LORDS
GROUP TRADING

Interim Results 2024

10 September 2024

Agenda

Highlights	Shanker Patel, CEO
Financial review	Stuart Kilpatrick, CFO
Strategic update & Outlook	Shanker Patel, CEO
Q&A	

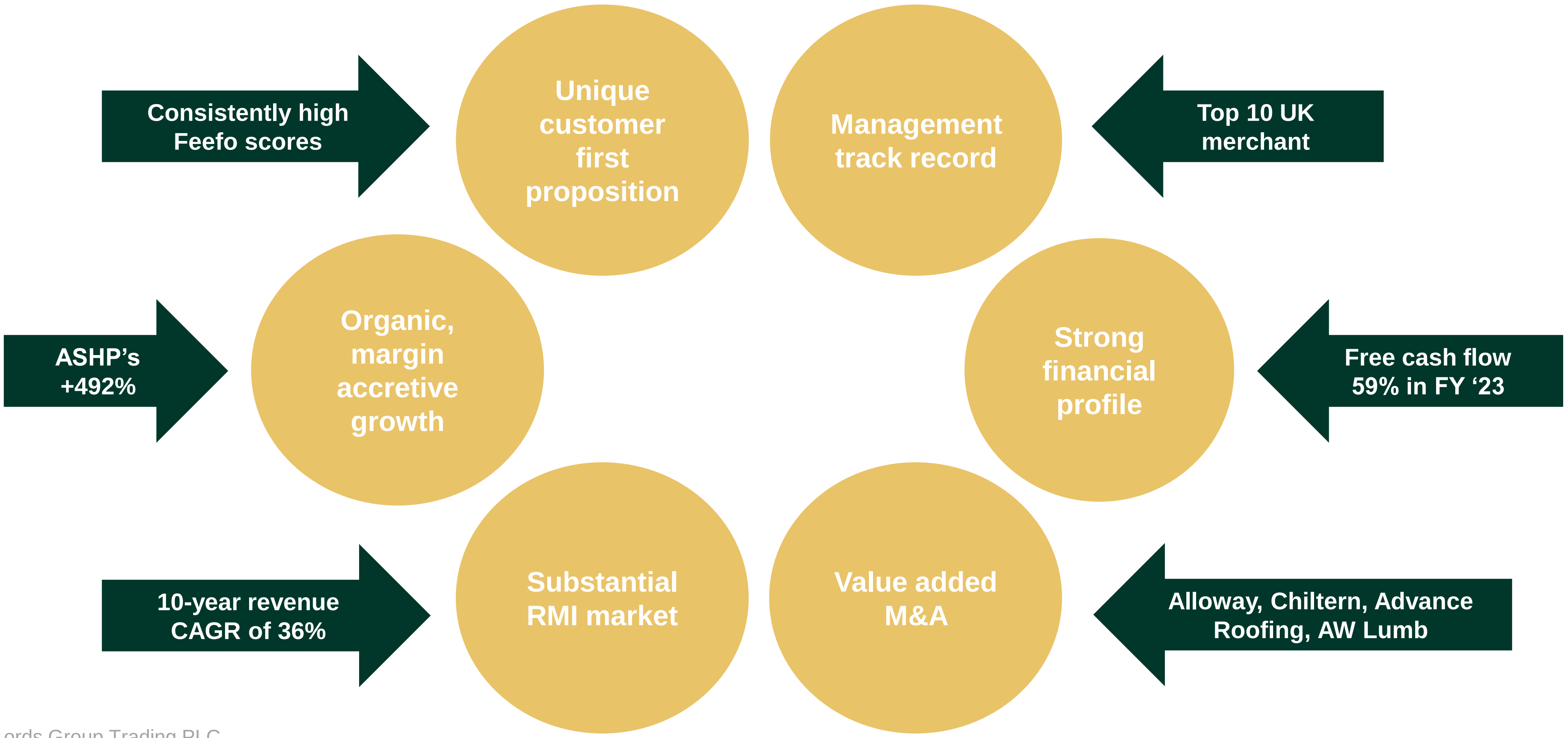
H1 FY24 Highlights

Resilient performance in challenging market conditions

- Group revenue £214.2m (H1 2023: £222.6m); LFL revenues decreased by 6.1%
- Plumbing & Heating division recovery Q2 after CHMM disruption in Q1
- Gross margins maintained reflecting focus on customer service
- Decisive management actions expected to deliver annualised savings of £2.6m in FY ‘25
- 2023 acquisitions rebranded and fully integrated
- Sales of Air Source Heat Pumps up 492%
- Well positioned to deliver operational gearing from a recovery in the market

