



# Acquisition of Avantus: delivering our global strategy

QinetiQ Group plc  
05 August 2022

QINETIQ

# Disclaimer

*This presentation contains information regarding QinetiQ Group plc (the "**Company**"). This presentation, and any ancillary documents relating to it, any oral presentation and any question or answer session (together, the "**Materials**") have been prepared and issued by and are the sole responsibility of the Company. The Materials are being made available for your information only and are delivered by the Company in connection with the acquisition of Avantus LLC ("Avantus") from NewSpring Holdings. The presentation slides are given in conjunction with an oral presentation and should not be taken out of context.*

*The information contained in the Materials and any further information made available by, or on behalf of, the Company or any of its subsidiaries or subsidiary undertakings will not form the basis of any contract, does not constitute or form part of, and should not be construed as, an offer, invitation, inducement, solicitation or recommendation for the taking of any action, the acquisition of any asset of, or securities in, the Company or any other entity or the making of any investment, commercial or financial decisions and does not otherwise constitute an agreement to provide investment services. The Materials or any part thereof, or the fact of their distribution, shall not form the basis of, or be relied upon in connection with, any contract or commitment by or with the Company, or its affiliates or Representatives (as defined below), for any purpose.*

*Neither receipt of the Materials by any person, nor any information contained in them, supplied with them or subsequently communicated to any person by, or on behalf of, the Company or any of its affiliates or by any of its directors, officers, employees, members, agents, advisers or representatives (collectively, "**Representatives**"), either constitutes or is to be taken as constituting the giving of investment advice by the Company or any of its affiliates or any of its Representatives to any person. The Materials are not intended to form (and should not therefore be relied upon as forming) the basis of any investment, financing or other decision. The Materials do not purport to be comprehensive or to contain all the information that may be relevant to recipients relating to the Company. Each recipient of the Materials must make its own investigation and assessment of the Company.*

*The contents of the Materials have not been examined or approved by the Financial Conduct Authority (the "**FCA**"), London Stock Exchange plc or any other regulatory body, nor is it intended that the Materials will be so examined or approved. The information and opinions contained in the Materials are subject to updating, completion, revision and amendment in any way without liability or notice to any person and neither the Company, nor any of its affiliates nor any of its Representatives undertakes any obligation to provide recipients with access to any additional information, to update any information or to correct any inaccuracies which may become apparent in the Materials.*

*The information in the Materials has not been independently verified and accordingly, no reliance may be placed for any purpose whatsoever on the information or opinions contained or expressed in the Materials or on the adequacy, accuracy, fairness or completeness of such information and opinions. Certain statements contained in the Materials contain (or may contain) certain forward-looking statements with respect to the Company's current expectations, beliefs, intentions, estimates and projections about future events, strategic initiatives and the Company's future financial condition and performance. These statements sometimes use words such as "aim", "believes", "estimates", "may", "will", "should", "plans", "anticipates", "could", "potential", "expects", "anticipates", "plans", "intends", "projects", "indicates" and words or terms of similar meaning (or the negative thereof). By their nature, forward-looking statements are inherently predictive, speculative and involve risks, uncertainties and assumptions that could cause actual results, financial condition, performance, developments or achievements to differ materially from those expressed or implied by the forward-looking statements. Many of these risks, uncertainties and assumptions relate to factors that are beyond the Company's ability to control or estimate precisely, such as changes in taxation or fiscal policy, future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governments or governmental regulators, or other risk factors, such as changes in the political, social and regulatory framework in which the Company operates or in economic or technological trends or conditions, including inflation, recession and consumer confidence, on a global, regional or national basis. These forward-looking statements speak only as of the date of the relevant Materials. Undue reliance should not be placed on these forward-looking statements. In particular, but without prejudice to the generality of the above, no representation or warranty is given, and no responsibility or liability is accepted, either as to the achievement or reasonableness of any future projections, forecasts, estimates or statements as to any prospects or future returns contained or referred to in the Materials or in relation to the basis or assumptions underlying such projections, forecasts, estimates or statements. Except as required by applicable law or regulation, the Company expressly disclaims any obligation or undertaking to release any updates or revisions to these forward-looking statements whether as a result of new information, future events or otherwise.*

