

# Renewed ambition to accelerate sustainable growth

QinetiQ Group plc  
Investor Seminar

4 March 2021

QINETIQ

# Agenda

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- Introduction

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- US growth strategy

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- Digital Test & Evaluation

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- Environmental, Social & Governance

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- Financial summary

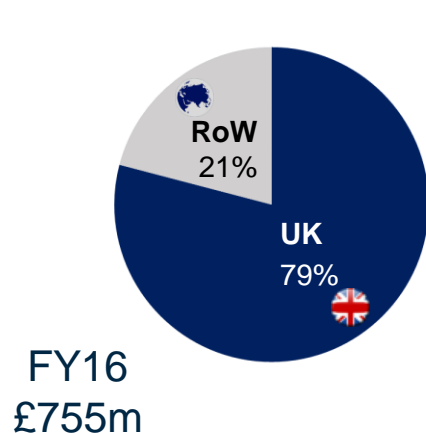
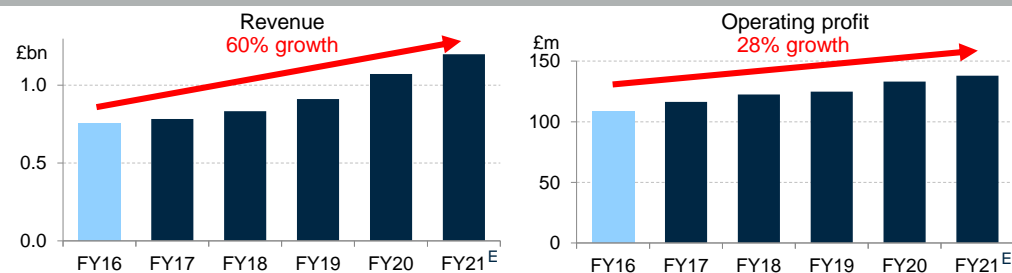
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- Summary

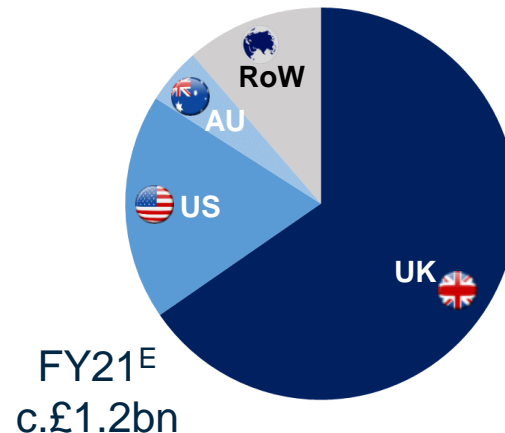
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# Renewed ambition to accelerate growth building on strong track record

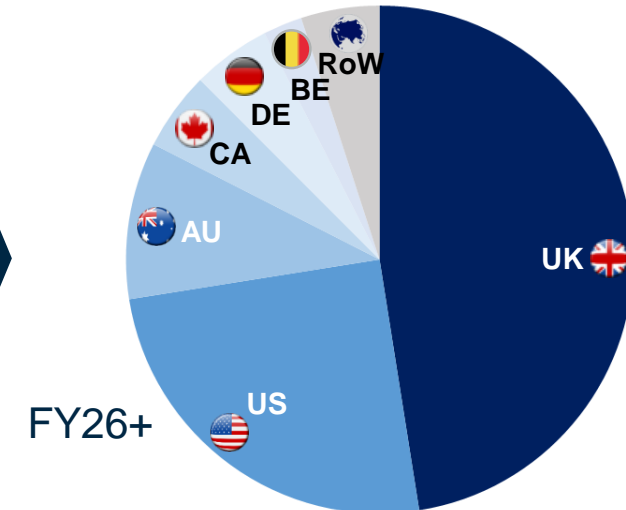
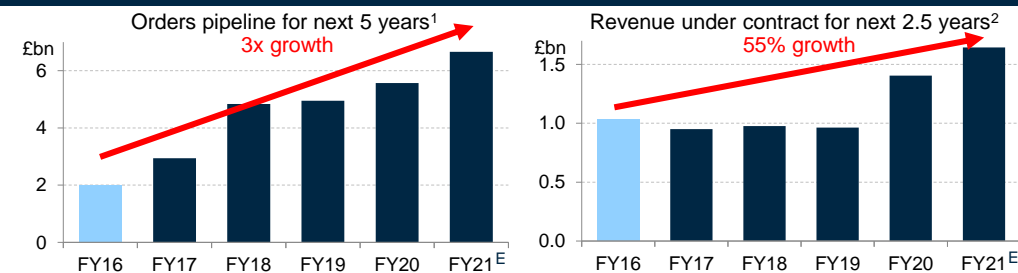
## Strong operational performance



