Healthy air, sustainably

Volution Group plc
Interim results to 31 January 2024

volution

Agenda

Ronnie George
Chief Executive Officer

Andy O'Brien
Chief Financial Officer

Cover image: New Breathing Buildings NVHRe

Overview

Interim results to 31 January 2024

Image: New Vent-Axia Sentinel Econiq

Strong progress in the first half of the year

Revenue up 6.3% (8.7% cc) with organic (+0.9%) and inorganic (+7.8%)

Operational excellence and pricing discipline enabled further margin progression (22.4% operating margin)

Strong cash generation, leverage lowest in Group's history (0.7x) providing significant headroom for further acquisitions

Continued progress against our key sustainability targets

First Group-wide engagement survey completed, fourth Management Development Programme launched

Our strong performance in the first half gives the Board confidence in delivering adjusted EPS for the current financial year slightly ahead of consensus

Delivering on our strategy

Organic growth

- Organic revenue growth of **0.9%** cc, was underpinned by continuing strength in our UK residential sector.
- Supported by launches of new residential and commercial heat recovery ventilation products.

Value-adding acquisitions

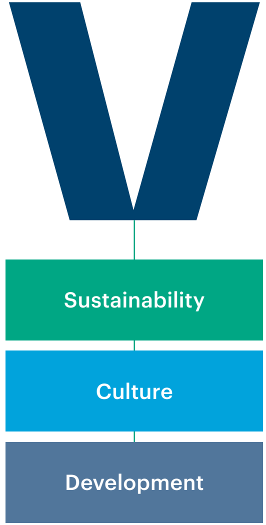
- Inorganic revenue growth **7.8%** with a strong performance from I-vent, acquired June 2023.
- DVS acquisition completed in the period for £8.5 million.
- Our pipeline of potential acquisition opportunities remains healthy.

Operational Excellence

- Adjusted operating margin expansion of 130 bps to **22.4%** (H1 2023: 21.1%).
- Product cost reduction initiatives and strong factory efficiency enhancing operating profit margins.
- Continued excellent levels of customer service.
- Optimising component inventory levels underpins strong working capital performance.

H1 Revenue CAGR since IPO in 2014 **11.5%**

H1 EPS CAGR since IPO in 2014 **11.5%**



Driving sustainable solutions

Product

- **70.5%** of revenue from low-carbon, energy saving products (H1 2023: 69.4%).
- **30.7%** of revenue from heat recovery (H1 2023: 32.2%) with strong UK growth in energy efficient continuous ventilation.
- Continuing regulatory and legislative tailwinds.
- Two new products won Product Innovation of the year at CIBSE Building Performance Awards 2024. Vent-Axia Apex (Air Quality Category) and Diffusion Highline (Thermal Comfort).

