



Genuit Group plc

2023 Full Year Results Presentation

12 March 2024





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Agenda and Presenters



Introduction – Joe Vorih, CEO

Financial Results – Tim Pullen, CFO

Strategic Progress and Outlook – Joe Vorih, CEO

Q&A



Joe Vorih, CEO



Tim Pullen, CFO

Our Business

At Genuit we are enabling our customers to mitigate climate change and adapt to its effects



Climate Management Solutions (CMS)

Addressing the need for clean healthy air and low carbon heating and cooling



Water Management Solutions (WMS)

Driving climate adaptation and resilience through integrated surface and drainage solutions



Sustainable Building Solutions (SBS)

Providing a range of solutions to reduce the carbon content of the built environment



FY23 Key Highlights



- Increase in underlying operating margin (15.8% to 16.0%) despite reduction in revenue of 5.7%
- Strong progress on business simplification – £15m annualised savings now announced, underpinning results
- Deployment of Genuit Business System on a continuous, multi-year basis across the Group
- Significant advancements on pathway to reaching net-zero by 2050
- Balance sheet de-leveraged (1.1x Net Debt to pro-forma EBITDA) to provide optionality
- Announcing progressive dividend policy, to 12.4p per share (2.0x interest cover)



Financial Results









Tim Pullen, CFO

Financial Highlights

Increased margin despite challenging market backdrop



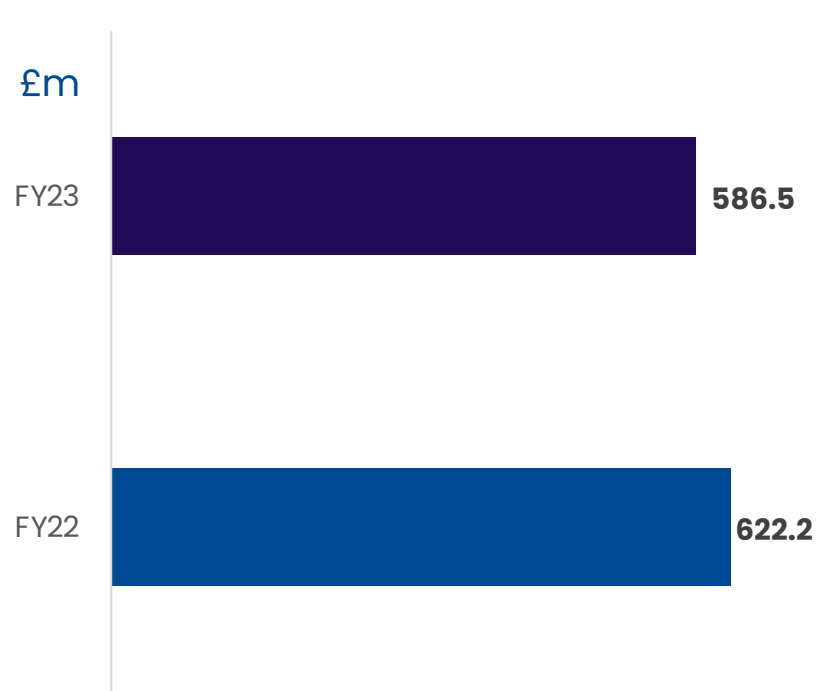
Revenue	EBIT Margin	EBIT	Cash Conversion	DPS	Net Debt
£586.5m	16.0%	£94.1m	87.7%	12.4p	£149m
Down 5.7%	Up 20bps	Down 4.2%	Up 30.3pps	Up 0.1p	Reduced 10.2%
Market headwinds	Improved operational gearing	Volume reduction offset by business simplification	Progress towards 90% target	Delivering shareholder returns	Leverage reduced from 1.2x (Dec 2022) to 1.1x
					



