



Helping to heat homes sustainably

Stelrad Group plc

Results for the year ended 31 December 2021

Agenda

- Overview
- Financial review
- Business review
- Summary and outlook
- Q&A



Trevor Harvey
Chief Executive Officer



George Letham
Chief Financial Officer



Overview

Trevor Harvey
Chief Executive Officer

2021 was a pivotal year for Stelrad

- Good progress across all territories during 2021
- Total sales volume up 20% versus 2020 - 9% higher than in 2019
- Successful production transfers to low-cost Turkish facility
- Improved mix of premium steel panel radiators
- Proactive price optimisation in light of increases in steel prices
- Completed c£25 million investment programme into three operational facilities
- Successful IPO has given us a platform for future growth





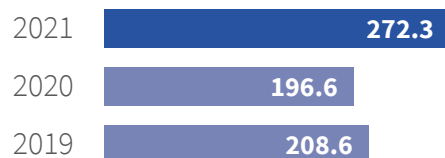
Financial review

George Letham
Chief Financial Officer

Strong results, ahead of expectations, following successful admission to the London Stock Exchange

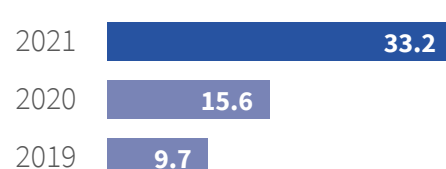
Revenue

£272.3m



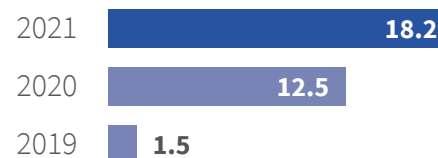
Adjusted operating profit

£33.2m



Adjusted free cash flow

£18.2m



Adjusted EPS

16.92p



Highlights

- The Group delivered substantial organic revenue growth in 2021, increasing by 38.5% to £272.3 million.
- Group adjusted operating profit rose by 112.3% to £33.2 million.
 - 2021 result benefited from forward purchasing of steel during a period of unprecedented rises in steel prices.
- Good progress across all territories during 2021:
 - UK & Ireland – 45.8% revenue growth, 150.5% growth in adjusted operating profit.
 - Europe – 30.4% revenue growth, 31.6% growth in adjusted operating profit.
 - Turkey & International – 43.7% revenue growth, 137.9% growth in adjusted operating profit.
- Cash generation was strong, with adjusted free cash flow of £18.2 million.
 - 2021 was final year of incremental capex programme.
 - Finished goods stocks were replenished during 2021 from record low levels.

2021 results overview

	2021 £m	2020 £m	Movement £m	Movement %
Income statement				
Revenue	272.3	196.6	75.7	38.5
Adjusted operating profit*	33.2	15.6	17.6	112.3
Exceptional items	(9.6)	—	(9.6)	—
Foreign exchange differences	3.0	3.9	(0.9)	(23.6)
Operating profit	26.6	19.5	7.1	36.0
Net finance costs	(10.3)	(10.3)	—	1.0
Profit before tax	16.3	9.2	7.1	77.7
Income tax expense	(1.6)	(0.5)	(1.1)	(240.4)
Profit for the year	14.7	8.7	6.0	68.5
Earnings per share, p	11.51	6.83	4.68	68.5
Adjusted earning per share, p*	16.92	4.44	12.48	281.0
Proposed dividend per share (pro rata), p	0.96	—		

*Adjusted figures are stated before exceptional items, foreign exchange differences and tax thereon where applicable.

