



DIPLOMA PLC

CORPORATE PRESENTATION

January 2019



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Group Overview

Life Sciences Sector

Seals Sector

Controls Sector

Appendix: 2018 Full Year Results



GROUP OVERVIEW

GROUP OVERVIEW

BALANCED PORTFOLIO OF BUSINESSES

Diploma PLC is an international group of specialised businesses supplying technical products and services to the following industries:



LIFE SCIENCES

28%

of revenues

Suppliers of consumables, instrumentation and related services to the healthcare and environmental industries.



SEALS

43%

of revenues

Suppliers of seals, gaskets, filters, cylinders, components and kits for heavy mobile machinery and industrial equipment.



CONTROLS

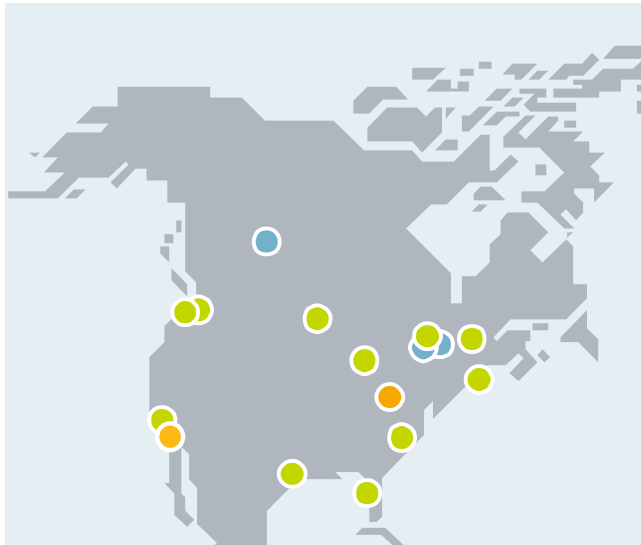
29%

of revenues

Suppliers of specialised wiring, cable, connectors, fasteners and control devices for technically demanding applications.

GROUP OVERVIEW

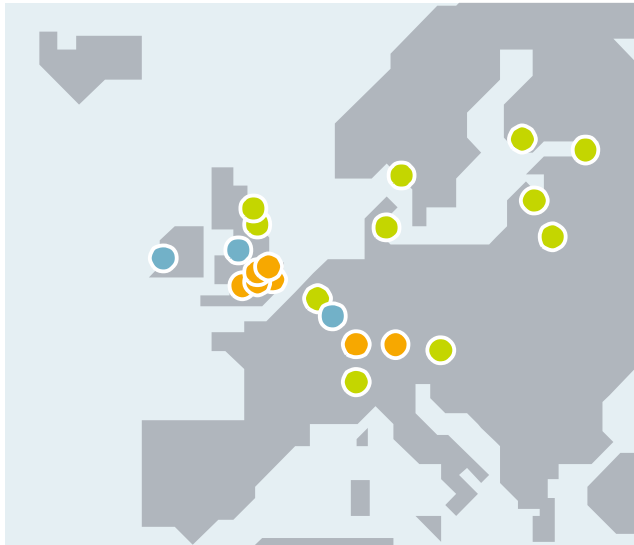
WELL DIVERSIFIED BY GEOGRAPHY



NORTH AMERICAN REVENUES
(BY DESTINATION) BY SECTOR



23% US
17% Canada



EUROPEAN REVENUES
(BY DESTINATION) BY SECTOR



23% UK
25% Continental Europe



REST OF WORLD REVENUES
(BY DESTINATION) BY SECTOR



● Life Sciences ● Seals ● Controls

THE DIPLOMA INVESTMENT CASE

CLEARLY DEFINED STRATEGY, CONSISTENT TRACK RECORD



GDP PLUS UNDERLYING REVENUE GROWTH

We focus on essential products and services, funded by customers' operating rather than capital budgets, giving resilience to revenues



ACQUISITIONS TO ACCELERATE GROWTH

Carefully selected, value enhancing acquisitions accelerate the organic growth and take us into related strategic markets



ATTRACTIVE MARGINS

Our attractive operating margins are sustained through the quality of customer service, the depth of technical support and value adding activities