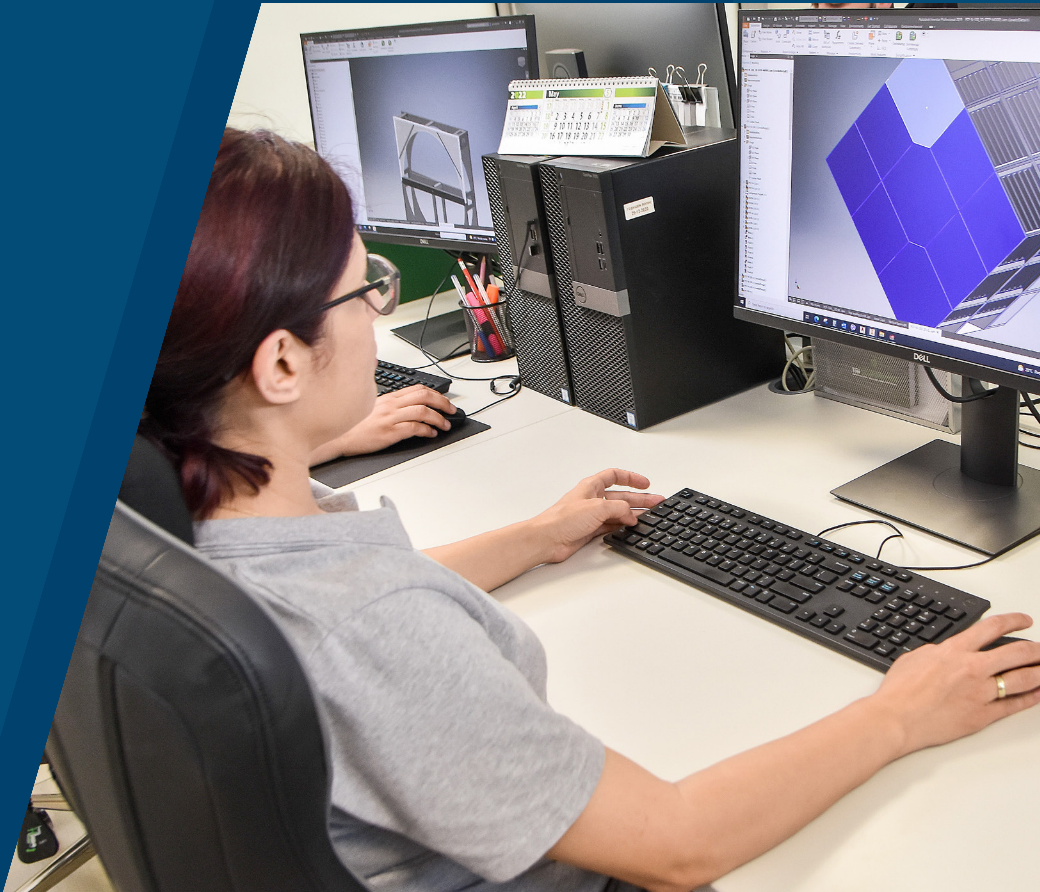
Planet

- **77.0%** of plastic used in own manufacturing facilities from recycled sources (H1 2023: 76.4%).
- A new 70/30 mix polymer introduced to enable visible grills to be moved to 70% recycled for the first time.
- Investment to enable Nordics to increasingly move to recycled sources.
- Engaging colleagues to generate ideas and to deliver carbon efficiencies – Management Development Programme project/"hackathon".

People

- Reportable accident frequency rate of 0.21 per 100,000 hours worked (FY23: 0.30).
- Talent development – fourth Management Development Programme launched October 2023.
- Supporting our colleagues – Volution Voice, Volution My Benefits.
- Colleague engagement – local action plans following employee survey.

Financial Review



Interim results to 31 January 2024

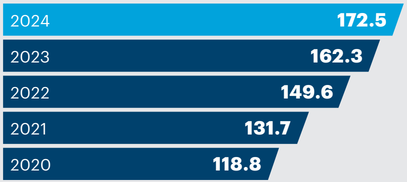
Image: Heat cell design, ERI, Bitola, North Macedonia

