



DIPLOMA PLC

# DIPLOMA DELIVERS

Full year results for the  
Year Ended 30 September 2022

21 November 2022

# AGENDA

- 1 Overview
- 2 Financial performance
- 3 Strategy update

# Overview



# An excellent year

- Very strong performance building on track record of consistent compounding long-term delivery
- Building high quality, scalable businesses for sustainable organic growth
- Revenue diversification initiatives delivering organic growth
- Successfully scaling our value-added model and sustaining strong operating margins
- Acquisitions accelerating organic growth: £187m invested in seven high quality businesses
- Resilient business model, increasing over time, with a positive outlook for FY 2023
- Delivering Value Responsibly: momentum building and targets in place

**Delivering long-term growth at consistently high margins**

# Very strong results

Organic revenue growth

**15%**

Model:  
**5%**

Revenue growth

**29%**

Model:  
**10%+**

Adjusted operating profit margin

**18.9%**

Model:  
**17%+**

Adjusted EPS growth

**26%**

Model:  
**Double digit**

Free cash flow conversion

**90%**

Model:  
**ca.90%+**

Net debt / EBITDA

**1.4x**

Model:  
**<2.0x**

ROATCE

**17.3%**

Model:  
**High teens**

Dividend cover

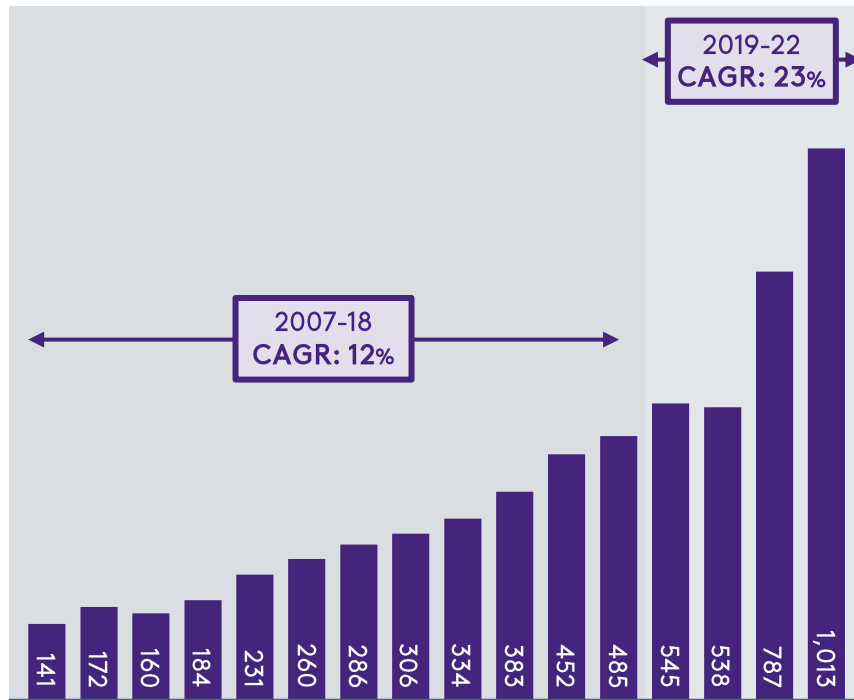
**2.0x**

Model:  
**ca. 2x**

**Another year of impressive compounding growth**

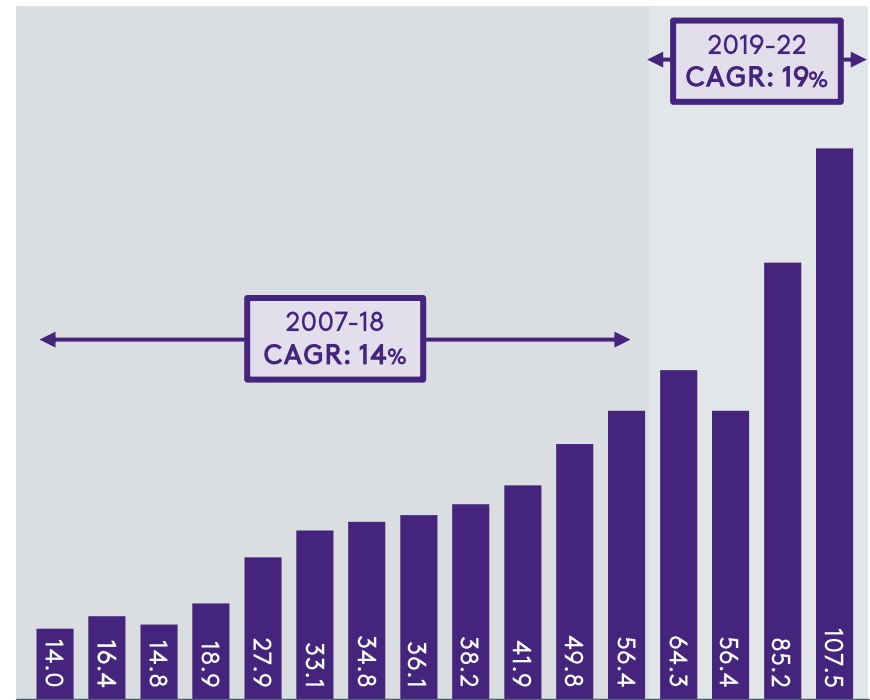
# Track record of compounding growth

Reported revenue (£m)



15 year revenue CAGR: 14%

Adjusted EPS (pence)



