

FY25 results: new records and more to come

21 July 2025

For the year to 30 April 2025 Cohort reported record revenue of £270.0m, +33%YoY, record (adj.) EBIT of £27.5m, 10.2% margin, and a new high closing order book of £616.4m. Underlying order intake (i.e. excluding acquisition-related) grew 11%YoY, with the closing order book underpinning 79% of FY26 revenue¹. EPS (adj., basic) rose 27%YoY to 54.4p, with dividend per share up 10%YoY to 16.3p². EMS, acquired for £75m, registered a positive contribution in the first quarter (our report 22 Nov 2024 'Satcom deal is Group's largest acquisition'). The combination of accelerated earnings momentum, order book visibility and the opportunities evident in the UK Strategic Defence Review mean that we raise our Fair Value to 1,930p/share.

For the year the Group registered:

- Underlying (pre-acquisition) revenue growth of 29%YoY and (adj.) EBIT growth of 19%YoY.
- Closing net funds at £5.3m after conclusion of two acquisitions (EMS, ITS) and capital investment of £13.2m, principally for the new Kiel submarine facilities.
- A series of major developments including agreement between SEA and Terma for the Ancilla defence system; counter-drone systems provided by Chess for Rheinmetall; MCL-supplied drone controller subsystems for supply chain management.

Multiple defence opportunities across Group operations

Cohort's expertise and market reach is attenuated to three major defence drivers; the ongoing backdrop of multiple stimuli to defence measures from instability, conflicts and geo-political tensions in Europe (Ukraine), the Middle East (Israel, Gaza, Iran) and Asia-Pacific (Sino-US and Australia); the trend towards increased spend on defence as a percentage of GDP by NATO member countries in particular, moving from c.2.0% towards a commitment to spend c.3.5% or even reach 5.0%; and the far-reaching implications of the UK Strategic Defence Review (SDR), with particular attention to reorganisation and integration of resources, the increased role of electronic warfare, and developments such as the use of drone technology and other next-generation systems.

Outlook: Cohort's expertise aligned with major defence spending trends

The Group indicates that FY26 EPS should be above prior expectations³ - we have raised our outlook from 56.8p to 60.1p (adj. dil.) - is confident of c.10% earnings growth and a target of a "low to mid-teens" (adj.) EBIT margin (ED FY27 E 13.0%). In our view, the combination of increased defence spending and the SDR focus on coordinated specific new defence technologies, including drones and electronic warfare, plays to Cohort's strengths and track record of strategic acquisitions.

Company data

EPIC	CHRT.L
Price (last close)	1,560p
52 weeks Hi/Lo (p)	1,796/761
Market cap	£713m
ED Fair Value / share	1,930p
Net cash / (debt) 2025A	£5.3m
Avg. daily volume (3m)	39,890

Share price, p



Source: Investing.com

Description

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

Communications and Intelligence: EID, naval and land defence communications; MASS, advanced digital defence and security; MCL, electronic and surveillance technology design and support for the UK MOD; EMS, satellite-based communications.

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

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Key financials & valuation metrics

Year to 30 April (£m)	2023A	2024A	2025A	2026E	2027E
Revenue	182.7	202.5	270.0	290.2	315.5
EBIT (adj.)	19.1	21.1	27.5	35.0	40.9
EBITDA (adj.)	23.2	25.7	32.9	40.5	46.4
Pre-Tax Profit (adj.)	17.7	19.8	27.0	34.5	40.4
EPS (adj. p)	36.4	42.7	53.5	60.1	66.8
Dps (p)	13.4	14.8	16.3	17.9	19.7
Net cash / (debt)	15.6	23.1	5.3	7.3	21.6
P/E	42.9x	36.5x	29.2x	26.0x	23.4x
EV/EBITDA	28.5x	25.7x	20.1x	16.3x	14.3x

Source: Company data. Equity Development estimates. ¹ Subsequently, 85% in July. ² Total FY25 dividend per share. ³ FY26 revenue based on market expectations at the time of reporting.

FY25 performance and outlook

The key features of FY25 performance were:

- Revenue +33%YoY to £270m, with (adj.) EBIT +30%YoY and (adj.) EBITDA +28%YoY in line with EDE. EBIT (adj.) profitability at 10.2% was in line with the Group stated goal of progress towards 'mid-teens' margins. The gross margin of 33.5% compared to 37.7% resulted from changes in revenue mix, notably in S&E, specific to one-off costs at Chess, ELAC exposure to the Italy sonar project and additional export sub-contracted work at SEA (expected completion in FY26).
- A record closing order book of £616.4m (inclusive of £80m acquired with EM Solutions), underpinning 83% of market estimated FY26 revenue, and order intake of £284.7m with underlying intake +11%YoY excluding the £135m Royal Navy order recorded in FY24. Order visibility extends to 2037.
- Closing net cash of £5.3m, compared to Group expectation of £8m-£10m of net debt post acquisitions. The Group completed two strategic acquisitions – EM Solutions (£75m) and Interactive Technical Solutions (£3.0m), and disposal of a non-core Transport business by SEA for £8.0m (30 June).

The table below outlines our revised FY26 estimates, and outlook extended to FY27:

FY25 results analysis and outlook to FY27											
Year to 30 April (£m)	FY25E	FY25A	A vs E	YoY	FY26E	FY26E	New vs Prior	YoY	FY27E	YoY	
					Prior	Revised					
C&I Revenue	100.2	124.9	25%	51%	138.2	140.2	1%	12%	154.2	10%	
S&E Revenue	140.0	145.2	4%	21%	142.0	150.0	6%	3%	161.3	8%	
Revenue	240.2	270.0	12%	33%	280.2	290.2	4%	7%	315.5	9%	
Gross	99.7	90.4	-9%	19%	116.3	120.4	4%	33%	132.5	10%	
<i>Margin</i>	41.5%	33.5%			41.5%	41.5%			42.0%		
Op-ex excluding one-off items	(72.6)	(63.0)	-13%	14%	(80.6)	(85.4)	6%	36%	(91.6)	7%	
Central costs	(5.7)	(6.3)	10%	40%	(5.7)	(6.3)	11%	0%	(5.9)	-6%	
C&I (adj.) EBIT	16.5	21.1	28%	64%	24.2	24.5	1%	16%	27.8	13%	
S&E (adj.) EBIT	16.2	12.7	-22%	-1%	17.2	16.8	-2%	33%	19.0	13%	
EBIT rptd.	24.0	26.1	9%		28.7	29.0	1%	11%	34.9	20%	
EBIT (adj.)	27.1	27.5	1%	30%	35.7	35.0	-2%	28%	40.9	17%	
<i>EBIT (adj.) mrg</i>	11.3%	10.2%			12.7%	12.1%			13.0%		
EBITDA Reported	31.0	34.6	12%	20%	42.6	42.5	0%	23%	48.4	14%	
EBITDA Adjusted	33.0	32.9	0%	28%	41.6	40.5	-3%	23%	46.4	14%	
<i>Margin</i>	13.7%	12.2%			14.9%	14.0%			14.7%		
PBT Reported	22.6	25.6	14%	29%	27.2	28.5	5%	11%	34.4	20%	
PBT Adjusted	25.7	27.0	5%	37%	34.2	34.5	1%	28%	40.4	17%	

Source: Company data. Equity Development estimates.

