Durham University
Student Investment Fund

trusted to deliver

Target Price: £4.12 - £6.40

Current price: £2.60

Date: 27/10/2020

We see a long term 58% - 146% potential upside in the share price of Babcock International Group

Executive Summary

Babcock (BAB) is a UK based engineering company with significant exposure to public and defence contracting. The company operates within 4 key strategic areas: Marine, Land, Aviation, and Nuclear.

Our analysis and valuation shows that the market is significantly overreacting to recent bad news at Babcock and is failing to recognise the underlying earnings power of the business. The key drivers of this thesis are:

1. The vast majority (~80%) of Babcock revenue comes from long term non-discretionary contracts that are unaffected by the Covid-19 pandemic.
2. Babcock's business, especially marine, has such high barriers to entry that it is unthinkable for the MoD and other customers to revoke many contracts.
3. The market is pricing a perpetual growth rate of -8% which is wholly unreasonable
4. A new management team now has the opportunity to reset the poor market perception of Babcock.

The key risks to this investment are:

1. The MoD's funding gap leads them to substantially increase their willingness to work with foreign contractors, or scrap projects in Babcock's pipeline.
2. Aerial Emergency Services face budget cuts and begin to favour price over Babcock's higher quality service.
3. The fixed price type 31 frigates contract faces significant cost overruns.
4. Unsubstantiated claims of accounting fraud prove to be true.

Team information

Analyst: Tyler Thomas

Contact info:

tyler.s.thomas@durham.ac.uk

Company information

Ticker: BAB

Price: £2.60

12M High: £6.59

12M Low: £2.44

Shares outstanding: 505.6M

Market Cap: £1.31Bn

Major shareholders

Invesco	9.89%
Jupiter AM	5.26%
Standard Life	5.24%
Polaris Capital	5.09%
UBS AM	4.3%

Babcock - Overview

Babcock traces its lineage to a separately financed UK venture of the American Babcock & Wilcox company founded in 1891. Whilst the company largely focussed on the manufacturing of boilers for industrial use throughout the late 19th and 20th centuries, Babcock transitioned its business towards public and defence contracting work in the early 2000s and now derives around 82% of revenue from public sector contracts.

The business is divided into four strategic sectors: Marine, Land, Aviation, and Nuclear. The majority of revenue (69%) is derived from the UK, however there is a growing ambition from management to internationally diversify the business, with 48% of the £17Bn current pipeline on international bids.

Land (32% of Revenue)

The land business is split 40%-60% between defence and non-defence work. The defence proportion is dominated by Babcock's Defence Support Group (DSG) contract to provide support services to the British army's 35,000 vehicle fleet. The non-defence proportion of the land business is diversified across a number of civil businesses including; emergency service fleet management, emergency service training, rail contracting, airport security systems, and power generation.

Marine (25% of Revenue)

The marine business is dominated by defence contracting (75%), the majority of which is for the Royal Navy. Babcock's focus is on maintenance and support contracting for war vessels. The majority of these contracts are from the Royal Navy (UK), for which Babcock is the only company capable of supporting the current submarine fleet. Babcock also have a defence contracting presence in Australia, Canada, Spain and Korea. The remaining 25% of marine revenue relates to liquid natural gas transportation systems and services.

Nuclear (23%)

Babcock's nuclear business is split between naval and civil nuclear work. The naval segment relates to support, maintenance and development of the UK's nuclear submarine fleet, contracts for which Babcock is the monopoly provider. The civil business is largely focussed on decommissioning contracts, however this work is coming to an end as the UK's nuclear decommissioning agency has now taken back all 12 Magnox decommissioning sites and is also reducing the scope of Babcock's other key decommissioning contract at Dounreay.

Aviation (20% of Revenue)

Babcock's aviation business is split between Aerial Emergency services (47%), defence work (35%), and Oil & Gas (18%). The Aerial Emergency Services segment provides high quality search & rescue, air ambulance, and firefighting services through a mass of relatively small contracts in the EU and Canada. The defence segment is mainly involved with the support of the RAF but also carries out a training and support contract with the French air force. The Oil & Gas segment provides helicopter transport for workers to offshore rigs.

Business Strategy & Outlook

Marine

Defence - 75% , Energy – 15%

The core of Babcock's marine strategy remains to focus on support work for UK war vessels. This is largely delivered through the new Future Maritime Support Programme (FMSP) contract which replaces the previous Maritime Support Delivery Framework (MSDF) contract. It is inconceivable for the MoD to switch provider for the 75% of warship support contracted by Babcock, largely because no other company is capable, and therefore this revenue stream is likely to be highly stable going forward. A timeline of maritime work for the MoD is provided in the appendix.

In 2019 Babcock broke BAE systems effective monopoly on naval shipbuilding with its consortium's win of the £1.25Bn contract to build 5 type 31 frigates for the Royal Navy. This is strategically significant for Babcock as it gives access to another area of the MoD budget as well as providing a track record for further shipbuilding contracts. This is evidenced by the alleged 30+ statements of interest that Babcock has received from foreign navy's interested in type 31's.

