Stelrad®
Group plc

Record results underpinned by our resilient business model

Stelrad Group plc
Results for the year ended 31 December 2022

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

Stelrad's resilient business model delivered record results in 2022

- Revenue, adjusted operating profit and contribution per radiator all increased to record levels, driven by proactive margin management and continuous operational improvement
- Further successful production line transfers to our low-cost Turkish facility
- Strategic acquisition of DL Radiators for €28.3 million in July 2022
- Well-positioned for the future, with a market leading position of scale and diversified geographic exposure, supported by positive long-term trends and regulatory tailwinds

Financial review

George Letham
Chief Financial Officer

Record results underpinned by our resilient business model

- Record financial performance as a result of Stelrad's resilient business model
- Revenue (pre-IAS 29) grew by 14.6% (3.0% like-for-like)
- Contribution per radiator (pre-IAS 29) increased by 16.5%, more than offsetting a 9.2% year-on-year sales volume decline (15.3% like-for-like decline) versus exceptionally strong comparatives in 2021
- Improved performance underpinned by proactive margin management and operational improvements across the business
- Leverage at 31 December 2022 was 1.6x EBITDA
- Board recommends final dividend of 4.72 pence per share

Revenue (pre-IAS 29): £312.1m
(2021: £272.3m)

Adjusted operating profit: £34.0m
(2021: £33.2m)

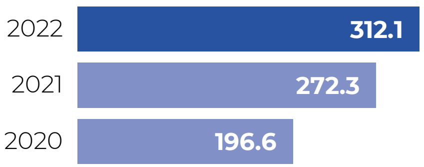
Leverage: 1.6x
(2021: 1.0x)

Total dividend: 7.64p
(2021: 0.96p)

Our robust financial performance positions the Group for continuing growth

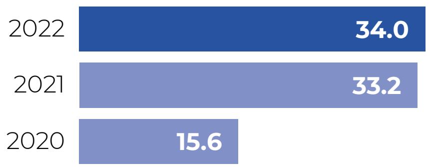
Revenue (pre-IAS 29)

£312.1m



Adjusted operating profit

£34.0m

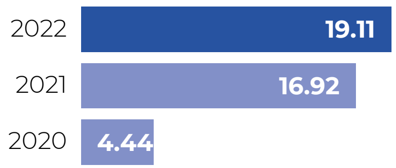


Adjusted free cash flow

£17.2m

Adjusted EPS

19.11p



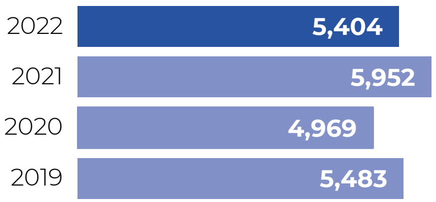
Highlights

- Group delivered significant revenue growth (pre-IAS 29) in 2022, increasing by 14.6% to £312.1 million
- Group adjusted operating profit rose by 2.4% to a record £34.0 million
- Total dividends for the year of 7.64 pence per share
- Resilient performance during 2022:
  - UK & Ireland: 6.5% revenue growth (pre-IAS 29), 5.2% growth in adjusted operating profit
  - Europe: 25.3% (-0.8% organic) revenue growth (pre-IAS 29), 7.3% growth in adjusted operating profit
  - Turkey & International: 6.4% (+3.1% organic) revenue growth (pre-IAS 29), 29.1% reduction in adjusted operating profit
- Strong cash generation with adjusted free cash flow of £17.2 million:
  - Trade creditors decreased at year end due to reduced production output in second half 2022
  - Capital expenditure mainly relates to new production line in Italy and the transfer of production lines to Turkey

Strong growth in contribution per radiator more than offsets sales volume shortfall

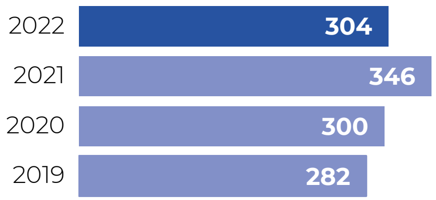
Radiator volumes sold

5,404k units



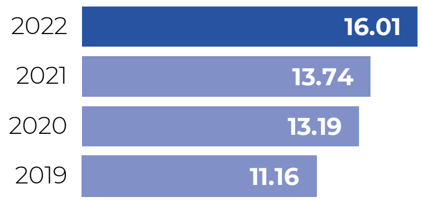
Premium panel radiator volumes sold

304k units



Contribution per radiator (pre-IAS 29)

£16.01



Highlights

- Total sales volume reduce by 9.2% year-on-year (15.3% like-for-like decline) versus exceptionally strong comparatives in 2021
- Sales volumes much stronger in first half 2022 with rapidly changing market conditions in second half
- Sales of premium panel products trends similar to total market
- Contribution per radiator during 2021 increased due to proactive selling price optimisation and operational improvements
- Operational improvements mainly relate to increased efficiencies at plants following capital investment in operations and reorganisation of crews and shifts demonstrating the flexibility of our manufacturing footprint

