Fifth year of growth – accelerating global ambition

QinetiQ Group plc
Preliminary results for year ended 31 March 2021

20 May 2021

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Agenda

Fifth year of growth – accelerating global ambition (1/2)

- Strong operational performance despite COVID-19
  - Orders up 18%, 11% on an organic basis
  - Revenue up 19%, 10% on an organic basis
  - Operating profit up 14%, 6% on an organic basis
  - 131% cash conversion, pre-capex
  - EPS up 11%, progressive dividend reinstated

	FY21	FY20
Revenue	**£1,278.2m**	£1,072.9m
Operating profit	**£151.8m**	£133.2m
EPS	**22.1p**	20.0p
Dividend	**6.9p**	6.6p
Order backlog	**£2.9bn**	£3.1bn

- Customer focus driven c.70% growth in 5 years
  - Successfully completed LTPA[1] 2-year transition programme
  - Won major long-term contracts in UK, US and Australia
  - Completed acquisition of Naimuri and three disposals
  - Grown international revenue, £158m to £420m in 5 years
  - Adapted ways of working & employee engagement up 6%

- Strategy to accelerate next 5 years of c.70% growth
  - Deliver FY22 operational performance, £800m contracted
  - Win further competitions and pursue global campaigns
  - Leverage capability globally through disruptive innovation
  - Invest in new customer solutions and strategic acquisitions
  - Focus to drive growth into >£20bn addressable market

[1] LTPA: Long Term Partnering Agreement, major Test & Evaluation services contract with UK MOD.

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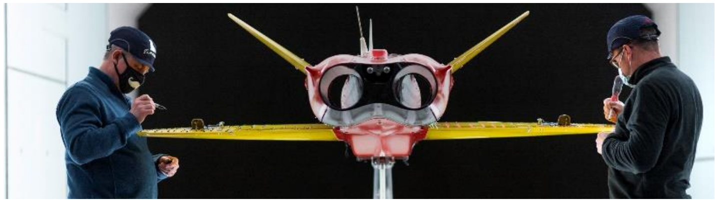
Fifth year of growth – accelerating global ambition (2/2)

2-year LTPA[1] transition completed in UK

Successful trials of RCV-L[3] in US

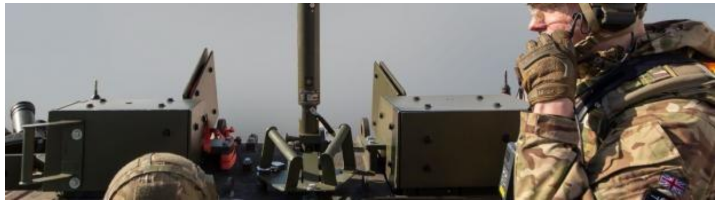


8,000th target delivered by QTS[4] & Canada

£360m new EDP[2] contracts in UK

Delivery of next generation bomb suit in US

Recovery in flying hours in Germany



£18m defence intelligence contract in UK

Shaping robotics opportunities in Australia

Record year for Space growth in Belgium

Successfully building a world-leading company and making a difference for our customers

[1] LTPA: Long Term Partnering Agreement. [2] EDP: Engineering Delivery Partner. [3] RCV-L: Robotic Combat Vehicle-Light. [4] QTS: QinetiQ Target Systems.

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FY21 Financial overview

David Smith
Chief Financial Officer

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Strong financial performance - fifth year of growth*

	2021 £m	2020 £m
Revenue	**1,278.2**	1,072.9
Underlying operating profit	**151.8**	133.2
Underlying operating margin	**11.9%**	12.4%
Underlying Earnings per share (pence)	**22.1**	20.0
Dividend per share (pence)[1]	**6.9**	6.6
Total funded order backlog	**2,944.1**	3,104.9
Total orders	**1,151.0**	2,227.4
Orders in the period (incl JVs / excl LTPA amendments)[2]	**1,151.0**	972.1
Underlying Net cash inflow from operations (pre-capex)	**199.0**	177.8
Cash conversion (pre-capex)	**131%**	133%
Net cash	**164.1**	84.7

*Underlying performance, before specific adjusting items, as defined in appendix. Backlog and FY20 total orders include LTPA amendment signed 5 April 2019
[1] In prior year reported only 2.2p interim dividend amount due to uncertainty over COVID-19 deferring the final decision. Now restated to 6.6p to reflect the final dividend of 4.4p paid out in respect of FY20
[2] Excludes £1.3bn LTPA contract amendment signed 5 April 2019

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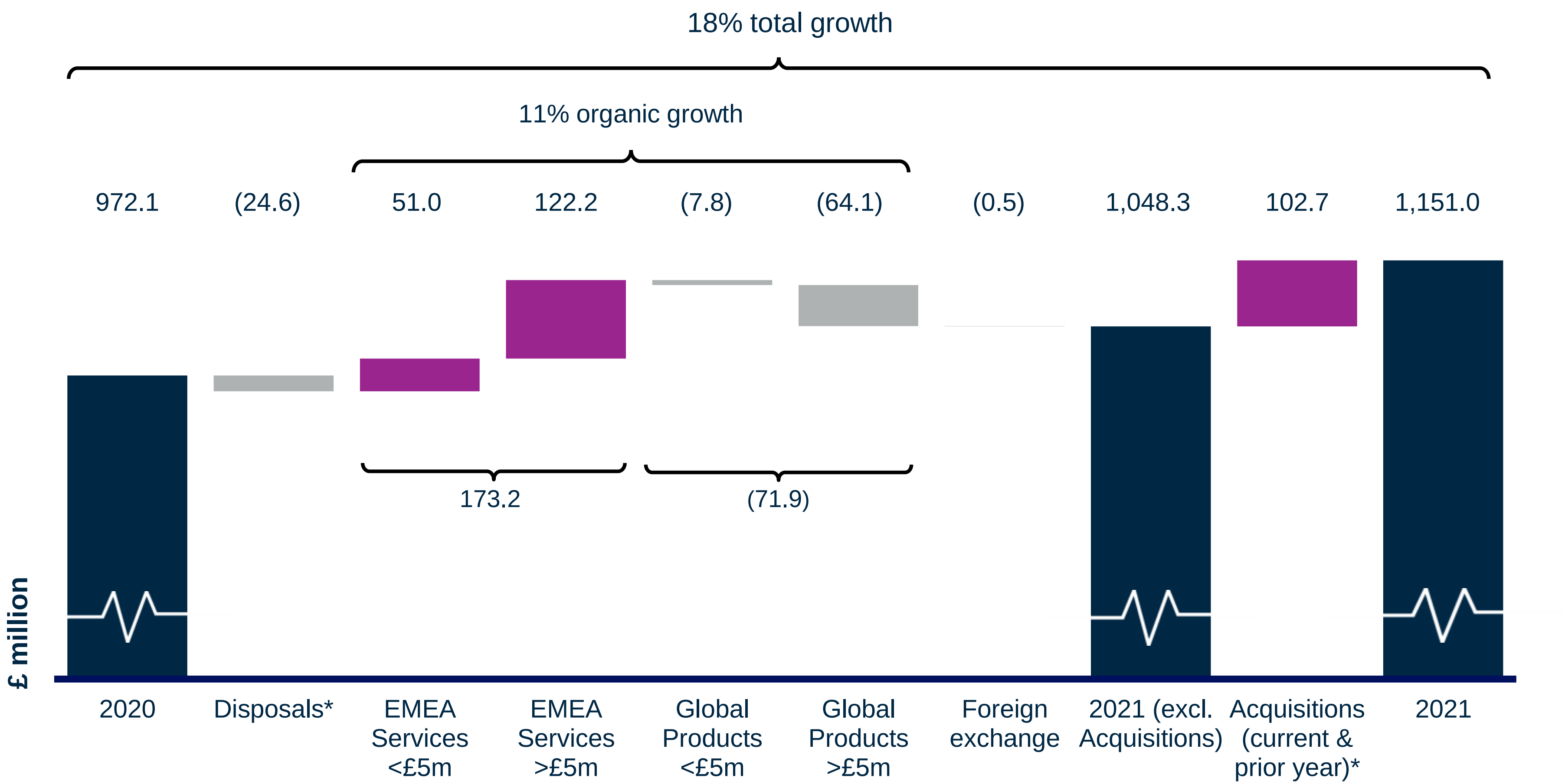
Strong order growth with excellent organic performance

