

COHORT PLC

THE INDEPENDENT TECHNOLOGY GROUP

RESULTS FOR THE YEAR ENDED 30 APRIL 2023

Andrew Thomis & Simon Walther

19 July 2023




HIGHLIGHTS

*Record operating profit, revenue and order book.
Further progress expected*

Andrew Thomis, Chief Executive



FINANCIAL HIGHLIGHTS

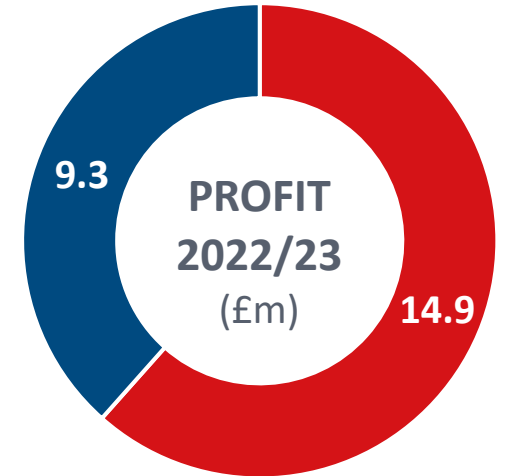
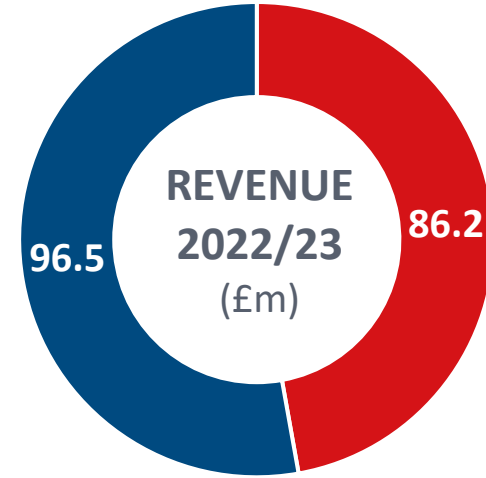
 Record revenue and profit	REVENUE £182.7m 33% (2022: £137.8m)	ADJUSTED OPERATING PROFIT £19.1m 23% (2022: £15.5m)	ADJUSTED EPS 36.48p 17% (2022: 31.08p)
 Record order intake and order book	ORDER INTAKE £220.9m (2022: £186.4m)	ORDER BOOK £329.1m (30/4/22: £291.0m)	REVENUE COVER 80% (2022: 78%)
 Stronger net funds, robust cash generation, record dividend	OPERATING CASH FLOW +£16.5m (2022 : +£19.5m)	NET FUNDS £15.6m (30/4/22: £11.0m)	TOTAL DIVIDEND +10% 13.4p

