

## FOR IMMEDIATE RELEASE

16 May 2022

### HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2022

**Strong results.  
Successfully executing our strategy for organic growth.**

	<b>HY 2022</b>	<b>HY 2021</b>	<b>Y/y change</b>
<b>Revenue</b>	<b>£448.5m</b>	£365.2m	<b>+23%</b>
<b>Underlying revenue growth<sup>(1)</sup></b>	<b>16%</b>	2%	
<b>Adjusted operating profit<sup>(2)</sup></b>	<b>£82.5m</b>	£66.6m	<b>+24%</b>
<b>Adjusted operating margin<sup>(2)</sup></b>	<b>18.4%</b>	18.2%	<b>+20bps</b>
<b>Statutory operating profit</b>	<b>£58.2m</b>	£46.3m	<b>+26%</b>
<b>Free cash flow<sup>(3)</sup></b>	<b>£37.7m</b>	£34.3m	<b>+10%</b>
<b>Free cash flow conversion<sup>(3)</sup></b>	<b>64%</b>	72%	
<b>Adjusted earnings per share<sup>(2)</sup></b>	<b>47.0p</b>	38.4p	<b>+22%</b>
<b>Basic earnings per share</b>	<b>28.6p</b>	25.5p	<b>+12%</b>
<b>Interim dividend per share</b>	<b>15.0p</b>	12.5p	<b>+20%</b>
<b>ROATCE</b>	<b>17.5%</b>	16.5%	<b>+100bps</b>

(1) Adjusted for acquisition and disposal contribution and currency effects; (2) Before acquisition related charges and acquisition related finance charges; (3) Before cash flows on acquisitions, disposals and dividends. All alternative performance measures are defined in note 2 to the condensed Consolidated Financial Statements

#### Strong half year financial performance

- Underlying revenue growth of 16%, driven by organic revenue initiatives, positive demand and pricing.
- Pass-through of higher year-on-year copper prices has added ca. 5% to underlying revenue growth.
- Reported revenue growth of 23% with a positive contribution from high quality acquisitions.
- Adjusted operating margin +20bps to 18.4%. Continuing to successfully navigate supply chain challenges, labour pressures and inflation, demonstrating the resilience of our value-added service model.
- 22% growth in adjusted EPS and 20% increase in interim dividend.

#### Growth strategy: business revenue diversification activity driving growth, building scale and increasing resilience

- **Controls +28%:** excellent contribution from Windy City Wire ("WCW"); strong growth at International Controls driven by business diversification activity.
- **Seals +15%:** accelerated market share gains in North American Aftermarket; very positive International Seals performance, benefiting from organic revenue initiatives.
- **Life Sciences -7%:** underlying growth ca. 2% excluding last year's COVID-related revenues. Short-term growth affected by Canadian/Australian lockdowns this year. Expect to return to growth during H2.

### **Delivering our strategy sustainably: disciplined portfolio development**

- Strategy: building high quality, scalable businesses for organic growth.
- Three high quality businesses acquired for a combined consideration of £172m.
- LJR Electronics acquired in January for £21m, expanding our Controls presence into the large, attractive and growing US interconnect market.
- R&G Fluid Power Group ("R&G") acquired in April for £100m to build scale in UK Seals:
  - Value-added aftermarket distributor of a diverse range of industrial, hydraulic and pneumatic products (including seals and gaskets).
  - Excellent strategic fit, adding scale in the UK and broadening Seals product portfolio to expand addressable markets.
  - Impressive track record with significant organic and inorganic growth potential.
- Accuscience, a market-leading life sciences and med-tech distributor in Ireland for £51m:
  - Increases exposure to the high growth diagnostics segment.
  - Adds scale to Life Sciences in Ireland, and continues to build out the Sector's European pillar.
  - Purchase price represents a multiple of ca. 9.5x EBIT, expected to contribute annualised revenue of ca. £35m.
- Acquisition pipeline is active. We remain highly disciplined, with ROATCE increasing to 17.5% (2021: 16.5%).
- Disposal of a1-envirosciences in May for £11m, in line with our disciplined approach to portfolio development.

### **Delivering Value Responsibly ("DVR"): ESG framework building momentum**

- Continuing to make progress across our five focus areas.
- DVR being embedded into commercial and operational strategy.
- On track to set targets from the next financial year.

### **Strong free cash flow and deleveraging giving balance sheet flexibility**

- Strong free cash flow conversion of 64% (2021: 72%) despite incremental inventory investment to ensure product availability and support market share gains.
- Cash flow generation providing balance sheet flexibility to continue to invest in growth: net debt £209.5m at 31 March 2022 (1.2x EBITDA).

### **Positive and unchanged outlook**

- The second half has started well.
- Full year outlook is unchanged, confident in our materially upgraded April guidance:
  - Low double digit underlying revenue growth, well ahead of our model. Expect growth to moderate in Q3 as the comparators get tougher
  - Reported revenue growth a little over 20%.
  - New acquisition, Accuscience, expected to deliver annualised revenue of ca. £35m.
  - Operating margin at the top end of the 18-19% guidance range.
  - Strong cash generation expected to result in net debt/EBITDA of ca. 1.5x by year end.
- Whilst the wider geopolitical and macroeconomic outlook is uncertain, our resilience is underpinned by our increasing revenue diversification, value-added model and strong balance sheet.

### **Commenting on the results, Johnny Thomson, Diploma's Chief Executive said:**

"I am delighted with our performance and strategic progress in the last six months. Thank you to my brilliant colleagues. Our organic growth and margins have been strong, and we have also welcomed three important businesses to the Group. We are executing our strategy by diversifying our business revenues for organic growth, scale and resilience. We are also continuously improving our value-add model for sustainable scale. We are not complacent about the economic outlook, but the second half has started really well and we are confident in our upgraded full year guidance."

Notes:

1. Diploma PLC uses alternative performance measures as key financial indicators to assess the underlying performance of the Group. These include adjusted operating profit, adjusted profit before tax, adjusted earnings per share, free cash flow, net debt to EBITDA and ROATCE. All references in this Announcement to "underlying" revenues refer to reported results on a constant currency basis, and after adjusting for any contribution from acquired or disposed businesses. The narrative in this Announcement is based on these alternative measures and an explanation is set out in note 2 to the condensed consolidated financial statements in this Announcement.
2. Certain statements contained in this Announcement constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of Diploma PLC, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties and other factors include, among others, exchange rates, general economic conditions and the business environment.

There will be a presentation of the results to analysts and investors at 9:00am this morning via audio conference call and webcast. Conference call dial in details:

- Dial in: +44 (0)330 165 4012
- Participant access code: 972388

Register your attendance for the webcast at:

<https://webcasting.brrmedia.co.uk/broadcast/626173b167e322082fa890b4>

This presentation will be available after the conference call at:

<https://www.diplomaplc.com/investors/financial-presentations/>.

A replay of the audio will be available on the same link after the event.

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**NOTE TO EDITORS:**

**Diploma PLC** is an international group supplying specialised products and services to a wide range of end segments in our three Sectors of Life Sciences, Seals and Controls.

Diploma's businesses are focused on supplying *essential products and services* which are critical to customers' needs, providing recurring income and stable revenue growth.

Our businesses then design their individual business models to closely meet the requirements of their customers, offering a blend of high-quality customer service, deep technical support and value adding activities. By supplying *essential solutions*, not just products, we build strong long-term relationships with our customers and suppliers, which support attractive and sustainable margins. Finally, we encourage an entrepreneurial culture in our businesses through our decentralised management structure. We want our managers to feel that they have the freedom to run their own businesses, while being able to draw on the support and resources of a larger group. These *essential values* ensure that decisions are made close to the customer and that the businesses are agile and responsive to changes in the market and the competitive environment. The Group employs ca. 2,700 employees and its principal operating businesses are located in the UK, Northern Europe, North America and Australia.

Over the last ten years, the Group has grown adjusted earnings per share at an average of ca. **12%** p.a. through a combination of organic growth and acquisitions. Diploma is a member of the FTSE 250 with a market capitalisation of ca. **£3.25bn**.

Further information on Diploma PLC can be found at [www.diplomaplc.com](http://www.diplomaplc.com)

**LEI: 21380080GI7VYG8FGR19**

## HALF YEAR REVIEW TO 31 MARCH 2022

### Strong half year performance

The Group has enjoyed a successful six months, reflecting the benefits of our strategy, value-added proposition and decentralised model. These, together with the outstanding commitment of our colleagues to excellent customer service, have enabled us to deliver double-digit underlying growth at high teens margins, all while successfully navigating inflationary pressures and supply chain challenges.

Revenues in the first half of 2022 were significantly higher, up 23% to £448.5m (2021: £365.2m). Underlying growth was 16%, driven by our revenue diversification initiatives, positive demand and pricing. Growth in the half also benefited from the pass through of higher copper prices, which added ca. 5% to underlying growth. Acquisitions net of two small disposals contributed 7% to reported revenue while foreign exchange translation was broadly neutral.

We are very pleased with our operating margin performance, with adjusted operating profit increasing 24% to £82.5m (2021: £66.6m) and the adjusted operating margin up 20 basis points to 18.4% (2021: 18.2%). All of our businesses have worked hard to mitigate inflationary impacts on customers and, where this has not been possible, our value-add model has enabled us to successfully pass on cost inflation and protect our margins. Other factors influencing the operating margin included positive operational leverage on higher volumes, partially offset by continued investment in growth. Statutory operating profit rose 26% to £58.2m (2021: £46.3m).

Free cash flow conversion of 64% (2021: 72%) has been strong despite incremental investment in inventory to ensure product availability and support market share gains. At 31 March 2022, net debt was £209.5m or 1.2x EBITDA (30 September 2021: £181.4m and 1.1x). After the period end, we invested an additional ca. £151m in R&G and Accuscience (discussed further below) and realised proceeds of £11m from the disposal of a1-envirosciences. We expect continued strong free cash flow generation to drive deleveraging in the second half and provide flexibility to continue to invest in growth.

