

discover IE

Investor Presentation

October 2023



discoverIE is:

- A FTSE 250 international **specialist electronic engineering** company
- **Designing and manufacturing** customised electronic components for industrial applications
- Supplying **Original Equipment Manufacturers** (OEMs)
- Focusing on **sustainable growth markets** - Renewable energy, transportation, medical, industrial & connectivity
- **Acquisitive**

discoverIE is NOT:

- A **distributor** or reseller
- A **contract manufacturer** or outsourcing partner
- A supplier of **standardised electronic** components
- A supplier of **consumer electronics** or electronic components for **consumer market**

Our global footprint

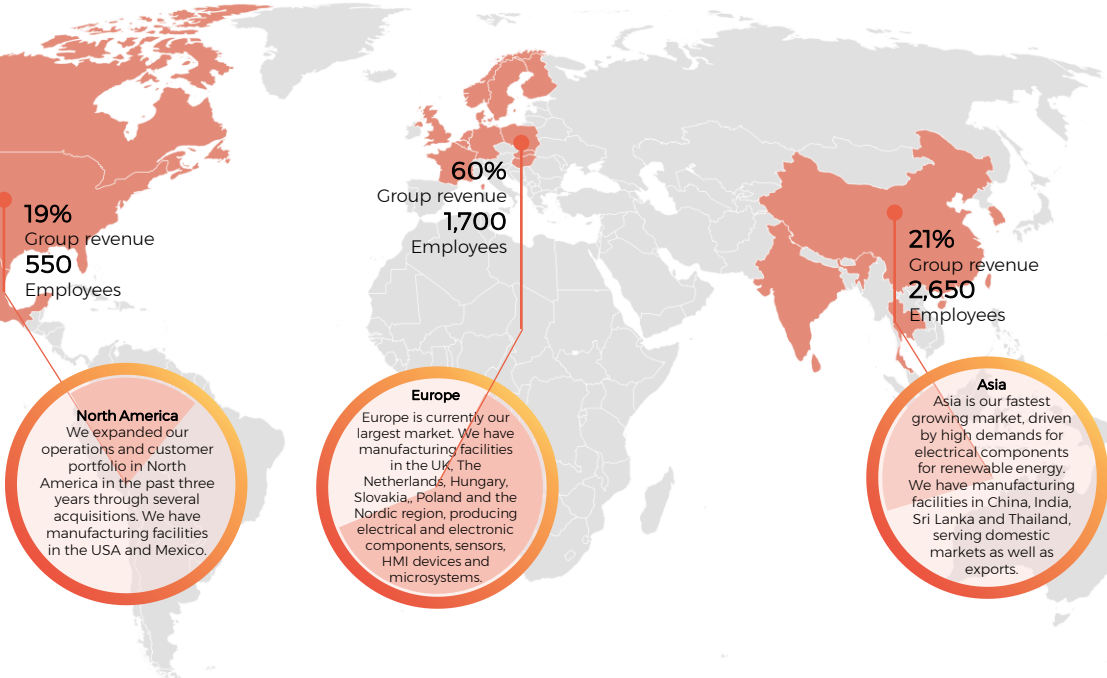
discoverIE is an international electronic engineering company, designing and manufacturing customised electronic components for industrial applications.

33
Manufacturing sites

20
Countries in which we operate

66
Countries into which our products are sold

4,900
Employees globally



19%
Group revenue
550
Employees

North America
We expanded our operations and customer portfolio in North America in the past three years through several acquisitions. We have manufacturing facilities in the USA and Mexico.

60%
Group revenue
1,700
Employees

Europe
Europe is currently our largest market. We have manufacturing facilities in the UK, The Netherlands, Hungary, Slovakia, Poland and the Nordic region, producing electrical and electronic components, sensors, HMI devices and microsystems.

21%
Group revenue
2,650
Employees

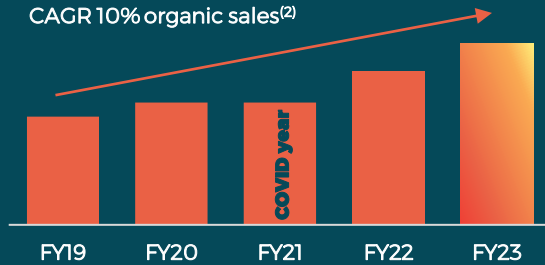
Asia
Asia is our fastest growing market, driven by high demands for electrical components for renewable energy. We have manufacturing facilities in China, India, Sri Lanka and Thailand, serving domestic markets as well as exports.