Financial highlights

Revenue £m

£172.5m

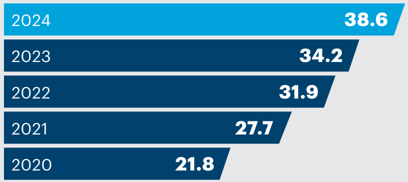
+6.3% +8.7% cc



Adjusted operating profit £m

£38.6m

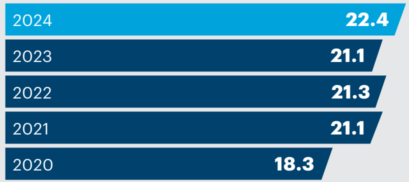
+12.9%



Adjusted operating profit margin %

22.4%

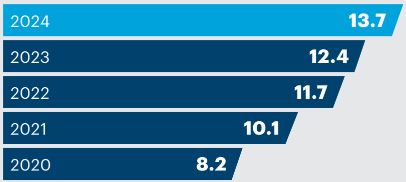
+130 bps



Adjusted EPS pence per share

13.7p

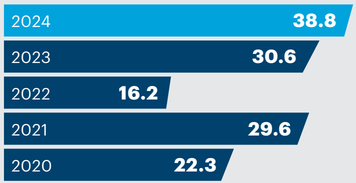
+10.5%



Adjusted operating cash flow £m

£38.8m

+26.9%

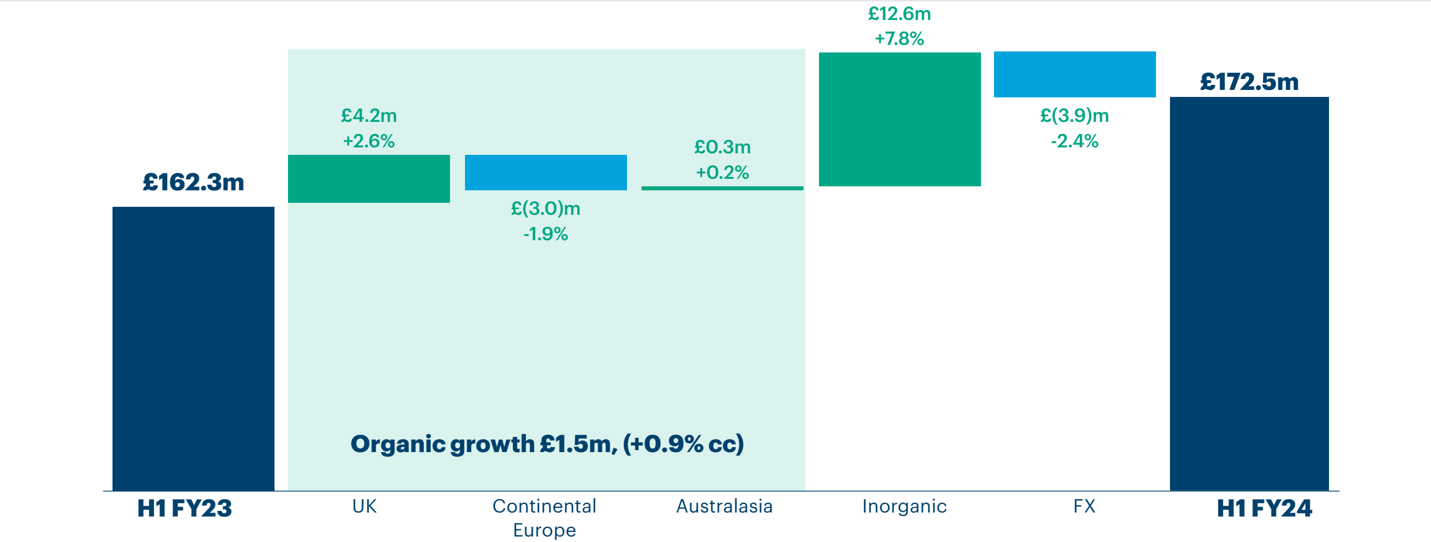


Leverage (excluding lease liabilities)

0.7x

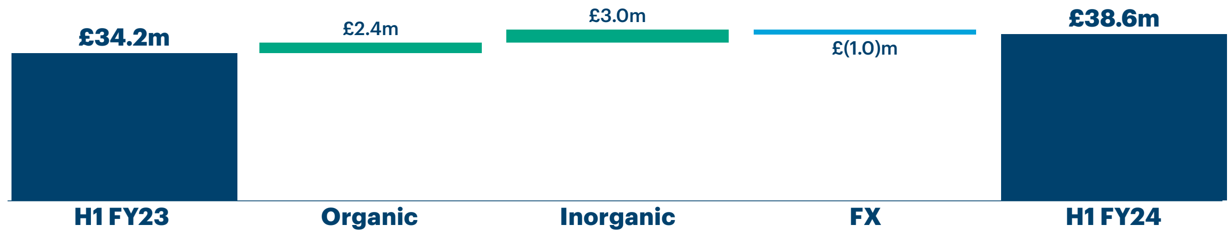
Revenue

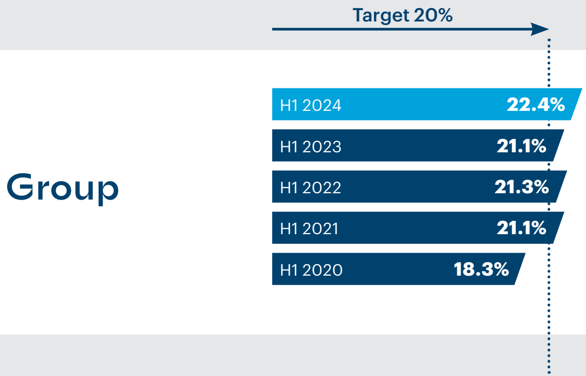
Revenue up 6.3% (+8.7% cc) to £172.5 million

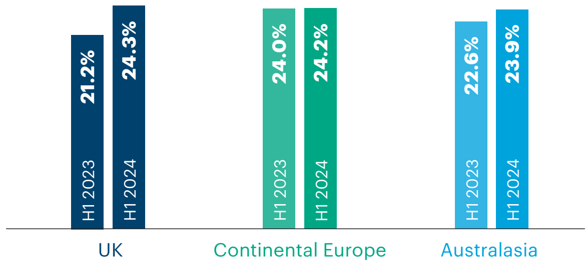


Group adjusted operating profit

Adjusted operating profit up 12.9% to £38.6 million
Adjusted operating margin up 130 bps to 22.4%

