Cohort
Interim Results 2025

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Transcript

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Andrew Thomis: Good morning and thank you for joining us.

I am Andy Thomis, Chief Executive at Cohort plc. I'm here with Simon Walther, Cohort's Finance Director, to take you through our results for the six-month period ending 31st October this year.

Cohort is a group of seven businesses providing technology-based defence products and services to the UK and its allies around the world. Our business model aims to maximise the autonomy and independence of our businesses, consistent with good financial and regulatory governance. That means that decisions are taken quickly, and close to the customer. It maximises agility and innovation, while supporting our businesses with the strong balance sheet and market reach of the Group.

Today I'm going to start by giving you the highlights from the first six months of this financial year. Simon will then provide more detail including a divisional breakdown. I will then share my thoughts on the demand picture and our future prospects. There will be an opportunity for any questions at the end. In essence, it's been a robust first half, revenue is up and we have a strong order book and prospects that provide the basis to accelerate the full year performance and beyond. Our full year expectations remain unchanged. Let's take a look at the numbers.

Our revenue has continued to increase to a record £128.8m for the first half, and our profit is in line with expectations. Following a record performance in the prior period, we expected a small decline in adjusted operating profit which now sits at £9.7m.

It was another good period for new orders, which are of course the best leading indicator for future growth. Our order intake of £122.3m in H1 has kept our order book close to April's record level, at £604.5m. As at early December, that covered 96% of external revenue forecasts for the year and will be generating revenue for us well into the mid-2030s. Adjusted earnings per share for the six months ended 31 October 2025 decreased to 16.16 pence. The effective tax rate was 15.5%.

The operating cash outflow of £27.9m was as expected and reflected a build in working capital ahead of second half deliveries as well as payments in respect of dividends and capital expenditure this resulted in net debt at 31 October 2025 of £32.5m. The capital expenditure included a further spend of £7m on ELAC's new facility, which was delivered on time. We expect our net funds to be in line with previous expectations. We have declared an interim dividend of 5.80p, once again representing an increase of 10% on last year's. That reflects the Board's confidence in the Group's prospects.

Simon will now talk you through our financial review of the first half of the year.

Simon Walther: Thanks. Thank you, Andy, and good morning to you all. As Andy has already said, and I reiterate, another growth in revenue for the Group with contributions from our latest acquisition EM Solutions offsetting an expected drop in revenue at MCL. This drop at MCL along with the mix in Sensors and Effectors accounts for the marginally lower trading performance of the Group, again in line with expectation.

As we indicated at the year end, we expected the revenue with UK MOD to fall back from its high level and as a share of the Group's overall revenue to fall below 50%. The growth in our overseas domestic and export markets will see the UK MOD activity probably remain below 50% going forward for the foreseeable future. Our expectations for the second half are a much stronger performance, with 96% of our revenue now on order or delivered and producing a full year net margin of around 12%.

Starting with Sensors and Effectors. The change in mix in this division, despite higher revenue was the cause of the Group's overall lower first half trading performance when compared with last year. We saw good order intake at Chess and a return to profitability. We expect this improvement to continue and, under new management, we are looking for Chess to drive more sustainable growth, especially on the back of demand for counter drone systems, and to achieve mid-teen net margins by 2027/28.
At ELAC, the first half saw the relocation of production to the newly completed purpose-built facility in Kiel; increased contribution from the Italy contract, which is still being prudently traded ahead of second half deliveries, has suppressed ELAC's trading margin in the first half. We are on course to deliver the first boat set on this program in the first half of 2026 calendar year when we will review the project's contingency levels.

SEA, following the sale of its Transport business at the end of June, delivered less revenue. Overall net margin for SEA reduced against prior year as lower margin work formed a greater proportion of mix in the first half, especially for a delivery to an overseas customer. This project will complete in early 2026/27. The order cover for this division is 98% and we expect a much stronger second half, delivering a net margin of around 10% for the full year. The order book of more than two times annual revenue gives confidence for future growth.

Turning to our Communications and Intelligence division, it also reported increased revenue at £62.5m, up 13%. The maiden first half contribution from EM Solutions, in line with our expectations, offset the fall in MCL's revenue from the exceptional level achieved last year. Underlying improvements at both EID and MASS further drove the higher revenue for this division.

