

# Chemring Group

**Aerospace and defence**
**10 June 2025**

## Record order book driving confidence

Chemring's H125 results showcase solid momentum in a transformed defence landscape, with order intake surging 42% to £488m and the order book reaching a record £1.3bn. Revenue grew 5% y-o-y to £234.3m, while the underlying operating margin improved modestly to 11.6%. Order book strength provides 85% visibility for FY25 revenue. With EU defence spending set to rise by more than €100bn by 2027 and the UK targeting 2.5% of GDP, Chemring's positioning in niche market areas including energetics and electronic warfare creates a potentially solid investment case for the multi-decade rearmament cycle.

### Ammunition shortage brings opportunity

Europe's ammunition crisis, exposed by Ukraine firing 10,000 shells daily, has created significant demand for Chemring's specialist energetics capabilities. The group holds a duopoly with France's state-owned Eurenco in European advanced high explosives, benefiting from governments' preference for sovereign capability. This market position delivered a £194m order from Diehl Defence in November for speciality materials used in 155mm ammunition to the German military, while its Norwegian subsidiary secured a 15-year agreement with Northrop Grumman for energetic materials used in missiles. Supported by a £90m grant from the EU and the Norwegian Government in 2024, Chemring's £200m capacity expansion across Scotland and Norway targets incremental annual revenue exceeding £100m by 2028. The Countermeasures & Energetics division provides order coverage for 2026 and 2027 of 86% and 64%, respectively, offering earnings visibility during the decade-long rearmament upcycle.

### Electronic warfare expertise gaining importance

Modern warfare's shift towards electronic dominance has elevated Roke's strategic value and in April the division secured the £251m UK MoD STORM framework contract over six years. This missile defence R&D programme encompasses ballistic missiles, hypersonic glide vehicles, hypersonic cruise missiles and hybrid threats, positioning Roke as a key player in UK missile defence capabilities.

### Temporary administrative delays set to normalise

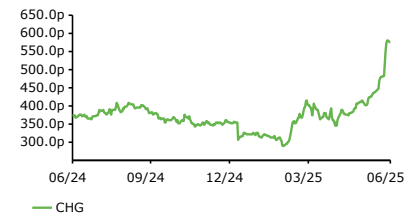
The sensors division experienced a 48% decline in order book as delays from the UK's Strategic Defence Review (SDR) created a temporary slowdown in government contract placements, though this reflects administrative delays rather than lost business. With the SDR now published, the company expects order placement to return to normal levels, positioning it well for future growth.

Consensus estimates					
Year end	Revenue (£m)	EPS (£)	DPS (£)	P/E (x)	Yield (%)
10/23	472.8	0.20	0.07	28.9	1.2
10/24	510.4	0.16	0.08	36.1	1.4
10/25e	537.3	0.20	0.08	28.9	1.4
10/26e	598.3	0.23	0.09	25.1	1.6

Source: LSEG Data &amp; Analytics

**Price** 577.00p  
**Market cap** £1,569m

#### Share price performance



#### Share details

Code CHG  
 Listing LSE  
 Shares in issue 272.3m  
 Net cash/(debt) at 30 April 2025 £(93.3)m

#### Business description

Chemring designs, develops and manufactures advanced technology products for aerospace, defence and security markets through its Countermeasures & Energetics (60%) and Sensors & Information (40%) divisions.

#### Bull points

- Record £1.3bn order book provides exceptional revenue visibility.
- European energetics duopoly with significant barriers to entry.
- Multi-decade rearmament cycle driven by geopolitical tensions.

#### Bear points

- Government customer concentration and budget sensitivity.
- Operational challenges affecting near-term margins.
- Sensor division experiencing volatility in order timing.

#### Analysts

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