

Acquisition of E.I.S. Aircraft Operations

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QinetiQ Group plc

24 April 2018

News Release

QinetiQ Group plc

QinetiQ accelerates international growth through the acquisition of a leading provider of airborne training services based in Germany

24 April 2018

QinetiQ Group plc ("QinetiQ" or "the Group") announces that it has entered into an agreement to acquire E.I.S. Aircraft Operations ("Aircraft Operations" or "the Business"), currently part of E.I.S. Aircraft Group, for €70 million on a cash-free, debt-free basis.

Aircraft Operations is a leading provider of airborne training services based in Germany, delivering threat representation and operational readiness for military customers. It generated €20.1m revenue and €5.4m EBITDA in the year to 31 December 2017.

Aircraft Operations delivers airborne training services using a highly cost-effective fleet of 14 leased Pilatus PC-9 and PC-12 aircraft, flown by a team of 20 pilots.

The Business has well established relationships with its customers. It has been the exclusive provider of low-speed aerial training services to the German armed forces since 1999, and delivers aerial training services to the United States Air Force in Europe. It also modifies aircraft for special missions through the integration of sensors and digital systems used in Intelligence, Surveillance and Reconnaissance ("ISR").

Strategic rationale

- Aircraft Operations has a strong track record and further growth potential
 - Delivers airborne training services using Pilatus aircraft at a substantially reduced cost compared with jet-engine aircraft alternatives
 - Complementary core activities; the business modifies special mission aircraft that are used to provide enhanced training services
 - Sustainable and growing end markets driven by increasing demand for cost-effective training
- Accelerates QinetiQ's international growth strategy
 - Establishes a test and evaluation and engineering services capability in Germany
 - Enhances access to the broader European defence market
 - Aircraft Operations will also benefit from QinetiQ's wider access to international markets such as the Middle East
- Strengthens QinetiQ's capability integration, threat representation and operational readiness offering to customers
 - Enhances QinetiQ's live and synthetic training capabilities, supporting its focus on defence operational training
 - Complements QinetiQ's test aircrew training and engineering services
 - Supplements QinetiQ's acquisition of Meggitt Target Systems in 2016 to provide both manned and unmanned airborne test and training services

Financial highlights

- Compound annual revenue growth of 17% over the past three financial years
- Average EBITDA margin of more than 20% over the past three financial years
- Strong cash flow generation
- Expected to enhance QinetiQ's earnings per share in the current financial year
- Returns exceed QinetiQ's cost of capital
- Funded from QinetiQ's available cash resources

Steve Wadey, QinetiQ CEO, said:

"E.I.S Aircraft Operations is a high growth business which provides airborne training at a disruptively low price. This acquisition supports our strategy for international growth by providing access to the European defence market and enhancing our ability to deliver capability integration, threat representation and operational readiness for customers."

"We look forward to welcoming the Aircraft Operations team in Germany to QinetiQ and working with them to continue to grow the business both within their existing markets and beyond."

Transaction completion

The business currently forms a discrete business unit within the wider E.I.S Aircraft Group which is owned by EQT and focuses on aircraft interiors for the commercial aerospace market.

The transaction is subject to certain regulatory and legal approvals and is expected to close towards the end of the first half of QinetiQ's 2019 financial year.

Following completion, Aircraft Operations will continue to be led by its existing management team. It will form part of QinetiQ's International business unit and will be reported within QinetiQ's EMEA Services division.

This announcement contains inside information and the person responsible for making this announcement is Jon Messent, Company Secretary.

There will be a call for QinetiQ analysts and investors at 0730 hours UK time on 24 April 2018.

Dial in details: +44 (0) 20 3003 2666 Password: QinetiQ

A playback of the call will be available shortly afterwards by dialling +44 (0) 844 584 0220 and entering PIN number 1703633#

Notes for Editors:

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.

Stephens Europe acted as financial adviser to QinetiQ.

About Aircraft Operations:

Aircraft Operations is a leading aviation services business, delivering aerial training services and combat battle simulations through a fleet of Pilatus PC-9 and Pilatus PC-12 aircraft, facilitating military pilot readiness. Technical solutions include modification of special-mission aircraft as well as providing customised engineering services for a variety of military aircraft and aircraft components. The business employs approximately 60 people in Germany, including 20 pilots, and operates from two main strategic locations in Kiel and Mönchengladbach. In the year to 31 December 2017, the business had gross assets of approximately €100.2million.

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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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