

Half year results presentation

Six months ended 31 March 2022

17 May 2022



AGENDA

- ✓ Overview
- ✓ FY22 Half year results
- ✓ Key drivers and strategic progress
- ✓ Current trading and outlook
- ✓ Q&A

Today's speakers



OVERVIEW

- ✓ Results in line with expectations in a challenging environment as we lap a period of Covid-19 related lockdowns, consolidating our position as the **UK's number one online retailer** for bathroom products
- ✓ Strategic increase in marketing activity which has enabled us to take market share
- ✓ Given the current increasing inflationary pressures, we will manage price increases appropriately in H2 FY22
- ✓ Victorian Plumbing's key strengths remain; **industry leading margins, a robust balance sheet, highly cash generative and great inventory availability**
- ✓ We are using these factors to our advantage in a competitive market as **consumer behaviour patterns continue to normalise**
- ✓ Our **well-defined strategy** has three horizons: core B2C, trade, and adjacent products
- ✓ **Continued confidence in medium-term** targets and the growth opportunity

HALF YEAR RESULTS

Six months ended
31 March 2022



FINANCIAL HIGHLIGHTS

£134m

Revenue of £133.9m, representing growth of 39% on a two-year basis and down by 5% year-on-year (H1 2021: £140.7m) despite lapping a period of Covid-19 related lockdowns

44%

Gross profit reduced by 15% to £58.5m (H1 2021: £69.0m) with **Gross profit margin** reducing by five percentage points to 44% (H1 2021: 49%) as guided

£6.7m

Adjusted EBITDA in line with guidance at £6.7m (H1 2021: £20.1m) with **Adjusted EBITDA margin** reducing by 9 percentage points to 5% (H1 2021: 14%)

£33.7m

Net cash of £33.7m at 31 March (2021: £22.3m), an increase of £1.0m for H1

21%

Free cash flow in H1 of £1.4m (2021: £17.0m) with **cash conversion** of 21% (2021: 85%), reflecting an investment in stock holding to mitigate supply chain risks

OPERATIONAL HIGHLIGHTS

453k

Total orders for the six months ended 31 March 2022 of 453,000, a 31% increase from pre-pandemic levels (H1 2020: 345,000), and just 7% down from H1 2021 in which the UK was largely under Covid-19 restrictions (H1 2021: 486,000)

£296

Average order value up 2% to £296 (H1 2021: £289)

30%

Marketing spend as a percentage of revenue increased to 30% (H1 2021: 27%) in line with strategy and enabling us to take market share

18%

Trade revenue grew by 18% to £24.6m (H1 2021: £20.9m), representing 18% of total revenue (H1 2021: 15%)

4.4

Increased our Excellent **TrustScore** to 4.4 (2021: 4.3) now over 156,000 reviews

INCOME STATEMENT

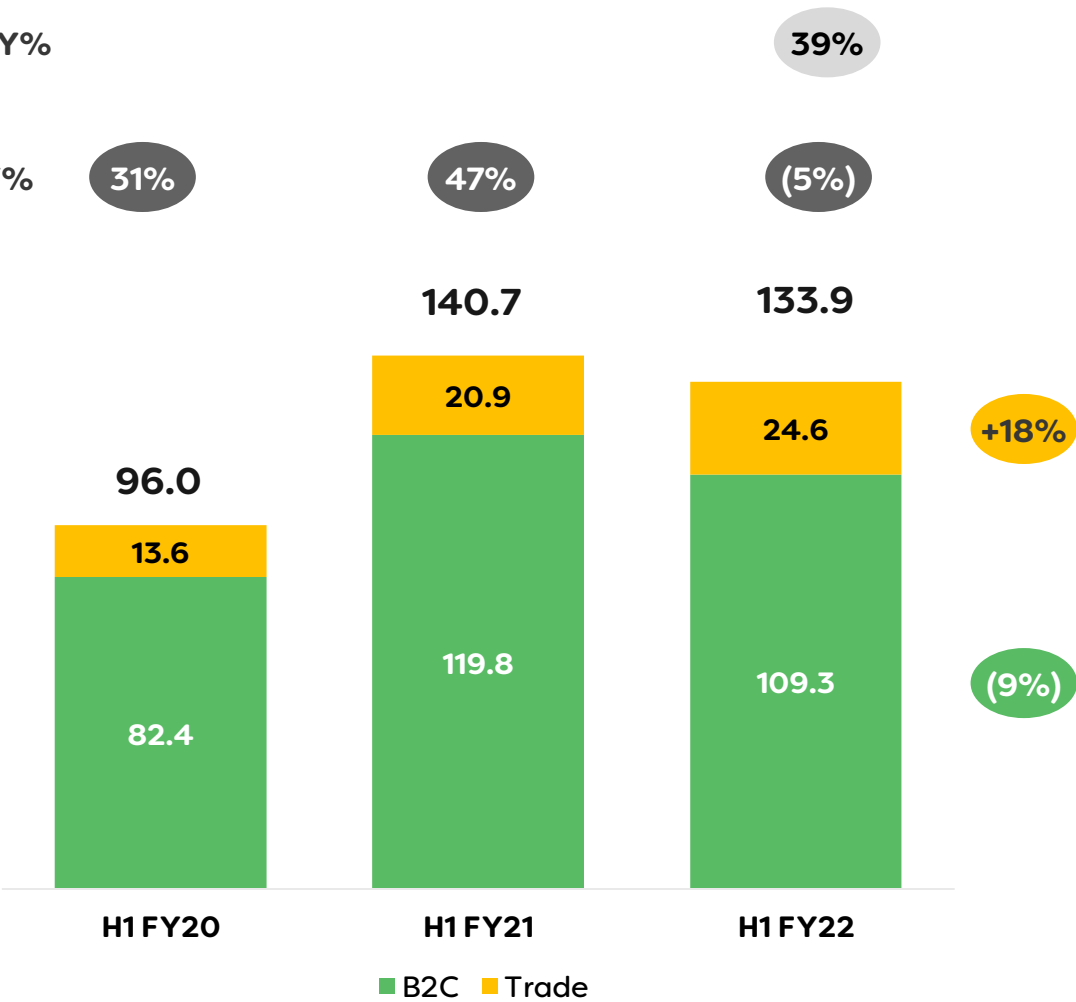
Income statement (£m)	H1 FY22	H1 FY21	H1 FY20	YoY %	2YoY %
Revenue	133.9	140.7	96.0	(5%)	39%
Cost of sale	(75.4)	(71.7)	(55.2)	(5%)	(37%)
Gross profit	58.5	69.0	40.8	(15%)	43%
Marketing costs	(40.2)	(38.4)	(25.8)	(5%)	(56%)
Other underlying costs	(11.6)	(10.5)	(6.2)	(10%)	(87%)
Adjusted EBITDA	6.7	20.1	8.8	(67%)	(24%)
Depreciation and amortisation	(1.7)	(1.4)	(1.1)	(21%)	(55%)
Share-based payments	(2.1)	(3.5)	-	40%	n.m
Exceptional items	-	(0.6)	-	100%	n.m
Operating profit	2.9	14.6	7.7	(80%)	(62%)
Interest	(0.2)	(0.1)	(0.1)	(100%)	(100%)
Profit before tax	2.7	14.5	7.6	(81%)	(64%)
Tax	(0.7)	(2.9)	(1.3)	76%	46%
Profit after tax	2.0	11.6	6.3	(83%)	(68%)
Gross Profit %	44%	49%	43%	(5ppt)	1ppt
Marketing costs as a % of revenue	30%	27%	27%	3ppt	3ppt
AEBITDA %	5%	14%	9%	(9ppt)	(4ppt)
Adjusted EPS (pence)					
Basic	1.4	5.6	2.4	(76%)	
Diluted	1.2	5.6	2.4	(79%)	

REVENUE

Revenue (£m)

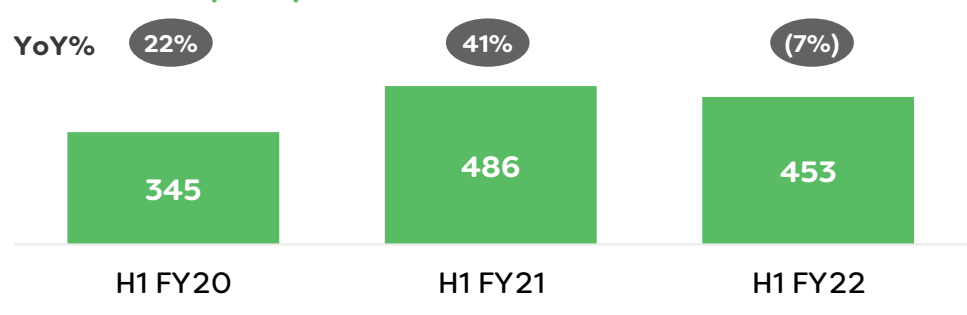
2YoY%

YoY%



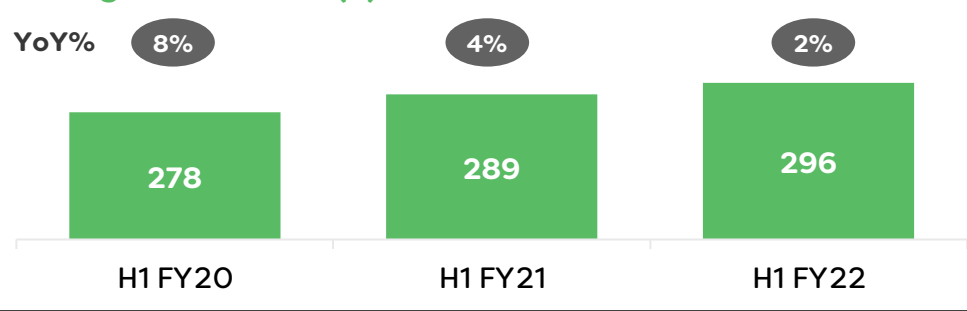
Total orders ('000)

