DIPLOMA PLC

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HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2024

Strong first half, full year upgrade

	H1 24	H1 23	Change
Revenue	**£638.3m**	£582.8m	**+10%**
Organic revenue growth	**5%**	10%	
Adjusted operating profit	**£125.4m**	£109.7m	**+14%**
Adjusted operating margin	**19.6%**	18.8%	**+80bps**
Statutory operating profit[1]	**£88.0m**	£92.5m	**(5%)**
Free cash flow	**£66.3m**	£51.8m	**+28%**
Free cash flow conversion	**76%**	70%	**+6ppts**
Adjusted earnings per share	**65.1p**	59.1p	**+10%**
Basic earnings per share[1]	**43.1p**	47.3p	**(9%)**
Leverage	**0.9x**	0.7x	
Interim dividend per share	**17.3p**	16.5p	**+5%**
ROATCE	**18.0%**	17.8%	**+20bps**

All alternative performance measures are defined in note 13 to the Condensed Consolidated Financial Statements.
[1] Statutory operating profit and basic earnings per share in the prior year include an exceptional gain on the disposal of Hawco of £12.2m.

- Organic revenue growth of 5%, volume-led with good momentum into the second half.
- Double digit reported revenue growth includes 8% from acquisitions and an adverse 3% impact of foreign exchange translation.
- Adjusted operating margin up 80 bps to 19.6%, reflecting our value-add proposition; operational leverage; disciplined cost management; and accretive acquisitions.
- Delivered with discipline: ROATCE up 20bps to 18.0%; free cash flow conversion up 6ppts to 76%, and leverage at 0.9x.
- Ca. £284m invested in six quality acquisitions, including Peerless for ca. £236m and PAR Group for ca. £38m, which completed after the period end.
- Upgrading guidance: we now expect FY24 constant currency revenue growth of ca. 16% (comprising 6% organic growth and 10% from acquisitions), and an operating margin of ca. 20.5%. Strong underlying performance and recent acquisitions contribute equally to the upgrade to operating margin.

Commenting, Johnny Thomson, Diploma's Chief Executive said:

"Thank you to all my brilliant colleagues for their continued dedication and passion for serving our customers and driving our performance. We've delivered another strong first half with good volume-led organic growth in a more challenging market environment. Our momentum is encouraging going into the second half, underpinning our upgrade to full year guidance.

"We have welcomed six new quality businesses into the Group since the start of the year. They include Peerless and PAR Group – two founder-owned businesses with great organic growth credentials and strong value-add business models.

"Diploma has a long track record of double-digit EPS growth at healthy returns. Our current performance and upgrade reaffirms our confidence in delivering sustainable quality compounding."

Revenue diversification driving organic growth and increasing resilience

- **Controls +7%**: Strong growth in International Controls with structural tailwinds and market share gains. Windy City Wire delivered sustained, volume-led growth in line with Group average.
- **Seals +1%**: Resilient performance against a backdrop of customer destocking. Normal ordering patterns are starting to resume and we expect a stronger second half.
- **Life Sciences +5%**: End market dynamics are now largely normalised post-pandemic, underpinning strong performance in Canada and Australia.

Complementary acquisitions driving future organic growth

- Acquisition of US-based Peerless Aerospace Fastener LLC ("Peerless") for ca. £236m, extending our established position in aerospace specialty fasteners and accelerating organic growth through product and geographic expansion. It is expected to deliver 15% ROATCE and 8% EPS accretion in year one.
- Acquisition of UK-based Plastic and Rubber Group Holdings Limited ("PAR Group") for ca. £38m adds scale to R&G's Seals & Gaskets division. It is expected to deliver 14% ROATCE and 1% EPS accretion in year one.
- Four small bolt-ons for £10m; average EBIT multiple around 4x; £10m of annual revenue; and year one ROATCE of over 20%.
- Strong M&A pipeline diversified by Sector, size and geography. Strong cash flow and balance sheet provides capacity for disciplined acquisitive growth.

Scaling effectively for sustainable growth

- Expansion of the 'Leadership at Scale' management development programme.
- Three new state-of-the-art facilities opened to support future growth in the UK and Europe.
- Delivered improvements against all our Delivering Value Responsibly targets.
- Strengthened balance sheet through the refinancing of the Group's facilities with a structured Revolving Credit Facility ("RCF") and debut US Private Placement ("USPP") providing ca. £770m of committed facilities with a blend of maturities out to 2036.

Upgrading full year 2024 guidance

- The momentum in our underlying business, combined with the contribution from recent acquisitions, drives an upgrade to previous guidance for FY24:
  - Constant currency revenue growth of ca. 16%, up 5ppts from previous guidance, comprising ca. 6% organic revenue growth and growth from acquisitions of ca. 10%.
  - Strong operating margin of ca. 20.5%, up 80bps from previous guidance. Strong underlying performance and recent acquisitions contribute equally to the upgrade.
  - EPS growth of ca. 15%, reflecting strong underlying performance and the contribution of acquisitions.
  - Free cash flow conversion of ca. 90% and leverage of 1.3x.

Notes:

1. *Diploma PLC uses alternative performance measures as key financial indicators to assess the underlying performance of the Group. These include revenue and organic growth, adjusted operating profit/adjusted operating margin, adjusted earnings per share, free cash flow/free cash flow conversion, leverage and ROATCE. The narrative in this Announcement is based on these alternative measures and an explanation is set out in note 13 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.*

A presentation of the results to analysts and investors will be held at 09:00 GMT via audio conference call and webcast. Register your attendance for the webcast at: https://brrmedia.news/DPLM_HY24

Conference call dial in details:

- Dial in: UK-Wide: +44 (0) 33 0551 0200 / UK Toll Free: 0808 109 0700
- Password: Diploma Half Year

A recording of the presentation will be available after the event on our website:
https://www.diplomaplc.com/investors/financial-presentations/

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NOTE TO EDITORS:
Diploma PLC is a decentralised, value-add distribution Group. Our businesses deliver practical and innovative solutions that keep key industries moving – from energy and infrastructure to healthcare.

We are a distribution group with a difference. Our businesses have the technical expertise, specialist knowledge, and long-term relationships required to deliver value-add products and services that make our customers' lives easier. These value-add solutions drive customer loyalty, market share growth and strong margins.

Our decentralised model means our specialist businesses are agile and empowered to deliver the right solutions for their customers, in their own way. As part of Diploma, our businesses can also leverage the additional resources, opportunities and expertise of a large, international and diversified Group to benefit their customers, colleagues, suppliers and communities.

We employ ca. 3,500 colleagues across our three Sectors of Controls, Seals and Life Sciences. Our principal operating businesses are located in the UK, Northern Europe, North America and Australia.

Over the last fifteen years, the Group has grown adjusted earnings per share ("EPS") at an average of ca. 15% p.a. through a combination of organic growth and acquisitions.

Diploma is a member of the FTSE 100.

Further information on Diploma PLC can be found at www.diplomaplc.com

The person responsible for releasing this Announcement is John Morrison, Company Secretary.
LEI: 2138008OGI7VYG8FGR19

BUSINESS REVIEW

Strong first half performance
The Group has delivered a strong first half performance as we continue to execute our strategy of building high quality scalable businesses for sustainable organic growth.

Revenue diversification driving organic growth and increasing resilience
Revenue in the year grew 10% to £638.3m (H1 23: £582.8m). Organic growth of 5% was volume-led, with growth across all three Sectors. Acquisitions added a further 8% to reported revenue, partially offset by the adverse 3% impact of foreign exchange translation.

	Revenue £m			Organic growth	
	H1 24	H1 23	Change	H1 24	H1 23
Controls	**288.1**	278.8	+3%	+7%	+13%
Seals	**241.2**	198.4	+22%	+1%	+8%
Life Sciences	**109.0**	105.6	+3%	+5%	+4%
Group	**638.3**	582.8	+10%	+5%	+10%

This strong revenue performance was replicated across all our key financial metrics:

- Operating margins rose 80bps to 19.6% (H1 23: 18.8%), supported by operational leverage, disciplined cost control and accretive acquisitions. Adjusted operating profit was up 14% to £125.4m (H1 23: £109.7m).
- Adjusted earnings per share ("EPS") grew 10% to 65.1p (H1 23: 59.1p), continuing our long-term compounding track record of double-digit growth (15% CAGR EPS growth over 15 years).
- Cash conversion improved year on year to 76% (H1 23: 70%) reflecting continued disciplined working capital management.
- Return on capital is a key underpin of our compounding financial model. In the period, return on adjusted trading capital employed ("ROATCE") rose 20bps to 18.0% (H1 23: 17.8%).

In line with our policy, we have declared a 5% increase in the interim dividend to 17.3p per share (H1 23: 16.5p), payable on 7 June 2024 to shareholders on the register on 24 May 2024, with a corresponding ex-dividend date of 23 May 2024.

Positioning behind structurally growing end markets
We continue to drive growth through expansion in structurally growing end markets. In **Controls**, we have increased our position in aerospace, organically and through the recent acquisition of Peerless Aerospace Fastener LLC ("Peerless") and have also seen strong growth in space, motorsport, defence, medical, energy and data centres. In **Seals**, we continue to see growth in markets benefiting from sustained infrastructure investment, as well as energy markets and the mining of minerals for batteries required for electrification. In **Life Sciences**, continued investment in In Vitro Diagnostics from health authorities has driven growth across a range of applications.

Penetration of core developed economies
In **Controls,** the acquisition of Peerless extends our geographic reach in the US from the West Coast to national coverage, and also extends our capabilities in Europe. In **Seals**, we have begun to explore opportunities to leverage our sales platforms and distribution networks across our businesses. Our European and UK fluid power businesses, DICSA and R&G, are collaborating to expand their respective markets, and in the US, DICSA is working with Hercules Aftermarket to enhance its distribution capability out of the Louisville Autostore. We are in the early stages of these collaborations but believe they will yield exciting opportunities. In **Life Sciences** we have a scaling programme underway in Canada that will see the creation of eastern and western hubs, enabling better customer coverage across the country.

