



Healthy air, sustainably

volution

Volution Group plc
Full year results to 31 July 2022

Agenda



Ronnie George
Chief Executive Officer



Andy O'Brien
Chief Financial Officer

» Overview

» Financial Review

» Business Review

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» Outlook

» Q&A



Ida Helin, Växjö, Sweden

Overview

Full year results to 31 July 2022

A year of strong progress

Strong growth in revenue, operating profit and EPS

Operating margins maintained above target despite inflation headwinds

Sustainability progress continues, recycled plastics to 67.2%

Heat recovery ventilation now represents 30.1% of Group revenue

Strategic investment in capex and two acquisitions completed

Well positioned with regulatory underpinnings, flexible business model, strong balance sheet and diversified end market exposure

Delivering on our strategy



1.

Organic growth

- Organic revenue growth 6.6% on a constant currency (cc) basis, supported by price and volume.

2.

Value-adding acquisitions

- Inorganic growth at 8.5% at cc.
- We have completed two acquisitions in the year: Energy Recovery Industries in September 2021 and Bera in July 2022.

3.

Operational Excellence

- Adjusted operating margin 21.1% (+20bps).
- Managed our supply chains well and provided excellent levels of customer service.
- Continued focus on sustainability has helped move our key initiatives forward.

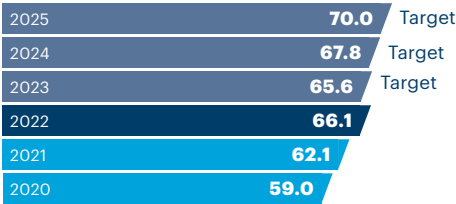
Continuing to drive sustainability



Product

Engineer sustainable solutions

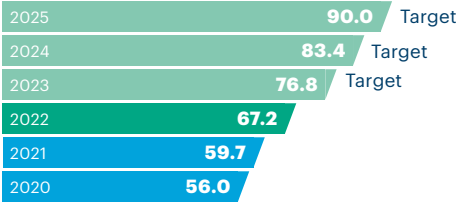
[Link to business model](#)
 Low carbon revenue content in sales



Planet

Improve environmental performance

[Link to business model](#)
 Recycled content of own plastic moulding and extrusion



People

Connect people together

[Link to business model](#)
 New Group head of HR joined 1 February 2022
 Sustainability Committee attended by Amanda Mellor commenced September 2021



Accident frequency rate in 2022

Reportable incidents
0.25

Minor incidents
0.43

Ambition remains
 zero harm
0

We are committed to a net-zero carbon future

Impact of Heat recovery technology

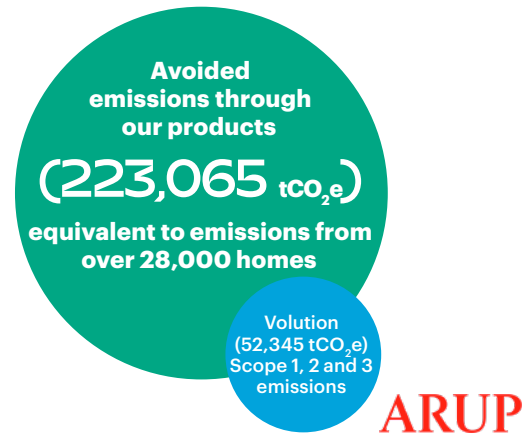
- Study to assess carbon avoided (partnership with Arup)
- Products save more energy than they use
- Carbon emissions avoided >4 times our total emissions (scope 1, 2 and 3)
- Heat recover technology now represents 30.1% of Group revenue