Additionally, Babcock is pursuing international diversification of its maritime division. In addition to the longstanding support contract of Canadian Victoria class submarines (VISSC), Babcock has in recent years won major support contracts with the Royal Navy's of New Zealand (2015) and Australia (2018 & 2019). The company now holds monopoly positions in Canadian submarine maintenance and New Zealand dockyard support, whilst the Australian market is more competitive. It is practically impossible to predict exactly how the international business will develop, however it is highly likely that it will take an increasing share of marine revenue. Going forward it is crucial that Babcock's international expansion takes place through contracts in which it can utilise its competitive advantages rather than, as it has been guilty of in the past, simply pursuing unfocussed growth.

The Energy sector of marine relates mainly to LNG handling and is primarily short cycle work. We don't believe we have any particularly valuable insight into this very niche industry and how Babcock will perform here in coming years. It is clear though from the high margins earned, that they provide significant value to customers and are highly competitive within the industry. As the world transitions towards renewable energy the total size of the LNG, and associated, markets will decline affecting Babcock. However, in the medium term there is no reasons to expect any dramatic changes in LNG income.

Land

Defence – 40%, 'adjacent' – 60%

The UK defence segment of Babcock's land business is currently dominated by the DSG contract for support of the British Army's 35,000 vehicles. This contract runs until 2025 and has the option for 5, 1 year contract extensions. This gives a significant period of stability in this business, however in the long run it is unlikely that Babcock will remain unchallenged. The BAE/Rheinmetall joint venture (RBSL) will likely bid for

this contract when it is re-tendered (2025-2030) which, despite very high switching costs for the MoD, puts this important contract at some risk. Operationally, Babcock has little competitive advantage versus large land defence rivals which can be seen through the quite random gain and loss of small contracts that don't create large switching costs. A recent example of this is the loss of the MITER contract to an AMEY/Briggs JV. Overall, we believe that there is no convincing reason to expect revenue to change significantly over the medium-long term.

The non-defence segment of land is made up of a mix of 'adjacent' businesses which have very little relation to Babcock's core competency. On a stand-alone basis these are not bad businesses, and they contribute meaningfully to Babcock's income, however they are lower margin and serve to confuse the focus of a company that already suffers from poor investor perceptions. Our opinion is that Babcock should simplify the land segment by divesting these businesses as soon as it is possible to do so at an appropriate price. We are assured by Babcock that this is the long term plan, however we would prefer this was completed faster than seems likely. There is a lot of value to be unlocked here.

Nuclear

Defence – 71%, Civil – 29%

The defence side of the nuclear business reflects nuclear work done on the UK's fleet of nuclear submarines. Babcock is the only company capable of providing these services so it is inconceivable for the MoD to revoke the related contracts. With the UK in the midst of a transition of both its attack and nuclear deterrence class submarines Babcock's services will remain critical for the foreseeable future. Additionally, Babcock's docks in Rosyth are the only location in the UK capable of servicing the UK's growing backlog of decommissioned submarines. There are currently 27 such boats which will cost an estimated £10bn to scrap over the next 25 years. This pile, which is dangerous if not dealt with, will continue to grow as Trafalgar class submarines are retired over the next 10 years.

The civil side of the nuclear business is in decline with the lucrative Magnox decommissioning contracts (details in appendix) having ended in 2019. There are an array of existing contracts, such as supporting the Hinkley point C build, that span the rest of the decade. However, Babcock's capabilities lie within decommissioning work of which there is very little in the pipeline to replace the remaining contracts when they end. It appears most likely to us that this segment will continue to decline, albeit at a more gradual rate than the abrupt drop off from Magnox in 2020.

Aviation

AES – 47%, Defence – 35%, Oil & Gas – 18%

Aviation is Babcock's most promising sector with strong growth opportunities and competitive advantages in the Aerial Emergency Services.

This year however Babcock have been most impacted by the relatively small Oil & Gas (O&G) segment of aviation. During the year, rival firms Bristow and PHI emerged from chapter 11 bankruptcy with restructured debt, effectively resetting the market price for O&G helicopter services. This, alongside the recent collapse in the price of oil, has reduced margins in this business from the high teens to almost 0, necessitating a £500M write down of goodwill from the O&G segment of Babcock's 2014 Avincis acquisition. As a small player, Babcock is at a competitive disadvantage in a newly oversupplied market and therefore has very little choice but to exit over the coming years. This will be a permanent reduction in income.

The health of the defence aviation segment is highly mixed, with a clear split between the UK and France. Since inception in 2008, Babcock's JV with Lockheed Martin for RAF training ,'Ascent', has on balance performed poorly, with the average fast jet pilot on track for a 7 year training programme (3.9 year target). However, the MoD signed this contract until 2033 so payments are non-discretionary for the next 13 years unless the MoD take the very unlikely (and costly) step of changing provider mid contract. The other major UK contract, Hades, in which Babcock support 17 RAF bases has been far more successful and hopefully will provide a pathway for growth into technical support of more bases. It is worth noting that this contract ends in 2023, after which Babcock will likely have to compete with OEM competitors over which it has very little tangible advantage.

