Resilient performance. Strategically positioned for market improvement.

Stelrad Group plc
Results for the year ended
31 December 2023

Stelrad Group plc

Agenda

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

Trevor Harvey
Chief Executive Officer

Annette Borén
Chief Financial Officer

Overview

Trevor Harvey
Chief Executive Officer

2023 RESULTS SUMMARY

Resilient performance thanks to robust strategy, flexible business model and market leading position

- Adjusted operating profit in line with expectations despite macroeconomic headwinds
- Contribution per radiator up for sixth consecutive year, driven by cost and price management
- Leadership of combined European market reflects long-term position as player of scale
- Well-invested, flexible operational platform enabled cost-saving restructuring initiatives in H2 2023 - benefits to be realised in 2024
- Group remains well positioned for sustained period of growth when markets recover

Resilient and flexible business model underpinned 2023 performance

- Robust financial performance in challenging conditions
- Revenue down by 2.6% (12.9% like-for-like)
- Contribution per radiator increased by 13.0%, helping to offset a 5.2% year-on-year sales volume decline (12.5% like-for-like decline)
- Improved performance underpinned by proactive margin management and operational improvements across the business
- Leverage at 31 December 2023 was 1.47x EBITDA
- Board recommends an unchanged final dividend of 4.72 pence per share

Revenue: £308.2m
(2022: £316.3m)

Adjusted operating profit: £29.3m
(2022: £34.0m)

Leverage: 1.47x
(2022: 1.62x)

Total dividend: 7.64p
(2022: 7.64p)

