March 2020

DIPLOMA PLC

Corporate Presentation

Consistently delivering value

Agenda

1. Group Overview

Group Overview

We are a value-add distributor that supplies specialised products and services to a wide range of end segments in our three Sectors of Life Sciences, Seals and Controls

Life Sciences

The Life Sciences Sector businesses supply a range of consumables, instrumentation and related services to the healthcare and environmental industries

Seals

The Seals Sector businesses supply a range of seals, gaskets, filters, cylinders, components and kits used in heavy mobile machinery and specialised industrial equipment

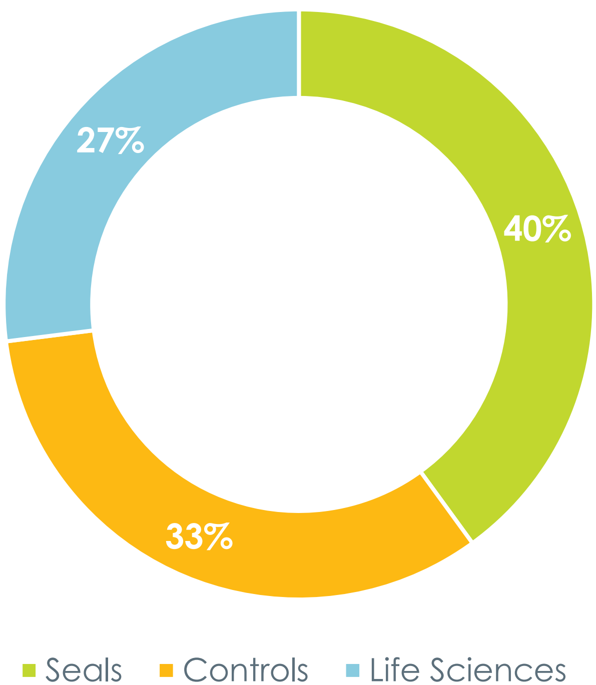
Controls

The Controls Sector businesses supply specialised wiring, cable, connectors, fasteners and control devices used in a range of technically demanding applications

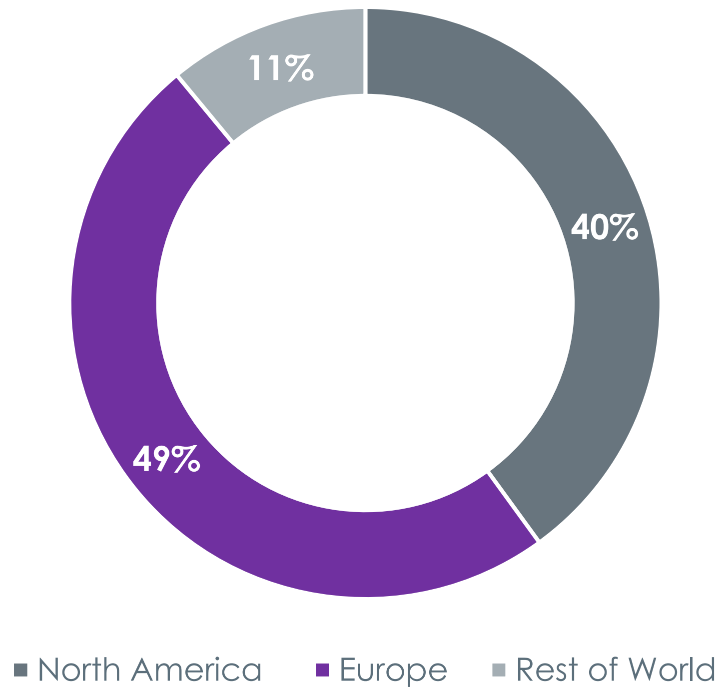
The Group

Well diversified by Sector and geography

Revenue by Sector



Revenue by geography*



*by destination

Strong Fundamentals

- Niche **value-add distribution**
- **People:** passionate, accountable, customer-centric
- Strong positions in **attractive markets**
- **Resilient** business model
- Successful **acquisition history**
- Strong **financial performance** and **balance sheet**

Focus on developing our strengths

Five Year Performance

Delivering against our financial KPIs

	2019	2018	2017	2016	2015
Revenue	£544.7m	£485.1m	£451.9m	£382.6m	£333.8m
Total growth	*+12%*	*+7%*	*+18%*	*+15%*	*+9%*
Underlying growth	*+5%*	*+7%*	*+7%*	*+3%*	*+1%*
Adjusted operating margin	17.8%	17.5%	17.3%	17.2%	18.1%
Working capital (% revenues)	16.5%	15.1%	15.0%	16.6%	17.0%
Free cash flow	£56.5m	£60.5m	£55.7m	£59.0m	£40.3m
Free cash conversion (%)	*78%*	*95%*	*99%*	*124%*	*93%*
ROATCE	22.9%	24.5%	24.0%	21.1%	23.9%

Average over five years:

CAGR revenue growth

12% p.a.

