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# Aligned for growth

Archie Bethel, Chief Executive

**Investor seminar 14 March 2017**

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# Agenda

**Who we are**  
**Rationale for realignment**  
**Details of realignment**  
**Summary**  
**Q&A**



# Who we are

## **Babcock is an engineering services company:**

- we have specialist expertise our customers do not possess;
- we provide skilled, bespoke engineering services;
- we work in highly regulated environments, managing complex assets;
- we maintain, upgrade, operate and manage critical infrastructure and equipment;
- we provide our customers with better capability, reliability and availability of their expensive and critical assets; and
- we provide them with significant cost savings.

## **Engineering is in our DNA**





# What sets us apart

## **Our technical skills**

Deep sector-specific expertise • decades of experience • understanding of risk and resilience • ability to deliver availability • innovation • platform agnostic: able to work with any OEM • ability to identify and integrate technology • expertise in through-life support

## **Our infrastructure**

Experience of managing highly regulated critical infrastructure assets • unique owned marine facilities • critical air and land fleet • nuclear licensed sites • naval, air and army bases • operation of customer aircraft • technical training centres

## **Our long-term relationships**

Trusted partner of governments and blue chip companies • embedded with our customers • aligned pain share/gain share • unique reference cases and experience • proven delivery

## **Our contracts**

Long-term partnership approach • framework agreements • excellent visibility of future revenues • aligned with customer • management of risk/reward • strong track record of delivery • innovative output based model • incentivised to perform • >90% rebid success

# How we benefit from realignment

## **Closer to our markets**

- in the main, our customers, regulators, competitors and key suppliers are already grouped in these four key sectors
- closer alignment with key government customers and the Armed Forces

## **Increased focus aligned to capability**

- focused management teams in each of our four sectors
- closer alignment between our sectors, our management and reporting structure

## **Platform for growth**

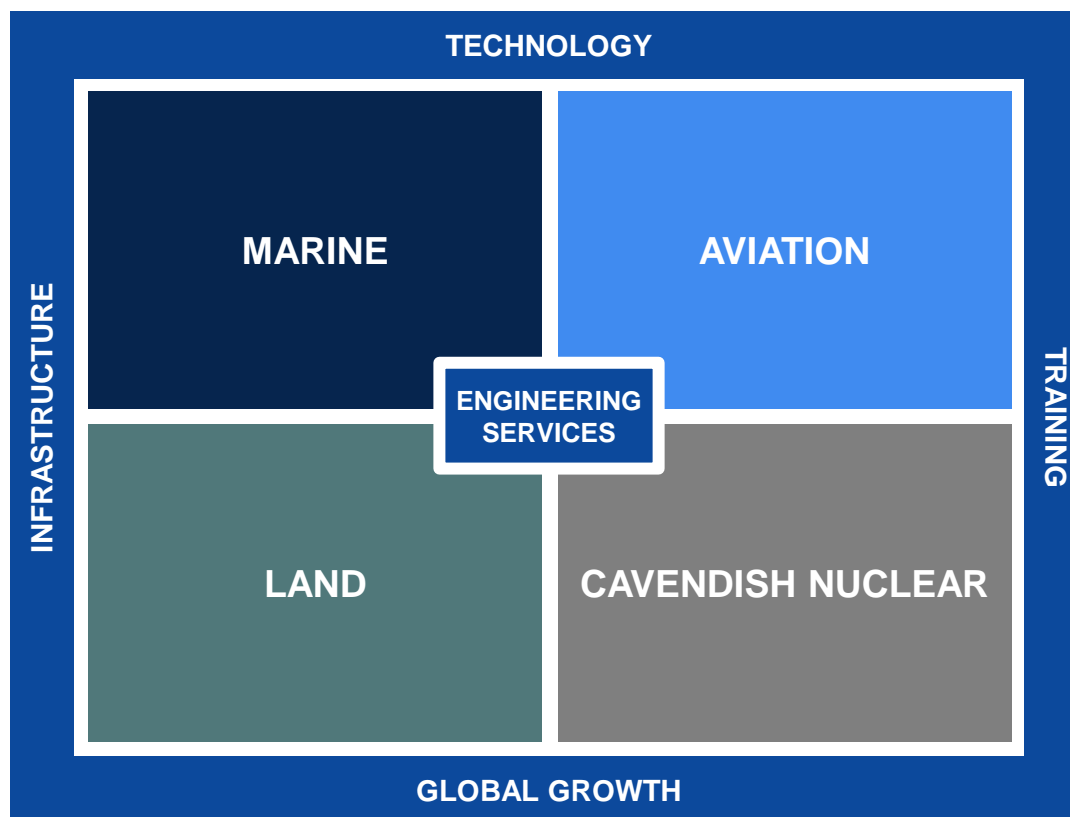
- better support for our growth ambitions in Technology and Technical Training
- easier to identify & develop international opportunities through our Global Growth team
- sector-wide Systems Solutions provide for the next stage of our IT development

## **Increased clarity**

- reporting by sector will make the Group easier to understand
- explaining Babcock to shareholders, customers and staff becomes clearer

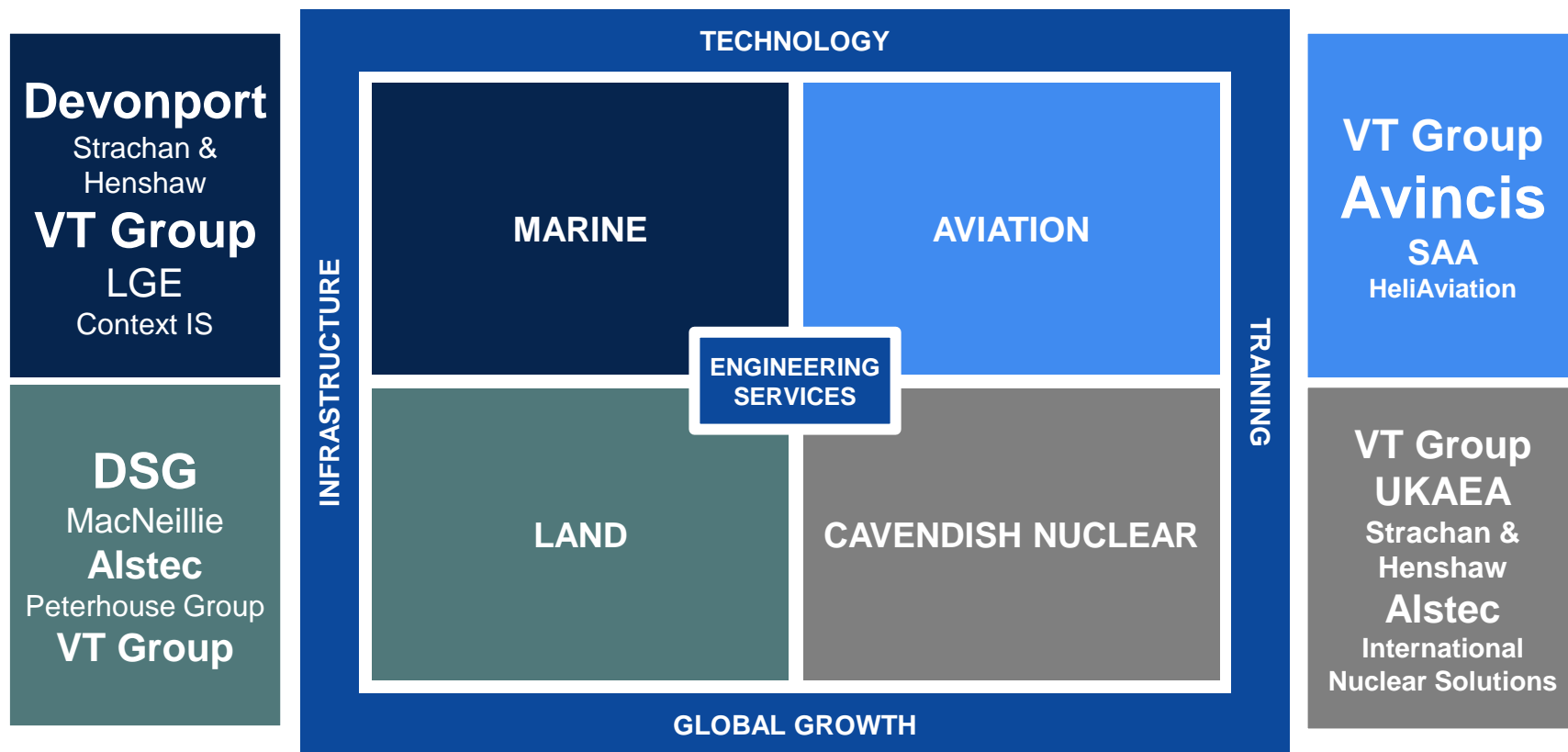
# Sector specialists

**For over 15 years we have consistently built up expertise and commercial positions in these four sectors, both organically and through targeted acquisitions:**



# History of building focused positions

For over 15 years we have consistently built up expertise and commercial positions in these four sectors, both organically and through targeted acquisitions:

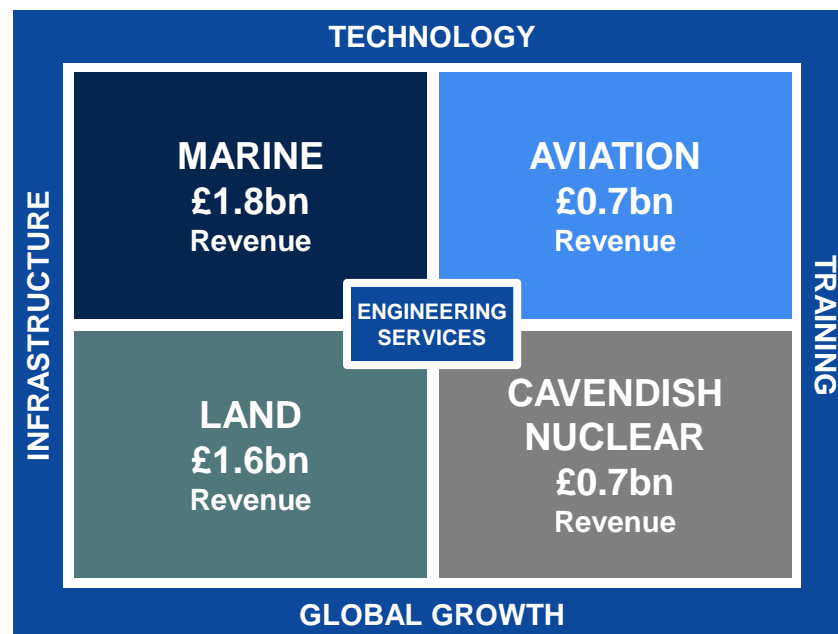




# Experts in our chosen sectors

## Each sector has:

- sufficient scale to become a world leader
- both defence and civil customers sitting under one focused management team
- existing UK and international operations
- range of engineering services offerings, supported by technology and training
- unique infrastructure operated within a complex regulatory regime
- significant opportunities for growth both in the UK and globally