Carbon reduction targets set

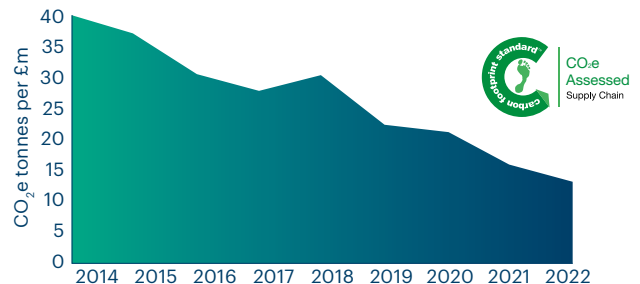
- Scope 1 and 2 emissions: plans and targets in place to reduce by >50% by 2030 and >90% by 2050 – aligned with Science Based initiatives
- Scope 3 emissions: plans and targets in place to reduce by >40% by 2030 and >60% by 2050 – good progress and commitment to close the gap to our long term net-zero ambition

Continued reduction in emissions

- 20% reduction in our chosen carbon intensity measure (tCO₂e per £ million revenue)
- 67% lower than when first reported 9 years ago
- 100% renewable electricity in UK / 73% across the Group



Carbon intensity reduction over time





Financial Review

Full year results to 31 July 2022

Rogério Brito, Växjö, Sweden

Financial highlights

Revenue £m

£307.7m

+12.9% +15.1%cc



Adjusted operating profit £m

£64.9m

+13.9%



Adjusted operating profit margin %

21.1%

+0.2pp



Adjusted EPS pence per share

24.0p

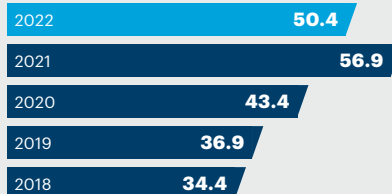
+14.3%



Adjusted operating cash flow £m

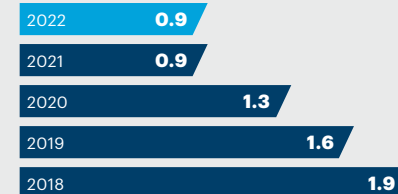
£50.4m

-11.4%



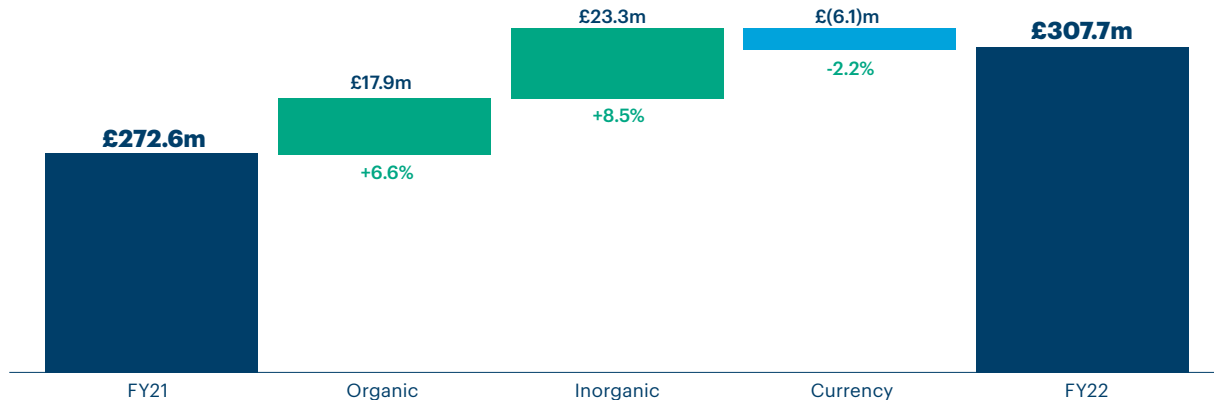
Leverage (excluding lease liabilities)

