

**discoverIE**

**Investor Presentation**

**June 2024**



## discoverIE is:

- A FTSE 250 international **specialist electronic engineering** company
- **Designing and manufacturing** customised electronic components for industrial applications
- Supplying **Original Equipment Manufacturers** (OEMs)
- Focusing on **sustainable growth markets** - Renewable energy, transportation, medical, industrial & connectivity
- **Acquisitive**

## discoverIE is NOT:

- A **distributor** or reseller
- A **contract manufacturer** or outsourcing partner
- A supplier of **standardised electronic** components
- A supplier of **consumer electronics** or electronic components for **consumer market**

# Our global footprint

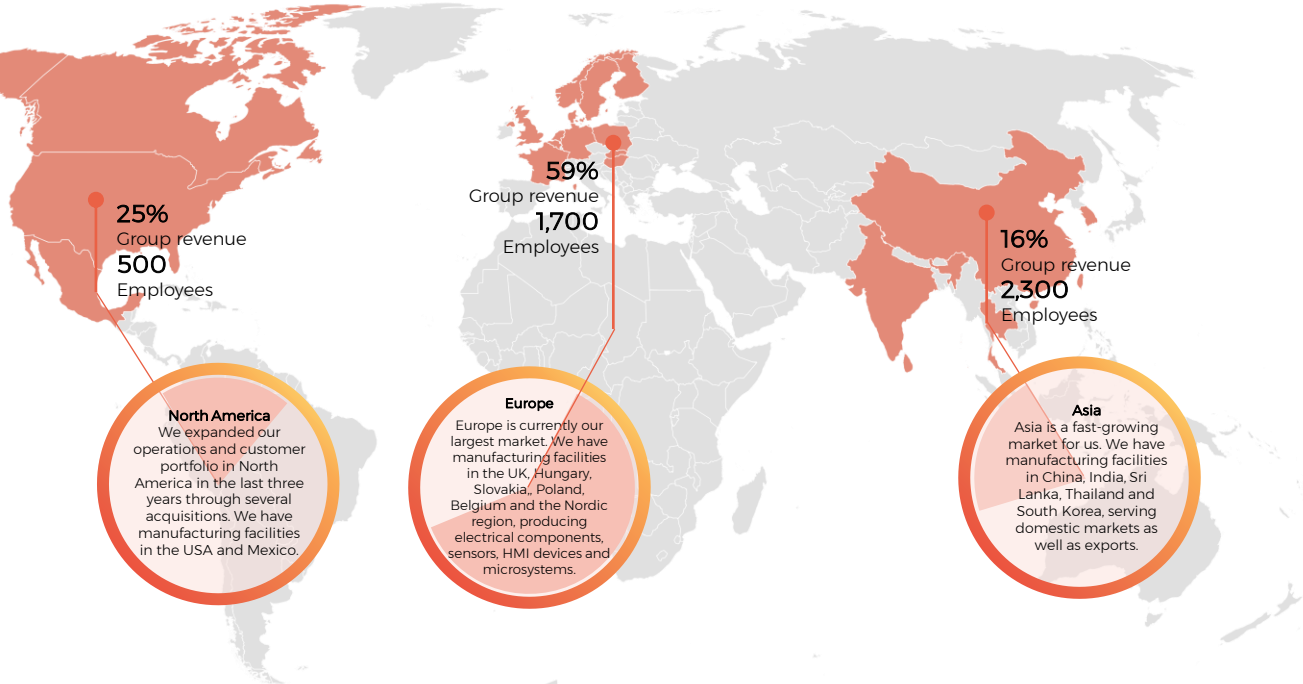
discoverIE is an international electronic engineering company, designing and manufacturing customised electronic components for industrial applications.

**36**  
Manufacturing sites

**20**  
Countries in which we operate

**70**  
Countries into which our products are sold

**4,500**  
Employees globally



**North America**  
We expanded our operations and customer portfolio in North America in the last three years through several acquisitions. We have manufacturing facilities in the USA and Mexico.

**Europe**  
Europe is currently our largest market. We have manufacturing facilities in the UK, Hungary, Slovakia, Poland, Belgium and the Nordic region, producing electrical components, sensors, HMI devices and microsystems.

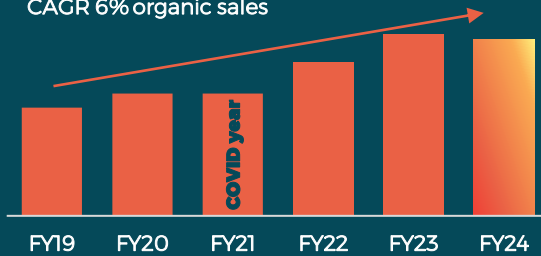
**Asia**  
Asia is a fast-growing market for us. We have manufacturing facilities in China, India, Sri Lanka, Thailand and South Korea, serving domestic markets as well as exports.

(1) Group revenue breakdown is based on FY24 revenue of £437.0m.

