Genuit Group plc 2022 Full Year Results Presentation

14 March 2023

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Agenda

Key Highlights

Our Results

- Revenue and underlying operating profit growth marginally head of expectations, despite headwinds
- Underlying basic eps 30.8p, 0.7% ahead of 2021
- Net debt 1.2 times pro forma EBITDA
- Ongoing strategic investments - capex £41.1m (2021: £33.1m)
- Proposed final dividend 8.2p (2021: 8.2p), taking FY 2022 dividend to 12.3p (2021: 12.2p) per share

Key Highlights

Our Strategy

- Sustainable Solutions for Growth Strategy announced in November 2022
- Three Business Units; greater strategic alignment and transparency
- Talent upgrade, key strategy execution and value creation roles added
- More coherent Genuit culture improving collaboration and realising synergies
- Genuit Business System lean transformation process started at two sites, and third in Q2 2023
- Initial restructuring and purchasing initiatives delivering annualised savings of circa £8m

Key Highlights

Our Path to Net Zero

- Scopes 1&2 Carbon intensity down 3.6% - down 50.2% since 2019
- Science Based Targets submitted
- Recyclate use at 48.7% (2021: 49.4%) - on track for our 2025 target of 62%
- Retained The 5% Club silver status at 3.5% (2021: 3.2%)
- Vitality Index at 24.7% (2021: 20.2%)

Agenda

1	Key Highlights
2	**Financial Results**
3	Business Review
4	Outlook

Financial Results

Delivering a strong foundation for future growth

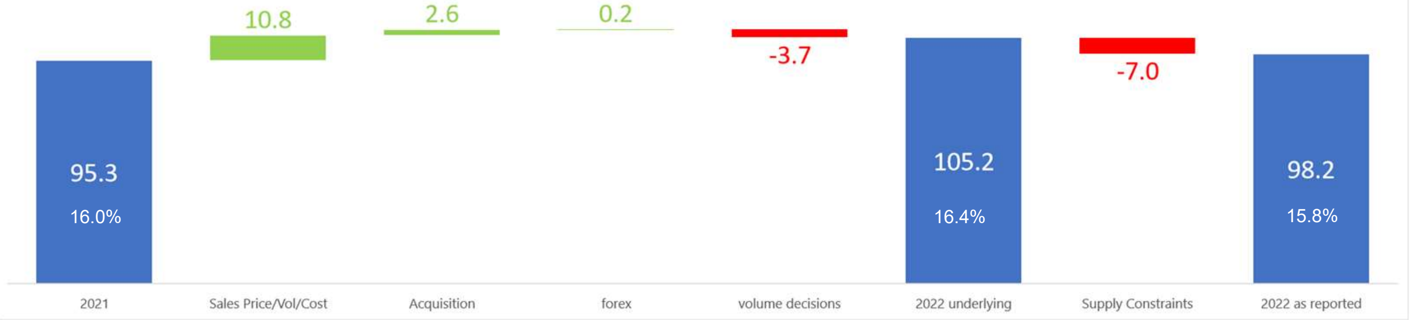
£m	2022	2021	Change
Revenue	622.2	594.3	4.7%
Cost of sales	(372.1)	(348.8)	6.7%
Gross profit	250.1	245.5	1.9%
Gross margin	40.2%	41.3%	(110)bps
Selling, distribution and administration costs	(151.9)	(150.2)	1.1%
Underlying operating profit	98.2	95.3	3.0%
Operating margin	15.8%	16.0%	(20)bps
Net finance costs	(7.6)	(4.2)	81.0%
Underlying profit before tax	90.6	91.1	(0.1)%
Underlying basic earnings per share (p)	30.8	30.6	0.7%
Dividend per share (p)	12.3	12.2	0.8%
Underlying tax rate	15.6%	17.6%	(200)bps

- Revenue up 4.7% on a strong comparative
- Underlying operating profit £98.2m 3.0% up (2021: £95.3m) and is a record year of profit
- Operating margin in H2 2022 at 16.7% (H1 2022: 14.9%) and ahead of H2 2021 (15.6%)
- Higher borrowing costs driven by increase in BoE base rates
- Underlying basic earnings per share up 0.7% on 2021 despite higher borrowing costs
- Dividend per share of 12.3p up 1% on 2021

Revenue And Underlying Operating Profit Bridge

Revenue £m

EBIT £m



- Price leadership delivered on cost inflation
- Exit from low margin volume to increase quality of the business
- Operating margin of 16.4% before supply constraint issues
- Upstream supply constraint on boiler manufacturing and shortage in supply of key components such as blowers

Residential Systems

Strengthening performance

	2022	2021	Growth
Revenue	£394.3m	£372.9m	5.7%
Underlying operating profit	£79.1m	£73.1m	8.2%
Underlying operating margin	20.1%	19.6%	

- Revenue 5.7% higher than 2021 and 5.0% higher like-for-like
- Robust price leadership and cost savings delivered 8.2% underlying operating profit growth to £79.1m (2021: £73.1m) with a 20.1% margin (2021: 19.6%)
- Operating margin in H2 2022 at 21.4% (H1 2022: 18.8%) and ahead of H2 2021 (19.7%)
- Adey adversely affected by upstream boiler supply constraint
- Nu-Heat performed very well, benefitting from the positive RMI mix effect of spend moving into more efficient heating – its revenue up over 20%

Commercial & Infrastructure Systems

Robust revenue growth

	2022	2021	Growth
Revenue	£227.9m	£221.4m	2.9%
Underlying operating profit	£19.1m	£22.2m	(14.0%)
Underlying operating margin	8.4%	10.0%	