0.9x

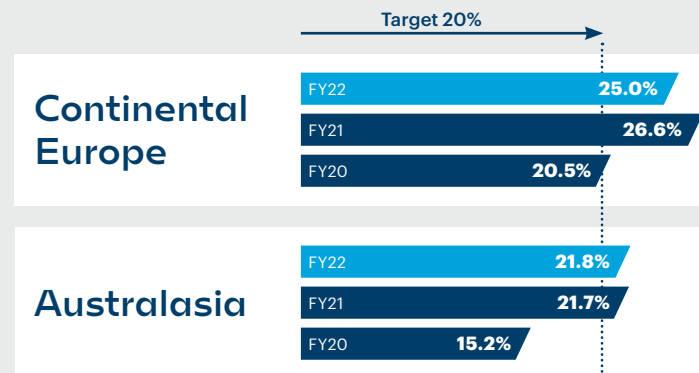
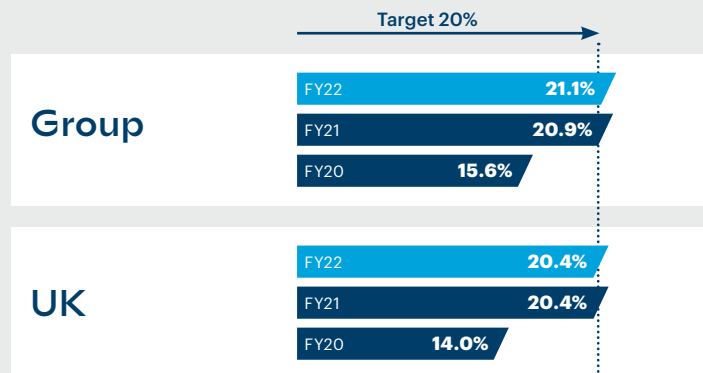
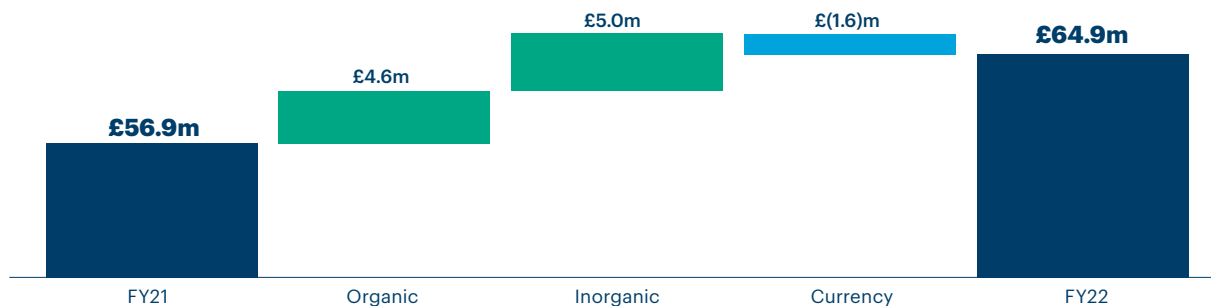


Revenue

Revenue growth 12.9% (+15.1% at cc)
Organic revenue growth 4.6% (+6.6% at cc)



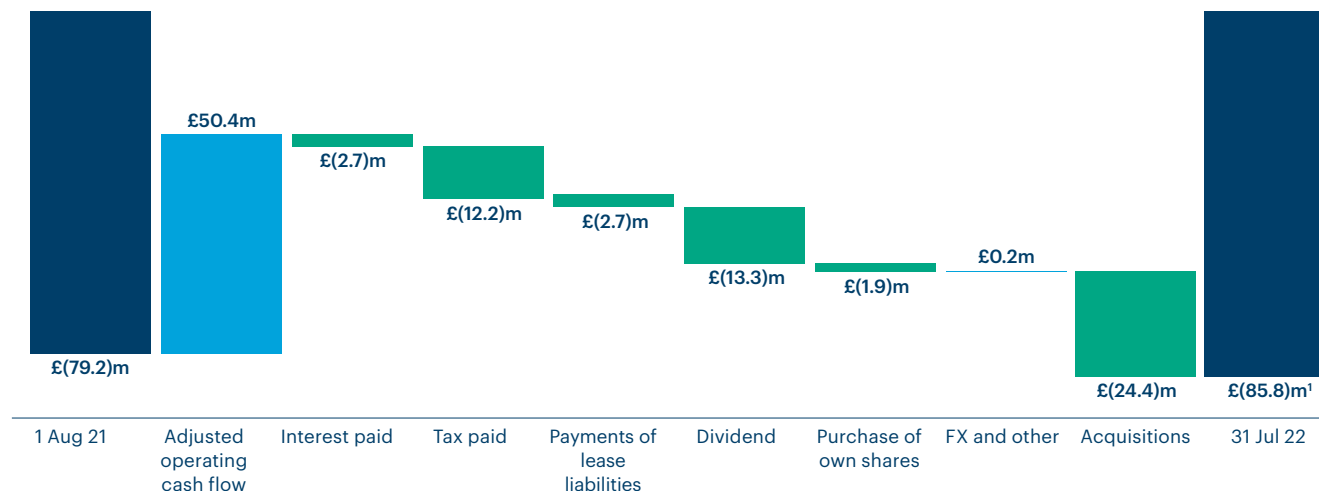
Group adjusted operating profit margin up 0.2pp to 21.1%