*No statement in the Materials is or is intended to be a profit forecast or profit estimate or to imply that the earnings of the Company for the current or future financial periods will necessarily match or exceed the historical or published earnings of the Company and/or its subsidiaries. No statement of a financial metric should be interpreted to mean that any financial metric for the current or future financial years would necessarily match or exceed the historical published position of the Company and/or its subsidiaries. The estimates set out in the Materials have been prepared based on numerous assumptions and forecasts, including those set out in the Materials, some of which are outside of the Company's influence and/or control, and are therefore inherently uncertain. The estimates have not been audited, reviewed, verified or subject to any procedures by the Company's auditors. You should not place undue reliance on them and there can be no guarantee or assurance that they will be correct.*

*Certain figures contained in the Materials have been subject to rounding adjustments. Accordingly, the actual arithmetic total of numbers may not conform exactly to the total figures and percentages may not conform exactly to percentages that would be derived if calculations were based on rounded numbers.*

*By attending the presentation or by otherwise accessing the Materials, you warrant, represent, undertake and acknowledge to the Company that you have read, understood and agree to comply with the foregoing limitations and restrictions.*

# 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<sup>1</sup>
- June 2022 Last Twelve Months (LTM) \$298m Revenue with \$35.5m Adjusted EBITDA
- Represents Enterprise Value multiple<sup>2</sup> 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

<sup>1</sup> 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    <sup>2</sup> 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<sup>1</sup> \$298m

## Core Capabilities

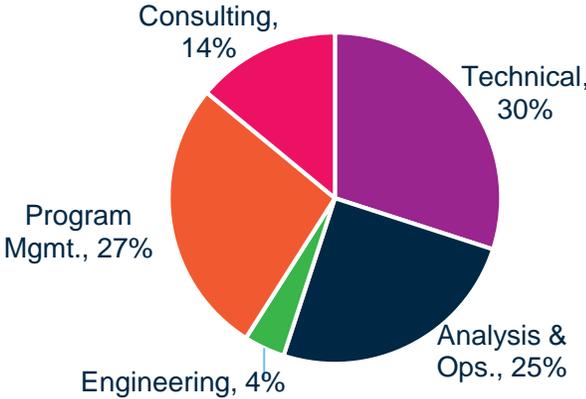


## Key Employee Statistics

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

<sup>1</sup> Last Twelve Months    <sup>2</sup> 2022E Revenue    <sup>3</sup> Age, Gender, Ethnicity

## Employees by Capability



## Customer Markets<sup>2</sup>



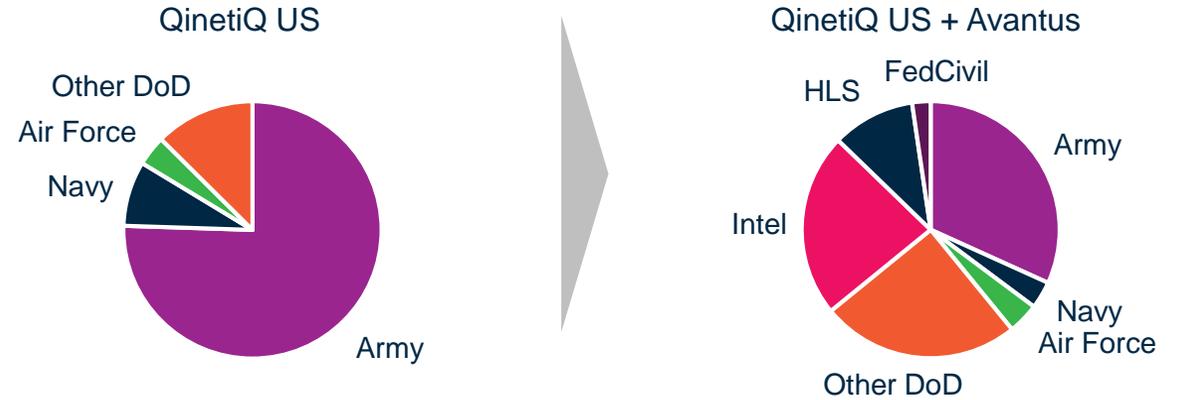
# Building a disruptive mid-tier US business – combined Avantus and QinetiQ US

- **Competitiveness:** Size and scale to compete effectively in a full and open environment
- **Customers:** Expands our customer portfolio in DoD<sup>1</sup> and into National Security, DHS<sup>2</sup> and FedCivil<sup>3</sup>
- **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

