

# Genuit Group plc

## Strategy Progress Update

22 November 2023

A photograph of a blue/green roof in a city center workspace in Manchester. The image shows a dense growth of green plants with small white flowers, growing from a rooftop structure. In the background, a multi-story brick building is visible. The image is split diagonally, with the top half showing the plants and the bottom half showing the building.

Blue/Green Roof, city  
centre workspace,  
Manchester

# Agenda and presenters

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**2:00pm**

Introduction and Welcome

Sustainable Solutions for Growth



Strategic progress  
**Joe Vorih, CEO**



Financial update  
**Tim Pullen, CFO**

Q&A

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**Followed by Drinks**

# Strategic progress



**Joe Vorih,**  
CEO



# Who we are



Genuit today is growth orientated, enabling customers to respond to climate adaptation and mitigation challenges

**3 specific challenges** in the built environment,  
served through **3 business units**

## Climate Management Solutions

- Improving ventilation
- Lower carbon heating
- Increasing energy efficiency

## Water Management Solutions

- Higher capacity drainage and storage for stormwater
- Blue/green urban solutions
- Leading recycled materials

## Sustainable Building Solutions

- Innovative solutions for water supply, heating systems and drainage
- Installation productivity
- Leading recycled materials



Together, we create  
**sustainable living**

# Investing in our people



- Creating a common culture that underpins our purpose
- Genuit Leadership Team (GLT) = top **70** leaders across Group
  - **32%** new hires or internal promotions since November 2022
  - Reflects diversity progress, **29%** female
  - Leadership Development Programme rollout
- Committed to the 5% Club – Earn and Learn programme
- Strategic Partner of the Construction Inclusion Coalition
- Supported by a stronger and more diverse Board



# Sustainable Solutions for Growth

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

**Invest in our people and culture**

# 1

Focus on **higher growth, sustainability-driven** markets



# 1. Focus on **higher growth, sustainability-driven** markets



## **What we said**

Climate change, regulatory tailwinds and customer preferences driving above market growth in our segments





## Where we are now

Shifting emphasis from regulation to **climate necessity** underpins management confidence in market outperformance

### Mitigation

- Built environment = **c.40%** of GHG emissions
- Need to construct using lower embedded carbon solutions
- Operate buildings using lower carbon technology

### Adaptation

- Buildings need to be cooler, with fresh air
- Urban spaces need sustainable water management solutions

1.