Revenue growth in all territories supported by the acquisition of DL Radiators

Revenue (pre-IAS 29) by geographical market	2022 £m	2022 % of total	2021 £m	Movement £m	Movement %
UK & Ireland	**138.9**	***44.5***	130.4	8.5	6.5
Europe	**147.9**	***47.4***	118.1	29.8	25.3
Turkey & International	**25.3**	***8.1***	23.8	1.5	6.4
Total	**312.1**	***100.0***	272.3	39.8	14.6

UK & Ireland

- Impact of selling price increases partially offset by decrease in sales volumes
- Market share stable year on year

Europe

- Growth supported by the acquisition of DL Radiators and the impact of selling price increases
- Revenue growth offset by a decrease in sales volumes
- Excluding the acquisition of DL Radiators, the Group's revenue (pre-IAS 29) in Europe was £117.1 million
- Share gains in several countries

Turkey & International

- Impact of selling price increases partially offset by a decrease in sales volumes
- Volumes in China were supressed due to the ongoing impact of Covid-19

Adjusted operating profit rose by 2.4% to a record £34.0 million, showing resilience in tough market conditions

Adjusted operating profit by geographical market	2022 £m	2021 £m	Movement £m	Movement %
UK & Ireland	**22.7**	21.6	1.1	5.2
Europe	**13.9**	12.9	1.0	7.3
Turkey & International	**2.1**	2.9	(0.8)	(29.1)
Central costs	**(4.7)**	(4.2)	(0.5)	(9.9)
Total	**34.0**	33.2	0.8	2.4
Total as percentage of sales	**10.9%**	12.2%		

UK & Ireland

- Successful margin management leading to increased contributions per radiator, partially offset by lower sales volumes

Europe

- Successful margin management leading to increased contributions per radiator, combined with the acquisition of DL Radiators, partially offset by lower sales volumes

Turkey & International

- Despite proactive margin management, a decline of 55% in sales volumes to China reduced operating profit in this territory

Central costs

- Central costs increased following the Group's IPO in November 2021

Strong cash generation with adjusted free cash flow of £17.2 million

	2022 £m	2021 £m	Movement £m
EBITDA	**42.2**	40.6	1.6
Gain on disposal of property plant and equipment	**(0.2)**	(0.2)	—
Share-based payments	**0.3**	—	0.3
Working capital adjustments (adjusted for foreign exchange)	**(9.8)**	(5.7)	(4.1)
Net capital expenditure (including finance lease spend)	**(11.6)**	(9.9)	(1.7)
Adjusted cash flow from operations	**20.9**	24.8	(3.9)
Income tax paid	**(3.8)**	(3.7)	(0.1)
Interest received	**0.1**	0.1	—
Adjusted free cash flow	**17.2**	21.2	(4.0)

Free cash flow

- The Group's adjusted free cash flow for the year was £17.2 million, a decrease of £4.0 million over 2021 impacted by:
  - Increase in Group profitability
  - Trade creditors at year end decreased due to reduced production output in second half 2022
  - Capital expenditure increase relates to a new production line in DL radiators committed at date of acquisition

The Group’s net leverage has increased to finance the acquisition of DL Radiators

	2022 £m	2021 £m
Revolving credit facility - GBP	**55.3**	56.5
Revolving credit facility - Euro	**10.6**	—
Term loan	**25.1**	—
Cash	**(22.6)**	(15.6)
Net debt before financial leases	**68.4**	40.9
Finance leases	**10.0**	9.3
Net debt	**78.4**	50.2

Net debt

- During the year ended 31 December 2022, the Group increased the availability on existing facilities to £100.0 million (before foreign exchange movements) by exercising an accordion option
- The increased facility was used to finance the acquisition of DL Radiators
- At 31 December 2022, £91.0 million was drawn against the Group’s multicurrency facility
- The Group had undrawn available facilities of £10.1 million and cash of £22.6 million at year end
- Net debt excluding finance leases was £68.4 million
- Leverage at 31 December 2022 was 1.6x EBITDA

Technical guidance

- Sales volumes anticipated to return to usual seasonal trends in 2023 after the unseasonably strong first half performance in 2022
- Contribution per radiator in 2023 will benefit from decrease in lower margin new build volumes
- Reduction in steel prices since Q2 2022 peak - likely to be more stable in 2023
- Energy costs reduced since Q3 2022 peak
- Capital Expenditure (excluding finance leases) expected to reduce to c. £6.5 million following one-off spend in 2022 on new production line in Italy
- Leverage expected to reduce to c.1.4x EBITDA by year end after seasonal increase in H1 2023
- The functional currency of our Turkish subsidiary changed to Euro on 1 January 2023. Consequently, IAS 29 (outlined in appendix) will not apply from that date
- The increased fixed asset value due to the application of IAS 29 as at 31 December 2022, will give rise to a higher depreciation charge of c. £1.5m from 2023 onwards
- Group Effective tax rate at c 23%