NEW REPORTING DIVISIONS: CLEARER AND SIMPLER

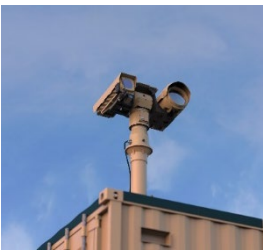
Communications and Intelligence



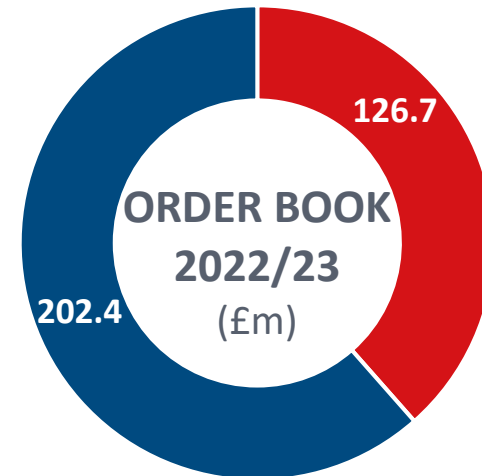
- EID
- MASS
- MCL



Sensors and Effectors

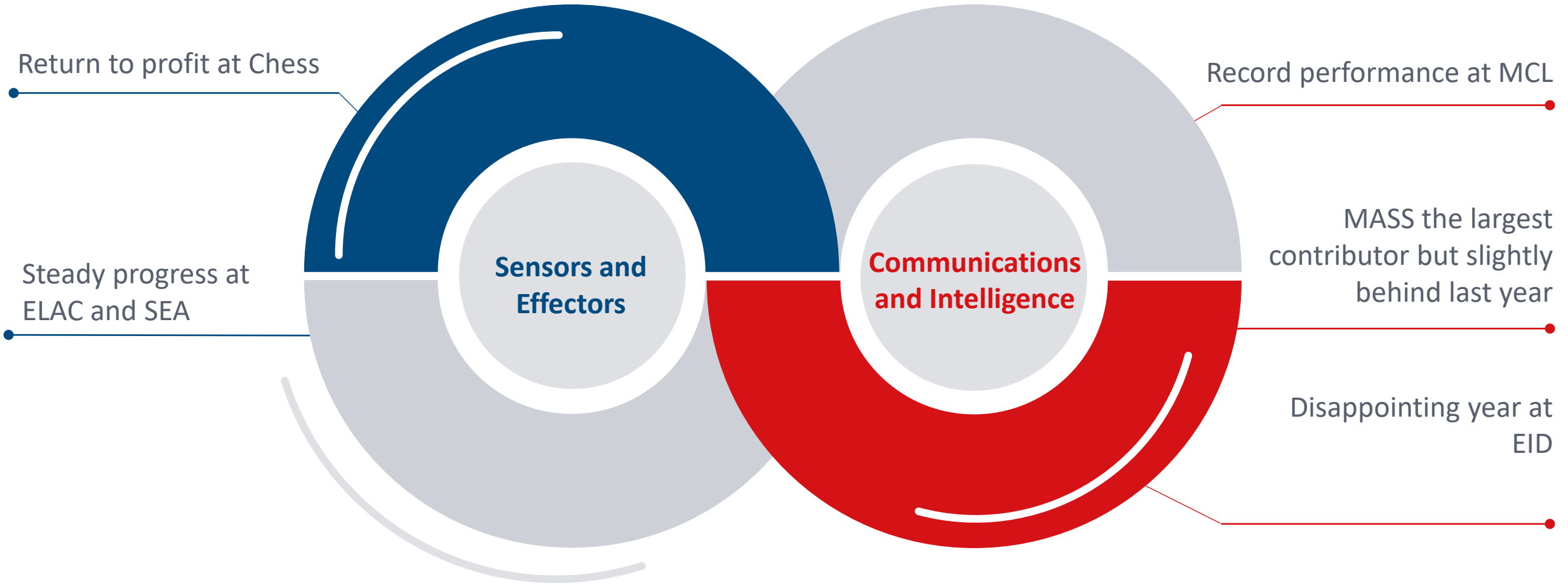


- CHESS
- ELAC SONAR
- SEA



- Communications and Intelligence
- Sensors and Effectors

OPERATIONAL HIGHLIGHTS



FINANCIAL REVIEW

Simon Walther, Finance Director



INCOME STATEMENT

Year ended 30 April 2023

	2023		2022	Variance
	£m		£m	%
Revenue	182.7		137.8	32.6%
Gross profit	65.0	35.6%	54.9	39.8%
Overhead	(45.9)		(39.4)	
Adjusted operating profit	19.1		15.5	23.2%

KEY NOTES

- Record trading performance
- Gross margin % lower due to change in mix
- Gross margin expected to recover to near to historical levels in the coming year

COMMUNICATIONS AND INTELLIGENCE comprising EID, MASS and MCL

	2022/23	2021/22
Revenue (£m)	86.2	68.4
Adjusted operating profit (£m)	14.9	12.3
Operating margin	17.3%	18.0%