60% growth



## Good forward visibility



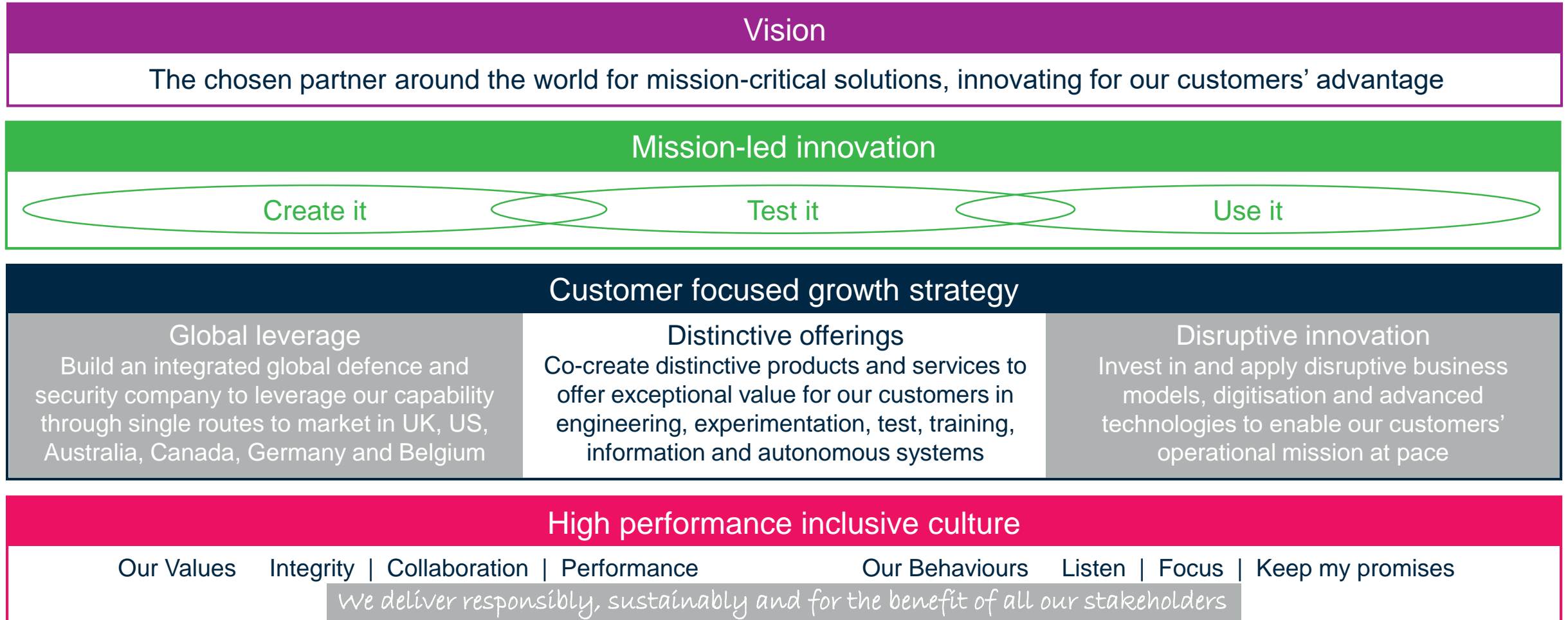
Growing an integrated global company at stable margins to deliver enhanced shareholder returns

<sup>E</sup> FY21 revenue guidance

<sup>1</sup> Orders pipeline for next 5 years at end of each FY; FY16 estimated and FY21 at half year

