

Delivering value for our customers' mission and shareholders

QinetiQ Group plc
Interim results for half year ended
30 September 2024

14 November 2024

QINETIQ

Agenda

1	Half year in review	Steve Wadey – Group CEO
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2	Financial results	Martin Cooper – Group CFO
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Half year in review

Steve Wadey

Group Chief Executive Officer

QINETIQ

Headlines

- 1 Delivered good consistent operational and financial performance across the Group
- 2 On-track to deliver c.£2.4bn organic revenue at c.12% margin by FY27 with visibility increasing
- 3 Continued discipline on capital allocation with £100m share buyback programme extended by £50m



Well positioned for long-term sustainable growth with compelling value creation for shareholders

Financial performance

- Continued strong order intake with a book-to-bill¹ of 1.3x
- Organic² revenue growth up 8% with stable margin at 11.3%
- Strong programme execution across EMEA Services
- Global Solutions, including Avantus, performing as expected
- Good cash conversion at 84% with leverage³ at 0.6x
- £112m sale and leaseback of Cody Technology Park
- Increased returns; dividend growth 7% and buy-back +£50m

H1 FY25

Orders

£1,034.8m +9%

H1 FY24: £952.7m

Revenue

£946.8m +7%

H1 FY24: £883.1m

Profit⁴

£106.6m +7%
11.3% margin

H1 FY24: £100.1m 11.3%

Cash

84% conversion
0.6x leverage

H1 FY24: 50% 0.9x

On-track to deliver full year guidance

¹ B2B ratio is orders won divided by revenue recognised, excluding LTPA revenue of £131m (H1 FY24: £129m) ² Organic revenue on a constant currency basis ³ Excluding benefit of sale and leaseback ⁴ Operating profit from segments

Operational highlights



Laser weapon for Royal Navy in 2027



Experimentation, test and training for NATO



\$148m new orders for engineering services



Army comms 3-year contract up to £150m



Significant US on-contract¹ growth



Aerial target systems contract in US

Delivering critical capabilities for national defence and security priorities

¹ Long-term 5 year programmes for Space Development Agency, Strategic Capabilities Office and Tethered Aerostat Radar System for Homeland Security