STRONG CASH FLOW

An ungeared balance sheet and strong cash flow fund our growth strategy while providing healthy and growing dividends



AGILE AND RESPONSIVE ORGANISATION

We encourage an entrepreneurial culture in our businesses through our decentralised organisation



VALUE CREATION

We aim to create value by consistently exceeding 20% ROATCE

ACQUIRE, BUILD, GROW

BUILDING LARGER, BROADER-BASED BUSINESSES

Life Sciences



Seals



Controls



Acquisition spend 2018

£20.4m

Acquisition spend 2017

£20.1m

Acquisition spend 2016

£32.7m

Acquisition spend 2015

£37.8m

Acquisition spend 2014

£16.5m

- Abacus - Australia & New Zealand

- TPD – Ireland

- Chemzyne – Australia

- PSP - US
- Edco - UK

- WCIS – Australia & New Caledonia

- Kubo – Switzerland & Austria
- Swan Seals – UK

- Kentek – Finland, Russia & Baltic States
- Ramsay; AB Seals – UK

- Coast – US
- FS Cables – UK

- Cablecraft – UK
- Ascome – France

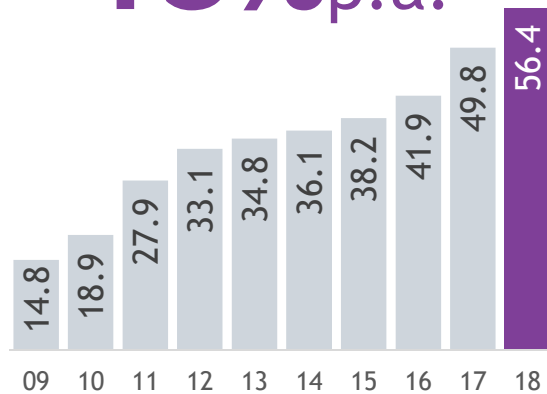
- SFC – UK
- Sacee – France

CONSISTENT DELIVERY

TRACK RECORD OF DELIVERING STRONG RETURNS FOR SHAREHOLDERS

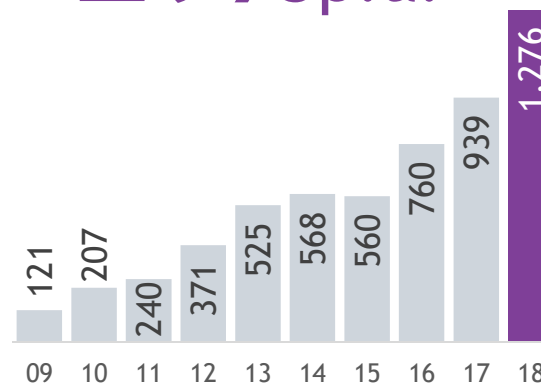
ADJUSTED EPS GROWTH (PENCE)

+13%_{p.a.}¹



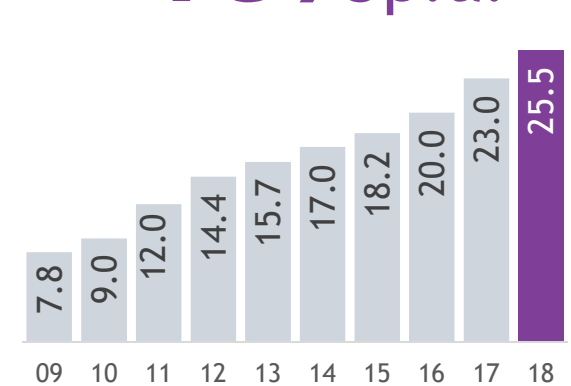
TSR GROWTH (TSR INDEX 2008 = 100)

+29%_{p.a.}¹



DIVIDEND GROWTH (PENCE)

+13%_{p.a.}¹



FINANCIAL KPIS

FIVE YEAR TRENDS

	2014	2015	2016	2017	2018
Revenue	£305.8m	£333.8m	£382.6m	£451.9m	£485.1m
<i>Total growth</i>	+7%	+9%	+15%	+18%	+7%
<i>Underlying growth</i>	+8%	+1%	+3%	+7%	+7%
Operating margin	18.5%	18.1%	17.2%	17.3%	17.5%
Working capital (% revenues)	17.2%	17.0%	16.6%	15.0%	15.1%
Free cash flow	£37.8m	£40.3m	£59.0m	£55.7m	£60.5m
<i>Cash conversion (%)</i>	93%	93%	124%	99%	95%
ROATCE	25.8%	23.9%	21.1%	24.0%	24.5%

Average over
five years:

CAGR revenue
growth

11% p.a.