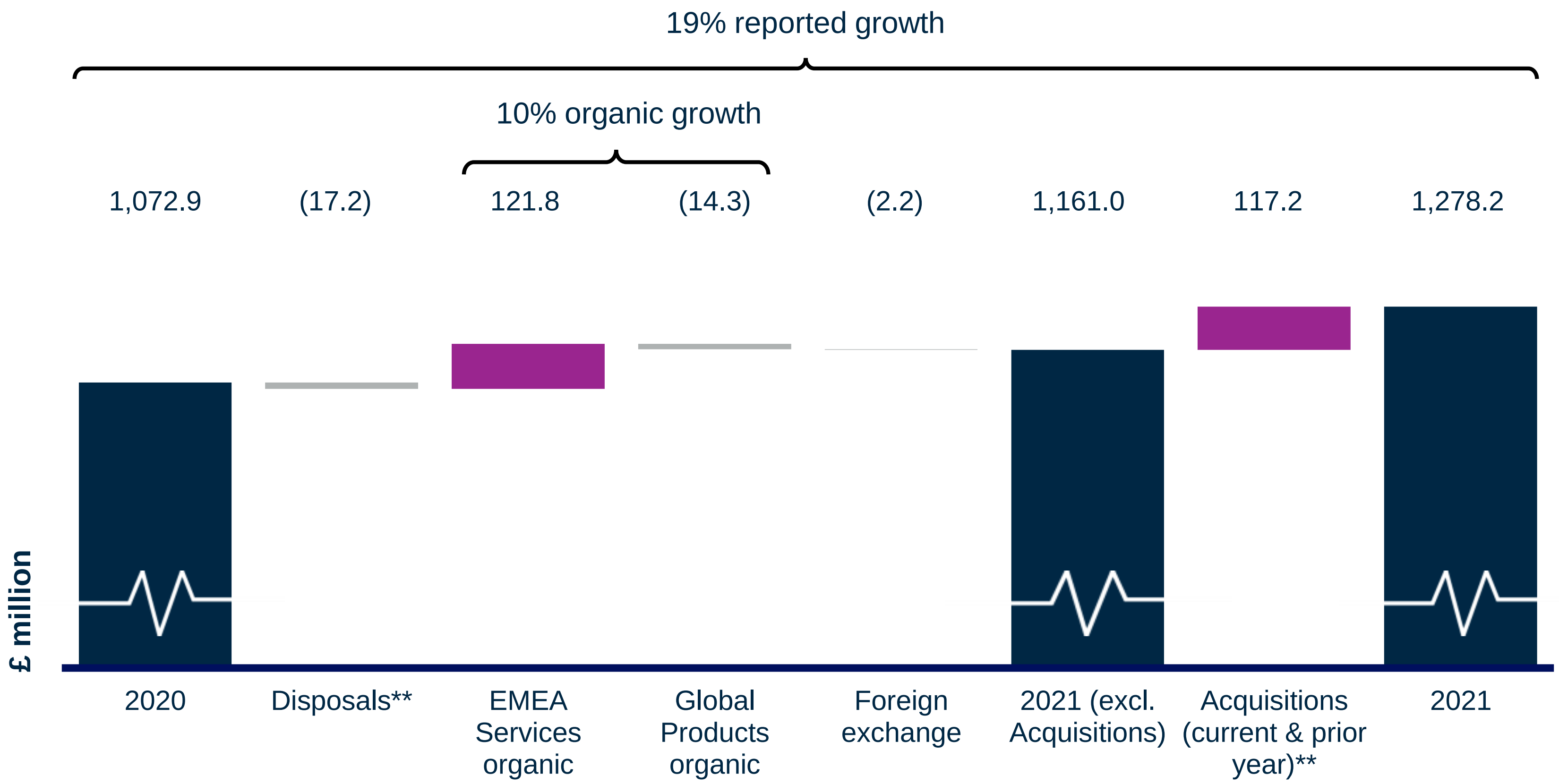
Orders



* *Acquisitions* comprise of £98.9m for MTEQ and NSC for period with no prior year comparator and £3.8m for Naimuri
Disposals comprise of £24.6m from Optasense, Boldon James and Commerce Decisions (sold in FY21), for the equivalent periods after disposal in prior year (FY20)

Organic growth in EMEA Services complemented by acquisitions

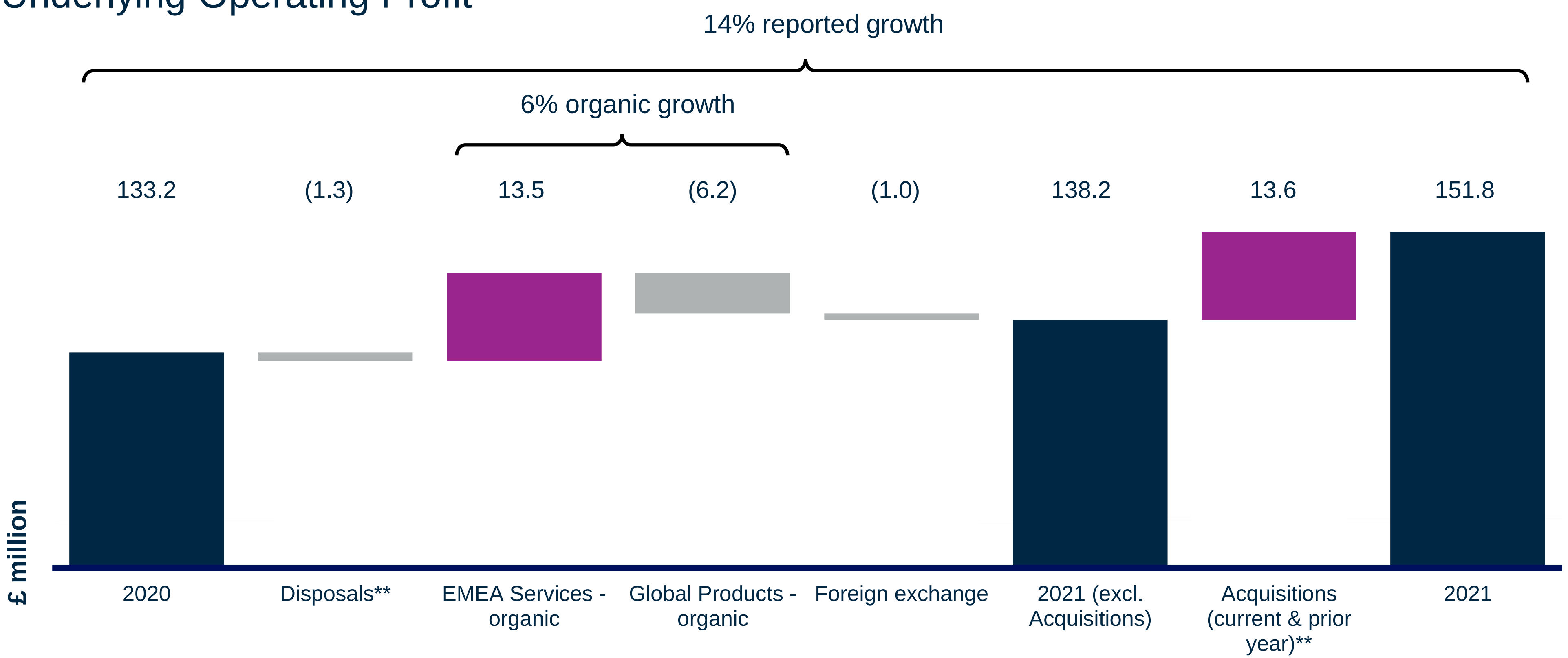
Revenue



** *Acquisitions* comprise of £109.6m for MTEQ and NSC for period with no prior year comparator and £7.6m Naimuri
Disposals comprise of £17.2m of Revenue from Optasense, Boldon James and Commerce Decisions (sold in FY21), for the equivalent periods after disposal in prior year (FY20)