- Revenue 2.9% higher than 2021 and broadly flat like-for-like 2021 excluding Plura and 2022 Keytec acquisitions
- Q2 impact of isolated cyber incident
- H2 key supply shortage impact. Without this, operating margin would have been broadly in line with last year
- Expect margins to improve as component shortages ease

Non-underlying Items

Uptick in amortisation, impairment and restructuring costs

£m	2022	2021
Non-underlying items:		
Amortisation of intangible assets	(15.2)	(14.2)
Impairment of goodwill	(12.0)	–
Impairment of intangible assets	(2.8)	–
Restructuring costs	(9.3)	(1.1)
Contingent consideration on Plura acquisition	(3.1)	(1.9)
Other	(2.8)	(11.0)
Non-underlying items before taxation	(45.2)	(28.2)
Tax effect of non-underlying items	5.2	3.4
Impact of change in statutory tax rate	–	(9.3)
Total non-underlying items	(40.0)	(34.1)

- **Cash impact before tax £9.6m**
- Restructuring costs driven by transformation journey announced at the Capital Markets Day
- **Non-cash impact before tax £35.6m**
- Impairment of goodwill for £12.0m driven by 250bps increase in discount rates
- Impairment £2.8m in respect to a customer relationship agreement ending early

Cashflow

Continued strategic investment and growth

£m	2022	2021	Change
EBITDA (before non-underlying items)	120.3	116.1	4.2
Capex	(40.9)	(34.1)	(6.8)
Working capital	(19.7)	(27.0)	7.3
Share-based payments	2.9	2.2	0.7
Operating cash flows	62.6	57.2	5.4
Interest	(3.7)	(2.9)	(0.8)
Leases	(6.2)	(5.1)	(1.1)
Taxation	(7.0)	(9.5)	2.5
Dividends	(30.5)	(21.7)	(8.8)
Net cash flows	15.2	18.0	(2.8)
Non-underlying cash items	(9.6)	(6.9)	(2.7)
Acquisitions	(3.1)	(236.4)	233.3
Equity raises	-	93.5	(93.5)
Debt issue costs	(3.1)	-	(3.1)
Other	2.6	1.5	1.1
Decrease / (increase) in net debt	2.0	(130.3)	132.3

- Continued strategic capital investment in the business
- Working capital increase as we rebuild inventory levels and inflationary effects
- Full-year dividend above 2021, 40% pay-out ratio of net income
- Debt issue costs driven by refinancing into Sustainability Linked Loan and Private Placement
- Cashflow conversion at 64% (2021: 60%)

Trade Working Capital

Inventory rebuilt to service customer base

£m	2022	2021	Change
Inventories	89.9	80.8	(9.1)
Trade and other receivables	68.1	76.7	8.6
Trade and other payables	(124.2)	(135.5)	(11.3)
Net working capital	33.8	22.0	(11.8)

- Net working capital impacted by significant inflation
- Inventories increased due to inflation and inventory rebuild to service customer base – inventory days slightly increased at year end
- Receivables and payables returning to normal levels in current year

Financing

Well within covenants and significant headroom

£m	Drawn as at 31 Dec-22	Facility	Headroom
Sustainability Linked Loan	170.9	350.0	179.1
Cash and cash equivalents	(50.0)	-	50.0
Net debt excluding unamortised debt issue costs	120.9	350.0	229.1
Private placement loan notes	25.0		
Unamortised debt issue costs	(2.8)		
Net debt excluding leased liabilities	143.1		
Lease liabilities	23.1		
Net debt	166.2		

- Well within covenant requirements
- Sustainability Linked Loan Re-Fi committed through to August 2027 and entered into a 7 year £25m private placement loan notes, part of an uncommitted £150m private placement facility
- Uncommitted Accordion of £50m and remaining £125m shelf facility in place

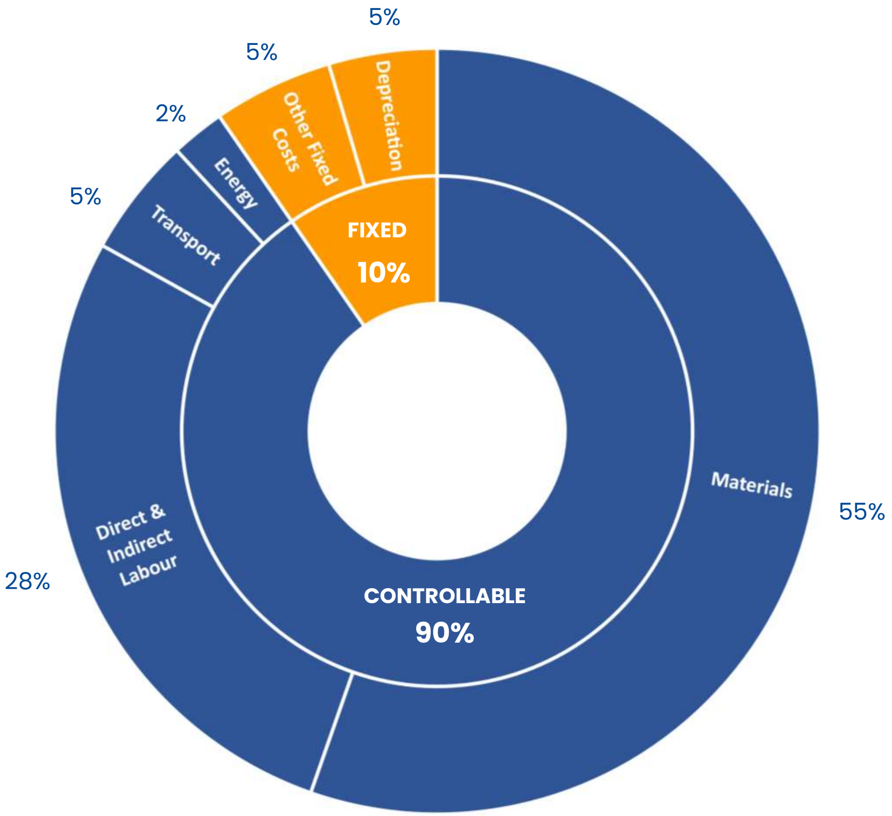
Covenant (pre-IFRS16)	Covenant requirement	Position at 31 December 2022
Interest cover (Underlying operating profit – Finance costs excluding debt issue cost amortisation)	➢ 4.0:1	➢ 16.0:1
Leverage (Net debt ÷ pro forma EBITDA[1])	➢ 3.0:1	➢ 1.2:1

