



# RESULTS FOR THE YEAR ENDED 30 APRIL 2022

**Andrew Thomis & Simon Walther**

28 July 2022



# Highlights

Andrew Thomis, Chief Executive

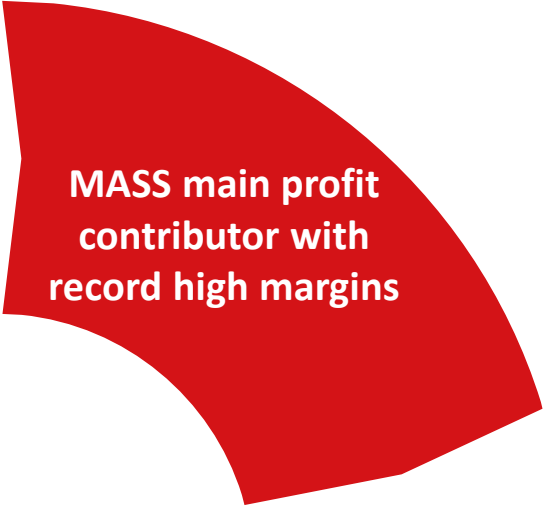


# FINANCIAL HIGHLIGHTS

<p><b>Profit in line with revised guidance</b></p>	<p>Revenue</p> <p><b>£137.8m</b></p> <p>-3.8%</p> <p>(2021: £143.3m)</p>	<p>Adjusted Operating Profit</p> <p><b>£15.5m</b></p> <p>-16.7%</p> <p>(2021: £18.6m)</p>	<p>Adjusted EPS</p> <p><b>31.08p</b></p> <p>-7.6%</p> <p>(2021: 33.63p)</p>
<p><b>Record long-term order book</b></p>	<p>Order intake</p> <p><b>£186.4m</b></p> <p>(2021: £180.3m)</p>	<p>Order book</p> <p><b>£291.0m</b></p> <p>(30/4/21: £242.4m)</p>	<p>Revenue cover</p> <p><b>78%</b></p> <p>(2021/22: 64%)</p>
<p><b>Stronger net funds, robust cash generation, dividend increased</b></p>	<p>Operating Cash flow</p> <p><b>+£19.5m</b></p> <p>(2021 : +£16.2m)</p>	<p>Net funds</p> <p><b>£11.0m</b></p> <p>(30/4/21: £2.5m)</p>	<p>Dividend</p> <p><b>+10%</b></p> <p>12.2p</p>

# OPERATIONAL HIGHLIGHTS

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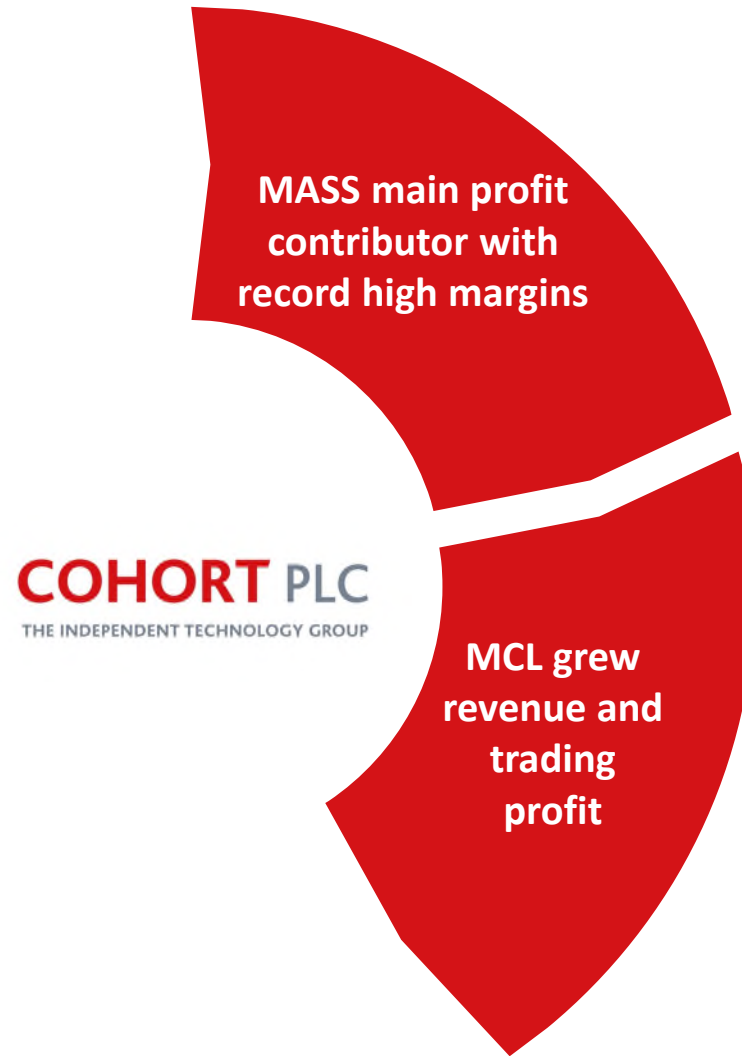


