

Chemring Group PLC
Results for the year ended 31st October 2024



Growing momentum and ambition



Presented on 17th December 2024 by:
Michael Ord – Group Chief Executive
James Mortensen – Chief Financial Officer

Chemring
Innovating to protect



Michael Ord – Group Chief Executive



Delivering continued progress

Strong operational performance

Robust returns and strong cash conversion

Geopolitical environment driving record order book

Substantial strategic investment in organic growth

Increasing momentum as we build for future growth



2024 good progress across KPIs

Growth		Earnings		Cash generation	
Order book	Revenue	Operating margin	Earnings per share	Cash conversion	Net debt: EBITDA
+13%	+8%	13.9%	19.3p	102%	0.56x
£1.0bn	£510m	(2023: 14.6%)	(2023: 20.0p)	(2023: 90%)	(2023: 0.16x)
(2023: £0.9bn)	(2023: £473m)				

Safety and ESG

Recordable injury rate

0.69

(2023: 0.90)

GHG Emissions

-13.0%

Waste production

-21.3%

On track to meet both
near and longer term
ESG targets

Throughout this presentation, references to operating profit, operating margin, EPS, operating cash and cash conversion are to continuing underlying measures

James Mortensen – Chief Financial Officer



Financial highlights

	2024		2023
Order book	£1,038m	+13%	£922m
Revenue	£510.4m	+8%	£472.6m
Operating profit	£71.1m	+3%	£69.2m
Operating margin	13.9%	(70)bps	14.6%
Diluted EPS	19.3p	(4)%	20.0p
Cash conversion	102%	+120bps	90%
Dividend	7.8p	+13%	6.9p

Summary:

- » Another record order book
- » Continued sales momentum
- » Operating margin held back by US Countermeasures
- » EPS impacted by higher tax and finance costs
- » Strong cash conversion

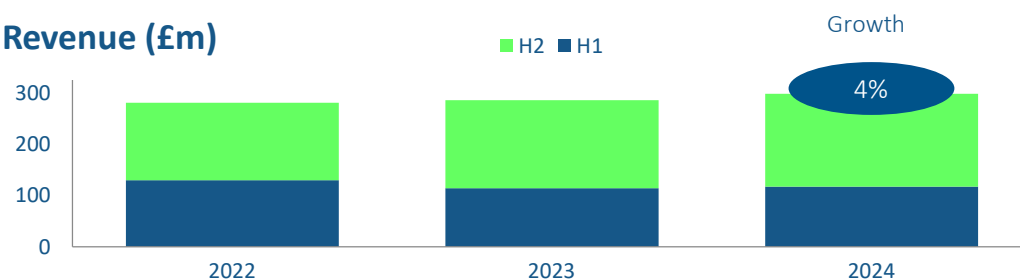
Group and segmental performance

	Revenue (£m)	Revenue growth	Operating profit (£m)	Operating profit growth	Operating profit margin
Countermeasures & Energetics	298.4	+4%	46.5	(8)%	15.6%
Sensors & Information	212.0	+13%	41.4	+21%	19.5%
Group	510.4	+8%	71.1	+3%	13.9%

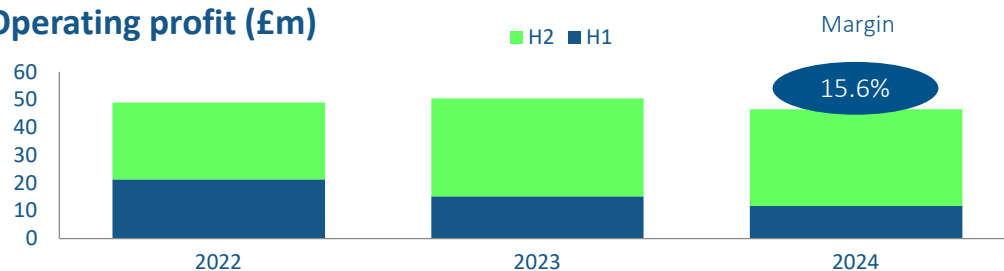
- » **Countermeasures & Energetics** – growth in Energetics offset a weaker period for Countermeasures. Margin impacted by operational challenges in H1 and delivery of lower margin legacy contract in H2
- » **Sensors & Information** – continued revenue growth in Roke, with defence in particular performing strongly, which led to strong growth in operating profit

Countermeasures & Energetics

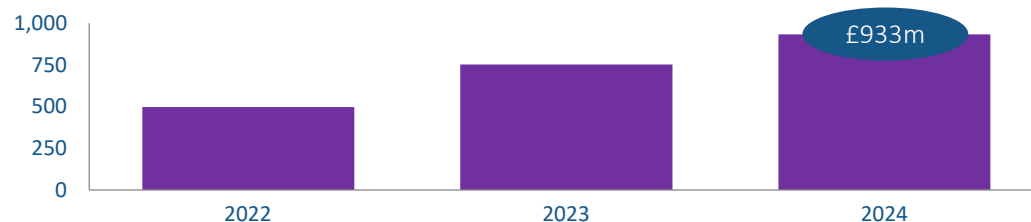
Revenue (£m)



Operating profit (£m)



