



Investor presentation
March 2022

Introduction to discoverIE

- International specialist electronic engineering firm
- Designing and manufacturing customised electronic components
 - Highly differentiated products
- Supplying Original Equipment Manufacturers (OEMs)
 - Essential products, repeating revenue
- Sustainable growth markets
 - Renewable energy, transportation, medical, industrial & connectivity
- Continuing revenue of £303m, operating profit⁽¹⁾ of £30.9m
 - Operating in 24 countries
- Acquisitive
 - Fragmented market – 19 D&M acquisitions in last 11 yrs



(1) Underlying profit for y/e 31 Mar 21 (continuing business)

Sustainable growth Company, resilient in tough conditions

We aim to provide investors with

- Returns of 15 - 20% pa **+23% CAGR⁽¹⁾**
- A progressive dividend **+6% CAGR⁽¹⁾**



In 5yrs to FY18:

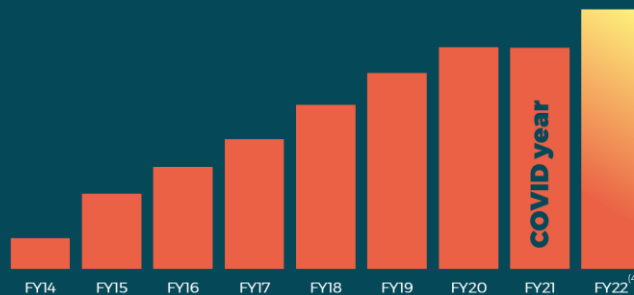
- Sales⁽²⁾ **up > 2x**
- Underlying EPS **up > 2x**
- Operating profits **up > 4x**



Since FY19 our aim has been to double underlying EPS in 5 years

- FY19 + FY20 op profits up 51%
- FY19 + FY20 EPS up 35%
- Covid actions minimise impact to only 5% & 14% lower respectively

SALES ⁽²⁾⁽³⁾



UNDERLYING OPERATING PROFIT & EPS ⁽³⁾



(1) Share price and dividend growth from Apr 12 to Sep 21

(2) Group revenue, excluding disposed businesses

(3) All historical figures have been restated to exclude Custom Supply distribution business

(4) Consensus estimates at 22 Nov 2021 of 6 analysts. The estimates have factored in the disposals of Vertec SA and Acal BFI announced in Oct and Nov 21

Our business



Business fundamentals

- Growth markets →
- Designed-in products, difficult to replace →
- Distinct business, competitive advantage →
- Low customer concentration →
- Design, not price led →
- Low capital requirements →
- Multiple manufacturing sites & technologies →
- Acquisitions at the right price →

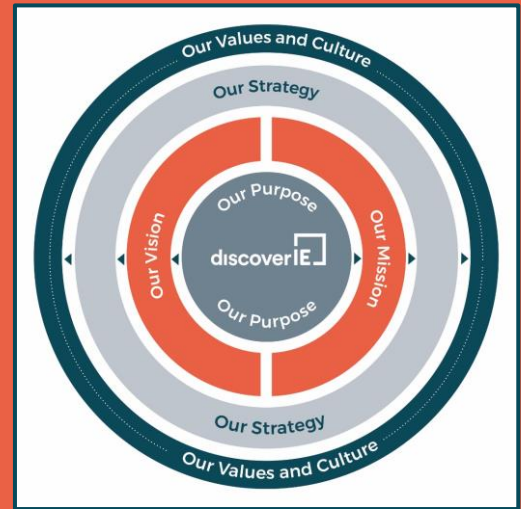
Attractive rewards

- GDP++ organic growth
- High levels of repeating revenue
- Sustainable margins
- Reduced risk
- Increasing margins
- Cash generative
- Reduced risk
- Earnings accretion

Underpinned with high standards of Environmental, Social & Governance for a better world

Consistent, proven strategy

- Sales growth well ahead of GDP over the economic cycle
- Move up the value chain into higher margin products
- Acquire businesses with attractive growth prospects and strong operating margins
- Further internationalise the business
- Generate strong cash flows and long term sustainable returns while reducing impact on the environment



Focused on delivering key targets

Key Strategic Indicators

1. Increase share of Group revenue from D&M⁽¹⁾
2. Increase underlying operating margin
3. Build sales beyond Europe⁽¹⁾
4. Target Market Sales⁽¹⁾

