

FY25 trading update and a new record order book

29 May 2025

In a Trading Update for the year to 30 April 2025, Cohort reports strong growth and a record closing order book of £615m, surpassing the previous (30th April 2024) record of £518.7m. The Group expects FY25 performance in line with market expectations¹, underpinned by strength in the Communications & Intelligence (C&I) division, whilst Sensors & Effectors (S&E) performance was broadly comparable to FY24.

Order intake was c.£285m (1.1x revenue) and excludes an additional £80m of orders acquired with EM Solutions; the comparable FY24 figure of £387m which included the single Royal Navy order for £135m, which if excluded indicates 12%YoY growth. The strength of order intake therefore underpins c.£230m of current market revenue expectations (80% cover), and on-order revenue visibility stretches into the mid-2030s. In our view this also reflects the trend observed towards an increased number of larger orders each worth over £10m.

On the basis of strong top-line performance, the C&I division recorded an (adj.) EBIT margin of c.17% compared to 15.5% in FY24, backed by 3 months' contribution from the acquired EM Solutions, whilst S&E recorded a C9% margin compared to 10.7% in FY24, resulting from a weaker margin mix at SEA and a combination of delays and one-off project costs at Chess. The resulting Group (adj.) EBIT margin was 10.2%, compared to 10.4% in FY24. The Group reports closing net funds of c.£5m, ahead of Group expectations, due to strong cashflow management, following the acquisition of EM Solutions for £75m (see ED report, 22 November 2024, '[SATCOM deal is Group's largest acquisition](#)'). The disposal of the transport operations of SEA in early May 2025 will reduce the non-defence component of revenue to c.3%, reinforcing the Group focus on defence-related activities.

FY26 outlook remains (very) positive

The Group reports continuing demand for its products and services, notably in light of the ongoing conflict in Eastern Europe and tensions in Indo-Pacific, whilst also awaiting the imminent outcome of the UK's Strategic Defence Review. The addition of EM Solutions also aligns with defence initiatives in Australia and Indo-Pacific, backed by the AUKUS strategic alliance. Backed by strong organic demand the Group continues to aim for (adj.) EBIT profitability in the low- to mid-teens.

Valuation: to be reviewed with full year numbers

The record Group closing order book remains a strong positive indicator for future performance. Whilst noting the strength of the share price, our outlook is unchanged for now - FY25 reporting in July will provide the opportunity to both review forecasts and reassess our Fair Value calculation.

Company Data

EPIC	CHRT.L
Price (last close)	1,560p
52 weeks Hi/Lo	1,576p/724p
Market cap	£597m
ED Fair Value / share	1,090p
Net cash / (debt)	£5.0m
Avg. daily volume (3m)	187,170

Share Price, p



Source: Investing.com

Description

Cohort PLC has two divisions:

Communications and Intelligence:

EID, defence communications; MASS, digital defence and security; MCL, electronic and surveillance technology; EMS, satellite-based communications.

Sensors & Effectors:

Chess, electro-optical tracking and surveillance systems; ELAC SONAR, advanced sonar systems and underwater communications; SEA, technology for defence and transport markets, and specialist research and training services.

Next event

FY 25 results: 16th July 2025

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Key financials and valuation metrics

Year to 30 April (£m)	2022A	2023A	2024A	2025E	2026E
Revenue	137.7	182.7	202.5	240.2	280.2
EBIT (adj.)	15.5	19.1	21.1	27.1	35.7
EBITDA (adj.)	19.4	23.2	25.7	33.0	41.6
Pre-Tax Profit (adj.)	14.7	17.7	19.8	25.7	34.2
EPS (adj. p)	30.9	36.4	42.7	44.2	56.8
Dps (p)	12.2	13.4	14.8	15.5	16.3
Net cash / (debt)	11.0	15.6	23.1	(10.3)	9.9
P/E	50.5x	42.9x	36.5x	35.3x	27.4x
EV/EBITDA	32.4x	27.1x	24.5x	19.1x	15.1x

Source: Company data, Equity Development. ¹ Consensus market expectations: revenue, £245m; trading profit, £27.6m; EPS, 46.1p/share. ² Net cash / (debt), pre-IFRS 16.

2025 UK Strategic Defence Review

The Labour government announced its strategic defence review (SDR) on 16 July 2024, describing the process as the “first of its kind”¹. The review aims to determine key defence priorities and align resources and funding, with the aim of publication prior to the 24-26 June NATO summit. The review concentrates on:

- Assessment of threats and resulting required roles, reforms and defence capabilities.
- Allocation of resources, from nuclear deterrent and NATO responsibilities to commitments in support of Ukraine, with plans to increase defence spending to 2.5% of GDP from 2027.

