

# 2021 Full Year Results

---

24 May 2022



# Disclaimer

This presentation may contain forward-looking statements with respect to the financial condition, performance and position, strategy, results of operations and businesses of Lords Group Trading plc (the “Company”). Such statements and forecasts involve risk and uncertainty because they are based on current expectations and assumptions but relate to events and depend upon circumstances in the future and you should not place reliance on them. Without limitation, any statements preceded or followed by or that include the words ‘targets’, ‘plans’, ‘sees’, ‘believes’, ‘expects’, ‘aims’, ‘confident’, ‘will have’, ‘will be’, ‘will ensure’, ‘likely’, ‘estimates’ or ‘anticipates’ or the negative of these terms or other similar terms are intended to identify such forward-looking statements. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by forward-looking statements and forecasts. Forward-looking statements and forecasts are based on the current view of the directors of the Company (the “Directors”) and information known to them at the date of this statement and no warranty is given as to their accuracy. The Directors do not make any undertaking to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Nothing in this presentation should be construed as a profit forecast, estimate or projection of future financial performance.

This presentation is intended to be for information purposes only and it is not intended as promotional material in any respect. Nothing in this presentation should form the basis of any contractual or other commitment or be relied upon for any purpose. This presentation is not intended as an offer or solicitation for the purchase or sale of any securities nor is it intended to constitute or form the basis of a decision to purchase or sell securities or to make any other investment decision. This presentation does not purport to be comprehensive. The recipient of this presentation must make its own investigation and assessment of the ideas and concepts presented herein. Unless otherwise expressly indicated or as indicated in the relevant source document, the information and opinions contained in this presentation are provided as of the date of this presentation and are subject to updating, correction, completion, verification and amendment without notice and such information may change materially. No representation, warranty or undertaking, express or implied, is or will be made or given and no responsibility or liability is or will be accepted by the Company or by any of its directors, officers, employees, agents or advisers, in relation to the accuracy, completeness or fairness of this presentation (as at any date) or any other written or oral information made available in connection with the ideas and concepts presented herein. Any responsibility for any such information is expressly disclaimed and none of the Company nor any of its affiliates, advisors or representatives, directors, officers, employees, or agents shall have any liability whatsoever (in negligence or otherwise) for any loss or damage howsoever arising from any use of this presentation or its contents, or otherwise arising in connection with this presentation.

Certain figures contained in this presentation, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this presentation may not conform exactly to the total figure given. This presentation is private and confidential and is being made available to the recipient on the express understanding that it will be kept confidential and that the recipient shall not copy, reproduce, distribute or pass to third parties this presentation in whole or in part at any time.

# Agenda

---

**Overview**

Shanker Patel, CEO

---

**Financial review**

Chris Day, CFO

---

**Strategy update & ESG**

Shanker Patel / Chris Day

---

**Summary & outlook**

Shanker Patel

---

**Q&A**

---





# Overview

---



# Highlights

## A year of strong growth and strategic progress.

### Exceeded market expectations

- £363.3m revenue, LFL growth of 18.1% vs FY20 and 20.8% vs FY19
- £22.3m Adjusted EBITDA, an increase of 40.1% vs FY20
- Adjusted EPS of 5.48 pence, an increase of 58.4% (FY21: 3.46 pence)

### Strong market momentum

- Large opportunity – Lords holds <1% of £55bn addressable market
- Housing transactions remain buoyant and supporting demand
- Requirement to decarbonise UK built environment

### Strategic progress

- £500m revenue target in 2024 within reach
- Seven acquisitions to date offer product and geography extension
- Multiple portfolio brands focused on national expansion
- Exec Board leading formal ESG strategy
- Target 7.5% EBITDA margin in medium term

### Digital momentum

- Significant progress, FY21 digital revenue +29.9%
- Eight transactional websites, developed and managed in-house
- Increasing Buy It Yourself Trend (BIY)
- Highly effective customer acquisition tool

**Customer demand remains robust, Board expectations unchanged for FY22.**



# Financial Review



# 2021 Financial Highlights

	FY21	FY20 (Restated)*	Change
Revenue	£363.3m	£287.6m	+£75.7m / +26.3%
Adjusted EBITDA	£22.3m	£15.9m	+£6.4m / +40.1%
Adjusted EBITDA Margin	6.1%	5.5%	+0.6%
Profit Before Tax	£8.0m	£3.6m	+£4.4m / +122.1%
Adjusted Earnings Per Share	5.48p	3.46p	+2.02p / +58.4%
Return On Capital Employed	27.0%	18.8%	+8.2%
Dividend per share	1.89p	0.00p	+1.89p
Net Cash / (Debt)**	£6.3m	£(22.9)m	£29.2m
Free Cash flow conversion %	87.4%	86.2%	+1.2%