(1) Group revenue breakdown is based on FY23 of £448.9m

Financial Highlights

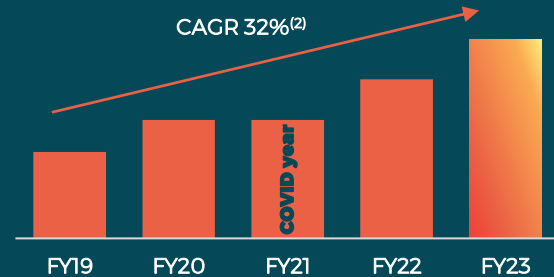
SALES⁽¹⁾

CAGR 19%⁽²⁾
CAGR 10% organic sales⁽²⁾

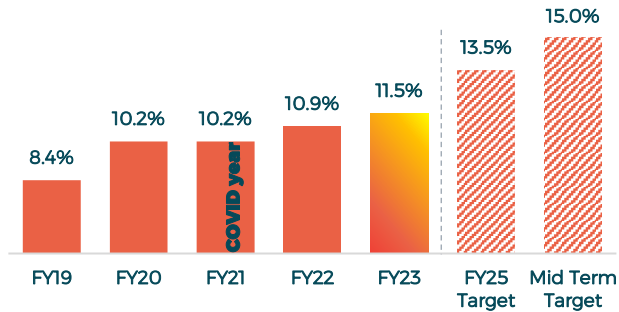


UNDERLYING OPERATING PROFIT⁽¹⁾

CAGR 32%⁽²⁾

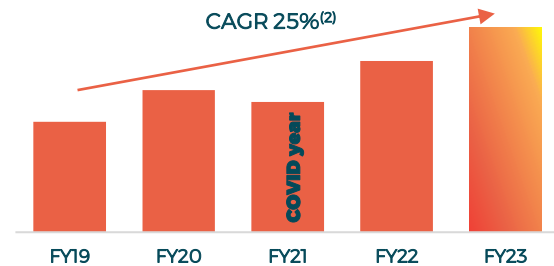


UNDERLYING OPERATING MARGIN⁽¹⁾



UNDERLYING EPS⁽¹⁾

CAGR 25%⁽²⁾

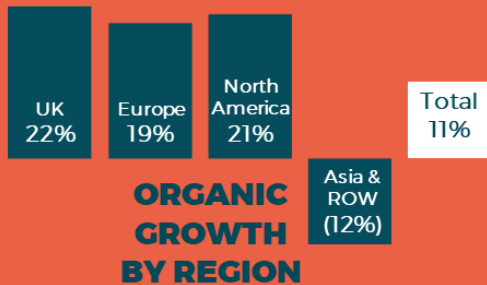
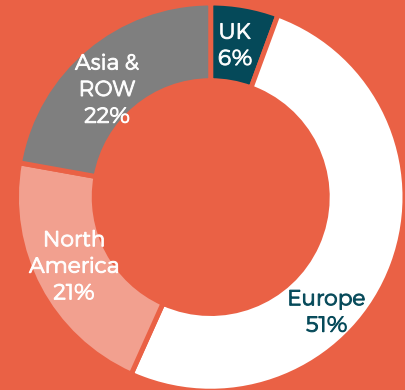


(1) Sales, underlying operating profit, and underlying operating margin, underlying EPS have been restated to exclude the results of discontinued operations

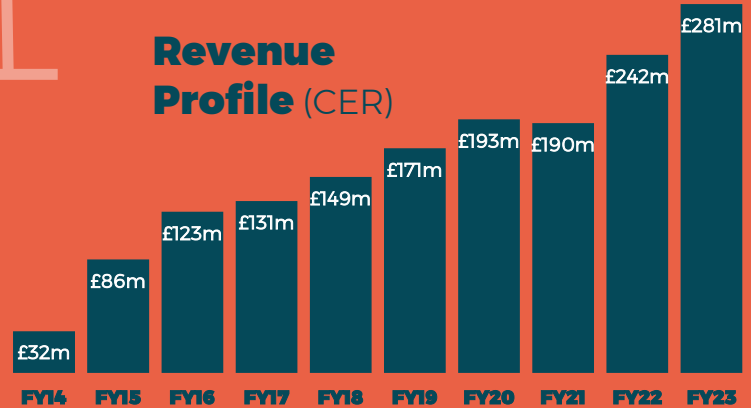
(2) Excluding Covid year

Magnetics & Controls division

- Electronics for:
 - Signal conditioning, power conversion and switching
 - Monitoring & remote control, communication & interface control
- 63% of Group Revenue
- 4 acquisitions over the last 5 years
- 9 businesses across 17 countries with 20 manufacturing sites
- Sales grew 11% organically, with 13.7% margin
 - H2 grew by 4% organically
 - China down 25% driven by slower renewable energy demand and supply chain bottlenecks
 - India flat
 - Germany up 26% driven by medical

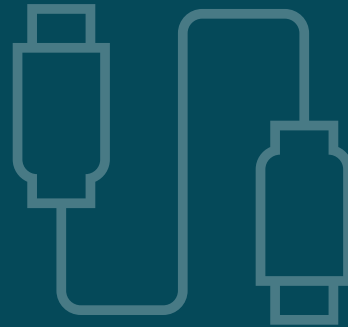
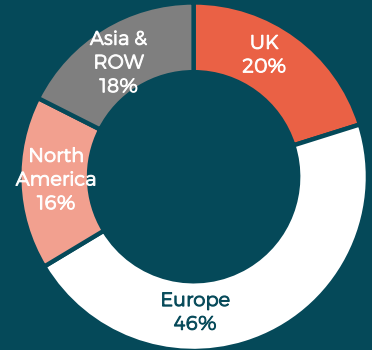


Revenue Profile (CER)

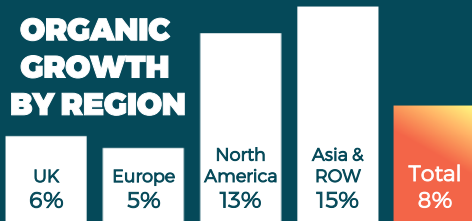


Sensing & Connectivity division

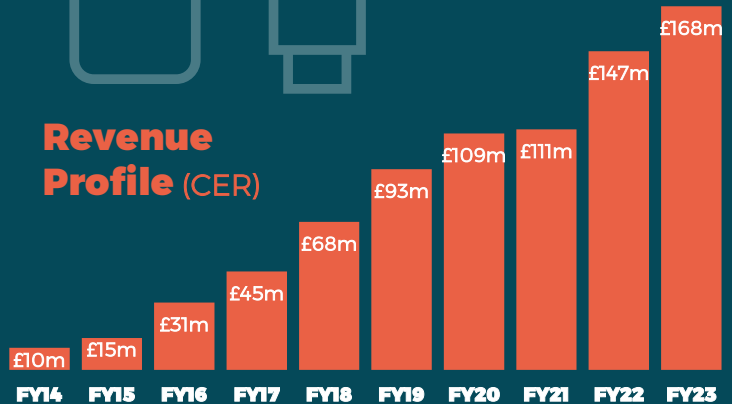
- Electronics for:
 - Sensing & measuring movement, temperature, pressure, position, force, load & x-ray detection
 - Connection, switching, wireless transmission, fibre optic connection & electromagnetic shielding
- 37% of Group Revenue
- 9 acquisitions over the last 5 years
 - Increasing specialist capability and international reach
- 15 businesses across 9 countries with 13 manufacturing sites
- Sales grew 8% organically, with 15.2% margin
 - Continuing strong growth in Asia driven by strong renewables demand in China, where revenue doubled



