

discoverIE

**Investor
Presentation**

June 2022



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

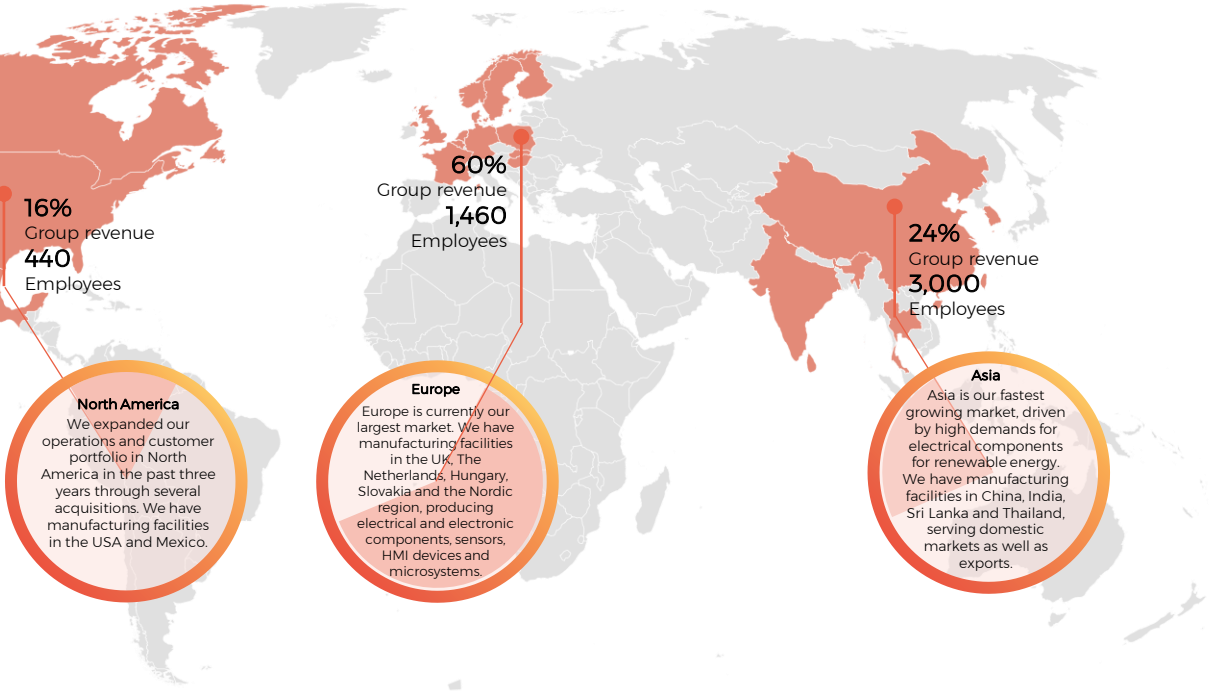
discoverIE is an international electronic engineering firm, designing and manufacturing customised electronic components for industrial applications.

30
Manufacturing sites

20
Countries in which we operate

66
Countries in which our products are sold

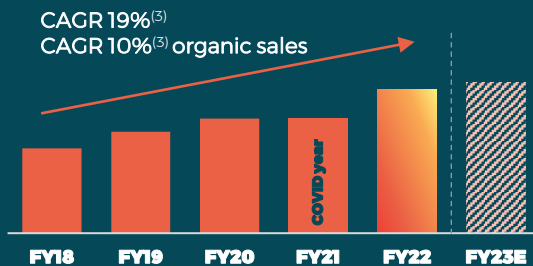
4,900
Employees globally



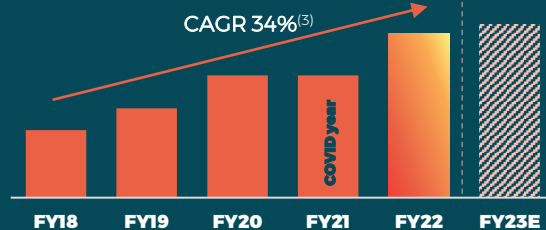
1) Group revenue split is based on FY22 of £379m