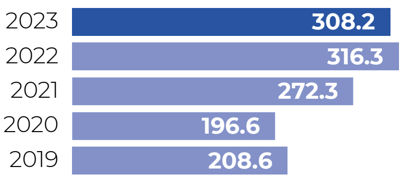
Financial review

Annette Borén
Chief Financial Officer

Resilient performance during 2023 in challenging markets

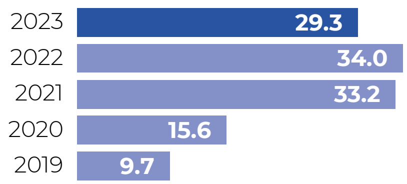
Revenue

£308.2m



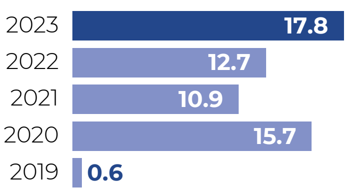
Adjusted operating profit

£29.3m



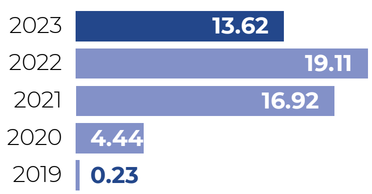
Free cash flow

£17.8m



Adjusted EPS

13.62p

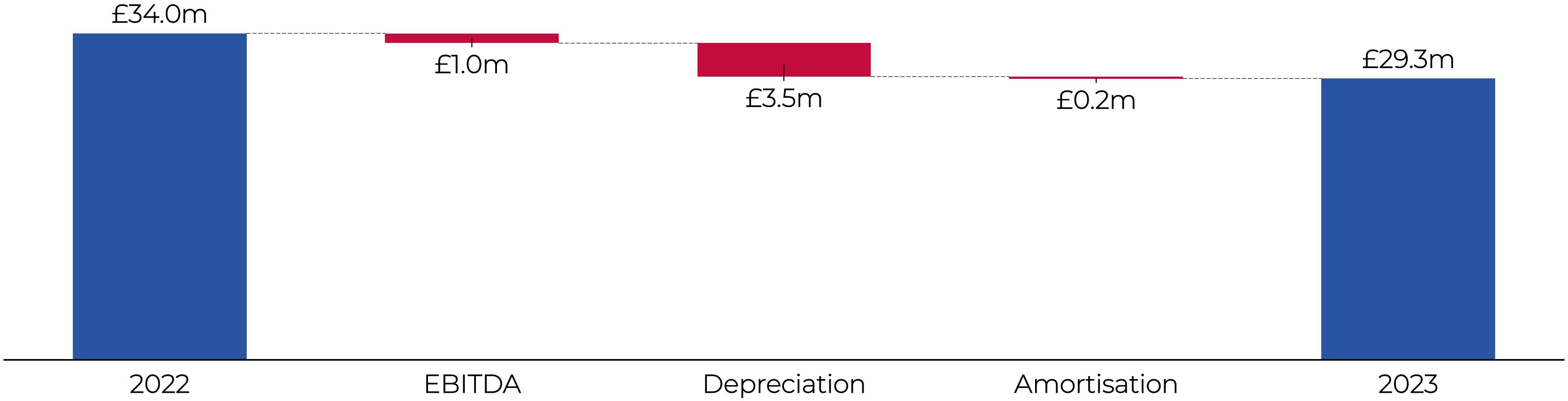


Highlights

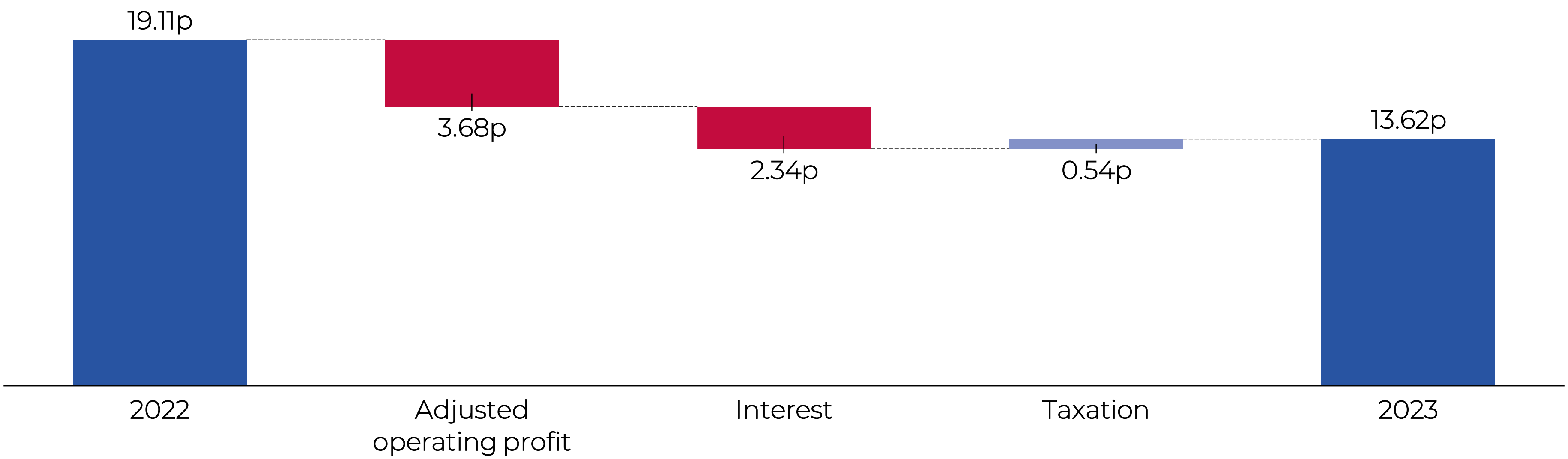
- Group's revenue was negatively impacted by a reduction in demand during 2023, volume reductions were partially offset by selling price increases
- Group adjusted operating profit fell by 13.8% primarily due to depreciation and amortisation rising by £3.7 million in the year. EBITDA reduced by £1.0 million
- Strong cash generation with free cash flow of £17.8 million
- Earnings per share reduced in the period due to a £7.0 million reduction in adjusted profit for the year
- Total dividends for the year of 7.64 pence per share, in line with 2022 dividends, despite lower earnings
- Detailed income statement is included in the appendices

Bridging performance

Adjusted operating profit



Adjusted EPS



Subdued new build and renovation activity impact revenues

Revenue by geographical market	2023 £m	2023 % of total	2022 £m	Movement £m	Movement %
UK & Ireland	**139.4**	***45.2***	140.0	(0.6)	(0.5)
Europe	**149.1**	***48.4***	149.7	(0.6)	(0.4)
Turkey & International	**19.7**	***6.4***	26.6	(6.9)	(25.8)
Total	**308.2**	***100.0***	316.3	(8.1)	(2.6)

UK & Ireland

- Impact of 4.9% decrease in sales volumes partially offset by the impact of selling price increases
- Market share improvements are expected

Europe

- Sales volumes fell by 3.6% in the period, but on a like-for-like basis volumes fell 22.7%, with significant market declines across Europe, most notably in Germany, Poland and Belgium
- Revenue supported by the acquisition of Radiators SpA and the impact of selling price increases
- On a like-for-like basis, the Group's revenue in Europe was £117.9 million a reduction of £31.8 million or 21.2%

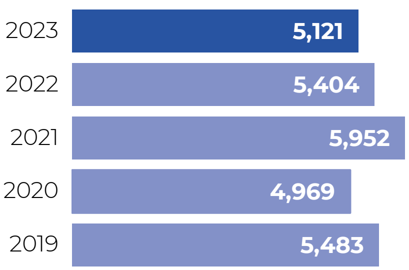
Turkey & International

- Principally the result of significantly lower sales volumes to China
- On a like-for-like basis, the Group's revenue in Turkey & International was £18.5 million a reduction of £8.1 million or 30.5%