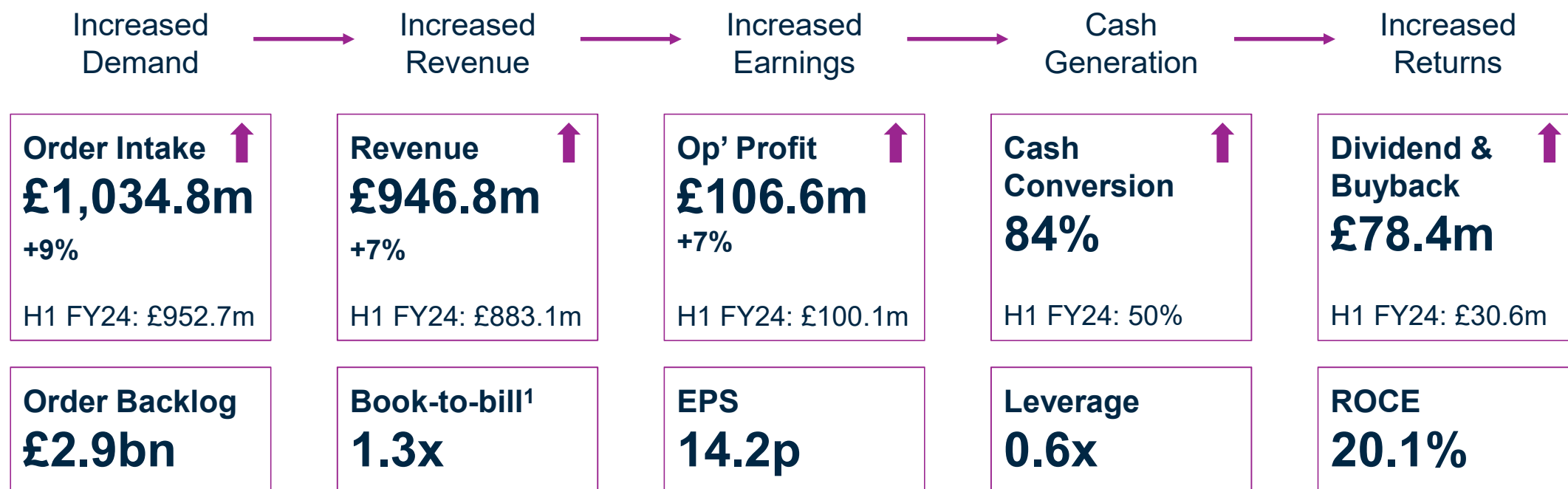
Financial results

Martin Cooper

Group Chief Financial Officer

QINETIQ

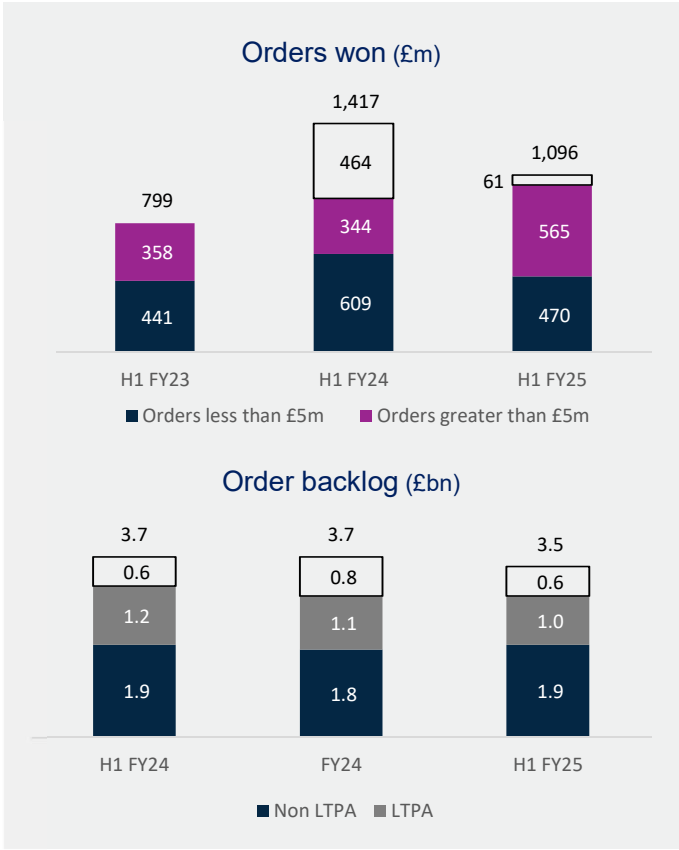
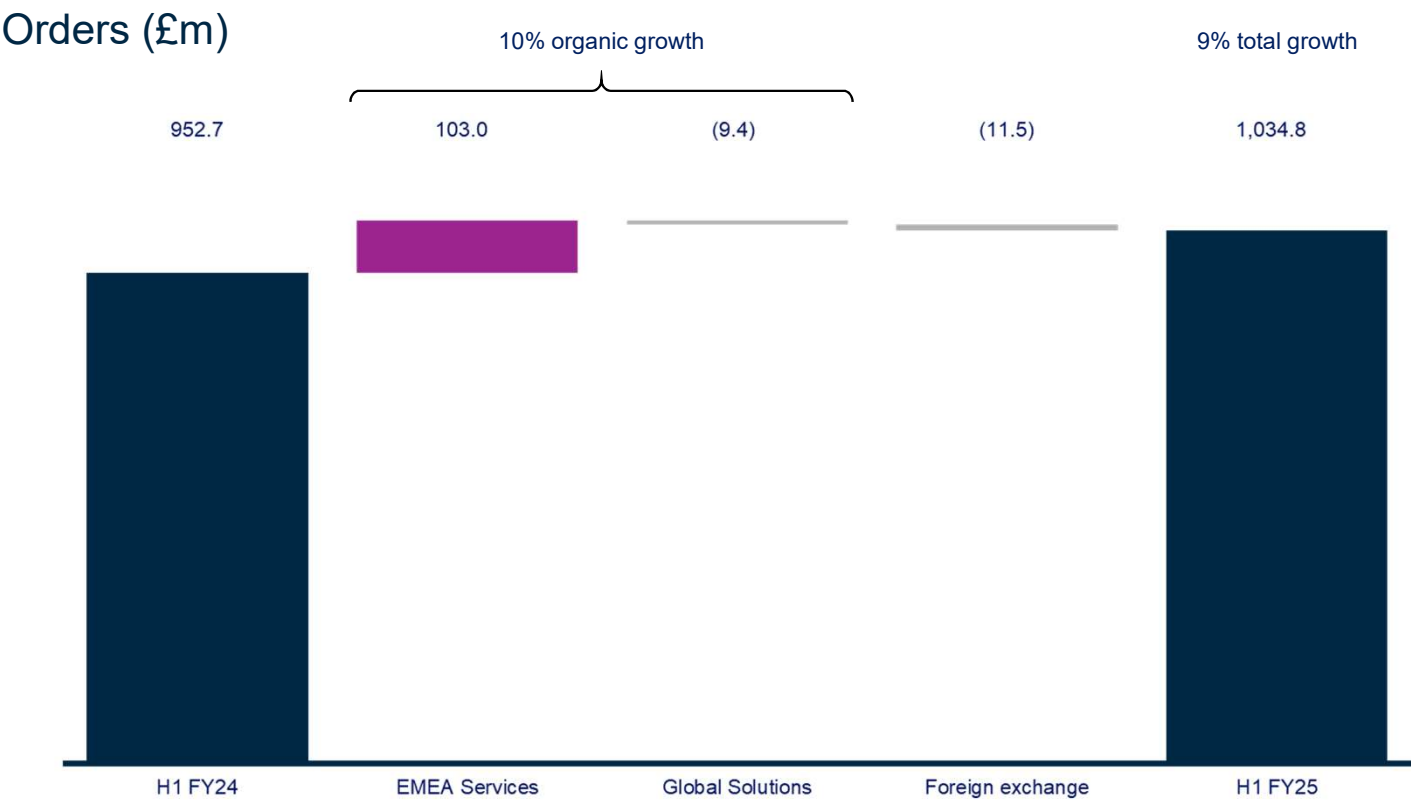
Half Year Summary Financials – delivering sustainable growth



Cash generation driving increased shareholder returns; 7% dividend growth; £50m buyback extension

¹ Book-to-bill ratio is orders won divided by revenue recognised, excluding LTPA revenue of £131m (H1 FY24 £129m)
All measures on this page are underlying. Operating profit is the total from the operating segments. Definitions of APMs can be found in the Appendix

Record order intake with book-to-bill 1.3x¹ supporting organic sustainable growth

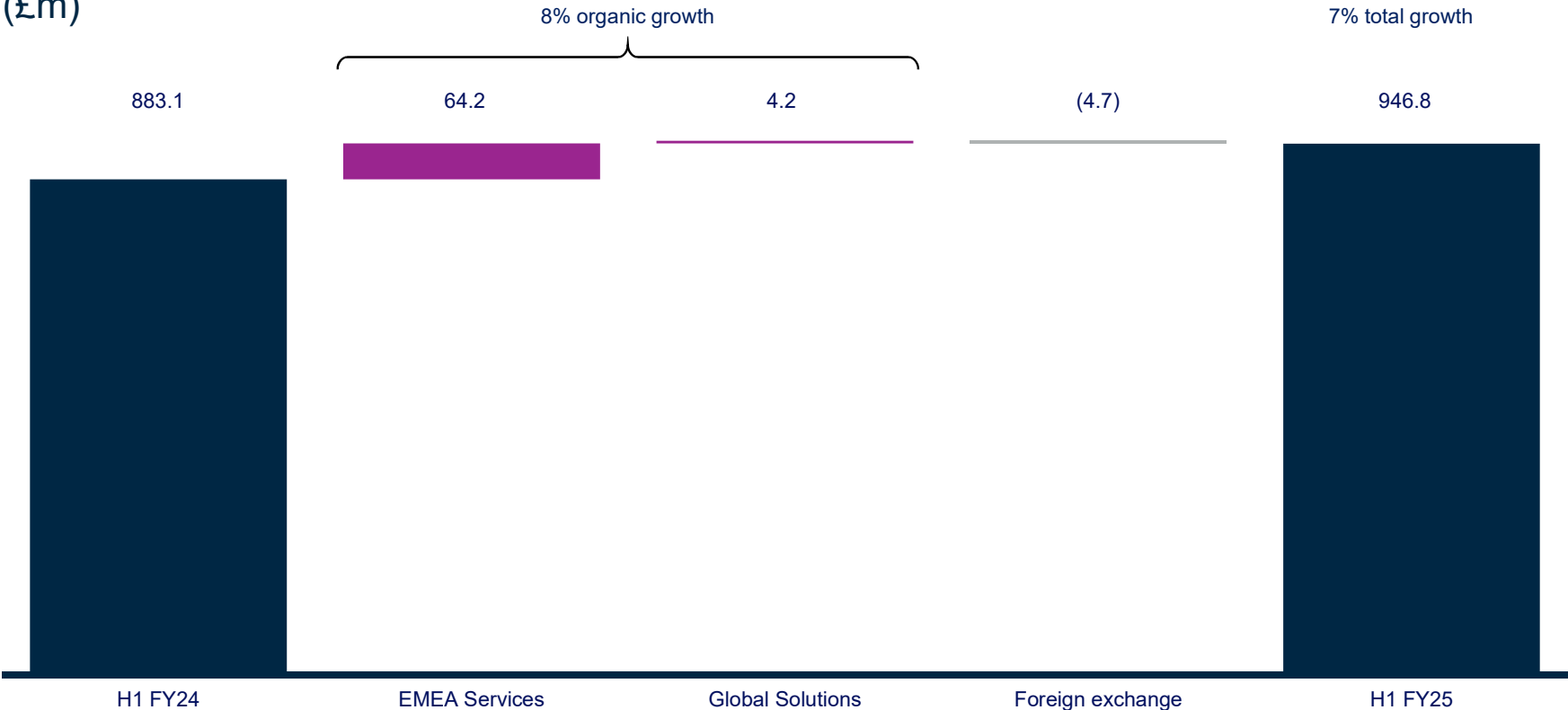


¹ Book-to-bill ratio is orders won divided by revenue recognised, excluding LTPA revenue of £131m (H1 FY24 £129m)
US unfunded orders represents the value of contract awards for which funding has not yet been appropriated or authorised



