Focused on sustainable global growth

QinetiQ Group plc
Preliminary results for year ended
31 March 2022

19 May 2022

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Agenda

Focused on sustainable global growth – headlines

- Good progress with strong second half momentum
  - Orders up 9% on an organic basis with robust backlog
  - Revenue up 5% on an organic basis
  - Profit £137.4m[1], 11.4% margin before £14.5m write-down
  - 114%[2] cash conversion pre-capex vs. 98% prior year
  - EPS of 20.6p and 6% increase in full year dividend

	FY22	FY21
Revenue	**£1,320.4m**	£1,278.2m
Operating profit	**£137.4m[1]**	£151.8m
EPS	**20.6p**	22.1p
Dividend	**7.3p**	6.9p
Order backlog	**£2.8bn**	£2.9bn

- Continued discipline in execution of growth strategy
  - Secured record order intake across Group at £1.23bn
  - Excellent revenue growth in Australia up 26% & UK up 12%
  - Slower US recovery but momentum builds; orders up 20%
  - Delivered 75% revenue growth over last 6 years

- Customer focus to drive c.75% growth in next 5 years
  - Maintaining Group expectations for FY23; £900m contracted
  - Heightening market needs for our distinctive offerings
  - Investing in organic growth and strategic acquisitions
  - Enhancing focus on ESG[3] and enabling our people to thrive

[1] Operating profit after £14.5m write-down fully contained in FY22 first half results [2] New definition of operating cash flow / EBITDA [3] Environmental, Social and Governance
Throughout the presentation performance refers to 'Underlying' unless specifically stated otherwise – 'Underlying' performance is as defined in the appendix before specific adjusting items

Focused on sustainable global growth – operational highlights

NATO Missile Defence exercise in UK

New leader to drive growth strategy in US

£42m record order intake for QTS[4]

£320m new EDP[1] contracts in UK

NGABS[2] trials enable $70m production in US

Growing future opportunities in Germany

£160m of digital intelligence contracts in UK

$97m new MSP[3] contracts in Australia

Delivered record revenue in Belgium

Delivering high-value solutions to national defence and security challenges for our customers

[1] Engineering Delivery Partner [2] Next Generation Advanced Bomb Suit [3] Major Service Provider [4] QinetiQ Target Systems

Financial overview

Carol Borg
Chief Financial Officer

FY22 Financial Highlights

Orders	Revenue	Operating Cash
£1,226.6m	**£1,320.4m**	**£215.3m**
FY21: £1,149.4m[2]	FY21: £1,278.2m	FY21: £199.0m
+7%	+3%	+8%

Operating Profit	ROCE	EPS
£137.4m[1]	**26%**	**20.6p**
FY21: £151.8m	FY21: 28%	FY21: 22.1p
-9%	-2% pt	-7%

The financial information for FY22 is presented unaudited, additional time is required to finalise the audit due to remote working and COVID-related illnesses. The audit will be completed by no later than 23 May 2022

1 Equivalent to 11.4% margin prior to the £14.5m complex project write-down, within our short-term guidance

2 To be consistent with revenue reporting prior year orders has been restated to exclude £1.7m of contribution from Joint Ventures

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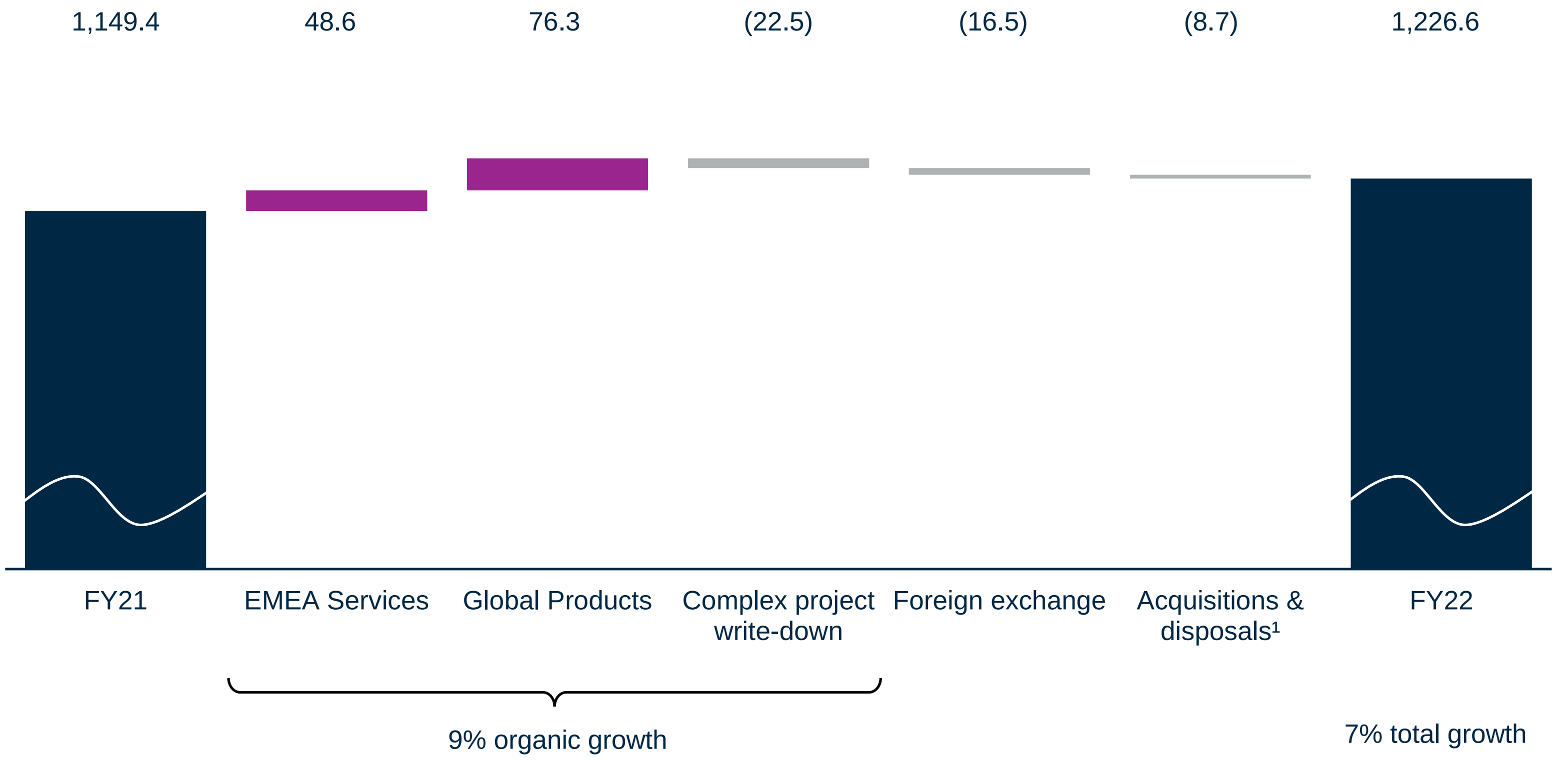
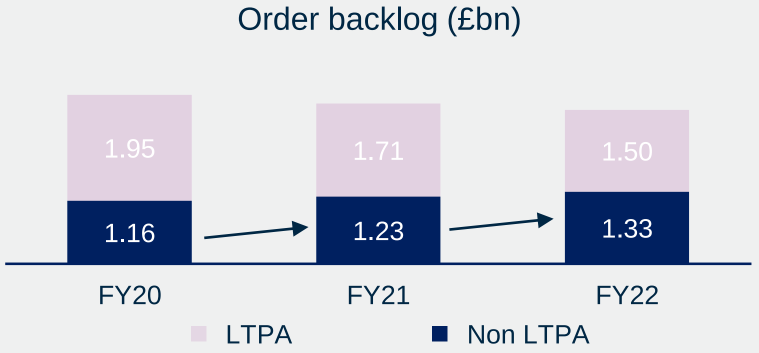
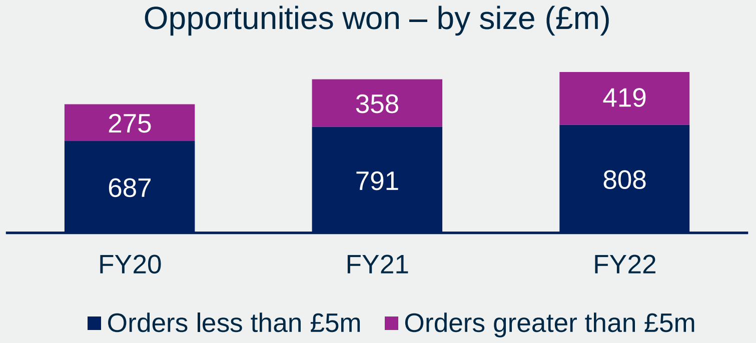
Impressive order growth, significant backlog and increasing trend towards larger contracts

Orders (£m)