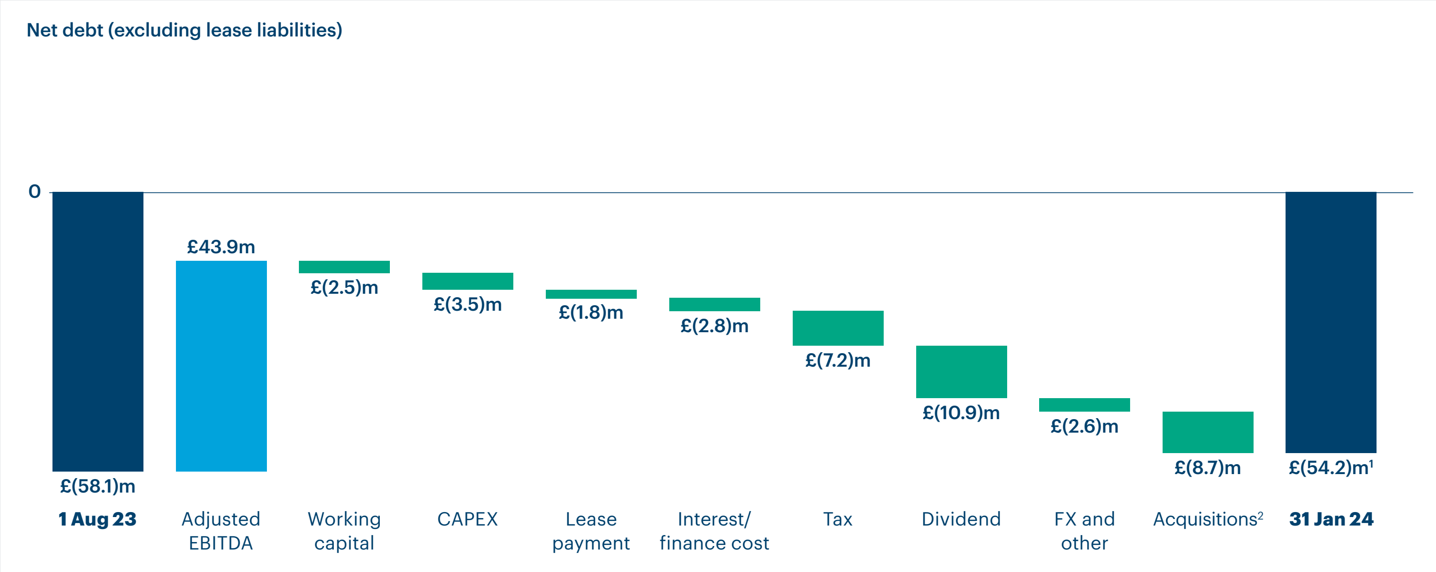






Net debt and cash flow

Cash conversion 98% (H1 2023: 88%)
Leverage 0.7x (H1 2023: 0.8x)
Available liquidity £95.8m (H1 2023: £94.1m)



1. Net debt of £54.2 million (H1 2023: £55.9 million) excludes £30.0 million (H1 2023: £23.3 million) of lease liabilities.
2. Acquisitions include costs of business combinations of £0.1 million.

Returns on invested capital (ROIC)

	H1 2024	FY 2023	H1 2023
AVERAGE NET ASSETS[1]	**223.8**	**216.3**	204.9
Add/(deduct)			
+ Acquisition related liabilities	**18.5**	**15.6**	14.7
+ Net debt	**56.1**	**58.3**	65.3
+ Historic amortisation charges (net of def. tax)	**133.0**	**128.2**	121.6
– Goodwill/intangibles of 2012 LBO	**(163.0)**	**(163.0)**	(163.0)
AVERAGE INVESTED CAPITAL[1]	**268.4**	**255.4**	243.5
ADJUSTED OPERATING PROFIT	**74.3**	**69.9**	67.2
ROIC % (pre-tax)	**27.7%**	**27.4%**	27.6%

1. Three point average (1 Aug, 31 Jan and 31 Jul).

- Very strong ROIC of 27.7%, significantly ahead of Group WACC (estimated to be c. 10%).
- Acquisitions will be dilutive at point of entry.
- Improving returns post-acquisition (ROAI >18% post-three years) via product cost synergies and expanded sales opportunities.
- Variance to prior year (+10 bps).

Confident of maintaining ROIC in mid 20s whilst continuing to invest in and grow the business

Strong performance against our key financial metrics

Revenue growth

+6.3% p.a.

Target: 10% p.a.

Organic revenue growth (cc)

+0.9% p.a.

Target: +3 to 5% p.a.

Adjusted operating margin %

22.4%

Target: >20%

Adjusted operating cash flow conversion

98%

Target: >90%

Return on invested capital (ROIC)

27.7%

Target: Mid 20's

Adjusted EPS

10.5%

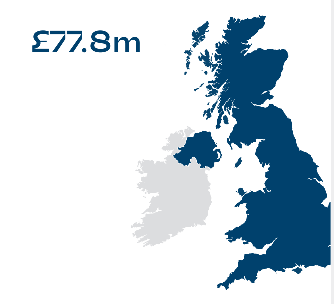
Target: +10% p.a.