# Focus on higher growth, sustainability-driven markets



## Where we are now

Rationale for sustainability-driven solutions increasingly relevant

Genuit ranks **#1** or **#2** in large, attractive markets

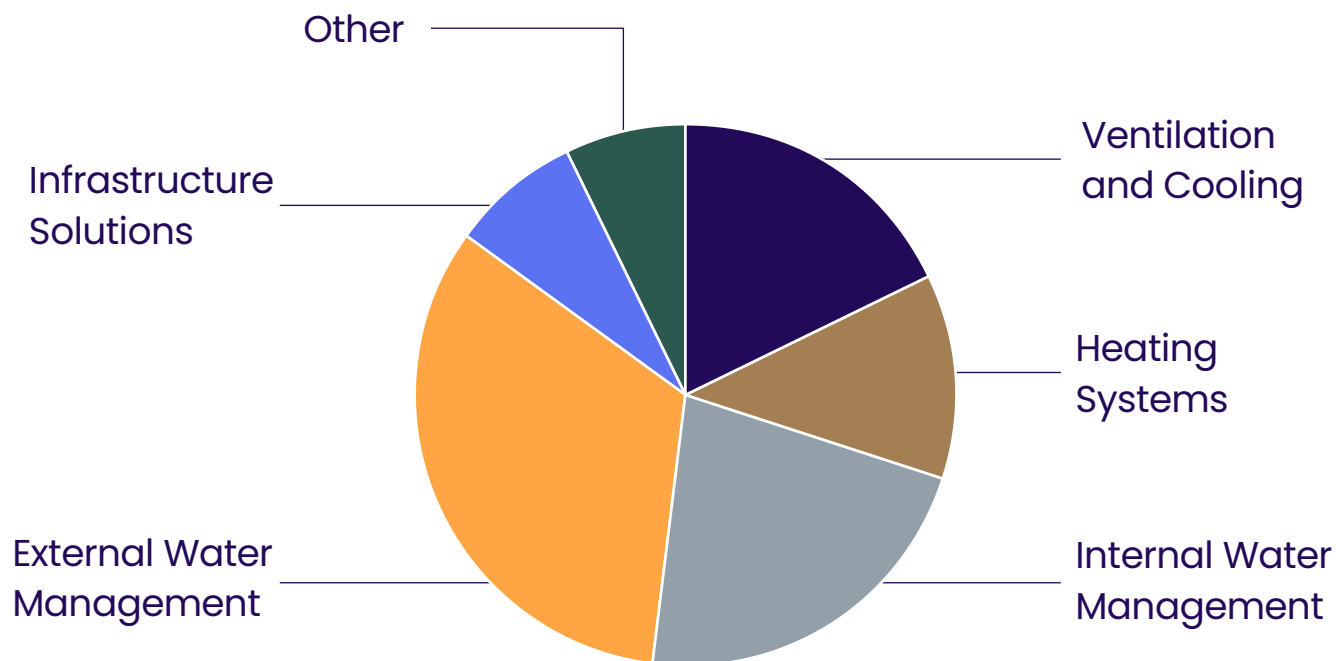
**£2.9bn**

Genuit UK Served  
Addressable Market  
(SAM)

**3.0% CAGR**

SAM projected growth  
rate 2023-27

## 2022 Sales by category



# How we are positioned to deliver above market growth



- Climate change influencing **product design and selection today**
- Regulation, including Future Homes Standard 2025, impacting **portfolio opportunity today**
- Innovative solutions improving **productivity today**



## Where we are now

Climate change  
influencing product  
design and  
selection today

- MRX combines mechanical ventilation heat recovery (MVHR) functionality with cooling capability
- Received **more than £4m in orders** since 2022 launch and active quotations **over £50m**
- Source of low carbon heating & cooling capability, providing fresh healthy air
- Innovations like this are key to our **Vitality Index of 25%**



# 1. Focus on higher growth, sustainability-driven markets

## Where we are now

Regulation, including **Future Homes Standard 2025** impacting portfolio opportunity

**5x\***  
Opportunity value



**20%**  
Carbon  
reduction\*\*

\* Heat Pumps excluded.

\*\* Source: UK Committee on Climate change. Future Home Standard aim is to ensure that new homes built from 2025 will produce 75-80% less carbon emissions than homes built under the current Building Regulations.

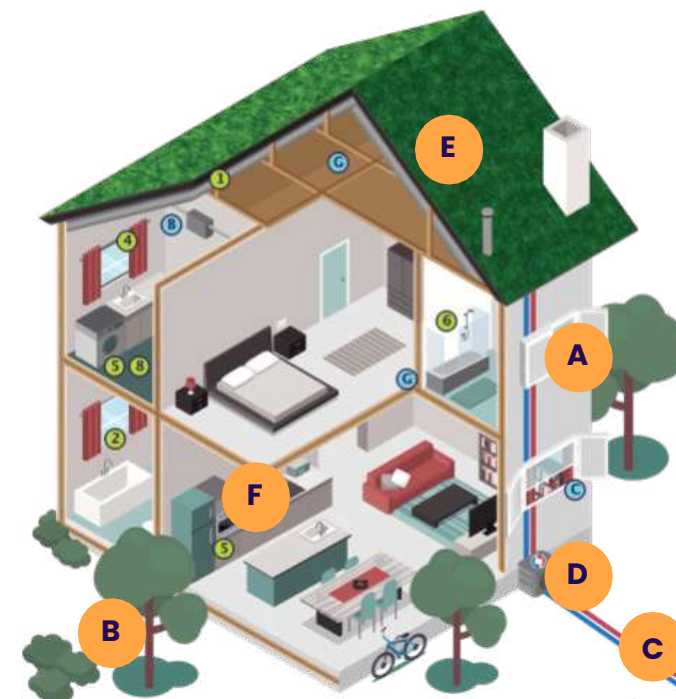
# 1. Focus on higher growth, sustainability-driven markets