ORGANIC GROWTH BY REGION



Revenue Profile (CER)



FY23 Full Year Results

+18%

Sales £448.9m

+10%

Organic sales⁽¹⁾

+25%

Underlying operating profits £51.8m

+20%

Underlying EPS 35.2p

95%

Free cash conversion⁽²⁾

+6%

Full year dividend 11.45p

(1) Organic sales growth excludes the first 12 months of acquisitions

(2) Free cash flow is cash flow before dividends, acquisitions and equity fundraising

A year of further strong progress

- **Strong financial performance driven by sales growth with operating efficiencies**
 - Organic gross margins robust despite inflation headwinds
- **Further progress made towards key targets**
 - Underlying operating margin +0.6ppts to 11.5%
 - ROCE +1.2ppts to 15.9%
 - Free cash flow +51%, conversion 95%
- **Two earnings-accretive acquisitions**
 - Magnasphere and CDT; integration progressing as planned
- **Excellent progress on ESG initiatives**
 - Absolute carbon emissions reduced by 35% since CY2021 vs new 65% target by CY2025
 - SBTi aligned net zero commitment by 2030 announced in Nov 2022
- **Well positioned for further growth**
 - Strong order book of £223m and design wins +10% to £273m
 - Year-end gearing of 0.7x, significant headroom available

The image is a vertical split composition. The left half shows a faded, light-colored city skyline with a prominent tower. The right half shows a vibrant, dark city skyline at night with light trails from a highway interchange. Overlaid on both is a network of glowing white lines and nodes, suggesting connectivity and technology.

**WHY INVEST IN
DISCOVERIE**



1

**SUSTAINABLE
GROWTH
MARKET**

Focus on industrial applications and prioritise four target markets with structural, sustainable growth

2

**HIGHLY
DIFFERENTIATED
PRODUCTS**

Customised electronics and systems designed and produced for specific industrial applications, addressing a niche segment of the electronics market

3

**CLEAR & PROVEN
STRATEGY**

Grow well ahead of GDP over the economic cycle by delivering organic sales growth, bolstered by acquisitions

4

**STRONG
FINANCIALS**

Sustainable, profitable growth and excellent cash generation with a strong balance sheet

5

**CONSISTENT
SHAREHOLDER
RETURNS**

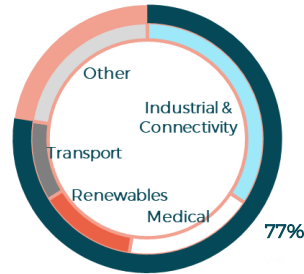
Disciplined capital allocation with a track record of earnings enhancing acquisitions and progressive dividend



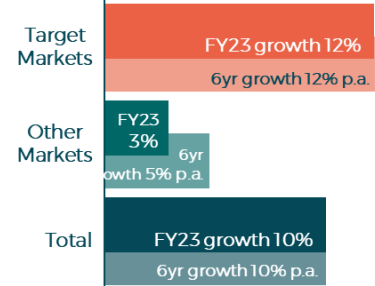
SUSTAINABLE GROWTH MARKET

- Global trends driving structural growth
- Product development driven by technology
- Increasing electronic content
- Essential products
- Markets aligned with UN SDG⁽¹⁾

REVENUE FROM TARGET MARKETS (% of total revenue)



ORGANIC GROWTH BY MARKET



Renewable Energy



Transportation



Medical



Industrial & Connectivity

Mega Trends

Decarbonisation & Diversification

Smart transportation, vehicle electrification

Artificial Intelligence, Sensing and Analytics

Connectivity, Automation & Industrial, Robotics, Internet of Things

Market Growth

Share of electricity generation⁽²⁾: 29% in 2020 to 60% in 2030

20% CAGR growth global electronic connectivity in transport⁽³⁾ to 2030

11.8% CAGR growth from 2021 to 2030⁽⁴⁾

22.8% CAGR growth in global industrial IoT⁽⁵⁾

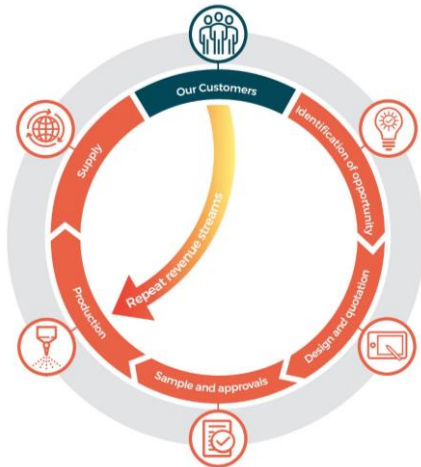
UN SDGs Alignment



(1) United Nations Global Compact Sustainable Development Goals
(2) International Energy Agency (IEA)

(3) Data Bridge Research
(4) Precedence Research
(5) Fortune Business Insights

2 HIGHLY DIFFERENTIATED PRODUCTS



By applying our extensive **technical knowledge** of applications and design, our engineers create **unique products** and **solutions** to meet our customers' specific needs.

Our **global footprint** enables us to meet the location demands of our customers.

Position Sensor Customised Applications

Wind Power

Used in wind scanners to help site wind farms to ensure maximum efficiency and yield

Solar Power

Used in solar trackers to obtain reliable positioning of tilt and azimuth angles

Transportation

Used to monitor actual position of the rail switch and the gap between the rail and switch

Medical

Used in the centre of an MRI scanner to detect the patient position

Industrial

Used to monitor the movement of automated robotic arms in manufacturing

Other

Used to monitor the position of various barriers, such as public transport ticket barriers



3 CLEAR & PROVEN STRATEGY

Our strategic aim is to grow our business in **customised electronics** by focusing on markets with **sustained growth prospects**, driven by increasing electronic content and where there is an **essential need** for our products.



