

Introduction to QinetiQ

QinetiQ Group Plc

January 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

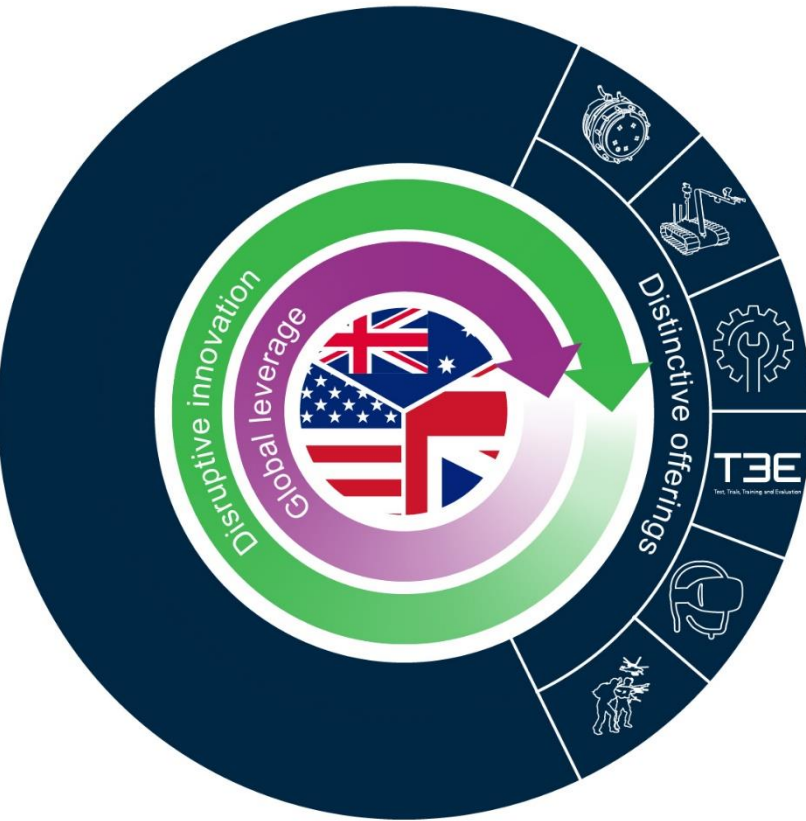


Platform focused,
vertically integrated

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

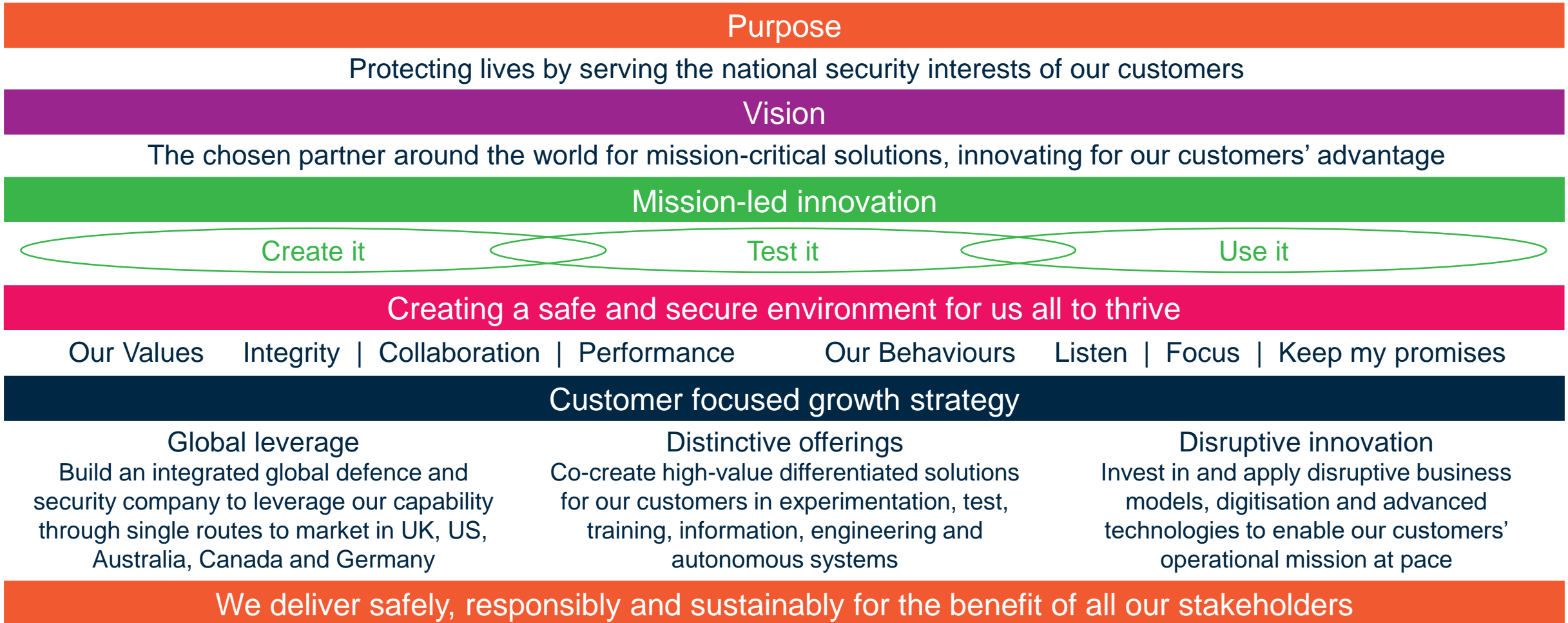
Use it



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



Increased European and Indo-Pacific threats driving rapid defence modernisation

Market opportunity¹ increased from >£20bn to >£30bn per year

- Warfare changing with widening threat spectrum
- Defence RDT&E² market expenditure growing
- Intelligence and security markets now included
- Increasingly aligned to high priority segments



