

Victorian Plumbing Group plc

Half Year Results Presentation

Six months ended
31 March 2023

23 May 2023



AGENDA

- ✓ Overview
- ✓ FY23 half year results
- ✓ Key drivers and strategic progress
- ✓ Current trading and outlook
- ✓ Q&A

Today's speakers



OVERVIEW

- ✓ H1 revenue growth at 10% as the Group demonstrates continued trading momentum
- ✓ Strengthening our position as the **UK's No. 1 retailer** for bathroom products
- ✓ Shipping cost and foreign exchange tailwinds aids **gross profit and margin progression**
- ✓ Efficiency gains in H1 marketing activity whilst still securing market share gains
- ✓ Our **well-defined strategy** remains focused on core B2C, trade, and adjacent products
- ✓ Successful migration and launch of **re-platformed website** without any issues or downtime
- ✓ Agreement to lease new **544,000 square foot purpose-built warehouse** under construction creates capacity for further strategic growth
- ✓ Board declared **first interim ordinary dividend** with strong cash generation
- ✓ **Continued confidence in medium-term** targets and the growth opportunity

Our investment case

The market leader in a large and growing market

- Disrupting a large and traditional industry
- A clear market leadership position
- Significant market share gains since IPO and now #1 retailer for bathroom products in UK
- Significant competitive moat
- Trustpilot rating of 'Excellent' – over 189k reviews

Robust financials – track record of growth, profitability and attractive cash generation

- Industry leading margins – further upside available in own brand products
- Strong free cash flow which supports future growth through disciplined capital allocation to reinvestment
- Dividend established and potential to deliver attractive shareholder returns

Intelligent customer focused business model

- Efficient multi-channel marketing strategy drives traffic to website
- Proprietary technology stack supports dynamic website pricing/promotions and customer conversion
- Investment in differentiated product and sourcing of leading own brands, alongside 3rd party brands
- Agile supply chain and unrivalled product range

Significant organic growth potential

- Opportunities for material growth from core B2C, trade and agencies (e.g. tiles)
- New UK distribution centre to support strategic expansion and operating efficiencies
- International expansion in key European territories a possibility in the medium term



Underpinned by passionate and entrepreneurial management team, engaged workforce and ongoing progress on sustainability

FY23 HALF YEAR RESULTS



FINANCIAL HIGHLIGHTS

£147m **Revenue** of £146.8m (H1 2022: £133.9m) delivering a growth rate of +10% for H1

46% **Gross profit** increased to £66.8m (H1 2022: £58.5m) with **gross profit margin** increasing by 2ppt to 46% (H1 2022: 44%)

£9.9m **Adjusted EBITDA** growth of +48% to £9.9m (H1 2022: £6.7m) with **adjusted EBITDA margin** increasing by 2ppt to 7% (H1 2022: 5%)

£40.9m **Robust, debt-free balance sheet** with closing **net cash of £40.9m** (H1 2022: £33.7m)

66% Free cash flow⁽¹⁾ £6.5m (H1 2022: £1.4m) with strong **cash conversion**⁽²⁾ 66% (H1 2022: 21%)

0.45p **Maiden interim dividend** of 0.45 pence per share

OPERATIONAL HIGHLIGHTS

482k

Total orders of 482,000 up 6% (H1 2022: 453,000)

£305

Average order value up 3% to £305 (H1 2022: £296)

28%

Marketing spend as a percentage of revenue decreased to 28% (H1 2022: 30%)

20%

Trade revenue grew by 20% to £29.6m (H1 2022: £24.6m), representing 20% of total revenue (H1 2022: 18%)

4.5

Trustpilot rating of '**Excellent**' with an increased **average score of 4.5** (H1 2022: 4.4)

INCOME STATEMENT

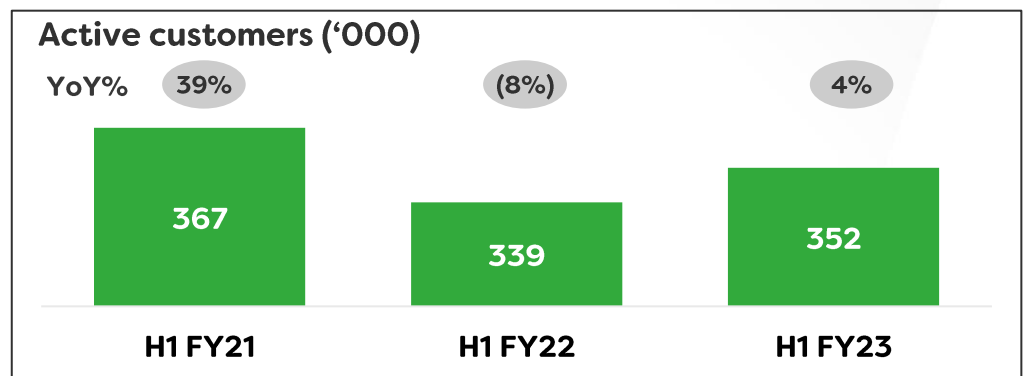
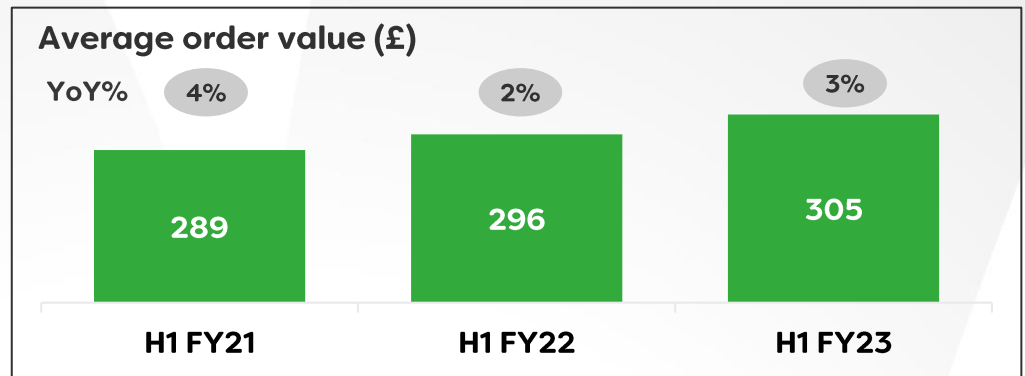
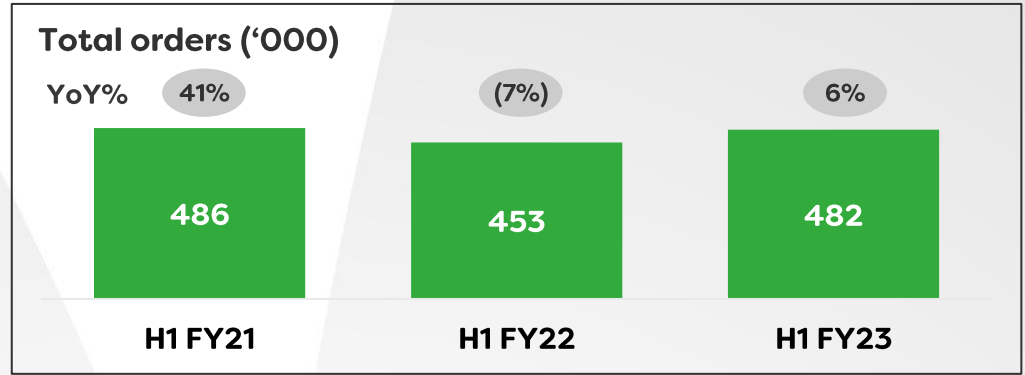
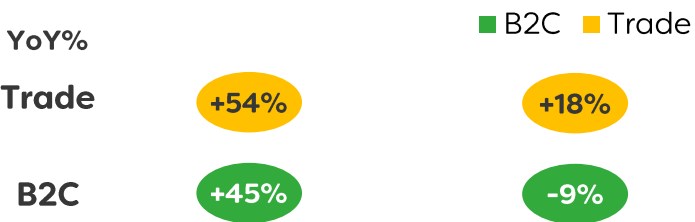
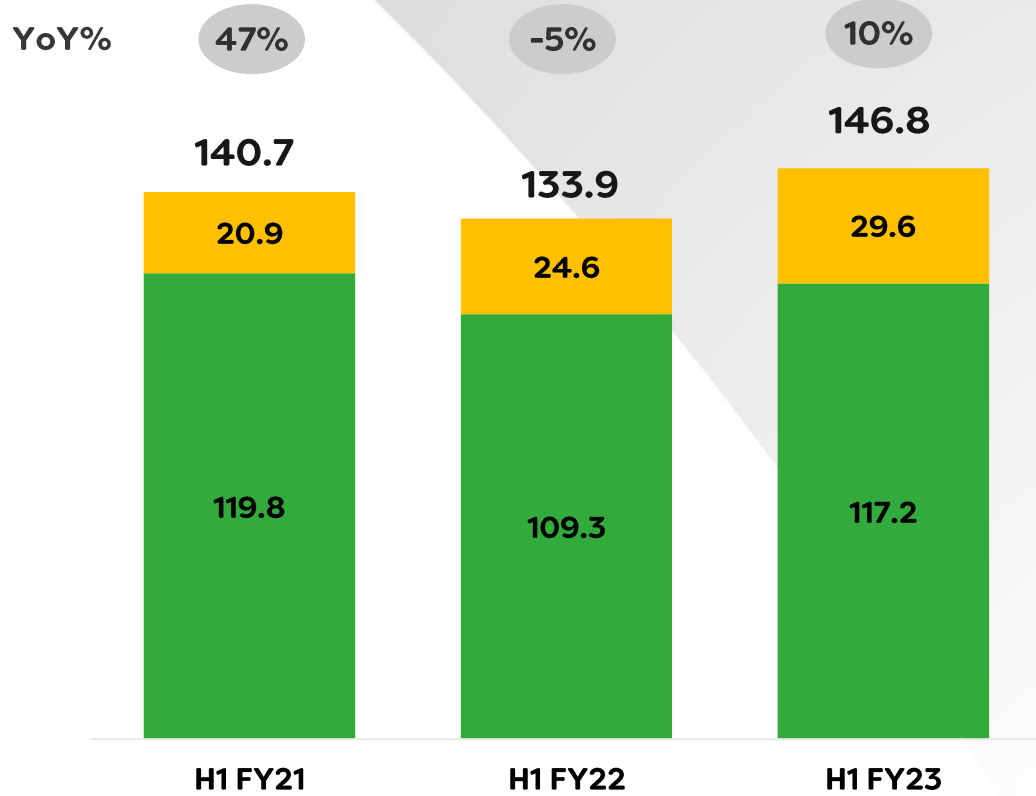
Strong H1 with revenue growth, improved margin performance and efficiency in marketing spend resulting in Adjusted EBITDA +48% YoY

Income statement (£m)	H1 FY23	H1 FY22	YoY %
Revenue	146.8	133.9	10%
Cost of sale	(80.0)	(75.4)	(6%)
Gross profit	66.8	58.5	14%
Marketing costs	(41.7)	(40.2)	(4%)
Other underlying costs	(15.2)	(11.6)	(31%)
Adjusted EBITDA	9.9	6.7	48%
Depreciation and amortisation	(1.8)	(1.7)	(6%)
Share-based payments	(2.2)	(2.1)	(5%)
Exceptional items	(0.4)	-	n.m
Operating profit	5.5	2.9	90%
Interest	0.1	(0.2)	150%
Profit before tax	5.6	2.7	107%
Tax	(1.4)	(0.7)	(100%)
Profit after tax	4.2	2.0	110%
<i>Gross Profit %</i>	46%	44%	2ppt
<i>Marketing costs as a % of revenue</i>	28%	30%	(2ppt)
<i>AEBITDA %</i>	7%	5%	2ppt
Adjusted EPS (pence)			
Basic	2.2	1.4	57%
Diluted	1.9	1.2	58%

- ✓ Revenue growth in H1 of +10% with growth seen across both consumer and trade channels
- ✓ Margin improvements in H2 FY22 carried through to H1 FY23 with benefit from reduced shipping rates and more favourable foreign exchange rates continuing to come through
- ✓ Marketing spend higher in H1 to support delivery of increased volume, with 2ppt improvement in efficiency of spend
- ✓ Underlying cost increases: pay inflation; increased FTEs, increase in capacity and cost for short-term third-party warehouse space and annualisation of plc costs
- ✓ Adjusted EBITDA margin % improving by 2 ppts to 7%
- ✓ Adjusted diluted EPS growth of 58%

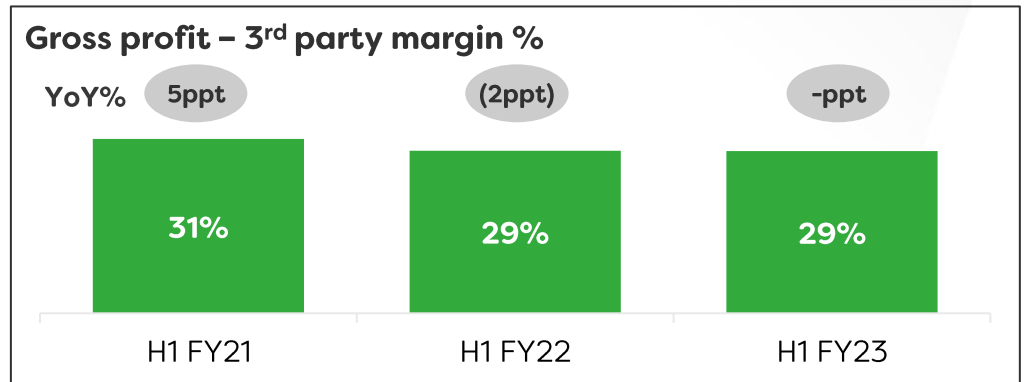
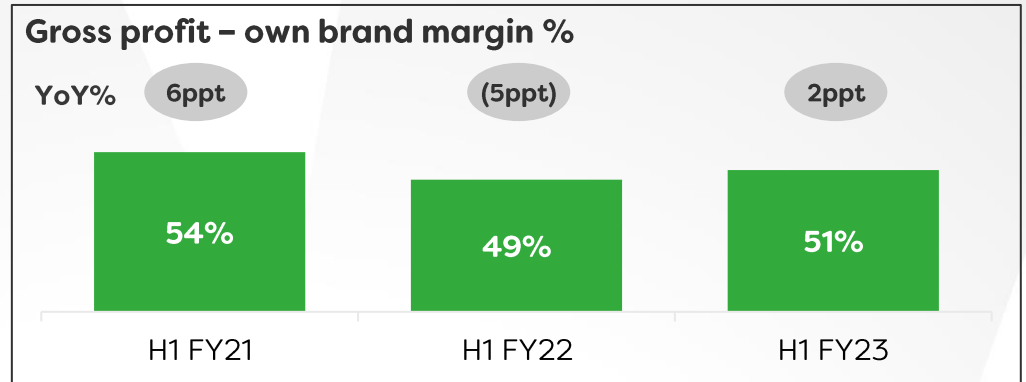
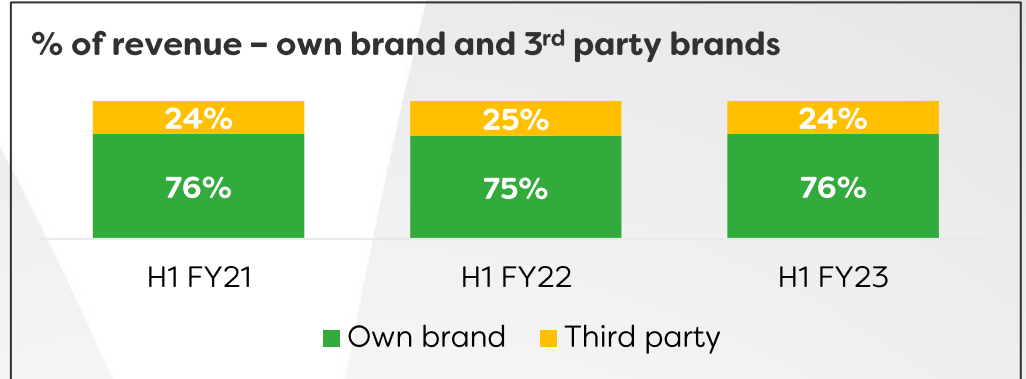
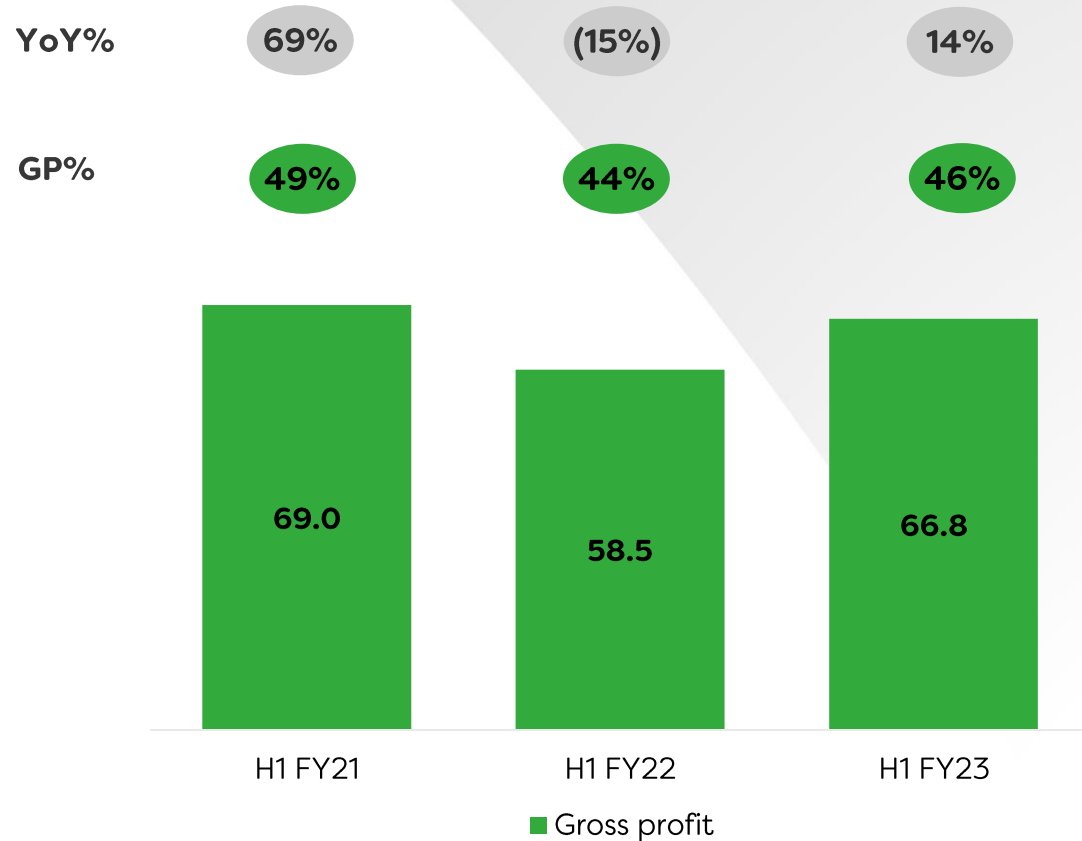
REVENUE

Revenue (£m)



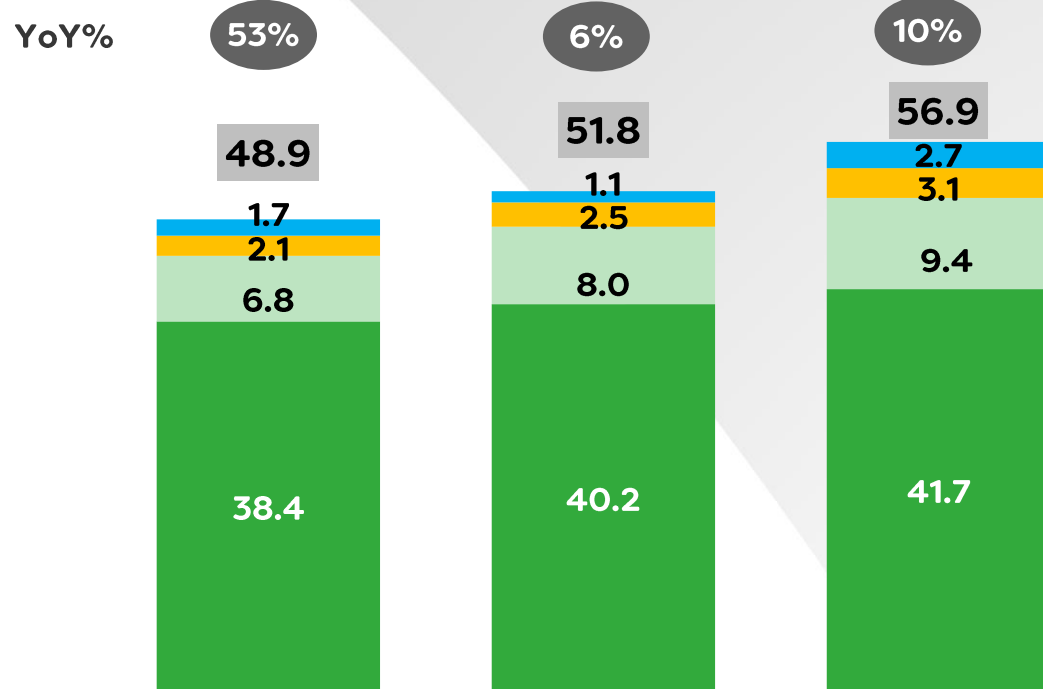
GROSS PROFIT

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



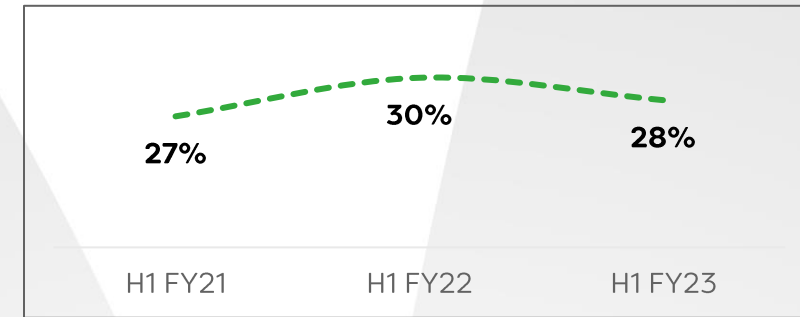
UNDERLYING COSTS

Underlying costs (£m)

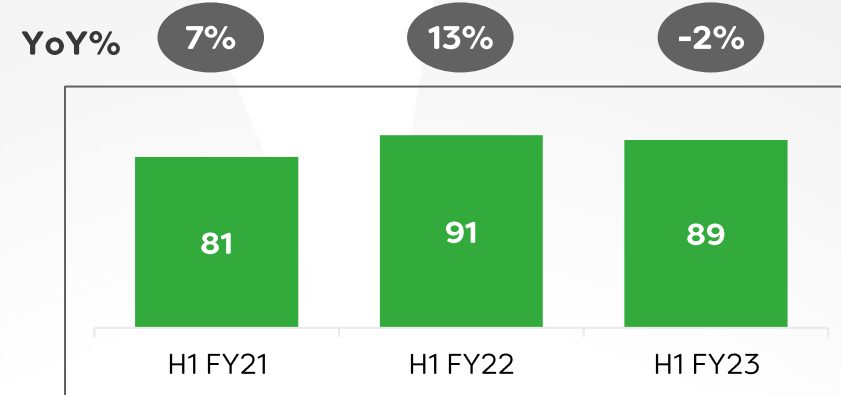


YoY%	H1 FY21	H1 FY22	H1 FY23
Marketing	49%	5%	4%
People *	61%	18%	18%
Property	72%	21%	23%

Marketing as a % of revenue



CAC - Marketing cost per order placed (£)



- ✓ **People** – ongoing pay inflation and an increase in FTEs in the 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

CASH FLOW STATEMENT

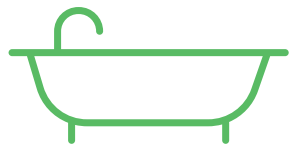
Cash flow statement (£m)	H1 FY23	H1 FY22
Adjusted EBITDA	9.9	6.7
Changes in working capital	(1.3)	(3.2)
Cash gen. from ops. before exceptionals	8.6	3.5
Cash flows from exceptionals	(0.1)	(0.1)
Cash generated from operating activities	8.5	3.4
Tax paid	(2.1)	(0.2)
Net cash generated from operating activities	6.4	3.2
Purchase of intangible assets	(1.3)	(1.3)
Purchases of PPE	(0.2)	(0.2)
Related party loans	-	-
Cash used in investing activities	(1.5)	(1.5)
Dividends	(9.1)	-
Finance arrangement fees	-	(0.1)
Interest on cash deposits	0.2	-
Lease payments (interest + principal)	(0.6)	(0.6)
Net cash used in financing activities	(9.5)	(0.7)
Net increase in cash and cash equivalents	(4.6)	1.0
Cash at the beginning of the year	45.5	32.7
Cash at the end of the year	40.9	33.7
Free cash flow⁽¹⁾	6.5	1.4
Cash Conversion⁽²⁾	66%	21%

- ✓ Cash generated through EBITDA performance of £9.9m, offset by an investment in working capital of £1.3m (H1 2022: £3.2m)
- ✓ Reduced working capital vs. the prior period relates to optimal stock control whilst ensuring unrivalled levels of product availability for customers
- ✓ Net cash generated from operating activities increased by £3.2m to £6.4m with cash conversion at 66% vs. 21% in the prior period
- ✓ Closing net cash £40.9m (H1 2022: £33.7m). £10m RCF undrawn
- ✓ Maiden interim dividend of 0.45 pence per share which is a total cash distribution to shareholders of £1.5m in July

CAPITAL ALLOCATION

Victorian Plumbing generates significant operating cashflows

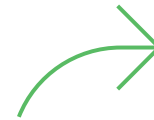
Underlying priority is to reinvest into the business and drive further profitable growth



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

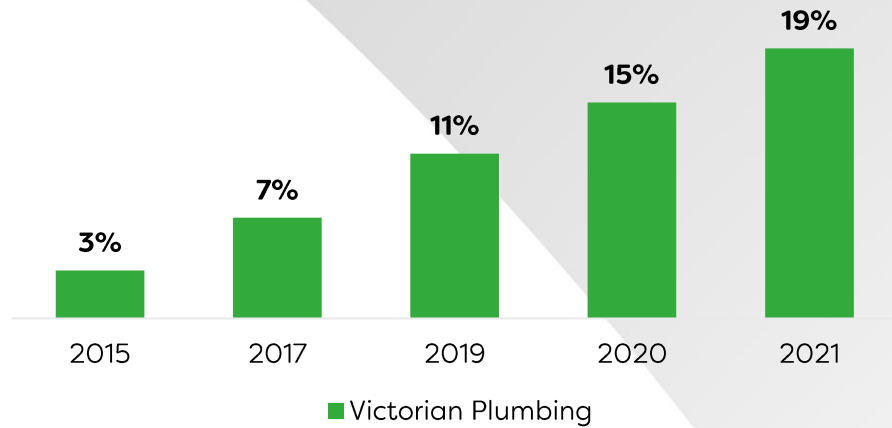


KEY DRIVERS AND STRATEGIC PROGRESS

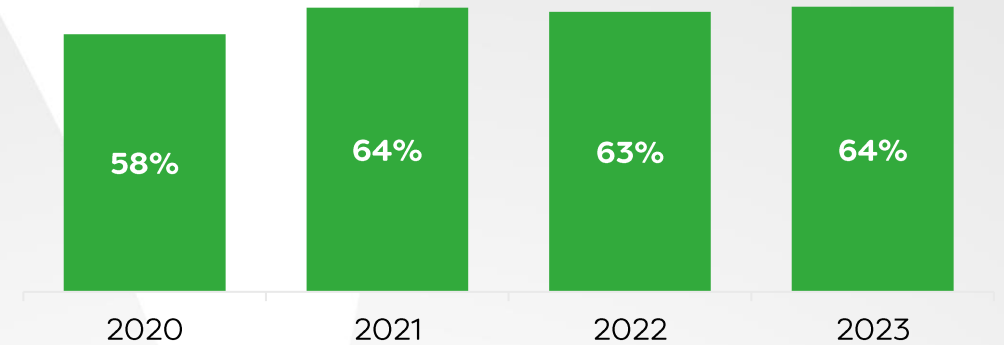


WE ARE THE OVERALL MARKET LEADER

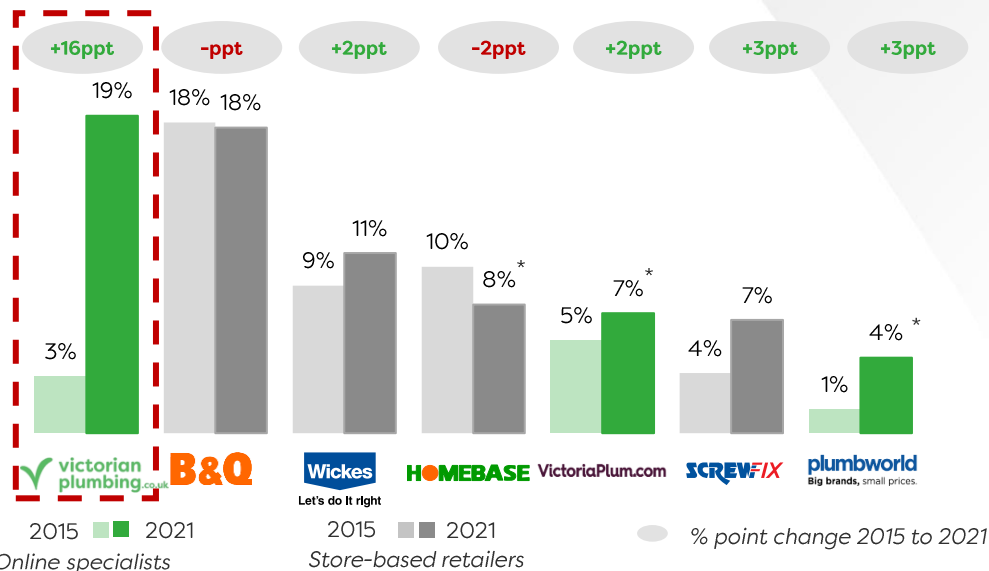
Market share by revenue⁽¹⁾



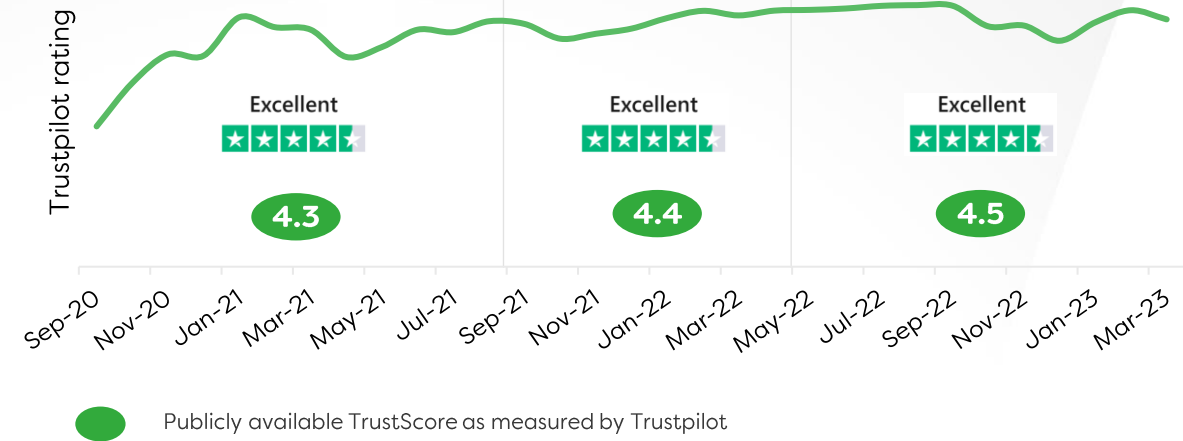
Brand awareness⁽³⁾



Market share of bathrooms by revenue⁽²⁾



Trustpilot rating⁽⁴⁾



(1) Source: Mintel
 (2) Source: Mintel (* 2022 revenue and share not available therefore 2021 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

NEW BOLD & CREATIVE OFFLINE MARKETING OFFERING SUPPORTS ONLINE POSITION OF STRENGTH

Bold creative offline campaigns

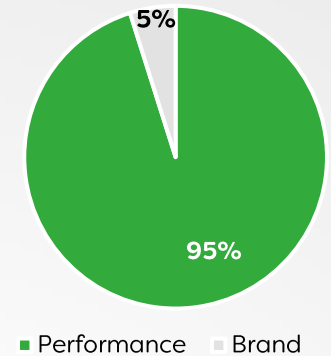
- ✓ Our biggest ever creative advertising campaign launched in the final weeks of 2022, as part of our new creative brand platform
- ✓ Launched across diverse range of platforms including TV, Radio, Out of Home and Youtube



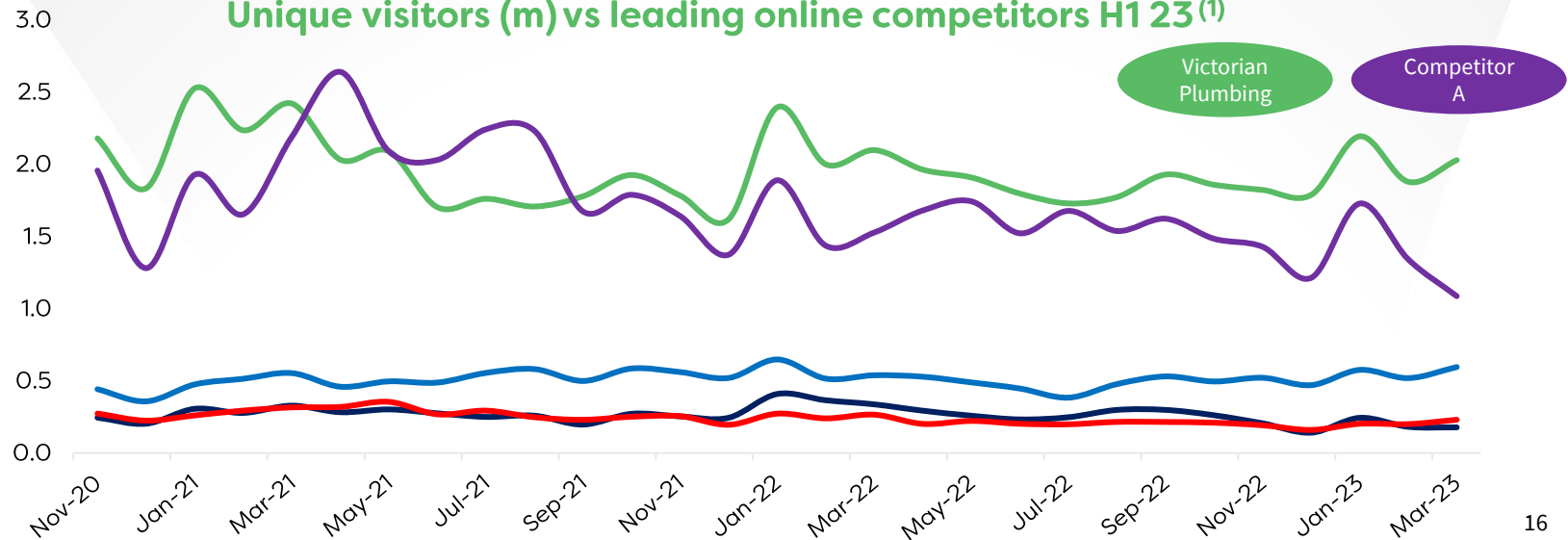
Supports dominance in paid and organic search

- ✓ Continued dominance in both paid search and organic to drive efficient sales acquisition resulting in increased market share
- ✓ Marketing efficiency of 2ppts reduces CAC and improved profitability
- ✓ Brand awareness improvement from recently launched advertising campaign

Brand vs performance spend
Half year ended 31 March 2023



Unique visitors (m) vs leading online competitors H1 23⁽¹⁾

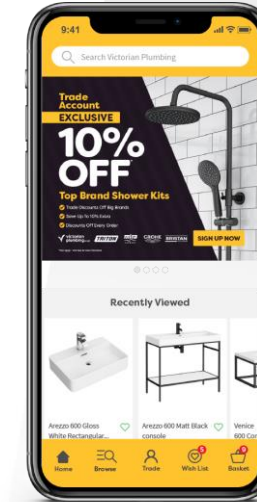


(1) SimilarWeb data - unique visitors- using latest methodology

FURTHER DEVELOPMENT OF BESPOKE TECHNOLOGY PLATFORM UNDERPINS FUTURE GROWTH

Technology platform

- ✓ Successful migration and launch of re-platformed website without any issues or downtime
- ✓ New site is highly scalable and significantly faster, supporting improved conversion rates
- ✓ Improved functionality has been developed in-house to boost commercial responsiveness and operational efficiency
- ✓ Revised infrastructure will also facilitate the implementation of further updates to continuously enhance our customer journey and future proof user experience



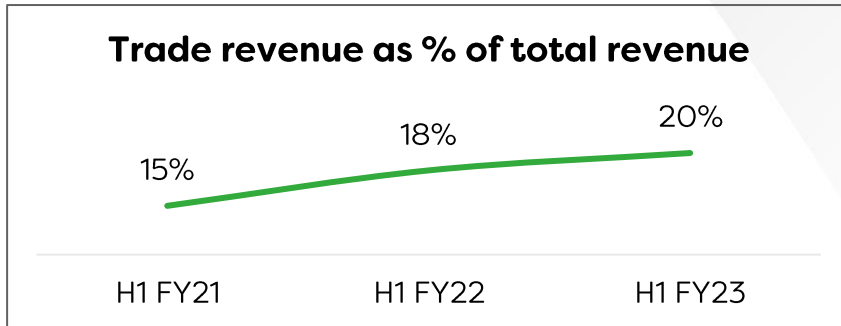
Trade app

- ✓ Construction of Trade App now complete
- ✓ Designed to increase engagement from trade customers, providing a more efficient and relevant experience, driving repeat business
- ✓ Beta version is with a select group of trade customers for testing and feedback

PROGRESS IN KEY STRATEGIC AREAS

Trade

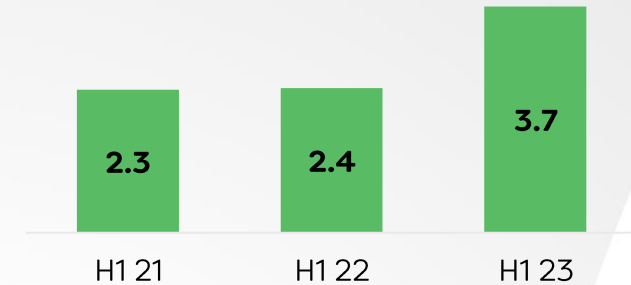
- ✓ Competitive discounts for trade consumers alongside dedicated account management encourages a high repeat rate amongst our trade customers (H1 FY22: 86%, H1 FY23: 88%)
- ✓ Increase in range of smaller plumbing parts to become a one-stop shop for trade



Adjacent Categories



Tiles & Lighting Revenue (£m)



- ✓ Increase in tile (+52%) and lighting (+70%) 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 new innovative and designer own-brand for tiles – Stonehouse Studio

NEW DISTRIBUTION CENTRE FOR FUTURE GROWTH



- ✓ New 20-year lease for a 544,000 sq. ft purpose-built DC will support fulfilment of medium-term growth ambitions
- ✓ Estimated to be operational by H2 2024
- ✓ c.£26m of capex spend (pre-tax) over the next 18 months (£7m in H2 23 / £19m in FY 24) with a focus on sustainability and driving operational efficiencies through semi-automation in outer years
- ✓ After a period of double running to undertake the operational transition, we anticipate no additional pre-tax cash outflow for rental expense

OUR ESG FOCUS

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



Environmental sustainability

- ✓ We reported our scope 1 and scope 2 emissions in our annual report with a small increase due to a full year of operating out of a larger warehouse space
- ✓ Scope 3 emissions have been assessed with a specialist to provide a baseline from which we can establish a strategy for moving towards net zero - these will be reported in the next annual report
- ✓ Working on designs for our new warehouse that support our strategy to move towards net zero
- ✓ Continue to expand our sustainable water saving product range



Diversity and inclusion

- ✓ We have a values-led culture and recognise the value of a diverse and inclusive workforce reflective of meritocratic culture and a diverse socio-economic background
- ✓ Continued engagement in our annual employee survey
- ✓ Launched improved benefits around health and wellbeing for all staff
- ✓ Established a charity committee to work closely with the recently established employee engagement committee



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 – focus more recently on the people lifecycle

CURRENT TRADING AND OUTLOOK



CURRENT TRADING AND OUTLOOK

Continued trading momentum

- ✓ Consumer demand in April and the early part of May remained robust, with order volume led growth and **continued increase in our market share**
- ✓ **Gross margin continues to improve** as the tailwinds from shipping and foreign exchange begin to cycle through
- ✓ We remain mindful that our customers still face a series of inflation related headwinds, however, with our resilient trading and market-leading proposition we **remain confident in delivering expectations for the full year**
- ✓ 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 and industry-leading margins we are **confident in the future growth prospects of the Group**

Q&A

DISCLAIMER

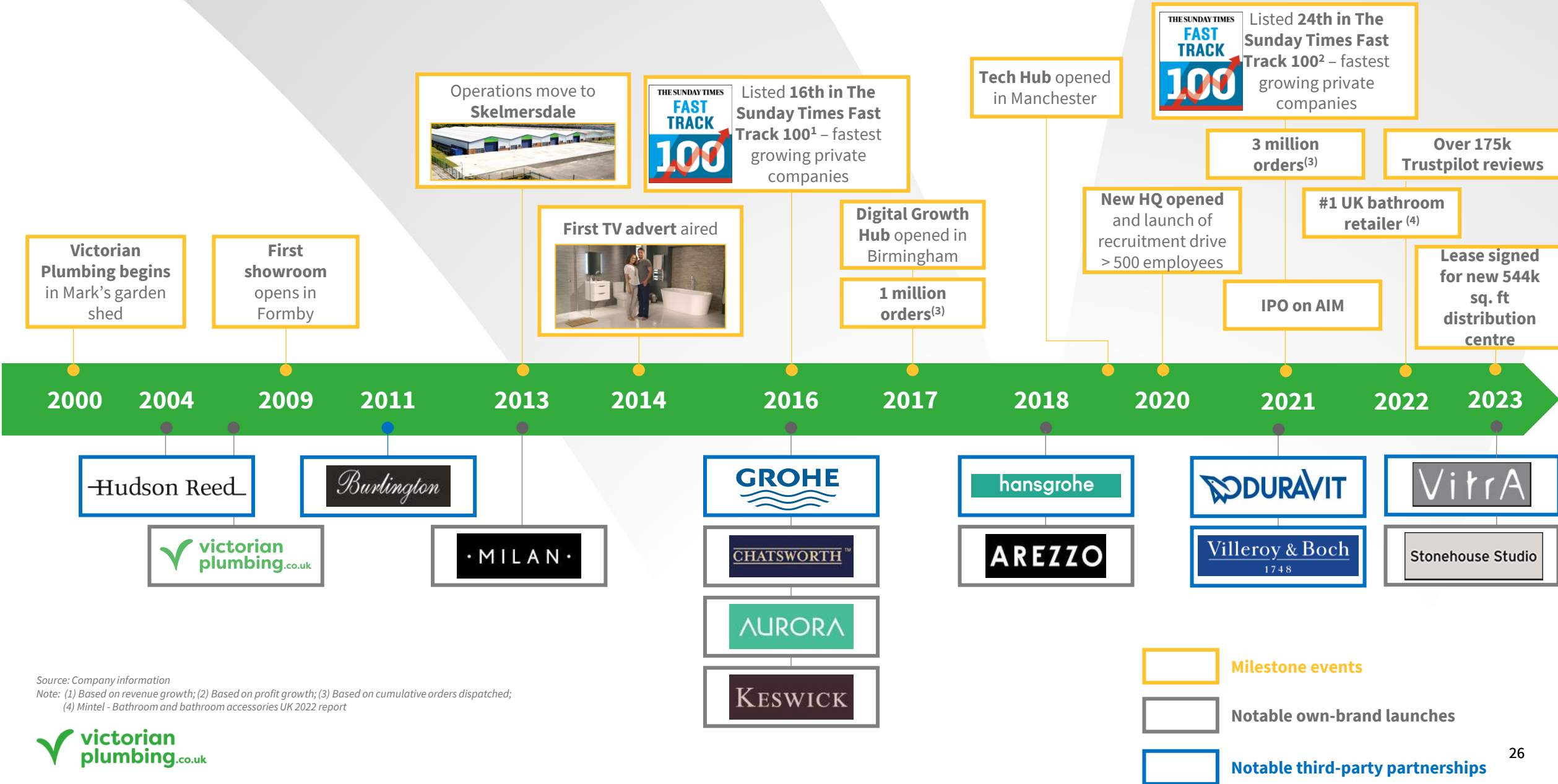
The information and opinions provided in this presentation are provided as of the date of this presentation. Certain statements in this presentation constitute forward looking statements (including beliefs or opinions). Any statement in this presentation that is not a statement of historical fact including, 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



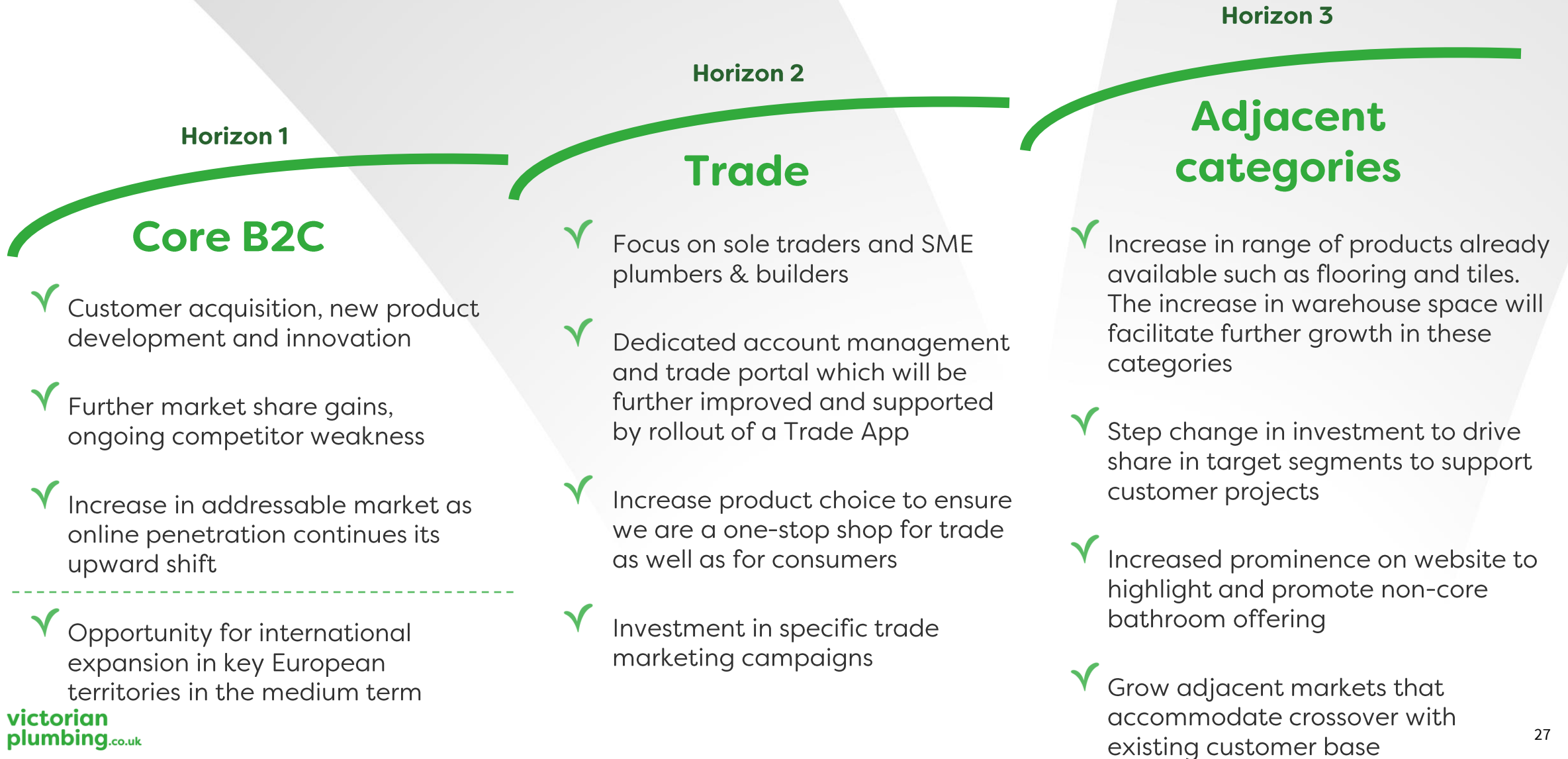
Source: Company information

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

OUR STRATEGY

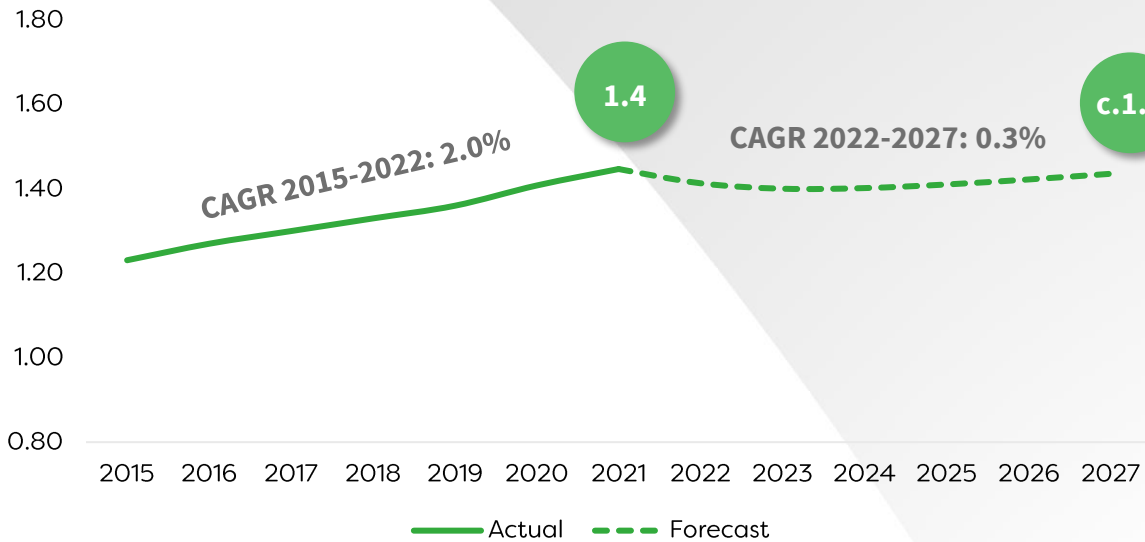
We think about our strategy with reference to 3 horizons



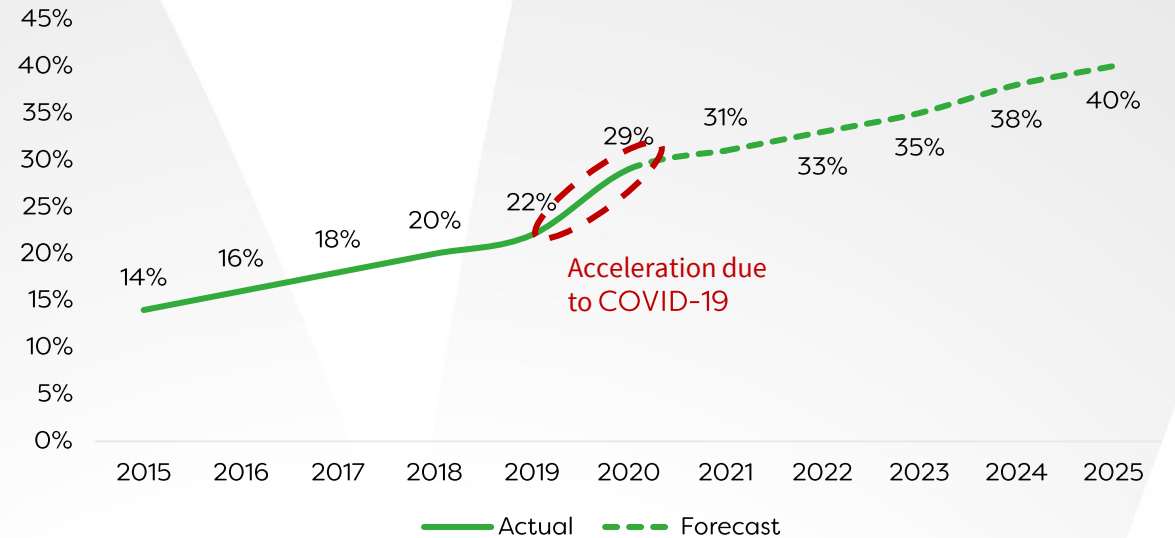
LARGE AND GROWING MARKET OPPORTUNITY

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



More time spent at home



Home as a 'hub and nest'

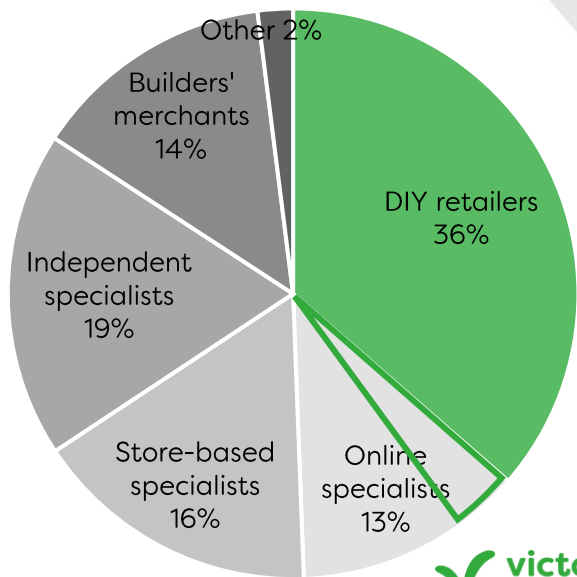


Government incentives

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

Retail sales by channel

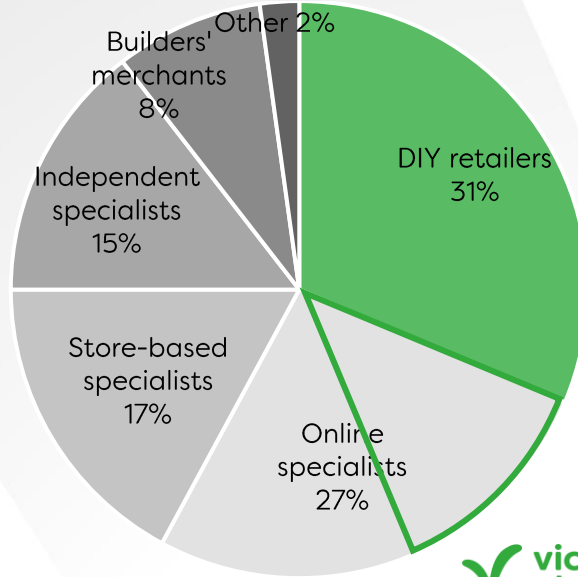
CY2015



✓ victorian plumbing.co.uk

3%

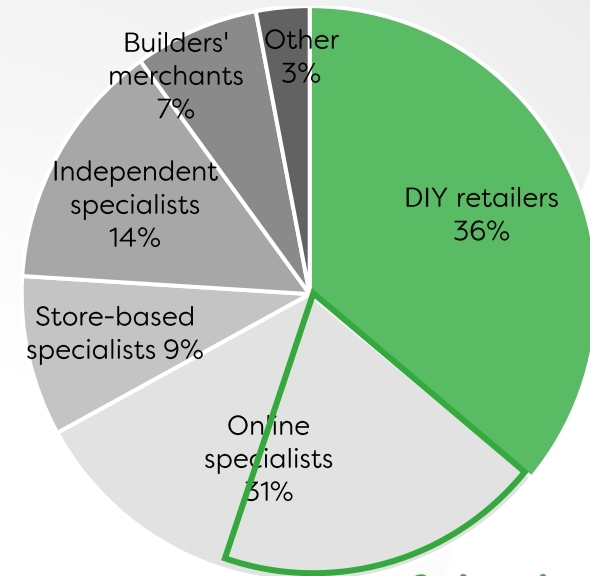
CY2019



✓ victorian plumbing.co.uk

11%

CY2021



✓ victorian plumbing.co.uk

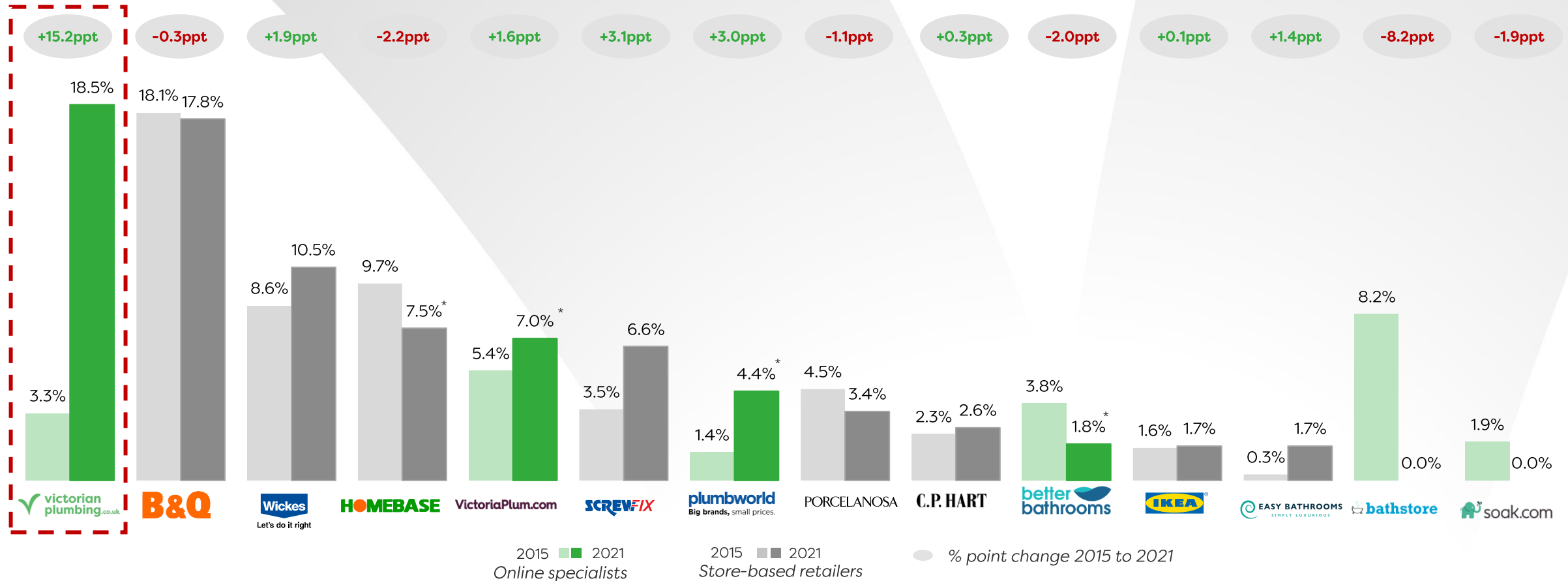
19%

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⁽¹⁾ (2015 versus 2021)



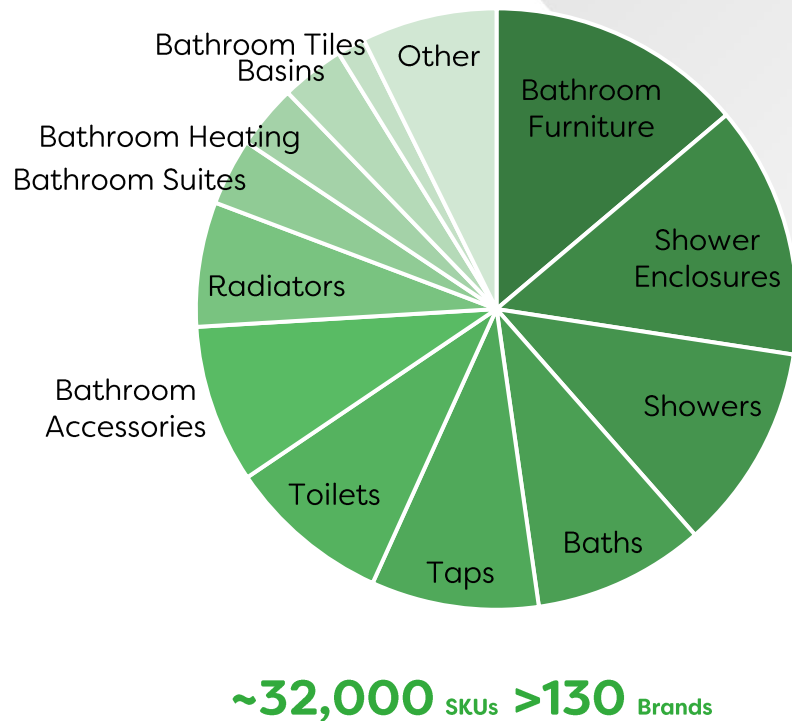
Superior customer value, extensive range and high quality online experience driving market share gains



(1) Source: Mintel – calendar years 2015 and 2021
 (2) * 2021 share not available therefore 2020 share as per Mintel is shown
 (3) Soak entered administration in early 2020
 (4) Bathstore has been operating as a concession of Homebase since July 2019

ONE-STOP SHOP FOR A CUSTOMER'S BATHROOM NEEDS

FY22 Revenue⁽¹⁾ by product category

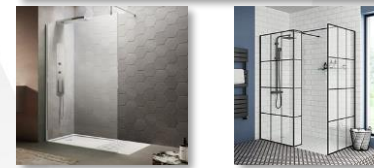


Bathroom Furniture



~3,500 SKUs 52 Brands

Shower Enclosures



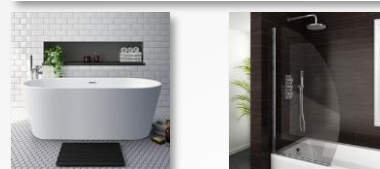
~1,900 SKUs 35 Brands

Showers



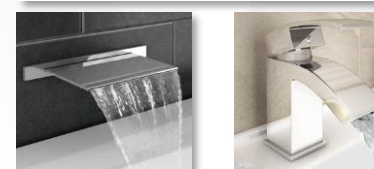
~2,100 SKUs 39 Brands

Baths



~1,200 SKUs 49 Brands

Taps



~3,500 SKUs 46 Brands

Toilets



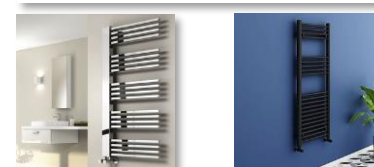
~1,700 SKUs 41 Brands

Bathroom Accessories



~4,250 SKUs 97 Brands

Radiators



~1,900 SKUs 29 Brands

Bathroom Suites



~1,000 SKUs 27 Brands

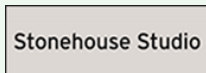
Source: Company information (unless stated otherwise)
Notes: (1) Revenue is recorded on a dispatched basis

STRONG STABLE OF OWN & THIRD PARTY BRANDS

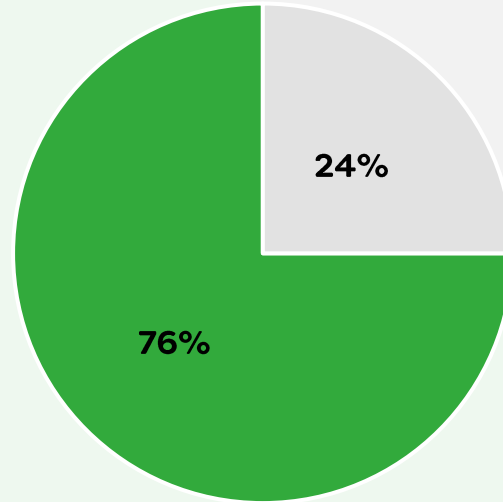
Own brand gross margin significantly higher than third party brands

Selected own brands

>25 brands



HY23 revenue split



■ Own brand □ Third party

Selected third party brands

>100 brands



STATEMENT OF FINANCIAL POSITION

Summary Statement of financial position (£m)	H1 FY23	H1 FY22	FY22
Intangible assets	3.5	3.1	3.3
PPE & right of use assets	5.4	6.5	5.9
Other non-current assets	0.3	-	0.8
Total non-current assets	9.2	9.6	10.0
Inventories	36.0	35.3	33.9
Trade and other receivables	5.2	4.4	5.1
Tax recoverable	0.2	0.5	-
Cash and cash equivalents	40.9	33.7	45.5
Total current assets	82.3	73.9	84.5
Non-current liabilities	3.9	4.6	4.1
Trade, other payables and provisions	39.4	36.9	38.1
Contract liabilities	6.2	6.1	7.1
Current lease liabilities	0.7	0.9	0.9
Corporation tax	-	-	0.3
Total current liabilities	46.3	43.9	46.4
Net assets	41.3	35.0	44.0
Net Working Capital ⁽¹⁾	(5.1)	(4.2)	(7.1)

- ✓ Strong net assets position going into the second half of FY23
- ✓ Intangible assets increase reflects investment of in-house development team
- ✓ Stock holding maintained to ensure strong availability of product and range choice for customers
- ✓ Cash of £40.9m with no external debt or associated interest costs
- ✓ Non-current liabilities relate to leases
- ✓ Trade and other payables increase is reflective of stock growth and increased employee expense
- ✓ Contract liabilities is deferred revenue

