Healthy air, sustainably

Volution Group plc Full year results to 31 July 2023

volution

Agenda

Ronnie George
Chief Executive Officer

Andy O'Brien
Chief Financial Officer

Cover: Image taken by Natalie Humphrey, Marketing, UK

Overview

Full year results to 31 July 2023

Image: Nisha Desai, Simx, New Zealand

A leading player in the international HVAC market

Revenue +6.6%, Organic revenue +5.1% (4.6% cc)

Adjusted operating margin 21.3% (up 0.2 pp)

Excellent cash conversion 106%, significant headroom for further acquisitions

Two acquisitions, extending our geographic and end market diversity (further acquisition completed post year end)

Recycled plastic use up 9.0pp to 76.2% (2022: 67.2%)

Strong performance in line with strategy and delivering against our ESG targets

Delivering on our strategy

Organic growth

- Organic revenue growth 5.1% (**4.6%** cc).
- Organic growth in all three regions:
  - UK 8.6% (**8.3%** cc).
  - Continental Europe 1.3% (**0.6%** cc).
  - Australasia 3.9% (**3.6%** cc).
  - Revenue split c 65/35 RMI/new build.

Value-adding acquisitions

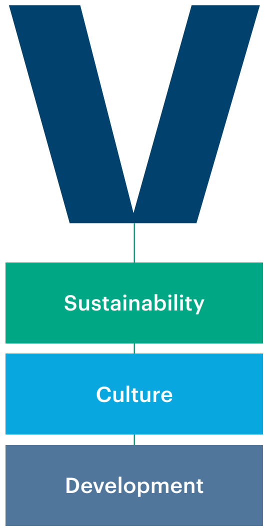
- Inorganic revenue growth 1.5%.
- Two acquisitions completed in the year £29.7 million (2022: £24.4 million).
- Third acquisition completed shortly after Year end.
- Pipeline is healthy with further deals anticipated.

Operational Excellence

- Adjusted operating margin expansion of 20 bps to **21.3%** (2022: 21.1%).
- Continuing our sustainability progress:
  - **76.2%** of recycled plastic (2022: 67.2%).
  - **70.1%** of revenue from low-carbon (2022: 66.1%).
  - **33.8%** of revenue from heat recovery (2022: 30.1%).

Revenue CAGR since IPO in 2014 **13.3%**

EPS CAGR since IPO in 2014 **12.7%**



Regulation supports the adoption of Volution Products

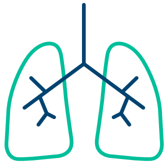
Decarbonisation

40% of our energy use and 36% of our emissions are from buildings. Volution enables carbon avoidance by reducing energy use.

Latest regulatory updates

In the UK, over £1 billion has been committed to the Social Housing decarbonisation fund, helping improve the energy efficiency of homes and driving the adoption of Volution products.

In Europe, revision to the Energy Performance of Building Directive was recast to cover existing buildings for the first time , helping support energy efficient refurbishment of existing stock.



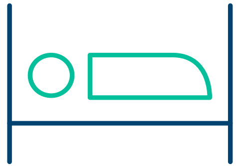
Healthy Air

Increasing focus on good indoor air quality (IAQ) and the importance of ventilation for health.

Latest regulatory updates

In the UK, under the new Decent Homes Standard, Ventilation considered a hazard if not adequately provided.

In Australia, the National Construction Code (NCC) 2022 recently introduced new provisions to help further minimise condensation within houses and apartments.



Comfort

Increasing risk of over heating as well as nuisance noise as we move towards energy efficient buildings.

Latest regulatory updates

Part O introduced to reduce the risk of over heating in modern, airtight, well insulated homes.

In Europe, Ecodesign directive proposing cap on noise emitted from ventilation devices, supporting silent solutions.

Driving sustainable solutions

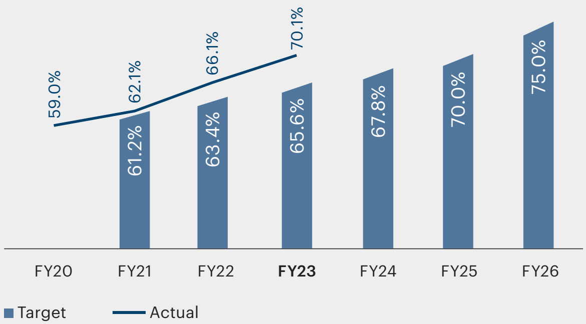
Product

- **70.1%** of revenue from low-carbon, energy saving products (2022: 66.1%).
- Continuing regulatory and legislative tailwinds.
- **33.8%** of revenue from Heat recovery sales (2022: 30.1%).
- The recent acquisitions in the year of VMI and I-Vent already have a high concentration of low carbon solutions.
- New ambition of **75%** added for FY26.

New low carbon products for this year

70%

Met our target of 70% of sales revenue from low-carbon products two years early.



