

# Strong performance On target for full year outlook

**Stelrad Group plc**

Results for the six months ended 30 June 2024



# Agenda

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



**Trevor Harvey**  
Chief Executive Officer



**Leigh Wilcox**  
Interim Chief Financial  
Officer



# Overview



**Trevor Harvey**  
Chief Executive Officer

# Strong performance and clear strategic progress despite challenging environment

- 8.9% revenue decline, as anticipated, due to challenging macroeconomic conditions
- Adjusted operating profit up 12.8% to £15.7 million
- 16% rise in contribution per radiator to over £20
- European market leadership extended in 2023, share increasing by 1.6% to 20.8%\*
- 2% increase in interim dividend to 2.98 pence per share
- Outlook for FY24 unchanged
- Group confidence in long-term growth plans












# Financial review



**Leigh Wilcox**  
Interim Chief Financial Officer

# H1 financial performance snapshot

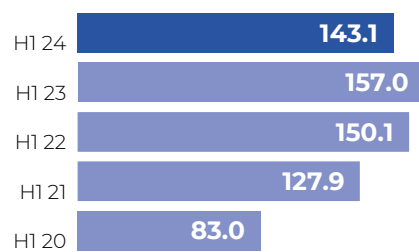
Revenue	Adjusted operating profit	Adjusted operating profit %	ROCE % (LTM)	Dividend	Operating cash conversion	Leverage (before lease liabilities)
<p>£143.1m (H1 23: £157.0m)</p> <p>Down 8.9%</p> <p>8.0% decline in sales volume partially offset by strong product mix in UK &amp; Ireland</p> <p></p>	<p>£15.7m (H1 23: £14.0m)</p> <p>Up 12.8%</p> <p>Ongoing operational discipline and margin management</p> <p></p>	<p>11.0% (H1 23: 8.9%)</p> <p>Up 2.1 ppts</p> <p>Strong operating performance despite decline in sales volumes</p> <p></p>	<p>26.4% (H1 23: £23.9%)</p> <p>Up 2.5 ppts</p> <p>Improved operating performance and lower Euro asset values</p> <p></p>	<p>2.98p (H1 23: 2.92p)</p> <p>Up 2.0%</p> <p>Reflects balance sheet strength and confidence in future growth prospects and cash generation</p> <p></p>	<p>57.7% (H1 23: 75.6%)</p> <p>Down 17.9 ppts</p> <p>Selective investment in working capital to ensure Stelrad is well placed to respond to market demand</p> <p></p>	<p>1.49 x (H1 23: 1.76 x)</p> <p>Down 0.27 x</p> <p>Driven by pleasing EBITDA growth</p> <p></p>

**Strong adjusted operating profit despite tough markets**

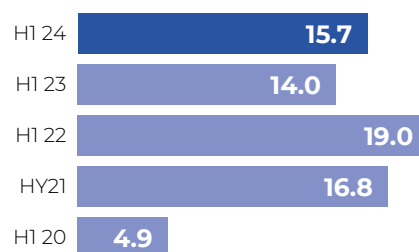
## FINANCIAL REVIEW HIGHLIGHTS

# Strong performance underpinned by operational discipline

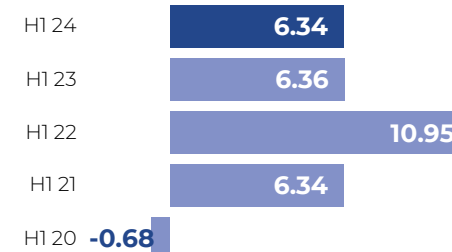
### Revenue £143.1m



### Adjusted operating profit £15.7m



### Adjusted EPS 6.34p



## Highlights

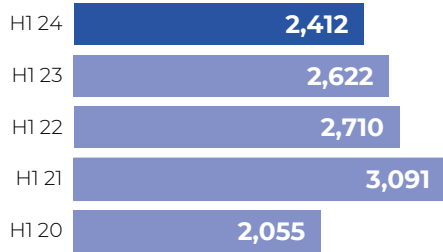
- Group's revenue negatively impacted by a continued reduction in demand during H1 2024
- Group adjusted operating profit rose by 12.8% to £15.7 million, benefitting from favourable product mix in the UK & Ireland, ongoing operational control and margin management
- Adjusted earnings per share of 6.34p
- Detailed income statement included in the appendices

## FINANCIAL REVIEW HIGHLIGHTS

# Continuing improvement in per unit contributions

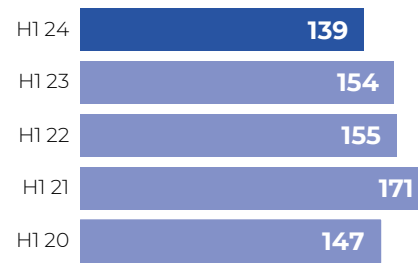
### Radiator volumes sold

**2,412k units**



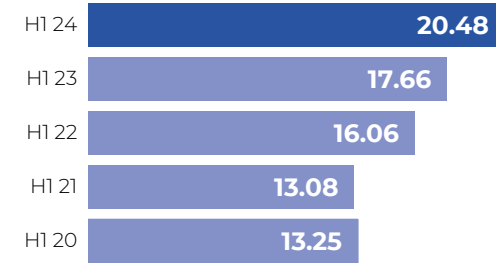
### Premium panel radiator volumes sold

**139k units**



### Contribution per radiator

**£20.48**



### Highlights

- Total sales volume down 8.0% year on year with high inflation and interest rates suppressing both RMI and new build activity
- Volume increases in Belgium, Netherlands, Poland and Sweden point to recovery
- Trend of premium panel product sales similar to total market
- Decline in high penetration European markets offset by an increase in the UK & Ireland penetration, from 2.8% to 3.1%
- Contribution per radiator during 2024 increased again due to proactive price and cost management and strong product mix in UK & Ireland