Operating
margins

18%

ROATCE

24%

Free cash flow
conversion

101%

MARKET CONSENSUS AND FINANCIAL CALENDAR

Year ending 30 Sept	2018 Actual	2019 Consensus*	
Revenues	£485.1m	£527.8m	+9%
Operating Margin	17.5%	17.6%	+10 bps
Adjusted PBT	£84.8m	£92.8m	+9%
Adjusted EPS	56.4p	61.9p	+10%
Dividend per share	25.5p	29.0p	+14%

Upcoming events

Trading Update
27 March 2019

Half Year Results
13 May 2019

Trading Update
28 August 2019

Full Year Results
19 November 2019

*Compiled from the latest analyst forecasts as of 28/11/2018



LIFE SCIENCES SECTOR

LIFE SCIENCES

SEGMENTATION



HEALTHCARE

85% OF REVENUES

Clinical diagnostic instrumentation, consumables and services supplied to hospital pathology and life sciences laboratories for the testing of blood, tissue and other samples.

Surgical medical devices and related consumables and services supplied to hospital operating rooms, GI/Endoscopy suites and clinics.

ENVIRONMENTAL

15% OF REVENUES

Environmental analysers, containment enclosures and emissions monitoring systems.

PRIMARY GROWTH DRIVERS

- Public and private healthcare spending
- Population ageing and increasing life expectancy
- Health & Safety and Environmental regulation



HEALTHCARE

FOCUS ON NICHE MARKET SEGMENTS

← Specialty Surgical →
 Electro-Surgery MI Surgery

GI/Endoscopy

Biotechnology

Clinical
Diagnostics



How doctors determine disease and monitor health through blood and tissue testing



Operations completed with modern scalpels using high-frequency electric current to cut and coagulate tissue



Surgeons employ new technologies for imaging and surgical access to improve patient outcomes



Use of imaging equipment to diagnose and treat conditions of the gastrointestinal tract



Rapid testing for microbial contamination in food, dairy, water and pharmaceuticals

Market leading positions in well defined niches within broader medical device markets

HEALTHCARE

COMPETITIVE POSITIONING



- Focus on markets which value specialised distribution - Canada; Australasia; Ireland & UK
- Quality manufacturer-branded products sourced under long term distribution agreements
- Multi-year customer contracts for consumables and service underpin ca. 70% of revenues
- Full service solutions provided by highly qualified technical specialists
- Financing of capital equipment
- Network of trained service engineers to maintain instrumentation
- Cost-effective route to market for medium-sized, medical device manufacturers



LIFE SCIENCES

POTENTIAL FOR GROWTH



- > Increase share of specialised segments of *Healthcare* markets in Canada, Australia and UK/Ireland
- > Leverage product portfolio across existing businesses and extend into other specialised medical disciplines
- > Pursue further acquisition opportunities in Europe and Asia Pacific
- > Continue to develop product and geographic spread of *Environmental* businesses





SEALS SECTOR

SEALS

SEGMENTATION



NORTH AMERICA AFTERMARKET

31% OF REVENUES

Next day delivery of seals, sealing products and cylinder components for the repair of heavy mobile machinery.

INTERNATIONAL

40% OF REVENUES

Sealing products and filters supplied outside North America to Aftermarket and Industrial OEM customers as well as to MRO operations.

NORTH AMERICA INDUSTRIAL OEM

29% OF REVENUES

Sealing products, custom moulded and machined parts supplied to manufacturers of specialised industrial equipment.

