
QinetiQ Group plc

First Quarter Trading Update

21 July 2022 – QinetiQ Group plc (“QinetiQ” or “the Group”) today issues a trading update covering its first quarter of trading.

Strong first quarter performance

Building on the second half momentum of FY22, we have made a good start to FY23 with strong group operational performance. Order intake has continued to remain strong and revenue, profit and cash are in-line with expectations. Our visibility on revenue under contract for FY23 has increased to £1.05bn, up from £900m at April 2022. Consequently, we remain confident of delivering in-line with our expectations, with mid-single digit organic revenue growth and operating profit towards the mid-point of our 11% to 12% short-term operating profit margin target, rising to 12% to 13% operating profit margin in the medium term.

Recent world events have reinforced the long-term needs of our customers, including capabilities utilising differentiated technology, alongside test and training solutions that are directly aligned with our strategy. In all of the markets in which we operate globally Governments are seeking to enhance their defence and security stance against the evolving future threats, with rising defence spending in all of our three home countries: UK, US and Australia. More significantly still, our six distinctive offerings are well aligned with segments of the defence budgets that are priorities to combat future threats.

We have seen a strong start to the year in EMEA Services and continued good progress in the US and other areas of Global Products. Overall, the Group is showing continued growth and profitability in-line with our expectations, both in the short and medium term.

Strategy Update

Our strategy to build an integrated global defence and security company with revenues of more than £2.3bn is continuing to deliver. Building on our successful six year track record of growth, we are continuing to deliver for our customers and on our promises. We remain focussed on our six distinctive offerings, with a particular focus on growth in the UK, US and Australia. We remain active in driving both strong organic growth as well as executing on our inorganic growth strategy. In the first quarter, we achieved a number of successes that demonstrate our delivery on strategic objectives:

- **SPUR robot deliveries** – our US business has achieved a major production milestone with the completion of the Low-Rate Production (LRIP) contract of the Common Robotic System Individual (CRS-I) for the US Army. We are also progressing with our production ramp-up for the \$64m Full-Rate Production (FRP) contract which we won last year; the largest Program of Record for US Robotics for the delivery of a further 1,200 SPUR robots.
- **Bradley electric drive** – in August 2020, we announced our joint win with BAE Systems in the US where we successfully bid into the Rapid Capabilities and Critical Technologies Office (RCCTO) to integrate our E-X-Drive hybrid propulsion system into their Bradley Fighting Vehicle. After a successful delivery programme, we have now completed one of the final milestones of that project where the vehicle has been successfully tested in the US in collaboration with the RCCTO.

- **Engineering Delivery Partner (EDP) passes £1bn orders** – our EDP programme has continued to deliver growth through Q1 with total contract orders now surpassing £1bn since inception in October 2018. Operational performance remains strong with EDP assessed by the UK MOD as delivering good value for money. This test was a key part of successfully passing the four-year review – providing further confidence in our service quality and as an enabler for essential UK defence capabilities.
- **£19m artificial intelligence (AI) cyber defence win** – we have won a £19m contract to support UK's DSTL project called Autonomous Resilient Cyber Defence (ARCD) – a multi-year programme to develop and demonstrate self-defending and self-recovering concepts for military platforms and networks in the face of increasingly complex cyber-attacks. Ensuring that tanks, aircraft and ships can automatically identify and defend themselves against a Cyber attack reduces the need for human intervention and provides a quicker response time, thereby reducing the risk of the platform being compromised and ultimately protecting the sailors, airmen and soldiers who use them.
- **Global leverage of Test & Evaluation (T&E) capability** – our Sovereign T&E Skills programme has launched and is making good progress by leveraging our UK capabilities to grow sovereign T&E capability in Australia and Canada. By accessing the unique knowledge and experience of our T&E subject-matter experts, we are offering a tailorable, holistic learning programme designed to build sovereign skills and capabilities to support customers in delivering complex T&E outcomes. The programme blends formal, social and experiential learning which is defence standards-based, quality-assured, and provides measurable progress towards a defined outcome set.
- **50% flying hours increase in Germany** – we are seeing continued demand for the services delivered by our German business with flying hours for our Bundeswehr customers, a key performance metric, now 50% higher than in 2019. Allied to these higher levels of service provision, we have recently secured an €18m contract to continue our core deliveries over the next 12 months.
- **Net-Zero plan verification** – first company in the A&D sector and one of the first 20 companies globally to have our Net-Zero plan verified by the Science Based Targets Initiative (SBTi). Our Net-Zero Plan includes 2030 and long-term Net-Zero science-based GHG emissions reductions targets, which are aligned with the 1.5°C pathway. They are based on a planned programme of activities, applying a data-driven approach to inform what we do and when. We developed these in accordance with the SBTi Net-Zero Standard and criteria and the associated GHG Protocol Corporate Standards. In June 2022 the SBTi verified our near and long-term Net-Zero science-based targets. We are also delighted to be part of the Business Ambition for 1.5°C campaign, which is part of the UN-backed Race to Zero.

AGM

QinetiQ's 2022 Annual General Meeting (AGM) will be held at 11am today at Ashurst LLP, London Fruit & Wool Exchange, 1 Duval Square, London E1 6PW.

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. Follow us on LinkedIn and Twitter @QinetiQ. Visit our blog www.QinetiQ-blogs.com.

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