

COHORT PLC

THE INDEPENDENT TECHNOLOGY GROUP

RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2022

Andrew Thomis & Simon Walther

14 December 2022



HIGHLIGHTS

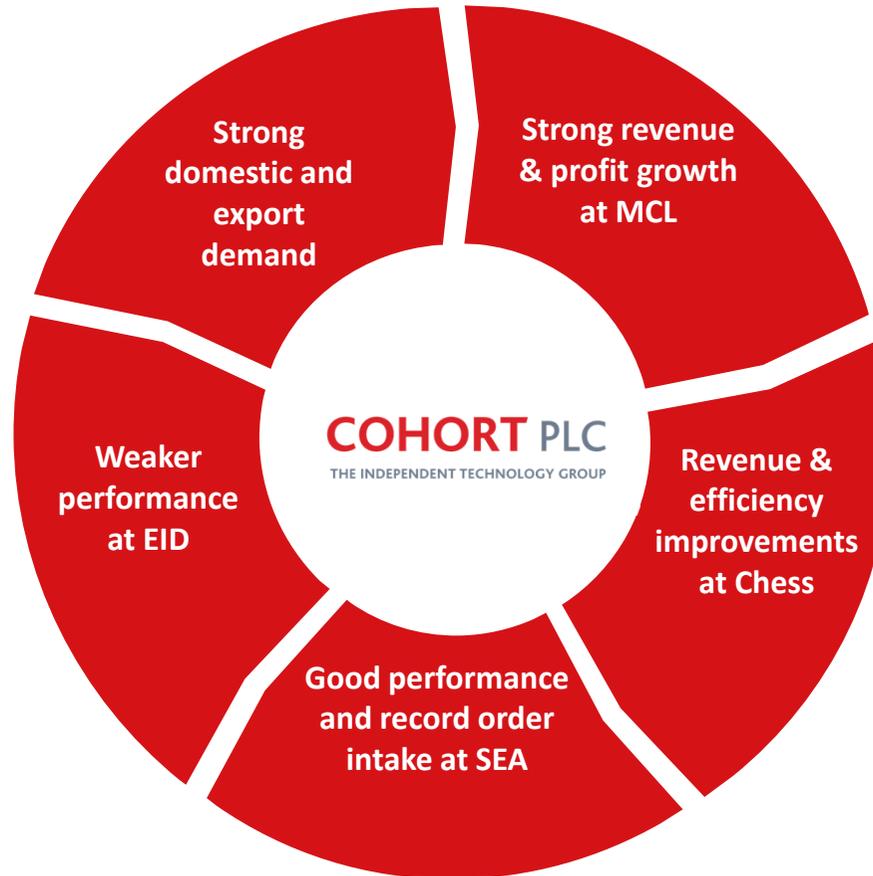
Andrew Thomis, Chief Executive



FINANCIAL HIGHLIGHTS

<p>Increased revenue & operating profit</p>	<p>Revenue</p> <p>£77.5m</p> <p>29% (2021: £60m)</p>	<p>Adjusted operating profit</p> <p>£5.0m</p> <p>194% (2021: £1.7m)</p>	<p>Adjusted EPS</p> <p>10.12p</p> <p>233% (2021: 3.04p)</p>
<p>Record order book out to 2032 & strong revenue cover</p>	<p>Order book</p> <p>£304.2m</p> <p>(30/4/21: £291.0m)</p>	<p>Order intake</p> <p>£88.6m</p> <p>(2021: £105.3m)</p>	<p>FY22/23 revenue cover</p> <p>95%</p> <p>(2021: 89%)</p>
<p>Dividend increased</p>	<p>Dividend growth</p> <p>10%</p> <p>(2021/22: 10%)</p>	<p>Interim dividend</p> <p>4.25p</p> <p>(H1 22 3.85p)</p>	<p>Net debt</p> <p>-£0.6m</p> <p>(30/4/21: +£6.1m)</p>

