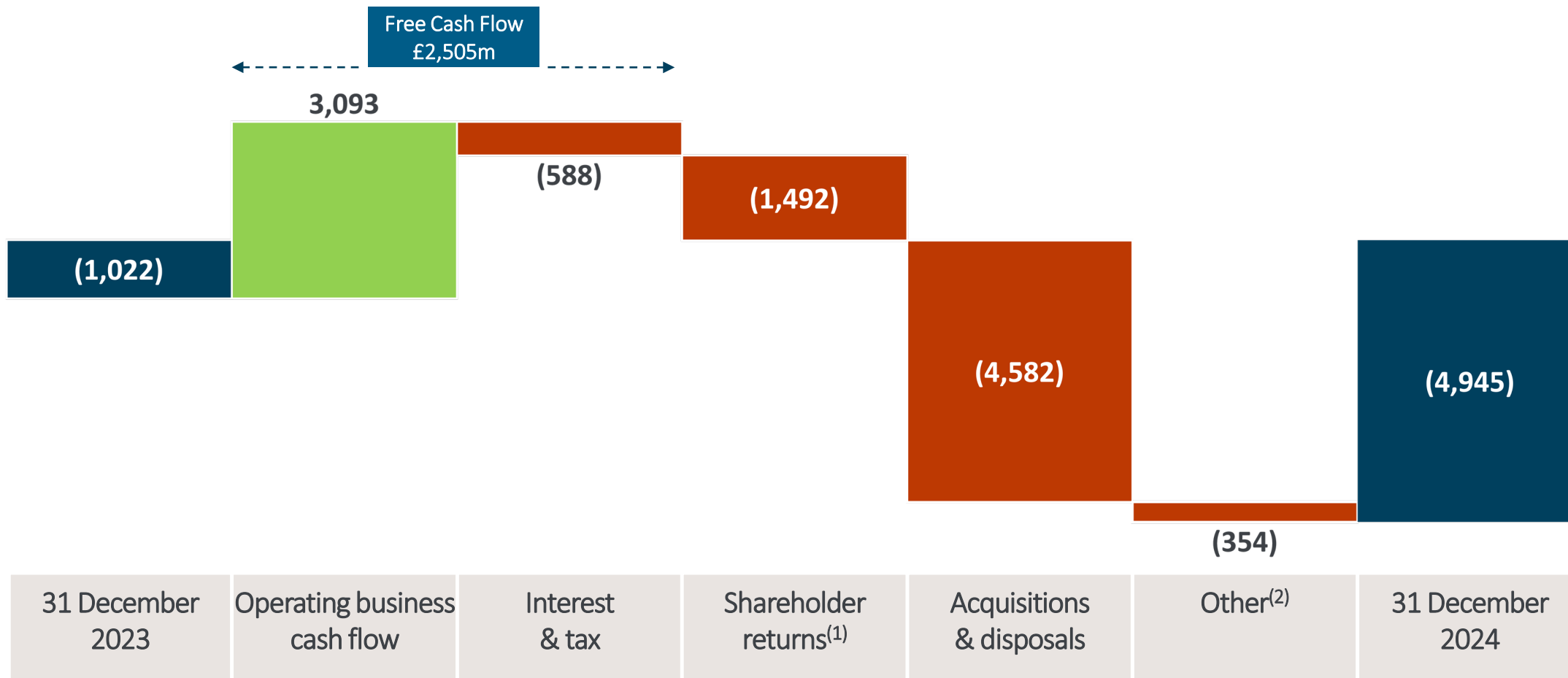
# Operating business cash flow



1) Excludes HQ £(258)m

2) Defined as Operating business cash flow as a percentage of Underlying EBIT

# Net Debt (£m, excluding lease liabilities)



(1) Dividends £937m & share buyback £555m

(2) Includes cash outflows in respect of dividends paid to non-controlling interests & FX

# 2025 Group guidance<sup>(1)</sup>

Guidance based on £1:\$1.28

Sales	Underlying EBIT	Underlying EPS	2025 Free Cash Flow
+7% to 9%	+8% to 10%	+8% to 10%	>£1.1bn
(2024: £28,335m)	(2024: £3,015m)	(2024: 68.5p)	(2024: £2,505m)