Diploma has a progressive dividend policy, targeting dividend cover of 2x on an adjusted EPS basis. In light of the strong H1 performance and confidence in the Group's prospects, the Directors have declared a 20% increase in the interim dividend to 15.0p per share (2021: 12.5p). The dividend is payable on 10 June 2022 to shareholders on the register on 27 May 2022 with a corresponding ex-dividend date of 26 May 2022.

### Revenue diversification strategy driving organic growth

The Group's strategy is to build high quality, scalable businesses for organic growth. Our businesses are focused on revenue diversification to deliver growth, build scale and increase resilience. Consistent with the Group strategy, all of our businesses have their own individual plans and initiatives aimed at capitalising on structurally growing end markets, increasing penetration of core geographies and expanding addressable markets through product range extension.

As a diverse Group, no single initiative or end market is sufficiently large to materially impact Diploma as a whole, but the collective success of our Sectors' growth initiatives combined with a positive end market environment and pricing translated into underlying growth of 16%, with strong trading momentum sustained throughout the first half.

	Revenue £m		Change	Underlying growth	
	H1 22	H1 21		H1 22	H1 21
<b>Controls</b>	<b>224.0</b>	152.8	+47%	+28%	(1)%
<b>Seals</b>	<b>137.4</b>	123.8	+11%	+15%	(2)%
<b>Life Sciences</b>	<b>87.1</b>	88.6	(2)%	(7)%	+14%
<b>Group</b>	<b>448.5</b>	365.2	+23%	+16%	+2%

Some examples of how our businesses are delivering underlying growth are set out below.

**Positioning to take advantage of structurally growing end markets:** some of our strongest growth in the first half was driven by structurally growing end markets. This is also well-aligned with our ESG framework, which is embedding positive impact into our commercial strategy. At Windy City Wire, strong double-digit volume growth reflects the business's exposure to data centres, distribution centres and digital antenna systems. International Controls is also enjoying success in energy and emerging markets in space and urban air mobility. Recent acquisitions are well positioned, including LJR Electronics where over 50% of revenues relate to end markets linked to electrification and material handling/e-commerce.

In Seals, the outlook for US infrastructure spending underpins a positive outlook for North American Aftermarket while International Seals has a strong pipeline for new, larger wind turbines. The structural growth drivers for Life Sciences of ageing populations and increasing healthcare spend remain very strong. Post-pandemic, elective surgical backlogs and increasing spend on diagnostics will be key growth drivers.

**End market diversification:** having successfully captured growth in medical last year, International Seals has retained new customers in this sector while also pivoting to capitalise on positive momentum in industrial markets. International Controls has been a diversification success story, with businesses like Speciality Fasteners reducing reliance on civil aerospace through expanding in areas such as high-performance vehicles, energy, industrial and infrastructure.

**Penetration of core developed economies:** over the last six months we have made significant progress in the US and Europe. In particular, the acquisition of LJR Electronics adds scale to Interconnect in the US, improving the Controls Sector's access to the developed world's largest interconnect market. The potential for geographic expansion in North American Aftermarket Seals is hugely exciting and already delivering revenue growth; we expect Louisville to drive market share gains in the US for many years to come. In Europe, the recent acquisition of R&G has materially added scale in UK Seals while we continue to build out our European pillar in Life Sciences with the acquisition of Accuscience in Ireland.

**Product range extension:** forms an ongoing component of most businesses' organic growth strategies, including at International Seals in product adjacencies such as cylinders and gaskets. The acquisition of Techsil at the end of last year has created an entry into an exciting new business line and the team are providing great insight and input into our M&A plans in the adhesives space. The acquisition of R&G in April marks a major step forward, broadening the Seals' Sector product capability in the UK, with potential to take this to other markets.

### **Strategically important acquisitions to accelerate growth**

Acquisitions are an integral part of our growth strategy, with a disciplined focus on acquiring value-added businesses, with great management teams, to accelerate our organic growth. So far in FY2022, we have acquired three high quality businesses for a total of ca. £172m.

In January, we acquired LJR, a value-added distributor of connectors in the US for ca. £21m. Now part of Interconnect within the Controls Sector, LJR Electronics has expanded our presence into the large, attractive and growing US interconnect market. The business is expected to generate annualised revenue of ca. £14m.

In mid-April, we announced the exciting addition of R&G to build scale in Seals in the UK. R&G is a value-added aftermarket distributor supplying a diverse range of industrial, hydraulic and pneumatic products (including seals and gaskets). Its value-added proposition is based on responsive customer service, technical advice, breadth of stock and product customisation. Over time, its management team has built a platform with extensive reach across the UK. This has included consolidating a number of regional distributors to extend geographic and product reach. The R&G historic growth track record, organic and inorganic, has been impressive.

R&G has significant organic growth potential, including developing the aftermarket e-commerce channel, continued regional expansion in the UK, and further product cross-selling and

diversification. The business gives the Seals Sector scale in the UK and the ability to drive revenue synergies with existing UK Seals businesses. We are also excited by the broadening of the Seals product capability, in line with our strategy to expand addressable markets through product extension, with the potential to take this to other markets in the future. An active pipeline also positions R&G well to continue to deliver on acquisition growth. Acquired for ca. £100m (plus deferred consideration of up to ca. £7.5m), R&G is expected to contribute annualised revenue of ca. £65m.

More recently, in early May, we completed the acquisition of Accuscience, a market-leading life sciences and med-tech distributor in Ireland. Accuscience has a diverse, high quality supplier portfolio which includes several tier one manufacturers. The business also has a proven ability to identify, attract, develop and grow best in class suppliers. This has translated into a strong track record on growth and excellent scale across the island of Ireland. The business's growth prospects are exciting, underpinned by recent wins and a strong product pipeline. The acquisition increases our exposure to the high growth diagnostics segment and further diversifies our product portfolio while also consolidating our position in the attractive Irish market, and continuing to build out the Life Sciences' European pillar. Acquired for ca. £51m, Accuscience is expected to contribute annualised revenue of ca.£35m.

We remain disciplined in our approach to acquisitions, and our pipeline is encouraging.

### **Portfolio focus**

At a Group level, we are focusing our growth around scalable business lines within the Sectors. As part of a disciplined approach to portfolio management, in early May, we disposed of a1-envirosciences, formerly part of the Life Sciences Sector, for ca. £11m. In November last year, we also disposed of Kentek in Russia for £10m.

### **Delivering our model at scale: investing in our Core Competencies and Capability**

Growth is only one component of our strategy; it is equally important that we support our businesses on their journey to scale. There is no 'one-size fits all'; our approach is pragmatic and incremental as our businesses become more strategic, systematic and process-oriented.

Our businesses share a common set of Core Competencies which underpin their value-add. Our operational strategy is focused on continuous improvement of these competencies to maintain great customer service at scale, and therefore sustain our pricing power and attractive margins.

The last two years has emphasised the importance of the **Route to Market** competency to support our diversification and growth as well as **Supply Chain** management. Against the wider market backdrop of supply chain challenges, inflation and labour pressures, our colleagues have worked tirelessly to maintain high levels of customer service. The trading environment has also underlined the importance of our focus on developing our Supply Chain competency and rolling out our Supply Chain Code (see below) to ensure a supply chain that is resilient, responsible and ethical.

**Commercial Discipline** – or pricing – has come to the fore – our value-added solutions give us pricing power, and the integration of pricing into everyday life has enabled us to protect our margins in an inflationary environment.

Developing these Core Competencies also requires investment in capability – **Talent, Technology and Facility**. **Talent** is a key component of our DVR agenda, particularly colleague engagement and retention in tight labour markets. We are investing across the Group in commercial, operational and functional roles. In January, we welcomed Ted Messmer as Sector CEO for North American Seals, an appointment which completes the Executive Leadership Team. In **Technology**, our approach is measured, with a number of small projects to upgrade capabilities ongoing at any one time, from ERP upgrades and implementations to barcoding and webstore development and improvement. The same is true of **Facility** – Louisville is our largest recent project, but we are also investing in a number of other sites including in our Life Sciences Sector in Australia, which is now completed, as well as a new facility which is underway for Simonsen & Weel in Denmark.



Alongside this, we continue to develop **a shared Diploma culture and identity**, with the Group acting as a conduit for knowledge and best practice sharing. This includes our DVR agenda (see below). Louisville has also provided an opportunity to share learnings on automation and successful execution of a facility move. Finally, we are all looking forward to our second ever in-person leadership gathering in Chicago as an opportunity for our leaders to build their internal networks and share experiences that will be of benefit as they take their businesses on the journey to scale.

### **Embedding Delivering Value Responsibly in our growth and operations**

We are very pleased with the progress our businesses are making with Delivering Value Responsibly ("DVR"), our ESG programme. Operating within our Group framework, colleagues are implementing improvement initiatives tailored to their businesses, and which will support the delivery of their DVR plans. In keeping with the evolution of a Diploma identity that fosters knowledge and best practice sharing, we are running Group-wide workshops and training, helping to drive engagement, raise awareness and provide colleagues with tools to deliver their DVR objectives.

For **Colleagues**, we have continued with our focus on learning & development and engagement. Potential hazard reporting and training are enhancing our **Health & Safety** culture, while increasing awareness and workshops are also helping to further our **Diversity, Equity & Inclusion** agenda. Our businesses are at varying stages of engagement with their **Supply Chains** on our Supplier Code. From an **Environment** perspective, waste has been a key area of focus with widespread actions to switch waste providers, increase recycling and use more recycled/recyclable materials. We are also working on our carbon footprint, with new facilities offering greater energy efficiency and businesses installing LED lighting and electric vehicle charging points.

DVR is not a standalone concept – we are embedding it into all of our strategic priorities, from growth to supply chain and operational excellence. Having defined our priorities and KPIs for our five material focus areas last year, our DVR metrics are fully embedded into our internal reporting and business reviews. We are now focused on collecting data and developing our baseline in order to set targets from the start of the next financial year.

