Interim Results 2021

17 August 2021

Agenda

GENUIT GROUP

Introduction

- Continue to prioritise the health, safety and wellbeing of our colleagues with backdrop of volume increases
- Strong H1 performance despite COVID-19, supply constraints and cost inflation
- Revenue 32.4% higher than H1 2019 and 13.8% higher like-for-like
- All three acquisitions made in the period are performing well, with Adey continuing to exceed expectations
- Continued investment in new products in line with our strategic growth drivers
- Progress against 2025 ESG targets
- Good start to H2
- The Board now expects underlying operating profit for the year to be ahead of management's previous expectations

Agenda

Financial highlights

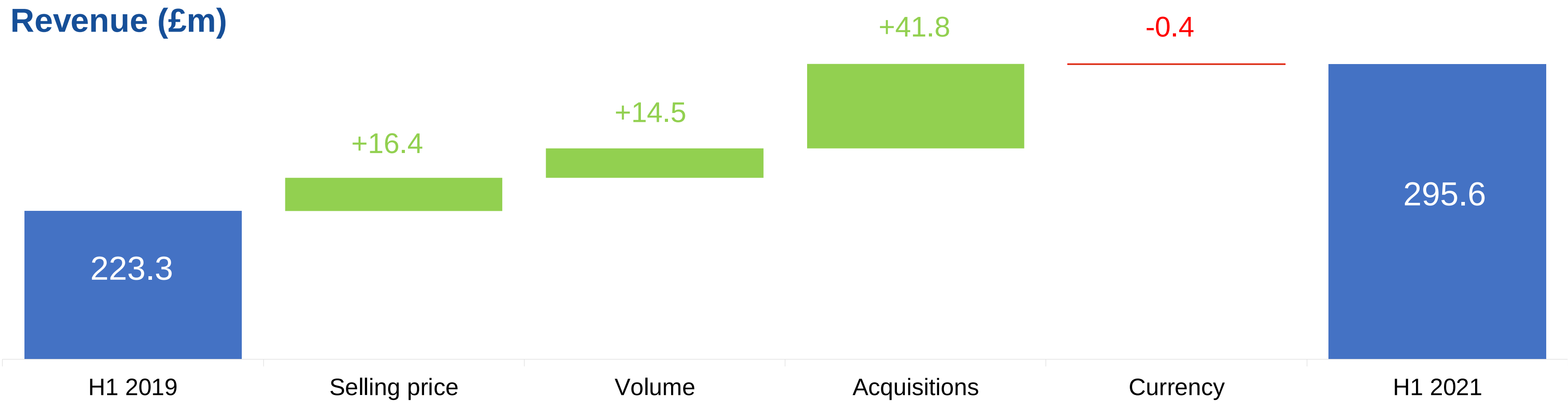
- Net revenue 32.4% ahead of H1 2019
- On a like-for-like basis, net revenue 13.8% higher than H1 2019
- Underlying operating profit of £48.6m 23.7% above H1 2019
- Underlying operating margin of 16.4%
- Profit before tax of £33.8m 7.6% above H1 2019
- Net debt of 1.5 times pro forma EBITDA in line with expectations
- The Group will pay an interim dividend of 4.0 pence per share