**Beyond 2025:  
Opportunity  
grows further**

## Homes of the future

- A** Fresh air and cooling capability
- B** Green spaces with integrated water management
- C** Connection to district heat networks
- D** Low Carbon heating, heat pumps and Infra-red
- E** Green roofs for water storage and cooling
- F** Grey water storage and re-use



**24%**  
Carbon  
reduction\*



## Where we are now

Innovative solutions improving installation productivity

### Nu-Deck from Nu-Heat

- New product development in 2023, addresses challenges of underfloor heating in a **retrofit (RMI)** installation
- Continued tailwinds from subsidy schemes, with increased funding for **heat pump** related installations now in effect





## Where we are now

Innovative solutions  
improving installation  
productivity

### PolyPlumb Enhance

- Launched with patented In-Cert® technology
- The result of over **£5m** investment, targeting growing our share in the **£220m** Plastic plumbing sector
- Customer-driven innovation to improve installation confidence and productivity



# 2

Strengthen position by being **lowest carbon choice** for our customers



## 2. **Strengthen** position by being **lowest carbon choice** for our customers



### **What we said**

- Leverage sustainability leadership for growth
- Remain the champion of the most sustainable building
- Extend our plastic recycling leadership position



## 2. Strengthen position by being lowest carbon choice for our customers

### Where we are now

Driving initiatives to be lowest carbon supplier of choice across all areas

- On track to achieve **2025** sustainability targets
- Green Mark since 2019 with **over 70%** green revenues
- In 2023 **first among UK peers** to have SBTi accreditation
- Will publish Pathway to Net Zero in 2023 Annual Report
- **Largest user of recycled polymers** across European peer group
- Transition from virgin polymers is key pillar of decarbonisation, and fundamental to being lowest carbon supplier of choice



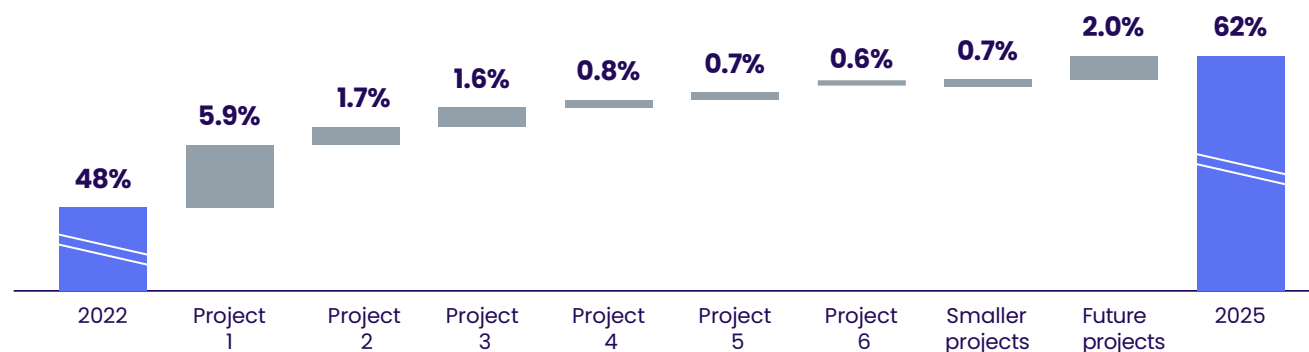
## 2. Strengthen position by being lowest carbon choice for our customers



### Where we are now

Our R&D teams continue to make progress against near term and longer-term targets

