

## STRATEGY

# BUILDING HIGH-QUALITY SCALABLE BUSINESSES FOR SUSTAINABLE ORGANIC GROWTH

Our strategy is delivered by a brilliant team in an empowered decentralised culture. As a result, we have an impressive and resilient track record of growth at attractive margins.

We drive organic growth in three buckets by: positioning behind structurally growing end markets; penetrating further into core developed geographies; and extending our product range to expand our addressable markets. This drives sustainable organic growth and increased resilience.

We complement our organic growth strategy with bolt-on acquisitions that drive future organic growth in one or more of our three buckets.

Our value-add model and decentralised culture are our key differentiators. As we grow, we need to build scale within the businesses and the Group in order to protect our differentiators and sustain long-term delivery.

Our Delivering Value Responsibly (DVR) framework means that we are positioned to deliver products and services for a decarbonising economy, whilst also delivering for our colleagues and the environment.



\*READ MORE ABOUT DELIVERING VALUE RESPONSIBLY ON PAGE 54

# GROW

## 1 END MARKETS

We have an exciting opportunity to access structurally high-growth end markets, such as clinical diagnostics, electrification, industrial automation, infrastructure, renewables, water management, energy, and civil aerospace. We have increased our exposure in these markets, but still have a very small share. We also have the opportunity to position ourselves for a more sustainable economy.

## 2 GEOGRAPHIC PENETRATION

We remain focused on our core, developed economies of North America, UK & Ireland, Continental Europe, and Australia & New Zealand. We have minimal market share – or none at all – in most of our product verticals across our core geographies and therefore do not need to look to higher-risk, developing markets for growth. There is lots to go for in our established geographies.

## 3 PRODUCT EXTENSION

We expand our addressable markets through product extension. We do this through continuous product innovation; coordinated cross-selling across different Group businesses; or, selectively, through building out material new product lines that support value-add distribution.

## OUR GEOGRAPHIC AND PRODUCT OPPORTUNITIES

### MARKET SHARE

- Significant
- Small
- Moderate
- White space

ADDRESSABLE MARKET	OUR SECTORS	OUR PRODUCT VERTICALS	OUR GEOGRAPHIC REACH								
			US	CANADA	UK & IRELAND	GERMANY	FRANCE	SPAIN	OTHER EU	ANZ	
CURRENT ADDRESSABLE MARKET	CONTROLS	WIRE & CABLE	Small		Small						
		INTERCONNECT	Small		Small	Small	Small				
		SPECIALTY FASTENERS	Small		Small	Small					
		SPECIALTY ADHESIVES			Small						
		INDUSTRIAL AUTOMATION	Small								
	SEALS	SEALS	Significant	Small	Small					Small	Small
		GASKETS	Small		Small						
		HOSES & FITTINGS			Small	Small	Small	Small	Significant	Small	
		PUMPS / VALVES			Small						Small
	LIFE SCIENCES	DIAGNOSTICS		Small	Small						Significant
		SURGICAL / CRITICAL CARE		Significant	Small					Small	Small
		ENDOSCOPY		Significant						Small	
GROWING ADDRESSABLE MARKET	↓ ↓	NEW PRODUCT VERTICALS									

# ORGANIC GROWTH AT AUSTRALIAN SEALS

Our Australian Seals business supplies premium mechanical engineering products, parts and services to the power, water and mining industries.

Since 2019, their organic growth has been consistently double-digit. Since joining Diploma, it has made some strategic acquisitions to accelerate organic growth through geographic penetration and product extension.

The bolt-on acquisition ACT in 2022 introduced exciting and innovative products, creating an attractive, full-service proposition for customers.

The dewatering unit in Australian Seals has also grown by more than 50% since 2019. By increasing its product offering and expanding service it has improved sales mix. Operating margin has improved from low double-digits to high-teens during the same period.

The business has also been able to take advantage of exciting opportunities in the waste management, water and marine industries, as well as expanding its repair service, driven by new refineries, including Lithium.

## Reported revenue

£41.0m

FY22: £32.2m | 27% YoY

## Organic revenue growth

+24%

FY22: +10%





**STEVE SARGEANT**  
GROUP CORPORATE DEVELOPMENT  
DIRECTOR

“We are long-term investors in our businesses.

We acquire high-quality companies, preserving their legacy, culture and people, and supporting their onward growth journeys with continued investment and sharing of best practice.

We have considerable expertise in making acquisitions and have completed over 30 in the last four years.”



LEARN MORE ABOUT  
OUR APPROACH TO  
ACQUISITIONS ON  
OUR WEBSITE



[WWW.DIPLOMAPLC.COM/  
ABOUT-US/ACQUISITIONS/](http://WWW.DIPLOMAPLC.COM/ABOUT-US/ACQUISITIONS/)

## COMPLEMENTARY ACQUISITIONS TO DRIVE FUTURE ORGANIC GROWTH

We make complementary acquisitions to drive future organic growth, positioning behind exciting end markets, expanding our footprint in a core geography, or adding product capability. Acquisitions also help us to build scale and resilience, bring in fantastic new talent, and drive great returns on capital.

