

DIPLOMA PLC

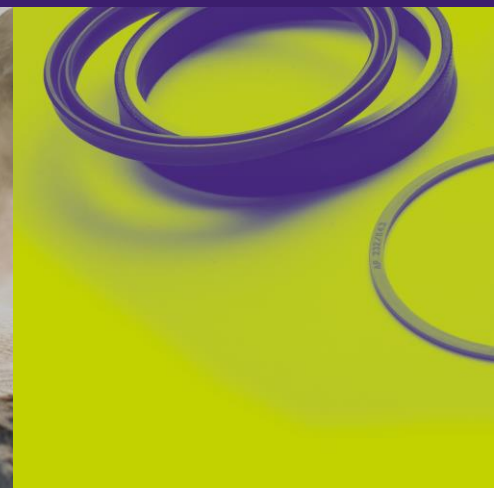
Half Year Results

Half Year Ended 31 March 2021



17 May 2021

Consistently delivering value



Agenda

01 Overview

02 Financial results

03 Business review

04 Summary and outlook

05 Q&A

Great progress again in H1 2021

- Building high quality, scalable businesses for sustainable growth
- Organic growth initiatives delivering across all Sectors
- Windy City Wire significantly outperforming expectations
- Strong H1 performance with exciting momentum
- Strong balance sheet and active acquisition pipeline
- Intensifying our Environmental, Social and Governance agenda
- Outstanding response of our people to the pandemic

We are pleased with our progress in the last six months

Our people: making a difference

Brilliant leadership

Accountability and agility to navigate the pandemic successfully



Colleague dedication

Supporting our teams with physical and mental wellbeing



DIPLOMA PLC
Making a
Difference



Customer servicing

Continued dedication to supporting our customers' objectives



Thank you to all Diploma colleagues

Half year results

Reported revenue growth	Underlying revenue growth	Operating margin progression	Free cash flow	Dividend per share (DPS) growth
+29%	+2%	+60bps	+57%	+25%

