discoverIE Group

Positive momentum for FY27

FY26 results

Electrical components

11 June 2026

discoverIE's FY26 results confirmed a return to organic revenue growth, and the company reported financial performance in line with expectations. Investments in engineering, sales and manufacturing capacity slightly weighed on the operating margin but should support the company to meet the accelerating demand across its target markets. Recent acquisitions are margin accretive, helping the company towards its medium-term 17% operating margin target and strengthening its position in the defence market. We maintain our FY27 forecasts and introduce FY28 forecasts, conservatively factoring in 4% EPS growth. Our forecasts do not yet include the 3Gmetalworx acquisition.

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
3/25	422.9	50.1	38.68	12.50	17.7	1.8
3/26	443.3	51.9	40.30	13.00	17.0	1.9
3/27e	471.1	55.9	41.93	13.55	16.3	2.0
3/28e	482.0	58.5	43.66	14.20	15.7	2.1

Note: PBT and EPS as per discoverIE's adjusted metric (excludes amortisation of acquired intangibles and acquisition-related costs).

FY26 organic revenue +2%, organic orders +5%

discoverIE reported revenue growth of 5% (2% organic) and order intake growth of 9% (5% organic), with organic order growth accelerating to 14% y-o-y and organic revenue growth to 5% y-o-y in Q426. The Controls unit within Magnetics & Controls has returned to order growth after a period of destocking. Adjusted operating profit was 1% higher after additional growth investment, with the margin down 0.5pp to 13.8%. Adjusted diluted EPS and the full year dividend were 4% higher. Gearing at year-end was 1.2x; on a pro forma basis including Trival (completed April 2026) and 3G (yet to complete), gearing would have been 2.2x, reducing to 1.8x by end FY27.

FY27 has started well

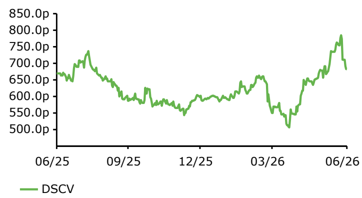
The order book at the end of FY26 was 2% higher y-o-y and 5% higher h-o-h. In Q127 to date, sales and orders continue to grow, with orders ahead of sales. Management sees the outlook for the year ahead as positive with full year adjusted earnings in line with board expectations. We have maintained our FY27 forecasts and introduce forecasts for FY28. We have not yet incorporated the 3Gmetalworx acquisition into our forecasts pending regulatory approvals.

Valuation: unwarranted discount

On a P/E basis, discoverIE continues to trade at a discount to the peer average (36% FY27, 26% FY28). Now that organic revenue growth has resumed, and recently announced/completed acquisitions are expected to boost margins, we believe this discount is overdone. The company's active M&A pipeline and disciplined approach to valuation provide scope for further acquisitions to boost growth and earnings.

Price	**685.00p**
Market cap	**£677m**
Net cash/(debt) at end FY26	£(80.5)m
Shares in issue	97.4m
Free float	96.0%
Code	DSCV
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	1.9	25.0	3.2
52-week high/low		800.0p	508.0p

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

Q127 trading update	24 July

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Edison profile page

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Review of FY26 results

We revised our forecasts in April to reflect the year-end trading update so FY26 results are broadly in line. Revenue growth of 5% was made up of 2% organic growth and a 3% contribution from acquisitions (Burster, Hivolt and Storm). The company noted that while gross margins improved by business by on average 0.2pp, the revenue mix offset this by 0.3pp. Adjusted operating profit was in line with our forecast while the adjusted operating margin declined 0.5pp y-o-y as the company decided to increase investment in the business to support future growth. Of the opex increase of £4.4m, around half was incremental investment in areas such as engineering and sales resources in Europe and North America, and capacity expansion in Asia. Net finance costs reduced by 12.5% to £9.1m, reflecting lower interest rates and lower use of the debt facility over the year. On a reported basis, the tax rate was 19.7% and on an adjusted basis, 23.5%. This resulted in adjusted diluted EPS growth of 4% y-o-y to 40.3p.

Net debt at year-end reduced 15% y-o-y to £80.5m, with gearing of 1.2x at year-end. The board recommended a final dividend of 8.95p (+4% y-o-y) making a full year dividend of 13.0p (+4% y-o-y).