Resilient profit performance through COVID-19

Underlying Operating Profit*



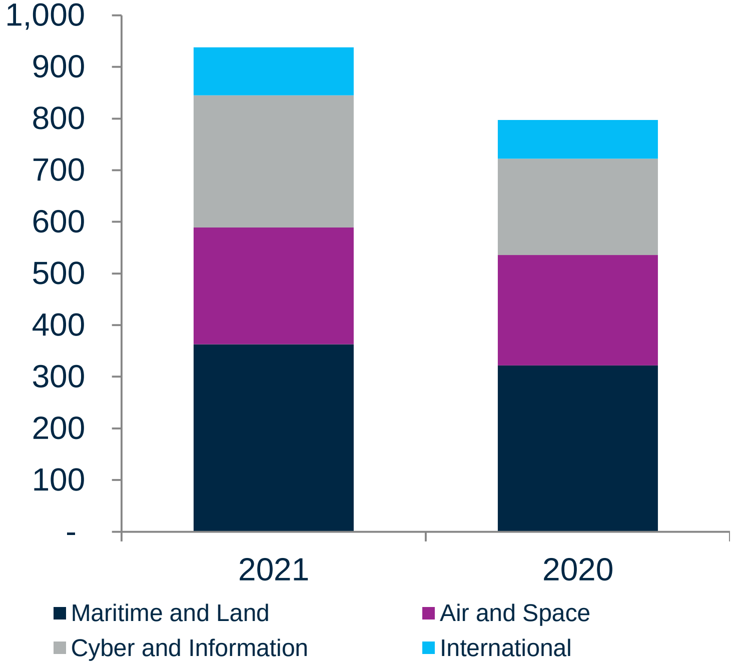
Specific adjusting items, not included in Underlying Operating Profit:

- Gain on sale of Boldon James, Commerce Decisions & OptaSense of £28m
- Goodwill impairment of QinetiQ Germany business of £25m

* Underlying performance, before specific adjusting items, as defined in appendix
** *Acquisitions* comprise of £11.8m for MTEQ and NSC for period with no prior year comparator and £1.8m for Naimuri
Disposals comprise of £1.3m from Optasense, Boldon James and Commerce Decisions (sold in FY21), for the equivalent periods after disposal in prior year (FY20)

EMEA Services – EDP contract wins continue to drive growth

FY revenue (£m)



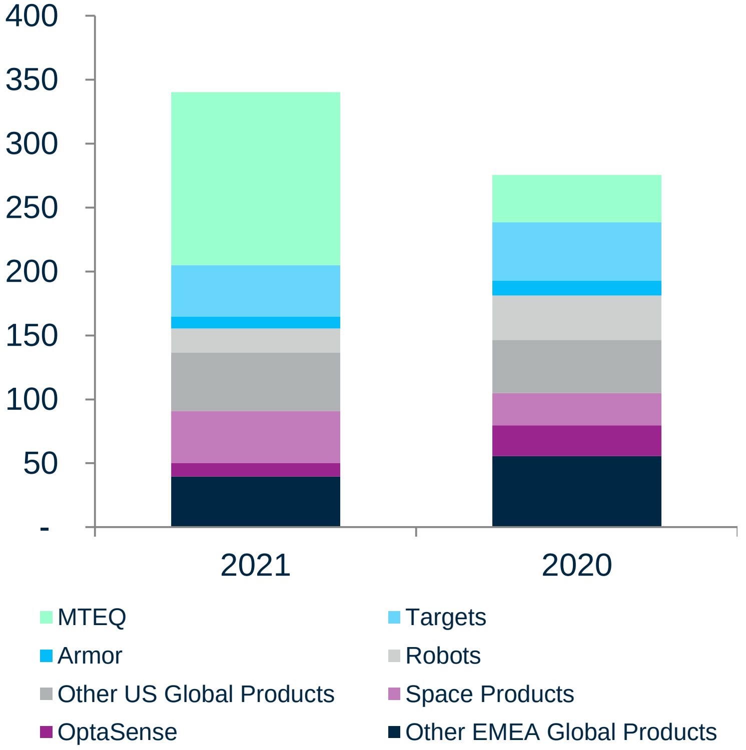
	2021 £m	2020 £m
Total orders	**866.0**	1,925.3
Orders excl. LTPA amendments	**856.3**	670.0
Revenue	**939.9**	797.4
Underlying operating profit*	**118.6**	100.6
Underlying operating profit margin*	**12.6%**	12.6%
Book to bill ratio*	**1.2x**	1.1x
Total funded order backlog	**2,710.6**	2,797.7
Funded order backlog excl. LTPA amendments	**1,001.1**	851.1

- Strong orders performance driven by £158m Typhoon phase 1 orders under the EDP contract
- 18% revenue growth, 15% on an organic* basis as a result of new work under EDP and ongoing growth in Australia
- 18% profit growth, 13% on an organic basis, driven by revenue growth and cost savings.

* Group performance measures as defined in the appendix

Global Products – MTEQ acquisition drives order and profit growth

FY revenue (£m)