The Lords Investment Case

A leading, high-growth distributor of building materials in the UK



Financial Review

H1 Financial Summary

	H1 2024	H1 2023	Change
Revenue	£214.2m	£222.6m	(3.8)%
Gross margin	20.2%	20.4%	(20) bps
Adjusted EBITDA	£12.6m	£15.1m	(16.6)%
Adjusted EBITDA margin	5.9%	6.8%	(90) bps
Adjusted diluted earnings per share	1.57p	3.30p	(52.4)%
Dividend per share	0.32p	0.67p	(52.2)%
Net debt	£36.3m	£38.0m	(4.5)%

- Gross margins maintained and improving trend (FY’23: 20.0%; FY’22: 19.7%)
- EBITDA margin impacted by market conditions and operational leverage. Medium term margin targets remain at 7.5%.
- Interim dividend scaled with EPS; no change to progressive dividend policy though the cycle
- Net debt 4.5% lower at £36.3m

H1 - Merchanting

	H1 2024	H1 2023	Change
Revenue	£104.6m	£109.4m	(4.4)%
Gross profit	£28.7m	£29.0m	(1.0)%
Gross margin	*27.5%*	*26.5%*	*+100 bps*
Overheads	£(21.1)m	£(20.6)m	(2.4)%
Adjusted EBITDA	£7.6m	£8.4m	(10.2)%
Adjusted EBITDA margin	*7.3%*	*7.7%*	*(40) bps*

- LFL revenue

  Q1 (10.3)%; Q2 (8.5)%; H1 (9.3)%

- Gross margin increased by 100bps in a challenging market reflecting focus on customer service excellence

- Overheads
  - Full-year effect of 2023 acquisitions added c. £2.4m to H1 2024
  - Park Royal credit of £1.7m following lease renegotiation
  - Underlying overheads 2% lower despite inflation

- Alloway turnaround on track

H1 – Plumbing & Heating

	H1 2024	H1 2023	Change
Revenue	£109.6m	£113.2m	(3.2)%
Gross profit	£14.5m	£16.4m	(11.5)%
Gross margin	*13.2%*	*14.5%*	*(130) bps*
Overheads	£(9.5)m	£(9.8)m	+2.8%
Adjusted EBITDA	£5.0m	£6.6m	(24.2)%
Adjusted EBITDA margin	*4.5%*	*5.8%*	*(130) Bps*

- LFL revenue

  Q1 (15.1)%; Q2 +16.7%; H1 (3.2)%
- Market disruption from CHMM impacted volumes and gross margin
  - Manufacturer promotions resulted in more lower margin boiler sales
  - Macro climate impacted higher margin ancillary products
- Industry data* indicates boiler sales 16% lower in H1 2024; P&H 13% decrease
- Overheads tightly controlled
- Continued momentum in renewables as a key target market
  - Sales of Air Source Heat Pumps up 492%

* Heating and Hotwater Industry Council

H1 – Group Results

£m	H1 2024	H1 2023
Adjusted EBITDA	**12.6**	**15.1**
Depreciation & amortisation	(5.5)	(4.9)
Adjusted operating profit	**7.1**	**10.2**
Finance costs	(3.4)	(2.5)
Adjusted profit before tax	**3.7**	**7.7**
Adjusting items	(2.6)	(2.1)
Profit before tax	1.1	5.6
Tax charge	(0.3)	(1.7)
Profit after tax	0.8	3.9

