

An aerial photograph of a suburban neighborhood with several large houses, green lawns, and trees. A winding road runs through the scene. The image is partially covered by a teal diagonal overlay on the right side, which contains the title and company information.

Healthy air, sustainably

volution

Volution Group plc
Interim results to 31 January 2022

Agenda

- » Overview
- » Financial Review
- » Business Review and Strategy
- » Summary and Outlook
- » Q&A



Ronnie George
Chief Executive Officer



Andy O'Brien
Chief Financial Officer



Ronnie George – CEO

Overview

Interim results to 31 January 2022

Testing facility, Löberschütz, Germany

H1 2022 summary

Early and decisive action on supply chain management and pricing delivers strong revenue and profit growth

Strong growth

Revenue

+13.6%

£149.6m

Adjusted operating profit

+15.0%

£31.9m

Reported profit

+46.0%

£23.3m

Strategic investment in inventory and acquisitions – balance sheet remains strong

Cash conversion

50%

(H1 2021: 105%)

Acquisition spend

£24.4m

(H1 2021: £37.7m)

Leverage

1.2x

(H1 2021: 1.4x)

Value creation for shareholders

Earnings per share

+15.8%

11.7p per share

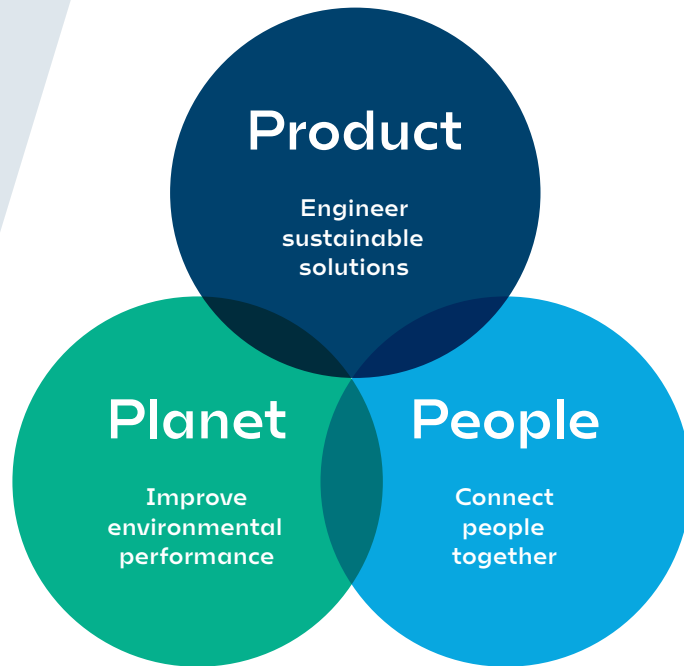
Interim dividend

+21.1%

2.3p per share

Our Sustainability strategy

Progress with our sustainability initiatives



Our Sustainability strategy

We are committed to a low-carbon future with the health and wellbeing of people and the planet at its core

KPI – product

Product

Engineer sustainable solutions



Target **70%** of our sales revenue from low-carbon products by the end of 2025



- Low-carbon revenue streams are growing fastest.
- Recent acquisitions are low-carbon focused
- Regulatory drivers continue to support sales of low-carbon products.



ClimaRad Ventura Heat Recovery unit



New Part F and Part L of the UK Building Regulations published December 2021

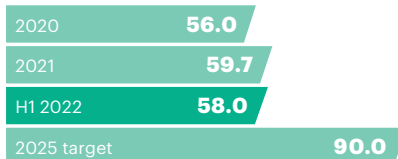
KPI – planet

Planet

Improve environmental performance



Target **90%** of the plastic that we process in our own factories to be from recycled sources by the end of 2025



- The start of H1 2022 was problematic for the supply of materials most notably recycled PVC leading to a lower participation of ducting within the total mix.
- Exited H1 2022 with significant increase in utilisation rates of recycled ABS, HIPs and PVC.
- Further planned initiatives to address the balance of material types.



KPI – people

People

Connect people together

Target **zero** reportable accidents

- In the first half of 2022 we have advanced our people reporting framework and agreed a range of new KPIs that will be introduced in the 2022 Annual Report and Accounts.
- Six reportable accidents in H1 2022. Reportable incident frequency rate of 0.22 per 100,000 hours worked (FY21: 0.20).
- New Group head of HR appointed (starts 1 March).