Underlying finance costs  
c.£400m

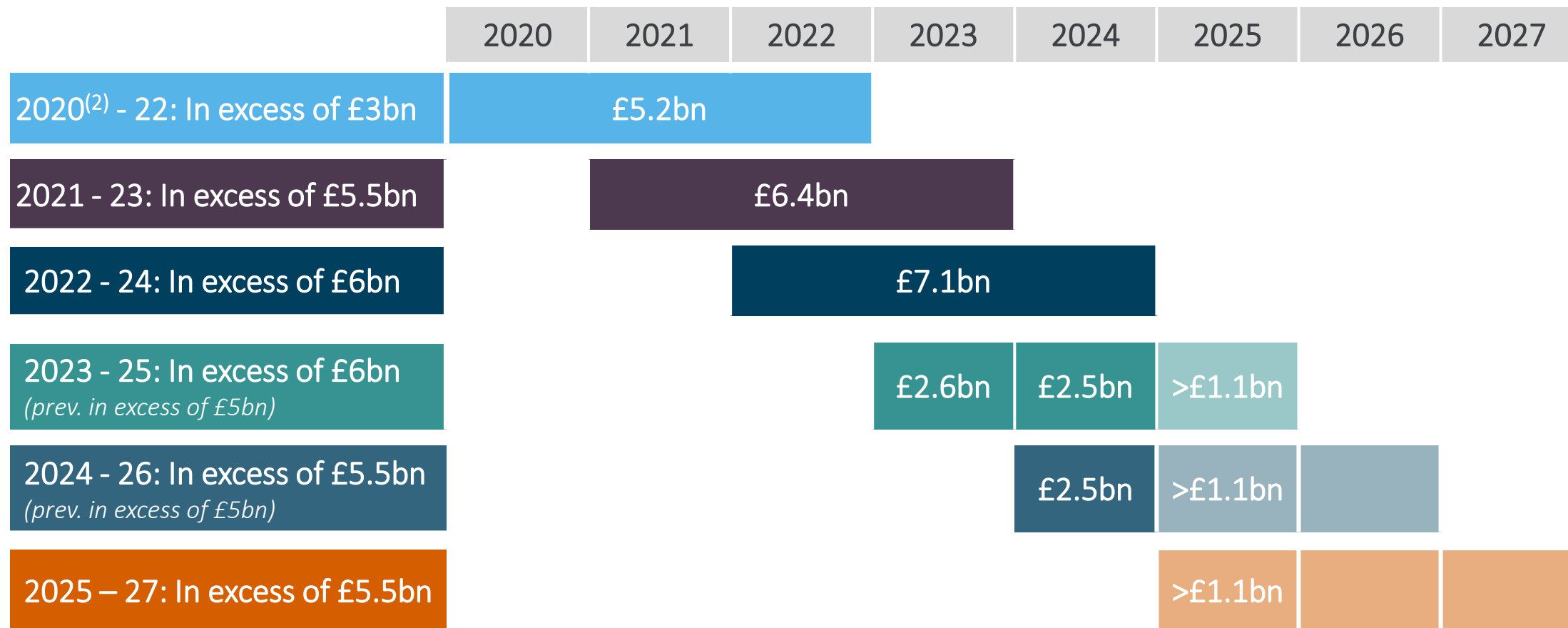
Effective tax rate  
c.20%

Non-controlling interest  
c.£90m

**We expect another year of strong growth, reinforcing our 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.£525m, Underlying EBIT c.£75m, Underlying EPS c.1.4p

