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## QinetiQ Group plc First Quarter Trading Update

**21 July 2021** – QinetiQ Group plc (“QinetiQ” or “the Group”) today issues a trading update covering its first quarter of trading.

### Strong first quarter performance

We have made a good start to the new financial year, with strong group operational performance. Orders, revenue, profit and cash are in-line with expectations. Our visibility on revenue under contract for FY22 has increased to £940m, up from £800m at April 2021, and we continue to mitigate the impact of COVID-19. Consequently, we remain confident of delivering in line with our expectations, with mid-single digit organic revenue growth at 11% to 12% operating profit margin, rising to 12% to 13% operating profit margin in the medium term.

We have seen a strong start to the year in EMEA Services, in particular with continued good order intake in the Cyber & Information business and strong revenue growth in the Maritime & Land business, this is partially offset by a slower quarter for Global Products due to lower year-end backlog. Overall, the Group is showing good continued growth and profitability in line with our expectations.

### Strategy Update

Our strategy to build an integrated global defence and security company with revenues of more than £2bn is continuing to deliver well. Building on our successful 5-year track record of growth, we are continuing to deliver for our customers and on our promises. We remain focussed on our six home and priority countries and our six distinctive offerings, using our balance sheet to support growth into our >£20bn addressable market through both strong organic growth and strategically aligned acquisitions. In the first quarter, we achieved a number of successes that demonstrate our delivery on strategic objectives:

- **International successes** – Through the first quarter we have seen strong progress in our international markets. In Australia we achieved a first order for SPUR robots demonstrating global leverage of our capabilities from the US into Australia, in Germany we saw strong recovery in training flying hours, in Canada we signed a framework agreement to support the Canadian navy and other forces in future maritime operations development and in Belgium we won a contract with the European Space Agency to deliver and operate a new satellite to support technological innovation, de-risking and concept testing for public agencies and commercial enterprises in Europe.
- **SPECTRE contract in the US** – Building on the successful delivery and trials of our ISR prototype system on a Program of Record, we have won a \$24m contract from the US Army to build three additional SPECTRE next generation full spectrum hyperspectral prototype sensors. SPECTRE is an ISR (intelligence, surveillance and reconnaissance) sensor system that enables multi-mission Uncrewed Aircraft Systems (UAS) and crewed aircraft to operate in parallel to other critical sensor payloads and weapons, with improved performance at a fraction of the size and weight of the sensors currently in use by the US Government. This is exciting progress for our US business, with opportunity for greater exploitation in the future.

- **Formidable Shield 21** – We supported Formidable Shield, the largest live-fire Integrated Air and Missile Defence exercise in 2021 led by US Sixth Fleet and conducted by Naval Striking and Support Forces NATO. In total, 16 ships, 31 aircraft, and approximately 3,300 personnel from ten NATO nations participated in the live training event at the Hebrides range. We provided the safe environment, logistics and range control to facilitate this trial, across the maritime and air domains. A range of targets were used to test defences, including subsonic, supersonic and ballistic targets. This is an excellent example of our investment in the LTPA contract driving enhanced operational outcomes for our customers, increasing the demand for our ranges and QinetiQ being at the leading edge of safe delivery of complex events to ensure our NATO allies can defend against future threats.
- **Strike Warrior 21** – We supported the Royal Navy Carrier Strike Group Strike Warrior exercise at MOD Aberporth and Hebrides ranges, with our operational training and missions system business Inpire, supporting the overall training activity using its God's Eye View (GEV) capability. Exercise Strike Warrior involved more than 20 warships, three submarines and 150 aircraft from 11 nations and was the final test for the Carrier Strike Group before its first operational deployment. The GEV system developed by QinetiQ enabled the Royal Navy and Royal Air Force to enhance the training value from the exercise with a near real time picture of the overall exercise tracking each asset across waters off north-west Scotland by connecting sensors across the Hebrides range and RAF bases through a digital backbone.
- **BATCIS contract extension** – In 2018 we won a significant competitive programme to provide Private Sector client side Support to the Battlefield Tactical Communication and Information Systems (BATCIS) Delivery Team within Defence Digital (within MOD). The contract is a critical enabler to deliver the next generation of Tactical Communication and Information Systems as part of a Single Information Environment for UK armed forces. Following the strong delivery in the first three years of the programme by both QinetiQ and in collaboration with our partners (Roke, ATOS and BMT) and suppliers, we have been awarded a one year extension.
- **Pension bulk annuity insurance buy-in** – As reported in our 2021 Annual Report and Accounts, the Scheme completed a further bulk annuity insurance buy-in at a cost of £132m, to remove longevity risk, interest rate risk and inflation risk. This follows the buy-in in 2019, taking the de-risked element to over £800m (or more than 40% of the Scheme's £1.86bn present value liabilities, as at 31 March 2021).

On 2 July 2021, we announced that David Smith, Chief Financial Officer, intended to retire and that he would be succeeded by Carol Borg from 1 December 2021. Carol will commence her employment with QinetiQ and join the Board on 11 October 2021 to enable a smooth transition period prior to David's departure.

## AGM

QinetiQ's 2021 Annual General Meeting (AGM) will be held at 10am today at Cody Technology Park, Ively Road, Farnborough, GU14 0LX.

## About QinetiQ

QinetiQ (QQ.L) is a leading science and engineering company operating primarily in the defence and security markets. We work in partnership with our customers to solve real world problems through innovative solutions delivering operational and competitive advantage. Visit our website [www.QinetiQ.com](http://www.QinetiQ.com). Follow us on LinkedIn and Twitter @QinetiQ. Visit our blog [www.QinetiQ-blogs.com](http://www.QinetiQ-blogs.com).

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