

Victorian Plumbing Group plc

HALF YEAR RESULTS

PRESENTATION

SIX MONTHS ENDED 31 MARCH 2024

28 MAY 2024

 **victorian
plumbing**.co.uk

INTERIM RESULTS PRESENTATION

AGENDA

- 1 Review of financials
- 2 Continued investment
- 3 Acquisition of Victoria Plum
- 4 Current trading & outlook
- 5 Q&A



Mark Radcliffe, CEO



Dan Barton, CFO

REVIEW OF FINANCIALS

FINANCIAL SUMMARY

CONTINUED CONSUMER SHIFT TOWARDS OWN BRAND PRODUCTS COMBINED WITH REDUCED SHIPPING COSTS TO INCREASE GROSS PROFIT MARGIN TO 50%, DRIVING A 33% INCREASE IN ADJUSTED EBITDA.

FINANCIAL SUMMARY

	H1 2024	H1 2023	YoY	YoY
	£m	£m		
Revenue	144.6	146.8	(2.2)	(1%)
Orders ('000)	494	482	12	2%
AOV (£)	293	305	(12)	(4%)
Gross profit	72.3	66.8	5.5	8%
Gross profit margin	50%	46%		4%pt
Adjusted EBITDA	13.2	9.9	3.3	33%
Adjusted EBITDA margin	9%	7%		2%pt
Adjusted PBT	11.5	8.2	3.3	40%
Adjusted PBT margin	8%	6%		2%pt
Adjusted PAT	8.7	6.3	2.4	38%
Adjusted diluted EPS (pence)	2.7	1.9	0.8	42%
Interim ordinary dividend (pence)	0.52	0.45	0.07	16%
Free cash flow ¹	8.6	6.5	2.1	32%
Operating cash conversion ²	65%	66%		(1%pt)

Order growth of 2%, against a subdued trading backdrop. Revenue down 1% - flat LFL when allowing for timing of Easter.

Continued shift towards own brand products and reduced shipping costs reflected in the gross profit margin increase of 4%pts to 50%.

Growth in adjusted EBITDA of 33% and 2%pt adjusted EBITDA margin progression to 9%.

Adjusted diluted EPS increased 42% to 2.7p, enabling declaration of interim ordinary dividend of 0.52p (+16%).

32% increase in free cash flow; operating cash conversion remained robust at 65%.

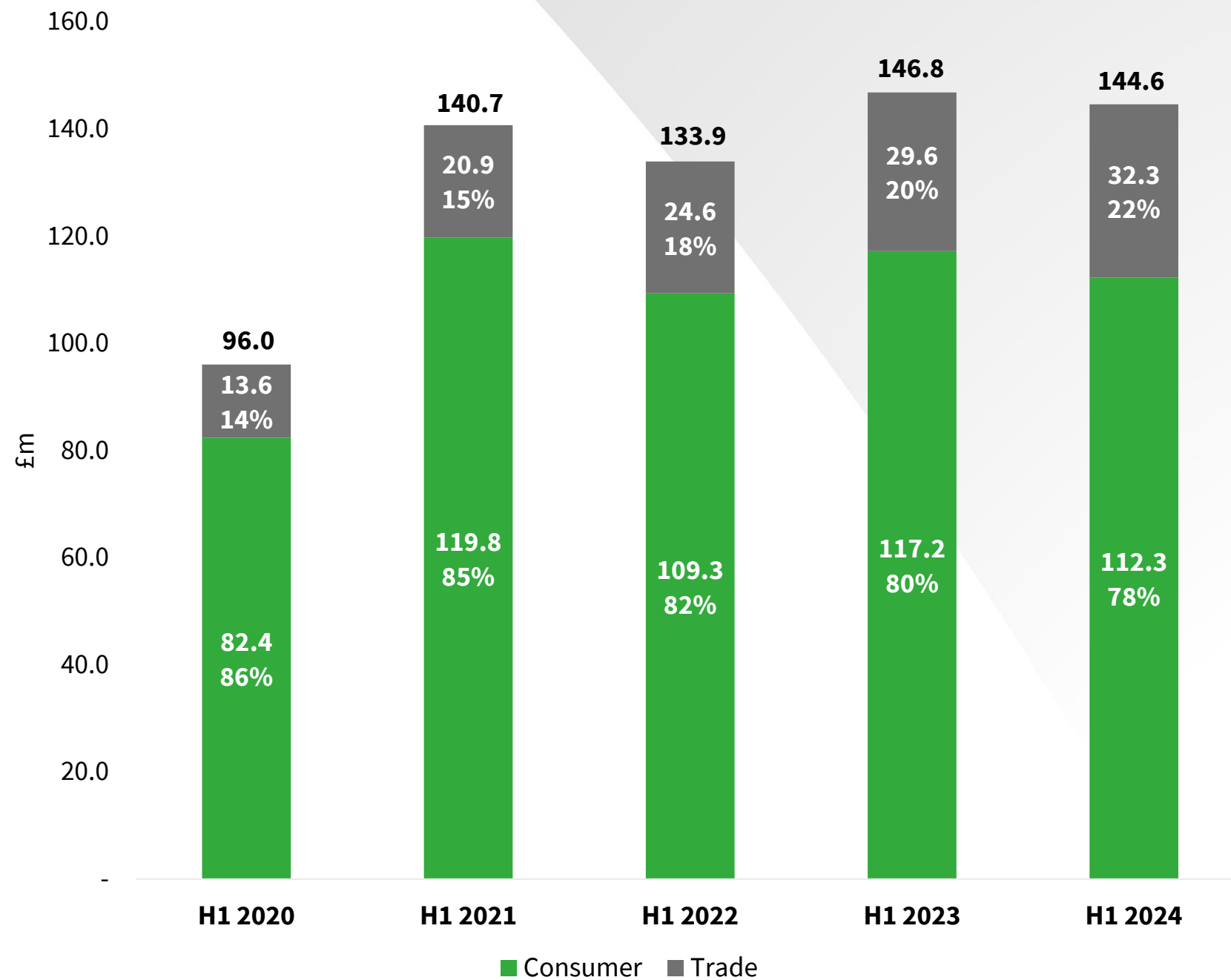
¹ Free cash flow is cash generated from operating activities before exceptional items and taxation less routine capital expenditure and cash flows relating to routine leases.

² Operating cash conversion is free cash flow as a percentage of adjusted EBITDA.

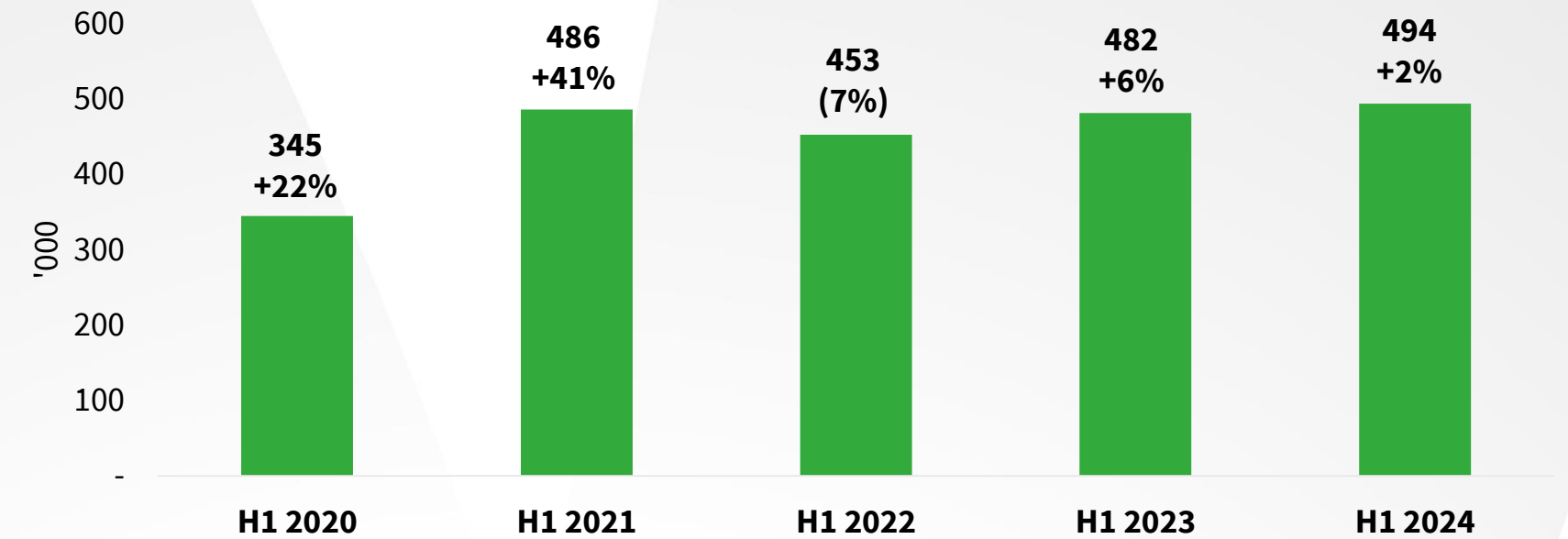
REVENUE – OVERALL

ORDER GROWTH OF 2% DELIVERING REVENUE OF £144.6M IN A CHALLENGING MACROECONOMIC ENVIRONMENT.

