

FOR IMMEDIATE RELEASE

20 January 2021

## DIPLOMA PLC

## FIRST QUARTER TRADING UPDATE

## STRONG TRADING AND THREE HIGH QUALITY BOLT-ON ACQUISITIONS IN Q1

Diploma PLC, the international group supplying specialised products and services, is today issuing its first quarter trading update in respect of the year ending 30 September 2021, ahead of the Company's closed door AGM today at 12.00, midday.

## Group

Diploma has made a strong start to the year with improved trends in underlying trading across all of the Group's three Sectors in the first quarter. The Group delivered underlying revenues in line with last year's pre-Covid comparative, reflecting strong execution of our organic growth initiatives. Reported Group revenues in the first quarter ended 31 December 2020 increased by 24% over the comparable period, driven by an excellent first quarter contribution from Windy City Wire (WCW) which is trading very well following a smooth transition into the Group.

The following table sets out the year-on-year revenue performance by Sector for Q1 alongside a reminder of the exit rates reported for September 2020:

| Sector performance |            | Q1   | Sept 20 |
|--------------------|------------|------|---------|
| Life Sciences      | Underlying | +8%  | +2%     |
|                    | Reported   | +10% |         |
| Seals              | Underlying | -2%  | -4%     |
|                    | Reported   | -0%  |         |
| Controls           | Underlying | -1%  | -18%    |
|                    | Reported   | +71% |         |
| Group              | Underlying | +0%  | -7%     |
|                    | Reported   | +24% |         |

## Life Sciences

Life Sciences delivered strong underlying growth of 8%, driven by an encouraging performance in consumables in both clinical diagnostics and specialty surgical equipment in Australia and Canada, as well as higher than normal levels of capital installations due to pent up demand from last year's lockdowns. In Q2, we expect growth rates to moderate with lockdowns in Canada impacting capital sales and surgical procedures. However, the Sector remains well positioned to capitalise on the backlog of surgical procedures and lab testing as the year progresses.

## Seals

Seals traded well with underlying revenues improving to -2%. The Group continues to see strong performances from International Seals due to the diversity of end markets and North American Aftermarket due to continued strong repair shop demand. The North American OEM business has been recovering well in the last two quarters, and we are confident in its prospects under a

strengthened management team. The transition to the new Aftermarket automated facility in Louisville has completed successfully and will support future market share gains.

## Controls

Underlying revenues have seen a strong recovery since the start of year, improving to -1% reflecting the execution of initiatives to diversify the Sector's revenue streams. Reported revenues were up 71% due to the contribution from WCW. After a smooth transition into the Group WCW is trading very well, growing both revenues and profits broadly in line with their impressive track record and ahead of our initial expectations. Some benefits from Brexit inventory build in Q1 are likely to unwind in the coming weeks and, along with the impact of further UK lockdowns, may impact Q2 trading in Controls. However, the Sector's healthier revenue profile will underpin a return to growth this year.

## Acquisitions

Bolt-on acquisitions remain a core part of the Group's strategy. The first quarter has been active with £48.8m invested in three high quality, strategically important bolt-on acquisitions to build scale in core markets and enhance our organic growth ambitions:

- Simonsen & Weel (annualised revenues ca.£25m), an excellent Healthcare business based in Denmark and building the Life Sciences Sector's presence in Northern Europe;
- FITT Resources (annualised revenues ca.£13m), a well established, high quality Seals business that significantly strengthens the Sector's footprint in Eastern Australia; and
- Power Dynamics (annualised revenues ca.£5m), a gasket bolt-on for VSP within our NA Seals business, expanding VSP's presence across the Northern US.

## Financial position

As previously stated, the Group's equity raise in September 2020 allowed Diploma to retain balance sheet flexibility following the acquisition of WCW. This has enabled the Group to pursue its bolt-on acquisition strategy while maintaining a strong financial position. After three bolt-on acquisitions in Q1, net debt at year-end is expected to be at around 1.2x EBITDA.

## Outlook

Inevitably uncertainties remain with respect to the duration and impact of the Covid-19 pandemic. However, while the pandemic may modestly affect Q2 revenues, we are pleased with the Group's trading performance. Excluding the contribution from the acquisitions completed in the quarter, full year expectations for the underlying business remain positive and unchanged.

## Enquiries:

Diploma PLC - +44 (0)20 7549 5700

Johnny Thomson, Chief Executive Officer  
Barbara Gibbes, Chief Financial Officer

Tulchan Communications - +44 (0)20 7353 4200  
Martin Robinson  
Olivia Peters

**Notes:**

- 1. This trading update is based upon unaudited management accounts and has been prepared solely to provide additional information on trading to the shareholders of Diploma PLC. It should not be relied on by any other party for other purposes. Certain statements made in this update are forward-looking statements. Such statements have been made by the Directors in good faith using information available up until the date that they approved this Statement. Forward-looking statements should be regarded with caution because of the inherent uncertainties in economic trends and business risks.*
- 2. Diploma PLC uses alternative performance measures as key financial indicators to assess the underlying performance of the Group. All references in this Statement to "underlying" revenues refer to reported results on a constant currency basis and before any contribution from acquired or disposed businesses.*
- 3. A copy of this Statement, together with further information about Diploma PLC, may be viewed on its website at [www.diplomaplc.com](http://www.diplomaplc.com)*

**LEI: 2138008OGI7VYG8FGR19**