

# Theon International

## Roadmap for growth

Theon International has set out a clear roadmap for growth at the recent capital markets event with a medium-term ambition of c €1bn of revenue and strong financial returns. This should promote Theon into a truly global high-technology specialist defence business while also providing attractive financial dynamics.

Year end	Revenue (€m)	PBT (€m)	EPS (Euc)	DPS (Euc)	P/E (x)	Yield (%)
12/23	218.7	49.9	-	0.00		N/A
12/24	352.4	86.7	98.00	34.00	29.3	1.2
12/25e	440.0	105.2	114.00	39.90	25.2	1.4
12/26e	580.2	130.5	141.00	49.35	20.4	1.7

Note: PBT and EPS are normalised, excluding exceptional items and share-based payments.

## Financial targets

Management has guided to FY25 revenues of €435–445m and FY26 revenues of €570–590m, along with a medium-term target of c €1bn. The target is to be achieved through a combination of at least 15% organic growth supplemented by acquisitions. In terms of underlying operating margins, the medium-term target remains 'mid 20s'. We note that no short-term guidance has been provided, due to regulatory constraints with regard to the current fund-raising planned to support the investment in Exosens.

## Growth drivers

End-market growth is set to be strong as global defence spend increases, with management expecting the optronics sector to grow at a CAGR of 10.6% per year from FY25 to FY30 in the dismounted (ie soldier) segment and 12.1% per year in the platform (ie mounted vehicle) segment. Theon's key market, dismounted, is set to benefit from rising troop numbers and the increasing penetration of night vision goggles. Theon's new product roadmap increases the value per unit for the group's core dismounted system, incorporating night vision and thermal systems along with communications and enhanced precision targeting capabilities. Platforms is a new segment for Theon; it is complementary but requires additional product scale and functionality. The recently announced multi-sensor gimbals [contract](#) suggests these new products are starting to gain traction. A further key leg for growth is geographical expansion. Theon has a strong European base (70% of the current €700m order backlog), yet Europe only accounts for c 25% of global defence spend.

## Building supporting capabilities

Internal growth is supported by investment, including c 4% of sales on capex and 1.4% of revenues on R&D. Acquisitions, including strategic investments, also provide a key element to the strategy, bringing additional technologies that Theon does not possess in-house, and providing geographical reach, critical to complying with local content requirements, and vertical integration to ensure internal capabilities in both manufacturing and aftermarket support.

## Valuation

Our [valuation](#) remains unchanged at €32.5 a share.

## Capital markets day

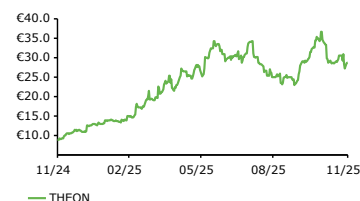
Aerospace and defence

11 November 2025

**Price** €28.70  
**Market cap** €1,901m

Net cash at 30 September 2025 €0.5m  
 Shares in issue 70.0m  
 Free float 30.0%  
 Code THEON  
 Primary exchange AEX  
 Secondary exchange N/A

### Share price performance



%	1m	3m	12m
Abs	(21.3)	4.0	198.8
52-week high/low		€37.0	€8.5

### Business description

Theon International develops and manufactures customisable night vision and thermal imaging systems, primarily for military and security applications. These optoelectronic devices are developed for both man-portable and platform applications.

### Next events

FY25 preliminary results February 2026

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## Introduction

Theon's capital markets day set out the routes to achieving management's ambitious target to grow the business from sales of €435–445m in FY25, as per recent upgraded guidance, to €1bn in the medium term through a combination of organic growth in excess of 15% supplemented by acquisitions. Management is also targeting operating margins in the mid-20% range, similar to our expectations for FY25. Note that management is unable to provide short-term margin guidance until the financing of the Exosens investment is complete.