	FY14	FY15	FY16	FY17	FY18	FY19	H1 20	H1 22	Prior FY25 Targets	Revised FY25 Targets
1. Increase share of Group revenue from D&M ⁽¹⁾	18%	37%	48%	52%	57%	61%	63%	100%	>75%	100%
2. Increase underlying operating margin	3.4%	4.9%	5.7%	5.9%	6.3%	7.0%	7.6%	10.3%	12.5%	13.5%
3. Build sales beyond Europe ⁽¹⁾	5%	12%	17%	19%	19%	21%	24%	38%	40%	45%
4. Target Market Sales ⁽¹⁾				56%	62%	66%	66%	77%	85%	85%

Key Performance Indicators

1. Sales growth
 - CER
 - Ongoing Organic
 - Group Organic
2. Underlying EPS growth
3. Dividend growth
4. ROCE
5. Operating profit conversion
6. Free cash conversion
7. Carbon emissions

	FY14	FY15	FY16	FY17	FY18	FY19	H1 20	H1 22 ⁽²⁾	Target
1. Sales growth									
CER	17%	36%	14%	6%	11%	14%	9%	20%	Well ahead of GDP
Ongoing Organic	3%	9%	3%	(1%)	11%	10%	6%	8%	
Group Organic	2%	3%	3%	(1%)	6%	8%	5%		
2. Underlying EPS growth	20%	31%	10%	13%	16%	22%	11%	18%	>10%
3. Dividend growth	10%	11%	6%	6%	6%	6%	6% ⁽³⁾	6%	Progressive
4. ROCE	15.2%	12.0%	11.6%	13.0%	13.7%	15.4%	15.8%	14.8%	>15%
5. Operating profit conversion	100%	104%	100%	136%	85%	93%	101%	123%	>85% of Op profit
6. Free cash conversion						94%	104%	124%	>85% of PAT
7. Carbon emissions								annual test ⁽⁵⁾	50% reduction by CY25

(1) As a percentage of Group revenue

(2) H1 22 growth shown as growth over the pre-covid period H1 20 (2019/20) to illustrate the underlying growth of the business

(3) 6% increase in the H1 2019/20 interim dividend; a final dividend was not proposed for FY 2019/20 due to COVID-19

(4) Annual carbon emissions for CY 2020 reduced by 19% on a like-for-like basis and by 6% on an underlying basis (adjusted to normalise the impact of COVID-19)

(5) An annual test so no equivalent data (a/t) available at H1.

FOCUSED ON SUSTAINABLE GROWTH MARKETS

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



Renewable Energy



Transportation



Medical



Industrial & Connectivity

Mega Trends

Decarbonisation & Diversification

Electrification & Autonomous vehicles

Artificial intelligence, sensing and analytics

Connectivity, automation & Industrial Internet of Things

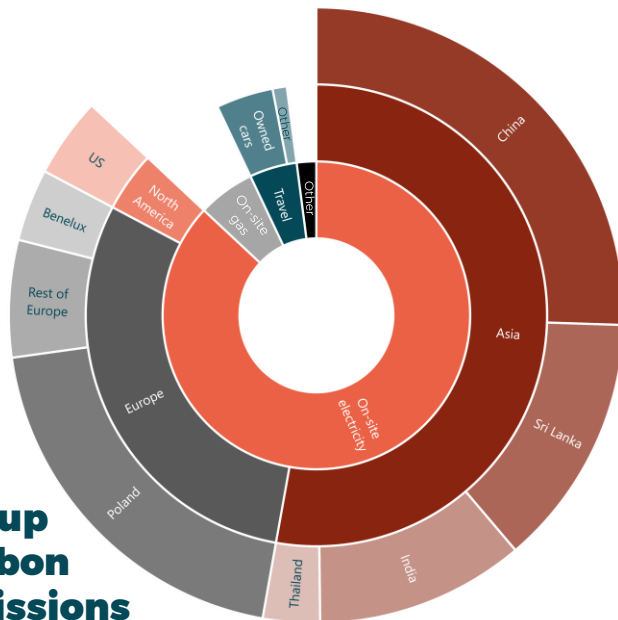


⁽¹⁾ UNGC SDGs United Nations Global Compact Sustainable Development Goals

ESG progress

TARGET: 50% carbon reduction⁽¹⁾ by 2025

Group Carbon Emissions Breakdown



Action Plan

Progress to date

Environmental

- Switching to renewable electricity sources
- Installing renewable energy on site
- Implementing energy reduction measures
- Two of our largest sites (in Poland) have switched to renewable energy sources
- Sri Lanka solar panel project phase 1 nearly complete; phase 2 and 3 planned for 2022
- Installation of heat pump in Poland site to reduce gas emissions underway
- Other measures including eV chargers installed on site where possible; on site energy audit

