**Section 1: Company Overview**

**S1.1: Basic Information**

| **Field** | **Value** |
| --- | --- |
| Company Name | Chemring Group PLC |
| Establishment Date | N/A |
| Headquarters Location | Romsey, Hampshire, UK |

**S1.2 : Core Competencies**

| **Perspective** | **2024 Report** | **2023 Report** |
| --- | --- | --- |
| Innovation Advantages | Chemring emphasizes innovation at every stage of the value chain, from R&D to design, manufacture, and in-service support, creating market-leading technology solutions. | Chemring focuses on innovating at every stage of the value chain, from R&D to design, manufacture, and in-service support, to solve challenging problems. |
| Product Advantages | Chemring offers a diverse range of products, including advanced sensors, electronic warfare systems, and countermeasures, with a significant market share in NATO fleets. | Chemring provides a wide range of products, including advanced sensors, electronic warfare systems, and countermeasures. |
| Brand Recognition | Chemring is recognized as a preferred supplier in niche markets with high barriers to entry, enjoying sole source or market-leading positions. | Chemring is recognized as a preferred supplier in niche markets with high barriers to entry, enjoying sole source or market-leading positions. |
| Reputation Ratings | Chemring has received high ratings for its ESG performance, including an MSCI ESG Rating of AAA, reflecting its commitment to sustainability and ethical business conduct. | Chemring received high ratings for its ESG performance, including an MSCI ESG Rating of AAA in 2022, reflecting its commitment to sustainability and ethical business conduct. |

**S1.3 : Mission & Vision**

| **Field** | **Answer** |
| --- | --- |
| Mission Statement | Chemring helps make the world a safer place. Across physical and digital environments, our exceptional teams deliver innovative technologies and products that detect, defeat and counter ever-changing threats. |
| Vision Statement | To be our customers' preferred supplier operating in niche markets with high barriers to entry and where we enjoy sole source or market-leading positions. |
| Core Values | Safety, Excellence, Innovation |

**Section 2: Financial Performance**

**S2.1: Income Statement**

| **Field** | **2024** | **2023** | **2022** | **Multiplier** | **Currency** |
| --- | --- | --- | --- | --- | --- |
| Revenue | 510.4 | 472.6 | 442.8 | Millions | GBP |
| Cost of Goods Sold | N/A | N/A | N/A | N/A | N/A |
| Gross Profit | N/A | N/A | N/A | N/A | N/A |
| Operating Expense | 452.3 | 427.2 | 451.6 | Millions | GBP |
| Operating income | 58.1 | 45.4 | 49.4 | Millions | GBP |
| Net Profit | 39.5 | 5.4 | 47.4 | Millions | GBP |
| Income before income taxes | 53.3 | 44.1 | 47.9 | Millions | GBP |
| Income tax expense(benefit) | 10.6 | 6.4 | 3.5 | Millions | GBP |
| Interest Expense | 4.8 | 1.3 | 1.5 | Millions | GBP |

**S2.2: Balance Sheet**

| **Field** | **2024** | **2023** | **2022** | **Multiplier** | **Currency** |
| --- | --- | --- | --- | --- | --- |
| Total Assets | 692.1 | 596.4 | 620.1 | Millions | GBP |
| Current Assets | 264.0 | 183.7 | 181.2 | Millions | GBP |
| Non-Current Assets | 422.3 | 412.7 | 438.9 | Millions | GBP |
| Total Liabilities | (335.8) | (217.9) | (202.0) | Millions | GBP |
| Current Liabilities | (221.9) | (142.1) | (113.7) | Millions | GBP |
| Non-Current Liabilities | (113.9) | (75.8) | (88.3) | Millions | GBP |
| Shareholders' Equity | 356.3 | 378.5 | 418.1 | Millions | GBP |
| Retained Earnings | 52.3 | 62.9 | 87.2 | Millions | GBP |
| Total Equity and Liabilities | 692.1 | 596.4 | 620.1 | Millions | GBP |
| Inventories | 127.1 | 101.7 | 99.6 | Millions | GBP |
| Prepaid Expenses | N/A | N/A | N/A | N/A | N/A |

**S2.3: Cash Flow Statement**

| **Field** | **2024** | **2023** | **2022** | **Multiplier** | **Currency** |
| --- | --- | --- | --- | --- | --- |
| Net Cash Flow from Operations | 81.0 | 65.9 | 80.5 | Millions | GBP |
| Net Cash Flow from Investing | (47.6) | (39.4) | (30.5) | Millions | GBP |
| Net Cash Flow from Financing | (37.3) | (40.2) | (35.8) | Millions | GBP |
| Net Increase/Decrease in Cash | (3.9) | (13.7) | 14.2 | Millions | GBP |
| Dividends | (19.6) | (17.3) | (14.4) | Millions | GBP |