Net debt and cash flow

Cash conversion 76% (2021: 97%)
 Leverage 0.9x (2021: 0.9x)
 Net debt £85.8m¹ (2021: £79.2m)
 Available liquidity £89.2m (2021: £96.2m)

Net debt bridge



1. Net debt of £85.8 million (2021: £79.2 million) includes £25.0 million (2021: £25.4 million) of lease liabilities.

Capital allocation – growth focussed capex

Key investments in the year

- Capacity expansion in ERI (£0.5 million) and Torin-Sifan (£0.5 million) increasing our capacity for heat exchangers and high efficiency EC3 motorised impellers
- Investment of £1.0 million in sheet metal based production machinery to support our commercial heat recovery ranges
- £1.75 million investment in new product development programmes and equipment, notably on extension to our heat recovery ranges
- £0.3 million IT systems and hardware
- £1.0 million upgrade to the vehicle fleet, transitioning to a hybrid/low emission fleet

Total Group capex

2022	£6.9m
2021	£4.5m
2020	£4.3m
2019	£5.8m
2018	£6.3m



Sheet metal laser cutting machinery

Capital allocation – value-adding acquisitions

Two acquisitions in year



£16.0m

- Leading manufacturer of heat exchangers
- Modern, high quality production facility
- €2.1 million investment programme underway to further expand capacity
- Successfully integrated and performing well

Bera (Germany)

£0.8m

- Longstanding distributor for inVENTer (Germany)
- Consolidates position in market

Ventair (Australia) ROAI >25%



- Ventair (Australia) the only “new” >3-year qualifying acquisition in FY22
- Full contingent consideration paid
\$7.7 million
- Total consideration
\$23.8 million
- Revenue >2x since acquisition
>2x
- FY22 ROAI
>25%

Group ROAI

2022	£157.2m*	24.3%**
2021	£141.2m*	25.2%**
2020	£86.9m*	20.4%**

* Cumulative spend >3 year spend (£m)

** ROAI (%)



Emily Shortte (on the left), Julia Muraveinyk, Reading, UK

Business Review

Full year results to 31 July 2022

Operating segments

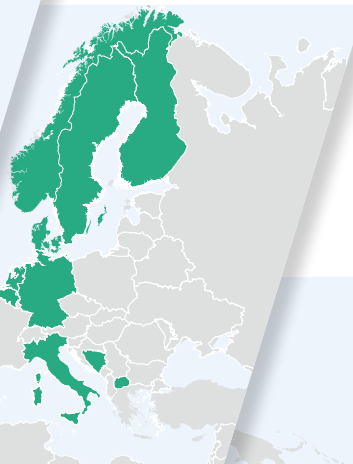


United Kingdom

% of Volution Group revenue (by segment)



46.7%
£143.7m



Continental Europe

% of Volution Group revenue (by segment)