**MASS main profit contributor with record high margins**

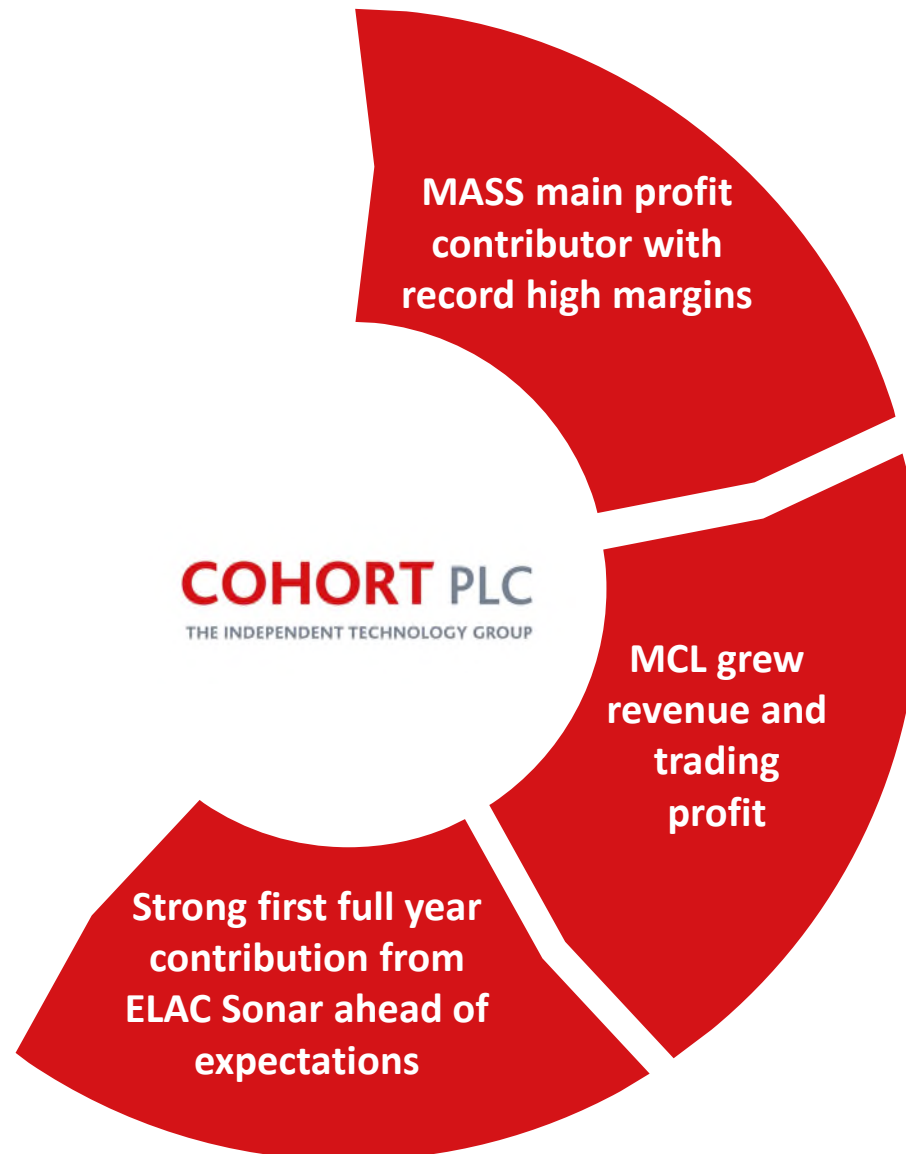
**COHORT PLC**  
THE INDEPENDENT TECHNOLOGY GROUP



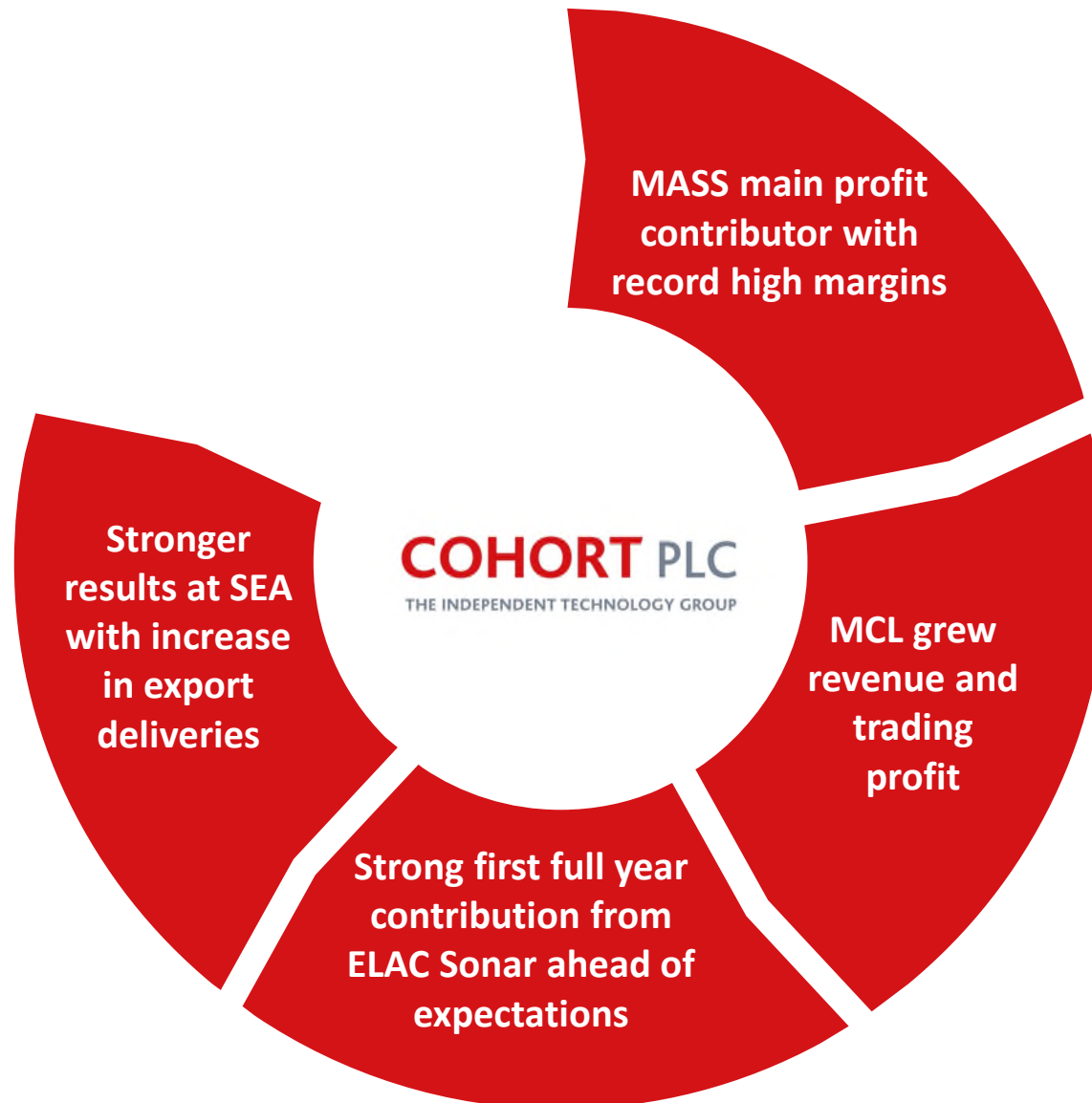
# OPERATIONAL HIGHLIGHTS



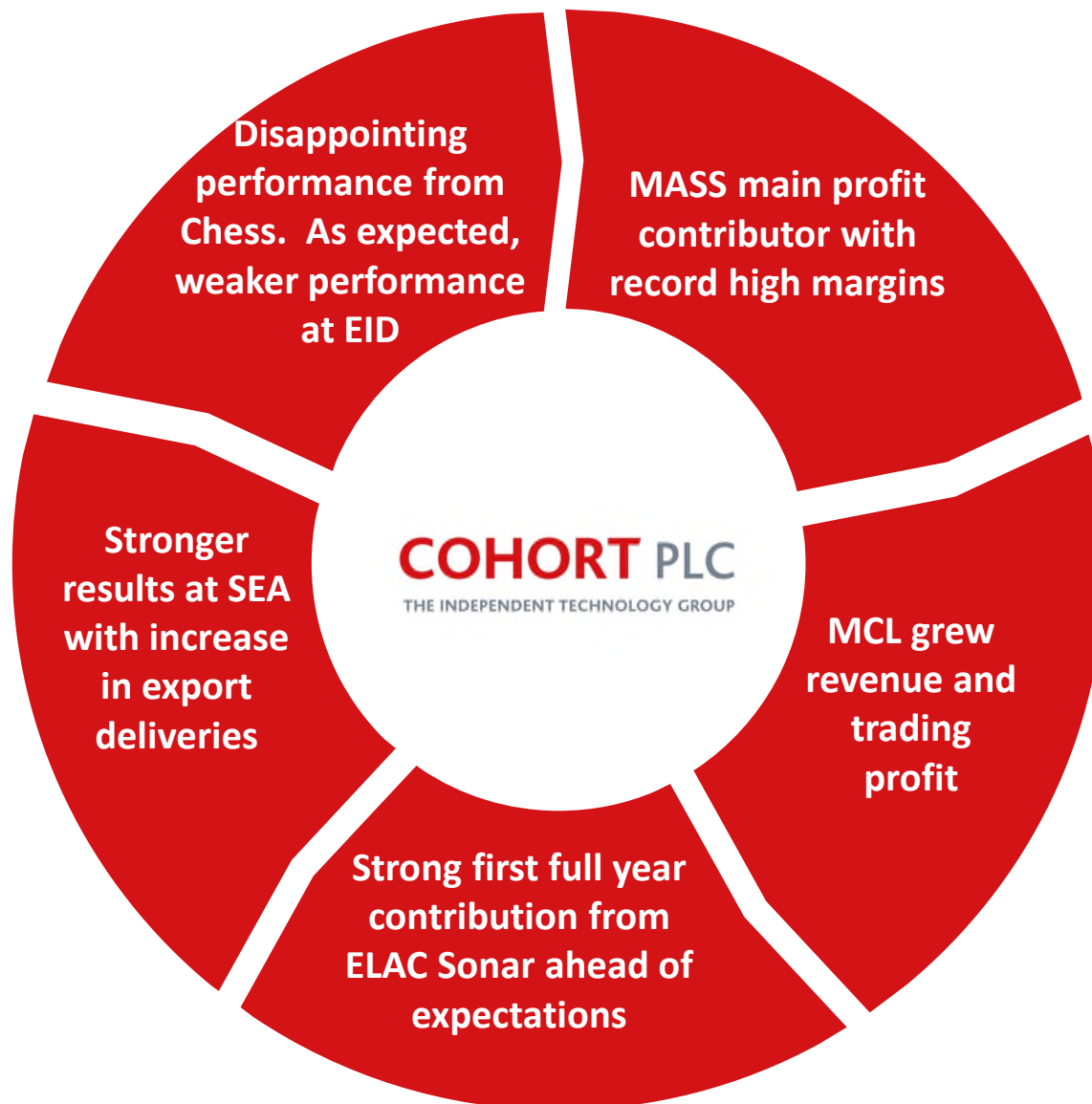
# OPERATIONAL HIGHLIGHTS



# OPERATIONAL HIGHLIGHTS



# OPERATIONAL HIGHLIGHTS



# OUTLOOK

**Record order book**

**Improved market dynamics**

**Well positioned for growth opportunities**

**Confident outlook**

# Financial Review

Simon Walther, Finance Director



# INCOME STATEMENT

*Year ended 30 April 2022*

	<b>2022</b>		<b>2021</b>	<b>Variance</b>
	<b>£m</b>		<b>£m</b>	<b>%</b>
Revenue	<b>137.8</b>		<b>143.3</b>	<b>(3.8)%</b>
Gross profit (excludes FX and RDEC)	<b>54.9</b>	<b>39.8%</b>	<b>52.7</b>	<b>36.8%</b>
Overhead	<b>(39.4)</b>		<b>(34.1)</b>	
<b>Adjusted operating profit</b>	<b>15.5</b>		<b>18.6</b>	<b>(16.7)%</b>

- Gross margin % higher due to improved mix at MASS, SEA (export) and EID (more naval)
- Overheads higher due to 12 months of ELAC, investment in Chess and HQ team

# CHESS HIGHLIGHTS

	2021/22	2020/21
Revenue (£m)	16.9	28.6
Operating profit (£m)	0.3	3.0
Operating margin	1.9%	10.5%

- Revenue fell due to delays caused by technical issues and order slippage
- Margin deterioration from issues on legacy projects
- New management team making progress
- Satisfactory start to 2022/23 with 100% order cover
- Stronger trading and cash performance expected



# EID HIGHLIGHTS

	<b>2021/22</b>	2020/21
Revenue (£m)	<b>8.2</b>	20.9
Operating profit (£m)	<b>0.9</b>	4.8
Operating margin	<b>10.5%</b>	23.1%

