

DIPLOMA PLC
INVESTOR
DAY 2017

Seals

Wednesday 1st February 2017





Dr James Routh
Group Managing Director
International Seals



Darin Clause
Senior Vice President
Diploma North America

Principal operations



North America (by destination)

56%

of sector revenues

408 employees
11 locations



Europe (by destination)

34%

of sector revenues

356 employees
10 locations



Rest of World (by destination)

10%

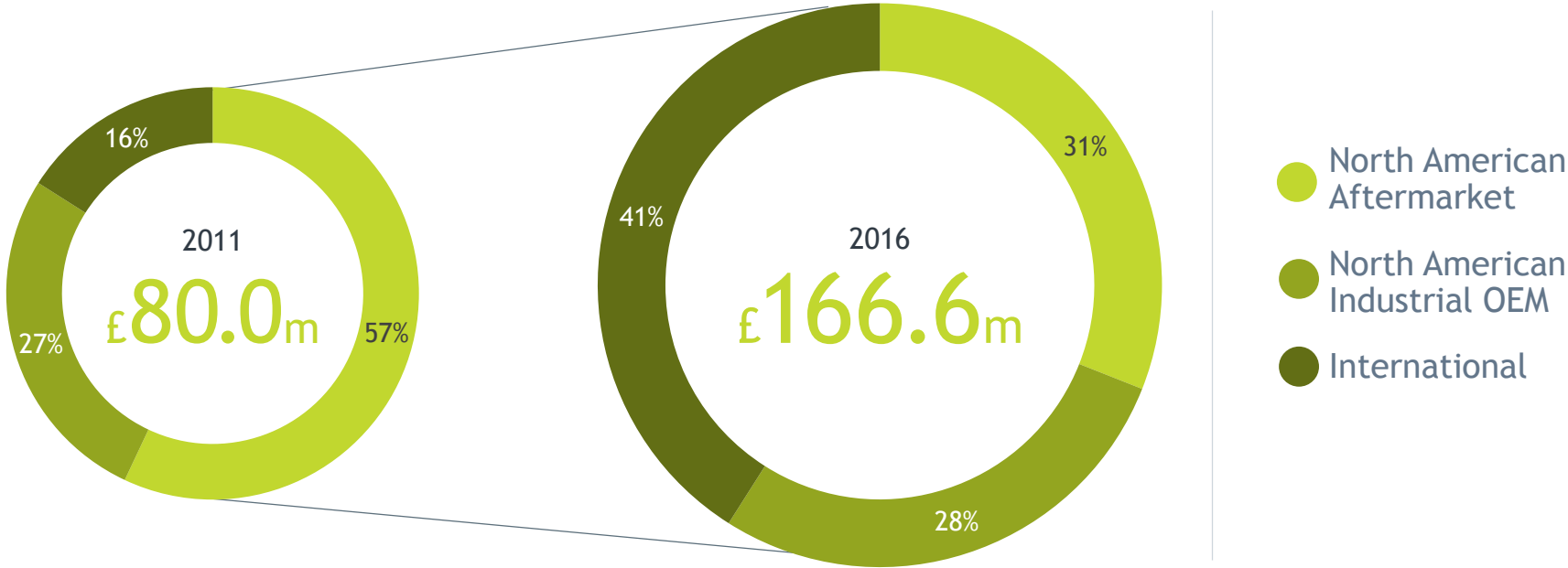
of sector revenues

38 employees
5 locations

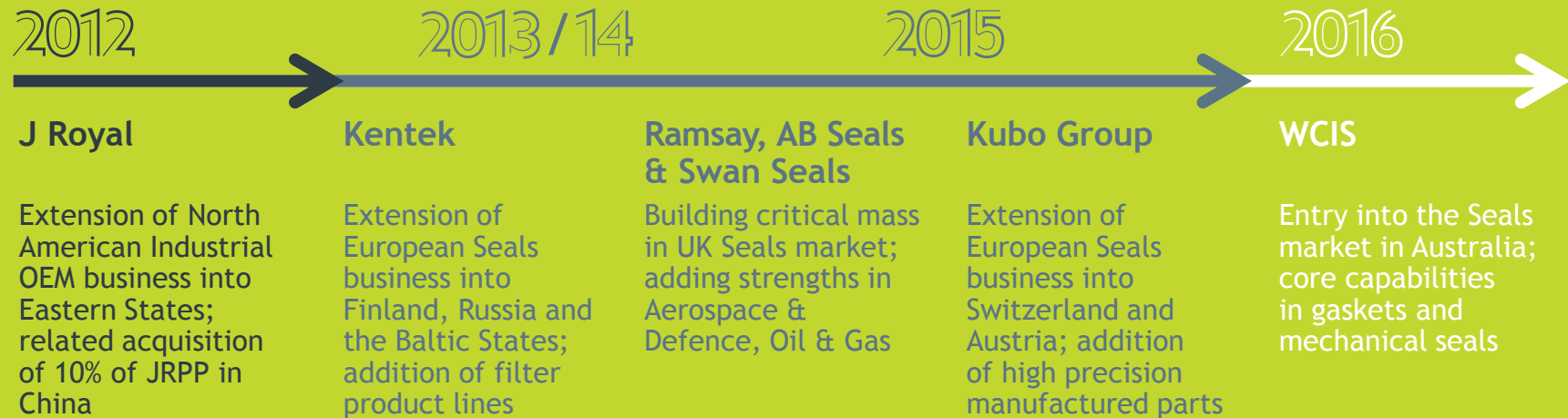
● Aftermarket ● Industrial OEM

Five Year Development

Five year revenue CAGR: 16% p.a.



Acquisitions over past five years



Acquisitions have broadened the product and market base

Aftermarket

High service model for resilient repair and maintenance market

Principal market driver: Heavy Construction & Infrastructure investment

Next day delivery of seals, seal kits, O-rings, gaskets, filters and cylinder components for the repair of heavy mobile machinery, e.g:

- Bulldozers & excavators
- Dump trucks
- Agricultural tractors
- Refuse collection trucks
- Fork lifts





Video available at:

<http://www.diplomaplc.com/media-centre/video-library/>

Growth Opportunities - North American Aftermarket

