

Introduction to QinetiQ

QinetiQ Group Plc

July 2024



QINETIQ

We have a unique position in defence

- Unlike traditional vertically integrated defence “primes”, we operate across platforms, systems & lifecycles
- We are capability focused, rather than platform orientated
- We apply innovation to turn individual platforms and systems into integrated capabilities and then assure customers they work, helping our customers to get the most out of their defence assets
- Enables us to form strong industrial partnerships with defence primes, SME’s and academia

Traditional
defence primes



Platform focused,
vertically integrated



Platform focused,
vertically integrated



Platform focused,
vertically integrated

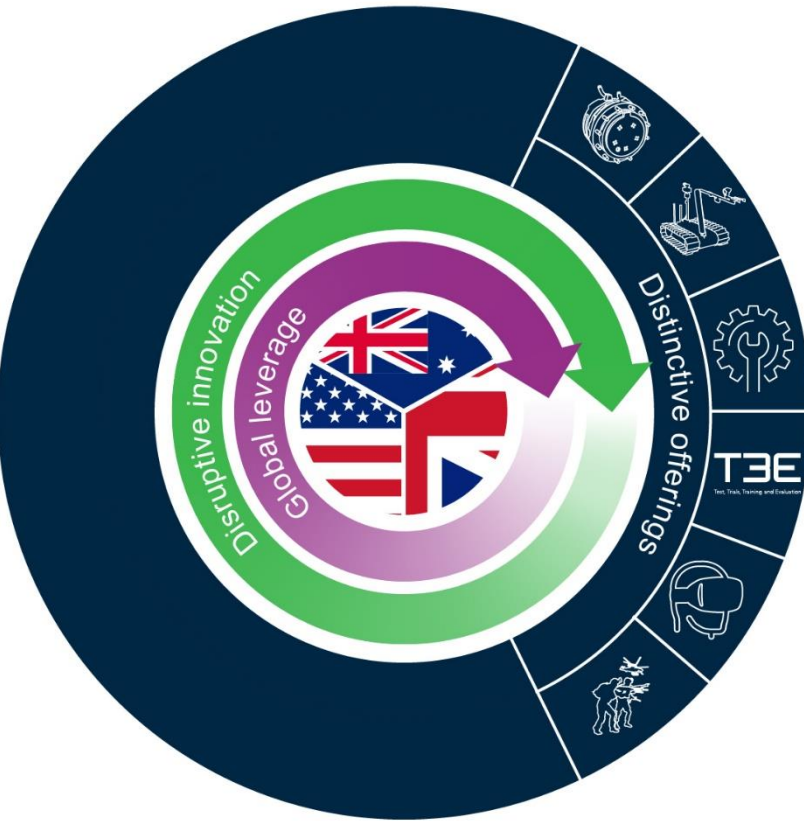


Platform focused,
vertically integrated

QINETIQ Capability focused, across platforms and systems

A leading science & engineering company operating in defence and security markets:

Our 6 distinctive offerings



Experimentation and technology



Robotics and autonomous systems



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

Our 6 distinctive offerings: in words

Our offerings	Description	Examples
 Experimentation & Technology	QinetiQ collaborates with customers and partners to explore innovative technology solutions that solve our customers' complex problems. We bring together a wide range of experts to deliver new, fully-assured capabilities that provide mission advantage	<ul style="list-style-type: none"> • Research programme on new radar techniques • Development of rapid solutions for UK Home Office • Laser Directed Energy Weapons (LDEW) funded R&D programme to develop next generation low cost weapons
 Cyber & information advantage	QinetiQ innovates with a broad range of partners across leading-edge sensor technologies, data processing, advanced analytics, cyber and artificial intelligence to use data and information in a more effective way	<ul style="list-style-type: none"> • Data intelligence and analytics into UK and US defence and intelligence communities • Cyber and niche security services and products • Advance ISR sensor for US Army
 Test & Evaluation	QinetiQ leverages unique skills, data and facilities to test and evaluate the performance of military systems. This provides assurance for our customers that their equipment and platforms will work effectively when needed in demanding environments and threat scenarios, helping to reduce operational risk and through-life cost	<ul style="list-style-type: none"> • Long Term Partnering Agreement (LTPA) 25 year contract signed with UK MOD in 2003 • Design, construct, operate & maintain an unmanned flight test range in Australia
 Engineering Services & Support	Working alongside a large network of supplier providers, QinetiQ uses its deep understanding of customer requirements, existing systems and innovation approach to provide our customers with reliable technical advice and support through all phases of procurement and systems engineering	<ul style="list-style-type: none"> • Engineering Delivery Partner (EDP) providing all engineering services to UK MOD • Major Service Provider to Australian Department of Defence Capability Acquisition and Sustainment Group
 Training & Mission Rehearsal	QinetiQ combines engineering expertise, operational know-how and leading-edge technologies to deliver physical and virtual training exercises to support operational readiness and mission rehearsal	<ul style="list-style-type: none"> • NATO Formidable Shield 23 air & missile defence exercise • Provide aircraft training to flight test engineers of fixed-wing and rotary-wing aircraft • Lead DSTL's SERAPIS simulation & synthetic contract
 Robotics & Autonomous Systems	QinetiQ develops, tests, evaluates and supplies trusted robotic and autonomous systems across land, sea and air domains	<ul style="list-style-type: none"> • Un-crewed robotic systems e.g. Robotic Combat Vehicle Light (RCV-L) US Army prototype project • TALON autonomous small tracked robot for bomb disposal, disinfection & logistics

