Diploma PLC
Full Year Results 2026

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Transcript

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Johnny Thomson:

All right, good morning everyone. Thank you for joining us for Diploma's 2026 results update. As usual, I'm joined by our CFO, Wilson Ng. A couple of key messages before we get started for me. The first is we've had an excellent year, a real step change in our earnings, and really importantly, we've got strong momentum into the new year. Our growth is really broad based across the portfolio. We've got good end market support, making our growth more structural. We've had a record year for acquisitions with a few more in quarter one as well. We're investing in our people and a big thanks to all my Diploma colleagues out there for their brilliant contribution to our results. The energy and the mood around the patch is really strong. So as we step into the new year, we will see naturally some moderation in the growth rates in quarter two, just with comps.

But we're very, very positive about another year and we're guiding to another very, very positive year in 2027. And we're feeling very optimistic about our sustainable quality compounding. So I'm going to give you an overview. Wilson will come back and do the numbers and then I'll come back and do strategy and the business. And as usual, we'll do Q&A at the end. Okay? Let's get started.

So as I said, It's been an excellent year for Diploma. We balance ambitious earnings growth (up 45% in the year) with disciplined returns (25% in the year) -together, key to sustainable quality compounding. We've delivered a very strong performance across all our key financial metrics - organic growth of 15%, reported growth of 21%, operating profit up 42% at margins of 26.5% -adding to our long-term compounding track record. Another fantastic performance from Peerless, but broad-based double-digit growth across the rest of the Group too.

The quality and diversity of our portfolio gives us exposure to attractive end markets, which supports structural long-term organic growth -11% on average over the last five years. It also gives us greater resilience. We accelerate organic growth with targeted acquisitions. We've had a record year. 16 deals since the start of FY26, adding around £50m of operating profit. CDM, our US defence business acquired in June, has started really well. We've added five deals since our Q3 trading update, including Elite, a US water pump business acquired in October. The pipeline is very healthy and there's plenty of balance sheet capacity.

Momentum is encouraging. The new year has started well. And, after a big step forward in 2026, we're guiding to another strong year of sustainable quality compounding.

A moment to reflect. Diploma has been delivering compounded double-digit revenue and earnings growth for decades. And at great returns on capital. We've developed the strategy, injected more ambition, improved our execution - the compounding has accelerated with a step up in organic growth, acquisitions and margins. And, we're just getting started.

The Group's future is very promising. We continue to balance ambition with discipline. Our business model is robust. Our growth potential - with structural support in fragmented markets -is massive. We focus on cash, capital allocation and returns. All driven by the depth and quality of our management, our powerful decentralised culture, and our intense focus on execution. I'm excited about the future.

Our people and our culture deliver this -they make it sustainable. I'd like to thank all of my brilliant colleagues. Their skill, energy and passion every day is what drives our success.

Building capability is the most important part of my job. We're investing in our talent -leadership development programmes and a new graduate cohort as examples. Our objective is long-term management succession in the businesses. We're also investing new resource into end market development, acquisition origination, and our controls platform.

Our differentiated culture of commerciality, accountability, and continuous improvement is thriving across the businesses. Engagement scores are again very high. And we complement that with a connectivity and a performance ownership mentality across the Group. The mood is energised.

Now, I'll hand over to Wilson to take you through the numbers.

Wilson Ng:
Thank you Johnny. Good morning everyone.

So, turning to FY26, we've delivered an outstanding performance, across all of our key metrics. Organic growth is our priority -so I am really pleased with the 15% growth in the year. And total revenue was up 21%, including a 6% contribution from acquisitions. We've delivered a 400 basis point increase in operating margin, to 26.5%. In turn, driving very strong EPS growth of 45%, building on our long-term track record. Strong cash conversion of 94%, with notable growth investments in working capital. Leverage of 0.7x, with significant balance sheet headroom. High return on capital of 25.3%. In line with our policy, we have grown the dividend by 5%. So, summing all that up -I am extremely pleased to be reporting another excellent performance.

