

## **Interim Results Transcript – 3 June 2025 – Analyst presentation**

### **1. Title slide – Delivering the plan**

### **2. Introduction - Michael Ord, Group CEO**

Good morning and welcome to the presentation of Chemring's interim results for the six months to 30<sup>th</sup> April 2025.

I am as usual joined by our CFO, James Mortensen.

I'll briefly cover some of the Group highlights from our first half before handing over to James who will take you through our financial and operational performance.

I'll then comment on the general market environment, and the progress we are making in delivering our incremental growth strategy, which is underpinned by our values of safety, excellence and innovation.

We'll then take questions.

### **3. Delivering the plan**

Our momentum from 2024 has been maintained into this year with the continued delivery of our long-stated goal of balancing near term performance with longer-term growth and value creation.

Across the first half, our operational and trading performance has been robust and in line with the expectations we set out in December, continuing to demonstrate the resilience and quality of our Group.

Our record order book, and associated trading visibility, underpins our growth ambitions as we build towards our goal of increasing annual revenue to £1bn by 2030, and be assured we will continue to closely manage operational and financial risk during this period of organic and inorganic growth.

In summary, the Board's trading expectations for the full year are unchanged.

Clearly, none of this is possible without the commitment and dedication of my colleagues across the Group and I want to take this opportunity to acknowledge and thank them all for their unrelenting professionalism and hard work.

### **4. H1 2025 good progress across KPI's**

Turning to the headline numbers:

For me the standout is our record £488m of order intake which is a 42% increase from last year, and the resulting £1.3bn order book, which is the highest in the company's history.

Operationally our revenue was up 5% driven by a strong performance across Countermeasures & Energetics, and operating profit was up 8% resulting in earnings per share being up 3%.

You hear me say at all these presentations that safety is one of our core values and I highlight on this slide that we have reduced our total recordable injury frequency rate to 0.63, which underpins our journey to a proactive safety culture and a zero-harm ambition.

I'll now hand over to James.

## **5. Financial Review – James Mortensen – CFO**

Thanks Mick. We are pleased to report results in line with expectations, as we deliver the plan. Here are the highlights...

## **6. Financial Highlights**

- A new record order book for the Group at £1.3bn, up 25%
- Revenue up 5% showing continued strong momentum
- Operating profit was up 8% with improved operational execution in Countermeasures and Energetics
- Group operating margin improving to 11.6%
- EPS was up 3%
- And, we had strong cash conversion at 80%
- And so, the Board has declared an interim dividend of 2.7p, up 4%

So turning next to our segmental performance

## **7. Group and Segmental Performance**

Countermeasures and Energetics revenue grew 20% as we saw strong operational execution. So operating profit was up 73%, and margin increased to 14.4%.

It was a weaker period in Sensors and Information, as expected and previously highlighted. This was because the prior year benefitted from JBTDS LRIP and there were delays to UK Government spending, which meant revenue was down 12% and operating profit down 26%. You will see we booked a small exceptional charge in the year relating to Roke, which Mick will talk about later.

There was a small FX headwind in the period, on a constant currency basis group revenue would have increased by 6% and operating profit and by 10%.

## **8. Group Net Debt Bridge**

Turning to the cash flow, we kept a strong focus on cash generation – with cash conversion of 80%:

- We have continued to invest in our operations with £46m of capex spent in the period. Of this £35m was spent on Energetics expansion projects, and this was offset by £13m of grant funding.
- This brings the total spent on Energetics expansion projects to £70m, offset by total grants of £24m.
- In the period we returned £17m to shareholders, £14m through our dividend and £3m through the share buyback; we also purchased some shares to satisfy acquisition consideration and employee share options.

- We refinanced our RCF in April. We have increased it from 150 to 180m, it will run until December 2028 and can be extended a further 3 years, and is on attractive pricing. In addition, we also have a 20m US dollar overdraft and a UKEF loan of £80m – so we have good, immediately available liquidity, with facilities up to £275m available.