Very strong performance – ahead of expectations

Financial Results

Financial Highlights

Strong financial performance

Revenue



£365.2m

2020: £283.6m

+29%

Adjusted
operating profit



£66.6m

2020: £49.9m

+33%

Adjusted
operating margin



18.2%

2020: 17.6%

+60bps

Free
cash flow



£34.3m

2020: £21.8m

+57%

Net debt

£191.1m

1.3x EBITDA

ROATCE

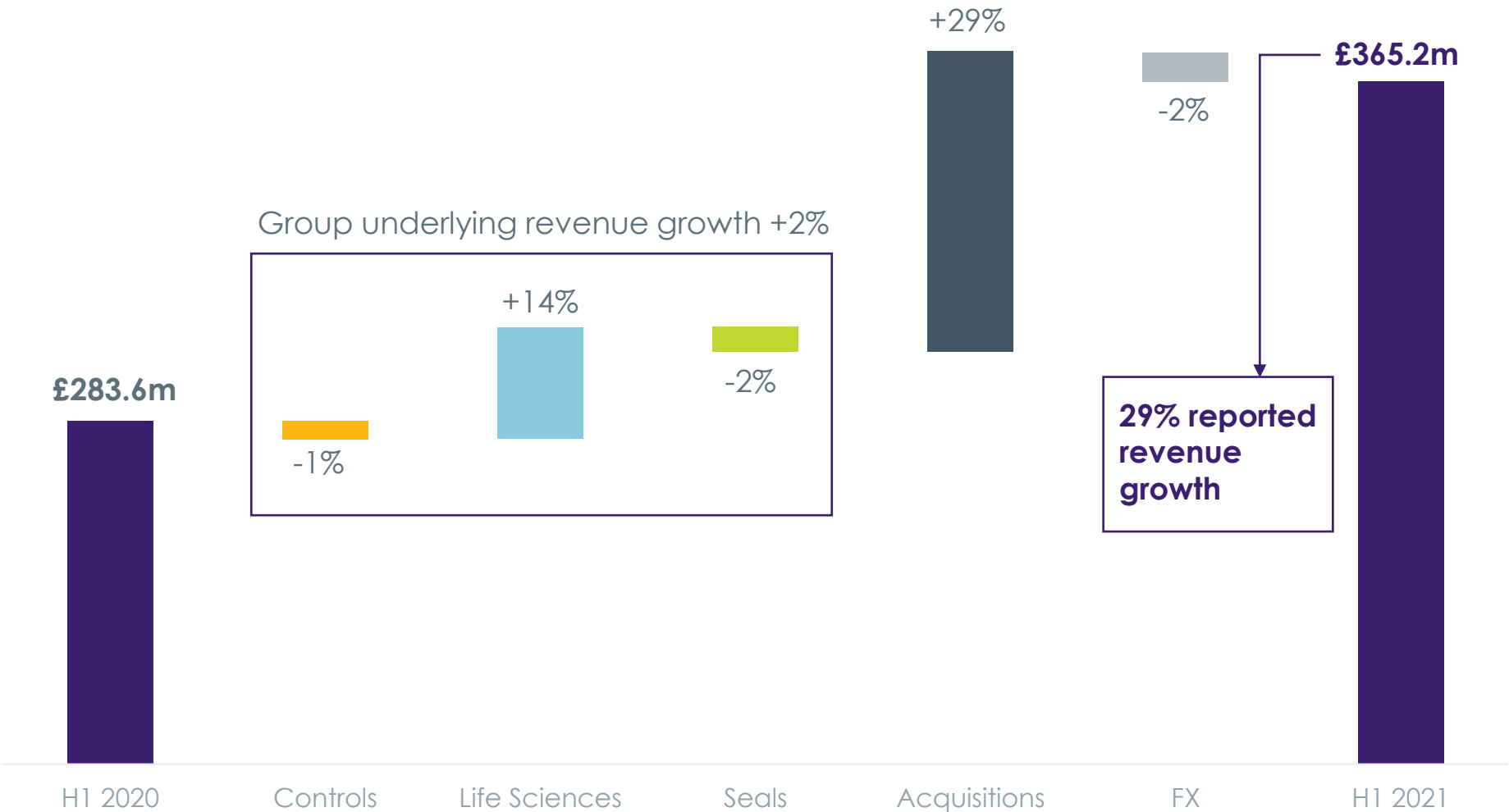


16.5%

2020: 22.0%




Revenue

Half Year ended 31 March



Current underlying trading

Underlying growth rate trajectory very encouraging

		Underlying April 2020	Underlying Sept 2020	Underlying April 2021 Ex. Acquisitions	Underlying April 2021 Incl. Acquisitions
Controls		-34%	-18%	+33%	+45%
Life Sciences		-39%	+2%	+69%	+121%
Seals		-16%	-4%	+16%	+16%
Group		-28%	-7%	+31%	+45%

Acquisitions

High quality businesses that drive organic growth and scale

- Acquisitions support our strategy of building scale in core markets and geographies
- Exceptional underlying revenue and profit contribution from acquisitions in H1 2021
- WCW performance well ahead of expectations with enhanced shareholder value creation
- Acquisition pipeline remains active



WINDY CITY WIRE®
CABLE & TECHNOLOGY PRODUCTS, LLC



Acquired for
ca.£348m

Simonsen & Weel

a DIPLOMA PLC company



Acquired for
ca.£35m*



Power Dynamics
GASKET COMPANY INCORPORATED






Acquired for
ca.£18m*

*including contingent consideration

Operating Margin

Half Year ended 31 March

		H1 2021	H1 2020
Controls		18.7%	17.9%
Life Sciences		21.1%	19.3%
Seals		15.6%	16.3%
Group		18.2%	17.6%

Income statement

Half Year ended 31 March

	2021 £m	2020 £m	
Revenue	365.2	283.6	+29%
Adjusted operating profit	66.6	49.9	+33%
<i>Adjusted operating margin (%)</i>	<i>18.2%</i>	<i>17.6%</i>	+60bps
Interest expense	(3.4)	(1.5)	
Adjusted profit before tax	63.2	48.4	+31%
Tax	(15.2)	(11.6)	
Adjusted profit after tax	48.0	36.8	+30%
Adjusted earnings per share	38.4p	32.3p	+19%
Interim dividend per share	12.5 p	10.0p*	+25%

* Notional 2020 interim dividend (1/3 of full and final 2020 dividend of 30.0p)

Net debt and cash flow

Half Year ended 31 March

	2021 £m	2020 £m
Adjusted operating profit	66.6	49.9
Working capital movements	(14.5)	(13.1)
Other	3.4	6.2
Operating cash flow	55.5	43.0
Interest paid, net	(2.3)	(0.7)
Tax paid	(12.5)	(13.1)
Capital expenditure	(2.6)	(6.4)
Other	(3.8)	(1.0)
Free cash flow	34.3	21.8
<i>Free cash flow conversion</i>	72%	60%
Net debt	(191.1)	(29.9)
ROATCE	16.5%	22.0%

Strong balance sheet with net debt expected at less than 1x EBITDA for FY2021

Guidance

Trading momentum into the second half

- Better than expected H1 2021 performance
 - Improving momentum into H2 2021 across all Sectors
 - FY2021 reported revenues slightly better than 40% ahead of FY2020
 - Increase in operating margin towards 19%
 - Net debt expected at less than 1x EBITDA for FY2021
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Business Review

Diploma strategy

Consistently delivering value

Focus our growth

- High quality scalable businesses
- Attractive, developed markets
- Continued product development
- Focus on organic growth
- Acquisition opportunities

Strengthen our core competencies

Five core competencies to operate value-add model at scale

- Supply chain
- Operational excellence
- Value-add
- Route to market
- Commercial discipline

Develop our organisational capability

Building the capabilities to execute at scale

- Talent
- Technology
- Facility

Delivering Value Responsibly

Delivering value responsibly

Group approach

Colleague engagement

- Colleague code of conduct
- Wellbeing workshops
- Engagement survey

Current focus:
Engagement index KPI



Health and safety

- Refreshed health and safety policy (updated metrics & increased reporting)
- Group-wide rollout workshops

Current focus:
Lost Time Incident Rate



Diversity, equity & inclusion

- Group-wide data collection exercise
- Steering and listening groups

Current focus:
Diversity, Equity and Inclusion policy



Supply chain

- Group Supply Chain Policy & Scorecard
- Update key supplier audit processes

Current focus:
Supplier code of conduct



Environment

- Assessing scope of emissions and waste reduction activity
- Green revenue opportunities

Current focus:
Expanding GHG reporting & assessing long-term targets



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Making a
Difference



Controls

More diversified business, strong recovery

Sector performance

Half year ended 31 March	2021	2020	
Revenue	£152.8m	£88.2m	+73%
Adjusted operating profit	£28.6m	£15.8m	+81%
Adjusted operating margin	18.7%	17.9%	+80bps

- International Controls back into growth by the end of H1
- WCW performance exceptional
- Restructuring savings delivering margin improvement

Macro trends

- Improving end market activity
- US technology infrastructure spend underpins WCW structural growth drivers

Strategic progress

- Continued diversification of Controls through revenue initiatives
- WCW provides geographic and end segment diversification in core product
- Excellent talent development to underpin sustainable growth



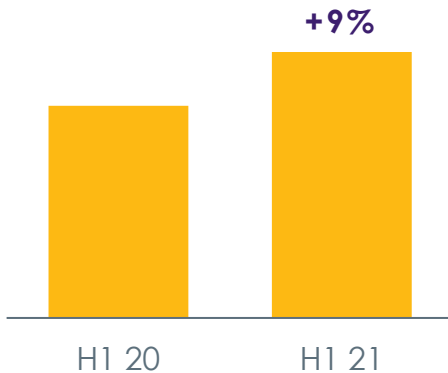


Windy City Wire

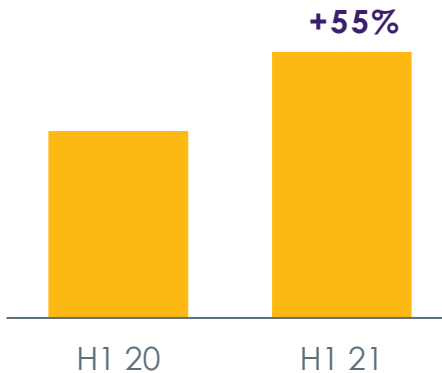
Exceptional H1 performance

- Delivering on structural growth opportunities
- Market share gains from differentiated proposition and control of supply chain
- Well invested operating platform
- Exceptional H1 performance, well ahead of plan

