

Delivering enduring value for our customers and shareholders

QinetiQ Group plc
Preliminary results for year ended
31 March 2024

23 May 2024

QINETIQ

Agenda

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| 1 | Year in review | Steve Wadey – Group CEO |
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Year in review

Steve Wadey

Group Chief Executive Officer

QINETIQ

Headlines

- 1 Delivered a further year of strong overall Group operational and financial performance in FY24
- 2 Strong momentum entering FY25 and on-track to deliver c.£2.4bn organic revenue at c.12% margin by FY27
- 3 Enhanced focus on capital allocation with optionality for investment in growth and further shareholder returns



Well positioned for sustainable shareholder value creation

Financial highlights

- Record order intake at £1.74bn, with a book-to-bill¹ of 1.1x
- Revenue up 21%, up 14% on an organic basis
- Profit up 20% with stable margin at 11.3%, up 16% organically
- High cash conversion at 104%, reducing leverage to 0.5x
- Strong earnings growth with underlying EPS up 11% to 29.4p
- ROCE maintained above upper end of guidance at 21%
- Dividend growth up from 5% to 7%; £100m buyback on-track

FY24 performance

Orders

£1,740.4m +1%

FY23: £1,724.1m

Revenue

£1,912.1m +21%

FY23: £1,580.7m

Profit²

£215.2m +20%
11.3% margin

FY23: £178.9m

Cash

104% conversion
0.5x leverage

FY23: 106%

A further year of strong Group financial results

¹ B2B ratio is orders won divided by revenue recognised, excluding LTPA revenue of £266m (FY23: £225m) ² Operating profit from segments

EMEA Services

Excellent growth at stable margin

- Early delivery of mission data transformation for RAF
- First Laser Directed Energy Weapon (LDEW) firing in UK
- Air Affairs integrated with 20% increase in JATTS¹ flying



Strong programme execution

Successful delivery of long-term contracts

- MSP² contract extended by 3 years with \$87m new orders
- On-track to secure LTPA⁴ 5-year extension to 2033
- EDP³ delivering customer benefits with £472m new orders



Pipeline of significant opportunities

Delivering critical capabilities for enduring national defence and security priorities

¹ Joint Adversarial Training and Testing Services (for Australia DOD) ² Major Service Provider (for Australian DOD) ³ Engineering Delivery Partner (for UK MOD) ⁴ Long Term Partnering Agreement (for UK MOD)

Global Solutions

Lower growth at stable margin

- Record production of Targets; planned CRS-I¹ ramp-down
- Successful Targets certification enabling US market entry
- Modest Avantis growth in H2; funded book-to-bill of 1.2x



Delivered against background of difficult US market

US platform built with Avantis integrated

- Secured \$1.3bn² of total contract awards, inc. re-competes
- \$224m SDA³, \$126m SCO⁴ & \$170m TARS⁵ 5-yr contracts
- Strategy focused on opportunities aligned to US NDS⁶



US well positioned to drive synergies and future growth

Delivering high-value technology-based solutions globally

¹ Common Robotic System-Individual ² Of which \$571m recognised in FY24 ³ Space Development Agency ⁴ Strategic Capabilities Office ⁵ Tethered Aerostat Radar System ⁶ National Defence Strategy



Financial results

Heather Cashin

Interim Group Chief Financial Officer

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FY24 Financial Highlights

<div>Orders<div>+1%¹</div><div>£1,740.4m</div><div>FY23: £1,724.1m</div></div>	<div>Revenue<div>+21%</div><div>£1,912.1m</div><div>FY23: £1,580.7m</div></div>	<div>Operating profit<div>+20%</div><div>£215.2m</div><div>11.3%²</div><div>FY23: £178.9m</div><div>11.3%</div></div>
<div>Cash conversion & leverage<div>104%<div>0.5x</div></div><div>FY23: 106%<div>0.8x</div></div></div>	<div>EPS<div>+11%</div><div>29.4p</div><div>FY23: 26.5p</div></div>	<div>ROCE<div>-2% pt</div><div>21%</div><div>FY23: 23%</div></div>

All measures on this page are underlying. Operating profit is the total from the operating segments. Definitions of APMs can be found in the Appendix

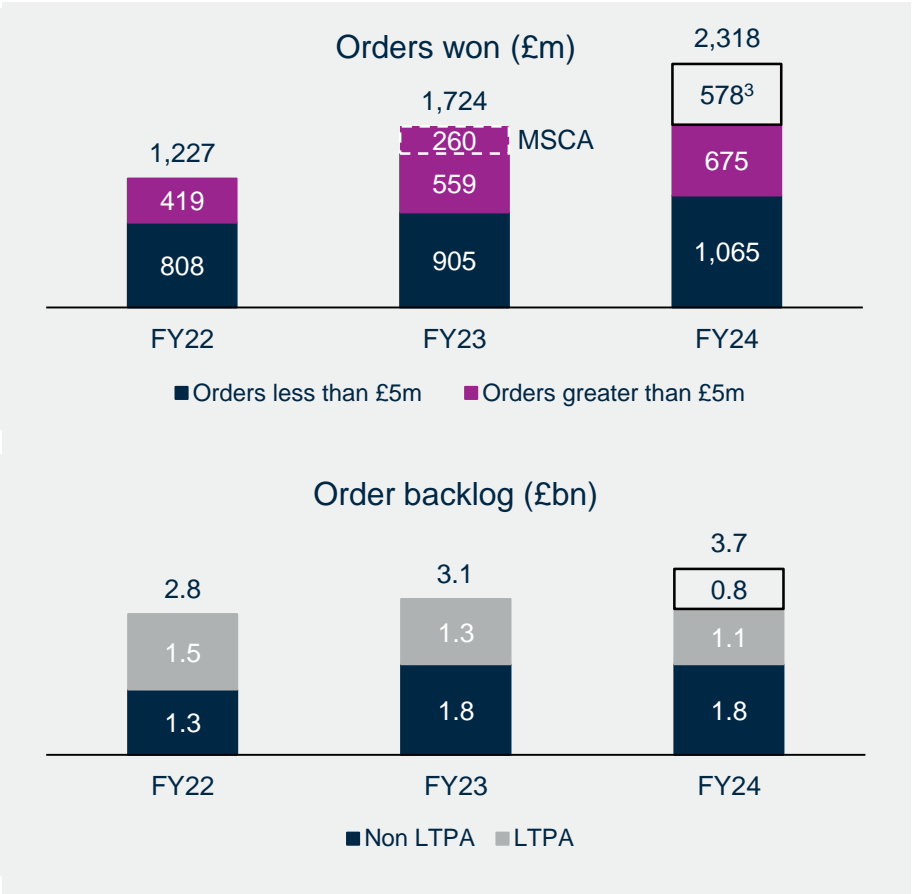
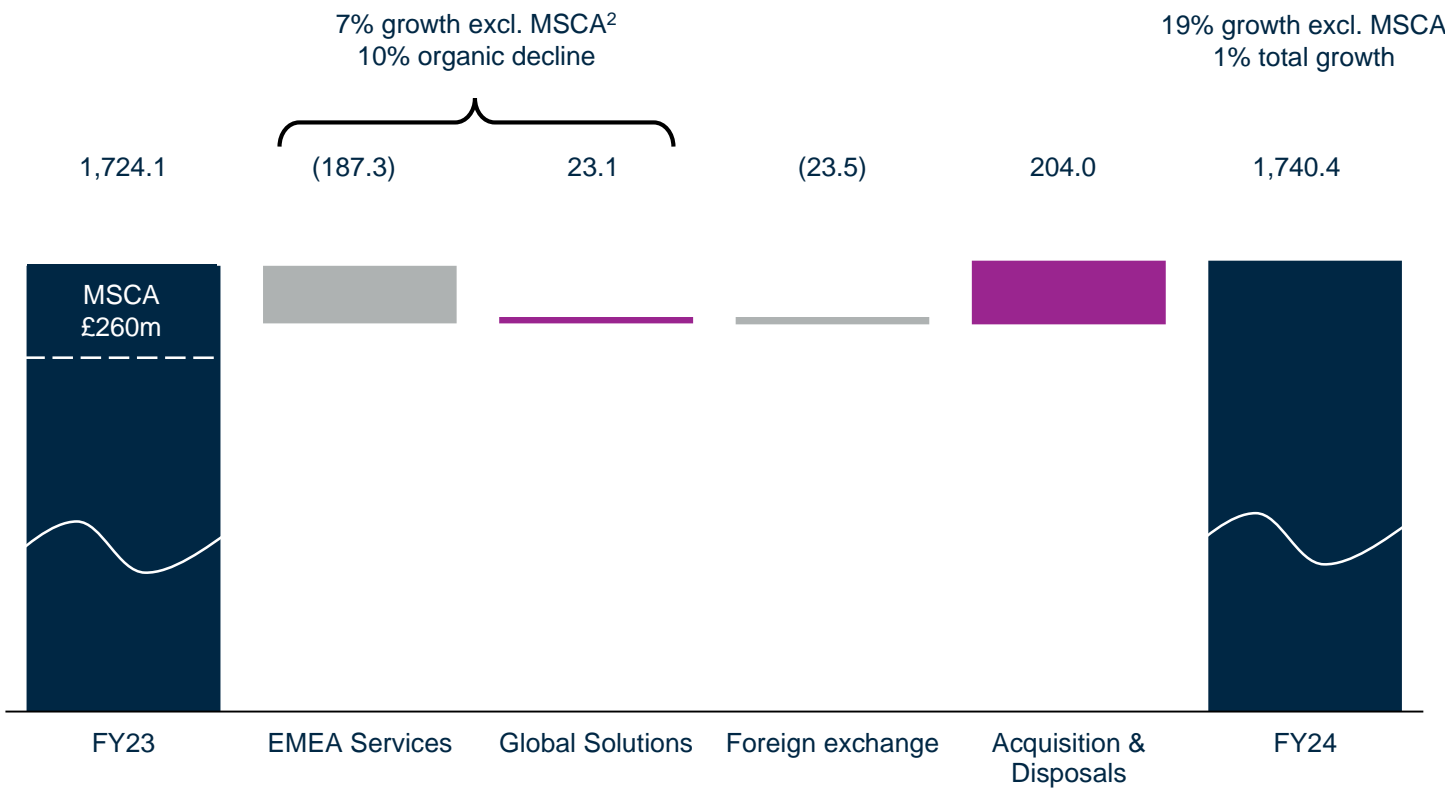
¹ 19% growth excluding 10 year £260m Maritime Strategic Capability Agreement (MSCA) contract in FY23