We have built a high-quality and diverse portfolio that enables us to consistently deliver strong revenue growth. In FY26, we delivered total revenue growth of 21%, with very strong organic growth of 15%, and a 6% contribution from acquisitions.

Controls increased organically by 25%, driven by excellent execution in attractive end markets. This included great performances from Clarendon and IS Group, and continued outstanding performance from Peerless. Windy City grew strongly, with an equal contribution from volume and the effective pass through of copper pricing.

Seals achieved organic growth of 4%, with sequential improvement in H2 -up from 2% at H1. It's great to see high-single digit growth in North American Seals through strong execution in its core business. International Seals was challenging but performance continues to improve.

Life Sciences delivered 1% organic growth. H2 performance was impacted by tough healthcare markets and a higher-than-normal rate of products coming out of the portfolio in the short term. These are businesses with defined product lifecycles and the long-term product pipeline is healthy.

If we were to exclude Peerless, the rest of the portfolio grew strongly -10% organic growth -well ahead of our financial model.

I'll now move to operating profit.

Following a strong performance in FY25, we have again improved operating margin -up 400 basis points to 26.5 percent. As a result, operating profit grew by 42% to £487 million.

Our volume growth has, as usual, been a strong driver of margin expansion, driving significant operating leverage benefits. Our proven ability to pass on input cost increases such as copper price and inflation through pricing is a key measure of our value-add model and the solutions we bring to our customers.

Over the last few years, our operating margins have expanded significantly. This has been driven by: operating leverage as our businesses grow; continuous performance improvement through strong discipline and execution; and structurally improving the portfolio through high-quality acquisitions.

As I have mentioned before, our margins feel like they are at the top end. In the coming year, we anticipate some margin moderation from these levels, reflecting three factors: selective investment in opex to support growth, controlled moderation in Peerless margins whilst still growing profit, and continued acquisitions to complement organic growth which may not always be accretive to our high margin. I'll cover this more fully when I talk about FY27 guidance.

Now, on to EPS growth. I am very pleased to report that EPS grew by 45% to 255.6p, an incredibly strong performance, building on our long track record of double-digit growth. Organic and inorganic growth both contributed strongly to this performance. Net interest expense was a little higher year on year as acquisition momentum stepped up. Our all-in, blended cost of debt has remained consistent at 5.3%. Our effective tax rate was 25.0 percent, consistent with FY25. 45% EPS growth is a great result. Of course we won't deliver growth at this rate every year, but a performance like this builds our earnings base, accelerating our compounding.

Now let's turn to Cash. Our capital-light business model and disciplined execution allow us to drive strong and consistent cash conversion. We achieved 94% cash conversion, slightly above our financial model, delivering free cash flow of £323 million. We see inventory investment as an important tool to unlock growth when executed carefully and with discipline. We have deployed almost £60 million, mainly on targeted inventory investments, moderating our cash conversion a little from previous years. And we'll continue to do more of this across the Group. So, we would continue to expect cash conversion around the 90% level rather than the higher levels we have seen over the last few years.

Acquisition outflow was £291 million, reflecting the strong deal momentum. Deals totalling a further £87m have been completed in the early part of FY27. We paid £85 million in dividends, continuing our long track record of progressive dividend growth. Taking all this together, net debt increased to £351 million, with leverage maintained at 0.7 times, providing significant balance sheet capacity for further acquisitions. Let me now talk about those acquisitions.

Acquisition momentum was strong through the period -in fact we did more deals in FY26 than in any other year. Since the start of FY26, we have completed 16 acquisitions in our core geographies across

all three Sectors, investing £368m at 7x EBIT, and adding £50m of annualised operating profit. That's over 10 percent of FY26 Group profit.

CDM, our US defence platform, was the largest acquisition this year for $170m. And, since the year end, we've invested $90m in Elite, a specialist supplier of water pump parts also in the US. Together, contributing over £20m of annualised operating profit. And we welcomed 14 other businesses to the Group that give us further exposure into great end markets and drive strong returns. We continue to demonstrate our ability to acquire high-quality businesses that quickly deliver against our 20% returns hurdle. We have also demonstrated our willingness to acquire at higher multiples for strategically important assets, where we see strong returns potential, like CDM, which we bought at 11x. We remain focused on the right opportunities, not the number or size of deals. Our approach to acquisitions remains disciplined and returns-led. Now, onto returns.