Product range extension
In the first half, our product offering has grown organically, as we source and develop new products, and through acquisition. In **Controls**, Windy City Wire ("WCW") introduced Audio/Visual ("AV") cabling to its product range driving growth from existing and new customers. Interconnect expanded its offering of motorsport connectors which was a strong driver of growth in the period. In **Seals**, R&G has

continued to extend its range into adjacent product lines, including DICSA stainless steel fittings, and VSP increased its position in industrial and transportation markets through product developments. In **Life Sciences**, the continued adoption of new technologies in areas including urology, gynaecology and endoscopy has created opportunities for product expansion and we are increasingly leveraging products between geographies.

Complementary acquisitions to accelerate growth
Future organic growth is also supported by selective acquisitions. Since 30 September 2023, we have acquired six high-quality businesses for a total of £284m.

During the period, we completed four quality bolt-on acquisitions for £10m, with an EBIT multiple of around 4x and year one ROATCE exceeding 20%. These acquisitions include **Controls** and **Seals** businesses in the UK and Europe with more details included in the Sector reviews.

On 1 May, we completed the acquisition of US-based Peerless for ca. £236m. This former family-owned business extends our established position in the aerospace specialty fasteners market, in the **Controls** Sector, accelerating organic growth through product and geographic expansion. This is highly complementary to our existing Specialty Fasteners business, extending our capabilities from the interior of the aircraft cabin, to the airframe. Acquired at a multiple of ca. 7x FY24 earnings before interest and tax ("EBIT”), Peerless is expected to deliver 15% ROATCE and 8% EPS accretion in year one.

On 30 April, we acquired UK-based PAR Group for ca. £38m. This founder-led business will join the R&G family of companies in our **Seals** Sector, adding scale to its Seals & Gaskets division. Acquired at ca. 7x FY24 EBIT, PAR Group is expected to deliver 14% ROATCE and 1% EPS accretion in year one.

Given the completion dates of both Peerless and PAR Group, there is no impact from either in the first half results.

Our acquisition pipeline remains strong with active opportunities across our core geographies and in all three Sectors.

The recent acquisitions demonstrate the compelling proposition Diploma offers to owners selling their businesses. Finding the right home is often an important part of their decision and we have a strong track record of preserving legacies; promoting autonomy and accountability; supporting growth through investment and expertise; and welcoming new colleagues into our network through which we all benefit from shared experience.

Scaling the Businesses and the Group
Delivering our strategy of building high-quality businesses for sustainable organic growth requires that we scale the businesses, developing their operating models to continue to deliver great customer propositions at scale. At the same time, we are developing the Group, evolving our structures, capabilities and culture to support this growth and maintain discipline and appropriate controls.

Scaling takes many forms across the Group and is an ongoing journey. From the upgrade of systems and facilities, such as new state-of-the-art facilities in UK Wire and Cable (**Controls**), UK Aftermarket and European OEM (**Seals**), to enhancing sales capabilities, such as in Interconnect and Industrial Automation (**Controls**) we are continually investing in scaling our businesses. In **Life Sciences**, we are increasingly collaborating across geographies to leverage strong supplier and product relationships from one business to bring new and improved customer offers to other regions. Through our Leadership at Scale programme, we are developing internal senior talent and building succession, and are investing in growing talent through our apprenticeship programmes across the Group.

Delivering Value Responsibly
We have made good progress in the period across all aspects of DVR:
- In Q1 we launched a Groupwide Health & Safety framework, alongside the introduction of an external Health & Safety audit program to support our businesses in driving continuous improvement.
- In December, our Net Zero targets were validated by SBTi. We are targeting a 50% reduction in Scope 1&2 emissions and 30% reduction in Scope 3 by 2030, leading to net zero by 2045.

- We continue to focus on gender equality across all our businesses and in the first half of the year we had gender parity across all hires into our senior leadership teams.

Outlook and full year guidance

We have delivered a strong first half with good momentum going forward. The positive momentum from our underlying business, combined with the contribution from new acquisitions drives an upgrade to previous guidance for FY24:

- Constant currency revenue growth of ca. 16%, up 5ppts from previous guidance, comprising ca. 6% organic revenue, and growth from acquisitions of ca. 10%.
- Strong operating margin of ca. 20.5%, up 80bps from previous guidance. Strong underlying performance and recent acquisitions contribute equally to the upgrade.
- EPS growth of ca. 15% reflecting strong underlying performance and the contribution of acquisitions.
- Free cash flow conversion of ca. 90% and leverage of 1.3x.

SECTOR REVIEW: CONTROLS

The Controls Sector businesses supply specialised wiring, cable, connectors, fasteners, control devices, adhesives, and Computer Numerical Control ("CNC") and robotic components for a range of technically demanding applications.

	H1 24	H1 23	Change
Revenue	**£288.1m**	£278.8m	+3%
Organic revenue growth	**+7%**	+13%	
Statutory operating profit	**£53.7m**	£57.7m	(7%)
Adjusted operating profit	**£69.9m**	£64.3m	+9%
Adjusted operating margin	**24.3%**	23.1%	+120bps

H1 24 highlights

- Share gains in fast growing end markets in the US, UK and Europe drove strong 7% organic revenue growth.
- Adjusted operating profit of £69.9m grew 9%, with a 120bps year-on-year increase in adjusted operating margin to 24.3%. Margin expansion was driven by product mix, operating leverage and margin accretive acquisitions in the prior year.
- Strategic acquisition of Peerless builds scale and expands Specialty Fasteners' presence in key US and European civil aerospace and defence markets.

International Controls (61% of Controls Sector revenue[1]) delivered 10% organic growth in the period, continuing to benefit from market share gains and strong commercial delivery in civil aerospace and space markets, and enduring tailwinds in UK and European defence and energy markets as investment in these areas remains a prime focus for governments. International Controls continues to diversify its end markets, gaining share in space and medical and benefiting from the wider move to electrification and green energy as it continues to deliver growth in the electric vehicle ("EV") and renewable energy end markets. Operating margin improved considerably, principally due to positive operating leverage on volume growth and mix benefits from the acquisition of Industrial Automation business, T.I.E., and the disposal of Hawco, in the prior year. Reported revenue in H1 23 included £15.1m contribution from Hawco, prior to its disposal in March 2023.

Windy City Wire ("WCW") (39% of Controls Sector revenue) continues to deliver growth in its core building automation end market, benefiting during the period from the expansion in datacentres behind AI growth, which we expect to provide longer term growth impetus. Organic growth of 4% was supported by the continued acceleration of growth in newer applications, including Distributed Antenna Systems ("DAS"), AV and the roll-out of chip-and-pin terminals to gas stations across the US. Operating margin improved further, driven by positive operating leverage and mix benefits of moving into higher margin end markets and products.

Revenue diversification driving organic growth

We delivered high single-digit organic growth in our **Interconnect** businesses, driven by robust demand in the defence, motorsport and civil aerospace markets. Revenues in the German energy market also grew, driven by share gains and ongoing upgrades to the transmission and distribution network. Other key growth segments include medical and US industrial, where we are gaining market share as these end markets recover post-pandemic.

Our **Specialty Fasteners** businesses continued to deliver strong double-digit growth during the first half, winning further market share and continuing to benefit from strong customer demand in the civil aerospace market in the US, Europe and the UK. Further geographic diversification has been achieved via key aerospace contract wins in Germany and through strengthening our presence in the US space market with new key account wins. End market diversification was supported by good momentum into motorsport, industrial and electric vertical take-off and landing ("eVTOL") aircraft.

[1] Including proforma revenue for Peerless which completed after the period end

In **UK Wire and Cable** the impact of softer demand in UK construction and wholesale end markets was partially mitigated by increased exposure to major infrastructure projects. Momentum built towards the end of the period, and we expect a stronger second half performance.

With the acquisition of T.I.E. during FY23, we entered the attractive **Industrial Automation** end market. Since acquisition, we have invested in enhancing the commercial operation of the business, including expansion of the sales team to drive geographic diversification across the US. Whilst strike action in the automotive market moderated growth at the start of the year, a favourable mix shift supported margin improvement and operating profit performance was in line with our expectations.

Targeted acquisitions to accelerate growth

Two small bolt-on acquisitions were completed in the period, with Cable and Tubing Solutions further broadening our medical offering in our German Interconnect business and supporting growth in this attractive end market; and Technisil expanding our Specialty Adhesives penetration in Germany.

The strategic acquisition of Peerless completed on 1 May. The addition of this US-based value-add aerospace fasteners business, enables us to build scale and expand our presence and capabilities in the attractive aerospace and defence end markets in the US and Europe. Supplying fasteners into the airframe of aircraft, Peerless is highly complementary to our existing Specialty Fasteners business, Clarendon, which supplies products into aircraft cabins and seats. There is no impact of Peerless in these first half results.

Building scale

Significant investment in technology and facilities continues as the Sector finalises the integration of its three UK Wire & Cable locations into one state-of-the-art automated facility and onto a common ERP platform. In addition to delivering operational efficiencies, there is a commercial benefit from this new, integrated structure via enhanced cross-selling capabilities across previously separate sales teams.

Supporting end market penetration, we have invested in specialist sales resource in Interconnect, enabling expansion in medical, rail and defence markets, and in Specialty Adhesives to maximise long-term aerospace and defence opportunities.

Outlook

We have made good strategic progress in Controls. Our businesses are benefiting from initiatives to capture growth in structurally growing end markets, such as medical, energy and EVs, as well as high-growth emerging markets, such as space and eVTOL. We are also benefiting from continued geographic diversification as we continue to build scale in the US and Europe. The Sector has strong momentum into the second half of the year, and will be boosted further by the addition of the high growth, high margin Peerless business. We remain very positive about its outlook.

SECTOR REVIEW: SEALS

The Seals Sector businesses supply a range of seals, gaskets, cylinders, components and kits used in heavy mobile machinery and a diverse range of fluid power products with Aftermarket, Original Equipment Manufacturing (OEM) and Maintenance, Repair and Overhaul (MRO) applications.

	H1 24	H1 23	Change
Revenue	**£241.2m**	£198.4m	+22%
Organic revenue growth	**+1%**	+8%	
Statutory operating profit	**£27.8m**	£29.3m	(5%)
Adjusted operating profit	**£44.3m**	£35.7m	+24%
Adjusted operating margin	**18.4%**	18.0%	+40bps

H1 24 highlights

- Organic revenue growth of 1% driven by resilient performance against backdrop of customer destocking. Signs of normalisation into the second half with typical ordering patterns starting to resume.
- Adjusted operating profit increased by 24% to £44.3m, driven by operational leverage and contribution from DICSA.
- Acquisition of PAR Group into R&G expanding capabilities and further diversifying UK Aftermarket's customer base and end market.

