**DIPLOMA PLC**

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PRELIMINARY RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2024

# Strong growth at great returns

| | FY 24 | FY 23 | Change |
|---|---|---|---|
| **Revenue** | **£1,363.4m** | £1,200.3m | **+14%** |
| **Organic revenue growth** | **6%** | 8% | |
| Adjusted operating profit | £285.0m | £237.0m | +20% |
| **Adjusted operating margin** | **20.9%** | 19.7% | **+120bps** |
| Statutory operating profit[1] | £207.4m | £183.3m | +13% |
| Free cash flow | £197.9m | £163.8m | +21% |
| **Free cash flow conversion** | **101%** | 100% | |
| **Adjusted earnings per share** | **145.8p** | 126.5p | **+15%** |
| Basic earnings per share[1] | 96.5p | 90.8p | +6% |
| Leverage | 1.3x | 0.9x | |
| Total dividend per share | 59.3p | 56.5p | +5% |
| **ROATCE** | **19.1%** | 18.1% | **+100bps** |

All alternative performance measures are defined in note 15 to the Condensed Consolidated Financial Statements.
[1] Statutory operating profit and basic earnings per share in the prior year include an exceptional gain on the disposal of Hawco of £12.2m.

- **Strong, volume-led organic revenue growth of 6%.**
- **Reported revenue growth of 14%:** 10% from acquisitions, partially offset by FX.
- **Adjusted operating margin up 120 basis points to 20.9%**, reflecting our value-add proposition; operational leverage; disciplined cost management; and accretive acquisitions.
- **Highly effective capital allocation:** £293m invested in seven quality businesses at 6x EBIT. Disposal of three non-core business entities after the year end for £45m at 7x EBIT.
- **Excellent return on capital** across the Group with ROATCE up 100 basis points to 19.1%.
- **Strong free cash flow** conversion of 101% reflecting disciplined working capital management.
- **Positive outlook** for FY25.

**Commenting, Johnny Thomson, Diploma's Chief Executive said:**

"Thanks to my brilliant colleagues for another excellent year. Whilst some markets have been a little tougher this year, the quality of the team, our businesses, and the diversified portfolio, have driven a strong performance.

"I am pleased with our organic growth, our margin progress, and the acquisitions we've made. Our discipline has been equally important: delivering great returns, cash flows, and selling some non-core businesses.

"It's been another great year to add to our long-term compounding track record and, while it's a tougher environment, I'm feeling positive about the year ahead, and our long term prospects."

**Revenue diversification driving organic growth and increasing resilience**

- **Controls +10%**: Driven by market share gains and structural tailwinds.
- **Seals +1%**: Resilient performance in challenging markets.
- **Life Sciences +6%**: Outperformance in stabilised markets.

**Complementary acquisitions driving future organic growth at excellent returns**

- Peerless acquired for £243m, performing very well.
- PAR Group acquired for £37m, adding scale to R&G's Seals & Gaskets division.
- Five additional bolt-ons acquisitions for a total of £13m.
- Highly effective allocation of capital, acquisitions together delivering 20% ROATCE in year one.
- Healthy M&A pipeline diversified by sector, size and geography. Strong cash flow and balance sheet provides capacity to self-fund disciplined acquisitive growth.

**Scaling effectively for sustainable growth**

- Continued focus on management development initiatives to sustain growth.
- Three new state-of-the-art facilities opened to support future growth in the UK and Europe, making it 10 new facilities in the last five years.
- Continued improvements against our Delivering Value Responsibly targets.
- Further strengthened balance sheet: committed facilities of £880m with maturities up to 2036.

**FY25 guidance**

- At constant currency, we expect: organic growth of ca. 6%; acquisitions announced to date (net of disposals) to add ca. 2% to reported revenue; and an operating margin of ca. 21%.

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*Notes:*

1. *Diploma PLC uses alternative performance measures as key financial indicators to assess the underlying performance of the Group. These include organic growth, adjusted operating profit/adjusted operating margin, adjusted earnings per share, free cash flow/free cash flow conversion, leverage and ROATCE. Definitions of these metrics is set out in note 15 to the Condensed Consolidated Financial Statements in this Announcement.*

2. *Certain statements contained in this Announcement constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of Diploma PLC, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties and other factors include, among others, exchange rates, general economic conditions and the business environment.*

A presentation for analysts and investors will be held at 09:00 GMT. This will be streamed live via webcast and audio conference call.

Register your attendance for the webcast at: https://brrmedia.news/DPLM_FY_24

Conference call dial in details:

- Dial in: UK-Wide: +44 (0) 33 0551 0200 / UK Toll Free: 0808 109 0700
- Password: Diploma Full Year

**A recording of the presentation will be available after the event on our website:**
*https://www.diplomaplc.com/investors/financial-presentations/*

For further information please contact:


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|---|---|
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**NOTE TO EDITORS:**

Diploma PLC is a value-add distribution Group. Our businesses deliver practical and innovative solutions that keep key industries moving.

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. 3,600 colleagues across our three Sectors of Controls, Seals and Life Sciences. Our principal operating businesses are located in North America, the UK, Europe, and Australia.

Diploma aims to deliver sustainable quality compounding – ambition with discipline, and over the last fifteen years, the Group has grown adjusted earnings per share (EPS) at an average of ca. 16% p.a. through a combination of organic growth and acquisitions.

Diploma is a member of the FTSE 100.

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

*The person responsible for releasing this Announcement is John Morrison, Company Secretary.*
**LEI: 2138008OGI7VYG8FGR19**

## CEO's Review

### Strong financial performance and strategic progress

Our strategy is delivering. We have driven strong organic growth through end-market expansion, geographical penetration and product extension. We have continued to accelerate this organic growth through complementary acquisitions at great returns on capital. And, we are scaling our businesses and the Group to support sustainable quality compounding for the long term.

We have delivered another strong year, and I would like to thank all my brilliant colleagues. These results reflect the strength of our value-add distribution model and diversified portfolio, but they are delivered by 3,600 accountable, customer-centric people, thriving in our decentralised culture.

In tougher markets, we delivered 6% organic revenue growth. We added a further seven high-quality acquisitions, contributing 10% to reported revenue growth. We have improved the Group operating margin by 120 basis points to 20.9%. We grew adjusted earnings per share by 15%.

Importantly, we have delivered this with discipline, improving ROATCE by 100 basis points to 19.1%, free cashflow conversion remained very strong at 101%, fuelling future growth, and we disposed of three non-core businesses shortly after the year end.

Overall, it's been another strong year for the Group.

### Revenue diversification driving organic growth and increasing resilience

The Group's strategy is to build high-quality, scalable businesses for sustainable organic growth.

We drive organic growth in three ways: expanding into structurally growing end markets; penetrating further into core developed geographies; and extending our product range to expand addressable markets. This strategy drives both sustainable organic growth and increased resilience.

Execution of this strategy across our businesses drove organic growth of 6% in FY24. Double-digit growth in Controls, driven by market tailwinds and share gains, and a strong performance in Life Sciences, led by share gains in Canada and Australia, provided balance to the Seals Sector, which delivered a resilient performance with modest growth despite facing challenging conditions across some of its end markets.

| | Revenue £m | | Growth | |
|---|---|---|---|---|
| | FY 24 | FY 23 | Reported | Organic |
| **Controls** | **652.4** | **568.4** | +15% | +10% |
| **Seals** | **489.1** | **419.0** | +17% | +1% |
| **Life Sciences** | **221.9** | **212.9** | +4% | +6% |
| **Group** | **1,363.4** | **1,200.3** | +14% | +6% |

**Positioning behind structurally growing end markets**

Throughout the year we have continued to drive expansion in structurally growing end markets, delivering both improved growth and increased resilience.

Most notably in FY24, our specialty fasteners businesses operating in aerospace, Clarendon, and our recent acquisition, Peerless, have delivered outstanding growth as they have navigated the complexities of these markets to win share and solve their customers' complex problems. Whilst we expect some normalisation of growth and margins in this market, the underlying growth drivers are expected to endure for a number of years.

Datacentres are becoming increasingly important to us with Windy City Wire delivering accelerated organic growth as their superior products and services are valued in these critical applications. As these centres evolve for the increased demands of supporting AI, a number of other Controls and Seals businesses are developing solutions, for example, to support liquid cooling.

In clinical diagnostics, our Life Sciences businesses benefitted from growing public and private investment in testing across a wide range of applications from allergy and autoimmune testing, to preconception and cancer screening.

Electrification provides a wide range of growth opportunities across our businesses and a number of them are developing related offers, from solar installation kits to smart building solutions. This is an example of our businesses collaborating to create unique propositions.

Industrial automation is expected to continue to benefit from the reshoring of manufacturing and ageing installed bases of CNC machines and robots that are fuelling growth.

Renewables has been an area of success for a number of our businesses and we expect this to continue to build.

Water management has fuelled growth in a number of our Seals businesses particularly in Australia where our dewatering products and services are critical to safely extracting the minerals required for batteries for energy storage.

Whilst the infrastructure segment has been subdued this year, long term investment in infrastructure in the US, the UK and Europe will be a tailwind, particularly to our Seals Sector.

**Penetrating further into core developed economies**

There is significant scope for geographic expansion across our existing developed markets.

With the acquisition of Peerless during the year, around half of the Group's revenue is now generated in the US. It has also extended our capabilities in specialty fasteners beyond our previous presence on the West Coast of the US, to national coverage, as well as increasing exposure to the aerospace market in Europe.

The FY23 acquisition of DICSA established a platform for the Group in Spain and extended our footprint across Europe. We are in the early stages of collaboration between DICSA and R&G in the UK, and Hercules Aftermarket in the US, supporting the gradual expansion across these geographies.

Following on from the integration of our Australian Life Sciences businesses last year to create a scaled business with country-wide reach, we have recently completed a similar project in Canada. This enhances geographical coverage across the Canadian healthcare market providing our supply partners with unparalleled access across both medtech and diagnostics customers from the West to the East.

**Product range extension**

Sourcing and developing new products are key to sustainable organic growth for all of our businesses, as we continually enhance our customer proposition for existing and new customers.

In Life Sciences, it is critical that our expert teams remain at the forefront of product innovation to support their customers in delivering better healthcare outcomes. For example, the introduction of an AI-enabled endoscope to our Canadian portfolio is delivering materially higher success rates than a traditional scope in the identification of abnormalities. We are increasingly looking to leverage across our businesses, to bring successful products from one geography to another.

Acquisitions continue to play an important role in accelerating product extension. In our Seals Sector, we have extended our fluid power capabilities further through acquisitions into R&G, to grow our addressable markets. In Controls, Peerless specialises in airframe specialty fasteners, which complements Clarendon's specialism in aircraft cabins. Over the coming years we will seek opportunities to cross-sell Peerless and Clarendon products. In a similar fashion, the acquisition of DICSA has enabled product expansion in R&G and Hercules Aftermarket, and the acquisition of PAR, which bolted on to R&G, drove an expanded seals & gaskets portfolio into the UK.

**Complementary acquisitions to accelerate growth**

Diploma has a strong track record of accelerating organic growth through disciplined acquisitions with £1.3bn invested in over 40 businesses with Return on Adjusted Trading Capital Employed (ROATCE) of 17% in the last five years. In FY24, we acquired seven high-quality businesses for a total of £293m at an average EBIT multiple of 6x: Peerless, PAR and five bolt-ons.

In May, we completed the acquisition of US-based Peerless for £243m. This extended our established position in the aerospace specialty fasteners market and is highly complementary to Clarendon, our existing specialty fasteners business, both in product offering and geographic footprint. Peerless has delivered an exceptional performance in the period since acquisition as positive tailwinds and share gains in the aerospace market have driven organic growth and margin expansion ahead of our expectations. It is expected to exceed 20% ROATCE in its first year in the Group.

Also in May, we acquired PAR for £37m into R&G, adding scale to its seals & gasket division in the UK.

Importantly, we continue to execute smaller bolt-on acquisitions, completing five bolt-ons for £13m, with average EBIT multiples of 4x and expected to exceed 20% ROATCE in year one.

The acquisitions made this year demonstrate the compelling proposition Diploma offers to owners selling their businesses: preserving legacies, promoting autonomy and accountability, and supporting growth through investment and expertise.

Our acquisition pipeline remains strong with active opportunities in all three Sectors across fragmented markets in our core geographies. We have robust processes in place to maximise opportunities and we remain a buyer of choice for the kind of business we look for.

Portfolio discipline is a critical component of sustainable quality compounding, and if a business no longer fits our strategy, we look to recycle capital. Having made four disposals in recent years, we made a further three shortly after the year end for ca. £45m at a 7x multiple. In the Controls Sector, we sold Gremtek, located in France, which was part of our international interconnect solutions business. In Seals, we disposed of Kubo, an OEM-focused seals business in Switzerland, and Pennine, a UK pneumatics business, that was part of R&G.

**Scaling the Businesses and the Group**

To deliver sustainable quality compounding, we must develop our businesses to deliver great customer propositions at scale. This can be through investment in talent, technology, and facilities – building capability and capacity to sustain growth in our businesses. It also means developing our Group to sustain execution as we grow.

This is a people business. Our businesses support their customer's growth and help them achieve their ambitions. We think this works best in a decentralised culture where our colleagues are empowered to innovate and create tailored solutions. Investing in talent development is therefore critical: developing a cadre of great Managing Directors; building sales, supply chain and other functional leadership capabilities; and evolving teams and structures to scale our businesses. Ensuring we have diverse teams is important and whilst we have much more to do, I'm pleased that around half of our senior hires this year were women.

