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Private & Confidential

18 November 2026

By Email

The Board of Directors
Chemring Group PLC ("**Chemring**" or the "**Company**")
Roke Manor, Old Salisbury Lane, Romsey
Hampshire, SO51 0ZN

Dear Members of the Board

Realising Chemring's Full Potential – A Call for Greater Focus and Strategic Ambition

Introduction

We write to you on behalf of Palliser Capital (UK) Ltd (together with its affiliates, "**Palliser**", "**we**", "**us**" or "**our**"). Palliser is an alternative investment manager that applies a value-oriented, event-driven philosophy to investing across a range of distinct yet complementary strategies on a global basis, with a focus on situations where positive change and value enhancement can be achieved through thoughtful, constructive and long-term engagement with companies. Funds managed by Palliser have an economic interest equivalent to approximately 3% of Chemring's issued share capital, making Palliser one of the Company's ten largest investors.

We have devoted significant time and resources to conducting extensive due diligence on Chemring, its individual businesses and the broader defence landscape. Our work has incorporated dozens of interviews with external industry experts and former Chemring executives, a detailed outside-in assessment of Chemring by a specialist defence consultancy, dialogue with sell-side analysts and other Chemring shareholders, as well as valuable insights gained in our recent discussion with your CFO.

This work has reinforced our conviction that **Chemring owns some of the most strategically important, hardest-to-replicate assets in the entire Western defence industrial base**. In Energetics, Chemring has established a strong duopoly position in Europe and is the only independent, publicly-listed supplier of high-end military explosives on the continent. Its Countermeasures franchise supplies the overwhelming majority of NATO's air fleets, while investment in additional Energetics capacity across all three of its manufacturing sites positions Chemring at the heart of the supply chain to replenish and expand allied munitions inventories.

The industry backdrop could not be more favourable. Acute supply constraints and unprecedented demand are prompting customers to enter long-term framework agreements and increasingly pay upfront to secure Chemring's production slots. As the Group's Energetics investments ramp up, **Chemring has the opportunity to capitalise on the most significant growth period in its more than 120-year history**.

Yet the scale of this opportunity has not been matched by the ambition of Chemring's strategy. Over the course of the largest global rearmament cycle since the Second World War, **Chemring has delivered the weakest shareholder returns of any company in its peer group due to a total lack of earnings growth**.

These outcomes do not reflect the quality of Chemring's assets or the commitment of its people. Rather, we believe they reflect a strategy that lacks focus and ambition, compounded by a conglomerate structure that no longer serves shareholders. Chemring's businesses have fundamentally different growth opportunities, capital requirements and routes to market. Held together without demonstrable synergies, they compete for the same scarce capital and

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management attention. This starves Energetics of investment where returns are most compelling, and leaves investors unable to appreciate, let alone value, what each business could be worth on its own.

In our view, this combination of constrained growth and obscured asset value explains the persistent gap between Chemring's intrinsic worth and its public market valuation. Closing that gap requires a strategy that enables each business to realise its full potential.

The ongoing CEO transition gives the Board a natural moment to reset Chemring's strategic direction from a position of strength. We therefore urge the Board to undertake a comprehensive strategic review, with a clear focus on portfolio simplification, the potential separation or sale of Roke, and the capital and ownership arrangements best suited to accelerating growth in Energetics. **We believe such action could deliver upside of 64% to 80% to Chemring's share price within the next 12 months.**

In an effort to support that review and progress our dialogue, we set out below our detailed perspectives on the following topics:

(i) **Chemring's sustained share price underperformance** through the strongest defence market in a generation;

(ii) **the need for greater focus and ambition in Energetics** – Chemring's generational growth opportunity – including in the U.S. and international markets;

(iii) why **Roke, while a valuable business, is the wrong strategic priority** for Chemring; and

(iv) the **urgent need for a comprehensive strategic review**, and the value that could be realised by allowing each of Chemring's businesses to be valued on its merits.

We believe the time has come for the Board to show greater ambition in translating Chemring's unique market position into tangible shareholder returns. We are confident that, with clarity and conviction, Chemring can realise its full intrinsic value and we look forward to engaging collaboratively with the Board to help deliver this outcome.

Left Behind in a Generational Defence Upcycle

Since the start of Russia's full-scale invasion of Ukraine, Western defence equities have enjoyed the strongest period of growth in their modern history. Governments across NATO have committed to unprecedented increases in defence spending, munitions stockpiles have been depleted on a scale not seen in decades, and the industrial capacity to replenish them has become a matter of national security.

We believe that no company is better positioned to benefit from these tailwinds, but Chemring's stock has languished. **Since 2022, Chemring's total shareholder return[1] ("TSR") has underperformed that of its peer group[2] by 400%**. Even the more modest performers in the peer set have returned between two and three times what Chemring has delivered for its shareholders.

