

Trading Statement

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BAE SYSTEMS PLC
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BAE Systems plc - Annual General Meeting and Market Update

BAE Systems plc will hold its Annual General Meeting today at 11.00 a.m. in Farnborough, Hampshire, UK. At the meeting, Chairman, Sir Roger Carr, and Chief Executive, Charles Woodburn, will comment on the performance of the Group in 2021, as detailed in the results announcement published on 24 February 2022.

The results of voting at the Annual General Meeting will be announced later today.

Additionally, BAE Systems plc provides the following update on trading year to date.

Charles Woodburn, BAE Systems Chief Executive, said:

"Trading in the first quarter has been in line with expectations with strong order intake and good operational performance being maintained.

"Looking forward, our diverse portfolio, together with our focus on programme execution, cash generation and efficiencies, are helping us to navigate the challenging operating environment in the near term, while positioning us well for sustained top line and margin growth in the coming years, alongside accelerating our ESG agenda. Additionally, we see opportunities to further enhance the medium- term outlook as our customers address the elevated threat environment."

Guidance

The Group's full year 2022 guidance across all metrics is unchanged from that provided at the Preliminary announcement on 24 February 2022.

- Sales +2-4% (2021: £21,310m)
- Underlying EBIT +4-6% (2021: £2,205m)
- Underlying EPS +4-6% (2021: 47.8p)
- 2022 Free Cash Flow (FCF) >£1bn
- Cumulative FCF 2022-2024 >£4bn
- Guidance is provided on the basis of an exchange rate of \$1.38:£1 for the year

Should the current dollar rate persist, this will be a tailwind to earnings with sensitivity to EPS being around 1 pence for every 5 cent movement.

Operational update

Overall programme execution has been good across all sectors in the year to date. There remain ongoing pressures on our supply chains, delivery lead times and people resourcing across our operations. Consistent with our guidance we continue to mitigate the major financial impacts. In many cases, we benefit from long-term programme positions and incumbencies with more stable forward visibility for long-lead items allowing us to continue to actively manage supplier lead times against demand requirements.

Order flow

We continue to expect a strong year of order intake and order flow to date has been positive especially on our long-

term programmes.

Orders received are predominantly long cycle in nature which will support our growth expectations into the coming years.

Additionally, there is a pipeline of opportunities across all sectors to enhance the growth outlook, as we look to support our key customers and allies in addressing the heightened threat environment.

Notable new and strategically important awards received this year include:

Sector	Contract
Electronic Systems	F-35 Lightning II EW systems
Electronic Systems	M-Code Global Positioning System modules
Electronic Systems	Airborne High Frequency Radio Modernisation programme
Electronic Systems	Electric drive systems for new zero-emission capable hybrid transit buses in Philadelphia
Platform & Services	Amphibious Combat Vehicle programme Lot 2 full rate production
Platform & Services	USS Essex and USS Mustin ship repair and maintenance
Platform & Services	7-year support, sustainment & readiness for Norwegian CV90s
Air	11-year contract for support to the UK's Royal Air Force Hawk fleet
Air	MBDA order flow from Rafale exports
Cyber and Intel	US Navy Naval Air Warfare Center Webster Outlying Field support
Cyber and Intel	Lifecycle management and sustainment of the US Navy's C5ISR systems

Defence spending outlook in our key markets

Our geographic diversity positions us strongly as many of the countries in which we operate have announced or are making plans to increase spending to counter the elevated and evolving threat environment on multiple fronts.

In the US, the spending outlook is positive. The Fiscal Year 2022 Omnibus Appropriations bill was signed into law on 9 March. This FY22 budget of \$743bn maintains funding support for many of our key programmes: combat vehicles; F-35 and other electronic warfare programmes; and precision weapon systems. The President's Fiscal Year 2023 Budget Request includes \$773bn for the Department of Defense and the business remains well aligned to the current US National Defense Strategy readiness and modernisation priorities of the US military services. We expect continued alignment with the 2022 National Defense Strategy release.

In the UK, the Defence Command Paper renewed commitments to our major long-term programmes in complex warship, submarine and combat aircraft design and build, allowing for long-term investment in these key sovereign capabilities, as well as strong support for the cyber domain. The opportunity pipeline is positive with domestic, export and collaboration opportunities identified and we have the capabilities to support our UK customer in its space ambitions.