*All numbers as at 31 March 2016*

# Accelerating global growth

## **New Group structure designed to enhance our ability to grow**

- recent international successes – Alitalia, Qantas, FOMEDDEC – highlighted the limitations of how we organised ourselves internally
- each sector is now customer facing, shares deep sector technical knowledge, experience and understanding of its industry
- a clearer Babcock story resonates with customers

## **Global Growth strategy**

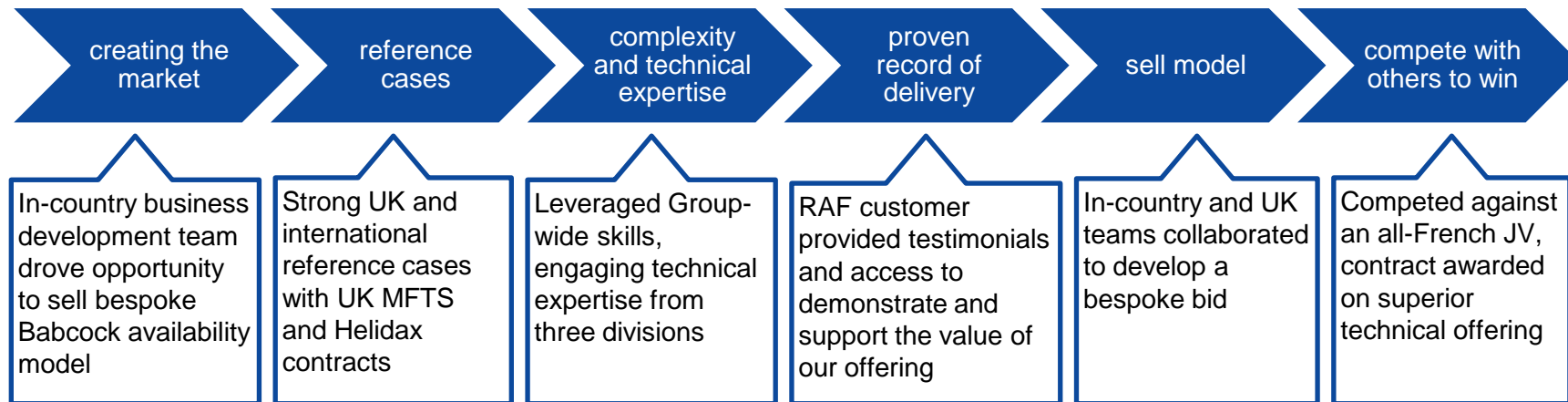
- drive local country business development with sector strengths and reference data to identify and build a pipeline of opportunities
- invest in skills and frameworks needed to capture international opportunities
- bridge between local and UK sector teams to support both bidding and delivery
- provide skilled people embedded in our Global Growth organisation to drive, facilitate and establish new international business across the four sectors

**Ambition to grow global revenue to around 30% over next five years  
(FY16: 22%)**

# FOMEDEC

## Key support partner providing and maintaining training platforms and related services for the French Air Force over an 11-year contract

### Applying the Babcock model overseas – ‘double sell’



- cooperation was driven across Group, however divisional alignment proved obstructive
- better able to share best practice and sector expertise driving collaborative synergies
- FOMEDEC now managed by one Aviation team

Formation Modernisée et Entraînement Différencié des Équipages de Chasse (FOMEDEC)

# Group-wide technology

## **Technology already at the core of our engineering skills and capabilities**

- a deep technical understanding of the systems and equipment that make up our customers' complex assets underpins our offering
- we invest in skilled people and in systems to improve our customers' performance
- use of advanced innovation, integration and intellectual property allow us to deliver better capability and availability for our customers' critical assets
- technology helps us maintain win rates of over 90% rebid and 40% new bid

## **Technology Group well established within Marine & Technology division**

- over 3,000 skilled people, many of them qualified professional engineers
- annual external revenue of over £500 million
- opportunity to introduce technology-based solutions across all four sectors

## **The realignment enables our sector expertise and successful Technology business to drive that technology offering across the Group**

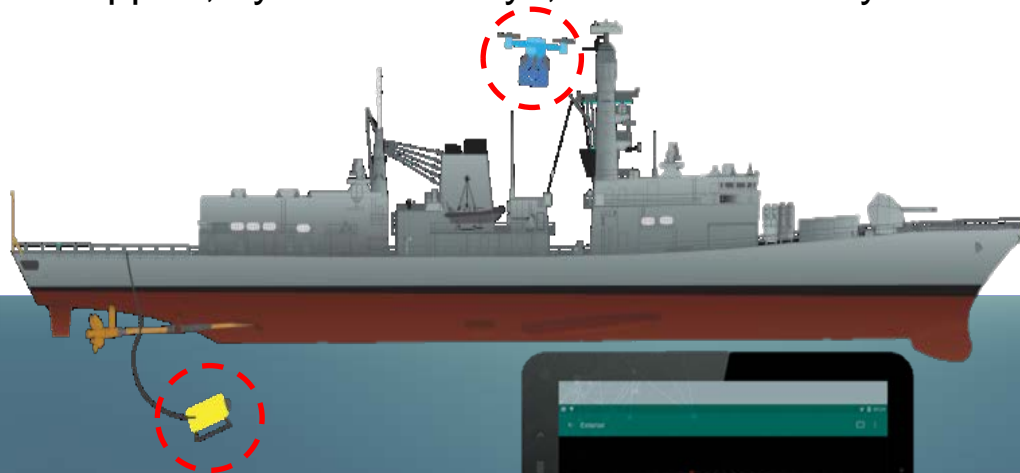
- MD of Technology will leverage and champion synergies across the Group
- additional focus to identify opportunities for technology-driven growth

*All numbers as at 31 March 2016*

# Technology – iFrigates (Project Athena)

**Project Athena uses data from ship and shore systems to translate into precise support decisions and provide a bespoke understanding of through-life support**

- innovative support technology (air and underwater drones, data from ship systems)
- complex real-time data capture is analysed and shared with crew and shore support
- data visualised in configurable suite of mobile apps to aid support:
  - risk prediction (availability), live demand and supply-chain management, engineering solution support, dynamic surveys, increased safety



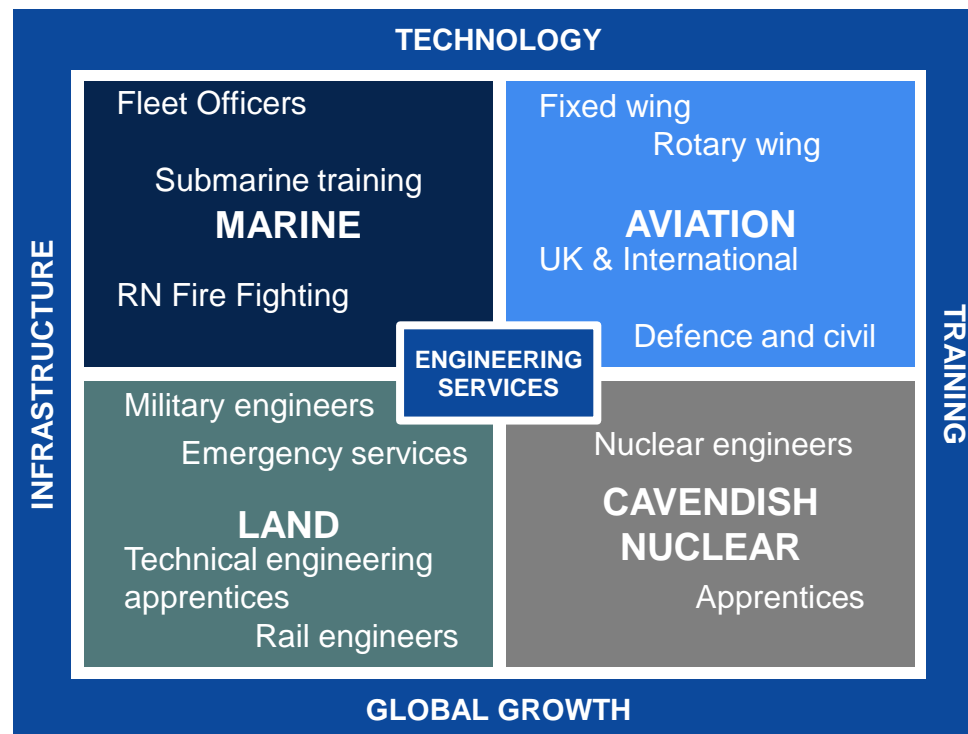
**Complex asset performance analytics can be driven across the Group with further efficiency under the new alignment**



