



Acquisition of Avantus: delivering our global strategy

QinetiQ Group plc
05 August 2022

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Avantus: exciting new platform to build disruptive mid-tier US business

- 1 Proposed all cash acquisition of Avantus for \$590m, including \$70m tax asset
- 2 Market leading mission-focused cyber, data analytics and software development solutions provider for US defence, intelligence and homeland security customers; c.\$300m revenue and 1150 employees
- 3 Strong cultural fit; talented management and employee base augments strengthened US leadership team
- 4 Transforms our US business with complementary capabilities to create a platform to accelerate growth in high priority segments aligned with US national security mission
- 5 Strategically aligned to build on our six distinctive offerings, extend our customer base and increase breadth and scale within the US; provides further opportunity for global leverage
- 6 Highly attractive business with significant orders visibility and 10%+ forward revenue growth with stable double-digit operating margins
- 7 Compelling business case with enhanced shareholder returns and an effective use of our balance sheet

Avantus – strong strategic fit; high confidence integration; delivering our global growth strategy

Avantus: transaction summary

Terms & valuation

- All cash acquisition at purchase price of \$590m, including \$70m tax asset¹
- June 2022 Last Twelve Months (LTM) \$298m Revenue with \$35.5m Adjusted EBITDA
- Represents Enterprise Value multiple² of 14.6x on a LTM Adjusted EBITDA basis

Financial performance

- At least double-digit revenue growth and stable operating margins consistent with Group guidance
- Immediately earnings accretive, double-digit EPS growth by end of first full year after completion
- ROIC to exceed WACC by end of third full year after completion

Financing

- Acquisition to be financed through combination of existing cash and new debt facilities
- Leverage of approximately 1.3x Net Debt / EBITDA expected at completion
- Targeting rapid deleveraging to less than 1.0x by end of first full year after completion

Timing & approvals

- Transaction completion expected by end of calendar year 2022
- Subject to regulatory approvals and customary closing conditions

¹ For US tax purposes the transaction creates relief which is anticipated to generate a cash tax benefit with a NPV value of ~\$70m at our WACC ² Net of tax asset

Agenda

1 Building a disruptive mid-tier US business

2 Delivering our global growth strategy

3 Compelling shareholder returns

4 Transaction timetable

5 Summary

6 Q&A

Building a disruptive mid-tier US business

Shawn N. Purvis
President & CEO, QinetiQ US

Building a disruptive mid-tier US business – Avantis overview

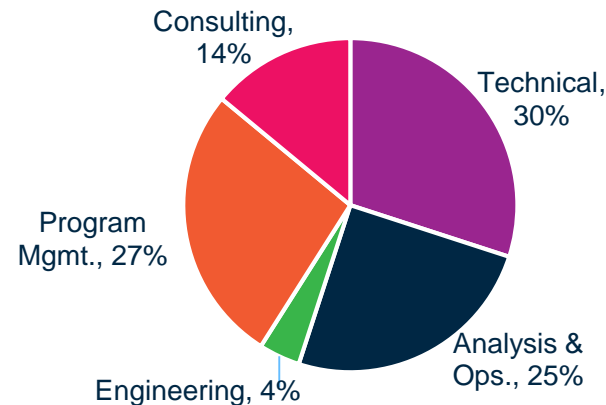
- **Mission:** Leading provider of mission-focused cyber, data analytics and software development solutions to the US Department of Defense, Intelligence Community and Department of Homeland Security
- **Expertise:** Big Data engineering, cloud-enabled mission application development, and highly consequential cyber development
- **Headquarters:** McLean, VA
- **Employees:** 1150
- **Revenue:** June 2022 LTM¹ \$298m

Key Employee Statistics

Security clearances	92% highly cleared
Diverse ³ candidates	33%
Customer billable	88%
Retention rate	86%

