

Record closing order book

15th December 2022

For the six months to 31 October 2022, Cohort PLC reported a strong performance: revenue was up 29%YoY to £77.5m; an operating profit (adj.) of £5.0m was achieved (H1 22: £1.7m); and EBITDA (adj.) was £7.1m. Order intake of £88.6m resulted in a record closing order book of £304.2m. The interim dividend is raised 10% to 4.25p/share.

Absorption of working capital meant that H1 net debt was £0.6m; however, Cohort reports that as of 9th December net funds were £7.6m. Added to H1 revenue, over £80m of orders deliverable in the second-half equates to **95% coverage** of our revised full year revenue outlook of £165.0m.

Subsidiaries' performance: recovery and strong orders

Of the six subsidiaries, three – **Chess**, **MCL** and **SEA** performed particularly strongly. **Chess**, delivered 25% of H1 revenue (£19.1m), +2.2xYoY, rebounding to profitability following some restructuring and management changes, and has closed with an order book of £35.9m. **MCL** had a strong first half with revenues up 75%YoY to 18% of the total (£13.8m), backed by UK MOD demand and a closing order book of £25m. **SEA** registered revenue up 18%YoY at £16.4m and a closing order book of £96m, almost a third of total. Revenue at **MASS** was 22% of total revenue (£17.3m), but despite declining 9%YoY has showed signs of post-COVID-19 recovery. At a combined 14% of revenue, **EID** and **ELAC** had weaker halves: EID was down 22%YoY at £2.0m, continuing to suffer order and supply chain delays; while ELAC was down 16%YoY at £8.9m with lower margin orders and export permit delays. Nevertheless, ELAC has an impressive £59m order book, 19% of the total, whilst H2 performance at EID is expected to improve.

Ukraine, NATO cohesion, Asia-Pacific tension: maintain defence focus

In Europe, the ongoing war in Ukraine and its impact in helping to galvanise NATO cohesion - as recently as 18 October, NATO reaffirmed its condemnation of Russian aggression in Ukraine and its commitment to providing “unprecedented levels of support”¹ – continues to prime key COHORT markets in the medium-term: order visibility now extends to 2032. In the Far East, Japan recently signalled a major increase in defence spending from 1% of GDP to 2% by 2027, mindful of the territorial and naval aspirations of China and belligerence of North Korea. Defence spending reviews in both the UK and US also increasingly emphasise the need to develop electronic warfare countermeasures and expertise. **These trends play to Cohort's breadth of market presence.**

Outlook supported

A strong interim performance, in particular by MCL, supports **an increase in our FY23 revenue outlook** of 3%, to £165m, growth of 19.9%YoY; while our EBITDA (adj.) outlook remains at £22.0m (up 13.1%YoY).

We maintain our Fair Value of 650p/share.

Company Data

EPIC	CHRT
Price (last close)	442p
52 weeks Hi/Lo	600p/384p
Market cap	£180m
ED Fair Value / share	650p
Proforma net cash	£4.6m

Share Price (p)



Source: LSE

Description

The Cohort Group comprises six military, electronics and intelligence development operations in the UK, Germany and Portugal. **Chess**: electro-optical tracking and surveillance systems for naval, land defence and security; **EID**: advanced communications systems for naval and land defence; **ELAC SONAR**: advanced sonar systems and underwater communications to global customers; **MASS**: advanced digital services serving the defence and security markets; **MCL**: designs, sources and supports advanced electronic and surveillance technology for the UK MOD; **SEA**: technology-based products for the defence and transport markets alongside specialist research and training services.

Mike Jeremy (Analyst)

0207 065 2690
mike.jeremy@equitydevelopment.co.uk

Andy Edmond

0207 065 2691
andy@equitydevelopment.co.uk

Outlook to FY24

Yr to 30 April (£m)	2020	2021	2022	2023E	2024E
Revenue	131.1	143.3	137.8	165.0	174.4
EBITDA (adj)	20.9	22.1	19.4	22.0	24.4
Pre-Tax Profit (adj)	17.5	17.9	14.7	17.5	19.9
EPS (adj, p)	36.7	33.3	30.9	35.0	36.8
DPS (p)	9.5	11.1	12.2	13.4	14.7
Net debt / (cash)	4.7	(2.5)	(11.0)	(4.6)	(4.6)
P/E	12.0x	13.3x	14.3x	12.6x	12.0x
EV/EBITDA	8.4x	7.9x	9.0x	8.0x	7.2x

Source: Company data, Equity Development estimates. https://www.nato.int/cps/en/natohq/topics_192648.htm

H1 23 operating highlights.

Overall performance reflected, and responded to, recent changes in patterns of defence spending in Europe. Cohort reported that its customers either accelerated outlay or, conversely, delayed some programmes due to operational deployment of resources - notably affecting demand for training. In H1 the Group recorded:

- Revenue: £77.467m, +28.9%YoY, following 10.4%YoY growth a year earlier.
- Reported EBIT of £1.608m; on an **adjusted basis, £5.011m**, a 6.5% margin, +1.9x YoY. Reported basis costs included two items: a £1.567m charge on a forward exchange contract marked to market value, and £1.836m of amortisation of intangibles. Reported EBITDA was £5.513m; on an **adjusted basis, £7.080m**, 9.1% margin, +96%YoY. Depreciation and amortisation charges were reduced from £5.3m in H1 22 to £3.9m (principally amortisation of intangibles).
- Operating cashflow was £7.7m (H1 22: £4.9m); working capital absorbed £12.6m, with net cash from operations of £(5.9)m contributing to an overall outflow of £(12.0m) and period-end net debt of £0.6m. Subsequent conversion of orders means that Cohort reports net funds as of 9 December of £7.6m; we estimate net cash of £4.6m for the year.
- Adjusted basic EPS was 10.12p/share (diluted basis, 10.09p) compared in H1 22 to 3.04p and 3.01p.