Our value proposition: applying our unique technical expertise across the product lifecycle

Create it



Developing cutting-edge technology and rapidly turning it into capability

Test it



Assuring a capability will work when it is critically needed

Use it



Ensuring our customers are trained and operationally ready

Helping our customers to create, test and use defence and security capabilities

Our strategy is increasingly relevant to respond to market dynamics

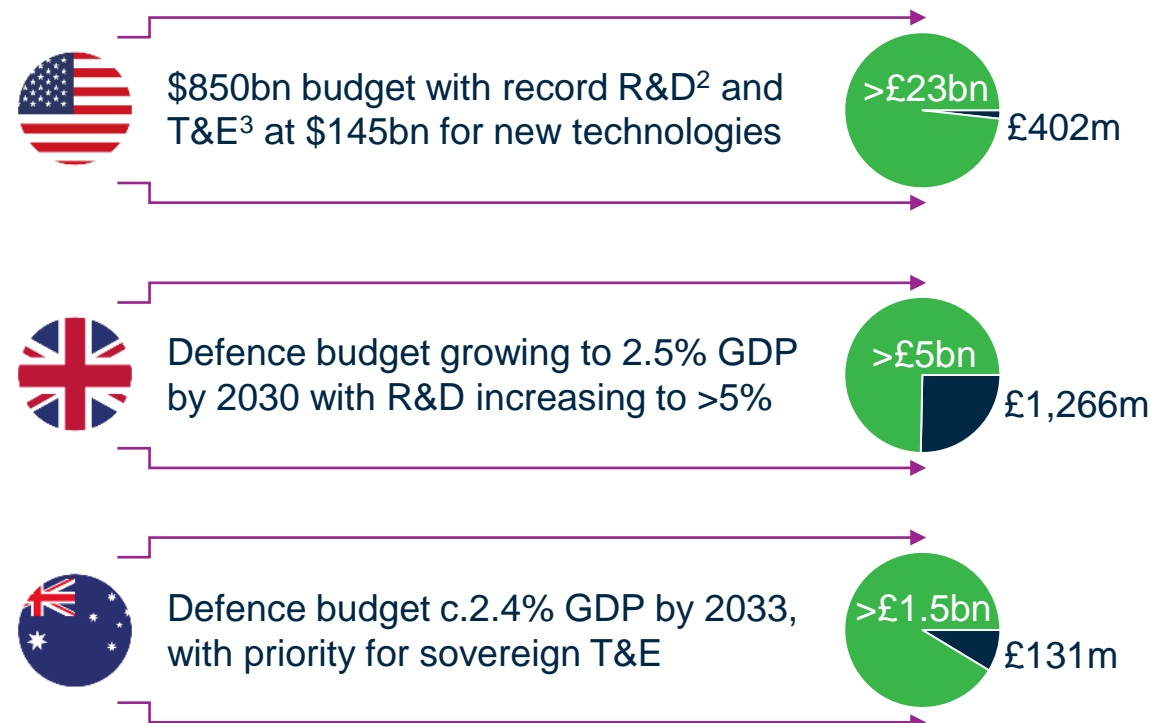


Rising global instability driving increasing spending in defence and security

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

Key themes driving growth in our markets

Changing character of warfare and widening threat spectrum



- Rising global tensions and proliferation of technology has resulted in an increasingly complex threat environment with adversaries deploying novel capabilities
- 'Grey-zone' warfare where distinction between acts of war and peace is blurred makes countering threats much harder
- Maintaining technological superiority is critical
- Changing threat environment requires greater integration between nations, forces and equipment – enabled by Test & Evaluation and Training