# Training

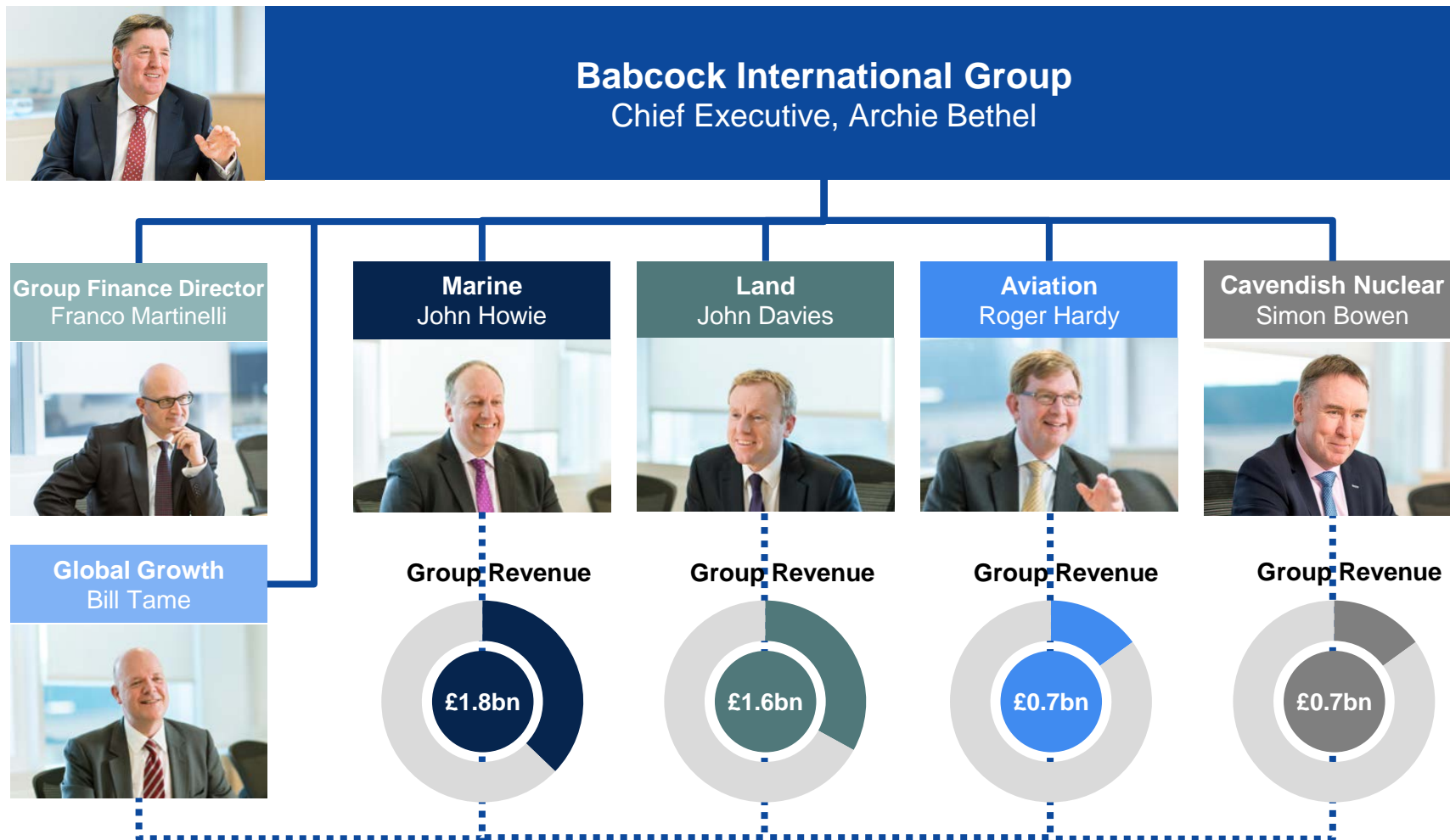
## Technical training:

- an integral part of our engineering offering to our customers
- training is a fundamental ongoing requirement in the highly-regulated sectors in which we operate
- core part of the expertise we offer
- allows our customers to make best use of their resources
- ability to share innovation and successful methodology across sectors