¹ Last Twelve Months ² 2022E Revenue ³ Age, Gender, Ethnicity

Employees by Capability



Core Capabilities



Customer Markets²

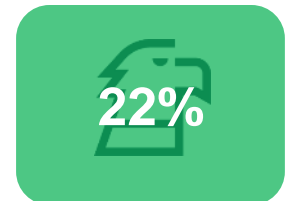
Defense & Space



Intelligence



Homeland Security



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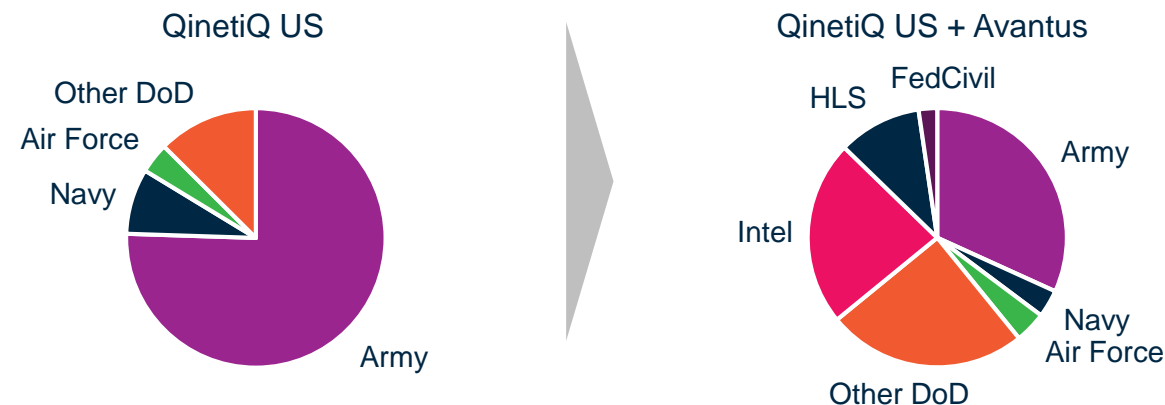
Building a disruptive mid-tier US business – combined Avantus and QinetiQ US

- **Competitiveness:** Size and scale to compete effectively in a full and open environment
- **Customers:** Expands our customer portfolio in DoD¹ and into National Security, DHS² and FedCivil³
- **Capabilities:** Strengthens our capabilities in Cyber, Information Solutions, Mission Services and National Security
- **Leadership:** Deepens US expertise and bench strength
- **Talent:** Strengthens our workforce particularly in technical, data analysis, advisory and program management skills
- **Integration:** Strong cultural fit; high confidence plan to deliver

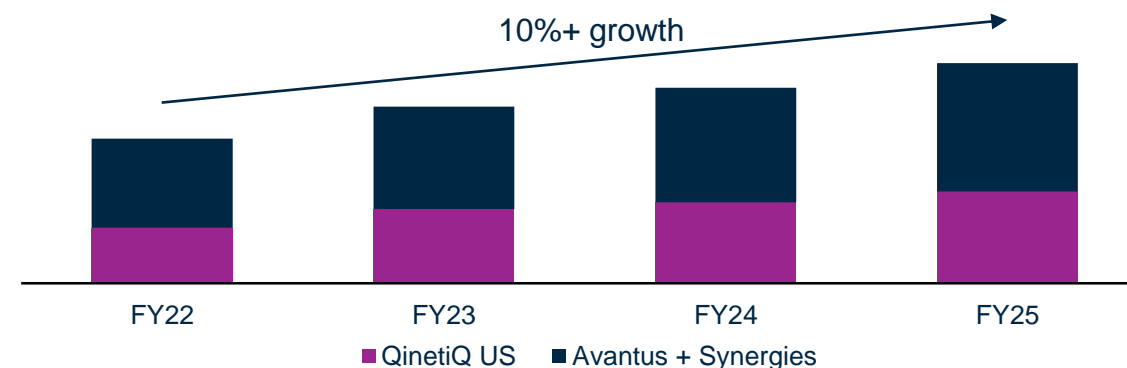
Combination accelerates our US growth

¹ US Department of Defense ² US Department of Homeland Security ³ US Federal Civil Service