KEY NOTES

- Strong performance from the Communications and Intelligence division, driven by significant uplift in UK MOD activity at MCL
- EID faced delays and some slippage of work into 2023/24 due to procurement delays, small operating loss a drag on the net margin
- Satisfactory start to 2023/24 with 68% order cover
- Expect 2023/24 performance at a similar level to 2022/23



EID 

MASS 

MCL 

SENSORS AND EFFECTORS

Comprising Chess Dynamics, ELAC Sonar and SEA

	2022/23	2021/22
Revenue (£m)	96.5	69.4
Operating profit (£m)	9.3	7.5
Operating margin	9.6%	10.8%

KEY NOTES

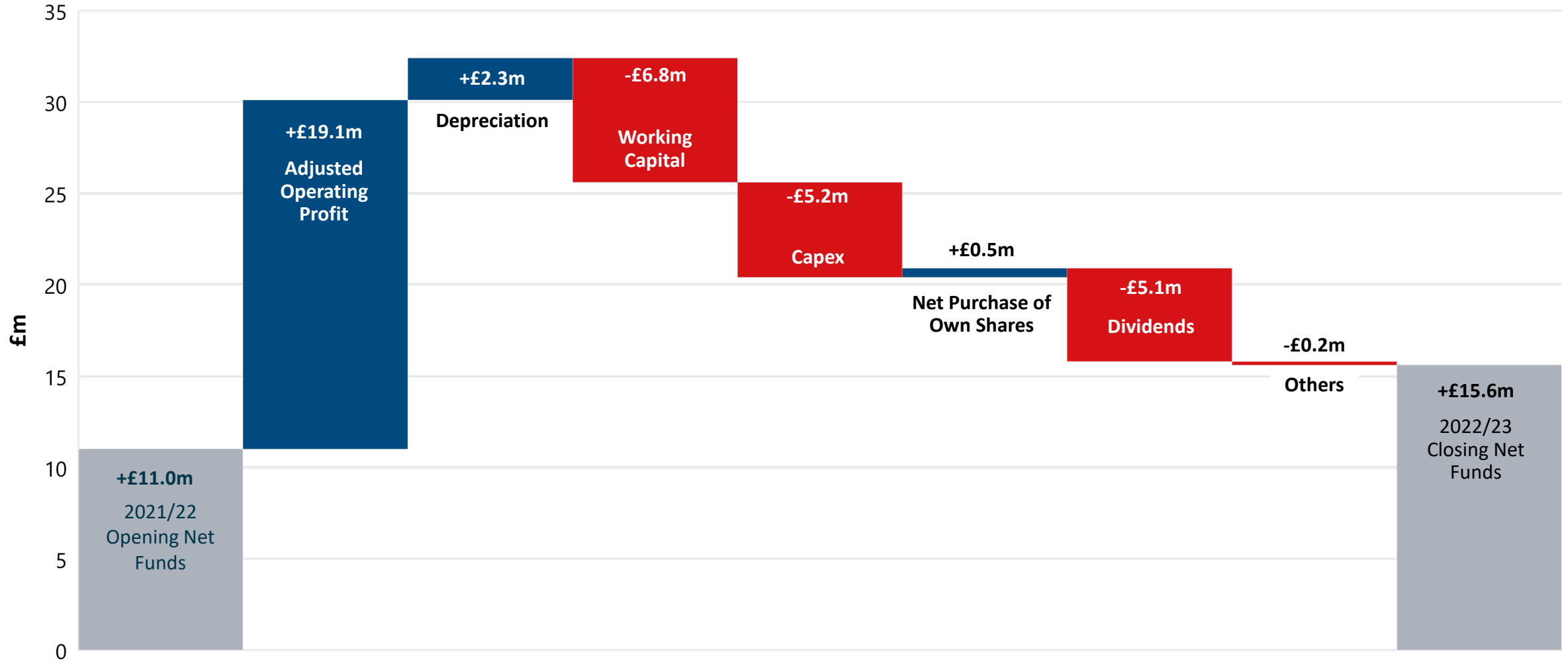
- Sensors and Effectors performed well, with Chess delivering an improved performance
- ELAC began work on new facility to enhance efficiency and capacity. Expect to commence operations there in 2025
- Strong closing order book underpins 91% of 2023/24 consensus revenue
- Expect growth in 2023/24 with recent wins and good prospects to expand order book in UK and export markets

