
QinetiQ Group plc

First Quarter Trading Update

24 July 2019 - QinetiQ Group plc (QinetiQ or the Group) today issues a trading update covering its first quarter of trading.

Maintaining full year expectations

We have made a good start to the new financial year with strong operational performance across the Group. Revenue under contract is now 85%, up from 74% in April 2019 and we are on track to deliver mid-single digit revenue growth this year. Overall, we are reiterating expectations for Group performance in FY20 as set out in our FY19 results statement, with revenue growth at stable margins delivering continued operating profit progression excluding non-recurring trading items.

EMEA Services

In EMEA Services, we have continued to deliver on our growth strategy with orders and revenue in the quarter ahead of the prior year at expected margins. This growth was driven by good performance across the division, particularly in our Cyber Information & Training business.

Global Products

Our Global Products division has also performed well in the first quarter with orders, revenue and operating profit all ahead of the prior year, driven by good performance in all of our core product businesses, particularly QinetiQ North America.

Strategy Update

Our strategy to focus on our customers' needs and grow the company, whilst enhancing returns for shareholders, continues to gather momentum. In the first quarter, we have delivered a number of milestones that demonstrate progress in leveraging investments in our core capabilities, such as the recently renegotiated Long Term Partnering Agreement (LTPA) contract with the UK MOD, and the acquisitions of QinetiQ Germany and QinetiQ Target Systems. We continue to pursue strategy-led investments in further organic opportunities and complementary acquisitions to drive sustainable growth in the years ahead.

We are building on our commitment to lead and modernise UK test and evaluation:

- Exercise Formidable Shield 2019, one of the world's largest maritime live-fire integrated air and missile defence exercises was delivered at the Hebrides range that we operate on behalf of the UK Ministry of Defence (MOD). Ships from Canada, Denmark, France, Italy, the Netherlands, Norway, Spain, the United Kingdom, and the United States participated in more than a dozen successful live-fire and simulated engagements against subsonic, supersonic, and ballistic targets. This exercise was enabled by our recent investment in the LTPA contract, through the air range modernisation programme.

- We delivered the first major milestone of the renegotiated LTPA contract, achieving initial operating capability on schedule for the UK MOD, which demonstrates that we are meeting our customers' performance requirements and successfully transitioning to the new ways of working.
- Building on the renegotiated LTPA, we secured a £19m, nine-year contract to modernise and deliver acoustic and electromagnetic signature measurement and analysis services. These services are critical to enhancing the operational advantage of Royal Navy warships and submarines by decreasing their chances of detection.

We have made further progress in becoming a more international company:

- Following our successful competitive win of the Common Robotic System Individual (CRS-I) program of record from the US Department of Defense in March 2019, we have delivered the first robots on schedule under the Low Rate Initial Production (LRIP) phase. Through the CRS-I program we will be delivering up to 3,000 advanced back-packable ground robots to the US Army over the next seven years.
- As part of the LTPA air range modernisation programme contracted in 2016, QinetiQ Germany has secured a €10m contract to provide range clearance services in the UK over the next nine years. These services will leverage our acquisition of QinetiQ Germany by utilising our fleet of PC-12 aircraft configured as maritime patrol aircraft.

We are also advancing both our commercial and technical innovation to meet our customers' needs:

- In October 2018, we signed a ten-year framework contract to be the Engineering Delivery Partner (EDP) to the UK MOD's procurement agency DE&S, leading a supply chain of more than 120 companies through which we have now secured over £100m of tasking orders.
- We are successfully leveraging our acquisition of QinetiQ Target Systems, with the integration for the Royal Navy of the new Rattler supersonic target into UK ranges we operate under the LTPA. We are also undertaking final flight-testing of the completely re-designed Banshee Next Generation (NG) aerial target as part of our continued investment in the future generation of unmanned aerial systems.

AGM

QinetiQ's 2019 Annual General Meeting (AGM) will be held at 11am today at the offices of Ashurst LLP, Fruit and Wool Exchange, 1 Duval Square, London, E1 6PQ.

About QinetiQ:

QinetiQ (QQ.L) is a leading science and engineering company operating primarily in the defence, security and critical infrastructure 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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