**S2.4: Key Financial Metrics**

|  | **2024** | **2023** | **2022** |
| --- | --- | --- | --- |
| Gross Margin | N/A | N/A | N/A |
| Operating Margin | 11.38% | 9.61% | 12.32% |
| Net Profit Margin | 7.74% | 1.14% | 10.70 |
| Current Ratio | 119% | 129% | 159% |
| Quick Ratio | 61.7% | 57.7% | 71.7% |
| Debt-to-Equity | 94.25% | 57.58% | 48.31% |
| Interest Coverage | 1210% | 3492% | 3293% |
| Asset Turnover | 79.1% | 77.70% | 76.90% |
| Return on Equity | 10.75% | 1.36% | 11.34% |
| Return on Assets | 6.13% | 0.89% | 7.64% |
| Effective Tax Rate | 19.89% | 14.51% | 7.31% |
| Dividend Payout Ratio | 49.62% | 320.37% | 30.38% |

**S2.5: Operating Performance**

| **Field** | **2024** | **2023** | **2022** |
| --- | --- | --- | --- |
| Revenue by Product/Service | Sensors & Information: £212.0m, Countermeasures & Energetics: £298.4m | Sensors & Information: £187.0m, Countermeasures & Energetics: £285.6m | Sensors & Information: £120.5m, Countermeasures & Energetics: £280.5m |
| Revenue by Geographic Region | UK: £229.2m, US: £172.6m, Europe: £86.0m, Asia Pacific: £16.7m, Rest of the world: £5.9m | UK: £202.2m, US: £181.8m, Europe: £71.3m, Asia Pacific: £15.9m, Rest of the world: £1.4m | UK: £151.8m, US: £179.9m, Europe: £54.5m, Asia Pacific: £11.6m, Rest of the world: £3.2m |

**Section 3: Business Analysis**

**S3.1: Profitability Analysis**

| **Perspective** | **Answer** |
| --- | --- |
| Revenue & Direct-Cost Dynamics | Revenue grew from £442.8m in 2022 to £472.6m in 2023, and further to £510.4m in 2024. The gross margin is not available, but revenue growth is evident. Revenue by product/service shows growth in both segments, with Sensors & Information increasing significantly. Revenue by geographic region indicates growth in the UK and Europe, while the US saw a slight decline in 2024. |
| Operating Efficiency | The operating margin decreased from 12.32% in 2022 to 9.61% in 2023, then increased to 11.38% in 2024. This indicates improved operating efficiency in 2024 compared to 2023, but not reaching 2022 levels. |
| External & One-OffImpact | The effective tax rate increased from 7.31% in 2022 to 14.51% in 2023, and further to 19.89% in 2024. This increase in tax rate coincided with a drop in net profit margin from 2022 to 2023, although other factors also influenced margins. |

**S3.2: Financial Performance Summary**

| **Perspective** | **2024 Report** | **2023 Report** |
| --- | --- | --- |
| Comprehensive financial health | The company demonstrates continued revenue growth, increasing to £510.4m from £472.6m in 2023. Total assets expanded to £692.1m. However, this growth was accompanied by a significant rise in total liabilities to £335.8m from £217.9m, which contributed to a decline in shareholders' equity to £356.3m from £378.5m, indicating increased leverage. | The company achieved strong revenue growth in 2023, with revenue rising to £472.6m from £442.8m in 2022. Despite this, the balance sheet contracted, with total assets decreasing to £596.4m from £620.1m and shareholders' equity declining to £378.5m from £418.1m. |
| Profitability and earnings quality | Profitability saw a strong recovery in 2024. The net profit margin surged to 7.74% from 1.14% in 2023, and the operating margin improved to 11.38% from 9.61%. Consequently, Return on Equity (ROE) and Return on Assets (ROA) rebounded to 10.75% and 6.13% respectively. However, the effective tax rate continued to climb, reaching 19.89%. | Profitability declined significantly in 2023 compared to 2022. The net profit margin fell sharply to 1.14% from 10.70%, and the operating margin decreased to 9.61% from 12.32%. This resulted in a steep drop in ROE to 1.36% from 11.34% and ROA to 0.89% from 7.64%. The effective tax rate also increased notably from 7.31% to 14.51%. |
| Operational efficiency | Operational efficiency presented a positive picture. The operating margin improved to 11.38% from 9.61% in 2023, suggesting better operational control. The asset turnover slightly increased to 79.1% from 77.7%. On a positive note, net cash flow from operations was strong, increasing to £81.0m from £65.9m. | In 2023, the operating margin declined to 9.61% from 12.32% in 2022, indicating reduced efficiency. In contrast, asset turnover improved slightly to 77.7% from 76.9%, showing more effective use of assets to generate revenue. Net cash flow from operations decreased to £65.9m from £80.5m. |
| Financial risk identification and early warning | Financial risk increased in 2024. The Debt-to-Equity ratio rose sharply to 94.25% from 57.58%, indicating a significant increase in leverage. Liquidity weakened, with the current ratio decreasing to 119% from 129% in 2023. The interest coverage ratio, while still very high, decreased substantially from 3492% to 1210%. | Financial risk indicators worsened in 2023. The Debt-to-Equity ratio increased to 57.58% from 48.31% in 2022. Liquidity also tightened, as shown by the decline in the current ratio to 129% from 159% and the quick ratio to 57.7% from 71.7%. The interest coverage ratio improved from 3293% to 3492%. |
| Future financial performance projection | The company continues to invest in growth, with net cash used in investing increasing to £47.6m from £39.4m. Revenue growth is robust, driven by the Sensors & Information segment and expansion in the UK and Europe. The dividend payout ratio of 49.62% shows a continued commitment to shareholder returns, though the rising debt levels warrant monitoring. | The company showed a focus on future growth in 2023, with net cash used in investing increasing to £39.4m from £30.5m in 2022. Revenue growth was strong across both product segments and key geographic regions like the UK. The company also increased its dividend payment to £17.3m from £14.4m, signaling confidence despite the year's lower net profit. |

