

Victorian Plumbing Group plc

# Full Year Results Presentation

Year ended  
30 September 2022

6 December 2022



# AGENDA

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

## Today's speakers



# OVERVIEW

- ✓ Results ahead of expectations in a challenging environment and now the **UK's No. 1 retailer** for bathroom products across both online and offline channels
- ✓ Strategic increase in H1 marketing activity which led to market share gains
- ✓ Victorian Plumbing's key strengths remain; **market leader, industry leading margins, highly cash generative with a robust balance sheet**
- ✓ Utilising these strengths allowing us to take further market share
- ✓ Our **well-defined strategy** remains focused on: core B2C, trade, and adjacent products
- ✓ Board proposing maiden ordinary full year dividend and an additional special dividend
- ✓ **Continued confidence in medium-term** targets and the growth opportunity

# FY22 FULL YEAR RESULTS



# FINANCIAL HIGHLIGHTS

**£269m**

**Revenue** of £269.4m, in line with prior year; stronger H2 with revenue growth of +6%. Revenue growth +78% vs FY19 (pre Covid)

**45%**

**Gross profit** reduced to £121.0m (2021: £130.5m) with **Gross profit margin** reducing by 4ppt to 45% (2021: 49%) although improving in H2 by 1ppt

**£19.5m**

**Adjusted EBITDA** ahead of expectations £19.5m (2021: £40.1m) with **Adjusted EBITDA margin** reducing by 8ppt to 7% (2021: 15%)

**£45.5m**

**Robust, debt-free balance sheet** with closing **net cash of £45.5m** (2021: £32.7m)

**73%**

Free cash flow<sup>(1)</sup> of £14.3m (2021: £32.6m) with strong **cash conversion**<sup>(2)</sup> of 73% (2021: 81%)

**2.8p**

The board is proposing a maiden dividend totalling 2.8p per share, consisting of an **ordinary full year dividend of 1.1p** per share and a **special dividend of 1.7p** per share with a total cash distribution of £9.0m

# OPERATIONAL HIGHLIGHTS

**880k**

**Total orders** of 880,000 down 3% (2021: 906,000), with an increase of +2% in H2

**£306**

**Average order value** up 3% to £306 (2021: £296)

**28%**

**Marketing spend as a percentage of revenue** increased to 28% (2021: 26%) in line with strategy and enabling us to take market share

**25%**

**Trade revenue** grew by 25% to £52.8m (2021: £42.1m), representing 20% of total revenue (2021: 16%)

**4.5**

Trustpilot rating of '**Excellent**' with an increased **average score of 4.5** (2021: 4.3)



# INCOME STATEMENT

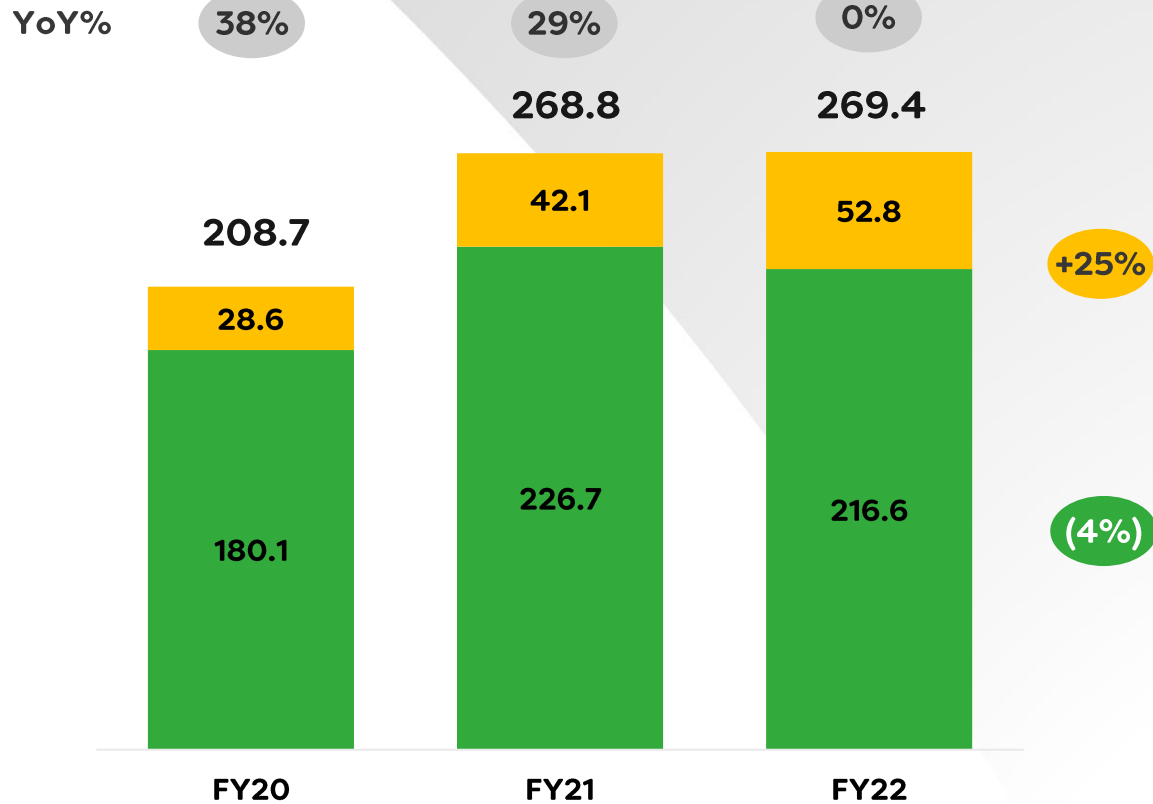
Strong H2 with Revenue and Adjusted EBITDA for the year ahead of expectations

Income statement (£m)	FY22	FY21	YoY %
<b>Revenue</b>	<b>269.4</b>	<b>268.8</b>	<b>0%</b>
Cost of sale	(148.4)	(138.3)	(7%)
<b>Gross profit</b>	<b>121.0</b>	<b>130.5</b>	<b>(7%)</b>
Marketing costs	(76.2)	(69.7)	(9%)
Other underlying costs	(25.3)	(20.7)	(22%)
<b>Adjusted EBITDA</b>	<b>19.5</b>	<b>40.1</b>	<b>(51%)</b>
Depreciation and amortisation	(3.5)	(3.0)	(17%)
Share-based payments	(3.9)	(7.7)	49%
Exceptional items	-	(9.4)	100%
Operating profit	12.1	20.0	(40%)
Interest	(0.3)	(0.3)	-
<b>Profit before tax</b>	<b>11.8</b>	<b>19.7</b>	<b>(40%)</b>
Tax	(2.6)	(5.4)	52%
<b>Profit after tax</b>	<b>9.2</b>	<b>14.3</b>	<b>(36%)</b>
<i>Gross Profit %</i>	<i>45%</i>	<i>49%</i>	<i>(4ppt)</i>
<i>Marketing costs as a % of revenue</i>	<i>28%</i>	<i>26%</i>	<i>(2ppt)</i>
<i>AEBITDA %</i>	<i>7%</i>	<i>15%</i>	<i>(8ppt)</i>
<b>Adjusted EPS (pence)</b>			
Basic	4.5	11.0	(59%)
Diluted	3.9	9.3	(58%)

- ✓ Revenue growth in H2 of +6%, full year broadly unchanged from FY21
- ✓ Margin improved in H2, through careful price increases, some benefit from reduced shipping rates offset partially by weaker \$ exchange rate
- ✓ Marketing spend higher in H1 reflecting a strategic increased investment to take market share. This normalised in H2
- ✓ Underlying cost increases: pay inflation; increased FTE's, increase in capacity and cost for short-term third-party warehouse space, annualisation of plc costs

