DIPLOMA PLC

Acquisition of Windy City Wire

September 2020

Acquisition of Windy City Wire

- Proposed acquisition of leading Controls business in US for up to £357m
- Consistent with Diploma's value-add business model and strategy
- Strong management, customer proposition, and performance track record
- Scalable platform with exciting organic growth potential
- Year 1: Significantly earnings enhancing and covering cost of capital
- Conservative funding: strong and flexible balance sheet retained

Diploma strategy: Consistently delivering value

- → Value-add distribution model
- → Decentralised structure
- → Significant growth runway in attractive developed markets
- → Developing scalable businesses in key geographies and products
- → Evolving core competencies and capability to deliver at scale
- → Strong balance sheet

Emphasis on value-add, scalable, resilient businesses in core markets

Transaction overview

Highly attractive, scalable Controls business in the US	• A leading value-add distributor of premium quality low voltage cable and wire • Scalable platform in the US with exciting growth potential • Strong and established management team who will remain with the business • Majority owned by founder Rich Galgano
Excellent performance track record and prospects	• Expected FY20 revenue c.$192m; proforma EBITDA c.$44.5m • 10 year[1] revenue and EBITDA CAGR of 12% and 13%, respectively • Attractive margin profile and strong cash generation • Taking market share in structurally attractive end segments
Compelling valuation for high quality US business	• Consideration up to £357m ($465m), inc. deferred payment of up c. £12m ($15m)[2] • Transaction multiple of c.10.5x FY20 EBITDA • Year 1: acquisition is significantly earnings enhancing and covers cost of capital • Post-transaction Group ROATCE to high-teens
Conservative approach to financing	• Funded though placing of up to 10%, balance funded through new debt facilities • Conservative approach to leverage remains unchanged • Leverage expected to be c.1x net debt/EBITDA by end FY21 • Maintains balance sheet strength and flexibility for dividends and future bolt-ons

1. *10 years to December 2019*
2. *Payable to key members of Windy City Wire management team after 3 years, subject to certain conditions*

Strategic rationale

- → **Expands presence in the US**, a key industrials market
- → **Enhances our position in Controls**, with a core product we understand
- → **Value-add customer proposition** with attractive margins
- → Significant **organic growth potential**
- → **Strong financial returns**, whilst maintaining a solid balance sheet

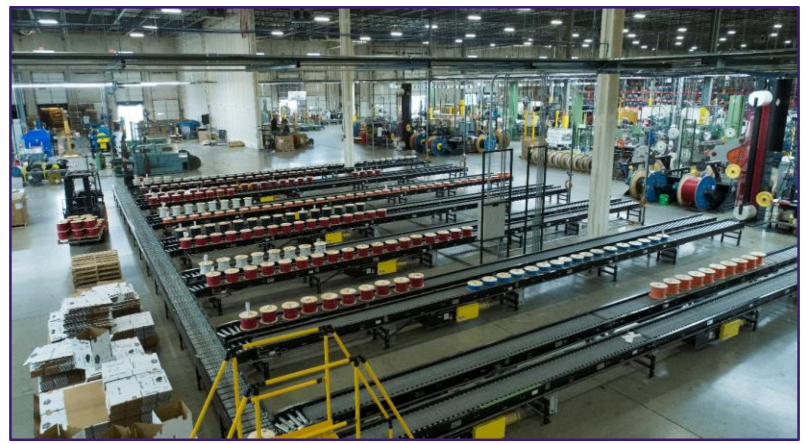
Accelerates our strategy of focussing our growth in our key markets

WINDY CITY WIRE®
CABLE & TECHNOLOGY PRODUCTS, LLC

Windy City Wire overview

- Leader in premium quality low-voltage wire and cable market
- Highly experienced management team and strong culture
- Full suite of trademarked brands and patented products
- High value-add customer service proposition