International Seals (57% of Seals Sector revenue[2]) delivered organic growth of 1% against strong prior year comparatives; continued destocking by OEM and reseller customers; and short term market challenges in Europe. Reported revenue growth was 42%, reflecting prior year acquisitions, particularly DICSA in the second half of FY23.

North American Seals (43% of Seals Sector revenue) delivered organic growth of 1% and a further 6% contribution from prior year acquisitions, as strong growth in MRO mitigated continued destocking by OEM and reseller customers.

Revenue diversification driving organic growth

In International Seals, our **UK Aftermarket** business, R&G benefited from diversification into product adjacencies increasing penetration across its end markets, organically and through targeted acquisitions. Our **Australian Seals** businesses delivered excellent growth, as its strong customer proposition drove share gains in markets benefiting from sustained infrastructure investments and continuous strong demand for the mining of the minerals required for electrification. **European OEM** businesses continued to be impacted by customer destocking during the first half, with signs of normalisation emerging with the resumption of typical ordering patterns in some areas. In **European Aftermarket**, DICSA performed in line with expectations following its acquisition in the second half of FY23 with good growth in its core stainless steel fittings that was partially offset by the impact of destocking in some channels.

In **North American Seals,** MRO delivered strong organic growth. We have increased our position in industrial and transportation markets through product development and geographical expansion. Prior year acquisitions also achieved strong organic growth in the period driven by cross-selling products and services. The **US Aftermarket** business, Hercules, delivered a resilient performance following a period of strong growth in the prior year, supported by high demand for repairs. The **US OEM** business was resilient in the face of continued customer destocking, as product extension and end market expansion delivered growth. There are signs of more typical customer buying patterns into the second half.

During the period, the Sector began to explore intercompany opportunities in fluid power arising from the acquisition of DICSA. Collaboration is underway between R&G and DICSA, to expand reach across their respective established core markets in the UK and Europe. In addition, DICSA and Hercules Aftermarket are working together to distribute DICSA product from the Louisville Autostore, leveraging

[2] Including proforma revenue for PAR Group which completed after the period end.

Hercules' sales and logistics capabilities. We are in the early stages of these developments but we see exciting growth opportunities ahead.

Targeted acquisitions to accelerate growth
R&G added two bolt-on acquisitions during the first half. Fast Gaskets, a distributor of soft gaskets and rubber sheets, is an approved supplier to the UK defence industry, and a specialist solution provider into the food & beverage and pharmaceutical & chemical end markets. Abbey Hose, a specialist hydraulic and industrial hose distributor, extends R&G's geographical reach within the UK and creates access to key infrastructure projects and customers.

We acquired UK-based PAR Group into R&G on 30 April 2024. It is a very complementary business, significantly expanding our UK Aftermarket seals & gaskets capabilities and further diversifying R&G's customer base and end market exposure. The acquisition presents strong opportunities for organic growth, synergies and cross-selling.

Building scale
During the period, we opened our new **European OEM** M Seals facility in Denmark. The low-emission, state-of the-art facility creates a Nordic hub for the Sector, providing improved warehousing capabilities and a wide range of value-add services to support future growth. In **UK Aftermarket**, we created a National Distribution Centre in Lincoln that will act as the main stocking location for all our R&G Hydraulics businesses. We also introduced a hose assembly Centre of Excellence in Liverpool. Our scaling journey continues in **Australia** as we near completion of the integration of three, previously standalone, businesses to form one larger business.

In **North American Seals,** our continued focus on the supply chain is yielding positive results in optimising inventory levels and delivering process improvements within operations and commercial execution. Investments in seal machining, webstore enhancements and new products position the **Aftermarket** business well for continued growth as US infrastructure projects accelerate.

Outlook
The Seals Sector has been resilient through challenging trading conditions, and continues to make strategic progress, strengthening its presence across attractive end markets, building cross-selling opportunities and scaling our operations. We are well positioned to benefit from the significant investments into infrastructure projects across the US and Europe. As we continue to see the resumption of more typical buying patterns across our OEM and reseller customer bases, we expect a stronger performance in the second half of the year.

SECTOR REVIEW: LIFE SCIENCES

The Life Sciences Sector sources and supplies technology driven value add solutions in the In Vitro Diagnostics ("IVD"), Scientific and Medtech segments of the Global Healthcare market.

	H1 24	H1 23	Change
Revenue	**£109.0m**	£105.6m	+3%
Organic revenue growth	**5%**	4%	
Statutory operating profit	**£16.9m**	£16.7m	+1%
Adjusted operating profit	**£21.6m**	£20.9m	+3%
Adjusted operating margin	**19.8%**	19.8%	-

H1 24 highlights

- Organic revenue growth of 5% with continued momentum led by strong performance and market share gains in Australia and Canada.
- Adjusted operating profit was up 3%, with foreign exchange headwinds partially offsetting organic growth. Margins were flat year-on-year.
- Significant investments in scaling to support future growth in Canada and Europe.

Revenue diversification driving organic growth

In the first half of the year, adoption of new technology in healthcare settings and continued diversification through new product introductions have been the primary drivers of growth. We are increasingly collaborating across geographies to leverage strong supplier and product relationships from one business to bring new and improved customer offers to other regions. As we aim to scale our Scientific business, we see medium-term growth opportunities across pharmaceutical, biotech and food and beverage end markets driven respectively by development of new patient treatment modalities such as cell and gene therapy, as well as increased food production quality control regulations.

In **Canada**, we have seen continued adoption and implementation of new technologies by hospitals within the urology, gynaecology and endoscopy specialties creating opportunities to broaden our product range and grow market share. IVD testing has grown in this market reflecting ongoing investment. In **Australia**, growth has been driven by the increased demand for genetic preconception screening supported by increased government investment and continued growth of our IVD business. Growth in allergy and autoimmunity testing has been driven by the extension of our service to existing customers through expanded offerings. In **Europe**, organic growth was broadly flat. Continued growth in IVD and critical care portfolios in the UK and Ireland, and tender wins in the Nordics drove good growth. This was offset by the timing of capital projects; product portfolio optimisation to phase out some lower margin products; and a supplier contract concluding during the period.

Building scale

Following the successful integration of our Australian businesses in FY23, we have invested in scaling our Canadian business. In combining and relocating sites, and upgrading facilities across Canada, we will improve customer service; reduce shipment times; deliver operational improvements and efficiencies; and increase our access to talent.

In Europe, we completed the integration of our Nordic Life Sciences businesses enhancing our customer proposition through the expansion of products and services.

Outlook

The outlook for the full year remains positive as we see continued opportunities in new technology adoption in Canada; expanding the array of diagnostic testing in Australia; and increased funding of capital projects in Europe.

FINANCE REVIEW

Summary income statement

	Six months ended 31 March 2024			Six months ended 31 March 2023		
	Adjusted[1]	**Adjustments[1]**	**Total**	Adjusted[1]	Adjustments[1]	Total
	£m	**£m**	**£m**	£m	£m	£m
Revenue	**638.3**	**–**	**638.3**	582.8	-	582.8
Operating expenses	**(512.9)**	**(37.4)**	**(550.3)**	(473.1)	(17.2)	(490.3)
Operating profit	**125.4**	**(37.4)**	**88.0**	109.7	(17.2)	92.5
Financial expense, net	**(10.2)**	**–**	**(10.2)**	(11.0)	(2.8)	(13.8)
Profit before tax	**115.2**	**(37.4)**	**77.8**	98.7	(20.0)	78.7
Tax expense	**(27.6)**	**7.9**	**(19.7)**	(24.2)	5.2	(19.0)
Profit for the period	**87.6**	**(29.5)**	**58.1**	74.5	(14.8)	59.7
Earnings per share (p)						
Adjusted/Basic	**65.1p**	**(22.0p)**	**43.1p**	59.1p	(11.8p)	47.3p

[1] The Group reports under UK-adopted International Accounting Standards and references alternative performance measures where the Board believes that they help to effectively monitor the performance of the Group and support readers of the Financial Statements in drawing comparisons with past performance. Certain alternative performance measures are also relevant in calculating a meaningful element of Executive Directors' variable remuneration and our debt covenants. Alternative performance measures are not considered to be a substitute for, or superior to, IFRS measures. These are detailed in note 13 to the Condensed Consolidated Financial Statements.

Reported revenue increased by 10% to £638.3m (H1 23: £582.8m), consisting of organic growth of 5%, an 8% net contribution from acquisitions and disposals, partly offset by the adverse 3% impact from foreign exchange translation.

Adjusted operating profit increased by 14% to £125.4m (H1 23: £109.7m) as the operational leverage from increased revenue, disciplined cost management and accretive acquisitions drove a 80bps year-on-year improvement in the adjusted operating margin to 19.6% (H1 23: 18.8%).

Statutory operating profit is £88.0m. The prior year, at £92.5m, benefitted from an exceptional gain on the disposal of Hawco of £12.2m.

Adjusted profit before tax increased 17% to £115.2m (H1 23: £98.7m). Net adjusted interest expense decreased to £10.2m (H1 23: £11.0m), driven largely by the structure and mix of debt facilities. The all-in, blended cost of our borrowing facilities decreased to 5.2% (H1 23: 5.5%). Statutory profit before tax is £77.8m, with prior year of £78.7m benefiting from the exceptional gain on the disposal of Hawco.

The Group's adjusted effective rate of tax on adjusted profit before tax for the period was 24.0% (FY23: 24.0%), comparable with the year ended 30 September 2023.

Adjusted earnings per share increased by 10% to 65.1p (H1 23: 59.1p). Basic earnings per share is 43.1p, with prior year of 47.3p benefiting from 9.7p due to the exceptional gain on the disposal of Hawco. As at 31 March 2024, the average number of ordinary shares (which includes any potentially dilutive shares) was 134,328,842 (H1 23: 125,927,286) and the weighted average number of ordinary shares in issue was 134,009,865 (H1 23: 125,360,523).

Cash management

Free cash flow increased by 28% to £66.3m (H1 23: £51.8m). Statutory cash flow from operating activities increased by 20% to £77.7m (H1 23: £64.7m).