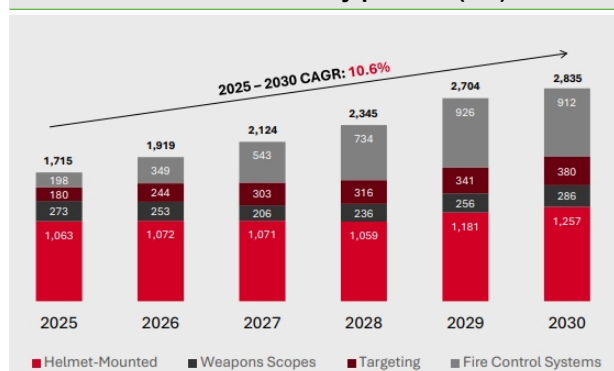
We see four key strands of the strategy: market growth, new product development, geographical expansion and acquisitions. Our key takeaways from the capital markets day are presented in this document.

## Market growth

Defence spend is increasing globally in the light of recent conflicts. 2024 global spend grew 9.4% (source: Stockholm International Peace Research Institute, SIPRI) with commitments such as the recent NATO pledge to invest 5% of GDP annually on core defence and security requirements by 2035, including at least 3.5% on defence expenditure, suggesting this trend is set to continue.

Theon's core market is for dismounted optronics. Exhibit 1 highlights an anticipated CAGR of 10.6% per year to the end of the decade. In particular, we note the growth in fire control systems, a relatively new segment. Exhibit 2 provides a geographic perspective. Growth is expected to be driven by a combination of rising ground forces and increasing penetration (systems per soldier). The exception is the US, where penetration is high but where there is currently an upgrade cycle taking place.

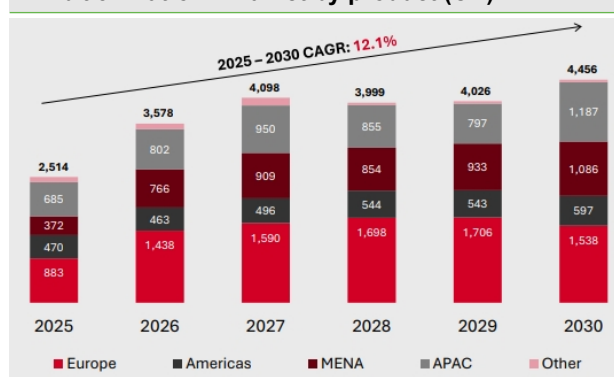
**Exhibit 1: Dismount market by product (€m)**



Source: Theon International capital markets presentation

The platform, or on-vehicle, market is expected to show faster underlying growth. From Theon's perspective, this is a new market opportunity. The critical factor will be successful penetration of new products, albeit a positive market backdrop should also assist.

**Exhibit 3: Platform market by product (€m)**



Source: Theon International capital markets day presentation

**Exhibit 2: Night vision market**

	Market opportunity (€m)	Number of soldiers	Penetration
Europe	2.3	1.5m to grow 300,000 by 2030	30%
Asia	1.4	1.8m plus 7.5m reserves	20%
Middle East/Africa	1.3	3.0m to grow by 1.0m by 2030	10%
Americas	1.2	US 1.3m plus 760 national guard	100%
		Other 1.0m	10%