- Highly diverse and sticky customer base with no concen-tration
- Vertically integrated with national warehouse footprint
- Attractive growth, margin, and cash flow profile
- Track record of consistent and long term profit growth



Exceptional management team, customer proposition and performance

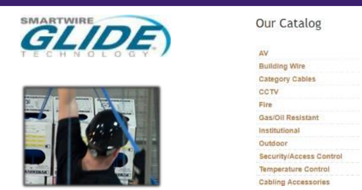
WINDY CITY WIRE®
CABLE & TECHNOLOGY PRODUCTS, LLC

Value-add customer proposition

- Essential product for customers
- Convenience: glide technology to facilitate user experience
- Convenience: packaged for optimum storage and usage
- Significant customer labour cost reductions
- High service model based on rapid speed to market – same day shipping

Value added packaging innovation

SmartWire® with Glide Technology



- Flagship family of low-voltage wire and cable products
- Clear length markings with differentiated colours for easy installation
- Glide® Technology, introduced in 2012, reduces friction for easy pulling

Rackpack® Field Systems Solutions ("RPFSS")

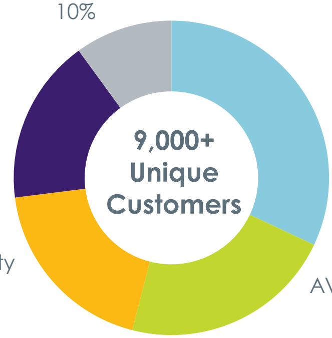
- Free spinning reel inside box allows for tangle-free pulling
- Provided on a lightweight, custom dolly for enhanced transportation
- Different transportation device sizes that can link into multiple RackPacks®

Powerful customer proposition based on convenience, service, and low cost

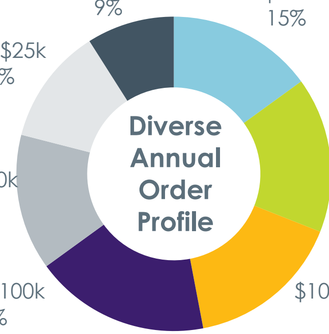
Diversity and stickiness of customer base

- High level of customer and end market diversity
- Large national account base: 9,300 active customers across all 50 states
- No account more than 2% of sales; majority of customer orders <$10,000
- Customer retention high based on convenient proposition
- Strong performance sustained through COVID-19

