Full Year Results transcript – 9 December 2025 – Analyst presentation

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

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

Good morning and thank you for joining us for Chemring's full-year results for the period ending 31st October 2025.

I'm joined today by James Mortensen, our Chief Financial Officer and Tony Wood our Chairman.

This morning, I'll start with the Group highlights for the year, then hand over to James for a detailed review of our financial and operational performance. I'll then return to discuss the market environment and update you on the progress we've made in delivering our growth-oriented strategy.

3. **DELIVERING THE PLAN**

FY25 was another year of solid performance for Chemring. What's particularly pleasing is that we achieved this despite short-term headwinds – most notably continued softness in UK Government order placement across National Security and Defence, which impacted Roke. This resilience reflects the work we've delivered to build a high quality business capable of navigating challenges and delivering sustainable growth.

Global defence spending continues to increase, driven by US demands for greater burden sharing across NATO, the conflict in Ukraine, and rising tensions in the Asia-Pacific region. These dynamics underpin a sustained upcycle in defence and security investment – which is expected to persist into the next decade.

Our record order book is clear evidence of this trend. During the year, we secured several strategically important contracts, including STORM – Roke's £251m UK MOD multi-year missile defence programme. These wins strengthen our future prospects and support our ambition to double annual revenue to circa £1bn by 2030, whilst maintaining strong margins.

4. **2025 GOOD PROGRESS ACROSS ALL KPI'S**

Turning to the headline numbers:

- Our three energetics businesses delivered exceptional results, with all three achieving record order books and two delivering record revenues and operating profits.
- Group revenue increased by approximately 2% to £498m, and operating margin improved from 14.3% to 14.8%, reflecting strong operational effectiveness and agility.
- Earnings per share were 19.4 pence, and cash conversion rose to 114%, reinforcing the cash-generative nature of the Group.
- Order intake reached £781m – up 20% year-on-year – delivering another record order book of £1.3bn, up 32% since last year.

We also continued to advance our Safety and ESG agenda. Our total recordable injury frequency rate fell to 0.48 from 0.69, demonstrating progress towards our zero-harm ambition.

5. **Well placed to capitalise on long-term demand**

Looking ahead, I'm more confident than ever in Chemring's position to capitalise on long-term demand.

We are a specialist manufacturing and technology business with unique positions at the heart of national security, defence, and space markets – markets in which growth is being driven by rising global instability and the need to rebuild defence industrial capacity after decades of under-investment.

With market-leading positions, which are often sole source, we have positioned our diversified portfolio to be positively exposed to structural tailwinds expected to persist for many years, and our track record of execution is evident in expanding margins and excellent cash conversion.

Our resilient balance sheet enables investment in organic growth and bolt-on acquisitions to enhance our offering and strengthen market leadership.

In summary, Chemring is very well positioned to deliver superior and sustainable shareholder value over the long term.

I'll now hand over to James, who will take you through the financial results, operational performance, and our innovation review in more detail.

6. **Financial Review – James Mortensen – CFO**

Thanks Mick. In what has been a challenging UK contracting environment we have still managed to deliver an improvement across all our key metrics demonstrating the resilient high quality nature of the business.

So first to the highlights...

7. **Financial Highlights**

- Another record order book at £1.3bn, up 32%
- Continued momentum in revenue, up 2%
- Operating profit was up 6%, resulting from a focus on operational excellence. This resulted in margin up 50bps to 14.8%
- EPS up 3% despite higher tax and finance costs
- Strong cash conversion at 114%
- And so, the Board has declared a final dividend of 5.3p giving a total dividend of 8p, up 3%

So turning next to our segmental performance

8. **Group and Segmental Performance**

Countermeasures and Energetics revenue grew 17%. Energetics delivered ahead of schedule and improving operational performance at our Tennessee Countermeasures business resulted in a strong result. Operating profit was up 37%, and margin increased to 19.1%.

It was a weaker period in Sensors and Information, as expected and previously highlighted. This was because there were delays to UK Government spending and the prior year benefitted from JBTDS LRIP. This meant revenue was down 18% and operating profit down 25%.

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As a result of early action to control cost, we maintained operating margins of nearly 18% - demonstrating how even in the current market, this is a high quality business.

Group revenue was up 2%, despite an FX headwind of £5m. Group operating profit was up 6%, and operating margin was up 50 basis points to 14.8%. On a constant currency basis group revenue would have increased by 3% and operating profit by 7%.

So, let's look in a bit more detail at each of the segments…

9. Countermeasures & Energetics

It was another strong year for order intake in Countermeasures and Energetics, demonstrating the critical, often sole source, highly engineered nature of the products in this segment. Order intake was up 21% - as our customer programs are ramping, we are seeing that demand, often in the form of multiyear orders.

