



# INDIANAPOLIS SITE VISIT

26 JUNE 2024

# SAFE HARBOUR STATEMENT

This announcement contains certain forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of interest or exchange rates, the availability of financing to the Company, anticipated cost savings or synergies and the completion of the Company's strategic transactions, are forward-looking statements. By their nature, these statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts.

The forward-looking statements reflect the knowledge and information available at the date of preparation of this announcement and will not be updated during the year. Nothing in this announcement should be construed as a profit forecast. All figures are on an underlying basis unless otherwise stated - for the definition see note 2 to the condensed consolidated financial statements section of the 2023 Full Year Results Statement.



# AGENDA

9:30 DEFENCE OVERVIEW

12:00 LUNCH

13:00 TOURS

## **Performance Facility**

- Production Line
- Production Engine Showcase
- Engine Test Cell
- Indianapolis Test Modernization

## **Victory Facility**

- Indianapolis Manufacturing Modernization
- Turbines Development Center
- Advanced Manufacturing Super Cell



# DEFENCE LEADERSHIP TEAM



**Adam Riddle**  
President, Defence



**Alex Zino**  
UK&I BD & Future  
Programmes



**John Shade**  
US BD & Future  
Programmes, RRNA GR



**Phil Townley**  
UK&I Early Lifecycle



**Candice Bineyard**  
US Early Lifecycle &  
Naval



**Chris Davie**  
UK&I Mature Programmes



**Tim Walton**  
US Mature Programmes



**James Partington**  
Aerospace Procurement



**Meagan Rater**  
Business Support



**Chris Young**  
ET&S, Group HSE



**Mark Barker**  
Finance



**Kim Hicks**  
General Counsel



**Jim Rigney**  
IT & Digital



**Phil Burkholder**  
Manufacturing  
Operations



**Amy Derbyshire**  
People

BD = Business Development  
GR = Government Relations  
UK&I = UK & International