Group well positioned for market recovery

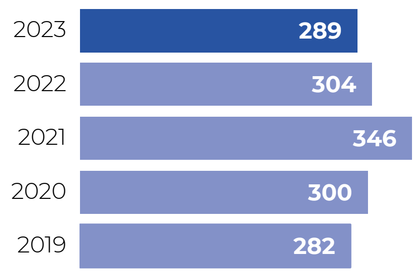
Radiator volumes sold

5,121k units



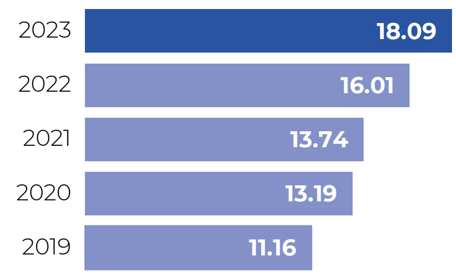
Premium panel radiator volumes sold

289k units



Contribution per radiator

£18.09



Highlights

- Total sales volume reduce by 5.2% year-on-year (12.5% like-for-like decline) with high inflation and rising interest rates suppressing renovation activity
- Sales of premium panel products trends similar to total market
- Contribution per radiator during 2023 increased again due to proactive price and cost management
- Cost based management initiatives implemented in the second half of 2023, resulting in an exceptional charge of £2.9 million, with benefits to be realised from 2024 onwards. The Group has optimised production across its Western European facilities with increased volumes transferred to our low cost facility in Corlu, Turkey. In addition, we have reduced fixed costs in Western Europe

ADJUSTED OPERATING PROFIT

Fall in adjusted operating profit largely due to IAS 29 depreciation charges

Adjusted operating profit by geographical market	2023 £m	2022 £m	Movement £m	Movement %
UK & Ireland	**24.5**	22.7	1.8	7.8
Europe	**9.1**	13.9	(4.8)	(34.7)
Turkey & International	**1.3**	2.1	(0.8)	(34.4)
Central costs	**(5.6)**	(4.7)	(0.9)	(20.1)
Total	**29.3**	34.0	(4.7)	(13.8)
Total as percentage of revenue	**9.5%**	10.7%		

UK & Ireland

- Proactive margin management leading to increased contributions per radiator, partially offset by lower sales volumes and higher post-IAS 29 depreciation

Europe

- A significant like-for-like decline in sales volumes was partially offset by additional volumes generated from Radiators SpA. The sales volumes at Radiators SpA are at lower than expected levels of profitability
- Proactive margin management leading to increased contributions per radiator has partially offset the impact of lower sales volumes and higher post-IAS 29 depreciation

Turkey & International

- Lower sales volumes in China and higher post-IAS 29 depreciation have reduced the adjusted operating profit in the Turkey & International segment

Central costs

- Central costs increased as a result of provisions for bonuses and ongoing inflation

Strong cash generation with free cash flow of £17.8 million

	2023 £m	2022 £m	Movement £m
EBITDA	**41.2**	42.2	(1.0)
Exceptional items	**(2.5)**	(1.8)	(0.7)
Gain on disposal of property, plant and equipment	**—**	(0.2)	0.2
Share-based payments	**0.5**	0.3	0.2
Working capital adjustments (adjusted for foreign exchange 2022)	**1.6**	(9.2)	10.8
Net capital expenditure	**(9.3)**	(11.6)	2.3
Cash flow from operations	**31.5**	19.7	11.8
Income tax paid	**(7.5)**	(3.8)	(3.7)
Net interest paid	**(6.2)**	(3.2)	(3.0)
Free cash flow	**17.8**	12.7	5.1

Free cash flow

- Cash flow from operations conversion of 107.8% (2022: 57.9%)
- The Group's free cash flow for the year was £17.8 million, an increase of £5.1 million over 2022 impacted by:
  - Improvement in working capital
  - Capital expenditures falling to lower levels as investment in new production lines is completed
  - Rising tax costs, including additional withholding tax paid on intercompany dividends
  - Rising interest paid following increase in facility interest rates and increased debt levels arising from Radiators SpA acquistion

NET DEBT

Group leverage at a comfortable level

	2023 £m	2022 £m
Revolving credit facility - GBP	**46.9**	55.3
Revolving credit facility - Euro	**10.4**	10.6
Term loan	**24.5**	25.1
Cash	**(21.4)**	(22.6)
Net debt before finance leases	**60.4**	68.4
Finance leases	**9.9**	10.0
Net debt	**70.3**	78.4

Net debt

- At 31 December 2023, £81.8 million (2022: £91.0 million) was drawn against the Group's multicurrency facility
- The Group had undrawn available facilities of £18.7 million and cash of £21.4 million at year end
- Net debt before finance leases was £60.4 million
- Leverage at 31 December 2023, based on net debt before finance leases, was 1.47x EBITDA (2022: 1.62)
- The Group's revolving credit facility and term loan facility were extended by two years to November 2026 during the year ended 31 December 2023.