It was a strong performance in Energetics with completed expansion projects delivering ahead of schedule in Chicago and Norway. We also saw some benefit from increased pricing and the results of our continued focus on operational excellence improving volumes. This resulted in a particularly strong H2 margin performance.

The expansion projects in Chicago and Scotland are substantially complete, with just the commissioning phase to be completed in Scotland. In Norway, the first phase is complete and delivering ahead of schedule. However, as a result of higher infrastructure and groundwork costs, we now expect total costs of £180m, up from the £145m initial estimate. This will be offset by £90m of grants, to give a net spend of £90m. We still expect to generate very attractive returns on the investment and for Group revenue to increase by £100m per annum and operating profit by £30m per annum from 2028, once the three capacity expansion programmes are complete.

In Countermeasures, teams executed well across all of our facilities. In particular, we saw improving operational performance at our Tennessee Countermeasures business. With improving volumes coming out of that facility - the operational challenges and low margin contract that held us back last year are now completely behind us.

Operating profit grew 37% and margin was up 280 basis points to 19.1% reflecting that strong operational execution.

We have great visibility into next year, and beyond. Order cover remains really strong, with 95% coverage for FY26, 93% for FY27 and 59% in FY28.

10. Sensors & Information

Moving now to Sensors and Information where order intake grew 19% to £179m. In particular, it was pleasing to see that Roke order intake was up 24% on the prior year.

Revenue was down 18% to £175m as a result of a softer UK Government contracting environment affecting Roke.

We have tightly managed the business in this challenging environment, reducing headcount by c.80 in the year whilst protecting key capabilities – we now have a bigger bench of employees with the highest clearance than when we started the year. This demonstrates we are well positioned for the current environment, and for when order flow improves.

We continued to execute well in our US Sensors business, receiving a $15m order for the Naval version of our biologic detector. We remain on track to receive the FRP award for the Army version, JBTDS, in 2026.

In August we completed the Landguard acquisition. Integration has progressed well, and the business has performed in line with plan. We think this is a great business with a strong management team, and we are confident this is a combination that will deliver.

Early action to manage our cost base meant we held operating margin at 17.8%. Operating profit fell 25% following the drop in revenue.

Excluding passthrough, revenue would have been down 14% and margin would have been 19.7%.

The order book grew 5% on prior year. At 45%, order cover for FY26 is in a similar place to last year, we expect a return to growth in the second half of FY26.

Given the critical areas where we support our customers, and the strong pipeline of opportunity for product sales - we remain on track to grow Roke to £250m in revenue by FY28.

Moving on to net debt…

11. Group Net Debt Bridge

With a strong focus on cash generation cash conversion was 114% in the year – with operating cash of £112m.

- We have continued to invest in additional capacity, with £76m spent on the Energetics expansion projects and a further £29m spent on automation and maintenance. This has been offset by £24m of grant funding.

- We have also returned £26m to shareholders, through our growing dividend and the share buyback; and we also purchased shares to satisfy acquisition consideration and employee share options.

After great progress made by the business in managing working capital, closing net debt of £89m was lower than expected, representing 0.9x leverage.

12. Capital Allocation

On capital allocation - we remain consistent. Overall we want to maintain a resilient balance sheet and will target leverage of less than 1.5x.

First, we'll continue to invest in the business. Norway is now the primary focus given spending is largely complete in Chicago and Scotland, but we are also looking at opportunities for further automation, like at our UK Countermeasures business.

Second, we'll continue to execute focused M&A – Landguard was a good example of a bolt-on within Roke, which remains the main focus. We'll also continue to screen for targets in Space and Missiles in the US and Europe. We'll remain disciplined and we have a healthy pipeline of opportunity.

The target of annual dividend cover of 2.5x has now been met, and so we expect to maintain that level of cover going forwards.

And finally, we'll return surplus capital to shareholders. We've returned £4m in the year, with £36m remaining on the buyback.

Now, let's turn to FY26, and how we see that progressing.

13. Guidance and financial outlook

- Overall trading guidance unchanged, with 76% revenue cover next year with a similar H2 weighting to prior year
- In Countermeasures and Energetics we are targeting low double-digit growth. That is made up of mid-teens growth in Energetics and low single digit growth in Countermeasures. Like last year, we expect an H2 weighting
- Sensors and Information we are targeting mid double digit growth. US Sensors will be flat as we wait for JBTDS full rate production, expected to start in FY27. We expect Roke to return to near 2024 revenue levels next year. But a return to growth in H2, so an H2 weighting for revenue and profit
- Interest costs will be about £10m; rates haven't come down as much as we thought, and net debt is higher
- We now expect capex in FY26 to be in the range of £100-110m, mainly resulting from higher costs in Norway
- And finally, as we enter a growth phase, we expect cash conversion in the range of 80-85%, but returning to normal levels in the medium term

We are also mindful of some external factors, which we also flagged last year:

- Continued short term budget timing disruption in the US and UK.
- And obviously any significant movements in FX.