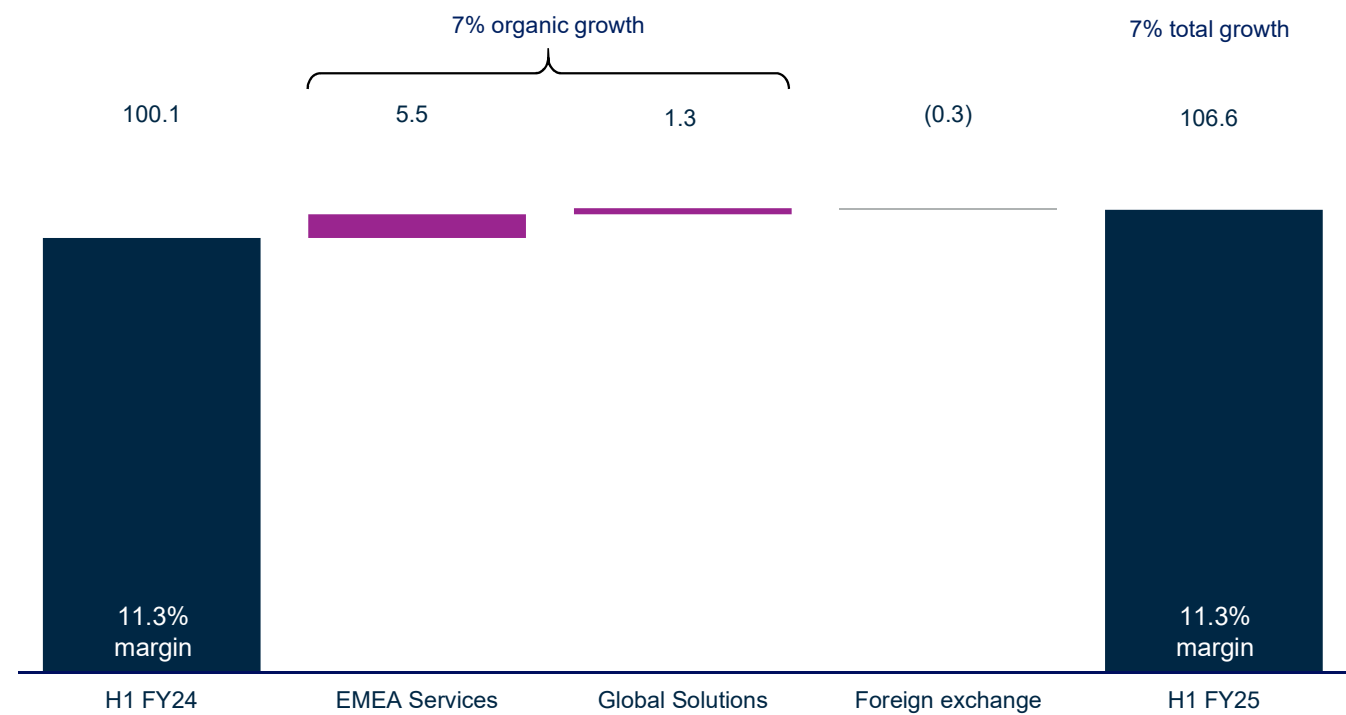
Good first half revenue growth, underpinning full year expectations

Revenue (£m)



Good profit growth, margin in line with expectations

Underlying operating profit from segments (£m)

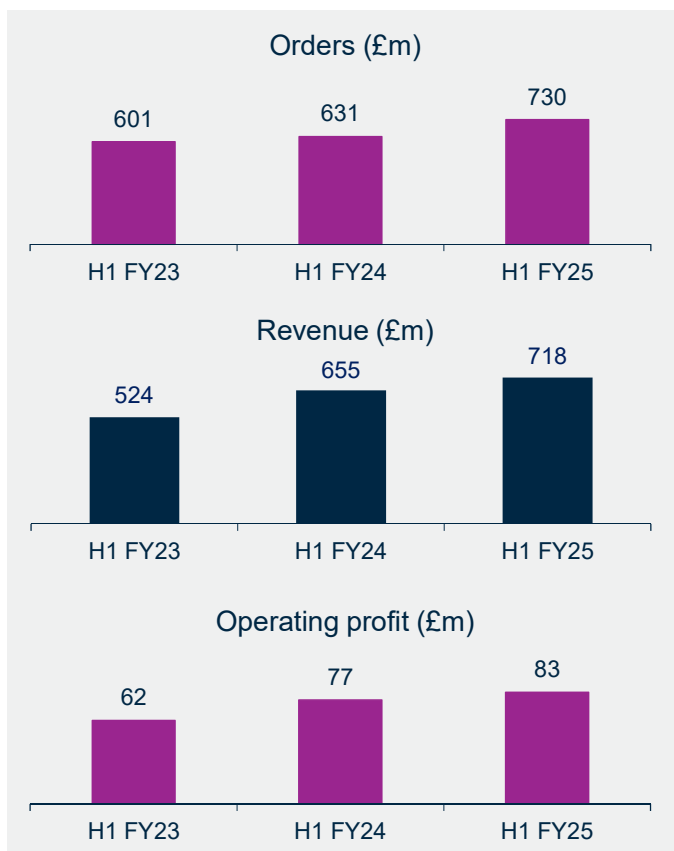


	H1 FY25	H1 FY24
	£m	£m
Operating profit from segments	106.6	100.1
RDEC Income	12.6	11.9
Amortisation of intangibles	(12.1)	(12.7)
Digital Platform*	(9.9)	(5.1)
Other ¹	(2.9)	(2.9)
Statutory operating profit	94.3	91.3

* Digital Platform represents a discrete investment project to enable our global growth strategy and our AUKUS customers' needs

¹ Other for H1 FY25 comprises acquisition related costs. H1 FY24 also included a gain on sale of property and impairment of PPE Note: glossary for acronyms can be found in the Appendix