Adjusted operating margin

18%

ROATCE

23%

Free cash flow conversion

98%

2. The Investment Case

Value-add Proposition

Essential Products

- Critical to customers needs
- Opex budgets
- Range of end markets

Growth and resilience

Essential Solutions

- Responsive customer service
- Deep technical support
- Added value services

Sustainable high margins

Essential Values

- Decentralised model
- Customer-orientated
- Accountable for performance execution

Empowered management teams

Significant Growth Opportunity

- Strong positions in key local markets
- Underpenetrated in biggest developed economies
- Further penetration with existing product portfolio
- Adjacent product opportunities
- Broadening end segment representation
- Acquisition opportunities in largely fragmented markets

Ambition: double-digit growth

Large market potential

Global Gaskets	$20bn
Global Seals	$40bn
General Surgery	$22bn
In Vitro Diagnostics	$52bn
Specialty Fasteners	$6.5bn
Interconnect Global	$18bn

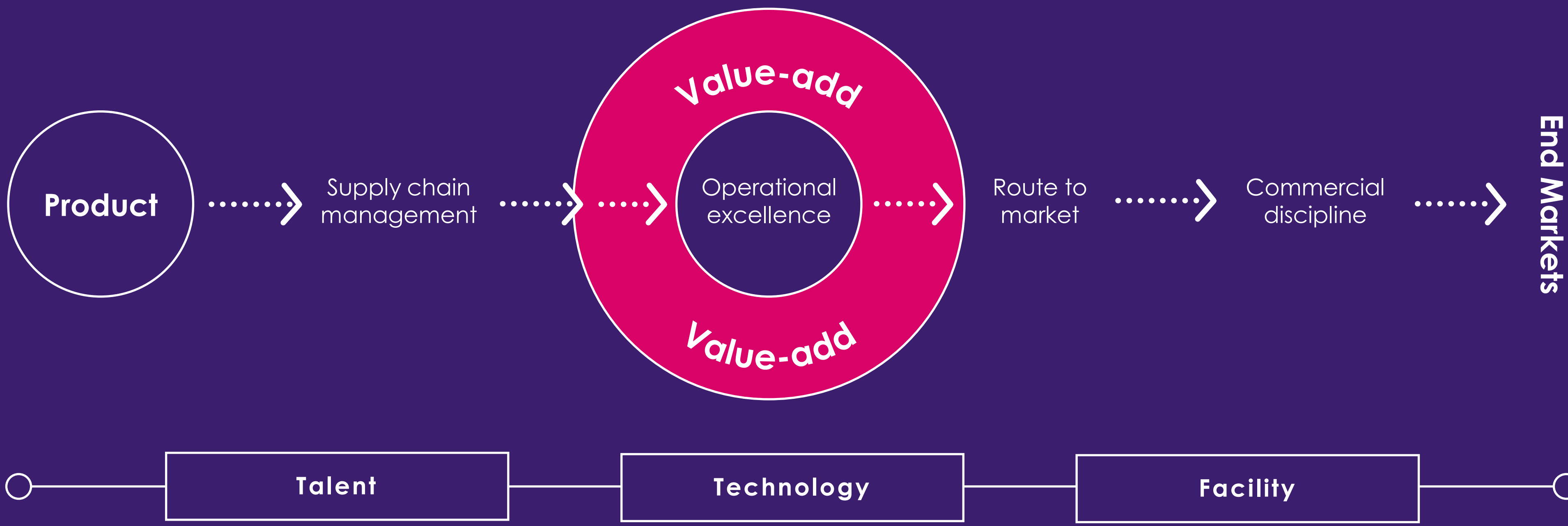
Our Strategy

- → **Retain the high quality, resilient fundamentals** of the business model
- → **Strengthen the core competencies** that differentiate Diploma and drive our value-add model
- → **Develop our organisational capability**, so we have the talent, technology and facilities to execute the business model at scale
- → **Focus our growth** to take advantage of the significant market share potential in our large, core, fragmented markets
- → **Deliver strong and consistent financial returns** for shareholders

