Strategy continuing to deliver with outlook for the full year unchanged

Stelrad Group plc

Results for the six months ended 30 June 2023

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

Robust performance in the face of challenging market conditions

- Record first half revenue helped by contribution from DL Radiators acquisition
- Anticipated fall in like-for-like revenues against strong first half 2022 comparatives
- Increased contribution per radiator driven by manufacturing optimisation and cost management
- Confident in achieving full year consensus expectations
- Recommended interim dividend of 2.92 pence per share reflects the Board's confidence in the Group's prospects and balance sheet strength
- 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

Delivering results in line with expectations

- Sales and adjusted operating profit in line with expectations
- Revenue (pre-IAS 29 in 2022) grew by 6.2% (12.7% decline on a like-for-like basis)
- Contribution per radiator (pre-IAS 29) increased by 10.0%, offsetting a 3.2% year-on-year sales volume decline (15.7% like-for-like decline) versus strong first half comparatives in 2022
- Adjusted operating profit performance adversely impacted by the anticipated volume decline versus strong H1 22 comparative and increased depreciation charges, partially offset by pro-active margin management and cost reduction initiatives
- Leverage at 30 June 2023 was 1.76x EBITDA, with working capital at seasonal high point
- Board recommends holding the interim dividend at 2.92 pence per share despite lower earnings

Revenue (pre-IAS 29): £157.0m
(2022: £147.8m)

Adjusted operating profit: £14.0m
(2022: £19.0m)

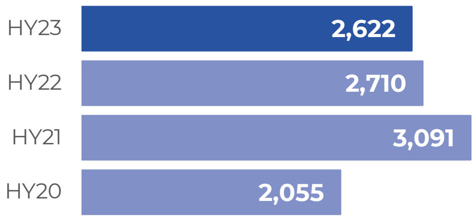
Leverage: 1.8x
(Dec 2022: 1.6x)

Interim dividend: 2.92p
(2022: 2.92p)

Strong growth in contribution per radiator helps to offset impact of lower sales volume

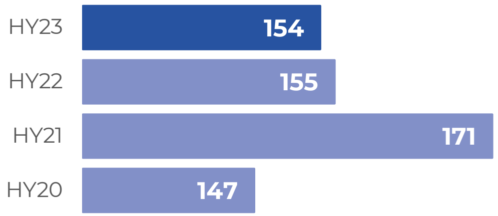
Radiator volumes sold

2,622k units



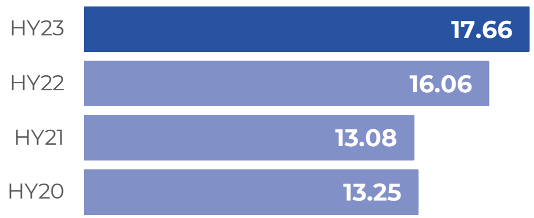
Premium panel radiator volumes sold

154k units



Contribution per radiator (pre-IAS 29)

£17.66



Highlights

- Total sales volume reduce by 3.2% year-on-year (15.7% like-for-like decline) versus strong comparatives in 2022
- Sales of premium panel products following overall market trends, with the penetration of premium panel products sold rising to 5.9% (2022 5.7%)
- Contribution per radiator during 2023 continued to improve due to dynamic pricing and operational improvements
- Operational improvements mainly relate to increased efficiencies at plants and fully utilising the flexibility of our manufacturing footprint

Revenue growth despite challenging market conditions supported by the acquisition of DL Radiators

Revenue (pre-IAS 29) by geographical market	**H1 2023 £m**	***H1 2023 % of total***	H1 2022 £m	Movement £m	Movement %
UK & Ireland	**70.1**	***44.7***	70.6	(0.5)	(0.7)
Europe	**76.5**	***48.7***	63.6	12.9	20.3
Turkey & International	**10.4**	***6.6***	13.6	(3.2)	(23.5)
Total	**157.0**	***100.0***	147.8	9.2	6.2

UK & Ireland

- Decrease in sales volumes partially offset by selling price increases implemented to mitigate the impact of inflationary costs
- UK market share expected to have increased year-on-year

Europe

- Revenue growth driven by the acquisition of DL Radiators
- Excluding the acquisition of DL Radiators, the Group's revenue (pre-IAS 29) in Europe was £49.6 million
- Like for like revenue declined by 22.1% with selling price increases partially offsetting a significant decrease in like-for-like sales volumes
- Share gains in several countries, supported by DL Radiators acquisition

Turkey & International

- Decrease principally a result of significantly lower sales volumes to China

Adjusted operating profit remains in line with expectations

Adjusted operating profit by geographical market	H1 2023 £m	H1 2022 £m	Movement £m	Movement %
UK & Ireland	**11.5**	12.3	(0.8)	(6.5)
Europe	**4.9**	7.5	(2.6)	(34.7)
Turkey & International	**0.7**	2.0	(1.3)	(65.0)
Central costs	**(3.1)**	(2.8)	(0.3)	(10.7)
Total	**14.0**	19.0	(5.0)	(26.3)
Total as percentage of sales	**8.9%**	12.9%		

UK & Ireland

- Lower sales volumes, partially offset by proactive margin management and improved product mix leading to increased contribution per radiator

Europe

- Sales volumes have increased in Europe due to the acquisition of DL Radiators
- Like-for-like sales volumes have fallen significantly due to weak market conditions resulting in lower operating profit, partially compensated for by proactive margin management leading to increased like-for-like contribution per radiator

Turkey & International

- Lower sales volumes, particularly in China
- Increased post-IAS 29 depreciation impacts all regions

Central costs

- Central costs increased as a result of inflation

Improvement in free cash flow generation due to proactive working capital management

	H1 2023 £m	H1 2022 £m	Movement £m
EBITDA (1)	**19.7**	22.5	(2.8)
Exceptional items	**(0.1)**	-	(0.1)
Gain on disposal of property, plant and equipment	**-**	(0.2)	0.2
Share-based payment charge	**0.3**	0.1	0.2
Working capital (adjusted for foreign exchange 2022)	**(4.9)**	(18.1)	13.2
Net capital expenditure (including finance lease spend)	**(4.5)**	(4.3)	(0.2)
Cash flow from operations	**10.5**	-	10.5
Income tax paid	**(4.1)**	(2.2)	(1.9)
Net interest paid	**(3.0)**	(1.4)	(1.6)
Free cash flow	**3.4**	(3.6)	7.0

(1) EBITDA is profit before interest, taxation, depreciation, amortisation and exceptional items. In 2022, EBITDA was also stated before foreign exchange differences and the impact of IAS 29

Free cash flow

- The Group's free cash flow for the period was £3.4 million, an increase of £7.0 million over 2022 impacted by:
  - Working capital management actions to mitigate the historical seasonal pattern
  - Partially offset by higher interest costs
  - Tax payments have increased due to withholding tax on dividends received from Turkey

The Group's net debt has remained stable despite seasonal working capital demands

	30 June 2023 £m	31 December 2022 £m
Revolving credit facility - GBP	**56.4**	55.3
Revolving credit facility - Euro	**10.3**	10.6
Term loan	**24.3**	25.1
Cash	**(20.6)**	(22.6)
Net debt before lease liabilities	**70.4**	68.4
Lease liabilities	**10.5**	10.0
Net debt	**80.9**	78.4

Net debt

- At 30 June 2023, £91.0 million was drawn against the Group's multicurrency facility
- The Group had undrawn available facilities of £9.3 million and cash of £20.6 million at period end
- Net debt excluding lease liabilities was £70.4 million
- Leverage at 30 June 2023 was 1.76x EBITDA

Continuing to trade in line with expectations

- Sales volumes anticipated to remain subdued in the remainder of 2023
- Contribution per radiator in H2 2023 expected to benefit from lower steel and energy costs
- Leverage expected to reduce to below 1.5x EBITDA by year end after seasonal increase in H1
- Group Effective tax rate at c 23% in 2023 rising to 25% in 2024 onwards due to Turkish withholding tax on dividends to Group
- The Group intends to maintain the 2023 interim dividend at 2022 levels, reflecting Board and Management confidence in Stelrad's long-term strategy and financial position

Business review

Trevor Harvey
Chief Executive Officer

Stelrad's four key strategic objectives are underpinning our progress

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

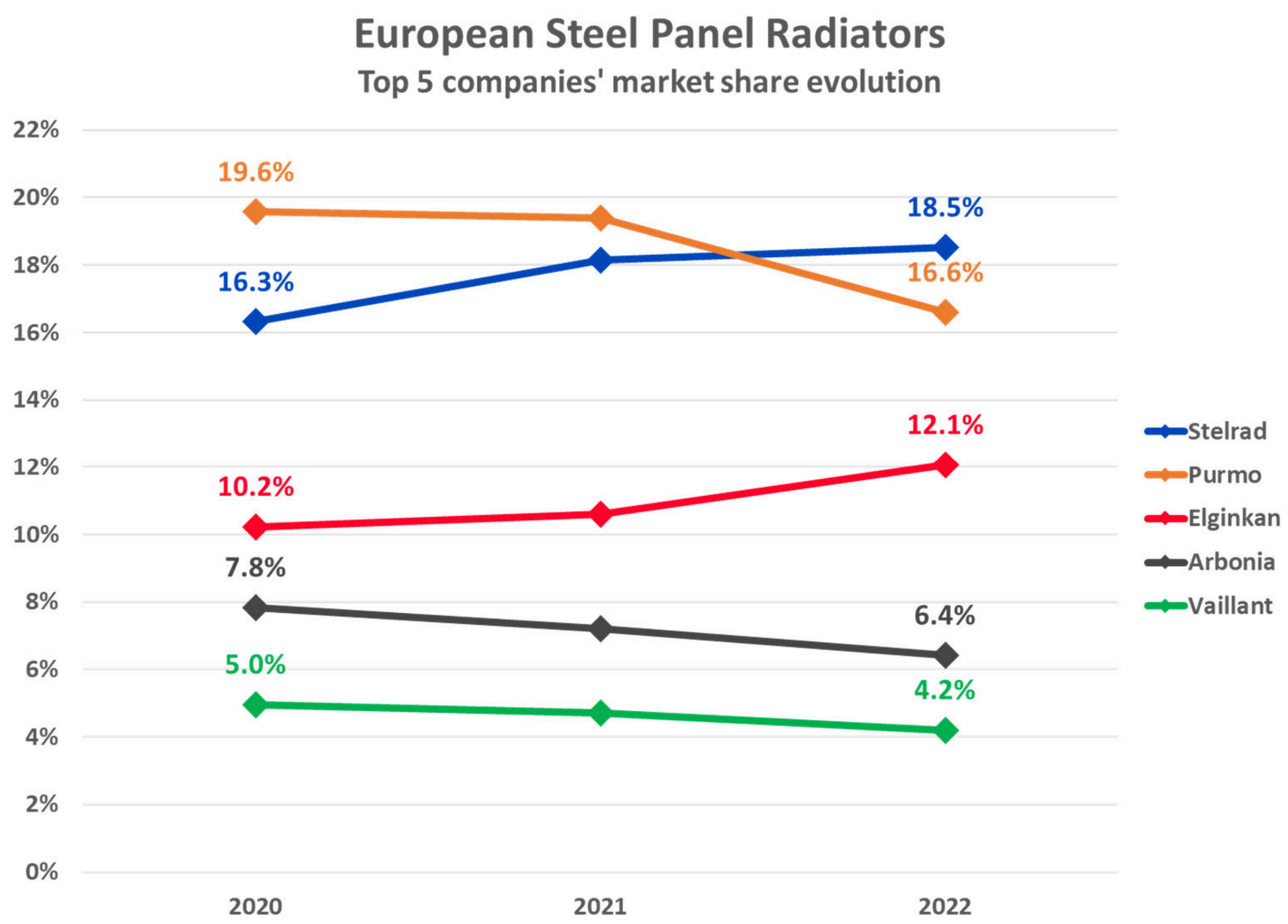
- Adapt quickly to channel evolution
- Embrace digital transformation

4 Positioning effectively for decarbonisation

- Maximise sales of current products compatible with low temperature systems
- Develop products appropriate for low temperature and decarbonised systems
- Leverage our market position to unlock adjacent opportunities

We are now the European market leader in steel panel radiators for the first time

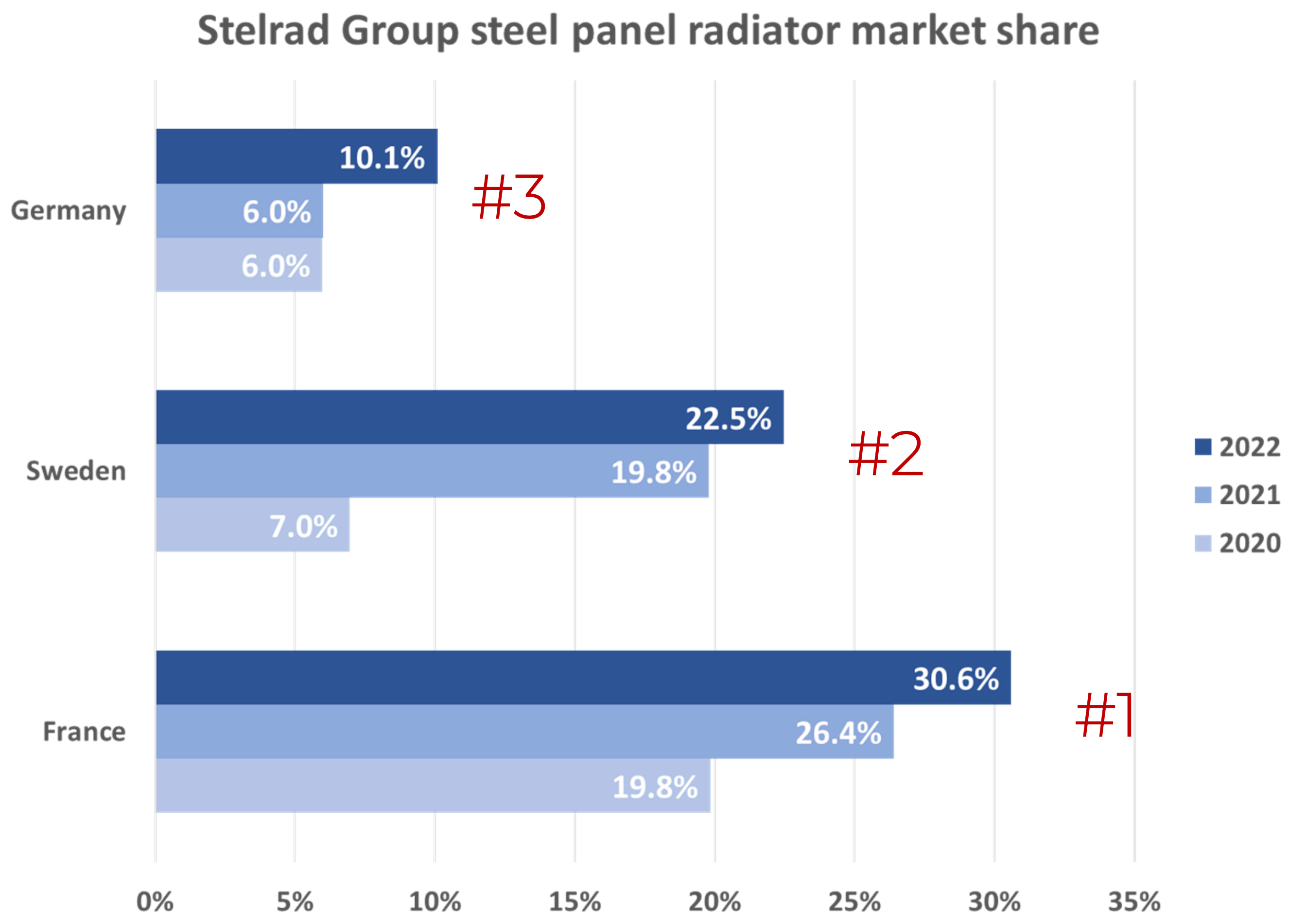
- Between 2020 and 2022, Stelrad share increased by 2.2 ppts, from 16.3% to 18.5%
- Stelrad Group now leads the European steel panel radiator market
- Our traditional Western European competitors have experienced year-on-year share decline
- In 2023, we continue to build on our leading position



Source: BRG Building Solutions, June 2023, Europe & Turkey: excludes Belarus, Bulgaria, Estonia, Finland, Greece, Ireland and Portugal, not yet reported for 2022 and which represented 3.5% of Europe & Turkey volume in 2021

Beyond traditional core markets, Stelrad continues to gain traction

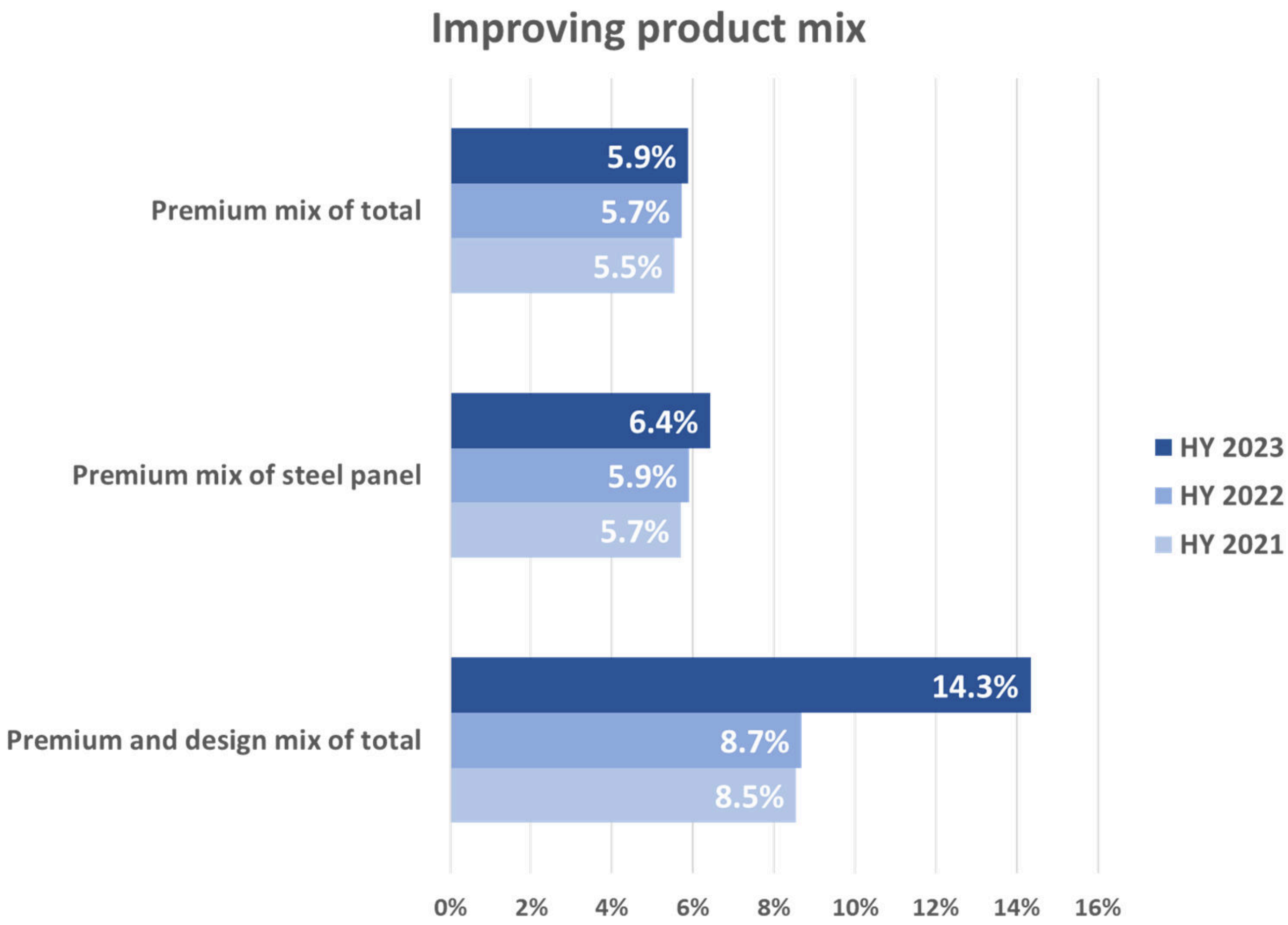
- In Germany, Stelrad moved from #5 to #3 with the acquisition of DL Radiators, 4.1 ppts gain in 2022
- In Sweden, Stelrad consolidated its #2 position with 2.7 ppts organic share gain
- In France, Stelrad overtook its long-established Western European competitors to become #1 with 4.2 ppts gain driven both organically and by acquisition



Source: BRG Building Solutions, June 2023

Stelrad improved product mix HY 2023 despite the challenging economic climate

- All product mix indicators show year-on-year progress since 2021
- HY 2023 premium steel panel radiator mix of total volume grew by 0.4 ppts to 5.9%
- Premium steel panel mix of steel panel volume increased by 0.7 ppts to 6.4%
- Driven primarily by DL Radiators' acquisition, premium steel panel and all other design radiators' mix increased by 5.8 ppts to 14.3%



Leading product availability and customer service drive Stelrad's competitive advantage

- In the UK, On Time In Full (OTIF) delivery is currently c **98%**
- Stelrad now offers 48-hour availability for premium steel panel and design radiators
- 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 and warehousing in Corlu, Turkey

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

- We continue to develop and expand our portfolio, working with specifiers to support transition to low temperature systems
- K3
  - Triple panel, triple convector radiators
- Vertical
  - Now produced in Corlu, Turkey
- H900
  - 900mm high radiators – also in K3
- Vento
  - Automatically controlled additional electrical convection, available in both standard and premium steel panel designs

H2 2023, Stelrad will launch its first UK range of electrical radiators

- An innovative range of 64 heat emitters, including towel warmer, aluminium and designer ranges for the UK's growing electrical radiator market
- Q2 2023 UK pre-launch well-received in both new build and replacement segments
- Initial specification by leading housebuilder
- Stocking commitments received from leading electrical distributors
- Extends the Stelrad brand into new channels
- Leverages DL Radiators' know-how and Stelrad's strong customer relationships
- Positions Stelrad effectively in a segment with significant decarbonisation growth potential

Summary and outlook

Trevor Harvey
Chief Executive Officer

Stelrad's four key strategic objectives continue to 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
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3 Optimising routes to market

- Adapt quickly to channel evolution
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4 Positioning effectively for decarbonisation

- Maximise sales of current products compatible with low temperature systems
- Develop products appropriate for low temperature and decarbonised systems
- Leverage our market position to unlock adjacent opportunities

Unchanged full year outlook and confidence in long-term growth plans

Robust performance for the period despite market headwinds

- Resilient business model enables us to navigate challenging markets
- Experience of trading through previous downturns
- Favourable geographic mix

Adapted to challenges posed by current market

- Proactive margin management
- Cost reduction activities
- Benefits of flexible, low-cost manufacturing footprint

Well-positioned to capitalise once markets improve

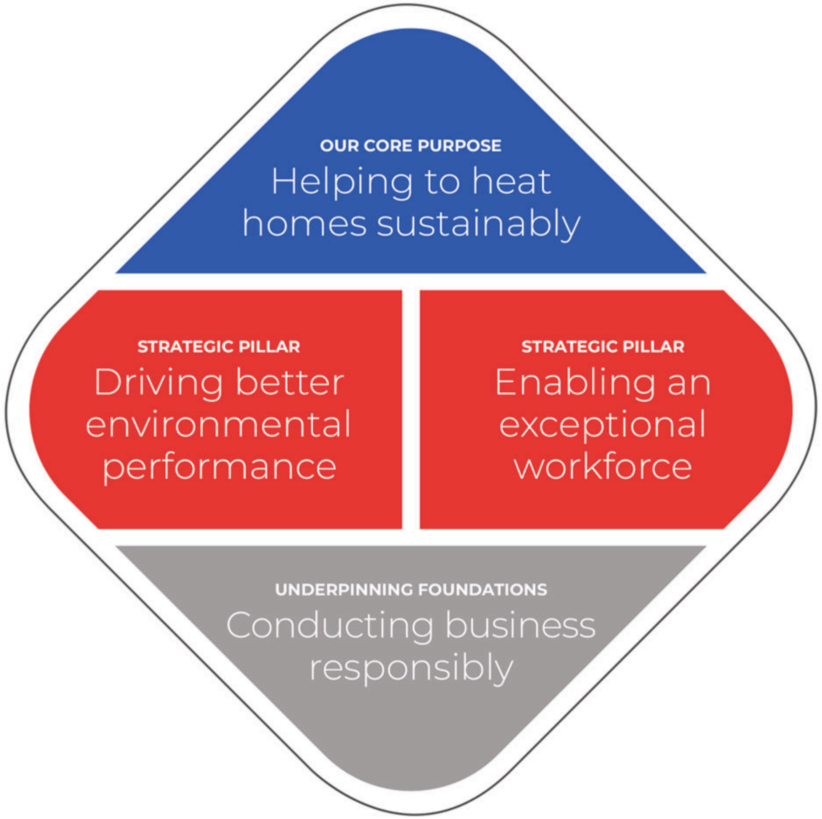
- Supportive regulatory tailwinds driving low and zero carbon heating
- Integration of DL Radiators delivering market share and revenue gains

Questions

Appendices

Helping to heat homes sustainably is Stelrad's core purpose

- Stelrad Group is fully committed to high standards of corporate responsibility, sustainability and employee engagement
- Long-term success depends on proactively addressing sustainability challenges and considering the impact of our operations
- Our Fit for the Future sustainability framework focuses on stakeholders' material issues and is underpinned by strong governance, exceptional safety standards and effective oversight of supply chain management
- It reflects our significant role in the transition to a zero-carbon heating industry:
  - Driving better environmental performance
  - Enabling an exceptional workforce
  - Conducting business responsibly



CONSOLIDATED INCOME STATEMENT SUMMARY

	H1 2023 £m	H1 2022 £m	Movement £m	Movement %
Revenue	**157.0**	150.1	6.9	4.6
Revenue (pre-IAS 29)	**157.0**	147.8	9.2	6.2
Adjusted operating profit *	**14.0**	19.0	(5.0)	(26.3)
Exceptional items	**(0.1)**	–	(0.1)	n/a
Amortisation of customer relationships	**(0.1)**	–	(0.1)	n/a
Foreign exchange differences	**–**	(3.0)	3.0	n/a
Impact of IAS 29	**–**	(4.1)	4.1	n/a
Operating profit	**13.8**	11.9	1.9	16.0
Net finance costs	**(3.5)**	(1.8)	(1.7)	(94.4)
Monetary losses – net (IAS 29)	**–**	(5.4)	5.4	n/a
Profit before tax	**10.3**	4.7	5.6	119.1
Income tax expense	**(2.3)**	(4.0)	1.7	42.5
Profit for the period	**8.0**	0.7	7.3	1,105.8
Earnings per share (p)	**6.27**	0.52	5.75	1,105.8
Adjusted profit for the period *	**8.1**	13.9	(5.8)	(41.9)
Adjusted earnings per share (p) *	**6.36**	10.95	(4.59)	(41.9)
Interim dividend per share (p)	**2.92**	2.92	–	–

- FX movements are less significant following the change in the functional currency of the Group's Turkish subsidiary to Euro and are reported within adjusted operating profit

- IAS 29 accounting has now concluded due to the change in the functional currency of the Group's Turkish subsidiary to Euro

- Proposed dividend maintains the 2022 interim dividend.

* Adjusted figures are stated before exceptional items, amortisation of customer relationships, foreign exchange differences (until 31 December 2022), the impact of IAS 29 (until 31 December 2022) and tax thereon.

CONSOLIDATED BALANCE SHEET SUMMARY

	30 June 2023 £m	31 December 2022 £m
Non-current assets		
Property, plant and equipment	**88.7**	91.6
Intangible assets	**5.2**	3.9
Trade and other receivables	**0.3**	0.3
Deferred tax assets	**4.9**	5.4
	99.1	101.2
Current assets		
Inventories	**68.9**	77.9
Trade and other receivables	**59.3**	60.5
Income tax receivable	**0.5**	0.2
Cash and cash equivalents	**20.6**	22.6
	149.3	161.2
Total assets	**248.4**	262.4

	30 June 2023 £m	31 December 2022 £m
Non-current liabilities		
Interest-bearing loans and borrowings	**99.3**	98.5
Deferred tax liabilities	**0.2**	2.6
Provisions	**1.9**	1.8
Net employee defined benefit liabilities	**4.0**	4.6
	105.4	107.5
Current liabilities		
Trade and other payables	**88.0**	99.2
Interest-bearing loans and borrowings	**1.4**	1.5
Financial liability	**0.4**	-
Income tax payable	**2.3**	1.9
Provisions	**0.4**	0.9
	92.5	103.5
Total liabilities	**197.9**	211.0
Total equity	**50.5**	51.4
Total equity and liabilities	**248.4**	262.4

CONSOLIDATED STATEMENT OF CASH FLOW SUMMARY

	30 June 2023 £m	30 June 2022 £m	Increase / (decrease) £m
EBITDA [1]	**19.7**	22.5	(2.8)
Exceptional items	**(0.1)**	-	(0.1)
Gain on disposal of property, plant and equipment	**-**	(0.2)	0.2
Share-based payment charge	**0.3**	0.1	0.2
Working capital (adjusted for foreign exchange 2022)	**(4.9)**	(18.1)	13.2
Net capital expenditure (including finance lease spend)	**(4.5)**	(4.3)	(0.2)
Cash flow from operations	**10.5**	-	10.5
Income tax paid	**(4.1)**	(2.2)	(1.9)
Net interest paid	**(3.0)**	(1.4)	(1.6)
Free cash flow	**3.4**	(3.6)	7.0
Dividends paid	**(6.0)**	(1.2)	(4.8)
IAS 29 difference	**-**	(0.4)	0.4
Movements in borrowings	**1.1**	4.4	(3.3)
Cash outflow	**(1.5)**	(0.8)	(0.7)
Cash and cash equivalents at start of period	**22.6**	15.6	
Cash outflow	**(1.5)**	(0.8)	
Net foreign exchange difference	**(0.5)**	(1.3)	
Cash and cash equivalents at end of period	**20.6**	13.5	

[1] EBITDA is profit before interest, taxation, depreciation, amortisation and exceptional items. In 2022, EBITDA was also stated before foreign exchange differences and the impact of IAS 29