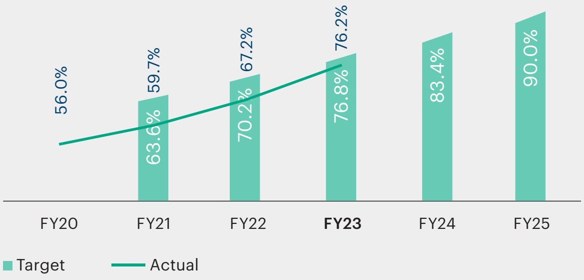
Driving sustainable solutions

Planet

- **76.2%** of plastic used in own manufacturing facilities from recycled sources (2022: 67.2%).
- Continued positive development in adoption of recycled material, with the Nordics now running recycled High Impact Polystyrene (HIPS).
- Trial of alternative recycled ABS in the UK has been successful with expected roll out during FY24.
- Reduction of 9.8% in our carbon intensity, to 11.1t CO_2e per £m of revenue (2022: 12.3t).

90%

Targeting 90% of the plastic that we process in our factories to be from recycled resourced by the end of 2025



Driving sustainable solutions

People

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

- Reportable accident frequency rate of 0.30 per 100,000 hours worked (2022: 0.25).
- Andreas Boeber joined as Operations Director in May 2023.
- Equity, Diversity & Inclusion steering group launched.
- Re-launched Employee Assistance Program and delivered Mental Health First Aiders training.
- Employee forums engaging on Sustainability and New Product Development.
- First Group Employee Engagement Survey, Volution Voices, to be launched in October'23.
- The 4th cohort of the Management Development Program (MDP) to be launched in October'23.

ZERO

Target zero reportable accidents

Actions	Performance
Accident rate	0.30 Reportable accidents
Safety walks	391
Training hours	17,781

(Left) ERI, Macedonia – Women's night race

(Right) Mental health first aiders training

Financial Review

Full year results to 31 July 2023

Image: John Adah, Dudley, UK

A strong financial performance

	2023 £m	2022 £m	Movement
Revenue (£m)	**328.0**	307.7	**+6.6%**
Adjusted operating profit (£m)[1]	**69.9**	64.9	**+7.7%**
Reported operating profit (£m)	**57.1**	50.8	**+12.4%**
Adjusted operating margin (%)[1]	**21.3**	21.1	**+0.2pp**
Adjusted EPS (pence)[1]	**25.8**	24.0	**+7.5%**
Adjusted operating cash flow (£m)[1]	**75.7**	50.4	**+50.2%**
Dividend per share (pence)	**8.0**	7.3	**+9.6%**

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 EPS and adjusted operating cash flow.

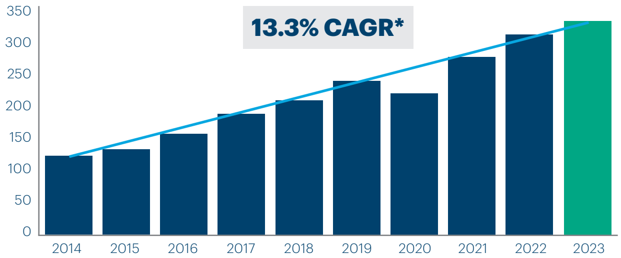
- Revenue +6.6% with organic (cc) growth of 4.6%.
- Organic growth attributable approximately 80% price/20% volume.
- Adjusted operating margin +20bps to 21.3% through price discipline, cost control and good factory efficiency.
- Adjusted EPS up 7.5% ahead of consensus.
- Excellent cash conversion of 106% including £2.8m inflow of working capital.
- Dividend up 9.6% to 8.0 pence.