- As expected, weaker performance due to non-repeat of large order in 2020/21
- Solid cash performance
- Key order from Portuguese Navy expected in 2023
- Strong closing order book underpins 75% 2022/23 revenue
- Expect return to historical levels of performance in 2023/24

# ELAC HIGHLIGHTS

	<b>2021/22</b>	2020/21#	2020/21*
Revenue (£m)	<b>21.5</b>	19.9	8.3
Operating profit (£m)	<b>3.8</b>	2.9	1.2
Operating margin	<b>12.6%</b>	14.1%	14.1%

# 12 months proforma; \*5 months only

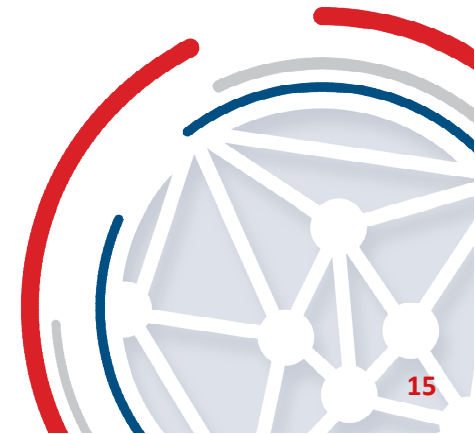
- Stronger than expected first full year contribution
- Significant order secured for Italian Navy and good contribution from high margin orders
- Order coverage >90% for 2022/23
- Transaction mechanism continues to contribute income until end 2022

# MASS HIGHLIGHTS



	2021/22	2020/21
Revenue (£m)	38.5	39.5
Operating profit (£m)	9.1	8.7
Operating margin	23.7%	22.1%

- Increased profits, despite fall in revenue
- Remains strongest contributor in Group
- Net margins increased due to improved mix and flat overheads
- Continued strength in core markets
- Order book of £73m giving good visibility beyond 2023



# MCL HIGHLIGHTS



	2021/22	2020/21
Revenue (£m)	<b>21.7</b>	18.0
Operating profit (£m)	<b>2.2</b>	2.1
Operating margin	<b>10.4%</b>	11.5%

- Revenue and adjusted operating profit increased in 2021/22
- Good cash conversion
- Starts 2022/23 with record level of order cover and good prospects
- High tempo of activity with UK MOD



# SEA HIGHLIGHTS



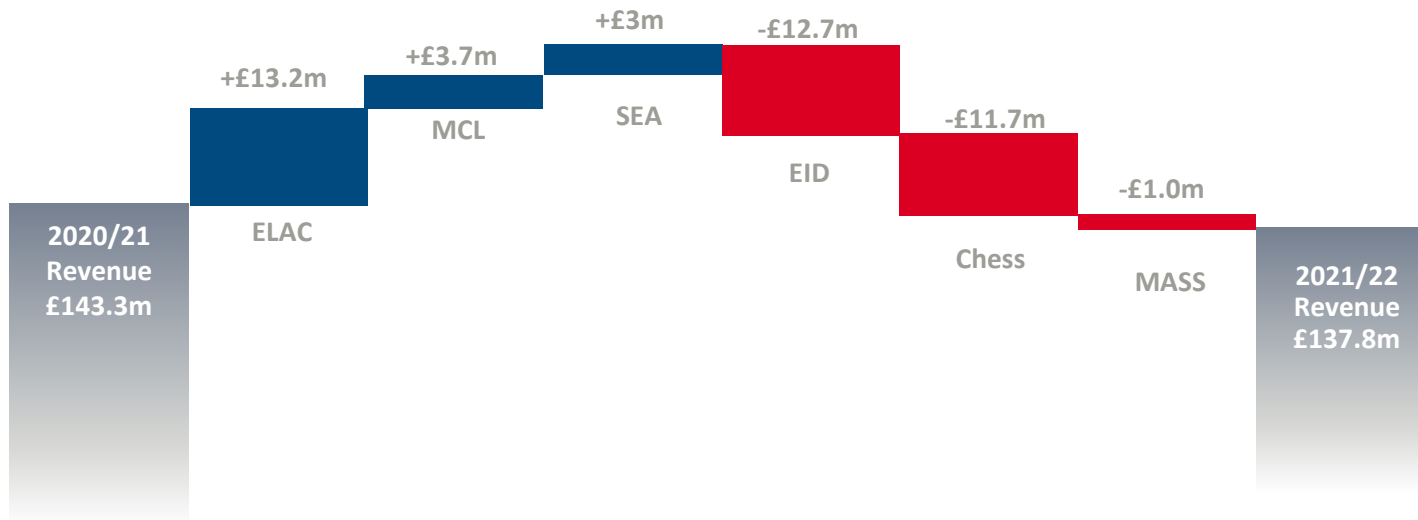
	<b>2021/22</b>	2020/21
Revenue (£m)	<b>31.0</b>	28.0
Operating profit (£m)	<b>3.4</b>	2.4
Operating margin	<b>10.9%</b>	8.4%