Strengthening NATO³ alliance and partnerships with Canada & Germany

>£1bn

£110m



\$842bn budget request with record RDT&E at \$145bn for new technologies

>£23bn

£301m



£50bn with £6.6bn focused on R&D and experimentation over 4 years

>£5bn

£1,046m



Budget increasing 7% to \$53bn, focused on sovereign capability modernisation

>£1.5bn

£124m

Addressable market increased to >£30bn and higher customer demand

¹ Sources: Jane's Market Budget Forecast March 2023, UK MOD and US DOD forecasts for RDT&E, Australia Defence publications and QinetiQ estimates ² Research & Development and Test & Evaluation ³ North Atlantic Treaty Organisation
Market opportunity FY23 revenue

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

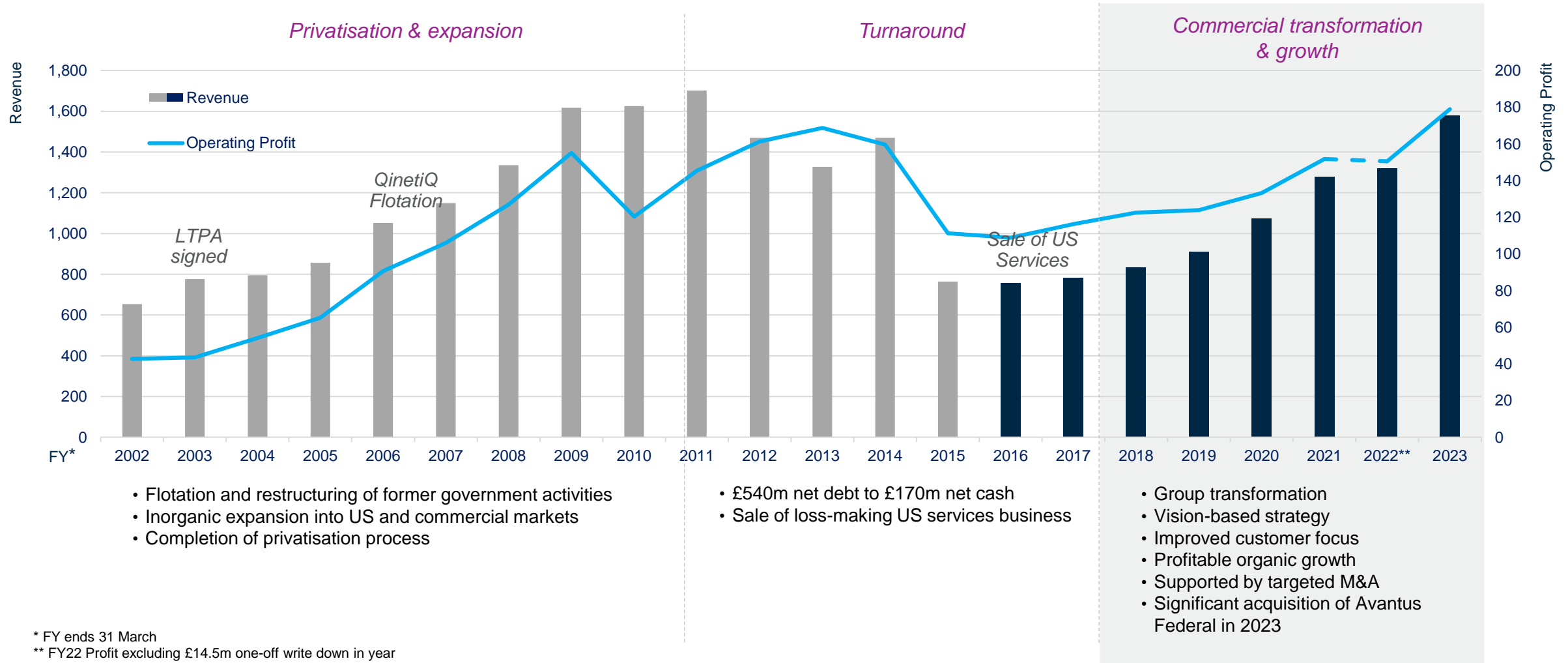
Requirement for innovative approaches to developing and assuring defence capabilities



