

# Purmo Group Plc January-June 2022 results

11 August 2022

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April–June 2022:

## Solid earnings and strategy execution on track

Continued solid  
earnings  
performance

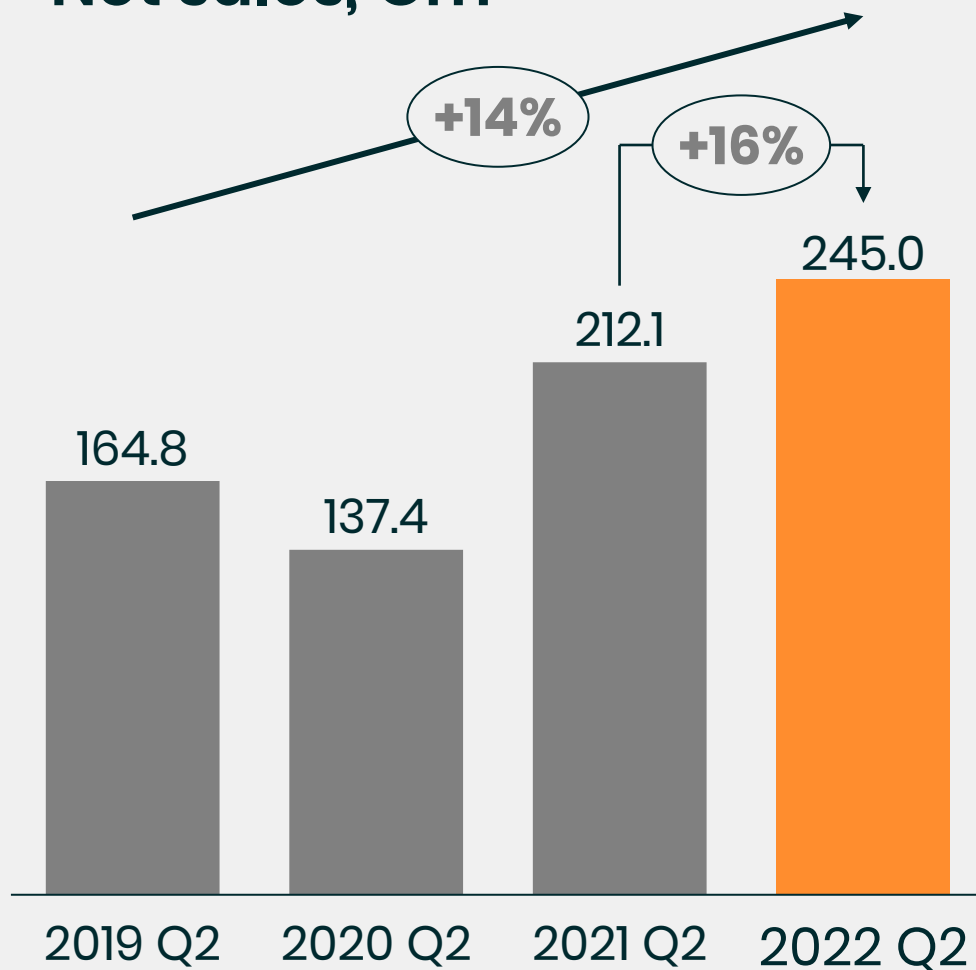
Margin resilience  
despite cost  
inflation

Strong growth  
from systems-sales  
strategy

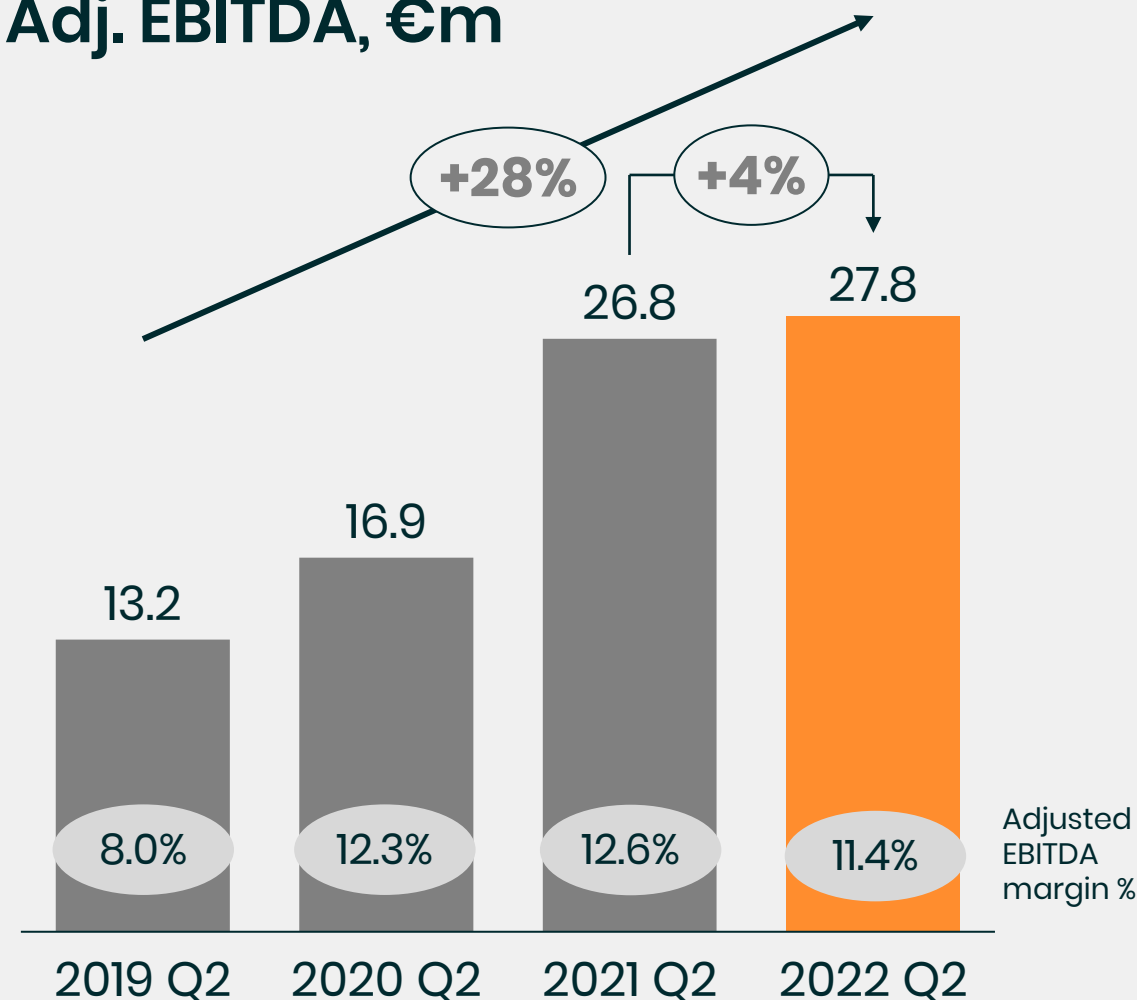
Guidance for  
2022  
unchanged

# Q2 2022 | Strong sales growth and solid adjusted EBITDA

Net sales, €m

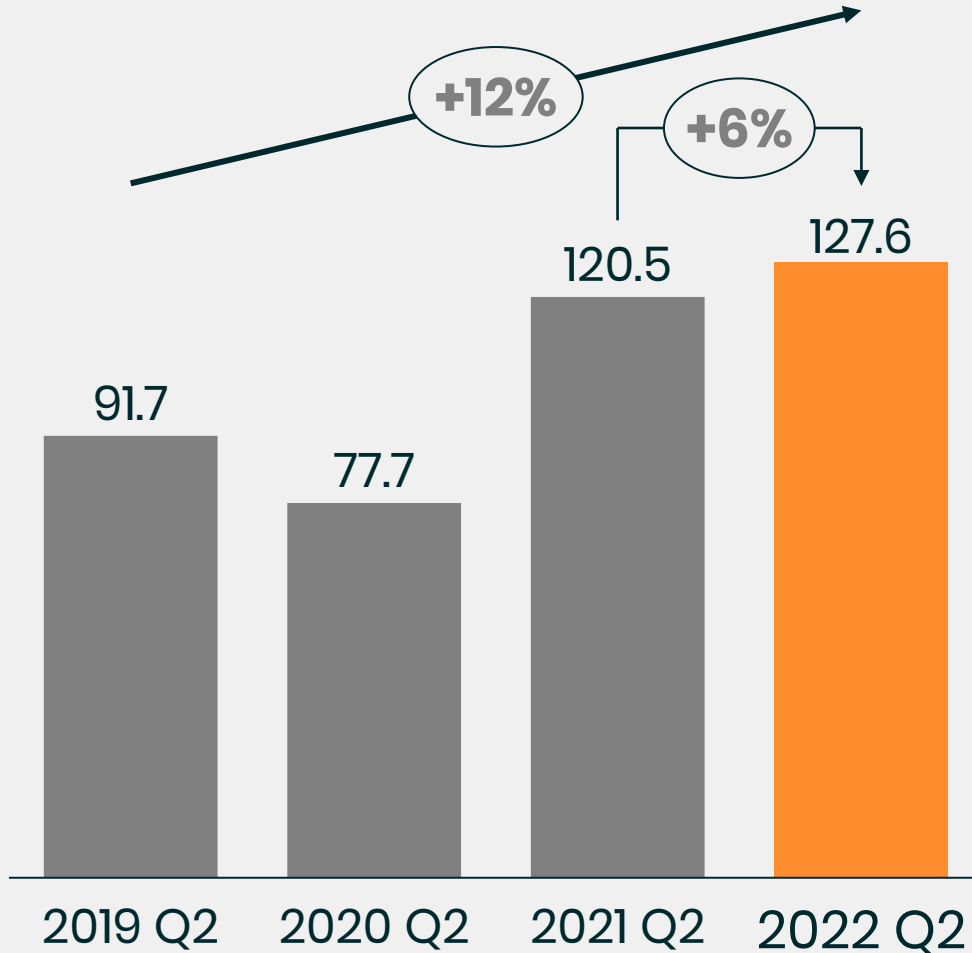


Adj. EBITDA, €m

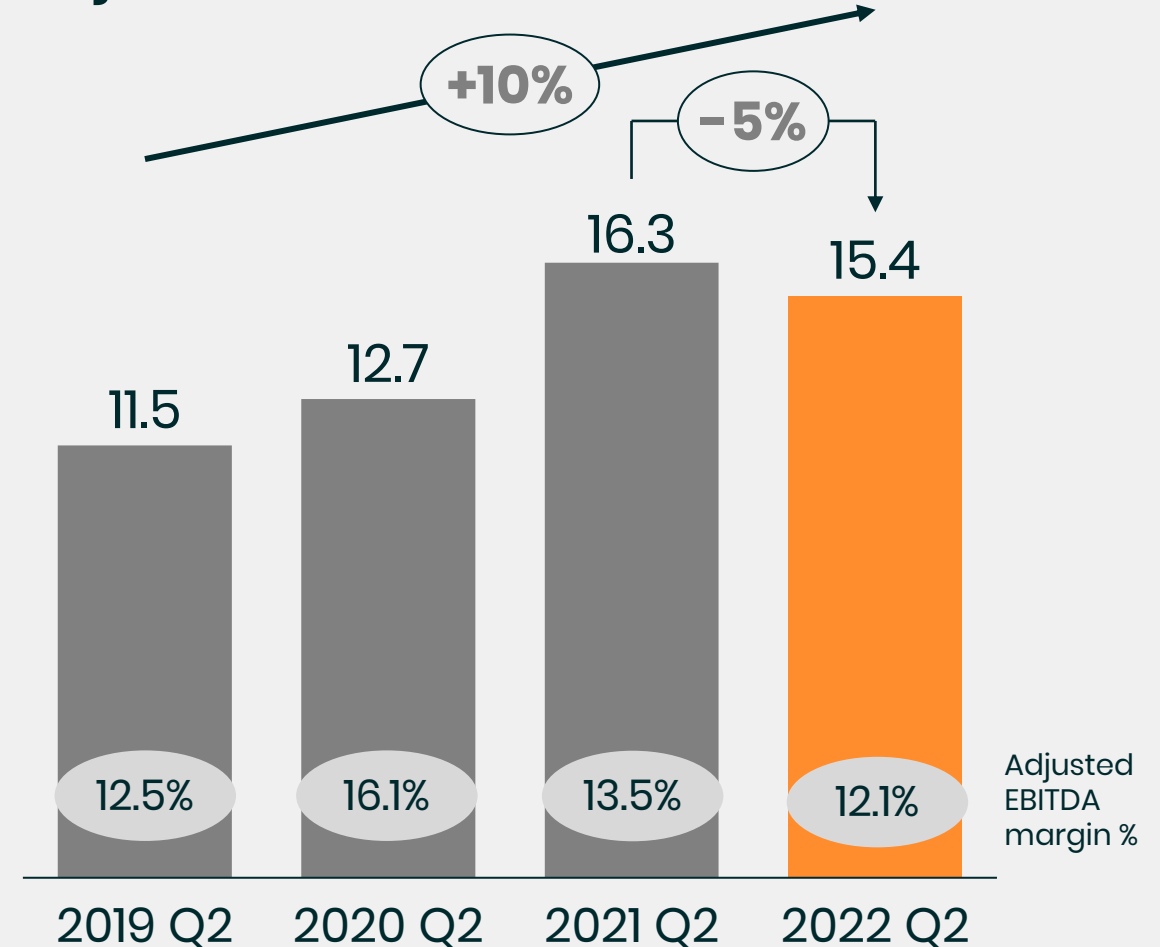


# Radiators | Adj. EBITDA decline driven by lower sales volumes

Net sales, €m

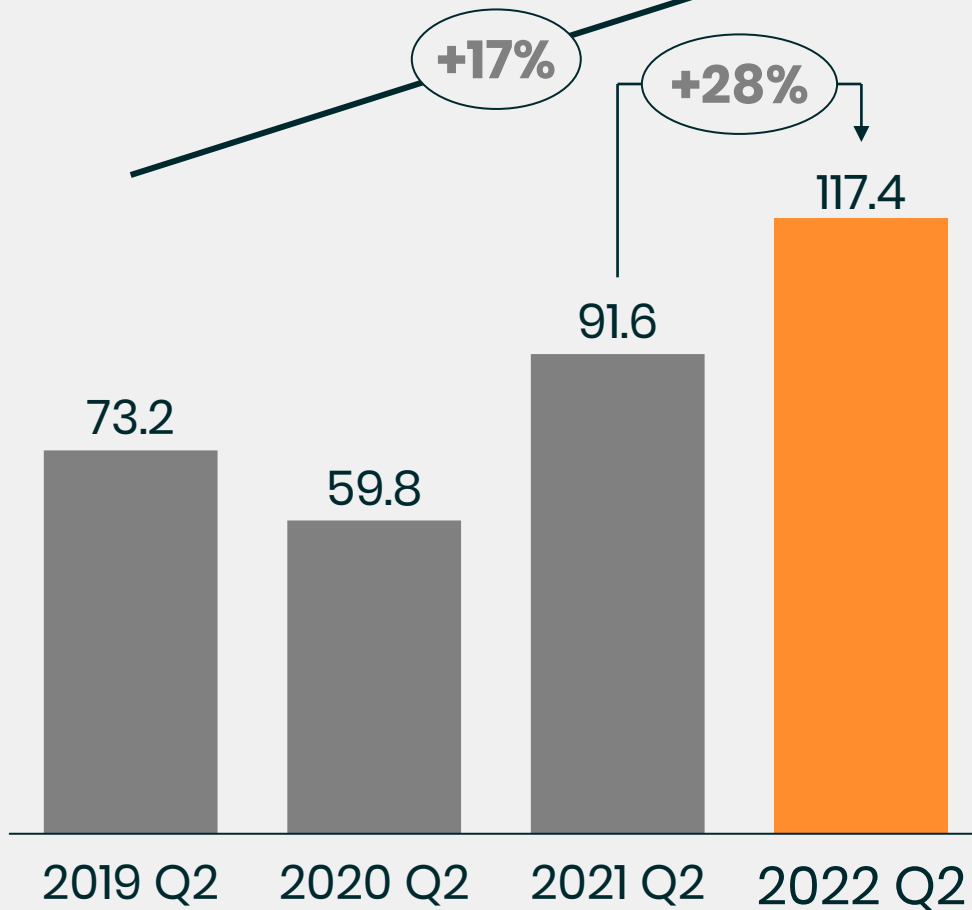


Adj. EBITDA, €m

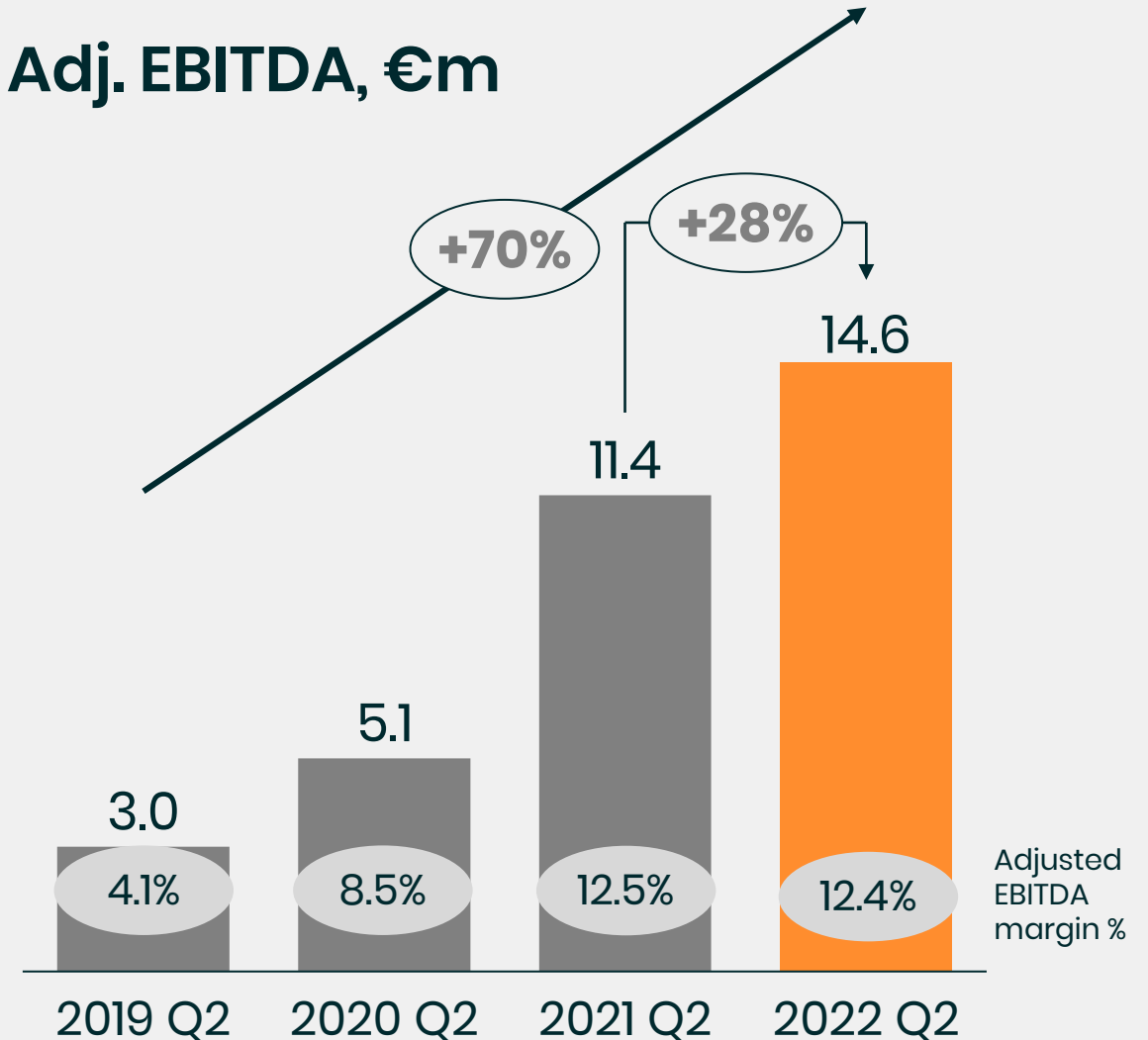


# ICS | Strong growth from systems sales strategy

Net sales, €m



Adj. EBITDA, €m



Adjusted  
EBITDA  
margin %

# CRC steel price was volatile in the second quarter and the Q2 average increased ~10% from Q1

## Cold Rolled Coil Steel price

EXW Ruhr, North European, domestic (€/ton)



Source: Platts

- The price of steel was volatile in the second quarter
- The quarterly average market price increased ~10 per cent compared to the first quarter of 2022
- Purmo Group has increased sales prices for Q3 to mitigate the inflationary effect
- Outlook remains uncertain

# Execution of strategy is on track

## Smart products

- **ULOW E2 Vertical** New version of emitter that offers fast reaction time and low energy-consumption.
- **Unisenza** A new modular control system for underfloor heating and cooling.

## Solution selling

- **Emmeti** (Italy), a flagship performer in system sales, continued strong sales growth.
- Newly acquired **Thermotech** (Nordics) was fully onboarded and performed well.
- Investments in solution-sales training to grow **sales to specifiers** in other key geographies.

## Growth markets

- Sales growth in **China** held back by COVID-19 lockdowns.
- **Russian** exit progressing according to plan.

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## Operational excellence

- Completed **Newcastle West** manufacturing relocation from Ireland to Italy and Sweden and property sale.
- Implementation of **Purmo Group Operating System** in Hungary, Poland and Germany.

# Solution case study #1

## QUALIS: Brasov, Romania

**Almost 700 apartments totalling 13,000 m<sup>2</sup> with gym, commercial zone, shops, parking and restaurants.**

### The system

1,000+ compact radiators

500+ bathroom radiators

60 in-floor convectors

15,000+ m<sup>2</sup> of Underfloor Heating Systems

150,000 m of pipes

15,000 m<sup>2</sup> of insulated UFH plate

16,000 m of UFH border insulation

330 Premium line manifolds

1,500 wire/smart controls

20,000 m of sanitary pipes/fittings

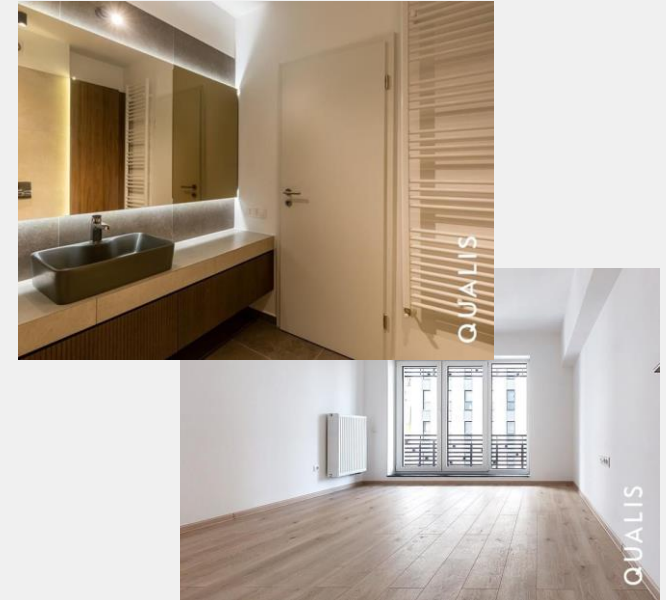
277 Heat Interface Units

**440 apartments in next phase**



**€6 M**

Actual phase  
value



**€4 M**

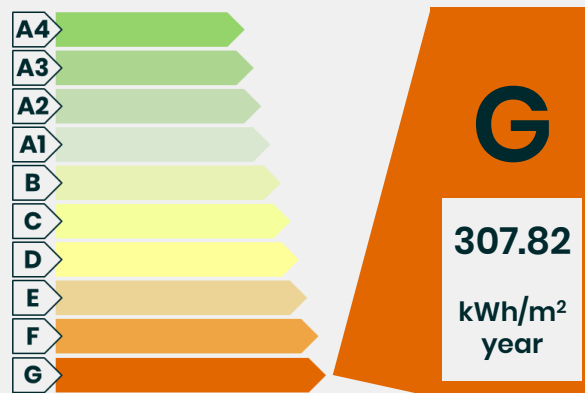
Next phase  
value



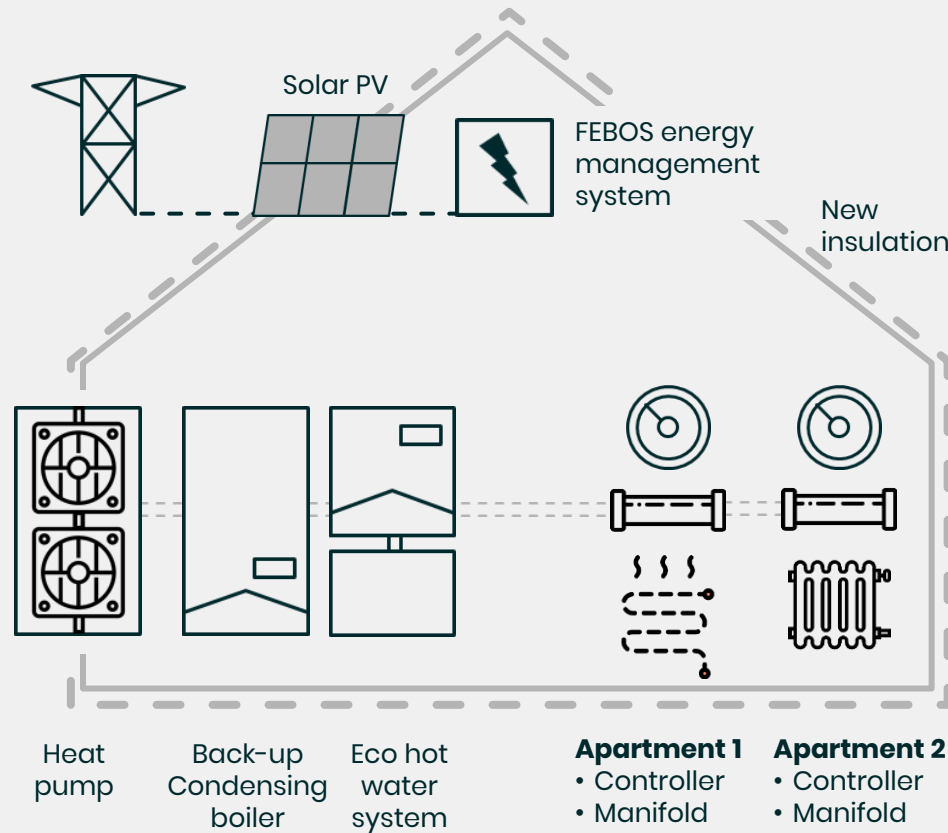
# Solution case study #2

## Energy-class improvement: 366m<sup>2</sup> twin-apartment building, Dovadola, Italy

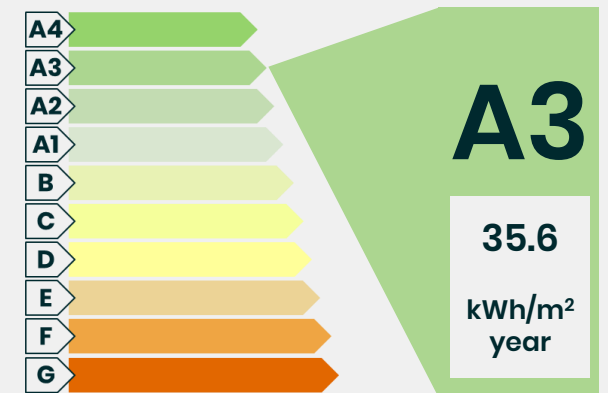
Energy label before



Purmo Group's sustainable indoor climate solution



Energy label after



Primary energy balance	(kWh)
Energy used	112,662
Electricity*	2,849
Gas	109,813
Energy exported to grid	0
Energy produced	0
Used locally	0

Primary Energy balance	(kWh)
Energy used	13,061
Electricity*	7,591
Gas	5,425
Energy exported to grid	(3,568)
Energy produced	(6,157)
Used locally	2,571

# ULOW E2 – forced-convection radiator

Greater efficiency in operation and production



- Ultra low-temperature compatible (below 40°C)
- Short response and heating time
- Self-optimising sensors
- Compatible with larger systems, UFH and heat pumps
- Reduced use of materials

# Unisenza

Underfloor heating and cooling controls



Heating and cooling controller by Purmo Group

- Entry-level controller
- For all our markets
- Easy to install and use
- Controlling comfort and efficiency
- Wired and WiFi options

# April–June 2022 financial overview

Net sales

**245.0**

MEUR  
Q2/2021: 212.1

Adj. EBITDA

**27.8**

MEUR  
Q2/2021: 26.8

Adj. EBITDA

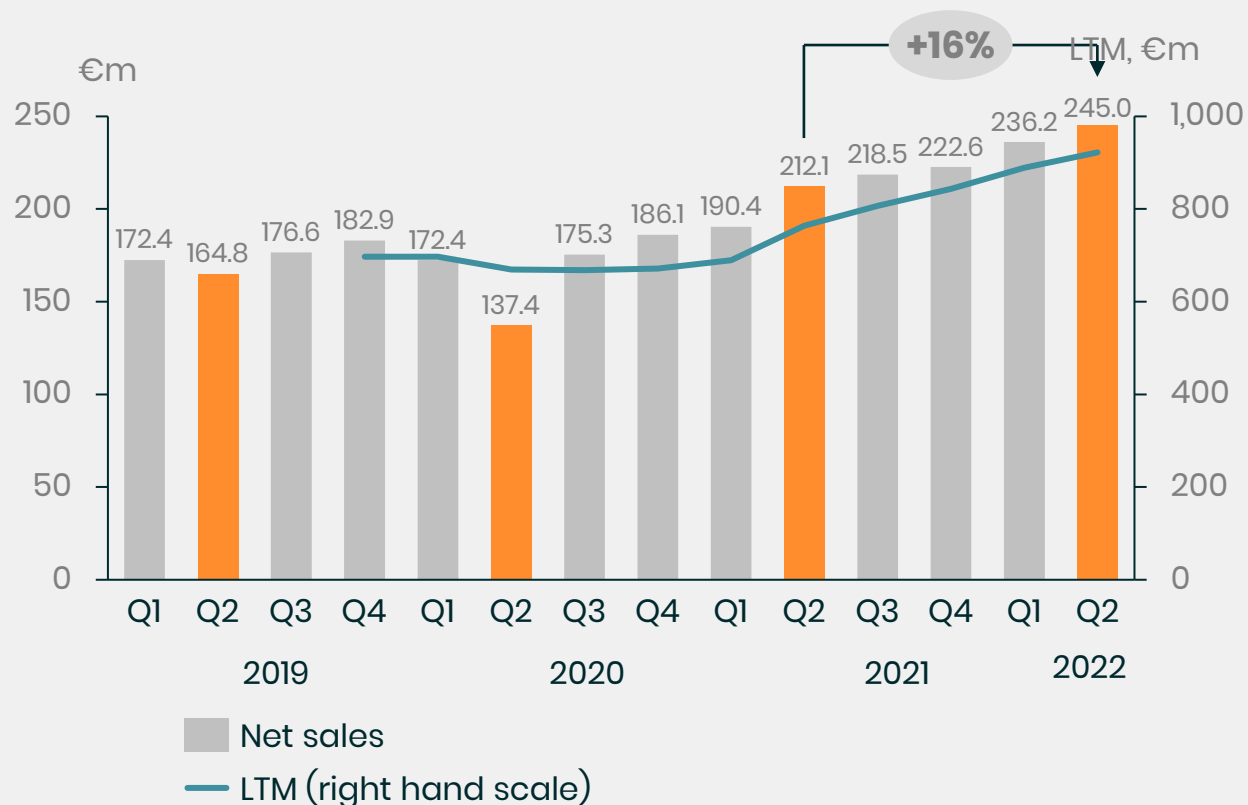
**11.4%**

margin  
Q2/2021: 12.6



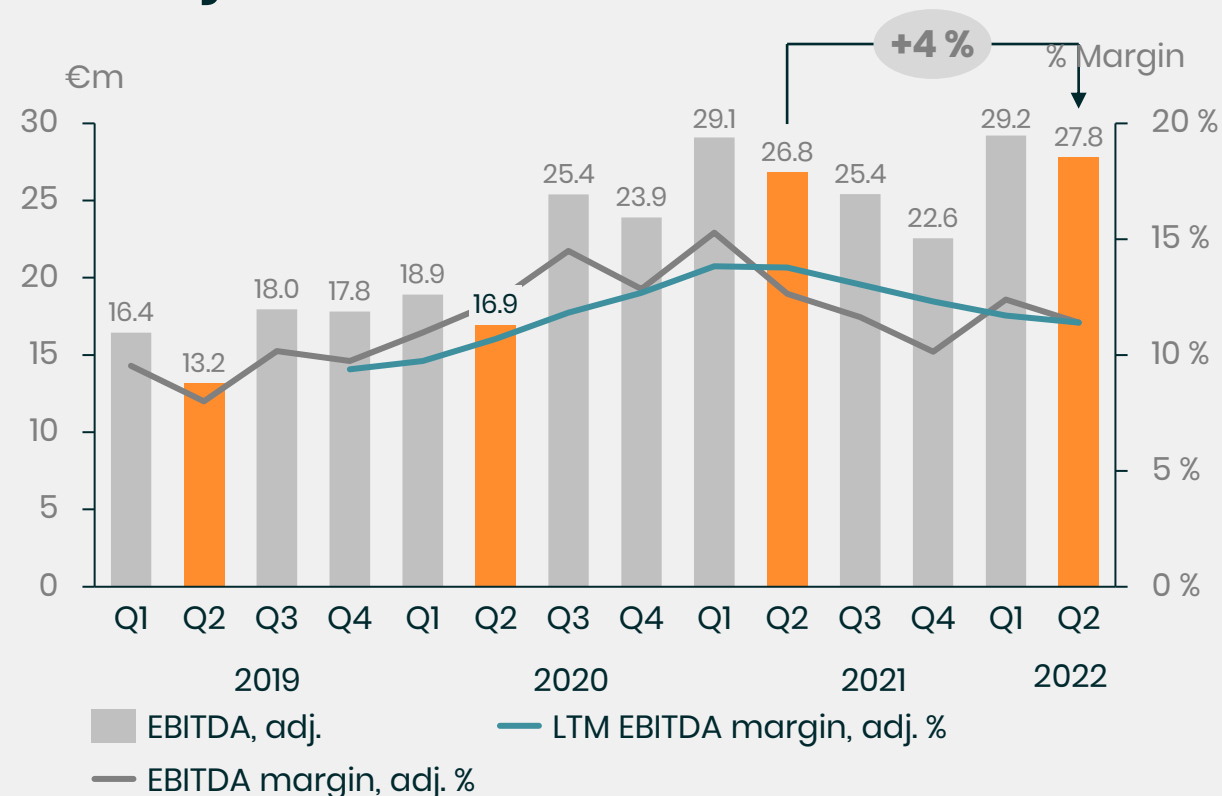
# Purmo Group Net sales and Adjusted EBITDA

## Net sales



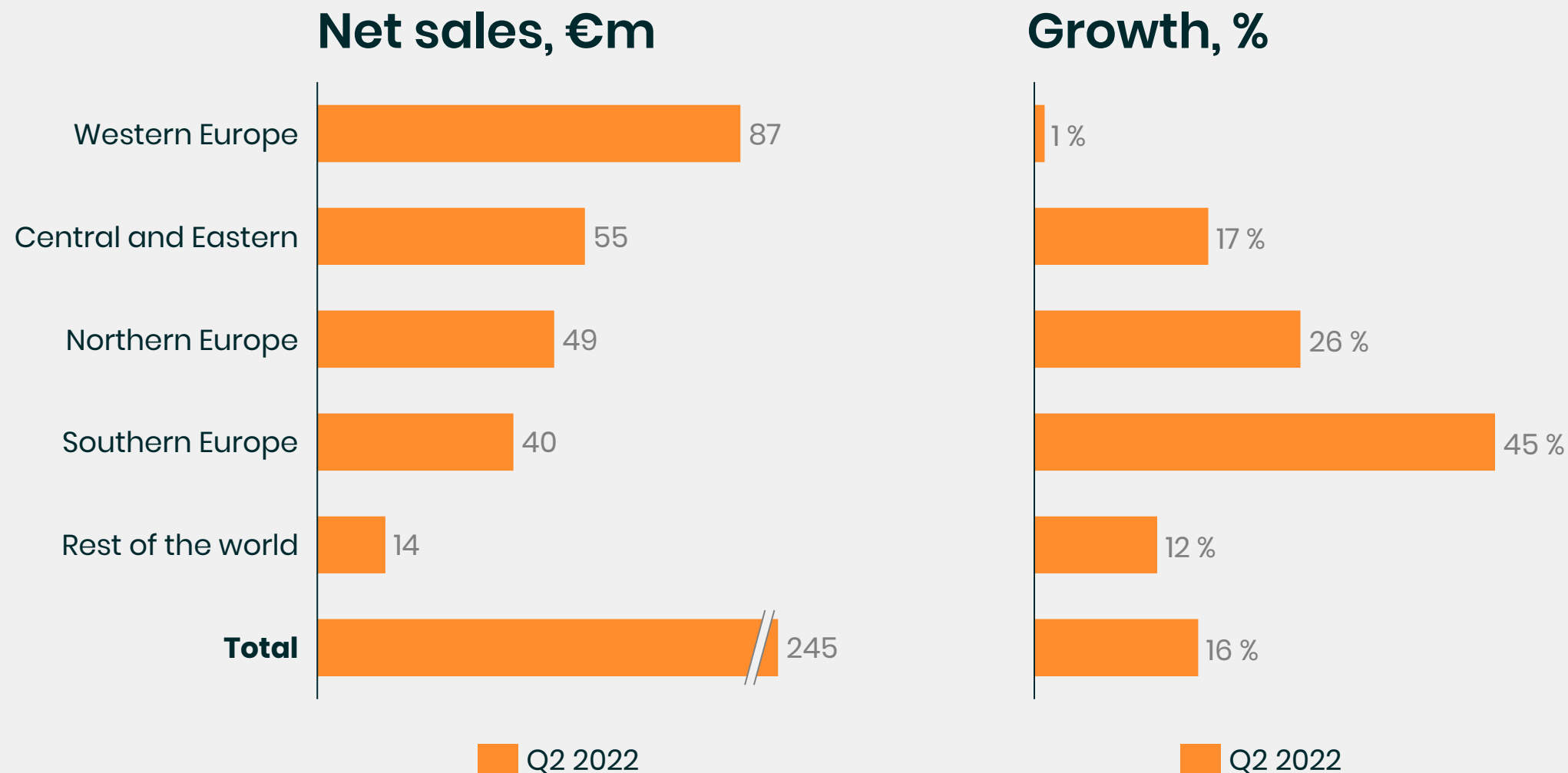
- Organic growth +10% in Q2'22, driven by ICS, sales price increases to mitigate raw material inflation and sales mix
- Net currency +1%
- Acquisitions +4%

## Adj. EBITDA



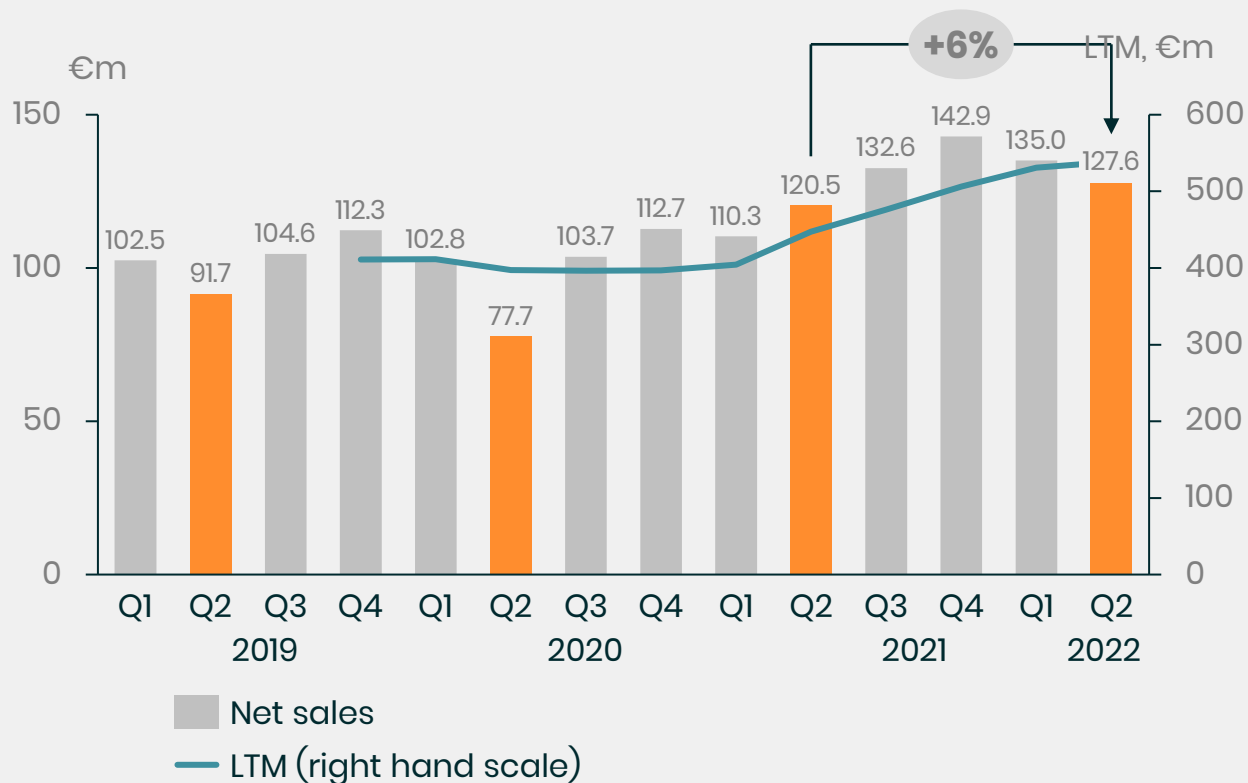
- Adjusted EBITDA growth of 4% to reach €27.8m in Q2'22
- Adjusted EBITDA margin reached 11.4% (12.6%)
- Margin temporarily affected by lower production efficiency in RAD and slight delay in ICS price increases
- Both divisions have implemented several price increases to compensate for significant cost inflation

# Net sales growth by geographical area



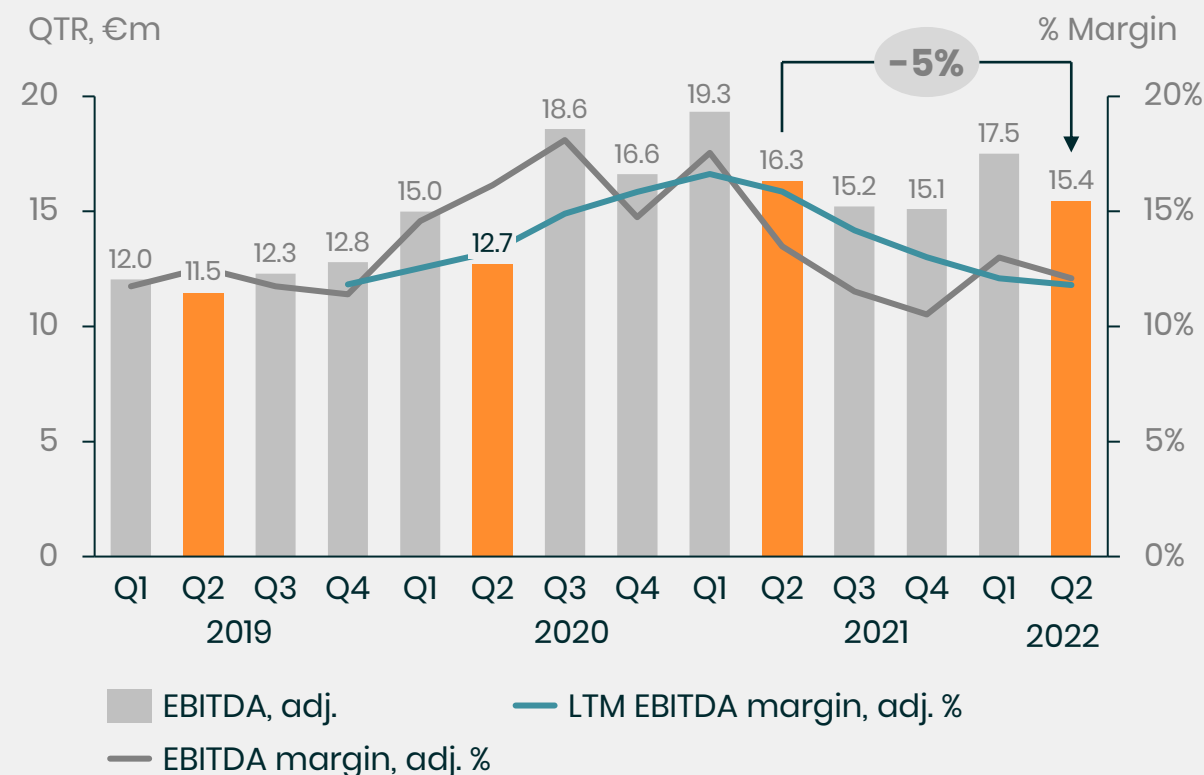
# Radiators Net sales and Adjusted EBITDA

## Net sales



- Organic growth +4% in Q2'22; Net currency +1%; and Acquisitions +1%
- Radiator sales price increase and mix more than offset organic volume decline of 19% in Q2'22
- Volumes affected by softening markets and compared with unusually high demand during the first and second quarter in 2021

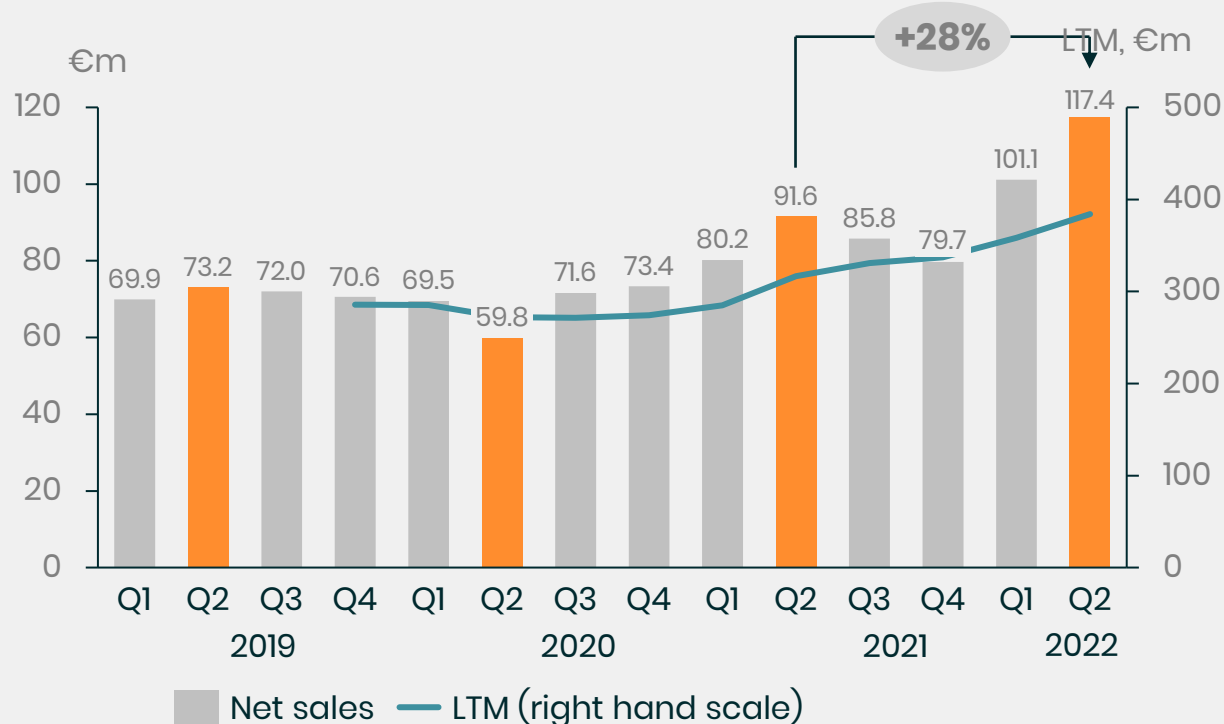
## Adj. EBITDA



- Adjusted EBITDA margin was 12.1% in Q2'22 (13.5)
- Reduced efficiencies in production due to the rapid decline in sales volumes and hence in production volumes.
- Workforce re-aligned with lower volumes and a temporary transfer of production to low-cost plants was introduced.

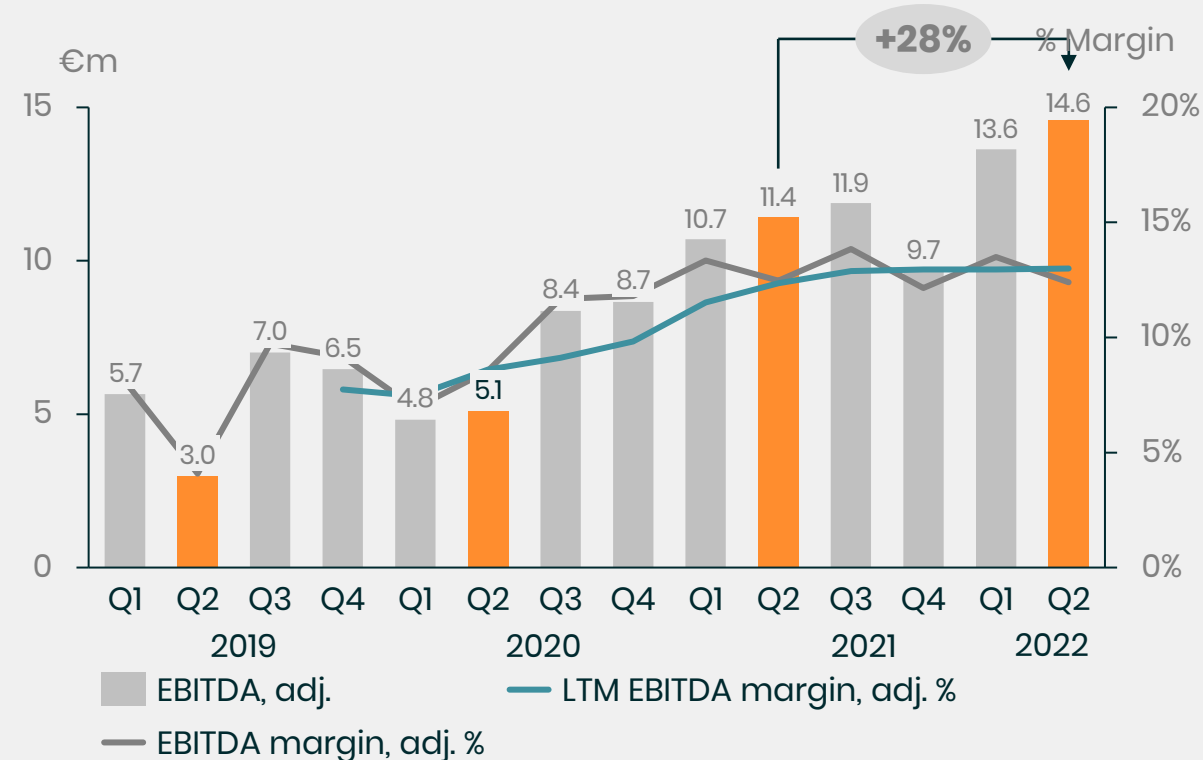
# ICS Net sales and Adjusted EBITDA

## Net sales



- Organic growth +19% Q2'22; Net currency +1%; Acquisitions +8%
- Good demand in core markets and sales price increases
- Italy continued exceptionally strong supported by government incentives to improve energy efficiency of buildings
- Supply constraints of key raw materials such as EVOH (oxygen barrier pipes) and semi-conductors hampering sales growth

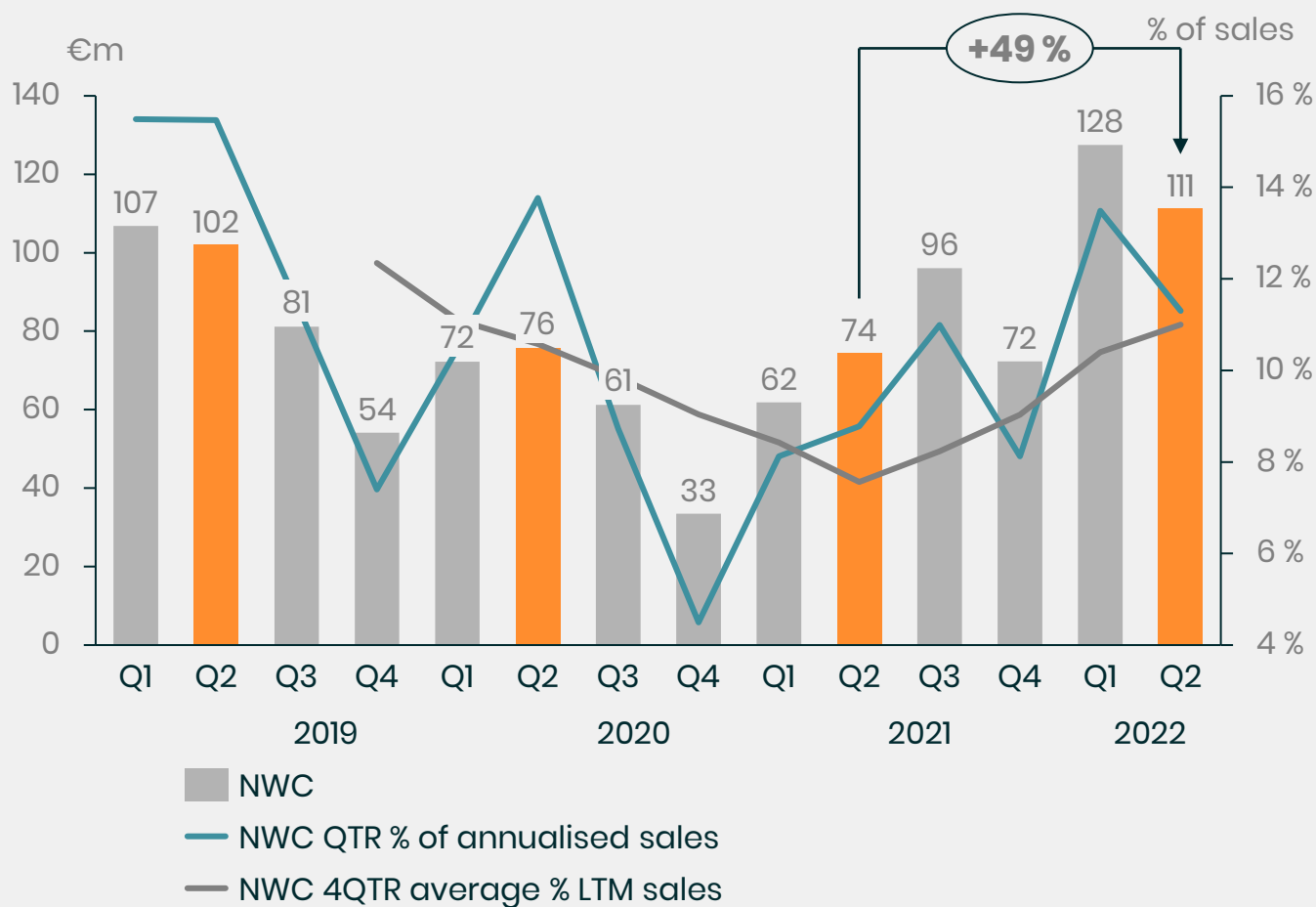
## Adj. EBITDA



- Adjusted EBITDA margin was 12.4% in Q2'22 (12.5%), due to high demand, sales price increases and sales mix
- Sales price realisation overall successful, albeit delay in certain markets due to extended delivery times
- Thermotech acquisition fully onboarded and contributed EUR 1.0 million to ICS adjusted EBITDA (14.0% margin)

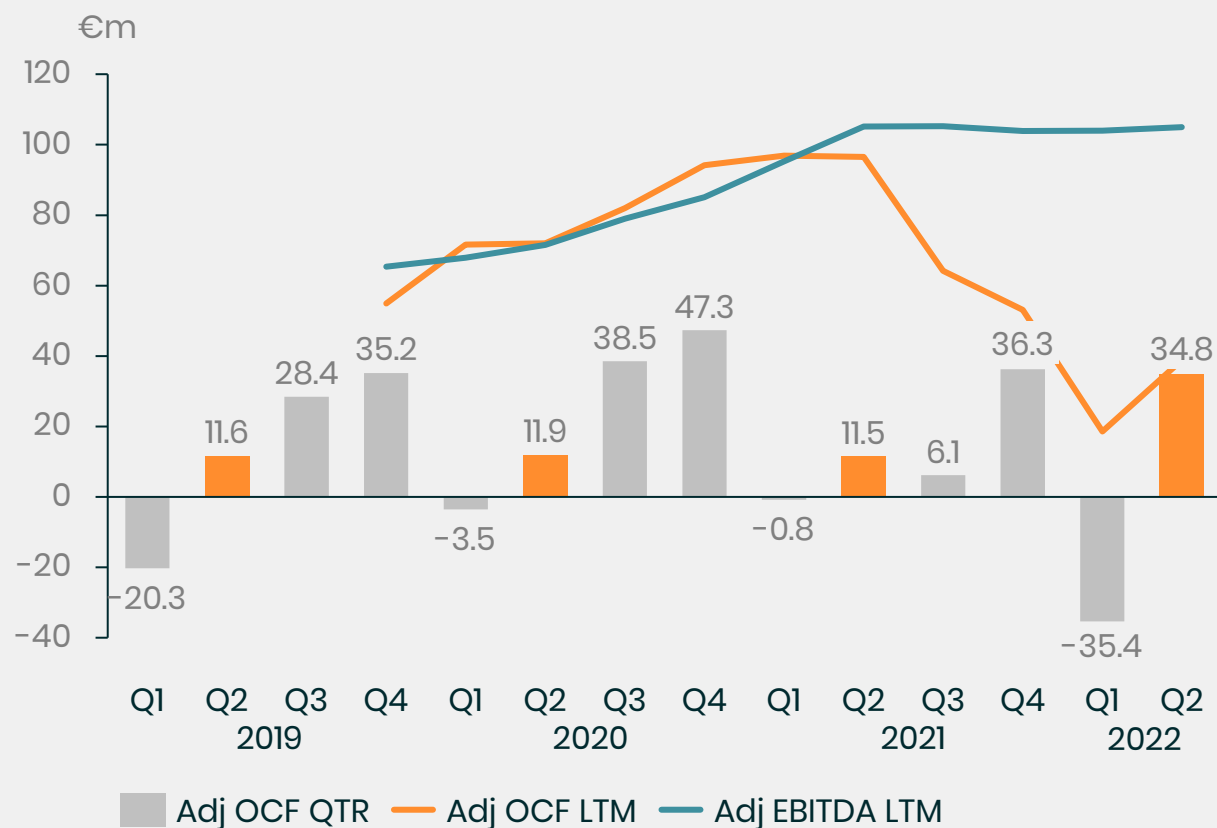


# Net Working Capital



Net working capital	Q2 2022	Q2 2021	Q1 2022
Inventories	179.5	127.8	167.9
Operative receivables	129.9	136.2	158.6
Operative liabilities	198.2	189.6	199.0
<b>Net working capital</b>	<b>111.2</b>	<b>74.5</b>	<b>127.5</b>
% of sales, QTR	11.3%	8.8%	13.5%
% of sales, 4QTR average	11.0%	7.6%	10.4%

# Adjusted Operating Cash Flow



	Q2 LTM 2022	Q2 LTM 2021	FY LTM 2021
Adjusted EBITDA LTM	105.0	105.2	103.9
NWC change*	-48.2	-1.2	-35.9
Capex LTM**	-18.0	-9.8	-14.8
<b>Adj OCF***</b>	<b>38.8</b>	<b>94.1</b>	<b>53.1</b>
Cash conversion	37.0%	89.5%	51.1%

\* Change compared to previous year same period, adjusted for impact from M&A

\*\* Investments tangible and intangible assets, excluding acquisitions of companies

\*\*\* Adjusted Free operating cash flow before acquisitions and disposals of companies, financial net items and paid taxes

# Comparability adjustments

Comparability adjustments	4-6/ 2022	4-6/ 2021	1-6/ 2022	1-6/ 2021	2021	
IFRS 2 merger impact	–	–	–	–	52.3	Non-cash
M&A related transactions and integration costs	0.0	0.0	0.3	0.0	0.1	
Restructuring costs and one-off costs related to efficiency programs	3.7 <sup>(1)</sup>	0.0	3.7 <sup>(1)</sup>	2.5	8.9	Partly non-cash
Formation of Purmo group and standalone preparations	–0.1	0.6	0.3	0.0	6.6	
Management fee to owners and legacy Rettig Group incentive plans	–	0.4	–	0.7	2.4	Partly non-cash
Impairment and write-down charges	–	–	6.9	–	–	Non-cash (D&A impact)
Other	–	–	–	–	0.0	
<b>Total adjustments</b>	<b>3.6</b>	<b>1.0</b>	<b>11.1</b>	<b>3.9</b>	<b>70.2</b>	

# Net financials, depreciation and amortisation

Net Financial items	4-6/ 2022	4-6/ 2021
Interest net	-2.6	-0.7
Exchange gains and losses (FX and financing items)	0.7	-0.4
Leases IFRS 16	-0.5	-0.5
Other financial income and expenses	-0.6	-0.3
<b>Total</b>	<b>-3.0</b>	<b>-1.9</b>
<b>% of net sales</b>	<b>1.2%</b>	<b>0.9%</b>

Depreciation and amortisation	4-6/ 2022	4-6/ 2021
Amortisation on intangible assets	-1.1	-0.7
Tangible assets	-5.2	-5.6
Impairment of intangible and tangible assets	-	-
Right-of-use assets (IFRS 16)	-2.0	-1.8
<b>Total</b>	<b>-8.3</b>	<b>-8.1</b>
<b>% of net sales</b>	<b>3.4%</b>	<b>3.8%</b>

# Tax

Income tax expense, € million	1-6/ 2022	1-6/ 2021	2021
For the financial period	-6.7	-4.3	-13.4
Change in deferred taxes	-2.6	-4.0	-0.8
Previous years taxes	0.0	-0.1	0.4
<b>Total income tax expense</b>	<b>-9.3</b>	<b>-8.5</b>	<b>-13.7</b>
<b>Effective Tax Rate adjusted for non-deductible items</b>	<b>25.6%</b>	<b>24.7%</b>	<b>27.0%</b>
Non-deductible items		Comments	
Profit before taxes	24.2	32.7	-5.1 As reported
IFRS 2 listing cost	-	-	52.3 One-time, non-cash item
Russian divestment plan	6.9	-	- Impairment and write-down of Russian business assets and liabilities
Restructuring costs	3.7	-	- Non-deductible restructuring costs related to the Irish subsidiary
Trademark amortisation	1.8	1.8	3.6 Related to previous years' company structuring
<b>PBT adjusted for non-deductible items</b>	<b>36.6</b>	<b>34.5</b>	<b>50.8</b> PBT adjusted for non-deductible items

# Key figures

€ million	4-6/ 2022	4-6/ 2021	Change %	1-6/ 2022	1-6/ 2021	Change %	2021
Net sales	245.0	212.1	16%	481.2	402.5	20%	843.6
Adjusted EBITDA	27.8	26.8	4%	57.0	55.9	2%	103.9
Adjusted EBITDA margin, %	11.4%	12.6%		11.9%	13.9%		12.3%
EBIT	15.9	17.7	-10%	30.0	36.4	-17%	3.5
EBIT margin, %	6.5%	8.4%		6.2%	9.0%		0.4%
Profit for the period	8.4	12.3	-32%	14.9	24.2	-39%	-18.8
Cash flow from operating activities	32.0	12.6	154%	-6.9	5.6	-224%	35.4
Adjusted operating cash flow, last 12 months <sup>(1)</sup>				38.8	89.8	-57%	53.1
Cash conversion %, last 12 months <sup>(2)</sup>				37.0%	85.3%		51.1%

<sup>(1)</sup> Adjusted EBITDA on a rolling 12 month basis deducted by the change in net working capital and capex on a rolling 12 month basis.

<sup>(2)</sup> Adjusted operating cash flow divided by Adjusted EBITDA, both on a rolling 12 month basis.

# Purmo Group 2022 financial guidance unchanged

Purmo Group reiterates its guidance for 2022.

- Net sales are expected to increase from 2021 (EUR 843.6 million).
- Adjusted EBITDA is expected to be comparable to 2021 (EUR 103.9 million).

The outlook remains uncertain mainly due to the ongoing slow-down in construction markets following reduced consumer confidence, higher material costs and increased interest rates. On the other hand, the visibility of the effects from the geopolitical situation caused by the war in Ukraine has improved. Supply chain constraints and raw material price inflation persists but which Purmo Group continues to mitigate. Challenges remain in some areas and the situation could change. Purmo Group continues to actively manage the situation including making necessary price increases to offset cost inflation and mitigating supply chain constraints. Based on this we keep our guidance unchanged.

# Long-term financial targets

Growth	> <b>Market organic growth and notable M&amp;A</b>	Net sales growth
Profitability	> <b>15%</b>	Adj. EBITDA Margin %
Leverage	≤ <b>3.0x</b>	Interest bearing net debt / Adj. EBITDA on a rolling twelve-month basis
Dividend <sup>1</sup>	≥ <b>40%</b>	Distributed as a % of annual net profit

<sup>1</sup>) As of completion of the merger, the previous decision by VAC to not intend to distribute dividend earlier than 12 months from the completion of an acquisition would therefore no longer valid



April – June 2022

## Solid earnings and strategy execution on track

- Continued solid earnings performance
- Margin resilience despite cost inflation
- Strong growth from systems-sales strategy
- Guidance for 2022 unchanged

Net sales

**245.0**

MEUR

Q2/2021: 212.1

Adj. EBITDA

**27.8**

MEUR

Q1/2021: 29.1

Adj. EBITDA

**11.4%**

margin

Q1/2021: 15.3

# Q&A



[www.purmogroup.com](http://www.purmogroup.com)

**PURMO**  
GROUP