Expanded Customer Portfolio



Accelerated Revenue Growth



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Delivering our global growth strategy

Steve Wadey
Group Chief Executive Officer

Building an integrated global defence and security company

FY22

Market opportunity¹

Revenue → £962m

Market share² → <35%

>£3bn
+2-3% growth³



Revenue → £153m

Market share → <2%

>£15bn
+3%⁴ growth



Revenue → £98m

Market share → <15%

>£0.5bn
+3-5% growth



Revenue → £107m

Market share → <10%

>£1.5bn
+1-3% growth

- Major focus on AUKUS⁵ countries with shared mission
 - Customer driven priority capabilities and technologies e.g. advanced cyber and data analytics
- Strategy-led choices to drive global growth
 - Investing in our distinctive offerings to drive organic growth
 - Strategic acquisitions to build out capability and extend our customer base; US and Australia prioritised
- Avantus is a highly attractive platform for US growth
 - Doubles our scale with complementary capabilities
 - Focused on US customer high priority growth segments

Avantus accelerates growth in highly attractive US market

¹ Sources: Jane's Market Budget Forecast April 2021, UK MOD and US DoD forecasts for RDT&E, Australia Defence publications and QinetiQ estimates ² Market share based on QinetiQ FY22 reported revenue

³ CAGR: Compound Annual Growth Rate ⁴ Higher growth rate than US market due to focus on high priority growth segments ⁵ Australia, United Kingdom, United States

Creating world-leading mission impact for transatlantic relationship

- Avantus is strategically aligned to build our six distinctive offerings
 - Extends our customer base and increase breadth and scale within the US
 - Provides further opportunity for global leverage



Engineering services and support



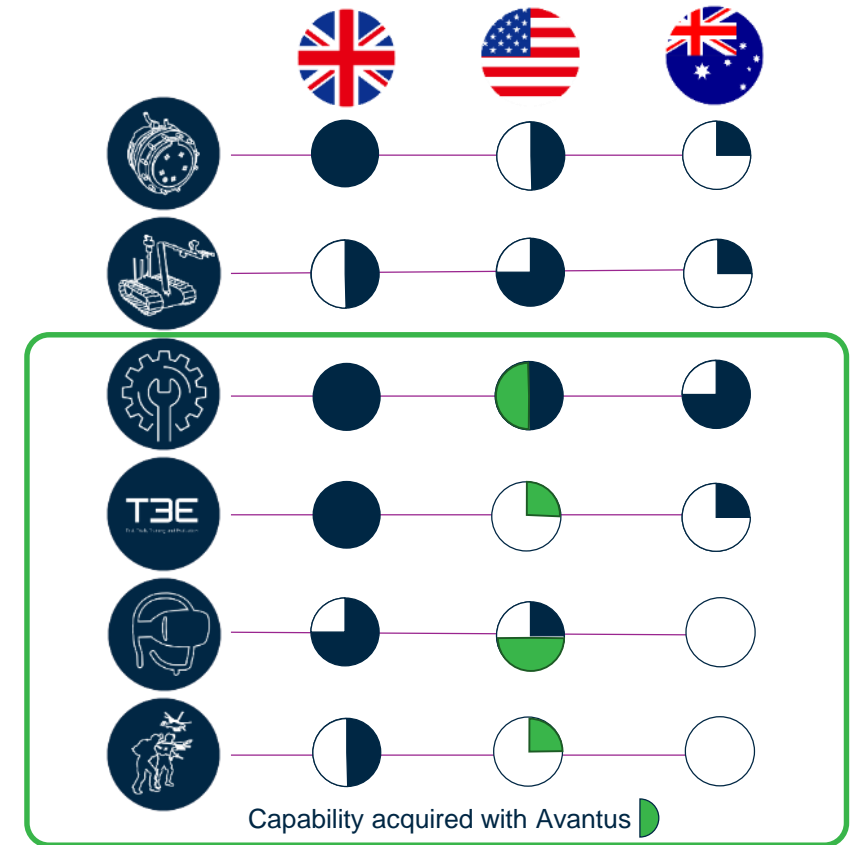
Test and evaluation



Cyber and information advantage



Training and mission rehearsal



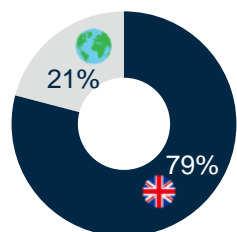
Creating a global leader in high-value solutions to national defence & security challenges