Delivering disciplined returns is critical to sustainable compounding results. FY26 ROATCE was 25.3%, above our optimal 'high teens' range.

Our goal is to maximise long-term value creation, and that is delivered by deploying more capital with discipline to achieve high-teens returns. This creates significantly more value than delivering a higher returns percentage but with less capital deployed. I've already mentioned some planned investments for growth -in opex and working capital. With our strong acquisition pipeline, we also hope to bring more businesses into the Group. With these continued investments we would expect returns to moderate back to our optimal high teens range over time.

Now, onto our FY27 guidance. It's been a very strong start to the year. For FY27, we expect organic growth of 6% -ahead of our financial model of 5%. It is important to note the shape of this growth across the year. We anticipate a double digit Q1, followed by a mathematical moderation in Q2 and Q3, as we lap very strong comparatives in those quarters, which included very strong performance from Peerless in FY26. The acquisitions we've made to date will contribute 6% to revenue growth in FY27. Any further acquisitions during the year will be incremental to this.

We are guiding to an Operating Margin of 25.5%. A continued strong performance while reflecting the factors I mentioned earlier around planned strategic investment, acquisition dilution and controlled moderation of Peerless' margins. So, summing up -FY26 has been an incredible year. I'm really pleased to be guiding to another strong year of 12% revenue growth at 25.5% margins, with further EPS growth. I'll now hand back to Johnny.

Johnny Thomson:
Thanks Wilson. To remind you of our strategy, it's about building high quality, scalable businesses for sustainable organic growth. We drive organic growth in what I call our 3 buckets: positioning behind structurally growing end markets, expanding further in core developed geographies, and extending our product range to expand addressable markets.

Small concentrated businesses, stepping out of their niche, taking their specialised proposition to new places -they all have fantastic opportunities to grow. This strategy drives exciting sustainable organic growth, scale, and increased resilience.

This is complemented by selective high-quality acquisitions that drive future organic growth at great returns. Our acquisitions add to the quality and diversification of the portfolio, which in turn have made the Group's organic growth more structural.

Our value-add model and our powerful decentralised culture are our key differentiators. As we go from small to large, we naturally have to do things differently, while always preserving these differentiators. So building effective scale is key to the strategy -developing our businesses and Group to become better, not just bigger, and as such to sustain long-term delivery.

The financial outcome of this strategy is sustainable quality compounding: ambitious earnings growth combined with disciplined returns, in the good times and bad. Let's spend a minute on growth. And our first bucket, end markets. Over recent years, we have considerably increased our exposure to attractive end markets. Our products and services are relevant to so many of them -we're not dependent on any one or other. They give us growth tailwind and resilience. And they've made our growth more structural. We're making progress across all the markets on this slide.

We're more developed in spaces such as aerospace, defence and IVD. And they are contributing well to today's performance. I'm excited about our earlier stage markets where we are also investing and expect to see meaningful contribution to our organic growth in the years ahead. A few examples of this. Given heavy power requirements in the US, Nuclear is an exciting space for us. VSP, our US gasket MRO business, specialises in solutions for high risk, highly regulated environments. We've invested in specialist resource and are making great progress.

Population growth, climate pressures, and ageing systems are driving demand for water infrastructure, treatment and management solutions. Our products and services -particularly fluid power and sealing solutions -support this demand. We have some expertise already, particularly in Australia and through our acquisition this year of C&C Packings in the US. Elite is a big step forward for us and I'll talk a little more about that in a minute.

Our exposure to datacentres is small -low single digits of Group revenue -and mainly through our premium cabling solutions in Windy City. We're excited about sustainable maintenance and repair potential in cooling systems. We've invested significant business development and inventory in the US and UK Seals businesses. And we're winning business. These won't be significant contributors in 2027, but in the medium to long term they will sit alongside today's more developed end markets as significant contributors to our organic growth.

