NEWS RELEASE

# discoverIE Group plc - First Half Trading Update

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**For Release**
**7.00am, 11 October 2023**

**discoverIE Group plc**

**First Half Trading Update**

**Sustained positive trading momentum, with significant margin progress**

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 2024 ("the Period").

The Group continues to make good financial and strategic progress and is on track to deliver full year underlying earnings in-line with the Board's recently upgraded expectations.

Group sales in the Period were 4% ahead of last year[1] at CER[2], comprising 1% organic[3] growth and 3% from acquisitions. After foreign exchange effects of 3%, reported sales were 1% ahead of last year. Sales increased by 2% organically in the Magnetics & Controls division and by 1% organically in the Sensing & Connectivity division. Whilst, as expected, we have seen some normalisation of order books, our focus on a diverse range of industrial customers in our four target markets (renewable energy, electrification of transportation, medical and industrial & connectivity) provides us with long term, structural growth in less cyclical markets which has led to resilient overall demand and sustained positive trading momentum.

Orders in the second quarter increased by 2% sequentially, with the book to bill ratio increasing from 0.84 in the first quarter, to 0.91 in the second quarter. The order book at 30 September 2023 represents just over five months coverage, remaining ahead of historic levels and providing good visibility for the second half of the year.

Through a combination of initiatives including improving sales mix, cost and efficiency actions, operating margins continue to strengthen. Operating margins during the Period are expected to increase by around 100 basis points year-on-year, making excellent progress towards our FY25 target of 13.5% and mid-term target of 15%. The benefits of this margin improvement will more than offset both rising interest charges and foreign exchange translation impacts, with the Group expecting to report record underlying earnings per share for the Period.

Design wins increased strongly in the Period, by 23%, with an estimated lifetime value of £190m and with 89% being in our target growth markets. Design wins are a key driver of future organic revenues and we have a strong pipeline of future opportunities in development.

The acquisitions of Silvertel on 31 August 2023 and 2J Antennas on 18 September 2023 are performing well with integrations proceeding as expected.

With continuing good operating cash flow, gearing[4] at 30 September 2023 was 1.6x, the lower end of the Group's target gearing range of 1.5x to 2.0x.

## Outlook

Following a strong performance in the Period and with good orderbook visibility into the second half, the Group is on track to deliver full year underlying earnings in-line with the Board's recently upgraded expectations.

With a clear strategy focused on structural and sustainable international growth, a diversified customer base, a healthy order book and pipeline of design wins and acquisition opportunities, the Group has a resilient business model that, despite varied market conditions, is well positioned to make further good progress on its key priorities.

The Group will release its interim results on 5 December 2023.

For further information, please contact:

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## Notes

1. Growth rates refer to the comparable prior year period unless stated.

2. Growth rates at constant exchange rates ("CER"). In calculating CER for the Period, the average Sterling rate of exchange weakened 2% against the Euro while strengthening 3% against the US Dollar compared with the average rates for last year and 9% on average against the three Nordic currencies.

3. 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 (CDT in June 2022, Magnasphere in January 2023, Silvertel in August 2023 and 2J in September 2023).

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

5. 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 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.4,900 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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