14. Driving innovation

So that was the numbers, now for innovation – one of our core values, and it still amazes me just how much capability we have.

Drones pose an increasing threat not just to our armed forces but also to our civilian infrastructure.

This is Cortexa, a small, rapidly deployable system that is the result of over 5 years work with the UK MOD. It's a great example of how Roke can fuse its' software with the best off-the-shelf technology.

Depending on the mission you can swap out the sensors, and it's compatible with a range of effectors. As the threat changes it can evolve, by training the AI classifier.

It combines miniature active radar and point, tilt, zoom sensors to provide a high-resolution capability in day or night.

The AI in Roke's software allows you to identify multiple threats automatically:

- First on radar, so the system can determine its location and its track
- Next, using an image generated by the sensor, AI classifies the object – is it a threat? ... and how serious? So not just if it is a drone, but what kind of payload does it have
- Then, this is fed back to operators in a simple user interface so they can take appropriate action, fast

- The system can track more than 20 threats at a time, so it can counter the increasing threat of drone swarms.

This product has both military and civil applications. Having already sold our first pre-production units to a key reference nation, we can see a clear market opportunity.

Thank you, that brings me to the end of my section - I'll hand back to Mick for the strategy update and outlook.

15. Michael Ord, Group CEO

Thanks, James.

Before diving deeper into operational performance and growth opportunities, let me start with what we're seeing in our core markets, and why this underpins our confidence in the longer-term outlook.

16. Market update

Geopolitical tensions remain at their highest levels in modern memory – whether it's the conflict in Ukraine and an increasingly assertive Russia, or rising threats across the Asia-Pacific, this environment is driving a fundamental re-armament cycle expected to last at least a decade, possibly two.

Technology and innovation continue to reshape defence and security activities, and demand for traditional capabilities such as munitions and missiles is growing alongside disruptive technologies.

This very significant increase in demand has exposed vulnerabilities in NATO's defence industrial base after years of under-investment. Rebuilding resilience will take time, and governments are placing greater emphasis on national sovereignty and closer collaboration with industry.

In the US – the world's largest defence market – the Trump administration is focused on maintaining overwhelming military superiority. The FY26 DoD funding request is $961 billion, and in parallel, the US has signalled it will no longer shoulder NATO's financial burden, prompting members to target defence spending of 3.5% of GDP by 2035.
How nations respond to this rising global instability will likely create significant opportunities for Chemring across its markets.

Next, I'll focus on the UK and Europe.

17. Well placed to benefit from growing budgets in the UK and Europe

Starting with the UK: while short-term softness persists, we expect sustained investment in capability, resilience, and technology over the medium to long term.

The UK Government has committed to increase defence spending to 2.5% of GDP by April 2027, with an ambition to reach 3% in the next parliament. Recent publications, notably the Strategic Defence Review, National Security Strategy, and Defence Industrial Strategy, all signal a clear focus on deterrence and sovereign-based manufacturing and advanced technologies. Priorities in munitions, energetics, active cyber defence, and operational mission support are all aligned with Chemring's strengths.

The Defence Investment Plan, expected before the year-end, should outline long-term funding and delivery priorities. Its release should trigger new contracts in munitions, energetics, and digital defence.

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Turning to Europe: defence budgets are rising sharply, reaching €326 billion in 2024, with a further €100 billion increase projected by 2027, alongside major EU initiatives including the €800 billion "Readiness 2030" programme and the €150 billion Security Action for Europe (SAFE) instrument.

Priorities centre on industrial capacity, readiness, interoperability, and capabilities such as drones, integrated air and missile defence, and cyber. Nordic countries, in particular, are investing heavily in energetics.

Chemring's sales into Europe have grown over 120% in the past three years, and we expect this upward trend to continue. Regardless of developments in Ukraine, European defence spending will continue to rise to reduce reliance on the US, and our capabilities give us growing exposure to these budgets.

18. Solid progress against strategic priorities

Against this positive backdrop, let's review our progress in 2025.
We set out three strategic imperatives last year—Grow, Accelerate, and Protect—and I'm pleased to report good progress across all areas.

- Organic growth initiatives are on track, with some ahead of schedule.