Consistently delivering value

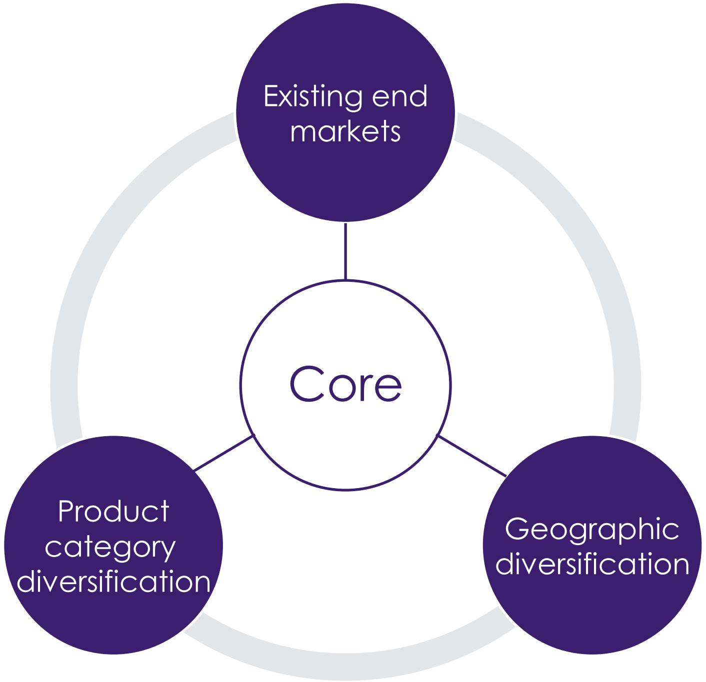
DIPLOMA: CONSISTENTLY DELIVERING VALUE

Essential Products | **Essential Solutions** | **Essential Values**



Robust organic growth → Sustainable high margins → Consistently strong cash flow → Value enhancing acquisitions → **Value creation**

3. Focus our Growth



Ambition: double-digit growth

Structural trends in our Sectors

Under-penetrated in large core markets

Pragmatically **taking advantage of scale**

Highly fragmented markets with **acquisition opportunities**

Significant **adjacent product opportunity**

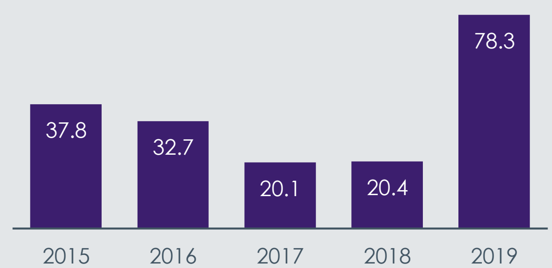
All Sectors have potential for **attractive returns**

Acquisitions

Market
- Fragmented markets
- Adjacent product range
- Industrial cycle creates opportunity

Key target attributes
- Value-add servicing component
- Organic growth potential
- Capable and established management teams

Acquisition spend (£m)



Proactive pipeline
- Core developed markets
- Market mapping and targeting
- Right resourcing model

Financials
- Disciplined bolt-on strategy
- Net debt/EBITDA <2x
- Valuation criteria: 20%+ ROATCE

ROATCE (%)

Financial Model

Revenue Growth	Adj. Operating Margin	FCF Conversion
10% +	17% +	ca. 90%

Net Debt / EBITDA	Dividend Cover	ROATCE
< 2x	2x adj EPS	20% +

Consistent compounding value creation

Market Consensus and Financial Calendar

Full year ending 30 Sept	2019 Actual	2020 Consensus*	
Revenues	£544.7m	**£590.6m**	+8.4%
Operating Margin	17.8%	**17.8%**	+0 bps
Adjusted PBT	£96.5m	**104.4**	+8.2%
Adjusted EPS	£64.3p	**69.7p**	+8.4%
Dividend per share	29.0p	**31.4p**	+8.4%