Ultimately, if our people are engaged, they will deliver the best results for our customers, so I'm delighted with another year of consistently high engagement. To reflect the importance of maintaining high engagement levels, this metric will be introduced into my remuneration and the incentive schemes of senior leaders in FY25.

We have developed 10 new facilities across our businesses in the last five years. In FY24, significant investment has been made in our UK wire and cable business, Shoal. Three previously standalone businesses have been combined, moving into a new state-of-the-art shared facility with integrated technology and systems.

We have invested in a number of our Seals businesses whilst market conditions have been slower to position us for stronger growth as conditions improve. This included investment in talent and technology as well as the culmination of facilities projects in the UK and Europe.

Our Life Sciences business in Canada has completed a significant scaling project, including a new facility in a more strategic location in the East, rationalising existing sites and forming two distinct East and West hubs. This will enhance collaboration across our diagnostics and medtech business, reduce shipment times, deliver operational improvements and efficiencies, and increase access to specialist talent.

As well as investing in facilities and technology, we have also invested in talent and have attracted experienced leaders to a number of our businesses this year. Our Leadership at Scale programme, now in its second year, continues to develop leaders from across our businesses.

Developing sales excellence is a Group-wide focus. Our businesses have grown well due to their agility, responsive customer service and technical capabilities. We want to add to that with more business development capability, a more strategic and structured approach to market development and great B2B sales processes. We're providing the network, workshops, best practices and investments to help make this happen.

**Delivering Value Responsibly**

Across our businesses we make positive impacts on society and our environment through the delivery of life-saving healthcare solutions, and supporting renewable energy generation, water treatment and activities supporting the circular economy. As part of Diploma, our businesses place appropriate focus on sustainability at a level they would be unlikely to do otherwise. As a result, they benefit from accelerated progress compared to their peers, which brings both commercial advantage and positive impact.

Our Delivering Value Responsibly (DVR) framework focuses on six metrics through which we can have a meaningful, positive impact on our businesses, our people and our environment. I am pleased with the progress we have made this year, but there is more to be done.

Highlighting a few examples from across the Group in the year:

We launched a Group-wide health and safety programme – Stand Up for Safety – to provide a consistent culture, approach and framework. It has been very well received and has driven a notable change in behaviours by our businesses.

During the year, our target to reach net zero by 2045 was validated by the Science Based Targets initiative (SBTi). In the year we reduced our emissions intensity (Scope 1&2) to 5.7, down from 7.6 in FY23.

Sustaining our success is dependent on our people. Maintaining high levels of colleague engagement is critical. It is a competitive advantage. We are once again delighted by excellent levels of engagement throughout the Group, at 79%.

Having a workforce rich in diverse perspectives will support stronger execution over time. I'm pleased with the progress we have made as we work towards gender balance across our Senior Management Team – now 30% female, up from 28% in FY23 and 20% in FY19 – but there is still work to do.

**Outlook**

Whilst we remain mindful of the challenging economic backdrop, the execution of our strategy gives us confidence in our ability to continue to deliver strong results.

- Our revenue is resilient: ongoing diversification means we are exposed to structurally growing end segments.
- Our margins are resilient: our focus on value-add solutions that are critical to customer needs supports pricing power.
- Our cash flow is resilient: our low capital-intensity model is highly cash-generative, underpinning a strong balance sheet.

We remain focused on executing our strategy of building high-quality, scalable businesses for organic growth. By continuing to effectively balance ambition and discipline we are confident in continuing to deliver sustainable quality compounding over the long term.

## CFO's Review

*Further commentary relating to the FY24 financial results can be found in the Financial Review.*

**Sustainable Quality Compounding**

Sustainable Quality Compounding combines ambition with discipline. Our business model and strategy are designed to support the delivery of ambitious organic growth, at high margins and with great capital returns. As a result, we have a long track record of delivering compounding earnings growth.

Our financial model lays out how we will continue to deliver this in a set of medium-term financial outcomes. This has consistently delivered superior shareholder returns for more than 25 years. We have updated our financial model to reflect structurally higher operating margins of 20%+, up from 17%+.

**Ambition**

| | **FY24** | Model |
|---|---|---|
| Organic growth is our first priority | **6%** | 5% |
| Total revenue growth accelerated by quality acquisitions | **14%** | 10% |
| Value-add drives strong adjusted operating margins | **20.9%** | 20%+ |
| Compounding adjusted EPS growth | **15%** | Double-digit |

**With discipline**

| | **FY24** | Model |
|---|---|---|
| Capital-light business model drives strong cash conversion | **101%** | 90% |
| Capital stewardship focused on strong ROATCE | **19.1%** | High teens |
| Balance sheet discipline maintains prudent leverage | **1.3x** | <2.0x |
| Return to shareholders with a progressive dividend | **5%** | 5% |

**Diversified portfolio drives strong, resilient growth**

Organic growth is our first priority and each of our value-add businesses drives this through end-market expansion, geographic penetration and product extension. Our diverse portfolio of businesses means that this growth is both strong and resilient, with the Group delivering around 5% organic growth consistently over the long term. Delivering 6% organic growth in FY24 against the backdrop of tougher markets is therefore particularly pleasing. In fragmented markets, we can accelerate this organic growth through carefully selected, disciplined acquisitions. We do not set specific annual targets for acquisitions, but our financial model demonstrates that we can deliver double-digit revenue growth within our leverage policy outlined below. Reported revenue growth this year of 14% is in line with our 15-year track record of 15% growth.

**Structurally higher operating margin**

Diploma has achieved structurally higher operating margins, this year reaching 20.9%. This improvement has been driven by two factors: operational leverage from the growth of our value-add businesses, and recent acquisitions with accretive margins. Our diversified portfolio delivers a range of operating margins, from the teens to the thirties. Typically, our lower margin businesses have lower asset intensity, whilst those requiring more inventory to support their customer propositions are compensated with higher margins.

Our financial model recognises that each business should deliver sustainable operating leverage. However, the mix between businesses means that, as a Group, we may not expand margin every year.

This combination of growth and margin drives double-digit earnings per share growth. In FY24 we delivered 15% growth, in line with our 15-year track record of 16% growth.

**Consistently strong cash conversion**

Our capital-light business model drives strong cash conversion, targeting a sustainable 90%. Capital expenditure is carefully managed, usually accounting for around 2% of revenue annually. This year, capital expenditure was ca. 1.5% of revenue, with significant scaling investments made in new facilities in all three Sectors - in Shoal (Controls Sector), Life Sciences North America, and R&G (Seals Sector). We are pleased to report 101% cash conversion this year, ahead of our model, achieved by disciplined working capital management, and optimising inventory across several businesses.

**Strong and improving returns**

We are obsessed with delivering excellent returns on capital. Our key returns metric, Return on Adjusted Trading Capital Employed (ROATCE), adds back accounting adjustments, such as acquisition related amortisation, to ensure that our performance is driven by genuine economic factors. ROATCE in the high teens, represents returns of around twice our current cost of capital. Returns in FY24 were particularly strong. We increased ROATCE by 100 basis point, to 19.1%, the highest level in the last five years. Achieving this requires consistent operational discipline and strategic initiatives, such as the processes introduced by our North American Seals businesses to drive a significant reduction in inventory levels whilst upholding customer service levels.

Maintaining strict discipline when making acquisitions is critical to sustainable, high returns. We have simple but strict criteria for potential acquisitions, and decline opportunities that will not meet our 20% ROATCE expectations.

Our smaller bolt-on deals are expected to deliver 20% returns in the first year, and FY24 was no exception, with five new businesses acquired at an average EBIT multiple of 4x. From time to time, we will make larger acquisitions. We are particularly pleased with Peerless, which has delivered an excellent performance in its first five months, already expected to exceed 20% ROATCE on £243m of capital invested.

**Balance sheet discipline**

Our Board policy is to maintain the net debt to EBITDA ratio (leverage) below 2x, with covenants allowing up to 3.5x (plus an ‘acquisition spike’). In the course of self-funding acquisitions, it is possible that we may temporarily exceed our 2x target for exceptional opportunities, with our strong free cash flow then driving leverage reduction at approximately 0.3x per annum.

Whilst deploying £293m on acquisitions in the year, plus additional scaling investments across the Group, we ended FY24 with a leverage ratio of 1.3x.

During the year, we took further steps to strengthen our balance sheet to provide the capacity and flexibility to support sustained profitable growth. Building on the revolving credit facility refinanced in FY23, we issued the Group's first US private placement notes in March, with a second issuance towards the end of FY24. Over the past 18 months, we have secured £880m in facilities, termed in tranches out to 2036.

We are as disciplined about the effective recycling of capital as we are about its deployment. Over the past five years, we have completed seven disposals at average multiples of 6x, including three disposals following this year end.

**Progressive dividend**

Paying a progressive dividend is integral to our discipline and we have a 25-year track record of doing so. Last year, we reset our dividend policy, decoupling it from growth in earnings to grow at a more moderate 5%, allowing more capital for redeployment at high returns.

**FY25 guidance**

We have started FY25 well and our guidance for the year reflects our confidence in the resilience of our portfolio. At constant currency, organic growth is expected to be ca. 6% and operating margin ca. 21%. Acquisitions announced to date, net of disposals, will contribute ca. 2% to reported revenue.

## SECTOR REVIEW: CONTROLS

**Our Controls businesses deliver a wide range of products for technically demanding applications across broad end markets, including aerospace, infrastructure, energy, medical and rail.**

| | FY24 | FY23 | Change |
|---|---|---|---|
| Revenue | **£652.4m** | £568.4m | +15% |
| Organic revenue growth | **+10%** | +11% | |
| Statutory operating profit | **£132.3m** | £112.9m | +17% |
| Adjusted operating profit | **£169.9m** | £136.6m | +24% |
| Adjusted operating margin | **26.0%** | 24.0% | +200bps |

### FY24 highlights

- Strong performance in International Controls with organic revenue growth of 12% driven by share gains in fast growing end markets.
- Windy City Wire (WCW) grew organic revenue 7%, with particularly strong performance from datacentres.
- Adjusted operating margin up 200 basis points to 26.0%, driven by positive leverage from volume growth, mix benefits and margin accretive acquisitions and disposals in the current and prior year.
- Strategic acquisition of Peerless builds scale and expands our specialty fasteners presence in US and European aerospace and defence markets.

**International Controls** (60%[2] of Controls Sector revenue) delivered 12% organic growth in the year. The Sector continues to benefit from market share gains and strong customer demand in civil aerospace and space markets as well as tailwinds in UK and European defence and energy markets as a result of sustained investment. In the year, International Controls further penetrated exciting end markets in medical, solar, renewables and eVTOL (electric Vertical Take-Off and Landing). Operating margin increased materially, driven by positive operating leverage on volume growth and accretion from the acquisition of Peerless.

**Windy City Wire** (WCW) (40%[2] of Controls Sector revenue) has delivered another strong result, with an acceleration in growth in the second half, driven by increasing exposure to fast-growth markets, particularly datacentres behind AI growth and continued expansion into distributed antenna systems. Performance in its core buildings market has held up well and delivered good growth in the year. WCW's operating margin has continued to improve, benefitting from positive operating leverage and its growing presence in diversified end markets.

[2] Pro forma revenue is stated after total adjustments of £68.1m to Reported revenue for acquisitions completed during the year and disposals relating to assets held for sale.

## Revenue diversification driving organic growth

Our interconnect solutions business, IS Group, delivered high single-digit growth, principally driven by strong performance in the UK with growth within the motorsport, aerospace and defence markets. Revenues in Germany also grew well, driven by share gains in the energy market and ongoing investment into the transmission infrastructure. Also in Germany, we gained share and benefitted from momentum in the growing medical market, supported by the acquisition of a small bolt-on, which widens our product offering and strengthens internal capability into this high-growth end market.

Clarendon, one of our specialty fasteners businesses, delivered double-digit growth during the year. In the civil aerospace market, customer demand was high and Clarendon gained further share in both Europe and the US. Significant contract wins with key customers in the space market also contributed to the strong performance.

We welcomed another specialty fasteners business, Peerless, to the Group at the start of May. It has made a very strong start, benefitting from market share gains and high customer demand. Like Clarendon, Peerless is an agile business, able to provide rapid and bespoke solutions for customers in a complex civil aerospace supply chain.

We have won key civil aerospace and defence contracts covering seats, cabin and airframe across Clarendon and Peerless as well as Clarendon securing contract wins in the space market. We continue to diversify into eVTOL and UAVs (Unmanned Aerial Vehicles) and see these as key markets of the future. Geographic diversification has been a theme in both aerospace and defence with important wins in Europe and the US.

T.I.E., our industrial automation business, saw momentum towards the end of the year, after a more challenging start to the year, principally due to disruption from strike action in the automotive markets and cautious capital spending across the customer base. Since acquiring T.I.E. in FY23, we have invested in enhancing the commercial operation of the business, including expansion of the sales team to drive geographic expansion across the US.

In Shoal, our UK wire and cable business, the impact of softer demand in UK construction and wholesale end markets was partially mitigated by stronger export sales, a strong solar offering and exposure to major infrastructure projects. Shoal is increasing its exposure to the fast growing datacentre market in the UK. In the US, Windy City Wire is similarly accelerating growth through its expansion into datacentres.

## Targeted acquisitions to accelerate growth

In May, the Sector completed the acquisition of Peerless for £243m, expanding our presence in the specialty fasteners market in civil aerospace and defence from the interior of aircraft to the airframe. This exciting new addition to the Sector is highly complementary to our Clarendon business. Peerless drives product expansion and deepens geographic penetration in the key US and European markets.

Two smaller bolt-on acquisitions were completed in the year, both in Germany. CTS joined the ISG group of companies, broadening our medical product and capability offering, and the addition of Technisil expands Techsil's specialty adhesives offering in the German market.

