

COHORT PLC

THE INDEPENDENT TECHNOLOGY GROUP

Applying advanced technology to **protect and secure**

**Half Year Results
for the six months ended 31 October 2023**

Andrew Thomis & Simon Walther

13 December 2023

HIGHLIGHTS

*Strong growth in operating profit, revenue and order book.
Further progress expected.*

Andrew Thomis, Chief Executive



GROUP: FINANCIAL HIGHLIGHTS



Strong growth in revenue and profit

REVENUE

£94.3m

22%
(2022: £77.5m)

ADJUSTED OPERATING PROFIT

£6.0m

20%
(2022: £5.0m)

ADJUSTED EPS

10.36p

2.4%
(2022: 10.12p)



Record closing order book, visibility out to 2033, more to come in pipeline

ORDER INTAKE

£119.1m

(2022: £88.6m)

ORDER BOOK

£353.9m

(30 Apr 23: £329.1m)

REVENUE COVER

+95%

(2022: +95%)



Robust net funds and operating cash, increased dividend

OPERATING CASH FLOW

+£7.6m

(2022 : -£5.8m)

NET FUNDS

£13.3m

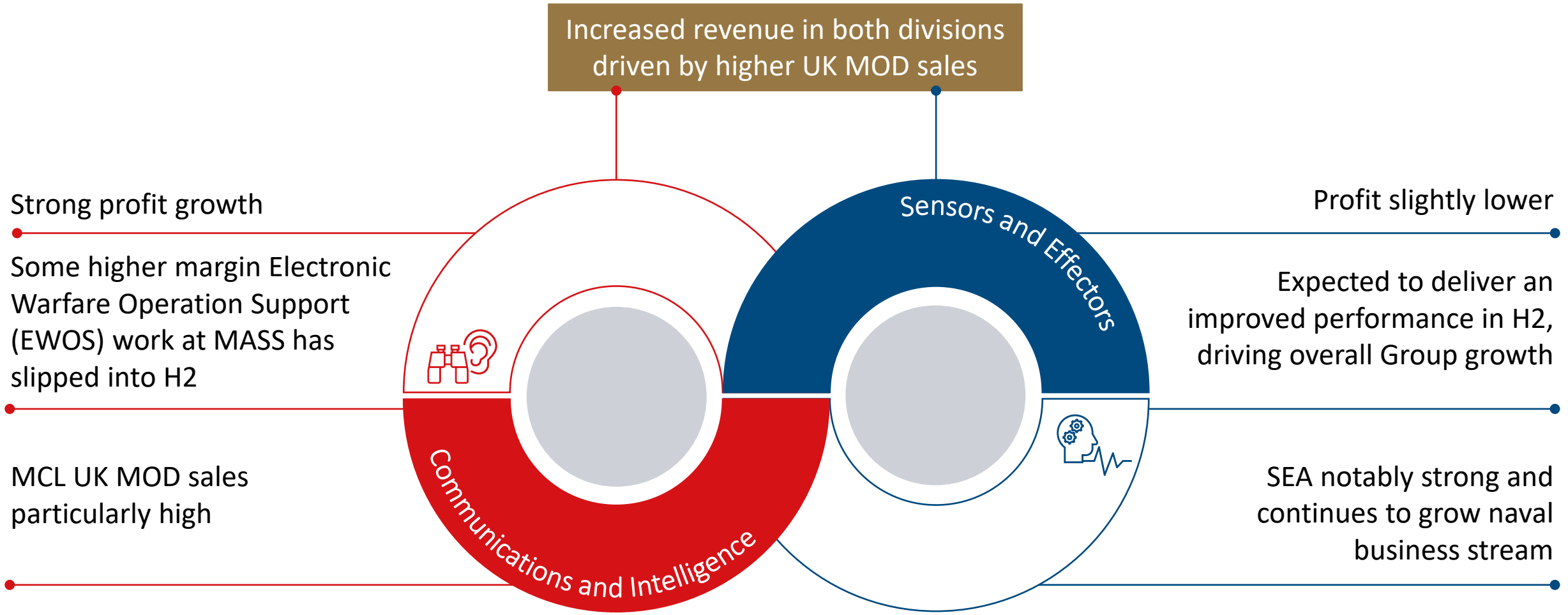
(31 Oct 22: £0.6m net debt)

