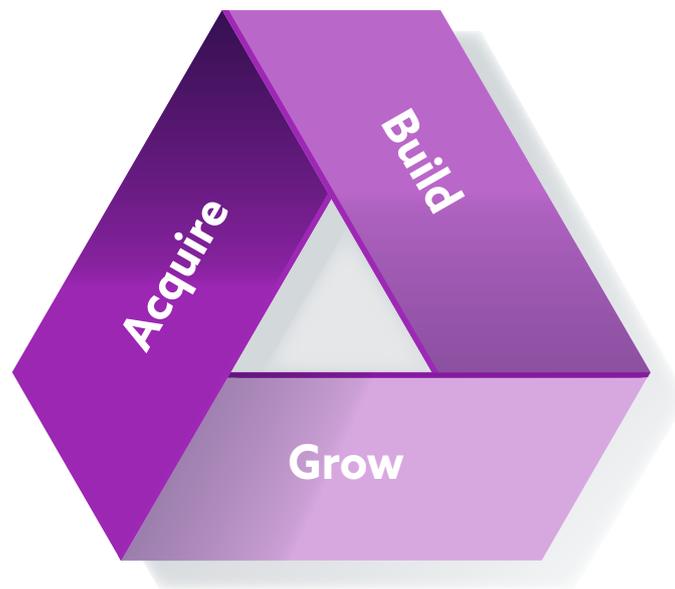


GROWTH STRATEGY

COMPOUNDING GROWTH THROUGH ACQUISITIONS



GROWTH IS ACCELERATED BY INVESTING
IN VALUE ENHANCING ACQUISITIONS

WHAT WE PUT IN

ACQUIRE



Clear business criteria have been established to guide the Group's acquisition programme:

- fit with the Group's business model;
- marketing led with strong customer relationships;
- secure supply of high quality, differentiated products; and
- capable management.

The principal financial criteria are:

- Track record of stable, profitable growth and cash generation.
- Exceed post-tax IRR threshold of 13% to ensure 20%+ pre-tax return on investment.

BUILD



The acquisitions we make are of businesses that are already successful and with a good track record. However, these businesses have typically reached the point where additional resources are needed to take them to the next level of growth.

Working with management, we provide the investment required to build a solid foundation to allow the business to move to a new level of growth. The investment we make in new acquisitions will normally be in new facilities and IT systems, increased but better managed working capital and additional management resource.

GROW



Once the acquisition is integrated into the Group, with a solid platform established, the focus is on delivering stable, profitable growth.

The results of the Acquire, Build, Grow strategy can be seen in the improving revenue growth and operating margins post-acquisition.

WHAT WE GET OUT



Acquisitions give entry into new but related markets and thereby extend the reach of the existing businesses and bring new growth opportunities.

The Group applies a consistent level of effort and resources to identifying and developing acquisition opportunities. However, the output in terms of acquisitions completed, ebbs and flows depending on the acquisition environment.

To achieve the Group's objective of strong double-digit growth, acquisition spend of at least £30m p.a. is targeted.



Except in the case of smaller bolt-on acquisitions, the acquired companies maintain their distinct sales and marketing identity and strong independent management teams.

Where there are opportunities for synergies with other Group businesses, these are managed in larger business clusters. Synergies typically include:

- Cross-selling between the businesses
- Joint purchasing between the businesses
- Shared operational infrastructure and shared back-office functions



By the third year post-acquisition, underlying revenue growth for the acquired businesses is typically higher than the Group average and operating margins have improved by 200-300bps on average.

These improvements in financial performance ensure that the Group creates value through its acquisition programme and maintains ROATCE above the 20% threshold.



HOW WE'VE MADE PROGRESS

COAST

In October 2017, Clarendon Specialty Fasteners acquired the business and assets of Coast Fabrication Inc, a small specialty fastener distributor based in California, US. Coast has a strong reputation in US Motorsport which complements Clarendon's strong Motorsport presence in Europe. Coast also provides a US base to expand Clarendon's existing aircraft interiors business in this large market and allows Clarendon to access the major US fasteners suppliers. Revenues of Clarendon, including Coast, grew by 25% in 2018.

ABACUS dx

Since being acquired in 2017, the business has been integrated with our existing DS business and has invested in expanded shared service facilities in Melbourne, Sydney and Brisbane, whilst cross-training technical and applications support personnel at both the global supplier and local level. As a result Abacus dx was able to sell and service over 90 diagnostic instrument placements in 2018 and benefit from the associated pull-through in consumable sales. Revenues of Abacus dx grew by 9% on a like-for-like basis in 2018.

US INDUSTRIAL OEM SEALS

After clustering these businesses under a single senior management team, an ERP system was implemented in 2018 to replace a number of legacy systems. This will allow the management team to consolidate back-office processes to improve visibility of customer activity, inventory and supplier information, and finance. Each location will continue to maintain its own distinct identity, but the ERP system will allow the business to service customers using shared knowledge and products that will increase the value to the customer. Revenues of this business cluster grew by 13% in 2018.