Rolls Royce 2026 Half Year results

By Sandro Villanes Rojas, ASIM Founder & CEO

Executive Summary & Performance Metrics

During the first half of 2026 (H1 2026), Rolls-Royce Holdings plc delivered an outstanding operational and financial performance. Driven by the disciplined execution of its multi-year structural transformation program, the group achieved robust organic, year-over-year growth across all core performance indicators**:**

ROLLS-ROYCE HOLDINGS PLC - H1 2026 vs H1 2025			
Metric	**H1 2026**	**H1 2025**	**YoY Change**
Underlying Revenue	£11,279m	£9,057m	+26%
Underlying Operating Profit	£2,534m	£1,733m	+46%
Underlying Operating Margin	22.5%	19.1%	+3.1 pts
Free Cash Flow (FCF)	£1,964m	£1,582m	+24% (£382m)
Return on Capital (RoC)	22.0%	16.9%	+5.1 pts
Net Cash	£2,136m	£1,895m (FY25)	+£241m
TCC/GM Ratio	0.27x	0.35x	-0.08x (Improvement)

(Data sources: Financial Summary and Balance Sheet sections of official disclosures/Rolls-Royce Holdings Plc – 2026 Half Year Results 30 July 2026)

The underlying operating margin reached 22.5% (+3.1 percentage points organically), powered by commercial optimization, rigorous cost control, and margin expansion across all three operating divisions.

1. Segmented Divisional Analysis

A. Civil Aerospace

- Underlying Revenue: £6,186m (+29% organic).
- Underlying Operating Profit: £1,567m (+31% organic); Margin: 25.3% (+0.5 pts).
- OE Engine Deliveries: 279 units (+18% YoY). In the Large Engine segment, 157 units were delivered compared to 122 in H1 2025; business aviation and regional jets accounted for 122 deliveries versus 115 in H1 2025.
- MRO & LTSA Metrics: Large Engine Flying Hours (EFH) reached 113% of 2019 baseline levels (+4% YoY). A total of 712 shop visits were completed (+2% YoY), including 294 major shop visits (+35% YoY).
- Order Intake: Net orders for 254 large engines were captured (Book-to-bill of 1.6x), expanding the backlog to 2,266 engines.
- LTSA Revenue & Contract Adjustments: Net performance improvements from Long-Term Service Agreement (LTSA) optimizations and onerous contract renegotiations contributed £497m (comprising £372m in contract catch-ups and £125m in onerous provision releases, absorbing £77m in supply chain cost headwinds).

B. Defence

- Underlying Revenue: £2,484m (+17% organic).
- Underlying Operating Profit: £522m (+57% organic); Margin: 21.0% (+5.4 pts).
- Trading Cash Flow: £615m (+88% YoY).

- Order Book: Order intake reached £2,418m (Book-to-bill of 1.0x), maintaining a solid backlog of £17.5bn (~3 years of revenue visibility).
- Growth Drivers: Sustained aftermarket demand across military transport (+14%), combat (+12%), and nuclear submarine propulsion (+14%). Notable awards include the EUROJET consortium contract for Turkey's Eurofighter Typhoons and the selection of the MT30 marine gas turbine for Australia's Mogami-class frigates.

C. Power Systems

- Underlying Revenue: £2,604m (+28% organic).
- Underlying Operating Profit: £528m (+72% organic); Margin: 20.3% (+5.3 pts).
- Order Intake: An extraordinary 50% increase to £4.6bn (Book-to-bill of 1.8x).
- Key Market Driver: Explosive demand within the power generation sector (+41% revenue), driven by mission-critical infrastructure for Data Centers, providing both backup power and continuous prime power via mtu Series 4000 gas engines.

2. Strategic Initiatives & Operational Execution

STRATEGIC INITIATIVES & TRANSFORMATION	
Pillar	**Key Execution Milestones**
Operational Excellence	• Elimination of Aircraft on Ground (AOG) events • OE plant productivity: +9% over 2 years • Large Engine MRO volume: +13% overall capacity
Financial Resilience	• TCC/GM ratio optimized to 0.27x • Total liquidity: £9.0bn (£6.5bn cash + £2.5bn RCF) • Credit rating upgrades: A3 (Moody's) / A- (Fitch)
Structural Efficiency	• Phase 2 Simplification (Scaling GBS & SIOP frameworks) • Deployment of AI platform (AiRR) across MRO networks

(Data sources: Strategic Initiatives, Balance Sheet, and Operational Review sections/Rolls-Royce Holdings Plc – 2026 Half Year Results 30 July 2026**)**

Time on Wing & Engine Fleet Durability:

- Trent 1000 XE: Installation of next-generation High-Pressure Turbine (HPT) blades achieved a 100% time-on-wing improvement in Phase 1 and an additional 30% in Phase 2 (effectively tripling operational durability). Nearly 50% of the active Trent 1000 TEN fleet is now retrofitted to the XE standard.
- Trent 7000 / XWB: Virtually 100% of the active Trent 7000 fleet incorporates HPT durability upgrades. For the Trent XWB-97, TRL 6 (Technology Readiness Level 6) was achieved for advanced combustor and ceramic matrix composite (CMC) seal segments.