Business Review

Interim results to 31 January 2024

Image: 3D printing, Inventer, Löberschütz, Germany

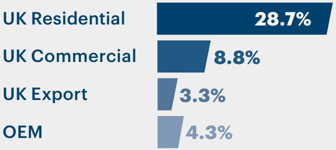
Volution at a glance



UK

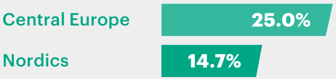
45.1%
of Group revenue

39.4% UK customers
5.7% Export customers



Continental Europe

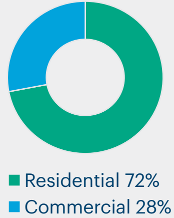
39.7%
of Group revenue



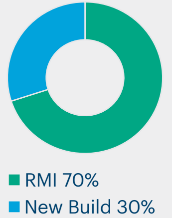
Australasia

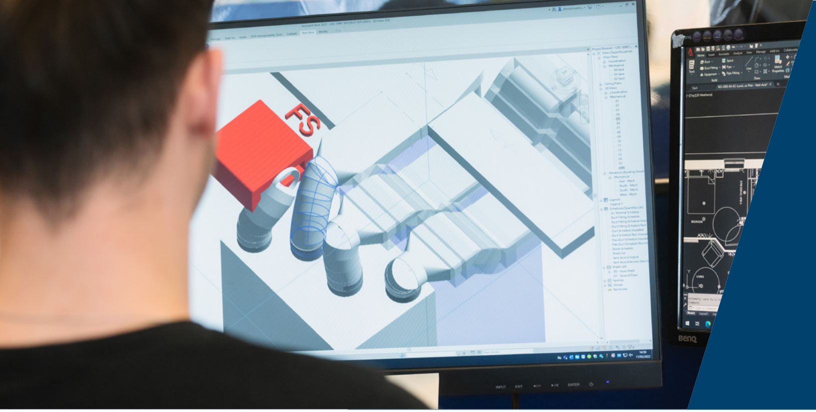
15.2%
of Group revenue

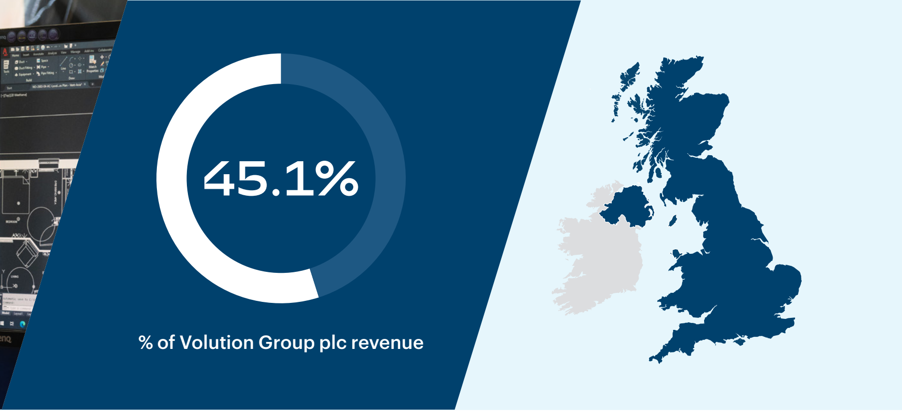
% of Group revenue



% of Group revenue







UK: Strong revenue growth and significant margin expansion

- Revenue up by 5.6% to £77.8 million with adjusted operating profit at £18.9 million.
- Pricing, procurement, good factory performance and an enhanced product mix delivered a 310 bps improvement in adjusted operating margin to 24.3% (H1 2023: 21.2%).
- Residential growth of 19.4% was an outstanding performance with:
  - Market share gains made in an attractive social housing refurbishment market; and
  - Regulatory developments in residential new build increasing unit revenue offsetting lower levels of build activity.
- UK Commercial revenue up 6.5% underpinned by new product launches.
- OEM revenue £7.4 million (down 41.2%), due to weak end market (new build) demand and customer de-stocking. Factory rationalisation from two to one completed by 31 July 2024.

	H1 2024 £m	H1 2023 £m	Growth %
UK revenue	**77.8**	73.7	5.6
Residential	**49.5**	41.4	19.4
Commercial	**15.2**	14.3	6.5
Export	**5.7**	5.3	7.5
OEM	**7.4**	12.7	(41.2)
Adjusted operating profit	**18.9**	15.6	20.7
Adjusted operating profit margin %	**24.3%**	21.2%	3.1pp

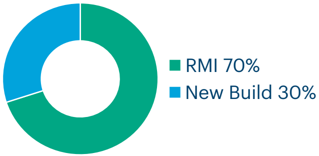


Image: Project Design, Crawley, UK

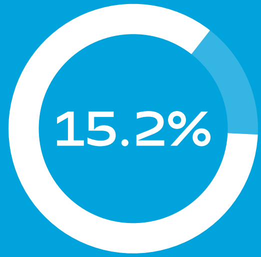
% of Volution Group plc revenue

Continental Europe: Recent acquisitions delivering well

- Revenue in Continental Europe was £68.5 million, with growth of £4.2 million, an increase of 6.5% (9.0% cc).
- Organic revenue declined by 7.2% (4.7% cc) and adjusted operating profit was £16.6 million, up from £15.4 million, in the same period in the prior year.
- Adjusted operating margins were up to 24.2% (H1 2023: 24.0%).
- With two new acquisitions, the country mix has changed and we saw a big variation in the performance of our different markets, with some areas growing organically in the period and Germany declining.
- I-Vent in Slovenia, an acquisition that completed in June 2023, made excellent progress in the first half of the year, delivering a strong revenue and earnings performance in the period.

	H1 2024 £m	H1 2023 £m	Growth %
Continental Europe revenue	**68.5**	64.3	6.5
Nordics	**25.4**	26.6	(4.8)
Central Europe	**43.1**	37.7	14.4
Adjusted operating profit	**16.6**	15.4	7.4
Adjusted operating profit margin %	**24.2%**	24.0%	0.2pp

Image: New Product Development, VMI, Nantes, France



% of Volution Group plc revenue

Australasia: Margin expansion continued

- Revenue in Australasia was £26.2 million and grew by 7.8% (16.9% cc), helped by the acquisition of DVS, with organic revenue growing by 1.1% cc.
- Adjusted operating profit increased by 14.1% to £6.3 million in the face of significant foreign currency translation headwinds, with our adjusted operating margin increasing to 23.9% (H1 2023: 22.6%) and despite the dilutionary margin percentage impact of the DVS acquisition.
- We are delighted with the progress we have made in the region in the first half of the year.

