

OUR STRATEGY



The strength of our decentralised, engineering-led model lies in its ability to combine local agility with Group scale, enabling our businesses to deliver differentiated solutions and respond to customers' needs quickly while driving operational efficiencies. It positions us well to deliver sustained organic and acquisition-led growth in structurally attractive markets."

Nick Jefferies
Group Chief Executive

Our strategic context

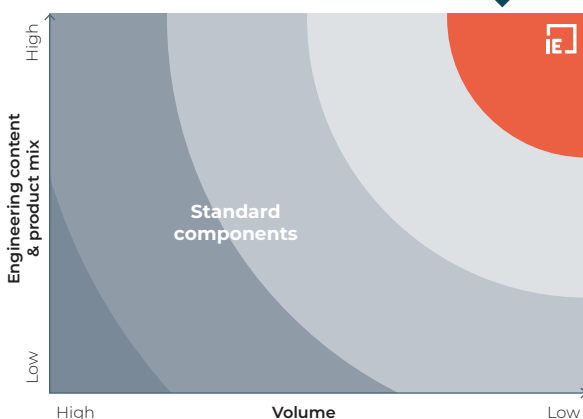
The global market for non-semiconductor-related electronic components is valued at approximately \$300 billion¹. Within this, we operate in a niche segment: custom-designed industrial electronics. The total serviceable available market of industrial electronic components is estimated at around \$30 billion¹ and is growing steadily at 5–6% per year¹.

This market is dominated by custom-made components. The low-volume, high-mix nature of these products offers limited advantage to companies focused on standard components. As a result, the market remains highly fragmented, with many small, subscale local operators and relatively few large-scale players. This fragmentation represents significant opportunities for discoverIE to grow, both organically and through acquisitions.

Non-semiconductor-related electronic components market estimated at \$300bn

Total serviceable available market for industrial electronic components: c.\$30bn p.a.

- Highly fragmented
- Many small, subscale operators
- Differentiated, application-specific products
- Typically custom-designed
- Quality and performance over price
- Typically ordered in small batches



Our strategic aim

Our goal is to grow our presence in custom electronics by focusing on markets with sustained, long-term growth. These markets are underpinned by megatrends, such as digitalisation, decarbonisation, heightened security requirements, and the increasing electronic content of industrial systems. These are the sectors where our products are essential and demand is rising.

Our strategy aligns our portfolio of businesses with these market dynamics. By leveraging efficiencies and synergies across our business clusters, we unlock greater value and accelerate growth.

We will deliver this strategy through a motivated, entrepreneurial and empowered workforce, operating to the highest ethical and quality standards.

Our strategic priorities

Our strategy centres on growing organically and through acquisitions, whilst generating efficiencies and reducing environmental impact. This approach has remained more or less the same and has proven to be effective over the years. We remain committed to it, with a clear focus on the four core strategic priorities:

¹ Company's estimates



Grow sales well ahead of GDP



Acquire highly differentiated businesses



Generate efficiencies



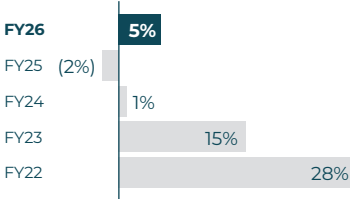
Reduce environmental impact

► Read more about our strategic pillars on **pages 12 to 13**

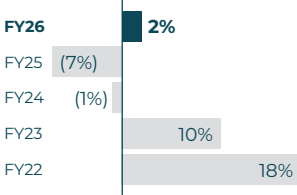
KEY STRATEGIC INDICATORS

A Sales growth

Target **Well ahead of GDP CER**



Organic



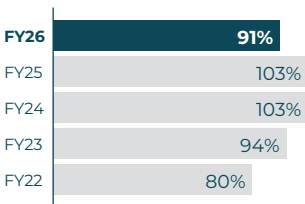
Commentary

Sales growth resumed as customers' order patterns and inventory levels normalised. Over the last decade, sales have grown by c.5% CAGR organically.