ET&S = Engineering Technology & Safety  
HSE = Health, Safety, & Environment



# DEFENCE OVERVIEW

# OUR STORY



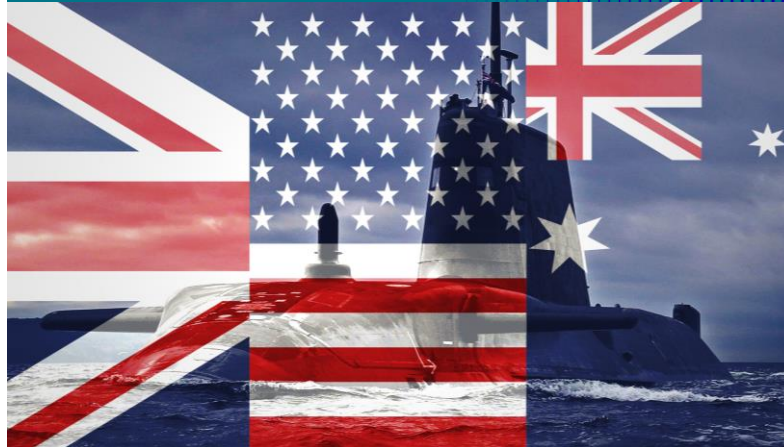
## ATTRACTIVE MARKETS

Stable and growing



## DIFFERENTIATED PRODUCTS & TECHNOLOGIES

Power & propulsion solutions



## STRONG FINANCIAL RETURNS

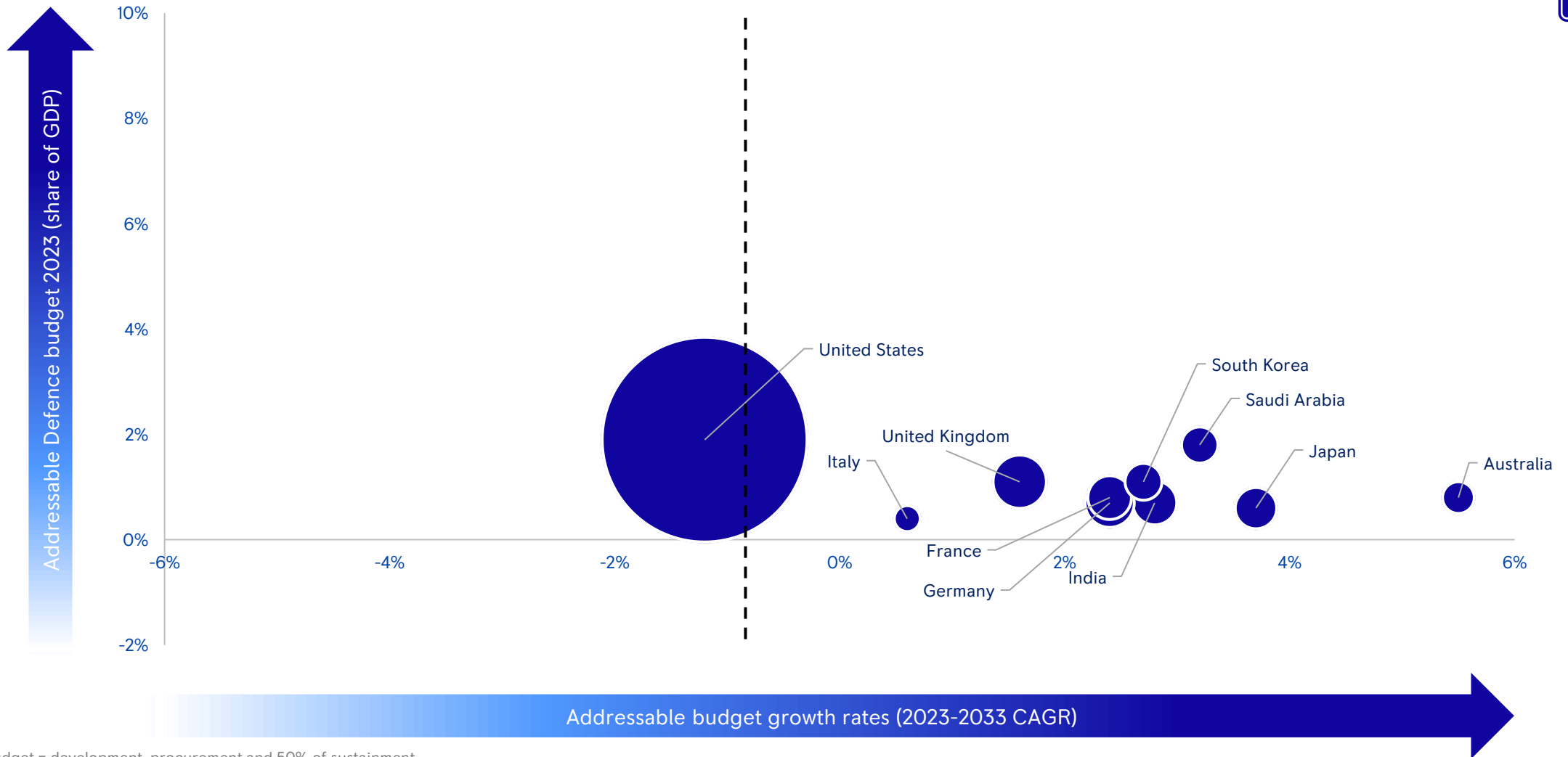
Cash, profit, and return on capital



## RECENT ICONIC WINS

We are committed to serving our customers and their missions

# POSITIONS IN THE WORLD'S LARGEST ADDRESSABLE MARKETS

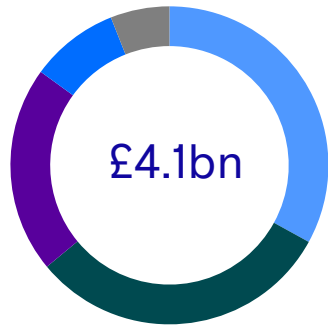


Addressable budget = development, procurement and 50% of sustainment  
 Size of bubble = 2023 addressable budget. For reference: (US = \$522bn, UK = \$38bn (\$2024))  
 Source: Janes Defence Budgets April 2024

# DIFFERENTIATED BUSINESS IN ATTRACTIVE MARKETS



Underlying revenue (2023)



