

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

13 July 2023

Diploma PLC

Strategic acquisition of European Fluid Power platform

Diploma PLC, the value-add distribution group, is pleased to announce the acquisition of Distribuidora Internacional Carmen SAU (“DICSA”), a market-leading distributor of fluid power solutions into the European aftermarket for an initial consideration of ca. £170m (€200m).

- **A high quality business:** DICSA has significant customer value-add based on quality product, breadth of range, technical service, and speed to market. This customer proposition has driven a long track record of double-digit organic growth at attractive margins.
- **Strong strategic fit:** the acquisition adds to our established positions in the US and UK, expanding our aftermarket fluid power capability and accessing key strategic markets in Continental Europe. DICSA is based in Spain with good exposure across Europe, particularly France and Germany. With small market shares in these significant economies, the differentiated proposition can continue to drive strong growth.
- **Attractive valuation:** the initial consideration of £170m represents a multiple of 9x 2023 EBITDA. The acquisition will be earnings enhancing and exceed cost of capital from day one, and the business will be accretive to the Group’s organic growth and margins. There are also material revenue and cost synergies with our existing fluid power businesses in the UK and US, accelerating the journey to 20% returns over the next three to five years.

High quality fluid power aftermarket business in Continental Europe

The acquisition of DICSA builds on Diploma’s established track record of driving future organic growth through acquisitions at excellent returns and fulfils the key characteristics we seek:

- **Fluid power product capability:** DICSA is a value-add distributor of a diverse range of hydraulic hoses, fittings and components, a product set with which we are familiar, and similar to that offered by our UK Aftermarket Seals business, R&G.
- **Attractive aftermarket business:** this is a model we like which, together with a highly diversified customer base, has underpinned DICSA’s resilience.
- **Quality value-add business:** similar to our other fluid power businesses, DICSA’s market-leading reputation and value-add is based on breadth and availability of product; technical capability; and speed to market. This is reflected in strong operating margins of over 20%.
- **Impressive organic growth track record, exciting potential:** the business has delivered long-term organic revenue CAGR of 11% and has significant headroom for continued growth in fragmented markets.
- **Access to white space in Europe:** DICSA is present in key European markets including Spain, France and Germany. The business has significant potential for further development in all European markets.
- **Excellent management team:** a highly experienced management team, led by Daniel Carmen, have successfully grown the business for over 30 years. We are delighted that Daniel and his team will remain with the business under Diploma’s ownership, based at DICSA’s existing headquarters in Zaragoza.

Compelling financial rationale

For the 12-month period ended 31 December 2022, DICSA generated revenue of €87.7m and adjusted EBIT of €20.2m. Gross assets at the end of the period were €78.9m.

The acquisition will be accretive to Diploma’s organic growth and margins. DICSA has achieved long term organic revenue CAGR of 11% with EBIT margins of more than 20%. It will be immediately EPS accretive, adding ca.5% to EPS growth during the first full year of ownership, and will cover its cost of capital from the

outset. We are also excited to accelerate performance and returns with revenue and procurement synergies between DICSА and our existing businesses:

- cross-sell existing product from our UK Aftermarket business, R&G, through DICSА's platform into Europe;
- accelerate DICSА's growth in the US, leveraging our Seals North American Aftermarket platform; and
- deliver consolidated procurement synergies.

The initial consideration of ca.£170m has been paid in cash, funded from the Group's recent equity raise and existing debt facilities. In addition, up to ca.£19m is payable based on DICSА achieving stretch profit targets in 2024 and 2025. We remain disciplined and our balance sheet is strong, with flexibility for continued investment; year-end leverage is expected to be ca.1.0x, assuming no further acquisitions. We expect Group ROATCE to remain strong, at around 18%.

The Group has also separately issued its Q3 trading update today for the nine months ended 30 June 2023.

Johnny Thomson, Diploma's Chief Executive said:

"I am delighted to welcome Daniel and our new DICSА colleagues to the Group. They have created an exceptional value-add business with a very strong market reputation. We know and like the fluid power aftermarket model and DICSА satisfies a key strategic priority: accessing large European markets. The business is already generating strong performance and there are significant opportunities to enhance returns by working together across Europe, the UK and the US. This deal continues our strong track record of acquisitions that drive organic growth at great returns."

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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.3,000 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 c.15% p.a. through a combination of organic growth and acquisitions. Diploma is a member of the FTSE 250 with a market capitalisation of c.£4.1bn.

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

This Announcement contains inside information for the purposes of the Market Abuse Regulation (Regulation (EU) No 596/2014), as it forms part of retained EU law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 ("**UK MAR**").

The person responsible for releasing this Announcement is John Morrison, Company Secretary.

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