

MS International (MSI.LN)

Current price : 1242 GBp

Market cap : 201M GBP

Basic/FD Outstanding shares : 16.2m/16.9

Management/Board Ownership: ~50%



10-bagger on the last 5 years and still under the radar, MS International (MSI.LN) is a family-led UK small cap listed since the 1980s and evolving into a pure-play defense company (three legacy businesses in disposal). MSI manufactures small calibre (25/30mm) gun weapon systems (GWS) for land platforms and naval forces; such systems now being particularly effective as part of layered counter-drone defense systems. Russia-Ukraine war which is first large-scale drone-dominated conflict, has forced militaries to invest in drone and counter- UAS (Unmanned Aircraft System) creating a multi-year tailwind for MSI's product. MSI potential on defense activity is huge and the stock's low visibility within the financial community and the management poor investor relation strategy (lack of information and no sell side coverage) creates a significant opportunity.

My investment thesis is asymmetric: limited downside (net cash in BS + high valuation discount vs comps + proceeds from future disposals) and high upside but difficult to estimate because low visibility/control on timing of order from government and lack of indication on pipeline/order intake from the management. Management outlook signals a mixed FY2026 (ending in April 2026) due to timing for sales recognition, delays in order intake and flat backlog, but is very optimistic for the following 2 years given demand for land and naval systems. Despite historically conservative, management has turned explicitly bullish on defense over the last 12 months. Moreover, having secured the US Navy as new client in 2023 to supply the Mk38 Mod 4 to the whole fleet representing hundreds of millions of USD based on the size of the US naval fleet is game changer on the long term for MSI. On valuation, MSI trades around 9x EBIT FY+1 vs ~20x for European defense peers. The planned disposal of the three non-core divisions (around 5% of group EBIT) is a near-term catalyst (I estimate 10 to 20M€ value from this sale). One watch-item is board remuneration (5.1M€ in FY25 vs 20M€ group EBIT), though capital allocation has remained disciplined (targeted defense capex, rising R&D, dividend and buybacks). Management owns slightly over 50% of the capital and 10% are held in treasury shares.

To put some context on analyzing MS International, the communication strategy of the management with the financial market is the toughest I have ever seen. Management doesn't provide interviews, neither accept meeting with institutional investors and even general/business information (breakdown of revenue, backlog, product prices, client feedback) are very difficult to find anywhere else than what is disclosed in the annual report. Of course the sensitive aspect from defense contracts and activity explains part of the lack of information but management is also highly muted. The only way to see MSI management and ask questions is to participate to the AGM in Doncaster (north of UK) happening during the summer break. I participated in the last AGM, first week of August 2025 and the audience comprised around 20-25 people. I was the only foreign investor and probably the only institutional investor. Lasting 1h30 with 1h of Q&A, lot of responses to questions were not very precise and/or could not be answered because too sensitive. For example, on backlog and pipeline potential, customer sentiment or feedback on product. A question regarding potential capital increase for M&A which would require more visibility to attract capital was answered by management as follows: there is no need of capital increase and no need or plan to attract institutional investor in the capital, or to be more visible in the financial market. At the same time, management mentioned multiple times taking corporate decisions in the best interest of shareholders.

A recent deep and well done analysis on MSI has been released (May 2025) on Substack by Mark Allery, a private investor invested in the company since a long time. Below links of the 2-part analysis :

\* [\(6\) Accueil | Substack](#)

\* [\(6\) MSI Part II - Defence, Management & Strategy, Summary](#)

## **Overview and History**

The company was founded in 1960 and was known as Mining Supplies P.L.C. until December 1983, when it changed its name to MS INTERNATIONAL plc.

MSI IPOed on the LSE Main Market between the 1960s and 1980s (price history only starting in 1988) and trans-listed to the UK AIM (Alternative Investment Market) in November 2000.

The company is active in 4 different and independent businesses : Forging, petrol station superstructure and branding, located in Doncaster, UK and the defense subsidiary named MSI-Defense Systems is based in Norwich, UK.

Each business is run independently with no real synergies between them. The company has been for a long time well diversified between the 4 businesses allowing the group to survive to industry specific cycles and recessions. Today, defense activity account for 95% of the group EBIT and the management is selling the 3 other businesses. So this analysis and my investment thesis is mainly focused on defense activity.

MS International acquired Laurence, Scott & Electromotors Ltd in 1980 and, after divesting the rest of the business in 1986, retained only the defense division. This unit was subsequently renamed MSI-Defence Systems in 1991.

MSI-Defence Systems has a rich heritage in the design and manufacture of defense equipment in the UK. Early 20th century, the company was manufacturing defense equipment prior to the First World War. Searchlight assemblies and mechanical computers are just some of the many items designed and built for the Navy, Army and young Air Force of the time.

In the 1930s, working with the UK Admiralty Research Establishment, the company became heavily involved in the supply of electro-mechanical computers for both surface ship large gun fire control and submarine torpedo fire control systems.

With the emergence of digital control technologies in the 1970s, the company migrated to the design and supply of sophisticated above water and underwater weapons and sensor platforms, the core technologies employed by the company today.

Today, MSI-Defence Systems supply small/medium caliber Gun Systems. SEAHAWK product family of Naval Gun Systems (presented later in the product section), developed from combat experience, fulfils a multi-role requirement for all classes of vessel to the UK Royal Navy and other navies internationally.