EMEA Services – strong order and revenue momentum

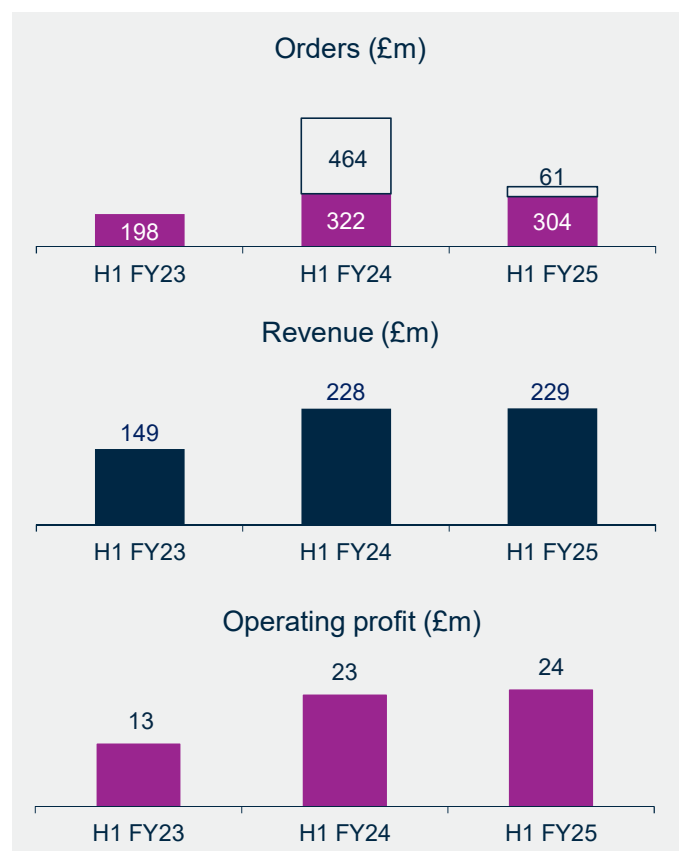


	H1 FY25 £m	H1 FY24 £m
Orders	730.4	631.1
Revenue	717.8	654.8
Underlying operating profit	82.9	77.4
Underlying operating profit margin	11.5%	11.8%
Book-to-bill ratio ¹	1.2x	1.2x
Total funded order backlog	2,559.8	2,732.8
Funded order backlog excl. LTPA	1,570.9	1,496.4

- Orders increased by 16%, delivering a strong book to bill ratio of 1.2x.
- Funded order backlog of £2.6bn, in line with year-end, increased by 5% excl. LTPA
- Revenue increased by 10% on the back of strong orders won last year and strong programme execution on that backlog
- Operating profit margin at 11.5% in line with expectations

¹ Book-to-bill ratio is orders won divided by revenue recognised, excluding the LTPA contract revenue of £131m (H1 FY24: £129m)

Global Solutions – revenue in line with expectations, supported by a strong 1.3x book-to-bill



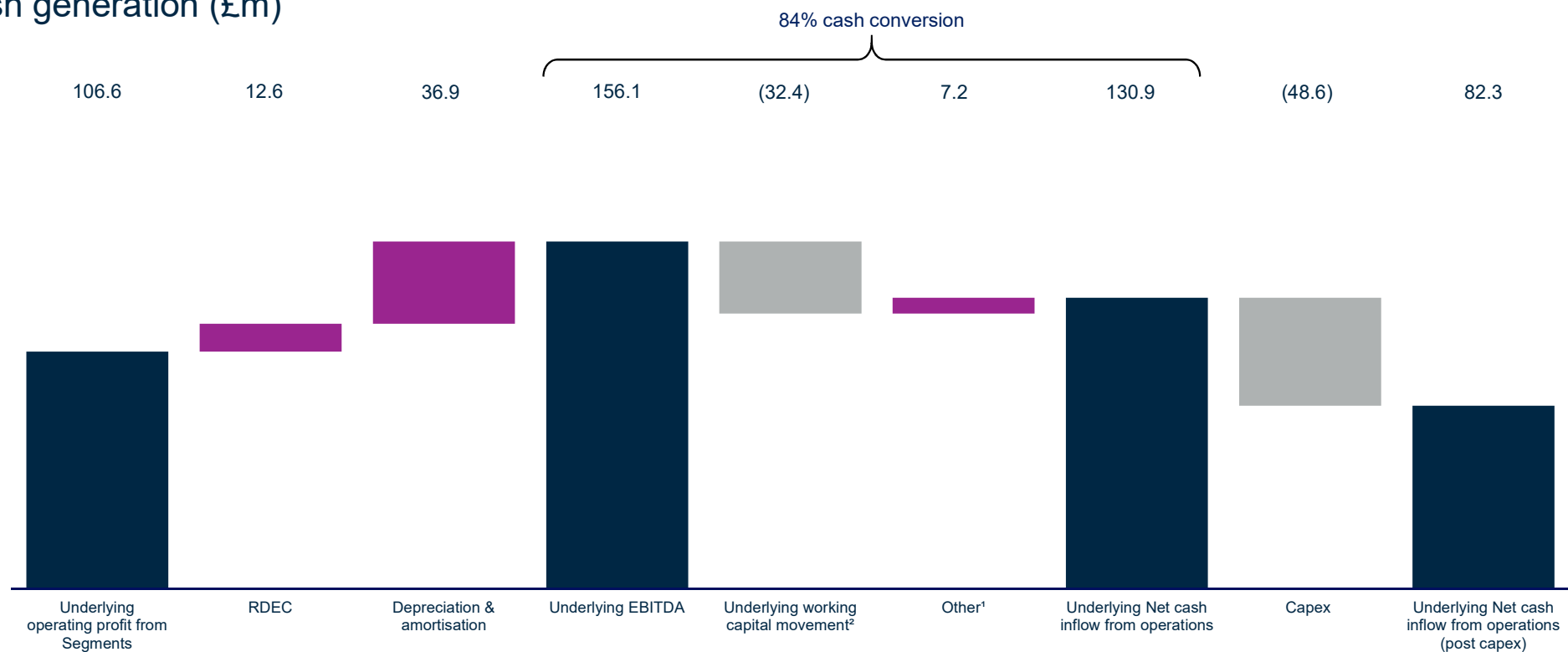
US unfunded orders represents the value of contract awards for which funding has not yet been appropriated or authorised

	H1 FY25 £m	H1 FY24 £m
Orders	304.4	321.6
Revenue	229.0	228.3
Underlying operating profit	23.7	22.7
Underlying operating profit margin	10.3%	9.9%
Book-to-bill ratio	1.3x	1.4x
Funded order backlog	376.3	399.2

- Strong book to bill ratio of 1.3x supporting future revenue growth.
- Backlog increased by 17% from year-end; FY24 funded order backlog £321.3m
- Revenue flat in line with expectations with a mix shift between legacy US products and aerial targets
- Operating profit margin slightly increased due to mix