- Solid year with revenue growth over 10% and trading profit growth over 40%
- Export revenue up significantly
- Growth in naval research and rise in transport activity
- Strong order intake with good coverage for 2022/23

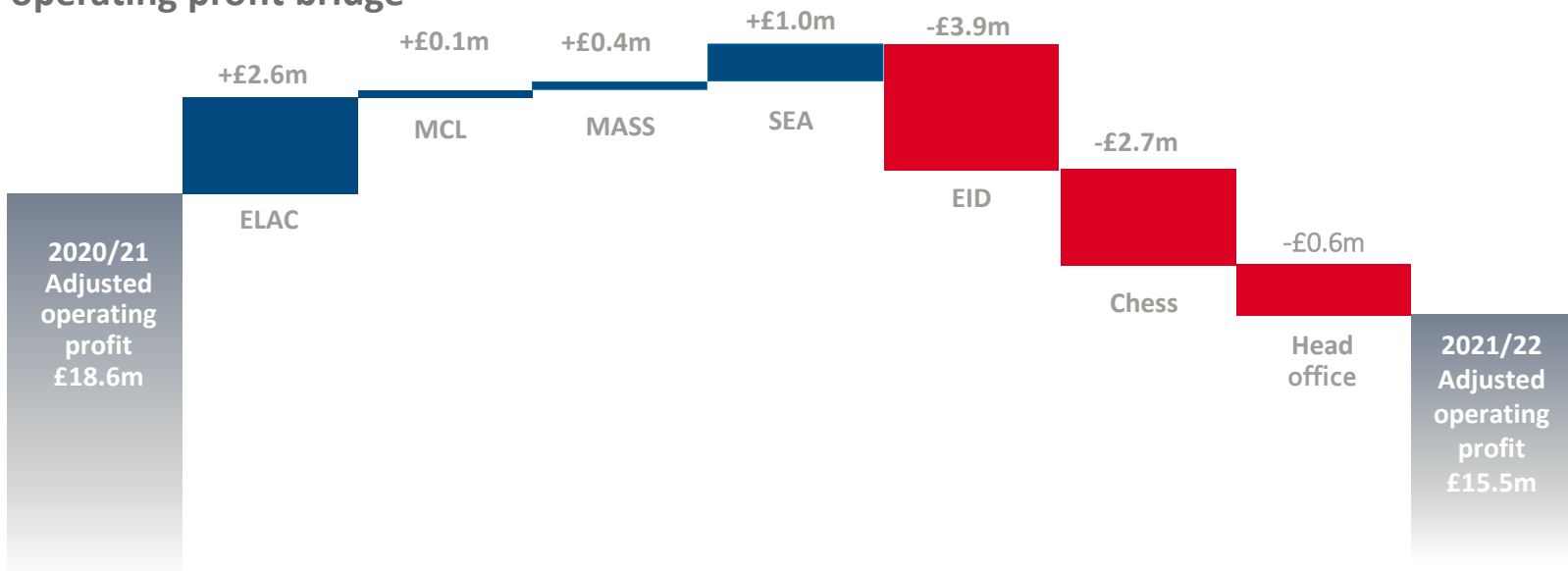


# REVENUE & PROFIT BRIDGE

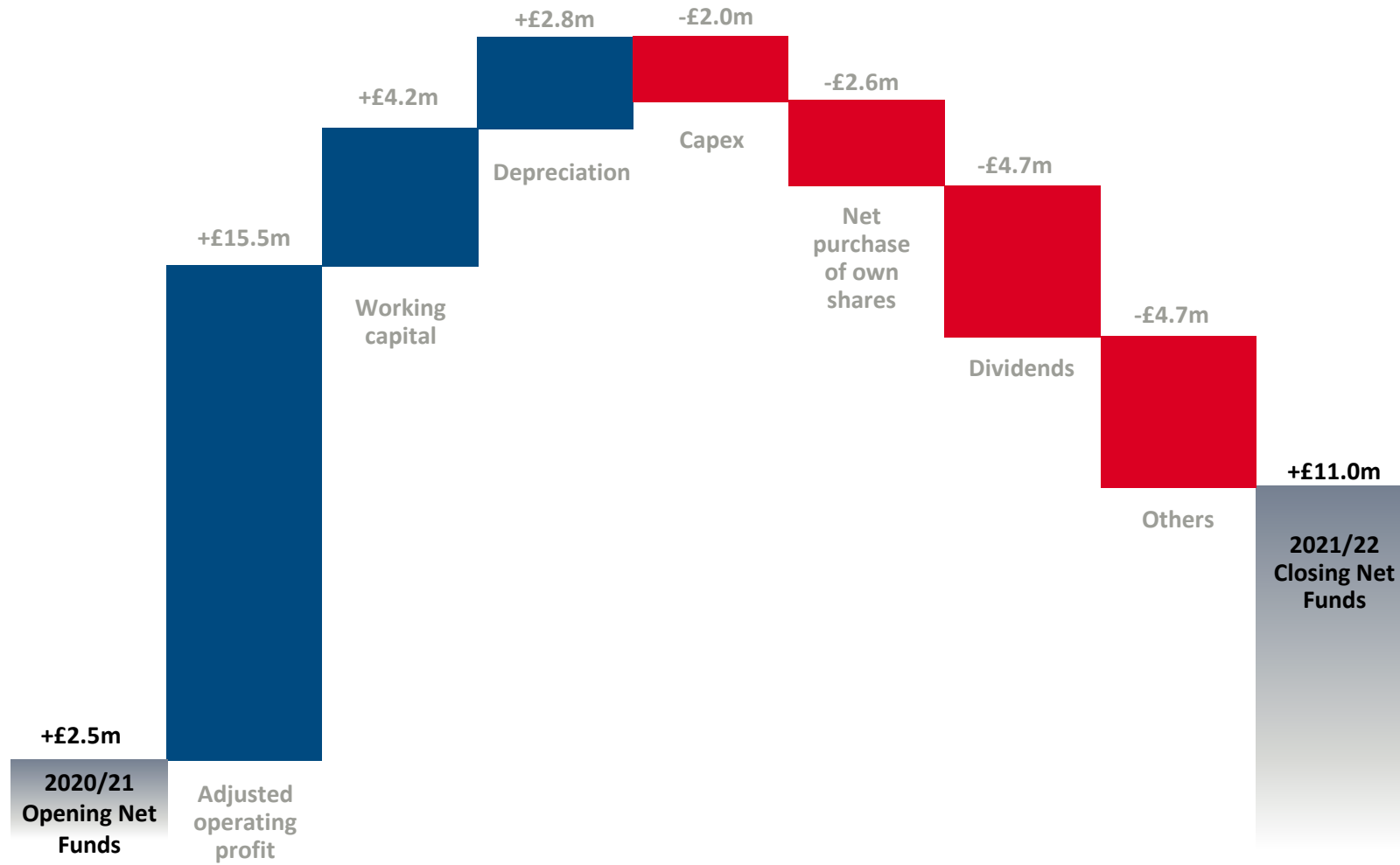
## Revenue bridge



## Adjusted operating profit bridge



# NET FUNDS BRIDGE



# BANKING FACILITY RENEWED

- Total facility now £50m, previously £40m
- Facility available out to July 2025, with options to extend to July 2027
- Commerzbank joins the syndicate with NatWest and Lloyds