Funds flow	**Six months ended 31 March 2024 £m**	Six months ended 31 March 2023 £m
Adjusted operating profit	**125.4**	109.7
Depreciation and other non-cash items	**15.8**	15.3
Working capital movement	**(17.1)**	(22.8)
Interest paid, net (excluding borrowing fees)	**(8.2)**	(9.8)
Tax paid	**(33.3)**	(22.2)
Capital expenditure, net of disposal proceeds	**(4.2)**	(9.5)
Lease repayments	**(9.9)**	(7.0)
Notional purchase of own shares on exercise of options	**(2.2)**	(1.9)
Free cash flow	**66.3**	51.8
Acquisition and disposals (net of cash acquired/disposed) including acquisition expenses and acquisition related deferred (payments)/receipts	**(21.6)**	(75.9)
Proceeds from issue of share capital (net of fees)	**–**	232.5
Dividends paid to shareholders and minority interests	**(53.8)**	(48.7)
Foreign exchange	**5.2**	15.2
Net funds flow	**(3.9)**	174.9
Net debt	**(258.6)**	(154.0)

Working capital increased by £17.1m, driven by an increase in receivables of £16.4m, reflective of the revenue growth during the period.

Depreciation and other non-cash items includes £15.6m (H1 23: £13.4m) of depreciation and amortisation of tangible, intangible and right-of-use assets and £0.2m (H1 23: £1.9m) of non-cash items, primarily share-based payments expense largely offset by profit on disposal of tangible assets.

Interest payments decreased by £1.6m to £8.2m (H1 23: £9.8m) driven largely by the structure and mix of debt facilities, in line with the movement of interest in the income statement. Tax payments in the first half of the year were higher by £11.1m at £33.3m (H1 23: £22.2m) due to the increase in the UK corporation tax rate and acquisitions made in 2023.

Net capital expenditure was £5.3m lower than prior year, benefiting from £5.5m of proceeds from the disposal of property, plant and equipment. The Group funded the Company's Employee Benefit Trust with £2.2m (H1 23: £1.9m) in connection with the Company's long term incentive plan.

The Group generated free cash flow of £66.3m (H1 23: £51.8m) a very strong 28% increase on the prior year, resulting in free cash flow conversion of 76% (H1 23: 70%).

Net total acquisition expenditure of £21.6m (H1 23: £75.9m) comprises the cash spend on four bolt-on acquisitions (£7.2m), acquisition fees (£2.0m), and acquisition related deferred payments (£13.4m) which largely relate to WCW deferred remuneration, partially offset by the deferred consideration received in respect of the disposal of Hawco (£1.0m).

Dividends of £53.8m (H1 23: £48.7m) were paid to ordinary and minority interest shareholders.

Net debt
The Group has a multi-currency Revolving Credit Facility agreement ("RCF") with an aggregate principal amount of £555.0m which was originally entered into on 17 July 2023. The RCF is due to expire in July 2028 with an option to extend for two further 12-month periods. At 31 March 2024, the Group had utilised £108.7m of the RCF (2023: £41.8m), comprising £30.0m of the GBP RCF and £78.7m (€92.0m) of EUR RCF. £446.3m of the revolving facility remains undrawn.

The Group issued private placement ("PP") notes for an aggregate principal amount of £213.5m (€250.0m) on 20 March 2024. The PP notes have maturities of 7 years (€75m), 10 years (€100m) and 12 years (€75m).

The Group continues to maintain a robust balance sheet with net debt (excluding IFRS 16 liabilities) of £258.6m (H1 23: £154.0m) comprised of borrowings of £318.1m (H1 23: £226.1m), less cash funds of £59.5m (H1 23: £72.1m). This represented leverage of 0.9x (H1 23: 0.7x) against a Board policy of below 2.0x and lending covenants of below 3.5x. The Group maintains strong liquidity, with period end headroom (comprised of undrawn committed facilities and cash funds) of £506m (H1 23: £390m).

The table below outlines the composition of the Group's net debt at 31 March 2024:

Type	**Currency**	**Amount**	**GBP equivalent**	**Interest rate exposure**
PP 7 year maturity	EUR	€75.0m	£64.1m	Fixed 4.18%
PP 10 year maturity	EUR	€100.0m	£85.5m	Fixed 4.27%
PP 12 year maturity	EUR	€75.0m	£64.1m	Fixed 4.38%
RCF	EUR	€92.0m	£78.7m	Floating
RCF	GBP	£30.0m	£30.0m	Floating
Capitalised debt fees net of accrued interest			(£4.3m)	
Gross debt drawn at 31 March 2024			**£318.1m**	
Cash & equivalents at period end			(£59.5m)	
Net debt at 31 March 2024			**£258.6m**	

Defined Benefit Pension
Both the UK defined benefit scheme and the Kubo contribution scheme are accounted for in accordance with IAS 19 (revised).

The Group maintains a legacy closed defined benefit pension scheme in the UK. In the period, the Group funded this scheme with cash contributions of £0.4m (H1 23: £0.3m).

On 26 March 2024, the Trustees completed a buy-in of the remaining pensioner liabilities in the Scheme with Just Retirement Limited. The Scheme paid £25.1m to Just Retirement Limited on 26 March 2024 to fund 100% of the buy-in premium. As at 31 March 2024, the Group's financial statements include a net asset of £1.4m (30 September 2023: £6.8m) in respect of the Group's UK pension scheme. As at 31 March 2024, 95% of the scheme assets are concentrated in the buy-in policy and we expect to make no further funding payments.

In Switzerland, local law requires our Kubo business to provide a contribution-based pension for all employees, which is funded by employer and employee contributions. The pension deficit in the Swiss scheme was £0.3m (30 September 2023: £0.3m). The cash contribution to the scheme was £0.2m (H1 23: £0.2m).

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 Europe. Compared with the first half of last year, the average Sterling exchange rate is stronger against most of the major currencies in which the Group operates. The impact from translating the results of the Group's overseas businesses into UK sterling has led to a decrease in Group revenues of £20.0m; a decrease in the Group's adjusted operating profit of £4.5m; and a decrease in net debt of £1.3m, compared with the same period last year.

Going concern
The Directors have assessed the relevant factors surrounding going concern.

The Group continues to operate against a backdrop of macroeconomic disruption, including widespread global inflation and rising interest rates. Accordingly, the Directors have again considered a comprehensive going concern view. The Group has carried out an assessment of its projected trading for the 18-month period through to the year ending 30 September 2025. This assessment incorporated a severe but plausible downside scenario and the cash consideration for Peerless and PAR Group after the period end, which demonstrates that the Group has sufficient liquidity, resources and covenant headroom to continue in operation for the foreseeable future.

The Group has considerable financial resources, together with a broad spread of customers and suppliers across different geographic areas and Sectors, often secured with longer term agreements. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. 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.

RISKS AND UNCERTAINTIES

Effective risk management is a key component of the discipline that underpins sustainable quality compounding.

The Group's decentralised operating model helps mitigate the potential impact of our principal risks. The principal risks which have the potential to be material to the performance, position or future prospects of the Group are described in more detail in pages 44-48 of the 2023 Annual Report & Accounts. This includes more detail on our overall approach to risk management as well as the specific mitigation actions in place for our principal risks.

The principal risks are summarised below (not ranked):

- **Unsuccessful acquisition**: the Group may overpay for a target; the acquired business may experience limited growth post-acquisition; loss of key customers or suppliers post integration; potential cultural misfit.
- **Failure to attract retain and develop talent**: the loss of key personnel can have an impact on performance for a limited time period; not having the right talent or diversity at all levels of the organisation to deliver our strategy, resulting in reduced financial performance.
- **Cyber attack**: any disruption or denial of service may delay or impact decision-making if reliable data is unavailable; poor information handling or interruption of business may also lead to reduced service to customers; unintended actions of employees caused by a cyber attack may also lead to disruption, including fraud.
- **Supply chain disruption**: the risk of manufacturing lead times increasing as a result of supply chain shortages or supply chain partners not operating to the same ethical standards as Diploma.
- **Loss of key supplier**: the risk that a key supplier revokes a supply agreement and accesses the market through a competitor or chooses to go direct to market rather than via a distributor.
- **Climate - max legislation**: the risk of increasing environmental legislation that adds cost or complexity to products and services and/or renders some products obsolete.
- **Prolonged market downturn**: adverse changes in the major markets that the businesses operate in could result in slowing revenue growth due to reduced or delayed demand for products and services, or margin pressures due to increased competition.
- **Geopolitical trade issues**: interruption of trade agreements; change of trade or tariff relationships amongst countries in which we operate; Government budget spending and political elections.

The Directors confirm that the principal risks and uncertainties and the processes for managing them have not changed materially since the publication of the 2023 Annual Report & Accounts and that they remain relevant for the second half of the financial year.

Chris Davies
Chief Financial Officer 13 May 2024

Responsibility Statement of the Directors in respect of the Half Year Report 2024

The directors confirm that Condensed Consolidated Financial Statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The Directors of Diploma PLC and their respective responsibilities are listed in the Annual Report & Accounts for 2023 and on the Company's website at *www.diplomaplc.com*.