## **Anti drone market**

The Russo-Ukrainian war is widely described as the first large-scale, drone-dominated conflict. Cheap first-person-view (FPV) and loitering munitions (suicide drones) have become the main daily killers and intelligence asset. A recent RUSI (Royal United Services Institute) analysis estimates small drones now account for 60-70% of damaged or destroyed Russian systems. Russia use of drones has scaled up recently with Ukraine army reporting record months in 2025 with >5000 Shahed-type drones (suicide drones) launched in June alone, up more than 14x versus mid-2024.

This has forced militaries to admit they were under-equipped for persistent drone attack/defense and to redirect procurement toward both massed uncrewed systems and layered C-UAS (sensors, jamming, kinetic and directed-energy effectors).

Recent policy and budget moves reflect this shift :

- United States. Pentagon plans to deploy thousands of low-cost autonomous drones. In parallel, the U.S. Army's FY25 budget asks for >500M\$ specifically for counter-UAS (C-UAS), and Congress approved additional buys.
- United Kingdom. London has earmarked 5B\$ for uncrewed systems and laser weapons. It has also published an Uncrewed Systems strategy backed by roughly 4.5B\$ over the next decade.
- France. Drones and anti-drone warfare are central to the Military Programming Law: ~€5bn for ground-based air defense (incl. C-UAS), PARADE deliveries, and an extra €600m order (early 2025). Official guidance again prioritizes anti-drone and electromagnetic warfare.
- Germany. Berlin is procuring gun-based Skyranger systems (Rheinmetall) as a hard-kill answer to small drones, alongside broader post-2022 rearmament in drones/autonomy. Rheinmetall expect to close a 7 to 9B€ 10y contract in 2025 for anti-aircraft gun.
- Japan. Tokyo's 2024–25 budget includes 42M€ for new counter-drone gear to protect Self-Defense Force bases and critical sites.
- Poland. A dedicated Drone Forces command and PLN 200m (~\$55m) in 2025 for UAS procurement and a national Drone Centre.

## MSI-DS Products

MSI-DS combines in-house manufacturing and systems engineering. Its production skills cover fabrication, mechanical and electro-mechanical assembly, electronics, and high-pressure hydraulic/pneumatic systems, working across metals, rubbers, plastics and composites. On the technology side, MSI-DS has specialised for years in fully-stabilised, high-accuracy small-calibre naval gun systems, with motion stabilisation and advanced servo control proven on hundreds of fielded mounts. The company also owns the IP on most of its products, which helps it iterate quickly to match customer requirements.

Modern “remote weapon stations” are software-defined systems as much as they are gun mounts. Replacing a manually served mount requires a range of sensors, actuators, stabilisation, tracking and control subsystems and more software to detect, identify and track multiple targets, manage communications, enable remote/over-the-network control, and interface with a ship or vehicle combat system.

MSI is not only a mount maker, it acts as a system designer and integrator. Its vertical integration gives it room to adapt architectures and make improvements / adjustments for customers. The products are weapon-agnostic : different 25/30/40 mm cannons (and suppliers) can be replaced.

MSI and MSI Defense Systems (MSI-DS) website references :

[msiplc.com](http://msiplc.com)

[Home - MSI Defence Systems](#)

[Products - MSI Defence Systems US LLC](#)

### 1.NAVAL

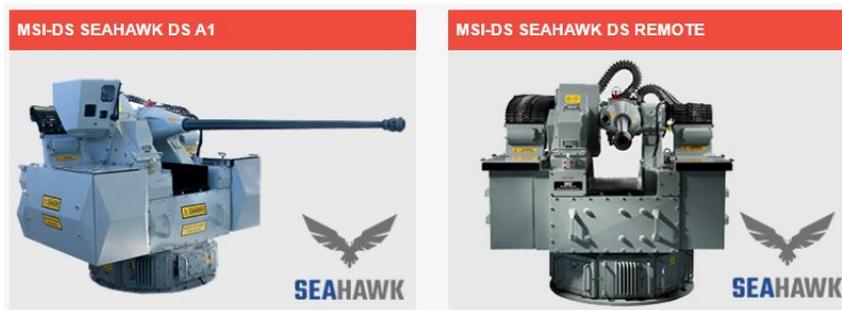
MSI naval offer is centered on the SEAHAWK DS family of stabilized, remotely operated small-caliber gun mounts. The baseline DS integrates day/night Electro-Optical and Infrared Sensors with laser rangefinder, video auto-tracking and modern fire-control. It accepts 25/30/40 mm cannons. The range includes variants with an off-mount electro-optical director providing 360° awareness. Roles include defeating small boats and contributing to short-range air and UAV defense.

Specialist defense articles have been benchmarking MSI’s naval guns against rival mounts, underscoring the quality of the SEAHAWK line. German press coverage of the Navy’s new program requirements for countering drones and compares leading options such as Rheinmetall’s Sea Snake 30, Leonardo’s Marlin 30, BAE Systems’ 30 mm MGS, and Elbit’s NSG 30. MSI’s SEAHAWK DS sits well in this peer set and is already in service with a dozen of navies (including US and UK), reinforcing its credibility and export appeal.

Links of the 2 websites :

\*[Neue Marineleichtgeschütze für die Flotte » Sicherheit & Verteidigung](#)

\*[Nachfolger Marineleichtgeschütz – neue Flottendienstboote der Deutschen Marine sollen mit Maschinenkanonen bewaffnet werden](#)



## 2. LAND BASED

MSI land offer centres on the TERRAHAWK PALADIN, a modular, remote-controlled VSHORAD (Very Short Range Air Defense System) platform for close-range defense against land, air (notably UAS), and maritime threats. The system mounts 30x173 mm cannons and is designed to integrate additional effectors such as surface-to-air missiles and 70 mm laser-guided rockets. Roles include counter-drone and protection of critical national infrastructure; the architecture is intended for rapid deployment and plug-and-play sensor/effector growth.