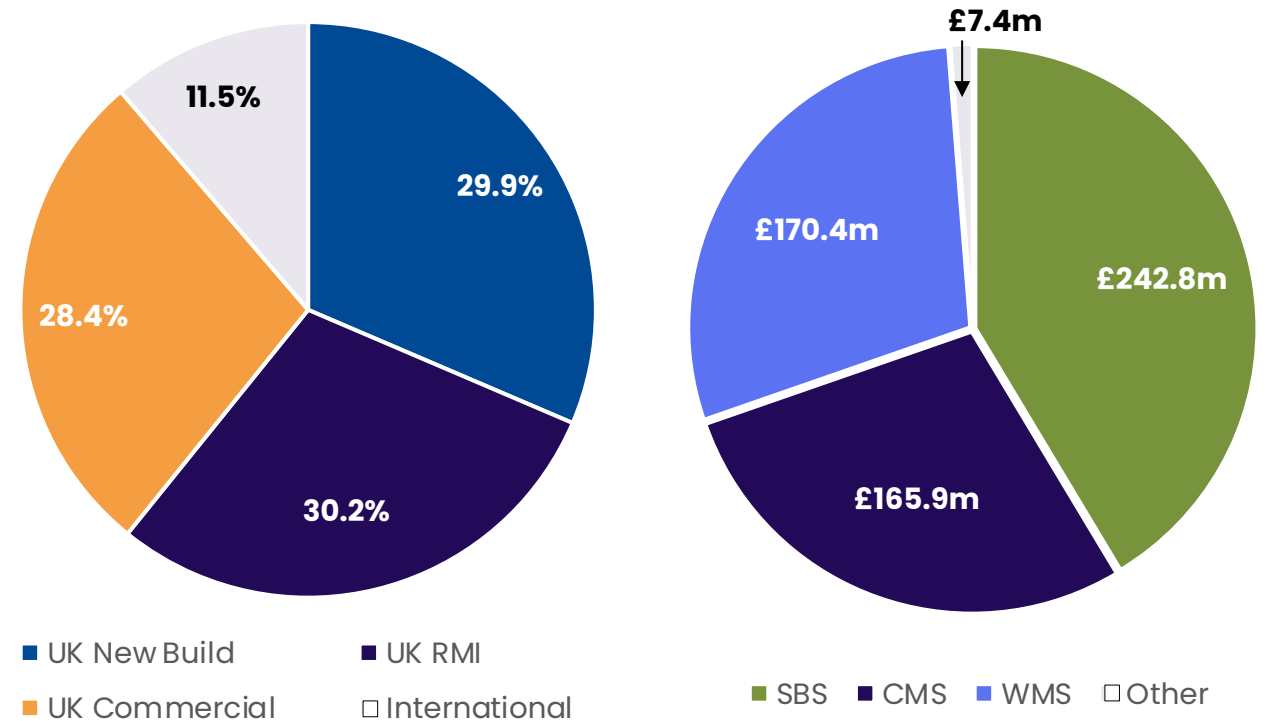
Financial Results – Revenue

Resilience in a challenging market

Group Revenue



FY23 Revenue Breakdown

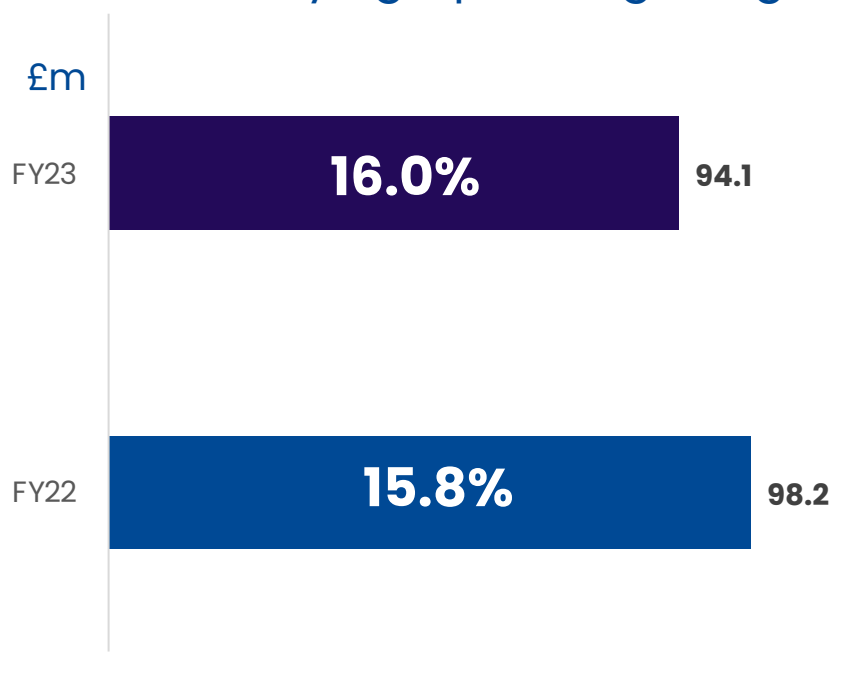


Financial Results – Profit



Proactive cost action increasing margins despite market headwinds

Group Underlying Profit And Underlying Operating Margin