# Financial Highlights

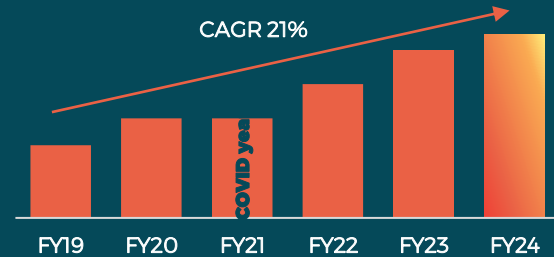
## SALES<sup>(1)</sup>

CAGR 10%  
CAGR 6% organic sales

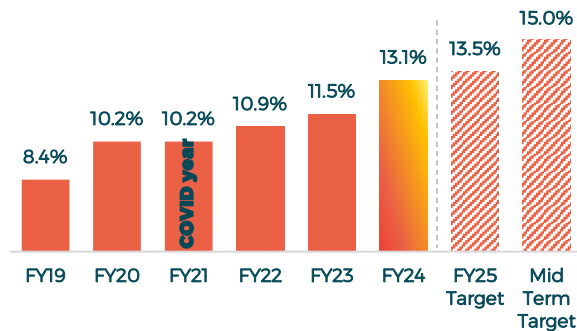


## UNDERLYING OPERATING PROFIT<sup>(1)</sup>

CAGR 21%

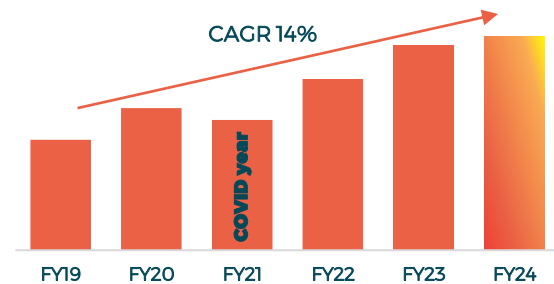


## UNDERLYING OPERATING MARGIN<sup>(1)</sup>



## UNDERLYING EPS<sup>(1)</sup>

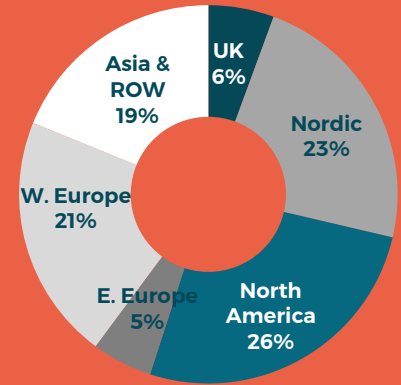
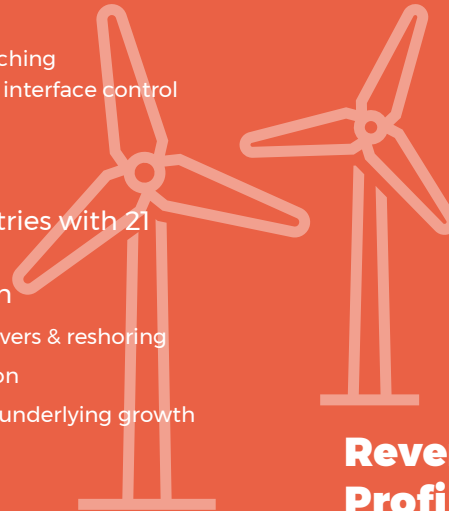
CAGR 14%



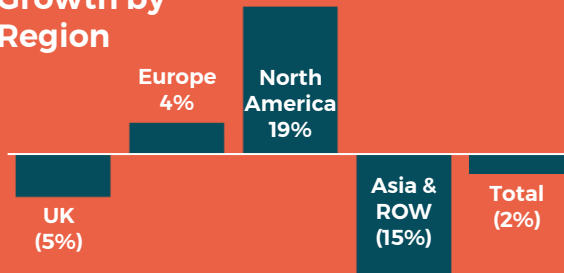
<sup>(1)</sup> Sales, underlying operating profit, underlying operating margin and underlying EPS have been restated to exclude the results of discontinued operations

# Magnetics & Controls division

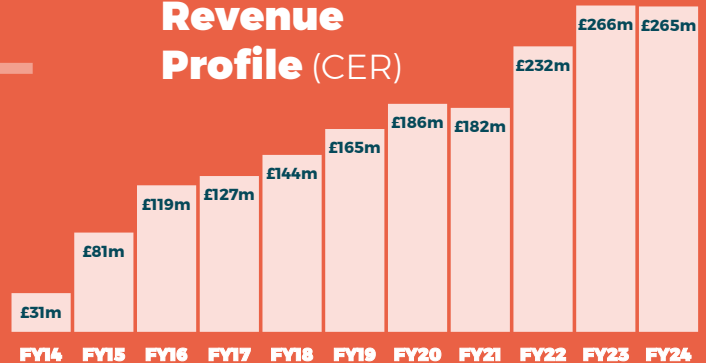
- Electronics for:
  - Signal conditioning, power conversion and switching
  - Monitoring & remote control, communication & interface control
- 61% of Group Revenue
- 5 acquisitions in the last 5 years
- 2 clusters plus 3 businesses across 16 countries with 21 manufacturing sites
- FY24 profits up 12% CER, with 15.3% margin
  - Accelerating US demand – structural growth drivers & reshoring
  - Asia slowing – China – shift to regional production
    - India – bumpy start with positive underlying growth



## Organic Growth by Region



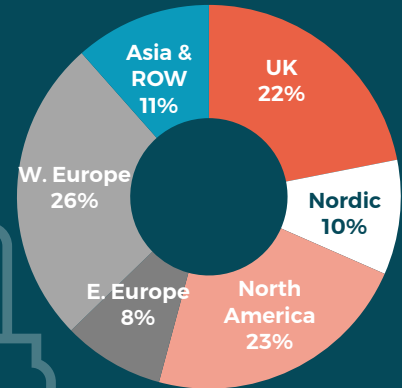
## Revenue Profile (CER)



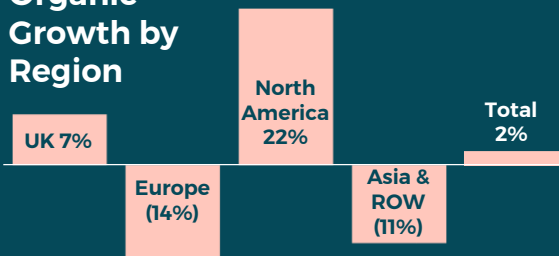
Business	Myrra	Noratel	Flux	Plitron	Cursor Controls	Hobart	Beacon	Silvertel Shape, DTI			
Pre FY14	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24

# Sensing & Connectivity division

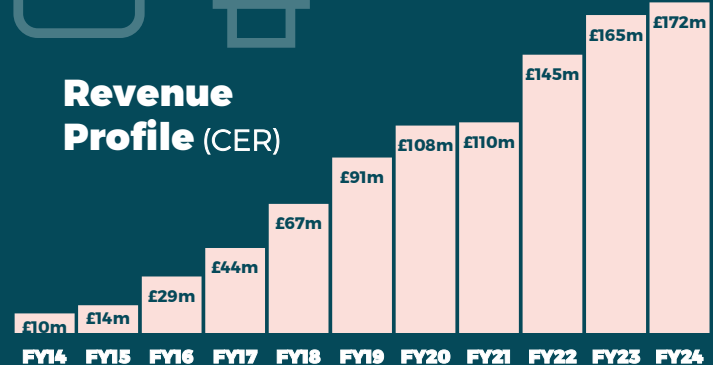
- Electronics for:
  - Sensing & measuring movement, temperature, pressure, position, force, load & x-ray detection
  - Connection, switching, wireless transmission, fibre optic connection & electromagnetic shielding
- 39% of Group Revenue
- 10 acquisitions in the last 5 years
  - Increasing specialist capability and international reach
- 4 clusters & 3 businesses across 9 countries with 15 manufacturing sites
- FY24 profits up 15% CER, with 16.8% margin
  - Strong growth in US & UK offset by Asia/Europe