FY26 – FY27 outlook: continued growth and margin improvement

- FY26: our revenue estimate is revised +4% to £290.2m, +7%YoY, with our outlook for profitability largely unchanged, indicative of (post-acquisitions) (adj.) EBIT growth of 28%YoY and a 12.1% margin.
- FY27: the addition of our outlook for FY27 adds 9%YoY revenue growth and further improvement in (adj.) EBIT profitability to 13.0%, in line with Group expectations: (adj.) EBIT growth indicated is a healthy 17%YoYE.

Orders: record levels and visibility

The pace of order generation, increased number of orders above £1m, £5m and £10m (which we highlight subsequently: 5% by number accounting for 85% by value) and visibility of medium-term demand remains the key indicator of both earnings' momentum and revenue cover. Overall, FY25 order book growth resulted from the combination of a 1.1x surplus of orders over revenue and the addition of c.£80m of orders resulting from the acquisition of EM Solutions. In summary:

- FY25 order intake exceeded revenue by 1.1x (FY24, 1.9x reflecting the major Royal Navy order).
- Order cover for the current FY26 increased from 79% as of 30 April to 85% by July, close to FY24, at 90%.
- **Communications & Intelligence** divisional orders intake totalled (£136.3m) just over double FY24 (£64.3m), indicative of 109% FY25 revenue, with MCL contributing over £50m in MOD contracts, a threefold increase on FY24. EID similarly increased from £10m in FY24 to £50m, whilst MASS maintained parity. The order book was £202.4m compared to £108m a year earlier. The potential from EMS was not material to the quarter. We note the importance of UK MOD orders for the division representing 60% in FY25 (£81.6m) and 64% in FY24, including both MCL and the February 2025 Joint Forces order extension to 2027 at MASS. EID recorded £45.2m of order demand from Portugal compared to £6.5m in FY24.
- **Sensors & Effectors** recorded orders worth 102% of FY25 revenue, at £148.4m (FY24: £327.8m), indicative of the impact in FY24 of the major £135m Royal Navy contract. The Group noted orders from Europe: the follow-on Italian sonar suite (Boat 4, the concluding contract) at ELAC, and at Chess for counter drone systems and naval control systems. Demand for Chess stabilised fire-control and tracking systems has extend to terrestrial anti-drone defence resulting in c.£28m of orders and the expectation of further demand into FY26.

Order intake and order book, FY24A, FY25A

FY25A	Intake	YoY	Book		Deliver	I/B	B/D
C&I	136.3	112%	202.4	87%	124.9	67%	1.6x
S&E	148.4	-55%	414.0	1%	145.1	36%	2.9x
Sum	284.7	-27%	616.4	19%	270.0	46%	2.3x
FY24A	Intake	YoY	Book		Deliver	I/B	B/D
C&I	64.3	-32%	108.0	-15%	82.9	60%	1.3x
S&E	327.8	159%	410.7	103%	119.6	80%	3.4x
Sum	392.1	78%	518.7	58%	202.5	76%	2.6x

Source: Company data.

FY25 orders and contracts announced

During FY25 the Group announced a total of six contracts totalling an estimated £105m (excluding the 1st May SEA contract, value not specified), three in C&I totalling £66.6m and three S&E with a known value of £38.8m:

- 15 July 2024: **EID (C&I)**, €33m (£28m) 3-year contract with the NATO Communications and Information Agency to supply the Portuguese Army with a Tactical Deployable Communication and Information System (TDCIS).
- 17 July 2024: **MCL (C&I)**, 2 orders worth £21.4m from a UK government customer.
- 30 July 2024: **Chess (S&E)**, 3 contracts worth >£25.0m to 2028 for electro-optical tracking surveillance systems and multi-sensor systems produced by Rheinmetall Air Defence AG.

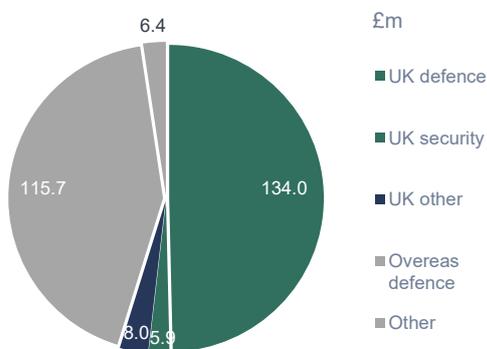
- 9 January 2025: **ELAC (S&E)**, a contract amendment worth €16.4m (£14m) for a sonar system for the Italian Navy new build submarine programme, taking the total value of the original 2021 contract to > €100m covering 4 submarines.
- 12 February 2025: **MASS (C&I)**, a 2-year >£17.5m extension to the Joint Command and Staff Training (JCAST) contract for UK Strategic Command.
- 1 May 2025: **SEA (S&E)**, a 5-year contract (value N.A.) with Thales UK as part of the 15-year Maritime Sensor Enhancement Team (MSET) programme, to provide waterfront support maintenance, repairs and regulatory inspections on the towed array handling equipment at Royal Navy UK and overseas dockyards.

FY25 revenue by product and market

Below we summarise the broad and specific allocation of FY revenue by end-user market:

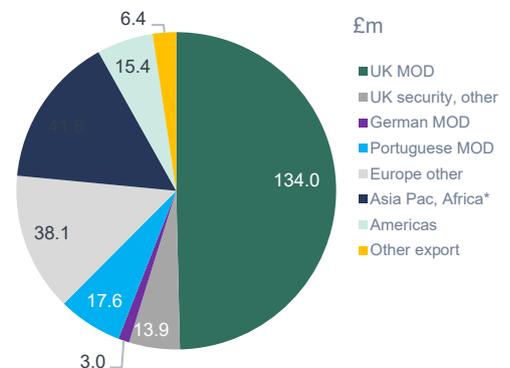
- Defence & security markets, £255.6m, 95% of total.
- UK MOD comprising £134m, 50% of total.
- Export defence-related of £115.7m, +22%YoY, comprising 32% of total (FY24: 35%).
- Revenue from Product (hardware and related software) comprising 77% of total (C&I, £80.4m, 30%; S&E £127.0m, 47%), and Services concentrated in C&I (£44.5m, 16% of total), with S&E contributing £18.1m, 7% of total.
- Demand for Product was spurred by the UK MOD (MCL), revived Portuguese demand (EID) and naval systems in S. America and Canada.
- Services revenue declined in proportion due to the surge in Product demand but increased due to Royal Navy support work (SEA) and an initial contribution from acquired ITS.
- Maritime & Land markets continue to dominate revenue at 81% of total, with an increase in the Maritime component reflecting the activities in S&E of SEA, EID (domestic, Portugal) and the initial contribution from EMS. This preponderance is expected to continue, although MCL continues to augment Land-based activity in support of the UK Joint Warfare activities.

FY25 revenue: UK and other



Source: Company data.

FY25 revenue by market



Source: Company data.

Order numbers and value FY25A



Source: Company data.