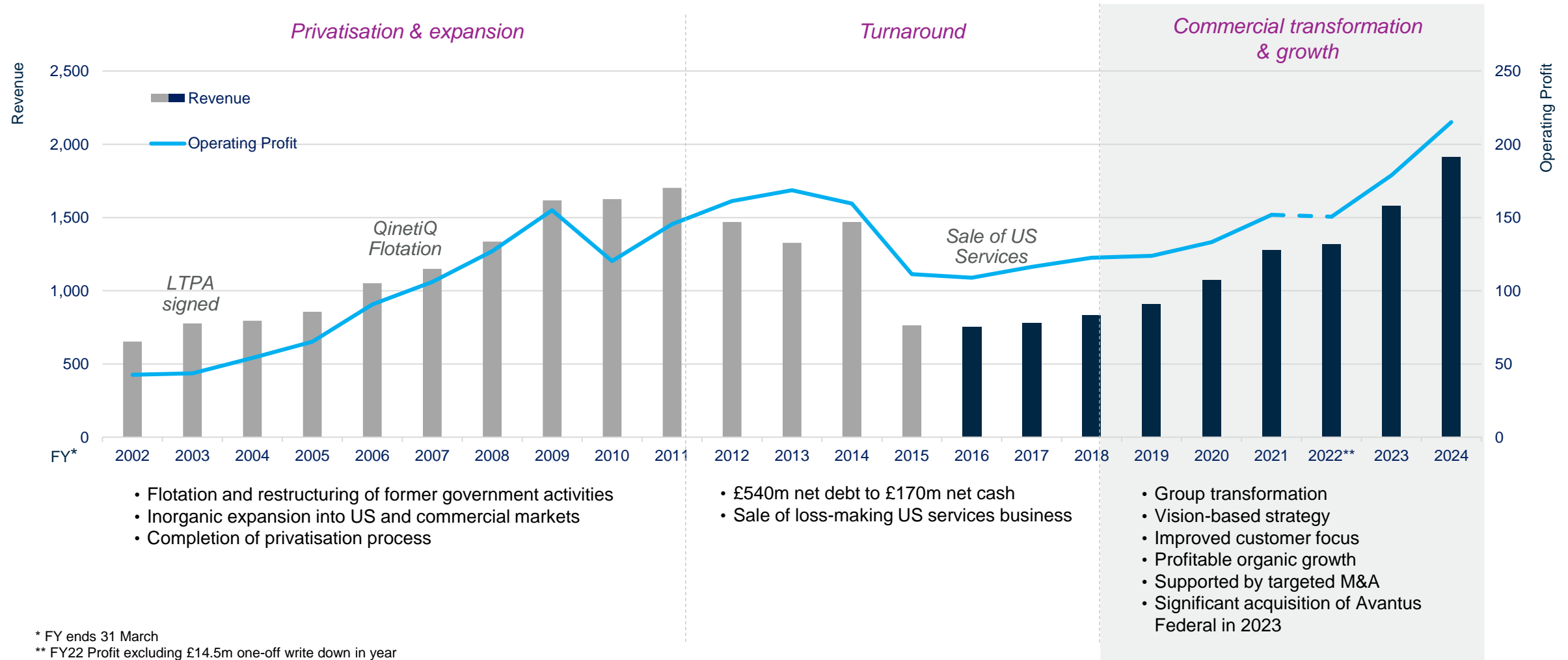
Requirement for innovative approaches to developing and assuring defence capabilities



- Exploiting emerging technologies and maintaining technological advantage requires extensive research and experimentation
- Requires dynamic approaches to innovation and partnerships to exploit most advanced technology
- Nations must maintain traditional defence capabilities while investing in next generation capabilities, information advantage and improved interoperability
- Requires industry to deliver more for less, driving efficiencies with innovative delivery models

Supporting the development of next generation capabilities and delivering savings through innovation

Positioned for growth having undergone a significant transformation

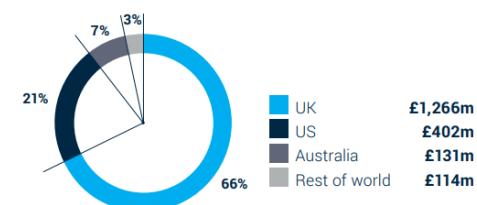


Key financials & financial characteristics

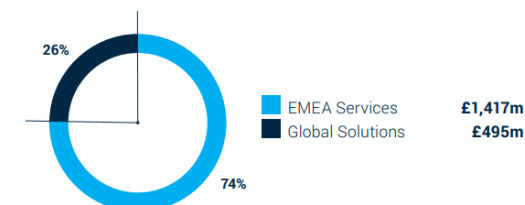
	FY20	FY21	FY22	FY23	FY24
Revenue	£1,073m	£1,278m	£1,320m	£1,581m	£1,912m
% revenue growth	18%	19%	3%	20%	21%
% organic revenue growth	10%	10%	5%	11%	14%
Underlying EBITDA	£178.5m	£202.1m	£189m	£255m	£308m
% EBITDA margin	17%	16%	14%	16%	16%
Underlying operating profit (EBIT)	£133.2m	£151.8m	£137.4m	£178.9m	£215.2m
% EBIT margin	12%	12%	10%	11%	11%
Underlying EPS	20.0p	22.1p	22.1p	26.5p	29.4p
% EPS growth	2%	11%	0%	20%	11%
Orders	£2,227m	£1,149m	£1,227m	£1,724m	£1,740m
Order backlog	£3.1bn	£2.9bn	£2.8bn	£3.1bn	£3.7bn ¹
Operating cash flow (pre capex)	£177.8m	£199.0m	£215.3m	£270.1m	£320.2m
% cash conversion	100%	98%	114%	106%	104%
Net cash/(debt)	£84.7m	£164.1m	£225.1m	(£206.9m)	(£151.2m)
Dividend	6.6p	6.9p	7.3p	7.7p	8.3p

¹ Includes £0.8bn of unfunded backlog

Revenue by customer location



Revenue by division



- Mid to high-single digit organic revenue growth, in the 7-9% range
- EBIT profit margin at a sustainable level in the 11-12% range
- Strong order backlog of £3.7bn (£0.8bn unfunded orders) and enter each FY with c.60% of revenue under contract, giving good future earnings visibility
- Favourable contracting model, able to pass 70-80% of inflationary impacts to our customers through cost plus and inflation-linked contracts, and new to-win contracts
- Asset-light (21% ROCE in FY24) and cash generative business model supports organic investment to drive future growth: organic investment funded from operating cash flow
- Strong and consistent cash conversion of 90%+ facilitates rapid de-leveraging to ensure we are able to support our growth ambitions
- Progressive dividend policy, recently increased from +5% to +7%
- Balanced capital allocation policy: £100m share buyback from Feb-24 over 12 months