In Europe, the significant step up in German defence expenditure is important for long-term defence funding. We see other nations increasing or likely to increase their defence budgets to address the threat environment and for NATO countries to move to, and even beyond, their 2% of GDP commitments. We remain well placed through our positions on Eurofighter Typhoon, our shareholding in MBDA, our BAE Systems Hägglunds and Bofors businesses based in Sweden, through US Foreign Military Sales and we are pursuing a number of significant opportunities in the region.

Our portfolio is well positioned to benefit from increased defence spending in Asia Pacific through our Australia business, which is already set to grow significantly due to our contracted positions and through export opportunities from our UK, US and Australian business to the region. The AUKUS announcement is strategically significant, and a clear example of how nations are looking to co-ordinate capabilities in multi domain operations to address the threat environment. As the largest defence provider in the UK and Australia and a top 10 prime contractor to the US DoD, we are well positioned to support our government customers in these nations as discussions progress.

In the Middle East, our longstanding relationships at government and company levels, continued regional instability and the nature of our long-term contracts, mean we expect defence and security to remain a priority. The renewal of certain existing long-term support contracts is tracking in line with expectations and we continue to progress a number of opportunities with existing customers.

Portfolio and sector re-alignment

As disclosed in the Annual Report and reflecting the changes in operational reporting lines effective from the beginning of the year, the BAE Systems Australia business will transition from being reported in the Air segment to the Maritime segment. Additionally, the Group has established a new Digital Intelligence business, bringing together the non-US digital and data capabilities to further strengthen how we deliver these services and capabilities to our customers. Digital Intelligence will report within the Cyber & Intelligence segment.

The re-presented 2021 sales performance to reflect these changes is detailed below. There is no change to the guidance ranges following this segmental representation.

Year ended 31 December 2021	As reported £m	Reclassification £m	Re-presented £m
Electronic Systems	4,491	-	4,491
Platforms & Services	3,395	-	3,395
Air	8,321	(872)	7,449
Maritime	3,416	753	4,169
Cyber & Intelligence	1,752	171	1,923

HQ/intra-group	(65)	(52)	(117)
Group Sales	21,310	-	21,310

In March, we completed the acquisition of Bohemia Interactive Simulations (BISim), a leading developer of advanced military simulation and training software. BISim expands our modelling and simulation capabilities to meet growing global demand for agile military training that helps to protect military personnel and reduce the environmental impacts of live training, while supporting the carbon net zero ambitions of our customers and ourselves.

ESG

It is important to recognise the defence industry's contribution to security and prosperity and that BAE Systems is a responsible, government-backed, strictly regulated and ethically-led defence and security company.

Global events have more than ever demonstrated the need for strong defence and security in the face of aggression by nation states. The defence industry and we at BAE Systems provide critical capabilities and support to our governments and their allies to fulfill their primary obligations to keep their citizens safe, as well as providing important positive economic and societal contributions from the provision of sustainable high-quality and well-paid jobs.

Additionally, we continue to advance our capabilities in sustainable technologies with a number of electric-hybrid contracts won in the period. We are harnessing our expertise in energy management systems and flight controls to support the development of electric propulsion systems for future flight, with GE Aviation selecting us to provide energy management solutions for NASA's hybrid electric technology demonstrator programme.

The progress we are making on our sustainability agenda has been reflected in an improvement in ratings from a number of providers, and we have maintained our AA leader class rating with MSCI.

Board

As previously announced, Dame Carolyn Fairbairn and Ian Tyler will be standing down from their roles as Non-Executive Directors at today's Annual General Meeting (AGM). Nicole Piasecki will succeed Ian Tyler as Chair of the Remuneration Committee with effect from the close of the AGM.

Final dividend

The 2021 final dividend of 15.2 pence per share will be paid, subject to shareholder approval, on 1 June 2022.

Investor engagement

We will host a capital markets event in October with a focus on the Digital Intelligence business, technology advancements and an update on our ESG agenda.

2022 Interim results

BAE Systems will announce its interim results for the half year ending 30 June 2022 on 28 July 2022.

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