Genuit Group plc

2024 Half Year Results Presentation

13 August 2024

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Agenda

Introduction – Joe Vorih, CEO

Financial Results – Tim Pullen, CFO

Strategic Progress and Outlook – Joe Vorih, CEO

Q&A

Joe Vorih, CEO

Tim Pullen, CFO

Key Highlights

- Increased underlying operating margin (15.4% to 16.0%) despite market driven revenue reduction of 10.6%
- Completed 2 site closures in H1 2024 – underpinning the £15m annualised savings previously announced
- Strong underlying operating cash generation of £37.4m, 85.8% cash conversion
- Net debt reduced from 1.3 times to 1.1 times pro-forma EBITDA at 30th June 2024 providing strategic optionality for further M&A
- Completed 2 acquisitions in August - Sky Garden and Omnie & Timoleon
- The Group intends to pay an interim dividend of 4.1 pence per share (2023: 4.1 pence per share)

Market Context

UK construction remains subdued

- Full year declines across new housebuilding starts (11%), commercial construction (3%) and private RMI (3%)*, as well as boiler sales (9%)**
- Excessive wet weather has delayed construction projects in first half
- Continued impact of high interest rate environment

Improving sector outlook, buoyed by structural growth drivers

- Low housing market volumes, but robust prices demonstrate pent-up demand
- New UK Government targeting 1.5 million homes over five years
- Evidence the market is gearing up for the Future Homes Standard 2025
- UK water sector planning 73% increase in spending for AMP8 investment period***
- Improving outlook for commercial construction, with focus on Modern Methods of Construction

* Source: CPA Summer Forecast
** Source: BEAMA/Management Estimate
*** Source: OFWAT

Financial Results

Tim Pullen, CFO

Financial Highlights

Increased margin despite challenging market backdrop

Revenue	EBIT Margin	EBIT	Cash Conversion	DPS	Net Debt
£272.4m	**16.0%**	**£43.6m**	**85.8%**	**4.1p**	**£122.6m**
Down 10.6%	Up 60bps	Down 7.2%	Up 41pps	- 4.1p 2023	Reduced 20.7%
Subdued market	*Continued margin expansion*	*Volume reduction, normalised inflation*	*Progress towards 90% target*	*Delivering shareholder returns*	*Leverage reduced from 1.3x (Jun 2023) to 1.1x*

Summary P&L

Delivering a strong platform for future growth

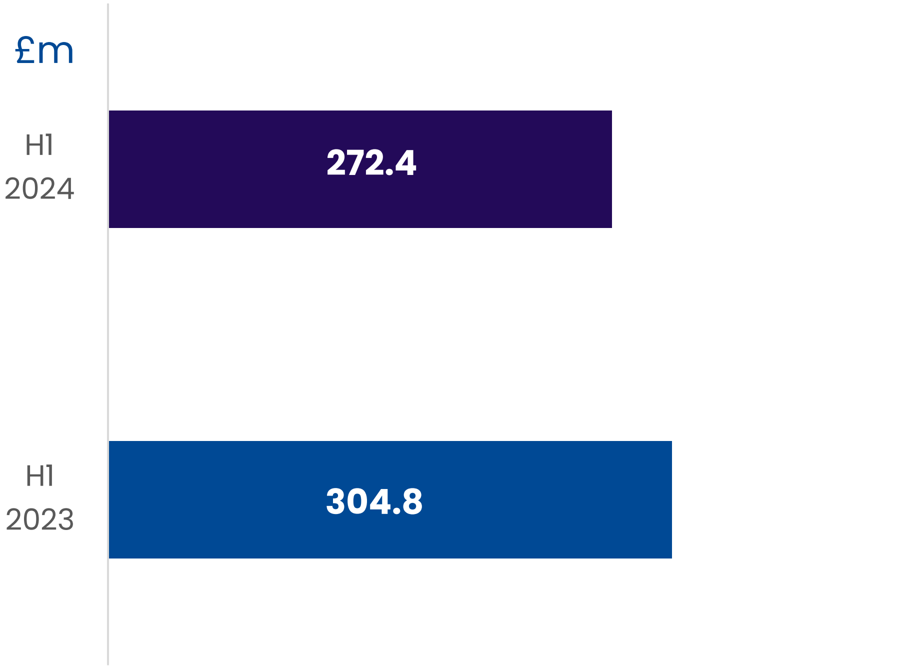
£m	H1 2024	H1 2023	Change
Revenue	272.4	304.8	(10.6)%
Cost of sales	(150.5)	(179.8)	(16.3)%
Gross profit	121.9	125.0	(0.2)%
Gross margin	44.6%	41.0%	360 bps
Selling, distribution and administration costs	(78.3)	(77.8)	(0.6)%
Underlying operating profit	43.6	47.0	(7.2)%
Operating margin	16.0%	15.4%	60 bps
Net finance costs	(6.0)	(6.7)	10.4%
Underlying profit before tax	37.6	40.3	(6.7)%
Underlying basic earnings per share (p)	11.2	12.4	(9.7)%
Dividend per share (p)- interim	4.1	4.1	-
Underlying tax rate	26.3%	22.2%	410bps