Financial Highlights

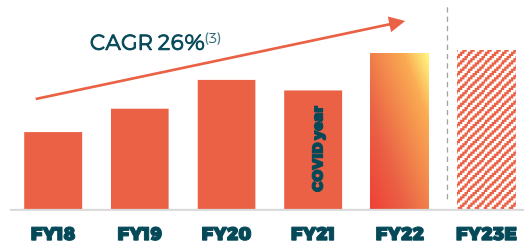
SALES ⁽¹⁾⁽²⁾



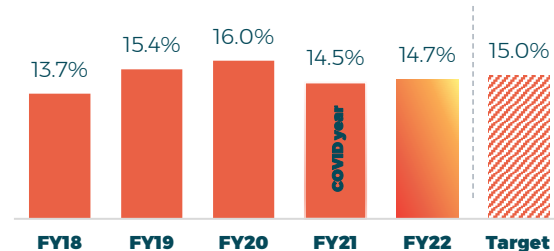
UNDERLYING OPERATING PROFIT ⁽¹⁾⁽²⁾



UNDERLYING EPS ⁽²⁾



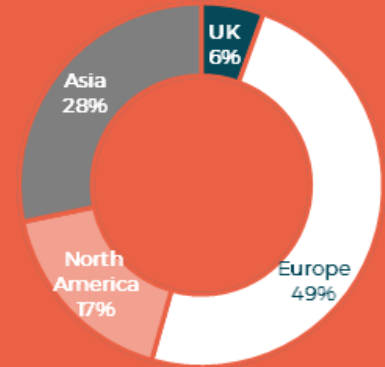
RETURN ON CAPITAL EMPLOYED ⁽⁴⁾



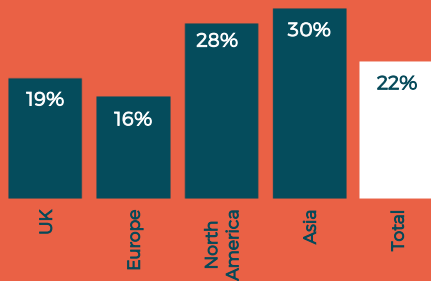
(1) Sales and underlying operating figures have been restated to exclude Custom Supply distribution business
 (2) Consensus estimates at 29 April 2022 of 8 analysts. The estimates have factored in the disposals of Vertec SA and Acal BFI
 (3) Growth rates for the period FY18 to FY22 exclude the Covid year FY21 so the growth from FY20 to FY22 is treated as one year.
 (4) ROCE is defined as underlying operating profit as a percentage of net assets plus net debt, including an annualisation for acquisitions

Magnetics & Controls division

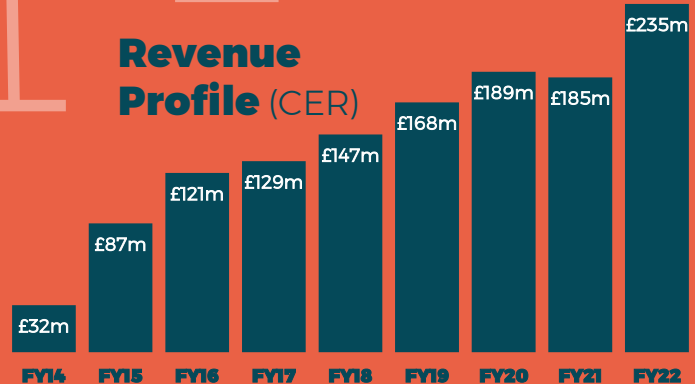
- Electronics for:
 - Signal conditioning, power conversion and switching
 - Monitoring & remote control, communication & interface control
- 62% of Group Revenue
 - 56% of Group profit contribution
 - 12.7% operating margin
- 3 acquisitions in the last 4 years
- 8 businesses across 17 countries with 20 manufacturing sites



ORGANIC GROWTH BY REGION v FY21

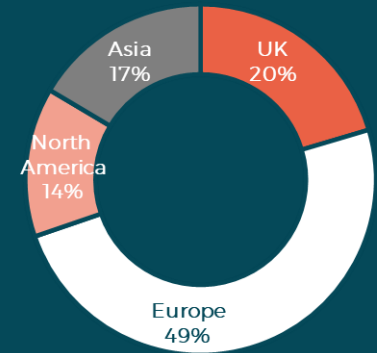
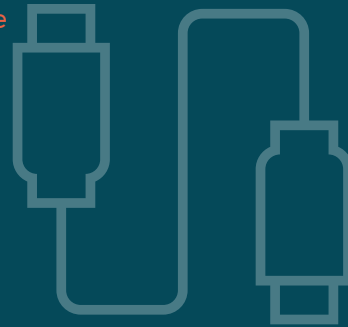


