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discoverIE Group plc - Acquisition of Silvertel

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Acquisition of Silvertel

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 Silver Telecom Limited ("Silvertel"), for an initial cash consideration of £21m on a debt free, cash free basis, before expenses, which will be funded from the Group's existing debt facilities. In addition, an earn-out of up to £23m will be payable subject to Silvertel's performance over the next four years. Completion of the acquisition is subject to approval under the UK National Security & Investment Act, which is expected to be received later this quarter.

Founded in 1997, Silvertel is a UK-based designer and manufacturer of differentiated, high performance Power-over-Ethernet ("PoE") modules and complementary products for global industrial electronic connectivity markets closely aligned with the Group's target markets. Silvertel, which is based in Newport in South Wales and sells its products in over 70 countries, will be part of the Magnetics & Controls division and will retain its distinct brand identity.

Silvertel delivered an exceptional performance in the year to 28 February 2023, with revenues of £13.5m and pre-tax profit of £4.4m, with gross assets of £4.6m. Performance in the current year is expected to be closer to the 2022 financial year, where the business reported revenues of £8.4m and pre-tax profit of £2.2m.

The acquisition is expected to be immediately accretive to underlying earnings and underlying operating margin. Following completion of the acquisition, the Group's proforma gearing[1] as at 31 March 2023 increases from 0.7 to 1.0x. This remains well below the 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:

"The acquisition of Silvertel continues our strategy of building a differentiated, international, growth focused electronics group with strong operating margins. The transaction brings another high quality business with strong alignment to our target markets into discoverIE, which is accretive to both underlying earnings and margins.

Silvertel has an excellent product range that is highly complementary to our existing Group and will gain access to our wider range of industrial connectivity target customers. We are looking forward to welcoming the Silvertel team to the discoverIE Group."

For further information please contact:

discoverIE Group plc 01483 544 500
Nick Jefferies, Group Chief Executive
Simon Gibbins, Group Finance Director

Lili Huang, Head of Investor Relations

Buchanan 020 7466 5000

Chris Lane, Toto Berger, Jack Devoy
discoverIE@buchanan.uk.com

Notes

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

2. Silvertel is owned by retired co-founder Chris Green, Steve Edwards (co-founder and CEO),and a number of minority shareholders. Steve Edwards will remain in the business as Chairman. The current COO, Sean Edwards, will manage the company as its new Managing Director..

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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