We had closing net debt of £93m, less than 1x leverage, and we expect to end the year only slightly higher.

## **9. Capital Allocation**

There is no change in relation to our capital allocation policy.

Overall we want to maintain a resilient balance sheet and will target leverage of less than 1.5x.

We'll continue to execute that policy through the four pillars of investing in the business, focused M&A and returning capital to shareholders through the dividend and surplus capital through the share buyback.

I would just highlight that in May, after the period end, we completed the disposal of the Explosive Hazard Detection business which we sold for 9m US dollars in cash. We regularly review our portfolio and will take action to change it if necessary.

We'll remain disciplined, but we also have a very attractive pipeline of opportunity in Roke where we remain most active, and we continue to develop our pipeline in space and missiles.

Next, I'll cover our longer term and then shorter-term guidance.

## **10. £1bn revenue ambition**

First longer term - our ambition is the same - £1bn in revenue by FY30 and we remain on track.

Within energetics we see enduring demand for our products for which we are installing capacity, as evidenced by the long term agreements entered into with the likes of Diehl, Saab and Northrop Grumman.

Whilst Roke's growth has slowed this year – longer term we still see Roke growing at a high to mid-single digit CAGR to £250m in FY28 and then beyond.

I have already talked about our disciplined approach to M&A, and so would also highlight the potential further expansion projects that Mick will cover later in Norway, Germany and the UK – as ways to supplement our ambition organically.

On margins, we have guided to mid-teens in the medium term, but you can imagine - we'll add some significant revenue in our higher margin businesses and so you'd expect some operational leverage in the longer term.

This guidance is getting nearer since we first publicly committed to it. So too is the significant growth in the next couple of years, which is included in existing analysts forecasts.

## **11. Guidance and financial outlook**

- Shorter term - for FY25 our overall guidance is unchanged, supported by 85% of expected revenue having been delivered or in the order book
- In Countermeasures and Energetics we are still targeting low double-digit growth, supported by order cover of 96% this year

- In Sensors and Information we are targeting flat, in just the time since the Half year end order cover has risen to 73%. Growth in Roke will offset the decline in US Sensors - as JBTDS has now completed low-rate initial production and we await the full rate production award, expected in FY26
- We are still targeting mid-teens margin in the medium term, but unlikely to hit that in 25
- We expect H1/H2 phasing of operating profit to be similar to last year
- On US tariffs - we expect the impact to be negligible – the majority of our sales in the US are supplied by our US operations; under our contracts sales from outside the US are largely exempt from tariffs

As usual, I want to flag there are some external factors which could impact us in the near term:

- There could still be budget timing disruption in the US and from the SDR in the UK
- And obviously any significant movements in FX

## 12. Driving innovation

So now for innovation, an area where Chemring excels and one of our core values.

The war in Ukraine has re-enforced the importance of advanced Electronic Warfare technologies. The return of a European peer threat has highlighted the underinvestment many countries have made in their capabilities over the last 10 years. There is now a drive to rebuild those capabilities in this highly contested environment. That means we are seeing a pipeline of more than £300m of potential opportunity for our Electronic Warfare products.

There have been two key learnings from the war in Ukraine:

- First, technologies are evolving rapidly – systems need to evolve quickly to address new threats, with open architectures enabling faster development
- Second, survivability – large, exquisite systems were quickly disabled on the battlefield; smaller, highly mobile systems are required

Roke have used their deep understanding of Electronic Warfare, and real-world experience, to develop this next generation system – Deceive

It has a number of attractive features:

- It's multi-functional and has a software defined radio at its core – so you can reconfigure it to address the full spectrum of Electronic Warfare effects, including Electronic Attack and counter drone operations
- It's sovereign – UK designed and built
- And, it uses open architecture – meaning it can rapidly evolve to counter new threats. So it is ready for the future, now

What you should take away is that we have, and will, maintain investment in Roke and the next generation products we need – and so that gives us confidence in the growth outlook for the business. Deceive was launched last month, and we are already seeing international interest from more than 15 countries.

