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7 October 2021

Stelrad Radiator Group Limited

Announcement of Intention to Publish a Registration Document and

Expected Intention to Float on the Main Market of the London Stock Exchange

Stelrad, a leading specialist manufacturer and distributor of steel panel radiators in the UK, Europe and Turkey, today announces that it is considering an initial public offering (the "IPO" or the "Offer") and that it intends to publish a registration document (the "Registration Document") today. Stelrad is considering applying for admission of the Ordinary Shares to the premium segment of the Official List of the FCA and to trading on the Main Market of the London Stock Exchange ("Admission").

<u>Group highlights</u>

- Stelrad is a leading specialist manufacturer and distributor of steel panel radiators in the UK, Europe and Turkey, selling an extensive range of standard and premium steel panel radiators, low surface temperature ("LST") radiators, towel warmers, decorative steel tubular radiators and other steel "column" radiators ("Radiators") to more than 500 customers annually.

- The Group offers a comprehensive range of radiators across all price categories, with higher margin premium steel panel and other designer radiators representing 6.2 per cent. of sales volumes and 32 per cent. of the Group's Contribution[1] in 2020, reflecting a highly effective upselling strategy over recent years (2015: 25 per cent.).

- The origins of the Group date back to the 1930s and Stelrad enjoys long established commercial relationships with many of its customers, having served each of its top five customers for over twenty years.

- The Group is headquartered in the United Kingdom, and has been a leading supplier across Europe for over twenty years, with manufacturing and distribution facilities in the United Kingdom, Netherlands and Turkey, additional distribution facilities in Poland and Denmark and sales personnel in seven other countries, including China.

- The Group operates across six core geographies: UK, Benelux, Germany, France, Turkey and Poland (the "Core Geographies"). Collectively, the total addressable market across these geographies has an estimated value of £1,100 million, and equates to approximately 24.4 million radiators[2].

- The Group has developed strong market positions across the UK, Europe and Turkey, particularly in the UK, which in 2020 was Europe's second largest market for steel panel radiators. The Group has number one positions in five markets (UK, Ireland, Netherlands, Belgium and Denmark) and top three positions in a further six markets.

- The Group focuses on a number of strong, established brands and has a well invested, low-cost manufacturing base, supported by extensive distribution facilities.

- Stelrad’s four distinct business units are UK Radiators; Continental Radiators; Termo Teknik; and Hudevad.

Financial highlights

- The Group has a track record of sales growth, having generated sales revenue of £197 million in 2020 and delivered 5.2 per cent. compound annual growth rate ("**CAGR**") in sales from 2015 to the end of 2019 (which rises to 6.8 per cent. when excluding sales to Turkey).

- Further, its business model has proven resilient, through the three major disruptive market events of the last 15 years, being the 2008 financial crisis, Brexit and COVID-19 pandemic. In particular, the Group's financial performance experienced only a limited impact from the COVID-19 pandemic.

- The Group's revenue for the year ended 31 December 2020 was 11 per cent. lower than budget, with the most significant reduction in sales volumes experienced in the UK during the restrictive lockdown period in Q2 2020. Since Q3 2020 there has been a significant recovery, particularly in the higher margin replacement sector, and the Group's EBITDA for the year ended 31 December 2020 significantly exceeded the Group's pre-COVID-19 budget.

1 "**Contribution**" means the total revenue from sale of the Group's products less any cost of direct materials,
variable distribution costs, variable selling costs, direct labour cost and other variable costs

2 CIL Management Consultants - CIL Report

- In the twelve months ended 30 June 2021, the Group's revenue grew to £242.508 million, up 23.4 per cent compared to £196.565 million in the year ended 31 December 2020, principally as a result of increased sales volumes which were lower in the six months ended 30 June 2020 due to the COVID-19 pandemic and selling price rises in the six months ended 30 June 2021 following an increase in steel prices. During the same period, the Group's operating profit grew to £31.991 million, a 63.9 per cent increase on the £19.524 million generated by the Group in the year ended 31 December 2020. This was principally as a result of an increase in sales volumes, increased production at lower cost facilities and the benefit of increased selling prices partially offset by the impact of steel price rises.

Growth drivers and strategy

- Broadly, the demand for hydronic radiators is driven by the replacement cycle in the private repair, maintenance and improvement ("RMI") sector and by new build housing installations. New build demand is typically characterised by buyer specification, which is also a driver in other channels such as social housing and commercial. The Group has strong relationships with specifiers, merchants and installers, particularly in the UK where Stelrad is the main supplier of the significant majority of hydronic radiators to four of the largest national housebuilders and has entered into other contracts with leading specifiers.

- The Directors believe the Group is the standout platform of scale in the European heat emission market and a natural market consolidator as smaller competitors who lack the scale to compete are expected to struggle to adapt to anticipated changes in the market, resulting in the Group increasing its overall market share.

- As a consequence, the Group is ideally placed to influence the direction of the market and is poised to play a significant role in the decarbonisation journey as it adapts in response to various governments' initiatives and benefits from the estimated additional £240 billion which needs to be spent annually renovating approximately 35 million buildings (approximately £7,000 per building) to reduce buildings' carbon emissions by at least 60 per cent. by 2030 as part of the EU Climate Target plans.

- There are opportunities to use Stelrad's brand strength, channel access, logistics capability and customer relationships to extend its product offering into emerging and fast-growing categories suitable for a low or zero carbon future, such as air management and heat recovery, hydronic convectors and electric heat emitters, alongside more conventional products such as water treatment, valves and controls.

- Stelrad's strategy builds upon the Group's leading market position to achieve further organic growth within existing product categories through increased penetration of existing geographies, further leveraging the Group's low-cost base alongside ongoing product mix improvement, notably in premium steel panel radiators. This will be aided by effective channel positioning and brand marketing, focusing on the higher margin premium radiator segment and continuing to optimise the Group's operational infrastructure.

