

BAE Systems plc – Market Update

12 November 2024

Highlights:

- Operational and financial performance underpin Group full-year guidance, in line with upgrade at half year
- Solid order intake sustained, with around £25bn booked year-to-date
- Integration of the Space & Mission Systems (SMS) business is progressing as planned with sales accelerating in the second half of the year at Group accretive margins
- Strong visibility in the order backlog and pipeline of incumbent positions supports our long-term growth outlook

Charles Woodburn, BAE Systems Chief Executive, said:

"Our operational and financial performance so far in 2024 reaffirms our confidence in achieving the upgraded full year guidance we issued at the half year. Focusing on operational excellence, contracting discipline and growing our workforce is enabling us to consistently deliver critical capabilities and technologies for our customers worldwide. At the same time, we continue to invest in our business for the long term, which together with our broad geographic and domain diversity, positions us well for continued growth in the years ahead."

Guidance

The full year 2024 guidance across all metrics is unchanged from the upgraded guidance we provided at the half year results in August.

Sales	+12-14% (2023: £25,284m)
Underlying EBIT	+12-14% (2023: £2,682m)
Underlying EPS	+7-9% (2023: £63.2p)
2024 Free Cash Flow (FCF)	>£1.5bn

Guidance is provided on a constant currency basis using an exchange rate of \$1.24:£1, which is in line with the actual 2023 exchange rate. The Group operates in a number of currencies, the most significant of which is the US dollar, which is running at an average of approximately \$1.29:£1 for the year. As a guide, a 5 cent movement in the £/\$ exchange rate impacts sales by c.£500m, underlying EBIT by c.£70m and underlying earnings per share by c.1.3p.

The weighted average number of ordinary shares to calculate full year underlying earnings per share is expected to be 3.01bn.

Order flow

The order intake reflects our government customers' confidence in our ability to deliver important capabilities to help protect their countries and citizens, with around £25bn of orders secured in the year to date. Notable contract awards in the second half of the year so far include:

- M109 Self-Propelled Howitzers and M992A3 Ammunition Carriers – \$493m to continue production, with delivery expected from the second half of 2025 to mid-2026
- Armored Multi-Purpose Vehicles – \$184m contract award for 48 additional vehicles for the US Army
- Bradley Fighting Vehicles – contract modification in excess of \$440m for additional production, including more than 200 A4 variants
- Multi-mode Aviation Radio Set – five year IDIQ contract with a ceiling value of \$460m for US Army rotary aircraft
- USS Halsey modernisation – \$178m award for sustainment work on the Arleigh Burke-class guided-missile destroyer in our San Diego shipyard
- Guided weapon components – A\$270m to boost production in Australia
- Order intake of around €2.5bn from the Group's share of our MBDA joint venture

Delivering for our customers

We have maintained our focus on operational performance, with our highly skilled employees continuing to work with partners to deliver critical equipment and services. Maritime and Platforms & Services have continued to account for a higher proportion of growth relative to the other areas of the business. Key milestones in the second half of the year so far include:

- The successful launch of NASA's Europa Clipper spacecraft, which will orbit Jupiter and conduct detailed observations of one of its moons using the Europa Thermal Emission Imaging System (E-THEMIS) instrument the SMS team helped to develop
- Testing completed on the primary scientific instrument for the Nancy Grace Roman Space Telescope shipped to NASA's Goddard Space Flight Center
- Substantial progress made with our Japanese and Italian industry partners towards reaching an agreement on a proposed joint venture to deliver the Global Combat Air Programme (GCAP)
- The sixth Astute Class submarine for the Royal Navy, Agamemnon, launched from our submarines site in Barrow-in-Furness, Cumbria
- A prototype of the European Common Radar System Mark 2 (ECRS Mk) flown on a UK Typhoon aircraft for the first time, supported by our partner Leonardo UK
- The second Type 26 frigate for the Royal Navy, HMS Cardiff, entering the water for the first time in Glasgow

Increasing exposure to major defence growth markets

Defence spending in our major markets remains supportive of our existing programmes and provides a robust pipeline of opportunities across all our sectors. We continue to support our government customers in addressing increasingly varied and complex threats.

Our global footprint, diverse product portfolio, incumbent positions and strong opportunity pipelines on strategically important international programmes, like AUKUS and GCAP, are key competitive advantages.

