

Rolls-Royce on 'path to investment' after repaying £2bn debt

Rolls-Royce has said it is now on a "clear path" back to investment as it continues with its recovery following the pandemic.

In a trading update on Thursday (November 3), the aerospace giant reported large engine flying hours were at 65% of 2019 levels in the four months to the end of October – and up 36% on the year to date.

The company, which has UK bases in Filton, South Gloucestershire, and Derby, said it had completed its disposal programme with the sale of its engineering business ITP Aero, enabling it to repay £2bn of debt. It also confirmed two five-year contracts renewed in defence, securing \$1.8bn of continued aftermarket services.

Chief executive Warren East, [who is stepping down](#) from the business at the end of the year, said: "The continued recovery in large engine flying hours, record order intake in power systems and a resilience in the defence business give us confidence in the future.

"Our more agile operations and sustainably lower cost base position us well for the uncertain pace of the recovery from the pandemic, market volatility and changes in economic conditions."

Rolls-Royce said recent volatility in interest rates and foreign exchange rates had not had a material impact on its underlying cash flows. The business said all drawn debt was on fixed interest rate terms and hedged into the pound in 2019 and 2020 during the low-interest rate environment.

The company also said it was managing the current energy and raw material inflation risks through supplier agreements and hedging policies. In October, Rolls-Royce agreed a 6.5% wage increase and additional £1,500 payment with UK staff to help with the cost-of-living crisis. The business is aiming to hike prices, it said, in a bid to recover cost inflation.

“We continue to focus on operational execution and delivering on our commitments,” added Mr East. “The completion of our disposal programme with the sale of ITP Aero has enabled us to repay £2bn of debt. This marks a milestone recovery in the strength of our balance sheet, and a clear step on our path back to investment grade in the medium term.”

Rolls-Royce’s full-year 2022 results will be announced on February 23, 2023. The company said its group guidance for the year remained unchanged.

In August, Rolls-Royce named former BP executive Tufan Erginbilgic as [its new chief executive](#). Mr Erginbilgic will take over from Mr East on January 1.

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