Increased ROU amortisation from FY '23 acquisitions

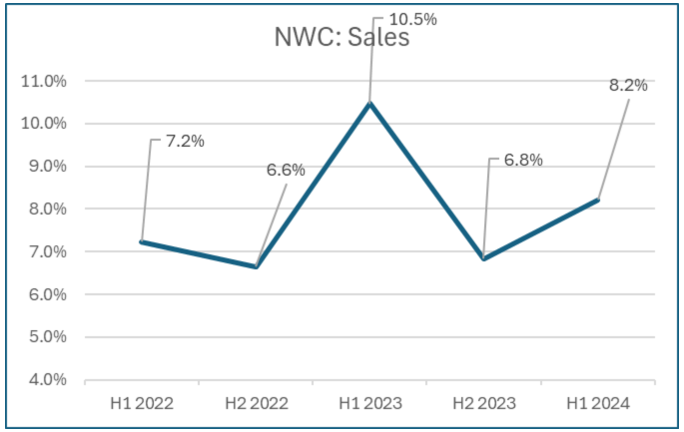
Average rate 100 bps higher - £0.4m, Average debt - £0.3m, ROU - £0.2m

£m	H1 2024	H1 2023
Acquisition related	2.0	1.9
Simplification/restructure	0.3	-
Share based payments	0.3	0.2
	2.6	2.1

H1 – 2024 Cash Flow

£m	H1 2024	H1 2023
Adjusted EBITDA	12.6	15.1
Working capital	(6.7)	(15.6)
Tax and interest paid	(1.7)	(2.8)
Capex	(2.6)	(4.3)
Lease rentals	(5.1)	(3.8)
Acquisition related	(1.8)	(5.2)
Dividend	(2.2)	(2.2)
Other	(0.3)	0.2
Net cash flow	(7.8)	(18.6)
Net debt 1 January	(28.5)	(19.4)
Net debt 30 June	**(36.3)**	**(38.0)**

- H1 seasonal working capital outflow £8.9m lower than 2023 where boiler supply issues increased inventory



- Strong track record on annualised free cash conversion (2023: 59%)
- Acquisition related is deferred consideration for AW Lumb & Hevey
- Capex tightly controlled at £2.6m (H1 2023: £4.5m)
- Net debt 4.5% lower than 30 June 2023

Balance Sheet

£m	30 June 2024	30 June 2023
Tangible assets	20.5	20.7
Stock	47.3	55.2
Trade and other receivables	69.4	69.4
Trade and other payables	(75.3)	(72.8)
Operating Capital Employed	**61.9**	**72.5**
Deferred consideration	(7.0)	(10.2)
ROU assets less liabilities	(5.9)	(5.6)
Intangibles / tax	37.4	35.4
Net debt	(36.3)	(38.0)
Shareholders' funds	50.1	54.1

- Continued focus on working capital management whilst maintaining high level of service
- Operating capital employed reduced by £10.6m
  - Inventory days 7 lower than prior year as boiler supply issues resolved
  - 1 day improvement since 31 December
  - 1 day improvement to payables
- £20m of tangible assets includes c. £13m of property

Committed Bank Facilities

£m	30 June 2023	31 December 2023	30 June 2024
Net Debt pre IFRS 16	**38.0**	**28.5**	**36.3**
Total debt facilities	95.0	95.0	95.0
Total undrawn headroom	49.6	46.7	46.8
Debt facility maturity date	April 2026	April 2026	April 2027

- £95m (£70m RCF, £25m IF) syndicated facilities with HSBC, NatWest and BNP Paribas
- RCF +1 extension agreed May 2024 extended maturity date to April 2027

Strategic Update

Strategic Update

- Track record of organic and acquisitive growth
  - Revenue & EBITDA ten-year CAGR of 35+%
- Organic opportunities:
  - Expand geographic footprint
    - MRCH branch opened in Edinburgh; George Lines potential site identified
  - Decarbonisation of housing stock
  - UK RMI fundamentals strong – over 60% of housing stock built more than 50 years ago
  - Digital and direct sourcing investment to gain market share
- Fragmented £55bn market – LGT < 1% - provides opportunity for selective acquisitions and consolidation

Croydon, Mr Central Heating

Update on 2023 Acquisitions

Alloway Timber

- Highly strategic geographic expansion, growing Lords presence in the South East – Mitcham, Byfleet, Putney, Cheam, Kingston
- Pre-acquisition loss making of c. £1m
- Since acquisition, invested in the 3 ‘P’s: People, property & plant
    - 4 branches refurbished investing £0.5m
    - Business development and branch management improved
    - Delivering gross margins over 30%
    - Expected to be profitable in 2025