Social

- Operating procedures strengthen commitment to social aspects
- Diversity drive
- Supplier Code of Conduct; Group wide supplier audits commencing by year end
- Initiated policies of Human Rights, Conflict Minerals, Collective Bargaining across the Group
- Diversity action plans

Governance

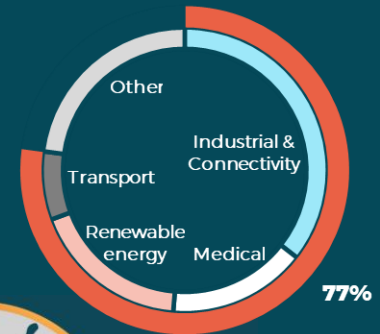
- Strengthening Board & Management to support growth plans
- Board further strengthened with new NED appointment
- GEC strengthened with new appointment
- Updated anti-bribery and corruption policy

¹⁾ By intensity, i.e. CO2e tonne / per £ million revenue.

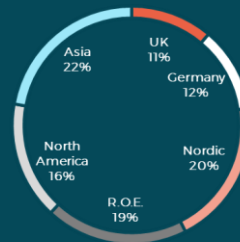
Design & Manufacturing division

- 7%¹ Organic CAGR over last 5 years
 - +9% CAGR excluding covid year
 - 77% in faster growing target markets
- 14%² operating margin
- 19 acquisitions completed since 2011
 - Increasing specialist capability and international reach
- Capital light model with capex c.2% of revenue
- R&D investment c.2% of revenue
- 29 manufacturing sites / 18 countries

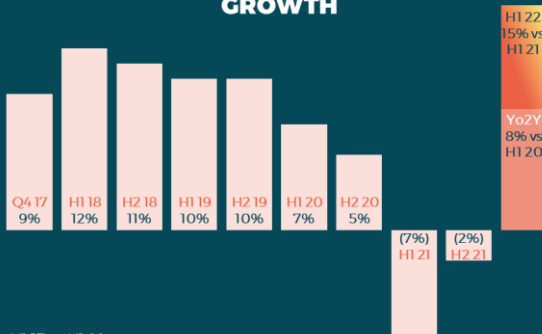
REVENUE FROM TARGET MARKETS
(% of total revenue)



REVENUE BY REGION



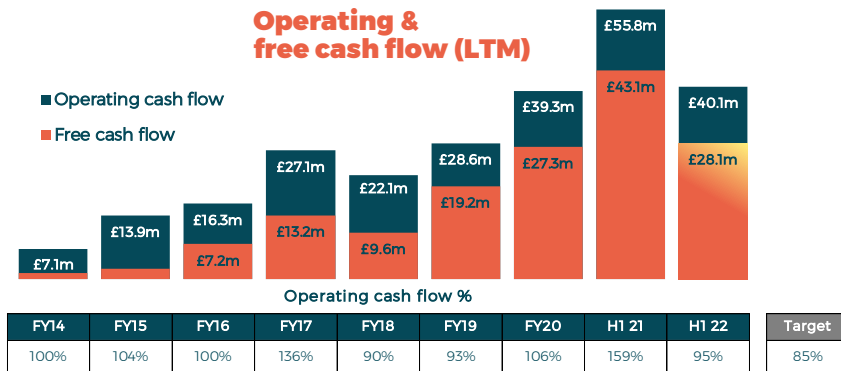
HALF YEARLY ORGANIC SALES GROWTH



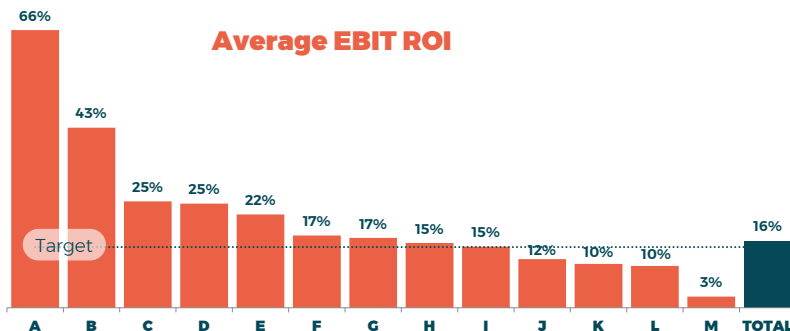
(1) H1 17 to H1 22
(2) H1 22

Strong cash flow and returns

Operating & free cash flow (LTM)