- Our US countermeasures business rebounded after FY24 challenges, with operational improvements in Tennessee delivering higher production volumes and reduced downtime.

- In August, we acquired Landguard Group, enhancing Roke's defence technology portfolio and creating operational synergies. Integration is progressing well, and we see a healthy pipeline of similar bolt-on opportunities across Roke and Space & Missiles.

- And as always, safety remains non-negotiable, with our recordable injury frequency rate reduced, reinforcing our zero-harm ambition.

19. Energetics expansion projects continue at pace

Our Energetics expansion programme is advancing well:

- In Chicago: the expansion project is ostensibly complete and was delivered on budget. The facility fit out has been successful, with the team establishing continuous flow production operations ahead of schedule. With strong order visibility the business is firmly on the front foot.

- In Scotland: Construction of the new propellants facility is complete along with the installation of production machinery. Facility commissioning is underway, and revenue generation is on track for FY27. Market demand for double-based propellants remains strong and the facility's order book is underpinned by a 12-year agreement with Martin Baker and £47m of NLAW missile orders from Saab.

- In Norway: Phase one of the expansion programme is ahead of schedule, and phase two is progressing well despite some cost increases, however, investment returns remain strong. In addition to our existing production site the Norwegian Government have allocated funding for the next phase of work to establish the new Greenfield production facility.

- In Germany: Work remains on track to deliver a new energetics blending facility during 2027, supporting Diehl Defence's 155mm munitions line under our €231m framework contract.

- And in the UK: We are completing customer funded studies assessing the feasibility of establishing new energetic material production capabilities at our Ardeer site in Scotland.

These projects strengthen our critical position in munitions and missiles supply chains, and whilst they are long-term in nature, we remain focused on delivering medium-term growth.

20. Roke – Performing well in challenging markets

Roke faced a challenging UK market in FY25, with slower-than-expected recovery in government order placement, but importantly, we've seen no cancellations or competitive losses, only contract delays and extensions, and notwithstanding these challenges Roke was successful in securing £65m in contract renewals from National Security customers continuing to provide a solid underpin for the business.

Looking forward, Roke will increase revenues from its growing portfolio of market leading defence technology products and will continue to access more international markets.

Highlights for the year have been:

- The launch of their DECEIVE (EW detection and attack system) and CORTEXA (the counter-drone system which James took you through), both of which have been well received by UK and international defence customers.
- The team won more than £20m in defence product orders outside of the UK, including Resolve, Perceive, and Locate systems to Latvia, Sweden, and Egypt, and with the expectation of further orders to come in 2026

With recovery in National Security expected in H2 2026, and with an opportunities pipeline that exceeds £900m, Roke remains well positioned for future growth.

All of which supports confidence in Roke achieving circa £250m revenue by 2028 with continued strong margins.

21. Outlook

So, to conclude – we've made solid progress in 2025, continuing to build a high-quality and resilient business whilst investing for future growth.

Trading since the start of the current financial year is in line with our plans and with 76% of expected FY26 revenues already in the order book, the Board's expectations for 2026 operating performance remain unchanged.

With market-leading products, technologies, and services critical to our customers – and a resilient balance sheet – we are confident in achieving our ambition of £1bn annual revenue by 2030 and balancing near-term performance with longer-term growth and value creation.

That concludes the presentation, and we're now happy to take your questions. Could I ask that you state your name and the organisation that you represent before asking your question.

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Q: Sash Tusa - Agency Partners

You talked about the UK Government's request for proposals for new energetics production. Clearly one of the sites that's been highlighted by the Government is Ardeer. If it's not, it's something very near it, and one of the products that they're looking for is HMX, which is something you already produce. Are there any other sites or any other products that you would be interested in bidding for firstly and then secondly, what do you see as being the risks if other companies decide to come into the UK market and try and try and bid for other capabilities, or indeed sort of bundle up some of the capabilities the UK Government is looking?

A: Mick Ord

Good question. So as you know, earlier this month the Government put out a public notice asking for expressions of interest from companies interested in establishing the production of energetic materials here in the UK.

I mean in advance of that PPN, earlier in the year, we had already completed the first feasibility study for our site up in Ardeer in Scotland. And indeed, as we sit here at the moment, we're currently complete or we're working through a second feasibility study associated with the infrastructure that will be required to increase capacity expansion at the Ardeer site.

So you know, maybe lets step back and look at that. So firstly, we really welcome the UK Government's focus on establishing production of energetic materials here in the UK. We've had a long tradition in producing energetic materials at our Ardeer site and others, and we believe that we're very well placed to help the Government in that national mission.