**Building scale**

During the second half of the year, Shoal completed the integration of its three UK wire and cable businesses into one state-of-the-art automated facility, also introducing a shared ERP platform. This significant project is pivotal to Shoal's scaling journey and will deliver operational efficiencies and meaningful commercial benefits through enhanced cross-selling capabilities. A larger footprint increases capacity through which to drive future organic growth. This was a major change programme, and whilst it positions us well for the future, it did impact operational performance in the second half of the year.

**Capital discipline**

In continuing our disciplined approach to portfolio management, in October 2024, we disposed of Gremtek, which was part of our international interconnect solutions business, for ca. £5m. Gremtek is located in France and supplies different end markets to the rest of IS Group.

**Outlook**

The year has started well with continued momentum across the Sector.

Whilst we expect Peerless and Clarendon to continue delivering strong growth in the civil aerospace market, we expect performance to moderate somewhat from the high growth of FY24 as other businesses within the Sector deliver improved performance.

With increasing exposure to structurally growing end markets, and having invested in facilities, technology and talent in a number of businesses throughout FY24, we have positioned our businesses well to deliver another strong year of growth in FY25.

## SECTOR REVIEW: SEALS

**Our Seals businesses supply sealing and fluid power products and solutions into aftermarket repairs, Original Equipment Manufacturing (OEM) and Maintenance, Repair and Overhaul projects (MRO) across wide-ranging end markets.**

| | FY24 | FY23 | Change |
|---|---|---|---|
| Revenue | £489.1m | £419.0m | +17% |
| Organic revenue growth | +1% | +5% | |
| Statutory operating profit | £62.2m | £55.8m | +11% |
| Adjusted operating profit | £90.7m | £79.0m | +15% |
| Adjusted operating margin | 18.5% | 18.9% | -40bps |

### FY24 highlights

- Organic revenue growth of 1% demonstrating resilient performance against a challenging market backdrop.
- Adjusted operating profit of £90.7m, up 15%, reflects the full-year contribution of DICSA, current year acquisitions and the impact of investments made in facilities, technology and talent to support future growth.
- Margin decline of 40 basis points reflects ongoing investment in the segment to better position for future growth.

**International Seals** (54%[(3)] of Seals Sector revenue) was resilient, delivering organic revenue growth of 1%. Strong growth in Australia mitigated the impact of the challenging market backdrop in Europe. The Sector continues to expand into markets that are structurally growing and that benefit from sustained investment. We made a number of quality acquisitions in the UK in the year, extending product range, expanding end markets and further penetrating the UK. Investment in facilities, technology and talent in the year positions the Sector well for FY25.

**North American Seals** (46%[(3)] of Seals Sector revenue) delivered organic growth of 1%, despite contraction in the US manufacturing market. Solid growth in the core aftermarket repair segment mitigated the impact of reduced activity across OEM and some aftermarket reseller customers. Performance in the year was driven by new contract wins, product extension and expansion into end markets including energy, water, and hydraulics. Investment in talent and technology in the year will support future growth.

[3] Pro forma revenue is stated after total adjustments of (£34.8m) to Reported revenue for acquisitions completed during the year and disposals relating to assets held for sale.

**Revenue diversification driving organic growth**

In challenging market environments, the quality of our Seals portfolio has shone through with a resilient revenue performance. In International Seals, Diploma Australia Seals delivered strong growth as its value-add customer proposition drove share gains in markets benefitting from sustained infrastructure investments as well as continuous strong demand for the mining of the minerals required for batteries for energy storage. Our UK fluid power business, R&G, was impacted by delays to infrastructure projects in the mining, rail, and naval sectors.

M Seals delivered a strong second half, securing new contract wins for projects in its Nordic markets. As expected DICSA, our Spanish fluid power business acquired in FY23, delivered modest growth reflecting destocking in the first half of the year and the ongoing challenging backdrop in Europe.

In North American Seals, VSP delivered very strong organic growth across all its core markets in the year. This performance was supported by new contract wins in the transportation market, product extension to broaden the range available to industrial customers, and cross-selling opportunities arising from prior year acquisitions.

**Targeted acquisitions to accelerate growth**

During the year, four new UK businesses were welcomed into R&G, expanding end market exposure, extending our product range, and penetrating the UK market more widely.

PAR Group significantly expands our aftermarket seals & gaskets capabilities in the UK and further diversifies R&G's customer base and end market exposure. The acquisition presents strong opportunities for organic growth, synergies and cross-selling. Fast Gaskets is a distributor of soft gaskets and rubber sheets, and is an approved supplier to the UK defence industry. PTFE Flex is a specialist solution provider into the food & beverage, pharmaceutical, and chemical end markets. Abbey Hose, a specialist hydraulic and industrial hose distributor, extends R&G's geographical reach within the UK and creates access to key infrastructure projects and customers.

**Building scale**

During a period of slower growth, we have taken the opportunity to invest in our Seals businesses to build a stronger platform from which to grow when the trading environment improves. Across the Sector, we have invested in talent to strengthen and develop areas including sales and supply chain management. In Hercules Aftermarket, we have also enhanced our digital platforms and customisation capabilities. We also undertook a restructuring project to better position the Sector for growth.

Significant investments in facilities in International Seals are important steps on M Seals' and R&G's scaling journeys. M Seals opened its new state-of-the-art facility in Denmark, creating a Nordic hub for the Sector, providing improved warehousing capabilities and a wide range of value-add services to support future growth. In the UK, R&G created a National Distribution Centre in Lincoln as the main stocking location for its Hydraulics businesses and also introduced a hose assembly Centre of Excellence in Liverpool. In Diploma

Australia Seals, an integration project to combine three previously standalone businesses into one has been successful and provides a solid platform to further build on the strong performance of this business.

**Capital discipline**

Continuing our disciplined approach to portfolio management, in October 2024, we made two disposals in the Seals Sector: Kubo, a Swiss OEM-focused business, and Pennine Pneumatics, a UK business, which was part of R&G. Kubo, which was sold for ca. £28m, has a strong value-add proposition but requires increased vertical integration to support future growth. Pennine, with a less-scalable proposition, was sold for ca. £12m to its largest supplier.

**Outlook**

The Seals Sector remained resilient and continued to grow through difficult trading conditions in FY24. This is testament to the diversification of the portfolio and the strength of our value-add customer propositions.

Whilst customer activity remains cautious, we expect a stronger performance in FY25 in both our International and North American Seals businesses. We anticipate a resumption of investment across infrastructure and industrial end markets in the US, the UK and Europe following a recent period of uncertainty in many countries in which we operate.

Having invested in our businesses in our North America and International Seals businesses throughout FY24, they are well positioned to drive stronger growth as market conditions improve.

## SECTOR REVIEW: LIFE SCIENCES

**The Life Sciences Sector sources and supplies technology-driven, value-add solutions in the in vitro diagnostics, scientific and medtech segments of the global healthcare market**

| | FY24 | FY23 | Change |
|---|---|---|---|
| Revenue | **£221.9m** | £212.9m | **+4%** |
| Organic revenue growth | **6%** | +8% | |
| Statutory operating profit | **£35.3m** | £36.4m | **-3%**[(4)] |
| Adjusted operating profit | **£46.8m** | £43.2m | **+8%** |
| Adjusted operating margin | **21.1%** | 20.3% | **+80bps** |

[4] Reduction in statutory operating profit is principally due to higher acquisition related charges that arose on the settlement of deferred consideration in FY24 as per Note 2 of the Condensed Consolidated Financial Statements.

### FY24 highlights

- Organic revenue growth of +6% reflecting outperformance in stabilised markets.
- Strong performance and market share gains in Australia and Canada.
- Adjusted operating profit was up +8%, reflecting good organic growth and scale benefits. Operating margins increased 80 basis points year on year despite scaling investments, driven by improved margins in Europe and operational leverage in Australia.
- Significant investments in scaling to support future growth in Canada.

### Revenue diversification driving organic growth

**Life Sciences North America** delivered impressive double-digit revenue growth at the same time as implementing a significant scaling project. This strong performance was driven by the continued adoption and implementation of new technologies by hospitals within the urology, gynaecology and endoscopy specialties creating opportunities to broaden our product range and grow market share in the medtech space. In in vitro diagnostics (IVD), we are supporting further adoption of automated solutions, reflecting the increased investment and growth in IVD testing in the Canadian market.

Leveraging the benefits of our integrated business in **Life Sciences Australasia**, following scaling investment in the prior year, we have delivered double-digit growth. Our new integrated platform has supported growth in IVD. We have extended our proposition in allergy and autoimmunity testing to existing customers, and benefitted from growing demand for genetic preconception screening, which is being supported by increased government funding.

In **Life Sciences Europe**, we have restructured and rationalised our portfolio as we seek to build a more scalable and sustainable model in this geography. This project has resulted in a slight reduction in revenue year on year despite continued growth in IVD and critical care portfolios in the UK and Ireland, and tender wins in the Nordics. We have already seen improved margins as a result of the action taken to optimise the portfolio.

**Targeted acquisitions to accelerate growth**

The latest acquisition, GM Medical, which was brought into the Sector in FY23, performed very well during the year and was successfully integrated into our Nordics platform, extending its product portfolio.

We have a strong pipeline of acquisition opportunities in Life Sciences across our geographies, with a number of bolt-ons currently being evaluated.

**Building scale**

Following a successful scaling project in Australia in FY23, a project of similar significance was undertaken in Canada during the year, rationalising existing sites in the East of the country and forming two distinct East and West hubs. This large-scale project provides the right platforms to further enhance the already high levels of customer support our local teams provide, ultimately improving patient care outcomes. The new facility in Mississauga, Ontario, provides a more scaled and strategically located platform, with increased capacity to support sustainable growth through an enhanced customer proposition.

As our Life Sciences businesses continue on their scaling journeys, we increasingly leverage the benefits of expertise, as well as customer and supplier relationships, to enhance our customer proposition across our geographies.

**Outlook**

The Sector is well positioned to build on the good momentum of the last two years, with favourable market dynamics and the benefits from our continuing scaling investments and portfolio rationalisation. We expect another strong year in FY25.

## FINANCIAL REVIEW

*The Group reports under UK-adopted International Accounting Standards (UK-adopted IAS) and references alternative performance measures where the Board believes that they help to effectively monitor the performance of the Group and support readers of the Financial Statements in drawing comparisons with past performance. Certain alternative performance measures are also relevant in calculating a meaningful element of Executive Directors' variable remuneration and our debt covenants. Alternative performance measures are not considered to be a substitute for, or superior to, UK-adopted IAS measures. These are detailed in note 15 to the Condensed Consolidated Financial Statements.*

### Strong growth at high margins

| | **Year ended 30 September 2024** | | | Year ended 30 September 2023 | | |
|---|---|---|---|---|---|---|
| | **Adjusted** | **Adjustments** | **Total** | Adjusted | Adjustments | Total |
| | **£m** | **£m** | **£m** | £m | £m | £m |
| **Revenue** | **1,363.4** | **-** | **1,363.4** | 1,200.3 | - | 1,200.3 |
| Operating expenses | **(1,078.4)** | **(77.6)** | **(1,156.0)** | (963.3) | (53.7) | (1,017.0) |
| **Operating profit** | **285.0** | **(77.6)** | **207.4** | 237.0 | (53.7) | 183.3 |
| Financial expense, net | **(27.0)** | **(3.8)** | **(30.8)** | (20.4) | (7.3) | (27.7) |
| **Profit before tax** | **258.0** | **(81.4)** | **176.6** | 216.6 | (61.0) | 155.6 |
| Tax expense | **(61.9)** | **15.3** | **(46.6)** | (52.0) | 14.7 | (37.3) |
| **Profit for the year** | **196.1** | **(66.1)** | **130.0** | 164.6 | (46.3) | 118.3 |
| **Earnings per share** | | | | | | |
| Adjusted/Basic | **145.8p** | | **96.5p** | 126.5p | | 90.8p |

Reported revenue increased by 14% to £1,363.4m (2023: £1,200.3m), driven by organic growth of 6% and a 10% contribution from acquisitions, partly offset by adverse movements in foreign exchange translation.

Adjusted operating profit increased by 20% to £285.0m (2023: £237.0m) as the operational leverage from the increased revenue, disciplined cost management and accretive acquisitions drove a year-on-year improvement of 120 basis points in the adjusted operating margin to 20.9% (2023: 19.7%). Statutory operating profit increased 13% to £207.4m (2023: £183.3m), with prior year benefitting from an exceptional £12.2m profit on disposal of Hawco.

Adjusted net finance expense increased to £27.0m (2023: £20.4m), principally due to higher average gross debt as all acquisitions in the year were debt funded. The blended cost of all bank debt marginally decreased to 5.3% largely due to the issuance of £319.8m of private placement notes (2023: 5.6%).

Adjusted profit before tax increased 19% to £258.0m (2023: £216.6m).

Statutory profit before tax was £176.6m (2023: £155.6m) and is stated after charging acquisition and other related charges. The adjustments to operating expenses made in relation to acquisition related and other charges total £77.6m (2023: £53.7m) comprised of £59.4m (2023: £52.9m) of amortisation of acquisition intangible assets; £4.4m (2023: £5.9m) of fair value adjustments to inventory acquired through acquisitions recognised in cost of inventories sold; £10.2m of acquisition related expenses (2023: £6.3m) and £3.6m of restructuring costs (2023: £nil). There were no disposals during the year, whilst the prior year included a £12.2m net gain on disposals.