Thank you, that brings me to the end of my section - back to Mick for the market update and outlook.

### **13. Michael Ord, Group CEO**

Thanks James.

### **14. Market Update**

Turning now to our market environment.

Global attention on defence spending remains high, fuelled by uncertainty regarding US support for NATO, the ongoing events in Ukraine, and the enduring tensions in the Asia-Pacific region. These geopolitical dynamics underpin a positive outlook for defence and security spending for the foreseeable future.

With the Ukraine war now in its fourth year, defence spending is rising across Europe, for both NATO and non-NATO member states, with an increasing trend of developing sovereign capabilities and supply chains.

Here in the UK, the Government recently announced the largest sustained increase in defence spending since the Cold War, with budgets set to rise to 2.5% of GDP by 2027 and to 3% in the following Parliament. Delivering on NATO commitments and ensuring a resilient nuclear deterrent are among the core priorities for this spend. Industrially, this is expected to be accompanied by capability re-shoring and stockpile production, to build national resilience.

The UK Strategic Defence Review, published yesterday, defines the long-term strategic direction of UK defence policy, ensuring the nation is equipped to address emerging threats, global security challenges, and technological advancements whilst also seeking to reinforce resilience and sovereign capability.

The Group is well placed to benefit from many aspects of the SDR but I'll highlight just two:

The first is the establishment of the new CEMA Command to oversee the UK's defensive and active cyber activities, alongside electronic warfare efforts, which should create significant opportunities for Roke.

And the second is the commitment to invest £1.5 billion in an "always on" pipeline for munitions, building at least six new factories in the UK to produce munitions and energetics, and the commitment to build up to 7,000 UK-built long-range weapons to strengthen Britain's Armed Forces.

And in the US, the Trump administration is focused on deterring adversaries by maintaining overwhelming military superiority. In its recent budget proposal, the White House is requesting a total of \$1 trillion in national defence spending for FY26. The expected capability focus for this budget will be on countering the threats posed by China's large missile inventories, a rapidly growing naval force and sophisticated cyber capabilities. This also represents a growing opportunity for Chemring.

### **15. Chemring's growth is underpinned by three core drivers**

You may remember me putting up a slide like this in December to illustrate our drivers of opportunity and growth, and this time we have tweaked the order of the slide as we believe Europe will be the foremost driver of growth in the medium term.

The US has linked its continued support for NATO to greater European burden-sharing, pushing for higher defence spending by allies. This has already resulted in European countries committing to increase their defence budgets.

The European Defence Industrial Strategy sets out a long-term vision to achieve defence industrial readiness in the European Union, with the 'Readiness 2030' initiative aiming to increase defence investment and defence capabilities quickly and significantly.

Whilst the detail is still to be confirmed, the recent EU-UK summit established a defence and security pact which the government say "paves the way" for UK businesses to access the €150 billion SAFE re-armament funds, and we are currently working with stakeholders to identify opportunities where Chemring can access both product demand and further grant funding opportunities through initiatives such as the European Defence Industry Programme.

We believe the increased demand for our products is long-term which underpins our decision to invest in increasing the capacity of our three energetics businesses.

## **16. Energetics expansion projects on track**

I'm pleased to report that we continue to make good progress across our organic growth projects to date, with £35m of Capex spent on these projects during the first half.

In Scotland, where we are building an advanced extruded double-base propellants manufacturing facility, the project is on schedule and budget. Construction of the new buildings is now complete, equipment is being installed, and the commissioning, licencing and qualification processes are well underway, and live production will commence in early 2027.

In parallel to this project the team in Scotland have delivered a feasibility study to the UK MoD, setting out options to establish the manufacturing of military high explosives at our Ardeer site, and we stand ready to work with the MoD and industry partners to establish this sovereign capability.