² Operating profit margin refers to operating profit from segments divided by revenue



Record order intake with book-to-bill of 1.1x¹ supporting future growth

Orders (£m)



¹ Book-to-bill ratio is orders won divided by revenue recognised, excluding LTPA revenue of £266m (FY23: £225m)

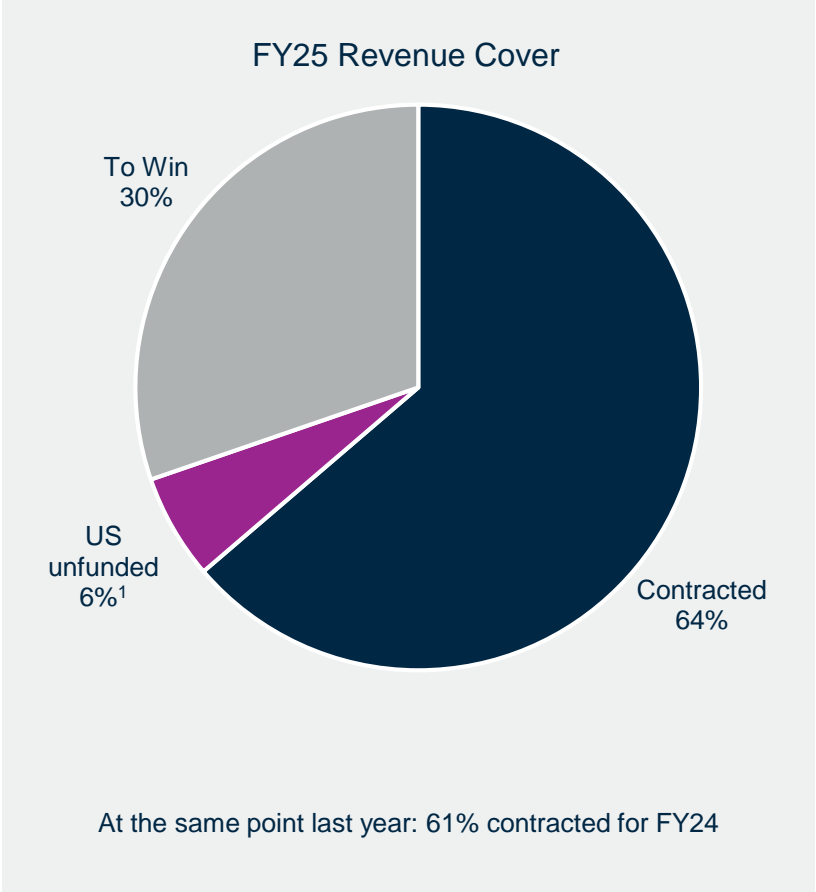
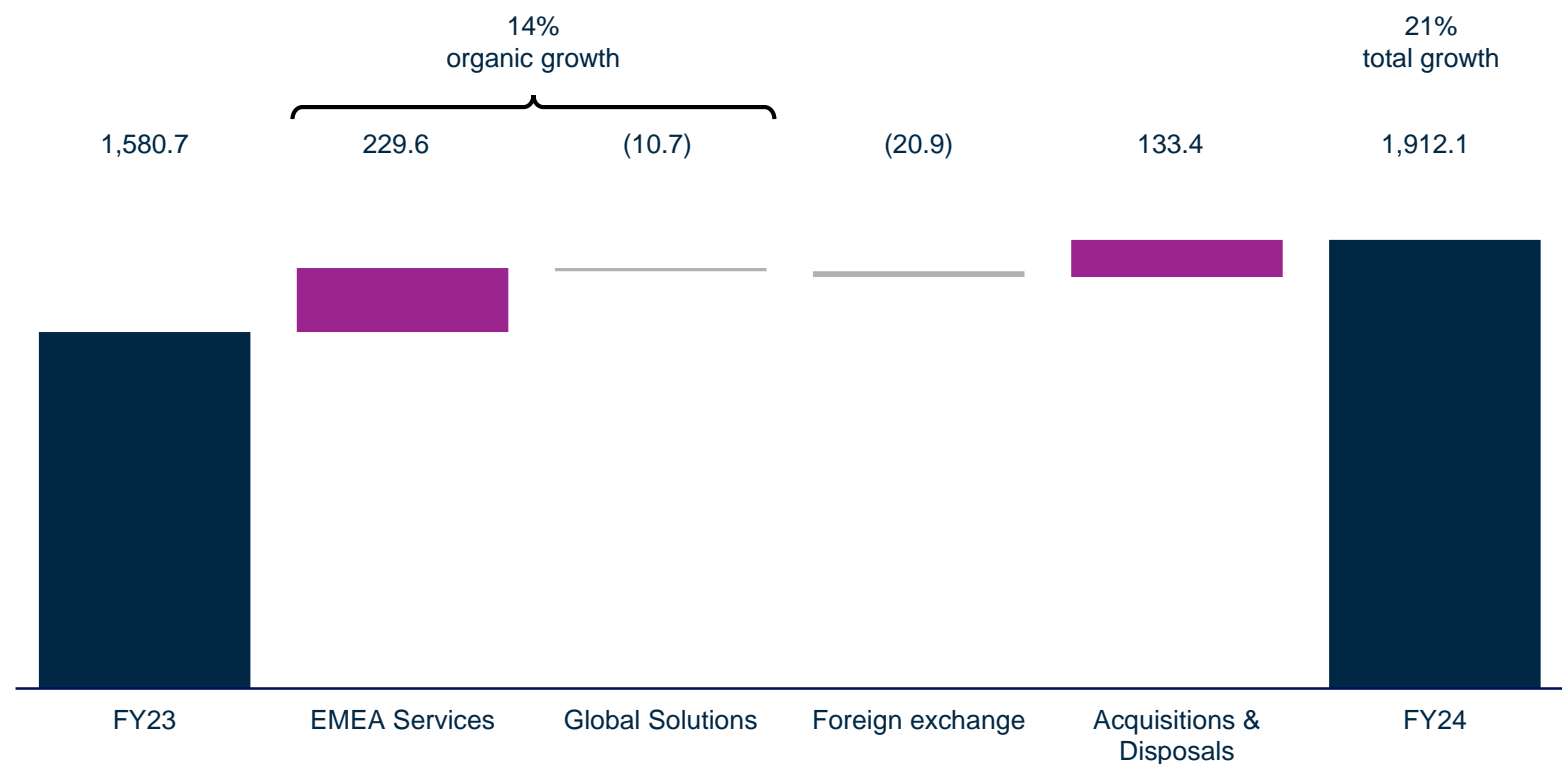
² Maritime Strategic Capability Agreement 10 year £260m contract in FY23