By Order of the Board

JD Thomson	**C Davies**
Chief Executive Officer	Chief Financial Officer
13 May 2024	13 May 2024

Independent review report to Diploma PLC
Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Diploma PLC's condensed consolidated interim financial statements (the "interim financial statements") in the Half Year Report 2024 of Diploma PLC for the 6-month period ended 31 March 2024 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34,''Interim Financial Reporting'' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Condensed Consolidated Statement of Financial Position as at 31 March 2024;
- the Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Cash Flow Statement for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half Year Report 2024 of Diploma PLC have been prepared in accordance with UK adopted International Accounting Standard 34,''Interim Financial Reporting'' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Half Year Report 2024 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Half Year Report 2024, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Half Year Report 2024 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Half Year Report 2024, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Half Year Report 2024 based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
13 May 2024

Condensed Consolidated Income Statement
For the six months ended 31 March 2024

		Unaudited			Unaudited			Audited
		Six months ended 31 Mar 2024			Six months ended 31 Mar 2023			Year ended 30 Sep 2023
		Adjusted[1]	**Adjust-ments[1]**	**Total**	Adjusted[1]	Adjust-ments[1]	Total	Total
	Note	**£m**	**£m**	**£m**	£m	£m	£m	£m
Revenue	3	**638.3**	**-**	**638.3**	582.8	-	582.8	1,200.3
Operating expenses	2	**(512.9)**	**(37.4)**	**(550.3)**	(473.1)	(17.2)	(490.3)	(1,017.0)
Operating profit		**125.4**	**(37.4)**	**88.0**	109.7	(17.2)	92.5	183.3
Financial expense, net	4	**(10.2)**	**-**	**(10.2)**	(11.0)	(2.8)	(13.8)	(27.7)
Profit before tax		**115.2**	**(37.4)**	**77.8**	98.7	(20.0)	78.7	155.6
Tax expense	5	**(27.6)**	**7.9**	**(19.7)**	(24.2)	5.2	(19.0)	(37.3)
Profit for the period		**87.6**	**(29.5)**	**58.1**	74.5	(14.8)	59.7	118.3
Attributable to:								
Shareholders of the Company	6	**87.2**	**(29.5)**	**57.7**	74.1	(14.8)	59.3	117.7
Minority interests		**0.4**	**-**	**0.4**	0.4	-	0.4	0.6
		87.6	**(29.5)**	**58.1**	74.5	(14.8)	59.7	118.3
Earnings per share (p)								
Adjusted / Basic	6	**65.1p**	**(22.0p)**	**43.1p**	59.1p	(11.8p)	47.3p	90.8p
Adjusted / Diluted	6	**64.9p**	**(21.9p)**	**43.0p**	58.8p	(11.7p)	47.1p	90.4p

[1] Adjusted figures exclude certain items as set out and explained in the Financial Review and as detailed in Notes 2, 3, 4, 5 and 6. All amounts relate to continuing operations.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 March 2024

	Unaudited 31 Mar 2024 £m	Unaudited 31 Mar 2023 £m	Audited 30 Sep 2023 £m
Profit for the period	**58.1**	**59.7**	**118.3**
Items that will not be reclassified to the Consolidated Income Statement			
Actuarial (loss)/gain on the defined benefit pension schemes	**(6.0)**	2.0	(0.9)
Deferred tax on items that will not be reclassified	**1.5**	(0.6)	0.2
	(4.5)	1.4	(0.7)
Items that may be reclassified to the Consolidated Income Statement			
Exchange differences on translation of foreign operations	**(21.0)**	(49.2)	(46.3)
Net investment hedge – net loss	**(0.2)**	-	-
(Losses)/gains on fair value of cash flow hedges	**(0.3)**	(0.3)	1.8
Net changes to fair value of cash flow hedges transferred to the Consolidated Income Statement	**(2.1)**	(0.7)	(3.8)
Deferred tax on items that may be reclassified	**0.6**	0.2	0.5
	(23.0)	(50.0)	(47.8)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**30.6**	11.1	69.8
Attributable to:			
Shareholders of the Company	**30.2**	10.7	69.3
Minority interests	**0.4**	0.4	0.5
	30.6	11.1	69.8

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2024

	Share capital	Share premium	Transl-ation reserve	Hedging reserve	Retained earnings	Share-holders' equity	Minority interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 October 2022 (audited)	**6.3**	**188.6**	**88.8**	**3.2**	**375.1**	**662.0**	**6.2**	**668.2**
Total comprehensive income	-	-	(49.2)	(0.8)	60.7	**10.7**	0.4	**11.1**
Issue of share capital	0.5	231.6	-	-	-	**232.1**	-	**232.1**
Share-based payments	-	-	-	-	2.2	**2.2**	-	**2.2**
Notional purchase of own shares	-	-	-	-	(1.9)	**(1.9)**	-	**(1.9)**
Dividends	-	-	-	-	(48.4)	**(48.4)**	(0.3)	**(48.7)**
At 31 March 2023 (unaudited)	**6.8**	**420.2**	**39.6**	**2.4**	**387.7**	**856.7**	**6.3**	**863.0**
Total comprehensive income	-	-	2.9	(0.7)	56.4	**58.6**	0.1	**58.7**
Share-based payments	-	-	-	-	1.9	**1.9**	-	**1.9**
Tax on items recognised directly in equity	-	-	-	-	0.5	**0.5**	-	**0.5**
Dividends	-	-	-	-	(22.1)	**(22.1)**	-	**(22.1)**
At 30 September 2023 (audited)	**6.8**	**420.2**	**42.5**	**1.7**	**424.4**	**895.6**	**6.4**	**902.0**
Total comprehensive income	-	-	(21.2)	(1.8)	53.2	**30.2**	0.4	**30.6**
Share-based payments	-	-	-	-	3.5	**3.5**	-	**3.5**
Tax on items recognised directly in equity	-	-	-	-	0.5	**0.5**	-	**0.5**
Notional purchase of own shares	-	-	-	-	(2.2)	**(2.2)**	-	**(2.2)**
Dividends	-	-	-	-	(53.6)	**(53.6)**	(0.2)	**(53.8)**
At 31 March 2024 (unaudited)	**6.8**	**420.2**	**21.3**	**(0.1)**	**425.8**	**874.0**	**6.6**	**880.6**

Condensed Consolidated Statement of Financial Position

As at 31 March 2024

	Note	**Unaudited 31 Mar 2024 £m**	Unaudited 31 Mar 2023 £m	Audited 30 Sep 2023 £m
Non-current assets				
Goodwill	9	**432.7**	374.6	439.1
Acquisition intangible assets	9	**486.9**	451.5	520.1
Other intangible assets		**3.5**	4.1	4.2
Property, plant and equipment		**59.0**	49.3	59.2
Leases – right-of-use of assets		**77.6**	54.6	71.5
Retirement benefit assets		**1.4**	8.8	6.8
Deferred tax assets		**0.3**	0.4	0.2
		1,061.4	943.3	1,101.1
Current assets				
Inventories		**223.9**	216.3	232.7
Trade and other receivables		**201.3**	173.7	193.1
Cash and cash equivalents	8	**59.5**	72.1	62.4
		484.7	462.1	488.2
Current liabilities				
Borrowings	8	**–**	(29.1)	(0.3)
Trade and other payables		**(180.2)**	(180.2)	(191.9)
Current tax liabilities		**(5.9)**	(11.6)	(16.6)
Other liabilities		**(13.7)**	(14.4)	(12.7)
Lease liabilities		**(14.2)**	(12.3)	(15.0)
		(214.0)	(247.6)	(236.5)
Net current assets		**270.7**	214.5	251.7
Total assets less current liabilities		**1,332.1**	1,157.8	1,352.8
Non-current liabilities				
Borrowings	8	**(318.1)**	(197.0)	(316.8)
Lease liabilities		**(70.0)**	(49.3)	(65.2)
Other liabilities		**(9.0)**	(11.4)	(9.9)
Retirement benefit obligations		**(0.3)**	-	(0.3)
Deferred tax liabilities		**(54.1)**	(37.1)	(58.6)
		(451.5)	(294.8)	(450.8)
Net assets		**880.6**	863.0	902.0
Equity				
Share capital		**6.8**	6.8	6.8
Share premium		**420.2**	420.2	420.2
Translation reserve		**21.3**	39.6	42.5
Hedging reserve		**(0.1)**	2.4	1.7
Retained earnings		**425.8**	387.7	424.4
Total shareholders' equity		**874.0**	856.7	895.6
Minority interests		**6.6**	6.3	6.4
Total equity		**880.6**	863.0	902.0

Condensed Consolidated Cash Flow Statement

For the six months ended 31 March 2024

	Note	**Unaudited 31 Mar 2024 £m**	Unaudited 31 Mar 2023 £m	Audited 30 Sep 2023 £m
Cash flow from operating activities	7	**122.1**	98.2	257.3
Interest paid, net (including borrowing fees)		**(11.1)**	(11.3)	(26.7)
Tax paid		**(33.3)**	(22.2)	(41.4)
Net cash inflow from operating activities		**77.7**	64.7	189.2
Cash flow from investing activities				
Acquisition of businesses (net of cash acquired)		**(7.2)**	(85.4)	(258.5)
Acquisition related deferred payments/receipts, net		**(12.4)**	(8.0)	(12.3)
Proceeds from sale of business (net of cash disposed)		**-**	21.5	21.5
Purchase of property, plant and equipment		**(9.4)**	(9.4)	(21.6)
Purchase of other intangible assets		**(0.3)**	(0.8)	(1.5)
Proceeds from sale of property, plant and equipment		**5.5**	0.7	1.5
Net cash used in investing activities		**(23.8)**	(81.4)	(270.9)
Cash flow from financing activities				
Proceeds from issue of share capital		**-**	236.1	236.1
Share issue costs		**-**	(3.6)	(4.2)
Dividends paid to shareholders	11	**(53.6)**	(48.4)	(70.5)
Dividends paid to minority interests		**(0.2)**	(0.3)	(0.3)
Notional purchase of own shares on exercise of options		**(2.2)**	(1.9)	(1.9)
Proceeds from borrowings		**213.5**	45.3	579.5
Repayment of borrowings		**(205.6)**	(171.6)	(617.3)
Principal elements of lease payments		**(7.9)**	(6.9)	(13.9)
Net cash (outflow)/inflow from financing activities		**(56.0)**	48.7	107.5
Net (decrease)/increase in cash and cash equivalents	8	**(2.1)**	32.0	25.8
Cash and cash equivalents at beginning of period		**62.4**	41.7	41.7
Effect of exchange rates on cash and cash equivalents		**(0.8)**	(1.6)	(5.1)
Cash and cash equivalents at end of period	8	**59.5**	72.1	62.4

Notes to the Condensed Consolidated Financial Statements
For the six months ended 31 March 2024

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 2024 comprise the Company and its subsidiaries (together referred to as "the Group").

The condensed information presented for the financial year ended 30 September 2023 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 2023 were extracted from the 2023 Half Year Report, which was unaudited.

The Group's audited consolidated financial statements for the year ended 30 September 2023 are available on the Company's website (*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 2024 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 2023.

The Half Year financial statements were approved by the Board of Directors on 13 May 2024; 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 2023, except for the amount included in respect of taxation and the application of hedge accounting for foreign currency hedges and net investment hedges. The adoption of the new policies in respect of hedging did not have a material impact over the interim financial statements.