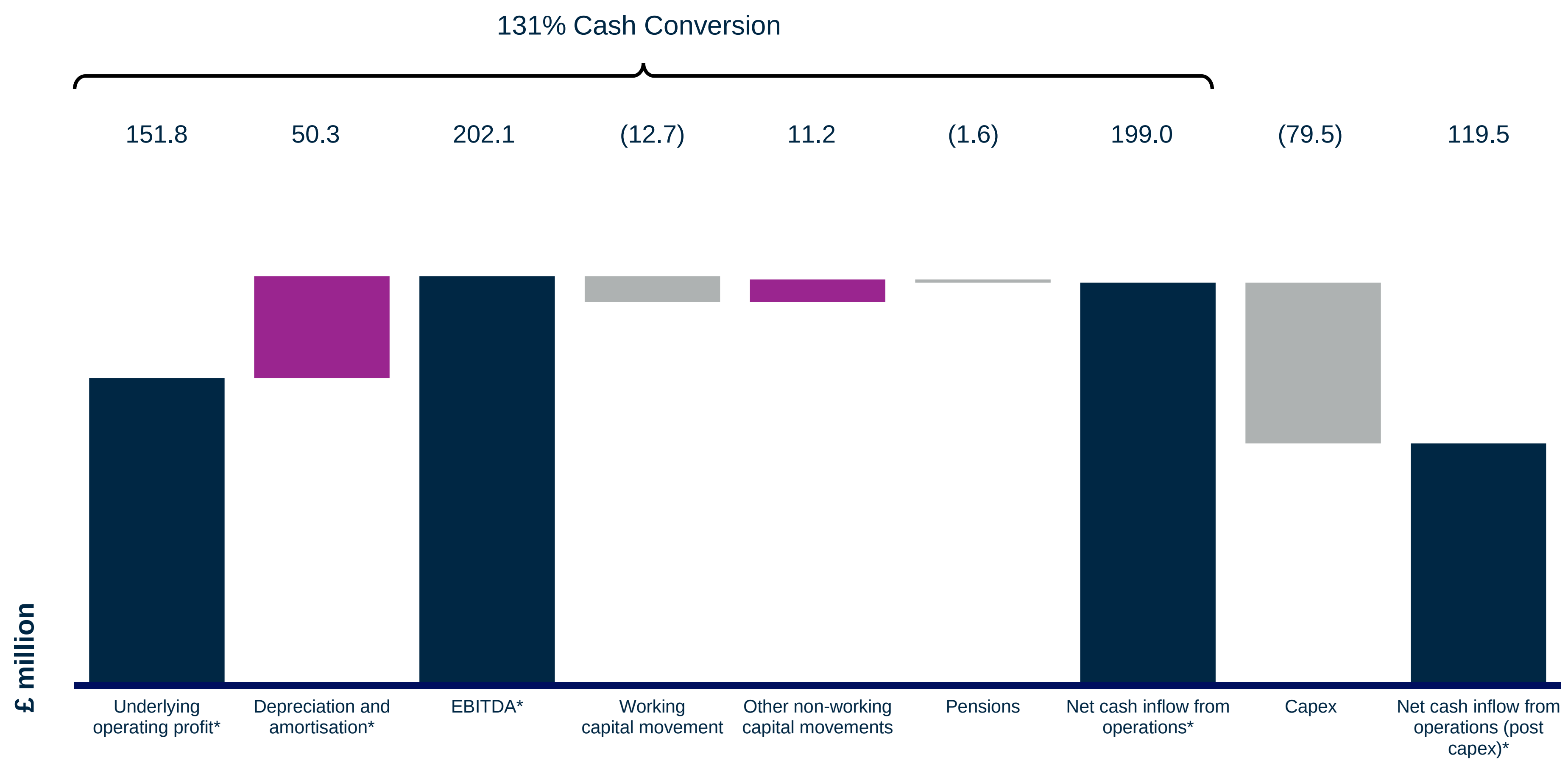


	2021 £m	2020 £m
Orders	**285.0**	302.1
Revenue	**338.3**	275.5
Underlying operating profit*	**33.2**	32.6
Underlying operating profit margin*	**9.8%**	11.8%
Book to bill ratio	**0.8x**	1.1x
Funded order backlog	**233.5**	307.2

- Orders decreased following significant €75m Altius contract for Space NV in FY20 and lower contracting in US
- 23% revenue growth due to a full year of MTEQ trading. Down 6% organically* driven by COVID-19 impacting shipments in Optasense and QTS and lower robotics in QNA
- 2% profit growth following a full year of MTEQ trading. 20% organic decline driven by QTS delays of high margin products and a loss in Optasense prior to disposal.

* Group performance measures as defined in the appendix

Strong cash generation underpins investment for growth



* Underlying performance, before specific adjusting items, as defined in appendix

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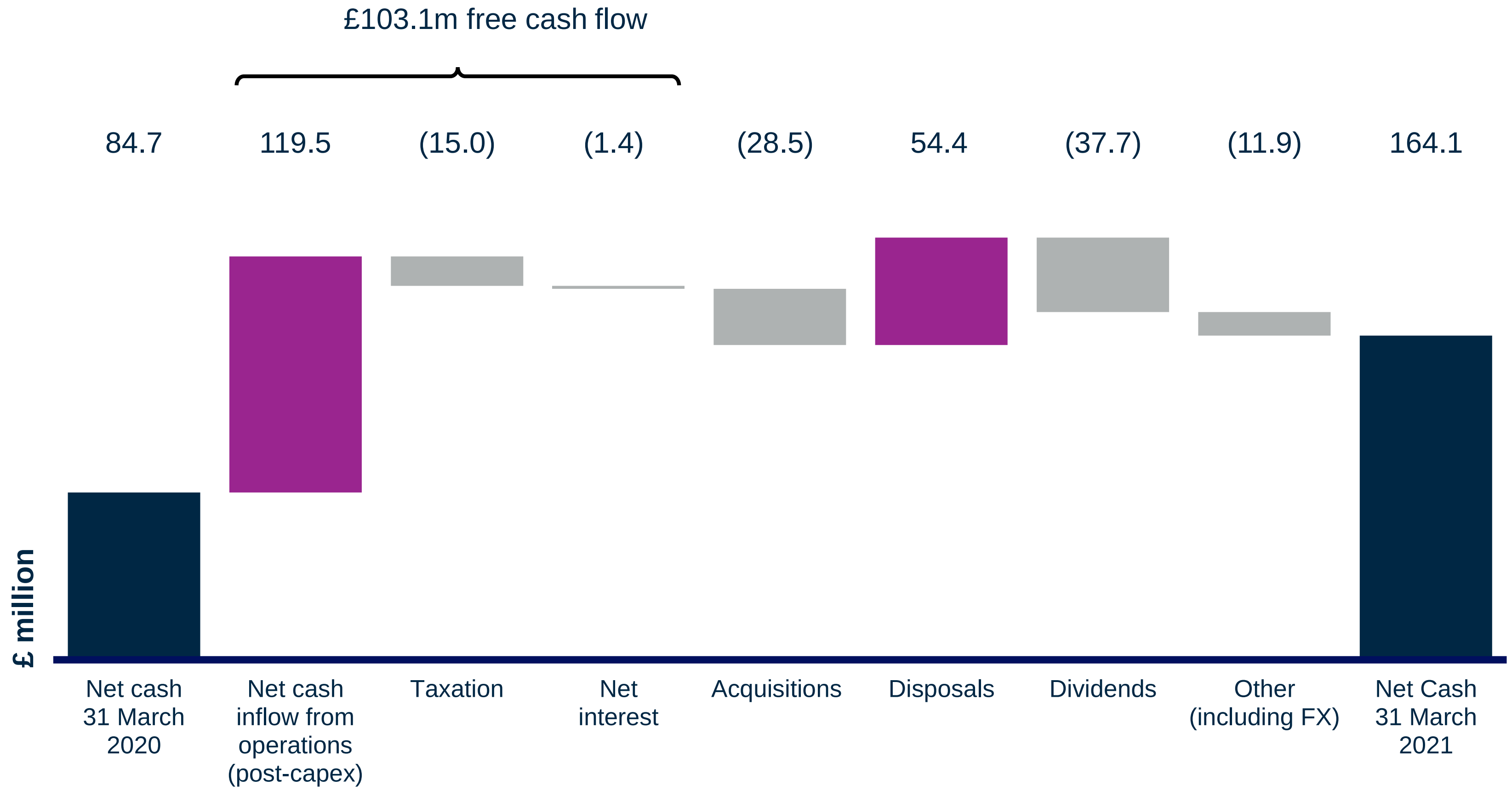
Balance sheet strength to support our growth strategy



- Active portfolio management with the disposal of Optasense, Boldon James and Commerce Decisions and acquisition of Naimuri
- Continue with existing capital allocation policy:
  - Invest in our organic capabilities, complemented by acquisitions where there is a strong strategic fit
  - Maintain the necessary balance sheet strength
  - Provide a progressive dividend to shareholders
  - Return excess cash to shareholders
- £439.1m headroom: £164.1m net cash plus £275m available committed facilities, expandable to £400m
- FY21 ROCE remains strong at 28% (FY20: 28%)

FY22 Outlook – technical factors

	FY21	FY22	
Net finance expense*	£1.9m		Expect stable net cash so flat underlying net finance expense
Effective tax rate*	15.9%		Expected to remain stable
Tax cash outflow	£15.0m		Expected to be broadly flat
Net working capital outflow	£12.7m		Potential for further outflow depending upon trading performance
Capital expenditure	£79.5m		Capex to increase to £90m - £120m as we invest in digital transformation

* Underlying performance, before specific adjusting items, as defined in appendix

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Outlook Statement

FY22

- We enter FY22 with confidence, a strong order-book, £800m revenue under contract and growing positive momentum.
- We remain confident to deliver in line with our current expectations for FY22, with mid-single digit organic revenue growth and 11-12% operating profit margin, lower than our mid to long-term margin guidance 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, as previously outlined.

