News release

QINETIQ

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QinetiQ Group plc

Trading Update

17 March 2025 – QinetiQ Group plc ("QinetiQ" or the "Group") today issues a trading update covering the fourth quarter, updated year end expectations and an extension to our share buyback programme of up to £200m over the next two years.

The underlying strength of the Group and relevance of our mission critical capabilities positions us well for long-term growth. However, tough near-term trading conditions that we referred to in our third quarter trading update have persisted. This has affected short cycle work in our UK Intelligence and US Sectors resulting in further delays to a number of contract awards. In addition, recent geopolitical uncertainty has impacted our usual fourth quarter weighting to higher margin product sales from the US.

As a result, today we are announcing that we expect:

- Organic revenue growth for FY25 to be c.2% at an underlying margin of c.10%, including c.£25-30m of one-off in year charges;
- Cash conversion to be good and net debt to be in line with last year;
- Order intake for the year to be a book-to-bill ratio of more than 1;
- FY26 revenue growth to be c.3-5% at margins of 11-12%;
- A goodwill impairment charge of c.£140m at year end due to the market backdrop and operational performance in the US; and
- A number of one-off exceptional, largely non-cash charges of c.£35-40m predominantly in our legacy US operations, identified in our year-end balance sheet review process.

We are also announcing an extension to our share buyback programme of up to £200m over the next two years, consistent with our strong cash generation and capital allocation policy.

Segmental trading

Within EMEA Services our UK Defence Sector, which represents c.50% of Group revenue and has greater exposure to longer duration contracts, has continued to deliver strong performance. However, since the third quarter trading update in January our UK Intelligence Sector, which represents c.25% of Group revenue, has experienced further delays to short cycle contract awards. As a result, we have resized some of our capabilities in this Sector whilst maintaining market share.

Within Global Solutions, which represents c.25% of Group revenue and is predominantly our US Sector, established positions on US mission essential long-term programmes have delivered good on-contract growth. However, we have continued to experience further delays to short cycle contract awards, particularly in higher margin product sales.

US business review and non-cash impairment charge

Within the context of the market environment and following the appointment of Tom Vecchiolla in January to lead our US Sector, we reviewed our US operations and are embarking on a restructuring to support future growth, building on our core capabilities in the US and leveraging incumbent positions across the Group. As a result of these actions and the assumption of a higher discount rate we expect to take a goodwill impairment charge on the US business of c.£140m at year end.

In addition, against the backdrop of challenging US market conditions and as part of our year-end balance sheet review process, we have identified a number of one-off, largely non-cash charges and provisions primarily relating to inventory and cost recovery in our legacy US operations. Around £25-30m is included in the updated underlying profit guidance for the year end and c.£35-40m we expect to be reported through exceptional items. The finalisation of all charges will be completed during the year-end audit and accounts process.

Alignment to market backdrop for long term growth

Longer term, the underlying strength of the Group coupled with the relevance of our mission critical capabilities to the national security needs of our customers in the UK, US and Australia as well as NATO allies, positions us well for long term future growth. Within the evolving threat environment our customers' spending priorities, which are well matched to our capabilities, have been boosted by commitments to increased spending in the UK and Europe.

Aligned to these customers' priorities we will continue to be increasingly relevant and well matched by driving greater agility, pace and cost efficiencies across the Group.

Balance sheet and capital allocation

We are a highly cash generative business and both short and medium-term cash conversion remains strong. In the near-term, we expect net debt to EBITDA to be c.0.5x at the end of FY25. Within our capital allocation policy, we are focused on driving consistent organic profitable growth, good cashflow generation, investment in the business and value accretive shareholder returns.

Consistent with this policy we are today announcing an extension to our current share buyback programme of up to £200m, which we expect to be executed over the following two years once the current £50m tranche of our on-going programme has been completed at the end of May. This will maintain leverage at around the current level over the next two years.

There will be an analyst and investor call at 7:45am today hosted by Steve Wadey (Group CEO) and Martin Cooper (Group CFO).

To join the call please dial +44 (0) 33 0551 0200 and quote `QinetiQ call" if prompted.

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The information contained within this announcement is deemed by QinetiQ to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 (as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018) ("MAR"). On the publication of this announcement via a Regulatory Information Service, such information is now considered to be in the public domain.

For the purposes of MAR, the person responsible for arranging for the release of this announcement on behalf of QinetiQ is James Field, Group Director Legal & Company Secretary.

About QinetiQ

QinetiQ is an integrated global defence and security company focused on mission-led innovation. QinetiQ employs circa 8,500 highly-skilled people, committed to creating new ways of protecting what matters most; testing technologies, systems, and processes to make sure they meet operational needs; and enabling customers to deploy new and enhanced capabilities with the assurance they will deliver the performance required.