Our Norwegian military explosives business is a significant growth opportunity as it responds to the unprecedented market demand to supply missile and munitions programmes. The substantial capacity expansion programmes we are building at our Saetre site remain on track.

In parallel to the expansion at Saetre we continue to work closely with the Norwegian Government to explore options to build a second manufacturing site, which will greatly increase the supply of military high explosives to NATO.

Outside of Norway the business is pursuing several international opportunities, of which Germany is progressing at pace.

As part of the 12-year framework agreement that was signed in November with Diehl Defence, we are establishing in Germany the necessary facilities to perform the blending stage of the manufacturing process. We are also exploring far broader opportunities to establish further manufacturing facilities in Germany to build a sovereign supply chain for military high explosives.

You will note that I have not mentioned our capacity expansion activities in Chicago, as they are now complete. During the period our Chicago business won significant order intake. This included an order valued at \$106m for the delivery of critical components for use in an undisclosed US missile programme. Deliveries under this contract will be over a five-year period commencing in 2026, with continuous flow manufacturing made possible by the additional 45,000 sq. ft. facility that commenced operations last year.

As a reminder, once complete the three capacity expansion projects will deliver incremental revenue of £100m per annum and incremental operating profit of £30m per annum by 2028.

## **17. Roke – Increasing strategic positions underpin long-term growth**

Now turning now to Roke. Pleasingly the business continues to make significant progress across several programmes which underpin its long-term growth plan.

In January 2025 Roke signed a multi-year strategic agreement with a major US Prime Contractor for the supply of its high-speed Miniature Radar Altimeter. This highlighted Roke's expertise in the field of electromagnetics and demonstrates that the critical role Chemring plays in multiple space and missiles programmes is not confined to just our Energetics businesses.

In April 2025 it was announced that Roke, in partnership with the United Kingdom Missile Defence Centre (MDC), will lead a UK sovereign industry collaborative effort to provide security to the UK and its allies by countering current and future threats, including ballistic and hypersonic missiles.

Valued at £251m over six years, the STORM framework will see Roke enhance its role as a trusted partner to the UK MoD at the heart of the UK missile defence ecosystem at what is a pivotal time for national defence and security. Roke's STORM work will inform critical UK defence decision-making and will play a key role in developing next-generation missile defence capabilities.

Alongside these wins, Roke continues to focus on growing all its business areas, and in parallel delivering industry-leading research and development, drawing on its world class people and technologies. New product launches and strategic partnerships form an integral part of this work.

In the period Roke launched EM-Vis Deceive, its new portable EW system that James has already spoken about. It also signed a strategic partnership with the Kagai Corporation to deliver advanced technologies into the Japanese defence and security markets.

During the first half Roke has seen softness of UK order intake across defence, national security, and science and technology, which we believe is linked to customer workload associated with the SDR. Importantly though, we have **not** seen Roke lose any significant contracts or programmes, but we have seen several delays and extensions.

We anticipated these near-term headwinds, so in January we took action to match Roke's cost base with forecast demand. Having taken this action and with the SDR now published, Roke is now well positioned to capitalise upon the expected upturn in demand during the second half.

We will also continue to explore further bolt-on, strategy-led, acquisitions that can accelerate our growth strategy for Roke, and we are working a strong pipeline of opportunities across defence and security domains.

With incumbency in markets with high barriers to entry we remain on track to organically grow Roke's revenues to greater than £250m by 2028, while maintaining strong margin performance.

## 19. Summary and Outlook

So, to summarise:

We've had a good first half as we continue to build resilience and grow our high-quality company.

We have continued the momentum from last year, resulting in a record order book of 1.3 billion pounds, which provides 85% cover for in-year revenues, and against this robust backdrop the Board's expectations for the full year are unchanged.

We are committed to our incremental growth strategy to achieve 1 billion pounds of annual revenue by 2030, which will require delivery of organic and in-organic opportunities but, as we do this, we will continue to operate with a laser focus on managing operational and financial risks.