The adjusted operating profit of £10.4m for the six months to 31 October 2025 was 23% higher, delivering an adjusted operating profit margin of 16.8%. A major factor in the improved net margin was the contribution from EM Solutions. EID’s loss for the first half was less than last year’s equivalent. The order book at EID continues to strengthen and we expect significant orders in the second half from the Portuguese Navy. EID will return to profitability for the year, and our net margin target of mid-teens is likely to be achieved in the next three years. MASS saw good performance from its high margin EWOS (Electronic Warfare Operational Support) operations, and we expect MASS to perform strongly in the second half. This division’s order book increased to £203.6m, and its revenue cover is now 87%. This is typically lower than Sensors and Effectors with the short-term nature of some of the work at MASS and, most notably, MCL. EID infill is linked to domestic orders which are in progress. The net margin for this division is expected to be over 17% for the full year.

This slide shows the factors behind the net funds movement in the period.

The first half performance has been driven by two primary outflows. Firstly, the expected CAPEX spend on ELAC’s new facility which completed on time in September and we will see the final outflows in the second half. Secondly, a return to historic trading patterns as the first half saw significant working capital outflows, building for a marked increase in second half deliveries.

As usual, the nature of our receipts and payments (a total of around £600m for the year), some of which can be many millions of pounds in size, makes it hard to predict in the short term but the Group remains highly cash generative.

Our expectations for the second half are a much stronger performance, with 96% of our revenue now on order or delivered, and producing a full year net margin of around 12%.
Our expectations of closing net funds of around £10m to £15m for the year end remain unchanged.

With that, I'll hand back to Andy.

Andrew Thomis: Thank you, Simon.
So, looking towards the mid and longer term, we see a number of opportunities for the Group and I'd like to show you some of the key factors that are driving those opportunities. So we continue to see a strong demand picture in response to the deteriorating security environments and ongoing conflicts we see across the world. None of us should welcome that, and the risks that we now see are real and a matter of concern. In regions where threats are more immediate, governments are under pressure to upgrade and modernise their defence capabilities at speed – and this is where mid-

tier businesses like those within the Cohort Group have the agility and expertise to provide innovative solutions to their defence challenges.

The main catalysts of demand for defence equipment continue to be the conflict in Ukraine, coupled with the rising tensions between China and its neighbours. Research from SIPRI shows the biggest defence spenders include China ($313.7b last year) and Russia ($149.0b). These persistent geopolitical forces are driving long term demand for defence capability upgrades. A further catalyst is the arrival of new technology allowing artificial intelligence-enabled and autonomous systems to be integrated into defence forces. A good example of this is the UK’s recently announced Atlantic Bastion programme.

These drivers are pushing increased defence spending in Europe, North America and parts of Asia Pacific. As we have seen NATO countries have agreed to raise their defence-related spending to 5% of GDP by 2035 and many European countries, particularly those in the North and East, are already increasing their defence spending significantly. The UK remains committed to increasing defence spend to 3.5% of GDP by 2035 with a further 1.5% of GDP on security-related investment, and the imminently expected Defence Investment Plan is expected to outline where investment will be prioritised.

The need to increase defence spending to meet growing threats has been recognised well beyond the immediate vicinity of Russia and China. Modern conflicts demand systems that can adapt quickly and operate autonomously. The Cohort Group is well placed to meet that need and has responded with investment in R&D and future technologies.

We continue to see the increased focus on protecting underwater infrastructure, providing opportunities for ELAC and SEA, the need to protect our forces from both cyber and kinetic threats, including missiles and drones, generating opportunities for mass for CHESS and SEA, the growth in manned and unmanned submarine and surface ship programs worldwide, providing opportunities for SEA, for ELAC, for EM solutions, and for EID. The need for secure digital communications for multinational forces, driving demand for systems like EID’s TDCIS and MASS’s JEFNet. The need for electronic warfare drones, counter drone and communications for the UK and its allies at short notice driving demand for MCL’s products.