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

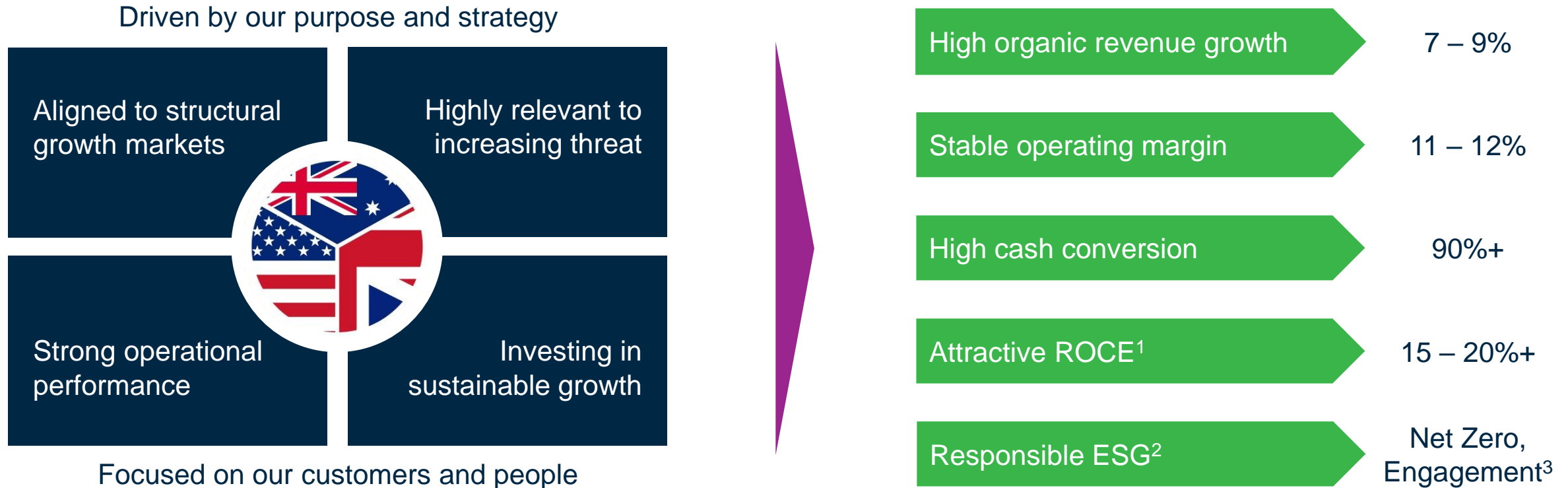
Return excess cash to shareholders

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



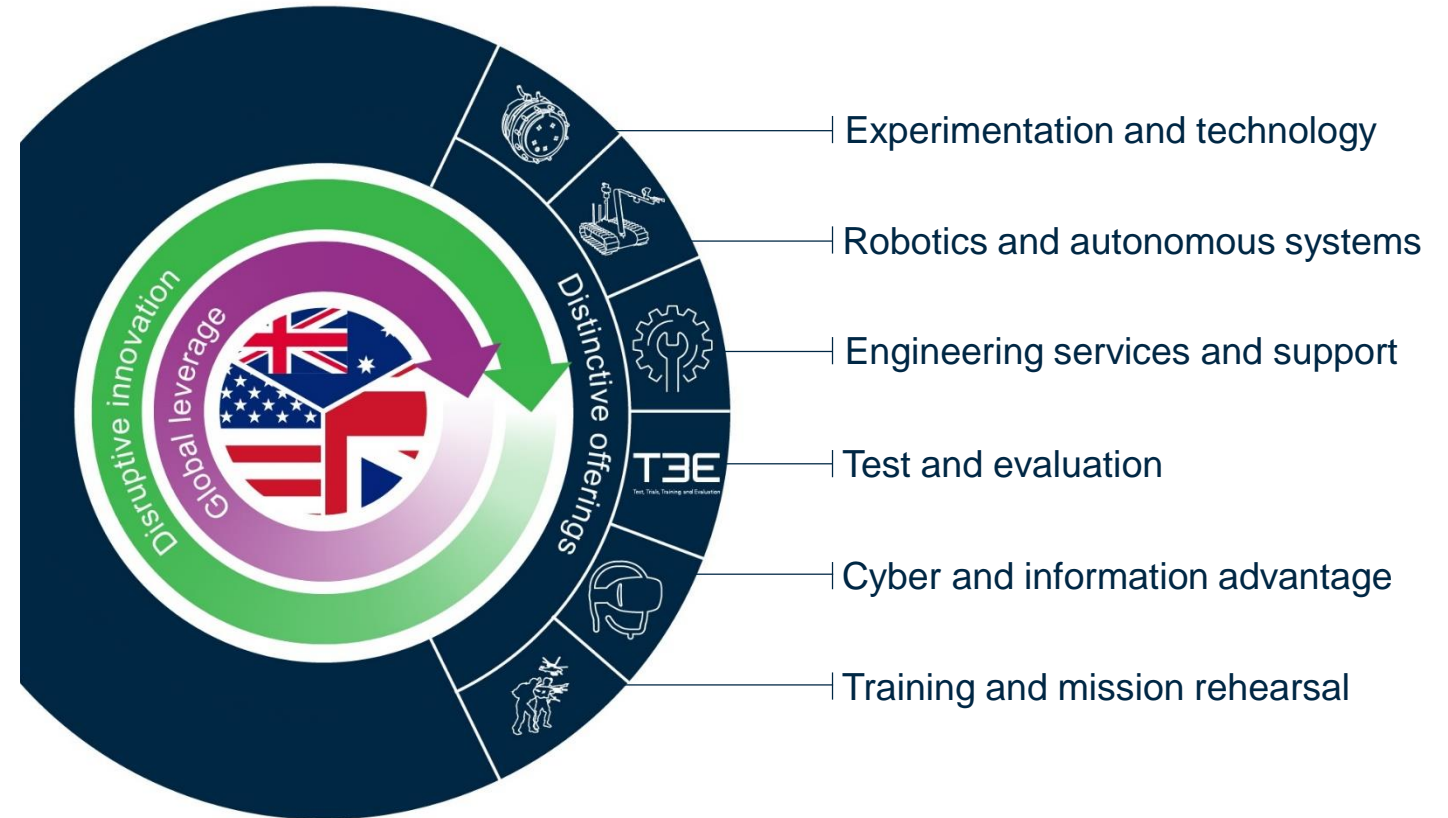
Delivering attractive returns and compelling value creation for shareholders