## Organic Growth by Region



## Revenue Profile (CER)



Company	Year
Stortech MTC	Pre FY14
Foss	FY15
Contour	FY16
Variohm	FY17
Santon	FY18
	FY19
Positek Sens-Tech	FY20
Limitor Phoenix	FY21
Antenova CPI	FY22
MagnaspHERE CDT	FY23
2J IKN	FY24

The image is a vertical split composition. The left half shows a faded, light-colored city skyline with a prominent tower. The right half shows a vibrant, dark city skyline at night with light trails from a highway interchange. Overlaid on both is a network diagram of white lines and nodes. The text 'WHY INVEST IN DISCOVERIE' is positioned on the left side.

**WHY INVEST IN  
DISCOVERIE**



1

**SUSTAINABLE  
GROWTH  
MARKET**

Focus on industrial applications and prioritise four target markets with structural, sustainable growth

2

**HIGHLY  
DIFFERENTIATED  
PRODUCTS**

Customised electronics and systems designed and produced for specific industrial applications, addressing a niche segment of the electronics market

3

**CLEAR & PROVEN  
STRATEGY**

Grow well ahead of GDP over the economic cycle by delivering organic sales growth, bolstered by acquisitions

4

**STRONG  
FINANCIALS**

Sustainable, profitable growth and excellent cash generation with a strong balance sheet

5

**CONSISTENT  
SHAREHOLDER  
RETURNS**

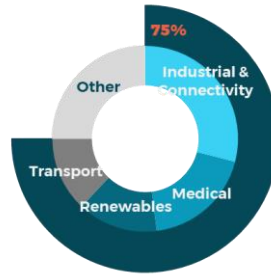
Disciplined capital allocation with a track record of earnings enhancing acquisitions and progressive dividend



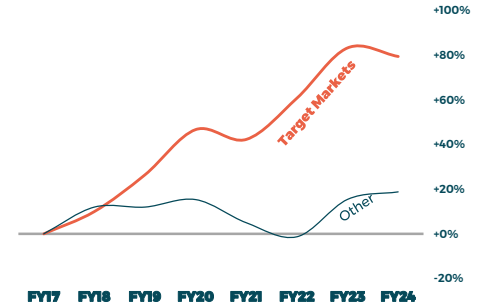
## SUSTAINABLE GROWTH MARKET

- Global trends driving structural growth
- Product development driven by technology
- Increasing electronic content
- Essential products
- Markets aligned with UN SDG<sup>(1)</sup>

REVENUE FROM TARGET MARKETS (% of total revenue)



TARGET MARKETS ACCUMULATIVE GROWTH



Renewable Energy



Transportation



Medical



Industrial & Connectivity

### Mega Trends

Decarbonisation & Diversification

Smart transportation, vehicle electrification

Artificial Intelligence, Sensing and Analytics

Connectivity, Automation & Industrial, Robotics, Internet of Things

### Market Growth

9% CAGR growth in renewable power generation 2023-26<sup>(2)</sup>

10.2% CAGR growth in smart transportation 2021-30<sup>(3)</sup>

15.4% CAGR growth in smart medical devices market 2022-31<sup>(4)</sup>

6.7% CAGR growth in global industrial IoT 2022-26<sup>(5)</sup>

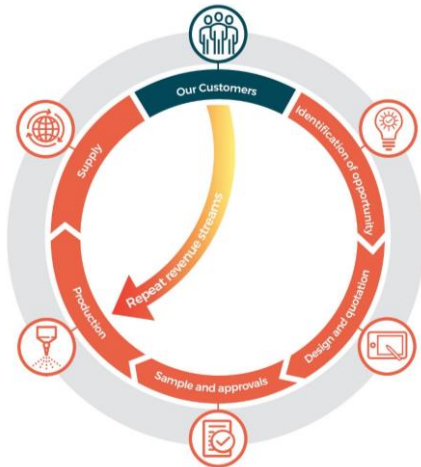
### UN SDGs Alignment



(1) United Nations Global Compact Sustainable Development Goals  
 (2) International Energy Agency (IEA)

(3) Allied Market Research  
 (4) Allied Market Research  
 (5) Markets and Markets

## 2 HIGHLY DIFFERENTIATED PRODUCTS



By applying our extensive **technical knowledge** of applications and design, our engineers create **unique products** and **solutions** to meet our customers' specific needs.

Our **global footprint** enables us to meet the location demands of our customers.

## Position Sensor Customised Applications

### Wind Power

Used in wind scanners to help site wind farms to ensure maximum efficiency and yield

### Solar Power

Used in solar trackers to obtain reliable positioning of tilt and azimuth angles

### Transportation

Used to monitor actual position of the rail switch and the gap between the rail and switch

### Medical

Used in the centre of an MRI scanner to detect the patient position

### Industrial

Used to monitor the movement of automated robotic arms in manufacturing

### Other

Used to monitor the position of various barriers, such as public transport ticket barriers



### 3 CLEAR & PROVEN STRATEGY

Our strategic aim is to grow our business in **customised electronics** by focusing on markets with **sustained growth prospects**, driven by increasing electronic content and where there is an **essential need** for our products.



**Grow sales well ahead of GDP**

through the economic cycle by focusing on structural growth markets

2 3



**Move up the value chain**

where operating margins are higher through improving efficiency and acquisitions

1



**Acquire high quality businesses**

with attractive growth prospects and strong, sustainable margins

1 2 3 4



**Further internationalise**

the business by expanding in North America and Asia

2

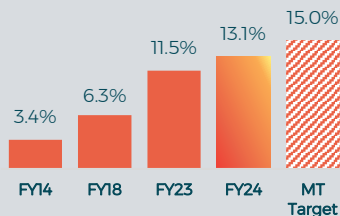
Strong cash flow

Reducing impact on environment

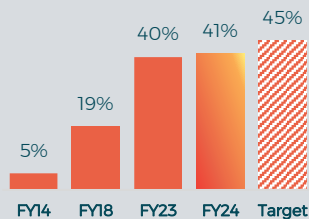
X Key strategic indicators. See next slide for details.