New Armaments Director role

The government has indicated that the reformed defence sector will prioritise unified processes to eliminate potential duplication, improve use of resources and accelerate decision-making, noting that: “*Central to a reformed defence will be our new, fully fledged national armaments director, whose recruitment is under way. The Chief of the Defence Staff will oversee a new military strategic headquarters, operating from the end of 2024, where he will formally command the individual service chiefs for the first time. He will be central in prioritising investment and spending between the services.*”²

Programmes underway

In FY2023/24 the UK spent £53.9bn on defence³ (2.30% of GDP) with a planned increase to £56.9bn in 2024/25 and £59.8bn in 2025/26 (CAGR 2.3%).

There are a number of major programmes already underway. **The Navy** has under construction new, Type 26 and Type 31 frigates, to replace the current 13 Type 23 fleet, with concept plans for additional ‘Type 32’ and ‘Type 83’ classes.⁴ The UK has two (nuclear deterrent) submarine programmes in place, the Astute class SSN and the Dreadnought class SSBN, plus SSN-AUKUS collaborative next-generation submarine designs resulting from the defence and security partnership between Australia, the United Kingdom and the United States announced in September 2021. **Air defence** initiatives include the Boeing E-7 Wedgetail airborne early warning and command and control system (AWAC), ‘Protector’, a remotely piloted air system armed intelligence, surveillance and reconnaissance (ISR) system (replacing ‘Reaper’), and The Global Combat Air Programme/Tempest new combat air system to replace Typhoon from the late 2030s, a combination of crewed combat aircraft and uncrewed aircraft⁵.

Personnel numbers

Whilst the allocation of resources, project prioritisation and funding are central concerns in the review, recent defence reports have focused on services recruitment, manpower levels and training. On 1 April 2024 there were 148,230 full-time armed forces personnel in all roles⁶, 56% in the Army and 22% in each of the RAF and Navy. Overall, UK Armed Forces are considered to be 1% below target level. The Army has been reduced in size from 82,000 personnel in 2015 to 72,500 currently⁷. One consequence is increased interest in the development of AI-driven, automated systems in areas such as electronic surveillance and countermeasures, where we note that Cohort has expertise across both divisions: Communications and Intelligence and Sensors and Effectors.

¹ Defence Secretary, John Healey 18th November 2024.

² Defence Secretary, John Healey 24th November 2024.

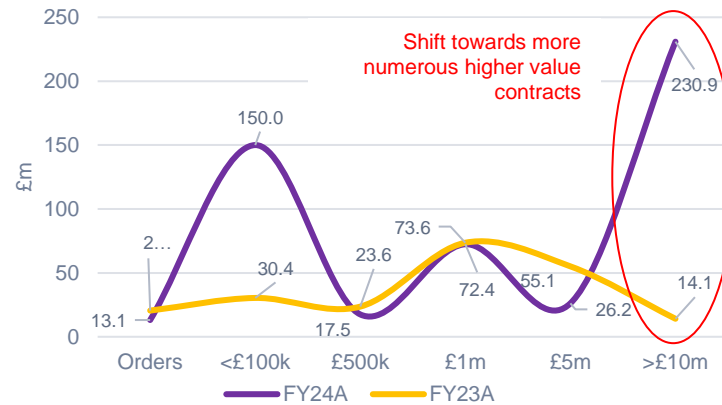
³ commonslibrary.parliament.uk/research-briefings/cbp-8175.

⁴ cbp-10257. 5 cbp-10239. 6 cbp-7930.

⁷ UK defence personnel statistics, CBP-7930.pdf.

Order pattern has shifted towards an increased number of higher unit value contracts.

Distribution of orders FY23 – FY24



Source: Company data. Equity Development analysis.

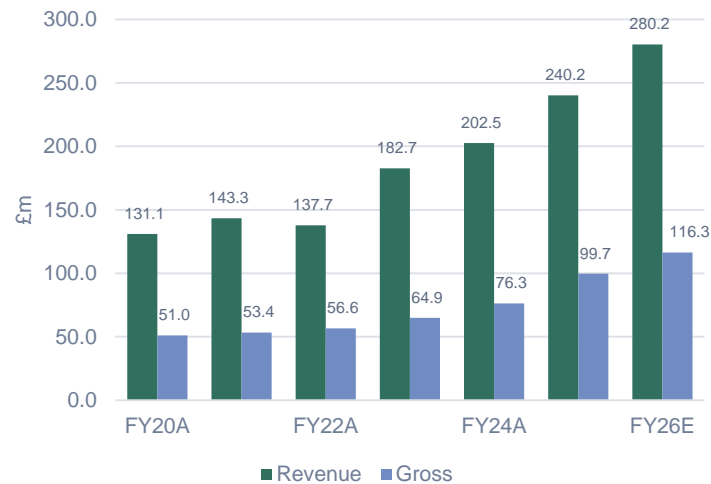
Order pattern FY24



Source: Company data. Equity Development analysis.

