

21 July 2023

Record results in FY23 and positive outlook

For the year to 30 April 2023, Cohort reported record revenue of £182.7m +33%YoY, matched by record (adj.) EBIT of £19.1m, +23%YoY. The closing order book of £329.1m (FY22: £291.0m) was also at a high, boosted by order intake of £220.9m; by June this had reached £360m. Year-end net cash of £15.6m was well ahead of our outlook (£4.6m). EPS rose 17%YoY to 36.48p/share, with the proposed total dividend of 13.4p/share +10%YoY. Overall, FY23 revenue was 10.7% above our outlook (£165.0m), (adj.) EBIT 3.0% and (adj.) EBITDA 5.5% above.

New divisional structure – strong performance

At the 25th May Trading Update Cohort amalgamated reporting for the subsidiaries EID, MASS and MCL into the **Communications & Intelligence** (C&I) division; and Chess Dynamics, ELAC Sonar and SEA into the **Sensors & Effectors** (S&E) division. The former posted strong performance +26.1%YoY (£86.2m), with H2 revenue of £53.0m (+37%YoY) building on a strong H1 (£33.2m, +12%YoY), underpinned in particular by MOD contracts with MCL. Divisional (adj.) EBIT profitability remained firm at 17.3% (FY22: 17.9%) contributing 61% of Group EBIT (£14.9m, +22%YoY). The Sensors & Effectors division reported FY23 revenue of £96.5m, +39.1%YoY; Chess (electronic surveillance) was highlighted for improved performance. EBIT (adj.) profitability was 9.7% (FY22: 10.8%), at £9.3m, +25%YoY. The Group generated £25.4m in operating cashflow (FY22: £21.8m), with working capital and increased cap-ex resulting in a slight increase in cash to £41.5m.

Refreshed UK defence stance: emphasis on cooperation with the City

Notwithstanding a strategically firm defence outlook – based on the conflict in Ukraine, tensions in the South China Sea, and cohesion amongst NATO allies - coincident with results, the MOD published on 18th July the *Defence Command Paper Refresh (DCP23)*. In addition to committing £2.5bn to defence stockpiles, the paper heralded a “New Alliance” between defence and industry, stating “we will work with industry and the City to ensure that funding markets understand more clearly the critical need for our world-class suppliers to gain access to third-party funding and financial services”¹.

Outlook to 2025 – order growth remains the driver

We have raised our FY24 revenue outlook by 7% to £188.1m (prior E, £174.4m) and EBITDA (adj.) from £24.0m to £25.0m (+5%). The key driver for medium-term growth remains the healthy, and growing, order book, following a record FY23. The principal drivers for demand in Cohort’s specialist military equipment and services segment remain strong and undiminished. The Group retains a strong (net) cash balance underpinned by a track record of sound cashflow management; opportunities for acquisition also remain promising.

Our Fair Value remains at 650p/share.

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	14.5x	15.6x	13.3x	13.3x	13.2x
EV/EBITDA	8.2x	9.3x	7.8x	7.2x	6.6x

Source: Company data, Equity Development estimates. ¹ Defence Command Paper Refresh 2023 pp39.

Company Data

EPIC	CHRT
Price (last close)	483p
52 weeks Hi/Lo	570p/384p
Market cap	£196m
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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FY23 performance – a focus on orders

FY23 profitability led by Communications & Intelligence

As summarised below, overall revenue performance exceeded our outlook by 11%, led by S&E (13% ahead); gross profitability was slightly (2%) below expectations but adjusted EBIT, aided by lighter op-ex, was 3% above our outlook. The C&I division contributed strongly to profit (62% of (adj.) EBIT) underpinned by performance at MASS and MCL's MOD work in areas such as hearing protection and drones development; EID faced contract slippage and procurement delays. In S&E, performance improved at Chess whilst the transition to new facilities commenced at ELAC.

FY23 performance and ED estimates

Y/e April, £m	FY20	FY21	FY22	FY23	FY23 YoY	vs ED Est
Communications & Intelligence	74.2	78.4	68.4	86.2	26.1%	8%
Sensors & Effectors	56.9	64.9	69.4	96.5	39.1%	13%
Inter-segment	0.0	0.0	(0.0)	0.0		
Revenue	131.1	143.3	137.7	182.7	32.7%	11%
<i>Comms & Intel YoY</i>	<i>2.8%</i>	<i>5.7%</i>	<i>-12.8%</i>	<i>26.1%</i>		
<i>Sensors & Effectors YoY</i>	<i>16.0%</i>	<i>14.1%</i>	<i>6.9%</i>	<i>39.1%</i>		
<i>Revenue YoY</i>	<i>8.2%</i>	<i>9.3%</i>	<i>-3.9%</i>	<i>32.7%</i>		
Gross	51.0	53.4	56.6	64.9	14.6%	-2%
<i>Margin</i>	<i>38.9%</i>	<i>37.2%</i>	<i>41.1%</i>	<i>35.5%</i>		
Central costs	(2.9)	(3.6)	(4.2)	(5.2)	23.1%	3%
Comms & Intel EBIT	13.7	15.6	12.3	14.9	21.7%	5%
Sensors & Effectors EBIT	7.5	6.5	7.5	9.3	24.8%	0%
EBIT Reported	10.7	7.8	11.1	15.3	37.5%	10%
EBIT Adjusted	18.2	18.6	15.5	19.1	22.8%	3%
<i>Comms & Intel mrg</i>	<i>18.4%</i>	<i>20.0%</i>	<i>17.9%</i>	<i>17.3%</i>		
<i>Sensors & Effectors mrg</i>	<i>13.1%</i>	<i>10.1%</i>	<i>10.8%</i>	<i>9.7%</i>		
<i>EBIT (adj.) mrg</i>	<i>13.9%</i>	<i>13.0%</i>	<i>11.3%</i>	<i>10.4%</i>		
Underlying op-ex	(32.8)	(34.7)	(41.1)	(45.8)	11.5%	-4%
<i>% of revenue</i>	<i>64.3%</i>	<i>65.1%</i>	<i>72.6%</i>	<i>70.6%</i>		
EBITDA Reported	20.7	21.4	21.8	23.1	5.6%	13%
EBITDA Adjusted	20.9	22.1	19.4	23.2	19.6%	6%
<i>Margin</i>	<i>15.9%</i>	<i>15.4%</i>	<i>14.1%</i>	<i>12.7%</i>		
PBT Reported	10.0	7.1	10.2	13.9	36.2%	8%
PBT Adjusted	17.5	17.9	14.7	17.7	21.0%	1%