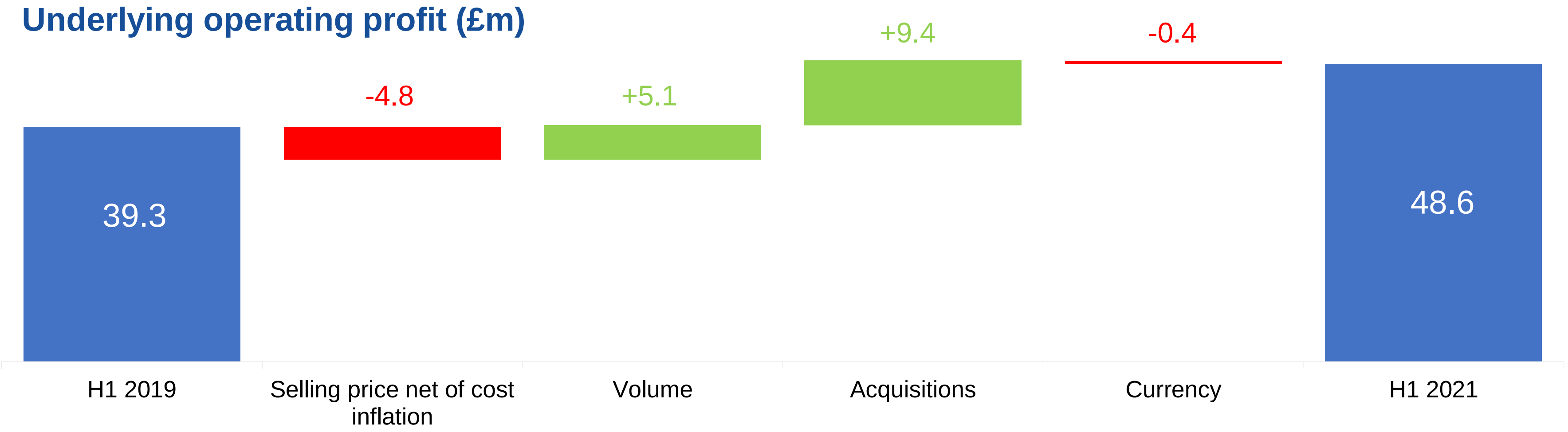
Underlying results summary

£m	H1 2021	H1 2020	Change vs H1 2020	H1 2019	Change vs H1 2019
Revenue	**295.6**	**173.6**	**70.3%**	**223.3**	**32.4%**
Cost of sales	(173.6)	(110.3)	57.4%	(127.9)	35.7%
Gross profit	**122.0**	**63.3**	**92.7%**	**95.4**	**27.9%**
Gross margin	***41.3%***	***36.5%***	***480bps***	***42.7%***	***(140)bps***
Selling, distribution and administration costs	(73.4)	(52.8)	39.0%	(56.1)	30.8%
Underlying operating profit	**48.6**	**10.5**	**362.9%**	**39.3**	**23.7%**
Operating margin	***16.4%***	***6.0%***	***1040bps***	***17.6%***	***(120)bps***
Net finance costs	(2.1)	(3.9)	(46.2)%	(3.7)	(43.2)%
Underlying profit before tax	**46.5**	**6.6**	**604.5%**	**35.6**	**30.6%**
Underlying tax	(8.2)	(1.1)	645.5%	(6.3)	30.2%
Underlying profit after tax	**38.3**	**5.5**	**596.4%**	**29.3**	**30.7%**
Underlying basic earnings per share (p)	**15.8**	**2.6**	**507.7%**	**14.7**	**7.5%**
Dividend per share (p)	**4.0**	**-**	**n/a**	**4.0**	**-**
Underlying tax rate	***17.6%***	***16.7%***	***90bps***	***17.7%***	***(10)bps***

- Underlying basic eps up 7.5% with underlying profit after tax up 30.7% due to dilution effect of two equity raises
- Gross margin impacted by raw material cost inflation (down 140 bps)
- Selling, distribution and administration costs broadly in line with 2019 as a percentage
- Lower net finance costs driven by reduced levels of borrowing compared to prior periods