# SELECTED FINANCIAL GUIDANCE ITEMS

- Chess earn out and minority now £1.4m (2021: £2.8m), expect to pay by 31 October 2022
- Amortisation of other intangible expected to be £3.1m in 2022/23, £3.0m in 2023/24 and £1.0m in 2024/25
- Expect tax rate to be 18% for 2022/23 rising to 24% thereafter
- Net funds

	£m
Opening net funds	11.0
Operating cash flow	11.8
Chess earnout/minority purchase	(1.4)
Tax/capex/dividends	(17.4)
<b>Closing net funds at 30 April 2023</b>	<b>4.0</b>

# Outlook

Andrew Thomis, Chief Executive



# OUTLOOK FOR GROWTH

## Big Picture

- Russian invasion of Ukraine
- Continued Chinese defence spending expansion

## Domestic markets

- 2021 UK Defence Review increased spending by £4bn per year
- Increased activity levels at UK MOD following Ukraine conflict
- Growing defence opportunities in Germany
- Increased Naval opportunities in Portugal

## Export markets

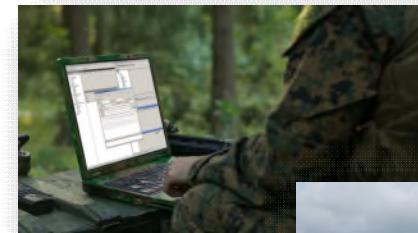
- NATO countries
- Asia and Australasia

# GROWTH IN KEY TECHNOLOGY AREAS

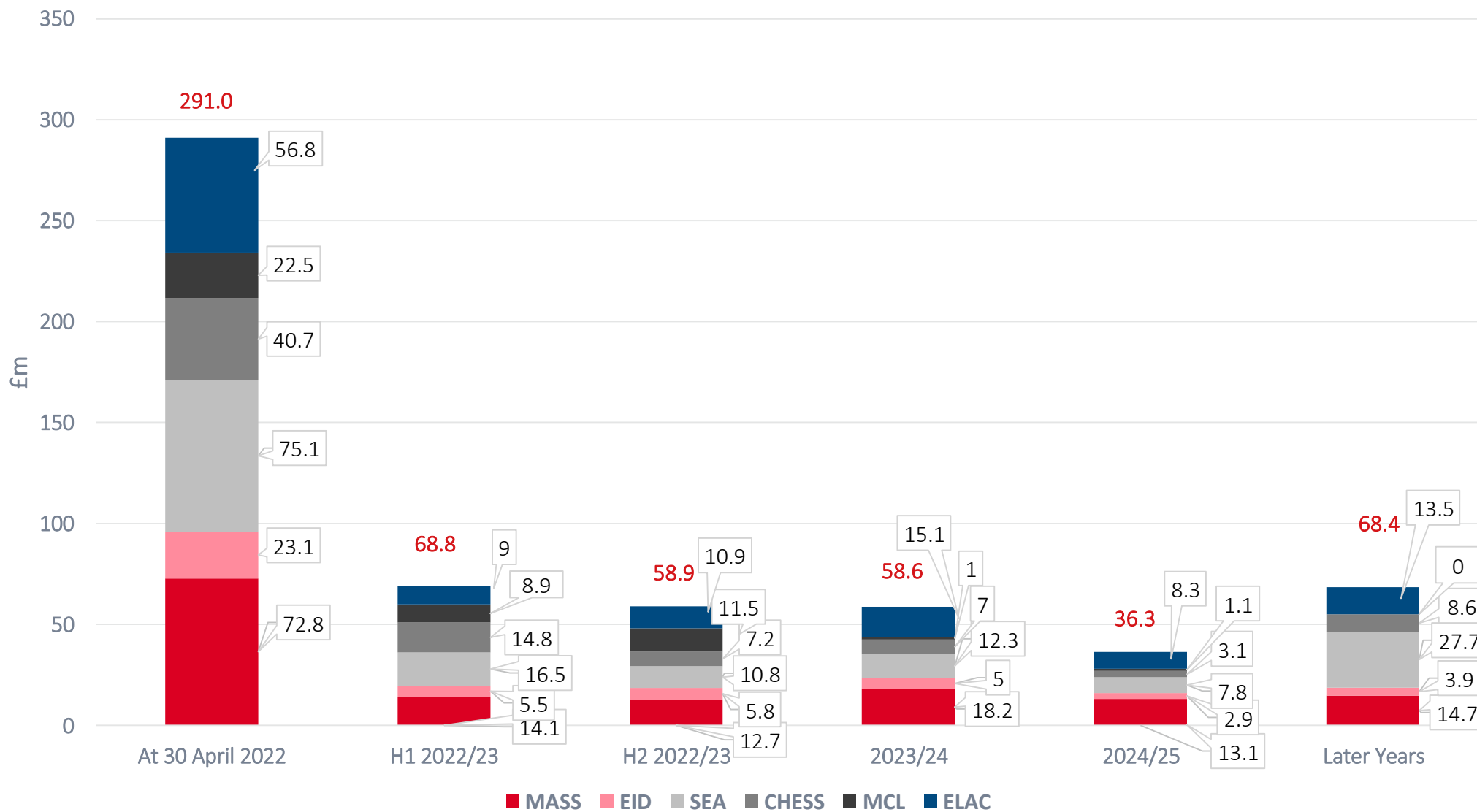
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- Secure communications and surveillance
- Anti-submarine warfare
- Artificial intelligence and autonomy
- Cyber security and cyber defence

**Well positioned to meet  
current and evolving customer  
requirements**



# RECORD ORDER BOOK OUT TO 2030



# GOOD UNDERPINNING FOR COMING YEAR

<b>Order book</b>	<b>30 April 2022 £m</b>	<b>To be delivered 2022/23 £m</b>	<b>30 April 2021 £m</b>	<b>Last year's to be delivered £m</b>
Chess	40.7	22.0	42.3	19.8
EID	23.1	11.3	20.0	8.2
ELAC	56.8	19.9	21.2	12.3
MASS	72.8	26.8	77.2	27.2
MCL	22.5	20.4	12.4	11.5
SEA	75.1	27.3	69.3	20.7
	<b>291.0</b>	<b>127.7</b>	<b>242.4</b>	<b>99.7</b>

- SEA, ELAC and MCL especially strong – SEA expected to grow further this year
- Overall, 78% of consensus external revenue on contract (64% last year) at 30 April 2022
- Revenue cover grown to c.90% (70% last year) in mid-July
- Over £20m of orders since 1 May 2022
- Over £365m orders won since Pandemic began in 2020