- Stelrad will also continue to position itself to react to market shifts resulting from the decarbonisation drive, developing its product portfolio and introducing products which are compatible with low carbon, low temperature heating systems.

- The Directors also believe that Stelrad has the opportunity to strengthen its market position in the heating sector through complementary acquisitions providing further product breadth and geographic expansion opportunities.

Bob Ellis, Chairman of Stelrad, commented:

"Stelrad is a leading specialist manufacturer and distributor of steel panel radiators with a track record dating back to the 1930s. Today, the Group benefits from an unrivalled combination of brand strength, highly efficient operating infrastructure and market access, trading across six core geographies of the UK, Benelux, Germany, France, Turkey and Poland.

"The European countries where the Group operates have been progressive in advancing the decarbonisation agenda through strong regulation and policies and Stelrad's products will play a key role in the longer-term transition away from traditional gas boilers with larger surface area radiators in particular being well suited to low temperature systems such as heat pumps.

"The Group's highly experienced management team have a wealth of industry experience and a long-standing commitment to the business having put in place a strategy that has seen the business deliver a resilient financial performance in recent years and, as a result, the Group is well placed to build on the strong momentum through both organic and inorganic growth opportunities."

Trevor Harvey, Chief Executive Officer of Stelrad, commented:

"Our successful growth strategy has been built upon a combination of standardised product design across all our manufacturing facilities, a key focus on specifiers across all of our end-markets and continued range innovation, alongside our multi-brand strategy that enables products and brands to be tailored to specific channels. As a result, we are the number one steel panel radiator business in a number of the markets where we operate.

"Hydronic systems dominate the heating market and steel panel radiators remain by far the most popular heat emitter with demand driven by both first-time installations and replacements. The overall market value is growing thanks to positive underlying market activity and continued adoption of premium panel radiators with the move towards decarbonisation presenting numerous opportunities and limited disruption to our longer-term growth plans.

"Our extensive product offering, strong relationships with all major distributors and specifiers plus this supportive market backdrop mean that we are confident of delivering further upside as part of our growth plan as we continue to play a leading role in keeping Europe warm."

<u>Potential offer highlights</u>

Should Stelrad proceed with the IPO, it is expected to have the following features:

- Admission to listing on the premium listing segment of the Official List of the FCA and to trading on the Main Market for listed securities of the London Stock Exchange.

- The Offer would be a targeted offering to certain institutional investors in the United Kingdom and to institutional investors located elsewhere outside of the United States pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act").

- The offer would comprise both (i) new Ordinary Shares to be issued by the Listco, raising gross proceeds of approximately £25 million to repay certain existing indebtedness of the Group (both external and with existing shareholders) and (ii) existing Ordinary Shares to be sold by existing Stelrad shareholders.

- The Company expects to have a free float in excess of 25% of issued share capital and expects it would be eligible for inclusion in the FTSE UK indices.

- Any additional details in relation to the Offer would be disclosed in a Confirmation of Intention to Float announcement and/or the Prospectus, if and when published.

- The Group has engaged Investec Bank Plc (“Investec”) as Sponsor, Sole Global Co-Ordinator and Sole Bookrunner in the event that the Offer proceeds, and Clearwater International as Financial Advisor to shareholders and the Company.

Group overview

The Group is a leading specialist manufacturer and distributor of steel panel radiators in the UK, Europe and Turkey, selling an extensive range of standard and premium steel panel radiators, low surface temperature ("LST") radiators, towel warmers, decorative steel tubular radiators and other steel ("column") radiators ("Radiators") to more than 500 customers annually. The Group enjoys long established commercial relationships with many of its customers, having served each of its top five customers, representing 35 per cent. of its revenue for the year ended 31 December 2020, for over twenty years. The Group focuses on a number of strong, established brands and has a well invested, low-cost manufacturing base, supported by extensive distribution facilities. The Group is headquartered in the United Kingdom and has been a leading supplier across Europe for over twenty years, with manufacturing and distribution facilities in the United Kingdom, the Netherlands and Turkey, additional distribution facilities in Poland and Denmark and sales personnel in seven other countries, including China.

Whilst the Group operates its business through four main business divisions, in accordance with the requirements of IFRS 8, the Group reports its financial results on a geographic basis. The Group's three geographic operating segments are UK & Ireland, Europe and Turkey & International. The Group's four mains business divisions are:

- UK Radiators – predominantly manufactures Stelrad-branded standard steel panel radiators, delivered from its UK distribution warehouse. The business operates in two main markets, the UK and the Republic of Ireland, ranking number one in both countries based on market share of steel panel radiator volumes.

- Continental Radiators – manufactures both Stelrad-branded and Henrad-branded standard steel panel and premium steel panel radiators delivered from its European distribution warehouse in the Netherlands. The business targets four main European markets: Netherlands, Belgium, France and Germany, in addition to generating sales across a number of smaller markets in Western and Eastern Europe. The Group ranks number one in both the Netherlands and Belgium markets based on market share of steel panel radiator volumes.

- Termo Teknik – Termo Teknik's head office is located in Istanbul, with the manufacturing facility based in Çorlu, Turkey. Historically, Termo Teknik had targeted both its domestic market and export markets, including UK, Poland, Netherlands, China and several Eastern European countries. However, following the Group’s strategic decision in 2018 to limit activity in the Turkish domestic market to reduce exposure to extended credit terms and consequent foreign exchange exposure, there has been greater focus on intercompany production to support growing demand in the UK Radiators and Continental Radiators businesses. The expansion of the Çorlu facility, via the installation of a hybrid production line in 2021, will provide the Group with the capability to increase production output enabling the two Western European business units to further leverage the low-cost manufacturing benefits of production in Turkey. The business sells both Stelrad-branded and Termo Teknik-branded standard steel panel radiators and primarily distributes its products directly from its Çorlu warehouse, supplemented by an additional distribution facility in Poland.

- Hudevad – Hudevad was acquired in 2018 as a brand to be developed in the premium sector. The business targets the UK and Denmark with its premium, designer, products, and also sells standard and premium steel panel radiators into the Danish market. The business operates a warehouse in Denmark and sources its products both externally and from other Group businesses.

Strengths

The Directors believe that the following key strengths contribute to the Group's leading market positions and differentiate it from its competitors:

Market position

Leading brands and market share across its Core Geographies

The Group operates four brands (Stelrad, Henrad, Termo Teknik and Hudevad) and is a leading player in the market for European steel panel radiators, with approximately 16.6 per cent. share (by volume) of total markets in the UK, Europe, and Turkey for 2020, including 50.2 per cent. market share in the UK.[3] The Group was the market leader in steel panel radiators, by volume, in 2020 in each of the UK, Ireland, the Netherlands, Belgium and Denmark.[4]

Stelrad is the best-selling steel panel radiator brand in Europe with approximately 8 per cent. share by volume.[5] Henrad and Termo Teknik represent strong steel panel radiator brands in their own right and are strategically important to the effective channel management of the Group. Distributors typically have limited storage space available for bulky items such as radiators, restricting ability to stock multiple brands and driving significant brand loyalty to scale manufacturers with significant warehousing and distribution capability.

The Group's multi-brand strategy has allowed it to achieve high levels of penetration across new and emerging routes to market, and respond flexibly to changing distribution models, whilst minimising channel conflict. In the UK, for example, independent merchants and new entrants, such as Screwfix, have increasingly challenged the historically dominant national merchants. The Group has successfully managed this challenge through, for example, entering a distribution agreement with Screwfix for the Stelrad brand in 2020, whilst also developing the Henrad brand for distribution to independent merchants, mitigating brand conflict and significantly increasing Henrad's UK volumes (22.7 per cent. FY16 – FY19 CAGR).

In addition, the acquisition in 2018 of the Hudevad brand has further extended the Group's product range, already a key differentiator, and positions it well to pursue growth in the high value designer segment without compromising the identity of the existing brands.

Consolidated markets with high barriers to entry

Most of the Group's core markets (the UK, Belgium, the Netherlands, Germany, France, Turkey and Poland) are characterised by high levels of consolidation with the top three players in each of these markets holding between 60 per cent. and 90 per cent. market share by volume. The market share of the leading radiator manufacturers in these markets has not been eroded by low price penetration strategies adopted by other competitors as they seek to gain market share. This is primarily because these competitors have been unable to compete with the combination of the brand strength of the leading players, established relationships with merchants, specifiers and installers, and the scale of stock and service requirements needed to satisfy market demand.

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3 BRG – BRG Market Studies

4 BRG – BRG Market Studies

5 BRG – BRG Market Studies

Across all of its Core Geographies, the Group has an extremely comprehensive product offering, in terms of both product ranges and numbers of stock keeping units ("SKUs") resulting in a highly attractive customer proposition and product availability. In addition, any decision to switch brand by distributors is likely to result in an immediate and significant loss of volume with their contract customers (for example, house builders and contractors) switching to distributors who stock their specified brand. The combination of these factors has led to the Group having very long-standing relationships with its largest customers, with the top five customers, accounting for 35 per cent. of Group's sales value, having had a relationship with the Group for more than 20 years.

Cost leadership and operational flexibility

The Group operates three well invested manufacturing facilities in Turkey, the UK and The Netherlands, with thirteen out of fifteen production lines being recently upgraded, offering a low-cost advantage over its peers. Use of a common core design for the standard panel, premium panel and LST products across its manufacturing facilities provides significant operational and production flexibility, allowing the Group to marry its substantial low-cost manufacturing capacity with its premium European brands and distribution relationships.

To maximise the benefits of its manufacturing facilities, the Group's strategy is to continually optimise production with consolidation of capacity geographically, updating of production lines and automation.

In January 2021, a hybrid production line with capacity for up to 0.6 million units per annum was commissioned in Turkey and is now operational as a conventional horizontal line with the capability to make vertical radiators to be introduced towards the end of 2021. This will provide further manufacturing flexibility over the range of products that can be produced at the Group's lowest cost facility.

Business model

Highly attractive replacement dynamics

Demand for radiators in the Group's Core Geographies is driven substantially by the replacement market, reflecting a stable underlying building estate in Europe. For example, market demand for radiator volumes in the UK in 2020 was split 76 per cent. for replacement of existing radiators (including private housing, social housing and commercial developments) compared with 16 per cent. for new build installations (including private and social housing), with replacement accounting for 61 per cent. of volumes in Western European markets and 53 per cent. of the developing Turkish and Eastern European markets. The factors driving radiator sales volumes are typically non-cyclical in nature, with replacement radiators being non-discretionary when existing radiators reach the end of their useful life. Increasing property prices in many of the Group's Core Geographies has contributed to the trend towards a preference for home improvement activity over house moves, particularly during economic downturns. The Directors also believe that the ongoing trend towards greater adoption of more stylish, design led products increases the margin potential of sales to the replacement market with the breadth of products offered by the Group positioning it well to benefit from this trend.

Structural risk diversification

Whilst the Group is a leading player in the market for steel panel radiators in the UK, Europe and Turkey, it benefits from considerable structural risk diversification by selling its products to approximately 40 countries and holding top three positions in 11 of these. The UK represents the largest element of the Group's sales revenue at approximately 43 per cent. of the end markets to which products are sold. Although the Group sells to approximately 40 other countries, none of these countries represent more than 10 per cent. of the Group's sales revenue, and therefore, the Directors believe that the Group benefits from structural risk diversification. The risk of disruption to the supply chain is also mitigated by the versatility and geographic spread of the Group's manufacturing facilities which all make the same core product design and can therefore optimise production on a flexible basis.