Grow sales well ahead of GDP

through the economic cycle by focusing on structural growth markets

2 3



Move up the value chain

where operating margins are higher through improving efficiency and acquisitions

1



Acquire high quality businesses

with attractive growth prospects and strong, sustainable margins

1 2 3 4



Further internationalise

the business by expanding in North America and Asia

2

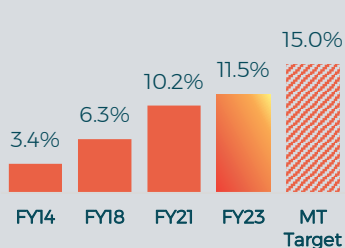
Strong cash flow

Reducing impact on environment

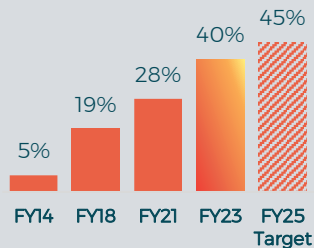
X Key strategic indicators. See next slide for details.

Key Strategic Indicators

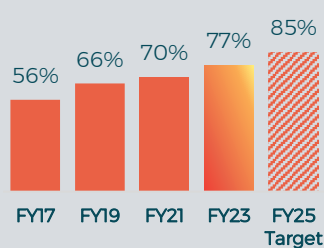
1 Increase Underlying Operating Margin⁽²⁾⁽³⁾



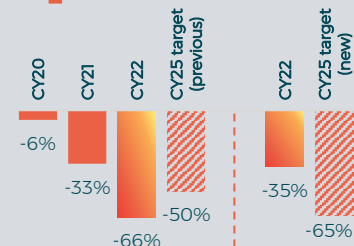
2 Build Sales Beyond Europe⁽¹⁾⁽²⁾



3 Target Market Sales⁽¹⁾



4 Carbon Reduction⁽⁴⁾



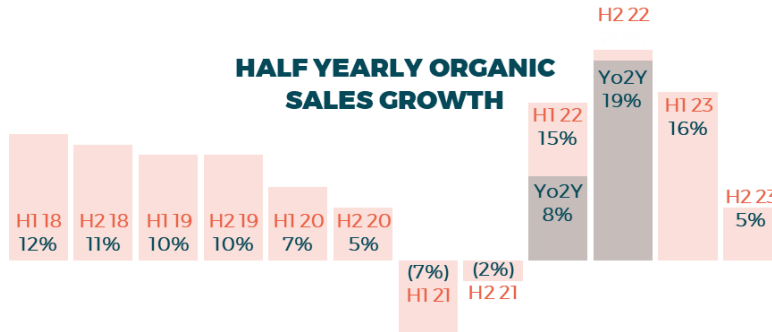
Intensity target → Absolute target

Key Performance Indicators	FY14	...	FY18	FY19	FY20	FY22	FY23	Target
	Sales growth							
CER	17%	...	11%	14%	8%	27%	15%	
Organic	3%	...	11%	10%	5%	14%	10%	
Underlying EPS growth	20%	...	16%	22%	11%	20%	20%	>10%
Dividend growth ⁽⁵⁾	10%	...	6%	6%	6%	6%	6%	Progressive
ROCE	15.2%	...	13.7%	15.4%	16.0%	14.7%	15.9%	>15%
Operating profit conversion	100%	...	85%	93%	106%	101%	94%	>85% of Op profit
Free cash conversion	-	...	-	94%	104%	102%	95%	>85% of PAT

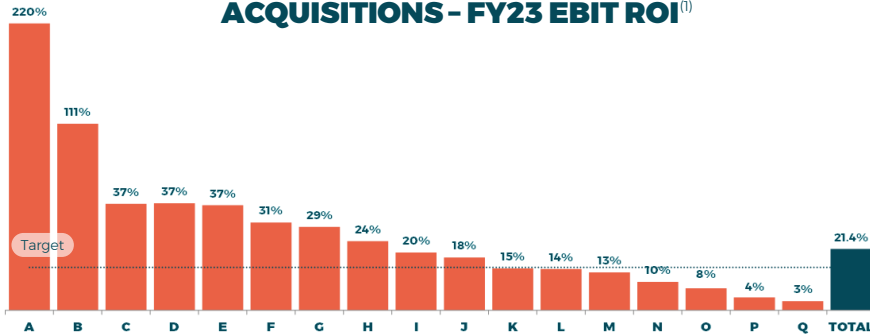
(1) As a percentage of Group revenue
 (2) FY22 and FY23 figures are continuing operations only. All figures for prior years are for total operations reported at the time unless stated
 (3) A new medium term target set at 15%. FY25 target of 13.5%
 (4) We've upgraded our CY25 target from intensity to absolute reduction. From FY23, progress will be reported against CY21 baseline, in line with our net zero plan. Carbon reductions are measured by calendar year
 (5) 6% increase in the H1 20 interim dividend; a final dividend was not proposed for FY20 due to COVID-19

4 STRONG FINANCIALS

HALF YEARLY ORGANIC SALES GROWTH



ACQUISITIONS - FY23 EBIT ROI⁽¹⁾



(1) EBIT ROI defined as operating profit attributable to each business for FY23 over total acquisition cost (comprising up-front consideration, acquisition expenses, earn-out & integration costs)
All businesses included which were acquired before FY22. Excludes recent acquisitions: Beacon, Antenova, CDT, Magnasphere

