



Third Quarter Trading Update

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QinetiQ Group plc

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News release

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QinetiQ Group plc ('QinetiQ' or 'the Group') today issues a trading update for its third quarter performance.

Maintaining expectations

Underlying trading for the Group was as expected during the third quarter and the Group maintains its expectations for overall performance for FY18.

EMEA Services

In EMEA Services trading for the period was in line with expectations.

The Company is bidding for a number of new opportunities with UK Government that will enable enhanced capability while also driving cost efficiencies. Although the UK environment continues to be challenging as previously announced at our 1H results, this environment creates opportunities for QinetiQ and we remain well placed to support our customers to achieve their objectives.

Internationally, QinetiQ continued to make good progress, particularly in Australia with positive organic growth and in the Middle East where we have seen strong demand for our advisory services.

Global Products

Trading in Global Products for the period was in line with expectations with good order performance in North America.

Strategy update

QinetiQ continues to make good progress implementing its strategy to become a more customer focused and international company, helping customers improve their capabilities while addressing budgetary concerns.

We are making positive steps in modernising UK Defence Test and Evaluation:

- As result of our strategic investment into UK T&E through the amended Long Term Partnering Agreement ("LTPA") contract, we delivered the first flights of our new aircraft and signed our first multi-year £6m contract from the Royal Netherlands Air Force to train Dutch test pilots and flight test engineers until at least 2022.
- Under the LTPA contract, we received a £9m order to modernise and develop Electro Magnetic Open Sea Ranges which play a vital role in helping to protect and ensure the survivability of all Royal Navy surface vessels and submarines.

We continue to build an international company through growth in our US and Australian home countries and wider international markets:

- In the US we won US\$8m of orders for TALON robots from key defence customers.
- Reflecting our deepening relationship with the Australian Department of Defence, an additional AU\$16m has been allocated to our Air 7000 strategic support partner contract, which supports the acquisition of airborne maritime surveillance capability.
- We signed our first £3m contract for the supply of aerial targets and services to a customer in the Middle East, further building our presence within the region.

We continue to advance our innovation strategy across our Company:

- Our commercial and business model innovation has supported the signing of our first weapon system contract under our Strategic Enterprise framework which has transformed the provision of aircraft test and evaluation services.
- As an example of our focus on disruptive technology, we are at the leading edge of laser directed energy weapon development, booking further work in the period as well as recently establishing our centre of excellence for the technology.

Pension surplus

Following the latest triennial valuation and discussions with QinetiQ's pension scheme trustees, the Company has a confirmed actuarial pension surplus of £140.5 million as at 30 June 2017. Consequently, the Company will cease making cash deficit recovery payments of approximately £10.5 million per annum from March 2018.

For further information please contact:

David Bishop, Group Director Investor Relations and Communications: +44 (0) 7920 108675
Ian Brown, Group Head of Investor Relations: +44 (0) 7908 251123
Jon Hay-Campbell, Group Head of External Communications: +44 (0) 7500 856953

About QinetiQ:

QinetiQ is a leading science and engineering company operating primarily in the defence, security and aerospace 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.

The information communicated in this announcement contains inside information for the purposes of Article. 7 of the Market Abuse Regulation (EU) No. 596/2014

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This document contains certain forward-looking statements relating to the business, strategy, financial performance and results of the Company and/or the industry in which it operates. Actual results, levels of activity, performance, achievements and events are most likely to vary materially from those implied by the forward-looking statements. The forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words 'believes', 'expects', 'predicts', 'intends', 'projects', 'plans', 'estimates', 'aims', 'foresees', 'anticipates', 'targets', 'goals', 'due', 'could', 'may', 'should', 'potential', 'likely' and similar expressions, although these words are not the exclusive means of doing so. These forward-looking statements include, without limitation, statements regarding the Company's future financial position, income growth, impairment charges, business strategy, projected levels of growth in the relevant markets, projected costs, estimates of capital expenditures, and plans and objectives for future operations. Forward-looking statements contained in this announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Nothing in this document should be regarded as a profit forecast.

The forward-looking statements, including assumptions, opinions and views of the Company or cited from third party sources, contained in this announcement are solely opinions and forecasts which are uncertain and subject to risks. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct. Actual results may differ materially from those expressed or implied by these forward-looking statements. A number of factors could cause actual events to differ significantly and these are set out in the principal risks and uncertainties section of this document.

Most of these factors are difficult to predict accurately and are generally beyond the control of the Company. Any forward-looking statements made by, or on behalf of, the Company speak only as of the date they are made. Save as required by law, the Company will not publicly release the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Directors' expectations or to reflect events or circumstances after the date of this document.

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