- Underlying operating margin growth to 16.0% (+60 bps) and further improved operational gearing
- Business simplification actions and balanced price management in a normalising inflation environment
- Underlying finance costs reduced slightly to £6.0m (2023: £6.7m)
- Interim dividend of 4.1 pence per share (2023: 4.1 pence per share)

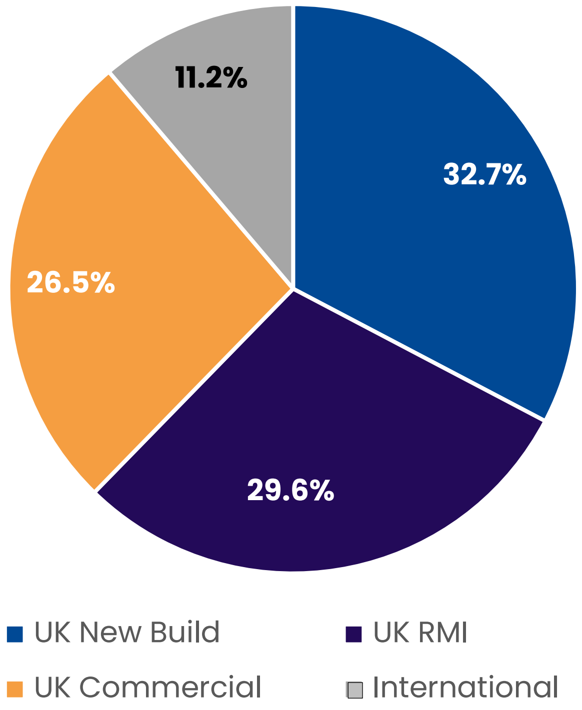
