
QinetiQ Group plc

Fourth Quarter Trading Update

17 April 2023 – QinetiQ Group plc (“QinetiQ” or “the Group”) today issues a trading update covering its fourth quarter to 31 March 2023.

Strong operational performance in fourth quarter – upgrading full year guidance

The Group has delivered strong operational performance during the fourth quarter, reflecting continued disciplined execution of our strategy. Today, we are pleased to announce that we expect our results for FY23 to be ahead of our previous guidance and the upper range of market consensus expectations.

Following an impressive fourth quarter, full year order intake is up by 40% at a record-high of more than £1.7bn, demonstrating the continued high demand for our distinctive offerings. Subject to audit, we expect to deliver high-teens percentage total revenue growth at stable margins, with underlying operating profit of at least £175m, including the benefit of the Avantus and Air Affairs acquisitions. In addition to the robust orders, revenue and profit performance, cash flow management continues to remain consistently strong and we have successfully reduced leverage to below 1x, ahead of our original guidance by 12 months.

Global Products performance has been good, in particular our US business has delivered well, with high order intake of \$280m and impressive revenue growth of 25%, prior to the benefit of Avantus. We have won a number of key contracts in the US that will support the delivery of our ambitious growth targets. These include a \$93m 4-year sole source Indefinite Delivery Indefinite Quantity (IDIQ) Digital Night Vision Technology contract and c.\$20m of orders to support the ongoing US Army Robotic Combat Vehicle Light (RCV-L) experimentation. Since completion of the acquisition of Avantus at the end of November 2022, the business has continued to perform well, including two successful re-competes and selection for a new \$80m multi-year contract with a national intelligence customer. In the first four months of our ownership, whilst new business awards were lower than assumed, we achieved good performance across our contracts delivering \$100m revenue at our expected margin of 10.8%. Integration is progressing ahead of plan and we are actively pursuing revenue synergies by leveraging and cross selling our offerings to our existing and new customer base. The combination of capabilities across QinetiQ and Avantus has created a disruptive defence and intelligence business in the US and we remain on-track to deliver on the strategic and financial returns outlined previously.

In EMEA Services, we have achieved a number of strategic wins with continued good growth in the UK and Australia. In the UK we have won a £259m 10-year renewal of the Maritime Strategic Capability Agreement (MSCA) with the Submarine Delivery Agency to deliver critical sovereign capabilities in the assurance of the Royal Navy’s surface and subsurface fleet, including the UK’s continuous at sea deterrent. In addition, we won an £80m 10-year mission data contract, known as SOCIETAS, with the UK MOD to provide expertise, training and support to accelerate and transform mission data production enabling the military to be better protected in a rapidly changing threat landscape and enhance the performance of advanced military systems. In Australia we have won a A\$13m 3-year contract to develop and manufacture a high energy defensive laser weapon system prototype, to establish a sovereign in-country High Energy Laser manufacturing capability for Australia, demonstrating our global leverage of advanced technology from the UK into Australia. Integration of Air Affairs is progressing to plan and performance remains in-line with expectations.

Steve Wadey, Group Chief Executive Officer said:

“Our better than expected Group performance and strong order book is testament to our employees and their clear focus on the disciplined execution of our strategy. The integrations of Avantus and Air Affairs, two strategically significant acquisitions in the US and Australia, are progressing well and create a strong global platform. These achievements, coupled with effective use of our balance sheet, provide positive momentum for us to deliver sustainable performance in the years ahead and we remain on-track to reach our strategic growth ambition.

“Our distinctive offerings remain in high demand, demonstrating we are well placed to respond to our customers’ long-term needs driven by world events and the importance of a technologically advanced defence industry to the national security interests of our 3 home countries.”

Inside information

This announcement contains inside information and the person responsible for making this announcement is James Field, Company Secretary and Group General Counsel.

Preliminary results

We will announce our full year preliminary results on 25 May 2023. We will be hosting an in-person results presentation with live webcast, at 09:30 hours BST on 25 May 2023 at Numis’ auditorium, 45 Gresham Street, London EC2V 7BF. To register to join this event, please see details on our website here:

<https://www.qinetiq.com/en/investors/results-reports-and-presentations/full-year-results-webcast-2023>

About QinetiQ

QinetiQ (QQ.L) is a leading science and engineering company operating primarily in the defence and security markets. We work in partnership with our customers to solve real world problems through innovative solutions delivering operational and competitive advantage. Visit our website www.QinetiQ.com. Follow us on LinkedIn and Twitter @QinetiQ. Visit our blog www.QinetiQ-blogs.com.

For further information please contact:

John Haworth, Group Director Investor Relations:	+44 (0) 7920 545841
Lindsay Walls, Group Director Communications (Media enquiries)	+44 (0) 7793 427582