YoY%



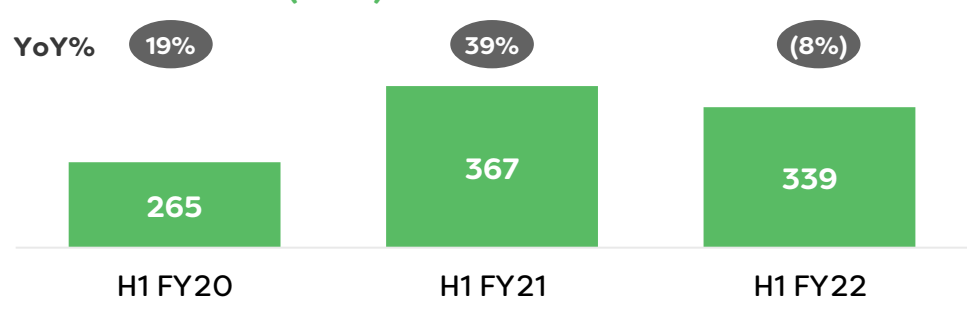
Average order value (£)

YoY%



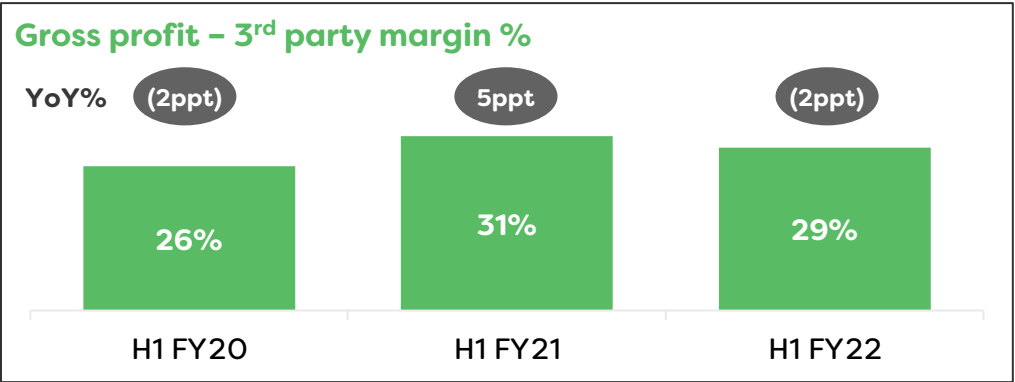
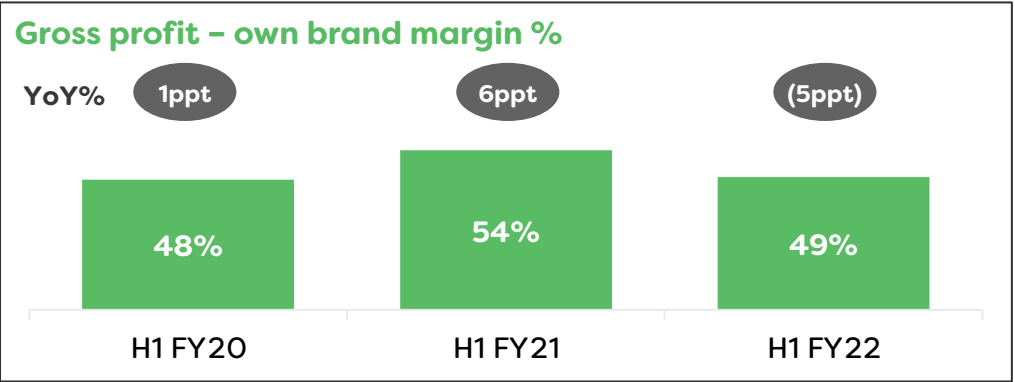
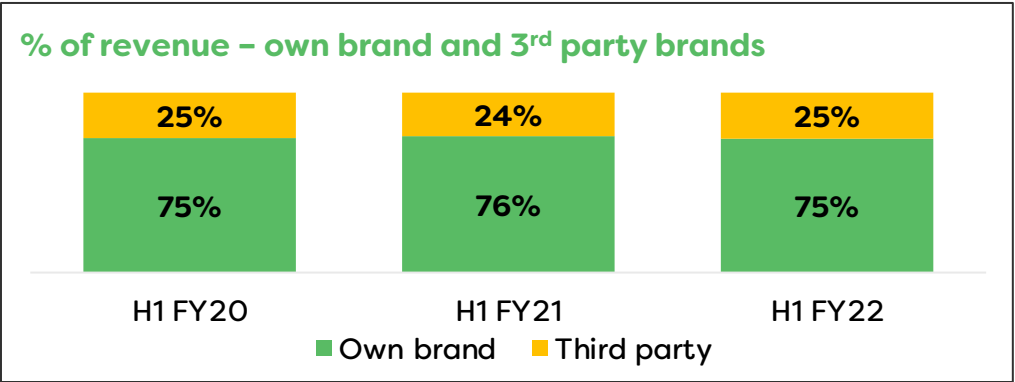
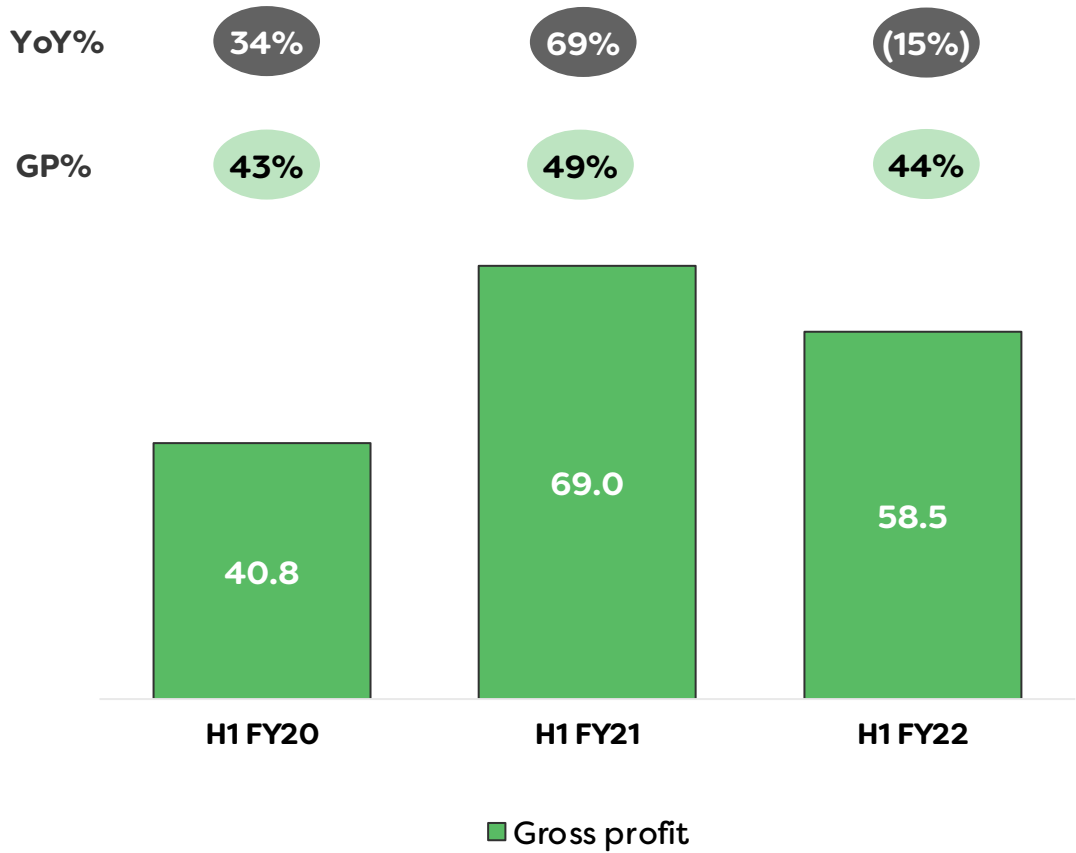
Active customers ('000)

YoY%



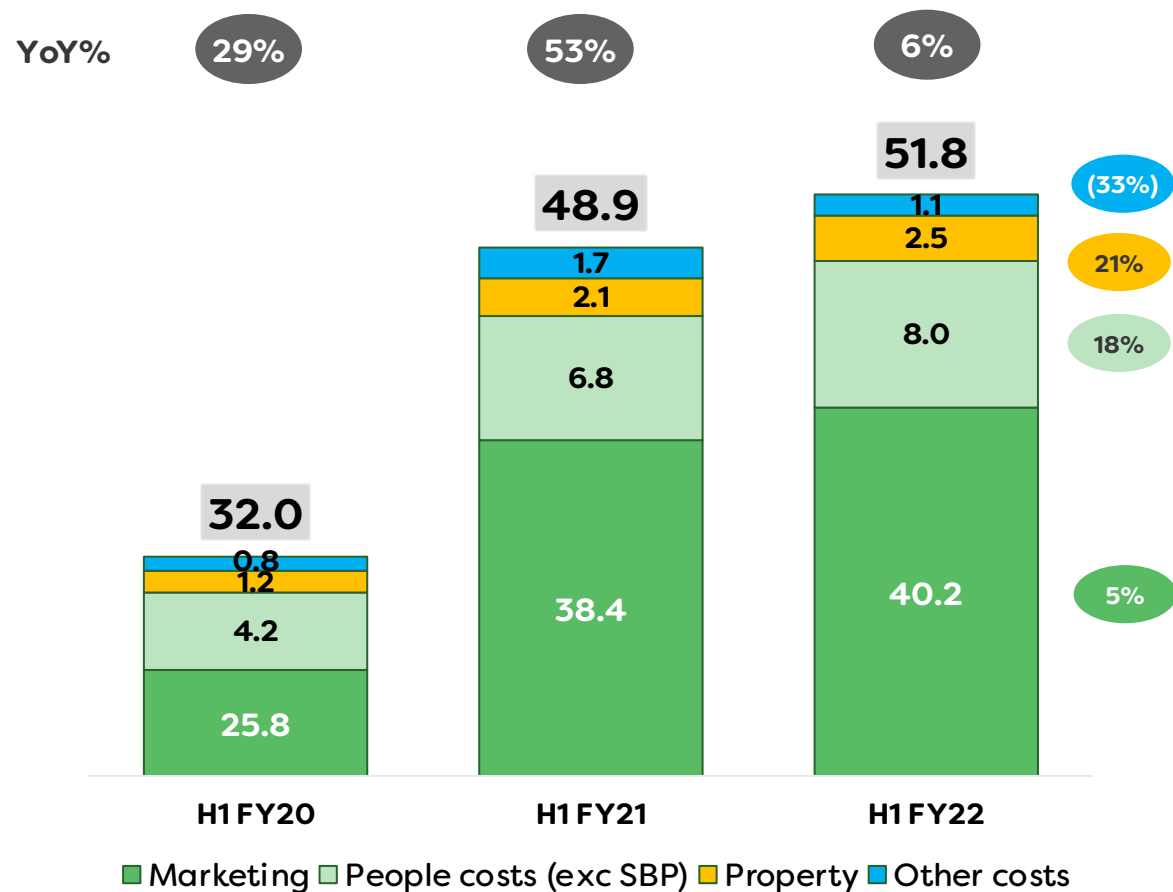
GROSS PROFIT

Gross profit (£m) and Gross profit margin (%)

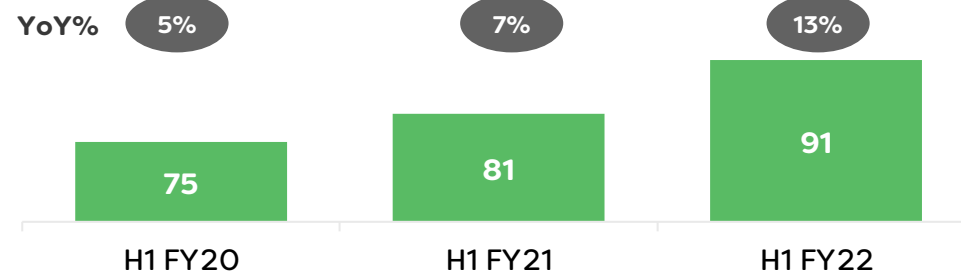


UNDERLYING COSTS

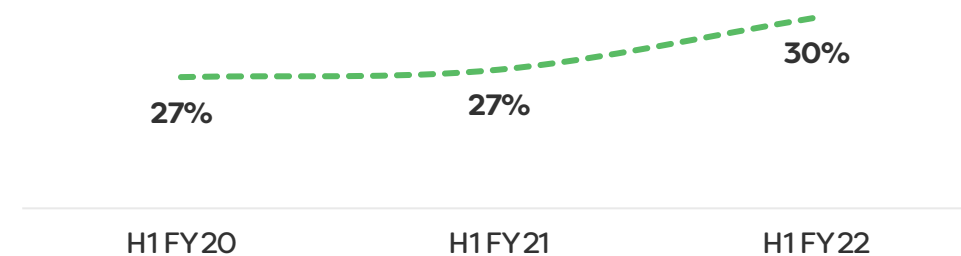
Underlying costs (£m)



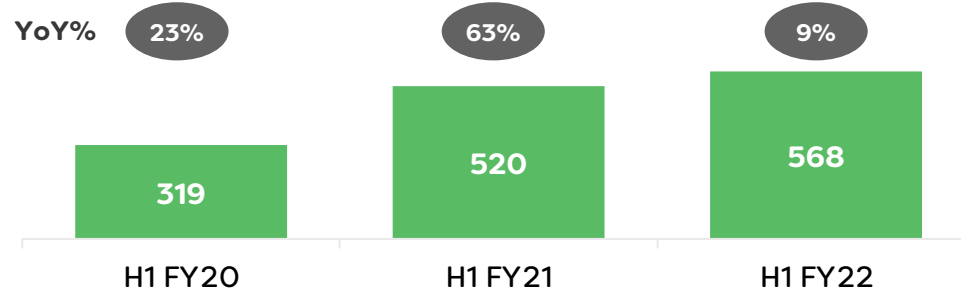
CAC - Marketing cost per order placed (£)



Marketing as a % of revenue

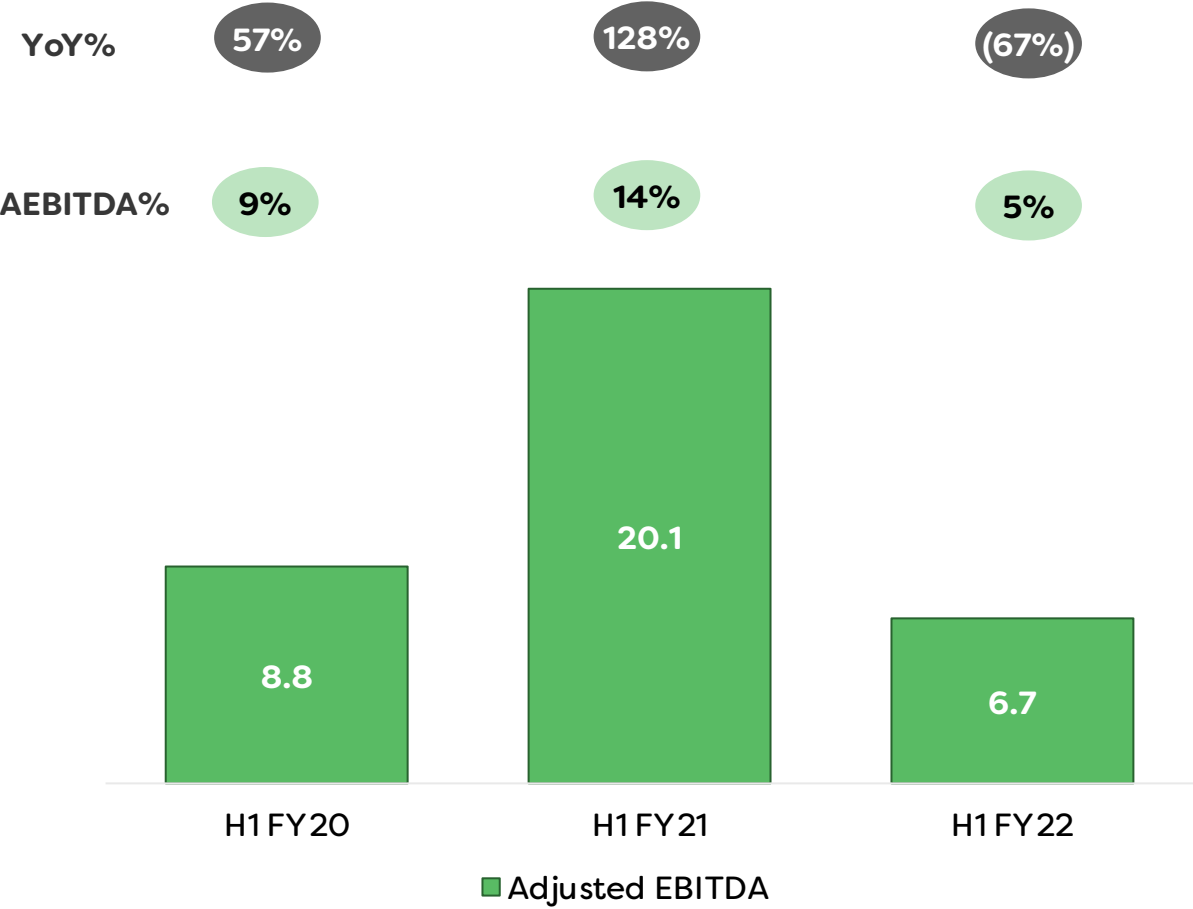


Average number of FTEs

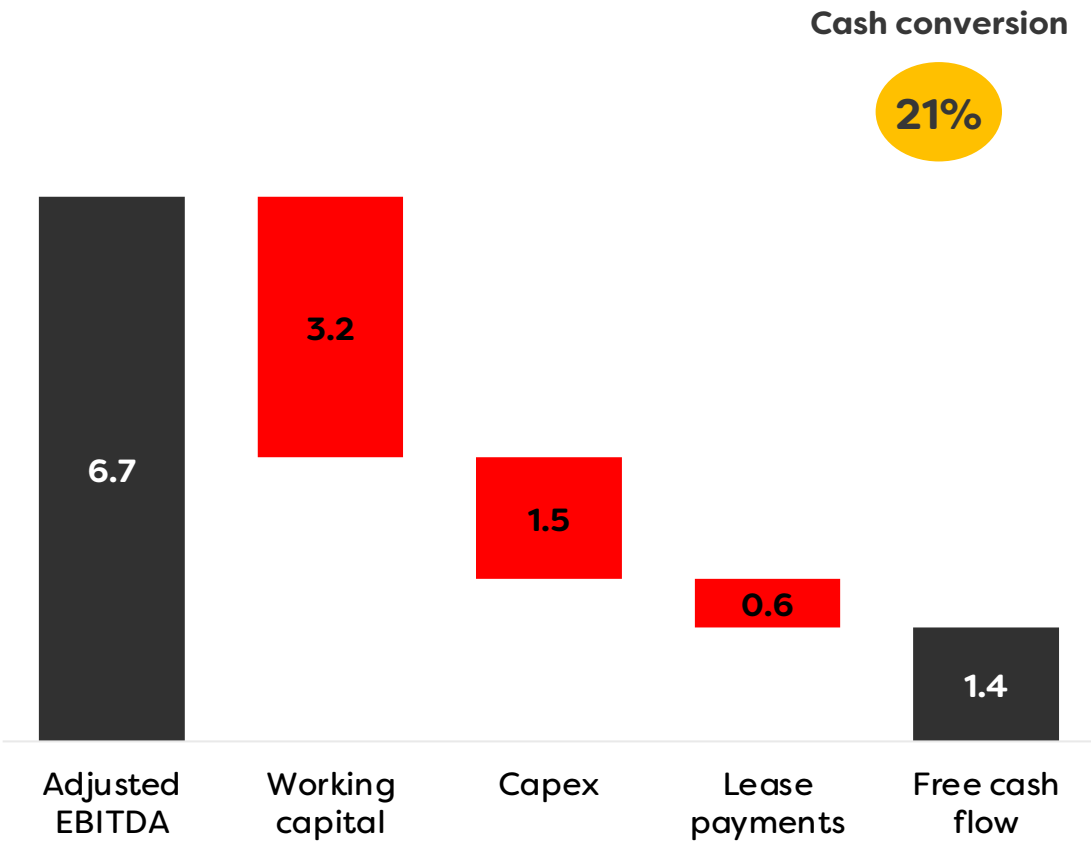


ADJUSTED EBITDA AND CASH CONVERSION

Adjusted EBITDA (£m) and Adjusted EBITDA margin (%)

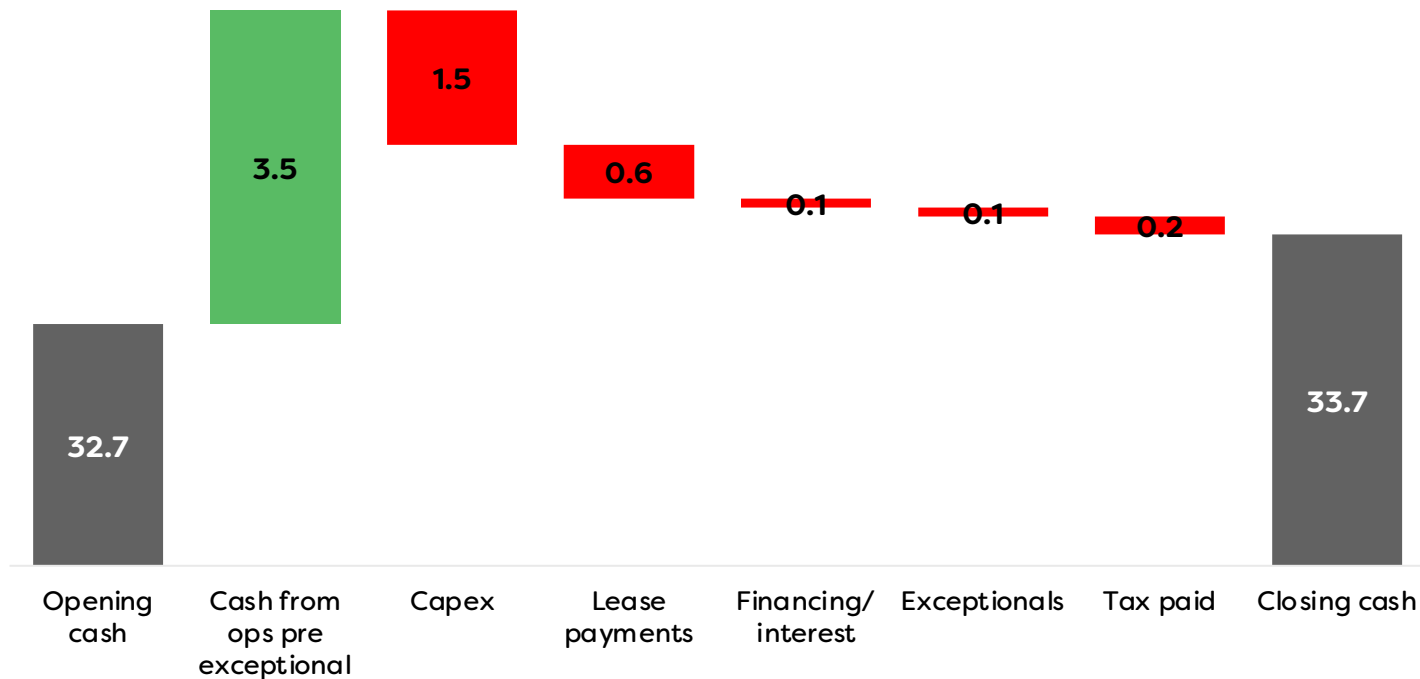


Free cash flow and cash conversion



CASHFLOW AND CAPITAL ALLOCATION

Half year net cash reconciliation



£10m RCF remains undrawn

- ✓ The Group started the financial year with £32.7m of net cash
- ✓ Cash generated through EBITDA performance of £6.7m, offset by an investment in working capital of £3.2m
- ✓ Increased working capital relates specifically to increased stock holding to mitigate ongoing global supply chain uncertainties
- ✓ Increase in net cash in H1 of £1.0m
- ✓ Closing net cash £33.7m. £10m RCF remains undrawn
- ✓ No interim dividend declared. The current intention of the Board is to pay a dividend in relation to the financial year ending 30 September 2022

CASH FLOW STATEMENT

Cash flow statement	H1 FY22	H1 FY21	YoY %	FY21
Adjusted EBITDA	6.7	20.1	(67%)	40.1
Changes in working capital	(3.2)	(0.6)	426%	(3.2)
Cash gen. from ops. before exceptionals	3.5	19.5	(82%)	36.9
Cash flows from exceptionals	(0.1)	(0.1)	-	(9.1)
Cash generated from operating activities	3.4	19.4	(82%)	27.8
Tax paid	(0.2)	(2.8)	(92%)	(3.4)
Net cash generated from operating activities	3.2	16.6	(81%)	24.4
Purchase of intangible assets	(1.3)	(0.8)	63%	(1.8)
Purchases of PPE	(0.2)	(1.1)	(82%)	(1.4)
Related party loans	-	0.5	(100%)	5.9
Cash used in investing activities	(1.5)	(1.4)	7%	2.7
Dividends	-	(2.9)	(100%)	(14.9)
Finance arrangement fees	(0.1)	-	n.m	(0.1)
IPO proceeds net of costs	-	-	n.m	11.2
Lease payments (interest + principal)	(0.6)	(0.5)	20%	(1.1)
Net cash used in financing activities	(0.7)	(3.4)	(78%)	(4.9)
Net increase in cash and cash equivalents	1.0	11.8	(92%)	22.2
Cash at the beginning of the year	32.7	10.5	211%	10.5
Cash at the end of the year	33.7	22.3	51%	32.7
Cash Conversion ⁽¹⁾	21%	85%	(64ppt)	81%

STATEMENT OF FINANCIAL POSITION

Summary Statement of financial position	H1 FY22	H1 FY21	YoY %	FY21
Intangible assets	3.1	2.5	24%	2.7
PPE & right of use assets	6.5	7.4	(12%)	7.0
Total non-current assets	9.6	9.9	(3%)	9.7
Inventories	35.3	26.0	36%	32.4
Trade and other receivables	4.4	9.4	(53%)	4.9
Tax recoverable	0.5	1.7	(71%)	1.0
Cash and cash equivalents	33.7	22.3	51%	32.7
Total current assets	73.9	59.4	24%	71.0
Non-current liabilities	4.6	4.8	(4%)	5.0
Trade and other payables	36.7	29.7	24%	36.0
Contract liabilities	6.1	8.5	(28%)	7.9
Current lease liabilities	0.9	0.7	29%	0.9
Derivative financial instruments	-	0.6	(100%)	-
Provisions	0.2	0.2	-	0.1
Total current liabilities	43.9	39.7	11%	44.9
Net assets	35.0	24.8	41%	30.8



Strong net assets position going into H2



Stock holding increased to mitigate ongoing risks associated with global supply chain



Reduction YoY in trade and other receivables relates to related party debtor settled in H2 of FY21



Trade and other payables increased by 24% reflecting increased stock levels

KEY DRIVERS AND STRATEGIC PROGRESS



OUR STRATEGY

We think about our strategy with reference to 3 horizons



WE CONTINUE TO INVEST IN BOLD MARKETING . . .

Brand



- ✓ Ad creative builds awareness through distinctive brand assets
- ✓ Creative, memorable ads drive distinction in busy competitive market
- ✓ Strong levels of ad recall



(1) SEMRush data – competitive positioning

Media



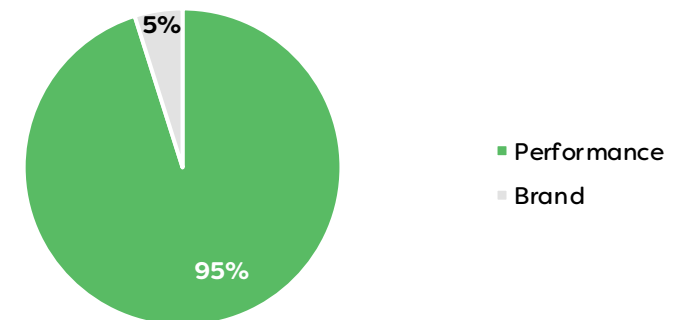
- ✓ TV advertising is the dominant media spend, with a higher weighting than other years towards on demand adverts
- ✓ Increased focus on diverse media inc. YouTube and testing of radio advertising targeted at trade
- ✓ Target media audience is homeowners aged 25-55 years old

Search Marketing

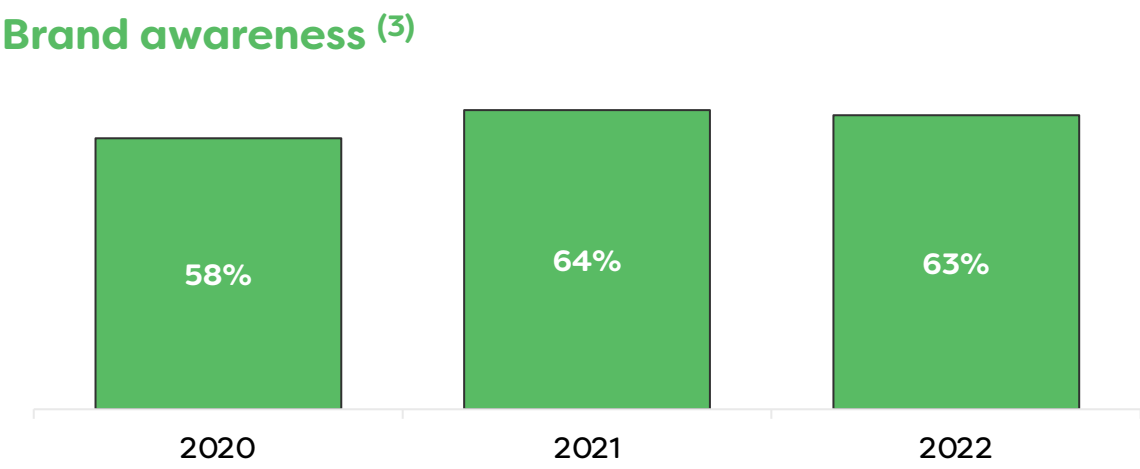
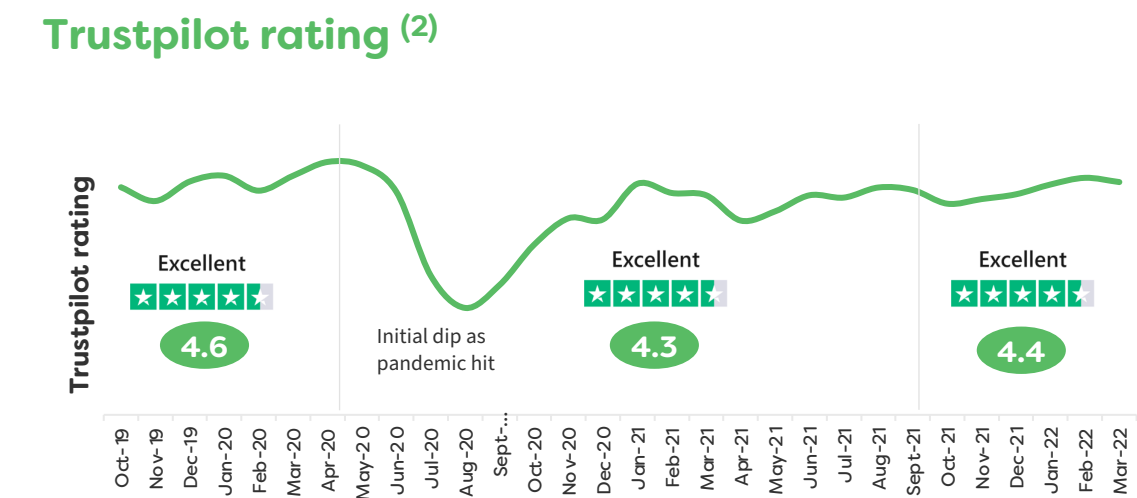
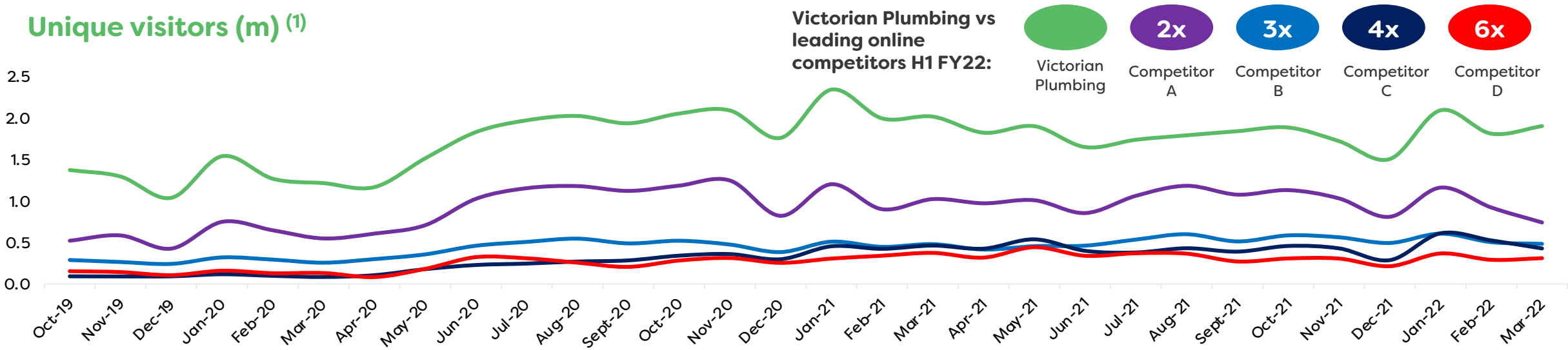
- ✓ Data-driven, in-market sales acquisition at an efficient cost per sale in PPC
- ✓ Largest PPC keyword coverage vs competitor set at c.200k
- ✓ Dominant approach, supports expansion into new categories and increasing market share
- ✓ Highest performing SEO channel of all competitors ⁽¹⁾

Brand vs performance spend

Six months ended 31 March 2022



... ALLOWING US TO MAINTAIN OUR MARKET LEADING POSITION



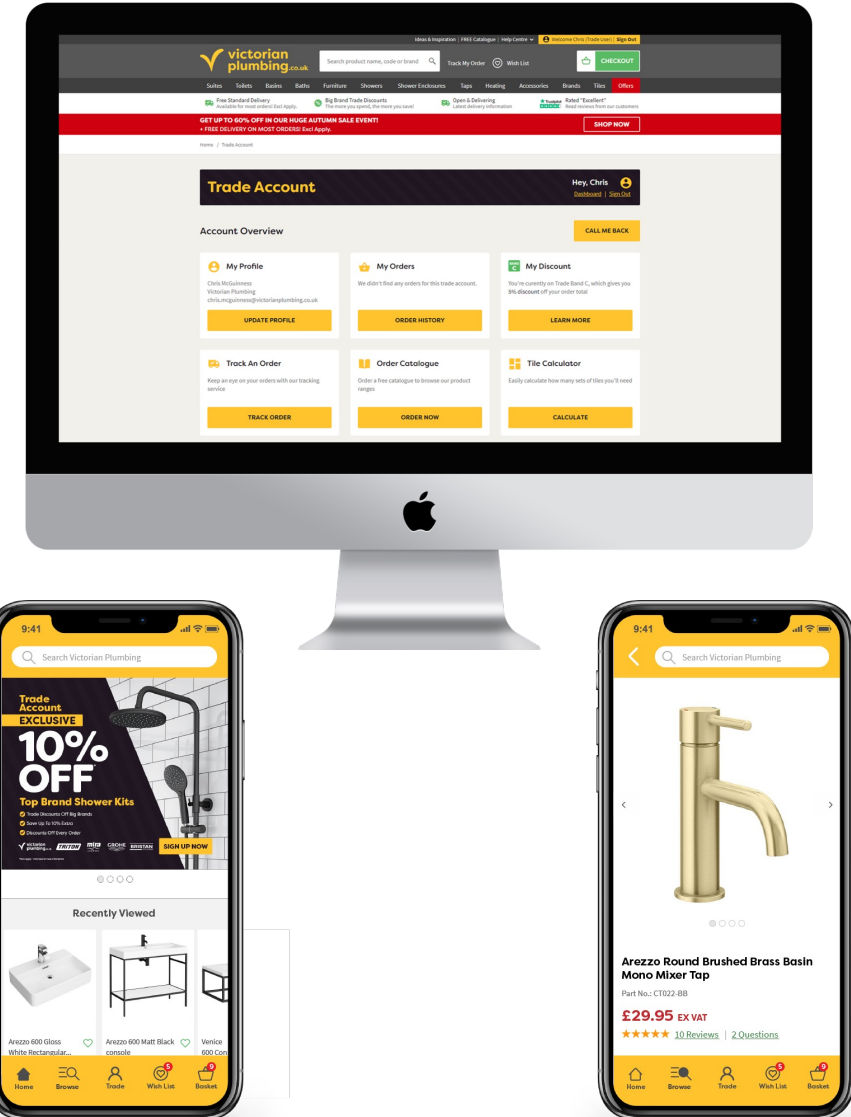
WE ARE INVESTING IN OUR PLATFORM TO SUPPORT FUTURE GROWTH

- ✓ Our in-house technology & infrastructure team are developing bespoke software solutions
- ✓ Relaunch of the new website has been the key focus of the team with UAT well underway
- ✓ New platform will allow more incremental changes that we can test at speed
- ✓ In addition, new purchasing and forecasting applications provide greater visibility and efficiency in our stock ordering process



PERSONALISED OFFERING TO TRADE CUSTOMERS

- ✓ Trade portal gives customers easy access to their account, which is supported by a dedicated account management team
- ✓ Prices shown to the customer through the portal incorporate the agreed customer discount, increasing transparency
- ✓ Work nearing completion on Trade app to increase engagement and efficiency for trade customers
- ✓ Our 'tile calculator' provides trade customers with a simple tool while promoting an adjacent product
- ✓ 'Call me back' functionality increases efficiency for our trade customers
- ✓ Focus on KPI reporting allows team to engage quickly with new customers and encourage spend



RANGE EXPANSION IN ADJACENT PRODUCTS

Wall and floor tiles



- ✓ Increased tile ranges by 38% in H1 FY22
- ✓ Layout of tile offering on site under review
- ✓ Revamp of tile sample process in progress
- ✓ In house design of own tiles has commenced
- ✓ Range of tile accessories and tools begun to increase

Lighting

- ✓ Increased our supplier base for lighting
- ✓ Number of products available increased to over 750



Other categories

- ✓ Plumbing accessories being added to support roll out of Trade app
- ✓ Increase in range of instant hot water tap solutions
- ✓ Continue to build range of sinks and taps for use in the kitchen

MAKING A SPLASH IN ESG

We are early in our ESG journey, but we have identified three areas which we will focus on. Our reporting will align with TCFD and SASB frameworks



Governance and ethics

- ✓ Plc board continually assesses its compliance with the Code
- ✓ Recruitment process is underway for an additional NED
- ✓ Ongoing supplier audit programme in China
- ✓ Suite of policies have been developed and rolled out



Diversity and inclusion

- ✓ We have a values-led culture and recognise the value of a diverse and inclusive workforce but appreciate there is more that we can do
- ✓ Our first annual employee engagement survey in September 2021, with a check-in survey in February 2022
- ✓ Launched improved benefits around holiday entitlement, maternity and paternity pay and employee discounts as well as offering SAYE scheme
- ✓ Established an employee engagement committee



Environmental sustainability

- ✓ We reported our scope 1 and scope 2 emissions in our annual report and have reduced our carbon intensity year-on-year
- ✓ Commenced the process to understand our scope 3 emissions and will then establish a strategy for moving towards net zero
- ✓ We are developing our range of sustainable bathroom products
- ✓ Working with suppliers to increase levels of recyclable packaging

CURRENT TRADING AND OUTLOOK



CURRENT TRADING

- ✓ Through the first quarter of FY22 (Oct-Dec 21) demand and revenue were broadly the same as last year and 47% ahead of FY20
- ✓ Whilst Q2 comparatives were much tougher, we delivered 33% revenue growth versus FY20 and (8%) vs FY21 when the UK was in full lockdown
- ✓ Q3 trading has begun well and with softer comparative months to come we remain confident in delivering modest revenue growth in H2
- ✓ We will however continue to monitor consumer behaviour in light of the wider macro economic environment and tailor our marketing approach and pricing accordingly

OUTLOOK

- ✓ Our business is built on good foundations. We have grown revenue rapidly over a number of years and operate with industry leading margins, driving a highly cash generative model with no debt
- ✓ Our strong balance sheet is an advantage in a competitive market, supporting being bold in our marketing and investing in stock as we deal with the near-term uncertainty and challenges
- ✓ We have a well-defined and unchanged growth strategy centered on core B2C, trade, and adjacent products
- ✓ Our long-term goals and strategy are unchanged and despite current market challenges, we are fully confident in the future growth prospects of Victorian Plumbing

Q&A



DISCLAIMER

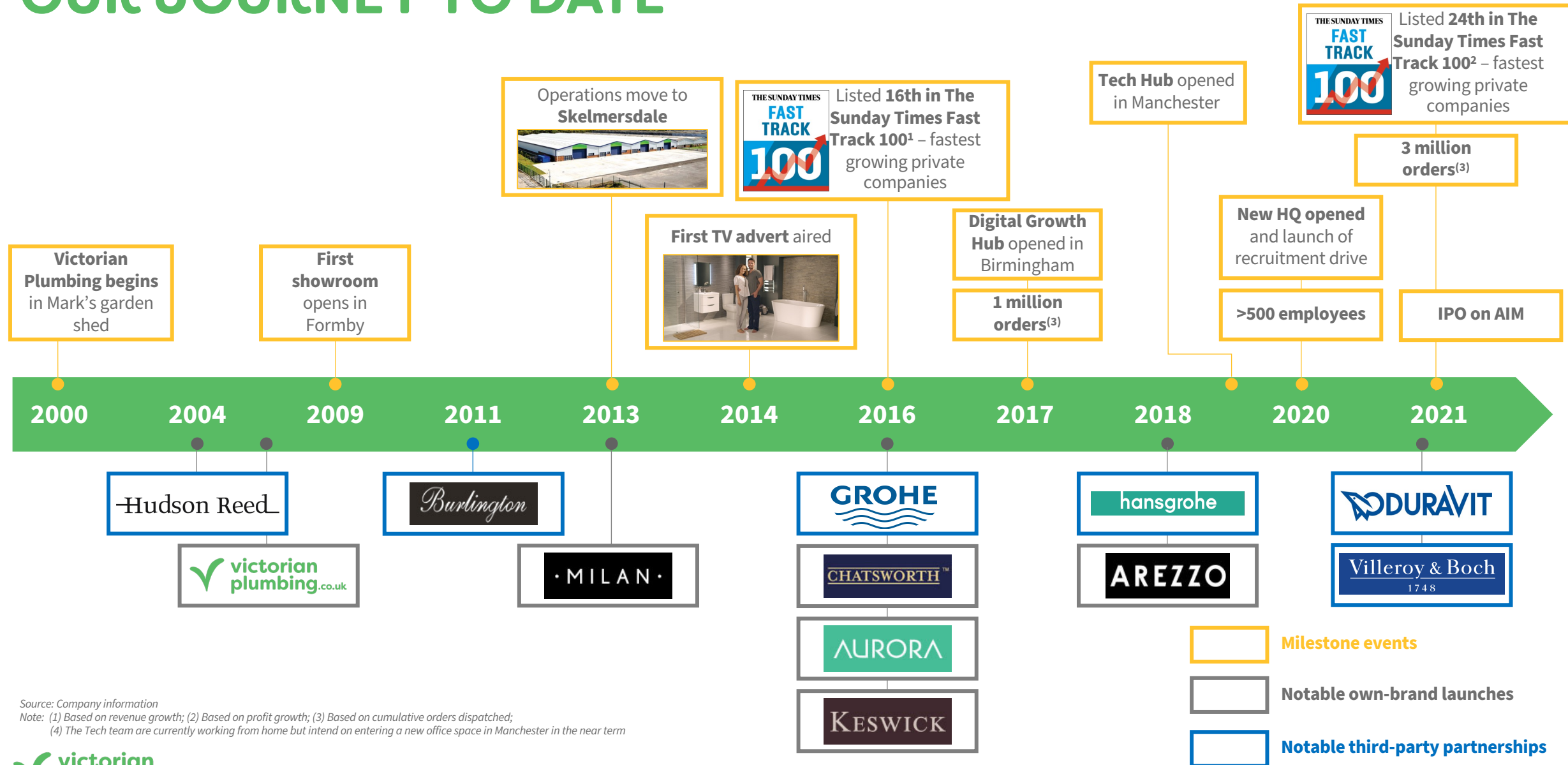
The information and opinions provided in this presentation are provided as of the date of this presentation. Certain statements in this presentation constitute forward looking statements (including beliefs or opinions). Any statement in this presentation that is not a statement of historical fact including, without limitation, those regarding Victorian Plumbing Group plc's future expectations, operations, financial performance, financial condition and business is a forward-looking statement.

Such forward looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those expressed or implied by such forward looking statements. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this presentation. As a result, you are cautioned not to place reliance on such forward-looking statements. Nothing in this presentation should be construed as a profit forecast.

APPENDIX



OUR JOURNEY TO DATE



Source: Company information

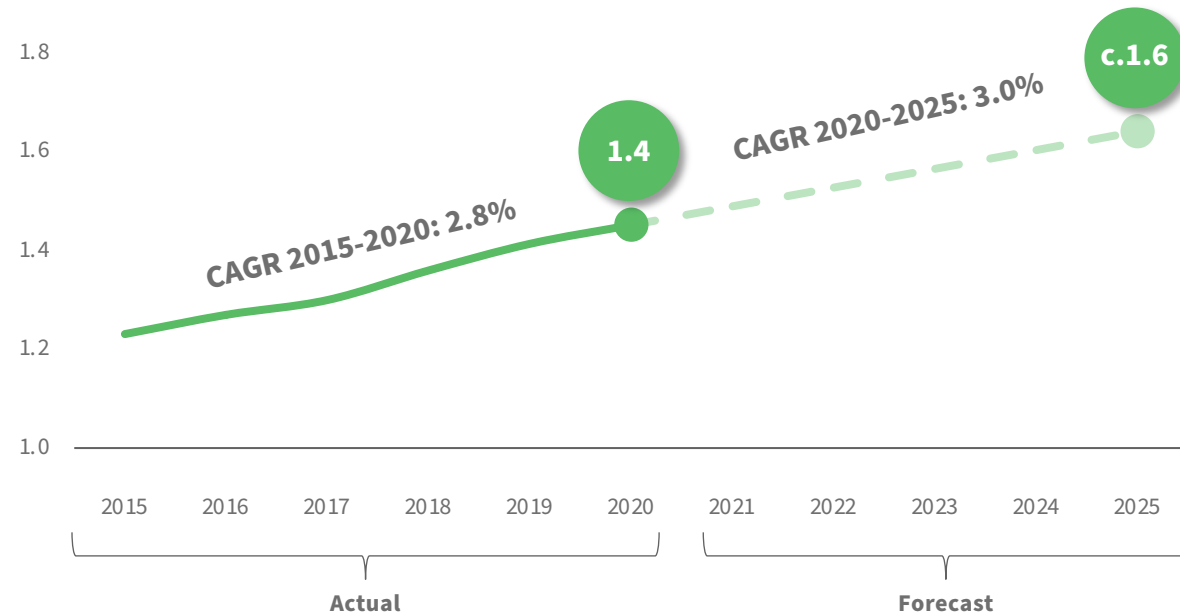
Note: (1) Based on revenue growth; (2) Based on profit growth; (3) Based on cumulative orders dispatched;

(4) The Tech team are currently working from home but intend on entering a new office space in Manchester in the near term

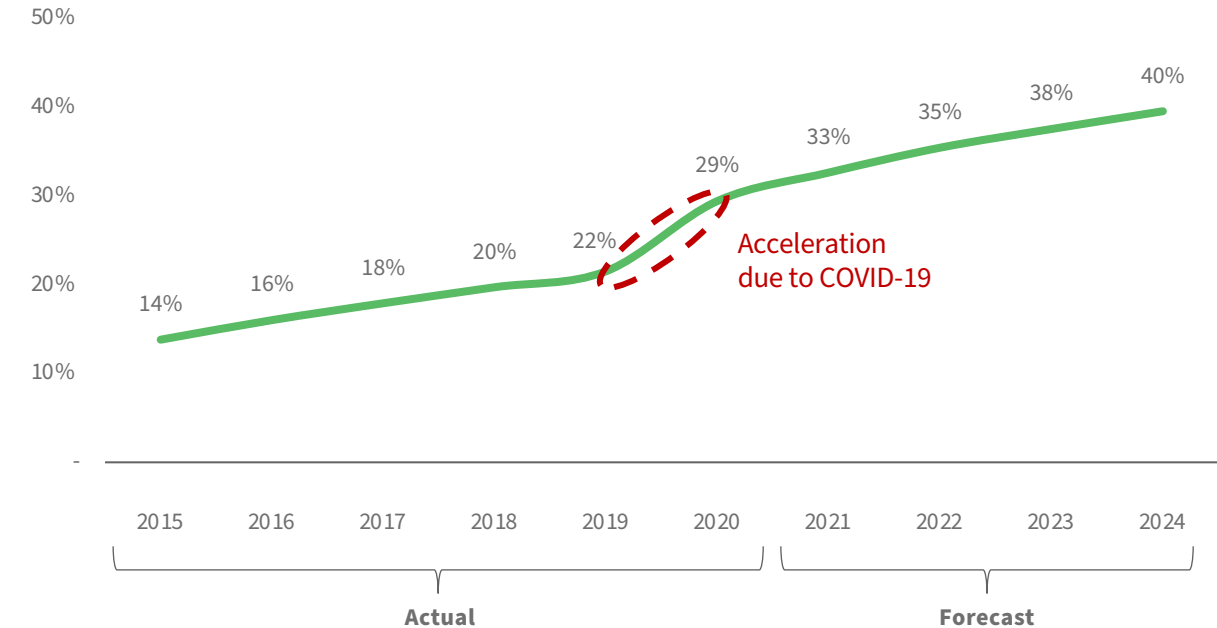
LARGE AND GROWING MARKET OPPORTUNITY

Sales of core bathroom products and bathroom accessories in the UK

Market value (£bn inclusive of VAT)



UK home improvement and gardening e-commerce penetration⁽¹⁾



KEY TRENDS



Online and virtual shopping here to stay



Innovation and technological advancements



New generation of DIYers emerging



Shift towards renovations



Recovering consumer confidence



More time spent at home



Home as a 'hub and nest'



Government incentives

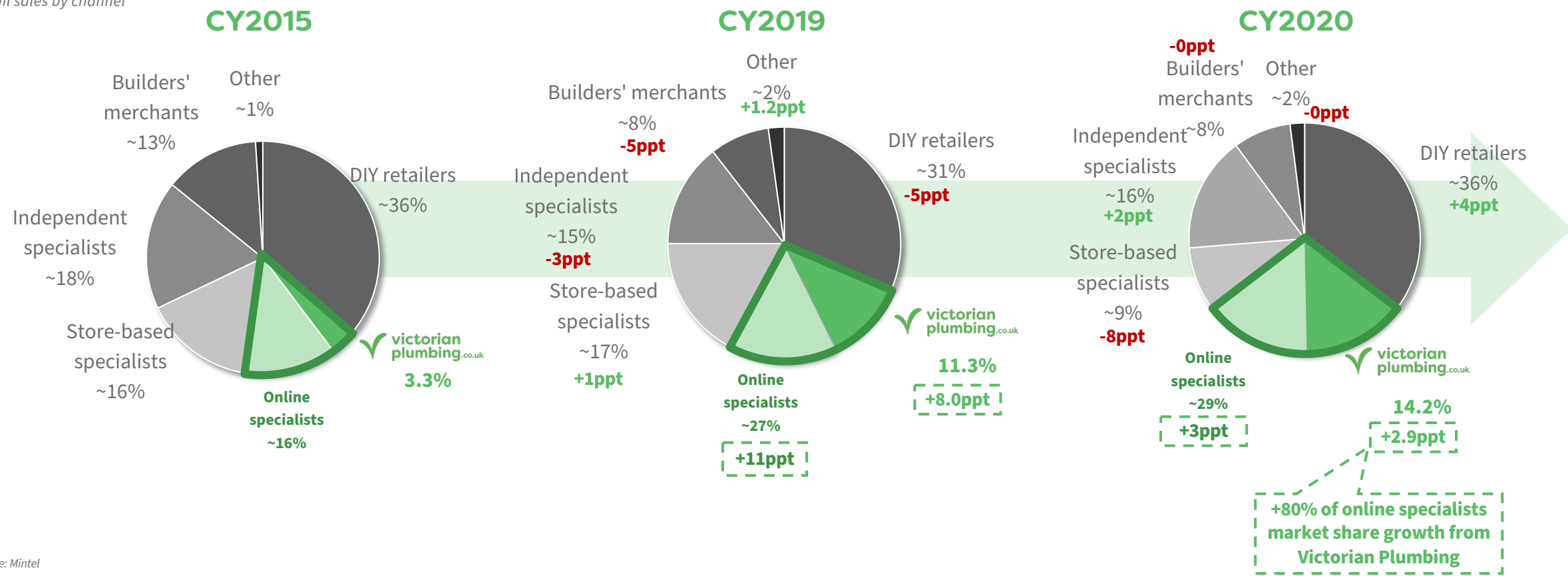
 **victorian plumbing**.co.uk

Source: Euromonitor, Mintel
Note: (1) Penetration defined as e-commerce share % of total sales (value)

30

ONLINE SPECIALISTS ARE TAKING MARKET SHARE, WITH VICTORIAN PLUMBING TAKING AN OUTSIZED SHARE

Retail sales by channel

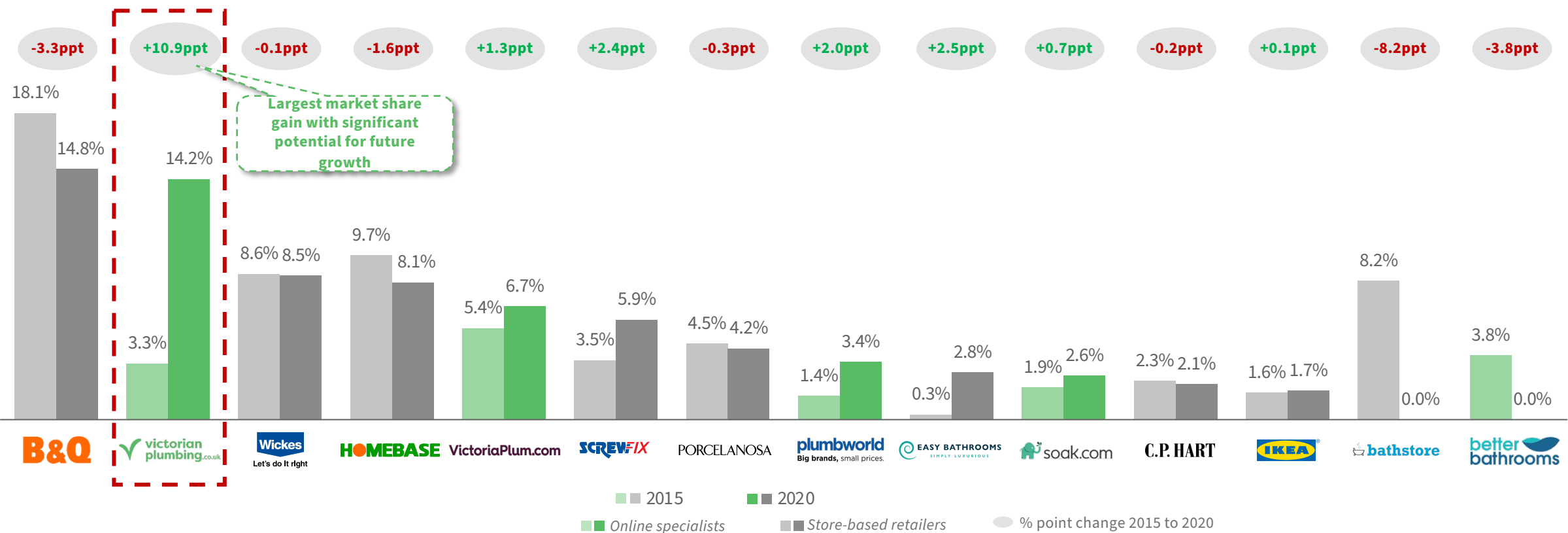


Source: Mintel

VICTORIAN PLUMBING IS THE ONLINE MARKET LEADER

Rapid market share expansion to become #1 online bathroom brand in the UK and #1 specialist bathroom brand

Market share of bathrooms by revenue

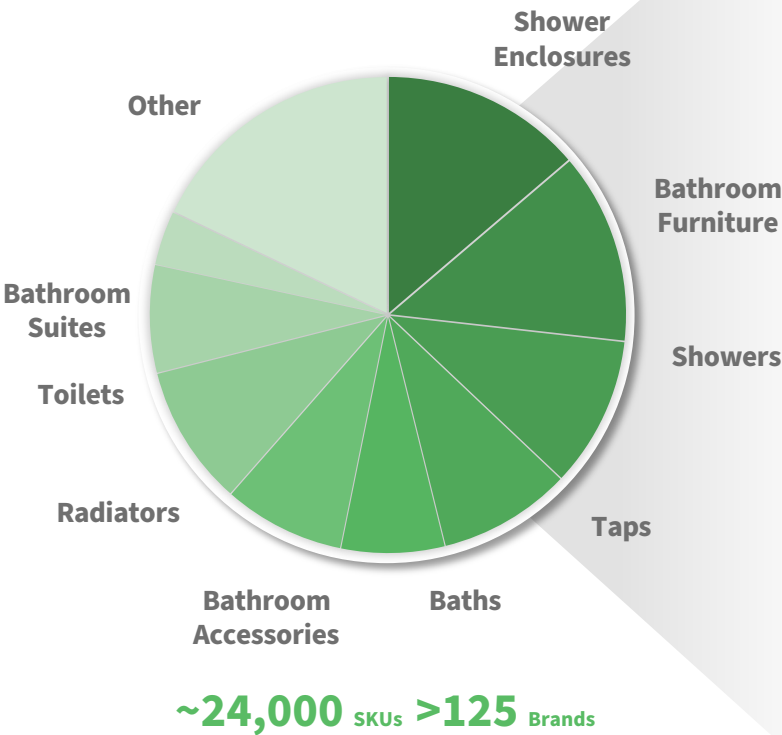


Superior customer value, extensive range and high quality online experience driving market share gains

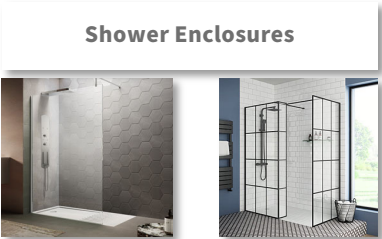
Source: Mintel – calendar years 2015 and 2020

ONE-STOP SHOP FOR A CUSTOMER'S BATHROOM NEEDS

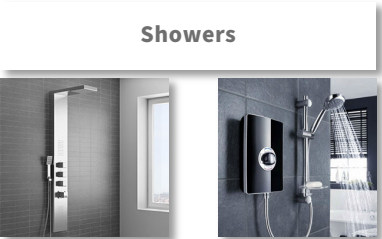
FY21 Revenue⁽¹⁾ by product category



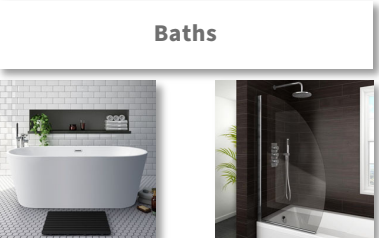
~3,200 SKUs 51 Brands



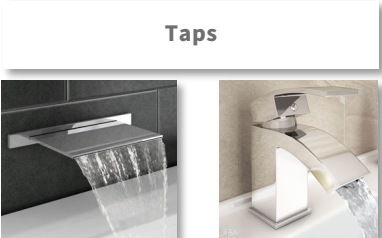
~2,600 SKUs 39 Brands



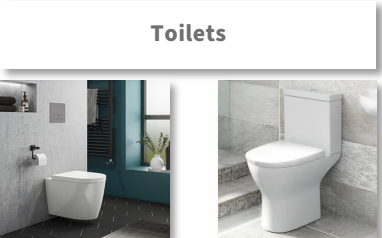
~2,500 SKUs 42 Brands



~1,350 SKUs 49 Brands



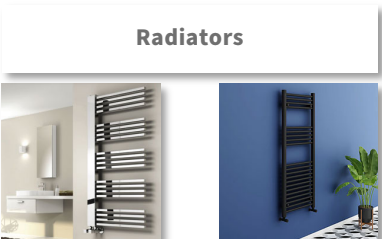
~2,800 SKUs 46 Brands



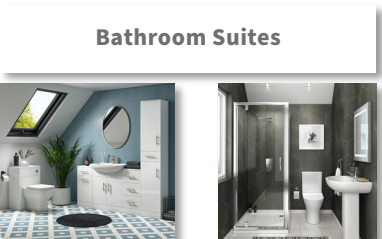
~1,050 SKUs 41 Brands



~4,250 SKUs 97 Brands



~1,150 SKUs 29 Brands

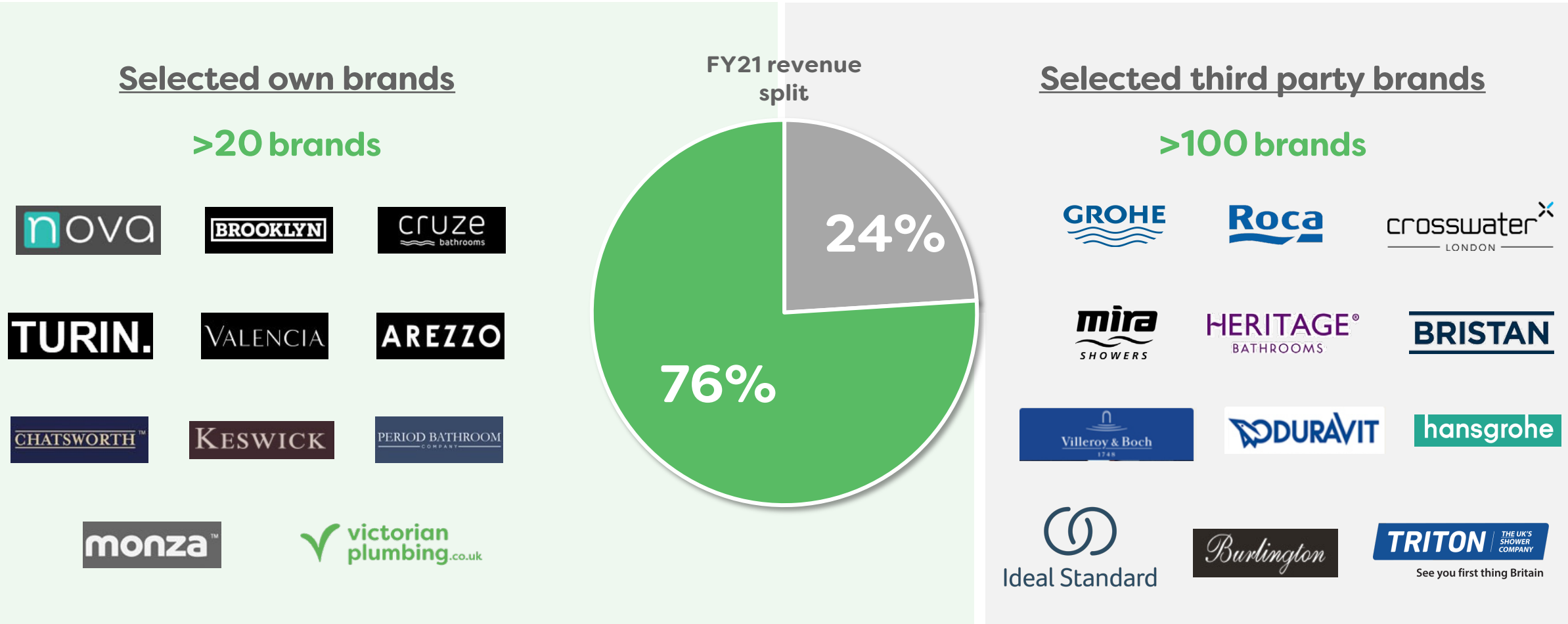


~950 SKUs 27 Brands

Source: Company information (unless stated otherwise)
Notes: (1) Revenue is recorded on a dispatched basis

STRONG STABLE OF OWN & 3RD PARTY BRANDS

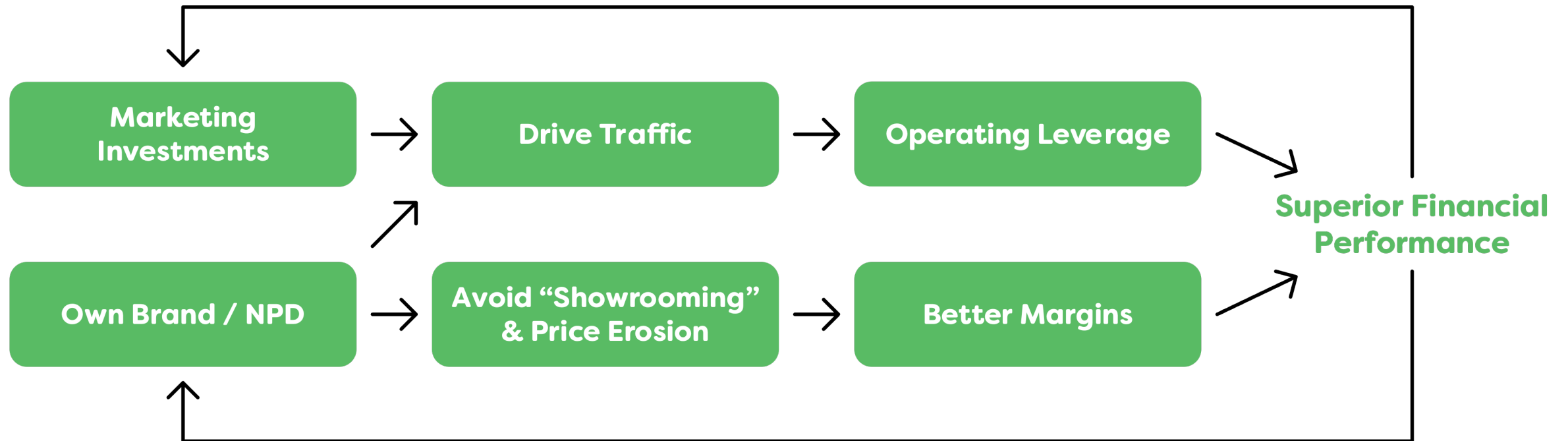
Own brand gross margin significantly higher than third party brands



Source: Company information

OUR BUSINESS MODEL

Victorian Plumbing's business model benefits from a virtuous cycle of investments in NPD & marketing building competitive moats



Source: Company information

