

H1 22 Results Presentation

6th September 2022



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Agenda

Highlights

Shanker Patel, CEO

Financial review

Chris Day, CFO

Strategy update & ESG

Shanker Patel / Chris Day

Summary & outlook

Shanker Patel

Q&A



Highlights

Continued product, geographic and margin expansion; targets set at IPO well on track.

On track to deliver market expectations for FY22¹

- Strong growth with record results in H1 22
- £214.2m revenue, 19.7% growth vs H1 21
- Merchanting revenues +14.5% like-for-like growth, digital growth accelerating
- Adjusted EBITDA £14.2m, +27.1% v H1 21; margin 6.6% (FY21 6.1%)
- Progressive dividend policy; 0.67 pence interim dividend

Significant market share opportunity

- Lords holds <1% of £55bn building materials market
- Significant margin accretive organic growth levers remain – product range, digital & new sites
- Market consolidation opportunities plentiful
- Well placed to capitalise on continuing consumer shift to energy efficiency technology

Strategic progress

- £500m revenue target in 2024 well within reach
- Four H1 22 acquisitions are performing in line with expectations; secured at blended 4.6x EBITDA
- Multiple portfolio brands delivering national expansion
- Target 7.5% EBITDA margin in medium term on track

Customer demand remains robust, Board expectations unchanged for FY22.

¹ FY22 Market Expectations: Revenue £435 million, Adjusted EBITDA £26.0 million, Adjusted profit before tax £16.0 million

H1 22 Financial Review



Will Robbins, Warehouse Supervisor Hevey

H1 22 Financial Highlights

6 months ended 30 Jun	H1 22	H1 21 (Restated) ¹	Change
Revenue	£214.2m	£179.0m	+£35.2m / +19.7%
Adjusted EBITDA	£14.2m	£11.2m	+£3.0m / +27.1%
Adjusted EBITDA Margin	6.6%	6.2%	+0.4%
Adjusted Profit Before Tax ²	£8.5m	£6.2m	£2.3m / +36.2%
Cash Flow Generated By Operations	£12.8m	£9.6m	+£3.2m / +33.6%
Free Cash Flow ³	£8.7m	£8.4m	+£0.3m / +1.8%
Interim Dividend per share	0.67p	0.63p	+0.04p
Net Cash / (Debt) ⁴	£(21.1)m	£(25.6)m	£4.5m

- Strong momentum across all key financial metrics
- Record revenue of £214.2m, +£35.2m v H1 21 reflecting continued delivery of strategic plan
- EBITDA Margin enhanced to 6.6%, +0.5% v FY21
- Cash Flow Generated By Operations of £12.8m, +33.6% v H1 21
- Progressive Interim Dividend per share of 0.67 pence announced
- Continue to trade in line with market expectations

¹ Restatement of IFRS16 accounting

² Adjusted Profit before tax is defined as profits before tax before exceptional items, share based payments and amortisation of intangible assets.

³ Defined as cash generated by operating activities less capital expenditure, exceptional items, share based payments and interest paid.

⁴ Net debt is defined as borrowings less cash and cash equivalents.

H1 22 Highlights - Merchancing

Merchancing continues to deliver revenue and EBITDA growth through its organic and acquisition led strategy.

6 months ended 30 Jun (£m)	H1 22	H1 21 ¹	Change
Total revenue	£105.9m	£61.1m	+£44.8m / +73.4%
<i>LFL Growth vs H1 2021</i>	<i>+14.5%</i>		
Adjusted EBITDA	£7.7m	£5.3m	+£2.4m / +45.4%
<i>Margin</i>	<i>7.3%</i>	8.7%	(1.4)%

- £44.8m revenue growth vs H1 21 with like-for-like revenue growth of 14.5%
- H1 22 acquisitions are performing positively following integration
- Adjusted EBITDA growth of 45.4% is the result of strategic initiatives
- EBITDA margin of 7.3% is aligned to management expectations, attributed to customer mix and a lag in cost inflation recovery for certain customer segments.

