

discoverIE FY26 Full Year Results Highlights video transcript

Scott Bannerman (Interviewer):

Morning, Nick. Thank you for joining us.

Nick Jefferies (CEO):

Thank you, Scott. Good to see you.

Performance overview and key takeaways

Scott Bannerman:

A lot has happened this year. Can you give us your key points and what people should take away from this set of results?

Nick Jefferies:

This is a solid set of results. We've delivered further growth in operating profits and earnings per share, despite a difficult market backdrop.

We saw accelerating growth through the year, particularly in the second half, with very strong order intake. We exited the year with strong organic growth in both orders and sales.

We also increased our investment by just over £2 million in additional resources and capabilities to drive future growth over the next 12-18 months.

As always, we delivered very strong cash flow.

Alongside that, we completed three acquisitions for £95 million, all of which are high-margin, high-growth businesses.

External factors: tariffs and geopolitical context

Scott Bannerman:

There's a lot going on in the world at the moment. From discoverIE's perspective, what has been the impact of US tariffs and the conflict in the Middle East?

Nick Jefferies:

We have felt some impact from US tariffs over the last year. Around £4 million of our production cost spend became subject to tariffs, resulting in a cost of approximately £700,000. All of that cost has been passed through.

In terms of the Middle East, we don't have any direct presence there, and we've seen no direct impact from the conflict. The only effects have been minor - some freight rerouting and associated surcharges - but these have been very manageable.

Investment in growth and margin implications

Scott Bannerman:

Can you tell us more about the investment you've made to support growth? How does it affect margins, and how should we think about margin progression from here?

Nick Jefferies:

We invested around £2.2 million in additional costs to support future growth over the next 12-24 months.

This has primarily been in headcount - engineering and sales capability - mainly in Europe and the Americas, with some additional investment in Asia.

We've also added production operating costs in India, Thailand and South Korea to meet increased capacity demand.

This increased investment reduced operating margin by around 0.4% in the year. However, gross margin remains very strong and actually increased by half a percentage point.

As volumes increase, we expect margins to recover. In addition, the three acquisitions we've completed - all at higher margins - will have an accretive effect.

Taken together, these factors should support continued operating margin progression.

Security market expansion

Scott Bannerman:

You've added security as a target market. How is that progressing?

Nick Jefferies:

We added security around 18 months ago and are making strong progress.

Two of our recent acquisitions have a significant presence in military, aerospace and commercial satellite markets.

We've also invested in business development at Group level to better coordinate our offering to defence customers across the operating companies.

We're already seeing strong opportunities through the design pipeline and in design wins, and these will be further supported by our recent acquisitions.

Acquisitions overview

Scott Bannerman:

You've made three acquisitions - can you tell us more about them, including what they do, their markets and the multiples paid?

Nick Jefferies:

We completed three acquisitions for a total consideration of £95 million, at an EBIT multiple of around nine times.

All three businesses have margins well ahead of our target operating margin of 17% and are high-growth in their own right.

- **Keymat (Storm Interface):**

Acquired in December last year, trading as Storm. They produce audio guidance products for visually impaired users. These are used in environments such as ticketing machines and public infrastructure. Demand is driven by increasing global legislation, supporting strong growth.

- **Trival Antenna:**

Based in Slovenia, this business manufactures antennas, primarily for military applications, but also for industrial uses. It is a high-margin, high-growth business selling into Europe, the UK, the US and allied international markets.

- **3G Metalworx:**

Announced more recently, this business produces electromagnetic shielding solutions for defence, aerospace and low Earth orbit satellite applications. Headquartered in Toronto with additional facilities in the US, it is a high-quality, high-growth business.

We are acquiring 90% of 3G Metalworx, with management retaining a 10% stake. We expect regulatory approval in the coming months.

Acquisition pipeline and funding

Scott Bannerman:

You've invested significantly in acquisitions. What does the current pipeline look like, and how would you fund future deals?

Nick Jefferies:

We have a very strong pipeline of opportunities, most of which are originated through our own proactive outreach.

This is a long-term process, identifying businesses and building relationships before they come to market. We currently have well over 200 opportunities at various stages of development.

Following the recent acquisitions, our pro forma gearing is around 2.2 times, which we expect to reduce to approximately 1.8 by year end.

This gives us capacity to continue investing, and as gearing reduces further, we will deploy additional capital into acquisitions.

Outlook

Scott Bannerman:

Finally, how would you summarise the year and the outlook ahead?

Nick Jefferies:

It's been a good year, delivering solid results with continued growth in profits and earnings.

We're seeing that momentum continue into the first quarter, with strong organic growth in orders and good growth in sales.

We have a strong pipeline of design opportunities and design wins, alongside a healthy acquisition pipeline.

Overall, we feel well positioned for the year ahead and expect it to be another good year.