Revenue Profile (CER)

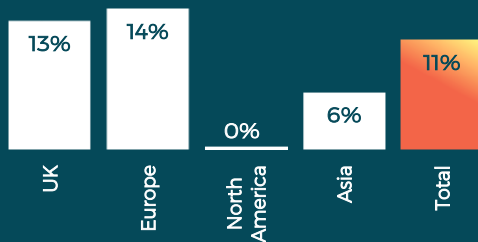


Sensing & Connectivity division

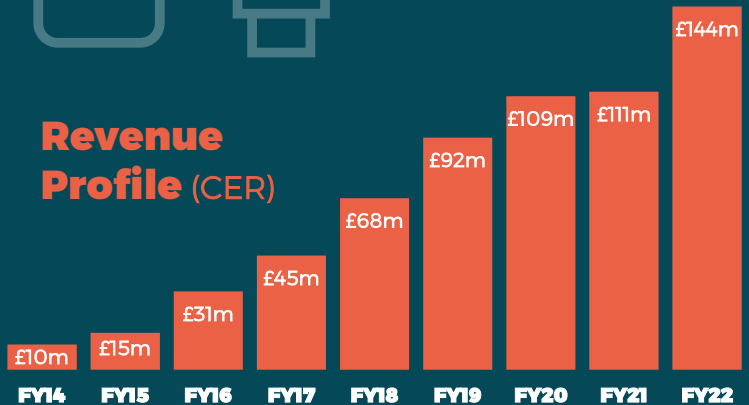
- Electronics for:
 - Sensing & measuring movement, temperature, pressure, position, force, load & x-ray detection
 - Connection, switching, wireless transmission, fibre optic connection & electromagnetic shielding
- 38% of Group Revenue
 - 44% of Group profit contribution
 - 16.1% operating margin
- 6 acquisitions in the last 2 years
 - Increasing specialist capability and international reach
- 12 businesses across 9 countries with 10 manufacturing sites



ORGANIC GROWTH BY REGION v FY21



Revenue Profile (CER)



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

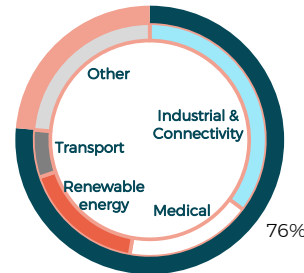


SUSTAINABLE GROWTH MARKET

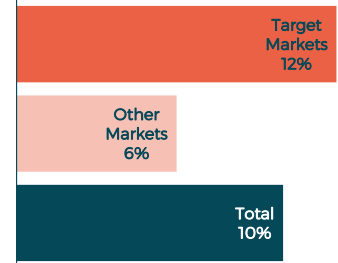
- Global trends driving structural growth
- Product development driven by technology
- Increasing electronic content
- Essential products
- Markets aligned with UN SDG⁽¹⁾

REVENUE FROM TARGET MARKETS

(% of total revenue)



FIVE YEAR ORGANIC GROWTH BY MARKET



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

Share of electricity generation⁽²⁾: 29% in 2020 to 60% in 2030

20% CAGR growth global electronic connectivity in transport⁽³⁾ to 2030

11.8% CAGR growth from 2021 to 2030⁽⁴⁾

22.8% CAGR growth in global industrial IoT⁽⁵⁾

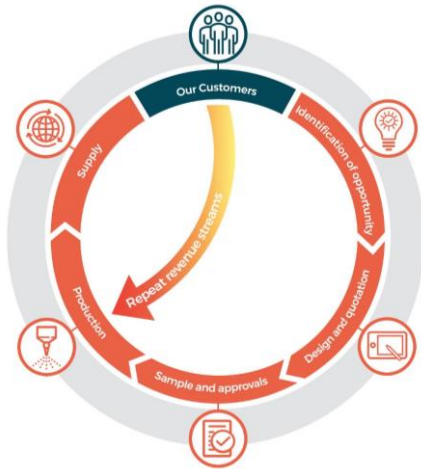
UN SDGs Alignment



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

(3) Data Bridge Research
 (4) Precedence Research
 (5) Fortune Business Insights

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

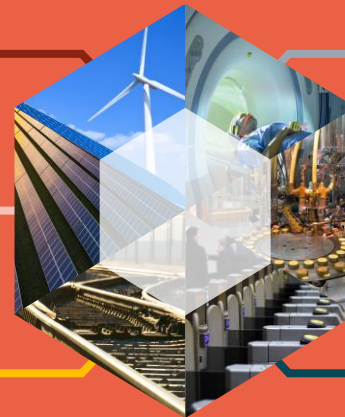
Used in the centre of an MRI scanner to detect the patient position