[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.*

Cost Base 2022

Stability returns

- Some stability seems to be returning to our cost base
- Pricing is set to recover cost inflation and preserve margin
- Some 10% of our cost base is fixed
- 90% controllable, flexes with volume, different phasings
- Cost base was flexed heavily in 2020
- March 2020, the Group lost two-thirds of its volume overnight upon lockdown with a severely impacted Q2; operating margin was still 10.4% for the year



Technical Guidance Full Year 2023

- Capex circa £40m
- Operating cashflow conversion approximately 70%
- Net finance costs circa £11m
- Underlying effective tax rate circa 20%
- Leverage at or around 1x by the year end

Agenda

Genuit Group: Sustainable Solutions for Growth Strategy

Growth

Focus on higher growth, sustainability-driven markets, via organic growth and disciplined M&A opportunities

Sustainability

Continually improve the sustainability of our operation to be the lowest carbon choice for our customers

Genuit Business System

Create value through lean transformation and operational excellence

People And Culture

Create value and enable growth through the capability, expertise and development of our employees

Simplify the Business

Genuit Group moving forward

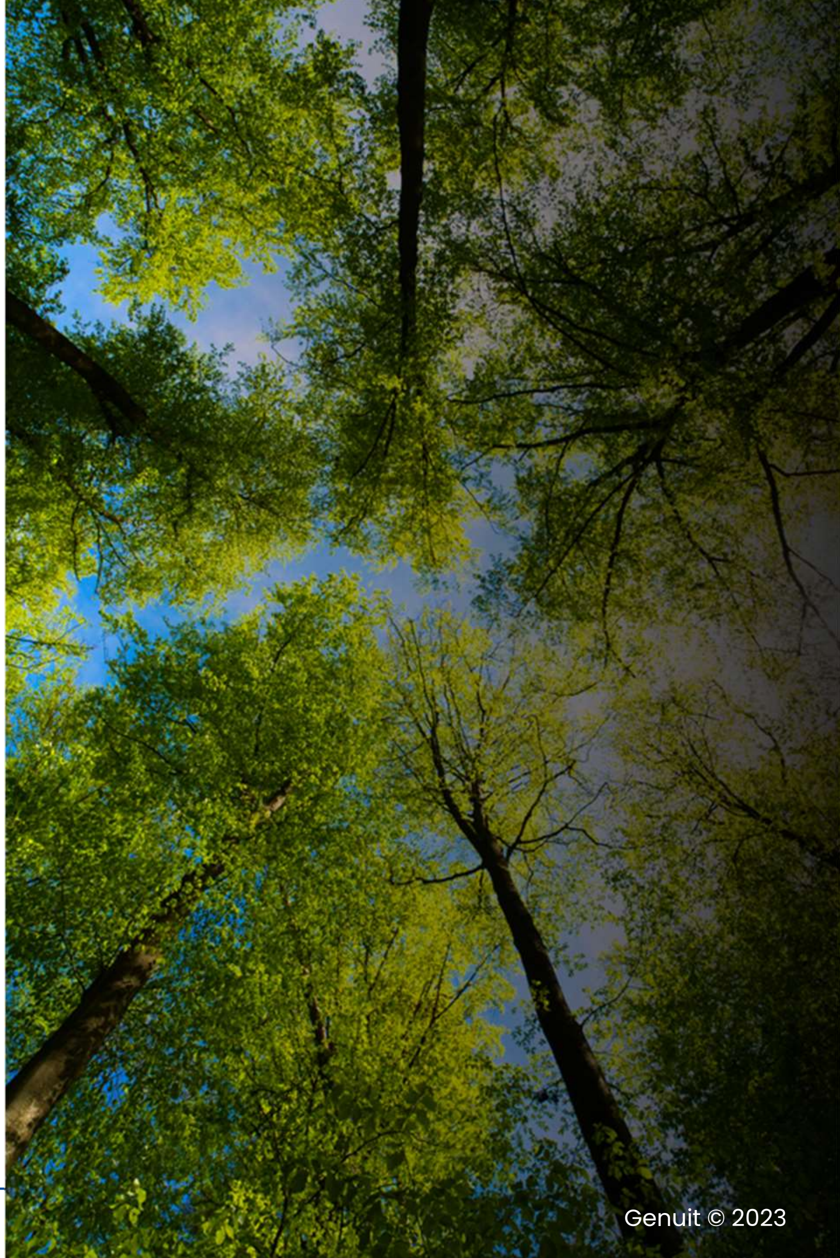
2022 Revenue | EBIT Margin

Climate Management Solutions	Water Management Solutions	Sustainable Building Solutions
Addressing the drivers for low carbon heating & cooling, and clean & healthy air	Driving climate adaptation and resilience through integrated surface and drainage solutions	Providing a range of solutions to reduce the carbon content of the built environment
£158.6m | 15.7%	£180.0m | 7.8%	£283.6m | 20.9%
nuaire, ADEY, surestop, Domus Ventilation, Nu-Heat Feel the difference	Polypipe Civils & Green Urbanisation, Plura Innovations Polydeck, permavoid, Alderburgh, Keytec Geomembranes, Polypipe Ulster, Polypipe Italia, Polypipe Middle East, Polypipe International	Polypipe Building Products, Polypipe Building Services, Manthorpe Building Products