So, with our company underpinned by our values of safety, excellence and innovation, the outlook is increasingly robust. With market-leading innovative products, technologies, and services that are critical to our customers, and with a strong balance sheet, I am confident that we will deliver our strategy and deliver our goals.

## **26. Questions and answers**

That concludes this morning's presentation. If anyone has any questions, we will be happy to take them. Could I please ask you to state your name and the organisation that you represent before asking your question.

### **Q: Sash Tusa - Agency Partners**

Couple of questions. First of all, in terms of cash flow, it looks as if you are getting probably slightly better working capital terms as well as managing the working capital that you've got from your customers better. Is that a function of the fact that the markets are so much stronger, that you have a better negotiating position with some of your customers, particularly if they want long term commitments to capacity?

### **A: James Mortensen**

Yes, that's right. We're getting good commercial terms at the moment, both through pricing and then also through better cash terms, both in terms of prepayments for long lead time items and things like that, so yes that's what we're seeing.

### **A: Mick Ord**

At the moment I think you see, across the energetics businesses, customers recognise the fundamental shortage of some of the materials that we manufacture, and they want to secure their position from a long term basis in our production schedules, which is why they're paying upfront terms to be able to secure those positions, not just in the immediate years but in the outer years as well.

### **Q: Sash Tusa - Agency Partners**

Thank you. And then I've got a follow on, on Project STORM, but also Zodiac which you won I think about 3 years ago. Is it right to be thinking that Roke is developing a slightly larger proportion of multi-year contracting than it would have had in the past? Because these are two, you know, triple digit million programmes? And within that, STORM, you specifically say has got quite a high proportion of subcontractor work in it. So should we expect a higher level of pass-through revenues in the coming years?

### **A: Mick Ord**

Yes absolutely. So part of the Roke strategy is that it has been targeting priming larger contracts and framework contracts with the UK MOD and more broadly, and so Zodiac, great win, it's going to be at the heart of the army's digitization programme and you read about that in the SDR yesterday. STORM is a massive win for Roke right at the centre of the UK's missile defence ecosystem at a time which, again, was a critical capability called out in yesterday's SDR. So yes, I think you should start to look from a Roke perspective in some of these larger frameworks that they are operating more at the prime level and therefore you will see a larger, in those specific frameworks, you'll see more pass through them. And that's a good thing. I mean I think it's a very good thing from strategic development of Roke.



**Q: Sash Tusa - Agency Partners**

OK. Thank you. And then just one final one. Your customer at Saab last week spoke very in complementary terms about you, and specifically said this was not about you, but there's a European wide shortage of triple based propellant, which is something that concerns them. What's triple based propellant used for? Can you make any of it?

**A: Mick Ord**

So we manufacture double base propellant, which has two active ingredients in modifiers and that's what we manufacture in Scotland. And that's what we're building the brand new facility for, because there's an extensive growth and demand for those materials, which normally go into propellant devices, rocket motors etc.

Triple based, which is as the name states, has got an extra active ingredient and normally they are used in larger calibre munitions for the propellant charges. We don't manufacture triple base. We know that there's an area of the market where there's a significant shortage as there is across the market in all energetic and propellant materials of all types.

It's not an area that we've operated, and I don't think the UK has manufactured triple based propellants since back in the days of Royal Ordnance. So that's quite a while. And it's not something that's currently on our strategic road map, but clearly, we explore all opportunities in the market, but triple based currently isn't on our road map at the moment because we think double base has got so much opportunity ahead of it. But I think the comment is just very indicative of what you're seeing across so many areas in Europe where there's a fundamental shortage of energetic materials and propellant materials, whether that's for artillery, rocket artillery, missiles or other energetic systems such as bombs or sea mines, etc. That's the rationale for why we've invested so heavily in our energetics businesses, and we see a lot more opportunity ahead of us to do that.