Proven resilience of business model

The Group's business model has proven resilient, through the three major disruptive market events of the last 15 years, being the 2008 financial crisis, Brexit and COVID-19 pandemic. In particular, the Group's financial performance experienced only a limited impact from the COVID-19 pandemic. The Group's revenue for the year ended 31 December 2020 was 11 per cent. lower than budget, with the most significant reduction in sales volumes experienced in the UK during the restrictive lockdown period in Q2 2020. Since Q3 2020 there has been a significant recovery, particularly in the higher margin replacement sector, and the Group's EBITDA for the year ended 31 December 2020 significantly exceeded the Group's pre-COVID-19 budget.

The Group's largest plant in Turkey has a significant cost advantage over other Western European plants by virtue of scale and lower raw material and labour costs. The Group has historically benefited from rising steel prices through improving unit margins. The impact of short-term increases in steel prices is mitigated by steel and finished goods inventory levels (typically two months) and steel price supply mechanisms (including 3-6 month forward purchasing in Turkey).

Extensive distribution network

The Group's extensive distribution network is key to high levels of customer service and to secure market demand across Europe and Turkey. The Group has five strategically located distribution warehouses across Europe located in the UK, Turkey, The Netherlands, Poland and Denmark, the Mexborough and Nuth facilities are the largest radiator storage facilities in the UK and Continental Europe respectively, with capacities of circa 350,000 and circa 200,000 radiators.[6] Merchants and retailers generally have limited capacity to stock radiators, due to the large number of SKUs required and their bulky nature, and as a consequence having the ability to store significant volume of product at strategically located sites across Europe and Turkey is critical to be able to satisfy customer demand. The Group's has leveraged its in-house distribution capabilities and product availability to support constrained merchants and retailers and thereby achieves high levels of customer satisfaction and service with what the Directors believe to be best-in-class product availability and lead times.

Management and strategy

Highly experienced senior leadership team with long-standing commitment to the business

The Group's senior leadership team possess a wealth of industry experience and a long-standing commitment to the business. The Group's CEO and CFO joined the business in 2000 and 2003, respectively, and have in aggregate more than 60 years of experience in the sector, whilst the Group's Chair has served as a non-executive director of the business since 2009. The senior management team is supported by a lean corporate centre and by strong, loyal teams, structured across four business units.

Focused product strategy and platform for continued innovation

The Group's sole focus on radiators is unique amongst major pan-European competitors and has enabled it to lead product innovation in the sector. Within this specific product category, the Group offers a wide variety of products with an extensive range of SKUs, including standard and premium steel panel radiators, LST, towel warmers and other designer radiators. The Group's extensive steel panel radiator range shares a common core design, providing product consistency alongside significant production flexibility and associated manufacturing cost advantages, as well as a platform for innovation that enables rapid and cost-effective development of new products.

Management has a proven track record of commercial product innovation, delivering a strategy of driving improvement of product mix into higher margin premium product ranges, with sales values of

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[6] Management belief based on knowledge of the heating market

premium steel panel radiators having increased from 12 per cent. to 18 per cent. of total Group's sales value between 2015 and 2020.

Highly effective channel management

The Group benefits from being at the core of the central heating supply chain across all of its Core Geographies, with customers placing a significant degree of reliance on the Group by virtue of the breadth of its product offering and the service levels which it is able to provide.

The Group has achieved consistent success in identifying the best routes to market in its core market sectors and securing partnerships with the key distributors that service these markets. Management's strategy of active repositioning of the price/value proposition has supported product mix improvement and unlocked growth in non-traditional channels.

For example, in 2015 the Group launched the Vita radiator range, having identified the opportunity to grow sales of premium steel panel radiators and other designer radiators. The Stelrad Vita Series (Vita Compact, Vita Deco, Vita Plan and Vita Ultra) provided a clear product hierarchy, dependent on the end customer needs, from affordable, efficient radiators, up to high value designer radiators with scaling price points in between. This approach facilitated upselling from "good" standard steel panel radiators, through "better" premium steel panel radiators, to "best" high end premium steel panel radiators and other designer radiators. In the UK, Saint-Gobain replaced its private label standard steel panel radiator brand with the Vita Series as its private replacement market offering in 2015. Also in 2015, Travis Perkins adopted Stelrad's Softline Series, based on the Vita Series commercial model. In 2017, the majority of Stelrad's independent merchant customers also adopted the Vita commercial model launched under the Henrad brand. This strategy successfully led to incremental sales, particularly of higher margin premium steel panel radiators, with sales volumes in the UK increasing at a compound growth rate of 8.4 per cent. over the period from 2015 to 2020.

In the UK particularly, new build and social housing specifications heavily influence national merchants' stocking decisions. The Group has also been successful in building relationships with key specifiers through dedicated sales and account management teams, developing clear market leadership with new build developers. This ensures the Stelrad brand's presence through the supply of the significant majority of hydronic radiators to four of the largest national builders, generating nationwide distributor stocking and reinforcing its RMI market position.

Financial characteristics

Track record of growth, with sector leading margins and excellent cash generation

The Group has a track record of sales growth, having generated sales revenue of £197 million in 2020 and delivered 5.2 per cent. compound annual growth rate ("**CAGR**") in sales from 2015 to the end of 2019 (which rises to 6.8 per cent. when excluding sales to Turkey). The sales revenue CAGR from 2015 to 2020 was 2.9 per cent. which was supressed due to the impact of COVID-19 on the business in 2020.