Strong growth in organic revenue, margin and cash flow
EPS ahead of consensus

Strong and sustainable compounding growth

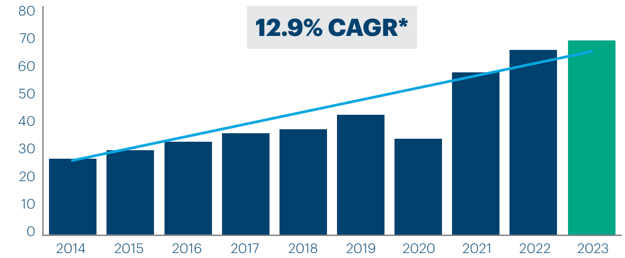
Revenue £m

£328.0m



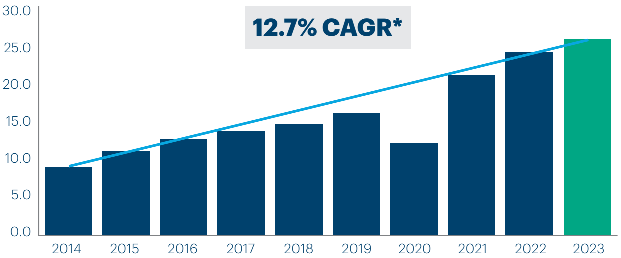
Adjusted operating profit £m

£69.9m



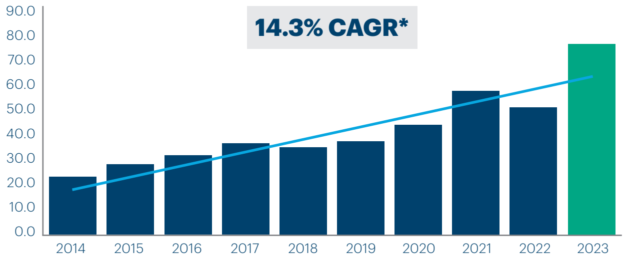
Adjusted EPS pence per share

25.8p



Adjusted operating cash flow £m

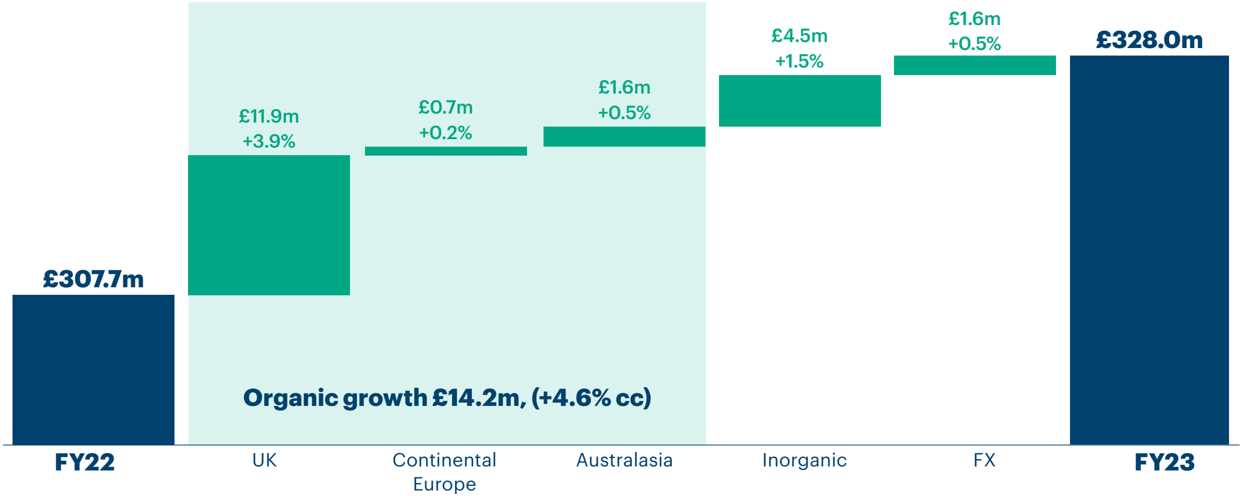
£75.7m



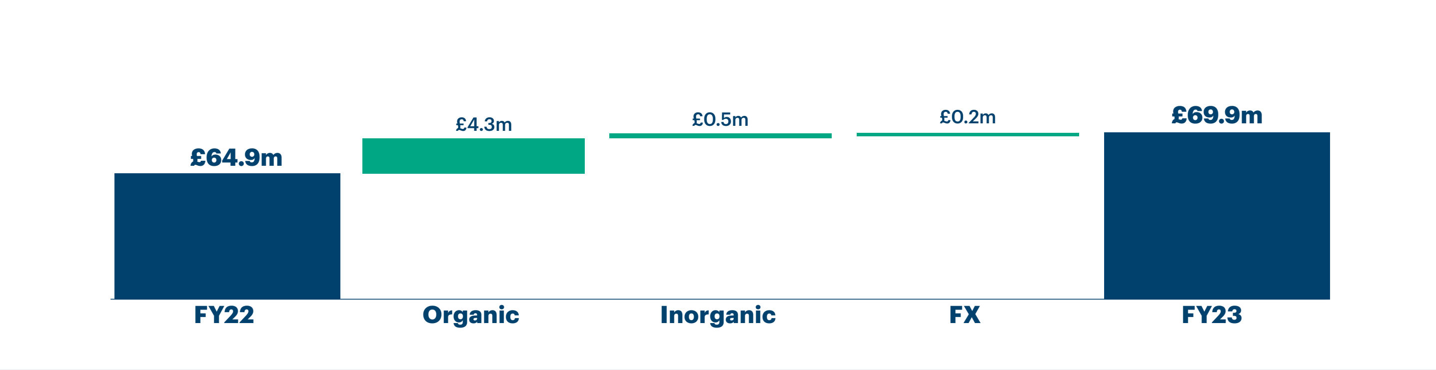
* CAGR since IPO in 2014.