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

Appendices



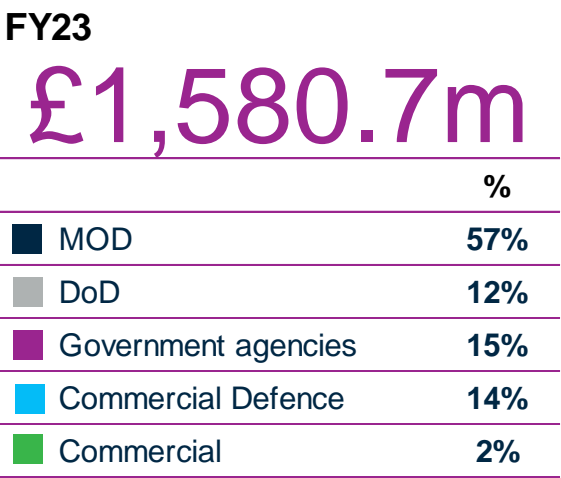
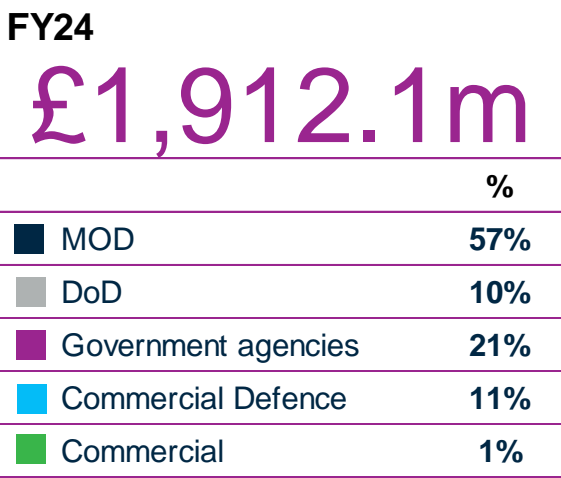
A differentiated company responding to national and global security needs



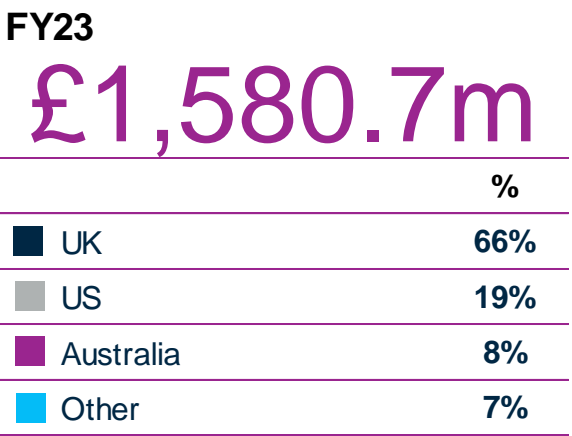
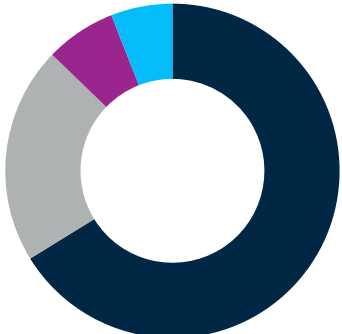
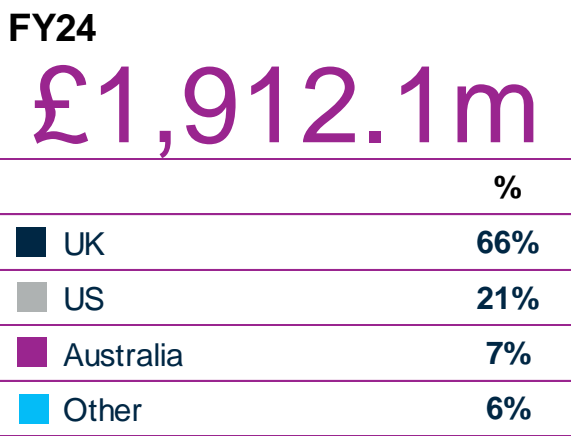
A unique value proposition highly relevant to an enduring and increasing threat

Revenue by customer and country

Revenue by customer (%)



Revenue by destination country (%)



QINETIQ