	H1 2024 £m	H1 2023 £m	Growth %
Australasia revenue	**26.2**	24.3	7.8
Adjusted operating profit	**6.3**	5.5	14.1
Adjusted operating profit margin %	**23.9%**	22.6%	1.3pp

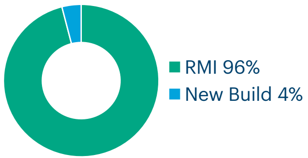


Image: Production team, Simx, Auckland, New Zealand

Summary and Outlook

Interim results to 31 January 2024

Image: i-Vent, Ljubljana, Slovenia

Strong progress in the first half of the year

Revenue up 6.3% (8.7% cc) with organic (+0.9%) and inorganic (+7.8%)

Operational excellence and pricing discipline enabled further margin progression (22.4% operating margin)

Strong cash generation, leverage lowest in Group's history (0.7x) providing significant headroom for further acquisitions

Continued progress against our key sustainability targets

First Group-wide engagement survey completed, fourth Management Development Programme launched

Our strong performance in the first half gives the board confidence in delivering adjusted EPS for the current financial year slightly ahead of consensus

Our clear compounding growth model

Structural growth drivers underpinning long-term growth

- Structural undersupply of homes
- Increased regulation
- Drive for energy efficiency
- IAQ health awareness
- Upsell

Differentiated business model aligned to lead in chosen markets

- Leading product and technology offering
- Strong brands and customer relationships
- Diversified international business
- Highly efficient operating model
- Sustainability embedded in the strategy

Delivering attractive through-cycle financial framework

Organic revenue	Revenue	Operating margin	Adjusted EPS	Cash conversion	Group ROIC
+3 to 5% p.a.	**+10% p.a.**	**>20%**	**+10% p.a.**	**>90%**	**Mid 20s**

Organic growth augmented with attractive M&A

Outlook

Our strong performance in the first half, together with the tailwind from our three recent acquisitions, gives the Board confidence in delivering adjusted earnings per share for the current financial year slightly ahead of consensus.

With our diversified geographic and end-market positioning, and agile business model, along with favourable regulatory trends and the increasing importance of indoor air quality, Volution remains well positioned to continue growing shareholder value into the future.

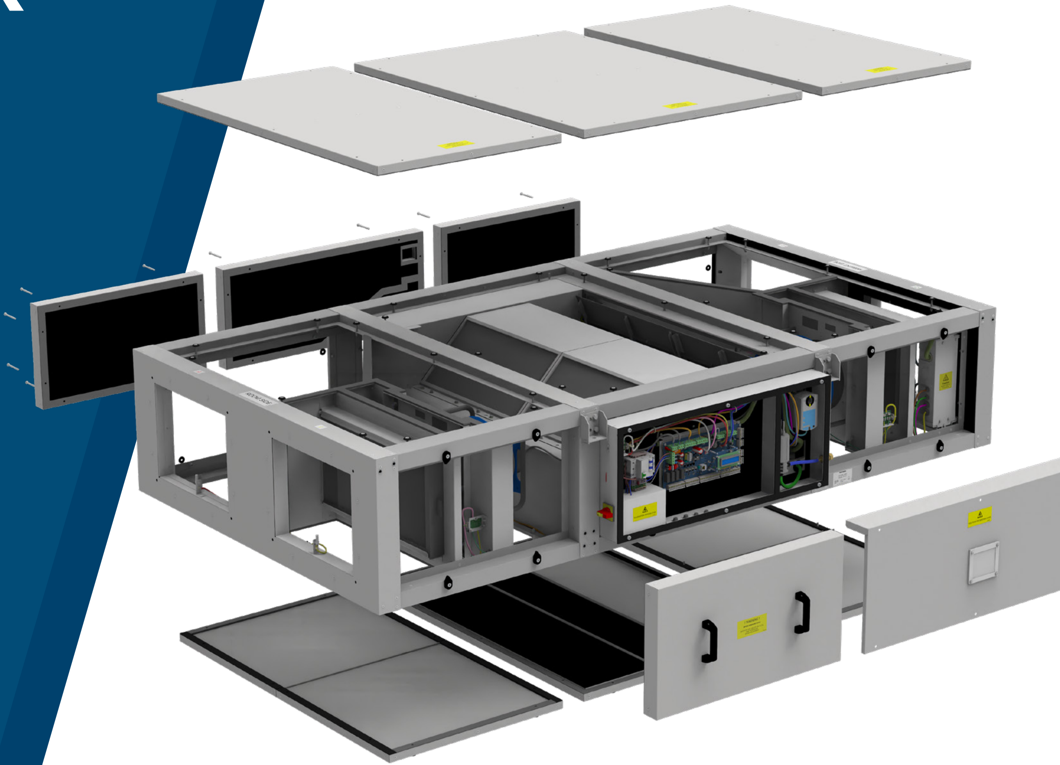
Thank you

Q&A

Interim results to 31 January 2024

Image: New Product Development, Crawley, UK

Appendix

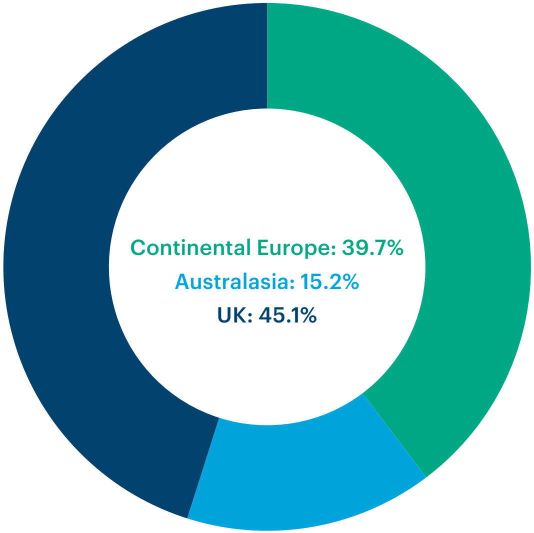


Interim results to 31 January 2024

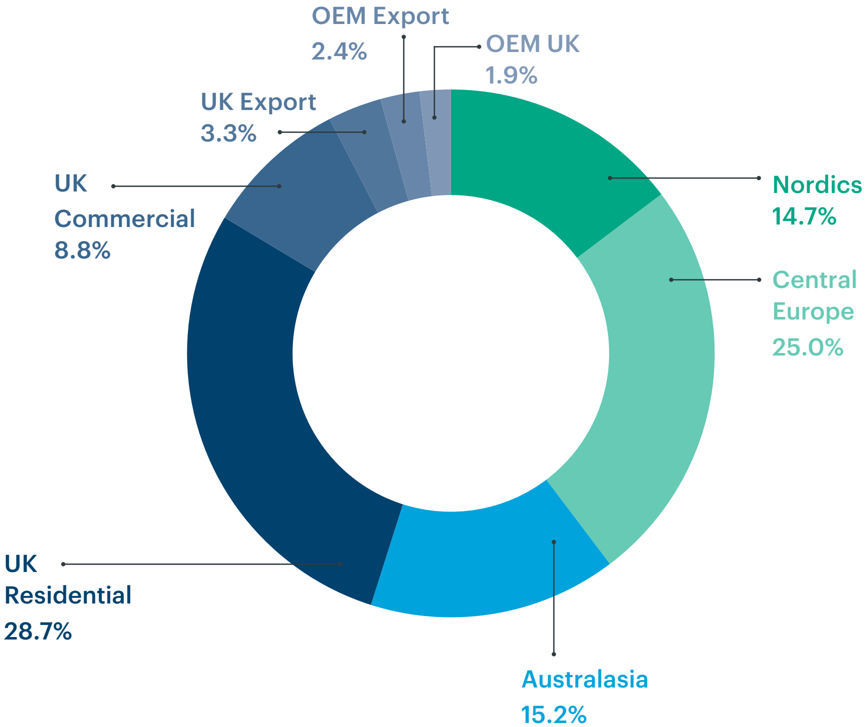
Image: New Vent-Axia Apex Heat Recovery Unit

Operating segments

% of Volution Group plc revenue



% of Volution Group plc revenue (by sector)



Our markets benefit from long-term structural growth drivers

Growth Drivers	Impact on End markets			
	New Build Residential	Private RMI Residential	Public RMI Residential	Commercial
Structural undersupply of new homes	✓✓✓	✓	✓	✓
Regulation drives adoption of energy efficient, higher unit value solutions	✓✓✓	✓✓	✓	✓✓✓
Energy efficiency improvements driven by fuel costs and customer choice as well as regulations	✓	✓✓	✓✓✓	✓✓✓
Indoor Air Quality awareness and mould prevention clear link to health	✓	✓✓	✓✓✓	✓
Upsell to premium ventilation solutions (silence, aesthetics, controls)	✓	✓✓✓	✓✓✓	✓

Complemented by our broad geographic and end market exposure

✓✓✓ **High impact** ✓✓ **Medium impact** ✓ **Low impact**

Financial summary

	H1 2024	H1 2023	Movement
Revenue (£m)	**172.5**	162.3	6.3%
Revenue (cc) (£m)	**176.4**	162.3	8.7%
Gross margin (%)	**50.8**	47.4	3.4pp
Adjusted operating profit (£m)[1]	**38.6**	34.2	12.9%
Adjusted operating margin (%)[1]	**22.4**	21.1	1.3pp
Adjusted profit before tax (£m)[1]	**35.0**	31.8	9.9%
Adjusted basic EPS (pence)[1]	**13.7**	12.4	10.5%
Adjusted effective tax rate (%)	**23.0**	23.2	(0.2)pp
Statutory operating profit (£m)	**33.7**	27.8	21.1%
Statutory operating margin (%)	**19.5**	17.1	2.4pp
Statutory profit before tax (£m)	**29.0**	22.6	28.4%
Statutory basic EPS (pence)	**11.1**	8.6	29.1%
Adjusted operating cash flow (£m)[1]	**38.8**	30.6	26.9%
Statutory net debt (£m)	**84.2**	79.2	(5.0)
Closing debt leverage (x)[2]	**0.7**	0.8	0.1
Interim dividend per share (pence)	**2.8**	2.5	12.0%

1. The Group uses some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted operating profit, adjusted profit before tax, adjusted basic and adjusted EPS and adjusted operating cash flow. An explanation and reconciliation to reported profit before tax is shown on page 27.
2. Closing debt leverage is net debt to LTM adjusted EBITDA.