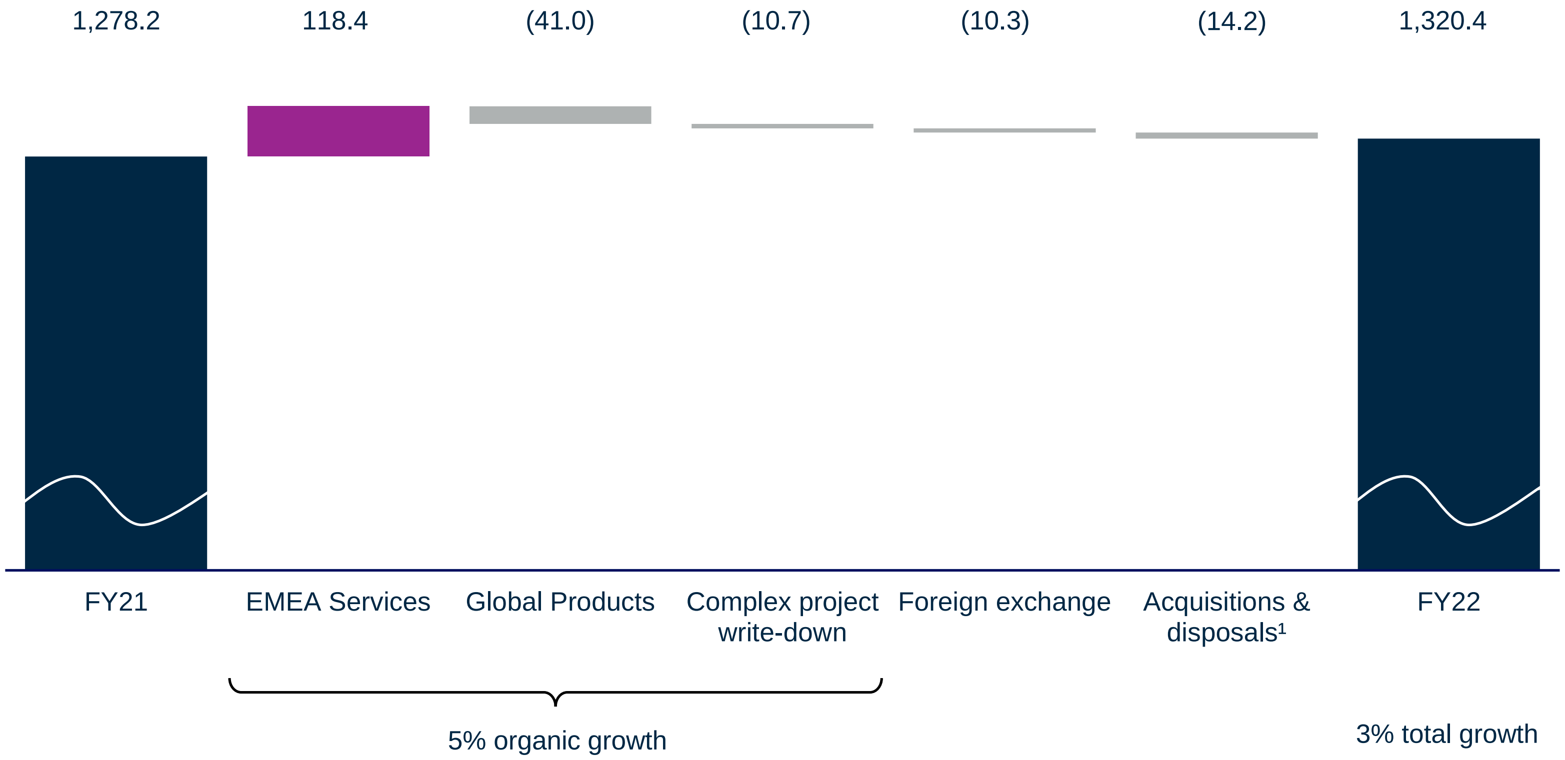


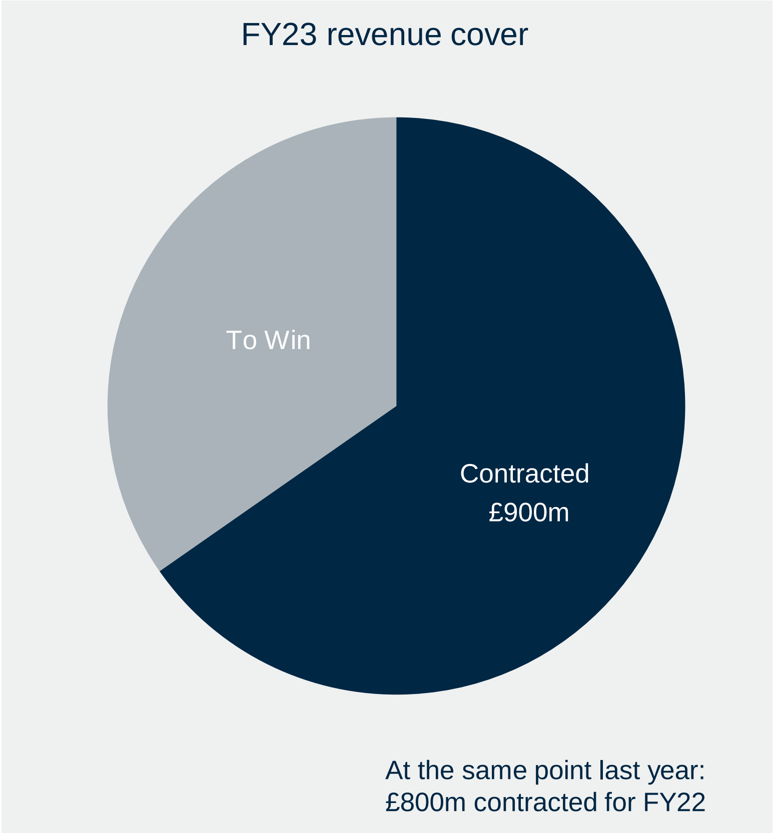


[1] Prior year acquisition of Naimuri and prior year disposal of Optasense, Boldon James and Commerce Decisions

Strong revenue growth in EMEA Services offsetting slower performance in Global Products

Revenue (£m)