OPERATIONAL HIGHLIGHTS



A MUCH STRONGER FIRST HALF WITH A RECORD CLOSING ORDER BOOK

Higher UK MOD sales

Operational challenges
showing signs of
improvement

Opportunities from
complex market
dynamics

FINANCIAL & DIVISIONAL REVIEW

Simon Walther, Finance Director

COHORT PLC
THE INDEPENDENT TECHNOLOGY GROUP

Cohort plc Interim Results Presentation December 2022



DIVISIONAL HIGHLIGHTS



- Stronger H1
- Improved revenue & profit expected FY22/23

	2022/23	2021/22
Revenue:	£19.1m	/ £5.9m
Adj Op profit:	£0.3m	/ (£2.7m)
Order book:	£35.9m	/ £42.6m



- Weaker mix
- Order book underpins £13m H2 revenue

	2022/23	2021/22
Revenue:	£8.9m	/ £10.7m
Adj Op profit:	£0.9m	/ £1.5m
Order book:	£58.7m	/ £55.9m



- Very strong order intake
- Strong H2 expected with FY22/23 ahead of FY21/22

	2022/23	2021/22
Revenue:	£16.4m	/ £13.9m
Adj Op profit:	£1.2m	/ £1.2m
Order book:	£96.3m	/ £67.5m

DIVISIONAL HIGHLIGHTS



- Very strong H1
- Record order book, good opportunities pipeline

	2022/23	2021/22
Revenue:	£13.8m	/ £7.9m
Adj Op profit:	£2.2m	/ £0.5m
Order book:	£24.8m	/ £13.0m



- Weak H1 but stronger H2 expected
- FY22/23 expected to be weaker than FY21/22

	2022/23	2021/22
Revenue:	£2.0m	/ £2.6m
Adj Op profit/loss:	(£0.9m)	/ (£0.5m)
Order book:	£23.7m	/ £25.8m



- Improved operating profit - stronger mix of work
- Strong H2 expected with FY22/23 in line with FY21/22

	2022/23	2021/22
Revenue:	£17.3m	/ £19.1m
Adj Op profit:	£4.0m	/ £3.7m
Order book:	£64.8m	/ £81.1m

CASH FLOW

	£m
Opening net funds 1 May 2022	11.0
Adjusted operating profit	5.0
Working capital build	(9.9)
Operating cash flow	(4.9)
Tax/capex/dividends	(6.7)
Closing net debt at 31 October 2022	(0.6)

- **£7.6m net funds at 9 December 2022.** Expect net funds to be £4m-£5m at financial year end
- Chess earn out and minority now £1.0m (2021: £2.8m), paid on 30 November 2022

OUTLOOK

Andrew Thomis, Chief Executive



POSITIVE MEDIUM-TERM OUTLOOK FOR GROWTH

Big Picture

- Continuing geopolitical situation in Europe
- International tensions in Asia-Pacific region