Now, let's look at the significant white space opportunity in the other 2 buckets, geographic penetration and product extension. Geographically, we are focused on the core developed economies. As you can see, penetration is still very small today in our product verticals across the US, Europe, and the UK. We don't need to go to higher risk developing markets for our growth.

We can also add new product verticals. We don’t want to go crazy with this, portfolio focus is important to us, but we’ll selectively ensure it suits our business model and we have the right to scale. There is plenty of white space for us to go after.

Acquisitions are important to the strategy too. They accelerate our organic growth and, together with occasional selective disposals, they build the quality and the diversification of the portfolio. We've accelerated capital deployment, with £1.7bn spent on over 60 deals in the last 7 years, significantly above our financial model. But it can't be just any business at any price -we say “no” a lot. Discipline is critical to sustaining our compounding, represented by our returns, which are over 20%.

Discipline doesn’t always mean a low multiple. While we do buy many businesses at modest multiples, we have actually created the best economic value for shareholders at higher multiples. And we’d be comfortable doing that again. It’s about potential. Delivering great returns is what’s most important. Our discipline also means that our progress with acquisitions won't always be linear. And that's ok. Over the long term, the fundamentals support a healthy deal flow: it's a fragmented market and our short-term pipeline is stronger than ever, our capability and processes work, and we continue to be the buyer of choice.

We’ve had a record year, made a couple of exciting additions in Q1, and I’m optimistic about the future. I want to talk about the importance of scaling the Group. We have a long runway of growth ahead of us. But how do we sustain our growth forever? How do we execute at greater scale? We call it our scaling strategy. Here are some of our General Managers talking about key scaling themes.

VIDEO

A bit more colour on what we’re doing. Developing our leaders -providing leadership at scale development training and hands-on support for our General Managers and their leadership teams to enable them to run bigger and more complex businesses. Building great internal succession -we have a goal to internally appoint 80% of senior positions by 2030. This is key to cultural continuity and execution. Investing in facilities -in recent years we’ve invested in dozens of new and enhanced sites for our businesses, improving operational capability, customer fulfilment and efficiency through automation. That journey continues in 2027. Developing our Diploma Assurance Platform, enhancing our control environment for a secure platform as our portfolio grows.

Scaling the Group -the organisational structure has plenty of capacity for scale. The portfolio and strategy remain simple and focused. Our structures are deliberately lean with exceptional dynamic leaders. Culture -we’re obsessive about it. Local accountability and entrepreneurship, combined with sharing across the Group network and a performance hungry, ownership mindset. This is all key to the scaling journey for our businesses and the Group. Ensuring great execution and sustainable compounding at greater scale.

Let’s review the Sectors. Controls is in great shape. We’ve very intentionally increased our exposure to attractive growth markets over recent years -defence, aerospace, energy -adding more structural support to the Sector. With strong execution too, organic growth acceleration has been broad-based. IS Group, Clarendon, Windy City and Peerless, all growing double digit, and with great momentum

into the new year. Windy City continues to perform very well with broad-based volume growth in building automation, AV and security, gas station infrastructure, digital antenna systems and datacentres.

IS Group and Clarendon are in great shape: strong leadership teams, supportive end markets, great execution and exciting acquisitions too. The largest deal in the year was CDM, our US defence platform, which joined IS Group in June. Mark DeLeo and the team have settled fantastically and the business is growing double digit. Other deals in IS Group and Clarendon -Spring, Swift, SpecTech, MGC -have expanded our presence in defence and aerospace, in the UK, Europe and the US. The momentum in Controls is very exciting. Peerless has had an outstanding year. The market dynamics remain unchanged and the quality of the business model and team allows us to win market share. We're investing in business development to drive long-term volume in the US and Europe, in aerospace, defence and space.

We will see moderation in Q2 and Q3 particularly, in line with much tougher comps. But we're very positive about growth this year in line with the c.10% long-term track record. And profits will continue to grow too. Seals has really good momentum with 4% organic growth in the year, and 6% in the second half. While some end markets have been tough, we've been diversifying the Sector in recent years. End markets such as renewables, water, infrastructure, food and beverage, and medical have helped support the Sector's performance. And we're very excited about our prospects for the long term in Nuclear, Water and Datacentre MRO as I said earlier. This will give Seals similar tailwinds in the future that Controls has today.

