NEWS RELEASE

First Half Trading Update

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First Half Trading Update

First half earnings in line with Board expectations

discoverIE Group plc (LSE: DSCV, "discoverIE" or "the Group"), a leading international designer and manufacturer of customised electronics to industry, today issues a trading update for the first six months of the financial year ending 31 March 2025 ("the Period").

The Group remains on-track with the Board's underlying earnings expectations for this financial year unchanged. The Group's strategy and focus on operational improvements is enabling continued margin development and robust earnings performance through the economic cycle. While de-stocking continued at some customers, it did so at a lesser rate. Order levels have stabilised and design wins, a key forward-looking barometer, increased strongly.

Group sales for the Period were 4% lower than last year at CER(1) (5% lower on a reported basis). Organic(2) sales were 7% lower than prior year in the second quarter (from 12% lower in the first quarter), ending 10% lower for the Period. There was an 8% contribution from acquisitions offset by a 2% reduction related to the disposal of Santon's lower-margin solar business unit which was announced last financial year.

Gross margins in the Period were robust and operating costs and working capital tightly managed, with the Group on track to achieve its 13.5% underlying operating margin target this financial year and 15% over the medium term.

Orders returned to growth in the Period, increasing by 8% at CER, compared with the first half last year, and increased by 8% sequentially. The book-to-bill ratio increased to 0.98 from 0.89 last financial year (H1 2023/24: 0.87; H2 2023/24: 0.91). Organically, orders increased by 1% in the Period and by 5% sequentially.

Design wins increased in the Period by 8%, with an estimated lifetime value of £205m, being 33% higher than two years prior. Design wins are a key driver of future organic revenues and the Group has a strong pipeline of opportunities.

During the second quarter, the Group acquired HiVolt Limited, a specialist capacitor manufacturer based in Northern Ireland for £3.8m. HiVolt and the other five acquisitions made in the last 14 months are performing well, with integrations proceeding as expected. Additionally, the disposal of Santon's solar business unit is well progressed with two thirds of sale proceeds now received as scheduled.

With continuing strong operating cash flow, gearing(3) at 30 September 2024 is expected to be 1.45x, reducing from 1.5x at 31 March 2024 and below the lower end of the Group's target gearing range of 1.5x to 2.0x.

With an excellent pipeline of design wins and acquisition opportunities supported by high cashflow, the Group is well positioned to build on its strong through-cycle growth record and deliver on its strategic objectives as market conditions stabilise.

The Group will release its interim results on 3 December 2024.

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Notes

1. Growth rates refer to the comparable prior year period unless stated. In calculating CER for the Period, the average Sterling rate of exchange strengthened 2% against the Euro compared with the average rates for last year, 2% against the US Dollar and 2% on average against the three Nordic currencies, resulting in a 1.5% sales reduction for the Period.

2. 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 (Silvertel in August 2023, 2J Antennas Group ("2J") in September 2023 and Shape, DTI and IKN in Q4 2023/24, Hivolt in July 2024) and excluding last year's announced disposal of the Santon solar business unit.

3. Gearing is defined as net debt divided by underlying EBITDA (excluding IFRS 16, annualised for acquisitions).

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:

discoverIE Group plc is an international group of businesses that design and manufacture 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, increasing electronic content and sustainability, namely medical, electrification of transportation, renewable energy, security 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 is committed to reducing the impact of its operations on the environment with an SBTi-aligned plan to reach net zero. With its key markets aligned with a sustainable future, the Group has been awarded an ESG "AA" rating by MSCI and is Regional (Europe) Top Rated by Sustainalytics.

The Group employs c.4,500 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.

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