Substantial organic revenue growth in 2021, increasing by 38.5% to £272.3 million

Revenue by geographical market	2021 £m	2020 £m	Movement £m	Movement %
UK & Ireland	130.4	89.4	41.0	45.8
Europe	118.1	90.6	27.5	30.4
Turkey & International	23.8	16.6	7.2	43.7
Total	272.3	196.6	75.7	38.5

UK & Ireland

- Increased sales volumes and market share in 2021
- Lower sales volumes in Q2 2020 due to the impact of Covid-19 pandemic on the UK market
- Four selling price increases were applied in 2021 due to a doubling of steel prices

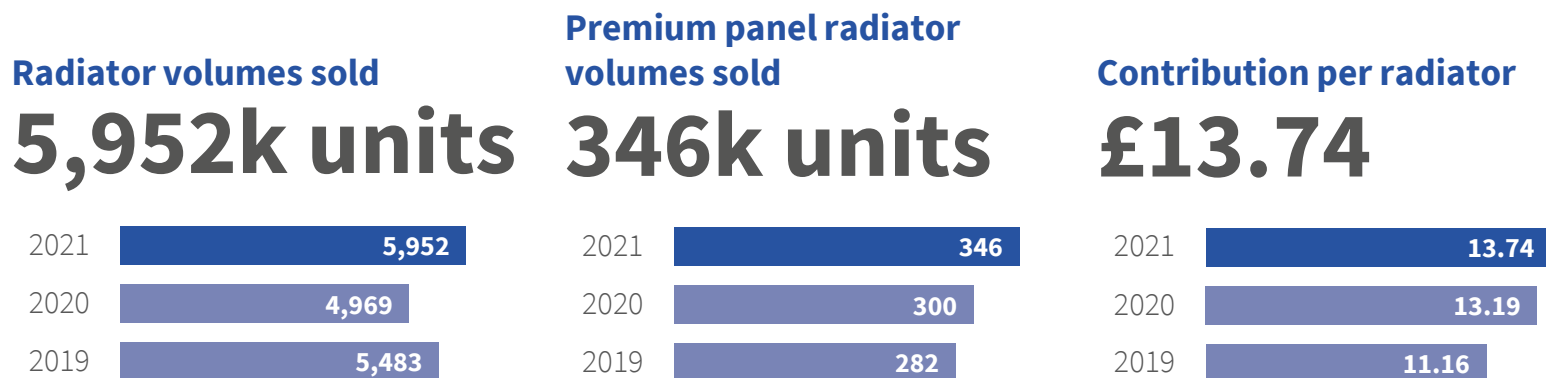
Europe

- Market share gains through growth in sales volumes with existing customers
- Four selling price increases during 2021 due to rising steel prices

Turkey & International

- Increased sales volumes which were lower in 2020 due to the Covid-19 pandemic
- Multiple selling price increases in 2021 following a significant rise in steel prices and devaluation of Turkish Lira

Strong growth in core panel and premium panel volumes with contribution per radiator 4% higher



Adjusted operating profit bridge	£m
2020 adjusted operating profit	15.6
- Volume increase (excluding premium panel)	9.4
- Premium panel volume increase	2.8
- Contribution improvement	3.3
- Other (mainly 2020 redundancy costs)	2.1
2021 adjusted operating profit	33.2

Highlights

- Total sales volume increased by 20% versus 2020 and was 9% higher than in 2019, the last pre-pandemic year
- Improved mix of premium steel panel radiators where volumes rose by 15% versus 2020 and 23% relative to 2019
- Profitability enhanced by further production transfers to low-cost Turkish facility
- Proactive selling price optimisation in response to substantial increases in steel prices

Adjusted operating profit rose by 112.3% to £33.2 million, with good progress in all territories during 2021

Adjusted operating profit	2021 £m	2020 £m	Movement £m	Movement %
UK & Ireland	21.6	8.6	13.0	150.5
Europe	12.9	9.8	3.1	31.6
Turkey & International	2.9	1.2	1.7	137.9
Central costs	(4.2)	(4.0)	(0.2)	(5.3)
Total	33.2	15.6	17.6	112.3

UK & Ireland

- Increased sales volumes after the initial impact of the Covid-19 pandemic on the UK market in Q2 2020
- Increased premium panel sales volumes
- Transfer of production to lower cost facilities
- Benefit of higher selling prices offset by the impact of steel price and other cost increases