*Compiled from the latest analyst forecasts as of 23 December 2019

Upcoming Events

Trading update
25 March 2020

Half-year results
11 May 2020

Trading update
27 August 2020

4. Business Review

Life Sciences

Segmentation

Healthcare

85% of revenues

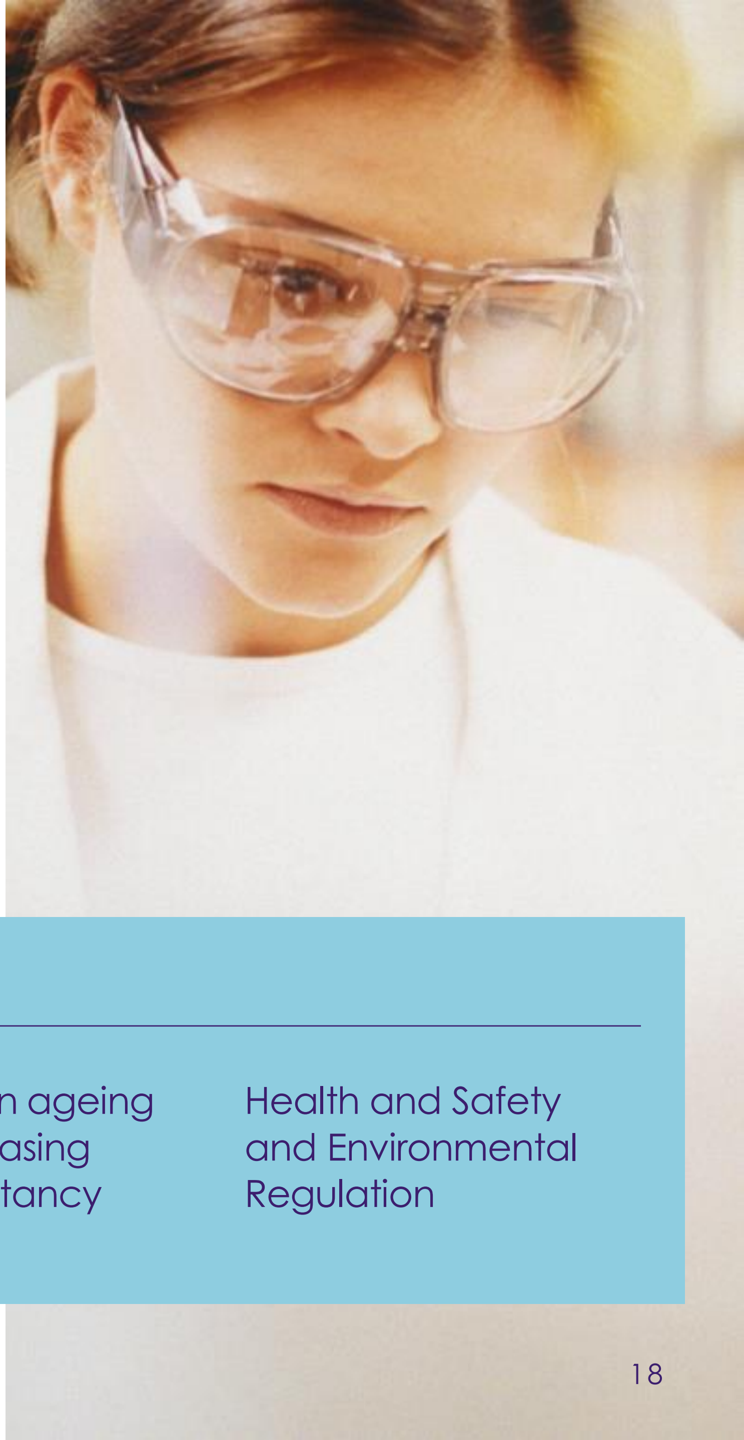
Clinical diagnostics instrumentation, consumables and services supplied to hospital pathology and life sciences laboratories for the testing of blood, tissue and other samples.

Surgical medical devices and related consumables and services supplied to hospital operating rooms, GI/ Endoscopy suites and clinics.

Environmental

15% of revenues

Environmental analysers, containment enclosures and emission monitoring systems.

