

Investor teach-in

QinetiQ Group Plc

An introduction to QinetiQ's
international businesses

13 September 2018

The QinetiQ logo is displayed in white, uppercase letters on a dark blue background. The background of the entire slide is a photograph of an airfield with several red aircraft on trolleys, a yellow crane, and various equipment in the foreground. A purple and blue geometric shape is overlaid in the bottom right corner.

QINETIQ

Agenda

-
- 1 Introduction
 - 2 International strategy and progress
 - 3 QinetiQ Australia
 - 4 QinetiQ North America
 - 5 Conclusions
-

International growth is a key part of our strategy

Vision

The chosen partner around the world for mission-critical solutions, innovating for our customers' advantage

Strategy



UK
Lead and modernise the UK Defence Test & Evaluation enterprise, by working in partnership with Government and prime contractors



International
Build an international company that delivers additional value to our customers by developing our home countries, creating new home countries and exporting



Innovation
Invest in and apply our inherent strengths for customer advantage in defence, security and critical infrastructure markets

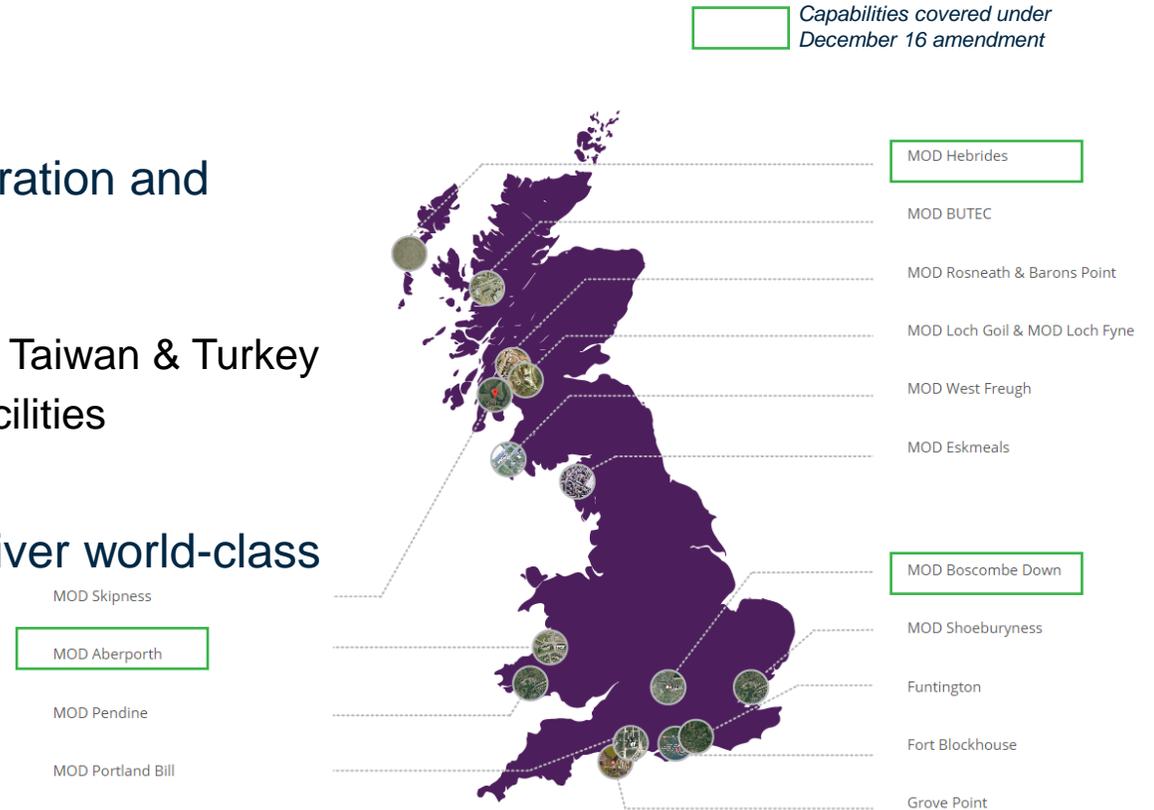
Value proposition

Capability Generation & Assurance

Capability Integration Threat Representation Operational Readiness

Our UK business supports our international growth ambitions

- Long Term Partnering Agreement (LTPA) with UK MOD
 - 25-year contract running until 2028, c.£300m pa revenue
- Trusted to deliver critical skills and facilities to enable generation and assurance of national defence capabilities
 - e.g. submarine and warship signature measurement
 - Attracts international customers from US, France, South Korea, Taiwan & Turkey
 - Advise other nations on how to modernise and upgrade their facilities
- £1bn amendment in December 2016 to modernise and deliver world-class air ranges and test aircrew training
 - Investment recovered over life of contract
 - Attract further UK, international and industry users



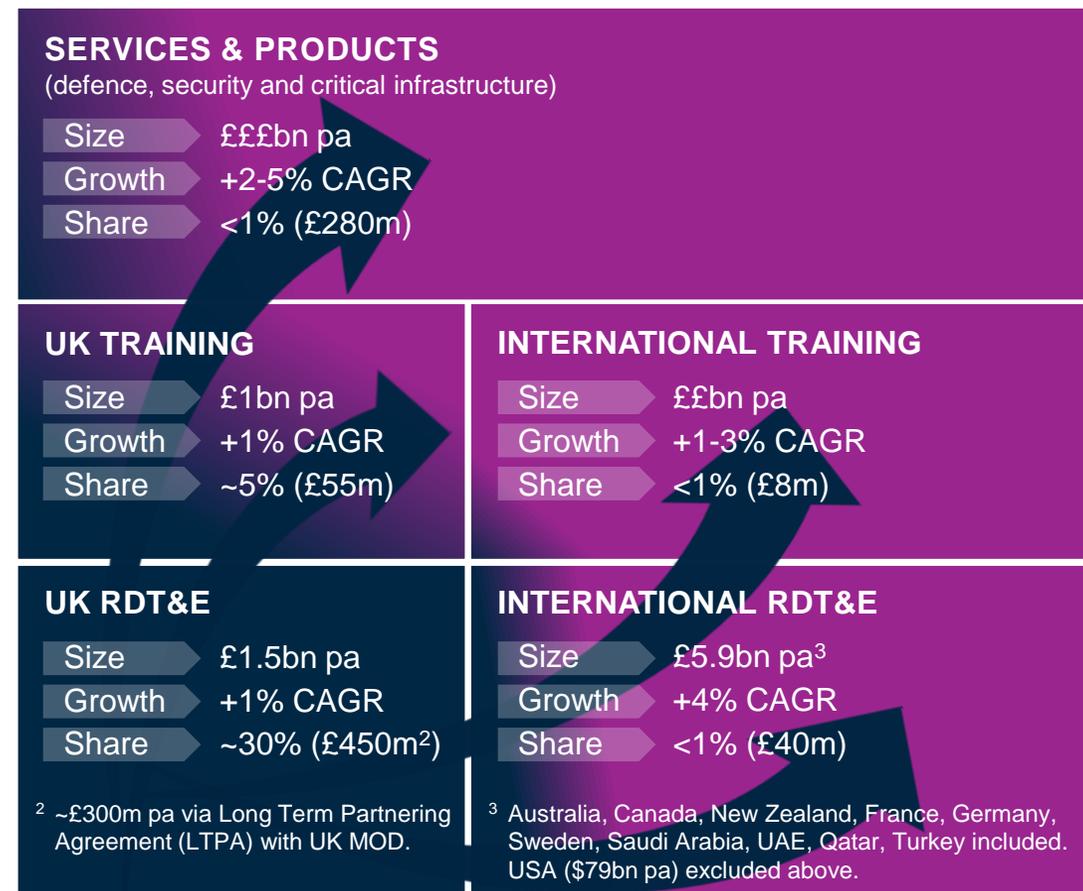
Modernising enduring capabilities to meet future needs and creating a platform for growth

We have a large addressable market to pursue

- Focus on core offerings
 - RDT&E¹ + Training: integrated capability generation & assurance
 - Services & Products: distinctive
 - Technology: disruptive
- Focus on target markets
 - Primary sectors: Defence, Security, Critical Infrastructure
 - Home countries: UK, US, Australia
 - Selected new countries in Europe, Middle East and Asia-Pacific
- Addressable market > £8bn pa: significant growth potential
 - Increasing share in existing markets
 - Leveraging strengths into attractive near-adjacent markets

Driving campaigns, joint ventures & acquisitions

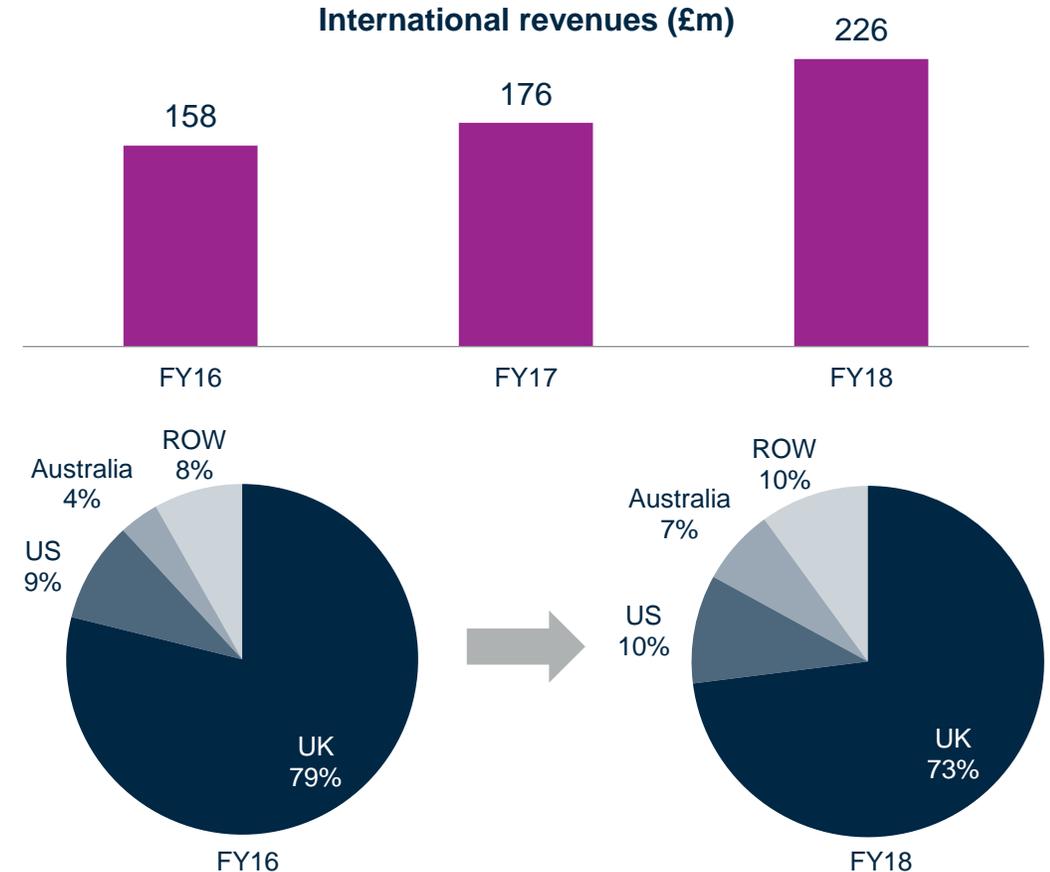
¹ RDT&E = Research & Development and Test & Evaluation.



Source: Jane's Market Forecast, FY18 market sizing (USD/GBP exchange rate of 0.76), UK MOD. QinetiQ market share based on FY18 revenue. CAGR = compound annual growth rate (FY18-22)

Significant international opportunity, encouraging early progress

- Revenue from International customers grown from £158m in FY16 to £226m in FY18 through organic & inorganic growth
 - International revenue grown from 21% to 27% in two years
 - More than doubled revenue in the Middle East FY17-18
- Two acquisitions successfully integrated, performing well and accelerating our international growth
 - Third acquisition due to complete in Autumn 2018
 - Attractive pipeline of further bolt-on opportunities but maintaining discipline on pricing
- Focus on international revenue growth key part of Group level management incentivisation



Long-term ambition to grow international revenues to 50% of Group

Today's speakers



- Joined QinetiQ in 2016 as Managing Director, International
- 25 years experience in the upstream oil and gas industry in a range of engineering, project management, business development, management and executive roles
- Operator and service company experience at Expro Group, Mobil, Schlumberger



- Joined QinetiQ as Managing Director Australia in 2014
- 20 years' experience in Defence and Defence industry, working within both small and global businesses, and serving in the Australian Army
- Previous experience leading the Asia Pacific Defence & Government services division of KBR



- President of QinetiQ North America since January 2015
- Served as Senior Vice President of Industrial Operations at Metrologic Instruments, Inc.
- Former Strategic Business Unit Director for Northrop Grumman Corporation



International strategy and progress

Iain Farley
Managing Director – International

International today

Established businesses

Home Countries:

- United States
- Australia

Subsidiaries:

- QinetiQ Target Systems
- Commerce Decisions
- OptaSense
- EIS*



Core Businesses – Organic Growth

*Subject to completion

Emerging businesses

- Canada
- Sweden
- Middle East joint ventures
- Regional Sales & Marketing Offices – UAE, Malaysia



Seeding, Positioning for Growth

Export sales and campaigns

- UK-based Export Sales Team
- Strong UK Government support and relationships (UK DSO)
- Network of global resellers
- UK defence prime relationships



Product Sales and Services

We help our customers modernise or develop their defence capabilities

Modernise defence capability

- Legacy, outdated infrastructure
- New sophisticated platforms
- Complex threat environments to test and train against
- Looking for innovative technical solutions, commercial models and operational efficiencies

Example regions:

- Five Eyes (UK, US, Canada, Australia, New Zealand)
- Western Europe

Develop indigenous defence capability

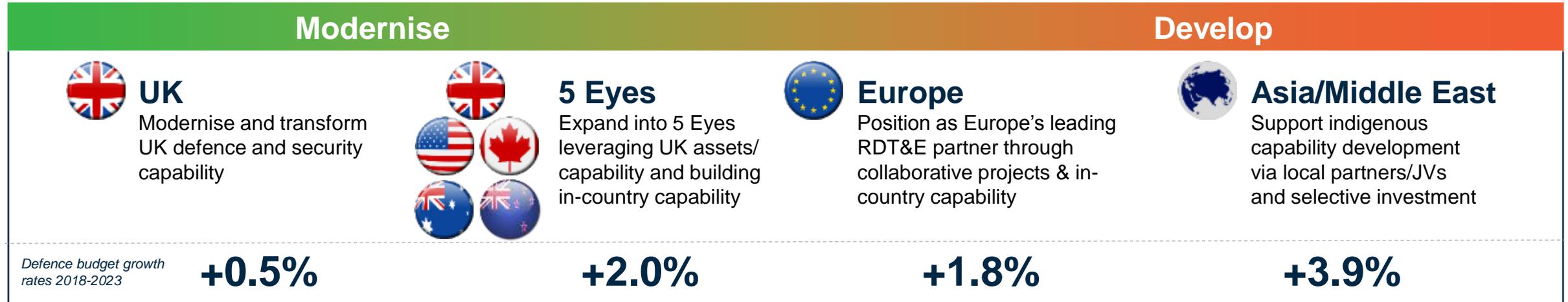
- Have equipment but need support integrating it
- Looking for a “customer friend” and technical support
- Creating competitive operational readiness

Example regions:

- Middle East
- South East Asia

Tailor our offer to maturity of defence capability

Focused approach to a range of growing defence markets



- ### Prioritisation
- ✓ Existing customer relationships
 - ✓ UK Government support
 - ✓ Customer appreciation of Value Proposition
 - ✓ Market dynamics & defence spending
 - ✓ Opportunity to grow at pace
 - ✓ Sustainable growth potential

Tier 1 Priority Markets

Australia, Germany, KSA and US

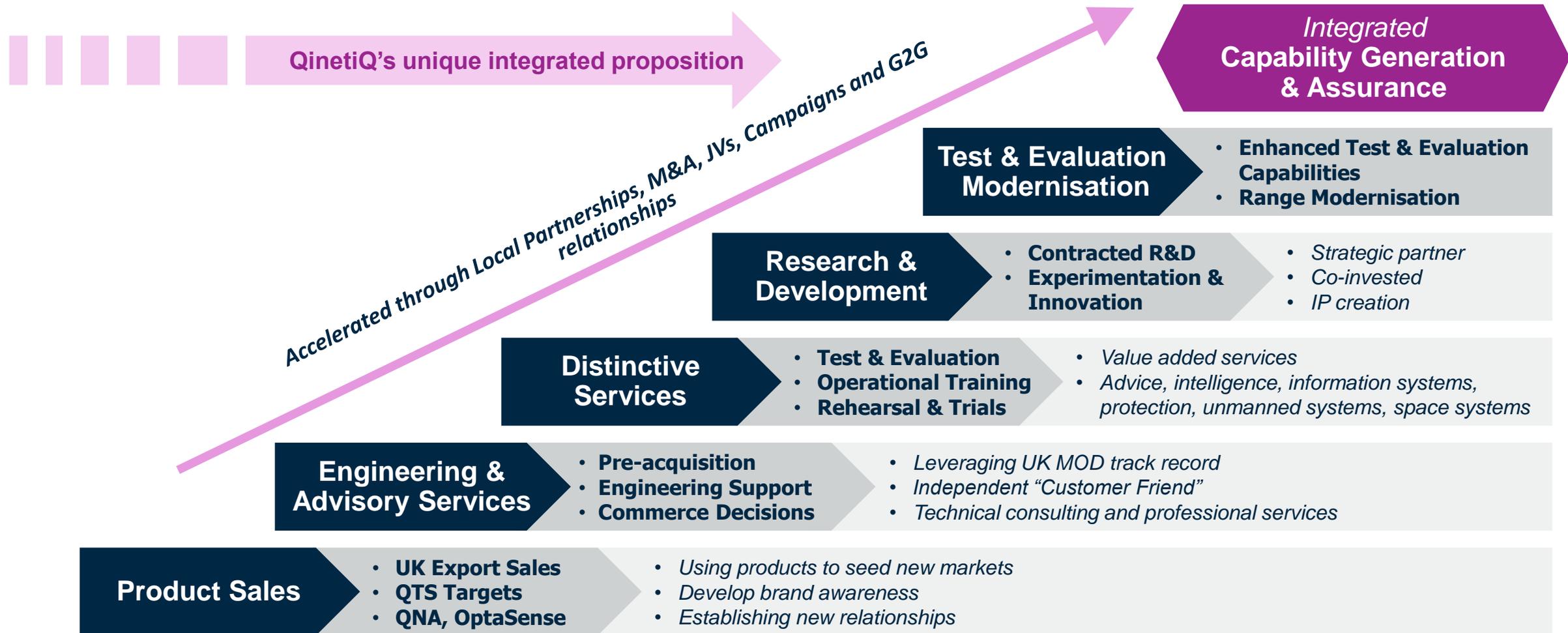
Tier 2

Canada, Qatar, France, Sweden and UAE

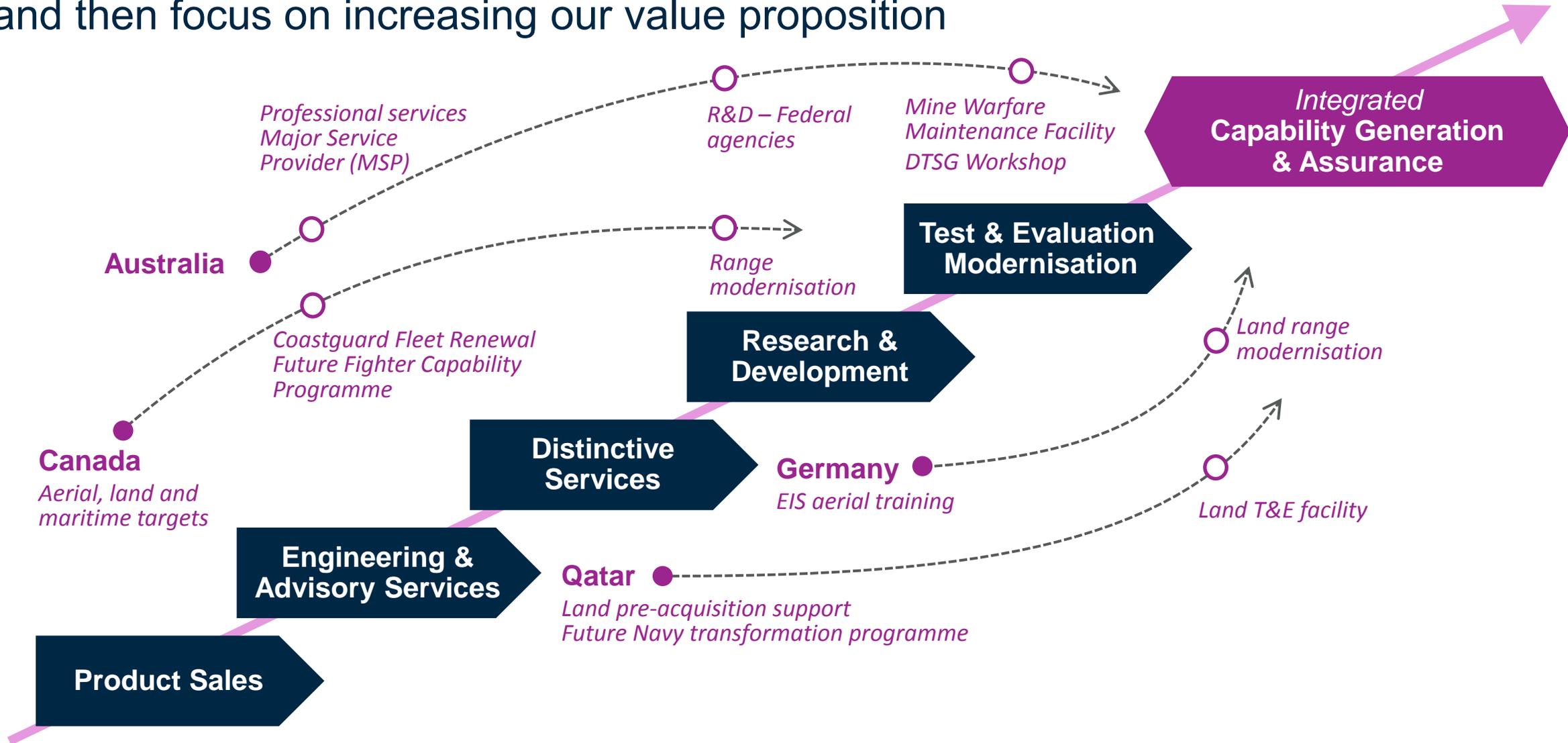
Tier 3

India, Japan, Malaysia South Korea and Turkey

We use our range of services and products to enter new markets...



... and then focus on increasing our value proposition



Supporting Canada to modernise its defence capabilities

- “Strong. Secure. Engaged.”
Enacting defence policy
 - Doubling of Capital Projects by 2021 (\$4B to \$8B)
 - Capacity shortage to stand-up Project Management Offices (PMOs)
 - Priorities include Air, Land & Sea range modernisation to 5th generation
- Government of Canada – Coast to Coast Facilities Review
 - Consolidation of under-utilised laboratories and test facilities
- Government’s Innovation Agenda
 - Leveraging the Innovation Stimulus Funding Framework
 - Most innovation programmes have funding reserved for defence

QinetiQ’s Current Capabilities

- 90+ employees, 5 locations
- Advisory, QTS, OptaSense and Commerce Decisions
- Cost Engineering to Canada
- Export QTS products globally



Our Track Record

- Coastguard Fleet Renewal Plan
- Technical advisory services
- Future Fighter Capability programme.
- QTS target sales
- Procurement advisory support



Our Opportunities

- Products
- Pre-acquisition advice & PMO
- Facilities management / operations
- Managed UAV services
- Range modernisation / management



Supporting Qatar to develop its own defence capabilities

- To be the chosen partner for Qatar MOD assuring operational and commercial advantage for Qatar
 - JV with Barzan Holdings (Qatar MOD) in October 2017
 - Headquartered in Qatar Science & Technology Park
 - Opportunities to support major defence procurement programmes and other critical national projects
 - Over \$30m contracts secured to date with projects activities in Qatar

Land Opportunities

- Pre-acquisition and procurement support for Land programmes
- Land test & evaluation



Maritime Opportunities

- Future Navy Transformation Programme



Air Opportunities

- UAS Advisory Services, Operating Framework, Air Space Management & Training Support

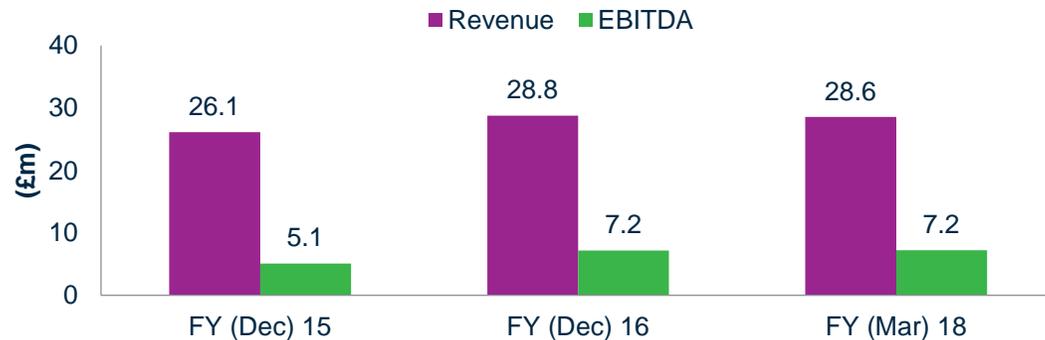


QinetiQ Target Systems, accelerating the delivery of our strategic priorities...

Overview

- QTS is a world-leading provider of threat emulation
- Products supported with international field service capability honed on military ranges
- Founded in 1984, 180 employees
- Ashford, Kent, UK and Medicine Hat, Alberta, Canada
- Acquired in Dec 2016 for £57.5m from Meggitt
- Over 40 international customers

Financials



Products/Services

- Unmanned air, land and surface vehicle targets used for live-fire training and weapon systems test and evaluation
- Bespoke configuration and payloads to suit customers requirements

Aerial Targets

- Banshee Jet
- Snipe
- Mosquito
- Sniper
- Air Launched Supersonic Target (ALST)

Naval Targets

- Barracuda
- Hammerhead
- Sprite
- Towed targets

Land Targets

- Badger
- Towed Targets
- Helicopter Pop-up

...integrating well and performing in line with our expectations

Strategic rationale

- Strengthens our world leading test, evaluation, training and rehearsal offering through the integration of threat representation with our existing capabilities
- Meets increasing global demand for realistic threat representation to validate defence and security capabilities against current and future threats
- International presence – generates 90% of its revenue from outside the UK selling to over 40 countries
- Introduction of QTS targets into future UK training and rehearsal exercises through LTPA
- Opens new routes to market to accelerate QinetiQ's international growth
- Establishes a design and manufacturing capability in Canada

Progress

- Launch of Ground & Air Launched Supersonic Target (ALST) – emulation of latest high-dive, sea skimming missiles
- Performance enhancement of Jet Banshee
- Long-term five year contract with the Dutch Navy
- Framework contract with the US Target Management Office (TMO) to introduce QTS products onto US ranges
- New customers in both Korea and Japan
- Local manufacture of Banshee aerial targets in India for delivery to the Indian Air Force and Navy
- Performance ahead of original acquisition case

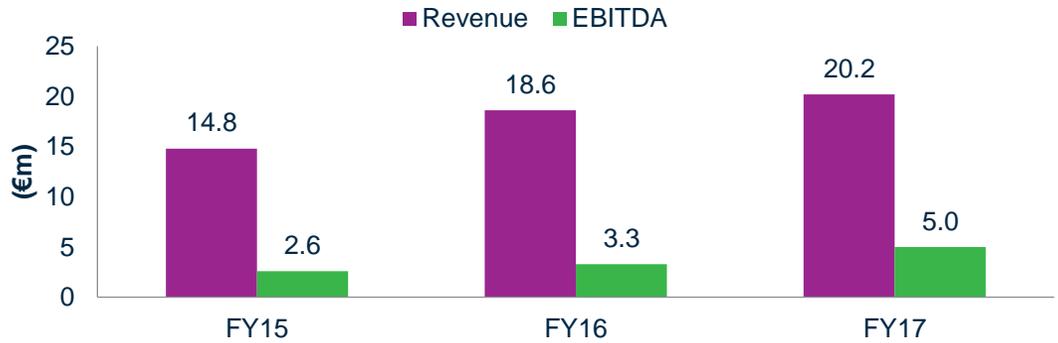
EIS Aircraft Operations will accelerate international growth...

Overview

- Provider of mission-critical airborne training services, systems integration and aircraft modification for special missions
- Customers: German Armed Forces (the Bundeswehr) and United States Air Force Europe (USAFE)
- Founded in 1999, 56 employees
- Located in Kiel, Monchengladbach, and Emden in Germany
- €70 million consideration, expected to complete Autumn 2018
- Expected revenues of €23-25m and EBITDA c.€6m for calendar year 2018



Financials



N.B. December year end

Products/Services

Airborne Services	Special-mission aircraft modification	MRO & Product Solutions
<ul style="list-style-type: none"> • Operational air-to-air training and forward air controller services • Red Air Support • Highly skilled and military educated pilots • 14 leased Pilatus aircraft 	<ul style="list-style-type: none"> • Systems integration (SI) of aircraft with intelligence surveillance reconnaissance (ISR) capabilities and special mission equipment • Significant SI and design capabilities 	<ul style="list-style-type: none"> • Maintenance, Repair and Overhaul (MRO) • MRO certifications • Authorised service centre for Pilatus, Pratt & Whitney, and Honeywell Avionics • Oxygen Systems



...and enhances our defence operational training offer

Strategic rationale

- Aircraft Operations has a strong track record and further growth potential
 - Delivers airborne training services using Pilatus aircraft at a substantially reduced cost compared with jet-engine aircraft alternatives
 - Complementary core activities; the business modifies special mission aircraft that are used to provide enhanced training services
 - Sustainable and growing end markets driven by increasing demand for cost-effective training
- Accelerates QinetiQ's international growth strategy
 - Establishes a test and evaluation and engineering services capability in Germany
 - Enhances access to the broader European defence market
 - Aircraft Operations will also benefit from QinetiQ's wider access to international markets such as the Middle East
- Strengthens QinetiQ's capability integration, threat representation and operational readiness offering to customers
 - Enhances QinetiQ's live and synthetic training capabilities, supporting its focus on defence operational training
 - Complements QinetiQ's test aircrew training and engineering services
 - Supplements QinetiQ's acquisition of Meggitt Target Systems in 2016 to provide both manned and unmanned airborne test and training services

Opportunity

- Development of strategic partnership with Pilatus for European after-sales modification of PC-9 and PC-12 aircraft
- Introduction of EIS services through QinetiQ Middle East joint venture companies
- Acceleration of special mission aircraft modification activity for the German Bundeswehr
- Defence Operational Training

Why we will succeed internationally

UK credibility

- UK MOD is one of the most respected defence departments in the world
- UK only country to transition its RDT&E capabilities to the private sector
- Ability to leverage QinetiQ's experience in providing world-class T&E, trials and training capabilities through the LTPA

Unique market position

- Independence from defence primes
- “Customer friend” capability
- Sole provider of Integrated Capability Generation & Assurance services
- Ability to de-risk and optimise the cost of a capability development programme
- Proven track record of establishing partnerships with world renowned universities and SMEs
- Building on our heritage, our unique science and technology track record and world leading, independent, subject matter experts

Commitment, investment, M&A, leadership

- Clearly defined value proposition building upon our core strengths and unique industry positioning
- Clear strategy and business plan gives us the tools to make the right choices:
 - Targeted markets
 - Market access – range of services
 - How we invest – disciplined approach to organic and inorganic investment
- Driven through campaigns, joint ventures and acquisitions



QinetiQ Australia

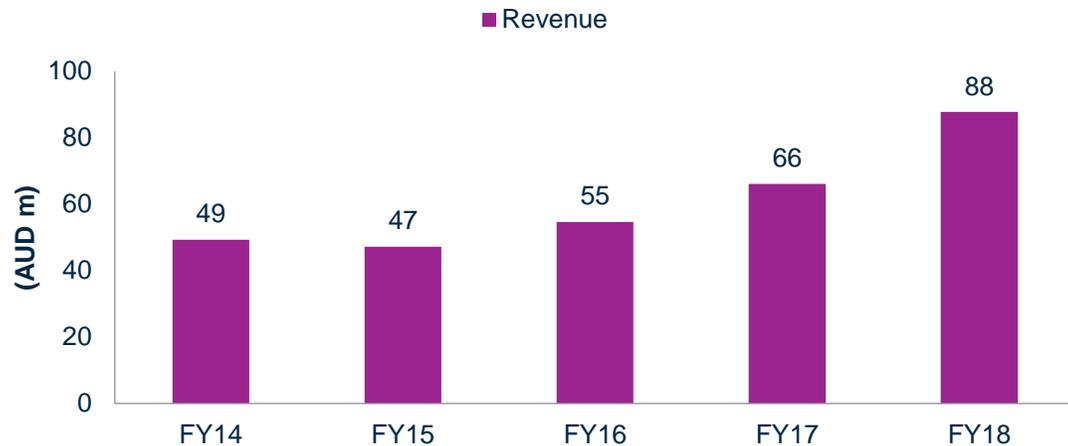
Greg Barsby
Managing Director

QinetiQ Australia – a key partner to Australian defence

Overview

- 380 employees, majority in specialist technical roles
- Located in Canberra, Adelaide, Melbourne, Brisbane, and Sydney
- Recently appointed by the Capability Acquisition and Sustainment Group (CASG) as one of only four Major Service Partners – capable of delivering larger, longer-term and more integrated work packages
- Delivered 3rd year of record orders
- Successfully leveraging strategic acquisition of RubiKon

Financials



Capabilities / Products



Customers



Core contracts and capabilities well aligned to support Australian Defence growth

Aerospace

- Prime contractor for the acquisition & introduction of Maritime Intelligence, Surveillance and Reconnaissance Capability (P-8A Poseidon aircraft & MQ-4C Triton Unmanned Aerial System)
- Partner to the Defence Aviation Safety Authority for Aircraft Structural Integrity



Preferred Partner

Explosive Ordnance

- Partner to CASG Explosive Materiel Branch for explosive ordnance engineering support
- Long-term Defence partnership to operate Mine Warfare Maintenance Facilities at HMAS Waterhen in Sydney



Organic Growth

DST

- Long-term Defence partnership operating engineering prototype and design workshops at Fishermans Bend, Melbourne
- Strategic Research Alliance
- Solid ongoing T&E growth opportunities leveraging critical UK capability

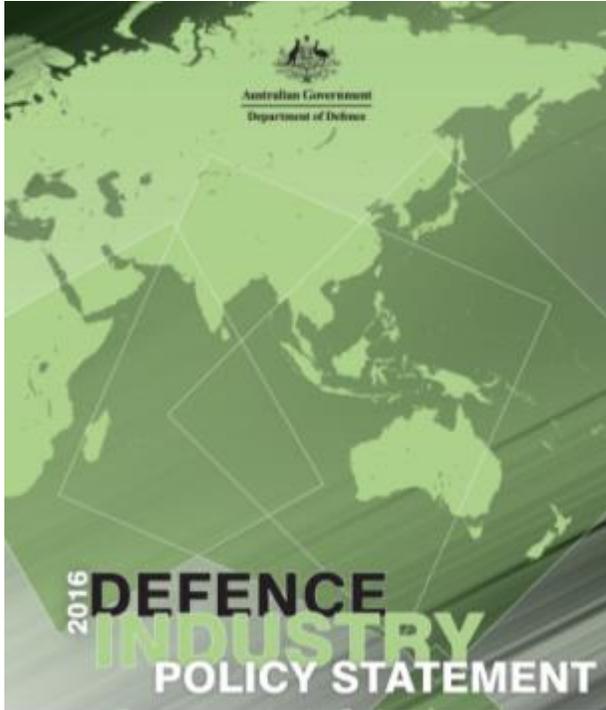


Competitive Position

Australian defence spending over AUD\$200bn



Government support for Defence industry



Key developments

- Cross party support for defence and defence industry in Australia
- AUD\$200bn defence budget for 2016-2026
- Defence expenditure is expected to see sustained growth of at least 3% to 4% a year over the remainder of the decade
- Current projections suggest spending will rise by 13% between 2017 and 2021 in real terms
- Strengthening government industrial policy: First Principles Review, SMART Buyer, export strategy, national ship building policy, AU Space Industry Bill (Clark Report)
- Move toward fewer but larger consolidated contracts
- New Major Service Provider contract model changes industry competition and partnering process
- Test & Evaluation and certain areas of engineering identified as critical to sovereign capability



“Like the United States, Australia is prepared to pay for its security, as well as play its part in strengthening its longstanding alliance with the US”
– Marise Payne, Australian Minister for Defence

QinetiQ capabilities are well aligned with Australian Defence aspirations

Leadership team experienced in growing Australian defence businesses



Greg Barsby

Managing Director

- 20 years' experience in Defence and industry
- Former owner of a Defence training business
- Former leader of APAC division of KBR Defence and Government services business



George McGuire

Operations & Delivery

- Ret. Commander Royal Australian Navy
- Former Manager at CEA Technologies and Fujitsu



Lindsay Pears

General Manager Strategy

- Former Managing Director Saab Systems
- Former Special Advisor to Department of Defence



Raydon Gates

Australian Board
Non-executive Director

- Ret. Rear Admiral Royal Australian Navy
- Former Chief Executive Lockheed Martin Australia



Margaret Staib

Australian Board
Non-executive Director

- Ret. Air Vice Marshal Royal Australian Air Force
- Former CEO Airservices Australia



Mark Skidmore

Australian Board
Non-executive Director

- Ret. Air Vice Marshal Royal Australian Air Force
- Former CEO of Civil Aviation Safety Authority

Combined, the team have a total of more than 200 years experience in the Australian Defence market

Forward strategy, leveraging group capabilities into the Australian market

Expand our core business



Growth markets

Advisory Services and Acquisition Support

- Expand Structural Integrity
- Expand Explosive Ordnance and Air7000
- Growth through Major Service Provider contract
- Prime vendor opportunities

Integrated Training/Test & Evaluation/Ranges

- Engineering Infrastructure and Operations
- Expand Defence Science & Technology Support
- Complex Test & Evaluation Facilities
- Training/Test & Evaluation Range Operations

Secure larger, long term contracts in areas where we combine our deep technical expertise with owning and/or operating technical platforms or infrastructure

Track record of success – well positioned for future growth

- ✓ Refreshed strategy aligned with the group
- ✓ High impact operational leadership changes have raised the game of the entire organisation
- ✓ Renewed Australian Board, deep Australian Defence knowledge and experience
- ✓ Strategic Campaign approach delivering new business – focus on larger, longer term and more strategic contracts
- ✓ Growth resulting in new facilities in Brisbane, Canberra and Adelaide and increased footprint (200 - 380 employees)
- ✓ Complementing organic growth with RubiKon acquisition
- ✓ Strong orders, revenue and profit growth



QinetiQ North America

Jeff Yorsz
President – QinetiQ North America

QINETIQ

QinetiQ North America (QNA)

Overview

- 300 employees
- Diversified, product based company with broad design, development, manufacturing, deployment capabilities
- Strong customer and product base formed over decades
 - Over 4,500 delivered robots
 - Over 20 years in maritime electromagnetic launch and recovery technology
 - Protection systems delivered for over 1,600 aircraft and 13,000 land vehicles
- Key customers U.S. Army, General Atomics, Lockheed Martin
- Business stabilized from FY17 following separation from QNA services and decreased DoD budgets following drawdown in Iraq and Afghanistan
 - Average 4% year over year growth rate since FY16, consistent quarterly performance

Financials



Capability

Product Design	Manufacturing	Product Lifecycle Services
<ul style="list-style-type: none"> • Research and Development • High reliability product design with specialisms in Robotics, Maritime and control systems • Government and Commercial expertise 	<ul style="list-style-type: none"> • 60k sq. feet of dedicated manufacturing space <ul style="list-style-type: none"> – Cross trained flexible staff – Utilize outside manufacturing partners 	<ul style="list-style-type: none"> • Partner with customers in field trials and specification development • MRO services • Handle component obsolescence and product upgrades

Products Areas

Unmanned Ground Vehicles (UGV)	Survivability Products	Maritime Products
<ul style="list-style-type: none"> • Small to Large IED Robots (e.g. Talon) <ul style="list-style-type: none"> – Controllers – Accessories • UGV remote control/autonomy systems • 45% of revenue 	<ul style="list-style-type: none"> • Passive RPG Protection Nets (Q-Net) • Lightweight Aircraft Armor • Acoustic Sniper Detection Systems • 20% of revenue 	<ul style="list-style-type: none"> • Advanced Launch and recovery control systems (EMALS/AAG controls) • Undersea Comms, Sensors and Robotics • 30% of revenues



Product focused, but strategy aligned to broader group

Our goal is to be a world class defence product company providing innovative technical solutions, leveraged from our core expertise, for our government and commercial customers' most challenging problems

United States

- Focus on US defence market for QNA sales and for supporting QinetiQ Group sales
- Maintain leadership in unmanned systems with broad based product offering ranging from small robots to large vehicle control and accessories
- Expand Maritime business beyond aircraft launch and recovery equipment to include UUVs comms and custom products
- Defend and expand air and land armour area

Outside United States

- Leverage our position as the preferred provider of specific US military equipment to penetrate international military markets
 - Unmanned ground systems
 - Survivability systems
 - Maritime systems
- Utilize wider QinetiQ global presence to enter attractive markets

Innovation

- Innovate product offerings with focus on customer needs
- Continue to improve product development process
- Grow customer funded R&D to advance our technology, explore new customer problems, improve and expand our competitive offerings
- Develop partnerships with industry and academia

QNA Leadership



Jeff Yorsz

CEO and President

- 35 years' experience in Aerospace and Defence industry
- Former Strategic Business Unit Director for Northrop Grumman Corporation



Dr. Richard Wiesman

Executive Vice President and Chief Technology Officer

- 35 years' experience with QNA on mobile robotic systems
- Professor of Practice in Mechanical Engineering at Massachusetts Institute of Technology



Kevin Bratton

Chief Operating Officer

- 30+ year's financial and operations experience in multi-national organizations
- Former CFO at Strategic Diagnostics, Cytogen Corp, Metrologic Instruments



Michael Fry

Vice President, Maritime Business Development & Strategy

- 30 years' technical and business development in Maritime industry specializing in submersibles
- Former Program Director at Newport News Shipbuilding



Juan Hernandez

Vice President, Land Systems Business Development & Strategy

- Retired U.S. Army Lieutenant Colonel and former Tank Battalion Commander
- 15 years' experience in Senior Strategy/BD with General Dynamics, Curtiss Wright and Chemring



Thomas E. Mills IV

Proxy Board Chairman

- Former CEO of Gichner Systems Group
- President at Kratos Defense & Security Solutions

Strong leadership team with extensive technical and commercial skills in US defence

Our capabilities are well aligned with US defence investment priorities

- **Maintaining defence advantage over global peers is an important driver in addressable US market**
- **Response calls for an increase in unmanned systems and inclusion of autonomy:**
“Every ground and rotary wing vehicle that the Army produces from now on ... every single one of them, ... has to be manned and unmanned, either autonomous or semi-autonomous,” – Army Chief of Staff Gen. Mark Milley – April 12, 2018
- **This demand is well aligned with our capabilities and product offerings and drives our market opportunities**

Unmanned Ground Systems

- Enhanced products, recapitalizing of existing assets and adding new assets to:
 - Maximize soldier safety
 - Act as a force multiplier
 - Provide ISR capability
- Active and upcoming programs of record for all robot sizes and vehicles

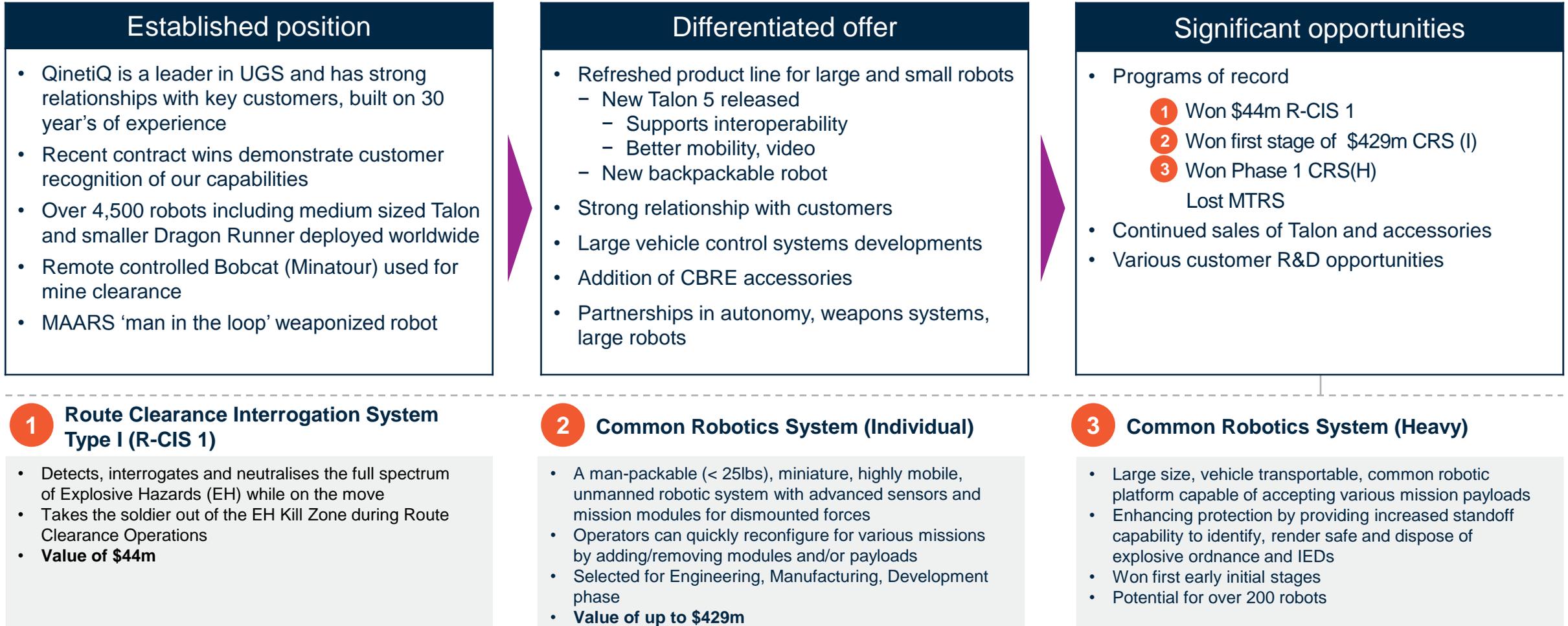
Survivability Products

- Recapitalization, upgrades, and lifecycle maintenance as well as new asset production driving need
- Conflict affects demand
- Needs:
 - Lighter weights
 - Easier installation
 - Cost efficiencies

Maritime Systems

- Total of 10 Ford class Carriers planned through GFY48
- Growth of 80 new Navy ships
- 3 Virginia class submarines per year
- Clear US Navy roadmap for unmanned systems
 - Maintaining subsea superiority
- Need for better undersea networking and communication

Unmanned Ground Systems (UGS) – building on our established position



Survivability Products – enhancing our offer

Established position

- LAST Armor installed on over 1,600 aircraft across 40 different platforms
 - Effective, flexible installation, lightweight
- Q-Nets installed on over 13,000 platforms in active theatre
 - Most widely deployed RPG protection system
 - Lighter than competitive systems, low standoff, easily maintainable



Active developments

- Air armour advancements
 - 50% weight reduction
 - New armour kits
- Developing new Q-Net applications (e.g. Maritime, Fixed sites)
- Next generation Q-Net using advanced structures and materials
- Intensified business development efforts
 - Including rotary wing



Significant opportunities

- Continued strong air armour sales:
 - In last two years
 - On two new aircraft types
 - Two new kits retrofitted to old aircraft
 - Lockheed top performing supplier
- Actively testing on rotary wing aircraft
- Uplift in Q-Net sales
 - Next generation Q-Net testing



Maritime Systems – proven technology and innovation opening up new opportunities

Advanced Naval Control Systems

- Working as long-term subcontractor to General Atomics, we have designed and now produce the control systems for Electro Magnetic Launch Systems (EMALS) and Advanced Arresting Gear (AAG)
- EMALS/AAG opportunities:
 - US Carrier program
 - Spares/depot support
 - International sales



Key part of large scale programmes

Maritime Robotics & Communications

- Our advanced R&D has created highly disruptive products in maritime robotics and communications, e.g. Dolphin
- Dolphin full duplex acoustic comms
 - NSW Contract
 - Attributable Small Unmanned Underwater Vehicle



With advanced disruptive technology

Fleet Modernisation

- These attributes combined now allow us to access further opportunities in fleet modernisation
- Obsolescence redesign
 - Cradle Lock Controller Redesign w/Electric Boat
- Technology insertion
- New product development



Opens up further opportunities in modernisation

Track record of success – well positioned for future growth

- ✓ Leading technology and an inherent ability to innovate effectively
- ✓ Strong and highly respected team
- ✓ Long term relationships, trusted by our customers to deliver real deployable technology
- ✓ Clear strategy and focus on attractive niche markets
- ✓ Business turned around and now on growth footing – delivering 3 years of organic growth
- ✓ Significant opportunities in robotics, maritime systems and survivability
- ✓ Further international opportunities and ability to leverage broader QinetiQ footprint



Conclusion

Steve Wadey
Chief Executive Officer

QINETIQ