### **Full year outlook unchanged**

The Group has delivered a strong first half performance as we continue to successfully execute our strategy for long-term organic growth. We continue to manage inflation, supply chain disruption and labour pressures. The second half has started well, and we are confident in our materially upgraded guidance provided in April:

- Low double-digit underlying revenue growth, well ahead of our model. We continue to expect growth to moderate in Q3 as the comparators get tougher.
- Reported revenue growth a little over 20%.
- Accuscience, acquired in May, is expected to deliver annualised revenue of ca. £35m.
- Operating margin at the top end of the 18-19% guidance range.
- Cash conversion in line with financial model (ca.90%).
- Net debt/EBITDA currently expected to be ca. 1.5x by year end.

Notwithstanding wider macroeconomic uncertainties, our resilience is underpinned by our value-added model, increasing diversification and strong balance sheet. We remain confident in our long-term prospects for continued growth at sustainably high margins, in line with our financial model.

## SECTOR REVIEW: CONTROLS

**The Controls Sector businesses supply specialised wiring, cable, connectors, fasteners, control devices and adhesives for a range of technically demanding applications.**

	Half Year		Change
	2022	2021	
Revenue	<b>£224.0m</b>	£152.8m	+47%
Underlying revenue growth	<b>+28%</b>	(1)%	
Adjusted operating profit	<b>£47.0m</b>	£31.2m	+51%
Adjusted operating margin	<b>21.0%</b>	20.4%	+60bps

### H1 2022 highlights

- International Controls up 17% off the back of revenue diversification initiatives.
- Continued excellent WCW contribution; underlying growth 42%, strong double-digit volume growth.
- Strategic acquisition of LJR Electronics builds scale and gives improved access to the large, growing US interconnect market.

### Sector financial performance

Controls Sector revenues during the first six months of the year were materially higher, up 47% to £224.0m (2021: £152.8m). This consisted of underlying revenue growth of 28% and a 19% contribution from acquisitions; currency was largely neutral.

Adjusted operating profit also increased significantly, 51% higher at £47.0m (2021: £31.2m) reflecting both revenue growth and a 60bps year-on-year increase in the adjusted operating margin to 21.0% (2021: 20.4%). Both WCW and International Controls contributed to the overall expansion of the margin, with positive operating leverage more than offsetting the pass through of higher copper prices and investment in growth.

**International Controls** (51% of Controls Sector revenue) started 2022 very well, with underlying growth of 17% reflecting the success of our revenue initiatives and a positive demand environment.

Interconnect delivered double-digit underlying growth against a resilient H1 2021 comparator with strength in Germany in energy and medical, and in the UK in energy and motorsport. While chip shortages held back our more automotive-focused French business, the actions being taken to further diversify revenues will underpin greater mid-term resilience and growth. The strategic acquisition of LJR in the US allows us to build scale in the largest developed interconnect market in the world, cross-sell Interconnect products and also gives our existing operation in Indianapolis the ability to leverage the LJR supply chain.

Shoal Group performed well against a strong comparator, supported by new product introductions and e-commerce; the addition of SWA has also provided improved access to the electrical wholesale market. Speciality Fasteners had an excellent first half, with revenue diversification actions translating into strong growth, particularly in end markets such as high-performance vehicles and space. The business is also taking share in recovering aerospace markets, having been specified onto new programmes and winning business in new parts of the aircraft, including galleys. The addition of AHW at the end of last year has added scale in the US and we are making good progress with plans for revenue and cost synergies.

Finally, Techsil, our adhesives business line continues to go from strength to strength while Fluid Controls also enjoyed a very good first half off the back of continued recovery in demand in its key hospitality end markets.

**Windy City Wire** ("WCW") (49% of Controls Sector revenue) continues to deliver, with underlying revenue growth of 42% in the period. This was driven by a combination of high-teens volume growth and the pass through of higher year-on-year copper prices. The impact of copper moderated towards the end of H1 as we started to lap stronger comparators.



Volume growth reflects share gains in all markets as a result of the compelling WCW customer proposition and product availability. All key end segments have had a strong first half – technology changes to combat cyber threats have benefited security access; digital antenna systems are increasingly becoming a requirement in locations across the US, driving continued growth; and audio visual is also performing very well, with WCW's excellent customer service and product offering driving share gains. Additionally, the business has enjoyed continued success in winning more specified positions with large, blue chip names, supporting current and future growth.

## SECTOR REVIEW: SEALS

**The Seals Sector businesses supply a range of seals, gaskets, cylinders, components and kits used in heavy mobile machinery and specialised industrial equipment with Aftermarket, OEM and MRO applications.**

	Half Year		
	2022	2021	Change
Revenue	<b>£137.4m</b>	£123.8	+11%
Underlying revenue growth	<b>+15%</b>	(2)%	
Adjusted operating profit	<b>£25.8m</b>	£20.7m	+25%
Adjusted operating margin	<b>18.8%</b>	16.7%	+210bps

### H1 2022 highlights

- Accelerated growth in North American Aftermarket; Louisville driving market share gains.
- Very positive International Seals performance with underlying growth 8% against a resilient prior year comparator driven by revenue diversification.
- Exciting addition of R&G Fluid Power Group in April builds scale in UK Seals.

### Sector financial performance

Seals Sector revenues rose 11% to £137.4m (2021: £123.8m), reflecting strong underlying growth of 15% partially offset by the disposal of Kentek in November 2021. Currency was largely neutral.

Adjusted operating profit outperformed revenue growth, increasing 25% to £25.8m (2021: £20.7m) with a 210bps year-on-year increase in the adjusted operating margin to 18.8% (2021: 16.7%). This was primarily due to a step up in the North American margin which benefited from the end of dual-running costs and improved efficiency at Louisville, positive operating leverage and the disposal of the lower margin Kentek business.

For **North American Seals** (65% of Sector revenue), underlying growth of 19% reflects strength in all markets – North American Aftermarket, US Industrial OEM and MRO all delivered double-digit underlying growth. We are particularly pleased with the performance of North American Aftermarket, with 20% underlying growth against a resilient comparator. The investment in our Aftermarket facility in Louisville, Kentucky is paying off, delivering accelerated growth and market share gains, particularly in Western states, against a backdrop of positive demand in key US construction markets.

Elsewhere, US Industrial OEM also delivered double-digit underlying growth while at MRO, a later cycle business, underlying growth was exceptionally strong, particularly in transportation but also in the industrial sector. New sales hires and growth initiatives are translating into market share gains, with VSP winning new customers and growing sales of new products. As a business whose value-add lies in a highly technical sale, the ending of lockdowns and ability to get out into the field has been an added positive.

**International Seals** (35% of Sector revenue) delivered underlying growth of 8% against a very resilient comparator (H1 2021: +5%). Our UK Seals businesses are benefiting from initiatives to diversify into product adjacencies and new end markets, while the higher oil price had led to improving demand in that sector. Kubo delivered double-digit underlying growth; the business has

shown great agility and, having pivoted to capture growth in medical last year, it is now capitalising on returning industrial demand. Product availability has also been a key differentiator for Kubo, supporting market share gains. MSeals had a slower start to the half against a strong comparator. The business is winning share and growing well in the food and pharmaceuticals sectors; while automotive in Sweden and wind have been quieter, a promising pipeline means we expect increased demand for seals for wind turbines in the second half. In Australia, our PumpNSeal business delivered double digit growth and while FITT Resources has been impacted by COVID lockdowns in Eastern Australia, a strong backlog underpins the outlook for the rest of the year.

## SECTOR REVIEW: LIFE SCIENCES

**The Life Sciences Sector businesses supply a range of medical devices, consumables, instrumentation and related services to Healthcare and Environmental end markets.**

	Half Year		
	2022	2021	Change
Revenue	<b>£87.1m</b>	£88.6m	(2)%
Underlying revenue growth	<b>(7)%</b>	+14%	
Adjusted operating profit	<b>£19.6m</b>	£21.3m	(8)%
Adjusted operating margin	<b>22.5%</b>	24.0%	(150)bps

### H1 2022 highlights

- Underlying revenue -7%: +2% excluding last year's COVID-related revenues; short-term growth also impacted by Australian and Canadian lockdowns.
- Exciting mid- to longer-term outlook; encouraging underlying trends, expect to return to underlying growth during H2.
- Strategic acquisition of Accuscience in Ireland increases exposure to high growth diagnostics segment and continues to build out European pillar.
- Disciplined portfolio management: disposal of a1-envirosciences in May.

### Sector financial performance

Revenues for the Life Sciences Sector fell 2% to £87.1m (2021: £88.6m), including a 7% underlying decline. Acquisitions net of disposals contributed 6%, with the incremental contribution from Simonsen & Weel and Kungshusen more than offsetting the disposal of a1-CBISS. Foreign exchange reduced reported revenues by 1%.

Adjusted operating profit was 8% lower at £19.6m (2021: £21.3m). The adjusted operating margin was 22.5% (2021: 24.0%). Last year's operating margin was untypically high; the first six months of 2022 have also seen a controlled return of variable costs.

Excluding last year's non-recurring COVID-related ventilator sales, underlying revenues increased 2%. Lockdowns in key Australian and Canadian markets together with hospital staff shortages also impacted H1 growth. Underlying momentum was particularly positive in testing and diagnostics, with strong revenue growth at businesses such as TPD in Ireland and Abacus in Australia. Last year's Scandinavian acquisitions are now settled into the Group, and giving rise to cross-selling opportunities, with Kungshusen winning an important new supplier through an existing Canadian relationship.

The Sector's mid- to longer-term prospects are exciting. All businesses have continued to make good progress with bringing new products into the pipeline. Elective surgical backlogs will take time to unwind, particularly given capacity constraints and staffing shortages in hospitals, helping to underpin mid-term growth at the Sector. We also expect increasing investment in testing and diagnostics (ca. 45% of Sector revenue); COVID has reshaped healthcare systems' view of the importance of diagnostic capabilities, with increasing emphasis on early diagnostics and intervention – a trend which is already in evidence in our businesses.