Having beaten an all-French consortium in the FOMEDEC contract (details in appendix), Babcock has clearly built a significant reputation in France. This first large scale aviation contract with the French armed forces has been leveraged to win a further contract with the French Navy and provides the opportunity for further growth within the French market, most notably in the FOMEDEC 2 programme expansion. In recognition of our distance from decision making, we have no strong opinion as to whether or not Babcock will win further contracts in France, or other international markets, however it is positive to see a viable avenue for accretive growth.

Babcock's Aerial Emergency Services (AES) business is by far the most advanced in Europe, competing with small regional rivals that are incapable of providing a comparable quality of service. This business has a self-reinforcing moat in which scale allows for fixed cost expenditures and economies of scale which lead to a higher quality service which then in turn allows Babcock to win contracts and increase scale. As competitors for AES contracts tend to be small and regional they simply can't match Babcock's offering in terms of quality and therefore they must compete by offering a stripped back service at a lower price. Babcock's AES division is strong in Europe, however is hardly present in the fragmented North American market, represented only in Manitoba, Canada. This provides a lot of opportunity for growth and as scale increases the risk of challenge declines further. There certainly is a risk in AES that fiscally stretched authorities switch to lower cost providers, however, given the criticality of the business to the areas served we believe that this is unlikely to occur in any meaningful volume.

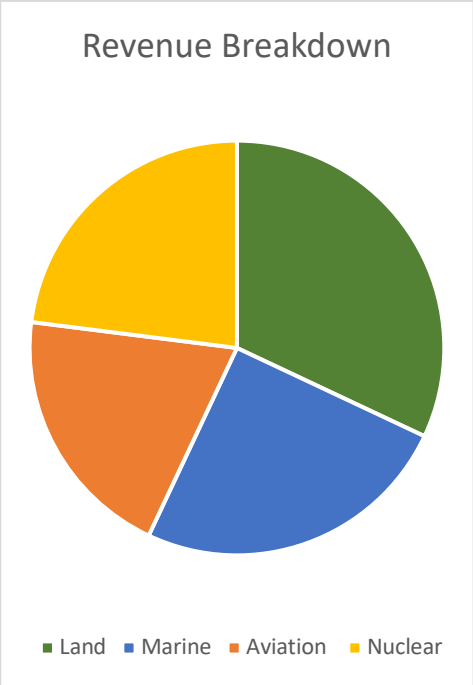
Financials

In 2020 the overall financial results were far worse than 2019, a fact that has led to a collapse in investor confidence. Below we look at the key differences between the years and determine which changes are permanent and which are temporary.

Revenue (including JV's):

£m	2020	2019
	£4,871	**£5,161**

This decline is largely driven by the £270M Magnox contracting ending. As stated previously, there is no reason to expect this revenue to return through the civil nuclear segment. On balance though we believe that over the next 5 years Babcock has a significantly higher probability of increasing revenues than suffering further declines.

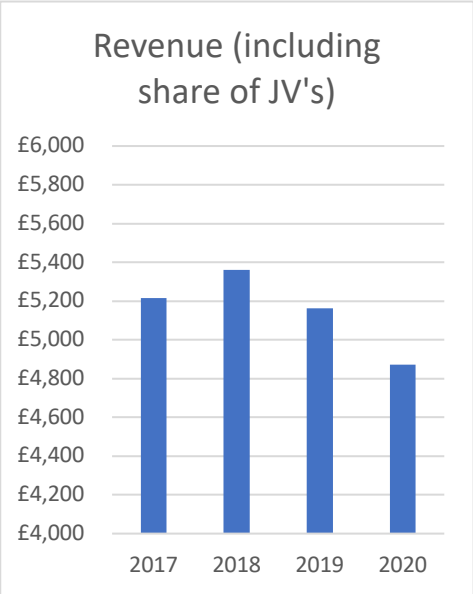


Viable growth opportunities:

-Maritime: International support contracts, Type 31 exports, further UK shipbuilding

-Aviation: AES in Europe & US, French military contracts

-Nuclear: Ramp up in submarine dismantling programme



At risk revenue:

-Maritime: key contracts tendered internationally (low risk)

-Land: DSG contract (low risk)

-Nuclear: Reduction over next 10 years in civil (high risk)

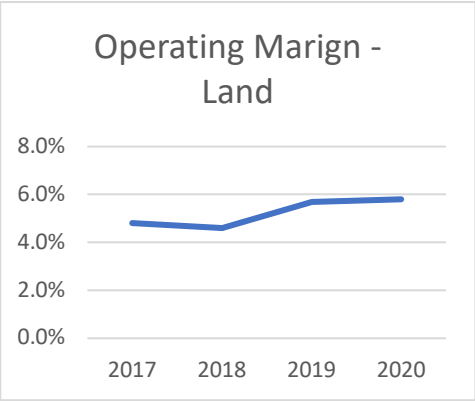
-Aviation: Oil & Gas (inevitable)

Operating Margins (including JV costs & amortisation):

