First Quarter Trading Update and Acquisition of Naimuri

14 July 2020 - QinetiQ Group plc (“QinetiQ” or “the Group”) today issues a trading update covering its first quarter of trading and announces the acquisition of Naimuri Limited (“Naimuri”).

First quarter performance

As we entered the COVID-19 crisis, we took decisive action to maintain the strength of our company and ensure we retain the critical skills and capabilities to drive long-term growth. Our response has continued to focus on our three strategic priorities of protecting the health and wellbeing of our employees, continuing to deliver critical work for our customers and maintaining the strength of QinetiQ for the long-term. The actions we have taken have increased the resilience of our company, allowing us to maintain a strong balance sheet and position the company for growth as we emerge from this crisis.

Order intake throughout the first quarter continued to be strong, despite COVID-19 related disruption in all of our markets. Although revenue and profit have been impacted by the disruption, the proactive and robust cost management actions taken have reduced the impact on profitability and delivered a strong cash performance. As we have stated previously, due to the ongoing uncertainty of the COVID-19 crisis around the world, we will provide guidance for Group performance as soon as possible to do so.

EMEA Services

We have seen limited impact from COVID-19 within EMEA Services as the division benefits from long-term contracts and delivers work that is critical to sovereign defence capabilities. Some customer trials and training activity have been delayed causing impacts such as reduced flying hours in Germany; however, much of this activity is now resuming.

Global Products

In Global Products we experienced more significant disruption causing delays to customer deliveries, which are beginning to resume; however, top line growth continued, driven by the contribution of MTEQ.

Strategy Update

Our strategy to deliver mission-led innovation for our customers’ advantage and grow the company, whilst enhancing returns for shareholders continues to gain momentum. With growing uncertainty globally and an increasingly complex threat environment, we believe our strategy is increasingly relevant to this new world and will support growth in the coming years. We successfully delivered a number of strategic milestones in the first quarter demonstrating our progress as we leverage our capabilities globally.

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

- Through our Engineering Delivery Partner (EDP) programme, we secured a £30m five year contract to provide mission data and technical services to the RAF Typhoon Delivery Team. This contract is an example of partnering with UK MOD to deliver better programme performance and long-term savings.

- We have continued to operate all the ranges under the Long Term Partnering Agreement (LTPA) during the COVID-19 crisis to support critical national defence outputs, including the first firing of the Martlet missile from a Wildcat helicopter at MOD Aberporth, a key milestone in demonstrating the ability to protect the UK’s new aircraft carriers.
We are continuing to successfully build a more international company in our key home countries:

- On 13 July 2020 we announced the signing of an agreement with the Defense Counterintelligence & Security Agency (DCSA) to operate all our US defence operations under a new Special Security Agreement (SSA), replacing the previous Proxy Agreement. This agreement fundamentally improves how we approach the largest defence market in the world and is a major milestone in our growth strategy.

- In Australia we have secured a contract to design and construct an unmanned aerial systems (UAS) flight test range for the Queensland Government, leveraging our skills and experience of operating some of the most advanced land, sea and air ranges in the world under the LTPA for the UK MOD.

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

- We have secured a managed service contract with the UK MOD, worth up to £30m, to provide an Open Source Intelligence capability, enabling our Armed Forces to use publicly available information and social media content to improve understanding of global events, emerging threats and to support operational decision-making. This win builds momentum in our strategy to grow our data analytics and intelligence capability critical to the future of modern warfare.

- Today, we announce the acquisition of Naimuri on a cash-free, debt-free basis for £25m. Naimuri is a leading software development and data analytics company, providing agile cloud-based services and technology to the UK Intelligence and Law Enforcement communities. QinetiQ partners with Naimuri on several critical programmes delivering mission-led innovation around data-intensive challenges. We will invest and build upon Naimuri’s strong capabilities in data analytics, data intelligence and agile software development to meet customer needs and drive growth in both the security and defence sectors. In the 12 months to 31 July 2020, Naimuri is expecting to deliver in excess of £9m revenue and £2m EBITDA. Naimuri employs c.70 people with its headquarters and main facility in Manchester. Naimuri will be reported in EMEA Services, managed within the Cyber & Information business.

- On 25 June 2020 we announced the disposal of Boldon James Limited to HelpSystems International Limited for £30m. Boldon James provides data classification and secure email solutions, and in the year ended 31 March 2020 generated £9m revenue. The disposal of Boldon James and acquisition of Naimuri have been strategy-led choices, generating capital from a non-core asset and reinvesting in a capability that is central to our vision-based strategy, to drive growth and shareholder value.

AGM

QinetiQ’s 2020 Annual General Meeting (AGM) will be held at 11am today at our registered office at Cody Technology Park, Ively Road, Farnborough, Hampshire, GU14 0LX.

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.

For further information please contact:

John Haworth, Group Head of Investor Relations: +44 (0) 7920 545841
Chris Barrie, Citigate Dewe Rogerson (Media enquiries): +44 (0) 7968 727289