Average EBIT ROI



- Strong growth in operating & free cash flows
 - Consistently high conversion rate
 - Aiming to be self sufficient in funding over time

- High quality acquisitions over 11 years
 - £360m invested in 19 D&M acquisitions, £190m new equity
 - Generating strong returns
 - Well ahead of cost of capital
 - Higher margin, capital-lite, cash generative

- Average EBIT ROI⁽¹⁾ of acquisitions of 16%
 - Target: ≥ 15%

- Clear approach to acquisitions
 - Must have discoverIE DNA

- Group ROCE for H1 22 of 14.8%
 - Target of ≥ 15.0%

(1) Average ROI defined as average operating profit attributable to the business since acquisition to FY21, over acquisition cost (comprising up-front consideration, acquisition expenses, earn-out (once earned), and integration costs)
 (2) All D&M businesses included acquired more than 2yrs ago. Excludes recent acquisitions: Sens-Tech, Limitor, Phoenix, CPI, Beacon and Antenova

Acquisition case study – Noratel Group

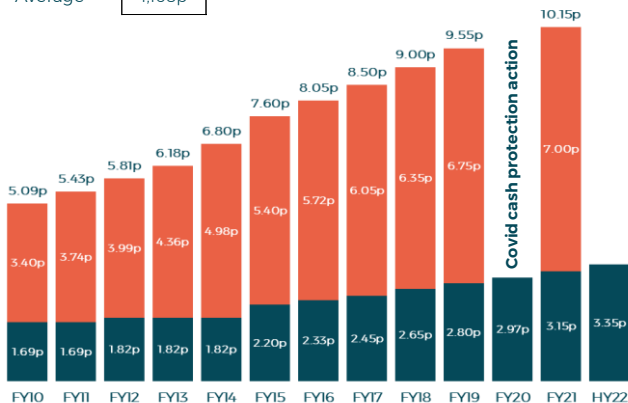
Noratel	FY15-21
Revenue growth	7% CAGR
Operating margin	10% → 14%
ROCE	12% → 24%
ROI	14% → 21%
Working capital %	29% → 14%
Target market %	62% → 75%
International sales %	28% → 47%
Bolt on acquisitions	2

- Acquired July 2014
- Products – Power Transformers
- 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

Latest trading, financing & dividends

Latest recommendations ⁽¹⁾

	Latest	Rec	Date
Peel Hunt	1,200p	Buy	Feb-22
Berenberg	1,150p	Buy	Jan-22
FinnCap	1,220p	n/d	Feb-22
Jefferies	1,070p	Hold	Feb-22
Numis	1,210p	Add	Feb-22
Panmure	1,226p	Buy	Feb-22
Stifel	1,100p	Hold	Feb-22
Average	1,168p		



Latest update

- Trading in 4 months to 31 Jan 22:
 - Strong organic orders & sales growth continued - +18% & +20% vs last year and +30% & +17% vs pre-Covid period 2 years ago.
 - For the 10 months to 31 Jan 22, organic orders & sales organic growth +42% & +17% vs last year and +32% & +12% vs 2 years ago.
- Change of operating segments to two new divisions: Magnetics & Controls and Sensing & Connectivity.
- Sale of Acal BFi distribution business and Vertec SA completed in Mar and Jan.
- Fundamentals in place for long term growth to continue.

Financing

- Net debt of £75.6m at 30 Sep 21 with gearing of 1.3x.
- Proforma gearing of 0.9x including post period-end announced disposals of Acal BFi and Vertec SA.
- £180m committed facility (to Jun 24) plus a £60m accordion.

Dividend

- Progressive dividend policy.
- 100% dividend increase in 11yrs to FY21 (7% CAGR).
- Long term: >3x cover (underlying basis); FY21 2.5x.