Diverse end markets

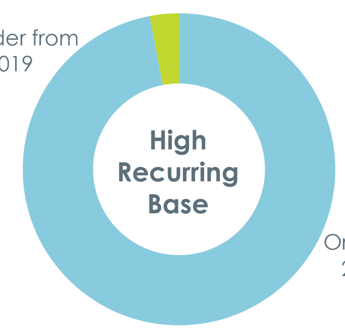


Revenue contribution by total annual customer order



Deeply entrenched relationships

Top 100 Customers by footage purchased



Resilience due to diversity of end customer and market

Source: Windy City Wire

Excellent track record of performance delivery

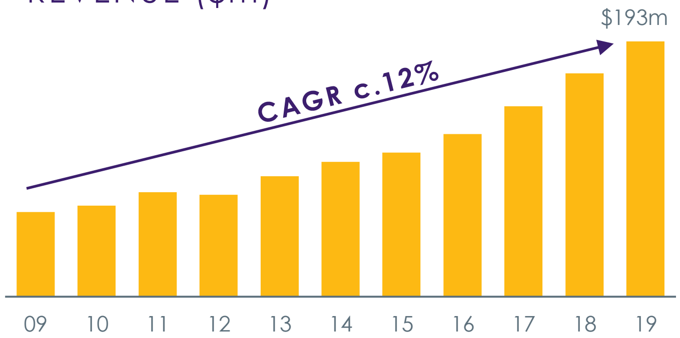
Consistent double digit revenue growth

EBITDA margins grown to c.20% over 10 years

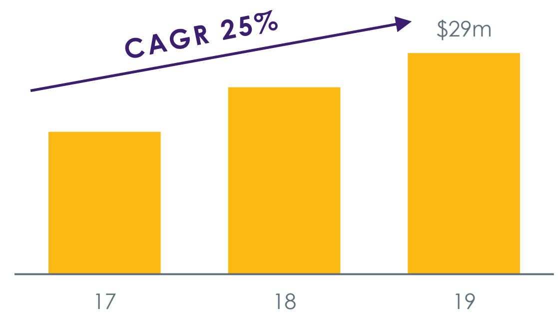
Strong cash flow generation

Significant opportunities to continue to deliver

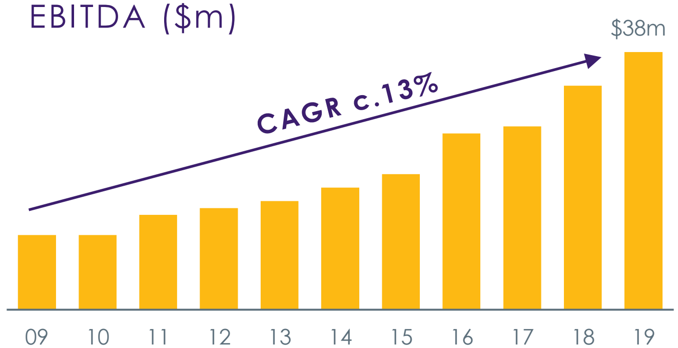
REVENUE ($m)



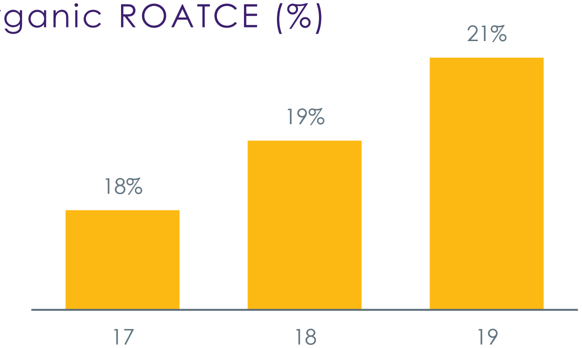
OPERATING CASH FLOW($m)



EBITDA ($m)