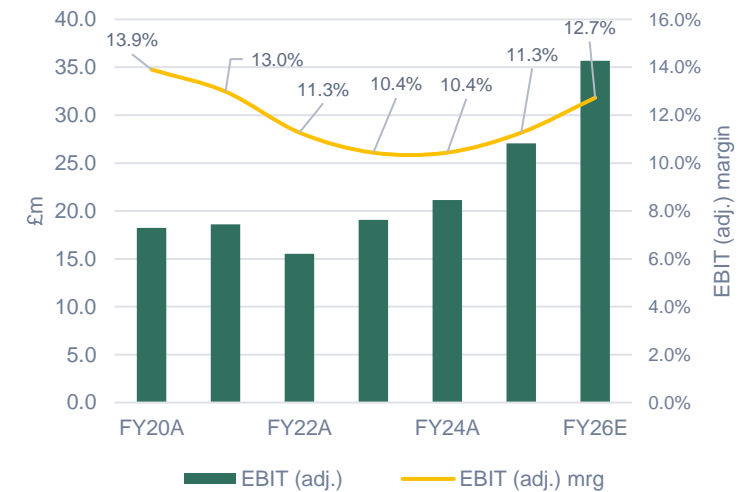
Outlook to FY26 moves towards higher EBIT profitability.

Revenue, gross outlook to FY26



Source: Company data. Equity Development analysis.

EBIT (adj.) outlook to FY26



Source: Company data. Equity Development analysis.

P&L

£m	H1 24	H2 24	H1 25	FY22	FY23	FY24	FY25E	FY26E
Revenue	94.3	108.2	118.2	137.7	182.7	202.5	240.2	280.2
Gross	31.2	45.1	38.3	56.6	64.9	76.3	99.7	116.3
<i>Margin</i>	33.0%	41.7%	32.4%	41.1%	35.5%	37.7%	41.5%	41.5%
COGS	(63.2)	(63.1)	(80.0)	(81.1)	(117.9)	(126.3)	(140.5)	(163.9)
Op-ex excluding one-off items	(25.2)	(30.0)	(28.1)	(41.1)	(45.8)	(55.1)	(72.6)	(80.6)
Amortisation intangibles	(1.6)	(1.6)	(1.0)	(6.9)	(3.7)	(3.1)	(1.1)	(8.0)
R&D credits	0.0	2.9	0.0	1.0	0.9	2.9	1.0	1.0
Forex	(0.0)	0.3	(0.1)	0.7	(1.1)	0.3	0.0	0.0
One-off charges	0.0	0.0	(0.2)	0.7	0.0	0.0	(3.0)	0.0
EBIT rptd.	4.4	16.8	8.8	11.1	15.3	21.2	24.0	28.7
EBIT (adj.)	6.0	15.1	10.1	15.5	19.1	21.1	27.1	35.7
<i>EBIT (adj.) mrg</i>	6.4%	14.0%	8.6%	11.3%	10.4%	10.4%	11.3%	12.7%
Amortisation Intangibles	(1.6)	(1.6)	(1.0)	(6.9)	(3.7)	(3.1)	(1.1)	(8.0)
Depreciation PPE	(1.3)	(1.4)	(1.6)	(2.2)	(2.4)	(2.6)	(4.0)	(4.0)
Depreciation RoU	(0.9)	(1.1)	(1.1)	(1.7)	(1.8)	(2.0)	(2.0)	(2.0)
 EBITDA Reported	 8.2	 20.7	 12.5	 21.8	 23.1	 28.9	 31.0	 42.6
EBITDA Adjusted	8.2	17.6	12.8	19.4	23.2	25.7	33.0	41.6
<i>Margin</i>	8.7%	16.2%	10.8%	14.1%	12.7%	12.7%	13.7%	14.9%
Financial income	0.2	0.3	0.3	0.0	0.1	0.5	0.5	0.5
Financial expense	(1.0)	(0.9)	(0.6)	(0.9)	(1.5)	(1.9)	(1.9)	(2.0)
 PBT Reported	 3.7	 16.2	 8.5	 10.2	 13.9	 19.8	 22.6	 27.2
PBT Adjusted	5.2	14.5	9.8	14.7	17.7	19.8	25.7	34.2
Tax	(0.7)	(3.8)	(1.7)	(1.5)	(2.7)	(4.5)	(5.4)	(8.2)
Reported tax rate	20.0%	23.5%	20.0%	15.1%	19.2%	22.9%	24.0%	30.0%
 PAT Reported	 2.9	 12.4	 6.8	 8.7	 11.3	 15.3	 17.2	 19.1
PAT Adjusted	4.5	10.7	8.1	13.1	15.1	15.2	20.3	26.1
 Basic wtd. Av. shares (m)	 40.4	 40.7	 40.5	 40.8	 40.7	 40.4	 45.4	 45.4
Diluted wtd. av. shares (m)	40.5	40.8	40.9	41.0	40.8	40.6	45.8	45.8
EPS Reported Basic (p)	7.7	27.9	17.5	22.5	27.9	37.9	37.8	42.0
EPS Adjusted Diluted (p)	10.3	36.4	19.8	30.9	36.4	42.7	44.2	56.8