CHES 

ELAC 
SONAR

SEA 

NET FUNDS BRIDGE



OUTLOOK

Andrew Thomis, Chief Executive



ENCOURAGING OUTLOOK FOR GROWTH

Big picture

Continued conflict in Central/Eastern Europe
SE Asia/Indo Pacific allies facing increased security challenge



Domestic markets

UK focused on security challenges from China and Russia
Step change in defence spend in Germany
Major projects finally underway in Portugal



Export markets

New and existing NATO members reacting to Ukraine crisis
Asia and Australasia naval markets strong

INVESTING IN TECHNOLOGY FOR GROWTH

2022/23 spend maintained at over £11m

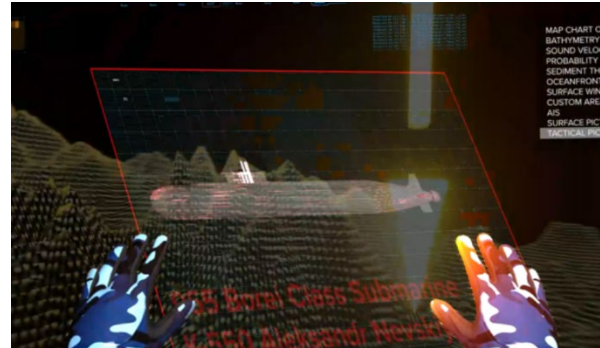
Dismounted Soldier System Integrator

Advanced video target tracking