## Key Strategic Indicators

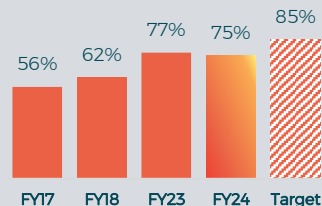
### 1 Increase Underlying Operating Margin<sup>(2)(3)</sup>



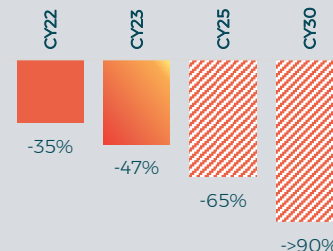
### 2 Build Sales Beyond Europe<sup>(1)(2)</sup>



### 3 Target Market Sales<sup>(1)</sup>



### 4 Absolute Carbon Reduction<sup>(4)</sup>

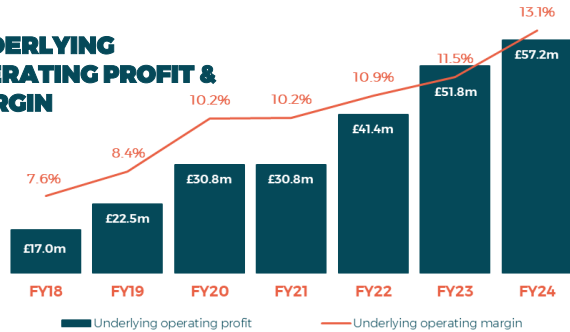


Key Performance Indicators	FY14	-	FY18	FY19	FY20	FY21	FY22 <sup>(6)</sup>	FY23	FY24	Target
	Sales growth									
CER	17%	-	11%	14%	8%	(4%)	27%	15%	1%	
Organic	3%	-	11%	10%	5%	(4%)	14%	10%	-1%	
Underlying EPS growth	20%	-	16%	22%	11%	(14%)	21%	20%	5%	>10%
Dividend growth <sup>(5)</sup>	10%	-	6%	6%	6%	6%	6%	6%	5%	Progressive
ROCE	152%	-	137%	154%	16.0%	14.5%	14.7%	15.9%	15.7%	>15%
Operating profit conversion	100%	-	85%	93%	106%	141%	101%	94%	105%	>85% of Op profit
Free cash conversion	-	-	-	94%	104%	157%	102%	95%	102%	>85% of PAT

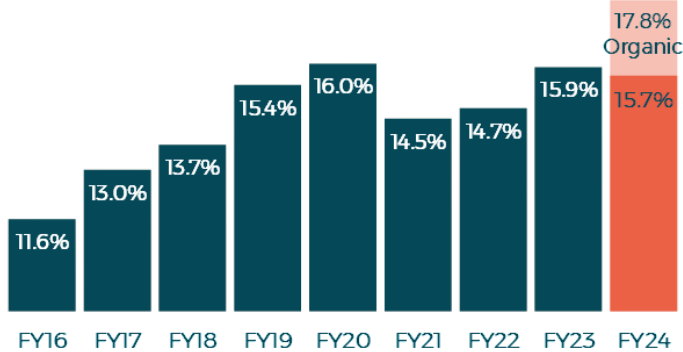
(1) As a percentage of Group revenue  
 (2) FY22-FY24 figures are continuing operations only. All figures for prior years are for total operations reported at the time unless stated  
 (3) A new medium-term target set at 15%. FY25 target of 13.5%  
 (4) Carbon emissions are reported on a calendar year basis  
 (5) 6% increase in the H1 20 interim dividend; a final dividend was not proposed for FY20 due to COVID-19  
 (6) FY 2021/22 shown as growth over the pre-Covid period FY 2019/20 as this reflects the ongoing growth of the business. FY 2013/14 to FY 2019/20 are for total operations before disposals as reported at the time

# 4 STRONG FINANCIALS

## UNDERLYING OPERATING PROFIT & MARGIN



## ROCE



(1) Return on capital employed (ROCE) includes annualisation of acquisitions in the year

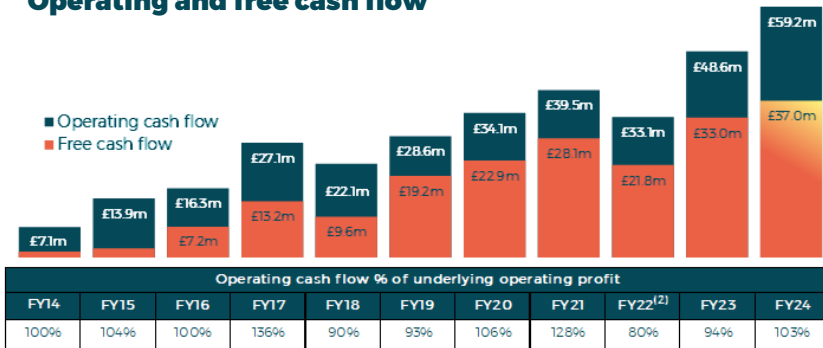
(2) Return on tangible capital employed (ROTCE) is return on the underlying assets of each business being ROCE excluding goodwill and intangibles.