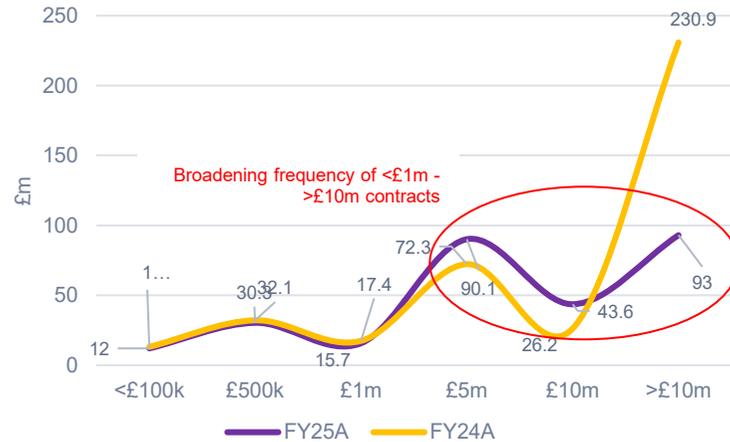
Order numbers and value FY24A



Source: Company data.

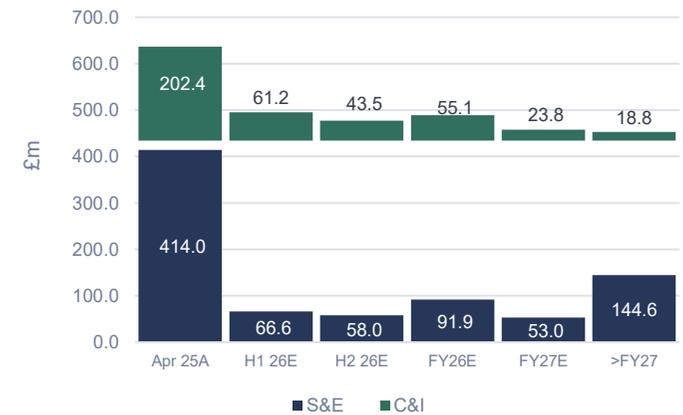
Although any comparison is distorted by the major Royal Navy contract in FY24, in FY25 the pattern continued of a shift towards an increased number of higher-value contracts, over £1m, £5m and £10m.

Orders comparative FY25A, FY24A



Source: Company data. Note, FY24 shows the impact of the major £135m Royal Navy contract.

Orders horizons by division: visibility past 2027



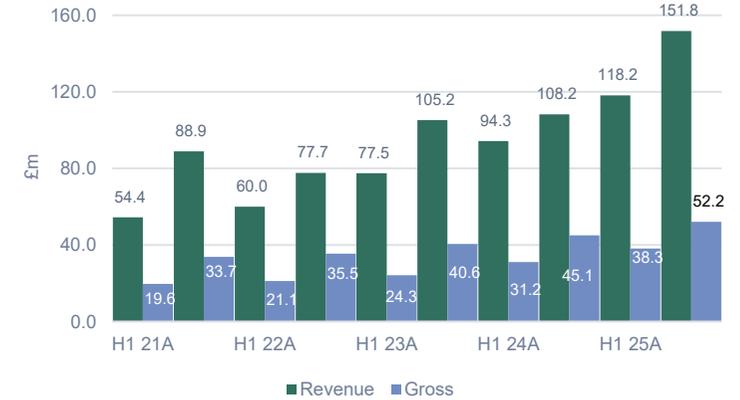
Source: Company data.

Revenue, gross contribution, annual to FY27E



Source: Company data. Equity Development estimates.

Revenue, gross contribution, semi-annual to H2 25A



Source: Company data. Equity Development estimates.

Progression towards higher margin at increased scale

EBIT (adj.) and margin annual to FY27E



Source: Company data. Equity Development estimates.

EBIT (adj.) and margin semi-annual to H2 25A



Source: Company data. Equity Development estimates.

Communications & Intelligence division

Comprising the activities of EID (advanced communications), EM Solutions (mobile satellite communications), MASS (defence data analysis) and MCL (electronic surveillance), the C&I division reported in FY25:

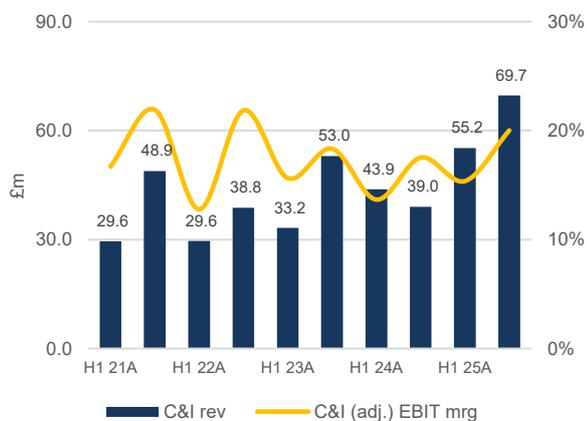
- Revenue of £124.9m, +51%YoY (56% H2-weighted), inclusive of £6.7m from EM Solutions and £1.5m from ITS, indicating underlying revenue of £116.7m, +41%YoY.
- (adj.) EBIT was £21.1m, +64%YoY, 16.9% margin compared to 15.5% a year earlier, boosted by £1.9m from EMS (implied 28.4% margin) and £0.5m from ITS (33.3% margin); underlying (adj.) EBIT indicated is £18.7m, +46%YoY, a 16.0% margin compared to 15.5% a year earlier. Profitability was led by MASS, a record performance from MCL and a return to profitability by EID.
- The Group expects profitability at MCL to wane from the FY25 peak which was driven by urgent orders. The divisional outlook is supported by higher margin contributions from EMS and ITS leading to the prospect of a “high teens” overall margin; EDE is 18.0% by FY27E.

Communications & Intelligence revenue to H2 25A and outlook to FY27E

£m	H1 21A	H2 21A	H1 22A	H2 22A	H1 23A	H2 23A	H1 24A	H2 24A	H1 25A	H2 25A
C&I rev	29.6	48.9	29.6	38.8	33.2	53.0	43.9	39.0	55.2	69.7
C&I (adj.) EBIT	4.9	10.7	3.8	8.5	5.2	9.7	6.0	6.8	8.5	12.6
C&I (adj.) EBIT mrg	16.7%	21.9%	12.8%	21.9%	15.6%	18.3%	13.7%	17.5%	15.4%	18.1%
	FY20A	FY21A	FY22A	FY23A	FY24A	FY25A	FY26E	FY27E		
C&I rev	74.2	78.4	68.4	86.2	82.9	124.9	140.2	154.2		
YoY	2.8%	5.7%	-12.8%	26.1%	-3.8%	50.6%	12.3%	10.0%		
C&I (adj.) EBIT	13.7	15.6	12.3	14.9	12.8	21.1	24.5	27.8		
C&I (adj.) EBIT mrg	18.4%	20.0%	17.9%	17.3%	15.5%	16.9%	17.5%	18.0%		

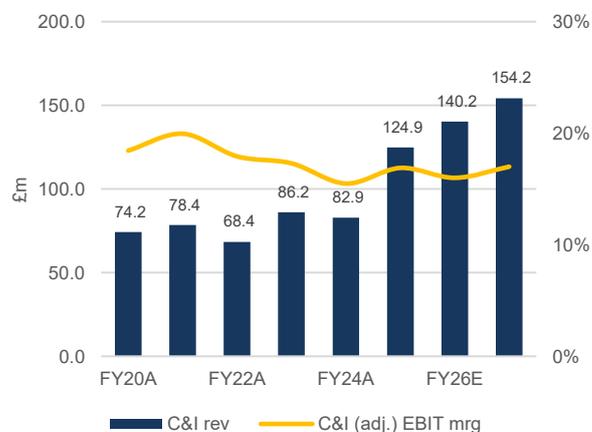
Source: Company data. Equity Development estimates.

