volution

Healthy air, sustainably

Volution Group plc
Full-Year Results to 31 July 2024

Agenda

Ronnie George
Chief Executive Officer

Andy O'Brien
Chief Financial Officer

Overview

Continuing to deliver strong compounding growth

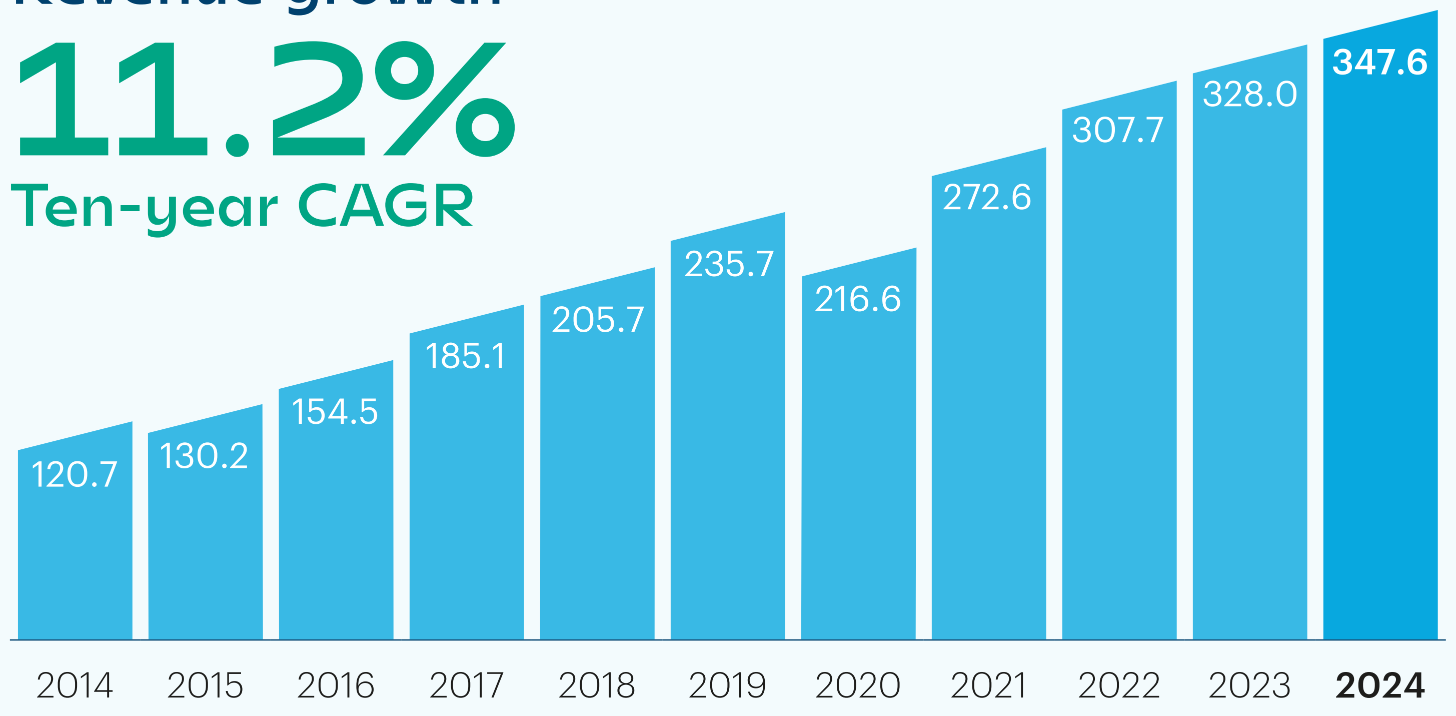
- Strong growth in revenue (+8%cc), adjusted operating profit (+11.7%) and adjusted earnings per share (+8.5%)
- Asset light business model continues to deliver excellent cash generation with 107% cash conversion in FY24, ten-year average of 97%
- Completed acquisition of DVS in New Zealand, with agreement to acquire Fantech (Australasia) signed shortly after year-end
- Continue to drive 'Product, Planet, People' goals: low-carbon revenue 70.9%, recycled plastics 78.1%, first Group employee engagement survey completed

Another year of strong performance, demonstrating the strength and resilience of our business model