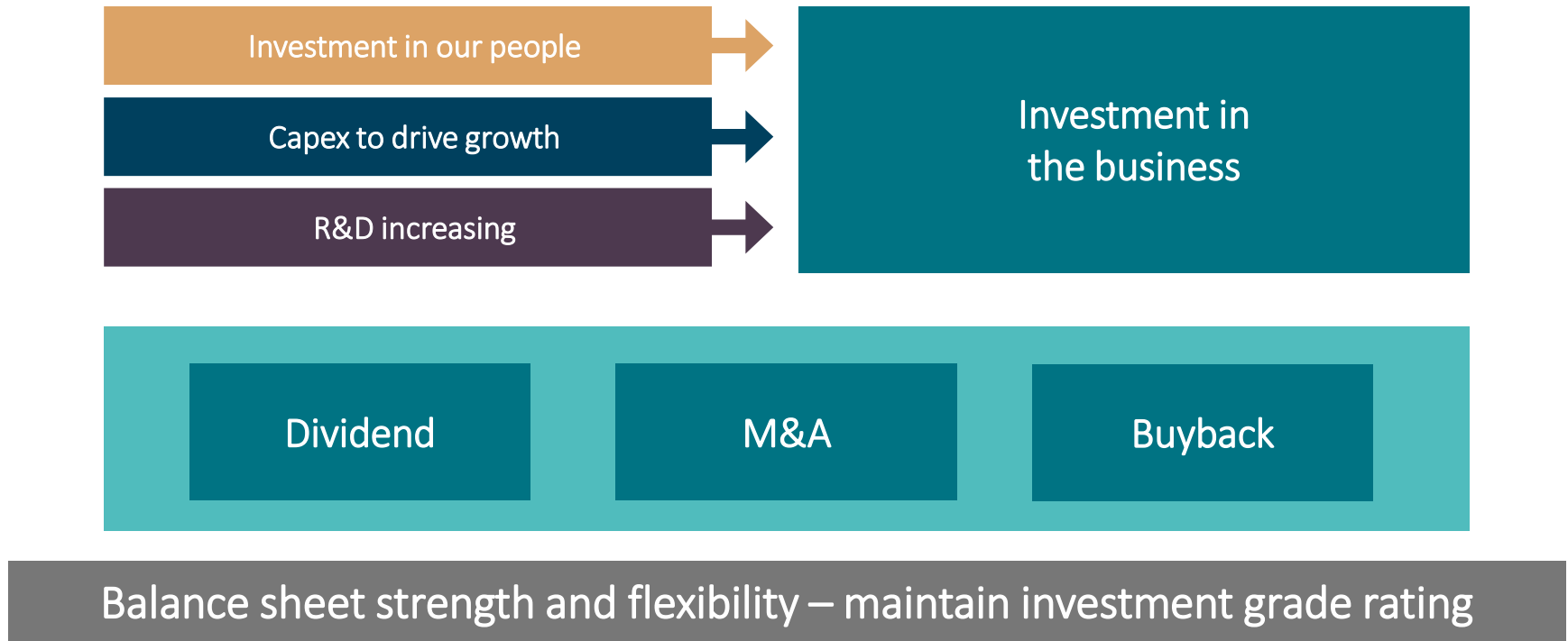
# Three year free cash flow guidance<sup>(1)</sup>



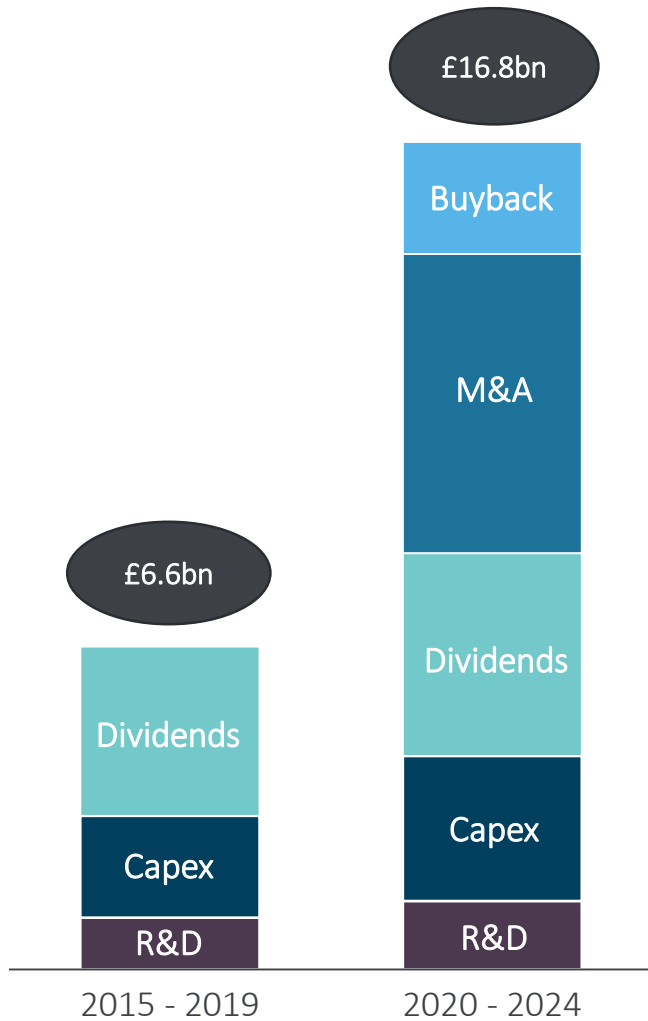
**Strong free cash flow supports capital returns to shareholders**