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

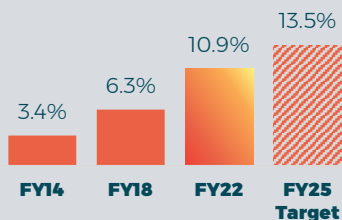
Strong cash flow

Reducing impact on environment

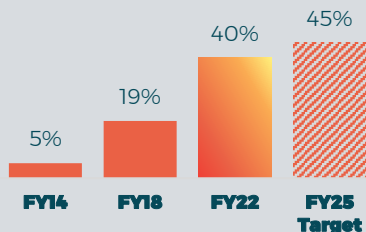
X Key strategic indicators. See next slide for details.

Key Strategic Indicators

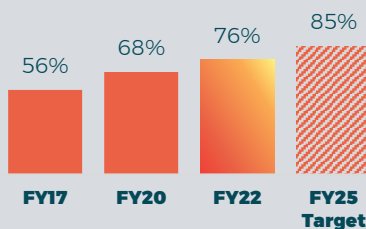
1 Increase Underlying Operating Margin



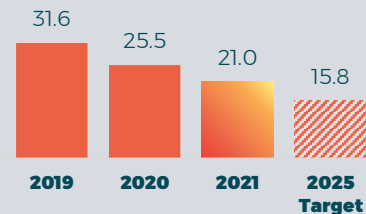
2 Build Sales Beyond Europe⁽¹⁾



3 Target Market Sales⁽¹⁾



4 Carbon Emission Reduction (tonnes/£m sales)⁽²⁾



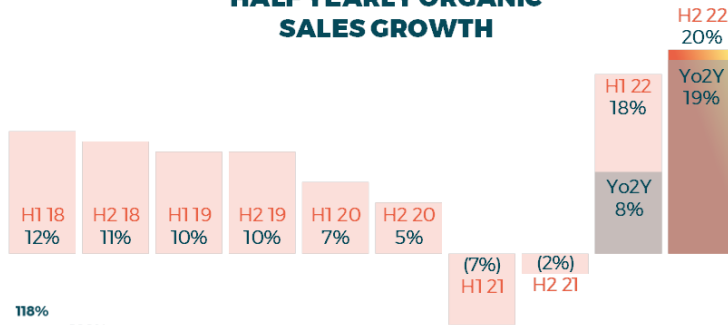
Key Performance Indicators

	FY14	...	FY18	FY19	FY20	FY22	Target
Sales growth							Well ahead of GDP
CER	17%	...	11%	14%	8%	27%	
Organic	3%	...	11%	10%	5%	14%	
Underlying EPS growth	20%	...	16%	22%	11%	21%	>10%
Dividend growth ⁽³⁾	10%	...	6%	6%	6%	6%	Progressive
ROCE	15.2%	...	13.7%	15.4%	16.0%	14.7%	>15%
Operating profit conversion	100%	...	85%	93%	106%	101%	>85% of Op profit
Free cash conversion	-	...	-	94%	104%	102%	>85% of PAT

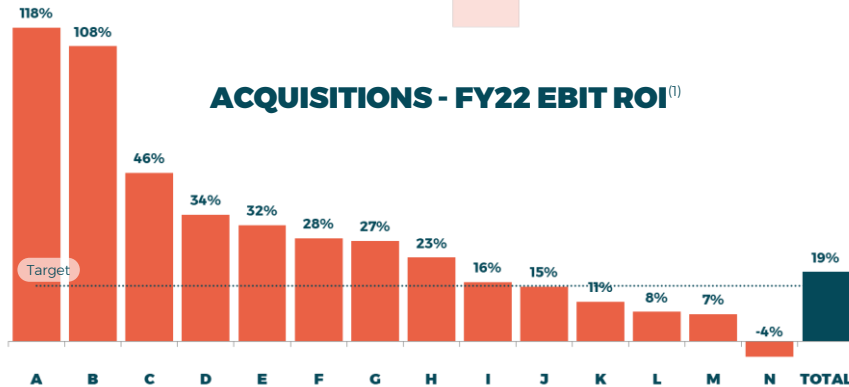
(1) As a percentage of Group revenue
 (2) By intensity, i.e. CO2e tonnes / £m sales. The figures have been adjusted to exclude Acal BFi and Vertec SA. Carbon reductions are measured by calendar year
 (3) 6% increase in the H1 20 interim dividend; a final dividend was not proposed for FY/20 due to COVID-19