A decade of strong performance

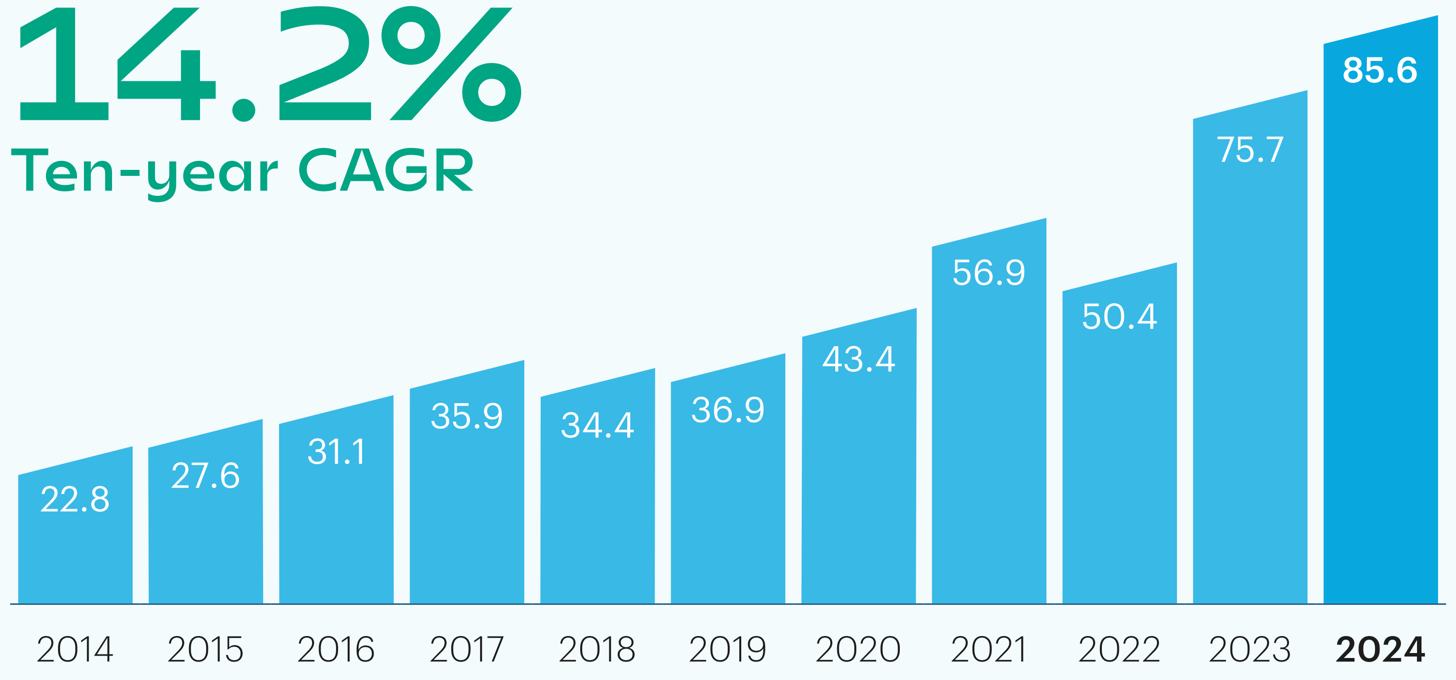
Revenue growth

11.2%
Ten-year CAGR



Adjusted cash flow

14.2%
Ten-year CAGR

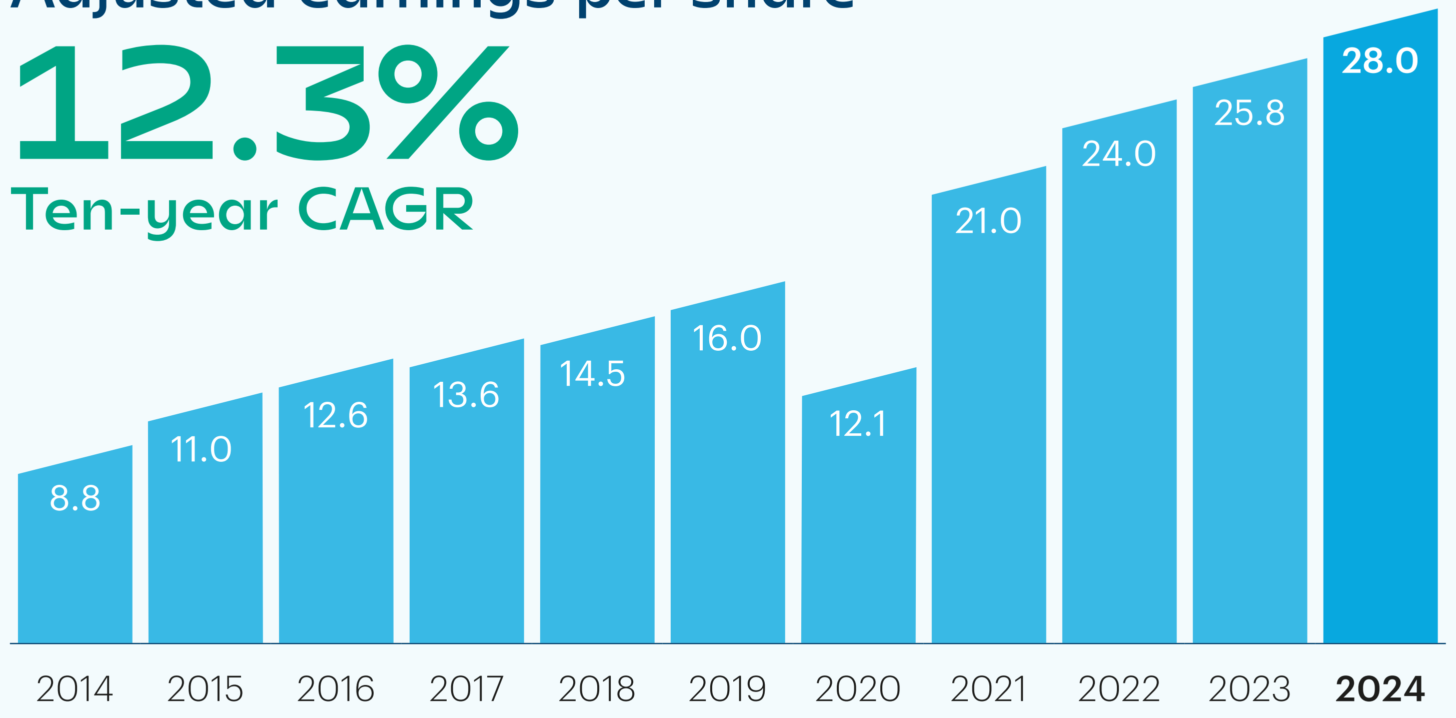


The Group in 2014

Revenue	£120.7m
Revenue from Non-UK customers	c.30%
Number of countries	4
Number of key brands	5
Number of employees	1,008

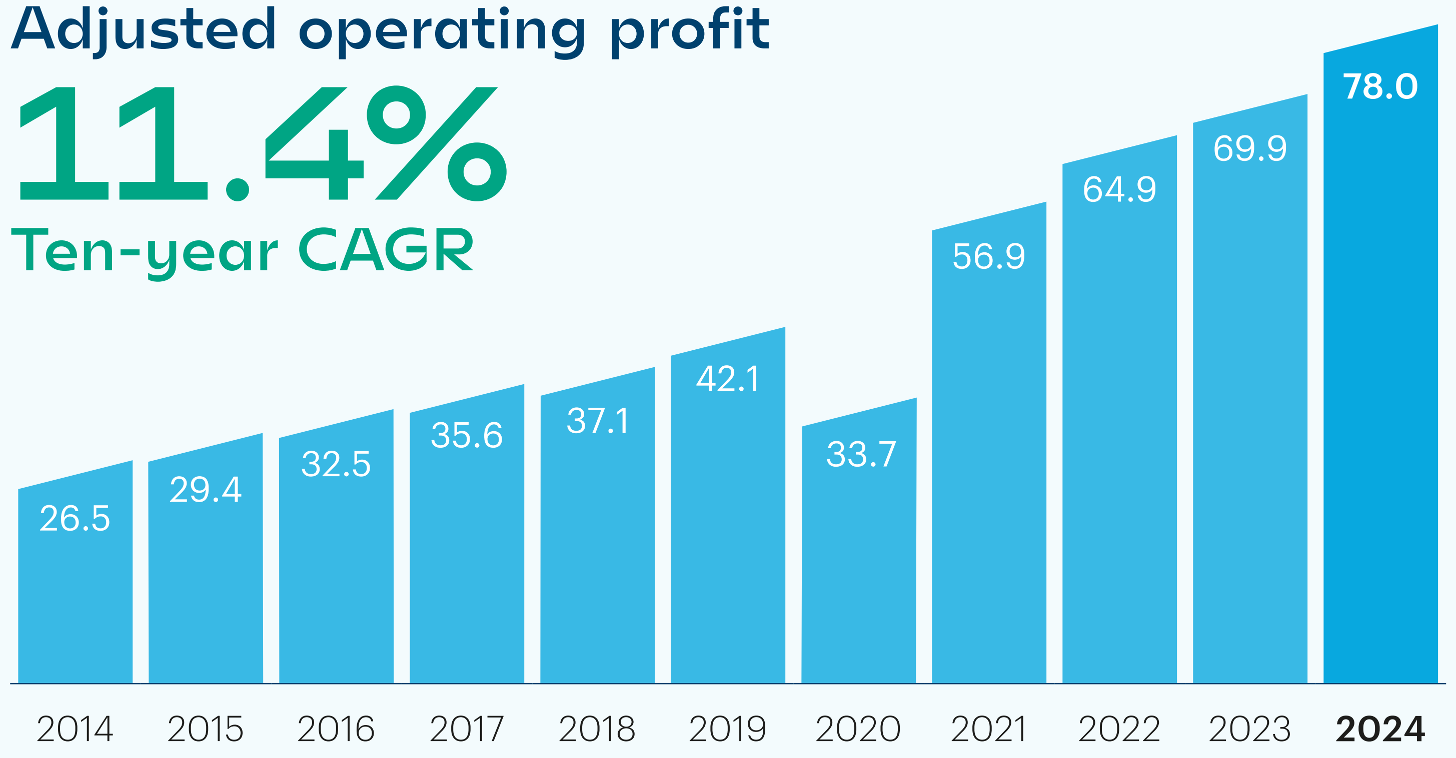
Adjusted earnings per share

12.3%
Ten-year CAGR



Adjusted operating profit

11.4%
Ten-year CAGR



The Group in 2024

Revenue	£347.6m
Revenue from Non-UK customers	c.60%
Number of countries	17
Number of key brands	22
Number of employees	1,869

Compelling value creation delivered through our clear and consistent strategy and differentiated business model

Structural growth drivers underpinning long-term growth	Our differentiated business case	Through our strategic pillars
Structural undersupply of new homes	Leading product and technology offering	Organic growth
Regulation drives adoption of energy efficient, higher unit value solutions	Strong brands and customer relationships	Value-added acquisitions
Energy efficiency improvements driven by fuel costs and customer choice	Successful track record of value-adding acquisitions	Operational excellence
Indoor Air Quality awareness and mould prevention clear link to health	Highly efficient operating model	Sustainability at our core
Demand for premium solutions and upsell to premium ventilation solutions (silence, aesthetics and controls)	Long-term sustainable growth model	

Delivering attractive financial returns

Revenue growth	Organic revenue growth	Adjusted operating profit margin (% of revenue)
+10% p.a.	+3 to 5% p.a.	>20%
Adjusted earnings per share	**Adjusted operating cash conversion**	**Return on invested capital (ROIC)**
+10% p.a.	>90%	>20%

Financial Review

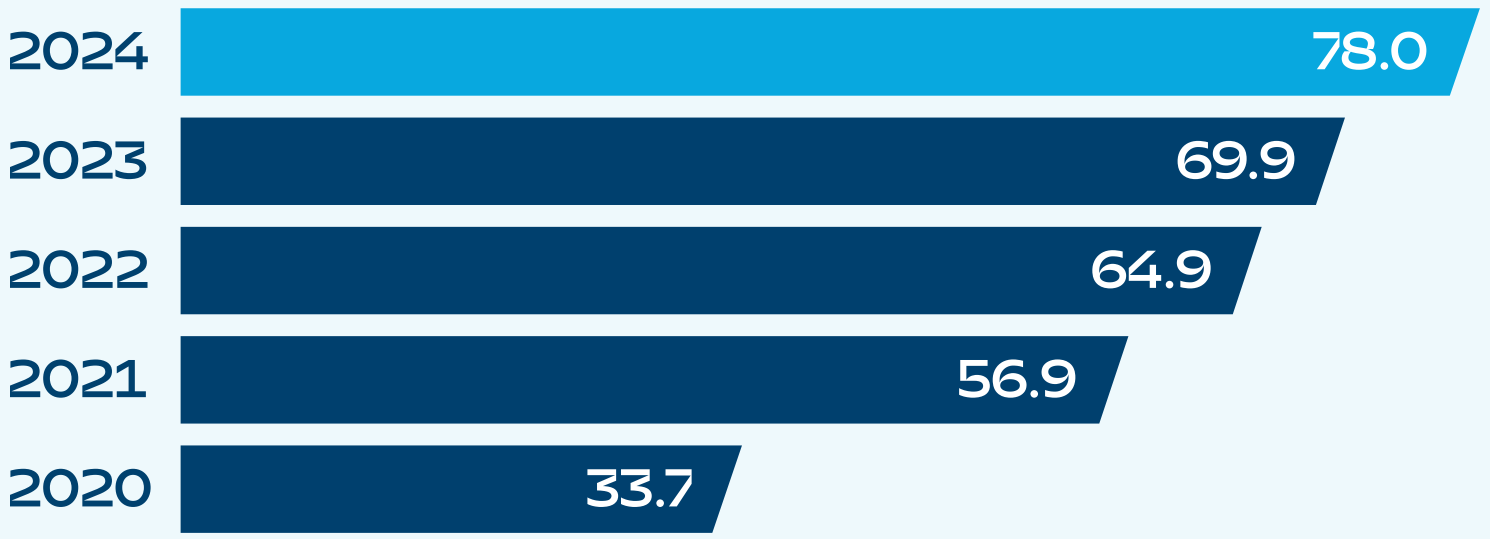
Financial highlights

Revenue £m

£347.6m +6.0% (+8.0%cc)

