Trading Update

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Good trading momentum continues

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 covering the four month period to 31 January 2021.

Trading has continued to strengthen with underlying earnings for the full year ending 31 March 2021 expected to be towards the upper end of market expectations.

Order intake in the period has been strong, with both Group and divisional orders increasing by 10% organically(1) over the prior year's pre COVID-19 levels and with a Group book to bill ratio of 1.17:1. This represents a significant improvement on the first half of the year (H1 Group orders: 18% lower; book to bill: 0.91:1), as the COVID-19 recovery strengthened and trading momentum increased. The Group order book has increased to £162m, 2% ahead of last year at CER(2) and a sequential increase of 14% organically since the end of the first half.

Sales also showed positive momentum: Group average monthly sales increased by 4% compared with the first half, while sales in our target markets, which account for 69% of Group sales, grew well ahead of other markets and returned to organic growth. As a result, Group sales for the period were 5% lower year-on-year organically, having been 8% lower in the first half. This improvement was evident across both divisions: sales in D&M, which were 67% of Group sales, reduced by 3% organically (H1: 7% lower) while in Custom Supply, sales reduced by 10% organically (H1: 11% lower). During the period, gross margins have remained firm and tight control of operating expenses has continued.

Year to date, Group orders and sales are lower by 5% CER, by 4% on a reported basis and by 7% organically.

Phoenix America Inc ("Phoenix"), which was acquired in October 2020, is performing well and in line with expectations. Its sales were ahead of last year and its integration into the Variohm Group is progressing well. The acquisition of Limitor GmbH ("Limitor") which was announced in December 2020, is expected to complete this month.

The Group remains well funded with good liquidity. Cash flow during the period has continued to be strong with gearing(3) at the period end reducing to 1.1x from a proforma gearing (including Phoenix) of 1.2x at 30 September 2020. Including the Limitor acquisition, proforma gearing at the period end was 1.35x, below our target gearing range of 1.5x to 2.0x with significant headroom remaining for further acquisitions.

The recovery through the second half to date and the strong order momentum provides a solid base from which to return to Group wide organic sales growth and underpins the expected progress into the next financial year. 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 to make further progress.

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Notes

1. Growth rates refer to the comparable prior year period unless stated. Organic growth for the Group is calculated at CER and is shown excluding the first 12 months of acquisitions post completion (Sens-Tech was acquired on 16 October 2019 and Phoenix on 14 October 2020).

2. Growth rates at constant exchange rates ("CER"). The average sterling rate of exchange against the Euro for the period weakened by 5% compared with the average rate for the same period last year, and by 5% on average against the three Nordic currencies, while strengthening by 3% compared with the US dollar rate for last year.

3. Gearing ratio is defined as net debt divided by underlying EBITDA (annualised for acquisitions). Gearing of 1.0x was reported at H1 2020/21 with proforma gearing of 1.2x including the acquisition of Phoenix in October 2020.

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.

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 has an ongoing commitment to reducing the impact of its operations on the environment, while its key markets are aligned with a sustainable future.

The Group employs c.4,200 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.

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