## **FINANCE**

### **Income statement**

Reported revenues increased by 23% to £448.5m (2021: £365.2m) with underlying growth of 16% and a 7% contribution from acquisitions net of two small disposals. Foreign currency movements were broadly neutral.

Adjusted operating profit increased by 24% to £82.5m (2021: £66.6m) reflecting higher revenues and a 20bps year-on-year improvement in the adjusted operating margin to 18.4% (2021: 18.2%). Statutory operating profit increased 26% to £58.2m (2021: £46.3m).

Adjusted profit before tax increased 24% to £78.6m (2021: £63.2m). There was an increase in the net interest expense to £3.9m (2021: £3.4m), due to increased borrowings used to finance acquisitions.

Statutory profit before tax was 23% higher year-on-year at £52.3m (2021: £42.5m) reflecting the increased revenues and margin improvements, partly offset by the higher interest charges discussed above.

The Group's adjusted effective rate of tax on adjusted profit before tax was 25.1% (September 2021: 25.4%) broadly in line with the FY2021 rate.

Adjusted earnings per share increased by 22% to 47.0p, compared with 38.4p in H1 2021.

### **Free cash flow**

Free cash flow represents cash available for acquisitions and distributions to shareholders. The Group generated free cash flow of £37.7m (2021: £34.3m) with the increase in operating profits being partly offset by an increased working capital investment. Free cash flow benefited from fixed asset proceeds of £9.3m.

Operating cash flow increased by 15% to £64.0m (2021: £55.5m) with the stronger adjusted operating profit and current year benefit of a one-off pension contribution in the prior half year being partly offset by an increased investment in working capital.

The investment in working capital of £27.3m (2021: £14.5m) was £12.8m more than in the prior half year. The increase in inventories (£19.2m) is due to incremental, targeted investment to support market share gains, ensure product availability and help manage supply chain constraints. The increase in receivables (£16.3m) is reflective of the robust trading activity especially towards the end of the first half. We expect strong cash generation in the second half of the year in line with our historical trends.

The Group's metric of working capital to revenue increased to 17.7% (2021: 16.0%), driven by increased investment into inventories and higher trade receivables.

Tax payments in the first half of the year increased by £7.4m to £19.9m (2021: £12.5m). The underlying cash tax rate increased to 23% (2021: 20%) due to timing of tax payments with the prior half year being impacted by COVID-related payment deferrals. The Group also funded the Company's Employee Benefit Trust with £2.8m (2021: £0.6m) in connection with the Company's long term incentive plan.

Capital expenditure increased by £3.1m against the comparable period last year to £5.7m (2021: £2.6m) largely consisting of ongoing investment in new field equipment in the Healthcare businesses (£2.9m), with a similar level of investment expected to continue in the second half.

Net acquisition expenditure of £19.5m (2021: £399.4m) principally comprises of the spend for LJR (£21.3m) and acquisition fees (£1.8m), partly offset by the proceeds received in respect of the disposal of Kentek (£4.2m).

The Group paid £37.7m (2021: £37.6m) in dividends to ordinary and minority interest shareholders. The prior year payment included the catch up of the FY2020 interim dividend which had been deferred in May 2020 due to the uncertainty created by COVID-19 at that time.

### **Net bank debt**

The Group has a debt facility agreement ("SFA") originally entered into on 13 October 2020. At 31 March 2022, the SFA comprised of an amortising term loan for an aggregate principal of £106.7m (\$140.8m), a bullet term loan for an aggregate principal of £50.0m (\$66.0m) and a committed multi-currency revolving credit facility for an aggregate principal of £255.0m. The SFA is due to expire in December 2024 and there is an option to extend for a further 12-month period.

The Group continues to maintain a robust balance sheet with net bank debt of £209.5m (2021: £191.1m) comprised of borrowings of £342.0m (2021: £216.9m), less cash funds of £132.5m (2021: £25.8m). The increased cash funds held at 31 March 2022 were utilised shortly after the period end to fund the acquisition of R&G for £100m.

At 31 March 2022, net bank debt of £209.5m represented 1.2x EBITDA against a banking covenant of 3x EBITDA. We expect this to return to ca. 1.5x EBITDA by year end despite the acquisitions of R&G which completed in April 2022 and Accuscience, which completed in May.

### **Going concern**

The Directors have assessed the relevant factors surrounding going concern. The Group has carried out an assessment of its projected trading for the 18-month period through to the year ending 30 September 2023. This assessment incorporated a downside scenario which demonstrates that the Group has sufficient liquidity, resources and covenant headroom to continue in operation for the foreseeable future. The Directors confirm there are no material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and these condensed consolidated financial statements have therefore been prepared on a going concern basis.

### **Exchange rates**

A significant proportion of the Group's revenues (ca. 80%) are derived from businesses located outside the UK, principally in the US, Canada, Australia and Northern Europe. Since 30 September 2021, UK sterling has weakened against some of the major currencies in which the Group operates, in particular the US, Canadian, and Australian dollar, whilst strengthening against the Euro and Danish krone. Compared with the first half of last year, the average UK sterling exchange rate is also weaker against the US and Canadian dollars, though stronger than the Euro, Danish krone, and Australian dollar. The impact from translating the results of the Group's overseas businesses into UK sterling has led to a reduction in Group revenues of ca. £0.4m and an increase in the Group's adjusted operating profit of ca. £0.1m, compared with the same period last year.

The Group continues with its policy of mitigating transactional currency exposures across all of the Group's businesses by purchasing currency hedging contracts to meet up to 80% of its currency commitments for periods up to 18 months, where it is considered appropriate.

## **RISKS AND UNCERTAINTIES**

The principal risks and uncertainties which may have the largest impact on performance in the second half of the year are the same as those described in detail in pages 28-33 of the 2021 Annual Report & Accounts. In summary these are:

- Strategic risks – downturn/instability in major markets, supplier concentration/loss of key suppliers, customer concentration/loss of key customers, unsuccessful acquisitions and geopolitical disruptions;
- Operational risks – health and safety, cybersecurity/information technology/business interruption, loss of key personnel, product liability and supply chain disruptions;
- Financial risks – foreign currency and tax compliance; and
- Accounting risk – inventory obsolescence.

The Directors confirm that the principal risks and uncertainties and the processes for managing them have not changed since the publication of the 2021 Annual Report & Accounts and that they remain relevant for the second half of the financial year.

**Johnny Thomson**  
Chief Executive Officer

16 May 2022

## **Responsibility Statement of the Directors in respect of the Half Year Report 2022**

We confirm that to the best of our knowledge:

- the condensed consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standard 34, 'Interim Financial Reporting'; and
- the Half Year Report includes a fair review of the information required by:
  - a) DTR4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - b) DTR4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report & Accounts that could do so.

The Directors of Diploma PLC and their respective responsibilities are listed in the Annual Report & Accounts for 2021 and on the Company's website at [www.diplomaplc.com](http://www.diplomaplc.com).

### **By Order of the Board**

**JD Thomson**

Chief Executive Officer  
16 May 2022

**B Gibbes**

Chief Financial Officer  
16 May 2022



## Condensed Consolidated Income Statement

For the six months ended 31 March 2022

	Note	Unaudited 31 March 2022 £m	Unaudited 31 March 2021 £m	Audited 30 Sept 2021 £m
<b>Revenue</b>	3	<b>448.5</b>	365.2	787.4
Cost of sales		<b>(284.6)</b>	(231.3)	(499.0)
<b>Gross profit</b>		<b>163.9</b>	133.9	288.4
Distribution costs		<b>(14.9)</b>	(10.7)	(23.9)
Administration costs		<b>(90.8)</b>	(76.9)	(160.2)
<b>Operating profit</b>	3	<b>58.2</b>	46.3	104.3
Financial expense, net	4	<b>(5.9)</b>	(3.8)	(7.7)
<b>Profit before tax</b>		<b>52.3</b>	42.5	96.6
Tax expense	5	<b>(16.4)</b>	(10.5)	(26.9)
<b>Profit for the period</b>		<b>35.9</b>	32.0	69.7
Attributable to:				
Shareholders of the Company		<b>35.6</b>	31.7	69.8
Minority interests		<b>0.3</b>	0.3	(0.1)
		<b>35.9</b>	32.0	69.7
<b>Earnings per share</b>				
Basic earnings	6	<b>28.6p</b>	25.5p	56.1p
Diluted earnings		<b>28.5p</b>	25.4p	55.9p

<b>Alternative Performance Measures (note 2)</b>	Note	<b>31 March 2022 £m</b>	31 March 2021 £m	30 Sept 2021 £m
Operating profit		<b>58.2</b>	46.3	104.3
Add: Acquisition related charges	9	<b>24.3</b>	20.3	44.4
<b>Adjusted operating profit</b>	3	<b>82.5</b>	66.6	148.7
Deduct: Net interest expense and similar charges	4	<b>(3.9)</b>	(3.4)	(6.8)
<b>Adjusted profit before tax</b>		<b>78.6</b>	63.2	141.9
<b>Adjusted earnings per share</b>	6	<b>47.0p</b>	38.4p	85.2p

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 March 2022

	Unaudited 31 March 2022 £m	Unaudited 31 March 2021 £m	Audited 30 Sept 2021 £m
<b>Profit for the period</b>	<b>35.9</b>	32.0	69.7
<b>Items that will not be reclassified to the Consolidated Income Statement</b>			
Actuarial gain/(losses) in the defined benefit pension scheme	-	-	7.4
Deferred tax on items that will not be reclassified	-	-	(0.8)
	-	-	6.6
<b>Items that may be reclassified to the Consolidated Income Statement</b>			
Exchange rate gains/(losses) on foreign currency net investments	<b>15.7</b>	(24.8)	(16.2)
Exchange loss on translation of foreign operations recycled to income statement on disposal	<b>(2.0)</b>	-	-
(Losses)/gains on fair value of cash flow hedges	<b>(0.5)</b>	(1.3)	0.4
Net changes to fair value of cash flow hedges transferred to the Consolidated Income Statement	-	-	0.1
Deferred tax on items that may be reclassified	<b>0.2</b>	0.5	(0.1)
	<b>13.4</b>	(25.6)	(15.8)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>49.3</b>	6.4	60.5
Attributable to:			
Shareholders of the Company	<b>49.1</b>	6.4	60.8
Minority interests	<b>0.2</b>	-	(0.3)
	<b>49.3</b>	6.4	60.5