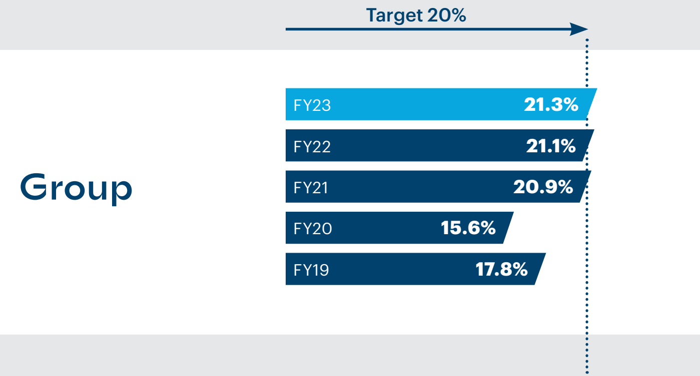
Revenue

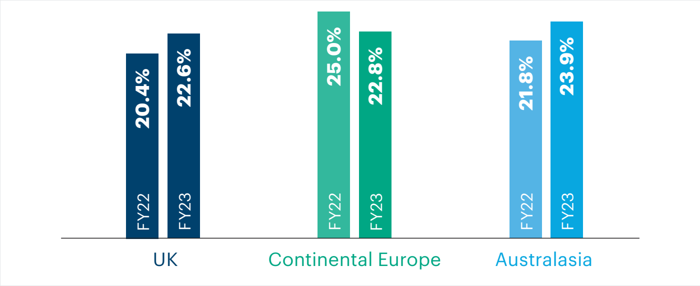
Revenue up 6.6% with organic revenue up 5.1% (+4.6% at cc)



Group adjusted operating profit up 7.7% to £69.9 million, with margin up 0.2pp to 21.3%

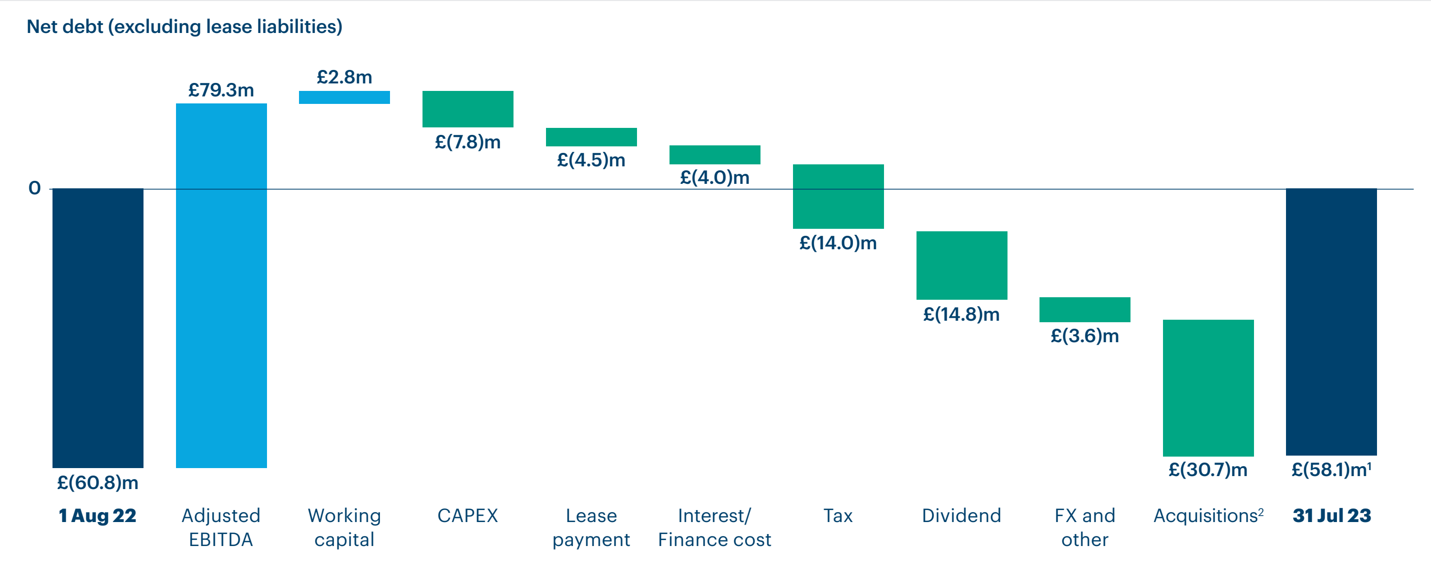






Net debt and cash flow

Cash conversion 106% (2022: 76%)
Leverage 0.8x (2022: 0.9x)
Available liquidity £91.9m (2022: £89.2m)



1. Net debt of £58.1 million (2022: £60.8 million) excludes £31.2 million (2022: £25.0 million) of lease liabilities
2. Acquisitions include costs of business combinations of £1.0 million

Compelling returns on invested capital (ROIC)

	2023	2022
AVERAGE NET ASSETS[1]	**216.3**	195.3
Add/(deduct)		
+ Acquisition related liabilities	**15.6**	13.0
+ Net debt	**58.3**	64.6
+ Historic amortisation charges (net of def. tax)	**128.2**	115.3
− Goodwill/intangibles of 2012 LBO	**(163.0)**	(163.0)
AVERAGE INVESTED CAPITAL[1]	**255.4**	225.2
ADJUSTED OPERATING PROFIT	**69.9**	64.9
ROIC % (pre-tax)	**27.4%**	28.8%

1 three point average (1 Aug, 31 Jan and 31 Jul)

- Very strong ROIC 27.4%, significantly ahead of Group WACC (estimated to be c 10%).
- Acquisitions will be dilutive at point of entry.
- Improving returns post acquisition (ROAI >18% post 3 years) coupled with organic growth underpins ROIC.
- Variance to prior year (-1.4pp) due to timing of acquisitions, offset by organic growth and operating margin increase.