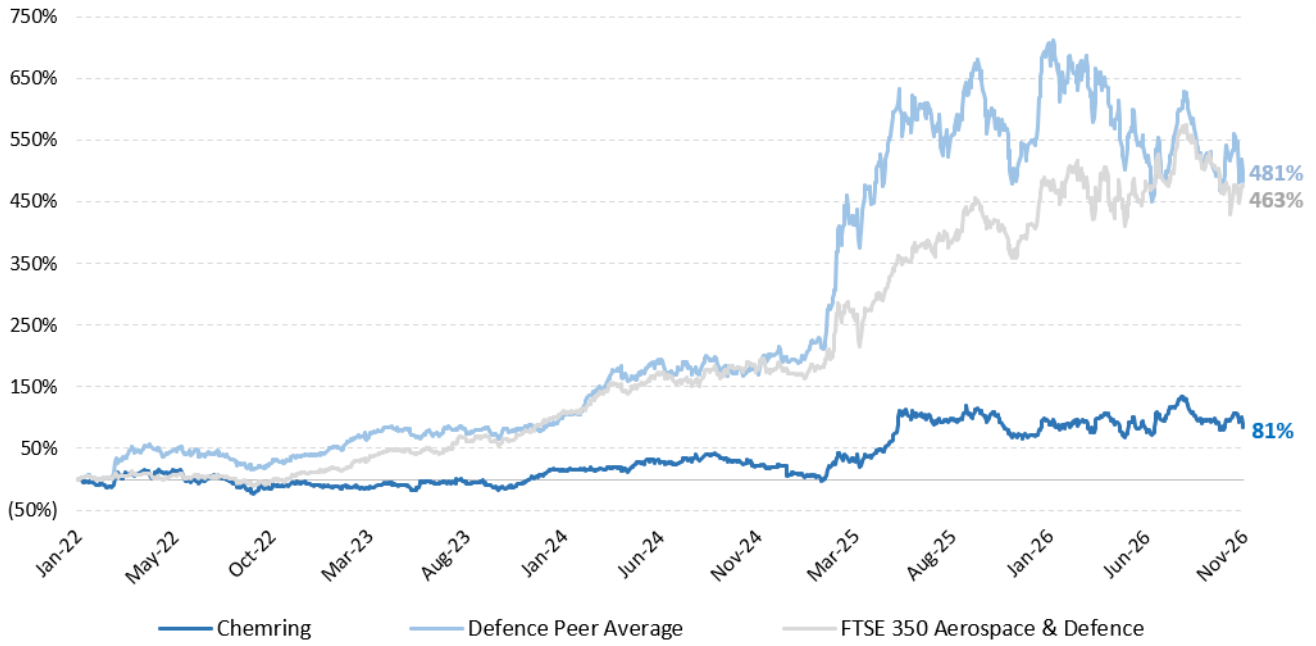
This is not a function of a selective time horizon – the unfortunate reality is that Chemring's cumulative TSR has underperformed its relevant benchmarks across virtually *all* time periods over the past five years.

[1] Cumulative daily TSR calculated since 1 January 2022 in USD terms; including net dividends reinvested.

[2] Proxy defence peer group includes BAE Systems, Rheinmetall, Thales, Saab, Elbit Systems, Leonardo, Kongsberg, Hensoldt, Babcock and QinetiQ.

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Total Shareholder Return – Since 2022 (US$ Terms)



Relative Total Shareholder Return

	Cumulative TSR through Period Ending 12-Nov-2026					
	YTD	1 Year	2 Years	3 Years	4 Years	5 Years
1. FTSE 350 Aerospace & Defence	(5%)	(14%)	(48%)	(131%)	(396%)	(364%)
2. Defence Peer Average	3%	(8%)	(49%)	(123%)	(255%)	(378%)