And so the practical results of these geopolitical developments is a sustained higher level of demand for our equipment and services. To share some examples of that demand, EID is focused on providing communication and network systems for new Portuguese Navy vessels as well as multiple communication systems opportunities for NATO and Asia Pacific customers. EM Solutions is also pursuing opportunities with the Portuguese Navy alongside fleet installation opportunities for New Zealand and Australia.

Their work on the Japanese Maritime Defence Force trials is ongoing, and EM Solutions is also working with the Royal Navy here on SATCOM renewals. And as the focus on cybersecurity increases, MASS has seen an increase in training and electronic warfare exercises for the UK and coalition defence customers. MCL continues to work as a trusted partner to the UK Ministry of Defence and is progressing with order opportunities for electronic warfare and crewed systems. CHESS is seeing an increase in demand for its ground-based drone defence systems. ELAC continues to support the Italian Navy program as well as programs for NATO and Asia. And finally we're seeing significant growth in opportunities for Krait sense and Krait Array, total array sonar products at SEA. So all of these things are prospects rather than orders. So the value and the timing of these, of converting these into contracts is uncertain and the probability of winning them varies. But I hope that that helps to paint a picture of the strong demand and the kind of opportunities that we see for the group.

Now as the Group has developed our international presence has widened. This global expansion reflects our commitments to being closer to our customers and to developing defence technology solutions that will support their future needs.

In our previous financial presentations, you will have heard updates on ELAC's new facility in Kiel, Germany. We are pleased to confirm that following our £21m investment and lots of hard work from the team, this facility is now fully operational. We look forward to sharing more details during our official launch early next year.

The Italian Navy submarine programme has been, and continues to be, an important focus for our ELAC team. Opening an office in La Spezia, Italy, is a key step in strengthening our support for the Italian Navy, enabling closer collaboration, faster response times and sustained value to this important customer. I was present at the launch event, and the enthusiasm from the Italian Navy for ELAC's contribution to their capability was unmistakeable.

SEA has also expanded its geographical footprint with the opening of a state-of-the-art manufacturing site in Ottawa, Canada. Our vision is that the new facility will be the main manufacturing site for SEA's torpedo launcher system for customers in Canada and worldwide. As well as delivering profitable revenue, these strategic investments support our business development activities in important international programmes and long-term growth.

Now, an excellent example of our global expansion is the Memorandum of Understanding I signed with the major Korean shipbuilder Hanwha Ocean at the Defence and Security exhibition in Thailand last month.

The agreement signals our ambition to jointly deliver defence technologies to address the needs and requirements of the Royal Thai Navy's second phase frigate acquisition programme. The MoU will provide opportunities for businesses across the Group to come together and provide a package of defence technology solutions that could include sonar systems, torpedo launcher systems and communications management.

This agreement marks a key milestone in our growing relationship with Hanwha Ocean and an important step in strengthening Cohort's international partnerships. By combining the expertise and technology from across the Cohort Group with Hanwha Ocean's, we can deliver naval platforms that enhance operational effectiveness and, through unique modular and open architecture design, future proof-vessels to support long-term capability and security. We're excited to be exploring new opportunities alongside Hanwha Ocean and delivering the Cohort Group's market-leading maritime capabilities to the Royal Thai Navy.

In January of this year, we acquired Australian satellite communication specialist, EM Solutions, expanding our naval defence offering and reinforcing the Group's presence in Australasia. Led by joint managing directors Georgios Makris and John Logan, the business develops innovative naval satellite terminals that help to deliver high speed telecommunications across the world. EM Solutions is now fully integrated as the Group's seventh business.

EM Solutions' unique capabilities have enabled us to access the expanding satellite communications market. Following successful integration into the Group, they have strengthened our performance in H1, making the largest contribution to Group profit of all our businesses, as well as a A$28.6m order intake.

EM Solutions sees much more opportunity ahead in the coming months. Their team made an important contribution to Cohort's presence at the large DSEI exhibition in London earlier this year. This was an important event for their long-term prospects in Europe, Australia and Japan. It also provided an excellent opportunity to discuss partnering with EID to provide and support satellite terminals in Portugal. Overall, it has been a very encouraging start for EM Solutions as part of the Group. They will continue to work with our other businesses to gather intelligence on opportunities to promote their COBRA product family.

I've explained the key factors driving demand for our defence technology products and services. This slide shows how that demand is translating into orders for the Group.The Group's order intake was £122.3m delivering a closing order book of £604.5m, just below the year end record of £616m. Our on-contract revenue stretches out to the mid-2030s, with particularly good order intake from MASS and EM Solutions within Communications and Intelligence and at Chess and SEA in Sensors and Effectors. Full year expectations remain unchanged. We continue to see a positive outlook for organic growth in the medium term underpinned by healthy demand in our core defence markets.

That brings me to the end of our presentation, and a summary of the main points I wanted to make. It’s been another strong interim results period for the Cohort Group. In part that reflects the growing demand picture. Importantly, though, it’s a result of the agility and innovation that our business model is designed to optimise, and our experienced and entrepreneurial leaders.

We have an active acquisition strategy and look for businesses that will complement our product portfolio and provide opportunities to enter new markets, or strengthen relationships with our existing customers. The contribution of EM Solutions in this latest results round is a good demonstration of how this strategy manifests in practice.

Our financial strength and public listing underpin customer confidence and enable future investment in acquisitions and product development

Finally, we’ve sustained our strong order book and, looking forward, we have an exciting pipeline of further opportunities ahead. As a result of our performance and our prospects, the Board has felt confident to increase the dividend by 10% once again.

Before closing I want to take the opportunity to mention the great contribution to our success made by our management teams and employees. In H1 we welcomed some new members to our leadership team. Andy Smith took over as Managing Director at Chess following a successful career to date at Leonardo and Marshalls. Michael Flowers and Clint Thomas joined us as Non-executive Directors at EM Solutions. We look forward to working with them to build on the success of the Group.

Within our subsidiaries, our reputation as a leading mid-tier defence technology Group, continues to attract new talent and it is their expertise, dynamism, practicality and integrity that will help secure future business success. We believe that our strategy for organic and acquisitive growth will offer our investors high quality long-term returns. We’ll do that while creating employment opportunities, driving innovation and enhancing the security of the UK and its allies.

Thank you for your attention - any questions would be welcome and we'll do our best to answer.

Q&A

Ben RBC: Thanks Ben from RBC. I'll do three to start please. Maybe kicking off with, I'll do one by one just on Chess in terms of delivery, so it's sort of 5% margin in the first half, is that where you expected it to be? Obviously you've done the management change now, is it sort of heading the right way in terms of delivery? How should we think about that part of the mid-teens margin there?

Andrew Thomis: Looking for that margin to grow? As I've mentioned, we have made an important management change at Chess, but Simon, would you like to say a bit more...

Simon Walther: About margin? Yeah, I mean I expect that margin to double for the whole year, so we'll get back to a double-digit margin for Chess in the full year. But as Andy said, the aim as I've sort of said, is for more sustainable growth at Chess, it's got the order book, it's got the demand, we just need to deliver and deliver well, and there's no reason why that business can't be delivering very well and into mid-teens margin. I mean I've indicated when, but I think it could go quicker. There is good demand for what it does.

Ben RBC: That's good segue to my next one, which is on the opportunity with Rheinmetall Sky Ranger system. Obviously that can be quite significant there. Can you just shed a bit of light on perhaps who else is supplying into that system and the opportunity that you see from that?

Andrew Thomis: Well, of the Group companies, it's Chess, so none of our other....

Ben RBC: As in competition as in rival to Rheinmetall system or is it sold from Chess?

Andrew Thomis: There's a very strong relationship between Chess and Rheinmetall at the moment where they're sole supplier. Now plainly, they'll want to make sure that they get the very best supplier for their system. I wouldn't rule out the possibility of long-term competition, but at the moment the relationship is strong and that's despite, as people are aware, some of the difficulties in delivery in the first half and in prior years. But essentially they've got a product that Rheinmetall know is the best, that's available at a very good price point. We've just agreed new pricing with them, so I'm confident that that's a really stable long-term relationship.

Ben RBC: And it's my last question sort of similar as well, but in terms of capacity, sort of how much scale do you think you could take on at Chess, and then broadly for the rest of the Group as well? Obviously you've done the investment now in Kiel. Is that it now in terms of capacity expansion?

Andrew Thomis: Well, Chess's lease will come to an end on its current facility in the next few years. And so we're already looking at what the next step should be and certainly we'll be looking at expanded capacity there, whether it's on the current site or a new one. So there'll be a further increase there. Elsewhere, as you've mentioned, we've already got considerably greater production capacity at Kiel than we had. At SEA, we've made considerable efforts to reorganise the large facility that we have down at Barnstaple to optimise and improve production capacity there for Ancilla and for Krait, both of which will be increasing in volume. And we have our new facility in Ottawa, where we'll been doing the torpedo launch systems. So yeah, I mean those are some good examples of how we've increased capacity. We'll obviously be responding to future demand and future contracts, but at the moment I think we will be able to meet the demand that we see.

Thanks. Questions?

Ben RBC: I'll go again.

Andrew Thomis: You can have another one if you like, Ben.

Ben RBC: Thanks SAAB and Poland, understand you're part of that system. Can you maybe chat through that opportunity to the extent that you can, and perhaps the other opportunities that ELAC has in the submarine sonar space?

Andrew Thomis: Yeah, so I mean nothing's done until it's done and I don't think it, it's a done deal that we'll be providing the sonar systems for Poland, but we do have a very close relationship with Saab and we were delighted to see them win. So I see that as a good opportunity looking forward. Elsewhere, yes we see opportunities, the Canadian Submarine programme, for example, is a potential opportunity that's a very large opportunity and there are others around the world as well. ELAC also has good opportunity on surface ships and we see particularly the Italian Navy where we've already got a really, really strong relationship providing the submarine sonars being a good opportunity there. We have good relationships with Fincantieri who's likely to be building those. And beyond that, I think some of the new technology that ELAC is working on has some really good applications in protection of underwater infrastructure, which as we know is so important, both underwater cables and underwater pipelines. And they're developing technology not only to detect threats to underwater infrastructure, but also to deal with them with a new effector system which they will launch next year.

Ben RBC: Last one, ELAC's provision. Obviously that could unwind this year. Can you just chat through the steps in that? So you've got the factory acceptance test and then how should we think about the provisioning on the next three boats as you go?

Andrew Thomis: I'll say a quick word, which is that we will be releasing that as we gain confidence in the risk reduction. I mean that's the primary and important point and the key steps in that will be the factory acceptance test, the harbour acceptance test when the submarine is in the water and alongside and that will obviously require the system to be fully fitted to the submarine, and eventually, and the final and most important one, is the sea trials where the submarine is actually out at sea tracking surface ships and submarines using the sonar system. And it's only really when the first ship set has reached that point that we'll be able to iron out all the risk in the programme. But Simon, do you want to talk about the steps in that?

Simon Walther: Andy has highlighted them. I mean, what we've done, we've obviously linked the provision to particular milestones. The FAT timing for true acceptance test is a bit more in our control and I talk about the first ship set delivery in the first half of 2026, so that's that... Sadly the harbour acceptance and sea acceptance are more in the hands of the ship builder, and my experience of many years in defence suggests that most ships programmes tend to slip a bit to the right. So we can't be certain on the timing of those, but we will continue to monitor it closely. Obviously once we're through the first ship set, the risks for two, three and four hopefully will be considerably less.

Andrew Thomis: That's what's good about the thing [sonar set]. Not that I ever expected this to happen, but the kind of catastrophic risk where you put the first one together and think, crikey, this doesn't work, that hasn't happened. The thing [sonar set] is in pretty good shape.

Simon Walther: I've seen all the flank arrays or 104 of them in the factory all wired up and be in effect acting as a sonar. Obviously not on the ship, but they are all there. It's quite impressive...

Andrew Edmond: I'm giving Ben a rest now. Andrew Edmond, Equity Development. Simon, in terms of the work to be done in producing or certifying orders in the second half, which you obviously budgeted for. Any issues in terms of logistics and supply of critical materials that you've had to deal with, or you're quite happy with the situation at the moment?

Simon Walther: Fine. We've got…as I said, the infill is actually relatively small. If you look at it as percentage on consensus revenue, it's around about 12 million. So there's no one item, it's a bit of a till roll and across various businesses, MCL has the biggest risk. In terms of underlying supplier issues, I mean, again, Chess has faced some challenges in that respect more than our other businesses. The other businesses, I mean the German business pretty much sources, I think 90% of its equipment from within sort of an hour's drive of Kiel, so it's quite remarkable, the German industrial base is quite remarkable. The UK is pretty good. As I say, Chess has got some reliance on, particularly with the motors and some elements of the systems, with obviously rare earth metals. So we have to keep an eye on those things. Generally though, things are not as bad as they were a few years ago, but we do get the odd issue.

Andrew Edmond: And in terms of, we've covered capacity or infrastructure or material capacity, what about human capacities? Is it still easy to find the right quality of engineers and technicians at sensible prices?

Andrew Thomis: Yeah, I mean we've continued to grow. We're up at, what, nearly 1,700 now...[1,600] after shedding quite a few with the Transport sale. And I think the huge draw of the fangs a few years ago has lightened up quite a bit. We are, and we can offer really interesting careers to people. I mean, I think there are engineers with PhDs around who want to spend their careers working in a cubicle getting better and better at the same problem. But for people who want to interact with the customer and solve real practical problems quickly, which to my mind are the best kind of engineers, we can offer them a really interesting life.

Simon Walther: I mean, we've seen the focus shift a bit, particularly at Chess, ELAC, EM Solutions and SEA, to more production engineering because they are moving into those phases of, hence the working capital build. It's about delivery and production engineers are absolutely vital to that. So we will…over time, we are seeing a bit of a shift, but we're not having a problem recruiting people at the moment.

Andrew Edmond: And then just lastly, Andy, I know the answer to this, but I'm sure you'd like to give it. There is obviously an increasing chance of some sort of Ukraine peace deal being brokered by the president. I would assume, for all the reasons that you know very well, that you are not seeing any change of interest from other neighbouring states around Russia or central Europe in again strengthening their end defences?

Andrew Thomis: No, I was at the First Sea Lord's Sea Power conference on Monday actually, and the comments made were sort of Chatham House Rules and unattributable, but by senior officials in the Ministry of Defence. And the comment was, and this is perfectly believable, that almost the worst outcome for Europe would be a settlement favourable to Vladimir Putin in Ukraine, which is what Donald Trump is pushing at the moment. You've got a Russian economy which is addicted to war and feeding itself on war, and you would then give Vladimir Putin a reward for the huge gamble that he took in invading Ukraine in the first place. And it's not really difficult to see. He would have both push and pull in moving on to the next stage, and you've only got to look at a map to see how vulnerable the eastern parts of NATO are and Kaliningrad the potential for a corridor there. The Russian economy – there was an article in BBC today – is producing 150 tanks and 550 infantry fighting vehicles a month. A month! Now 550 infantry fighting vehicles is just a little less than the Ajax programme for infantry fighting vehicles that the UK embarked on in 2014, and has just realised that it hasn't successfully delivered. That gives you an idea of the strength of Russia, of what we face, and that just can't switch itself off overnight. So I'm sorry to say that a settlement in Ukraine would be bad news for Europe, not good news if it favours Vladimir Putin and we would face an enhanced risk.

Simon Walther: I would add, I mean that's an article by Frank Gardner on ‘how long would Britain last in a war?’ So it's a bit solitary, but read it. The other thing I would add is basically in Europe the further north and the further east you are, the spend levels are quite remarkable and you cannot miss what Norway has been doing. Sweden, Finland, Poland, the Baltics, Germany, the Netherlands, Denmark, I mean it's quite remarkable.

Andrew Edmond: Thank you.

Unknown Analyst...: Following the SDR, and this country are pretty good at having reviews and making plans, with the Defence Investment Plan coming out, first, what would you look for and second, when would you look for it?

Andrew Thomis: Yeah, well I think we had a peak at that on Monday with the announcements about Atlantic Bastion, which incidentally is something that's very important to SEA. We would see the KraitArray having a significant role to play in that, as well as some other sensors that SEA produces. So yes, we'd be looking for priorities really, in terms of investment and timing of investment on the things that were announced in the Strategic Defence Review. What I'd hope to see would be early investment in naval capability, we’d obviously be keen to see, and I think it's very important, an upgrade in the Navy's satellite communications capability, that's something I believe that we can deliver. And an upgrade in terms of speed in delivering the new submarines, the AUKUS submarines. I think that's vitally important for us and for Australia as well. And I would want to see an emphasis on air defence, drone defence, in particular. I think that's vitally important, something that was perhaps treated a little bit lightly in the Strategic Defence Review. So there's a lot of priorities that we can see, and I think the Strategic Defence Review, which outline what those priorities are, they were very, very well aligned with the Group's capability. In terms of timing, could we have it three months ago, please? I think I said at the time that these things are not necessarily quickly translated from words into action, but especially given that the content of the SDR focused so much on the urgency of these and the timescale and the need, rapidly, to move to a posture where we can credibly provide some kind of deterrence against the Russian threat, I am afraid I don't think we've move fast enough.

Thomas Rands: Good morning. Tom Rands from Berenberg. Just two questions, if I may? Given the success of EM Solutions, how does the M&A pipeline look at the moment? Has there been any kind of material change in sellers’ expectations, valuation wise, or any new opportunities that have come across your desk that look quite interesting?

Andrew Thomis: We're always getting a constant stream of opportunities and a proportion of those we take seriously enough to have a good look at. And there's never a time when we haven't got a few coming across our desks, but we are quite choosy. We are keen only to find businesses where both there is an opportunity to get access to a growth sector of the market. Not as difficult to find as there used to be, but still not all of them, but also where there is an opportunity to gain some sustainable competitive advantage. And that's much harder, with barriers to entry to a lot of things being relatively low at the moment.

Yeah, we are always on the lookout and as soon as we see something that meets our criteria that will really enable us to develop the business, then we'll take action accordingly and we'll pursue it energetically. In terms of valuations, well, valuations of all businesses go up when revenue, profit, order book and long-term prospects go up, and they have recently, so I would expect that to be the case. But the first thing I would say is that EM Solutions is by no means the highest multiple we've paid, which actually goes back to MASS in 2006, and things are different at our end of the market to the large packs of data, which our respected investment banking friends like to provide us with that talk about sort of bulge bracket deals and things. We are dealing at a smaller level of the market. We're dealing with agile, small and medium sized businesses and those, so changes in the macro picture don't necessarily flow down to that level.

Thomas Rands: Thank you. Very clear answer. Second question more for Simon, on the working cap, how do you see the phasing of that unwind in the second half of the year?

Simon Walther: The strong delivery point for us will be basically January to March. That will is typically what happens. I mean MOD is obviously a big customer of ours, but also the other programmes that are driving the working capital, particularly the Italian programme, one in Portugal and one in Australia, have all got strong deliveries to take place in Jan to March. By April, normally things generally have quietened down a bit, but normally there'll be something slipped over from March into April, but that is the real, real busy period for us. That first calendar quarter will be very busy, so that's when we'll see the working capital start to flow back.

Thomas Rands: Thank you.

Webcast Question: Hello. We have one question from the webcast from John Good. He's saying Chemring have come out and said they are seeing setbacks in their divisions, particularly, in sensors due to delays in government spending. Are Cohort currently seeing or expecting similar delays?

Andrew Thomis: Well, I would say that we have seen some, how to put it, the UK MOD has not been as active and as quick as it's always been, and that's perhaps in the run up to the release of the Defence Investment Plan. But what I would say is that it hasn't had a material effect on us, and it doesn't flow into these results at all. Our major UK programmes are in flight, so to speak, so we're not really waiting for orders in the same way.

Webcast Question: Brilliant. Thank you. That's all from the webcast, so back to you for some closing remarks.

Andrew Thomis: Well, thank you all very much indeed for your attention. I mean, just to summarise, I think it's been a strong first half. I think we are back to our more traditional H1, H2 split after an exceptional year last year when MCL made almost all of its profit in the first half. But our expectations for the full year, which means for continued growth are unchanged. And we're looking forward to continuing in what is, I mean, as you'll have heard this morning, a worrying time in many respects, but also for a business like ours where we're contributing to the security and deterrence of the UK and its allies, an exciting time. So thank you very much.