- Significant revenue growth, +£75.7m v FY20 (18.1% LFL vs FY20 and 20.8% 2yr LFL vs FY19)
- EBITDA margin enhanced to 6.1%, +0.6% v FY20
- Maiden dividend of 1.89 pence per share aligned to our progressive dividend policy
- Free cash flow conversion is robust at 87.4%

\* Restatement of IFRS16 accounting

\*\* Before IFRS adjustment

# 2021 Financial Highlights - Merchenting

Divisional financial performance was materially above FY20, demonstrating the success of both our organic and acquisition growth strategies.

12 months ended 31 Dec (£m)	FY21	FY20*	Change
<b>Total revenue</b>	<b>£130.5m</b>	£84.0m	+£46.5m / +55.4%
<i>LFL Growth vs FY20</i>	<b>+27.6%</b>		
<i>2yr LFL Growth vs FY19</i>	<b>+20.4%</b>		
<b>Adjusted EBITDA</b>	<b>£12.0m</b>	£6.8m	+£5.2m / +76.5%
<i>Margin</i>	<b>9.2%</b>	8.1%	+1.1%

- Strong revenue growth, +£46.5m v FY20 (27.6% LFL and 20.4% 2yr LFL)
- EBITDA margin progression achieved through range extension, operational leverage and accretive acquisitions
- Acquisitions in FY21 and Q1 FY22 performing in line with expectations

\*Restated





# 2021 Financial Highlights – Plumbing & Heating

Investment in Plumbing & Heating division since 2019 acquisition positions the division for EBITDA accretive growth in the medium term.

12 months ended 31 Dec (£m)	FY21	FY20	Change
<b>Total revenue</b>	<b>£232.8m</b>	£203.6m	+£29.2m / +14.3%
<i>LFL Growth vs FY20</i>	<i>+14.3%</i>		
<i>2yr LFL Growth vs FY19</i>	<i>+21.0%</i>		
<b>Adjusted EBITDA</b>	<b>£10.3m</b>	£9.1m	+£1.2m / 13.2%
<i>Margin</i>	<i>4.4%</i>	4.5%	-0.1%

- Continued organic revenue growth, 14.3% LFL and 21.0% 2yr LFL
- Investment in ERP system, commercial function and product range will yield enhanced EBITDA margin in the medium term



# 2021 Financial highlights – Free cash flow

£m	FY21	FY20
<b>EBITDA</b>	<b>20.1</b>	<b>15.4</b>
Exceptional Items	2.2	0.5
<b>Adjusted EBITDA</b>	<b>22.3</b>	<b>15.9</b>
Working capital movement	1.0	0.2
Tax	(1.8)	(0.6)
Other	0.2	0.0
<b>Adjusted Cash generated by operating activities</b>	<b>21.7</b>	<b>15.5</b>
Capex	(1.3)	(0.4)
Interest paid	(0.9)	(1.4)
<b>Free cash flow</b>	<b>19.5</b>	<b>13.7</b>
<i>Cash conversion %</i>	<i>87.4%</i>	<i>86.2%</i>

Free cash flow of £19.5m, 87.4% cash conversion

Working capital continues to be tightly controlled, generating net inflow of £1.0m

Cap ex relates to strategic initiatives including:

- Capacity in P&H (relocation of two sites)
- P&H ERP optimisation to enable strategy of extended product range and margin optimisation
- New site opening in Merchanting to expand Lords BM presence in the South East

# Strategic Update





# Investment Proposition

## Organic

- Significant opportunity to broaden product range
- Multiple brands with expansion potential



## Acquisitions

- Pipeline remains active
- Target 3-4 per annum
- Target 4-6x maintainable EBITDA
- People, Plant, Premises (3 P's) key to success



## Digital

- In-house expertise accelerating growth
- Exceptional customer acquisition tool
- Digital informing brand expansion



## ESG

- Embedded in decision making
- ESG initiatives adding great value
- 5yr strategy to be formalised in FY22