- 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

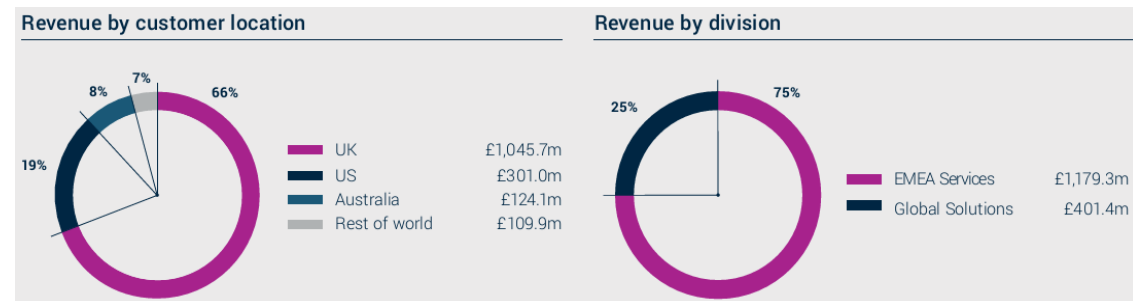
Supporting the development of next generation capabilities and delivering savings through innovation

Positioned for growth having undergone a significant transformation



Key financials & financial characteristics

	FY20	FY21	FY22	FY23	FY24 H1
Revenue	£1,073m	£1,278m	£1,320m	£1,581m	£883m
% revenue growth	18%	19%	3%	20%	31%
% organic revenue growth	10%	10%	5%	11%	19%
Underlying EBITDA	£178.5m	£202.1m	£189m	£255m	£144m
% EBITDA margin	17%	16%	14%	16%	16%
Underlying operating profit (EBIT)	£133.2m	£151.8m	£137.4m	£178.9m	£100.1m
% EBIT margin	12%	12%	10%	11%	11%
Underlying EPS	20.0p	22.1p	22.1p	26.5p	13.4p
% EPS growth	2%	11%	0%	20%	18%
Orders	£2,227m	£1,149m	£1,227m	£1,724m	£953m
Order backlog	£3.1bn	£2.9bn	£2.8bn	£3.1bn	£3.1bn
Operating cash flow (pre capex)	£177.8m	£199.0m	£215.3m	£270.1m	£71.7m
% cash conversion	100%	98%	114%	106%	50%
Net cash/(debt)	£84.7m	£164.1m	£225.1m	(£206.9m)	(£273.8m)
Dividend	6.6p	6.9p	7.3p	7.7p	2.6p



For the 12m ended 31 March 2023

- Mid to high-single digit organic revenue growth achieving 90% revenue growth in the last 5 years; 9% average organic revenue growth
- EBIT profit margin at a sustainable level in the 11-12% range (excluding one off write down in FY22) with normalised investment to support future growth
- Strong order backlog of £3.1bn and enter each FY with c.60% of revenue under contract, giving good future earnings visibility
- Circa 50% of Group revenue single source (directly procured) from QQ UK MOD
- 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 (23% ROCE in FY23) and cash generative business model supports organic investment to drive future growth: organic investment funded from operating cash flow
- Strong and consistent cash conversion (average of 100% over the last 4 years) facilitates rapid de-leveraging to ensure we are able to support our growth ambition
- Progressive dividend policy, historically: c.30-35% payout ratio / c.2-2.5% yield
- Balanced capital allocation policy: £100m share buyback from Feb-24 over 12 months

QinetiQ's Segments, Sectors and Key Contracts

EMEA Services Revenue: £1,179m					Global Solutions Revenue: £401m	
Combines world-leading expertise with unique facilities to generate and assure capability globally					Delivers innovative solutions and products	
UK Defence	Long Term Partnership Agreement (LTPA): <ul style="list-style-type: none">>£200m “Non-Tasking” revenue p.a. Managing & operating 16 T&E ranges across the UK for UK MOD<£100m “Tasking” revenue p.a. Short term trials and exercises:, e.g. testing new weapons or systems	Engineering Delivery Partner (EDP): <ul style="list-style-type: none">>£300m revenue p.a.Default provider of all “engineering services” for the UK MODDelivers innovation & savings for MODQQ is the Prime, with BMT and Atkins as partners and 120+ supply chain	MSCA (£20m)	CATS (£15m)	Specialist defence and security products and IP sales (£40m): <ul style="list-style-type: none">Counter-drone radar (Obsidian)Secure communication radio (Bracer)Cyber productsE-X-Drive & hub driveElectromagnetic threat detection (Totem)	
			NCSISS (£15m)	WSRF (£50m)		
UK Intelligence			SERAPIS & other research (£30m)	Inzpire (£25m) & NSC (£20m) Naimuri (£10m)		
	Intelligence & Cyber portfolio (>£100m)	BATCIS (£35m)				
United States	Unified US business: (£300m) <ul style="list-style-type: none">Previous QinetiQ North America business specialising in robotics and autonomyPreviously acquired MTEQ business (2019) specialising in advanced sensingIncludes newly acquired defence intelligence business Avantus					
Australia	Australia (£110m): <ul style="list-style-type: none">Advisory / engineering services & Queensland UAS T&E rangeAir Affairs acquired in 2022Incl RubiKon acq'd in 2017	Germany (£20m): <ul style="list-style-type: none">Acquired EIS Aircraft Operations in 2018Aerial training services	Target Systems (£50m): <ul style="list-style-type: none">Acquired in 2016Aerial targets (Banshee & Ratler)Sea targets (Hammerhead)			

Abbreviations

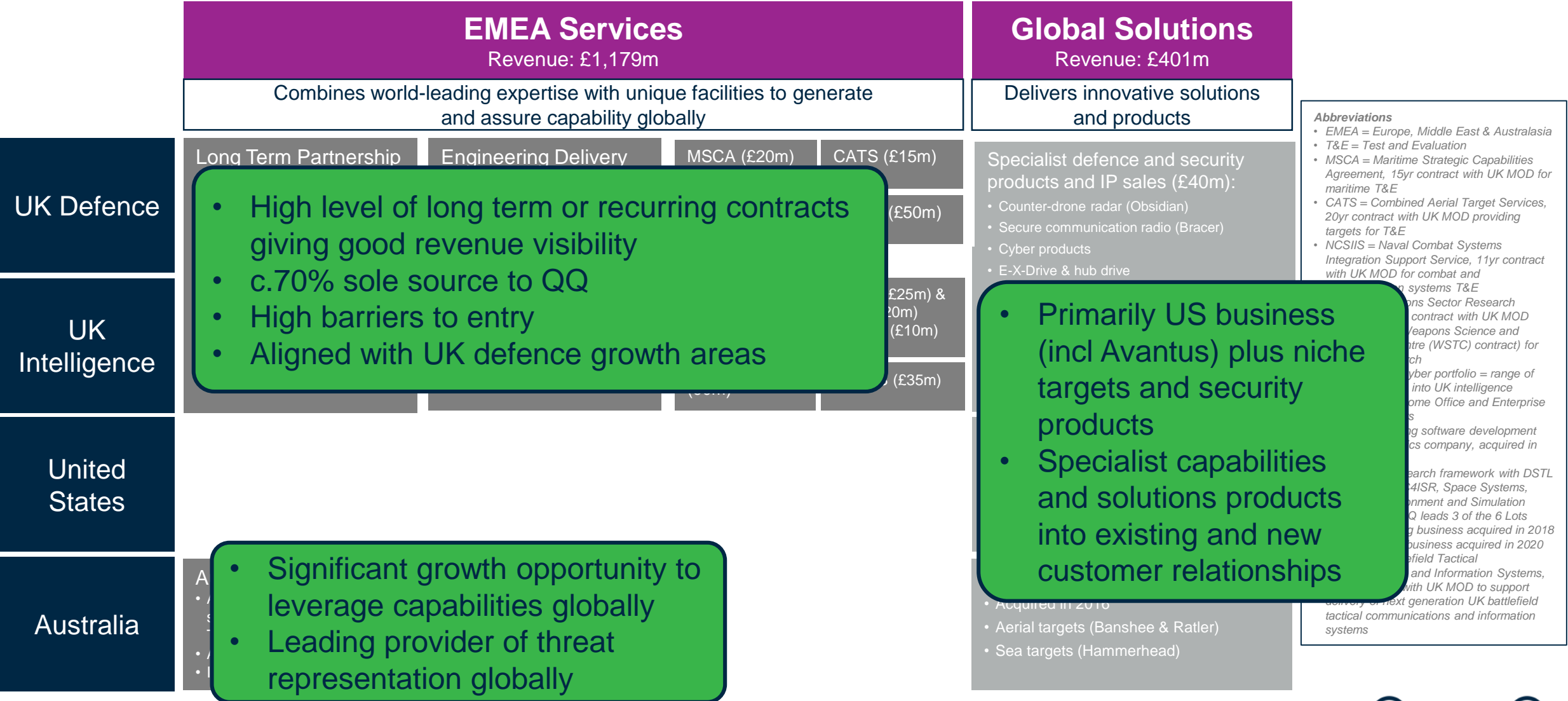
- EMEA = Europe, Middle East & Australasia
- T&E = Test and Evaluation
- MSCA = Maritime Strategic Capabilities Agreement, 15yr contract with UK MOD for maritime T&E
- CATS = Combined Aerial Target Services, 20yr contract with UK MOD providing targets for T&E
- NCSISS = Naval Combat Systems Integration Support Service, 11yr contract with UK MOD for combat and communication systems T&E
- WSRF = Weapons Sector Research Framework, 5yr contract with UK MOD (replacing the Weapons Science and Technology Centre (WSTC) contract) for weapons research
- Intelligence & Cyber portfolio = range of smaller projects into UK intelligence agencies, the Home Office and Enterprise Cyber customers
- Naimuri = leading software development and data analytics company, acquired in July 2020
- SERAPIS = research framework with DSTL (UK MOD) for C4ISR, Space Systems, Synthetic Environment and Simulation technologies. QQ leads 3 of the 6 Lots
- Inzpire = training business acquired in 2018
- NSC = training business acquired in 2020
- BATCIS = Battlefield Tactical Communication and Information Systems, 3-5yr contract with UK MOD to support delivery of next generation UK battlefield tactical communications and information systems