Source: Company data. Equity Development estimates.

Cashflow

£m	H1 24A	H2 24A	H1 25A	FY22A	FY23A	FY24A	FY25E	FY26E
PAT rptd	2.9	12.4	6.8	8.7	11.3	15.3	17.2	19.1
Tax	0.7	3.8	1.7	1.5	2.7	4.5	5.4	8.2
Depreciation	2.2	2.4	2.7	3.9	4.2	4.6	6.0	6.0
Amortisation	1.6	1.6	1.0	6.9	3.7	3.1	1.1	8.0
Finance net	0.8	0.6	0.3	0.9	1.3	1.4	1.4	1.4
Derivatives/forex	0.0	(0.3)	0.1	(0.7)	1.1	(0.3)	(0.3)	(0.3)
Share-based payments	0.4	0.7	0.2	0.6	1.5	1.1	3.0	0.0
Provisions	1.7	0.5	0.2	0.1	0.7	2.2	0.0	0.0
Operating Cash Flow	10.3	21.6	13.0	21.8	26.4	31.9	33.7	42.3
(Inc)/Dec inventories	(1.6)	0.2	(6.0)	(9.9)	(8.6)	(1.4)	(0.9)	(5.7)
(Inc)/Dec receivables	(5.7)	(19.0)	5.6	10.5	3.0	(24.7)	1.1	1.5
Inc/(Dec) payables	7.5	16.3	22.1	0.0	(3.0)	23.8	17.7	14.9
Movement in working capital	0.2	(2.5)	21.7	0.7	(8.5)	(2.3)	17.9	10.7
Cash from operations	10.5	19.1	34.7	22.5	17.9	29.6	51.6	53.1
Interest paid	(0.9)	(1.0)	(0.6)	(0.9)	(1.2)	(1.9)	(4.8)	(5.0)
Tax (paid)/received	(2.1)	(2.7)	(2.7)	(2.1)	(0.1)	(4.7)	(5.4)	(8.2)
Net cash from operations	7.6	15.4	31.4	19.5	16.5	23.0	41.4	39.9
Interest received	0.2	0.3	0.3	0.0	0.1	0.5	0.5	0.5
PPE	(2.7)	(3.9)	(6.7)	(2.0)	(5.2)	(6.7)	(10.0)	(6.5)
Acquisition	0.0	0.0	(3.0)	(0.4)	(1.0)	0.0	(3.0)	0.0
Net cash investing	(2.5)	(3.7)	(9.3)	(2.4)	(6.1)	(6.2)	(87.5)	(6.0)
Net OpFCF	5.1	11.8	22.1	17.2	10.4	16.9	(46.1)	33.9
Share issue	0.1	0.6	1.4	0.6	1.0	0.7	40.0	0.0
Dividends	(3.7)	(1.9)	(4.1)	(4.7)	(5.1)	(5.6)	(7.0)	(7.4)
Purchase own shares	(1.9)	0.0	(4.0)	(2.9)	(0.6)	(1.9)	0.0	0.0
Settlement of own shares	0.1	0.7	0.9	0.3	0.1	0.8	20.0	0.0
Borrowings	0.0	0.0	(5.0)	0.0	0.0	0.0	0.0	0.0
Repayments	(3.0)	(6.0)	0.0	(0.1)	(4.0)	(9.0)	0.0	0.0
Lease repayments	(1.0)	(1.9)	(1.1)	(1.9)	(2.0)	(1.9)	(1.8)	(1.8)
Net cash from financing	(9.4)	(8.5)	(11.9)	(8.7)	(10.6)	(16.9)	51.2	(9.2)
Net increase in cash	(4.3)	4.2	10.1	8.4	(0.2)	(0.1)	5.0	24.7
Forex	(1.1)	(0.6)	(0.6)	(0.4)	1.2	(1.7)	0.0	0.0
Cash start	41.5	36.1	39.7	32.3	40.4	41.5	39.7	44.7
Cash end	36.1	39.7	49.2	40.4	41.5	39.7	44.7	69.4

Source: Company data. Equity Development estimates.