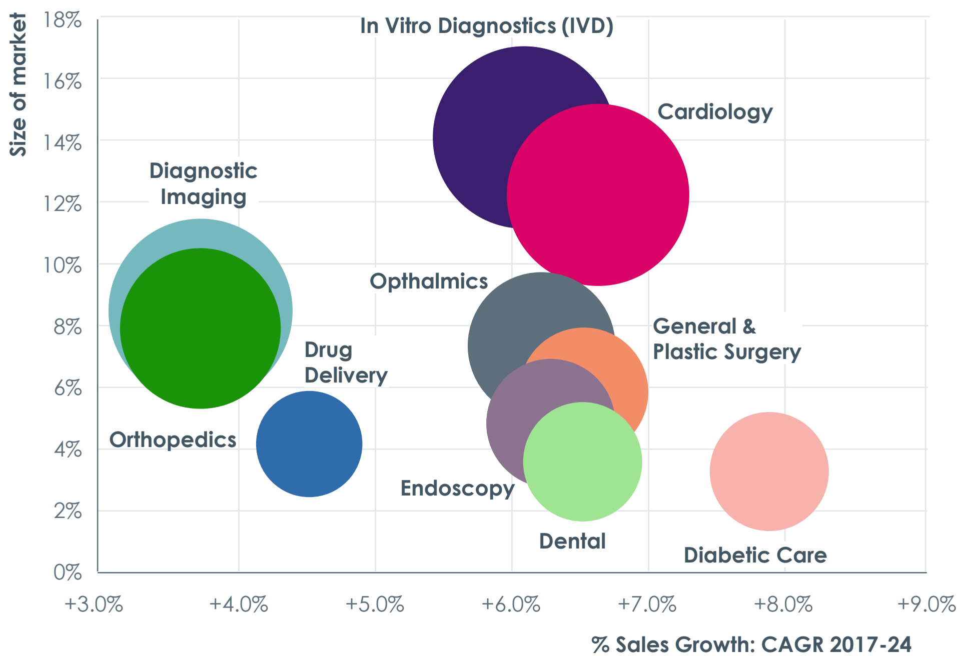


Primary growth drivers

- Public and private healthcare spending
- Population ageing and increasing life expectancy
- Health and Safety and Environmental Regulation

Life Sciences

Top 10 Device Areas



Note: Size of Bubble = WW Sales in 2024

Source: Evaluate, September 2018

- High growth budget segments
  - Diagnostics, preventative, speciality surgical
  - Niche, innovative, technology based solutions beyond mass market
- Focus on distributor model markets
- Complementary products in core markets
- Product life cycle management
- Scaling opportunity

Growth driven by complementary product ranges

Seals

Segmentation

North America Aftermarket

30% of revenues

Next day delivery of seals, sealing products and cylinder components for the repair of heavy mobile machinery.

US Industrial OEM

27% of revenues

Sealing products, custom moulded and machined parts supplied to manufacturers of specialised industrial equipment.

US MRO

4% of revenues

High quality gaskets and fluid sealing products to end users with critical services in high cost failure applications

International

39% of revenues

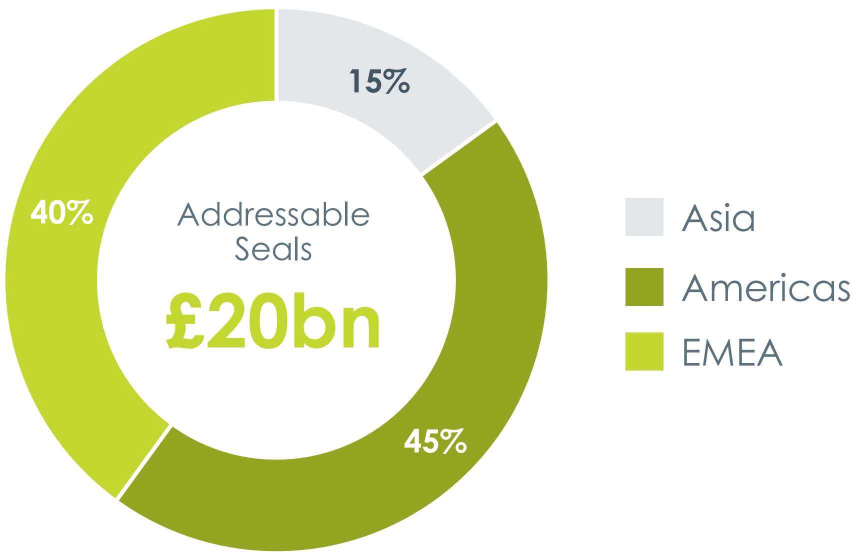
Sealing products and filters supplied outside North America to Aftermarket and Industrial OEM customers as well as to MRO operations.