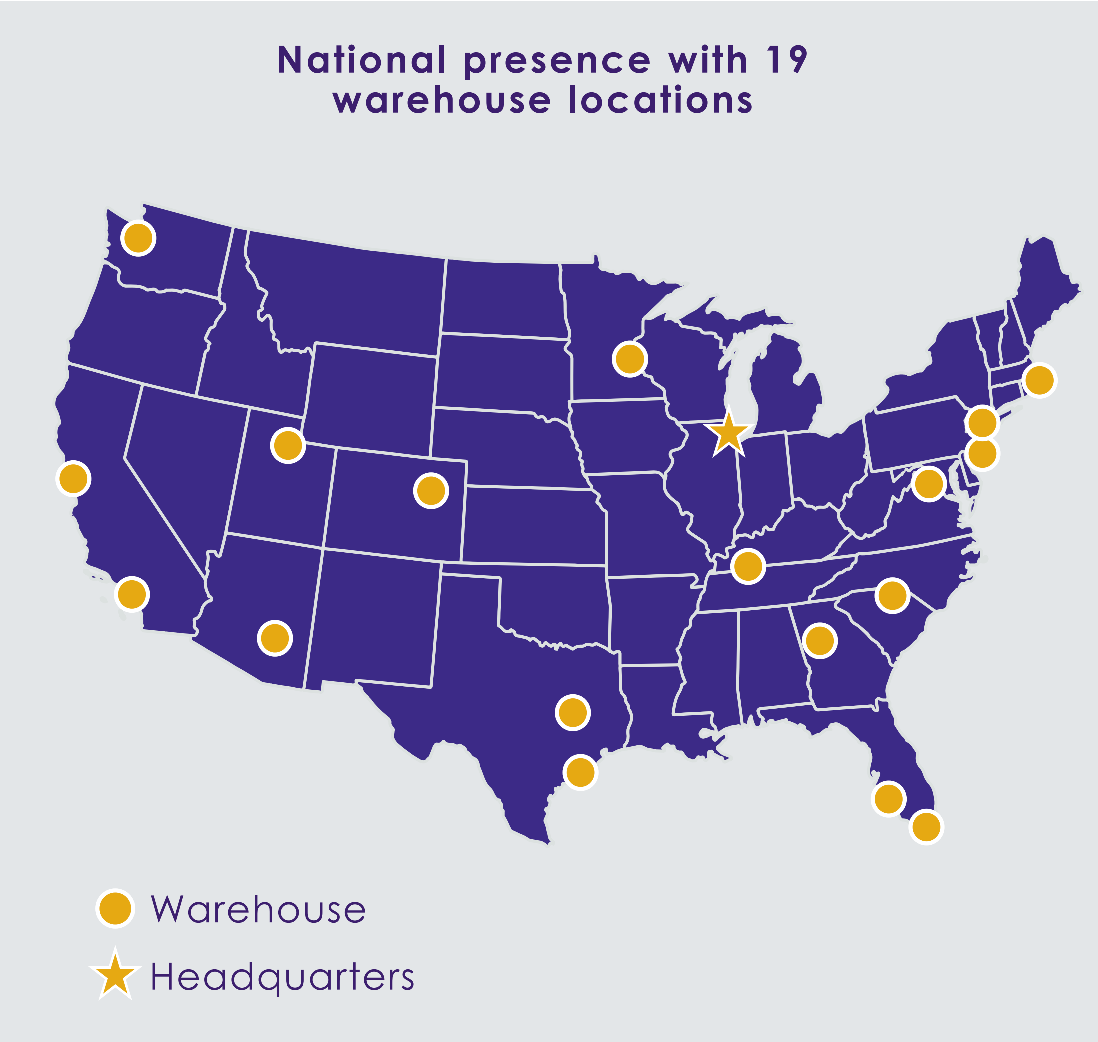


Organic ROATCE (%)



Source: Windy City Wire
Operating cash flow = EBITDA – Capex.

Strong platform for future growth



Network of facilities

- National scale and critical mass
- High service focus
- First class, well invested base in Bolingbrook, IL
- Truly scalable platform

Unified systems and controls

- Integrated systems across WCW footprint
- 98%+ of customer orders ship within one day
- Predictive modelling and inventory management
- Working capital discipline

Control of supply chain

- Vertical integration ensures product consistency
- Light manufacturing operations can efficiently handle short runs to meet demand
- Non-unionized manufacturing workforce

WINDY CITY WIRE®
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Strong management and culture

Rich Galgano
Chief Executive Officer/Founder
Co-founded Windy City Wire in 1994

Dave DeNeve
Chief Financial Officer
Joined Windy City Wire in 2007

Dan Hughes
Chief Sales Officer
Joined Windy City Wire 2001

Bobby Jose
Chief Information Officer
Joined Windy City Wire in 2006

Michael Martin
Plant Manager
Joined Windy City Wire in 2008

- Highly successful management team with excellent track record
- Deep bench with strong industry experience: average tenure 15 years
- Very strong growth and performance orientated culture
- Management team fully committed to next phase of growth with Diploma

High performance team and culture aligned with our values

Significant future growth opportunities

WINDY CITY WIRE®
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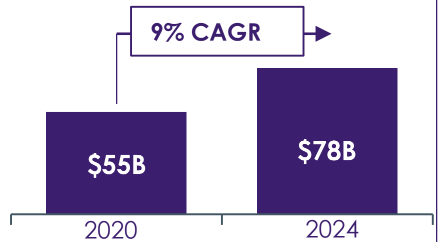
Increasing market share in current structural growth markets