Abbreviations

- EMEA = Europe, Middle East & Australasia
- T&E = Test and Evaluation
- MSCA = Maritime Strategic Capabilities Agreement, 15yr contract with UK MOD for maritime T&E
- CATS = Combined Aerial Target Services, 20yr contract with UK MOD providing targets for T&E
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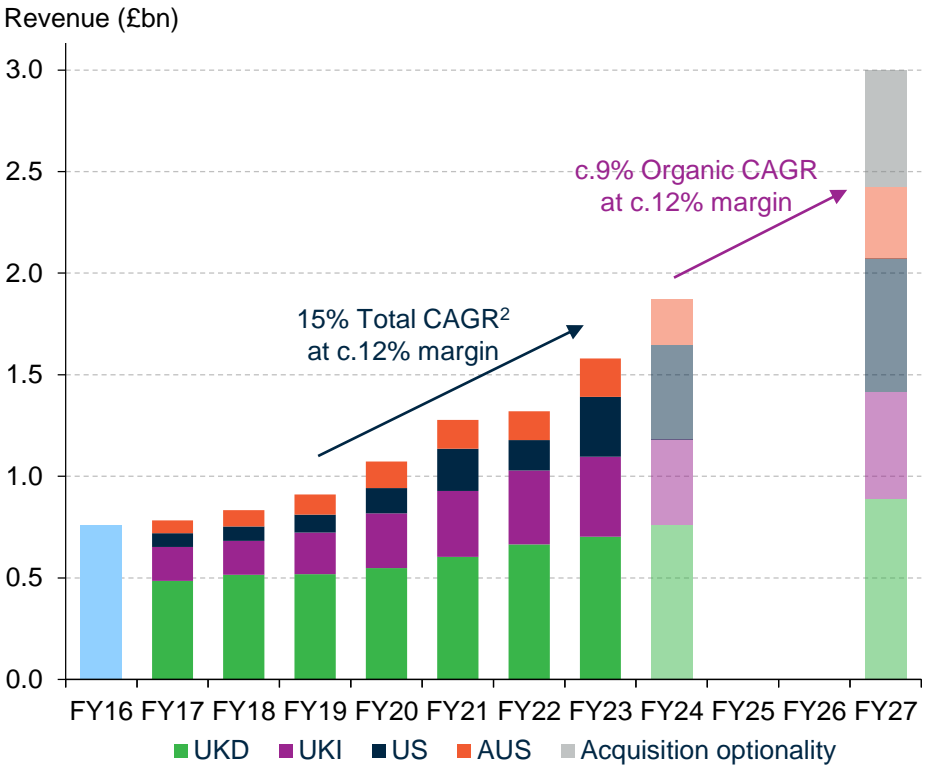
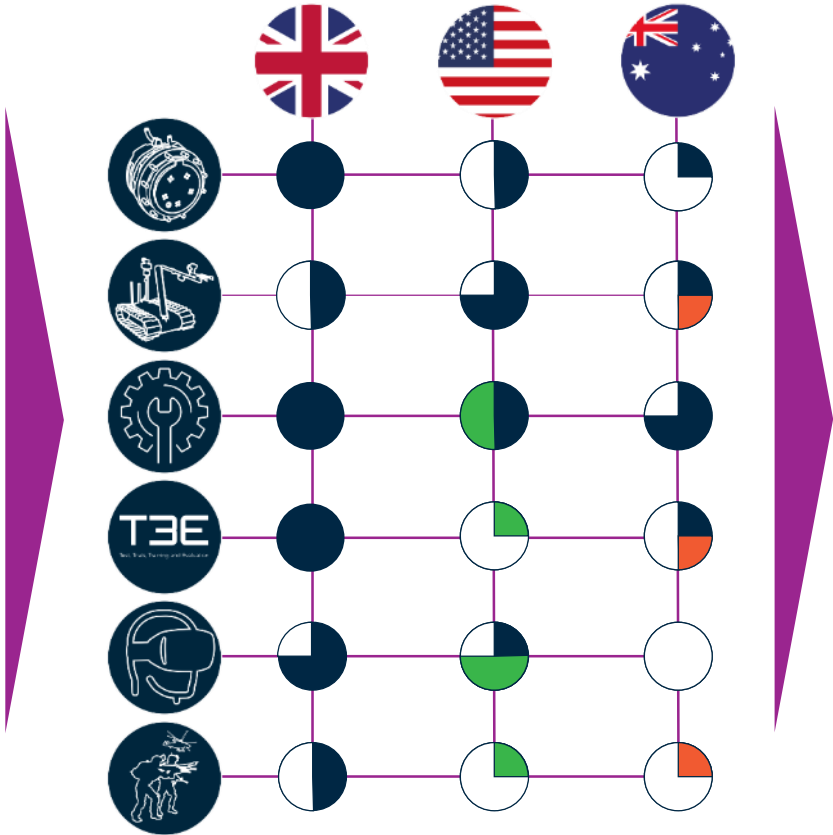
Numbers provided are FY23 actual revenue for continuing operations, approximate rounded numbers for specific contracts and divisions