Financial Results – Revenue

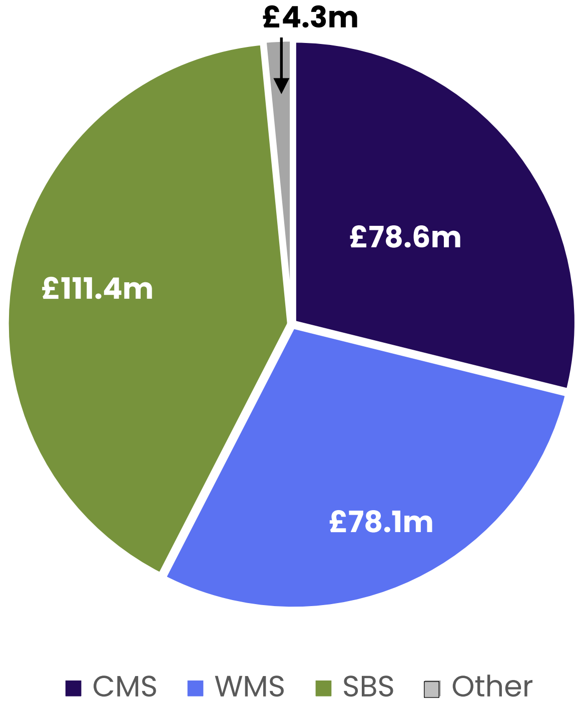
Subdued market conditions in H1

Group Revenue



H1 24 Revenue Breakdown

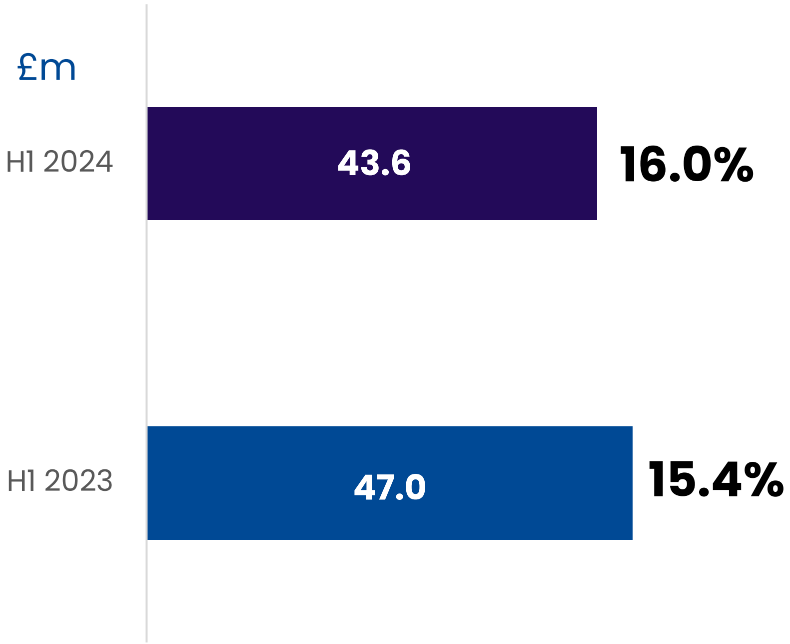




Financial Results – Profit

Completion of the simplification programme and disciplined cost management

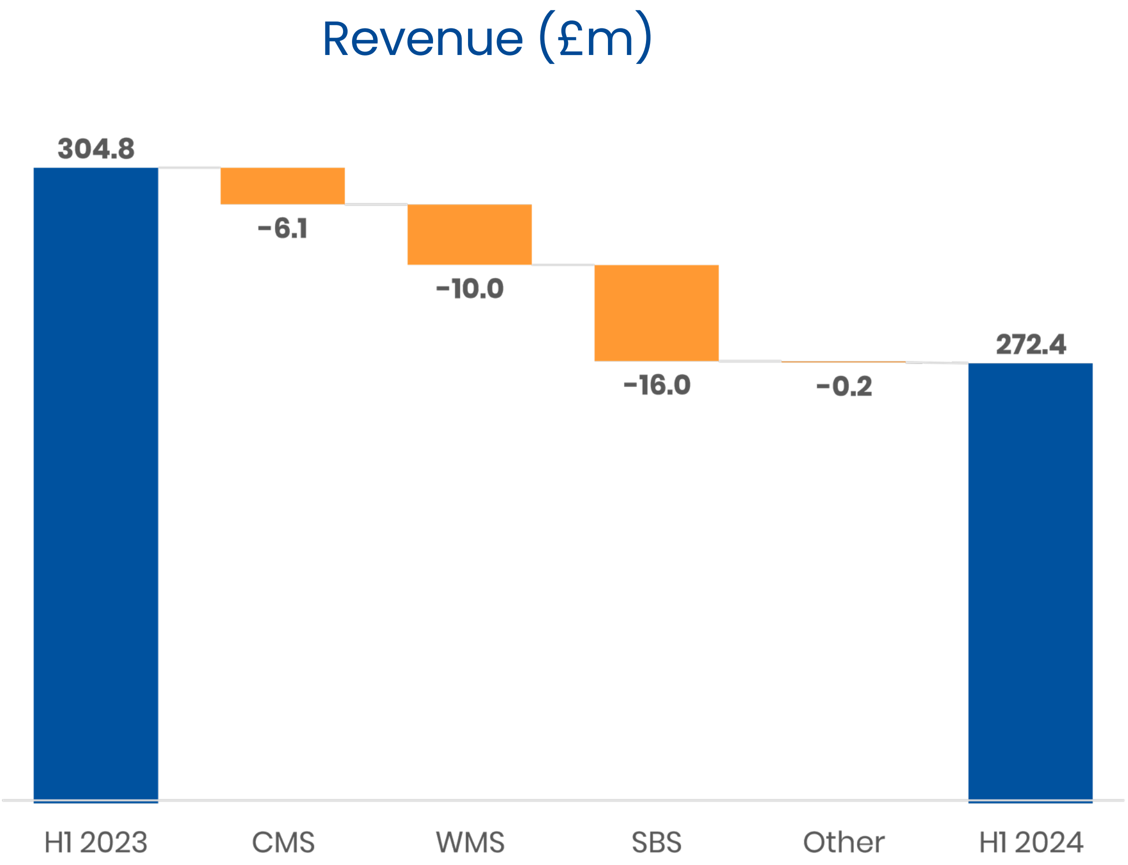
Group Underlying Profit And Underlying Operating Margin

