Third Quarter Trading Update

Released : 30 Jan 2020

RNS Number : 3532B
discoverIE Group plc
30 January 2020

For Release
7.00am, 30 January 2020

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discoverIE Group plc (LSE: DSCV, "discoverIE" or the "Group"), a leading international designer, manufacturer and supplier of customised electronics to industry, today issues a trading update for its third quarter, covering the three months to 31 December 2019.

Good trading momentum in our Design & Manufacturing division ("D&M") has continued through the third quarter and the Group is on track to deliver full year earnings in line with our expectations.

In the D&M division, third quarter sales increased[1] by 16% CER[2], representing 7% organic growth[3] in line with the performance in the first half. Growth was driven by sales into our target markets, particularly renewable energy and medical. D&M orders were in line with sales. D&M sales comprised two thirds of Group revenue compared with 63% in the first half and generated over 80% of Group profits. Sens-Tech, which was acquired in October 2019, is performing well and in line with our expectations.

The Custom Supply ("CS") division experienced the effect of some short-term customer destocking in December, particularly in general industrial markets in Germany and the UK, which resulted in third quarter sales being down by 10% organically. Orders were ahead of sales in the period, with a book to bill ratio of 1.06, and January sales and orders have returned to the higher levels achieved in the first half of the year.

Overall, Group third quarter sales increased by 6% CER (up 3% on a reported basis), level organically with last year and with orders ahead of sales. Year to date Group sales have increased by 8% CER, 7% reported and by 3% organically, driven by the D&M division which has grown by 7% organically.

The Group order book at 31 December 2019, of which over 80% is for delivery over the next twelve months, continues to be strong, increasing by 5% CER year-on-year, with the D&M division increasing by 12% CER and the CS division reducing by 7% CER.

Group gross margin in the third quarter improved by 1ppt over last year and operating expenses and working capital continued to be tightly managed.

The Group has a clear strategy focusing on the target markets of renewable energy, medical, transportation and industrial & connectivity to create sustainable organic growth. This platform, together with a pipeline of further acquisition opportunities, means that the Board is confident of making continued progress.

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Notes

1. Growth rates refer to the comparable prior year period unless stated.

2. Growth rates at constant exchange rates ("CER"). The average sterling rate of exchange against the Euro for the quarter strengthened by 3% compared with the average rate for the same period last year, and by 6% on average against the three Nordic currencies, while being in line with the US dollar rate for last year. Stronger Sterling in the third quarter reduced sales by £3m in Q3 and reduced EBIT by £0.4m.

3. Organic growth for the Group is calculated at CER and is shown excluding the first 12 months of acquisitions (Cursor Controls was acquired last financial year on 16 October 2018; Hobart and Positek were both acquired on 15 April 2019 and Sens-Tech was acquired on 16 October 2019).

4. This trading update is based upon unaudited management accounts and has been prepared solely to provide additional information on trading to the shareholders of discoverIE Group plc. It should not be relied on by any other party for other purposes. Certain statements made in this update are forward looking statements. Such statements have been made by the Directors in good faith using information available up until the date that they approved this update. Forward looking statements should be regarded with caution because of the inherent uncertainties in economic trends and business risks.

5. The information contained within this announcement is deemed by the Group to constitute inside information as stipulated under the Market Abuse Regulation, Article 7 of EU Regulation 596/2014. Upon the publication of this announcement via Regulatory Information Service, this inside information is now considered to be in the public domain.

Notes to Editors:

About discoverIE Group plc

discoverIE Group plc is an international group of businesses that designs, manufactures and supplies innovative components for electronic applications.

The Group provides application-specific components to original equipment manufacturers ("OEMs") internationally. By designing components that meet customers' unique requirements, which are then manufactured and supplied throughout the life of their production, a high level of repeating revenue is generated with long term customer relationships.

By focusing on key markets driven by structural growth and increasing electronic content, namely renewable energy, transportation, medical and industrial & connectivity, the Group aims to achieve organic growth that is well ahead of GDP and to supplement that with targeted complementary acquisitions.

The Group employs c.4,500 people and its principal operating units are located in Continental Europe, the UK, China, Sri Lanka, India and North America.

The Group is listed on the Main Market of the London Stock Exchange and is in the top quartile of the FTSE Small Cap Index, classified within the Electrical Components and Equipment subsector, and has revenues of over £400m. Over the last five years, revenue and underlying earnings per share have both more than doubled.

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