Revenue and underlying operating profit bridge

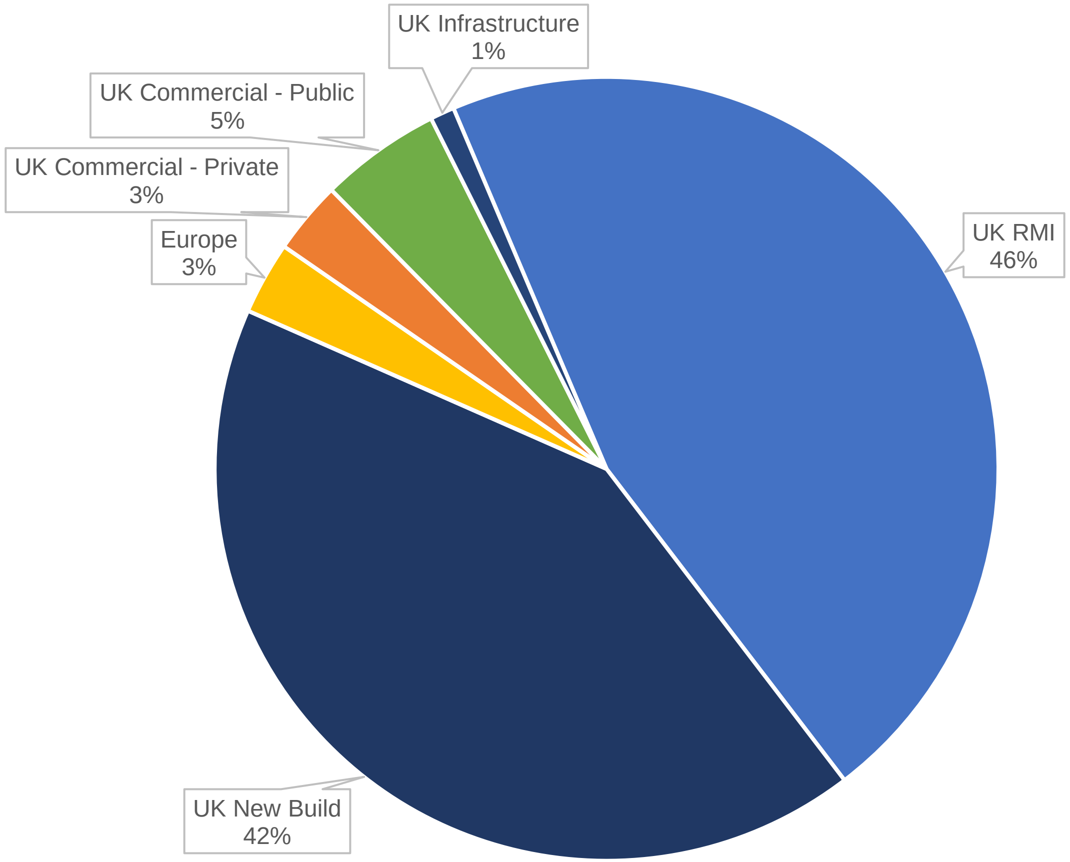




- Profitability affected by normal lag in price increases
- Drop through on volumes at 35.2%
- Acquisitions performing well, Adey ahead of expectations

Operating segment review – Residential Systems

LTM to June 2021 demand drivers

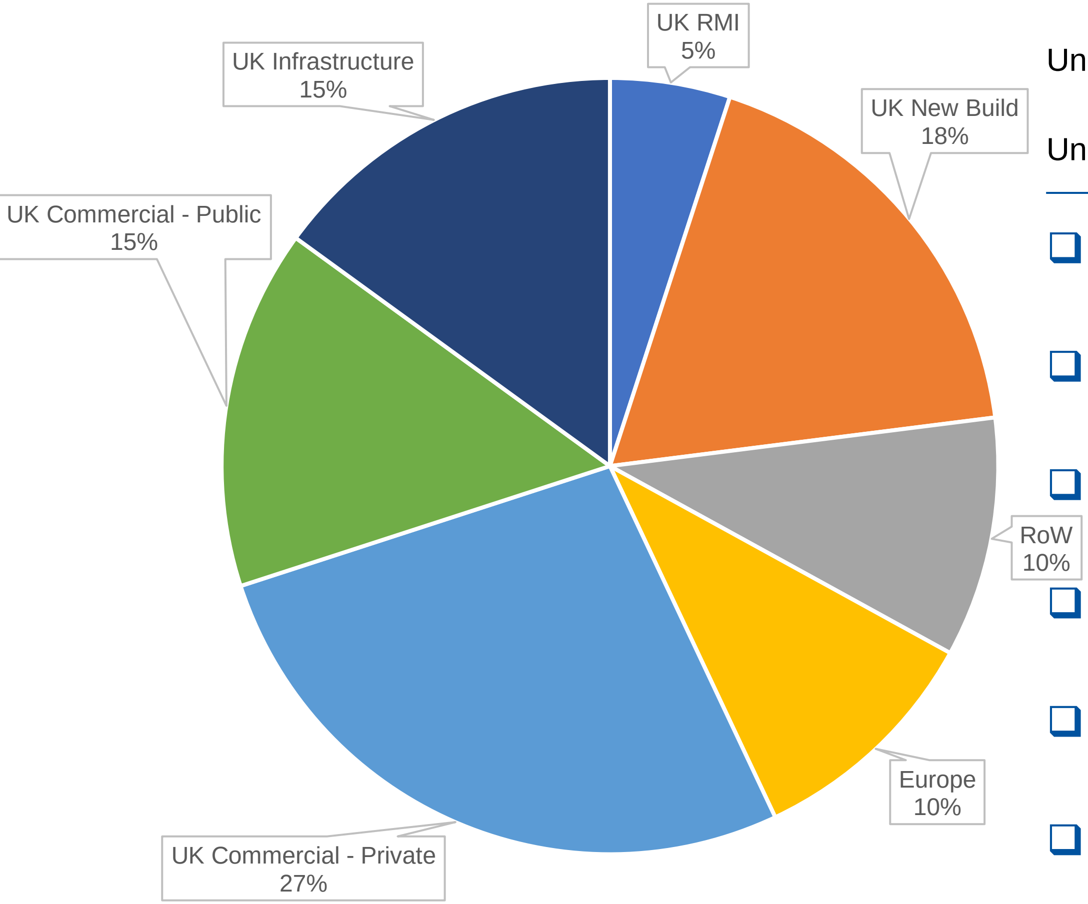


	H1 2021	H1 2020	Growth vs H1 2020	H1 2019	Growth vs H1 2019
Revenue	£183.8m	£92.8m	98.1%	£129.0m	42.5%
Underlying operating profit	£35.8m	£7.4m	383.8%	£26.6m	34.6%
Underlying operating margin	19.5%	8.0%		20.6%	

- 63.7% like-for-like revenue growth versus 2020 driven by housing market recovery and government stimulus
- 17.8% like-for-like revenue growth versus 2019
- Underlying operating profit almost 5 times higher than 2020, with margin recovery of 1,150 basis points to just 110 basis points below 2019 levels
- Private starts and completions 36% and 21% higher than 2020 in Q1
- CPA full year estimate is for housing output to be slightly behind 2019 levels
- Availability of materials and labour possible constraining factors
- Adey and Nu-Heat acquisitions performed strongly
- Mix towards less volatile RMI markets increased by acquisitions