# INVESTING FOR ORGANIC GROWTH

- 2022 R&D expenditure of £11.3m (2021 - £9.5m)
- Focus on:
  - SEA – FILS weapon system development, autonomous platform communications architecture, RoadFlow
  - EID – Integrated soldier systems development, next generation ICCS
  - Chess – Novel sensor & control technology, deep learning for target detection & classification low size, weight & power EO sensor systems for UGVs
  - ELAC – Further development of Sphere incorporating hull and flank mounted arrays
  - MASS – Expanding training support offering



# OUTLOOK & SUMMARY

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**Record order book and long pipeline of opportunities**

**c.90% of 2022/23 consensus revenue underpinned by orders (July 2022)**


**Well positioned to meet customer needs in growth markets**

**2022/23 overall performance expected to be ahead of 2021/22**

**Growth to accelerate 2023/24 based on current orders for long-term delivery and pipeline of opportunities**

**Targeting double digit trend growth**





***Exciting long-term future as a major  
independent UK defence  
technology group offering  
world-class systems to domestic  
and export customers alike***

# Questions



# Appendix



# COHORT BUSINESS MODEL

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- Subsidiaries enjoy a significant degree of operational autonomy in order to develop their potential fully:
  - Enables streamlined decision-making and focus on solving customer's immediate problems
  - Provides competitive advantage over larger rivals where the decision-making process can be more extended
  - Attractive model for high calibre employees
- Group operates a light-touch but rigorous financial and strategic control regime:
  - Cost-effective as avoids need for additional layers of management and a large HQ team

***Being part of Cohort brings significant advantages compared to operating individually***

## Applying advanced technology to protect and secure

We create solutions to keep people safe. Acting with agility to find a better way, make smart decisions and meet customers' needs. Where independent subsidiaries are free to grow and deepen relationships with the support of a steady hand. Bringing the expertise of the Group to the ingenuity of our businesses.

To deliver purposeful innovation that protects us all.

### Our Engagement Principles

We hold **innovation at our core**

We nurture **agile partnerships**

We commit to **mission critical effectiveness**

### Our Values

We believe in **playing our part**

We believe in **being results driven**

We believe in **independent thinking**

### Environment

We keep the environmental impact of our activities under review in order to improve resource efficiency and reduce waste. As part of our commitment to minimising the impact of its business operations on the environment we work with our suppliers, customers and communities to improve standards of environmental protection.

### Society

We maintain strong relationships across all our stakeholder groups.

- Diversity & inclusion
- Leadership Development Programme
- STEM outreach activities
- Community & charitable engagement

### Governance

We are committed to maintaining high standards of corporate governance and managing the Group in a flexible and effective manner.

- Business Ethics Policy
- Modern Slavery Statement
- Anti-bribery policy

# ACQUISITION STRATEGY

- Continue to see opportunities to accelerate growth by making targeted acquisitions in the UK and overseas
- Stand-alone acquisitions
  - Likely to be operating in defence and security markets
  - Ready to join a larger public group
  - Growth potential and sustainable competitive advantage
- Bolt-in acquisitions
  - To be integrated with an existing group business
  - Closely-linked capabilities and/or customer relationships
- Disciplined and cautious approach – experienced team

# ACQUISITION TRACK RECORD

- **2006:** **SCS** acquisition helped create the Group at IPO (SCS now fully integrated within other divisions)
- **2006:** **MASS** acquired for £13m
- **2007:** **SEA** acquired for £25m
- **2014:** Disposal of Space Division for £6.5m
- **2014:** **J+S** acquired for £12m (now fully integrated within SEA)
- **2014:** 50% **MCL** acquired. 100% acquired 2017. Final price £14m
- **2015/16:** **EID** acquired for £13.3m (80% ownership, balance retained by Portuguese Government)
- **2018:** **Chess** acquired for £20.1m (81.84% - will acquire outstanding holding in 2022)
- **2020:** Wärtsilä **ELAC** Nautik GmbH acquired for €11.25m



Chess Dynamics is an innovative, well-respected surveillance, tracking and gunfire control specialist for military and commercial customers. Incorporating Vision4ce Software for surveillance, tracking & fire control systems hardware

Chess's military customers include defence forces and prime contractors in the UK and overseas for the naval and land sectors.

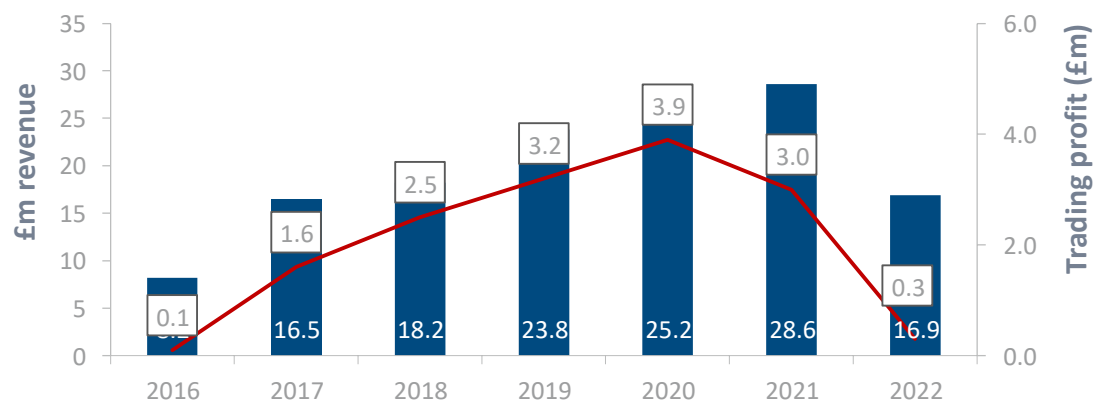
**Platforms:**

Fire control, surveillance & tracking systems

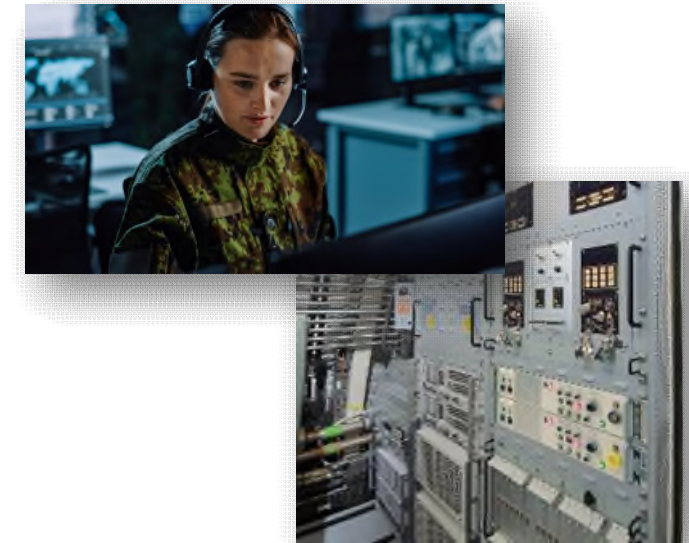
**Counter UAV:**

Counter UAV systems for military & civilian applications

**Trading History**  
(Under Cohort – 5 months ended 30 April 2019)







EID is a Portuguese high-tech company with over 35 years' experience and deep know-how in the increasingly critical fields of electronic tactical and naval communications, command and control (3C) equipment.

The company's focus is the design, manufacture, delivery and support of advanced high-performance 3C equipment for the global defence markets.