Organic growth and Acquisitions

- **Strong organic growth**
 - 10% CAGR FY18-FY23
 - Resilient during Covid year

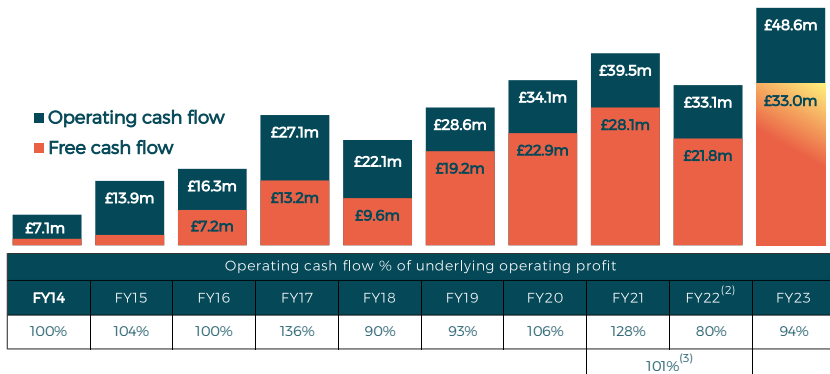
- **High quality acquisitions over 12 years**
 - £440m invested in 23 acquisitions, c50% funded by internal cash flow
 - Developed sustainable business growing ahead of the market
 - Higher margin, capital-light, cash generative

- **Strong returns, well ahead of WACC**
 - Target: ≥15%
 - Overall EBIT ROI⁽¹⁾ of 21% for FY23
 - Certain businesses lag following Covid

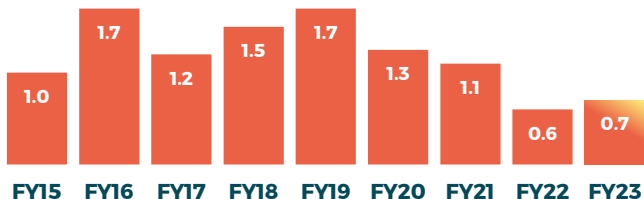
- **Clear approach to acquisitions**
 - Target by product, geography and market
 - Must have discoverIE DNA

4 STRONG FINANCIALS

Operating and free cash flow



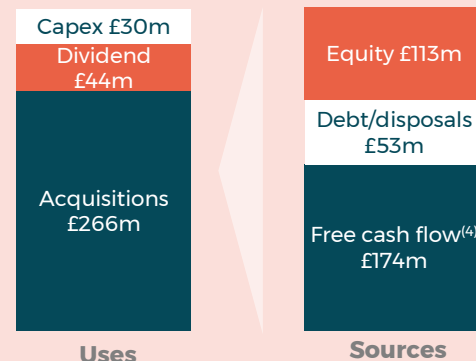
Net debt / EBITDA⁽¹⁾ ratio



(1) Net debt divided by underlying EBITDA as annualised for acquisitions. EBITDA (pre IFRS 16) excludes non-cash items being depreciation, amortisation, share based payments and IAS19 legacy pension charge
 (2) FY21 and FY22 covid impact. £16m swing in working capital
 (3) 2 year operating cash conversion - growth over the pre-Covid year FY20 as this reflects the actual ongoing growth of the business
 (4) Free cash flow above is quoted before capex

Strong cash flow & disciplined capital allocation

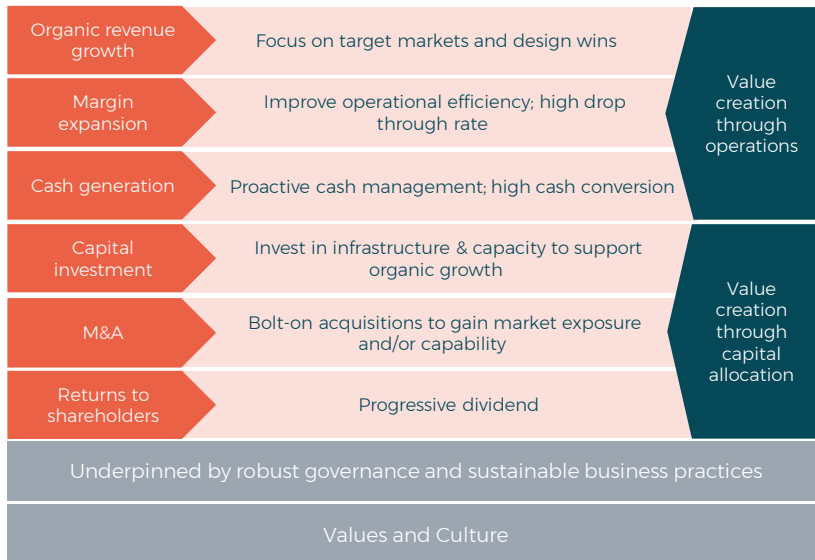
Allocation of £340m in last six years



- Strong growth in operating & free cash flows
 - Consistently high conversion rate
 - Aim to be self sufficient in funding acquisitions over time
- Robust balance sheet
 - £240m revolving credit facility (to June 2027)
 - Long term gearing⁽¹⁾ ratio well below 2x despite multiple acquisitions

5 CONSISTENT SHAREHOLDER RETURN

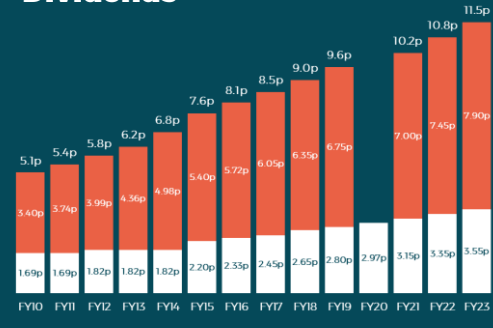
Our Value Creation Model



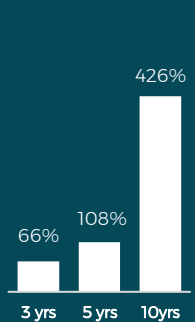
We aim to provide investors with:

- TSR of 15% – 20% p.a
Last 10 years = 18% CAGR⁽¹⁾
- A progressive dividend
Last 10 years = 6% CAGR⁽¹⁾