(1) Recommendations as at 25 Feb 2022

APPENDIX

Board, GEC & History

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 Rubber 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 Ilstock plc, Royal London Mutual Building Society and Link Scheme Limited. Among other previous appointments, she was a non-Executive Director at 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



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Paul Neville – Group Commercial Director

Paul was appointed Group Commercial Director in March 2009. A Chartered Accountant, he has over 15 years experience of working in senior management positions for listed public companies, including Wincanton plc and Uniq plc. Prior to joining discoverIE he was Group Chief Executive of an AIM listed software development company.



Martin Pangels – Group Development Director

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.



Paul Hill – Group Commercial Director

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.



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 Invenys plc preceded by over a decade spent in investment banking.

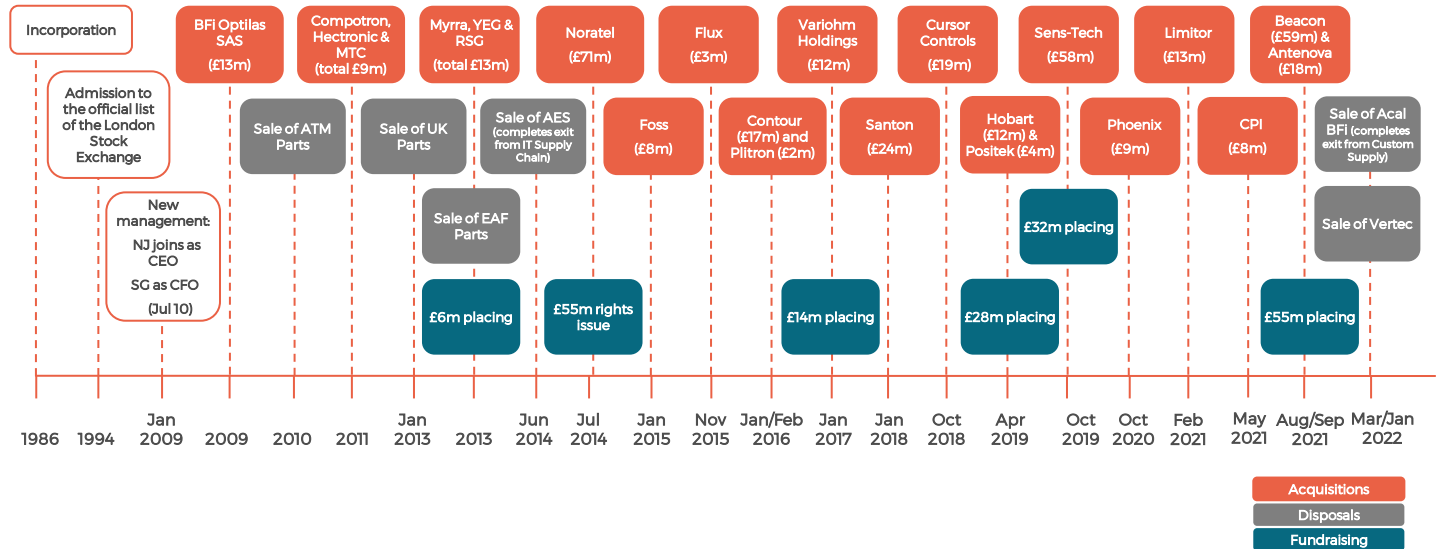


Greg Davidson – Group General Counsel & Company Secretary

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

* Denotes membership of the Board

History since incorporation



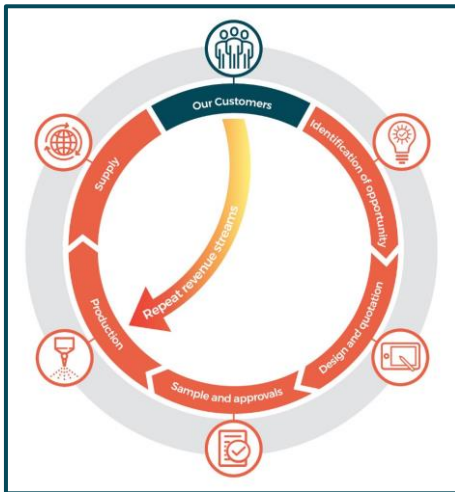
High Quality Shareholders

- Top 5 (33%) – abrdn, Black Rock, Kempen, Impax, Montanaro
- Next 15 (35%) – L&G, Swedbank, Charles Stanley, Franklin Templeton, Canaccord Wealth, Kabouter, Columbia Threadneedle, Wasatch, Invesco, Dimensional Fund, Herald, Metzler, AXA, Berenberg AM, Royce Investment Partners
- 30 investors owning 1% or more
- 27% of shareholders from US and Europe.
- Directors/management: 4%