**S3.3: Business Competitiveness**

| **Field** | **2024 Report** | **2023 Report** |
| --- | --- | --- |
| Business Model | Chemring operates a technology-driven business model focused on providing innovative solutions across the defense and security sectors. The company invests in R&D, design, manufacture, and in-service support, working closely with customers to deliver mission-critical products and services. | Chemring's business model is centered around creating value through innovative technology solutions in niche segments of the international defense and security market, offering advanced and dependable technology solutions to meet customer needs. |
| Market Position | Chemring holds a strong market position with leadership in several niche markets, including a >65% market share in air and naval countermeasures. The company is a key supplier to NATO and has a significant presence in the US, UK, Europe, and Asia Pacific. | Chemring holds a leadership position in the addressable air countermeasures market, with demand driven by US and international requirements. |

**Section 4: Risk Factors**

**S4.1: Risk Factors**

| **Perspective** | **2024 Report** | **2023 Report** |
| --- | --- | --- |
| Market Risks | Defence spending depends on political considerations and fiscal constraints, subject to yearly fluctuations and downward pressure. | Defence spending depends on complex political considerations, budgetary constraints and armed forces requirements, subject to significant yearly fluctuations. |
| Operational Risks | The Group's operations involve energetic materials with inherent safety risks that could result in harm to employees, facility shutdowns, or manufacturing disruption. Manufacturing activities face business continuity risks from plant failures, supplier interruptions, and quality issues. Climate change impacts operations through wildfires, severe weather events, and extreme temperature fluctuations. | The Group's operations involve energetic materials that by their nature have inherent safety risks. Manufacturing activities may be exposed to business continuity risks from plant failures, supplier interruptions, quality issues or large scale employee absences. Climate change could impact operations through wildfires, severe weather events requiring facility adaptation. |
| Financial Risks | The Group is exposed to financial risks including foreign exchange rate fluctuations and Group-specific risks. Specific financial risks could arise from operational disruption, strategic objective failures, or customer payment defaults. | The Group is exposed to financial risks both externally driven, such as unexpected foreign exchange movements, and specific to the Group. Specific financial risks could arise from operational disruption, failure to deliver strategic objectives, or customer-related events including payment defaults. |
| Compliance Risks | The Group operates in over 50 countries in a highly regulated environment, subject to applicable laws and regulations of each jurisdiction. | The Group operates in over 50 countries worldwide in a highly regulated environment, subject to applicable laws and regulations of each jurisdiction. |

**Section 5: Corporate Governance**

**S5.1: Board Composition**

| **Name** | **Position** | **Total Income** |
| --- | --- | --- |
| Michael Ord | Group Chief Executive | £2,303,000 |
| James Mortensen | Chief Financial Officer | £1,429,000 |
| Sarah Ellard | Group Legal Director & Company Secretary | £1,147,000 |