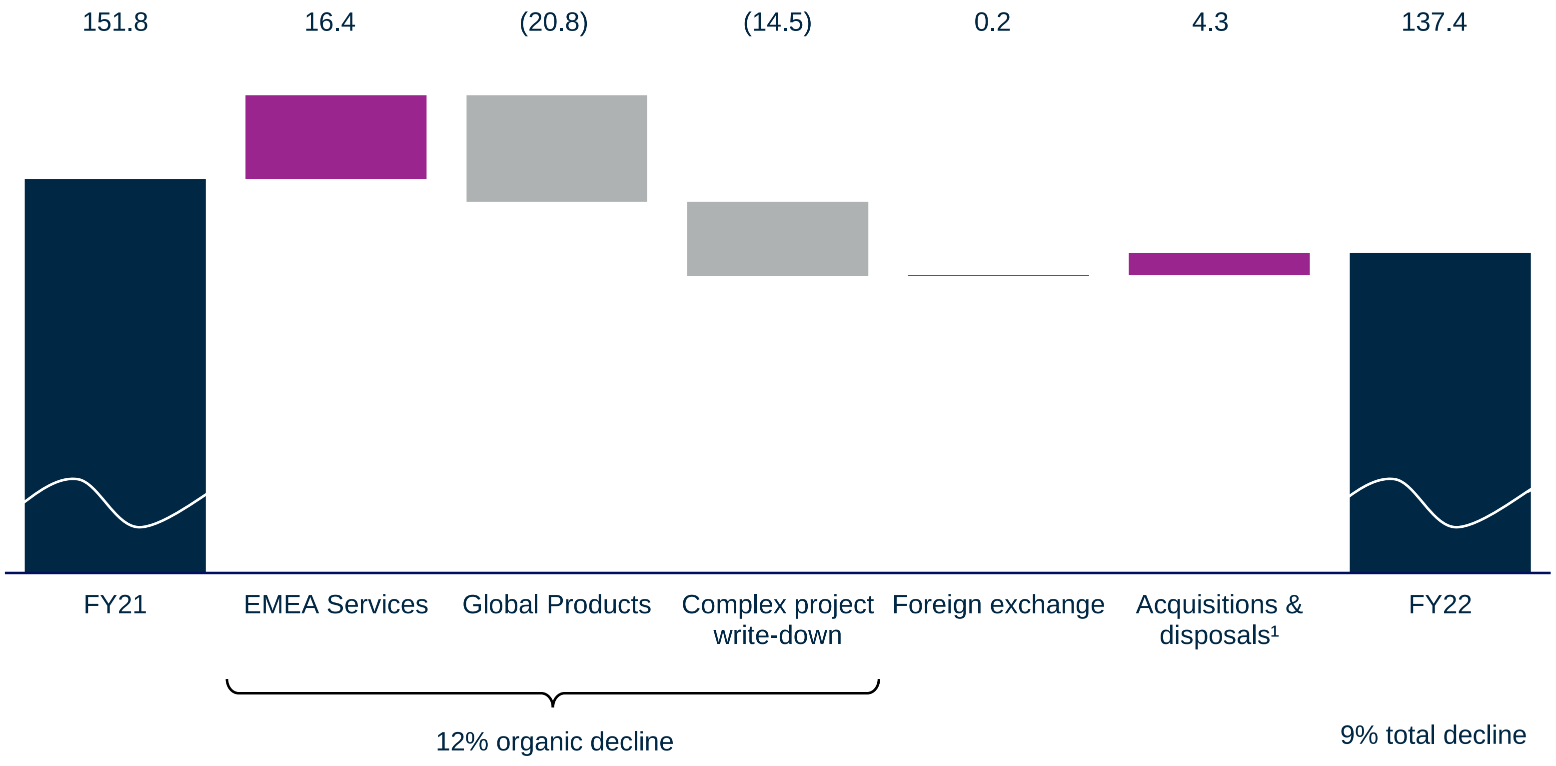


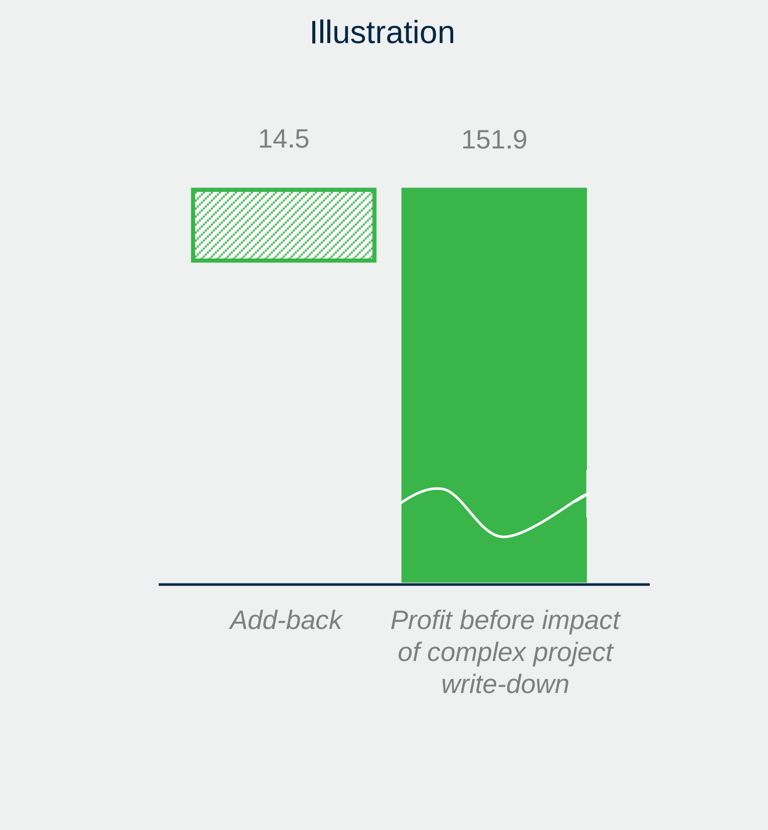


[1] Prior year acquisition of Naimuri and prior year disposal of Optasense, Boldon James and Commerce Decisions

Strong EMEA services profit performance partially offset by slower recovery in the US and complex project write-down

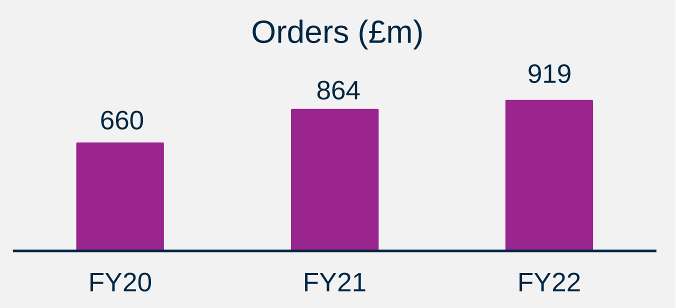
Underlying Operating Profit (£m)

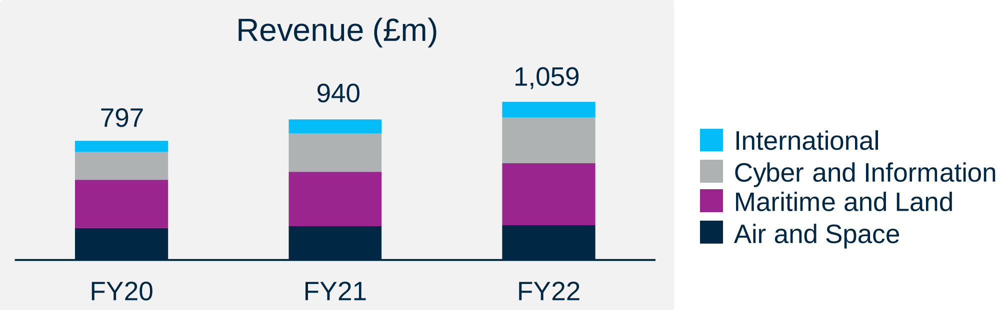


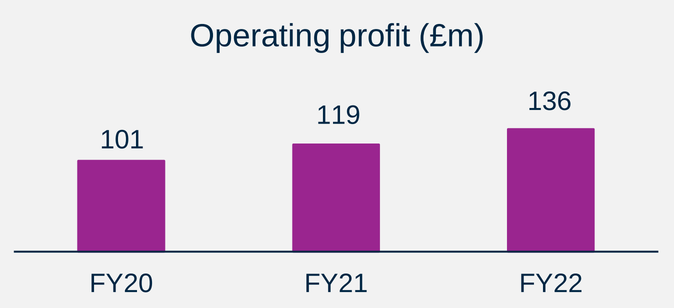


[1] Prior year acquisition of Naimuri and prior year disposal of Optasense, Boldon James and Commerce Decisions

EMEA Services – significant year on year growth, driven by large contracts





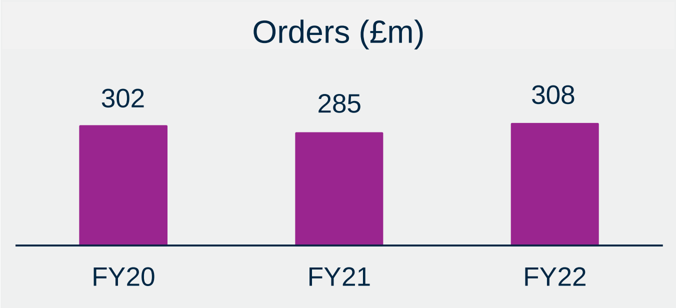


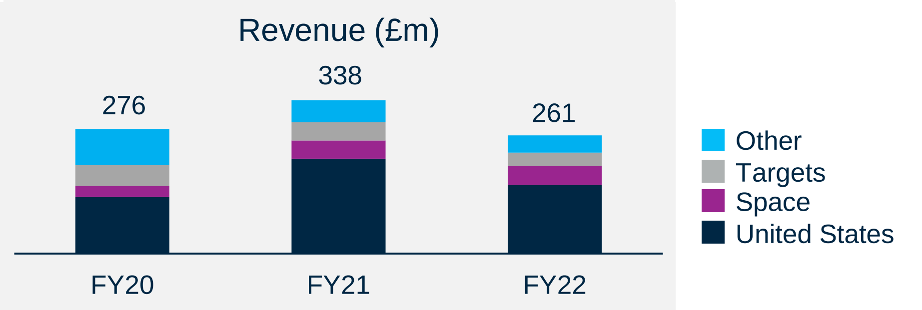
EMEA Services	FY22 £m	FY21 £m
Orders	**918.9**	864.4
Revenue	**1,059.2**	939.9
Underlying operating profit	**135.6**	118.6
Underlying operating profit margin	**12.8%**	12.6%
Book to bill ratio[1]	**1.1x**	1.2x
Total funded order backlog	**2,541.6**	2,710.6
Funded order backlog excl. LTPA amendments	**1,037.9**	1,001.1

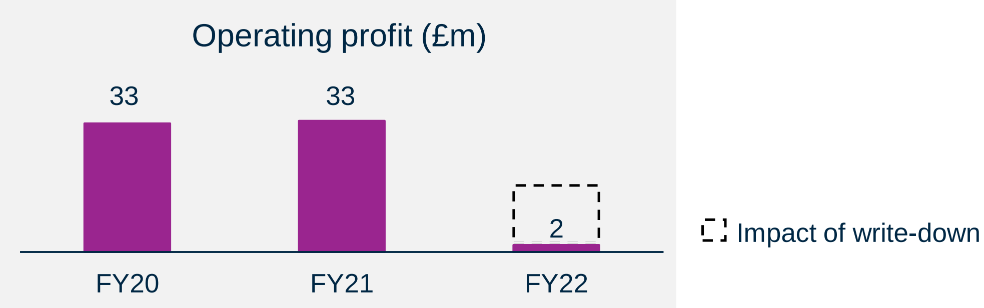
- Orders increased by 6% (reported and organic) driven by £320m of EDP[2] and £115m WSRF[3] contract wins and in excess of £160m orders with Defence Digital and Defence Intelligence
- Revenue increased by 13% (reported and organic) driven by good growth in the UK and Australia, including growth from EDP[2], WSRF[3] and the MSP[4] contracts
- Operating profit increased by 14% (reported and organic) driven by revenue volume complemented by strong project delivery including successful risk management on our large contracts