Longer term

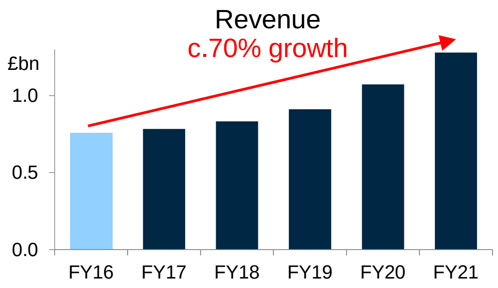
- Our ambition is to deliver a similar level of growth in the next 5 years as we have in the last 5 years. This means we are targeting mid-single digit percentage compound organic revenue growth of over the next 5 years, with strategic acquisitions further enhancing this growth.
- We will increase the international share of revenue to over 50%, with the UK continuing to deliver good growth enhanced by accelerated growth in the US, Australia and our other priority countries. We are targeting operating profit margin of 12-13% in the mid to long-term. ROCE is forecast to remain strong remaining at the upper end of the 15-20% range.

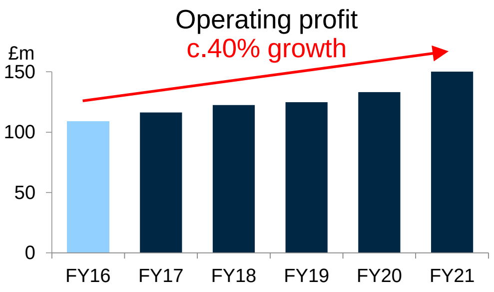
Strategic update

Steve Wadey
Chief Executive Officer

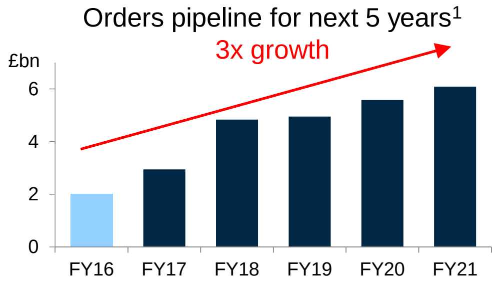
Continuing to grow an integrated global company to deliver enhanced returns

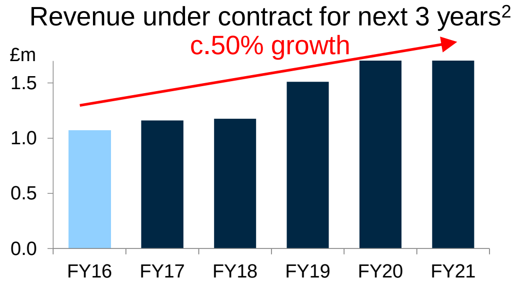
Strong operational performance



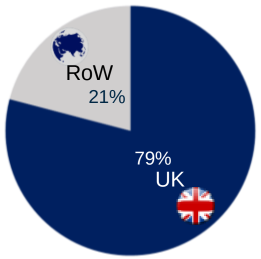


Increasing forward visibility





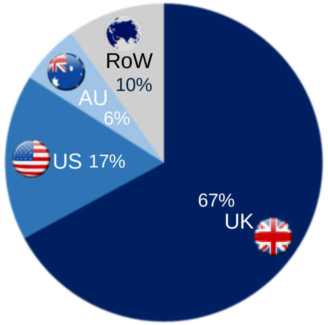
FY16 £755m



Strategic Plan FY16
First 5 years of growth

c.70% growth

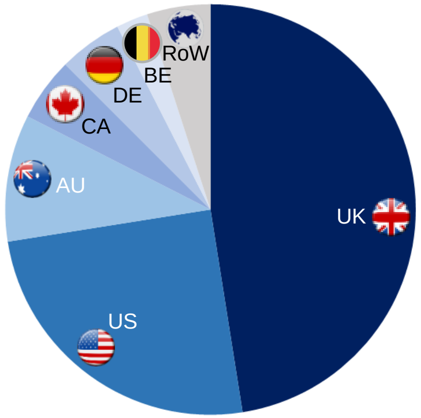
FY21 c.£1.3bn



Strategic Plan FY21
Next 5 years of growth

c.70% growth

FY26+ £2bn+



Building on strong track record to accelerate next phase of global growth

[1] Orders pipeline for next 5 years at end of FY, FY16 estimated. [2] Revenue under contract for next 3 years at end of FY.

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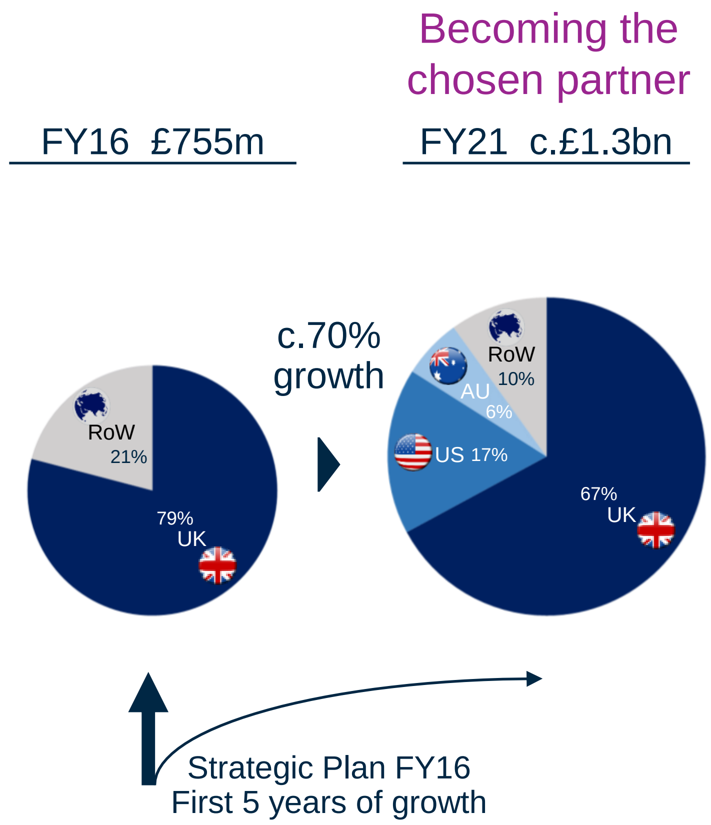
Delivered a successful first 5 years of growth



- Vision-based strategy driving growth by focusing on our customers to deliver high-value differentiated solutions
  - Partnering to win major long-term programmes, order pipeline tripled >£6bn
  - Investing to modernise capabilities and leverage globally e.g. LTPA[1]
  - Growing International revenue from £158m to £420m in 5 years
  - Strengthening our offerings by investing in 7 strategy-led acquisitions
  - Actively managing our portfolio by disposing of 3 non-core businesses
  - Operating under new Special Security Agreement to enable US growth
- Underpinned by a safe, high performance, inclusive culture
  - Passion to deliver for our customers with >80% employees now shareholders
  - Improving employee engagement by 16% in 2 years to deliver strategy
  - Adapting to hybrid working and harnessing strengths of diversity

Customer focused growth strategy has created a strong foundation for our future success

[1] LTPA: Long Term Partnering Agreement.