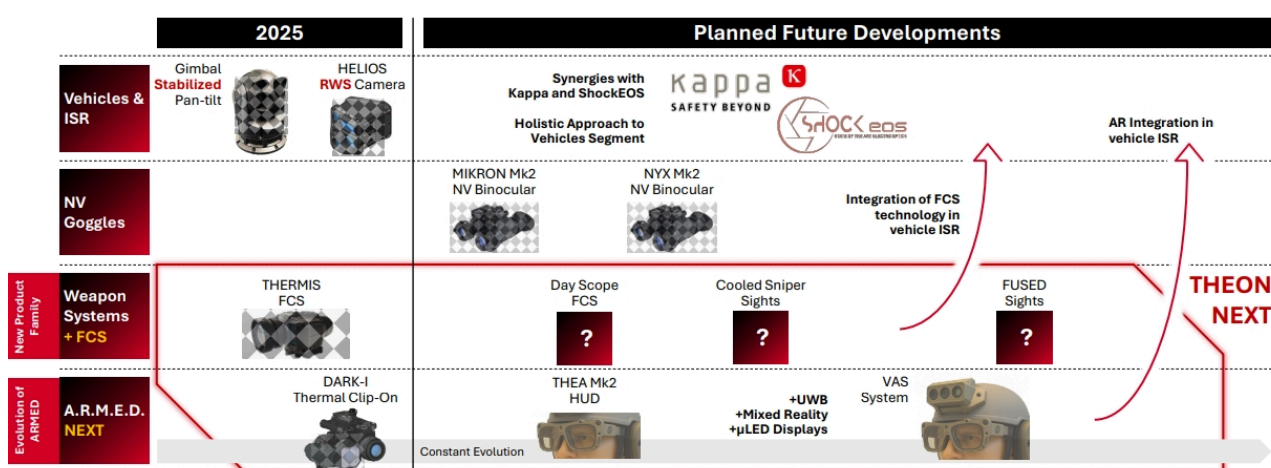
Source: Theon International capital markets day

## New product development

Theon is looking to develop products in two key areas: dismounted (the traditional soldier) and platform (vehicle-mounted equipment):

- Dismounted. Modern warfare requires increased integration and communication as data becomes a critical tactical advantage. Theon's Augmented Reality Modular Ecosystem of Devices (A.R.M.E.D) starts by combining night vision and thermal imaging and integrating this with communications systems, including voice, to provide the soldier (and HQ) with maximum information. The final stage is to integrate the information into 'fire control' systems to improve accuracy, thereby reducing both time to nullify a target and the amount of ammunition consumed.
- Platform. Utilising similar night vision and thermal technology, mounted systems require additional range, robustness and functionality, such as the ability to operate on the move. Advanced communication and remote weapons systems already incorporated into such platforms are increasingly required to be integrated into the vision systems.

**Exhibit 4: New product roadmap**



Source: Theon International

These new products require significant development and additional technologies. Acquiring these, either through investments, collaborations or co-development initiatives, is a key element in Theon's NEXT initiative. Recent announcements along this path include:

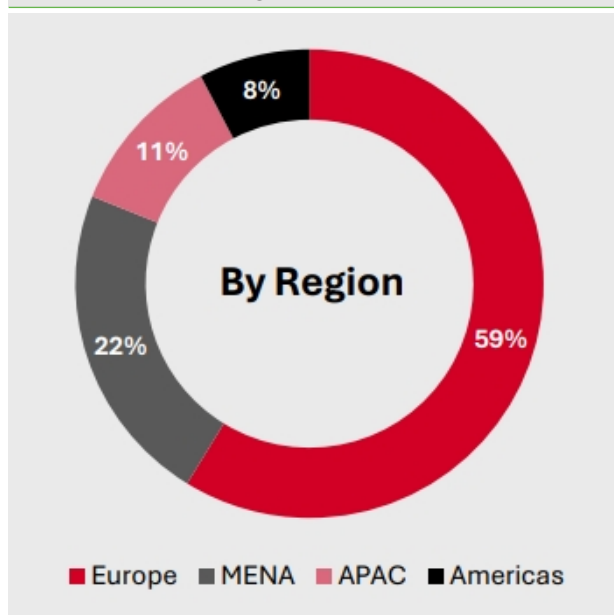
- Kopin Corporation, a US-based defence micro-display and sub-system specialist.
- eMagin, a US-based manufacturer of OLED micro-displays and virtual imaging technologies specialising in high-resolution displays for military aviation, night vision, AR/VR (augmented reality/virtual reality) and other near-eye imaging applications.
- Alereon, a US-based leader in ultrawide-band wireless technology offering a battle-proven intra-soldier communication protocol enabling secure, jam-resistant communication between devices.
- Varjo Technologies, a Finnish company specialising in military-grade VR) and mixed reality (MR) hardware and software for headsets and other applications.
- ShockEOS, a South African-based world-class design and engineering partner for the global aerospace and defence sector.