The UK's International Fund for Ukraine packages announced in Oct. 2023 included TERRAHAWK PALADIN within an air-defense tranche worth >£70m (part of a wider >£100m support package), explicitly to help track and destroy drones and protect infrastructure.



## 3. SUPPORT SERVICES

MSI operates a dedicated in-house support services team, responsible for over 300 naval gun systems across 22 countries worldwide. MSI is able to offer comprehensive support options tailored to individual customer requirements throughout the life of the product.

Equipment support options & capabilities include: MSI-DS delivered Contractor Logistic Support & Contracting For Availability arrangements, on call 24/7 telephone support, MSI-DS supported customer in-country depot / maintenance facilities, on demand MSI-DS Field Service support, surveys and Line Replaceable Units (LRU) repair and replenishment.

In addition to equipment support MSI-DS provides ongoing training for operators, maintainers and depot support personnel. Courses are tailored to suit the specific customer needs and are run from all parts of the world, either at MSI-DS's UK factory or the customer's own premises.

## Financial analysis FY 2025 (ending April 2025)

The company is profitable since 2002 (except 2020), generating between 0 and 6M€ profit per year between 2002 and 2022. Since 2022, the defense activity start to drive the group growth and profits. The balance sheet is very solid with 23M cash net in 2025, no debt and has always been cash net since the 2000s. The company publishes results twice a year.

### Assets

- \*PPE 30M€
  - \*Inventories 30M€ vs 25M y/y
  - \*Receivables 33M€ vs 29M y/y
  - \*Cash 25M€ vs 35M y/y
- Total assets -> 134M€

### Liabilities

- \*Equity / Retained earnings 60M€
- \*Payables 17M
- \*Contract liabilities 53M -> Contract liabilities relate to amounts invoiced on a contract before performance obligations are met and revenue is recognized (46M will be recognized as sales in 2026 and rest the following 3y)

### Cash Flow

- \*Cash flow from operation -3M vs 36M y/y (with 38M contract liabilities in 2024 linked to upfront payment on new contract)
- \*WC increased 16M in 2025 (+6M inventory + 13M receivables – 3M payables)
- \*contract liabilities increased +2M vs +38M y/y outlining the lack/postponed of new big contracts in FY25, the long sales cycle and the lack of visibility of the timing of orders
- \*CAPEX 3M in PPE vs 5M y/y
- \*FCF use -> buy back 4.5M vs 1.6M y/y, dividend 3.5M vs 2.6M y/y
- \*Capital Allocation (answer from the AGM) -> Good cash reserve in BS of ~30M -> management has historically a very conservative approach and will continue + received lot of upfront payment that need to be invested to convert in sales + no share buyback to expect (9.3% in treasury shares) + possible dividend increase + M&A under consideration (start-ups with techno or expertise or bolt-on acquisition in US or elsewhere)

### P&L group

- \*sales 117M, +7% y/y
- \*EBIT 20M or +33% y/y (vs 15M y/y) vs 21M ebit in my model
- \*EPS 90c (+26% y/y)
- \*R&D cost 2.4M vs 1.1M y/y
- \*Backlog is flat at 140M€ (delays in the placing of substantial defense equipment orders) vs last year growth of +40%
- \*Geographic breakdown 2025 : 20% UK, 40% asia, 25% US, 15% Europe
- \*Geographic breakdown 2024 : 45% UK, 22% asia, 18% US, 12% Europe
- \*Asia sales include Middle East and >90% of those sales comes from Jordanian army
- \*Top 1 customer 37% sales (vs 27% y/y different client)
- \*Customer 2 is 14% sales (vs 21% y/y different client)
- \*Jordanian Army is the Nb1 client in 2025 (37%) and was Nb2 in 2024 (21%)

\*Total board salary is very high at 5,1M€ (CEO 2M, CFO 1,4M, CEO son 1M etc. ) vs 4.6M y/y and compared to 21M€ EBIT group

Defense 70% Sales

\*sales 82M€ (+22% y/y), lower than +40-45% I expected linked to +40% increase in defense backlog the previous year

\*17,7M ebit vs 13M y/y -> +36%

\*21% ebit margin vs 19% y/y

\*Defense is 95% of total group ebit in 2025 vs 75% y/y

\*" It was a record year for export sales, particularly Naval weapons systems for the United States and the first deliveries of Naval weapons systems for the German Navy. We also continued to fulfil various orders from the Middle East for our "VSHORAD" land-based counter drone weapons systems"

\*MSI management said during AGM that MSI has been able to multiply by 4x its capacity on the last few years but without details on sales or volume capacity. Further capacities might be developed in the future.

\*MSI-DS has invested in the 16,000m<sup>2</sup> Norwich site with new production line facilities and continued investment in stores management systems. R&D facilities have been improved with the addition of new test units and additive manufacturing capability for rapid prototyping.

## US and German contracts

MSI have only relatively recently secured the US Navy as a key customer (2023) in regard to supply of MSI's new Mk38 Mod 4 GWS which is a updated (better) version of the Mk38 Mod 2 and 3 supplied by BAE Systems to the US Navy and now being slowly displaced by the MSI version. In 2004, United Defense, later acquired by BAE, won a 400M\$ contract until 2010 for the Mark38 mod 2.