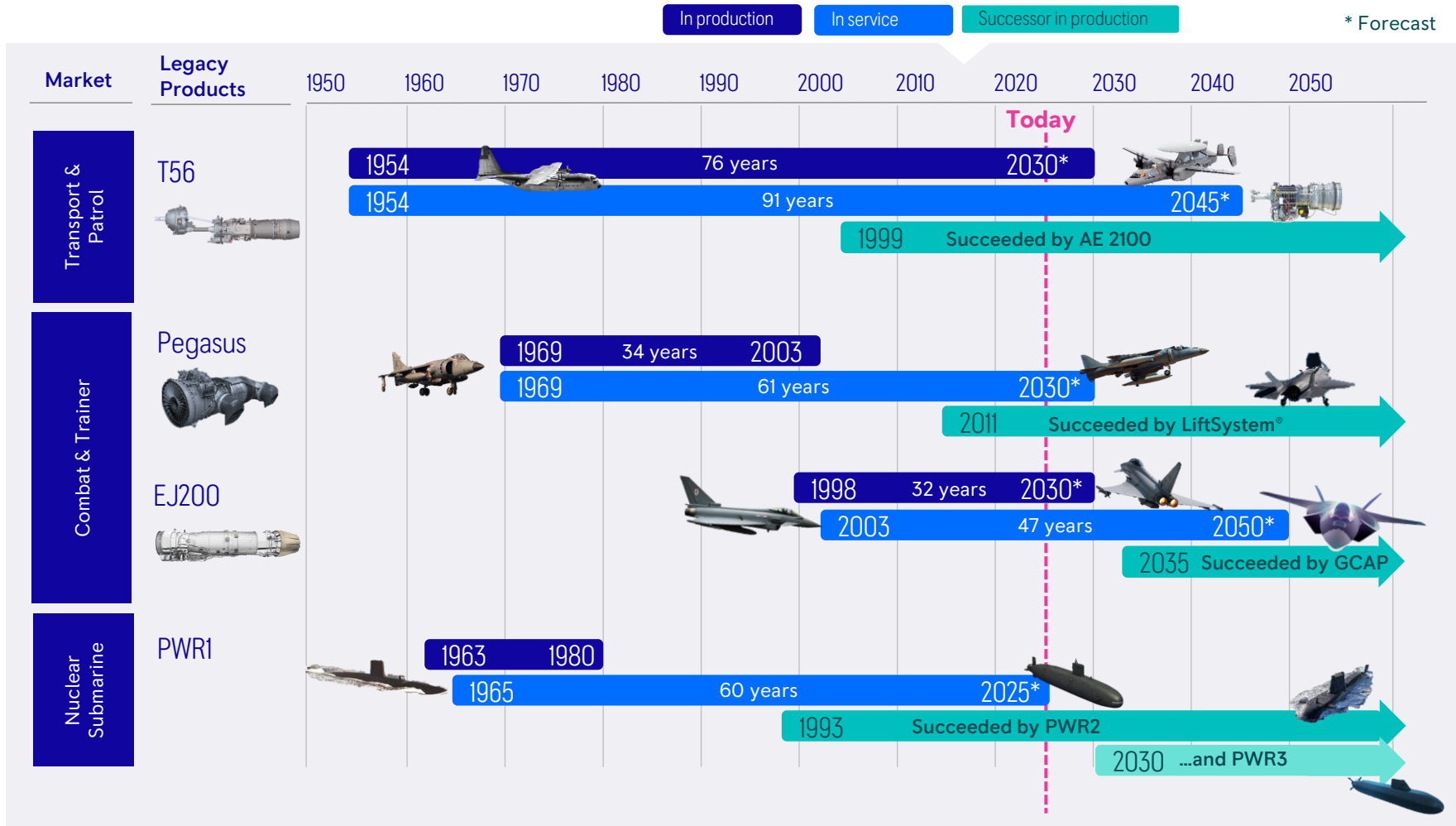
- Transport – 31%
- Combat – 34%
- Submarines – 22%
- Naval – 8%
- Helicopter – 5%

TRANSPORT	COMBAT <sup>1</sup>	SUBMARINES	NAVAL	HELICOPTER
Versatile core	Global solutions with leading technology	Full value chain capability	Power-dense engines	Decades of small engine experience
25-30% Market share	10-20% Market share	100% Market share (UK submarine power)	15-30% Market share (gas turbines & generators)	10-15% Market share
2,500+ Aircraft in service	2,500 Aircraft in service	10 Boats in service	250+ Ships in service (engines)	3,200 <sup>2</sup> Aircraft in service
T56 60+ years in service to date	RB199 40+ years in service to date	PWR1 60 years in service to date	Marine Spey 40+ years in service to date	M250 60+ years in service to date

