First Half Trading Update

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First Half Trading Update
Continuing strong trading momentum and further strategic progress

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 2021.

The strong order growth[1] reported in the second half of the last financial year and the first quarter of the current financial year has continued. Revenue for the first half remained well ahead of both the Covid-impacted prior year and the pre-Covid year ended 31 March 2020. Together with continued strong operational execution and despite foreign exchange headwinds in the period, Group performance for the first half is ahead of the Board's expectations.

Group sales for the period were 23% ahead of last year at CER[2]. This represents organic[3] growth of 15% over last year and 8% compared with two years ago. Orders remained well ahead of sales in the period, with organic growth of 64% and 34% respectively, against last year and two years ago. Gross margins have remained firm. Growth was similar in both divisions and resulted in a record order book at the end of the period, being 71% higher organically than last year and 53% higher organically than two years ago.

The Group is managing widespread supply chain challenges effectively and, despite some limiting of growth rates in the first half, continues to grow strongly. Similar conditions are expected in the second half. At the Group's facilities in India, Sri Lanka and Mexico, production capacity remains at near-normal levels despite ongoing local Covid-related social distancing restrictions. In Nogales, Mexico, production has begun as scheduled at the Group's new, larger facility and, to satisfy growing demand, capacity is being expanded in the US and Germany.

We are continuing to make good progress with our initiative to reduce the Group's carbon emissions by 50% including the commencement during the period of solar panel installation at our Sri Lankan facility, one of the largest in the Group.

The Group has acquired five businesses[3] over the last 12 months for a total up front consideration of £109m: all are making excellent progress and contributing well to the Group's strong trading performance. The acquisition pipeline remains strong.

Following the recent acquisitions of Beacon and Antenova and the £55m equity placing completed in early September, proforma gearing[4], which at 31 March 2021 was 1.6x, has reduced to 1.4x at the end of September 2021, below the Group's target gearing range of 1.5x to 2.0x, leaving headroom for further acquisitions. Continued strong cash generation and a disciplined approach to portfolio management will further support the Group's capability to invest in long term growth initiatives.

With a clear strategy focused on long-term, high quality, structural growth markets[5] across Europe, North America and Asia, a diversified customer base, a record order book and a strong pipeline of acquisition opportunities, the Group is well positioned to make further progress on its key priorities.

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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 strengthened 4% against the Euro compared with the average rate for the first half last year and strengthened 10% against the US Dollar while remaining in line on average against the three Nordic currencies.

3. Organic growth for the Group compared with last year is calculated at CER and is shown excluding the first 12 months of acquisitions post completion (Phoenix was acquired in October 2020, Limitor in February 2021, CPI in May 2021, Antenova in August 2021 and Beacon in September 2021). Organic growth compared with two years ago excludes the first 24 months of acquisitions so also excludes Sens-Tech acquired in October 2019.

4. Gearing is defined as net debt divided by underlying EBITDA (excluding IFRS 16, annualised for acquisitions). Proforma gearing is what the gearing would have been had acquisitions and equity placings been completed at that time.

5. Target markets are renewable energy, medical, transportation and industrial & connectivity.

6. 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:

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, medical, transportation 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.5,000 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 a member of the FTSE250, classified within the Electrical Components and Equipment subsector.

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