This is a major coup for MSI, such a small defense business, but it did take from the 1990s to secure the deal. The scope of the Mk38 Mod 4 roll-out which is planned to be "fleet wide" over time and hence should be worth many hundreds of millions of USD based on the size of the US naval fleet (hundreds of ships) and number of gun mounts in use.

In late 2023, MSI secured three US Navy awards: (1) a \$49.8m-ceiling Mk38 Mod 4 maintenance contract through June 2028; (2) \$23.5m for a production lot of 30 mm mounts (delivery by Dec-2024); and (3) \$15.8m for Mk48 Mod 2 electro-optical sights (delivery by May-2025). Separately, MSI has received an RFP for another year of 30 mm procurement and is awaiting the result of a five-year follow-on tender. Management believes MSI is well placed; the award previously expected before FY25 year-end has slipped and remains unannounced. The US Army prefers MSI to keep production in the UK to mitigate relocation risk. MSI is also establishing a US weapons support facility alongside its existing US manufacturing footprint (forgings business).

Having now also secured the German Navy is an additional asset and increased credibility and reputation for MSI which should help with visibility and open doors.

## Forward outlook

Management guides that FY2026 will be mixed in terms of growth given US delayed decisions, other government reviews and long sales cycles, but remains very optimistic for FY2027–28, citing (1) progress with the German Navy program, (2) a broadening US pipeline, and (3) strong near-term demand for land-based systems with typical ~12-month delivery. The key factors are orders timing and order-to-revenue conversion timing rather than demand.

## EOS partnership

At the 2025 AGM, MSI announced an MoU with Australia's Electro Optic Systems (EOS) to collaborate on weapons-system optimization/integration. EOS (700M€ mcap) is a listed turnaround company with a new management since 2022, focused on remote weapon systems, counter-drone (incl. lasers) and related technologies. The remote systems division is the core business (95% sales of continued operations) and manufacture counter drone weapon systems, similar products to MSI land based systems. Strategically, the partnership could expand MSI C-UAS ecosystem, de-risk integration on multinational programs and improve demo/production cadence. Risks include overlapping product (partner/competitor dynamics) and maintain MSI margin profile as programs scale.

EOS records a huge performance at ~+500% YTD. MSI fundamentals are stronger (EOS is net debt and not profitable). Moreover, EOS is valued at 7x LTM sales of defense division compared to MSI at 2.3x. MSI management has been very evasive regarding why & how this partnership exists, indicating only that governments encourage companies to form partnerships when they offer similar or complementary products, which seems to be common practice in the defense sector. EOS/MSI collaboration is probably more advanced than suggested at the AGM.

MSI showed 82M€ sales in defense division in 2025 (April 2024 to April 2025), growing +22% y/y, stable backlog (140M€ backlog was released in 2024 annual report) and 17.7M€ EBIT (22% ebit margin) vs 13M y/y. MSI has an headcount of around 450 FTE and cash net of 23M€.

I will stay in GBP to keep the comparison easy and take a conversion rate of 0.5 AUD/GBP vs 0.48 in reality.

EOS showed 83M€ sales in defense in 2024 (same as MSI), growing +6,6% y/y, and -0,7M€ EBITDA (we don't have defense EBIT but total group EBIT is -13M€). EOS shows poor historic of profit, being unprofitable since 2020 and burning a lot of cash since then and still does today. Gross margin is 45–50% and break-even EBITA is at 100M€ sales which should be reached Mid 2026 from management.

EOS has a net debt of 5M€ and an headcount of around 500 FTE.

Satellite disruption solutions activity has been disposed in 2024.

Strong traction in Europe, with ~200 systems in Ukraine and partnership with Diehl Defense in major German tender (R150 system).

The Canberra facility can scale to 300+ systems/year on the existing footprint.

EOS is planning 50-100M€ of CAPEX over the coming years, mainly focused on strengthening its core defense technologies. The bulk will go into Counter-Drone systems (20-30M€ over 1–3 years), with priorities including AI and advanced software development, expanding product range, and global customer demonstrations. Another 20-35M€ is dedicated for High Energy Laser Weapons (2–5 years), only a 5M€ sales activity in 2024, targeting demonstrator units, software integration, and laser component inventory. Rest is for M&A.

EOS is very transparent with financial market and release a very detailed backlog and pipeline with size, advancement stage and geography for contract in defense. As reported 25.02.2025 in the investor presentation, the table below summarizes the commercial pipeline. The pipeline in defense amount between 700M to 900M£. This pipeline represents a proxy to the addressable market of MSI without contracts and opportunities already in MSI backlog/pipeline with the naval end market, where EOS is not present today. It's very difficult to evaluate the addressable market of MSI but EOS is a good proxy for counter drone land based systems, the current most dynamic division. During the AGM, management emphasized on the long sales cycle with long lead time of multiple year in naval compared to only 12 months in land based systems.

For me, both companies can do naval and land based systems but MSI is very strong on Naval and EOS is very strong on land based which is the most growing market.

