7.00am, 22 December 2022

discoverIE Group plc

Acquisition of Magnasphere Corporation

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

Magnasphere, a US-based designer and manufacturer of magnetic sensors and switches for industrial electronic applications, is being acquired, subject to certain vendor shareholder approvals, for a cash consideration of $22m (£19.1m) on a debt free, cash free basis, before expenses, which will be funded from the Group's existing debt facilities.

Vendor shareholder approvals for the transaction are expected to be received during the final quarter of this financial year. Once completed, the acquisition is expected to be immediately accretive to Group underlying earnings and underlying operating margin.

Magnasphere, founded in 2002, designs and manufactures high performance magnetic sensors and switches for industrial electronic markets including access control, data centres and specialist vehicles. The business, which is currently majority owned by management[1], is based in Waukesha, Wisconsin, with manufacturing facilities in Goshen, Indiana. The business will operate within the Group's Variohm cluster of specialist sensor businesses as part of the Sensing & Connectivity division whilst retaining its distinct brand identity. Under succession plans, management shareholders will transition leadership to existing ongoing management over a period of up to twelve months.

Revenues for the year ended 31 December 2021 were $6.8m (£5.7m) with a reported pre-tax profit of $1.9m (£1.6m), and an operating margin of 28%. Gross assets at 31 December 2021 were $5.9m (£5.1m). The business has continued to grow well in 2022.

Following completion of the acquisition, the Group's proforma gearing[2] as at 30 September 2022, the Group's most recent six month period end, increases from 0.8x to 1.1x, remaining below our long term target range of between 1.5 and 2.0x, leaving capacity for further acquisitions. The pipeline of acquisition opportunities in development remains strong.

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

"This acquisition of Magnasphere continues our strategy of building a differentiated, international, growth focused electronics Group with strong operating margins. The transaction brings another high quality business into discoverIE, which is accretive to both underlying earnings and margins, and strengthens our US footprint.

Magnasphere has a long-established track record of manufacturing and supplying high quality custom sensors across the US. Operating within our Variohm cluster of sensor businesses, Magnasphere 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 Magnasphere team into discoverIE Group."

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Notes

1. Magnasphere has approximately 70 individual shareholders of whom Jim McHugh, Rick Kirschman, Francis Corby and Randall Woods hold in aggregate a majority of the equity.

2. Gearing ratio is defined as net debt divided by underlying EBITDA (annualised for acquisitions, excluding IFRS16)).

3. 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 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 sustainable key markets driven by structural growth and increasing electronic content, namely renewable energy, medical, electrification of transportation and industrial automation & connectivity, the Group aims to achieve organic growth that is well ahead of GDP and to supplement that with 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 employs c.5,000 people across 20 countries with its principal operating units located in Continental Europe, the UK, China, Sri Lanka, India and North America.

discoverIE 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.