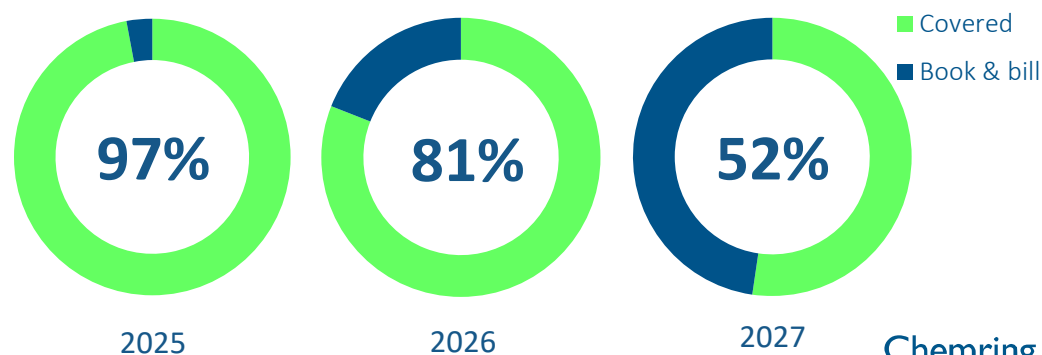
Order book (£m)



Business update

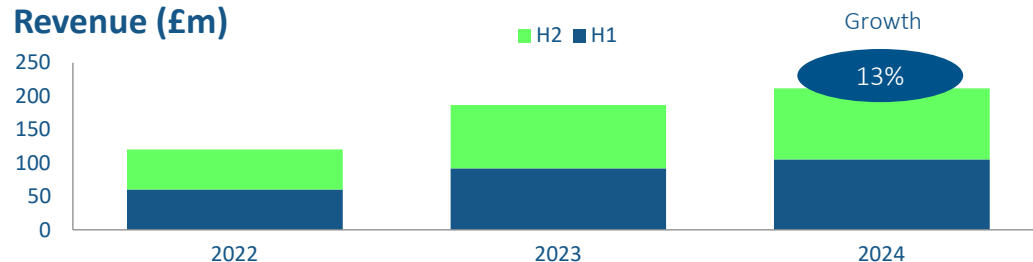
- » Strong order intake continues above £0.5bn for second consecutive year
- » Solid growth in Energetics offset by Countermeasures
- » Good margin progression in Energetics and UK Countermeasures, offset by US Countermeasures
- » C&E order cover for 2025 97%, with coverage building in outer years

Order coverage

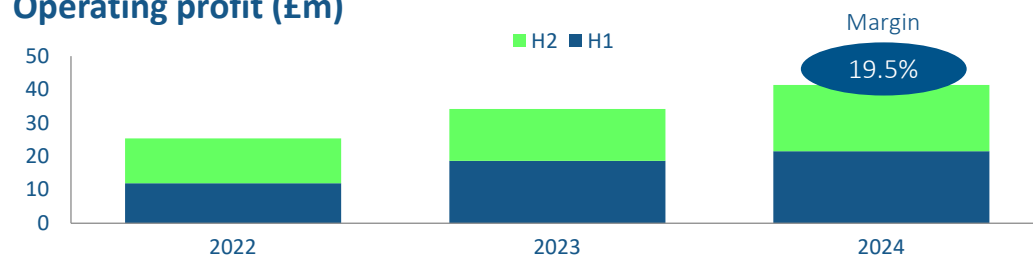


Sensors & Information

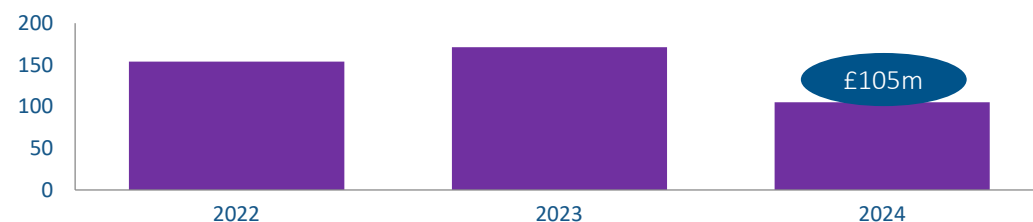
Revenue (£m)



Operating profit (£m)



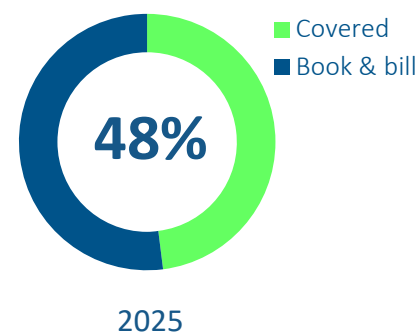
Order book (£m)



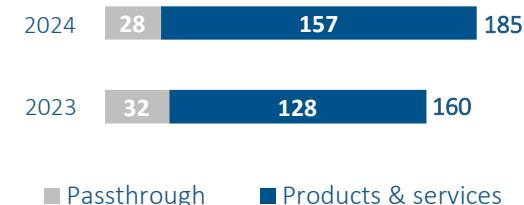
Business update

- » Roke revenue growth 23% excluding passthrough, with a growing contribution from defence
- » US Sensors delivering on EMBD FRP and JBTDS LRIP. Full rate production award for JBTDS expected in 2025 for 2026 delivery
- » Operating margin improved to 19.5% (excluding passthrough 22.5%)
- » S&I order cover for 2025 48% with significant contract wins expected next year