## REVENUE

# Resilient performance in UK & Ireland and selected European countries

Revenue by geographical market	H1 2024 £m	H1 2024 % of total	H1 2023 £m	Movement £m	Movement %
UK & Ireland	69.1	48.2	70.1	(1.0)	(1.5)
Europe	66.8	46.7	76.5	(9.7)	(12.6)
Turkey & International	7.2	5.1	10.4	(3.2)	(30.6)
<b>Total</b>	<b>143.1</b>	<b>100.0</b>	157.0	(13.9)	(8.9)

### UK & Ireland

- 7.2% decrease in sales volumes
- Increases in average size of radiators sold and penetration of premium panel products
- Expanded product portfolio gaining traction and momentum
- Revised Part L building regulations a supportive development

### Europe

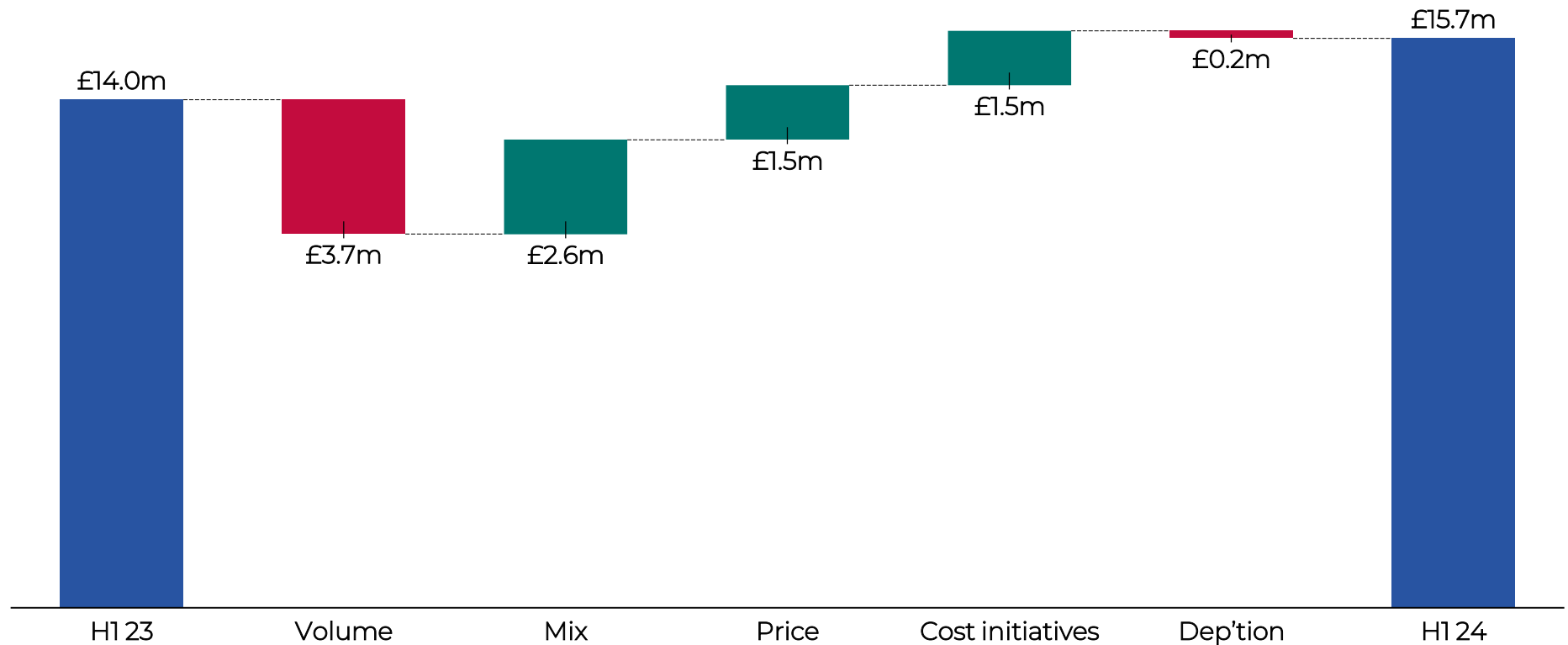
- 5.1% decrease in sales volumes
- Adverse country and customer mix and the impact of modest price concessions
- European revenue negatively impacted on consolidation by the GBP strengthening against the Euro
- Increased volumes in key European geographies, including Belgium, Netherlands, Poland and Sweden

### Turkey & International

- Lower volumes in Turkey due to economic slowdown
- Lower sales to China

## ADJUSTED OPERATING PROFIT

# Adjusted operating profit up 12.8% to £15.7m



- Decrease in sales volumes of 210k units
- Mix improvement driven by UK & Ireland
- Benefits of Q4 2023 restructuring