Multi Environment Display

Underwater spread spectrum acoustic communications

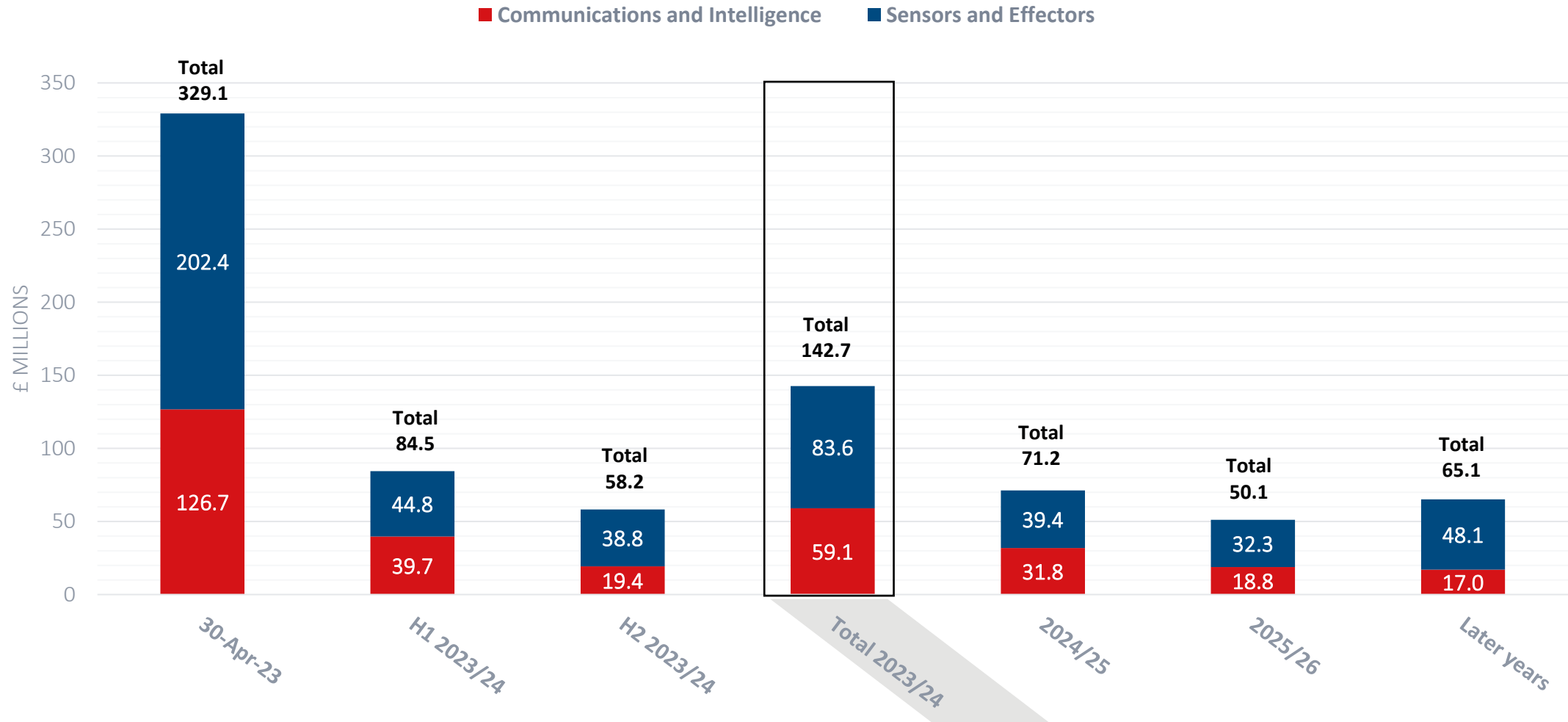
Active strategy for value-adding acquisitions



Well positioned to meet current and evolving customer requirements

RECORD ORDER BOOK

Delivery of the Group's order book into revenue



GOOD UNDERPINNING FOR COMING YEAR

ORDER BOOK	30 April 2023 £m	To be delivered 2023/24 £m	30 April 2022 £m	Last year's to be delivered £m
Communications and Intelligence	126.7	59.1	118.4	58.5
Sensors and Effectors	202.4	83.6	172.6	69.2
	329.1	142.7	291.0	127.7

KEY NOTES

- Order book at end June grown to £360m
- 90% of 2023/24 consensus revenue forecast now on order