Operating segment review – Commercial and Infrastructure Systems

LTM to June 2021 demand drivers



	H1 2021	H1 2020	Growth vs H1 2020	H1 2019	Growth vs H1 2019
Revenue	£111.8m	£80.8m	38.4%	£94.3m	18.6%
Underlying operating profit	£12.8m	£3.1m	312.9%	£12.7m	0.8%
Underlying operating margin	11.4%	3.8%		13.5%	

- Like-for-like revenue 34.2% higher than 2020 and 8.3% higher than 2019
- Sales of ventilation products benefitting from increased focus on air quality in the workspace
- Strong demand for water management systems resulting from rapid build out rates and completions in H2 2020
- Commercial sector remains subdued – CPA forecasting new build construction will still be 10% below 2019 levels in 2023
- Infrastructure strongest performing segment benefitting from large scale projects – CPA forecasting 2021 levels 23.4% ahead of 2020
- Underlying operating profit more than 4 times higher than 2020 and in line with 2019 with operating margin at 11.4%
- Plura acquisition performing in line with expectations

Statutory results

£m	H1 2021	H1 2020	H1 2019	31 December 2020
Underlying profit after tax	**38.3**	**5.5**	**29.3**	**29.4**
Non-underlying items:				
- Amortisation of intangible assets	(6.6)	(4.0)	(3.7)	(7.8)
- Acquisition costs and contingent consideration	(4.4)	(0.3)	(0.5)	(3.0)
- Restructuring costs	-	-	-	(1.1)
- Unwind of inventory fair value adjustment	(1.7)	-	-	-
Tax effect of non-underlying items	(6.5)	0.2	0.6	1.0
Profit for the year	**19.1**	**1.4**	**25.7**	**18.5**

- Amortisation increased due to acquisitions
- Acquisition costs relate to the acquisitions of Adey, Nu-Heat and Plura
- Unwind of inventory fair value adjustment in relation to Adey acquisition
- Revaluation of deferred tax balances upon change in statutory tax rate to 25%

Cash flows

£m	H1 2021	H1 2020	vs H1 2020	H1 2019	vs H1 2019	31 December 2020
EBITDA (before non-underlying items)	**60.1**	**20.2**	**39.9**	**49.2**	**10.9**	**60.9**
Capex	(15.0)	(8.3)	(6.7)	(8.7)	(6.3)	(24.5)
Working capital	(31.1)	(35.2)	4.1	(27.8)	(3.3)	1.5
Share-based payments	1.0	0.6	0.4	0.8	0.2	1.4
Operating cash flows	**15.0**	**(22.7)**	**37.7**	**13.5**	**1.5**	**39.3**
Interest	(1.2)	(2.6)	1.4	(3.6)	2.4	(5.4)
Leases	(2.5)	(1.9)	(0.6)	(1.8)	(0.7)	(4.0)
Taxation	(5.3)	(7.3)	2.0	(6.0)	0.7	(8.2)
Dividends	(11.9)	-	(11.9)	(15.7)	3.8	-
Net cash flows	**(5.9)**	**(34.5)**	**28.6**	**(13.6)**	**7.7**	**21.7**
Non-underlying cash items	(6.4)	(1.3)	(5.1)	(0.5)	(5.9)	(2.3)
Acquisitions	(236.2)	(1.8)	(234.4)	-	(236.2)	(1.8)
Equity raises	93.5	116.4	(22.9)	-	93.5	116.4
Other	0.2	(0.2)	0.4	(0.2)	0.4	1.2
Decrease / (increase) in net debt	**(154.8)**	**78.6**	**(233.4)**	**(14.3)**	**(140.5)**	**135.2**

- Capex investment strong and guiding to circa £35 million for the full year, overall working capital movement in line with historical seasonal profile
- £11.9 million dividend in H1 was full and final dividend of 4.8 pence per share for 2020
- Adey acquisition part-funded by Group’s Revolving Credit Facility

Net working capital

£m	H1 2021 As reported	Acquisitions	H1 2021 (excl. acquisitions)	H1 2020	vs H1 2020 (excl. acquisitions)
Inventories	64.4	12.1	52.3	55.8	(3.5)
Trade and other receivables	99.4	11.7	87.7	60.2	27.5
Trade and other payables	(129.0)	(17.5)	(111.5)	(78.1)	(33.4)
Net working capital	**34.8**	**6.3**	**28.5**	**37.9**	**(9.4)**

- Inventories reduction driven by pent-up demand and material supply issues
- Receivables and payables impacted by increase in demand