³ US unfunded orders represents the value of contract awards for which funding has not yet been appropriated or authorised

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Strong revenue growth; excellent EMEA Services and lower Global Solutions growth

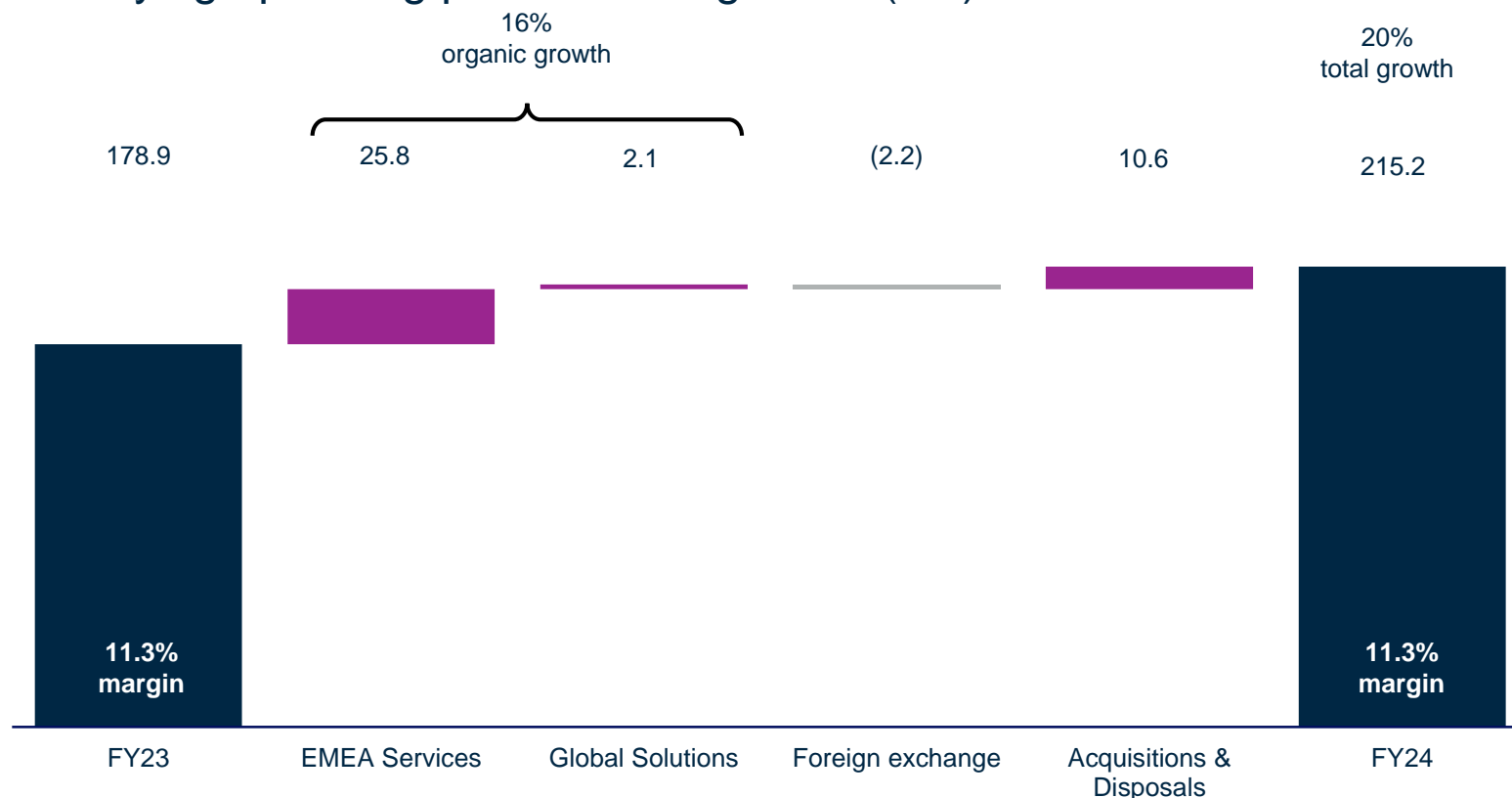
Revenue (£m)



¹ US unfunded represents the value of contract awards for which funding has not yet been appropriated or authorised, which is expected to be funded during FY25

Strong profit growth with stable margin

Underlying operating profit from segments (£m)

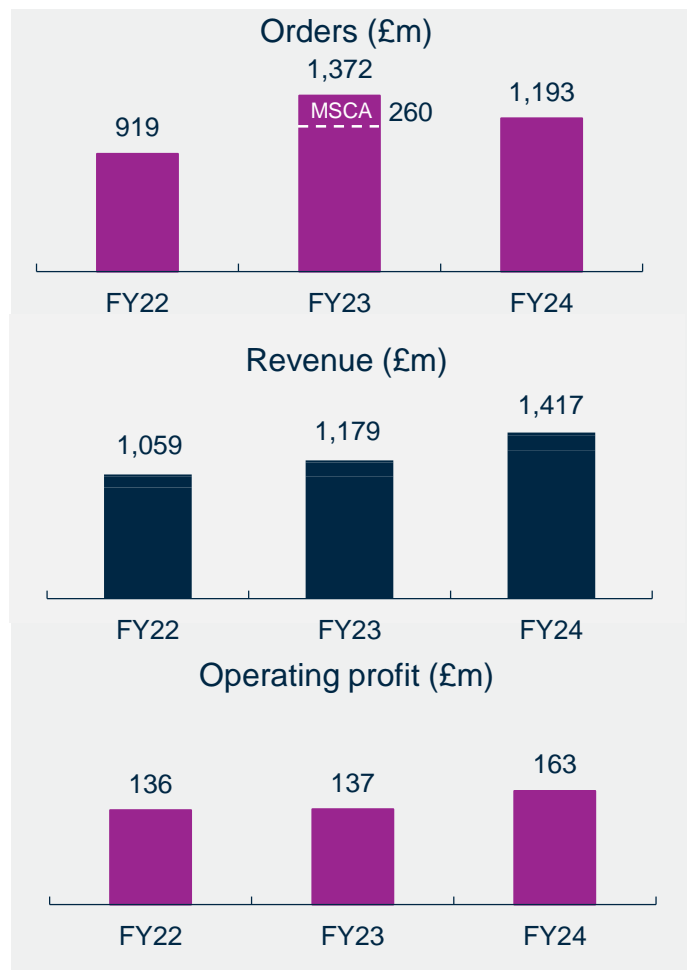


	FY24	FY23
	£m	£m
Operating profit from segments	215.2	178.9
RDEC Income	27.2	17.4
Amortisation of intangibles	(25.2)	(15.6)
Acquisitions and disposals	(9.2)	(18.7)
Digital Platform*	(16.9)	(5.8)
Other ¹	1.4	16.6
Statutory operating profit	192.5	172.8

* Digital Platform represents a discrete investment project to enable our global growth strategy and our AUKUS customers' needs

¹ Other items include gain on sale of property, impairment of property (FY24), RDEC MOD Release (FY23), and Restructuring Costs (FY23)