Europe

- Increased sales volumes due to market share gains
- Increased premium panel sales volumes
- Transfer of production to lower cost facilities
- Benefit of higher selling prices offset by the impact of steel price rises

Turkey & International

- Increased sales volumes following the impact of the Covid-19 pandemic in 2020
- Benefit of higher selling prices partially offset by the impact of steel price rises and the benefit of Turkish Lira devaluation

Strong cash generation with adjusted free cash flow of £18.2 million

	2021 £m	2020 £m	Movement £'m
EBITDA	40.6	23.5	17.1
Gain on disposal of property plant and equipment	(0.2)	(0.1)	(0.1)
Working capital adjustments	(8.7)	0.8	(9.5)
Net capital expenditure	(9.9)	(9.9)	—
Adjusted cash flow from operations	21.8	14.3	7.5
Income tax paid	(3.7)	(1.9)	(1.8)
Interest received	0.1	0.1	—
Adjusted free cash flow	18.2	12.5	5.7

Free cash flow

- The Group's adjusted free cash flow for the year was £18.2 million, an increase of £5.7 million over 2020
- Significant increase in the profitability of the Group
- Capital expenditure at similar level to 2020 in final year of incremental investment programme
- Increase in working capital due to the replenishment of finished goods inventories from exceptionally low levels in 2020

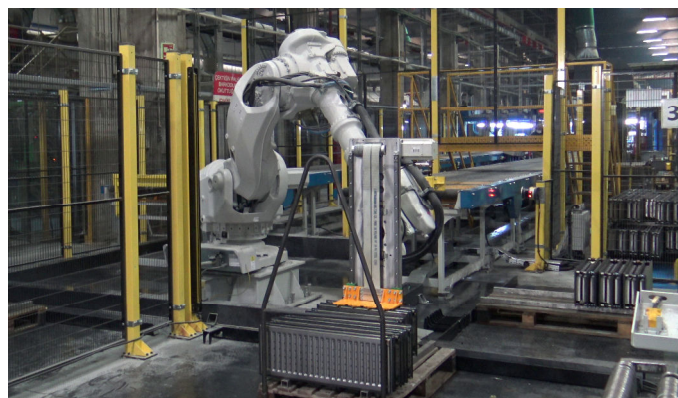
A six-year, c£25 million programme of incremental investment into Stelrad's three main operational facilities was completed

Capital expenditure *

£8.6m



* Excludes right-of-use asset additions



Capital expenditure in the year

- Turkey: Additional hybrid production line and investment in robotic systems
- UK: Production line upgrades
- Netherlands: Vertical welding line upgrade
- Investments in warehousing facilities in Turkey and UK

Incremental programme of capital expenditure

- Since 2015, approximately £25 million of development capital expenditure has been invested by the Group in an incremental programme across all three of its manufacturing plants
- Undertaken to provide flexibility and improve quality, capacity and productivity
- The incremental capital expenditure programme was completed in 2021

During 2021, the Group replaced all legacy financing arrangements and shareholder loans, with a new three-year revolving credit facility of £80 million

	2021 £m	2020 £m
Revolving credit facility	56.5	—
ABL revolving credit facility	—	1.8
ABL and Lombard term loans	—	9.2
Shareholder loans	—	67.6
Cash	(15.6)	(20.1)
Net debt before finance leases	40.9	58.5
Finance leases	9.3	10.6
Net debt	50.2	69.1

- As part of the IPO process, the Group repaid all legacy financing arrangements including private equity shareholder loans.
- This was funded by a part draw down on a new £80 million debt facility, a primary share capital raise of £25.1 million and existing cash.
- The new debt is a revolving credit facility with an initial three-year term, then two one-year extension options.
- At 31 December 2021, £56.5 million was drawn against the facility and the Group had undrawn available facilities of £23.5million and cash of £15.6 million.
- Net debt excluding finance leases was £40.9 million.
- Leverage at 31 December 2021 was c 1x EBITDA and all debt is forecast to be repaid by 2024 through cash generated post-dividends.

Our outlook for the future

- Trading since the period end has remained broadly in line with management expectations with some reduction in overall volumes more than offset by increased revenues and improving margins
- Steel prices stabilised in Q4 2021
- Additional selling price increases implemented in all markets during November 2021
- Turkish Lira devaluation beneficial to low cost manufacturer status
- Minimal sales to Ukraine (c. 0.15% of 2021 revenue) have been disrupted
- Sales to our sole Russian customer (c. 0.25% of 2021 revenue) have been suspended
- Expectations for the year remained unchanged

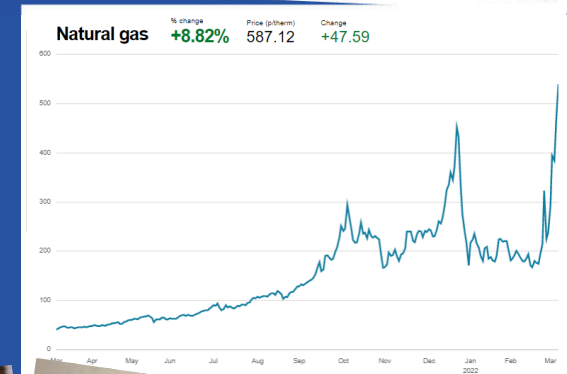


Business review

Trevor Harvey
Chief Executive Officer

Our purpose is helping to heat homes sustainably

As countries look to decarbonise homes and meet long-term net zero carbon commitments, we have a significant opportunity to help heat homes sustainably and, in so doing, build a stronger business for all Stelrad stakeholders

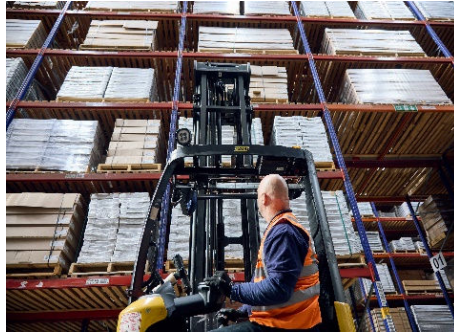


Our competitive advantages – a reminder



Brand strength

Stelrad is the number one steel panel radiator brand across the UK, Europe and Turkey. The Group leverages a powerful multibrand strategy to manage evolving routes to market, maximising access to specifiers in all market segments and minimising conflict in distribution channels.



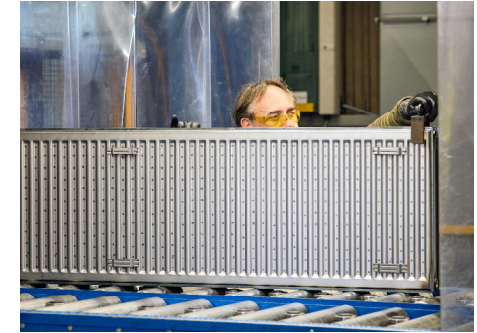
Product availability

Stelrad has the largest radiator distribution centres in the UK and mainland Europe, with respective capacities of 350k and 200k units, and these are further supported by regional distribution hubs. We place strong emphasis on providing best in class lead times to our customers.



Range innovation

Stelrad pioneered premium steel panel and vertical radiators, which offer a combination of design aesthetics, ease of installation and value for money. The Group has achieved significant market penetration with these products in Western Europe and has first mover advantage in the UK with an innovative upselling approach.



Standardised core design

The Group's core heat emitter design is used in all standard and higher added value, premium steel panel radiators. It is common to all three of our manufacturing facilities, ensuring high levels of quality at the lowest possible cost. The consistency of core design across Stelrad's facilities provides production flexibility, cost efficiency and mitigates risk.