1

E-commerce

Promotion of e-commerce Webstore - goal to increase utilisation by 20%+ year-over-year

2

New products

Addition of new product lines - e.g. lifting slings, aftermarket cylinders for skid-steer equipment

3

Growth market focus

Target national rental fleets and contractors through dedicated buying portals; added focus on government customers and national accounts

4

Acquisitions

Acquire specialised niche Aftermarket distributors with complementary product lines

Further strengthen position in North American Aftermarket

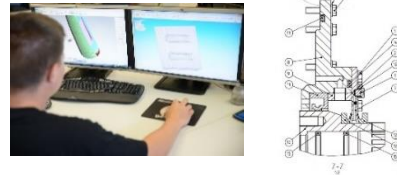
Industrial OEM Business Model

Customer application



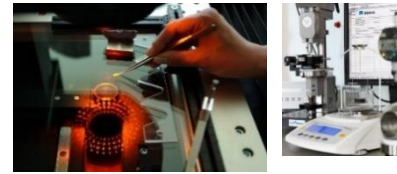
- Partnering with customers to establish a full understanding of their requirements
- Customers generally not sealing specialists and require technical advice and guidance

Compound selection and product design



- Design engineering of sealing solution in conjunction with OEM
- Sourcing of appropriate compound to meet customer specification
- Selection of seal manufacturer

Testing and approval



- Material testing and characterisation
- Product testing and approval process
- Quality control and regulatory compliance