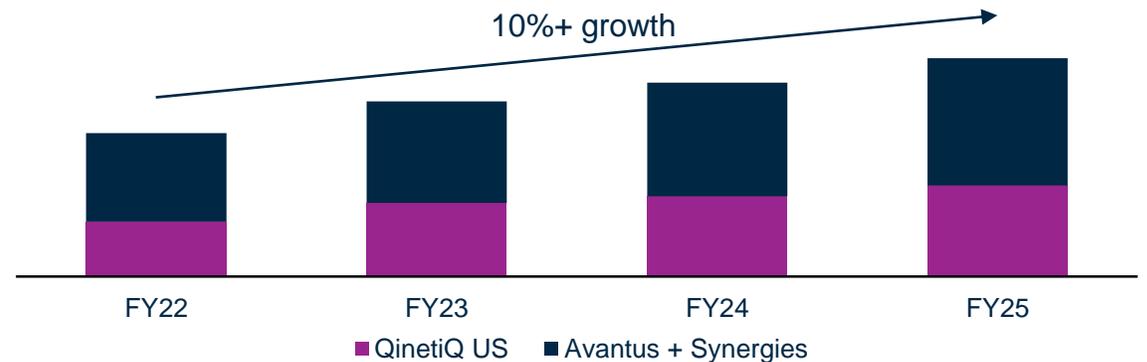
Combination accelerates our US growth

<sup>1</sup> US Department of Defense    <sup>2</sup> US Department of Homeland Security    <sup>3</sup> US Federal Civil Service

## Expanded Customer Portfolio



## Accelerated Revenue Growth



# Delivering our global growth strategy

Steve Wadey  
Group Chief Executive Officer

# Building an integrated global defence and security company

FY22

Market opportunity<sup>1</sup>



Revenue £962m  
Market share<sup>2</sup> <35%

>£3bn  
+2-3% growth<sup>3</sup>



Revenue £153m  
Market share <2%

>£15bn  
+3%<sup>4</sup> growth



Revenue £98m  
Market share <15%

>£0.5bn  
+3-5% growth



Revenue £107m  
Market share <10%

>£1.5bn  
+1-3% growth

- Major focus on AUKUS<sup>5</sup> 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

<sup>1</sup> Sources: Jane's Market Budget Forecast April 2021, UK MOD and US DoD forecasts for RDT&E, Australia Defence publications and QinetiQ estimates <sup>2</sup> Market share based on QinetiQ FY22 reported revenue  
<sup>3</sup> CAGR: Compound Annual Growth Rate <sup>4</sup> Higher growth rate than US market due to focus on high priority growth segments <sup>5</sup> Australia, United Kingdom, United States