Strong cash generation, on track for 90%+ conversion at full year

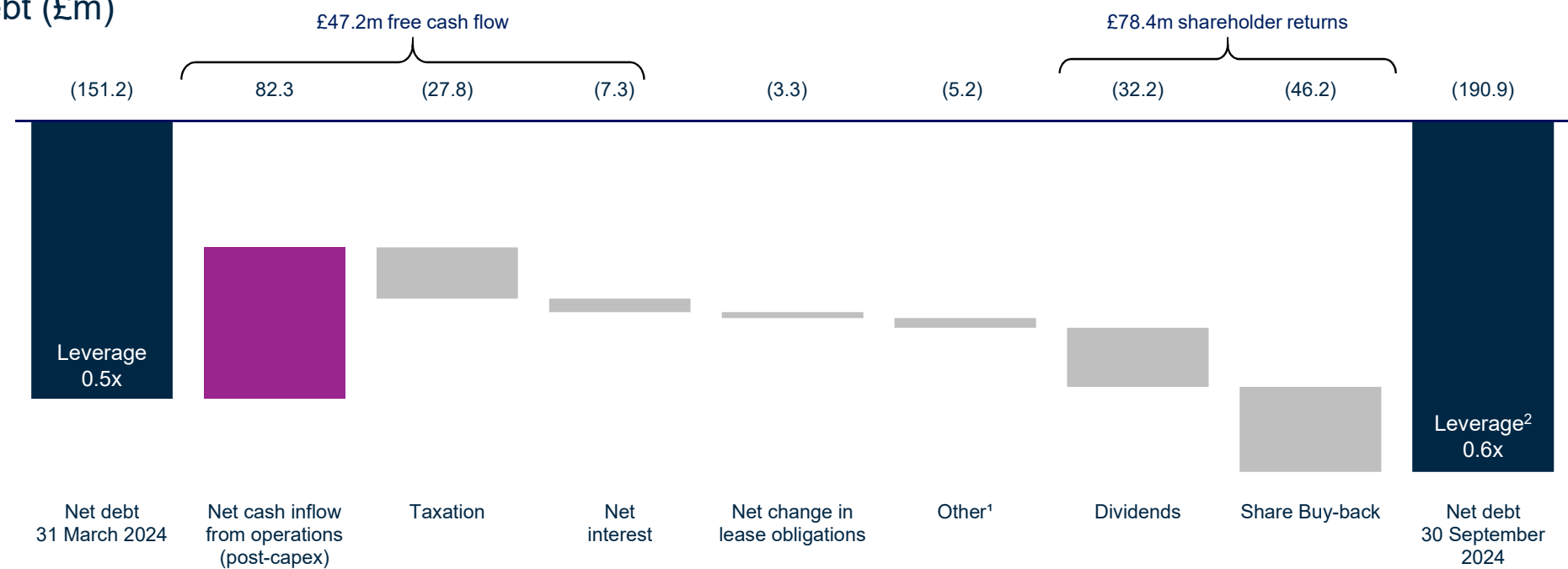
Cash generation (£m)



¹ Other movements driven by share based payments, pensions impacts and provision movements

Strong balance sheet supporting shareholder returns

Net debt (£m)



¹ Other includes the cash flow relating to specific adjusting items and foreign exchange movements 2025 following increased buy-back and sale and lease back of Cody Technology Park ² Excludes the proceeds from the sale and leaseback of the Cody Technology Park in Farnborough, leverage expected to reduce to 0.4x by 31 March

Outlook Statement

FY25

- High single-digit organic revenue growth with stable operating profit margin
- High cash conversion 90%+

FY27

- Organic revenue of c.£2.4bn at c.12% margin
- High cash conversion 90%+

FY25 guidance unchanged and on-track to deliver FY27 outlook

Focus on operational performance and disciplined capital allocation

Capital allocation policy

Invest in our organic growth

Complement with value accretive acquisitions

Provide a progressive dividend to shareholders

Return excess cash to shareholders

Near term focus

- Focusing on programme performance and execution of our organic growth plan
 - Investing in our people, technology and capabilities
 - Digital platform investment to drive enhanced business performance and enable AUKUS strategy
 - Securing major contract positions and new growth opportunities
- Completing the now extended share buyback programme and delivering sustainable shareholder returns

Strong balance sheet with optionality for investment in growth and further shareholder returns



QINETIQ IN CONFIDENCE

Strategic outlook

Steve Wadey

Group Chief Executive Officer

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Evolving threat environment and national security

Rising global instability

- Increasing and rapidly changing geopolitical tensions
- Accelerating pace and expanding breadth of threat
- Stretching allied capability across the globe



Changing political context

- Change of UK and US Governments, election in Australia
- Increasing importance of NATO and AUKUS alliances
- Balancing fiscal pressures with budget prioritisation



Our strategy is well matched to market dynamics

Rapidly changing character of warfare increasing demand for our capabilities

Our customers' priorities

- National security and deterrence
- Replenishing and upgrading weapon stockpiles at pace
- Rapid operational advantage from disruptive technologies
- Increasing military effect through drones & human machine teaming
- Enhancing operational readiness
- Agile and resilient industrial base

R&D for technological superiority



Engineering services accelerating capability



Test & Training for operational readiness

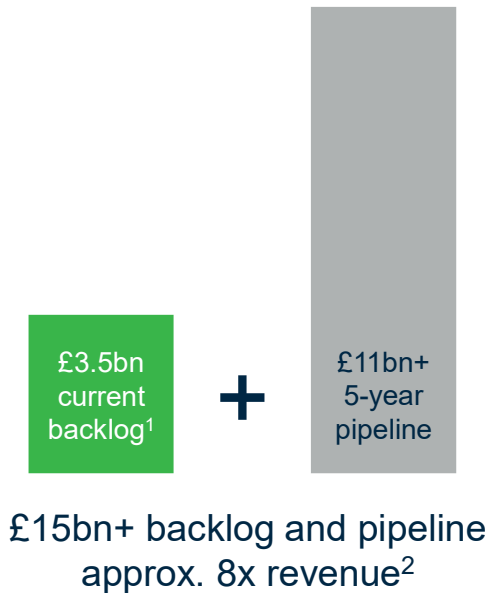


Cyber & Intelligence for national security

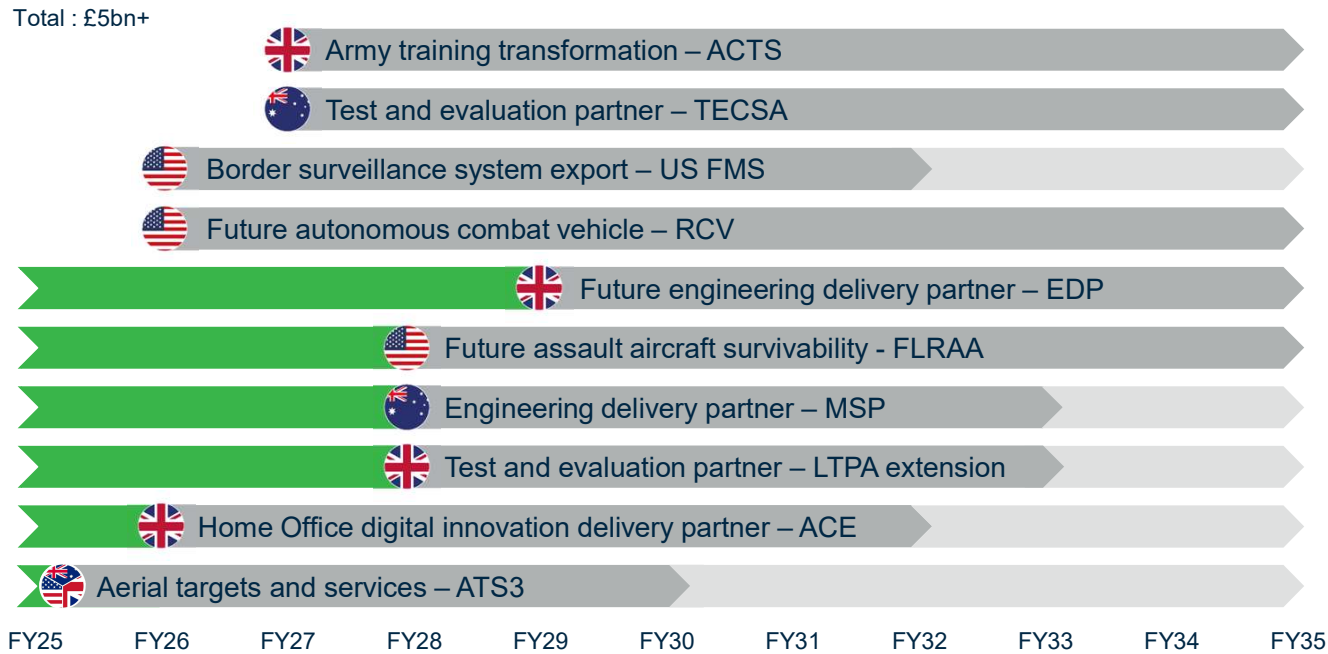
Our differentiated capabilities are highly relevant to national defence and security priorities