Semi-annual performance to H2 25A



Source: Company data.

Outlook to FY27E



Source: Company data. Equity Development estimates.

Sensors & Effectors division

Sensors & Effectors, comprising Chess Dynamics (tracking and fire-control systems), ELAC SONAR (underwater communications) and SEA (surface and submarine naval systems), reported:

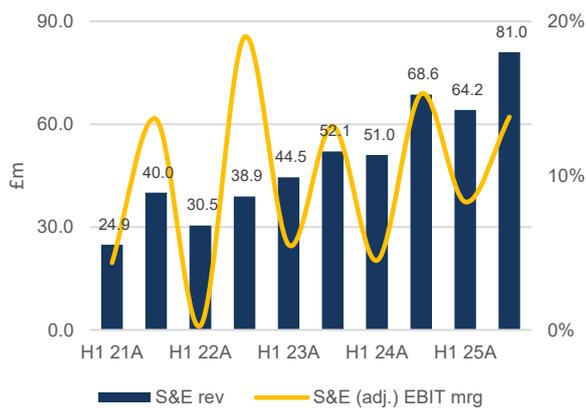
- Revenue of £145.2m, +21.4%YoY (56% H2-weighted).
- (adj.) EBIT was £12.7m (FY24: £12.8m), 8.7% margin compared to 10.7% in FY24. H2 profitability recovered from 8.3% to 9.1%. The lower margin resulted from (i) product mix at SEA, despite record revenue, and (ii) product delays and associated costs at Chess, albeit with strengthening demand into FY26 with order/revenue cover rising from 83% to 90%. ELAC remain on schedule for the supply of sonar suites to the Italian Navy, due for completion in FY26. In line with Group outlook, we expect recovery in divisional profitability towards that of recent years (FY24: 10.7%).
- Our FY27E divisional margin outlook is for 11.8%E.

Sensors & Effectors revenue to H2 25A and outlook to FY27

£m	H1 21A	H2 21A	H1 22A	H2 22A	H1 23A	H2 23A	H1 24A	H2 24A	H1 25A	H2 25A
S&E rev	24.9	40.0	30.5	38.9	44.5	52.1	51.0	68.6	64.2	81.0
S&E (adj.) EBIT	1.1	5.5	0.1	7.4	2.5	6.9	2.3	10.5	5.3	7.3
S&E (adj.) EBIT mrg	4.3%	13.7%	0.3%	19.0%	5.5%	13.2%	4.5%	15.3%	8.3%	9.1%
	FY20A	FY21A	FY22A	FY23A	FY24A	FY25A	FY26E	FY27E		
S&E rev	56.9	64.9	69.4	96.5	119.6	145.2	150.0	161.3		
YoY	16.0%	14.1%	6.9%	39.1%	23.9%	21.4%	3.3%	7.5%		
S&E (adj.) EBIT	7.5	6.5	7.5	9.3	12.8	12.7	16.8	19.0		
S&E (adj.) EBIT mrg	13.1%	10.1%	10.8%	9.7%	10.7%	8.7%	11.2%	11.8%		

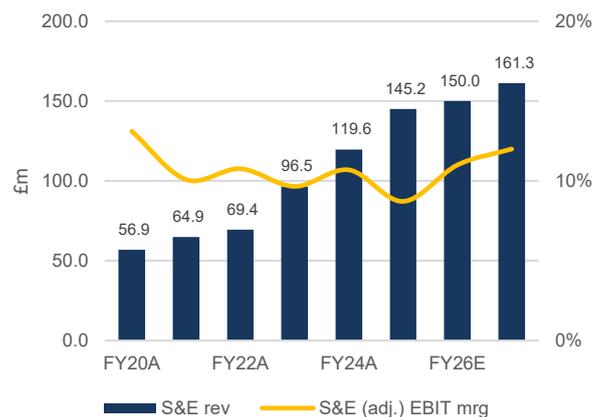
Source: Company data. Equity Development estimates.

Semi-annual performance to H2 25A



Source: Company data.

Outlook to FY27E



Source: Company data. Equity Development estimates.

Defence demand drivers: instability, GDP spend, and the SDR

As shown below, Cohort identifies a range of defence-related imperatives which amount to specific drivers for its expertise and divisional and subsidiary offerings. In our view, these devolve into:

- The ongoing backdrop of multiple stimuli to defence measures from instability, conflicts and geo-political tensions in Europe (Ukraine), the Middle East (Israel, Gaza, Iran) and Asia-Pacific (Sino-US and Australia).
- The trend towards increased spend on defence as a percentage of GDP by NATO member countries, moving from c.2.0% towards **a commitment to spend c.3.5%, or even reach 5.0%**.
- The far-reaching implications of the UK Strategic Defence Review (SDR) published in June, with particular attention to reorganisation and integration of resources, the increased role of electronic warfare, and developments such as the use of drone technology and other next-generation systems.

Cohort: multiple defence demand imperatives and drivers

GEOPOLITICAL PRESSURE...

- Continued conflict in Central/Eastern Europe
- Aggressive Chinese expansion in Asia-Pacific
- Renewed conflict in Middle East
- Trump administration policy towards NATO

...DRIVING INCREASED DEFENCE SPENDING...

- NATO Europe and Canada up 19.4% in 2024
- Japan up 21% - largest increase since 1952
- NATO commitment to 5% of national income on security
- UK commitment to 3.5% on defence by 2035, 2.6% by 2027

...LEADING TO DEMAND FOR...

- EW, drones, counter-drone and communications in Ukraine
- Resilient land and air capabilities across NATO Europe
- Defending critical infrastructure from cyber and kinetic threats
- Submarine and surface ship programmes worldwide
- Secure IT for multi-national forces



COHORT PLC

Source: Company data.

Specifically, the Group identifies several opportunities and initiatives at each subsidiary level:

Cohort, specific near-term opportunities

COMMUNICATIONS AND INTELLIGENCE

EID Communications & networks for Portuguese offshore patrol vessels; promising co-operation with Damen

EM SOLUTIONS Hunter Class and multipurpose frigates for Australia; Japan destroyer upgrades; RN carriers

MASS Software upgrades for UK defence, significant exercise taskings

MCL Continuing flow of urgent operational requirements

SENSORS AND EFFECTORS

CHESS DYNAMICS Multiple opportunities for C-UAS systems via partners including Rheinmetall Air Defence

ELAC SONAR Italy follow-on; submarine and surface ship programmes in NATO and Asia

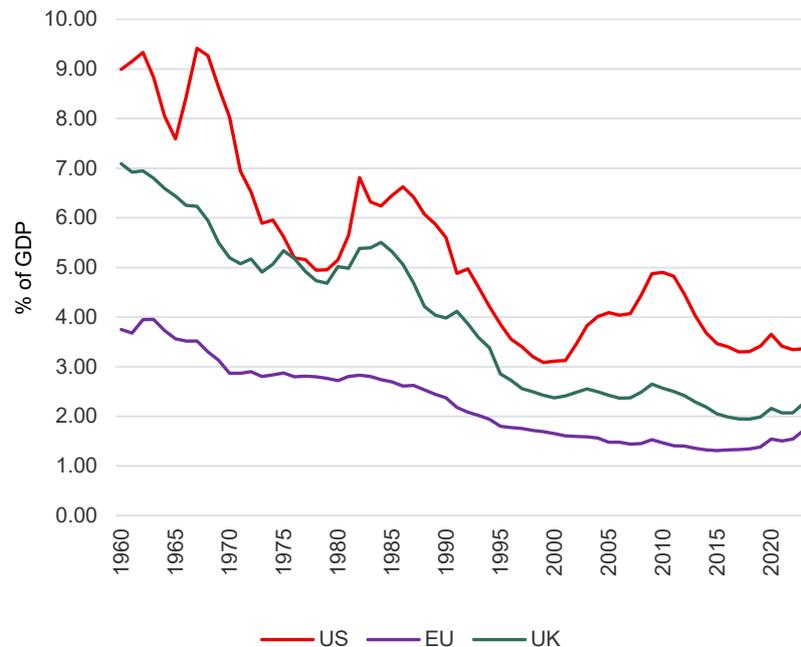
SEA Multiple opportunities for KraitSense and KraitArray; partnership with Terma for Ancilia

Source: Company data.