**Q: David Farrell - Jefferies**

Firstly, can just talk to where the headcount reductions have been made and then also the strategic rationale of moving Roke Futures under the Defence team.

**A: James Mortensen**

The majority of the headcount reductions were in the Futures side of the business. And we're pulling that under the Defence because we were seeing lots of opportunity within that business. And to make sure that all those people were fully utilised and there was lots of work for them within that part of it.

**A: Mick Ord**

I think the key thing is that there's been a little bit of softness from a Roke perspective. The key bit to that was that we were ahead of the curve, so we saw that coming, we've seen these movies before. So we acted early in January, before anybody else was doing anything in this area, we acted. Paul McGregor and the team at Roke did a great job of doing the strategic assessment, looking at where do they see the real areas of growth and redeploying resource into those areas. And then obviously areas where we saw less robust demand that we took the appropriate action. So downsizing and making some roles redundant. We never want to do that, but getting ahead of the curve and doing it early is really important for us.

With regards to Futures, I don't think you should read too much into that, other than the demand in especially the military and defence side of the business is so large that you know we've made the decision that we're going to deploy far more resource into that area than in the Futures area.

**Q: David Farrell - Jefferies**

OK. Thanks. Follow up to Sash's question around STORM. When we think about the £250 million revenue target for Roke in 2028, how much of that STORM framework agreement is contributed by STORM Framework Agreement and are you going to just be booking your revenue share through the P&L or are you going to be taking everyone else's?

**A: James Mortensen**

When we set that revenue target, we did that before we were aware of STORM. And so what we've always said within that was about 20-30% was going to be passed through revenue, which is what it has been historically. You know Sash is right to the extent that, when that revenue starts coming through, that will probably increase that proportion. And so I think, underlying, we've still got the same target for Roke business.

**Q: David Farrell - Jefferies**

Final question, not on energetics. And it's a question I frequently get asked by investors. Can you talk us through the broader supply chain from Chemring Nobel in Norway. Are you supplying into the US or is it just armament customers in Europe and how much of the HMX / RDX can be manufactured internally by the likes of Rheinmetall and BAE Systems versus having to buy it off third parties?

**A: Mick Ord**

That's a good question. So if we start on the base raw materials supply chain, I think broadly, about 50% of Nobel's output goes to the US, into prime contractors on that side of the Atlantic and about 50% of it goes into Europe. We don't supply to the likes of BAE Systems or Rheinmetall. They run their own supply chains either internally or they run it with other suppliers themselves.

The companies that we supply directly into do not manufacture energetic material and have no intention to broaden out. They're signing very long-term strategic supply agreements with ourselves so that we can supply the HMX and RDX and MCX that's required in their missile and munition systems. So, we don't see that as a particular threat to us. In fact, when you look at the length of the contracts that we're signing, some of these long term strategic supply agreements go out to 2041, which I think demonstrates that just as we're being very disciplined with our strategy and being very clear with the things that we're going to invest in, and what we're going to be excellent and excel in, many of the prime contractors themselves, if you're a missile house, you want to be world class at manufacturing missiles, you don't necessarily want to be vertically integrating to manufacture raw materials such as HMX and RDX.

**Q: Richard Paige - Deutsche Numis**

So, on the US Sensors business - opportunities beyond JBTDS and EMBD programme please?

**A: Mick Ord**

So EMBD is out there today on U.S. Navy warships protecting sailors, we see spiral development of that programme ongoing, and with JBTDS we expect that will go into full rate production on that programme of record in 2026 is when they're scheduling that. We think you know our primary focus on JBTDS is obviously to go up the FRP curve for the US customer. But in parallel, the team are very active at looking at export sales

for the JBTDS system itself. We believe that it's got the opportunity to become the reference system across the whole of Europe, especially with European NATO nations, where there is a significant shortage or complete absence in some areas of military grade biological agent detectors. We think JBTDS is very well placed for that. Beyond that, I think maybe your question touched on around the next generation Sensors. So we invest significant R&D in the business in Charlotte looking at those next generation of detectors that could potentially have utility both in the military capability but also increasingly in some civilian applications as well.