## ADJUSTED OPERATING PROFIT

# Proactive margin management actions driving adjusted operating profit growth

Adjusted operating profit by geographical market	H1 2024 £m	H1 2023 £m	Movement £m	Movement %
UK & Ireland	<b>15.1</b>	11.5	3.6	31.5
Europe	<b>3.7</b>	4.9	(1.2)	(23.5)
Turkey & International	<b>0.9</b>	0.7	0.2	35.0
Central costs	<b>(4.0)</b>	(3.1)	(0.9)	(29.0)
<b>Total</b>	<b>15.7</b>	14.0	1.7	12.8
<b>Total as percentage of revenue</b>	<b>11.0%</b>	8.9%		

### UK & Ireland

- Benefit of the 2023 restructure
- Favourable material prices
- Increase in the average size of radiators
- Stronger premium panel penetration
- Lower sales volumes

### Europe

- Sales volumes decline continues
- Reduction in average contribution per radiator due to adverse country and customer mix
- Radiators SpA adjusted operating profit remains below expectations
- Result supported by benefit of 2023 restructure
- Recovery of operating profit margin expected with market recovery

### Turkey & International

- Favourable material prices
- Partially offset by decline in sales volumes

### Central costs

- Additional LTIP charges on new awards
- Accrual for management bonuses
- Consultancy costs related to the appraisal of premium panel penetration strategies

## CASH FLOW AND NET DEBT

# Investment in working capital, leverage reduced

	H1 2024 £m	H1 2023 £m	Movement £m
EBITDA	21.7	19.7	2.0
Exceptional items	-	(0.1)	0.1
Gain on disposal of property, plant and equipment	(0.1)	-	(0.1)
Share-based payments	0.3	0.3	-
Working capital movements	(9.8)	(4.9)	(4.9)
Net capital expenditure	(3.1)	(4.5)	1.4
<b>Cash flow from operations</b>	<b>9.0</b>	10.5	(1.5)
Income tax paid	(4.0)	(4.1)	0.1
Net interest paid	(3.7)	(3.0)	(0.7)
<b>Free cash flow</b>	<b>1.3</b>	3.4	(2.1)

Opening net debt – 1 January 2024	(70.3)
Free cash flow	1.3
Dividends	(6.0)
Non-cash lease movements	1.3
Foreign exchange differences	0.3
<b>Closing net debt – 30 June 2024</b>	<b>(73.4)</b>
Less finance leases	8.8
<b>Closing net debt before finance leases – 30 June 2024</b>	<b>(64.6)</b>
<b>Leverage</b>	<b>1.49</b>

### Cash flow and net debt

- Operating cash flow conversion of 58% (H1 23: 75%)
- Seasonal increase and strategic investment in working capital
- Increased interest payments impacted by rate increases
- Leverage 1.49 x (June 2023: 1.76 x)

## BALANCE SHEET, TAXATION, DIVIDENDS AND ROCE

### Taxation

- Effective tax rate 31.5% (H1 23: 22.2%)
- Impact of withholding tax on dividends from Turkey
- Tax charge increased year on year due to one off credit in 2023

### Dividends

- Interim dividend of 2.98 pence, 2.0% increase on 2023
- Confidence in future prospects and cash generation, despite short term headwinds

### Return on capital employed

- LTM ROCE % increased to 26.4% (H1 23: 23.9%)
- Strong adjusted operating profit performance
- Reduction in the value of Euro assets due to the strength of GBP

### Group credit facilities

- Group revolving credit facility: £76.0 million
- Group term loan facility: €28.3 million
- Both expire November 2026
- £16.0 million undrawn at period end
- Cash of £19.4 million at period end

# Technical guidance

- Year on year volume reduction expected to moderate in H2
- Key input prices, including steel, are expected to remain stable for the balance of the year
- Capital expenditure (excluding lease liabilities) expected to be c. £6.0 million
- Investment in working capital, particularly inventories, expected to be maintained for the remainder of 2024 with a seasonal reduction in receivables at year end
- Leverage, based on net debt before lease liabilities, is expected to remain below c. 1.5x EBITDA at year end
- Group effective tax rate at c. 30%, driven by withholding tax increases on dividends from Turkey and increased UK tax rates
- 2024 outlook remains unchanged



