

12 December 2018

**Cohort plc
("Cohort" or "the Group")**

Cohort acquires Chess Technologies

"A significant expansion, adding a profitable and growing fifth standalone business to Cohort's portfolio"

Cohort plc, the independent technology group, is pleased to announce that it has acquired a majority stake in Chess Technologies Limited ("Chess"), a UK-based world leader in integrated fire control and tracking systems for military vehicles and naval ships, for an initial cash consideration of £20.1 million.

Highlights:

- Acquisition of Chess Technologies, a world leader in integrated fire control and tracking systems for military vehicles and naval ships, as Cohort's fifth standalone subsidiary
- Total cash consideration of up to £41.9m comprising
 - Initial consideration of £20.1m for 81.84% of Chess, payable on completion
 - Further earn out consideration of up to £12.7m payable in 2021 dependent on performance in the three years to 30 April 2021
 - Acquisition of the remaining shares of Chess following the three years to 30 April 2021 for up to £9.1m depending on performance during this period
- Acquisition funded by existing cash resources and recently agreed new debt facility
- Chess shares complementary customers with SEA, EID and MCL. The acquisition also represents Cohort's first foothold in US defence and provides opportunities to leverage complementary expertise and capabilities
- Chess management retained and fully aligned with Cohort's growth strategy through retention of significant 18.16% stake in the business
- Acquisition expected to be immediately earnings enhancing

Andrew Thomis, Chief Executive Officer of Cohort, said:

"The acquisition of Chess represents a significant expansion for Cohort, adding a profitable and growing fifth standalone business to our portfolio. It is highly complementary to our core capabilities in defence and security, underpinned by long term contracts with quality global customers and a strong order pipeline, including on long term programmes. We believe Chess has great potential and a clear and sustainable competitive advantage, and we are excited about the opportunities that the business can generate as part of the Cohort Group.

“Overall, the acquisition strengthens and broadens the Group’s portfolio and is expected to be immediately earnings enhancing. We are looking forward to working with the Chess team to realise the exciting growth opportunities that this transaction will create.”

Overview of Chess

Founded in 1993, Chess is a world leader in advanced integrated systems and technologies for detecting, tracking, classifying and disrupting a wide range of potential naval, land and air threats. Through its two operating businesses, Chess Dynamics Ltd and Vision4ce Ltd, it provides a unique suite of innovative surveillance and fire control system capabilities that are fundamental to critical defence programmes and vital commercial infrastructure projects. One example is its highly capable military counter-UAV system, AUDES, that provides an effective defence against this growing threat.

Headquartered in Horsham, with additional facilities in Plymouth and Wokingham, Chess also has a US office in Denver, Colorado. In total the business employs over 140 people. Chess’s well-regarded management team will remain in place following the transaction, led by its founder and CEO Graham Beall.

Chess has a strong global customer base, primarily armed forces and defence prime contractors, and its products are critical to major defence programmes worldwide. UK customers have provided just over one third of Chess’s revenue during the 2018 financial year, a proportion of which has been for non-UK end users. The balance has been generated in Europe (its second largest market), North America, the Middle East, Asia-Pacific and South America. The customer base is well diversified with almost 100 active customers and no single one accounting for more than 15% of revenues. Customers included BAE Systems, QinetiQ, Thales, Lockheed Martin and the UK MOD.

Chess provides complete design, development, and manufacturing services for both standard products and bespoke engineered solutions. As well as its military sales, Chess also works with commercial customers to help protect civil and commercial infrastructure.

Chess’s integrated systems are built from a suite of core technical capabilities centred on electro-optics, stabilised platforms, digital video tracking and analytics and fire control system (FCS) software.

Several partners rely exclusively on Chess to deliver these comprehensive system capabilities and Chess is involved in their programmes from a very early stage. Multiple prime contractors partner with Chess when exploring new programme opportunities, relying on its distinct capability set, expertise and imagination.

Financial information on Chess

Chess has grown rapidly in recent years, with strong growth in its order book, revenues and profits.