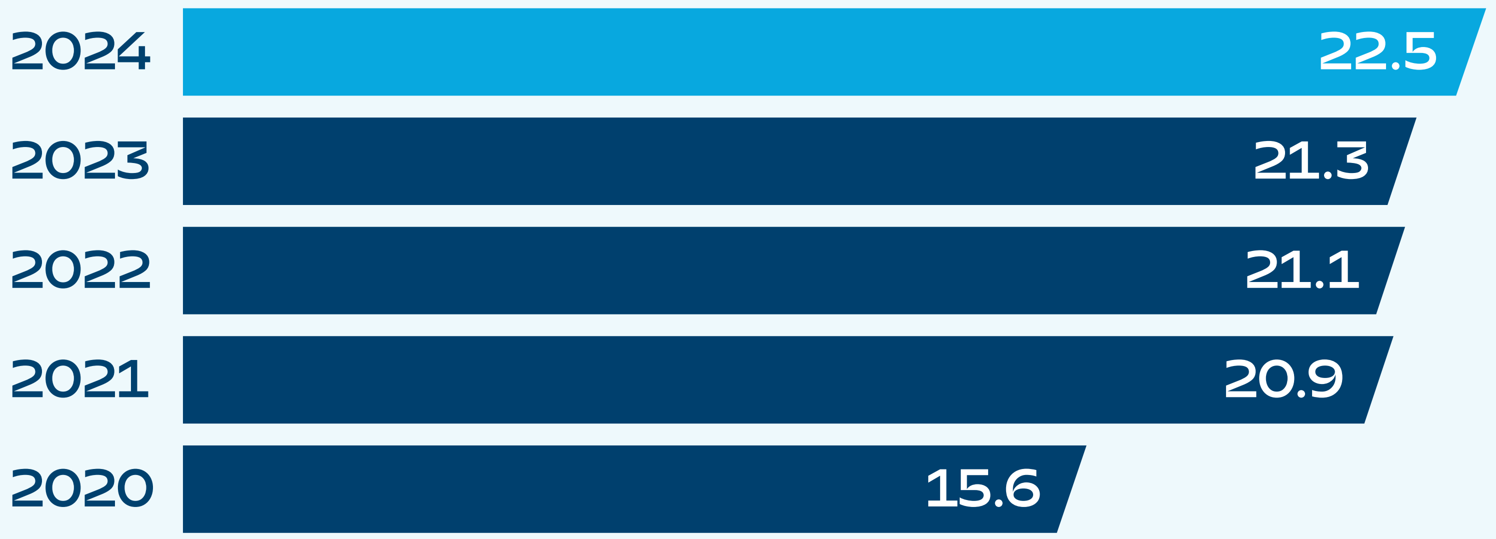
Adjusted operating profit £m

£78.0m +11.7%



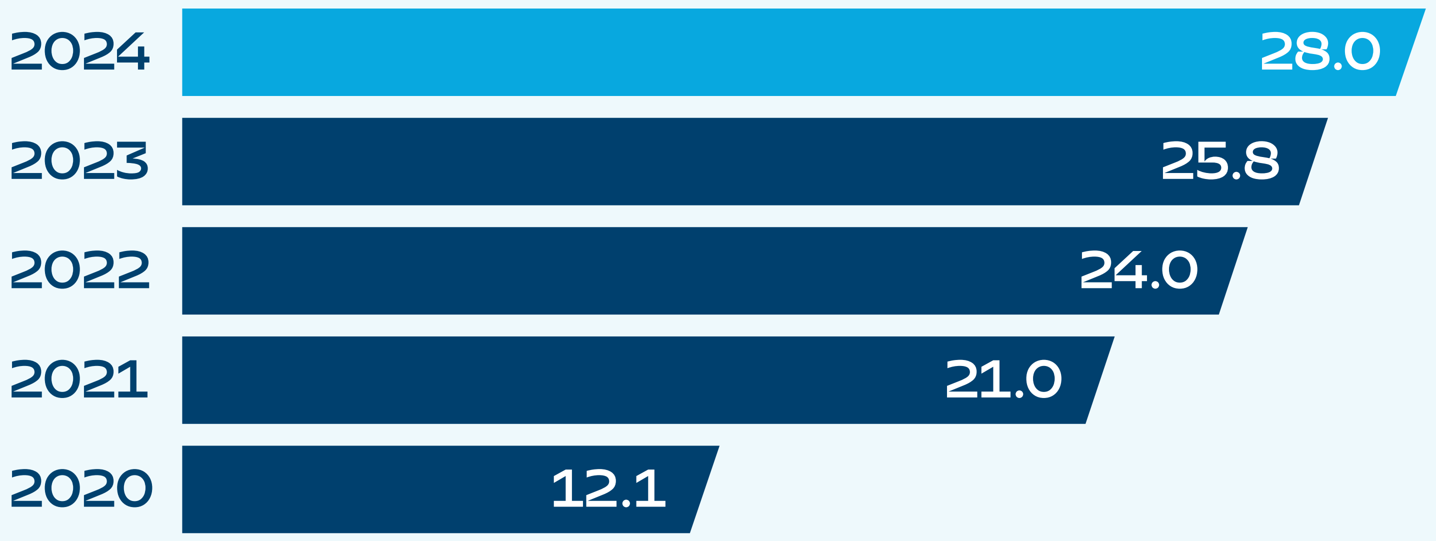
Adjusted operating profit margin %

22.5% +120bps



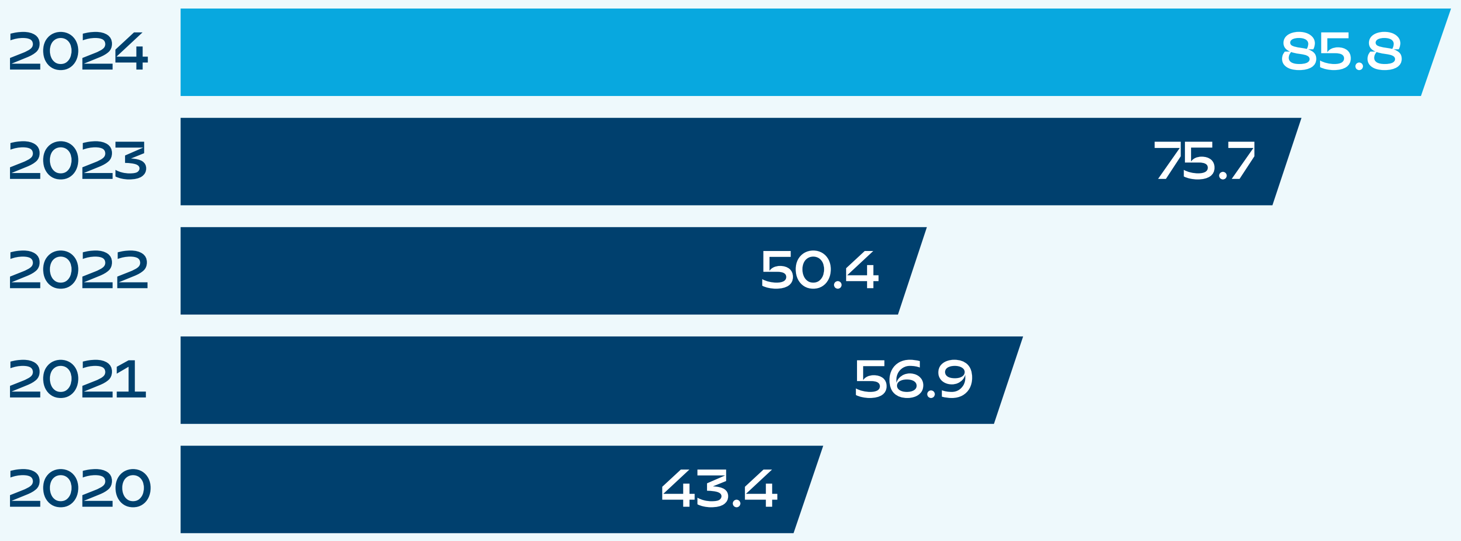
Adjusted EPS pence per share

28.0p +8.5%



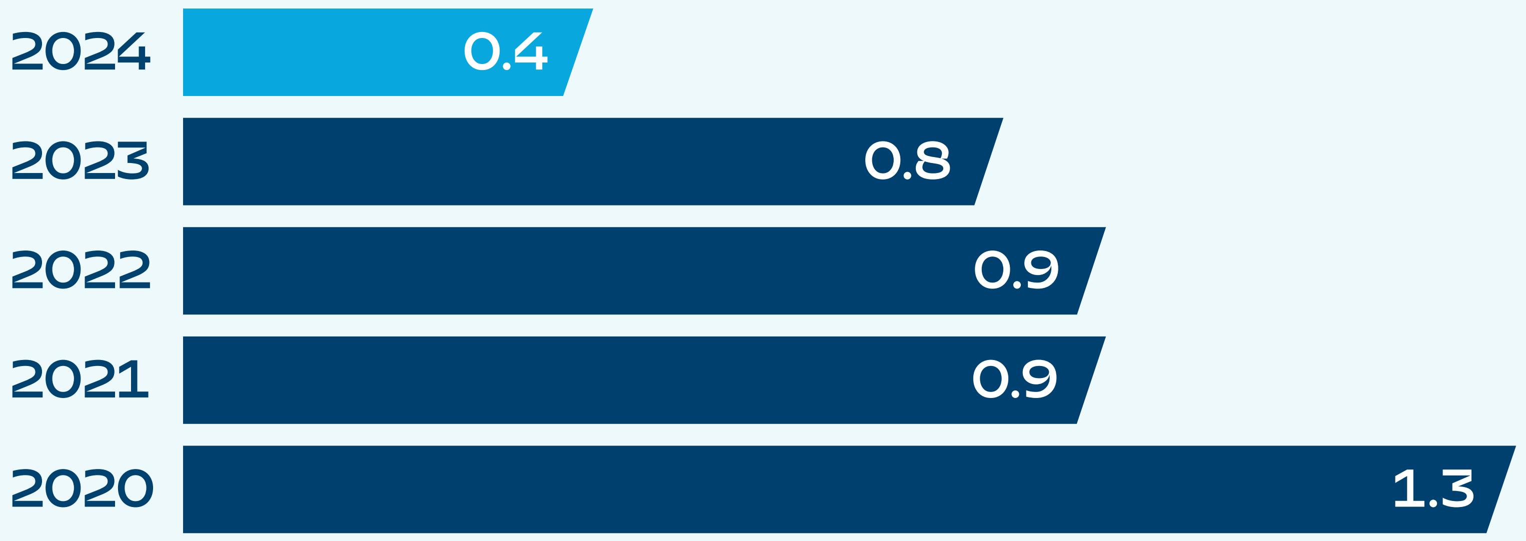
Adjusted operating cash flow £m

£85.8m +13.4%



Leverage (excluding lease liabilities)

0.4x



A strong financial performance

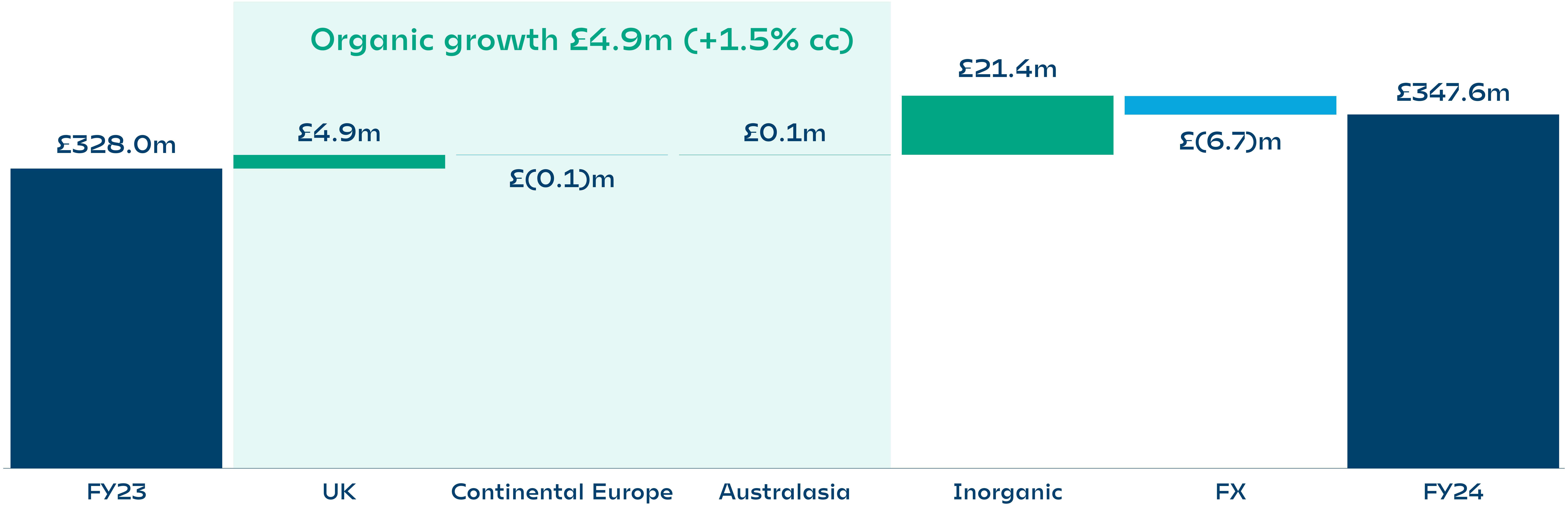
	2024	2023	Movement
Revenue (£m)	**347.6**	328.0	+6.0%
Adjusted operating profit (£m)[1]	**78.0**	69.9	+11.7%
Adjusted operating profit margin (%)[1]	**22.5**	21.3	+120bps
Adjusted EPS (pence)[1]	**28.0**	25.8	+8.5%
Adjusted operating cash flow (£m)[1]	**85.8**	75.7	+13.4%