## Organic growth and Acquisitions

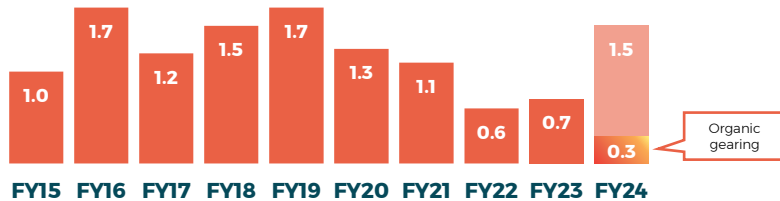
- **Good organic growth with margin expansion**
  - 6% CAGR FY1\*9-FY24; resilient during Covid
  - Margin expansion driven by operating efficiencies and tight cost control
- **High quality acquisitions over 13 years**
  - £470m invested in 26 acquisitions; over £190m in last 3 years alone
  - Developed sustainable business growing ahead of the market
  - Higher margin, capital-light, cash generative
- **Strong returns, well ahead of WACC**
  - Target ROCE<sup>(1)</sup>: ≥15% vs 15.7% in FY24
  - Organic ROCE +1.9ppts to 17.8%, ROTCE<sup>(2)</sup> +5.8ppts to 54.1%
  - Compounding effect of ROCE: 28% for acquisitions >7yrs
- **Clear approach to acquisitions**
  - Target by product, geography and market
  - Must have discoverIE DNA

# 4 STRONG FINANCIALS

## Operating and free cash flow



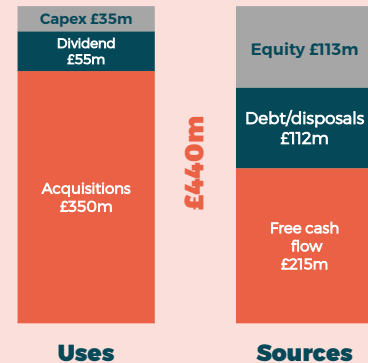
## Net debt / EBITDA<sup>(1)</sup> ratio



(1) Net debt divided by underlying EBITDA as annualised for acquisitions. EBITDA (pre IFRS 16) excludes non-cash items being depreciation, amortisation, share based payments and IAS19 legacy pension charge  
 (2) FY21 and FY22 covid impact: £16m swing in working capital  
 (3) Free cash flow above is quoted before capex

## Strong cash flow & disciplined capital allocation

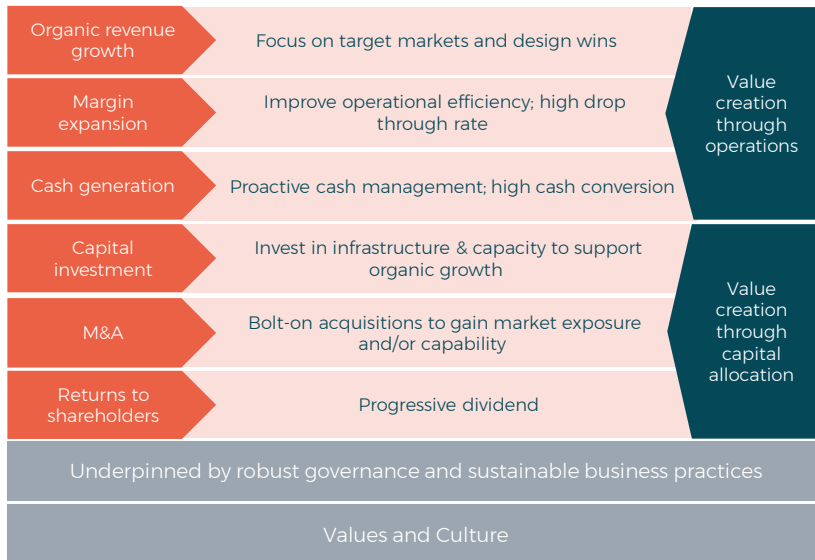
### Total capital allocation in last 7 years



- Strong growth in operating & free cash flows
  - Consistently high conversion rate
  - Aim to be self sufficient in funding acquisitions over time
- Robust balance sheet
  - £240m revolving credit facility (to June 2027)
  - Historic gearing<sup>(1)</sup> ratio well below 2x despite multiple acquisitions

# 5 CONSISTENT SHAREHOLDER RETURN

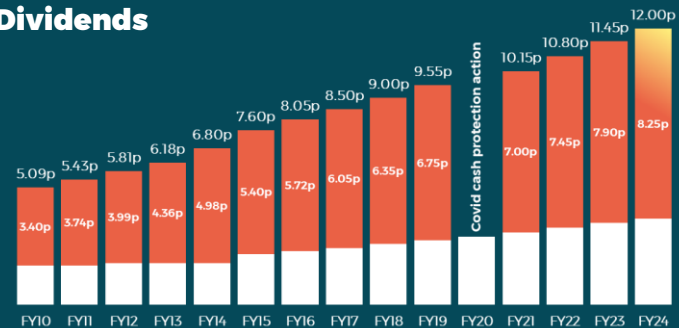
## Our Value Creation Model



We aim to provide investors with:

- TSR of 15% – 20% p.a  
Last 10 years = 17% CAGR<sup>(1)</sup>
- A progressive dividend  
Last 10 years = 6% CAGR<sup>(1)</sup>

## Dividends



### From FY14 to FY24:

- Sales<sup>(2)</sup> +909% (+26% CAGR)
- Organic sales +6% CAGR<sup>(3)</sup>
- Operating profits +706% (+23% CAGR<sup>(3)</sup>)
- Underlying EPS +232% (+13% CAGR<sup>(3)</sup>)
- Op cash conversion 106% of Op profits (ave)

(1) 31 Mar 2014 to 31 Mar 2024

(2) Group revenue, excluding discontinued businesses

(3) Underlying operating profit and EPS include all operations as reported at the time

**SUSTAINABILITY**

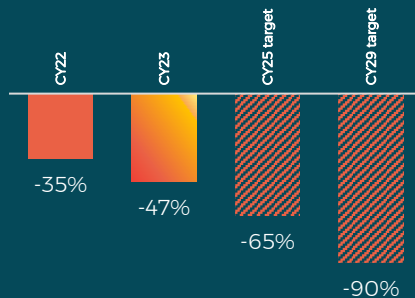


# FY24 ESG progress

## Our Planet

Supporting the shift to a low carbon economy

### CARBON REDUCTION

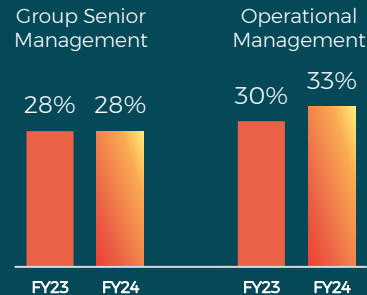


- 47% absolute reduction vs CY21 baseline, on track to meet CY25 target of 65% reduction
- Energy intensity<sup>(1)</sup> reduced by 11% yoy, with 72% of our electricity from clean sources
- 40% of company cars now electric or hybrid (CY22: 33%)
- 81% of Group sites conducted energy audit since 2018, meeting 80% CY25 target two years early