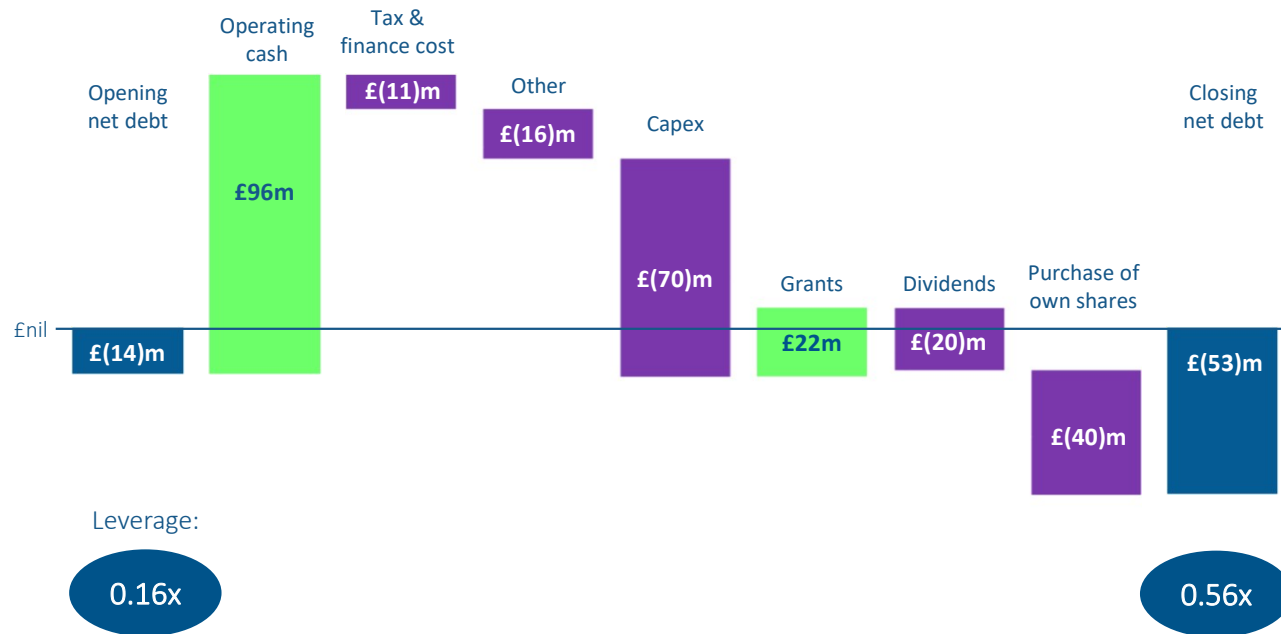
Order coverage



Breakdown of Roke revenue (£m)



Group net debt bridge



- » Continued focus on working capital management, with cash conversion of 102%
- » £48m capex and intangible spend; £70m spend partially offset by £22m of grant funding
- » £49m spent on Energetics capacity expansion
- » £48m returned to shareholders in the year
- » Less than 1x leverage

Grant funding and financing update

£90m Grant funding



- » Act in Support of Ammunition Production (ASAP), part of the European Council's call in March 2023 to urgently deliver ammunition to Ukraine and to help member states refill their stockpiles
- » Included measures to increase capacity and to tackle identified bottlenecks throughout the supply chain
- » Awarded €66.7m (£57m), with the project split into three workstreams and focuses on increasing the supply of HMX, RDX and NTO
- » NOK 428m (£32m) grant from the Government of Norway, on similar terms, but with a different timing of cashflows
- » No commercial restrictions associated with the grants

£80m UK Export Finance facility



- » UK Government backed facility for up to £80m
- » Based on the significant investment we are making in the UK to increase capacity to supply our export customers
- » One year to draw down, then repay over three years on an amortising payment schedule
- » On similar commercial terms to our RCF

Flexibility to invest in further organic growth

Capital allocation

Invest in the business

- » Investment in our Energetics businesses to capitalise on unprecedented demand
- » Ongoing capex investment to increase automation, enhance safety and drive margin improvement
- » Feasibility study in Norway underway

Focused M&A

- » Bolt-on acquisitions in our core and close adjacencies – in particular Roke and US Space & Missiles
- » Disciplined approach; healthy pipeline with a number of opportunities currently under assessment

Ordinary dividends

- » Key part of total shareholder return
- » Dividend cover target of c.2.5x underlying EPS met

Surplus capital

- » Returned to shareholders
- » Share buyback has returned £37m since inception
- » Share buyback will lapse in December and will not be renewed

Resilient balance sheet – target <1.5x leverage

Guidance and financial outlook

FY25 guidance

- » Countermeasures & Energetics targeting low double-digit growth in revenue
- » Sensors & Information revenue flat, with continued growth in Roke offset by a decline in US Sensors
- » c.40:60 H1/H2 phasing of operating profit, like 2024
- » Increased UK National Insurance contributions: £1.7m in 2025; £2.6m in 2026
- » Tax at 21%, finance costs of about £7m