Land

2020	2019
5.8%	5.7%

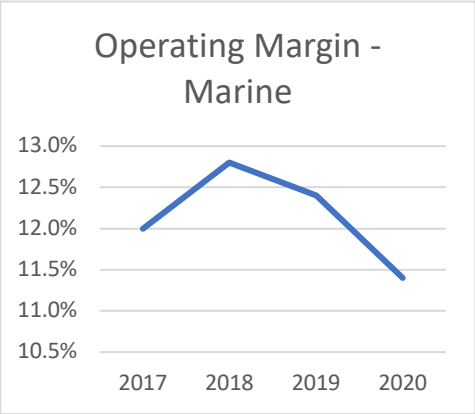
Providing Babcock can retain the DSG contract, which is not certain but we believe is likely, there is no reason to expect any decline in margins within Land. Investor relations informs us that 'adjacent' land businesses are generally lower margin than the rest of Babcock so perhaps we could see margin expansion if these businesses are divested.



Marine

2020	2019
11.4%	12.4%

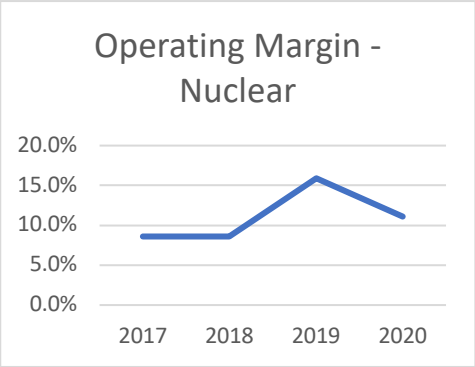
Given the ending of the QEC carrier programme in 2019 and the beginning of type 31 programme in 2020 it isn't shocking that operating margin has declined. Successful late stage contracts have higher margins than new ones and thus the decline likely reflects the average progression of contracts rather than a fundamental change in profitability. It's worth noting that an 11% growth in 2020 marine revenue brings marine operating profit higher than 2019.



Nuclear

2020	2019
11.1%	15.9%

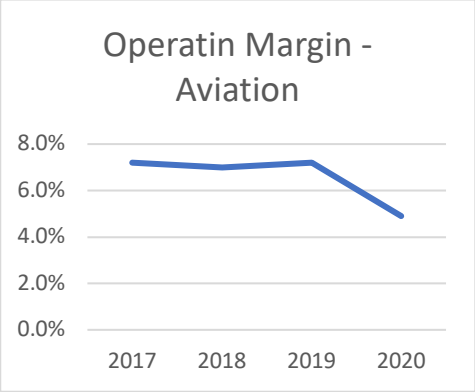
The picture is not so bright in the nuclear segment as the end of the high margin Magnox contract brings down both revenue and margin. Without a complete overhaul of UK nuclear policy neither the revenue nor the margin are coming back for civil nuclear. We have no strong opinion on how the defence segment will progress and therefore we believe that it is very possible for margins to fall further in Nuclear.



Aviation

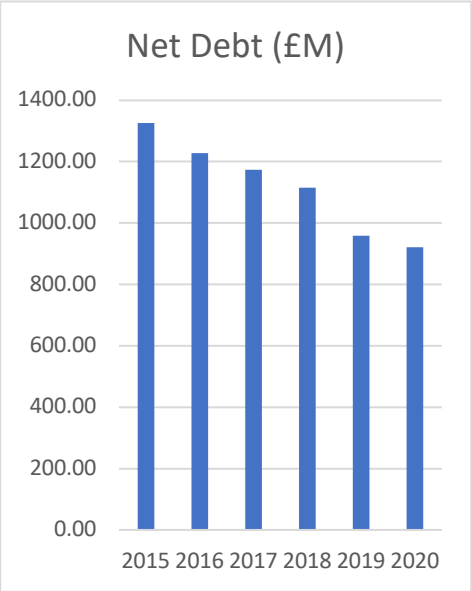
2020	2019
4.9%	7.2%

The change here is almost entirely due to the collapse of the Oil and Gas segment which has reduced margins to almost 0%. In the long run Babcock will exit Oil and Gas and whilst this will by definition increase margins we believe that the opportunities in AES and defence will compensate for the lost revenue.



Debt

Babcock has a relatively significant amount of debt, amounting to £2.45Bn in March 2020. However, we do not believe it likely that this debt will cause a problem going forward. The first point to make is that despite having such high debt outstanding for a £1.28Bn market cap company, the net debt figure for the company is significantly more manageable at around £960M. Additionally, 80% of Babcock's revenue is derived from long term contracting work which is overwhelmingly with national governments for whom the payments are both critical and non-discretionary. With so much liquidity (£1.3Bn cash) and operating income streams that (1) are around 5x financing costs, and (2) have to be paid regardless of economic climate, we see very little credit risk in Babcock. The key concern would be if they were unable to re-finance either the £500M or £775M due in 2022 and 2024 respectively. We don't believe that this is likely to occur as Babcock is undoubtedly creditworthy.



Pension Deficit

Babcock have a pension deficit of £180M. We are informed that they plan to bring this into balance over the next few years.