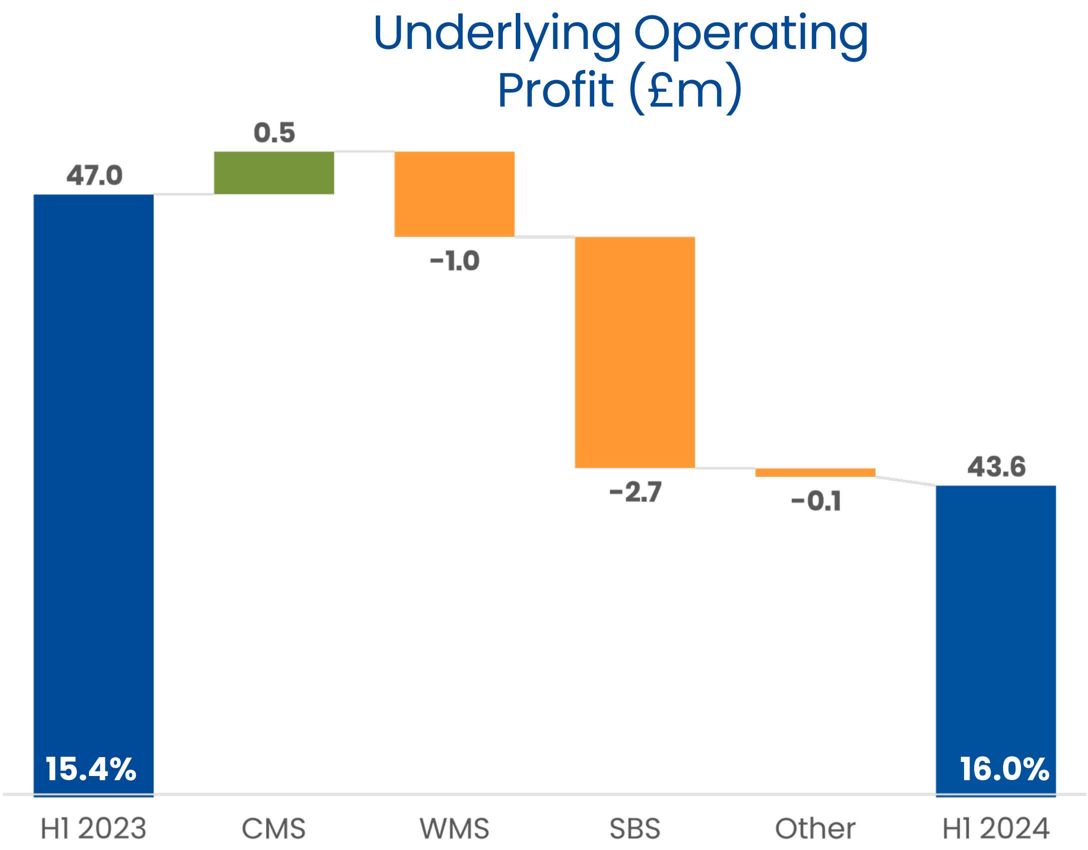


- Underlying operating margin improvement of 60 basis points, despite a reduction in revenue of 10.6%
- 6 site closures completed since 2023 as part of consolidation activities with no loss of capacity
- GBS deployed via Lighthouse Projects within all Business Units; improvements in customer service, efficiencies, and inventory levels gaining traction
- Balanced price management in a normalising inflation environment

Financial Results

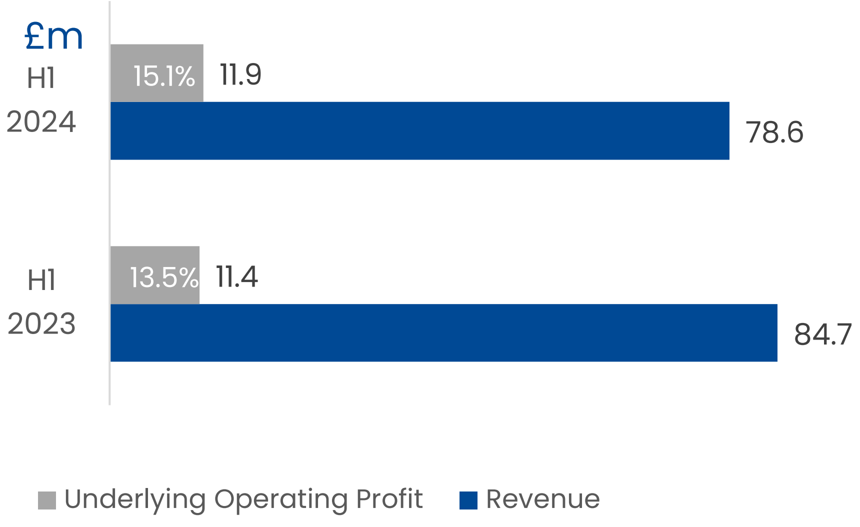
Business Units Overview H1 2024





Financial Results

Climate Management Solutions (CMS)

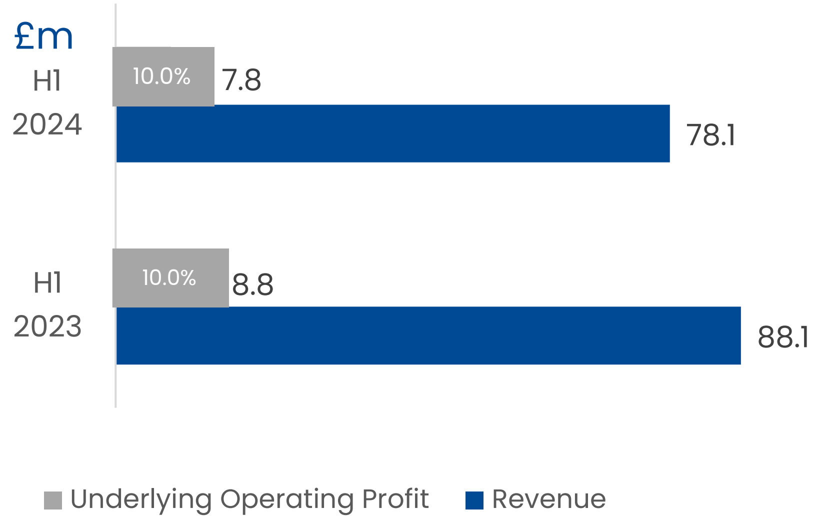


£m	H1 2024	H1 2023	Growth
Revenue	£78.6	£84.7	(7.2)%
Underlying operating profit	£11.9	£11.4	4.4%
Underlying operating margin	15.1%	13.5%	160bps

- Revenue decreased 7.2% year-on-year:
  - Lower market volumes and continued softness in the boiler market affecting sales at Adey
  - Partially offset by growth in residential ventilation sales at Nuaire/Domus
- Underlying operating margin rose 160 basis points following the business simplification actions and GBS improvements at Surestop, Adey and Nuaire

Financial Results

Water Management Solutions (WMS)