# Business review



**Trevor Harvey**  
Chief Executive Officer

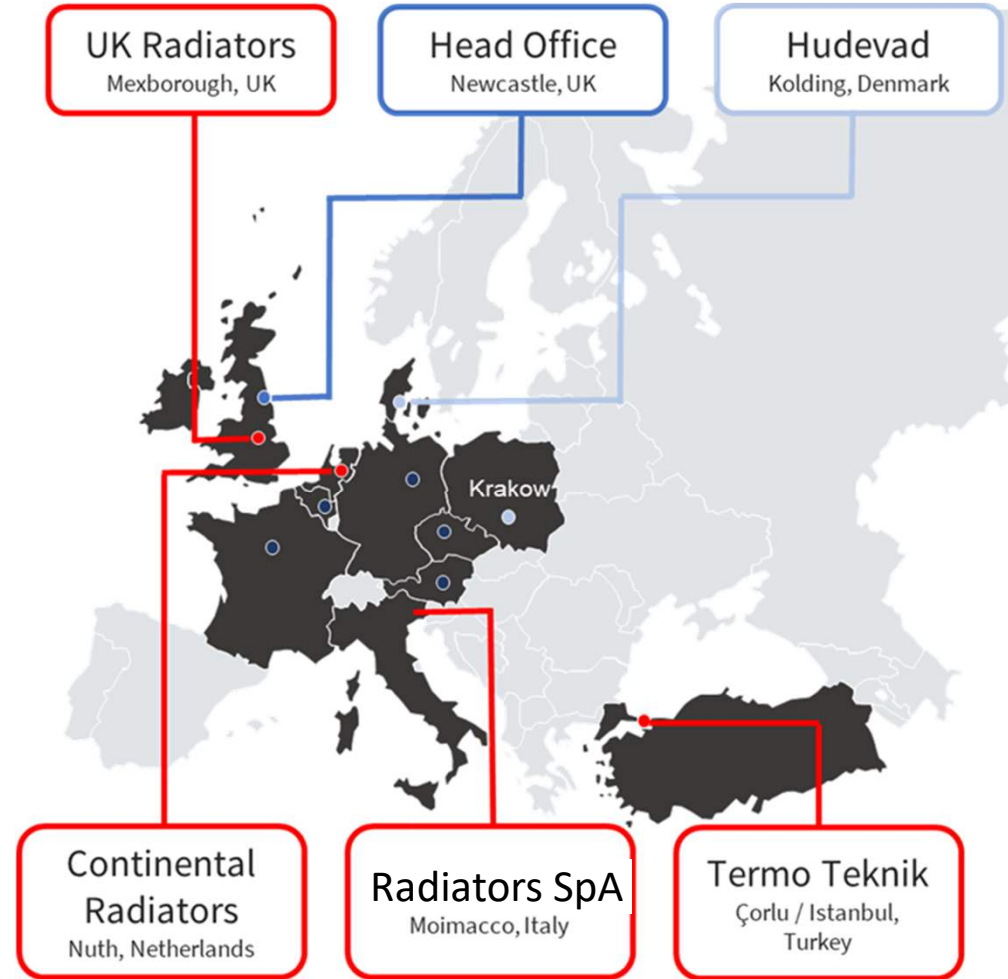
STRONG MARKET POSITION, CLEAR STRATEGIC PROGRESS

# Stelrad is the #1 player in hydronic heat emitters, with an effective multibrand strategy



## Stelrad operates in ten core steel panel radiator markets:

- UK #1 53% share
- France #1 35% share
- Belgium #1 34% share
- Netherlands #1 48% share
- Ireland #1 38% share
- Denmark #1 45% share
- Poland #2 11% share
- Sweden #2 22% share
- Germany #3 16% share
- Turkey #5 8% share





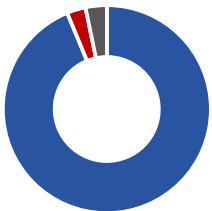
# Stelrad operates across three global territories



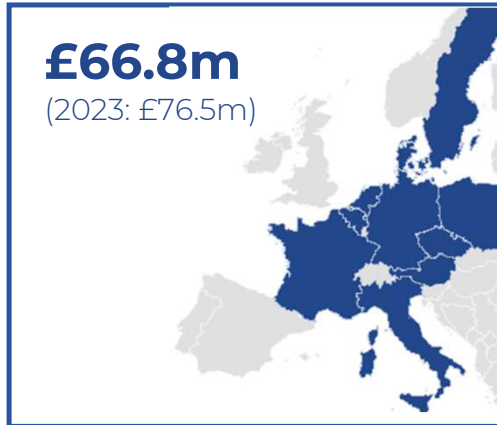
## UK & Ireland

48.2%  
of Group revenue

### % Volumes by product category



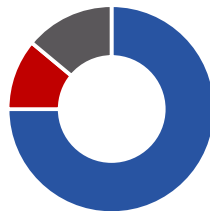
- Standard 94%
- Premium 3%
- Designer 3%



## Europe

46.7%  
of Group revenue

### % Volumes by product category



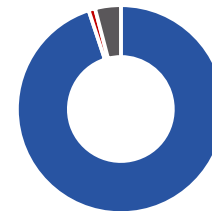
- Standard 75%
- Premium 11%
- Designer 14%