Acquisition related finance charges include fair value movement and the unwind of discount on acquisition liabilities of £3.2m charge (2023: £0.4m charge); £0.9m charge (2023: £5.9m charge) for the amortisation and write-off of capitalised borrowing fees on acquisition related borrowings; fair value remeasurements of put options for future minority interest purchases of £0.1m income (2023: £1.8m charge); and net income from interest and settlement of acquisition and disposal related items of £0.2m (2023: £0.8m net income).

The Group's adjusted effective rate of tax on adjusted profit before tax was 24% (2023: 24%). The Group's tax strategy was approved by the Board and is published on our website.

Adjusted earnings per share increased by 15% to 145.8p (2023: 126.5p). Basic earnings per share increased by 6% to 96.5p (2023: 90.8p) reflecting the profit on disposal in the prior year.

**Recommended dividend**

The Board has a progressive dividend policy that aims to increase the dividend each year by 5%. In determining the dividend, the Board considers a number of factors which include the free cash flow generated by the Group, the future cash commitments and investment needed to sustain the Group's long-term growth strategy.

For FY24, the Board has recommended a final dividend of 42.0p per share, making the proposed full year dividend 59.3p (2023: 56.5p).

**Strong cash flow**

Free cash flow increased by 21% to £197.9m (2023: £163.8m). Statutory cash flow from operating activities increased by 9% to £279.7m (2023: £257.3m). Free cash flow conversion for the year was 101% (2023: 100%), ahead of the 90% in our financial model, demonstrating the highly cash-generative qualities of our businesses and the results of targeted inventory reductions.

| Funds flow | Year ended 30 Sep 2024 £m | Year ended 30 Sep 2023 £m |
|---|---|---|
| Adjusted operating profit | **285.0** | 237.0 |
| Depreciation and other non-cash items | **33.4** | 30.5 |
| Working capital movement | **(8.5)** | (4.2) |
| Interest paid, net (excluding borrowing fees) | **(17.4)** | (17.9) |
| Tax paid | **(58.4)** | (41.4) |
| Capital expenditure, net of disposal proceeds | **(14.0)** | (21.6) |
| Lease repayments | **(19.9)** | (16.7) |
| Notional purchase of own shares on exercise of options | **(2.3)** | (1.9) |
| **Free cash flow** | **197.9** | 163.8 |
| Acquisition and disposals[5] | **(311.0)** | (255.3) |
| Proceeds from issue of share capital (net of fees) | **-** | 231.9 |
| Dividends paid to shareholders and minority interests | **(77.2)** | (70.8) |
| Foreign exchange and other non-cash movements | **25.4** | 4.6 |
| **Net funds flow** | **(164.9)** | 74.2 |
| **Net debt** | **(419.6)** | (254.7) |

[5] Net of cash acquired/disposed and including acquisition expenses, deferred consideration, and payments of pre-acquisition debt-like items.

Depreciation and other non-cash items includes £32.2m (2023: £28.6m) of depreciation and amortisation of tangible, intangible and right of use assets and net £1.2m (2023: £1.9m) of other non-cash items, primarily share-based payments expense.

Working capital increased by £8.5m in support of business growth.

Interest payments reduced by £0.5m to £17.4m (2023: £17.9m) driven largely by the change in interest payment profile on the private placement notes during the year. Tax payments increased by £17.0m to £58.4m (2023: £41.4m) with the cash tax rate increasing to 23% (2023: 19%), mainly due to timing of payments in the US and the increase in the UK corporation tax rate. Our effective cash tax rate remains lower than our Group effective tax rate, mainly due to tax deductible acquisition goodwill in the US.

Net capital expenditure was lower this year at £14.0m, primarily consisting of £19.7m investment in new field and demo equipment and a premise move in Life Sciences as well as ongoing investments in plant and equipment across the Group, partly offset by £5.7m of disposals which were largely property related.

The Group funded the Company's Employee Benefit Trust with £2.3m (2023: £1.9m) in connection with the Company's long-term incentive plan.

**Acquisitions accelerate growth**

Net cash flow from acquisitions of £311.0m (2023: £255.3m) included £270.5m of cash paid for the acquisitions of Peerless, PAR Group and five smaller bolt-ons; £11.3m of acquisition related deferred consideration paid and £30.2m of acquisition related costs, partly offset by £1m received in relation to the disposal of Hawco in the prior year.

The Group's liabilities to shareholders of acquired businesses at 30 September 2024 was £25.4m (2023: £22.6m) and comprised both put options to purchase outstanding minority shareholdings and deferred consideration payable to vendors of businesses acquired during the current and prior years.

- The liability to acquire minority shareholdings outstanding relates to a 10% interest held in M Seals; 5% interest in Techsil; a 2% interest in R&G; and a 5% interest in Pennine Pneumatic Services (disposed of subsequent to the period end, as noted below). These options are valued at £9.0m (2023: £9.2m), based on the latest estimate of EBIT when these options crystallise.
- The liability for deferred consideration payable at 30 September 2024 was £16.4m (2023: £13.4m). This liability represents the best estimate of any outstanding payments based on the expected performance of the relevant businesses during the measurement period. The increase in the year is primarily due to the addition of Peerless and PAR Group deferred consideration and revaluation increases, somewhat offset by payments made in the year.

Goodwill at 30 September 2024 was £541.1m (2023: £439.1m). Goodwill is assessed each year to determine whether there has been any impairment in the carrying value. It was confirmed that there was significant headroom on the valuation of this goodwill, compared with the carrying value of the related Cash Generating Units at the year end.

As at 30 September 2024, the Group classified the assets and liabilities of Kubo Tech AG and its subsidiary Kubo Tech GmbH (Kubo); Pneumatic Services Limited and its subsidiary Pennine Pneumatic Services Limited (Pennine); and Gremtek SAS (Gremtek) as held for sale under IFRS5. All three disposals were completed on 31 October 2024, with total consideration (on a cash-free and debt-free basis) of ca. CHF31.3m (ca. £28.1m) for Kubo, ca. £12.0m for Pennine and ca. €5.5m (ca. £4.6m) for Gremtek. No gain or loss was recognised in the Consolidated Income Statement on classification of the above assets and liabilities held for sale.

Dividends of £77.2m (2023: £70.8m) were paid to ordinary and minority interest shareholders.

**Attractive returns**

Return on adjusted trading capital employed (ROATCE) is a key metric used to measure our success in creating value for shareholders. It is a metric that drives ongoing capital and operating discipline, adding back amortised intangibles and other factors such as any impaired goodwill such that any improvement must be driven by true economic factors. As at 30 September 2024, the Group's ROATCE increased by 100 basis points to 19.1% (2023: 18.1%). This increase was driven by strong operating profit growth from the existing businesses and accretive acquisitions completed during the year which is expected to generate year one returns in excess of 20%.

**Improved funding**

At 30 September 2024, the Group's net debt stood at £419.6m (2023: £254.7m). During the year, the Group issued US private placement notes for an aggregate principal amount of £207.9m (€250.0m) with maturities of 7 years (€75m), 10 years (€100m) and 12 years (€75m) and for an aggregate principal amount of £111.9m ($150.0m) with maturities of 8 years ($100m) and 11 years ($50m).

The Group has a multi-currency revolving credit facility agreement (RCF) with an aggregate principal amount of £555.0m. In July 2024, the Group exercised the first of two 12-month extension options for the RCF, which was accepted by banks committing £515.0m of the aggregate total. The RCF is now contractually due to expire across July 2028 (£40.0m) and July 2029 (£515.0m). A 24-month extension option in respect of £40.0m and a second 12-month extension option in respect of £515.0m can be exercised in July 2025. At 30 September 2024, the Group had utilised £165.1m of the RCF (2023: £320.9m), with £389.9m of the revolving facility remaining undrawn.

At 30 September 2024, net debt of £419.6m (2023: £254.7m) represented leverage of 1.3x (2023: 0.9x) against a banking covenant of 3.5x. The Group maintains strong liquidity, with year-end headroom (comprised of undrawn committed facilities and cash funds) of £450m (2023: £297m). The table below outlines the composition of the Group's net debt at 30 September 2024:

| Type | Currency | Amount | GBP equivalent | Interest rate exposure |
|---|---|---|---|---|
| PP 7 year maturity | EUR | €75.0m | £62.4m | Fixed 4.18% |
| PP 10 year maturity | EUR | €100.0m | £83.1m | Fixed 4.27% |
| PP 12 year maturity | EUR | €75.0m | £62.4m | Fixed 4.38% |
| PP 8 year maturity | USD | $100.0m | £74.6m | Fixed 5.39% |
| PP 11 year maturity | USD | $50.0m | £37.3m | Fixed 5.52% |
| RCF | USD | $83.0m | £61.9m | Floating |
| RCF | EUR | €64.0m | £53.2m | Floating |
| RCF | GBP | £50.0m | £50.0m | Floating |
| Capitalised debt fees | | | £(5.1)m | |
| | | | | |
| **Gross debt drawn at 30 September 2024** | | | **£479.8m** | |
| Cash & equivalents and cash held in assets held for sale at year end | | | £(60.2)m | |
| **Net debt at 30 September 2024** | | | **£419.6m** | |

**Pensions**

The Group maintains a legacy closed defined benefit pension scheme (the Scheme) in the UK. In the year, the Group funded this scheme with cash contributions of £0.5m (2023: £0.6m).

On 26 March 2024, the Trustees completed a Buy-In of the remaining pensioner liabilities in the Scheme with Just Retirement Limited. The Scheme paid £25.1m to Just Retirement Limited to fund 100% of the Buy-In premium. At 30 September 2024, the UK defined benefit scheme was in a surplus position of £1.5m (2023: £6.8m). As at 30 September 2024, 94% of the scheme assets are concentrated in the Buy-In policy and we expect to make no further funding payments.

The Group is aware of a UK High Court legal ruling in June 2023 between Virgin Media Limited and NTL Pension Trustees II Limited, which decided that certain historic rule amendments were invalid if they were not accompanied by actuarial certifications. The ruling was subject to an appeal with a judgment delivered on 25 July 2024. The Court of Appeal unanimously upheld the decision of the High Court and concluded that the pre-April 2013 conditions applied to amendments to both future and past service. Whilst this ruling was in respect of another scheme, this judgment will need to be reviewed for its relevance to the Scheme. As the Court of Appeal has only just delivered its verdict, the Scheme pension advisors have not yet completed any analysis and therefore no adjustments have been made to the Consolidated Financial Statements as at 30 September 2024.

In Switzerland, local law requires our Kubo business to provide a contribution-based pension for all employees, which is funded by employer and employee contributions. The cash contribution to the scheme was £0.5m (FY23: £0.5m). The pension deficit in the Swiss scheme was £1.0m (FY23: £0.3m) and formed part of the liabilities held for sale as at 30 September 2024.

**Exchange rates**

A significant proportion of the Group's revenue (ca. 80%) is derived from businesses located outside the UK, principally in the US, Canada, Australia and continental Europe. Compared with FY23, the average Sterling exchange rate is stronger against most of the major currencies in which the Group operates and the impact from translating the results of the Group's overseas businesses into UK sterling has led to a decrease in Group revenues of £34.4m and a decrease in the Group's adjusted operating profit of £8.5m. The impact to net debt is a reduction of £26.0m when compared with prior year closing rates.

**Going concern**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in this announcement and further detailed in the Annual Report and Accounts, which also includes an assessment of the Group's longer term viability.

The Directors have undertaken a comprehensive review of going concern, taking into account the updated financing of the Group against a number of economic scenarios, to consider whether there is a risk that the Group could breach either its facility headroom or financial covenants.

The Group has modelled a base case and a severe but plausible downside case in its assessment of going concern. The base case is driven off the Group's detailed budget which is built up on a business by business case and considers both the micro and macroeconomic factors which could impact performance in the industries and geographies in which that business operates. The severe but plausible downside case models steep declines in revenues and operating margins resulting in materially adverse cash flows. These sensitivities factor in a continued unfavourable impact from a prolonged downturn in the economy. Both scenarios indicate that the Group has significant liquidity and covenant headroom on its borrowing facilities to continue in operational existence for the foreseeable future.

Accordingly, the Directors continue to have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the Annual Report and Accounts.

## PRINCIPAL RISKS

Effective risk management is a key component of the discipline that underpins sustainable quality compounding.

The Group's decentralised operating model helps mitigate the potential impact of our principal risks. The principal risks which have the potential to be material to the performance, position or future prospects of the Group are described in more detail in pages 57-60 of the 2024 Annual Report and Accounts. This includes more detail on our overall approach to risk management as well as the specific mitigation actions in place for our principal risks.

The principal risks are summarised below (not ranked):

- **M&A activity**: the Group may overpay for a target; the acquired business may experience limited growth post-acquisition; loss of key customers or suppliers post integration; potential cultural misfit.
- **Cybersecurity**: a successful attack on our systems, sites, data or a third party, means that confidential information is lost or business critical systems become unavailable that may lead to negative customer or supplier impacts, regulatory action, reputational damage and/or loss of business revenue.
- **Talent & capability**: if we are not able to attract, develop and retain the necessary high-performing employees and capabilities, we may not be able to meet our ambitious strategic goals and maintain customer service levels and relationships.
- **Supply chain disruption**: the risk of manufacturing lead times increasing as a result of supply chain shortages or supply chain partners not operating to the same ethical standards; the risk that a key supplier revokes a supply agreement and access the market through a competitor or directly; the risk of loss of a key supplier due to insolvency.
- **Climate – max legislation**: the risk of increasing environmental legislation that adds cost or complexity to products and services and/or renders some products obsolete.
- **Market disruption**: adverse changes in the major markets that the businesses operate in can result in slowing revenue growth due to reduced or delayed demand for products and services, or margin pressures due to increased competition.
- **Geopolitical environment**: future global destabilisation impacts our international business activities, increasing operating costs, additional trade sanctions, supply chain delays, and/or hinders passage of products between our sites with delays and higher costs.