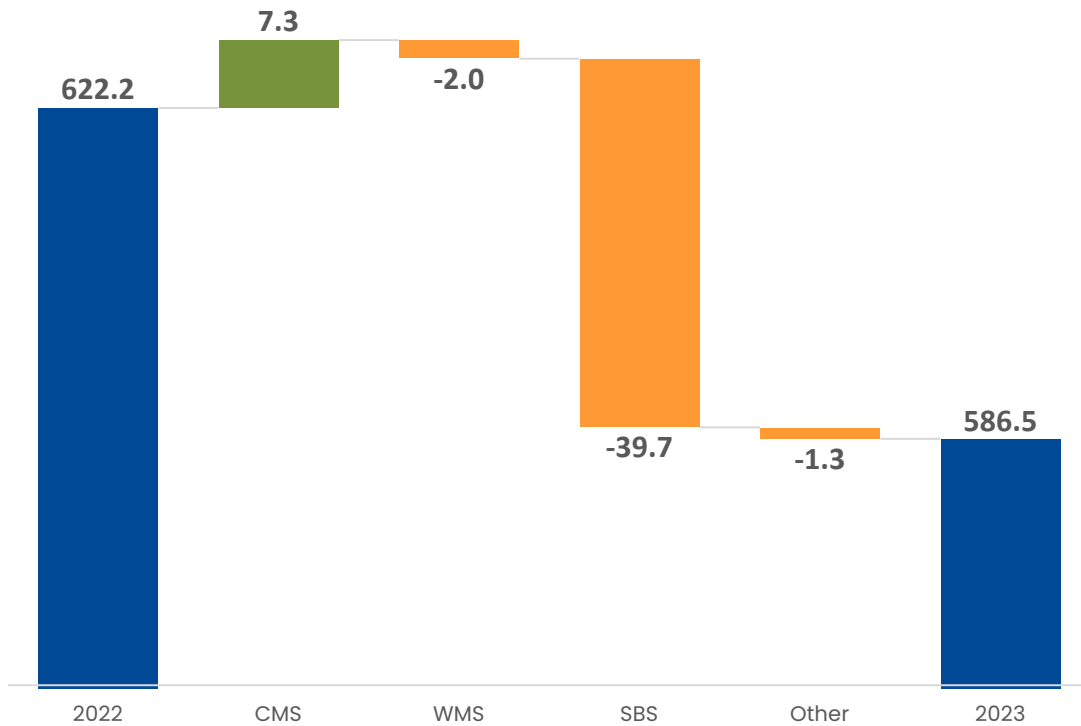
- £15m of annualised savings secured from business simplification
 - £8m announced in 2022
 - Further £7m announced in 2023
- 6 site closures announced in 2023 as part of consolidation activities with no loss of capacity
- Cost inflation now normalising
- ROS increasing from 15.8% in 2022 to 16.0%