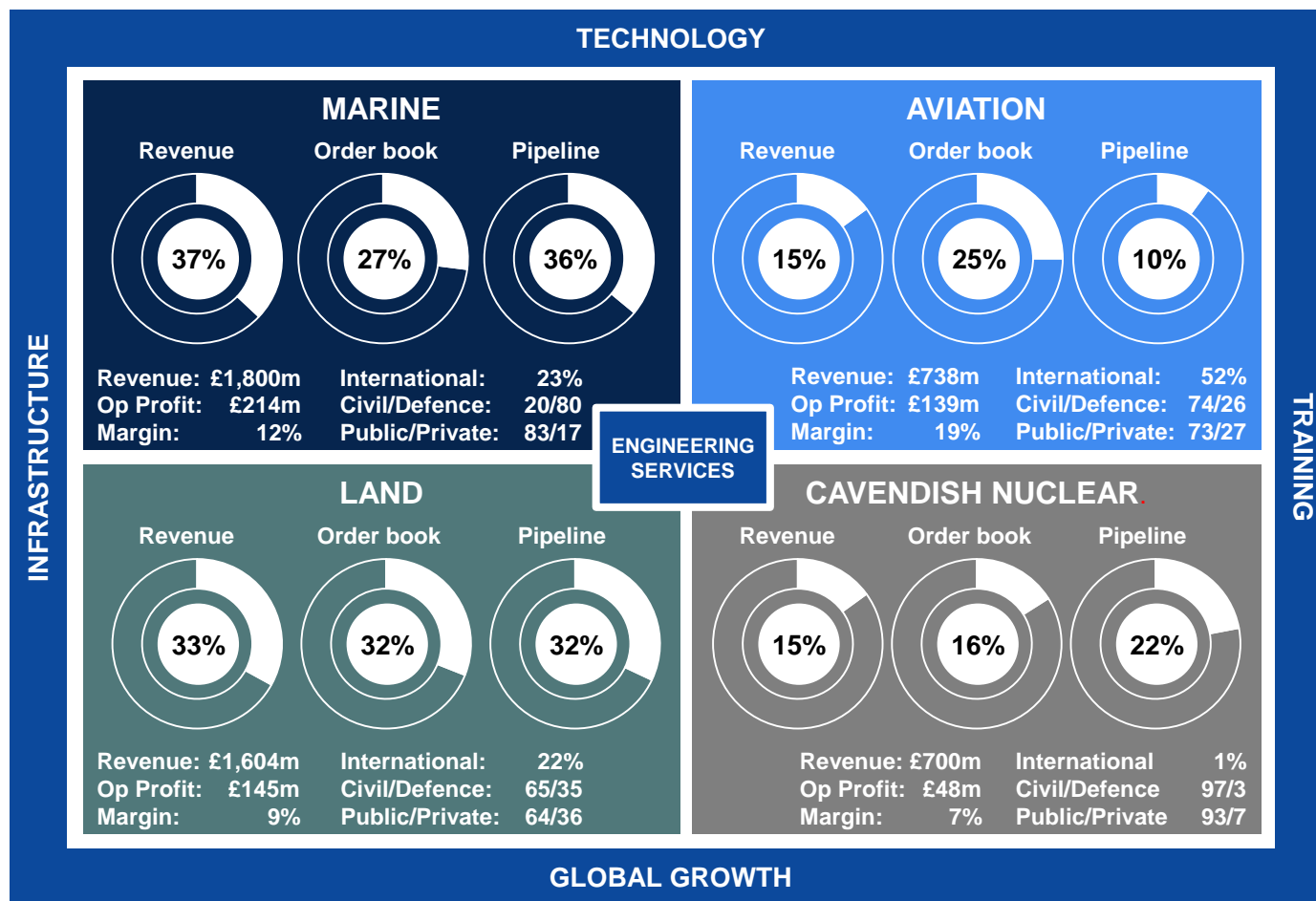


# Group Structure: how we will operate



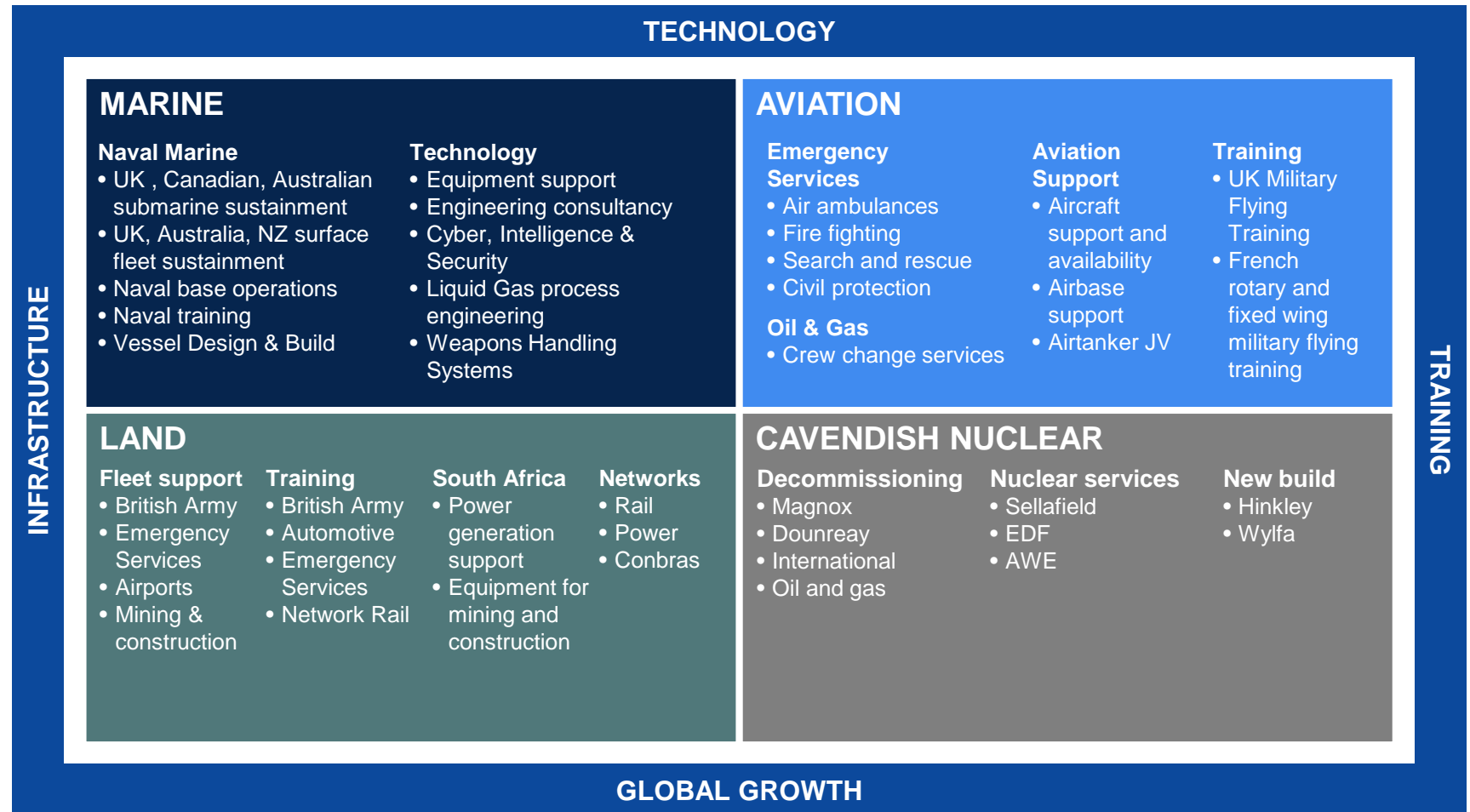
All numbers as at 31 March 2016

# Realignment: Sector FY16 key numbers

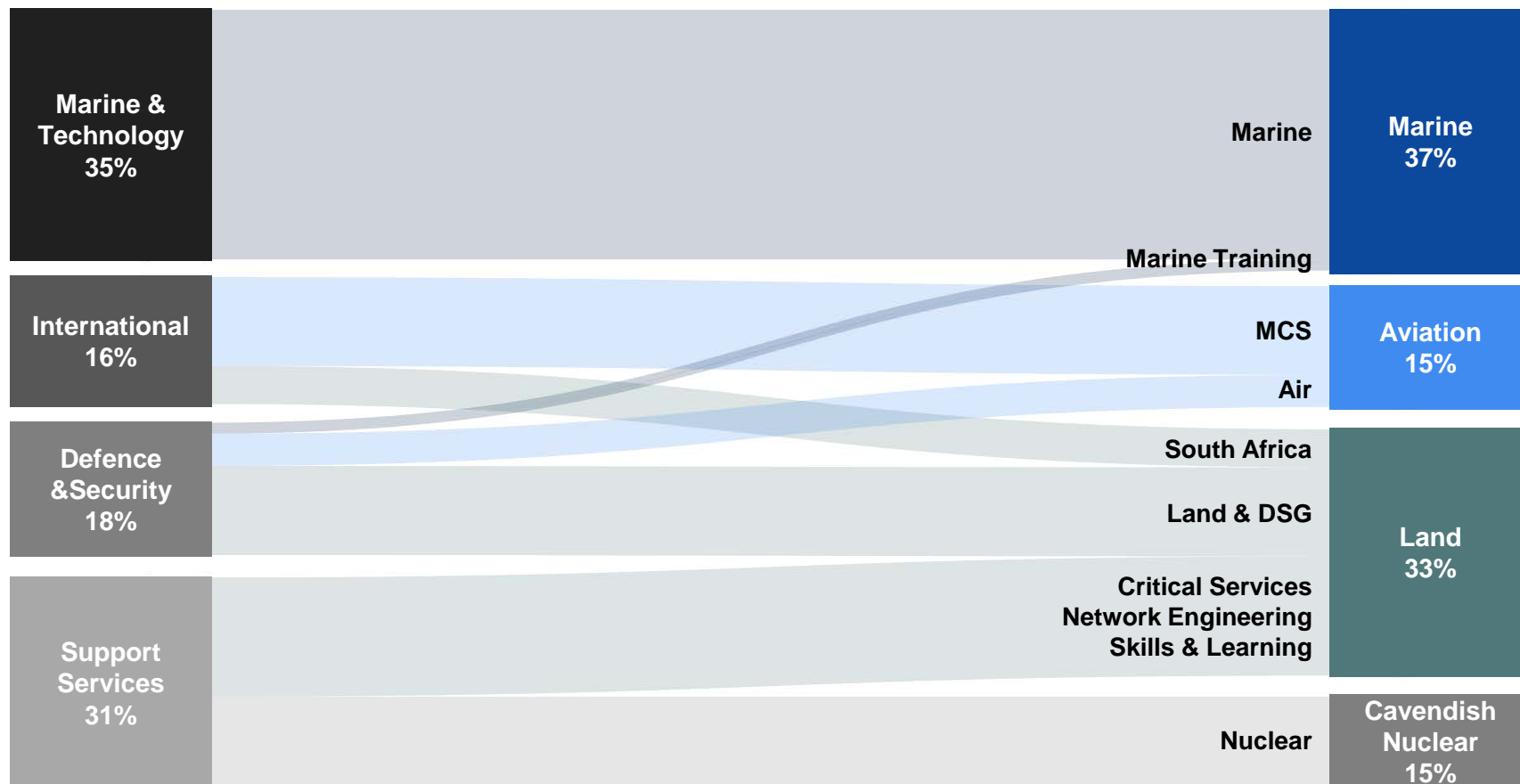


All numbers as at 31 March 2016, order book and pipeline splits Jan 2017

# Realignment: Sector overview

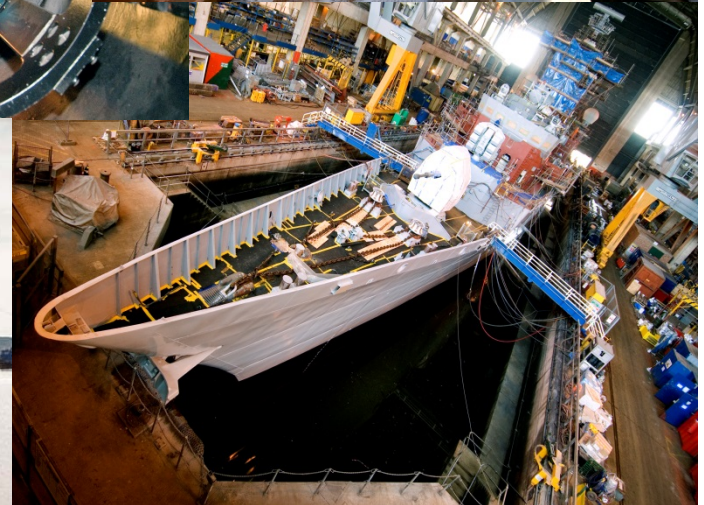


# Realignment: Sector reconciliation



*All percentages relate to Group revenue as at 31 March 2016*

# Marine





# Marine: activities

		Activities	Customers	Key contracts
Naval Marine		<ul style="list-style-type: none"> <li>Submarine Support</li> <li>Surface Ship Support</li> <li>Naval Base Management</li> <li>QE Class Aircraft Carriers</li> <li>Naval training</li> <li>Offshore Patrol Vessels</li> </ul>	<ul style="list-style-type: none"> <li>UK MOD</li> <li>Royal Navy</li> <li>Irish Naval Service</li> </ul>	<ul style="list-style-type: none"> <li>Vanguard Class LIFEX</li> <li>Type 23 Frigate LIFEX</li> <li>Maritime Services Delivery Framework</li> <li>Aircraft Carrier Alliance</li> <li>FOAP Naval training</li> <li>Astute Class Training Service</li> <li>Ireland OPVs</li> </ul>
International Marine		<ul style="list-style-type: none"> <li>Canada Submarine Support</li> <li>Australia Submarine &amp; Surface Ship Support</li> <li>New Zealand dockyard</li> <li>Oman (warship support)</li> </ul>	<ul style="list-style-type: none"> <li>Canadian Navy</li> <li>Canadian Coast Guard</li> <li>Australian Navy</li> <li>New Zealand Navy</li> </ul>	<ul style="list-style-type: none"> <li>Victoria Class LIFEX</li> <li>ANZAC Class sustainment</li> <li>NZ Dockyard management</li> <li>Oman Duqm Joint Venture</li> </ul>
Technology, Equipment & Consultancy		<ul style="list-style-type: none"> <li>Defence Systems</li> <li>Cyber Security</li> <li>Engineering consulting</li> <li>Intelligence &amp; Security</li> </ul>	<ul style="list-style-type: none"> <li>UK MOD</li> <li>Korean Navy</li> <li>Spanish Navy</li> <li>Government agencies</li> </ul>	<ul style="list-style-type: none"> <li>Weapons Handling &amp; Launch Systems</li> <li>Maritime Equipment Management</li> <li>HF and VLF Communication Systems</li> <li>Tactical Missile Tubes</li> </ul>
Energy & Marine		<ul style="list-style-type: none"> <li>Offshore Renewables</li> <li>Subsea Modules</li> <li>Ship Design</li> <li>Liquid Gas Process</li> </ul>	<ul style="list-style-type: none"> <li>DONG Energy</li> <li>BP</li> <li>EoN</li> <li>Korean &amp; Chinese Shipyards</li> <li>Eastern Shipbuilding</li> </ul>	<ul style="list-style-type: none"> <li>High Voltage AC Substations</li> <li>Quad 204</li> <li>US Coastguard Cutter Design</li> <li>Liquid Gas Engineering Contracts</li> </ul>



# Marine: addressable markets

Market segment	Size*	Key Opportunities	Competitors
UK naval marine	£4.4bn	<ul style="list-style-type: none"> <li>Nuclear facilities</li> <li>Successor</li> <li>Submarine decommissioning</li> <li>Astute deep maintenance</li> <li>Future platform support (T45 &amp; QEC)</li> </ul>	<ul style="list-style-type: none"> <li>BAE Systems</li> <li>Rolls-Royce</li> <li>Lockheed Martin</li> <li>Cammell-Laird</li> </ul>
Canadian naval marine	£1.0bn	<ul style="list-style-type: none"> <li>National ship building programme</li> <li>Halifax Class Frigate Support</li> <li>Victoria Class Life Extension</li> </ul>	<ul style="list-style-type: none"> <li>Irving</li> <li>Thales</li> <li>Lockheed Martin Canada</li> <li>BAE Systems</li> </ul>
Australia / New Zealand naval marine	£1.9bn	<ul style="list-style-type: none"> <li>SEA1000 submarine programme</li> <li>SEA 1180 OPV / SEA 5000 Frigate</li> <li>Collins class LIFEX</li> </ul>	<ul style="list-style-type: none"> <li>BAE Systems</li> <li>Thales</li> <li>Serco</li> </ul>
Energy & Marine	£2.0bn	<ul style="list-style-type: none"> <li>Offshore Substations</li> <li>Subsea Modules</li> <li>LPG &amp; LNG systems</li> <li>Volatile Organic Compound (VOC) recovery</li> </ul>	<ul style="list-style-type: none"> <li>One Subsea</li> <li>Wartsila Hamworthy</li> <li>TGE Marine (Mitsui)</li> </ul>
UK Cyber, Intelligence & Security	£2.6bn	<ul style="list-style-type: none"> <li>Managed security service</li> <li>Increased Security &amp; Intelligence Agency spend</li> <li>Critical National Infrastructure investment</li> <li>Defence Communications Upgrades</li> </ul>	<ul style="list-style-type: none"> <li>BAE Systems</li> <li>Fireeye Mandiant</li> <li>NCC</li> <li>Secure Works</li> <li>Qinetiq</li> <li>Cohort</li> </ul>
Engineering consulting	£2.0bn	<ul style="list-style-type: none"> <li>MOD FATS Framework</li> <li>EDF TSA Framework</li> <li>RR MSA Framework</li> </ul>	<ul style="list-style-type: none"> <li>AMEC FW</li> <li>Assystem</li> <li>Qinetiq</li> <li>Atlas</li> <li>Boeing</li> </ul>

