

AGM update on growing momentum in orders

26 September 2023

In a statement to accompany today's AGM, Cohort PLC reported that, following a year of record earnings in FY23, the Group has continued to build its order book, adding a further £90m in contract wins since the start of FY24. The FY23 year-end closing order book was £329.1m (FY22: £291.0m) rising to £360m by June. The Group reports that, as of 22 September, the order book had risen to £370m, representing revenue cover of 93%.

Strong financial position

Compared to a year-end FY23 net cash position of £15.6m, net funds at the end of August were £15.2m, providing sufficient cash in conjunction with banking facilities to both meet commitments and support a potential acquisition strategy. We continue to anticipate that planned cap-ex and working capital requirements associated with new business will place demands on cash resources; our year-end FY24 net cash outlook is unchanged at £8.2m.

Contract wins continue

The Group reports that the increased level of activity with the UK MOD which characterised FY23 has continued, with strong momentum into the first quarter of FY24, backed by prospects for long-term orders for naval systems in particular and for support work for both the UK MOD and export markets. We highlight, post FY23 year-end, two major contract wins for SEA in the Sensors & Effectors division:

- On 9 May, a £26.2m upgrade contract by an overseas Ministry of Defence client; a phase two communications upgrade for two vessels – part of a four-stage planned project – due for completion by year-end 2026.
- On 23 August, a £17.5m c.32-month contract for External Communications Systems (ECS) - to provide real-time data exchange, critical information interchange and seamless communications coordination – for a UK customer.

Outlook to 2025: to repeat, order growth remains the driver

At FY 23 results we raised our FY24 revenue outlook by 7% to £188.1m and EBITDA (adj.) from £24.0m to £25.2m (+5%) noting that, following a record FY23, the key driver for medium-term growth remains the growing order book. The AGM update confirms that the Group has maintained momentum in new contract wins and has built the financial flexibility to both furnish growth and consider opportunities to augment its portfolio of acquired, and integrated, defence specialists.

Our outlook remains unchanged as does our Fair Value at 650p/share, a level indicative of a FY24 EV/EBITDA multiple of 9.8x.

Company Data

	CHRT
EPIC	
Price	499p
52 weeks Hi/Lo	550p/384p
Market cap	£207m
ED Fair Value / share	650p
Proforma net cash	£15.6m

Share Price (p)



Source: ADVFN

Description

Operating in the UK, Germany and Portugal, Cohort Group has two divisions.

Communications and Intelligence

comprises: EID, communications systems for naval and land defence; MASS, advanced digital defence and security; MCL, electronic and surveillance technology design and support for the UK MOD.

Sensors & Effectors

comprises: Chess, electro-optical tracking and surveillance systems for naval, land defence and security; ELAC SONAR, advanced sonar systems and underwater communications; SEA, technology-based products for the defence and transport markets, and specialist research and training services.

Next event

FY24 Interims, December 2023

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Summary financials

Yr to 30 April (£m)	2021	2022	2023	2024E	2025E
Revenue	143.3	137.7	182.7	188.1	194.9
EBITDA (adj)	22.1	19.4	23.2	25.2	27.3
Pre-Tax Profit (adj)	17.9	14.7	17.7	18.7	19.7
EPS (adj, p)	33.3	30.9	36.4	36.2	36.7
Dps (p)	11.1	12.2	13.4	14.7	15.4
Net debt / (cash)	(2.5)	(11.0)	(15.6)	(8.2)	(11.0)
P/E	15.0x	16.1x	13.7x	13.8x	13.6x
EV/EBITDA	8.5x	9.6x	8.1x	7.4x	6.8x