Outlook

- FY24 trading to date in line with expectations, however markets are expected to remain subdued in 2024
- Contribution per radiator in 2024 will benefit from 2023 reorganisation, tempered by continued cost pressure
- Expect some benefits from lower H2 2023 steel prices in Q1 2024, but overall steel prices are expected to rise in 2024

Technical guidance

- Capital expenditure (excluding finance leases) expected to reduce to c. £6.5 million following the completion of a new production line in Italy in 2023
- Small investment in working capital, particularly inventories, expected in 2024
- Leverage, based on net debt before finance leases, is expected to remain below c.1.5x EBITDA at year end after seasonal increase in H1 2024
- Group effective tax rate at c 29%, driven by withholding tax increases on dividends from Turkey and increased UK tax rates

Business review

Trevor Harvey
Chief Executive Officer

Four key strategic objectives continue to drive 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

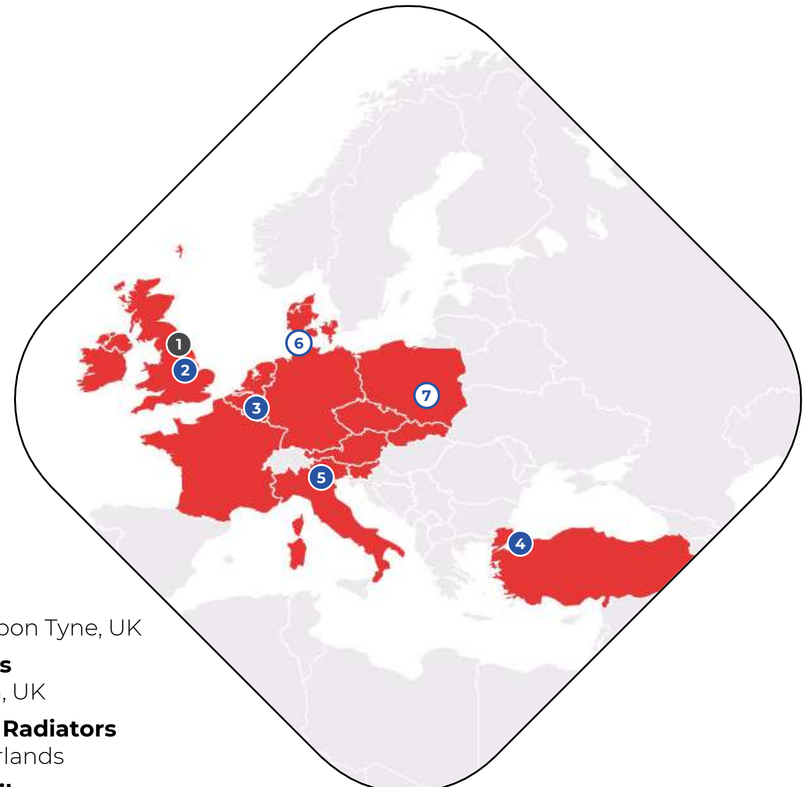
GROWING MARKET SHARE 1

Stelrad is the #1 player in hydronic heat emitters, 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
• France	#1 ↑	31% share
• Belgium	#1	35% share
• Netherlands	#1	44% share
• Ireland	#1	48% share
• Denmark	#1	47% share
• Poland	#2 ↑	11% share
• Sweden	#2	23% share
• Germany	#3 ↑	10% share
• Turkey	#5	8% share



1 **Head office**
Newcastle upon Tyne, UK

2 **UK Radiators**
Mexborough, UK

3 **Continental Radiators**
Nuth, Netherlands

4 **Termo Teknik**
Çorlu, Istanbul, Turkey

5 **Radiators SpA**
Moimacco, Italy

6 **Hudevad**
Kolding, Denmark

7 **Caradon Polska**
Kraków, Poland

- Head office
- Manufacturing, distribution and sales
- Distribution warehouse
- Sales presence