There's a raft of materials that you'll have seen in the public procurement notice, and you're absolutely right, so we are looking at, is it possible to establish HMX, RDX, NTO production in Ardeer, all of which are materials that we produce in Norway and clearly there's a huge synergistic opportunity there for the Norwegian and the UK businesses to work together and we've been in conversation with the UK Government associated with that. And if you look down that list of materials then you know our primary focus is probably in the high explosives area. So you'll see the likes of HNS and PETN on that list. So those are materials that are not produced in the UK, so the high explosive materials that ourselves, but also other UK defence companies in the UK, we import from overseas. We know how to produce those materials. We do so in small quantities and our laboratories. So we will be, you know, in discussion with the UK Government associated with primarily the high explosive elements of those materials. There are other areas such as nitrocellulose and nitroglycerin, etc, that clearly we know how to manufacture those, and we make nitroglycerine in our lab for test purposes, but we don't really see that as an area that we want to pursue.

With regards to do we see it as a competitive threat? So if the if other companies want to establish operations here in the UK. No, I don't. I think that establishing a greater defence industrial base here in the UK is good for everyone. I think a rising tide lifts all boats and that will be good for Chemring. And specifically in a number of the materials that they're looking for, we we don't manufacture them and we don't see strategically that we would want to invest in, in those manufacturing and they don't compete directly with us. So it's not as if someone will be establishing capacity that would eat our lunch and indeed we have a very dominant and very strong and well established position for military high grade explosives in Norway. As you know we’re one of the largest and soon to be the largest producer of HMX and the whole of NATO with our expansion programmes and as we mentioned, the opportunity to establish a second production facility in Norway, in partnership with the Norwegian Government will put our Norwegian business well ahead of all of the European competitors in that area. So long winded answer to say I see it as a very good thing we’re actively engaged and I do think it's a good opportunity for us.

Q: Sash Tusa – Agency Partners

And just to follow up, Norway phase three, I think you indicated earlier on this year that you would hope the Norwegian Government would commit to that, probably by the end of the year. Is that still a possibility, or are there any particular issues that have caused the Norwegian Government to delay that? Or is it just government stuff getting in the way?

A: Mick Ord

So the second phase of the feasibility study for the Greenfield is well advanced. So it's matter of public record. The Norwegian Government has allocated funding and for that second phase of the feasibility study. The team in Norway are in final stages of agreeing what the contract looks like for that second phase. We're hopeful that we'll get that contract signed this side of Christmas and then we will crack on with that feasibility study. We think the second phase is going to take between six and eight months.

And just as a reminder, phase one, which we've done was the feasibility study, which we've proved it was feasible and Norwegian Government have supported that. The second phase, which is what we're just about to execute is concept selection, which will agree the physical configuration of the second facility that we'll build, what materials we'll produce and what capacity, and then phase 3 is the detailed design and then construction. So a lot of momentum, funding being allocated, expect to see a contract hopefully this side of Christmas. Really excellent opportunity.

Q: David Farrell – Jefferies

A couple of questions for both of you really. I'll start with James. Can you just help us on Roke and the order cover? I think you've got £95 million for execution in the year ahead, this time last year that number was £101 million, which ended up being 58% cover of what you ultimately delivered. So how can you have confidence that Roke will come back to the extent you expect in the second-half? Is there an assumption here that part of Storm gets booked in the first half and then gets delivered over the second-half, which in turn has an implication for the margins?

A: James Mortensen

Yes, a couple of questions in there. So we are flagging that we do think Roke is going to recover next year and we do think it's going to get to near 24 levels next year, but obviously that recovery is in the second-half and we're flagging particularly the operating profit is weighted in the second-half.

STORM, we are progressing that and we probably will see some orders that we execute through the next couple of years on that. But it's not because of STORM that we're saying that we're going to get back to that revenue. We think actually it's the product side of the business that's going to come back strongly in the second-half as well. And then also the national security business as well. We talked about the £65 million of renewals that we got. We expect that renewal season April-May to be really strong this year.

Q: David Farrell – Jefferies

OK, going back to energetics. In this kind of new world, clearly some of your customers probably are reevaluating whether or not they are vertically integrating. Is there any evidence that your customers are going to be producing some of the HMX and RDX for their own usage? And then kind of using you for kind of excess amounts over the next maybe decade.

A: Mick Ord

No. So the likes of Rheinmetall, etc who are vertically integrating their supply chain for especially munitions. And we know the likes of BAE Systems are exploring the possibility of doing the same. None of these are our customers. So our primary customers are in the missile domain or rocket artillery. Where we supply into munitions programmes, we have long term supply agreements to supply those munition programmes. So I think we've spoken before in the past that we've got a long-term supply agreement with Diehl Defence to support their munitions programme that goes out to 2031. We expect that that will get extended into the mid-30s potentially longer as well.