INTERIM DIVIDEND

+10%

4.70p

OPERATIONAL HIGHLIGHTS



FINANCIAL REVIEW

Simon Walther, Finance Director



INCOME STATEMENT

	Six months ended 31 Oct 2023 £m		Six months ended 31 Oct 2022 £m		Variance %
Revenue	94.3		77.5		21.7%
Gross profit	31.2	33.1%	25.9	33.4%	
Overhead	(25.2)		(20.9)		
Adjusted operating profit	6.0		5.0		20.0%

KEY NOTES

- Record first half trading performance
- Increase in overhead reflects continued investment in people and R&D for growth – headcount increased by 168 year on year

NET FUNDS FLOW

	Six months ended 31 Oct 2023	Six months ended 31 Oct 2022
	£m	£m
Adjusted operating profit	6.0	5.0
Working capital, depreciation	3.2	(10.9)
Net funds inflow/(outflow) from operations	9.2	(5.9)
Capital expenditure	(2.7)	(2.6)
Net (purchase)/sale of own shares	(1.7)	0.7
Dividends	(3.7)	(3.4)
Other (including tax, interest and FX)	(3.4)	(0.4)
Net funds outflow	(2.3)	(11.6)
Opening net funds	15.6	11.0
Closing net funds/(debt)	13.3	(0.6)

KEY NOTES

- Stronger working capital inflow due to customer advances. Will unwind in H2 and next year
- Expect higher capex in H2 as ELAC facility construction starts – aim to finish June 2025

EARNINGS PER SHARE

- 2% increase in adjusted earnings per share from 20% growth in adjusted operating profit

Reconciled as follows:

	Adjusted operating profit £m	Adjusted earnings per share Pence
Six months ended 31 Oct 2022	5.0	10.12
100% owned businesses throughout the year	0.7	1.40
Impact of businesses with minority holding	0.3	0.48
Tax (20% vs 17%)	-	(0.82)
Other (mostly net interest charge)	-	(0.82)
Six months ended 31 Oct 2023	6.0	10.36

COMMUNICATIONS AND INTELLIGENCE

	Six months ended 31 Oct 2023	Six months ended 31 Oct 2022
Revenue (£m)	43.9	33.2
Adjusted operating profit (£m)	6.0	5.2
Operating margin	13.7%	15.7%

KEY NOTES

- Strong first half performance from the Communications and Intelligence division
- Higher margin deliveries at MASS to be delivered in H2, explaining weaker margin in H1
- Expect full year 2023/24 performance at a similar level to 2022/23



SENSORS AND EFFECTORS

	Six months ended 31 Oct 2023	Six months ended 31 Oct 2022
Revenue (£m)	51.0	44.5
Operating profit (£m)	2.3	2.5
Operating margin	4.5%	5.6%

KEY NOTES

- Sensors and Effectors performed well, with Chess delivering an improved performance
- Marked increase in headcount in H1 as operations geared up for delivery of large order book, especially at SEA
- Continued prudent margin on Italy sonar contract contributed to weaker margin
- Improved second half performance expected

CHES 

ELAC 
SONAR

SEA 

PROGRESS ON ELAC SONAR'S NEW FACILITY IN KIEL



OUTLOOK

Andrew Thomis, Chief Executive



OUTLOOK FOR GROWTH

Big picture

Continued conflict in Central/Eastern Europe, renewed conflict in Middle East
SE Asia/Indo-Pacific allies continue to invest in security and defence



Export markets

- New and existing NATO members reacting to Ukraine crisis
- Southeast Asia demand strong
- Australasia naval markets driven by AUKUS



Domestic markets

- UK maritime driving overall growth
- Step change in defence spend in Germany
- Major projects finally underway in Portugal



Operations

- Supply chain and recruitment issues receding
- Group to benefit from operational gearing as revenue grows

RECENT MARITIME WINS

	Contract value	In-year value	Long-term value
Dreadnought	£17m	Medium	High
Italian Navy 3 rd Unit	€16m	Low	High
New Zealand Frigate Upgrade	£26m	Medium	High
KraitSense (Southeast Asia OPV)	£7m	Low	Medium
Hawk and Celt Camera Sales	£5m	High	Low
Underwater Telephone	€4m	High	Low