## Turkey & International

5.1%  
of Group revenue

### % Volumes by product category



- Standard 95%
- Premium 1%
- Designer 4%

## STRATEGIC OBJECTIVES

# Four key strategic objectives continue to drive Stelrad's progress

### Growing market share

1

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

### Improving product mix

2

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

### Optimising routes to market

3

- Adapt quickly to channel evolution
- Embrace digital transformation

### Positioning effectively for decarbonisation

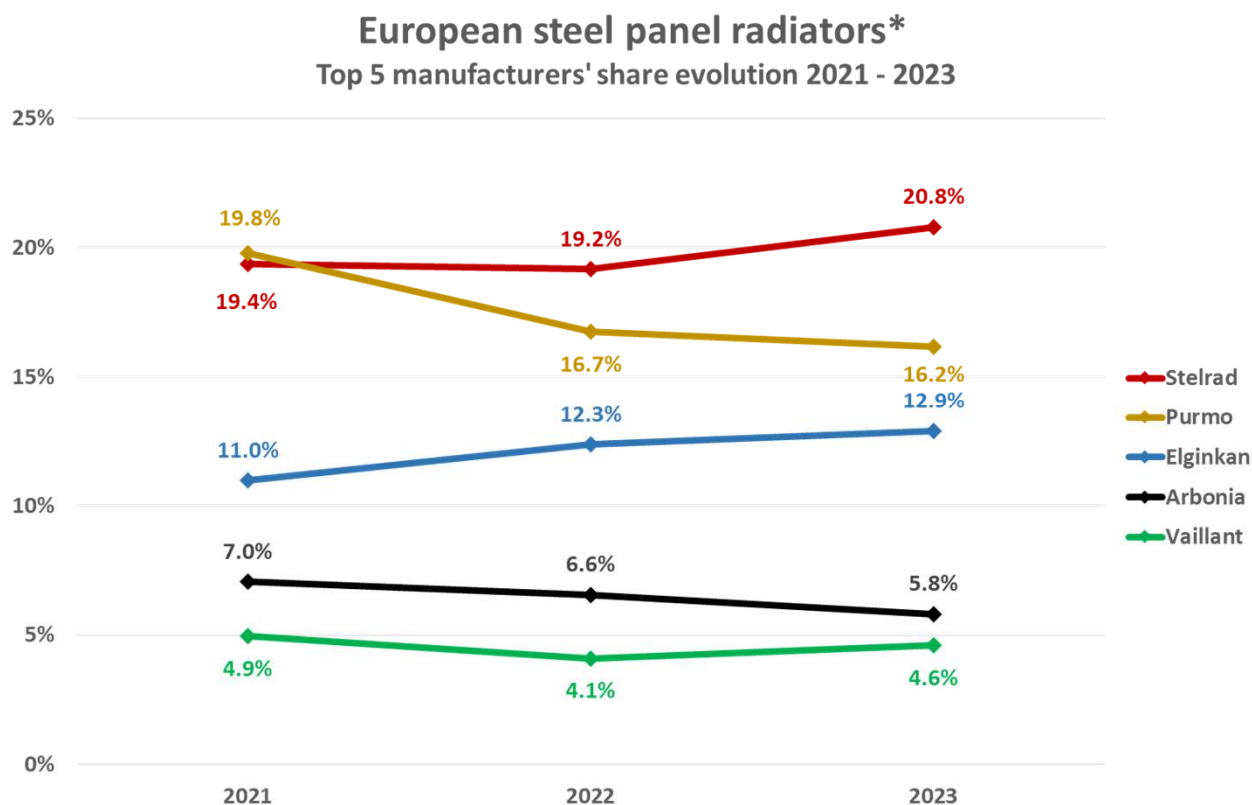
4

- 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**

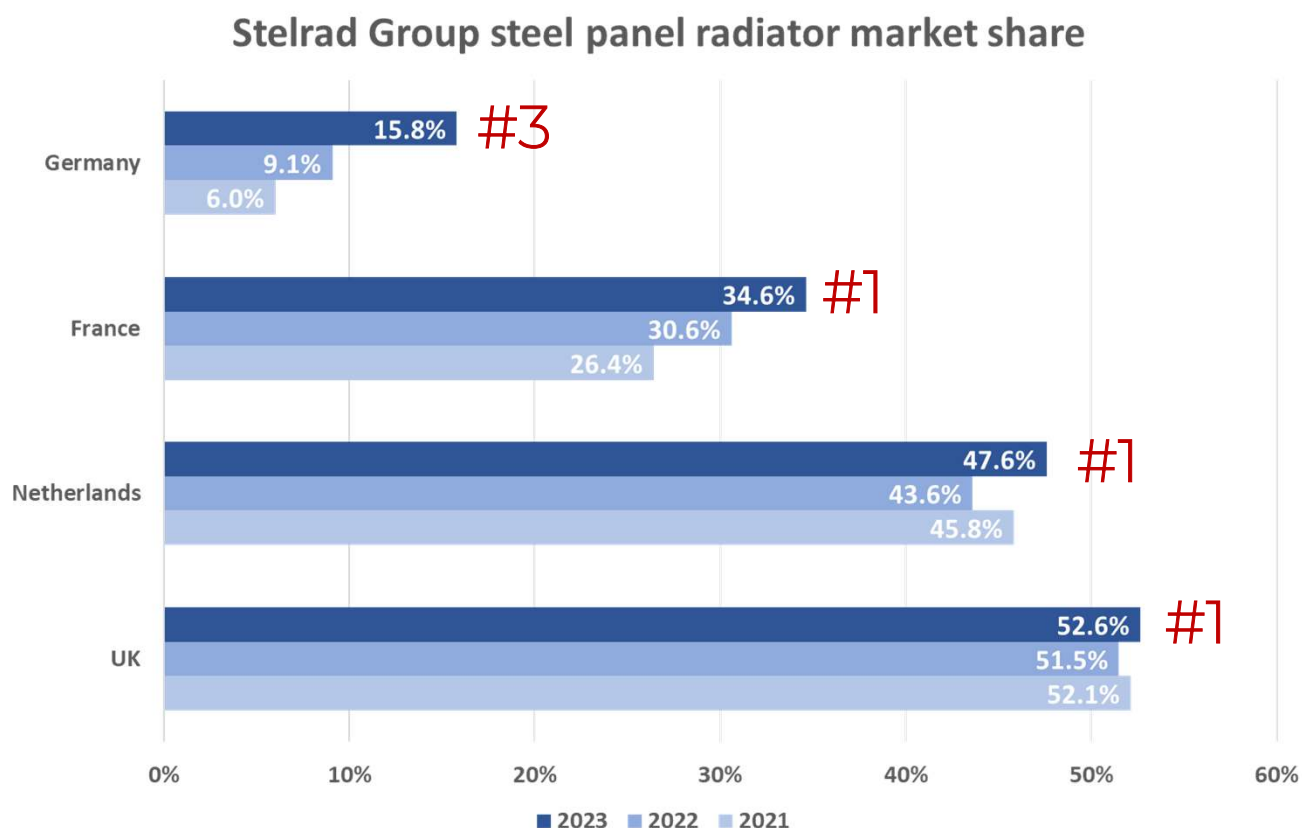
# In 2023, significant share growth extended our leadership position in steel panel radiators

