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## QinetiQ Group plc Third Quarter Trading Update

**18 January 2022** – QinetiQ Group plc (“QinetiQ” or “the Group”) today issues a trading update covering its third quarter of trading to 31 December 2021.

### **On track to deliver expectations – Q3 performance demonstrates strong progress**

The Group has delivered strong operational performance in Q3 and we have made significant progress on the two short-term issues described in our interim results. We have continued to achieve excellent order intake, with orders now at more than £900m, and revenue, operating profit and cash flow are in line with expectations. With more than 95% coverage of our FY22 revenue under contract, we remain confident of delivering in line with expectations for FY22, as outlined at our interim results on 11 November 2021.

### **Global Products**

Discussions with the customer regarding the complex project, previously reported at our interim results, now indicate that the most likely outcome is closure of the contract at the end of its term in FY22. While negotiations may continue into FY23, closing this contract brings certainty to our exposure, which remains consistent with the £14.5m write-down fully contained in our FY22 first half results.

We are making good operational progress recovering our US performance and are on track to deliver second half revenue in the US in line with the second half of FY21, as previously noted. We are also making good strategic progress – developing the future growth of the US business by appointing a highly talented and experienced leader as President and CEO, as well as delivering and shaping major programmes that meet both new and enduring needs of our US customers.

### **EMEA Services**

The EMEA Services division continues to deliver on its strategy, winning larger long-term contracts, managing complex programmes effectively and delivering for its customers. We remain confident on the positioning and prospects of our offerings and capabilities. We saw continued strong performance in EMEA Services in Q3 across orders, revenue, profit and cash, particularly in the UK and Australia.

### **Strategy Update**

We continue to make good progress on our strategy of building an integrated global defence and security company delivering mission-led innovation for our customers with revenues of more than £2bn p.a. over the next 5 years. With a strong focus on operational performance and growth into our addressable market worth more than £20bn p.a., we achieved a number of significant strategic milestones in Q3:

- **Shawn Purvis appointed as new President and CEO of QinetiQ US** – with more than 25 years of experience in the US defence and intelligence industry with Northrop Grumman and SAIC, Shawn will join QinetiQ as President and CEO of QinetiQ US on 16 February 2022. Shawn will be a member of QinetiQ’s Global Leadership Team led by Steve Wadey, QinetiQ’s Group CEO and also join the QinetiQ Inc. Board. Shawn is currently a member of the Executive Leadership Team and Corporate Vice President at Northrop Grumman, where she leads Northrop Grumman’s Enterprise Services

sector. With a track record of transformational leadership, driving billion-dollar P&L performance of complex organisations and large scale acquisition integration, Shawn will lead both our short-term operational performance and our long-term strategy to more than double the size of our US business over the next 5 years.

- **Successful field testing of advanced bomb suit for the US Army** – our Next Generation Advanced Bomb Suit (NGABS) has successfully completed field testing to enable full rate production to commence in FY23 worth an estimated \$70m over a five-year period. Our solution brings together a novel see-through Heads-Up Display, combined with advanced integrated sensing capability, to bring a differentiated capability for Explosive Ordnance Disposal operators. As a Program of Record, NGABS production will provide another significant foundation for our growth in the US.
- **Digitising design and assurance to enable major projects in the US and UK** – digitising our engineering expertise and toolsets is enabling us to modernise our design and assurance services to accelerate the pace of delivery of future programmes. In the UK we have won new orders to expand the Long Term Partnering Agreement (LTPA) with the adoption of advanced digital techniques for Test and Evaluation (T&E). In the US we are employing digital design techniques on the Optionally Manned Fighting Vehicle contract we won in Q3, where we are leading the first digital architecture design of a ground combat vehicle for the US Army. These successes of our digital strategy make our distinctive offerings increasingly relevant and attractive to meet our customers' future needs.
- **Progressing directed energy and hypersonics R&D in the UK** – with a pedigree of developing cutting-edge technology and more than a decade of experience in both laser and radio-frequency directed energy, we are making an important contribution to UK Research and Development (R&D) into directed energy technologies, hypersonics and Integrated Air & Missile Defence. In December we were awarded a multi-million pound R&D contract that forms part of a broad range of activities in the hypersonics field. We now have R&D projects that span near-term and future generations of directed energy technologies. This is a powerful example of our disruptive innovation and focus on being a global leader in high value solutions to national defence and security challenges.
- **Mine Warfare Maintenance Facility contract extension in Australia** – in 2017 we won a five-year contract to supply engineering and logistics services to the Royal Australian Navy for the Mine Warfare Maintenance Facility located at HMAS Waterhen within Sydney Harbour. By leveraging our T&E capability from the LTPA in the UK, we have enhanced the training capability and as a result secured an AU\$7.5m five-year extension to the contract through to 2027. This success shows that our global leverage strategy creates value for our customers and is enabling our continued growth in Australia.
- **Completion of modernisation and sustainability investment on St Kilda** – alongside the National Trust for Scotland and UK MOD, as part of the LTPA Air Range Modernisation programme we have completed a £40m programme of upgrades on the UNESCO World Heritage Site of St Kilda. The investment has developed world class test and evaluation and training capabilities, whilst improving the sustainability of facilities, demonstrating the deployment of our capital to support both our long-term growth as well as progressing QinetiQ's and our customers' drive towards Net Zero.

## 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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