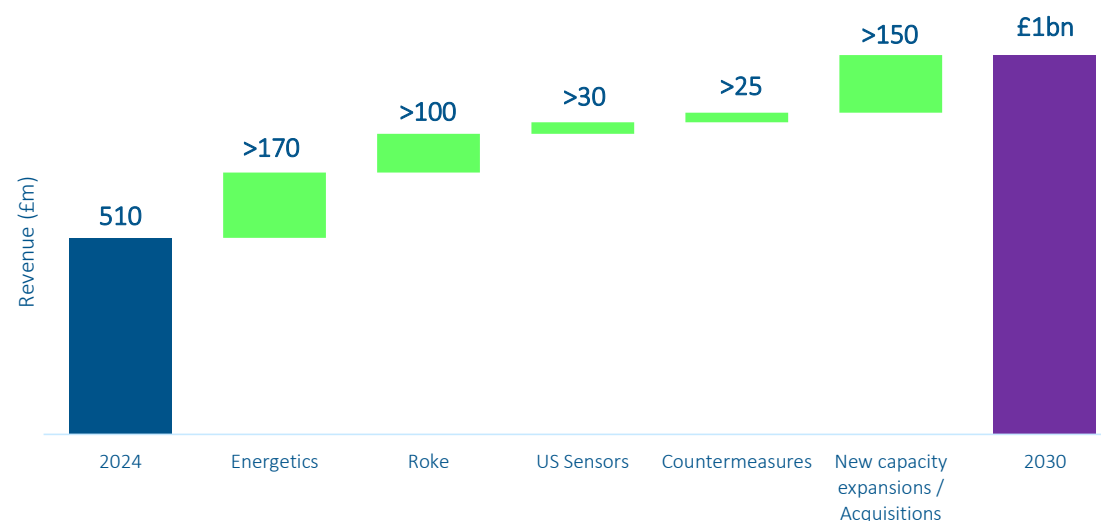
Potential near-term headwinds

- » Near-term budget timing disruption due to administration changes in the US and the Strategic Defence Review in the UK
- » Foreign exchange – strengthening of GBP versus US\$/AU\$/NOK

Balancing near-term performance with longer-term growth and value creation

£1bn revenue ambition

- » Energetics: >£170m revenue
 - » >£100m for expansion programmes already announced
 - » plus >£70m from underlying mid-single digit CAGR
- » Roke: >£100m revenue
- » US Sensors: >£30m revenue
- » Countermeasures: >£25m from low single digit CAGR
- » >£150m - new capacity expansions in Energetics / Acquisitions
- » Mid teen margins in the medium term, with some operational leverage in the longer term



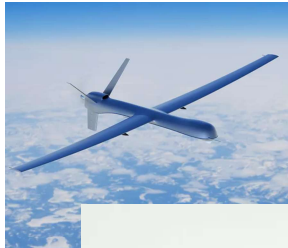
Increasing momentum as we build for future growth

NB – all numbers incremental revenue, per annum and by FY30

Driving innovation

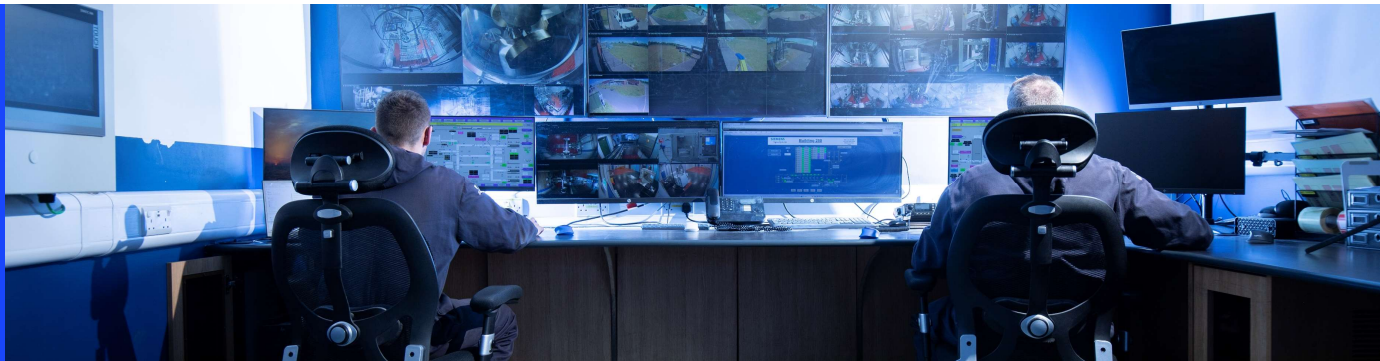
- » We have over 1,000 engineers, scientists, and subject matter experts working at the cutting edge of technology
 - in AI and Data Science alone we have over 100 engineers and scientists
- » We spend c.£115m a year on R&D, of which c.90% is customer funded

Innovation showcase – current and future missile systems



- » Our business in Chicago is at the forefront of pyro-actuation technology with strong relationships with all the major US missile primes
- » We have developed two devices for a new hypersonic missile program
- » But our missile heritage isn't confined to that business; Roke have developed a high-speed variant Miniature Radar Altimeter (MRA)
- » Responding quickly to changes in altitude, the software and algorithm has been optimised, enabling the new variant to cope with high speeds





Michael Ord – Group Chief Executive



Delivering on our strategic imperatives

Our strategic imperatives:

Grow

Investing in capacity, technology and people to drive organic growth:

- Capacity expansion across Energetics
- Innovation and solution development at Roke



Accelerate

Investing in value-enhancing bolt-on acquisitions to accelerate growth, e.g.