Dividend per share (pence)	**9.0**	8.0	+12.5%

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 up 6.0%, or 8.0%(cc) of which +1.5%(cc) organic
- Price impact "normalising" after recent years at c.+2.0%
- Adjusted operating profit margin up 120bps to 22.5%, benefitting from procurement actions, factory efficiency and price vs cost
- Adjusted net finance costs up 31.6%, despite lower levels of debt, as a result of elevated interest rates
- Adjusted EPS ahead of market expectations at 28.0p (up 8.5% vs prior year)
- Working capital inflow of £2.7 million contributed to excellent cash generation (conversion 107%)
- Dividends up 12.5% to 9.0p per share (2023: 8.0p)

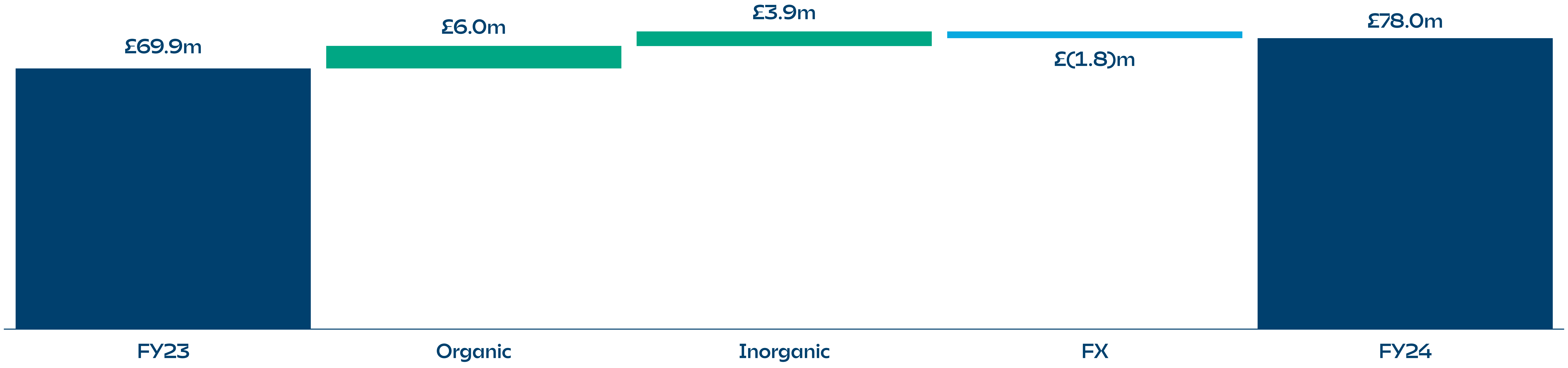
Strong growth in revenue, adjusted operating profit and cash flow

