
This announcement contains inside information

QinetiQ Group plc

Third Quarter Trading Update and Share Buyback Programme

16 January 2024 – QinetiQ Group plc (“QinetiQ” or the “Group”) today issues a trading update covering its third quarter and announces its intention to commence a share buyback programme to return up to £100 million to shareholders over 12 months.

On-track to deliver full year expectations

The Group has delivered good operational performance in the third quarter, with continued organic revenue growth and operating profit margin in line with our expectations. Order intake has continued to remain strong, with year-to-date orders at circa £1.35bn and revenue under contract for the full year improving to 95%, higher than this time last year. As expected, cash generation has been very strong with cash conversion significantly above 100% in the quarter. We are now back in-line with our normal cash profile and on-track to deliver 90%+ cash conversion for the full year, as previously guided. Overall, the Group is making good progress and we remain on-track to deliver in line with expectations for FY24¹.

EMEA Services has continued to perform particularly well with strong revenue growth offsetting modestly lower Global Solutions revenue, due to longer than expected continuation of US market uncertainty and budget delays. Reflecting this Avantus revenue growth will be around the lower end of our second half expectations, however the business continues to win significant new business strategically aligned to national defence and security priorities, pleasingly ahead of our plan, with \$872m² of new contract awards so far this year. Strong orders momentum and good programme execution, demonstrated by the successful transition of the Tethered Aerostat Radar System (TARS) under our operational control ahead of schedule in December, underpins our continued confidence in Avantus delivering our medium and long-term growth expectations.

Capital allocation and launch of £100m share buyback programme

Our strategy to deliver long-term sustainable growth is unchanged and underpinned by our disciplined capital allocation policy. As explained at our Investor Seminar in October 2023, we continuously evaluate the deployment of our capital to maximise value through organic and inorganic investments and to deliver healthy returns for our shareholders, whilst maintaining a prudent balance sheet.

During the third quarter we have continued to manage our pipeline of inorganic opportunities, but at this present time no potential acquisitions meet our rigorous strategy-led and financial criteria. Given the strength of the Group’s balance sheet, the highly cash generative nature of the business and the Board’s view of the current undervaluation of the Group, we have concluded that now represents a compelling time to return excess capital to shareholders. We are therefore pleased to announce the launch of a

¹ Analyst expectations (average) for FY24 as at 15/01/24: Revenue £1,871m, Op profit £210m

² Of which only \$293m recognised in our order intake to-date

£100m share buyback programme in February 2024, subject to shareholder approval, that we expect to complete over the next 12 months.

The proposed share buyback programme represents an attractive use of our capital to drive shareholder value, whilst maintaining leverage less than 1.5x (net debt/EBITDA) and maintaining the financial flexibility to invest in the ongoing execution of our strategy to deliver sustainable growth and attractive returns.

Steve Wadey, Group Chief Executive Officer said:

“QinetiQ has a critical role in ensuring our customers across our home countries of the UK, US and Australia have the defence and security capabilities they need. Our excellent order intake demonstrates the continuing demand for our high-value, cutting-edge services and products. Our operational performance in the third quarter underlines our confidence in delivering another year of good organic growth at stable margins with strong cash conversion.

“Given the Group’s high cash generation and confidence in the long-term outlook, we are pleased to announce the launch of a £100m share buyback programme to increase returns to shareholders, whilst maintaining the ability to deliver our long-term growth strategy.”

Inside Information

The information relating to the proposed share buyback programme in this announcement constitutes inside information as stipulated under the Market Abuse Regulation (EU) No.596/2014 (as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018). On the publication of this announcement via a Regulatory Information Service, such information is now considered to be in the public domain. The person responsible for arranging for the release of this announcement on behalf of QinetiQ is James Field, Company Secretary.

About QinetiQ

QinetiQ is an integrated global defence and security company focused on mission-led innovation. QinetiQ employs circa 8,500 highly-skilled people, committed to creating new ways of protecting what matters most; testing technologies, systems, and processes to make sure they meet operational needs; and enabling customers to deploy new and enhanced capabilities with the assurance they will deliver the performance required.

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Notes

QinetiQ has announced its intention, subject to shareholder approval, to purchase ordinary shares in the capital of the Group (“Ordinary Shares”) up to a maximum aggregate consideration payable of £100 million (the “Buyback Programme”). If approved, the Buyback Programme is expected to be completed in two separate tranches of £50 million each, commencing on or around 6 February 2024 and is expected to run for a period of approximately 12 months from commencement.

The commencement of the first tranche of the Buyback Programme is conditional on the approval by QinetiQ shareholders of a resolution giving QinetiQ the authority to purchase its own shares up to a limit of 28,937,856 Ordinary Shares (the “Buyback Authority”) which represents approximately 5 per cent of its issued ordinary share capital. A shareholder circular (the “Circular”) convening a general meeting of QinetiQ to be held at 8:30 a.m. on 6 February 2024 at Cody Technology Park, Ively Road, Farnborough, Hampshire, GU14 0LX (the “General Meeting”), at which approval for the Buyback Authority will be sought, will be despatched or otherwise made available to shareholders today.

The first tranche of the Buyback Programme is expected to commence on or around 6 February 2024 and end no later than 6 August 2024 (subject to no regulatory objections or concerns arising), for an aggregate consideration of £50 million. This first tranche will be carried out through an irrevocable non-discretionary agreement with Barclays Bank PLC, acting through its Investment Bank ("Barclays"). Barclays will make trading decisions under the first tranche of the Buyback Programme independently of the QinetiQ in accordance with certain pre-set parameters. The maximum number of Ordinary Shares that could be purchased in the first tranche of the Buyback Programme will be 28,937,856 Ordinary Shares (based on the Buyback Authority to be sought at the General Meeting).

Any purchase of Ordinary Shares under the first tranche of the Buyback Programme will be carried out on the London Stock Exchange and any other UK recognised investment exchange which may be agreed, in accordance with pre-set parameters and in accordance with the Buyback Authority, Chapter 12 of the UK Financial Conduct Authority's Listing Rules, and Regulation (EU) No 596/2014 and Commission Delegated Regulation (EU) No 2016/1052 (both as they form part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018), including where relevant pursuant to the UK Market Abuse (Amendment) (EU Exit) Regulations 2019. Any purchase of Ordinary Shares pursuant to the Buyback Programme will be announced by not later than 7:30 a.m. on the business day following the calendar day on which the purchase occurred.

Any Ordinary Shares purchased pursuant to the Buyback Programme will be cancelled (and the number of Ordinary Shares in issue reduced accordingly). The purchase by QinetiQ of Ordinary Shares under the proposed Buyback Programme is not expected to impact long-term trading liquidity in QinetiQ's Ordinary Shares.

Availability of Circular

The Circular and accompanying form of proxy will be available to view or download from QinetiQ's website at www.qinetiq.com/investors.

In compliance with Listing Rule 9.6.1, copies of the above documents will be submitted to the National Storage Mechanism and will shortly be available for inspection at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

This announcement should be read in conjunction with the Circular.

Important Notice

This announcement does not constitute, or form part of, an offer or any solicitation of an offer for securities in any jurisdiction.