
QinetiQ Group plc Fourth Quarter Trading Update

20 April 2022 – QinetiQ Group plc (“QinetiQ” or “the Group”) today issues a trading update covering its fourth quarter to 31 March 2022.

Strong operational performance in fourth quarter – ahead of full year guidance

Through continued disciplined execution of our strategy, the Group has delivered strong operational performance through the fourth quarter. Today we are pleased to announce that we expect our results for the full year to 31 March 2022 to be marginally ahead of our previous guidance and current market consensus expectations.

Full year order intake has been very strong at more than £1.2bn and, subject to audit, we expect to deliver c.5% revenue growth on an organic basis with underlying operating profit of at least £135m. Operating cash flow has been excellent and we retain a strong balance sheet with net cash at 31 March 2022 of c.£225m.

Our strong performance has been driven by significant growth in EMEA Services, partially offset by the slower recovery in Global Products. We saw continued excellent growth in Australia and the UK driven by good programme execution and delivery across all our major contracts. US revenue performance recovery was slower than expected, with the second half in line with the first half, largely due to the US defence budget being constrained by the extended Continuing Resolution. However, we secured 20% year-on-year growth in order intake which, coupled with our new leadership team, provides a strong foundation for the delivery of our US growth strategy. The complex project contract is now closed and the financial impact remains the £14.5m write-down fully contained in our first half results.

We retain our medium to long-term guidance: we are targeting mid-single digit percentage compound annual organic revenue growth over the next five years, with strategic acquisitions further enhancing this growth. We are targeting a long-term operating profit margin of 12-13%, although in the short-term we anticipate margins being c.100bps lower, driven by inflationary pressures and continued investment. Capital expenditure for FY23 is expected to be at the upper end of the £90m to £120m per annum range, consistent with our previous guidance.

Steve Wadey, Group Chief Executive Officer said:

“I am extremely proud of how our people have continued to deliver critical defence and security capabilities for our customers, despite the ongoing challenges of the pandemic. Recent world events have reinforced the long-term needs of our customers, including capabilities utilising differentiated technology, test and training solutions which are directly aligned with our strategy. With a clear focus on disciplined execution of our strategy, increasing demand for our solutions and good revenue coverage, we have positive momentum to deliver sustainable growth in the coming years and are maintaining expectations for Group performance.”

Investor seminar 27 April 2022

We are hosting an investor seminar on 27 April 2022 at The Smith Centre at The Science Museum, Exhibition Road, South Kensington, London, SW7 2DD. The presentation will cover our global ambition with a particular focus on the US and Australia. You are invited to join us for lunch from 12.30pm BST to see a selection of our products and capabilities, as well as meeting the QinetiQ Leadership Team. The presentation will run 1.30-3.30pm BST and there will be an option to view online if you cannot join us in person. More information including how to register can be found on our website here:

<https://www.qinetiq.com/en/investors/investor-seminars/delivering-global-growth>

Preliminary results

We will announce our preliminary results on 19 May 2022. We will be hosting an in-person results presentation, details of which will be available on our website shortly at: www.QinetiQ.com/investors.

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. Follow us on LinkedIn and Twitter @QinetiQ. Visit our blog www.QinetiQ-blogs.com.

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