38.5%
£118.4m



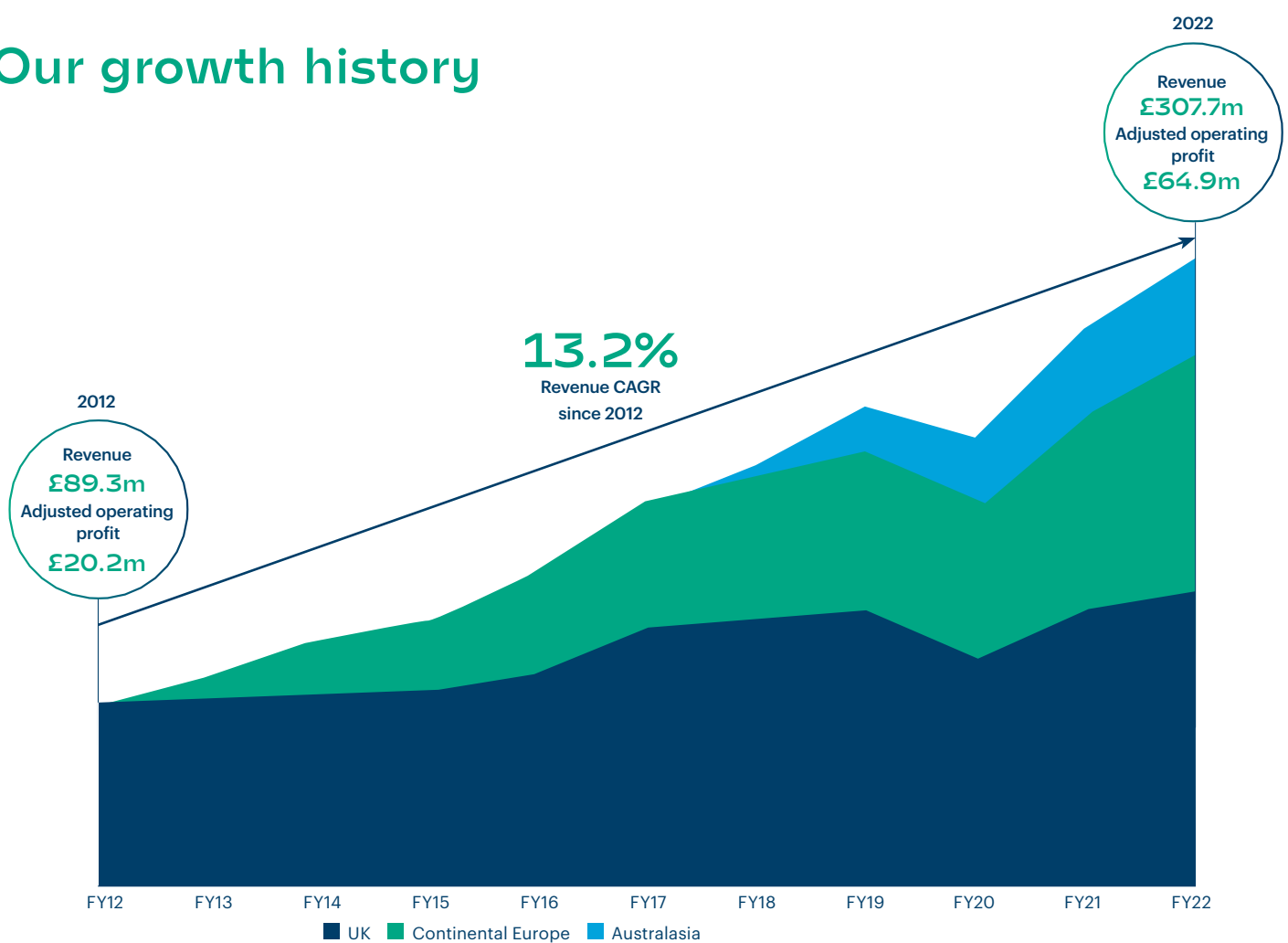
Australasia

% of Volution Group revenue (by segment)