# CONSOLIDATED INCOME STATEMENT

## FOR THE YEAR ENDED 30 SEPTEMBER 2024

| | Note | Adjusted[1] 2024 £m | Adjustments[1] £m | Total 2024 £m | Adjusted[1] 2023 £m | Adjustments[1] £m | Total 2023 £m |
|---|---|---|---|---|---|---|---|
| **Revenue** | 3,4 | 1,363.4 | – | 1,363.4 | 1,200.3 | – | 1,200.3 |
| Operating expenses | 2 | (1,078.4) | (77.6) | (1,156.0) | (963.3) | (53.7) | (1,017.0) |
| **Operating profit** | | 285.0 | (77.6) | 207.4 | 237.0 | (53.7) | 183.3 |
| Financial expense, net | 5 | (27.0) | (3.8) | (30.8) | (20.4) | (7.3) | (27.7) |
| **Profit before tax** | | 258.0 | (81.4) | 176.6 | 216.6 | (61.0) | 155.6 |
| Tax expense | 6 | (61.9) | 15.3 | (46.6) | (52.0) | 14.7 | (37.3) |
| **Profit for the year** | | 196.1 | (66.1) | 130.0 | 164.6 | (46.3) | 118.3 |
| Attributable to: | | | | | | | |
| Shareholders of the Company | | 195.4 | (66.1) | 129.3 | 164.0 | (46.3) | 117.7 |
| Minority interests | | 0.7 | – | 0.7 | 0.6 | – | 0.6 |
| | | 196.1 | (66.1) | 130.0 | 164.6 | (46.3) | 118.3 |
| **Earnings per share (p)** | | | | | | | |
| Adjusted/Basic earnings | 7 | 145.8p | | 96.5p | 126.5p | | 90.8p |
| Adjusted/Diluted earnings | 7 | 145.3p | | 96.1p | 125.9p | | 90.4p |

1 Adjusted figures exclude certain items as set out and explained in the Financial Review and as detailed in notes 2, 3, 4, 5 and 6. All amounts relate to continuing operations.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 SEPTEMBER 2024

| | Note | 2024 £m | 2023 £m |
|---|---|---|---|
| **Profit for the year** | | 130.0 | 118.3 |
| **Items that will not be reclassified to the Consolidated Income Statement** | | | |
| Actuarial loss on the defined benefit pension schemes | | (7.0) | (0.9) |
| Deferred tax on items that will not be reclassified | 6 | 1.8 | 0.2 |
| | | (5.2) | (0.7) |
| **Items that may be reclassified to the Consolidated Income Statement** | | | |
| Exchange differences on translation of foreign operations | | (65.7) | (46.3) |
| Exchange differences on translation of net investment hedge | | 7.2 | – |
| Net changes to fair value of cash flow hedges transferred to the Consolidated Income Statement | | (1.3) | 1.8 |
| Losses on fair value of cash flow hedges | | (2.3) | (3.8) |
| Deferred tax on items that may be reclassified | 6 | 0.7 | 0.5 |
| | | (61.4) | (47.8) |
| **Total Other Comprehensive Income** | | (66.6) | (48.5) |
| **Total Comprehensive Income for the year** | | 63.4 | 69.8 |
| Attributable to: | | | |
| Shareholders of the Company | | 62.7 | 69.3 |
| Minority interests | | 0.7 | 0.5 |
| | | 63.4 | 69.8 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 SEPTEMBER 2024

| | Note | Share capital £m | Share premium £m | Translation reserve £m | Hedging reserve £m | Retained earnings £m | Shareholders' equity £m | Minority interests £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 October 2022** | | 6.3 | 188.6 | 88.8 | 3.2 | 375.1 | 662.0 | 6.2 | 668.2 |
| Total Comprehensive Income | | – | – | (46.3) | (1.5) | 117.1 | 69.3 | 0.5 | 69.8 |
| Issue of share capital | | 0.5 | 231.6 | – | – | – | 232.1 | – | 232.1 |
| Share-based payments | | – | – | – | – | 4.1 | 4.1 | – | 4.1 |
| Tax on items recognised directly in equity | 6 | – | – | – | – | 0.5 | 0.5 | – | 0.5 |
| Notional purchase of own shares | | – | – | – | – | (1.9) | (1.9) | – | (1.9) |
| Dividends | 13 | – | – | – | – | (70.5) | (70.5) | (0.3) | (70.8) |
| **At 30 September 2023** | | 6.8 | 420.2 | 42.5 | 1.7 | 424.4 | 895.6 | 6.4 | 902.0 |
| Total Comprehensive Income | | – | – | (58.5) | (2.9) | 124.1 | 62.7 | 0.7 | 63.4 |
| Share-based payments | | – | – | – | – | 7.1 | 7.1 | – | 7.1 |
| Tax on items recognised directly in equity | 6 | – | – | – | – | 1.7 | 1.7 | – | 1.7 |
| Notional purchase of own shares | | – | – | – | – | (2.3) | (2.3) | – | (2.3) |
| Dividends | 13 | – | – | – | – | (76.8) | (76.8) | (0.4) | (77.2) |
| **At 30 September 2024** | | 6.8 | 420.2 | (16.0) | (1.2) | 478.2 | 888.0 | 6.7 | 894.7 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 30 SEPTEMBER 2024

| | Note | 2024 £m | 2023 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 10 | 541.1 | 439.1 |
| Acquisition intangible assets | | 507.8 | 520.1 |
| Other intangible assets | | 2.6 | 4.2 |
| Property, plant and equipment | | 63.4 | 59.2 |
| Leases – right-of-use assets | | 65.9 | 71.5 |
| Retirement benefit assets | | 1.5 | 6.8 |
| Deferred tax assets | | 0.9 | 0.2 |
| | | 1,183.2 | 1,101.1 |
| **Current assets** | | | |
| Inventories | | 280.1 | 232.7 |
| Trade and other receivables | | 206.9 | 193.1 |
| Assets held for sale | 12 | 46.4 | – |
| Cash and cash equivalents | 9 | 55.5 | 62.4 |
| | | 588.9 | 488.2 |
| **Current liabilities** | | | |
| Borrowings | 9 | – | (0.3) |
| Trade and other payables | | (204.4) | (191.9) |
| Liabilities held for sale | 12 | (22.0) | – |
| Current tax liabilities | 6 | (22.9) | (16.6) |
| Other liabilities | | (8.8) | (12.7) |
| Lease liabilities | | (13.1) | (15.0) |
| | | (271.2) | (236.5) |
| **Net current assets** | | 317.7 | 251.7 |
| **Total assets less current liabilities** | | 1,500.9 | 1,352.8 |
| **Non-current liabilities** | | | |
| Borrowings | 9 | (479.8) | (316.8) |
| Trade and other payables | | (1.1) | – |
| Lease liabilities | | (59.2) | (65.2) |
| Other liabilities | | (16.6) | (9.9) |
| Retirement benefit obligations | | – | (0.3) |
| Deferred tax liabilities | | (49.5) | (58.6) |
| | | (606.2) | (450.8) |
| **Net assets** | | 894.7 | 902.0 |
| **Equity** | | | |
| Share capital | | 6.8 | 6.8 |
| Share premium | | 420.2 | 420.2 |
| Translation reserve | | (16.0) | 42.5 |
| Hedging reserve | | (1.2) | 1.7 |
| Retained earnings | | 478.2 | 424.4 |
| **Total shareholders' equity** | | 888.0 | 895.6 |
| Minority interests | | 6.7 | 6.4 |
| **Total equity** | | 894.7 | 902.0 |

# CONSOLIDATED CASH FLOW STATEMENT
## FOR THE YEAR ENDED 30 SEPTEMBER 2024

| | Note | 2024 £m | 2023 £m |
|---|---|---|---|
| **Operating profit** | | 207.4 | 183.3 |
| Acquisition related and other charges | | 77.6 | 53.7 |
| Non-cash items and other | | 3.2 | 24.5 |
| Increase in working capital | | (8.5) | (4.2) |
| **Cash flow from operating activities** | 8 | 279.7 | 257.3 |
| Interest paid, net (including borrowing fees) | | (23.2) | (26.7) |
| Tax paid | | (58.4) | (41.4) |
| **Net cash inflow from operating activities** | | 198.1 | 189.2 |
| **Cash flow from investing activities** | | | |
| Acquisition of businesses (net of cash acquired) | | (270.5) | (258.5) |
| Acquisition related deferred (payments)/receipts, net | | (10.3) | (12.3) |
| Proceeds from sale of business (net of cash disposed) | | – | 21.5 |
| Purchase of property, plant and equipment | | (18.9) | (21.6) |
| Purchase of other intangible assets | | (0.8) | (1.5) |
| Proceeds from sale of property, plant and equipment | | 5.7 | 1.5 |
| **Net cash used in investing activities** | | (294.8) | (270.9) |
| **Cash flow from financing activities** | | | |
| Proceeds from issue of share capital | | – | 236.1 |
| Share issue costs | | – | (4.2) |
| Dividends paid to shareholders | 13 | (76.8) | (70.5) |
| Dividends paid to minority interests | | (0.4) | (0.3) |
| Notional purchase of own shares on exercise of share options | | (2.3) | (1.9) |
| Proceeds from borrowings | | 694.9 | 579.5 |
| Repayment of borrowings | | (509.1) | (617.3) |
| Principal elements of lease payments | | (16.0) | (13.9) |
| **Net cash inflow from financing activities** | | 90.3 | 107.5 |
| Net (decrease)/increase in cash and cash equivalents | | (6.4) | 25.8 |
| Cash and cash equivalents at beginning of year | | 62.4 | 41.7 |
| Effect of exchange rates on cash and cash equivalents | | 4.2 | (5.1) |
| Cash and cash equivalents held in disposal groups | | (4.7) | – |
| **Cash and cash equivalents at end of year** | | 55.5 | 62.4 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2024

### 1. GENERAL INFORMATION

Diploma PLC is a public company limited by shares incorporated in the United Kingdom, registered and domiciled in England and Wales and listed on the London Stock Exchange. The address of the registered office is 10-11 Charterhouse Square, London EC1M 6EE. The consolidated financial statements comprise the Company and its subsidiaries (together referred to as 'the Group') and were authorised by the Directors for publication on 19 November 2024. These statements are presented in UK sterling, with all values rounded to the nearest 100,000, except where otherwise indicated.

The consolidated financial statements of the Group have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The accounting policies have been consistently applied in the current and comparative year.

The financial information set out in this Preliminary Announcement, which has been extracted from the audited consolidated financial statements, does not constitute the Group's statutory financial statements for the years ended 30 September 2024 and 2023. Statutory financial statements for the year ended 30 September 2023 have been delivered to the Registrar of Companies and are available on the website at www.diplomaplc.com. The statutory financial statements for the year ended 30 September 2024, which were approved by the Directors on 19 November 2024, will be sent to shareholders in December 2024 and delivered to the Registrar of Companies, following the Company's Annual General Meeting.

The auditor has reported on the consolidated financial statements for the years ended 30 September 2024 and 2023. The reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The Company's Annual General Meeting will be held at 9:00am on 15 January 2025 in The Charterhouse, Charterhouse Square, EC1M 6AN. The Notice of Meeting will be sent out in a separate Circular to shareholders.

### 2. ANALYSIS OF OPERATING EXPENSES

| | Adjusted 2024 £m | Adjustments £m | Total 2024 £m | Adjusted 2023 £m | Adjustments £m | Total 2023 £m |
|---|---|---|---|---|---|---|
| Cost of inventories sold | 730.1 | 4.4 | 734.5 | 652.1 | 5.9 | 658.0 |
| Employee costs | 230.9 | 3.9 | 234.8 | 206.2 | 3.8 | 210.0 |
| Depreciation of property, plant and equipment | 14.6 | – | 14.6 | 12.8 | – | 12.8 |
| Depreciation of right-of-use assets | 16.3 | – | 16.3 | 14.8 | – | 14.8 |
| Amortisation | 1.3 | 59.4 | 60.7 | 1.0 | 52.9 | 53.9 |
| Net impairment movements on trade receivables | (0.6) | – | (0.6) | 2.5 | – | 2.5 |
| Other operating expenses/(income) | 85.8 | 9.9 | 95.7 | 73.9 | (8.9) | 65.0 |
| **Operating expenses** | 1,078.4 | 77.6 | 1,156.0 | 963.3 | 53.7 | 1,017.0 |

The adjustments to operating expenses are made in relation to acquisition related and other charges, as defined in note 15.2, totalling £77.6m (2023: £53.7m) and comprises of £59.4m (2023: £52.9m) of amortisation of acquisition intangible assets, £4.4m (2023: £5.9m) of fair value adjustments to inventory acquired through acquisitions recognised in cost of inventories sold, £10.2m of acquisition related expenses (2023: £6.3m), £3.6m of restructuring costs (2023: £nil) and no disposal of businesses during the year (2023: £12.2m net gain).

### 3. BUSINESS SECTOR ANALYSIS

The Chief Operating Decision Maker (CODM) for the purposes of IFRS 8 is the CEO. The financial performance of the business Sectors is reported to the CODM on a monthly basis and this information is used to allocate resources on an appropriate basis.

For management reporting purposes, the Group is organised into three main reportable business Sectors: Controls, Seals and Life Sciences. These Sectors are the Group's operating segments as defined by IFRS 8 and form the basis of the primary reporting format disclosures below. The CODM reviews discrete financial information at this operating segment level. Sector revenue represents revenue from external customers; there is no material inter-Sector revenue. Sector results, assets and liabilities include items directly attributable to a Sector, as well as those that can be allocated on a reasonable basis.

Sector assets exclude cash and cash equivalents, deferred tax assets, acquisition related assets and corporate assets that cannot be allocated on a reasonable basis to a business Sector. Sector liabilities exclude borrowings (other than lease liabilities), retirement benefit obligations, deferred tax liabilities, acquisition liabilities and corporate liabilities that cannot be allocated on a reasonable basis to a business Sector. These items are shown collectively in the following analysis as 'unallocated assets' and 'unallocated liabilities', respectively.

| | Controls | | Seals | | Life Sciences | | Corporate | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2024 £m | 2023 £m | 2024 £m | 2023 £m | 2024 £m | 2023 £m | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| Revenue – existing[1] | 595.3 | 568.4 | 478.6 | 419.0 | 221.9 | 212.9 | – | – | 1,295.8 | 1,200.3 |
| Revenue – acquisitions[1] | 57.1 | – | 10.5 | – | – | – | – | – | 67.6 | – |
| **Revenue** | 652.4 | 568.4 | 489.1 | 419.0 | 221.9 | 212.9 | – | – | 1,363.4 | 1,200.3 |
| Cost of inventories sold – existing[1] | (347.7) | (332.4) | (234.0) | (205.7) | (122.6) | (119.9) | – | – | (704.3) | (658.0) |
| Cost of inventories sold – acquisitions[1] | (25.6) | – | (4.6) | – | – | – | – | – | (30.2) | – |
| **Cost of inventories sold** | (373.3) | (332.4) | (238.6) | (205.7) | (122.6) | (119.9) | – | – | (734.5) | (658.0) |
| Adjusted operating profit – existing[1] | 144.0 | 136.6 | 87.1 | 79.0 | 46.8 | 43.2 | (22.4) | (21.8) | 255.5 | 237.0 |
| Adjusted operating profit – acquisitions[1] | 25.9 | – | 3.6 | – | – | – | – | – | 29.5 | – |
| **Adjusted operating profit** | 169.9 | 136.6 | 90.7 | 79.0 | 46.8 | 43.2 | (22.4) | (21.8) | 285.0 | 237.0 |
| Acquisition related and other charges | (37.6) | (23.7) | (28.5) | (23.2) | (11.5) | (6.8) | – | – | (77.6) | (53.7) |
| **Operating profit** | 132.3 | 112.9 | 62.2 | 55.8 | 35.3 | 36.4 | (22.4) | (21.8) | 207.4 | 183.3 |
| | | | | | | | | | | |
| Operating assets | 301.6 | 214.9 | 262.9 | 264.1 | 94.2 | 75.2 | – | – | 658.7 | 554.2 |
| Goodwill | 265.3 | 167.3 | 179.1 | 169.4 | 96.7 | 102.4 | – | – | 541.1 | 439.1 |
| Acquisition intangible assets | 268.4 | 258.2 | 183.4 | 195.4 | 56.0 | 66.5 | – | – | 507.8 | 520.1 |
| | 835.3 | 640.4 | 625.4 | 628.9 | 246.9 | 244.1 | – | – | 1,707.6 | 1,513.4 |
| Unallocated assets: | | | | | | | | | | |
| – Deferred tax assets | | | | | | | 0.9 | 0.2 | 0.9 | 0.2 |
| – Cash and cash equivalents | | | | | | | 55.5 | 62.4 | 55.5 | 62.4 |
| – Acquisition related assets | | | | | | | 1.8 | 3.0 | 1.8 | 3.0 |
| – Retirement benefit assets | | | | | | | 1.5 | 6.8 | 1.5 | 6.8 |
| – Corporate assets | | | | | | | 4.8 | 3.5 | 4.8 | 3.5 |
| **Total assets** | 835.3 | 640.4 | 625.4 | 628.9 | 246.9 | 244.1 | 64.5 | 75.9 | 1,772.1 | 1,589.3 |
| Operating liabilities | (120.7) | (96.1) | (119.2) | (119.6) | (52.1) | (43.3) | – | – | (292.0) | (259.0) |
| Unallocated liabilities: | | | | | | | | | | |
| – Deferred tax liabilities | | | | | | | (49.5) | (58.6) | (49.5) | (58.6) |
| – Retirement benefit obligations | | | | | | | – | (0.3) | – | (0.3) |
| – Acquisition related liabilities | | | | | | | (25.4) | (22.6) | (25.4) | (22.6) |
| – Corporate liabilities | | | | | | | (30.7) | (29.7) | (30.7) | (29.7) |
| – Borrowings | | | | | | | (479.8) | (317.1) | (479.8) | (317.1) |
| **Total liabilities** | (120.7) | (96.1) | (119.2) | (119.6) | (52.1) | (43.3) | (585.4) | (428.3) | (877.4) | (687.3) |
| **Net assets/(liabilities)** | 714.6 | 544.3 | 506.2 | 509.3 | 194.8 | 200.8 | (520.9) | (352.4) | 894.7 | 902.0 |

[1] Prior year's segmental acquisition amounts have been incorporated into the existing segmental amounts for better comparability.

### Other Sector information

| | Controls | | Seals | | Life Sciences | | Corporate | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2024 £m | 2023 £m | 2024 £m | 2023 £m | 2024 £m | 2023 £m | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| Capital expenditure | 5.7 | 5.9 | 4.7 | 9.0 | 9.2 | 7.9 | 0.1 | 0.3 | 19.7 | 23.1 |
| Depreciation and amortisation | 5.0 | 4.6 | 6.1 | 5.0 | 4.5 | 4.0 | 0.3 | 0.2 | 15.9 | 13.8 |
| **Revenue recognition** | | | | | | | | | | |
| – immediately on sale | 642.2 | 563.0 | 465.3 | 399.6 | 207.3 | 198.9 | – | – | 1,314.8 | 1,161.5 |
| – over a period of time | 10.2 | 5.4 | 23.8 | 19.4 | 14.6 | 14.0 | – | – | 48.6 | 38.8 |
| | 652.4 | 568.4 | 489.1 | 419.0 | 221.9 | 212.9 | – | – | 1,363.4 | 1,200.3 |

Accrued income (“contract assets”) at 30 September 2024 of £0.8m (2023: £1.0m) and deferred revenue (“contract liabilities”) of £2.8m at 30 September 2024 (2023: £3.1m) are included in trade and other receivables and trade and other payables, respectively.

## 4. GEOGRAPHIC SEGMENT ANALYSIS BY ORIGIN

| | Revenue | | Adjusted operating profit | | Non-current assets[1] | | Trading capital employed | | Capital expenditure | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2024 £m | 2023 £m | 2024 £m | 2023 £m | 2024 £m | 2023 £m | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| United Kingdom[2] | 273.0 | 267.1 | 23.3 | 28.8 | 242.4 | 207.3 | 229.3 | 195.0 | 4.9 | 9.3 |
| Rest of Europe | 267.8 | 210.3 | 53.9 | 34.5 | 264.9 | 308.1 | 321.4 | 354.1 | 2.3 | 1.6 |
| USA | 626.1 | 537.6 | 165.5 | 132.2 | 566.9 | 470.0 | 698.2 | 567.9 | 3.6 | 4.3 |
| Rest of world | 196.5 | 185.3 | 42.3 | 41.5 | 106.6 | 106.3 | 136.1 | 111.2 | 8.9 | 7.9 |
| | 1,363.4 | 1,200.3 | 285.0 | 237.0 | 1,180.8 | 1,091.7 | 1,385.0 | 1,228.2 | 19.7 | 23.1 |

1 Non-current assets excludes deferred tax assets, derivative assets and retirement benefit assets.
2 United Kingdom includes the UK related corporate segment.

## 5. FINANCIAL EXPENSE, NET

| | 2024 £m | 2023 £m |
|---|---|---|
| **Interest expense/(income) and similar charges** | | |
| – bank facility and commitment fees | 1.7 | 1.6 |
| – interest income on short-term deposits | (0.6) | (0.4) |
| – interest expense on borrowings | 22.2 | 16.6 |
| – notional interest income on the defined benefit pension scheme | (0.3) | (0.4) |
| – amortisation of capitalised borrowing fees | 0.1 | 0.2 |
| – interest on lease liabilities | 3.9 | 2.8 |
| **Net interest expense and similar charges** | 27.0 | 20.4 |
| – acquisition related finance charges, net | 3.8 | 7.3 |
| **Financial expense, net** | 30.8 | 27.7 |

Acquisition related finance charges as adjusted in the Consolidated Income Statement includes fair value movement and unwind of discount on acquisition liabilities of £3.2m charge (2023: £0.4m charge), £0.9m charge (2023: £5.9m charge) for the amortisation and write-off of capitalised borrowing fees on acquisition related borrowings, fair value remeasurements of put options for future minority interest purchases of £0.1m income (2023: £1.8m charge), and net income from interest and settlement of acquisition and disposal related items of £0.2m (2023: £0.8m net income). Acquisition related finance charges are adjusted due to their consistent nature with acquisition related and other charges, as defined in note 15.2.

## 6. TAX EXPENSE

| | 2024 £m | 2023 £m |
|---|---|---|
| **Current tax** | | |
| The tax charge is based on the profit for the year and comprises: | | |
| UK corporation tax | 15.2 | 10.4 |
| Overseas tax | 40.1 | 31.2 |
| | 55.3 | 41.6 |
| Adjustments in respect of prior year: | | |
| UK corporation tax | (0.2) | 1.2 |
| Overseas tax | 0.4 | 0.1 |
| **Total current tax** | 55.5 | 42.9 |
| **Deferred tax** | | |
| The net deferred tax credit based on the origination and reversal of timing differences comprises: | | |
| United Kingdom | (1.2) | (2.7) |
| Overseas | (7.7) | (2.9) |
| **Total deferred tax** | (8.9) | (5.6) |
| **Total tax on profit for the year** | 46.6 | 37.3 |

In addition to the above credit for deferred tax included in the Consolidated Income Statement, a deferred tax credit relating to the retirement benefit scheme and cash flow hedges of £2.5m was recognised in the Consolidated Statement of Comprehensive Income (2023: £0.7m credit). A further £1.7m was credited (2023: £0.5m credit) to the Consolidated Statement of Changes in Equity.

### Factors affecting the tax charge for the year

The difference between the total tax charge calculated by applying the effective rate of UK corporation tax of 25.0% to the profit before tax of £176.6m and the amount set out above is as follows:

| | 2024 £m | 2023 £m |
|---|---|---|
| **Profit before tax** | 176.6 | 155.6 |
| Tax on profit at UK effective corporation tax rate of 25.0% (2023: 22.0%) | 44.2 | 34.2 |
| Effects of: | | |
| overseas tax rates | 0.4 | 3.8 |
| adjustments in respect of UK and Overseas corporation tax in prior years | 0.2 | 1.3 |
| other permanent differences | 1.8 | (2.0) |
| **Total tax on profit for the year** | 46.6 | 37.3 |
| Tax effect on adjusting items | 15.3 | 14.7 |
| **Adjusted tax expense** | 61.9 | 52.0 |

The tax adjustment in the consolidated income statement of £15.3m (2023: £14.7m) reflects the tax effect of the acquisition related and other charges, and acquisition related finance charges.

The Group earns its profits in the UK and overseas. The Group prepares its consolidated financial statements for the year to 30 September and the statutory tax rate for UK corporation tax in respect of the year ended 30 September 2024 was 25.0% (2023: 22.0%) and this rate has been used for tax on profit in the above reconciliation.

The Group's effective tax rate on adjusted profit remains consistent with the prior year at 24% (2023: 24%). This is reflective of the geographic mix of profits and the statutory tax rates in the jurisdictions in which we operate. The UK deferred tax assets and liabilities at 30 September 2024 have been calculated by reference to the UK corporation tax rate of 25.0% (2023: 25.0%).

At 30 September 2024, the Group had outstanding tax liabilities of £22.9m (2023: £16.6m). These amounts are expected to be paid within the next financial year.

During 2021, the OECD published a framework for the introduction of a global minimum effective tax rate of 15%, applicable to large multinational groups. The legislation implementing these 'Pillar Two' rules in the UK was substantively enacted on 20 June 2023 and will apply to the Group from the financial year ending 30 September 2025 onwards. We have applied the temporary exception under IAS 12 from the requirement to recognise and disclose deferred taxes arising from the implementation of the Pillar Two rules.

The OECD has issued guidance on safe harbours and penalty relief. This includes a Transitional Country-by-Country Safe Harbour ('TCSH'), which allows multinationals to avoid detailed calculations for a jurisdiction if they meet certain criteria. Based on these rules, the most recently filed country-by-country report and the effective tax rates in most jurisdictions in which the Group operates being above 15% we do not expect the Pillar Two legislation to have a material effect on the financial statements of the Group.

## 7. EARNINGS PER SHARE

**Basic and diluted earnings per share**

Basic earnings per ordinary 5p share is calculated on the basis of the weighted average number of ordinary shares in issue during the year of 134,020,566 (2023: 129,675,581) and the profit for the year attributable to shareholders of £129.3m (2023: £117.7m). Basic earnings per share is 96.5p (2023: 90.8p). Diluted earnings per share is 96.1p (2023: 90.4p) and is based on the average number of ordinary shares (which includes any potentially dilutive shares) of 134,494,807 (2023: 130,260,868).

**Adjusted earnings per share**

Adjusted EPS, which is defined in note 15.3, is 145.8p (2023: 126.5p).

| | 2024 pence per share Basic | 2024 pence per share Diluted | 2023 pence per share Basic | 2023 pence per share Diluted | 2024 £m | 2023 £m |
|---|---|---|---|---|---|---|
| **Profit before tax** | | | | | 176.6 | 155.6 |
| Tax expense | | | | | (46.6) | (37.3) |
| Minority interests | | | | | (0.7) | (0.6) |
| **Earnings for the year attributable to shareholders of the Company** | 96.5 | 96.1 | 90.8 | 90.4 | 129.3 | 117.7 |
| Acquisition related and other charges and acquisition related finance charges, net of tax | 49.3 | 49.2 | 35.7 | 35.5 | 66.1 | 46.3 |
| **Adjusted earnings** | 145.8 | 145.3 | 126.5 | 125.9 | 195.4 | 164.0 |

## 8. RECONCILIATION OF OPERATING PROFIT TO CASH FLOW FROM OPERATING ACTIVITIES

| | 2024 £m | 2023 £m |
|---|---|---|
| **Operating profit** | 207.4 | 183.3 |
| Acquisition related and other charges (note 2) | 77.6 | 53.7 |
| **Adjusted operating profit** | 285.0 | 237.0 |
| Depreciation or amortisation of tangible, other intangible assets and leases – right-of-use assets (note 2) | 32.2 | 28.6 |
| Share-based payments expense | 7.1 | 4.1 |
| Defined benefit pension scheme payment in excess of interest | (0.5) | (0.6) |
| Profit on disposal of assets | (1.9) | (1.1) |
| Acquisition and disposal expenses paid | (30.2) | (6.0) |
| Other non-cash movements | (3.5) | (0.5) |
| **Non-cash items and other** | 3.2 | 24.5 |
| **Operating cash flow before changes in working capital** | 288.2 | 261.5 |
| (Increase)/decrease in inventories | (7.7) | 10.8 |
| Increase in trade and other receivables | (18.5) | (8.8) |
| Increase/(decrease) in trade and other payables | 17.7 | (6.2) |
| **Increase in working capital** | (8.5) | (4.2) |
| **Cash flow from operating activities** | 279.7 | 257.3 |

## 9. NET DEBT

The movement in net debt during the year is as follows:

| | 2024 £m | 2023 £m |
|---|---|---|
| Net (decrease)/increase in cash and cash equivalents | (6.4) | 25.8 |
| Cash reclassified to assets held for sale | 4.7 | - |
| (Increase)/decrease in borrowings | (183.9) | 43.8 |
| | (185.6) | 69.6 |
| Effect of exchange rates and other non-cash movements | 20.7 | 4.6 |
| **(Increase)/decrease in net debt** | (164.9) | 74.2 |
| Net debt at beginning of year | (254.7) | (328.9) |
| Net debt at end of year | (419.6) | (254.7) |
| Comprising: | | |
| Cash and cash equivalents | 55.5 | 62.4 |
| Cash and cash equivalents held in disposal groups | 4.7 | – |
| Bank borrowings: | | |
| – Revolving credit facility | (165.1) | (321.1) |
| – Overdraft facilities | – | (0.3) |
| – Private placement notes | (319.8) | – |
| – Capitalised borrowing fees | 5.1 | 4.3 |
| | (479.8) | (317.1) |
| **Net debt at end of year** | (419.6) | (254.7) |
| Analysed as: | | |
| Repayable within one year | – | (0.3) |
| Repayable after one year | (479.8) | (316.8) |

A summary of the maturities and rates of the private placement notes, with an aggregate principal amount of £319.8m are as follows:

| **Face value** | Rate | Maturity |
|---|---|---|
| 75m EUR | 4.18% | 2031 |
| 100m EUR | 4.27% | 2034 |
| 75m EUR | 4.38% | 2036 |
| 100m USD | 5.39% | 2032 |
| 50m USD | 5.52% | 2035 |

The Group has a multi-currency revolving credit facility agreement (RCF) with an aggregate principal amount of £555.0m. In July 2024, the Group exercised the first of two 12-month extension options for the RCF, which was accepted by banks committing £515.0m of the aggregate total. The RCF is now contractually due to expire across July 2028 (£40.0m) and July 2029 (£515.0m). A 24-month extension option in respect of £40.0m and a second 12-month extension option in respect of £515.0m can be exercised in July 2025.

During the year, the Group issued US private placement notes for an aggregate principal amount of £207.9m (€250.0m) with maturities of 7 years (€75.0m), 10 years (€100.0m) and 12 years (€75.0m) and for an aggregate principal amount of £111.9m ($150.0m) with maturities of 8 years ($100.0m) and 11 years ($50.0m).

Borrowings include capitalised borrowing fees of £5.1m (2023: £4.3m).

The RCF is subject to interest at variable rates while the private placement notes are at fixed rates. At 30 September 2024, fixed rate debt was 66% of total debt.

As at 30 September 2024 the Group's net debt is £419.6m (2023: £254.7m) and excludes lease liabilities of £72.3m (2023: £80.2m). At 30 September 2024, the Group's Net Debt/EBITDA ratio is 1.3x, as illustrated in note 15.5.

## 10. GOODWILL

| | Controls £m | Seals £m | Life Sciences £m | Total £m |
|---|---|---|---|---|
| At 1 October 2022 | 140.9 | 125.2 | 106.2 | 372.3 |
| Acquisitions | 39.5 | 48.1 | 1.3 | 88.9 |
| Disposals | (4.3) | – | – | (4.3) |
| Exchange adjustments | (8.8) | (3.9) | (5.1) | (17.8) |
| At 30 September 2023 | 167.3 | 169.4 | 102.4 | 439.1 |
| Acquisitions | 118.1 | 27.0 | – | 145.1 |
| Transfers to Held for Sale Assets | (0.6) | (11.8) | – | (12.4) |
| Exchange adjustments | (19.5) | (5.5) | (5.7) | (30.7) |
| **At 30 September 2024** | 265.3 | 179.1 | 96.7 | 541.1 |

The Group tests goodwill for impairment at least once a year. For the purposes of impairment testing, goodwill is allocated to each of the Group's three cash-generating units (CGUs), which are the three operating Sectors: Controls, Seals, and Life Sciences. This represents the lowest level within the Group at which goodwill is monitored by management and reflects the Group's strategy of acquiring businesses to drive synergies across a Sector, rather than within an individual business. The impairment test requires a 'value in use' valuation to be prepared for each Sector using discounted cash flow forecasts. The cash flow forecasts are based on a combination of annual budgets prepared by each business and the Group's strategic plan.

The key assumptions used to prepare the cash flow forecasts relate to operating margins, revenue growth rates, the discount rates and climate related risks. The operating margins are assumed to remain sustainable, which is supported by historical experience. Revenue growth rates generally approximate to the average rates for the markets in which the business operates, unless there are particular factors relevant to a business. The cash flow forecasts use the budgeted figures for FY25, and then the three-year strategy cash flows for the next two years. From year four onwards a long-term growth rate of 2% is utilised.

The cash flow forecasts are discounted to determine a current valuation using market derived pre-tax discount rates; Controls 9.7% (2023: 10.1%), Seals 10.1% (2023: 10.2%) and Life Sciences 9.4% (2023: 10.1%). The equivalent post-tax discount rates for FY24 are: Controls 9.6% (2023: 10.0%), Seals 10.0% (2023: 10.1%) and Life Sciences 9.3% (2023: 10.0%).

These rates are based on the characteristics of lower risk, non-technically driven, distribution businesses operating generally in well-developed markets and with robust capital structures.

Based on the criteria set out above, no impairment in the value of goodwill in the CGUs was identified.

The Directors have also carried out sensitivity analyses on the key assumptions noted above to determine whether a 'reasonably possible adverse change' in any of these assumptions, including the net financial impact of climate-related risks and opportunities, would result in an impairment of goodwill. The analysis indicates that a 'reasonably possible adverse change' would not give rise to an impairment charge to goodwill in any of the three CGUs.

## 11. ACQUISITIONS AND DISPOSALS OF BUSINESSES

### Acquisition of Plastic and Rubber Group Holdings Limited

On 30 April 2024, the group completed the acquisition of 98% of the shares in Plastic and Rubber Group Holdings Limited (PAR Group), a supplier of specialist seals and gaskets. The total investment, net of cash acquired, was £36.7m.

The provisional fair value of PAR Group's net assets acquired excluding acquisition intangibles, related deferred tax and cash is £4.9m following net fair value adjustments of £1.1m. The principal fair value adjustments relate to a net increase in inventory of £0.3m, fair value uplift of property, plant and equipment of £1.0m and recognition of previously unrecognised liabilities of £0.2m.

Acquisition expenses of £0.7m have been recognised in respect of this transaction in the financial year.

From the date of acquisition to 30 September 2024, PAR Group contributed £5.3m to revenue and £2.2m to adjusted operating profit. Had it been acquired at the beginning of the financial year, it would have contributed on a pro forma basis £12.7m to revenue and £5.2m to adjusted operating profit. However, these amounts should not be viewed as indicative of the results that would have occurred if PAR Group had been completed at the beginning of the year.

### Acquisition of Peerless Aerospace Fastener LLC

On 01 May 2024, the Group completed the acquisition of 100% of the shares in Peerless Aerospace Fastener LLC (Peerless), a value-add supplier of specialty fasteners to the Aerospace and Defence markets in the US and Europe. The total investment, net of cash acquired, was £243.3m. The provisional fair value of Peerless' net assets acquired excluding acquisition intangibles, related deferred tax and cash is £63.5m following net fair value adjustments of £4.2m. The goodwill represents the technical expertise of the acquired workforce and the opportunity to leverage any revenue synergies through cross-selling within other businesses. The principal fair value adjustments relate to a fair value uplift related to property, plant and equipment of £5.2m, net increase in inventory of £15.2m, increase in provisions held against trade receivables of £1.6m and a recognition of previously unrecognised liabilities of £14.6m. The fair value of acquired trade receivables is £17.7m, of which the gross contractual amount due is £19.7m, with a loss allowance of £2.0m recognised on acquisition.

Acquisition expenses of £3.1m have been recognised in respect of this transaction in the financial year. From the date of acquisition to 30 September 2024, Peerless contributed £54.1m to revenue and £25.0m to adjusted operating profit. Had it been acquired at the beginning of the financial year, it would have contributed on a pro forma basis £129.9m to revenue and £59.9m to adjusted operating profit. However, these amounts should not be viewed as indicative of the results that would have occurred if Peerless had been completed at the beginning of the year.

### Other acquisitions

The Group completed five other acquisitions in the year. This comprised the trade and assets of Cable and Tubing Solutions Limited (CTS) (20 November 2023) and 100% of the share capital of Technisil GMBH (Technisil) (28 February 2024) and 98% of the share capital of Fast Gaskets and Parts Limited (Fast Gaskets) (04 October 2023), Abbey Hose Company Limited (Abbey Hose) (22 December 2023) and PTFEFLEX Ltd (PTFE) (10 May 2024). The combined initial consideration for these acquisitions was £9.7m, net of cash acquired of £1.3m. Deferred consideration with a fair value of £3.6m is payable based largely on the performance of the businesses in the period subsequent to their acquisitions.

Acquisition expenses of £0.3m have been recognised in respect of these transactions completed in the financial year.

The provisional fair value of the total net assets acquired excluding intangibles, related deferred tax and cash is £1.1m.

### Fair Value of net assets acquired

The fair value of net assets acquired during the year, particularly the fair value of inventory, acquired intangible assets and goodwill for PAR Group and Peerless are provisional, subject to reviews up to the end of the measurement period of each acquisition.

The following table summarises the consideration paid for the acquisitions completed in the year and fair value of assets acquired and liabilities assumed.

| | PAR Group | | Peerless Aerospace | | Others | | **Total** | |
|---|---|---|---|---|---|---|---|---|
| | Book value £m | Fair value £m | Book value £m | Fair value £m | Book value £m | Fair value £m | Book value £m | Fair value £m |
| Acquisition intangible assets[1] | – | 12.9 | – | 62.3 | – | 8.5 | – | 83.7 |
| Deferred tax | – | (3.6) | – | – | – | (1.7) | – | (5.3) |
| Property, plant and equipment | 2.1 | 3.1 | 0.9 | 6.1 | 0.1 | 0.1 | 3.1 | 9.3 |
| Inventories | 1.3 | 1.6 | 50.4 | 65.6 | 1.2 | 1.2 | 52.9 | 68.4 |
| Trade and other receivables | 2.1 | 2.1 | 19.5 | 17.9 | 1.4 | 1.4 | 23.0 | 21.4 |
| Trade and other payables | (1.7) | (1.9) | (11.5) | (26.1) | (1.3) | (1.6) | (14.5) | (29.6) |
| **Net assets acquired** | 3.8 | 14.2 | 59.3 | 125.8 | 1.4 | 7.9 | 64.5 | 147.9 |
| Goodwill | – | 22.5 | – | 117.5 | – | 5.4 | – | 145.4 |
| Minority interests | – | – | – | – | – | – | – | – |
| Cash paid | | 41.4 | | 242.2 | | 11.0 | | 294.6 |
| Cash acquired | | (7.6) | | (4.5) | | (1.3) | | (13.4) |
| | | | | | | | | 281.2 |
| Deferred consideration | | 2.9 | | 5.6 | | 3.6 | | 12.1 |
| **Total investment** | | 36.7 | | 243.3[2] | | 13.3 | | 293.3 |

1 On the acquisitions completed in the current year, acquired intangibles relate entirely to customer relationships and order backlog (£83.7m).
2 The total investment in Peerless amounts to £243.3m (being cash paid (net of cash acquired) of £237.7m and deferred consideration of £5.6m). Of the initial cash paid, the vendor directed £10.5m to settle transaction fees and personnel expenses relating to the acquisition.

| | £m |
|---|---|
| Total Investment | 243.3 |
| Acquisition and personnel expenses | (10.5) |
| Net Consideration | 232.8 |

### Acquisitions revenue and adjusted operating profit

From the date of acquisition to 30 September 2024, each acquired business[1] contributed the following to Group revenue and adjusted operating profit:

| | Acquisition date | Revenue £m | Adjustments[2] £m | Pro forma revenue £m | Adjusted operating Profit £m | Adjustments[2] £m | Pro forma adjusted operating Profit £m |
|---|---|---|---|---|---|---|---|
| Fast Gaskets | 04-Oct-23 | 0.8 | – | 0.8 | 0.2 | – | 0.2 |
| CTS | 20-Nov-23 | 3.0 | 0.6 | 3.6 | 0.9 | 0.2 | 1.1 |
| Abbey Hose | 22-Dec-23 | 3.6 | 1.2 | 4.8 | 0.9 | 0.3 | 1.2 |
| PAR Group | 30-Apr-24 | 5.3 | 7.4 | 12.7 | 2.2 | 3.0 | 5.2 |
| Peerless | 01-May-24 | 54.1 | 75.8 | 129.9 | 25.0 | 34.9 | 59.9 |
| PTFE | 10-May-24 | 0.8 | 1.1 | 1.9 | 0.3 | 0.5 | 0.8 |
| | | 67.6 | 86.1 | 153.7 | 29.5 | 38.9 | 68.4 |

1 Technisil has been excluded from the above table as it had immaterial revenue and adjusted operating profit in the year.
2 Pro forma revenue and adjusted operating profit has been extrapolated (as prescribed under UK-adopted International Accounting Standards) from the actual results reported since acquisition to indicate what these businesses would have contributed if they had been acquired at the beginning of the financial year on 1 October 2023. These amounts should not be viewed as confirmation of the results of these businesses that would have occurred if these acquisitions had been completed at the beginning of the year.

## 12. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

As at 30 September 2024, the Group classified the assets and liabilities of Kubo Tech AG and its subsidiary Kubo Tech GmbH (Kubo), Pneumatic Services Limited and its subsidiary Pennine Pneumatic Services Limited (Pennine) and Gremtek SAS (Gremtek) as held for sale.

On 31 October 2024, the Group disposed of its entire interest in Kubo to a third party for a total consideration of ca. CHF31.3m (ca. £28.1m), Pennine to a third party for a total consideration of ca. £12.0m, and Gremtek to a third party for a total consideration of ca. €5.5m (ca. £4.6m), respectively. All disposals were on a cash-free and debt-free basis.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

| | 2024 £m |
|---|---|
| **Assets held for sale** | |
| Goodwill | 12.4 |
| Acquisition intangible assets | 3.7 |
| Other intangible assets | 0.7 |
| Property, plant and equipment | 3.0 |
| Leases – right-of-use assets | 6.0 |
| Inventories | 7.0 |
| Trade and other receivables | 8.9 |
| Cash and cash equivalents | 4.7 |
| **Total assets held for sale** | 46.4 |
| **Liabilities held for sale** | |
| Trade and other payables | (10.1) |
| Current tax liabilities | (1.0) |
| Lease liabilities | (8.7) |
| Retirement benefit obligations | (1.0) |
| Deferred tax liabilities | (1.2) |
| **Total liabilities held for sale** | (22.0) |
| **Total net assets held for sale** | 24.4 |

No gain or loss was recognised in the Consolidated Income Statement on classification of the above assets and liabilities held for sale.

The Group expects to reclassify a cumulative foreign exchange difference from Other Comprehensive Income to the Consolidated Income Statement upon the disposal of the assets and liabilities classified as held for sale.

## 13. DIVIDENDS

| | 2024 pence per share | 2023 pence per share | 2024 £m | 2023 £m |
|---|---|---|---|---|
| Interim dividend, paid in June | 17.3 | 16.5 | 23.2 | 22.1 |
| Final dividend of the prior year, paid in February | 40.0 | 38.8 | 53.6 | 48.4 |
| | 57.3 | 55.3 | 76.8 | 70.5 |

The Directors have proposed a final dividend in respect of the current year of 42.0p per share (2023: 40.0p), which will be paid on 31 January 2025 subject to approval by shareholders at the Annual General Meeting (AGM) on 15 January 2025. The total dividend for the current year, subject to approval of the final dividend, will be 59.3p per share (2023: 56.5p).

The Diploma PLC Employee Benefit Trust holds 60,708 (2023: 67,431) shares, which are ineligible for dividends.

## 14. EXCHANGE RATES

The exchange rates used to translate the results of the overseas businesses are as follows:

| | Average | | Closing | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| US dollar (US$) | 1.27 | 1.23 | 1.34 | 1.22 |
| Canadian dollar (C$) | 1.73 | 1.66 | 1.81 | 1.65 |
| Euro (€) | 1.17 | 1.15 | 1.20 | 1.15 |
| Swiss franc (CHF) | 1.12 | 1.13 | 1.13 | 1.12 |
| Australian dollar (AUD) | 1.92 | 1.85 | 1.93 | 1.89 |

## 15. ALTERNATIVE PERFORMANCE MEASURES

The Group reports under UK-adopted International Accounting Standards (UK-adopted IAS) and references alternative performance measures where the Board believes that they help to effectively monitor the performance of the Group and support readers of the Financial Statements in drawing comparisons with past performance. Certain alternative performance measures are also relevant in calculating a meaningful element of Executive Directors' variable remuneration and our debt covenants. Alternative performance measures are not considered to be a substitute for, or superior to, UK-adopted IAS measures.

### 15.1 Revenue growth

As a multi-national group of businesses which trades in a large number of currencies, and acquires and sometimes disposes of companies, organic growth is a key performance measure and is referred to throughout our reporting. The Board believes that this allows users of the financial statements to gain a better understanding of the Group's performance.

A reconciliation of the movement in reported revenue compared to the prior year and the calculation of organic growth is shown below:

| | £m | % |
|---|---|---|
| **September 2023 Reported revenue (basis for Acquisitions and Disposals / Exchange Rates impacts)** | 1,200.3 | |
| Acquisitions and Disposals[1] | 115.8 | 10 |
| Basis for organic growth impact | 1,316.1 | |
| Organic growth[2] | 81.7 | 6 |
| Exchange rates[3] | (34.4) | (3) |
| **September 2024 Reported revenue** | **1,363.4** | |

1 The impact of acquisitions is the revenue of the acquiree prior to the acquisition by Diploma for the comparable year at prior year exchange rates. The impact of disposals is the removal of the revenue of the disposed entity in the comparable post disposal period at prior year exchange rates.
2 Organic growth measures the change in revenue compared to the prior year, at prior year exchange rates. For acquisitions, this includes incremental revenues generated under Diploma's ownership compared to the revenue in the same period prior to acquisition, at prior year exchange rates.
3 Exchange rates movements are assessed by retranslating current year reported values at prior year exchange rates.

### 15.2 Adjusted operating profit and adjusted operating margin

Adjusted operating profit is the operating profit before adjusting items that would otherwise distort operating profit, being amortisation of acquisition intangible assets or goodwill, acquisition expenses, post-acquisition related remuneration costs and adjustments to deferred consideration, the costs of a significant restructuring or rationalisation and the profit or loss relating to the sale of businesses. These are treated as adjusting items (referred to as acquisition related and other charges) as they are considered to be significant in nature and/or quantum and where treatment as an adjusting item provides all our stakeholders with additional useful information to assess the year-on-year trading performance of the Group on a like-for-like basis. Adjusted operating margin is the Group's adjusted operating profit divided by the Group's reported revenue.

A reconciliation between operating profit as reported under UK-adopted IAS and adjusted operating profit is given below:

| | Note | 2024 £m | 2023 £m |
|---|---|---|---|
| **Revenue** | | 1,363.4 | 1,200.3 |
| Operating profit as reported under UK-adopted IAS | | 207.4 | 183.3 |
| Add: Acquisition related and other charges | | 77.6 | 53.7 |
| **Adjusted operating profit** | 2,3 | 285.0 | 237.0 |
| **Adjusted operating margin** | | 20.9% | 19.7% |

### 15.3 Adjusted earnings per share

Adjusted earnings per share (adjusted EPS) is calculated as the total of adjusted profit before tax, less income tax costs, but including the tax impact on the items included in the calculation of adjusted profit, less profit/(loss) attributable to minority interests, divided by the weighted average number of ordinary shares in issue during the year of 134,020,566 (2023: 129,675,581), as set out in note 7. The Directors believe that adjusted EPS provides an important measure of the earnings capacity of the Group.

### 15.4 Free cash flow and free cash flow conversion

Free cash flow is defined as net cash flow from operating activities, less net capital expenditure on tangible and intangible assets, and including proceeds received from property, plant and equipment disposals, but before expenditure on business combinations/investments (including any pre-acquisition debt like items such as pensions or tax settled post-acquisition) and proceeds from business disposals, borrowings received to fund acquisitions, net proceeds from issues of share capital and dividends paid to both minority shareholders and the Company's shareholders. 'Free cash flow conversion' reflects free cash flow as a percentage of adjusted earnings. The Directors believe that free cash flow gives an important measure of the cash flow of the Group, available for future investment or distribution to shareholders.

| | Note | 2024 £m | 2023 £m |
|---|---|---|---|
| Net (decrease)/increase in cash and cash equivalents | | (6.4) | 25.8 |
| Add: Dividends paid to shareholders and minority interests | | 77.2 | 70.8 |
| Acquisition/disposal of businesses (including net expenses) | | 300.7 | 243.0 |
| Acquisition related deferred payments/receipts, net | | 10.3 | 12.3 |
| Proceeds from issue of share capital (net of fees) | | – | (231.9) |
| Net (proceeds from)/repayments of borrowings (including borrowing fees) | | (183.9) | 43.8 |
| **Free cash flow** | | 197.9 | 163.8 |
| **Adjusted earnings**[1] | 7 | 195.4 | 164.0 |
| **Free cash flow conversion** | | 101% | 100% |

1 Adjusted earnings is shown on the face of the Consolidated Income Statement as profit for the year attributable to shareholders of the Company.

### 15.5 Leverage

Leverage is net debt, defined as cash and cash equivalents and borrowings translated at average exchange rates for the reporting period, divided by EBITDA as defined in the Group's external facilities covenants, which is the Group's adjusted operating profit adjusting for depreciation and amortisation of tangible and other intangible assets, the share of adjusted operating profit attributable to minority interests and the annualisation of EBITDA for acquisitions and disposals made during the financial year, excluding the impact of IFRS 16 (Leases). The Directors consider this metric to be an important measure of the Group's financial position, as well as a key covenant metric.

| | Note | 2024 £m | 2023 £m |
|---|---|---|---|
| Cash and cash equivalents | 9 | 55.5 | 62.4 |
| Cash and cash equivalents held in disposal groups | 12 | 4.7 | – |
| Borrowings | 9 | (479.8) | (317.1) |
| Retranslation at average exchange rates | | (3.5) | 1.2 |
| **Net debt at average exchange rates** | | (423.1) | (253.5) |
| Adjusted operating profit | 15.2 | 285.0 | 237.0 |
| Depreciation and amortisation of tangible and other intangible assets | 2 | 15.9 | 13.8 |
| IFRS 16 impact | | (3.6) | (1.7) |
| Minority interest share of adjusted operating profit | | (0.9) | (0.8) |
| Pro forma adjustments[1] | | 39.1 | 21.0 |
| **EBITDA** | | 335.5 | 269.3 |
| **Leverage** | | 1.3x | 0.9x |

1 Annualisation of adjusted EBITDA, including that of acquisitions and disposals in the year.

### 15.6 Trading capital employed and ROATCE

Trading capital employed is defined as net assets less cash and cash equivalents and retirement benefit assets, after adding back borrowings (other than lease liabilities), deferred tax, retirement benefit obligations and net acquisition liabilities in respect of future purchases of minority interests, deferred consideration payable on acquisitions, and acquisition receivables in respect of previously completed disposals. Adjusted trading capital employed is reported as being trading capital employed plus goodwill and acquisition related charges previously charged to the income statement (net of deferred tax on acquisition intangible assets) and retranslated at the average exchange rates for the reporting period. Return on adjusted trading capital employed (ROATCE) is defined as the pro forma adjusted operating profit, divided by adjusted trading capital employed, where pro forma adjusted operating profit is the annualised adjusted operating profit including that of acquisitions and disposals in the period. The Directors believe that ROATCE is an important measure of the profitability of the Group.

| | Note | 2024 £m | 2023 £m |
|---|---|---|---|
| **Net assets as reported under UK-adopted IAS** | | 894.7 | 902.0 |
| Add/(deduct): | | | |
| – Deferred tax liabilities, net | | 48.6 | 58.4 |
| – Retirement benefit assets, net | | (1.5) | (6.5) |
| – Acquisition related liabilities/assets, net | | 23.6 | 19.6 |
| – Net debt | 9 | 419.6 | 254.7 |
| **Trading capital employed** | | 1,385.0 | 1,228.2 |
| – Historic goodwill and acquisition related charges, net of deferred tax and currency movements | | 308.0 | 189.4 |
| **Adjusted trading capital employed** | | 1,693.0 | 1,417.6 |
| Adjusted operating profit | 15.2 | 285.0 | 237.0 |
| Pro forma adjustments | 11 | 38.9 | 19.4 |
| **Pro forma adjusted operating profit** | | 323.9 | 256.4 |
| **ROATCE** | | 19.1% | 18.1% |

END