Supply to OEM customer

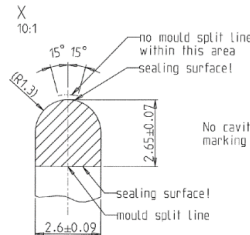
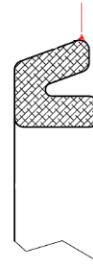


- Ex-stock availability of seals and sub-assemblies to match production schedules
- Vendor managed inventory programs tailored to meet customer needs

Industrial OEM Case Study

Development & Supply of Specialised Sealing Solution

- Customer was not a sealing specialist and required technical advice and guidance
- Worked with customer to develop an effective solution:
 - Compound selection including fluid compatibility and FDA approvals
 - Reliability & life predictions
 - Multiple prototypes and test programmes
 - Quality control and assurance considerations



Delivered

>10m seals

Since 2009

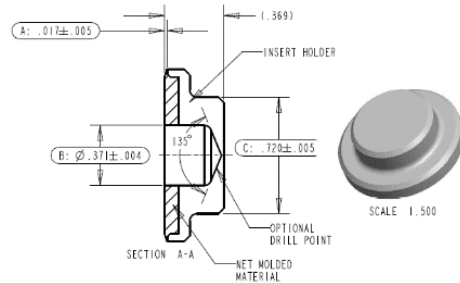
Project success factors:

- Design engineering solution in partnership with customer
- Technical staff capability and perseverance
- Relationship with correct manufacturing partner

Industrial OEM Case Study

Poppet Seal - Fuel Dispensing Application

- Customer manufactures fuel dispensing products with demanding seal challenges
- Changing fuel standards required customer to remove plastic mating parts
- Developed a custom UL certified FKM material capable of bonding to stainless steel
- Successfully obtained regulatory approval



Project success factors:

- Improved fuel dispensing accuracy through new design
- Cycle testing completed (>1 million cycles) with no failures
- New UL approved compounds have led to additional business with FKM O-rings and PTFE parts

Growth Opportunities - North American Industrial OEM

1

Geographic extension

Build out from strong positions in the Eastern States (J Royal), Mid-West (RT Dygert and HPS) and the West Coast (All Seals)

2

Cross-selling

Each business has specific experience, skills and approvals for different compounds and end-use applications

3

Synergies

Increasingly, businesses will be managed as a cluster, gaining synergies in purchasing, shared operations and back office functions

4

Acquisition roll-up

Still many opportunities to “roll-up” other Industrial OEM distributors, extending geographic and end-use market coverage

Building broader-based business and gaining operating leverage

Growth Opportunities - International

1 Post-acquisition investment
Invest in recent acquisitions to generate higher revenue growth and improved operating margins

2 Synergies
Create synergies through cross-selling, e-commerce, joint purchasing and own-brand development

3 Geographic extension
Focus on expansion in Europe and penetration of Asia Pacific markets (leveraging new platform in Australasia)

4 Acquisitions
Use acquisitions to enter important new geographies and market sectors - international market is large and fragmented

Significant opportunity for further growth in International markets

Key Messages

1

The Seals business has developed substantially over the last five years

2

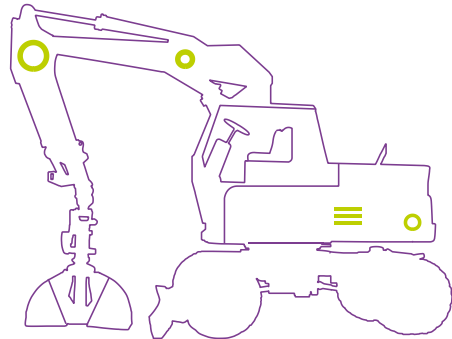
A robust platform has been established with high barriers to entry

3

There is a substantial runway for further growth over the next five years

4

We have the people with the capabilities to deliver on the opportunity



- Further strengthen position in North American Aftermarket
- Build broader-based, Industrial OEM business in North America
- Further expand businesses in Europe and penetrate Asia Pacific markets