EMEA Services – excellent growth driven by strong order book



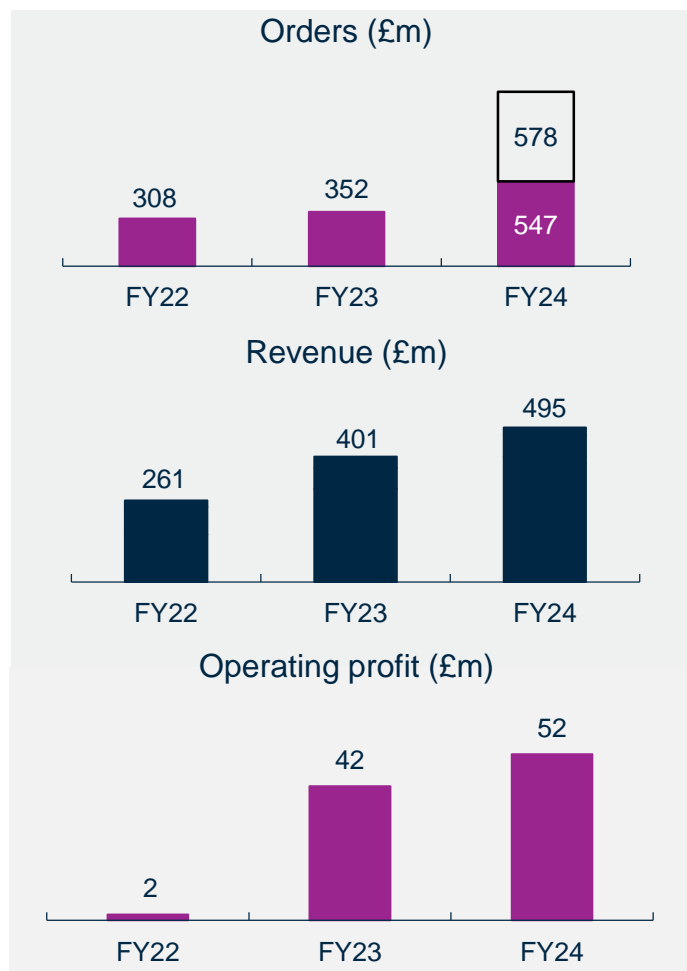
EMEA Services

	FY24	FY23
	£m	£m
Orders	1,193.1	1,372.2
Revenue	1,417.4	1,179.3
Underlying operating profit	163.4	137.1
Underlying operating profit margin	11.5%	11.6%
Book-to-bill ratio ¹	1.0x	1.4x
Total funded order backlog	2,551.7	2,768.8
Funded order backlog excl. LTPA	1,446.5	1,453.4

- Orders increased 7% excluding the 10 year £260m MSCA order in FY23. Including MSCA in the strong FY23 comparator, orders decreased by 13% (organic & reported)
- Funded order backlog at £1.4bn excl. LTPA, with a book-to-bill ratio of 1.0x
 - 1.04x FY24 vs. 1.17x FY23 excl. MSCA
- Revenue increased by 20% reported and 19% organic
- Operating profit increased 19% organic and reported, with stable margin

¹ Book-to-bill ratio is orders won divided by revenue recognised, excluding LTPA revenue of £266m (FY23: £225m)

Global Solutions – strong orders with revenue at stable margin



Global Solutions

Orders
Revenue
Underlying operating profit
Underlying operating profit margin
Book-to-bill ratio
Funded order backlog

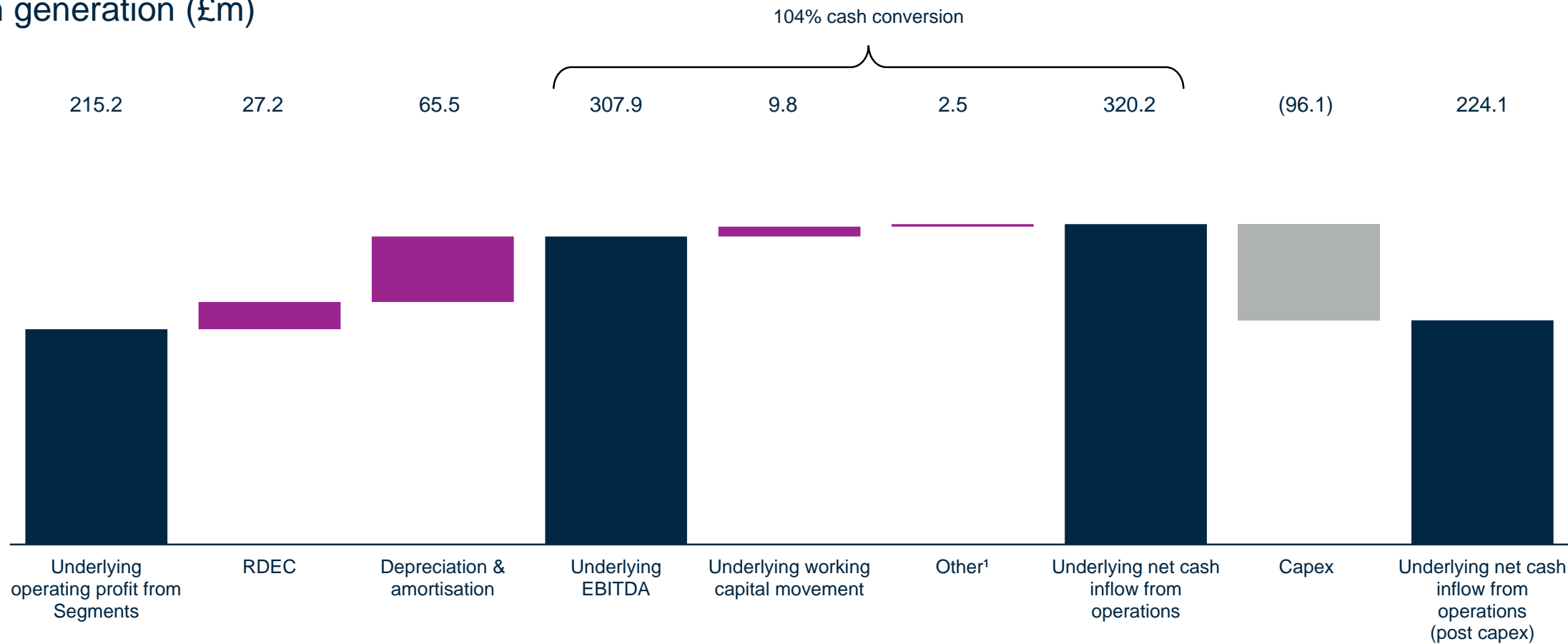
FY24	FY23
£m	£m
547.3	351.9
494.7	401.4
51.8	41.8
10.5%	10.4%
1.1x	0.9x
321.3	301.5

- Orders increased by 56% reported and 7% organic. Funded order backlog of £321m with a book-to-bill ratio of 1.1x
 - Avantus had a strong funded book-to-bill of 1.2x
- Revenue increased by 23% reported and declined 3% organic
 - Global Solutions ex-Avantus was broadly flat
 - Avantus saw a high single digit organic revenue decline
- Operating profit increased 24% reported and 6% organic with stable margin
 - Global Solutions ex-Avantus delivered a double digit operating margin
 - Avantus delivered a double digit operating margin

³ US unfunded orders represents the value of contract awards for which funding has not yet been appropriated or authorised

High cash generation through excellent delivery

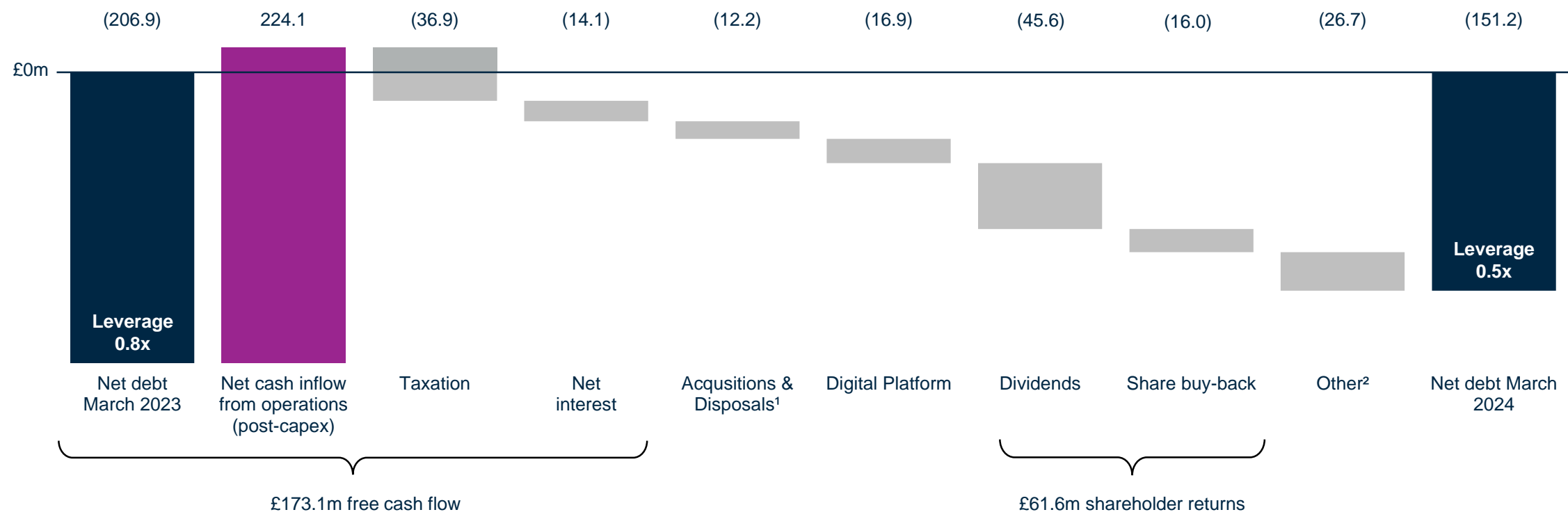
Cash generation (£m)



