BAE Systems plc – Market update

12 November 2026

Highlights:

- Strong operational and financial performance in 2026 to date.
- Positive momentum in order intake with £33bn of orders secured so far and further agreements anticipated before the end of the year.
- Free cash flow now expected to be around £3bn (from >£2bn); sales, EBIT and EPS targets remain on track following the upgrade to guidance at our half year results in July.
- Well positioned for continued growth over the medium term.

Charles Woodburn, BAE Systems Chief Executive, said:
"We've delivered strong financial and operational performance year to date, as well as positive order intake momentum. Our substantial backlog provides good visibility and, with our portfolio aligned to evolving threats and customer priorities, we remain well positioned to deliver sustainable growth over the years ahead."

Trading update

The Group is trading well in the second half of the year so far. Consistent with the first half, strong trading in our Electronic Systems, Air and Platforms & Services sectors has more than offset subdued growth and margins in our Maritime sector as we progress through the first-in-class stage of the Type 26 frigate programme. Having upgraded Group guidance at the half year, we remain on track to deliver on this for sales, EBIT and EPS, and now expect to deliver c.£3bn of free cash flow, with some benefit from customer advances.

Across our markets, governments remain committed to increasing defence spending and we continue to see significant opportunities for growth across all our key markets and domains. Our substantial backlog of secured work provides good visibility, while the alignment of our portfolio to customer priorities and evolving threats positions us to deliver growth across a range of government defence spending outcomes.

In the US, our portfolio is strongly aligned with defence and intelligence focus areas. Examples include our munitions production, where we support 10 of the 12 programmes prioritised for significantly increased production capacity, and space, where our capabilities play essential roles in missile warning and tracking programmes to protect the nation and its armed forces.

In the UK, the Defence Investment Plan reinforces investment across both our long-term programmes and future capabilities, including next-generation fighter jets, autonomous collaborative combat aircraft and other advanced technologies.

In Europe, continued growth and visibility are supported by rising defence investment and our exposure to multiple priority capability areas, including missile and air defence systems, land vehicles and combat air.

From this position of strength, we will continue our focus on operational excellence and performance to further simplify our business, enhance our competitiveness and support long-term growth.

Guidance

We expect strong growth in sales, underlying earnings before interest and tax (EBIT), underlying earnings per share (EPS) and free cash flow in 2026. Full year sales, EBIT and EPS guidance remains unchanged from the guidance we provided at the half year results in July. We now expect to deliver c.£3bn of free cash flow, including some benefit from customer advances received to date but excluding any material advances we may receive in the remainder of the year.

- Sales +8% to +10% (2025: £30.7bn)
- Underlying EBIT +10% to +12% (2025: £3.3bn)
- Underlying EPS +11% to +13% (2025: 75.2p)
- Free cash flow (FCF) in 2026 c.£3.0bn (was >£2.0bn, 2025: £2.2bn)

Guidance is provided on a constant currency basis using a GBP:USD exchange rate of $1.32:£1, the average exchange rate in 2025. The average exchange rate for the year to date is approximately $1.34. As a guide, a 5 cent movement in the GBP:USD exchange rate impacts sales by c.£500m, underlying EBIT by c.£70m and underlying EPS by c.1.4p.

The weighted average number of ordinary shares to calculate full year underlying EPS is expected to be around 3.0bn.

Order intake

We have secured orders of £33bn in 2026 so far. Notable awards received in the second half of the year include:

- **Air** – c.£1.6bn of orders related to the Global Combat Air Programme, including our share of the c.£4.6bn contract awarded to Edgewing to enable the completion of the advanced concept and assessment phase and progress towards joint detailed design and development.
- **Air** – c.£1.5bn related to our share of MBDA orders in the period.
- **Maritime** – c.£4.3bn further funding for critical work to progress the UK's Dreadnought Class nuclear deterrent submarines towards entry into service.
- **Maritime** – c.A$1.3bn contract for Australia's High Frequency Surveillance capability system to establish an Arctic over-the-horizon radar (A-OTHR) in Canada, marking Australia's largest ever defence export.
- **Electronic Systems** – c.$1.0bn in incremental funding received for key munitions programmes, including ongoing production of APKWS® precision guidance systems and THAAD infrared seekers.
- **Platforms & Services** – c.$0.8bn in contract funding to continue full rate production of Armored Multi-Purpose Vehicles for the US Army.
- **Platforms & Services** – Ordnance Systems received funding of c.$0.5bn across the Holston and Radford Army Ammunition Plants to continue energetics production and support facilities modernisation.

Balance sheet and capital allocation

Our strong financial position enables us to implement all parts of our capital allocation policy. We continue to prioritise investment in our business to support organic growth, pay dividends to our shareholders, explore value enhancing acquisition opportunities and execute our share buyback programme.

Total cash returned to shareholders in 2026 is expected to be c.£1.6bn, comprising the final dividend for 2025, the interim dividend for 2026, which will be paid on 2 December 2026, and c.£500m of share repurchases.

Full year 2026 results

We will announce our preliminary results for the year ending 31 December 2026 on 19 February 2027.

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