Chiltern Timber

- Single site specialist timber merchant, integrated into Lords merchanting
- Product range extension provided to Merchanting’s wider customer base
- Milling capability complimentary to Lords Builders Merchants
- Revenue 3.2% up on proforma H1 2023

Kingston, Lords Builders Merchants

Driving Profitable Growth

Boilers

- Exclusive UK distributorship with Navien to provide 24-hour availability to over 2,500 independent merchants
  - World's largest boiler manufacturer
  - High efficiency heating solutions which are competitively priced
  - Opportunity to support on spares distribution and product storage

- Commencing distribution of Viessmann Climate Solutions' portfolio
  - Gas boilers
  - Heat pumps
  - Commercial heating solutions

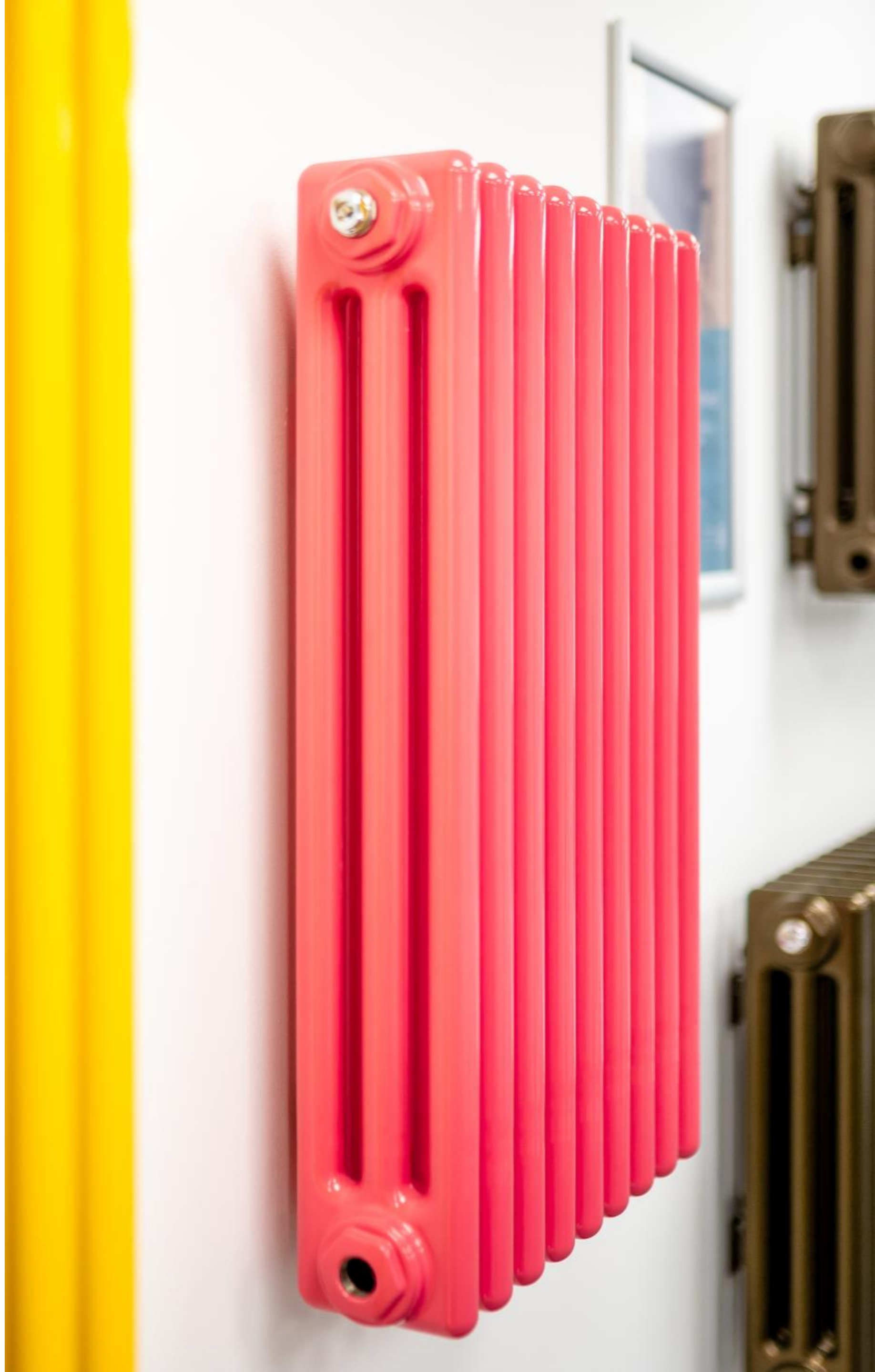
Radiators

- Commencing distribution of Termotechnik radiators
  - Termotecknik has c. 30% of the UK radiator market
  - Continues strategy of product group diversification

Supporting the Energy Transition

Air Source Heat Pumps (ASHP)

- Exclusive distribution agreement with Italian manufacturer, Clivet, to distribute ASHPs
    - Global market leader, manufacturing for European branded heat pumps
- Relationship with Viessmann may lead to another strong brand
- Transition to Clean Heat
    - Aiming to establish design and installation service
    - End-to end design is critical for system efficiency
    - MCS accreditation facilitates government grant recovery



Growth

- Renewables
  - ASHP sales growth of 492% in H1
  - Existing channels to customer can be leveraged with no further investment
  - Accredited installation to assist driving towards government targets

- Market leading brands and customer service excellence
  - Win market share
  - Continue to invest in new branch roll-out – MRCH, George Lines

- Efficiencies implemented in the last 12 months provide operational gearing when the market recovers
  - 5% increase on LTM sales, adds £4m-£5m to earnings

Scott, Horsham, George Lines

Environmental, Social and Governance

- Strategy and framework in place
- Implemented new environmental policy outlining ambition to reduce Scope 1 & 2 emissions by 90% by 2035 and reduce Scope 3 emissions by 90% by 2050.
- Environmental progress in H1 2024