## Our People

A diverse workforce & safe environment

### GENDER DIVERSITY

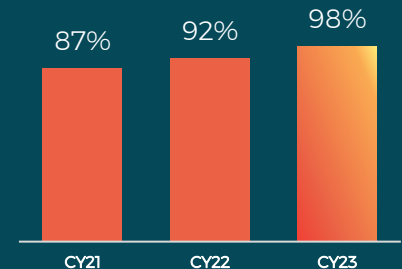


- Diversity increasing – Operational management female representation 33% (FY23: 30%); Group senior management 28%
- 60% of the workforce work in operations with ISO 45001 certification (CY22: 48%)
- Number of H&S representatives increased to 236, equal to 1:20 H&S reps/employees ratio (CY22: 229 and 1:21)
- Lost time incident frequency rate reduced to 0.18 (FY23: 0.21)

## Our Products

Ensuring product reliability & sustainability

### REVENUE COVERED BY ISO 9001

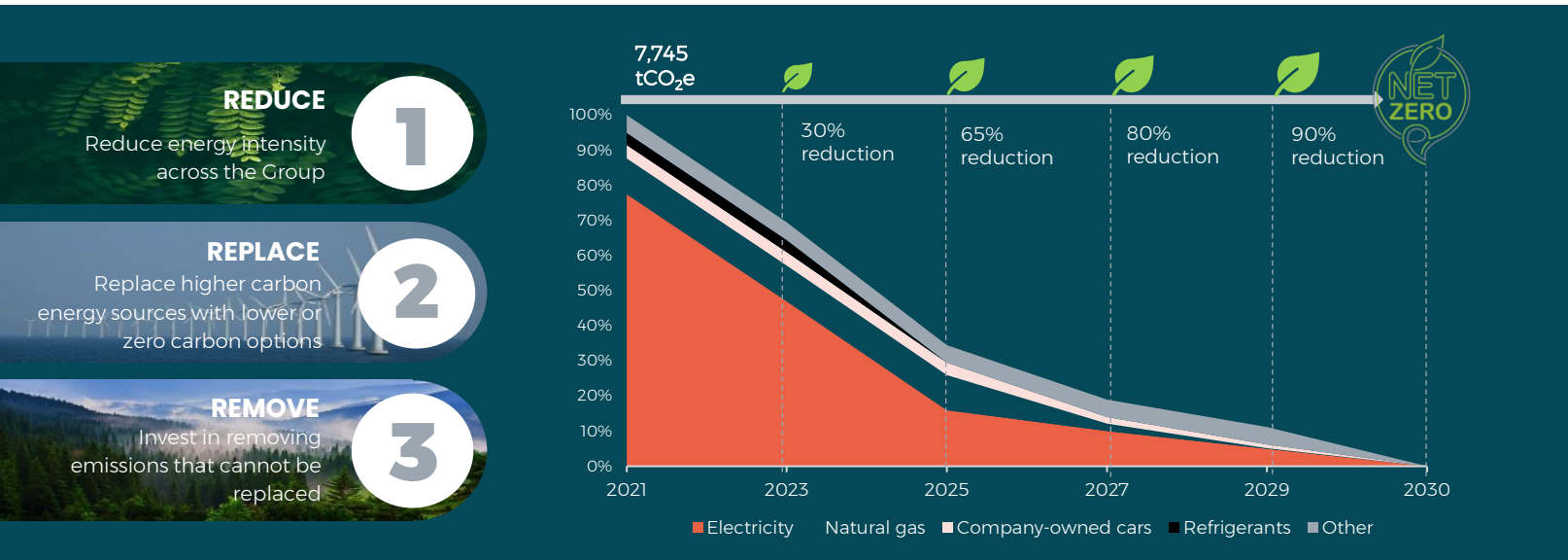
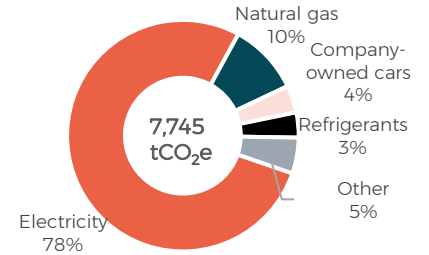


- 98% of Group products manufactured under ISO 9001 certifications (CY22: 92%)
- 13 more sites achieved ISO 14001 accreditation; 69% of Group sales (CY22: 59%) now from businesses that are ISO 14001 certified

# Our Net Zero Commitment

- Committed to SBTi-aligned net zero emissions for Scope 1 & 2 by 2030 and Scope 3 by 2040
- 95% of discoverIE's Scope 1 & 2 emissions are from four sources
- Near-term target: 65% absolute reduction by the end of CY25 on CY21 baseline
- Scope 3: initial screening of Scope 3 emissions completed, key categories of emissions identified. SBTi-aligned reduction plans to be announced in due course

Scope 1 & 2 Emissions



1. The Group's initial 50% reduction plan announced in 2020 was based on 2019 baseline of 9,390 tCO<sub>2</sub>e and it's measured in intensity, i.e. emissions/£m sales. The net zero plan is based on 2021 baseline of 7,745 tCO<sub>2</sub>e which is the latest available data and it's measured in absolute reduction.



## **APPENDICES**

**Board, Corporate history  
& Share information**

## Board of Directors



### **Bruce Thompson – Non-Executive Chairman**

Bruce joined the Board as a Non-Executive Director in February 2018. He is also Chairman of Avon Protection plc. He retired in 2018 as Chief Executive Officer of Diploma plc after 22 years. Bruce brings a wide range of strategic and leadership expertise to the Board with proven experience of growing international industrial businesses.



### **Tracey Graham – Non-Executive Director**

Tracey joined the Board as a Non-Executive Director in November 2015. She is also a Non-Executive Director at Nationwide Building Society plc, Close Brothers Group plc, Ibstock plc and Link Scheme Limited. Among other previous appointments, she was a non-Executive Director at Royal London Mutual Building Society and RPS Group plc. During her executive career, she was Chief Executive of Talaris Limited and Managing Director of De La Rue Cash Systems.