APPENDIX

Sales model and customers

Our engineering led sales model



- Customer needs
 - Helping customers solve their technical challenges to create more efficient, productive and sustainable equipment and comply with increasingly stringent environmental, health, safety and performance requirements.
- Enduring customer relationships
 - Our model gains a unique understanding of customers' needs and builds long term relationships that last for many years.
- Engineering led solutions
 - By applying our extensive technical knowledge of applications and design our engineers create unique products for customers' specific needs
- Recurring revenues
 - Our designs are specified into our customers' system designs for production, leading to multiple years of repeated monthly demand, creating stable, recurring revenue streams
- Regional manufacturing
 - Manufacturing locations in Europe, Asia and the Americas provides regional supply for customers, reducing transit times, costs and environmental impact as well as reducing risk of disruption

Our customers

Vestas



SIEMENS



Abbott

GRUNDFOS

ROHDE & SCHWARZ



BOMBARDIER
the evolution of mobility

Atlas Copco

DIEHL



HOLOGIC

Franklin Electric



ABB

AIRBUS

Valeo

SEL

TW

IR
Ingersoll Rand

GYRUS ACMI

Faiveley
TRANSPORT

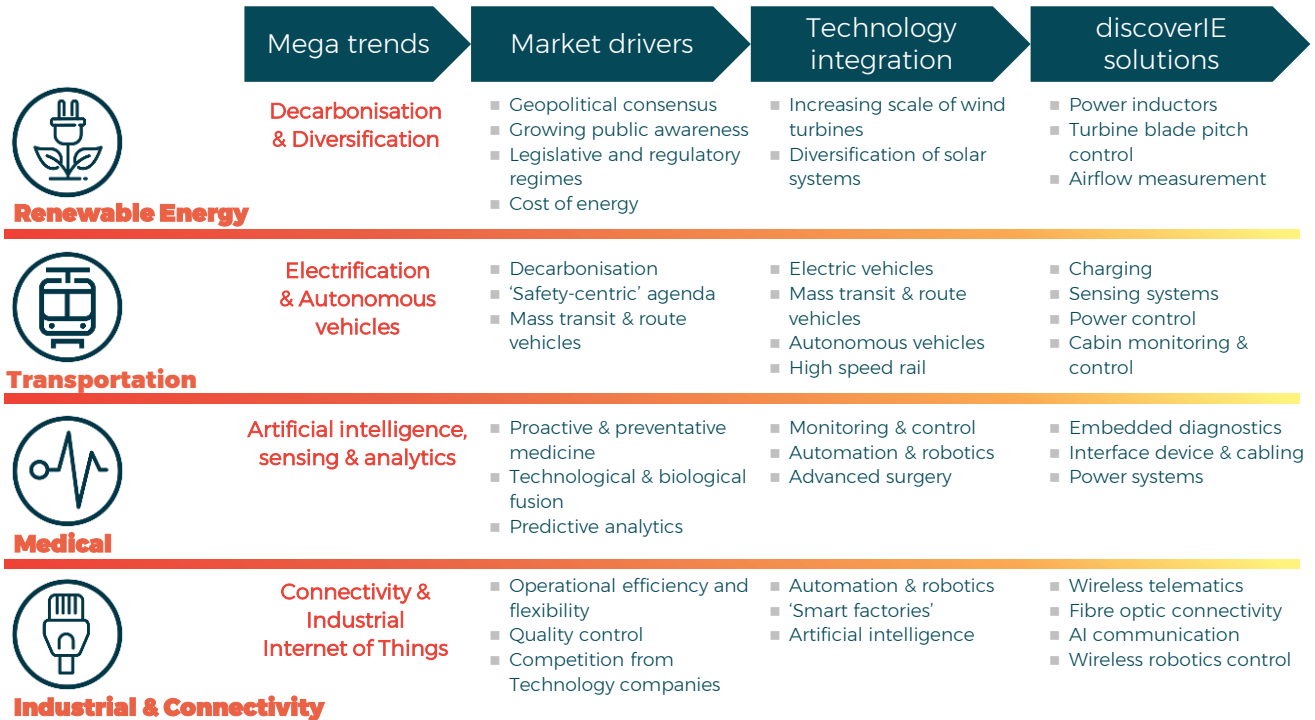
HUAWEI

& the European 'Mittelstand'

APPENDIX

Target Markets

Essential products into growth markets



Renewable Energy



Applications

Airflow, temperature and pressure switches

Wind measurement and pitch controller

Turbine power converters and inductors

High voltage, high current DC and AC switches

Power supply for pitch controller

Medical



Applications

Embedded computers and displays

Foot switches to control the height and position of the operating table

Cabling and connectors for medical equipment

Toroidal isolation transformers used in C-Arm X-ray machines and X-ray generators

Power isolator and protection for operating theatres

Transportation



Applications

Rail carriage door controls and connectors

Driver desk indicators and controls, speedometer and monitors

Vehicle electrification charging infrastructure

Drum switches and connectors

Transformers and inductors, smaller battery solutions for in-train power

Industrial & Connectivity



Applications

Power unit for satellite propulsion

Wireless communications for industrial metering

Telematics for remote control of industrial equipment

Power & signal electronics for industrial drive unit

Position sensor for extensometers

Fibre optic switching module for testing fibre optic cables

Refining our industrial market focus

Growth areas where electronics will drive efficiency, intelligence and sustainability



Industrial & Connectivity



Industrial & Connectivity

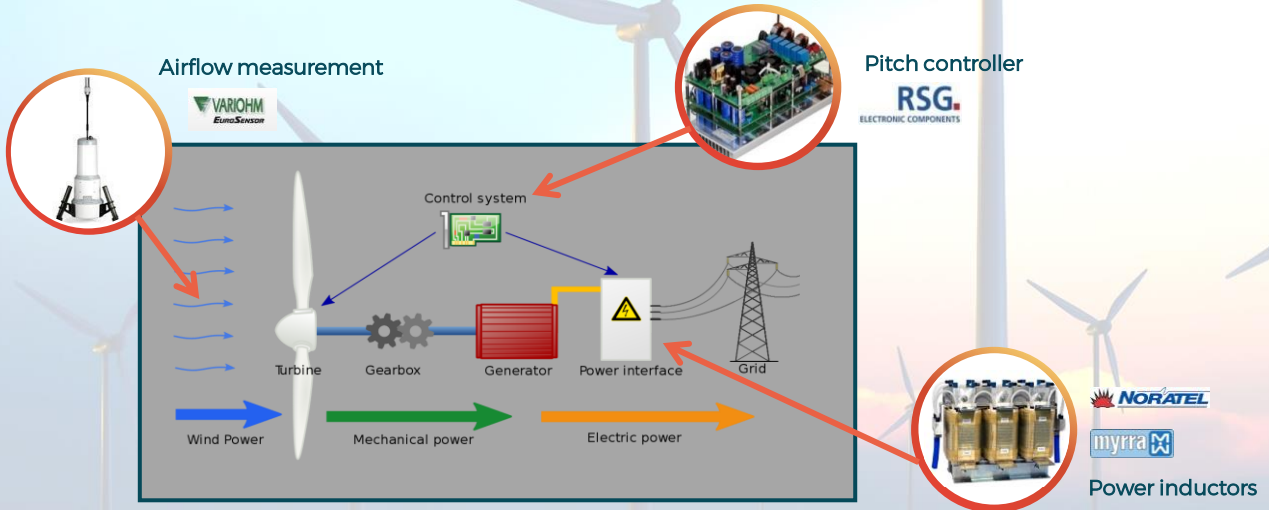
- Industrial applications that support & enable sustainability
- Energy efficiency, automation & communication
- Focus on improvement

Example: Resource Optimisation

- Enablers of new sustainable capabilities
- Smart agriculture
- Efficient food manufacturing systems
- Efficient water use/management
- Water quality improvement

Case study: Our unique solutions for Renewable energy

- Strong and trusted customer relationships across supply chain
- Providing innovation-led, bespoke solutions to essential customer requirements
- Multi-year design cycles provide strong visibility & recurring revenues
- Complementary technologies create cross-selling opportunities



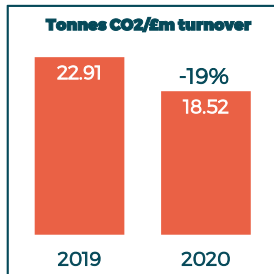
APPENDIX

Sustainability in action

Our planet, Our people, Our products

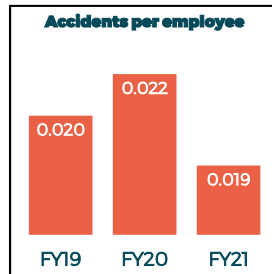
Environmental, Social & Governance (ESG) priorities for a better world

Environment



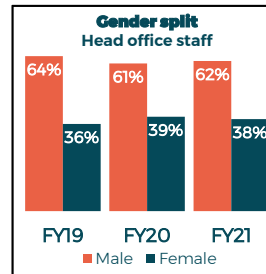
- 19% fall in CO2 emissions
- 6% underlying fall ex-covid
- Targeting 50% reduction by CY25, with c.£3m investment
- ISO14001 accreditation program underway for 80% target by 2025, currently 31%
- 6 sites have switched to renewable energy

Health & Safety



- >6500 hours of H&S training
- >90 H&S reps Group wide
- Targeting >80% of global workforce to be under ISO45001 by 2025

Diversity



- Focused on increasing our diversity
- 38% Head Office staff gender diversity
- 13% Head Office staff ethnic diversity
- New NED appointment increased board gender diversity to 29% (vs. 17% previously and 33% target)

Governance

Internal audit covers 80% Group EBIT & 67% Group Stock over two years

Employee engagement programs focused on communication, health & well being

Community outreach
Community Foundation Surrey
Manufacturing for the disabled

Sustainability in action

Advancing the Electrification of Transportation

Hypercharger

Customer application

Used for charging electric vehicles, especially trucks.

Benefits

The end product can reach 150KW which allows an electric car to be charged in 30 minutes.

The hypercharger is 3 times faster than a normal charger, contributing to further efficiencies, reducing, particles emission and greenhouse gases. Each unit contains several nanocrystalline cores designed and produced by us in-house, plus a range of magnetics.

Target market



Renewable energy



Industrial & Connectivity



Temperature sensor

Customer application

Electric Vehicle Plug

Benefits

For this electric vehicle plug we have designed in and supply temperature sensors to avoid overheating of the cables during the charging process. Electrical vehicles avoid particles concentrations in urban areas and limit the emissions of greenhouse gases. Our product contributes to the reduction of greenhouse gases. On average, a reduction from 20 to 80% of the carbon footprint has been reported for electrical cars vs thermal cars.

Target market



Renewable energy



Transportation



Pressure transmitter

Customer application

Hydrogen based power train for zero emission buses.

Benefits

We designed and supply a pressure transmitter for this application which allows the use of hydrogen fuelled buses instead of traditional fuels resulting in zero emissions, contributing to the reduction of greenhouse gas emissions and the UK government's target to be net zero by 2050.

Target market



Renewable energy



Transportation



Sustainability in action

Enhancing the Quality of life and care for people

Trackball modules

Customer application

A core input in devices which support ultrasound Imaging systems, with applications in areas such as cardiovascular and women's health segments, and dentistry.

Benefits

Our trackball module is one of the most frequently used 'touch points' within the system. We created a solution in response to the emergence of superbugs (such as MRSA) within hospital environments, in order to allow for easy cleaning and sterilisation.



Target market



Medical

Blood analyser

Customer application

The P200 is designed to deliver accurate and reproducible test results in both allergy and autoimmunity diagnostics

Benefits

Detecting and quantitatively determining clinically relevant antibodies in blood, without the need to give possible allergenic to patients. The tests are done with a simple blood test instead of riskier skin testing. We designed in and supply the single board computer for this system and have shipped 200 complete systems that can perform 14.6 million tests during a year.



Target market



Medical



Industrial & Connectivity

Nebulizers for effective Aerosol drug delivery

Customer application

Patients who need aerosol therapy, a technique of administering medication directly into the airway and lungs.

Benefits

We have designed and manufacture in-house the magnetic components for the mini internal power supplies in this medical equipment. This product increases the effectiveness of inhaled medication as patients inhale six times more medication which

is directly administered to their lungs. The product results in faster symptom control, fewer hospital admissions and shorter stays for those who are admitted. Over 10 million patients have been treated with this product.

Target market



Medical



END