
QinetiQ Group plc

Trading Update

14 April 2021 - QinetiQ Group plc (“QinetiQ” or “the Group”) today issues a trading update covering its fourth quarter to 31 March 2021.

Strong operational performance – upgrading full year guidance

Through continued disciplined execution of our strategy the Group has delivered strong performance through the fourth quarter. As a consequence, today we announce that we expect our results for the full year to 31 March 2021 to be above our previous guidance and above market consensus expectations.

Full year order intake has been strong, and subject to audit, we expect to deliver high teens percentage revenue growth, high single digit percentage revenue growth on an organic basis. We expect the full year underlying operating profit margin percentage to be modestly ahead of that delivered in the first half, resulting in underlying operating profit for the full year of at least £147m. Operating cash flow has been good and we retain a strong balance sheet with net cash at 31 March 2021 of at least £150m.

Our strong performance is underpinned by overachievement across the EMEA Services portfolio offsetting the modest COVID-19 impacts seen earlier in the year in Global Products, affecting the United States and Target Systems. In addition, the three businesses sold in the last year have generated a non-trading gain which will be partly offset by a goodwill impairment in our German business due to a more challenging business environment.

We retain our medium to long-term guidance: we are targeting mid-single digit percentage compound annual organic revenue growth over the next 5 years, with strategic acquisitions further enhancing this growth. We are targeting operating profit margin of 12-13%, although in the short-term we continue to anticipate margins being c.100bps lower, driven by increased investment on our digital transformation programme and by the evolution of our business mix. Capital expenditure is expected to be in the region of £90m to £120m per annum for the next two years.

Steve Wadey, Group Chief Executive Officer said:

“I am extremely proud of how our people have continued to deliver critical defence and security capabilities for our customers around the world, despite significant challenges due to COVID-19. We continued to adapt our ways of working, increased the scale of our ambition and evolved our strategy to meet the changing needs of our customers. As a result, we are now upgrading our full year guidance, demonstrating the Group’s continued strong momentum.”

Preliminary results

QinetiQ will announce its preliminary results on 20 May 2021. We will be hosting a virtual results presentation, details of which will be available on our website shortly at: www.QinetiQ.com/investors.

About QinetiQ

QinetiQ (QQ.L) is a leading science and engineering company operating primarily in the defence, security and critical infrastructure markets. We work in partnership with our customers to solve real world problems

through innovative solutions delivering operational and competitive advantage. Visit our website www.QinetiQ.com. Follow us on LinkedIn and Twitter @QinetiQ. Visit our blog www.QinetiQ-blogs.com.

Recording and transcript of our 4 March 2021 investor seminar: *Renewed ambition to accelerate sustainable growth*, which covered our growth strategy in the US, our digital T&E investment and our approach to ESG, can be found here: <https://www.qinetiq.com/en/investors/investor-seminars/renewed-ambition-to-accelerate-sustainable-growth>

Inside information

This announcement contains inside information and the person responsible for making this announcement is Jon Messent, Company Secretary.

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