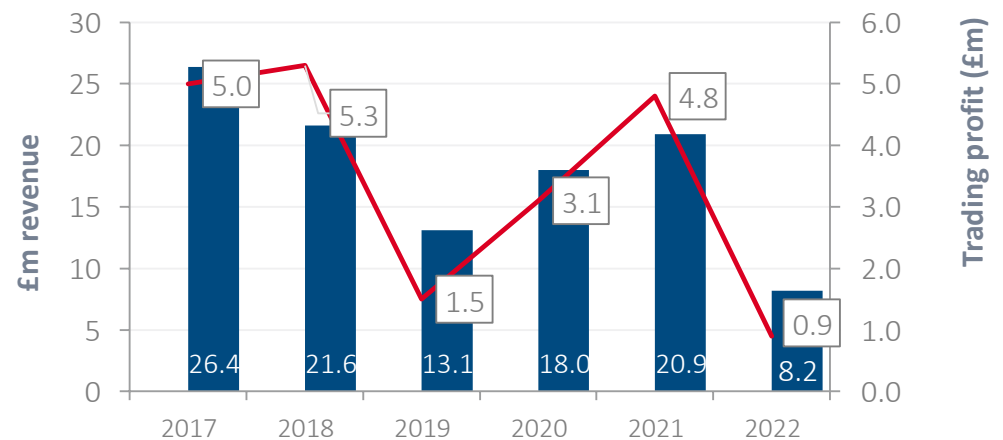
**Tactical Communications :**

Tactical Communication Products, Systems and Networks including Vehicular Intercoms, Personal Radios and Field Communications for military operations

**Naval Communications:**

Fully Integrated Information and Communications Systems for warships

Trading History

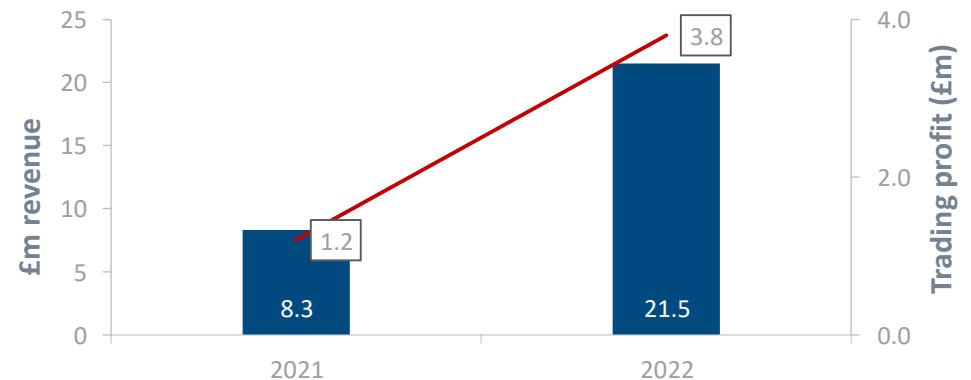




ELAC SONAR is an innovative German company supplying global navies with advanced sonar systems and underwater communications, located in Kiel Germany

It works with navies, system integrators and shipyards to supply mission critical hydro-acoustic naval sensors - from fully-fledged submarine combat sonars, anti-submarine warfare sonars and submarine rescue sonars to digital underwater communications and measurement systems, offering flexibility through open architectures.

### Trading History Under Cohort



\* Five months only



MASS is a global technology company, trusted by the most secure organisations to provide advanced, cyber hardened digital services centred around data, information and knowledge.

MASS has built its reputation through decades in defence, providing training, electronic warfare and cyber security services for governments to keep their confidential information safe. It now offers its data management and protection solutions to other sectors where data security expertise is crucial.

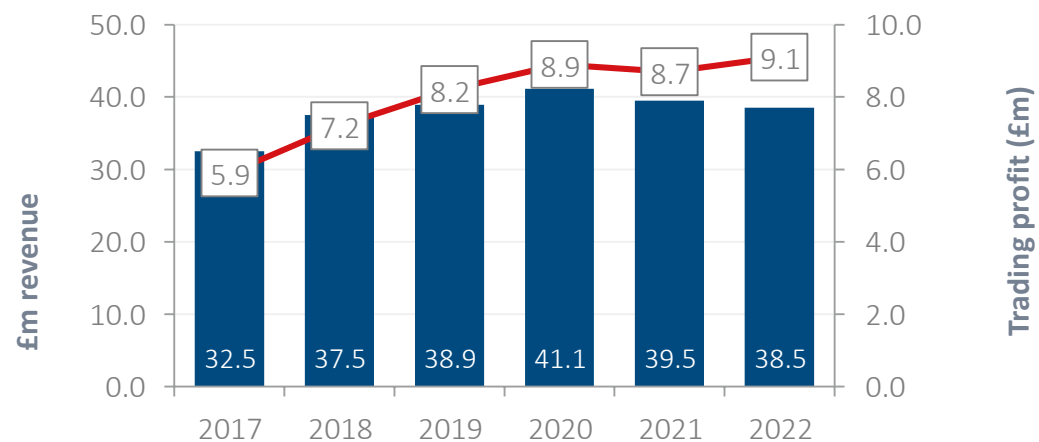
### Electronic Warfare Operational Support (EWOS)

Strategic Systems

Digital Services

Training Support

Trading History





Marlborough Communications Limited (MCL) is a leading supplier of advanced electronic communications, information systems and signals intelligence technology to the defence and security sectors.

The company has over 40 years' experience in supporting the UK's ISTAR programmes including signals intelligence, electronic warfare, UGV and UAV technologies.