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 2023. Further explanation of the Group's principal risks and uncertainties and Going Concern are set out in the narrative of this Half Year Report.

1.3 Risk management (Continued)
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 2024. 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 2024 with the gains and losses taken to equity. The fair value of the forward contracts and interest rate swaps as at 31 March is £nil (30 September 2023: £2.4m asset).
- *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.

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 2023 as set out on page 179 - 180 of the 2023 Annual Report & Accounts.

2. ANALYSIS OF OPERATING EXPENSES / (INCOME)

	Unaudited			Unaudited			Audited Year to 30 Sep 2023
	Six months to 31 Mar 2024			Six months to 31 Mar 2023			
	Adjusted[1]	**Adjust-ments[1]**	**Total**	Adjusted[1]	Adjust-ments[1]	Total	Total
	£m	**£m**	**£m**	£m	£m	£m	£m
Cost of inventories sold	**345.7**	**5.4**	**351.1**	319.4	-	319.4	658.0
Employee costs	**112.8**	**-**	**112.8**	102.0	1.9	103.9	210.0
Depreciation of property, plant and equipment	**7.4**	**-**	**7.4**	6.3	-	6.3	12.8
Depreciation of right-of-use assets	**7.7**	**-**	**7.7**	6.7	-	6.7	14.8
Amortisation	**0.5**	**28.2**	**28.7**	0.4	25.3	25.7	53.9
Net impairment losses on trade receivables	**0.6**	**-**	**0.6**	1.1	-	1.1	2.5
Other operating expenses	**38.2**	**3.8**	**42.0**	37.2	(10.0)	27.2	65.0
Operating expenses	**512.9**	**37.4**	**550.3**	473.1	17.2	490.3	1,017.0

[1] The adjustments to operating expenses are made in relation to acquisition related and other charges, as defined in note 13.3, totalling £37.4m (2023: £17.2m) and comprise £5.4m (2023: £nil) of fair value adjustments to inventory acquired through acquisitions recognised in cost of inventories sold, £28.2m (2023: £25.3m) of amortisation of acquisition intangible assets and £3.8m (2023 £4.1m) of acquisition expenses. During the period ended 31 March 2024, the gain on disposal of businesses was £nil (2023: £12.2m).

Notes to the Condensed Consolidated Financial Statements
For the six months ended 31 March 2024

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. 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 2023, the Group earned 48.6% of its annual revenues and 46.3% 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		
£m	**6 mths 31 Mar 2024**	6 mths 31 Mar 2023	12 mths 30 Sep 2023	**6 mths 31 Mar 2024**	6 mths 31 Mar 2023	12 mths 30 Sep 2023	**6mths 31 Mar 2024**	6 mths 31 Mar 2023	12 mths 30 Sep 2023
By Sector									
Controls	**288.1**	278.8	568.4	**69.9**	64.3	136.6	**53.7**	57.7	112.9
Seals	**241.2**	198.4	419.0	**44.3**	35.7	79.0	**27.8**	29.3	55.8
Life Sciences	**109.0**	105.6	212.9	**21.6**	20.9	43.2	**16.9**	16.7	36.4
Corporate	**-**	-	-	**(10.4)**	(11.2)	(21.8)	**(10.4)**	(11.2)	(21.8)
	638.3	582.8	1,200.3	**125.4**	109.7	237.0	**88.0**	92.5	183.3
By Geographic Area									
United Kingdom	**130.8**	137.2	267.1	**13.9**	14.4	28.8			
Rest of Europe	**134.6**	97.7	210.3	**24.6**	15.3	34.5			
USA	**278.3**	256.5	537.6	**67.7**	60.3	132.2			
Rest of World	**94.6**	91.4	185.3	**19.2**	19.7	41.5			
	638.3	582.8	1,200.3	**125.4**	109.7	237.0			

The Group has re-presented the comparative for the period ended 31 March 2023 in relation to the geographic segment analysis to reflect USA separately. This is due to the increasing operations in that territory and provides more information that is relevant to the users of the financial statements.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 31 March 2024

3. BUSINESS SECTOR ANALYSIS (Continued)

£m	Total assets 31 Mar 2024	Total assets 31 Mar 2023	Total assets 30 Sep 2023	Total liabilities 31 Mar 2024	Total liabilities 31 Mar 2023	Total liabilities 30 Sep 2023	Net assets 31 Mar 2024	Net assets 31 Mar 2023	Net assets 30 Sep 2023
By Sector									
Controls	**622.2**	643.1	640.4	**(93.5)**	(79.7)	(96.1)	**528.7**	563.4	544.3
Seals	**608.1**	423.3	628.9	**(112.1)**	(96.5)	(119.6)	**496.0**	326.8	509.3
Life Sciences	**250.7**	245.9	244.1	**(52.7)**	(45.9)	(43.3)	**198.0**	200.0	200.8
Corporate assets/(liabilities)	**65.1**	93.1	75.9	**(407.2)**	(320.3)	(428.3)	**(342.1)**	(227.2)	(352.4)
	1,546.1	1,405.4	1,589.3	**(665.5)**	(542.4)	(687.3)	**880.6**	863.0	902.0

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)".

£m	Capital expenditure 31 Mar 2024	Capital expenditure 31 Mar 2023	Capital expenditure 30 Sep 2023	Depreciation 31 Mar 2024	Depreciation 31 Mar 2023	Depreciation 30 Sep 2023
By Sector						
Controls	**3.3**	2.7	5.9	**2.4**	2.4	4.6
Seals	**3.2**	3.8	9.0	**3.2**	2.3	5.0
Life Sciences	**3.1**	3.5	7.9	**2.2**	1.9	4.0
Corporate	**0.1**	0.2	0.3	**0.1**	0.1	0.2
	9.7	10.2	23.1	**7.9**	6.7	13.8

A further £7.7m (2023: £6.7m) of depreciation was incurred on right-of-use assets (note 2). Depreciation also includes amortisation of other intangible assets, largely software.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 31 March 2024

4. FINANCIAL EXPENSE, NET

	31 Mar 2024 £m	31 Mar 2023 £m	30 Sep 2023 £m
Interest (income)/ expense and similar charges			
- bank facility and commitment fees	**0.7**	0.7	1.6
- interest income on short term deposits	**(0.1)**	(0.2)	(0.4)
- interest expense on bank borrowings	**7.8**	9.2	16.6
- notional interest income on the defined benefit pension schemes	**(0.2)**	(0.2)	(0.4)
- amortisation of capitalised borrowing fees	**-**	0.1	0.2
- interest on lease liabilities	**2.0**	1.4	2.8
Net interest expense and similar charges	**10.2**	11.0	20.4
- acquisition related finance charges, net	**-**	2.8	7.3
Financial expense, net	**10.2**	13.8	27.7

Acquisition related finance charges includes unwind of discount on and remeasurement of acquisition liabilities of £0.4m expense (2023: £0.9m expense) and the amortisation of capitalised borrowing fees on acquisition related borrowings of £0.4m expense (2023: £0.9m expense), net of interest income on deferred receivables from disposals of £0.2m income (2023: £0.4m income) and fair value remeasurements of put options for future minority purchases of £0.6m income (2023: £1.4m expense).

5. TAXATION

	31 Mar 2024 £m	31 Mar 2023 £m	30 Sep 2023 £m
UK tax	**7.7**	7.2	8.9
Overseas tax	**12.0**	11.8	28.4
Total tax on profit for the period	**19.7**	19.0	37.3

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 24.0% (September 2023: 24.0%).

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For the six months ended 31 March 2024

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 134,009,865 (2023: 125,360,523) and the profit for the period attributable to shareholders of £57.7m (2023: £59.3m). Basic earnings per share is 43.1p (2023: 47.3p). Diluted earnings per share is 43.0p (2023: 47.1p) and is based on the average number of ordinary shares (which includes any potentially dilutive shares) of 134,328,842 (2023: 125,927,286).

Adjusted earnings per share
Adjusted earnings per share, defined in note 13, is calculated as follows:

	31 Mar 2024 pence per share	31 Mar 2023 pence per share	30 Sep 2023 pence per share	**31 Mar 2024 £m**	31 Mar 2023 £m	30 Sep 2023 £m
Profit before tax				**77.8**	78.7	155.6
Tax expense				**(19.7)**	(19.0)	(37.3)
Minority interests				**(0.4)**	(0.4)	(0.6)
Earnings for the period attributable to shareholders of the Company	**43.1**	47.3	90.8	**57.7**	59.3	117.7
Acquisition related and other charges and acquisition related finance charges, net of tax	**22.0**	11.8	35.7	**29.5**	14.8	46.3
Adjusted earnings (Note 13.4)	**65.1**	59.1	126.5	**87.2**	74.1	164.0

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

	31 Mar 2024 £m	31 Mar 2023 £m	30 Sep 2023 £m
Operating profit	**88.0**	92.5	183.3
Acquisition related and other charges (note 2)	**37.4**	17.2	53.7
Adjusted operating profit	**125.4**	109.7	237.0
Depreciation/amortisation of tangible, other intangible assets and leases – right-of-use assets	**15.6**	13.4	28.6
Share-based payments expense	**3.5**	2.2	4.1
Defined benefit pension scheme payment in excess of interest	**(0.4)**	(0.3)	(0.6)
Profit on disposal of assets	**(2.9)**	-	(1.1)
Acquisition and disposal expenses paid	**(2.0)**	(4.0)	(6.0)
Other non-cash movements	**-**	-	(0.5)
Non-cash items and other	**13.8**	11.3	24.5
Operating cash flow before changes in working capital	**139.2**	121.0	261.5
(Increase)/Decrease in inventories	**(0.1)**	(11.5)	10.8
Increase in trade and other receivables	**(16.4)**	(17.8)	(8.8)
(Decrease)/Increase in trade and other payables	**(0.6)**	6.5	(6.2)
Increase in working capital	**(17.1)**	(22.8)	(4.2)
Cash flow from operating activities	**122.1**	98.2	257.3

8. NET DEBT

The movement in net debt during the period is as follows:

	31 Mar 2024 £m	31 Mar 2023 £m	30 Sep 2023 £m
Net (decrease)/increase in cash and cash equivalents	**(2.1)**	32.0	25.8
(Increase)/decrease in bank borrowings	**(7.0)**	127.7	43.8
	(9.1)	159.7	69.6
Effect of exchange rates and other non-cash movements	**5.2**	15.2	4.6
(Increase)/decrease in net debt	**(3.9)**	174.9	74.2
Net debt at beginning of period	**(254.7)**	(328.9)	(328.9)
Net debt at end of period	**(258.6)**	(154.0)	(254.7)
Comprising:			
Cash and cash equivalents	**59.5**	72.1	62.4
Bank borrowings:			
- Revolving credit facility, including accrued interest	**(108.9)**	(41.9)	(321.1)
- Overdraft facilities	**-**	-	(0.3)
- Term loan, including accrued interest	**-**	(189.0)	-
- Capitalised debt fees	**4.8**	4.8	4.3
- Private placement, including accrued interest	**(214.0)**	-	-
	(318.1)	(226.1)	(317.1)
Net debt at end of period	**(258.6)**	(154.0)	(254.7)
Analysed as:			
Repayable within one year	**-**	(29.1)	(0.3)
Repayable after one year	**(318.1)**	(197.0)	(316.8)

The Group has a multi-currency revolving credit facility agreement (“RCF”) with an aggregate principal amount of £555.0m which was originally entered into on 17 July 2023. The RCF is due to expire in July 2028 with an option to extend for two further 12-month periods.