Write-downs

The headline story for Babcock is that the collapse of its Oil and Gas aviation business forced it to write down the goodwill from its 2014 acquisition of Avincis by £395M. Combined with asset impairments and exits from Oil & Gas aviation in Africa and a host of other aviation related write-downs, the total exceptional charge for the year was £500M.

It is unfair to paint Avincis as a total failure as the AES segment of the acquisition has been successful, however mistakes were made. Fundamentally though we believe that Babcock is not the same company as it was when it made these mistakes in 2014. The ultra-growth focussed Chairman and CEO combination of Mike Turner and Peter Rogers have been replaced with today's far more conservative team of Ruth Cairnie and David Lockwood. Since 2014 Babcock has engaged in no further large acquisitions and we do not expect them to do so again any time soon.

Our view therefore is that these write-downs are therefore simply a one off accounting necessity, reflecting past mistakes rather than the future outlook for the business.

Key Risks

The MoD's funding gap leads them to substantially increase their willingness to work with foreign contractors, or scrap projects in Babcock's pipeline.

It is no secret that the MoD doesn't have enough funding for all of the programmes that it has in its pipeline. This gap is up to £15Bn over the next 10 years and unless the department has more money allocated in the chancellor's budget, cutbacks will have to be made. We do not believe we have any power to predict future government spending and acknowledge that Babcock's projects are subject to some funding risk. However, we feel that the work Babcock does for the MoD is so critical to the UK armed forces that it is highly unlikely that these projects will be cut in the face of budget issues. If the UK wants a functional army and navy, it cannot do so without maintaining its vehicles, ships and boats.

Where we do see a significant long term risk, however, is in the MoD increasing its willingness to work with foreign contractors in the Marine space. Currently, it would be unthinkable and perceived as an unacceptable national security risk for the UK to have its fleets based in foreign ports, or serviced by foreign companies in domestic ports. The continuation of this policy is an underlying assumption of our investment thesis, as there do exist foreign companies capable of the work for which Babcock holds a domestic monopoly. We believe it to be a very low, but potentially catastrophic, risk that a cash strapped MoD turns to foreign companies to keep its armed forces functional amidst deep budget cuts. The MoD offering critical contracts to foreign companies is a red flag for this investment that we must be aware of.

Aerial Emergency Services face budget cuts and begin to favour price over Babcock's higher quality service.

As previously explained, the AES of Babcock are of higher quality than competitors but are more expensive. The risk we see here is that budgetary cuts, perhaps as an impact of the Covid-19 pandemic, lead to clients opting for cheaper services despite the criticality of AES. As these contracts are generally small and with regional level governments it is difficult to tell exactly how likely this is to occur. These organisations will certainly face budgetary pressure in the coming years, however in areas such as Manitoba where Babcock provides aerial firefighting services the risk taken by switching to lower quality providers we believe is unlikely to be worth the money saved.

The fixed price contract for the type 31 frigates programme force Babcock to fully bear cost overruns.

Typically, Babcock's long term contracts are structured such that they share the benefits from early completion and the costs of overruns with their counterparty. However, in the case of the new type 31 contracts the MoD is paying a fixed price per ship, leaving Babcock with significant price risks. When we spoke to Babcock about this they told us that as the type 31's were based on a previous Danish design and were relatively simple to construct so they had a good understanding of the timing and costs of constructing each ship. Without experience in maritime engineering we have no idea whether this is true, however we do not feel that the risk of overruns in this contract is so significant that we cannot invest in

Babcock. As seen in the below valuation, the current price allows for a lot to go wrong and as such we are confident in accepting this risk.

Unsubstantiated claims of accounting fraud prove to be true.

Babcock has been targeted twice, in 2018 & 2019, by a mystery critic named Boatman capital. Their reports make a host of unsubstantiated, and often completely false, claims about the company. Having read these reports, we do not believe the author to be credible, as claims such as Babcock is facing cost overruns building a drydock in Devonport are patently false. The report does however hint at the theme of historic accounting irregularities that we have heard in passing from other investors we have discussed Babcock with. We have investigated this as far as possible, and have been unable to find any supporting evidence. However, absence of evidence is not evidence of absence and therefore this is a risk we are aware of and willing to accept.

The reclassification of marine nuclear from the marine segment into the nuclear segment could perhaps be seen as an opportunistic attempt to soften the blow from Magnox ending as revenue expands in the marine segment, but this is far from the malicious '[burying] of bad news' alleged by Boatman. We would also prefer that Babcock used fewer euphemisms ("step down", "underlying", etc) in its financial reports, however this is not grounds to accuse the company of fraud as the unmodified numbers are presented alongside.

Valuation

Babcock is not one, but a host of businesses that operate under a combined banner. The complexity of this situation in our opinion renders forecasting essentially useless, there are simply far too many assumptions that have to be made for the result to have any predictive value (20 assumptions at 90% certainty gives your answer 12% confidence). With this in mind we have chosen to use the market price and a conservative estimate of the businesses current earnings power to estimate the markets forecast for Babcock's growth. We can then assess how reasonable this number is given what we know about the company.

Earnings Power

The numbers used to create our earnings power figure are based on conservative assumptions that cap the strong Marine and Aviation segments at 100% of their 4 year average, but reflect our concerns with the Land and Nuclear segments. Rather than aiming for a precise forecast, the goal here is to provide a conservative estimate of how much Babcock can earn with its current assets[1].

Below are the most significant assumptions made:

Revenue

Marine: 100% of 4 year average - £1,495M

Aviation: 100% of 4 year average - £1,001M

Land: 90% of 4 year average - £1,537M

Nuclear: 75% of 4 year average - £618M

Operating Margins

Marine: 12% (12% average)

Land: 5% (5% average)

Aviation: 7% (7% average)

Nuclear: 10% (11% average)

Exceptional charges

Allows for £100M of exceptional charges per year

[1] Reverse DCF maths: Current Price = [(Current earnings power)*(1 + Implied growth)] / (Discount rate – Implied growth) , solve for implied growth

Reverse DCF results

Using the above earnings power and a discount rate of 10.1% we find that the current share price of £2.60 implies that Babcock's distributable income to shareholders will reduce annually by 7.9% in perpetuity. Whilst we do not claim to know exactly how the business will perform over the coming years, our analysis leads us to believe that the prediction of the market is entirely irrational. Investors appear to be acting as if the declines seen in one of the worst years in Babcock's recent history will continue on forever. Like all businesses, Babcock has risks, but the likelihood of anything so catastrophic occurring as to justify the current price are so low that we are confident in a very significant margin of safety for this investment.

Implications of Current Market Price	
Implied Perpetual Growth	-7.9%
Normalised FCFE Yield	19.5%

Valuation at reasonable growth rates			
Growth Rate	*Intrinsic Value Per Share*	*Margin of Safety*	*IRR*
-2%	£4.12	37%	17%
0%	£5.03	48%	19%
2%	£6.40	59%	22%

Appendix - Management:

Babcock has undergone a changing of the guard in its leadership group. Despite doing a good job in simplifying the business and divesting non-core businesses, the prior Chairman and CEO combination of Mike Turner and Archie Bethel alongside retiring CFO Franco Martinelli lost investor confidence by repeatedly missing earnings targets and failing to properly communicate with the market. The reshuffling of the board, enacted by new Chairman Ruth Cairnie, and the appointment of an experienced CEO with experience in turning around businesses with negative perceptions, indicates to us the beginnings of a drive to reset market perceptions of the company.

Chairman – Ruth Cairnie

Ruth Cairnie took over from Mike Turner in July 2019, leaving her previous role as a non-executive director at Royal Dutch Shell. So far we believe her contributions to Babcock have been positive, reshuffling a previously entrenched board and bringing in David Lockwood as CEO. Whilst it is far too soon to judge whether these changes will be successful, we support these actions and believe that they show the leadership required to improve the company and its relationships with investors.

CEO – David Lockwood

David Lockwood, appointed in September 2020, is on paper the perfect CEO for Babcock. He has spent his entire career working in the defence industry, most notably refocussing the struggling Cobham as CEO before selling the company to the private equity group Advent. We have heard reports of Lockwood having a track record for front-loading bad news early in his tenure as CEO, however as long term investors this isn't particularly concerning to us. He has not yet had time to prove himself at Babcock but we respect his prior experience and have no reason to yet doubt his managerial ability.

Appendix - Valuation:

Discount Rate

Discount Rate Element	Risk Value
Risk free rate of return	0.10%
Premium for equity investment	4.00%
Premium for small company size	0.00%
Industry-specific risk premium	0.60%
Company-specific risk premium	5.40%
Owner's Equity Discount Rate, %:	10.10%

Table I. Company-specific Risk Premium Build-up			
Risk Factor	Factor Value [0 - 10]	Weight	Weighted Factor, %
Revenue growth	7	10.00%	0.70%
Financial risk	5	10.00%	0.50%
Operations risk	5	10.00%	0.50%
Profitability	4	10.00%	0.40%
Customer concentration	8	10.00%	0.80%
Product concentration	6	10.00%	0.60%
Market concentration	4	10.00%	0.40%
Nature of market competition	5	10.00%	0.50%
Quality of management team	6	10.00%	0.60%
Quality of staff	4	10.00%	0.40%
Company-specific risk premium:			**5.40%**

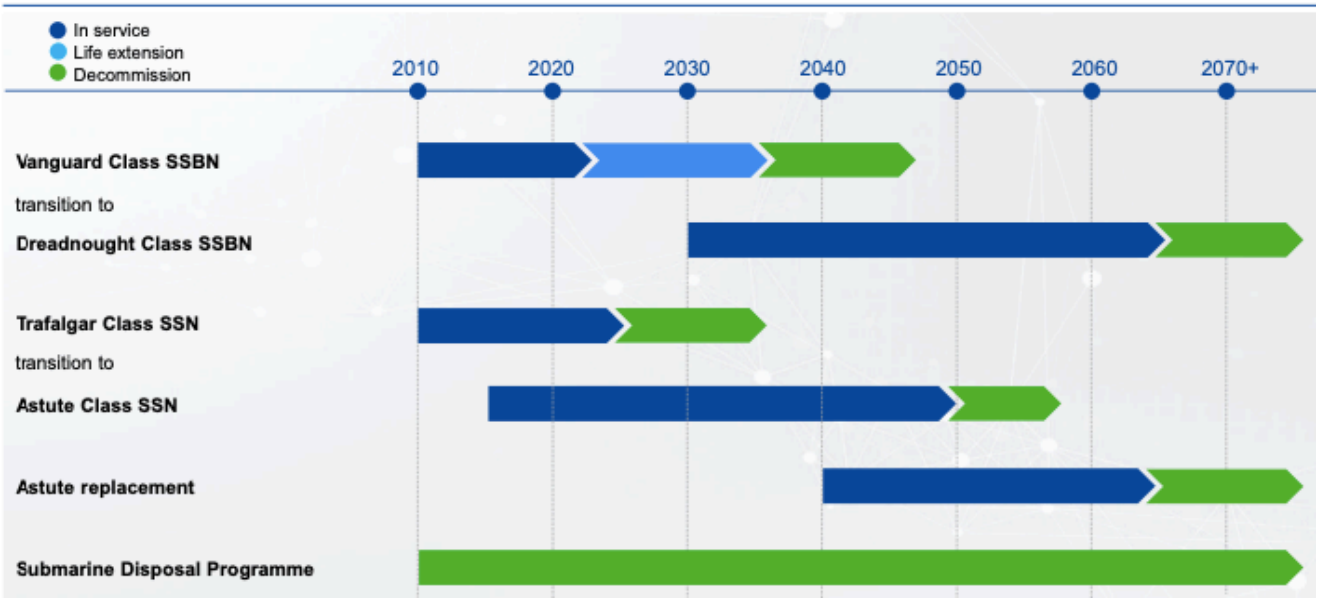
trusted to deliver

Appendix – Contract Information:

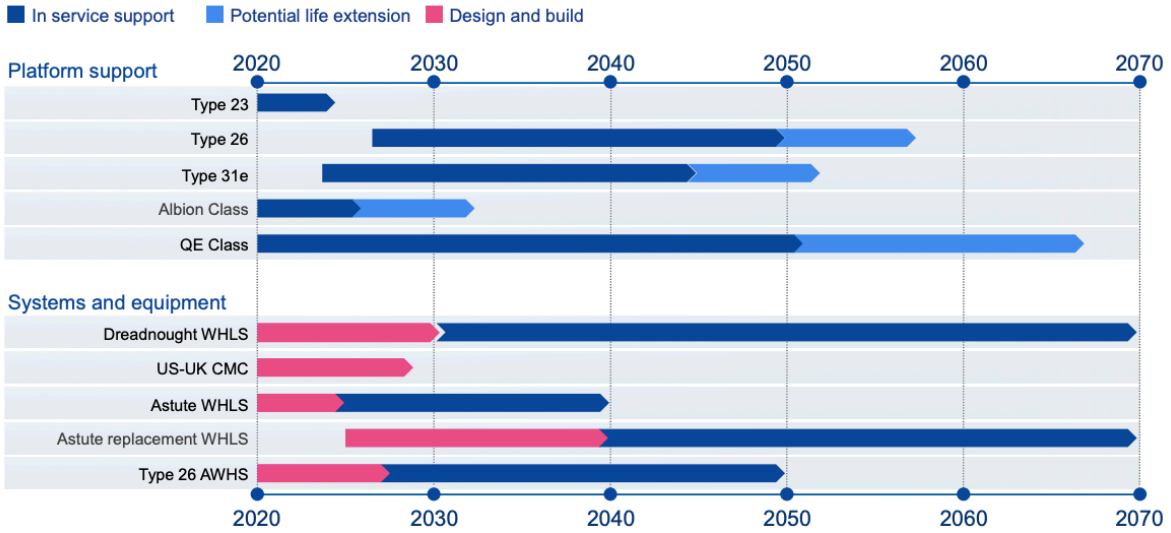
Key contracts: Marine

Contract	Customer	Start	End	Country	Notes
Type 31	UK MOD	2019	2028	UK	Design, build and assembly of five general purpose frigates for the Royal Navy
MSDF	UK MOD	2014	2021	UK	Warship support and surface fleet infrastructure elements of MSDF
VISSC	RCN	2008	2022	Can	Victoria In Service Support Contract to sustain Royal Canadian Navy's submarine programme
Canberra Class support	RAN	2019	2025	Aus	NSM JV. 5 year (with 2 x 5 year options) support contract for Royal Australian Navy's two largest warships, the Canberra Class Landing Helicopter Docks (LHDs)
NZ dockyard management	RNZN	2015	2022	NZ	Management of Devonport Dockyard in Auckland and sustainment of Royal New Zealand Navy fleet
MSSP	UK MOD	2017	2024	UK	Maritime Systems Support Partner. Technical Authority and equipment support package for QEC and T45 classes
Defence High Frequency Comms	UK MOD	2003	2021	UK	Operate high tech equipment to transmit and receive messages for UK and NATO forces around the globe
FOAP Training	UK MOD	2012	2021	UK	Fleet Outsourced Activities Project. Royal Navy training delivery and support, 7-year contract with 2-year extension signed
WAMA	RAN	2018	2024	Aus	NSM JV. Warship Asset Management Agreement. Sustainment of the ANZAC class frigates

