

FOR IMMEDIATE RELEASE

27 August 2020

**DIPLOMA PLC****PRE-YEAR-END TRADING UPDATE****TRADING LEVELS RECOVERING WELL**

Diploma PLC, the international group supplying specialised technical products and services, today issues a trading update for the year ending 30 September 2020.

Johnny Thomson, Diploma's Chief Executive Officer said:

"Our businesses have responded exceptionally to the COVID-19 crisis, making a difference to our colleagues, our customers and our communities through these uncertain times. Diploma has also delivered a resilient trading performance, with revenues continuing to improve across all of our Sectors, and strong profit and cash generation throughout the period. Whilst the outlook for the virus remains uncertain, we are trading in line with expectations and are confident about the Group's growth prospects. The crisis has demonstrated the power of our value-add distribution model, the diversity of our end segments, the benefits of broad-based scalable businesses, and the importance of a strong balance sheet. Our strategy will continue to develop these strengths and we have significant market opportunities for growth."

**COVID-19 update**

The Group continues to prioritise the wellbeing of our colleagues, whether at home or in the workplace. Operational working practices have been successfully adjusted to ensure a safe environment and the Group's decentralised model supports agile responses from local businesses to the unique circumstances in their location.

The Group prudently took part in the UK government's Job Retention Scheme given the highly uncertain market outlook at the outset of the crisis. However, by the end of June all furloughed colleagues had returned to work. In light of the resilience of the Group's performance through the crisis, we have now repaid all UK government support funds.

**Group**

The Group has delivered a resilient trading performance and adjusted operating profit for the full year is expected to be in line with market expectations. The Group's third quarter, running from April to June 2020, was impacted by the COVID-19 crisis with revenues down 12% on a reported basis and down 21% on an underlying basis. Performance started to recover in June and has continued into the fourth quarter, with revenues steadily improving in July, down 4% on a reported basis and down 10% on an underlying basis.

The following table sets out the year-on-year revenue change by Sector for the third quarter and separately for July:

<b>Sector performance</b>		<b>Q3</b>	<b>July</b>
<b>Life Sciences</b>	Underlying	-19%	-6%
	Reported	-18%	-10%
<b>Seals</b>	Underlying	-12%	-7%
	Reported	+9%	+10%
<b>Controls</b>	Underlying	-34%	-17%
	Reported	-31%	-15%
<b>Group</b>	Underlying	-21%	-10%
	Reported	-12%	-4%

### **Life Sciences**

As expected, demand began to recover from the end of Q3 with the easing of lockdowns as hospitals re-opened for general activity and non-COVID-19 screening programmes were restarted. While the pace of recovery may be impacted by localised lockdowns, performance in the Life Sciences Sector is positive and improving.

### **Seals**

Seals has delivered a resilient performance through the COVID-19 crisis, particularly in the North American Aftermarket and the International Seals businesses, both of which have benefitted from strong market positions and the diversity of our end customers. The Industrial OEM business has been more impacted by COVID-19 but is starting to recover. VSP, acquired in the US a year ago and the Group's largest acquisition to date, has delivered an excellent performance following its integration into the Group.

### **Controls**

The Controls Sector has been most impacted by COVID-19, particularly in the Civil Aerospace segment which accounts for ca. 20% of Controls revenue (ca. 6% of Group revenue). Whilst Civil Aerospace remains challenging, the majority of our Controls businesses are recovering well.

### **Financial position**

We continue to restrict all discretionary capital expenditure, focus on working capital to conserve cash, and are keeping tight control of expenses. The Group's balance sheet is strong and we expect net debt to be around neutral at the year-end. The Group has liquidity of around £100m through both its £60m revolving credit facility (undrawn) and available cash balances.

### **Acquisitions**

Acquisitions remain a core part of the Group's strategy. During the year £13.6m has been spent on acquisitions. Whilst the COVID-19 crisis has made it more difficult to execute transactions, the pipeline of opportunities is encouraging. Diploma has a strong balance sheet and is well positioned to take advantage of opportunities. We are optimistic about bringing further high-quality, scalable businesses into the Group that will accelerate the growth strategy in our core markets.

**Notes:**

1. *This trading update is based upon unaudited management accounts and has been prepared solely to provide additional information on trading to the shareholders of Diploma PLC. It should not be relied on by any other party for other purposes. Certain statements made in this update are forward-looking statements. Such statements have been made by the Directors in good faith using information available up until the date that they approved this Statement. Forward-looking statements should be regarded with caution because of the inherent uncertainties in economic trends and business risks.*
2. *Diploma PLC uses alternative performance measures as key financial indicators to assess the underlying performance of the Group. All references in this Statement to "underlying" revenues refer to reported results on a constant currency basis and before any contribution from acquired or disposed businesses.*
3. *A copy of this Statement, together with further information about Diploma PLC, may be viewed on its website at [www.diplomaplc.com](http://www.diplomaplc.com)*

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**NOTE TO EDITORS:**

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

Diploma's businesses are focussed on supplying *essential products* and services which are funded by the customers' operating rather than their capital budgets, providing recurring income and stable revenue growth.

Our businesses then design their individual business models to closely meet the requirements of their customers, offering a blend of high quality customer service, deep technical support and value adding activities. By supplying *essential solutions*, not just products, we build strong long term relationships with our customers and suppliers, which support attractive and sustainable margins.

Finally we encourage an entrepreneurial culture in our businesses through our decentralised management structure. We want our managers to feel that they have the freedom to run their own businesses, while being able to draw on the support and resources of a larger group. These *essential values* ensure that decisions are made close to the customer and that the businesses are agile and responsive to changes in the market and the competitive environment. The Group employs ca. 2,100 employees and its principal operating businesses are located in the UK, Northern Europe, North America and Australia.

Over the last ten years, the Group has grown adjusted earnings per share at an average of ca. **16%** p.a. through a combination of underlying growth and acquisitions. Diploma is a member of the FTSE 250 with a market capitalisation of ca. **£2.2bn**.

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

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