### **Nick Jefferies – Group Chief Executive**

Nick was appointed Group Chief Executive in January 2009. His experience of electronics and the components industry comes from holding senior positions for over 15 years with leading international distributors of electronic components and computer products, such as Electrocomponents plc and Arrow Electronics. Nick originally trained as an Electronics Design Engineer with Racal Defence (now part of Thales plc).



### **Rosalind Kainyah MBE - Non-Executive Director**

Rosalind was appointed as a Non-Executive Director in November 2021, with effect from 1 January 2022. She has extensive experience in sustainability matters and currently runs Kina Advisory, an ESG consultancy. Previously, she was VP, External Affairs & Corporate Social Responsibility at Tullow Oil and held various roles at De Beers SA, latterly as President of De Beers Inc. in the US.



### **Simon Gibbins – Group Finance Director**

Simon was appointed as Group Finance Director in July 2010. A Chartered Accountant, he was previously Global Head of Finance and Deputy CFO at Shire plc. Prior to joining Shire in 2000, he spent 6 years with ICI plc in various senior finance roles, both in the UK and overseas. His earlier career was spent with Coopers & Lybrand in London.



### **Clive Watson - Non-Executive Director**

Clive, a Chartered Accountant, became a Non-Executive Director and Chair of the Audit & Risk Committee in September 2019. He is also a Non-Executive Director at Breedon Group plc, Kier Group plc and Trifast plc and was Non-Executive Director and Chair of the Audit Committee at Spirax-Sarco Engineering plc for 9 years. During his executive career he was Group Finance Director of Spectris plc for 13 years until 2019.



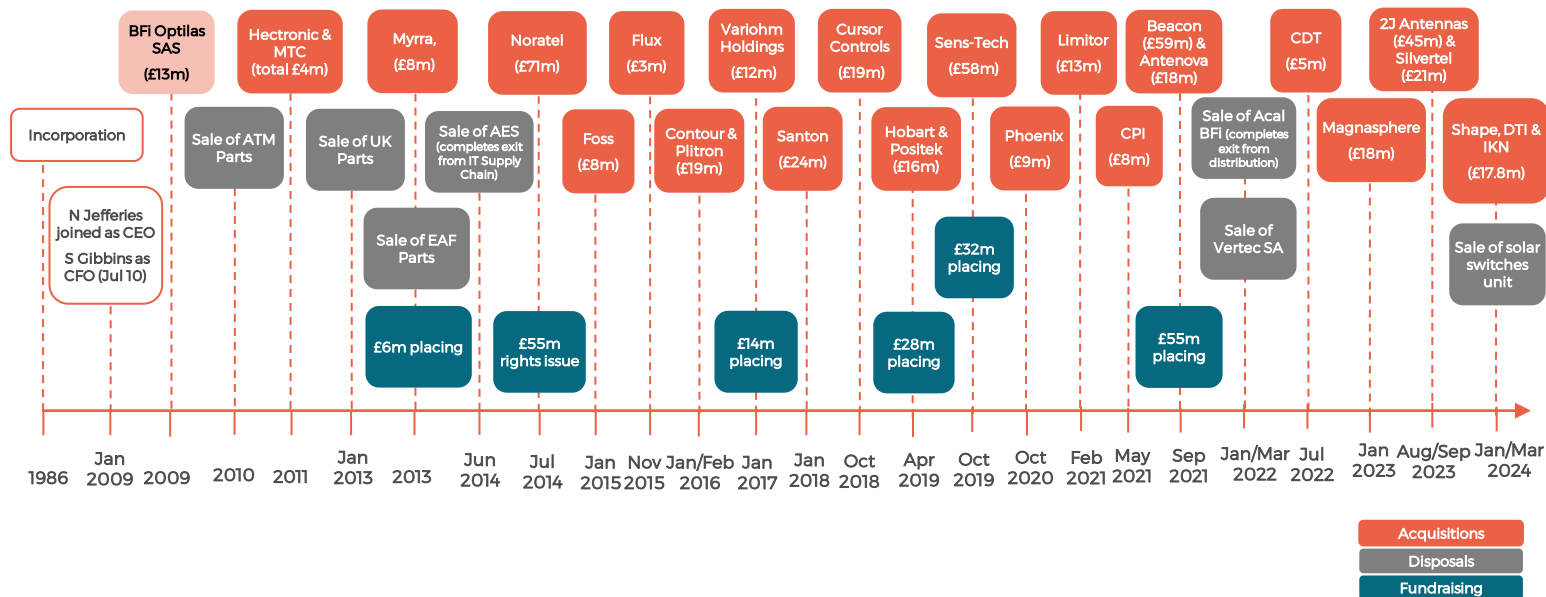
### **Celia Baxter – Non-Executive Director**

Celia joined the Board on 1 June 2023. She has years of executive and board experience, including 13 years as Group HR Director at Bunzl plc, and a good understanding of decentralised, acquisitive international businesses. Celia is also a Non-Executive Director and Chair of the Remuneration Committee at DS Smith plc and Dowlais plc.