## Geographical expansion

Theon claims to have a market-leading position in Europe, which, as Exhibit 5 shows, remains the key market for the group at present. With Europe accounting for 25.4% of global defence spend in 2024 (source: SIPRI), there is significant

scope for expansion, even taking into account the operational challenges in serving the largest market, the US (36.6%), and other countries such as China (11.6%) and Russia (5.5%), which are clearly off limits.

**Exhibit 5: Soft backlog (total €700m)**



Source: Theon International

With an international sales network in place, the key is establishing a local presence through physical investment and joint ventures etc, which is often a pre-requisite, particularly in the US, to winning defence contracts. Theon currently has a number of such platforms:

- Elbit agreement in the US for the assembly of goggles for US marines using Theon kits and Elbit tubes.
- EOTECH assembly agreement targeting non-military (fire, rescue and security) markets.
- United Arab Emirates and Saudi Arabian small, established trading companies.
- Theon Korea, formed through the acquisition of Focus Optech, with access to a local subcontractor.

Note that Theon continues to invest in its Europe infrastructure. This is highlighted by the acquisition and investment in Andres to support contracts for the Belgium government and recent investments by Harder Digital in Latvia to expand manufacturing and provide local support for the Baltic region.

## Acquisitions

Theon's acquisition strategy has been multi-stranded:

- Vertical integration ensuring supply of key components. In particular, Harder Digital, as a key manufacturer of image intensifier tubes, fits into this category as, to an extent, does the investment into Exosens.
- Technical capabilities outside of Theon's core strengths but required for the expanding new product functionality and categories.
- Geographical expansion to support the growth of the business.

Management intend to deliver this strategy within financial discipline, ensuring accretive financial contribution and maintaining a strong balance sheet with leverage target: Net Debt/ EBITDA < 2.5x.

We expect the two significant acquisitions since the IPO (Harder Digital and Kappa) to account for over 10% of revenues in FY26, suggesting a c 5% annual uplift in sales from acquisitions to supplement the targeted organic growth of 15%.

**Exhibit 6: Acquisitions and key investments since IPO**

Date	Company	Price/investment	Holding	Activity
Oct-24	Harder Digital	€34m	1	IIT manufacturer
Jul-25	Andres	€1.1m	0	Compact thermal imaging devices
Aug-25	Kappa	€75m	1	Specialist Vision Systems
Aug-25	Kopin	\$15	1–2%	High-resolution micro-displays
Aug-25	Varjo	€5m	N/A	Virtual reality (VR) and mixed reality (MR) headsets
Oct-25	Exosens	€268.7m	0	Optical sensor manufacturer including IITs
Nov-25	ShockEOS	N/A	0	Design and engineering of advanced electro-optic solutions

Source: Theon. Note: IIT - image intensifier tube.