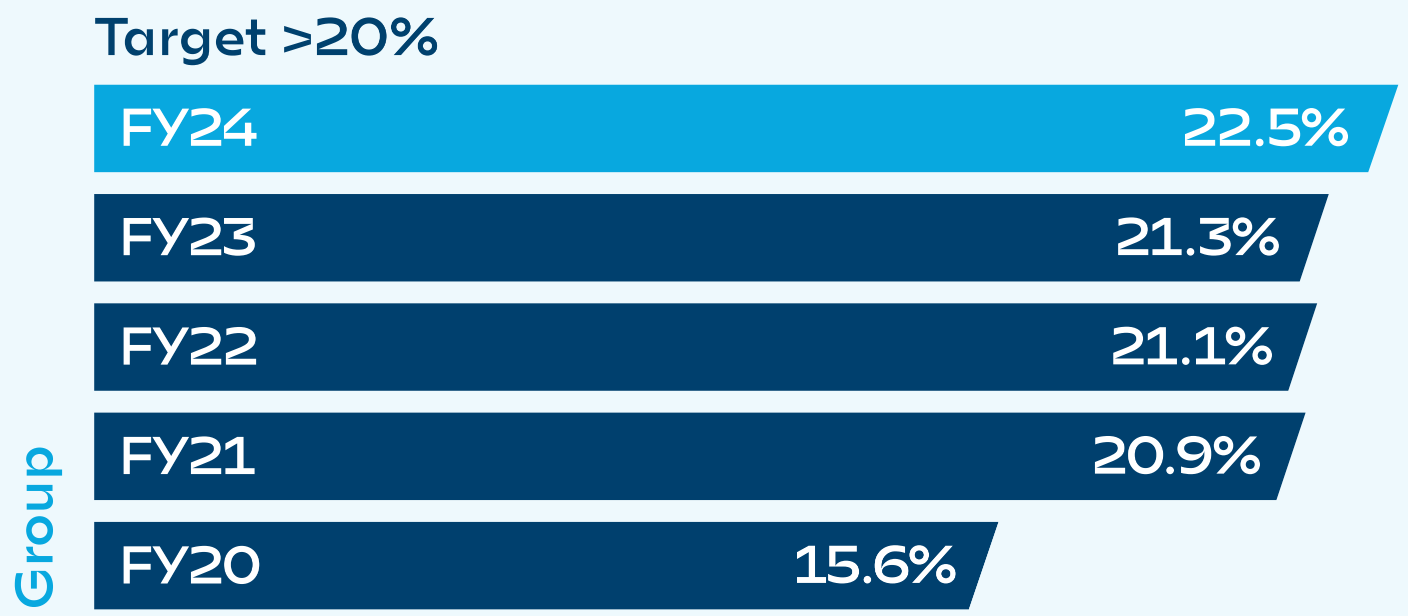
Revenue

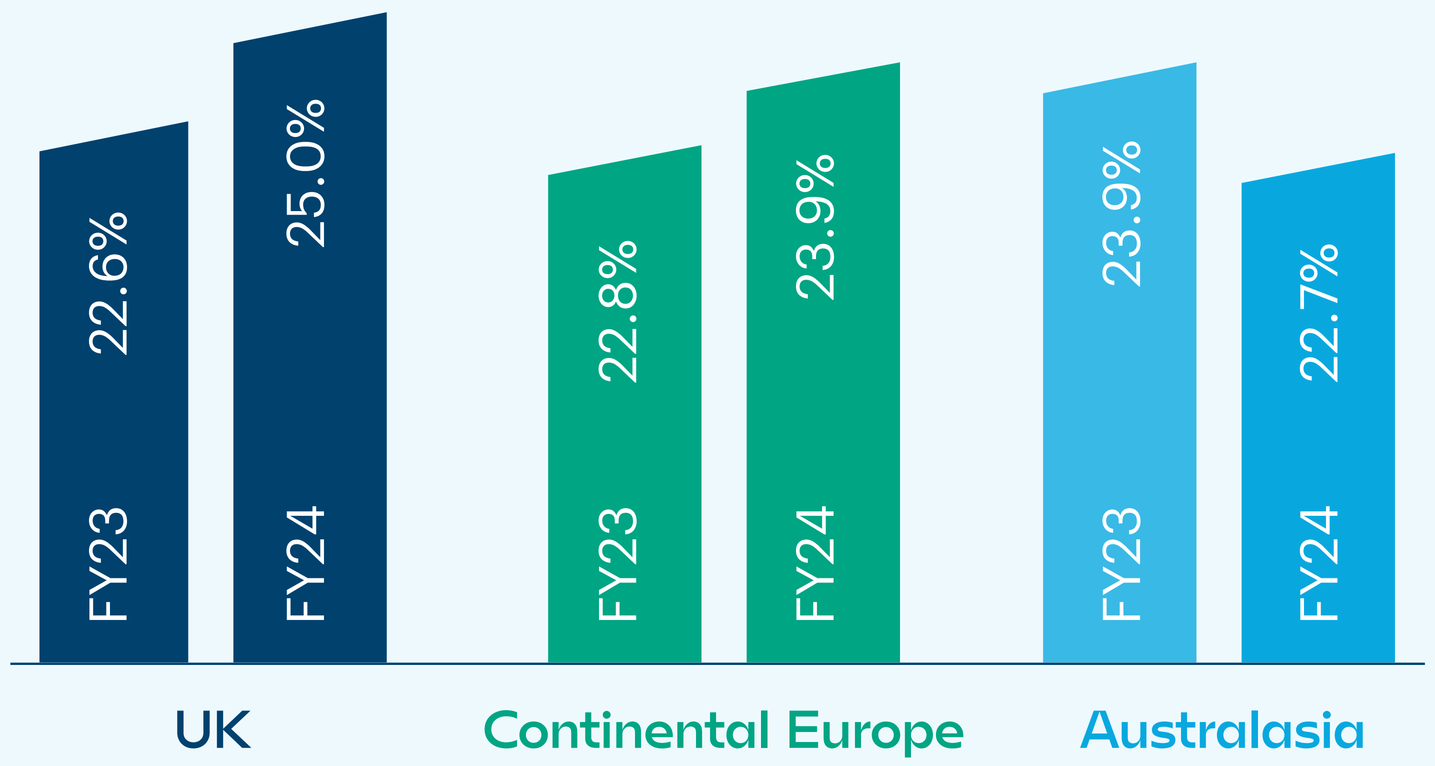


Revenue up 6.0% with organic revenue up 1.5%cc

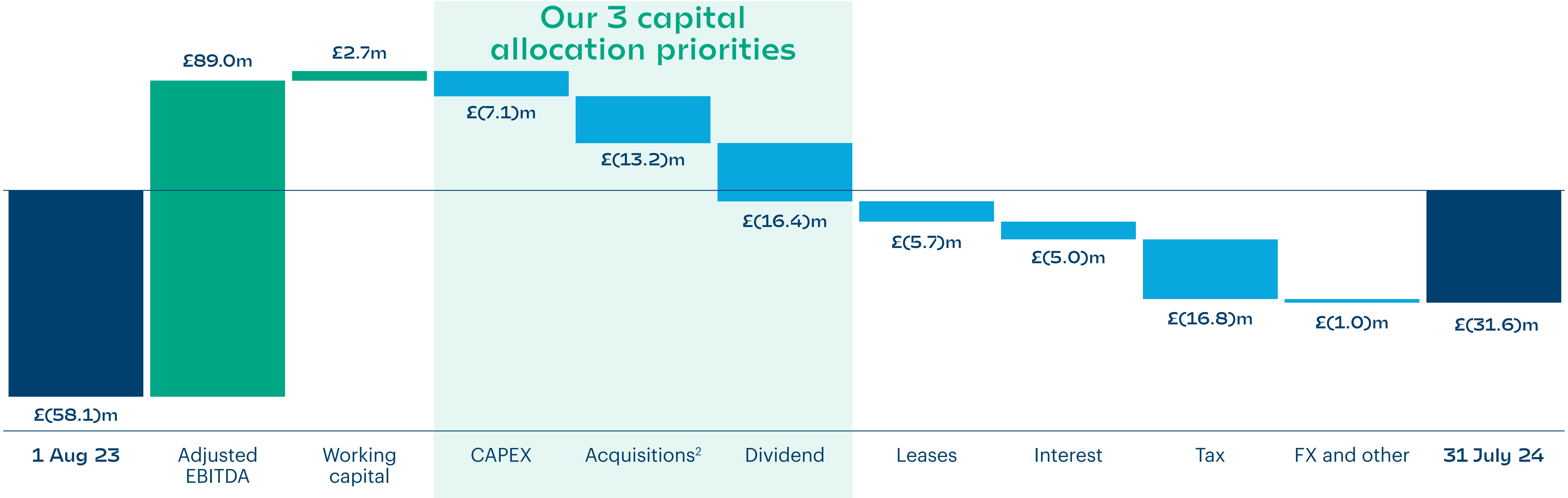
Group adjusted operating profit up 11.7% to £78.0m, with margin up 120bps to 22.5%







Net debt and cash flow



1. Net debt of £31.6m (2023: £58.1m) excludes £26.3m (2023: £31.2m) of lease liabilities.
2. Acquisitions include costs of business combinations of £0.2m.

Cash conversion 107% (2023: 106%), Leverage 0.4x (2023: 0.8x), Available liquidity £118.4m (2023: £91.9m)

Compelling returns on invested capital (ROIC)

	2024 £m	2023 £m
AVERAGE NET ASSETS[1]	**235.9**	216.3
Add/(deduct)		
+ Acquisition-related liabilities	**21.8**	15.6
+ Net debt	**48.0**	58.2
+ Historic amortisation charges (net of def. tax)	**137.8**	128.2
– Goodwill/intangibles of 2012 LBO	**(163.0)**	(163.0)
AVERAGE INVESTED CAPITAL[1]	**280.5**	255.4
ADJUSTED OPERATING PROFIT	**78.0**	69.9
ROIC % (pre-tax)	**27.8%**	27.4%

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

- Strong pre-tax ROIC of 27.8%, significantly ahead of Group WACC
- Increase of 40bps vs PY with adjusted operating margin expansion part offset by acquisition impact of VMI, Ivent & DVS
- Acquisitions will be dilutive on entry, with organic growth and post acquisition margin improvements being additive
- Annualised impact of Fantech acquisition would be expected to be c.4% dilutive

Confident of maintaining ROIC >20% whilst continuing to invest in and grow the business

Strong performance against our key financial metrics

Revenue growth

FY24
+6.0%

5yr average
+8.6%

Target:
+10%

Organic revenue growth (cc)

FY24
+1.5%

5yr average
+4.5%

Target:
+3% to +5%

Adjusted operating profit margin %

FY24
22.5%

5yr average
20.3%

Target:
>20%

Adjusted operating cash conversion

FY24
107%

5yr average
102%

Target:
>90%

Return on invested capital (ROIC)