OUTLOOK & SUMMARY





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

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

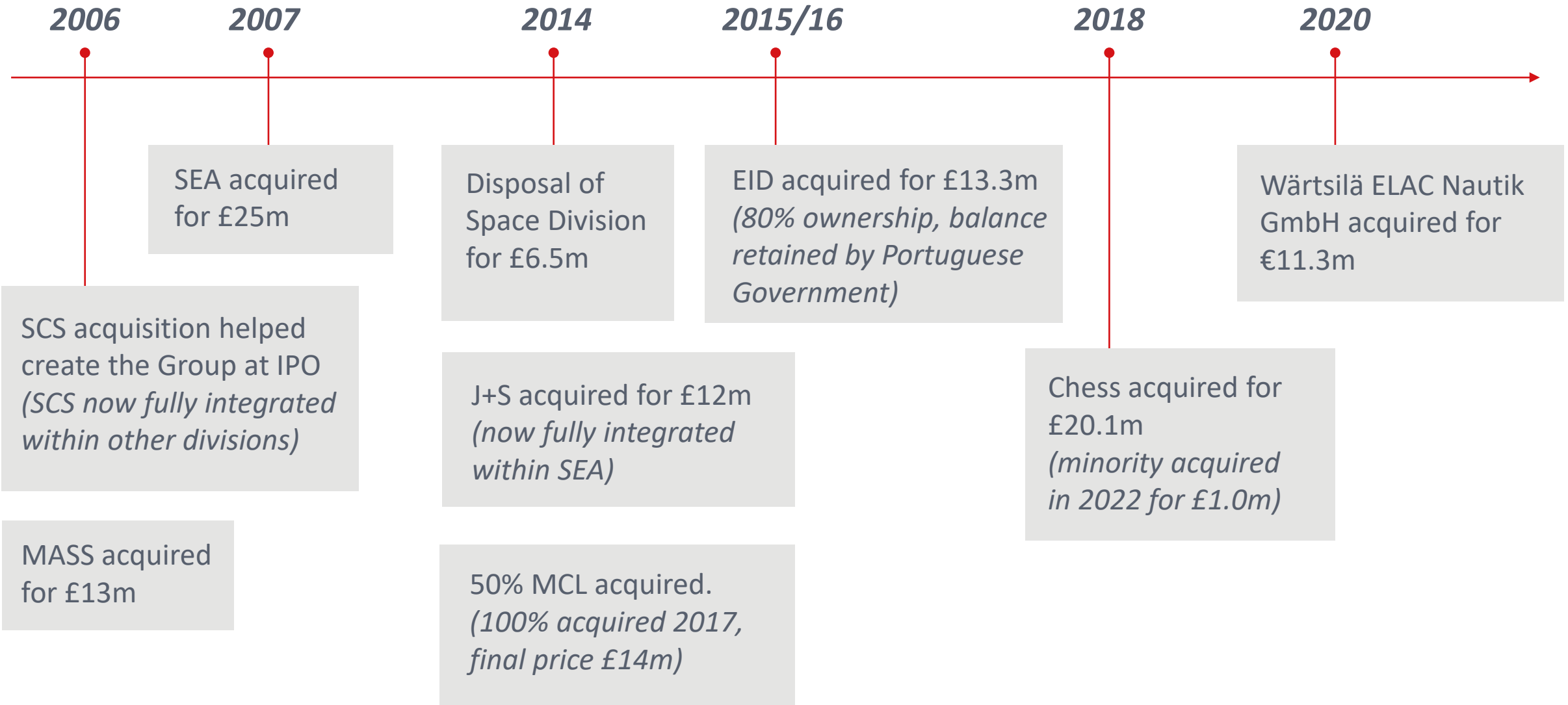


Bolt-in acquisitions

- To be integrated with an existing group business
- Closely-linked capabilities and/or customer relationships

Disciplined and cautious approach – experienced team

ACQUISITION TRACK RECORD

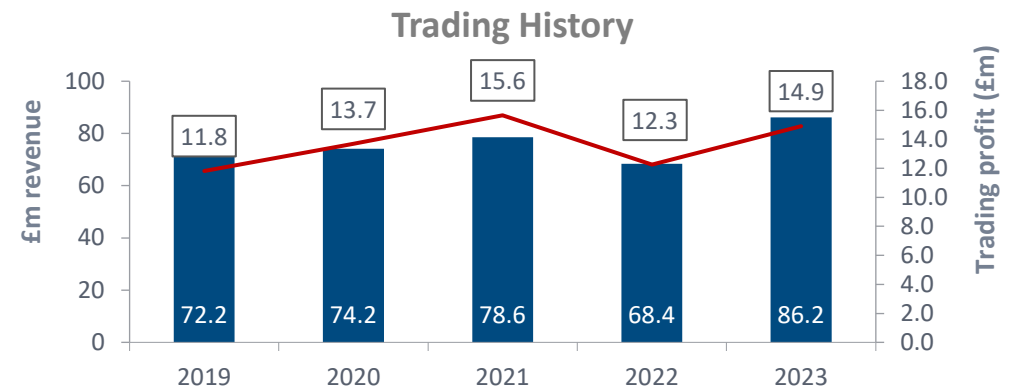


Communications and Intelligence

The Communication and Intelligence division brings together three of our businesses which have a focus on communications systems, intelligence gathering and analysis, including electronic warfare for mainly defence and security customers. This they provide through both product, system development and supply, and services, including training.