Team at Inventer, Germany





Andy O'Brien – CFO

Financial Review

Interim results to 31 January 2022

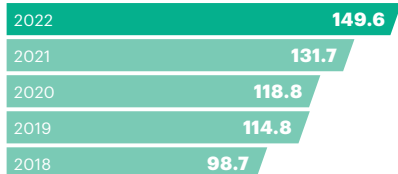
Aluminium plate production, Bitola, North Macedonia

Financial highlights

Revenue £m

£149.6m

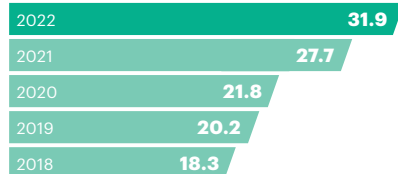
+13.6% +16.9%cc



Adjusted operating profit £m

£31.9m

+15.0%



Adjusted operating profit margin %

21.3%

+0.2pp



Adjusted EPS pence per share

11.7p

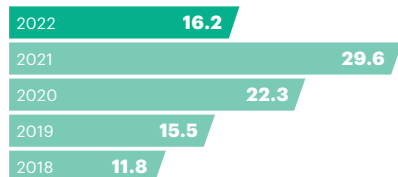
+15.8%



Adjusted operating cash flow £m

£16.2m

-45.2%



Leverage

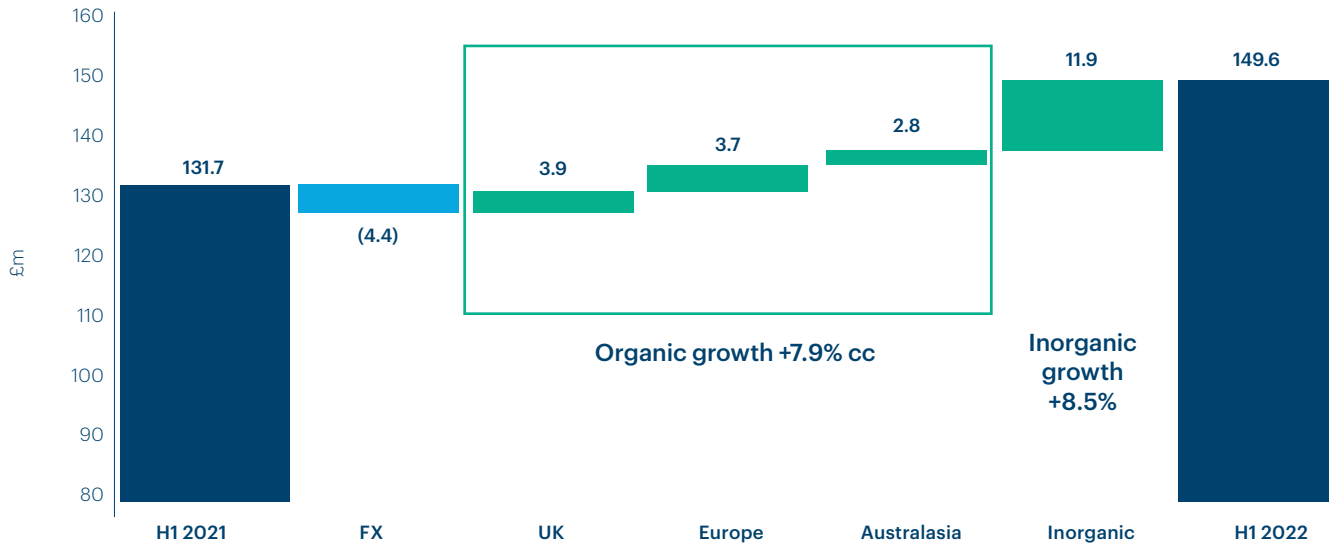
1.2x



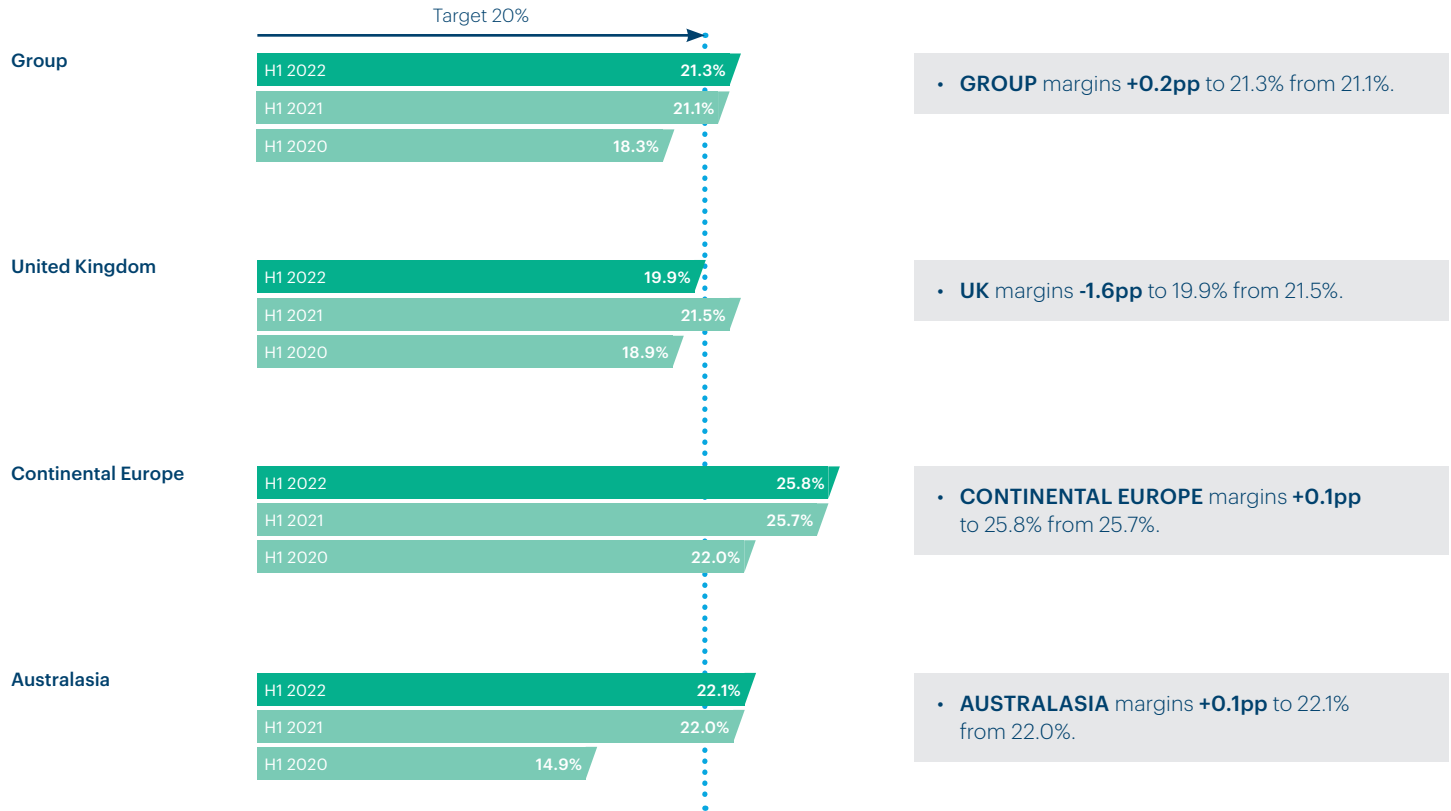
Revenue

Revenue growth 13.6% (+16.9% at cc)