Source: Company data, Equity Development estimates

Summary P&L

Outlook to FY25						
Year to 30 April (£m)	FY20	FY21	FY22	FY23	FY24E	FY25E
Communications & Intelligence	74.2	78.4	68.4	86.2	89.6	92.5
Sensors & Effectors	56.9	64.9	69.4	96.5	98.4	102.4
Inter-segment	0.0	0.0	(0.0)	0.0	0.0	0.0
Revenue	131.1	143.3	137.7	182.7	188.1	194.9
Gross	51.0	53.4	56.6	64.9	77.1	80.9
<i>Margin</i>	38.9%	37.2%	41.1%	35.5%	41.0%	41.5%
COGS	(80.0)	(90.0)	(81.1)	(117.9)	(111.0)	(114.0)
Underlying op-ex	(32.8)	(34.7)	(41.1)	(45.8)	(56.7)	(59.3)
Amortisation intangibles	(7.4)	(10.1)	(6.9)	(3.7)	(3.5)	(1.0)
R&D credits	0.8	1.0	1.0	0.9	1.0	1.0
Forex	(0.1)	(0.4)	0.7	(1.1)	0.0	0.0
One-off charges	(0.8)	(1.3)	0.7	0.0	0.0	0.0
EBIT Reported	10.7	7.8	11.1	15.3	18.0	21.5
EBIT Adjusted	18.2	18.6	15.5	19.1	20.5	21.5
<i>EBIT (adj.) mrg</i>	13.9%	13.0%	11.3%	10.4%	10.9%	11.0%
Amortisation Intangibles	(7.3)	(10.1)	(6.9)	(3.7)	(3.5)	(1.0)
Depreciation PPE	(1.5)	(2.0)	(2.2)	(2.4)	(3.0)	(4.0)
Depreciation RoU	(1.2)	(1.5)	(1.7)	(1.8)	(1.8)	(1.8)
EBITDA Reported	20.7	21.4	21.8	23.1	26.2	28.3
EBITDA Adjusted	20.9	22.1	19.4	23.2	25.2	27.3
<i>Margin</i>	15.9%	15.4%	14.1%	12.7%	13.4%	14.0%
Financial income	0.0	0.0	0.0	0.1	0.1	0.1
Financial expense	(0.8)	(0.8)	(0.9)	(1.5)	(1.9)	(2.0)
PBT Reported	10.0	7.1	10.2	13.9	16.2	19.7
PBT Adjusted	17.5	17.9	14.7	17.7	18.7	19.7
Tax	(0.3)	(1.6)	(1.5)	(2.7)	(3.7)	(4.7)
Reported tax rate	3.0%	22.0%	15.1%	19.2%	23.0%	24.0%
<i>Tax rate % adjusted</i>	1.7%	8.7%	10.5%	15.1%	19.9%	24.0%
PAT Reported	9.7	5.5	8.7	11.3	12.5	15.0
PAT Adjusted	17.2	16.3	13.1	15.1	15.0	15.0
Basic wtd. av. shares (m)	40.7	40.8	40.8	40.7	40.7	40.7
Diluted wtd. av. shares (m)	41.1	41.3	41.0	40.8	40.8	40.8
EPS Reported Basic (p)	23.5	13.4	22.5	27.9	31.0	36.8
EPS Reported Diluted (p)	23.2	13.2	22.4	27.9	30.9	36.7
EPS Adjusted Basic (p)	37.1	33.6	31.1	36.5	36.3	36.8
EPS Adjusted Diluted (p)	36.7	33.3	30.9	36.4	36.2	36.7

Source: Company data, Equity Development estimates.

Summary balance sheet

Outlook to FY25						
Year to 30 April (£m)	FY20	FY21	FY22	FY23	FY24E	FY25E
Fixed Assets						
Goodwill	42.1	43.7	50.1	50.1	45.1	45.1
Intangible assets	13.2	15.1	9.6	6.0	1.1	0.1
RoU assets	6.9	7.1	9.6	8.5	1.8	0.1
PPE net	12.1	12.5	12.3	15.3	22.3	28.3
Deferred tax, other	0.6	0.6	1.4	1.6	1.6	1.6
Sum Fixed Assets	74.9	79.0	83.1	81.5	71.9	75.1
Current Assets						
Inventories	11.5	12.9	22.8	32.0	33.5	34.7
Trade receivables	47.4	66.7	56.2	55.6	66.0	65.7
Derivatives	0.0	0.0	0.8	0.0	0.0	0.0
Cash, Equivalents	20.6	32.3	40.4	41.5	34.0	36.9
Sum Current Assets	79.5	111.9	120.1	129.1	133.5	137.3
Total Assets	154.4	190.9	203.2	210.7	205.4	212.4
Current Liabilities						
Trade payables	(31.0)	(50.3)	(54.0)	(58.0)	(59.3)	(59.3)
Derivative	(0.2)	(0.7)	(0.9)	(1.0)	(1.0)	(1.0)
Leases	(1.3)	(1.6)	(1.5)	(1.7)	(1.7)	(1.7)
Borrowings	(0.1)	(0.1)	(29.4)	(0.0)	(0.0)	(0.0)
Provisions	(1.5)	(2.8)	(8.9)	(8.7)	(8.7)	(8.7)
Other payables	0.0	(2.8)	(1.4)	0.0	0.0	0.0
Sum Current Liabilities	(34.1)	(58.2)	(96.0)	(69.4)	(70.7)	(70.7)
Total Assets less Current Liabilities	120.3	132.7	107.2	141.3	134.7	141.7
Long-term Liabilities						
Deferred tax	(2.8)	(2.7)	(1.4)	(1.5)	(1.5)	(1.5)
Leases	(6.2)	(6.0)	(8.6)	(7.5)	(7.5)	(7.5)
Borrowings	(25.2)	(29.8)	(0.0)	(25.8)	(25.8)	(25.8)
Provisions	(0.3)	(1.1)	(1.1)	(1.4)	(1.4)	(1.4)
Retirement benefit	0.0	(8.0)	(6.8)	(5.3)	(5.3)	(5.3)
Other	(4.0)	0.0	0.0	0.0	0.0	0.0
Sum Long-term liabilities	(38.5)	(47.6)	(18.0)	(41.5)	(41.5)	(41.5)
Total liabilities	(72.6)	(105.8)	(114.0)	(110.9)	(112.1)	(112.1)
Net Assets	81.8	85.1	89.2	99.8	93.2	100.2
Capital & Reserves						
Share Capital	4.1	4.1	4.1	4.1	4.1	4.1
Share Premium	29.7	30.0	30.5	31.5	16.4	13.8
Own shares	(1.6)	(1.1)	(3.3)	(3.6)	(3.6)	(3.6)
Share option reserve	0.8	0.9	1.0	2.1	2.1	2.1
Other	(3.6)	(2.4)	(1.4)	0.0	2.0	3.0
Retained earnings	46.1	47.8	53.1	62.9	69.4	78.0
Equity	75.5	79.3	84.0	97.0	90.5	97.5
Non-controlling interests	6.2	5.7	5.2	2.8	2.8	2.8
Net debt / (cash)	4.7	(2.5)	(11.0)	(15.6)	(8.2)	(11.0)