Business review

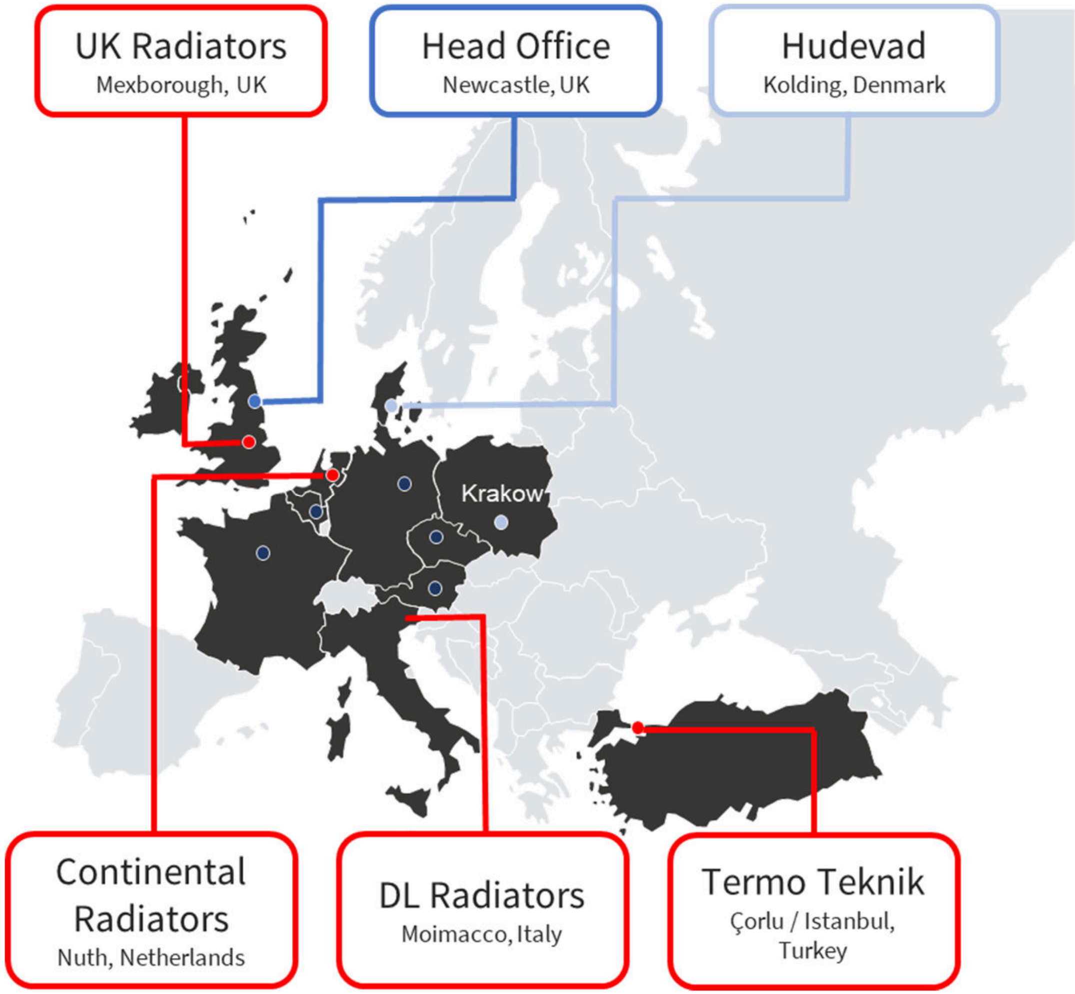
Trevor Harvey
Chief Executive Officer

Stelrad is a leading player in the heat emitter market, with an effective multibrand strategy

Stelrad | HENRAD | DL RADIATORS ITALIAN PROFESSIONAL HEATING | termoteknik | HUDEVAD RADIATOR DESIGN

Stelrad operates in ten core steel panel radiator markets:

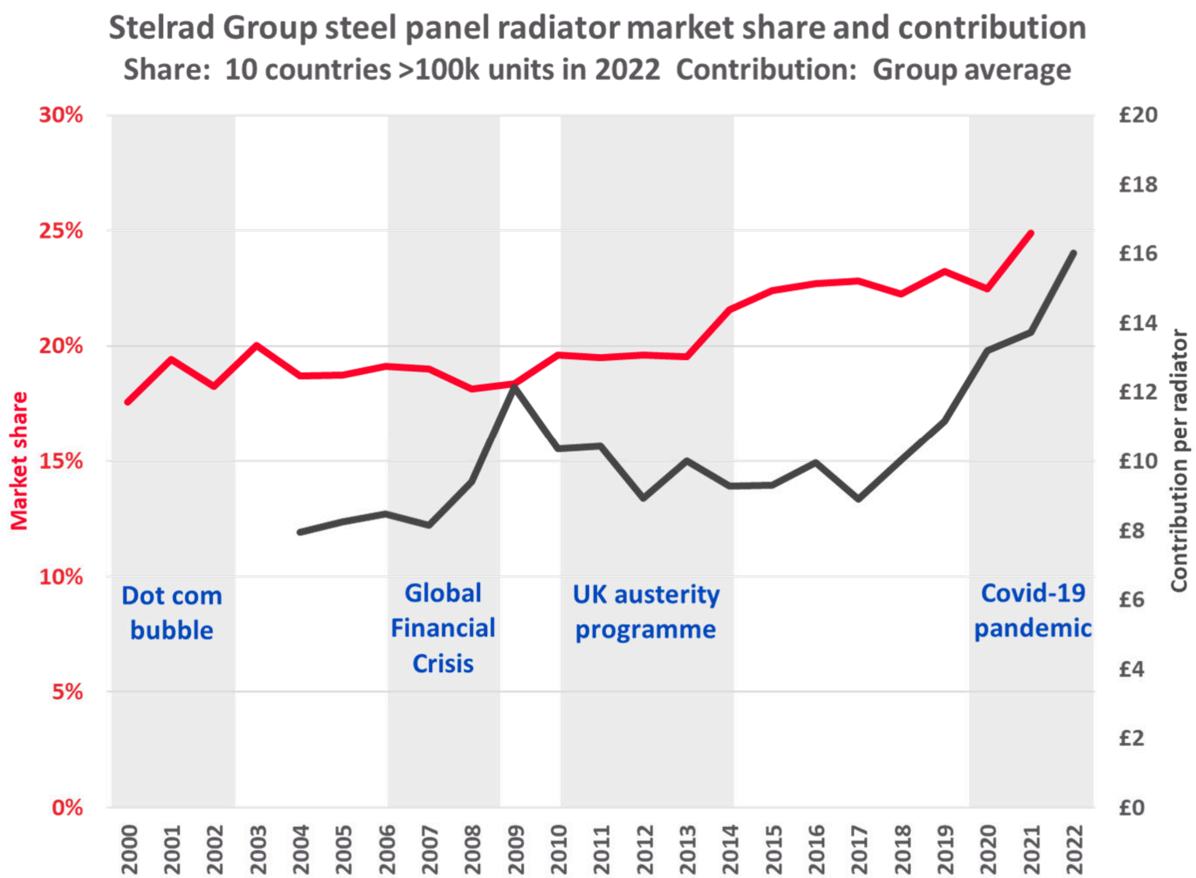
- UK #1 52% share
- Belgium #1 38% share
- Netherlands #1 46% share
- Ireland #1 53% share
- Denmark #1 43% share
- France #2 26% share
- Sweden #2 18% share
- Poland #3 9% share
- Turkey #5 7% share
- Germany #5 6% share



Source: BRG Building Solutions

Stelrad's historic market outperformance demonstrates the Group's long-term resilience

- **Since 2000, combined share in our ten core markets increased by 7.3 ppts and contribution per radiator rose from £8 to £16, due to Stelrad's:**
  - Strong, long-lasting customer relationships
  - Flexible, low-cost manufacturing capability
  - Market-leading product availability and customer service
  - Clear strategic objectives



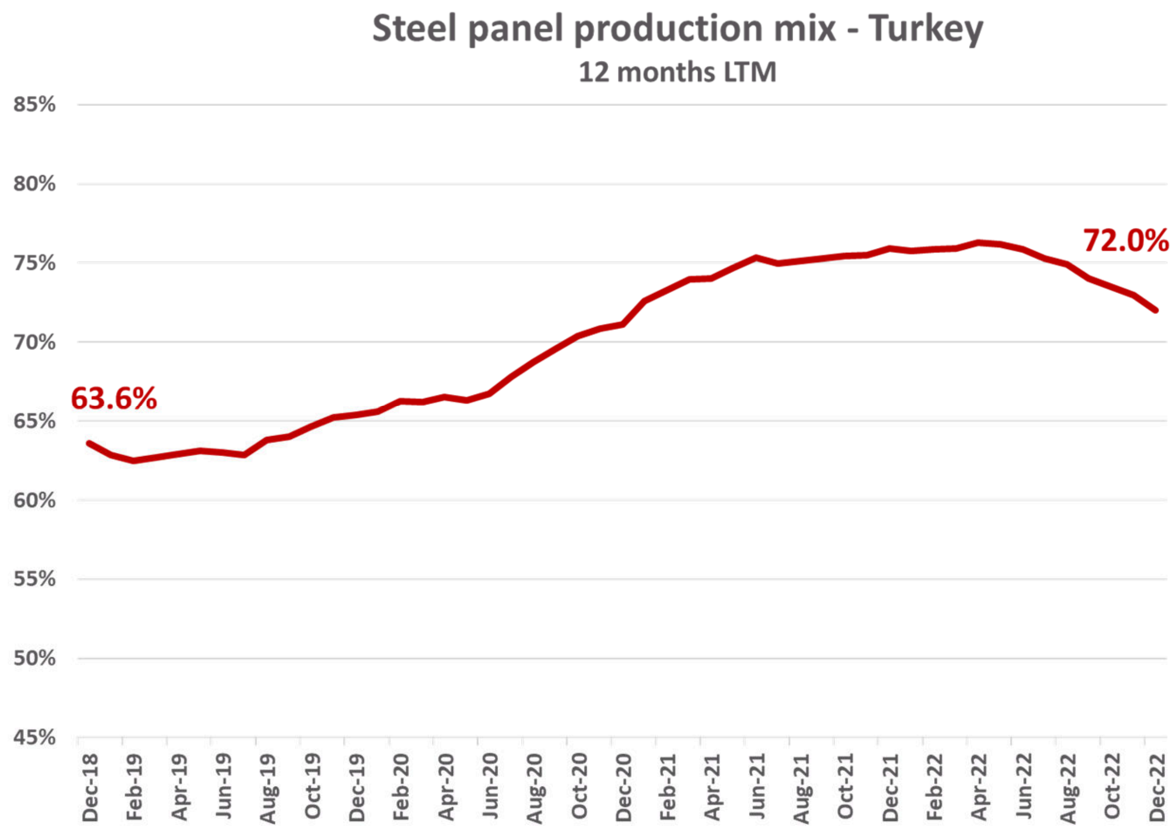
Source: BRG Building Solutions, Stelrad Group management