Spending on defence: even 5% of GDP would not be anomalous

As illustrated below, spend on defence as a proportion of GDP (US, EU and UK shown) has steadily declined since the days of the Cold War, and remained at comparatively low levels (i.e. sub 5%) since the mid-90s. If the general trend is towards the 5% benchmark this would not amount to an historical anomaly.

Military spending, percentage of GDP 1960-1923, US, EU, UK



Source: data.worldbank.org/indicator.

UK 2025 Strategic Defence Review

Published on 2 June, the 2025 UK Strategic Defence Review¹ provides a timely update to the UK's most pressing defence issues, against the background of a commitment to increase overall spending on defence and to reshape the organisation of armed forces and defence resources. The Review highlights three goals: to make the UK "war-fighting ready", to "add to the strength of NATO", and to "innovate and accelerate innovation at a war-time pace"². The government has indicated a commitment to:

- Build at least six new munitions factories in the UK, allocating £6.0bn.
- Create a 'hybrid' Royal Navy, blending drones with warships, submarines and aircraft.
- Under the AUKUS (UK/US/Australia) partnership to deliver up to 12 new attack submarines.
- Increase in R&D investment in the Industrial Strategy of £22.6bn.
- Invest £15bn in the "sovereign warhead programme" (the UK's nuclear deterrent).
- Invest c.£1bn in laser *directed energy weapons* and over £4bn in autonomous systems including for land drone swarms.

Within the strategy outlined in the 2025 SDR, the MoD has outlined development of a new *Digital Targeting Web* to connect infantry to information sources including satellites and drones, using AI to enhance the quality and speed of delivery of information. One example of this initiative is the *WINTERMUTE 3* joint services exercise conducted on 27 May. This was the largest ever UK AI-led defence trial across land, sea and air⁴ involving the detection and coordination of targets identified from a range of visual infrared and band radar data from Royal Navy vessels, ground vehicles, and manned and unmanned aircraft, operating in mission-based scenarios.



Spending Review: allocation to defence to reach 2.6% of GDP from 2027

In 2023/24 the UK spent an estimated £54bn on defence. The latest *Government Department Spending Limits* published in the 11 June Spending Review⁵ (SR) – addressing all aspects of UK government expenditure, from health and education to defence - indicates a level of spending on defence set to rise to 2.6% of GDP from 2027.

Based on these figures (below), defence spending allocated to capital projects (Capital Departmental Expenditure Limit - DEL), infrastructure and equipment as opposed to Resources DEL (day-to-day costs and administration), is projected to rise from 37.6% of total in 2024/25 to 42.9% by 2028/29. If we assume (EDE) 1.0%YoY growth in UK GDP, based on government figures by 2029/30 spending on defence would equate to 2.90% of GDP.

Government defence spending plans and implications as a percentage of UK GDP								
£bn	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2025-29 CAGR (real)
Resources (RDEL)	34.8	37.6	38.9	39.6	41.0	42.0	41.8	0.7%
Capital (CDEL)	19.1	22.7	23.2	25.9	30.0	31.5	33.2	7.1%
Total Defence DEL	53.9	60.3	62.1	65.5	71.0	73.5	75.0*	
Pct of total								
REDL	64.6%	62.4%	62.6%	60.5%	57.7%	57.1%	55.7%	
CEDI	35.4%	37.6%	37.4%	39.5%	42.3%	42.9%	44.3%	
Estd annual growth, defence		11.9%	3.0%	5.5%	8.4%	3.5%	2.0%	
UK GDP (EDE)		2,461	2,486	2,510	2,536	2,561	2,587	
Estd annual growth			1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
% of GDP		2.45%	2.50%	2.61%	2.80%	2.87%	2.90%	

Source: *Government Spending Review June 2025*; ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthly/yestimateuk/december 2024.

*2029/30 Total DEL is Equity Development estimate.

Cohort well-positioned within the guidelines and priorities of the SDR

In light of the stated goals of the SDR, Cohort has identified several key areas of opportunity for the Group as a whole and for specific subsidiaries, as outlined here:

SDR: opportunities for Cohort

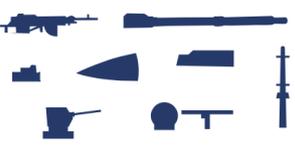
Announcement	Implications
New hybrid Royal Navy: surface ships, submarines and autonomous vessels, Atlantic bastion	Opportunities for SEA, Chess, EM Solutions and ELAC
Creation of Cyber EM Command	Training and software from MASS
Sovereign warhead programme; hints about sub-strategic capability	Opportunities for MASS's Strategic Systems division
New laser directed energy weapon into service	Precision tracking and fire control from Chess
£400m on UK innovation	Opportunities across the Group

Source: *Company data*.

As shown below, the Review identifies three timeframes for a range of development and deployment priorities each of which offers opportunities which match Cohort's capabilities.

We also note the longevity of Cohort's order book, with visibility extending to 2030 and beyond, which overlaps with the most recent government announcement that the UK will strive meet the commitment of European NATO group countries to allocate to defence an increased proportion of GDP by 2035.

Strategic Defence Review spending horizons

Lessons identified	Major Modular Platforms Compete only where appropriate <ul style="list-style-type: none"> Long term, providing certainty to invest Incentives to drive productivity and partnering Increase UK share 	 2 years target to first contract	 5+ years E.g. Main battle tank, aircraft, frigate 
	Pace-Setting Spiral and Modular Upgrades Competitive <ul style="list-style-type: none"> Upgrade easily using a 'plug-and-use' approach Increase UK manufacture Common digital architecture and standards set platform requirements 	 1 year target to first contract	 Approx. 2 years E.g. Communications systems, sensors and weapons upgrades 
	Rapid Commercial Exploitation Rapid competition and scaled contracts <ul style="list-style-type: none"> Pull latest technology into operations Increase innovation Unlock private equity and venture capital 	 3-month cycles	 Months E.g. Uncrewed systems and digital software 

Source:
https://assets.publishing.service.gov.uk/media/683d89f181deb72cce2680a5/The_Strategic_Defence_Review_2025_-_Making_Britain_Safer_-_secure_at_home__strong_abroad.pdf. p.59.