Source: Company data, Equity Development estimates.

Summary cashflow

Outlook to FY25						
Year to 30 April (£m)	FY20	FY21	FY22	FY23	FY24E	FY25E
PAT rptd	9.7	5.5	8.7	11.3	12.5	15.0
Tax	0.3	1.6	1.5	2.7	3.7	4.7
Depreciation	2.6	3.5	3.9	4.2	4.8	5.8
Amortisation	7.4	10.1	6.9	3.7	3.5	1.0
Finance net	0.8	0.8	0.9	1.3	1.8	1.9
Derivatives/forex	0.1	0.4	(0.7)	1.1	1.1	1.1
Share-based payments	0.3	0.4	0.6	0.7	0.0	0.0
Provisions	(0.5)	(1.3)	0.1	0.7	0.0	0.0
Operating Cash Flow	20.7	20.9	21.8	25.5	27.3	29.4
(Increase)/Decrease inventories	2.0	0.6	(9.9)	(8.6)	(1.5)	(1.2)
(Increase)/Decrease in receivables	(4.6)	(13.1)	10.5	3.0	(10.3)	0.3
Increase/(Decrease) in payables	(5.1)	12.6	0.0	(2.1)	1.2	0.0
Movement in working capital	(7.7)	0.0	0.7	(7.7)	(10.6)	(0.9)
Cash generated by operations	13.0	20.9	22.5	17.9	16.7	28.5
Interest paid	(0.8)	(0.8)	(0.9)	(1.2)	(2.6)	(2.7)
Tax (paid)/received	(0.6)	(3.9)	(2.1)	(0.1)	(3.7)	(4.7)
Net cash from operations	11.6	16.2	19.5	16.5	10.4	21.0
Investing activities						
Interest received	0.0	0.0	0.0	0.1	0.1	0.1
PPE	(2.7)	(1.2)	(2.0)	(5.2)	(10.0)	(10.0)
Acquisition	0.0	(1.3)	(0.4)	(1.0)	0.0	0.0
Net cash used in investing	(2.6)	(2.5)	(2.4)	(6.1)	(9.9)	(9.9)
Net OpFCF	9.0	13.7	17.2	10.4	0.5	11.2
Financing activities						
Share issue	0.0	0.3	0.6	1.0	0.0	0.0
Dividends	(3.9)	(4.2)	(4.7)	(5.1)	(6.0)	(6.3)
Purchase own shares	(3.7)	(1.4)	(2.9)	(0.6)	0.0	0.0
Sale own shares	1.5	0.8	0.3	0.1	0.0	0.0
Borrowings	0.1	12.1	0.0	0.0	0.0	0.0
Repayments	(0.1)	(7.2)	(0.1)	(4.0)	0.0	0.0
Lease repayments	(1.1)	(1.9)	(1.9)	(2.0)	(2.0)	(2.0)
Net cash from financing	(7.2)	(1.6)	(8.7)	(10.6)	(8.0)	(8.3)
Net increase in cash / equivalents	1.8	12.1	8.4	(0.2)	(7.5)	2.9
Forex	(0.0)	(0.4)	(0.4)	1.2	0.0	0.0
Cash at beginning of year	18.8	20.6	32.3	40.4	41.5	34.0
Cash at year end	20.6	32.3	40.4	41.5	34.0	36.9

Source: Company data, Equity Development estimates.



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