SHOWCASING OUR LEADING TECHNOLOGY

H1 2023/24 spend over £6.4m

Submarine sonar array panel

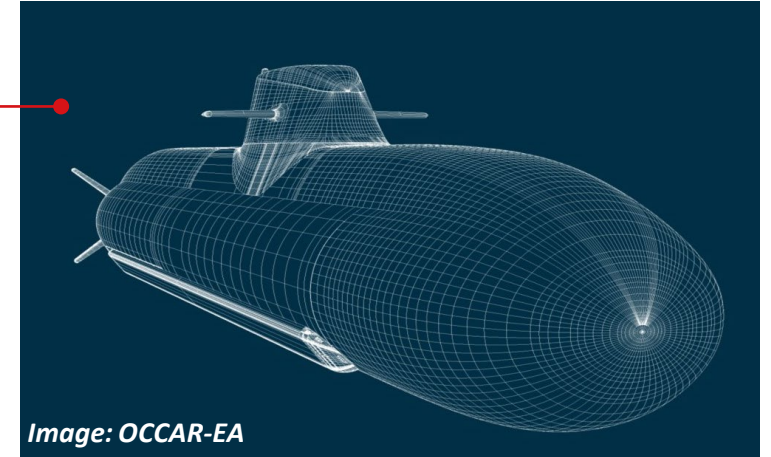


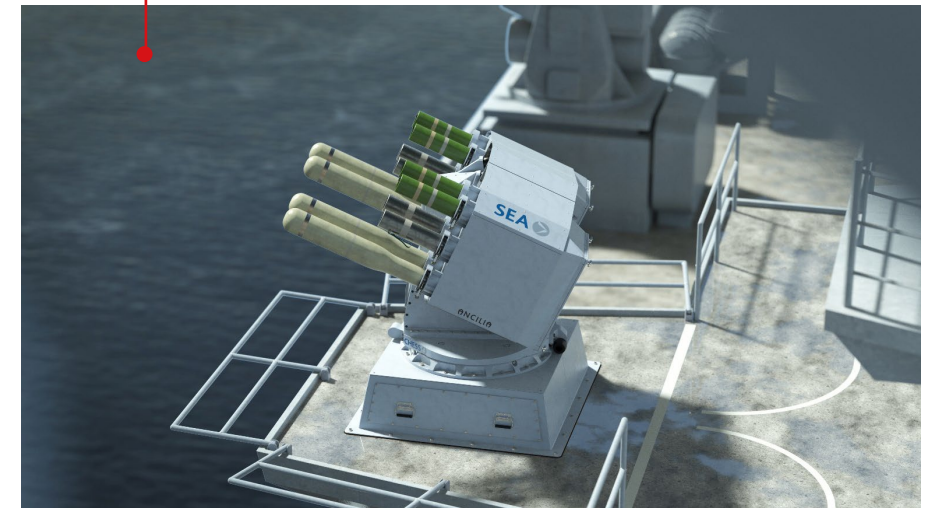
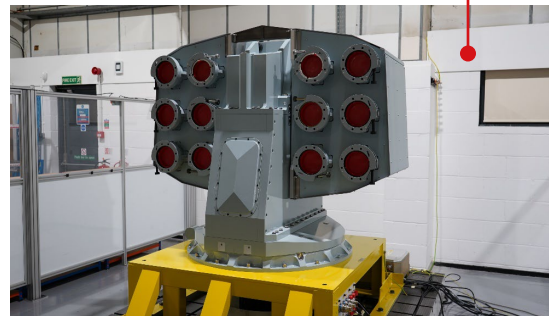
Image: OCCAR-EA

Multi Sensor Unit (MSU)