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2022

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Share -holders' equity £m	Minority interests £m	Total equity £m
<b>At 1 October 2020 (audited)</b>	<b>6.3</b>	<b>188.6</b>	<b>28.3</b>	<b>(0.3)</b>	<b>304.1</b>	<b>527.0</b>	<b>3.7</b>	<b>530.7</b>
Total comprehensive income	-	-	(24.5)	(0.8)	31.7	<b>6.4</b>	-	<b>6.4</b>
Share-based payments	-	-	-	-	0.7	<b>0.7</b>	-	<b>0.7</b>
Tax on items recognised directly in equity	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	(0.6)	<b>(0.6)</b>	-	<b>(0.6)</b>
Minority interest issued	-	-	-	-	-	-	0.7	<b>0.7</b>
Dividends	-	-	-	-	(37.3)	<b>(37.3)</b>	(0.3)	<b>(37.6)</b>
<b>At 31 March 2021 (unaudited)</b>	<b>6.3</b>	<b>188.6</b>	<b>3.8</b>	<b>(1.1)</b>	<b>298.6</b>	<b>496.2</b>	<b>4.1</b>	<b>500.3</b>
Total comprehensive income	-	-	8.3	1.3	44.8	<b>54.4</b>	(0.3)	<b>54.1</b>
Share-based payments	-	-	-	-	1.1	<b>1.1</b>	-	<b>1.1</b>
Tax on items recognised directly in equity	-	-	-	-	1.0	<b>1.0</b>	-	<b>1.0</b>
Notional purchase of own shares	-	-	-	-	0.1	<b>0.1</b>	-	<b>0.1</b>
Acquisition of business	-	-	-	-	-	-	0.9	<b>0.9</b>
Minority interest put option	-	-	-	-	(0.9)	<b>(0.9)</b>	-	<b>(0.9)</b>
Dividends	-	-	-	-	(15.6)	<b>(15.6)</b>	-	<b>(15.6)</b>
<b>At 30 September 2021 (audited)</b>	<b>6.3</b>	<b>188.6</b>	<b>12.1</b>	<b>0.2</b>	<b>329.1</b>	<b>536.3</b>	<b>4.7</b>	<b>541.0</b>
Total comprehensive income	-	-	13.8	(0.3)	35.6	<b>49.1</b>	0.2	<b>49.3</b>
Share-based payments	-	-	-	-	1.4	<b>1.4</b>	-	<b>1.4</b>
Tax on items recognised directly in equity	-	-	-	-	-	-	-	-
Notional purchase of own shares	-	-	-	-	(2.8)	<b>(2.8)</b>	-	<b>(2.8)</b>
Disposal of minority interest	-	-	-	-	-	-	(1.3)	<b>(1.3)</b>
Disposal of minority interest put option	-	-	-	-	1.2	<b>1.2</b>	-	<b>1.2</b>
Dividends	-	-	-	-	(37.5)	<b>(37.5)</b>	(0.2)	<b>(37.7)</b>
<b>At 31 March 2022 (unaudited)</b>	<b>6.3</b>	<b>188.6</b>	<b>25.9</b>	<b>(0.1)</b>	<b>327.0</b>	<b>547.7</b>	<b>3.4</b>	<b>551.1</b>

## Condensed Consolidated Statement of Financial Position

As at 31 March 2022

	Note	Unaudited 31 March 2022 £m	Unaudited 31 March 2021 £m	Audited 30 Sept 2021 £m
<b>Non-current assets</b>				
Goodwill	9	269.9	243.5	260.7
Acquisition intangible assets	9	342.2	320.9	344.9
Other intangible assets		3.5	3.2	3.4
Property, plant and equipment		36.4	44.1	35.4
Leases - right of use of assets	11	53.8	42.0	44.9
Deferred tax assets		0.3	0.7	0.4
		<b>706.1</b>	654.4	689.7
<b>Current assets</b>				
Inventories		165.1	121.1	139.8
Trade and other receivables		135.4	115.0	117.8
Assets held for sale		2.9	-	11.3
Cash and cash equivalents	8	132.5	25.8	24.8
		<b>435.9</b>	261.9	293.7
<b>Current liabilities</b>				
Borrowings	8	(21.4)	(14.9)	(18.0)
Trade and other payables		(138.0)	(109.1)	(127.0)
Current tax liabilities		(9.1)	(4.4)	(10.0)
Other liabilities	12	(5.6)	(10.6)	(11.7)
Lease liabilities	11	(10.1)	(9.9)	(9.7)
		<b>(184.2)</b>	(148.9)	(176.4)
<b>Net current assets</b>		<b>251.7</b>	113.0	117.3
<b>Total assets less current liabilities</b>		<b>957.8</b>	767.4	807.0
<b>Non-current liabilities</b>				
Retirement benefit obligations		(4.9)	(12.5)	(4.9)
Borrowings	8	(320.6)	(202.0)	(188.2)
Lease liabilities	11	(50.2)	(35.0)	(38.6)
Other liabilities	12	(12.1)	(0.7)	(12.0)
Deferred tax liabilities		(18.9)	(16.9)	(22.3)
<b>Net assets</b>		<b>551.1</b>	500.3	541.0
<b>Equity</b>				
Share capital		6.3	6.3	6.3
Share premium		188.6	188.6	188.6
Translation reserve		25.9	3.8	12.1
Hedging reserve		(0.1)	(1.1)	0.2
Retained earnings		327.0	298.6	329.1
<b>Total shareholders' equity</b>		<b>547.7</b>	496.2	536.3
Minority interests		3.4	4.1	4.7
<b>Total equity</b>		<b>551.1</b>	500.3	541.0

## Condensed Consolidated Cash Flow Statement

For the six months ended 31 March 2022

	Note	Unaudited 31 March 2022 £m	Unaudited 31 March 2021 £m	Audited 30 Sept 2021 £m
<b>Cash flow from operating activities</b>	7	<b>64.0</b>	55.5	145.9
Interest paid, net		<b>(2.7)</b>	(2.3)	(5.6)
Tax paid		<b>(19.9)</b>	(12.5)	(24.2)
<b>Net cash from operating activities</b>		<b>41.4</b>	40.7	116.1
<b>Cash flow from investing activities</b>				
Acquisition of businesses (net of cash acquired)		<b>(21.9)</b>	(397.3)	(451.4)
Deferred consideration paid	12	<b>(5.4)</b>	(6.1)	(6.6)
Proceeds from sale of business		<b>4.2</b>	-	11.0
Purchase of property, plant and equipment		<b>(5.2)</b>	(2.0)	(4.9)
Purchase of other intangible assets		<b>(0.5)</b>	(0.6)	(1.3)
Proceeds from sale of property, plant and equipment		<b>9.3</b>	0.2	4.8
<b>Net cash used in investing activities</b>		<b>(19.5)</b>	(405.8)	(448.4)
<b>Cash flow from financing activities</b>				
Proceeds from issue of share capital (net of fees)		-	(0.6)	(0.6)
Dividends paid to shareholders	13	<b>(37.5)</b>	(37.3)	(52.9)
Dividends paid to minority interests		<b>(0.2)</b>	(0.3)	(0.3)
Proceeds from minority interests		-	0.7	0.7
Lease repayments	11	<b>(6.3)</b>	(5.5)	(9.5)
Purchase of own shares by Employee Benefit Trust		-	-	-
Notional purchase of own shares on exercise of options		<b>(2.8)</b>	(0.6)	(0.6)
Proceeds from borrowings	8	<b>141.7</b>	226.0	215.3
Repayment of borrowings	8	<b>(9.7)</b>	(6.3)	(12.4)
<b>Net cash from financing activities</b>		<b>85.2</b>	176.1	139.7
<b>Net increase/(decrease) in cash and cash equivalents</b>	8	<b>107.1</b>	(189.0)	(192.6)
Cash and cash equivalents at beginning of period		<b>24.8</b>	206.8	206.8
Effect of exchange rates on cash and cash equivalents		<b>0.6</b>	8.0	10.6
<b>Cash and cash equivalents at end of period</b>		<b>132.5</b>	25.8	24.8

<b>Alternative Performance Measures (note 2)</b>	<b>31 March 2022 £m</b>	31 March 2021 £m	30 Sept 2021 £m
Net increase/(decrease) in cash and cash equivalents	<b>107.1</b>	(189.0)	(192.6)
Add: Dividends paid to shareholders and minority interests	<b>37.7</b>	37.6	53.2
Proceeds from minority interests	-	(0.7)	(0.7)
Acquisition/disposal of businesses (including net expenses)	<b>19.5</b>	399.4	444.6
Deferred consideration paid	<b>5.4</b>	6.1	6.6
Proceeds from issue of share capital (net of fees)	-	0.6	0.6
Proceeds from bank borrowings, net	<b>(132.0)</b>	(219.7)	(202.9)
<b>Free cash flow</b>	<b>37.7</b>	34.3	108.8
Cash and cash equivalents	<b>132.5</b>	25.8	24.8
Bank borrowings	<b>(342.0)</b>	(216.9)	(206.2)
<b>Net bank debt</b>	<b>(209.5)</b>	(191.1)	(181.4)

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 31 March 2022

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

Diploma PLC (the "Company") is a public limited company registered and domiciled in England and Wales. The condensed set of consolidated financial statements (the "financial statements") for the six months ended 31 March 2022 comprise the Company and its subsidiaries (together referred to as "the Group").