Banking facilities

£m	Drawn as at H1 2021	Facility	Headroom
Bank loan	198.0	300.0	102.0
Cash and cash equivalents	(27.6)	-	27.6
Net debt excluding unamortised debt issue costs	**170.4**	**300.0**	**129.6**
Unamortised debt issue costs	**(0.8)**		
Net debt including unamortised debt issue costs	**169.6**		
Lease liabilities	**21.8**		
Net debt	**191.4**		

Covenant (pre-IFRS16)	Covenant requirement	Position at H1 2021
Interest cover (Underlying operating profit : Finance costs excluding debt issue cost amortisation)	>4.0:1	22.7:1
Leverage (Net debt : pro forma EBITDA[1])	<3.0:1	1.5:1

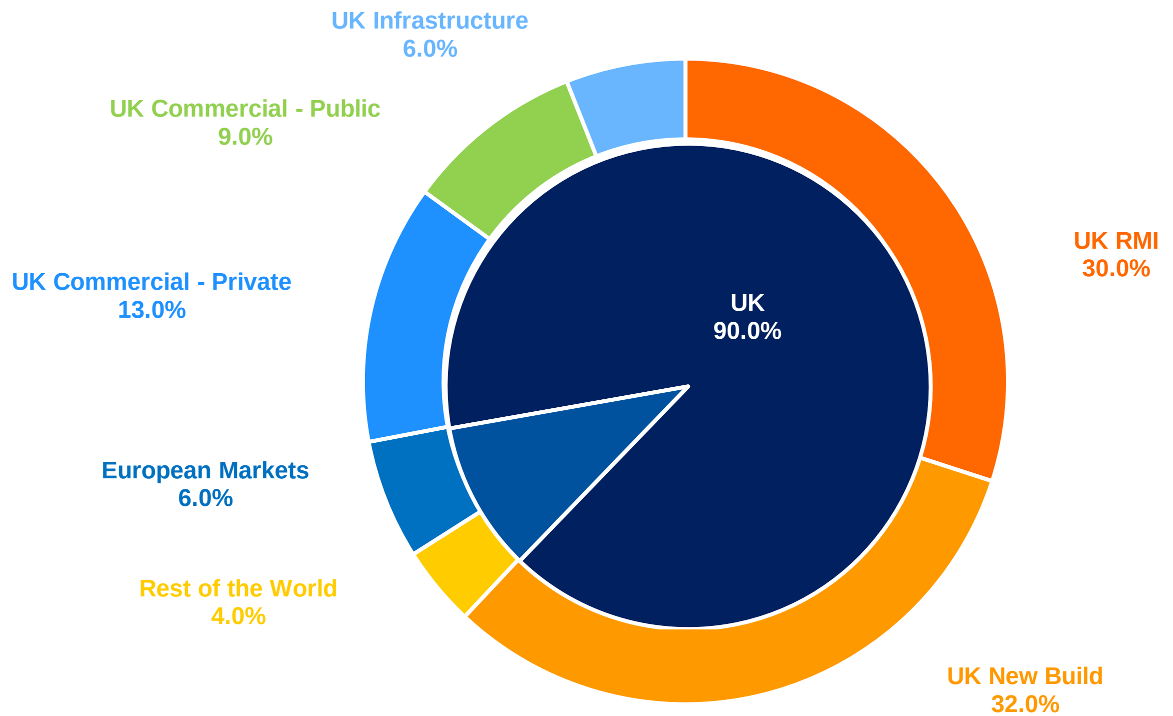
- Modelled tightest period of covenant performance was Q1 2021 – passed through without breach following equity raise in 2020
- Revolving Credit Facility is with six banks – matures 2023 with extension to 2025 possible

[1] *Defined as underlying operating profit before depreciation for the 12 months preceding the balance sheet date, adjusted, where relevant, to include a full year of EBITDA from acquisitions made during those 12 months.*