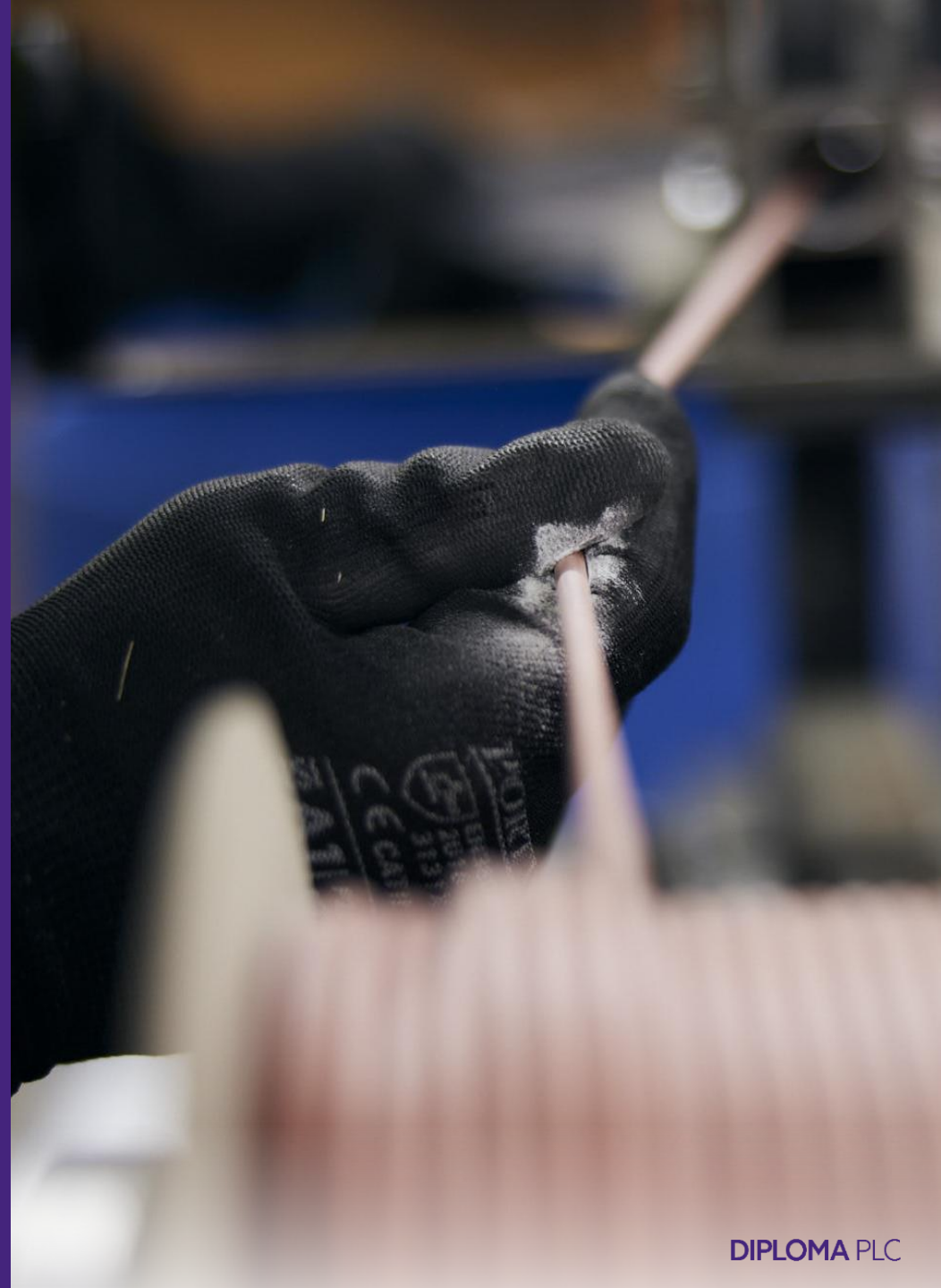
15 year EPS CAGR: 15%

# Delivering Value Responsibly



Embedded into our strategy and culture

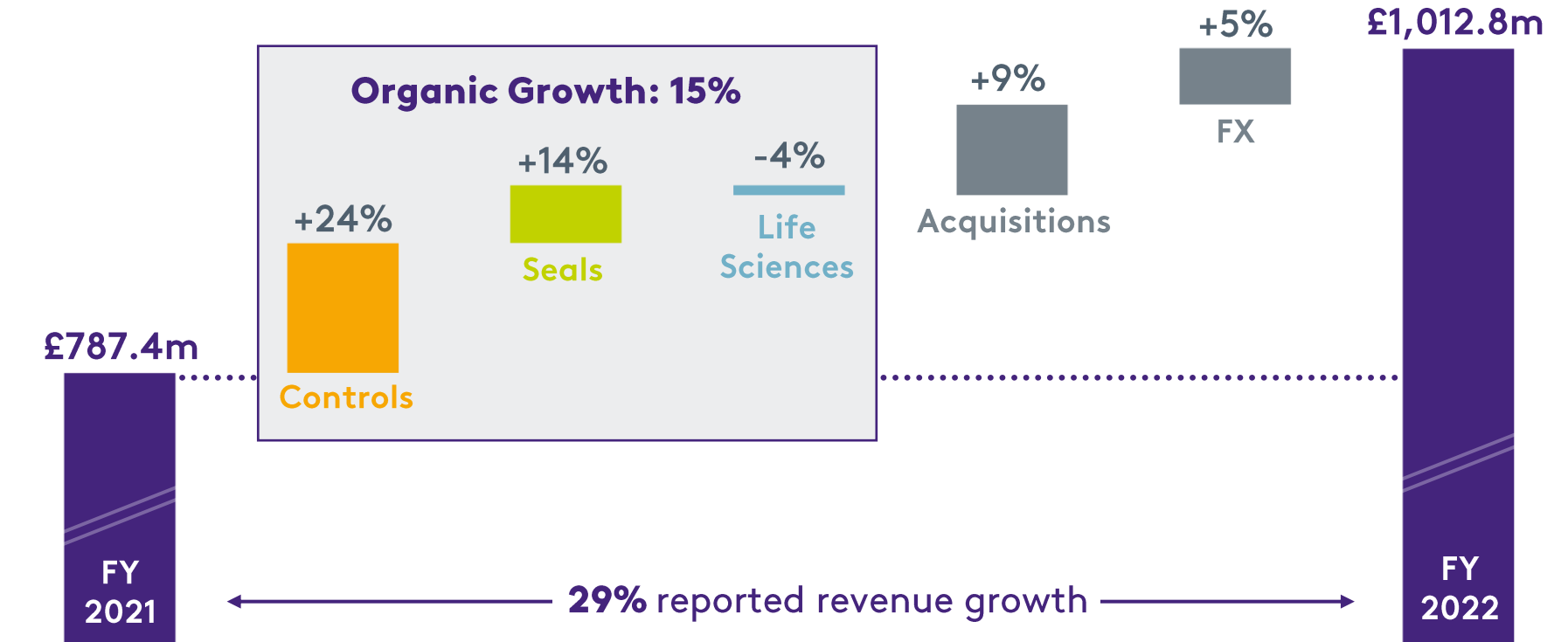
# Financial Performance





# Revenue

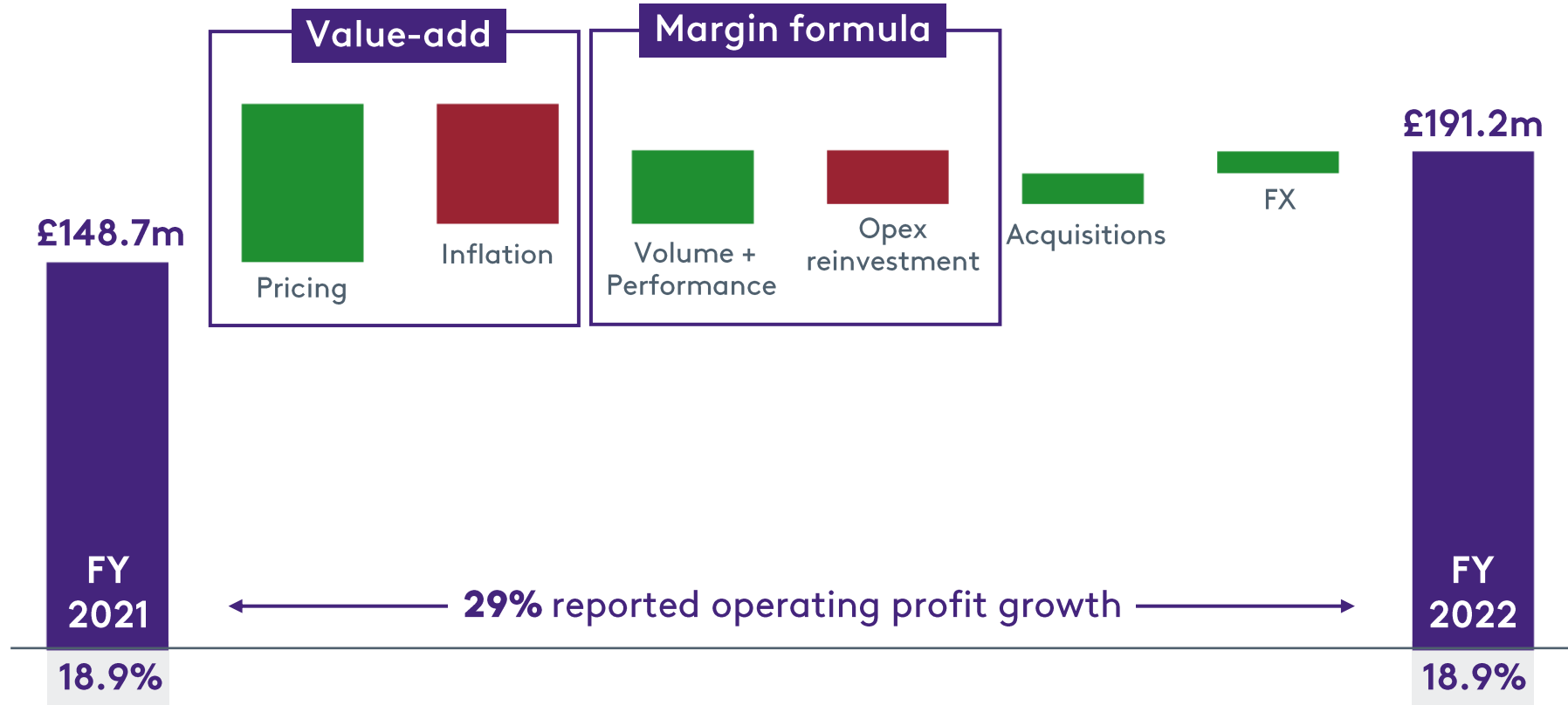
Year ended 30 September



Revenue diversification driving very strong organic growth

# Adjusted operating profit

Year ended 30 September



Consistently high margins

# Income statement

Year ended 30 September

|                                    | 2022<br>£m | 2021<br>£m | Change |
|------------------------------------|------------|------------|--------|
| Revenue                            | 1,012.8    | 787.4      | +29%   |
| Adjusted operating profit          | 191.2      | 148.7      | +29%   |
| Adjusted operating margin (%)      | 18.9%      | 18.9%      |        |
| Interest expense                   | (11.6)     | (6.8)      |        |
| Adjusted profit before tax         | 179.6      | 141.9      | +27%   |
| <i>Adjusted effective tax rate</i> | 25.0%      | 25.4%      |        |
| Adjusted earnings                  | 133.9      | 106.1      | +26%   |
| Adjusted earnings per share        | 107.5p     | 85.2p      | +26%   |
| Total dividend per share           | 53.8p      | 42.6p      | +26%   |

**Excellent adjusted EPS growth of 26%**

# Net debt and cash flow

Year ended 30 September

Free cash flow

**£120m**

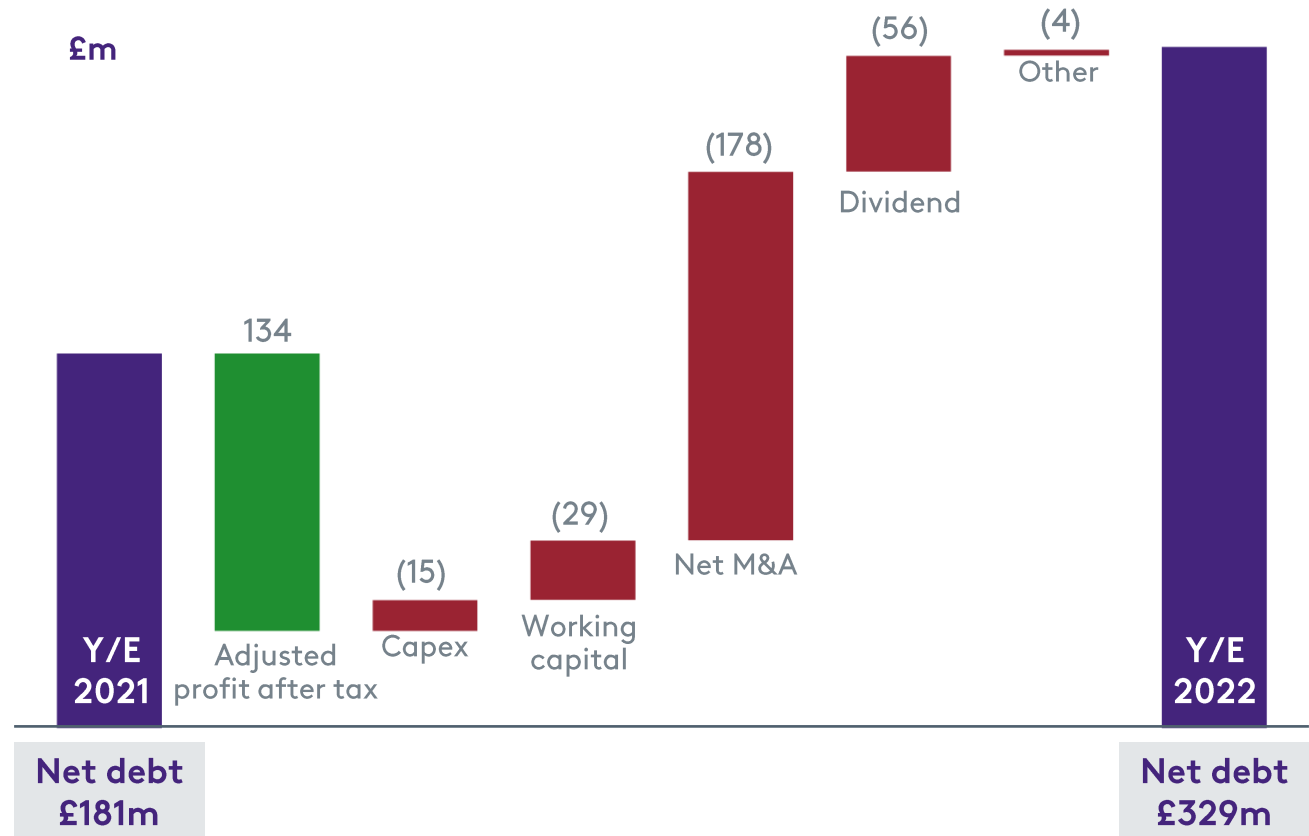
+11% yoy

Free cash flow  
conversion

**90%**

Net debt/EBITDA

**1.4x**



Cash generative with a strong balance sheet

# Current trading and guidance

## RESILIENCE

Revenue diversification

---

Value-add:  
sustainable margin

---

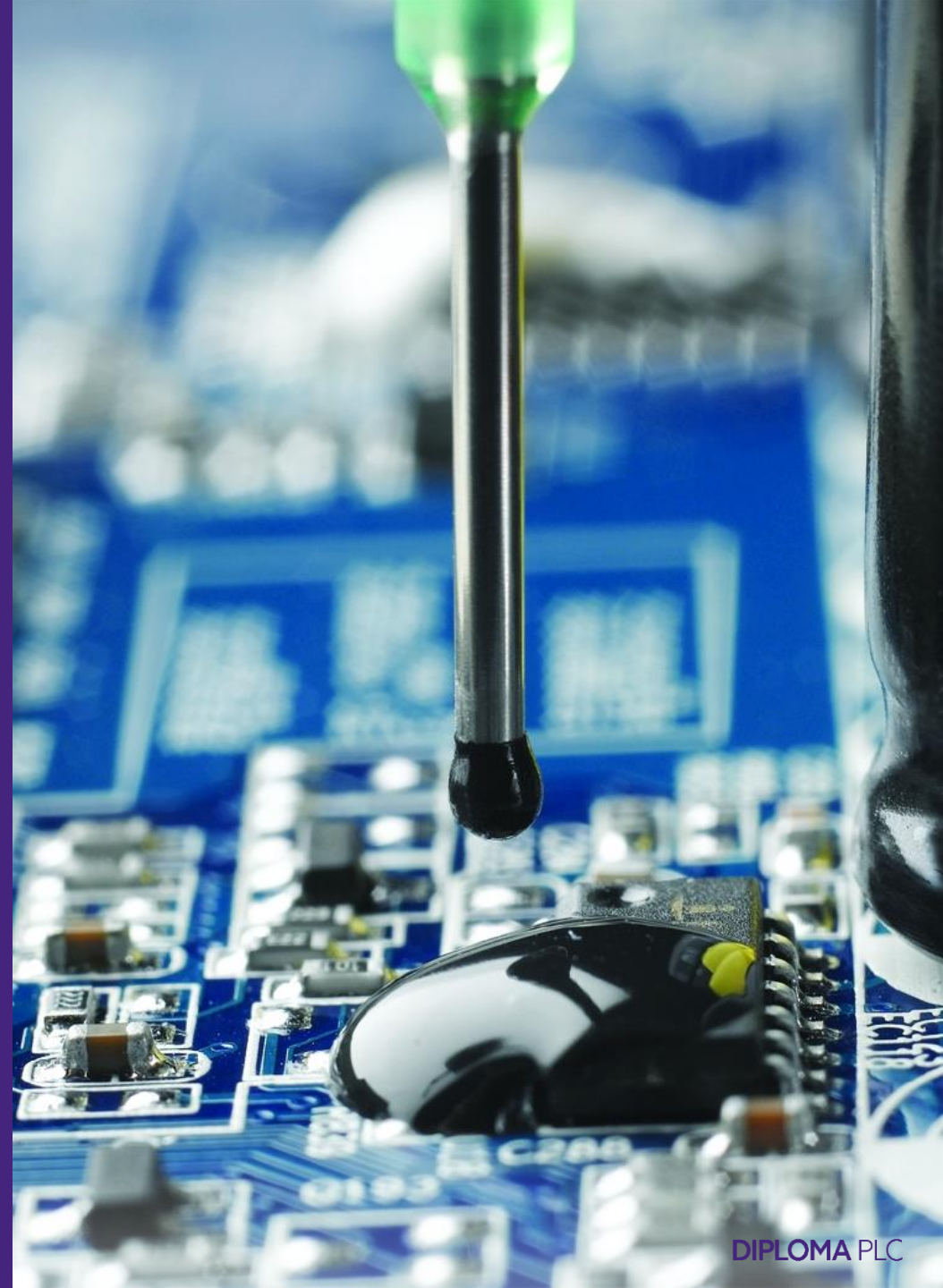
Highly cash generative

## FY2023 OUTLOOK

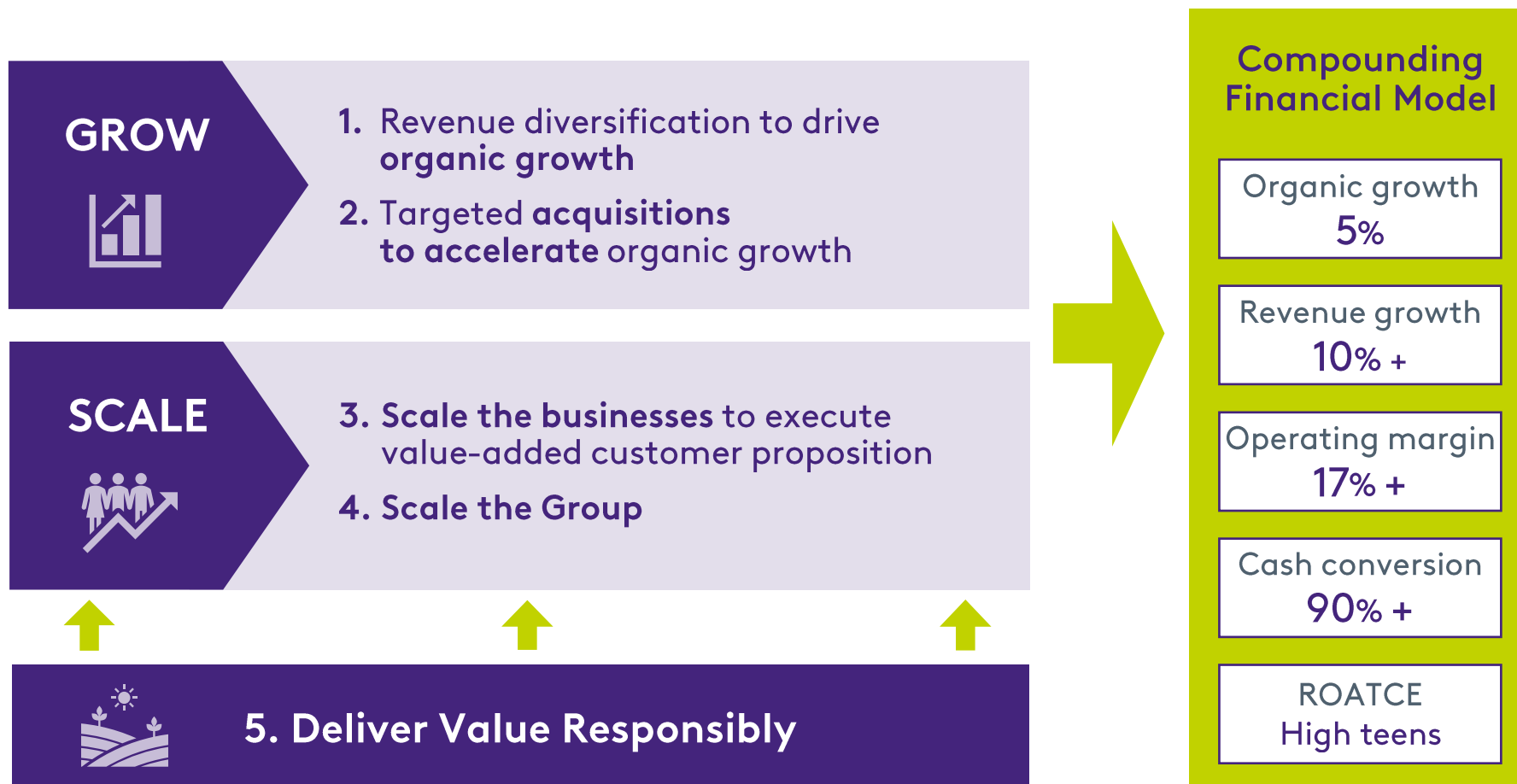
- Double digit revenue growth:
  - Organic growth: mid-single digit (H1 weighted)
  - Acquisitions: +6%
- Strong, resilient operating margin: 18-19%
- FX benefit / increased interest costs at this stage EPS neutral
- 2023 has started well

A positive outlook

# Strategy & performance update



# Building high quality, scalable businesses for sustainable organic growth



# Organic growth driven by revenue diversification



## High growth end segments

Positioning in structurally growing end markets



- Diagnostics
- Technology / telecoms
- Energy
- Renewables
- Electric vehicles

## Geographic penetration

Penetrating core developed economies



- US penetration:
  - Louisville market share
  - Controls acquisitions
- Life Sciences Europe
- Australian Seals

## Product range extension

Expanding addressable markets











- R&G fluid power capability (Seals)
- Adhesives' development with another acquisition (Controls)
- Life Sciences' product pipeline

Exciting growth opportunities



# Acquisitions accelerating organic growth

|   |   |  |   | High growth end segments | Geographic penetration | Product range extension |
|---|---|--|---|--------------------------|------------------------|-------------------------|
|    |    | <b>LJR Electronics</b><br><b>£21m</b>      | Interconnect acquisition giving access to the US  |                          | ✓                      |                         |
|   |    | <b>Silicone Solutions</b><br><b>£3m</b>    | Bolt-on adding scale to Adhesives in the UK       | ✓                        | ✓                      | ✓                       |
|    |    | <b>R&amp;G Fluid Power</b><br><b>£101m</b> | Value-added aftermarket distributor in the UK     |                          | ✓                      | ✓                       |
|   |   | <b>4 R&amp;G bolt-ons</b><br><b>£9m*</b>   | UK regional distributors                          |                          | ✓                      | ✓                       |
|   |  | <b>ACT</b><br><b>£7m</b>                   | Corrosion control solutions business in Australia | ✓                        | ✓                      | ✓                       |
|  |  | <b>Accuscience</b><br><b>£51m</b>          | Life sciences and med-tech distributor in Ireland | ✓                        | ✓                      | ✓                       |

\* Including two post-year end

# Acquisitions delivering strong returns

## Small bolt-ons

Six since May

Ave multiple

5x

Yr1 ROATCE

20%

## Larger deals

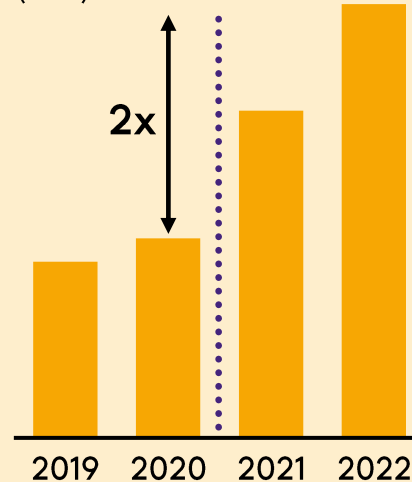


Yr 2 ROATCE  
High-teens

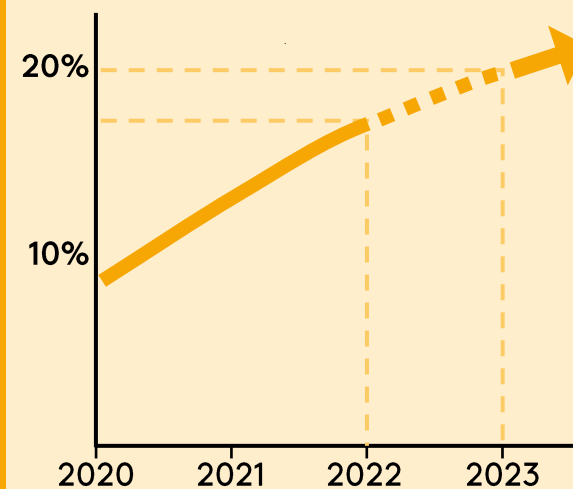
## WCW

Exceptional returns

### Operating profit (\$m)



### ROATCE



ROATCE 17.3%

# Scale



Scaling our  
**value-added  
businesses**

## Evolving Business Target Operating Models

Core  
Competencies

Capabilities

Scaling the  
**Group**

## Evolving the Group structures, capability and culture

Diploma  
Identity

Frameworks

Best Practice  
and Networks

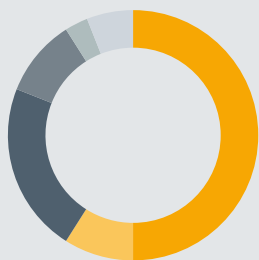
# Controls



## % of Group revenue \*

47%

## Sector revenue mix\*



|                     |            |
|---------------------|------------|
| ● Windy City Wire   | <b>50%</b> |
| ● Wire & Cable (UK) | <b>9%</b>  |
| ● Interconnect      | <b>22%</b> |
| ● Fasteners         | <b>10%</b> |
| ● Adhesives         | <b>3%</b>  |
| ● Fluid Controls    | <b>6%</b>  |

|                           | FY 2022 | FY 2021 | Change |
|---------------------------|---------|---------|--------|
| Revenue                   | £492.8m | £343.3m | +44%   |
| Organic growth            | 24%     | 16%     |        |
| Adjusted operating profit | £105.8m | £72.4m  | +46%   |
| Adjusted operating margin | 21.5%   | 21.1%   | +40bps |

## 2022 highlights

- **WCW organic +32%:**  
taking share in attractive end segments
- **International Controls organic +18%:**
  - Excellent US/Europe performance
  - Return of civil aerospace in Fasteners
  - Strong energy in Interconnect
- **Margin +40bps:**  
scale benefits and performance

## Strategic progress

- **High growth end segments:**  
technology / telecoms, energy, aerospace, electric vehicles
- **Geographic diversification of International Controls:**
  - Excellent progress in Germany
  - Building scale in the US
- **Product extension:** acquisition for Adhesives
- **Building capability:** sales, supply chain and operations roles

\* Pro forma revenues adjusted for acquisitions and disposals completed during the year

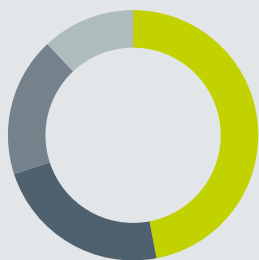
# Seals



## % of Group revenue \*

35%

## Sector revenue mix\*



- International Seals **47%**
- NA Aftermarket **23%**
- US OEM **18%**
- US MRO **12%**

|                           | FY 2022 | FY 2021 | Change  |
|---------------------------|---------|---------|---------|
| Revenue                   | £331.4m | £263.7m | +26%    |
| Organic growth            | 14%     | 7%      |         |
| Adjusted operating profit | £62.6m  | £46.5m  | +35%    |
| Adjusted operating margin | 18.9%   | 17.6%   | +130bps |

## 2022 highlights

- **North American Seals +16% organic:** accelerated market share gains in Aftermarket
- **International Seals +11% organic:**
  - Broad-based growth
  - Excellent start from R&G +15%
- **Margin +130bps:**
  - Russian disposal
  - Louisville dual running costs
  - Scale/performance improvement

## Strategic progress

- **High growth end segments:** renewables, infrastructure, medical, food & beverage
- **Geographic penetration:**
  - Louisville: US
  - R&G: UK
- **Product extension:** R&G broadens fluid power capability
- **Building scale:** Australian Seals now structured around two strong platforms
- **Disciplined portfolio management:** Kentek exit

\* Pro forma revenues adjusted for acquisitions and disposals completed during the year

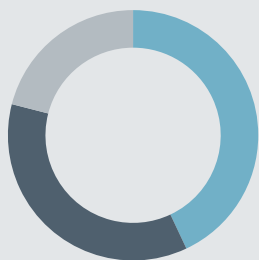
# Life Sciences



## % of Group revenue\*

18%

## Sector revenue mix\*



- Canada **43%**
- Europe **36%**
- Australia **21%**

\* Pro forma revenues adjusted for acquisitions and disposals completed during the year

|                           | FY 2022 | FY 2021 | Change  |
|---------------------------|---------|---------|---------|
| Revenue                   | £188.6m | £180.4m | +5%     |
| Organic growth            | -4%     | +14%    |         |
| Adjusted operating profit | £41.0m  | £43.2m  | -5%     |
| Adjusted operating margin | 21.7%   | 23.9%   | -220bps |






## 2022 highlights

- **2% organic growth** exc. FY 2021 pandemic revenues
- Surgical staff shortages
- Strong diagnostics and endoscopy performance
- Returned to growth in Q4
- Good margin, a little diluted by acquisitions
- **Well positioned for growth:** rising diagnostics spend, elective surgical backlogs

## Strategic progress

- **High growth end segments:** diagnostics
- **Geographic penetration:** Accuscience builds out European pillar
- **Product extension:** product pipeline
- **Building scale:** structured into three regions
- **Disciplined portfolio management:** disposal of a1-envirosciences

# DVR: targets to drive continuous improvement

|   |  |  |   |  |
|---|--|--|---|--|
|  <h2>Colleague Engagement</h2> |  <h2>Health &amp; Safety</h2> |  <h2>Diversity, Equity &amp; Inclusion</h2> |  <h2>Supply Chain</h2> |  <h2>Environment</h2>   |
| <p><b>Vision</b><br/>all colleagues highly engaged</p>  | <p><b>Vision</b><br/>no one harmed at work</p>   | <p><b>Vision</b><br/>a gender balanced workforce</p>   | <p><b>Vision</b><br/>all key suppliers aligned with our Code</p>  | <p><b>Vision</b><br/>Net zero across our value chain</p>   |
| <p><b>2030 target</b></p> <p>Maintain Colleague Engagement Index</p> <p><b>70%+</b></p>                         | <p><b>2030 target</b></p> <p>Reduction in Lost Time Incidents</p> <p><b>5% pa</b></p>                          | <p><b>2030 target</b></p> <p>Women on Senior Management Team</p> <p><b>40%+</b></p>  | <p><b>2030 target</b></p> <p>Key suppliers aligned with our code</p> <p><b>80%</b></p>                    | <p><b>2030 target</b></p> <p><b>50%</b> Reduction in Scope 1 &amp; 2</p> <p><b>2040: net zero</b><br/>Own operations</p> <p><b>2050: net zero</b><br/>Entire value chain</p> |

Making a difference

# Concluding remarks

- Very strong results
- Track record of compounding value creation
- Building high-quality, scalable businesses for sustainable organic growth
- DVR embedding in our strategy and culture
- Resilient business model
- Positive outlook

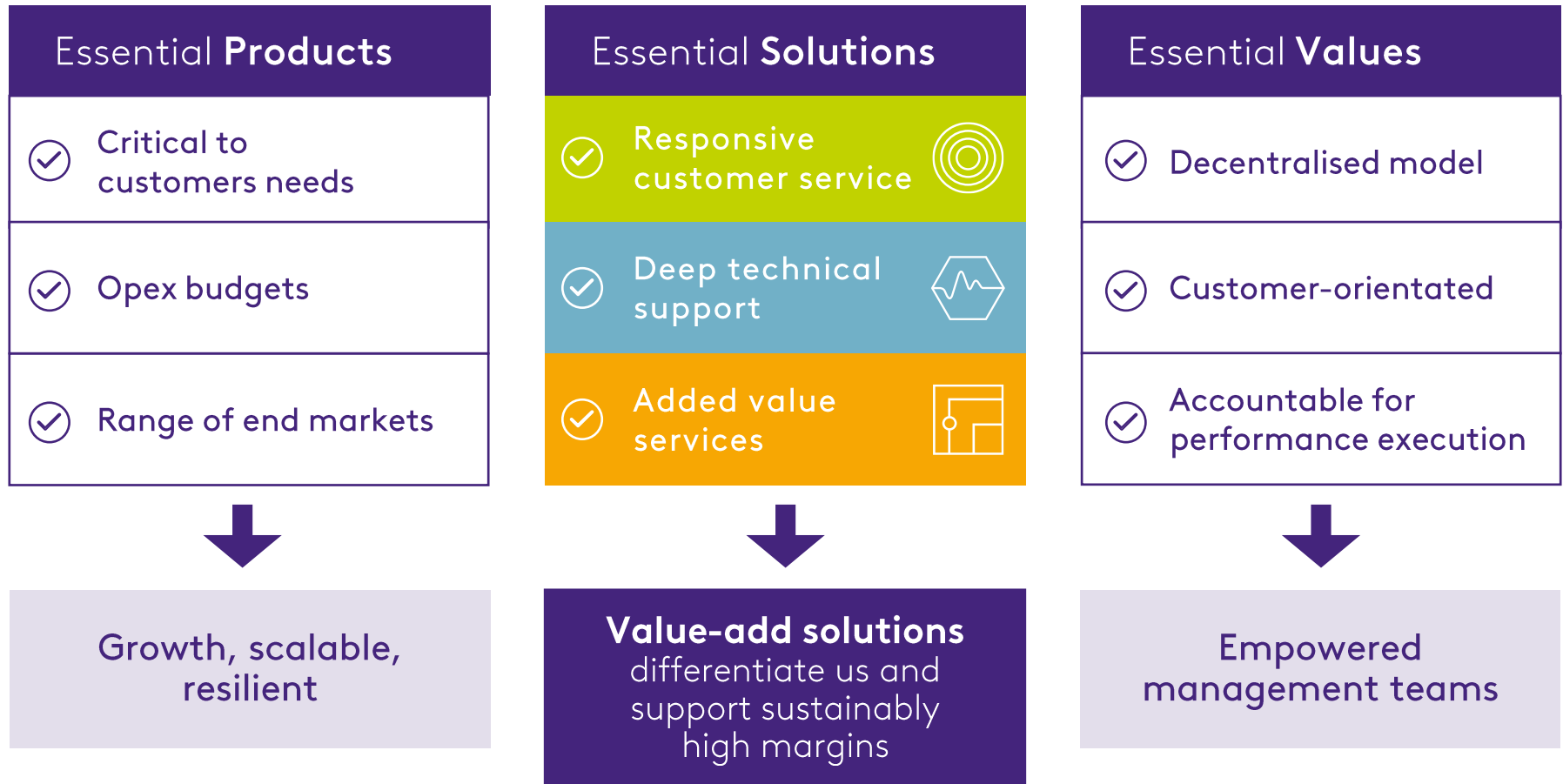
**Well-positioned for long-term growth at high margins**



# Appendix

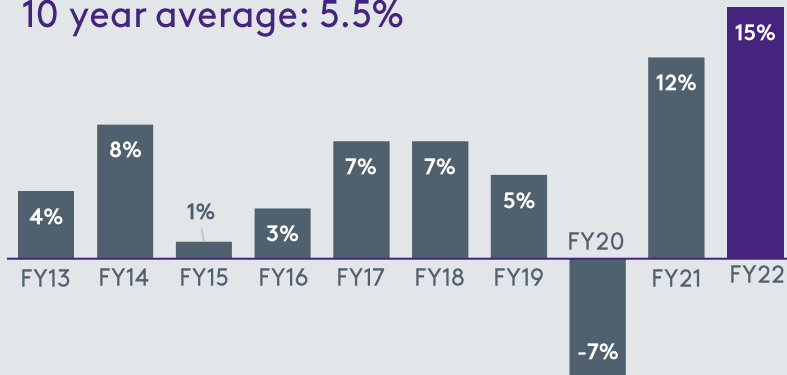


# Value-add servicing supports differentiation

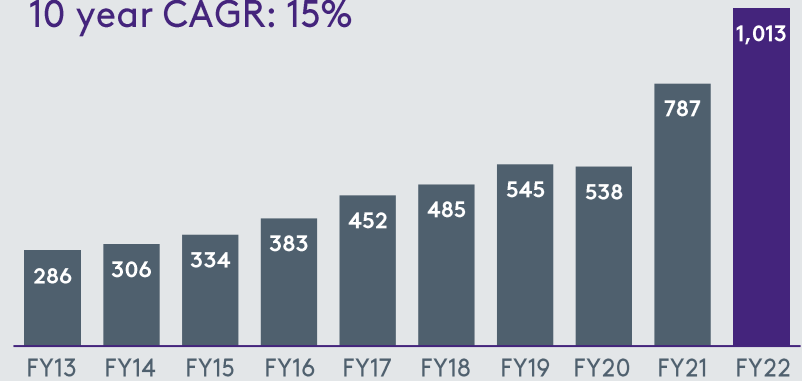


# Ten year track record

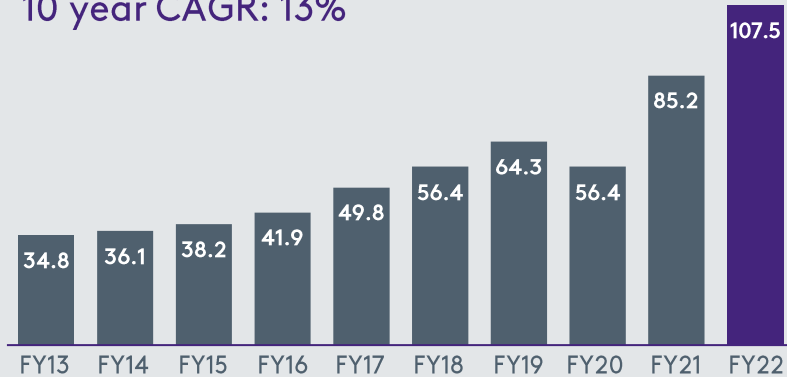
Organic growth  
10 year average: 5.5%



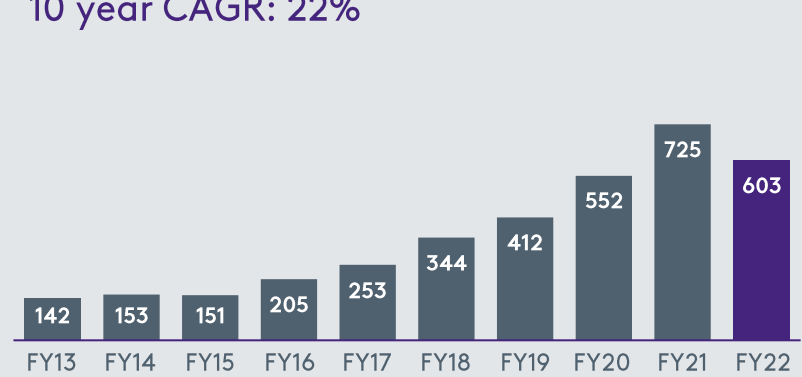
Reported revenue (£m)  
10 year CAGR: 15%



Adjusted EPS (pence)  
10 year CAGR: 13%



TSR growth  
10 year CAGR: 22%



# Sector revenue and profit

|               | Revenue        |              |             |
|---------------|----------------|--------------|-------------|
|               | 2022<br>£m     | 2021<br>£m   | Change      |
| Controls      | 492.8          | 343.3        | +44%        |
| Seals         | 331.4          | 263.7        | +26%        |
| Life Sciences | 188.6          | 180.4        | +5%         |
| <b>Group</b>  | <b>1,012.8</b> | <b>787.4</b> | <b>+29%</b> |

|              | Organic growth |             |
|--------------|----------------|-------------|
|              | 2022<br>%      | 2021<br>%   |
|              | +24%           | +16%        |
|              | +14%           | +7%         |
|              | (4)%           | +14%        |
| <b>Group</b> | <b>+15%</b>    | <b>+12%</b> |

|               | Adjusted operating profit |              |             |
|---------------|---------------------------|--------------|-------------|
|               | 2022<br>£m                | 2021<br>£m   | Change      |
| Controls      | 105.8                     | 72.4         | +46%        |
| Seals         | 62.6                      | 46.5         | +35%        |
| Life Sciences | 41.0                      | 43.2         | -5%         |
| Central costs | (18.2)                    | (13.4)       | +36%        |
| <b>Group</b>  | <b>191.2</b>              | <b>148.7</b> | <b>+29%</b> |

|              | Adjusted operating margin |             |                  |
|--------------|---------------------------|-------------|------------------|
|              | 2022<br>%                 | 2021<br>%   | Change           |
|              | 21.5                      | 21.1        | +40bps           |
|              | 18.9                      | 17.6        | +130bps          |
|              | 21.7                      | 23.9        | -220bps          |
|              | -                         | -           | -                |
| <b>Group</b> | <b>18.9</b>               | <b>18.9</b> | <b>unchanged</b> |

# Balance sheet

As at 30 September

|   | 2022<br>£m     | 2021<br>£m   |
|---|----------------|--------------|
| Goodwill and acquisition intangible assets                      | 827.3          | 605.6        |
| Tangible and other intangible assets                            | 53.7           | 38.8         |
| Net lease liabilities   | (6.7)          | (3.4)        |
| Net working capital   | 184.2          | 120.6        |
| Assets held for sale  | -              | 11.3         |
| <b>Trading capital employed - reported</b>                      | <b>1,058.5</b> | <b>772.9</b> |
| <i>Working capital as % of revenue</i>                          | <i>15.6%</i>   | <i>15.8%</i> |
| <i>ROATCE</i>   | <i>17.3%</i>   | <i>17.4%</i> |
| Retirement benefit assets/(obligations)                         | 6.4            | (4.9)        |
| Acquisition liabilities and assets, net                         | (29.6)         | (23.7)       |
| Net bank debt   | (328.9)        | (181.4)      |
| Minority interests and deferred tax, net                        | (44.4)         | (26.6)       |
| <b>Total shareholders' funds (excluding minority interests)</b> | <b>662.0</b>   | <b>536.3</b> |

## M&A: disciplined portfolio development

|               | No. of acquisitions |          |          | Acquisition spend |              |              |
|---------------|---------------------|----------|----------|-------------------|--------------|--------------|
|               | H1                  | H2       | FY       | H1                | H2           | FY           |
| Controls      | 1                   | 1        | 2        | £21m              | £3m          | £24m         |
| Seals         | -                   | 4        | 4        | -                 | £112m        | £112m        |
| Life Sciences | -                   | 1        | 1        | -                 | £51m         | £51m         |
|               | <b>1</b>            | <b>6</b> | <b>7</b> | <b>£21m</b>       | <b>£166m</b> | <b>£187m</b> |

- Acquisitions – annualised revenues of ca. £124m
- Two small non-core disposals – annualised revenue of £36m
- FY 2023: net impact of M&A adds ca. 6% to revenue

# Financing

| Type   | Currency | Amount   | GBP equivalent        | Interest rate exposure |
|--|----------|----------|-----------------------|------------------------|
| Term loan                                      | USD      | \$193.5m | £173.3m               | Fixed at ca. 3%*       |
| RCF  | USD      | \$8.0m   | £7.2m                 |                        |
| RCF  | GBP      |          | £122.2m               | Floating               |
| RCF  | EUR      | €81.6m   | £71.6m                | Floating               |
| Capitalised debt fees, net of accrued interest |          |          | £(3.7)m               |                        |
| Gross debt drawn at 30.9.22                    |          |          | <u>£370.6m</u>        |                        |
| Cash & cash equivalents                        |          |          | <u>£(41.7)m</u>       |                        |
| Net debt                                       |          |          | <u><u>£328.9m</u></u> |                        |

- Good liquidity: available headroom £204m

\* Approximately half fixed just after year end

# Financial KPIs

Five year trends

|                                     | 2022      | 2021    | 2020    | 2019    | 2018    |
|-------------------------------------|-----------|---------|---------|---------|---------|
| <b>Revenue</b>                      | £1,012.8m | £787.4m | £538.4m | £544.7m | £485.1m |
| <i>Total growth</i>                 | +29%      | +46%    | -1%     | +12%    | +7%     |
| <i>Organic growth</i>               | +15%      | +12%    | -7%     | +5%     | +7%     |
| <b>Adjusted operating margin</b>    | 18.9%     | 18.9%   | 16.2%   | 17.8%   | 17.5%   |
| <b>Working capital (% revenues)</b> | 15.6%     | 15.8%   | 16.0%   | 16.5%   | 15.1%   |
| <b>Free cash flow</b>               | £120.4m   | £108.8m | £72.5m  | £56.5m  | £60.5m  |
| <i>Free cash conversion (%)</i>     | 90%       | 103%    | 113%    | 78%     | 95%     |
| <b>ROATCE</b>                       | 17.3%     | 17.4%   | 19.1%   | 22.9%   | 24.5%   |

**Average  
over  
five years:**

CAGR revenue  
growth

**17.5% p.a.**

Adjusted  
operating margin

**17.9%**

ROATCE

**20.2%**

Free cash flow  
conversion

**96%**