LORDS
GROUP TRADING

FY23 Results

15 May 2024

Agenda

Overview	Shanker Patel, CEO
Financial review	Chris Day, CFO & COO
Strategy update & ESG	Shanker Patel / Chris Day
Summary & outlook	Gary O'Brien, Chairman
Q&A	

Overview

FY23 Highlights

Resilient performance despite challenging economic backdrop with strategic actions to protect profitability and cashflow

- Performance in line with market expectations with Group revenue at record high (+2.8%) and LFL revenues resilient (-1.2%)
- Robust Plumbing & Heating division delivered revenue growth reflecting its recurring demand profile – total growth +8.0%, LFL growth +3.7%
- Strong focus on cost control discipline
- ESG strategy and Net Zero ambitions fully defined during FY23, identifying a roadmap to materially reduce emissions
- Confident in medium term prospects – maintain dividend of 2.0 pence
- Lords remains <1% of a £55bn market – growth strategy based on product range extension, branch expansion and accretive acquisitions

Ryan, Finance Manager, HRP, Chelmsford

Financial Review

FY23 Financial Highlights

	FY23	FY22	Change
Revenue	£462.6m	£450.0m	+£12.6m / +2.8%
Adjusted EBITDA	£26.8m	£30.0m	-£3.2m / -10.5%
Adjusted EBITDA Margin	5.8%	6.7%	-0.9%
Adjusted Profit Before Tax	£10.4m	£17.4m	-£7.0m / -40.7%
Adjusted Earnings Per Share	4.35p	8.02p	-3.67p / -45.8%
Dividend Per Share	2.00p	2.00p	-
Free Cash Flow Conversion %[1]	59.2%	66.9%	-7.7%

- 2.8% revenue growth despite challenging market conditions
- EBITDA margin impacted by market conditions, operational leverage and Alloway acquisition
- Adjusted PBT reduced due to interest costs, depreciation and amortisation
- Dividend maintained, reflecting confidence in medium term growth prospects
- Robust free cash flow (from EBITDA) of £13.9m, 59.2%

1 Cash conversion from EBITDA and thus FCF conversion shown excluding lease payments

FY23 Financial Highlights – Merchanting

Resilient performance in Merchanting amidst a challenging trading environment, service-led proposition continues to attract and retain customer base.

	FY23	FY22	Change
Total revenue	**£214.9m**	**£220.8m**	-£5.9m / -2.6%
LFL Growth vs FY22	*-6.3%*		
Adjusted EBITDA	**£14.0m**	**£16.1m**	-£2.1m / -13.4%
Margin	***6.5%***	***7.3%***	*-0.8%*

- Revenue reduction in Merchanting reflecting the market conditions and focus on servicing more profitable market segments
- EBITDA margin reduction from lower volumes and expected impact from the Alloway Timber business which was loss making at acquisition
- FY23 acquisitions successfully integrated and trading in line with expectations

Scott, HGV Driver, George Lines, Horsham

FY23 Financial Highlights – Plumbing & Heating

Robust P&H result in the year, growing like for like sales via range extension and market focus.

	FY23	FY22	Change
Total revenue	**£247.7m**	**£229.3m**	+£18.4m / +8.0%
LFL Growth vs FY22	*+3.7%*		
Adjusted EBITDA	**£12.9m**	**£13.8m**	-£0.9m / -7.1%
Margin	***5.2%***	***6.0%***	*-0.8%*

- Like for like sales growth of 3.7% reflecting robust demand profile of business
- Total revenue growth of 8.0% including full year impact of Direct Heating and HRP Trade acquisitions in 2022
- EBITDA margin step back anticipated versus prior year as boiler availability normalised and remains 0.8% ahead of FY21
- Focus on promoting digital offering and broadening product range across bathroom showrooms, renewables and spares

Joe, Showroom Manager, Direct Heating, Chelmsford

Stable balance sheet

- Debt structure refinanced on 5 April 2023, moving to a syndicate structure with HSBC, Natwest and BNP Paribas
- Plus 1 extension agreed in April 2024 extending maturity date to 5 April 2027
- Facility extension reflects lender confidence and endorsement of Lords resilience and growth potential
- Seasonal movement in Net Debt occurs annually driven by Group's positive working capital profile, movement between H1 and H2 to be expected annually

£m	31 December 2023	31 December 2022
Net Debt[3] pre IFRS	**28.5**	**19.4**
Total debt facilities	95.0	70.0
Total undrawn headroom	46.7	34.6
Debt facility maturity date	5 April 2027	21 July 2024

[3] Net debt is defined as drawn borrowings less cash and cash equivalents.

