

DIPLOMA PLC INVESTOR DAY 2017

Wednesday 1st February 2017



Life
Sciences



Seals



Controls

DIPLOMA PLC
INVESTOR
DAY 2017

Introduction

Bruce Thompson

Wednesday 1st February 2017



Life
Sciences



Seals



Controls

Key Objectives

1

To show the Group's progress over the last five years in executing its strategy and delivering strong growth in earnings and shareholder value

2

To demonstrate the resilience of the Group's businesses and the high barriers to entry which sustain the Group's stable attractive margins

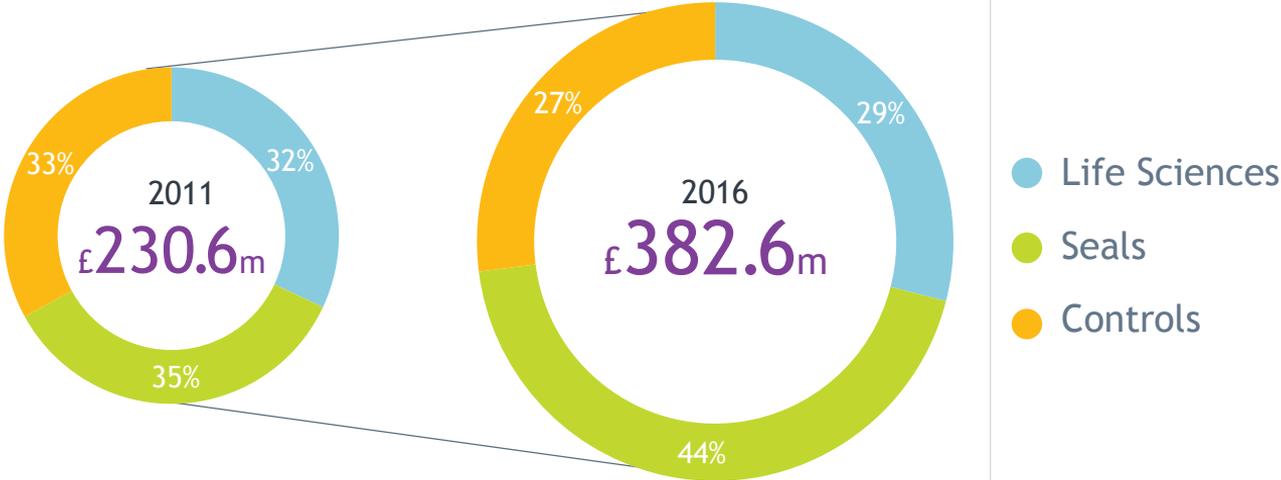
3

To give confidence in the substantial further "runway for growth" over the next five years, through a combination of stable organic growth and value-enhancing acquisitions

4

To introduce you to the strong and experienced senior management team which is in place to drive the next phase of the Group's development

Five Year Development



Group five year revenue CAGR

11% p.a.

underlying organic growth 4% p.a.

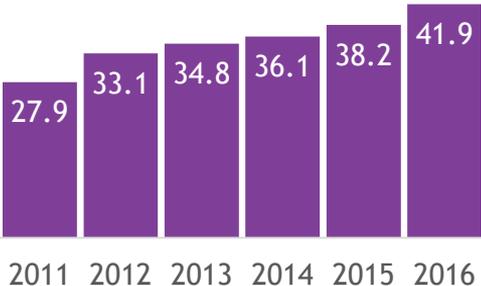
>75%

of revenues generated outside the UK

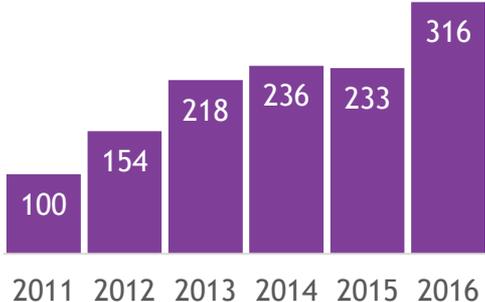
Larger, broader based businesses in all three Sectors

Five Year Development

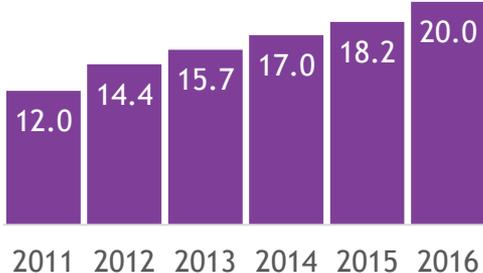
Adjusted EPS growth
+8% p.a.