High-performance trainable
decoy launcher system

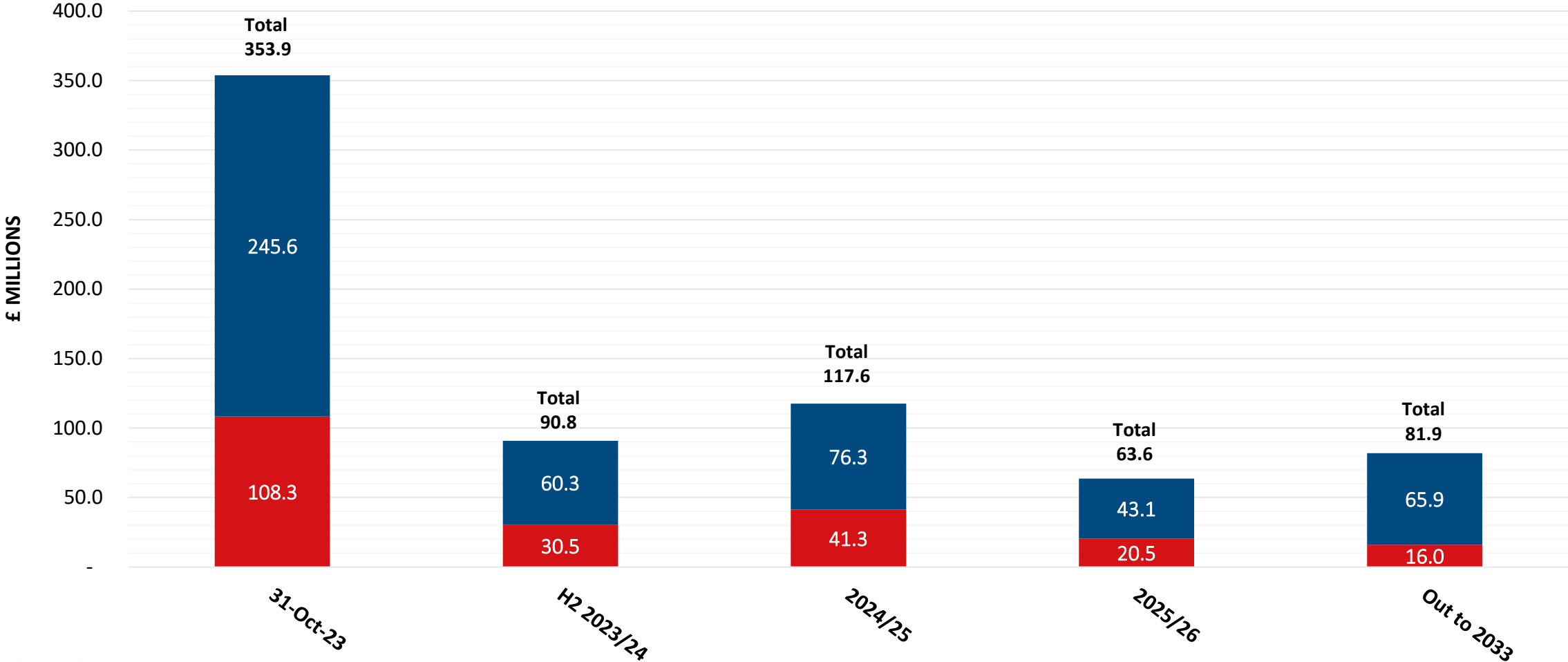
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RECORD ORDER BOOK

Delivery of the Group's order book into revenue

■ Communications and Intelligence ■ Sensors and Effectors



STRONG REVENUE VISIBILITY

ORDER BOOK

	31 October 2023 £m	To be delivered H2 2023/24 £m	31 October 2022 £m	To be delivered H2 2022/23 £m
Communications and Intelligence	108.3	30.5	113.3	41.6
Sensors and Effectors	245.6	60.3	190.9	42.6
	353.9	90.8	304.2	84.2

KEY NOTES

- Higher level of order book to be delivered in S&E supports growth in this division
- Over 95% of 2023/24 consensus revenue forecast now on order

SUMMARY & OUTLOOK



Continued growth in revenue and profit, on track to meet full year expectations



Record order book and strong pipeline of opportunities reflects market growth developments



Order intake of 1.3x revenue demonstrates strong demand and competitive positioning



Strong balance sheet for investing in product development, capacity and targeted acquisitions



Growth to accelerate 2024/25 based on current orders for long-term delivery and pipeline of opportunities