Domestic markets

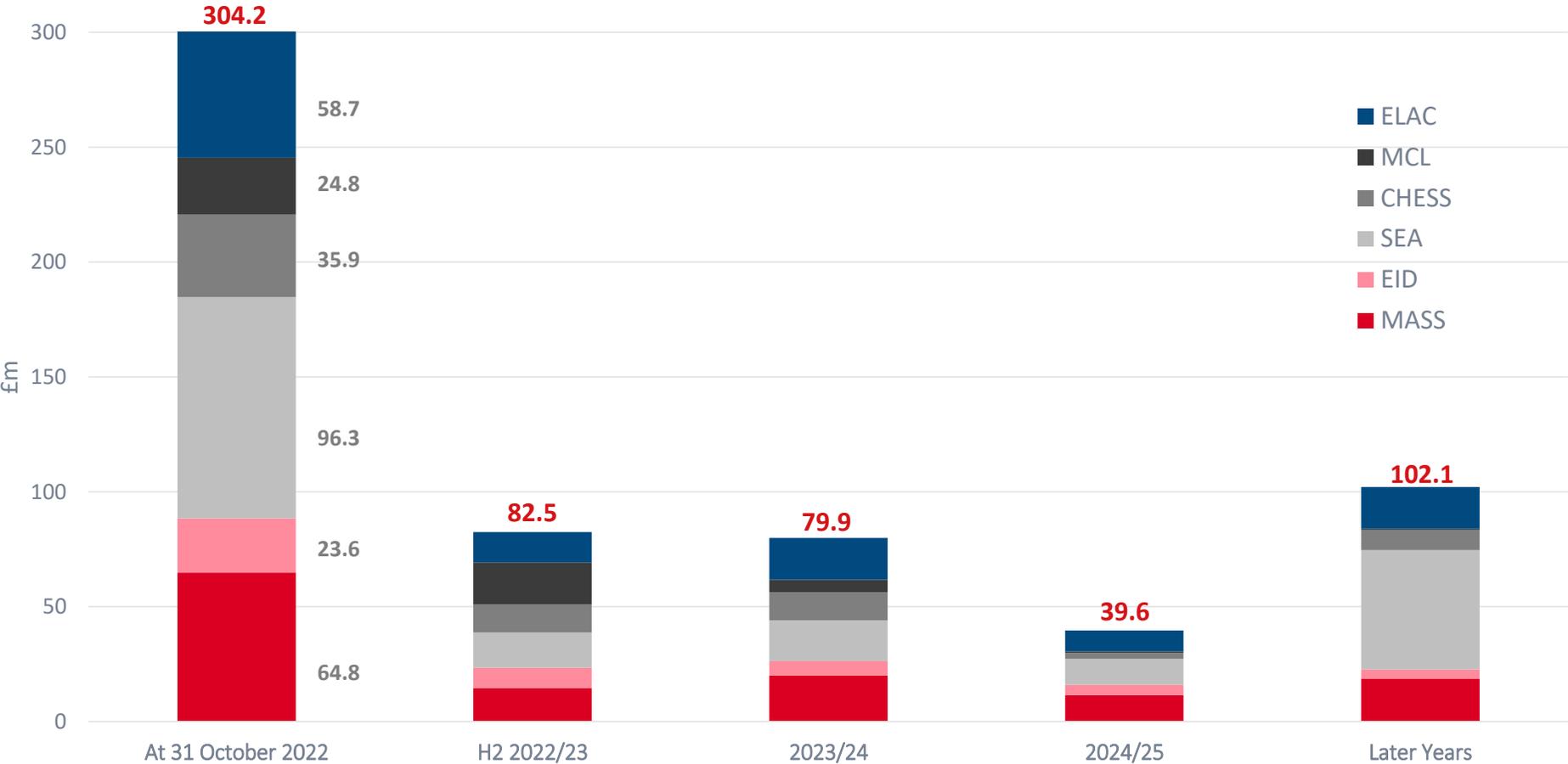
- UK defence and security mini-spending review expected Q1 2023
- Increased opportunities in Portugal
- Growing orders from German domestic market

Export markets

- Other NATO countries
- Asia and Australasia



RECORD ORDER BOOK OUT TO 2032



GOOD UNDERPINNING FOR COMING YEAR

Order book

	31 October 2022 £m	To be delivered 2022/23 £m	31 October 2021 £m	Last year's to be delivered £m
Chess	35.9	12.2	42.6	15.3
EID	23.7	8.8	25.8	7.4
ELAC	58.7	13.3	55.9	10.8
MASS	64.8	14.6	81.1	15.7
MCL	24.8	18.3	13.0	11.0
SEA	96.3	15.3	67.5	14.2
	304.2	82.5	285.9	74.4

- Strong order cover at MCL in particular
- Overall, over 95% of consensus external full year revenue on order (89% last year) at 31 October 2022
- Good prospects of further large orders in 2023