# Creating world-leading mission impact for transatlantic relationship

- Avantis 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



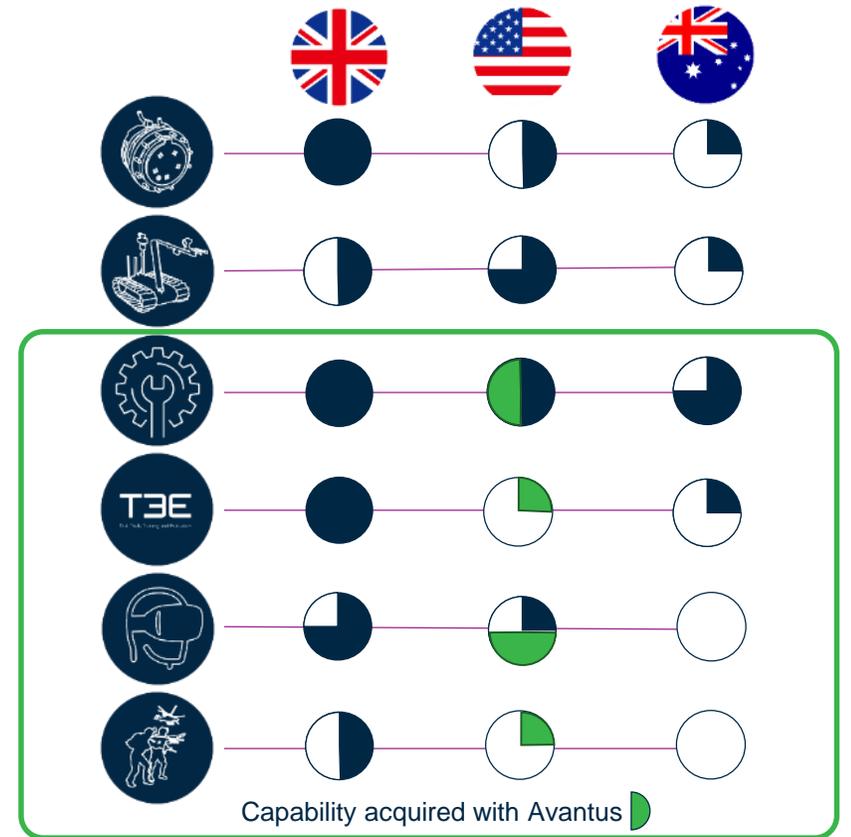
Test and evaluation



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

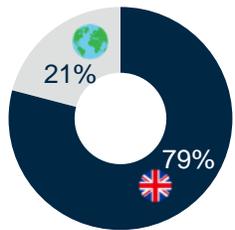
- Combination of Avantus and QinetiQ transforms our US business in high priority segments
  - Grows Group revenue by c.25% and doubles the size of our US business
  - Creates a platform to accelerate US growth through complementary capabilities
  - Provides further opportunity for global leverage

An integrated global defence and security company

FY16 £755m

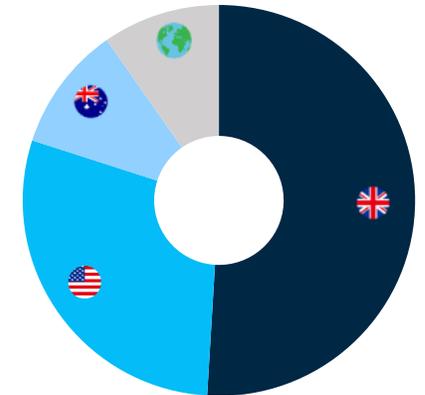
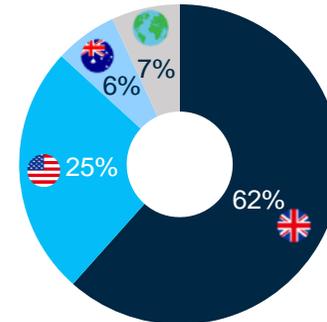
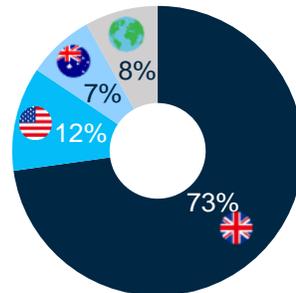
FY22 Reported to Proforma