At 31 March 2024, the Group had utilised £108.7m of the RCF (2023: £41.9m), comprising £30.0m of the GBP RCF and £78.7m (€92.0m) of EUR RCF. £446.3m of the revolving facility remains undrawn. The RCF balance includes £0.2m (2023: £0.1m) of accrued interest.

On 20 March 2024, the Group issued private placement (“PP”) notes for an aggregate principal amount of £213.5m (€250.0m) with maturities of 7 years (€75m), 10 years (€100m) and 12 years (€75m). The PP balance includes £0.3m of accrued interest.

8. NET DEBT (Continued)

Capitalised debt fees includes £4.0m (2023: £4.8m) in relation to the RCF and £0.8m (2023: £nil) in relation to the PP notes.

The RCF is subject to interest at variable rates while the PP notes are at fixed rate. At 31 March 2024, fixed rate debt was 67% of total debt.

Total debt is £342.8m (2023: £215.6m) comprising net debt of £258.6m (2023: £154.0m) which excludes lease liabilities of £84.2m (2023: £61.6m). Debt covenants are tested against net debt, as defined in Note 13.6.

9. GOODWILL AND ACQUISITION INTANGIBLE ASSETS

	Goodwill £m	**Acquisition intangible assets** £m
At 1 October 2022	372.3	455.0
Acquisitions	25.7	51.9
Disposals	(4.3)	-
Amortisation charge	-	(25.3)
Exchange adjustments	(19.1)	(30.1)
At 31 March 2023	374.6	451.5
Acquisitions	63.2	88.1
Amortisation charge	-	(23.3)
Exchange adjustments	1.3	3.8
At 30 September 2023	439.1	520.1
Acquisitions	3.7	6.2
Amortisation charge	-	(28.2)
Exchange adjustments	(10.1)	(11.2)
At 31 March 2024	**432.7**	**486.9**

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 sixteen years.

10. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Acquisitions
The Group completed four acquisitions in the period. This comprised 100% of the share capital of Fast Gaskets and Parts Limited ("Fast Gaskets") (04 October 2023), Abbey Hose Company Limited ("Abbey Hose") (22 December 2023) and Technisil GmbH ("Technisil") (28 February 2024), and the trade and assets of Cable and Tubing Solutions GmbH ("CTS") (20 November 2023). The combined initial consideration for these acquisitions was £7.2m, net of cash acquired of £0.8m. Deferred consideration of up to £2.7m is payable based largely on the performance of the businesses in the period subsequent to their acquisitions.

Acquisition expenses
Acquisition expenses of £0.5m (2023:£2.7m) have been recognised in respect of the acquisitions completed in the period.

Fair value of net assets acquired
The fair values of net assets acquired during the period, including the allocation of the surplus over the fair value of the net assets acquired are provisional, subject to reviews up to the end of the measurement period of each acquisition.

	Total Acquisitions	
	Book value £m	Fair value £m
Acquisition intangible assets[1]	-	6.2
Deferred tax	-	(1.1)
Property, plant and equipment	0.1	0.1
Inventories	0.9	1.0
Trade and other receivables	0.8	1.1
Trade and other payables	(0.9)	(1.1)
Net assets acquired	0.9	6.2
Goodwill	–	3.7
Minority interests	–	–
Cash paid		8.0
Cash acquired		(0.8)
		7.2
Deferred consideration		2.7
Total Consideration		**9.9**

[1] On the acquisitions completed in the current period, acquired intangibles relate primarily to customer relationships.

10. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (Continued)

Acquisitions revenue and adjusted operating profit

From the date of acquisition to 31 March 2024, each acquired business contributed the following to Group revenue and adjusted operating profit:

	Acquisition date	Revenue £m	Adj.[1] £m	Pro forma revenue £m	Adjusted operating profit £m	Adj.[1] £m	Pro forma adjusted operating profit £m
Fast Gaskets	04 Oct 2023	0.5	-	0.5	0.1	-	0.1
CTS	20 Nov 2023	1.5	0.4	1.9	0.4	0.2	0.6
Abbey Hose	22 Dec 2023	1.2	1.2	2.4	0.3	0.3	0.6
Technisil	28 Feb 2024	-	0.1	0.1	-	-	-
		3.2	1.7	4.9	0.8	0.5	1.3

[1] Pro forma revenue and adjusted operating profit have been extrapolated (as prescribed under IFRS) from the results reported since acquisition to indicate what these businesses would have contributed if they had been acquired at the beginning of the period on 1 October 2023. These amounts should not be viewed as confirmation of the results of these businesses that would have occurred if these acquisitions had been completed at the beginning of the period.

11. DIVIDENDS

	31 Mar 2024 pence per share	31 Mar 2023 pence per share	30 Sep 2023 pence per share	**31 Mar 2024 £m**	31 Mar 2023 £m	30 Sep 2023 £m
Final dividend of the prior year, paid in February	**40.0**	38.8	38.8	**53.6**	48.4	48.4
Interim dividend, paid in June	**17.3**	16.5	16.5	**23.2**	22.1	22.1
	57.3	55.3	55.3	**76.8**	70.5	70.5

Subsequent to the period end, the Directors have declared an interim dividend of 17.3p per share (2023: 16.5p) which will be paid on 7 June 2024 to shareholders on the register on 24 May 2024. The total value of the dividend will be £23.2m (2023: £22.1m). No liability has been recognised on the balance sheet at 31 March 2024 in respect of the interim dividend (2023: same).

12. EXCHANGE RATES

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

	Average			Closing		
	31 Mar 2024	31 Mar 2023	30 Sep 2023	**31 Mar 2024**	31 Mar 2023	30 Sep 2023
US dollar (US$)	**1.26**	1.20	1.23	**1.26**	1.24	1.22
Canadian dollar (C$)	**1.70**	1.63	1.66	**1.71**	1.68	1.65
Euro (€)	**1.16**	1.14	1.15	**1.17**	1.13	1.15
Swiss franc (CHF)	**1.10**	1.13	1.13	**1.14**	1.13	1.12
Australian dollar (A$)	**1.92**	1.79	1.85	**1.94**	1.85	1.89

13. ALTERNATIVE PERFORMANCE MEASURES

The Group reports under UK-adopted International Accounting Standards and references alternative performance measures where the Board believes that they help to effectively monitor the performance of the Group and support readers of the Financial Statements in drawing comparisons with past performance. Certain alternative performance measures are also relevant in calculating a meaningful element of Executive Directors' variable remuneration and debt covenants. Alternative performance measures are not considered to be a substitute for, or superior to, IFRS measures.

13.1 Alternative performance measures

Measure	Closest IFRS measure	Definition and reconciliation	Purpose
Organic growth	Reported revenue increase	Organic growth strips out the effects of the movement in exchange rates and of acquisitions and disposals.	Allows users of the accounts to gain understanding of how the Group has performed on a like-for-like basis, excluding the effects of exchange rates and of acquisitions and disposals.
Adjusted operating profit	Operating profit	Statutory operating profit excluding separately disclosed items and can be found on the face of the Group Income Statement in the Adjusted column.	Adjusted operating profit is a key performance measure for the Executive Directors' annual bonus structure and management remuneration. It also provides all stakeholders with additional useful information to assess the period-on-period trading performance of the Group.
Adjusted operating margin	Operating profit divided by revenue	Adjusted operating profit/(loss) divided by revenue.	Adjusted operating margin is a measure used to assess and compare profitability. It also allows for ongoing trends and performance of the Group to be measured by the Directors, management and interested stakeholders.
Adjusted earnings per share	Basic earnings per share	Adjusted earnings (being adjusted profit after tax attributable to equity shareholders) for the period attributable to shareholders of the Group divided by the weighted average number of shares in issue, excluding those held in the Employee benefit trust which are treated as cancelled. A reconciliation of statutory profit to adjusted profit for the purpose of this calculation is provided within the notes to the financial statements.	Adjusted earnings per share is widely used by external stakeholders, particularly in the investment community.

13.1 Alternative performance measures (continued)

Return On Adjusted Trading Capital Employed (ROATCE)	Operating profit and net assets	Pro forma adjusted operating profit (being the annualised adjusted operating profit including that of acquisitions and disposals) divided by adjusted trading capital employed. 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) and re-translated at the average exchange rates that are consistent with the pro forma adjusted operating profit.	ROATCE gives an indication of the Group's capital efficiency and is an element of a performance measure for the Executive Directors' remuneration.
Free cash flow	Net cash generated from operating activities	The cash flow equivalent of adjusted profit after tax.	Free cash flow allows us and external parties to evaluate the cash generated by the Group's operations and is also a key performance measure for the Executive Directors' annual bonus structure and management remuneration.
Net debt	Borrowings less cash	Cash and cash equivalents (cash overnight deposits, other short-term deposits) offset by borrowings which compose of bank loans, excluding lease liabilities.	Net debt is the measure by which the Group and interested stakeholders assesses its level of overall indebtedness.
Earnings Before Interest and Tax plus Depreciation and Amortisation ("EBITDA")	Operating profit	EBITDA is calculated by taking adjusted operating profit and adding back depreciation and amortisation.	EBITDA is used as a key measure to understand profit and cash generation before the impact of investments (such as capital expenditure and working capital). It is also used to derive the Group's gearing ratio.
Leverage	No direct equivalent	The ratio of net debt to EBITDA over the last 12 months (with net debt translated at the average exchange rates that are consistent with EBITDA), after making the following adjustments to EBITDA: including any annualised EBITDA for businesses acquired by the Group during that period; the reversal of IFRS 16 accounting; the exclusion of any EBITDA businesses disposed by the Group during that period; and the exclusion of the profit or loss attributable to minority interest.	The leverage ratio is considered a key measure of balance sheet strength and financial stability by which the Group and interested stakeholders assesses its financial position.