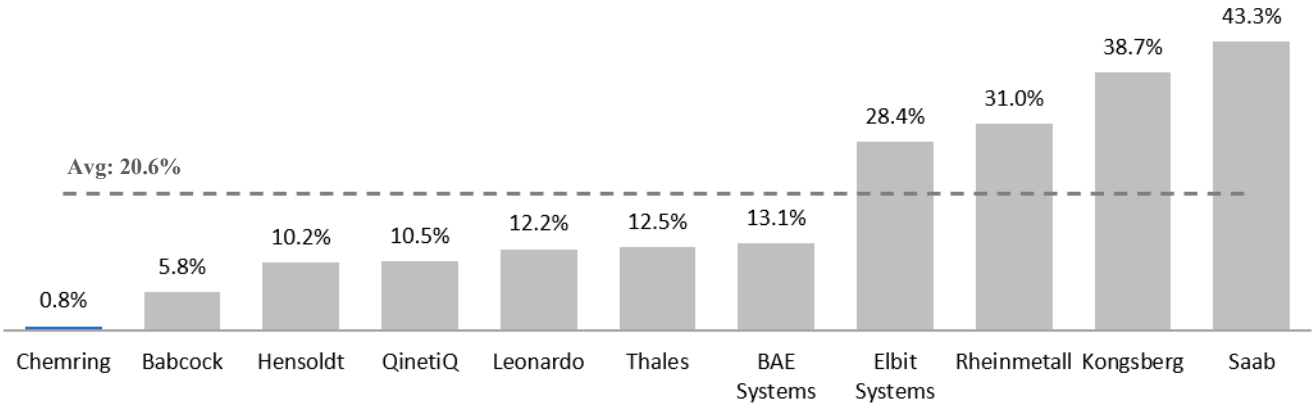
Source: Bloomberg as of 12-Nov-2026

The root cause of this underperformance is that **Chemring has delivered no earnings growth since 2022**. This track record ranks Chemring last of all the companies in its peer group, against a peer average of 21% in terms of annualised earnings growth. Over the same period, Saab compounded EPS at 43% per year, Kongsberg at 39% and Rheinmetall at 31%. BAE Systems, Thales and Leonardo – multi-segment primes with far broader and more mature portfolios than Chemring – each grew earnings at 12-13% per year. Had Chemring merely kept pace with the median peer since FY22, its earnings per share would be c.40% higher today – before any re-rating of its multiple.

At a time when its end markets have been growing faster than at any point in living memory, Chemring has failed to convert those tailwinds into profits for its shareholders.

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EPS Growth CAGR vs. Peers – Since FY2022 (US$ Terms)



Source: Bloomberg

A Need for Greater Focus and Ambition

Within its Countermeasures & Energetics ("**C&E**") segment, Chemring possesses a collection of strategic assets across market niches with exceptionally high barriers to entry.

Countermeasures products are highly engineered, subject to long qualification cycles, and require exceptionally challenging and inherently hazardous production processes. Chemring enjoys a strong technological edge and a significant market-leading position across the U.S. and Europe, particularly in infrared flares and chaff, supplying 85% of NATO air fleets and 60% of naval fleets. We believe this is a cash-generative franchise with durable, defensible economics. While it is a relatively low-growth business, the recently announced restart of Chemring's Philadelphia-based Alloy Surfaces facility – supported by U.S. Department of War ("**DoW**") awards of up to $345 million – should provide an incremental contribution that, we believe, is not yet reflected in consensus estimates.

However, **Energetics is undoubtedly where the most attractive growth opportunity lies within Chemring's portfolio**. What makes the Company's long track record of underperformance so frustrating for shareholders is that it bears no relation to the strategic value and scarcity of its assets. Chemring's Nobel facility is one of only a handful of Western suppliers capable of producing high-end explosive chemicals such as HMX, RDX and NTO, and the only one in Europe independent of state ownership. HMX and RDX – essential for missile warheads, artillery shells and a wide range of other munitions – have become acute bottlenecks across NATO supply chains. As one European defence industry executive told Reuters[3]:

"The worst thing at the moment is the global shortage of TNT and RDX. The shortage of these raw materials is the basic reason why production cannot be ramped up much more at this point."

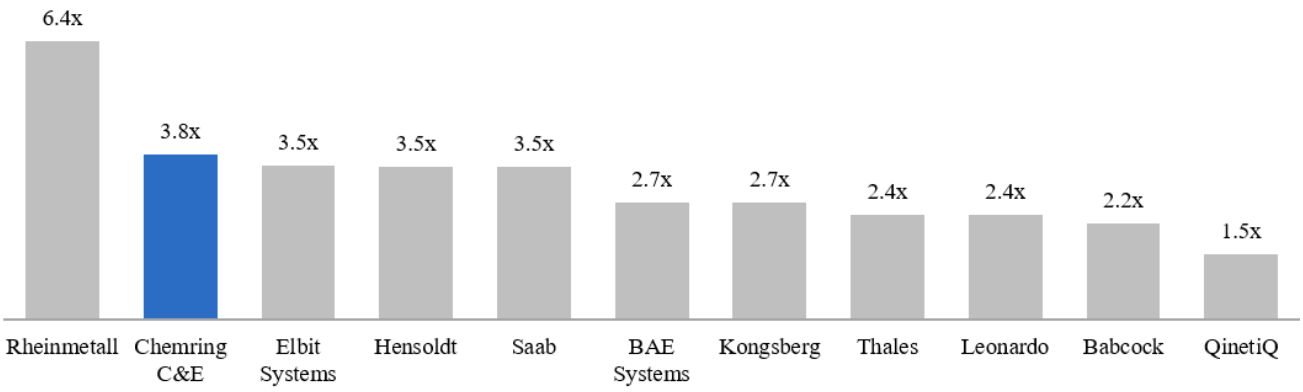
Chemring should be a principal beneficiary of the expansion of Europe's defence industrial base and of NATO and allied rearmament initiatives. Indeed, the Company's C&E order book is at unprecedented levels, having more than tripled since 2021, with that growth almost entirely driven by Energetics. At close to 4.0x, its backlog-to-bill ratio is

[3] https://www.reuters.com/investigates/special-report/ukraine-crisis-artillery/

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exceeded only by Rheinmetall. We understand that Energetics capacity is effectively sold out until 2030, so Chemring's challenge is not securing demand – it is meeting it.