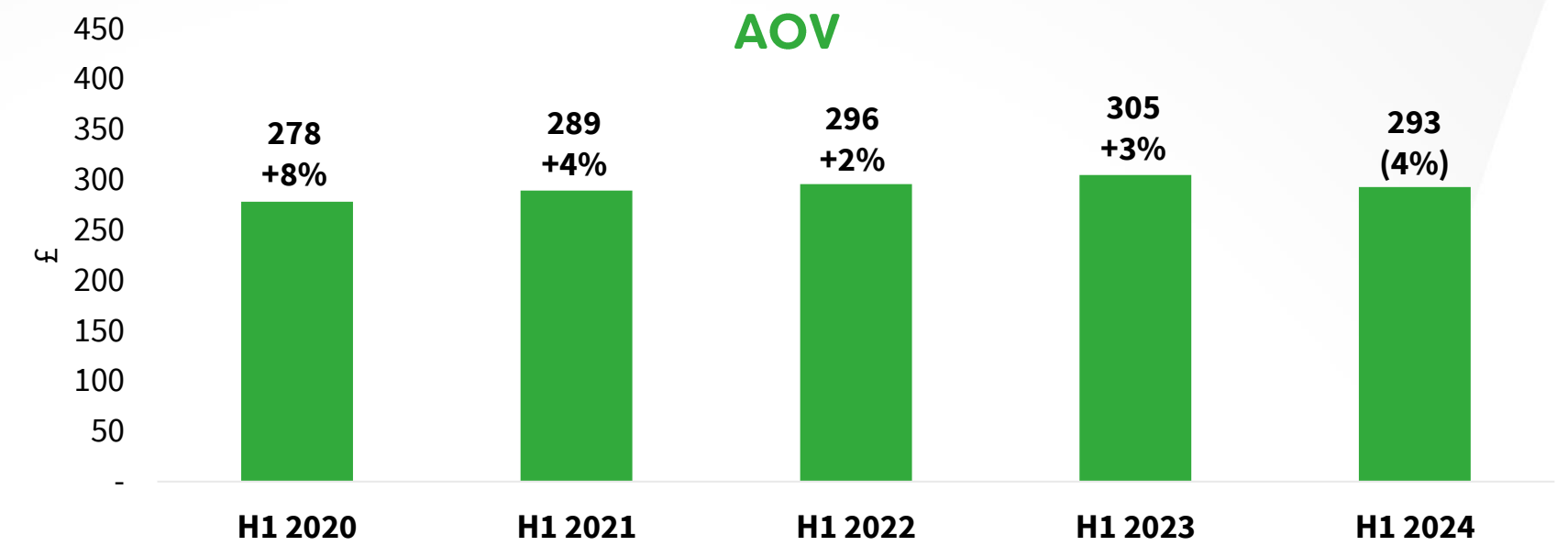
REVENUE



TOTAL ORDERS

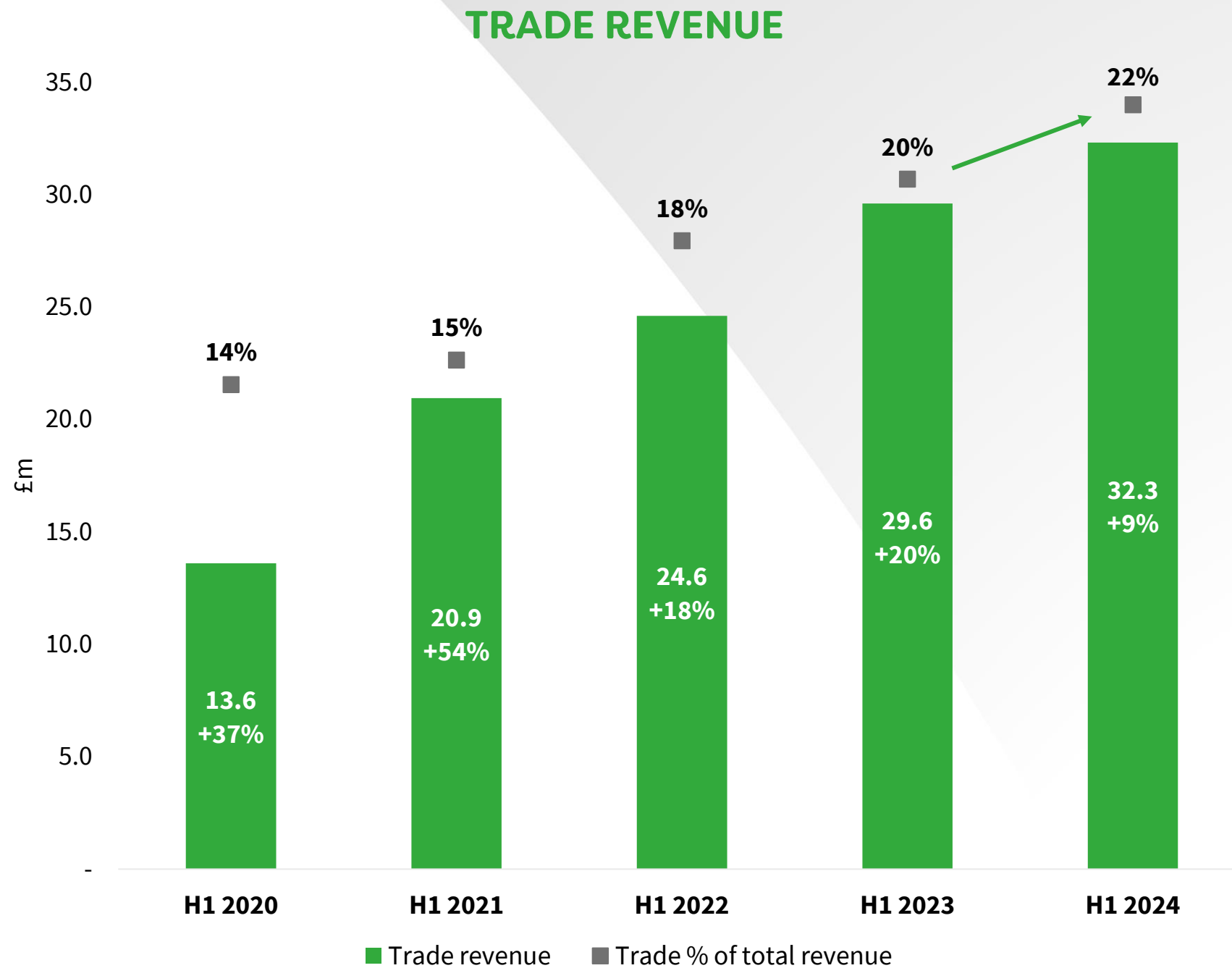


AOV



REVENUE – TRADE

MAXIMISING OUR GROWING TRADE CUSTOMER BASE AND DELIVERING 9% GROWTH IN TRADE REVENUE.



Increased order volumes driving revenue growth.

Bolstered dedicated trade team to maximise revenue potential.

We're a one-stop solution for our trade customers:

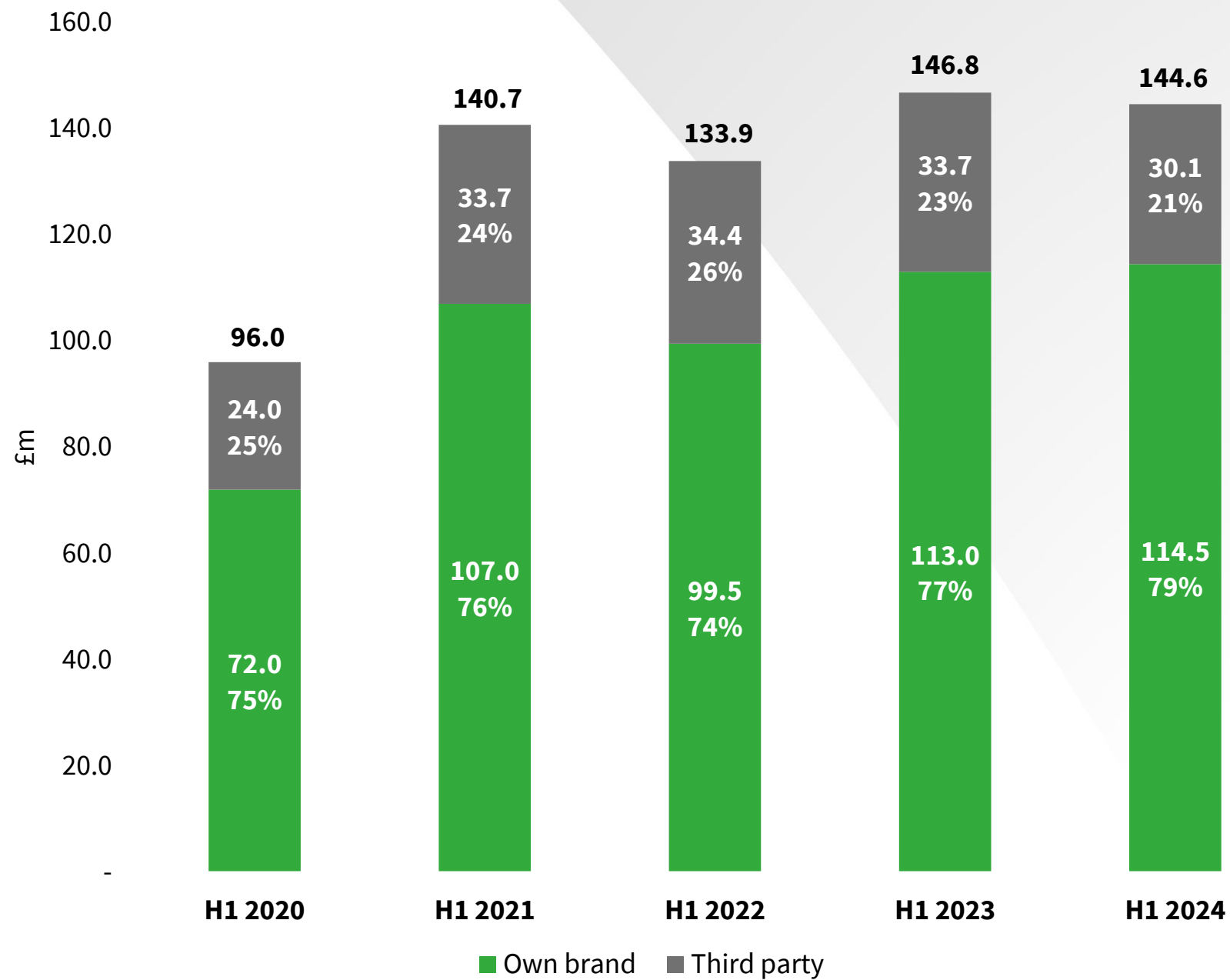
- Unrivalled product range.
- Excellent availability.
- Variety of prices to suit all budgets.
- Victorian Plumbing app released in October 2023.



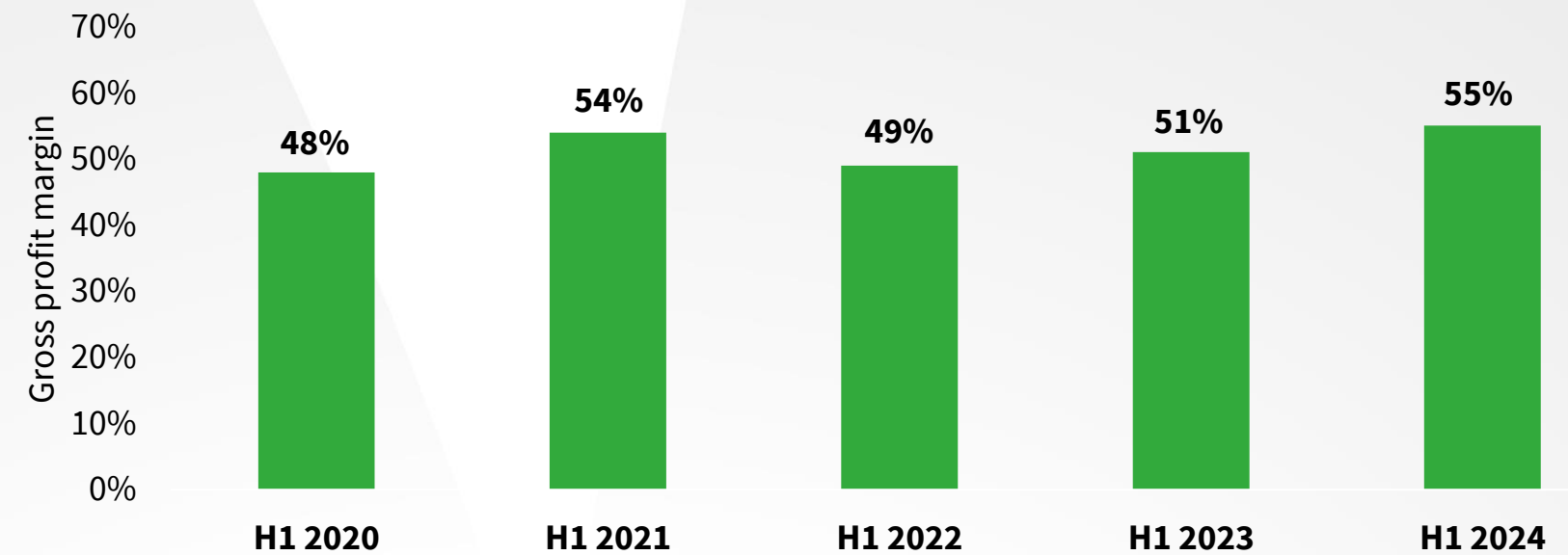
REVENUE – PRODUCT MIX

CONTINUED BENEFIT FROM OWN BRAND PRODUCT MARGIN, NOW REPRESENTING 79% OF TOTAL REVENUE: +2%PTS VS. H1 2023 AND +1%PT VS. H2 2023.

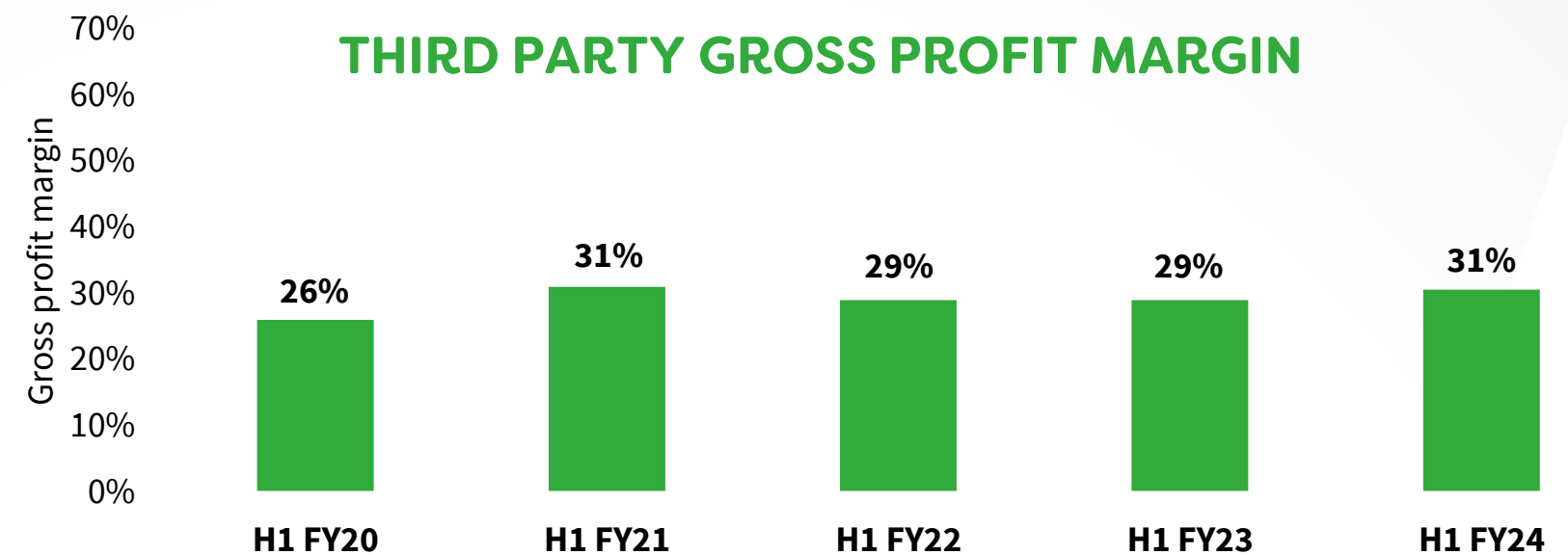
OWN BRAND VS. THIRD PARTY REVENUE



OWN BRAND GROSS PROFIT MARGIN



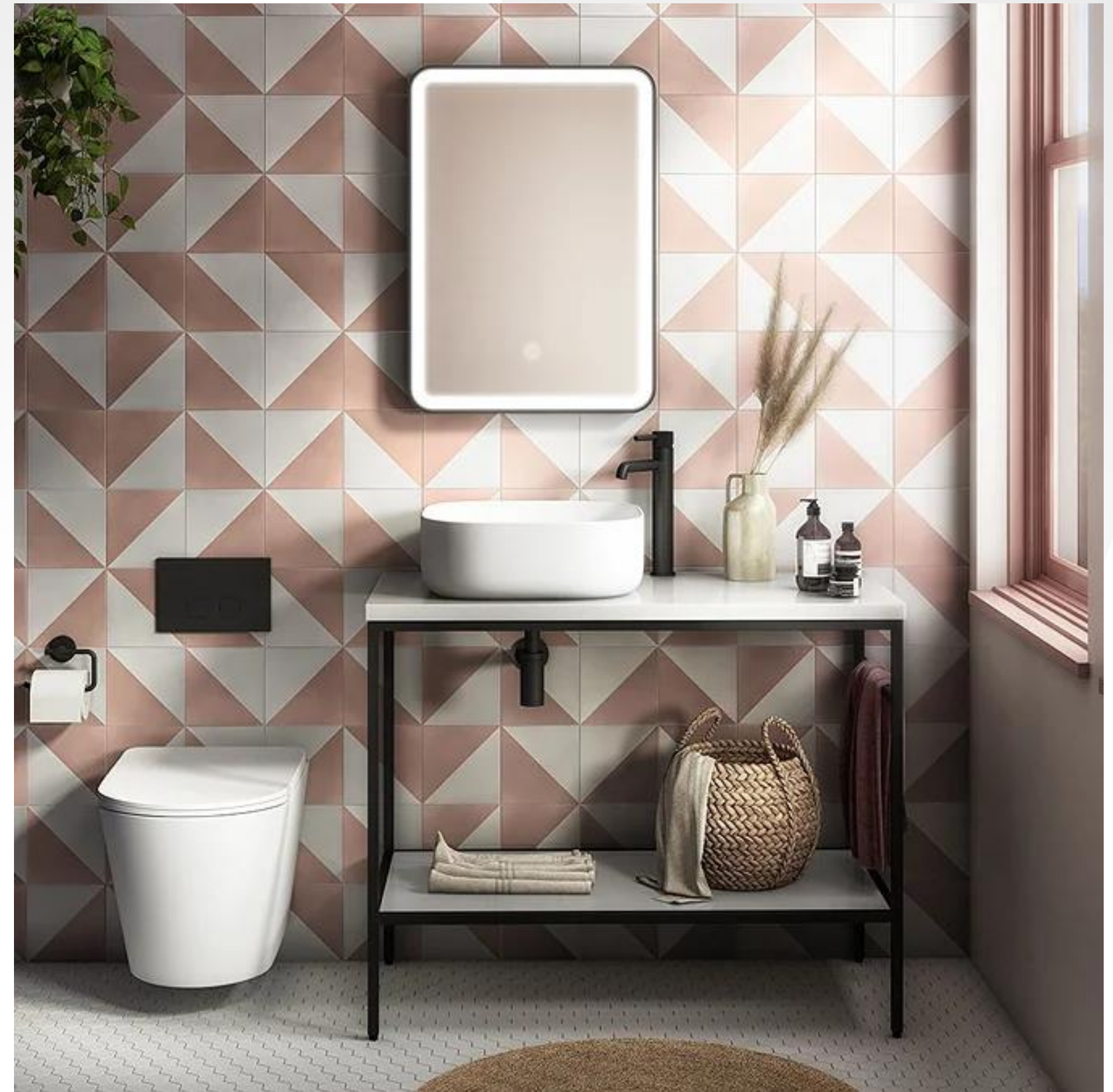
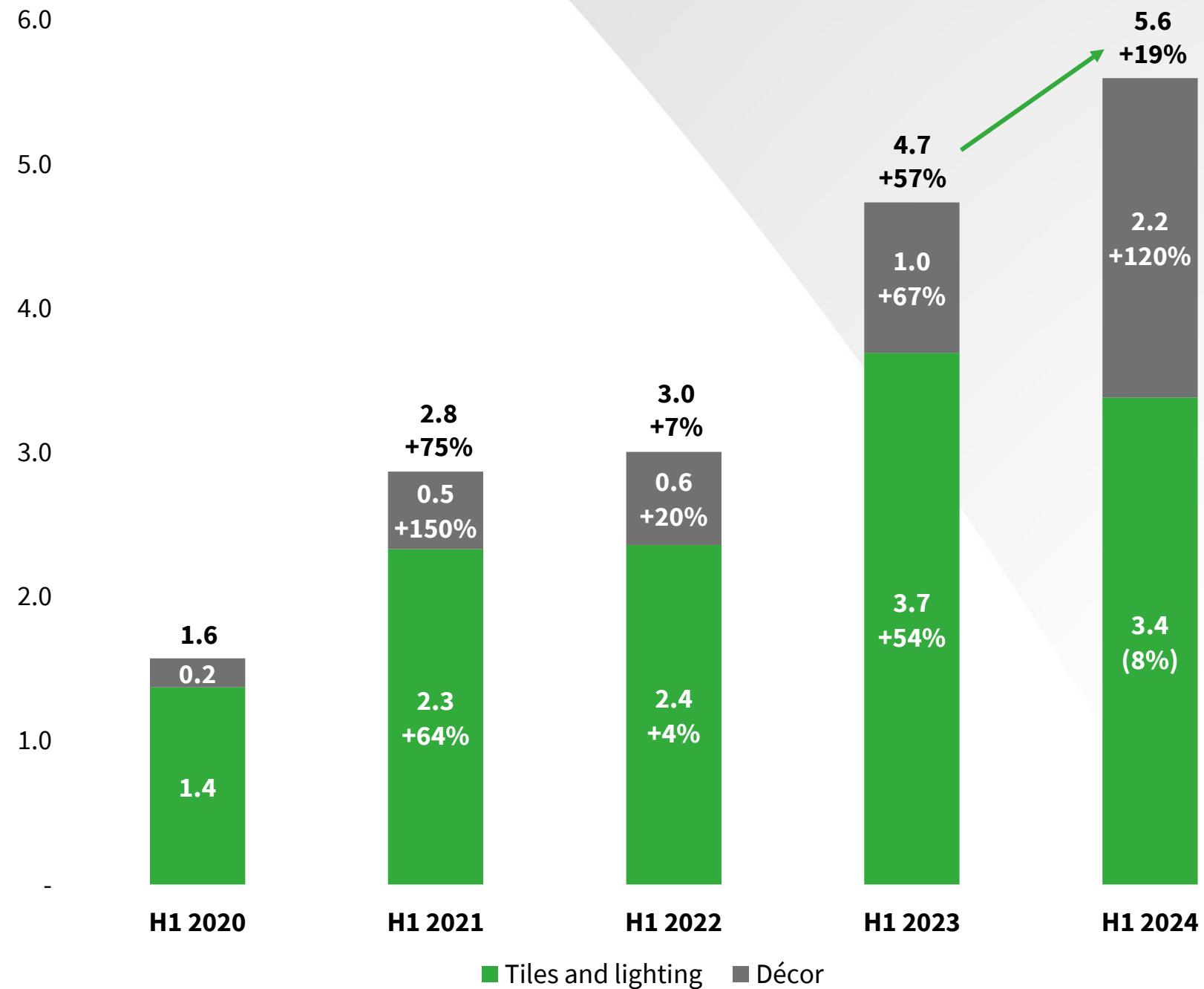
THIRD PARTY GROSS PROFIT MARGIN



REVENUE – EXPANSION CATEGORIES

19% GROWTH IN EXPANSION CATEGORIES DELIVERING £5.6M REVENUE.

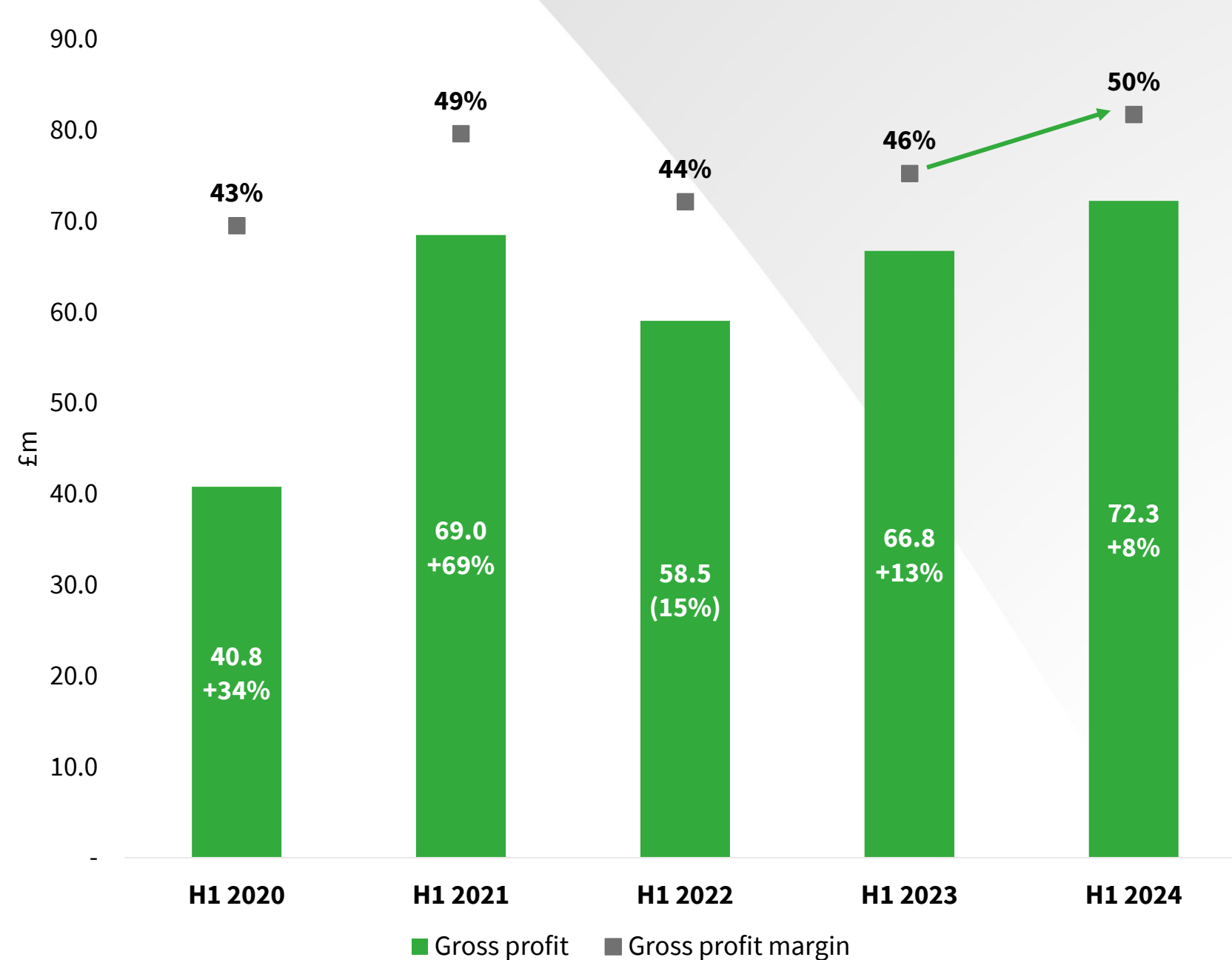
REVENUE: TILES, LIGHTING AND DÉCOR



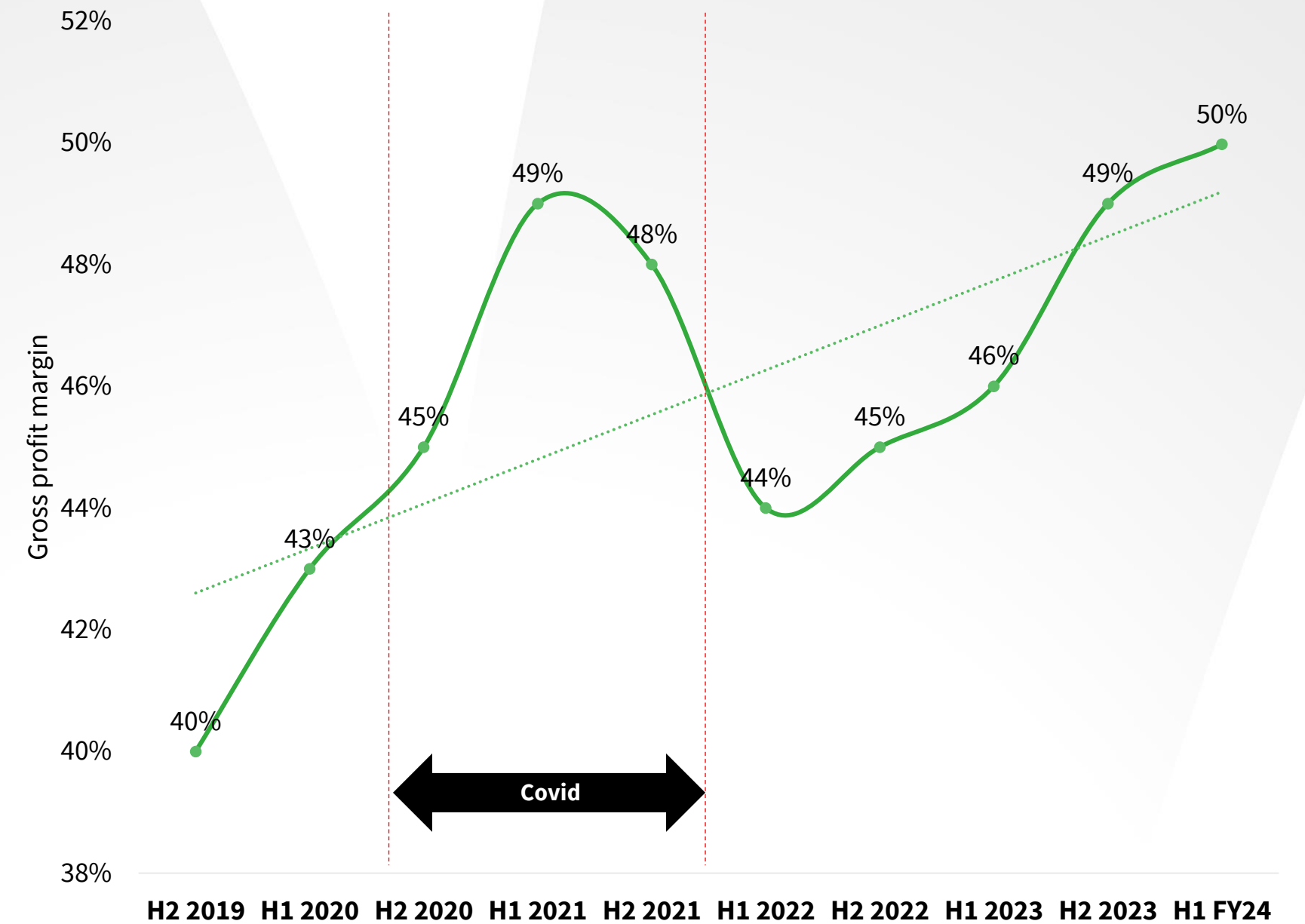
GROSS PROFIT

GROSS PROFIT MARGIN INCREASED BY 4%PTS TO 50%, DELIVERING 8% GROWTH IN GROSS PROFIT TO £72.3M.

GROSS PROFIT & GROSS PROFIT MARGIN



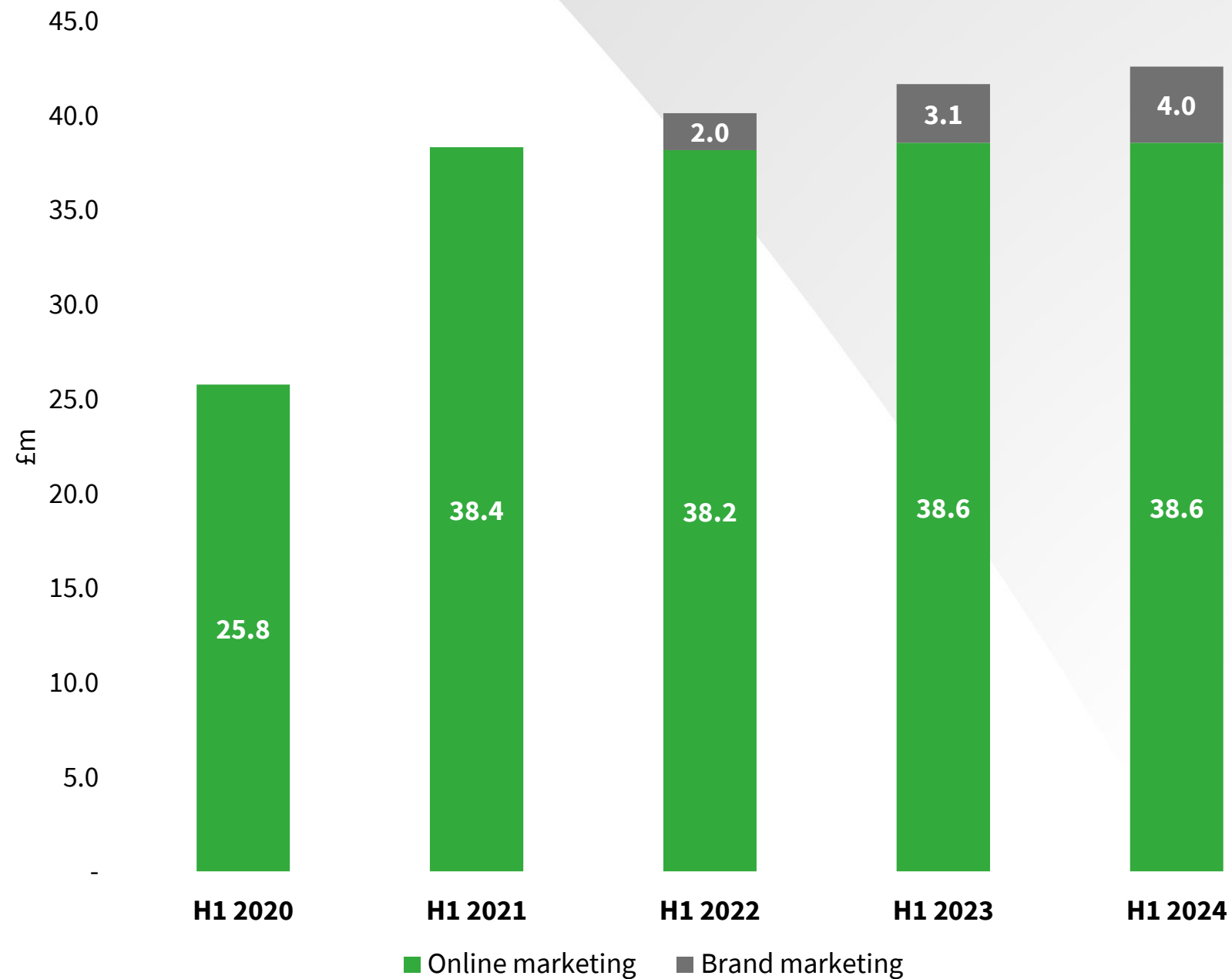
MARGIN NOW EXCEEDING THE COVID PEAK...



MARKETING

INCREASED BRAND MARKETING ENABLES ENTRY INTO FUTURE NEW MARKETS.

MARKETING COSTS



MARKETING COSTS AS % OF REVENUE

	H1 2020	H1 2021	H1 2022	H1 2023	H1 2024
Online marketing	26.9%	27.3%	28.5%	26.3%	26.7%
Brand marketing	0.0%	0.0%	1.5%	2.1%	2.8%
Total marketing	26.9%	27.3%	30.0%	28.4%	29.5%

REMAINING COMPETITIVE

- Continued online marketing spend to remain competitive in a challenging market.
- YoY inflationary cost increases passed to us by online suppliers. Customer acquisition costs in line with H1 2023 at £88.

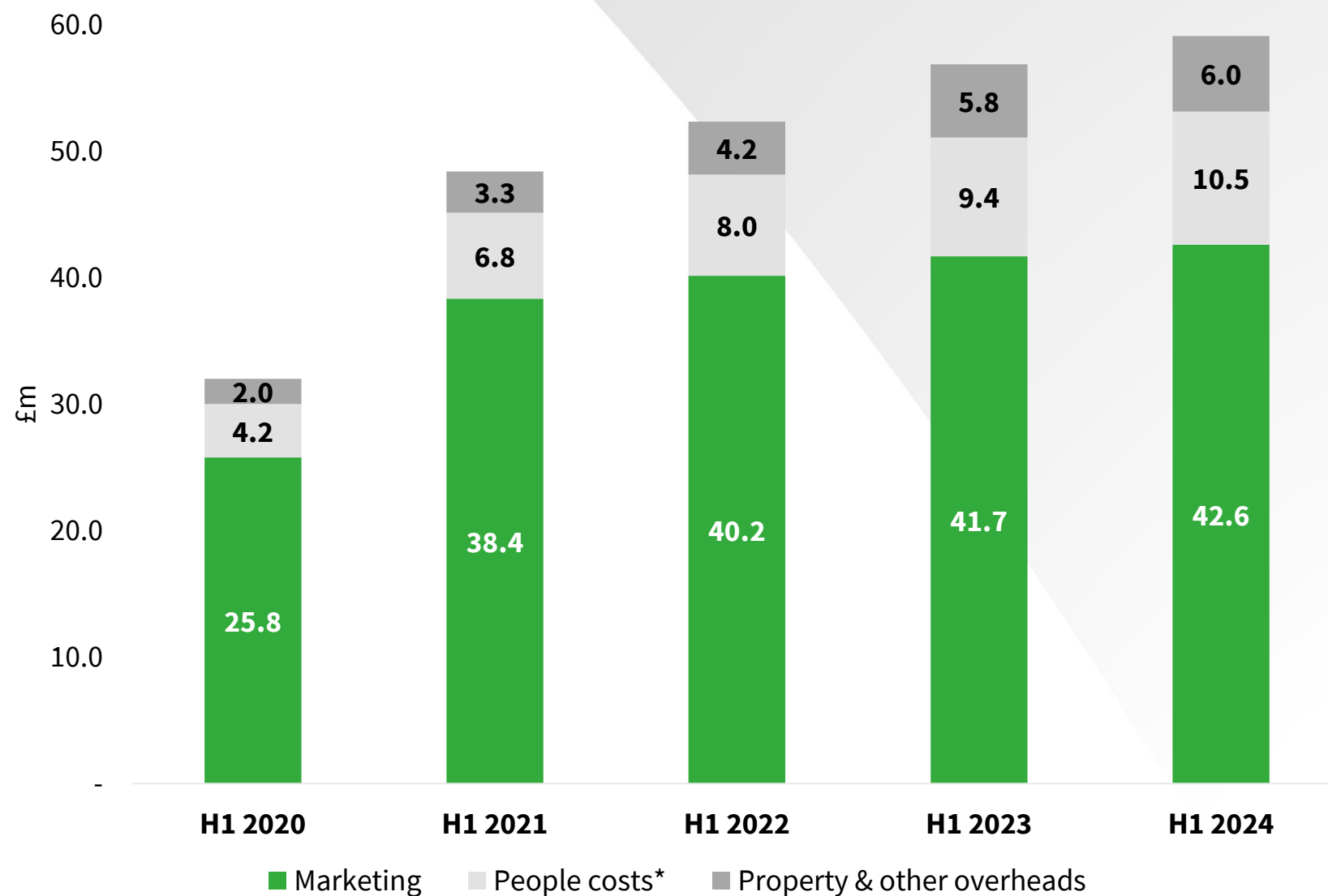
INVESTMENT IN THE FUTURE

- Developing creative campaigns ahead of our space constraints unlock.
- 3-year partnership with Bolton Wanderers FC enhancing brand awareness, not least given the run to the EFL League One Play Off Final.
- 1%pt increase in YouGov UK awareness score to 61%.
- Acquisition of Victoria Plum results in brand spend now benefitting the wider Group in its entirety.

UNDERLYING COSTS

10% RISE IN NATIONAL LIVING WAGE INCREASED EMPLOYMENT COSTS, DRIVING GROWTH IN UNDERLYING COSTS.

UNDERLYING COSTS



YoY growth	H1 2020	H1 2021	H1 2022	H1 2023	H1 2024
Underlying costs	29%	51%	8%	9%	4%

UNDERLYING COSTS AS % OF REVENUE

	H1 2020	H1 2021	H1 2022	H1 2023	H1 2024
Marketing	26.9%	27.3%	30.0%	28.4%	29.5%
People costs*	4.4%	4.8%	6.0%	6.4%	7.3%
Property & other overheads	2.1%	2.3%	3.1%	3.9%	4.1%
Underlying costs	33.3%	34.4%	39.1%	38.8%	40.9%

AVERAGE FTE

	H1 2020	H1 2021	H1 2022	H1 2023	H1 2024
Average FTE	331	520	568	585	665

People costs (increased 12%)

- Average FTEs increased from 585 to 665 (+14%) as we prepare for transitioning our warehouse operations.
- National Living Wage increases of 9.7% in April 2023.
- People costs held in line with H2 2023.

Property & other overheads (increased 3%)

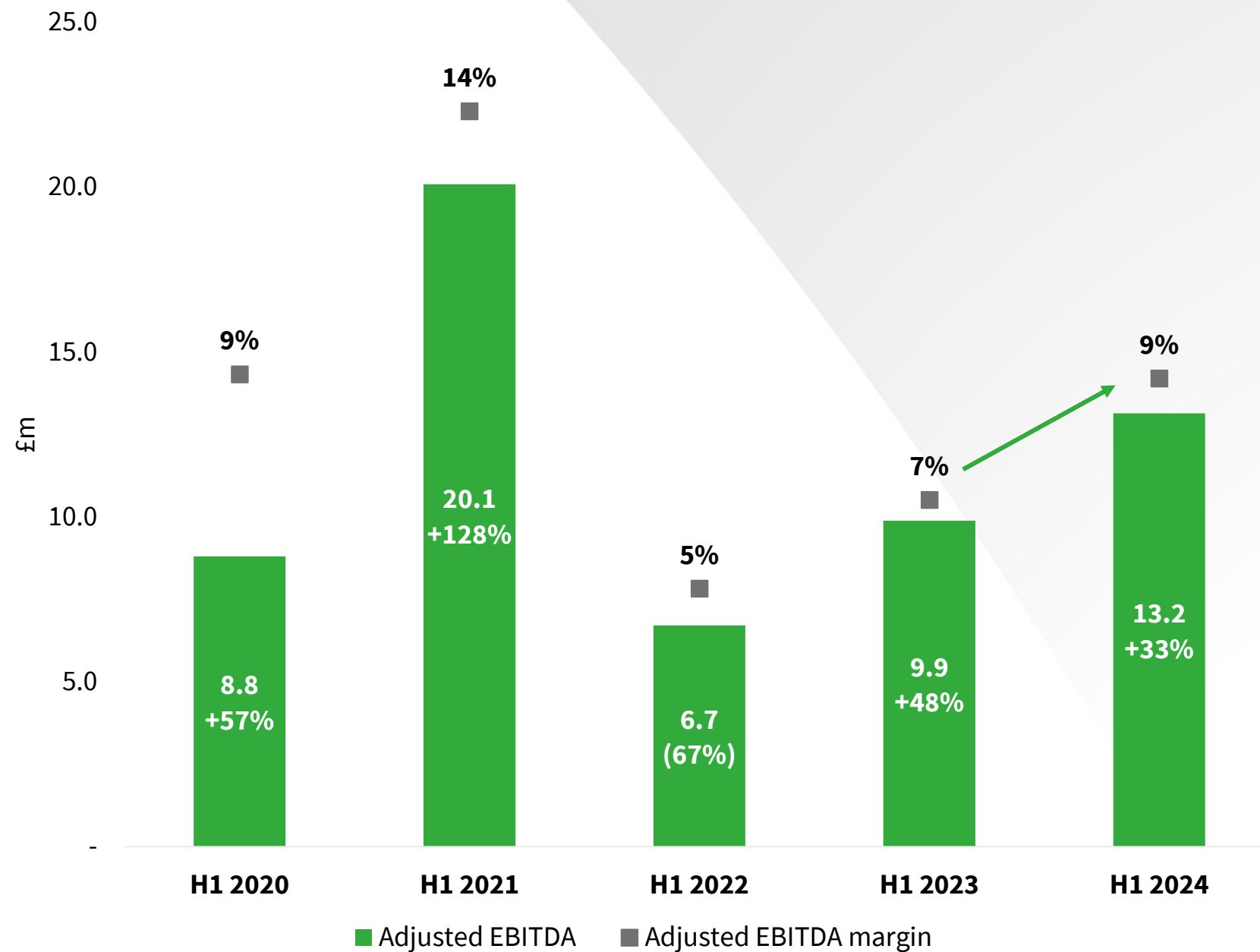
- Inflationary cost increases.

*Excluding share-based payments

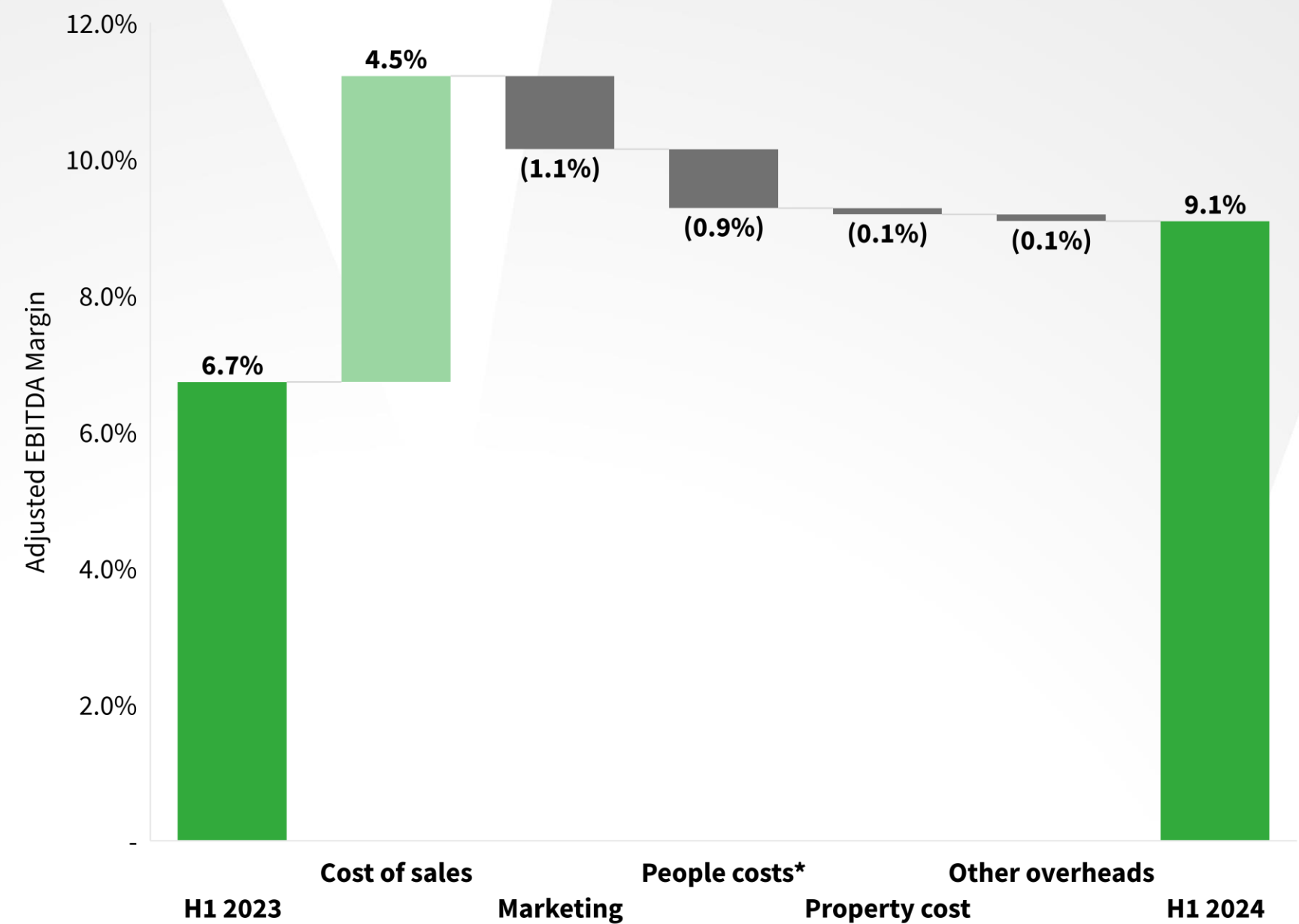
ADJUSTED EBITDA

33% INCREASE IN ADJUSTED EBITDA AND A 2%PT INCREASE IN ADJUSTED EBITDA MARGIN DRIVEN BY REDUCED SHIPPING COSTS AND A CONTINUED SHIFT TO OWN BRAND PRODUCTS.

ADJUSTED EBITDA & ADJUSTED EBITDA MARGIN



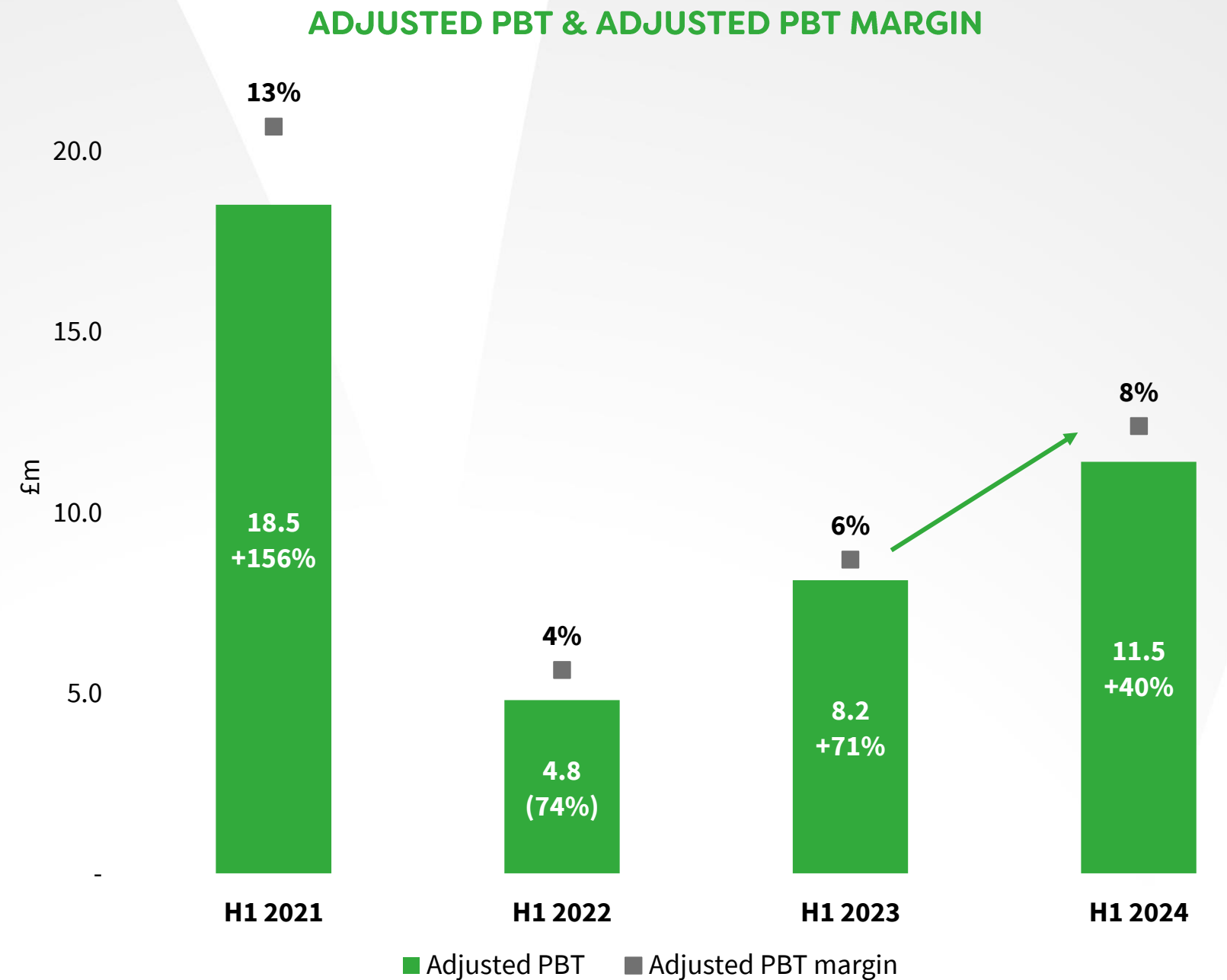
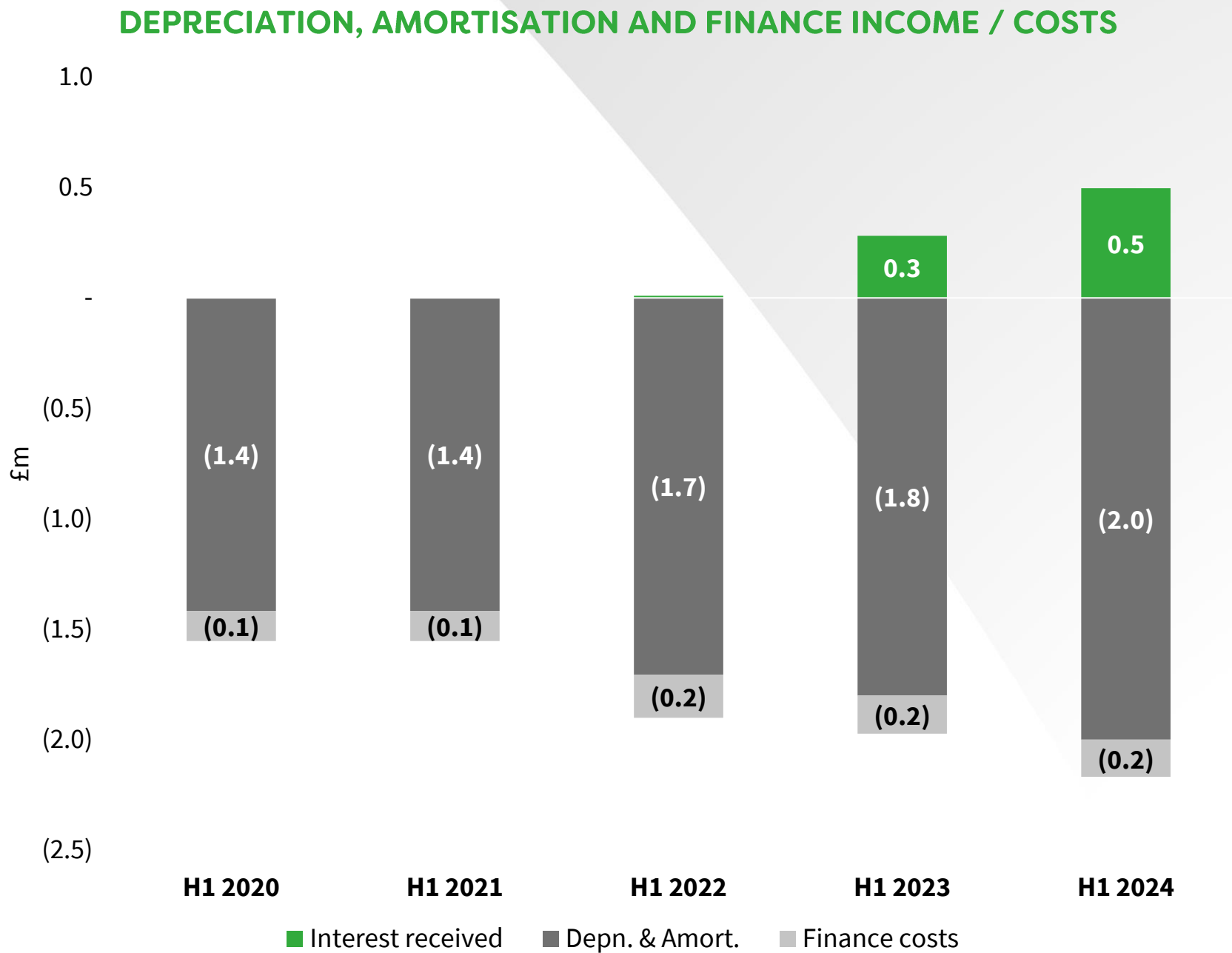
ADJUSTED EBITDA MARGIN BRIDGE



*Excluding share-based payments

ADJUSTED PBT

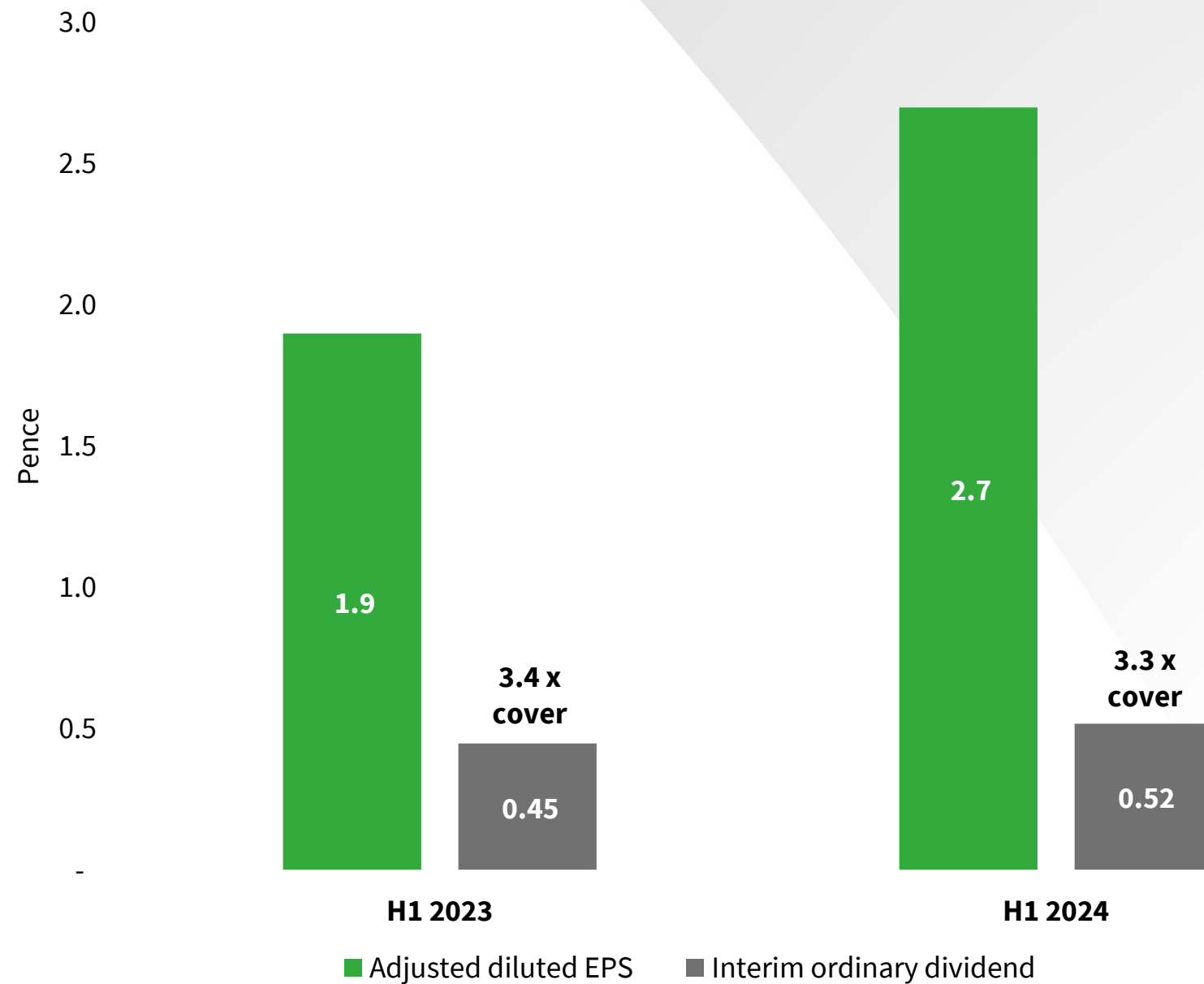
STRONG CASH POSITION BENEFITS ADJUSTED PBT, OFFSETTING HIGHER DEPRECIATION & AMORTISATION OF CAPITALISED DEVELOPMENT COSTS.



EPS

CONTINUED GROWTH OF ADJUSTED EPS, WHICH POWERS UP AN INCREASED DPS WITH REDUCED COVER - A SIGN OF OUR CONFIDENCE IN THE BUSINESS.

ADJUSTED DILUTED EPS AND DPS (WITH COVER)



DIVIDEND PROGRESSION

- Declared interim dividend increased 16% to 0.52 pence.
- Progression on prior year with 3.3x dividend cover.



CASH FLOW

STRONG CASH GENERATION, WITH A 32% INCREASE IN FREE CASH FLOW TO £8.6M AND ROBUST OPERATING CASH CONVERSION OF 65%.

	H1 2024 £m	H1 2023 £m	YoY
Closing net cash	36.1	40.9	(12%)
Free cash flow ¹	8.6	6.5	32%
Operating cash conversion ²	65%	66%	(1%pt)
Creditor days	63 days	57 days	11%
Stock days	96 days	104 days	8%

EFFECTIVE WORKING CAPITAL MANAGEMENT

- Net cash (excl. IFRS 16 lease liabilities) of £36.1m, down 12% YoY primarily due to the significant investment in the new distribution centre during H1 2024.
- Continuing to adopt industry leading practices with our suppliers, strengthening and safeguarding relationships for the future.
- We continue to deploy effective inventory management, maintaining a similar stock value to that at the FY 2023 year end.

¹ Free cash flow is cash generated from operating activities before exceptional items and taxation less routine capital expenditure and cash flows relating to routine leases.

² Operating cash conversion is free cash flow as a percentage of adjusted EBITDA.



CONTINUED INVESTMENT

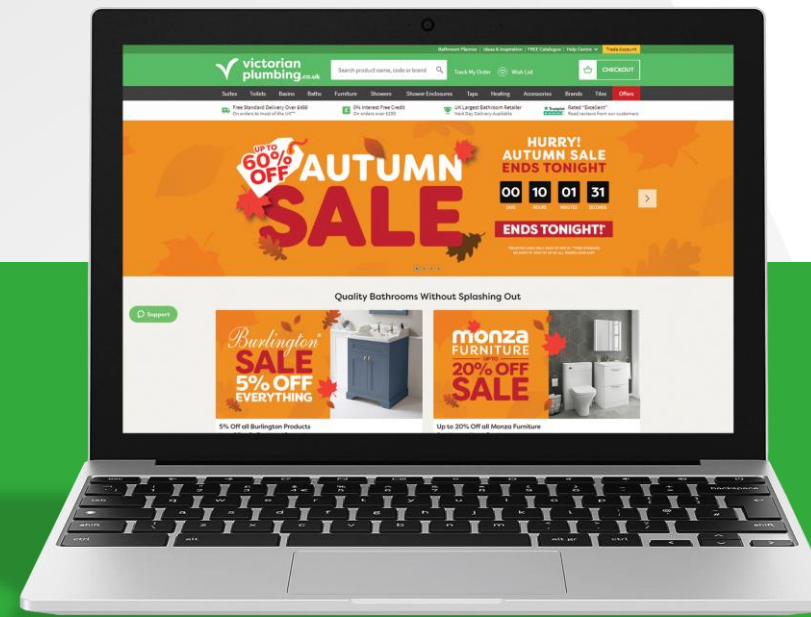
INVESTING IN THE FUTURE

WE CONTINUE TO INVEST TO EXPAND INTO NEW MARKETS AND IMPROVE THE CUSTOMER EXPERIENCE.



BRAND INVESTMENT

- Developing creative campaigns before unlocking our space constraints.
- Ongoing partnership with Bolton Wanderers FC, providing increased brand visibility on TV.
- Improving brand awareness¹ to 61% (YouGov), developing Victorian Plumbing as a household name.
- Acquisition of Victoria Plum results in brand spend benefitting the wider Group more fully.



DEVELOPMENT TEAM

- Expansion of our Development team to:
 - Provide continuous improvements to the website to make searching even easier.
 - Utilise AI to improve the shopping experience.
 - Launched product detail pages that better showcase different specifications available within a specific range.
- User conversion increased by 0.6%pts from H1 2023 to 3.4%, 0.2%pts higher than H2 2023.



FUTURE INFRASTRUCTURE

- Continuous development of our existing warehouse management system.
- Larger project to transform our warehouse operations in conjunction with our new distribution centre in Lancashire.
- Enhanced technology introduced to manage deliveries and improve the customer journey.

THE NEW WAREHOUSE

A REMINDER OF THE BENEFITS

REMOVES CAPACITY CONSTRAINTS TO SUPPORT FUTURE GROWTH:

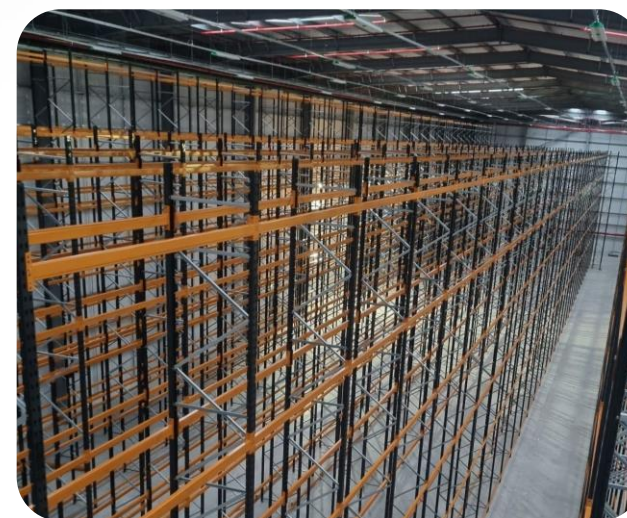
- Enhances the customer experience (e.g. extended next day ordering).
- Space to expand the range in tiles & décor, heating and kitchen accessories.

SIGNIFICANT EFFICIENCY IMPROVEMENTS:

- Replaces margin dilutive expensive short-term rental cost that impedes profitable growth.
- Facilitates scalability and increased efficiency to support growth following the introduction of semi-automation.
- More of what we do under one roof – reduced shunting, improved ways of working, more effective logistics etc.

CREATES OPPORTUNITY TO FURTHER IMPROVE OUR ESG CREDENTIALS:

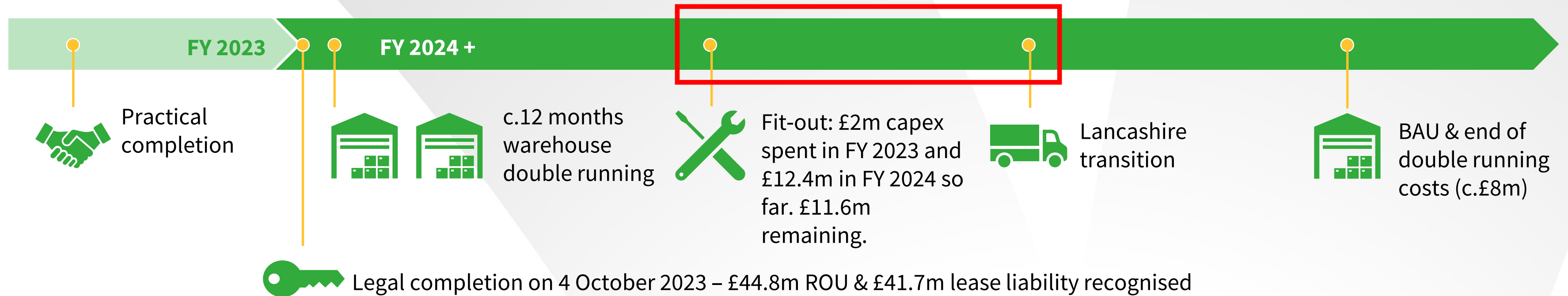
- Solar panels and electric vehicle charging.
- Improved on-site facilities to include gym, canteen etc.



WAREHOUSE TRANSFORMATION

WAREHOUSE FIT-OUT AND TRANSITION OF STOCK UNDERWAY ON SCHEDULE.

WAREHOUSE TRANSFORMATION JOURNEY



WHERE ARE WE NOW?

- Warehouse fit-out making good progress with much of the racking in place.
- Expensive third party sites in the process of being cleared as stock is transitioned to the new distribution centre.

ACQUISITION OF VICTORIA PLUM

ACQUISITION OF VICTORIA PLUM

A WELL-ESTABLISHED BRAND WITH A SOLID BASE OF CUSTOMERS, SUPPLIERS AND PRODUCT RANGES.

**Victoria
Plum.com**

SIGNIFICANT STRATEGIC VALUE

- Acquiring the Victoria Plum brand and intellectual property.
- Accelerating our growth in core bathroom products and accessories.
- Enhancing shareholder returns with potential to drive efficiencies within the Group.

STRENGTHENING OUR POSITION IN THE MARKET

- Increased market share with a well-known, established brand.
- Existing customer base driving further order growth.
- Established supplier relationships, with some overlap to promote economies of scale.
- Exciting opportunities to explore different operating models and collaboration.

ACQUISITION OF VICTORIA PLUM

IN IMMEDIATE POST-COMPLETION PHASE – TAKING TIME TO ASSESS OPTIONS AVAILABLE TO THE GROUP.



29 September 2023

AHK Designs Ltd acquired the trade and assets of Victoria Plum (from Victoria Plum Limited (in Administration))



17 May 2024

Victorian Plumbing Limited acquires AHK Designs Ltd on cash free, debt free basis for £22.5m (from existing cash reserves)

POST-ACQUISITION FY 2024/25+



Taking time to understand the business



Engage with the workforce to assess operations



Develop the right **integration plan** for the Group, after 12 months of change and uncertainty

PRE-ACQUISITION

ACQUISITION

SMALLER, LEANER BUSINESS WITH REDUCED LOSSES

- Annualised revenue: c.£100m → c.£40m
- Annualised losses: c.(£6m) → c.(£1m)
- Ongoing workforce: c.400 → c.150
- Retention of title issues dealt with
- Suppliers re-engaged and moving back to standard terms
- Investment in stock

- Purchase price: £22.5m
- Acquisition costs and post-completion funding requirements in H2 2024 of c.£2.5m

CURRENT TRADING & OUTLOOK

CURRENT TRADING & OUTLOOK

- As customers continue to seek value, demand for ‘big ticket’ discretionary items is unchanged. The Group has continued to take market share organically; LFL revenue in April and the early part of May 2024 has been in line with H1 2024 trends, with order volume growth offset by lower AOVs.
- The decline in AOV has shown early signs of levelling off, indicative of a slowdown in the shift by consumers to buy more of our own brand product range. Additionally, comparative shipping cost tailwinds have diminished over recent weeks, with both factors stabilising gross margin.
- Looking forward, the Group will benefit from revenue growth as a result of further market share gains from the acquisition of Victoria Plum, albeit tempered by a continuation of recent trading trends in the market.
- While the ongoing Victoria Plum cost reduction programme is finalised, losses from the business will have a marginal impact on Group profitability in H2 2024, therefore adjusted EBITDA in FY 2024 is expected to be broadly in line with current consensus. The Acquisition is expected to be EPS accretive from FY 2025.
- Net cash (excluding IFRS 16) at the full year is expected to be in the range of £5m to £7m, reflecting the impact of the Acquisition and investment in the DC.



Q&A

APPENDICES

INCOME STATEMENT (UNAUDITED)

	H1 2024	H1 2023	YoY	YoY
	£m	£m		
Revenue	144.6	146.8	(2.2)	(1%)
Cost of sales	(72.3)	(80.0)	7.7	10%
Gross profit	72.3	66.8	5.5	8%
Gross profit margin	50%	46%		4%pt
Underlying costs	(59.1)	(56.9)	(2.2)	(4%)
Adjusted EBITDA	13.2	9.9	3.3	33%
Adjusted EBITDA margin	9%	7%		2%pt
Depreciation and amortisation	(2.0)	(1.8)	(0.2)	(11%)
Finance income/(cost)	0.3	0.1	0.2	200%
Adjusted PBT	11.5	8.2	3.3	40%
Adjusted PBT margin	8%	6%		2%pt
Taxation	(2.8)	(1.9)	(0.9)	(47%)
Adjusted PAT	8.7	6.3	2.4	38%
Adjusted diluted EPS (pence)	2.7	1.9	0.8	42%



BALANCE SHEET (UNAUDITED)

	H1 2024	H1 2023	FY23
	£m	£m	£m
Property, plant and equipment	16.3	1.3	4.9
Right-of-use assets	48.5	4.1	4.3
Other non-current assets	4.7	3.8	4.4
Non-current assets	69.5	9.2	13.6
Inventory	33.2	36.0	34.2
Cash	36.1	40.9	46.4
Other current assets	7.7	5.4	4.8
Current assets	77.0	82.3	85.4
Lease liabilities	42.9	3.8	3.8
Other non-current liabilities	3.1	0.1	0.0
Non-current liabilities	46.0	3.9	3.8
Trade and other payables	38.7	39.2	38.0
Other current liabilities	10.3	7.1	8.4
Current liabilities	49.0	46.3	46.4
Net assets	51.5	41.3	48.8
Share capital / share premium / other reserves	(309.0)	(309.0)	(309.0)
Retained earnings	360.5	350.3	357.8
Equity	51.5	41.3	48.8



CASH FLOW STATEMENT (UNAUDITED)

	H1 2024 £m	H1 2023 £m	YoY
Adjusted EBITDA	13.2	9.9	33%
Movement in working capital	(0.6)	(1.3)	54%
Cash generated from operating activities before exceptionals	12.6	8.6	47%
Exceptional cash outflow	(1.2)	(0.1)	(1,100%)
Share based payment cash outflow	(0.1)	0.0	N/A
Cash generated from operating activities	11.3	8.5	33%
Tax paid	(2.5)	(2.1)	(19%)
Interest	0.5	0.2	150%
Net cash generated from operating activities	9.3	6.6	41%
Capital expenditure	(2.0)	(1.5)	(33%)
Exceptional capital expenditure (warehouse)	(12.4)	0.0	N/A
Cash used in investing activities	(14.4)	(1.5)	(860%)
Dividends paid	(3.1)	(9.1)	66%
Lease payments	(0.5)	(0.6)	17%
Exceptional lease payments	(1.6)	0.0	N/A
Net cash used in financing activities	(5.2)	(9.7)	46%
Net increase in cash and cash equivalents	(10.3)	(4.6)	(124%)
Cash and cash equivalents at beginning of year	46.4	45.5	2%
Cash and cash equivalents at end of year	36.1	40.9	(12%)
Free cash flow ¹	8.6	6.5	32%
Operating cash conversion ²	65%	66%	(1%pt)



DISCLAIMERS

PLEASE READ THE FOLLOWING DISCLAIMERS WHEN USING THE INFORMATION IN THIS PRESENTATION.

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.