But the primary focus would be very much around maintaining EMBD deliveries. You know, we haven't missed a beat on that programme. And then once we get the FRP award for JBTDS in 2026, then executing incredibly well to go up that FRP curve.

**Q: Richard Paige - Deutsche Numis**

Thank you. And then jumping back to the main one that everyone's asking about Energetics. Deihl mixing potential or the mixing in Germany plus what you're doing from the UK side? What additional capacity might that provide? If you can do those things, what CapEx and what timeline, I guess?

**A: Mick Ord**

That's such a big question isn't it. One of the key things that we are seeing across the whole market are that NATO nations want to increase their defence industrial base so that they can not only contribute to the overall NATO defence industrial base, but everyone or a lot of nations want to establish a sovereign capability for national resilience. Hence the reason why we've completed feasibility studies of how we do that here in the UK, and we're working with the government in Norway about establishing the second manufacturing site in Norway, which could be of significant size. And then in Germany, the German Government absolutely recognise that they want to establish a sovereign defence industrial base for the manufacturing of high military explosives. So we're working very closely with Diehl Defence.

If you go to the site in Germany now, you'll see a standard construction on that blending facility. I expect that we'll build a lot more infrastructure and facilities in Germany off the back of that. With regards to sizing and scaling, I think it's probably a little bit too early at the moment to do that. But I would say that the options that we're looking at in Norway for instance, I think the smallest sized facility that we're looking at would be at least the same size as our fully expanded Chemring Nobel, Saetre site. So these are very substantial capacities because of the fundamental under sizing of the defence industrial base, especially in a lot of these high explosive areas.

**A: James Mortensen**

And the only other thing I would add is we're looking at a similar commercial model to what we saw in Norway in terms of, there we got about 70% grant funding.

**Q: Richard Paige - Deutsche Numis**

Sorry, just to add the lead time to do something like the mixing piece is that quicker than?

**A: Mick Ord**

Yes. I think they start breaking ground on that specific facility this Summer. And then I think they've got something like 12 months and then they're producing the first batches that will go into analysis. So that's a different proposition to say, if you're building a crystallisation plant which takes probably twice as long.

**Q: Richard Paige - Deutsche Numis**

Thank you. And then moving to Roke, obviously in the SDR electronic warfare and cyber being combined, all has Roke's name all over it. But do you think that might delay the sort of contract flow in the near term as to how they, you know if they're reorganising that side is that?

**A: Mick Ord**

I suppose it's got the risk to it. I suppose you look at the other side of the coin and look at a lot of what was announced yesterday in the SDR where there's the defence reform programme. One of the fundamentals of that is significantly speeding up and simplifying the contracting and procurement processes. So, I don't know, maybe one might cancel out the other.

I think net positive though would be that obviously what you see every day in Ukraine has graphically illustrated the essentiality of having dominance in the cyber and electromagnetic world, and hence the reason for establishing the CEMA command which, absolutely right, is completely in Roke's wheelhouse, decades and decades of experience and leading technology in those areas. The Deceive product that James identified, you know, it's a fantastic product; counter drone capability, electronic attack capability, foot based fully on software defined radios, completely reconfigurable and whatever. And I think we've got 15 international customers already wanting to talk to Roke about that product. I think that demonstrates how important this whole CEMA area is going to become for us.

**Q: Richard Paige - Deutsche Numis**

And if I could attach into that, which leads into the last bit on that Roke £250 million revenue. When it was set, the mix between products and your core capabilities, UK versus international, has that changed as to how you would look at it today.