Region	Product	Size	Opportunity	Maturity
Australia	R400	£40-50m	• Potential to sign in 2025 and benefit 2026 & 2027 revenue	Advanced
North America	R800	£10-15m	• Customer is upgrading legacy Stryker/LAV vehicles for Ukraine donation • Potential to sign & benefit 2025 and future years	Advanced
Europe - Ukrain	R400	~£90m	• EOS has two conditional orders with Ukraine • Final orders depend on Ukrainian budget allocation	Advanced
TOTAL Advanced stage		140 to 155M£		
Middle East	R500	£250m+	• Existing customer, follow-on order • Initial bid submitted, potential contract award in 2026	Evaluation
Middle East	R400 Spares	<£10m	• Existing customer, sustainment contract • Bid submitted, under review	Evaluation
Europe	R400 Marine	<£10m	• Existing customer nation, new product configuration • Bid submitted, discussions ongoing	Evaluation
Australia	R400 Marine Slinger	£7.5-12.5m	• Existing end user • Bid submitted, discussions ongoing	Evaluation
TOTAL Evaluation stage		280M£		
Europe	R150	£50-£150m+	• Competitive process during 2025 and 2026 – new customer • Potential follow-on opportunities with other nations	Preliminary
Europe	R400 Slinger	<£25m	• Follow on orders being pursued with donor nation • End user in Ukraine	Preliminary
North America	R400	<£25m	• New customer, New end user • Bid submitted to large global prime to support vehicle program	Preliminary
Europe	R400	<£25m	• New customer, New end user • Bid submitted to large global prime to support vehicle program	Preliminary
International	R400 Slinger	<£50m	• Potential new customer • Potential to accelerate due to operational requirements	Preliminary
Middle East	R400	<£50m	• Potential new customer • Potential to accelerate due to operational requirements	Preliminary
TOTAL Preliminary stage		225 to 325M£		
Europe	R400 Slinger	£5-£25m	• Potential new customer nation in western Europe • Early stage discussion	Emerging
North America	R400 Slinger	<£25m	• Sample products sold • Targeting initial orders in 2025 & 2026. Market size > 4,000 vehicles	Emerging
Middle East	R800	Up to £50m	• Previous end user / new customer • Vehicle upgrade opportunity – early stage discussions	Emerging
TOTAL Emerging stage		80 to 100M£		

#### Maturity Definition

- Emerging: Initial discussions have occurred
- Preliminary: Bid being prepared or submitted
- Evaluation: Customer is performing assessments of product and/or detailed discussions are underway
- Advanced: Contract under negotiation or negotiated and conditional

### 3 non-core businesses to be sold

Management has announced in the last annual report the review of future strategic priorities for the group. Given the strong growth and potential of defense division, MSI is in process to sell the 3 other legacy division (together or separate) : Forgings, Petrol Station Superstructures, and Corporate Branding. Indications of interest were received (including a later higher offer), but declined as undervaluing the assets. Management is not in a rush and seeks a better price.

In 2019, the 3 businesses generated a total of around 45M£ sales (roughly equally weighted) and 3,4M EBIT. In 2024, 45M£ sales and 1,7M EBIT. In 2025, 35M£ sales and 1M EBIT. 2025 has been a bad year for those cyclical businesses but management is very confident for a recovery and see short term potential on results. Average EBIT of the 3 divisions is 2M£ on past 5y. My expectation is a sale of the 3 businesses later this year or next year at a value around 10-20M£ (8-10x EBIT multiple). Here is a light description of the businesses, with last result explications and prospects.

**Forgings** (14M£ sales and 0.6M£ EBIT 2025) : MSI's long-established producer of steel fork-arms for forklift trucks operates in the UK, US and Brazil, serving the global mobile material-handling industry. Market conditions tightened during the year and many customers reduced purchasing; management also noted uncertainties on steel tariffs, while emphasizing the advantage of MSI's US manufacturing capability. FY25 revenue declined -22% y/y with EBIT margin 4% (vs 6.5% y/y). Management cited a "slow first half" from OEM over-stocking, particularly of low-priced Chinese fork-arms, followed by "a real recovery" in H2. Outlook depends in the cycle in material handling but management says the division is "poised to benefit from the recent upheaval in the market and current recovery in demand."

**Petrol Station Superstructures** (13M£ sales and 1M£ 2025) : Based in the UK and Poland, this mature business is positioning in petrol station forecourt construction and maintenance across the UK and Eastern/Northern Europe. FY25 revenue fell 20% y/y, with EBIT margin 7.3% (vs 12% y/y). The UK performed strongly, completing several substantial, complex "new-to-industry" fuel and convenience hubs on major roads, including EV provisions, and the division "met its short-term financial targets." Polish operations were adversely impacted in H2 by the ongoing war in Ukraine; several projects were cancelled or postponed, yet the unit broke even for the year. Management describes a strong UK pipeline while activity in Eastern Europe remains dependent on developments in the Ukraine war.

**Corporate Branding** (8M sales and -0.6M£ 2025) : The business focuses primarily on petrol-station branding, with operations in the UK, Netherlands and Germany. FY25 revenue declined 4% y/y; EBIT - 0.5m£ (vs -1.4m£ y/y). The UK delivered another year of strong performance and, at the AGM, reported a record order book. Operations in the Netherlands and Germany were restructured to prioritize growing automotive and airport way-finding customers; the Netherlands returned to monthly profit in May and June for the first time in years. Management is confident the UK will continue to flourish with further investment and indicates the re-alignment in continental Europe is proceeding to plan, with activity expected to turn profitable during the year.