Source: BRG Building Solutions, October 2023: Europe, the UK & Turkey

GROWING MARKET SHARE 1 OPTIMISING ROUTES TO MARKET 3

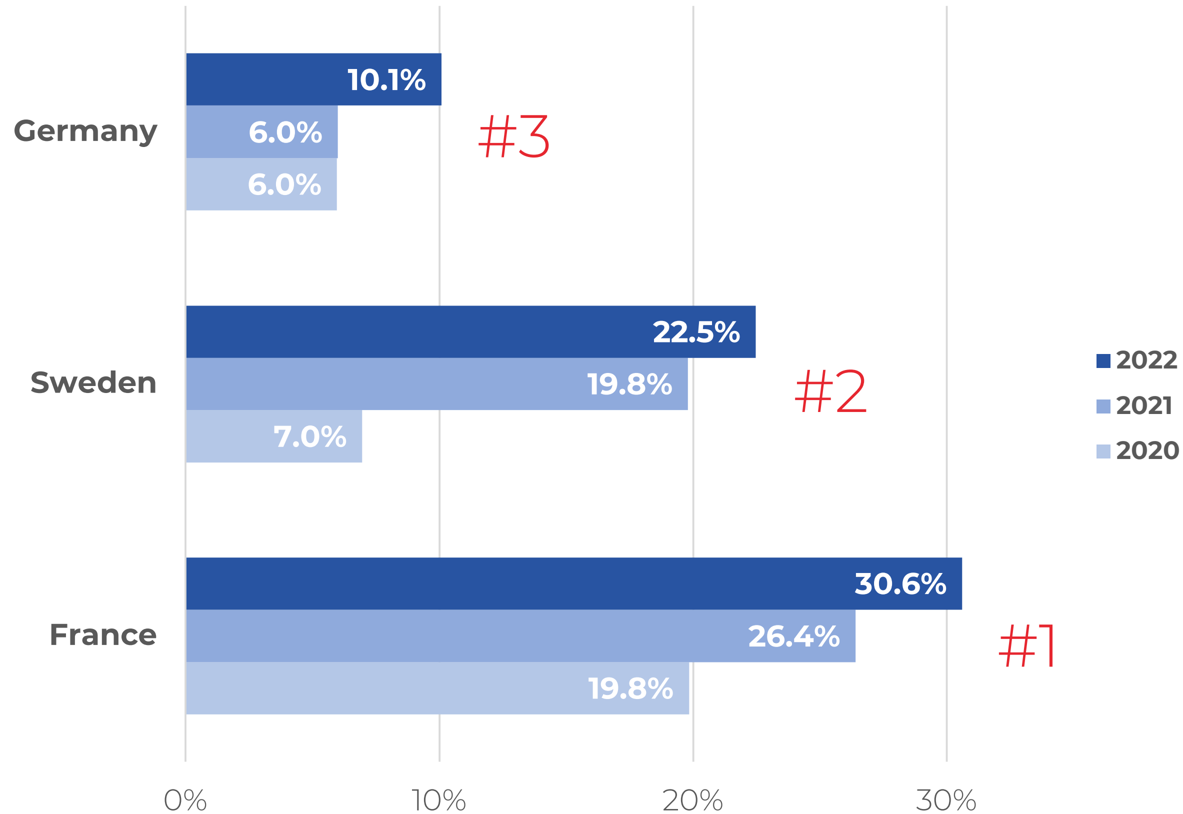
Beyond traditional core markets, Stelrad continues to gain traction

In Germany, Stelrad moved from #5 to #3 with the acquisition of Radiators SpA and 4.1 ppts gain in 2022

In Sweden, Stelrad consolidated its #2 position with 2.7 ppts organic share gain

In France, Stelrad overtook long-established Western European competitors to become #1 with 4.2 ppts gain driven both organically and by acquisition

Stelrad Group steel panel radiator market share



Source: BRG Building Solutions, October 2023

Accelerated by the Radiators SpA acquisition, design radiator volume has grown by 264% since 2015

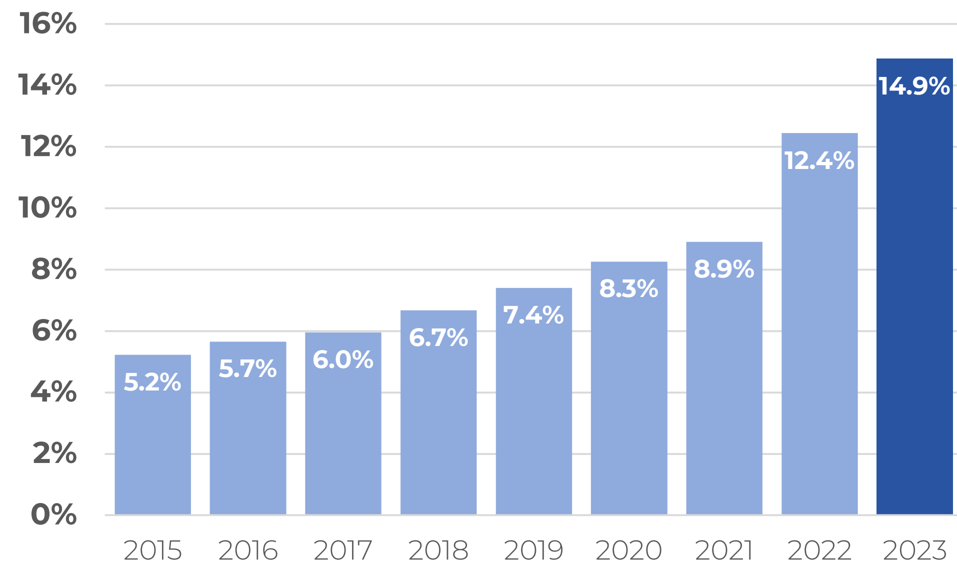
Offering higher added value and margin than standard steel panel radiators, we define design radiators as:

- Premium steel panel radiators
- Towel warmers
- Multicolumn and decorative steel tubular radiators
- Aluminium electric radiators