Strong, long-lasting customer relationships are key to our success

- Continued to develop our business with leading pan-European distributor Saint-Gobain in France, Sweden and Denmark, overall volume increasing by 7.0% versus 2021
- Introduced the Stelrad branded Vita Series across the entire UK Plumbing Supplies organisation, following its acquisition of the Graham business
- Secured a further two-year supply deal for our Henrad brand with PHG
- Successfully negotiated contract renewals with leading UK housebuilders Barratt, Persimmon and Taylor Wimpey, further reinforcing our market-leading UK position through specification pull through

Flexible, low-cost manufacturing drives the Group's competitive advantage

- Continue to invest following the £25m programme of investment in our operational facilities between 2015 and 2021
- Completed further production line transfers to our low-cost Turkish facility during 2022
- The Corlu operation manufactured 72.0% of total volume in 2022 (63.6% in 2018)
- Operational flexibility across the Group driven by Stelrad's standardised steel panel radiator design

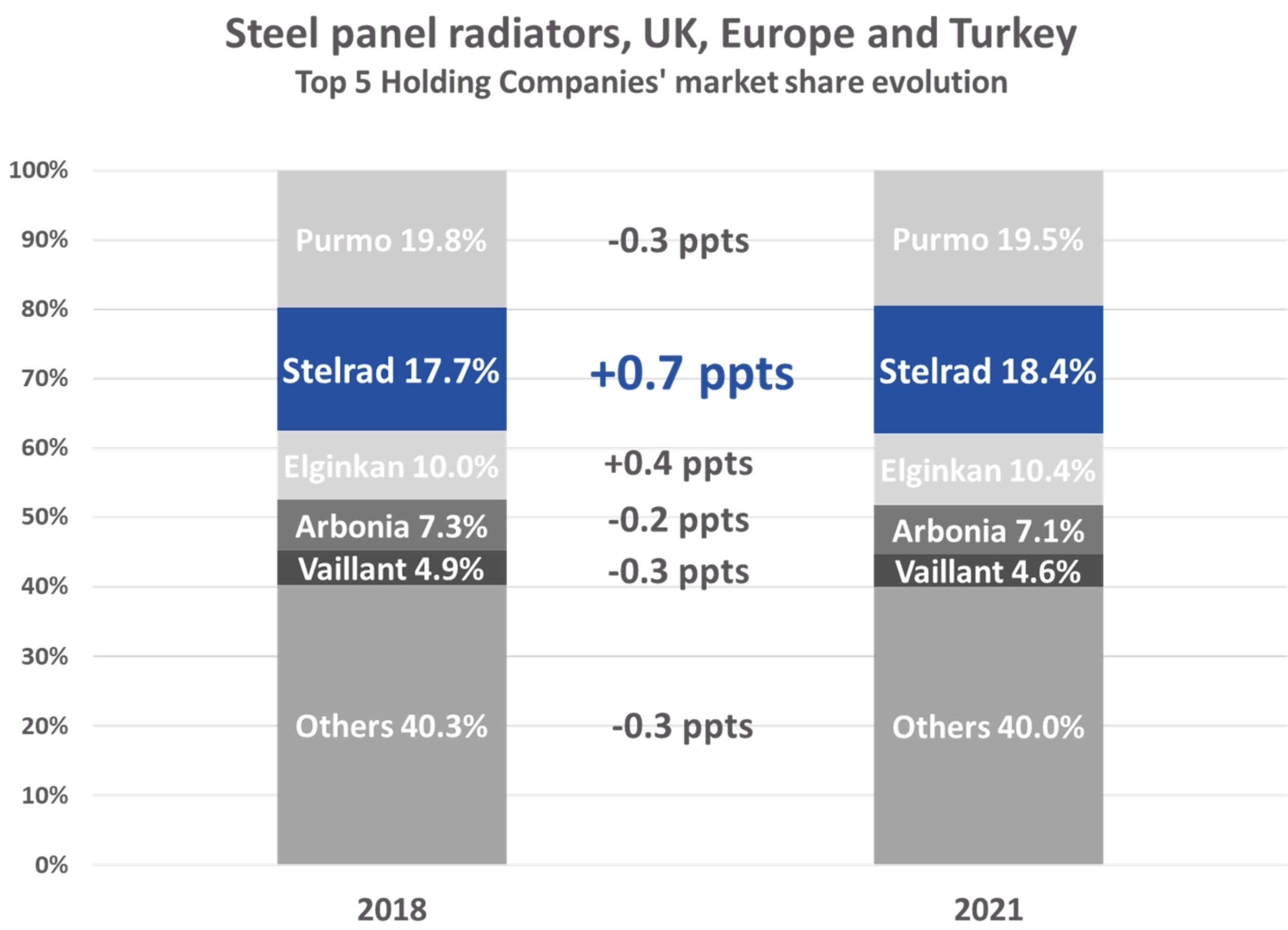


Stelrad provides market-leading product availability and customer service performance

- Stelrad's market-leading product availability provides clear competitive advantage