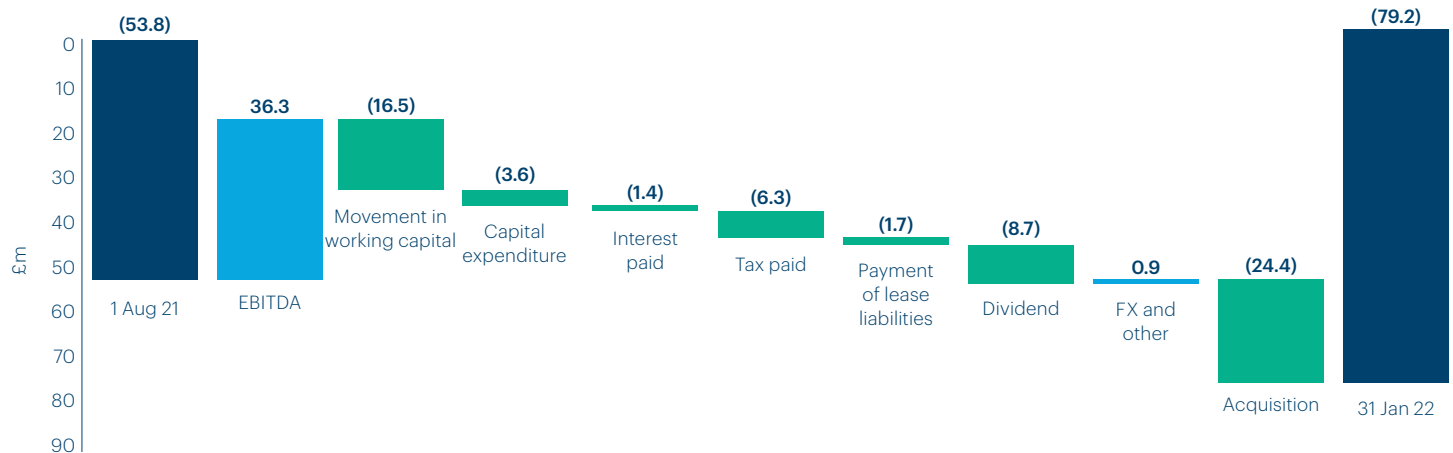
Organic revenue growth 5.1% (+7.9% at cc)



Group operating profit margin up 0.2pp to 21.3%



Net debt and cash flow



Cash conversion 50%, leverage 1.2x, available liquidity £70.8 million

Net debt excluding lease liabilities.



Injection moulding, Reading, UK

Ronnie George – CEO

Business Review and Strategy

Interim results to 31 January 2022

Operating segments

United Kingdom



Continental Europe



Australasia



% of Volition Group revenue (by segment)



United Kingdom (46.7%)

£69.8m (+5.8% cc)



Continental Europe (38.4%)

£57.4m (+34.7% cc)



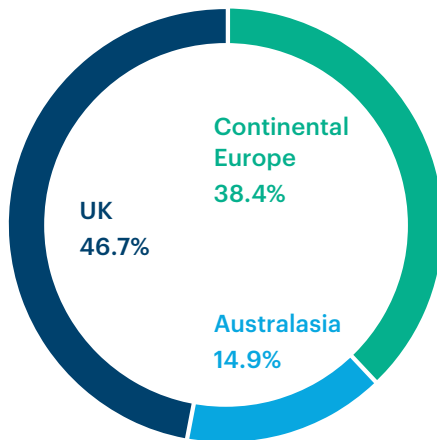
Australasia (14.9%)

£22.4m (+13.8% cc)

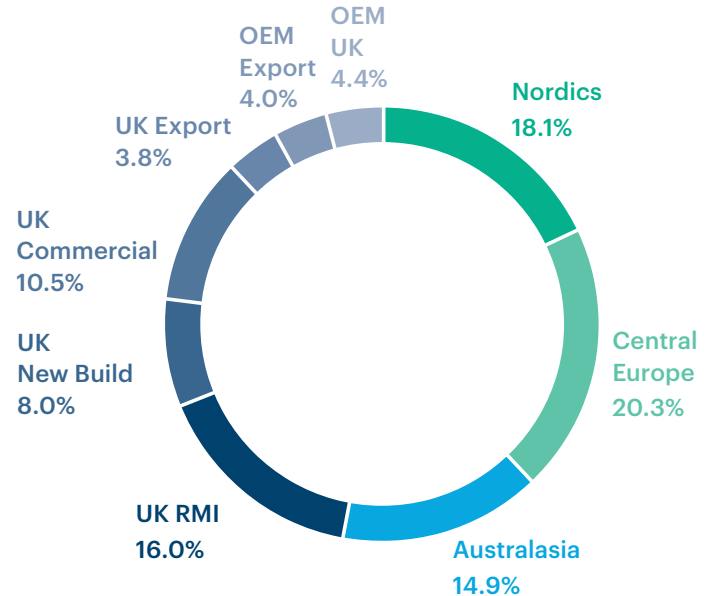
Continued geographic diversification

Non-UK revenue 53.3% of Group (H1 2021: 49.5%)