In the UK, the newly elected government has clearly stated its commitment to strengthening the armed forces and increasing defence spending to 2.5% of GDP. We are actively engaged with the Government on its ongoing Strategic Defence Review, which is due to make recommendations on the nation's future defence plan in the first half of next year. It has also identified defence as one of eight growth-driving sectors in its upcoming industrial strategy.

In the US, we continue to see bipartisan support for defence and national security. Our portfolio remains well-aligned with the key priorities outlined in the US National Defense Strategy and US Intelligence Strategy and we continue to see growth opportunities in this market across the medium term.

Beyond the US and UK, our geographic footprint is a differentiator as we support government customers across Europe, the Middle East and Asia Pacific. Our key markets in these regions are poised for higher defence spending which will provide a platform for diversified growth into the future for the Group.

SMS integration and performance

We have made excellent progress in integrating the SMS business into our US operations. The business is realising cost synergies, meeting scheduled workforce integration milestones, and holding a series of "synergy summits" which have identified numerous areas for collaboration to drive future revenue opportunities.

SMS second half sales are progressing in line with our expectations as set out at the half year. The business is delivering group-accretive margins and the order backlog and pipeline support achieving our target of 10% annual sales growth in the medium term.

Investing in our business for the long term

In support of our growth outlook, and to help our customers stay ahead of evolving threats, we continue to invest in our people, facilities and technology.

By the end of October 2024, our global workforce increased by approximately 7,500 employees, including 1,260 apprentices and 1,000 graduates and undergraduates recruited in the UK, together with more than 5,000 employees who joined the Group as a result of the Ball Aerospace acquisition.

We expect self-funded Research & Development to increase compared to 2023 and have acquired UK cyber and electromagnetic activities company, Kirintec, since the half year, as we continue to complement our portfolio to deliver technology-enabled products to meet our customers' current and emerging operational challenges.

In Glasgow, our new Applied Shipbuilding Academy has opened to develop and train our Maritime workforce, and the new Janet Harvey shipbuild assembly hall is on schedule to be fully operational in 2025.

We have also announced our intention to invest £220m to establish a new state-of-the-art advanced technology factory in Rochester, UK, which will increase the capacity of our Electronic Systems business and create 300 new jobs over the next five years.

Balance sheet and capital allocation

The Group's balance sheet remains strong. The 2024 interim dividend of 12.4 pence per share will be paid on 2 December 2024 and we are maintaining a good cadence on the up to £1.5bn share buyback programme announced in August 2023, which commenced on 25 July 2024. Total cash returned to shareholders this year (including the 2023 final dividend) is expected to be c.£1.4bn.

2024 Preliminary Results

BAE Systems will announce its preliminary results for the year ending 31 December 2024 on 19 February 2025.

For further information please contact:

Investor Relations

Barron Beneski (US)

Vice President, Investor Relations

Telephone +1 (571) 479 9492

Email: investors@baesystems.com

Media

Kristina Anderson

Director, Media Relations

Telephone: +44 (0) 7540 628673

Email: Kristina.anderson@baesystems.com

Jennifer Bowden (UK)

Senior Manager, Investor Relations

Telephone: +44 (0) 7721 797795

Email: investors@baesystems.com

Cautionary statement:

All statements other than statements of historical fact included in this document, including, without limitation, those regarding the financial condition, results, operations and businesses of BAE Systems plc and its strategy, plans and objectives and the markets and economies in which it operates, are forward-looking statements. Such forward-looking statements which reflect management's assumptions made on the basis of information available to it at this time, involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

Forward-looking statements are not guarantees of future performance and the actual results of operations, financial condition and liquidity of BAE Systems plc, the development of the industry in which it operates and the ability of BAE Systems plc to meet its commitments and targets may differ materially from those made in or suggested by the forward-looking statements contained in this document. In addition, even if results of operations, financial condition and liquidity of BAE Systems plc, the development of the industry in which it operates and/or performance against commitments and targets are consistent with the forward-looking statements contained in this document, those results, developments or performance may not be indicative of results, developments or performance in subsequent periods.

BAE Systems plc and its directors accept no liability to third parties in respect of this document save as would arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with Schedule 10A of the Financial Services and Markets Act 2000. It should be noted that Schedule 10A contains limits on the liability of the directors of BAE Systems plc so that their liability is solely to BAE Systems plc.