Climate Management Solutions

Highlights

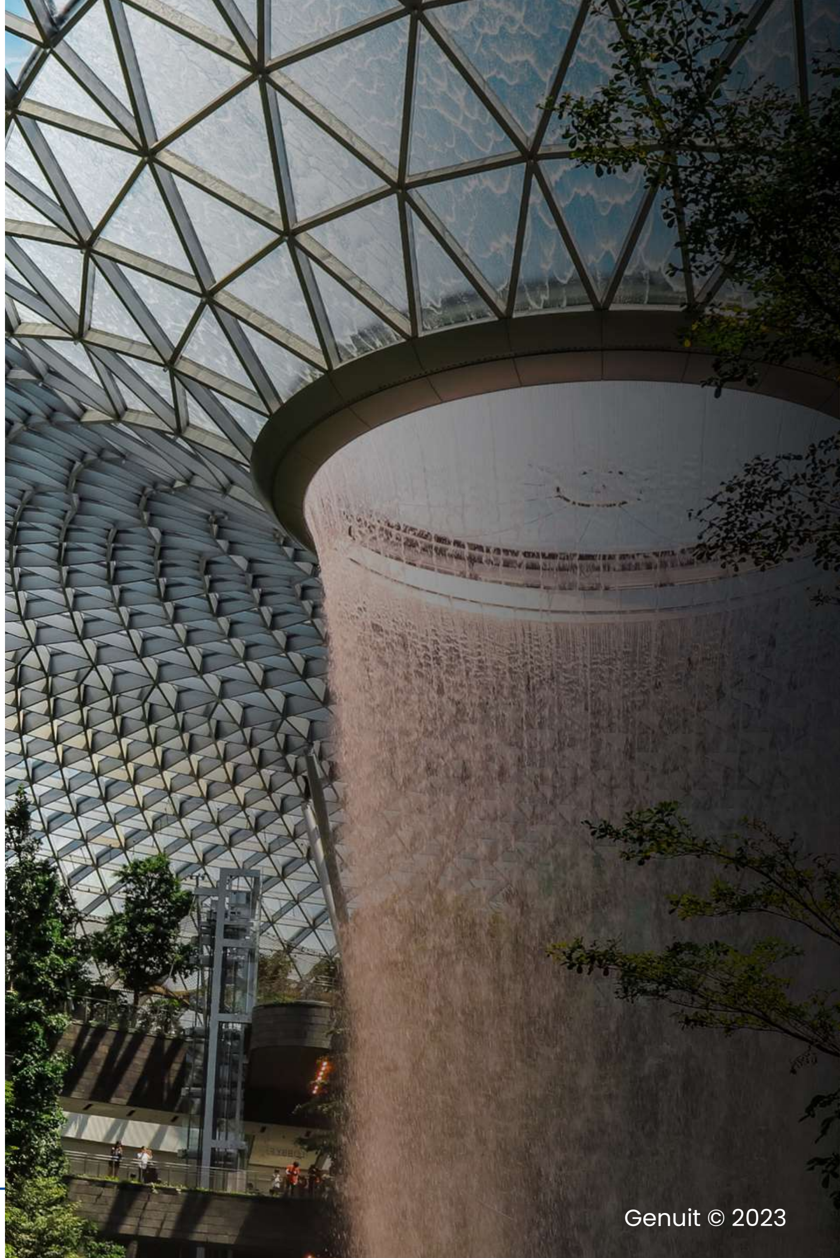
- With our presence in both water and air based climate management products, Genuit is uniquely placed to offer the solutions for the future of low carbon heating and cooling
- Added value in bringing product technologies together to provide more integrated solutions
- Products positioned to enable users more efficient low carbon energy inputs such as air source heat pumps as offered by Nu-Heat
- Efficient options for cooling with new solutions from our Nuaire business to help users adapt to increasingly warm summers