International Seals was challenging in the UK and Europe earlier in the year, but has improved with more stable market conditions. We've also invested in leadership capability, improving our execution. We've supported the Sector with some acquisitions in Australia and the UK which diversify end markets and product capability. International Seals has much better momentum into the new year, and our execution is improving all the time.

A spotlight on North American Seals. The Sector has had an excellent year, under new leadership, with high single digit organic growth and significant margin improvement.

Our Hercules Aftermarket business is serving into heavy machinery repair markets, benefitting from infrastructure investment and aging fleets of machinery. The team are doing really well -delivering consistent double-digit profit growth.

Hercules OEM also had a fantastic year. We've strengthened the team, we're upgrading facilities, and we acquired C&C Packings to access the water market. And VSP, as I mentioned, has really exciting end market opportunities to execute over the next few years.

We've just acquired Elite, an aftermarket water pumps business based in Louisiana and Texas. The business gives us more exposure to the water end market, it diversifies our product capability, and allows us to cross-sell with our Hercules Aftermarket Seals business. Chad Sensat and his team have an excellent track record and we're excited to have them in the Group.

Altogether, across all Seals, we are expanding our product capability to grow addressable market, improving our end market exposures, and working on our execution. I feel very positive about the future. After a few good years, Life Sciences has been a bit tougher this year. The healthcare market has been challenging, and it shows the quality of our businesses and our teams that we have continued to perform. The Sector supplies products with defined lifecycles and we've come to the end in a few more than normal this year.

Organic growth was 1%, but this has been complemented by good acquisitions and margin improvement to report profit growth of 15%. Over the long term, IVD markets will attract structural investment into preventative medical testing, innovation, and automated solutions. Similarly, at the premium end of Medtech where we operate, we expect significant investment in our specialist spaces of endoscopy, urology, gynaecology and patient monitoring.

Our businesses are really well positioned to take advantage of this. We have great leaders, we've invested in our business development, and there are plenty of new product opportunities coming through. Alpha Labs and Electramed were two acquisitions we welcomed in late FY25 and they've started really well. In the last few months we welcomed Modul Nordic in Norway, and Gytech in Australia. A good year for acquisitions and the pipeline looks positive.

I suspect that short-term organic growth will remain modest. But I am really confident in the long-term prospects for the Sector. So, to summarise. It's been an excellent year. Earnings were up 45% at a 25% return on capital.

The Group's organic growth runway is massive with promising end market structural support. We're investing behind it. We'll continue to acquire businesses that add to the quality and diversification of the Group. After a record year, we have a healthy pipeline ahead and balance sheet capacity. We've started the new year well and, after such a strong 2026, we're guiding to a very positive 2027 too. We're feeling positive about our long-term prospects. We're just getting started. Sustainable Quality Compounding.

Annelies Vermeulen:

Thank you. Annelies Vermeulen from Morgan Stanley. Two questions, please. So just a bit of an update on the M&A landscape and what you're seeing, clearly a very busy year in terms of volume of deals. So could you talk a little bit about how your M&A capabilities have evolved in terms of sourcing and integration, and then also in terms of what you're vetting, whether the overall volume of things that are coming, landing on your desk are going up. And then second one was just on the margins. Wilson, I appreciate you've touched on this already, but can we bridge the 25.5 from 26.5 for this year in terms of the investments you're making, the margin tapering you spoke about, and any dilution from deals? And then I suppose, is that number a net delta? So is there still margin expansion anywhere in the portfolio that's being offset by those factors that you mentioned?

Thank you.