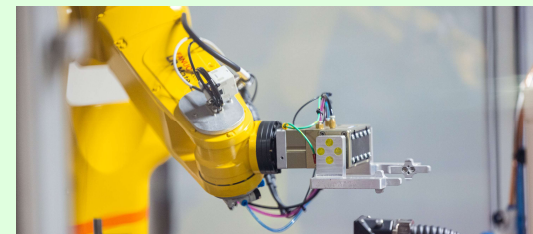
- Advanced capabilities and scaling for Roke
- Enhanced market access for US Space and Missiles



Protect

Investing to protect sole-source and market-leading positions:

- Increased modernisation and automation
- Safety, operational excellence, and new product development



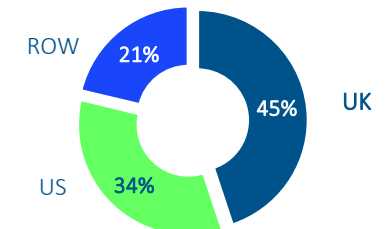
Market update



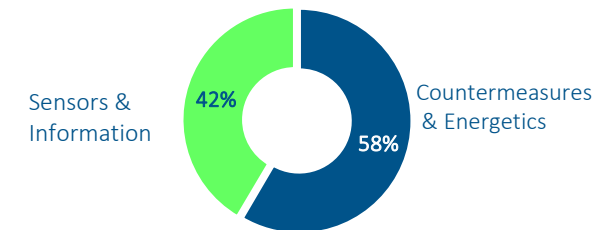
Evolving market environment

- » Defence and national security tailwinds driven by unsettled geopolitical environment with widening threat spectrum
- » Increasing challenges and threats from Russia, China and Middle East
- » Protection of the US and deterrence against emerging threats likely to drive defence spending priorities for the new Trump-Vance administration
- » New UK Government committed to increasing defence spending to 2.5% of GDP; near term timing and impact of SDR uncertain
- » Greater European spend to increase defence capabilities and autonomy

2024 Revenue by Geography



2024 Revenue by Sector



Rising global instability is widening the threat spectrum

Robust demand is underpinned by three core drivers



Asia Pacific threats...

- » Driving demand for missiles and long-range deterrent capabilities
- » Driving demand for both national and commercial space launch

Key Chemring beneficiaries:



Energetic Devices



Chemring Nobel

European threats...

- » Driving demand for traditional defence capabilities including artillery rounds and shoulder launched missiles
- » Driving demand for advanced defence technology including Electronic Warfare, counter-UAS and ISTAR capabilities



Chemring Nobel



Roke



Chemring Energetics

UK National Security threats...

- » Driving demand for active-cyber defence and operational mission support services
- » Driving demand for Artificial and Open-Source Intelligence as customers look to modernise capabilities at pace



Roke

Geopolitical tensions are driving strong demand for Chemring's products

Criticality of production and stockpiles well recognised

Lockheed Gets \$3.5 Billion for JASSM/LRASM Missiles

Lockheed Martin received two Air Force contracts on Sept. 27, together worth \$3.56 billion, for production of the AGM-58B Joint Air-to-Surface Standoff Missile and the AGM-158C Long-Range Anti-Ship Missile, [the Pentagon announced](#). The contracts include missiles for the Air Force, Navy, and partner nations under the Foreign Military Sales program.

Nammo to increase artillery production

Nammo has entered into an agreement with the Norwegian Defence Materiel Agency of artillery ammunition and missiles.

UK to provide £162 million package of air defence missiles for Ukraine as Defence Secretary meets international partners

DIEHL
Defence

Company Products Press and Media

LARGEST ORDER IN THE FIELD OF ARTILLERY IN THE COMPANY'S HISTORY

Press and Media / News

The industrial working group of Diehl Defence and Nammo (ARGE DiNa 155mm) received a large-volume order from the UK Armed Forces for the production and delivery of 155mm artillery projectiles.



In this 2019 photo, MLRS fires a Guided Multiple Launch Rocket System rocket. PROGRAM EXECUTIVE OFFICE MISSILES AND SPACE

BUSINESS

Northrop aims to double GMLRS rocket-motor output

Multiyear effort will help Pentagon rebuild stockpiles.

GOV.UK

Home > Defence and armed forces > Military equipment, logistics and technology

News story

New order of missiles secures future supply for UK Armed Forces

A significant number of Lightweight Multirole Missiles (LMM) have been ordered by the Government from Thales UK for the supply of the versatile, precision weapon to UK Armed Forces.

MBDA
(<https://www.mbda-systems.com/>)

MBDA AND UK MOD RENEW COMPLEX WEAPONS PARTNERSHIP

Chemring well positioned to benefit from sustained long-term demand for energetic enabled capabilities

Norway capacity expansion

- » Increasing production of HMX, RDX and NTO – CHN key supplier to NATO
- » £145m investment, offset by £90m grant funding awarded in March 2024
- » Maximising the capacity of the current site, increasing capacity up to 275%
- » Project on track, CHN team enhanced with external engineers

Potential further expansion being considered:

- » Feasibility study launched October 2024 in partnership with Norwegian Government into a new production facility
- » Options to perform the blending stage of €231m Diehl contract in Germany currently being explored , potential for further in-country growth



Visit by the Norwegian Prime Minister – November 2024

Net investment of £55m generating incremental revenue of +£60m pa

US capacity expansion

- » 45,000 sqft building purchased in January 2024, doubling our production floorspace
- » Enhances our ability to maintain continuous flow manufacturing operations
- » Key enabler for growth ambitions, and cements position in the space launch and missiles market

Key recent contract awards:

- » Five year \$106m award for critical components used on undisclosed missile programme
- » Orders over \$20m from United Launch Alliance for initiators and Boeing in relation to the Harpoon missile program



£10m investment generating incremental revenue of +£10m pa

Scotland capacity expansion

- » Building the most advanced propellants manufacturing facility in Europe, which increases safety and efficiency, and adds capacity and redundancy
- » On schedule and within budget, on track for site handover in early 2025
- » Significant commissioning and validation effort planned to bring into live production in early 2027
- » Positive response from customers that additional capacity coming online