Water Management Solutions

Highlights

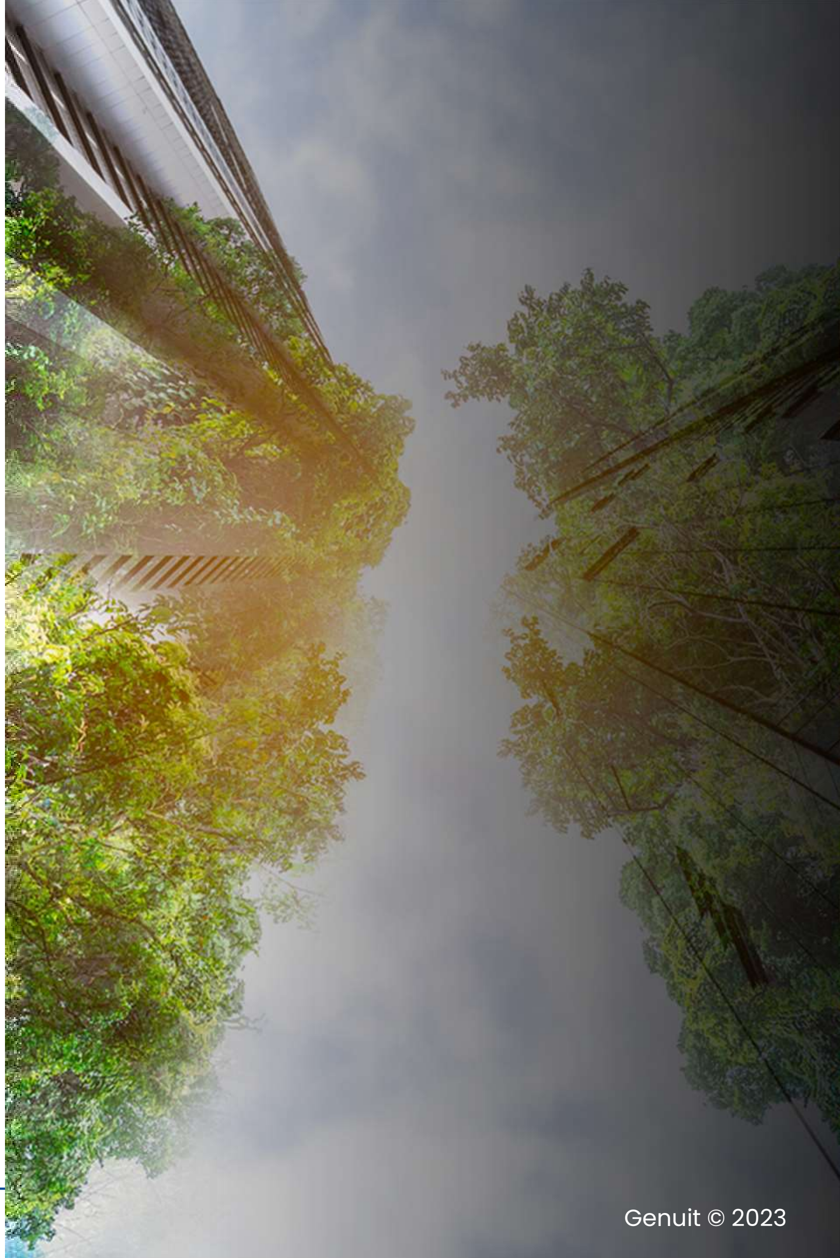
- Industry-leading usage of recyclate means that we are minimising our own impact on the climate and enabling low-carbon development projects
- Strong holistic design expertise
- Enabling re-introduction of green surfaces into what has become an increasingly concretised urban landscape



Sustainable Building Solutions

Highlights

- Committed to drive carbon out of our product ranges so that we are the lowest carbon supplier of choice for our customers
- New product line in our Terrain range which allows us to produce with 65% recycled content
- 3rd party accredited Environmental Product Declaration (EPD) programme roll out
- Advantage offering from Polypipe Building Services provides contractors with a way to access the benefits of Modern Methods of Construction (MMC)



Creating Value

Through the Genuit Business System

Lean lighthouse transformation update

- Adey – started Q4 2022
- Polypipe Building Products – started Q1 2023
- Third site being finalised for mid-2023 start

Early progress and results

- Using Strategy Deployment to action and track annual improvements
- Hired Group Head of Genuit Business System
- Adey kaizen results (for one key manufacturing cell)
    - 25% productivity improvement
    - 49% floor space reduction
    - Excellent engagement

Sustainable Solutions for Growth

Mid-term outcomes

1. Focus on higher growth, sustainability-driven markets
2. Strengthen position by being lowest carbon choice for our customers
3. Simplify the business
4. Create value through Genuit Business System
5. Increase solution capability via growth-enabling M&A

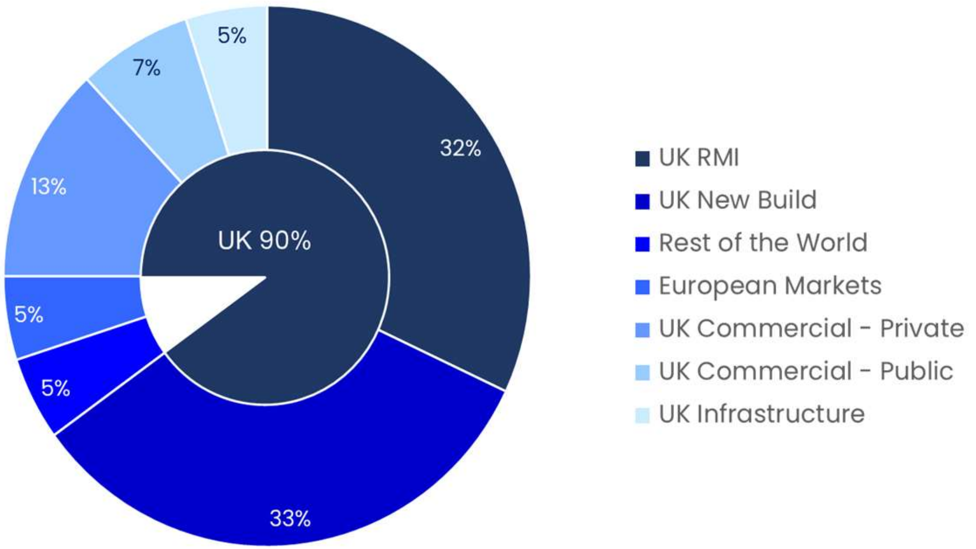
Through cycle growth above UK construction	**+2-4%**
Operating margin	**20%+**
Cash conversion	**>90%**
ROCE	**15%+**
ESG	**Net Zero, SBTs, 5% Club**