- Stelrad has the largest radiator distribution centres in the UK and mainland Europe, with respective capacities of 350k and 200k units...
- ...further supported by regional distribution hubs in Krakow, Poland and Kolding, Denmark
- In the UK, On Time In Full (OTIF) delivery is consistently > **95%**
- In 2022, Stelrad invested in additional local warehousing capacity in Turkey, enabling further improvements in customer service across the Group

Stelrad's resilient business model has enabled market share growth

- Since 2018, Stelrad has outperformed its peers in market share gains
- Share increased by 0.7ppts, from 17.7% in 2018 to 18.4% in 2021
- Following the acquisition of DL Radiators, Stelrad Group will be challenging for overall market leadership



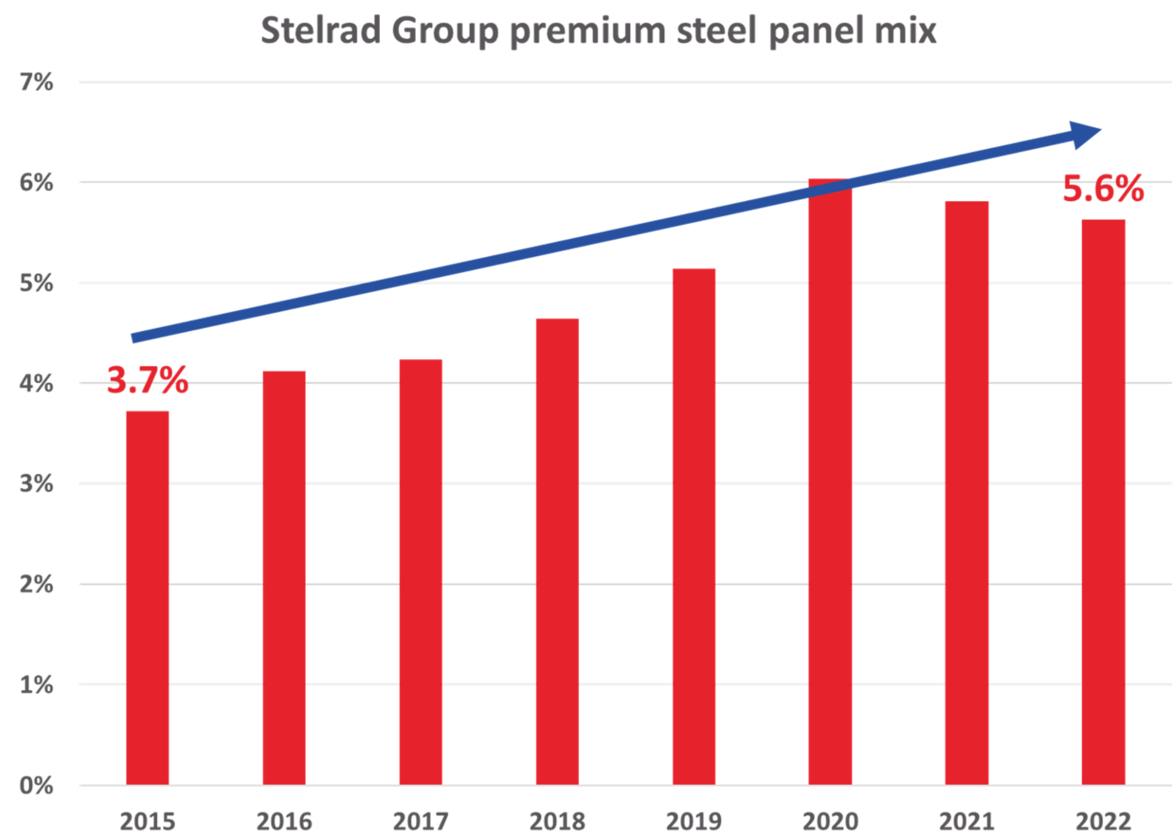
Source: BRG Building Solutions

DL Radiators provides attractive growth and synergies

- Stelrad's market position will move from #5 to #3 in Germany following the acquisition of DL Radiators
- Commissioning a new, state-of-the-art production line at Moimacco, our lowest-cost mainland European facility
- Sales teams are working with DL Radiators to leverage market access and brand strength
- Focus on realising cross-selling opportunities in core territories, notably for multicolumn and electric radiators
- Electric radiator offer reinforces Stelrad's positioning for decarbonisation