## Management and shareholding structure

Management owns 50% of the capital :

\*18% CEO/Chairman, Michael Bell

\*15% CEO ex wife and the daughter of the original business's founder, Adrienne Bell

\*10% recently retired director, David Pyle

\*6.6% ex-CFO, Michael O'Connell

9,3% is held in treasury shares, with >2% bought in H2 2024 to Stonehage Fleming

7.1% is held by Stonehage Fleming via both the AIM Fund & The Opportunities Fund

STONEHAGE FLEMING OPPORTUNITIES FUND and TM STONEHAGE FLEMING AIM FUND are UK based UCITS funds managed by Nick Burchett. Those funds have been forced sellers this year because of UCITS fund rules (max 10% in 1 position). MSI is a ten bagger on last 5 years, becoming 1<sup>st</sup> position of those funds and forced to sell because exceeding 10% weight in the fund. If MSI share price continue to increase in the future, sell pressure from Stonehage is quite probable. In the July monthly report, MSI represents 8,5% weight in portfolio in The Opportunities Fund and 8,8% weight in the AIM Fund.

MSI is a classic family-led small cap. Senior management headed the group for roughly four decades. Michael Bell (79) serves as Executive Chairman and has led the company since the 1980s. His son, Nicholas Bell (50), joined in 1999 and has served on the Board since 2014. Long-time CFO Michael O'Connell (75) retired at the end of 2024 after ~40 years with the company and remains on the Board.

At the 2025 AGM, newly appointed CFO Shelley Ashcroft (39), who joined in 2019 and became a director (new CFO) in January 2025, was elected to the Board. John Meldrum (56), an executive director within the Defense division who joined in 2007, was elected to the Board in July 2025. Non-executive directors Roger Lane-Smith (appointed 1983) and David Hansell (with MSI since 1962, director since 2014) were reappointed. Overall, the moves signal succession planning alongside continuity at the top.

Based on the age of the management, the strategic decision to sell 3 historic activities to become a defense pure player, I can definitely believe that the company could be in preparation to be sold.

Who could be a buyer ? Major European/NATO players seeking to fill a gap in naval and land-based RWS/anti-drone capabilities (e.g., Rheinmetall, Leonardo, BAE Systems, Thales, Kongsberg, etc., and even a mid-cap US player). The advantage : expanding the 30 mm range, adding an integrated C-UAS solution, and capturing the US/NATO aftermarket.

MSI is a credible target for a strategic bolt-on, most likely involving a buyout of the Defense division or a buyout of MSI following the divestment of non-defense activities. The industrial rationale (product, installed base, C-UAS) is clear.

## Risks

Customer concentration. The top customer (Jordanian Army) accounts for ~37% of group sales (No.2 at ~14%). Any pause, cancellation or rebid on large programs (e.g., U.S./NATO naval mounts) would materially affect revenue and cash flow.

Order-timing & visibility. MSI order intake and revenue recognition are dependent to government budget cycles, reviews, and acceptance milestones. Changes in administrations, continuing resolutions, export approvals, or re-prioritization can delay orders and shift revenue out by quarters or years.

Cyclicality vs Super-cycle. Defense spend has strong momentum post-Ukraine, but it remains a policy-driven cycle. A ceasefire, fiscal tightening or shifting priorities could slow orders for naval RWS despite the current uptrend.

Succession & key-man risk. The CEO has led MSI for decades. While the Board has begun succession planning (new CFO on the Board; Defense executive elevated to the Board), execution risk remains if leadership changes are sudden or if customer relationships depend on a few individuals.

Governance & remuneration. £5.1m Board pay vs ~£20m EBIT raises alignment concerns. Poor incentive design can drive value-destructive capital allocation or dissuade new institutional holders.

Working-capital & cash-conversion. Large swings in receivables, inventory and contract liabilities are typical in defense program businesses. If milestone approvals or prepayments slip, free cash flow can underperform EBIT for extended periods.

Regulatory & export controls. UK NSI Act review, UK export licences, and end-user restrictions may delay or block shipments. Violations would be reputationally and financially damaging.

IR & disclosure. Sparse investor communication reduces market understanding and can raise the cost of capital. Limited guidance increases volatility around results and contract news.

## **Valuation & Model**

In term of expectation, I tried to keep it easy and conservative, defense growth of +5% this year and +25% following 2 years, to reflect the unprecise management outlook. The growth rates of +5% and +25% are my estimates and reflect the trend I anticipate but they are difficult to access given the lumpy nature of sales and order accounting. We don't have information on profitability expectation for defense but we see a nice increase on the last 2 years (from low double digit to >20%). For the model, I take the same ebit margin as last year for the next 3 years. Other non-core activities stay at the same sales and ebit margin level except Petrol branding (unprofitable on the past 6 years) which I model at break even on the next 3y based on management comments.

To summarize, we have a 200M mcap growing company with improving margins, EPS might grow +20% CAGR next 3 years. Valuation multiple are very attractive at 9x EBIT FY+1 and 12x PE FY+1, more than 50% discount compared to other defense companies.