¹ Restated



Paul, Warehouse Manager, George Lines

H1 22 Highlights – Plumbing & Heating

P&H strategy of accretive EBITDA margin growth has continued, led by product mix and pricing strategies and enabled by Lords 3 P's investment in the division.

6 months ended 30 Jun (£m)	H1 22	H1 21 ¹	Change
Total revenue	£108.3m	£117.9m	-£9.6m / -8.2%
<i>LFL Growth vs H1 2021</i>	<i>-12.5%</i>		
Adjusted EBITDA	£6.5m	£5.9m	+£0.6m / +10.6%
<i>Margin</i>	<i>6.0%</i>	5.0%	+1.0%

- Record EBITDA for H1 22 of £6.5m at 6.0% margin, 100bps improvement vs H1 21 and 160bps improvement vs FY21
- Boiler supply issues are expected to ease in late H2 22 with customer demand robust due to the essential “repair” nature of P&H sector which the Group is focussed on
- Energy efficiency product ranges enjoyed a 64% revenue increase in H1 22
- Management expect continued accretive margin growth in the medium term through product range extension and Mr Central Heating network expansion

¹ Restated



Tim, Warehouse Manager, Mr Central Heating

H1 22 Free Cash Flow

£m	H1 22	H1 21
EBITDA	13.7	10.1
Exceptional Items	0.5	1.1
Adjusted EBITDA	14.2	11.2
Working capital movement	(1.1)	(0.8)
Tax	(2.3)	(0.5)
Other	0.2	0.2
Adjusted Cash generated by operating activities	11.0	10.1
Capex <i>(excluding acquisitions)</i>	(1.9)	(0.9)
Interest paid	(0.5)	(0.8)
Free cash flow	8.7	8.4
<i>Cash conversion %</i>	<i>60.3%</i>	<i>75.1%</i>

- Free cash flow of £8.6m, 60.3% cash conversion
- Working capital movement of £(1.1)m relates to volume growth
- Inventory movement of £(0.3)m covers £3.6m investment in new sites / product range extension which is offset by boiler shortages £3.3m.
- Inventory days cover is largely consistent at 78 days (H1 2021: 79 days)
- Key capex investments relate to:
 - £0.6m Lords BM Beaconsfield refurbishment
 - £0.6m fleet investment in Merchanting
 - £0.4m capacity investments in APP Wholesale and Condell

Strategic Update



Raid, Lorry Driver, Lords Builders Merchant

Investment Proposition

Organic

- Significant opportunity to broaden product range
- Energy efficiency tech – established platform for UK distribution
- 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 strategy informing brand expansion

ESG

- Embedded in decision making
- ESG initiatives adding great value e.g. Boiler Box recycling scheme
- Five-year strategy well advanced



Organic Growth – Energy Efficiency Tech

Key product category for future growth with accelerating customer demand

- Demand for energy efficient technology being driven by increasing energy prices and government 'green initiatives'
- Lords is uniquely positioned to supply – distribution, merchandising and consumer channels
- Suppliers recognise Lords track record of delivering new products into market
- Products are margin accretive and delivered via existing in-house network
- New supply agreements secured in H1 22 driving increased customer demand
- H1 22 LFL revenue growth of **64%** across all categories:

Air Source Heat Pumps **+37%**

Smart Home¹ **+55%**

Under Floor Heating **+311%**

Electric Boilers **+72%**



Smart Home



Electric Boilers



Underfloor Heating

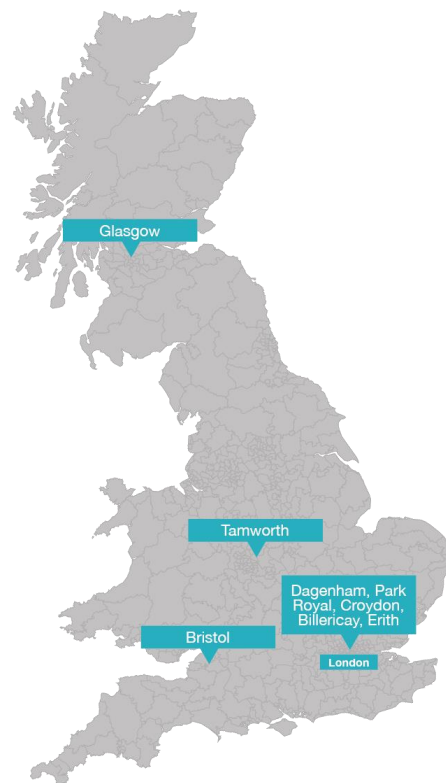
¹ A Smart Home is where the devices are connected with each other and can be accessed and controlled through one central home automation system