1 B2B ratio is orders won divided by revenue recognised, excluding the LTPA contract revenue of £222m (FY21: £226m)
2 Engineering Delivery Partner 3 Weapons Sector Research Framework 4 Major Service Provider

Global Products – impacted by US performance, QTS record order intake





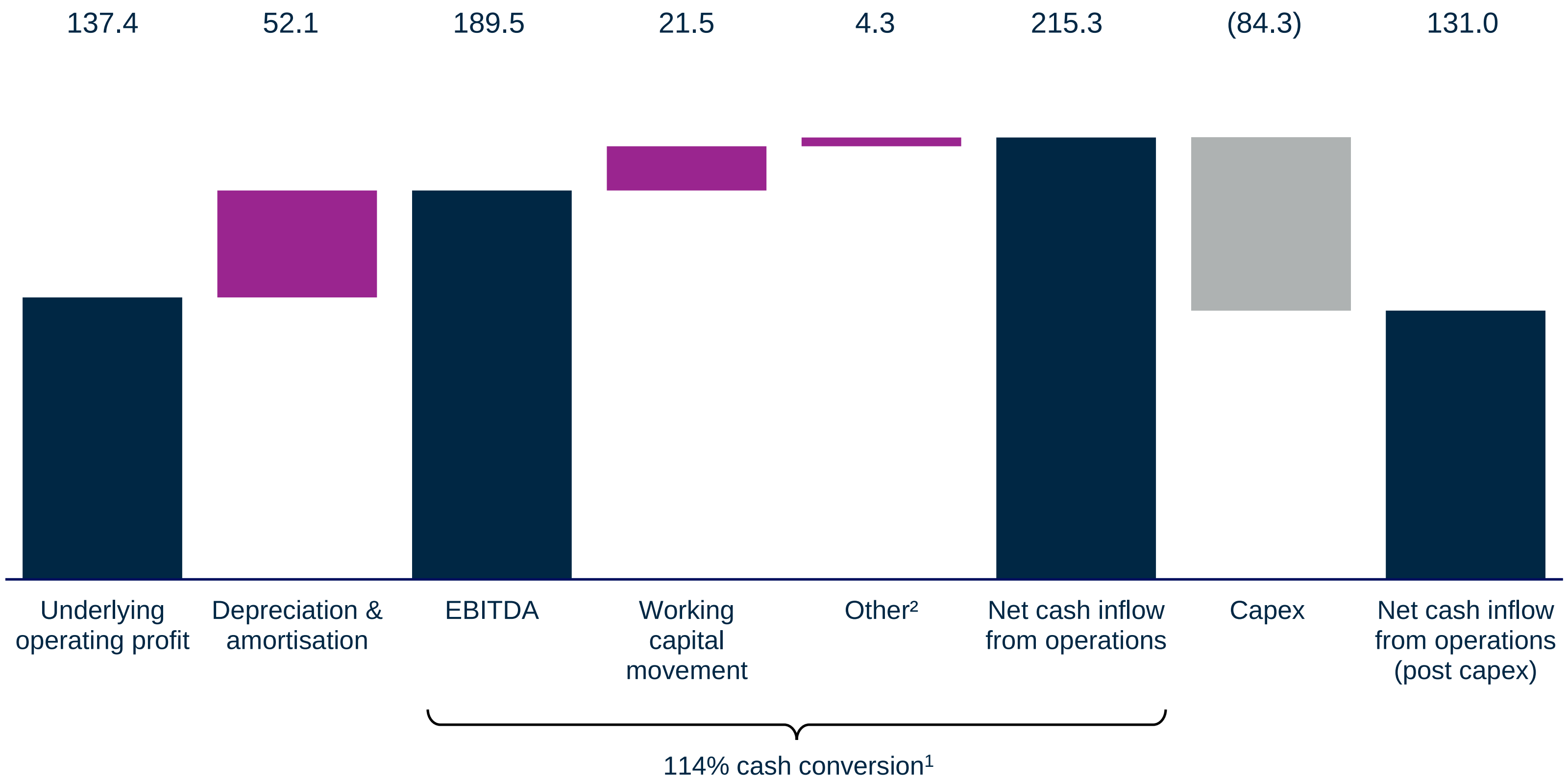


Global Products	FY22 £m	FY21 £m
Orders	**307.7**	285.0
Revenue	**261.2**	338.3
Underlying operating profit	**1.8**	33.2
Underlying operating profit margin	**0.7%**	9.8%
Book to bill ratio	**1.2x**	0.8x
Funded order backlog	**287.2**	233.5

- Orders increased by 8% and organically by 20% driven by a US$62m order for the Full Rate Production contract on SPUR robots in the US. This, coupled with our new leadership team in the US, provides a strong foundation for the delivery of our US strategy. Furthermore QTS has recovered following COVID-19 impacts and has achieved record orders
- Revenue declined 23% and organically by 16% due to revenue reduction in the US business, relating to changing market dynamics and the US defence budget being constrained by the extended Continuing Resolution
- Operating profit reduced by £31m, driven by the £14.5m complex project write-down and lower revenue in the US

Strong cash generation invested as per our capital allocation policy

Cash generation (£m)



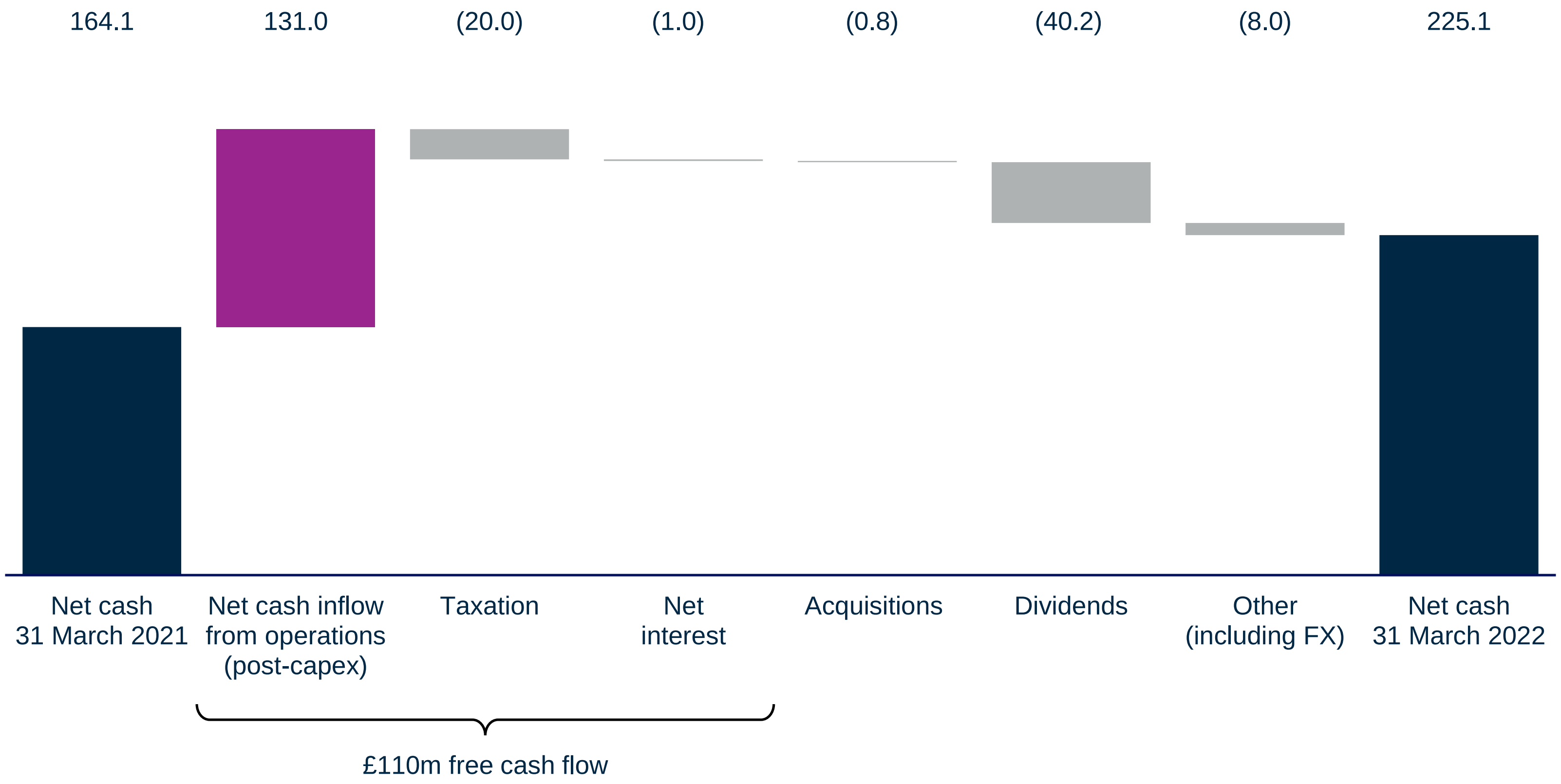
Cash conversion metric changed

		FY22	FY21
New definition	= Pre-capex cash flow / EBITDA	114%	98%
Old definition	= Pre-capex cash flow / Operating profit	157%	131%

1 Cash conversion definition changed to: Operating cash flow pre capex / EBITDA
2 Other movements driven by share based payments, offset by changes in retirement benefit obligations and net movement in provisions

Balance sheet strength supports our growth strategy

Net cash (£m)



Capital allocation policy

Priority 1: Invest in our capabilities
- £84m capital investment
- M&A opportunities pursued

Priority 2: Maintain balance sheet strength
- £225m net cash
- Excellent cash conversion
- Supports sustainable leverage

Priority 3: Progressive dividend to shareholders
- £40m dividend payments
- FY22 full year dividend: 7.3p per share

Priority 4: Return excess cash to shareholders
- Regular review to ensure consistency with overall strategy

FY23 other technical factors

	FY22	FY23	
Net finance expense	£1.4m	→	Expect stable net cash so flat underlying net finance expense
Effective tax rate	13.2%	↗	Expected to increase due to growth of international profits
Tax cash outflow	£20.0m	→	Expected to be broadly flat
Net working capital change	£21.5m	↘	Expected modest cash outflow as a result of our growth ambition
Capital expenditure	£84.3m	↗	Increase to the upper end of £90m - £120m as we invest in customer facing propositions, our employee value proposition & our business infrastructure

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Outlook Statement

FY23

- We enter FY23 with confidence, a healthy order-book, £900m revenue under contract and positive momentum
- We remain confident to deliver in line with our current expectations for FY23, with mid-single digit organic revenue growth and operating profit margin towards the middle of our 11-12% expected range, lower than our medium to long-term guidance driven by inflationary pressures and our continued investment to support future growth. Capital expenditure is expected to be at the upper end of the £90m to £120m per annum range, consistent with our previous guidance and our strategy to invest to grow

Longer term

- Our ambition is to deliver c.75% growth in the next five years, as we have in the last six years, with revenue of more than £2.3bn in FY27 and beyond. This means we are targeting mid-single digit percentage compound organic revenue growth over the next five years, with strategic acquisitions further enhancing this growth
- We are targeting an operating profit margin of 12-13% in the mid to long-term. ROCE is forecast to remain strong at the upper end of the 15-20% range

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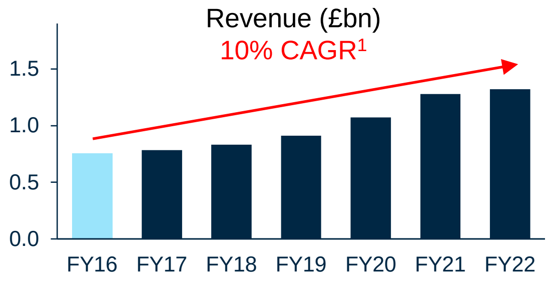
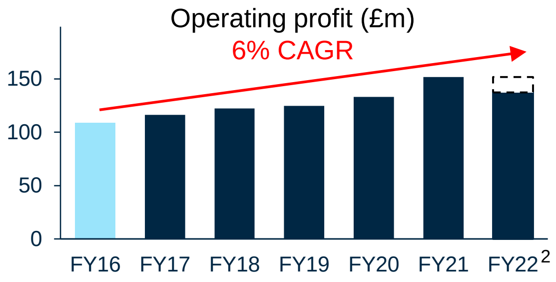
Strategic update

Steve Wadey
Chief Executive Officer

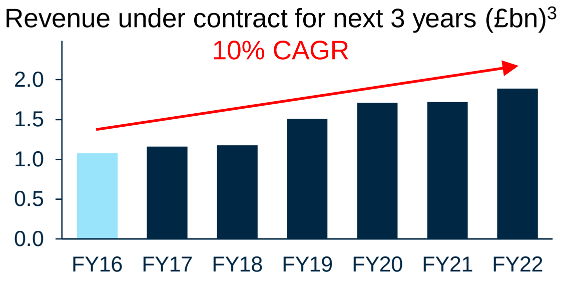
Growing an integrated global company to deliver enhanced returns

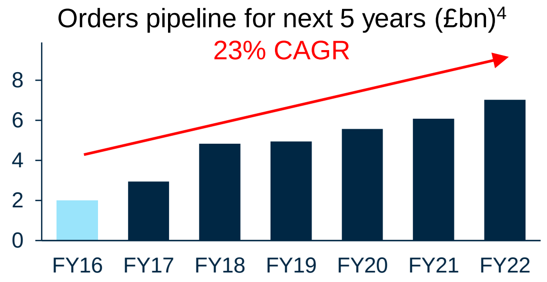
Good operational performance

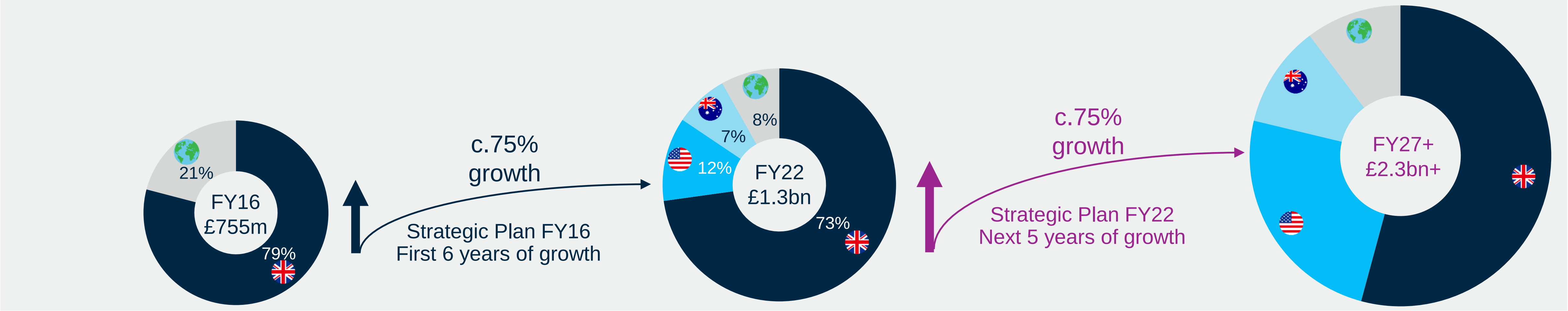




Increasing forward visibility







Delivering sustainable global growth over the next 5 years

[1] Compound Annual Growth Rate [2] FY22 shows add back for complex project write-down and is included in CAGR [3] Revenue under contract for next 3 years at end of FY [4] Orders pipeline for next 5 years at end of FY, FY16 estimated

Increased European and Indo-Pacific threats driving rapid defence modernisation

Market opportunity[1]

FY22 revenue

$773bn budget request with 10% increase in RDT&E[2] to $130bn

>£15bn

£153m

£46bn with £6.6bn focused on R&D and experimentation over 4 years

>£3bn

£962m

ROW

>£1.5bn

£107m

7% increase to $49bn budget focused on sovereign capability modernisation

>£0.5bn

£98m

Heightened need for our high-value solutions within >£20bn addressable market

[1] Sources: Jane's Market Budget Forecast April 2021, UK MOD and US DOD forecasts for RDT&E, Australia Defence publications and QinetiQ estimates [2] Research & Development and Test & Evaluation

Our strategy is increasingly relevant to respond to market dynamics

Purpose

Protecting lives and securing the vital interests of our customers

Vision

The chosen partner around the world for mission-critical solutions, innovating for our customers' advantage

Mission-led innovation

Create it | Test it | Use it

Creating a safe and secure environment for us all to thrive

Our Values Integrity | Collaboration | Performance

Our Behaviours Listen | Focus | Keep my promises

Customer focused growth strategy

Global leverage
Build an integrated global defence and security company to leverage our capability through single routes to market in UK, US, Australia, Canada, Germany and Belgium

Distinctive offerings
Co-create high-value differentiated solutions for our customers in experimentation, test, training, information, engineering and autonomous systems

Disruptive innovation
Invest in and apply disruptive business models, digitisation and advanced technologies to enable our customers' operational mission at pace

We deliver safely, responsibly and sustainably for the benefit of all our stakeholders

Building an integrated global defence and security company

- Secured record order intake across Group at £1.23bn
  - EDP[1] achieved full operating capability and £320m new orders in year in UK
  - 20% growth in new awards in the US with $253m in year
  - MSP[2] growing annually at 20% with $97m in year in Australia

- Focus on programme execution and delivery across all major contracts
  - Excellent revenue growth in Australia up 26% and UK up 12%
  - New leadership team focused on US growth strategy following slower recovery, primarily due to budget being constrained by extended Continuing Resolution

- Well positioned to deliver 75% sustainable growth over next 5 years
  - 30% growth from UK and more than 50% from US and Australia
  - Increasing customer demand for our differentiated high-value solutions

Major focus on AUKUS[3] countries with shared security mission

[1] Engineering Delivery Partner [2] Major Service Provider [3] Australia, United Kingdom, United States

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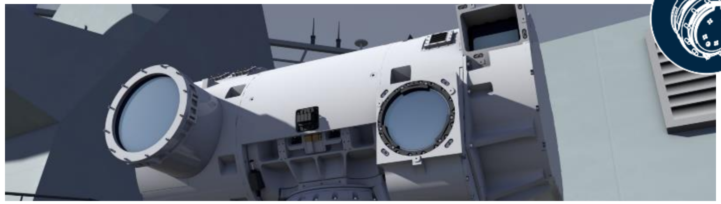
Partnering with our customers to deliver six distinctive offerings



Experimentation and technology

Robotics and autonomous systems

Engineering services and support

Test and evaluation

Cyber and information advantage

Training and mission rehearsal

Our high-value solutions are increasingly relevant to national defence & security challenges

T3E: Test, Trials, Training and Evaluation

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Delivering value through disruptive innovation to enable our customers' mission

- Changing character of warfare and widening threat spectrum
  - Adversaries deploying novel capability e.g. first use of hypersonic missile
  - Customer requires major shift in agility and pace to neutralise threats

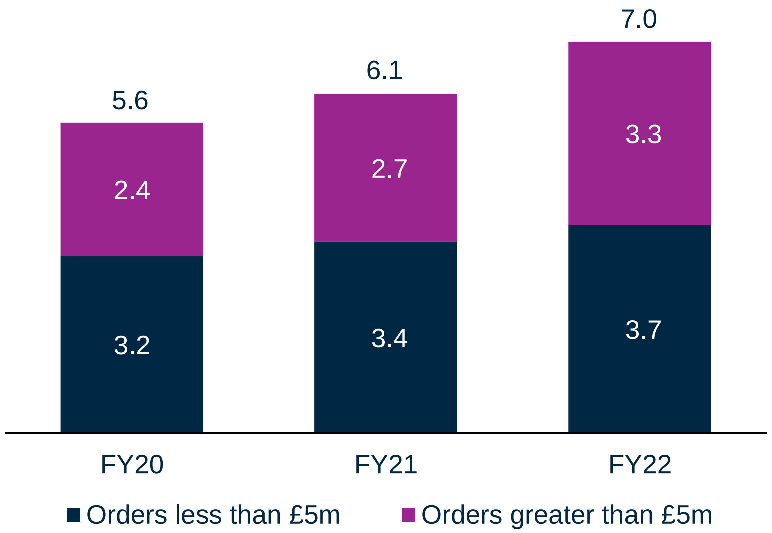
- Cutting-edge technology solutions to create operational advantage
  - £115m orders for weapons research e.g. directed energy for counter-hypersonics
  - Electrification of land systems e.g. electric drive on Bradley fighting vehicle
  - Interoperable UAS[1] experiment e.g. NATO REPMUS[2] 2021 exercise

- Partnering to win larger, longer-term programmes; £7bn orders pipeline
  - 25% growth in orders pipeline over last 2 years; 2/3rds from orders >£5m
  - Addressing opportunities responding to common customer challenges

Expanding pipeline underpins confidence in future growth

[1] Uncrewed Autonomous Systems [2] Robotic Experimentation and Prototyping of Maritime Uncrewed Systems

Orders pipeline for next 5 years (£bn)



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Enhancing focus on ESG[1] and enabling our people to thrive

Environmental

- Net Zero[2] by 2050 or sooner and 33% reduction by 2030
- Reduced Scope 1/2 by 32% in last 3 years
- Co-creating solutions with our customers

Social

- Enhanced focus on safety & wellbeing
- £10m additional investment in our people
- Leadership Team augmented for global growth, increased to 36% women

Governance

- Strengthening delivery skills & processes
- Launch of Sustainable Procurement guide
- Purpose driven: protecting lives & securing the vital interests of our customers

17.5% of all leadership incentives focused on delivering our ESG commitment

[1] Environmental, Social and Governance [2] Scope 1, 2 and 3

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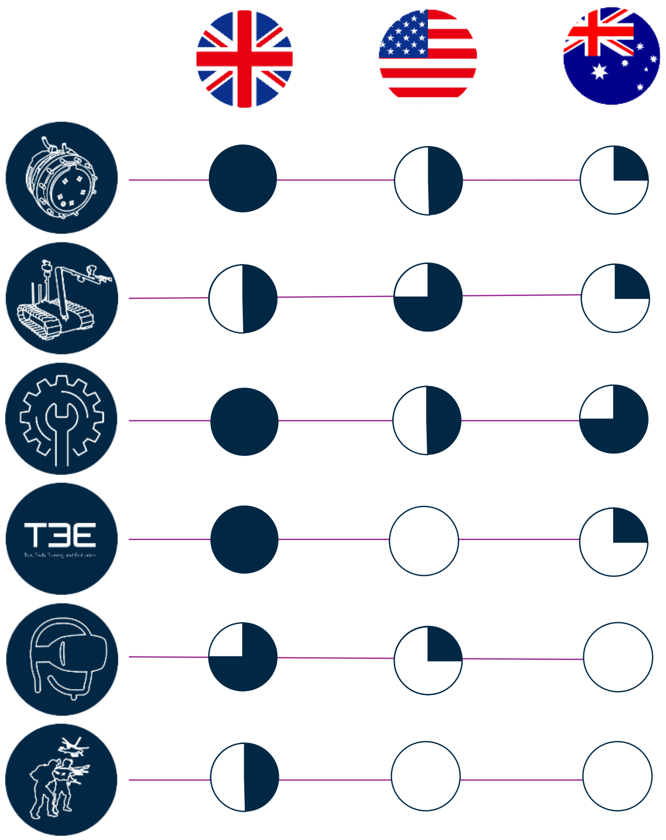
Creating a global leader in mission-led innovation

- Leveraging our distinctive offerings to drive organic growth
  - Maximising focus on our customers' needs' through single routes to market
  - Building local capability e.g. launch of T&E[1] Sovereign Skills programme
  - Collaborating across countries through global campaigns; new RAS[2] campaign

- Actively optimising portfolio through strategy-led choices
  - UK acquisitions delivering strong growth i.e. Inzpire, NSC and Naimuri
  - US and Australia prioritised for acquisitions to complement organic growth

- Investing in our people, technology and capabilities to meet future needs
  - Developing global digital workspace and customer solutions e.g. digital T&E
  - Driving continuous improvement to bidding and programme delivery capability

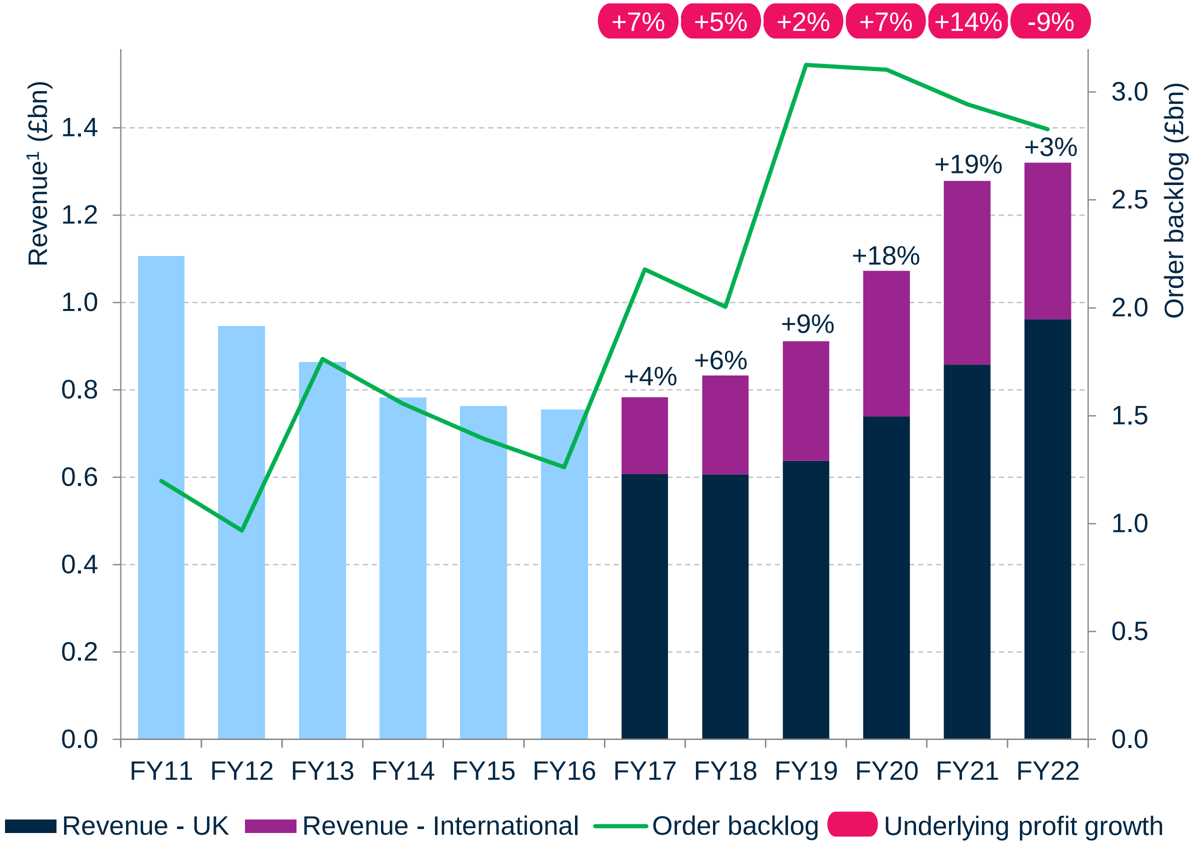


Robust plan to drive disciplined execution of global growth strategy

[1] Test and Evaluation [2] Robotics and Autonomous Systems ◕ Breadth of offering

Focused on sustainable global growth – summary

- Good progress with strong second half momentum
  - Orders up 9% and revenue up 5% on an organic basis
  - Profit £137.4m, 11.4% margin before £14.5m write-down
- Continued discipline in execution of growth strategy
  - Delivered 75% revenue growth over last 6 years
  - Increasingly relevant to respond to market dynamics
- Customer focus to drive c.75% growth in next 5 years
  - Heightened market needs for our distinctive offerings
  - Invest in organic growth and strategic acquisitions
  - Increased ambition to more than £2.3bn revenue by FY27



Growing our global company to deliver enhanced shareholder returns

[1] Revenue based on continuing operations only and incremental growth on a reported basis

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Questions?

Appendix

Definitions

- This preliminary announcement does not constitute the Group's full financial statements for the year ended 31 March 2022. The Group's full financial statements will be approved by the Board of Directors and reported on by the auditors by 23 May 2022. Accordingly, the financial information for FY22 is presented unaudited in the preliminary announcement
- Underlying performance is stated before:
  - Amortisation of intangibles arising from acquisitions
  - Pension net finance income
  - Gains/losses on disposal of businesses, investments and property
  - Transaction and integration costs in respect of business acquisitions
  - Impairment of property and goodwill
  - Change in accounting policy in respect of software implementation costs
  - Tax impacts of the above items
  - Significant non-recurring deferred tax movements
- Book to Bill:
  - Orders won divided by revenue recognised excluding the LTPA contract
- Organic growth:
  - The level of year-on-year growth, expressed as a percentage, calculated at constant prior year foreign exchange rates, adjusting for business acquisitions and disposals to reflect equivalent composition of the Group

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Good underlying trading performance before complex project write-down impact

	FY22			FY21	Underlying change		
	Underlying results **£m**	Complex project write-down £m	**Excluding write-down** **£m**	Underlying results £m	Including write-down £m	Excluding write-down £m	Excluding write-down (organic) £m
Orders	**1,226.6**	22.5	**1,249.1**	1,149.4	7%	9%	11%
Revenue	**1,320.4**	10.7	**1,331.1**	1,278.2	3%	4%	6%
Operating profit	**137.4**	14.5	**151.9**	151.8	(9%)	0%	(3%)
Operating profit margin	***10.4%***		***11.4%***	*11.9%*			

Revenue by customer and country

Revenue by customer (%)

FY22

£1,320.4m

	%
MOD	**62%**
DoD	**7%**
Government agencies	**13%**
Commercial Defence	**14%**
Commercial	**4%**

FY21

£1,278.2m

	%
MOD	**57%**
DoD	**11%**
Government agencies	**20%**
Commercial Defence	**8%**
Commercial	**4%**

Revenue by destination country (%)

FY22

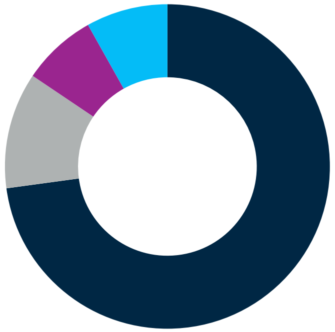
£1,320.4m

	%
UK	**73%**
US	**12%**
Australia	**7%**
Other	**8%**

FY21

£1,278.2m

	%
UK	**67%**
US	**17%**
Australia	**6%**
Other	**10%**



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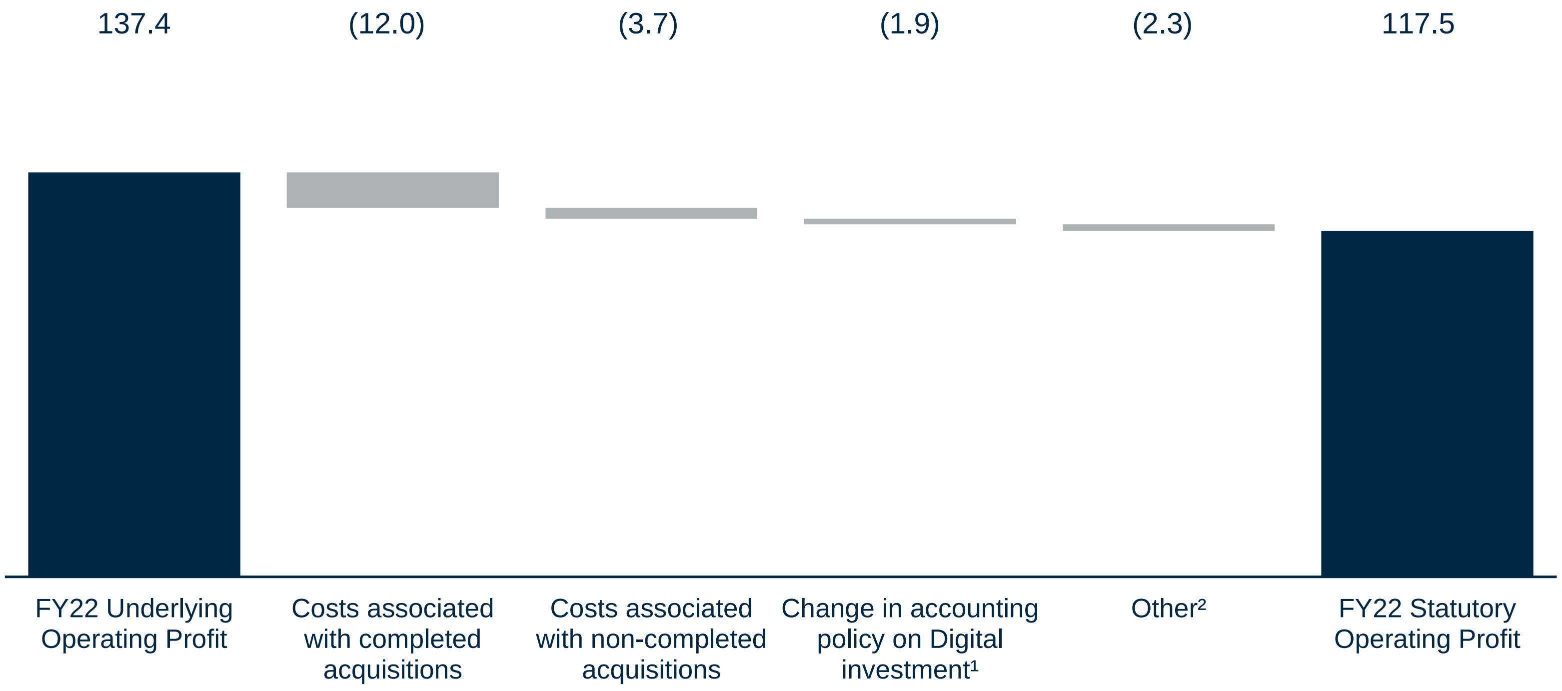
Exceptional costs pre-tax, driven by acquisitions and change in accounting policy

Underlying to Statutory Operating Profit (£m)



1 Per IFRIC agenda decision
2 Pension past service costs, gain on sale of property and fair value adjustments, offset by impairment on property

Income statement including specific adjusting items

	FY22 £m	FY21[1] £m
Revenue	**1,320.4**	1,278.2
Underlying operating profit	**137.4**	151.8
Underlying net finance expense	**(1.4)**	(1.9)
Underlying profit before tax	**136.0**	149.9
Gain on sale of property	**0.7**	0.1
(Loss) / gain on sale of business	**(0.9)**	28.4
Gain on sale of investment in JV	**-**	0.3
Fair value in respect of contingent consideration	**0.6**	-
Acquisition costs	**(5.0)**	(2.8)
Amortisation of intangibles	**(10.7)**	(10.9)
Property impairment	**(1.2)**	(0.5)
Impairment of goodwill	**-**	(25.4)
Pension net finance income	**4.5**	7.1
Pension past service cost	**(2.4)**	-
Change in accounting policy on digital investment	**(1.9)**	(3.6)
Total specific adjusting items (pre-tax)	**(16.3)**	(7.3)
Profit before tax	**119.7**	142.6
Taxation	**(29.7)**	(20.7)
Profit after tax	**90.0**	121.9

[1] Prior year comparatives have been restated due to a change in accounting policy in respect of software implementation costs

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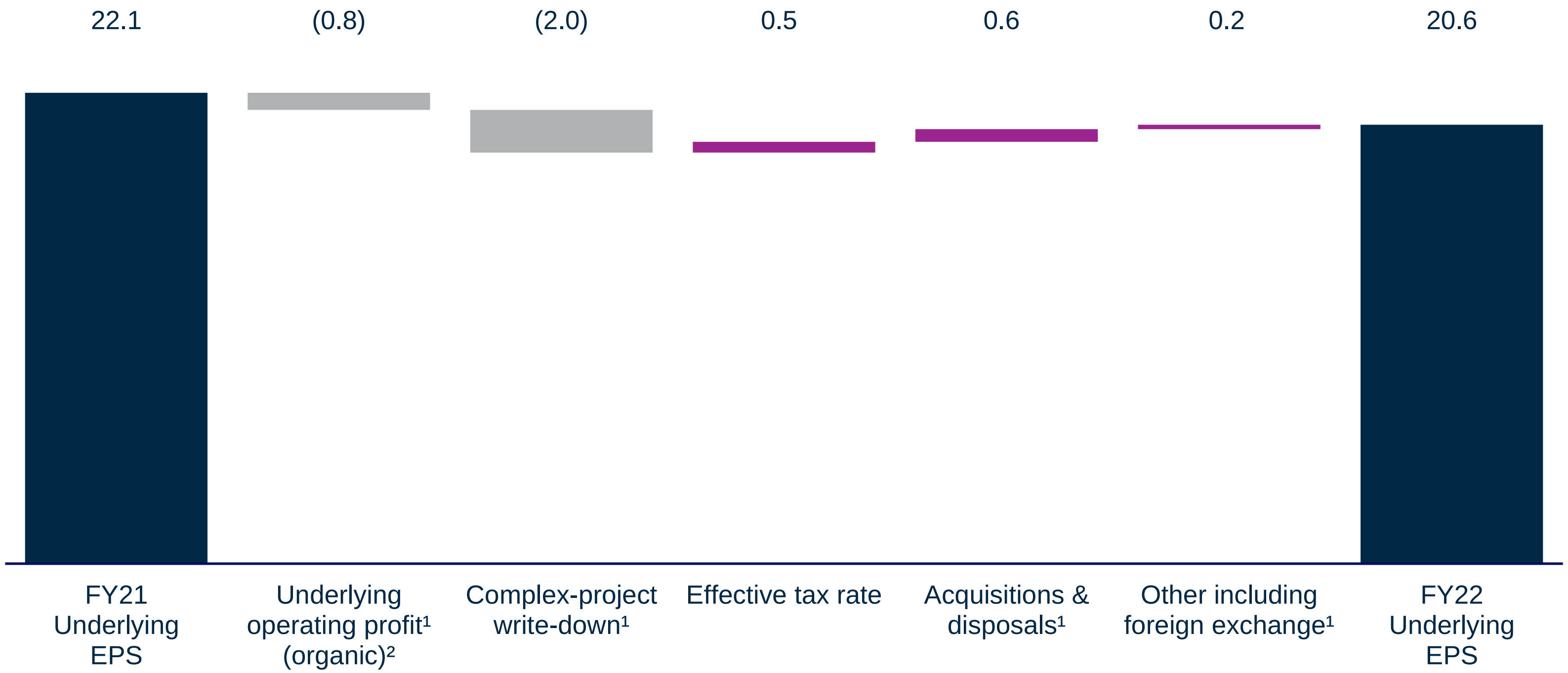
Taxation

	FY22 £m	FY21[1] £m
Underlying tax charge	**(17.9)**	(23.8)
Tax on specific adjusting items	**(11.8)**	3.1
Total tax charge	**(29.7)**	(20.7)
Underlying tax rate	**13.2%**	15.9%

[1] Prior year comparatives have been restated due to a change in accounting policy in respect of software implementation costs.

Underlying earnings per share (pence)



1 Post-tax
2 Excluding complex write-down project

Cash conversion

	FY22 £m	FY21[1] £m
Underlying operating profit	**137.4**	151.8
Depreciation and amortisation	**52.1**	50.3
Underlying Changes in working capital	**21.5**	(12.7)
Loss on disposal of PPE	**-**	1.0
Share-based payments charge	**7.4**	10.6
Share of post-tax profit of equity accounted entities	**(0.3)**	(0.7)
Net movement in provisions	**(1.0)**	0.3
Retirement benefit contributions in excess of income statement expense	**(1.8)**	(1.6)
Net cash inflow from operations	**215.3**	199.0
Cash conversion %	**114%**	98%
Net capex	**(84.3)**	(75.9)
Net cash inflow from operations (post-capex)	**131.0**	123.1
Net interest	**(1.0)**	(1.4)
Taxation	**(20.0)**	(15.0)
Free cash flow	**110.0**	106.7

[1] Prior year comparatives have been restated due to a change in accounting policy in respect of software implementation costs

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Movements in net cash

	FY22 £m	FY21[1] £m
Free cash flow	**110.0**	106.7
Dividends	**(40.2)**	(37.7)
Acquisition of business	**(0.8)**	(28.5)
Acquisition transaction costs	**-**	(1.0)
Unsuccessful acquisition costs	**(3.7)**	-
Disposal of property	**1.5**	-
Disposal of business	**-**	54.4
Change in accounting policy on digital investment	**(1.9)**	-
Disposal of investments	**-**	0.3
Purchase of own shares	**(0.8)**	(9.0)
Other (including FX)	**(3.1)**	(5.8)
Change in net cash	**61.0**	79.4
Opening net cash - 1 April	**164.1**	84.7
Closing net cash - 31 March	**225.1**	164.1

[1] Prior year comparatives have been restated due to a change in accounting policy in respect of software implementation costs

Our capital allocation policy in action

Priority 1	Priority 2	Priority 3	Priority 4
Invest in our capabilities	Maintain balance sheet strength	Provide a progressive dividend to shareholders	Return excess cash to shareholders

Priority 1
- £84m capital investment
- M&A opportunities pursued

Priority 2
- £225m net cash
- Excellent cash conversion
- Supports sustainable leverage, as outlined in Investor Seminar

Priority 3
- £40m dividend payment
- FY22 full year dividend announced: 7.3p per share

Priority 4
- Regular review to ensure consistency with the overall strategy

Clear and concise capital allocation policy

QINETIQ

Balance sheet

	31 March 2022 £m	31 March 2021[1] £m
Goodwill	**149.4**	145.5
Intangible assets	**140.3**	133.1
Property, plant and equipment	**414.5**	397.2
Working capital	**(85.4)**	(82.6)
Retirement benefit surplus (net of tax)	**265.8**	168.8
Other assets and liabilities	**(66.3)**	(41.2)
Net cash	**225.1**	164.1
Net assets	**1,043.4**	884.9

[1] Prior year comparatives have been restated due to a change in accounting policy in respect of software implementation costs

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Confirmed pension surplus

	31 March 2022 £m	31 March 2021 £m
Equities	**220.8**	187.6
LDI investment	**291.8**	362.3
Asset backed security investments	**501.7**	455.6
Bonds	**306.0**	352.8
Property funds	**29.5**	76.6
Cash and cash equivalents	**78.5**	49.3
Derivatives	**(8.5)**	(0.4)
Insurance buy-in policies	**645.9**	588.0
Market value of assets	**2,065.7**	2,071.8
Present value of scheme liabilities	**(1,703.5)**	(1,857.5)
Net pension asset before deferred tax	**362.2**	214.3
Deferred tax liability	**(96.4)**	(45.5)
Net pension asset	**265.8**	168.8

- Accounting net pension asset of £265.8m (after deferred tax)
- Scheme is hedged against ~95% of interest rate risk and ~95% of the inflation rate risk, as measured on the Trustees' gilt-funded basis

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