% of Volution Group plc revenue



% of Volution Group plc revenue (by sector)





% of Volution Group plc revenue

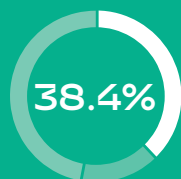
- Revenue grew by 5.0% (5.8% at cc) with adjusted operating profit of £13.9 million, a slight decrease on the prior year.
- Operating margin decline to 19.9% (H1 2021: 21.5%) due to unprecedented cost inflation with price rises not fully materialised until later in the period.
- Residential RMI revenue of £23.8 million, up 9.3% on strong prior year comparator. Particularly pleasing strong demand and outlook in social housing refurbishment and continued good progress with premium upselling in the private market.
- Revenue decline of 5.2% in Residential New Build, with site delays and product call off push backs in the first half. Second half of the year has started well. New exclusive account win with a top five housebuilder, revenue to commence in Q4 2022. Regulatory changes to Part F and Part L are helpful and as expected.
- As anticipated commercial revenue growth of 7.5% underpinned by a strong project order book for offices; order book in education sector has been weaker. Good refurbishment demand due to "return to the office/restaurant" and heightened indoor air quality awareness.
- Export growth of 11.5% at cc with a strong recovery in all of our export markets.
- OEM revenue £12.6 million, 6.3% growth at cc. Strong and increasing demand for our EC3 motorised impeller with investment completed to further increase our production capacity.

	H1 2022 £m	H1 2021 £m	Total growth (cc) %
UK revenue	69.8	66.5	5.8
Residential RMI	23.8	21.8	9.3
Residential New Build	12.0	12.6	(5.2)
Commercial	15.8	14.7	7.5
Export	5.6	5.3	11.5
OEM	12.6	12.1	6.3
Adjusted operating profit	13.9	14.3	(2.8)
Adjusted operating profit margin %	19.9%	21.5%	(1.6)pp



**Low-carbon Revive fans
used in public RMI**

Continental Europe



% of Volution Group plc revenue

- Revenue in Continental Europe was £57.4 million, with growth of £12.3 million, an increase of 34.7% at cc.
- Organic revenue grew by 2.5% (8.2% at cc). Adjusted operating profit £14.8 million, a 28.1% increase on H1 2021. Operating profit margin up to 25.8% underpinned by proactive approach to price rises.
- Sales in the Nordics were £27.0 million (H1 2021: £25.7 million), an increase of 5.3% (10.8% at cc).
- Trade and DIY in the Nordics performed well supported by our new factory in Växjö.
- Central Europe revenue increased to £30.4 million, growth of 56.4% (66.1% at cc) assisted by the acquisitions of ClimaRad and ERI. Investment underway at ER1 to significantly uplift the production capacity.
- Organic revenue growth of 10.1% (16.9% at cc) with significant progress with our market leading decentralised heat recovery ventilation product range in inVENTer Germany.
- Continued good progress in Belgium and notably in NL with our Vent-Axia brand.

	H1 2022 £m	H1 2021 £m	Total growth (cc) %
Continental Europe revenue	57.4	45.1	34.7
Nordics	27.0	25.7	10.8
Central Europe	30.4	19.4	66.1
Adjusted operating profit	14.8	11.6	28.1
Adjusted operating profit margin %	25.8%	25.7%	0.1pp

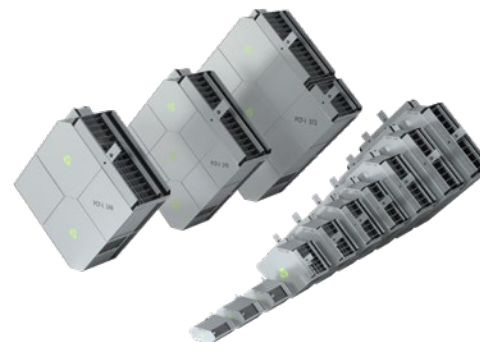


Plate heat exchanger range from ERI

Australasia



% of Volution Group plc revenue

- Revenue in Australasia was £22.4 million, growing by 10.9% (13.8% at cc).
- We continue to deliver significant organic revenue growth in the Australasian market despite a period of Covid-19-related lockdowns in New Zealand in the first half of the year.
- In Australia the roll out of store supply to our new DIY customer is progressing in line with our plan and there will be further progress in the second half of the year.
- We continue to invest in the local sales teams with the expansion of our sales teams in Australia an important ingredient to underpin our ongoing growth ambitions for the market.