Chemring C&E vs. Peers – Backlog-to-Bill (FY2025)



Source: Company filings

We recognise that high-hazard manufacturing requires time, discipline and an uncompromising commitment to safety and quality. Yet complexity cannot become a justification for the slow pace of execution. **Chemring has exceptional tailwinds but is not capitalising on them with sufficient urgency**. It has neither secured the breadth of long-term offtake agreements that its strategic position should command nor built the capacity to meet the scale of customer requirements across Europe, the U.S. and Canada. Meanwhile, as we discuss below, significant opportunities in the Gulf and Asia-Pacific remain under-exploited.

Chemring's current Energetics expansion programme of approximately £235 million (including grant funding) is expected to deliver an attractive return on invested capital in excess of 20%, even after accounting for cost overruns. Projects in the U.S. and Scotland are largely complete, while the expansion in Norway is ongoing. In aggregate, the programme is on track to add at least £100 million of revenue and £30 million of operating profit by 2028.

These are solid foundations. But the programme adds only c.30% to C&E's sales, leaving an order book of around three years' work even after expansion – in a market where Chemring is sold out until the end of the decade, where customers are pre-paying to secure capacity, and where every incremental tonne of HMX or RDX finds a ready buyer. We are therefore surprised that Chemring has yet to commit to any major organic investment beyond the current programme, that the Company's £1 billion revenue aspiration for 2030 is now framed as an "ambition" rather than a target, and that roughly 30% of the planned growth rests on an as-yet unspecified "new capacity / acquisitions" bucket.

When a business can earn such compelling returns on every unit of capacity it builds, and can sell everything it makes for years to come, under-investment is the single most expensive decision a board can make. Near-term balance sheet conservatism is not, in our view, an adequate reason for restraint.

Additional capital – whether from the balance sheet, customer prepayments, partners or third-party investors – would help reduce Chemring's capacity shortfall by funding new production lines, automation, inventory and working capital, as well as bolt-on M&A across suppliers or competitors. A multi-year, capital-intensive investment phase of this kind is often best executed under an ownership and capital structure that is not hostage to half-yearly earnings optics.

Nor should capital be the binding constraint. Governments on both sides of the Atlantic are actively funding precisely this kind of capacity: through the EU's European Defence Industry Programme (EDIP) and the €150 billion SAFE loan instrument, through U.S. DoW industrial base and munitions funding, and through allied sovereign programmes

such as Australia's Guided Weapons and Explosive Ordnance enterprise. **Capital is actively looking for sole-source, qualified suppliers like Chemring**. The direction of travel in customer procurement makes this all the more urgent. U.S. and European programmes are increasingly focused on localisation, and a growing number of allied nations want sovereign capability. Suppliers that invest in local capacity now will be embedded in programme supply chains for decades to come.

The United States: a market Chemring cannot afford to under-serve

We estimate that the U.S. represents approximately 40% of Chemring's addressable market. It must be a priority for future growth, both by expanding share on existing programmes and by winning roles on new ones. The U.S. missile industrial base is undergoing its largest expansion since the Cold War, and the energetics supply chain is the DoW's most-cited production bottleneck. The Department is prioritising munitions investments in FY27 to replenish stockpiles and re-establish deterrence, and the Pentagon's Munitions Acceleration Council has identified 14 critical munitions programmes for multi-year production ramp-ups:

- **12 legacy programmes**: PAC-3, THAAD, SM-3 IIA, SM-3 IB, SM-6, Tomahawk (Land Attack and Maritime Strike), JATM, LCCM, AMRAAM, JASSM and LRASM; and
- **2 emerging programmes**: the Low-Cost Hypersonic Strike Weapon and PrSM.

Other major programmes are ramping up in parallel, including GMLRS and PAC-2 GEM-T, while new long-range munitions such as the Navy's AIM-424 long-range air-to-air missile point to a further wave of demand.

Despite supplying components for a number of these programmes, Chemring remains a relatively small player in the U.S. energetic and pyrotechnic markets – and, we believe, its U.S. and Scottish propellant businesses have lagged in capitalising on this growth opportunity. Not only does Chemring need to develop a pathway for Nobel to enter U.S. warhead and rocket motor supply chains, but the second-source opportunity is substantial.