QinetiQ's Segments, Sectors and Key Contracts



Our growth ambition

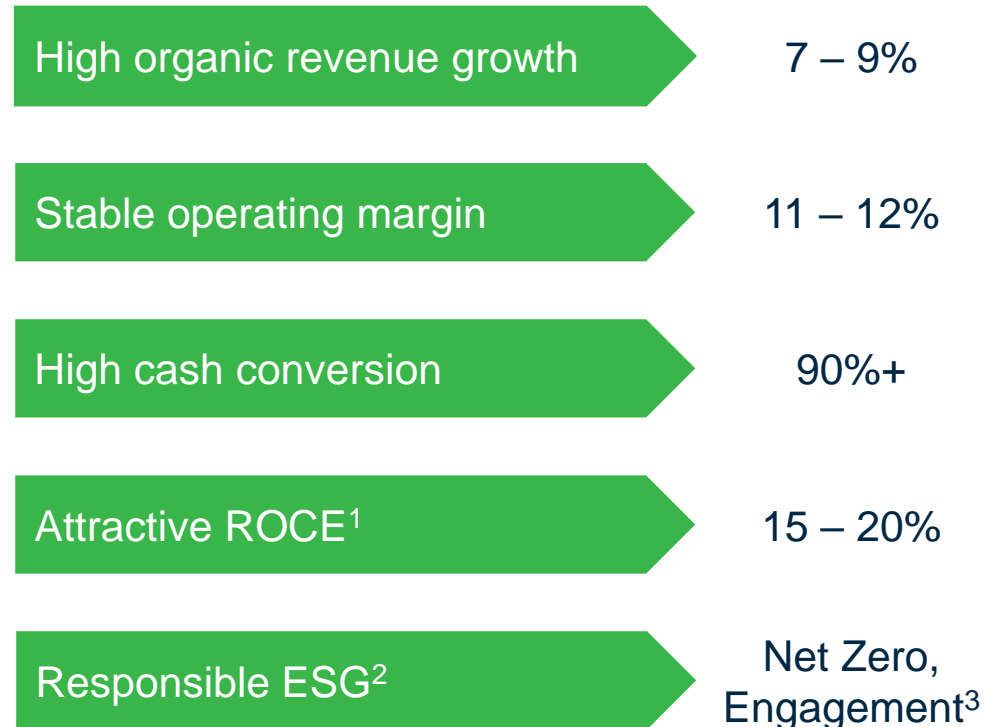
Capital allocation	
Priority 1	Invest in our organic capabilities
Priority 2	Complement with optional strategic acquisitions
Priority 3	Progressive dividend to shareholders
Priority 4	Return excess cash to shareholders



Deploying our capital to drive long-term growth and shareholder return

¹ Year to date of which \$195m orders recognised in FY24 H1 ² Compound Annual Growth Rate
 Revenue graph by UK Defence, UK Intelligence, United States and Australia including global threat representation

The QinetiQ Investment Case: strategy to deliver sustainable growth for our shareholders



A world-leading defence and security company with attractive returns

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

Appendices



Enhancing focus on ESG¹ and enabling our people to thrive

Environmental

- Net Zero² by 2050 or sooner and 33% reduction by 2030
- Reduced Scope 1/2 by 30% in last 3 years
- Co-creating solutions with our customers



Social

- Enhanced focus on safety & wellbeing
- £15m additional investment in our people
- Leadership Team augmented for global growth, increased to 36% women



Governance

- Strengthening delivery skills & processes
- Launch of Sustainable Procurement guide
- Purpose driven: protecting lives & securing the vital interests of our customers



17.5% of all leadership incentives focused on delivering our ESG commitment

¹ Environmental, Social and Governance ² Scope 1, 2 and 3

ESG¹ exclusions exposure

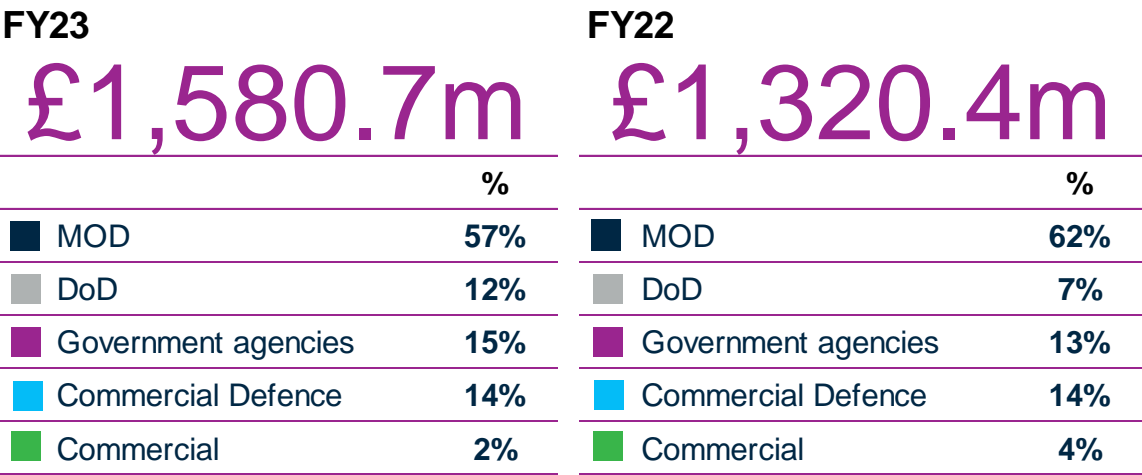
Category	Description	What We Do	% Group Revenue
Controversial Weapons	<ul style="list-style-type: none">• Cluster Munitions (subject to Conventions under cluster munitions 2008)• Anti-Personal landmines (subject to Convention Ottawa treaty 1997)• Biological Weapons	<ul style="list-style-type: none">• QinetiQ are not engaged in or otherwise exposed to the production, testing or use of controversial weapons.	Nil
Nuclear Weapons	<ul style="list-style-type: none">• Direct involvement in the research, development, manufacture, of nuclear weapons• Direct involvement in the testing of nuclear weapons	<ul style="list-style-type: none">• QinetiQ is not involved in the construction or maintenance of nuclear weapons.• QinetiQ provides Test and Evaluation services to Royal Navy's fleet of vessels, including all of its submarines.• QinetiQ provides the same test, training, trials and evaluation services to all UK submarines regardless of the weapon system they may be carrying.	Nil