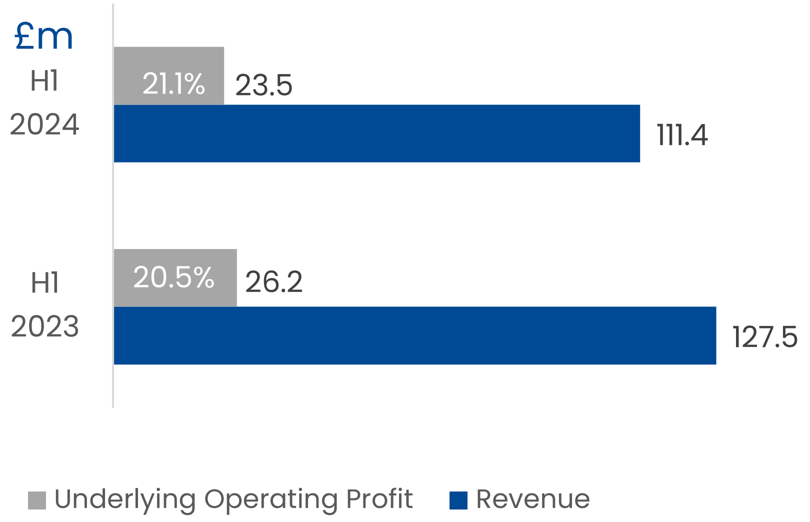


£m	H1 2024	H1 2023	Growth
Revenue	£78.1	£88.1	(11.4)%
Underlying operating profit	£7.8	£8.8	(11.4)%
Underlying operating margin	10.0%	10.0%	-

- Revenue 11.4% lower than prior year:
  - Impacted by wet weather and delayed project starts
- Underlying operating margin flat versus prior year:
  - Improved operating gearing in the context of volume softness
  - The closure of two sites as part of the business simplification programme were completed in H1 2024 with no reduction in capacity

Financial Results

Sustainable Building Solutions (SBS)



£m	H1 2024	H1 2023	Growth
Revenue	£111.4	£127.5	(12.6)%
Underlying operating profit	£23.5	£26.2	(10.3)%
Underlying operating margin	21.1%	20.5%	60bps

- Revenue reduction of 12.6% year-on-year:
  - New house building volume decline in line with the market
  - The RMI market also remained soft
- Underlying operating margin improved by 60 bps:
  - Driven by the impact of business simplification projects
  - Emerging benefits from deployment of the GBS

Financial Results

Non-underlying Items

£m	H1 2024	H1 2023	H1 24 cash impact
Non-underlying items:			
Amortisation of intangible assets	(7.2)	(7.4)	-
Impairment of goodwill	(12.4)	-	-
Restructuring costs	(0.2)	(4.0)	(1.4)
Profit on disposal of property, plant and equipment	1.5	4.1	4.8
Software supplier dispute	(4.3)	-	-
Employment matters	1.2	-	(0.2)
Workday configuration (SaaS)	(0.5)	(1.0)	(0.4)
Other	(0.4)	(2.3)	(0.3)
Non-underlying items before taxation	(22.3)	(10.6)	2.5
Tax effect of non-underlying items	3.0	3.1	-
Total non-underlying items	(19.3)	(7.5)	-

- Non-underlying items increased to £22.3m (2023: £10.6m) before tax
- Non-cash items of £15.9m, including amortisation of £7.2m (2023: £7.4m), impairment of goodwill at Adey of £12.4m and a software supplier dispute provision of £4.0m, plus legal costs
- Proceeds from sale of exited sites of £4.8m

Financial Results

Cashflow

£m	H1 2024	H1 2023	Change
EBITDA (before non-underlying items)	55.2	60.2	(5.0)
Capex	(12.6)	(13.1)	0.5
Leases	(4.9)	(2.8)	(2.1)
Working capital	(0.3)	(23.1)	22.8
Underlying cash generated from operations	37.4	21.2	16.2
Interest	(5.8)	(7.0)	1.2
Taxation	(3.5)	(5.2)	1.7
Dividends	(20.6)	(20.4)	(0.2)
Net cash flows	7.5	(11.4)	18.9
Non-underlying proceeds of sale	4.8	6.1	(1.3)
Non-underlying cash items	(2.3)	(6.4)	4.1
Acquisitions	(8.1)	(0.6)	(7.5)
Other	1.5	0.8	0.7
Decrease / (increase) in net debt (excluding lease liabilities)	3.4	(11.5)	14.9
Leverage (times pro forma EBITDA)	1.1	1.3	-

- Underlying cash generated from operations of £37.4m with operating cash conversion of 85.8% *
- Continued investment with capital expenditure of £12.6m (2023: £13.1m). Expectation of c.£30-35m for full year
- Working capital improvement primarily through improved debtor performance
- Acquisition costs relate to Plura and settlement of deferred consideration
- By the end of the year leverage is expected to reduce to c.1.0x, excluding further M&A