The SSA: a governance constraint that has tempered U.S. ambition

As a foreign-owned U.S. defence contractor, Chemring's U.S. operations are governed by a Special Security Agreement ("**SSA**") with the Defense Counterintelligence and Security Agency ("**DCSA**"), overseen by a Government Security Committee ("**GSC**"), or "proxy board", composed predominantly of cleared U.S. citizens. Our diligence suggests this arrangement has real consequences for how capital is allocated across the Group:

- as non-U.S. persons, Chemring's UK-based leadership – including its CEO – face restrictions on the type and depth of information, detail and specifications they can review on U.S. programmes, pipeline opportunities and competitive positioning;
- the GSC's external members do not appear to be proactive advocates for, nor experts in, capital allocation, Chemring's technical capabilities or long-term growth investment; and
- as a result, Group leadership cannot fully steer the U.S. business's strategic direction, and capital allocation decisions can tilt towards UK and European programmes where it has better information and detail.

We note management's position that Chemring's SSA is a standard arrangement, no different in form to those operated by some of its UK-based industry peers. However, certain of those companies have demonstrated that a well-run SSA need not be a brake on U.S. investment and growth. If the constraint is not structural, then **Chemring's persistent under-investment in the world's largest defence market can only reflect a lack of ambition**.

We encourage the Board to engage proactively with the DCSA to optimise the existing SSA. The Board should strengthen the GSC with deep countermeasures and energetics expertise and empower it to translate Group strategy into U.S. investment decisions, supported by a broader business development function. Given the scale of the

opportunity, we struggle to understand why Chemring is not pursuing a materially more ambitious expansion of its U.S. capacity.

Under-exposed to the Gulf and the Indo-Pacific

Chemring should be turning its non-U.S. heritage into a commercial advantage. A differentiated non-ITAR offering could strengthen its appeal to major customers across the Gulf and the Indo-Pacific, reducing reliance on U.S. export permissions and re-transfer approvals where applicable.

Pursuing non-ITAR foreign sales at scale requires a dedicated business development function, local partnerships and careful political navigation. None of these appears to feature in Chemring's current strategy or plans, and it does not appear that Chemring has either the infrastructure or the commercial incentives in place to fully respond to allied demand. In Australia, for example, Lockheed Martin and Kongsberg are moving to produce GMLRS and the Joint Strike Missile in-country, supported by an A$1 billion sovereign funding commitment – yet Chemring's existing Australian facility appears under-utilised. The window to become an embedded first-mover supplier on these programmes remains open.

Energetics must be Chemring's over-riding priority

The largest opportunity for Chemring – by a wide margin – is the expansion of Energetics, across both materials and devices. Chemring's growth potential here could be significantly enhanced through share gains on existing programmes, qualifying as a second source on new programmes, expediting capacity expansion, and investing in more disruptive manufacturing technologies at its energetics facilities.

Yet today, C&E is competing for capital and management attention with Sensors & Information ("**S&I**") – a segment that is over-indexed to the UK, structurally difficult to scale, and, in our view, should not be a strategic priority for Chemring.

Roke is a Valuable Business, But the Wrong Strategic Priority

Let us be clear that our concern about Roke is not a criticism of its people, its heritage or the quality of its work. Roke is a 70-year-old institution with deep roots in British defence research. The brand is recognised for the calibre of its technical talent, and Roke is a longstanding, trusted supplier to the UK's Ministry of Defence ("**MoD**") and national security agencies.

Our concern is one of capital allocation and strategic fit – at its core, Roke is a contract R&D consultancy that is simply not scalable in its current form – and one that remains largely opaque to public market investors.

A people business that is inherently difficult to scale

In practice, Roke sells engineering time – the hours of its data scientists, cyber security specialists, systems architects and technical experts. A large share of its revenue comes from short-term engagements, and its advanced R&D services are largely confined to the UK, with limited wider commercial application.

Such a business can only grow as fast as it can hire – and Chemring itself has acknowledged that recruiting cleared personnel is the biggest challenge to growth in its national security business. Roke's location compounds the problem. Headquartered in Romsey, a small Hampshire town with a correspondingly small pool of specialised talent, Roke is forced to compete on salary with well-funded AI/ML employers in London.

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Chemring's historical strategy for Roke has not helped. Having built an oversized bench in anticipation of tangible orders from the UK's Defence Investment Plan ("**DIP**") that have yet to materialise, Roke has since been forced to cut headcount to protect margins, at a time of intensifying competition for exactly these skills.

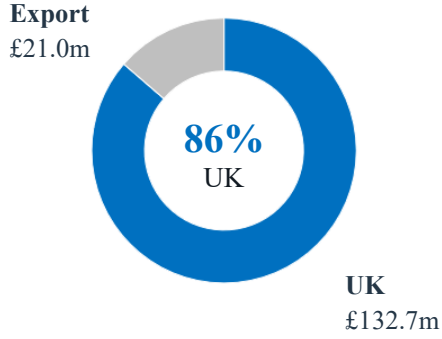
Over-exposed to UK Government procurement

Roke is, to an unusual degree, a business with one paymaster. In FY25, 86% of Roke's revenue came from the UK – predominantly the MoD, the national security agencies and the Home Office – and that concentration has proved costly. Profit and margin have been under pressure as the Group kept under-utilised Roke staff on the payroll while it waited for UK defence contracts.