Dividends



TSR Growth



From FY18 to FY23:

- Sales⁽²⁾ +100% (+19% CAGR⁽³⁾)
- Organic sales +10% CAGR⁽³⁾
- Operating profits +205% (+32% CAGR⁽³⁾)
- Underlying EPS +141% (+25% CAGR⁽³⁾)
- Op cash conversion 100% of Op profits (ave)

(1) Share price and dividend growth from 31 Mar 2013 to 31 Mar 2023

(2) Group revenue, excluding disposed businesses

(3) Excluding Covid year

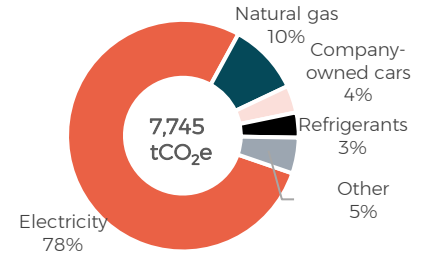
SUSTAINABILITY



Our Net Zero Commitment

- Committed to SBTi-aligned net zero emissions for Scope 1 & 2 by 2030 and Scope 3 by 2040
- 95% of discoverIE's Scope 1 & 2 emissions are from four sources
- Near-term target: 65% absolute reduction by the end of CY25 on CY21 baseline
- Scope 3: initial screening of Scope 3 emissions completed, key categories of emissions identified. SBTi-aligned reduction plans to be announced in due course

Scope 1 & 2 Emissions



REDUCE

Reduce energy intensity across the Group

1

REPLACE

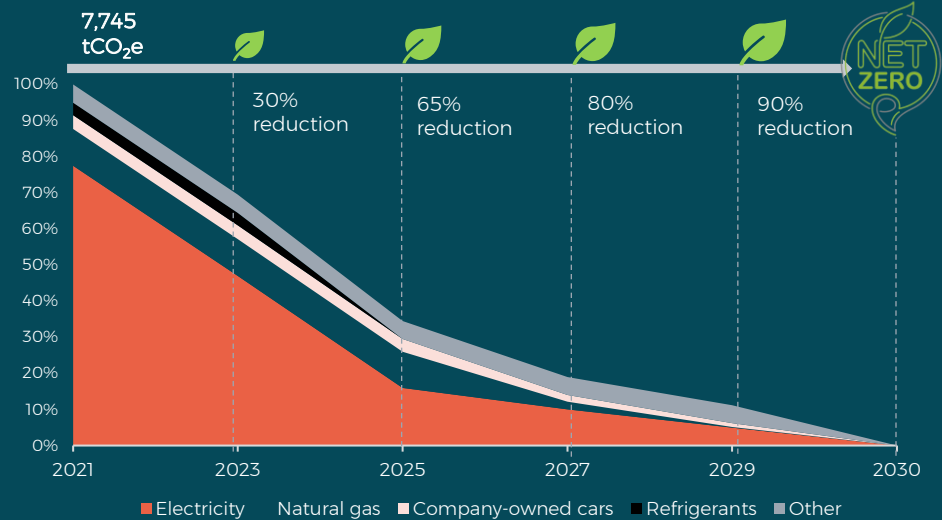
Replace higher carbon energy sources with lower or zero carbon options

2

REMOVE

Invest in removing emissions that cannot be replaced

3

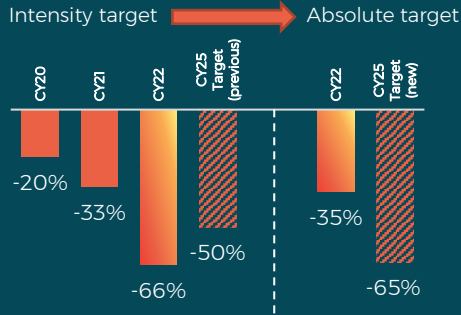


1. The Group's initial 50% reduction plan announced in 2020 was based on 2019 baseline of 9,390 tCO₂e and it's measured in intensity, i.e. emissions/£m sales. The net zero plan is based on 2021 baseline of 7,745 tCO₂e which is the latest available data and it's measured in absolute reduction.

Our Planet

Supporting the shift to a low carbon economy

CARBON REDUCTION⁽¹⁾

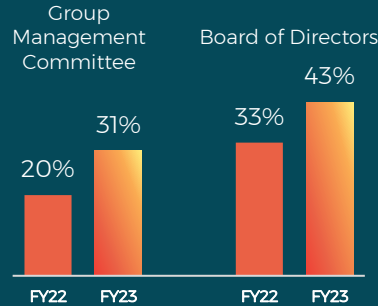


- 66% reduction in emissions intensity⁽¹⁾ since 2019, exceeding CY25 target 2 yrs early. Upgrading target to 65% absolute reduction by CY25 on new CY21 baseline
- Sri Lanka and Thailand solar projects completed on time. 58% electricity from renewable/clean sources (CY21: 29%)
- 33% of company cars now electric or hybrid (CY21: 26%)
- 63% sites completed energy audit (CY21: 53%)

Our People

A diverse workforce & safe environment

GENDER DIVERSITY

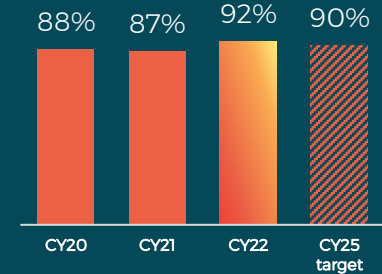


- Diversity increasing - 31% (FY22: 20%) females on the Group Management Committee. 43% females on the Board of Directors
- 48% workforce work in operations with ISO45001 certification (CY21: 5%)
- Number of H&S representatives increased to 229, equal to 1:21 H&S reps/employees ratio (CY21: 128 and 1:38)
- Stepped up H&S training, with 16,250 hrs across the Group (CY21: 5,500 hrs)

Our Products

Ensuring product reliability & sustainability

REVENUE COVERED BY ISO 9001



- 92% Group products manufactured under ISO 9001 certifications (CY21: 87%); upgrading target to >90%
- 2 more sites accredited ISO 14001 environmental management standards. 58% of Group revenue are now certified. Target 80% by 2025



APPENDICES

**Board, Corporate history
& Share information**

Board of Directors



Bruce Thompson – Non-Executive Chairman

Bruce joined the Board as a Non-Executive Director in February 2018. He is also Chairman of Avon Protection plc. He retired in 2018 as Chief Executive Officer of Diploma plc after 22 years. Bruce brings a wide range of strategic and leadership expertise to the Board with proven experience of growing international industrial businesses.



