

discoverIE Group

Organic revenue and order growth resumes

After a long period of destocking by customers, discoverIE has reported a return to organic revenue growth, with Q226 organic revenue up 1% y-o-y and H126 up 0.5% y-o-y after previously reporting flat organic revenue in Q126. Organic order growth was strong in Q226, up 8% y-o-y, providing a book-to-bill above one and a strong order book for delivery in H226. With trading in line with board expectations, we maintain our earnings forecasts.

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
3/24	437.0	48.2	36.78	12.00	15.8	2.1
3/25	422.9	50.1	38.68	12.50	15.0	2.2
3/26e	447.3	52.6	39.44	13.00	14.7	2.2
3/27e	461.4	55.0	41.03	13.55	14.2	2.3

Note: PBT and diluted EPS as per discoverIE's adjusted metrics (excludes amortisation of acquired intangibles and exceptional items).

Organic growth turns positive in Q226

The improving revenue trend continued in Q226, with discoverIE reporting organic revenue growth of 1% y-o-y, and in H126 0.5% y-o-y after previously reporting flat organic revenue in Q126 and declines in every quarter of FY25 (Q125 -12%, Q225 -7%, Q325 -3%, Q425 -4%). H126 group revenue grew 2% y-o-y (3% at constant exchange rates (CER) including 2.5% from acquisitions) and the company traded in line with the board's expectations for adjusted earnings. As in Q126, three of the four operating units (Sensing, Connectivity and Magnetics) generated organic revenue growth whereas the Controls unit continued to see subdued demand from certain large customers. Gross margins have remained robust and working capital tightly managed. Gearing at the end of H126 is expected to be 1.3x, below the target range of 1.5–2.0x, providing c £80m in funding capacity to support the company's growing acquisition pipeline.

Positive outlook; reflecting mix in forecasts

Group orders were 5% higher CER, with 0.5% organic growth and orders in line with revenue. In Q226, orders grew 13% CER, with 8% organic growth. This compares to a 4% CER decline in Q126, affected by a large order received in Q125. Reflecting the lower proportion of higher margin Controls business in the mix, we have trimmed our adjusted operating profit forecasts for FY26 and FY27. This is offset by lower net interest costs due to better cash generation, resulting in unchanged earnings forecasts for both years.

Valuation: Discount has widened

The stock is trading on P/E multiples of 14.7x in FY26e and 14.2x in FY27e. This continues to be at a discount to the wider UK industrial technology peer group (47% in FY26e and 33% in FY27e) and at a larger discount to peers with a similar decentralised operating model (discount to the average of Diploma and Halma of 54% in FY26e and 53% in FY27e). With the resumption of organic revenue and order growth, the company is well positioned to benefit as market conditions improve and in particular as demand returns in the Controls business.

H126 trading update

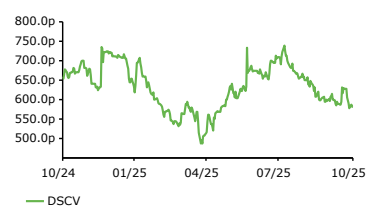
Electrical components

15 October 2025

Price 581.00p
Market cap £555m

Net cash/(debt) at end FY25 £(94.3)m
Shares in issue 95.5m
Free float 96.0%
Code DSCV
Primary exchange LSE
Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	(3.3)	(18.1)	(1.4)
52-week high/low		754.0p	466.4p

Business description

discoverIE is a leading international designer and manufacturer of customised electronics to industry, supplying customer-specific electronic products and solutions to OEMs.

Next events

H126 results 2 December

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Changes to forecasts

Exhibit 1: Changes to forecasts

£m	FY26e old	FY26e new	Change	y-o-y	FY27e old	FY27e new	Change	y-o-y
Revenues	447.3	447.3	0.0%	5.8%	461.4	461.4	0.0%	3.1%
EBITDA	78.6	77.6	-1.3%	3.9%	80.6	79.6	-1.2%	2.6%
EBITDA margin	17.6%	17.4%	-0.2pp	-0.3pp	17.5%	17.3%	-0.2pp	-0.1pp
Adjusted operating profit	63.6	62.6	-1.6%	3.5%	65.5	64.5	-1.5%	3.0%
Adjusted operating margin	14.2%	14.0%	-0.2pp	-0.3pp	14.2%	14.0%	-0.2pp	0.0pp
Normalised operating profit	66.0	65.0	-1.5%	4.0%	67.9	66.9	-1.4%	2.9%
Normalised operating margin	14.8%	14.5%	-0.2pp	-0.2pp	14.7%	14.5%	-0.2pp	0.0pp
Adjusted PBT	52.6	52.6	0.0%	4.9%	54.9	55.0	0.0%	4.6%
Normalised PBT	55.0	55.0	0.0%	5.5%	57.3	57.4	0.0%	4.4%
Normalised net income	40.8	40.8	0.0%	1.8%	42.6	42.6	0.0%	4.4%
Normalised diluted EPS (p)	41.2	41.2	0.0%	1.3%	42.8	42.8	0.0%	3.8%
Adjusted diluted EPS (p)	39.4	39.4	0.0%	1.9%	41.0	41.0	0.0%	4.0%
Reported basic EPS (p)	24.9	24.9	0.0%	-2.9%	26.6	26.7	0.1%	7.2%
Dividend per share (p)	13.0	13.0	0.0%	4.0%	13.6	13.6	0.0%	4.2%
Net (debt)/cash	(88.6)	(88.6)	0.0%	-6.0%	(70.5)	(70.5)	0.0%	-20.4%
Net debt/EBITDA (x)	1.2	1.3			1.0	1.0		

Source: Edison Investment Research

Exhibit 2: Financial summary

	£m	2021	2022	2023	2024	2025	2026e	2027e
Year end 31 March		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS								
Revenue		302.8	379.2	448.9	437.0	422.9	447.3	461.4
EBITDA		44.0	56.1	65.4	71.1	74.7	77.6	79.6
Normalised operating Profit (before am, SBP and except.)		31.9	44.8	54.3	59.5	62.5	65.0	66.9
Adjusted operating Profit (before am. and except.)		30.8	41.4	51.8	57.2	60.5	62.6	64.5
Amortisation of acquired intangibles		(11.1)	(14.0)	(15.8)	(16.2)	(16.2)	(16.8)	(16.8)
Exceptionals		(2.6)	(6.5)	(1.4)	(9.8)	(1.9)	(3.4)	(3.4)
Share-based payments		(1.1)	(3.4)	(2.5)	(2.3)	(2.0)	(2.4)	(2.4)
Operating Profit		17.1	20.9	34.6	31.2	42.4	42.4	44.3
Net Interest		(3.6)	(3.8)	(5.5)	(9.0)	(10.4)	(10.0)	(9.5)
Profit Before Tax (norm)		28.3	41.0	48.8	50.5	52.1	55.0	57.4
Profit Before Tax (FRS 3)		13.5	17.1	29.1	22.2	32.0	32.4	34.8
Tax		(4.0)	(7.4)	(7.8)	(6.7)	(7.4)	(8.4)	(9.0)
Profit After Tax (norm)		21.6	30.8	36.1	37.9	40.1	40.8	42.6
Profit After Tax (FRS 3)		9.5	9.7	21.3	15.5	24.6	24.0	25.8
Discontinued operations		2.5	15.5	0.0	0.0	0.0	0.0	0.0
Net income (norm)		21.6	30.8	36.1	37.9	40.1	40.8	42.6
Net income (FRS 3)		12.0	25.2	21.3	15.5	24.6	24.0	25.8
Average number of shares outstanding (m)		88.8	93.0	95.4	95.8	96.0	96.3	96.8
EPS - normalised & diluted (p)		23.4	32.1	36.7	38.5	40.7	41.2	42.8
EPS - adjusted, diluted (p)		22.4	29.4	35.2	36.8	38.7	39.4	41.0
EPS - IFRS basic (p)		13.5	27.1	22.3	16.2	25.6	24.9	26.7
EPS - IFRS diluted (p)		13.0	26.3	21.7	15.8	25.0	24.2	26.0
Dividend per share (p)		10.15	10.80	11.45	12.00	12.50	13.00	13.55
EBITDA Margin (%)		14.5	14.8	14.6	16.3	17.7	17.4	17.3
Normalised operating margin (before amortisation, SBP and except.) (%)		10.5	11.8	12.1	13.6	14.8	14.5	14.5
discoverIE adjusted operating margin (%)		10.2	10.9	11.5	13.1	14.3	14.0	14.0
BALANCE SHEET								
Fixed Assets		244.6	326.5	335.9	381.0	396.9	385.3	374.1
Intangible Assets		190.8	263.3	272.0	329.5	336.4	321.7	307.0
Tangible Assets		45.9	45.4	44.4	41.1	50.4	53.5	57.0
Deferred tax assets		7.9	17.8	19.5	10.4	10.1	10.1	10.1
Current Assets		183.6	266.2	249.8	287.7	298.1	318.0	336.6
Stocks		67.7	77.8	90.0	80.1	82.9	90.7	93.5
Debtors		84.9	78.0	74.6	88.8	74.4	85.8	88.5
Cash		29.2	108.8	83.9	110.8	139.3	140.0	153.1
Current Liabilities		(107.8)	(190.3)	(151.2)	(185.4)	(195.5)	(200.5)	(203.3)
Creditors		(102.2)	(114.2)	(107.3)	(101.0)	(94.3)	(99.3)	(102.1)
Lease liabilities		(4.8)	(4.7)	(4.0)	(5.7)	(6.2)	(6.2)	(6.2)
Short-term borrowings		(0.8)	(71.4)	(39.9)	(78.7)	(95.0)	(95.0)	(95.0)
Long-term Liabilities		(112.0)	(112.0)	(130.9)	(181.7)	(191.5)	(180.7)	(169.9)
Long-term borrowings		(75.6)	(67.6)	(86.7)	(136.1)	(138.6)	(133.6)	(128.6)
Lease liabilities		(16.7)	(16.4)	(14.8)	(14.4)	(21.2)	(21.2)	(21.2)
Other long-term liabilities		(19.7)	(28.0)	(29.4)	(31.2)	(31.7)	(25.9)	(20.1)
Net Assets		208.4	290.4	303.6	301.6	308.0	322.1	337.4
CASH FLOW								
Operating Cash Flow		56.8	42.5	52.1	66.0	70.5	59.5	73.0
Net Interest		(3.1)	(3.3)	(4.8)	(7.7)	(10.0)	(9.5)	(9.0)
Tax		(7.2)	(7.1)	(9.0)	(12.5)	(10.6)	(14.2)	(14.8)
Capex		(3.9)	(6.2)	(5.6)	(4.9)	(6.1)	(8.5)	(9.0)
Acquisitions/disposals		(20.5)	(46.8)	(25.1)	(82.8)	(16.7)	(2.0)	(2.0)
Financing		(6.6)	47.2	(7.5)	(9.3)	(7.5)	(7.3)	(7.3)
Dividends		(2.8)	(9.4)	(10.5)	(11.2)	(11.7)	(12.3)	(12.8)
Net Cash Flow		12.7	16.9	(10.4)	(62.4)	7.9	5.7	18.1
Opening net cash/(debt)		(61.3)	(47.2)	(30.2)	(42.7)	(104.0)	(94.3)	(88.6)
HP finance leases initiated		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other		1.4	0.1	(2.1)	1.1	1.8	0.0	0.0
Closing net cash/(debt)		(47.2)	(30.2)	(42.7)	(104.0)	(94.3)	(88.6)	(70.5)

Source: discoverIE, Edison Investment Research

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