Aimee, Branch Manager,
Lords Builders Merchants, Cheam

FY23 Financial highlights – Free cash flow

£m	FY23	FY22
EBITDA	**23.5**	**28.6**
Exceptional Items and share based payments	3.4	1.3
Adjusted EBITDA	**26.8**	**30.0**
Working capital movement	(0.8)	(2.0)
Tax	(3.1)	(3.7)
Profit on disposal of PPE and on sale of business	(0.4)	(0.2)
Adjusted Cash generated by operating activities	**22.5**	**24.1**
Capex	(4.9)	(3.5)
Interest paid	(3.7)	(1.4)
Free cash flow	**13.9**	**19.1**
Free cash flow / EBITDA %[1]	*59.2%*	*66.9%*

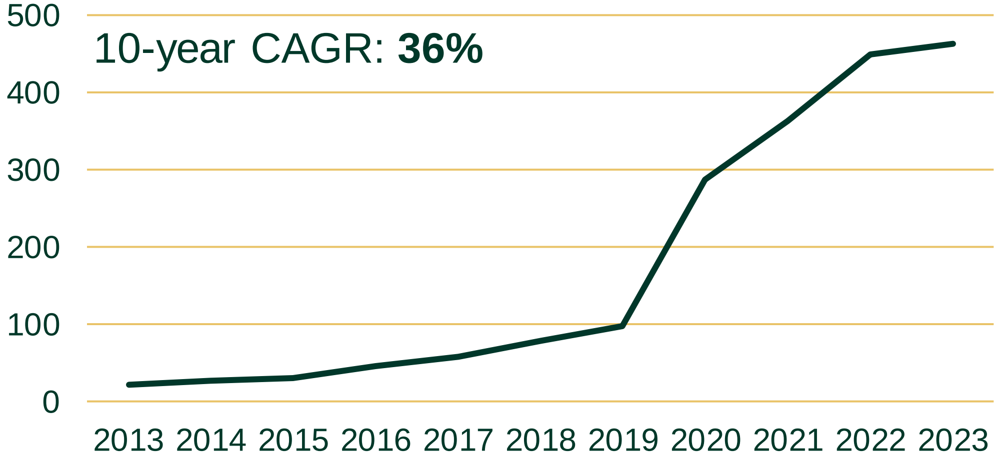
- Free cash flow (from EBITDA) of £13.9m, 59.2%1
- Working capital continues to be tightly controlled
- Capex investments totalled £4.9m in FY23 including the £2.2 m payment to acquire the George Lines freehold near Heathrow reflecting the continued investment in the Group's growth strategy
- Interest paid reflects higher debt position and movement in base rate

[1] cash conversion from EBITDA and thus FCF conversion shown excluding lease payments

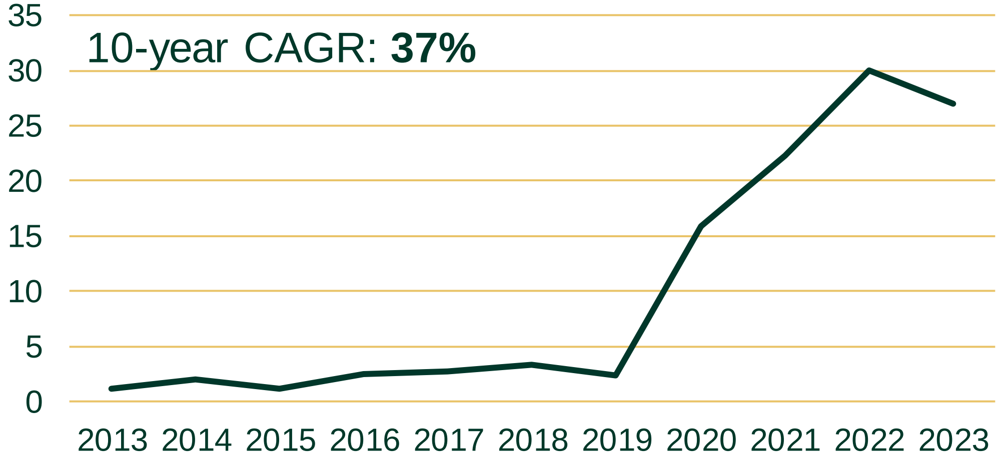
Strategic Update

Track record of growth

Revenue *(Figures in £m)*



Adjusted EBITDA *(Figures in £m)*



- 10 year CAGR profile reflects Lords market consolidation track record, delivering premium value creation for shareholders
- Whilst Lords has grown strongly, the Group still remain <1% of a large £55bn market with opportunity to sustain growth
- Management are ambitious and focused on growth, M&A remains a key focus