Build on longevity of multiple UK submarine programmes



Build on longevity of UK programmes



Key contracts: Nuclear

Contract	Customer	Start	End	Country	Notes
MSDF	UK MOD	2014	2021	UK	Nuclear submarine, infrastructure and license site elements of MSDF
Dounreay	NDA	2012	TBD	UK	JV with CH2M and Aecom, decommissioning, demolition and restoration of Dounreay
Hinkley Point C – MEH Alliance	EDF	2022	2028	UK	JV alliance to deliver mechanical, electrical, heating, ventilation and air conditioning at HPC
Sellafield Design Services Alliance	Sellafield	2012	2027	UK	15 year framework contract providing design and engineering services to Sellafield
EDF Energy Lifetime Enterprise Agreement	EDF	2015	2030	UK	Providing fuel route and other services to advanced gas cooled reactors until the last of 7 reactors ceases power generation in c.2030
AWE decommissioning	AWE	2020	2030	UK	Site manager for decommissioning of AWE's complex
Hinkley Point C	EDF	2019	2027	UK	JV with Boccard, early contractor involvement studies and early works installation package for Hinkley Point C new build reactor
Sellafield Glove boxes	Sellafield	2017	2027	UK	Glove Box Systems to process nuclear material

Key contracts: Land defence

Contract	Customer	Start	End	Country	Notes
RSME - Royal School of Mechanical Engineers	UK MOD	2008	2038	UK	Provision of training and associated support services Joint venture
DSG - Defence Support Group	UK MOD	2015	2025	UK	Maintenance, repair and overhaul to over 35,000 vehicles of the British Army's A and B Vehicle fleets. Option for 5 x 1 year extensions
Phoenix II – White fleet	UK MOD	2016	2022	UK	Fleet management services for the British Army's c.15,000 vehicle white fleet, including procurement of vehicles and services
ALC - Construction vehicle fleet	UK MOD	2005	2021	UK	JV with Amey, C-Vehicle service provision and support for over 2,000 British Army construction vehicles
DCTT - Defence College of Technical Training	UK MOD	2014	2021	UK	Technical training of electrical mechanical engineering
TMASS II - Training Maintenance and Support Services	UK MOD	2016	2022	UK	Training maintenance and support provider to British Army Armoured Centre

Key contracts: Land civil

Contract	Customer	Start	End	Country	Notes
London Fire Brigade (LFB) fleet management	LFB	2014	2035	UK	Technical fleet management of the LFBs 430 vehicles and around 45,000 pieces of firefighting equipment
London Fire Brigade (LFB) training	LFB	2012	2037	UK	Delivering over 200 training programmes to c 5,000 firefighters from two new state of the art facilities, 97,000 delegate days of training pa
London Metropolitan Police Service (MPS) training	MPS	2020	2028	UK	Police Education and Qualification Framework providing initial training to police recruits
London Metropolitan Police Service (MPS) fleet management	MPS	2006	2020	UK	Managing and overseeing the repair and maintenance for the fleet, and specialist equipment, including short and medium term rental requirements
Control Period 6&7	Network Rail	2019	2029	UK	Awarded preferred bidder for track and signalling work, phases 6&7, Scottish regions
Signalling and telecoms	Translink	2017	2024	UK	Signalling and Telecoms framework in Northern Ireland

Key contracts: Aviation

Contract	Customer	Start	End	Country	Notes
Fomedec	French DOD	2017	2028	France	Provision of aircraft, training and maintenance to French Air Force
HADES	UK MOD	2018	2023	UK	Air station support. Provision of engineering services and technical aviation services to 17 air stations across the UK
Victoria Air Ambulance	Victoria Gov	2016	2026	Australia	HEMS contract, 6 specially configured AW139 aircraft
Norwegian FW EMS	Norwegian Government	2019	2025	Norway	Provision and fully operational EMS service of 11 specialist fixed-wing aircraft from summer 2019. Option to extend by further 5 years
Italy Firefighting	Ministry of Interior	2018	2022	Italy	Operation and maintenance of 19 Government owned CL-415 Canadair aircraft. Option to extend by further 4 years
Salvamento Sasemar	Spanish Coastguard	2018	2022	Spain	Spanish coastguard search and rescue contract, 14 aircraft, 13 bases. Option to extend by further 2 years
Manitoba - Fire Fighting	Manitoba state government	2018	2028	Canada	Market entry FF contract in Canada operated under Babcock Canada with Babcock owned surveillance aircraft and customer owned Canadair water bombers. Option to extend by further 3 years
UK Military Flying Training System	UK MOD	2008	2033	UK	Ascent 50/50 JV with Lockheed Martin - rotary and fixed-wing flight training
AirTanker	UK MOD	2008	2035	UK	JV with Babcock, Thales, Rolls-Royce, Cobham and Airbus. Infrastructure that supports air-to-air refueling and air-transport operations