# Execution of Acquisition Strategy in Q1 2022



- ✓ Revenue £43.3m / EBITDA £3.9m / 4.2x EBITDA multiple (plus freehold and excess cash)
- ✓ Specialist drylining and insulation distributor
- ✓ Key management retained
- ✓ **Opportunity:** extensive customer cross sell, geographic expansion (South of England), digital presence



- ✓ Revenue £6.8m / EBITDA £0.6m / 5.0x EBITDA multiple
- ✓ **Opportunity:** Product range extension and geographic fit
- ✓ Enables Lords Builders Merchants roofing implants
- ✓ Key management retained



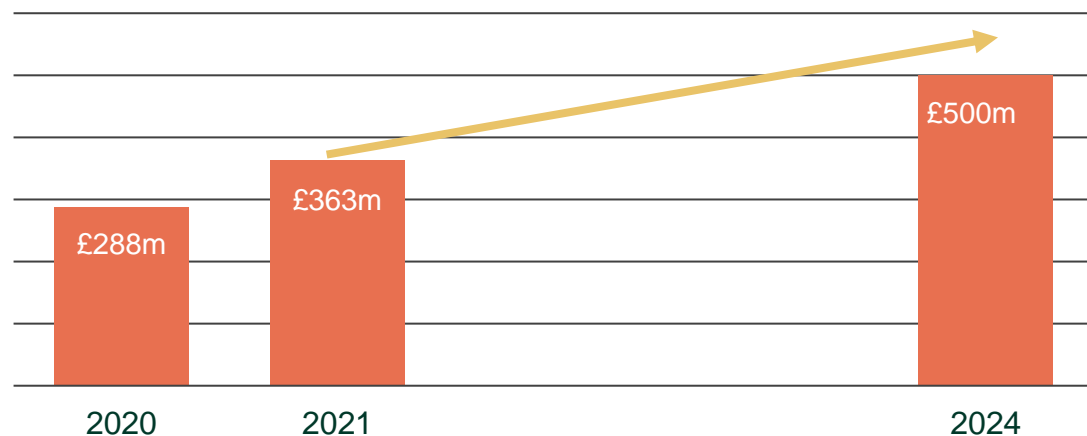
- ✓ Revenue £27.6m / EBITDA £2.0m / 4.7x EBITDA multiple
- ✓ National distributor of plumbing spares with 5x plumbers merchants regionally adjacent to Mr Central Heating network
- ✓ Key management retained
- ✓ **Opportunity:** extensive customer cross sell, digital presence, supplier alignment, gross margin upside, Mr Central Heating range extension



- ✓ Acquisition of Grafton GB Sudbury branch
- ✓ Revenue £5.1m / Adjusted EBITDA £0.5m / 4.4x EBITDA multiple
- ✓ **Opportunity:** Geographic fit with Hevey Building Supplies
- ✓ Low competitor density in local market
- ✓ Key management retained

# 2024 Target

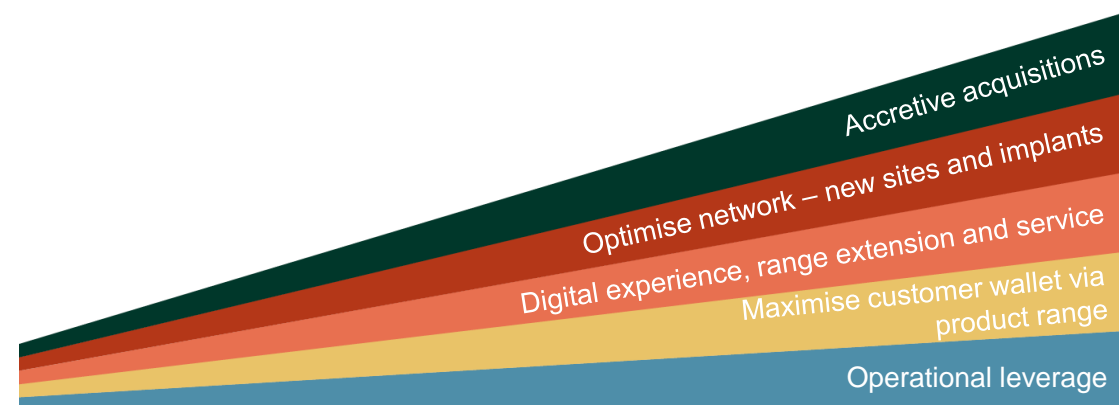
Revenue growth target: £500m by 2024



## Revenue growth driven by:

- Organic – product range extension, new geographies
- Digital – in-house expertise, high growth opportunity
- Core Acquisitions – £5m to 50m revenue per transaction, 3 to 4 transaction per annum