A significant replacement market offers growth potential in premium design radiators

- Replacement represents 69% of steel panel radiator volume in Western Europe, 75% in the UK, providing insulation from new build cyclicality
- In Western Europe, premium steel panel has between 7% and 21% penetration: in the UK just 3%
- 2015 – 2022, Stelrad improved premium panel mix from 4% to 6%
- Fully committed to developing this market through leveraging our strong brands, market-leading product availability and access to distribution channels



The regulatory backdrop for decarbonisation remains supportive

EU

Reduce net greenhouse gas emissions by ≥ 55% by 2030

- 2021 - mandatory for all new buildings to be nearly zero-energy buildings (NZEB)
- December 2021, a revision to 2018's Energy Performance of Buildings directive recommends minimum energy performance standards
- Intended to accelerate long-term renovation strategy through creating national Building Renovation Plans
- Targeting >60% emission reductions relative to 2015 levels and climate neutrality by 2050
- Target of 10 million heat pump systems installed pa by 2028

UK

Reduce net greenhouse gas emissions by ≥ 78% by 2035

- Boiler Upgrade Scheme launched, incentivising by up to £5k installation of a heat pump in place of a fossil fuel boiler
- Revised Building Regulations Part L introduced June 2022, stipulating 31% reduction in carbon emissions relative to the previous standard, focused on improved insulation and airtightness
- 2025's Future Homes Standard will go further, ensuring that new build houses are future-proofed, with low carbon heating and world-leading levels of energy efficiency
- Target of 0.6 million heat pump systems installed per annum by 2028

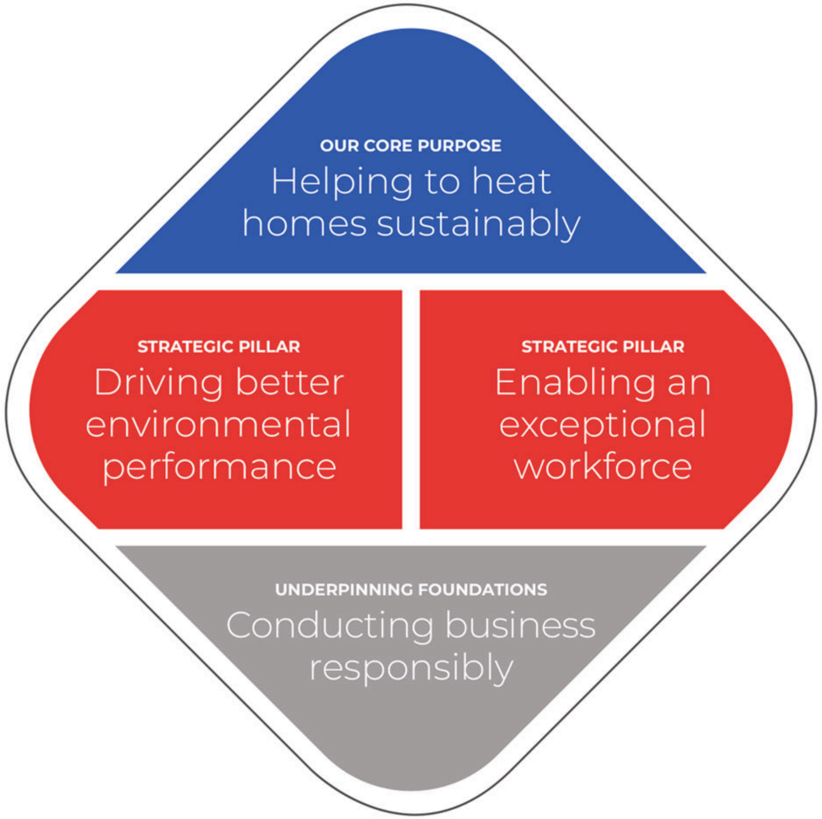
Stelrad is well-positioned to capitalise on this transition

Stelrad is innovating to meet growing demand for low and zero carbon heating systems

- Continue to expand our portfolio of higher output heat emitters, including 900mm heights, vertical radiators and triple panel, triple convector products
- Following June 2022's revised UK Building Regulations, working with new build specifiers, supporting transition to Air Source Heat Pumps and higher heat output radiators
- DL Radiators provides alternative heat emitter technologies, notably hybrid and electric products
- A joint DL Radiators and Stelrad R&D team is evaluating potential of electric radiator developments, appropriate for the longer-term transition from fossil fuels to renewable sources

Sustainability is increasingly at the heart of Stelrad's business model

- Fit for the Future sustainability framework
- Stelrad's core purpose: helping to heat homes sustainably
- Two strategic pillars, driving better environmental performance and enabling an exceptional workforce, underpinned by our commitment to conducting business responsibly
- Renewable energy purchases represented 52% of 2022's total, versus 9% in 2021
- Scope 1 and Scope 2 carbon emissions intensity per tonne reduced by 61%
- Our Netherlands manufacturing facility gained ISO 50001 energy management certification
- 26% fewer Lost Time Incidents were recorded across the Group in 2022
- End February 2023, our UK site is 942 days without a Lost Time Incident, beating the previous record of 929 days



Stelrad Group plc

Summary and outlook

Trevor Harvey
Chief Executive Officer

Stelrad's four key strategic objectives provide clear direction

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

In 2022, Stelrad delivered record results in a challenging macroeconomic environment…

…underpinned by Stelrad's resilient and sustainable business model…

- Powerful brands
- Strong, long-lasting customer relationships
- Flexible, low-cost manufacturing
- Market-leading product availability and customer service
- Clear strategic objectives
- A leading position of scale

…with a positive outlook for the future

- Acquisition of DL Radiators clearly aligned with strategic objectives
- Positive long-term trend for premium design radiators
- Supportive regulatory tailwinds driving low and zero carbon heating

Questions

Appendices

The Group was required to adopt IAS 29 Financial Reporting in Hyperinflationary Economies during 2022 in respect of its Turkish subsidiary

	Statutory position £m	IAS 29 £m	Pre-IAS 29 position £m
Revenue	**316.3**	**4.2**	**312.1**
Adjusted operating profit	**34.0**	**–**	**34.0**
Exceptional items	(1.8)	–	(1.8)
Amortisation of customer relationships	(0.1)	–	(0.1)
Foreign exchange differences	(3.5)	(0.5)	(3.0)
Impact of IAS 29	(6.0)	(6.0)	–
Operating profit/(loss)	**22.6**	**(6.5)**	**29.1**
Net finance costs	(4.5)	–	(4.5)
Monetary losses – net (IAS 29)	(7.9)	(7.9)	–
Profit/(loss) before tax	**10.2**	**(14.4)**	**24.6**
Income tax expense	(5.9)	(1.9)	(4.0)
Profit/(loss) for the year	**4.3**	**(16.3)**	**20.6**

- The table outlines the impact of IAS 29 on the results for the year ended 31 December 2022. All IAS 29 accounting adjustments are non cash items.
- The Group is required to adopt IAS 29 Financial Reporting in Hyperinflationary Economies in respect of its Turkish subsidiary for the first time in the financial statements for the year ended 31 December 2022 as inflation in Turkey exceeded 100% over a three-year period in early 2022.
- The impact of this accounting standard at 31 December 2021 is accounted for as a restatement to opening reserves.
- Adjusted operating profit and adjusted profit after tax are stated before the impact of IAS 29 in the period as management believe that this gives a more meaningful presentation of the Group's underlying performance.
- IAS 29 adjustments are required due to the Turkish subsidiary using Turkish Lira as its functional currency.

CONSOLIDATED INCOME STATEMENT SUMMARY

	2022 £m	2021 £m	Movement £m	Movement %
Revenue (post-IAS 29)	**316.3**	272.3	44.0	16.2
Revenue (pre-IAS 29)	**312.1**	272.3	39.8	14.6
Adjusted operating profit *	**34.0**	33.2	0.8	2.4
Exceptional items	**(1.8)**	(9.6)	7.8	81.1
Amortisation of customer relationships	**(0.1)**	–	(0.1)	n/a
Foreign exchange differences	**(3.5)**	3.0	(6.5)	(215.7)
Impact of IAS 29	**(6.0)**	–	(6.0)	n/a
Operating profit	**22.6**	26.6	(4.0)	(14.8)
Net finance costs	**(4.5)**	(10.2)	5.7	55.8
Monetary losses – net (IAS 29)	**(7.9)**	–	(7.9)	n/a
Profit before tax	**10.2**	16.4	(6.2)	(37.2)
Income tax expense	**(5.9)**	(1.7)	(4.2)	(257.4)
Profit for the year	**4.3**	14.7	(10.4)	(70.6)
Earnings per share (p)	**3.38**	11.51	(8.13)	(70.6)
Adjusted profit for the year *	**24.3**	21.6	2.7	12.9
Adjusted earnings per share (p) *	**19.11**	16.92	2.19	12.9
Total dividend per share (p)	**7.64**	0.96	6.68	695.8

- Non cash FX loss due to restatement of Turkish balance sheet assets and liabilities due to relative strength of US dollar compared to Sterling / Euro.

- Non cash IAS 29 losses due to restatement of retained earnings in Turkish subsidiary with corresponding credit in statement of changes in equity.

- Proposed dividend gives a total dividend for the year equal to 40% of Group adjusted net profit.

* Adjusted figures are stated before exceptional items, amortisation of customer relationships, foreign exchange differences and the impact of IAS 29 and tax thereon..