FY24
27.8%

3yr average
28.0%

Target:
>20%

Adjusted EPS

FY24
+8.5%

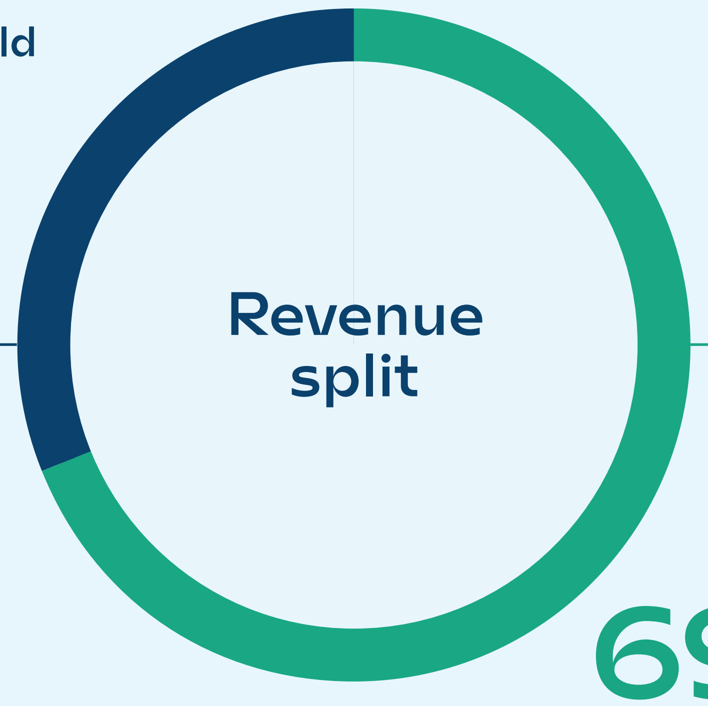
5yr average
+15.9%

Target:
+10%

Business Review

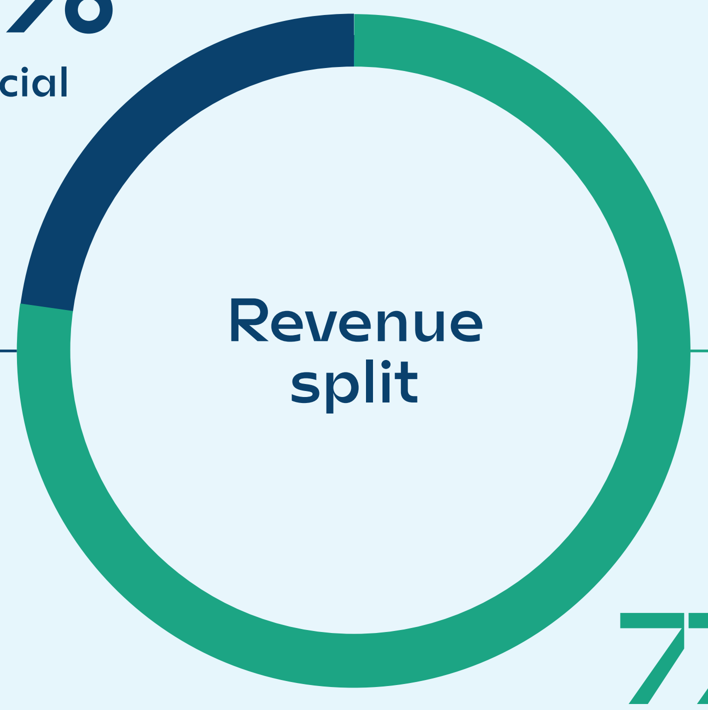
Volution at a glance

31%
New build



69%
RMI

23%
Commercial



77%
Residential

UK

46.3%
of Group revenue

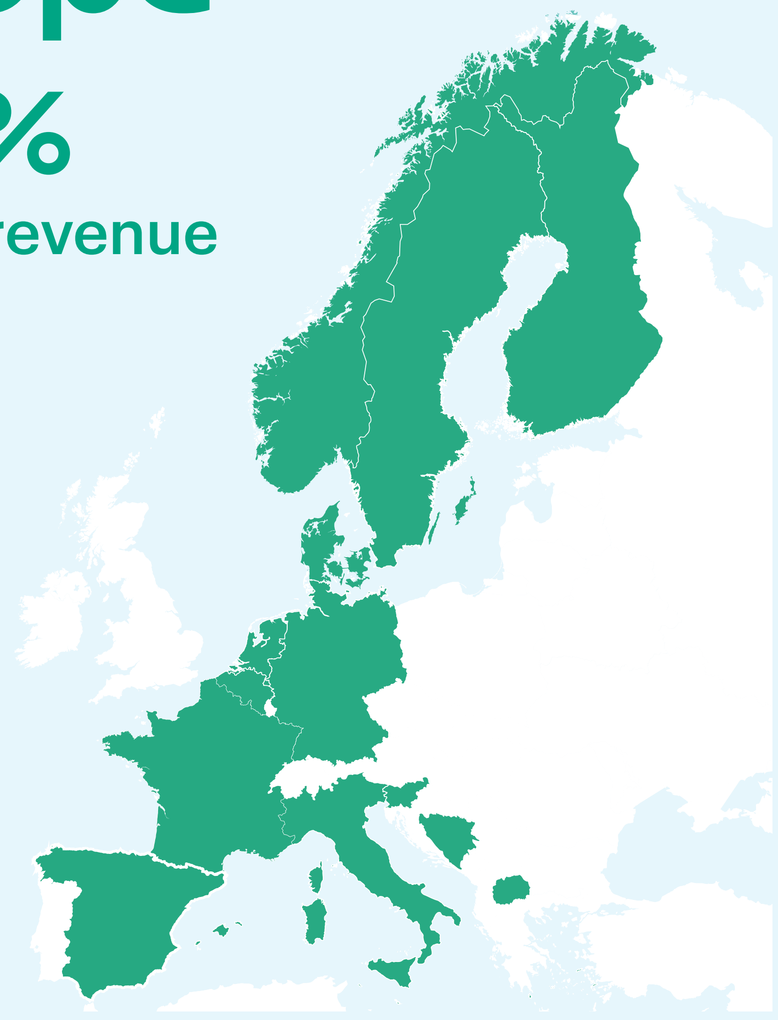
Revenue
£160.8m

Adjusted operating profit
£40.2m

Adjusted operating profit margin
25.0%

Continental Europe

38.7%
of Group revenue



Revenue
£134.4m

Adjusted operating profit
£32.1m

Adjusted operating profit margin
23.9%

Australasia

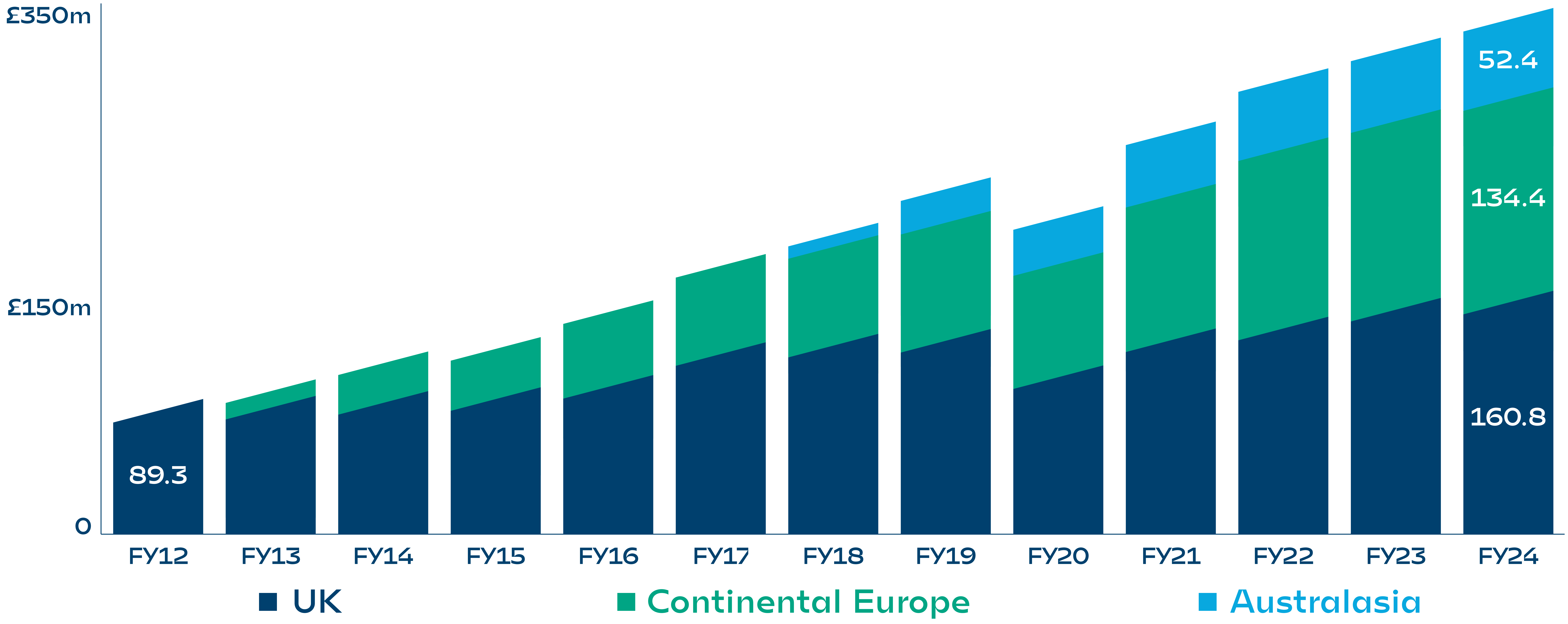
15.0%
of Group revenue

Revenue
£52.4m

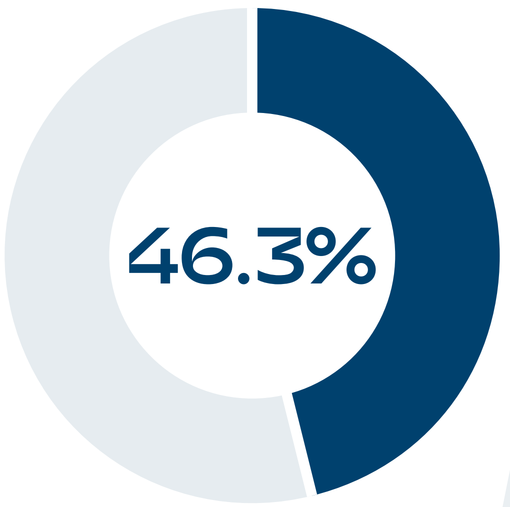
Adjusted operating profit
£11.9m

Adjusted operating profit margin
22.7%

Our ever-expanding geographic diversity



UK: Good revenue growth and significant margin expansion



of Volution Group plc revenue

- UK revenue up 3.1%cc to £160.8m with excellent performance in residential (+17.1%) offset by weak OEM and commercial
- Heightened awareness of air quality and mould and condensation continues to drive strong demand in Public RMI
- Account wins, regulations (Part F & L), and new products (including MVHR with cooling) drove strong new build growth
- Challenging market conditions saw commercial revenue fall 6.6%. Upgrading of sales leadership and new product introductions is key to improvement in FY25
- Export grew 1.2%cc with strong performance in Ireland part offset by weaker conditions in our other export markets
- OEM was very weak, down 35.6%cc, with lower demand due to depressed new construction volumes exacerbated by customer de-stocking
- Adjusted operating profit up 13.9% to £40.2m, margins up 240bps to 25.0% due to enhanced mix, procurement/product cost initiatives, and operational excellence

	2024 £m	2023 £m	Growth %
UK revenue	160.8	156.1	3.1
Residential	105.0	89.7	17.1
Commercial	28.2	30.2	(6.6)
Export	12.1	12.1	–
OEM	15.5	24.1	(36.0)
Adjusted operating profit	40.2	35.3	13.9
Adjusted operating profit margin %	25.0%	22.6%	2.4pp

Continental Europe: Acquisitions driving revenue growth, margins enhanced

of Volution Group plc revenue

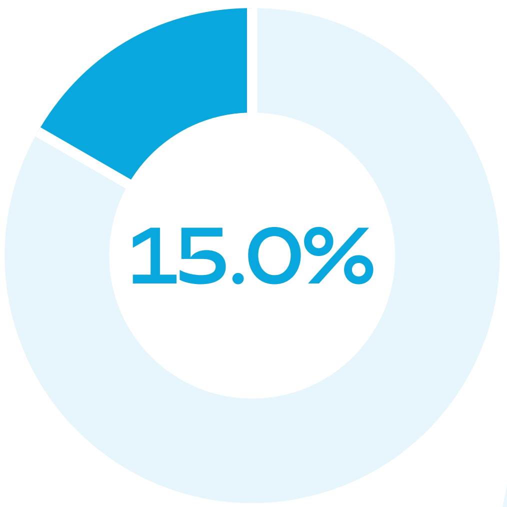
- Continental Europe revenue up 10.5%cc to £134.4m due to acquisitions, with organic revenue (cc) flat
- Nordics revenue up 0.4%cc with a good performance in RMI in Sweden and Norway, contrasted with decline in our new build focused markets in Denmark and Finland
- Organic drop of 0.3%cc in Central Europe also due to weakness in more new build weighted businesses in Germany and Belgium
- Very strong performance in ClimaRad where we focus on major refurbishment projects primarily for housing associations
- Inorganic growth of 10.5% (£12.9m) from i-Vent and VMI. Good progress in the year on new product introductions in both markets
- Operating margins up 110bps to 23.9%, with favourable business mix (ClimaRad) and product cost initiatives contributing