Financial Results

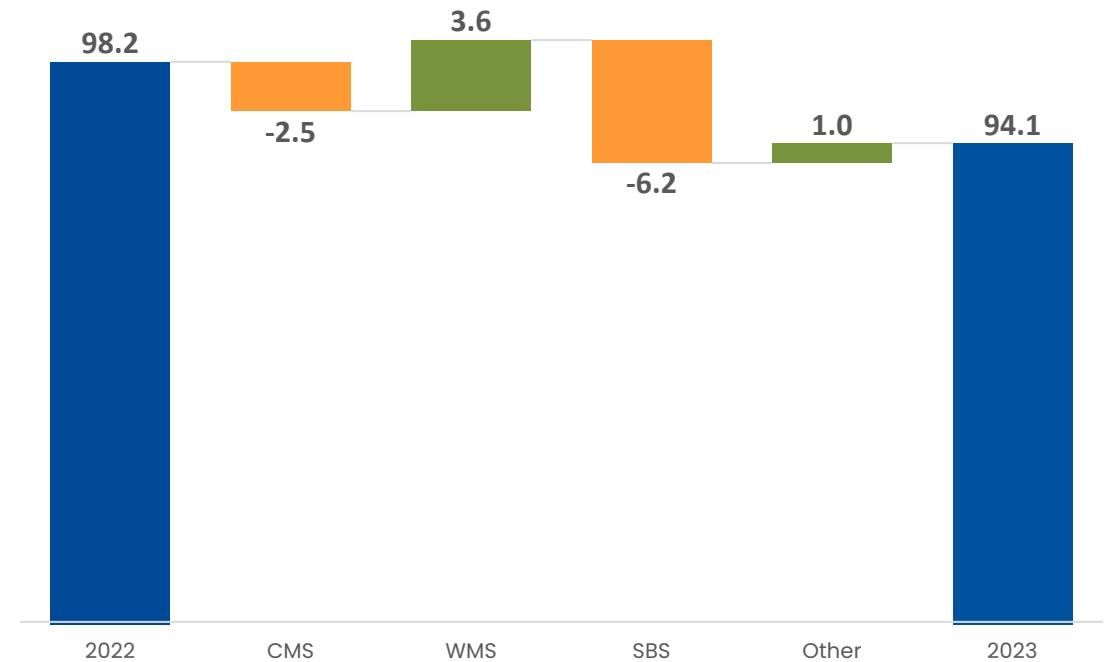
Business Units Overview 2023



Revenue (£m)

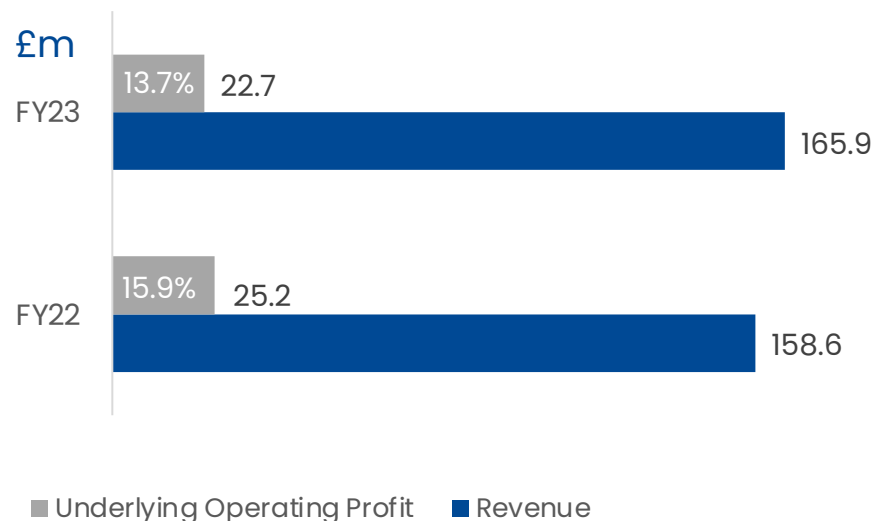


Underlying Operating Profit (£m)



Financial Results

Climate Management Solutions (CMS)

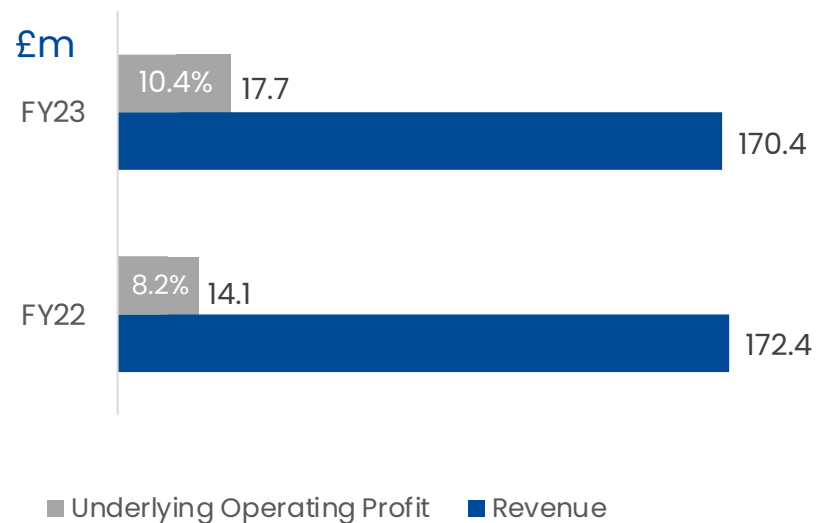


£m	2023	2022	Growth
Revenue	£165.9	£158.6	4.6%
Underlying operating profit	£22.7	£25.2	(9.9)%
Underlying operating margin	13.7%	15.9%	(220)bps