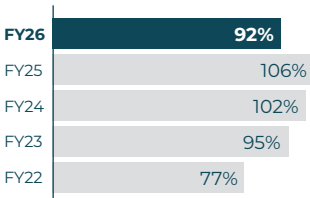
D Cash conversion

Target **>85%**

Adjusted operating cash flow conversion



Free cash flow conversion

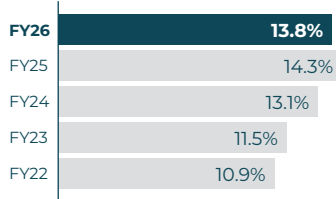


Commentary

In the past 10 years, both adjusted operating cash and free cash conversions have been consistently strong, averaging around 100% through-cycle, reflecting low capital expenditure requirements and efficient working capital.

B Adjusted operating margin

Target **17%**

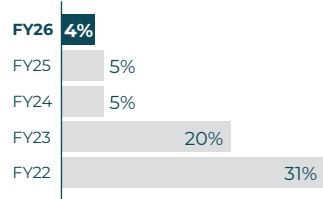


Commentary

Adjusted operating margin was 0.5 ppts lower than last year due to increased investment in engineering and sales capacity and additional manufacturing capacity to support future growth. Since FY14, adjusted operating margin has increased by 10 ppts with approximately half coming from organic improvement and half from higher margin acquisitions.

C Adjusted earnings per share growth

Target **>10%**

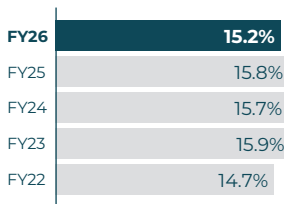


Commentary

Following a return to organic sales growth and with operational investment to support future growth, adjusted operating profit for the year increased by 1% at constant exchange rates ("CER"), with adjusted EPS increasing by 4%. In total, the Group has grown its adjusted EPS by 14% CAGR over the past 10 years.

E Return on capital employed

Target **>15%**

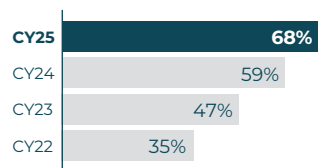


Commentary

ROCE for the year was slightly below last year but above our target. The rate of Group ROCE improvement is tempered by acquisitions in the short term, but is expected to benefit from their contribution over the longer term as their additional growth compounds. We acquire businesses with long-term growth prospects that are expected to generate high returns over time. For example, the businesses acquired up to FY 2017/18 generated 28% ROCE this year. We expect this to continue and for acquisitions made more recently to grow similarly.

F Carbon emissions reduction

Target **65%**



Commentary

Our medium-term target was a 65% absolute reduction in Scope 1 and 2 emissions in CY2025 versus the CY2021 baseline. In CY2025, we exceeded this target, reducing Scope 1 and 2 emissions by 68%, paving the way to net-zero Scope 1 and 2 emissions by CY2030. This reduction was achieved primarily by switching to clean or renewable electricity. 85% of our electricity consumption now comes from renewable or clean sources.

OUR STRATEGY CONTINUED

Key strategic indicators

- A Sales growth
- B Adjusted operating margin
- C Adjusted EPS growth
- D Cash conversion
- E Return on capital employed
- F Carbon emissions reduction

Grow sales well ahead of GDP

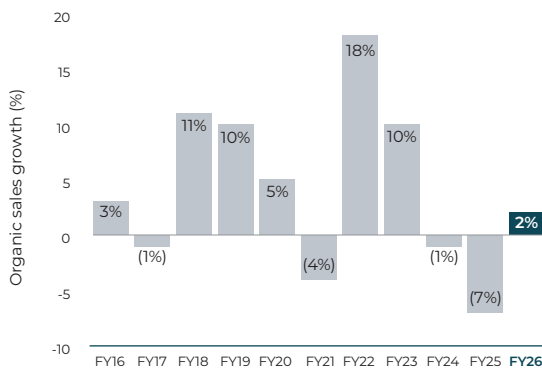
We aim to grow sales well ahead of GDP through the economic cycle by focusing on sustainable, structural growth markets, namely renewable energy, transportation, medical, security, and industrial & connectivity – each of which is projected to grow faster than global GDP. Learn more about the growth drivers for these markets on pages 22 to 23.