Renewables range: Well positioned

- Renewables category enjoyed 60% revenue growth in FY23
- Air Source Heat Pump sub-category delivered strong momentum, with revenue growth of 300% in FY23. Average sale price of £2.8k v Boiler of £0.9k
- Lords is uniquely positioned to supply – distribution, merchanting and consumer channels
- Suppliers recognise Lords' track record of delivering new products into market – 6 new suppliers joined the Group's network in FY23
- Products are margin accretive and delivered via existing in-house network
- Government targeting 600,000 installations per annum by 2028

Renewables range: Transition plan

- Government announced 12 month adjustment to introduction of Clean Heat Market Mechanism (‘CHMM’), now planned for April 2025

- CHMM incentivises boiler manufacturers and homeowners to accelerate the transition towards renewable energy sources in UK homes

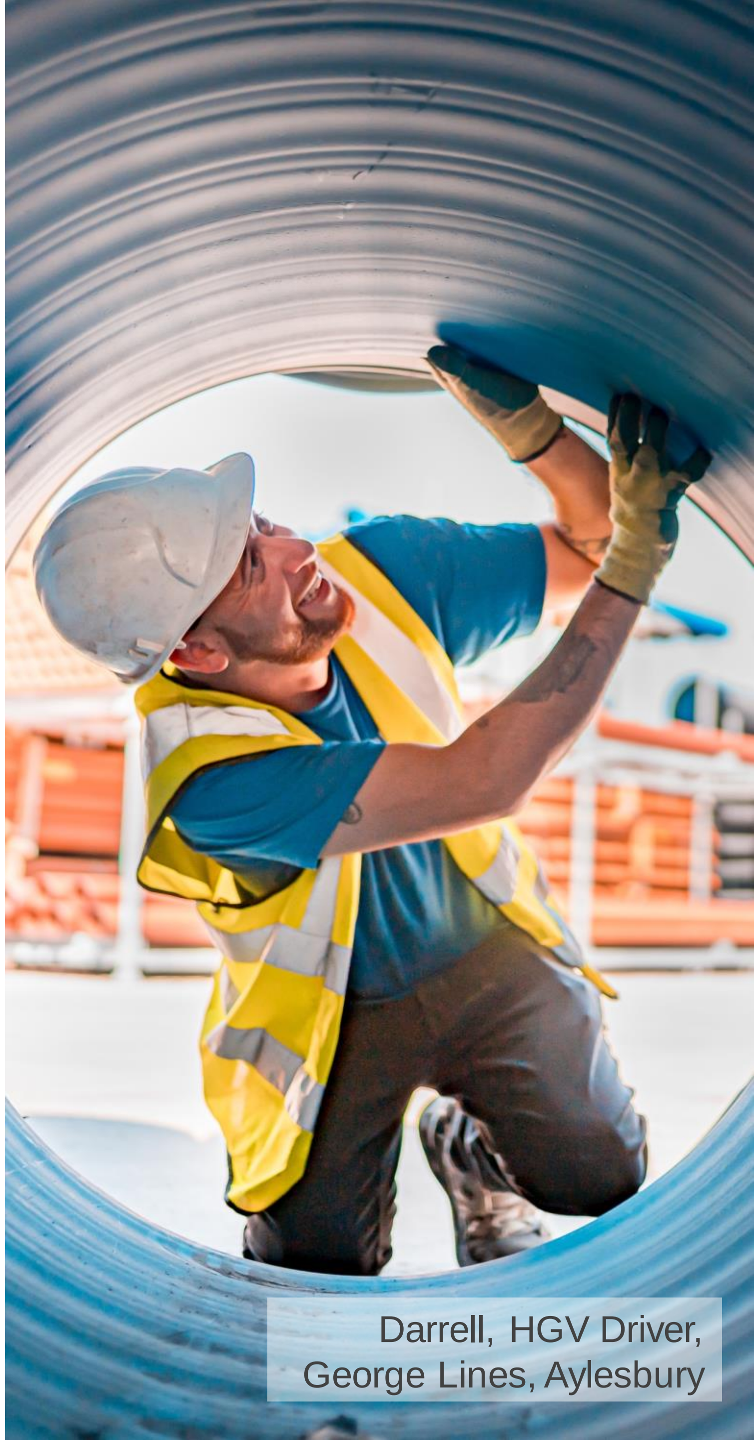
- Initiative expected to increase demand for renewable products including air source heat pumps