The companies we acquire have the same core characteristics as our existing businesses: a compelling value-add proposition, strong organic growth potential, a brilliant leadership team, a good strategic fit, and attractive financial returns.

We are long-term investors in our businesses and help acquired businesses develop and grow. We do this by offering management expertise, assisting with a more structured sales approach, sharing best practice across similar Group companies, improving margins and cash management, and providing an ESG framework.

As a result, we have a strong track record of delivering disciplined acquisitions with great returns. Since 2019 we have spent over £1 billion on acquisitions that have delivered average organic growth and ROATCE of ca. 16%.

## A WINNING PROPOSITION FOR SELLERS

Our decentralised model and culture make us attractive to small business owners. We preserve their legacy, value and develop their people, and we're in it for the long term. This gives us a competitive advantage where price is not the sole decision driver.

## EXCITING PIPELINE

We have a strong internal corporate development team, and have developed our capabilities and processes over the past couple of years. This, together with our winning proposition for sellers, large fragmented markets and white space, leads to an exciting pipeline of continued acquisition opportunities.

## 12 SUCCESSFUL ACQUISITIONS

During the year we made 12 acquisitions across all of our Sectors.

We acquired two platform businesses: T.I.E., acquired in March, is our first venture into the Industrial Automation market; and DICSA, bought in July, provides us with a European Aftermarket platform in the Seals Sector. It is also our first Spanish-based investment. Both companies have a long track record of excellent organic growth and high margins.

We also acquired 10 smaller bolt-ons, which fit well into our existing businesses:

- R&G acquired FPS, Hedley, Valves Online and Lantech
- Techsil acquired Eurobond
- Shoal Group acquired Shrinktek
- VSP acquired GP&S and Hex
- Hercules OEM acquired ITG
- Simonsen & Weel acquired GM Medical



STRATEGY CONTINUED

**SCALE**

Our differentiators are our value-add business model and decentralised culture. As the businesses – and the Group – become significantly larger, we have to scale at the same time in order to preserve and enhance those differentiators and guarantee our delivery for the long term.

**VALUE-ADD BUSINESS MODEL AT SCALE**

To scale successfully, each of our businesses designs their operating model of the future, the processes and core competencies that underpin it, and the capability – talent, technology, and facility – required to deliver it.

Our core competencies are common to all our businesses: value-add, route to market, operational excellence, supply chain management, commercial discipline.

Strengthening them requires the business to be more strategic, structured and systematic, which in turn improves customer service and performance.

**POWERFUL DECENTRALISED GROUP AT SCALE**

We keep it focused. Portfolio discipline ensures a manageable platform for scale, whilst simple strategic and performance frameworks preserve local ownership but ensure alignment to the Group’s objectives.

Lean structures with dynamic leaders. By remaining lean, we ensure agility and execution while avoiding unnecessary bureaucracy. This approach requires great management, and so we have development and engagement programmes to ensure this.

Mood. Being decentralised doesn’t mean that our businesses are isolated. Regular individual and collective touch points and communications allow us to manage pace and engagement.

All of this means that our businesses are able to remain agile, close to their customers, with local accountability, decision-making and leadership. At the same time, they enjoy the benefits of being part of a large, multinational Group: networks, central expertise, collaboration, and best practice sharing.

**OUR IMPERATIVE TO SCALE**

**FROM**

**£10m**

**BUSINESS**

- Hands-on business leader
- Individuals wear many hats
- Responsive service
- Manual
- Family feel



**TO**

**£200m**

**BUSINESS**

- Strategic, structured leadership
- Broader management capability
- Seamless, customer-led processes
- Technology-enabled: data and automation
- Commercial, agile, innovative

**Value-add service model at scale requires a different approach**



**JILL TENNANT**  
STRATEGY DIRECTOR

“Scaling means we are building bigger, better businesses whilst also preserving our decentralised culture.

Scaling is a journey. It is carefully planned as part of our strategy, and it guarantees our delivery for the long term.”

## BUILDING SCALE AT WINDY CITY WIRE

Windy City Wire, part of the Controls Sector, has cultivated a very high-performance culture with strong sales expertise. Every colleague is clear on their objectives and job role, ensuring clarity and simplicity in a rapidly growing business.

Windy City Wire uses technology to improve efficiency. All of their performance metrics are available in real time, allowing them to set the right pace and course-correct as needed.

The business is currently investing in digital marketing and strengthening their online presence. This enables them to tell their story and strengthen their brand reputation.

All of this is supported by an innovative and highly automated facility, where customers often visit to learn more about Windy City Wire's products.

Windy City Wire also benefits from control over their own supply chain and a very well diversified customer base, with over 12,000 regular customers.

The business has a strong 'hub & spoke' operating model with a central facility in Illinois, supported by 19 distribution sites across the US.

Even as it scales, Windy City Wire's service remains unwaveringly brilliant.