Organic Growth – Brand Expansion

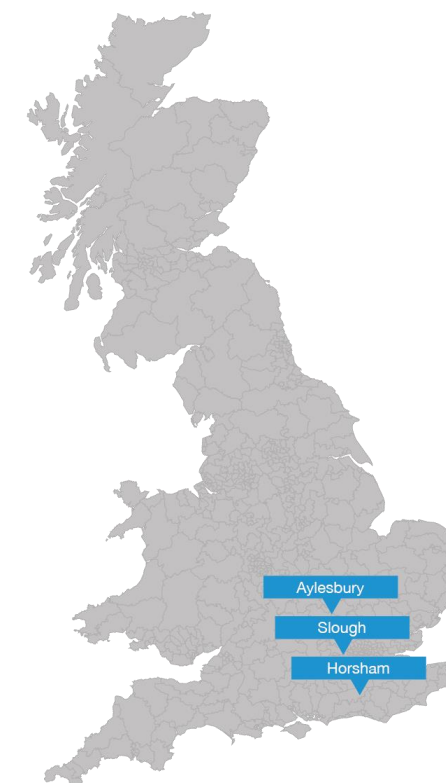
Strong regional brands delivering national expansion plans



- Today – 9 locations, £55m revenue with 25% digital
- Medium Term Target – 50 locations nationwide
- Tenth branch opening in West Bromwich in Q3 22



- Today – 3 locations, £25m revenue, product specialism
- Medium Term Target – 6-8 locations nationwide
- Third branch opened in Horsham in Q2 22 and trading ahead of expectation



Digital - Embedded in Lords customer journey

Online Instore service model drives deeper customer engagement and long-term trading relationships.

- Customers want to move freely and flexibly across online and instore channels – both are frequently required
- The digital uses of customers differs by type:
 - Trade – speed and time saving
 - Do It For Me – inspiration, advise, end to end service
 - Do It Yourself – choice, project help, delivery
- Product knowledge and service drives profitable repeat custom and long-term relationships
- Digital supports growth in customer wallet
- Mr Central Heating has a mature digital structure, 25% of revenue is online – learnings being applied into Merchanting

“ Straightforward & good experience

★★★★★ Trusted Customer - Thursday, 14 July 2022 - 🏠 Building Materials

Website clear & easy to order.

Delivery was quick & delivery driver very pleasant & helpful.

★★★★★ Trusted Customer - Monday, 22 August 2022 - 🏠 1200 H X 398 W 2 Column Vertical Raw Metal