### Recycled material projects bridge to 62% content target



- Expect to deliver 2025 target via mechanical recycling
- Investing to capitalise on emerging technologies e.g. chemical recycling and bio polymers
- Pursue “Mass-Out” initiatives to reduce operational carbon via R&D
- Deploying environmental product declarations (EPDs) so that customers can rely on our carbon claims

## 2. Strengthen position by being lowest carbon choice for our customers



### Where we are now

- Construction projects are decarbonised as integral part of companies' net zero commitments
- Customers see commercial value in low carbon propositions, where the alternative is the cost of carbon offsets
- We play a key role in reducing customers' Scope 3 impacts



Over

**1.1 million**

**milk bottles were utilised for  
the site's drainage system**



# 3

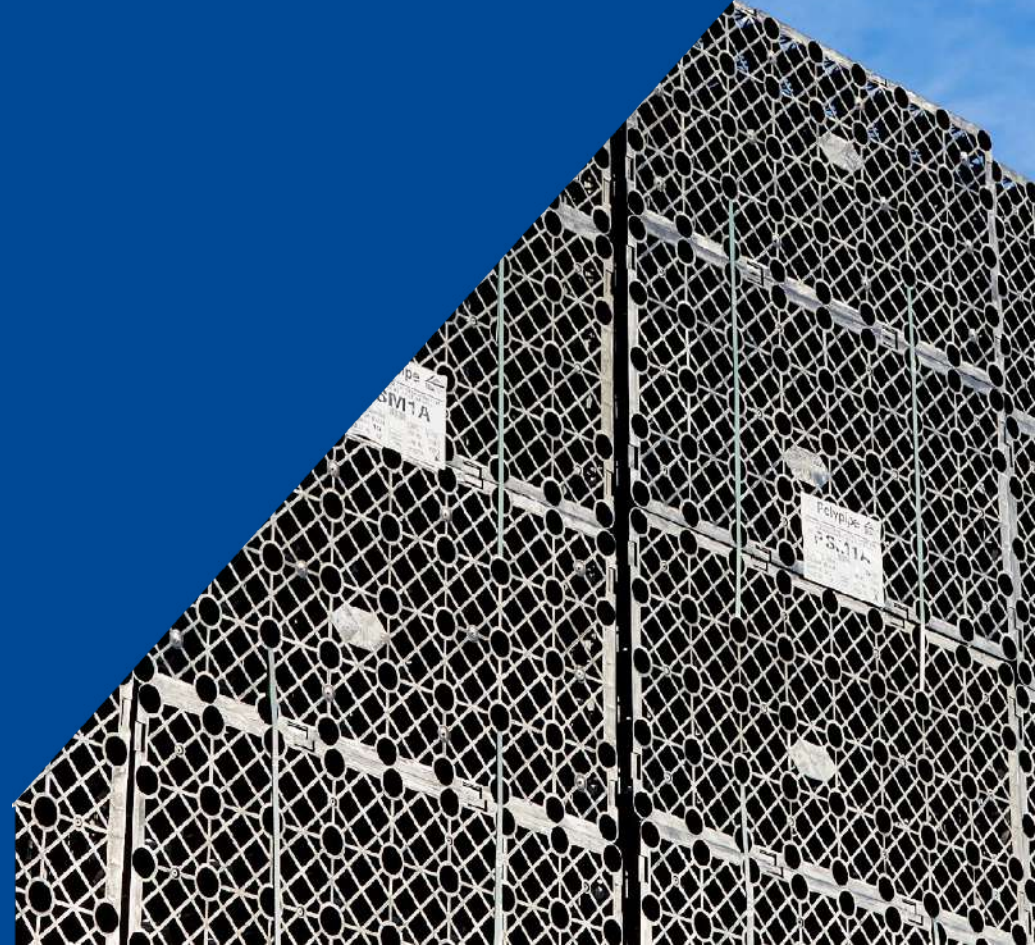
## **Simplify** the Business



### 3. **Simplify** the Business

#### **What we said**

We believe a simplified structure will leverage our larger scale and lower our cost base, while providing greater strategic alignment and a clear focus for growth





## Where we are now

Three business units now well established, each with clearly defined strategies

- Increased economies of scale, via footprint consolidation **without reduction in production capacity**
- Working together better to realise synergies
- Simplification **substantially complete**
- Leverage the Genuit Business System to drive continuous improvement

# £15m

of savings in aggregate announced

Climate  
Management  
Solutions

Water  
Management  
Solutions

Sustainable  
Building  
Solutions



## Where we are now

We have taken steps towards optimising our site footprint without reducing capacity

### 1

#### Closure of Glasgow and Kirk Sandall distribution facilities

- Rationalisation of distribution model within Polypipe Building Products
- Reduced footprint without capacity reduction
- Reduces costs and improves efficiency, while maintaining and improving customer service

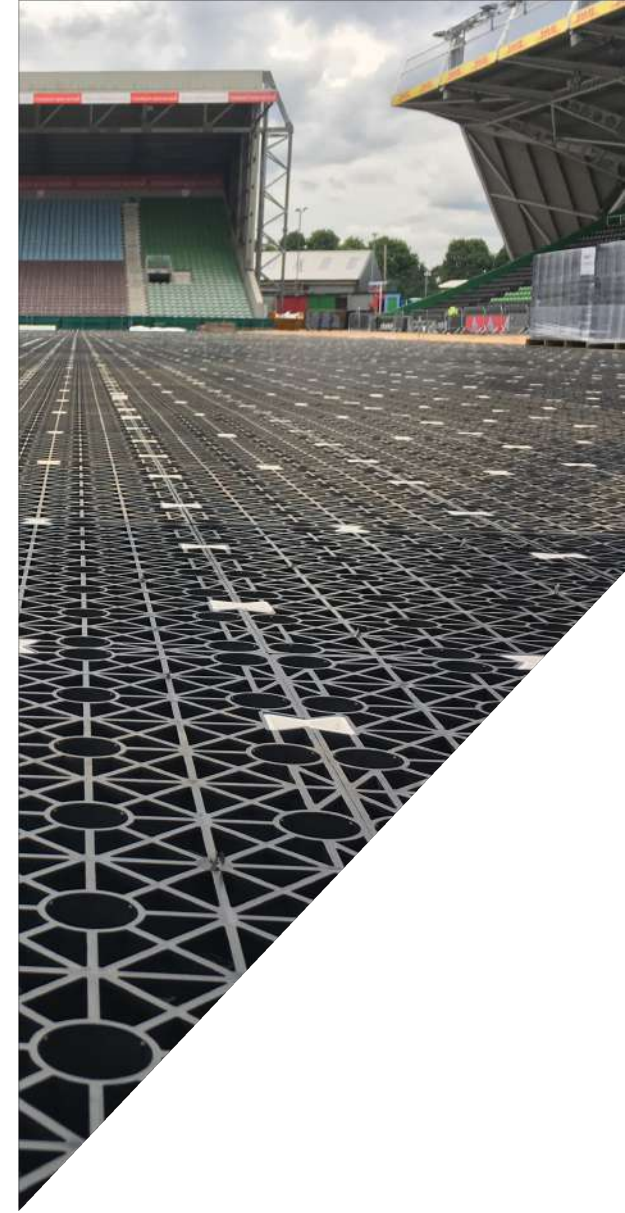
### 2

#### Integration of Surestop business into Adey

- Cost efficiency and growth opportunity
- Expands Surestop's access to channel
- Increased cross-sell opportunities e.g. into merchant channel or Local Authorities

4

Create **Value** through  
Genuit Business System



## 4. Create **Value** through Genuit Business System



### What we said

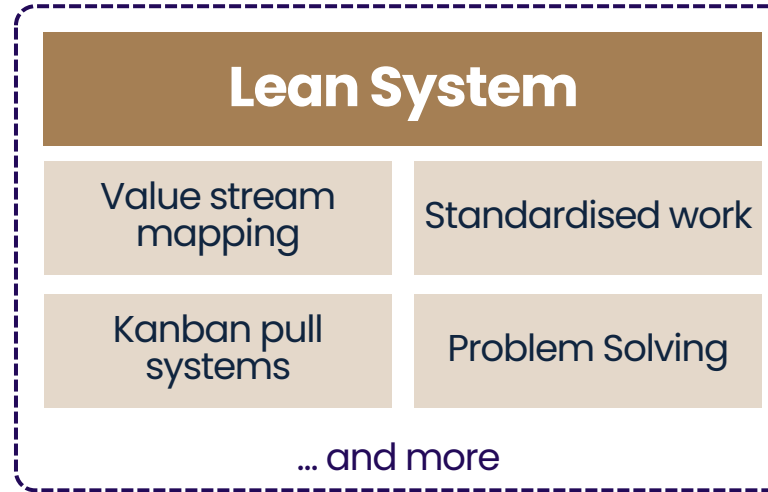
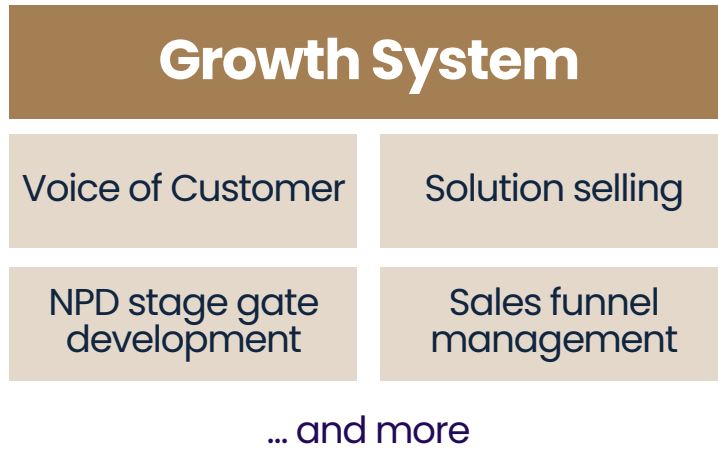
- Genuit Business System is a key enabler for accessing synergy and value creation
- We will use Genuit Business System to standardise processes, share best practice and achieve the benefits of scale



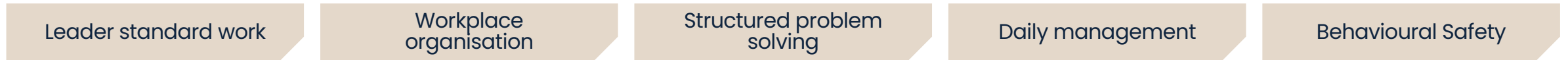
## 4. Genuit Business System – What we are building



### Lean Lighthouse focus



### Foundations



### Guiding Principles



## 4. Create Value through Genuit Business System



### Where we are now

Commenced roll out of Lean Lighthouses at Adey and Polypipe Building Products

- First deployment was a Lean Lighthouse at Adey
  - **25%** productivity improvement on filter assembly
  - **£200k** savings YTD
  - **38%** space saving, assisting site consolidation
- Ability to deploy Genuit Business System will allow us to accelerate cost and revenue synergies from future M&A
- 4 more sites have started Lean journey



# 5

Increase **solution  
capability** via  
growth-enabling M&A



## 5. Increase **solution capability** via growth-enabling M&A



### What we said

M&A plays a key role in portfolio expansion. Collaboration across our businesses enables this portfolio to create real value adding solutions





M&A has a role to play in each business unit

## Climate Management Solutions

- Home of the future product adjacencies
- Low carbon heating and cooling technologies
- Potential for international expansion

## Water Management Solutions

- Portfolio completion around stormwater and wastewater management
- Focus on specification based real value-added solutions
- Potential for international expansion

## Sustainable Building Solutions

- Consolidation and market share growth
- Opportunities to leverage our market access

**Integration experience and GBS improve future M&A synergy**



## Where we are now

M&A is key to expand our portfolio and enable growth via solution sales

- We continue to view disciplined M&A as a key **growth accelerator**
- **Regulatory drivers and emergent technologies** create key M&A opportunities
- We have **expanded our M&A funnel**
- We have the **management capability** and capacity to execute and integrate M&A when timing is right

## Successful M&A record

# Financial update



**Tim Pullen,**  
CFO





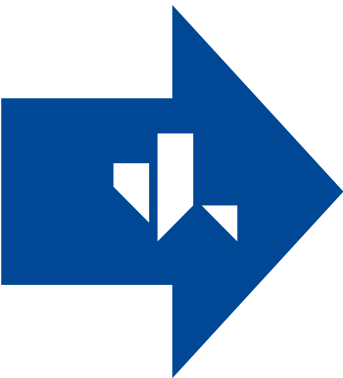
# Key reflections

- Structural market opportunity
- Clear purpose and strategy with sustainability at its core
- Portfolio of great businesses
- High calibre team
- Strong growth prospects
- Opportunity to unlock potential

# Reminder of medium-term targets



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- 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

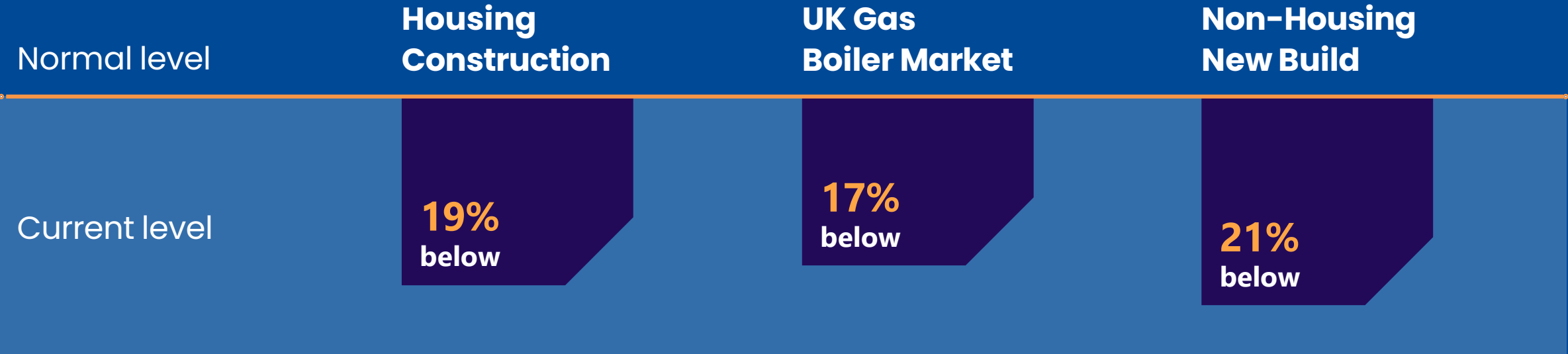


Through cycle growth above UK construction	<b>+2-4%</b>
Operating margin	<b>20%+</b>
Cash conversion	<b>&gt;90%</b>
ROCE	<b>15%+</b>
ESG	<b>Net Zero, SBTs, 5% Club</b>

# Return to normal volumes



Today's market volumes are between 17% and 21% below normal levels – significant opportunity as markets recover



Note: Non-housing defined as Public non-housing, all commercial, and industrial sectors  
Source: CPA, ONS, HHIC and BEAMA  
Compared to 2019

# Operating margin expansion



**20%+ medium-term target**

## **Business Simplification:** annualised cost savings of £15m announced

- Site consolidation
- Reduced overheads
- Mitigates impact of current lower volumes
- No reduction in production capacity



