

26 January 2024

Stelrad Group PLC
(“Stelrad” or “the Group”)
Trading Update

Resilient performance in line with consensus

Stelrad Group plc (“Stelrad” or “the Group” or “the Company”, LSE: SRAD), a leading specialist manufacturer and distributor of steel panel radiators in the UK, Europe and Turkey, today announces a trading update for the twelve months ended 31 December 2023.

Trading Update

The Group’s H2 performance was, as expected, impacted by high inflation and rising interest rates, which have suppressed both new construction and renovation activities.

Despite these well documented headwinds impacting volumes in new build and RMI, the Group delivered a robust performance. Revenue for the year was c.£308m, representing a c.3% reduction on prior year including the full year benefit of the acquisition of Radiators SpA (formerly DL Radiators SpA) and a c.13% reduction on a like-for-like basis.

Proactive price and cost management have led to a 13% increase in contribution per radiator in the year. This is the sixth consecutive annual increase in contribution per radiator and has countered the impact of a decrease in volumes. As a result, the Board expects to deliver a statutory operating profit of c.£27m, after the impact of exceptional restructuring charges in Q4 incurred to drive cost savings for future periods. The Board expects to deliver an adjusted operating profit¹ of c.£29m, in line with market expectations².

Leverage, based on net debt before lease liabilities, was c.1.5x EBITDA at 31 December 2023 with good headroom against both bank facilities and covenants.

Outlook

The Board remain mindful of continuing headwinds across the Group’s markets. However, we are confident that the Group is well positioned and prepared to navigate these challenges and the Group’s resilience has been further strengthened by cost saving initiatives implemented in the second half of 2023, with benefits to be realised from 2024 onwards.

Strong replacement demand across Europe and longer-term regulatory tailwinds for decarbonised energy efficient heating systems continue to underpin the Group’s confidence in the future. These trends, together with the flexibility of Stelrad’s business model, market-leading positions, and the strength and breadth of the Group’s customer and supplier relationships, mean that the Group enters 2024 in a strong position.

The Group intends to issue its full year Preliminary Announcement on Friday 8 March 2024.

¹ Operating profit before exceptional items and the amortisation of customer relationships.

² Average analysis adjusted operating profit consensus is currently £28.5m.

Trevor Harvey, Chief Executive of Stelrad, commented:

“Stelrad’s financial performance in 2023 is testament to the resilience and flexibility of our business and the Group’s experience in navigating previous market downturns, which has enabled us to deliver an adjusted operating profit in line with expectations. We have been able to offset a decline in volumes with proactive margin management initiatives which will position the Group well to capitalise once markets improve.

“We continually focus on our strategic objectives of growing market share, improving product mix, optimising routes to market, and positioning the business for decarbonisation, and, while 2024 is expected to provide continuing market challenges, the initiatives we have undertaken during 2023 will mean that our business can meet these challenges and continue to deliver long-term value for our stakeholders.”

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Notes to Editors

Stelrad Group plc is Europe’s leading specialist radiator manufacturer, selling an extensive range of hydronic, hybrid, dual fuel and electrical heat emitters to more than 500 customers in over 40 countries. These include standard, premium and low surface temperature (LST) steel panel radiators, towel warmers, decorative steel tubular, steel multicolumn and aluminium radiators.

The Group has five core brands: Stelrad, Henrad, Termo Teknik, DL Radiators and Hudevad. In the data reported by BRG Building Solutions for 2022, Stelrad moved into a market leadership position, with 18.8% share by volume of the combined UK, European and Turkish steel panel radiator market. The Group is now market leader in seven countries – the UK, Ireland, France, the Netherlands, Belgium, Denmark and Greece, with a top 3 position in a further nine territories.

Stelrad is headquartered in Newcastle upon Tyne in the UK and in 2023 employed 1,400+ people, with manufacturing and distribution facilities in Çorlu (Turkey), Mexborough (UK), Moimacco (Italy) and Nuth (Netherlands), with further commercial and distribution operations in Kolding (Denmark) and Krakow (Poland).

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

Further information can be found at: <https://stelradplc.com/>.