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Major customer opportunities driven by evolving threats and budgetary priorities

UK
- Integrated Review and £24bn budget increase
- Focus on threat & technology-led modernisation
- Significant shift to operational independence

US
- National Security Guidance and $700bn budget
- Focus on peer threats & capability modernisation
- Significant shift to next generation technologies

AU
- Defence Strategic Update and 9% budget growth
- Focus on regional threat & sovereign capability, including test and evaluation

RoW
- Modernisation challenges and highly competitive
- Resurgence of national protectionism

Dynamics of new world

- Changing character of warfare & evolving threats
- Investing in technology and in-country capability
- Major shift required in agility and pace to respond

Our capabilities are increasingly relevant

- Customer relationships and domain knowledge
- Expertise in science, technology and engineering
- Innovation to drive cost-effective solutions at pace

Our distinctive capabilities and strategy make us increasingly relevant to meet the dynamics of new world

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Redefining our addressable market to drive our next phase of growth

- Following 5 years of growth we are creating greater focus on our six home and priority countries
  - Pursuing coherent customer opportunities across nations
  - Supporting nations with shared defence & security mission
- Market opportunity increased from >£8bn to >£20bn per year
  - UK and Australian market increased based on latest needs
  - US RDT&E[1] market now included given strategic importance
  - Rest of World market reduced to reflect reprioritisation
- Global growth through implementation of multi-domestic strategy focused on high priority growth segments
  - Leveraging offerings and capabilities across the Group

Significant growth potential with >£20bn addressable market

	FY21		Market opportunity[2]
	Revenue	£858m	>£3bn +2-3% growth[4]
	Market share[3]	<30%	
	Revenue	£216m	>£15bn +3%[5] growth
	Market share	<2%	
	Revenue	£78m	>£0.5bn +3-5% growth
	Market share	<15%	
	Revenue	£126m	>£1.5bn +1-3% growth
	Market share	<10%	

[1] RDT&E: Research & Development and Test & Evaluation. [2] Sources: Jane's Market Budget Forecast April 2021, UK MOD and US DOD forecasts for RDT&E, Australia Defence publications and QinetiQ estimates.
[3] Market share based on FY21 revenue. [4] CAGR: Compound Annual Growth Rate. [5] Higher growth rate than US market due to focus on high priority growth segments.

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Our evolved strategy to increase focus and accelerate global growth

Vision

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

Mission-led innovation

Create it | Test it | Use it

Customer focused growth strategy

Global leverage

Build an integrated global defence and security company to leverage our capability through single routes to market in UK, US, Australia, Canada, Germany and Belgium

Distinctive offerings

Co-create distinctive products and services to offer exceptional value for our customers in engineering, experimentation, test, training, information and autonomous systems

Disruptive innovation

Invest in and apply disruptive business models, digitisation and advanced technologies to enable our customers' operational mission at pace

High performance inclusive culture

Our Values Integrity | Collaboration | Performance

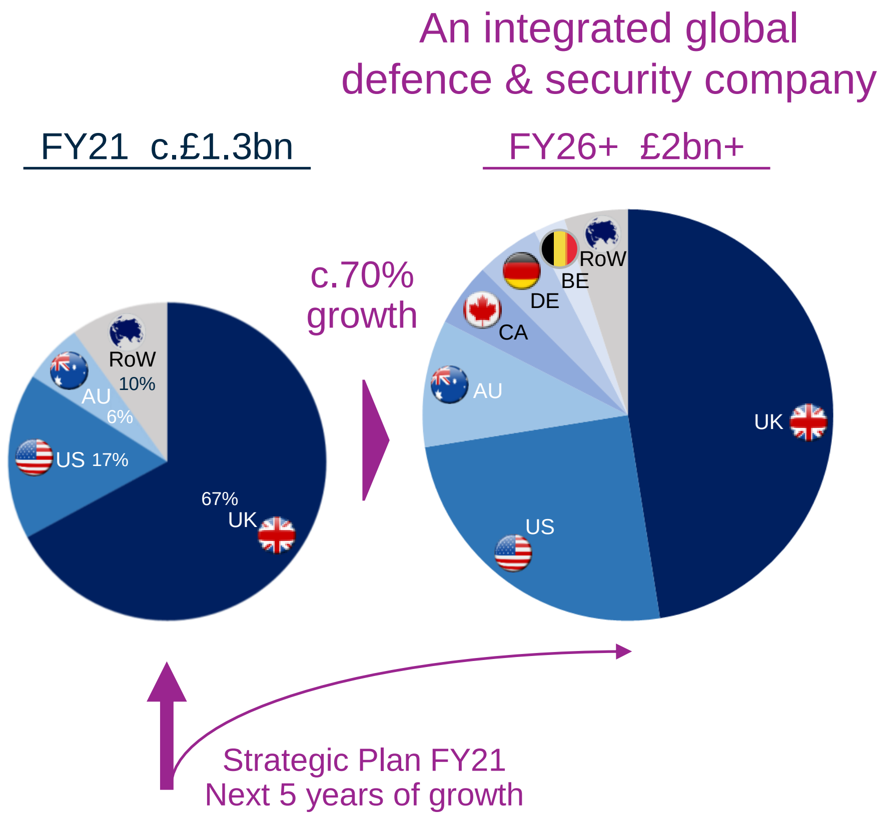
Our Behaviours Listen | Focus | Keep my promises

We deliver responsibly, sustainably and for the benefit of all our stakeholders

Delivering the next 5 years of global growth

- Continuing to build an integrated global defence & security company through focused execution of multi-domestic strategy
  - Implementing strategy-led choices in our 5 year strategic plan
  - Innovating to enable our customers to achieve their mission at pace
  - Pursuing growth in our six home and priority countries
  - Driving global campaigns for organic growth e.g. test, training & information
  - Investing in strategy-led acquisitions, complementing organic growth
  - Increasing focus on US growth to more than double US business

- Transforming to stay ahead for our customers' advantage
  - Driving customer-led and internal digital transformation e.g. digital T&E[1]
  - Building new capabilities e.g. cyber & data analytics, LVC[2] & synthetics
  - Creating next generation services and products e.g. threat representation



Investing in our capabilities, technology and people to increase agility and pace for our customers

[1] T&E: Test & Evaluation. [2] LVC: Live Virtual Constructive.