4 STRONG FINANCIALS

HALF YEARLY ORGANIC SALES GROWTH



ACQUISITIONS - FY22 EBIT ROI⁽¹⁾



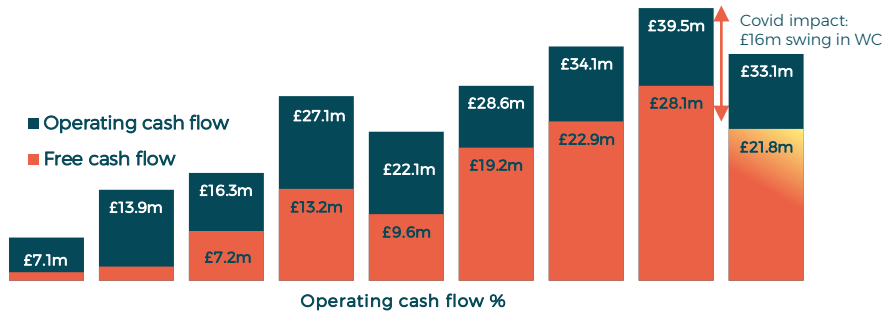
(1) EBIT ROI defined as operating profit attributable to the business for FY22 over acquisition cost (comprising up-front consideration, acquisition expenses, earn-out & integration costs). All D&M businesses included which were acquired more than 2yrs ago. Excludes recent acquisitions: Limitor, Phoenix, CPI, Beacon, Antenova

Organic growth and Acquisitions

- **Strong organic growth**
 - 10% CAGR since FY18
- **High quality acquisitions over 11 years**
 - £350m invested in 19 D&M acquisitions, c50% funded by internal cash flow
 - Higher margin, capital-light, cash generative
- **Strong returns, well ahead of cost of capital**
 - Target: $\geq 15\%$
 - Overall EBIT ROI⁽¹⁾ of 19% for FY22
 - Certain businesses lag following Covid
- **Clear approach to acquisitions**
 - Target by product, geography and market
 - Must have discoverIE DNA

4 STRONG FINANCIALS

OPERATING & FREE CASH FLOW (LTM)



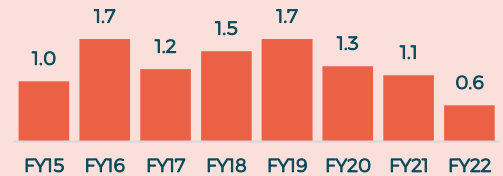
Operating cash flow %

% Underlying Operating Profit									Target
FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	85%
100%	104%	100%	136%	90%	93%	106%	128%	80%	

Strong cash flow & balance sheet

- Strong growth in operating & free cash flows
 - Consistently high conversion rate
 - Aiming to be self sufficient in funding acquisitions over time
- Robust balance sheet
 - £240m revolving credit facility (to June 2027)
 - Long term gearing⁽¹⁾ ratio well below 2x despite multiple acquisitions
 - FY22 gearing of 0.6x, providing ample headroom for further acquisitions

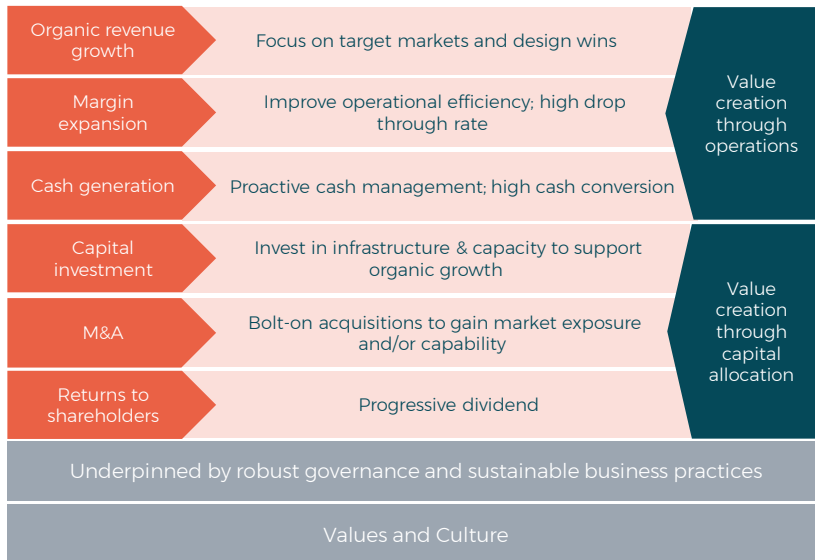
Net debt/EBITDA⁽¹⁾ ratio (Times)