- Deferment has caused demand disruption in Q1 24 within B2B channel, restocking activity anticipated in Q2 24

Consolidation Model

- A strong track record of acquisitions with inhouse M&A expertise – 15 acquisitions completed since 2016
- All fully integrated and performing ahead of expectations, delivering 25%+ return on investment2
- Management teams retained and incentivised to perform
- Significant opportunities to accelerate consolidation
- Targets selected on ability to enhance:
    - Expand geographic footprint
    - Product range extension
    - eCommerce platform
- Targeting acquisitions on 4 - 6x maintainable EBITDA
- Pipeline of opportunities remains active, prudence to be exercised on timing given macro conditions

[2] Based on 13 acquisitions completed between 2016 and 2022



Darrell, HGV Driver,
George Lines, Aylesbury

ESG: Developing our strategy

- Strategy developed in FY22, providing an effective framework to drive our ESG performance
- 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
- Revised our supplier code of conduct policies with mandated compliance[3]
- Lords Group Foundation distributed £123k of £200k committed to the foundation for good causes within our local communities
- Shortlisted for the Corporate Governance award at the AIM Awards 2023

[3] Suppliers with annual purchases in excess of £50,000

Lords Foundation Initiative – Aylesbury Motor Project

The Lords Investment Case

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

Unique Customer First Proposition

- Customer service excellence is the central pillar of our strategy
- Engaged colleagues, fundamental to differentiated customer service
- Specialist highly-recognisable brands, local and regional leadership
- Creates loyal, long-term customer relationships
- Colleagues aligned with success of Group through shareholding

Successful Value-Creative M&A Track Record

- Independent merchants hold 42% of market and are prime for consolidation
- Attractive buyer for family businesses – good continuity and development
- Lords track record of acquiring specialist merchants at 4-6x EBITDA which are earnings accretive
- 13 acquisitions in last 6 years, delivering 25%+ return on investment

Substantial Organic & Margin Accretive Growth

- New markets and customers via new store roll out of existing brands
- Accelerating digital capability creates new repeat customers
- Increasing share of customer wallet through marketing new products
- Growing penetration of decarbonisation products drives margin expansion

Strong Financial Profile

- Growth levers aiming to enhance EBITDA margin to 7.5% in medium term
- Highly cash generative, attractive working capital profile
- Committed to progressive dividend policy

Well Positioned In Substantial UK RMI Market

- <1% market share in highly fragmented market
- 45% of revenue within essential and resilient “Repair” sector of RMI
- Track record of high growth – 10yr revenue CAGR of revenue 36% and Adjusted EBITDA 37%

Management Track Record

- Recognised industry leaders and aligned with shareholders via significant majority shareholding
- Management team have in excess of 200 years industry experience
- CEO has led the Group that has delivered growth in previous 3 economic downturns

Outlook


CONDELL
BUILDING SUPPLIES
CONDELL
BUILDING SUPPLIES
MAXIMUM SPEED LIMIT
CAUTION
CAUTION

Outlook

Whilst mindful of the macro-economic environment and its impact on the sector in the short term, the Group continues to trade in line with market expectations.

The fundamentals of the Lords investment proposition remain:

- High growth reflected by 10 year CAGR – Revenue +36%, Adjusted EBITDA +37%
- Post IPO acquisitions performing in line with or ahead of expectations
- Lords holds <1% of a £55bn building materials market: large market share opportunity via organic growth levers and value added acquisitions
- On track to deliver previous revenue target, when adjusted for the deferral of the CHMM, in 2024 and 7.5% EBITDA margin in the medium term

Alex, Trade Counter Assistant, Mr Central Heating, West Brom

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