- EID combines a low cost-base by international standards with access to Portugal's extremely strong technical education system. This has allowed it to develop high-performance low-cost defence communications products that can win business in a highly competitive marketplace.
- MASS benefits from an extremely high customer reputation, rare or unique technical capabilities and experience at building long-lasting customer relationships. Much of its revenue derives from long-term service contracts, and it aims gradually to add more of these building-blocks to its revenue stream.
- MCL has a unique business model, combining a small but innovative engineering team with a wide range of international partnerships to provide highly specialised equipment and services to the UK's armed forces and security services.

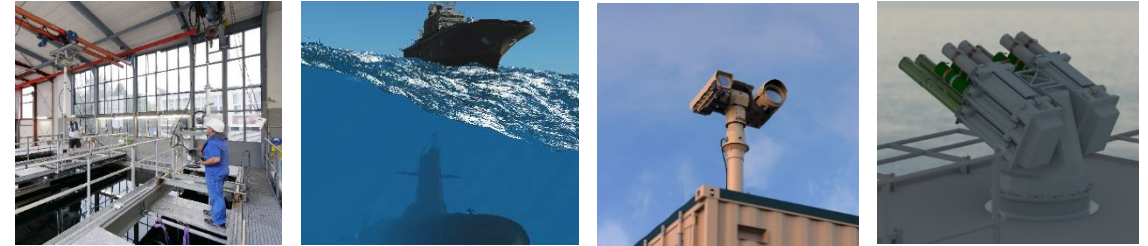


Sensors and Effectors

The Sensors and Effectors division brings together three of our businesses with a focus on technology products and systems which enable our customers, primarily in the naval and land domain to detect, acquire, track and respond to threats, whether land, air or sea based.



- Chess makes use of its innovative engineers, customer-focused culture and freedom to source sensors from the best international providers to win business against more vertically-integrated larger competitors.
- ELAC, the newest member of the Group, has built on almost a century of hydro-acoustic knowledge to create a new architecture for sonar systems on a scale that only a few international providers can match. Its systems combine world-class performance with an ability for customers to tailor analysis techniques and data libraries to their own specific needs.
- SEA has used its close long-term relationship with the Royal Navy to build confidence with that important customer, which in turn creates a strong platform for export orders. It is also investing in new technologies where there is an opportunity to build a strong competitive position, for instance in lightweight towed-array sonars and, alongside Chess, decoy launchers.



NET CASH FLOW

Year ended 30 April 2022

	2023	2022
	£m	£m
Adjusted operating profit	19.1	15.5
Working capital	(6.8)	4.2
Depreciation and share based payments	3.6	2.8
Net funds inflow from operations	15.9	22.5
Acquisition of Chess Minority	(1.0)	-
Exceptional items	-	(0.1)
Capital expenditure	(5.2)	(2.0)
Net sale/(purchase) of own shares	0.5	(2.6)
Dividends	(5.1)	(4.7)
Other (including tax, interest and FX)	(0.5)	(4.6)
Net funds inflow	4.6	8.5
Opening net	11.0	2.5
Closing net funds	15.6	11.0