- Revenue growth of 4.6% year-on-year
 - Strong growth for Nuaire in residential ventilation due to structural growth drivers in social housing
 - Continued strength for Nuaire in commercial ventilation
 - Softness in boiler market associated with broader economic conditions affecting Adey filter business
- Underlying operating margin reduced year-on-year, predominantly due to the volume reduction at Adey offsetting operating margin expansion at Nuaire
- Surestop business integration and GBS progress at Adey underpinning confidence in a return to historical margins when boiler replacement volumes normalise

Financial Results

Water Management Solutions (WMS)

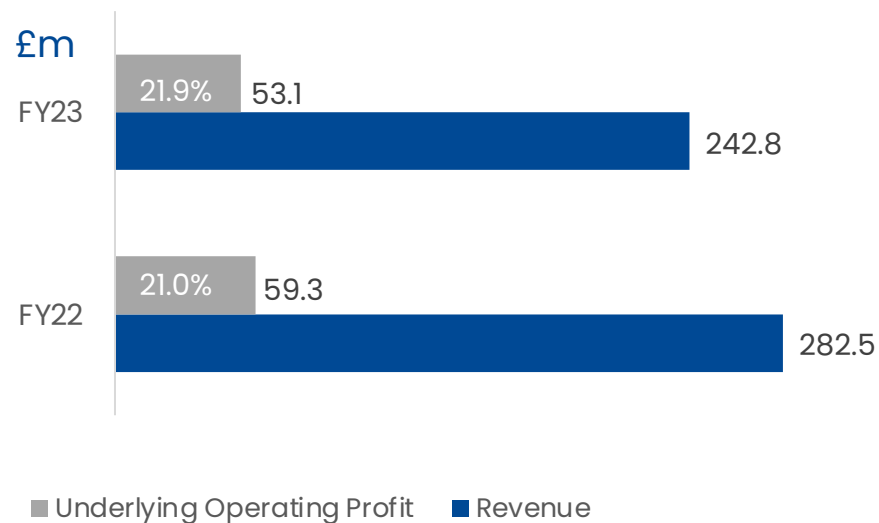


£m	2023	2022	Growth
Revenue	£170.4	£172.4	(1.2)%
Underlying operating profit	£17.7	£14.1	25.5%
Underlying operating margin	10.4%	8.2%	220bps

- Revenue approximately flat year-on-year
 - Strong H2 performance with 2% revenue growth year-on-year
 - Structural growth drivers in climate adaptation
 - Year-on-year growth in international business
- Underlying operating margin improved by 220 bps
 - Two site consolidations announced for completion in 2024
 - No reduction in capacity

Financial Results

Sustainable Building Solutions (SBS)



£m	2023	2022	Growth
Revenue	£242.8	£282.5	(14.1)%
Underlying operating profit	£53.1	£59.3	(10.5)%
Underlying operating margin	21.9%	21.0%	90bps

- Revenue reduction of 14% year-on-year
 - New house building volume decline in line with the market
 - Commercial revenues from building services broadly flat year-on-year
- Underlying operating margin improved by 90 bps
 - Operational footprint consolidation with 3 sites closed or closing
 - No reduction in capacity

Summary P&L



Delivering a strong platform for future growth

£m	2023	2022	Change
Revenue	586.5	622.2	(5.7)%
Cost of sales	(338.7)	(372.1)	9.0%
Gross profit	247.8	250.1	(0.9)%
Gross margin	42.3%	40.2%	210 bps
Selling, distribution and administration costs	(153.7)	(151.9)	(1.2)%
Underlying operating profit	94.1	98.2	(4.2)%
Operating margin	16.0%	15.8%	20 bps
Net finance costs	(13.6)	(7.6)	(78.9)%
Underlying profit before tax	80.5	90.6	(11.1)%
Underlying basic earnings per share (p)	25.2	30.8	(18.2)%
Dividend per share (p)	12.4	12.3	0.8%
Underlying tax rate	22.2%	15.6%	(660)bps