(1) Net debt divided by underlying EBITDA as annualised for acquisitions

5 CONSISTENT SHAREHOLDER RETURN

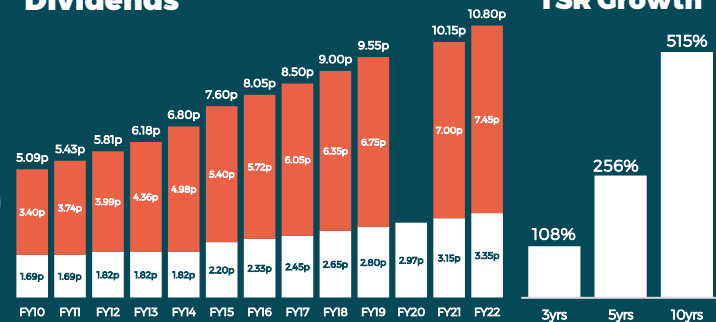
Our Value Creation Model



We aim to provide investors with:

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

Dividends



From FY18 to FY22:

- Sales⁽²⁾ +69% (+19% CAGR)
- Organic sales +10% CAGR
- Operating profits +144% (+34% CAGR)
- Underlying EPS +101% (+26% CAGR)
- Op cash conversion 100% of Op profits (ave)

(1) Share price and dividend growth from Mar 2012 to Mar 2022
 (2) Group revenue, excluding disposed businesses

SUSTAINABILITY



Our Positive Impact



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 Products

Positive Impact Through Operations

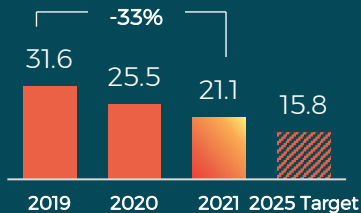
- Ensuring a safe and clean environment for our employees
- Allowing a more work-life balance by implementing flexible and hybrid working
- Supporting the growth of clean energy by switching to renewable tariffs
- Investing in renewable energy self-generation, such as solar panels, where possible
- Working 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

Progress To Date

Our Planet

Making positive impacts on our environment

CARBON EMISSION⁽¹⁾ (tCO₂e/£m)

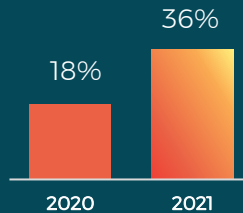


- 10 out of 36 sites have switched to renewable electricity sources
- Sri Lanka solar panel project phase 1 completed. Phase 2 & 3 on track
- 26% company cars now electric or hybrid (2020: 19%)⁽¹⁾
- Energy audits – 23% sites completed (2020: 13%). Target all sites by end of 2023

Our People

Keeping our people safe & happy

GENDER DIVERSITY

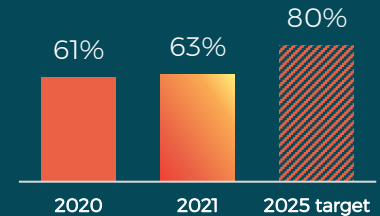


- Diversity increasing - 31% (2020: 18%) females across Group wide senior operational management. 17% (2020: 15%) females at executive levels + direct reports
- Number of H&S representatives increased to 128, equal to 1:38 H&S reps/employees ratio (2020: 78 and 1:52)
- Employee retention remained high

Our Products

Ensuring product reliability & sustainability

REVENUE COVERED BY ISO 14001



- Completed Group-wide supplier audit covering key suppliers equivalent to 60% of Group spend
- Implemented policies to ensure responsible sourcing of materials, e.g. human rights and conflict minerals
- Enhanced cyber security controls with end-point security and introducing Security Operations Centre

⁽¹⁾ By intensity, i.e. CO₂e tonne / per £ million revenue. The figures have been adjusted to exclude Acal BFI and Vertec SA sold in FY21, and acquisitions completed in the last 12 months, i.e. CPI, Beacon EmbeddedWorks, Anterova

APPENDICES

**Board, GEC, History &
Share information**



Board of Directors



Malcolm Diamond MBE - Chairman

Malcolm was appointed a Non-Executive Director in November 2015 and became Chairman in April 2017. Malcolm was previously Chief Executive of Trifast plc and then Non Executive Chairman for a combined period of 30 years. Other previous roles include Non-Executive Chairman of Flowtech Fluidpower plc and Senior Non-Executive Director of Dechra Pharmaceuticals plc.