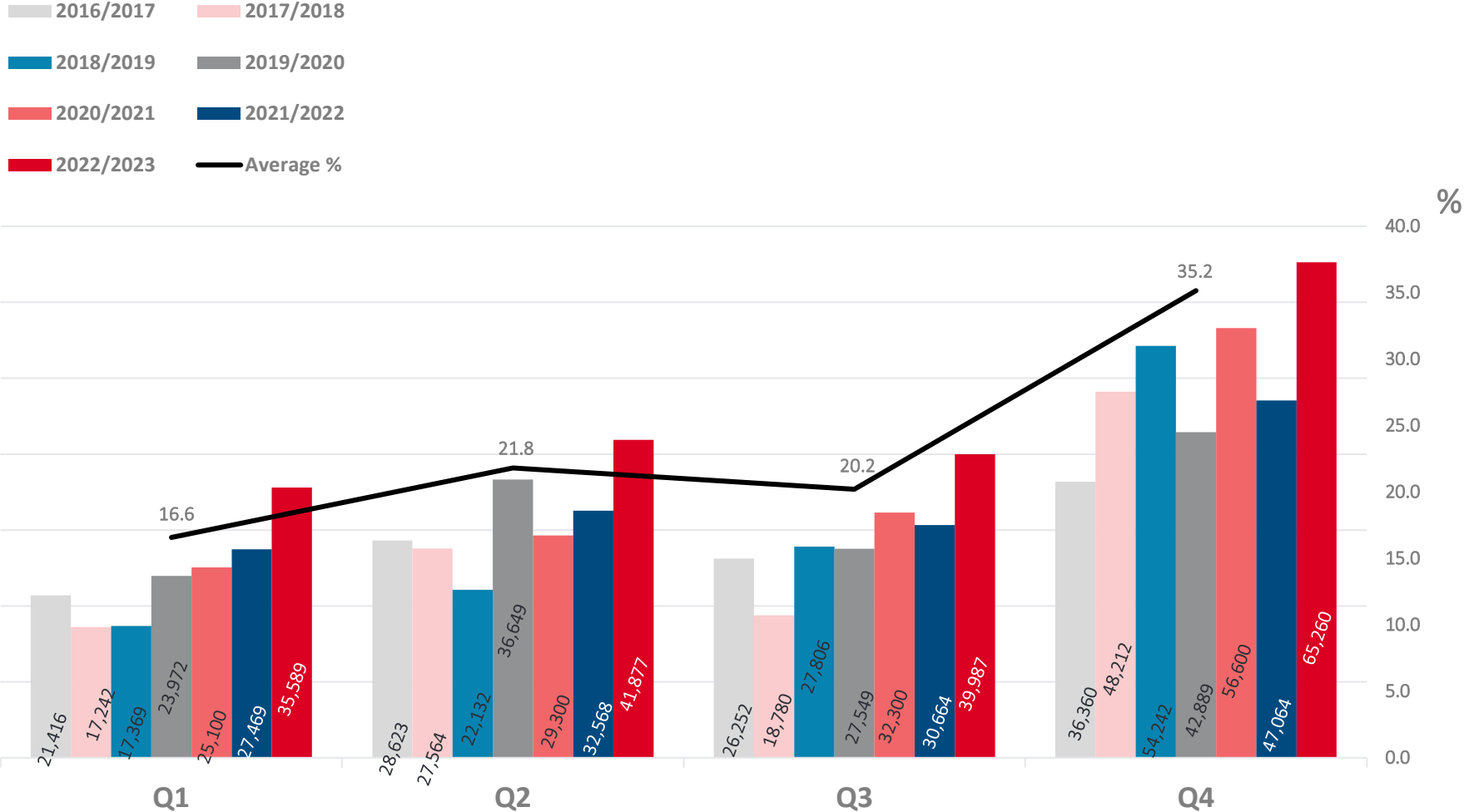
EARNINGS PER SHARE

- 17% increase in adjusted earnings per share from 23% growth in adjusted operating profit

Reconciled as follows:

	<i>Adjusted operating profit</i> £m	<i>Adjusted earnings per share</i> Pence
2022	15.5	31.08
100% owned businesses throughout the year	4.6	9.10
Impact of businesses with minority holding	(1.0)	(1.70)
Tax	-	(0.61)
Other (incl. dilution and interest)	-	(1.39)
2023	19.1	36.48

QUARTERLY PROFILE OF GROUP REVENUE



THANK YOU

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