- Underlying operating margin growth to 16.0% (+20 bps) year-on-year despite market-driven softness in volumes
- Volumes circa 15-20% below 'normal' levels (2017 to 2019)
- Operating gearing of the business improved by business simplification
- Higher tax rate and interest rates have adversely affected EPS
- Increasing DPS to 12.4p under new progressive dividend policy

Financial Results

Non-underlying Items



£m	2023	2022	2023 cash impact
Non-underlying items:			
Amortisation of intangible assets	(14.8)	(15.2)	-
Impairment of goodwill	-	(12.0)	-
Impairment of intangible assets	(2.5)	(2.8)	-
Restructuring costs	(15.3)	(9.3)	(10.9)
Profit on disposal of property, plant and equipment	4.7	-	6.9
Contingent consideration on acquisitions	(1.8)	(3.1)	(0.4)
Employment Matters	(2.0)	-	-
Workday configuration (SaaS)	(1.2)	-	(1.2)
Other	0.8	(2.8)	(1.7)
Non-underlying items before taxation	(32.1)	(45.2)	(7.3)
Tax effect of non-underlying items	8.0	5.2	
Total non-underlying items	(24.1)	(40.0)	

- Non-underlying items decreased to £32.1m (2022: £45.2m) before tax
- Non-cash items of £17.3m represent 54% of non-underlying items, including amortisation of £14.8m (2022: £15.2m) and total impairment charges of £2.5m (2022: £14.8m)
- Restructuring of £15.3m in 2023 following six site closure announcements as part of the business simplification
- Proceeds from sale of exited sites of £6.9m

Financial Results

Cashflow



£m	2023	2022	Change
EBITDA (before non-underlying items)	119.8	123.2	(3.4)
Capex	(33.8)	(40.9)	7.1
Leases	(7.6)	(6.2)	(1.4)
Working capital	4.1	(19.7)	23.8
Underlying cash generated from operations	82.5	56.4	26.1
Interest	(13.4)	(3.7)	(9.7)
Taxation	(12.1)	(7.0)	(5.1)
Dividends	(30.5)	(30.5)	-
Net cash flows	26.5	15.2	11.3
Non-underlying proceeds of sale	6.9	-	6.9
Non-underlying cash items	(14.2)	(9.6)	(4.6)
Acquisitions	-	(2.6)	2.6
Debt issue costs	-	(3.1)	3.1
Other	(2.0)	2.1	(4.1)
Decrease / (increase) in net debt	17.2	2.0	15.2

- Underlying cash generated from operations of £82.5m with an operating cash conversion of 87.7% *
- Continued investment in key strategic and innovative projects, taking capital expenditure to £33.8m (2022: £40.9m)
- Working capital improvement in the year was achieved through lower levels of inventory. Stock turns in 2023 improved by 15.1%
- Ongoing commitment to achieving conversion rate of 90.0% over the medium-term

* Operating cash conversion is defined as operating cashflow post capex and lease liabilities (excluding non-underlying cash receipts for disposed assets) divided by underlying operating profit

Financial Results

Capital Allocation



- Continued investment in the business – £34.5m gross capital expenditure in 2023 with a similar level anticipated in 2024
- Continued investment in innovation, with vitality index of 21.5%
- Strong balance sheet provides optionality for strategic M&A
- Focus on achieving over 90% operating cashflow conversion

Maximising value through efficient capital deployment

Organic investment	Investment in innovation, efficiency and sustainability to deliver future growth
Disciplined approach to M&A	Filling portfolio gaps and building value-added solutions
Progressive dividend policy	Balancing growth and shareholder returns
1-2x Net debt to EBITDA	Maintaining a robust balance sheet with headroom for investment

Strategic Progress and Outlook



Joe Vorih, CEO





Together, we create
sustainable living

Our Strategy

Sustainable Solutions for Growth



1. Growth

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



3. Genuit Business System

Create value through lean transformation and operational excellence



2. Sustainability

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



4. People and Culture

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



Significant Progress On Our Strategic Objectives



1. Growth

- Secured revenue opportunities afforded by structural growth drivers
 - Stormwater attenuation
 - Ventilation in social housing
- New product releases
 - MVHR with cooling
 - Nu-Deck
 - PolyPlumb Enhanced
 - SubTerra CT
- Across the Group international revenue increased by 9.8%, representing 11.5% of revenue in the year