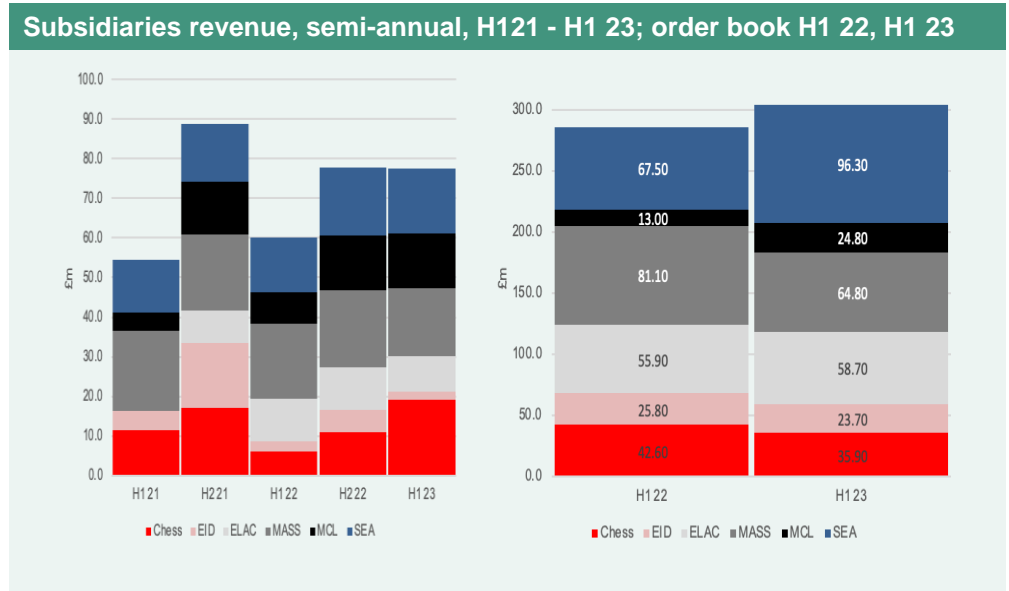
Performance H1 21 - H1 23

£m	H1 21	H2 21	H1 22	H2 22	H1 23	YoY
Chess	11.53	17.11	5.93	10.98	19.13	223%
EID	4.66	16.29	2.63	5.59	2.03	-23%
ELAC	0.00	8.29	10.69	10.83	8.94	-16%
MASS	20.25	19.24	19.06	19.34	17.32	-9%
MCL	4.66	13.32	7.91	13.83	13.82	75%
SEA	13.35	14.61	13.86	17.11	16.39	18%
Inter-segment	(0.01)	0.01	(0.05)	0.05	(0.17)	
Revenue	54.44	88.87	60.04	77.73	77.47	29%
YoY	0.0%	0.0%	10.3%	-12.5%	29.0%	
Gross Sum	19.63	33.73	21.12	35.48	33.00	56%
Margin	36.1%	38.0%	35.2%	45.6%	42.6%	
Underlying op-ex	(15.30)	(19.45)	(19.41)	(21.67)	(27.99)	44%
% of revenue	77.9%	57.7%	91.9%	61.1%	84.8%	
EBIT Reported	(0.04)	7.85	(1.32)	12.41	1.61	
EBIT Adjusted	4.33	14.28	1.72	13.81	5.01	192%
Margin	8.0%	16.1%	2.9%	17.8%	6.5%	
EBITDA Reported	4.80	16.58	3.97	17.88	5.51	39%
EBITDA Adjusted	5.89	16.19	3.62	15.80	7.08	96%
Margin	10.8%	18.2%	6.0%	20.3%	9.1%	
PBT Reported	(0.37)	7.43	(1.71)	11.94	1.09	
PBT Adjusted	4.00	13.86	1.33	13.33	4.49	238%

Source: Company data.

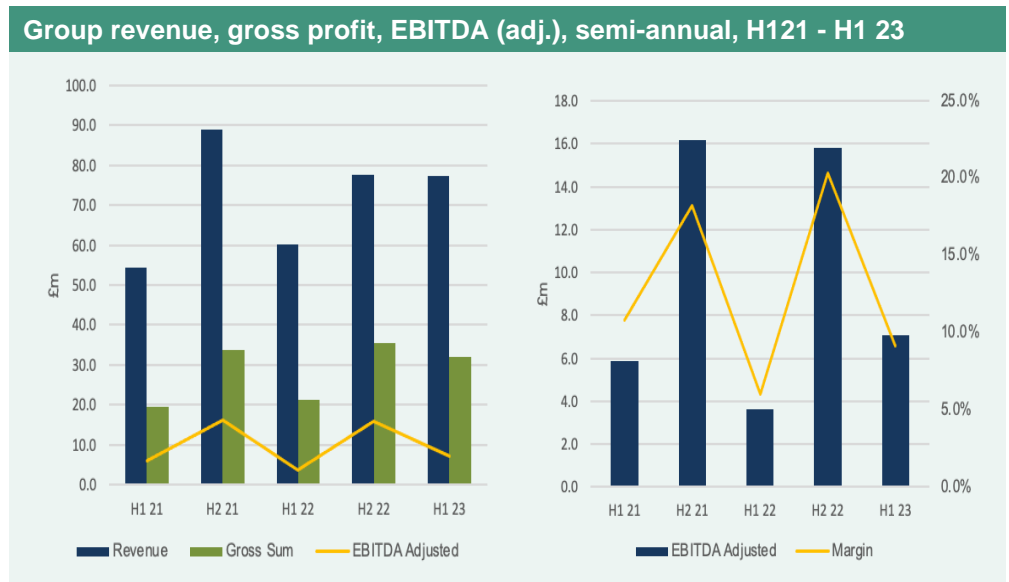
Interim FY23 summary performance

The contribution of subsidiaries to revenue and the H1 23 closing order book of £304.2m (compared to £285.9m a year earlier, +6.4%YoY) is shown below.



Source: Company data.

Cohort highlighted the strength of the closing order book at SEA, £96.3m; MASS, £64.8m; and ELAC, £58.7m, in sum comprising 72% of total.



Source: Company data.

We review performance by each of the subsidiaries: **Chess**: electro-optical tracking and surveillance systems; **EID**: advanced communications systems for naval and land defence; **ELAC SONAR**: advanced sonar systems and underwater communications; **MASS**: advanced digital services serving the defence and security markets; **MCL**: advanced electronic and surveillance technology; **SEA**: technology-based products for the defence and transport markets, and specialist research and training services.

CHES – strong rebound

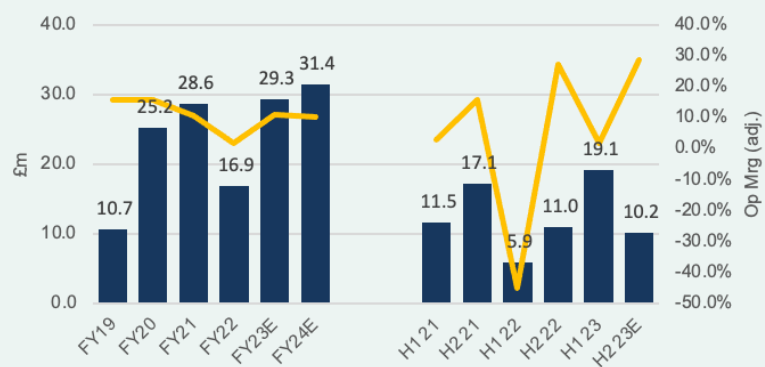


The Chess Dynamics subsidiary (81.84%-owned and subsequently fully acquired in December) specialises in surveillance, tracking and gunfire control systems for military and commercial markets, including high performance cameras, sensors and radar. Chess registered FY22 revenue of £16.9m, a decline of -41.0%YoY, and EBIT (adj.) of £0.31m, -89.6%YoY. The implementation of management, organisational and personnel changes resulted in a strong H1 rebound and positive cashflow.

- Revenue was £19.134m, an increase of 2.2x year-on-year (24.7% of total).
- EBIT (adj.) was £0.329m compared to a loss of £(2.663)m a year earlier.
- Order intake reached £14.3m (H1 22: £6.1m) contributing to a closing order book of £35.9m, which underpins up to an estimated £12m of H2 revenue.

We expect a year-on-year FY23 recovery to revenue of £29.3m, +73%YoY, EBIT of £3.2m (11.0% margin), with improved medium-term prospects in both land-based and naval systems such as the deployment of Type 26 Frigates (illustrated) in the UK and Australia.