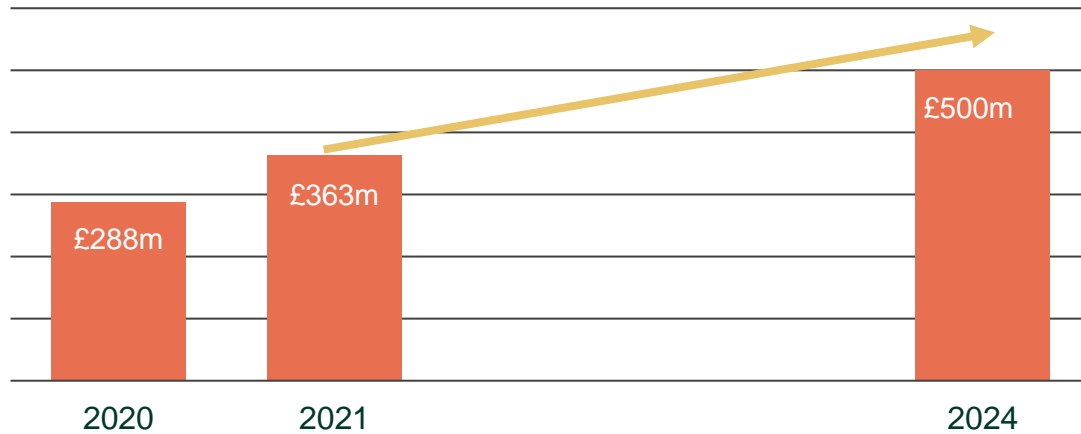
Lacquered Radiator

Needed two unusually sized radiators. Portsmouth branch had one in stock and sourced the other for me and had them both transferred to their Bristol branch to arrange delivery. Tracey in Portsmouth was a pleasure to deal with and, it appeared that nothing was too much bother for her when it came to customer service! Likewise, Adrian in Bristol was also a pleasure to do business with and arranged swift delivery for both items and followed my special delivery instructions to the letter. I would have no hesitation in recommending them to any prospective customer, whether you're in the trade or don't know one end of a radiator from the other they'll help you find what you're looking for! [^ Read less](#)



Medium Term Targets

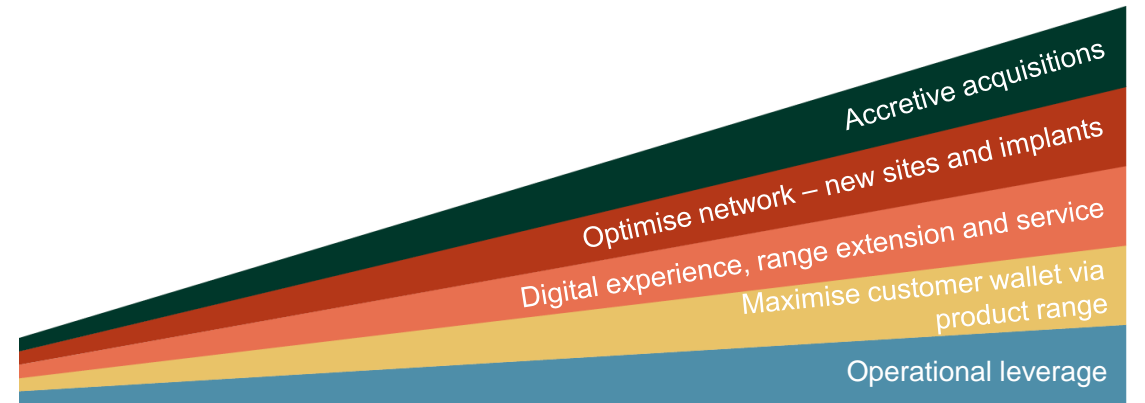
Revenue growth target: £500m by 2024



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 transactions 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

Outlook



Outlook & Summary

- Lords holds <1% of £55bn building materials market
- Customer demand remains robust in our well positioned RMI segments
- Management continue to manage boiler supply issues, inflation and supply chain pressures.
- H1 22 acquisitions performing in line with expectations
- Significant organic growth levers – product range inc energy efficient tech, new locations, digital alongside further consolidation, as we target margin expansion
- Trading in line with expectations for FY22
- Well on track to deliver £500 million revenue in 2024, and 7.5% EBITDA margin in the medium term



Q&A



LGT PLC Shareholder Register

Register as at 30th June 2022:

Top 10 shareholders (by parent company)

Shareholder	30-Jun-22	% IC
Shanker Patel & Other Related Parties	47,186,402	29.77
Mr Rajen Patel	21,500,790	13.56
Mr Allan Pierce	19,420,841	12.25
Premier Miton Group	15,730,000	9.92
Mr Nilesh Patel	15,204,540	9.59
Charles Stanley Group	11,259,450	7.10
Schroders	8,288,000	5.23
Slater Investment	7,050,000	4.45
Hargreaves Lansdown PLC	3,742,419	2.36
Canaccord Genuity Group Inc	3,740,000	2.36
TOTAL	153,122,442	96.59