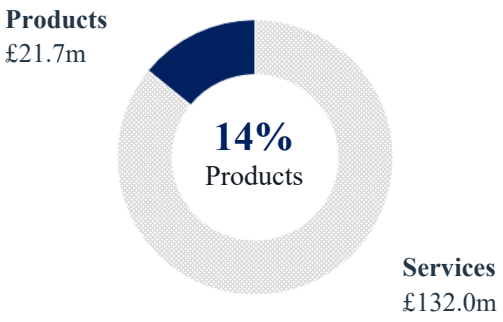
Management has now described weakness in UK Government defence procurement as temporary in five consecutive updates. At H1 2025, S&I was weaker "*as the new UK government administration finalises its spending plans*". By FY 2025, the shortfall reflected "*short-term delays in UK Government spending*", with recovery expected in the second half of 2026. At H1 2026, the Group cited "*near-term disruption in the UK market*" and, on 14 October, "*continued near-term headwinds in its domestic defence market*". Yet the promised recovery has not materialised – on 12 November, Roke again fell short of expectations due to delayed UK MoD contract awards. From the market's point of view, almost two years of "short-term" disruption begins to look structural. Management now speaks of reducing Roke's dependency on UK Government budgets – a welcome acknowledgement, and the recently announced five-year partnership with a major U.S. prime contractor is a positive step – but Roke remains a bet on UK fiscal policy and a long way from a balanced business.

Roke Remains a UK-Centric Services Business

Revenue by Destination (FY25)



Revenue by Type (FY25)



Source: Roke Manor Research Limited statutory accounts

An unproven transition to products

We recognise management's efforts to diversify Roke into products, particularly in counter-UAS and sensing, which do represent significant market potential. However, Roke remains predominantly services-focused – with a growth profile that is highly dependent on headcount – with products accounting for just 14% of FY25 Roke sales. The recent U.S. agreement is encouraging, but Roke has yet to demonstrate that it can manufacture and sell products at scale. Meanwhile, a growing number of companies, from established primes to well-funded new entrants, are developing and producing counter-UAS systems combining sensors and effectors.

To succeed in products, Roke would likely require a far broader manufacturing footprint and strategic sales network of the kind available at larger defence platforms. These would be significant and uncertain investments, and, in our view, not the best use of Chemring's capital when set against the superior returns available in Energetics.

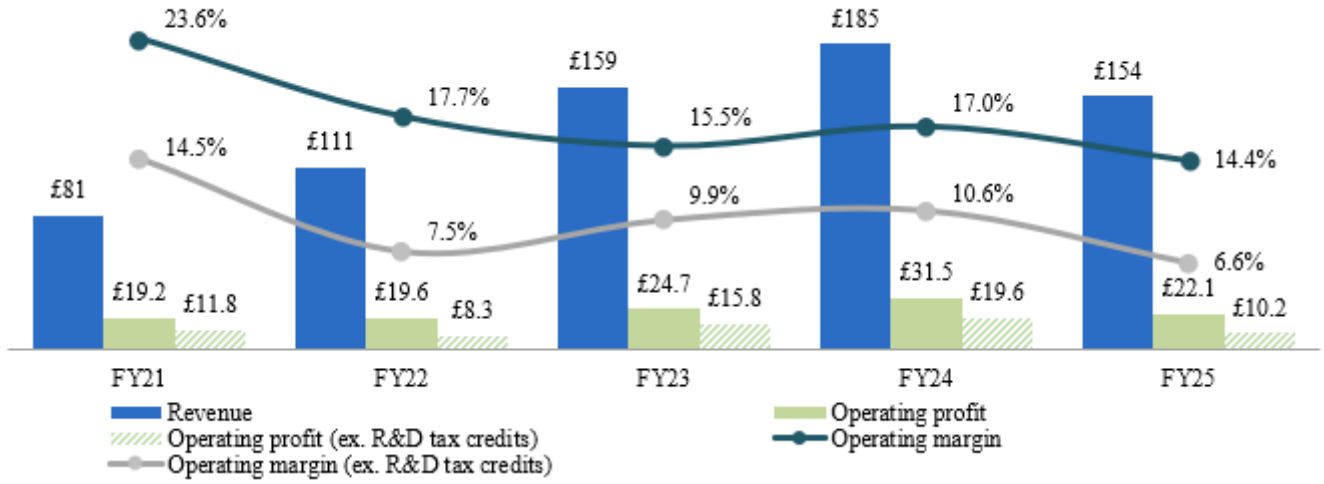
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Growth without value

Roke's revenue has nearly doubled since FY21 – a compound growth rate of 17% – despite the fall in FY25 as UK government orders were delayed. However, that impressive growth has not translated into higher returns.