Revenue and EBIT margin (adj) FY19 – FY24E, H1 21 - to H2 23E



Source: Company data, Equity Development estimates.

Outlook to FY24E

Chess (£m)	FY19	FY20	FY21	FY22	FY23E	FY24E
Revenue	10.67	25.16	28.64	16.91	29.30	31.35
EBIT	1.68	3.92	3.02	0.31	3.22	3.45
Mrg	15.8%	15.6%	10.5%	1.9%	11.0%	11.0%
	H1 21	H2 21	H1 22	H2 22	H1 23	H2 23E
Revenue	11.53	17.11	5.93	10.98	19.13	10.17
EBIT	0.31	2.71	(2.66)	2.98	0.33	2.89
Mrg	2.7%	15.8%	N.M.	27.1%	1.7%	28.5%

Source: Company data, Equity Development estimates.

EID: H2 improvement

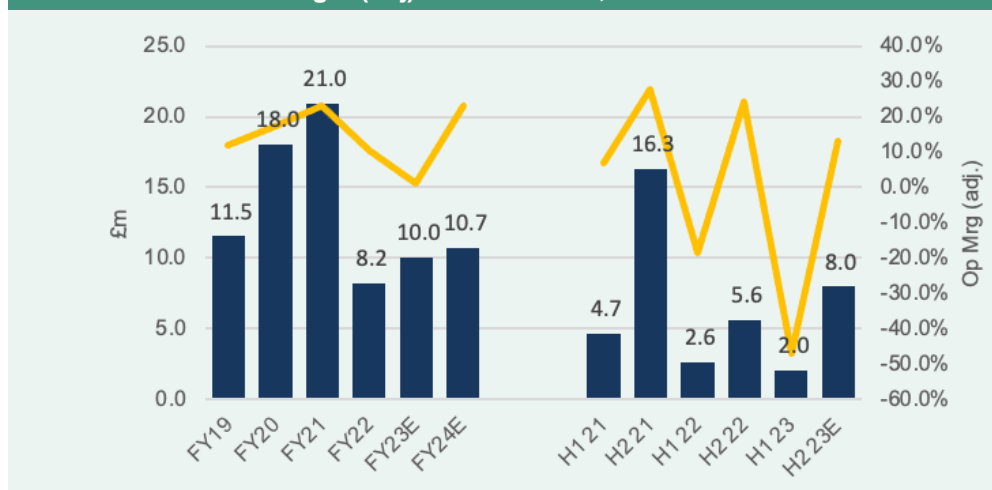


The EID Portuguese subsidiary (80.0%-owned) provides tactical and naval 3C (command, control and communications) equipment primarily for the Portuguese MOD. EID recorded FY22 revenue of £8.2m, -60.8%YoY, and EBIT of £0.86m, -82.2%YoY, as expected resulting from completion of a major export contract. H1 23 performance proved disappointing with a combination of order delays, supply chain delays and reduced order intake having an impact.

- Revenue of £2.029m, -22.9%YoY (2.6% of total).
- EBIT (adj.) loss of £(0.952)m compared to a loss of £(0.489)m a year earlier.
- Order intake of £1.9m (H1 22: £9.3m) contributing to a closing order book of £23.7m, which underpins an estimated £8m of H2 revenue.

We expect a second half improvement with demand including orders from the Portuguese Navy in the early part of 2023, albeit with full year EBIT at break-even level.

Revenue and EBIT margin (adj) FY19 – FY24E, H1 21 - to H2 23E



Source: Company data, Equity Development estimates.

Semi-annual performance and outlook to FY24E

EID (£m)	FY19	FY20	FY21	FY22	FY23E	FY24E
Revenue	11.53	18.02	20.95	8.22	10.00	10.70
EBIT	1.36	3.11	4.83	0.86	0.10	2.46
Mrg	11.8%	17.2%	23.1%	10.5%	1.0%	23.0%
	H1 21	H2 21	H1 22	H2 22	H1 23	H2 23E
Revenue	4.66	16.29	2.63	5.59	2.03	7.97
EBIT	0.33	4.51	(0.49)	1.35	(0.95)	1.05
Mrg	7.1%	27.7%	N.M.	24.1%	N.M.	13.2%

Source: Company data, Equity Development estimates.

ELAC Sonar: disappointing H1, but improved outlook

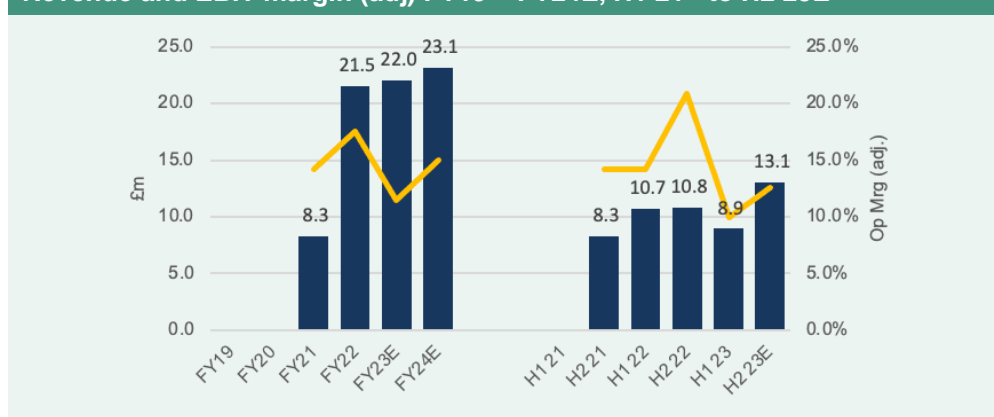


Located in Kiel, ELAC supplies underwater hydro-acoustic sensors including naval surface and submarine sonar suites, digital underwater communications systems and echo-sounders. FY22 revenue of £21.5m, and EBIT of £3.77m was underpinned by the July 2021 contract worth £40m from Fincantieri for the Italian submarine fleet. For H1 23 the operation recorded weaker performance year-on-year reflecting the impact of the lower-margin Italian sonar programme and also delays in the German government export approval process. Cohort expect this export control legislation to proceed in 2023. In H1, the subsidiary recorded:

- Revenue of £8.943m, -16.4%YoY (11.5% of total).
- EBIT (adj.) of £0.888m, a 9.9% margin compared to 14.2% a year earlier. H1 22 reporting included the final trading profit adjustment for earnings from the former owner (Wärtsilä Corporation) amounting to £0.4m.
- Elac's order book stood at £58.7m, underpinning an estimated £13m of H2 revenue.

Inclusive of an expected H2 recovery our full year outlook is for revenue parity with FY22, with a reduced EBIT (adj.) margin of 11.5% (FY22: 17.5%). As suggested by the healthy order book, in the medium-term, the prospects for the submarine detection and communication systems in which ELAC specialises remain positive.

Revenue and EBIT margin (adj) FY19 – FY24E, H1 21 - to H2 23E



Source: Company data, Equity Development estimates.