Agenda

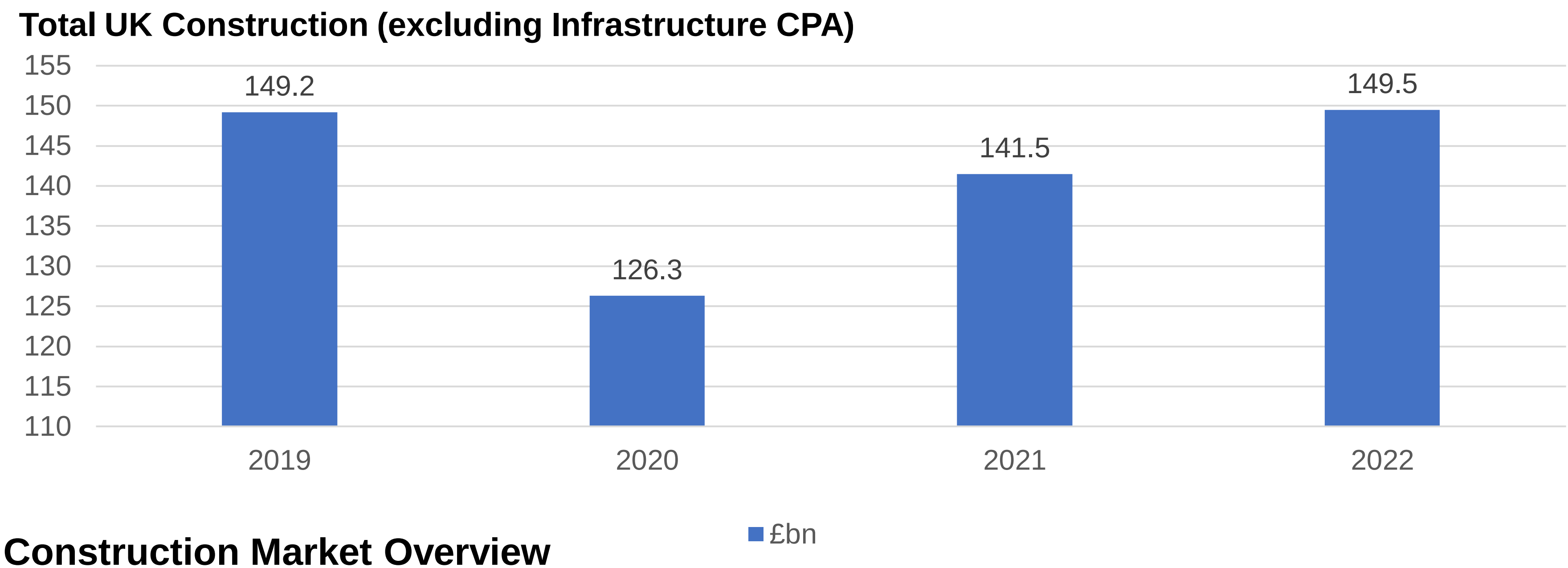
Demand drivers

LTM to June 2021 demand drivers



- 90% revenue derived from UK market
- Balanced exposure to different segments of UK Construction market
- Provides resilience through the cycle
- Increased exposure to RMI with Adey acquisition