- Between 2022 and 2023, Stelrad share increased by 1.6 ppts, from 19.2% to 20.8%\*, outperforming all other key players
- In the UK, Stelrad benefitted from its #1 position, with market volume relatively strong versus mainland Europe
- Traditional competitors Purmo and Arbonia experienced year-on-year share decline
- Market leadership and continued share gains position Stelrad well for growth as markets rebound



# Stelrad continues to gain share in key European markets

- **#3** in Germany in 2023
  - 15.8% share, leveraging full year benefits of Radiators SpA acquisition: +6.7 ppts vs 2022, +9.8 ppts vs 2021
- **#1** consolidated in France
  - 34.6% share: +4.0 ppts vs 2022, +8.2 ppts vs 2021
- **#1** in the Netherlands
  - 47.6% share: +4.0 ppts vs 2022, +1.8 ppts vs 2021
- **#1** in the UK
  - 52.6% share: +1.1 ppts vs 2022, +0.5 ppts vs 2021



# UK market share growing in tandem with product mix improvement

- H1 2024, premium steel panel share of steel panel volume increased by 10% relative to H1 2022 and 2023
- Average radiator heat output increased by 7%, reflecting specification of larger radiators, driven by building regulation changes mandating lower heating system temperatures
- Volume of expanded K3, H900, Vertical and Electric ranges has increased by 78% relative to 2023 and 119% relative to 2022
- RMI market will increasingly adopt low temperature, low carbon heating systems, as specified in new build
- Positive long-term outlook for Design, higher heat output and electric radiators



Vertical

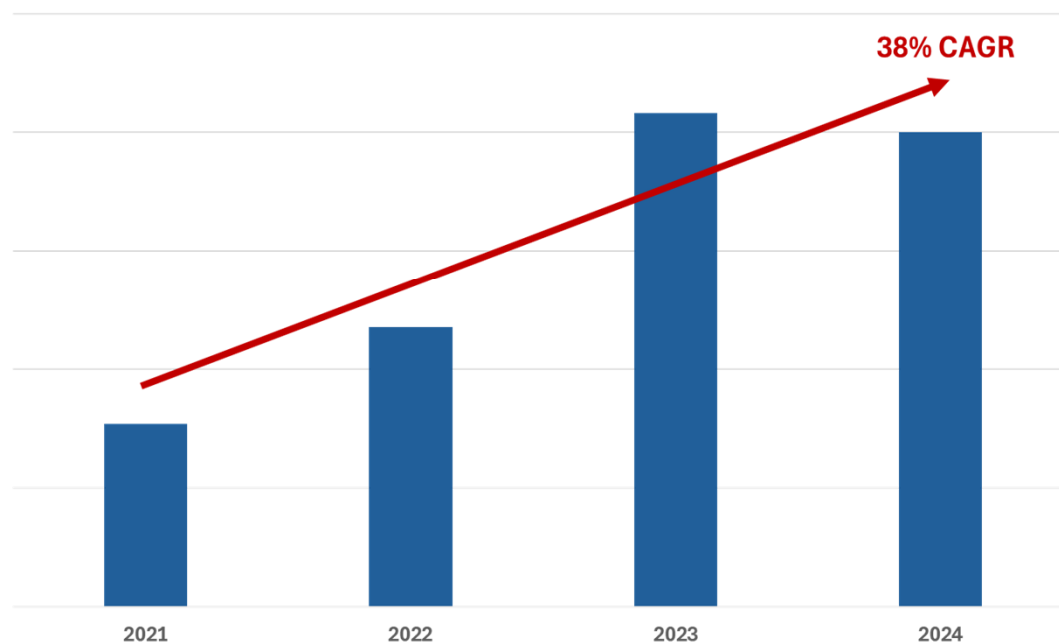


K3

# Stelrad.com is growing quickly as the Group adapts effectively to evolving channel trends

- Accelerating trend towards digital transformation in both B2B and B2C markets is driving continued investment in digital capability
- Stelrad.com is our fastest growing route to the Private RMI market, with **38%** revenue CAGR between H1 2021 and H1 2024
- H1 2024 Design radiators mix is strong, representing **50.5%** of Stelrad.com volume: overall UK Design mix is **6.2%**
- Stelrad.com enables share gain beyond traditional routes to market

Stelrad.com revenue growth versus Y-1  
H1 2021 to H1 2024



# Selective investments position Stelrad for market recovery

- 2023 management actions have driven cost savings whilst enabling greater operational flexibility
- Stelrad is positioned to respond effectively as market volume recovers
- Product availability is critical to market share growth
- UK On Time In Full (OTIF) performance H1 2024 >98%
- Investment in inventory in anticipation of expected market upturn expected to drive further share gains





# Summary and outlook



**Trevor Harvey**  
Chief Executive Officer



## SUMMARY AND OUTLOOK

# Positive H1 2024 with early signs of market improvement

### Summary

- Overall revenue decreased by 8.9% due to lower volumes
- Contribution per radiator up 16%, driving increased operating profit
- Effective cost reduction and margin management actions contributed to operating profit growth
- Selective investments being made in advance of an expected market recovery

### Outlook

- Outlook for the full year remains unchanged
- Early signs of volume growth in some European markets
- Continued future benefit expected from flexible and resilient business model
- Proactive margin management and cost reduction position Stelrad strongly for market recovery
- Driven by new build legislation and underlying replacement demand across Europe, longer term trends for decarbonised, energy-efficient heating systems and premium products remain

### Capital Markets Day

- London-based Capital Markets Day planned for Q4 2024 – date to be confirmed

**Proven business model, market share gains and increased profitability support sustainable long-term growth**



# Questions





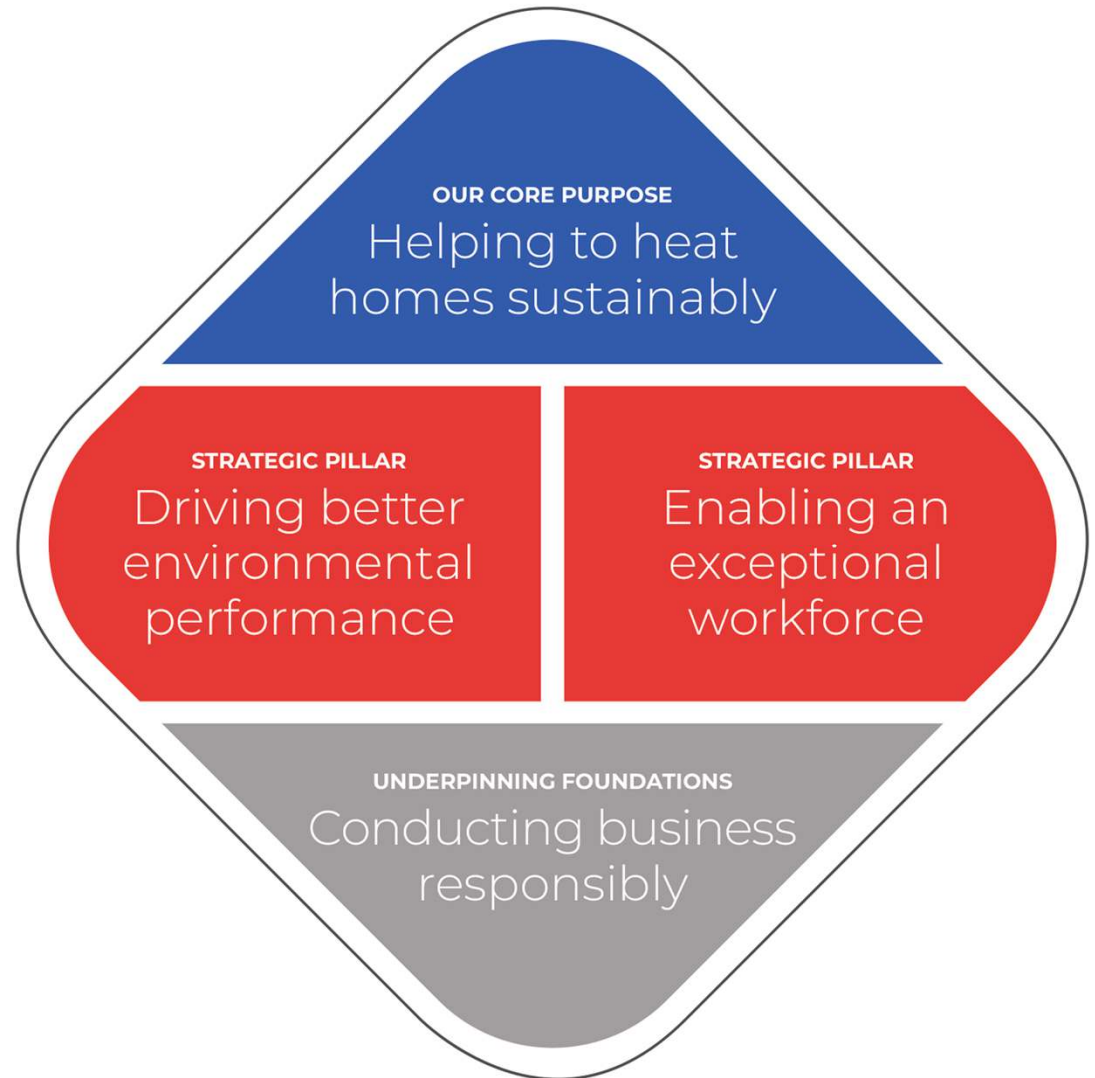
# Appendices



# ESG is central to our core purpose

## H1 2024:

- Further metrics and targets have been developed
- Focus on areas of material sustainability:
  - Health and safety
  - Packaging
  - Development of products for decarbonised systems
- Stelrad successfully launched the Green Series range of low-carbon radiators