REVENUE



EBIT



WCW performing significantly ahead of our expectations



Life Sciences

Exciting structural and strategic tailwinds

Sector performance

Half year ended 31 March	2021	2020	
Revenue	£88.6m	£72.4m	+22%
Adjusted operating profit	£18.7m	£14.0m	+34%
Adjusted operating margin	21.1%	19.3%	+180bps

- Underlying revenue/profit progress across all businesses driven by pent up capital demand
- Simonsen & Weel contributing significantly
- Strong margin performance from operating leverage and cost control

Macro trends

- Pent up demand of elective surgeries yet to accelerate
- Expected step change in clinical diagnostics investment

Strategic progress

- Organic growth opportunities supported by product pipeline development
- Acquisition of Simonsen & Weel, building northern European exposure
- Continued development of new Healthcare segments



Seals

Structural tailwinds, strategic progress, encouraging momentum

Sector performance

Half year ended 31 March	2021	2020	
Revenue	£123.8m	£123.0m	+1%
Adjusted operating profit	£19.3m	£20.1m	-4%
Adjusted operating margin	15.6%	16.3%	-70bps

- Strong International Seals performance, benefitting from end segment diversification
- Demand returning in NA Aftermarket and OEM with positive underlying growth trends
- Expected margin impact of Louisville dual running investment, unwinding in H2

Macro trends

- Increasing infrastructure spend in US
- Positive momentum in core economies

Strategic progress

- Louisville positioned for market share gains as US industrial demand returns
- Recent acquisitions in North American gaskets and Australian seals build scalable platforms in these markets
- Developing management capability

Core to strategy: ESG initiatives in action

Green revenue – Seals

- Leading provider of seals for wind turbines
- Collaborations with global manufacturers on bespoke solutions
- Products supplied to ca. 10,000 turbines in past 12 months, tripling our wind exposure



Emissions reduction – Louisville

- State-of-the-art, high density facility with low carbon footprint
- Automation and efficiency reduces emissions and waste
- Low intensity robots with regenerative charging



Waste management – WCW

- Waste reduction programme at WCW
- Copper and silicone scrap reduced by 65% and 40% with 100% scrap recycling
- 100% cardboard recycling
- Supplier collaboration to divert wood pallets from landfill



Summary and Outlook

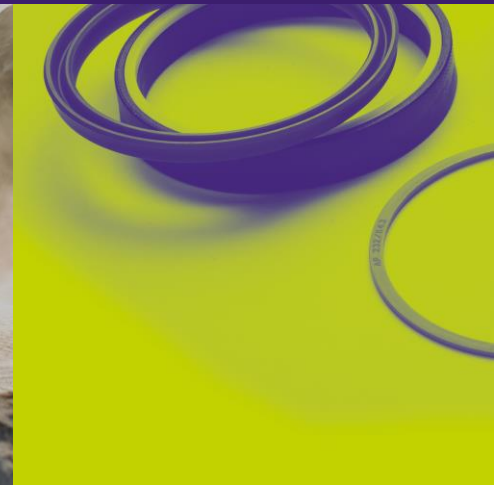
- Very strong H1 performance
 - Momentum across all Sectors with exciting organic growth prospects ahead
 - Strong contribution from acquisitions
 - Strong balance sheet and active acquisition pipeline
 - ESG activity intensifying
 - Significant upgrade to FY 2021 performance expectations
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Q&A