	H1 2022 £m	H1 2021 £m	Total growth (cc) %
Australasia revenue	22.4	20.1	13.8
Adjusted operating profit	4.9	4.4	11.4
Adjusted operating profit margin %	22.1%	22.0%	0.1pp



High performance ceiling fan with integrated LED now sold across New Zealand and Australia



Summary and Outlook

Interim results to 31 January 2022

Injection moulding, Växjö, Sweden

Summary and Outlook

Summary

- Early and decisive action on supply chain management and price increases across all of our markets has helped deliver:
 - Strong revenue growth of 13.6% (16.9% at cc).
 - Adjusted operating profit margin up 0.2pp to 21.3% (H1 2021: 21.1%).
- Good customer service maintained throughout the period due to management action to invest in inventory.
- Investment in working capital led to a lower than normal cash conversion at 50% (H1 2021: 105%).
- The integration of ERI is progressing well and performance has been in line with our expectations.
- Interim dividend of 2.30 pence per share, up 21.1% (H1 2021: 1.90 pence), demonstrating the Board's continuing confidence in the performance of the Group.

Outlook

- The macroeconomic and geo-political backdrop resulting from the devastating invasion of Ukraine by Russia has created substantial uncertainty, the full implications of which are difficult to predict at the moment.
- However, we continue to focus on customer service, underpinned by good availability in our inventory of key assembly components, and coupled with some slowing of input cost inflation, we are well positioned for the rest of this financial year.



Thank You

Q&A

Interim results to 31 January 2022



Appendix

Interim results to 31 January 2022

Financial summary

	H1 2022	H1 2021	Movement
Revenue (£m)	149.6	131.7	13.6%
Revenue (cc) (£m)	154.0	131.7	16.9%
Gross margin (%)	47.7	48.4	(0.7)pp
Adjusted operating profit (£m) ¹	31.9	27.7	15.0%
Adjusted operating margin (%) ¹	21.3	21.1	0.2pp
Adjusted profit before tax (£m) ¹	30.0	26.1	14.7%
Adjusted EPS (pence) ¹	11.7	10.1	15.8%
Adjusted effective tax rate (%)	22.6	23.3	(0.7)pp
Reported operating profit (£m)	23.3	15.9	46.0%
Reported operating margin (%)	15.5	12.1	3.4pp
Reported profit before tax (£m)	21.4	14.2	50.5%
Reported basic EPS (pence)	8.2	5.2	57.7%
Adjusted operating cash flow (£m) ¹	16.2	29.6	(45.2)%
Reported net debt (£m)	104.0	92.0	12.0
Net debt (excluding lease liabilities) (£m)	79.2	65.5	13.7
Closing debt leverage (x) ²	1.2	1.4	0.2
Dividend per share (pence)	2.30	1.90	21.1%

1. The Group uses some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted operating profit, adjusted profit before tax, adjusted basic and diluted EPS and adjusted operating cash flow. An explanation and reconciliation to reported profit before tax is shown on page 24.

2. Closing debt leverage is net debt to LTM adjusted EBITDA.

Reconciliation of adjusted to reported profit

	H1 2022 £m	H1 2021 £m	Movement £m
Adjusted profit before tax	30.0	26.1	3.9
Items excluded from adjusted measures:			
Acquisition-related costs:			
Professional fees	(0.1)	(0.4)	0.3
Amortisation of acquired inventory fair value adjustments	—	(0.6)	0.6
Contingent consideration	—	(2.4)	2.4
Net gain/(loss) on financial instruments at fair value	0.7	(0.1)	0.8
Re-measurement of future consideration	(0.7)	—	(0.7)
Amortisation of acquired intangibles	(8.5)	(8.4)	(0.1)
Reported profit before tax	21.4	14.2	7.2

- Acquisition-related costs:
 - £0.1 million (H1 2021: £0.4 million) of professional fees in respect of the acquisitions during the year.
 - £nil amortisation of acquired inventory fair value adjustments relating to the acquisition of ClimaRad BV (H1 2021: £0.6 million).
- Contingent consideration, due to the performance of Ventair, £nil (H1 2021: £2.4 million).
- Gain of £0.7 million (H1 2021: loss of £0.1 million) on fair value of financial instruments.
- £0.7 million (H1 2021: £nil) re-measurement of future consideration.
- £8.5 million (H1 2021: £8.4 million) in respect of amortisation of intangible assets.

Consolidated statement of financial position summary

	31 January 2022 £m	31 July 2021 £m
Non-current assets		
Property, plant and equipment	27.7	23.9
Right-of-use assets	24.0	24.5
Intangible assets – goodwill	141.8	137.7
Intangible assets – other	92.0	85.4
	285.5	271.5
Current assets		
Inventories	55.4	45.0
Right of return assets	0.3	0.1
Trade and other receivables	54.3	47.5
Other financial assets	0.9	0.5
Cash and short-term deposits	15.1	19.4
	126.0	112.5
Total assets	411.5	384.0

	31 January 2022 £m	31 July 2021 £m
Current liabilities		
Trade and other payables	(43.0)	(47.4)
Refund liabilities	(11.8)	(10.6)
Income tax	(5.2)	(4.6)
Other financial liabilities	(0.2)	(4.6)
Interest-bearing loans and borrowings	(3.3)	(3.4)
Provisions	(1.6)	(1.9)
	(65.1)	(72.5)
Non-current liabilities		
Interest-bearing loans and borrowings	(124.3)	(104.9)
Other financial liabilities	(14.2)	(6.0)
Provisions	(0.5)	(0.4)
Deferred tax liabilities	(15.1)	(14.9)
	(154.1)	(126.2)
Total liabilities	(219.2)	(198.7)
Net assets	192.3	185.3
Total equity	192.3	185.3

Cash flow/net debt

	31 January 2022 £m	31 January 2021 £m	Movement £m	Movement %
Adjusted EBITA (A)	32.6	28.4	4.2	14.9%
Depreciation	3.7	3.2	0.5	
Adjusted EBITDA	36.3	31.6	4.7	14.7%
Change in net working capital	(17.5)	(0.6)	(16.9)	
Share-based payments	1.0	1.1	(0.1)	
Net investment in fixed assets	(3.6)	(2.5)	(1.1)	
Adjusted operating cash flow (B)	16.2	29.6	(13.4)	(45.2)%
Cash conversion (B/A)	50%	105%	(55.0)pp	
Interest paid on debt	(1.4)	(0.9)	(0.5)	
Tax paid	(6.3)	(4.1)	(2.2)	
Dividends	(8.7)	—	(8.7)	
Free cash flow	(0.2)	24.6	(24.8)	(100.4)%
Changes in investments	(20.3)	(37.7)	17.4	
Contingent consideration relating to Ventair from operating activities	(3.2)	—	(3.2)	
Contingent consideration relating to Ventair from investing activities	(0.9)	—	(0.9)	
Purchase of shares	—	(0.6)	0.6	
Exceptional operating costs	(0.1)	(0.4)	0.3	
Finance costs paid	—	(1.2)	1.2	
Long-term lease liabilities adjustment	0.7	(3.3)	4.0	
Payments of lease liabilities	(1.7)	(1.5)	(0.2)	
Cash outflow	(25.7)	(20.1)	(5.6)	
Opening net debt	(79.2)	(74.2)	(5.0)	
Cash outflow	(25.7)	(20.1)	(5.6)	
FX on foreign currency loans/cash	0.9	2.3	(1.4)	
Closing net debt	(104.0)	(92.0)	(12.0)	13.1%

Cautionary statement

This document may contain forward-looking statements which are made in good faith and are based on current expectations or beliefs, as well as assumptions about future events. You can sometimes, but not always, identify these statements by the use of a date in the future or such words as “will”, “anticipate”, “estimate”, “expect”, “project”, “intend”, “plan”, “should”, “may”, “assume” and other similar words. By their nature, forward-looking statements are inherently predictive and speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. You should not place undue reliance on these forward-looking statements, which are not a guarantee of future performance and are subject to factors that could cause our actual results to differ materially from those expressed or implied by these statements.

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