Avantus delivering on our 5 year strategic ambition

- Combination of Avantus and QinetiQ transforms our US business in high priority segments
 - Grows Group revenue by c.25% and doubles the size of our US business
 - Creates a platform to accelerate US growth through complementary capabilities
 - Provides further opportunity for global leverage

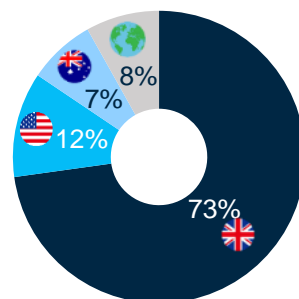
An integrated global
defence and security company

FY16 £755m

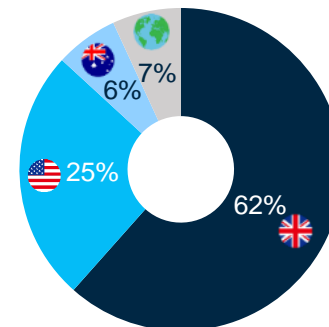


FY22 Reported to Proforma

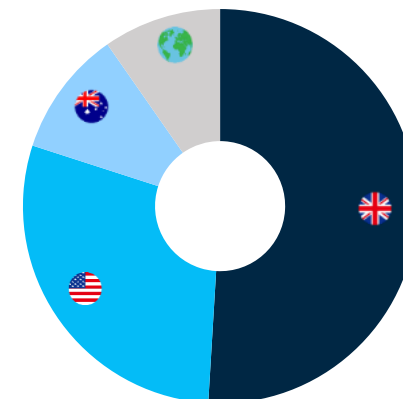
QinetiQ £1.3bn



QinetiQ + Avantus £1.6bn¹



FY27+ £2.3bn+¹



Growing our global company to deliver enhanced shareholder returns

¹ FX of Avantus and all FY27 US revenue at 1GBP:1.22USD. Avantus FY22 figures are LTM Mar-22A

Compelling shareholder returns

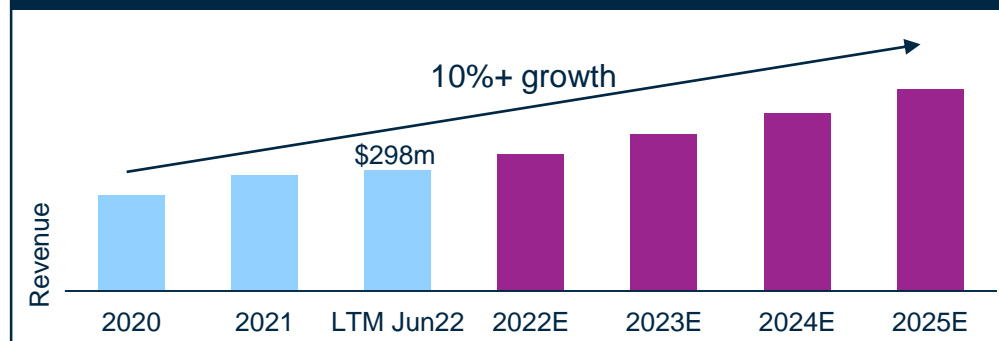
Carol Borg
Group Chief Financial Officer

