



2023 Capital Markets Day

Expo Transcript: Grow Business Aviation

Tuesday, 28th November 2023

Rolls-Royce is focusing on areas where we are advantaged and can create winning positions. We are well positioned to do so in the Business Aviation market, with our already installed based and the market-leading, efficient and high-performing Pearl engine family.

This year Rolls-Royce is celebrating its 65th anniversary in Business Aviation. From the beginning in 1958, which was marked by the first flight of the Dart-powered Gulfstream I, through to today's Pearl family, Rolls-Royce has taken an innovative approach to offering its customers extraordinary engine technology and services.

Over the last six decades, Rolls-Royce has become the world's leading engine supplier in Business Aviation, powering some of the largest, fastest and longest range business jets available. Today, about 4,000 of these aircraft are in service worldwide (that's 8,000 engines), helping companies to improve business efficiency, productivity and enabling economic growth.

They offer flexibility and connectivity, flying heads of states around the globe, supporting humanitarian efforts and connecting families by making the world a smaller place. Our engines enable airframers to offer the perfect combination of speed, range, size, efficiency and reliability.

Rolls-Royce is advantaged in the Business Aviation market. We have a deep understanding of the top end of the business jet market which we have led for decades. Our customer base consists of global corporations, high-net-worth individuals, and governments – and this customer base has been steadily increasing over the last two decades.

The top end of the Business Aviation market has a market size of about 34 billion US dollars – and this is exactly the market we are serving with our engines. It has also proved to be resilient to business cycles. Engine flying hours had already recovered in 2021 and today we stand at 110% compared to pre-COVID levels.

The Pearl engine family, purpose-designed for the latest generation of business jets, exemplifies our approach to creating a completely new engine family for a wider range of Business Aviation applications, setting new benchmarks for performance and efficiency. A formula, that has already proven to be a success with the BR700 family, that was introduced in the 1990s and is still in production today. More than 5,000 BR700 engines have been delivered to date, with more than 4,600 still in service.

When we launched the Advance2 technology demonstrator programme a few years ago, we set ourselves the goal to develop the most efficient engine core in Business Aviation. It forms the heart and the backbone of the successful Pearl engine family and features a whole string of innovative technologies, all of them aiming at delivering world-class environmental performance. We also wanted to deliver engine maturity from day one, which we were able to do as the demonstrator programme gave us the platform to mature architectures and technologies before the first Pearl engine went into service.

This strategy paid off, as the Pearl is today's "engine family of choice" in the very-long and ultra-long-range market. The family won the last three commercial campaigns. It has been chosen to power the Bombardier Global 5500 and 6500, with the Pearl 15; which is already in service, the Gulfstream G700 and G800, with the Pearl 700; which will enter into service soon, and the forthcoming Dassault Falcon 10X, with the Pearl 10X; entering into service in the middle of the decade).

The new 2-shaft Pearl was created with a clearly defined mission: the aim from the beginning was to design an engine family able to deliver more power while further improving fuel consumption and maintaining a class-leading, low noise and low-emissions performance.

I'll give you just one example of the performance and efficiency of the Pearl family. Gulfstream recently announced a higher than expected top speed of Mach 0.935 for the G700. That makes it the fastest aircraft in the Gulfstream fleet, an increase from Mach 0.925, and gives it a longer range of 7,750 nm, an increase of 250 nm. This is made possible by the excellent performance of its Pearl 700 engines – they are outperforming the specification.

At the moment we are in a transition phase from current programmes, BR710 and 725s, to new programmes, the Pearl family, and OEM production numbers are significantly increasing year-on-year.

The order books for Rolls-Royce-powered products look healthy and airframers are seeing very high demand from customers, resulting in a rebound of book-to-bill ratios in Q2 to approximately 1.2.

With CorporateCare we also have a highly profitable and differentiated services model – and its latest version, CorporateCare Enhanced, provides even greater opportunity. We therefore expect to fully capitalise on our OE performance via our global services business.

Our large installed base of more than 8,000 engines in service today builds the base of a strong and highly profitable aftermarket model. About 2,500 aircraft are covered by CorporateCare® LTSA contracts with 76 per cent, as of AP9, of new deliveries being enrolled into the programme.

To date our fleet has recorded 44 million engine flying hours and through the growth of the Rolls-Royce-powered fleet and the high utilisation, we expect an annual growth of our aftermarket volume of about 3%.

Aircraft availability and averted missed trips are key determinants of customer satisfaction, and this is where Rolls-Royce excels. Rolls-Royce offers its business aviation customers the most capable global service network in the industry. The powerful infrastructure of 85 Authorised Service Centres is complemented by 80 On-Wing Services Specialists, who are located at strategic hubs in the US, Europe, Middle East and Asia, as well as a number of spare parts and lease engine storage locations around the world.

Business Aviation engine technology is also being used in the Defence market. Many reconnaissance aircraft for the defence market are based on the business jet platforms of Gulfstream and Bombardier, including their BR700 and Pearl engines, which results in additional applications and market chances.

Examples for applications are the publicly known USAF E-11A communication platform, based upon a Bombardier Global 6000, or the USAF EC-37B electronic warfare platform, which is based upon a Gulfstream G550. There is a growing international community of operators which will increase the annual usage from approximately 90,000 engine flying hours today to over 160,000 engine flying hours. Our MissionCare premium service solution is gaining increasing popularity with military operators.

Another example is the BR725 engine, which has been developed to power the Gulfstream G650 and G650ER. Due to its outstanding combination of efficiency and reliability a BR725-derivate, the F130,

has been chosen to replace the existing powerplants in the B-52 fleet, with over 600 new engine deliveries expected.

Let me leave you with these key messages:

- We have *the* leading brand, along with leading products and technology capability, in the attractive large cabin market.
- Given our advantaged position and the platforms we are on, we expect our growth to exceed market growth.
- We continue to create a high-performing, competitive, resilient and growing business and have a significant opportunity to expand cash generation and profitability. We are on track to deliver returns above the industry average in a resilient and growing market.
- To achieve this we will further optimise our commercial base. We are working on our pricing strategy and are further reducing unit cost. With the entry into service of the third Pearl family member, the Pearl 10X, we'll also see a reduction in spending on R&D for the Pearl family.

As I hope you can see, we are well positioned in Business Aviation and it is just one area which will help us create a high performing, competitive, resilient and growing Rolls-Royce.