	2024 £m	2023 £m	Growth %	Growth (cc) %
Continental Europe revenue	134.4	124.5	7.9	10.5
Nordics	47.4	49.1	(3.6)	0.4
Central Europe	87.0	75.4	15.4	17.1
Adjusted operating profit	32.1	28.4	13.9	
Adjusted operating profit margin %	23.9%	22.8%	1.1pp	

Residential 70%
Commercial 30%

RMI 64%
New Build 36%

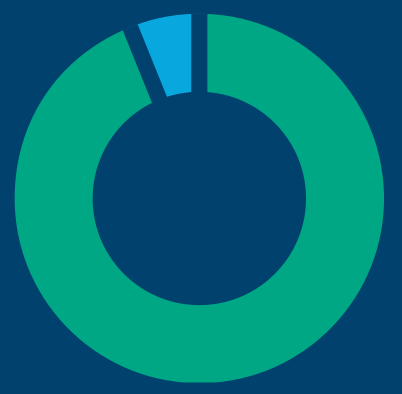
Australasia: Strong performance in Australia, more challenging market conditions in New Zealand



of Volution Group plc revenue

- Australasia revenue up 17.5%cc to £52.4m with organic +0.1%cc and inorganic (DVS) 17.4%
- Significant currency headwind with weakness in both NZ$ and AUD$ (reported revenue +10.6% vs cc growth of 17.5%)
- Australia (Ventair) performed strongly again this year with upgraded low-carbon DC product ranges gaining share
- New Zealand market conditions proved challenging, with SIMX revenues declining in the period
- Acquisition of DVS was completed in August 2023 – good progress in the year on product cost initiatives
- Operating margin reduced by 120bps to 22.7% due to dilutionary impact of DVS
- Post year-end we announced the signing of agreement to acquire Fantech for AUD$280m

	2024 £m	2023 £m	Growth %	Growth (cc) %
Australasia revenue	52.4	47.4	10.6	17.5
Adjusted operating profit	11.9	11.3	5.3	
Adjusted operating profit margin %	22.7%	23.9%	(1.2)pp	



Residential 94%
Commercial 6%

RMI 96%
New Build 4%

Agreement to acquire Fantech Group in Australasia for AUD $280m

(announced 20th September 2024)

Transaction overview

- Attractive valuation: c.8.5x FY24 EBITDA
- Funded through Group's new £230m revolving credit facility and cash
- Completion anticipated approximately 2 months post-signing, once antitrust clearance has been obtained

Volution's largest acquisition to date

Financial highlights

- FY24 (31 March) revenue of AUD$177m and EBITDA of AUD$33.3m
- Earnings accretive immediately upon completion
- Leverage on completion remains below 2.0x
- Volution Group key financial metrics maintained: operating margin and ROIC remain >20% post-transaction

Fully funded through debt facilities and cash

Compelling strategic combination

- Highly complementary to Group's existing position in Australia and New Zealand
- Leading position in both commercial and residential ventilation

Significantly expands our position in Australasia

Continuing to grow and develop our people

People

Enhancing health, safety & wellbeing

- Reportable incident frequency rate reduced to 0.20 (FY23: 0.30)
- All UK operations now ISO45001 accredited
- Training & certification conducted for Mental Health First Aiders

Safety walk at the Reading facility in the UK

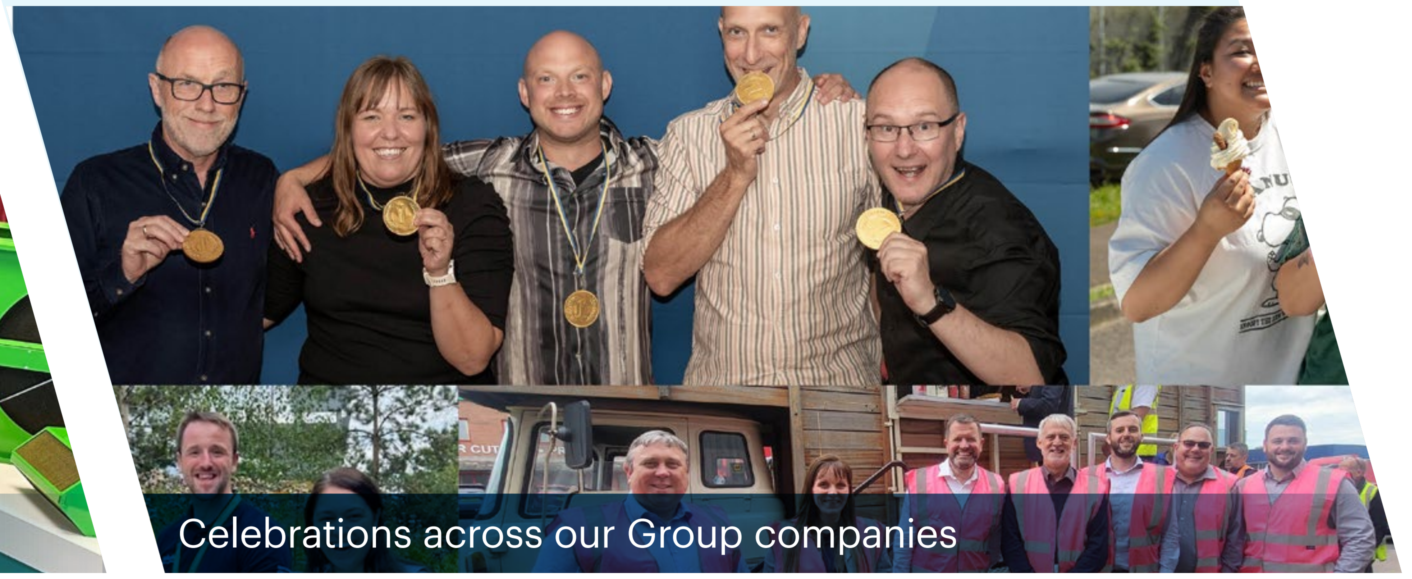
Attracting and developing our leaders

- Key new senior hires: Group Technical Director, ClimaRad MD, Australasia MD
- MDP 4 – bespoke 18-month programme for future leaders completes in October 2024
- Next programme to commence spring 2025

