QinetiQ announces that it has entered into an agreement to acquire Manufacturing Techniques Inc. (MTEQ) on a cash-free, debt-free basis for $105 million to be paid in cash on completion and an earn-out of up to $20 million payable in cash and shares dependent on delivering stretching financial targets over three years.

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. In the 12 months to 31 August 2019, MTEQ generated $167.4 million of revenue, $11.4 million of EBITDA, and $11.0m of EBITA on an unaudited basis.

MTEQ employs 360 people in Virginia and has strong customer relationships, particularly with the US Army, supporting a number of its modernisation priority programmes. The business develops next generation sensing solutions, including integrating outputs from multiple sensors, to provide information that enable operational advantage in the modern battlespace. MTEQ is renowned for disruptive and agile innovation across the full cycle of sensor solutions development and use, including design, development, integration, low-volume production, deployment and analytics. Following completion, the business will continue to be led by its existing management team.

**Strategic rationale**

- **MTEQ** has a strong track record and further growth potential in an expanding sensors market
  - Delivers next-generation sensor solutions, which are in increasing demand to counter emerging threats in the modern battlespace
  - Drives a customer-centric approach to rapidly innovate and field new capabilities
  - Investing to improve profitability and win longer-term programmes

- **Accelerates our growth in the US, the world’s largest defence and security market**
  - Creates a US operation of c.$300m and c.750 employees, which will deliver solutions critical to next generation warfighting capability through the combination of MTEQ’s expertise in advanced sensors with our existing capabilities in robotics and autonomy
  - Transitions MTEQ’s sensors solutions into larger production programmes, leveraging our manufacturing capabilities in the US
  - Deepens our US Army relationship and broadens our US customer base

- **Strengthens implementation of our international growth and innovation strategy across the Group**
  - Increases our US home country to c.25% of Group revenue
  - Builds our rapid development capability to rapidly create and field new products and services
  - Creates further growth opportunities by leveraging QinetiQ’s technical capabilities into the US, and routes to UK and international markets

**Financial highlights**

- Delivered double digit revenue growth each year over the past three financial years
- Revenue of $167.4 million and EBITDA of $11.4 million in the 12 months to 31 August 2019, unaudited
- Revenue of $131.0 million and EBITDA of $8.4 million in the year to 31 December 2018, audited
- Will enhance QinetiQ’s earnings per share in the first full financial year
- Acquisition evaluated through our rigorous capital allocation methodology; returns expected to exceed QinetiQ’s cost of capital in year three
- Funded from QinetiQ’s available cash resources with the balance sheet expected to remain in a net cash position post completion providing further capacity to invest in growth
Steve Wadey, QinetiQ CEO, said:

“The acquisition of MTEQ is a significant step towards achieving our ambition to build an integrated global defence and security company, more than doubling the size of our operations in the largest defence and security market in the world.”

“MTEQ is a growing business that is thriving because of its ability to apply state-of-the-art sensing technology to enhance information and intelligence that are so critical to modern warfare. I am excited that MTEQ will be joining QinetiQ as its core proposition of rapidly creating new and disruptive capabilities to respond to emerging threats is so well aligned to our own. I look forward to welcoming MTEQ expert employees and high quality leadership team to QinetiQ.”

Mary Williams, MTEQ President and CEO, said:

“We are excited to be joining QinetiQ, a company renowned for its technical expertise. The combined businesses will have a leading position in technologies that are critical to next generation warfighting capabilities, enabling us to offer solutions to evermore complex and challenging customer requirements. Most importantly for me, QinetiQ and MTEQ share a common philosophy of partnership and collaboration with our customers, which will continue to be the foundation for our future success.”

Transaction completion

The transaction is subject to certain regulatory and legal approvals and is expected to close in the second half of QinetiQ’s financial year 2020.

This announcement contains inside information and the person responsible for making this announcement is Jon Messent, Company Secretary.

There will be a call for analysts and investors at 1030 hours UK time on 2 October 2019.

Dial in details: +44 (0) 20 3003 2666 Password: QinetiQ

A playback of the call will be available shortly afterwards by dialing +44 (0) 20 8196 1998 and entering PIN number 0613705#

Notes for Editors:

About MTEQ:

Manufacturing Techniques Inc. (MTEQ) is a privately-owned business employing around 360 people who provide innovative technical solutions for the US DoD, Law Enforcement, Intelligence Community and Commercial Customers. The business offers capability across the full cycle of sensor solutions development and use, including design, development, integration, low-volume production, deployment and analytics. MTEQ’s independent position enables it to form effective partnerships with academia, businesses and customers to rapidly create and test operational solutions. Its employees offer a full complement of engineering disciplines including mechanical, electrical, optical, systems, and software coupled with laboratory and manufacturing capabilities at two locations in Lorton VA (MTEQ North Campus) and Kilmarnock, VA (MTEQ South Campus) in the United States. In the year to 31 December 2018, the business had gross assets of approximately $35.4 million.

About QinetiQ:

QinetiQ is a leading science and engineering company operating primarily in the defence, security and aerospace 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.

Stephens Europe acted as financial advisor to QinetiQ. Baird acted as financial advisor to MTEQ.
For further information please contact:

David Bishop, Group Director Investor Relations and Communications: +44 (0) 7920 108675
Ian Brown, Group Head of Investor Relations: +44 (0) 7908 251123
Jon Hay-Campbell, Group Head of Communications: +44 (0) 7500 856953

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The forward-looking statements, including assumptions, opinions and views of the Company or cited from third party sources, contained in this announcement are solely opinions and forecasts which are uncertain and subject to risks. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct. Actual results may differ materially from those expressed or implied by these forward-looking statements. A number of factors could cause actual events to differ significantly and these are set out in the principal risks and uncertainties section of this document.

Most of these factors are difficult to predict accurately and are generally beyond the control of the Company. Any forward-looking statements made by, or on behalf of, the Company speak only as of the date they are made. Save as required by law, the Company will not publicly release the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Directors’ expectations or to reflect events or circumstances after the date of this document.