Bruce Thompson – Senior Non-Executive Director

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.



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).



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 Close Brothers Group plc, Istock 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.



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.



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.



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.

Group Executive Management



Nick Jefferies – Group Chief Executive*

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Paul Hill - Group Commercial Director – Sensing & Connectivity

Paul joined the Group Executive Committee in December 2021 as Group Commercial Director, overseeing a number of the Group's D&M businesses. Paul joined from Antenova, one of the Group's latest acquisitions, where he was Chief Executive Officer. Started his career in electronics engineering, Paul has worked in electronic components and smart card systems, and held senior operational roles in both hardware and software companies.



Martin Pangels - Group Commercial Director – Magnetics & Controls

Martin is Group Strategy and Development Director. He joined discoverIE in July 2010 after working as an advisor to the business. Prior to joining discoverIE, Martin spent 9 years at Electrocomponents plc, where he was Regional General Manager for Europe, and 6 years with Bain & Company as a strategy consultant.



Greg Davidson – Group General Counsel & Company Secretary

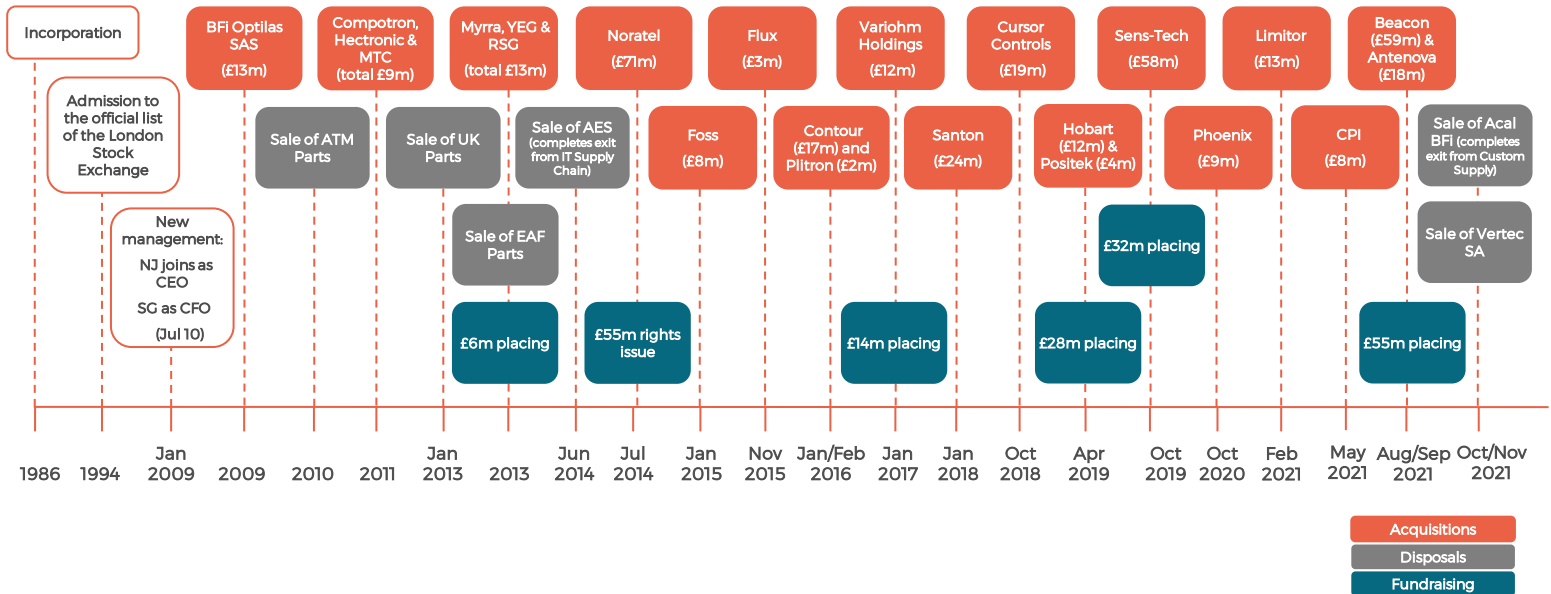
Greg joined discoverIE in November 2019 and is responsible for legal and company secretarial affairs. He is a qualified lawyer with extensive experience of technology, corporate and commercial matters. His experience includes 5 years at Wiggin & Co LLP, with clients focused predominantly in the technology sector and, prior to joining discoverIE, 16 years at RM plc, with 7 years as General Counsel & Company Secretary.