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

QUESTIONS

COHORT PLC

THE INDEPENDENT TECHNOLOGY GROUP



APPENDIX



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

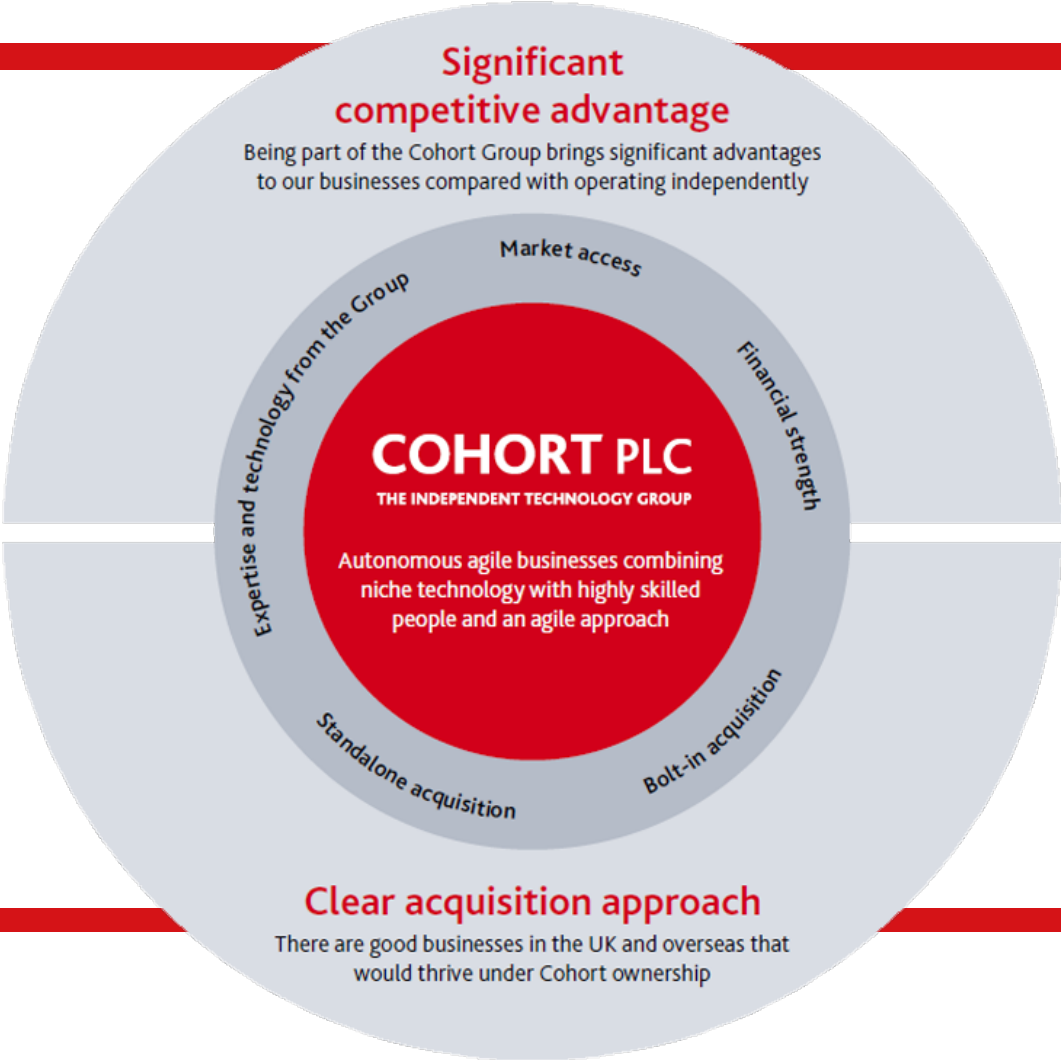
We are committed to maintaining high standards of corporate governance and managing the Group in a flexible and effective manner.

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

COHORT BUSINESS MODEL

Subsidiaries enjoy a significant degree of operational autonomy to develop their potential fully

- Streamlined decision-making and focus on solving customer problems
- Competitive advantage over larger rivals where the decision-making process can be longer
- Attractive model for high calibre employees



Group operates a light-touch but rigorous financial and strategic control regime

- Cost-effective and avoids additional layers of management and a large HQ team

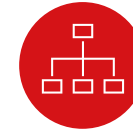
ACQUISITION STRATEGY

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



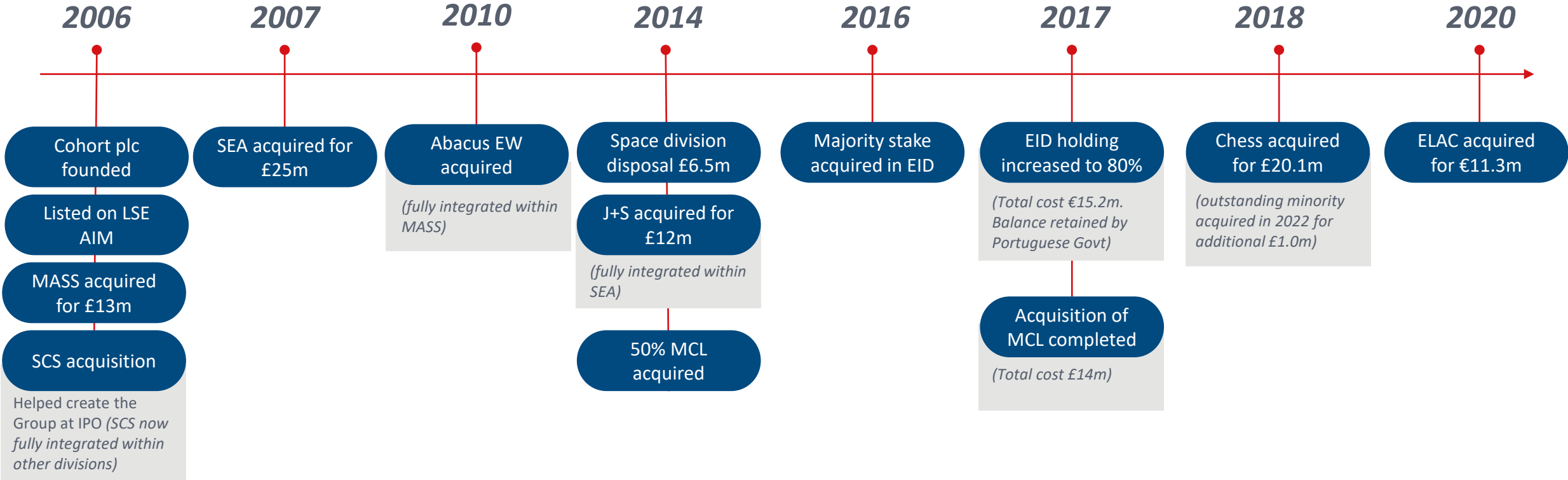
Bolt-in acquisitions

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

Disciplined and cautious approach – experienced team

CORPORATE HISTORY

- IPO in March 2006
- No share issue since 2007

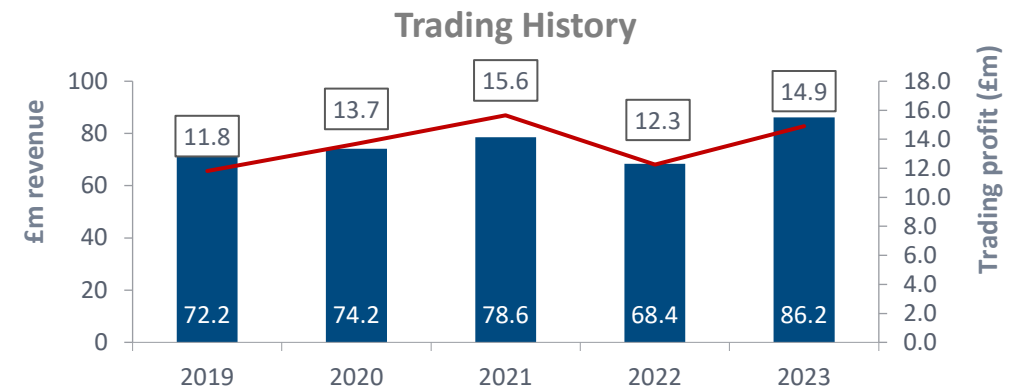


Communications and Intelligence

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.