Semi-annual performance and outlook to FY24E

ELAC (£m)	FY21	FY22	FY23E	FY24E	
Revenue	8.29	21.52	22.00	23.10	
EBIT	1.17	3.77	2.53	3.47	
Mrg	14.1%	17.5%	11.5%	15.0%	
	H2 21	H1 22	H2 22	H1 23	H2 23E
Revenue	8.29	10.69	10.83	8.94	13.06
EBIT	1.17	1.52	2.26	0.89	1.64
Mrg	14.1%	14.2%	20.8%	9.9%	12.6%

Source: Company data, Equity Development estimates.

MASS: sound near- and medium-term prospects

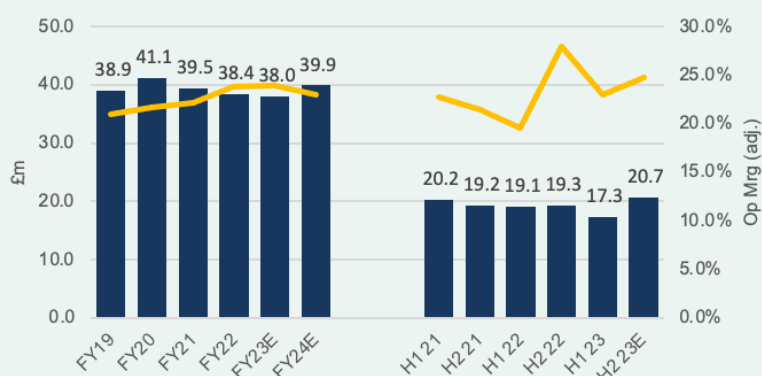


Based in Cambridgeshire, MASS produces cyber-secure digital data, information and analysis systems and services in four divisions: EWOS, electronic warfare; Digital Services, solutions and training; Strategic Systems niche services; and Training Support. During the first half profitability improved with an increased proportion of defence-related work, despite a brake on revenue and new opportunities development resulting from the residual effects of the COVID-19 pandemic in export markets. There is evidence that this pressure is now easing, although Cohort reports that the redeployment of resources by some clients – notably into active service - has necessitated delays in training programmes provided by MASS. For H1 the subsidiary reported:

- Revenue of £17.324m, -9.1%YoY (22.4% of total).
- EBIT (adj.) of £3.983m, +7.0%YoY, a healthy 23.0% margin, slightly above 19.5% a year earlier.
- The order book stood at £64.8m, 21% of Group total, underpinning an estimated £14m of H2 revenue.

Overall, the situation in Ukraine and heightened tension in Asia-Pacific leads Cohort to anticipate increased spending on electronic warfare technology and communications, a positive indicator for the subsidiary. On 24 November MASS received a 4-year, £5.0m extension to the ongoing 15-year Electronic Warfare support services contract for the overseas market. For FY23 we expect revenue of £38.0m, raised by £5.0m, in line with FY22 and a medium-term return to pre-COVID-19 levels.

Revenue and EBIT margin (adj) FY19 – FY24E, H1 21 - to H2 23E



Source: Company data, Equity Development estimates.

Semi-annual performance and outlook to FY24E

MASS (£m)	FY19	FY20	FY21	FY22	FY23E	FY24E
Revenue	38.94	41.12	39.49	38.41	38.00	39.90
EBIT	8.18	8.91	8.74	9.14	9.10	9.98
Mrg	21.0%	21.7%	22.1%	23.8%	23.9%	25.0%
	H1 21	H2 21	H1 22	H2 22	H1 23	H2 23E
Revenue	20.25	19.24	19.06	19.34	17.32	20.68
EBIT	4.61	4.13	3.72	5.41	3.98	5.12
Mrg	22.8%	21.5%	19.5%	28.0%	23.0%	24.7%

Source: Company data, Equity Development estimates.

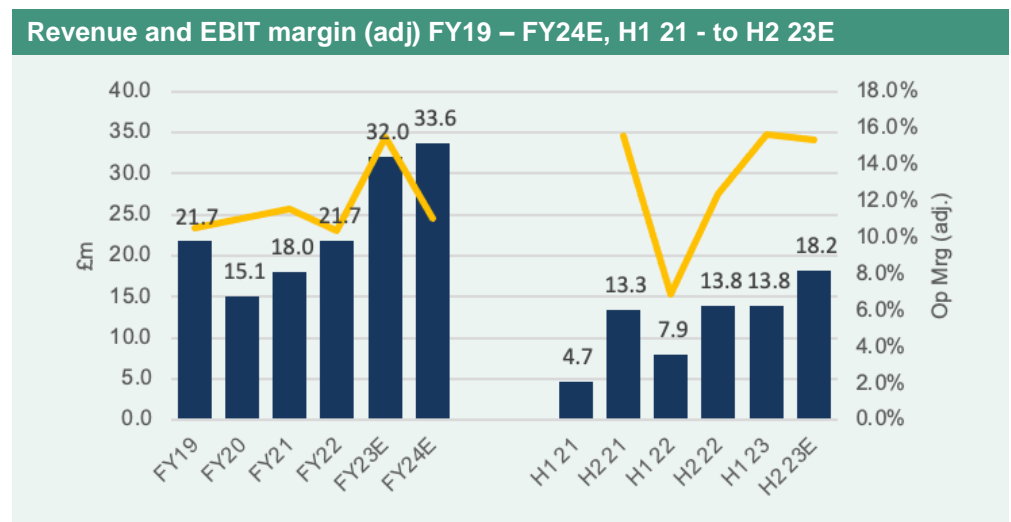
MCL: healthy demand



MCL specialises in electronic communications, signals intelligence and information systems for the defence and security sectors. Following FY22 revenue of £21.7m and EBIT of £2.26m, MCL reported a strong H1 with increased UK MOD demand including, for example, hearing protection equipment for personnel in armoured vehicles. H1 saw:

- Revenue of £13.823m, +74.7%YoY (17.8% of total).
- EBIT (adj.) of £2.158m, +2.9xYoY, a 15.6% margin compared to 6.9% a year earlier.
- The closing order book was £24.8m (H1 22: £13.0m) forming the basis for strong FY23 prospects, with continued momentum into FY24 backed by delivery and support contracts from the Royal Navy.

For FY23 we expect revenue of £32.0m, +47%YoY, and EBIT of £4.95m, +1.2x YoY.



Source: Company data, Equity Development estimates.

Semi-annual performance and outlook to FY24E

MCL (£m)	FY19	FY20	FY21	FY22	FY23E	FY24E
Revenue	21.72	15.06	17.98	21.75	32.00	33.60
EBIT	2.28	1.66	2.07	2.26	4.95	3.70
Mrg	10.5%	11.0%	11.5%	10.4%	15.5%	11.0%
	H1 21	H2 21	H1 22	H2 22	H1 23	H2 23E
Revenue	4.66	13.32	7.91	13.83	13.82	18.18
EBIT	(0.00)	2.07	0.55	1.71	2.16	2.79
Mrg	0.0%	15.6%	6.9%	12.3%	15.6%	15.3%

Source: Company data, Equity Development estimates.

SEA: bright outlook

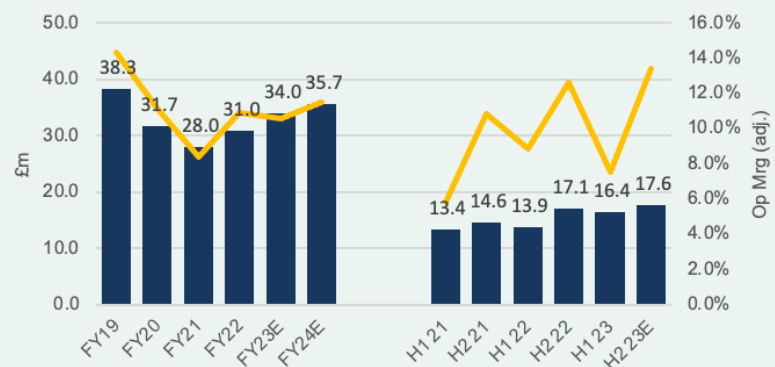


SEA develops and delivers systems and services including ship protection, towed-array sonar, (ASW) anti-submarine warfare systems and data management. In FY22 SEA delivered 22.5% of Group revenue, £31.0m, and 17.2% of EBIT, £3.4m, backed by export orders including the Royal New Zealand Navy. During the first half, the operation recorded:

- Revenue of £16.387m, +18.2%YoY (21.2% of total).
- EBIT (adj.) of £1.234m, +0.5%YoY, a 7.5% margin compared to 8.9% a year earlier.
- Order intake was strong, at £37.6m (H1 22: £12.0m) while the closing order book stood at £96.3m, which includes (announced on 7 September) a contract worth £34.0m from the UK MOD for anti-submarine warfare and countermeasure systems equipment- incorporating a 5-year in-service support, plus an optional added 2 years.

As indicated by the strength of the closing order book, the outlook for SEA is bright, with an estimated £16m+ revenue contribution in H2. For the year we estimate revenue of £34.0m, +9.8%, and an EBIT (adj.) contribution of £3.6m, +6.4%YoY, 10.6% margin (FY22: 10.9%).

Revenue and EBIT margin (adj) FY19 – FY24E, H1 21 - to H2 23E



Source: Company data.

Semi-annual performance and outlook to FY24E

SEA (£m)	FY19	FY20	FY21	FY22	FY23E	FY24E
Revenue	38.33	31.71	27.96	30.97	34.00	35.70
EBIT	5.49	3.53	2.35	3.39	3.60	4.11
Mrg	14.3%	11.1%	8.4%	10.9%	10.6%	11.5%
	H1 21	H2 21	H1 22	H2 22	H1 23	H2 23E
Revenue	13.35	14.61	13.86	17.11	16.39	17.61
EBIT	0.77	1.58	1.23	2.16	1.23	2.37
Mrg	5.8%	10.8%	8.9%	12.6%	7.5%	13.4%

Source: Company data.

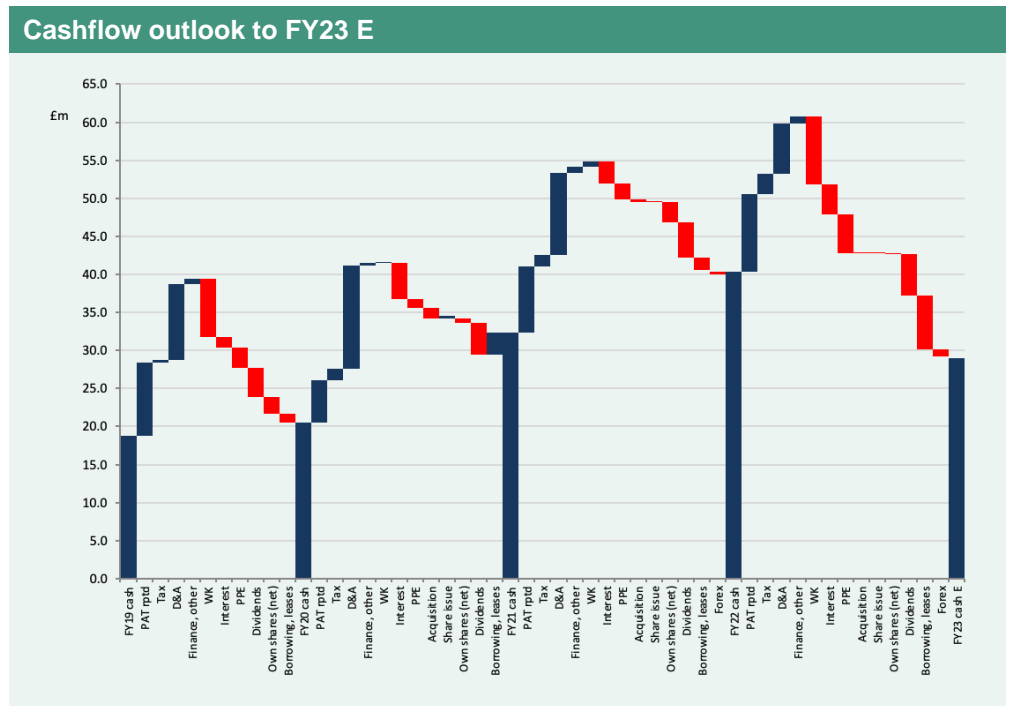
H1 23 cashflow, outlook

Cohort reported the following elements of H1 23 cashflow:

- Operating cashflow of £7.668m (H1 22: £4.524m).
- Working capital absorption of £(12.593)m (H1 22: £4.624m contribution), noting higher receivables (up £4.090m) and at MCL the timing of supplier payments.
- Resulting net (of tax) operating cashflow of £(5.846)m (H1 22: £8.847m).
- Spending on equipment of £2.612m (H1 22: £0.642m).
- Resulting net operating free cashflow of £(8.429)m (H1 22: £7.838m).
- Dividend payment of £3.393m

Consequently, period-end net debt was £0.601m compared to net cash of £6.078m a year earlier, with cash at £29.03m (H1 22: 35.537m). However, as noted, receipts on completed orders had moved this position to net cash of £7.6m by 9 December.

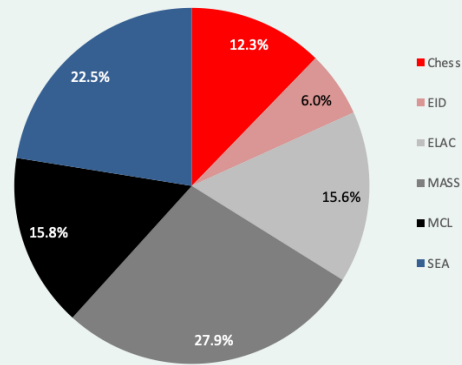
Our cashflow outlook, below, equates to FY23 net cash of £4.6m, and cash of £29.0m.



Source: Company data, Equity Development estimates.