The condensed information presented for the financial year ended 30 September 2021 does not constitute full statutory accounts as defined in section 434 of the Companies Act 2006. Those statutory accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Except where otherwise stated, the figures for the six months ended 31 March 2021 were extracted from the 2021 Half Year Report, which was unaudited.

The Group's audited consolidated financial statements for the year ended 30 September 2021 are available on the Company's website ([www.diplomaplc.com](http://www.diplomaplc.com)) or upon request from the Company's registered office at Diploma PLC, 10-11 Charterhouse Square, London, EC1M 6EE.

#### 1.1 Statement of compliance

The financial statements included in this Half Year Announcement for the six months ended 31 March 2022 have been prepared on a going concern basis and in accordance with UK-adopted International Accounting Standard 34, *Interim Financial Reporting* and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority. The financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 30 September 2021.

The Half Year financial statements were approved by the Board of Directors on 16 May 2022; they have not been audited by the Company's auditor.

#### 1.2 Significant accounting policies

The accounting policies applied by the Group in this set of financial statements are the same as those applied by the Group in its audited consolidated financial statements for the year ended 30 September 2021, except for the amount included in the Half Year Report in respect of taxation.

As in previous Half Year Announcements, taxation has been calculated by applying the Directors' best estimate of the annual rates of taxation to taxable profits for the period. In the audited consolidated financial statements for the full year, the taxation balances are based on draft tax computations prepared for each business within the Group.

#### 1.3 Risk management

The Group's overall management of financial risks is carried out by a central team under policies and procedures which are reviewed by the Board. The financial risks to which the Group is exposed are those of credit, liquidity, foreign currency, interest rate and capital management. An explanation of each of these risks and how the Group manages them is included in the Annual Report & Accounts for the year ended 30 September 2021. Further explanation of the Group's principal risks and uncertainties and Going Concern are set out in the narrative of this Half Year Report.

There is no material difference between the book value and fair value of the Group's financial assets and financial liabilities as at 31 March 2022. The basis for determining the fair value is as follows:

- *Derivatives:* Forward contracts and interest rate swaps are designated as level 2 assets (in the fair value hierarchy) and fair-valued at 31 March 2022 with the gains and losses taken to equity. The fair value of the forward contracts and interest rate swaps as at 31 March 2022 amounts to a £0.1m liability (2021: £1.3m liability).
- *Trade and other receivables:* As the majority of the trade and other receivables have a remaining life of less than 12 months, the book value is deemed to be reflective of the fair value.
- *Lease and other liabilities:* The carrying amount represents the discounted value of the expected liability which is deemed to reflect the fair value.



# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 31 March 2022

### 1.4 Estimates and judgements

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The accounting estimates and judgements made by management in applying the Group's accounting policies that have the most significant effect on the amounts included within these consolidated financial statements, were the same as those that applied to the Group's audited consolidated financial statements for the year ended 30 September 2021 as set out on page 117 of the 2021 Annual Report & Accounts.

## 2. ALTERNATIVE PERFORMANCE MEASURES

The Group uses a number of alternative (non-Generally Accepted Accounting Practice ("non-GAAP")) financial measures which are not defined within IFRS. The Directors use these measures for internal management reporting of key performance indicators ("KPIs") in order to assess the operational performance of the Group on a comparable basis against the Group's KPIs, as a key constituent of the Group's planning process, as well as comprising targets against which compensation is determined. As such these measures should be considered alongside the IFRS measures. The following non-GAAP measures are referred to in this Half Year Announcement:

### 2.1 Adjusted operating profit

At the foot of the Consolidated Income Statement, "adjusted operating profit" is defined as operating profit before amortisation and impairment of acquisition intangible assets or goodwill, acquisition expenses and adjustments to deferred consideration (collectively, "acquisition related charges"), the costs of a material restructuring or rationalisation of operations and the profit or loss relating to the sale of businesses. The Directors believe that adjusted operating profit is an important measure of the operational performance of the Group. Adjusted operating margin is the Group's adjusted operating profit divided by the Group's revenue.

### 2.2 Adjusted profit before tax

At the foot of the Consolidated Income Statement, "adjusted profit before tax" is separately disclosed, being defined as adjusted operating profit, after finance expenses (but before acquisition related finance charges) and before tax. The Directors believe that adjusted profit before tax is an important measure of the operational performance of the Group.

### 2.3 Adjusted earnings per share

"Adjusted earnings per share" ("adjusted EPS") is calculated as the total of adjusted profit before tax, less income tax costs, but including the tax impact on the items included in the calculation of adjusted profit, less profit/(loss) attributable to minority interests, divided by the weighted average number of ordinary shares in issue during the year. The Directors believe that adjusted EPS provides an important measure of the earnings capacity of the Group.

### 2.4 Free cash flow

At the foot of the Consolidated Cash Flow Statement, "free cash flow" is reported, being defined as net cash flow from operating activities, after net capital expenditure on tangible and intangible assets, and including proceeds received from property disposals, but before expenditure on business combinations/investments and proceeds from business disposals, borrowings received to fund acquisitions and dividends paid to both minority shareholders and the Company's shareholders. The Directors believe that free cash flow gives an important measure of the cash flow of the Group, available for future investment or distribution to shareholders. Cash conversion is defined as free cash flow over adjusted earnings after tax as per note 6.

### 2.5 Net debt to EBITDA

The Net debt to EBITDA ratio is an important metric for the Group and provides a relevant measure of the gearing level of the Group. The Group's bank debt covenants stipulate the methodology upon which the net debt to EBITDA ratio is determined. Net debt is defined as total bank borrowings, net of cash. EBITDA is defined as operating profit before adjusting items, depreciation and amortisation and adjusted for the full year effect of acquisitions and disposals in the preceding 12-month period.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 31 March 2022

### 2.6 Trading capital employed and ROATCE

Return on adjusted trading capital employed ("ROATCE") is defined as the adjusted operating profit, divided by adjusted trading capital employed and adjusted for the full year effect of acquisitions and disposals. "Trading capital employed" is defined as net assets less cash and cash equivalents ("cash funds") and after adding back: borrowings (other than lease liabilities); retirement benefit obligations; deferred tax; and acquisition liabilities in respect of future purchases of minority interests and deferred consideration. Adjusted trading capital employed is reported as being trading capital employed plus goodwill and acquisition related charges previously written off (net of deferred tax on acquisition intangible assets). The Directors believe that ROATCE is an important measure of the profitability of the Group.

### 3. BUSINESS SECTOR ANALYSIS

The Chief Operating Decision Maker ("CODM") for the purposes of IFRS 8 is the Chief Executive Officer. The financial performance of the Sectors is reported to the CODM monthly and this information is used to allocate resources on an appropriate basis.

Sector information is presented in this Half Year Announcement in respect of the Group's business Sectors, which is the primary basis of Sector reporting. The business Sector reporting format reflects the Group's management and internal reporting structure. The geographic sector reporting represents results by origin. The Group's financial results have not, historically, been subject to significant seasonal trends. In the year ended 30 September 2021, the Group earned 46.4% of its annual revenues and 44.8% of its annual adjusted operating profits in the first six months of the year. This phasing between the first and second half was partly impacted by the timing of acquisitions which favoured the second half of the year.

Sector revenue represents revenue from external customers; there is no inter-Sector revenue. Sector results, assets and liabilities include items directly attributable to a Sector.

	Revenue			Adjusted operating profit			Operating profit		
	31 Mar 2022 £m	31 Mar 2021 £m	30 Sept 2021 £m	31 Mar 2022 £m	31 Mar 2021* £m	30 Sept 2021 £m	31 Mar 2022 £m	31 Mar 2021* £m	30 Sept 2021 £m
<b>By Sector</b>									
Life Sciences	87.1	88.6	180.4	19.6	21.3	43.2	17.2	19.3	38.6
Seals	137.4	123.8	263.7	25.8	20.7	46.5	17.1	16.2	36.8
Controls	224.0	152.8	343.3	47.0	31.2	72.4	33.8	17.4	42.3
Corporate	-	-	-	(9.9)	(6.6)	(13.4)	(9.9)	(6.6)	(13.4)
	448.5	365.2	787.4	82.5	66.6	148.7	58.2	46.3	104.3
<b>By Geographic Area</b>									
United Kingdom	84.0	67.1	142.5	5.6	5.8	10.5			
Rest of Europe	79.8	79.7	166.5	15.4	15.4	31.9			
North America	250.3	187.7	411.8	56.0	39.9	94.7			
Rest of World	34.4	30.7	66.6	5.5	5.5	11.6			
	448.5	365.2	787.4	82.5	66.6	148.7			

\*Re-presented to include central corporate costs separately in line with presentation at 31 March 2022 and at 30 September 2021. The corporate costs are not considered to be an operating segment.

	Total assets			Total liabilities			Net assets		
	31 Mar 2022 £m	31 Mar 2021 £m	30 Sept 2021 £m	31 Mar 2022 £m	31 Mar 2021 £m	30 Sept 2021 £m	31 Mar 2022 £m	31 Mar 2021 £m	30 Sept 2021 £m
<b>By Sector</b>									
Life Sciences	187.2	169.1	179.8	(31.7)	(32.5)	(30.2)	155.5	136.6	149.6
Seals	250.8	251.9	244.8	(69.2)	(57.4)	(58.4)	181.6	194.5	186.4
Controls	579.1	471.1	531.4	(78.7)	(56.6)	(68.1)	500.4	414.5	463.3
Corporate assets/(liabilities)	124.9	24.2	27.4	(411.3)	(269.5)	(285.7)	(286.4)	(245.3)	(258.3)
	1,142.0	916.3	983.4	(590.9)	(416.0)	(442.4)	551.1	500.3	541.0

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 31 March 2022

### 3. BUSINESS SECTOR ANALYSIS (continued)

In the six months ended 31 March 2022, the Group acquired LJR Electronics ("LJR"), which contributed £2.5m to revenue and £0.3m to adjusted operating profit. For full details of the pro-forma contribution, see note 10. The results of LJR are included within the Controls Sector and reported within the geographic area of North America. Sector assets exclude cash and cash equivalents, deferred tax assets and corporate assets that cannot be allocated on a reasonable basis to a business Sector. Sector liabilities exclude bank borrowings, retirement benefit obligations, deferred tax liabilities, acquisition liabilities and corporate liabilities that cannot be allocated on a reasonable basis to a business Sector. These items that cannot be allocated on a reasonable basis to a business Sector are shown collectively as "corporate assets/(liabilities)".

	Capital expenditure			Depreciation		
	31 Mar 2022 £m	31 Mar 2021 £m	30 Sept 2021 £m	31 Mar 2022* £m	31 Mar 2021 £m	30 Sept 2021 £m
<b>By Sector</b>						
Life Sciences	2.9	0.9	2.3	1.3	1.2	2.6
Seals	1.1	1.4	2.5	1.3	1.4	2.9
Controls	0.8	0.3	1.1	2.2	2.1	4.1
Corporate	0.9	-	0.3	0.1	-	0.1
	5.7	2.6	6.2	4.9	4.7	9.7

\*A further £6.0m (2021: £5.4m) of depreciation was incurred on right of use assets (note 11).

### 4. FINANCIAL EXPENSE, NET

	31 March 2022 £m	31 March 2021 £m	30 Sept 2021 £m
<b>Interest expense and similar charges</b>			
- bank facility and commitment fees	(0.4)	(0.3)	(0.5)
- interest expense on bank borrowings	(2.1)	(2.0)	(4.1)
- notional interest expense on the defined benefit pension scheme	(0.2)	(0.2)	(0.1)
- amortisation of capitalised borrowing fees	(0.1)	-	(0.3)
- interest on lease liabilities	(1.1)	(0.9)	(1.8)
<b>Net interest expense and similar charges</b>	<b>(3.9)</b>	<b>(3.4)</b>	<b>(6.8)</b>
- acquisition related finance charges	(2.0)	(0.4)	(0.9)
<b>Financial expense, net</b>	<b>(5.9)</b>	<b>(3.8)</b>	<b>(7.7)</b>

Acquisition related finance charges includes fair value remeasurements of put options for future minority purchases (£1.0m), unwind of discount on acquisition liabilities (£0.4m), and the amortisation of capitalised borrowing fees on acquisition related borrowings (£0.6m). Further detail on the interest charged on lease liabilities is included in note 11.

### 5. TAXATION

	31 March 2022 £m	31 March 2021 £m	30 Sept 2021 £m
UK corporation tax	1.2	1.0	5.7
Overseas tax	15.2	9.5	21.2
<b>Total tax on profit for the period</b>	<b>16.4</b>	<b>10.5</b>	<b>26.9</b>

Taxation on profits before tax has been calculated by applying the Directors' best estimate of the annual rates of taxation to taxable profits for the period. The Group's adjusted effective rate of tax on adjusted profit before tax is 25.1% (September 2021: 25.4%).

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 31 March 2022

### 6. EARNINGS PER SHARE

#### Basic earnings per share

Basic earnings per ordinary 5p share are calculated on the basis of the weighted average number of ordinary shares in issue during the period of 124,520,917 (2021: 124,463,520) and the profit for the period attributable to shareholders of £35.6m (2021: £31.7m). Basic earnings per share is 28.6p (2021: 25.5p). Diluted earnings per share is 28.5p (2020: 25.4p) and is based on the average number of ordinary shares (which includes any potentially dilutive shares) of 124,932,661.

#### Adjusted earnings per share

Adjusted earnings per share, defined in note 2, is calculated as follows:

	31 Mar 2022 pence per share	31 Mar 2021 pence per share	30 Sept 2021 pence per share	31 Mar 2022 £m	31 Mar 2021 £m	30 Sept 2021 £m
<b>Profit before tax</b>				<b>52.3</b>	42.5	96.6
Tax expense				<b>(16.4)</b>	(10.5)	(26.9)
Minority interests				<b>(0.3)</b>	(0.3)	0.1
<b>Earnings for the period attributable to shareholders of the Company</b>	<b>28.6</b>	25.5	56.1	<b>35.6</b>	31.7	69.8
Acquisition related charges and acquisition related finance charges, net of tax	<b>18.4</b>	12.9	29.1	<b>22.9</b>	16.0	36.3
<b>Adjusted earnings</b>	<b>47.0</b>	38.4	85.2	<b>58.5</b>	47.7	106.1

### 7. RECONCILIATION OF OPERATING PROFIT TO CASH FLOW FROM OPERATING ACTIVITIES

	31 March 2022 £m	31 March 2021 £m	30 Sept 2021 £m
<b>Operating profit</b>	<b>58.2</b>	46.3	104.3
Acquisition related charges (note 9)	<b>24.3</b>	20.3	44.4
<b>Adjusted operating profit</b>	<b>82.5</b>	66.6	148.7
Depreciation/amortisation of tangible, other intangible assets and right of use assets	<b>10.9</b>	10.1	20.7
Share-based payments expense	<b>1.4</b>	0.7	1.8
Defined benefit scheme expense	<b>(0.2)</b>	(5.3)	(5.8)
Profit on disposal of assets	<b>(1.5)</b>	-	(2.8)
Acquisition expenses paid	<b>(1.8)</b>	(2.1)	(4.2)
Other non-cash movements	-	-	0.1
<b>Non-cash items and other</b>	<b>8.8</b>	3.4	9.8
Increase in inventories	<b>(19.2)</b>	(1.7)	(13.5)
Increase in trade and other receivables	<b>(16.3)</b>	(17.7)	(16.3)
Increase in trade and other payables	<b>8.2</b>	4.9	17.2
<b>Increase in working capital</b>	<b>(27.3)</b>	(14.5)	(12.6)
<b>Cash flow from operating activities</b>	<b>64.0</b>	55.5	145.9

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 31 March 2022

### 8. (NET BANK DEBT)/CASH FUNDS

The movement in (net bank debt)/cash funds during the period is as follows:

	31 March 2022 £m	31 March 2021 £m	30 Sept 2021 £m
Net increase/(decrease) in cash and cash equivalents	107.1	(189.0)	(192.6)
Increase in bank borrowings	(132.0)	(219.7)	(202.9)
	(24.9)	(408.7)	(395.5)
Effect of exchange rates	(3.2)	10.8	7.3
<b>Movement in net bank debt</b>	<b>(28.1)</b>	<b>(397.9)</b>	<b>(388.2)</b>
(Net bank debt)/ cash funds at beginning of period	(181.4)	206.8	206.8
<b>Net bank debt at end of period</b>	<b>(209.5)</b>	<b>(191.1)</b>	<b>(181.4)</b>
Comprising:			
Cash and cash equivalents	132.5	25.8	24.8
Bank borrowings:			
- Revolving credit facility	(188.8)	(101.7)	(95.1)
- Term loan	(157.1)	(118.1)	(113.9)
- Capitalised debt fees	3.9	2.9	2.8
	(342.0)	(216.9)	(206.2)
<b>Net bank debt at end of period</b>	<b>(209.5)</b>	<b>(191.1)</b>	<b>(181.4)</b>
Analysed as:	£m	£m	£m
Repayable within one year	21.4	14.9	18.0
Repayable after one year	320.6	202.0	188.2

The Group has a debt facility agreement ("SFA") originally entered into on 13 October 2020. At 31 March 2022 the SFA comprised of an amortising term loan for an aggregate principal of \$140.8m (2021: \$161.5m), a bullet term loan for an aggregate principal of \$66.0m (2021: nil) and a committed multi-currency revolving credit facility for an aggregate principal of £255.0m (2021: £135.0m). The SFA is due to expire in December 2024 and there is an option to extend for a further 12-month period. Interest on the SFA is payable between 125–275bps above the applicable interbank or risk-free rate, depending on the ratio of net debt to EBITDA.

At 31 March 2022, the Group had utilised £188.8m of the RCF (2021: £101.7m), comprising £16.0m (\$21.0m) of US dollars, £30.4m (€36.0m) of Euros and £142.4m of sterling.

Total debt is £269.8m (2021: £236.0m) comprising net bank debt of £209.5m (2021: £191.1m) and lease liabilities of £60.3m (2021: £44.9m). Bank covenants are tested against net bank debt only.

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 31 March 2022

### 9. GOODWILL AND ACQUISITION INTANGIBLE ASSETS

	Goodwill £m	Acquisition intangible assets £m
At 1 October 2020	159.0	87.2
Acquisitions	94.8	269.7
Amortisation charge	-	(15.8)
Exchange adjustments	(10.3)	(20.2)
At 31 March 2021	243.5	320.9
Acquisitions	22.8	37.1
Disposals	(3.8)	-
Reclassification to held for sale	(4.7)	(1.5)
Amortisation charge	-	(17.3)
Exchange adjustments	2.9	5.7
At 30 September 2021	260.7	344.9
Acquisitions	4.2	9.7
Amortisation charge	-	(18.8)
Exchange adjustments	5.0	6.4
<b>At 31 March 2022</b>	<b>269.9</b>	<b>342.2</b>

Goodwill represents the amount paid for future sales growth from both new customers and new products, operating cost synergies and employee know-how. The acquisition intangible assets primarily relate to supplier relationships, customer relationships, brands and patents and these assets will be amortised over five to fifteen years.

Acquisition related charges of £24.3m (2021: £20.3m) are charged to the Consolidated Income Statement. These charges comprise £18.8m (2021: £15.8m) of amortisation of acquisition intangible assets, £3.9m (2021: £4.5m) of acquisition expenses, and a £1.6m charge principally relating to the recycling of cumulative foreign currency translation losses arising on the disposal of Kentek Oy ("Kentek").

### 10. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

#### Acquisition of LJR Electronics LLC

On 2 February 2022, the Group acquired 100% of LJR Electronics LLC ("LJR"), a value-add distributor of connectors in the US. The consideration was £21.3m (\$28.9m).

The provisional fair value of LJR's net assets acquired excluding acquisition intangibles, related deferred tax, and cash is £7.5m following fair value adjustments of £1.1m. The principal fair value adjustments relate to an increase in provisions held against inventory and trade receivables of £0.8m and £0.1m.

From the date of acquisition to 31 March 2022, LJR contributed £2.5m to revenue and £0.3m to adjusted operating profit. If it had been acquired at the beginning of the financial year, it would have contributed on a pro-forma basis £7.5m to revenue and £0.9m to adjusted operating profit. However, these amounts should not be viewed as indicative of the results that would have occurred, if LJR had been completed at the beginning of the year.

#### Disposal of Kentek Oy

On 16 November 2021, the Group disposed of its 90% interest in Kentek Oy ("Kentek") for proceeds of £10.0m.

#### Asset held for sale

Assets held for sale (£2.9m) relates to one Life Sciences business that was sold on 3 May 2022, as described in note 16.



# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 31 March 2022

### 11. LEASES - RIGHT OF USE ASSETS AND LEASE LIABILITIES

#### Right of use assets

	Land & buildings £m	Plant & machinery £m	Motor vehicles £m	IT & office equipment £m	Total £m
At 1 October 2020	28.5	0.4	2.1	0.6	31.6
Additions	24.9	0.1	1.6	0.3	26.9
Disposals	(1.6)	-	(0.2)	-	(1.8)
Reclassification to held for sale	(0.3)	-	(0.1)	-	(0.4)
Exchange adjustments	(0.5)	-	(0.1)	-	(0.6)
At 30 September 2021	51.0	0.5	3.3	0.9	55.7
Depreciation	(9.0)	(0.1)	(1.4)	(0.3)	(10.8)
At 30 September 2021	42.0	0.4	1.9	0.6	44.9
Additions	13.4	0.1	0.7	0.3	14.5
Reclassification to held for sale	(0.3)	-	(0.4)	-	(0.7)
Exchange adjustments	1.1	-	-	-	1.1
At 31 March 2022	<b>56.2</b>	<b>0.5</b>	<b>2.2</b>	<b>0.9</b>	<b>59.8</b>
Depreciation	(5.0)	(0.1)	(0.7)	(0.2)	(6.0)
At 31 March 2022	<b>51.2</b>	<b>0.4</b>	<b>1.5</b>	<b>0.7</b>	<b>53.8</b>

Right of use assets represent those assets held under operating leases which IFRS 16 requires to be capitalised.

#### Lease liabilities

The movement in lease liabilities is set out below:

	£m
At 1 October 2020	33.7
Additions	26.9
Disposals	(1.9)
Lease repayments	(11.3)
Interest on lease liabilities	1.8
Reclassification to held for sale	(0.3)
Exchange movement	(0.6)
At 30 September 2021	48.3
Additions	16.8
Lease repayments	(6.3)
Interest on lease liabilities	1.1
Reclassification to held for sale	(0.7)
Exchange movements	1.1
At 31 March 2022	<b>60.3</b>
Analysed as:	<b>£m</b>
Repayable within one year	<b>10.1</b>
Repayable after one year	<b>50.2</b>

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 31 March 2022

### 12. OTHER LIABILITIES

	31 March 2022 £m	31 March 2021 £m	30 Sept 2021 £m
Future purchases of minority interests	5.0	4.3	5.2
Deferred consideration	12.7	7.0	18.5
	<b>17.7</b>	<b>11.3</b>	<b>23.7</b>
Analysed as:			
Repayable within one year	5.6	10.6	11.7
Repayable after one year	12.1	0.7	12.0

The movement in the liability for future purchases of minority interests is as follows:

	31 March 2022 £m	31 March 2021 £m	30 Sept 2021 £m
At 1 October	5.2	4.2	4.2
Minority interest on acquisition of subsidiary	-	-	0.9
Disposal of minority interest subsidiary	(1.2)	-	-
Fair value remeasurements	1.0	0.1	0.1
<b>At end of period</b>	<b>5.0</b>	<b>4.3</b>	<b>5.2</b>

At 31 March 2022, the Group retained put options to acquire minority interests of 10% held in M Seals and 5% in Techsil. During the period the Group disposed of Kentek, where the Group retained a put option to acquire 10%. At 31 March 2022, the estimate of the financial liability to acquire the outstanding minority shareholdings was reassessed by the Directors, based on their current estimate of the future performance of these businesses and to reflect foreign exchange rates at 31 March 2022.

Deferred consideration comprises:

	31 March 2022 £m	31 March 2021 £m	30 Sept 2021 £m
Sphere Surgical	-	0.8	1.0
CR Systems	-	0.4	-
HSP	-	-	0.1
PDI	0.8	0.7	0.7
S&W	-	3.4	3.5
FITT Resources	0.7	1.7	2.2
Biospecifix	0.4	-	0.4
Kungshusen	5.4	-	5.4
Techsil	1.1	-	1.1
AHW	4.3	-	4.1
	<b>12.7</b>	<b>7.0</b>	<b>18.5</b>

The movement on deferred consideration during the period is as follows:

	1 Oct 2021 £m	Discount unwind £m	Revaluation £m	Payments £m	Foreign exchange £m	31 March 2022 £m
Sphere Surgical	1.0	-	-	(0.9)	(0.1)	-
HSP	0.1	-	-	(0.1)	-	-
PDI	0.7	-	-	-	0.1	0.8
S&W	3.5	-	(0.5)	(2.8)	(0.2)	-
FITT Resources	2.2	-	-	(1.6)	0.1	0.7
Biospecifix	0.4	-	-	-	-	0.4
Kungshusen	5.4	0.2	-	-	(0.2)	5.4
Techsil	1.1	-	-	-	-	1.1
AHW	4.1	0.2	-	-	-	4.3
	<b>18.5</b>	<b>0.4</b>	<b>(0.5)</b>	<b>(5.4)</b>	<b>(0.3)</b>	<b>12.7</b>

## Notes to the Condensed Consolidated Financial Statements

### For the six months ended 31 March 2022

#### 13. DIVIDENDS

	<b>31 Mar 2022</b> pence per share	31 Mar 2021 pence per share	30 Sept 2021 pence per share	<b>31 Mar 2022</b> £m	31 Mar 2021 £m	30 Sept 2021 £m
Final dividend of the prior year, paid in January	<b>30.0</b>	30.0	30.0	<b>37.5</b>	37.3	37.3
Interim dividend, paid in June	<b>15.0</b>	12.5	12.5	<b>18.7</b>	15.6	15.6
	<b>45.0</b>	42.5	42.5	<b>56.2</b>	52.9	52.9

The Directors have declared an interim dividend of 15.0p per share (2021: 12.5p) which will be paid on 10 June 2022 to shareholders on the register on 27 May 2022. The total value of the dividend will be £18.7m (2021: £15.6m). No liability has been recognised on the balance sheet at 31 March 2022 in respect of the interim dividend (2021: same).

#### 14. EXCHANGE RATES

The exchange rates used to translate the results of the overseas businesses were as follows:

	<b>Average</b>			<b>Closing</b>		
	<b>31 March 2022</b>	31 March 2021	30 Sept 2021	<b>31 March 2022</b>	31 March 2021	30 Sept 2021
US dollar (US\$)	<b>1.34</b>	1.36	1.37	<b>1.32</b>	1.38	1.35
Canadian dollar (C\$)	<b>1.69</b>	1.74	1.73	<b>1.64</b>	1.73	1.71
Euro (€)	<b>1.19</b>	1.13	1.15	<b>1.18</b>	1.17	1.16
Swiss franc (CHF)	<b>1.23</b>	1.23	1.25	<b>1.21</b>	1.30	1.26
Australian dollar (A\$)	<b>1.84</b>	1.81	1.83	<b>1.75</b>	1.81	1.87

#### 15. RELATED PARTY TRANSACTIONS

There have been no changes to the related party arrangements or transactions as reported in the 2021 Annual Report & Accounts.

Transactions between Group companies, which are related parties, have been eliminated on consolidation and are therefore not disclosed. Other transactions which qualify to be treated as related party transactions are: those relating to the remuneration of key management personnel, which are not disclosed in this Half Year Report, but will be disclosed in the Group's next Annual Report & Accounts; and transactions between the Group and the Group's defined benefit pension plan, which are disclosed within the Consolidated Cash Flow Statement.

## **Notes to the Condensed Consolidated Financial Statements**

### **For the six months ended 31 March 2022**

#### **16. POST BALANCE SHEET EVENTS**

##### **Acquisition of R&G Fluid Power Group Limited**

On 12 April 2022, the Group announced the acquisition of R&G Fluid Power Group Limited ("R&G"), a value-added distributor of a diverse range of industrial, hydraulic and pneumatic products (including seals and gaskets), for consideration of £100m. R&G is headquartered in Preston, and has a geographical presence across the UK.

The transaction has been funded through existing cash resources and debt facilities.

An initial accounting and fair value exercise will be completed in the second half of the year.

##### **Acquisition of Accu-Science Ireland Limited and Medilink Services (NI) Limited**

On 10 May 2022, the Group completed the acquisition of Accu-Science Ireland Limited and Medilink Services (NI) Limited (together "Accuscience"), a market-leading life sciences and med-tech distributor in Ireland, for consideration of £51m.

The transaction has been funded through existing cash resources and debt facilities.

An initial accounting and fair value exercise will be completed in the second half of the year.

##### **Disposal of a1-envirosciences GmbH and a1-envirosciences Limited**

On 3 May 2022, the Group disposed of 100% of a1-envirosciences GmbH and a1-envirosciences Limited (together "a1-envirosciences") for £11.0m. At 31 March 2022, the net assets of a1-envirosciences have been classified as held for sale (£2.9m).