Source: Company data. Equity Development estimates.

Order cover bodes well

Cohort reported a total of 69.9% of FY22 revenue covered by orders to be delivered during the year to 30th April 2023, indicative of an estimated 43.9% of orders on the books scheduled for delivery.

For FY23/24 the Group reports £329.1m in orders – by June reaching a reported £360m. On our FY24 revenue projection of £188.1m (see p8) this indicates FY24 coverage of 75.9%, which rises to 83.1% based on an estimated ratio of order delivery to order book of 43.4%.

Order intake boosts momentum

Sensors & Effectors FY23 order intake rose 15.9% to £126.4m reflecting the longer-term nature of naval contracts, for Cohort (in addition to the Royal Navy) for overseas customers. Cohort noted £40m of orders for the Royal Navy including communications and other systems for the Dreadnought submarine class, expected to expand to include upgrades to the Astute class and its expected replacement in the AUKUS class. Orders from German navy approached £10m and in Italy, £8m.

Communications & Intelligence FY23 order intake rose 22.3% to £94.5m (42.8% of total). Cohort notes reduced revenue cover resulting from the nature of MCL contracts and in year service provision at MASS; in FY23 C&I Services comprised of 77% Group total, although Services comprised 23% of revenue overall. In addition almost 75% of total order intake originates with the UK MOD, ranging from hearing protection equipment to support for Joint Forces Command and electronic warfare capability.

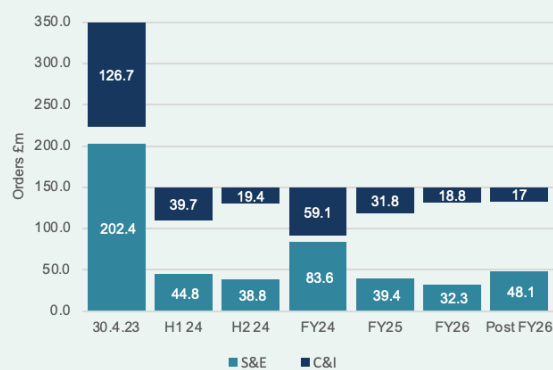
Order intake, order book FY22, FY23

	FY22	Intake	Book	Delivery	I/B	% of Rev	D/O
C&I		77.3	118.4	58.5	65.3%	67.9%	49.4%
S&E		109.1	172.6	69.2	63.2%	71.7%	40.1%
Sum		186.4	291.0	127.7	64.1%	69.9%	43.9%
	FY23	Intake	Book	Delivery	I/B	% of Rev	D/O
C&I		94.5	126.7	59.1	74.6%	65.9%	46.6%
S&E		126.4	202.4	83.6	62.5%	84.9%	41.3%
Sum		220.9	329.1	142.7	67.1%	75.9%	43.4%
June			360.0	156.2		83.1%	43.4%
	YoY	Intake	Book	Delivery			
C&I		22.3%	7.0%	1.0%			
S&E		15.9%	17.3%	20.8%			
Sum		18.5%	13.1%	11.7%			
June			23.7%	22.3%			

Source: Company data. Equity Development estimates. I/B: Intake/Book ratio. D/O: Delivery/Orders ratio.

Below illustrates the visibility – based on company data – of the order book to FY26 and post FY26.

Distribution of order visibility to FY26+



Source: Company data.

Recent contracts

Post Interims on 16th January Cohort has announced six major contracts, totalling £63.9m; 69% in the Sensors & Effectors category, 31% in Communications & Intelligence:

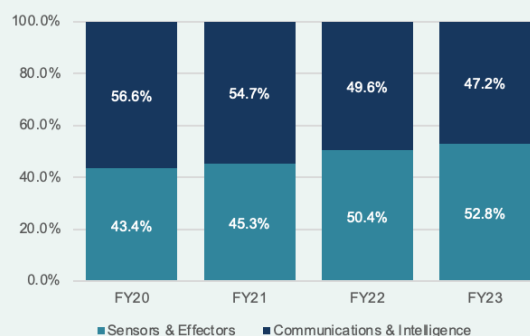
- 22 March, c.£11.0m: **CHES** (Sensors & Effectors division) received a contract extension, worth c.£11.0m, to its £20m July 2020 contract to supply surveillance equipment to a European customer.
- 23 March, £5.0m: **MASS** (Communications & Intelligence division) received a 2-year, £5.0m, extension to a UK MOD contract for software development, modelling and countermeasures services.
- 5 April, £8.7m: **MASS** received a contract worth £8.7m for countermeasures development by the UK MOD, involving provision of a team for five years, as part of a longstanding (27 year) arrangement.
- 27 April, £6.0m: **MASS** received an extension to a Joint Command and Staff Training (JCAST, Northwood) contract for UK Strategic Command for a further year up to July 2025, worth over £6.0m.
- 9 May, £26.2m: **SEA** (Systems Engineering & Assessment: Sensors & Effectors division) received a contract worth £26.2m from an overseas Ministry of Defence in the second phase of a communications systems upgrade on two naval surface vessels. The contract runs from May 2023 to the end of 2026.
- 30 May, £7.0m: **SEA** received a contract worth £7.0m from a SE Asian Navy for anti-submarine warfare capabilities for two vessels. The contract runs from May 2023 up to the end of 2026.

Defence strategy direction of travel

In its domestic markets (see Appendix II) Cohort highlights the positive impact on demand for innovative defence systems from factors including: the UK's strategic focus on security re Russia and China including the South Pacific AUKUS alignment; NATO cohesion in response to the war in Ukraine, including increased German defence spending; and Japan's commitment to double defence spend to 2.0% of GDP by 2027 (source: www.bbc.co.uk/news/world-asia-64001554).

The Group highlights the recent increase in Product-related revenue – which we expect to continue - with the consequent shift away from Services revenue, and an associated near-term exchange of higher top-line growth for slightly lower margins. For example, over the period 2019-2023 C&I revenue, which comprised 77% of Group Services revenue, has grown at a 4.5% CAGR compared to more Product-intensive S&E revenue at 18.5%.

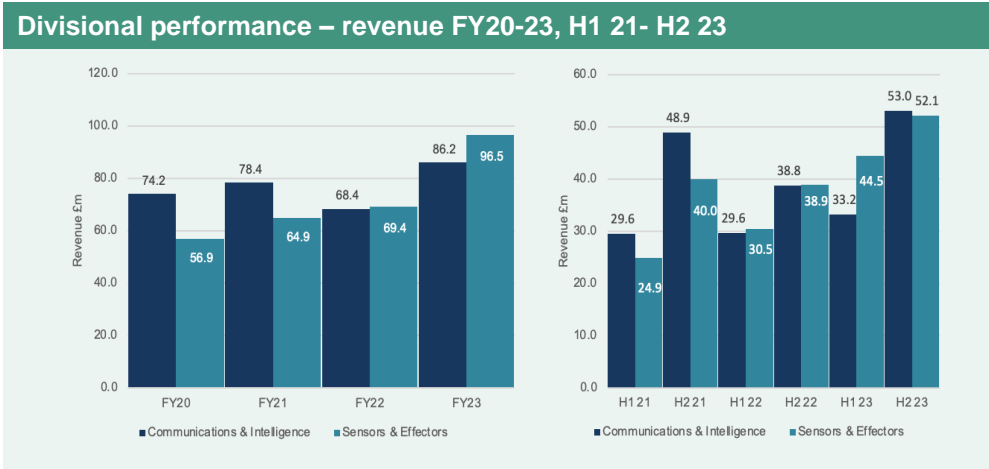
Distribution of divisional revenue, FY20 – FY23



Source: Company data.

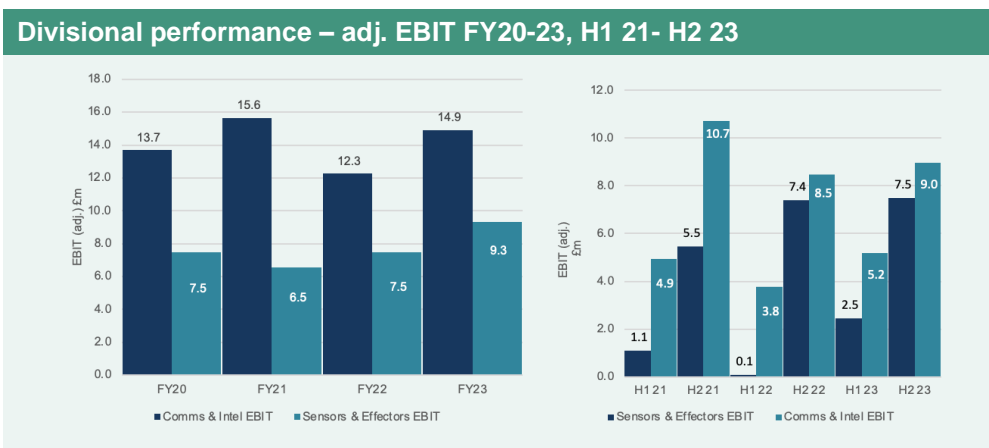
Divisional performance to FY23 - summary

FY20-23 divisional revenue and recent semi-annual performance shows consistency of improvement.

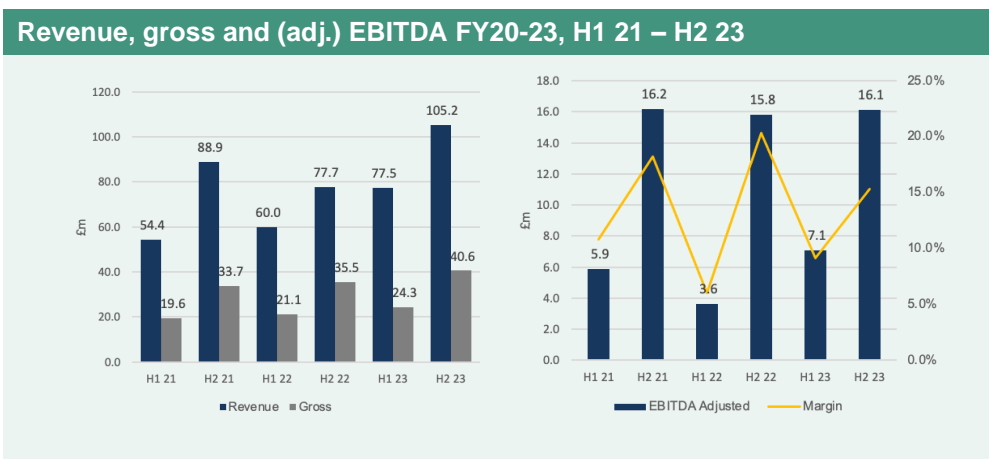


Source: Company data. Equity Development estimates.

The impact of the acquisition and integration of ELAC is evident post-H1 21.



Source: Company data. Equity Development estimates.



Source: Company data. Equity Development estimates.

Communications & Intelligence division: outlook

The **Communications & Intelligence** division - comprising Cohort subsidiaries EID, MASS and MCL – has benefitted from the significant increase in UK MOD activity impacting, in particular, MCL in areas such as hearing defenders, drone and communication equipment. This is expected to fall back to more historical levels in FY24. EID experienced contract slippage due to procurement delays resulting, in FY23, as small operating loss; we expect a recovery as delays unwind. Current examples of divisional projects include:

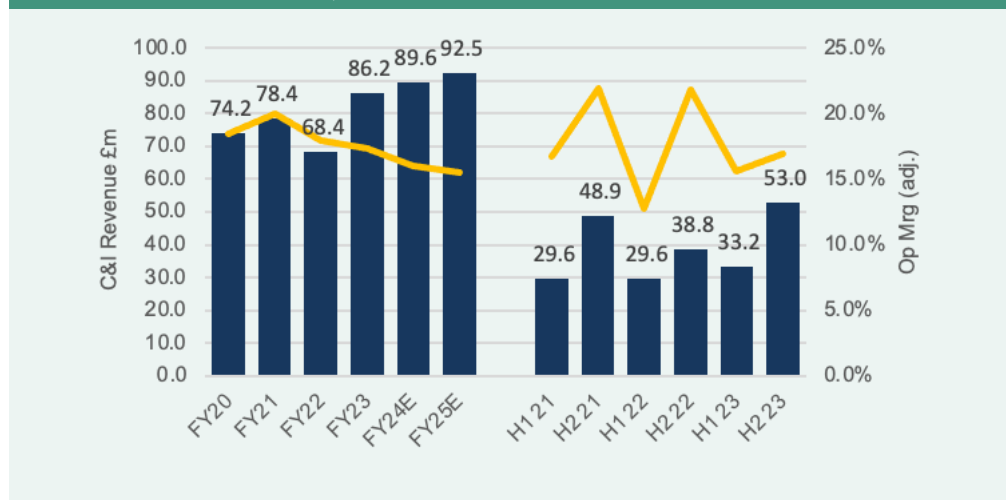
- At EID a battlefield intelligence communications *Dismounted Soldier System* integrator, already deployed.

FY 23 performance and outlook to FY25

Comms & Intelligence (£m)	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue	74.2	78.4	68.4	86.2	89.6	92.5
YoY	2.8%	5.7%	-12.8%	26.1%	4.0%	3.2%
EBIT	13.7	15.6	12.3	14.9	14.3	14.3
Mrg	18.4%	20.0%	17.9%	17.3%	16.0%	15.5%
£m	H2 21	H1 22	H2 22	H1 23	H2 23	
Revenue	48.9	29.6	38.8	33.2	53.0	
EBIT	10.7	3.8	8.5	5.2	9.0	
Mrg	21.9%	12.8%	21.9%	15.6%	16.9%	

Source: Company data. Equity Development estimates.

Annual and semi-annual, outlook to FY25



Source: Company data. Equity Development estimates. Line indicates Operating margin, both annual and semi-annual.

Sensors & Effectors division: outlook

The **Sensors & Effectors** division (Chess Dynamics, ELAC Sonar and SEA). We note the longevity of engagements associated with naval contracts in this division, and preponderance of overseas-related operations. Post-FY23, work has commenced at ELAC Sonar in relocating to new facilities, having acquired land in the vicinity of Keil for c.€2.0m, as part of a €20.0m (£17.5m) construction project to accommodate major new test and development facilities. Completion is expected in early 2025. Examples of projects underway in the division include:

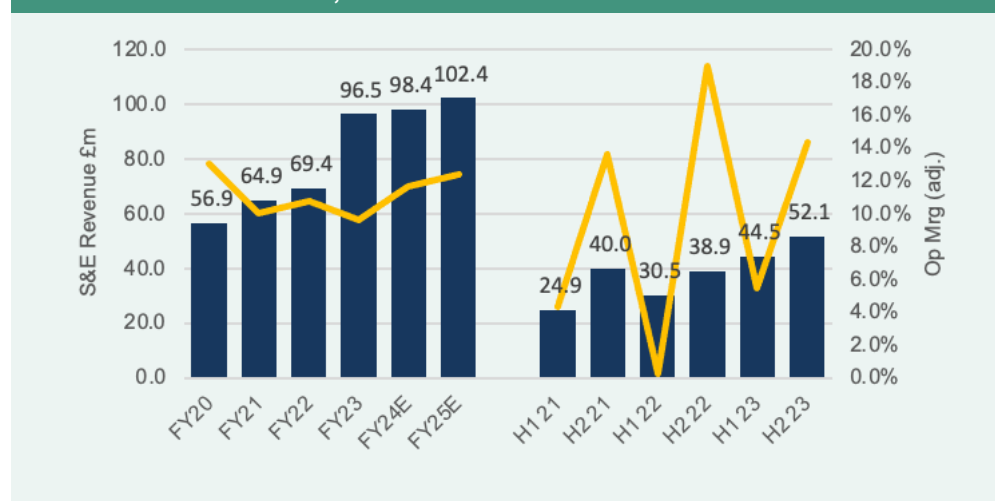
- At Chess, advanced video tracking systems using AI to spot and distinguish drones in concealment or differentiate from birds, etc.
- At SEA, a multi-environment display system for submarine detection.
- At ELAC Sonar, underwater spread-spectrum communications for unmanned submarine drones.

Outlook to FY25

Sensors & Effectors (£m)	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue	56.9	64.9	69.4	96.5	98.4	102.4
YoY	16.0%	14.1%	6.9%	39.1%	2.0%	4.0%
EBIT	7.5	6.5	7.5	9.3	11.5	12.7
Mrg	13.1%	10.1%	10.8%	9.7%	11.7%	12.4%
£m	H2 21	H1 22	H2 22	H1 23	H2 23	
Revenue	40.0	30.5	38.9	44.5	52.1	
EBIT	5.5	0.1	7.4	2.5	7.5	
Mrg	13.7%	0.3%	19.0%	5.5%	14.4%	

Source: Company data. Equity Development estimates.

Annual and semi-annual, outlook to FY25



Source: Company data. Equity Development estimates. Line indicates Operating margin, both annual and semi-annual.

Group outlook to FY25

For FY24 our outlook is based on the expectation of continued strong order inflow driving medium-term revenue and a gradual improvement in profitability:

- FY 24 revenue of £188.1m, 8% above our previous estimate (£174.4m), gross profit margin of 41.0%, EBITDA (adj.) of £25.2m, 13.4% margin (5% above previously estimated £24.4m, 13.7% margin).
- FY 25 revenue of £92.5m, gross profit margin of 41.5%, EBITDA (adj.) of £27.3m, 14.0% margin.

We also factor in the impact of an increased interest rate environment, raising FY24 E interest costs from £1.0m to £1.9m, and increased capital spending, primarily due to the ELAC Kiel relocation process, rising from £5.2m in FY23 to £10.0m in FY24 and FY25. Compared to an overall tax rate of 19.2% in FY23 (reflecting the loss and R&D tax credits in Portugal) excluding research & development expenditure credits (RDEC), our FY24 tax outlook is set at 23.0% as the UK corporation rate rises to 25.0%.

We expect Cohort to maintain a **progressive dividend policy**, in FY23 36.7% of EPS and 2.2x covered (FY22: 39.3%, 1.9x), in FY24 E at 40.5% (2.1x) and in FY25, 42.0% (2.4x).

Summary outlook to FY25

£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
<i>Comms & Intel YoY</i>	2.8%	5.7%	-12.8%	26.1%	4.0%	3.2%
<i>Sensors & Effectors YoY</i>	16.0%	14.1%	6.9%	39.1%	2.0%	4.0%
<i>Revenue YoY</i>	8.2%	9.3%	-3.9%	32.7%	2.9%	3.6%
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%
Central costs	(2.9)	(3.6)	(4.2)	(5.2)	(5.4)	(5.5)
Comms & Intel EBIT	13.7	15.6	12.3	14.9	14.3	14.3
Sensors & Effectors EBIT	7.5	6.5	7.5	9.3	11.5	12.7
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>Comms & Intel mrg</i>	18.4%	20.0%	17.9%	17.3%	16.0%	15.5%
<i>Sensors & Effectors mrg</i>	13.1%	10.1%	10.8%	9.7%	11.7%	12.4%
<i>EBIT (adj.) mrg</i>	13.9%	13.0%	11.3%	10.4%	10.9%	11.0%
Underlying op-ex	(32.8)	(34.7)	(41.1)	(45.8)	(56.7)	(59.3)
<i>% of revenue</i>	64.3%	65.1%	72.6%	70.6%	73.5%	73.4%
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%
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

Source: Company data. Equity Development estimates.

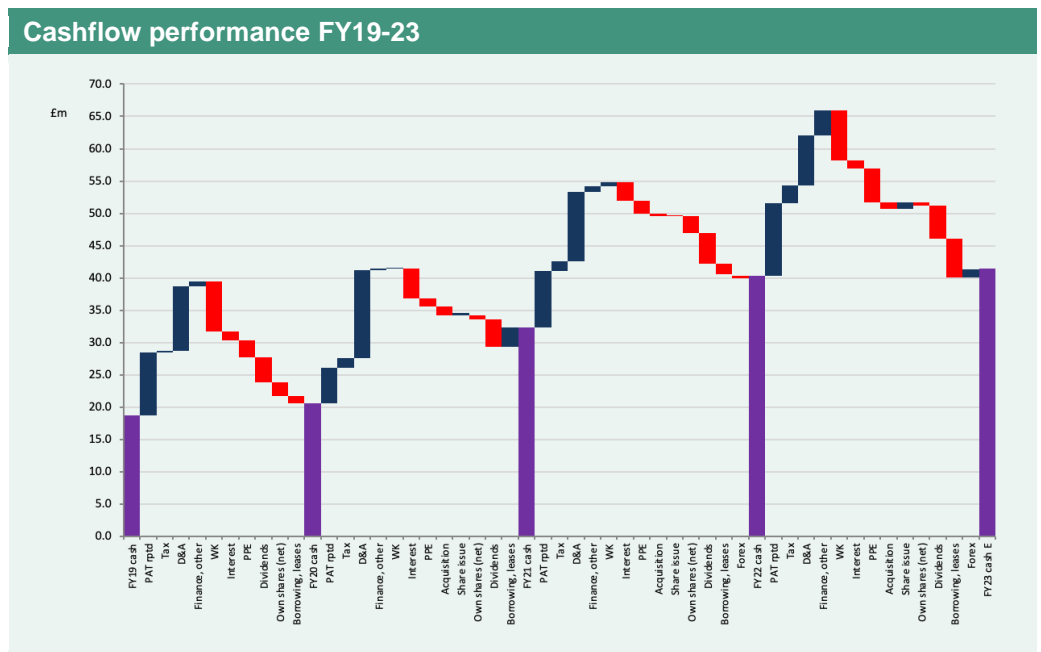
FY 23 cashflow; prudent, cash-accretive

As illustrated, the Group has consistently increased the cash balance boosted by strong operational performance and sound working capital management. For example, in FY23 the Group recorded:

- Operating cashflow generation of £25.5m, +£3.7m on FY22, led by PAT (30.6% of OpCF), with depreciation and amortisation amounting to 25.3%.
- Net working capital consumption of £7.6m, with H2 retrieving £4.9m against a H1 outflow of £12.6m, leading to net operating cashflow of £17.9m (FY22: £22.5m).
- Spending on capital equipment of £5.2m which exceeded previous years (FY22: £2.0m; FY21: £1.3m). The addition of £1.0m in respect of the acquisition of the non-controlling interest in Chess resulted in a £6.1m invested and net operating free cashflow of £10.4m (FY22: 17.2m). Dividend payments (£5.1m) and a c.£4.0m reduction in debt and lease obligations consumed £10.6m (FY 22: £8.7m).

As a result, pre-forex (positive £1.2m), cash was reduced slightly (£(0.2)m; the overall year-end cash balance was £41.5m, slightly above FY22 (£40.4m).

We note Cohort's continued interest in the potential for **targeted acquisitions**. Since 2006 Cohort has made a series of significant acquisitions: SCS (at IPO in 2006), MASS (£13m, 2006), SEA (£25m, 2007), J+S (£12m, 2014, integrated into SEA), MCL (50% acquired in 2014, 100% in 2017 for a total of £14m), EID (£13m for 80%), Chess (2018, £20.1m with the minority added in 2022 for £1.0m), and Wärtsilä ELAC Nautik GmbH for €11.3m in 2020.



Source: Company data, Equity Development estimates.

FY24-25 outlook: increased cap-ex

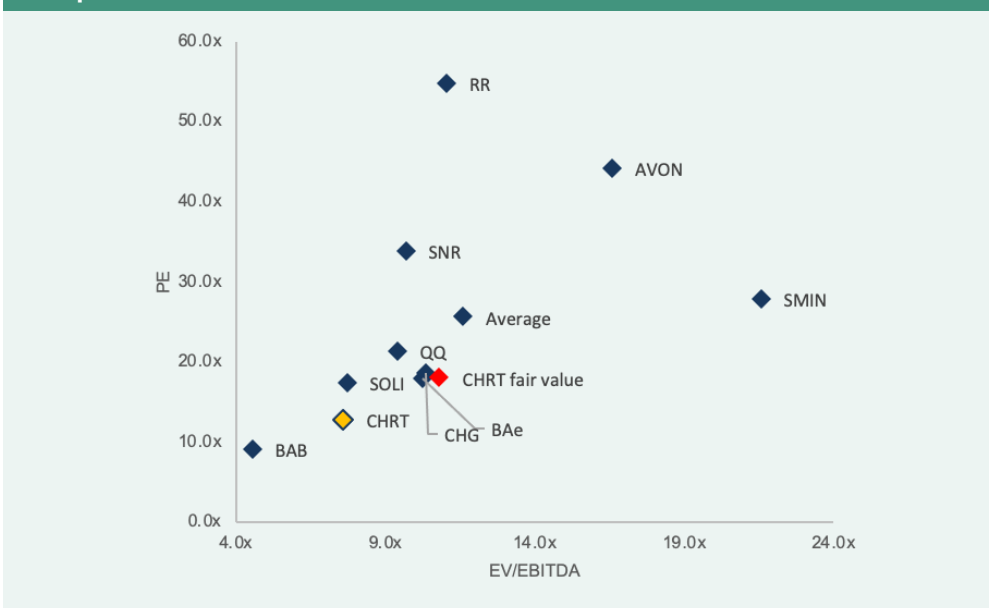
Inclusive of ELAC Sonar relocation costs (overall an estimated c.£18m), we expect cap-ex in each of FY24 and FY25 to rise to c.£10m. Consequently, we project year-end net cash of £8.2m in FY24, and in FY25, £11.0m.

Valuation considerations

Below we illustrate the comparative positioning of Cohort, at current valuation and at ED Fair Value, alongside a sample of peers in the UK defence and military equipment sector:

- BAE Systems, Smiths Group, Rolls Royce Holdings, QinetiQ, Babcock, Chemring Group, Senior PLC, Avon Protection, Amedeo Air Force Plus, Solid State PLC, Concurrent Technologies PLC.
- Cohort PLC current trades on a FY24 E PE of xx and EV/EBITDA of xx.
- At ED Fair Value, the indicated PE is 18.0x and EV/EBITDA, 10.8x.
- This compares to a market cap weighted average for the peer group of 25.6x and 11.6x.

Comparative valuation: PE and EV/EBITDA



Source: Yahoo Finance, Equity Development estimates.

This chart compares and contrasts the evolution of (adj.) EBITDA over the past five years' share price performance.

Cohort PLC: 5-year share price, evolution of EBITDA



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.

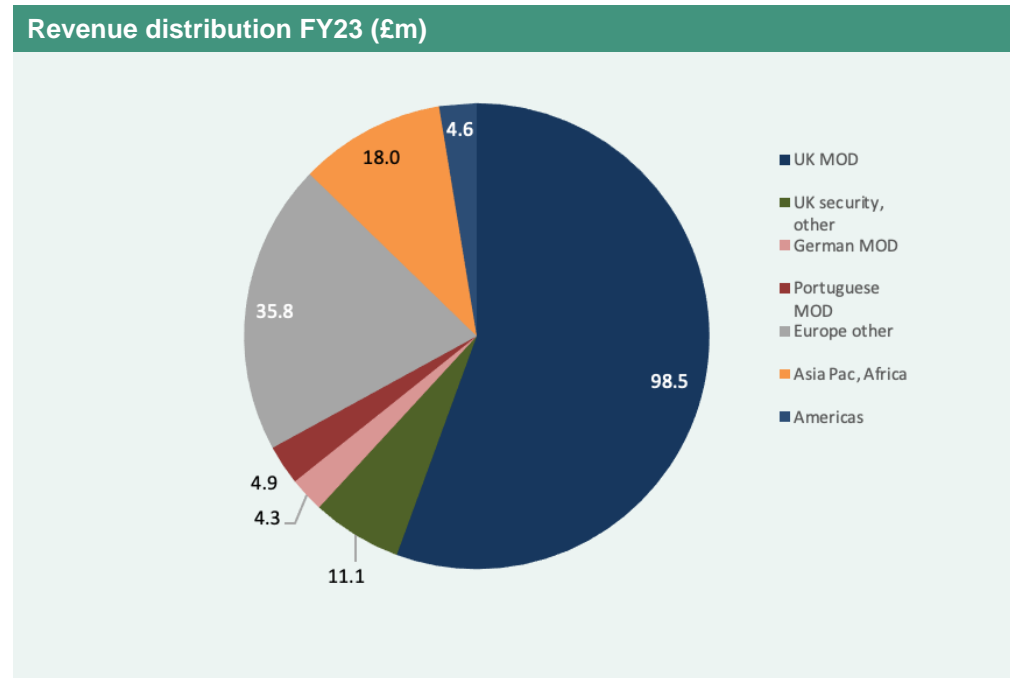
Summary cashflow

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.

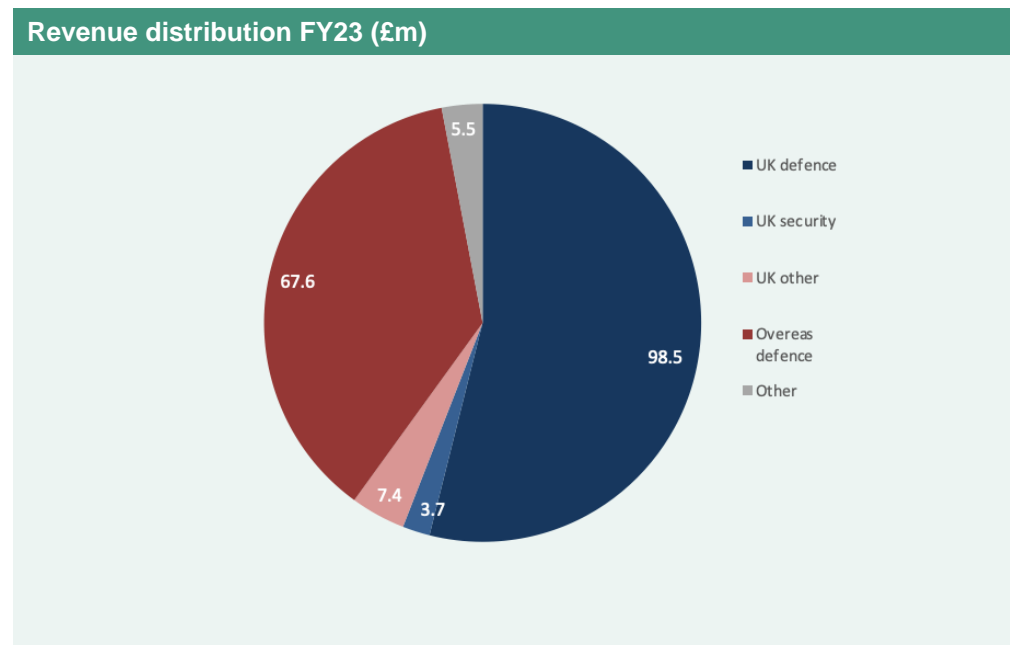
Appendix I: FY 23 revenue distribution

Distribution of revenue by major customer and geography, led by UK defence (53.9%).



Source: Company data. £m.

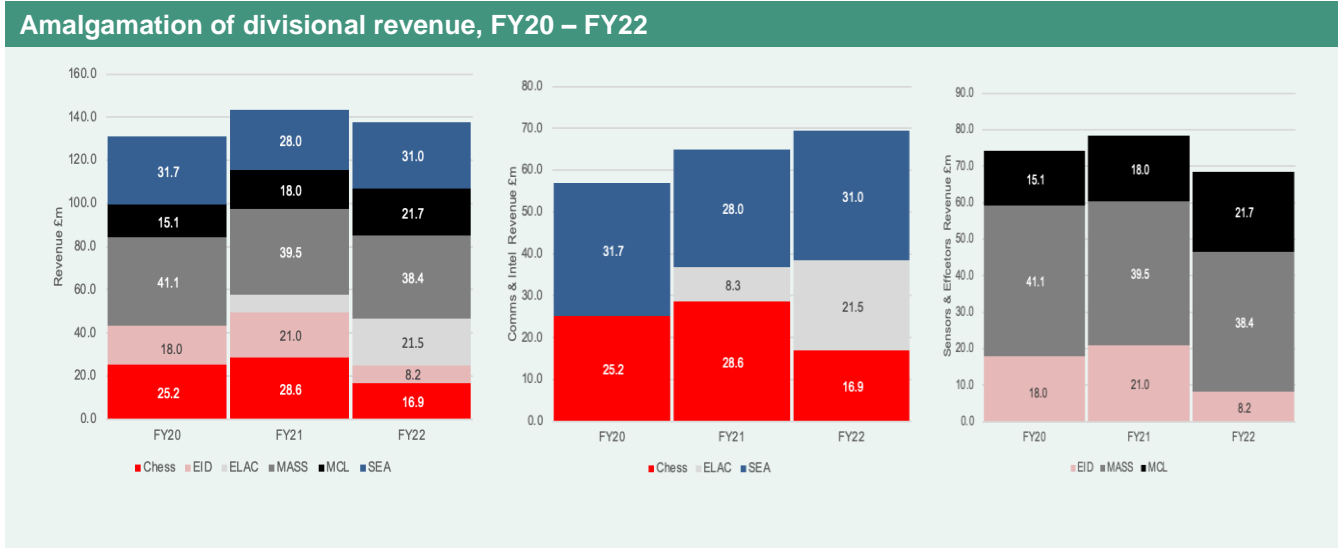
Distribution of revenue showing UK (60.0%) versus overseas exposure.



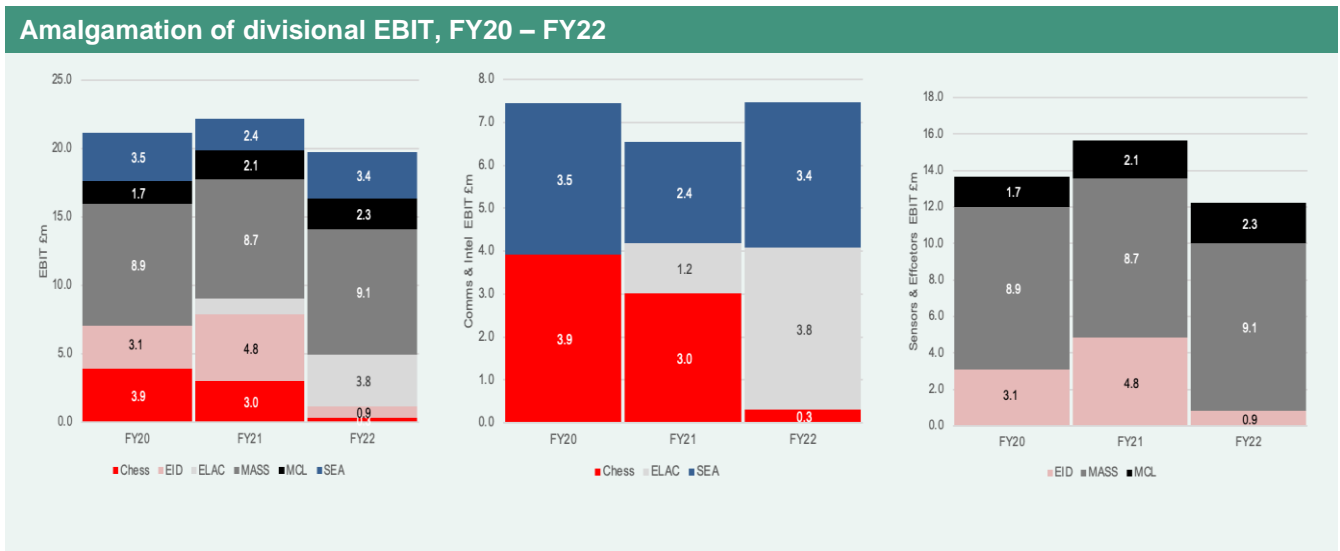
Source: Company data. £m.

Appendix II: prior divisional structure

Illustrated below is a summary of the amalgamation of Chess, ELAC and SEA into the **Sensors & Effectors** division, and EID, MASS and MCL into the **Communications & Intelligence** division, announced on 25th May 2023.



Source: Company data, Equity Development estimates.



Source: Company data, Equity Development estimates.



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