¹ Other movements driven by share based payments, pensions impacts and provision movements
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Strong balance sheet, material deleveraging, and enhanced focus on capital allocation

Net (debt) / cash (£m)



¹ Acquisitions & Disposals include transaction, integration and remuneration costs, and disposal of property

² Other movements mainly driven by increase in lease obligations and foreign exchange related movements

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Outlook Statement

FY25 guidance increased and on-track to deliver FY27 outlook

- We enter FY25 with strong momentum, a healthy order book and increased visibility, with 64% revenue under contract. We expect FY25 to deliver high single-digit organic revenue growth, compared to FY24, at a stable operating profit margin.
- We are on-track to achieve c.£2.4bn organic revenue at c.12% margin by FY27. This will deliver an attractive return on capital employed at or above the upper end of the 15-20%+ range.
- Cash conversion will remain high at 90%+ with capital expenditure within the £90m to £120m range. Our strengthened balance sheet provides optionality, through disciplined deployment of capital, for bolt-on acquisitions to compound growth at 11-12% margin and further shareholder returns.



Strategic outlook

Steve Wadey

Group Chief Executive Officer

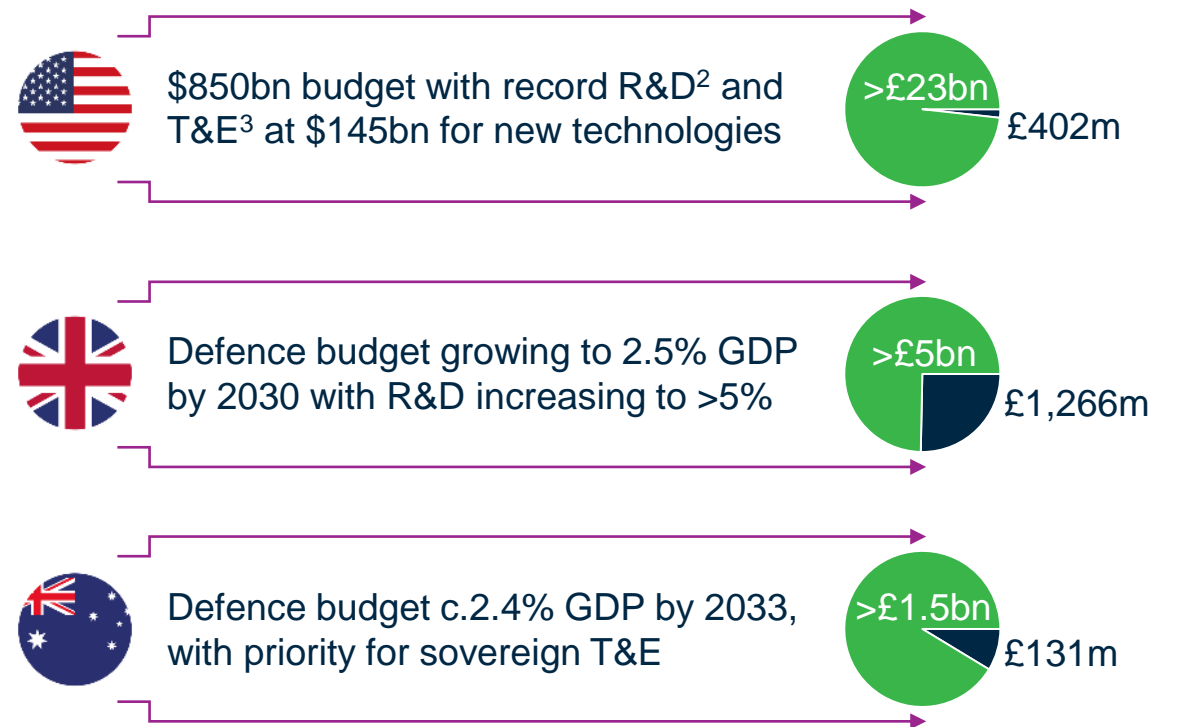
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Rising global instability driving increasing spending in defence and security

Increasing threats



Market opportunity¹ >£30bn per year

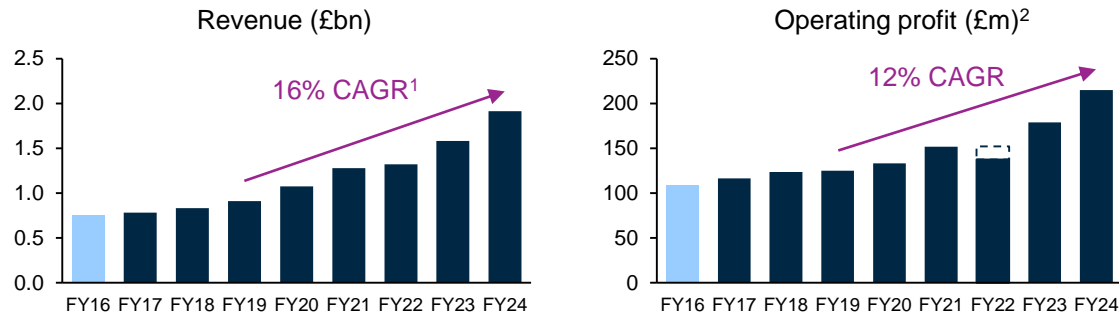


Structurally aligned with our AUKUS customers' needs for next generation capabilities

¹ Sources: Jane's Market Budget Forecast March 2023, UK MOD and US DOD forecasts, Australia Defence publications, QinetiQ estimates ² Research & Development ³ Test & Evaluation
● Addressable market opportunity ● FY24 revenue, Rest of World at £114m not shown

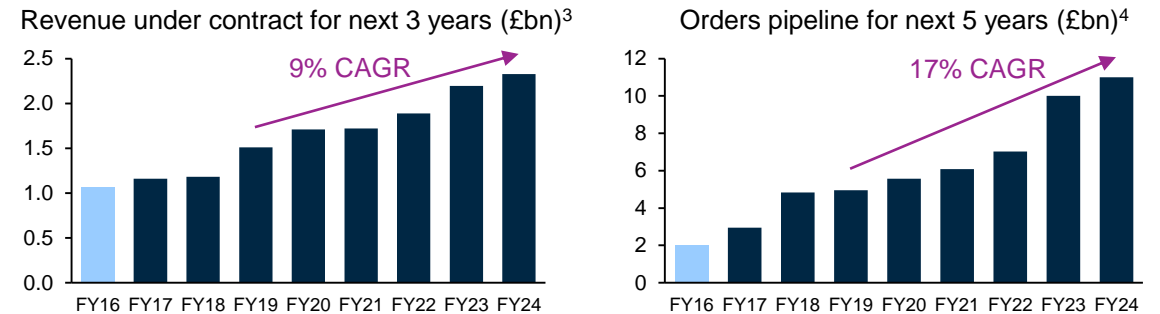
Strategy delivering long-term consistent performance and sustainable growth

Strong track record



- Focused execution of multi-domestic strategy building highly relevant and integrated global company
- Disciplined bidding, programme and supplier management across major contracts driving organic growth

Increasing revenue visibility



- Partnering on larger longer-term programmes with record pipeline at £11bn e.g. threat representation for the US
- Strategy and capabilities aligned with high-priority areas attracting increasing spending e.g. R&D and T&E

Successfully growing organically at double growth rate of national defence budgets

¹ Compound Annual Growth Rate ² FY22 shows add back for write-down ³ Revenue under contract for next 3 years at end of FY ⁴ Orders pipeline for next 5 years at end of FY

Building an integrated global company aligned to our AUKUS¹ customers' needs

Thriving people

- Strengthened leadership team to execute plan for sustainable growth
- Highest ever employee engagement, measured through quarterly survey



Cutting-edge technology

- Cutting-edge innovation underpinned by c.£20m p.a. investment in R&D²
- Leveraging products and skills across AUKUS nations e.g. T&E³ capabilities



Leveraging capability

- Continued investment in bidding, programme & supplier management
- On-track building digital platform to enable our AUKUS growth strategy



Investing to enable our customers to stay ahead of the threat

¹ Australia, United Kingdom, United States ² Research & Development ³ Test & Evaluation

Rapidly changing character of warfare increasing demand for our strengths

AUKUS¹ customers' priorities

- Autonomous systems & C-UAS²
- Directed energy weapons and hypersonics and counter-hypersonics
- Undersea warfare
- Electronic warfare and threat representation
- Cyber and information advantage
- Trusted AI / ML³, quantum and advanced computing

R&D⁴ for disruptive technologies



T&E⁵ for major sovereign capabilities



Threat representation for TMR⁶



Cyber & Intelligence for national security

Strategy on-track to deliver c.£2.4bn organic revenue at c.12% margin by FY27

¹ Australia, United Kingdom, United States ² Counter Uncrewed Aerial Systems ³ Artificial Intelligence / Machine Learning ⁴ Research & Development ⁵ Test & Evaluation ⁶ Training and Mission Rehearsal

Enhanced focus on disciplined capital allocation and execution

Capital allocation policy

Invest in our organic growth

Complement with value accretive acquisitions

Provide a progressive dividend to shareholders

Return excess cash to shareholders

Near term focus

- Focusing on execution of our organic growth plan
 - Investing in our people, technology and capabilities; major contracts and digital platform to enable AUKUS strategy
 - Delivering US growth, driven by Avantus synergies, within our newly integrated US platform
- Completing £100m share buyback programme and continuing to deliver sustainable shareholder returns

Strong balance sheet with optionality for investment in growth and further shareholder returns

A differentiated defence and security company with clear investment case



Delivering attractive returns and compelling value creation for shareholders

¹ Return On Capital Employed ² Environmental, Social and Governance ³ Stakeholder engagement including employees and community



Summary

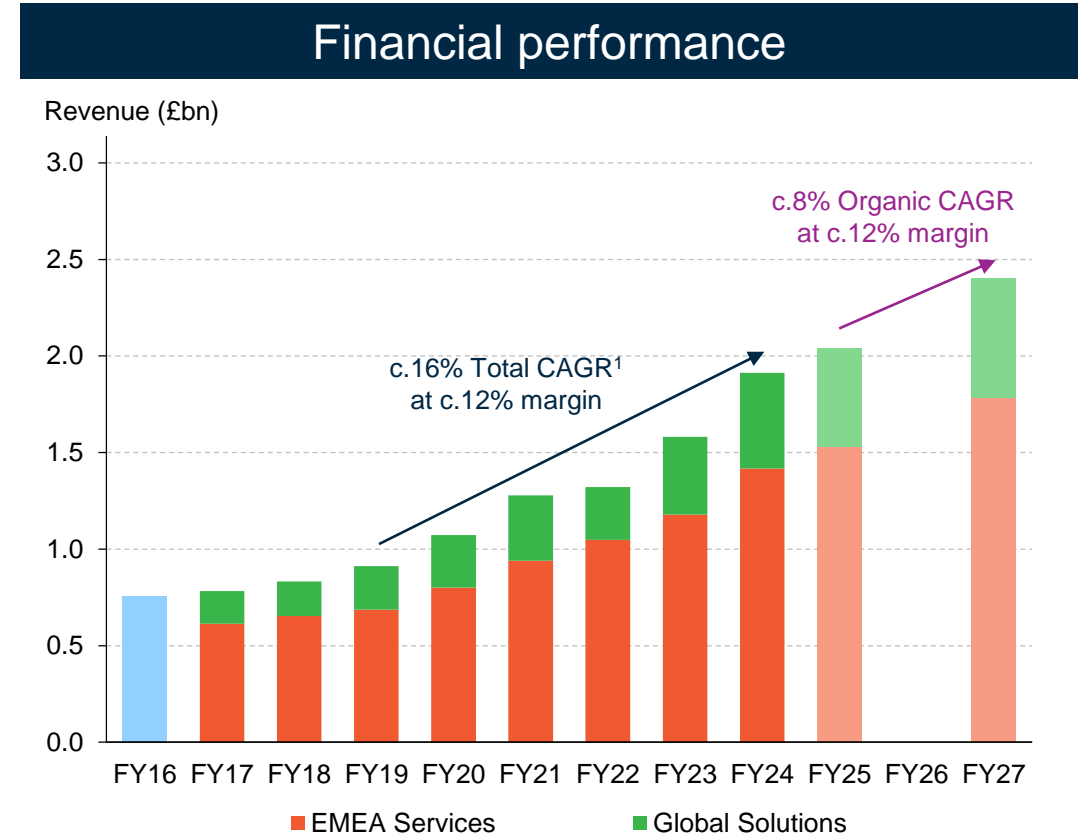
Steve Wadey

Group Chief Executive Officer

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Summary

- 1 Delivered a further year of strong overall Group operational and financial performance in FY24
- 2 Strong momentum entering FY25 and on-track to deliver c.£2.4bn organic revenue at c.12% margin by FY27
- 3 Enhanced focus on capital allocation with optionality for investment in growth and further shareholder returns



Expecting another strong year with clear strategy delivering sustainable growth

¹ Compound Annual Growth Rate

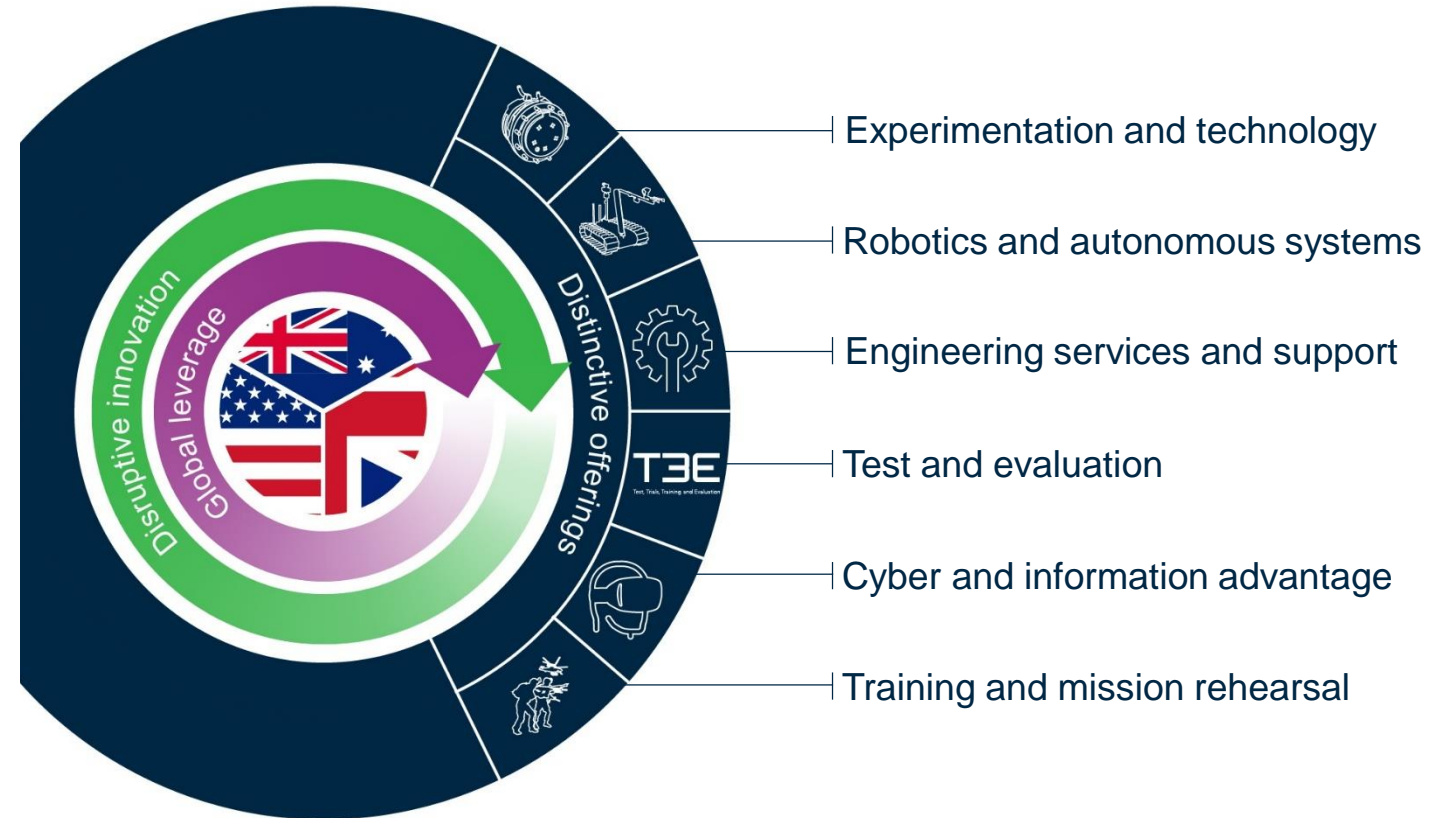
Q&A



Appendix

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A differentiated company responding to national and global security needs











A unique value proposition highly relevant to an enduring and increasing threat

Definitions

- Underlying performance is stated before:
 - Amortisation of intangibles arising from acquisitions
 - Pension net finance income
 - Gains/losses on disposal of businesses, investments and property
 - Transaction, integration and one-off remuneration costs in respect of business acquisitions and disposals
 - Impairment of property and goodwill
 - One-off period of digital investment
 - Costs of group-wide restructuring programmes
 - Tax impacts of the above items
 - Other significant non-recurring tax and RDEC movements
- Book-to-Bill:
 - Orders won divided by revenue recognised excluding the LTPA contract
- Organic growth:
 - The level of year-on-year growth, expressed as a percentage, calculated at constant prior year foreign exchange rates, adjusting for business acquisitions and disposals to reflect equivalent composition of the Group

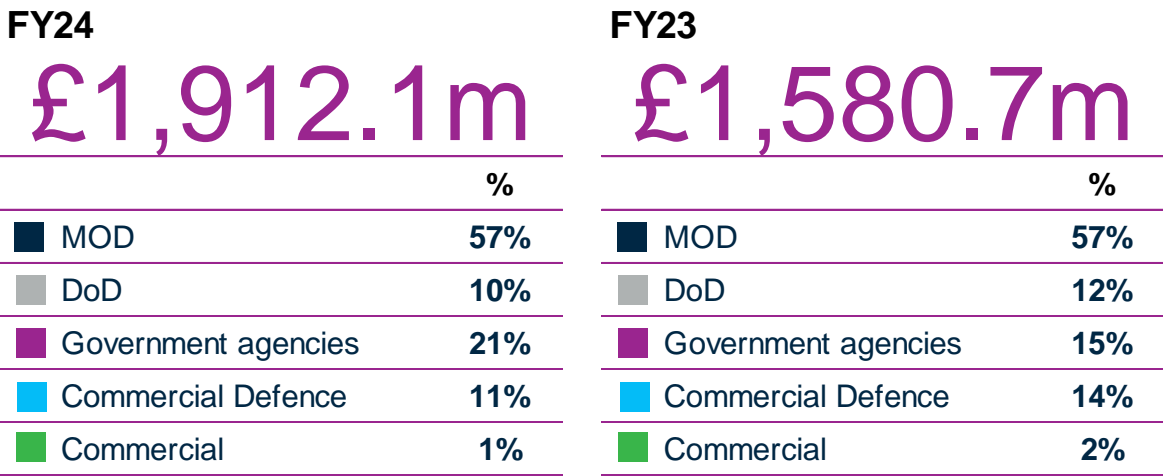
Technical guidance

	FY24	FY25	
Revenue	£1.9bn		We expect FY25 to deliver high single-digit organic revenue growth, compared to FY24, at a stable operating profit margin.
Profit margin	11.3%		
Underlying net finance expense	£(15.4)m		£340m debt financing taken out with Avantus acquisition (5.2% weighted average cost of debt, including all fees)
Effective tax rate ¹	15.1%		Increased to c.15% due to UK corporation tax rate increasing from 19% to 25%. This tax rate is illustrative for comparison against Profit from segments – the headline ETR (excluding RDEC credit) will be c.25%
Tax cash outflow	£36.9m		Expect to increase slightly inline with profit
Net working capital change	+£9.8m		Expect a modest working capital outflow to support our growth
Capital expenditure	£96.1m		Capex expected to remain within the £90-120m range
Leverage	0.5x		Expect to be flat

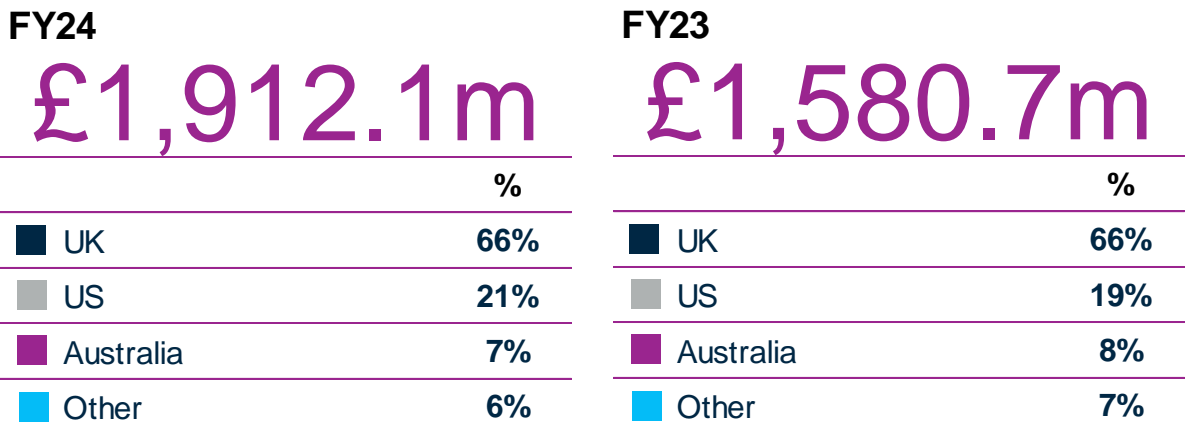
¹ Illustrative tax rate to reflect RDEC credit included in the tax line (to be used on Underlying Operating Profit from Segments). Equivalent published tax rate of 25.3% excluding the benefit of RDEC in the tax rate

Revenue by customer and country

Revenue by customer (%)



Revenue by destination country (%)



Income statement including specific adjusting items*

	FY24 £m	FY23 £m
Operating profit from segments	215.2	178.9
RDEC Income	27.2	17.4
Underlying operating profit	242.4	196.3
Amortisation of intangibles assets arising from acquisitions	(25.2)	(15.6)
Acquisition, integration and disposal costs	(9.2)	(18.7)
Digital investment	(16.9)	(5.8)
Restructuring costs	-	(5.0)
Release of RDEC MOD appropriation liability	-	19.6
Gain on sale of property	2.1	2.0
Impairment of property	(0.7)	-
Operating profit	192.5	172.8
Gain on business divestments	-	15.9
Pension net finance income	5.6	9.9
Underlying net finance expense	(15.4)	(6.6)
Profit before tax	182.7	192.0
Taxation	(43.1)	(37.6)
Profit after tax	139.6	154.4

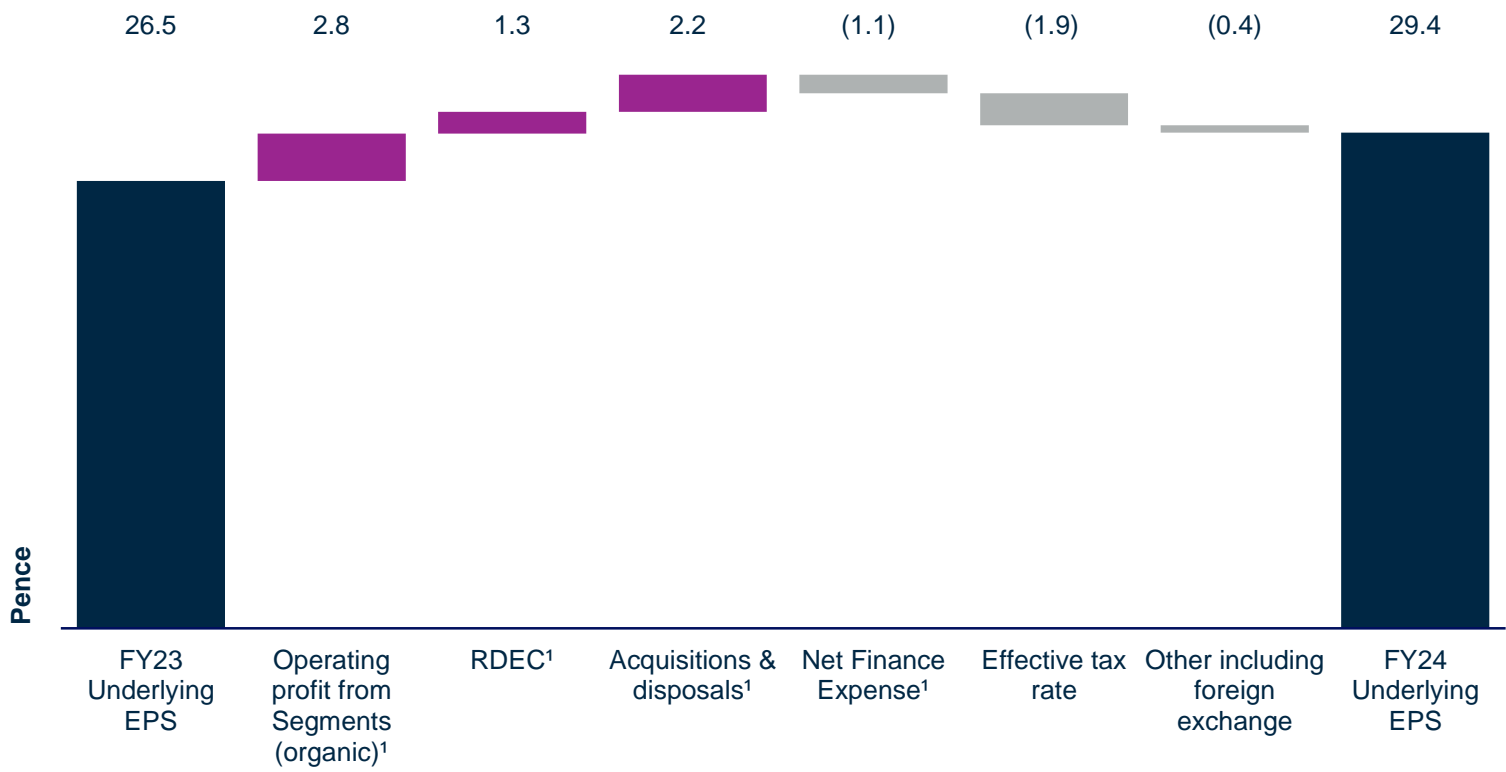
* Definitions of APMs can be found in the Appendix

Understanding our different underlying profit and tax rates

	FY24 £m	FY23 £m
Underlying operating profit*	242.4	196.3
Underlying tax charge*	57.4	36.8
Tax income on specific adjusting items	(14.3)	0.8
Headline tax charge	43.1	37.6
<i>Underlying tax rate*</i>	25.3%	19.4%
Illustrative effective tax rate, with impact of RDEC income included in the tax charge		
Operating profit from segments*	215.2	178.9
Tax charge including RDEC income	30.2	19.4
<i>Effective tax rate including RDEC income</i>	15.1%	11.3%

* Definitions of APMs can be found in the Appendix

Underlying earnings per share (pence)



¹ Post-tax

Cash conversion

	FY24 £m	FY23 £m
Operating profit from segments*	215.2	178.9
Underlying RDEC income	27.2	17.4
Underlying operating profit*	242.4	196.3
Depreciation and amortisation	65.5	59.0
EBITDA*	307.9	255.3
Changes in working capital	9.8	11.9
Loss on disposal of PPE and intangibles	0.9	0.2
Share-based payments charge	9.4	6.1
Share of post-tax profit of equity accounted entities	(0.8)	(0.8)
Net movement in provisions	(5.1)	(1.0)
Retirement benefit contributions in excess of income statement expense	(1.9)	(1.6)
Net cash inflow from operations	320.2	270.1
Cash conversion %	104%	106%
Capex	(96.1)	(109.0)
Net cash inflow from operations (post-capex)	224.1	161.1
Net interest	(14.1)	(4.4)
Taxation	(36.9)	(30.2)
Free cash flow	173.1	126.5

* Definitions of APMs can be found in the Appendix

Movements in net (debt)/cash

	FY24 £m	FY23 £m
Free cash flow	173.1	126.5
Acquisition of business	(5.1)	(503.8)
Disposal of business and property	2.1	30.6
Acquisition and disposal related costs	(2.7)	(16.4)
Digital investment	(16.9)	(5.8)
Dividends	(45.6)	(42.6)
Purchase of own shares	(17.1)	(0.8)
Change in lease obligations	(31.2)	(15.3)
Restructuring	-	(5.0)
Other (including FX)	(0.9)	0.6
Change in net (debt)/cash	55.7	(432.0)
Opening net (debt)/cash - 1 April	(206.9)	225.1
Closing net debt - 31 March	(151.2)	(206.9)

Balance sheet

	FY24 £m	FY23 £m
Goodwill	401.4	409.0
Intangible assets	321.8	343.0
Property, plant and equipment	531.8	477.8
Working capital	(120.3)	(69.0)
Net pension asset (after deferred tax)	8.8	84.4
Other assets and liabilities	(66.2)	(70.0)
Net debt	(151.2)	(206.9)
Net assets	926.1	968.3

Net pension asset

	FY24 £m	FY23* £m
Equities	21.8	32.9
LDI investment	414.9	399.2
Asset backed security investments	35.5	4.3
Bonds	405.5	372.0
Property funds	-	-
Cash and cash equivalents	36.5	17.2
Derivatives	19.6	14.1
Insurance buy-in policy	507.4	515.5
Borrowings	(125.0)	-
Market value of assets	1,316.2	1,355.2
Present value of scheme liabilities	(1,297.8)	(1,235.4)
Net pension asset before deferred tax	18.4	119.8
Deferred tax liability	(9.6)	(35.4)
Net pension asset (after deferred tax)	8.8	84.4

* Restated to reclassify equity and corporate credit derivatives based on fair values.

Glossary

Term	Definition
B2B	Book-to-bill
LTPA	Long Term Partnering Agreement
AUKUS	Australia, United Kingdom, United States
LDEW	Laser Directed Energy Weapon
JATTS	Joint Adversarial Training and Testing Services
MSP	Major Service Provider
EDP	Engineering Delivery Partner
CRS-I	Common Robotic System – Individual
SDA	Space Development Agency
ESG	Environmental Social Governance

Term	Definition
SCO	Strategic Capabilities Office
TARS	Tethered Aerostat Radar System
NDS	National Defence Strategy
MSCA	Maritime Strategic Capability Agreement
RDEC	Research & Development Expenditure Credit
T&E	Test & Evaluation
C-UAS	Counter Uncrewed Aerial Systems
TMR	Training & Mission Rehearsal
ROCE	Return on Capital Employed

Basis of preparation:

Throughout this presentation, certain measures are used to describe the Group's financial performance, which are not recognised under IFRS or other generally accepted accounting principles (GAAP). The Group's Directors and management assess financial performance based on underlying measures of performance, which are adjusted to exclude certain 'specific adjusting items'. In the judgment of the Directors, the use of alternative performance measures (APMs) such as underlying operating profit and underlying earnings per share are more representative of ongoing trading, facilitate meaningful year-to-year comparison and, therefore, allow the reader to obtain a fuller understanding of the financial information. The adjusted measures used by QinetiQ may differ from adjusted measures used by other companies. Details of QinetiQ's APMs are set out in the glossary to the presentation.

Year references (FY24, FY23, 2024, 2023) refer to the year ended 31 March.

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