Balance sheet

£m	H1 24A	H2 24A	H1 25A	FY22A	FY23A	FY24A	FY25E	FY26E
Goodwill	50.1	50.1	51.5	50.1	50.1	50.1	53.1	53.1
Intangible assets	4.4	2.8	3.7	9.6	6.0	2.8	76.7	68.7
RoU assets	8.1	7.8	7.5	9.6	8.5	7.8	5.9	3.9
PPE net	17.2	19.4	24.3	12.3	15.3	19.4	25.4	27.9
Deferred tax, other	1.5	2.5	2.6	1.4	1.6	2.5	2.5	2.5
Sum Fixed Assets	81.3	82.7	89.6	83.1	81.5	82.7	163.6	156.2
Inventories	33.8	33.3	39.3	22.8	32.0	33.3	34.2	39.9
Trade receivables	61.1	79.4	70.5	56.2	55.6	79.4	78.3	76.8
Derivatives, tax	1.9	1.9	3.4	0.8	2.2	1.9	2.5	3.3
Cash, Equivalents	36.1	55.2	75.4	40.4	51.0	55.2	44.7	69.4
Sum Current Assets	132.9	169.8	188.5	120.1	140.8	169.8	159.7	189.4
Trade payables, other	(62.9)	(81.0)	(99.0)	(54.0)	(55.9)	(81.0)	(98.7)	(113.6)
Derivatives, tax	(3.6)	(2.5)	(3.2)	(0.9)	(5.3)	(2.5)	(3.3)	(4.4)
Leases	(1.5)	(1.8)	(1.8)	(1.5)	(1.7)	(1.8)	(1.8)	(1.8)
Borrowings	0.0	(15.5)	(26.1)	(29.4)	(9.5)	(15.5)	(18.5)	(23.0)
Provisions	(10.4)	(8.9)	(11.0)	(8.9)	(8.7)	(8.9)	(10.9)	(12.5)
Other payables	0.0	0.0	0.0	(1.4)	0.0	0.0	0.0	0.0
Sum Current Liabilities	(78.5)	(109.7)	(141.1)	(96.0)	(81.1)	(109.7)	(133.2)	(155.3)
Deferred tax	(1.1)	(0.9)	(1.1)	(1.4)	(1.5)	(0.9)	(1.1)	(1.6)
Leases	(7.2)	(6.7)	(6.3)	(8.6)	(7.5)	(6.7)	(4.9)	(3.1)
Borrowings	(22.8)	(16.5)	(11.3)	(0.0)	(25.8)	(16.5)	(36.5)	(36.5)
Provisions	(1.4)	(3.2)	(2.4)	(1.1)	(1.4)	(3.2)	(3.9)	(4.5)
Retirement benefit	(5.3)	(5.6)	(4.6)	(6.8)	(5.3)	(5.6)	(5.6)	(5.6)
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)	(18.0)	(41.5)	(33.0)	(52.0)	(51.3)
Share Capital	4.1	4.2	4.2	4.1	4.1	4.2	4.2	4.2
Share Premium	31.6	32.2	33.5	30.5	31.5	32.2	50.1	39.2
Own shares	(5.2)	(4.6)	(7.4)	(3.3)	(3.6)	(4.6)	(4.6)	(4.6)
Share option reserve	2.5	2.9	3.3	1.0	2.1	2.9	2.9	2.9
Other	0.0	0.0	0.0	(1.4)	0.0	0.0	0.0	0.0
Retained earnings	63.7	74.1	76.8	53.1	62.9	74.1	84.2	95.8
Equity	96.8	108.7	110.4	84.0	97.0	108.7	136.7	137.5
Non-controlling interests	1.1	1.2	0.8	5.2	2.8	1.2	1.5	1.5
Net cash / (debt) non-IFRS16	13.3	23.1	37.9	11.0	15.6	23.1	(10.3)	9.9

Source: Company data. Equity Development estimates.

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