TSR growth
+26% p.a.



Dividend growth
+11% p.a.



Market capitalisation

ca. **£400m**
January 2012

ca. **£1.2bn**
January 2017

**Strong growth in
shareholder value**

Executive Management Group



Strong and broad-based senior management team to drive growth strategy

DIPLOMA PLC

Video available at:

<http://www.diplomapl.com/about-us/overview>

Today's Agenda

09.00 Arrival and Registration

09.30 - 09.50 Introduction Presentation

10.00 - 10.40 Sector Presentation 1

10.45 - 11.25 Sector Presentation 2

11.30 - 12.10 Sector Presentation 3

12.15 - 12.30 Closing Remarks and Group Q&A

12.30 Buffet Lunch

Logistics

- We will now break into three groups to rotate through the Sector break-out sessions, which will each last ca. 40 minutes
- If you look at your badges, you will see a coloured sticker:



- After the break-out sessions we will come back together for closing remarks and final Group Q&A
- We will manage the logistics tightly to finish by 12.30

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Life Sciences - Healthcare

Wednesday 1st February 2017





Dan Brown
CEO
Diploma Healthcare Group

DHG - Operating Businesses

DIPLOMA HEALTHCARE GROUP

Toronto, Canada

235 Employees



Edmonton, AB
Canada

74
Employees



Kitchener, ON
Canada

53
Employees



Kitchener, ON
Canada

22
Employees



Melbourne, SA
Australia

20
Employees



Melbourne, SA
Australia

23
Employees

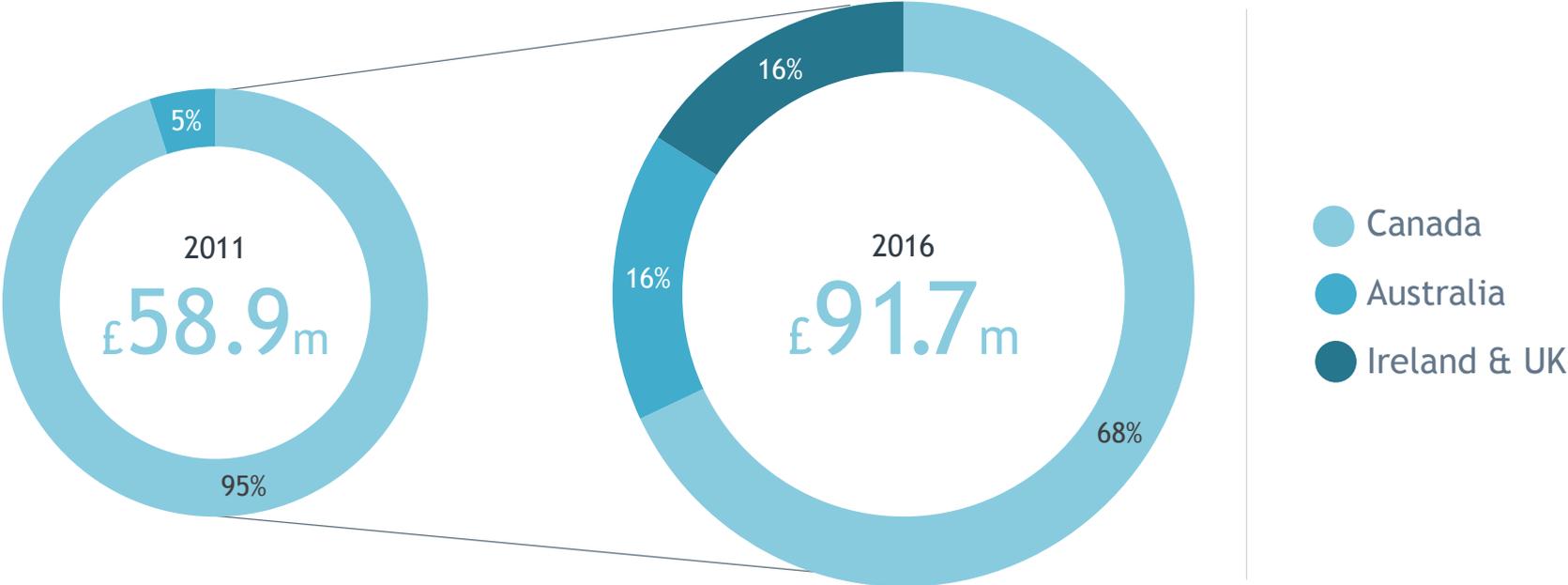