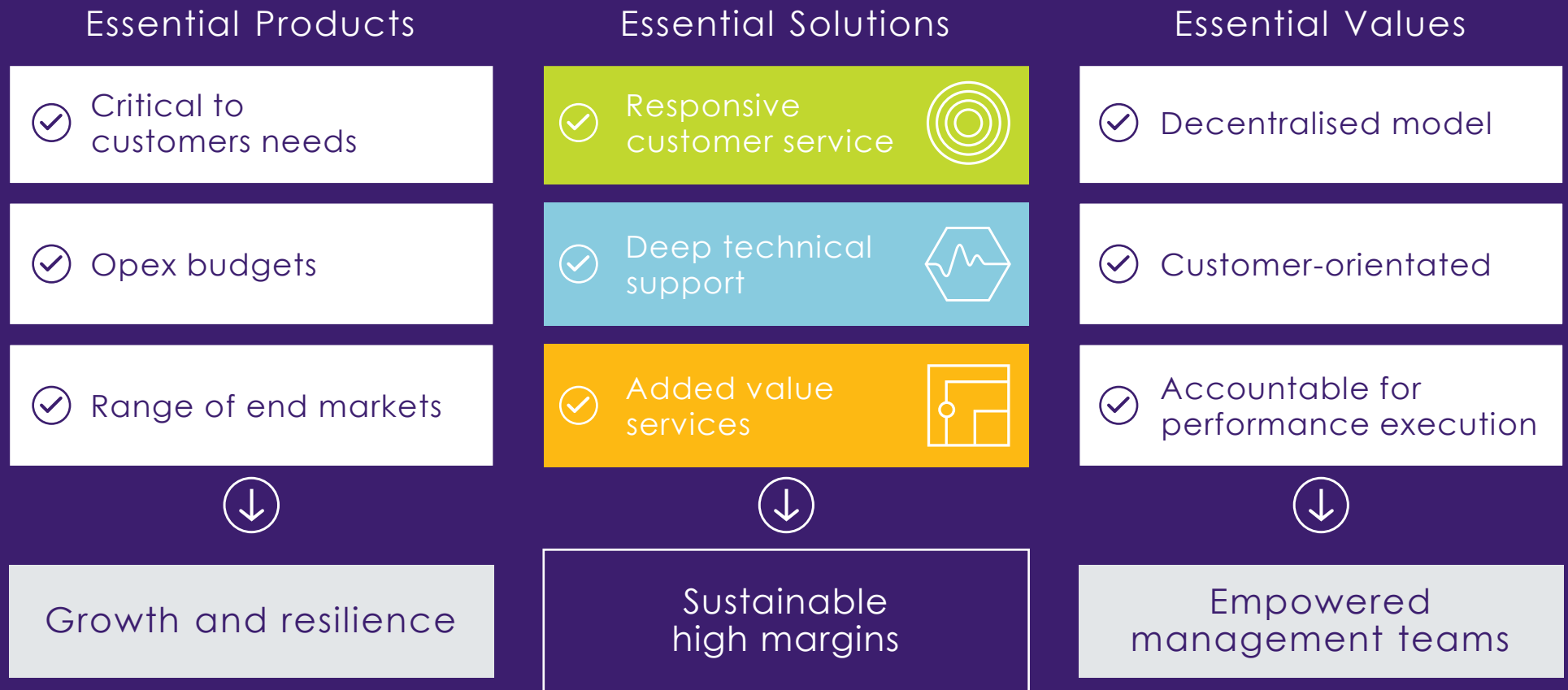


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Appendix

Value-add proposition



Balance sheet

	2021 £m	2020 £m
Goodwill and acquisition intangible assets	564.4	254.6
Tangible and other intangible assets	47.3	31.1
Net lease liabilities	(2.9)	(1.6)
Net working capital	122.6	113.8
Trading capital employed - reported	731.4	397.9
<i>Working capital as % of revenue</i>	16.0%	17.6%
ROATCE	16.5%	22.0%
Retirement benefit obligations	(12.5)	(17.9)
Acquisition liabilities	(11.3)	(16.1)
Net bank debt	(191.1)	(29.9)
Minority interests and deferred tax, net	(20.3)	(13.8)
Total shareholders' funds (excluding minority interests)	496.2	320.2

Financial KPIs

Five year trends

	2020	2019	2018	2017	2016
Revenue	£538.4m	£544.7m	£485.1m	£451.9m	£382.6m
<i>Total growth</i>	-1%	+12%	+7%	+18%	+15%
<i>Underlying growth</i>	-7%	+5%	+7%	+7%	+3%
Adjusted operating margin	16.2%	17.8%	17.5%	17.3%	17.2%
Working capital (% revenues)	16.0%	16.5%	15.1%	15.0%	16.6%
Free cash flow	£72.5m	£56.5m	£60.5m	£55.7m	£59.0m
<i>Free cash conversion (%)</i>	113%	78%	95%	99%	124%
ROATCE	19.1%	22.9%	24.5%	24.0%	21.1%

Average over five years:

CAGR revenue growth

10% p.a.

Adjusted operating margin

17%

ROATCE

22%

Free cash flow conversion

102%

DIPLOMA PLC

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