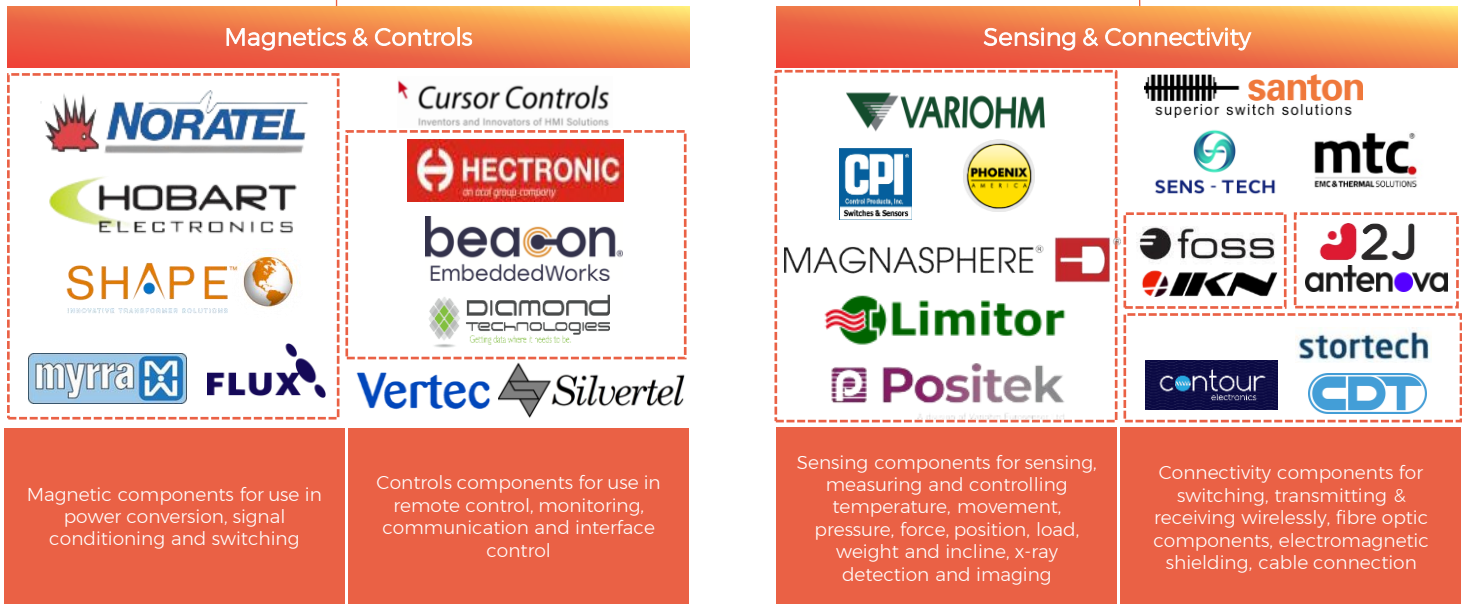
# History since incorporation

Transformed the business to a designer & manufacturer of niche electronic engineering group in 13 years with:

- 26 design & manufacturing acquisitions for c£470m
- 7 disposals



# Group structure



Cluster

# Acquisition case study: Building a successful sensors cluster

	FY17	FY24
Revenue growth	20% CAGR	
Op profit growth	32% CAGR	
Operating margin	11%	20%
Organic ROCE	21%	36%
ROCE	21%	19%
ROI	16%	18%
Working capital	16.1%	17.5%
US/Asia sales	9%	40%



- Acquired: January 2017
- Products: Sensors & switches
- Division: Sensing & connectivity
- Developments since acquisition:
  - Developed long term strategic plan
  - Organic growth in target markets
  - 5 bolt on acquisitions
  - Cross-selling into European & US markets
  - Inter-business production in Hungary & US
  - Internationalised with 3 North American acquisitions and 1 European
  - Upscaled top team – new Finance Director, Sales Director & Marketing Director
  - Upscaled finance and sales teams
  - Upgraded ERP system
  - Integrated Group risk, control & ESG policies

**FY17**                      **FY20**                      **FY21**                      **FY22**                      **FY23**

## Our customers

Vestas



SIEMENS



Franklin Electric



Abbott

GRUNDFOS



ROHDE & SCHWARZ



**BOMBARDIER**

the evolution of mobility

Atlas Copco

DIEHL



AIRBUS

HOLOGIC

Valeo



ABB



HUAWEI

TW



GYRUS ACMI

SEL

Honeywell

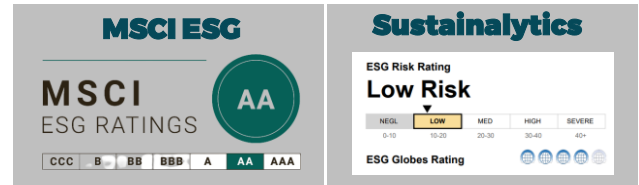
Google

FUJITSU

Faiveley  
TRANSPORT

& the European 'Mittelstand'

# Our Positive Impact



## Positive Impact Through Products



We supply dual energy linear X-ray detector and generator for bone densitometer that helps diagnose 20 patients a day on average



We design and supply this modular DC disconnect switch for solar farm, ensuring safe operations of solar PV



We supply the lasers for LiDAR remote measurement method for wind speeds, enabling the most efficient positioning of wind turbines



The nanocrystalline cores and a range of magnetic components enabling the fast charging in hypercharger are designed and produced by us



Our system in this remote temperature control utilises low power components that is designed to minimised energy consumption

## Positive Impact Through Operations

- Ensuring a safe and clean environment for our employees
- Allowing a more work-life balance by implementing flexible and hybrid working
- Supporting the growth of clean energy by switching to renewable tariffs
- Investing in renewable energy self-generation, such as solar panels, where possible
- Working with our suppliers and customers to create innovative solutions that solve technical challenges
- Creating jobs and contributing to the social and economic development of local communities through tax revenue, charitable donations and volunteering
- Reducing resource consumptions, such as energy and water
- Recycling where possible
- Encouraging designing products that are more energy efficient and less harmful to environment

## Share and Shareholder Information

Share information as of 6 June 2024	
Ticker	DSCV
Exchange	London Stock Exchange
Index	FTSE 250
Industry	Industrials
Sector	Electronic and Electrical Equipment
Total shares in issue	96.4m
Market Cap	£710m
Dividend (FY2023/24)	12.00p
Next reporting date	26 July – AGM & Q1 update
MSCI ESG Rating	AA
Sustainalytics Rating	Regional Top Rated (Europe)

Top 10 shareholders	Country	% of shares issued*
Kempen Capital Management	The Netherlands	6.8%
Impax Asset Management	UK	6.3%
BlackRock	UK/US	6.3%
abrdn	UK	6.3%
Montanaro Asset Management	UK	4.0%
Martin Currie	UK	3.6%
Swedbank Robur	Sweden	3.2%
Charles Stanley	UK	3.0%
Columbia Threadneedle	UK	2.6%
NFU Mutual	UK	2.4%

### High Quality Shareholders

- Top 10 holders represent 44% total issued shares
- Next 15 (25%) – L&G, Aegon, Invesco, Metzler, BNP Paribas AM, La Financiere de L'Echiquier, JM Finn, Royce Investment Partners, Herald, AXA, Dimensional Fund, Kabouter, M&G, Vanguard, Pie Funds
- 34% of shareholders from US, Europe and RoW
- Directors/management: 4%

\*as of 10 May 2024

**THANK YOU**

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