¹https://assets.publishing.service.gov.uk/media/683d89f181deb72cce2680a5/The_Strategic_Defence_Review_2025_-_Making_Britain_Safer_-_secure_at_home__strong_abroad.pdf

² Prime Minister Sir Keir Starmer speaking in Govan, 2nd June.

³ <https://www.gov.uk/government/publications/defending-britain>

⁴ <https://www.gov.uk/government/news/largest-ever-uk-defence-ai-trial-conducted-across-land-sea-and-air>.

⁵ www.gov.uk/government/publications/spending-review-2025-document.

FY25 cashflow: performance better than expected

As illustrated below, a key feature of Group cash management has been the progressive preservation (and increase) of a healthy cash balance (illustrated FY19 – H2 25).

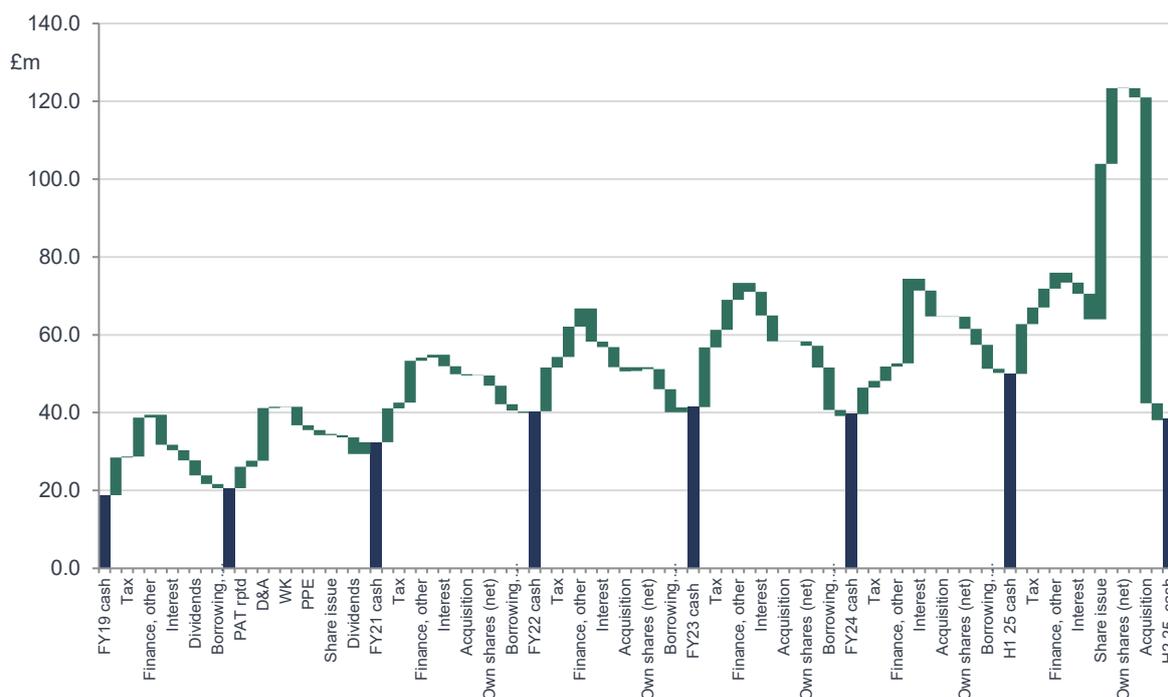
The key elements of FY25 cashflow were:

- Closing cash of £38.5m, net (pre IFRS16, £5.3m). The Group reports better than expected performance to improved working capital management in the S&E division, plus improved trading in C&I. Following on order book activity, receivables grew £8.8m and payables by £35.2m which, combined with inventory build of £7.1m meant an increase in working capital of £19.2m (H2: -£2.5m).
- A decrease in net funds of £17.8m. This comprised: net cash from operations of £51.2m, with depreciation and amortisation of £4.2m augmenting movement in working capital and (adj.) EBIT of £27.5m; acquisition of ITS (net of costs) of £(3.1)m and EMS, £(80.9)m; placing of equity of £41.0m; payment of dividend of £(6.5)m; capital spending of £(13.2)m; tax, interest and other of £(6.9)m.

The Group expects net funds by FY26 year-end to increase as the capital programme at ELAC reaches conclusion in the Autumn (estimated cost £9.5m), the net impact of disposal of the non-core Transport business for £8.0m (completed on 30 June) by SEA (within the S&E division) and working capital improvement at Chess and EID. **A further increase is anticipated in FY27** (in the absence of corporate activity). Our FY26 outlook net cash of £8.3m (E), rising to above £20m in FY27E.

FY25 (30 April 2025) cash and available credit totalled £55.3m, close to FY24 levels (£58.1m), following the acquisition of EM Solutions and ITS. Of the RCF, extended from 2025 to 2027, amounting to £50m, £16.7m remains. FY25 banking covenants were all passed and are expected to remain so in FY26 and beyond. The Group reports discussions for a new facility, including the addition of a fourth syndicate provider and a “potential increase to the facility”.

Cashflow FY19A to H2 25A



Source: Company data.

Valuation considerations

The next graphic (overleaf) shows the comparative positioning of Cohort at ED Fair Value, alongside a sample of peers in the UK defence and military equipment sector: Avon Technologies, Babcock, BAE Systems, Chemring Group, Concurrent Technologies, Melrose Industries, QinetiQ, Rolls Royce Holdings, Senior, Smiths Group and Solid State.

- **Our Fair Value, 1,930p/share, outlined below, indicates a FY27 E EV/EBITDA of 17.7x in line with the mid-range of the peer group read-across illustrated.**
- The market cap-weighted average for the peer group EV/EBITDA is 17.9x (source: Koyfin).
- The implied FV EV/revenue multiple is 2.6x; peer group mkt. cap-weighted average: 3.2x.