Exhibit 1: FY26 results highlights

£m	FY25a	FY26e	FY26a	Diff	y-o-y
Revenues	422.9	442.1	443.3	0.3%	4.8%
EBITDA	74.7	75.6	75.2	-0.5%	0.7%
EBITDA margin	17.7%	17.1%	17.0%	-0.1pp	-0.7pp
Adjusted operating profit	60.5	60.9	61.0	0.2%	0.8%
Adjusted operating margin	14.3%	13.8%	13.8%	0.0pp	-0.5pp
Normalised operating profit	62.5	62.5	62.4	-0.1%	-0.2%
Normalised operating margin	14.8%	14.1%	14.1%	-0.1pp	-0.7pp
Adjusted PBT	50.1	51.6	51.9	0.6%	3.6%
Normalised PBT	52.1	53.2	53.3	0.2%	2.3%
Normalised net income	40.1	40.4	40.8	0.9%	1.8%
Normalised diluted EPS (p)	40.7	41.0	41.4	0.9%	1.7%
Adjusted diluted EPS (p)	38.7	39.8	40.3	1.3%	4.2%
Reported basic EPS (p)	25.6	27.6	30.2	9.3%	17.8%
Dividend per share (p)	12.5	13.0	13.0	0.4%	4.0%
Net (debt)/cash	(94.3)	(84.6)	(80.5)	-4.8%	-14.6%
Net debt/EBITDA (x)	1.3	1.2	1.2		

Source: discoverIE, Edison Investment Research

Exhibit 2 summarises performance on a divisional basis.

Exhibit 2: Divisional performance

£m	FY26	FY25	FY25 CER	Reported y-o-y	CER y-o-y	Organic y-o-y
Revenues	443.3	422.9	423.3	5%	5%	2%
Magnetics & controls	267.0	260.8	260.8	2%	2%	2%
Sensing & connectivity	176.3	162.1	162.5	9%	8%	2%
Adjusted operating profit						
Magnetics & controls	41.7	43.0	42.7	-3%	-2%	
Sensing & connectivity	31.4	29.3	29.4	7%	7%	
Unallocated	(12.1)	(11.8)	(11.8)	3%	3%	
Total adjusted operating profit	61.0	60.5	60.3	1%	1%	
Total adjusted operating margin	13.8%	14.3%	14.2%	-0.5pp	-0.5pp	
Magnetics & controls	15.6%	16.5%	16.4%	-0.9pp	-0.8pp	
Sensing & connectivity	17.8%	18.1%	18.1%	-0.3pp	-0.3pp	

Source: discoverIE

Magnetics & Controls

Divisional revenue was up 2% on a reported, constant exchange rate (CER) and organic basis. The Magnetics unit saw strong growth, which was partially offset by ongoing destocking by customers of the Controls unit. Management believes that this destocking process is complete, with order intake up double-digits y-o-y for both units in H226 and revenue for Controls up y-o-y in Q426. Order intake for the whole division in FY26 was up 12% CER and 11% organically to

£274.8m. Book-to-bill was 1.03x for the year (H1: 1.04x, H2: 1.02x). Growth was led by the renewables sector and Europe. US revenue declined due to the destocking issue.

The adjusted operating margin declined 0.9pp to 15.6%, mainly due to the higher proportion of lower margin Magnetics sales but also because roughly two-thirds of additional opex investment was in this division.

Sensing & Connectivity

Divisional revenue was up 9% on a reported basis, 8% CER and 2% organically. Growth was led by the medical and security sectors and by North America. Order intake declined 4% y-o-y organically to £173m against a strong prior year comparative, although H2 orders were up (H1: -10%, H2: +2%). Book-to-bill was 0.98x for the year (H1: 0.92x, H2: 1.04x).

The adjusted operating margin declined 0.3pp to 17.8%, due to the additional opex investment.

Strategic update

The group reiterated its strategy, which has the following overarching aims:

- **Operate in structural growth markets:** grow well ahead of GDP over the economic cycle by focusing on specialist technologies in high quality markets with long-term growth. By targeting five growth markets, create consistent, compounding growth with low customer concentration and less cyclical variability.
- **Acquire highly differentiated businesses:** acquire businesses operating in electronic market niches with strongly differentiated products, attractive growth prospects and strong operating margins, either as new platforms or as bolt-ons to existing clusters.
- **Operating margin enhancement:** generate operational efficiencies and improve operating margins through clustering of businesses and increasing product differentiation.
- **Strong cash generation driving disciplined capital allocation**: generate strong cash flows and long-term sustainable returns from a capital-light business model, re-investing free cash flow after dividends into organic growth opportunities and further acquisitions.
- **Minimising environmental impact:** reduce carbon emissions to achieve net zero (Scope 1 & 2) by 2030.

The key strategic indicators in Exhibit 3 are designed to track progress against these aims.

Exhibit 3: Key strategic indicators

Key strategic indicator	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	Target
Increase adjusted operating margin	6.3%	7.0%	8.0%	10.2%	10.9%	11.5%	13.1%	14.3%	13.8%	17% (FY30)
Sales growth: CER	11%	14%	8%	-1%	28%	15%	1%	-2%	5%	Well ahead of GDP through cycle
Sales growth: continuing organic	11%	10%	5%	-4%	18%	10%	-1%	-7%	2%	
Adjusted EPS growth	16%	22%	11%	-8%	31%	20%	5%	5%	4%	>10%
ROCE*	13.7%	15.4%	16.0%	14.5%	14.7%	15.9%	15.7%	15.8%	15.2%	>15%
Operating cash flow generation	85%	93%	106%	128%	80%	94%	103%	103%	91%	>85% of adjusted operating profit
Free cash flow generation	78%	94%	104%	136%	77%	95%	102%	106%	92%	>85% of adjusted profit after tax
Reduce carbon emissions – scope 1 & 2 from CY21						35%	47%	59%	68%	Net zero by FY30

Source: discoverIE

After two years of organic revenue declines, the group returned to organic growth of 2%. Over the 10 prior years to FY25, the group generated an organic revenue CAGR of 5.5%, meeting its target of exceeding GDP through the cycle. Organic growth in Q426 was 5%, pointing to an acceleration in FY27. As discussed above, the adjusted operating margin declined 0.5pp y-o-y to 13.8%, but management remains confident of hitting its 17% target by FY30, with roughly two-thirds of the increase expected from acquisitions. Adjusted EPS grew 4% y-o-y, below the target rate, but we note that the company achieved an EPS CAGR of 14% in the 10 years to FY25. Return on capital employed (ROCE) was slightly down y-o-y due to growth investments, both organic and inorganic, but was above the target rate. Cash flow generation remains strong, with both operating cash flow conversion and free cash flow conversion exceeding the company's targets. The company achieved its target to reduce scope 1 and 2 emissions by 65% by the end of CY25 and is now working towards its target of reaching net zero by FY30.

Recent acquisitions enhance margins

Over the last six months, the company has announced three acquisitions and completed two, paying an average EBIT multiple of 9x.

- **Keymat**, now referred to by its trading name Storm, was acquired in December 2025 for £5.5m in cash upfront. Storm makes assistive interface electronics and has joined Cursor Controls in the Magnetics & Controls division.
- The acquisition of **Trival**, an antenna and antenna mast manufacturer focused on land-based defence markets, was announced in December 2025 and completed in April after receiving the relevant regulatory approvals. The business has operating margins well ahead of discoverIE's 17% target. It has been factored into our forecasts from the start of the current year. The company paid £39.9m in cash upfront with up to £6.25m deferred and contingent consideration payable. Trival joined the Connectivity unit within the Sensing & Connectivity division alongside 2J and Antenova.
- On 19 May, the company announced the acquisition of 90% of **3Gmetalworx (3G)**, a North American specialist in electromagnetic shielding. The deal will cost £50m in cash upfront and requires regulatory approval, which is expected in the next few months. The company has not disclosed its precise operating margin but noted that it is well in excess of discoverIE's medium-term 17% target. 3G will join the Connectivity unit within the Sensing & Connectivity division and will retain its brand identity. It will work alongside MTC, discoverIE's existing electromagnetic shielding business.

Management estimates that annualising the contribution from Trival and 3G would enhance adjusted operating margins by c 0.8pp. Both Trival and 3G have significant exposure to the defence market, which should bolster revenues in the security segment, added as the fifth target market in September 2024. Management noted that it had hired business development capability to pull together the group approach to the defence market.

The company estimates that pro forma gearing as at the end of FY26, which factors in both the Trival and 3G acquisitions, would be 2.2x, falling to 1.8x by the end of FY27. Management estimates that it has capacity for a small bolt-on and noted that the refinancing in November 2025 raised the covenant level from 3x to 3.5x, leaving headroom for discoverIE to exceed its 1.5–2.0x gearing range as long as it has confidence that gearing will reduce quickly.

Outlook and changes to forecasts

FY26 order intake was up 9%, or 5% on an organic basis, with Q426 order intake up 14% y-o-y on an organic basis. Book-to-bill for the year was just above 1 at 1.01x (H1: 0.99x, H2: 1.03x). The order book at the end of FY26 was 2% higher y-o-y and 5% higher h-o-h at £165m, representing c 4.5 months' worth of revenue.

Trading has started well in Q1, with further good sales and order growth, and orders ahead of sales. Customers are placing orders with a mix of short-term and slightly longer-term delivery dates, with around half required in the next four to six months and the remainder in the next six to 12 months.

Management sees the outlook for the year ahead as positive with full year adjusted earnings in line with board expectations. We have broadly maintained our FY27 forecasts and introduce forecasts for FY28. We have not yet incorporated 3G into our forecasts pending regulatory approvals.

Exhibit 4: Changes to forecasts

£m	FY27e old	FY27e new	Change	y-o-y	FY28e new	y-o-y
Revenues	471.0	471.1	0.0%	6.3%	482.0	2.3%
EBITDA	82.8	82.5	-0.3%	9.7%	84.7	2.7%
EBITDA margin	17.6%	17.5%	-0.1pp	0.6pp	17.6%	0.1pp
Adjusted operating profit	67.2	67.2	0.0%	10.2%	69.2	3.0%
Adjusted operating margin	14.3%	14.3%	0.0pp	0.5pp	14.4%	0.1pp
Normalised operating profit	69.6	69.6	0.0%	11.6%	71.6	2.9%
Normalised operating margin	14.8%	14.8%	0.0pp	0.7pp	14.9%	0.1pp
Adjusted PBT	55.9	55.9	0.1%	7.7%	58.5	4.7%
Normalised PBT	58.3	58.3	0.1%	9.4%	60.9	4.5%
Normalised net income	43.2	43.2	0.1%	6.0%	45.1	4.5%
Normalised diluted EPS (p)	43.6	43.7	0.3%	5.7%	45.5	3.9%
Adjusted diluted EPS (p)	41.8	41.9	0.3%	4.0%	43.7	4.1%
Reported basic EPS (p)	29.5	30.5	3.6%	1.2%	32.4	6.0%
Dividend per share (p)	13.6	13.6	0.0%	4.2%	14.2	4.8%
Net (debt)/cash	(102.6)	(101.4)	-1.2%	26.0%	(79.0)	-22.1%
Net debt/EBITDA (x)	1.4	1.3			1.0	

Source: Edison Investment Research

Exhibit 5: Financial summary

£m	2022	2023	2024	2025	2026	2027e	2028e
Year end 31 March	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue	379.2	448.9	437.0	422.9	443.3	471.1	482.0
EBITDA	56.1	65.4	71.1	74.7	75.2	82.5	84.7
Normalised operating Profit (before am, SBP and except.)	44.8	54.3	59.5	62.5	62.4	69.6	71.6
Adjusted operating Profit (before am. and except.)	41.4	51.8	57.2	60.5	61.0	67.2	69.2
Amortisation of acquired intangibles	(14.0)	(15.8)	(16.2)	(16.2)	(16.3)	(16.2)	(16.2)
Exceptionals	(6.5)	(1.4)	(9.8)	(1.9)	0.5	0.0	0.0
Share-based payments	(3.4)	(2.5)	(2.3)	(2.0)	(1.4)	(2.4)	(2.4)
Operating Profit	20.9	34.6	31.2	42.4	45.2	51.0	53.0
Net Interest	(3.8)	(5.5)	(9.0)	(10.4)	(9.1)	(11.3)	(10.7)
Profit Before Tax (norm)	41.0	48.8	50.5	52.1	53.3	58.3	60.9
Profit Before Tax (FRS 3)	17.1	29.1	22.2	32.0	36.1	39.7	42.3
Tax	(7.4)	(7.8)	(6.7)	(7.4)	(7.1)	(10.3)	(11.0)
Profit After Tax (norm)	30.8	36.1	37.9	40.1	40.8	43.2	45.1
Profit After Tax (FRS 3)	9.7	21.3	15.5	24.6	29.0	29.4	31.4
Discontinued operations	15.5	0.0	0.0	0.0	0.0	0.0	0.0
Net income (norm)	30.8	36.1	37.9	40.1	40.8	43.2	45.1
Net income (FRS 3)	25.2	21.3	15.5	24.6	29.0	29.4	31.4
Average number of shares outstanding (m)	93.0	95.4	95.8	96.0	96.1	96.4	96.9
EPS - normalised & diluted (p)	32.1	36.7	38.5	40.7	41.4	43.7	45.5
EPS - adjusted, diluted (p)	29.4	35.2	36.8	38.7	40.3	41.9	43.7
EPS - IFRS basic (p)	27.1	22.3	16.2	25.6	30.2	30.5	32.4
EPS - IFRS diluted (p)	26.3	21.7	15.8	25.0	29.4	29.8	31.6
Dividend per share (p)	10.80	11.45	12.00	12.50	13.00	13.55	14.20
EBITDA Margin (%)	14.8	14.6	16.3	17.7	17.0	17.5	17.6
Normalised operating margin (before amortisation, SBP and except.) (%)	11.8	12.1	13.6	14.8	14.1	14.8	14.9
discoverIE adjusted operating margin (%)	10.9	11.5	13.1	14.3	13.8	14.3	14.4
BALANCE SHEET							
Fixed Assets	326.5	335.9	381.0	396.9	395.1	425.8	417.1
Intangible Assets	263.3	272.0	329.5	336.4	330.5	357.8	345.7
Tangible Assets	45.4	44.4	41.1	50.4	57.3	60.7	64.2
Deferred tax assets	17.8	19.5	10.4	10.1	7.3	7.3	7.3
Current Assets	266.2	249.8	287.7	298.1	299.5	278.0	299.5
Stocks	77.8	90.0	80.1	82.9	85.4	92.9	95.1
Debtors	78.0	74.6	88.8	74.4	85.7	82.6	84.5
Cash	108.8	83.9	110.8	139.3	125.3	99.4	116.8
Current Liabilities	(190.3)	(151.2)	(185.4)	(195.5)	(206.2)	(206.3)	(208.6)
Creditors	(114.2)	(107.3)	(101.0)	(94.3)	(104.1)	(104.2)	(106.5)
Lease liabilities	(4.7)	(4.0)	(5.7)	(6.2)	(6.5)	(6.5)	(6.5)
Short-term borrowings	(71.4)	(39.9)	(78.7)	(95.0)	(95.6)	(95.6)	(95.6)
Long-term Liabilities	(112.0)	(130.9)	(181.7)	(191.5)	(159.8)	(150.0)	(140.2)
Long-term borrowings	(67.6)	(86.7)	(136.1)	(138.6)	(110.2)	(105.2)	(100.2)
Lease liabilities	(16.4)	(14.8)	(14.4)	(21.2)	(27.5)	(27.5)	(27.5)
Other long-term liabilities	(28.0)	(29.4)	(31.2)	(31.7)	(22.1)	(17.3)	(12.5)
Net Assets	290.4	303.6	301.6	308.0	328.6	347.5	367.9
CASH FLOW							
Operating Cash Flow	42.5	52.1	66.0	70.5	66.7	77.7	82.4
Net Interest	(3.3)	(4.8)	(7.7)	(10.0)	(8.5)	(10.8)	(10.2)
Tax	(7.1)	(9.0)	(12.5)	(10.6)	(10.7)	(15.1)	(15.8)
Capex	(6.2)	(5.6)	(4.9)	(6.1)	(6.6)	(9.0)	(9.3)
Acquisitions/disposals	(46.8)	(25.1)	(82.8)	(16.7)	(7.5)	(43.4)	(4.0)
Financing	47.2	(7.5)	(9.3)	(7.5)	(6.1)	(7.4)	(7.4)
Dividends	(9.4)	(10.5)	(11.2)	(11.7)	(12.2)	(12.9)	(13.3)
Net Cash Flow	16.9	(10.4)	(62.4)	7.9	15.1	(20.9)	22.4
Opening net cash/(debt)	(47.2)	(30.2)	(42.7)	(104.0)	(94.3)	(80.5)	(101.4)
HP finance leases initiated	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.1	(2.1)	1.1	1.8	(1.3)	0.0	(0.0)
Closing net cash/(debt)	(30.2)	(42.7)	(104.0)	(94.3)	(80.5)	(101.4)	(79.0)

Source: discoverIE, Edison Investment Research

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