The Group has recovered well from the impact of the Q2 2020 COVID-19 lockdowns, with sales value rising to £243 million (unaudited) for the 12-month period ended 30 June 2021 which represents sales growth of 6.6 per cent. CAGR (unaudited) from year end 2015 to last twelve months period ended 30 June 2021, whilst delivering EBITDA of £35.7 million (as compared to £11.7 million for the year ended 31 December 2017), equivalent to an EBITDA Margin of 14.7 per cent. (as compared to 5.7 per cent. for the year ended 31 December 2017). EBITDA Margin for the years ended 2018 and 2019 were 7.5 per cent. and 8.2 per cent. respectively. In 2020 the Group's EBITDA Margin increased to 12.0 per cent. and in the six months ended 30 June 2021, the Group's EBITDA Margin was 16 per cent.

This performance reflects the Group's track record of delivering ahead of budget, with EBITDA exceeding annual targets in nine of the last ten years, by on average 12 per cent. (excluding the year ended 31 December 2018). The budget for the year ended 31 December 2018 was missed due to the impact of the financial crisis in Turkey.

The Group has enjoyed excellent cash generation in the period between 2015 and 2020, averaging approximately 103.8 per cent. cash flow from operations conversion. A six year £25 million incremental capital investment programme will be completed by the end of 2021, with capital expenditure budgeted to return to normal levels of approximately £6 million to £7 million per annum from 2022 which will have a significant positive impact on annual net cashflows.

Well positioned for future role in broader sector transformation

Positioning for decarbonisation

Decarbonisation of domestic home heating is expected to drive a transition from residential gas boilers to new heat source technologies. Emissions from domestic heating in the UK account for around 14 per cent. of total emissions and reducing this is of central importance to the government's net zero emissions target by 2050, as set out in the government's Future Homes Standard plan. The Directors believe changes will likely be gradual over the medium term, with the majority of government initiatives currently focused on new build in Western European markets. For example, the UK government is seeking to ban installation of gas boilers in new build housing from 2025. The Group's strong specifier relationships in the contract sector, in particular for social housing in the UK, positions it well in a sector that is already receiving government funding to drive adoption of low energy heating systems.

Whilst there is widespread expectation that the use of heat pump technology will increase in the short to medium term, all the indications point to the continued importance of hydronic heating systems which use water to move heat from the heat source, such as a gas boiler or a heat pump, through piping to heat emitters in each room. It is anticipated that whichever future heat source technology is used will likely provide lower temperature systems than traditional gas boilers. This will result in the need for either larger surface area heat emitters to provide equivalent home heating or increased insulation of the building fabric, or most likely, a combination of both. Underfloor heating is not expected to be a viable alternative to traditional radiators in many instances, particularly in the replacement market, given the difficulties in retro-fitting such systems and the constraints on installing underfloor heating in anything other than ground floor settings. The Directors believe the Group is well positioned to benefit from the expected increased adoption of heat pumps in the next decade through existing and planned product sets and the Group has been proactive in introducing and promoting compatible products. The use of a common core design in its panel radiators allows the Group to innovate and rapidly develop new products, positioning it well to react to market shifts resulting from the decarbonisation drive.

Ideally positioned to drive long term transformation

The Directors believe the Group is the standout platform of scale in the European heat emission market and a natural market consolidator, as smaller competitors who lack the scale to compete are expected to struggle to adapt to anticipated changes in the market resulting in the Group increasing its overall market share. As well as being a market leader in heat emission, the Group has a leading position in European distribution channels focused on hydronic heating solutions with strong brands and high levels of specifier recognition. As a consequence, the Group is ideally placed to influence the direction of the market and is poised to play a significant role in the decarbonisation journey as it adapts in response to various governments' initiatives and benefit from the estimated additional £240 billion which needs to be spent renovating approximately 35 million buildings (approximately £7,000 per building) to reduce building's carbon emissions by at least 60 per cent. by 2030 as part of the EU Climate Target plans.

Strategy

The Group intends to maintain its leading market position, influence and drive sector change and lead sector consolidation by pursuing the following strategies:

Platform for organic growth

The Group has built a platform for continued organic growth, with key components already in place, such as strong and defensible market share, a focus on enhancing product mix and leadership in terms of both cost and profitability. The Group's strategy for organic growth builds upon the Group's leading market position to achieve further growth within existing product categories. This is to be achieved through increased penetration of existing geographies, further leveraging the Group's low cost base alongside ongoing product mix improvement, notably in premium steel panel radiators. The Group has been disproportionately successful in gaining market share from competitors who have withdrawn from its markets due to its market leading distribution capability and logistics infrastructure. This has enabled the Group to provide rapid product availability to customers denied supply from exiting manufacturers. The Directors believe that the Group will continue to benefit from market share growth as smaller competitors struggle to operate profitably through their lack of scale.

Extend strong market share positions

The Group is a top two European player in the steel panel radiator market with number one positions in five markets (UK, Ireland, Netherlands, Belgium and Denmark), top three positions in a further six markets and a 16.6 per cent. share of the European steel panel radiator market in 2020. It intends to sustain and develop these leading positions. This is to be achieved by maintaining effective in-country distributor and specifier relationships, the development of new channels to market, and scaling positions in key strategic markets through volume and high levels of service. Outside of European markets, such as China, the Group will continue to position its brand as a premium European offering.

Effective channel positioning and brand marketing

Whilst the Group has excellent relationships with major national and independent merchants, it has also adapted quickly to less traditional, emerging routes to market, notably in the DIY/retail and online channels. The Group intends to continue to innovate around product marketing, brand positioning and digital transformation as part of its strategy of focusing on the higher margin premium steel panel and designer radiator segment. The Group's multi-brand strategy will remain an important competitive advantage in enabling it to respond to changing distribution models and capturing the demand shift towards premium products.

Focus on higher margin premium radiator segment

The Directors intend to continue to focus the Group's sales efforts in the higher margin premium radiator segment, such as premium steel panel, vertical and other designer radiators, particularly in key geographies with low premium product penetration which offer greater growth potential, notably the UK and Turkey. In the UK, premium panel radiators accounted for 10 per cent. of FY20 sales value, vs. 20 per cent. in the Group's Western European markets, where market penetration is much higher. As the Group's largest market, under-penetration in the UK represents a highly attractive opportunity to improve product mix and drive gross margin accretion. In addition, the Group's sales strategy will focus on driving growth in the more profitable and stable private residential replacement sector and further leverage the expanding online and retail channels.

Continue to optimise operational infrastructure

The Directors believe that opportunities exist to increase operational efficiencies across its manufacturing facilities by benefiting from lower manufacturing costs to achieve production efficiencies and thereby increase profitability. This includes continued focus on utilisation of pan-European production capacity to meet pan-European demand at the lowest cost. The optimising programme would result in under-utilised Western European lines being upgraded and redeployed at the Group's facility in Çorlu where the Group benefits from lower raw material and labour costs, with the opportunity of adding a further circa. 1.3 million units to capacity.

Positioning for decarbonisation

Despite the early stage of the residential heating transformation, the Group has been proactive in introducing products compatible with low carbon, low temperature heating systems. The Directors believe the Group is well positioned to benefit from adoption of heat pumps in the next decade through existing and planned product sets. Examples of product development targeted at benefiting from this trend include higher heat output "K3" three panel, three convector steel panel radiators and vertical steel panel radiators as well as hydronic convector radiators with electrical fan assistance to increase heat output.

Take advantage of adjacent product opportunities

Historically, the Group has been focused on a relatively narrow set of product categories and has developed strong brands to address its market sectors.

There are opportunities to use Stelrad's brand strength, channel access, logistics capability and customer relationships to extend its product offering into emerging and fast growing categories suitable for a low or zero carbon future, such as air management and heat recovery, hydronic convectors and electric heat emitters, alongside more conventional products such as water treatment, valves and controls.

- Air management and heat recovery – UK and European legislation is expected to drive increased levels of insulation and airtightness for new builds. Increased airtightness will require mechanical ventilation to ensure acceptable air quality. The Directors believe that these more stringent insulation requirements will also extend the long term viability of conventional radiators, defending Stelrad's volume and share position, as well as offering Stelrad the opportunity to leverage its market leading access to UK new build specification, providing a complementary new build market offer with considerable growth potential.

- Lower system temperatures - hydronic convectors represent a potentially important future product category as European initiatives to decarbonise home heating drive lower heating system temperatures, notably from heat pump sources. Hydronic convectors are particularly suitable for the replacement market where material changes to the fabric of the building are more difficult to achieve than in new construction. Leading brands and market access provide Stelrad with a potentially significant opportunity to develop this emerging product category, resulting in further expansion of its offering into the low and zero carbon heating system market of the future.

- Electric heat emitters - opportunities also exist to expand Stelrad's product range into electric heat emitters which will allow Stelrad to offer new build specifiers a heat emitter solution irrespective of the heat source technology adopted, as well as enabling Stelrad to access additional routes to market as these products are also sold via electrical wholesalers.

- Water treatment - water treatment products and services aim to maintain the long term health of a hydronic heating system. Offering water treatment products will provide Stelrad with potential synergies in terms of sales, marketing and logistics resources and provide the opportunity to leverage brand specification in the contract sector as well as developing a position in the one off / private residential replacement sector.

- Valves and controls - thermostatic radiator valves ("TRVs") regulate radiator heating control and offer the potential for significant energy savings and comfort benefits through preventing overheating and through increased connectivity for smart homes. The Directors believe offering TRVs and associated products is a logical and complementary extension of Stelrad's product range, with the possibility to offer Stelrad / Henrad branded products, suitable for marketing for online sales as part of a total radiator installation offering.

Adjacent products could be sourced from suppliers and sold under Stelrad brands or manufactured and vertically integrated via a business acquisition. The scale of the Group’s distribution network and logistics infrastructure provides a robust platform for bringing potential new products to market quickly.

Inorganic growth opportunities

The Group's management team has recent experience of integrating acquisitions into the Group. For example, the 2018 acquisition of Hudevad's manufacturing assets and brand strengthened Stelrad's presence both in the Scandinavian radiator market and in higher margin product segments. Following the acquisition, the manufacturing and distribution capabilities of the business were rationalised and integrated into the existing network, Hudevad branded designer radiators are now supplied from an established Stelrad UK subcontractor after extensive re-engineering of all product ranges to leverage Stelrad's low cost core heat emitter platform, with core steel panel radiators supplied by either UK Radiators, Termo Teknik or Continental Radiators. The premium priced Hudevad designer radiator brand will now be developed across Stelrad's existing Core Geographies.

In addition, the Group gained Danish steel panel market leadership in 2020, following the acquisition, having secured business with three of the country's top four distributors.

The Group holds a position of strength in the radiator market and is a natural consolidator in a fragmented landscape of smaller players. The Directors believe that Stelrad has the opportunity to strengthen its market position in the heating sector through complementary acquisitions providing further product breadth and geographic expansion opportunities.

The Directors have identified air management and heat recovery, underfloor heating and water treatment as the most attractive adjacencies based on profitability and access to market. As the Group has no existing capability in these segments, entry to these markets would be acquisition-led. The Group continually monitors potential acquisition targets and as a leading player enjoys excellent visibility and regular dialogue in respect of new opportunities. In assessing potential inorganic growth opportunities, the Group will apply a disciplined acquisition strategy and focus on opportunities to:

(a) extend the range of products that could be sold across its existing sales and distribution network;

(b) provide access to new routes to market where the Group's existing presence in the channel could be strengthened; and

(c) acquire brands that are strong in markets where the Group currently has lower market share.

Supplementary information for bona-fide unconnected sell-side research analysts

A presentation and related information for unconnected research analysts will be made available via a link from today. Please contact Powerscourt at stelrad@powerscourt-group.com if you would like to receive access to the information. The Group reserves the right not to hold an in-person unconnected analyst presentation.

For further information:

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Further information on the Group

Board of Directors

Should Stelrad proceed with an Offer, it is expected that the board of directors of the Listco (the "Board") will be chaired by Robert Ellis and consist of Trevor Harvey as CEO, George Letham as CFO, Terry Miller O.B.E. as Senior Independent Non-Executive Director, Nicola Bruce and Martin Payne as Independent Non-Executive Directors and Edmund Lazarus and Nicholas Armstrong as Non-Executive Directors.

Name	**Age**	**Position**
Robert Ellis	70	Chair
Trevor Harvey	64	Chief Executive Officer
George Letham.......	64	Chief Financial Officer
Edmund Lazarus......	53	Non-Executive Director
Nicholas Armstrong	35	Non-Executive Director
Terry Miller O.B.E. ..	69	Senior Independent Non-Executive Director
Nicola Bruce	52	Independent Non-Executive Director
Martin Payne	56	Independent Non-Executive Director

The management expertise and experience of each of the Directors is set out below:

Robert Ellis, Chair

Robert Ellis is a Director and the Chair of the Board and joined the Group in August 2009. Mr Ellis has a strong financial background with significant experience in operational restructurings and has also worked with various companies with private equity ownership, across a number of sectors, including the retail, manufacturing and construction sectors. Mr Ellis currently holds directorships on the board of Whittan Group as chair of the board, remuneration and audit committees, the board of Reconomy as chair of the board and, remuneration and audit committees and is also a director and chair of the audit, finance and risk committee of Parexel International. Mr Ellis was also recently appointed as board advisor to Perceptive eClinical Limited, a medical technology company. Since he became Chair of the Board in 2013, his role at the Group has been focused on ensuring that the Board is effective in its role of setting and implementing the company's direction and strategy. Mr Ellis has been variously the chair, CEO, CFO and a director of public companies listed in the UK, USA and Australia and has a BEd from London University is a fellow of both the Chartered Institute of Management Accountants and the Institute for Turnaround.

Trevor Harvey, Chief Executive Officer

Trevor Harvey is the Chief Executive Officer of the Group and joined the Group in January 2000 as a Director. Mr Harvey is also currently a director of ISG Boiler Holdings Ltd, a holding company whose subsidiaries are engaged in the manufacture and distribution of boilers and has held this position since January 2002. Prior to joining the Group, Mr Harvey held management positions as Managing Director of Myson Radiators and Managing Director of Myson Heat Emitters, both of which operate within the radiator and heat emitter sector. Trevor studied at the University of Newcastle upon Tyne and graduated with a BSc (Hons) in Mechanical Engineering.

George Letham, Chief Financial Officer

George Letham is a Director and the Chief Financial Officer of the Group having joined the Group in January 2003. He has over 40 years of finance experience and has held multiple senior finance roles before joining the Group, including at Price Waterhouse Hong Kong and Blue Circle Industries PLC. Mr Letham recently joined the board of The Rangers Football Club Ltd as a non-executive Director in January 2021. Mr Letham is a member of the Institute of Chartered Accountants of Scotland.

Edmund Lazarus, Non-Executive Director

Edmund Lazarus is a Non-Executive Director and joined the Group in November 2014. Mr Lazarus is also Managing Partner and Founder of EMK Capital. Prior to EMK Capital, Mr. Lazarus was Managing Partner of Bregal Capital which he co-founded in 2002. He has been in senior private equity positions for over 20 years. Mr. Lazarus' prior career was as a strategic consultant with Bain & Co and as an M&A and Corporate Finance adviser with SG Warburg and Merrill Lynch before entering the private equity industry with Morgan Stanley Capital Partners. Mr. Lazarus is committed to public service alongside his professional career and served from 1992 to 2002 on Westminster Council, the City Government for Central London, latterly as Chairman of Finance and Deputy Leader, as Chairman of Finance of the London Development Agency from 2008 to 2012 and as Chairman of the London Green Fund from 2012 to 2016 (the latter positions nominated by the Mayor of London). Mr. Lazarus graduated with a first-class degree in Politics, Philosophy and Economics from Oxford University where he was also elected president of the Oxford Union in 1989.

Nicholas Armstrong, Non-Executive Director

Nicholas Armstrong is a Non-Executive Director and joined the Group in November 2015. Mr. Armstrong is a Partner and member of the founding team at EMK Capital. Prior to EMK, Mr. Armstrong was part of the Bregal Capital team from mid-2014 and worked extensively across a number of portfolio companies including Stelrad Group. Prior to joining Bregal, Mr. Armstrong worked in Nomura's UK M&A team in London and Nomura's Australian M&A team in Sydney. He graduated from the University of Sydney with a Bachelor and Master of Commerce.

Terry Miller O.B.E, Senior Independent Non-Executive Director

Terry Miller is a Non-Executive Director and is expected to join the Board prior to Admission. Ms Miller is a non-executive director of Goldman Sachs International and Goldman Sachs International Bank, part of the multinational Goldman Sachs Group of financial services businesses. Ms Miller is also a non-executive director of Rothesay Life plc, and the Senior Independent Director of Galliford Try Holdings plc. As well as her significant non-executive board experience, Ms Miller has also previously held senior executive positions as General Counsel for the London Organising Committee of the Olympic Games and Paralympic Games and prior to her LOCOG appointment as a partner and International General Counsel for Goldman Sachs. She has also served as a director of the British Olympic Association and a Trustee of the Invictus Games Foundation. Ms Miller holds an L.L.M. from Georgetown University, a J.D. from University of Dayton and a B.A. from University of Michigan.