Over the same period, Roke's statutory operating margin has fallen from 24% to 14%. In FY25, the majority of operating profit came not from its customers, but from HMRC in the form of R&D tax credits. Excluding those credits, Roke's margin was less than 7%, and its underlying profit was lower than in FY21 – on almost double the revenue. Roke may be growing, but it is struggling to create value for Chemring shareholders.

Roke Financial Performance – Revenue & Operating Profit (£m)



Source: Roke Manor Research Limited statutory accounts

The quality of Roke's commercial growth strategy is also open to question. Its largest win in recent years, the c.£250 million STORM framework contract, is a missile defence procurement programme on which an estimated 85-90% of revenue is passed straight through to suppliers – Chemring itself has disclosed that industry partners will deliver the significant majority of the contract's value. It is a contract facilitation and project management mandate rather than a high-value engineering programme, and Roke has had to sacrifice margin to win it. More broadly, while contracts like STORM may boost the topline, they absorb capital and management attention while adding little to earnings.

We do not say any of this lightly. Roke is a valuable business – but it should not be a strategic priority for Chemring. Its growth depends on a single government's budget cycle, its returns have been eroding, and because so much of its work is classified, its economics remain largely a 'black box' to public market investors. In the right hands, Roke would be worth considerably more than the market ascribes to it today. Inside Chemring, we believe it is holding back the value of everything else.

Realising Chemring's Full Potential

Chemring today comprises a collection of largely standalone business lines – each under-invested in its current form and with no meaningful synergies between them. They serve different customers, rely on different technologies and share little or no manufacturing footprint. Holding them together under a single PLC umbrella means that none of Chemring's core businesses is valued on its merits.

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Countermeasures & Energetics

We believe C&E's financial profile warrants a valuation in line with its products-focused peers[4] in European defence. As new Energetics capacity ramps up in Scotland and Chicago and further capacity comes online in Norway, C&E is on track to deliver annualised revenue growth in the mid-teens through to the end of the decade – underpinned by an order book of almost 4.0x annual revenue – with operating margins expanding beyond 20%.

Our Base Case values C&E at 17.0x EV/EBITDA, in line with the average of products-focused peers, while our Upside Case applies 18.0x, in line with the peer median. Neither case assumes capacity investment beyond the current programme, nor any of the U.S. second-source or international opportunity set out above.

Roke

Roke is not scalable as part of Chemring – but, in our view, it would be highly valuable to a larger platform with the business development reach, customer relationships and manufacturing scale that Roke lacks. We believe **Roke should be sold to a strategic owner** and valued accordingly, in line with transactions for companies providing advanced technical services and differentiated products.

We have analysed 55 defence and national security technology transactions since 2019 with relevance to Roke's markets – technical services, intelligence and surveillance systems, electronic warfare ("**EW**"), cyber, counter-drone systems and sensors. The precedents we regard as closest to Roke are set out below:

Selected Defence Technology Precedent M&A Deals

Year	Acquirer / Target	Capability	EV (US$m)	EV/Sales
2026	Parsons / Altamira	Signals intelligence and cyber services	375	1.9x
2026	Motorola / D-Fend	Counter-drone systems	1,500	8.1x
2026	Theon / HGH Infrared	Infrared and counter-drone sensing	344	7.5x
2025	Firefly / SciTec	Missile defence R&D and remote sensing	855	5.2x
2025	AeroVironment / BlueHalo	Counter-drone, EW and space	4,100	4.6x
2025	SPX / Kranze	Infrared countermeasures and networks	350	3.9x
2024	CACI / Azure Summit	RF systems and signals intelligence	1,275	2.9x
2024	KBR / LinQuest	Space and national security engineering	737	1.4x
2024	Parsons / BlackSignal	Cyber and EW	200	2.1x
2024	Honeywell / Civitanavi	Navigation and timing systems	200	4.3x
2022	QinetiQ / Avantus Federal	Cyber and data services	590	2.0x
2020	KBR / Centauri	Space and intelligence engineering services	800	1.1x
2019	CACI / LGS Innovations	Signals intelligence and EW	751	1.6x
Median / Average				**2.9x / 3.6x**
Roke - Palliser Base / Upside Case				**2.5x / 3.0x**

Source: Capital IQ, company announcements.

These transactions were struck at a median of 2.9x revenue and an average of 3.6x, with acquirers paying 1-2x for services-led engineering businesses and 4-8x for proprietary products in counter-drone systems, EW and sensing. Given that Roke remains predominantly a services business, our Base Case values it at 2.5x sales, a modest discount

[4] Products-focused peers include Rheinmetall, Saab, Kongsberg, Elbit Systems, Leonardo and Hensoldt.

to the precedent median. Our Upside Case applies 3.0x, in line with the median and giving partial credit for Roke's product portfolio.