2. Sustainability

- Progress on SBTi's and Pathway to net-zero by 2050. Absolute carbon reduced by 33% vs prior year
- Scopes 1 & 2 carbon intensity remained consistent despite challenge of lower volumes
- Recyclate use at c.50% with projects to further increase in 2024
- Retained The 5% Club silver status with pathway to gold

3. Genuit Business System

- Undertook 'lean lighthouse' projects across Adey and Polypipe Building Products and commenced a further project in Horncastle in 2024
- Lean tools and Kaizen methodologies being deployed on a multi-year basis across the Group to drive continuous improvement
- Over 10% of Genuit employees have participated in lean Kaizen events or training so far

4. People and Culture

- Genuit Leadership Team (top c.70) established and Genuit Leadership Programme launched
- DE&I training rolled out for all leaders and diversity of leadership team improved, now with 29% female representation
- Strategic partner of Construction Inclusion Coalition

Note: Absolute carbon includes scopes 1,2 & 3 Cat1

Climate Management Solutions

Well-positioned to benefit from legislative and environmental tailwinds



Key Achievements FY23

- Strong sales growth into UK residential driven by the need for better ventilation in social housing
- Deployment of GBS at ADEY delivered improvements to inventory, productivity, service and capacity
- Successful integration of Surestop into ADEY in H2 2023
- Successful launch of cooling products (Nuaire) and RMI floor construction products (Nu-Heat)

Focus Areas for FY24

- Organic growth opportunities through cross-selling and development of total climate solutions
- Focus on increasing UK heat pump penetration and international growth
- Continued GBS deployment to focus on customer service and inventory improvements



Water Management Solutions

Improved business performance through effective self-help measures



Key Achievements FY23

- Significant improvement towards 15%+ EBIT driven by structural simplification and cost controls
- Site consolidation programme, with no capacity reduction
- Continued growth in Polypipe Middle East, with broader WMS portfolio addressing increasing focus on water usage
- Green Urbanisation offering based on Permavoid continued to gain traction in UK
- GBS deployment commenced at Horncastle site

Focus Areas for FY24

- Organic growth opportunities across green urbanisation and stormwater management
- Focus on higher value-add products to increase margins
- GBS deployment focus on operational layout and workflow to optimise integration activity and improve margins
- Ongoing decarbonisation and recycled polymer use



Sustainable Building Solutions

Strong progress despite challenging market



Key Achievements FY23

- Resilient volume performance against backdrop of low housebuilding
- Site consolidation programme, with no capacity reduction
- Successful launch of PolyPlumb Enhanced range
- Deployment of GBS has contributed to significant uptick in service levels and efficiency gains
- Started supplying underfloor heating to housebuilders ahead of 2025 Future Homes Standard – committed to leading through better solutions

Focus Areas for FY24

- Ongoing organic growth of PolyPlumb Enhanced, Polypipe Advantage and new-build underfloor heating
- Continued multi-year GBS deployment, with focus on workflow optimisation and people development
- New CRM system deployed to enhance sales conversion and account management

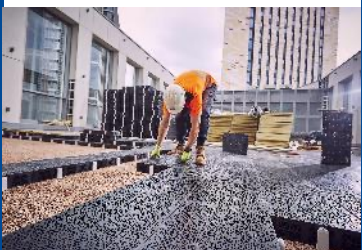


Our Investment Case



Delivering compound earnings growth from sustainability-driven growth markets

Operating in built environment sectors with inherent sustainability-linked structural drivers



2-4%

target through-cycle outperformance of the UK construction market

Differentiated, innovative, low - carbon building products and solutions



66% reduction

in scopes 1 & 2 emissions
Net-zero by 2050

Leading positions across diverse markets, with strong brand recognition



c.20% share of
£3bn UK

served addressable market

Margin expansion potential, including through GBS, lean initiatives and operating leverage