Being in the right markets is only part of the equation. We drive sales growth by focusing on two areas: product innovation and commercial discipline. On the innovation front, we direct our engineering time towards developing differentiated products built on commercially proven technologies to maximise return on investment. Our commercial discipline is reflected in how we manage our design pipeline. We are selective, focusing on design opportunities that demand unique, value-added solutions and that offer long-term profitable revenue potential. These quality design wins translate into consistent, high-margin growth over time.

Progress to date

The industrial sector experienced a prolonged and steep destocking period between 2023 and 2025 as the pandemic-induced inventory surpluses unwind. Although destocking in most of the end markets ended in the second half of 2025, demand recovery has been slow due to the uncertainty around the US tariffs introduced in April 2025. In FY 2025/26, Group sales increased by 5% CER and 2% organically. Despite the temporary headwinds, our through-cycle organic growth in the past ten years, averaging 4% per annum, remains well ahead of the GDP growth rate in our core markets of developed economies.

Organic sales growth



Link to KSI



Link to Risk



Acquire high-quality businesses

Acquisition is an essential part of our growth strategy. The niche, customised electronic components market is highly fragmented, offering opportunities for consolidation and value creation.

We target businesses that embody the core characteristics we define as the discoverIE DNA. These include:

- Design & manufacture of electronic components, modules or systems
- Differentiated, value-added products and solutions
- Supplying original equipment manufacturers
- Long-life products with repeat revenues
- Operating in markets with excellent growth prospects
- Strong cash generation and capital-light business models
- Ambitious, capable management with entrepreneurial spirit

We have a well-established approach to acquisitions and portfolio management. By taking a long-term approach to creating compounding organic growth in acquired businesses, as well as actively managing the overall portfolio, the Group consistently generates substantial value.

Progress to date

Since our first design and manufacture acquisition in 2011, we have invested over £550m in 30 acquisitions, over a quarter of which have taken place in the past three years alone. Group sales have grown from £10m in FY 2009/10 to £443m today. Our strong track record in acquisitions stems both from identifying the right businesses and our ability to enhance their performance over time. This is evident in the consistent return on capital employed. Between FY 2020/21 and FY 2025/26, the Group delivered on average 15.3% ROCE.

Acquisition geography



Link to KSI



Link to Risk



Risks

- 1 Market, geopolitical and trade environment
- 2 Business acquisition under-performance
- 3 Climate-related risks
- 4 Cyber security and digital resilience
- 5 Customer demand, key customer and end-market risk
- 6 Supply chain resilience
- 7 Technology, innovation and product relevance
- 8 Major business disruption
- 9 Loss of key personnel
- 10 Product quality and liability
- 11 Financial Controls and Reporting
- 12 Liquidity and financing
- 13 Foreign currency
- 14 Legal, regulatory, and compliance

Generate efficiencies

We achieve efficiencies in three areas: pricing, manufacturing and operating leverage.

Pricing for value – Our value-based pricing strategy is built on the product differentiation and substantial value we provide. Whether developing bespoke solutions for unique applications or improving existing ones for broader use, our technical expertise and know-how enable customers to achieve their desired outcomes. This value add is increasingly reflected in our rising contribution margins.

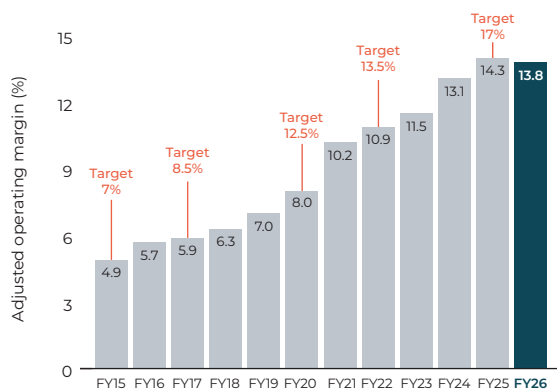
Manufacturing efficiencies – Many of our acquisitions bring manufacturing capabilities into the Group. With over 40 production facilities worldwide, we continuously optimise our manufacturing footprint. This includes consolidating sites and sharing capacity in similar locations, relocating production to achieve cost or volume efficiencies, or to position manufacturing closer to customers to improve responsiveness and cost-effectiveness.

Operating leverage – As the Group grows, we maintain a disciplined approach to cost management through phased investment and strategic resource allocation. Our clustering model also makes it easier to identify synergies. Learn more about clustering on pages 16 and 17. As scale increases, our drop-through rate will continue to rise, reflecting strong operating leverage.

Progress to date

In FY 2025/26, following two years of no growth amidst industrial destocking, we resumed investment to support anticipated growth following the end of destocking, leading to higher operational costs. Adjusted operating margin was 0.5ppts lower compared to the previous year. Prior to that, we delivered 15 years of consecutive growth in our operating margin, increasing from break-even in FY 2009/10 to 14.3% in FY 2024/25. These gains were driven primarily by organic improvement. In the past ten years, we have consistently met or exceeded our adjusted operating margin targets, which have been raised five times during the same period.

Adjusted operating margin



Link to KSI



Link to Risk



Reduce environmental impact

We received approval for our near and long-term science-based emissions reduction targets from the SBTi in May 2025:

- discoverIE Group plc commits to reduce absolute Scope 1 and 2 GHG emissions by 90% by 2030 from a 2021 base year.
- discoverIE Group plc commits to reach net-zero greenhouse gas emissions across the value chain by 2040.

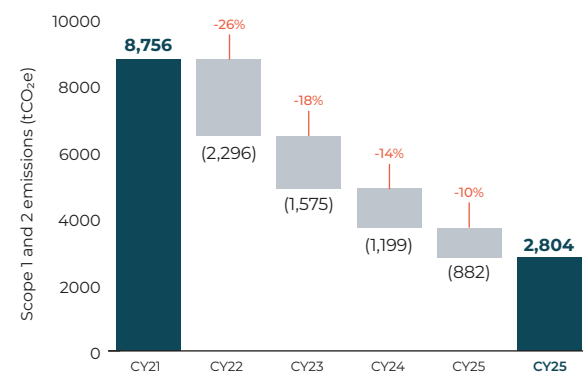
Our Scope 1 and 2 net-zero strategy focuses on four primary sources of emissions within the Group: electricity, natural gas, company vehicles, and refrigerants. We had a medium-term target to reduce absolute emissions by 65% by the end of CY2025 compared to the CY2021 baseline. An updated transition plan has been published for our emissions across the value chain for Scopes 1, 2 and 3.

Progress to date

Five years into our net-zero plan, we exceeded our medium-term target by reducing Scope 1 and 2 emissions by 68% in CY2025 versus the CY2021 baseline. This reduction was driven primarily by switching to clean or renewable electricity, including installing solar panels at sites where economically feasible, implementing energy-efficiency measures, and deploying heat pumps where appropriate. 85% of our electricity consumption now comes from renewable or clean sources.

We are also accelerating the transition of our vehicle fleet away from fossil fuels. Over half (58%) of our company cars are now electric or hybrid. Natural gas is now our largest emissions source, representing 35% of total CY2025 emissions. In March 2025, we approved a plan to replace gas heating in Poland, one of our largest natural gas-consuming sites. We are also evaluating further measures to reduce emissions from natural gas and refrigerants.

Scope 1 and 2 emissions reduction



Link to KSI



Link to Risk