Tracey Graham – Non-Executive Director

Tracey joined the Board as a Non-Executive Director in November 2015. She is also a Non-Executive Director at Nationwide Building Society plc, Close Brothers Group plc, Ibstock plc and Link Scheme Limited. Among other previous appointments, she was a non-Executive Director at Royal London Mutual Building Society and RPS Group plc. During her executive career, she was Chief Executive of Talaris Limited and Managing Director of De La Rue Cash Systems.



Nick Jefferies – Group Chief Executive

Nick was appointed Group Chief Executive in January 2009. His experience of electronics and the components industry comes from holding senior positions for over 15 years with leading international distributors of electronic components and computer products, such as Electrocomponents plc and Arrow Electronics. Nick originally trained as an Electronics Design Engineer with Racal Defence (now part of Thales plc).



Rosalind Kainyah MBE - Non-Executive Director

Rosalind was appointed as a Non-Executive Director in November 2021, with effect from 1 January 2022. She has extensive experience in sustainability matters and currently runs Kina Advisory, an ESG consultancy. Previously, she was VP, External Affairs & Corporate Social Responsibility at Tullow Oil and held various roles at De Beers SA, latterly as President of De Beers Inc. in the US.



Simon Gibbins – Group Finance Director

Simon was appointed as Group Finance Director in July 2010. A Chartered Accountant, he was previously Global Head of Finance and Deputy CFO at Shire plc. Prior to joining Shire in 2000, he spent 6 years with ICI plc in various senior finance roles, both in the UK and overseas. His earlier career was spent with Coopers & Lybrand in London.



Clive Watson - Non-Executive Director

Clive, a Chartered Accountant, became a Non-Executive Director and Chair of the Audit & Risk Committee in September 2019. He is also a Non-Executive Director at Breedon Group plc, Kier Group plc and Trifast plc and was Non-Executive Director and Chair of the Audit Committee at Spirax-Sarco Engineering plc for 9 years. During his executive career he was Group Finance Director of Spectris plc for 13 years until 2019.



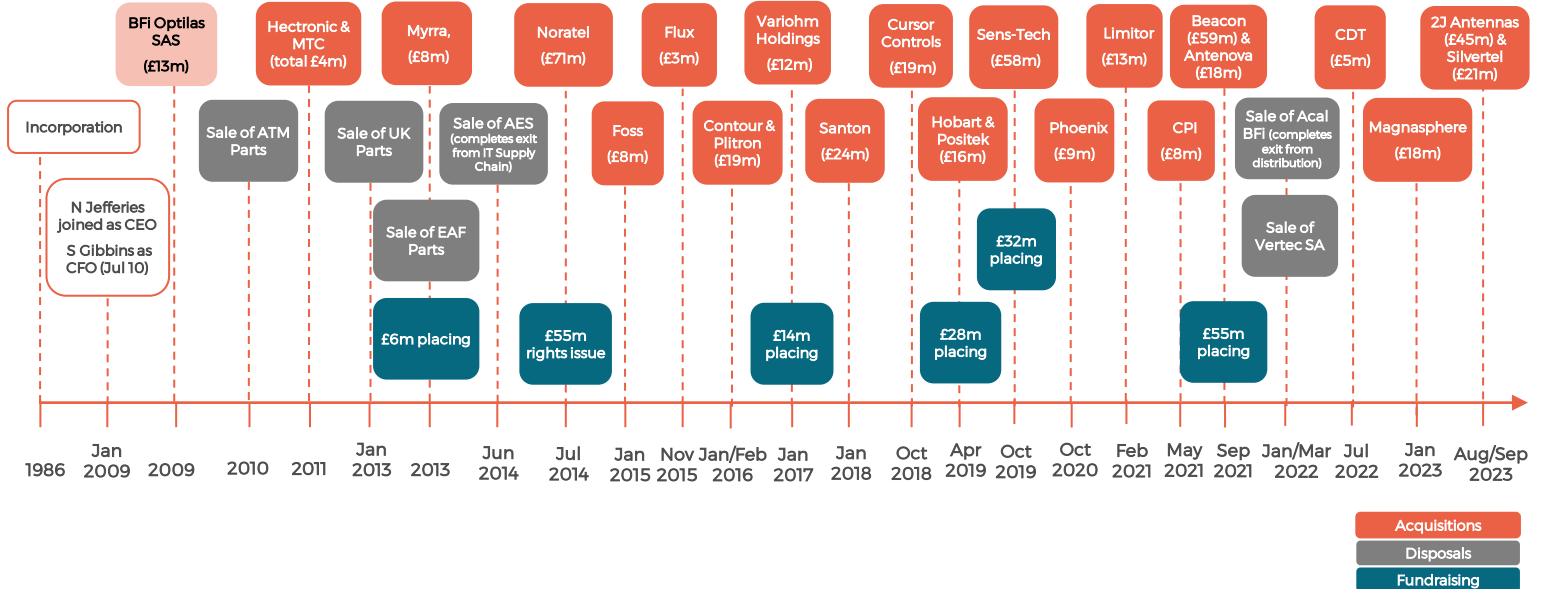
Celia Baxter – Non-Executive Director

Celia joined the Board on 1 June 2023. She has years of executive and board experience, including 13 years as Group HR Director at Bunzl plc, and a good understanding of decentralised, acquisitive international businesses. Celia is also a Non-Executive Director and Chair of the Remuneration Committee at DS Smith plc and Dowlais plc.