MDP participants

Promoting engagement and inclusion

- First Group-wide employee engagement survey October 2023 – response rate 80%, engagement 74
- Local and Group teams developing action plans to address survey output
- Joined Construction Inclusion Coalition to promote and improve equity, diversity and inclusion in our industry



Celebrations across our Group companies

Our new Employee Engagement Survey

74	Overall engagement score
79	"I am proud to work for my organisation."
73	"I would recommend my organisation as a great place to work."
82	"My organisation is strongly committed to making a positive impact on the environment and society"
78	"Safety is a top priority in my organisation."
83	"Regardless of background, everyone in my organisation has an equal opportunity to succeed."

Driving sustainable solutions

Product

70.9% (+0.8pp) of total revenue from low-carbon products	Revenue from low-carbon products up to 70.9% (FY23: 70.1%). Strong regulatory tailwinds driving adoption of more energy efficient solutions.
31.7% revenue from heat recovery products	Increased heat recovery sales from recent acquisition I-vent, offset by weaker demand in inVENTer and strong overall revenue growth.
1,872,583 avoided emissions (tCO_2e)	Avoided emissions from Heat recovery products c.3x our total emissions (equivalent to c.1million cars for a year)

Planet

78.1% (+1.9pp) recycled plastic processed in our own factories	Recycled plastic use up to 78.1% (FY23: 76.2%), Group Q4 exit rate >83%, UK Q4 exit rate >90%.
12.8 scope 1 and 2 location-based intensity (tCO_2e per £m revenue)	Scope 1 and 2 carbon intensity up to 12.8 (FY23:12.3), impacted by acquisitions, converstion factors, increase in car and gas use.
-10.3% total absolute emissions (tCO_2e)	Scope 3 (emissions from products in use) reduction due to increased low-carbon sales and product mix.

Acting on our SBTi commitment

Commit	Develop	Submit	Initial validation	Technical verification	Target approval
Commitment to SBTi target process **October 2022**	Developed full carbon inventory and targets **FY24**	Submitted SBTi-aligned targets **July 2024**	Confirmed **July 2024**	Confirmed **August 2024**	Estimated **December 2024**

Summary and Outlook

Continuing to deliver strong compounding growth

- Strong growth in revenue (+8%cc), adjusted operating profit (+11.7%) and adjusted earnings per share (+8.5%)
- Asset light business model continues to deliver excellent cash generation with 107% cash conversion in FY24, ten-year average of 97%
- Completed acquisition of DVS in New Zealand, with agreement to acquire Fantech (Australasia) signed shortly after year-end
- Continue to drive 'Product, Planet, People' goals: low-carbon revenue 70.9%, recycled plastics 78.1%, first Group employee engagement survey completed

Another year of strong performance, demonstrating the strength and resilience of our business model

Outlook

The new financial year has started as anticipated, with both revenue and adjusted operating profit ahead of the same period last year.

Also in an exciting post year-end development, we have announced an agreement to acquire Fantech's ventilation activities in Australia and New Zealand, which would represent our largest acquisition to date by some considerable distance.

This, along with the momentum we have across many parts of the business, provides the Board with confidence of another year of good progress across the Group.

Thank you
Q&A

Appendix

Financial summary

	2024	2023	Movement
Revenue (£m)	**347.6**	328.0	6.0%
Revenue (cc) (£m)	**354.3**	328.0	8.0%
Gross margin (%)	**51.3**	48.4	2.9pp
Adjusted operating profit (£m)[1]	**78.0**	69.9	11.7%
Adjusted operating margin (%)[1]	**22.5**	21.3	1.2pp
Adjusted profit before tax (£m)[1]	**70.7**	65.1	8.7%
Adjusted EPS (pence)[1]	**28.0**	25.8	8.5%
Adjusted effective tax rate (%)	**21.8**	21.9	(0.1)pp
Reported operating profit (£m)	**70.4**	57.1	23.2%
Reported operating margin (%)	**20.2**	17.4	2.8pp
Reported profit before tax (£m)	**56.6**	48.8	15.9%
Reported basic EPS (pence)	**21.6**	19.0	13.7%
Adjusted operating cash flow (£m)[1]	**85.8**	75.7	13.4%
Reported net debt (£m)	**57.9**	89.3	31.4
Closing debt leverage (x)[2]	**0.4**	0.8	0.4
Dividend per share (pence)	**9.0**	8.0	12.5%

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 29.
2. Closing debt leverage is net debt to LTM adjusted EBITDA.

Reconciliation of adjusted to reported profit

	2024 £m	2023 £m	Movement £m
Adjusted profit before tax	**70.7**	65.1	5.6
Items excluded from adjusted measures:			
Acquisition-related costs:			
Professional fees	**(0.2)**	(1.0)	0.8
Re-measurement of future consideration	**(4.7)**	(2.6)	(2.1)
Amortisation of acquired intangibles	**(9.3)**	(11.1)	1.8
Net gain/(loss) on financial instruments at fair value	**0.1**	(1.6)	1.7
Reported profit before tax	**56.6**	48.8	7.8

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.

Acquisition-related costs:

- £0.2m (2023: £1.0m) of professional fees in respect of the acquisitions during the year
- Gain of £0.1m (2023: loss of £1.6m) on fair value of financial instruments
- £4.7m (2023: £2.6m) re-measurement of future consideration
- £9.3m (2023: £11.1m) in respect of amortisation of intangible assets

Consolidated statement of financial position summary

	31 July 2024 £m	2023 £m
Non-current assets		
Property, plant and equipment	**30.2**	29.4
Right-of-use assets	**24.9**	29.9
Intangible assets – goodwill	**171.4**	264.9
Intangible assets – others	**76.9**	83.9
Total non-current assets	**303.4**	308.1
Current assets		
Inventories	**53.1**	59.0
Trade and other receivables	**55.2**	52.3
Income tax assets	**0.4**	
Cash and short-term deposits	**18.2**	21.2
Total current assets	**126.9**	132.6
Total assets	**430.3**	440.7
Current liabilities		
Trade and other payables	**(46.7)**	(47.1)
Refund liabilities	**(10.8)**	(9.8)
Income tax liabilities	**(3.9)**	(4.7)
Other financial liabilities	**(22.1)**	(0.3)
Interest-bearing loans and borrowings	**(14.4)**	(3.8)
Provisions	**(1.4)**	(1.8)
Total current liabilities	**(99.3)**	(67.5)
Non-current liabilities		
Interest-bearing loans and borrowings	**(71.7)**	(116.7)
Other financial liabilities	**–**	(16.6)
Provisions	**(0.8)**	(0.3)
Deferred tax liabilities	**(12.6)**	(13.4)
Total non-current liabilities	**(85.1)**	(147.0)
Total liabilities	**(184.4)**	(214.5)
Net assets	**245.9**	226.2
Total equity	**245.9**	226.2

Cash flow/net debt

	31 July 2024 £m	31 July 2023 £m	Movement £m	Movement %
Adjusted EBITA (A)	**79.9**	71.3	8.6	12.0%
Depreciation	**9.1**	8.0		
Adjusted EBITDA	**89.0**	79.3	9.7	12.2%
Movement in working capital	**2.7**	2.8		
Share-based payments	**1.2**	1.4		
Net investment in fixed assets	**(7.1)**	(7.8)		
Adjusted operating cash flow (B)	**85.8**	75.7	10.1	13.4%
Cash conversion (B/A)	**107%**	106%		
Interest paid net of interest received	**(5.0)**	(3.7)		
Income tax paid	**(16.8)**	(14.0)		
Dividends paid	**(16.4)**	(14.8)		
Free cash flow	**47.6**	43.2	4.4	10.2%
Changes in investments	**(13.0)**	(29.7)		
Acquisition debt repaid	**(0.2)**	(0.1)		
Purchase of shares	**(2.7)**	(1.8)		
Cash flow relating to business combination costs	**(0.2)**	(1.0)		
Finance costs paid	**–**	(0.3)		
Long-term lease liabilities adjustment	**4.8**	(6.2)		
Payments of lease liabilities	**(5.7)**	(4.5)		
Cash outflow	**30.6**	(0.4)	31.0	
Opening net debt	**(89.3)**	(85.8)		
Cash outflow	**30.6**	(0.4)		
FX on foreign currency loans/cash	**0.8**	(3.1)		
Closing net debt	**(57.9)**	(89.3)	31.4	

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.