Confident of maintaining ROIC in mid 20s whilst continuing to invest in and grow the business

Continuing to deliver against financial KPIs

Revenue growth

+6.6% p.a.

Target: 10% p.a.

Organic revenue growth (cc)

+4.6% p.a.

Target: +3 to 5% p.a.

Adjusted operating margin %

21.3%

Target: >20%

Adjusted operating cash flow conversion

106%

Target: >90%

Return on invested capital (ROIC)

27.4%

Target: Mid 20's

Adjusted EPS

7.5%

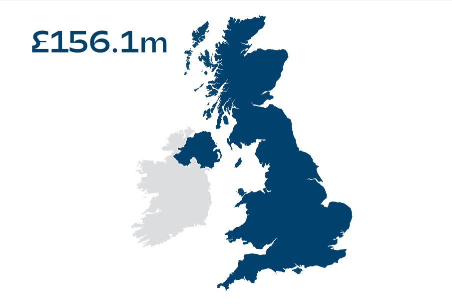
Target: +10% p.a.

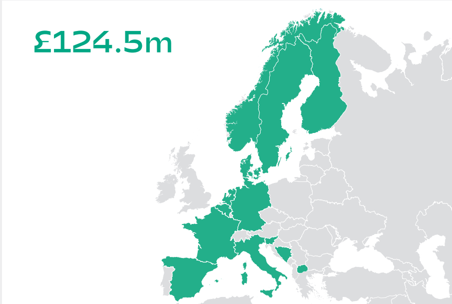
Business Review

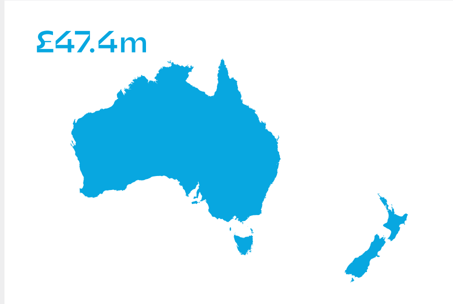
Full year results to 31 July 2023

Image: ERI Team, North Macedonia

Volution at a glance



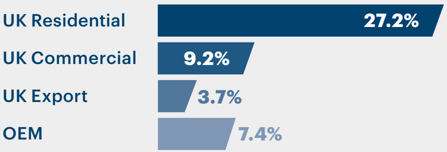




United Kingdom

47.5%
of Group revenue

39.6% UK customers
7.9% Export customers



Continental Europe

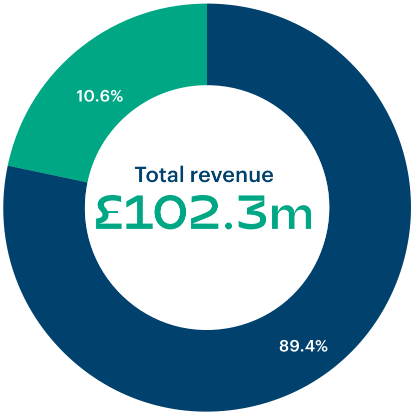
38.0%
of Group revenue

Australasia

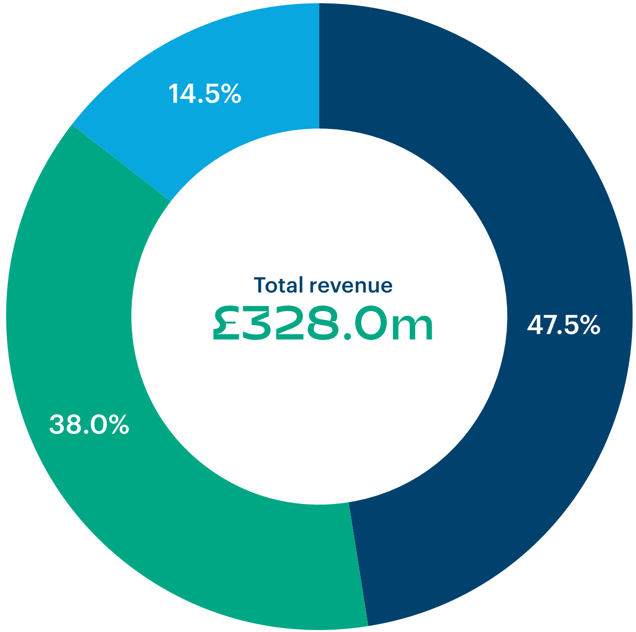
14.5%
of Group revenue

Our increasing geographical diversity

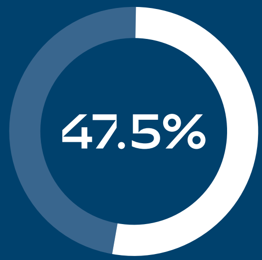
10 years ago (2013)
2 countries



Today (2023)
17 countries



UK Continental Europe Australasia



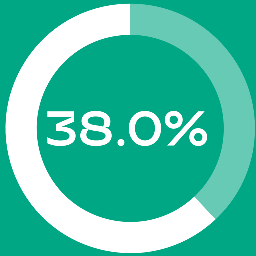
% of Volution Group plc revenue

Rizzy Cook, Crawley, UK

UK

- Revenue of £156.1 million, up 8.6% (8.3% cc).
- Outstanding performance in Residential with revenue up 19.5% and all categories (Private RMI, Public RMI, New Build Systems) growing.
- Excellent customer service and continued upsell progress supported private RMI strength.
- Very strong public RMI demand due to change in the awareness of indoor air quality and the health risks associated with poor ventilation. Our leading product range and strong distribution routes to market enabled us to grow very strongly.
- New account wins and improved product mix due to regulations supported our New Build Systems revenue, providing offset to an adverse housing market backdrop due to cost of living and mortgage rates.
- Commercial revenue down 2.8% in the year, albeit with a more encouraging performance in the second half of the year (H2 up 3.9%).
- Weak third party revenue in OEM (down 8.0% cc), impacted by both new build market conditions (most of our products go into new build applications) and improved delivery and service performance from the market leader. We continued to expand the internal use of our OEM products in the Group's ventilation businesses both in the UK and overseas.

	2023 £m	2022 £m	Growth (cc) %
UK revenue	**156.1**	143.7	8.3
Residential	**89.7**	75.1	19.5
Commercial	**30.2**	31.0	(2.8)
Export	**12.1**	11.7	1.7
OEM	**24.1**	25.9	(8.0)
Adjusted operating profit	**35.3**	29.3	20.6
Adjusted operating profit margin (%)	**22.6%**	20.4%	2.2pp
Reported operating profit	**28.1**	22.3	26.2



