
# FY24 Results

## Well positioned for market recovery

8 May 2025

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LORDS
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# Agenda

| | |
|---|---|
| **Overview** | Shanker Patel, CEO |
| **Financial review** | Stuart Kilpatrick, CFO |
| **Strategy update** | Shanker Patel |
| **Outlook** | Shanker Patel |
| **Q&A** | |

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# Overview

- **Resilient performance despite challenging economic backdrop**
  - **Strategic actions to protect profitability and cashflow**

- **Revenue 5.6% lower at £436.7m (2023: £462.6m)**
  - **Merchanting LFL (3.6)% but recovering strongly in H2 to +2.3%**
  - **P&H revenue down 10.2% in line with UK market for boiler volumes**
  - **Renewables up 99% to £5.5m**

- **Decisive management actions on costs saved £3.7m (LFL)**

- **Organic margin-accretive initiatives**
  - **Extended product range**
  - **Three new branches opened in 2025 to date**
  - **Further investment in digital**

- **Completed sale & leaseback of 4 operating Merchanting sites for £13.1m in April 2025 providing additional liquidity to leverage growth opportunities as the market recovers**

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# Financial Review

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# Financial Performance 2024

| | FY24 | FY23 | Change |
|---|---|---|---|
| Revenue | **£436.7m** | £462.6m | (5.6)% |
| Adjusted EBITDA[1] | **£22.4m** | £26.8m | (16.5)% |
| Adjusted EBITDA excluding property gains | **£20.6m** | £26.6m | (22.5)% |
| Operating expenses | **£64.6m** | £65.8m | (1.8)% |
| Adjusted Operating Profit[1] | **£10.4m** | £16.5m | (37.0)% |
| Adjusted Earnings Per Share[1] | **1.85p** | 4.35p | (57.5)% |
| Dividend Per Share | **0.84p** | 2.00p | (58.0)% |

- **Revenue 5.6% lower at £436.7m**
- **Adjusted EBITDA resilient - £4.4m lower at £22.4m**
- **Operating expenses 6.5% lower on a LFL basis**
- **Adjusted Operating Profit of £10.4m (FY23: £16.5m)**
- **Dividend scaled in line with Adjusted EPS**
  - **Dividend cover 2.2x (FY23: 2.2x)**
  - **No change to progressive policy as earnings increase**



1. Inclusive of property gains / losses.

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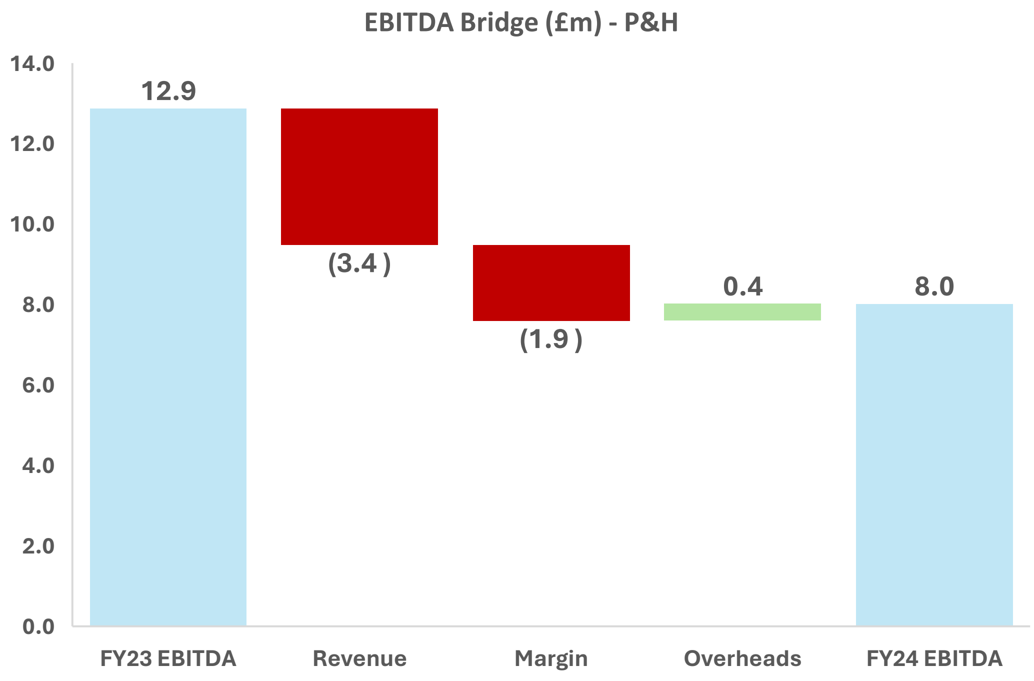
# Plumbing & Heating FY24

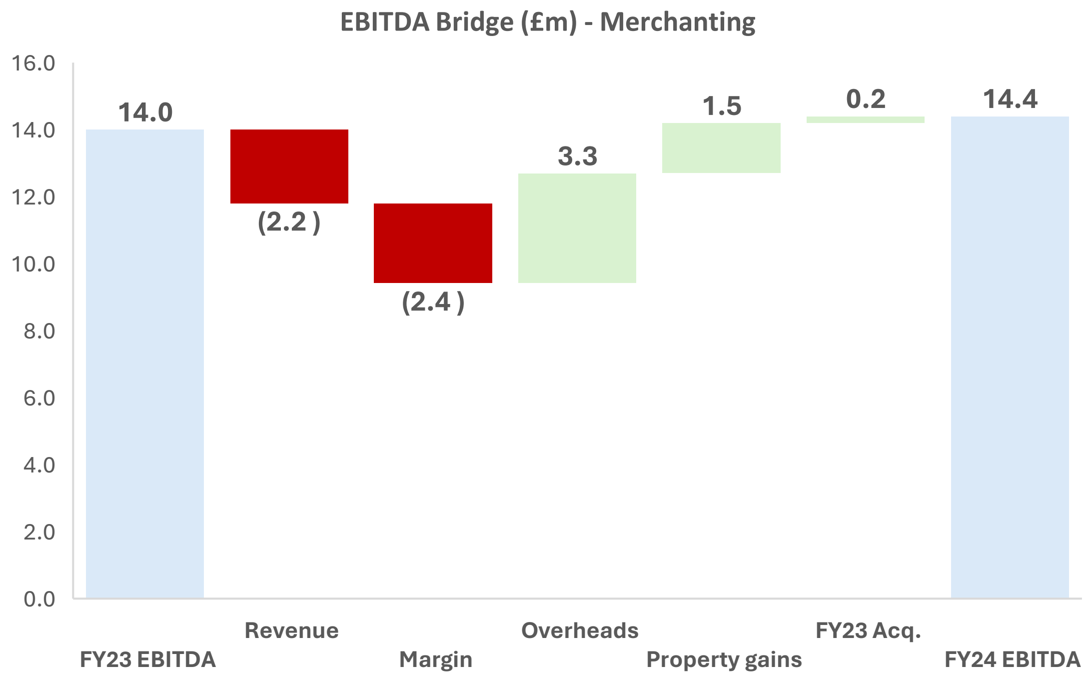
| | FY24 £m | Margin | FY23 £m | Margin |
|---|---|---|---|---|
| Revenue | 222.4 | | 247.7 | |
| Gross profit | 27.9 | 12.6% | 33.2 | 13.4% |
| Operating expenses | 19.9 | | 20.3 | |
| Adjusted EBITDA | 8.0 | 3.6% | 12.9 | 5.2% |




- **Revenue 10.2% lower (LFL 10.4%) in line with UK boiler market (down 10.3%)**
  - **Market share maintained at 11%**
- **Challenging market conditions and competition for volume reduced gross margin by 80 bps.**
- **Operating expenses 2.5% lower – LFL 3.3% lower**

# Merchanting FY24

| | FY24 £m | Margin | FY23 £m | Margin |
|---|---|---|---|---|
| Revenue | 214.3 | | 214.9 | |
| Gross profit | 57.3 | *26.7%* | 59.1 | *27.5%* |
| Operating expenses | 44.7 | | 45.4 | |
| Property gains | 1.8 | | 0.3 | |
| Adjusted EBITDA[1] | 14.4 | *6.7%* | 14.0 | *6.5%* |

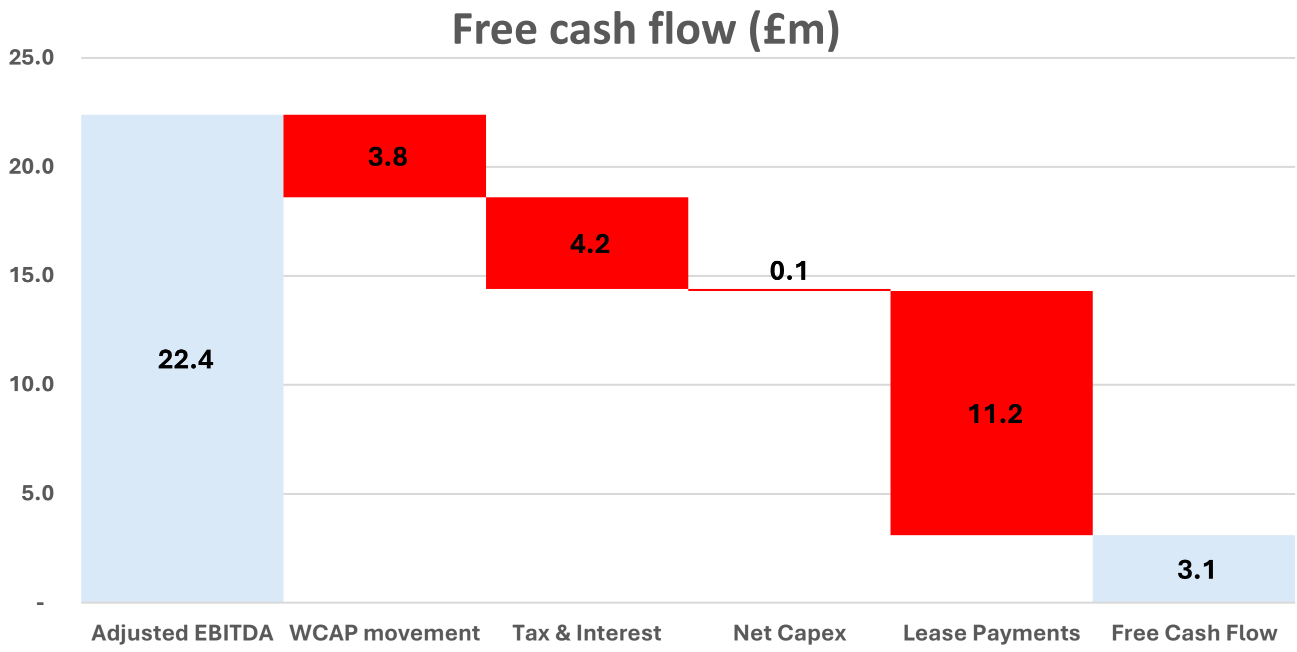



- **Revenue in line with FY23 - LFL (3.6)%; +2.3% in H2**
- **Gross margin – half due to mix of brands; half due to price**
- **Operating expenses 1.5% lower; 8.0% on a LFL basis**
- **Adjusted EBITDA[1] up 3.0% to £14.4m**

1. Inclusive of property gains / losses.

# Cash Flow

| | FY24 £m | FY23 £m |
|---|---|---|
| Net Debt b/f | (28.5) | (19.4) |
| Free cash flow | 3.1 | 8.7 |
| M&A | (3.5) | (12.3) |
| Dividends | (2.7) | (3.3) |
| Other | (0.8) | (2.2) |
| Net Debt c/f | (32.4) | (28.5) |




- **Operating cash flow conversion of 71.0% (2023: 92.9%)**
- **Working capital outflow of £3.8m due to lower payables in P&H**
- **Capex of £3.0m offset by inflow of £2.9m from Colnbrook sale & leaseback**



- *Operating cash flow conversion = Operating cash flow / Adjusted operating profit*

# Balance Sheet & Facilities

| | 31.12.24 £m | 31.12.23 £m |
|---|---|---|
| Tangible assets | 14.1 | 20.2 |
| Inventories | 49.3 | 49.3 |
| Trade and other receivables | 76.2 | 81.2 |
| Trade and other payables | (86.6) | (95.3) |
| **Operating Capital Employed** | 53.0 | 55.4 |
| Deferred consideration | (3.3) | (9.5) |
| Other net assets | 90.3 | 85.6 |
| Lease liabilities | (60.0) | (51.8) |
| Net debt | (32.4) | (28.5) |
| Shareholders' funds | 47.6 | 51.2 |

- George Lines Colnbrook sale & leaseback released operating capital
- Good progress in working capital in Merchanting; Plumbing and Heating payables accentuated in December 2023 by CHMM
- Working capital: sales 8.9% (2023: 7.6%)
- Headroom at 31.12.24 of £62.6m (2023: £66.5m)
- Leverage (pre IFRS) at 2.73x; covenant 3.75x
- Facilities of £75m committed to April 2027
  - £20m reduction in April 2025 saving future commitment fees

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# Proforma Impact of Sale & Leaseback

| | 2024 Reported £m | Impact of transaction £m | 2024 Proforma £m |
|---|---|---|---|
| Adjusted EBITDA | 22.4 | 2.0 | 24.4 |
| Adjusted EBITDA excluding property gains | 20.6 | - | 20.6 |
| Adjusted Operating Profit | 10.4 | 1.7 | 12.1 |
| Net Finance Expense | (6.9) | 0.3 | (6.6) |
| Adjusted Profit Before Tax | 3.8 | 2.0 | 5.8 |
| | | | |
| Net debt | (32.4) | 11.6 | (20.8) |
| Lease liabilities | (60.1) | (8.4) | (68.5) |
| Leverage | 2.73 | (0.98) | 1.75 |

- £2.0m gain of disposal of properties
- £2.0m gain less £0.3m ROU depreciation annually
- £0.7m bank interest less £0.4m ROU interest
- On going impact neutral as bank interest saving offset by ROU depreciation and finance expense
- Proceeds of £13.1m less expected tax on gain
- ROU lease liability; standard 15-year leases
- Leverage reduced by 1.0x

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# Strategy Update

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# Strategic Pillars

**Our strategy is a combination of margin accretive organic growth and selective M&A**

## Strategic Progress

**PRODUCT RANGE EXPANSION**

- *Exclusive distribution agreements with Clivet & Navien*
- *Added Viessmann and Termo Teknik (radiators)*
- *Cedral & PRB render in Merchanting have driven sales of associated products*

**DIGITAL EXPANSION**

- *Customer portal in P&H reduces manual processing & provides stock location visibility*
- *Automated proof of delivery and real time tracking enables logistics efficiencies*
- *AI, Chat Bots, Apps improving customer experience*

**NEW BRANCH OPENINGS**

- *Maidstone (1.5 acre site) takes George Lines branches to five*
- *Mansfield (2.5 acre site) takes AW Lumb to three branches*
- *Hemel Hempstead (8,000 sq ft) for Condell;*
- *Lords Builders Merchants - Bicester opening May 2025*

**M&A**

- *16 businesses acquired over last ten years*
- *Average ROI > 25%*
- *Opportunity to consolidate in a fragmented market – LGT holds 1% of addressable market*
- *Invested in renewables expertise of Ultimate (URS) in October 2024*

# Lords' Points of Difference

Customer service excellence focused on long term relationships

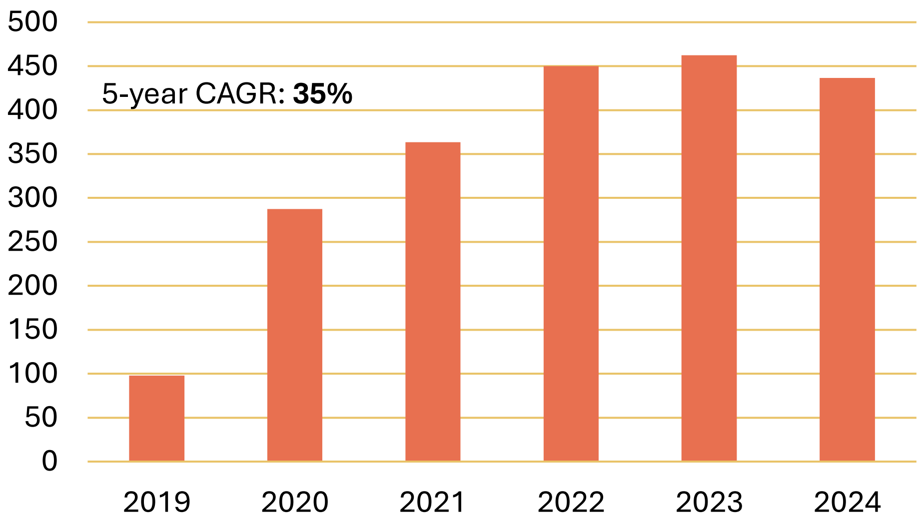
Strong position in repair, maintenance & improvement (RMI) market

Strong M&A track record in fragmented sector

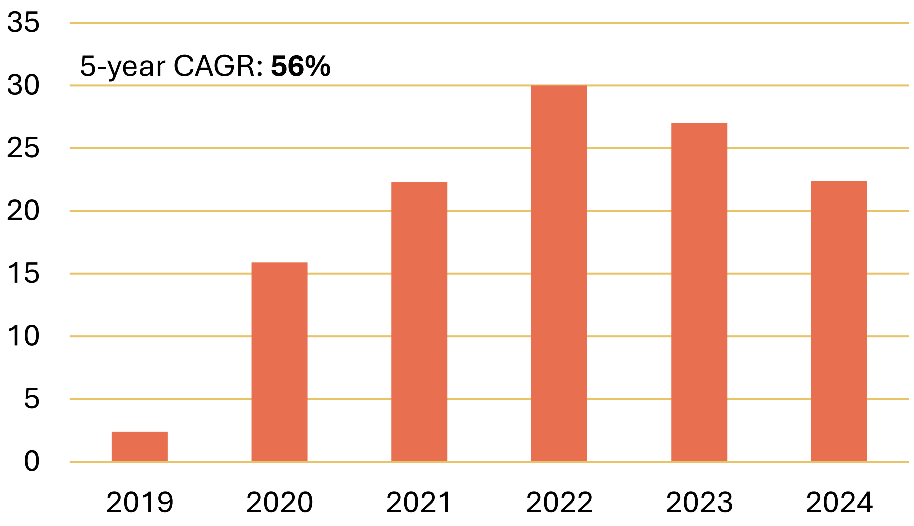
# Track Record of strategic execution



## Revenue *(Figures in £m)*



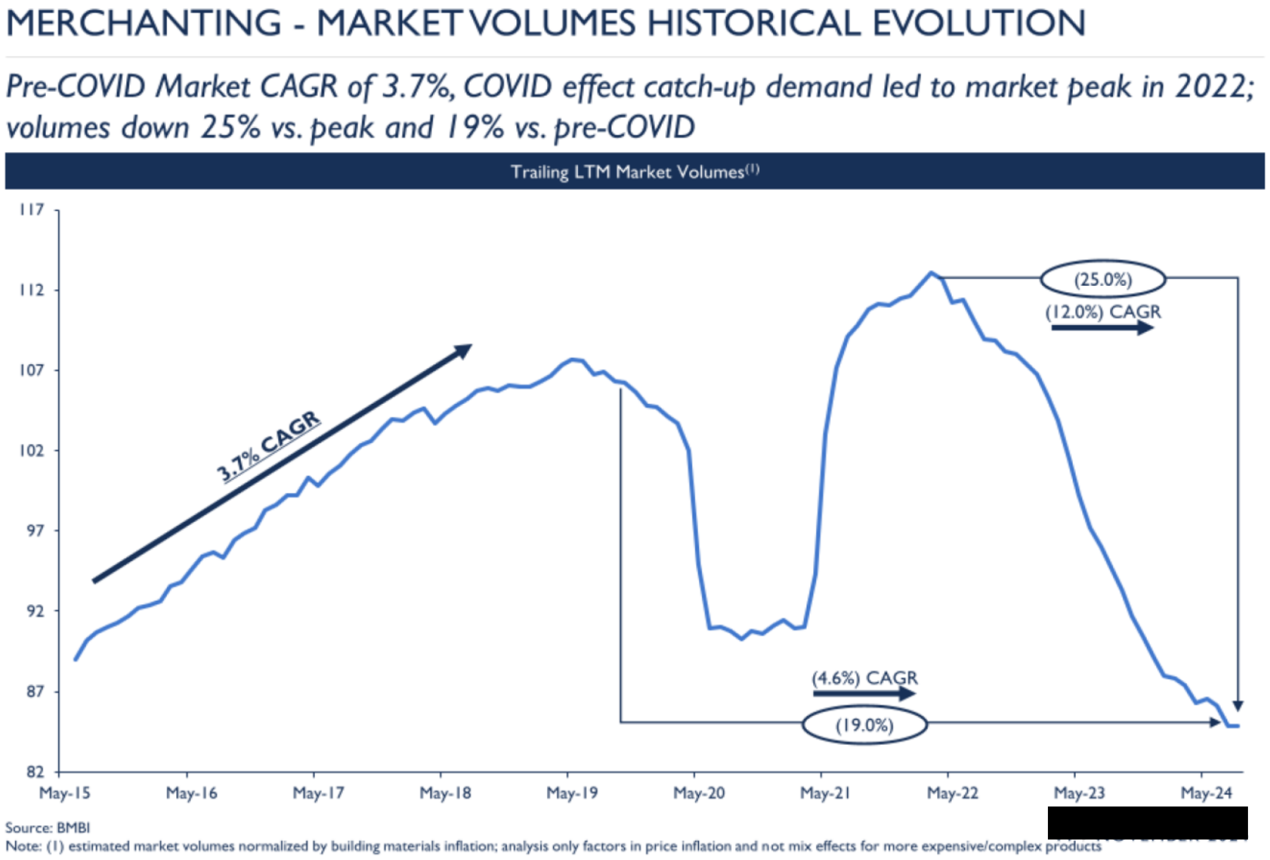

## Adjusted EBITDA *(Figures in £m)*




- **Strong growth since 2019 in revenue (CAGR: 35%) and EBITDA (CAGR: 56%)**
- **Adjusted EBITDA proven to be resilient in recent downturn due to RMI focus**
- **Medium term growth drivers**
  - **Over 60% of housing stock in the UK over 50 years old**
  - **Government targets should drive construction activity**
  - **Lower interest rate environment will benefit RMI market**

# Merchanting

- **Merchanting market volumes**
  - **Pre-Covid market CAGR of 3.7%**
  - **Volumes in May 2024 were 25% lower than Covid peak and 19% lower than May 2019**
- **Specialist, Civils and General Merchanting focus to provide 'total building solution' to customers**
- **Branch network**
  - **Expansion of branch network**
  - **Upgrade of existing sites**
- **Technology investment in back-office processes to drive efficiency**
- **Leverage digital offering to deliver best-in-class customer experience**



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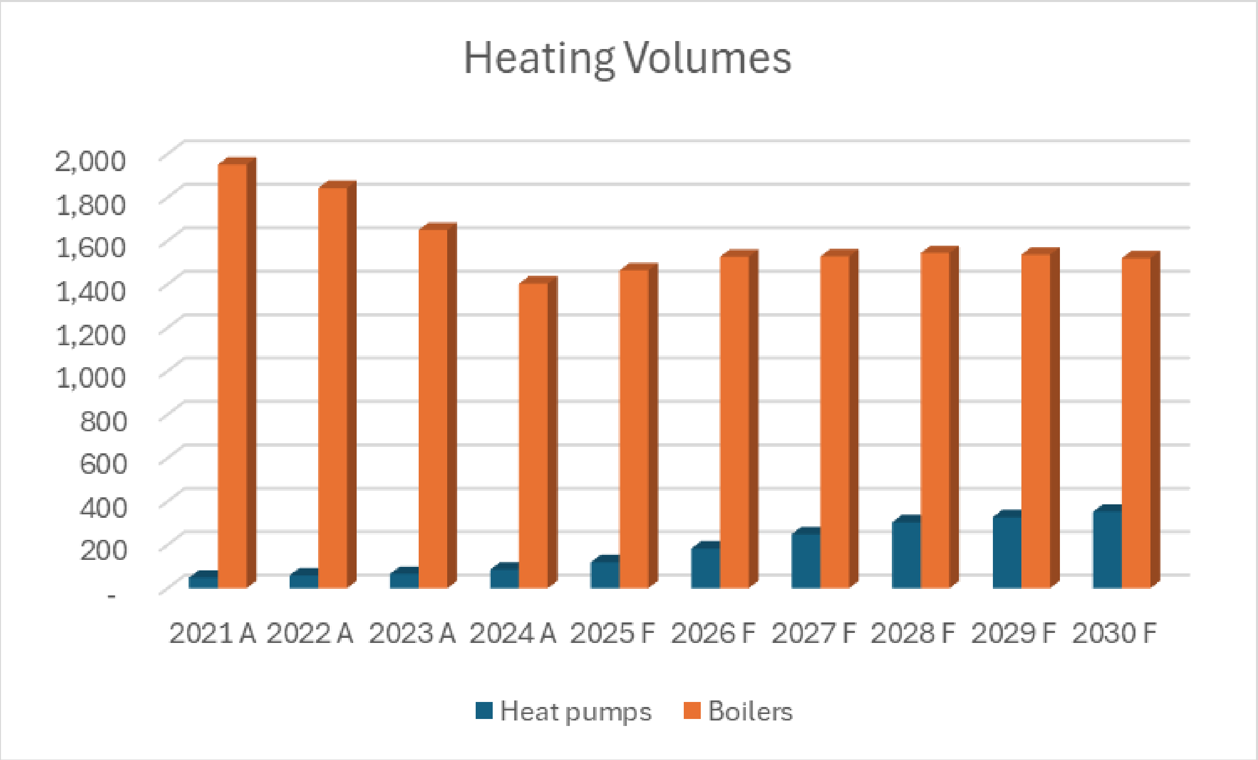
# Plumbing & Heating

- **UK boiler volumes down by 10.3% (CAGR) since 2021; Heat pump CAGR + 20.4%**
- **Research indicates:**
  - **Average boiler life extended from 10 to 12 years**
  - **Cost of living and annual repair contracts has resulted in increased spares and repairs rather than replacement**
- **Impact of energy transition**
  - **Estimated 75% of ASHP's likely to go into new build**
  - **No clear cost advantage in the replacement market and government subsidies unlikely to be increased**
- **Business model flexed to meet**
  - **Resilient but reducing gas boiler market**
  - **ASHP's design, supply and implementation to focus on new build**
  - **Drive non-boiler products and higher margin MrCH brand**




| | CAGR | |
|---|---|---|
| | 2021-2024 | 2024-2030 |
| Heat pumps | 20.4% | 26.6% |
| Boilers | -10.3% | 1.3% |
| Total units | -9.3% | 3.9% |

Source: External commercial advisor

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# Strategic Summary

- Opportunity for volume recovery in Merchanting
  - Deliver operational gearing  whilst tightly controlling costs
- Increase P&H profitability
  - Improve margin mix through wider product range and driving higher margin brands
  - Further invest in renewables growth following Ultimate acquisition
  - Drive efficient operating model
- Leverage digital team to deliver best-in-class customer experience
- Drive working capital reduction and deliver higher cash conversion
- Selective M&A of profitable, cash positive, bolt-ons

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# ESG: Implementing our strategy

- Clear stance on how to address our most significant environmental impacts
  - 51% reduction in scope 3 emissions from waste diverted from landfill
  - Total emissions down 12.5% to 56.3kT, (2023: 64.3 kT)
  - Targeting net zero in scope I & II by 2035 and scope III by 2050

- Vehicle fleet comprises 95% of scope 1 emissions
  - Trialled HVO on fleet in 3 branches
  - Samsara telematics across P&H fleet improving fuel efficiency

- Revised our supplier code of conduct policies with mandated compliance

- Lords Group Foundation distributed £70k in grants and matched funding supporting projects benefitting > 1,800 people

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# Outlook

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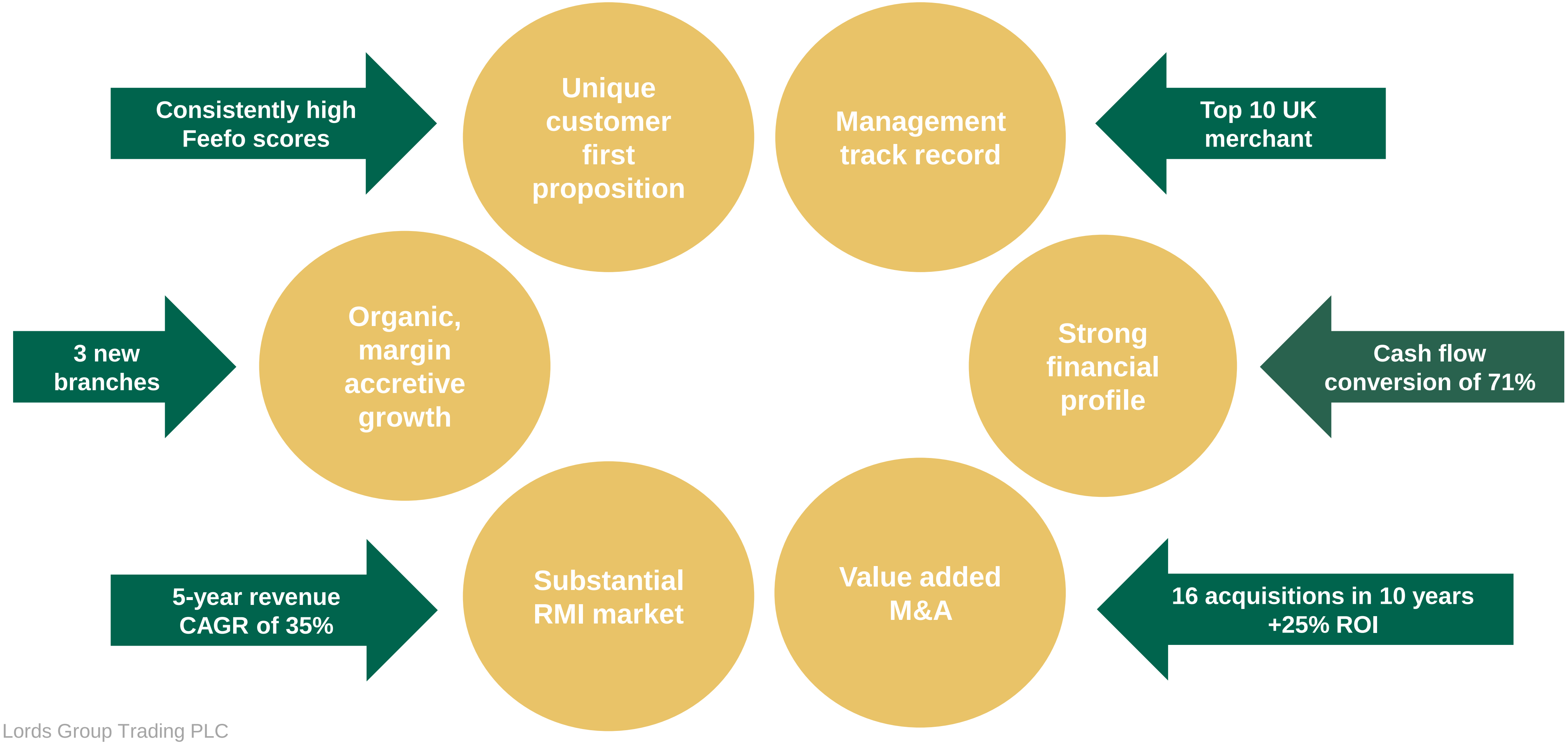
# The Lords investment case

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



# Outlook

- **Navigated challenging conditions in 2024 to deliver a resilient performance**
- **Consumer confidence remains weak in the UK but gradual recovery expected in RMI demand**
- **Headwinds of increased payroll taxes and minimum wage from April 2025**
- **Medium term outlook is positive driven by prospect of lower interest rates and government policy**
- **Sale & leaseback of four properties for £13.1m completed in H1 2025 providing additional liquidity to leverage growth opportunities as the market recovers**
- **Strong LFL revenue Q1 2025**
  - P&H up 22%, against weak comparator, due to pull forward of boiler volumes ahead of industry-wide price increases on 1 April 2025.
  - Merchanting up 11% as Q4 FY24 momentum continued

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# Q&As


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# Appendix 1 – Alternative Performance Measures

| | 2024 £m | 2023 £m |
|---|---|---|
| Operating Profit | 4.3 | 9.1 |
| Amortisation of acquired intangibles | 3.3 | 3.5 |
| Exceptional items | 0.6 | 2.8 |
| Impairment charge | 1.5 | 0.5 |
| Share based payments | 0.8 | 0.5 |
| **Adjusted Operating profit** | **10.4** | **16.5** |
| Depreciation | 2.6 | 2.6 |
| ROU amortisation | 9.4 | 7.7 |
| **Adjusted EBITDA** | **22.4** | **26.8** |

| | 2024 £m | 2023 £m |
|---|---|---|
| (Loss) / Profit before taxation | (2.6) | 3.0 |
| Exceptional items | 0.6 | 2.8 |
| Share based payments | 0.8 | 0.5 |
| Amortisation of acquired intangibles | 3.3 | 3.5 |
| Impairment and option interest | 1.7 | 0.5 |
| **Adjusted profit before taxation** | **3.8** | **10.4** |
| Taxation on adjusted profit | (0.5) | (2.9) |
| Minority | (0.2) | (0.3) |
| Adjusted Earnings | 3.1 | 7.1 |
| W.A. # of shares (m) | 165.8 | 164.3 |
| **Adjusted EPS (p)** | **1.85** | **4.35** |

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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# Appendix 2 – Income Statement

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Adjusted £'000 | Adjusting Items £'000 | Total £'000 | Adjusted £'000 | Adjusting Items £'000 | Total £'000 |
| Revenue | 436.7 | - | 436.7 | 462.6 | - | 462.6 |
| Cost of sales | (351.5) | - | (351.5) | (370.2) | - | (370.2) |
| **Gross profit** | 85.2 | - | 85.2 | 92.4 | - | 92.4 |
| Operating expenses | (64.6) | (1.3) | (66.0) | (65.8) | (3.4) | (69.2) |
| Property Gains | 1.8 | - | 1.8 | 0.3 | - | 0.3 |
| **EBITDA** | **22.4** | **(1.3)** | **21.1** | **26.8** | **(3.4)** | **23.5** |
| Depreciation & amortisation | (12.0) | (4.8) | (16.8) | (10.3) | (4.0) | (14.3) |
| **Operating profit** | **10.4** | **(6.1)** | **4.3** | **16.5** | **(7.4)** | **9.1** |
| Finance income | 0.3 | - | 0.3 | 0.2 | - | 0.2 |
| Finance expense | (7.0) | (0.2) | (7.2) | (6.4) | - | (6.4) |
| **Profit before taxation** | **3.8** | **(6.4)** | **(2.6)** | **10.4** | **(7.4)** | **3.0** |
| Taxation | (0.5) | 1.3 | 0.8 | (2.9) | 1.6 | (1.3) |
| **Total comprehensive income** | 3.3 | (5.0) | (1.8) | 7.5 | (5.8) | 1.7 |
| **Earnings per share** | | | | | | |
| Basic earnings per share (p) | 1.85 | | (1.19) | 4.35 | | 0.84 |
| Diluted earnings per share (p) | 1.84 | | (1.19) | 4.25 | | 0.82 |

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# Appendix 3 - Adjusting items

| | 31.12.24 £m | 31.12.23 £m |
|---|---|---|
| Exceptional items: | | |
| Business acquisition/disposal | (0.1) | 0.9 |
| Restructuring | 0.8 | 0.6 |
| ROU asset impairment | 1.5 | 0.5 |
| Inventory theft / obsolescence | - | 1.4 |
| **Total exceptional items** | 2.2 | 3.4 |
| Share based payments | 0.8 | 0.5 |
| Amortisation of acquired intangibles | 3.3 | 3.5 |
| Total adjusting items before taxation | 6.3 | 7.4 |
| Tax on adjusting items | (1.3) | (1.6) |
| Total adjusting items after tax | 5.0 | 5.8 |

- **Items adjusting statutory results performance to derive Alternative Performance Measures (APMs), giving a view of the underlying performance of the business**
- **IFRS 16 ROU asset impairment relates to two Alloway branches acquired as market turned down in September 2023**
- **Amortisation of acquired intangibles and share based payments similar to prior year**