Jeremy Morcom – Group Head of Corporate Development

Jeremy was appointed Group Head of Corporate Development in March 2017. A physicist by background, he has extensive experience in mergers and acquisitions, having held M&A leadership roles at Spectris plc and Invensys plc preceded by over a decade spent in investment banking.

History since incorporation



Group structure



Magnetics & Controls



Magnetic components for use in power conversion, signal conditioning and switching

Controls components for use in remote control, monitoring, communication and interface control

Sensing & Connectivity



Sensing components for sensing, measuring and controlling temperature, movement, pressure, force, position, load, weight and incline, x-ray detection and imaging

Connectivity components for switching, transmitting & receiving wirelessly, fibre optic components, electromagnetic shielding, cable connection

Acquisition case study

	FY2015	FY2022
Revenue growth	9% CAGR	
Op profit growth	16% CAGR	
Operating margin	10%	15%
ROCE	12%	25%
ROI	14%	28%
Working capital	29%	14%
Target markets	62%	76%
International sales	28%	48%



- Acquired: July 2014
- Products: Power transformers
- Division: Magnetics & Controls
- Developments since acquisition:
 - Developed long term strategic plan
 - Organic growth in target markets
 - Upscaled production facilities to support growth including new Indian facility
 - Manufacturing rationalisation
 - 2 bolt on acquisitions in North America (Plitron and Hobart)
 - Working capital optimisation
 - Upscaled finance team
 - Integrated Group risk, control & ESG policies
 - Transitioned to new CEO

Acquisition case study

	FY2017	FY2022
Revenue growth	7% CAGR	
Op profit growth	13% CAGR	
Operating margin	11%	14%
ROCE	21%	28%
ROI	16%	27%
Working capital	16.1%	15.7%
Target markets	47%	71%
International sales	9%	35%



- Acquired: January 2017
- Products: Sensors & switches
- Division: Sensing & connectivity
- Developments since acquisition:
 - Developed long term strategic plan
 - Organic growth in target markets
 - 4 bolt on acquisitions
 - Internationalised with 2 North American acquisitions and 1 European
 - Upscaled finance and sales teams
 - Upgraded ERP system
 - Integrated Group risk, control & ESG policies

Our customers

Vestas



SIEMENS



Franklin Electric

Abbott

GRUNDFOS

ROHDE & SCHWARZ



BOMBARDIER
the evolution of mobility

Atlas Copco

DIEHL



HOLOGIC

Valeo



ABB

AIRBUS

SEL



TW

IR
Ingersoll Rand.

GYRUS ACMI

Faiveley
TRANSPORT

& the European 'Mittelstand'

Share and Shareholder Information

Share information as of 7 June 2022	
Ticker	DSCV
Exchange	London Stock Exchange
Index	FTSE 250
Sector	Technology
Industry	Electronic Components
Total shares in issue	95.46m
Market Cap	£707m
Dividend	10.35p
Next reporting date	14 June 2022
MSCI ESG Rating	A

Top shareholders	Country	% of shares issued*
abrnd	UK	12.7%
BlackRock	UK	7.0%
Kempen Capital Management	The Netherlands	5.3%
Impax Asset Management	UK	4.6%
Montanaro Asset Management	UK	4.0%
Legal & General	UK	3.6%
Wasatch Global Investors	US	3.6%
Swedbank Robur	Sweden	3.2%
Charles Stanley	UK	2.9%
Columbia Threadneedle	UK	2.7%

High Quality Shareholders

- Top 10 holders represent 49.5% total issued shares
- Next 15 (27%) – Franklin Templeton, Berenberg AM, Kabouter, Invesco, Royce Investment Partners, Dimensional Fund, Metzler, Herald, Amati, AXA, Rathbones, Vanguard, Wellington, Canaccord Genuity Wealth
- 30% of shareholders from US and Europe
- Directors/management: 4%

*as of 3 May 2022

THANK YOU

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