

23 May 2024

ROLLS-ROYCE HOLDINGS PLC AGM STATEMENT AND TRADING UPDATE

Rolls-Royce Holdings plc is holding its Annual General Meeting today. In his address to shareholders, Chief Executive Tufan Erginbilgic will comment:

“Our work to transform Rolls-Royce into a high-performing, competitive, resilient and growing business is continuing with pace and intensity as we execute on the granular strategy we set out last November. We are driving growth, delivering contractual improvements and improved margins, unlocking efficiencies and creating value across the Group. We have had a strong start to the year, despite continued industry-wide supply chain challenges. This builds on our record performance in 2023 and provides further confidence in our guidance for 2024. The focused investments we are making will continue to drive growth and create value for all our stakeholders in the mid-term and beyond.”

Trading update to 30 April 2024

We continue to demonstrate a strong track record of delivery. Our operating profit and cash growth reflects an underlying performance improvement driven by the impact of our strategic initiatives, notably commercial optimisation including contractual improvements, cost efficiency actions, and the effective management of ongoing supply chain challenges. Our full year 2024 guidance is unchanged, with a broadly balanced weighting for both profit and cash flow across the year. As part of our strategy, we are also strengthening our balance sheet. This has been recognised with credit rating upgrades at Fitch (BBB-) and S&P (BBB-), where we now have an investment grade rating, and at Moody’s (Ba1), all with a positive outlook. We have reduced our gross debt position by repaying a EUR 550 million bond from underlying cash and cancelled our last remaining UKEF-supported undrawn loan facility, both enabled by our more resilient and growing cash delivery.

In Civil Aerospace, long-term service agreement large engine flying hours (EFH) have returned to 100% of 2019 levels in the four months to 30 April, driven by the continued recovery of international traffic in Asia and our growing fleet. For the full year, our expectations of large EFH at 100%-110% of 2019 levels, 1,300-1,400 shop visits and 500-550 OE deliveries are all unchanged. We have invested in our facilities in Derby and Dahlewitz to strengthen our operational and MRO capability to meet rising shop visit volumes. The momentum of new widebody business wins has continued with VietJet and Starlux orders announced during the Singapore Air show. In addition, IndiGo, one of the fastest growing airlines in the world, recently agreed to order 60 Trent XWB engines. Business aviation has also seen key milestones with the introduction of the Pearl 700 into service on the Gulfstream G700, and the Pearl 10X has taken to the sky as part of the final stages of engine certification.

In Defence, the long-term growth of the business has been underpinned by several recent contract awards. Australian funding was confirmed for the AUKUS submarine programmes, which includes Rolls-Royce reactors. The B-52 Rapid Twin Pod Test is concluding at the Rolls-Royce test facilities at NASA’s Stennis site in the US, providing critical data to inform the development program and accelerate the integration of the F130 engine onto the B-52J. We have also seen encouraging progress with the Global Combat Air Programme (GCAP), with Japan’s cabinet agreeing to permit the transfer of aircraft from Japan to countries that have signed defence partnership agreements. This marks a positive early step that helps to pave the way for future export orders.

In Power Systems, our strong position in the data centre market is providing growth opportunities as we see higher demand from artificial intelligence and cloud services providers. Demand for governmental applications also remains high as states increase their investments in defence capabilities. We also continue to win new business in Battery Energy Storage Solutions (BESS), with a new order secured for the Latvian power grid with a system capacity of 160 megawatt hours. The sale of our lower-power-range engines business to Deutz is progressing well. We have signed definitive agreements and are working towards completion by 3Q 2024.

We announced proposed organisational changes in October 2023 and we are on track to deliver the annualised sustainable benefit of around £200 million by the end of 2025. Consultation is advanced and continued progress is expected during the remainder of the year as we implement a simpler and more strategically focused agile organisation.

Our transformation is based on building a sustainably differentiated business built on: safe and efficient operations, advantaged products and technologies, a clear and granular strategy, and a new mindset with a distinctive performance culture. We have an aligned, energised workforce and together we are building One Rolls-Royce, that can fully realise its potential to be a high performing, competitive, resilient and growing business.

Half Year 2024 results will be announced on 1 August 2024.

For further information, please contact:

Media

Richard Wray
Director of External Communications & Brand, Rolls-Royce plc
Tel +44 (0) 7810 850055
Richard.Wray@Rolls-Royce.com

Investors

Jeremy Bragg
Investor Relations Director, Rolls-Royce plc
Tel +44 (0) 7795 840875
Jeremy.Bragg@Rolls-Royce.com

About Rolls-Royce Holdings plc

1. Rolls-Royce develops and delivers complex power and propulsion solutions for safety-critical applications in the air, at sea and on land. Our products and service packages enable our customers to connect people, societies, cultures and economies together; they meet the growing need for power generation across multiple industries; and enable governments to equip their armed forces with the power required to protect their citizens.
2. Rolls-Royce has customers in more than 150 countries, comprising more than 400 airlines and leasing customers, 160 armed forces and navies, and more than 5,000 power and nuclear customers. We are committed to making our products compatible with net zero carbon emissions to meet customer demand for more sustainable solutions.
3. The annual underlying revenue was £15.41 billion in 2023, and the underlying operating profit was £1.59 billion.
4. Rolls-Royce Holdings plc is a publicly traded company (LSE: RR., ADR: RYCEY, LEI: 213800EC7997ZBLZJH69)

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