Digital Transformation & AI Integration:

- Enterprise scaling of the AiRR (AI at Rolls-Royce) platform to forecast shop visit work scopes and streamline MRO facility scheduling, directly reducing turnaround times (TAT) and maintenance costs.

Nuclear & SMR Momentum:

- Rolls-Royce SMR selected for the Videberg Kraft tender in Sweden. Alongside phase-execution agreements with Great British Energy - Nuclear (GBE-N) in the UK and CEZ Group in the Czech Republic, the business solidifies its leadership in European small modular nuclear deployment.

3. Financial Structure & Capital Dynamics

Free Cash Flow (FCF): £1,964m in H1 2026, compared to £1,582m in H1 2025.

Balance Sheet & Liquidity:

- ✓ Gross debt stood at £2.7bn following the redemption of £1.1bn in maturing bonds and the successful issuance of €1.0bn in senior notes due 2031 and 2036.
- ✓ Liquidity remains robust at £9.0bn (£6.5bn cash and cash equivalents; £2.5bn undrawn RCF).
- ✓ Net cash position expanded to £2,136m.

Capital Returns to Shareholders:

- ✓ Reinstatement of the interim dividend at 6.0p per share, payable in September 2026.
- ✓ Progress on the multi-year share buyback program (£7bn–£9bn targeted for 2026–2028): £1.4bn executed at the time of reporting (against the full-year 2026 target of £2.5bn).

4. Revised Full-Year Guidance (FY2026)

Following the strong performance in the first half, management has raised its full-year 2026 financial guidance:

FY2026 GUIDANCE UPDATE		
Metric	**Revised Guidance (FY26)**	**Prior Guidance**
Underlying Operating Profit	£4.7bn - £4.9bn	£4.0bn - £4.2bn
Free Cash Flow	£3.8bn - £4.0bn	£3.6bn - £3.8bn
Large Engine EFH	Lower end of 115-120% of 2019 levels	115% - 120% (vs 2019)
Civil OE Deliveries	550 - 600 units	Unchanged
Total Civil Shop Visits	1,480 - 1,550 visits	Unchanged

(Data sources: Outlook and 2026 Guidance section/Rolls-Royce Holdings Plc – 2026 Half Year Results 30 July 2026)

EXECUTIVE ANALYSIS & EDITORIAL PERSPECTIVE

From our perspective at Air & Spaceshows International Magazine, tracking global aerospace OEM performance requires looking beyond headline figures to examine the underlying operational realities. Rolls-Royce's H1 2026 performance signals a fundamental shift in how the engine manufacturer operates.

1. Operational Turnaround & The Commercial Business Model

Under CEO Tufan Erginbilgic, Rolls-Royce has largely addressed one of its historic structural weaknesses: selling Original Equipment (OE) large engines at a loss while relying on Long-Term Service Agreements (LTSAs) that were frequently eroded by unexpected maintenance events and durability issues (most notably on the Trent 1000 family).

The elimination of Aircraft on Ground (AOG) bottlenecks and the maturation of the Time on Wing program yield two major strategic advantages:

1. Direct reduction in fleet maintenance costs by minimizing unbudgeted shop visits and warranty claims.
2. Commercial leverage: The £497m contribution from contract catch-ups and onerous provision releases demonstrates that Rolls-Royce has successfully renegotiated pricing terms across mature fleets, establishing a healthier risk-sharing dynamic with airline customers.

2. Alignment with Aerospace & Defense Macro Trends

Rolls-Royce is well-positioned relative to current industry tailwinds:

- ✓ Digital Infrastructure & Data Center Power: The 50% surge in order intake within Power Systems highlights how AI infrastructure demands are creating non-aerospace opportunities for defense and industrial manufacturers. High-margin mtu Serie 4000 generator sets provide immediate revenue while long-term nuclear/SMR initiatives mature.
- ✓ Defense Re-armament & Geopolitical Shift: With global defense spending rising and programs like the UK's Defense Investment Plan allocating multi-billion-pound commitments to GCAP, autonomous platforms, and nuclear naval capabilities, Rolls-Royce's £17.5bn Defence backlog offers high revenue visibility.

3. Supply Chain Realities & Operational Risks

While the financial figures are strong, several operational challenges bear watching across the industry:

- ✓ Supply Chain Bottlenecks: The company continues to project a £150m–£200m cash flow impact in 2026 due to supply chain constraints. Structural shortages in high-grade castings, forgings, and specialized raw materials remain a bottleneck for global OEM production rates.
- ✓ Geopolitical & Flight Hour Volatility: Because large engine economics depend on widebody Engine Flying Hours (EFH), ongoing airspace disruptions and Middle East tensions represent a risk factor for long-haul route stability.
- ✓ Second-Half Handoff: Management explicitly notes that contract catch-up contributions will taper off in H2 2026 compared to H1 (£497m). Consequently, second-half margin performance will depend more heavily on shop visit volumes and OE factory throughput.

Final Assessment

Rolls-Royce enters the second half of 2026 with a stronger balance sheet (Net Cash of £2.1bn, RoC at 22%). This financial standing provides the liquidity needed to invest in next-generation propulsion, sustainable aviation technology, and SMR nuclear projects, while continuing to return capital to shareholders.