
QinetiQ Group plc

Third Quarter Trading Update and Acquisition of Newman & Spurr Consultancy Limited

4 February 2020 - QinetiQ Group plc (QinetiQ or the Group) today issues a trading update covering its third quarter and announces the acquisition of Newman & Spurr Consultancy Limited (NSC).

Maintaining expectations

Building on a strong first half to the financial year, the Group has continued to perform in line with our expectations. We continue to maintain our expectations for full year operating profit with high single digit revenue growth as previously outlined at our interim results in November 2019.

EMEA Services

The EMEA Services division has continued to perform in line with our expectations delivering organic order and revenue growth compared to the prior year.

Global Products

The Global Products division has also delivered organic order and revenue growth in line with our expectations.

Strategy Update

Our strategy to build an integrated global defence and security company to deliver sustainable growth continues to gain momentum by focusing on our customers' needs. In the third quarter, we have achieved a number of milestones that demonstrate we are delivering on our commitments to customers and pursuing further strategy-led investments to drive organic opportunities and complementary acquisitions.

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

- We have achieved the third major milestone of the renegotiated Long Term Partnering Agreement (LTPA) contract on schedule, demonstrating that we are meeting our UK MOD customers' requirements and successfully transitioning to the new ways of working.
- We have expanded the scope of the LTPA to include a Rapid Innovation Cell in the field of Counter-small Unmanned Air Systems (UAS) and we have successfully delivered new facilities at UK MOD Shoeburyness to assess missile safety and suitability to service, both critical to future warfare.
- The transformed Empire Test Pilots' School (ETPS) successfully delivered the first year of its innovative syllabus using a new civil-registered fleet of aircraft. ETPS is seeing growing demand for its modern approach to test aircrew training from UK and international customers.

We are becoming a more international company, making strategic progress in our US home country:

- In December, we completed the acquisition of Manufacturing Techniques Inc. (MTEQ) following receipt of required regulatory approvals. MTEQ is a leading US provider of advanced sensing solutions with a strong reputation for mission-led innovation, rapidly developing and fielding operationally relevant solutions to deliver information advantage to the warfighter. QinetiQ's new US business unit, created through the combination of QinetiQ North America (QNA) and MTEQ,

represents 25% of the Group and delivers a number of strategic benefits including strengthening our innovation strategy and accelerating our growth in the US, the world's largest defence market.

- In January, the US Army announced its intention to award the Robotic Combat Vehicle Light (RCV-L) program (<https://www.namconsortium.org/sites/default/files/RCV-OTA-Award-Final.pdf>) to QinetiQ. This provides an immediate opportunity to demonstrate the value of our new US business, by leveraging our advanced robotics and sensing technology to create a solution that enables the US warfighter to overcome the next generation of threats, increase force projection, and reduce cognitive burden.

We are increasing our focus on delivering mission-led innovation to meet our customers' needs:

- Today, we announce that we have acquired Newman & Spurr Consultancy Limited (NSC) on a cash-free, debt-free basis for £14m. In the 12 months to 31 July 2019, NSC generated £5.9 million of revenue and £1.3 million of EBITDA. NSC offers a range of attractive training and simulation solutions, primarily in land and joint training areas. NSC represents another strategy-led acquisition, enhancing our capability in areas such as modelling and simulation, synthetic environments and operational analysis. The acquisition will support our global training and mission rehearsal campaign driving future sustainable growth.
- In January, our Space business secured a €75m new contract with the European Space Agency (ESA) to extend Europe's capabilities in operational Earth Observation. As prime contractor, we will lead a consortium of companies to build the ALTIUS satellite, with final assembly at our new state-of-the-art cleanroom facilities in Kruikebeke in Belgium.

This announcement contains inside information relating to the acquisition of Newman & Spurr Consultancy Limited and the person responsible for making this announcement is Jon Messent, Company Secretary.

Preliminary results

QinetiQ will report its preliminary results for FY20 on Thursday 21 May 2020.

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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