Key contract awards:

- » £43m for the delivery of critical components used in NLAW. Deliveries commenced in 2024 and will continue into 2026
- » 15 year agreement with Martin Baker to supply propellant material and pyro-mechanical devices valued at up to £160m



£45m investment generating incremental revenue of +£30m pa

Maintaining Roke's strong growth

- » Another record year with robust demand expected across Roke's markets
- » 'Tip of the spear' strategy positions Roke well in key areas of customer requirement
- » Robust pipeline of Information Advantage and CEMA opportunities with UK Defence customer
- » Significant (>£300 million) 5-year international sales pipeline for EW products as customers increase focus on CEMA
- » Continued private and public-sector focus on digital solutions
- » "NATO first" SDR will generate additional upside opportunities
- » UK Government headwinds can be expected until SDR publication in H1 2025

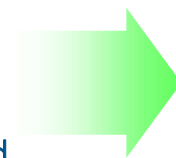


On track to grow 2028 revenue to >£250m pa, and maintain strong margins

Summary and outlook

2024: In line with expectations

- » **Good progress** despite challenges that led to a heavier H2 weighting
- » Granted **c.£90m** of funding towards **Energetics Capex expansion plans**
- » Record order intake with **77% of 2025 revenue covered** by the order book
- » Board's expectations for **2025 performance remains in line with market expectations**, with a similar H2 weighting

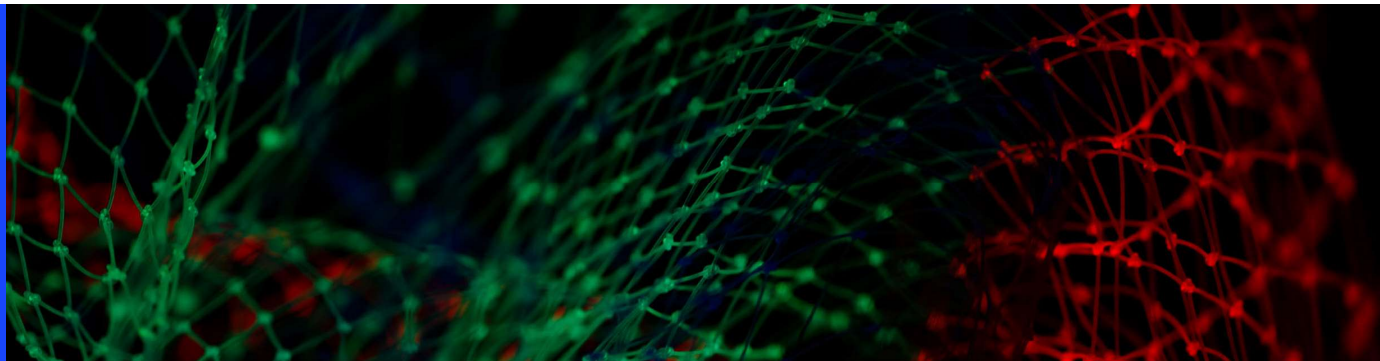


Longer-term outlook increasingly robust

- » **Strong growth** predicted over at least the **next decade** – well positioned in high margin and growing markets
- » **Record order book** (>£1bn) and long-term partnering agreements give **excellent visibility** of future earnings
- » Balance sheet strength gives **increased optionality** for further **organic and inorganic growth** – strong pipeline of opportunities
- » **On track** to increase annual revenue to **c.£1bn by 2030**