PRIMARY GROWTH DRIVERS

- General economic growth
- Activity and spending levels in Heavy Construction and Infrastructure
- Growth in industrial production
- MRO expenditure in Mining and process industries



AFTERMARKET SEALS

HIGH SERVICE MODEL FOR RESILIENT REPAIR AND MAINTENANCE MARKET

Principal market driver: Heavy Construction & Infrastructure investment

Next day delivery of seals, seal kits, O-rings, gaskets, filters and cylinder components for the repair of heavy mobile machinery, e.g:

Bulldozers & excavators

Refuse collection trucks

Dump trucks

Fork lifts

Agricultural tractors



AFTERMARKET SEALS

COMPETITIVE POSITIONING



- One-stop source for replacement seals and seal kits for all brands of heavy mobile machinery
- Next day delivery from central warehouse in Clearwater, Florida using UPS and Fedex - order by 8pm, delivery by 10.30am the following morning
- Advanced e-commerce capabilities including “Webstore” and customer portals
- Seals typically sourced from the same seal manufacturers who supply original equipment manufacturers (“OEMs”)
- High customer service and very competitive pricing compared to OEM dealer network





INDUSTRIAL OEM SEALS

SEALING SOLUTIONS FOR SPECIALISED INDUSTRIAL EQUIPMENT MANUFACTURERS

Customer application



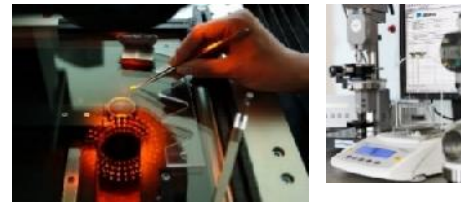
- Partnering with customers to establish a full understanding of their requirements
- Customers generally not sealing specialists and require technical advice and guidance

Compound selection and product design



- Design engineering of sealing solution in conjunction with OEM
- Sourcing of appropriate compound to meet customer specification
- Selection of seal manufacturer

Testing and approval



- Material testing and characterisation
- Product testing and approval process
- Quality control and regulatory compliance

Supply to OEM customer



- Ex-stock availability of seals and sub-assemblies to match production schedules
- Vendor managed inventory programs tailored to meet customer needs

An essential partner in the product development process

SEALS

POTENTIAL FOR GROWTH



- > In *Aftermarket Seals*, continue to gain share in the North American market through superior marketing, “Webstore” e-commerce and new products
- > Build and expand the group of *Industrial OEM Seals* businesses in North America
- > Explore opportunities more broadly in Industrial Distribution in North America
- > Build larger, broader-based *International Seals* business in the EMEA and Asia Pacific regions
- > Leverage selling and procurement activities between *Industrial OEM Seals* and *International Seals* businesses





CONTROLS SECTOR

CONTROLS

SEGMENTATION



INTERCONNECT

59% OF REVENUES

Wiring, cable, harness components and cable accessories used in specialised technical applications in Aerospace, Defence, Motorsport, Energy, Medical, Rail and Industrial.

SPECIALTY FASTENERS

21% OF REVENUES

Specialty aerospace-quality fasteners supplied to Civil Aerospace, Motorsport, Industrial and Defence markets.

FLUID CONTROLS

20% OF REVENUES

Temperature, pressure and fluid control products used in Food, Beverage and Catering industries.

PRIMARY GROWTH DRIVERS

- General growth in the industrial economy
- Activity and spending levels in Aerospace, Defence, Motorsport, Energy, Medical and Rail
- Equipment installation and maintenance in Food, Beverage and Catering



INTERCONNECT

SPECIALISED WIRING, CABLE, HARNESS COMPONENTS AND CABLE ACCESSORIES



Aerospace
& Defence

31%



Industrial

45%



Motorsport

12%



Energy &
Infrastructure

9%



Medical
& Scientific

3%

Meeting the demands of diverse, technically challenging end markets



INTERCONNECT

COMPETITIVE POSITIONING

- High performance, manufacturer-branded products, sourced under long term distribution agreements
- Strong technical knowledge to specify products for customer applications
- Ex-stock availability and full range of value-added services
- Focus on refurbishment, upgrade and maintenance programmes for equipment in service
- Support for major new build programmes where smaller quantities are required quickly





