Cohort plc

5th August 2015

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Cohort plc

("Cohort" or "the Group")

Cohort to acquire leading Portuguese defence business

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Cohort, the independent technology group, is pleased to announce it has agreed to acquire Empresa de Investigação e Desenvolvimento de Electrónica, S.A., (EID), a Portugal based supplier of advanced electronics, communications and command and control products and systems for the global defence market.

Highlights

- Gross cash consideration of €19m (£13.3m)

- Consideration to be funded from Cohort's existing cash resources augmented by a new syndicated debt facility

- Completion, which is conditional on approval of the Portuguese Ministries of Finance and Defence and fulfilment of certain other conditions, expected in September 2015

- EID to join MASS, MCL, SEA and SCS as the fifth member of the Cohort Group

- A cash generative business with a strong order book, a healthy sales pipeline, a highly competent and experienced defence engineering workforce and a modern, low cost, electronics manufacturing facility

- Provides the Group with the ability to offer a wider range of new and complementary capabilities to defence and security customers worldwide, whilst adding Portugal as a new home market for the Group's products, systems and services

- Expected to be earnings enhancing in the current financial year and for the year ended 30 April 2017

Overview of EID

EID is a hi-tech company with more than 30 years' experience in the design, manufacture and support of advanced, high performance command, control and communications equipment for the global defence and security market. Customers for its naval communications systems include the Royal Navy and other NATO navies including those of Portugal, the Netherlands, Spain and Belgium. It has also supplied a number of other export customers; in total its products equip over 120 warships worldwide, and its army products have also enjoyed wide domestic and export success.

EID operates through three market-facing divisions:

- **Naval Communications**: Integrated command, control and communications systems for warships.

- **Tactical Communications**: Radio equipment, vehicle intercom systems and networking equipment.

- **Communications Systems**: Field communications equipment, military messaging and turn-key integrated command, control, communication and surveillance systems.

These divisions are supported by an internal production and logistics unit. EID operates from an engineering facility near Lisbon, and has a regional office in Malaysia. It has a total of 138 employees.

EID generated revenue in the year to December 2014 of €14.5m and EBIT of €1.4m. Gross Assets as at 31 December 2014 were €25.5m. We believe EID's strong order book (€35.2m at 31 March 2015) and prospects position it well to make progress in 2015 and beyond. At the end of March 2015, €12.4m of revenue for the year ending 31 December 2015 was already on order, supplemented by a promising pipeline of further sales prospects.

Background to and reasons for the acquisition

Cohort's Board believes that further investment in carefully targeted acquisitions will generate enhanced returns to shareholders. The Group seeks to acquire agile, innovative businesses operating in the defence and security sectors with growth potential and a degree of sustainable competitive advantage. EID meets all of these criteria.

The Board believes that the acquisition of EID will provide a number of benefits:

- A portfolio of complementary products and systems with a strong global market presence

- Good relationships in a number of important export markets in Europe, Middle East, Africa, Southeast Asia and Latin America

- A new home market in Portugal and access to EID's international customers for the Group's products and services

- Access to a highly competent and experienced defence engineering workforce

- A modern electronics manufacturing facility certified to the relevant NATO standards

Terms of the acquisition and funding

Consideration for the acquisition will be satisfied by a payment of €19.0m (£13.3m) for 99.98% of the share capital of EID to existing shareholders Empresa Portuguesa De Defesa (S.G.P.S.) S.A., EFACEC Capital S.G.P.S. S.A, Instituto de Apoio às Pequenas e Médias Empresas e à Inovação, I.P. and Rohde & Schwarz GmbH. At the time of completion EID is expected to hold at least €3m of cash and no financial debt, giving a net acquisition price of €16m on a cash-free, debt-free basis. The price is subject to a downward only net asset adjustment.

Completion of the acquisition is subject to approval by the Portuguese ministries of finance and defence, and on the fulfilment of certain other conditions. It is likely that the acquisition will complete in September 2015.

Cohort is in advanced discussions with a syndicate comprising RBS, Barclays and Lloyds to finalise the details of a new debt facility with a total value of up to £25m. The facility will comprise three flexible elements: a term loan, an overdraft (replacing the Group's existing facility with RBS) and trade finance. We expect to fund the transaction in part through drawdown of a Euro-denominated loan from this term loan facility. The remainder of the consideration will be drawn from Cohort's existing cash resources. In the event that the new facility is not in place at the time of completion, we will fund the transaction entirely from our existing cash resources and bank facility.

Andrew Thomis, Chief Executive of Cohort, said:

"The acquisition of EID is an important step for Cohort. It adds to the Group a highly capable provider of communications systems that has demonstrated the quality of its products through export success in a number of important territories.

"EID has a strong order book and excellent prospects with both domestic and export customers. As Cohort's first non-UK company it brings us a new domestic market – and the opportunity to offer all of the enlarged Group's products and services to the existing customers of both EID and Cohort. I am looking forward to working with EID's management team to realise the exciting growth opportunities that this transaction will create."

This statement is not intended to be, and should not be construed as, a profit forecast and should not be interpreted to mean the earnings per Cohort share for the current or future financial years will necessarily match, or be greater or less than, the historical earnings per Cohort share.

Ends

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NOTES TO EDITORS

Cohort plc

Cohort is an independent technology group working primarily for defence (air, land and sea), wider government and industry clients, through four market-facing subsidiary companies:

MASS - a specialist systems house with considerable experience in the defence market and a focus on electronic warfare operational support and secure information systems. Based in Cambridgeshire, MASS was acquired by Cohort in August 2006;

MCL - an expert in sourcing, design and integration of electronic and surveillance technology, as well as field support and training for a range of specialist UK end users including the MOD and other governmental agencies. Based in Surrey, MCL has been part of the Group since July 2014;

SCS - a defence technical advisory business, combining technical expertise with practical experience and domain knowledge. Owned by Cohort since flotation in March 2006;

SEA - an advanced surveillance systems and software house with hardware development capability operating in the defence, transport and offshore energy market sectors. Acquired by Cohort in October 2007.

Cohort was admitted to London's Alternative Investment Market in March 2006. It has its headquarters in Berkshire and employs in total around 600 core staff there and at its other operating company sites in Bristol, Cambridgeshire, Devon, Lincolnshire, Somerset, Surrey and Scotland.