Medium term EBITDA margin of 7.5%



Illustrative and not to scale

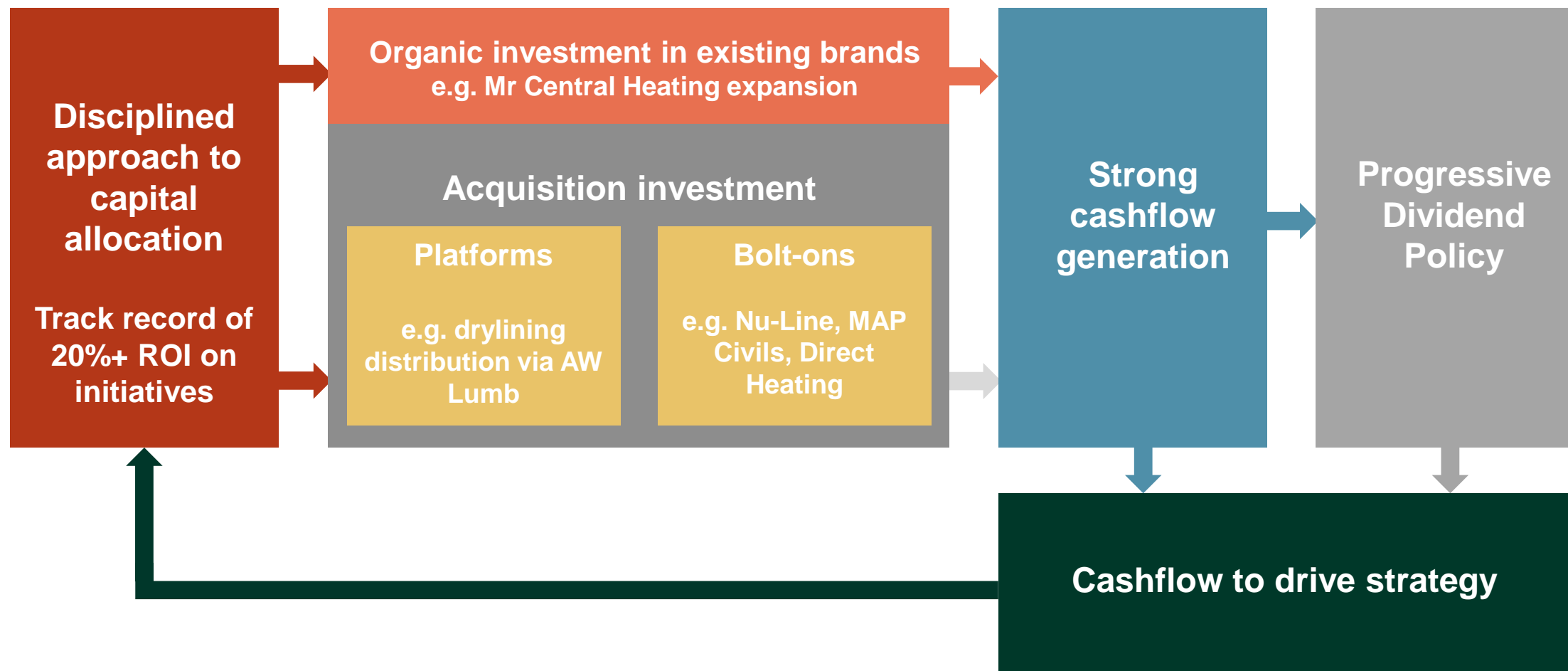
## Our targets:

1. Grow revenues to £500m by 2024, +38% upside v FY21
2. 1.5% growth in EBITDA margin over medium term
3. Progressive dividend policy



# Strategy enabled by cash generation

Disciplined capital allocation and balanced working capital will continue to enable growth trajectory



# Outlook



# Outlook

---

- Underlying fundamentals of our markets remain positive.
- Customer demand remains robust in FY22 year to date.
- FY21 / FY22 acquisitions performing in line with expectation.
- We continue to manage boiler supply issues, inflation and supply chain pressures.
- Board remain confident in ability to deliver FY22 market expectations.
- Market share growth via organic, digital and acquisitive opportunities, of which there are many.
- Well positioned to deliver £500m Group revenue by 2024 whilst growing EBITDA margin to 7.5% in the medium term.





# Q&A

---