Four key strategic objectives

1 Growing market share

- Strive for cost leadership
- Provide market leading product availability
- Selectively target share growth in key geographic markets
- Act as a market consolidator

2 Improving product mix

- Accelerate upselling to premium steel panel and design products
- Pursue complementary acquisition opportunities

3 Optimising routes to market

- Adapt quickly to channel evolution
- Embrace digital transformation

4 Positioning effectively for decarbonisation

- Maximise sales of current products compatible with low temperature systems
- Leverage our market position to unlock adjacent opportunities

Our strategic objectives drive range innovation

New, re-engineered Hudevad ranges

- Improving product mix

- Combines classic Danish Hudevad design with Stelrad's standardised core heat emitter
- Stelrad Group's premium brand, premium steel panel offer



New K3 and vertical radiators

- Positioning effectively for decarbonisation

- Improving product mix

- Triple panel, triple convector radiators and vertical radiators offer higher heat outputs needed for low temperature systems
- We continue to extend our portfolio of these higher value products

New Stelrad Vento for low temperature systems

- Positioning effectively for decarbonisation

- Improving product mix

- Automatic control of additional electrical convection, ensuring high performance in low temperature heating systems
- Available in both standard and premium steel panel designs



A supportive regulatory backdrop continues to evolve but decarbonisation initiatives are already underway

Delivering on the European Green Deal

Reduce net greenhouse gas emissions by $\geq 55\%$ by 2030

- New Energy Efficiency Directive 14th July 2021
- Proposes to nearly double Member State annual energy savings obligations in end use
- Focuses on sectors with high energy saving potential, including heating and cooling
- Social Climate Fund to provide €72.2 billion between 2025 and 2032 for energy efficiency measures for buildings and mobility
- 3% of public buildings to be renovated to reduce emissions every year

Heat pump sales across Europe are growing

- Germany 2021: +28.3% vs 2020, +79.1% vs 2019
- France 2021: +51.9% vs 2020, +51.0% vs 2019
- Belgium 2021: +9.7% vs 2020, +44.1% vs 2019

Source: EHI trade association

UK Government Heat and Buildings Strategy

Reduce net greenhouse gas emissions by $\geq 78\%$ by 2035

- Heat and Buildings Strategy October 2021
- No natural gas in new homes from 2025 onwards
- No natural gas boiler sales from 2035 onwards
- Home Upgrade Grant for lower income households - £950m
- Social Housing Decarbonisation Fund - £800m
- Boiler Upgrade Scheme subsidising zero carbon heating - £450m
- Target of 0.6 million hydronic heat pump systems installed per annum by 2028

UK housebuilders are acting now

- A major UK housebuilder has announced its first all air source heat pump site of 80 dwellings and its intention to purchase c5,000 air source heat pumps in 2022/23

Developing an ESG strategy based on four key pillars will enable us to fulfil our purpose over the long-term



Supporting the future of home heating

We design home heating products which help reduce carbon emissions from buildings and support an equitable net zero transition



Minimising our environmental impacts

We reduce our own footprint by focusing on energy, waste and water in our operations and the resources needed to produce, package and transport our products



Building an exceptional workplace

We empower our employees to be the best they can be, prioritising their safety, wellbeing and development, and promoting equality, diversity and inclusion



Maintaining high standards of business

We manage the Group for the benefit of all stakeholders through high ethical and corporate governance standards and a culture of accountability, integrity, transparency and responsibility



Summary and Outlook

Strong results, ahead of expectations...

- Delivery across all key metrics
- Ongoing operational improvements provide a solid foundation for the future
- IPO has enhanced our profile and provided platform for growth

...combined with positive outlook...

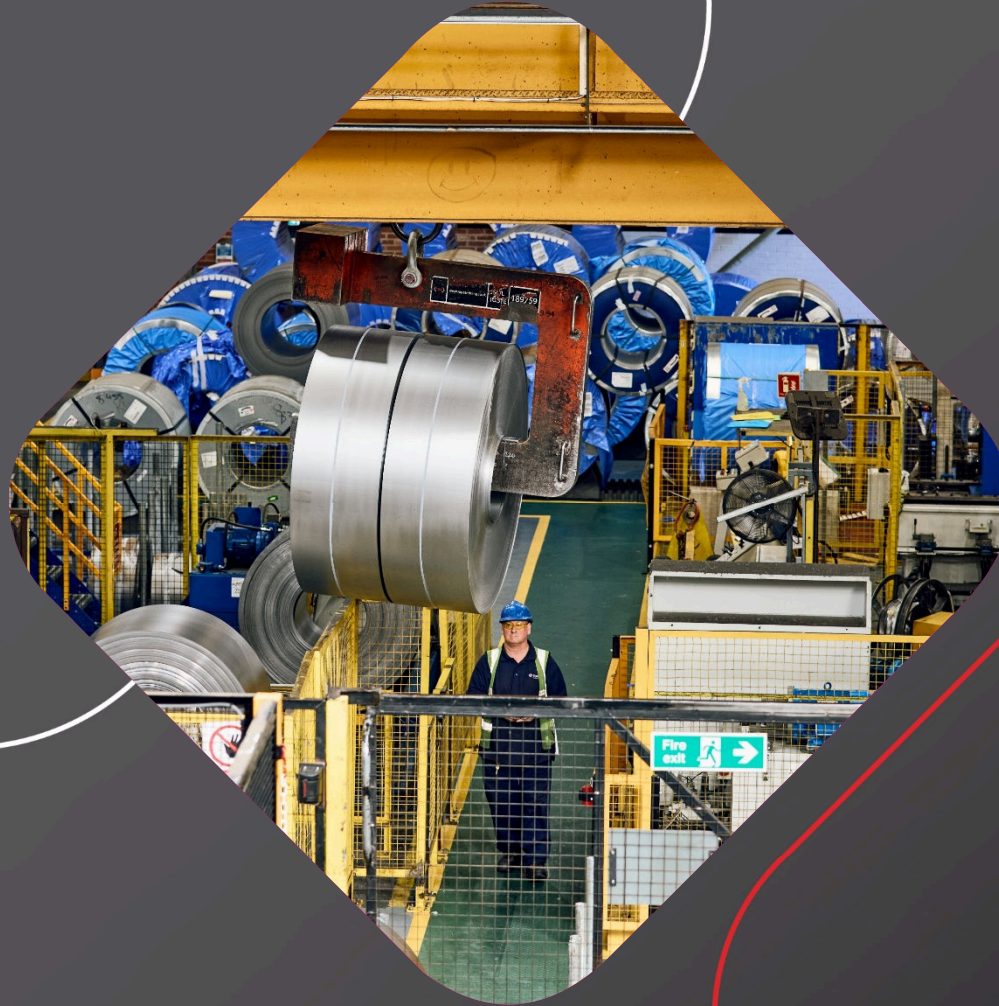
- Trading since the period end has remained broadly in line with management expectations
- Stelrad remains very well positioned versus its competitors across all key geographies
- Expectations for the year remained unchanged

...mean the Group is confident for the future

- Supportive market backdrop, regulatory tailwinds and macro trends
- Stelrad is well placed to build on the strong momentum generated in 2021
- Confident of delivering value for all our stakeholders



Questions



Appendices

Managing Steel Price Dynamics

- **Steel is the key raw material for radiators** and made up c.39% of the Group's cost of sales in the period 2015 to 2020
- The Group has an **excellent track record in consistently passing steel price increases on to customers**
- When steel prices rise, two months advance notice is given by steel manufacturers. Stock of steel and finished goods provides a further two month buffer and therefore **Stelrad has four months to feed through steel price increases into selling prices before cost of sales are impacted**