Agenda

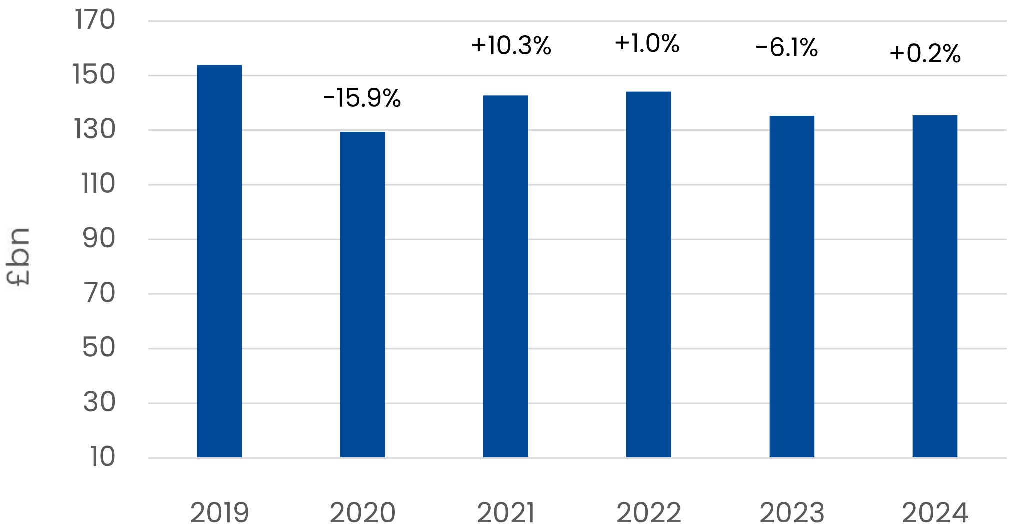
Outlook

Our expectations for the year have been based upon CPA Winter Forecast

Balanced portfolio across the UK construction market



Construction Market Development*

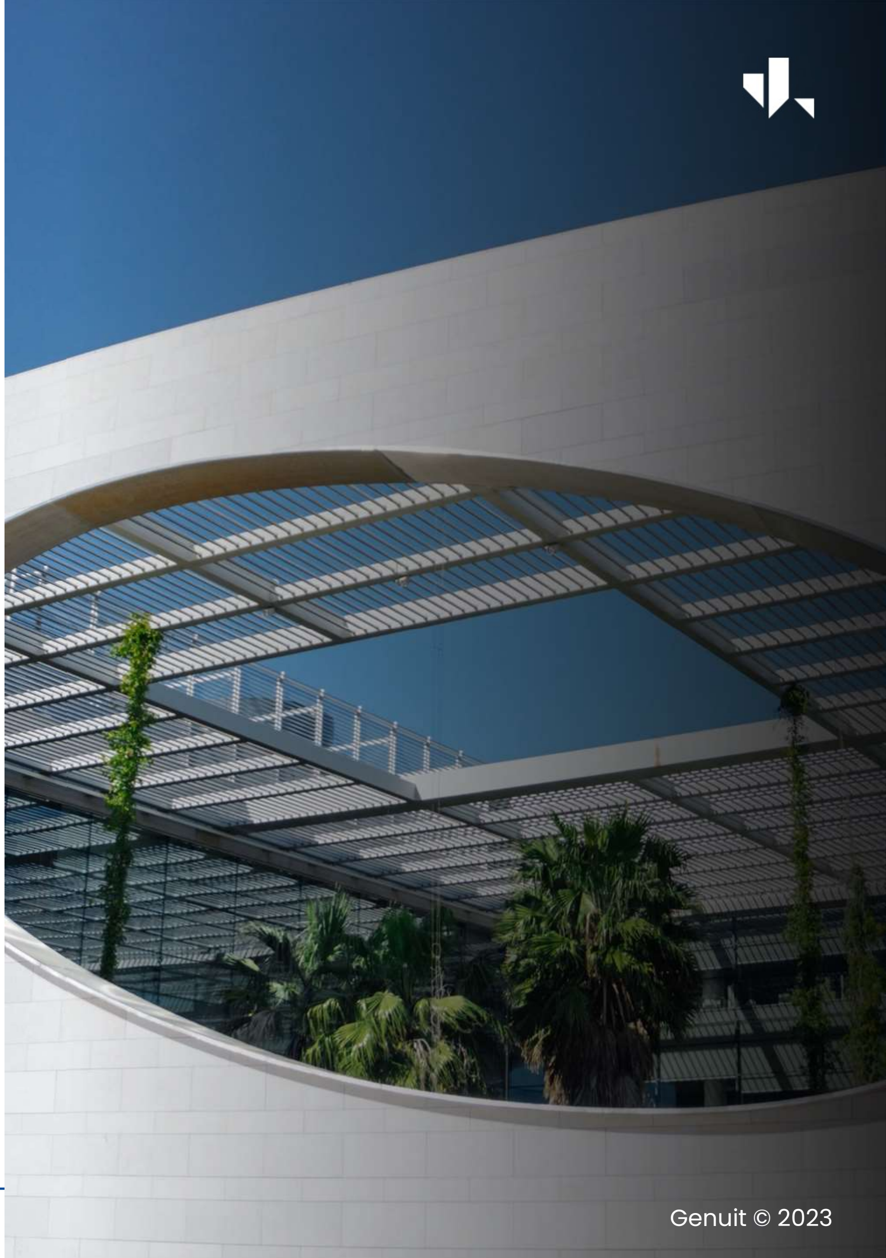


**Source: Construction Products Association (CPA) and ONS (exc Infrastructure segment)*

Outlook

Positioned well to deliver

- 2023 started well, trading in line with expectations
- Challenging and uncertain market conditions to continue into 2023
- Actions taken on pricing and self-help to maintain Group resilience
- Confident to start measurable progress towards mid-term commitments
- Focus on climate-driven growth, leadership in sustainable materials and enhancing the power of our people through the Genuit Business System for the long-term
- We are building a strong team, with a single sustainable purpose