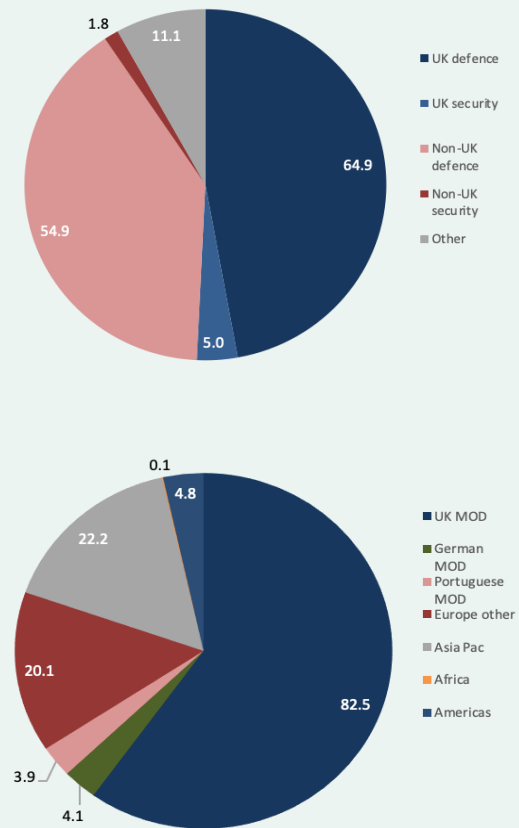
Appendix I: summary FY22 earnings profile

FY22 revenue by operation



Source: Company data. Percentage of FY22 total.

FY22 revenue by geography and markets



Source: Company data. FY22 data, £m.

Summary P&L

Cohort PLC, P&L semi-annual to H1 23					
Semi annual (£m)	H1 21	H2 21	H1 22	H2 22	H1 23
Revenue	54.4	88.9	60.0	77.7	77.5
Gross Sum	19.6	33.7	21.1	35.5	33.0
<i>Margin</i>	36.1%	38.0%	35.2%	45.6%	42.6%
COGS	(34.8)	(55.1)	(38.9)	(42.2)	(44.5)
Underlying op-ex	(15.3)	(19.5)	(19.4)	(21.7)	(28.0)
Amortisation, intangibles	(3.3)	(6.8)	(3.4)	(3.5)	(1.8)
R&D credits	0.0	1.0	0.0	1.0	0.0
Forex	0.0	(0.4)	0.1	0.6	(1.6)
One-off charges	(1.1)	(0.2)	0.3	0.4	0.0
EBIT Reported	(0.0)	7.9	(1.3)	12.4	1.6
EBIT Adjusted	4.3	14.3	1.7	13.8	5.0
<i>Margin</i>	8.0%	16.1%	2.9%	17.8%	6.5%
Amortisation Intangibles	(3.3)	(6.8)	(3.4)	(3.5)	(1.8)
Depreciation PPE	(0.9)	(1.0)	(1.1)	(1.1)	(1.2)
Depreciation RoU	(0.6)	(0.9)	(0.8)	(0.9)	(0.9)
EBITDA Reported	4.8	16.6	4.0	17.9	5.5
EBITDA Adjusted	5.9	16.2	3.6	15.8	7.1
<i>Margin</i>	10.8%	18.2%	6.0%	20.3%	9.1%
Financial income	0.0	0.0	0.0	0.0	0.0
Financial expense	(0.3)	(0.4)	(0.4)	(0.5)	(0.6)
PBT Reported	(0.4)	7.4	(1.7)	11.9	1.1
PBT Adjusted	4.0	13.9	1.3	13.3	4.5
Tax	0.1	(1.6)	0.3	(1.8)	(0.2)
Reported tax rate	15.9%	21.7%	16.8%	15.3%	17.0%
<i>Tax rate % adjusted</i>	-1.5%	11.6%	-21.6%	13.7%	4.1%
PAT Reported	(0.3)	5.8	(1.4)	10.1	0.9
PAT Adjusted	4.1	12.2	1.6	11.5	4.3
Basic wtd. av. shares (m)	40.7	40.8	40.9	40.9	40.6
Diluted wtd. av. shares (m)	41.1	41.3	41.2	41.2	40.7
EPS Reported Basic (p)	0.25	13.13	(1.74)	24.28	2.73
EPS Reported Diluted (p)	0.25	12.99	(1.74)	24.16	2.72
EPS Adjusted Basic (p)	7.74	25.88	3.04	28.04	10.12
EPS Adjusted Diluted (p)	7.65	25.64	3.01	27.89	10.09

Source: Company data, Equity Development estimates.

Summary P&L

Cohort PLC, P&L, annual outlook to FY24					
Year to 30 April (£m)	FY20	FY21	FY22	FY23E	FY24E
Revenue	131.1	143.3	137.8	165.0	174.4
Gross Sum	51.0	53.4	56.6	66.0	71.5
<i>Margin</i>	38.9%	37.2%	41.1%	40.0%	41.0%
COGS	(80.0)	(90.0)	(81.2)	(99.0)	(102.9)
Underlying op-ex	(32.8)	(34.7)	(41.1)	(47.5)	(51.0)
Amortisation intangibles	(7.4)	(10.1)	(6.9)	(3.1)	(3.0)
R&D credits	0.8	1.0	1.0	0.0	1.0
Forex	(0.1)	(0.4)	0.7	(1.6)	0.0
One-off charges	(0.8)	(1.3)	0.7	0.0	0.0
EBIT Reported	10.7	7.8	11.1	13.8	18.5
EBIT Adjusted	18.2	18.6	15.5	18.5	20.5
<i>Margin</i>	13.9%	13.0%	11.3%	11.2%	11.7%
Amortisation Intangibles	(7.3)	(10.1)	(6.9)	(3.1)	(3.0)
Depreciation PPE	(1.5)	(2.0)	(2.2)	(2.0)	(2.0)
Depreciation RoU	(1.2)	(1.5)	(1.7)	(1.5)	(1.5)
EBITDA Reported	20.7	21.4	21.8	20.4	25.0
EBITDA Adjusted	20.9	22.1	19.4	22.0	24.0
<i>Margin</i>	15.9%	15.4%	14.1%	13.3%	13.7%
Financial income	0.0	0.0	0.0	0.0	0.0
Financial expense	(0.8)	(0.8)	(0.9)	(1.0)	(1.0)
PBT Reported	10.0	7.1	10.2	12.8	17.4
PBT Adjusted	17.5	17.9	14.7	17.5	19.4
Tax	(0.3)	(1.6)	(1.5)	(2.7)	(4.2)
Reported tax rate	3.0%	22.0%	15.1%	21.0%	24.0%
<i>Tax rate % adjusted</i>	1.7%	8.7%	10.5%	15.4%	21.5%
PAT Reported	9.7	5.5	8.7	10.1	13.2
PAT Adjusted	17.2	16.3	13.1	14.8	15.2
Basic wtd. av. shares (m)	40.7	40.8	40.8	40.8	40.8
Diluted wtd. av. shares (m)	41.1	41.3	41.0	41.0	41.0
EPS Reported Basic (p)	23.5	13.4	22.5	24.9	32.5
EPS Reported Diluted (p)	23.2	13.2	22.4	24.7	32.3
EPS Adjusted Basic (p)	37.1	33.6	31.1	35.2	36.2
EPS Adjusted Diluted (p)	36.7	33.3	30.9	35.0	36.0

Source: Company data, Equity Development estimates.

