Full Year Trading Update

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Full Year Trading Update

Strong trading continues with full year outturn ahead of expectations

discoverIE Group plc (LSE: DSCV, "discoverIE" or the "Group"), a leading international designer and manufacturer of customised electronics for industrial applications, today issues a trading update for its financial year ended 31 March 2022, ahead of the announcement of its preliminary results on 14 June 2022.

The Period

Trading in the final two months of the year (the "Period") continued to be strong and the Group expects to deliver full year underlying earnings for continuing operations ahead of the Board's previous expectations.

Group orders[1] in the Period remained well ahead of sales, growing organically[2] by 13% year-on-year and by 27% compared with two years ago, driven by widespread strong demand across the Group's target markets.

Group sales[1] in the Period also grew strongly, increasing organically by 20% year-on-year and by 22% compared with two years ago. This was achieved despite ongoing supply chain headwinds, in particular semiconductor shortages which have delayed sales in two of our twenty businesses.

Full Year

Group orders for the year were well ahead of sales, growing organically by 36% year-on-year and by 32% compared with two years ago. The period end order book of £224m was at a record level, being 62% higher organically than a year ago and 71% higher organically than two years ago, positioning the Group well for further organic growth in the new financial year.

Group sales for the year were higher than previously expected, up 28% at CER[3] (25% higher on a reported basis). Organically, sales grew by 17% and 13% compared with last year and two years ago. Trading was strong in each of the Group's two divisions[4] for both the Period and the Full Year.

The agility of the Group's model and the capabilities of our employees have enabled our businesses to respond effectively to the operational challenges caused by COVID-19 and ongoing supply chain factors, while the effects on the Group of the conflict in Ukraine have been negligible[5].

Also during the period, the Group was awarded an "A" rating by MSCI ESG Research recognising the Group's environmental, social and governance progress as well as its strong strategic focus on sustainable technologies in areas such as renewable energy. The Group is well placed to benefit from increasing sustainability tailwinds.

The Group is well-funded with good liquidity and strong cash flow. Following the sale of the Acal BFi distribution business which completed in the Period, gearing[6] at 31 March 2022 was 0.7x. With the target gearing range being 1.5x to 2.0x, there is significant headroom for further acquisitions and the pipeline of opportunities remains strong.

With a clear strategy focused on long-term, high quality, structural and sustainable growth markets 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. Orders and sales are for continuing operations which exclude the results of the Acal BFi and Vertec SA businesses (the discontinued operations). The disposals of each of these distribution businesses were completed during the final quarter of this financial year ended 31 March 2022.

2. Growth rates refer to the comparable prior year period unless stated. Organic growth for the Group compared with last year is calculated at constant exchange rates ("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.

3. Growth rates at constant exchange rates ("CER"). The average sterling rate of exchange against the Euro for the Period strengthened by 3% compared with the average rate for the same period last year, and by 5% on average against the three Nordic currencies, while weakening by 4% compared with the US dollar rate. For the year ended 31 March 2022, the average sterling rate of exchange against the Euro strengthened by 5% compared with the average rate last year, by 2% on average against the three Nordic currencies, and by 5% compared with the US dollar rate for last year.

4. On 9 February 2022, the Group announced that, following its exit from distribution, it had split its remaining division (Design & Manufacturing) into two divisions, Magnetics & Controls ("M&C") and Sensing & Connectivity ("S&C").

5. discoverIE's direct operational exposure to Russia, Belarus and Ukraine is very low. All Group companies have ceased sales into Russia and Belarus and the Group has no companies, facilities or direct employees in these countries. In the current financial year, sales to Russia and Belarus represented less than 0.2% of Group revenues, with no revenue in Ukraine. The Group has no significant dependency on direct supplies of components or materials from these countries and is finding alternative sources where necessary.

6. Gearing ratio is defined as net debt divided by underlying EBITDA (annualised for acquisitions).

7. This trading update is based upon unaudited management accounts which are subject to finalisation and audit, 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 and manufactures innovative electronic components for industrial applications.

The Group provides application-specific components to original equipment manufacturers ("OEMs") internationally through its two divisions, Magnetics & Controls, and Sensing & Connectivity. 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 and with its key markets aligned with a sustainable future, MSCI has awarded the Group an ESG "A" rating.

The Group's continuing operations 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 a member of the FTSE250, classified within the Electrical Components and Equipment subsector.

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