Value Realisation Potential

We believe a strategic review leading to the sale of Roke and a focused, standalone C&E could deliver value of 834 to 916 pence per share within the next 12 months – upside of 64% to 80% to Chemring's current share price.

Our Base Case applies the conservative assumptions above, with no operational improvement and no credit for capacity investment beyond the current programme. Our Upside Case captures a valuation for C&E in line with the products-focused peer median and a modestly higher price for Roke, reflecting the premium a strategic buyer could pay for Roke's product portfolio.

Illustrative Value Realisation *(As of Fiscal Year-End 2027)*

	Base Case			Upside Case		
(£m; FYE October)	**FY28E Metric**	**NTM Multiple**	**TEV**	**FY28E Metric**	**NTM Multiple**	**TEV**
C&E (EV/EBITDA)	130	17.0x	2,213	130	18.0x	2,343
Roke (EV/Sales)	242	2.5x	606	242	3.0x	727
U.S. Sensors (EV/Sales)	40	0.75x	30	40	1.0x	40
Central Costs (EV/EBITDA)	(24)	16.0x	(377)	(24)	17.2x	(406)
Total Chemring TEV (£m)			**£2,472**			**£2,704**
(–) FY27E Net Debt			(160)			(160)
Equity Value (£m)			**£2,313**			**£2,545**
(÷) Fully Diluted Shares Outstanding (m)			280			280
Share Price (FYE 2027)			**826p**			**908p**
(+) FY27 Dividend per Share			8p			8p
Total Value per Share (FYE 2027)			**834p**			**916p**
% Upside			**+64%**			**+80%**

Source: Bloomberg, company filings, Palliser estimates. Share price of 510p as of close on 12-Nov-2026

Note: Assumes the Energetics capacity programme delivers management's guided £30 million of incremental operating profit in FY28, with underlying operating profit growing at a mid-single-digit rate. U.S. Sensors valuation reflects the expected roll-off of current programmes. Central costs capitalised at the EV-weighted average multiple of C&E and Roke. Excludes any one-off separation costs.

History suggests our assumptions may prove conservative – and that if the Board does not act, others will. The UK defence sector has seen this sequence before. Cobham (2019) and Ultra Electronics (2021) each suffered a prolonged period of underperformance and a change of leadership, before being acquired by private equity at a substantial premium. In both cases, the real upside came afterwards – from selling the constituent business lines individually – underlining how much value the public market had failed to recognise.

- **Cobham**: UK-listed, multi-segment defence group agreed in July 2019 to be acquired by Advent International for approximately £4 billion (c.$5 billion) – a 50% premium to its three-month average share price. Advent has since realised more than $9 billion from the piecemeal sale of Cobham's constituent parts.

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- **Ultra Electronics**: UK-listed, niche defence group with significant U.S. and Five Eyes revenue exposure. In August 2021, Ultra agreed to be acquired by Advent-owned Cobham for approximately £2.6 billion (c.$3.6 billion) at a 69% premium to its three-month average share price and a 41% premium to its all-time high undisturbed closing share price. Advent has since agreed to sell Ultra businesses worth approximately $6.5 billion – including Ultra Maritime alone for $3.45 billion, broadly what Advent paid for the whole of Ultra.

Strategic buyers have shown a similar appetite. Parker Hannifin agreed to acquire Meggitt for £6.3 billion in August 2021 – a premium of more than 70% to its undisturbed share price – recognising the value of sole-source positions that the market had failed to value appropriately.

The lesson of these precedents is that sophisticated buyers have repeatedly recognised value in UK defence franchises that the public market has missed. With a record order book and a new CEO about to take office, the Board has the opportunity to act from a position of strength and capture that value for Chemring's shareholders. **We therefore call on the Board to launch a comprehensive strategic review, with every option on the table**.

Next Steps

We hope this letter is received in the same spirit in which it is shared – a desire to work with the Board to help Chemring achieve its full potential. Chemring owns a collection of scarce, strategically vital assets at the heart of the Western defence industrial base, run by people with deep and hard-won expertise. Despite these advantages, we believe that Chemring's underlying value far exceeds the value the market has assigned to it today. We suspect the Board agrees.

We therefore respectfully request a meeting with the Chairman at his earliest convenience to discuss the matters raised in this letter and the scope of the strategic review. In our view, this should consider every route to maximising value, including the separation or sale of Roke and any proposal for the Group or its businesses that would deliver full value to shareholders. We would be pleased to draw on our previous experience in analogous situations.

Palliser is fully aligned with Chemring's long-term success. We look forward to working with the Board and management to realise the Company's full potential and to deliver the superior per-share outcomes that this business should command.

Yours faithfully,

For and on behalf of
Palliser Capital (UK) Ltd



By: James Smith
Chief Investment Officer