1. Includes Trainers | 2. Military helicopters | Market share relates to 2023-2030



# PRODUCTS AND TECHNOLOGIES EVOLVE OVER DECADES



# STRATEGIC PRODUCT PORTFOLIO\*



## Transport



Development

AE 1107F (FLRAA)

Production

AE 3007N (MQ-25)

Services

AE 1107C (V-22)  
 AE 2100 (Multiple)  
 AE 3007 (Multiple)  
 TP400 (A400M)  
 Trent 700 (A330)  
 T56 (C-130H & P-3)\*\*

## Combat



Development

F130 (B-52)  
 GCAP

Production

EJ200 (Typhoon)  
 LiftSystem (F-35B)  
 Adour (Multiple)

Services

RB199 (Tornado)\*\*  
 Pegasus (Harrier)\*\*  
 Legacy\*\*

## Submarines



Development

SSN-AUKUS Reactor  
 Micro-reactors

Production

PWR3 (Dreadnought)

Services

PWR2 (Astute)  
 PWR1 (Trafalgar)\*\*

## Naval



Development

Production

MT30 (Multiple)

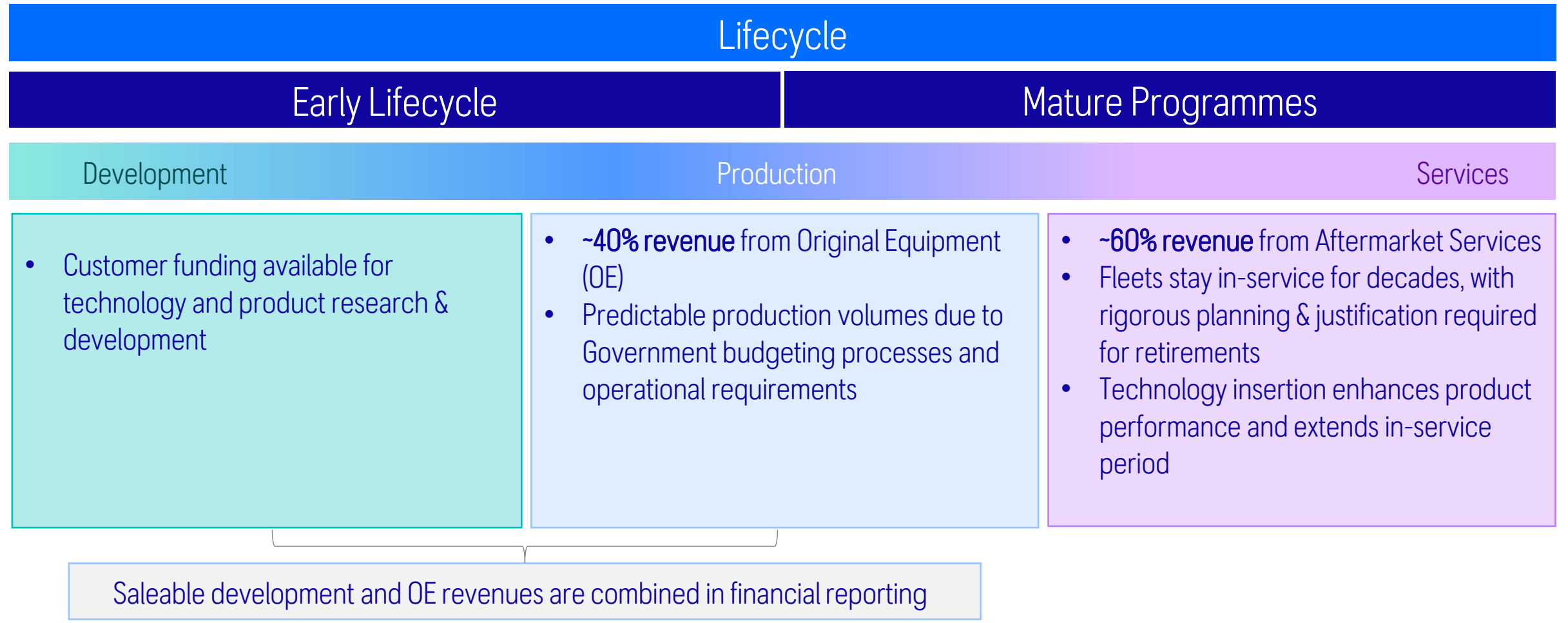
Services

MT7 (Ship to Shore Connectors)  
 AG9140/60 (Multiple)  
 Propellers (Multiple)

