

volution



Healthy air, sustainably

Volusion Group plc Interim results to 31 January 2023



Agenda

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



Ronnie George
Chief Executive Officer

Andy O'Brien
Chief Financial Officer

Overview

Interim results to 31 January 2023

Strong first half performance

Organic revenue growth 6.3% (cc) through volume and price

Operating margin 21.1%, above our long-term target

Recycled plastic use +18.4pp to 76.4% (H1 2022: 58.0%)

Heat recovery ventilation now 32.2% of Group revenue

Strong cash generation, robust balance sheet, significant headroom for acquisitions

Strong performance, underpinned by structural growth drivers

Delivering on our strategy



1. Organic growth

- Organic revenue growth 7.3% (**6.3%** cc), supported by price and volume.
- Organic growth in all three regions, the UK, Continental Europe and Australasia.

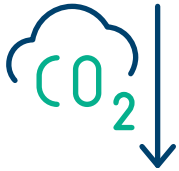
2. Value-adding acquisitions

- Inorganic revenue growth 1.2% (due to full period of ERI).
- Acquired non-controlling interest of Energy Recovery Industries (UK) for £0.4 million.
- Balance sheet strong (leverage **0.8x**), significant headroom for acquisitions.

3. Operational Excellence

- Adjusted operating margin **21.1%**, above our target of 20% (H1 2022: 21.3%).
- Good progress against our key sustainability targets:
 - **76.4%** of plastic used in own facilities from recycled sources (H1 2022: 58.0%).
 - **69.4%** of revenue from low-carbon, energy saving products (H1 2022: 65.1%).

Volusion supports legislative transition as we decarbonise



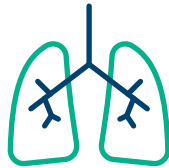
Decarbonisation

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

Latest updates

Future Homes Standards from 2025 due for consultation in the UK this year.

In Europe, new proposals for the Energy Performance of Buildings Directive (EPBD) driving further emission reductions.



Healthy Air

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

Latest updates

New amendment to the social housing bill to deal with mould. Plus new Decent Homes legislation for Private Rental.

Proposed new article in the EPBD to measure indoor environmental quality, including IAQ.



Comfort

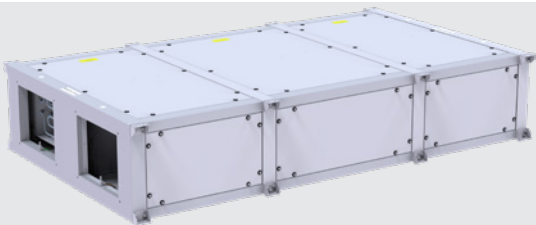
Increasing risk of over heating as well as nuisance noise as we move towards energy efficient buildings.

Latest 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



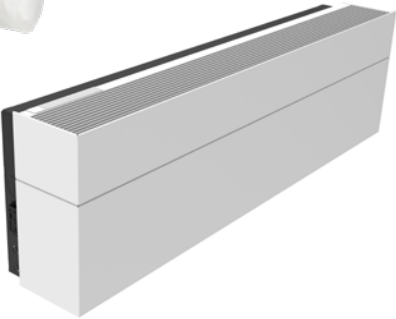
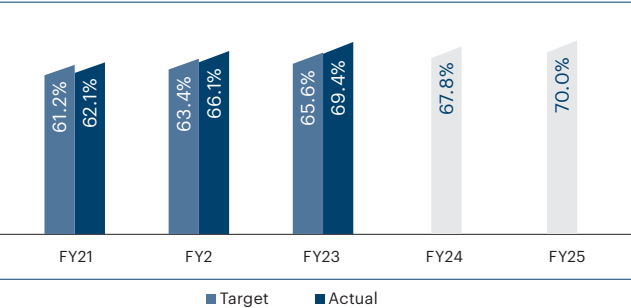
Product



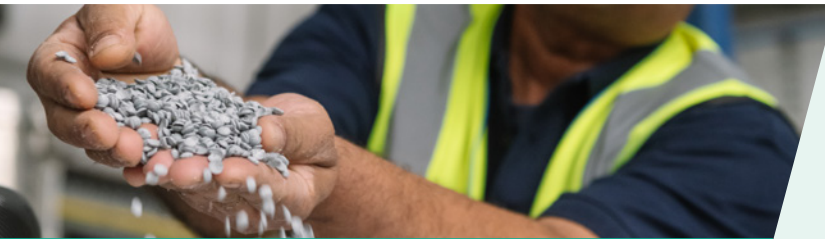
- Low-carbon revenue **69.4%** of Group total.
- Continuing regulatory and legislative tailwinds.
- Heat recovery sales increased to **32.2%**.
- Product development programmes progressing well; new heat recovery solutions to be launched in H2.

70%

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



Improving environmental performance



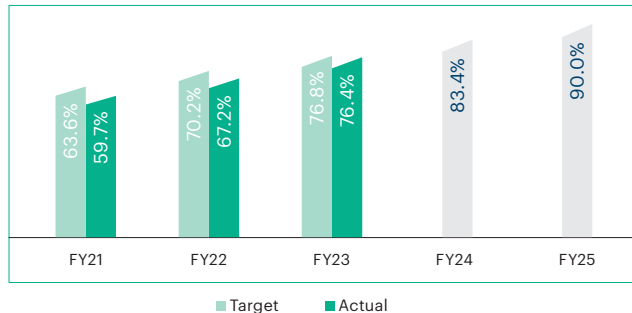
Planet



- **76.4%** of plastic we used in our own production facilities came from a recycled source.
- Investment in extrusion capability to increase ducting output and optimise PVC material usage.
- Have now supplied over **450,000** complete ventilation units where chassis and facias produced from 100% recycled ABS.

90%

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



Connecting people together

People



- Reportable accident frequency rate reduced to **0.15** per 100,000 hours worked from 0.25 in FY22.
- Achieved certification to **ISO 45001:2018** Occupational Health and Safety Management for all ventilation sites in the UK (43.8% of our workforce).

ZERO

Target **zero** reportable accidents

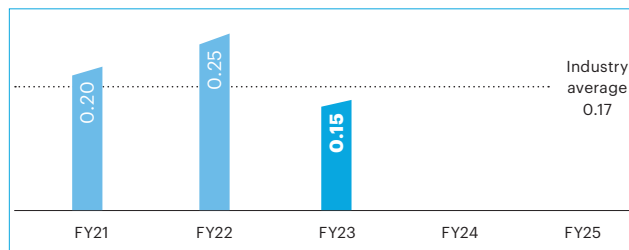
Accident frequency rate in H1 2023

Reportable accidents

0.15

Ambition remains zero harm

0



■ Actual



Financial Review

Interim results to 31 January 2023

Financial highlights

Revenue £m

£162.3m

+8.5% +7.5%cc



Adjusted operating profit £m

£34.2m

+7.1%



Adjusted operating profit margin %

21.1%

-0.2pp



Adjusted EPS pence per share

12.4p

+6.0%



Adjusted operating cash flow £m

£30.6m

+88.1%

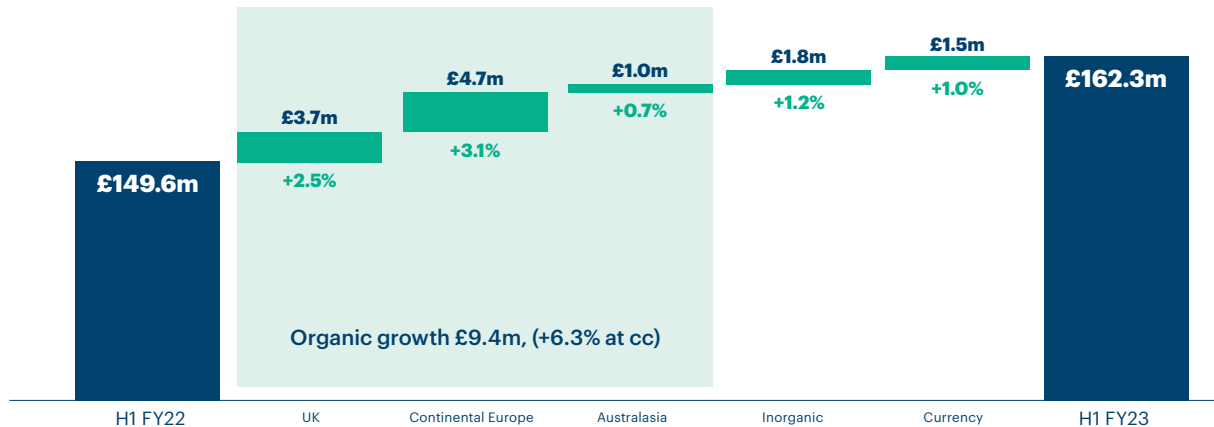


Leverage (excluding lease liabilities)

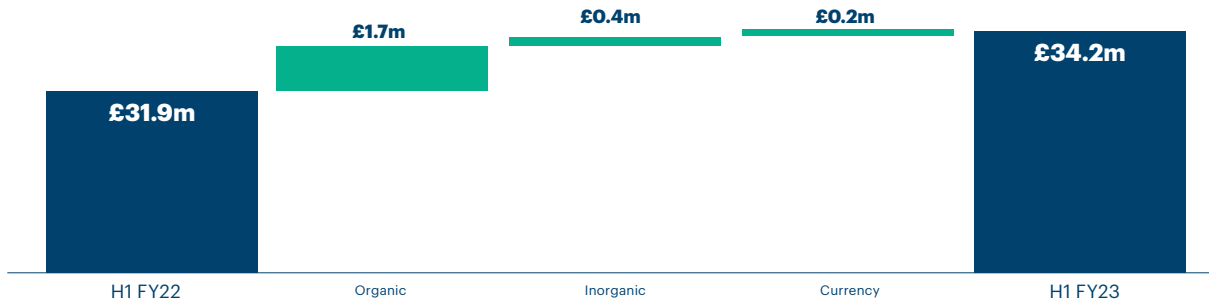
0.8x



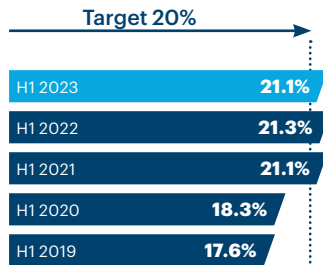
Revenue up 8.5% with organic revenue up 7.3% (+6.3% at cc)



Group adjusted operating profit up 7.1% to £34.2 million



Group



H1 2023

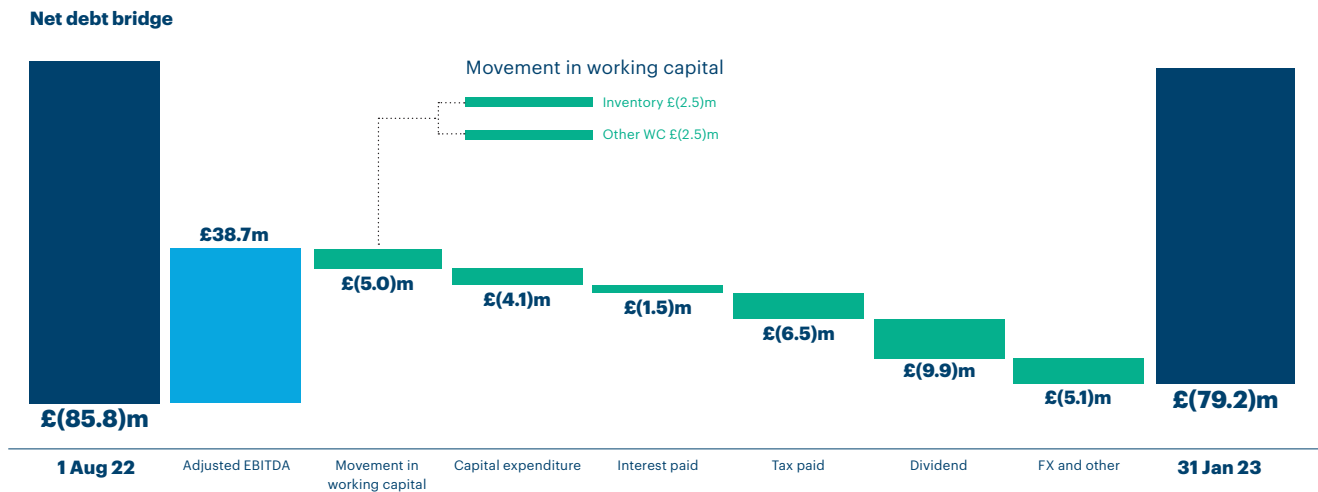


Adjusted operating cash flow up 88.1% supported by good inventory and working capital performance

Cash conversion 88% (H1 2022: 50%)

Leverage 0.8x (H1 2022: 1.2x)

Net debt¹ £79.2m (H1 2022: £104.0m)



1. H1 2023 includes lease liabilities of £23.3 million (H1 2022: £24.8 million).

Business Review

Interim results to 31 January 2023

Operating segments

United Kingdom



% of Volition Group plc revenue
(by segment)

£73.7m



- UK Residential 25.5%
- UK Commercial 8.8%
- UK Export 3.3%
- OEM 7.8%
- 45.4% of Group**

Continental Europe



% of Volition Group plc revenue
(by segment)

£64.3m



- Nordics 16.4%
- Central Europe 23.2%
- 39.6% of Group**

Australasia

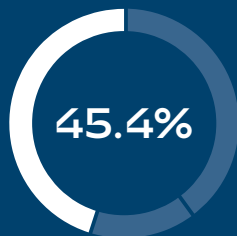


% of Volition Group plc revenue
(by segment)

£24.3m



- Australasia 15.0%
- 15.0% of Group**



% of Volution Group plc
revenue



Product training, Crawley, UK

UK

- Revenue grew by 5.5% (5.3% at cc) with adjusted operating profit of £15.6 million, an increase of 12.5%.
- Adjusted operating margin up 1.3pp to 21.2% (H1 2022: 19.9%).
- Revenue in our Residential sector was up 15.7%:
 - Good growth in all areas of UK Residential, Public housing refurbishment, Private RMI and Residential New Build Systems.
- Commercial revenue declined by 9.3%; the commercial market has been challenging.
- Export revenue down 5.9% (6.7% at cc), with weaker demand in the period from our main export market in Eire.
- OEM revenue up 0.2% (declined by 0.7% at cc); whilst a disappointing performance, we have seen a continuous shift of revenue to our newer, leading low-carbon EC3 range of products.

	H1 2023 £m	H1 2022 £m	Total growth (cc) %
UK revenue	73.7	69.8	+5.3
Residential	41.4	35.8	+15.7
Commercial	14.3	15.8	(9.3)
Export	5.3	5.6	(6.7)
OEM	12.7	12.6	(0.7)
Adjusted operating profit	15.6	13.9	+12.5
Adjusted operating profit margin %	21.2%	19.9%	1.3pp
Reported operating profit	13.4	9.2	+45.7



Continental Europe

- Revenue grew by 12.0% (11.4% at cc) with organic revenue growth of 8.9% (8.2% at cc).
- Adjusted operating profit of £15.4 million, an increase of 4.0%, and adjusted operating margin down 1.8pp to 24.0% (H1 2022: 25.8%).
- Sales in the Nordics have been challenging, declining by 1.4% (grew by 0.4% at cc). Weakness is predominantly in the new build areas across Sweden, Denmark and Finland.
- Weaker revenue in Germany (inVENTer) against a strong period of growth. ClimaRad decentralised heat recovery in the Netherlands grew strongly.
- Strong progress in Central Europe with revenue of £37.7 million, 21.2% growth at cc, helped by the acquisition of ERI in September 2021. Organic revenue grew by 15.2% at cc.

	H1 2023 £m	H1 2022 £m	Total growth (cc) %
Continental Europe revenue	64.3	57.4	+11.4
Nordics	26.6	27.0	+0.4
Central Europe	37.7	30.4	+21.2
Adjusted operating profit	15.4	14.8	+4.0
Adjusted operating profit margin %	24.0%	25.8%	(1.8)pp
Reported operating profit	12.1	11.6	+4.3



% of Volution Group plc
revenue



New product meeting, Melbourne, Australia

Australasia

- Revenue of £24.3 million, up 8.9% (4.5% at cc) against a strong comparator period.
- Adjusted operating profit of £5.5 million (H1 2022: £4.9 million), with adjusted operating margin up from 22.1% to 22.6%.
- Good refurbishment demand in New Zealand versus a strong prior two-year period stimulated by the Healthy Homes Act (2019).
- We continue to develop our product portfolio, offering the widest residential product solutions in the Australasian market.

	H1 2023 £m	H1 2022 £m	Total growth (cc) %
Australasia revenue	24.3	22.4	+4.5
Adjusted operating profit	5.5	4.9	+11.3
Adjusted operating profit margin %	22.6%	22.1%	0.5pp
Reported operating profit	4.9	4.4	+12.4

Summary and Outlook

Interim results to 31 January 2023

Strong first half performance

Organic revenue growth 6.3% (cc) through volume and price

Operating margin 21.1%, above our long-term target

Recycled plastic use +18.4pp to 76.4% (H1 2022: 58.0%)

Heat recovery ventilation now 32.2% of Group revenue

Strong cash generation, robust balance sheet, significant headroom for acquisitions

Strong performance, underpinned by structural growth drivers

Outlook

Looking ahead, although mindful of the cautious sentiment in some of our segments, Residential RMI demand remains supportive, and inflationary pressures and supply chain challenges are easing.

With our excellent levels of customer service, agile manufacturing, a well-developed M&A pipeline and strong balance sheet position, coupled with significant geographic revenue diversity, we are well placed to make further progress.

Thank you

Q&A

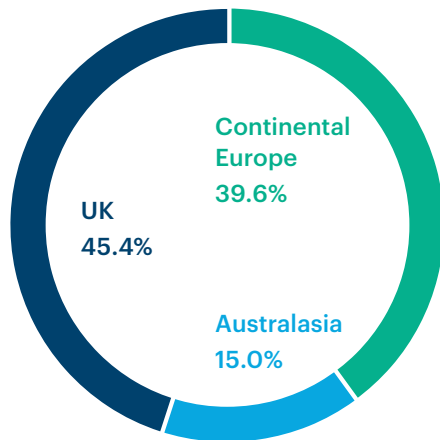
Interim results to 31 January 2023

Appendix

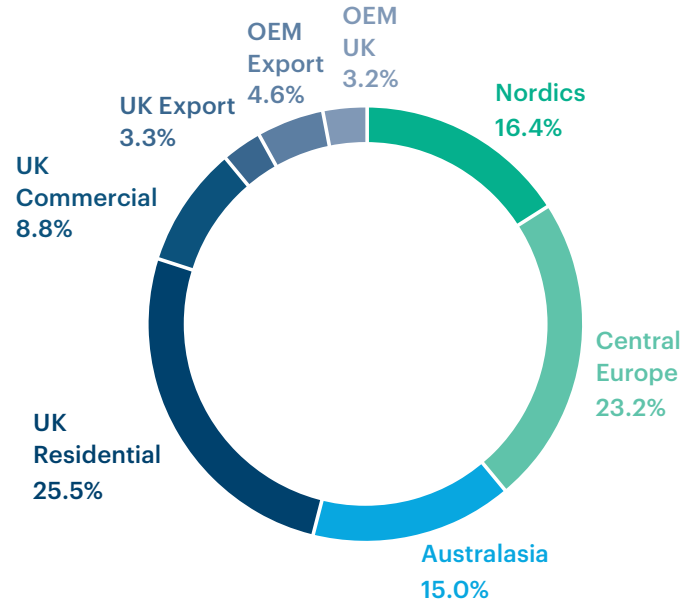
Interim results to 31 January 2023

Operating segments

% of Volition Group plc revenue



% of Volition Group plc revenue (by sector)



Financial summary

	H1 2023	H1 2022	Movement
Revenue (£m)	162.3	149.6	8.5%
Revenue (cc) (£m)	160.8	149.6	7.5%
Gross margin (%)	47.4	47.7	(0.3)pp
Adjusted operating profit (£m) ¹	34.2	31.9	7.1%
Adjusted operating margin (%) ¹	21.1	21.3	(0.2)pp
Adjusted profit before tax (£m) ¹	31.8	30.0	6.0%
Adjusted EPS (pence) ¹	12.4	11.7	6.0%
Adjusted effective tax rate (%)	23.2	22.6	0.6pp
Reported operating profit (£m)	27.8	23.3	19.6%
Reported operating margin (%)	17.1	15.5	1.6pp
Reported profit before tax (£m)	22.6	21.4	5.6%
Reported basic EPS (pence)	8.6	8.2	4.9%
Adjusted operating cash flow (£m) ¹	30.6	16.2	88.1%
Reported net debt (£m)	79.2	104.0	(24.8)
Closing debt leverage (x) ²	0.8	1.2	0.4
Dividend per share (pence)	2.50	2.30	8.7%

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 26.

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

Reconciliation of adjusted to reported profit

	H1 2023 £m	H1 2022 £m	Movement £m
Adjusted profit before tax	31.8	30.0	1.8
Items excluded from adjusted measures			
Acquisition-related costs:			
Professional fees	(0.2)	(0.1)	(0.1)
Net (loss)/gain on financial instruments at fair value	(1.5)	0.7	(2.2)
Re-measurement of future consideration	(1.3)	(0.7)	(0.6)
Amortisation of acquired intangibles	(6.2)	(8.5)	2.3
Reported profit before tax	22.6	21.4	1.2

- Acquisition-related costs:
 - £0.2 million (H1 2022: £0.1 million) of professional fees in respect of the acquisitions during the year.
 - Loss of £1.5 million (H1 2022: gain of £0.7million) on fair value of financial instruments.
 - £1.3 million (H1 2022: £0.7 million) re-measurement of future consideration.
 - £6.2 million (H1 2022: £8.5 million) in respect of amortisation of intangible assets.

Consolidated statement of financial position summary

	31 January 2023 £m	31 July 2022 £m
Non-current assets		
Property, plant and equipment	29.1	28.2
Right-of-use assets	23.2	23.6
Intangible assets – goodwill	145.2	142.7
Intangible assets – others	81.9	87.6
	279.4	282.1
Current assets		
Inventories	59.4	57.2
Right of return assets	0.3	—
Trade and other receivables	53.6	57.5
Other financial assets	—	1.1
Cash and short-term deposits	16.6	13.5
	129.9	129.3
Total assets	409.3	411.4

	31 January 2023 £m	31 July 2022 £m
Current liabilities		
Trade and other payables	(42.4)	(48.8)
Refund liabilities	(10.3)	(10.3)
Income tax	(6.5)	(5.6)
Other financial liabilities	(0.7)	—
Interest-bearing loans and borrowings	(1.9)	(3.6)
Provisions	(1.5)	(1.7)
	(63.3)	(70.0)
Non-current liabilities		
Interest-bearing loans and borrowings	(103.0)	(104.5)
Other financial liabilities	(15.9)	(14.1)
Provisions	(0.4)	(0.3)
Deferred tax liabilities	(12.5)	(14.2)
	(131.8)	(133.1)
Total liabilities	(195.1)	(203.1)
Net assets	214.2	208.3
Total equity	214.2	208.3

Cash flow/net debt

	31 January 2023 £m	31 January 2022 £m	Movement £m	Movement %
Adjusted EBITA (A)	34.9	32.6	2.3	7.0%
Depreciation	3.8	3.7		
Adjusted EBITDA	38.7	36.3	2.3	6.8%
Movement in net working capital	(5.0)	(17.5)		
Share-based payments	1.0	1.0		
Capital expenditure	(4.1)	(3.6)		
Adjusted operating cash flow (B)	30.6	16.2	14.4	88.1%
Cash conversion (B/A)	88%	50%		
Interest paid net of interest received	(1.5)	(1.4)		
Income tax paid	(6.5)	(6.3)		
Dividend paid	(9.9)	(8.7)		
Free cash flow	12.7	(0.2)	12.9	
Changes in investments	(0.4)	(20.3)		
Contingent consideration relating to Ventair	—	(4.1)		
Purchase of own shares by the Employee Benefit Trust	(0.9)	—		
Business combination related operating costs	(0.2)	(0.1)		
Issue costs of new borrowings	(0.3)	—		
Lease liabilities adjustment	1.7	0.7		
Payments of lease liabilities	(1.6)	(1.7)		
Cash inflow/(outflow)	11.0	(25.7)	36.7	
Opening net debt	(85.8)	(79.2)		
Cash inflow/(outflow)	11.0	(25.7)		
FX on foreign currency loans/cash	(4.4)	0.9		
Closing net debt	(79.2)	(104.0)	24.8	(23.1)%

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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