Avantus: strong financial profile and outlook¹

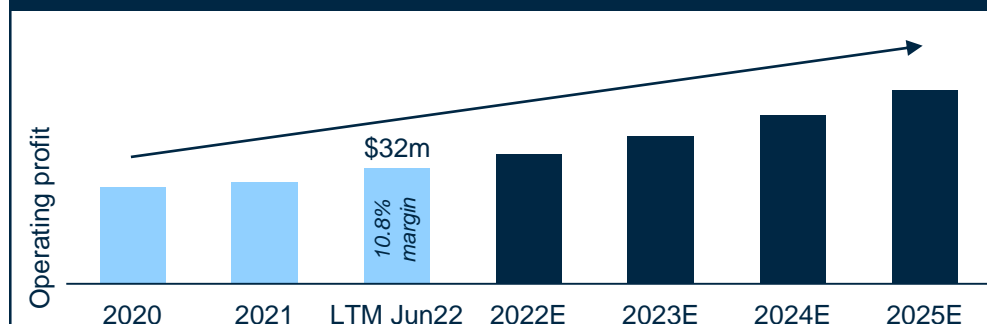
Robust orders pipeline provides good visibility

Orders pipeline for next 5 years	= \$2.4bn	June 2022 LTM Orders won	= \$417m
Win rate on Prime recompetes	= 90%+	2022-24E revenue from contract growth or recompete + backlog	= 76%

Strong track-record of revenue growth



Attractive and stable double-digit margins



Highly cash generative business

Operating cash conversion
(Operating cash flow / EBITDA) = 90%+

Highly attractive business with significant order visibility providing growth at stable margins

¹ Unless otherwise specified, all data presented in Avantus year end 31 December

Conservatively financed through cash and new debt facilities

Fully committed debt financing

- £350m of new debt facilities
- Existing cash used in accordance with our capital allocation policy
- Existing £275m RCF¹ (currently undrawn) will continue to be available post transaction for the combined group's working capital requirements

Rapid deleveraging expected post transaction

- Leverage of 1.3x Net Debt / EBITDA expected at completion
- Targeting to reduce leverage to less than 1.0x by the end of the first full year after completion
- Achieved through the highly cash generative nature of the combined Avantus and QinetiQ

Financing structure makes more effective use of our strong balance sheet

¹ Revolving Credit Facility

Delivering shareholder value and returns

- Strategic fit
 - Delivers on our growth strategy
 - Increases breadth and scale of our distinctive offerings
 - Makes us more relevant in the largest defence market
- Economics
 - Fair valuation for a high quality asset
 - 14.6x EBITDA to EV multiple¹ based on June 2022 LTM
 - Forward multiple expected to reduce to single-digit by the end of third full year after completion
- Integration and deliverability
 - High confidence plan to integrate and deliver

The enlarged QinetiQ retains attractive financial characteristics

- Revenue growth – improves to mid to high single digit
- Margin – consistent with Group guidance (mid-long term)
- ROCE – within the upper end of 15-20% guided range
- Capital expenditure – limited
- Cash conversion – highly cash generative

Growing our global company to deliver enhanced shareholder returns

¹ Net of tax asset

Transaction timetable and Summary

Steve Wadey
Group Chief Executive Officer

Transaction timetable

Transaction announcement

5 August 2022

Regulatory approvals

End of calendar year 2022

Expected date of Completion

End of calendar year 2022

Joint lead financial advisors

Citizens / Gleacher Shacklock

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Q&A

Glossary

- AUKUS – Trilateral security pact between Australia, the United Kingdom and the United States
- DHS – Department of Homeland Security
- DoD – Department of Defense
- EBITDA – Earnings Before Interest, Tax, Depreciation and Amortisation
- EPS – Earnings Per Share
- EV/EBITDA – Enterprise Value to Earnings Before Interest, Taxes, Depreciation, and Amortisation
- FedCivil – Federal Civil Service
- LTM – Last Twelve Months
- RCF – Revolving Credit Facility
- ROCE – Return On Capital Employed
- ROIC – Return On Invested Capital
- WACC – Weighted Average Cost of Capital

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