SPECIALTY FASTENERS

COMPETITIVE POSITIONING

- Specialty aerospace-quality fasteners supplied to Civil Aerospace, Motorsport, Industrial and Defence markets
- Well integrated with key customers, able to deliver automated inventory replenishment from within the customers' own production cells
- Broadening customer base of major aircraft seating and cabin interior manufacturers and their sub-contractors across Europe and Asia
- Strong technical knowledge to specify products for customer applications
- Preassembled and captive fasteners and bespoke engineered solutions



CONTROLS

POTENTIAL FOR GROWTH



- > In *Interconnect* create a broader-based European cable harnessing business and extend product range with own-branded products
- > In *Interconnect* develop cross-selling opportunities between Cablecraft and FS Cables
- > In *Specialty Fasteners* build on strong positions in Civil Aerospace and Motorsport with a particular focus on the US and Asian markets
- > Continue to reposition *Fluid Controls* business towards export markets in the Food & Beverage industry
- > Explore opportunities outside the UK and Northern Continental Europe

CONTROLS





APPENDIX: 2018 FULL YEAR RESULTS

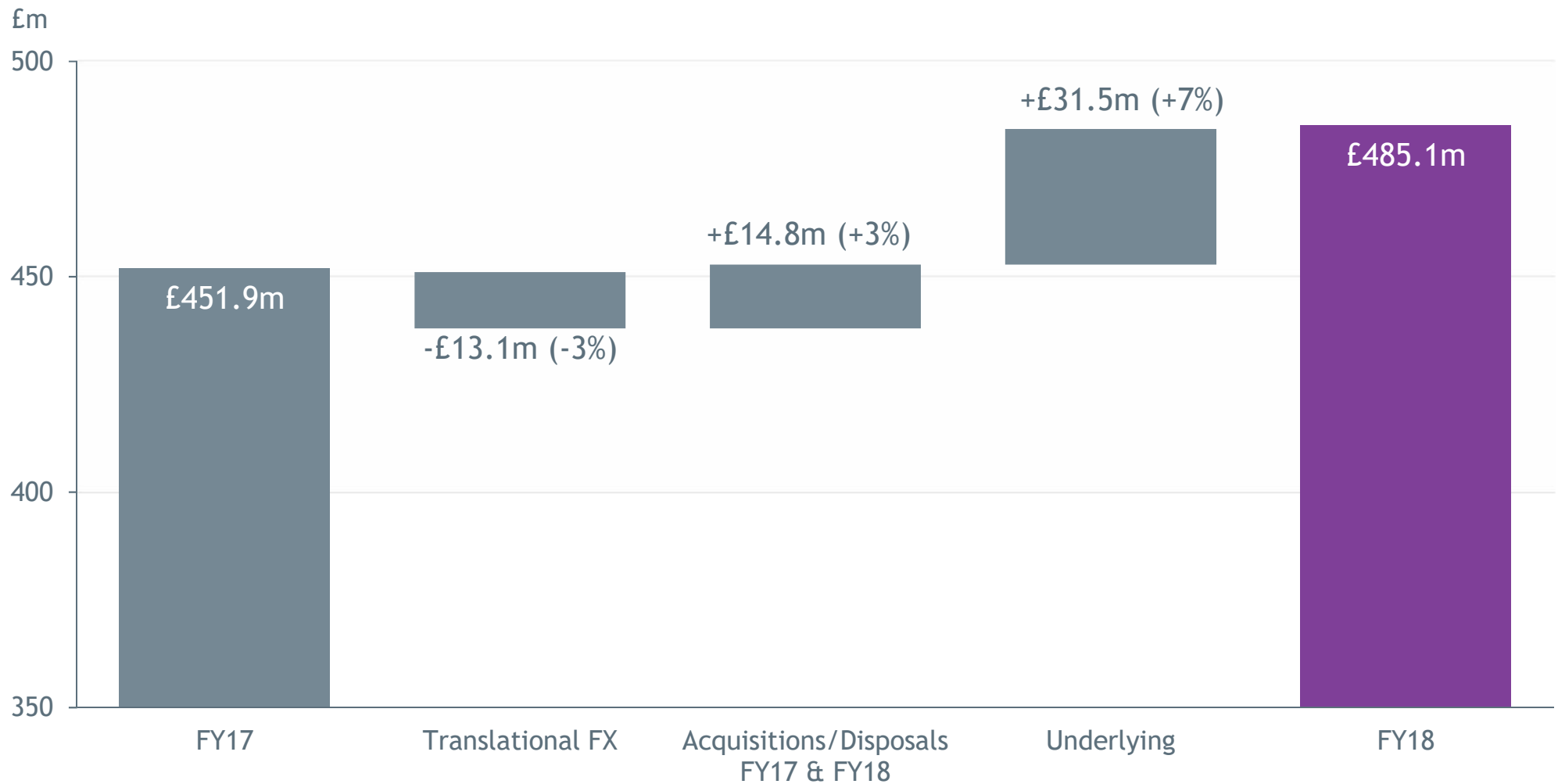
OVERVIEW OF RESULTS

YEAR ENDED 30 SEPTEMBER

	2018	2017	
Revenue	£485.1m	£451.9m	+7%
Adjusted operating profit	£84.9m	£78.2m	+9%
Adjusted operating margin	17.5%	17.3%	+20bps
Adjusted profit before tax	£84.8m	£77.5m	+9%
Free cash flow	£60.5m	£55.7m	+9%
Acquisition spend	£20.4m	£20.1m	
Cash funds	£36.0m	£22.3m	
Adjusted earnings per share	56.4p	49.8p	+13%
Total dividend per share	25.5p	23.0p	+11%

REVENUE BRIDGE

ROBUST UNDERLYING GROWTH OF 7%



PROFIT BEFORE TAX

YEAR ENDED 30 SEPTEMBER

	2018 £m	2017 £m	