Investment Case

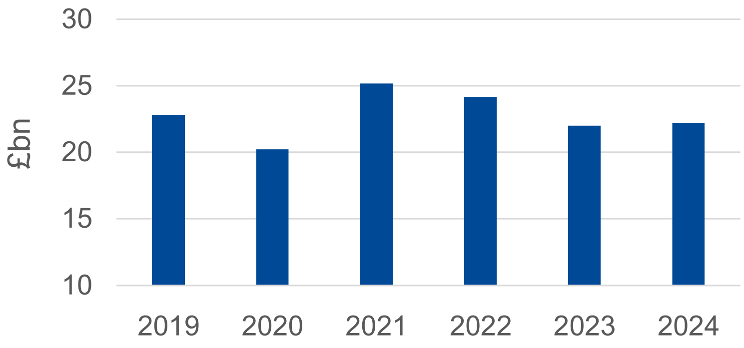
1. Market leader with balanced exposure across market segments with outperformance underpinned by climate-driven growth
2. Genuit Business System focused on growth, lean and leadership
3. Substantial levels of innovation driving profitability to levels amongst those highest in the industry and providing more complete solutions to our end customers
4. Sustainability is at the heart of everything we do with medium-term targets driving our decisions, driving our focus
5. Disciplined M&A as an enabler of accelerated growth and the Group has a proven track record of executing and integrating M&A
6. Resilient financial performance through the cycle with high levels of cash conversion

Q&A

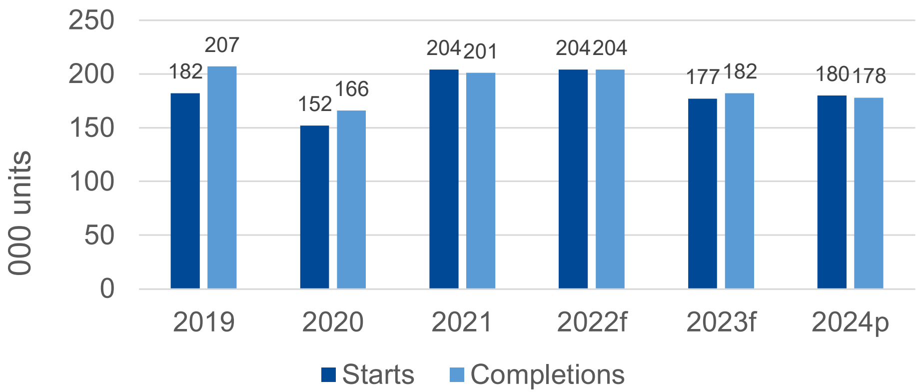
Appendices

Market Performance Residential

Private Housing RMI



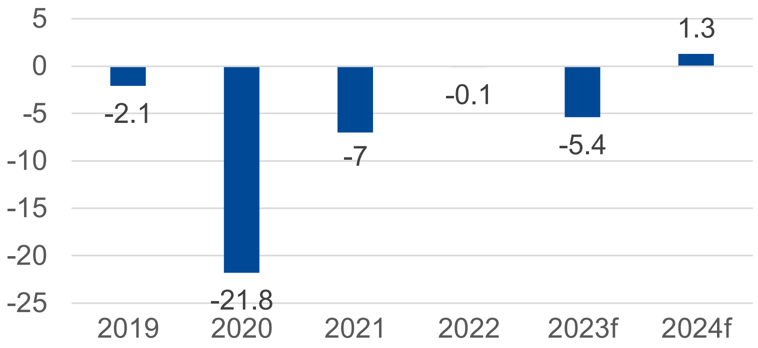
Starts v Completions - Units



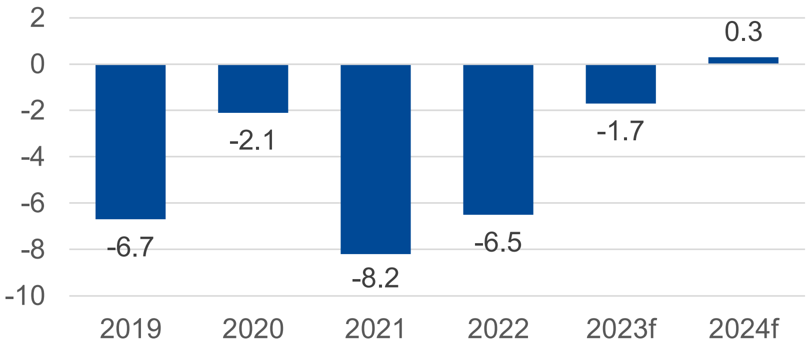
- Following two years of completions significantly outstripping starts, 2021 saw a move toward more sites and plots coming on stream
- Nevertheless, it remained a strong year for completions, particularly in relation to H2B and stamp duty timelines
- Forecast data supported by developer statements shows a continued re-building of WIP and then rebalancing in 2022/3
- 2021 saw the highest level of residential RMI on record, supported by high property transactions, accumulation of savings during lockdown, and lack of expenditure options
- 2022 is forecast to be flat, remaining at these historically high levels

