QQ. XLON QinetiQ Group plc

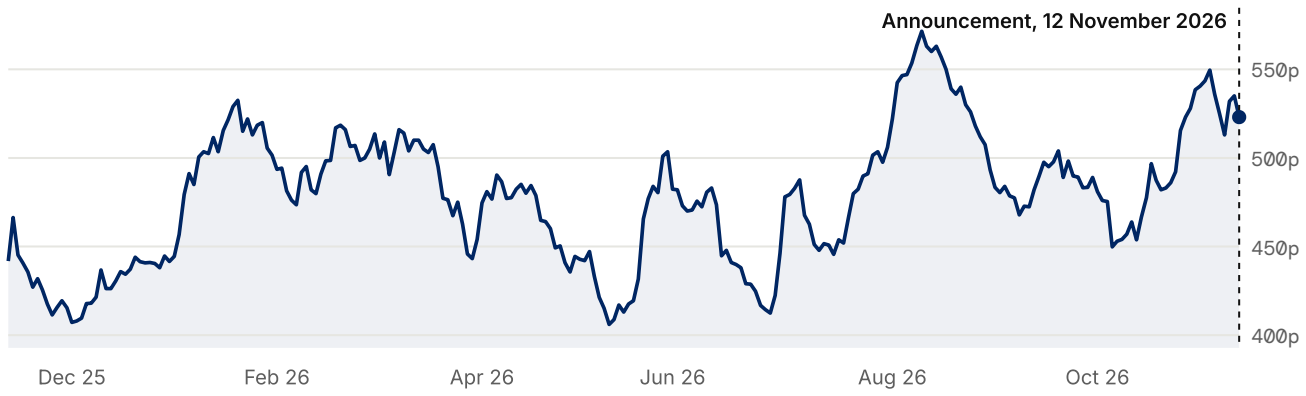
Strategic review completed and US sale agreed · RNS 8233C · 12 November 2026

QinetiQ agrees $292m sale of US business to Serco and adds £200m to buybacks

Share price	522.5p
Market cap	£2.68bn
52-week range	398.5p – 576p
Shares in issue	512.2m
12-month change	+18.4%

Ticker Data API, as at 11 Nov 2026, 16:29

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SUMMARY

QinetiQ today agreed to sell its US business, QinetiQ Inc., to Serco for $292m in cash, ending the review it began in May 2026. It plans to return £200m of the proceeds by adding £100m a year to the FY28 and FY29 buybacks, once the deal completes. The price sits well below the unit's £393m carrying value, so the group has taken a non-cash impairment of c.£175m in today's interim results. Completion needs US antitrust, foreign-investment and classified-work approvals and is expected in the first quarter of 2027. The retained UK and European business is trading well, with first-half underlying operating profit of £110m. The open questions are whether the deal closes on time and whether the returns programme can be paid for out of cash the business generates.

KEY FIGURES

FIGURE	VALUE	PERIOD	CHANGE
Sale price for QinetiQ Inc.	US$292m		
Proceeds to be returned via additional buybacks	£200m	FY28 and FY29 (£100m p.a.)	
QinetiQ Inc. underlying operating profit	$13m	Six months to 30 Sep 2026	
QinetiQ Inc. FY27 revenue assumed in guidance	$385m	FY27	at c.7% margin
Carrying value of QinetiQ Inc.	£393 million	31 Mar 2026	
Impairment charge on US business	£174.6 million	H1 FY27	
Group underlying operating profit	£110 million	H1 FY27	
Group revenue	£923.2 million	H1 FY27	up 3%
Underlying free cash flow	£159m	FY26	prior £113m
Net debt	£159m	FY26	prior £133m

Sources: Strategic review RNS, 12 Nov 2026; H1 results RNS, 12 Nov 2026; Full Year Results 2026, 21 May 2026

THE ANNOUNCEMENT

- Serco will buy the entire share capital of QinetiQ Inc. for $292m in cash, on a cash-free, debt-free basis and subject to customary completion adjustments. Serco's North America division generates annual revenue of approximately $2bn.
- After completion, QinetiQ expects to return £200m to shareholders by raising the current FY28 and FY29 share buybacks by £100m a year. It also plans to increase investment in digital and AI technology, infrastructure and its people.
- QinetiQ Inc. made revenue of $172m and underlying operating profit of $13m in the six months to 30 September 2026. FY27 guidance had assumed $385m of US revenue at a c.7% margin.
- The unit was carried at £393m on the balance sheet at 31 March 2026, and the group has recognised a non-cash impairment charge of c.£175m in its interim results.
- Completion depends on US antitrust and foreign-investment clearances and on approval of arrangements for the business's classified activities. It is expected in the first quarter of 2027.
- The retained group will concentrate on the UK, European NATO and key allied defence and security markets, where the company says it has stronger positions and better prospects for growth and returns.

AGAINST GUIDANCE

The sale was flagged in May 2026, when QinetiQ announced its review of the US business. In July it reiterated FY27 guidance of 3-5% revenue growth, an 11.0-11.5% underlying operating margin, 8-10% EPS growth and more than 90% cash conversion, plus a target of more than £550m of free cash flow over FY27-29. Those numbers included the US unit, which was assumed to deliver $385m of revenue at a c.7% margin. The announcement gives no restated guidance for the continuing business and does not say how the free cash flow target changes once the US unit is sold.

BULL CASE

- The core business is delivering. FY26 underlying operating profit grew 18% to £218m and margin rose to 11.3% from 9.6%. Order intake reached £3.57bn and the interim dividend has been raised 33% to 4.0p.
- Selling a business forecast to earn a c.7% margin leaves a group concentrated on UK and allied defence, where QinetiQ holds long-term contracts and sees rising demand for warfighting readiness. Serco's existing US federal business of about $2bn a year makes it a credible buyer to take on the unit.
- The extra £200m of buybacks is meaningful against a market value of £2.68bn. It comes on top of the existing programme, whose fourth tranche of up to £50m is due to finish by 31 March 2027.

BEAR CASE

- This is the second time the US business has cost shareholders. FY25 brought a US restructuring, a fall in goodwill from £401m to £250m and a £90.5m statutory operating loss. Now a further c.£175m has been written off against a £393m carrying value, which gives reason to be cautious about the plan for more digital and AI investment.
- The extra return depends entirely on completion, and approval of the classified-work arrangements could delay the deal or lead to changes in the price. A dollar price also leaves the sterling value of the proceeds unsettled until conversion.
- Returns already run ahead of cash generation. FY26 free cash flow of £159m did not cover £135m of buybacks plus the dividend, and net debt rose to £159m. Most of the sale proceeds are earmarked for buybacks, which leaves little for the promised extra investment and puts the claim of a stronger balance sheet in doubt.
- Losing the US profit offsets much of the benefit of a smaller share count. The higher group margin after the sale will partly reflect the removal of a low-margin unit, and does not by itself show the remaining operations are more efficient. The shares were 522.50p on the day of the announcement, down 2.52%, after a strong run beforehand.

WHAT TO WATCH

- US antitrust, foreign-investment and classified-activity approvals, with completion expected in the first quarter of 2027. Any slippage or price adjustment would directly affect the £200m return.
- Restated guidance for the continuing business and a revised FY27-29 free cash flow target, most likely with full-year results expected on 30 April 2027.
- Sterling net proceeds after completion adjustments, costs and tax, and net debt once the enlarged buybacks are under way, measured against the £159m at FY26.
- Whether UK and allied defence budgets turn into funded contract awards for QinetiQ fast enough to support 3-5% revenue growth and more than 90% cash conversion in the second half of FY27.

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