So I think that trends you're seeing that some munitions manufacturers are vertically integrating and producing extensively the likes of RDX. I think you will see that, but it doesn't eat into our market share because we don't supply those anyway, and we haven't factored supply in them into what we see as our forward demand model.

Q: David Farrell – Jefferies

Thanks. And final question, just coming back to the £1 billion revenue ambition, clearly a large proportion of that or £150 million presumably is another energetics facility. And you've talked about 6 to 8 months kind of for the next stage in Norway which can take us to the end of the year, which maybe gives us kind of 3–4 year build on a greenfield. That seems quite ambitious potentially. So, is the chance of really that billion is more 2031 than 2030 depending upon when you sanction a new project?

A: James Mortensen

So, we've always said about the billion. So yeah, it's £850 million, our current organic plan, and then £150 million on top. That £150 million is made-up of either, we'd love to do it organically, right. And so, we've always talked about the energetics expansion projects, but you know there are other things that will come along as well. And then there's the bolt on M&A that we're going to do and you know Landguard. It just takes a few to get there as well. And so there are both routes that we can take to get there. It's not just wholly on the energetics expansion.

Q: Ben Pfannes-Varrow- RBC

First one that we've spoken about, the two possibilities of plants in Norway and the UK. Can you expand on or give an update on Germany?

A: James Mortensen

So in Germany we're building a blending facility at the site in Lubin, where we're going to supply MCX for the 155 munition line. The Diehl Defence contract that Mick was just talking about. Andso plans are progressing really well in relation to that. We're going to start breaking ground and we expect to be in operation from 2027, supplying into that filling line. It could be that there are other opportunities that arise in Germany or in other European countries, but you know, that's the one that we're focused on and that's the one that we're executing against.

Q: Ben Pfannes-Varrow – RBC

OK. In terms of Norway, the current expansion, is that all on track despite the CapEx overrun and what gives you comfort that that CapEx number doesn't scroll further from here?

A: Mick Ord

Well, in Norway the first phase, we've delivered, a little bit of ahead of schedule actually. So we've seen revenue already coming on ahead of when we expected to do that. It is right to say that the second phase, that we have seen some cost increases associated with that. There's a few factors that caused that, so we've had, I think we've talked about a little bit in the past, the geological issues that we've had there. And we've also identified areas of infrastructure that require greater scope than we originally forecasted.

Now if I take us back to October 2023, where we had the ASAP programme was opened by the European Union and the window was only open for, I think it was 57 days. The team did a fantastic job to be able to submit all of the proposals in such a short period of time to secure what ended up being £90 million worth of grant, which delivers a fantastic IRR return on these projects for all of our shareholders.

But because everybody was moving so quickly, it's understandable that maybe some of the estimates and the uncertainty that was associated with those was a little bit broader than maybe we would have preferred. But I think we've got all of that under control now. We understand what's caused that cost increase. We've baselined the schedule and so therefore we've got confidence now that we'll execute against that.

Q: Ben Pfannes-Varrow – RBC

Last one just on working capital. Advanced payments continue to feature quite a bit. How should we think about that going forward? Is there an unwind at some point or is that really just a feature of the tightness of the energetics business?

A: James Mortensen

So I think we think it will continue to be a feature of the tightness of the energetics market. I think we did quite well last year and so that's why you saw that in the kind of strong cash conversion we saw. What we are seeing is that often, quite a lot of those advanced payments, we then put that into the supply chain to get the kind of long lead time items so that we can ramp at the rate that we want to. And so you've also seen a slight increase in inventory as well. And so that's the unwind that you expect is, the inventory will come down, but also those advance payments as well.

Q: George McWhirter – Berenberg

Firstly on Roke, can you just comment on the split between products and services that you expect in FY26 and also in FY28 as well in the midterm?

A: James Mortensen

So I we've always guided about the split in the Roke business is about 70/30 between products and services. It's probably slightly less than that last year. We expect it to be slightly more than that by the time you get to FY28 as that kind of product business grows faster than the services business.

Q: George McWhirter – Berenberg

The second one is on Roke as well. In terms of the UK Defence Investment Plan expected to be published in December, what's the risk that if it's published in 2026 that the growth recovery is pushed to the right?

A: Mick Ord

I'm confident that the Defence Investment Plan will be published before the end of the year. And I think you've got to look at 2025 as being a year of significant activity and change from a UK Government and UK MOD perspective.

There was the general election in 2024. We got the new administration. I think we were one of the first companies that were advising shareholders to expect some fiscal trickle. I think as we explained it around as the new administration came in and that they instigated as we expected the Strategic Defence Review. You know when you've seen the cycle many, many times as some of us who have been in this industry for decades. That always slows down the process of contracting and budget allocation. And then as we went through 2025, then that did play out. We saw the Strategic Defence Review, then we saw the Defence Industrial Strategy. And they all came out. They were a little bit delayed, took a little bit longer, but it's a complex landscape that the MOD are navigating through.

And that's probably the major reason why we saw these slowing down of contract placements. I think the key backdrop to that though is that there has been no change to the threat environment or the capabilities that the UK MOD and our National Security clients or identifying as crucial going forward. And that is what we've aligned the Roke business 100% towards. So I'm confident that the investment plan, it will come out, it may take a while for us to really be able to percolate down then into, what does it mean for specific projects and contracts. But I do think that it will underpin the recovery that we're expecting in Roke in 2026.

Q: Richard Page – Deutsche Numis.

Another one on energetics. I think on the original schedule, the £100 million of revenue, £30 million of operating profit, you talked about £15 million delivery in 2025. It feels as though you're ahead of that schedule, is that squeezing more from what you're adding or existing facilities, or is it ultimately trying to understand if the £85 million remainder is still well on track as well?

A: James Mortensen

I think we said we were going to deliver about £15 million in 2025, about £30 million and 2026. I think what we're saying is that actually, we've gone really well in Chicago and Norway and that first phases in Norway and moving into the new facility in Chicago has meant that actually we've brought some of that £30 million into 2025. And so it's not a kind of one off, it's that the business has just grown a bit quicker than what we thought. And so that should continue going forward.

Q: Richard Page – Deutsche Numis

And trying to shift the focus from Roke and energetics I'll ask one on US sensors, is there any prospect of contracts outside of EMBD and JBTDS at the moment.

A: James Mortensen

So, you know, in terms of that business, so the JBTDS, so and in both of those products, we're sole source into the US government. The JBTDS product, we can sell that internationally now. And so it was great, we were displaying it at DSEI and we saw some good interest from countries around the world, obviously friendly US nations, but we can sell that around the world. I think in the short term, though, we do think the focus is going to be US and you know JBTDS, we're going to have another fellow year this year while we wait for that full rate production order which we expect you know in the at some point in 2026 and then we'll ramp up FRP and through 2027 and beyond.

Q: Richard Page – Deutsche Numis

And then countermeasures. You talk about improved operational performance from Tennessee. Are you now there at full run rate for that business?

A: James Mortensen

We've seen some really good volumes coming out of that facility. It's the only fully automated countermeasures facility anywhere in the world. And the team there have done a fantastic job. We're seeing much better volumes out of there. No, I don't think we're at full rate yet, but we're going really nicely now.

A: Mick Ord

Not far to go though. We've really come up the yield curve in Tennessee on across all the facilities, especially the new facility. I think we'll see a really strong year in 2026 from Tennessee coming through. And then more broadly from a countermeasures perspective, the UK countermeasures business is going like a train. The demand that's going into that business is fantastic. And that business, as a reminder, only 25% of the volume goes into the UK MOD, 75% we export and the team do a fantastic job of exporting across the whole of Scandinavia, European NATO, all the way through the Middle East and into Asia Pacific. And we're seeing enhanced demand for especially airborne, but increasingly naval countermeasures. What we're looking at with that business is, is there an opportunity for us to invest for greater capacity over the next couple of years? So we're really quite excited actually, especially the European NATO countermeasures market. There's a lot of opportunity there.

Q: David Farrell – Jefferies

Quick follow up. James, you said in your prepared remarks you're always amazed how much capability you have. I imagine others in your space are also amazed by your capability and would like to partner with you. To what extent can JVs going forward help you drive revenue growth. Because I guess so far we've not really seen much evidence to that, but maybe some of your peers are putting in place JVs, framework agreements, MOUs, etc.

A: Mick Ord

It's an interesting question. So Roke works with probably all of the defence companies that you could name in some way, shape or form. Whether they work in partnership with them or they sub to them or you know with the likes of where you see the Storm contract where Roke is the prime and you've got the major traditional primes as they're subcontract.

So I think all forms of relationships are open from a Roke perspective. Joint venture could potentially be one of those that we would explore.

Q: Ben Bourne – Investec

Thank you for the extra colour on CORTEXA Guardian and revealing that. Could you just put a number on the potential pipeline within the sort of £300 million product pipeline for Roke?

A: James Mortensen

So we wouldn't want to kind of call that out. But I mean you can tell it's got both military and civil applications. You only need to go online. Actually, there's a good LinkedIn post from the Roke team where they were demonstrating it in Canada. They were on the top of a hotel in a competition against loads of other systems, and I think they all think that their system worked pretty well. You saw it at DSEI. It's got a much smaller form factor. Whilst I wouldn't want to put a number on it, I mean we think it's a really nice product.

A: Mick Ord

I would say do go and have a look at that LinkedIn Post. You know it's a really unique and innovative thing that the Canadians did in the middle of Ottawa on the top of a hotel on the roof of a big hotel. Where Roke, alongside lots of other companies, set up their counter drone detection capabilities, and then operators did fly drones against these systems. And I think that was a demonstration of not only, I mean, we just normally kind of primarily think about it. This is from a military context perspective. Clearly what's going on from Ukraine point of view. But I think the Canadians were really smart in doing it on a hotel in the middle of Ottawa.

Which is why we think a system such as CORTEXA, which is very scalable, very high end capable. It's interoperable with effectors and it's got a fantastic market opportunity. And as James said, we've sold two systems to a very high-end specialist military user in the European sphere. Unfortunately, we're not allowed to disclose who that customer is but it is a military customer that is at the forefront of new technology adoption in these areas such as counter drone technologies and electronic warfare.

A: James Mortensen

And it's interesting actually, isn't it? I think Sash was out in Estonia, wasn't it for the field trials for the EW kit? And I think that's where we're seeing Roke performing really well is in the field up against, you know, our competitor is actually demonstrating that these products work really, really well. And so we've got really good feedback on perceive and CORTEXA as well.

Q: Sash Tusa – Agency Partners

On opportunities for M&A and Bolt ons in particular, I wonder if you could just explain for Landguard, it was both an add-on, but also it's effectively a supplier to you so what's the net increase in your external revenues from Landguard as opposed to the internal efficiencies you get from owning your own supplier of software defined radios and VPX cards and so forth?

A: James Mortesen

Yeah, so we said Landguard was going to generate about 10 million in revenue.

Q: Sash Tusa – Agency Partners

And that's external?

A: James Mortesen

That's external.

Q: Sash Tusa – Agency Partners

OK, thank you. And then I just wondered. Alloy surfaces. What happened so quickly there and are there any other businesses you've got that might experience the same sort of sudden deterioration in trading or other businesses that you're worried might experience that?

A: Mick Ord

Yeah, good question. So I'll answer the second bit first. So no, there are no other businesses that we are worried that potentially the demand signal would diminish.

Actually, let's take it back. So you saw last year in 2024 that we reacted very quickly to the US DoD signalling potentially different mission configurations associated with explosive hazard detection. And the transition of the HMDS product moving from an OEM new build programme into just purely a sustainment phase, which clearly is not our business model and you saw us act very quickly to sell that business to someone who is a better owner of that business in that sustainment phase. So I think that was a demonstration of the fact that we're very active in making sure that our whole portfolio, not just of businesses, but of capabilities are incredibly relevant to our customers today and going forward because that drives growth. So HMDS was the first one that we did when we saw that, that technology sun setting.

With Alloy Surfaces I think we have been saying over the last couple of years that we've seen the demand for these pyrophoric decoys starting to wane. And the reason for that is, that as I'm sure you know that the pyrophoric decoys are primarily, most effectively used for things such as insertion and extraction of troops. Normally at nighttime, and that was incredibly important when you were in the counterinsurgency operations in Afghanistan. Clearly in the new configuration from a mission perspective in the US DoD, where it's more associated with area denial in the Asia Pacific, the DoD signalled to us that they saw the demand for pyrophoric decoys diminishing significantly, so we acted very quickly to ensure that firstly we took cost out of the business to maintain performance, and then we got to a point where we identified that actually we were not the best owners for that business.

So you know, and if you go all the way back, Sash I'm sure you do if you think back to the heights of Afghanistan, Alloy Surfaces is actually expanded from one facility up to three facilities because the demand for those decoys for those counter insurgency operations was so large. And then as we came off the counterinsurgency missions and then into the new force configuration over a number of years, we went from three facilities down to one and then unfortunately, we got to a position where we couldn't sustain the single facility.

A: James Mortensen

But just to be clear, you know, there's still some really nice IP within that business. We're the only people with sole source to the UK, U.S. government on those pyrophoric decoys. And so we're in a process to sell that business and so we hope to realise some value for it.

A: Mick Ord

It's a very viable product line. It's just not a standalone business in its current configuration.

Well, if there's no more questions, then thank you very much for joining us today and we look forward to presenting our FY26 half year results to you in June. Thank you very much.