Driving consistent performance through a healthy backlog and pipeline

Revenue visibility



Examples of major programme opportunities



Significant visibility delivering long-term sustainable growth

¹ Funded and unfunded backlog ² FY24 revenue Note: glossary for acronyms can be found in the Appendix

Investing in long-term sustainable organic growth

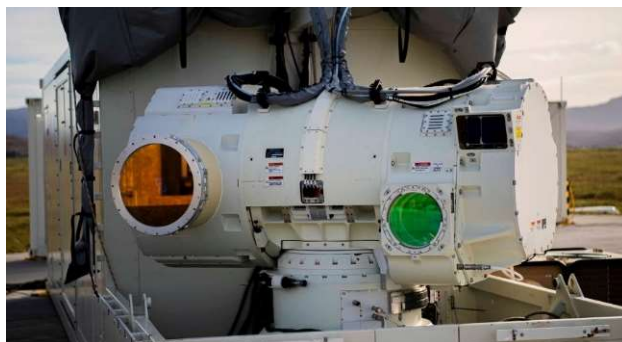
Thriving people

- Strengthened leadership team in place and adding value
- Continued focus on improving our employee engagement



Cutting-edge technology

- R&D investment aligned to new customers needs e.g. digital T&E
- Industrial partnerships creating value e.g. LDEW with UK DragonFire team



Leveraging capability

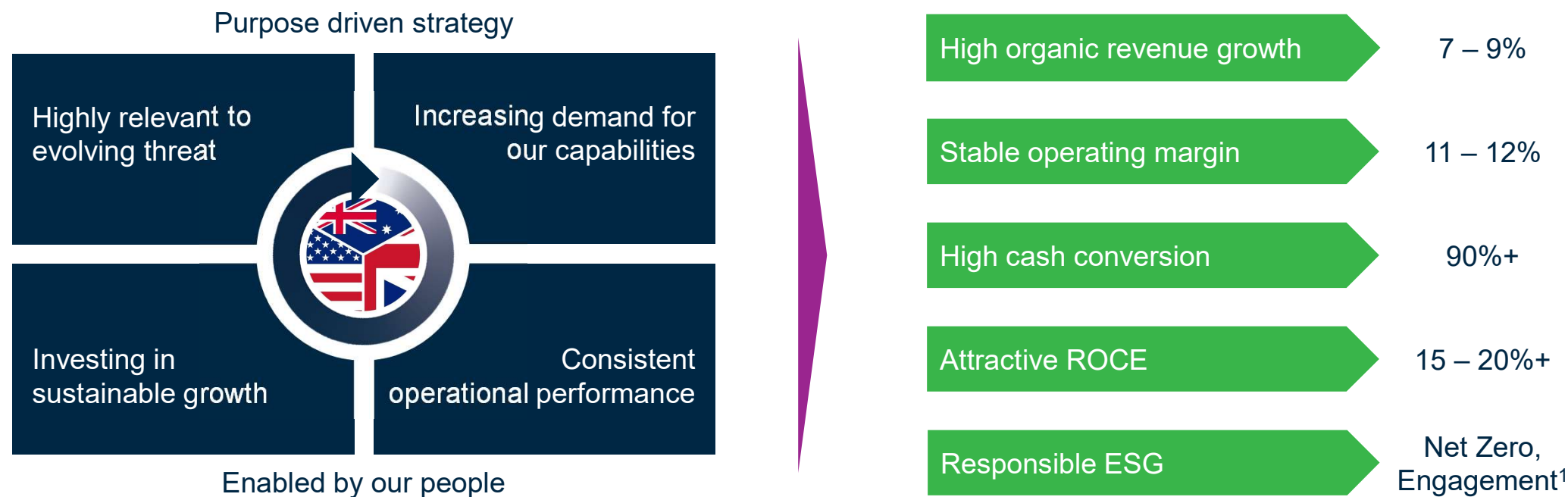
- On-track to build digital platform supporting our growth strategy
- Driving value creation through collaboration e.g. Team TECSA



An integrated global company delivering value for our customers and shareholders

Note: glossary for acronyms can be found in the Appendix

A differentiated defence and security company with clear investment case



Delivering sustainable growth and attractive returns for shareholders

¹ Stakeholder engagement including employees and community Note: glossary for acronyms can be found in the Appendix



QINETIQ IN CONFIDENCE

Summary

Steve Wadey

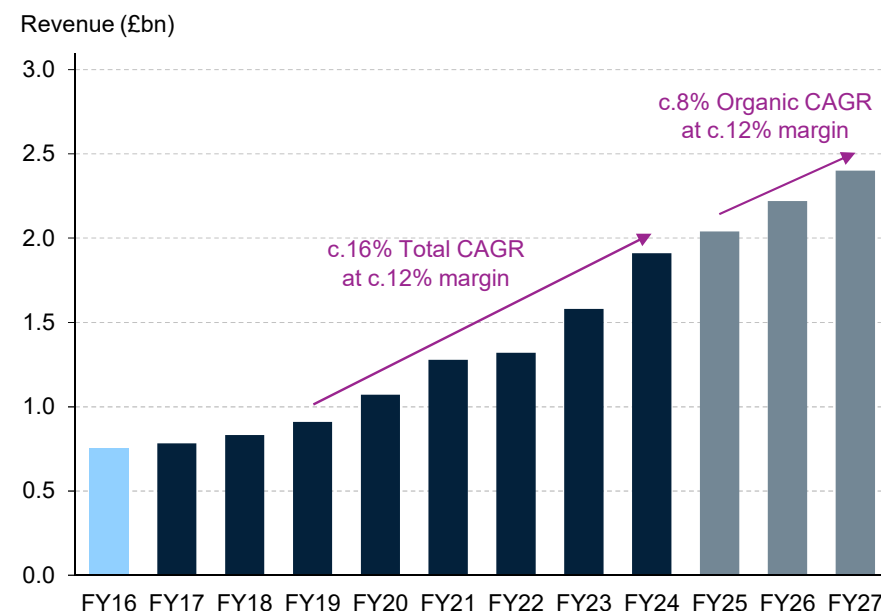
Group Chief Executive Officer

QINETIQ

Summary

- 1 Delivered good consistent operational and financial performance across the Group
- 2 On-track to deliver c.£2.4bn organic revenue at c.12% margin by FY27 with visibility increasing
- 3 Continued discipline on capital allocation with £100m share buyback programme extended by £50m

Financial performance



Well positioned for long-term sustainable growth with compelling value creation for shareholders

Note: glossary for acronyms can be found in the Appendix

COMMERCIAL IN CONFIDENCE

Q&A

Appendix



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Glossary









Term	Definition
ACE	Accelerated Capability Environment
ACTS	Army Collective Training Service
ATS	Aerial Target Systems
AUKUS	Australia, United Kingdom, United States
B2B	Book-to-bill
CAGR	Compound Annual Growth Rate
CRS-I	Common Robotic System-Individual
EDP	Engineering Delivery Partner
ESG	Environmental Social Governance
FLRAA	Future Long Range Assault Aircraft
FMS	Foreign Military Sales
LDEW	Laser Directed Energy Weapon

Term	Definition
LTPA	Long Term Partnering Agreement
MSP	Major Service Provider
NGGATS	Next Generation German Aerial Training Services
PPE	Personal Protective Equipment
RCV	Robotic Combat Vehicle
R&D	Research and Development
RDEC	Research and Development Expenditure Credits
ROCE	Return on Capital Employed
TARS	Tethered Aerostat Radar System
T&E	Test & Evaluation
TECSA	Test, Evaluation, Certification and System Assurance

Definitions

- Underlying performance is stated before:
 - Amortisation of intangibles arising from acquisitions
 - Pension net finance income
 - Gains/(losses) on disposal of businesses, investments and property
 - Transaction, integration and one-off remuneration costs in respect of business acquisitions and disposals
 - Impairment of property and goodwill
 - One-off period of digital investment
 - Costs of group-wide restructuring programmes
 - Tax impacts of the above items
 - Other significant non-recurring tax and RDEC 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

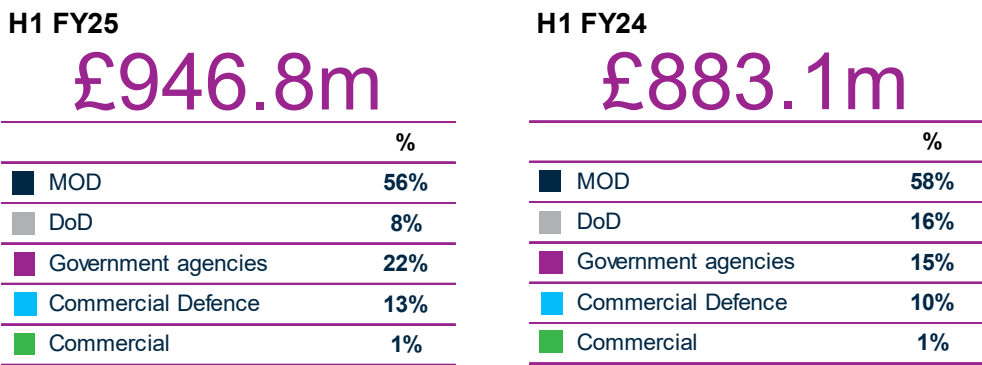
Technical guidance

	H1 FY25	FY25	
Revenue	£0.9bn		We expect FY25 to deliver high single-digit organic revenue growth, compared to FY24, at a stable operating profit margin.
Profit margin	11.3%		
Underlying net finance expense	£(8.2)m		£340m debt financing taken out with Avantus acquisition (5.2% weighted average cost of debt, including all fees)
Effective tax rate ¹	17.8%		This tax rate is illustrative for comparison against Profit from segments – the headline ETR (excluding RDEC credit) will be c.27%
Tax cash outflow	£27.8m		Expect to increase slightly inline with profit
Cash conversion	84%		Expect a modest working capital outflow to support our growth, guidance for FY 90%+
Capital expenditure	£48.6m		Capex expected to remain within the £90-120m range
Leverage	0.6x		Inclusive of the sale and leaseback of Cody Technology Park and the share buy back extension, we expect leverage to reduce to 0.4x by 31 March 2025

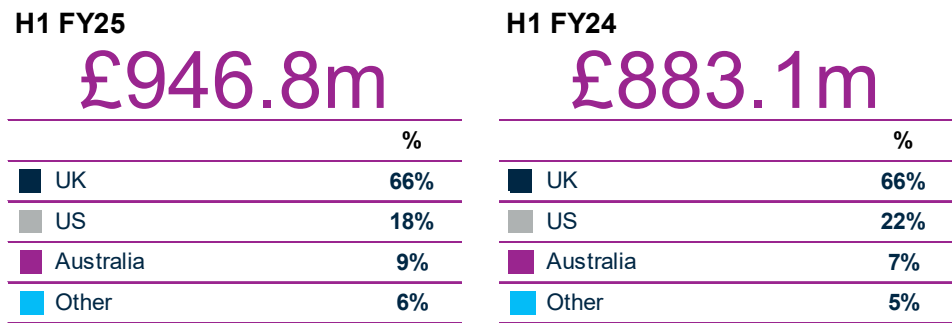
¹ Illustrative tax rate to reflect RDEC credit included in the tax line (to be used on Underlying Operating Profit from Segments). Equivalent published tax rate of 27.1% excluding the benefit of RDEC in the tax rate

Revenue by customer and country

Revenue by customer (%)



Revenue by destination country (%)



Income statement including specific adjusting items*

	H1 FY25 £m	H1 FY24 £m
Operating profit from segments	106.6	100.1
RDEC Income	12.6	11.9
Underlying operating profit before tax	119.2	112.0
Amortisation of intangibles assets arising from acquisitions	(12.1)	(12.7)
Digital investment	(9.9)	(5.1)
Acquisition, integration and disposal costs	(2.9)	(4.3)
Gain on sale of property	-	2.1
Impairment of property	-	(0.7)
Statutory operating profit	94.3	91.3
Pension net finance income	0.4	2.2
Underlying net Finance Expense	(8.2)	(7.7)
Profit before tax	86.5	85.8
Taxation	(23.5)	(22.1)
Profit after tax	63.0	63.7

* Definitions of APMS can be found in the Appendix

Impact of foreign exchange translation

	H1 FY25	H1 FY24	H1 FY25 Restated at FY24 Rates	H1 FY25 FX headwind	H1 FY25 FX headwind
	£m	£m	£m	£m	%
Orders	1,034.8	952.7	1,046.3	(11.5)	(1.2%)
Revenue	946.8	883.1	951.5	(4.7)	(0.5%)
Underlying* operating profit	106.6	100.1	106.9	(0.3)	(0.3%)
Total funded order backlog	2,935.4	3,132.0	2,957.8	(22.4)	(0.7%)

- Key driver of FX change in the year was the translation of US dollars. The average USD rate for H1 FY25 was 1.29, compared to 1.25 in H1 FY24
- US revenue was 18% of the H1 FY25 total
- A 5% movement in the USD rate would impact Group revenue by c.£15m