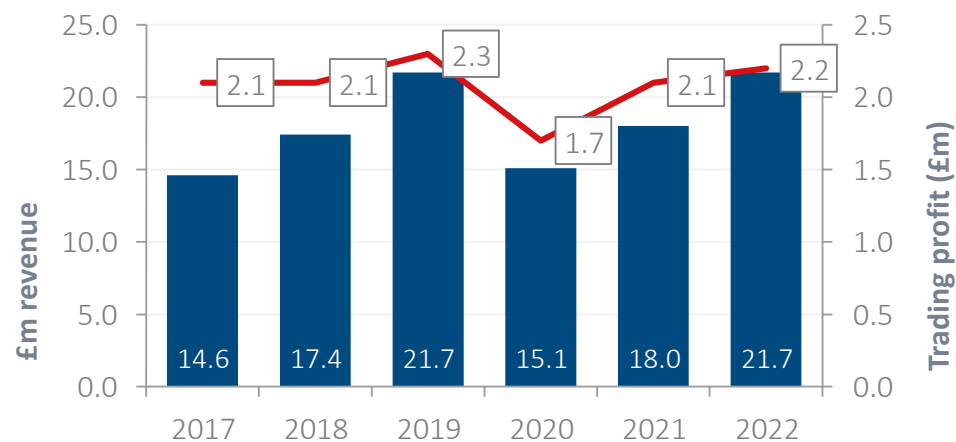


### Electronic Warfare

### Communications

### Surveillance and UAVs

Trading History

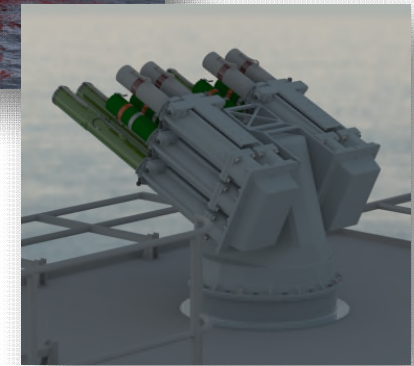




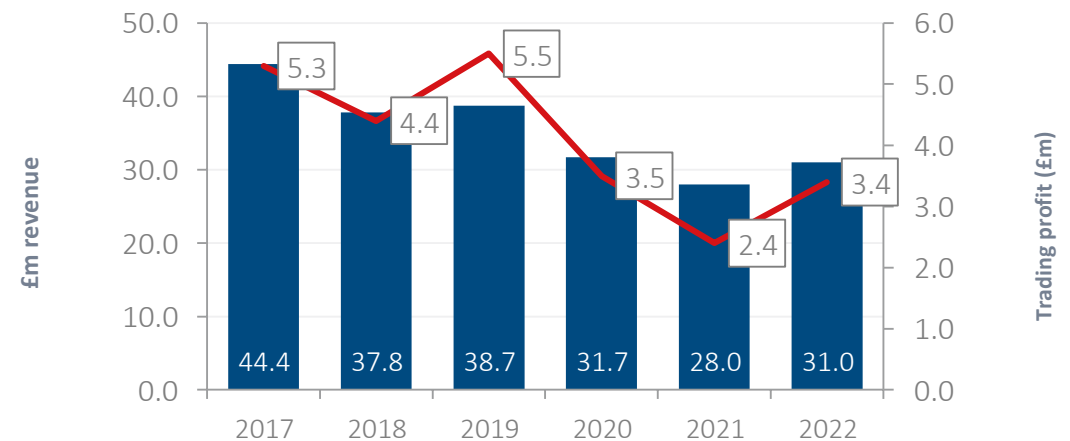
SEA delivers products and services into the defence and transport markets, alongside performing specialist research and providing services including training and product support.

SEA's engineering capabilities cover a wide range of maritime mission systems requirements including communications, ship and fleet protection via torpedo and decoy launching systems and anti-submarine warfare systems including towed-array sonar systems, infrastructure and training, for UK and export customers.

SEA also carries out technology research on behalf of the UK MOD into future maritime and soldier systems



Trading history





# NET CASH FLOW

*Year ended 30 April 2022*

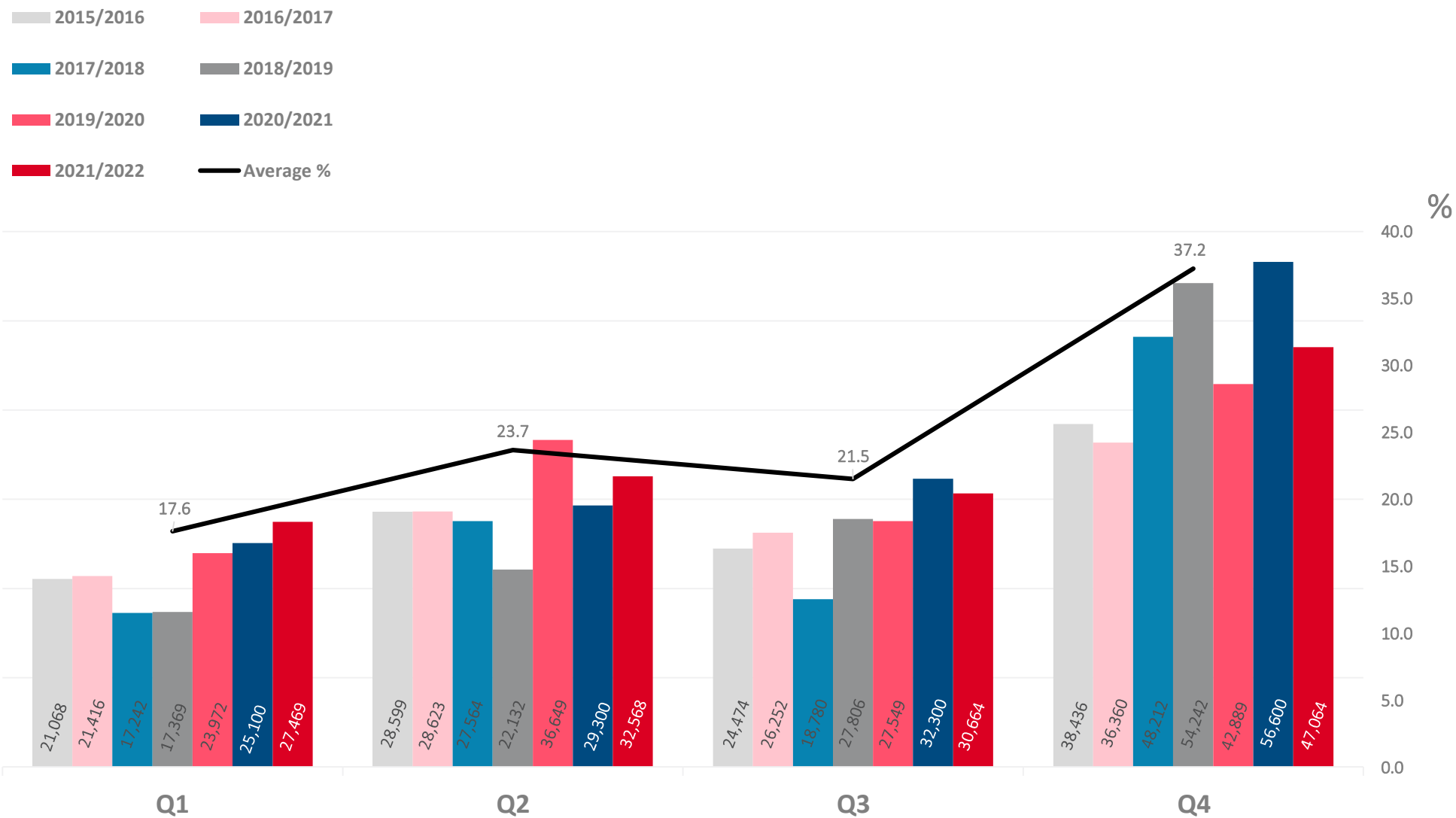
	<b>2022</b>	2021
	<b>£m</b>	£m
Adjusted operating profit	15.5	18.6
Working capital	4.2	(0.1)
Depreciation and share based payments	2.8	2.4
<b>Net funds inflow from operations</b>	<b>22.5</b>	<b>20.9</b>
Acquisition of ELAC	-	(1.3)
Exceptional items	(0.1)	(1.3)
Capital expenditure	(2.0)	(1.2)
Net purchase of own shares	(2.6)	(0.6)
Dividends	(4.7)	(4.3)
Other (including tax, interest and FX)	(4.6)	(5.0)
<b>Net funds inflow</b>	<b>8.5</b>	<b>1.7</b>
Opening net	2.5	(4.7)
<b>Closing net funds</b>	<b>11.0</b>	<b>2.5</b>

# EARNINGS PER SHARE

- 7.6% decrease in adjusted earnings per share from 16.7% reduction in adjusted operating profit
- Reconciled as follows:

	<i>Adjusted operating profit £m</i>	<i>Adjusted earnings per share Pence</i>
	<u>          </u>	<u>          </u>
2021	18.6	33.63
Chess (81.84% owned for the year)	(2.7)	(5.38)
EID (80% owned)	(4.0)	(7.78)
ELAC (full 12 months in 2022 vs 5 months in 2021)	2.6	6.37
100% owned businesses	1.0	2.99
Tax	-	1.48
Other (incl. dilution and interest)	-	(0.23)
<b>2022</b>	<b><u>15.5</u></b>	<b><u>31.08</u></b>

# QUARTERLY PROFILE OF GROUP REVENUE





# THANK YOU

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