History since incorporation

Transformed the business to a designer & manufacturer of niche electronic engineering group in 13 years with:

- 23 design & manufacturing acquisitions
- 6 disposals



Group structure



Magnetics & Controls



Magnetic components for use in power conversion, signal conditioning and switching

Controls components for use in remote control, monitoring, communication and interface control

Sensing & Connectivity



Sensing components for sensing, measuring and controlling temperature, movement, pressure, force, position, load, weight and incline, x-ray detection and imaging

Connectivity components for switching, transmitting & receiving wirelessly, fibre optic components, electromagnetic shielding, cable connection

Acquisition case study



	FY2015	FY2023
Revenue growth	9% CAGR	
Op profit growth	17% CAGR	
Operating margin	10%	15%
ROCE	12%	29%
ROI	14%	37%
Working capital	29%	17%
Target markets	62%	79%
International sales	28%	48%

- Acquired: July 2014
- Products: Power transformers
- Division: Magnetics & Controls
- Developments since acquisition:
 - Developed long term strategic plan
 - Organic growth in target markets
 - Upscaled production facilities to support growth including new Indian facility
 - Manufacturing rationalisation
 - 2 bolt on acquisitions in North America (Plitron and Hobart)
 - Working capital optimisation
 - Upscaled finance team
 - Integrated Group risk, control & ESG policies
 - Transitioned to new CEO

Acquisition case study: Building a successful sensors cluster



	FY2017	FY2023
Revenue growth	24% CAGR	
Op profit growth	39% CAGR	
Operating margin	11%	19%
ROCE	21%	23%
ROI	16%	18%
Working capital	16.1%	18.2%
US/Asia sales	9%	40%

- Acquired: January 2017
- Products: Sensors & switches
- Division: Sensing & connectivity
- Developments since acquisition:
 - Developed long term strategic plan
 - Organic growth in target markets
 - 5 bolt on acquisitions
 - Cross-selling into European & US markets
 - Internationalised with 3 North American acquisitions and 1 European
 - Upscaled top team – new Finance Director, Sales Director & Marketing Director
 - Upscaled finance and sales teams
 - Upgraded ERP system
 - Integrated Group risk, control & ESG policies








FY17
FY20
FY21
FY22
FY23

Our customers

Vestas



SIEMENS



Franklin Electric

Abbott

GRUNDFOS



ROHDE & SCHWARZ



BOMBARDIER
the evolution of mobility

Atlas Copco

DIEHL



AIRBUS

HOLOGIC

Valeo



ABB



HUAWEI

ITW



Ingersoll Rand

GYRUS ACMI

SEL

Honeywell

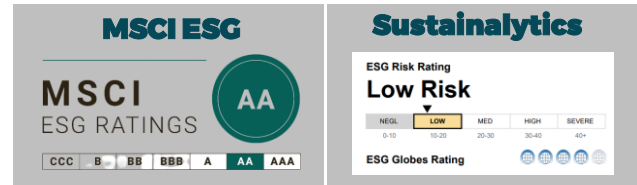
Google

FUJITSU



& the European 'Mittelstand'

Our Positive Impact



Positive Impact Through Products



We supply dual energy linear X-ray detector and generator for bone densitometer that helps diagnose 20 patients a day on average



We design and supply this modular DC disconnect switch for solar farm, ensuring safe operations of solar PV



We supply the lasers for LiDAR remote measurement method for wind speeds, enabling the most efficient positioning of wind turbines



The nanocrystalline cores and a range of magnetic components enabling the fast charging in hypercharger are designed and produced by us



Our system in this remote temperature control utilises low power components that is designed to minimised energy consumption

Positive Impact Through Operations

- Ensuring a safe and clean environment for our employees
- Allowing a more work-life balance by implementing flexible and hybrid working
- Supporting the growth of clean energy by switching to renewable tariffs
- Investing in renewable energy self-generation, such as solar panels, where possible
- Working with our suppliers and customers to create innovative solutions that solve technical challenges
- Creating jobs and contributing to the social and economic development of local communities through tax revenue, charitable donations and volunteering
- Reducing resource consumptions, such as energy and water
- Recycling where possible
- Encouraging designing products that are more energy efficient and less harmful to environment

Share and Shareholder Information

Share information as of 29 Sep 2023	
Ticker	DSCV
Exchange	London Stock Exchange
Index	FTSE 250
Industry	Industrials
Sector	Electronic and Electrical Equipment
Total shares in issue	96.4m
Market Cap	£734m
Dividend (FY2022/23)	11.45p
Next reporting date	11 Oct - H1 trading update
MSCI ESG Rating	AA
Sustainalytics Rating	Regional Top Rated (Europe)

Top 10 shareholders	Country	% of shares issued*
abrdn	UK	9.2%
BlackRock	UK/US	6.8%
Impax Asset Management	UK	5.7%
Kempen Capital Management	The Netherlands	5.5%
Montanaro Asset Management	UK	4.1%
Aegon Asset Management	UK	3.2%
Charles Stanley	UK	3.0%
Swedbank Robur	Sweden	2.8%
Wasatch Global Investors	US	2.7%
Legal & General	UK	2.6%

High Quality Shareholders

- Top 10 holders represent 45% total issued shares
- Next 15 (26%) - Columbia Threadneedle, NFU, BNP Paribas AM, Invesco, Kaboutier, Royce Investment Partners, Metzler, AXA, Herald, Dimensional Fund, Amati, JM Finn, Berenberg AM, Rathbones, La Financiere de L'Echiquier
- 32% of shareholders from US and Europe
- Directors/management: 4%

*as of 18 Sep 2023

THANK YOU

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