14.8%
£45.6m

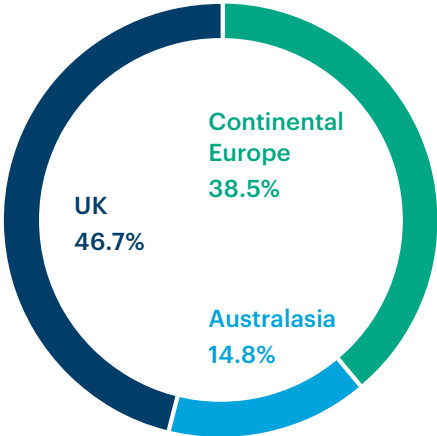
Our growth history



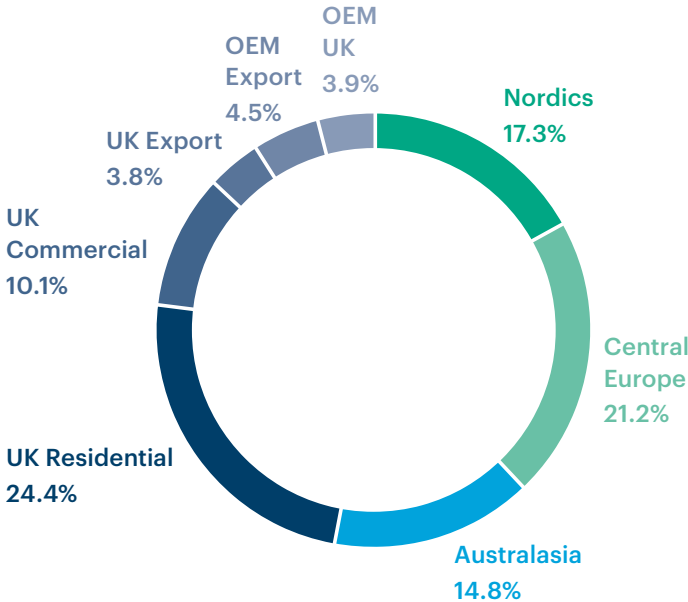
Diversified end market exposure

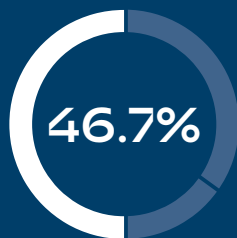
Non-UK revenue 61.6% of Group (2021: 58.7%)

% of Volution Group plc revenue



% of Volution Group plc revenue (by sector)





% of Volution Group plc revenue



Harpal Purewal, Reading, UK

UK

- Revenue grew by £7.8 million, a 5.7% increase (6.2% at cc) with adjusted operating profit of £29.3 million, an increase of 5.3%.
- Adjusted operating margin increased in H2 remaining above target at 20.4%.
- Residential revenue grew strongly by 6.9%. Private RMI was weaker as anticipated, public RMI remains strong with an increasing penetration of heat recovery.
- Changes to Part F + L of the building regulations driving greater demand for energy efficient ventilation including heat recovery.
- Whilst commercial revenue was broadly flat in the year, we made good progress with our fan coil projects with a significant project win for supply in FY23 announced in July 2022.
- Our main export market in Eire performed very well underpinned by our leading position in heat recovery ventilation.
- OEM benefitted from the further investment in our EC3 motorised impeller proposition delivered good growth in the year.

	2022 £m	2021 £m	Total growth (cc) %
UK revenue	143.7	135.9	6.2
Residential	75.1	70.2	6.9
Commercial	31.0	31.1	(0.4)
Export	11.7	10.1	18.1
OEM	25.9	24.5	7.5
Adjusted operating profit	29.3	27.8	5.3
Adjusted operating profit margin (%)	20.4%	20.4%	—
Reported operating profit	22.3	17.7	26.1



Continental Europe

- Revenue growth of 29.4%, with organic growth of 5.0% at cc.
- Includes acquisition of ERI (September 2021) and full year effect of the acquisitions from the prior year of ClimaRad (December 2020), Klimatfabriken (February 2021) and Rtek (May 2021).
- Nordic revenue growth of 8.1% at cc, 7.1% inorganic and 1.0% organic.
- Central Europe revenue growth of 54.5% at cc of which organic growth was 9.7% at cc, with inorganic growth of 44.7% at cc from the acquisition of ERI and full year of Climarad.
- Our heat recovery proposition in Germany was strong and the project order intake in Climarad NL, also heat recovery, was encouraging.
- Adjusted operating profit was up 16.6% at £29.6 million (2021: £25.4 million), adjusted operating profit margins declined in the year by 1.6pp to 25.0% due to the dilutionary impact of the RTEK and ERI acquisitions.