>20%

operating margin target

Opportunity to expand solution offering through strategic acquisitions



Target of
>15% ROCE

Highly cash generative business model, with effective capital allocation



Over
90%

cash conversion target

Outlook



Well-positioned for market recovery

- Trading for 2024 has started in line with our expectations, despite continued market uncertainty
- Current softness in UK construction expected to continue into the year but will vary by end market
 - New housebuilding volumes continue to be challenging
 - Uncertainty in RMI and commercial sectors remains
 - Pent-up demand for boiler replacements continues to grow
 - Penetration of ventilation and stormwater attenuation continues to increase
- We are in a strong position to navigate the near-term market headwinds and benefit from eventual market normalisation
- The Group remains confident in the medium-term sustainability-driven growth drivers



Summary



- Further progress towards our medium-term targets
- Simplification programme nearing completion and Genuit Business System roll out continuing
- Focused on sustainability-driven growth drivers





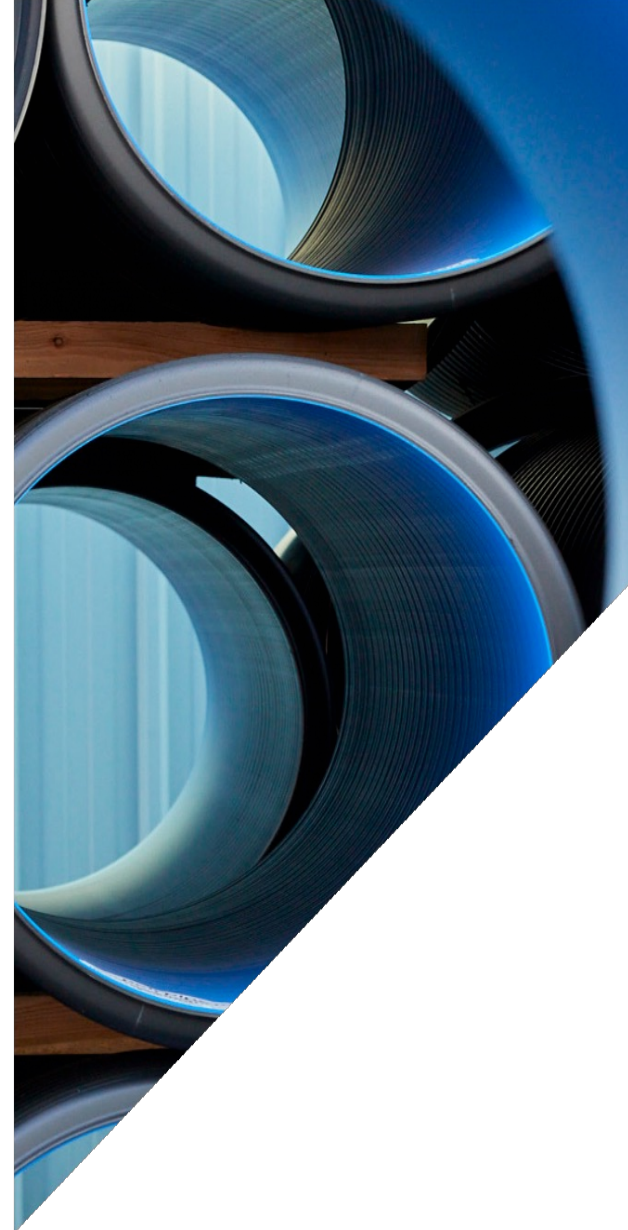
Genuit Group plc

2023 Full Year Results
Presentation
Q&A

12 March 2024



Appendix



Financial Results

Financing



£m	Drawn as at 31 Dec-23	Facility	Headroom
Sustainability Linked Loan	120.0	350.0	230.0
Cash and cash equivalents	(17.0)	–	17.0
Net debt excluding unamortised debt issue costs	103.0	350.0	247.0
Private placement loan notes	25.0		
Unamortised debt issue costs	(2.1)		
Net debt excluding leased liabilities	125.9		
Lease liabilities	23.4		
Net debt	149.3		

Covenant (pre-IFRS16)	Covenant requirement	Position at 31 December 2023
Interest cover (Underlying operating profit – Finance costs excluding debt issue cost amortisation)	>4.0:1	8.2:1
Leverage (Net debt ÷ pro-forma EBITDA ¹)	<3.0:1	1.1:1

- Continued focus in 2023 on liquidity management to limit interest incurred on SLL
- Significant headroom and facility interest cover and net debt to EBITDA covenants were comfortably achieved