Acquisition of Avantus: delivering our global strategy
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Acquisition of Avantus: delivering our global strategy

Steve Wadey
Group Chief Executive Officer
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 asset\(^1\)
• June 2022 Last Twelve Months (LTM) $298m Revenue with $35.5m Adjusted EBITDA
• Represents Enterprise Value multiple\(^2\) 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 – Avantus 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 LTM$298m

<table>
<thead>
<tr>
<th>Key Employee Statistics</th>
<th>Employees by Capability</th>
<th>Customer Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security clearances 92% highly cleared</td>
<td>Technical, 30%</td>
<td>Defense &amp; Space</td>
</tr>
<tr>
<td>Diverse3 candidates 33%</td>
<td>Consulting, 14%</td>
<td>Intelligence</td>
</tr>
<tr>
<td>Customer billable 88%</td>
<td>Program Mgmt., 27%</td>
<td>Homeland</td>
</tr>
<tr>
<td>Retention rate 86%</td>
<td>Analysis &amp; Ops., 25%</td>
<td>Security</td>
</tr>
</tbody>
</table>

1. Last Twelve Months  
2. 2022E Revenue  
3. Age, Gender, Ethnicity
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 DoD\(^1\) and into National Security, DHS\(^2\) and FedCivil\(^3\)
- **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**

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1. US Department of Defense
2. US Department of Homeland Security
3. US Federal Civil Service
Delivering our global growth strategy

Steve Wadey
Group Chief Executive Officer
Building an integrated global defence and security company

<table>
<thead>
<tr>
<th>FY22</th>
<th>Market opportunity¹</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td><strong>£962m</strong></td>
</tr>
<tr>
<td><strong>Market share²</strong></td>
<td>&lt;35%</td>
</tr>
</tbody>
</table>

- Major focus on AUKUS⁵ countries with shared mission
  - Customer driven priority capabilities and technologies
    e.g. advanced cyber and data analytics

| **Revenue** | **£153m** | >£15bn +3%⁴ growth |
| **Market share** | <2% |

- 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

| **Revenue** | **£98m** | >£0.5bn +3-5% growth |
| **Market share** | <15% |

- 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

11 Acquisition of Avantus delivering our global strategy
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

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

FY16 £755m  FY22 Reported to Proforma  FY27+ £2.3bn+¹

QinetiQ £1.3bn  QinetiQ + Avantus £1.6bn¹

An integrated global defence and security company

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 outlook

**Robust orders pipeline provides good visibility**

| Orders pipeline for next 5 years | $2.4bn |
| Win rate on Prime recompetes | 90%+ |

| June 2022 LTM Orders won | $417m |
| 2022-24E revenue from contract growth or recompete + backlog | 76% |

**Strong track-record of revenue growth**

- Orders pipeline for next 5 years: $2.4bn
- Win rate on Prime recompetes: 90%+
- June 2022 LTM Orders won: $417m
- 2022-2024E revenue from contract growth or recompete + backlog: 76%

**Attractive and stable double-digit margins**

<table>
<thead>
<tr>
<th>Operating profit</th>
<th>2020</th>
<th>2021</th>
<th>LTM Jun22</th>
<th>2022E</th>
<th>2023E</th>
<th>2024E</th>
<th>2025E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>$32m</td>
<td>10.8% margin</td>
<td></td>
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**Highly cash generative business**

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

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

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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 RCF\(^1\) (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

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\(^1\) 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 multiple\(^1\) 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

<table>
<thead>
<tr>
<th>Event</th>
<th>Date/Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction announcement</td>
<td>5 August 2022</td>
</tr>
<tr>
<td>Regulatory approvals</td>
<td>End of calendar year 2022</td>
</tr>
<tr>
<td>Expected date of Completion</td>
<td>End of calendar year 2022</td>
</tr>
<tr>
<td>Joint lead financial advisors</td>
<td>Citizens / Gleacher Shacklock</td>
</tr>
</tbody>
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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