Partnering with our customers around the world to deliver mission-led innovation


Experimentation and technology


Test and evaluation


Training and mission rehearsal


Information and sensing


Engineering and support


Autonomous systems and robotics

Creating a global leader in high-value solutions to national defence & security challenges

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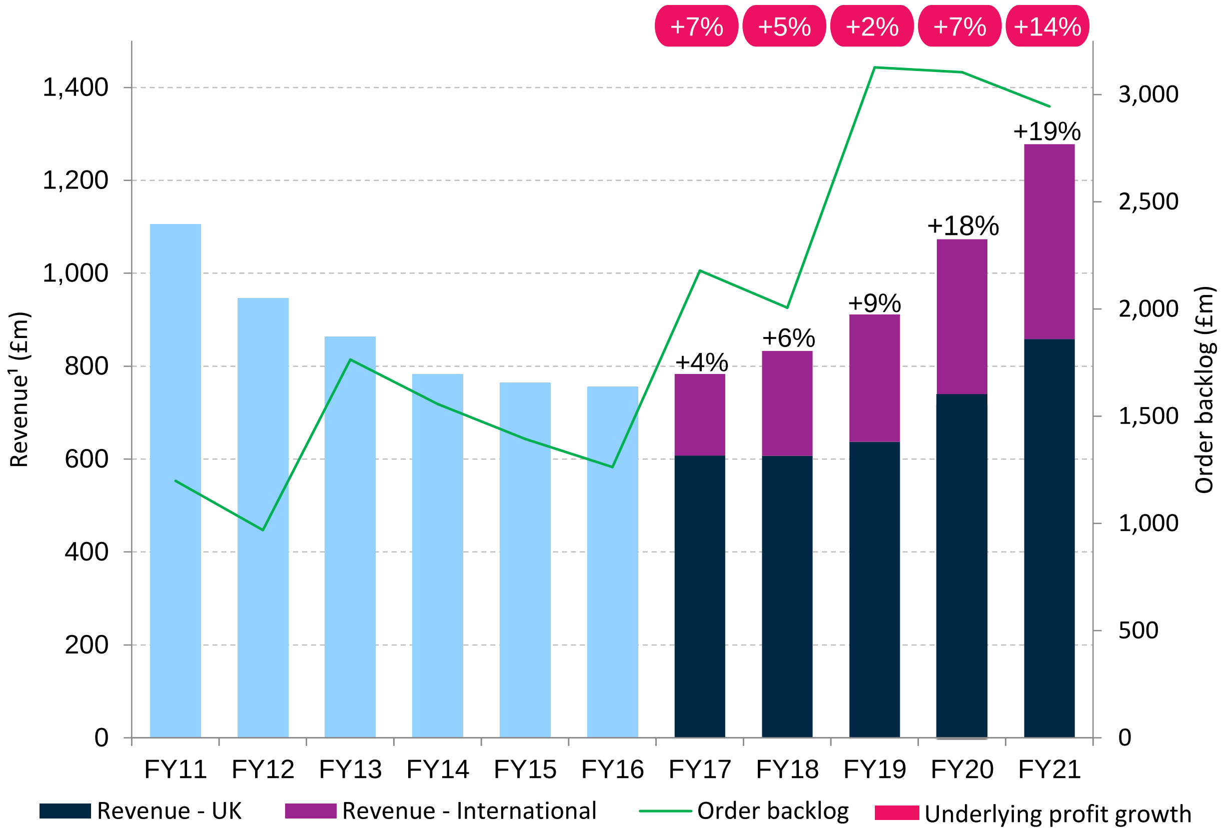
Fifth year of growth – accelerating global ambition

- Strong operational performance despite COVID-19
  - 18% orders, 19% revenue and 14% profit total growth
  - 11% orders, 10% revenue and 6% profit organic growth
- Customer focused strategy driven c.70% growth over first 5 years and momentum building
  - Major customer opportunities driven by changing markets
  - Distinctive capabilities make us increasingly relevant
- Increased ambition and evolved strategy to accelerate next 5 years of c.70% sustainable global growth
  - Invest in new customer solutions and strategic acquisitions
  - Focus to drive growth into >£20bn addressable market



Continuing to grow an integrated global defence & security company to deliver enhanced returns

[1] Graph shows revenue based on continuing operations only and incremental growth on a reported basis.

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Questions?

Appendices

Our Purpose

Protecting lives, defending sovereign capability and securing the vital interests of our customers

Environmental	Social	Governance
Climate Change/Net Zero Environmental Management Waste and Resources Conservation and Biodiversity Sustainable solutions for customers Financing linked to GHG targets	Employee Engagement Diversity & Inclusion Employee Health Safety & Wellbeing Employee Learning & Development Employee Reward and Recognition Community investment & STEM outreach	Business Ethics Code of Conduct Anti-bribery and Corruption Tackling Modern Slavery Trading Policy Responsible & Sustainable Procurement Leadership Remuneration

Our values

Integrity	Collaboration	Performance
Fully supported by Board & GLT	Industry leadership: ADS & DSF Cross-functional approach	MSCI: *AA rating* Sustainalytics: *A&D Sector Leader*

We deliver responsibly, sustainably and for the benefit of all our stakeholders

Definitions

- Underlying performance is stated before:
  - Amortisation of intangibles arising from acquisitions
  - Pension net finance income
  - Gains/losses on business disposals, investments and property
  - Transaction and integration costs in respect of business acquisitions
  - Impairment of property and goodwill
  - Tax impacts of the above items
  - Significant non-recurring deferred tax movements
- Book to Bill:
  - Orders won divided by revenue recognised excluding the LTPA contract
- Organic growth:
  - The level of year-on-year growth, expressed as a percentage, calculated at constant prior year foreign exchange rates, adjusting for business acquisitions and disposals to reflect equivalent composition of the Group

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Revenue by customer and country

Revenue by customer (%)

2021

£1,278.2m

	%
MOD	57%
DoD	11%
Government agencies	20%
Commercial Defence	8%
Commercial	4%

2020

£1,072.9m

	%
MOD	57%
DoD	9%
Government agencies	17%
Commercial Defence	9%
Commercial	8%

Revenue by destination country (%)

2021

£1,278.2m

	%
UK	67%
US	17%
Australia	6%
Other	10%

2020

£1,072.9m

	%
UK	69%
US	13%
Australia	6%
Other	13%

A clear capital allocation policy

Priority 1	Priority 2	Priority 3	Priority 4
Invest in our organic capabilities, complemented by acquisitions where there is a strong strategic fit	Maintain the balance sheet strength	Provide a progressive dividend to shareholders	Return excess cash to shareholders

Income statement including specific adjusting items*

	2021 £m	2020 £m
Revenue	**1,278.2**	1,072.9
Underlying operating profit*	**151.8**	133.2
Underlying net finance expense*	**(1.9)**	(1.0)
Underlying profit before tax*	**149.9**	132.2
Gain on sale of property	**0.1**	14.0
Gain on sale of business	**28.4**	-
Gain on sale of investment in JV	**0.3**	-
Acquisition costs	**(2.8)**	(8.0)
Amortisation of intangibles	**(10.9)**	(7.5)
Property impairment	**(0.5)**	-
Impairment of goodwill	**(25.4)**	(14.1)
Pension net finance income	**7.1**	6.5
Total specific adjusting items (pre-tax)	**(3.7)**	(9.1)
Profit before tax	**146.2**	123.1
Taxation	**(21.5)**	(16.6)
Profit after tax	**124.7**	106.5

* Underlying performance, before specific adjusting items, as defined in appendix

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Taxation

	2021 £m	2020 £m
Underlying tax charge*	**(23.8)**	(18.5)
Tax on specific adjusting items	**2.3**	1.9
Total tax charge	**(21.5)**	(16.6)
Underlying tax rate*	**15.9%**	14.0%

* Underlying performance, before specific adjusting items, as defined in appendix

