

Transcript of the half year results for the six months ended 30 September 2023

Tuesday 14 November 2023

Other revenue also grew in Nuclear in the half in both submarine support work and in civil nuclear. And these revenue increases helped the profit growth over last year, which was also low due to a provision of £6 million on a programme which has now been completed.

largely a degree to what we said about cash flow management. If you look at the individual components, it's not about inventory is relatively flat. This is about your contract assets and your contract liabilities, and that goes back to what David said about setting up contracts with the right milestones and then delivering the milestones so that you get the cash flow in.

David Perry*JPMorgan*

It's David Perry at JPMorgan. I've got a few as well. So, David L, your slide on all the strategic initiatives to drive future growth, there's a lot there, Saab, HII, Poland, etc. What's the sort of lead time on those projects when we see them coming through to sales? That's the first question. The second one, I don't think you've said anything this morning...

David Lockwood

Can we do one at a time?

David Perry*JPMorgan*

* The 2025re, sure.

David Lockwood

Because you'll remember questions more than I will. So lead times vary a lot. I mean if you look at the lead time for AUKUS support, for the SSN AUKUS boat rather than the planning for it, we're talking decades, if you look at some equipment support in France, for example, the lead time from bid to order win to commencing work is less than 18 months. So, I think there's a big spectrum amongst them. I mean, typically, incremental work is 12 to 24 months and strategic work is in the years, I think, is big handfuls.

David Perry*JPMorgan*

Just specifically on Saab and Poland.

David Lockwood

So, Poland, so we've done the licenses. In fact, the Poles announced that the intention was to have a collaborative arrangement Poland to deliver their ships. The partner is a state-owned shipyard, part of the PGZ Group. And therefore, clearly, the change of government means we will need different political approval.

We've heard nothing to suggest they don't want to proceed, and neither was the UK Government, but we still got to finish that. I would guess that's early, that's before the end of this financial year, but it's a bit of a guess because its politics thrown in. And exactly how we recognise that will depend on what structure we come up with, which is what David is working on.

And in terms of Saab, I think the design work was, again, at a lowish level, will start in this financial year, but not enough to move the dial. And build work will be end-user dependent, which again, is a political decision.

David Perry*JPMorgan*

But you do expect there is a ship behind this, is there? Or is it speculative?

David Lockwood

The Saab work is not speculative. No.

David Perry*JPMorgan*

So, what Swedish government is going to buy a ship, is that..

David Lockwood

I didn't said it was a Swedish government. I said it wasn't speculative.

David Perry*JPMorgan*

Okay. I don't think you said much about the new submarine terms of trade with the UK government for the FMSP. Can you just update us? I want to talk to...

David Lockwood

David?

David Mellors

We talking about the DMP for the next boat that's come in?

David Perry*JPMorgan*

No, the long-term.

David Lockwood

The long-term strategic thing, so that is still under discussion. As you can imagine, for something of that scale by long term, clearly, we mean longer than FMSP. FMSP to more than a couple of years to negotiate. So, the long term it's going to take a while. So, we won't be able to discuss it until we're further through.

David Perry*JPMorgan*