Nicola Bruce, Independent Non-Executive Director

Nicola Bruce is a Non-Executive Director and is expected to join the Board prior to Admission. She is currently a non-executive director of OFWAT, the UK water regulator, and Senior Independent Director and Chair of Remuneration Committee at the Anchor Hanover Group. Ms Bruce has previously held the roles of non-executive director at CS Healthcare Ltd, where she chaired the Remuneration Committee, and at the Money Advice Service, where she chaired the Investment Committee. During her executive career, she was a Partner at the Monitor Group (now Deloitte) and Group Director of Strategy at De La Rue plc. Ms Bruce is a Chartered Management Accountant and holds both an M.B.A. from INSEAD and a Master of Arts (Hons) in Politics, Philosophy and Economics from the University of Oxford.

Martin Payne, Independent Non-Executive Director

Martin Payne is a Non-Executive Director and is expected to join the Board prior to Admission. Mr Payne is an experienced Chief Executive Officer and is currently Chief Executive of Genuit Group plc, a UK FTSE250 company which serves the construction industry by providing sustainable water and climate management solutions. Mr Payne previously held the roles of Group Financial Director at Norcros plc and Group Financial Controller at JCB Group. He also has experience as a non-executive director of the Construction Products Association, where he is currently Chairman. Mr Payne is qualified accountant, a Fellow of the Chartered Institute of Management Accountants and holds a B.A. (Hons) in Economics from Durham University.

Selected Financial Information and Operating Data of the Group

Management considers a variety of financial and non-financial measures and metrics when analysing the Group's performance, and the Directors believe that each of these measures provides useful information with respect to the Group's business and operations. With the exception of revenue, these are non-IFRS financial measures and metrics that are not audited. These non-IFRS financial measures and metrics are not meant to be considered in isolation, nor as a substitute for measures of financial performance reported in accordance with IFRS. Moreover, these non-IFRS financial measures and metrics may be defined or calculated differently by other companies, and as a result the Group's key performance indicators may not be comparable to similar measures and metrics calculated by its peers.

	Six months ended 30 June		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
		(unaudited)			
Revenue (£ thousands)	127,925	83,026	196,565	208,581	205,207
EBITDA (£ thousands)*	20,553	8,732	23,544	17,189	15,431
Total Radiator volumes sold (000)*	3,091	2,055	4,969	5,483	5,603
Total premium panel radiator volumes sold (000)*	174	147	307	282	260
Contribution per Radiator (£)*	13.1	13.3	13.2	11.2	10.0
Cash Flow from operations Conversion (%)*	91	(42)	119	78	96

	Six months ended 30 June		Year ended 31 December		
	2021	2020	2020	2019	2018
Free cash flow (£ thousands)*	13,659	(7,727)	16,353	3,461	2,162
Return on Capital Employed (%)*....................	47.2**	19.0**	21.0	12.6	16.0

* These figures are unaudited

** Annualised

A description of the above KPIs is set out below:

Revenue

The Group generates revenue from three operating segments: the UK & Ireland, Europe and Turkey & International. In accordance with IFRS 15, Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue represents the gross invoiced sales less credits notes and rebates.

EBITDA

EBITDA is profit after tax after adding back interest, taxation, depreciation, amortisation and foreign exchange differences.

Total Radiator volumes sold (000 units)

The sales volumes of Radiators across all geographical segments in the reporting period.

Total Premium panel radiator volumes sold (000 units)

The sales volumes of premium panel radiators sold across all geographical segments in the reporting period. Premium panel radiators include vertical radiators and are differentiated from standard steel panel radiators by their design.

Contribution per Radiator (£)

Contribution per Radiator is (a) the total revenue from sale of the Group's products less any cost of direct materials, variable distribution costs, variable selling costs, direct labour costs and other variable costs; divided by (b) total Radiator volumes sold.

Cash Flow from Operations Conversion %

Cash Flow from Operations Conversion % is: (a) Net cash flows from operating activities before income tax paid and interest received, divided by (b) EBITDA plus or minus foreign exchange differences.

Free cash flow

Free Cash Flow is net cash flows from operating activities less net cash flows used in investing activities less the payment of lease liabilities.

Return on Capital Employed %

Return on Capital Employed % is: (a) EBITDA less depreciation and amortisation; divided by (b) Business capital employed. Business capital employed being the sum of property, plant and equipment, trade and other receivables, inventories, other current financial assets, provisions, net employees defined benefit liabilities, trade and other payables and other current financial liabilities.

In addition to the Group's key performance indicators in the Historical Financial Information, the Group has also prepared certain key performance indicators for the twelve months ended 30 June 2021 on the basis that they are important for an understanding of the Group's performance. The key performance indicators for the twelve months ended 30 June 2021 are as follows:

	Twelve months ended 30 June 2021
	(unaudited)
Revenue (£ thousands)	242,508
EBITDA (£ thousands)	35,745
Total Radiator volumes sold ('000)	6,005
Total premium panel radiator volumes sold ('000)	333
Contribution per Radiator (£)	13.2
Cash Flow from Operations Conversion (%)	140
Free cash flow (£ thousands)	37,219
Return on Capital Employed (%)	39.1

The table below also sets out the Group's revenue for the three year period ended 31 December 2017 which predates the information included in the Historical Financial Information.

	Year ended 31 December		
	2017	**2016**	**2015**
Revenue (£ thousands)	205,208	178,699	170,545

Important legal information

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