Primary growth drivers

- General economic growth
- Activity and spending levels in Heavy Construction and Infrastructure
- Growth in industrial production
- MRO expenditure in Mining and process industries
- Capital expansion projects at major customers

Seals

Addressable market



Market Growth = GDP

Diploma market share = 3%

- Structural growth opportunities
- Further North America penetration
  - Louisville facility: broader US Aftermarket reach
  - Aftermarket scale advantages
- Focus on core developed international economies
- Product adjacencies open new markets
  - Gaskets (VSP)
- Scaling opportunities
  - US Industrial OEM

Significant growth opportunities

Controls

Segmentation

Interconnect

63% of revenues

Wiring, cable, harness components and cable accessories used in specialised technical applications in Aerospace, Defence, Motorsport, Energy, Medical, Rail and Industrial.

Specialty Fasteners

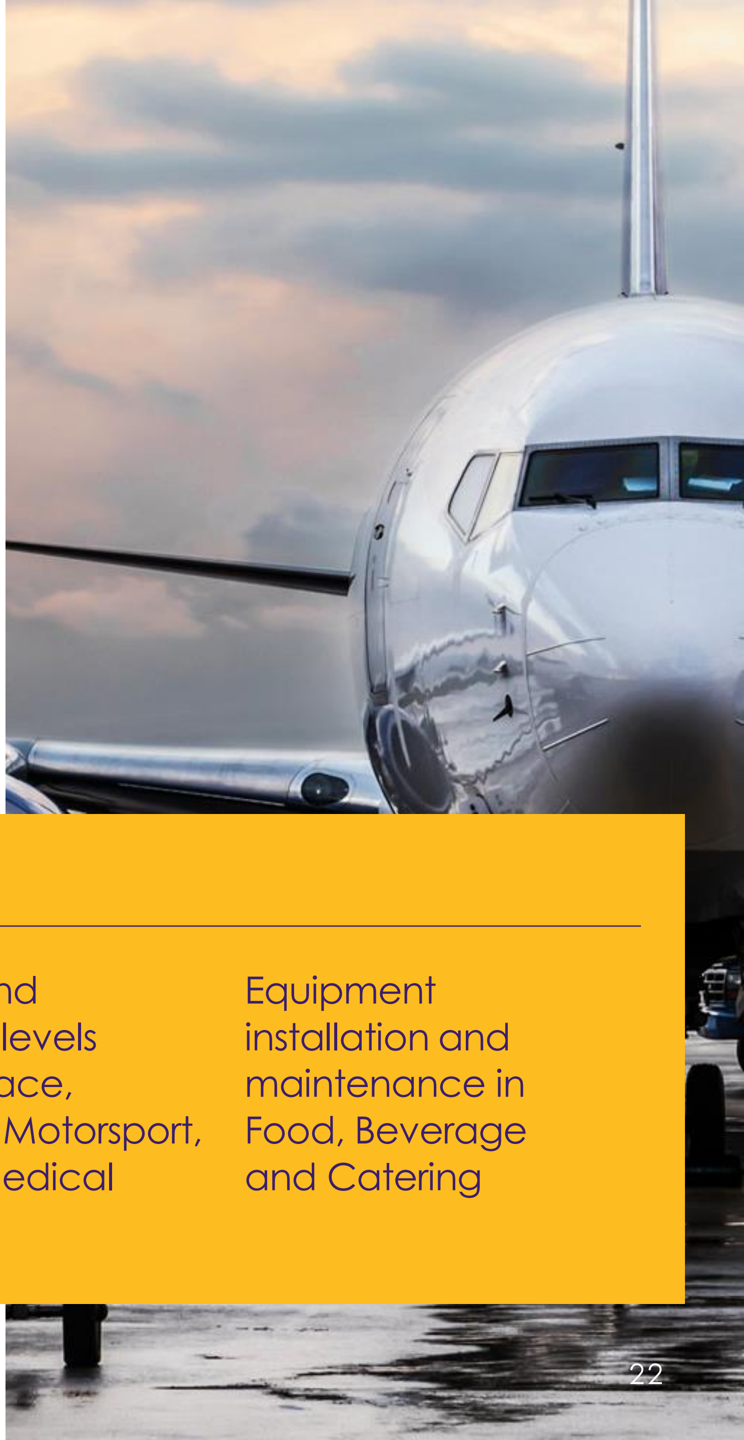
21% of revenues

Specialty aerospace-quality fasteners supplied to Civil Aerospace, Motorsport, Industrial and Defence markets.