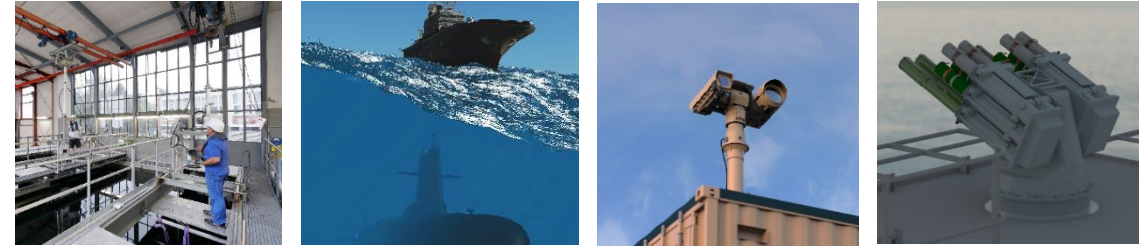


Sensors and Effectors

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.

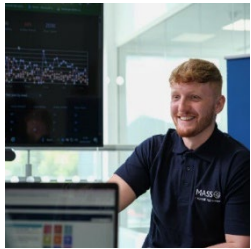


- Chess makes use of its innovative engineers, customer-focused culture and freedom to source sensors from the best international providers to win business against more vertically-integrated larger competitors.
- ELAC, the newest member of the Group, has built on almost a century of hydro-acoustic knowledge 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.

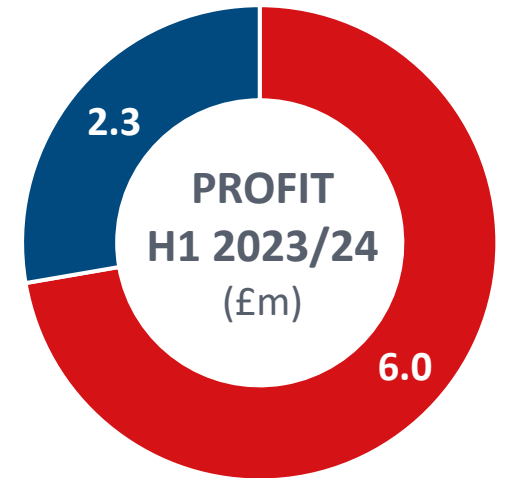
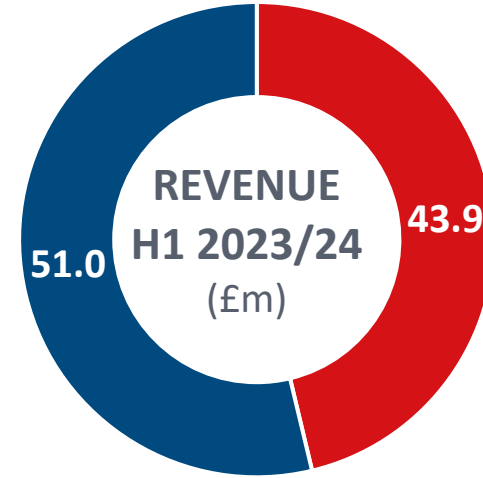