Source: Stelrad Group management

Total design radiators mix

Volume as % of total radiators sold

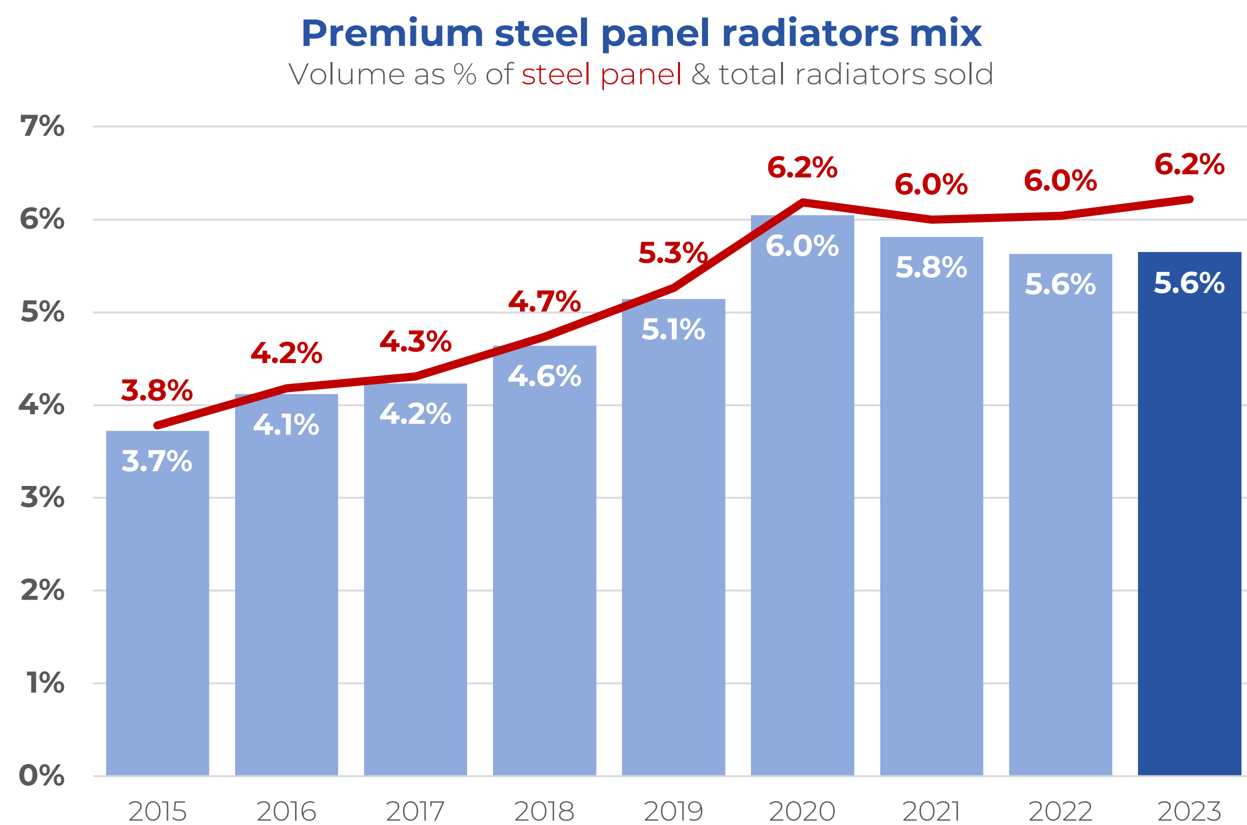


- Total design radiator mix increased to **14.9%** in 2023, up 2.5 ppts versus 2022 and by 9.7 ppts since 2015
- Design radiators CAGR between 2015 and 2023 was **12.9%**

IMPROVING PRODUCT MIX 2 OPTIMISING ROUTES TO MARKET 3

In 2023, premium steel panel radiator mix represented 5.6% of total volume

- As a percentage of all steel panel radiators sold, premium steel panel mix 2023 represented 6.2%, up 0.2 ppts versus 2022 and in line with 2020's peak
- Premium steel panel volume has grown at 4.4% CAGR between 2015 and 2023
- In Western Europe, premium steel panel has between 7% and 21% penetration: in the UK just 3%
- We remain committed to developing this market through leveraging Stelrad's extensive product range, low-cost manufacturing and market-leading product availability



Source: Stelrad Group management

Stelrad continues to expand its portfolio of higher heat output radiators

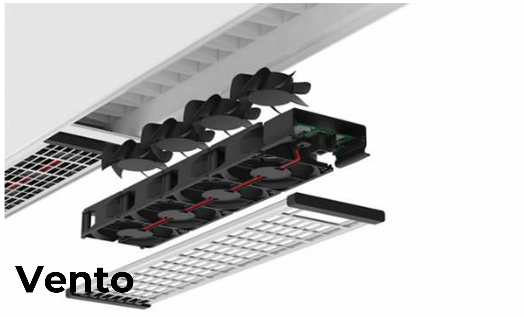
Working with specifiers to support the transition to low temperature heating systems, we added more high heat output products to our range