<sup>2</sup> Revenue under contract for next 30 months at half year of each FY

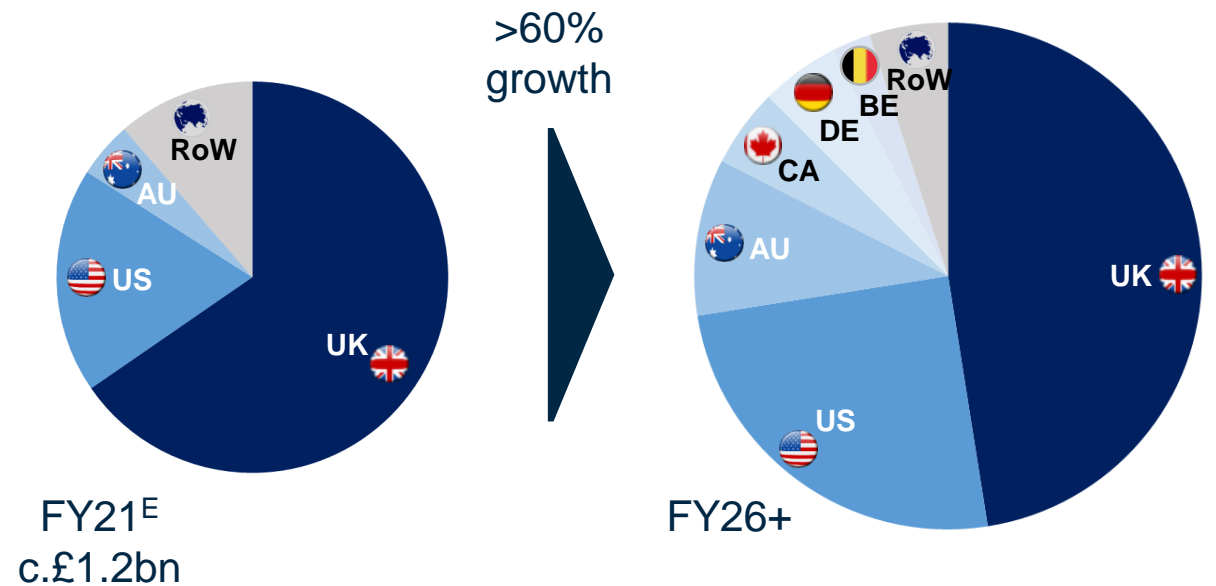
# Evolved strategy to increase focus and accelerate growth



# Key enablers to realise our renewed scale of ambition

- US growth strategy to double revenue to \$600m+
  - Leader in advanced sensing, robotics and autonomy
  - Organic growth and strategy-led acquisitions
- Digital Test & Evaluation investment to enable next generation products and services for our customers
  - Expanding our live virtual offerings at pace
- Environmental, Social & Governance responsibility is fundamental to how we do business
  - Integral to our growth strategy and delivering benefits for our customers, employees and our shareholders

## Accelerating sustainable growth



Growing an integrated global company at stable margins to deliver enhanced shareholder returns

<sup>E</sup> FY21 revenue guidance



# Today's speakers

**Mary Williams**  
President:  
United States



- Joined QinetiQ in December 2019 with the acquisition of MTEQ
- Responsible for United States business unit
- Industry experience
  - Owner and President of Manufacturing Techniques Inc. (MTEQ)
  - Principal, EOIR Technologies
- Other positions & qualifications
  - Hyperspectral expert, engineer & technical leader within the US DoD R&D community for applied sensor technologies

**Nic Anderson**  
Group Managing  
Director: Air & Space



- Joined QinetiQ in May 2018
- Responsible for Air & Space business unit and delivery of EDP
- Industry experience
  - MD Defence Land, Babcock International Group
  - MD Land and Sea, VT Group
  - MD, CAE UK plc and Chairman, CAE ATS plc
  - Operations Director Naval, Customers Solutions & Support, BAE Systems
- Other positions & qualifications
  - Harvard AMP Alumni
  - Trustee Team Army Sports Foundation

**Ian Beresford**  
Group Functional  
Director: Technical



- Joined QinetiQ in October 2006
- Responsible for engineering, safety and technical assurance and resources; Group-lead for Environment
- Industry experience
  - Engineering Officer, Royal Air Force
  - Director of Rotary and Fixed Wing aircraft maintenance facilities, MoD
- Other positions & qualifications
  - MBE, Chartered Engineer, Chartered Director, Qualified Exec Coach
  - Trustee & Deputy Chair of the Royal Air Force Charitable Trust



# US growth strategy

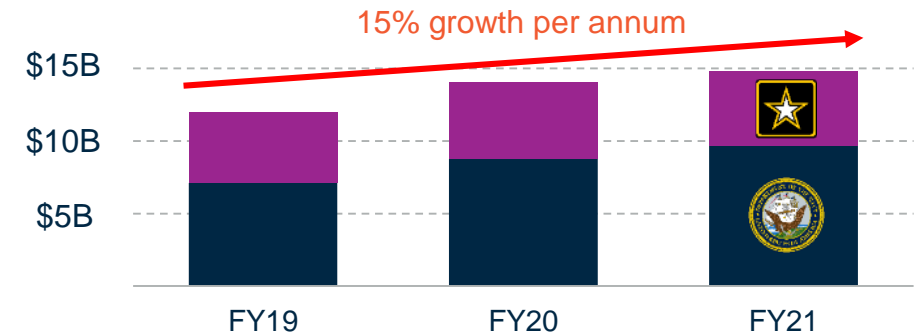
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# Fueling growth through Mission-led Innovation

- Closely supporting US modernization priorities
- Leveraging close customer relationships
- Aligned to key customers' \$15B annual investment in autonomy and sensing
- Differentiated through our 'Mission-led Innovation at Pace' approach
- Robust operations, progressively aligning with global QinetiQ



Sensing and Autonomy R&D Investment

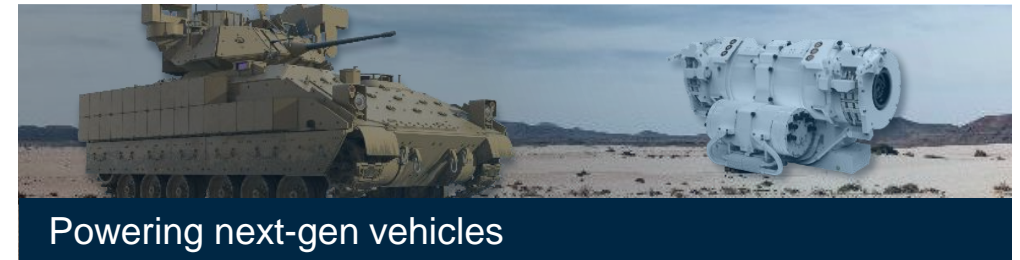


Rapid solutions, robust operations and close customer relationships



# Innovating for evolving defence and security needs

- Robotics and Autonomy Systems (RAS)
  - Examples: *RCV-L*, *Talon™* and *SPUR™*
- Sensor solutions and systems
  - Example: State-of-the-art *airborne surveillance sensing system*
- Maritime systems
  - Examples: *EMALS* and *SEAScout™*
- Global technology leverage
  - Examples: *E-X Drive* and target systems



Fusing our proven technologies to win in a new threat environment

# Strategically positioning for growth

Strategic objectives			
 <b>Integrate</b>  Robust operations as a platform for further acquisitions	 <b>Build</b>  Agile, scalable, and differentiated – with our ‘Mission-led Innovation at Pace’ approach	 <b>Grow Margins</b>  Maturing products that address mission critical modernization needs	 <b>Expand</b>  Winning new contracts across Land, Air, Maritime, Space and Cyber domains
Example projects			
Enhancing our leadership and utilising global QinetiQ business system investments	Single Route to Market, connecting better with our customers to solve their challenges	Creating game-changing, disruptive and affordable products	Investment in strategic capture planning and resources

A clear strategy, driven by a fresh leadership team

# Innovating for our customers to grow in the US

- Clear strategy and fresh leadership
  - Focused on our four primary objectives
- Innovating to fulfill evolving market needs
  - Leveraging our proven technologies – that address a new set of threats
  - Concentrating on advanced RAS, ISR and AI solutions and pulling through global technology
- ‘Mission-led Innovation at Pace’ approach
  - Underpinned by rapid solution development, close customer relationships and industry partnerships



Poised to double our US revenues to over \$600M by 2026

Questions?



# Digital Test & Evaluation

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# Transforming to stay ahead for our customers' advantage

Characteristics of warfare drives new global defence and security paradigm

- Proliferation of low cost and asymmetric threats
- Increased systems complexity
- New technologies introduced at pace

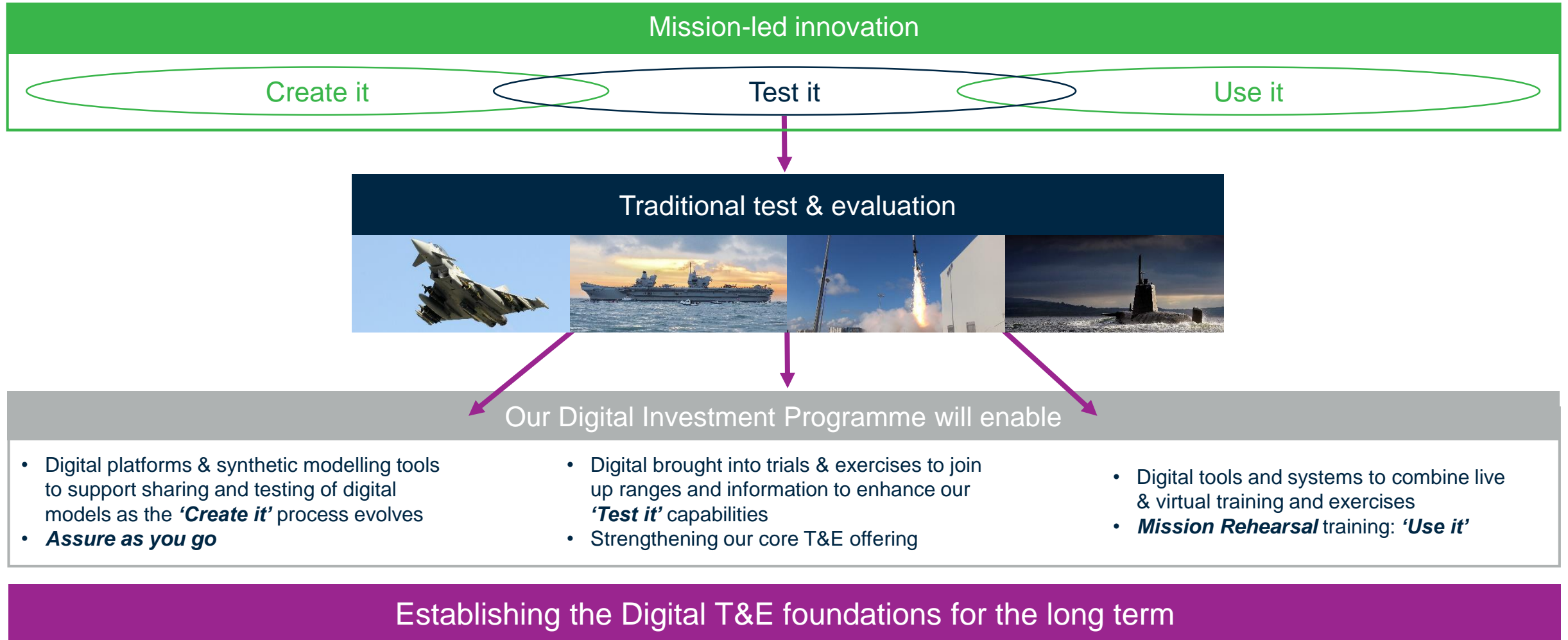
Creates growth drivers for Mission-led Innovation

- Increase pace of capability development
- Enhance connectivity and interoperability
- Maximise value of information throughout system lifecycle

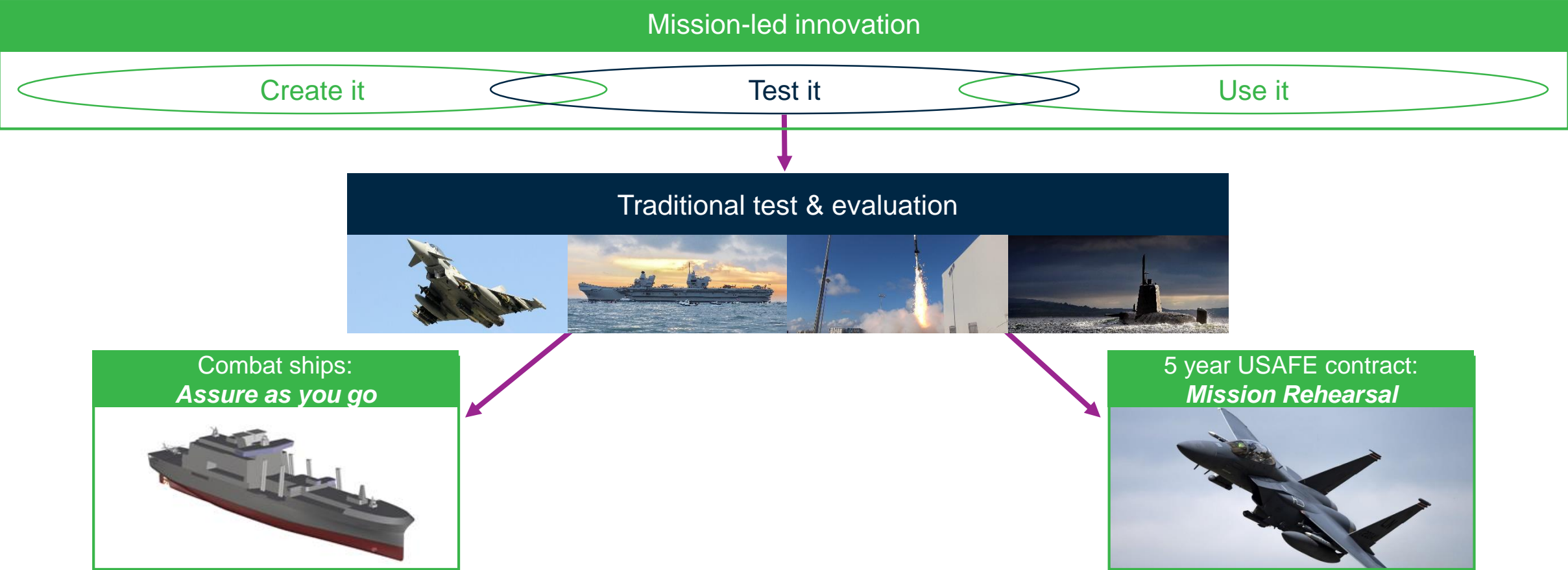


Investing in digital T&E to accelerate our next generation global products and services

# Enhancing our capabilities with Digital T&E



# Expanding our customer services through Digital T&E



Digital T&E provides enhanced customer offerings supporting sustained growth

# Sustained growth through Digital T&E

## Create it

- Developing first of type digital T&E platform – Combat Air Acquisition
- To enable rapid capability delivery for customers saving time and cost



## Test it

- Transferring expertise from UK to Australia – Queensland Range
- Secure, information rich test and mission training



## Use it

- Growing mission simulation in the US - Joint Effects Targeting System
- Supporting customers with mission effectiveness



Digital T&E provides global opportunities leveraging our Home Countries

# Summary – transforming to stay ahead for our customers' advantage

- Characteristics of warfare drives new opportunities for Mission-led Innovation
  - Need new and complex products delivered at pace
  - Seeking advantage through exploitation of information
  - Requirement for opaque and secure mission rehearsal environments
- Creates growth drivers for Digital Test & Evaluation
  - Disruptive digital T&E platform to enable transformation
  - Expands use of live T&E assets through live virtual connectivity
  - Enables global leverage; develop once, use many times
- Investing in global products and services to exploit the growth drivers
  - Committed to digital investment for growth
  - Enabling new growth building on our long term customer partnerships
  - Co-creating new capabilities with customers



Investing in digital T&E to accelerate our next generation global products and services



Questions?



# Environmental, Social & Governance

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# Our Core Purpose is at the heart of our business

## Our Purpose

*Protecting lives, defending sovereign capability and securing the vital interests of our customers*

### Mission-led innovation

Create it

Test it

Use it



### How our customer offerings positively contribute to society

- Take troops out of harms way
- Novel R&D to improve efficiency and emissions

- Improving safety, reliability and accuracy
- Making our troops safer in theatre

- Virtual training: Safe, cost effective, reduced emissions
- Solving security threats

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

# Environment – what we are doing for QinetiQ and for our customers

## Customer solutions



- Innovative fuel efficient engines
- Enhanced operational performance

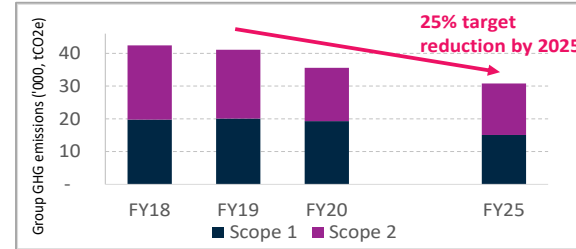


- Live-virtual training
- Reduced physical exercises: improved safety, lower cost & reduced emissions



- ALTIUS satellite development
- To monitor and map stratospheric ozone

## Business operations



- Science based target: GHG Scope 1 + 2 emissions 25% reduction by 2025
- New Non-financial KPI
- Net zero plan



- Deliver complex T&E whilst caring for environment
- Manage and operate 53 conservation sites



- Global Environment, Health & Safety strategy
- Leadership and empowerment

# Society – what we are doing for QinetiQ and for our customers

## Customer solutions



- IP exploitation to combat COVID-19
- C-19 air respirator, airflow modelling

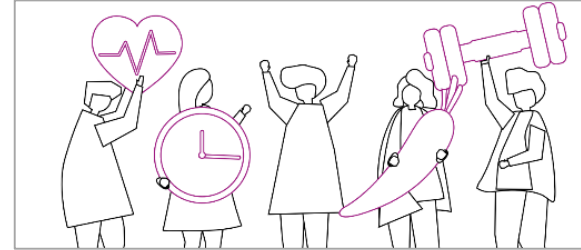


- Technology to solve policing & security threats quicker
- Cyber security for critical assets



- Robotics & autonomy
- Taking the troops out of harms way
- Robotic Appliqué Kit

## Business operations



- High performance inclusive culture
- Wellbeing: mental health & resilience



- Employee engagement
- Global Employee Voice
- Personal development apprentices to PhDs



- Inspirational STEM Outreach
- Local volunteering
- Contribution to society



# Governance – what we are doing for QinetiQ and for our customers

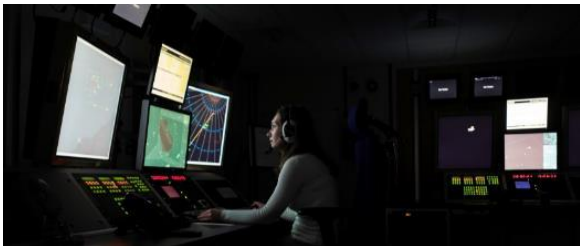
## Customer solutions



- Ensuring safety of military platforms
- Release to service

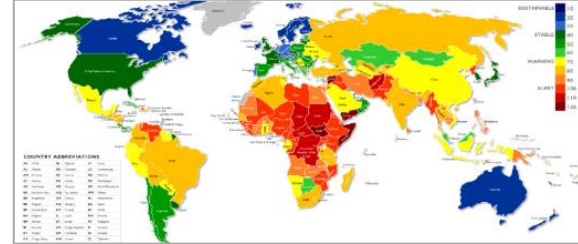


- Weapons safety and advice
- Advise on safe, storage and disposal of weapons



- Manage multi-national Formidable Shield exercises
- Conduct complex hazardous activities safely

## Business operations



- Ethics of defence: where we do business & with whom
- Leadership role across defence: ADS & DSF



- Code of Conduct
- Tackling modern slavery
- Anti-bribery & corruption programme



- Recognised as '*best practice*' for approach to autonomous systems

## Our Purpose

*Protecting lives, defending sovereign capability and securing the vital interests of our customers*

### Environmental



Climate Change/Net Zero  
Environmental Management  
Waste and Resources  
Conservation and Biodiversity  
Sustainable solutions for customers  
Financing linked to GHG targets

### Social



Employee Engagement  
Diversity & Inclusion  
Employee Health Safety & Wellbeing  
Employee Learning & Development  
Employee Reward and Recognition  
Community investment & STEM outreach

### Governance



Business Ethics  
Code of Conduct  
Anti-bribery and Corruption  
Tackling Modern Slavery  
Trading Policy  
Responsible & Sustainable Procurement  
Leadership Remuneration

## Our values

### Integrity

Fully supported by  
Board & GLT

### Collaboration

Industry leadership: ADS & DSF  
Cross-functional approach

### Performance

MSCI: AA *rating*  
Sustainalytics: A&D Sector *Leader*

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

Questions?



# Financial summary

# Delivering growth and shareholder return

- Successful track record & foundations in place to support continued growth:
  - Last 5yrs: 60% revenue growth & 28% operating profit growth
  - Set up for next 5yrs+: Significant increase in order pipeline and forward visibility
  - Balance sheet strength: £113m net cash (30 Sept 2020) + 2 disposals (c.£35m) + £275m RCF available; leverage optionality for larger M&A
- Ambition to deliver at least the same level of growth in the next 5+ years as we have in the last 5 years:
  - Mid-term organic revenue growth of mid-single digit percentage, plus strategic M&A
- Balanced investment needs to support growth:
  - >£750m\* invested & committed in organic growth & acquisitions over the last 5 years
  - Lower organic investment required to deliver the next phase of growth
  - Strong Return on Capital Employed (ROCE) forecast
- Existing guidance includes growth and investment discussed in this Seminar – no change to guidance:
  - Increasing international revenue from ~35% to over 50%
  - Organic growth at stable margins (12-13%); FY22 & FY23 100bps lower (Digital)
  - Proactive strategy-led acquisitions to further accelerate growth



\* Over FY16 to FY21: includes LTPA £370m committed, £266m acquisitions completed



# Resilient performance through FY21

- Took decisive action early in the pandemic to protect safety and customer delivery and position for growth as we emerge from the crisis
- Continued strong order intake and delivery through COVID-19 pandemic – supporting critical sovereign defence capabilities
- We remain on track to deliver our fifth consecutive year of organic growth
- We maintain our expectations:
  - We expect to deliver low double-digit revenue growth (low to mid-single digit revenue growth on an organic basis) with operating profit margins broadly consistent with our first half performance, reflecting lower COVID-19 impacts but higher digital transformation investment in the second half
- Preliminary results on 20 May 2021



# Financial strategy: growing sustainably and profitably to drive shareholder value

## 1. Revenue Growth

- Selectively winning business in our key focus areas including UK, US and International
- Longer-term contracts providing greater visibility and stability
- Attractive high growth niche markets
- Creating incremental opportunities from carefully considered approach to risk
- Organic growth plus complementary and strategically aligned bolt-on acquisitions

## 2. Stable margins

- SSRO profit headwind in EMEA Services now stabilised
- Increasing product portfolio and longer-term contracts will improve margin stability in Global Products
- Output based contracts provide greater cost flexibility and revenue opportunities
- Continuing to invest in business to support growth
- Maintaining overall cost discipline

## 3. Appropriate Returns

- Clear framework for evaluating opportunities: organic and M&A
- Thoughtful use of our balance sheet
- Ensuring investment returns commensurate with level of risk
- Delivering appropriate return on capital to shareholders

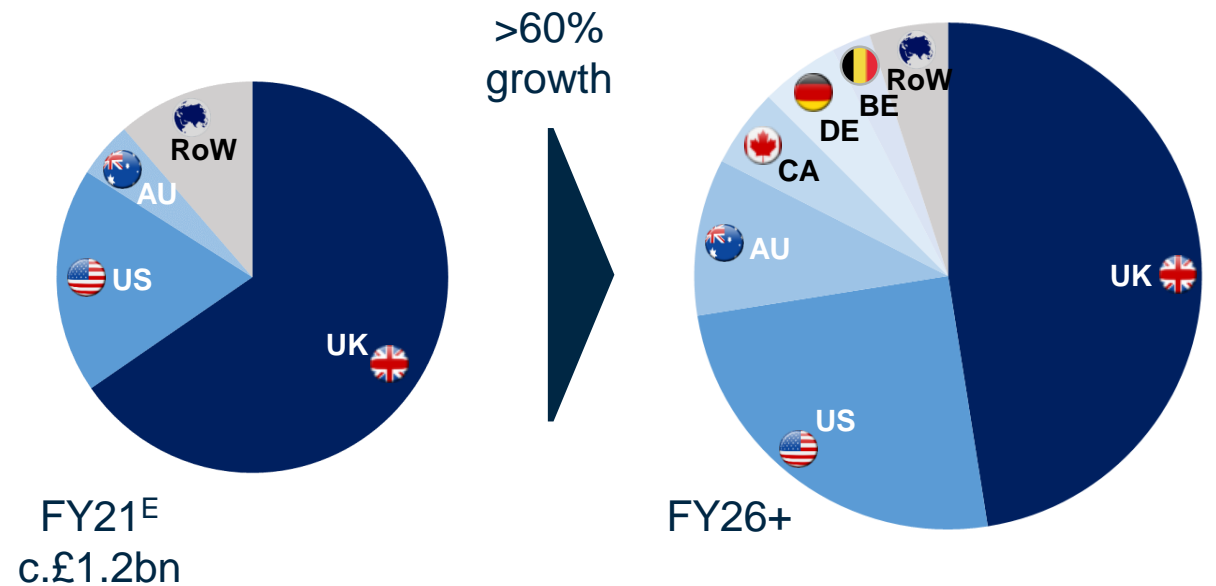


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Growing an integrated global company at stable margins to deliver enhanced shareholder returns

<sup>E</sup> FY21 revenue guidance

Questions?





# Thank you

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