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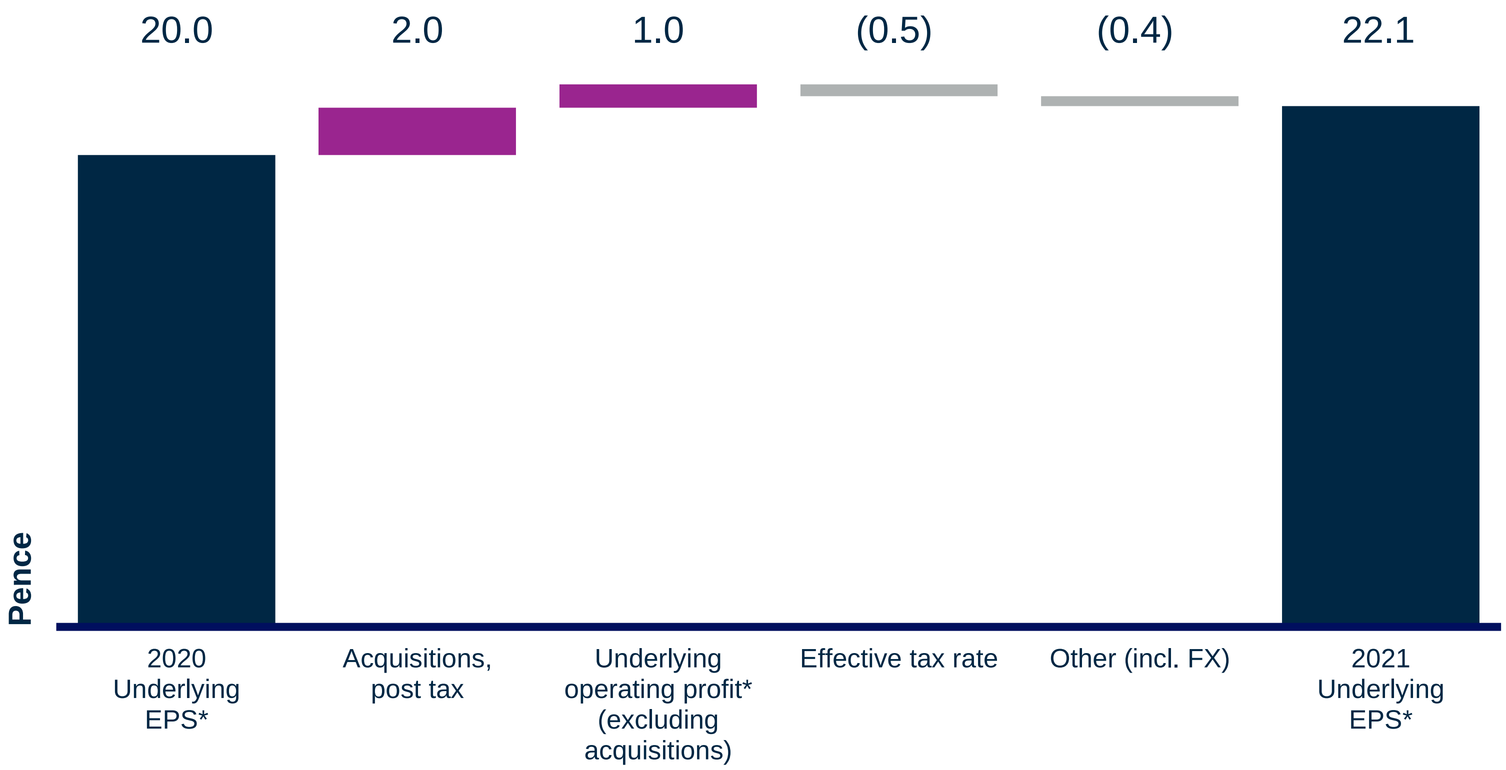
Underlying earnings per share* (pence)



* Underlying performance, before specific adjusting items, as defined in appendix

Cash conversion

		2021 £m	2020 £m
Underlying operating profit*		**151.8**	133.2
Depreciation and amortisation		**50.3**	45.3
Changes in working capital		**(12.7)**	2.5
Loss on disposal of PPE		**1.0**	(1.6)
Share-based payments charge	**11.2**	**10.6**	7.4
Share of post-tax profit of equity accounted entities		**(0.7)**	0.7
Net movement in provisions		**0.3**	(5.4)
Retirement benefit contributions in excess of income statement expense		**(1.6)**	(4.3)
Net cash inflow from operations*		**199.0**	177.8
Cash conversion %*		**131%**	133%
Net capex		**(79.5)**	(109.4)
Proceeds from disposal of plant and equipment		**-**	1.6
Net cash inflow from operations (post-capex)*		**119.5**	70.0
Net interest		**(1.4)**	(0.5)
Taxation		**(15.0)**	(10.0)
Free cash flow*		**103.1**	59.5

* Underlying performance, before specific adjusting items, as defined in appendix

Movements in net cash

	2021 £m	2020 £m
Free cash flow*	**103.1**	59.5
Dividends	**(37.7)**	(38.0)
Acquisition of business	**(28.5)**	(90.2)
Acquisition transaction costs	**(1.0)**	(7.5)
Acquisition renumeration costs	**-**	(3.8)
Repayment of finance leases	**(8.5)**	(9.7)
Disposal of property	**0.1**	12.5
Disposal of business	**54.4**	-
Disposal of investments	**0.3**	-
Purchase of own shares	**(9.0)**	(0.7)
Other (including FX)	**6.2**	2.1
Change in net cash	**79.4**	(75.8)
Opening net cash - 1 April	**84.7**	160.5
Closing net cash - 31 March	**164.1**	84.7

* Underlying performance, before specific adjusting items, as defined in appendix

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Balance sheet

	31 March 2021 £m	31 March 2020 £m
Goodwill	**145.5**	180.8
Intangible assets	**139.2**	138.9
Property, plant and equipment	**397.2**	375.6
Working capital	**(30.6)**	(77.5)
Retirement benefit surplus (net of tax)	**168.8**	245.9
Other assets and liabilities	**(94.5)**	(61.3)
Net cash	**164.1**	84.7
Net assets	**889.7**	887.1

Confirmed pension surplus

	31 March 2021 £m	31 March 2020 £m
Equities	**187.6**	160.8
LDI investment	**362.3**	347.5
Asset backed security investments	**455.6**	465.0
Bonds	**352.8**	255.8
Property funds	**76.6**	126.5
Cash and cash equivalents	**49.3**	15.8
Derivatives	**(0.4)**	(5.1)
Insurance buy-in	**588.0**	546.0
Market value of assets	**2,071.8**	1,912.3
Present value of scheme liabilities	**(1,857.5)**	(1,602.6)
Net pension asset before deferred tax	**214.3**	309.7
Deferred tax liability	**(45.5)**	(63.8)
Net pension asset	**168.8**	245.9

- Accounting net pension asset of £168.8m (after deferred tax)
- Scheme is hedged against ~90% of interest rate risk and 90% of the inflation rate risk, as measured on the Trustees' gilt-funded basis
- Payments are made under an asset backed funding scheme of £2.7m per annum + CPI (FY21: £2.9m) until 2032

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Defined benefit pension scheme – key assumptions

Assumptions	**31 March 2021 %**	31 March 2020 %
Discount rate	**2.10%**	2.30%
Inflation (CPI)	**2.60%**	1.90%
Future male pensioners (currently aged 60)	**87**	87
Future female pensioners (currently aged 60)	**89**	90
Future male pensioners (currently aged 40)	**88**	89
Future female pensioners (currently aged 40)	**91**	91

Sensitivity of Scheme liabilities to main assumptions:

Assumption	Change in assumption	Sensitivity*
Discount rate	Increase / decrease by 0.1%	Decrease / increase by £33m
Rate of inflation	Increase / decrease by 0.1%	Increase / decrease by £32m
Life expectancy	Increase by 1 year	Increase by £62m

* The impact of movements in Scheme liabilities will, to an extent, be offset by movements in the value of Scheme assets as the Scheme has assets invested in a Liability Driven Investment portfolio. As at 31 March 2021 this hedges against approximately 90% of the interest rate and 90% of the inflation rate risk, as measured on the Trustees' gilt-funded basis

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Credit facilities

	Maturity date	Denomination	Value in denomination	Value £m
Revolving credit facility	September 2025	GBP	275.0	275.0
Total committed facilities			**275.0**	**275.0**

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