REPORTING DIVISIONS: FINANCIAL HIGHLIGHTS

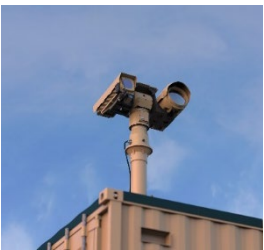
Communications and Intelligence



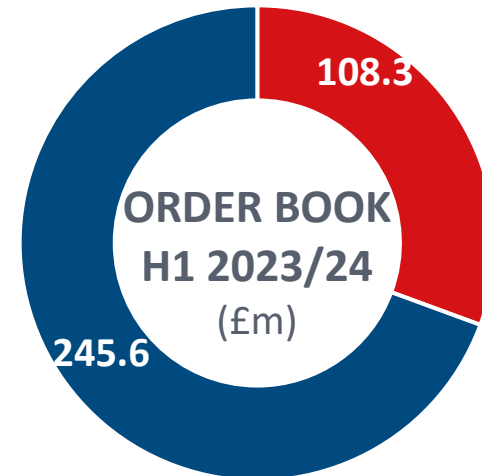
- EID
- MASS
- MCL



Sensors and Effectors

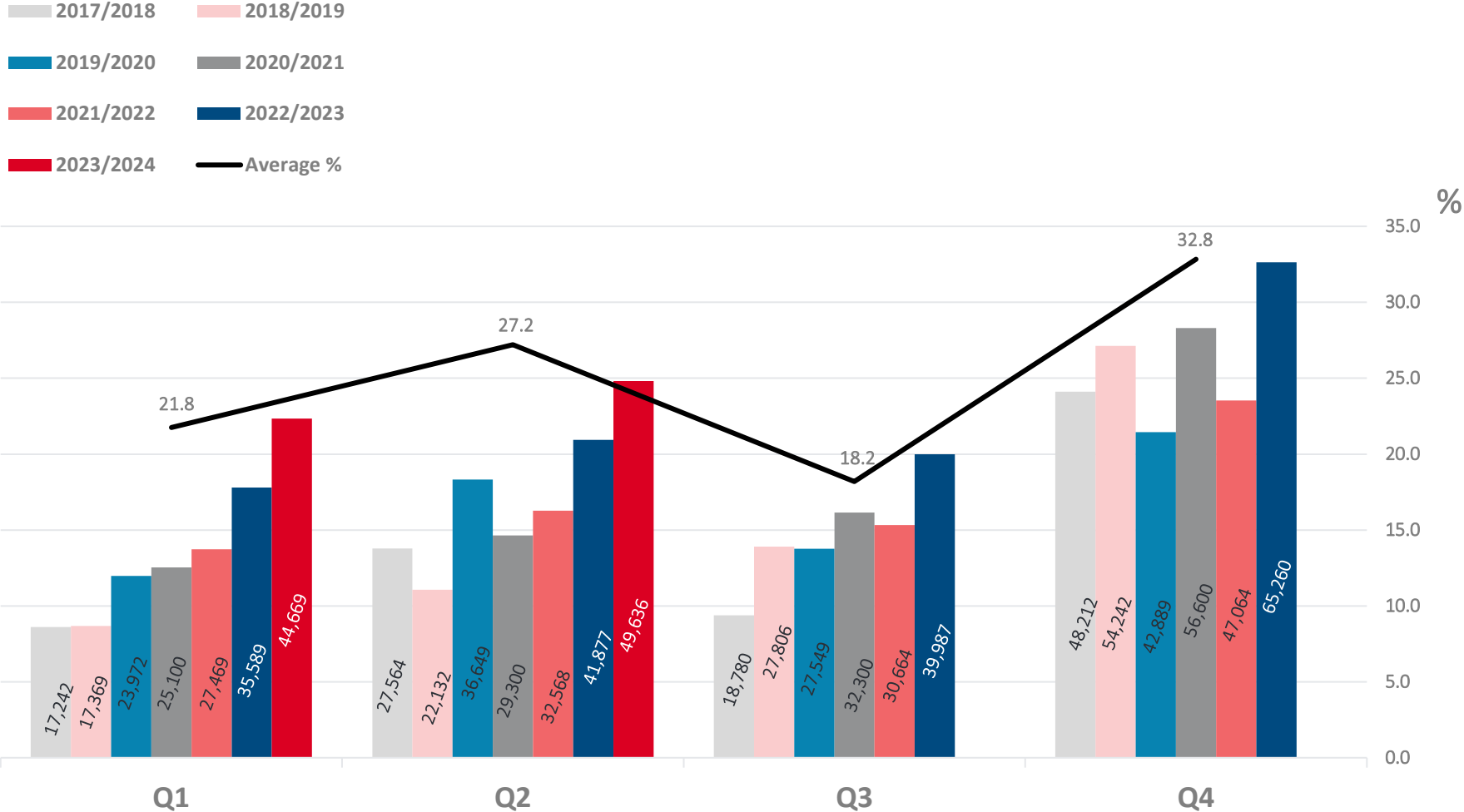


- CHESS
- ELAC SONAR
- SEA



- Communications and Intelligence
- Sensors and Effectors

QUARTERLY PROFILE OF GROUP REVENUE



THANK YOU

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