Cohort implied valuation exercise

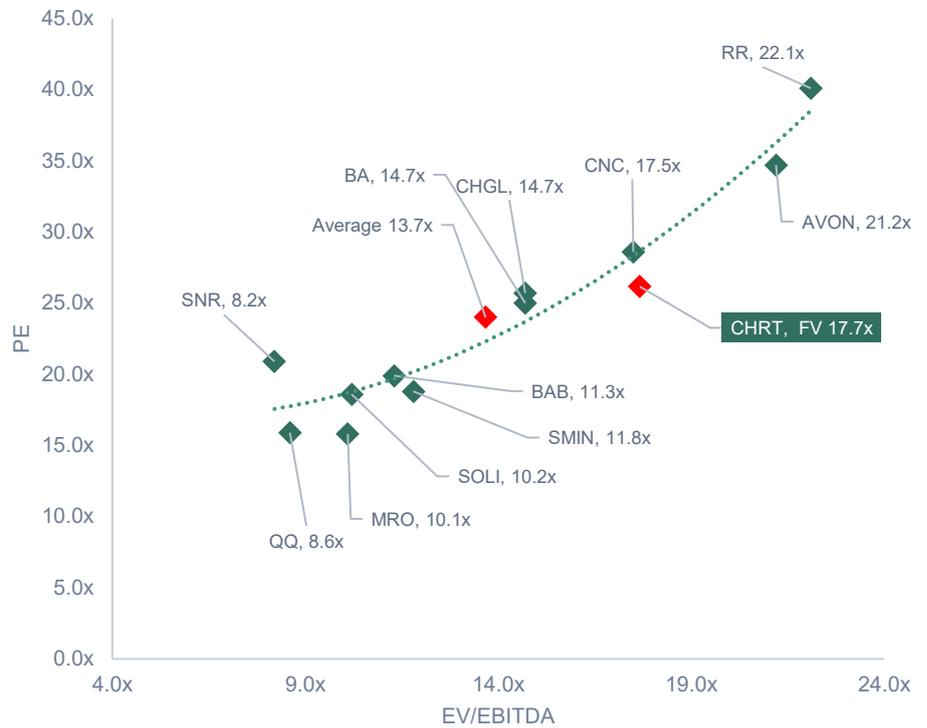
Ticker	Company	EV/Rev	EV/EBITDA	PE
AVON	Avon Technologies	3.0x	21.2x	34.7x
BAB	Babcock International Group	1.1x	11.3x	19.9x
BA	BAE Systems	2.1x	14.7x	25.0x
CHGL	Chemring Group	2.8x	14.7x	25.7x
CHRT	Cohort PLC ED FV at FY26E	2.6x	17.7x	22.8x
CNC	Concurrent Technologies	3.4x	17.5x	28.6x
MRO	Melrose Industries	2.3x	10.1x	15.8x
QQ	QinetiQ Group	1.4x	8.6x	15.9x
RR	Rolls-Royce Holdings	4.3x	22.1x	40.1x
SNR	Senior	1.0x	8.2x	20.9x
SMIN	Smiths Group	2.4x	11.8x	18.8x
SOLI	Solid State	0.8x	10.2x	18.6x
Average (mkt cap-wtd)		3.2x	17.9x	31.7x
Cohort implied valuation:				
FY27 E (adj.) EBITDA £m			46.4	
Peer group mkt cap. wtd. av. EV/EBITDA			17.9x	
Cohort Implied EV £m			830	
FY 25 net cash / (debt)			5.3	
Implied equity			824	
Shares (m)			42.7	
Peer group implied per share (p)				1,930
Implied EV/EBITDA			17.7x	
Implied EV/Rev			2.6x	

Source: Company data. Koyfin. Equity Development estimates.

We keep our forecasts conservative, as execution risk can be a factor in large defence contracts. Our valuation is based on the application of defence sector peer group ratings, indicating a Fair Value for Cohort of 1,930p / share.

The resulting valuation positioning is illustrated below.

Comparative valuation: EV/EBITDA / PE



Source: Company data. Koyfin. Equity Development estimates.

We also illustrate (adj.) EBITDA (actual and EDE) vs share price appreciation since FY19.

Cohort, (adj.) EBITDA outlook and share price performance FY19 – FY25



Source: Company data, Investing.com.

P&L

£m	H1 24A	H2 24A	H1 25A	H2 25A	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue	94.3	108.2	118.2	151.8	182.7	202.5	270.0	290.2	315.5
Gross	31.2	45.1	38.3	52.2	64.9	76.3	90.4	120.4	132.5
<i>Margin</i>	33.0%	41.7%	32.4%	34.4%	35.5%	37.7%	33.5%	41.5%	42.0%
COGS	(63.2)	(63.1)	(80.0)	(99.6)	(117.9)	(126.3)	(179.6)	(169.8)	(183.0)
Op-ex excluding one-off items	(25.2)	(30.0)	(28.1)	(34.8)	(45.8)	(55.1)	(63.0)	(85.4)	(91.6)
Amortisation intangibles	(1.6)	(1.6)	(1.0)	(2.0)	(3.7)	(3.1)	(3.0)	(8.0)	(8.0)
R&D credits	0.0	2.9	0.0	3.3	0.9	2.9	3.3	2.0	2.0
Forex	(0.0)	0.3	(0.1)	0.2	(1.1)	0.3	0.1	0.0	0.0
One-off charges	0.0	0.0	(0.2)	(1.5)	0.0	0.0	(1.7)	0.0	0.0
EBIT rptd.	4.4	16.8	8.8	17.3	15.3	21.2	26.1	29.0	34.9
EBIT (adj.)	6.0	15.1	10.1	17.4	19.1	21.1	27.5	35.0	40.9
<i>EBIT (adj.) mrg</i>	6.4%	14.0%	8.6%	11.4%	10.4%	10.4%	10.2%	12.1%	13.0%
Amortisation Intangibles	(1.6)	(1.6)	(1.0)	(2.0)	(3.7)	(3.1)	(3.0)	(8.0)	(8.0)
Depreciation PPE	(1.3)	(1.4)	(1.6)	(1.6)	(2.4)	(2.6)	(3.2)	(3.2)	(3.2)
Depreciation RoU	(0.9)	(1.1)	(1.1)	(1.2)	(1.8)	(2.0)	(2.3)	(2.3)	(2.3)
EBITDA Reported	8.2	20.7	12.5	22.1	23.1	28.9	34.6	42.5	48.4
EBITDA Adjusted	8.2	17.6	12.8	20.2	23.2	25.7	32.9	40.5	46.4
<i>Margin</i>	8.7%	16.2%	10.8%	13.3%	12.7%	12.7%	12.2%	14.0%	14.7%
Financial income	0.2	0.3	0.3	0.8	0.1	0.5	1.1	1.2	1.2
Financial expense	(1.0)	(0.9)	(0.6)	(1.0)	(1.5)	(1.9)	(1.6)	(1.6)	(1.7)
PBT Reported	3.7	16.2	8.5	17.1	13.9	19.8	25.6	28.5	34.4
PBT Adjusted	5.2	14.5	9.8	17.2	17.7	19.8	27.0	34.5	40.4
Tax	(0.7)	(3.8)	(1.7)	(4.3)	(2.7)	(4.5)	(6.0)	(8.4)	(11.3)
Reported tax rate	20.0%	23.5%	20.0%	25.2%	19.2%	22.9%	23.4%	29.5%	33.0%
PAT Reported	2.9	12.4	6.8	12.8	11.3	15.3	19.6	20.1	23.0
PAT Adjusted	4.5	10.7	8.1	12.9	15.1	15.2	21.0	26.1	29.0
Basic wtd. Av. shares (m)	40.4	40.7	40.5	40.7	40.7	40.4	42.7	42.7	42.7
Diluted wtd. av. shares (m)	40.5	40.8	40.9	41.5	40.8	40.6	43.5	43.5	43.5
EPS Reported Basic (p)	7.7	27.9	17.5	27.9	27.9	37.9	45.1	47.1	53.9
EPS Adjusted Diluted (p)	10.3	36.4	19.8	35.8	36.4	42.7	53.5	60.1	66.8

Source: Company data. Equity Development estimates.