Summary balance sheet

Cohort PLC, balance sheet, semi-annual to H1 23						
Semi-annual (£m)	H1 21	H2 21	H1 22	H2 22	H1 23	
Fixed Assets						
Goodwill	42.1	43.7	50.4	50.1	50.1	
Intangible assets	10.0	15.1	13.1	9.6	7.8	
RoU assets	6.4	7.1	7.7	9.6	8.8	
PPE net	11.6	12.5	12.0	12.3	13.8	
Deferred tax, other	0.6	0.6	3.8	1.4	1.4	
Sum Fixed Assets	70.6	79.0	87.0	83.1	81.9	
Current Assets						
Inventories	13.8	12.9	16.2	22.8	22.8	
Trade receivables	47.6	66.7	54.2	56.2	59.7	
Derivatives	0.0	0.0	0.0	0.8	0.1	
Cash, Equivalents	19.4	32.3	35.5	40.4	29.0	
Sum Current Assets	80.7	111.9	106.0	120.1	111.6	
Total Assets	151.3	190.9	193.1	203.2	193.6	
Current Liabilities						
Trade payables	(30.9)	(50.3)	(48.5)	(54.0)	(45.0)	
Derivative	(0.2)	(0.7)	(0.7)	(0.9)	(1.7)	
Leases	(1.2)	(1.6)	(1.7)	(1.5)	(1.3)	
Borrowings	(0.1)	(0.1)	(0.0)	(29.4)	(0.0)	
Provisions	(1.8)	(2.8)	(9.6)	(8.9)	(8.8)	
Other payables	(4.0)	(2.8)	(2.8)	(1.4)	(1.0)	
Sum Current Liabilities	(38.1)	(58.2)	(63.3)	(96.0)	(57.8)	
Total Assets less Current Liabilities	113.2	132.7	129.8	107.2	135.7	
Long-term Liabilities						
Deferred tax	(2.2)	(2.7)	(3.8)	(1.4)	(1.0)	
Leases	(5.7)	(6.0)	(6.5)	(8.6)	(8.1)	
Borrowings	(25.4)	(29.8)	(29.4)	(0.0)	(29.6)	
Provisions	(0.5)	(1.1)	(1.3)	(1.1)	(1.3)	
Retirement benefit	0.0	(8.0)	(7.8)	(6.8)	(7.1)	
Other	0.0	0.0	0.0	0.0	0.0	
Sum Long-term liabilities	(33.9)	(47.6)	(48.9)	(18.0)	(47.1)	
Total liabilities	(72.0)	(105.8)	(112.1)	(114.0)	(104.9)	
Net Assets	79.3	85.1	80.9	89.2	88.6	
Capital & Reserves						
Share Capital	4.1	4.1	4.1	4.1	4.1	
Share Premium	29.7	30.0	30.3	30.5	31.1	
Own shares	(0.5)	(1.1)	(1.1)	(3.3)	(3.0)	
Share option reserve	1.0	0.9	1.2	1.0	1.3	
Other	(3.6)	(2.4)	(2.4)	(1.4)	(1.0)	
Retained earnings	42.5	47.8	44.0	53.1	51.1	
Equity	73.3	79.3	76.1	84.0	83.6	
Non-controlling interests	6.0	5.7	4.9	5.2	5.0	
Net debt / (cash)	6.1	(2.5)	(6.1)	(11.0)	0.6	

Source: Company data, Equity Development estimates.

Summary balance sheet

Cohort PLC, balance sheet outlook to FY24

Year to 30 April (£m)	FY20	FY21	FY22	FY23E	FY24E
Fixed Assets					
Goodwill	42.1	43.7	50.1	50.1	50.1
Intangible assets	13.2	15.1	9.6	5.1	2.1
RoU assets	6.9	7.1	9.6	3.9	2.4
PPE net	12.1	12.5	12.3	15.3	18.6
Deferred tax, other	0.6	0.6	1.4	1.4	1.4
Sum Fixed Assets	74.9	79.0	83.1	75.9	74.6
Current Assets					
Inventories	11.5	12.9	22.8	22.6	22.9
Trade receivables	47.4	66.7	56.2	67.8	71.7
Derivatives	0.0	0.0	0.8	0.0	0.0
Cash, Equivalents	20.6	32.3	40.4	29.0	28.0
Sum Current Assets	79.5	111.9	120.1	119.4	122.5
Total Assets	154.4	190.9	203.2	195.2	197.1
Current Liabilities					
Trade payables	(31.0)	(50.3)	(54.0)	(56.5)	(58.3)
Derivative	(0.2)	(0.7)	(0.9)	0.0	0.0
Leases	(1.3)	(1.6)	(1.5)	(1.5)	(1.5)
Borrowings	(0.1)	(0.1)	(29.4)	(24.4)	(19.4)
Provisions	(1.5)	(2.8)	(8.9)	(8.0)	(8.0)
Other payables	0.0	(2.8)	(1.4)	(1.4)	(1.4)
Sum Current Liabilities	(34.1)	(58.2)	(96.0)	(91.8)	(88.5)
Total Assets less Current Liabilities	120.3	132.7	107.2	103.5	108.6
Long-term Liabilities					
Deferred tax	(2.8)	(2.7)	(1.4)	(1.3)	(1.3)
Leases	(6.2)	(6.0)	(8.6)	(9.0)	(9.0)
Borrowings	(25.2)	(29.8)	(0.0)	0.0	0.0
Provisions	(0.3)	(1.1)	(1.1)	(1.1)	(1.1)
Retirement benefit	0.0	(8.0)	(6.8)	(7.0)	(7.0)
Other	(4.0)	0.0	0.0	0.0	0.0
Sum Long-term liabilities	(38.5)	(47.6)	(18.0)	(18.4)	(18.4)
Total liabilities	(72.6)	(105.8)	(114.0)	(110.2)	(106.9)
Net Assets	81.8	85.1	89.2	85.1	90.2
Capital & Reserves					
Share Capital	4.1	4.1	4.1	4.1	4.1
Share Premium	29.7	30.0	30.5	19.3	16.2
Own shares	(1.6)	(1.1)	(3.3)	(3.3)	(3.3)
Share option reserve	0.8	0.9	1.0	1.0	1.0
Other	(3.6)	(2.4)	(1.4)	1.0	2.0
Retained earnings	46.1	47.8	53.1	57.7	65.0
Equity	75.5	79.3	84.0	79.8	85.0
Non-controlling interests	6.2	5.7	5.2	5.2	5.2
Net debt / (cash)	4.7	(2.5)	(11.0)	(4.6)	(8.6)

Source: Company data, Equity Development estimates.

Summary cashflow

Cohort PLC, cashflow semi-annual to H1 23					
Semi-annual (£m)	H1 21	H2 21	H1 22	H2 22	H1 23
PAT rptd	(0.3)	5.8	(1.4)	10.1	0.9
Tax	(0.1)	1.6	(0.3)	1.8	0.2
Depreciation	1.6	1.9	1.9	2.0	2.1
Amortisation	3.3	6.8	3.4	3.5	1.8
Finance net	0.3	0.4	0.4	0.5	0.5
Derivatives/forex	(0.0)	0.4	(0.1)	(0.6)	1.6
Share-based payments	0.2	0.2	0.3	0.3	0.3
Provisions	0.1	(1.4)	0.7	(0.6)	0.3
Operating Cash Flow	5.1	15.8	4.5	17.3	7.7
(Increase)/Decrease inventories	(2.2)	2.8	(3.3)	(6.6)	0.2
(Increase)/Decrease in receivables	1.9	(15.0)	13.2	(2.7)	(4.1)
Increase/(Decrease) in payables	0.1	12.4	(5.3)	5.3	(8.7)
Movement in working capital	(0.2)	0.2	4.6	(4.0)	(12.6)
Cash generated by operations	4.9	16.0	9.1	13.3	(4.9)
Interest paid	(2.0)	1.2	0.1	(1.0)	(0.5)
Tax (paid)/received	(0.3)	(3.6)	(0.4)	(1.7)	(0.4)
Net cash from operations	2.6	13.6	8.8	10.7	(5.8)
Investing activities					
Interest received	0.0	0.0	0.0	0.0	0.0
PPE	(0.5)	(0.8)	(0.6)	(1.4)	(2.6)
Acquisition	0.0	(1.3)	(0.4)	0.0	0.0
Net cash used in investing	(0.5)	(2.1)	(1.0)	(1.4)	(2.6)
Net OpFCF	2.1	11.6	7.8	9.3	(8.4)
Financing activities					
Share issue	0.0	0.3	0.3	0.3	0.6
Dividends	(2.8)	(1.4)	(3.1)	(1.6)	(3.4)
Purchase own shares	(0.8)	(0.6)	(0.6)	(2.4)	0.0
Sale own shares	0.8	0.0	0.1	0.1	0.1
Borrowings	0.1	12.1	0.0	0.0	0.0
Repayments	(0.1)	(7.1)	(0.0)	(0.0)	(0.0)
Lease repayments	(0.8)	(1.2)	(0.9)	(1.0)	(0.9)
Net cash from financing	(3.5)	2.0	(4.2)	(4.5)	(3.6)
Net increase in cash	(1.4)	13.5	3.7	4.8	(12.0)
Forex	0.2	(0.6)	(0.4)	0.0	0.7
Cash at beginning of year	20.6	19.4	32.3	35.5	40.4
Cash at year end	19.4	32.3	35.5	40.4	29.0

Source: Company data, Equity Development estimates

Summary cashflow

Cohort PLC, cashflow outlook to FY24 E					
Year to 30 April (£m)	FY20	FY21	FY22	FY23E	FY24E
PAT rptd	9.7	5.5	8.7	10.1	13.2
Tax	0.3	1.6	1.5	2.7	4.2
Depreciation	2.6	3.5	3.9	3.5	3.5
Amortisation	7.4	10.1	6.9	3.1	3.0
Finance net	0.8	0.8	0.9	1.0	1.0
Derivatives/forex	0.1	0.4	(0.7)	0.0	0.0
Share-based payments	0.3	0.4	0.6	0.0	0.0
Provisions	(0.5)	(1.3)	0.1	0.0	0.0
Operating Cash Flow	20.7	20.9	21.8	20.4	25.0
(Increase)/Decrease inventories	2.0	0.6	(9.9)	0.2	(0.3)
(Increase)/Decrease in receivables	(4.6)	(13.1)	10.5	(11.6)	(3.8)
Increase/(Decrease) in payables	(5.1)	12.6	0.0	2.5	1.8
Movement in working capital	(7.7)	0.0	0.7	(9.0)	(2.4)
Cash generated by operations	13.0	20.9	22.5	11.5	22.6
Interest paid	(0.8)	(0.8)	(0.9)	(1.3)	(1.1)
Tax (paid)/received	(0.6)	(3.9)	(2.1)	(2.7)	(4.2)
Net cash from operations	11.6	16.2	19.5	7.5	17.2
Investing activities					
Interest received	0.0	0.0	0.0	0.0	0.0
PPE	(2.7)	(1.2)	(2.0)	(5.0)	(5.3)
Acquisition	0.0	(1.3)	(0.4)	(1.4)	0.0
Net cash used in investing	(2.6)	(2.5)	(2.4)	(6.4)	(5.2)
Net OpFCF	9.0	13.7	17.2	1.1	12.0
Financing activities					
Share issue	0.0	0.3	0.6	0.0	0.0
Dividends	(3.9)	(4.2)	(4.7)	(5.5)	(6.0)
Purchase own shares	(3.7)	(1.4)	(2.9)	0.0	0.0
Sale own shares	1.5	0.8	0.3	0.0	0.0
Borrowings	0.1	12.1	0.0	0.0	0.0
Repayments	(0.1)	(7.2)	(0.1)	(5.0)	(5.0)
Lease repayments	(1.1)	(1.9)	(1.9)	(2.0)	(2.0)
Net cash from financing	(7.2)	(1.6)	(8.7)	(12.5)	(13.0)
Net increase in cash	1.8	12.1	8.4	(11.4)	(1.0)
Forex	(0.0)	(0.4)	(0.4)	0.0	0.0
Cash at beginning of year	18.8	20.6	32.3	40.4	29.0
Cash at year end	20.6	32.3	40.4	29.0	28.0

Source: Company data, Equity Development estimates.



Contacts

Andy Edmond

Direct: 020 7065 2691

Tel: 020 7065 2690

andy@equitydevelopment.co.uk

Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

hannah@equitydevelopment.co.uk

Equity Development Limited is regulated by the Financial Conduct Authority

Disclaimer

Equity Development Limited ('ED') is retained to act as financial adviser for its corporate clients, some or all of whom may now or in the future have an interest in the contents of this document. ED produces and distributes research for these corporate clients to persons who are not clients of ED. In the preparation of this report ED has taken professional efforts to ensure that the facts stated herein are clear, fair and not misleading, but makes no guarantee as to the accuracy or completeness of the information or opinions contained herein.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom ('FSMA'). Any reader of this research should not act or rely on this document or any of its contents. This report is being provided by ED to provide background information about the subject of the research to relevant persons, as defined by the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005. This document does not constitute, nor form part of, and should not be construed as, any offer for sale or purchase of (or solicitation of, or invitation to make any offer to buy or sell) any Securities (which may rise and fall in value). Nor shall it, or any part of it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever.

Research produced and distributed by ED on its client companies is normally commissioned and paid for by those companies themselves ('issuer financed research') and as such is not deemed to be independent as defined by the FCA, but is 'objective' in that the authors are stating their own opinions. This document is prepared for clients under UK law. In the UK, companies quoted on AIM are subject to lighter due diligence than shares quoted on the main market and are therefore more likely to carry a higher degree of risk than main market companies.

ED may in the future provide, or may have in the past provided, investment banking services to the subject of this report. ED, its Directors or persons connected may at some time in the future have, or have had in the past, a material investment in the Company. ED, its affiliates, officers, directors and employees, will not be liable for any loss or damage arising from any use of this document, to the maximum extent that the law permits.

More information is available on our website www.equitydevelopment.co.uk

Equity Development, 2nd Floor, Park House, 16-18 Finsbury Circus, London, EC2M 7EB

Contact: info@equitydevelopment.co.uk | 020 7065 2690