Balancing near-term performance with longer-term growth and value creation











Appendices



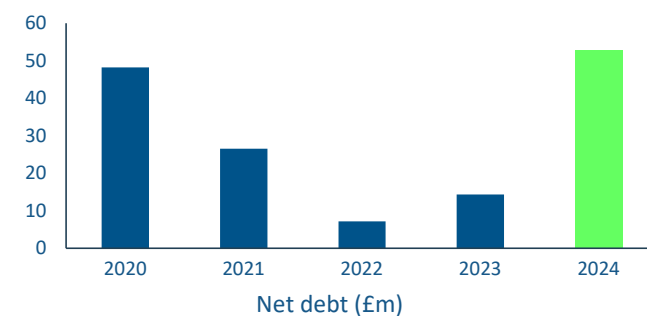
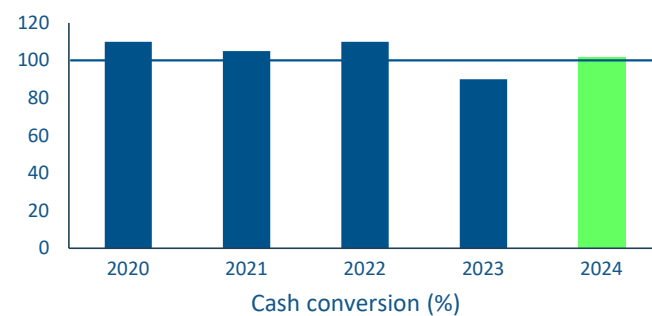
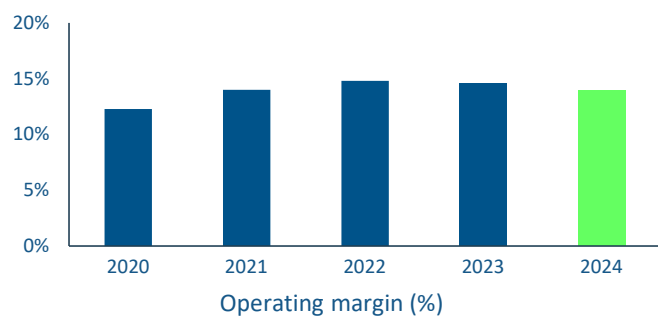
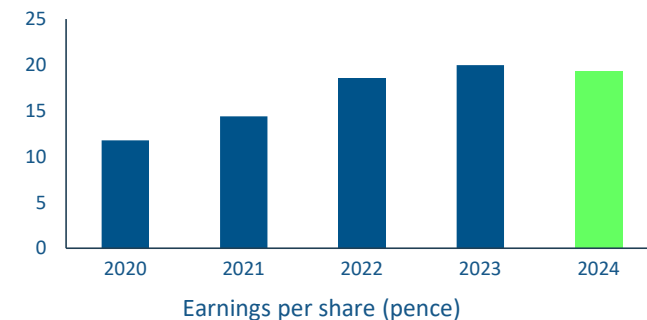
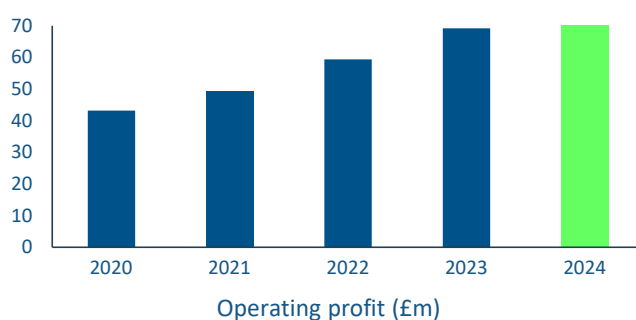
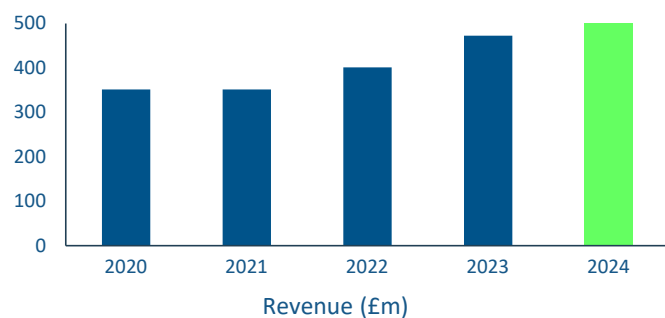
Medium term financial objectives and assumptions

Revenue	<ul style="list-style-type: none"> » Group – targeting mid-single digit growth in the near term, accelerating to low double-digit % growth as new capacity comes online » S&I – flat in FY25 with a decline in US Sensors (JBTDS LRIP completed) offsetting continued growth in Roke, with subsequent strong double-digit % growth as JBTDS FRP commences in FY26 and Roke grows to £250m by FY28 » C&E – targeting low single digit % growth in Countermeasures and mid-single digit % growth in Energetics with a step change of growth in Energetics as additional capacity is commissioned adding £100m revenue in FY28
Operating margins	<ul style="list-style-type: none"> » Group – targeting mid teen return on sales % in the medium term » S&I – targeting high teen return on sales % in the medium term as the US PoRs deliver mid teen return once in FRP and Roke maintains strong low 20s percentage margin » C&E – targeting mid to high teen return on sales % in the medium term as higher margin Energetics growth becomes a greater proportion of the segment
Interest	<ul style="list-style-type: none"> » Expected to increase to £7m, and then remain at that level, as higher interest rates and borrowings drive increased finance costs
Capex	<ul style="list-style-type: none"> » c.£70m for 2025, £50m for 2026 and £30m for 2027 as the £200m 4-year investment in increased Energetics capacity is completed, in addition to maintenance capex of £20-30m per annum » Offset by grant funding of £90m, with about £15m in 2025, £25m in 2026 and £28m in 2027
FX	<ul style="list-style-type: none"> » US\$1.30: £1, AU\$1.90 : £1 and NOK 14.00 : £1 » If GBP was 10% weaker against USD, AUD and NOK this would increase revenue by £20m and increase operating profit by circa £2.1m
Tax	<ul style="list-style-type: none"> » 21% in 2025 and then rising towards mid 20's due to the increased weighting of UK profits
Share capital	<ul style="list-style-type: none"> » Based on the position at 2024, the Group would expect the number of shares used in EPS calculations for 2025 to be 272.8m (basic) and 277.9m (diluted) » In 2025 circa £13m to be spent acquiring shares used for the vesting of LTIP awards, bought and held in the ESOP trust

Organisation

	Sensors & Information			Countermeasures & Energetics						
	Roke	Roke USA	US Sensors	Countermeasures UK	Countermeasures USA	Countermeasures Australia	Energetic Devices	Energetics UK	Chemring Nobel	Technology Solutions
BU/capabilities										
Operational mission support services	●									
Active cyber defence & OSINT	●									
Land EW	●	●								
Sensors	●		●							
Air & naval countermeasures				●	●	●				
Energetics material & products								●	●	●
Precision engineered devices							●	●		●