**A: Mick Ord**

To be honest, I can't remember what the mix was when we announced it, but I think the forward growth of Roke is that we expect the Defence side of the business to grow. It will grow more quickly than the National Security side. The National Security side will continue to grow, but just because of what you're seeing with regards to Defence recapitalization across Europe and beyond, and the international footprint that Roke has, I think you're going to see the military side of the business grow more rapidly and that is predominantly a products based business.

**Q: George McWhirter - Berenberg**

Firstly, the SDR. So, it's positive, it's been released yesterday. It looks like there would be an equipment plan released at the end of the year. How do you think that would drive order intake? Would you expect orders to flow immediately, or should we wait until the equipment plan is published towards the end of the year?

**A: Mick Ord**

OK, that's a good question. So, I think, my understanding is that the next steps are a really important building block of delivering the SDR as the Defence Industrial Strategy. And I believe that we're going to see that published in the next month or so. I think that will set out, as I say, the industrial road map of how the goals of the SDR will be developed. We are looking forward to working very closely with the MOD and UK Government to deliver the goals of the industrial strategy. And then I think the equipment plan is now

renamed, I think the Defence Investment Plan, and where I think Secretary of State said that was going to come out in the Autumn and again, we'll be working closely with the customer for that.

Whether we think we're going to see slowdown between now and then? It is a difficult one to call. I think now that we have got SDR over the line, I think we'll probably see a recovery in more normal order cadence, but it's a bit of a how long is a piece of string kind of question.

**Q: George McWhirter - Berenberg**

And the second one was just on Roke, just a clarification. The £250 million target by FY28. Is that about 20-30% pass through included in that?

**A: James Mortensen**

I think historically that's roughly what we've run out about 20-30%% pass through. And I think that was what was included in that target origin.

**Q: Sash Tusa - Agency Partners**

Just following up on George's question and particularly the Defence Industrial Strategy. Is that where you would expect some sort of detail on the at least six munitions factories that was announced yesterday? And do you have any feeling from your briefings yet as to the mix of those factories between upstream propellant and explosives and downstream product manufacture?

**A: Mick Ord**

I'm hopeful that the Defence Industrial Strategy will give us greater insight into where that balance of investment is going to fall. And you know, six new facilities, six new factories or six new production lines, I think they're kind of somewhat interchangeable. I think it would be very likely to see a combination of all of those things. I would be very surprised if you don't see new missile final assembly facilities, especially given the 7,000 commitment that was talked to yesterday. But also, I do think that you're going to see investment in raw materials, so energetic material and propellant manufacturing facilities. So, I think it's going to be a combination of all those.

**Q: David Farrell - Jefferies**

Just on countermeasures in the US, can you give an update as to where we are in terms of the new automated line, whether that's now operating as expected and then kind of associated with that, what your plans are for the old line, because I think at one stage you thought about decommissioning it? Probably seems like there's potential for increased demand over the medium term.

**A: Mick Ord**

Good question. So, the new facility is up and online. We didn't mention it because it's just doing the day job now. It's been a bit of a painful journey for us to get there. We took a huge automation technology step when we introduced a fully robotic assembly line there. But the team, and fair play to them, it looks like they've cracked it. So, they're coming up that curve. So not an area of concern for us.

With regards to the legacy line, our intention is that we will decommission that, primarily because it comes to the, in our assessment, comes to the end of its safe economic life. So that's the extrusion line that the new facility replaces. This is one of the things, that we're never going to compromise on and you hear me banging on about it all the time is that we're never going to compromise on safety, and we're not going to operate a facility where we don't believe it is, you know, if we extended its life out for another few years,

whether we'd be able to operate it as safe as reasonably practical to the level of safety standards that we operate across the group. I don't think we'll be reversing that decision.

**A: James Mortensen**

Just to be clear, we haven't announced that, that's not something that we're planning at the moment and so it could be something that happens at some point in the future.

**Mick Ord**

Any more questions? No? OK, I think that draws the proceedings to a close, so thank you very much for attending today and we look forward to presenting our FY25 results to you all in December.

**James Mortensen**

Thank you.