Revenue	485.1	451.9	+7%
Adjusted operating profit	84.9	78.2	+9%
<i>Adjusted operating margin (%)</i>	<i>17.5%</i>	<i>17.3%</i>	
Interest expense	(0.1)	(0.7)	
Adjusted profit before tax	84.8	77.5	+9%
CEO transition costs	(2.1)	-	
Acquisition related charges	(9.6)	(9.7)	
Fair value remeasurements	(0.4)	(1.0)	
Statutory profit before tax	72.7	66.8	+9%

FREE CASH FLOW

YEAR ENDED 30 SEPTEMBER

	2018 £m	2017 £m	
Adjusted operating profit	84.9	78.2	
Depreciation	4.8	4.7	
Working capital	(5.1)	(4.0)	
CEO transition costs paid	(0.8)	-	
Pension and share schemes, net	0.5	0.4	
Operating cash flow, before acquisition expenses	84.3	79.3	+6%
Interest paid, net	-	(0.4)	
Tax paid	(19.0)	(19.3)	
Capital expenditure	(6.6)	(3.3)	
Proceeds from sale of business	4.0	0.1	
EBT - share scheme funding	(2.2)	(0.7)	
Free cash flow	60.5	55.7	+9%
<i>Cash conversion</i>	95%	99%	

CASH

YEAR ENDED 30 SEPTEMBER

	2018 £m	2017 £m
Free cash flow	60.5	55.7
Acquisition cash paid	(20.1)	(19.5)
Deferred consideration	(0.3)	(0.6)
Dividends	(27.0)	(23.7)
	<u>13.1</u>	<u>11.9</u>
Net cash brought forward	22.3	10.6
Exchange adjustments	0.6	(0.2)
Cash funds at 30 September	<u>36.0</u>	<u>22.3</u>

SHAREHOLDERS' FUNDS AND ROATCE

AS AT 30 SEPTEMBER

	2018 £m	2017 £m
Tangible assets and investments	25.5	24.0
Goodwill and intangible assets	182.1	176.8
Net working capital	75.2	68.4
Trading capital employed - reported	282.8	269.2
<i>Working capital (% of revenue)</i>	<i>15.1%</i>	<i>15.0%</i>
ROATCE	24.5%	24.0%
Retirement benefit obligations	(10.5)	(9.9)
Acquisition liabilities	(5.6)	(6.6)
Cash funds	36.0	22.3
Minority interests and deferred tax	(11.5)	(13.0)
Total shareholders' equity	291.2	262.0

DIPLOMA PLC

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