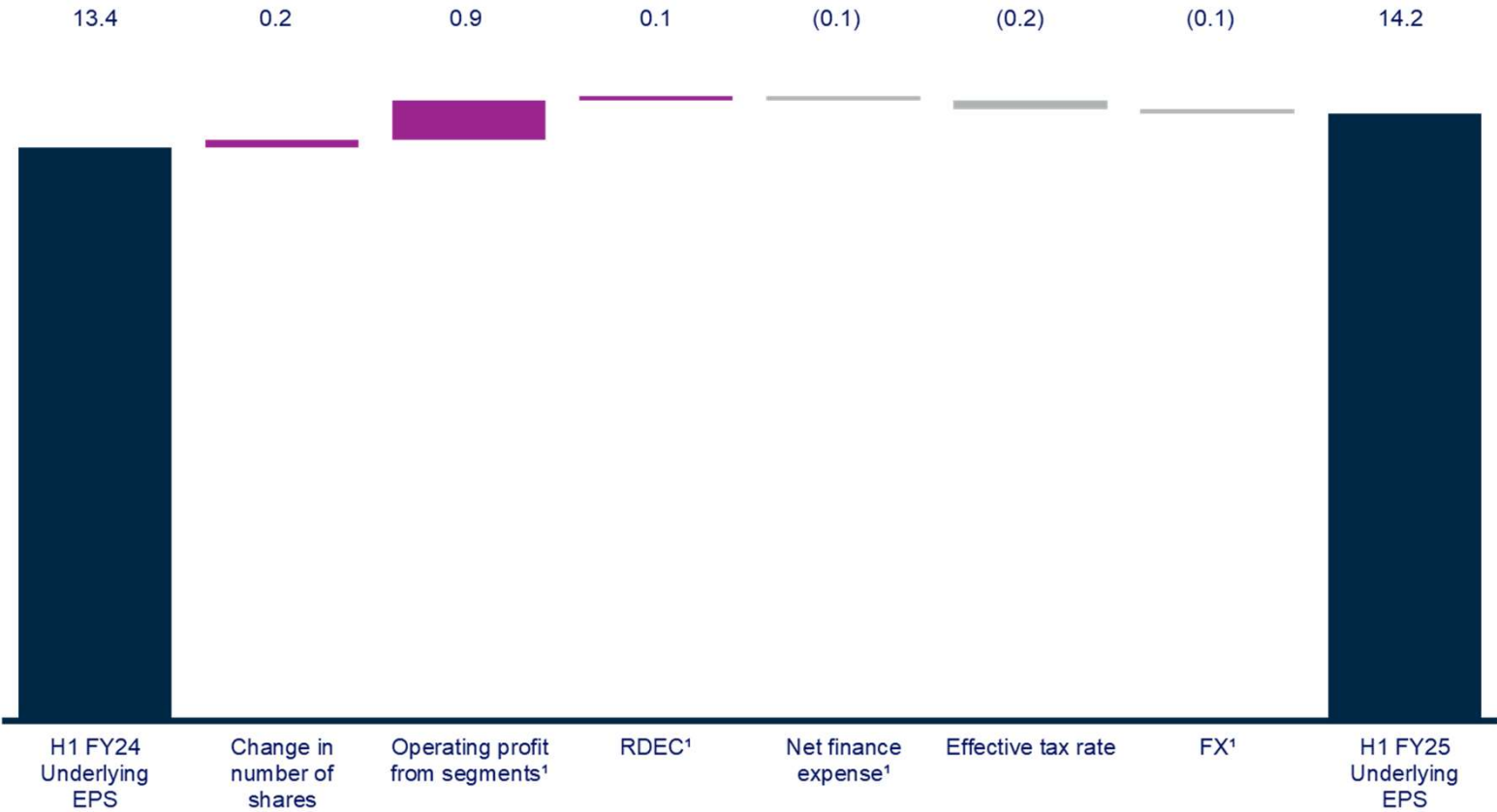
* Definitions of APMs can be found in the Appendix

Understanding our different underlying profit and tax rates

	H1 FY25 £m	H1 FY24 £m
Operating profit from segments	106.6	100.1
RDEC income	12.6	11.9
Underlying operating profit*	119.2	112.0
Underlying tax charge*	30.1	27.0
Tax income on specific adjusting items	(6.6)	(4.9)
Headline tax charge	23.5	22.1
<i>Underlying tax rate*</i>	<i>27.1%</i>	<i>25.9%</i>
Illustrative effective tax rate, with impact of RDEC income included in the tax charge		
Operating profit from segments*	106.6	100.1
Underlying tax charge including RDEC income	17.5	15.1
<i>Effective tax rate including RDEC income</i>	<i>17.8%</i>	<i>16.3%</i>

* Definitions of APMs can be found in the Appendix

Underlying earnings per share (pence)



¹ Post-tax

Cash conversion

	H1 FY25 £m	H1 FY24 £m
Operating profit from segments*	106.6	100.1
Underlying RDEC income	12.6	11.9
Underlying operating profit*	119.2	112.0
Depreciation and amortisation	36.9	31.5
EBITDA*	156.1	143.5
Underlying changes in working capital	(32.4)	(74.1)
Gain on disposal of PPE	(0.3)	-
Share-based payments charge	6.8	4.6
Share of post-tax profit of equity accounted entities	(0.3)	(0.2)
Net movement in provisions	0.3	(2.6)
Retirement benefit contributions in excess of income statement expense	0.7	0.5
Net cash inflow from operations	130.9	71.7
Cash conversion %	84%	50%
Capex	(48.6)	(46.9)
Underlying net cash inflow from operations (post-capex)	82.3	24.8
Net interest	(7.3)	(6.8)
Taxation	(27.8)	(18.9)
Free cash flow	47.2	(0.9)

* Definitions of APMs can be found in the Appendix

Movements in net debt

	H1 FY25 £m	H1 FY24 £m
Free cash flow	47.2	(0.9)
Dividends	(32.2)	(30.6)
Acquisition of business	(0.2)	(4.9)
Disposal of property	-	2.1
Change in lease obligations	(3.3)	(26.4)
Acquisition transaction, integration and remuneration costs	(2.9)	(4.4)
Digital investment	(9.9)	(5.1)
Purchase of own shares	(46.2)	(0.4)
Other (including FX)	7.8	3.7
Change in net debt	(39.7)	(66.9)
Opening net debt - 1 April	(151.2)	(206.9)
Closing net debt - 30 September	(190.9)	(273.8)

Balance sheet

	H1 FY25 £m	FY24 £m
Goodwill	382.2	401.4
Intangible assets	301.2	321.8
Property, plant and equipment	454.2	531.8
Working capital	(74.2)	(120.3)
Net pension asset (net of deferred tax)	18.3	8.8
Asset held for sale	98.4	-
Other assets and liabilities	(61.2)	(66.2)
Net debt	(190.9)	(151.2)
Net assets	928.0	926.1

Net pension asset

	H1 FY25 £m	FY24 £m
Equities	16.2	21.8
LDI investment	415.4	414.9
Asset backed security investments	72.8	35.5
Bonds	350.2	405.5
Cash and cash equivalents	49.1	36.5
Derivatives	5.7	19.6
Insurance buy-in policies	485.4	507.4
Borrowings	(125.0)	(125.0)
Market value of assets	1,269.8	1,316.2
Present value of scheme liabilities	(1,238.7)	(1,297.8)
Net pension asset before deferred tax	31.1	18.4
Deferred tax liability	(12.8)	(9.6)
Net pension asset	18.3	8.8

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