## CONSOLIDATED INCOME STATEMENT SUMMARY

	H1 2024 £m	H1 2023 £m	Movement £m	Movement %
<b>Revenue</b>	<b>143.1</b>	157.0	(13.9)	(8.9)
<b>EBITDA <sup>(1)</sup></b>	<b>21.7</b>	19.7	2.0	9.9
<b>Adjusted operating profit <sup>(1)</sup></b>	<b>15.7</b>	14.0	1.7	12.8
Exceptional items	-	(0.1)	0.1	100.0
Amortisation of customer relationships	<b>(0.1)</b>	(0.1)	-	2.8
<b>Operating profit</b>	<b>15.6</b>	13.8	1.8	13.5
Net finance costs	<b>(3.9)</b>	(3.5)	(0.4)	(11.5)
<b>Profit before tax</b>	<b>11.7</b>	10.3	1.4	14.2
Income tax expense	<b>(3.7)</b>	(2.3)	(1.4)	(62.7)
<b>Profit for the period</b>	<b>8.0</b>	8.0	-	0.5
<b>Earnings per share (p)</b>	<b>6.30</b>	6.27	0.03	0.5
<b>Adjusted profit for the period <sup>(1)</sup></b>	<b>8.1</b>	8.1	-	(0.3)
<b>Adjusted earnings per share (p) <sup>(1)</sup></b>	<b>6.34</b>	6.36	(0.02)	(0.3)
<b>Total dividend per share (p)</b>	<b>2.98</b>	2.92	0.06	2.0

- 2023 tax charges affected by deferred tax credit associated with higher tax asset values allowed by the Turkish government

<sup>(1)</sup> Adjusted figures are stated before exceptional items, amortisation of customer relationships and tax thereon.

## CONSOLIDATED BALANCE SHEET SUMMARY

	30 June 2024 £m	31 December 2023 £m		30 June 2024 £m	31 December 2023 £m
<b>Non-current assets</b>			<b>Non-current liabilities</b>		
Property, plant and equipment	82.1	87.2	Interest-bearing loans and borrowings	89.6	88.2
Intangible assets	5.0	5.3	Deferred tax liabilities	0.2	0.2
Trade and other receivables	0.3	0.3	Provisions	1.9	2.0
Deferred tax assets	6.6	6.7	Net employee defined benefit liabilities	4.9	4.1
	<b>94.0</b>	99.5		<b>96.6</b>	94.5
<b>Current assets</b>			<b>Current liabilities</b>		
Inventories	70.5	63.4	Trade and other payables	86.0	78.0
Trade and other receivables	57.7	50.7	Interest-bearing loans and borrowings	2.3	2.5
Income tax receivable	0.2	0.2	Financial liability	-	0.3
Financial assets	0.1	-	Income tax payable	1.3	1.7
Cash and cash equivalents	19.4	21.4	Provisions	0.8	3.0
	<b>147.9</b>	135.7		<b>90.4</b>	85.5
<b>Total assets</b>	<b>241.9</b>	235.2	<b>Total liabilities</b>	<b>187.0</b>	180.0
			<b>Total equity</b>	<b>54.9</b>	55.2
			<b>Total equity and liabilities</b>	<b>241.9</b>	235.2

## CONSOLIDATED STATEMENT OF CASH FLOW SUMMARY

	H1 2024 £m	H1 2023 £m	Movement £m
<b>EBITDA <sup>(1)</sup></b>	<b>21.7</b>	19.7	2.0
Exceptional items	-	(0.1)	0.1
Gain on disposal of property, plant and equipment	<b>(0.1)</b>	-	(0.1)
Share-based payment charge	<b>0.3</b>	0.3	-
Working capital (adjusted for foreign exchange 2022)	<b>(9.8)</b>	(4.9)	(4.9)
Net capital expenditure (including finance lease spend)	<b>(3.1)</b>	(4.5)	1.4
<b>Cash flow from operations</b>	<b>9.0</b>	10.5	(1.5)
Income tax paid	<b>(4.0)</b>	(4.1)	0.1
Net interest paid	<b>(3.7)</b>	(3.0)	(0.7)
<b>Free cash flow</b>	<b>1.3</b>	3.4	(2.1)
Dividends paid	<b>(6.0)</b>	(6.0)	-
Movements in borrowings	<b>2.9</b>	1.1	1.8
<b>Cash outflow</b>	<b>(1.8)</b>	(1.5)	(0.3)
<b>Cash and cash equivalents at start of period</b>	<b>21.5</b>	22.6	
Cash outflow	<b>(1.8)</b>	(1.5)	
Net foreign exchange difference	<b>(0.3)</b>	(0.5)	
<b>Cash and cash equivalents at end of period</b>	<b>19.4</b>	20.6	

<sup>(1)</sup> EBITDA is profit before interest, taxation, depreciation, amortisation and exceptional items.

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