QinetiQ does not derive any revenue from controversial weapons

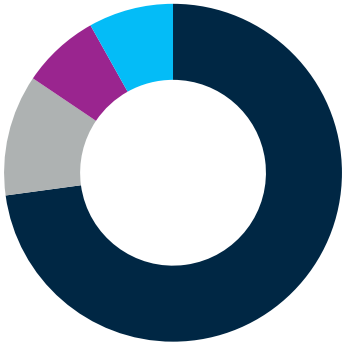
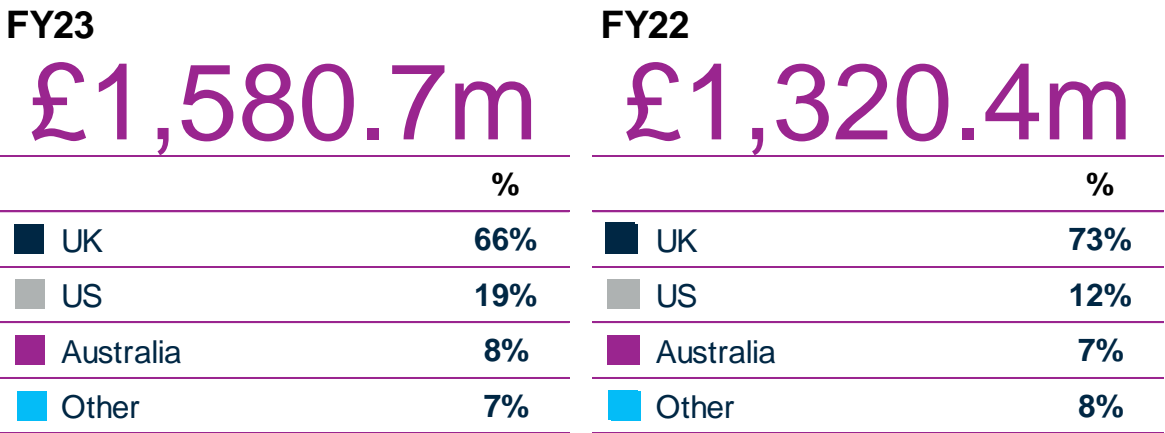
¹ Environmental, Social and Governance