## **Operational Leverage:** return to “normal volumes”

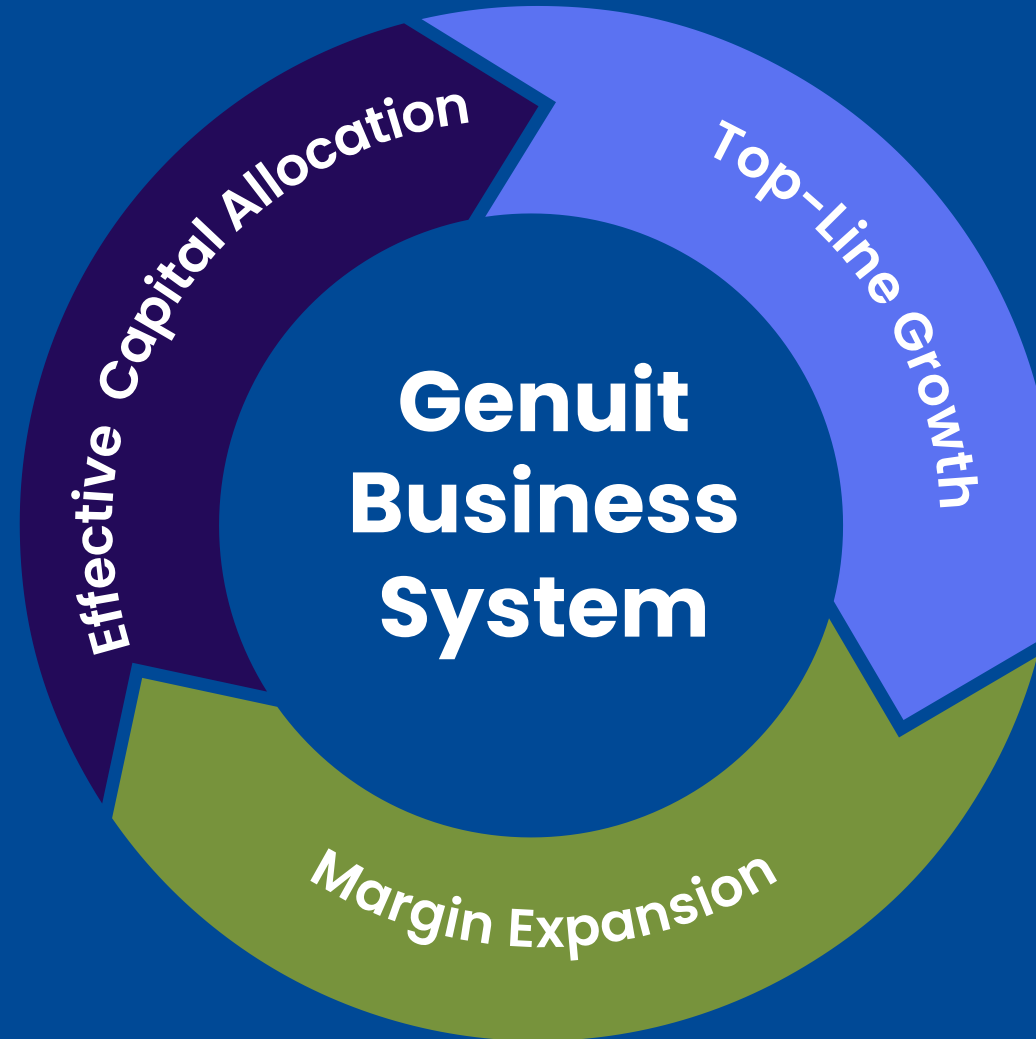
- Strong expected incremental profit improvement from “normal volumes”
- Business simplification actions
- Drop through against leveraged cost base



## **Genuit Business System:** driving operational efficiency

- Embedding lean tools and methodologies for continuous improvement
- 3 ‘Lighthouse Projects’ in progress
- Lean benefits gathering momentum

# Compounding earnings growth



# Summary



**Joe Vorih,**  
CEO



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**Invest in our people and culture**



**We have built the platform and  
are prepared for growth**



# Q&A



