Trading Update

Released : 15 Oct 2020

RNS Number : 1268C
discoverIE Group plc
15 October 2020

For Release
7.00am, 15 October 2020

discoverIE Group plc
Trading Update
Good trading momentum with acquisition plans resumed

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 the six months ended 30 September 2020 and announces the business acquisition of Phoenix America Inc ("Phoenix").

Trading Update

Trading remained resilient through the first half of the current financial year despite the operational challenges presented by the Covid-19 pandemic, with the Group benefiting from its focus on target markets with excellent long term growth drivers, its diversified customer base, international reach and flexible structure.

The Group exited the first half with good momentum, with orders being ahead of sales in September and growing by 6% organically over the prior year. This trend has continued into October with orders at a similar level and ahead of sales.

Group sales for the first half were 6% below last year on both a reported basis and at CER[1], and 8% lower organically[2], with sales in target markets performing significantly ahead of other sectors. Design & Manufacturing ("D&M") divisional sales were 3% lower than last year at CER and 7% lower organically, while Custom Supply sales were 10% lower organically. The first half book to bill ratio was 0.91:1 with the second quarter stronger at 0.97:1.

The Group continues to be well-funded with good liquidity. Cash flow throughout the first half continued to be strong with gearing[3] at the end of September reducing to 1.05x compared with 1.25x at 31 March 2020.

As a result of the resilient trading, improving outlook and strong balance sheet, the Group intends to re-instate dividends, with an interim payment to be declared at the time of publication of the half year results on 30 November 2020.

Phoenix America Inc

This week the Group acquired the trade and assets of Phoenix for an upfront consideration of $11.0m (£8.5m) on a debt free, cash free basis, with further contingent cash consideration of up to $1.5m (£1.2m), payable subject to the achievement of certain profit growth targets over a three year period.

Phoenix is based in Fort Wayne, Indiana and is a designer and manufacturer of magnetically actuated sensors, encoders and related products for industrial customers in the US. The business will operate within the Variohm business cluster in the D&M division, retaining its distinct brand identity and high quality management. Its complementary product range and wider access to customers will create good cross-selling opportunities in our target markets for both Variohm in the US and Phoenix in Europe.

Phoenix reported sales for its year ended 31 December 2019 of $6.4m (£4.9m) with underlying operating profit of $1.25m (£1.0m). The acquisition was funded from discoverIE's existing debt facility, with proforma Group gearing of 1.25x at 30 September 2020.

The Board continues to see significant scope for further expansion of the D&M division and has several other acquisition opportunities in development.

With a clear strategy focused on long-term high quality growth markets, a strong funnel of design wins and acquisition targets, the Group is well positioned for growth.

For further information, please contact:

discoverIE Group plc 01483 544 510

Nick Jefferies - Group Chief Executive
Simon Gibbins - Group Finance Director

Buchanan 020 7466 5000
Chris Lane, Toto Berger, Charlotte Slater
discoverIE@buchanan.uk.com

Notes

1. Growth rates at constant exchange rates ("CER"). The average sterling rate of exchange weakened 1% against the Euro compared with the average rate for the same period last year while strengthening 1% against the US Dollar and by 5% on average against the three Nordic currencies.

2. Organic growth for the Group is calculated at CER and is shown excluding the first 12 months of acquisitions (Hobart and Positek were both acquired on 15 April 2019 and Sens-Tech was acquired on 16 October 2019).

3. Gearing is defined as net debt divided by underlying EBITDA, annualised for acquisitions.

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.

With a focus 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.4,400 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 £450m. Over the last five years, underlying earnings per share almost doubled.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our Privacy Policy.

END

TSTQZLFFBBLZFBK