Ballina, TP
Ireland

43
Employees

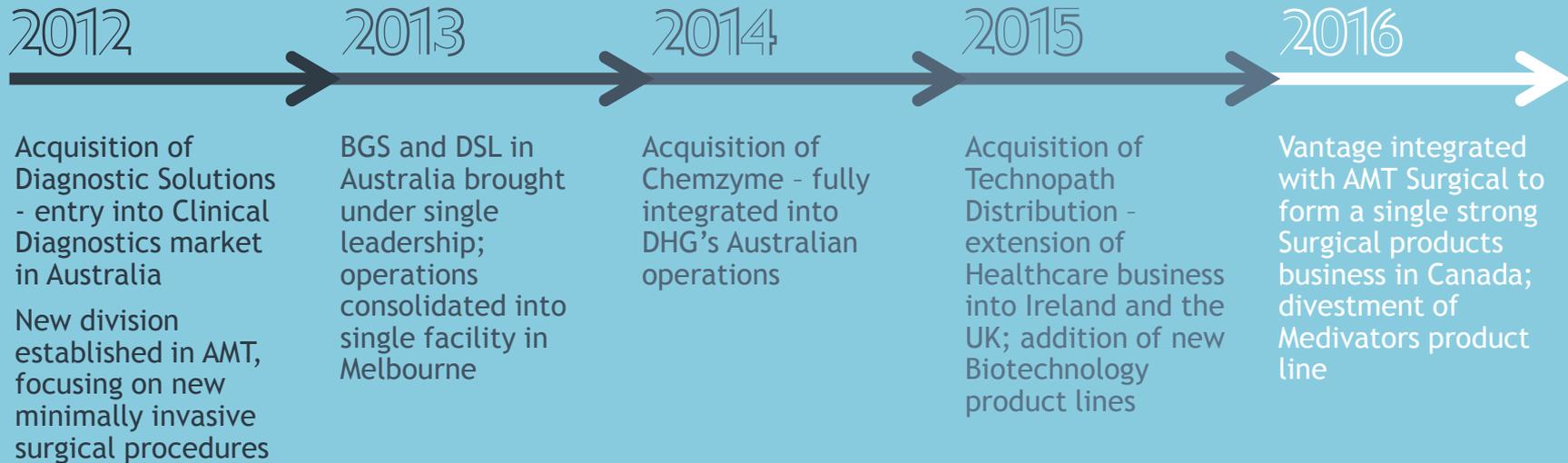
Five Year Development

Five year revenue CAGR: 9% p.a.



DHG Healthcare

Acquire, Build, Grow strategy





Video available at:

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

Focus on Niche Market Segments

Clinical Diagnostics



How doctors determine disease and monitor health through blood and tissue testing

← Specialty Surgical →

Electro-Surgery



Operations completed with modern scalpels using high-frequency electric current to cut and coagulate tissue

MI Surgery



Surgeons employ new technologies for imaging and surgical access to improve patient outcomes

GI/Endoscopy



Use of imaging equipment to diagnose and treat conditions of the gastrointestinal tract

Biotechnology



Rapid testing for microbial contamination in food, dairy, water and pharmaceuticals

Market leading positions in well defined niches within broader medical device markets

Competitive Positioning

- Quality manufacturer-branded products sourced under long term distribution agreements
- Multi-year customer contracts for consumables and service underpin ca. 70% of revenues
- Full service solutions provided by highly qualified technical specialists
- Financing of capital equipment
- Network of trained service engineers to maintain instrumentation
- Cost-effective route to market for medium-sized, medical device manufacturers