Johnny Thomson:

Okay. I'll let Wilson do margins in a second. I'll do the M&A one. From a market perspective, I think broadly generalising, I would say the market is pretty healthy and pretty active. Probably Steve would

say as healthy as it's been for a year or two anyway, particularly stateside, but also in Europe. It does mean also with lots of money floating around that it can be quite expensive as well. So I'll come back to discipline in a second. But overall, we're seeing a fairly active pipeline and that's a great place for us to be. And as you can see, we've had a very, very successful year doing 16 deals since the start of 2026. Important to note that we've done it at what, seven and a half times multiple for those 16 deals. So we've managed to keep our discipline too. And I'll just say a word about discipline.

Where you do have a market with huge deal flow and you've got a lot of dry powder, particularly private equity dry powder, quality businesses will start to become more expensive. So it really shines a light on your discipline. And while we've done more deals in the last 12 or so months than ever before, we've also said no to more deals than ever before. And I think Steve's here, he would testify to that. We've really said no to probably a multiple of three, four, five times what we actually end up buying. So that's obviously part of the discipline. The multiples thing is, we both alluded to actually earlier, it's a really, really important point because lower multiple doesn't mean greater discipline. People get, I think, confused about that. The discipline is about returns. And therefore, while of course we're delighted that we can get 16 deals at a seven and a half times multiple and those will deliver great 20% plus returns in the next few years, we're also super aware of the fact that we could equally buy businesses at higher multiples that deliver fantastic returns too.

And we've seen ourselves do that. The likes of Peerless, Windy City, even CDM more recently at 11 times will deliver fantastically as well. So the multiple is only a factor of potential. And therefore, from our perspective, the greatest deals could be at seven times, but they could be 11, 12, 13 times plus as well. So the discipline is about returns. It's not about multiples. So look, the market is good. Our discipline is good. From a kind of process perspective, we've got a fragmented market out there and the pipeline looks good. Steve's continued to build the team out, a few more people on the team and we focus quite intently on making our general managers a key part and contributing towards the M&A process. And many of them are very active on that too, and they become conduits to origination as well. And of course we like to see ourselves as a good home for buyers, which helps us from a discipline perspective too.

So overall market is good, but a bit expensive. Our discipline remains in place. Our processes, our team are well positioned and the pipeline looks good.

Wilson Ng:

Thank you. On the margin side, yes. So the acquisitions that we've acquired have an average operating margin of 21%. So compared to the 26.5%, clearly that will cause some dilution going into next year. The other factor is Peerless' controlled margin moderation. When we acquired the business, it was roughly 35% margin. Clearly it's a lot higher than that now. And as part of that margin moderation journey, we do expect it to get to the low 40s by the time it moderates. And then finally, to the point you make, yes, as we continue to grow, we get good operating leverage from our businesses and we intend to reinvest some of that into growing into end markets, people, organisation, talent capabilities, and protecting the value that we create for our shareholders with diploma assurance platform.

Annelies Vermeulen:

Thank you.

David Brockton:

Thank you. Good morning. It's David Brockton from Deutsche Numis. Can I ask two please? One on investment and then one also on the guidance for growth. In terms of investment, you set out in the presentation, several areas of investment, OpEx investment and deliberate inventory investment this year. Can you maybe just elaborate on that in terms of, is that spread widely across the group? Are there any particular reporting sectors that stand to benefit from that and to what extent that sort of top down pushed into the business or bottom up pulled from you please? And then the second question, just in relating to the organic growth guidance, I recognise the comp does get tougher through the year, but I guess if you start the year with double digit, and I think in the presentation you said that you think Peerless should be broadly around double digit through the year, it feels like there's some moderation elsewhere.

And is that sort of inherent conservatism? Obviously it's early in the year or is it any other areas within the business that could see some moderation through the year ahead? Thank you.

Johnny Thomson:

And they're both yours, Wilson.

Wilson Ng:

Great. Look, I think it's a great position to be in where we've got lots of opportunities to invest for further sustainable growth. I've talked about the OPEX investment that we will be making and clearly working capital, particularly inventory, we are continually investing to grow in the buoyant markets that we're currently already in, aerospace, defence, energy. And also with regards to the new end markets that we want to penetrate places like water, data centres, et cetera. And it's also important to recognise that as we continue growing very rapidly, inventory investment is needed to ensure that we maintain customer service levels as well. So with these targeted investments into the various high growth businesses with discipline, we do expect sort of cash conversion to moderate in the future. It probably won't be at the 100% conversion that we saw in the past, but it will still be very strong.

So hopefully that answers your question on investments. In terms of the phasing, yes, thank you David for asking that question. It's a very important point. So clearly FY26 was a very strong year and we've got very tough comps to lap. Q1 will be very strong, particularly because Q1 last year was the weakest quarter for us and we come into this year with very strong momentum. Q2 and Q3 were the strongest quarters for us last year with meaningful performance from Peerless as well. And even though Peerless' run rates are expected to continue to be strong this year, that will give us a mathematical moderation as we go into Q2 and Q3. There's also impacts from things like working days, Easter and how it lands, for example. But finally, we just need to be thoughtful. The year is long. There's a lot that could happen. But saying that, let's take a step back, put it into context.

We've just done a year of 15% organic growth, 45% EPS growth. We're guiding to an incredibly positive 6% organic growth still that's ahead of the model. So I think overall it's a very, very positive guidance.

Tim Ramskill:

Thanks. Good morning. It's Tim Ramskill from Bank of America. Two questions please. The first is just around, you obviously have the M&A kind of matrix of end markets and products. And Johnny, you alluded to the maybe product categories that you'd look to get into. Just interested in thoughts there as to is that related to products you don't have today in your suite of controls and seals that you wish you had and you can see the opportunity. And then also related to M&A, I guess over time it might well become the case that some of your businesses perform a little less well. So how integrated your business has become and what are your thoughts longer term on whether there's going to be portfolio management or any need to ever make sort of modest disposals at the margins? Thanks.

Johnny Thomson:

Okay. I think these are probably both mine. Can I do them in reverse order, Tim? Is that all right? So disposals I guess was your second question. I think it's important for me to reiterate, I suppose, our internal mindset for assessing the portfolio from this perspective. First of all, it's an important discipline that we're always looking at the portfolio. I think capital allocation means not just how you acquire, it means making sure that you're constantly assessing the quality of your current portfolio and we continue to do that. As you know, we had a couple of years, three or four years ago when we sold eight-ish businesses, all very small for that very reason. And we continue to keep an eye on it. Having said that, I think mainly due to the last management team and to the businesses we've bought since, we're very, very comfortable with the portfolio as it stands today.

What's important to say is that we don't look to sell a business because it isn't performing in a particular year. That's just the cycle or our job to fix performance. We look at and assess the portfolio based on is it the right business model for us in the long term and are we the rightful people to grow and scale it over the long term? So much, much more structural questions we ask. And of course, if the answer is no to those or both of those, then that would raise a flag. But when it comes to performance, then it's just our job to manage. So that's the portfolio question. The other one was about acquisitions and expanding, I suppose, white space. I think the first thing I would say is it's primarily organic. Yes, with acquisitions of course as well, but it's worth me saying that the end market geography product buckets are predominantly our organic growth direction strategy.

And of course that is intrinsically therefore linked to how we buy as well because the reason we're buying is for future organic growth. So we're always looking in acquisitions at the lens of does it give us a particular end market? Does it give us a new product or a particular product angle? Does it get us into a geography that we really, really want to be in? If I look at maybe taking Elite as an example of this, just to give you a bit of colour, Elite really ticks for us all the boxes because it gets us into the water market in a more meaningful way and that's a place that we really want to do a bit more in. So that's an exciting end market tick. Geographically, we're a bit under on the South, Texas and Louisiana, which we believe particularly Texas is and will continue to be high growth states of the US.

So we're very happy to have a bit more presence there. And product wise, your aftermarket pump parts are, it doesn't sound very sexy, does it? But they're particularly exciting for us because it's new product and it's also complimentary to some of our aftermarket seals products as well. So if you think about your question and our three buckets, there's an example of an acquisition which ticks all three. Now, not every acquisition does tick all three. Some will take one or some will take two, but we're

always looking at it through that lens and therefore quietly over time you just start to fill in a little bit more of that very white space slide.

James Bayliss:

Morning both. James Bayliss from Berenberg. Just two ones. On that 80% of senior appointments to be made by 2030 from an internal perspective, can you give us a sense of where you are now? And is that just a case of the development strategies in place taking some time to bed in or are there any step changes you need to be thinking about to get up to that level? And then point number two is just. Pardon me. With regard to aerospace, can you give us an update or any kind of further thoughts on Swift Aerospace and the European opportunity you have in the division there? Thanks.

Johnny Thomson:

Yeah. Okay. Let me tackle the 80% succession thing first. I'm glad you've asked it, James. Thank you. It's probably one of the most important objectives that we have internally. And Donna is sitting just in front of you smiling like a cheshire cat because you asked that question, so thank you. Really, really important. Look, if you look at all great, very large compounders, management succession is always a critical underpin to their success. Continuity of culture, continuity of execution, really, really important to diversified compounders. So recognising that, we've made it an objective. Now it would probably have been very difficult for us to do it any sooner, two, three, four years ago because the nature of our very small businesses means that it's quite difficult to get a lot of succession in there. But now our businesses are getting a bit bigger. They can afford to have much broader, deeper management teams.

And therefore, as you know, last year we decided for ourselves that this was going to be a very, very important objective for us and all of the executive team have this objective to build succession. We started with the most important role for us, which is the general manager, and we started during the course of 2026 to work through that and we've made a lot of great progress. It's one of those things that will never end. You're constantly working on it. So we're not sitting here saying that we're suddenly perfect, but we've made a lot of great progress. And of course, as a result of it, we're starting to build more and more capability and bench into the management teams and with things like the graduate programme, building more further down the organisation with spotlights into our high potential people as well to compliment that, getting more visibility further down.

So look, we're early on that journey, but we've given ourselves a really bold target and we're all pretty motivated by it because we recognise its importance. The second question was about aerospace and specifically about I think Swift and Europe. Maybe if I can just broaden it a little bit because aerospace is obviously an important sector for us and Europe and not just, but partly the Airbus supply chain are a very important part of that. Actually, we think we've got opportunities across all of our aerospace into Europe. Swift has been a great stepping stone for Clarendon into a more meaningful European presence, and we compliment that Swift business with more investment into business development for Clarendon, and they're doing very, very well in Europe as a result. But also we're doing something similar with Peerless as well. Peerless have had a European business, but we're investing much more behind inventory and business development for them in Europe as well because we think we can do a bit better in Europe in our aerospace businesses more generally.

Thank you. Next.

Operator:

Yeah, we've got a couple online. First on life sciences, can you help us understand the impact on organic growth of the product portfolio effects? How much growth revenue has been lost? And then the second is on copper and Windy City. Roughly how much did it help organic growth in the year? And can you remind us of the mechanism for passing through copper in pricing?

Wilson Ng:

So I think life sciences, just to put it into context, healthcare markets have been tough and I think enough said to say you've seen the H2 organic growth for life sciences that probably explains the performance at present. But it's important to mention that this is inherently a product lifecycle business. So in any given year, there will be products coming out of the portfolio, but then new products ramping up into the portfolio as well. And the same happened when we were doing 6% growth in three consecutive years previously. So I guess FY26, just to put it in context, we've just seen a bit more of products coming out, but it is a phasing thing partly because the healthcare market is a bit tougher, but let's not take anything away from the sector. We've continued to invest in it. Revenue growth was 12%, profit growth was 15%, and we've improved the operating margin by 50 bips to 20% in FY26.

So I think going into H1 short term, it will still be a bit challenging, but the product pipeline is very healthy and it's great outlook for the future. In terms of Windy City Wire, did 19% growth last year. Roughly half of it was the benefit of copper pricing, but it's also a testament to the strength, the muscle memory of the team managing that dynamic copper pricing, being able to pass it on successfully. And to be honest, it's nothing new. It's part of the bread and butter and the business as usual for the business. And going into next year, we see a bit of copper softening at the moment. It may take a bit edge off the top line, but minimal negligible impact on profit.

Johnny Thomson:

Any more? Nope. Thank you all very much for joining us. Have a good rest of the day.