Market Performance
Commercial / Non-Housing

Commercial Construction %Y/Y



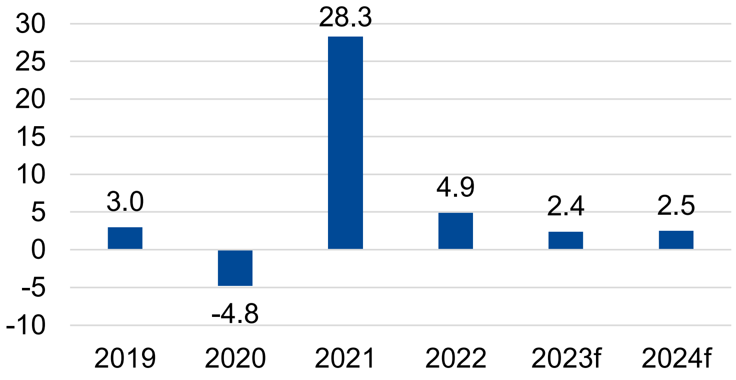
Public Non-Housing %Y/Y



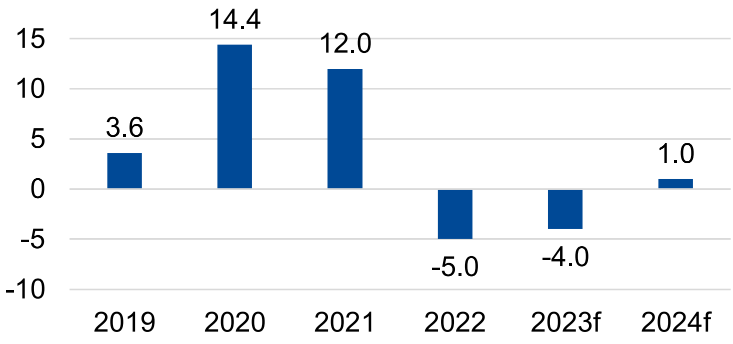
- The commercial sector, has seen some moderate recovery after being the hardest hit during the pandemic, on the back of two prior years of decline
- Structural changes in retail, and offices have shifted the mix of activities toward RMI, and hotel and leisure
- By 2023 the new build commercial sector is expected to remain one of the few sectors below 2019 levels
- The public sector is providing some balance to this contractor base, with education and health both expected to be above 2019 levels during 2022, and the sector more widely being 8.9% ahead of 2019 by end of 2023

Market Performance Infrastructure

Infrastructure % Y/Y



Roads % Y/Y



- Infrastructure has shown rapid growth across key subsectors of rail and utilities
- Roads are also showing ongoing investment, with 2022 forecast at 30% above 2019 levels in 2022
- As ever several marquee projects transform the picture across the sector, HS2, Hinckley Point, Wind Farms and Thames Tidal Tunnel

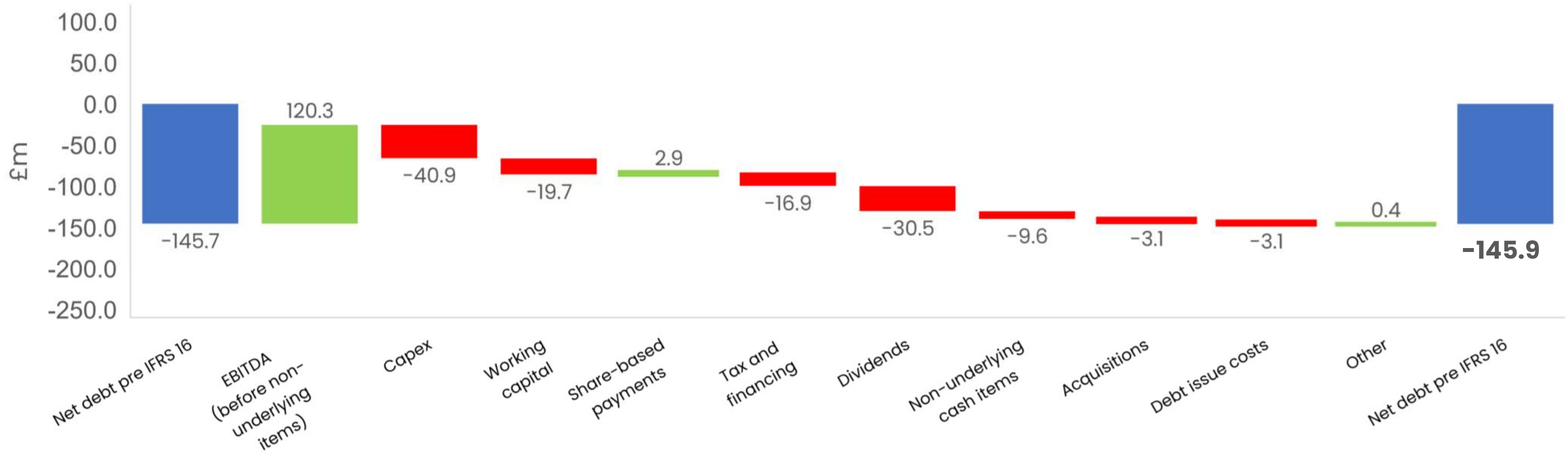
Capital Allocation

Delivering on our priorities

Profitable organic growth	Significant investment levels
Dividends	2.5 x pay-out ratio
M&A	Strategic & financial discipline
Debt	1.0-2.0 x range

Movement In Net Debt

Year end leverage 1.2x



- Delivery of good cash generation remains core to the Group's strategy
- Cash conversion for the year was 64%

New Operating Structure Proforma

Robust revenue growth

£m	2022	2021	Growth
Sustainable Building Solutions	£283.6	£265.4	6.9%
Water Management Solutions	£180.0	£174.8	3.0%
Climate Management Solutions	£158.6	£154.1	2.9%
	£622.2	£594.3	4.7%

Underlying operating profit

2022	%	2021	%	Growth
£59.2	20.9%	£46.1	17.3%	28.4%
£14.1	7.8%	£18.9	10.8%	(25.4%)
£24.9	15.7%	£30.3	19.8%	(17.8%)
£98.2	15.8%	£95.3	16.0%	3.0%