Geographic markets

	Canada	Australia	Ireland	UK
Healthcare expenditure	Ca. £120bn	Ca. £90bn	Ca. £20bn	Ca. £180bn
As % of GDP	10.1%	9.3%	9.4%	9.8%
5-year growth	2-3% p.a.	4-5% p.a.	2-3% p.a.	3-4% p.a.
10-year growth	4-5% p.a.	6-7% p.a.	4-5% p.a.	5-6% p.a.
Public : private	71 : 29	67 : 33	69 : 31	79 : 21

Focus on geographical markets which suit our value-added distribution model

Growth Opportunities - Existing Businesses

1**Focus on growth segments**

Minimally invasive/image assisted technologies, healthcare optimisation and safety, specialised diagnostics

2**Value-added services**

Bundle technical support and other value-added services into longer term contracts

3**Manage product life-cycles**

Introduce new products from existing and new suppliers and own-branded products to maintain growth and margins

4**Bolt-on acquisitions**

Use acquisitions to leverage infrastructure investment and to enter new medical disciplines

Increase share of specialised segments in existing markets

Growth Opportunities - Leverage Product Portfolio

						
Clinical diagnostics	✓✓✓			✓✓		✓✓✓
Electrosurgery		✓✓✓			✓✓✓	
MI Surgery		✓✓	✓	✓✓	✓	
GI/Endoscopy			✓✓✓			
Digestive Health				✓✓✓		
Biotechnology				✓✓		

Growth Opportunities - International Expansion

1

Europe

Explore opportunities in Europe, building from TPD base - e.g. Nordic countries (Sweden, Denmark and Norway) and Benelux

2

Asia Pacific

Target countries with well funded Healthcare systems (spend > 8.5% of GDP) - e.g. Singapore, Malaysia

3

Expanded supplier sourcing

New sources of technology, supplier-identified new markets

4

Strategic acquisitions

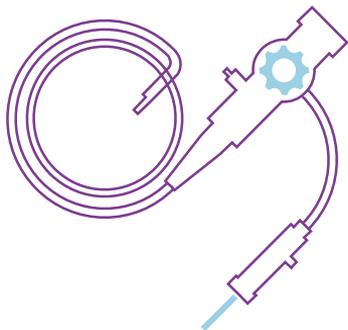
Acquire established local distribution businesses to accelerate entry to new markets

Pursue acquisition opportunities in Europe and Asia Pacific

Key Messages

1

The Healthcare business has developed substantially over the five years



2

A robust platform has been established with high barriers to entry

3

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

- Increase share of specialised segments in existing markets
- Leverage product portfolio across existing businesses
- Pursue acquisition opportunities in Europe and Asia Pacific

4

Use acquisitions of established local distribution businesses to accelerate entry to new markets

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Seals

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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%

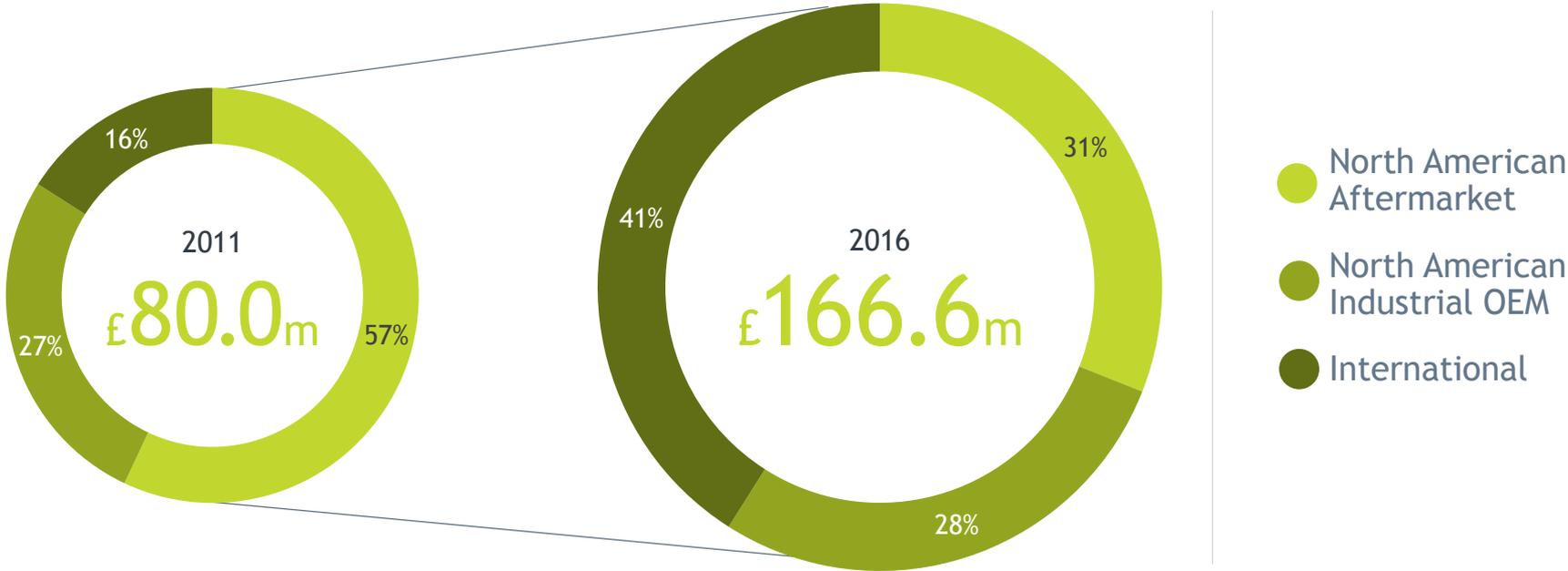
of sector revenues

38 employees
5 locations

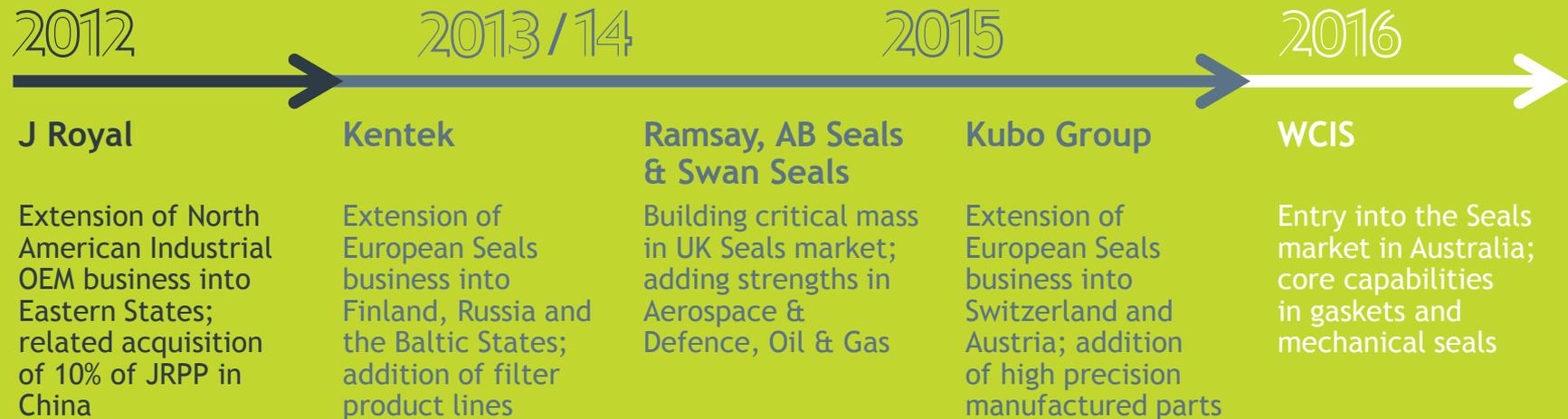
● Aftermarket ● Industrial OEM

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



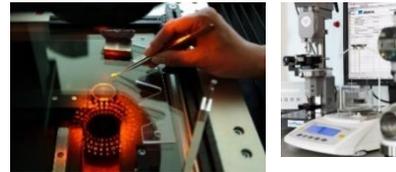
- Partnering with customers to establish a full understanding of their requirements
- Customers generally not sealing specialists and require technical advice and guidance

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

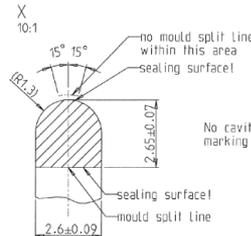
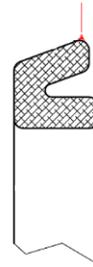


- Ex-stock availability of seals and sub-assemblies to match production schedules
- Vendor managed inventory programs tailored to meet customer needs

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

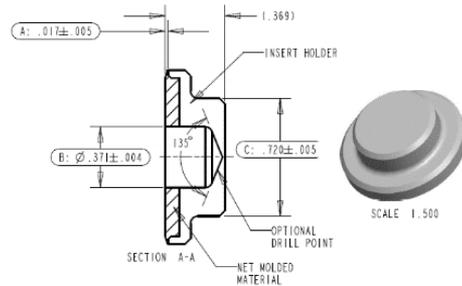
Project success factors:

- 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

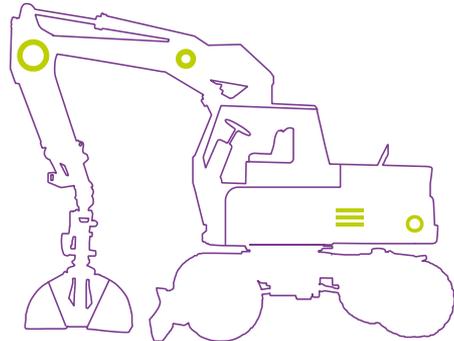
A robust platform has been established with high barriers to entry

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

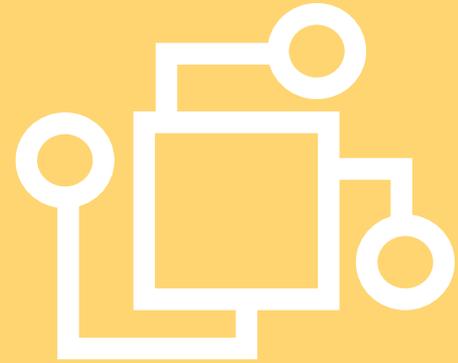


- Further strengthen position in North American Aftermarket
- Build broader-based, Industrial OEM business in North America
- Further expand businesses in Europe and penetrate Asia Pacific markets

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Controls - Interconnect

Wednesday 1st February 2017





Gustav Röber
Director
Corporate Development



Alessandro Lala
Managing Director
IS-Group



John Hunt
Managing Director
Clarendon

Principal Businesses

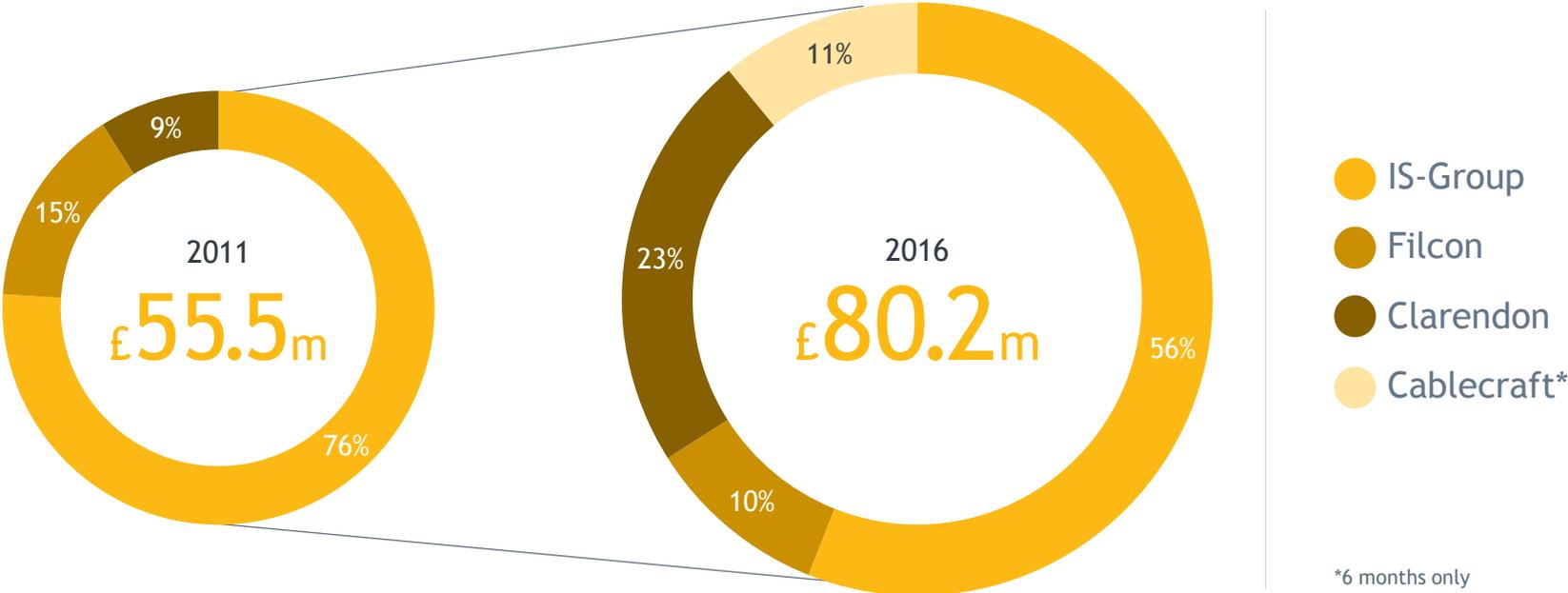


Over 90% of revenues generated in the UK and Continental Europe

*6 months only

Five Year Development

Five year revenue CAGR: 8% p.a.



Interconnect Markets



Aerospace
& Defence

36%



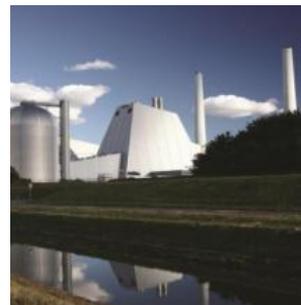
Industrial

29%



Motorsport

18%



Energy &
Infrastructure

15%



Medical
& Scientific

2%



Video available at:

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

IS-Group - Competitive Positioning



- High performance, manufacturer-branded products, sourced under long term distribution agreements
- Strong technical knowledge to specify products for customer applications
- Ex-stock availability and full range of value-added services
- Focus on refurbishment, upgrade and maintenance programmes for equipment in service
- Support for major new build programmes where smaller quantities are required quickly





Growth Opportunities - IS-Group

1

Cable harnessing specialist

Establish a clear, differentiated identity as the dominant player in cable harnessing

2

E-commerce

Introduce advanced e-commerce platform with user-friendly front end, comprehensive product database and on-line technical support

3

Transnational EMEA distributor

Broaden coverage across EMEA region with a mix of external sales presence and digital marketing

4

Broaden product portfolio

Add new products (e.g. connectors) to fill out product portfolio and support positioning as full service supplier

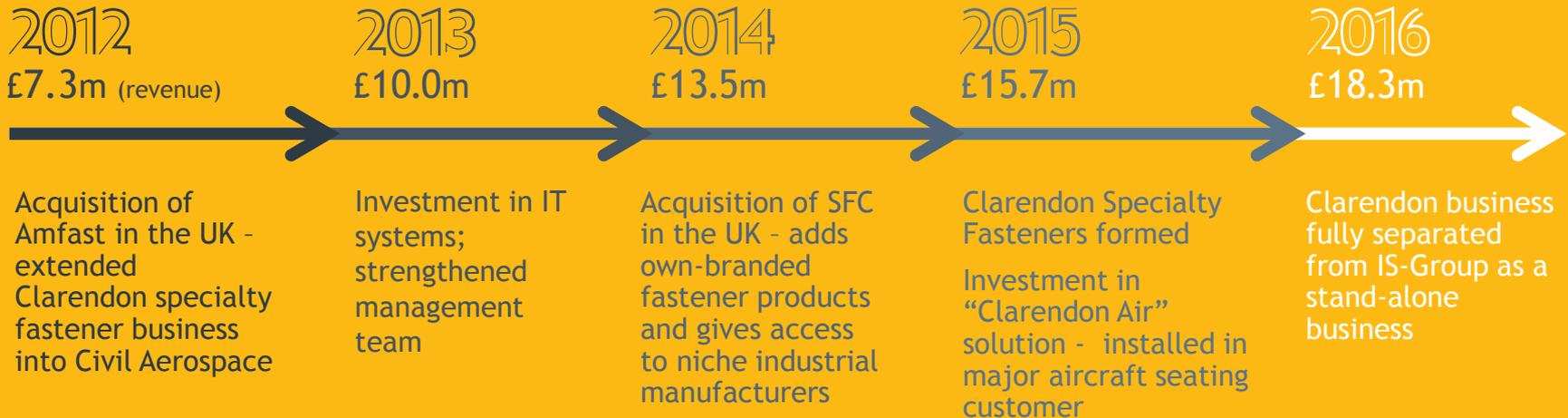
Create a broader-based European cable harnessing business



Specialty Fasteners

Clarendon Specialty Fasteners

Acquire, Build, Grow strategy



Clarendon Air Solution



Once lower bin is empty, release stock from the upper bin

Material handler scans the frames (no need to scan each barcode)

Scan is sent to our ERP, and orders are automatically generated



Material handler receives parts and replenishes the bins

Parts are shipped same or next day

Warehouse operator picks the parts and packs them



Growth Opportunities - Clarendon

**1**

Aircraft interiors growth

Continue to penetrate the Aircraft Interiors market in Europe, Asia and emerging markets

2

Value-added services

Implement Clarendon Air solution together with enhanced digital presence through customer portals

3

Engineered products

Develop sales of own-manufactured products into Aerospace and Defence

4

Acquisitions

Acquire specialised Aerospace fastener distributors in mainland Europe and North America

Building a larger, broader-based specialty fastener business



CABLECRAFT

creative wiring solutions

Cablecraft Acquisition

Extension of Interconnect activities

- Acquired in March 2016
- Leading supplier of cable accessory products used to identify, connect, secure and protect electrical cables
- Own-branded and manufactured products account for 70-80% of revenues
- Extends the range of markets served:
 - Rail and signalling
 - Electrical contracting
 - Control panels and automation



Case Study - Crossrail

- The London Crossrail project has a length of 62 miles
- Rail infrastructure requires cable and cable accessories that are certified for use on the railways
- Cablecraft's products will be principally used when the signalling systems are installed



Project success factors:

- Dedicated Rail Team
- Network Rail and London Underground certified products, including low smoke, zero halogen products
- Ex-stock availability
- Crimping training for rail engineers
- Certified tools and calibration

Growth Opportunities - Cablecraft



1

Post-acquisition investment

Strengthen salesforce and sales structure to focus on growth markets and generate higher revenue growth

2

Product development

Continue developing own branded products to support customers' requirement

3

Cross selling

Each business in Interconnect has access to different suppliers and products; these products can be sold more broadly

4

Acquisitions

Specialised niche distributors (e.g. Ident) to strengthen market position and/or to enter the European or North American markets

Extending Interconnect activities with own-branded products

Key Messages

1

The Interconnect business has developed substantially over the five years

2

A robust platform with high barriers to entry has been established

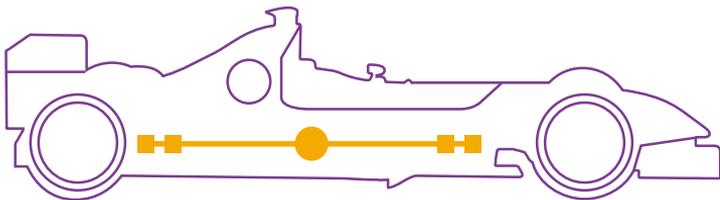
3

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

- Create a broader-based European cable harnessing business
- Build a larger, broader-based specialty fastener business
- Extend Interconnect activities with own-branded products
- Explore opportunities outside UK and Northern Continental Europe

4

We have a strong management team to deliver on the growth opportunities



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