Acquisition of Limitor GmbH

4 December 2020

discoverIE Group plc (LSE: DSCV, "discoverIE" or the "Group"), a leading international designer, manufacturer and supplier of customised electronics to industry, today announces the acquisition of Limitor GmbH ("Limitor").

Limitor, a designer and manufacturer of thermal safety components and sensors, is being acquired, subject to certain regulatory approvals, for an initial cash consideration of €14.5m on a debt free, cash free basis, before expenses, funded from the Group's existing debt facilities. In addition, a contingent payment of up to €3.5m will be payable subject to the business achieving certain profit growth targets over the next three years.

Regulatory approvals are expected to be received during the final quarter of this financial year. Once completed, the acquisition is expected to be enhancing to Group underlying earnings as well as accretive to the Group's underlying operating margin.

Limitor, founded in 1979, designs and manufactures custom thermal safety components for industrial markets. Its products comprise temperature and current sensors, limiters and thermal switches, which are used in a range of industrial applications including a number of niche segments in the Group's target markets. Around 85% of its sales are within Europe, with 15% being into the US, Asia and other non-EU markets. The business, which is based in Urbach, Germany with manufacturing facilities in Pécs in Hungary, will operate within the Group's Variohm cluster of specialist sensor businesses as part of the Design & Manufacturing division whilst retaining its distinct brand identity.

The business has performed consistently well over recent years, with revenues for the year ended 31 December 2019 of €8.2m generating a reported pre-tax profit of €1.7m, and an operating margin of 21%. Gross assets at 31 December 2019 were €3.9m. Trading over the last twelve months has also been resilient.

Limitor will be acquired from its three joint shareholders and managing directors, Mr A. Rudolph, Mr A. Fischer and Mr U. Angermaier. Mr Rudolph, the sales director and Mr Fischer, the production director, will continue in their roles while Mr Angermaier, the finance director, plans to retire following a period of transition.

Following completion of the acquisition, the Group's proforma gearing1 as at 30 September 2020, the Group's most recent six month period end, increases from 1.2x to 1.45x, remaining below our long term target range of between 1.5 and 2.0x, leaving capacity for further acquisitions.

Nick Jefferies, Group Chief Executive of discoverIE plc, said:

"The acquisition of Limitor continues our strategy of building a differentiated, international, growth focused electronics Group with strong operating margins and will be accretive. Limitor has a long-established track record of manufacturing and supplying high quality custom sensors internationally, principally for safety applications.

Operating within our Variohm cluster of sensor businesses, it will gain access to our wider base of customers and with it, new sales opportunities in our target markets. We are delighted to welcome the Limitor team into discoverIE Group.