Key Financials	Actuals							Estimates		
	27/04/2019	30/04/2020	30/04/2021	30/04/2022	30/04/2023	30/04/2024	30/04/2025	30/04/2026	30/04/2027	30/04/2028
<b>Market Cap</b>	34,0	22,9	26,4	47,4	81,8	147,3	162,3	<b>201,9</b>		
CASH and equivalent	22,9	16,1	17,4	18,1	12,3	35,5	23,7	<b>23,7</b>		
Dette Total	0	1,2	0,5	1,5	1,2	0,8	0,4	<b>0,4</b>		
<b>EV</b>	11,1	8,0	9,6	30,8	70,7	112,6	--	<b>178,6</b>		
<b>Total Revenue</b>	77,7	61,2	61,5	74,5	84,0	109,6	117,5	121,6	143,3	170,3
<b>Growth Over Prior Year</b>	<b>14,1%</b>	<b>-21,3%</b>	<b>0,6%</b>	<b>21,1%</b>	<b>12,7%</b>	<b>30,5%</b>	<b>7,2%</b>	<b>3,5%</b>	<b>17,8%</b>	<b>18,9%</b>
<i>Defence growth</i>	26,7	23,5	27,1	30,2	32,4	67,2	82,4	86,6	108,2	135,3
<i>Forgings growth</i>	15,7	11,5	10,0	16,5	23,3	17,6	13,8	13,8	13,8	13,8
<i>Petrol Station Superstructures growth</i>	15,9	11,9	11,6	14,9	16,3	16,4	13,0	13,0	13,0	13,0
<i>Petrol Station Branding growth</i>	19,5	14,3	12,9	12,9	12,4	9,0	8,3	8,3	8,3	8,3
		-27%	-10%	0%	-4%	-28%	-7%	0%	0%	0%
<b>Gross Profit</b>	21,6	12,9	17,3	20,4	23,4	33,9	40,0	--	--	--
<b>Margin %</b>	<b>27,8%</b>	<b>21,1%</b>	<b>28,1%</b>	<b>27,4%</b>	<b>27,9%</b>	<b>30,9%</b>	<b>34,0%</b>	--	--	--
<b>EBITDA</b>	6,7	(0,7)	3,9	7,1	7,1	16,8	21,3	--	--	--
<b>Margin %</b>	<b>8,6%</b>	<b>-1,2%</b>	<b>6,3%</b>	<b>9,6%</b>	<b>8,5%</b>	<b>15,3%</b>	<b>18,1%</b>	--	--	--
<b>EBIT</b>	5,0	(3,0)	2,0	5,2	4,8	14,6	18,7	20,2	25,3	31,2
<b>Margin %</b>	<b>6,4%</b>	<b>(4,9%)</b>	<b>3,2%</b>	<b>6,9%</b>	<b>5,7%</b>	<b>13,3%</b>	<b>15,9%</b>	<b>16,6%</b>	<b>17,6%</b>	<b>18,3%</b>
<i>Defence margin</i>	2,8	(0,3)	2,6	4,1	2,0	13,0	17,7	18,7	23,8	29,8
<i>Forgings margin</i>	(0,4)	(0,3)	0,4	2,2	3,9	1,1	0,6	0,6	0,6	0,6
<i>Petrol Station Superstructures margin</i>	2,1	0,0	0,4	1,1	2,1	2,0	1,0	0,9	0,9	0,9
<i>Petrol Station Branding margin</i>	1,7	(2,5)	(1,7)	(1,3)	(2,7)	(1,4)	(0,6)	0	0	0
	9%	-17%	-13%	-10%	-22%	-16%	-7%	0%	0%	0%
<b>Net Income</b>	3,8	(2,5)	1,2	4,9	4,1	11,5	14,5	16,1	20,2	25,0
<b>Margin %</b>	<b>4,9%</b>	<b>(4,1%)</b>	<b>1,9%</b>	<b>6,6%</b>	<b>4,9%</b>	<b>10,5%</b>	<b>12,4%</b>	<b>13,3%</b>	<b>14,1%</b>	<b>14,7%</b>
<b>Growth Over Prior Year</b>	<b>12,7%</b>	<b>(165,3%)</b>	<b>(147,3%)</b>	<b>319,0%</b>	<b>(16,6%)</b>	<b>179,5%</b>	<b>26,4%</b>	<b>11,0%</b>	<b>25,3%</b>	<b>23,6%</b>
<b>Cash Flow Statement</b>										
Cash from Operation	9,1	(3,3)	9,8	(0,1)	(0,5)	36,6	(3,2)	--	--	--
Capex	(0,9)	(0,7)	(0,8)	(2,7)	(2,0)	(4,9)	(3,7)	--	--	--
Free Cash Flow	8,2	(4,0)	9,0	(2,8)	(2,4)	31,7	(7,0)	--	--	--
Capital Increase	0	0	0	0	0	0	0	--	--	--
<b>Balance Sheet</b>										
Total Assets	70,4	66,4	74,4	80,6	79,3	128,7	134,1	--	--	--
Total Debt	0	1,2	0,5	1,5	1,2	0,8	0,4	--	--	--
Total Equity	35,8	30,1	31,0	38,6	41,1	50,8	61,2	--	--	--
CASH and equivalent	22,9	16,1	17,4	18,1	12,3	35,5	23,7	--	--	--
Inventories	12,6	15,9	12,4	16,3	24,8	25,3	30,7	--	--	--
WRC	14,2	16,0	15,7	19,5	23,2	33,7	50,0	--	--	--
<b>Ratio</b>										
ROCE	10,5%	--	3,8%	13,2%	9,9%	22,0%	22,4%	--	--	--
ROE	11,0%	-7,6%	3,8%	14,2%	10,3%	25,0%	26,0%	--	--	--
<b>Valuation</b>										
EV / Total Revenue	0,2x	0,1x	0,2x	0,4x	1,1x	1,2x	1,5x	<b>1,5x</b>	<b>1,2x</b>	<b>1,0x</b>
EV / EBIT	2,7x	--	7,5x	6,2x	18,6x	9,1x	9,1x	<b>8,9x</b>	<b>7,1x</b>	<b>5,7x</b>
PE Ratio	54,4x	--	176,4x	40,0x	46,6x	20,2x	14,4x	<b>12,5x</b>	<b>10,0x</b>	<b>8,1x</b>