Building automation

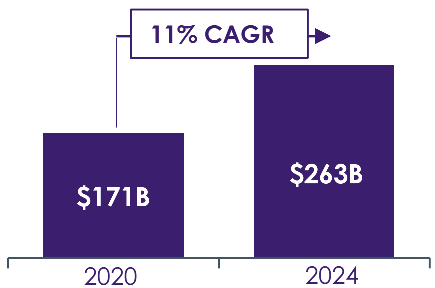
- Cloud-based services
- Networking infrastructure
- Energy-efficient and smart buildings

MARKET SIZE & GROWTH



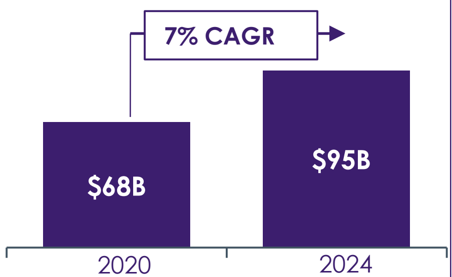
Pro Audio/Visual

- Demand for video communication
- Pro AV for smart learning



Fire security

- Increased security investment
- Advanced electronics in building systems



Digital infrastructure driving wiring demand and future opportunity

Data centres

- Growing demand for cloud applications
- Land grab among states to build data centres
- North America c.38% of global data centre construction market
- Pipeline of opportunities with major tech customers

Distributed Antenna Systems (DAS)

- Increased usage of smartphones and wireless data
- Growing adoption of 5G cellular network
- Increased automation across industries
- Production innovation driving growth

Source: William Blair Proprietary Insights

Current trading and outlook

DIPLOMA PLC

- Resilient trading performance through COVID-19 pandemic
- Strong profit and margin performance in crisis months
- Strong balance sheet and liquidity
- Trading in line with August trading update and market expectations
- Intention to recommend a dividend of 30p for year to Sept 2020, in line with progressive dividend policy

WINDY CITY WIRE®
CABLE & TECHNOLOGY PRODUCTS, LLC

- Resilient trading through COVID-19
- Expect to maintain revenues and grow profitability in FY20
- Structural growth markets remain robust and exciting
- Increased opportunities as part of the Diploma Group

Exceptional prospects for the combined Group

Valuation and transaction structure

Compelling valuation

- Consideration of up to £357m ($465m), including deferred payment of up to c.£12m ($15m)[1]
- Transaction multiple of c.10.5x FY20 EBITDA
- Compelling valuation for high quality US business
- Immediately value enhancing:
  - Earnings accretive in Year 1
  - ROATCE above cost of capital in Year 1
- Post-transaction Group ROATCE high-teens

1. *Payable to key members of Windy City Wire management team after 3 years, subject to certain conditions*

Transaction structure

Equity

- 10% placing of issued share capital raising approximately £200m
- New shares to be placed with existing and new shareholders

Debt

- Balance of £150-175m ($195-228m) funded through new debt facilities including USD term loan and GBP multicurrency RCF with initial blended interest cost of c. 2.2%
- In addition, existing Diploma debt of £36m to be refinanced

Note: New debt facilities comprise $170m term loan and £135m RCF

Strong balance sheet maintained

- Maintain balance sheet strength
- Net debt/EBITDA of combined group expected to be c.1x by end FY21
- Rapid deleveraging profile
- Liquidity for dividends and future bolt-ons
- Conservative approach to leverage remains unchanged

Summary: exceptional business for Diploma's future

- **Expands presence in the US**, a key industrials market
- **Enhances our position in Controls**, with a core product we understand
- **Value-add customer proposition** with attractive margins
- Significant **organic growth potential**
- **Strong financial returns**, whilst maintaining a solid balance sheet

Compelling strategic and value creating acquisition

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