	2022 £m	2021 £m	Total growth (cc) %
Continental Europe revenue	118.4	95.5	29.4
Nordics	53.3	51.6	8.1
Central Europe	65.1	43.9	54.5
Adjusted operating profit	29.6	25.4	16.6
Adjusted operating profit margin %	25.0%	26.6%	(1.6)pp
Reported operating profit	23.2	18.1	28.5



% of Volution Group plc revenue



Enda Corcoran, Auckland, New Zealand

Australasia

- Our Australasia revenue at £45.6 million (2021: £41.2 million), with strong organic growth of 10.6% (11.4% at cc).
- Adjusted operating margins improved to 21.8% (2021: 21.7%).
- With Simx and Ventair, we have established a strong presence in the Australasian residential ventilation market with significant potential for further market share gains in Australia.
- In Australia we continued to invest in the infrastructure to support our ongoing revenue growth ambitions.
- The launch of our new EC (energy efficient) ceiling fan range performed particularly well and we further consolidated our position with the largest DIY distributor supplier in the country.

	2022 £m	2021 £m	Total growth (cc) %
Australasia revenue	45.6	41.2	11.4
Adjusted operating profit	9.9	8.9	11.3
Adjusted operating profit margin %	21.8%	21.7%	0.1pp
Reported operating profit	8.8	4.5	96.1



Summary and Outlook

Full year results to 31 July 2022

Volution site, Reading, UK

Summary

Strong growth in revenue, operating profit and EPS

Operating margins maintained above target despite inflation headwinds

Sustainability progress continues, recycled plastics to 67.2%

Heat recovery ventilation now represents 30.1% of Group revenue

Strategic investment in capex and two acquisitions completed

Further increased our geographic diversity with non-UK revenue at 61.6% of the group total

Outlook

The new financial year has started well, delivering revenue and profit ahead of the same period last year. Whilst we are mindful of macroeconomic challenges, the regulatory, air quality and energy efficiency agenda throughout Europe has never been more supportive. With our excellent levels of customer service, agile manufacturing and supply chain capability and strong balance sheet position, coupled with significant geographic revenue diversity, we are well placed to make further progress in the year ahead.



Nathiwan Srithoop, Hälleforsnäs, Sweden

Thank You

Q&A

Full year results to 31 July 2022



Maik Anding, Löberschütz, Germany

Appendix

Full year results to 31 July 2022

Financial summary

	2022	2021	Movement
Revenue (£m)	307.7	272.6	12.9%
Revenue (cc) (£m)	313.8	272.6	15.1%
Gross margin (%)	47.8	48.4	(0.6)pp
Adjusted operating profit (£m) ¹	64.9	56.9	13.9%
Adjusted operating margin (%) ¹	21.1	20.9	0.2pp
Adjusted profit before tax (£m) ¹	60.9	53.2	14.5%
Adjusted EPS (pence) ¹	24.0	21.0	14.3%
Adjusted effective tax rate (%)	22.4	21.8	(0.6)pp
Reported operating profit (£m)	50.8	34.2	48.5%
Reported operating margin (%)	16.5	12.6	3.9pp
Reported profit before tax (£m)	47.2	30.0	57.2%
Reported basic EPS (pence)	18.1	10.5	72.4%
Adjusted operating cash flow (£m) ¹	50.4	56.9	(11.4)%
Reported net debt (£m)	85.8	79.2	8.2%
Net debt (excluding lease liabilities) (£m)	60.8	53.8	12.9%
Closing debt leverage (x) ²	0.9	0.9	—
Dividend per share (pence)	7.3	6.3	15.9%

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 27.