SUMMARY & OUTLOOK

Significantly improved revenue, profit and EPS in H1

Interim dividend increased by 10%

Strong order cover for return to growth in 2022/23 – expectations maintained

Record long-term order book reflects positive market developments

Pipeline of opportunities supports further growth in 2023/24 and beyond

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

COHORT PLC
THE INDEPENDENT TECHNOLOGY GROUP



APPENDIX



COHORT BUSINESS MODEL

- 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

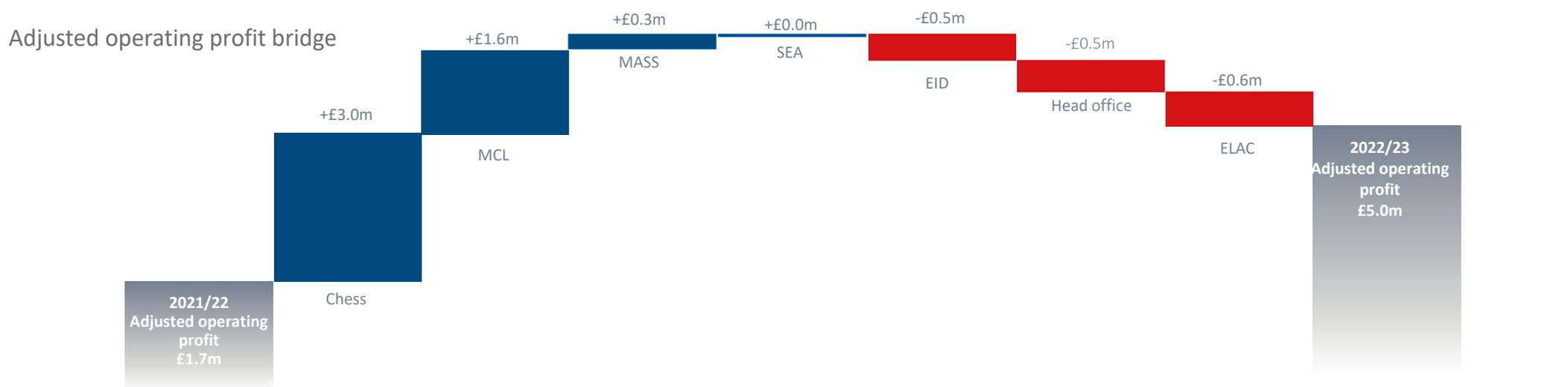
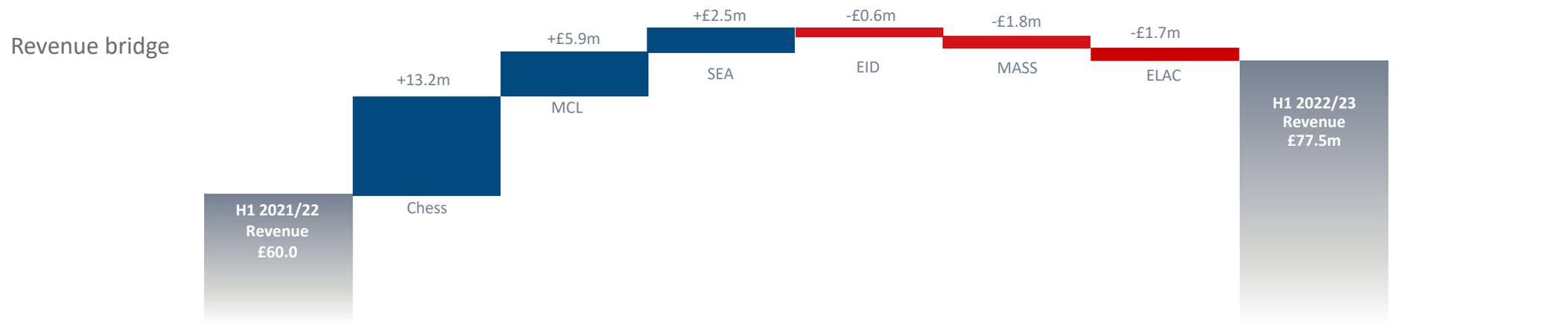


ACQUISITION TRACK RECORD

- 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: 81.84% Chess acquired for £20.1m (100% acquired 2022). Final price £21.1m
- 2020: Wärtsilä ELAC Nautik GmbH acquired for €11.25m



REVENUE & PROFIT BRIDGE



NET FUNDS BRIDGE





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:

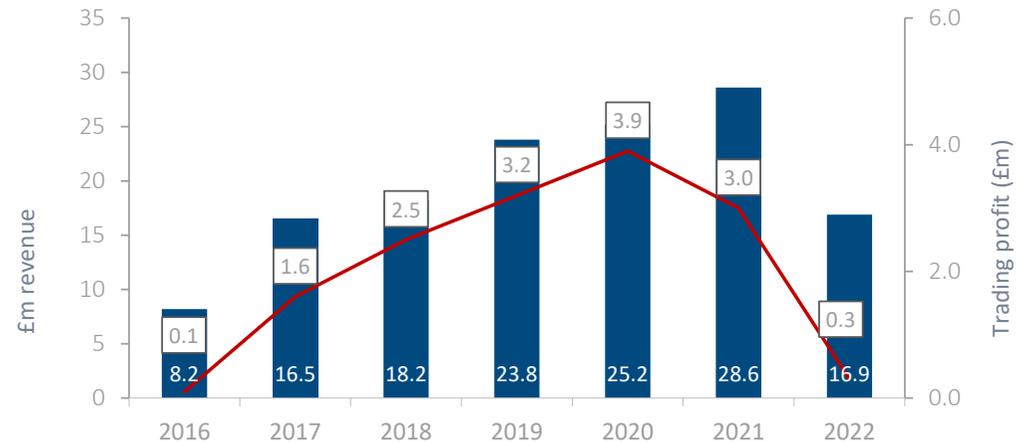
Fire control, surveillance & tracking systems

Counter UAV:

Counter UAV systems for military & civilian applications



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



CHESS HIGHLIGHTS



	H1 23	H1 22
Revenue (£m)	19.1	5.9
Operating profit (£m)	0.3	(2.7)
Operating margin	1.6%	(45.8%)

- Stronger first half, but weaker mix of revenue
- Improved cash performance
- Management team making significant improvements
- Stronger revenue and improved profit expected for full year





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.

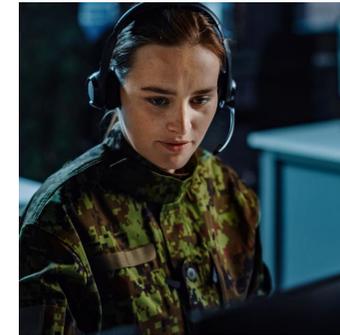
The company's focus is the design, manufacture, delivery and support of advanced high-performance 3C equipment for the global defence markets.

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



EID HIGHLIGHTS



	H1 23	H1 22
Revenue (£m)	2.0	2.6
Operating profit (£m)	(0.9)	(0.5)
Operating margin	(45.0%)	(19.2%)

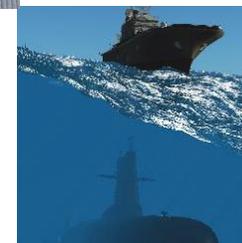
- Disappointing first half
- Key order from Portuguese Navy further delayed - expected in 2023
- Closing order book underpins £13m of H2 2022/23 revenue
- Not expected to recover until 2023/24



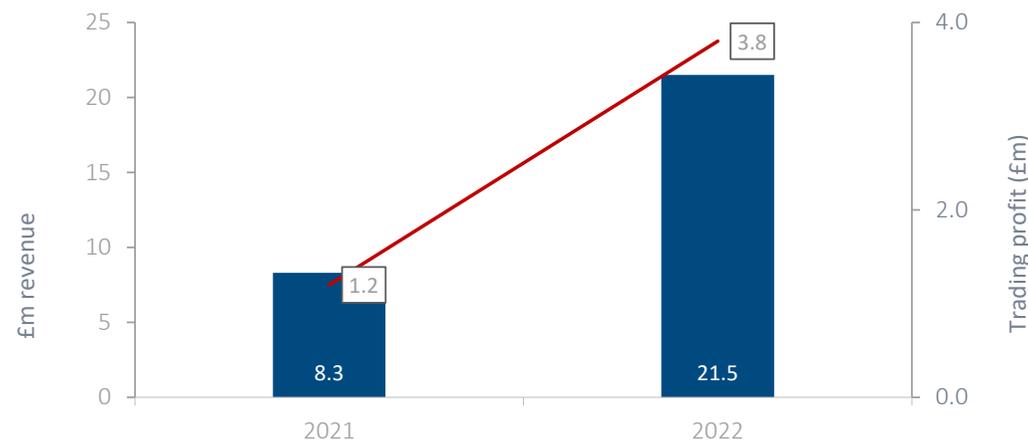


ELAC SONAR is an innovative German company supplying global navies with advanced sonar systems and underwater communications, located in Kiel Germany.

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

ELAC HIGHLIGHTS

	H1 23	H1 22
Revenue (£m)	8.9	10.7
Operating profit (£m)	0.9	1.5
Operating margin	10.1%	14.0%

- Weaker mix first half
- Some delays in Government export approvals, expected to ease 2023
- Order coverage >90% for 2022/23
- H1 2022/23 saw conclusion of adjustment mechanism from Wartsila of £0.4m profit
- Overall performance for year will be behind 2021/22





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)

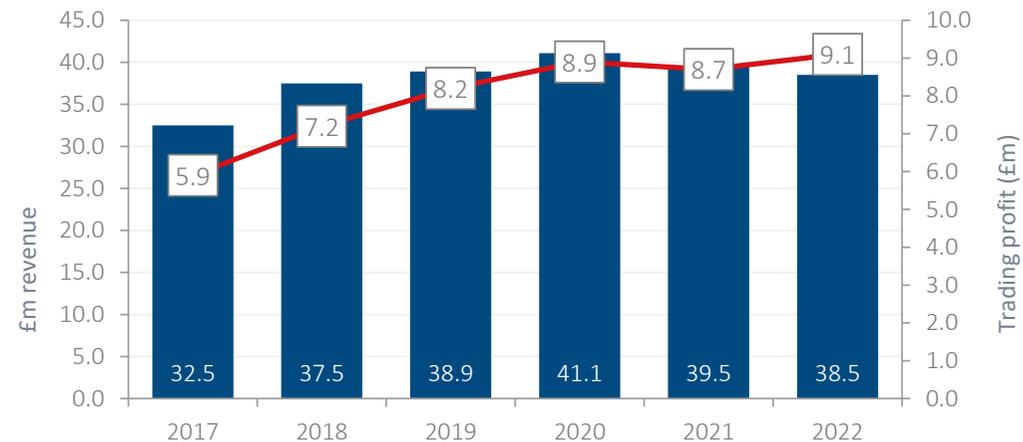
Strategic Systems

Digital Services

Training Support



Trading History



MASS HIGHLIGHTS



	H1 23	H1 22
Revenue (£m)	17.3	19.1
Operating profit (£m)	4.0	3.7
Operating margin	23.1%	19.4%

- Improved operating profit from stronger mix of work, despite fall in revenue
- Delivery constraints from Covid-19 and redeployment of customer budgets due to geo-political situation
- Well positioned to take advantage of medium term opportunities for EW
- Expect stronger second half and overall performance in line with last year





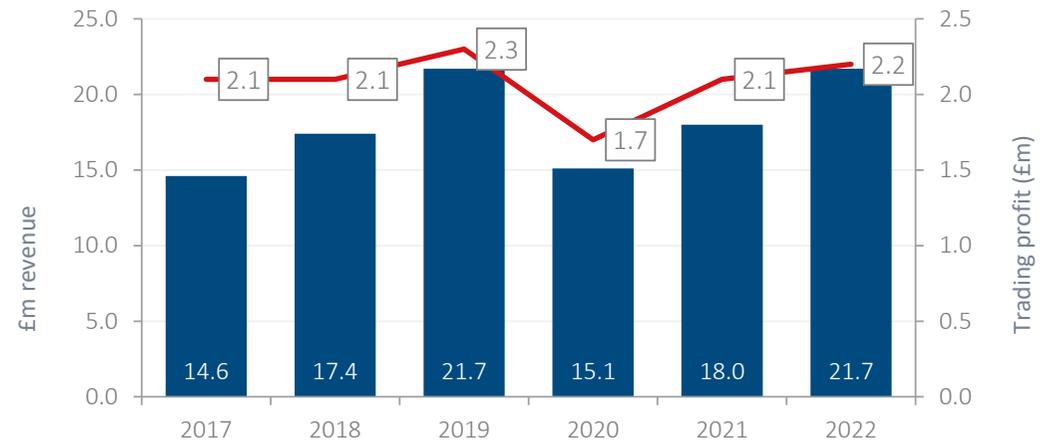
Marlborough Communications Limited (MCL) is a leading supplier of advanced electronic communications, information systems and signals intelligence technology to the defence and security sectors.

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



MCL HIGHLIGHTS



	H1 23	H1 22
Revenue (£m)	13.8	7.9
Operating profit (£m)	2.2	0.5
Operating margin	15.9%	6.3%

- Very strong H1
- Greater activity in supplying equipment to UK MOD
- Record order book of £24.8m and good pipeline of opportunities
- High tempo of activity with UK MOD continues
- Working on securing significant contracts with Royal Navy

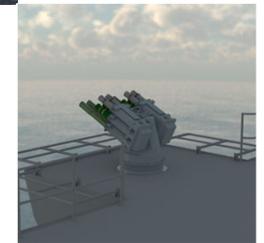




SEA delivers products and services into the defence and transport markets, alongside performing specialist research and providing services including training and product support.

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



SEA HIGHLIGHTS



	H1 23	H1 22
Revenue (£m)	16.4	13.9
Operating profit (£m)	1.2	1.2
Operating margin	7.3%	8.6%

- Very strong order intake including key five-year order from UK Royal Navy
- Pipeline from domestic and export remains robust
- Expect stronger second half and delivering full year performance ahead of 2021/22



NET CASH FLOW

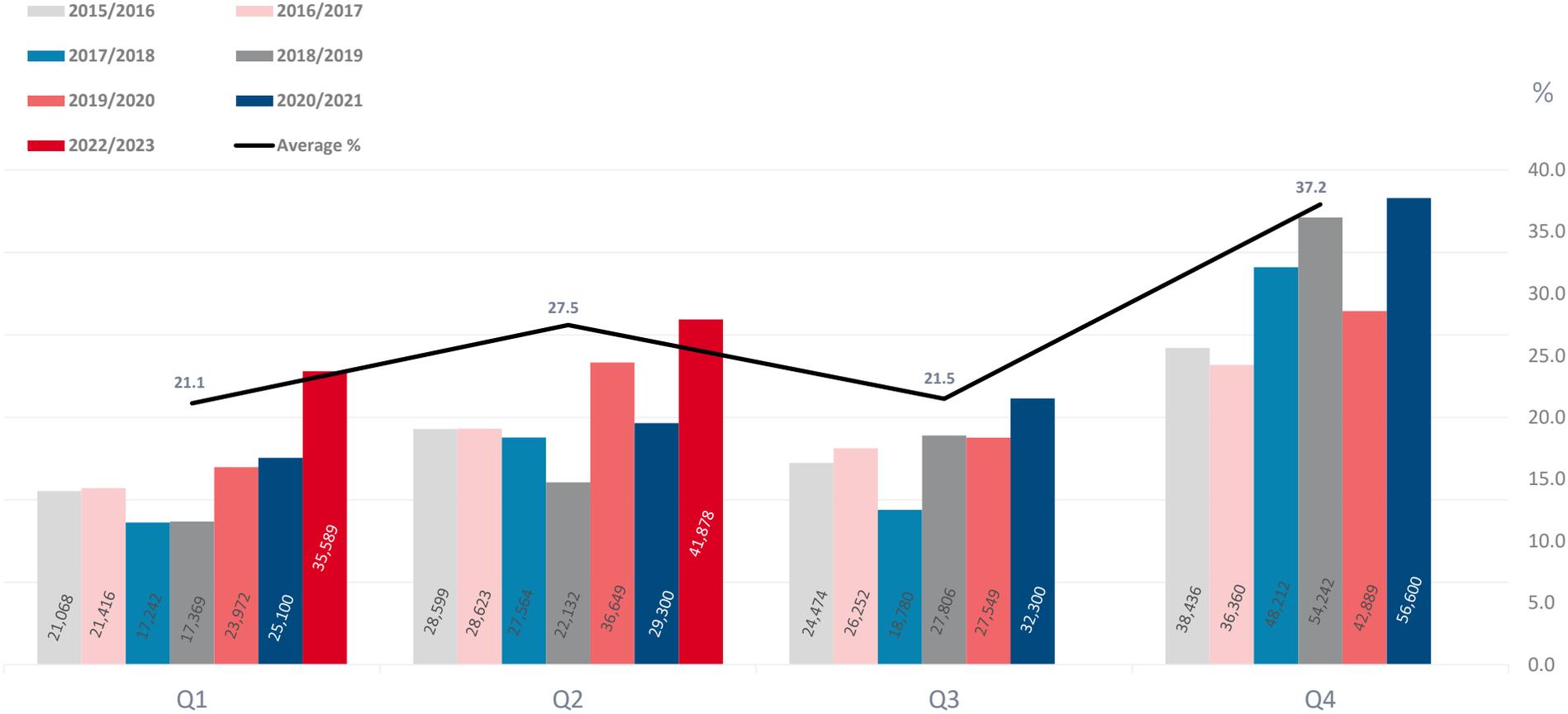
<i>Half Year ended 31 October</i>	2022	2021
	£m	£m
Adjusted operating profit	5.0	1.7
Working capital	(12.6)	4.3
Depreciation and share based payments	2.4	2.3
Net funds inflow from operations	(5.2)	8.3
Acquisition of JSK	-	(0.4)
Capital expenditure	(2.6)	(0.6)
Net purchase of own shares	0.1	(0.4)
Dividends	(3.4)	(3.1)
Other (including tax, interest and FX)	(0.5)	(0.2)
Net funds inflow	(11.6)	3.6
Opening net	11.0	2.5
Closing net funds	(0.6)	6.1

EARNINGS PER SHARE

- 232.9% increase in adjusted earnings per share from 194.1% increase in adjusted operating profit
- Reconciled as follows:

	<i>Adjusted operating profit £m</i>	<i>Adjusted earnings per share Pence</i>
2021 October	1.7	3.04
Chess (81.84% owned)	3.0	6.05
EID (80% owned)	(0.5)	(0.98)
ELAC	(0.6)	(1.48)
100% owned UK businesses	1.4	3.45
Tax	-	(0.98)
Other (incl. dilution and interest)	-	1.02
2022 October	5.0	10.12

QUARTERLY PROFILE OF GROUP REVENUE



THANK YOU

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