Fluid controls

16% of revenues

Temperature, pressure and fluid control products used in Food, Beverage and Catering industries.



Primary growth drivers

General growth in the industrial economy	Activity and spending levels in Aerospace, Defence, Motorsport, Energy, Medical and Rail	Equipment installation and maintenance in Food, Beverage and Catering

Controls

- Underpenetrated European market
  - ➢ Foothold for Interconnect in France (Gremtek)
  - ➢ Developing Interconnect Germany (Sommer)
- Longer term: open US market
- Significant product adjacencies
- Scaling opportunities
  - ➢ Now 4 principle business units: ISG, Fasteners, CCA, Fluid Controls

Interconnect addressable market

Europe	Market Share
$1.3bn	**7%**

Cabling addressable market

Europe	Market Share
$800m	**4%**

Specialty fastener addressable market

Europe	Market Share
$650m	**8%**

Growth potential in Europe and adjacent products

5. Appendix: FY19 Results

Profit Before Tax

Year ended 30 September

	2019 £m	2018 £m	
Revenue	**544.7**	485.1	+12%
Adjusted operating profit	**97.2**	84.9	+14%
Adjusted operating margin (%)	*17.8%*	*17.5%*	
Interest expense	**(0.7)**	(0.1)	
Adjusted profit before tax	**96.5**	84.8	+14%
Previous CEO transition costs	**-**	(2.1)	
Acquisition related charges	**(13.1)**	(9.6)	
Fair value remeasurements	**0.1**	(0.4)	
Statutory profit before tax	**83.5**	72.7	+15%
Group effective adjusted tax rate	***24.0%***	*23.9%*	*+10bps*
Adjusted earnings per share	**64.3p**	56.4p	+14%
Statutory earnings per share	**54.7p**	47.5p	+15%

Free Cash Flow

Year ended 30 September

	2019 £m	2018 £m	
Adjusted operating profit	**97.2**	84.9	
Depreciation	**5.4**	4.8	
Increase in working capital	**(9.4)**	(5.1)	
Previous CEO transition costs paid	**(1.3)**	(0.8)	
Pension and share schemes, net	**0.4**	0.5	
Operating cash flow, before acquisition expenses	**92.3**	84.3	+9%
Interest paid, net	**(0.1)**	-	
Tax paid	**(21.9)**	(19.0)	
Capital expenditure	**(10.9)**	(6.6)	
Proceeds from sale of business	**-**	4.0	
EBT – share scheme funding	**(2.9)**	(2.2)	
Free cash flow	**56.5**	60.5	-7%
Cash conversion	***78%***	*95%*	

Net (Debt)/Cash

Year ended 30 September

	2019 £m	2018 £m
Free cash flow	**56.5**	60.5
Acquisition cash paid	**(77.2)**	(20.1)
Deferred consideration	**(1.1)**	(0.3)
Dividends	**(30.1)**	(27.0)
	(51.9)	13.1
Net cash brought forward	**36.0**	22.3
Exchange and other adjustments	**0.8**	0.6
Net (debt) / cash funds	**(15.1)**	36.0
Comprising:		
Cash balances	**27.0**	36.0
Borrowings	**(42.1)**	-

Shareholders' Funds

Year ended 30 September

	2019 £m	**2018 £m**
Tangible and other intangible assets	**29.4**	25.5
Goodwill and acquisition intangible assets	**251.1**	182.1
Net working capital	**96.6**	75.2
Trading capital employed - reported	**377.1**	282.8
Working capital (% of revenue)	***16.5%***	*15.1%*
ROATCE	***22.9%***	*24.5%*
Retirement benefit obligations	**(17.8)**	(10.5)
Acquisition liabilities	**(11.3)**	(5.6)
Net (debt)/cash funds	**(15.1)**	36.0
Minority interests and deferred tax, net	**(11.6)**	(11.5)
Total shareholders' equity	**321.3**	291.2

DIPLOMA PLC

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