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

Reconciliation of adjusted to reported profit

	2022 £m	2021 £m	Movement £m
Adjusted profit before tax	60.9	53.2	7.7
Items excluded from adjusted measures:			
Acquisition-related costs:			
Professional fees	(0.2)	(0.9)	0.7
Amortisation of acquired inventory fair value adjustments	—	(1.7)	1.7
Contingent consideration	0.6	(3.3)	3.9
Net gain on financial instruments at fair value	1.4	0.3	1.1
Re-measurement of future consideration	(1.0)	(0.8)	(0.2)
Amortisation of acquired intangibles	(14.5)	(16.8)	2.3
Reported profit before tax	47.2	30.0	17.2

- Acquisition-related costs:
 - £0.2 million (2021: £0.9 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 (2021: £1.7 million).
- Contingent consideration reduction in respect of ERI of £0.6 million (2021: £3.3 million on increase in contingent consideration in respect of Ventair).
- Gain of £1.4 million (2021: £0.3 million) on fair value of financial instruments.
- £14.5 million (2021: £16.8 million) in respect of amortisation of intangible assets.

Consolidated statement of financial position summary

	31 July 2022 £m	31 July 2021 £m
Non-current assets		
Property, plant and equipment	28.2	23.9
Right-of-use assets	23.6	24.5
Intangible assets – goodwill	142.7	137.7
Intangible assets – others	87.6	85.4
	282.1	271.5
Current assets		
Inventories	57.2	45.0
Right of return assets	—	0.1
Trade and other receivables	57.5	47.5
Other financial assets	1.1	0.5
Cash and short-term deposits	13.5	19.4
	129.3	112.5
Total assets	411.4	384.0
Current liabilities		
Trade and other payables	(48.8)	(47.4)
Refund liabilities	(10.3)	(10.6)
Income tax	(5.6)	(4.6)
Other financial liabilities	—	(4.6)
Interest-bearing loans and borrowings	(3.6)	(3.4)
Provisions	(1.7)	(1.9)
	(70.0)	(72.5)
Non-current liabilities		
Interest-bearing loans and borrowings	(104.5)	(104.9)
Other financial liabilities	(14.1)	(6.0)
Provisions	(0.3)	(0.4)
Deferred tax liabilities	(14.2)	(14.9)
	(133.1)	(126.2)
Total liabilities	(203.1)	(198.7)
Net assets	208.3	185.3
Total equity	208.3	185.3

Cash flow/net debt

	31 July 2022 £m	31 July 2021 £m	Movement £m	Movement %
Adjusted EBITA (A)	66.5	58.3	8.2	14.1%
Depreciation	7.4	6.9	0.5	
Adjusted EBITDA	73.9	65.2	8.7	13.3%
Change in net working capital	(17.7)	(5.8)	(11.9)	
Share-based payments	1.1	2.0	(0.9)	
Net investment in fixed assets	(6.9)	(4.5)	(2.4)	
Adjusted operating cash flow (B)	50.4	56.9	(6.5)	(11.4)%
Cash conversion (B/A)	76%	97%	(21)pp	
Interest paid on debt	(2.7)	(1.5)	(1.2)	
Income tax	(12.2)	(8.1)	(4.1)	
Dividends paid	(13.3)	(3.8)	(9.5)	
Free cash flow	22.2	43.5	(21.3)	(49.0)%
Changes in investments	(20.6)	(42.2)	21.6	
Acquisition debt repaid	(3.8)	(1.5)	(2.3)	
Purchase of shares	(1.9)	(2.1)	0.2	
Cash flow relating to business combination costs	(0.2)	(0.8)	0.6	
Finance costs paid	(0.3)	(1.2)	0.9	
IFRS 16 long-term lease liabilities adjustment	0.5	(2.2)	2.7	
IFRS 16 payments of lease liabilities	(3.2)	(3.5)	0.3	
Cash (outflow)/inflow	(7.3)	(10.0)	2.7	
Opening net debt	(79.2)	(74.2)	(5.0)	
Cash (outflow)/inflow	(7.3)	(10.0)	2.7	
FX on foreign currency loans/cash	0.7	5.0	(4.3)	
Closing net debt	(85.8)	(79.2)	(6.6)	8.3%

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.