- **Vertical**
  - Space efficient radiators with more installation options
- **K3**
  - Triple panel, triple convector radiators
  - Around 38% higher heat output than comparable height/length double panel, double convector alternative
- **H900**
  - 900mm high radiators – also available as K3
  - Around 36% higher heat output than comparable length 600mm high alternative
  - Common in mainland Europe, little known in the UK

Stelrad is bringing innovative and sustainable new products to market

We continue to innovate, providing solutions suitable for the low and zero carbon heating systems of the future

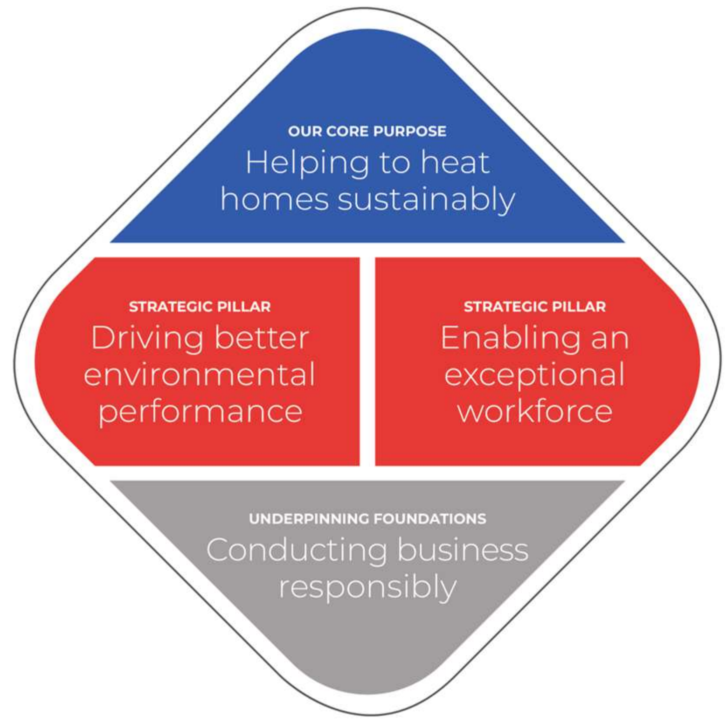
- **Vento** Low Temperature Radiator ("LTR")
  - Hybrid radiator, steel panel radiator with automatic electrical convection in standard and premium designs
- **Electric Series**
  - Launch H2 2023, targeted at small but growing UK market
  - Leverages Radiators SpA know-how and Stelrad's strong customer relationships
  - Well received in new build and replacement segments
- **Green Series**
  - UK launch H1 2024
  - First radiator range featuring steel with 90% lower embodied CO_2 emissions
  - Uses no plastic packaging materials



Progress made as part of our broader ESG strategy

In 2023, Stelrad:

- Made good progress on safety, with 7% reduction in all incidents
- Reductions in lost time severity rate ("LTSR") and lost time frequency rate ("LTFR"), ahead of targets
- Increased energy use from renewable sources to 41.5%, from 39.5% in 2022 and from 8.7% in 2021
- Developed further sustainability-related policies, notably a Group-wide supplier auditing process
- Calculated Scope 3 emissions for the first time
- Set a carbon intensity target for 2030, 45% below 2021 levels
- Published its first environmental product directives ("EPDs"), helping enable our customers to make sustainable choices



Summary and outlook

Trevor Harvey
Chief Executive Officer

Strong 2023 performance and robust start to 2024

Resilient performance in line with expectations

- Increased contribution per radiator, driven by cost and price management
- Improved design radiators mix, driven by Radiators SpA acquisition
- Gained market leadership in hydronic heat emitters

Positive outlook for 2024 despite continued challenging conditions

- FY24 trading to date in line with expectations but markets expected to remain subdued
- Benefits of H2 2023 cost saving initiatives
- Well positioned versus competitors across all key geographies
- Expanded product range suitable for low and zero carbon heating

Longer term trends remain favourable

- Strong underlying replacement demand
- Opportunities for growth in design radiators, notably premium steel panel
- Regulatory tailwinds for decarbonised energy efficient heating systems

Stelrad's flexible business model, robust strategy and market leadership provide confidence in outlook

Questions

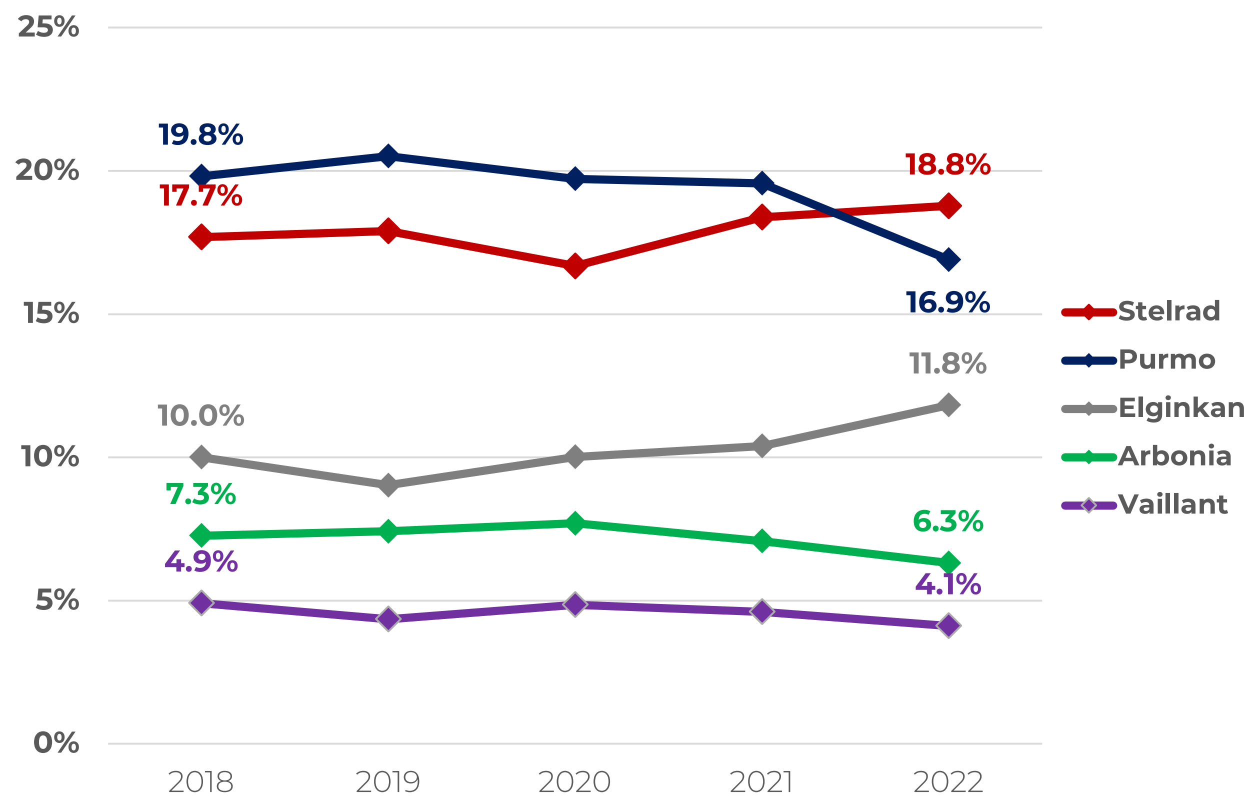
Appendices

In 2022, Stelrad was market leader in steel panel radiators for the first time

- Between 2018 and 2022, Stelrad share increased by 1.1 ppts to 18.8%
- Following the Radiators SpA acquisition, Stelrad Group leads the steel panel radiator market
- Traditional Western European competitors experienced year-on-year share decline
- Market leadership and continued share growth position Stelrad well for eventual market recovery

European steel panel radiators

Top 5 manufacturers' share evolution 2018-2022



Source: BRG Building Solutions, October 2023: Europe, the UK & Turkey

CONSOLIDATED INCOME STATEMENT SUMMARY

	2023 £m	2022 £m	Movement £m	Movement %
Revenue	**308.2**	316.3	(8.1)	(2.6)
EBITDA	**41.2**	42.2	(1.0)	(2.2)
Adjusted operating profit*	**29.3**	34.0	(4.7)	(13.8)
Exceptional items	**(2.5)**	(1.8)	(0.7)	(36.3)
Amortisation of customer relationships	**(0.1)**	(0.1)	—	(147.4)
Foreign exchange differences	—	(3.5)	3.5	n/a
Impact of IAS 29	—	(6.0)	6.0	n/a
Operating profit	**26.7**	22.6	4.1	17.9
Net finance costs	**(7.5)**	(4.5)	(3.0)	(65.8)
Monetary losses – net (IAS 29)	—	(7.9)	7.9	n/a
Profit before tax	**19.2**	10.2	9.0	87.2
Income tax expense	**(3.8)**	(5.9)	2.1	36.7
Profit for the year	**15.4**	4.3	11.1	257.9
Earnings per share (p)	**12.11**	3.38	8.73	257.9
Adjusted profit for the year*	**17.3**	24.3	(7.0)	(28.7)
Adjusted earnings per share (p)*	**13.62**	19.11	(5.49)	(28.7)
Total dividend per share (p)	**7.64**	7.64	—	—

- Exceptional items on Group restructuring

- IAS 29 is no longer applied due to a change in functional currency

- Tax charges offset by deferred tax credit associated with higher tax asset values allowed by the Turkish government

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

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