Aerospace & Defense			Valuation Multiple				Fundamentals					Price momentum		
Name	Country	Market cap (M EUR)	EWBEI T 25	EWBEI T 26	PE 25	PE 26	Sales growth 2025	Sales growth 2026	EBIT margin 2024	EPS growth 2025	EPS growth 2026	YTD	since 2023	since 2022
Europe Large														
SAFRAN SA	FR	118 787	23,3	19,9	34,2	27,0	12%	12%	15%		8%	32%	140%	160%
THALES SA	FR	45 616	17,6	15,5	23,6	20,2	7%	7%	12%	7%	23%	60%	86%	196%
BAE SYSTEMS PLC	GB	60 887	17,9	16,3	23,3	20,9	14%	7%	10%	6%	11%	53%	105%	219%
ROLLS-ROYCE HOLDINGS GB	GB	104 037	27,6	24,2	36,9	34,0	1%	9%	13%	15%		88%	1047%	770%
MELROSE INDUSTRIES PLC	GB	8 693	14,4	12,0	18,4	15,0	-1%	8%	15%		8%	7%	107%	74%
RHEINMETALL AG	GE	78 710	40,9	27,4	59,4	39,8	29%	34%	14%	77%	50%	178%	820%	1960%
LEONARDO SPA	IT	27 381	17,9	14,8	25,3	21,5	7%	9%	8%	1%	20%	83%	488%	652%
DASSAULT AVIATION SA	FR	21 230	19,8	15,0	20,5	15,8	10%	27%	8%	3%	34%	37%	71%	185%
SAAB AB-B	SW	24 530	36,4	29,3	46,3	37,7	23%	16%	9%	44%	24%	113%	385%	765%
MTU AERO ENGINES AG	GE	19 764	16,4	15,2	21,3	20,2	16%	9%	14%	39%	6%	14%	82%	105%
KONGSBERG GRUPPEN A ND	NO	22 020	28,7	25,6	35,8	32,7	20%	16%	13%	41%	10%	15%	254%	415%
Europe Small <4B mcap														
HENSOLDT AG	GE	10 343	38,1	28,7	55,5	41,6	14%	14%	12%	40%	50%	160%	305%	615%
CHEMIRING GROUP PLC	GB	1691	21,0	18,4	27,3	23,5	4%	11%	14%	35%	17%	64%	81%	82%
COHORT PLC	GB	713	14,0	12,0	28,6	22,1	5%	8%	11%	6%	17%	21%	162%	147%
INVISIO AB	DE	1304	37,5	25,5	52,6	35,6	6%	22%	20%		48%	15%	92%	93%
EXOSENS SAS	FR	1851	16,9	14,5	23,8	19,3	19%	13%	24%	125%	29%	88%		
MILDEF GROUP AB	SW	658	24,6	15,2	32,5	21,0	102%	28%	-4%		58%	23%	91%	194%
RENK GROUP AG	GE	6 390	32,2	24,6	47,9	36,2	19%	19%	14%	101%	46%	251%		
CEOTRONICS AG	GER	95	14,4	12,1	19,8	16,7	91%		9%	1716%		106%	171%	214%
BABCOCK INTL GROUP PLC BRIT	GB	6 248	16,1	14,7	22,2	20,2	1%	5%	6%	7%	9%	115%	281%	237%
ELECTRO OPTIC SYSTEMS AUS	AU	778				360,0	-19%	44%	<0%			456%	1385%	209%
US														
RTX CORP	US	181 850	22,7	20,2	26,5	23,8	-2%	6%	12%	35%	16%	37%	57%	84%
LOCKHEED MARTIN CORP US	US	90 084	16,2	13,3	20,5	15,4	-3%	4%	12%		30%	-8%	-8%	26%
GENERAL DYNAMICS CORP US	US	74 612	17,6	16,0	21,2	19,0	-1%	4%	10%	1%	10%	23%	30%	55%
TRANSRIG GROUP INC US	US	61 903	22,7	19,8	34,6	30,0	2%	10%	46%	6%	17%	8%	103%	101%
NORTHROP GRUMMAN CO US	US	71 482	21,2	19,2	22,9	20,1	-5%	5%	11%		11%	24%	6%	50%
L3HARRIS TECHNOLOGIES US	US	43 906	18,4	16,8	26,0	21,6	-6%	6%	16%	12%	22%	30%	31%	28%
HOWMET AEROSPACE INC US	US	60 441	35,3	30,0	48,1	40,3	2%	11%	22%	19%	17%	60%	343%	448%
HEICO CORP	US	33 179	40,8	36,0	67,0	59,7	7%	10%	22%	21%	12%	34%	108%	121%
TEXTRON INC	US	12 204	11,3	10,4	13,0	11,5	1%	5%	9%	8%	11%	4%	13%	3%
WOODWARD INC	US	12 600	28,1	23,6	37,1	31,4	-3%	9%	15%	3%	15%	47%	153%	123%
CURTISS-WRIGHT CORP US	US	15 473	28,5	25,3	37,0	33,9	2%	7%	17%	10%	10%	35%	186%	245%
HUNTINGTON INGALLS INC US	US	9 081	19,8	17,1	18,0	16,2	-4%	5%	5%		14%	43%	17%	44%
		average	23,6	19,6	31,9	36,1	11%	12%	14%	92%	21%	68%	226%	271%
		median	21,0	17,6	26,5	22,8	4%	9%	13%	13%	17%	37%	106%	154%
<b>MS INTERNATIONAL</b>	<b>GB</b>	<b>233</b>	8,9	7,1	12,5	10,0	4%	18%	16%	11%	25%	34%	86%	474%
discount over median			-58%	-60%	-53%	-56%								

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