\*annual addressable market over the medium term

# Marine: key characteristics

## Differentiators and barriers to entry

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- largest support partner to Royal Navy (100% of submarine and 75% of the surface fleet refits)
- unique owned marine facilities
- long-term management of two out of the three UK Naval Bases
- key support provider for Royal Canadian Navy (100% of submarine deep maintenance) and Australian Navy

## Key market trends

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- life extension programmes for critical assets
- increased use of technology and information
- investment in new capability
- platform transition
- heightened defence spending

## International

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- established businesses in Australia, New Zealand and Canada
- presence in Duqm, Oman
- export defence systems and gas systems globally

## Technology

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- deep nuclear know-how
- IP in weapons handling and launch systems
- IP in gas handling & emissions control systems
- IP in equipment management & inventory optimisation
- Frazer-Nash Consultancy
- Information & Knowledge Management & Information Security
- secure communications networks
- data analytics, sharing and visualisation

## Infrastructure

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- own Devonport, Rosyth and Appledore dockyards
- operate Faslane and Devonport Naval Bases
- operate Naval Base in New Zealand
- Duqm dry docks JV

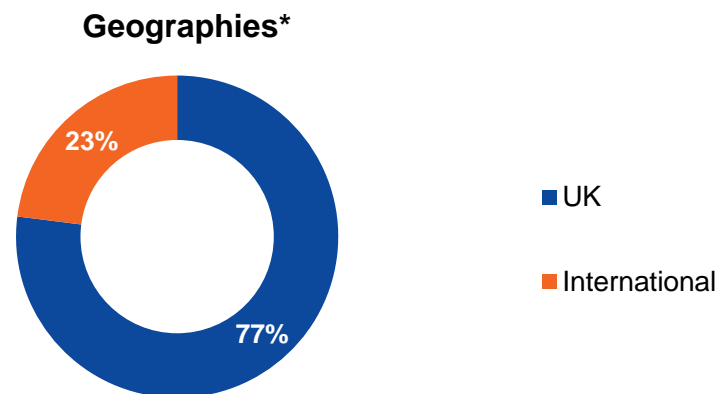
## Training

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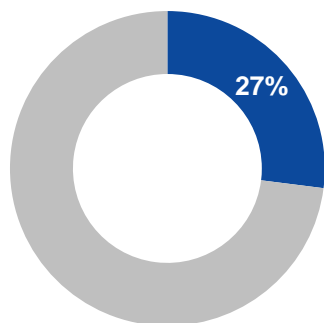
- UK Naval Training
- Astute Class Training Service
- Naval Firefighting Training

# Marine: financials

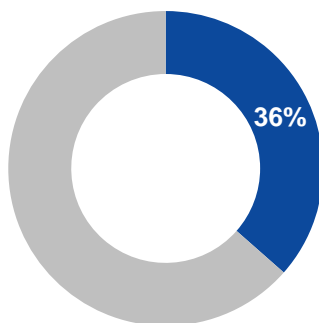
Marine		FY15 (£m)	FY16 (£m)
Revenue	total (incl. JVs)	1,666.8	1,799.9
	JVs	19.0	21.5
Operating profit	total (incl. JVs)	190.3	213.6
	JVs	2.0	3.0
Operating margin	total (incl. JVs)	11.4%	11.9%
	JVs	10.5%	14.0%



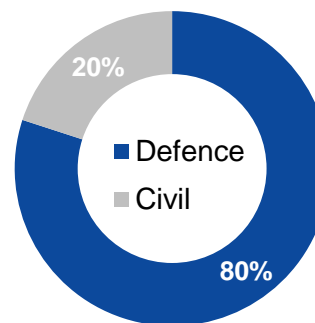
**Share of order book**



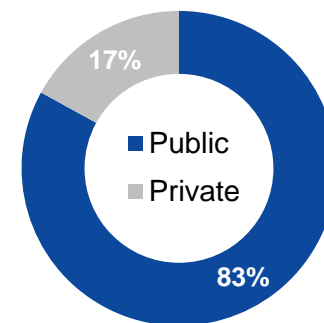
**Share of pipeline**



**Customer type\***



**Customer type\***



All numbers as at 31 March 2016, order book and pipeline splits Jan 2017

\*by revenue

# Land



# Land: major activities

		Activities	Customers	Key contracts
Vehicle & Asset Support		<ul style="list-style-type: none"> <li>Defence &amp; Civil vehicle fleet support</li> <li>Fleet and asset availability</li> </ul>	<ul style="list-style-type: none"> <li>MOD</li> <li>London Fire Brigade</li> <li>Met Police</li> <li>FCO</li> <li>Major airlines</li> </ul>	<ul style="list-style-type: none"> <li>DSG, Phoenix, ALC</li> <li>Met Police and London Fire Brigade fleet management</li> <li>British Airways, Qantas, Alitalia GSE</li> <li>Heathrow airport</li> </ul>
Training		<ul style="list-style-type: none"> <li>Defence/civil technical training</li> <li>Managed Training Service Provision</li> <li>Apprenticeships</li> </ul>	<ul style="list-style-type: none"> <li>London Fire Brigade</li> <li>MOD</li> <li>Network Rail</li> <li>EDF</li> </ul>	<ul style="list-style-type: none"> <li>Royal School of Military Engineering</li> <li>Defence College of Technical Training</li> <li>EDF apprentices</li> <li>Network Rail apprentices</li> <li>London Fire Brigade</li> <li>BMW</li> </ul>
South Africa		<ul style="list-style-type: none"> <li>Mining &amp; construction equipment</li> <li>Power generation support</li> </ul>	<ul style="list-style-type: none"> <li>Eskom</li> <li>Mining and construction customers in Africa</li> </ul>	<ul style="list-style-type: none"> <li>Eskom Engineering Services</li> <li>Sasol</li> </ul>
Network Engineering		<ul style="list-style-type: none"> <li>Track renewals</li> <li>Electrification</li> <li>Signalling and telecoms</li> <li>Power line refurbishment</li> </ul>	<ul style="list-style-type: none"> <li>Network Rail</li> <li>National Grid</li> <li>Translink</li> <li>Scottish Power and SSE</li> </ul>	<ul style="list-style-type: none"> <li>Track renewals &amp; electrification</li> <li>Translink (Signalling &amp; Telecoms)</li> <li>National Grid (overhead line refurbishment and New Build frameworks)</li> </ul>

# Land: addressable markets

Market segment	Size*	Key Opportunities	Competitors
UK Defence fleet, equipment & training support solutions	£1.3bn	<ul style="list-style-type: none"> <li>• DSG: Warrior; Challenger; Protected Mobility vehicles</li> <li>• Individual and collective training</li> <li>• Support closer to the front line</li> <li>• International expansion</li> </ul>	<ul style="list-style-type: none"> <li>• General Dynamics</li> <li>• Lockheed Martin</li> <li>• Thales</li> <li>• BAE Systems</li> <li>• Rheinmetal</li> <li>• Leidos</li> </ul>
Blue light vehicle conversion, fleet management & maintenance in UK and international	£1.0bn	<ul style="list-style-type: none"> <li>• UK fleet consolidation</li> <li>• International expansion</li> </ul>	<ul style="list-style-type: none"> <li>• BT Fleet</li> <li>• KBR</li> </ul>
Global airport GSE and baggage handling equipment support	£1.0bn	<ul style="list-style-type: none"> <li>• Major international airports</li> <li>• Major airport hubs</li> </ul>	<ul style="list-style-type: none"> <li>• Lease providers</li> <li>• OEMs – Vanderlande, Siemens</li> </ul>
UK Defence and civil training	Defence £1.2bn Civil £1.3bn	<ul style="list-style-type: none"> <li>• Overseas training for British Army</li> <li>• Army Training</li> <li>• International expansion</li> <li>• Met Police Training</li> <li>• Apprenticeship Levy and funding reform</li> <li>• Rail skills shortage (HS2)</li> </ul>	<ul style="list-style-type: none"> <li>• Serco</li> <li>• Capita</li> <li>• BAE Systems</li> <li>• Raytheon</li> </ul>
South Africa equipment sales	£0.7bn	<ul style="list-style-type: none"> <li>• Growing market share</li> </ul>	<ul style="list-style-type: none"> <li>• Barloworld</li> </ul>
UK Rail network	£2.0bn	<ul style="list-style-type: none"> <li>• HS2</li> <li>• Digital railway</li> <li>• Trans Pennine</li> <li>• Translink</li> </ul>	<ul style="list-style-type: none"> <li>• Siemens</li> <li>• Costain</li> <li>• ALSTOM</li> <li>• Carillion</li> </ul>

\*annual addressable market over the medium term



# Land: key characteristics

## Differentiators and barriers to entry

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- main support partner for British Army with strategic portfolio of initiatives
- core training partner for British Army
- own unique infrastructure (fleet management and support)
- experience providing support for c 80,000 vehicles
- long-term support partner to Met Police and LFB

## Key market trends

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- Army focused on readiness outputs - whole force approach
- industry skills shortage drives requirement for training and recruitment of SQEP personnel
- introduction of Apprenticeship Levy increasing market size as companies seek to maximise value

## International

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- Ground Support Equipment: Australia, Rome
- overseas airports' business: Australia, Schiphol, Sao Paulo, Italy
- largest distributor of Volvo and DAF vehicles in Southern Africa
- commercial, industrial, infrastructure support - Brazil

## Technology

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- fleet management and telematics
- specialist vehicle conversion
- electromagnetic testing facilities
- Advanced Learner Management Systems and innovative training delivery platforms
- vehicle survey and data capture /analytics

## Infrastructure

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- own DSG - 100,000sqm of workshop space
- own Park Royal (Met police and LFB) and Beckton sites, unique urban search and rescue training facility

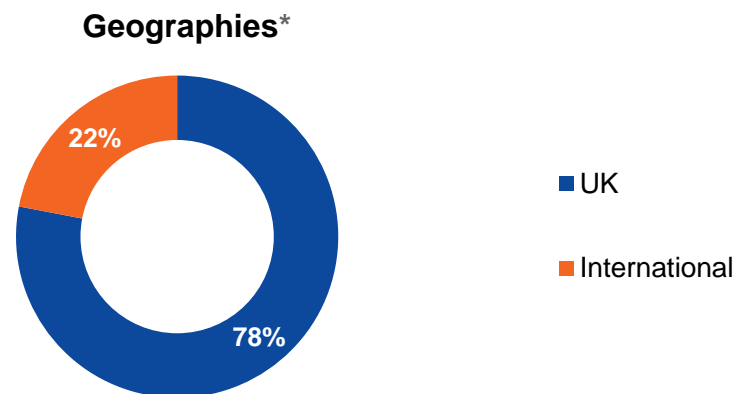
## Training

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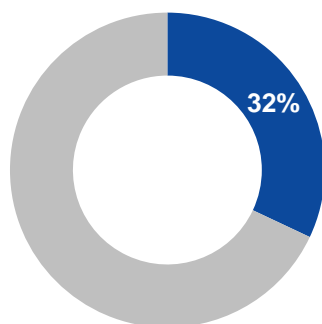
- UK's largest defence and civil emergency services training provider
- UK's largest provider of Engineering Apprenticeships
- UK's largest education support services provider

# Land: financials

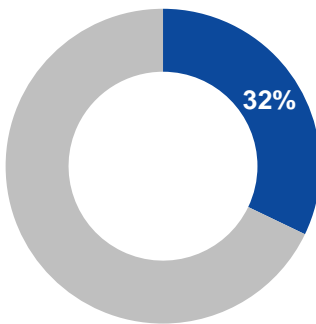
Land		FY15 (£m)	FY16 (£m)
Revenue	total (incl. JVs)	1,551.9	1,603.7
	JVs	62.2	91.9
Operating profit	total (incl. JVs)	170.7	144.7
	JVs	19.8	10.9
Operating margin	total (incl. JVs)	11.0%	9.0%
	JVs	31.8%	11.9%



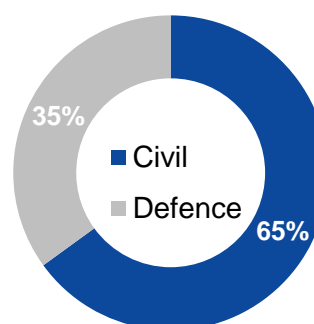
**Share of order book**



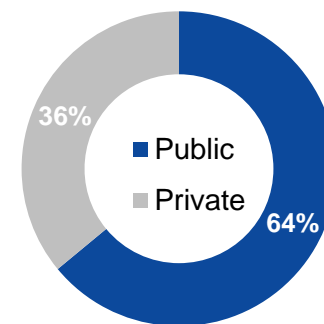
**Share of pipeline**



**Customer type\***



**Customer type\***



All numbers as at 31 March 2016, order book and pipeline splits Jan 2017

\*by revenue

# Aviation



# Aviation: activities

		Activities	Customers	Key contracts
Defence Aviation Support		<ul style="list-style-type: none"> <li>Engineering and equipment support</li> <li>Airbase support, infrastructure build and estate management</li> <li>Aircraft Maintenance, Repair, Overhaul (MRO) and logistics support</li> </ul>	<ul style="list-style-type: none"> <li>Royal Air Force</li> <li>Royal Navy</li> <li>French Army</li> <li>Spanish Navy</li> <li>BAE Systems</li> </ul>	<ul style="list-style-type: none"> <li>Airtanker JV</li> <li>Tucano In-Service Support</li> <li>RAF Airbase Multi-Activity Contracts</li> <li>Helidax (France)</li> <li>Spanish Navy AB212 Cockpit Upgrade</li> </ul>
Defence Flying Training		<ul style="list-style-type: none"> <li>Provision of aircraft training fleets</li> <li>Aircraft operational and maintenance training</li> <li>Flight training – FW &amp; RW</li> </ul>	<ul style="list-style-type: none"> <li>Royal Air Force</li> <li>French Air Force</li> <li>Royal Navy</li> <li>British Army</li> </ul>	<ul style="list-style-type: none"> <li>UK Military Flying Training Systems (Ascent JV)</li> <li>Light Aircraft Flying Task (Grobs)</li> <li>Hawk T1 and Hawk T2 support</li> <li>RN Aviation &amp; Engineering Support &amp; Aircraft Services (AESAS)</li> <li>FOMEDEC (France)</li> </ul>
Emergency services		<ul style="list-style-type: none"> <li>Operate emergency medical services</li> <li>Aerial fire fighting</li> <li>Search &amp; Rescue (SAR)</li> <li>Civil protection &amp; surveillance</li> <li>Civil MRO</li> <li>Humanitarian helicopter services</li> <li>Aircrew training</li> <li>Aircraft Modification, design &amp; completions</li> </ul>	<ul style="list-style-type: none"> <li>Regional medical authorities</li> <li>National fire services</li> <li>Coast guards</li> <li>National police agencies</li> <li>United Nations</li> </ul>	<ul style="list-style-type: none"> <li>SASEMAR Spain</li> <li>French HEMS contracts</li> <li>Italy regional HEMS contracts</li> <li>VVF Canadair Italy aerial fire fighting</li> <li>Ambulance Victoria</li> </ul>
Oil and Gas		<ul style="list-style-type: none"> <li>Crew change services: production support and exploration support</li> </ul>	<ul style="list-style-type: none"> <li>MAERSK</li> <li>ENI</li> <li>EnQuest</li> <li>BP</li> <li>Chevron</li> <li>ConocoPhillips</li> <li>Repsol</li> </ul>	<ul style="list-style-type: none"> <li>BP Aberdeen</li> <li>Nexen</li> <li>Perenco</li> <li>UK Oil &amp; Gas (SAR)</li> <li>Chevron Australia contract</li> </ul>

# Aviation: addressable markets

Market segment	Size*	Key Opportunities	Competitors
Defence aviation support (equipment & infrastructure)	£1.6bn	<ul style="list-style-type: none"> <li>OEM support (P-8, Apache) eg CSAT</li> <li>Airbase support (HADES, Lossiemouth)</li> <li>Project GATEWAY</li> </ul>	<ul style="list-style-type: none"> <li>OEMs (LM, Boeing, BAE)</li> <li>Marshall Aerospace</li> <li>Vector Aerospace</li> <li>Serco</li> </ul>
Defence flying training	£1.6bn	<ul style="list-style-type: none"> <li>Contracted air services</li> <li>Outsourced military flying training systems</li> <li>RN Flight Deck School of Operations</li> </ul>	<ul style="list-style-type: none"> <li>Lockheed Martin</li> <li>CAE</li> <li>Cobham</li> <li>Government in-house</li> </ul>
Emergency services	£3.2bn	<ul style="list-style-type: none"> <li>New geographies</li> <li>Additional services eg night flying</li> <li>Entry into central European markets</li> <li>Further government outsourcing</li> <li>In-organic growth (market consolidation)</li> <li>SASEMAR (Spain)</li> <li>RAAF (Australia)</li> <li>Further government outsourcing</li> </ul>	<ul style="list-style-type: none"> <li>Governments in-house</li> <li>Local competitors</li> <li>Bristow (SAR)</li> </ul>
Oil and Gas helicopter services	£2.4bn	<ul style="list-style-type: none"> <li>North West shelf fields in Australia</li> <li>Africa and South East Asia (eg Chevron)</li> <li>North Europe Offshore Wind</li> <li>Shetland fields</li> </ul>	<ul style="list-style-type: none"> <li>Bristow (UK / US)</li> <li>CHC (Canada / UK)</li> <li>NHV (North Europe &amp; Africa)</li> <li>Heli-Union (France)</li> </ul>

\*market size in key markets over the medium term - Europe, Australia, Canada and Africa

# Aviation: key characteristics

## Differentiators and barriers to entry

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- world leading provider of helicopter emergency services
- long-term relationships and critical asset expertise
- highly regulated industry critical Air Operating Certificates, PART 145
- key training and support partner to UK and French Air Force
- maintain 25% of all UK MOD rotary and fixed wing aircraft

## Key market trends

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- increasing regulatory and safety culture
- Government budget pressures continue to drive outsourcing
- creating centralised medical centres of expertise requires increased helicopter transport

## International

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- largest supplier of helicopter emergency medical services in Italy, Spain, France, Australia, Sweden
- GDP growth drives demand for medical services
- increasing O&G opportunities in Africa and S.E. Asia

## Technology

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- unmanned air system technologies
- night vision device capability
- 24/7 co-ordination centres, proprietary real-time flight tracking system, satellite communications
- design know-how in aircraft integrity

## Infrastructure

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- around 5,200 employees across 320 bases in 13 countries
- 15 aviation maintenance centres
- rotary wing fleet >340 (mix of heavy, medium and light helicopters)
- fixed wing fleet >190 light training aircraft

## Training

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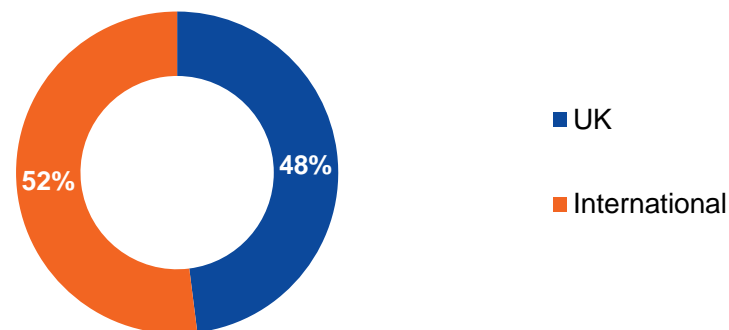
- main provider of flight training to UK MOD through UKMFTS / Ascent and Fomedec for the French Air force
- helicopter training facility in Germany



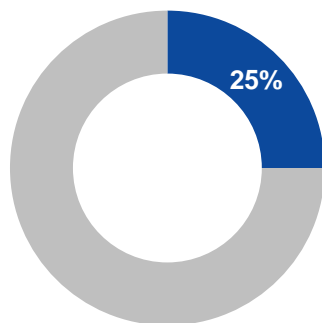
# Aviation: financials

Aviation		FY15 (£m)	FY16 (£m)
Revenue	total (incl. JVs)	726.0	738.4
	JVs	89.4	78.5
Operating profit	total (incl. JVs)	132.2	139.3
	JVs	39.2	36.9
Operating margin	total (incl. JVs)	18.2%	18.9%
	JVs	43.8%	47.0%

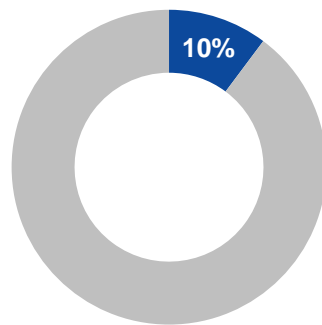
Geographies\*



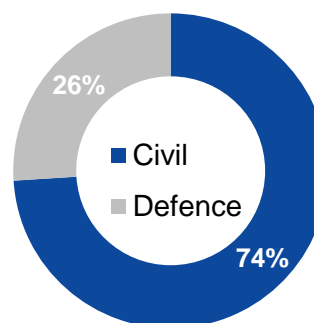
Share of order book



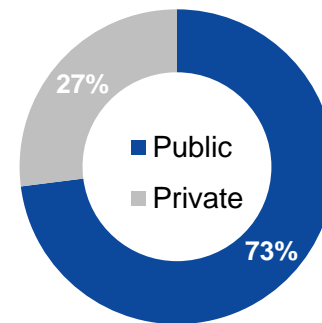
Share of pipeline



Customer type\*



Customer type\*







All numbers as at 31 March 2016, order book and pipeline splits Jan 2017

\*by revenue

# Cavendish Nuclear



# Cavendish Nuclear: activities

		Activities	Customers	Key contracts
Decommissioning	 	<b>UK</b> <ul style="list-style-type: none"> <li>Decommissioning the Magnox stations</li> <li>Decommissioning the Dounreay site</li> <li>Specialist decommissioning projects at Sellafield and AWE</li> </ul> <b>International</b> <ul style="list-style-type: none"> <li>Specialist consultancy and reactor decommissioning</li> </ul> <b>Oil and Gas</b> <ul style="list-style-type: none"> <li>decommissioning oil and gas assets</li> </ul>	<ul style="list-style-type: none"> <li>Nuclear Decommissioning Authority</li> <li>Atomic Weapons Establishment</li> <li>Hitachi-GE Nuclear Energy</li> <li>Japan Atomic Power Company</li> <li>Shimizu</li> <li>O&amp;G customers</li> </ul>	<ul style="list-style-type: none"> <li>Magnox decommissioning</li> <li>Dounreay decommissioning</li> <li>Atomic Weapons Establishment decommissioning</li> <li>Japan/ Tokai decommissioning study</li> <li>Fukushima consulting</li> </ul>
Nuclear Services		<ul style="list-style-type: none"> <li>Major design and build projects</li> <li>Design services</li> <li>Operations and maintenance of the UK EDF nuclear reactor fleet</li> <li>Environmental and laboratory services</li> <li>Specialist instruments</li> </ul>	<ul style="list-style-type: none"> <li>Sellafield</li> <li>EDF</li> <li>Atomic Weapons Establishment</li> <li>Magnox</li> <li>Dounreay</li> </ul>	<ul style="list-style-type: none"> <li>Sellafield Pile Fuel Cladding Silo</li> <li>Sellafield Silo Maintenance Facility</li> <li>Sellafield Design Services Alliance</li> <li>EDF lifetime agreement</li> <li>Atomic Weapons Establishment Mensa</li> </ul>
New build		<ul style="list-style-type: none"> <li>Programme and project management</li> <li>Mechanical and electrical design and installation</li> <li>Safety cases and waste management</li> </ul>	<ul style="list-style-type: none"> <li>EDF</li> <li>Horizon / Hitachi</li> </ul>	<ul style="list-style-type: none"> <li>Hinkley Point C Balance of Nuclear Island Installation</li> <li>Horizon, Hitachi-GE Nuclear Energy and Hochschule für nachhaltige Entwicklung Eberswalde Engineering Framework contracts</li> </ul>

# Cavendish Nuclear: addressable markets

Market segment	Size*	Key Opportunities	Competitors
UK Nuclear Decommissioning	£2.4bn	<ul style="list-style-type: none"> <li>Growth on Magnox and Dounreay</li> <li>Sellafield</li> <li>AWE</li> <li>EDF AGR fleet</li> </ul>	<ul style="list-style-type: none"> <li>Amec FW</li> <li>Atkins</li> <li>Jacobs</li> <li>AECOM</li> <li>CH2M</li> <li>Bechtel</li> </ul>
International Nuclear Decommissioning	£1.0bn	<ul style="list-style-type: none"> <li>Japan</li> <li>Germany</li> </ul>	Energy Solutions, AECOM, Bechtel, CH2M, Fluor, Jacobs
Decommissioning Oil and gas	£1.5bn	<ul style="list-style-type: none"> <li>Centrica</li> <li>Repsol</li> <li>Eni</li> <li>BP</li> <li>Conoco Premier Oil</li> </ul>	<ul style="list-style-type: none"> <li>Amec FW</li> <li>Wood Group</li> <li>Petrofac</li> </ul>
Nuclear Services	£1.4bn	<ul style="list-style-type: none"> <li>EDF defuelling and outage management</li> <li>Sellafield design and build projects</li> <li>AWE capital projects</li> </ul>	Doosan Babcock, Amec FW, Atkins, Jacobs, ARUP, EDF In-house provision
New Build	£1.5bn	<ul style="list-style-type: none"> <li>Hinkley Point C</li> <li>Wylfa</li> <li>Small Modular Reactors</li> </ul>	Rolls-Royce, Doosan Babcock, Amec FW, Atkins, Bechtel, Fluor, AECOM, Jacobs

\*annual addressable market over the medium term

# Cavendish Nuclear: key characteristics

## Differentiators and barriers to entry

---

- largest nuclear services provider in the UK
- approximately 6,000 skilled nuclear employees
- operate 13 out of the UK's 37 licensed sites
- lead partner at Dounreay - most complex site closure project in Europe
- lead partner in Magnox – leading the decommissioning of 12 legacy nuclear sites
- deliver major design and build projects, design services and reactor operations and maintenance

## Key market trends

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- global decommissioning market expanding as more reactors come offline following Fukushima
- UK new build market developing following decision to proceed with Hinkley Point C

## International

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- consulting and physical decommissioning work in Japan
- aim is to become a major international player

## Technology

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- proven nuclear expertise across the whole of the nuclear lifecycle including decommissioning
- extensive experience in managing complex multi-asset decommissioning programmes in highly regulated environments – opportunity to leverage in O&G decommissioning market
- design know-how in nuclear systems and thermal/structural analysis

## Infrastructure

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- 20 sites across the whole of the UK
- manufacturing, test and assembly facilities at Irlam, Chester and Whetstone
- environmental analysis laboratories and radiometric instrument workshops at Sellafield

## Training

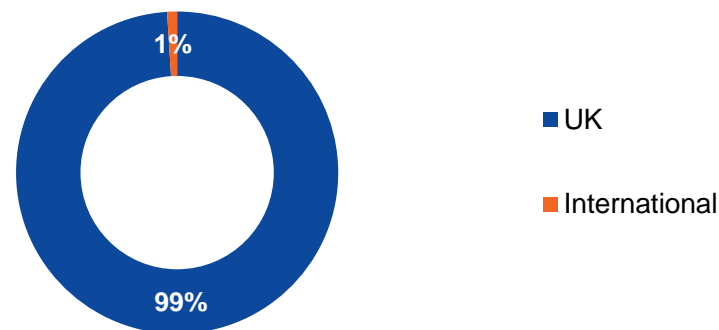
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- provision of training for all EDF's apprentices
- safety and apprentice training across nuclear estate

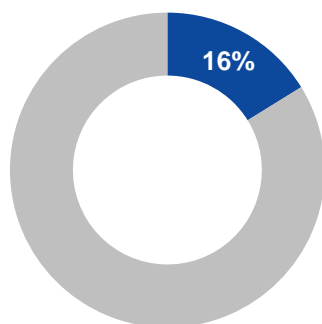
# Cavendish Nuclear: financials

Cavendish Nuclear		FY15 (£m)	FY16 (£m)
Revenue	total (incl. JVs)	558.6	700.1
	JVs	336.1	491.8
Operating profit	total (incl. JVs)	27.1	47.8
	JVs	10.4	19.5
Operating margin	total (incl. JVs)	4.9%	6.8%
	JVs	3.1%	4.0%

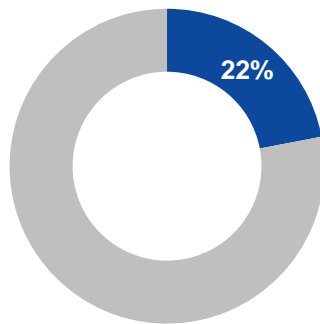
Geographies\*



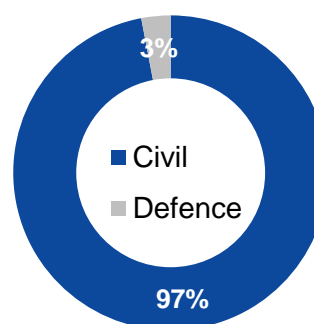
Share of order book



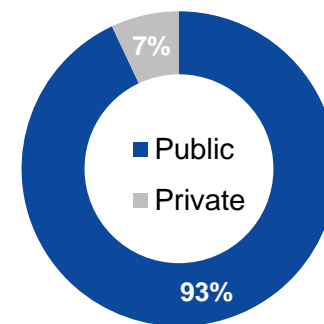
Share of pipeline



Customer type\*



Customer type\*



All numbers as at 31 March 2016, order book and pipeline splits Jan 2017

\*by revenue





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# Division to Sector reconciliation



# Division to Sector reconciliation: revenue

As Reported	FY15 (£m)	FY16 (£m)
<b>Group Revenue</b>		
Marine and Technology	1,543.6	1,674.3
Defence and Security	710.6	754.6
Support Services	937.1	946.6
International	805.1	782.9
Unallocated	0.2	
<b>Total Group Revenue</b>	<b>3,996.6</b>	<b>4,158.4</b>

<b>Joint Venture and associate Revenue</b>		
Marine and Technology	18.9	21.6
Defence and Security	102.2	88.5
Support Services	379.3	566.4
International	6.3	7.2
<b>Total JV Revenue</b>	<b>506.7</b>	<b>683.7</b>

<b>Total Revenue</b>		
Marine and Technology	1,562.5	1,695.9
Defence and Security	812.8	843.1
Support Services	1,316.4	1,513.0
International	811.4	790.1
Unallocated	0.2	
<b>Total Revenue</b>	<b>4,503.3</b>	<b>4,842.1</b>

New alignment	FY15 (£m)	FY16 (£m)
Marine	1,647.8	1,778.4
Aviation	636.6	659.9
Land	1,489.7	1,511.8
Nuclear	222.5	208.3
	<b>3,996.6</b>	<b>4,158.4</b>

Marine	19.0	21.5
Aviation	89.4	78.5
Land	62.2	91.9
Nuclear	336.1	491.8
	<b>506.7</b>	<b>683.7</b>

Marine	1,666.8	1,799.9
Aviation	726.0	738.4
Land	1,551.9	1,603.7
Nuclear	558.6	700.1
	<b>4,503.3</b>	<b>4,842.1</b>

# Division to Sector reconciliation: op profit

As Reported	FY15 (£m)	FY16 (£m)
<b>Group Operating Profit</b>		
Marine and Technology	172.0	195.9
Defence and Security	82.4	86.1
Support Services	80.2	87.7
International	114.3	105.4
Unallocated	-1.6	-5.7
<b>Total Group Op Profit</b>	<b>447.3</b>	<b>469.4</b>

<b>Joint Venture and associate Operating Profit</b>		
Marine and Technology	1.9	3.0
Defence and Security	46.3	45.2
Support Services	20.7	19.9
International	2.5	2.2
<b>Total JV Op Profit</b>	<b>71.4</b>	<b>70.3</b>

<b>Total Operating Profit</b>		
Marine and Technology	173.9	198.9
Defence and Security	128.7	131.3
Support Services	100.9	107.6
International	116.8	107.6
Corporate	-1.6	-5.7
<b>Total Operating Profit</b>	<b>518.7</b>	<b>539.7</b>

New alignment	FY15 (£m)	FY16 (£m)	Return on revenue FY15	FY16
Marine	188.3	210.6	11.4%	11.8%
Aviation	93.0	102.4	14.6%	15.5%
Land	150.9	133.8	10.1%	8.9%
Nuclear	16.7	28.3	7.5%	13.6%
	-1.6	-5.7		
	<b>447.3</b>	<b>469.4</b>	<b>11.2%</b>	<b>11.3%</b>

Marine	2.0	3.0	10.5%	14.0%
Aviation	39.2	36.9	43.8%	47.0%
Land	19.8	10.9	31.8%	11.9%
Nuclear	10.4	19.5	3.1%	4.0%
	<b>71.4</b>	<b>70.3</b>	<b>14.1%</b>	<b>10.3%</b>

Marine	190.3	213.6	11.4%	11.9%
Aviation	132.2	139.3	18.2%	18.9%
Land	170.7	144.7	11.0%	9.0%
Nuclear	27.1	47.8	4.9%	6.8%
	-1.6	-5.7		
	<b>518.7</b>	<b>539.7</b>	<b>11.5%</b>	<b>11.1%</b>

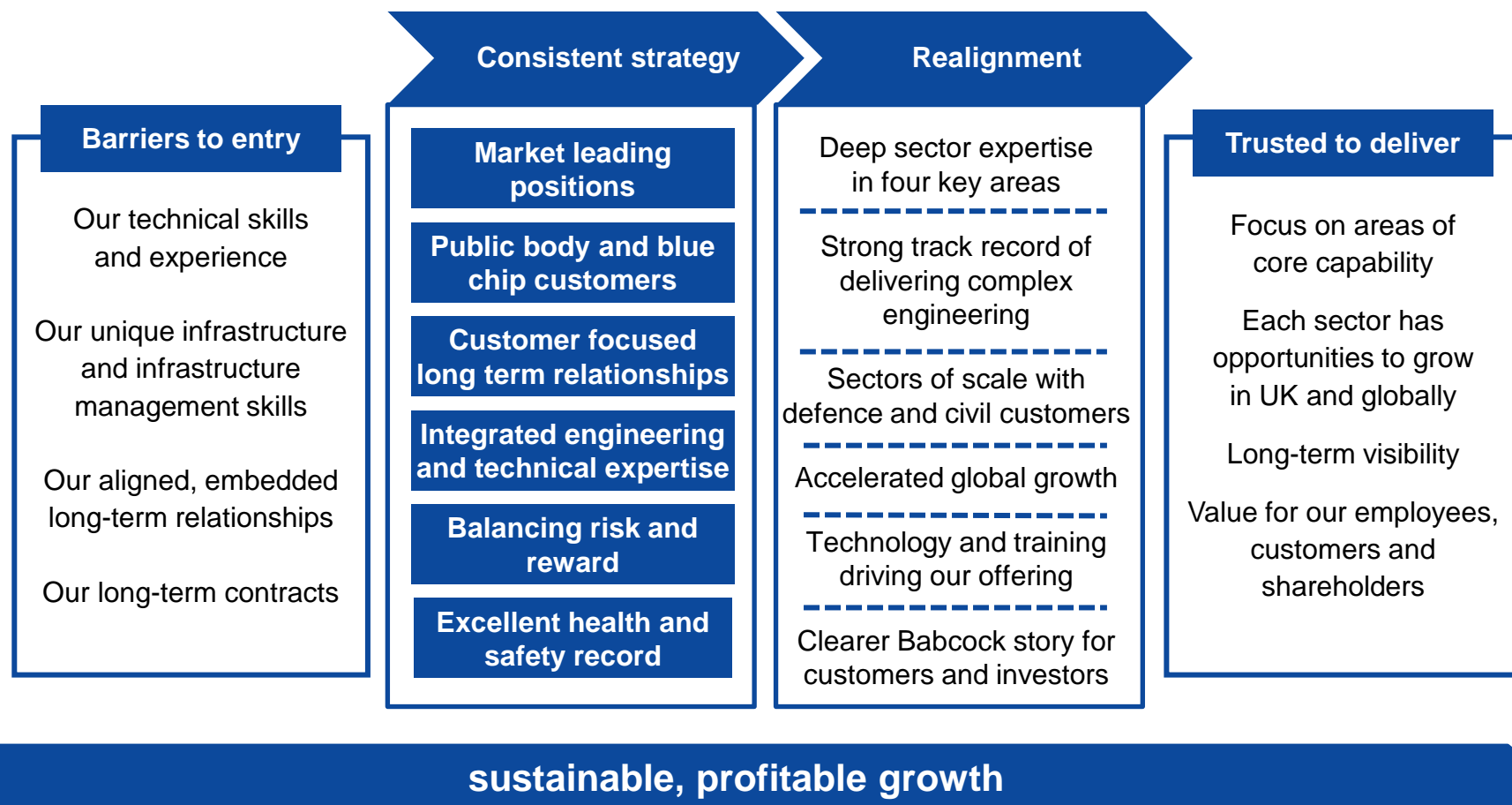


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# Summary

# Babcock at a glance



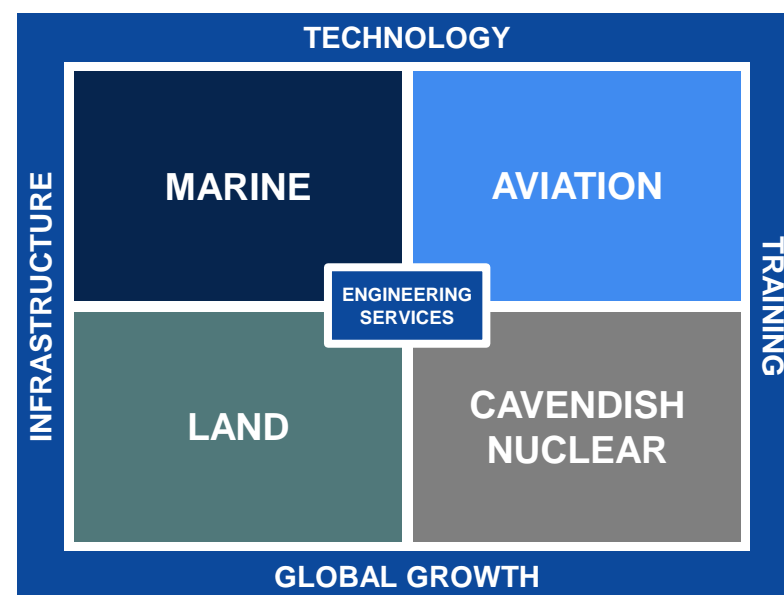
# Trusted to deliver

## Babcock is an engineering services specialist

We have deep technical expertise in our four sectors, unique infrastructure and a compelling track record of reference cases.

Realignment brings us:

- **closer to our markets**  
better alignment of our capabilities with our customers and the industry
- **increased focus aligned to capability**
  - management teams focused on one sector
  - closer alignment with reporting structure
- **increased clarity**
- **improved platform for growth**
  - each sector has opportunities in the UK
  - better support for Technology and Training
  - easier to identify and develop international opportunities





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