UK Construction Market

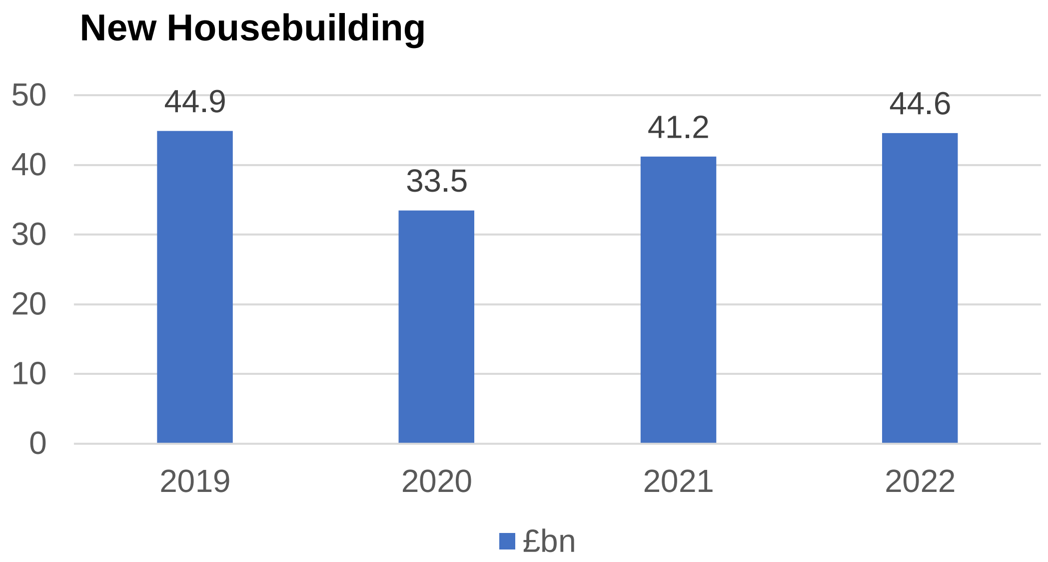


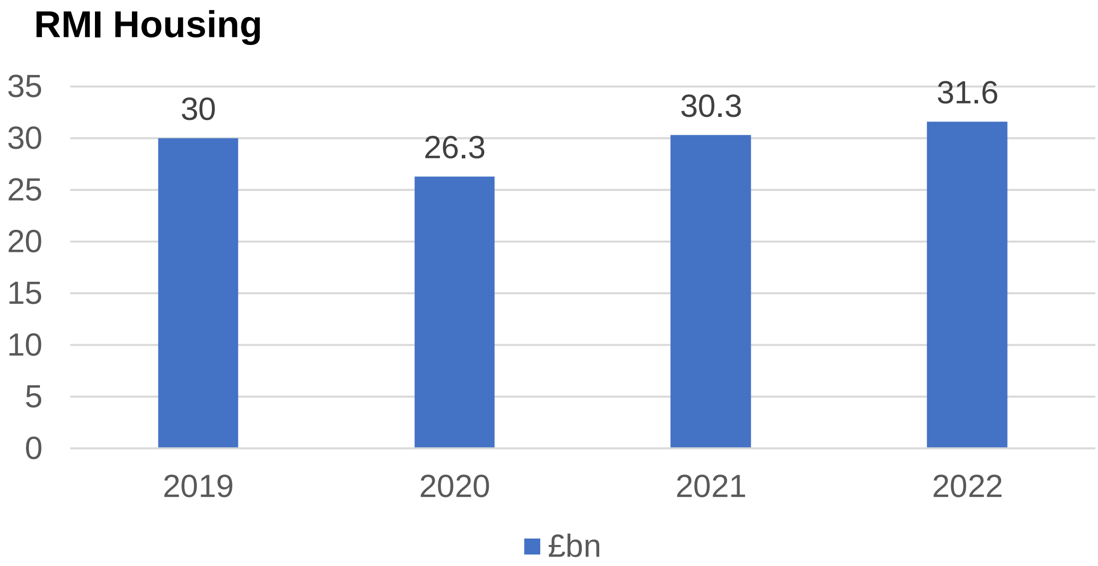
Construction Market Overview

- Recovery seen during the second half of 2020 has continued into 2021
- Market excluding infrastructure growing in 2021 by 12.0%, including infrastructure, growth is 13.7%
- Market excluding infrastructure in 2021 is forecast to be 5.2% below 2019
- Demand indicators remain positive across nearly all segments, supply side considered the more likely constraint on any further upside.

Source: Construction Products Association (CPA) Summer forecast 2021 and MCHLG

UK Construction Market – Residential

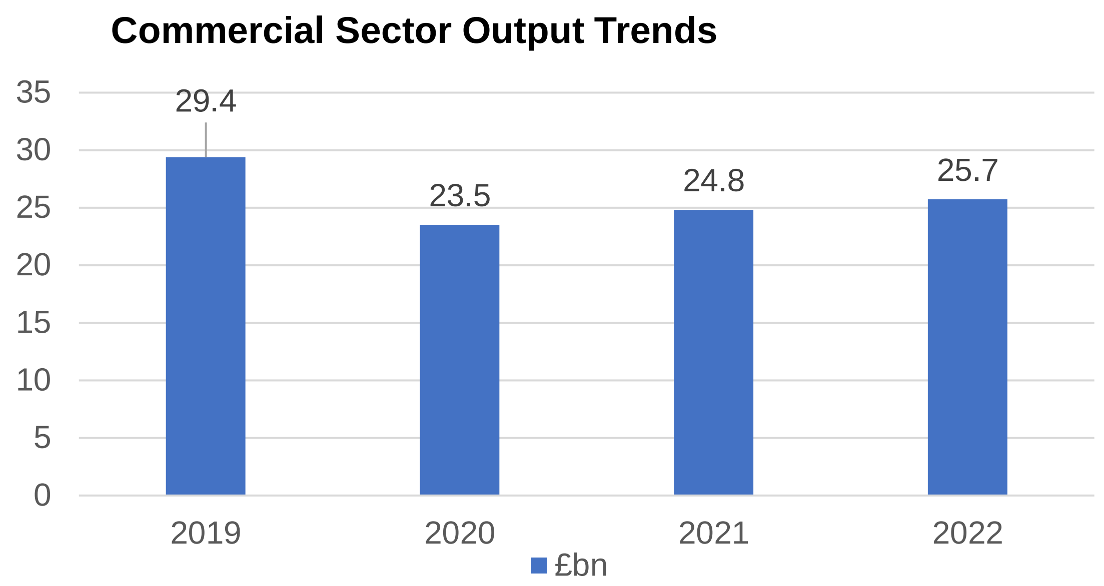


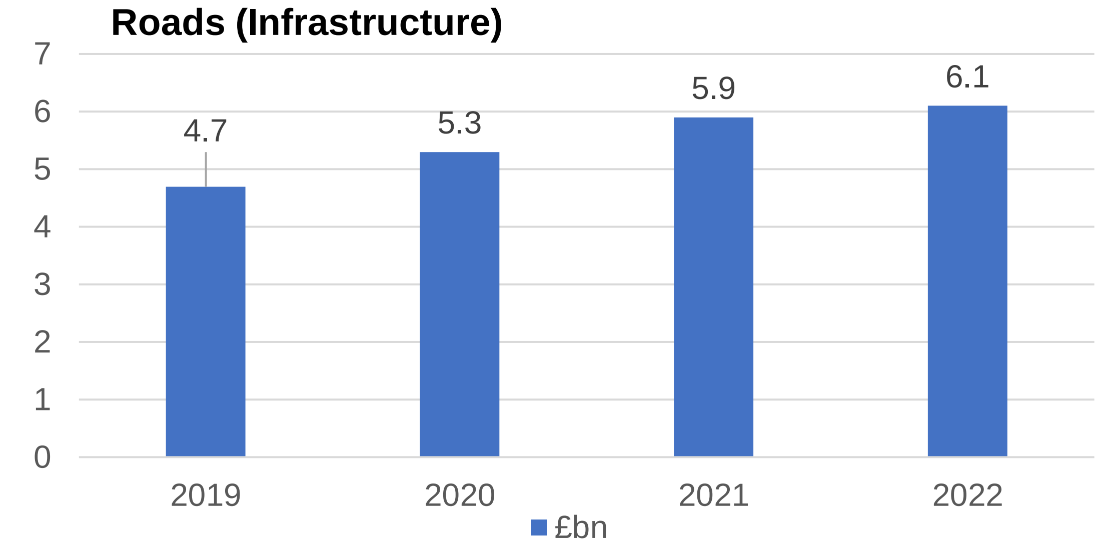


Source: Construction Products Association (CPA) Summer forecast 2021 and MCHLG

- New Housebuilding
  - Momentum seen in H2 2020 has carried through into 2021
  - H1 2021 biased toward starts to rebuild WIP
  - Extension of HtB and Stamp Duty schemes helps activity, along with a move away from cities
  - CPA forecasts suggest 2021 still below 2019
- Housing RMI
  - Remained resilient post lockdown one, with H1 2021 continuing to perform strongly
  - 2021 forecasts to be at 2019 levels

UK Construction Market – Commercial and Infrastructure





Source: Construction Products Association (CPA) Summer forecast 2021/ONS

Commercial

- The commercial new build sector remains subdued, continuing the pre-pandemic trends
- Mid term structural issues around retail space, and office working apply downward pressure
- RMI however shows better signs, with re-purposed spaces and re-designs, creating more space and better ventilation, emerge as post Covid-19 trends

Infrastructure

- Infrastructure more widely is expected to be the strongest construction segment in the near term, with 2022 forecast at 29% higher than 2019. However, much of this relates to the huge projects at Hinkley Point, HS2, etc
- Subsegments such as roads, and regulated industries e.g. water, sewerage and electricity are also projected to show positive performance
- Highways England making good progress through pandemic

Update on acquisitions

ADEY

- UK leading provider of magnetic filters, chemicals and related products
- 100 day plan implemented, no issues - performance ahead of plans
- Customer reaction positive
- Overseas growth better than expected

Nu-Heat
Feel the difference

- Leading provider of sustainable underfloor heating solutions
- 100 day plan implemented, no issues - performing to plan
- Strong order book but component shortages

PLURA INNOVATIONS

- Manufacturer of chambers, platform accessories with transferable pultrusion technology
- 100 day plan implemented, no issues - performing to plan
- Strong order book, resin shortages
- Development work started on range expansion

Sustainability Performance Update

- ❑ Carbon intensity (target 66% reduction by 2025)
  - Reduced by 53% in H1; renewable energy sources
  - Signed Pledge to Net Zero; Science Based Targets in 2022
- ❑ Recycled materials (target 62% by 2025)
  - H1 47.6% (2020: 49.2%) of total tonnage from recycled materials
  - Product mix headwinds
  - Q2 at 50%
  - Investment projects identified to drive more recycling
- ❑ People (target 5% in “earn and learn” by 2025)
  - 3.54% at end of H1
  - 5% Club Silver Status awarded
- ❑ Vitality Index (target 25% by 2025)
  - H1 Vitality Index – 22.7%
  - Growth in products from pre-pandemic helping

Strategy

- Strategy will deliver growth ahead of the UK construction market over the cycle by focusing on segments driven by four sustainability and environmental factors:
  - The increasing demand for resilient drainage
  - The trend toward green urbanisation
  - The requirement for clean, fresh, healthy air
  - The move toward low/zero carbon heating, and construction more generally
- We also continue to grow through material substitution and by providing increasingly broad package solutions to our customers
- Will be achieved through organic means and through M&A
- We will also ensure we serve them by operating our business as sustainably as possible

Agenda

Summary

- Strong revenue and underlying operating profit despite COVID-19, material supply constraints and cost inflation
- The three acquisitions made in the period are performing well, with Adey exceeding expectations
- The medium-term fundamentals in our markets remain as strong as ever
- Group has sufficient resources to invest in growth opportunities
- Trading has started well in the second half and the Board now expects underlying operating profit for the year to be ahead of management’s previous expectations

Q&A

To ask a question, please use the below conference call line:

United Kingdom (Local): 020 3936 2999

All other locations: +44 20 3936 2999

Access Code: 928454

*To register a question, press *1 on phone keypad. To remove the question, press *2*

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