Cashflow

£m	H1 24A	H2 24A	H1 25A	H2 25A	FY23A	FY24A	FY25A	FY26E	FY27E
PAT rptd	2.9	12.4	6.8	12.8	11.3	15.3	19.6	20.1	23.0
Tax	0.7	3.8	1.7	4.3	2.7	4.5	6.0	8.4	11.3
Depreciation	2.2	2.4	2.7	2.8	4.2	4.6	5.5	5.5	5.5
Amortisation	1.6	1.6	1.0	2.0	3.7	3.1	3.0	8.0	8.0
Finance net	0.8	0.6	0.3	0.2	1.3	1.4	0.5	0.5	0.5
Derivatives/forex	0.0	(0.3)	0.1	(0.2)	1.1	(0.3)	(0.1)	(0.1)	(0.1)
Share-based payments	0.4	0.7	0.2	0.5	1.5	1.1	0.7	0.0	0.0
Provisions	1.7	0.5	0.2	3.7	0.7	2.2	3.9	0.0	0.0
Operating Cash Flow	10.3	21.6	13.0	26.0	26.4	31.9	39.0	42.4	48.2
(Inc)/Dec inventories	(1.6)	0.2	(6.0)	(1.2)	(8.6)	(1.4)	(7.1)	12.3	(3.5)
(Inc)/Dec receivables	(5.7)	(19.0)	5.6	(14.5)	3.0	(24.7)	(8.9)	9.5	(6.9)
Inc/(Dec) payables	7.5	16.3	22.1	13.1	(3.0)	23.8	35.2	(7.3)	13.0
Movement in working capital	0.2	(2.5)	21.7	(2.5)	(8.5)	(2.3)	19.2	14.5	2.6
Cash from operations	10.5	19.1	34.7	23.5	17.9	29.6	58.2	56.9	50.8
Interest paid	(0.9)	(1.0)	(0.6)	(1.0)	(1.2)	(1.9)	(1.6)	(4.9)	(5.2)
Tax (paid)/received	(2.1)	(2.7)	(2.7)	(2.8)	(0.1)	(4.7)	(5.5)	(8.4)	(11.3)
Net cash from operations	7.6	15.4	31.4	19.8	16.5	23.0	51.2	43.5	34.3
Interest received	0.2	0.3	0.3	0.8	0.1	0.5	1.1	1.2	1.2
PPE	(2.7)	(3.9)	(6.7)	(6.5)	(5.2)	(6.7)	(13.2)	(11.0)	(6.0)
Acquisition	0.0	0.0	(3.0)	(78.6)	(1.0)	0.0	(81.6)	0.0	0.0
Net cash investing	(2.5)	(3.7)	(9.3)	(84.3)	(6.1)	(6.2)	(93.6)	(9.8)	(4.8)
Net OpFCF	5.1	11.8	22.1	(64.5)	10.4	16.9	(42.5)	33.7	29.5
Share issue	0.1	0.6	1.4	39.9	1.0	0.7	41.3	0.0	0.0
Dividends	(3.7)	(1.9)	(4.1)	(2.4)	(5.1)	(5.6)	(6.5)	(7.6)	(8.4)
Purchase own shares	(1.9)	0.0	(4.0)	0.0	(0.6)	(1.9)	(4.0)	0.0	0.0
Settlement of own shares	0.1	0.7	0.9	0.0	0.1	0.8	0.9	0.0	0.0
Borrowings	0.0	0.0	(5.0)	21.8	0.0	0.0	16.8	0.0	0.0
Repayments	(3.0)	(6.0)	0.0	0.0	(4.0)	(9.0)	16.8	0.0	0.0
Lease repayments	(1.0)	(1.9)	(1.1)	(2.3)	(2.0)	(1.9)	(2.3)	(1.8)	(1.8)
Net cash from financing	(9.4)	(8.5)	(11.9)	57.0	(10.6)	(16.9)	46.2	(9.4)	(10.2)
Net increase in cash	(4.3)	4.2	10.1	(6.4)	(0.2)	(0.1)	3.7	24.2	19.3
Forex	(1.1)	(0.6)	(0.6)	(4.3)	1.2	(1.7)	(4.9)	0.0	0.0
Cash start	41.5	36.1	39.7	49.2	40.4	41.5	39.7	38.5	62.7
Cash end	36.1	39.7	49.2	38.5	41.5	39.7	38.5	62.7	82.0

Source: Company data. Equity Development estimates.

Balance sheet

£m	H1 24A	H2 24A	H1 25A	FY23A	FY24A	FY25A	FY26E	FY27E
Goodwill	50.1	50.1	51.5	50.1	50.1	76.6	131.7	131.7
Intangible assets	4.4	2.8	3.7	6.0	2.8	49.1	(8.2)	(16.2)
RoU assets	8.1	7.8	7.5	8.5	7.8	9.7	3.3	1.0
PPE net	17.2	19.4	24.3	15.3	19.4	31.0	37.2	40.0
Deferred tax, other	1.5	2.5	2.6	1.6	2.5	7.9	7.9	7.9
Sum Fixed Assets	81.3	82.7	89.6	81.5	82.7	174.3	171.9	164.5
Inventories	33.8	33.3	39.3	32.0	33.3	52.1	39.8	43.2
Trade receivables	61.1	79.4	70.5	55.6	79.4	89.0	79.5	86.4
Derivatives, tax	1.9	1.9	3.4	2.2	1.9	6.5	8.4	9.8
Cash, Equivalents	36.1	55.2	75.4	51.0	55.2	74.6	62.7	82.0
Sum Current Assets	132.9	169.8	188.5	140.8	169.8	222.3	190.4	221.4
Trade payables, other	(62.9)	(81.0)	(99.0)	(55.9)	(81.0)	(126.6)	(119.3)	(132.2)
Derivatives, tax	(3.6)	(2.5)	(3.2)	(5.3)	(2.5)	(3.9)	(5.0)	(5.8)
Leases	(1.5)	(1.8)	(1.8)	(1.7)	(1.8)	(2.3)	(2.3)	(2.3)
Borrowings	0.0	(15.5)	(26.1)	(9.5)	(15.5)	(37.0)	(23.0)	(28.0)
Provisions	(10.4)	(8.9)	(11.0)	(8.7)	(8.9)	(6.4)	(6.1)	(6.7)
Other payables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sum Current Liabilities	(78.5)	(109.7)	(141.1)	(81.1)	(109.7)	(176.2)	(155.6)	(175.1)
Deferred tax	(1.1)	(0.9)	(1.1)	(1.5)	(0.9)	(13.5)	(18.9)	(25.4)
Leases	(7.2)	(6.7)	(6.3)	(7.5)	(6.7)	(7.2)	(5.4)	(3.6)
Borrowings	(22.8)	(16.5)	(11.3)	(25.8)	(16.5)	(32.4)	(32.4)	(32.4)
Provisions	(1.4)	(3.2)	(2.4)	(1.4)	(3.2)	(4.1)	(3.8)	(4.2)
Retirement benefit	(5.3)	(5.6)	(4.6)	(5.3)	(5.6)	(3.2)	(3.2)	(3.2)
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sum Long-term liabilities	(37.7)	(33.0)	(25.8)	(41.5)	(33.0)	(60.3)	(63.6)	(68.8)
Share Capital	4.1	4.2	4.2	4.1	4.2	4.7	4.7	4.7
Share Premium	31.6	32.2	33.5	31.5	32.2	73.0	43.6	27.9
Own shares	(5.2)	(4.6)	(7.4)	(3.6)	(4.6)	(7.4)	(7.4)	(7.4)
Share option reserve	2.5	2.9	3.3	2.1	2.9	4.7	4.7	4.7
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earnings	63.7	74.1	76.8	62.9	74.1	83.7	96.2	110.8
Equity	96.8	108.7	110.4	97.0	108.7	158.6	141.7	140.7
Non-controlling interests	1.1	1.2	0.8	2.8	1.2	1.5	1.3	1.3
Net cash / (debt) non-IFRS16	13.3	23.1	37.9	15.6	23.1	5.3	7.3	21.6

Source: Company data. Equity Development estimates.

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