    - Forklift fleet being progressively replaced with electric; 50% of fleet is now electric
    - Hydrotreated Vegetable Oil trials commenced in HGV transportation
    - Selective solar panel installations; 2-4 branches planned per annum
- Lords Group Foundation distributed £120k for good causes within our local communities over the last 12 months

Sutton, Lords Builders Merchants

Outlook


hevey
timber supplies
KITCHEN SHOWROOM - WINDOWS - DOORS - FLOORING
CUSTOMER ENTRANCE
OPENING TIMES
MON - FRI 7:30am - 5pm
SATURDAY 8am - 12 noon
SUNDAY Closed

Outlook

- Well positioned in highly fragmented and essential RMI sector to grow market share organically and through selective, accretive acquisitions
- H2 trading conditions not expected to change
- Medium-term outlook is positive supported by industry data and demand fundamentals
- Encouraged by recent interest rate reduction and the expectation of future cuts
- Government sentiment on New Build should improve the Construction Sector in medium term
- Recognising important Autumn season ahead, particularly in Plumbing and Heating, anticipate Adjusted EBITDA in line with management expectations


KINSHOFER
ATLAS 135.2E
GEORGE LINES
CIVILS & LANDSCAPE MERCHANTS
FJ70 PXV

Questions

Appendix 1 – Alternative Performance Measures

£m	H1 2024	H1 2023
Operating Profit	4.5	8.1
Amortisation of acquired intangibles	1.8	1.7
Exceptional items	0.5	0.2
Share based payments	0.3	0.2
Adjusted Operating profit	**7.1**	**10.2**
Depreciation	1.2	1.3
ROU amortisation	4.3	3.6
Adjusted EBITDA	**12.6**	**15.1**

£m	H1 2024	H1 2023
Profit before taxation	1.1	5.6
Exceptional items	0.5	0.2
Share based payments	0.3	0.2
Amortisation of acquired intangibles	1.8	1.7
Adjusted profit before taxation	3.7	7.7
Taxation on adjusted profit	(1.1)	(2.2)
Adjusted Earnings	2.6	5.5
W.A. # of shares (m)	165.6	168.1
Adjusted EPS	**1.57**	**3.30**

In addition to the statutory performance measures reported under IFRS, the Group provides alternative performance measures (APMs) to enable a better understanding of the underlying performance of the business. APMs should be considered in addition to and not in place of statutory performance measures.

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