FY27+ £2.3bn+<sup>1</sup>



QinetiQ £1.3bn

QinetiQ + Avantus £1.6bn<sup>1</sup>



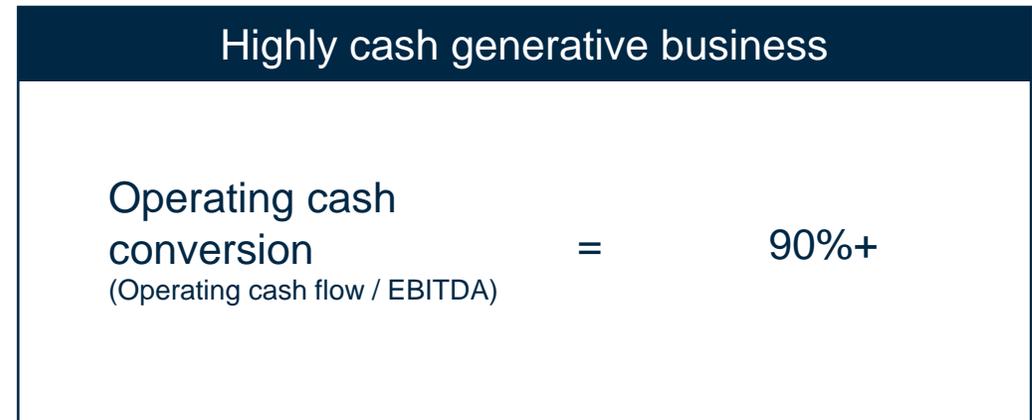
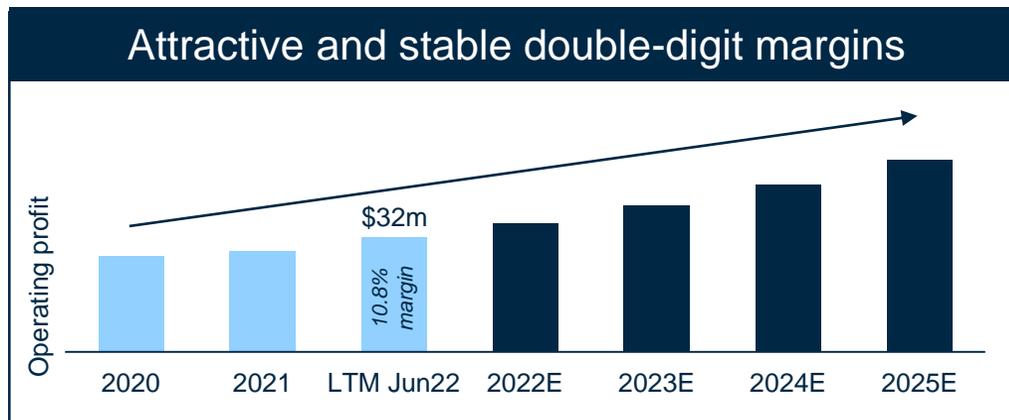
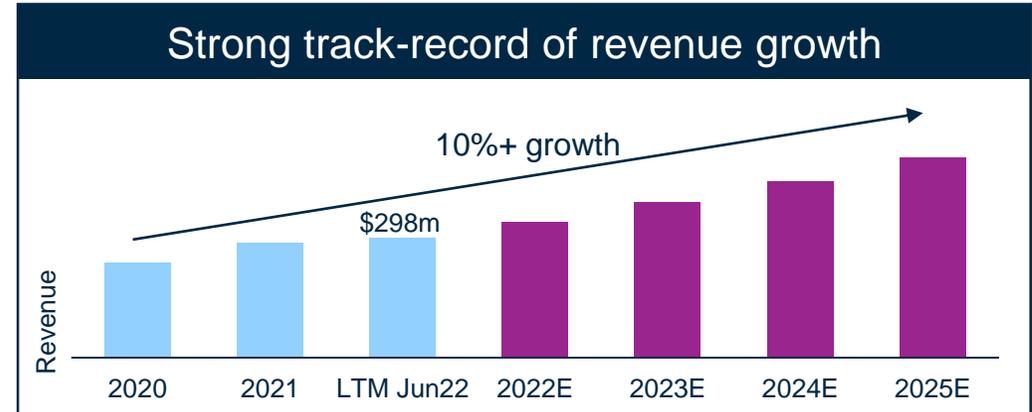
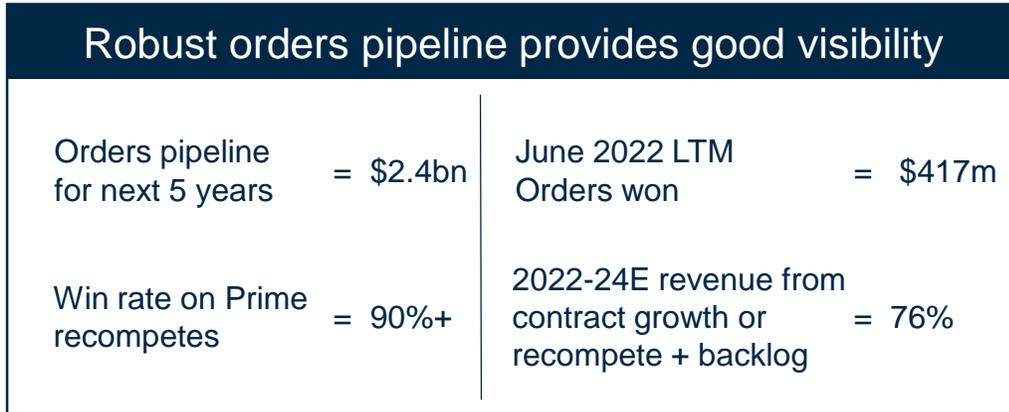
Growing our global company to deliver enhanced shareholder returns

<sup>1</sup> 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<sup>1</sup>



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

<sup>1</sup> 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<sup>1</sup> (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

<sup>1</sup> 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<sup>1</sup> 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

<sup>1</sup> 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

---

# 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

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

QINETIQ