Revenue by customer and country

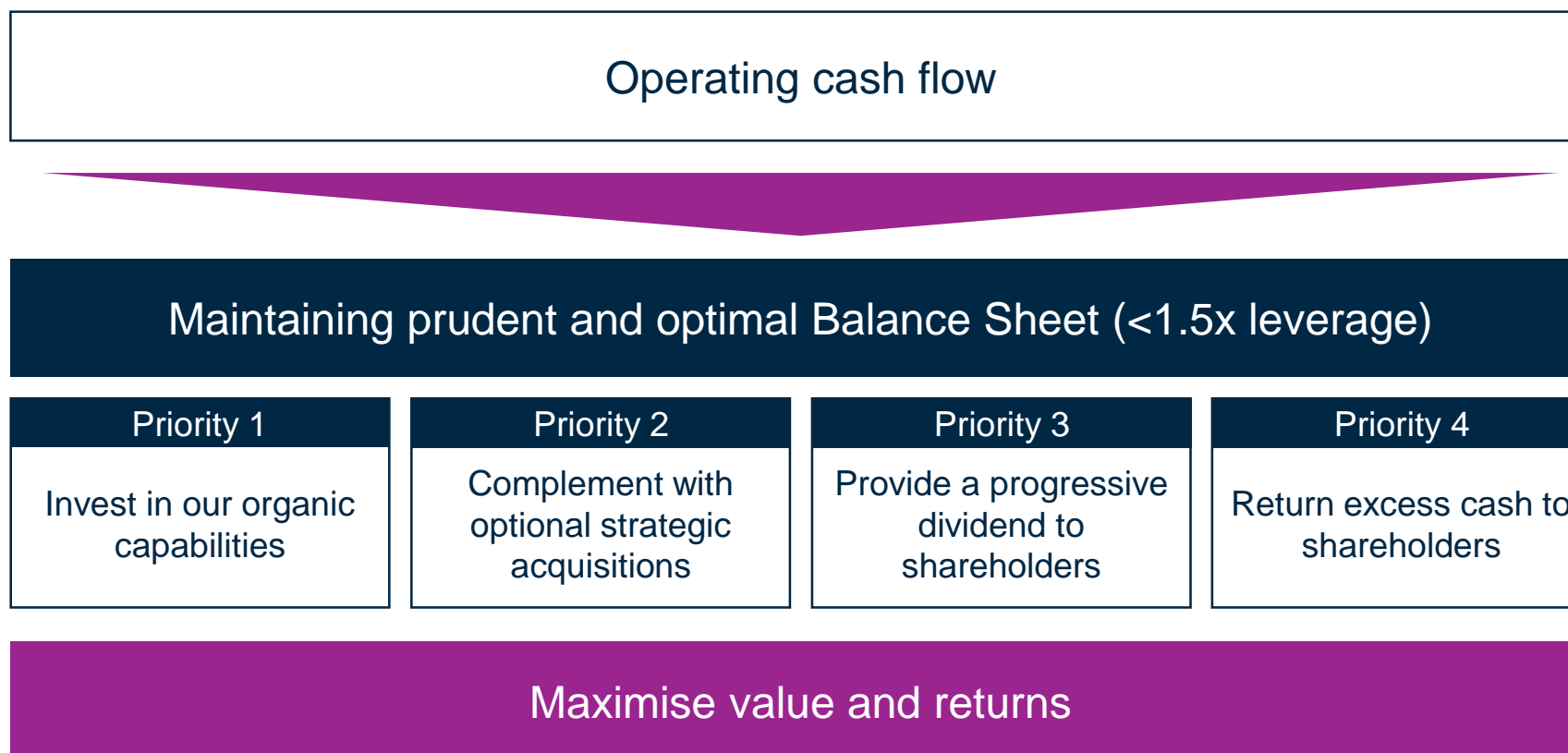
Revenue by customer (%)



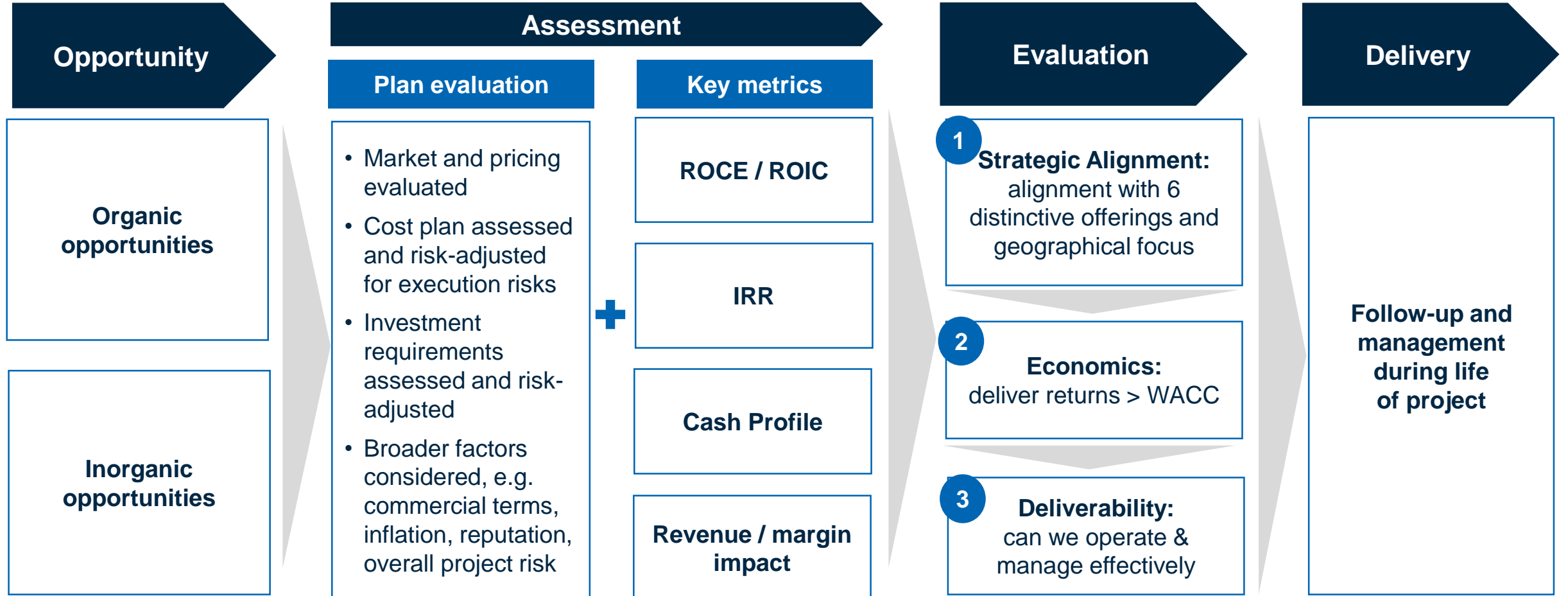
Revenue by destination country (%)



A clear and robust capital allocation policy



Financial strategy: a rigorous appraisal process



QINETIQ