Group performance 2019 – 2024



Adjusting items

	Note	2024		2023
Statutory operating profit		£58.1m	28%	£45.4m
Acquired intangibles amortisation		£2.0m		£3.0m
Acquisition related expenses	a	£3.4m		£3.7m
Mark to market of FX forward contracts		£2.0m		£(1.4)m
Pension Buy-in / Buy-out		£7.5m		—
Change of senior management positions		£1.2m		—
Impairment of Chemical Detection assets		—		£18.5m
Non-underlying provision movement		£(3.1)m		—
Adjusted operating profit		£71.1m	3%	£69.2m
Finance costs		£(4.8)m		£(1.3)m
Tax charge on adjusted profit		£(12.3)m		£(10.2)m
Adjusted profit after tax		£54.0m	(6)%	£57.7m
Adjusted Diluted EPS		19.3p	(4)%	20.0p

a — £3.2m relating to IFRS 2 charge on acquisition of Cubica and Geollect and £0.2m relating to professional fees incurred in relation to mergers and acquisitions activity

ESG

- » **Maintained AAA ESG rating with MSCI**
- » **Maintained good progress in line with our HSE Zero Harm strategy**
 - » Recordable injuries decreased to 0.69 (2023: 0.90) and remains below our annual limit of 1.0
 - » Zero injuries in connection with or arising from energetic events
 - » Continue to consolidate within a calculative safety culture with improved systems providing data informed discussions and decision making at all levels
- » **Ensuring we meet our ESG near and longer-term targets**
 - » Independently assured scope 1 and scope 2 GHG emissions reduced by 13.0% to 15,161 CO2e tonnes on higher revenue
 - » New environmental data platform now in place
- » **Continuing to build a diverse, fair and inclusive culture which supports collaboration across the business**



Committed to building a strong, inclusive and sustainable company

Orderbook

Total orderbook

£1,038m

Growth

13%

2025 Coverage

77%

Sensors & Information

Orderbook

£105m

Growth

(39)%

2025 Coverage

48%

- » Expected 2025 revenue 48% covered
- » Customers deferring to placing annual orders over multi-year contracts

Countermeasures & Energetics

Orderbook

£933m

Growth

24%

2025 Coverage

97%

- » Expected 2025 revenue 97% covered, 2026 81% covered and 2027 52% covered
- » Significant orders for our specialist energetic materials businesses, space and missiles

Impact of foreign exchange translation

	Constant currency movement	2024 restated at 2023 rates £m	2023 £m	2024 £m
Revenue	+9%	517.3	472.6	510.4
EBITDA	+7%	94.8	88.5	93.7
Operating profit	+4%	71.7	69.2	71.1
Order book	+16%	1,072.5	921.6	1,037.8

Sensitivities

- » 40% of expected revenue in 2025 is denominated in USD, AUD and NOK (2024: 39%)
- » If GBP was 10% weaker against USD, AUD and NOK this would increase revenue by £20m and increase operating profit by circa £2.1m in 2025
- » Future guidance based on US\$1.30 / A\$1.90 /NOK 14.00

Translation

	% of revenue	Average rate		Closing rate	
		2024	2023	2024	2023
USD	23%	1.27	1.24	1.29	1.21
AUD	2%	1.95	1.91	1.96	1.92
NOK	11%	13.69	13.10	14.18	13.56

Balance sheet

- » Net debt of £52.8m and net debt: EBITDA ratio of 0.56x
- » Over the rolling three-year period, 101% of EBITDA has been converted to operating cash funding reinvestment in capex
- » Working capital as a % of revenue has remained consistent at 17% (2023: 17%)
- » Total available facilities of £246m, of which £157m were undrawn at 31 October 2024, providing good immediately available liquidity

£m	2024	2023
Goodwill & intangibles	98.5	100.5
Development costs	18.6	17.6
Property, plant & equipment	287.8	242.2
Trade working capital	88.3	82.3
Pension surplus	0.1	5.9
Other	(84.2)	(55.6)
	409.1	392.9
Net debt	(52.8)	(14.4)
Net assets	356.3	378.5

Market consensus

- » The Group is aware of five analysts publishing regular independent research on the Group
- » The Group has compiled consensus data* from the research it has been made aware of, as set out in the table, with 2024 being the final results
- » Investec is Corporate Broker to Chemring

	2024	2025	2026
Revenue (£m)	510	535	583
Underlying operating profit (£m)	71.1	76.9	86.6
Underlying earnings per share (pence)	19.3	20.1	22.6
Net debt (£m)	53	99	100

*Compilation of data only, does not represent the Group's views of projections

Glossary

Acronym	Meaning
CCM UK	Chemring Countermeasures UK
CCM US	Chemring Countermeasures USA
CED	Chemring Energetic Devices
CEUK	Chemring Energetics UK
CEMA	Cyber and Electromagnetic Activities
CHN	Chemring Nobel
CHG	Chemring Group
C&E	Countermeasures & Energetics
DE&I	Diversity, equity and inclusion
EMBD	Enhanced Maritime Biological Detection
ESG	Environmental, social and governance
EW	Electronic Warfare
FRP	Full rate production
F-35	F-35 Lightning II Fighter

Acronym	Meaning
IDIQ	Indefinite Delivery/Indefinite Quantity
JBTDS	Joint Biological Tactical Detection System
LRIP	Low rate initial production
LTI	Lost time incident
MENA	Middle East & North Africa
MTV	Magnesium Teflon Viton
NATO	North Atlantic Treaty Organisation
NLAW	Next Generation Anti-Tank Weapon
OSINT	Open Source Intelligence
PoR	Program of Record
S&I	Sensors & Information
UK MOD	United Kingdom Ministry of Defence
US DoD	United States Department of Defense
20XX	Reference to fiscal year 20XX

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