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discoverIE Group plc - Acquisition of 2J Antennas Group

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Acquisition of 2J Antennas Group

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 2J Antennas Group ("2J"), a Slovakian-based designer and manufacturer of antennas, for a cash consideration of €52.5m (£45.0m) on a debt free, cash free basis, before expenses, which will be funded from the Group's existing debt facilities.

Founded in 2002, 2J is a leading designer and manufacturer of high performance

antennas for industrial electronic connectivity applications that are closely aligned with the Group's sustainability-linked target growth markets. 2J, which was owned by management[1] who will continue with the business, is based in Bardejov, Slovakia with subsidiaries in the US and UK, selling into more than 50 countries and has a long track record of profitable growth at operating margins significantly higher than the Group average.

2J will become part of the Sensing & Connectivity division and form a new technology cluster with the Group's existing antenna business, Antenova, creating a leading platform in the long-term growth, high performance, industrial wireless connectivity market. With highly complementary products, both businesses will retain their distinct brand identities, under common expanded leadership, and will be integrated over time onto a common infrastructure. This combination represents an attractive opportunity for the Group to accelerate growth in the market for wireless connectivity in industrial applications, an area set to grow strongly driven by application areas such as the Industrial Internet of Things (IIoT), robotics and artificial intelligence (AI) controlled industrial systems that require dependable wireless communication to function.

For the year ended 31 December 2022, 2J reported revenues of €18.1m (£15.5m), pre-tax profit of €4.4m (£3.8m), underlying operating profit of €3.7m (£3.2m) and a 21% underlying operating margin. Gross assets at 31 December 2022 were €8.1m (£6.9m). Following a current year of normalising customer inventories, 2J is expected to continue its strong organic growth enhanced by access to discoverIE's wider industrial customer base and international commercial support functions. The integration with Antenova is expected to realise operational and revenue synergies over time, following an initial investment to support scalability, with the acquisition exceeding the Group's stated returns target within four years.

The acquisition is expected to be immediately accretive to the Group's underlying operating margin and accretive to underlying earnings in the first full year post completion. The Group's proforma gearing[2] as at 31 March 2023 increases from 1.0x to 1.6x with our long term target range being between 1.5 and 2.0x. The pipeline of acquisition opportunities in development remains strong.

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

"The acquisition of 2J 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 will be accretive to both underlying earnings and margins.

2J is a business that we have known for some time, with a strong product range and engineering capability that is highly complementary to our existing Antenova business. By bringing the two businesses together, they will gain access to a greater number of industrial connectivity target customers with a broader product range and wider commercial support functions. We have invested in additional management to scale up the business and achieve operating synergies.

The industrial wireless connectivity market is an exciting one with excellent growth prospects and the acquisition of 2J increases discoverIE's opportunities in the faster growing markets of the Industrial Internet of Things (IIoT), robotics and artificial intelligence (AI) controlled industrial systems.

We are delighted to welcome the 2J team to the discoverIE Group."

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Notes

1. 2J was owned by 2J Holdings sro which was jointly owned by Benoit Tourres (Chairman) and Janette Jarvie (Chief Executive Officer). Mr Tourres and Ms Jarvie will remain with the business.

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 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 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 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.4,700 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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