**Exhibit 7: Financial summary**

€m	2022	2023	2024	2025e	2026e
Year end 31 December	IFRS	IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>					
Revenue	142.9	218.7	352.4	440.0	580.2
Cost of Sales	(92.7)	(148.5)	(243.2)	(297.9)	(396.3)
Gross Profit	50.2	70.2	109.2	142.1	183.9
EBITDA	41.7	57.2	89.4	115.8	145.5
Normalised operating profit	40.2	55.7	86.9	105.2	132.4
Reported operating profit	40.2	55.7	86.9	105.2	132.4
Joint ventures & associates (post tax)	0.0	0.6	2.4	0.0	0.0
Net Interest	(2.5)	(6.5)	(2.6)	0.0	(1.9)
Profit Before Tax (norm)	37.8	49.9	86.7	105.2	130.5
Profit Before Tax (reported)	37.8	49.9	86.7	105.2	130.5
Reported tax	(7.8)	(13.8)	(19.3)	(24.2)	(30.0)
Profit After Tax (norm)	30.0	36.1	67.3	81.0	100.5
Profit After Tax (reported)	30.0	36.1	67.4	81.0	100.5
Minority interests	0.0	0.0	0.0	(1.5)	(2.0)
Net income (normalised)	30.0	36.1	67.3	79.5	98.5
Net income (reported)	30.0	36.1	67.4	79.5	98.5
Basic average number of shares outstanding (m)	20	60	67	70	70
EPS - basic normalised (c)			98	114	141
EPS - basic reported (c)			100	114	141
Dividend (c)	0.00	0.00	34.00	39.90	49.35
Revenue growth (%)	77.4	53.1	61.1	24.9	31.9
Gross Margin (%)	35.1	32.1	31.0	32.3	31.7
EBITDA Margin (%)	29.2	26.1	25.4	26.3	25.1
Normalised Operating Margin (%)	28.2	25.5	25.0	23.9	22.8
<b>BALANCE SHEET</b>					
Fixed Assets	22.0	21.7	60.9	80.7	98.8
Intangible Assets	0.8	1.5	22.1	24.4	26.7
Tangible Assets	10.6	17.4	32.4	49.1	64.2
Investments & other	10.6	2.9	6.4	7.1	7.8
Current Assets	135.4	188.8	331.5	332.2	464.6
Stocks	34.0	63.6	75.9	94.8	125.0
Debtors	68.0	46.1	133.6	166.8	219.9
Cash & cash equivalents	24.0	65.6	117.8	66.4	115.5
Other	9.3	13.4	4.2	4.2	4.2
Current Liabilities	(89.1)	(100.1)	(107.6)	(104.9)	(125.7)
Creditors	(24.0)	(41.8)	(36.4)	(45.4)	(59.9)
Tax and social security	(6.1)	(8.0)	(14.8)	(17.2)	(20.2)
Short-term borrowings	(31.0)	(32.4)	(34.9)	(28.3)	(28.3)
Other	(28.1)	(17.9)	(21.4)	(14.0)	(17.3)
Long-Term Liabilities	(4.0)	(33.0)	(48.7)	(26.9)	(92.7)
Long-term borrowings	(3.1)	(32.1)	(46.8)	(46.8)	(46.8)
Other long-term liabilities	(0.9)	(0.9)	(1.9)	19.8	(45.9)
Net Assets	64.3	77.5	236.2	281.1	345.0
Minority interests	0.0	0.0	(11.8)	(11.8)	(11.8)
Shareholders' equity	64.3	77.5	224.4	269.2	333.2
<b>CASH FLOW</b>					
Op Cash Flow before WC and tax	41.7	57.2	89.4	115.8	145.5
Working capital	(44.1)	(8.6)	(101.4)	(16.8)	(24.5)
Exceptional & other	0.0	0.4	2.9	(2.0)	(3.0)
Tax	(3.7)	(11.3)	(13.5)	(21.8)	(27.0)
Net operating cash flow	(6.1)	37.7	(22.7)	75.2	90.9
Capex (net)	(3.7)	(7.6)	(8.7)	(20.0)	(20.0)
Acquisitions/disposals	(0.3)	(0.5)	0.0	(75.0)	0.0
Net interest	(0.2)	(2.0)	(0.6)	0.0	(1.9)
Equity financing	0.0	0.0	92.2	(6.7)	0.0
Dividends	0.0	(10.0)	(14.4)	(23.8)	(27.9)
Net Cash Flow	(10.3)	17.6	45.9	(50.3)	41.1
Opening net debt/(cash)	(9.0)	10.0	(0.8)	(41.7)	8.6
FX	0.0	(0.4)	0.0	0.0	0.0
Other non-cash movements	(8.7)	(6.4)	(5.0)	0.0	8.0
Closing net debt/(cash)	10.0	(0.8)	(41.7)	8.6	(40.5)

Source: Theon International, Edison Investment Research

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