In the year ended 30 April 2018 it generated revenues of £18.2m (2017: £16.5m) and EBIT of £2.4m (2017: £1.6m). The closing order book as at 30 April 2018 stood at £31.2m (2017: £28.2m). Net assets as at 30 April were £8.3m (2017: £6.2m) and gross assets were £17.0m (2017: £16.2m).

Based on the order book and prospects, continued growth is expected for the year to 30 April 2019.

Background to and reasons for the acquisition:

The acquisition of Chess is in line with Cohort's stated strategy to accelerate its growth by making targeted acquisitions, complementing organic growth, whether as standalone members of the Group or as "bolt-in" acquisitions to existing subsidiaries. The Board believes that this strategy of investing the Group's cash resources partly in acquisitions will provide enhanced returns to shareholders. Chess meets the Group's criteria for stand-alone acquisitions, which are focused on agile, innovative businesses that have reached a stage of development where there will be mutual benefit in joining Cohort. Chess operates in a complementary market and technology space, has clear and sustainable competitive advantage and sees strong growth prospects.

The Board believes that the acquisition of Chess will provide a number of benefits, including:

- The addition of specialist products and technologies in the areas of electro-optics, tracking and fire control, with market leading positions in high growth markets
- A first foothold for the Group in US defence – an important growth opportunity
- A complementary and well diversified customer base including strong export exposure with opportunities to introduce Cohort's other subsidiaries to Chess's customers and vice versa
- Complementary positions on significant defence programmes, including the Type 26 frigate
- Access to a highly skilled and experienced defence engineering workforce.

Terms of the acquisition:

Chess is being acquired from management and funds managed by Beringea LLP. Consideration for the acquisition will be satisfied by the initial payment of £20.1 million in cash for 81.84% of Chess's issued share capital on a cash free / debt free basis funded from Cohort's existing cash resources and banking facility. The shares not being acquired by Cohort will be retained by members of Chess's management.

Further consideration of up to £12.7 million is payable in 2021 in cash dependent on the revenue performance of Chess in the three years to 30 April 2021.

Cohort has also agreed to acquire the remaining Chess shares following 30 April 2021. The price will be determined by Chess's order book and EBIT performance for the three years ended on that date and will not exceed £9.1m.

Jeff Perrin, a non-executive director of Cohort is also the non-executive Chairman of Chess and, prior to the acquisition, held approximately 4.5% of the issued share capital in Chess. In line with good governance, he has not taken part in the Board's consideration of the acquisition and will in future take no part in Cohort discussions concerning the transaction or the ongoing earn-out process. The terms on which Mr Perrin will sell his shares, including his entitlement to receive any future consideration, are the same as all other selling shareholders.

Ends

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NOTES TO EDITORS

Cohort plc (www.cohortplc.com) is the parent company of five innovative, agile and responsive businesses based in the UK and Portugal, providing a wide range of services and products for domestic and export customers in defence and related markets.

Chess Technologies provides specialist products and technologies in the areas of electro-optics, tracking and fire control to customers world-wide. It was acquired by Cohort in December 2018. www.chess-dynamics.com & www.vision4ce.com

EID designs and manufactures advanced communications systems for the defence and security markets. Cohort acquired a majority stake in June 2016. www.eid.pt

MASS is a specialist defence and technology business, focused on electronic warfare, information systems and cyber security. Acquired by Cohort in August 2006. www.mass.co.uk

MCL - an expert in sourcing, design and integration of communications and surveillance technology, as well as support and training for UK end users including the MOD and other government agencies. MCL has been part of the Group since July 2014. www.marlboroughcomms.com

SEA is an advanced electronic systems and software house operating in the defence, transport and offshore energy markets. Acquired by Cohort in October 2007. www.sea.co.uk

Cohort (AIM: CHRT) was admitted to London's Alternative Investment Market in March 2006. It has its headquarters in Reading, Berkshire and employs in total around 950 core staff there and at its other operating company sites across the UK and in Portugal.