Reconciliation of adjusted to reported profit

	H1 2024 £m	H1 2023 £m	Movement £m
Adjusted profit before tax	**35.0**	31.8	3.2
Items excluded from adjusted measures:			
Acquisition related costs:			
Professional fees	**(0.1)**	(0.2)	0.1
Re-measurement of future consideration	**(1.3)**	(1.3)	—
Amortisation of acquired intangibles	**(4.8)**	(6.2)	1.4
Net gain/(loss) on financial instruments at fair value	**0.2**	(1.5)	1.7
Reported profit before tax	**29.0**	22.6	6.4

- Acquisition related costs:
  - £0.1 million (H1 2023: £0.2 million) of professional fees and due diligence related costs in respect of the business combinations during the period.
- £1.3 million (H1 2023: £1.3 million) re-measurement of future consideration, relating to the acquisitions of ClimaRad and ERI.
- £4.8 million (H1 2023: £6.2 million) in respect of amortisation of intangible assets, down £1.4 million in the period as a number of our older intangible assets reached the end of their amortisation life.
- Gain of £0.2 million (H1 2023: loss of £1.5 million) on fair value of financial instruments.

Consolidated statement of financial position summary

	31 January 2024 £m	31 July 2023 £m
Non-current assets		
Property, plant and equipment	**30.2**	29.4
Right-of-use assets	**28.8**	29.9
Intangible assets – goodwill	**173.9**	164.9
Intangible assets – others	**82.7**	83.9
	315.6	308.1
Current assets		
Inventories	**57.3**	59.0
Trade and other receivables	**54.9**	52.3
Cash and short-term deposits	**17.1**	21.2
	129.3	132.6
Total assets	**444.9**	440.7
Current liabilities		
Trade and other payables	**(42.8)**	(47.1)
Refund liabilities	**(12.2)**	(9.8)
Income tax	**(5.1)**	(4.7)
Other financial liabilities	**(2.7)**	(0.3)
Interest-bearing loans and borrowings	**(3.1)**	(3.8)
Provisions	**(1.8)**	(1.8)
	(67.7)	(67.5)
Non-current liabilities		
Interest-bearing loans and borrowings	**(108.3)**	(116.7)
Other financial liabilities	**(19.7)**	(16.6)
Provisions	**(0.5)**	(0.3)
Deferred tax liabilities	**(13.4)**	(13.4)
	(141.9)	(147.0)
Total liabilities	**(209.6)**	(214.5)
Net assets	**235.3**	226.2
Total equity	**235.3**	226.2

Cash flow/net debt

	31 January 2024 £m	31 January 2023 £m	Movement £m	Movement %
Adjusted EBITA (A)	**39.4**	34.9	4.5	12.9%
Depreciation	**4.5**	3.8		
Adjusted EBITDA	**43.9**	38.7	5.2	13.4%
Movement in working capital	**(2.5)**	(5.0)		
Share-based payments	**0.9**	1.0		
Net investment in fixed assets	**(3.5)**	(4.1)		
Adjusted operating cash flow (B)	**38.8**	30.6	8.2	26.9%
Cash conversion (B/A)	**98%**	88%		
Interest paid net of interest received	**(2.8)**	(1.5)		
Income tax paid	**(7.2)**	(6.5)		
Dividends paid	**(10.9)**	(9.9)		
Free cash flow	**17.9**	12.7	5.2	
Changes in investments	**(8.6)**	(0.4)		
Purchase of shares	**(2.7)**	(0.9)		
Cash flow relating to business combination costs	**(0.1)**	(0.2)		
Finance costs paid	**—**	(0.3)		
Long-term lease liabilities adjustment	**1.2**	1.7		
Payments of lease liabilities	**(1.8)**	(1.6)		
Cash outflow	**5.9**	11.0	(5.1)	
Opening net debt	**(89.3)**	(85.8)		
Cash outflow	**5.9**	11.0		
FX on foreign currency loans/cash	**(0.8)**	(4.4)		
Closing net debt	**(84.2)**	(79.2)	(5.0)	6.3%

Cautionary statement

This document may contain forward-looking statements which are made in good faith and are based on current expectations or beliefs, as well as assumptions about future events. You can sometimes, but not always, identify these statements by the use of a date in the future or such words as "will", "anticipate", "estimate", "expect", "project", "intend", "plan", "should", "may", "assume" and other similar words. By their nature, forward-looking statements are inherently predictive and speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. You should not place undue reliance on these forward-looking statements, which are not a guarantee of future performance and are subject to factors that could cause our actual results to differ materially from those expressed or implied by these statements. The Company undertakes no obligation to update any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise.