

Victorian Plumbing Group plc

FULL YEAR RESULTS PRESENTATION

YEAR ENDED 30 SEPTEMBER 2023

22 NOVEMBER 2023



**victorian
plumbing**.co.uk

FULL YEAR RESULTS PRESENTATION

AGENDA

- 1 FY23 overview & strategic focus
- 2 Review of financials
- 3 Competitive position
- 4 Environmental, social & governance
- 5 Warehouse transformation
- 6 FY24 current trading & outlook
- 7 Q&A



Mark Radcliffe, CEO



Dan Barton, CFO

FY23 OVERVIEW & STRATEGIC FOCUS

FY23 OVERVIEW

SUMMARY OF STRATEGIC PROGRESS AND OPERATIONAL PERFORMANCE INDICATORS IN FY23.

STRATEGIC PROGRESS

- 1 Successful **re-platforming** of our website in December 2022 to improve functionality and scalability.
- 2 Introduction of a **newly designed** website structure in July 2023 to give prominence to our **expansion categories**.
- 3 Currently enhancing our **website search functionality** to include AI, improving our customers' journey.
- 4 Release of the **Victorian Plumbing app** in October 2023.
- 5 **New partnership** with **Bolton Wanderers Football Club** as their title and front of shirt sponsor.
- 6 Bold new marketing campaign, launched in December 2022, to '**Boss Your Bathroom**'.

FY23 OPERATIONAL KPIS

932k

The **total number of orders** increased by **6%** to 932,000, driving the overall revenue growth in FY23.

£306

Average order value remained in line with FY22 at £306 per order.

27.8%

Marketing spend as a percentage of revenue decreased to 27.8% (**-0.5ppts vs. FY22**) reflecting our improving brand awareness.

4.5

We continue to be rated '**Excellent**' and have **maintained** our Trustpilot score of 4.5 / 5.0.

21%

Trade revenue grew by 13% to £59.5m in FY23, representing 21% of the Group's revenue.

35%

Tiles and lighting revenue grew by **35%** to £7.3m.

STRATEGIC FOCUS

OUR STRATEGY REMAINS UNCHANGED. WE CONTINUE TO FOCUS ON THREE GROWTH HORIZONS.

CORE BATHROOMS TO CONSUMERS

Number one UK bathroom retailer, driving the shift in the market from offline to online.

-
Growing our core bathroom products and accessories to consumers in the UK through our **market leading online platform**.

-
Further meaningful market share gains to be made as we continue to increase our **brand awareness**.

-
Medium-term opportunity remains to translate our domestic success into carefully selected **international markets**.

EXPANSION CATEGORIES

Increasing our growth in expansion categories (tiles and décor, heating and kitchen accessories) by increased **prominence** on our **newly designed website**.

-
Leveraging our successful business model to increase sales of complementary products alongside our core bathrooms.

-
Extending our product ranges in each category, including the development of bespoke tile designs, made easier when the new distribution centre in Lancashire becomes operational.

TRADE CUSTOMERS

Maximising our growing trade customer base.

-
Broadening our **marketing approach** to specifically target trade customers.

-
Extending our product range to ensure we have relevant products for trade customers.

-
Release of the new **Victorian Plumbing app** to make ordering our products easier.

RESILIENCE OF OUR OPERATING MODEL

OUR FY23 FINANCIAL PERFORMANCE DEMONSTRATES THE RESILIENCE OF OUR BUSINESS MODEL AND COMPETITIVE ADVANTAGE, UNDERPINNING OUR CONFIDENCE IN PROFITABLE GROWTH.



ONE-STOP SOLUTION FOR CONSUMERS

Unrivalled product range and excellent availability: more than **34,000 products** from over **130 brands**.

Both **third party** and **own brand** products side-by-side, offering a **variety of prices** to suit all budgets.

Growing **brand awareness**.



STRONG BALANCE SHEET & UNRIVALLED APPROACH TO MARKETING

A strong balance sheet **protects** us against near-term uncertainty with sustainable net cash and **strong cash generation**.

Well-established global supplier relationships navigate supply challenges and secure sufficient stock to satisfy consumer demand.

Ongoing and **relentless marketing strategy**, consisting of **bold marketing campaigns** and leading in **paid search**.



TRANSFORMATION

New 544,000 square feet **distribution centre** in Lancashire with a **semi-automated** design to improve **efficiency** in our operations.

Forms part of a larger project to **transform our warehouse operations**.

Continuous development of our online platform and bespoke warehouse management system.

REVIEW OF FINANCIALS

INCOME STATEMENT

FY23 REVENUE GROWTH OF 6% AND ADJUSTED EBITDA GROWTH OF 22%, IN LINE WITH MARKET EXPECTATIONS.

INCOME STATEMENT SUMMARY

	FY23 £m	FY22 £m	YoY
Revenue	285.1	269.4	6%
Cost of sales	(150.5)	(148.4)	(1%)
Gross profit	134.6	121.0	11%
Gross profit margin %	47%	45%	2ppts
Underlying costs	(110.8)	(101.5)	(9%)
Adjusted EBITDA	23.8	19.5	22%
Adjusted EBITDA margin %	8%	7%	1ppt
Depreciation and amortisation	(3.8)	(3.5)	(9%)
Finance income / (cost)	0.3	(0.3)	200%
Adjusted PBT	20.3	15.7	29%
Adjusted PBT margin %	7%	6%	1ppt
Taxation	(3.8)	(2.6)	46%
Adjusted PAT	16.5	13.1	26%
Adjusted diluted EPS (p)	4.7	3.8	24%
Proposed full year ordinary dividend (p)	1.40	1.10	27%

Overall revenue growth of 6% to £285.1m driven by order volumes increasing 6%.

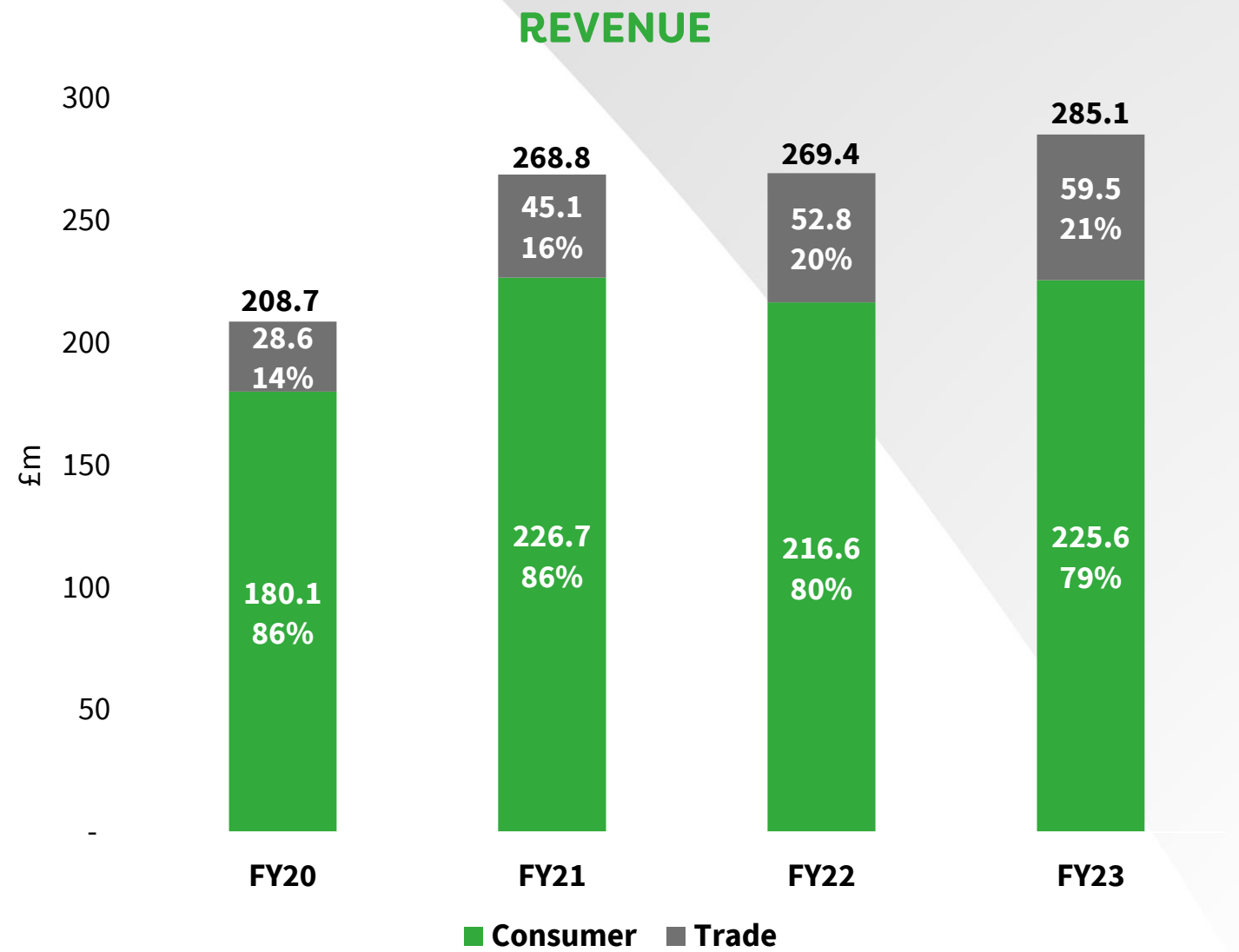
Reduced shipping costs and favourable FX rates combined, reflected in the gross profit margin increase of 2ppts to 47%.

Growth in adjusted EBITDA of 22% and 1ppt adjusted EBITDA margin progression to 8%.

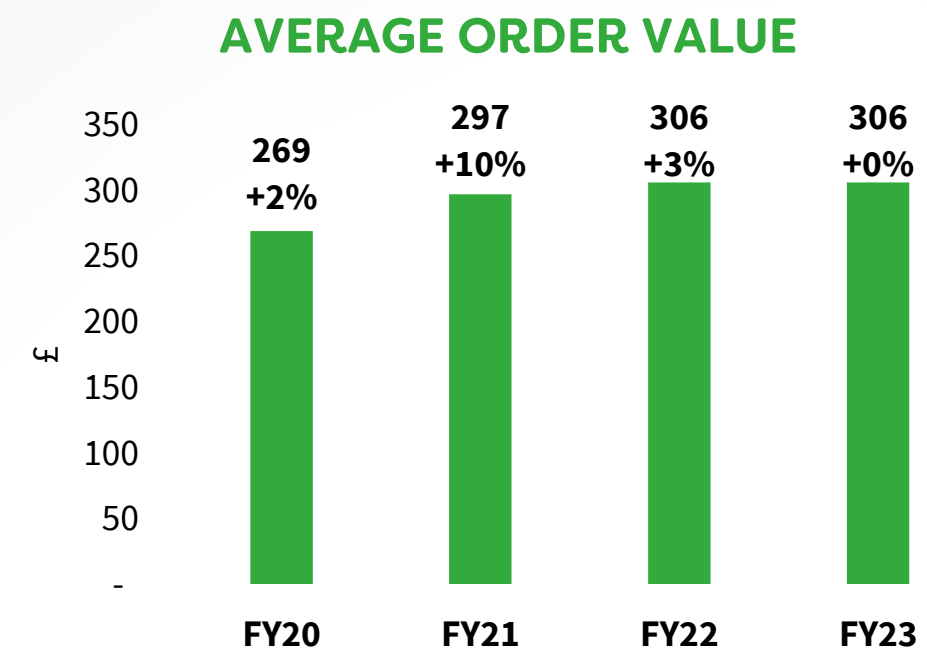
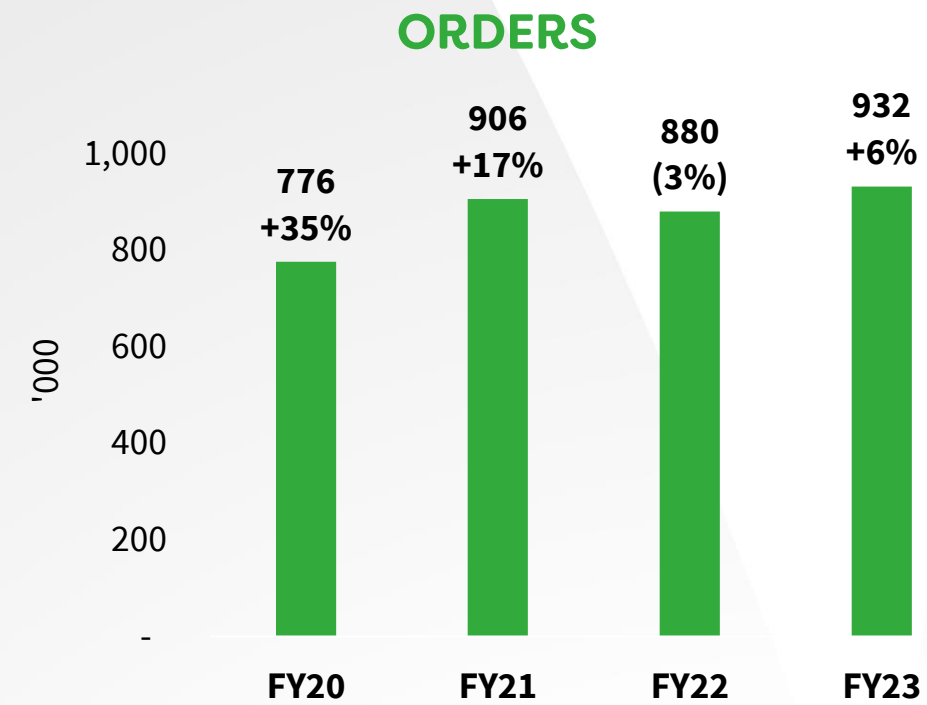
Adjusted diluted EPS increased by 24% to 4.7p, providing capacity to propose a progressive full year ordinary dividend of 1.40p (FY22: 1.10p), reducing cover ratio from 3.5x in FY22 to 3.4x in FY23.

REVENUE – OVERALL (1)

INCREASED ORDER VOLUMES DRIVING OVERALL REVENUE GROWTH OF 6% TO £285.1M.

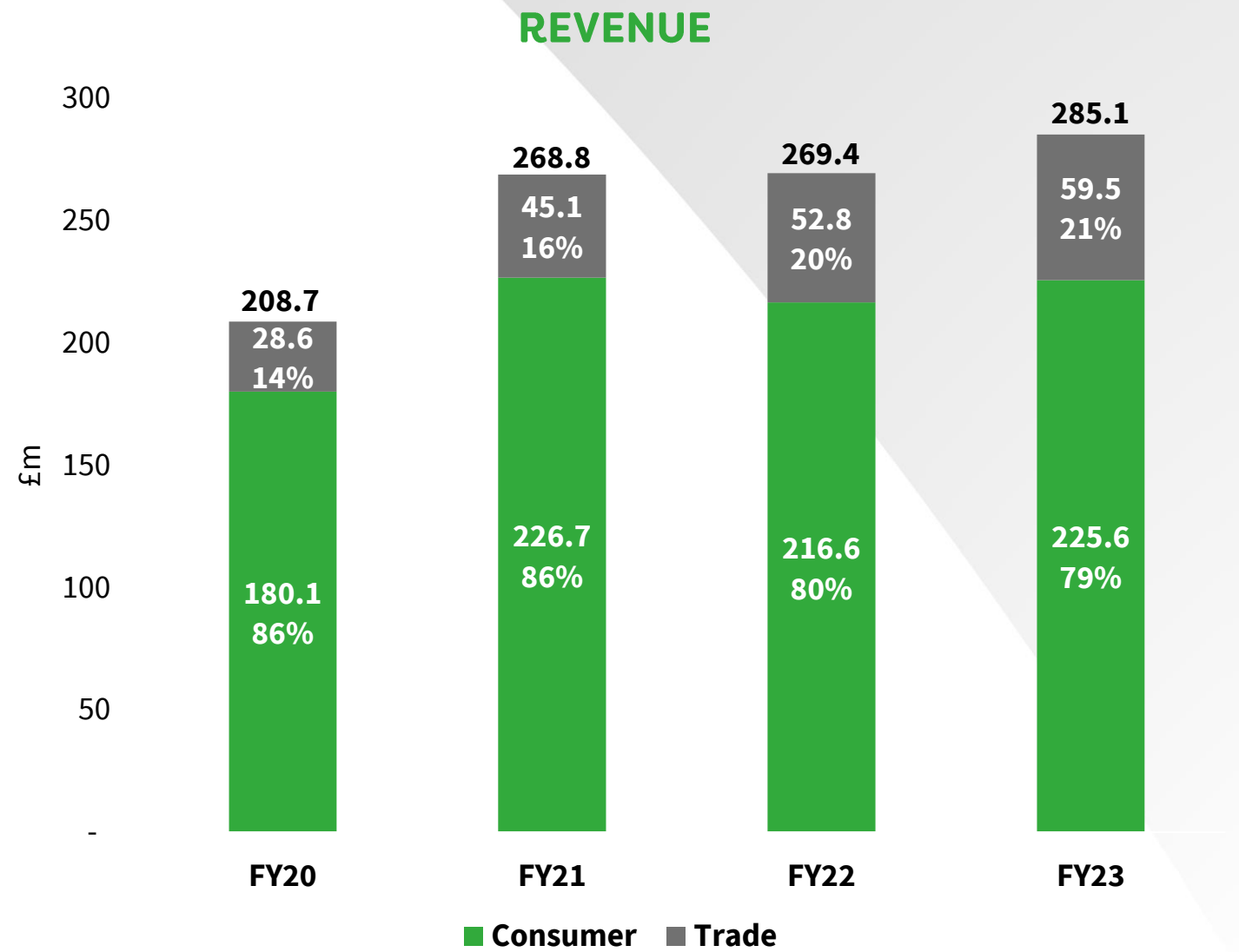


YoY growth	FY20 - 38%		FY21 - 29%		FY22 - 0%		FY23 - 6%	
	H1	H2	H1	H2	H1	H2	H1	H2
Trade	37%	49%	57%	38%	20%	30%	20%	6%
Consumer	30%	43%	45%	10%	-9%	1%	7%	1%

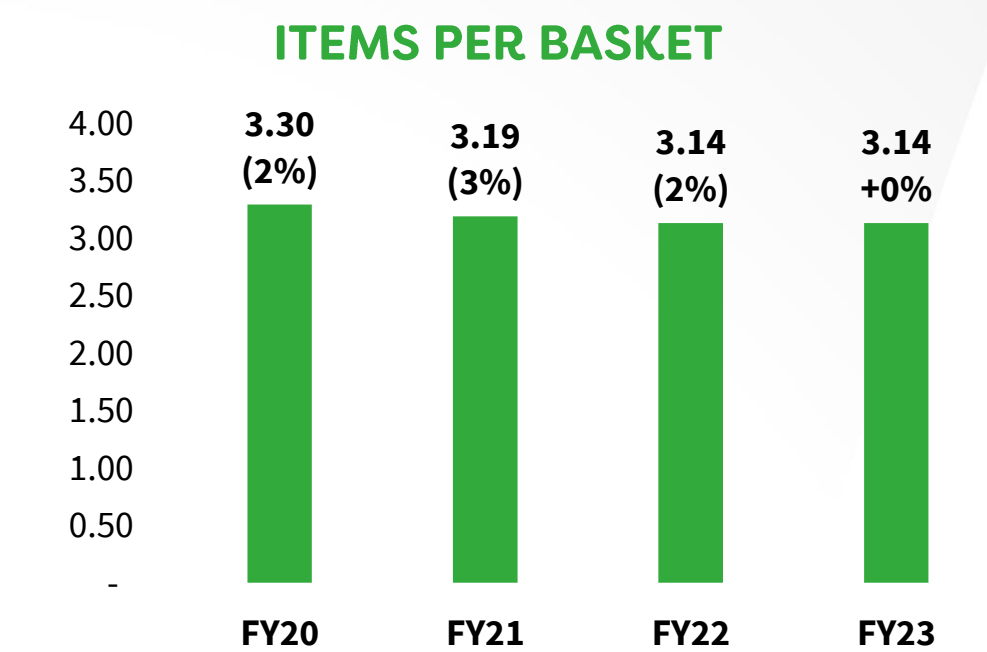
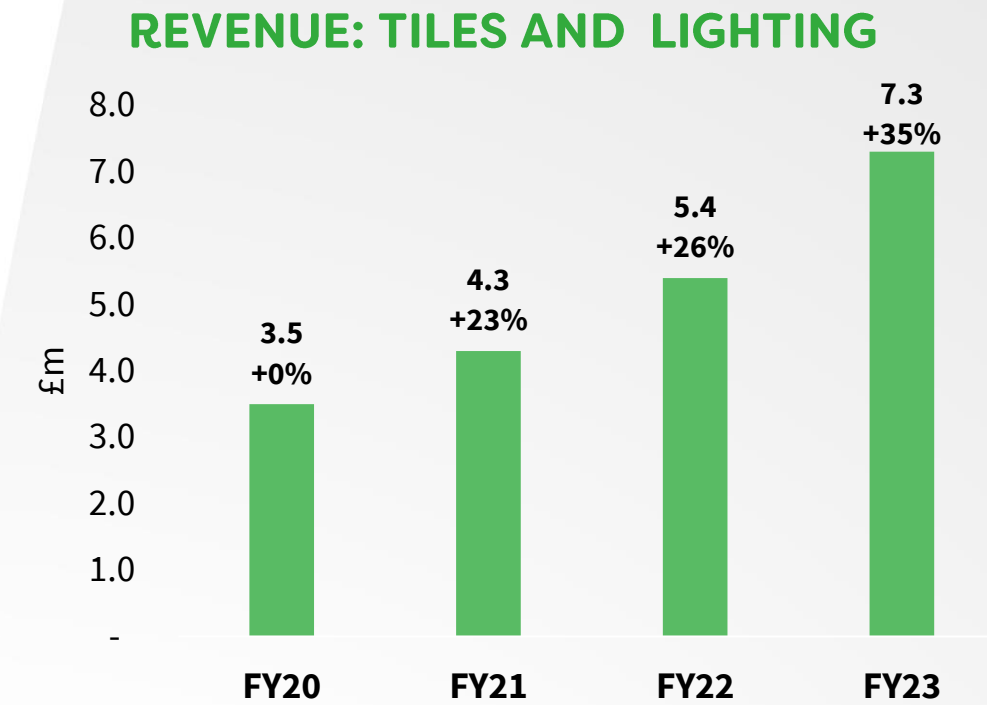
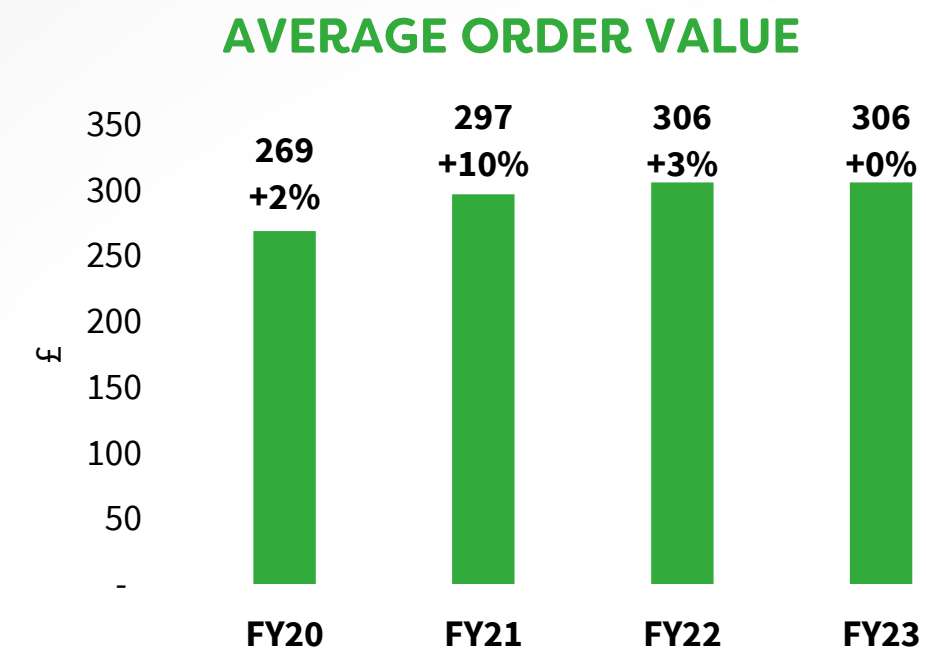
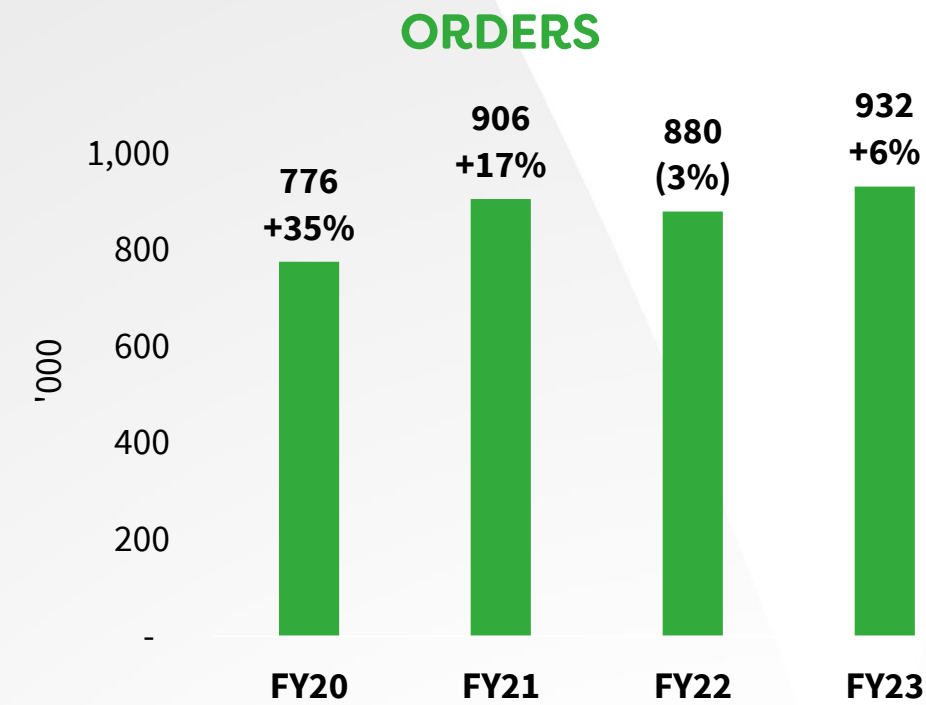


REVENUE – OVERALL (2)

INCREASED ORDER VOLUMES DRIVING OVERALL REVENUE GROWTH OF 6% TO £285.1M.



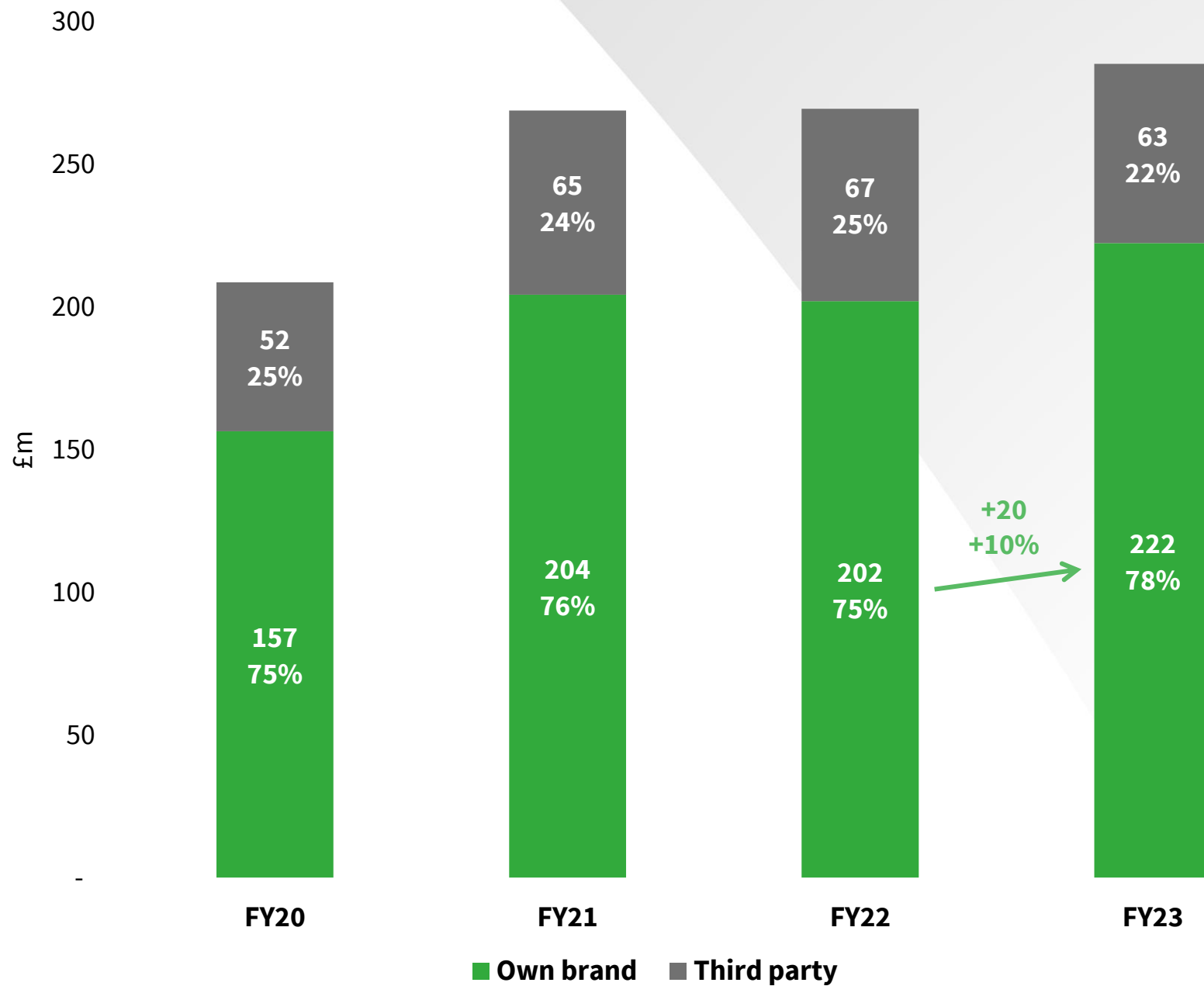
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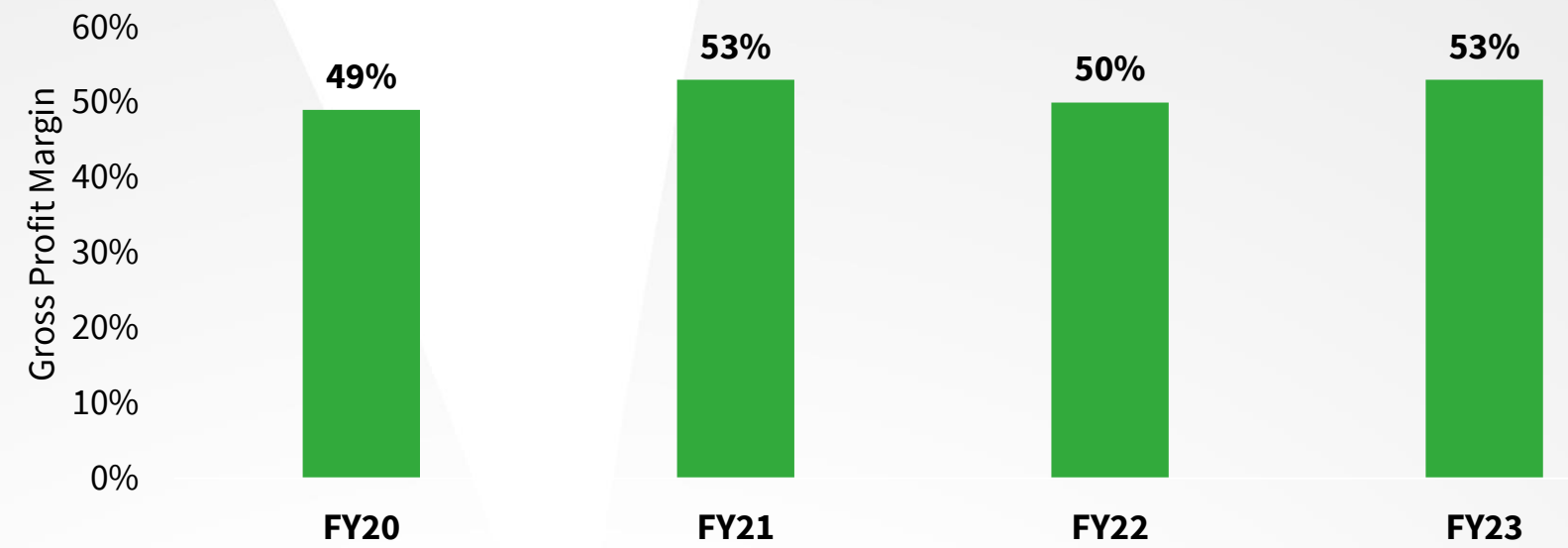
REVENUE – PRODUCT MIX

3PPTS SHIFT TOWARDS OWN BRAND PRODUCTS, REPRESENTING 78% OF TOTAL REVENUE.

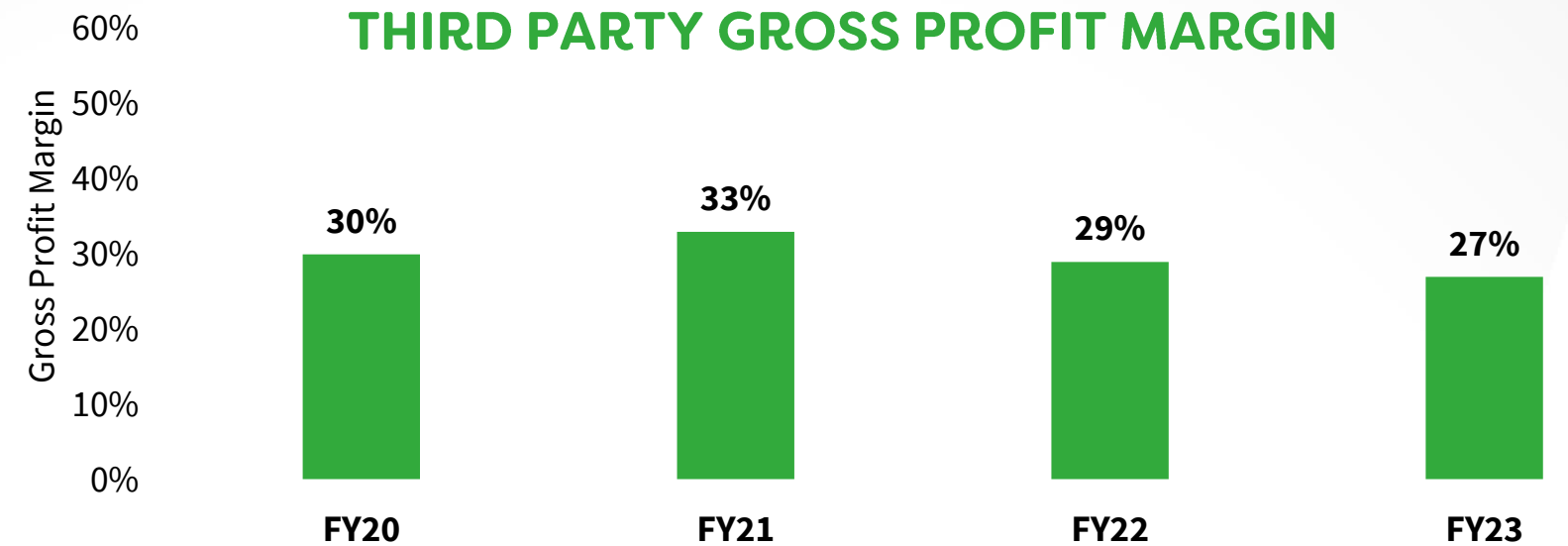
OWN BRAND VS. THIRD PARTY REVENUE



OWN BRAND GROSS PROFIT MARGIN



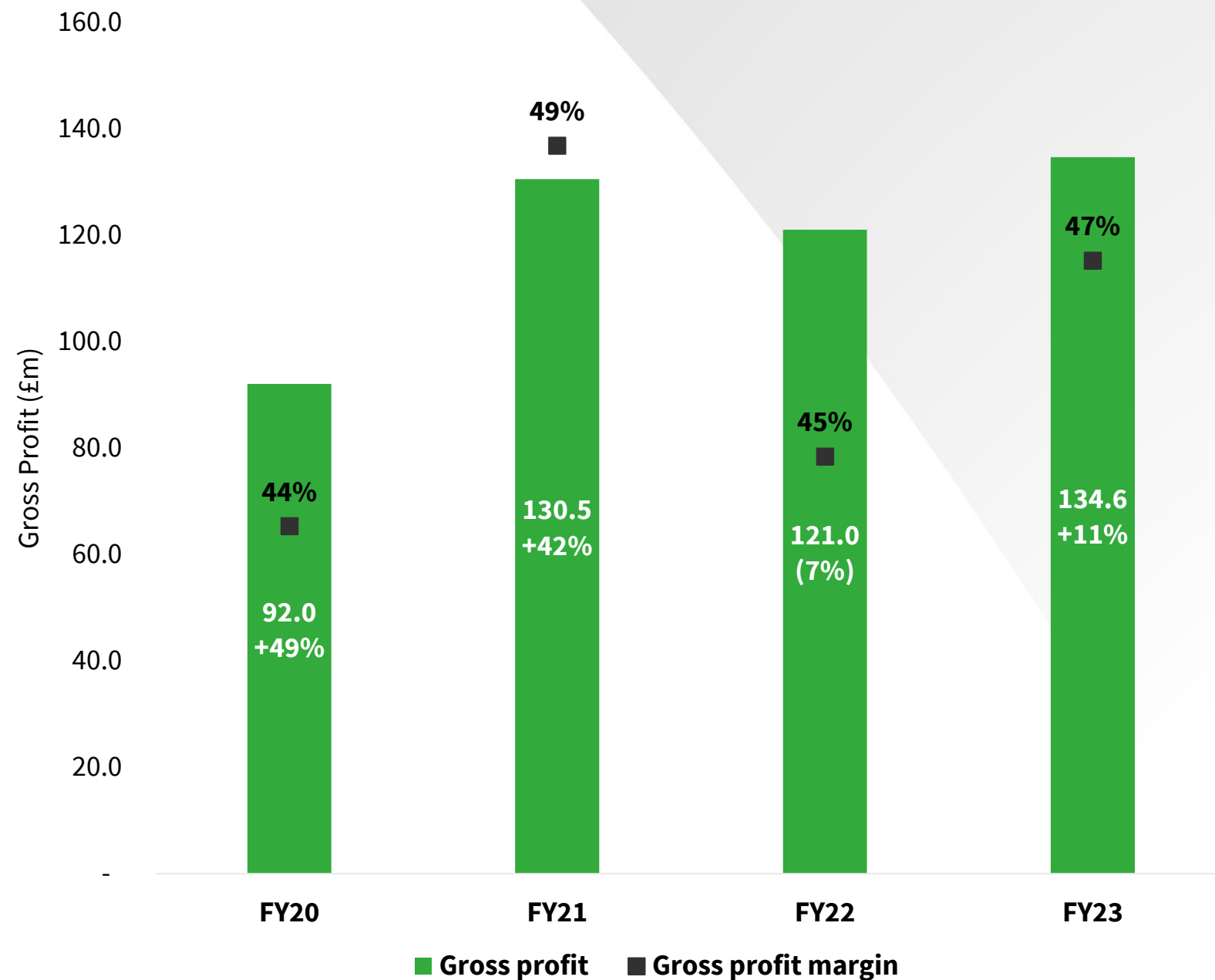
THIRD PARTY GROSS PROFIT MARGIN



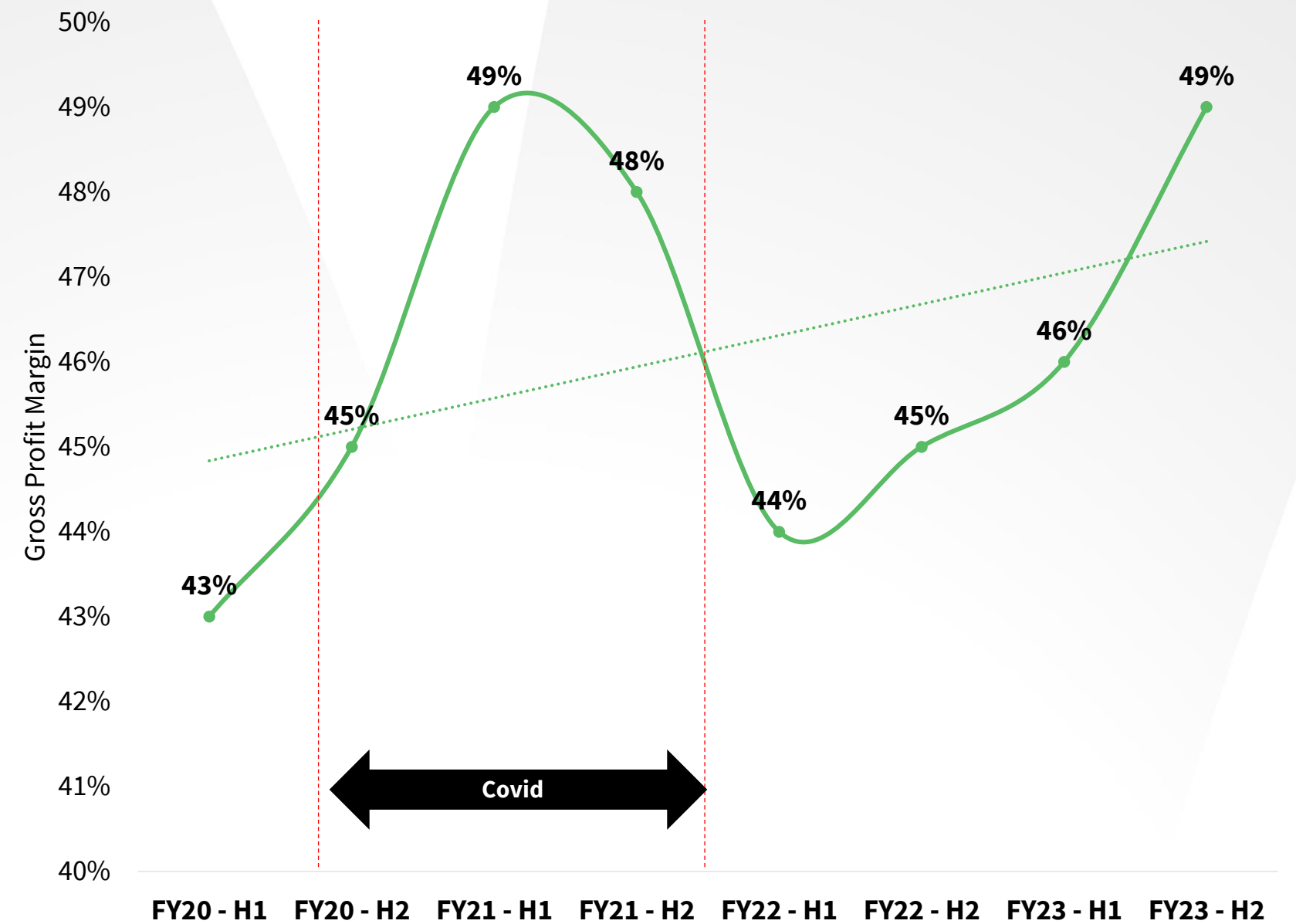
GROSS PROFIT

GROSS PROFIT INCREASED BY 11% TO £134.6M, WITH GROSS PROFIT MARGIN INCREASING BY 2PPTS TO 47%.

GROSS PROFIT & GROSS PROFIT MARGIN



A RETURN TO COVID MARGIN LEVELS...



UNDERLYING COSTS

MARKETING COSTS REDUCED AS A % OF REVENUE WHILE DELIVERING BRAND AWARENESS GROWTH.

UNDERLYING COSTS



YoY growth	FY20	FY21	FY22	FY23
Underlying costs	22%	37%	12%	9%

UNDERLYING COSTS AS % OF REVENUE

	FY20	FY21	FY22	FY23
Marketing	25.0%	25.9%	28.3%	27.8%
People costs*	4.5%	5.1%	5.9%	6.9%
Property costs	1.2%	1.5%	1.9%	2.2%
Other overheads	0.9%	1.0%	1.6%	2.0%
Underlying costs	31.6%	33.6%	37.7%	38.8%

Marketing

- Improving brand awareness from 60% to 64%**.
- Customer acquisition costs reduced from £88 to £87.

People costs

- Average FTEs increased from 572 to 612 (+7%), in line with growth.
- National Living Wage increases of 9.7% in April 2023.

Property costs and other overheads

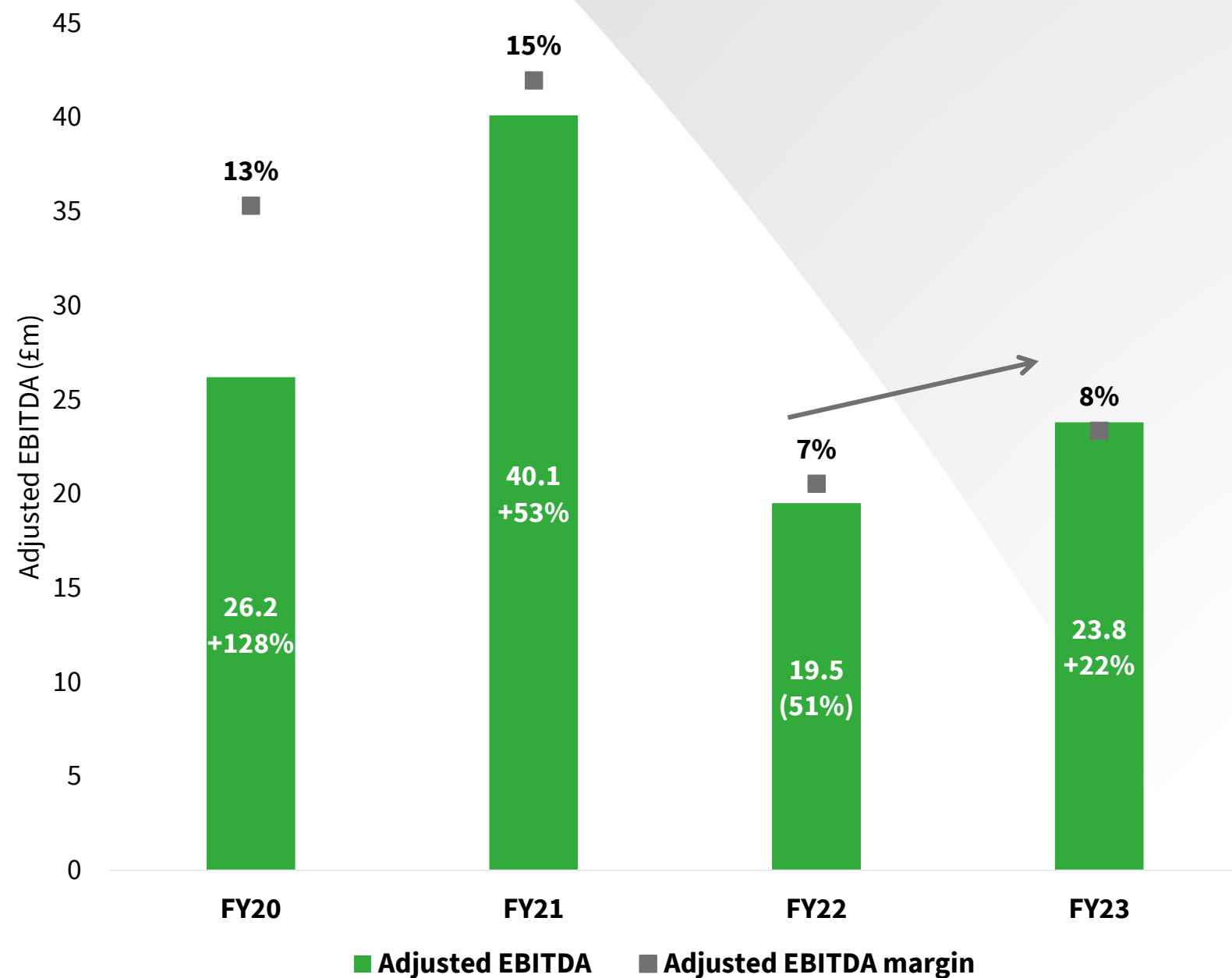
- Increases reflect the Group increasing its warehouse capacity on a more expensive, short-term basis to support the growth of the business before transitioning to our new distribution centre in Lancashire.

*Excluding share-based payments ** Internal prompted brand awareness research

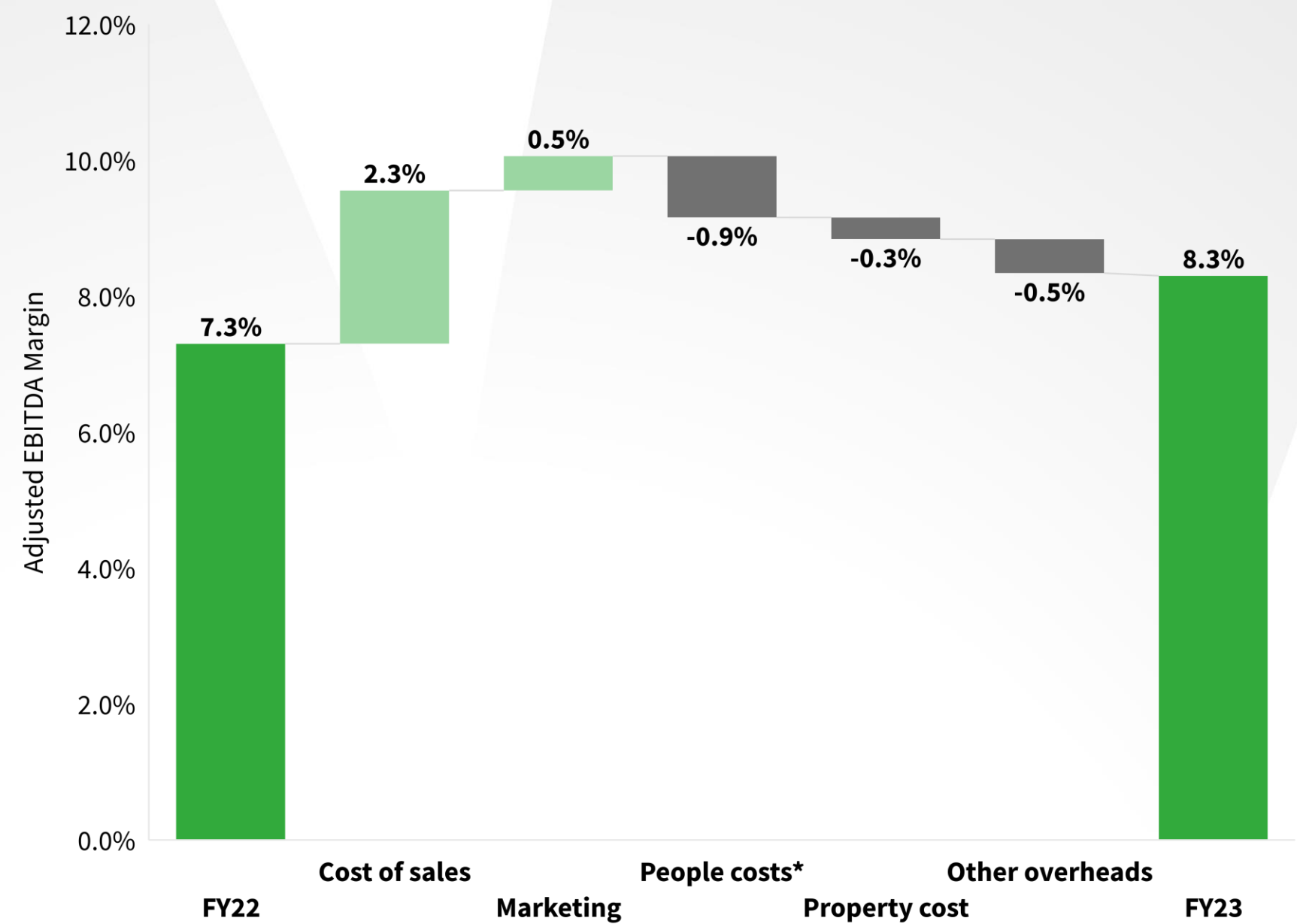
ADJUSTED EBITDA

REDUCED SHIPPING COSTS, FAVOURABLE FX RATES AND SHIFTS IN PRODUCT MIX ALL CONTRIBUTE TO A 22% INCREASE IN ADJUSTED EBITDA AND A 1PPT INCREASE IN ADJUSTED EBITDA MARGIN.

ADJUSTED EBITDA & ADJUSTED EBITDA MARGIN



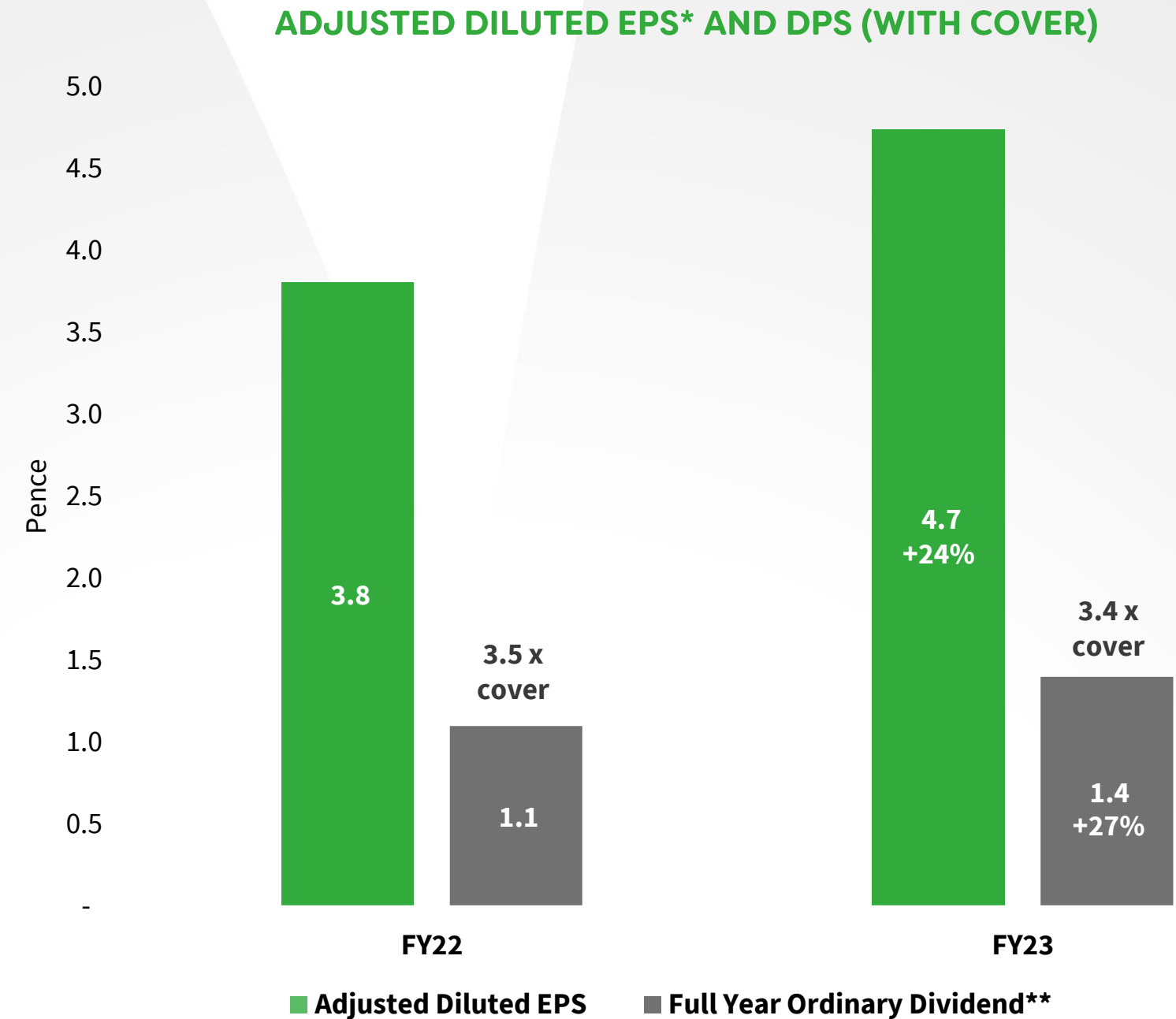
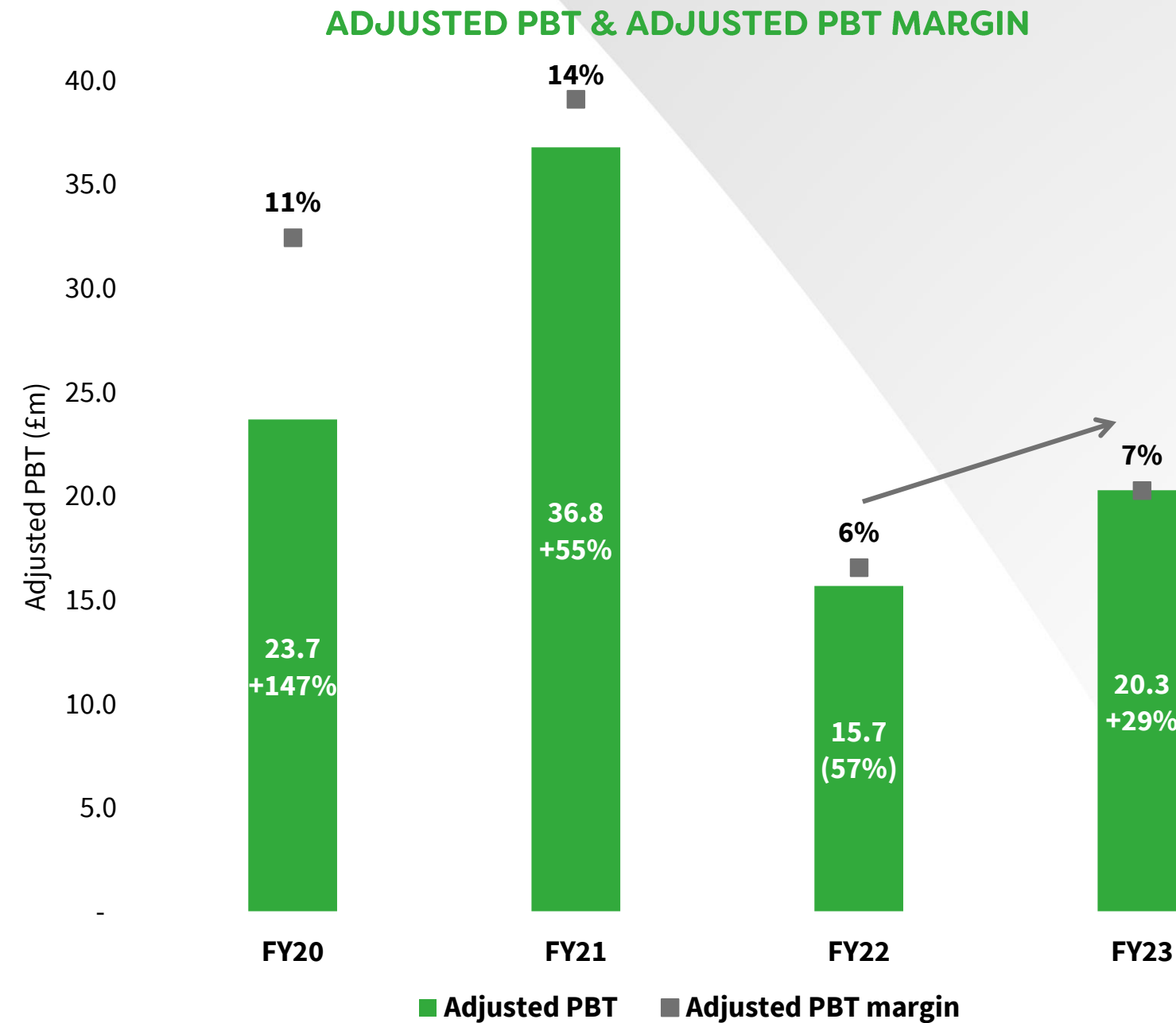
ADJUSTED EBITDA MARGIN BRIDGE



*Excluding share-based payments

ADJUSTED PBT

RETURN ON CASH DEPOSITS HELPS TO BOOST GROWTH OF ADJUSTED PBT AND ADJUSTED EPS, WHICH POWERS UP AN INCREASED DPS WITH REDUCED COVER - A SIGN OF OUR CONFIDENCE IN THE BUSINESS.



CASH FLOW

WE CONTINUE TO ACHIEVE STRONG CASH GENERATION WITH AN INCREASE IN FREE CASH FLOW OF 13% TO £16.1M, RESULTING IN ROBUST CASH CONVERSION OF 68%.

CASH FLOW STATEMENT

	FY23 £m	FY22 £m	YoY
Adjusted EBITDA	23.8	19.5	22%
Movement in working capital	(4.0)	(1.2)	233%
Cash generated from operating activities before exceptionals	19.8	18.3	8%
Exceptional cash outflow (warehouse)	(0.6)	-	100%
Cash generated from operating activities	19.2	18.3	5%
Tax paid	(2.1)	(1.4)	50%
Interest received	0.6	-	100%
Net cash generated from operating activities	17.7	16.9	5%
Capital expenditure	(3.0)	(2.6)	15%
Exceptional capital expenditure (warehouse)	(2.0)	(0.3)	567%
Cash used in investing activities	(5.0)	(2.9)	72%
Dividends paid	(10.6)	-	100%
Finance arrangement fees	(0.1)	(0.1)	-%
Lease payments	(1.1)	(1.1)	-%
Net cash used in financing activities	(11.8)	(1.2)	883%
Net increase in cash and cash equivalents	0.9	12.8	(93%)
Cash and cash equivalents at beginning of year	45.5	32.7	39%
Cash and cash equivalents at end of year	46.4	45.5	2%

FREE CASH FLOW & CASH CONVERSION

	FY23 £m	FY22 £m	YoY
Free cash flow ¹	16.1	14.3	13%
Cash conversion ²	68%	73%	(5%pt)

- We continue to deploy effective inventory management, maintaining stock value year-on-year.
- Changes in working capital resulted in a cash outflow of £4.0 million, largely because of timing differences with supplier payments, as we continue to adopt industry leading practices, strengthening and safeguarding relationships for the future.
- Capital expenditure includes capitalisation of salaries relating to development of the Group's platform and bespoke inventory management systems.

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

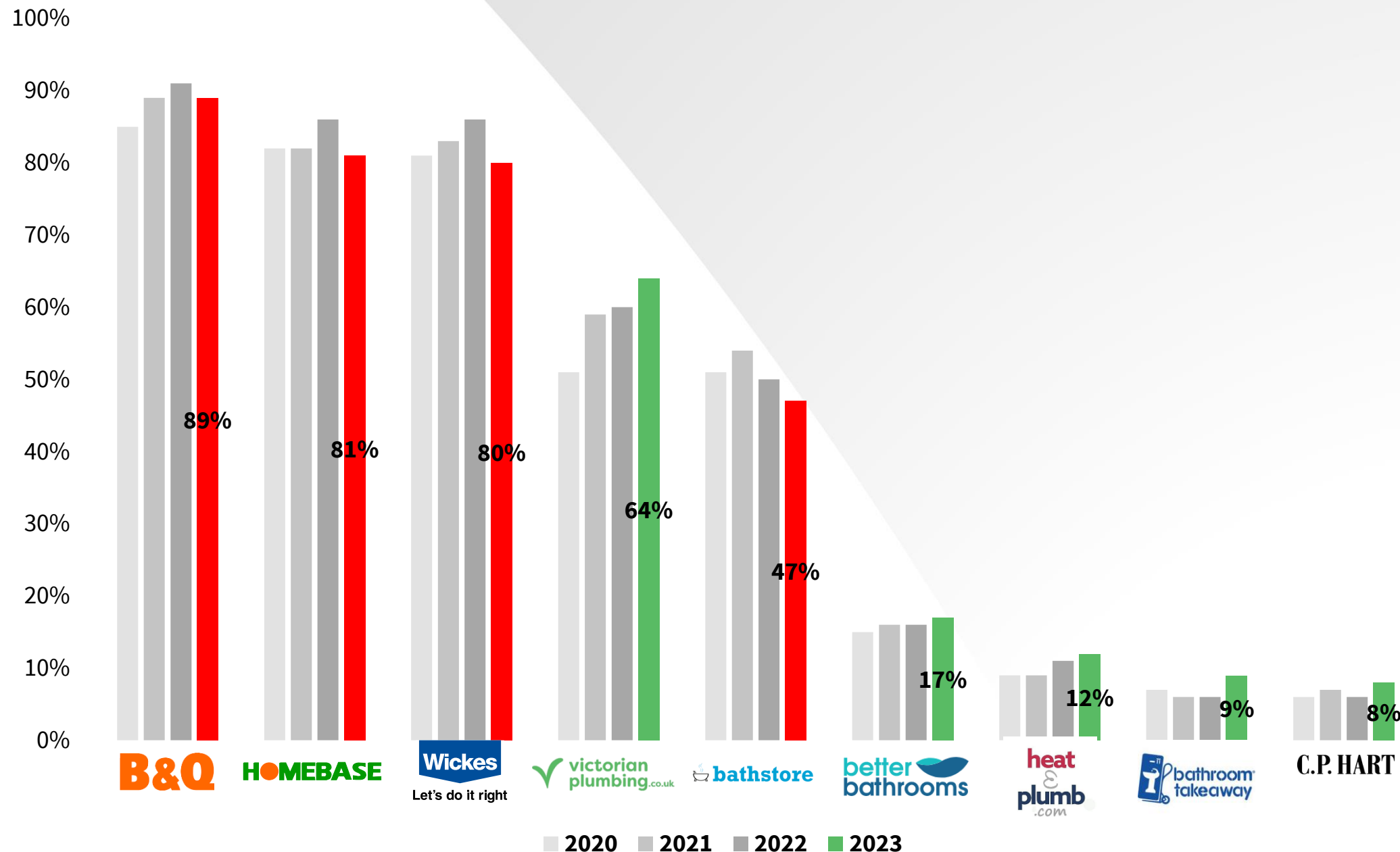
² Cash conversion is free cash flow divided by adjusted EBITDA.

COMPETITIVE POSITION

DELIVERING OUR STRATEGY AS PLANNED

HITTING OUR MARKETING OBJECTIVES WITH EFFICIENCY AND IMPROVING BRAND AWARENESS.

BRAND AWARENESS¹



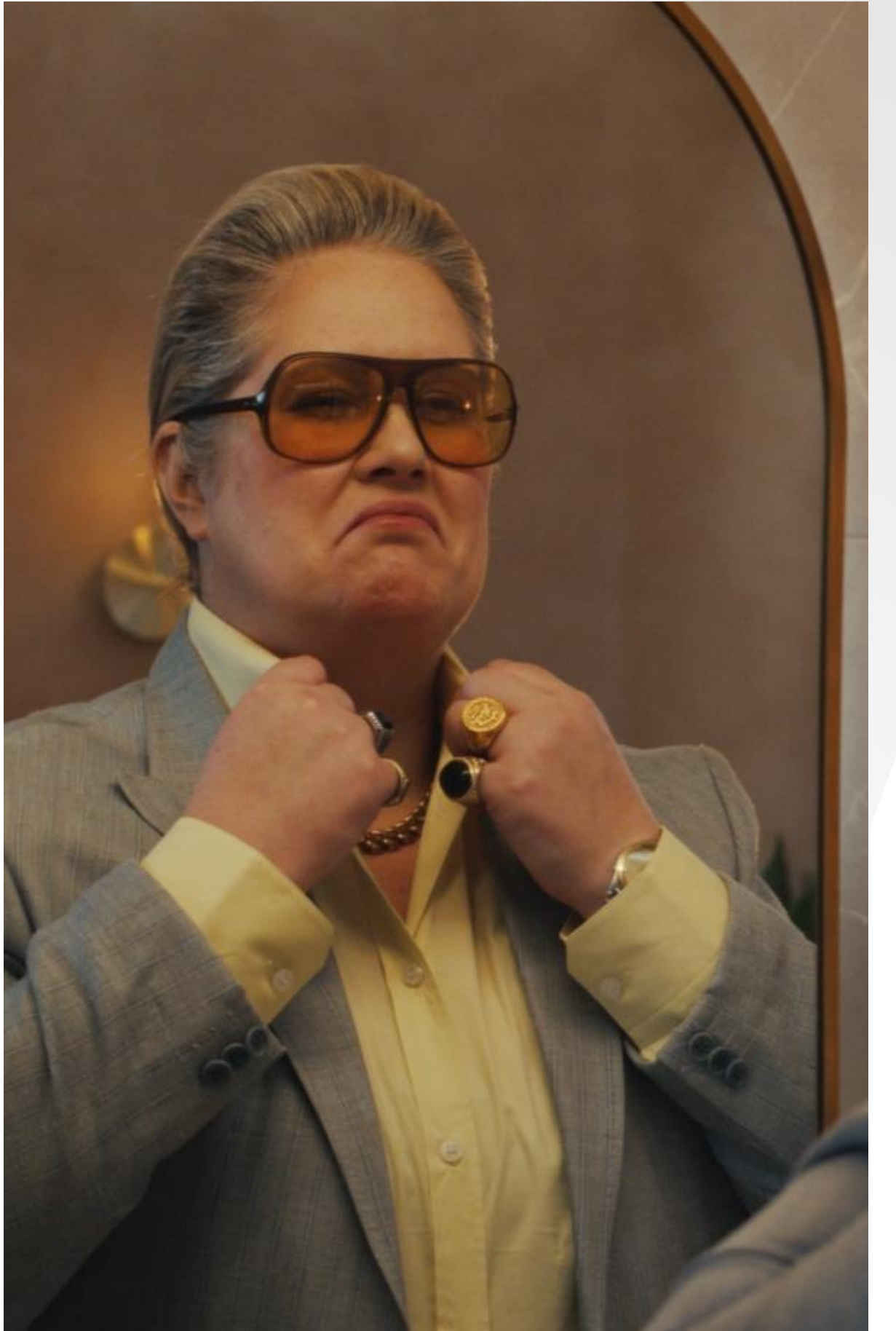
- The only major retailer to grow our brand awareness.
- New distinctive brand asset to communicate to our target audience: homeowner aged 25+.

Marketing efficiency driven by focus on:

- Market share gains.
- Efficient spend from in-house PPC teams.
- Brand awareness and digital spend.



DRIVING AWARENESS THROUGH DISTINCTION



DRIVING AWARENESS THROUGH SPORTS SPONSORSHIP

DIVERSIFYING MEDIA

- New Victorian Plumbing audience by launching our 3-year partnership with Bolton Wanderers Football Club.
- Initiatives planned to establish our brand in the community, in association with the partnership.

CONTINUING TO INVEST IN MEDIA

- FY24 plans to further boost brand led activity.
- Evolving 'Boss Your Bathroom' into even more adverts.
- Continuing to support strategic pillars with trade and expansion category growth.



OUR SUPPLY CHAIN & CUSTOMER OFFERING

WE ARE THE ONE-STOP SOLUTION WHEN CONSIDERING A BATHROOM-RELATED PURCHASE. OUR EXTENSIVE RANGE OF PRODUCTS, DEEP AND TRUSTED RELATIONSHIPS WITH SUPPLIERS AND HARD WORKING TEAM ENSURE WE MAINTAIN OUR 'EXCELLENT' RATING.



SUPPLY CHAIN & CUSTOMER OFFERING

- Unrivalled product range and excellent availability.
- Developed over 25 own brands using our in-house product development team, all exclusively available on the Victorian Plumbing website.
- Local experts and partners internationally on the ground to solve any potential supply issues.



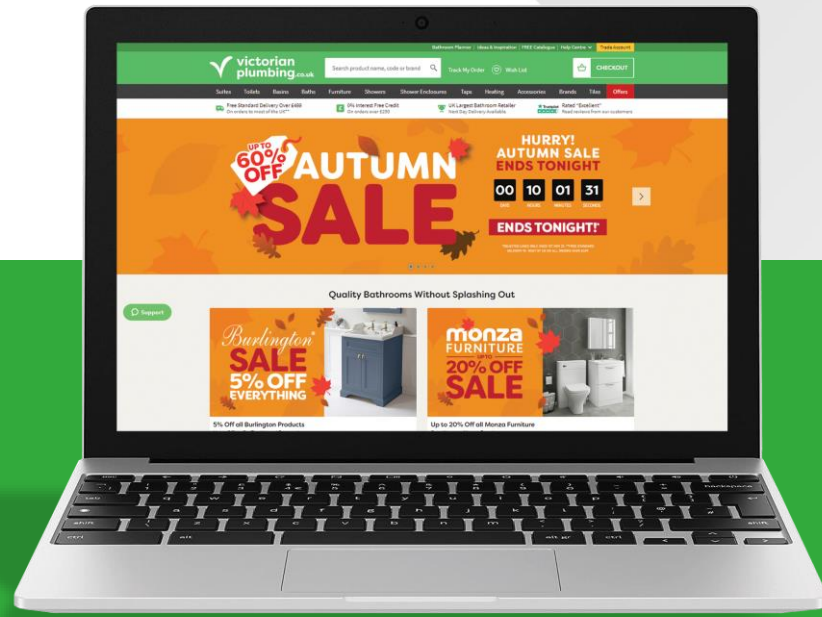
TRUSTPILOT

- Rated 'Excellent' by Trustpilot and have maintained our average score of 4.5 / 5.0.
- In FY23 we surpassed 200,000 reviews, the highest of any specialist bathroom retailer, testament to the work our colleagues do.



TECHNOLOGY DEVELOPMENTS

WE CONTINUE TO DEVELOP OUR BESPOKE PLATFORMS TO ADVANCE OUR FUNCTIONALITY AND IMPROVE THE CONSUMER'S EXPERIENCE.



WEBSITE DEVELOPMENT

- Continuous improvements to the website to make searching even easier.
- Website with 'four menus' to highlight the vast extent of our offering.
- Utilising artificial intelligent to improve the shopping experience.



VICTORIAN PLUMBING APP

- New app has now been released.
- The app will allow customers to browse and purchase products more efficiently.
- Ongoing development until the full launch later in FY24.



BESPOKE SYSTEMS

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

ENVIRONMENTAL, SOCIAL & GOVERNANCE

ENVIRONMENTAL, SOCIAL & GOVERNANCE

WE TAKE OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITIES SERIOUSLY AND ARE TAKING ACTION TO MAKE A DIFFERENCE TO OUR PEOPLE, OUR COMMUNITIES AND THE WIDER ENVIRONMENT.



ENVIRONMENTAL SUSTAINABILITY

- Progress in the level of our Scope 1 and Scope 2 reporting, continuing to work with external consultants to make further improvements.
- 10% reduction in tonnes of CO₂ produced per £m of revenue from 1.85 to 1.66.
- In the year we have transitioned all our electricity contracts to 100% renewable energy.
- Partnership with GWM means we continue to send no waste to landfill.



DIVERSITY & INCLUSION

- Increased the proportion of women in leadership positions to 26% (FY22: 21%).
- Reduction in our median and mean hourly gender pay gap.
- Introduction of new policies and enhanced benefits to support employees.
- Introduced Mental Health Wellbeing Champions to offer support to all employees.
- Leveraging our partnership with Bolton Wanderers Football Club to increase awareness of Emmaus, our chosen charity.



GOVERNANCE & ETHICS

- Committed to maintaining a safe working environment for all our workforce.
- Appointment of key roles:
 - Senior Information Risk Owner.
 - Data Protection Officer.
 - Head of HR.
- All existing and new suppliers required to adhere to a Supplier Code of Conduct.
- Continued supplier audit programme.
- New finance system to improve governance and controls.

WAREHOUSE TRANSFORMATION

THE NEW WAREHOUSE

A REMINDER OF THE BENEFITS

REMOVES CAPACITY CONSTRAINTS TO SUPPORT FUTURE GROWTH:

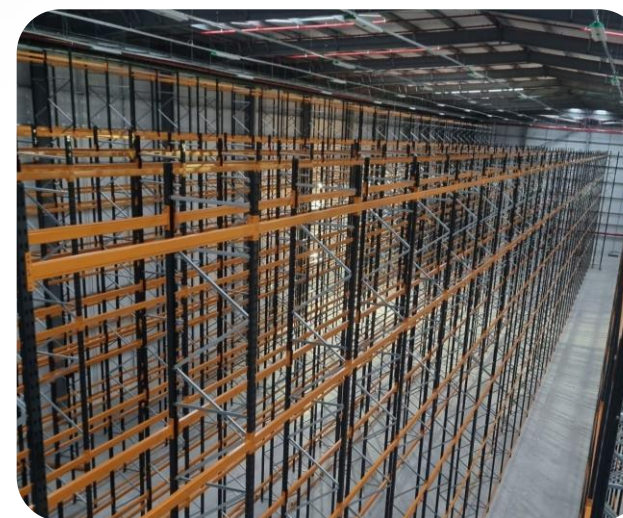
- Enhances the customer experience (i.e. extended next day ordering).
- Space to expand the range in tiles & décor, heating and kitchen accessories.

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:

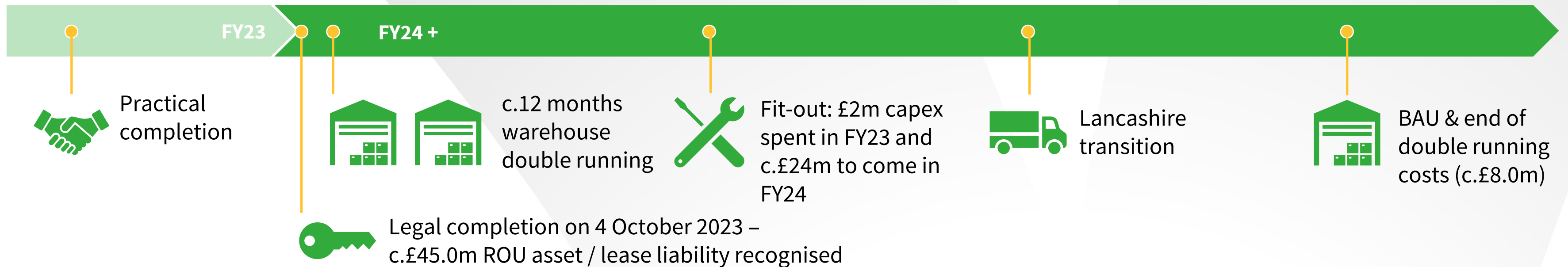
- Exploring solar design and electric vehicle charging.
- Improved on-site facilities to include gym, canteen etc.



FY24 WAREHOUSE TRANSFORMATION

WE HAVE A TRANSFORMATIONAL YEAR TO COME, FOLLOWING THE ON SCHEDULE LEGAL COMPLETION OF OUR NEW LANCASHIRE DISTRIBUTION CENTRE IN OCTOBER 2023.

WAREHOUSE TRANSFORMATION JOURNEY



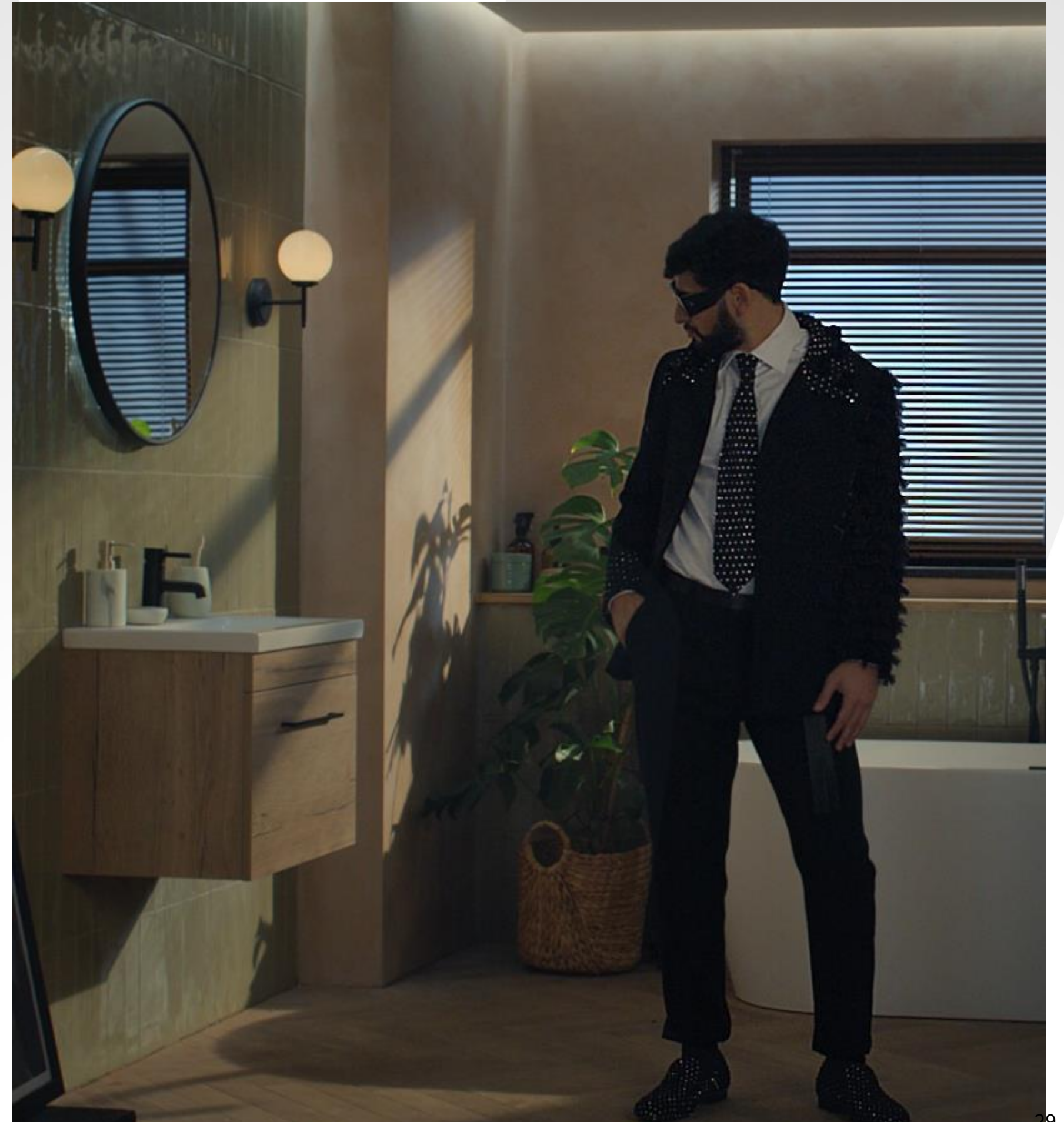
TOTAL PROPERTY COSTS DURING WAREHOUSE TRANSFORMATION JOURNEY



FY24 CURRENT TRADING & OUTLOOK

FY24 CURRENT TRADING & OUTLOOK

- Albeit early in the year and against a volatile consumer backdrop, the Group has had a positive start to FY24 with **continued revenue growth**, and **gross profit margin progression** versus the comparative period last year.
- The opening of our **new distribution centre** in 2024 will remove space constraints, unlock growth potential and create efficiency; all of which will support the **delivery of the medium-term outlook**.
- We continue to focus on our long-term goals and are making good progress across our strategic growth areas. Underpinned by our **market share gains** in recent years, we are **confident in the future growth prospects of the Group**.



Q&A

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.

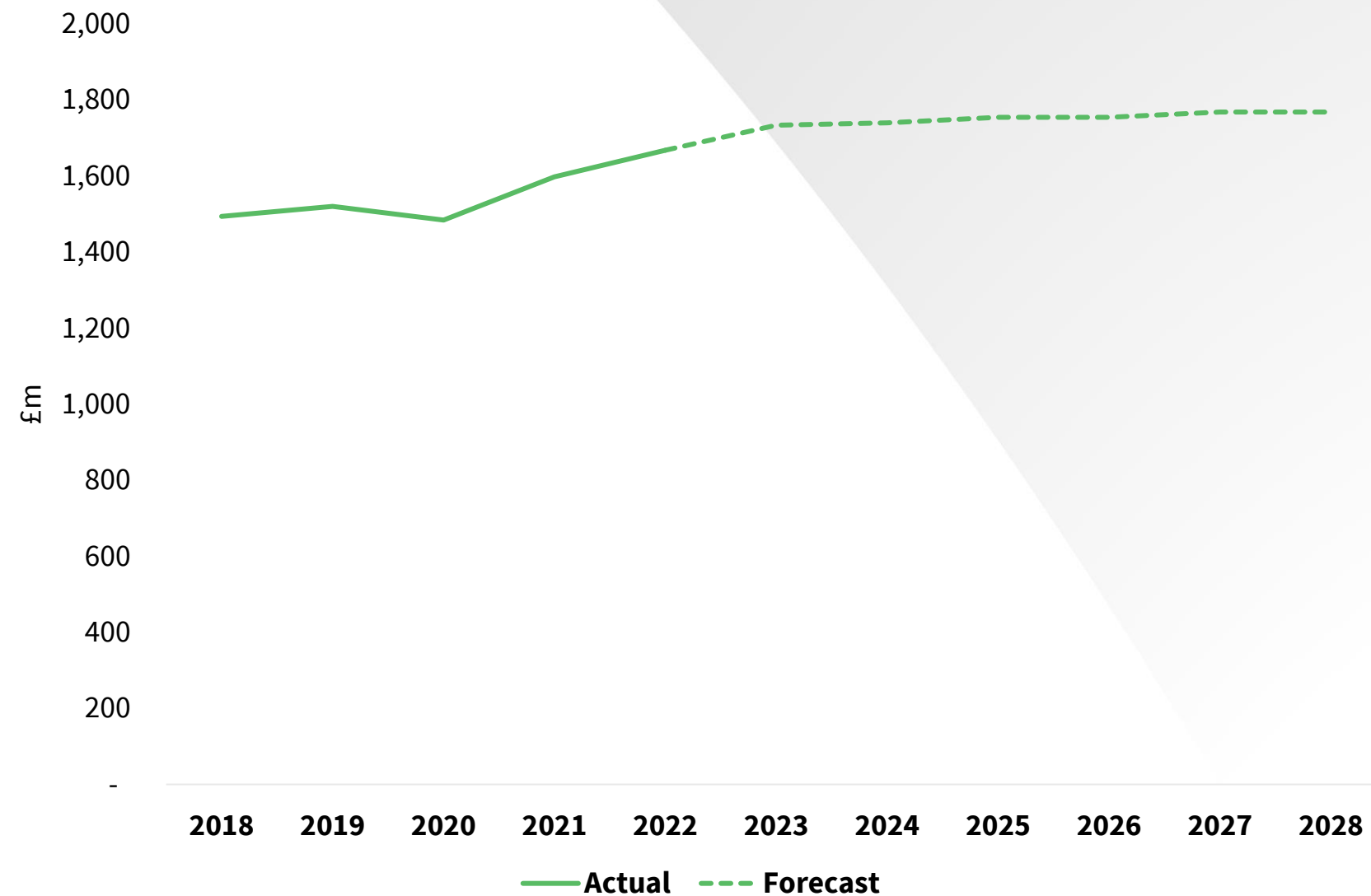
Such forward looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those expressed or implied by such forward looking statements. These risks and uncertainties include, among other factors, changing economic, financial, business or other market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

APPENDICES

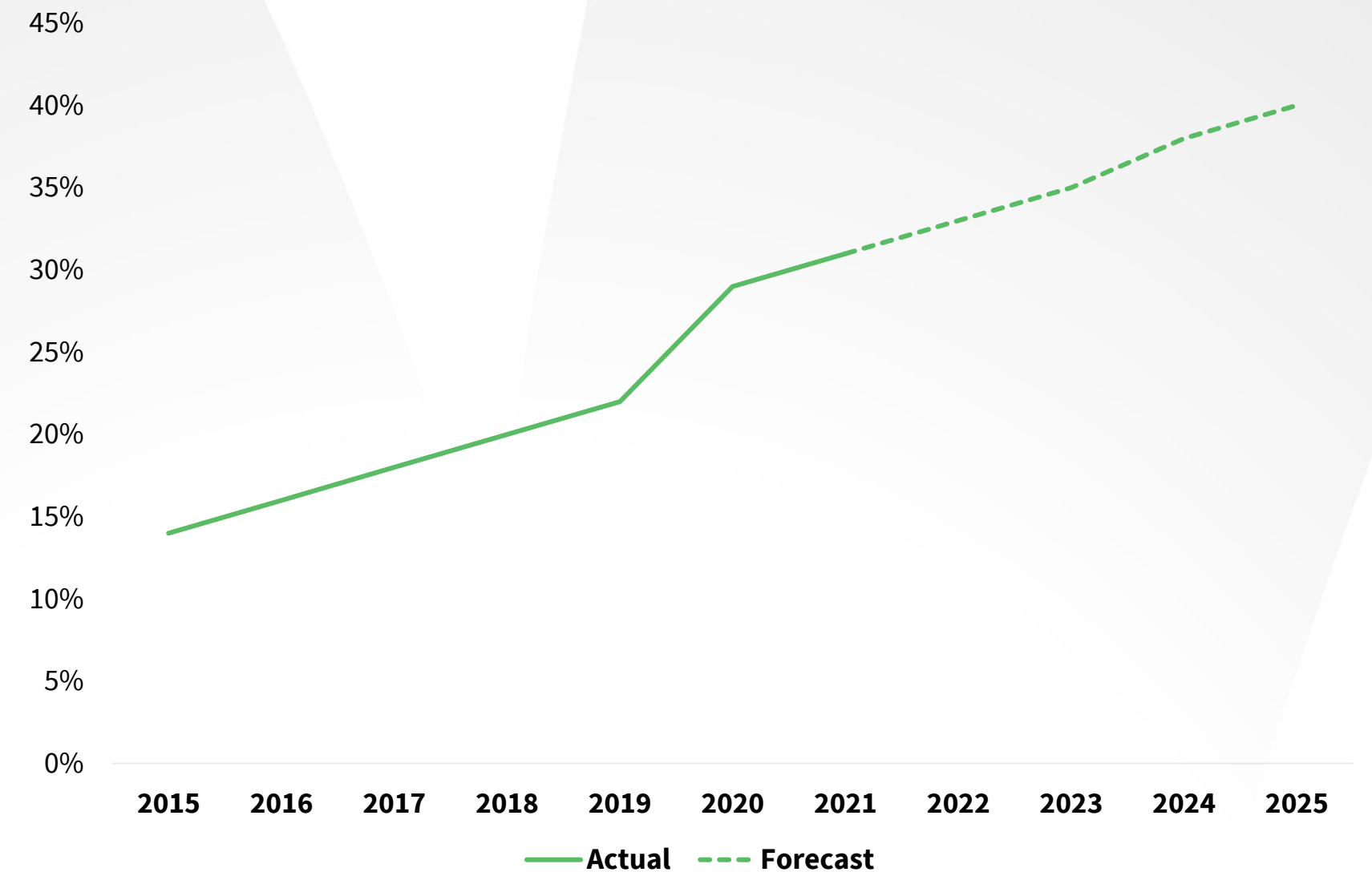
MARKET

BATHROOM AND BATHROOM ACCESSORIES MARKET FORECAST TO GROW BY 3.9% IN 2023 TO £1,734M. BETWEEN 2024 AND 2028 THE MARKET IS ESTIMATED TO GROW BY A FURTHER 2%.

BATHROOM & BATHROOM ACCESSORIES MARKET VALUE¹



UK HOME IMPROVEMENT & GARDENING E-COMMERCE PENETRATION²



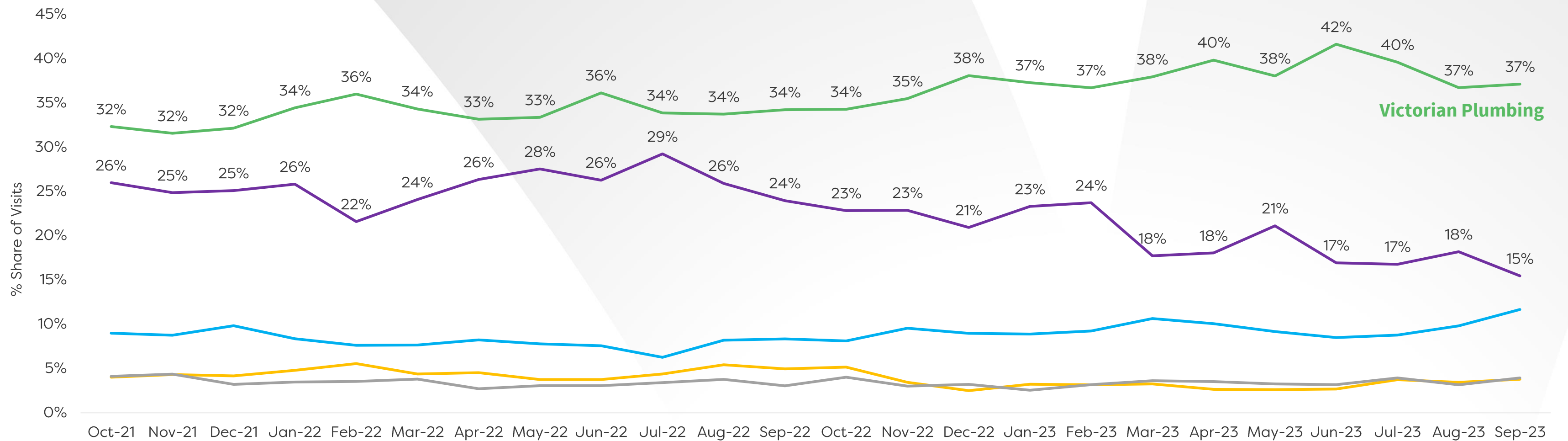
¹Mintel Bathroom and Bathroom Accessories, UK – 2023. Values inclusive of VAT.

²Penetration defined as e-commerce share % of total sales (value).

WE ARE THE LEADING BATHROOM RETAILER

CONSISTENT MARKET LEADER AMONGST ONLINE SPECIALIST BATHROOM RETAILERS, WITH INCREASE OF 3PPTS DURING FY23.

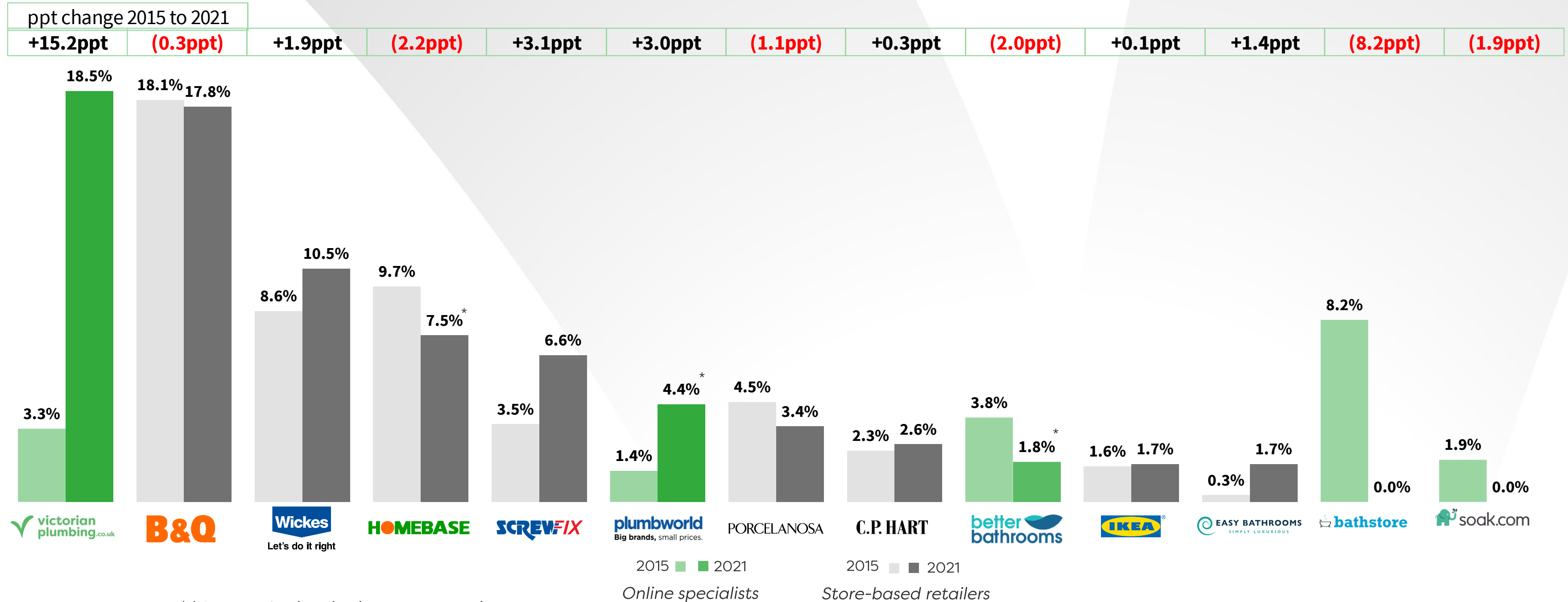
SHARE OF WEBSITE VISITS AMONGST ONLINE SPECIALIST BATHROOM RETAILERS¹



¹ SimilarWeb

WE ARE THE LEADING BATHROOM RETAILER

NUMBER ONE RETAILER FOR BATHROOM PRODUCTS ACROSS BOTH ONLINE AND OFFLINE CHANNELS.



(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