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For the six months ended 31 March 2024

13.2 Revenue Growth

As a multi-national group of businesses which trades in a large number of currencies, and acquires and sometimes disposes of companies, organic growth is a key performance measure and is referred to throughout our reporting. Organic growth excludes the effects of the movement in exchange rates and of acquisitions and disposals. The Board believes that this allows users of the financial statements to gain a better understanding of the Group's performance.

A reconciliation of the movement in reported revenue compared to the prior period and the calculation of organic growth is shown below:

	£m	%
H123 Reported revenue (basis for Acquisitions and Disposals / Exchange Rates impacts)	**582.8**	
Acquisitions and Disposals [1]	46.6	8%
Basis for organic growth impact	629.4	
Organic growth [2]	28.9	5%
Exchange rates [3]	(20.0)	(3%)
H124 Reported revenue	**638.3**	

[1] The impact of acquisitions is the revenue of the acquiree prior to the acquisition by Diploma for the comparable period at prior period exchange rates. The impact of disposals is the removal of the revenue of the disposed entity in the comparable post disposal period at prior period exchange rates.

[2] Organic growth measures the change in revenue compared to the prior period, at prior period exchange rates. For acquisitions, this includes incremental revenues generated under Diploma's ownership compared to the revenue in the same period prior to acquisition, at prior period exchange rates.

[3] Exchange rates movements are assessed by re-translating current period reported values to prior period exchange rates.

13.3 Adjusted operating profit and adjusted operating margin

Adjusted operating profit is the operating profit before adjusting items that would otherwise distort operating profit, currently and more recently being amortisation of acquisition intangible assets or goodwill, acquisition expenses, post-acquisition related remuneration costs and adjustments to deferred consideration, the costs of a significant restructuring or rationalisation and the profit or loss relating to the sale of businesses. These are treated as adjusting items (referred to as acquisition related and other charges) as they are considered to be significant in nature and/or quantum and where treatment as an adjusting item provides all our stakeholders with additional useful information to assess the period-on-period trading performance of the Group on a like-for-like basis. Adjusted operating margin is the Group's adjusted operating profit divided by the Group's reported revenue.

A reconciliation between operating profit as reported under IFRS and adjusted operating profit is given below:

	Note	**31 Mar 2024 £m**	31 Mar 2023 £m	30 Sep 2023 £m
Revenue		**638.3**	582.8	1,200.3
Operating profit as reported under IFRS		**88.0**	92.5	183.3
Add: Acquisition related and other charges	2	**37.4**	17.2	53.7
Adjusted operating profit	3	**125.4**	109.7	237.0
Adjusted operating margin		**19.6%**	18.8%	19.7%

13.4 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 period of 134,009,865 (2023: 125,360,523), as set out in note 6. The Directors believe that adjusted EPS provides an important measure of the earnings capacity of the Group.

13.5 Free cash flow and free cash flow conversion

Free cash flow is defined as net cash flow from operating activities, less net capital expenditure on tangible and intangible assets, and including proceeds received from property disposals, but before expenditure on business combinations/investments (including any pre-acquisition debt like items such as pensions or tax settled post-acquisition) and proceeds from business disposals, borrowings received to fund acquisitions, net proceeds from issue of share capital and dividends paid to both minority shareholders and the Company's shareholders. "Free cash flow conversion" reflects free cash flow as a percentage of adjusted earnings. 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.

	Note	**31 Mar 2024 £m**	31 Mar 2023 £m	30 Sep 2023 £m
Net increase in cash and cash equivalents	8	**(2.1)**	32.0	25.8
Add: Dividends paid to shareholders and minority interests		**53.8**	48.7	70.8
Acquisition/disposal of businesses (including net expenses)		**9.2**	67.9	243.0
Acquisition related deferred payments/receipts, net		**12.4**	8.0	12.3
Proceeds from issue of share capital (net of fees)		**–**	(232.5)	(231.9)
Net (proceeds from)/repayment of borrowings (including borrowing fees)	8	**(7.0)**	127.7	43.8
Free cash flow		**66.3**	51.8	163.8
Adjusted earnings[1]	6	**87.2**	74.1	164.0
Free cash flow conversion		**76%**	70%	100%

[1] Adjusted earnings is shown on the face of the condensed consolidated income statement as profit for the period attributable to shareholders of the company.

13.6 Leverage

Leverage is net debt, defined as cash and cash equivalents and borrowings (translated at average exchange rates that are consistent with EBITDA), divided by EBITDA as defined in the Group's external debt covenants, which is the Group's adjusted operating profit adjusting for depreciation and amortisation of tangible and other intangible assets, the share of adjusted operating profit attributable to minority interests and the annualisation of EBITDA for acquisitions and disposals made during the financial year, excluding the impact of IFRS 16 (Leases). The Directors consider this metric to be an important measure of the Group's financial position.

	Note	**31 Mar 2024 £m**	31 Mar 2023 £m	30 Sep 2023 £m
Cash and cash equivalents	8	**59.5**	72.1	62.4
Borrowings	8	**(318.1)**	(226.1)	(317.1)
Re-translation at average exchange rates		**(0.3)**	(4.0)	1.2
Net debt at average exchange rates		**(258.9)**	(158.0)	(253.5)
Adjusted operating profit	13.3	**125.4**	109.7	237.0
Depreciation and amortisation of tangible and other intangible assets	2	**7.9**	6.7	13.8
IFRS 16 impact		**(0.4)**	(0.8)	(1.7)
Minority interest share of adjusted operating profit		**(0.5)**	(0.6)	(0.8)
Pro forma adjustments[1]		**141.1**	121.3	21.0
EBITDA		**273.5**	236.3	269.3
Leverage		**0.9x**	0.7x	0.9x

[1] Annualisation of adjusted EBITDA, including that of acquisitions and disposals in the period.

13.7 Trading Capital Employed and ROATCE

Trading capital employed is defined as net assets less cash and cash equivalents and retirement benefit assets, after adding back borrowings (other than lease liabilities), deferred tax, retirement benefit obligations and net acquisition liabilities in respect of future purchases of minority interests, deferred consideration payable on acquisitions, and acquisition receivables in respect of previously completed disposals. Adjusted trading capital employed is reported as being trading capital employed plus goodwill and acquisition related charges previously charged to the income statement (net of deferred tax on acquisition intangible assets) and re-translated at the average exchange rates that are consistent with the pro forma adjusted operating profit. Return on Adjusted Trading Capital Employed (ROATCE) is defined as the pro forma adjusted operating profit, divided by adjusted trading capital employed, where pro forma adjusted operating profit is the annualised adjusted operating profit including that of acquisitions and disposals in the period. The Directors believe that ROATCE is an important measure of the profitability of the Group.

	Note	**31 Mar 2024 £m**	31 Mar 2023 £m	30 Sep 2023 £m
Net assets as reported under IFRS		**880.6**	863.0	902.0
Add/(deduct):				
– Deferred tax, net		**53.8**	36.7	58.4
– Retirement benefit assets, net		**(1.1)**	(8.8)	(6.5)
– Acquisition related liabilities/assets, net		**20.9**	23.1	19.6
– Net debt	8	**258.6**	154.0	254.7
Trading capital employed		**1,212.8**	1,068.0	1,228.2
– Historic goodwill and acquisition related charges, net of deferred tax and currency movements		**234.9**	193.4	189.4
Adjusted trading capital employed		**1,447.7**	1,261.4	1,417.6
Adjusted operating profit	13.3	**125.4**	109.7	237.0
Pro forma adjustments[1]		**134.8**	115.3	19.4
Pro forma adjusted operating profit		**260.2**	225.0	256.4
ROATCE		**18.0%**	17.8%	18.1%

[1] Annualisation of adjusted operating profit, including that of acquisitions and disposals in the period.

14. RETIREMENT BENEFIT ASSET AND OBLIGATIONS

On 26 March 2024, the Trustees completed a buy-in of the remaining pensioner liabilities in the Scheme with Just Retirement Limited. The Scheme paid £25.1m to Just Retirement Limited on 26 March 2024 to fund 100% of the buy-in premium. As at 31 March 2024, the Group's financial statements include a net asset of £1.4m (30 September 2023: £6.8m) in respect of the Group's UK pension scheme. As at 31 March 2024, 95% of the scheme assets are concentrated in the buy-in policy.

15. RELATED PARTY TRANSACTIONS

There have been no changes to the related party arrangements or transactions as reported in the 2023 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.

16. POST BALANCE SHEET EVENTS

Acquisition of Peerless Aerospace Fastener LLC

On 27 March 2024, the Group announced the proposed acquisition of 100% of the membership interests of Peerless Aerospace Fastener LLC ("Peerless"), a market-leading distributor of specialty fasteners into the US and European aerospace markets for an initial cash consideration of $289.5m (£228m) on a cash-free and debt-free basis. A remaining 3.5% deferred consideration will be paid to management based on Peerless's FY27 performance, some of which is employment linked. The conditions to achieve completion of the acquisition of Peerless were satisfied after period end, resulting in the completion taking place on 1 May 2024. A purchase price allocation exercise is currently being performed to determine the fair value of the acquired net assets and goodwill arising on this acquisition.

Acquisition of Plastic and Rubber Group Holdings Limited

On 30 April 2024, the Group acquired 100% of the share capital of Plastic and Rubber Group Holdings Limited, a UK-based gaskets specialist for a total consideration of £37.5m on a cash-free and debt-free basis. A purchase price allocation exercise is currently being performed to determine the fair value of the acquired net assets and goodwill arising on this acquisition.