* 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

Strategic Progress and Outlook

Joe Vorih, CEO

Our purpose

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

2. Sustainability

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

3. Genuit Business System

Create value through lean transformation and operational excellence

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	Recent acquisitions expand UFH and blue-green roof presence	MMC project wins with newly launched offerings	Focus on market share gains in H2
2. Sustainability	Carbon intensity maintained despite impact of lower volumes	Recycled materials formed 51.2% of polymer inputs (2023: 48.4%)	Increased output rate of Environmental Product Declarations six-fold
3. Genuit Business System	Successful projects on workstream and maintenance at Horncastle	Over 30% output improvement at Nuaire after efficiency workshop	Over 400 Genuit employees have now participated in GBS training
4. People and Culture	Launched the Genuit Trademark Behaviours across the Group	Expecting to be awarded Gold Status by The 5% Club	Award nominations for progress in D&I and green manufacturing

Climate Management Solutions

Well-positioned to benefit from legislative and environmental tailwinds

Key Achievements H1 24

- Continued growth in residential market sales partially offsetting project delays in commercial markets
- Nu-Heat underfloor heating business resilient in the context of a weak new-build and RMI market
- Relocated Adey's Manchester water testing lab to a purpose-built facility providing scale to grow

Focus Areas for H2 24

- Cross-selling total climate solution offering
- Ventilation sales in social/rental housing
- Development of Adey international strategy
- Continued GBS deployment to focus on customer service and inventory improvements

Omnie & Timoleon acquisition

Leader in manufacture, design and supply of underfloor heating

- Based in Exeter, Devon and Lomza, Poland
- Compelling opportunity to extend UFH offering within CMS across both new-build and retro-fit markets
- Expands product portfolio with market-leading UFH board technology
- Complementary to existing Nu-Heat and Polypipe UFH businesses
- Attractive market segment with significant future growth potential associated with the Future Homes Standard 2025

Cash consideration: £2.7m
Annual revenue: c.£8.0m
Employees: 90

Water Management Solutions

Improved business performance through effective self-help measures

Key Achievements H1 24

- Closure of two sites as part of the business simplification programme completed
- Improved operating gearing in the context of volume softness
- Launched the Horncastle lean lighthouse with Value Stream Map and Total Preventative Maintenance kaizen events

Focus Areas for H2 24

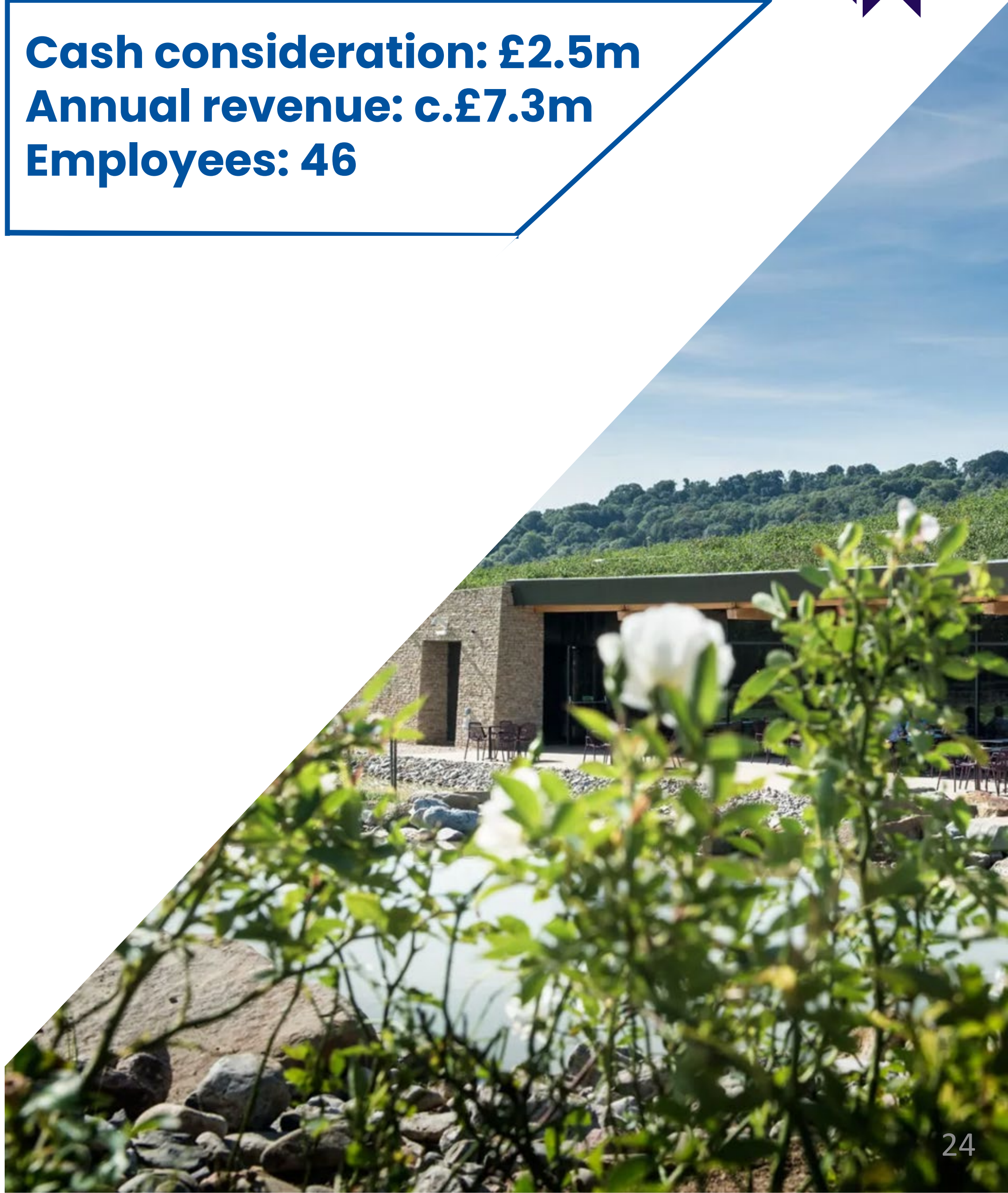
- Water utility sector strategy development
- Continued focus on specification sales
- GBS deployment to optimise integration benefits
- Pursue growth synergies in green urbanisation