\*List is not exhaustive, not representative of exact position in lifecycle

\*\*Aftermarket services only

# STRONG FINANCIAL RETURNS OVER A SUSTAINED PERIOD



# FINANCIAL OPERATING MODEL



## INVESTMENT CYCLE

- \$600m investment to modernise and expand Indianapolis facilities underpins operational excellence and future growth
- New program wins result in +64% increase in customer-funded R&D in 2023 vs. our target of +150% 2022-27
- Recent wins enhance financial performance - immediately and long-term

## CONTRACT STRUCTURE

- Customers offer a unique range of commercial constructs
- Cost recoverable development programs provide flexibility as product solutions mature
- Fixed price contracts, usually 1-5 years in duration, enable focus on operational performance
- Regulated contracts limit operating margins, excellent return on capital (UK single source, US FAR 15)

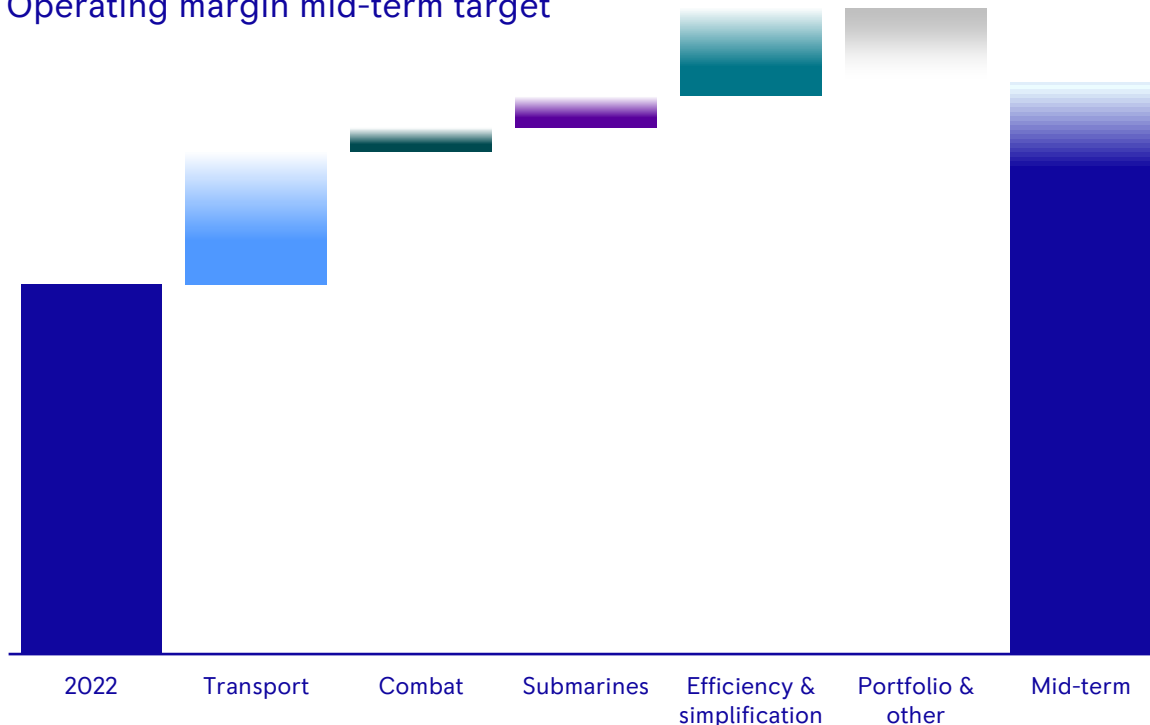
# STRATEGIC PERFORMANCE IMPROVEMENT OPPORTUNITIES



Defence operating profit improvements (£bn)

14-16%

Operating margin mid-term target



## Transport

Continuing support for a growing Transport & Patrol fleet



## Combat

Pursuing new, funded Combat programmes



## Submarines

Increase in funded Submarines activity



## Efficiency & simplification

Simplifying and optimising our business

# DRIVERS OF PERFORMANCE IMPROVEMENT OPPORTUNITIES

## VOLUME & MIX

- Moving from legacy to new, funded programmes
- Profitable aftermarket volume growth

22%

Increase in AE shop visits

## COMMERCIAL OPTIMISATION

- Mitigating external impacts with regular contractual updates enabling value recognition & risk mitigation

All

Material contracts renew in medium term

## INVESTMENT PRIORITISATION

- Prioritising spend for strategic markets
- Pursuing customer-funded programmes

150%

Increase in customer-funded R&D

## COST MANAGEMENT

- Simplifying the organisation
- Managing efficiencies across the business

30%

Improvement in TCC/GM

Note: KPIs are from 2022 base line

# WELL-POSITIONED FOR FUTURE GROWTH



Large and growing  
orderbook provides  
revenue certainty



Differentiated capability  
and proven delivery



Recent wins enhance  
financial performance in  
the near-term and  
long-term



A strong and resilient  
business that enables  
our customers to  
defend & protect our  
world

# STRATEGIC GROWTH

Leverage legacy & recent wins to profitably grow the core; cultivate new opportunities with customer funding



## RECENT WINS

## FUTURE OPPORTUNITIES

TRANSPORT



Future Long Range Assault Aircraft (FLRAA)

Grow market share by leveraging FLRAA position for additional Transport & Patrol opportunities

COMBAT



Global Combat Air Programme and B-52

Grow in existing and new markets by developing next-gen technologies and pursuing autonomous platform opportunities

SUBMARINES



SSN-AUKUS for UK Royal Navy and Royal Australian Navy

Grow into new markets by developing micro-reactor technology utilising our proven nuclear capabilities





# KEY PROGRAMMES

# CURRENT PROGRAMMES

## Transport



### Key Takeaways

- Market-leading position in the Tactical Transport segment with embedded value and growth opportunities
- Common core for critical tactical transport solutions
- AE family has accumulated over 87m engine flight hours, demonstrating dependable power across several military aircraft
- 4,000 Defence AE engines in service
- 3,300 T56 engines in service
- 500 TP400 engines in service

\* List is not exhaustive

	Product	Operators*
	AE 2100 / C-130J, C-27J	40+ operators globally <i>Ex: US Government (USAF, USMC, USCG, etc), Canada, France, Norway, India, Saudi Arabia, etc,</i>
	AE 1107 / V-22	US Marine Corps, US Air Force, US Navy, Japan
	T56 / C-130H, P-3, E-2D Hawkeye	80+ operators globally <i>Ex: US Government (USAF, USMC, USCG, etc), Canada, France, Norway, India, Saudi Arabia, etc,</i>
	TP400 / A400M Trent 700 / Multi-Role Tanker Transport (MRTT)	15+ operators globally <i>Ex. UK, Germany, France, Spain, Turkey, Singapore, Germany, Canada, etc</i>





# CURRENT PROGRAMMES

## Combat



### Key Takeaways

- Global solutions with leading technology
- Strong combat relationship with NATO's top 3 nations by Defence expenditure - US, UK, and Germany
- Unique STOVL capability: JSF F-35B and Harrier
- 750 Adour engines in service
- EJ200 provides exceptional reliability and operational excellence as the most power-dense engine in its class
- Typhoon is flown in 9 countries, with significant opportunities for new orders

	Product	Operators*
	EJ200 / Typhoon RB199 / Tornado	UK, Germany, Italy, Spain, Austria, Oman, Saudi Arabia, Qatar, Kuwait, Austria, Oman, etc
	Legacy: Pegasus, Gem, Viper, Gnome, Tyne	Italy, Germany, South Korea, India, Germany, Pakistan, Norway, Egypt, US, Spain, France, UAE, Malaysia, etc
	Adour / T-45, BAE Hawk	UK, US, Australia, India, Saudi Arabia, UAE, Finland, Indonesia, Malaysia, Canada, Qatar, Oman, etc
	LiftSystem / F-35B	US, UK, Italy

\* List is not exhaustive

# CURRENT PROGRAMMES

## Submarines



### Key Takeaways

- Sole provider of full life-cycle for the UK MOD
- Uniquely vertically integrated across value chain
- 100% customer funded – zero capital employed
- Long term and high certainty returns
- High technical & regulatory barriers to entry

### Product



PWR1 / Trafalgar Class



PWR2 / Astute and Vanguard Class



PWR3 / Dreadnought Class



# NEW WINS & FUTURE GROWTH

# NEW WINS & FUTURE GROWTH

## Transport



### Key Takeaways

- Future Long Range Assault Aircraft (FLRAA) - Propulsion system provider for US Army replacing the UH-60 Black Hawk helicopter fleet
- MQ-25 - Powering US Navy unmanned aerial aircraft, opportunities to expand into US Navy Family of Systems (FOS) and Collaborative Combat Aircraft (CCA)

### Product



AE 1107F / FLRAA



AE 3007N / MQ-25



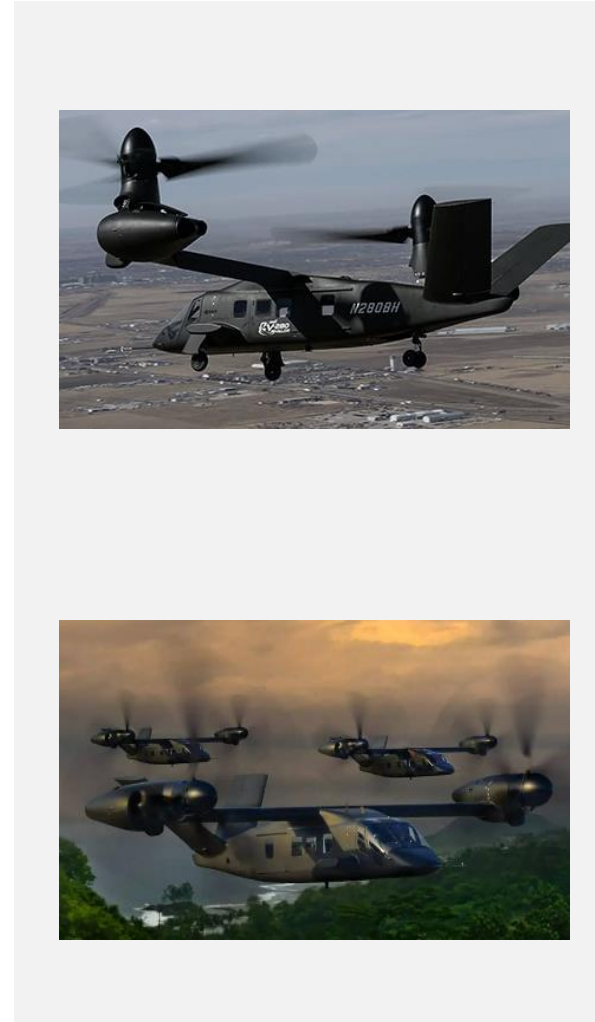
Future AE Opportunities

# NEW WINS & FUTURE GROWTH

Transport – AE 1107F / FLRAA

- Partnered with Bell Helicopters (Textron)
- Provides propulsion system for the US Army Future Long Range Assault Aircraft (FLRAA) program
- Propulsion system based on the AE 1107F engine
- Major win for Rolls-Royce, with OE production lasting for decades with an incremental aftermarket opportunity

OE = Original engine



AE 1107F ENGINES TO BE BUILT IN

Modernised  
Indianapolis  
Facilities

PROPULSION SYSTEM IS COST  
EFFECTIVE AND

Ready  
Now

# NEW WINS & FUTURE GROWTH

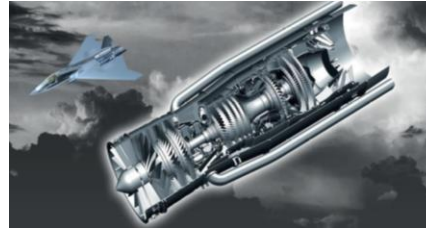
## Combat



### Key Takeaways

- Tempest – 6th Generation power and propulsion technologies, for Combat and wider applications
- Global Combat Air Programme (GCAP) - UK, Japan and Italy partnership on 6th Generation aircraft with significant export potential
- F130 engine will power US Air Force B-52 Stratofortress for the next 30+ years
- Future opportunities exist for 150-175 new EJ200-powered Typhoon aircraft over the next 5 years

### Product



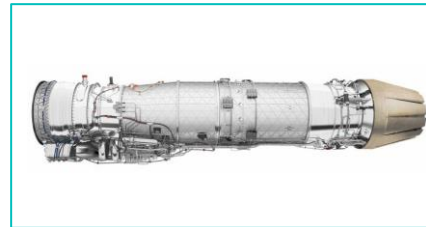
Tempest



GCAP



F130 / B-52



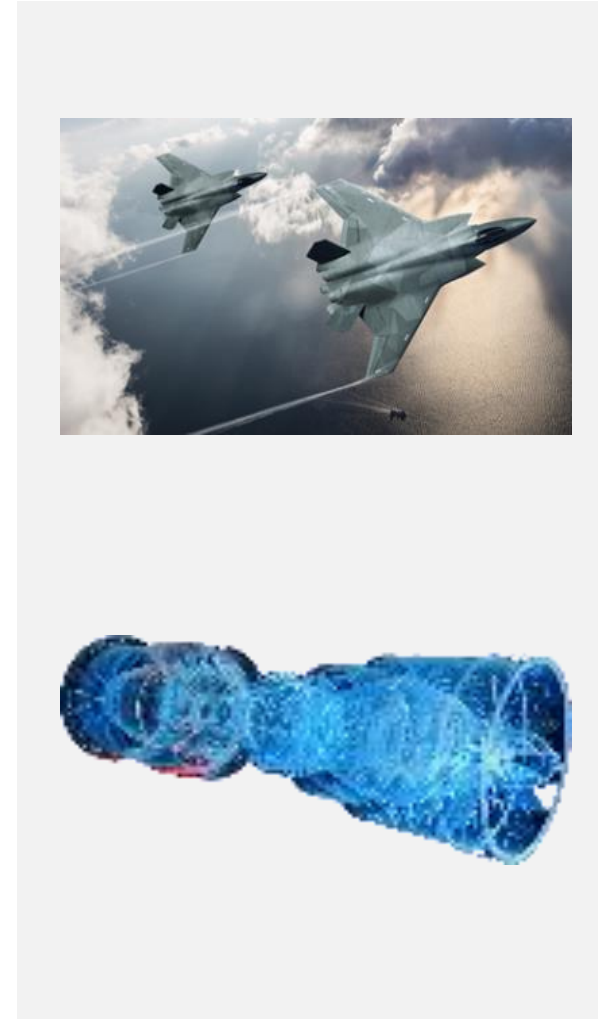
EJ200 / Typhoon



# NEW WINS & FUTURE GROWTH

## Combat – GCAP / FCAS

- GCAP is development of a 6th generation fighter aircraft jointly with the UK, Japan and Italy
- GCAP will replace UK and Italian Typhoons and Japanese Mitsubishi F-2 platforms
- Treaty signed late 2023, Japan approved export principle in March 2024
- Responsible for propulsion, thermal management and integrated power management
- Partnering with IHI of Japan and AvioAero of Italy, already working together on a demonstrator



TYPHOONS ORDERED

~700

DESIGN AND DEVELOPMENT  
PHASE BY GOVERNMENT

Fully  
Funded

# NEW WINS & FUTURE GROWTH

Combat – F130 / B-52 Stratofortress



- F130 engine is proven with >30m hours of service and a high reliability / dispatch rate
- Each B-52 aircraft will have eight F130 engines installed
- F130 engines built in Indianapolis facilities, which benefits from a \$600m modernization program



OE DELIVERIES

680

CONTRACT VALUE

\$2.6bn\*

OE = Original engine

\*If all options are exercised, not including potential aftermarket opportunity

# NEW WINS & FUTURE GROWTH

## Submarines



### Key Takeaways

- AUKUS is a trilateral Defence and security partnership between the Australian, UK and US governments (Announced Sept 2021)
- Expanded Raynesway facilities and Derby to accommodate growth, funded by the UK MoD and Australian DoD
- Micro-reactors have a wide range of potential applications across Defence, Civil, Industrial and Space markets, with established terrestrial market access via Power Systems customer base
- Market engagements have led to early funded programs and strong interest in our capabilities from key government and industrial space partners

### Product



AUKUS



Micro-reactors  
(Teamed with LibertyWorks)

SSN = Nuclear-powered fleet submarine  
AUKUS = Australia, UK, US

# OUR STORY



## ATTRACTIVE MARKETS

Stable and growing



## DIFFERENTIATED PRODUCTS & TECHNOLOGIES

Power & propulsion solutions



## STRONG FINANCIAL RETURNS

Cash, profit, and return on capital



## RECENT ICONIC WINS

We are committed to serving our customers and their missions



# Q&A

