FY22 Results

3 May 2023

LORDS
GROUP TRADING

Agenda

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

Overview

Dave, Yard Foreman, AW Lumb, Tamworth

FY22 Highlights

Another year of positive strategic progress underpinned by strong financial performance.

- Outstanding performance from every one of our 902 colleagues
- Record performance with results ahead of expectations
- Merchanting division market share growth strongly evidenced by FY22 revenue growth – 69.2% total growth, 17.4% LFL
- Plumbing & Heating division margins continued to be improved via range extension and pricing decisions – EBITDA margin 6.0% (FY21: 4.4%)
- Lords remains <1% of a £55bn market – growth strategy based on consolidation, product range extension and branch expansion
- Continued progress of our ESG agenda


Reina, Branch Manager, Lords Builders Merchants, Beaconsfield

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

Successful Value-Creative M&A History

- Independent merchants (£2-100m turnover) hold 40% 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
- 15 acquisitions in last 5 years, delivering 20%+ 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

- Well on track to deliver £500m revenue target by 2024
- Growth levers aiming to enhance EBITDA margin to 7.5% in medium term
- Highly cash generative, attractive working capital profile
- 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 – 5yr revenue CAGR of 50.7% vs market growth[1] of 1.4%

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

[1] Office for National Statistics 2017 to 2022, All R&M

Financial Review

Adam, Internal Sales Assistant, Hevey Building Supplies, Kettering

FY22 Financial Highlights

	FY22	FY21 (Restated)[1]	Change
Revenue	£450.0m	£363.3m	+£86.7m / +23.9%
Adjusted EBITDA	£30.0m	£22.3m	+£7.7m / +34.4%
Adjusted EBITDA Margin	6.7%	6.1%	+0.6%
Adjusted Profit Before Tax	£17.4m	£12.2m	+5.2m / +42.4%
Adjusted Earnings Per Share	8.02p	6.10p	+1.92p / +31.5%
Dividend per share	2.00p	1.89p	+0.11p / +5.8%
Free Cash flow conversion %[2]	66.9%	89.1%	-22.2%

- Significant 23.9% revenue growth delivered through organic and acquisitive channels
- EBITDA margin enhanced to 6.7%, overcoming inflationary pressures through mix and pricing
- Dividend of 2.00 pence per share aligned to our progressive dividend policy

1. Restatement of put and call options in Hevey Building Supplies Ltd and Condell Ltd. Adjustment is non-cash in nature with no impact on adjusted EBITDA.
2. Full calculation on slide 11.

FY22 Financial Highlights - Merchanting

Merchanting performance materially above FY21, demonstrating execution of our strategic growth levers.

12 months ended 31 Dec (£m)	FY22	FY21	Change
Total revenue	**£220.8m**	£130.5m	+£90.3m / +69.2%
LFL Growth vs FY21	*+17.4%*		
Adjusted EBITDA	**£16.1m**	£12.0m	+£4.1m / +34.3%
Margin	***7.3%***	*9.2%*	*-1.9%*

- Merchanting division delivered record revenues up 69.2%, with strong like-for-like growth of 17.4%
- EBITDA margin maintained in H2, attributed to customer mix and a lag in cost inflation recovery for certain customer segments
- FY22 acquisitions are EBITDA margin and earnings accretive and all are performing in line with or ahead of expectations

Scott, LGV and forklift driver, AW Lumb, Tamworth

FY22 Financial Highlights – Plumbing & Heating

Strong performance in P&H, growing EBITDA margin via range extension and pricing decisions.

12 months ended 31 Dec (£m)	FY22	FY21	Change
Total revenue	**£229.3m**	£232.8m	-£3.5m / -1.5%
LFL Growth vs FY21	*-9.1%*		
Adjusted EBITDA	**£13.8m**	£10.3m	+£3.5m / 34.5%
Margin	***6.0%***	*4.4%*	*+1.6%*

- Due to the industry wide boiler supply shortages faced in FY22, P&H revenues were -1.5% vs FY21 and -9.1% on a like-for-like basis
- EBITDA margin increased by 1.6% to 6.0% in FY22 reflecting the continued delivery of our margin enhancement strategy
- Growth levers remain plentiful via extended product range into higher margin products and Mr Central Heating branch expansion (40 new sites over the medium term)

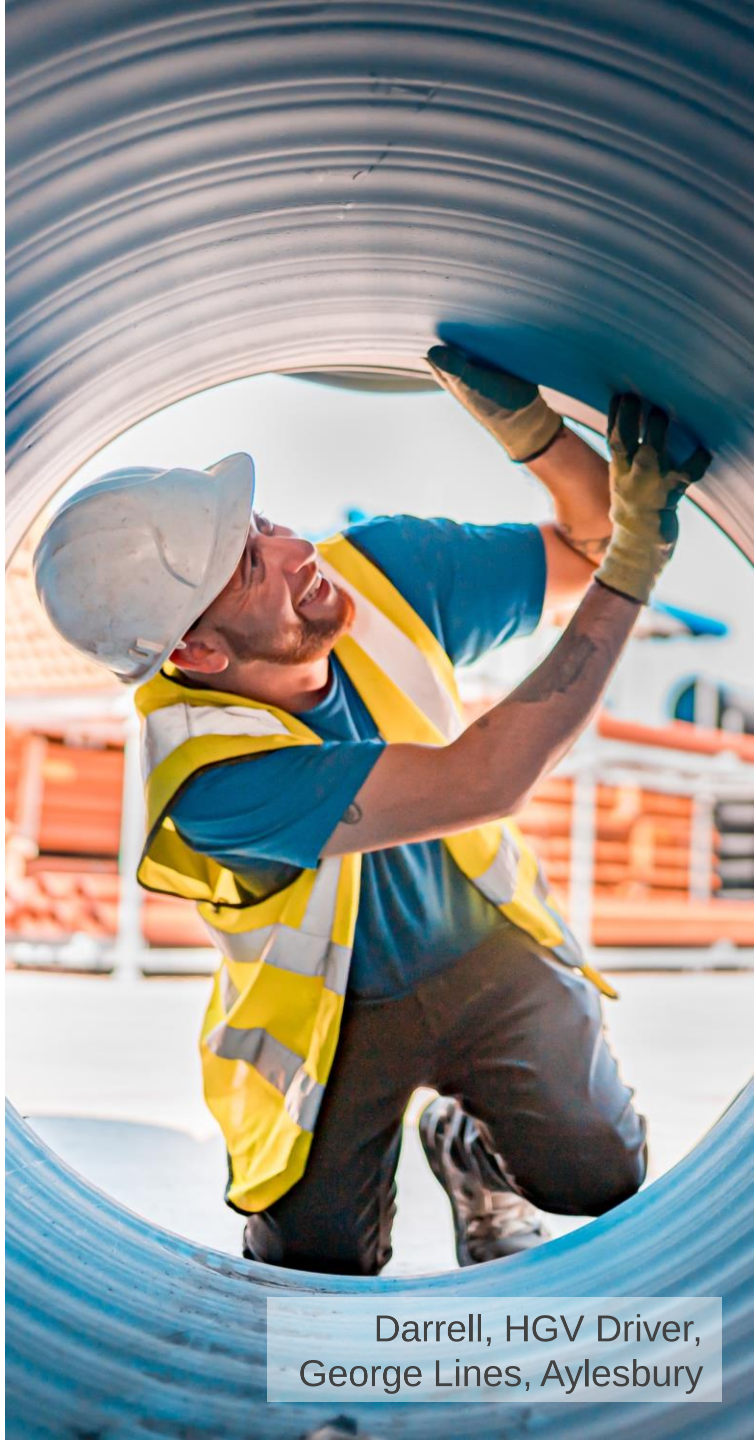
Tim, Warehouse Manager,
Mr Central Heating, Park Royal

Robust balance sheet enables growth

- Debt structure refinanced on 5 April 2023, moving to a syndicate structure with HSBC, Natwest and BNP Paribas
- New facilities reflect lender confidence and endorsement of Lords resilience and growth potential
- RCF facility increased from £50m to £70m, attracting a lender margin starting at 2.00% (previously starting at 2.25%)
- Invoice financing facility increased from £20m to £25m, attracting a lender margin of 1.4% (previously 1.8%)

£m	31 December 2022 Refi Adj.	31 December 2022	31 December 2021
Net Debt[1] pre IFRS	**19.4**	**19.4**	**(6.5)**
Total debt facilities	95.0	70.0	50.0
Total undrawn headroom	59.6	34.6	35.1
Debt facility maturity date	31 March 2026	21 July 2024	21 July 2024

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



Darrell, HGV Driver, George Lines, Aylesbury

FY22 Financial highlights – Free cash flow

£m	FY22	FY21 (Restated)
EBITDA (IFRS)	**28.6**	**19.7**
Exceptional Items and share based payments	1.3	2.6
Adjusted EBITDA	**30.0**	**22.3**
Working capital movement	(2.0)	1.4
Tax	(3.7)	(1.8)
Profit on disposal of PPE	(0.2)	-
Adjusted Cash generated by operating activities	**24.1**	**21.9**
Capex	(3.5)	(1.3)
Interest paid	(1.4)	(0.7)
Free cash flow	**19.1**	**19.9**
Free cash flow / Adjusted EBITDA %[1]	*66.9%*	*89.1%*

Free cash flow (from IFRS EBITDA) of £19.1m, 65.9%[1]

Working capital continues to be tightly controlled with management controls offsetting inflationary pressures.

Capex investments totalled £3.5m in FY22 reflecting the continued investment in the Group's growth strategy.

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

Strategic Update

Dave, Sales Administrator; Kyle, Sales Administrator, AW Lumb, Tamworth

Renewables range: growing in a key product category

- Demand for energy efficient technology being driven by increasing energy prices and government 'green initiatives'
- Lords is uniquely positioned to supply – distribution, merchanting and consumer channels
- Suppliers recognise Lords track record of delivering new products into market
- Products are margin accretive and delivered via existing in-house network
- New supply agreements secured in H1 22 driving increased customer demand
- Strong sales momentum in FY22 – revenue from air source heat pumps (+267%), underfloor heating (+185%) and smart home tech (+44%)

George Lines: capturing the organic growth opportunity

- George Lines is a strong regional brand with national expansion plans
- Specialist civils merchant selling aggregates, concrete, drainage and ducting, acquired in 2016 as a single site with £13m revenue
- In FY22, George Lines operates from 3 locations with revenues of £25m representing revenue CAGR of 13% since acquisition
- Organic growth plan: medium term target is to open 6-8 locations nationwide
- Third branch opened in Horsham in Q2 22, trading ahead of expectations
- New site return on investment is ahead of hurdle rate

Advance Roofing: strengthening our customer offer

- Two site roofing merchant acquired in January 2022 on a 4.6x EBITDA multiple – immediately earnings accretive
- Excellent example of how regional bolt on acquisitions can enhance our overall customer proposition
- Customer proposition aligned with Lords: product expertise via engaged colleagues
- Allows access to greater share of wallet from existing Lords customer base
- Advance Roofing expansion via implants in selected Merchanting sites – first one opened in Beaconsfield in FY22
- Trading ahead of expectations in first year: revenue +16% and Adjusted EBITDA +37% in FY22

Acquisitions: Track record of delivering superior returns

- EBITDA[1] growth of 53% on average across all entities acquired since 2016
- Returns achieved by acquiring at the right price, seamless integration and achieving revenue growth synergies by investing in our 3P's model
- Healthy pipeline of consolidation targets that add geographic expansion and/or customer cross sell opportunities and earnings accretion for the Group

	Year of Acq.	Pre Acq. Revenue	FY22 Revenue	Change in Rev.	% Δ	Pre Acq. EBITDA[1]	FY22 EBITDA[1]	Change in EBITDA	% Δ
APP Wholesale	2019	£180.0m	£212.2m	£32.2m	18%	£6.0m	£9.2m	£3.2m	53%
E Hussey and Saunders	2017	£2.3m	£10.0m	£7.8m	344%	£(0.1m)	£1.0m	£1.1m	1100%
Kings Langley Building Suppliers	2018	£7.5m	£15.4m	£7.9m	105%	£(0.1m)	£1.0m	£1.1m	1100%
AW Lumb[2]	2022	£44.6m	£53.8m	£9.2m	20%	£3.3m	£3.8m	£0.5m	15%
George Lines	2016	£13.0m	£25.4m	£12.4m	95%	£0.5m	£1.3m	£0.8m	160%
8 further acquisitions in period	2017-2022	£94.9m	£109.7m	£13.8m	15%	£5.5m	£6.8m	£1.3m	23%
Total			**£426.5m**	**£84.2m**	**25%**		**£23.1m**	**£8.0m**	**53%**

1. EBITDA figures in table presented on a pre IFRS basis

2. Full year performance of AW Lumb (acquired 28 February 2022)

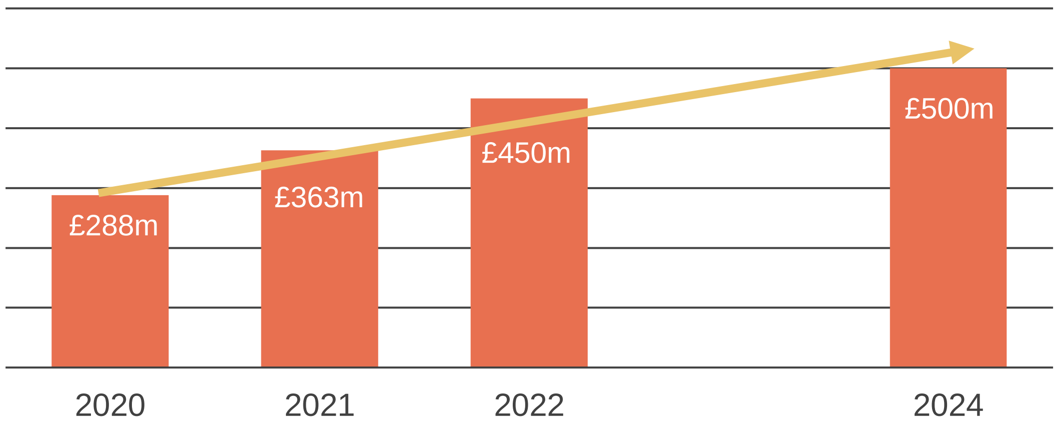
ESG: Developing our strategy

- Strategy developed in FY22, providing an effective framework to drive our ESG performance
- Output includes materiality assessment, medium term initiatives, governance structure, and KPI's to measure success
- Scope 1 & 2 emissions initiatives continued to be implemented including solar installation, transition to electric forklifts and company cars
- Scope 1 & 2 emissions reduction of 5%[1] in FY22
- Lords Group Foundation officially launched in FY22 to support initiatives in the 42 communities we trade within

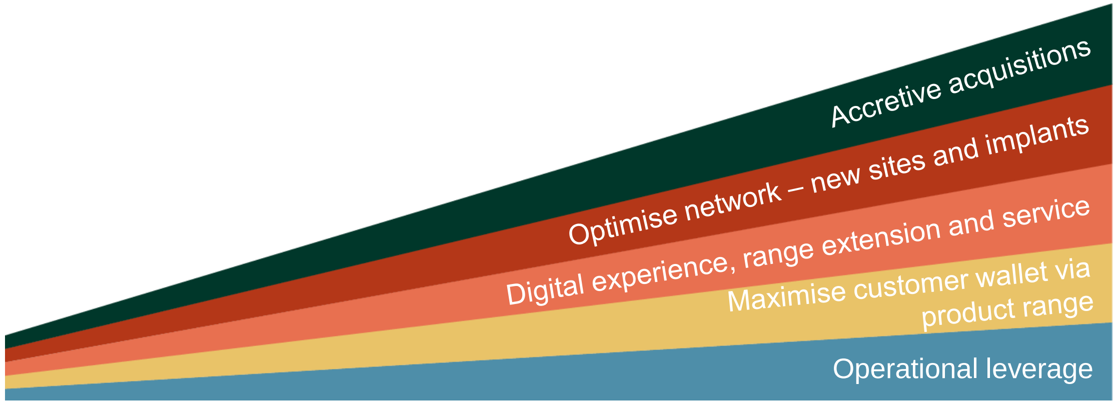
[1] Tonnes CO_2e per £million of turnover

Medium Term Targets

Revenue growth target: £500m by 2024



Medium term EBITDA margin of 7.5%



Illustrative and not to scale

Revenue growth driven by:

- Organic – product range extension, new geographies
- Digital – in-house expertise, high growth opportunity
- Core Acquisitions – £5m to £50m revenue per transaction, 3 to 4 transactions per annum

Our targets:

1. Grow revenues to £500m by 2024, +38% upside v FY21
2. 1.5% growth in EBITDA margin over medium term v FY21
3. Progressive dividend policy

Outlook


LORDS BATHROOMS
ENTRANCE
Manager's Specials
Building Materials
Timber and Sheet Materials
Landscaping
LORDS
BF71 YVA

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:

- Customer demand remains robust in our well positioned geographic and RMI segments
- FY22 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 £500 million revenue in 2024 and 7.5% EBITDA margin in the medium term

Terry, Branch Manager,
Mr Central Heating, Croydon

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