**S5.2: Internal Controls**

| **Perspective** | **2024 Report** | **2023 Report** |
| --- | --- | --- |
| Risk assessment procedures | Uses "Three Lines of Defence Methodology" with quarterly business risk register updates, climate risk assessments using Munich Re Location Risk Intelligence Tool, and probability/impact matrix for risk evaluation | Uses "Three Lines of Defence Methodology" with quarterly business risk register updates, climate risk assessments, and probability/impact matrix for risk evaluation |
| Control activities | Operational Framework with over 35 policies and procedures, Code of Conduct updated in November 2024, Chemring Compliance Portal for training and monitoring, annual Operational Assurance Statements required from all businesses | Operational Framework with over 35 policies and procedures, Code of Conduct, Chemring Compliance Portal for training and monitoring, annual Operational Assurance Statements required from all businesses |
| Monitoring mechanisms | With "Three Lines of Defence Methodology", the monitoring mechanisms involve self-monitoring by business units, direct oversight by corporate functions, and independent review through internal and external audits. Risk Management Committee meets at least three times a year, Board reviews Group risk register half-yearly with key risks reviewed at every Board meeting, annual internal control effectiveness review, internal audit program with thematic reviews | With "Three Lines of Defence Methodology", the monitoring mechanisms involve self-monitoring by business units, direct oversight by corporate functions, and independent review through internal and external audits. Risk Management Committee meets quarterly, Board reviews Group risk register half-yearly with key risks reviewed at every Board meeting, annual internal control effectiveness review, internal audit program with thematic reviews |
| Identified material weaknesses or deficiencies | N/A | N/A |
| Effectiveness | The Audit Committee takes the role of reviewing the effectiveness of the Group’s risk management framework and systems of internal control. Board confirms robust systems of internal control and risk management were in place throughout the year under review and remained in place up to date of approval of financial statements | The Audit Committee takes the role of reviewing the effectiveness of the Group’s risk management framework and systems of internal control. Board confirms robust systems of internal control and risk management were in place throughout the year under review and remained in place up to date of approval of financial statements |

**Section 6: Future Outlook**

**S6.1: Strategic Direction**

| **Perspective** | **2024 Report** | **2023 Report** |
| --- | --- | --- |
| Mergers and Acquisition | Chemring is focused on value-enhancing acquisitions to accelerate growth, particularly in core and near-adjacent markets for its Roke and US Energetics businesses. The company is evaluating acquisition targets in the space and missile markets to generate shareholder value. | Chemring is pursuing incremental bolt-on acquisitions that complement existing capabilities and accelerate growth in customer priority areas, particularly Roke and US Space and Missiles, while maintaining a disciplined approach to evaluation criteria. |
| New technologies | Chemring is investing in new product development to ensure its product portfolio remains relevant to customers. | Chemring emphasises innovation as a core value, with technology-led development programmes continuing to be a significant focus. |
| Organisational Restructuring | Chemring is refining its approach to talent management, resourcing, and development initiatives to support the evolution of its workforce for present and future needs. The company is also focusing on building a strong, high-quality, and technology-focused business. | Chemring is focused on building a stronger, higher quality, and more resilient business. |

**S6.2: Challenges and Uncertainties**

| **Perspective** | **2024 Report** | **2023 Report** |
| --- | --- | --- |
| Economic challenges such as inflation, recession risks, and shifting consumer behavior that could impact revenue and profitability | The company faces inflationary cost increases, higher energy prices, foreign exchange rate movements, and interest rate increases as key financial risk indicators. Defense spending may be subject to downward pressure due to economic pressures. | The company continued to face challenges from inflationary cost increases and higher energy prices during the year. Defense spending depends on budgetary constraints and may be subject to significant yearly fluctuations with downward pressure on defense budgets. Salary inflation impacted several businesses. |
| Competitive pressures from both established industry players and new, disruptive market entrants that the company faces | The Group faces risks from emergence of new competitors and disruptive technologies, loss of production contracts, and failure to maintain positions on key future programs due to capability development issues. There are challenges in maintaining technological leadership and cost-effective manufacturing in competitive markets. | The company faces risks from emergence of new competitors and disruptive technologies, and continues to compete with highly capable competitors and national champions in Europe. There are risks of losing production contracts on major development programs and challenges in maintaining market positions through innovation and R&D. |

**S6.3: Innovation and Development Plans**

| **Perspective** | **2024 Report** | **2023 Report** |
| --- | --- | --- |
| R&D investments, with a focus on advancing technology, improving products, and creating new solutions to cater to market trends | Chemring continues to grow its advanced product and service offerings in sensors, communications, cyber and AI to deliver superior value to defense, national security and other customers. | Roke operates in growing cyber and digital‐services markets, investing in technical talent and exploring opportunities to expand its capability offerings to drive medium- and long-term growth.Roke operates in growing cyber and digital‐services markets, investing in technical talent and exploring opportunities to expand its capability offerings to drive medium- and long-term growth. |
| New product launches, emphasizing the company’s commitment to continuously introducing differentiated products | Chemring is investing in technology and increasing capacity to serve growing demand in its defense and national security markets, targeting innovation where customer demand signals are strongest. | Chemring is expanding its Sensors & Information product and service capabilities in areas including electronic warfare, AI, OSINT, machine learning, and information security to meet growing customer demand. |