Sky Garden acquisition

Leader in blue green roof technologies

Cash consideration: £2.5m
Annual revenue: c.£7.3m
Employees: 46

- Based in Tewkesbury, Gloucestershire
- Compelling opportunity to extend the Group's blue green roof offering within WMS
- Complements and provides additional route to market for Permavoid, and expected synergies with Keytec
- High-growth market worth c.£300m in the UK, with annual growth of over 15% due to rising need for urban greening and biodiversity net gains



Sustainable Building Solutions

Strong progress despite challenging market

Key Achievements H1 24

- Resilient volume performance against backdrop of low housebuilding
- Site consolidation programme completed
- Successful launch of PolyPlumb Enhanced and MecFlow
- Continued deployment of GBS lean tools to all parts of the Business Unit generating service and efficiency gains
- Underfloor heating fitted as “designed in” standard with several housebuilders ahead of 2025 Future Homes Standard

Focus Areas for H2 24

- Volume roll out of underfloor heating with major housebuilders
- Polypipe Advantage solutions
- Focus on market share gains
- Sales efficiency improvements enabled by new CRM

Genuit Business System

Driving production efficiency at Nuaire through a continuous improvement approach

nuaire

A four-day kaizen workshop was held at Nuaire's Caerphilly site to identify ways of improving the efficiency of the manufacture of its XBC heat recovery units to support significant volume growth over the medium term.

Actions implemented

- Introduction of daily visual management & performance dashboards
- Improved line balancing, organisation and mistake proofing to improve safety, efficiency and reduce errors
- Investment in new tooling to improve quality & efficiency

Outcome

c.30% improvement in efficiency on targeted production line after a week - increase from 8-9 units produced daily to 12

Outlook

- Market expected to remain subdued during H2, with a backdrop of low volumes of new housebuilding, softer commercial construction sector and an RMI market that has been waiting for interest rate reductions
- Despite this, the Board expects underlying operating profit to remain in the range of analyst forecasts*
- The acquisitions of Sky Garden and Omnie & Timoleon will increase H2 2024 revenue by £6-7m, without a material impact on adjusted operating profit
- Genuit remains well positioned for market recovery, with UK Government policy and reducing interest rates expected to stimulate the construction sector
- The Group has improved operational gearing and has at least 20% available capacity within the current operational footprint, providing confidence in the achievement of medium-term profit targets as volumes grow

* Company compiled consensus range for FY24 underlying operating profit is between £92.1m and £96.0m

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