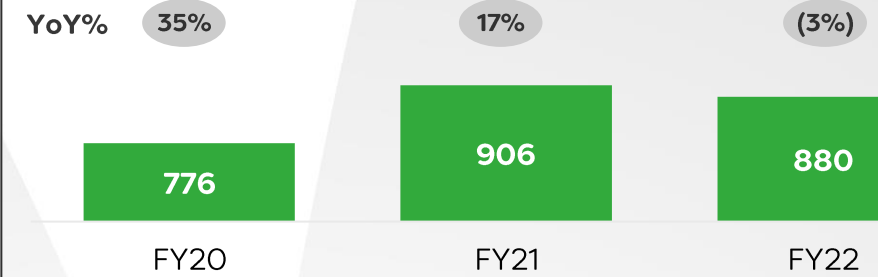
# REVENUE

## Revenue (£m)

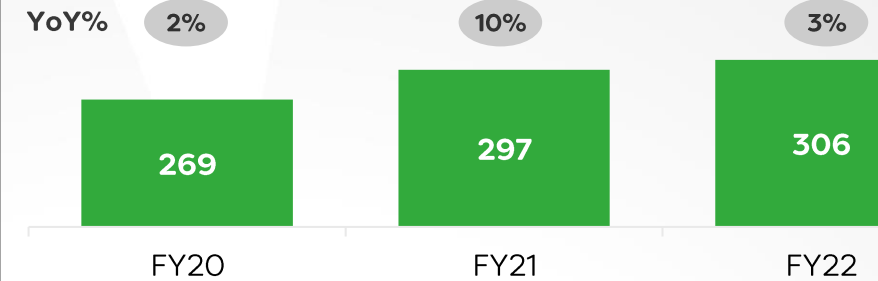


	FY20		FY21		FY22	
	H1 YoY%	H2 YoY%	H1 YoY%	H2 YoY%	H1 YoY%	H2 YoY%
Trade	+37%	+49%	+54%	+41%	+17%	+33%
B2C	+30%	+43%	+45%	+9%	(9%)	-

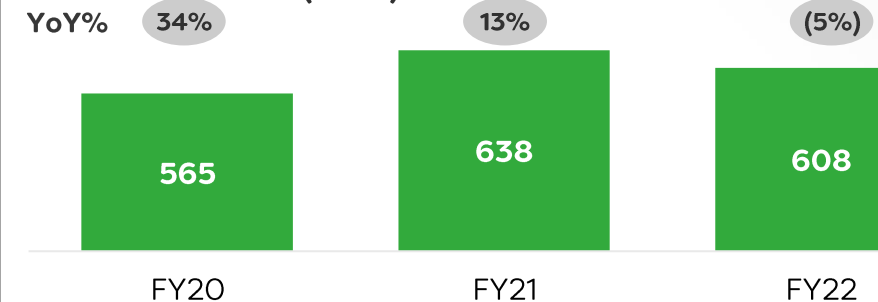
## Total orders ('000)



## Average order value (£)



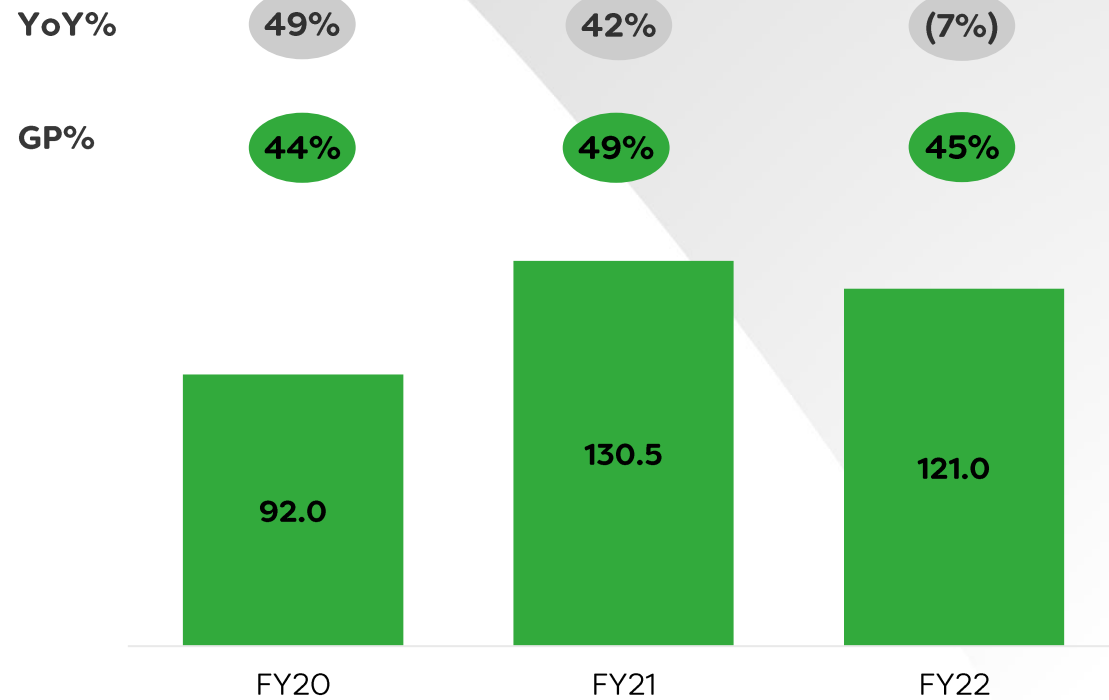
## Active customers ('000)





# GROSS PROFIT

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

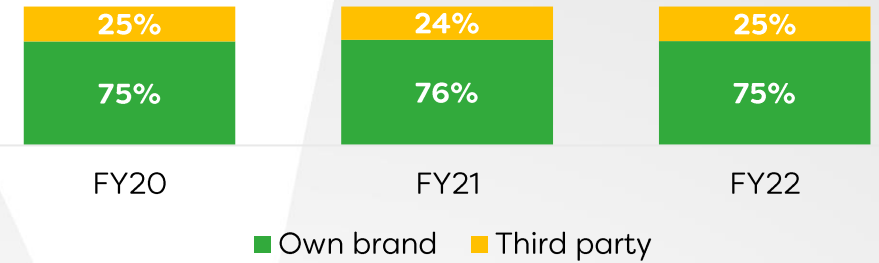


■ Gross profit

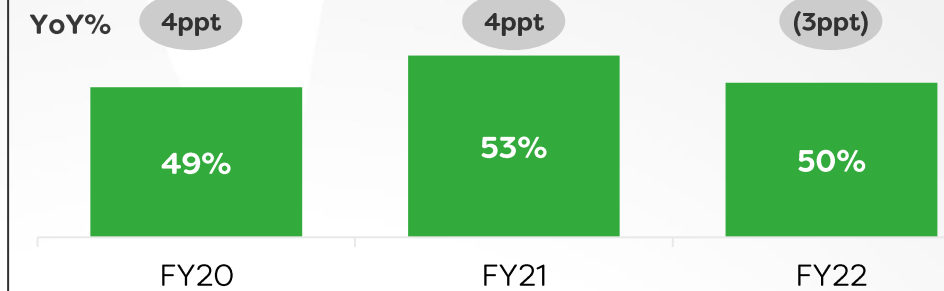
H1 GP % 43% 49% 44%

H2 GP % 45% 48% 45%

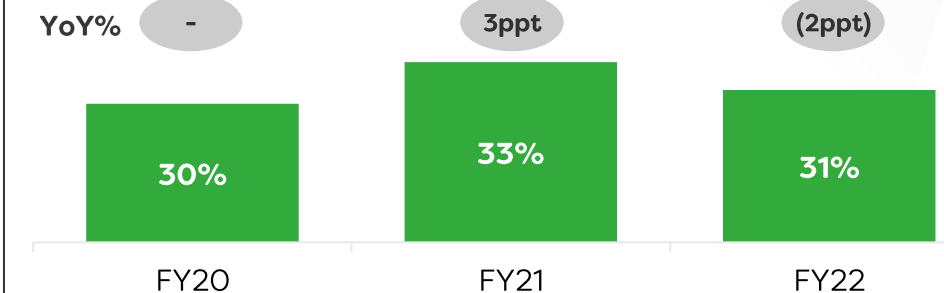
## % of revenue – own brand and 3<sup>rd</sup> party brands



## Gross profit – own brand margin %

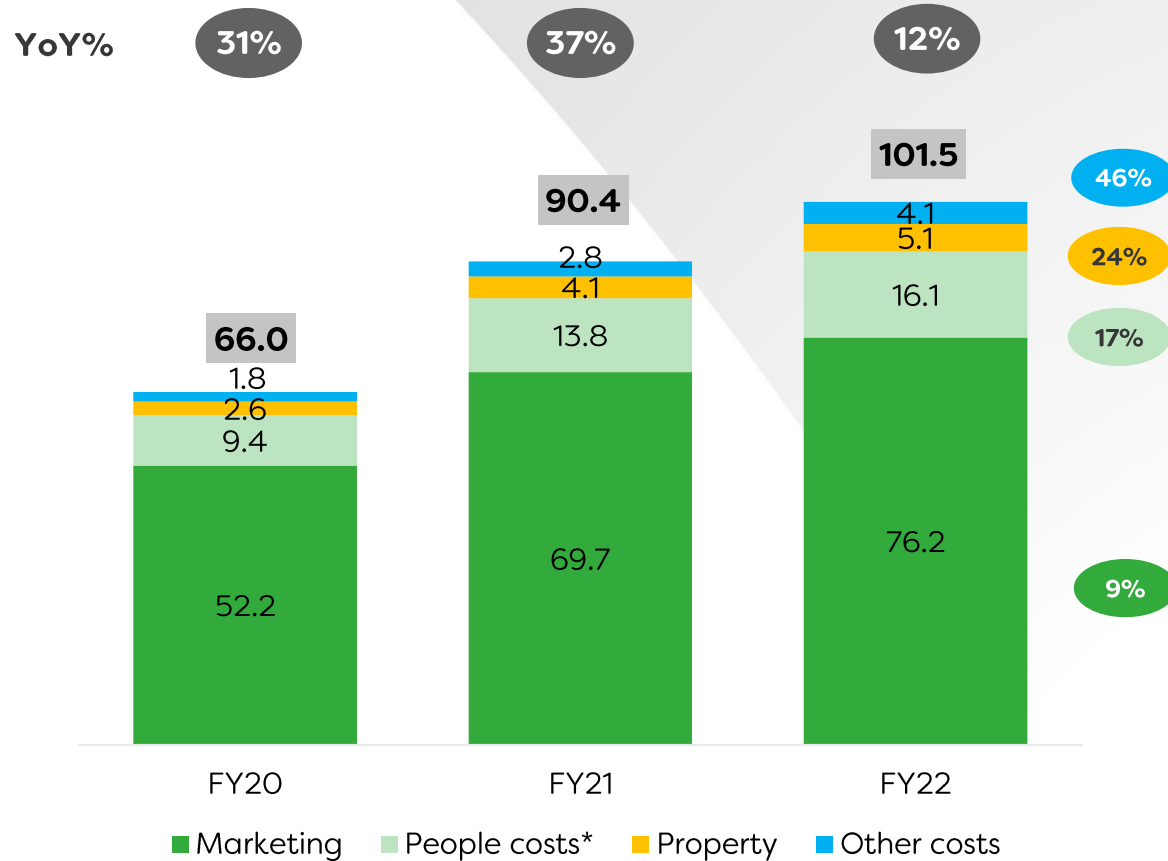


## Gross profit – 3<sup>rd</sup> party margin %



# UNDERLYING COSTS

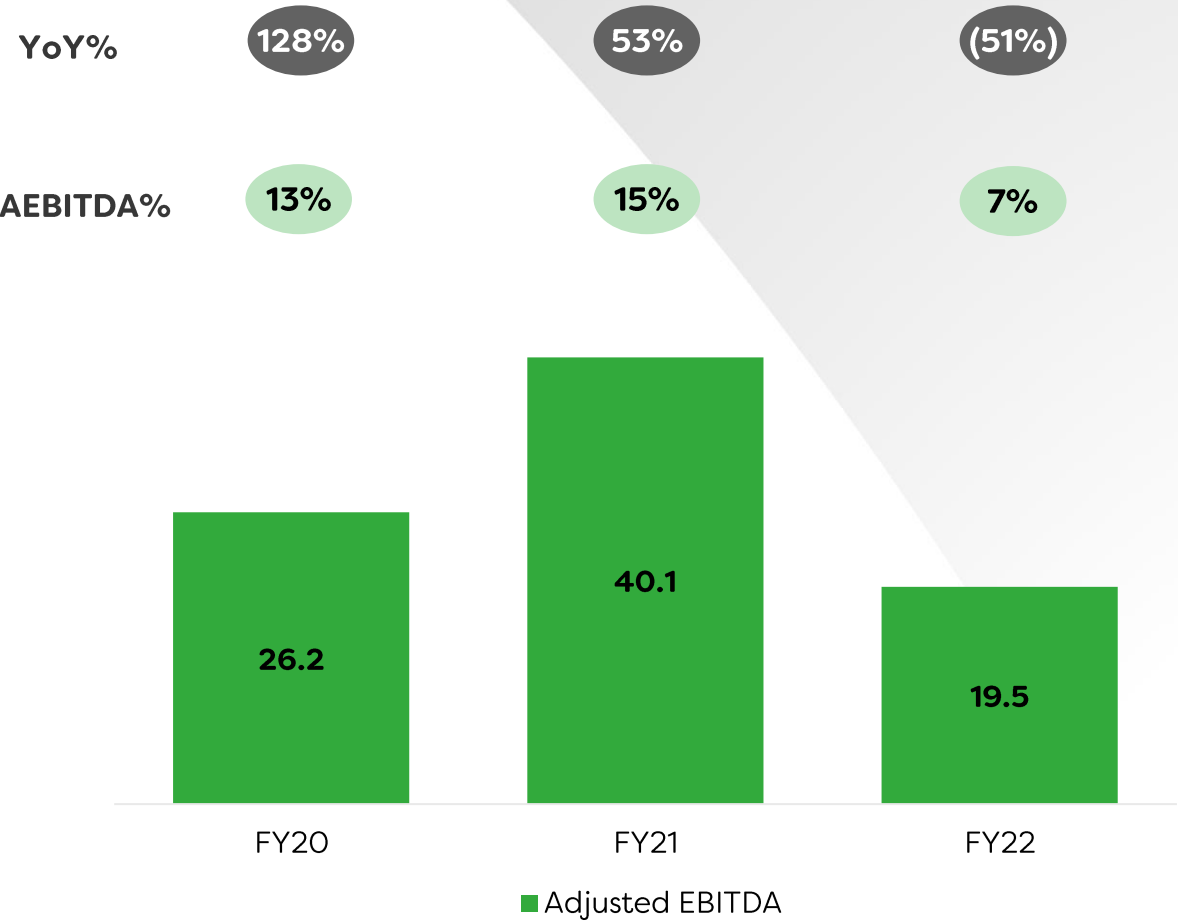
## Underlying costs (£m)



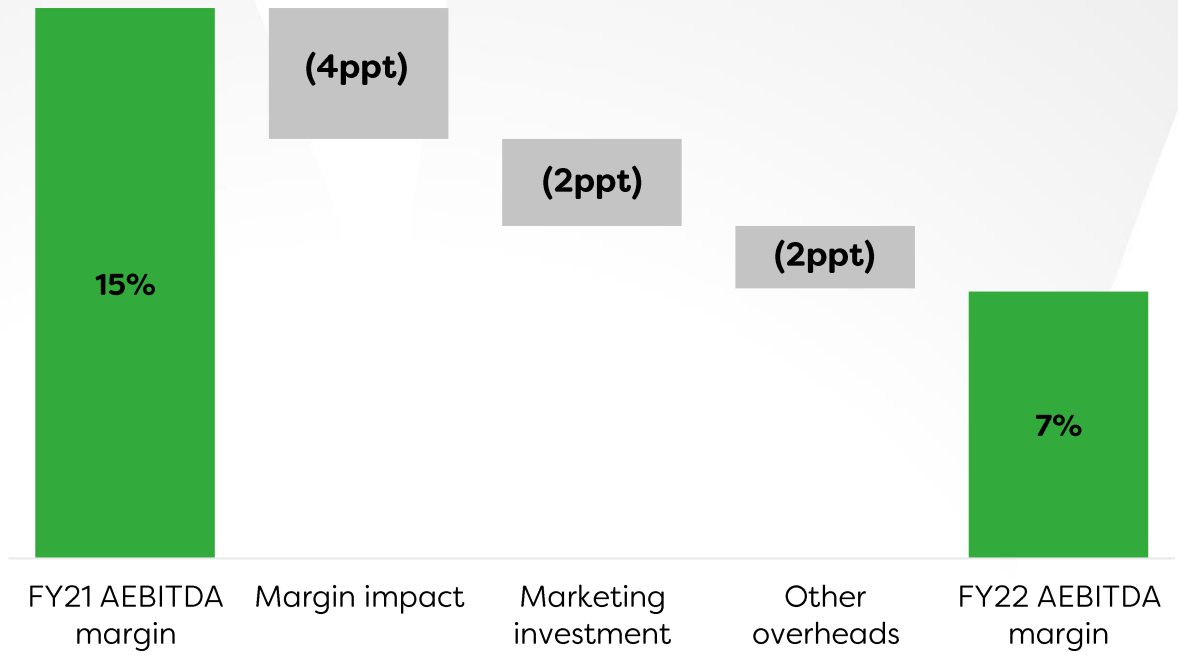
- ✓ **Marketing** – strategic investment decision in H1 to take market share in a period of lower demand. Spend normalised in H2. Significant market share gain in year
- ✓ **People** – ongoing pay inflation, increase in FTE's of 8% for warehouse and development teams, plus annualisation of plc costs.
- ✓ **Property** – increase in capacity and higher rates for short term third party warehouse space
- ✓ **Other** – annualisation of plc related costs plus additional website hosting costs

# ADJUSTED EBITDA

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



Adjusted EBITDA margin (%) bridge



# CASH FLOW STATEMENT

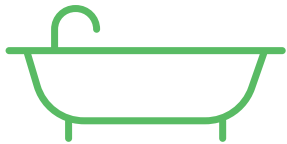
Cash flow statement	FY22	FY21
Adjusted EBITDA	19.5	40.1
Changes in working capital	(1.2)	(3.2)
<b>Cash gen. from ops. before exceptionals</b>	<b>18.3</b>	<b>36.9</b>
Cash flows from exceptionals	-	(9.1)
<b>Cash generated from operating activities</b>	<b>18.3</b>	<b>27.8</b>
Tax paid	(1.4)	(3.4)
<b>Net cash generated from operating activities</b>	<b>16.9</b>	<b>24.4</b>
Purchase of intangible assets	(2.6)	(1.8)
Purchases of PPE	(0.3)	(1.4)
Related party loans	-	5.9
<b>Cash used in investing activities</b>	<b>(2.9)</b>	<b>2.7</b>
Dividends	-	(14.9)
Finance arrangement fees	(0.1)	(0.1)
IPO proceeds net of costs	-	11.2
Lease payments (interest + principal)	(1.1)	(1.1)
<b>Net cash used in financing activities</b>	<b>(1.2)</b>	<b>(4.9)</b>
<b>Net increase in cash and cash equivalents</b>	<b>12.8</b>	<b>22.2</b>
Cash at the beginning of the year	32.7	10.5
Cash at the end of the year	45.5	32.7
<b>Free cash flow<sup>(1)</sup></b>	<b>14.3</b>	<b>32.6</b>
<b>Cash Conversion<sup>(2)</sup></b>	<b>73%</b>	<b>81%</b>

- ✓ The Group started the financial year with £32.7m of net cash
- ✓ Cash generated through EBITDA performance of £19.5m, offset by an investment in working capital of £1.2m
- ✓ Increased working capital relates primarily to carrying high stock volumes to ensure strong levels of product availability to customers
- ✓ Increase in net cash of £12.8m
- ✓ Closing net cash £45.5m. £10m RCF undrawn
- ✓ Proposed ordinary full year dividend of 1.1p per share & special dividend of 1.7p per share. Total cash distribution of £9.0m to be paid in March 2023 following AGM

# CAPITAL ALLOCATION

**Victorian Plumbing generates significant operating cashflows**

Underlying priority is to reinvest into the business and drive further profitable growth



Most growth opportunities do not require significant capital other than warehouse optimisation



Group intends to adopt a dividend policy aiming to maintain a dividend cover ratio of c. 3.0-3.5x



Where we have excess cash, we will consider further returns to shareholders



# STATEMENT OF FINANCIAL POSITION

Summary Statement of financial position	FY22	FY21	
Intangible assets	3.3	2.7	✓ Strong net assets position going into FY23
PPE & right of use assets	5.9	7.0	
Other non-current assets	0.8	-	✓ Intangible assets increase reflects investment of in-house development team
<b>Total non-current assets</b>	<b>10.0</b>	<b>9.7</b>	
Inventories	33.9	32.4	✓ Stock holding maintained to ensure strong availability for customers
Trade and other receivables	5.1	4.9	
Tax recoverable	-	1.0	
Cash and cash equivalents	45.5	32.7	✓ Cash of £45.5m with no external debt or associated interest costs
<b>Total current assets</b>	<b>84.5</b>	<b>71.0</b>	
<b>Non-current liabilities</b>	<b>4.1</b>	<b>5.0</b>	✓ Non-current liabilities relate to leases
Trade, other payables and provisions	38.1	36.1	✓ Trade and other payables increase in line with stock holding increase
Contract liabilities	7.1	7.9	
Current lease liabilities	0.9	0.9	
Corporation tax	0.3	-	✓ Contract liabilities is deferred revenue
<b>Total current liabilities</b>	<b>46.4</b>	<b>44.9</b>	
<b>Net assets</b>	<b>44.0</b>	<b>30.8</b>	
<b>Net Working Capital<sup>(1)</sup></b>	<b>(7.1)</b>	<b>(7.6)</b>	

# KEY DRIVERS AND STRATEGIC PROGRESS





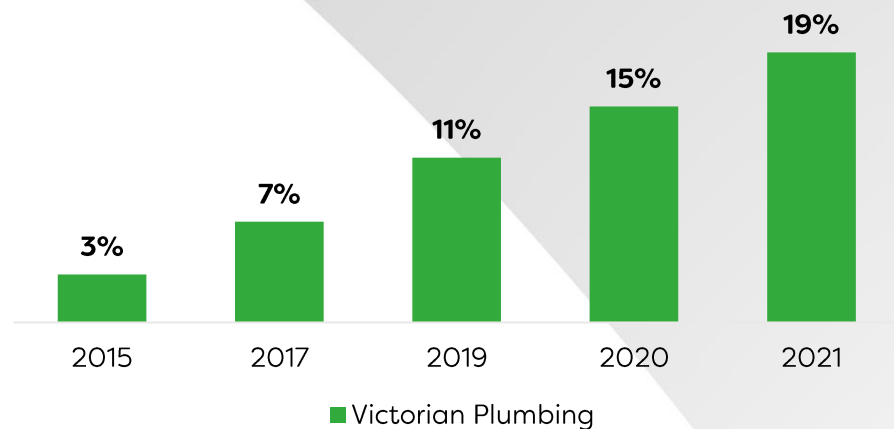
# OUR STRATEGY

We think about our strategy with reference to 3 horizons

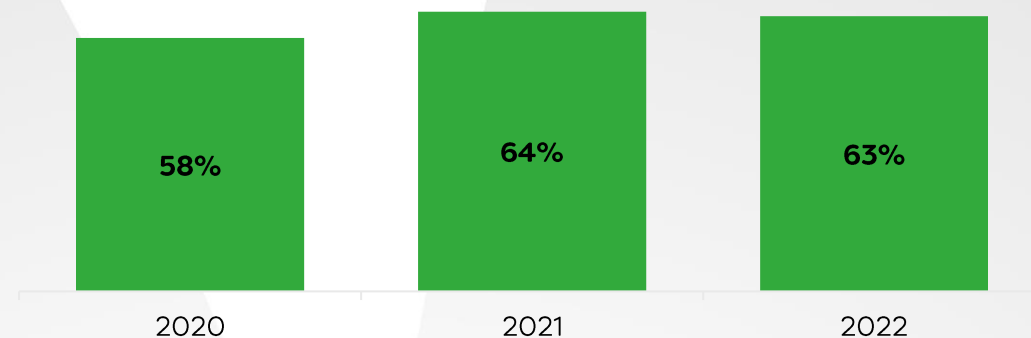


# WE ARE THE OVERALL MARKET LEADER

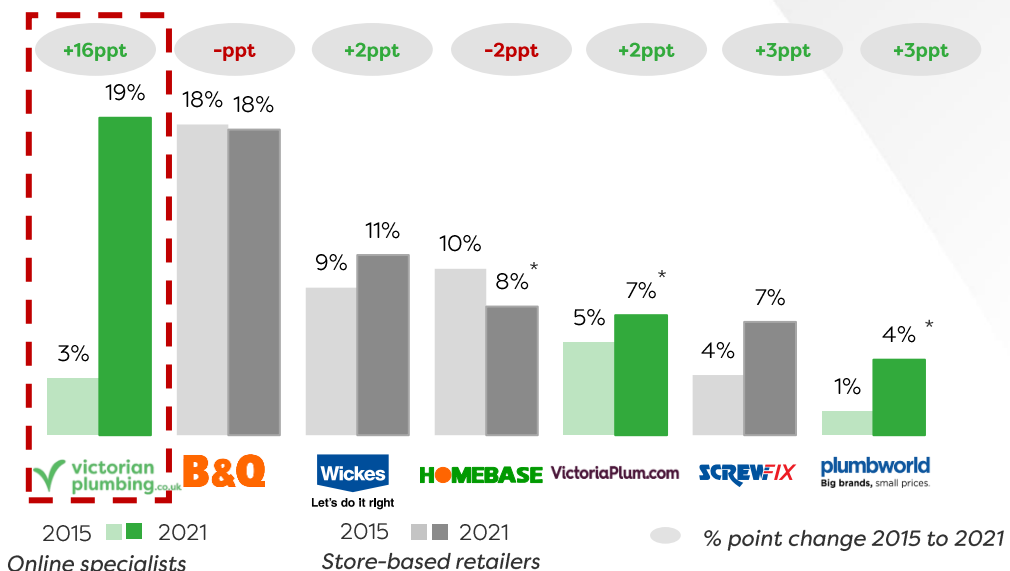
Market share by Revenue<sup>(1)</sup>



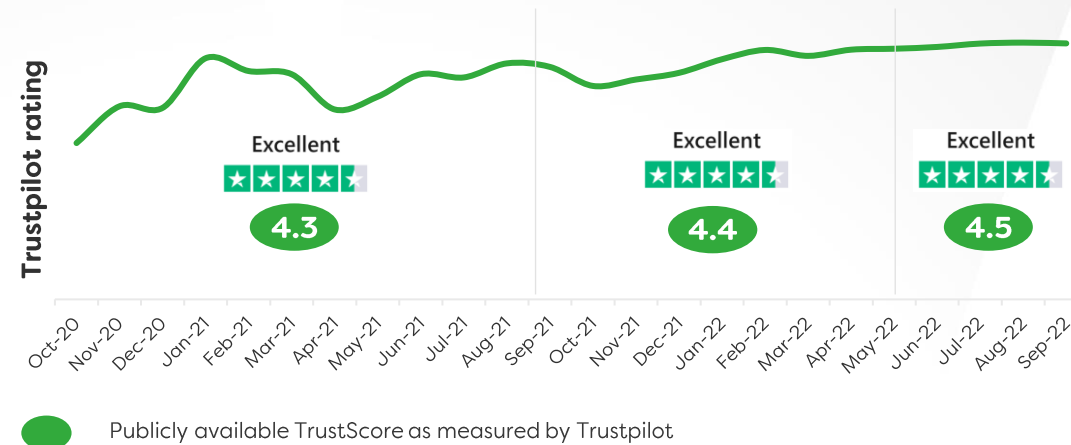
Brand awareness<sup>(3)</sup>



Market share of bathrooms by revenue<sup>(2)</sup>



Trustpilot rating<sup>(4)</sup>



(1) Source: Mintel  
 (2) Source: Mintel (\* 2021 revenue and share not available therefore 2020 share as per Mintel is shown)  
 (3) Prompted brand awareness measured in February each year by YouGov  
 (4) Average star rating from customer reviews made in the month

# BOLD CREATIVE MARKETING AND DEVELOPMENT OF TECHNOLOGY PLATFORM UNDERPINS FUTURE GROWTH

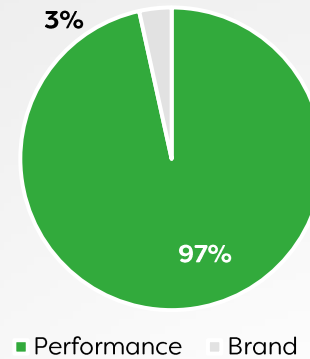
## Bold creative campaigns

- ✓ Target media audience, homeowners aged 25-55 years old
- ✓ Continued dominance in both Paid Search and Organic to drive efficient sales acquisition and resulting in increased market share
- ✓ Highest performing SEO channel of all competitors<sup>(1)</sup>
- ✓ Launched trade-specific radio advertising to test account acquisition strategies ahead of Trade App launch
- ✓ Our biggest ever creative advertising campaign launches in the final weeks of 2022, as part of our new creative brand platform



(1) SEMRush data – competitive positioning

Brand vs performance spend  
Year ended 30 September 2022



## Technology platform

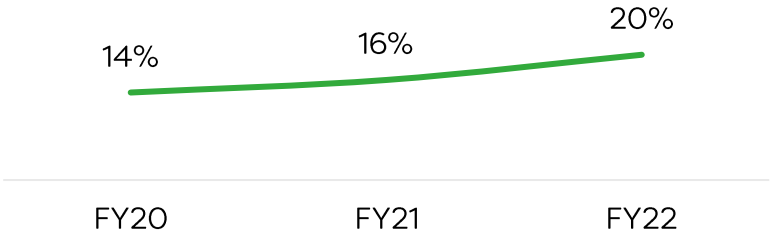
- ✓ Re-platform of the website is imminent which will allow more incremental changes that we can test at speed
- ✓ 3D bathroom planner gives customers the ability to view products within their bathroom space prior to purchase
- ✓ Release of Trade App will follow on from re-platform of the website building on much of the same logic
- ✓ Pricing and Promotion management system will allow us to make changes efficiently
- ✓ Purchasing and forecasting applications provide greater visibility and efficiency in our stock ordering process

# PROGRESS IN KEY STRATEGIC AREAS

## Trade

- ✓ Competitive discounts for trade consumers alongside dedicated account management encourages a high repeat rate amongst our trade customers (FY22: 82%, FY21: 76%)
- ✓ Increase in range of smaller plumbing parts to become a one-stop shop for trade
- ✓ Work on trade app close to completion to increase engagement and efficiency for trade customers

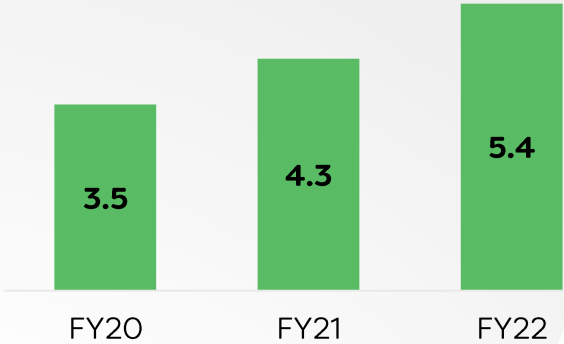
Trade revenue as % of total revenue



## Adjacent Categories



Tiles & Lighting Revenue (£m)



- ✓ Increase in tile (+56%) and lighting (+53%) offerings as we increase our supplier base alongside in house design
- ✓ Increased prominence on site once new website is rolled out to showcase our strong adjacent offering
- ✓ Increase in warehouse space will facilitate growth
- ✓ Introduction of other products such as instant hot water taps that are not solely bathroom related

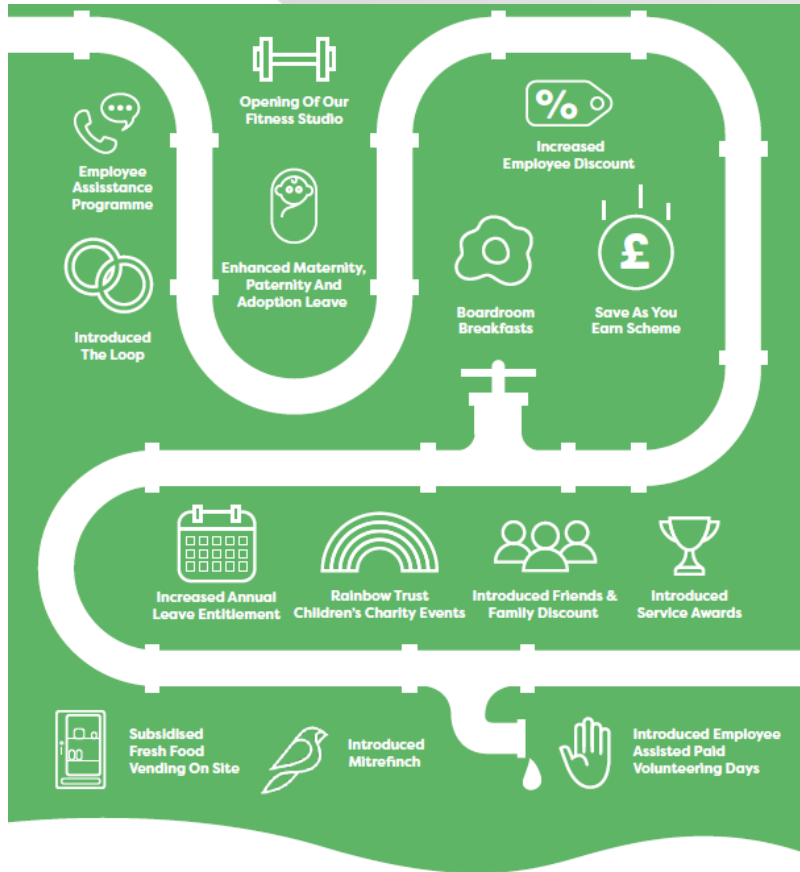
# SUPPLY CHAIN AND WAREHOUSE

- ✓ Far East team allows us to proactively manage our key supplier relationships in those regions
- ✓ High container costs seen in the previous 18 months have started to reduce although currently partially offset by FX
- ✓ Minimal exposure to current energy inflationary pressures with energy costs across the business of just c.£0.4m
- ✓ Good progress on securing new warehouse facilities to support efficiency opportunities and future capacity growth





# PEOPLE



**PlumbedIn**  
Is Making Waves



Eyecare Vouchers, Free Eye Test.

Free On Site Parking

Free Tea And Coffee Facilities



We have a values-oriented culture that underpins our business performance and we work hard to promote these values



Employee engagement team established in the year has helped to deliver a series of improved benefits and methods of communication



Increased response rate in annual survey as well as significantly higher score<sup>(1)</sup> to the question of “Are You proud to work at VP” (2022: 72%, 2021: 58%)



We are driven to do even more to ensure all our people feel proud to be part of the Victorian Plumbing team

# MAKING A SPLASH IN ESG

We are progressing on our ESG journey with a continued focus on three core strategic areas



## Governance and ethics

- ✓ Board continually assesses its compliance with the Code
- ✓ Ongoing supplier audit programme in China
- ✓ Suite of policies and tools to further strengthen organisational governance and controls 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
- ✓ Significant YoY increase in engagement and positive responses in our annual employee survey
- ✓ 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 with an increase due to a full year of operating out of a larger warehouse space
- ✓ Scope 3 emissions are being assessed for FY21 to provide a baseline from which we can 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 AND OUTLOOK

## Continued trading momentum

- ✓ The Group has had a strong start to FY23 with 10% revenue growth to date, whilst maintaining H2 gross profit margin and with lower marketing spend versus the comparative period last year
- ✓ We are conscious of the current macroeconomic conditions and will continue to monitor consumer behaviour and tailor our pricing and marketing approach accordingly
- ✓ Our strong balance sheet is an advantage in the current market, supporting being bold in our marketing and investing in stock as we deal with the near-term uncertainty
- ✓ We continue to focus on our long-term goals and are making good progress on all of our strategic growth areas. Underpinned by our market share gains we are confident in the future growth prospects of the Group.

# 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.

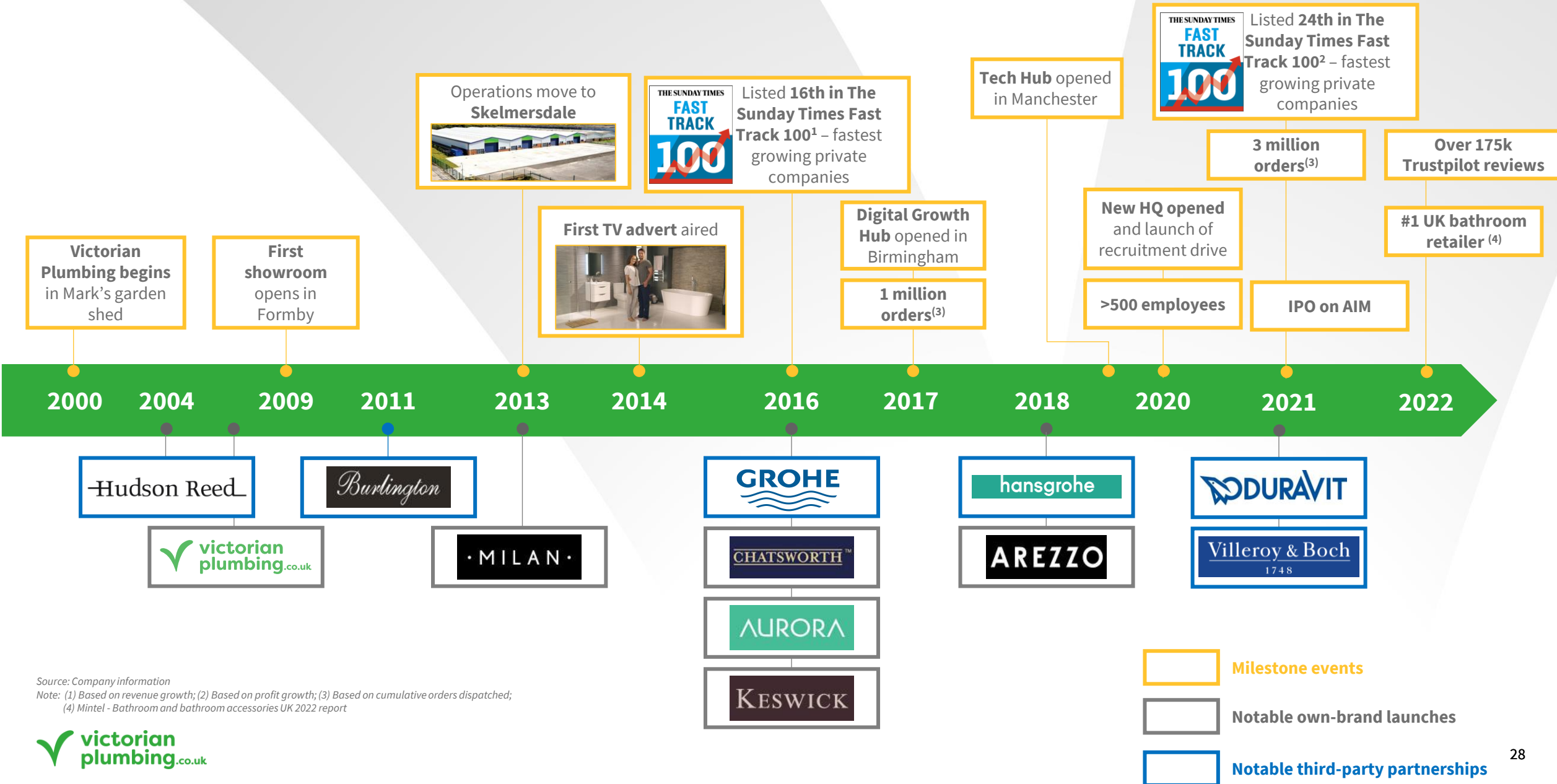
Such forward looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those expressed or implied by such forward looking statements. These risks and uncertainties include, among other factors, changing economic, financial, business or other market 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

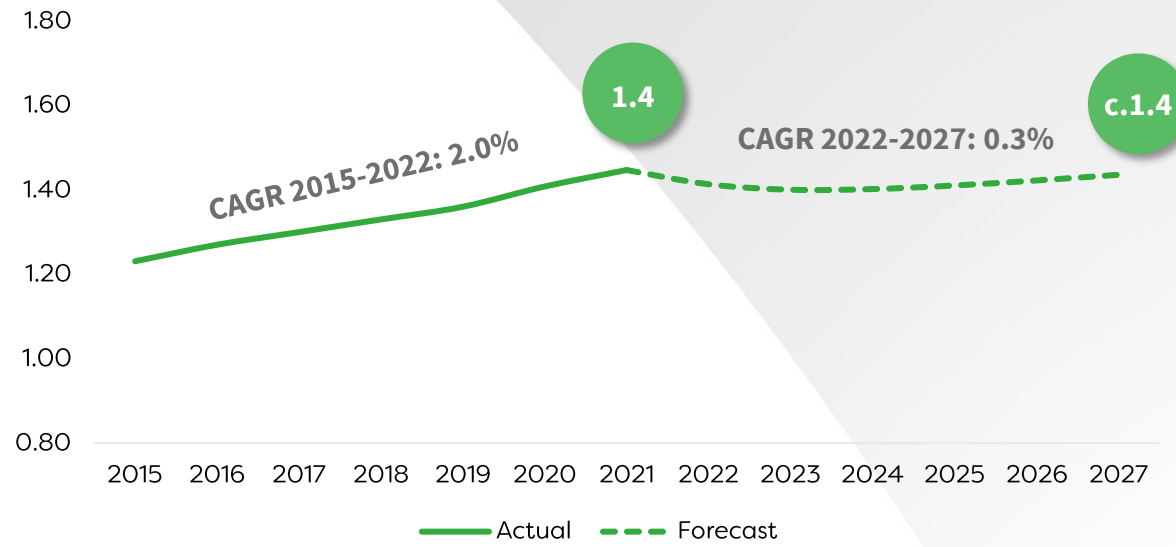
Note: (1) Based on revenue growth; (2) Based on profit growth; (3) Based on cumulative orders dispatched;

(4) Mintel - Bathroom and bathroom accessories UK 2022 report

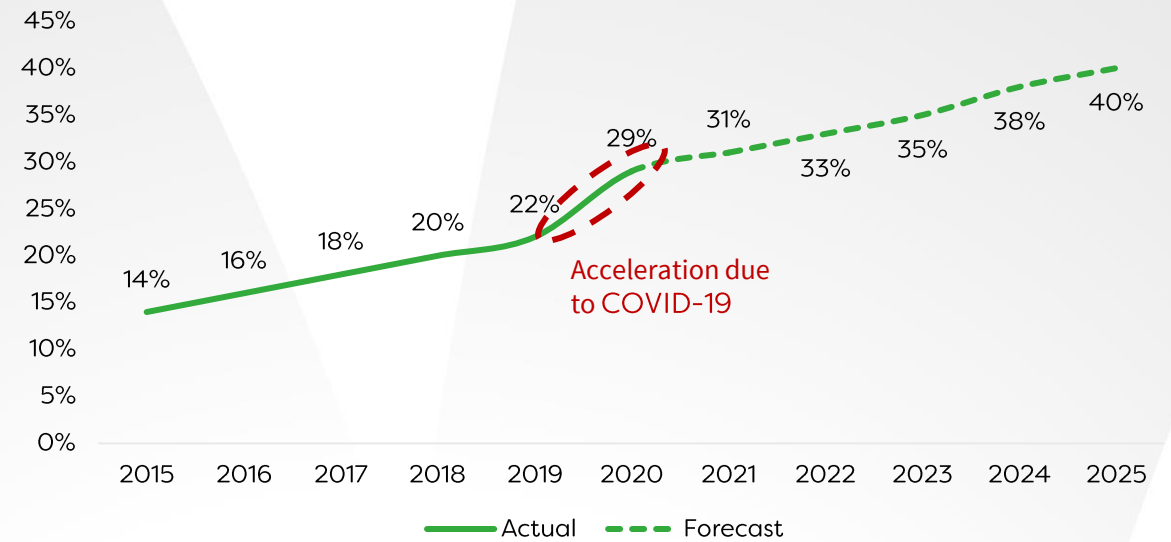
# LARGE AND GROWING MARKET OPPORTUNITY

## 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<sup>(1)</sup>



## KEY TRENDS



Online and virtual shopping here to stay



Innovation and technological advancements



New generation of DIYers emerging



Shift towards renovations



More time spent at home



Home as a 'hub and nest'

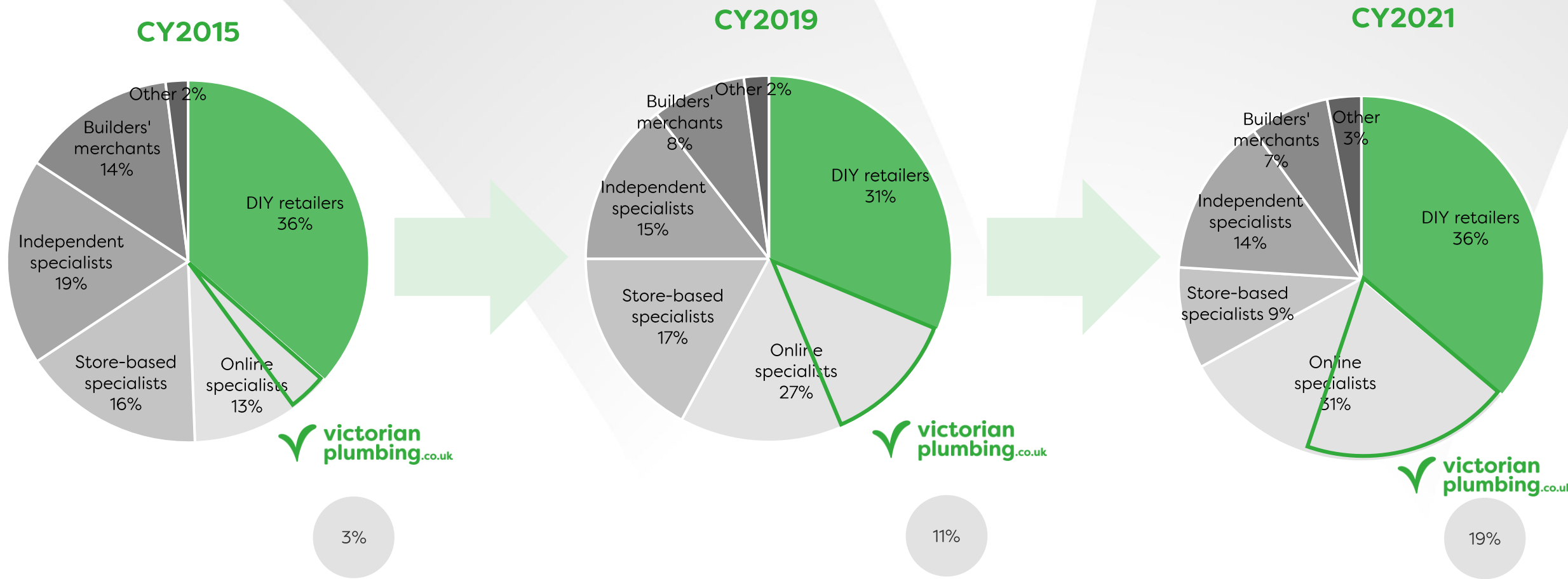


Government incentives



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

Retail sales by channel

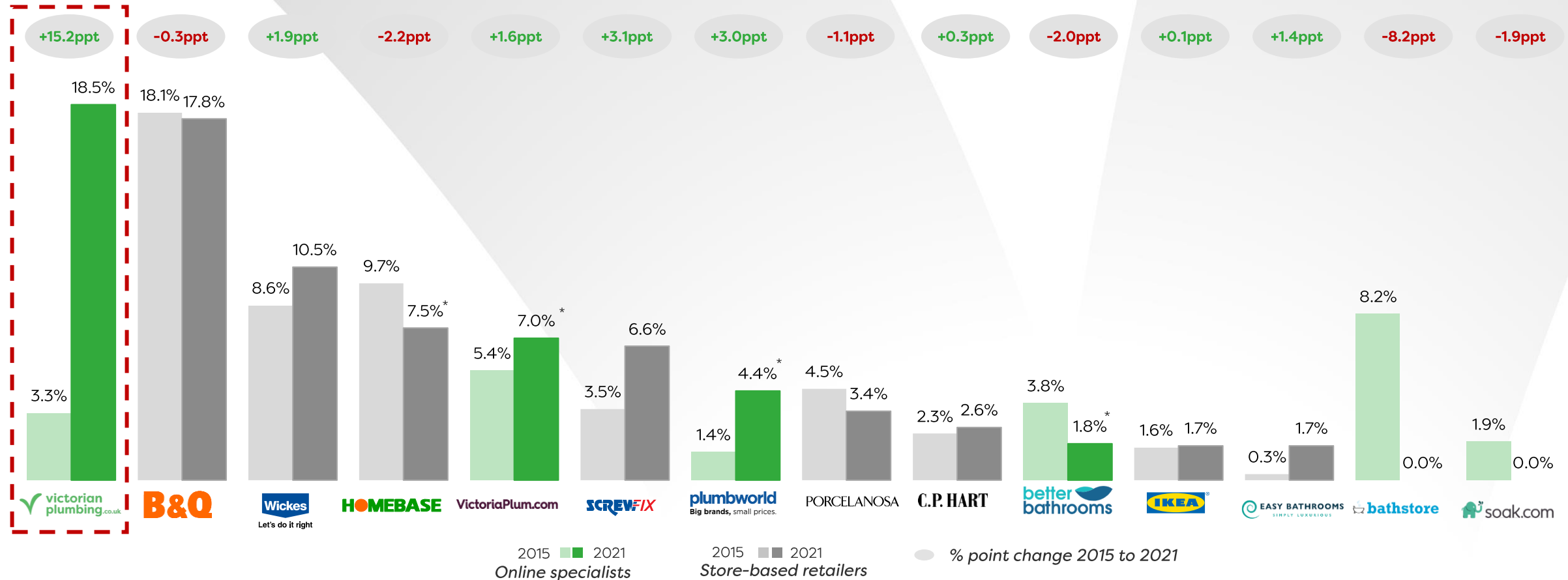


Source: Mintel

# VICTORIAN PLUMBING IS THE ONLINE MARKET LEADER

Rapid market share expansion to become No. 1 online specialist bathroom brand and now also the UK's No. 1 retailer for bathroom products across both online and offline channels

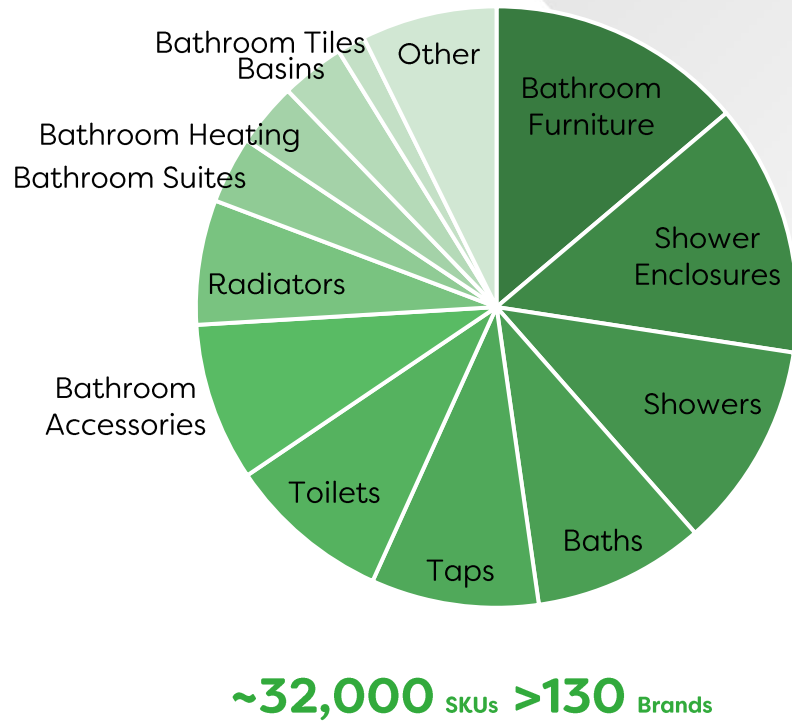
Market share of bathrooms by revenue<sup>(1)</sup> (2015 versus 2021)



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

# ONE-STOP SHOP FOR A CUSTOMER'S BATHROOM NEEDS

FY22 Revenue<sup>(1)</sup> by product category



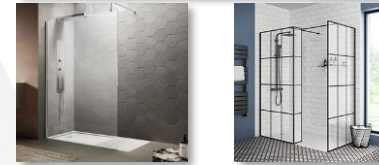
Source: Company information (unless stated otherwise)  
Notes: (1) Revenue is recorded on a dispatched basis

Bathroom Furniture



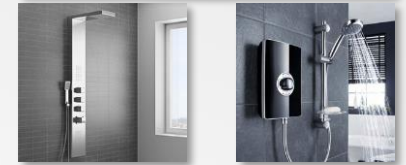
~3,500 SKUs 52 Brands

Shower Enclosures



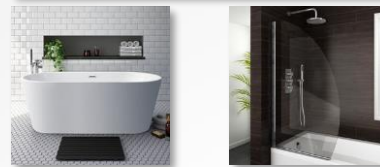
~1,900 SKUs 35 Brands

Showers



~2,100 SKUs 39 Brands

Baths



~1,200 SKUs 49 Brands

Taps



~3,500 SKUs 46 Brands

Toilets



~1,700 SKUs 41 Brands

Bathroom Accessories



~4,250 SKUs 97 Brands

Radiators



~1,900 SKUs 29 Brands

Bathroom Suites



~1,000 SKUs 27 Brands

# STRONG STABLE OF OWN & 3RD PARTY BRANDS

Own brand gross margin significantly higher than third party brands

## Selected own brands

>25 brands

nova

BROOKLYN

cruze  
bathrooms

TURIN.

VALENCIA

AREZZO

CHATSWORTH™

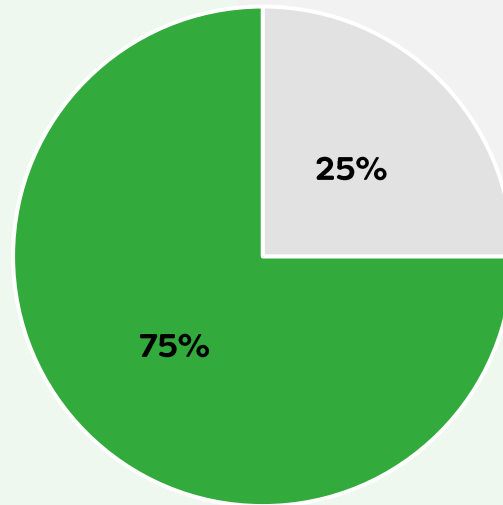
KESWICK

PERIOD BATHROOM  
COMPANY

monza™

victorian  
plumbing.co.uk

## FY22 revenue split



■ Own brand ■ Third party

## Selected third party brands

>100 brands

GROHE

Roca

crosswater<sup>x</sup>  
LONDON

mira  
SHOWERS

HERITAGE<sup>®</sup>  
BATHROOMS

BRISTAN

Villeroy & Boch  
1748

DURAVIT

hansgrohe

Ideal Standard

Burlington

TRITON  
THE UK'S SHOWER COMPANY  
See you first thing Britain

# OUR BUSINESS MODEL

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