(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



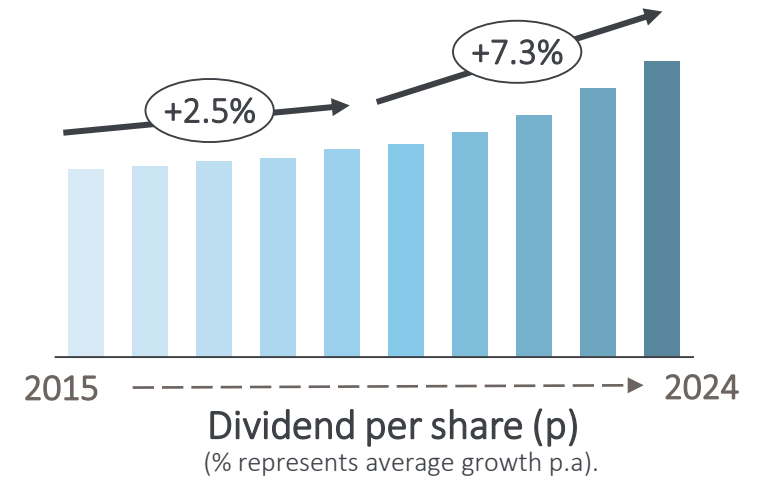
# Capital allocation in action



Increased investment supporting future growth, 2020-24

**> £2.9bn** Net capex     
 **> £1.3bn** Self-funded R&D     
 **> £6.0bn** Future focussed M&A     
 **> 8%** Shares repurchased<sup>1</sup>

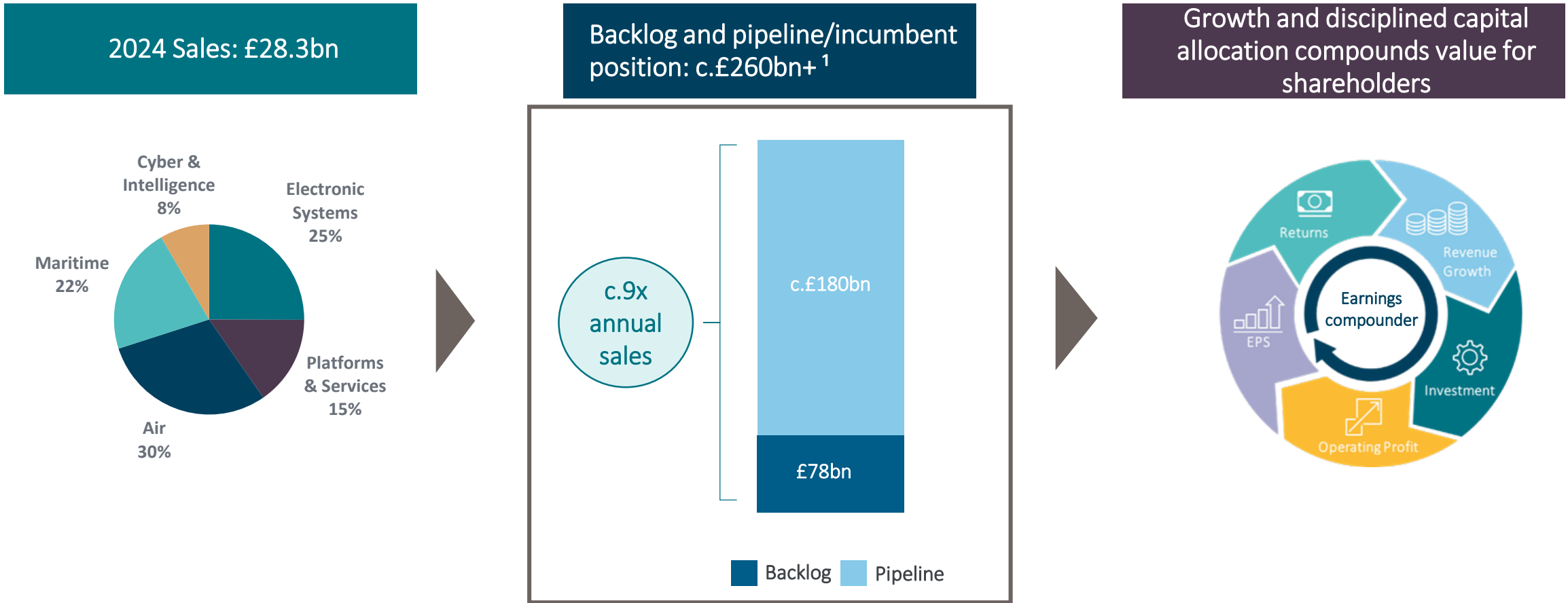
M&A      Compounding Shareholder Returns



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1) Calculated by reference to the number of ordinary shares (excluding Treasury shares) in issue on 28 July 2021

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



1) Projections are based on internal management estimates and reflect management’s current assumptions, including assumed receipt of future orders over the medium term

# Business Outlook

Charles Woodburn – CEO

# BAE Systems proposition for significant long-term value creation

 Global geographic exposure to structurally growing markets

 Diverse portfolio and domains

 Excellent backlog and opportunity pipeline

 Leading-edge technology and innovation aligned to defence priorities in major markets

 Upward defence spending – multi-year programmes provide enhanced visibility

 Sustainable and visible revenue growth

 Underlying margin expansion opportunities

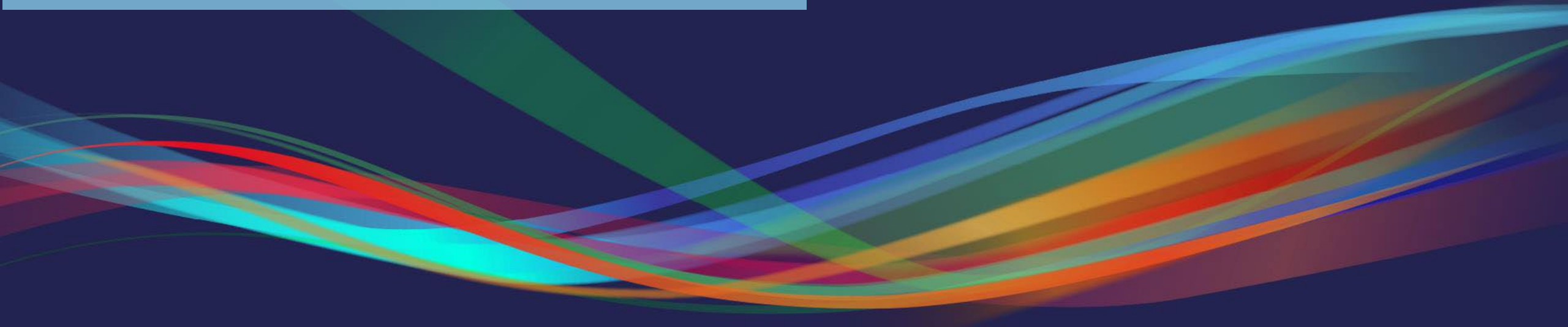
 Higher ROCE in the coming years

 Strong earnings growth

 Robust cash generation supporting good capital returns

Macro environment supports value compounding model

# Supplementary Information



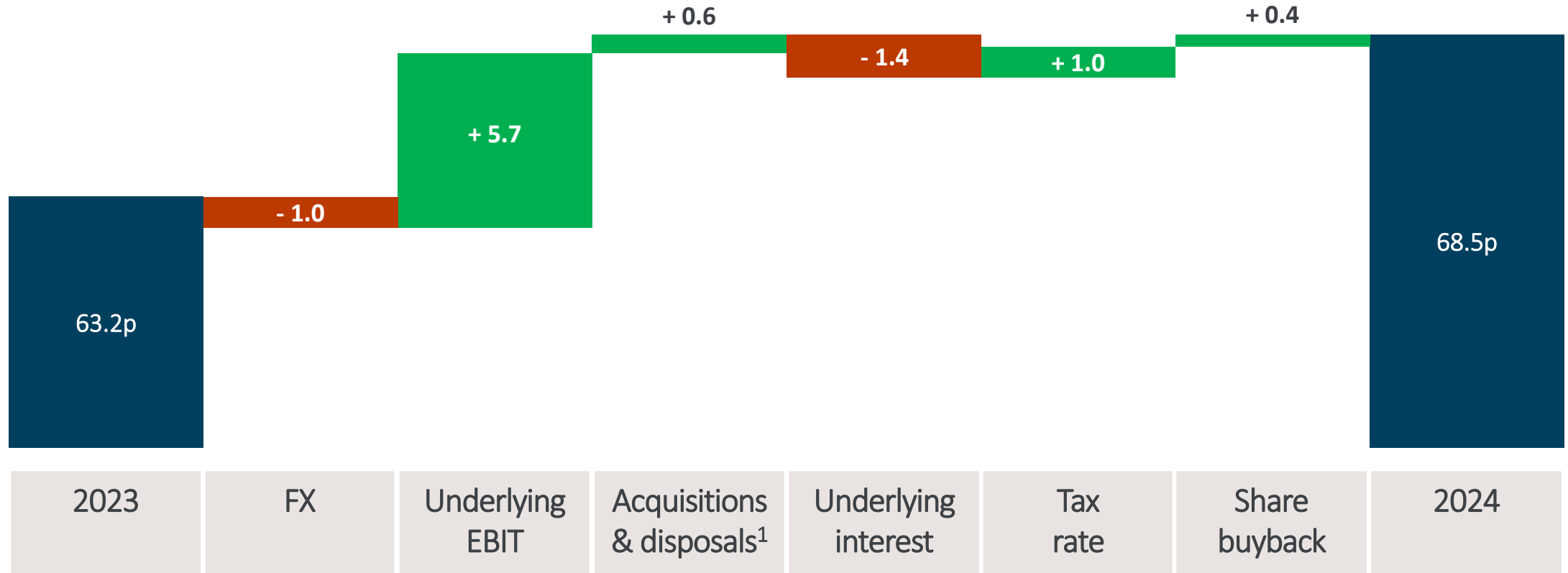
## 2024 summary financials

	2024	2023	Constant Currency	Reported
Order Intake	£33,697m	£37,697m		
Sales	£28,335m	£25,284m	+14%	+12%
Underlying EBIT <sup>(1)</sup>	£3,015m	£2,682m	+14%	+12%
Return on Sales	10.6%	10.6%	+5bps	- bps
Underlying EPS <sup>(2)</sup>	68.5p	63.2p	+10%	+8%
Underlying Tax Rate	18%	19%		
Operating Business Cash Flow <sup>(3)</sup>	£3,093m	£3,218m		-£125m
Free Cash Flow <sup>(3)</sup>	£2,505m	£2,593m		-£88m
Dividend per Share	33.0p	30.0p		+10%
Order Backlog	£77.8bn	£69.8bn		
Net Debt (excluding lease liabilities)	£(4,945)m	£(1,022)m		
Pension Surplus, net <sup>(4)</sup>	£0.8bn	£0.2bn		

Average \$ rate: 2024 \$1.28, 2023 \$1.24

- 1 Operating profit excluding amortisation of programme, customer-related and other intangible assets, impairment of intangible assets, net 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 and tax paid
- 4 The pension surplus is stated net of a 25% (2023 35%) withholding tax charge (£0.4bn, 2023 £0.4bn) on a number of UK defined benefit pension schemes that are in an accounting surplus position.

# Underlying earnings per share (pence)



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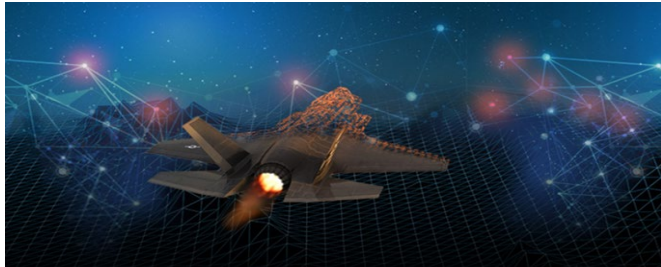
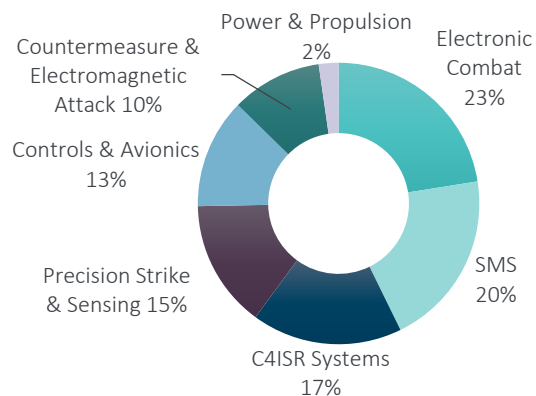
(1) Acquisitions & disposals reflects the underlying EBIT for acquired businesses since date of acquisition net of interest costs, together with the impact of the partial disposal of the Group's shareholding in Air Astana

# Electronic Systems

## Business Description

Electronic Systems, with 22,400 employees, comprises the US- and UK-based Electronic Systems and the US-based Space & Mission Systems business. The teams deliver 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, as well as space electronics, spacecraft, ground systems and mission-enabling technologies

### 2024 Sales by Line of Business



## Financial Performance

	2024	2023
Sales	\$9,188m	\$6,788m
Underlying EBIT	\$1,368m	\$1,092m
Return on sales	14.9%	16.1%
Operating cash flow	\$1,024m	\$1,009m
Order intake	\$9.3bn	\$8.3bn
Order backlog	\$15.9bn	\$11.4bn

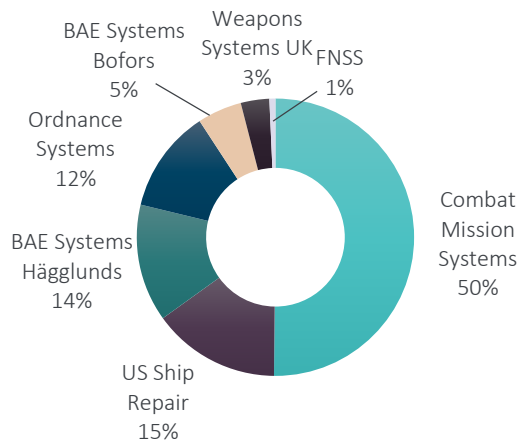
- Sales up 35% on a constant currency basis, 9% on an organic basis
  - Growth in Precision Strike & Sensing, flight controls and electronic combat
  - SMS represents ten months' contribution
- Margin performance reflects US pension recoveries (FAS/CAS) and inclusion of the SMS business
- Backlog includes \$3.7bn from acquired SMS business

# Platforms & Services

## Business Description

Platforms & Services, with 11,600 employees, has operations in the US, Sweden and UK, manufactures and upgrades combat vehicles, weapons and munitions, and delivers services and sustainment activities, including US naval ship repair and the management and operation of two government-owned, contractor-operated ammunition plants

### 2024 Sales by Line of Business



## Financial Performance

	2024	2023
Sales	\$5,611m	\$4,878m
Underlying EBIT	\$573m	\$440m
Return on sales	10.2%	9.0%
Operating cash flow	\$936m	\$530m
Order intake	\$9.4bn	\$9.6bn
Order backlog	\$17.9bn	\$14.6bn

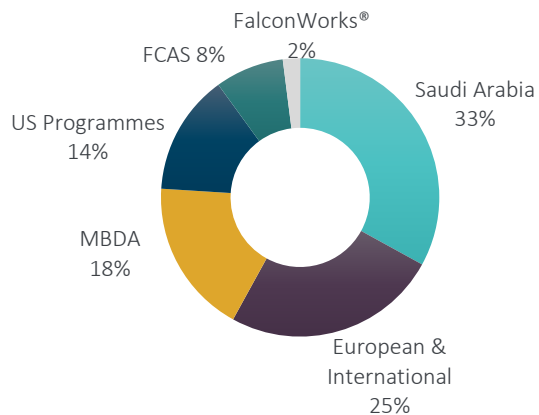
- Sales up 15%, on a constant currency basis, largely driven by combat vehicle volumes
- Margin benefitted from:
  - AMPV full-rate production commencing
  - Strong growth in Hägglunds
  - Improved performance in Ship Repair
- Cash performance reflects advances received late in the year
- Order intake driven by CV90 for Denmark & Sweden & US combat vehicles

# Air

## Business Description

Air, with 27,800 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.

### 2024 Sales by Line of Business



## Financial Performance

	2024	2023
Sales	£8,519m	£8,058m
Underlying EBIT	£1,007m	£949m
Return on sales	11.8%	11.8%
Operating cash flow	£1,243m	£1,669m
Order intake	£8.3bn	£11.0bn
Order backlog	£26.8bn	£27.2bn

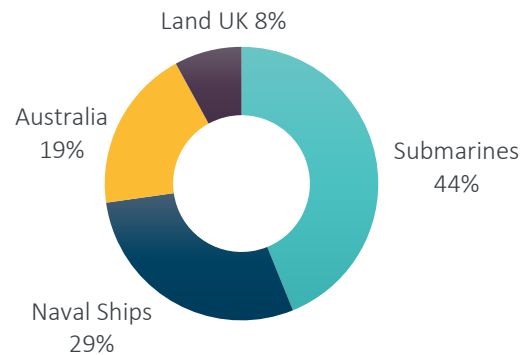
- Sales up 7% on a constant currency basis
  - Higher GCAP activity
  - MBDA c.10% higher
  - M&A
- Continued strong margin performance
- Good cash flow performance driven by significant customer advances
- Order intake reflects strong MBDA order flow & Typhoon production

# Maritime

## Business Description

Maritime, with 30,100 employees, comprises the Group’s UK-based maritime and land activities, including ship build and support activities, major submarine build programmes, as well as our Australian business.

### 2024 Sales by Line of Business



## Financial Performance

	2024	2023
Sales	£6,187m	£5,536m
Underlying EBIT	£474m	£425m
Return on sales	7.7%	7.7%
Operating cash flow	£436m	£291m
Order intake	£8.7bn	£10.1bn
Order backlog	£23.2bn	£21.3bn

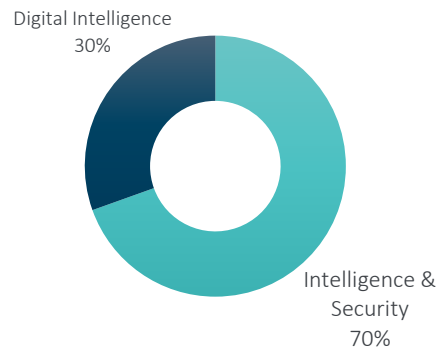
- Sales growth at 12% on a constant currency basis
  - Global Combat Ship: higher Type 26 & Hunter Class activity
  - continued growth on the Dreadnought / SSN-AUKUS programmes
- Stable margins
- Cash performance reflects timing of customer receipts and continued investment in UK ship build facilities
- Orders driven by Hunter Class Frigates award in Australia and further Dreadnought funding

# Cyber & Intelligence

## Business Description

Cyber & Intelligence, with 10,900 employees, comprises the US-based Intelligence & Security business and UK-headquartered Digital Intelligence business, and covers the Group’s cyber security activities for national security, central government and government enterprises.

## 2024 Sales by Business



## Financial Performance

	2024	2023
Sales	\$3,082m	\$2,887m
Underlying EBIT	\$255m	\$248m
Return on sales	8.3%	8.6%
Operating cash flow	\$178m	\$254m
Order intake	\$3.1bn	\$3.1bn
Order backlog	\$2.3bn	\$2.5bn

- Sales up 6% on a constant currency basis
- Margin performance in line with expectations and reflects investments in space & multi-domain networking
- Cash performance reflects timing of working capital and capital investments

## 2024 summary by reporting segment

USD FX rate of \$1.28 (backlog @ \$1.25)

	Sales £m	Underlying EBIT £m	Return on Sales %	Free Cash Flow <sup>(1)</sup> £m	Order Intake £bn	Order Backlog £bn
Electronic Systems	7,189	1,071	14.9	801	7.3	12.7
Platforms & Services	4,390	448	10.2	732	7.4	14.3
Air	8,519	1,007	11.8	1,243	8.3	26.8
Maritime	6,187	474	7.7	436	8.7	23.2
Cyber & Intelligence	2,411	199	8.3	139	2.4	1.8
HQ	203	(184)	-	(258)	0.2	-
Eliminations	(564)	-	-	-	(0.6)	(1.0)
Interest & tax paid	-	-	-	(588)	-	-
<b>Group</b>	<b>28,335</b>	<b>3,015</b>	<b>10.6</b>	<b>2,505</b>	<b>33.7</b>	<b>77.8</b>

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

## 2025 guidance<sup>(1)</sup> by reporting segment

- guidance below assumes a £1 : US\$1.28 exchange rate

	2024 Actual		2025 guidance <sup>1</sup>	
	Sales	Return on Sales <sup>2</sup>	Expected Sales	Expected Return on Sales
Electronic Systems	7,189	14.9%	Up 8% to 10%	c.15%
Platforms & Services	4,390	10.2%	Up 7% to 9%	c.11%
Air	8,519	11.8%	Up 6% to 8%	11% to 12%
Maritime	6,187	7.7%	Up 7% to 9%	c.8%
Cyber & Intelligence	2,411	8.3%	Up 8% to 10%	8% to 9%

The HQ reporting segment is expected to be an expense of c.£190m (2024 expense £184m)

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

(2) Return on sales defined as Underlying EBIT as a percentage of Sales

## Summarised balance sheet (£m)

	2024	2023
Intangible fixed assets	16,262	12,099
Tangible fixed assets	6,636	5,003
Investments	906	916
Working capital	(6,386)	(5,468)
Pension surplus	768	229
Lease liabilities	(1,817)	(1,396)
Tax assets & liabilities	422	474
Financial assets & liabilities	(69)	(112)
Net debt	(4,945)	(1,022)
<b>Net Assets</b>	<b>11,777</b>	<b>10,723</b>
USD FX	\$1.25	\$1.27

## Reconciliation to underlying earnings (£m)

	2024					2023				
	Income Statement (published)	Reclass: EAI interest & tax	Reclass: Other	"Reported"	Underlying	Income Statement (published)	Reclass: EAI interest & tax	Reclass: Other	"Reported"	Underlying
Operating Profit / Underlying EBIT	2,685	9	321	3,015	3,015	2,573	33	76	2,682	2,682
Other Intangible amortisation/impairment			(344)	(344)				(116)	(116)	
Adjusting items			23	23				40	40	
Finance Costs - Underlying	(455)	59	-	(396)	(396)	(231)	20	-	(211)	(211)
- Fair Value	59	-	-	59		(16)	(6)	-	(22)	
	(353)	59	-	(294)		(247)	14	-	(233)	
Profit before tax	2,332	68	-	2,400		2,326	47	-	2,373	
Tax - Underlying				(469)	(469)				(472)	(472)
- Other				110					39	
	(291)	(68)	-	(359)		(386)	(47)	-	(433)	
Non-controlling interest	(85)	-	-	(85)	(85)	(83)	-	-	(83)	(83)
Earnings – Basic / Underlying	1,956	-	-	1,956	2,015	1,857	-	-	1,857	1,916
Weighted average number of shares (m)				3,013	3,013				3,031	3,031
EPS – Basic / Underlying				64.9p	68.5p				61.3p	63.2p