% of Volution Group plc revenue

I-Vent Team, Slovenia

Continental Europe

- Revenue grew by 5.2% (4.4% cc) with organic revenue growth of 1.3% (0.6% cc).
- Inorganic growth of 3.8% (3.8% cc), due to acquisition of VMI in April 23, I-Vent in June 23 and the full year effect of ERI acquired in Sept 2021.
- Adjusted operating profit of £28.4 million, a decrease of 4.0%, and adjusted operating margin down 2.2pp to 22.8% (2022: 25.0%).
- Nordics revenue down by 7.8% (5.7% cc), with challenging market conditions exacerbated by customer de-stocking.
- Strong revenue growth in Central Europe with revenue of £75.4 million, 15.8% (12.7% cc), helped by the acquisitions.
- Organic revenue grew by 8.8% (5.9% cc) despite weakness in Germany.

	2023 £m	2022 £m	Growth (cc) %
Continental Europe revenue	**124.5**	118.4	4.4
Nordics	**49.1**	53.3	(5.7)
Central Europe	**75.4**	65.1	12.7
Adjusted operating profit	**28.4**	29.6	(4.0)
Adjusted operating profit margin %	**22.8%**	25.0%	(2.2)pp
Reported operating profit	**25.1**	23.2	7.9

% of Volution Group plc revenue

Ventair Team, Australia

Australasia

- Revenue of £47.4 million, up 3.9% (3.6% cc).
- Adjusted operating profit of £11.3 million (2022: £9.9 million).
- Pricing discipline and excellent cost control enabled us to further enhance operating profit margins with adjusted operating margin up 2.1pp to 23.9% (2022: 21.8%).
- Successful launch of new Sky Fan DC range in Australia.
- Acquisition of DVS Proven System (New Zealand), was completed shortly after year end.

	2023 £m	2022 £m	Growth (cc) %
Australasia revenue	**47.4**	45.6	3.6
Adjusted operating profit	**11.3**	9.9	13.9
Adjusted operating profit margin %	**23.9%**	21.8%	2.1pp
Reported operating profit	**10.7**	8.8	22.0

Our markets benefit from long-term structural growth drivers

Growth Drivers	Impact on End markets: New Build Residential	Private RMI Residential	Public RMI Residential	Commercial
Structural under-supply of new homes	✓✓✓	✓	✓	✓
Regulation drives adoption of energy efficient, higher unit value solutions	✓✓✓	✓✓	✓	✓✓✓
Energy efficiency improvements driven by fuel costs and customer choice as well as regulations	✓	✓✓	✓✓✓	✓✓✓
Indoor Air Quality awareness and mould prevention clear link to health	✓	✓✓	✓✓✓	✓
Upsell to premium ventilation solutions (silence, aesthetics, controls)	✓	✓✓✓	✓✓✓	✓

Complemented by our broad geographic and end-market exposure

✓✓✓ High impact ✓✓ Medium impact ✓ Low impact

Summary and Outlook

Full year results to 31 July 2023

Image: Simx team, New Zealand

Our clear compounding growth model

Structural growth drivers underpinning long term growth

- Structural undersupply of homes
- Increased regulation
- Drive for energy efficiency
- IAQ health awareness
- Upsell

Differentiated business model aligned to lead in chosen markets

- Leading product and technology offering
- Strong brands and customer relationships
- Diversified international business
- Highly efficient operating model
- Sustainability embedded in the strategy

Delivering attractive through-cycle financial framework

Organic revenue	Revenue	Operating margin	Adjusted EPS	Cash conversion	Group ROIC
+3 to 5% p.a.	**+10% p.a.**	**>20%**	**+10% p.a.**	**>90%**	**Mid 20s**

Organic growth augmented with attractive bolt-on M&A

Summary

Revenue +6.6%, Organic revenue +5.1% (4.6% cc)

Adjusted operating margin 21.3% (up 0.2 pp)

Excellent cash conversion 106%, significant headroom for further acquisitions

Two acquisitions, extending our geographic and end market diversity (further acquisition completed post year end)

Recycled plastic use up 9.0pp to 76.2% (2022: 67.2%)

Strong performance in line with strategy and delivering against our ESG targets

Outlook

Whilst we are mindful of the impact of higher interest rates on consumer confidence and new build construction, the regulatory changes in our local markets continue to drive demand for our innovative and well-positioned low carbon product technologies. In addition, our three new acquisitions completed in the last six months; our ongoing focus on operational excellence; and the depth of experience and commitment across our local teams provides resilience and gives us confidence of making further progress in the year ahead.

Thank You

Q&A

Full year results to 31 July 2023

Image: VMI NPD team, France

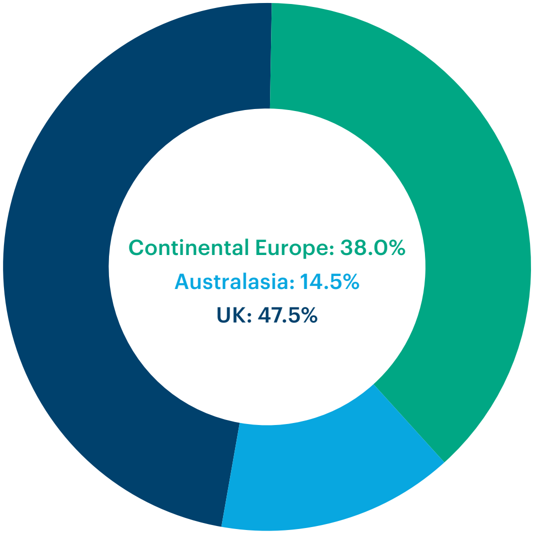
Appendix

Full year results to 31 July 2023

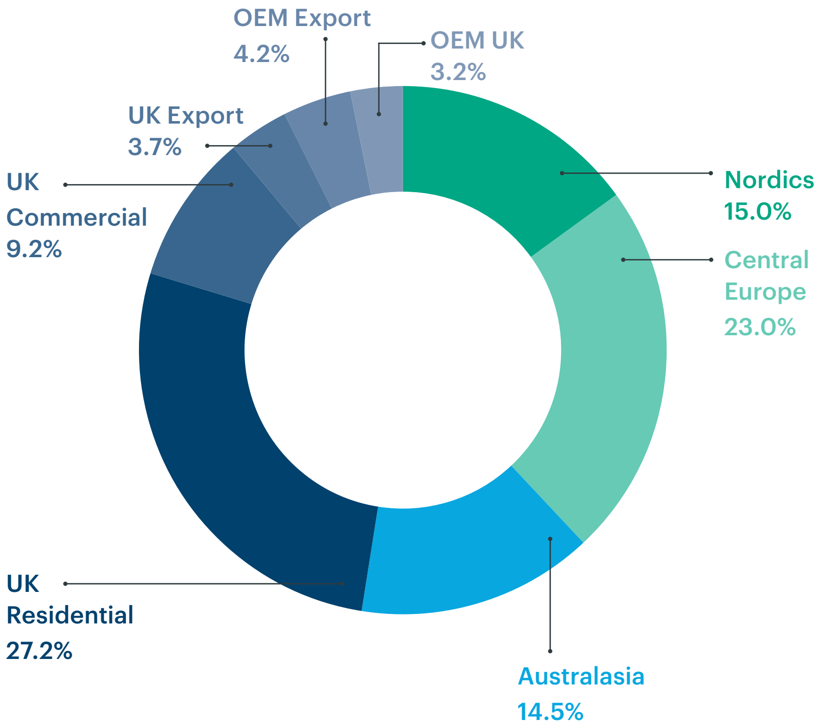
Image: Harpal Purewal, Reading, UK

Operating segments

% of Volution Group plc revenue



% of Volution Group plc revenue (by sector)



Financial summary

	2023	2022	Movement
Revenue (£m)	**328.0**	307.7	6.6%
Revenue (cc) (£m)	**326.5**	*307.7*	*6.1%*
Gross margin (%)	**48.4**	47.8	0.6pp
Adjusted operating profit (£m)[1]	**69.9**	64.9	7.7%
Adjusted operating margin (%)[1]	**21.3**	21.1	0.2pp
Adjusted profit before tax (£m)[1]	**65.1**	60.9	6.8%
Adjusted EPS (pence)[1]	**25.8**	24.0	7.5%
Adjusted effective tax rate (%)	**21.9**	22.4	(0.5)pp
Reported operating profit (£m)	**57.1**	50.8	12.4%
Reported operating margin (%)	**17.4**	16.5	0.9pp
Reported profit before tax (£m)	**48.8**	47.2	3.4%
Reported basic EPS (pence)	**19.0**	18.1	5.0%
Adjusted operating cash flow (£m)[1]	**75.7**	50.4	50.2%
Reported net debt (£m)	**89.3**	85.8	(3.5)
Closing debt leverage (x)[2]	**0.8**	0.9	0.1
Dividend per share (pence)	**8.0**	7.3	9.6%

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 adjusted EPS and adjusted operating cash flow. An explanation and reconciliation to reported profit before tax is shown on page 32.
2. Closing debt leverage is net debt to LTM adjusted EBITDA.

Reconciliation of adjusted to reported profit

	2023 £m	2022 £m	Movement £m
Adjusted profit before tax	**65.1**	60.9	4.2
Items excluded from adjusted measures:			
Acquisition related costs:			
Professional fees	**(1.0)**	(0.2)	(0.8)
Re-measurement of future consideration	**(2.6)**	(0.4)	(2.2)
Amortisation of acquired intangibles	**(11.1)**	(14.5)	3.4
Net (loss) / gain on financial instruments at fair value	**(1.6)**	1.4	(3.0)
Reported profit before tax	**48.8**	47.2	1.6

- Acquisition related costs:
  - £1.0 million (2022: £0.2 million) of professional fees in respect of the acquisitions during the year.
- Loss of £1.6 million (2022: gain of £1.4 million) on fair value of financial instruments
- £2.6 million (2022: £0.4) re-measurement of future consideration
- £11.1 million (2022: £14.5 million) in respect of amortisation of intangible assets

Consolidated statement of financial position summary

	31 July 2023 £m	31 July 2022 £m
Non-current assets		
Property, plant and equipment	**29.4**	28.2
Right-of-use assets	**29.9**	23.6
Intangible assets – goodwill	**164.9**	142.7
Intangible assets – others	**83.9**	87.6
	308.1	282.1
Current assets		
Inventories	**59.0**	57.2
Trade and other receivables	**52.3**	57.5
Other financial assets	**—**	1.1
Cash and short-term deposits	**21.2**	13.5
	132.6	129.3
Total assets	**440.7**	411.4
Current liabilities		
Trade and other payables	**(47.1)**	(48.8)
Refund liabilities	**(9.8)**	(10.3)
Income tax	**(4.7)**	(5.6)
Other financial liabilities	**(0.3)**	—
Interest-bearing loans and borrowings	**(3.8)**	(3.6)
Provisions	**(1.8)**	(1.7)
	(67.5)	(70.0)
Non-current liabilities		
Interest-bearing loans and borrowings	**(116.7)**	(104.5)
Other financial liabilities	**(16.6)**	(14.1)
Provisions	**(0.3)**	(0.3)
Deferred tax liabilities	**(13.4)**	(14.2)
	(147.0)	(133.1)
Total liabilities	**(214.5)**	(203.1)
Net assets	**226.2**	208.3
Total equity	**226.2**	208.3

Cash flow/net debt

	31 July 2023 £m	31 July 2022 £m	Movement £m	Movement %
Adjusted EBITA (A)	**71.3**	66.5	4.8	7.2%
Depreciation	**8.0**	7.4		
Adjusted EBITDA	**79.3**	73.9	5.4	7.4%
Change in net working capital	**2.8**	(17.7)		
Share-based payments	**1.4**	1.1		
Net investment in fixed assets	**(7.8)**	(6.9)		
Adjusted operating cash flow (B)	**75.7**	50.4	25.3	50.2%
Cash conversion (B/A)	**106%**	76%		
Interest paid on debt	**(3.7)**	(2.7)		
Income tax	**(14.0)**	(12.2)		
Dividends paid	**(14.8)**	(13.3)		
Free cash flow	**43.2**	22.2	21.0	
Changes in investments	**(29.7)**	(20.6)		
Acquisition debt repaid	**(0.1)**	(3.8)		
Purchase of shares	**(1.8)**	(1.9)		
Cash flow relating to business combination costs	**(1.0)**	(0.2)		
Finance costs paid	**(0.3)**	(0.3)		
Long-term lease liabilities adjustment	**(6.2)**	0.5		
Payments of lease liabilities	**(4.5)**	(3.2)		
Cash outflow	**(0.4)**	(7.3)	6.9	
Opening net debt	**(85.8)**	(79.2)		
Cash outflow	**(0.4)**	(7.3)		
FX on foreign currency loans/cash	**(3.1)**	0.7		
Closing net debt	**(89.3)**	(85.8)	0.3	0.4%

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. The Company undertakes no obligation to update any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise.