PURMO GROUP

Purmo Group Plc

Financial Statements Review

1 January–31 December 2023

John Peter Leesi, CEO
Jan-Elof Cavander, CFO

13 February 2024

Agenda

Q4 2023 in brief and strategy execution update
John Peter Leesi, CEO

Accelerate PG performed above targets during the year
Jan-Elof Cavander, CFO

Q4 2023 financial review and guidance for 2024
Jan-Elof Cavander, CFO

Appendix

Q4 2023 in brief and strategy execution update

October-December 2023

Strong margin improvement and stable earnings in a challenging market environment

Robust fourth quarter: the Group's adjusted EBITDA improved by 30% and adj. EBITDA margin by 4.2 ppt, good margins in both divisions

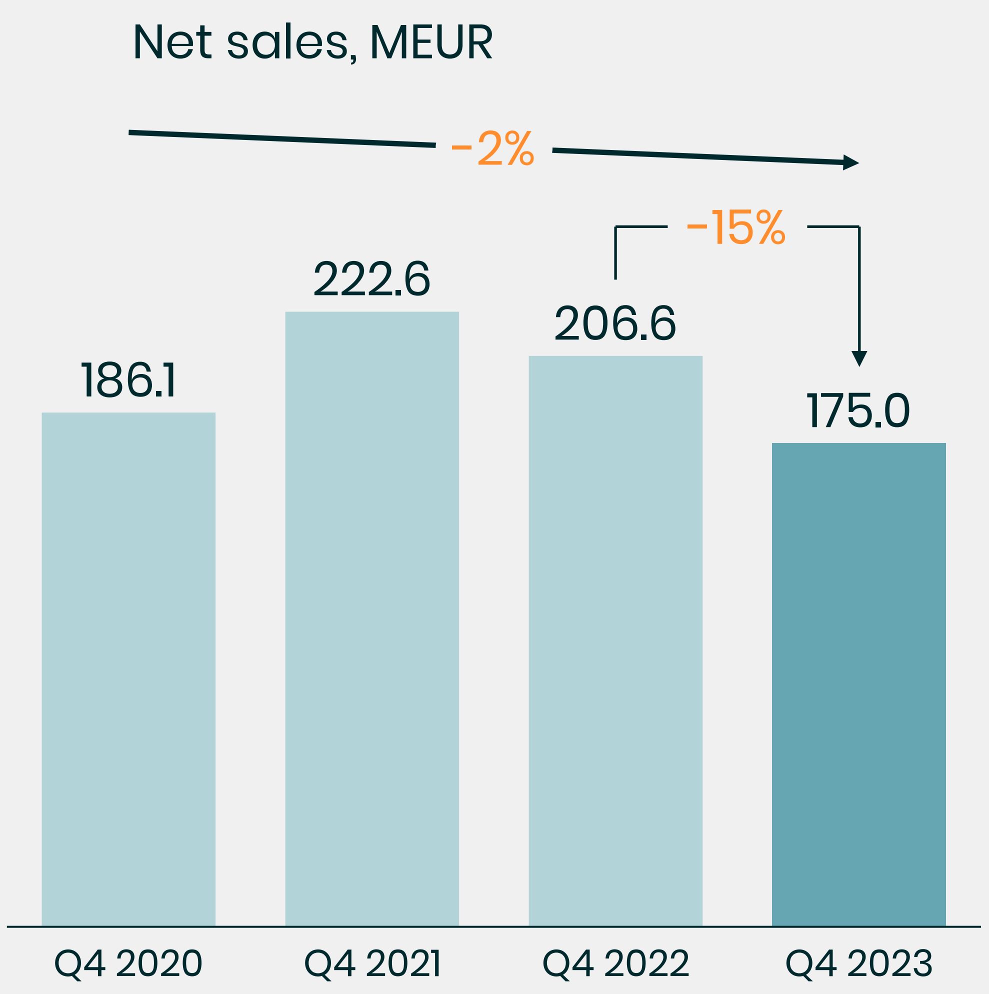
Solution selling concept gaining traction: France and Brazil grew in net sales during the quarter

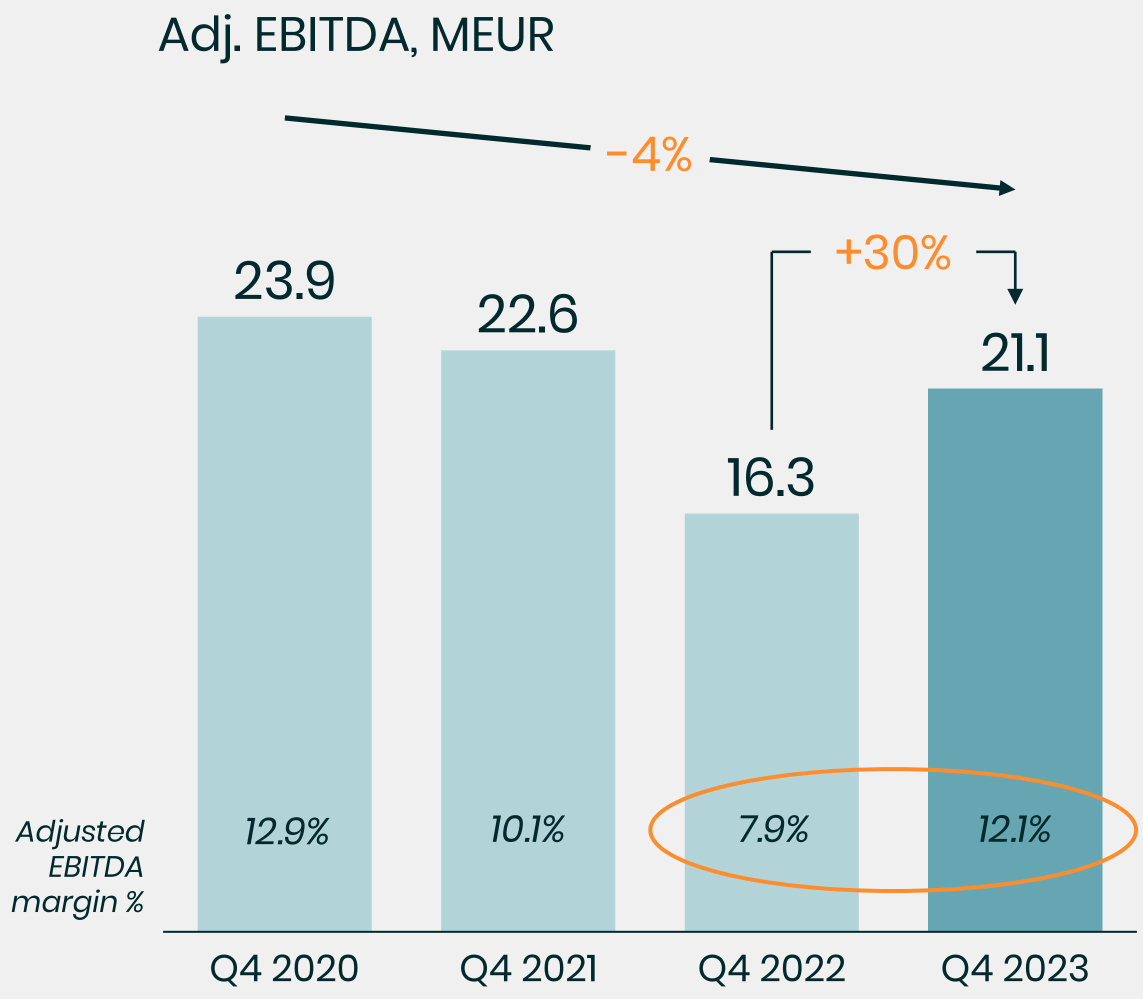
Target for the Accelerate PG programme upgraded for 2024

Adjusted EBITDA in 2024 is expected to be on a similar or higher level than in 2023 (EUR 92.3 million).

Q4 2023: Purmo Group

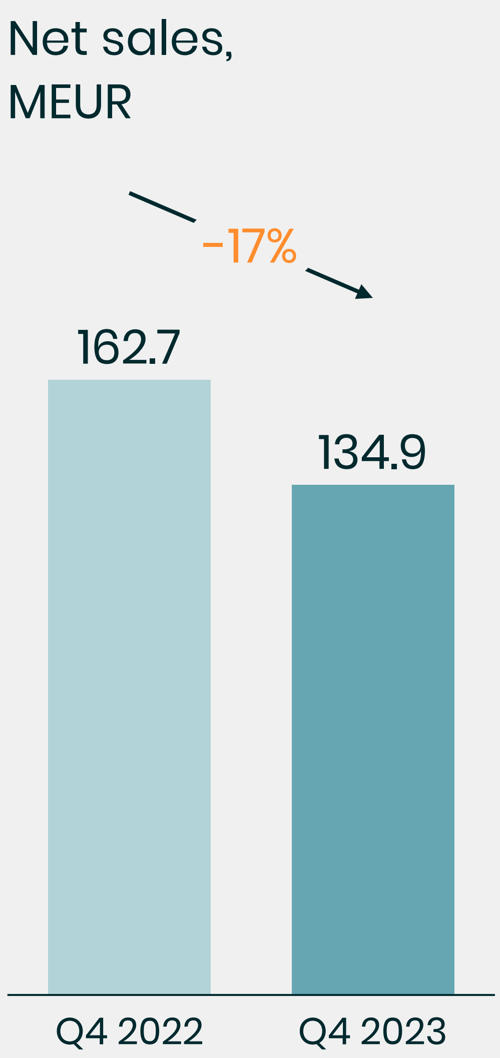
Strong margin improvement in a weak demand environment

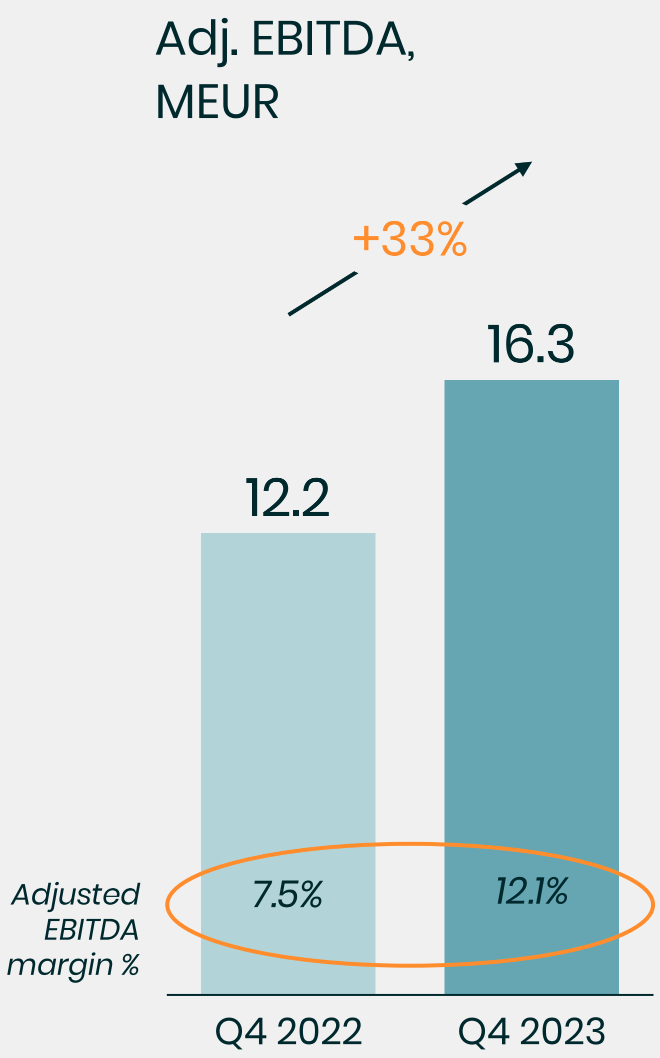




Q4 2023: Climate Products & Systems division

Growth in earnings



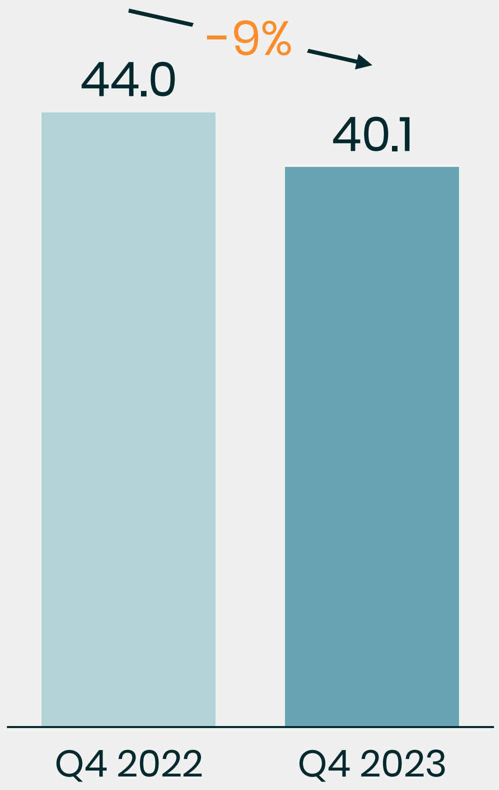


- Sales in the Climate Products & Systems division were at a low level in all regions, although a few markets stabilised towards the end of the year, Poland in particular
- The improvement in adjusted EBITDA margin was a result of continued and systematic margin management actions in the division as well as good performance in the Accelerate PG programme
- Net sales of radiators amounted to EUR 94.4 million (104.0)
- Net sales of other products, including e.g. underfloor heating, was EUR 40.5 million (58.7)

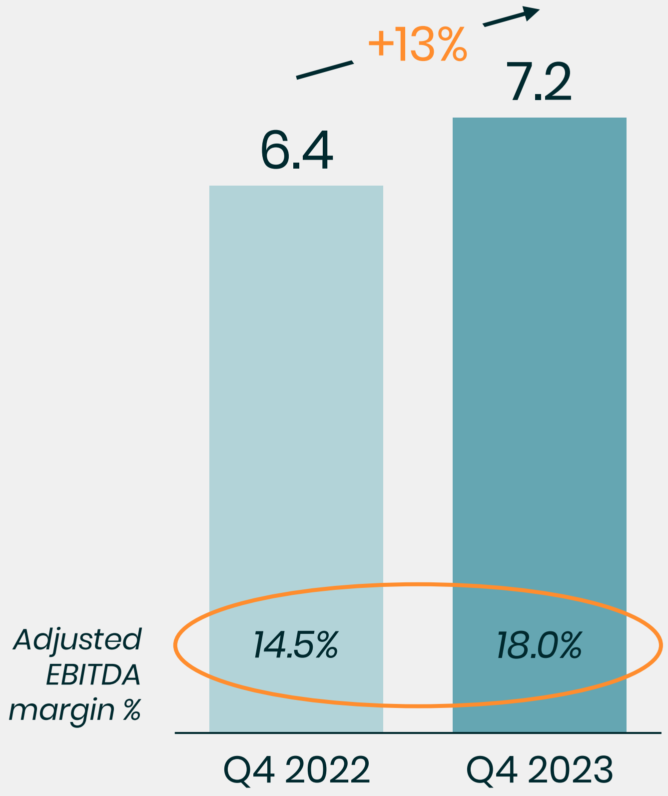
Q4 2023: Climate Solutions division

High adjusted EBITDA margin

Net sales, MEUR



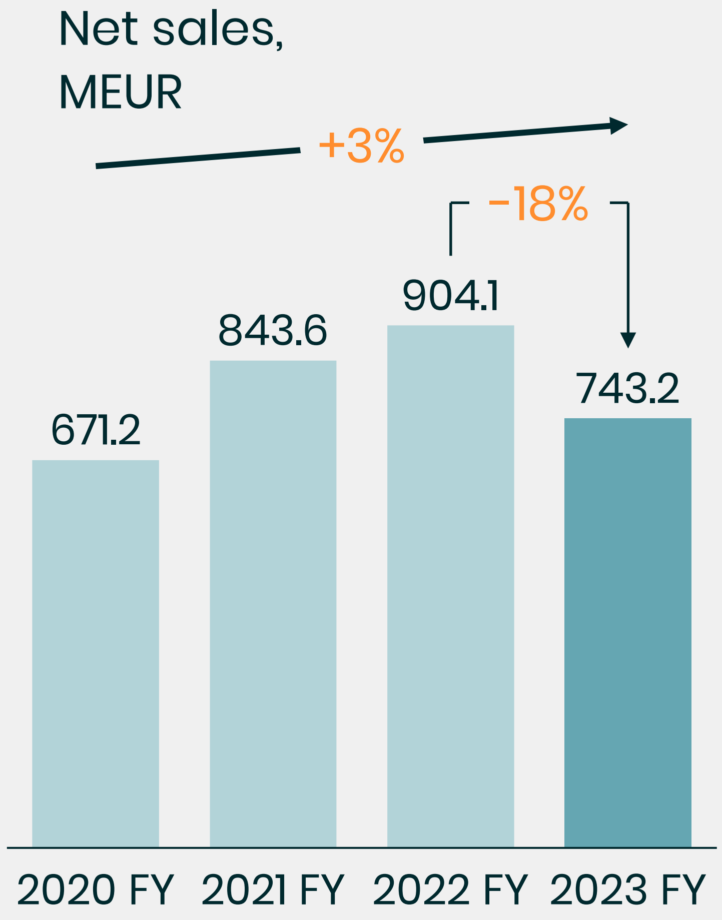
Adj. EBITDA, MEUR

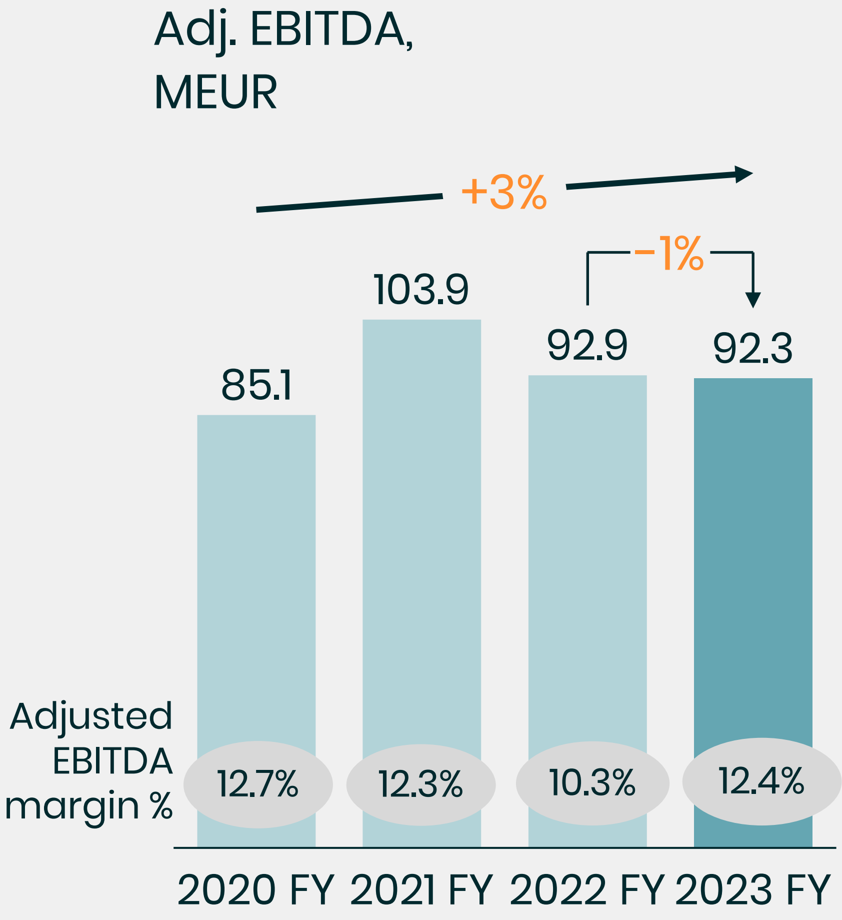


- The Italian market picked up after a period of downturn
- Sales in France and Brazil grew during the quarter, however, weak construction markets in the Nordics impacted net sales
- The adjusted EBITDA margin increased to 18.0 per cent (14.5)
- The increase in adjusted EBITDA margin during the quarter was a result of successful margin management actions and a pick-up in demand in the Italian market
- Strong cost savings and reduction in operating expenses

2023: Purmo Group

Strong improvement in adjusted EBITDA margin of 2.1 ppt

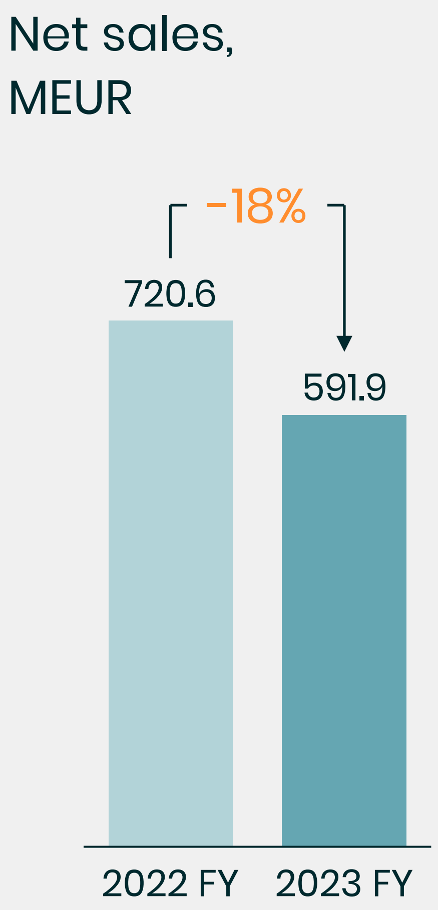


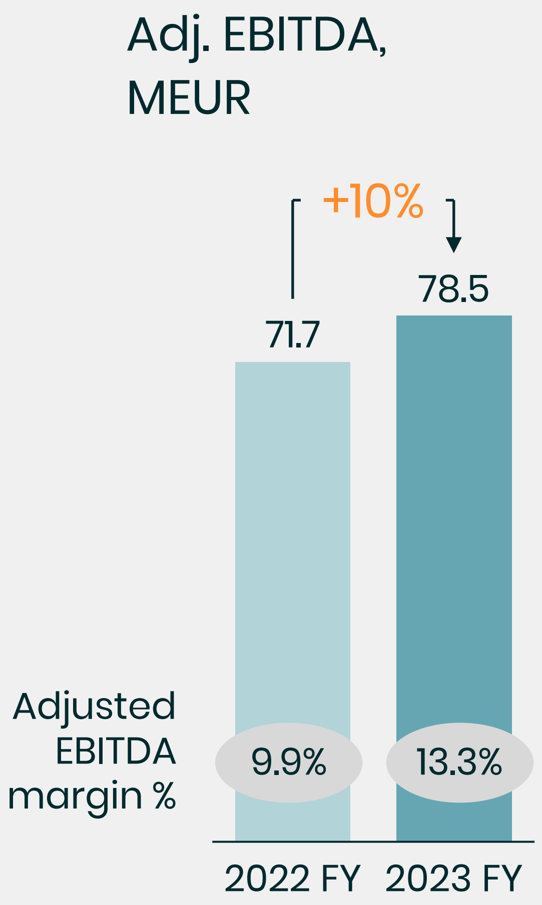


- Net sales amounted to EUR 743.2 million (904.1), -18%
  - Organic decline -17%
  - No material contribution from acquisitions
  - The net currency effect -1%
- Adjusted EBITDA was EUR 92.3 million (92.9); -1%
- The adjusted EBITDA margin improved to 12.4% (10.3)

2023: Climate Products & Systems division

Earnings supported by strong margin management actions

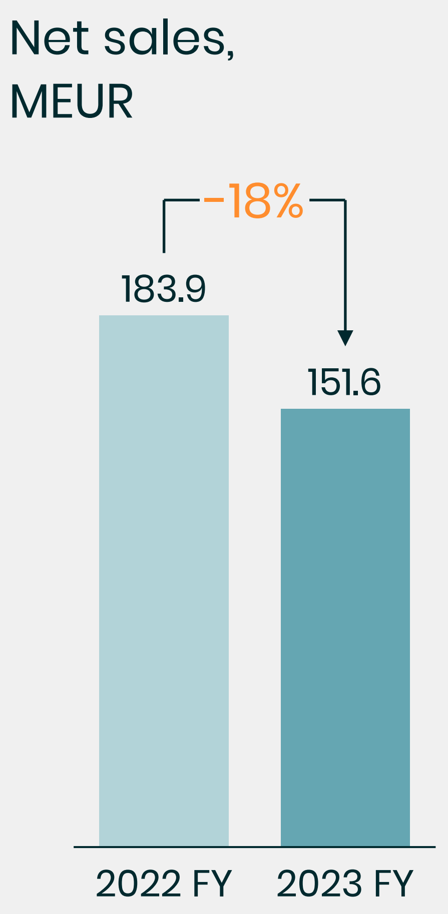


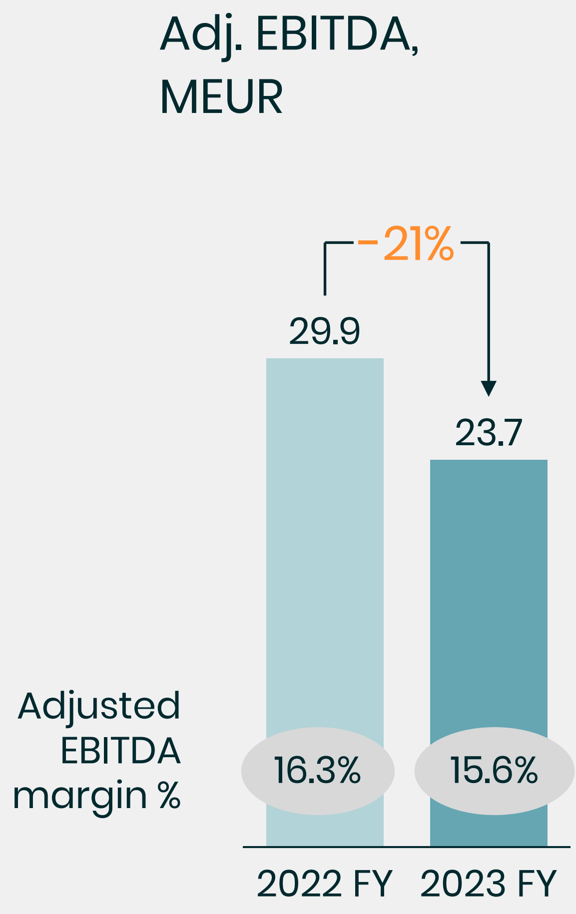


- Net sales decreased by 18% to EUR 591.9 million (720.6)
  - -16% organic
  - No material contribution from acquisitions
  - The currency impact -1%
- Net sales of radiators amounted to EUR 392.2 million (473.1)
  - Radiator volumes -20%
- Adjusted EBITDA increased by 10% to EUR 78.5 million (71.7)
- The adjusted EBITDA margin improved to 12.1% (7.5)

2023: Climate Solutions division

Downturn in the Italian market impacted net sales





- Net sales decreased by 18% to EUR 151.6 million (183.9)
  - Organic decline -19%
  - Thermotech contribution +2%
  - The net currency effect -1%
- Adjusted EBITDA decreased by 21% to EUR 23.7 million (29.9)
- The adjusted EBITDA margin was 15.6% (16.3)

Strategy execution during the quarter and in 2023

Solution selling

- The Emmeti businesses in France (+14%) and Brazil (+9%) showed good growth for the quarter

Smart products

- Launches of Unisenza Plus App and iQ control system in 2023

Operational excellence

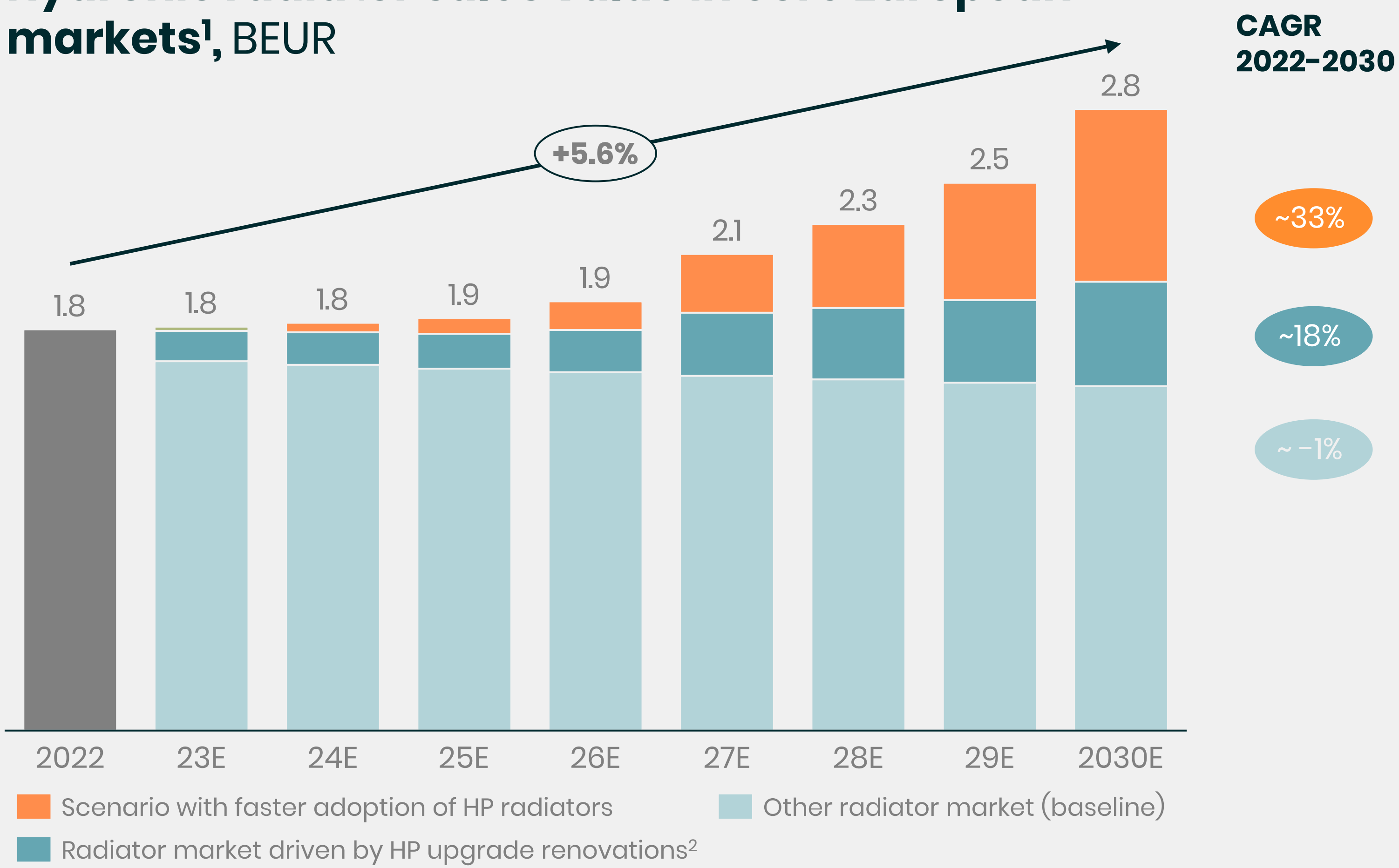
- Accelerate PG run-rate profitability improvements were EUR 30.1 million (22.4)
- Purmo Group upgrades the APG target for 2024
- Consultation completed regarding the closure of manufacturing in Zonhoven, Belgium and negotiations in Hull, United Kingdom launched

Sustainability

- Carbon intensity improved and decreased by 4 per cent to 86.8 (89.8) due to lower production volumes
- Cooperation announced with H2 Green Steel for the supply of near zero-emission steel in 2026-2033
- Customer Sustainability Net Promoter Score improved from +8 to +21

European hydronic radiator market to grow 5.6% in 2022-2030 (CAGR), supported by heat pumps

Hydronic radiator sales value in core European markets[1], BEUR



- The key trend is the renovation-driven demand related to upgrades from boilers to heat pumps
  - Including a requirement of system upgrade with reduced flow temperatures
  - Radiators are an affordable renovation option compared to underfloor heating
  - In each heat pump renovation[2] three to five radiators on average will be replaced
  - Changing to new radiators will be needed in >50% of HP renovations

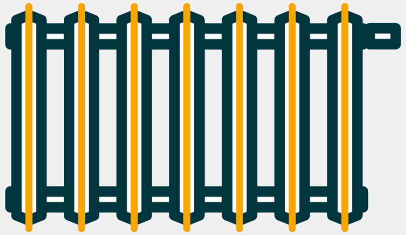
1. Core European markets: Germany, United Kingdom, France, Italy, Poland, and Belgium
2. Boiler-to-HP upgrade refers to an air-to-water heat pump installation in an existing building replacing a fossil fuel or electric boiler.

Source: Third party independent analysis into Heat Pump driven renovation market.

Upgrade of radiators with a move to heat pumps

Benefits of a heat pump compared to a boiler

- Heat pumps have a lower water flow temperature: 35-55 °C
    - Boilers: 60-70 °C
- Heat Pumps produce heat slowly and with a lower temperature difference
    - Boilers produce heat quickly and with higher temperature difference
- The smaller the temperature difference between the heat source (e.g. heat pump) and the heat transfer medium (e.g. radiator), the more economically a heat pump functions

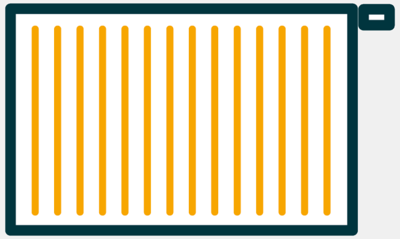


Old radiator

HxL 600x1120

Temperature range*: 80/60/20

Traditional panel radiator

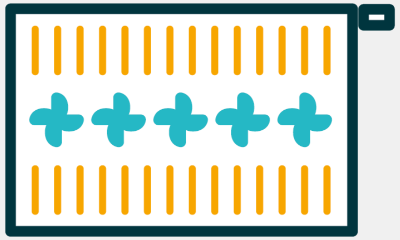


Panel radiator

HxL 600x1600

Temperature range*: 55/45/20

Large-size panel radiator (1.5-2x length to cater to low-temperature)



Fan Convector (Ultra LTR)

HxL 600x1200

Temperature range*: 38/33/20

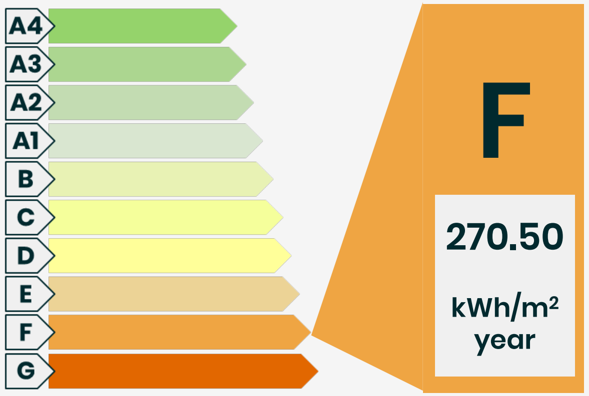
Heat Pump radiator in a comfort mode

*Supplied water flow temperature/return temperature/required room temperature.

1. This means 3 to 4 times more heat is generated for every kilowatt (kW) of electricity.
2. According to data gathered within Purmo Group from the MIRAI-SMI 4.0 EH1218DC heat pump.
3. SCOP=Seasonal Coefficient of Performance; annual performance factor within different operating states, which is weighted according to climate zones.

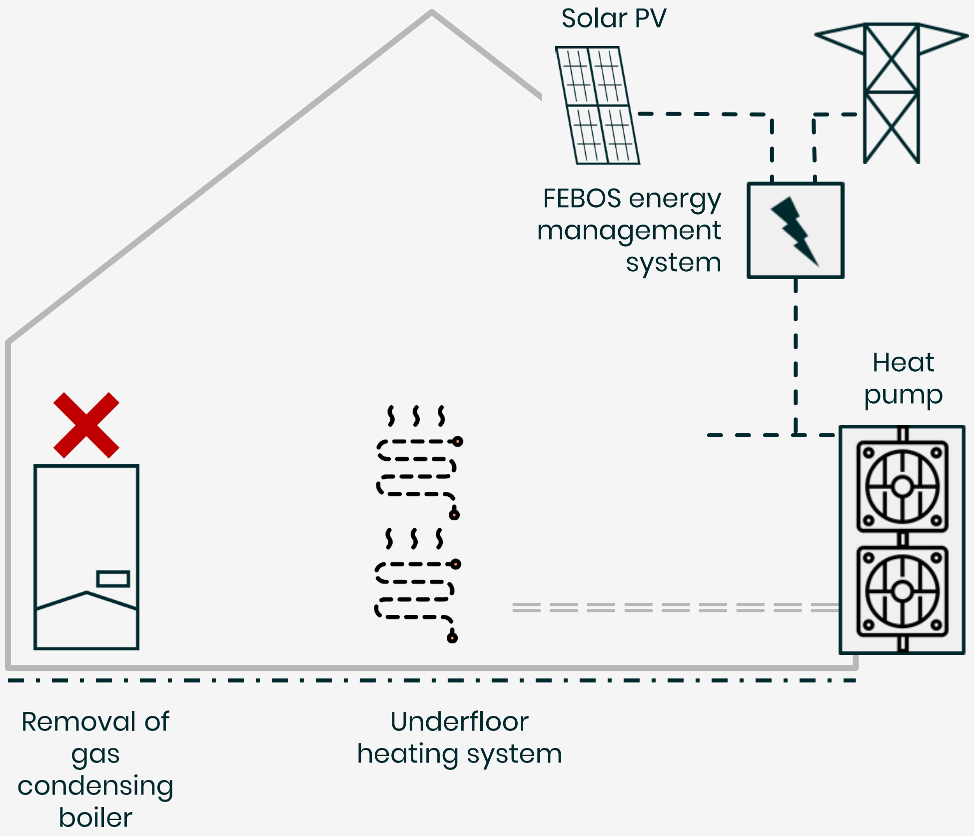
Solution case study: residential building in Rolo, Italy

Energy label before

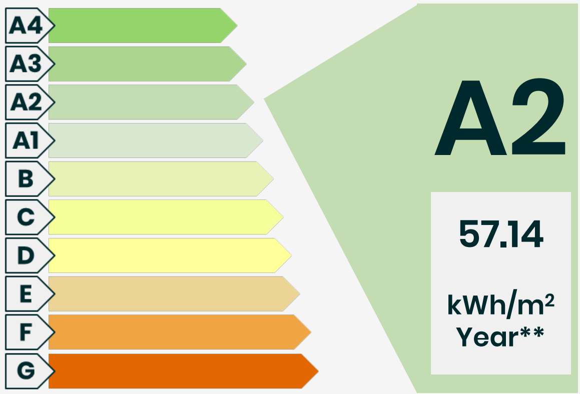


Energy consumption	kWh/yr
Energy used from network	**37,859**
Electricity*	511
Gas	3,532
Energy produced	**0**
CO_2 emissions per year	**7,558 kg**
Annual cost per year	**€2,867**

Purmo Group's sustainable indoor climate solution



Energy label after

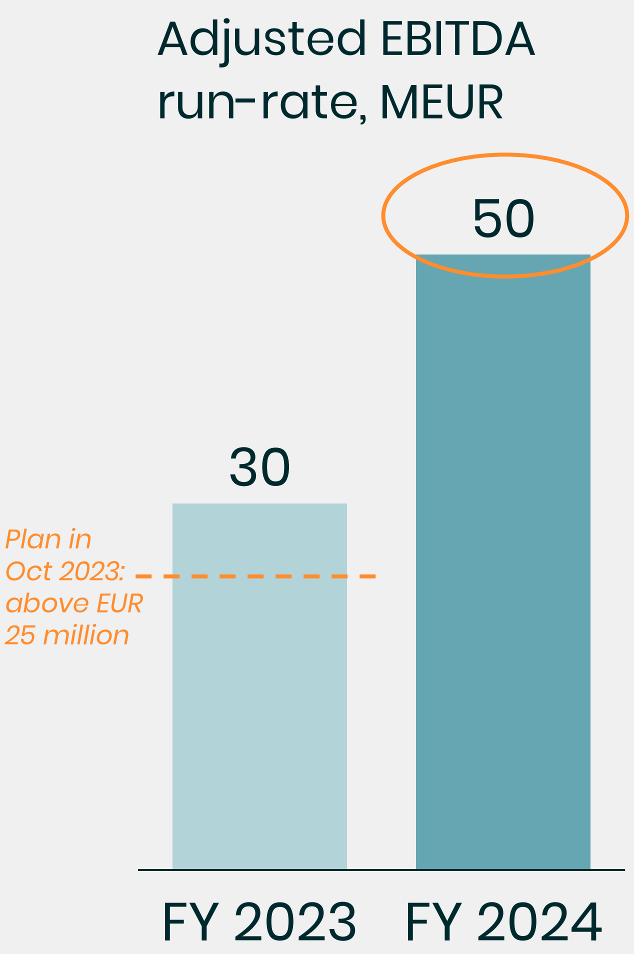


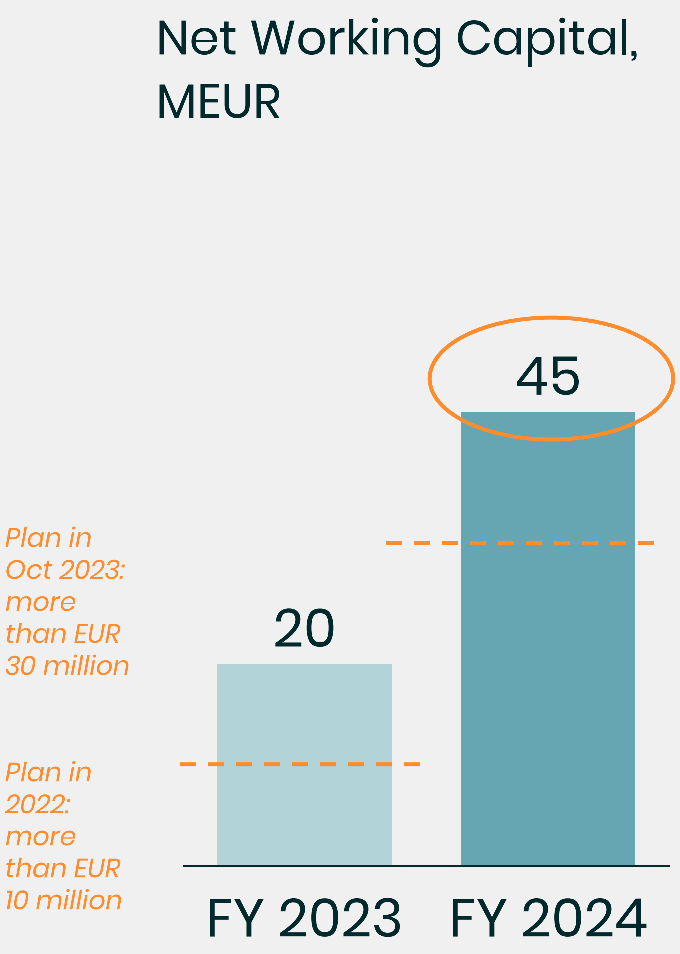
Energy consumption	kWh/yr	
Energy used from network	**7,997**	79% ↓
Electricity*	4,096	
Gas	0	
Renewable energy produced	**2,893**	
CO_2 emissions per year	**1,819 kg**	76% ↓
Annual cost per year	**€901**	69% ↓

* Distribution factors are applied to calculate primary energy usage for energy labels, to reflect losses in production and transmission. 2.93 for grid and 1.96 for grid mixed with local PV
** Energy requirement from grid. Figure shows average efficiency performance of heat pump, subject to seasonal variations.

Accelerate PG
performed above targets during the year

Target for 2024 updated





Adjusted EBITDA improvement (run-rate)

- More than EUR 30 million at the end of Q4/23
- Updated target of EUR 50 million by the end of 2024

Net working capital improvement

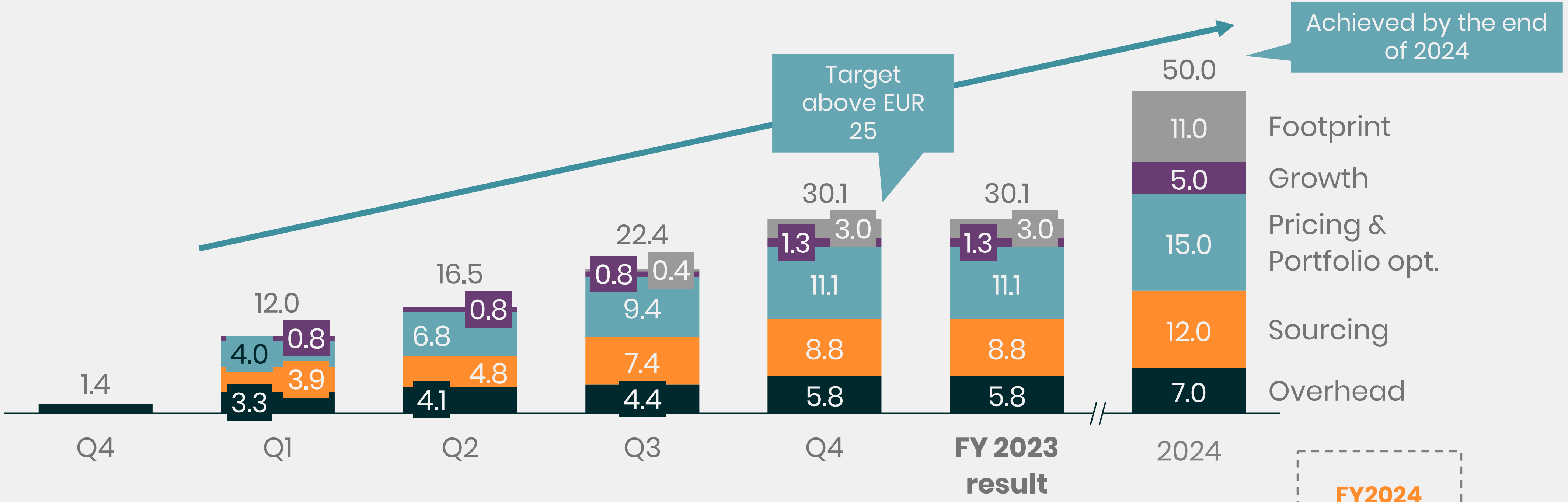
- EUR 20 million at the end of Q4/23
- Target of EUR 45 million by the end of 2024

Costs of the programme

- One-time costs, excluding non-cash items, are estimated to be EUR 45 million of which EUR 34 million was generated in 2023
- Non-cash costs were EUR 11 million in 2023 and those are expected to be below EUR 5 million in 2024
- Treated as items affecting comparability

Accelerate PG

Adjusted EBITDA run-rate impact for 2023 above the target



	Q4	Q1	Q2	Q3	Q4	FY 2023 result	2024	FY2024 cumulative
Adj. EBITDA periodic effect, MEUR (vs. PY)	0.3	1.4	3.4	4.8	6.4	**16.0**	**~24**	**40**
NWC improvement cumulative, MEUR	-	3.3	6.1	8.9	20.6	**20.6**	**25**	**45**
One-off, cost (periodic), excl. non-cash items MEUR	-2.7	-2.2	-3.5	-4.0	-23.3	-34.0	**-11**	**-45**
One-off, non-cash costs (cumulative) MEUR					-11.0	-11.0	**<-5**	**<-16**

All figures in EUR million.

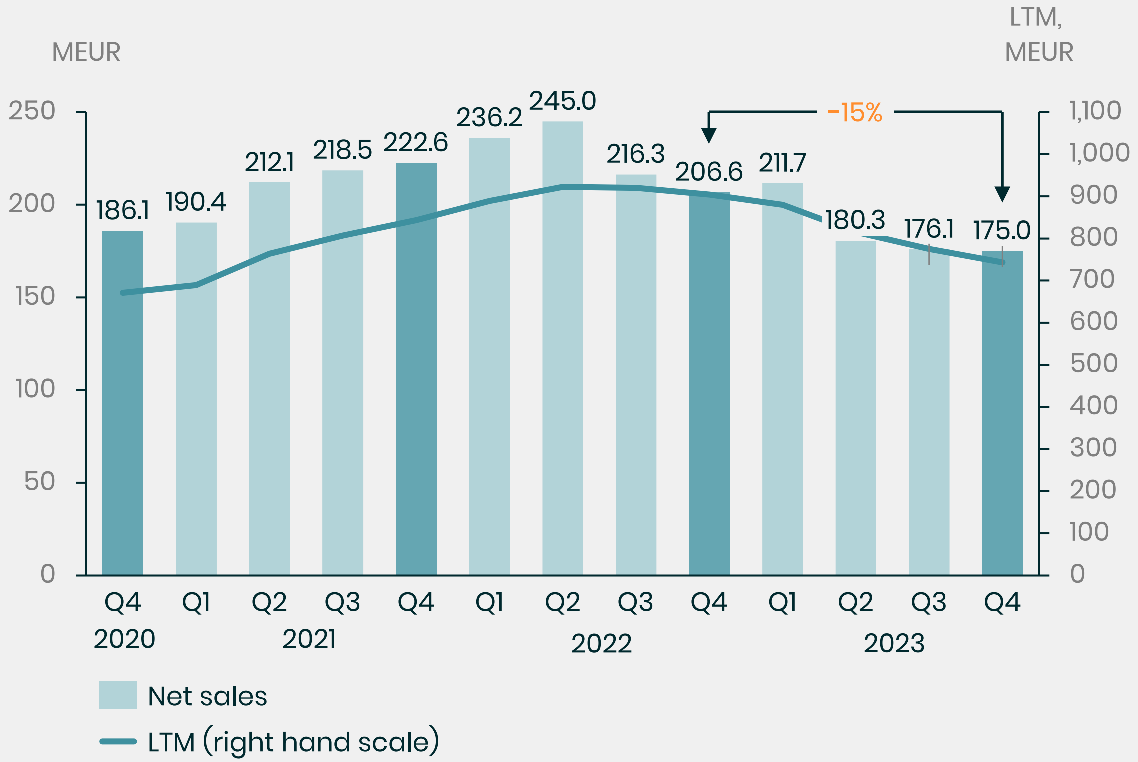
Q4 2023
financial review
and guidance for 2024

October–December 2023 financial overview

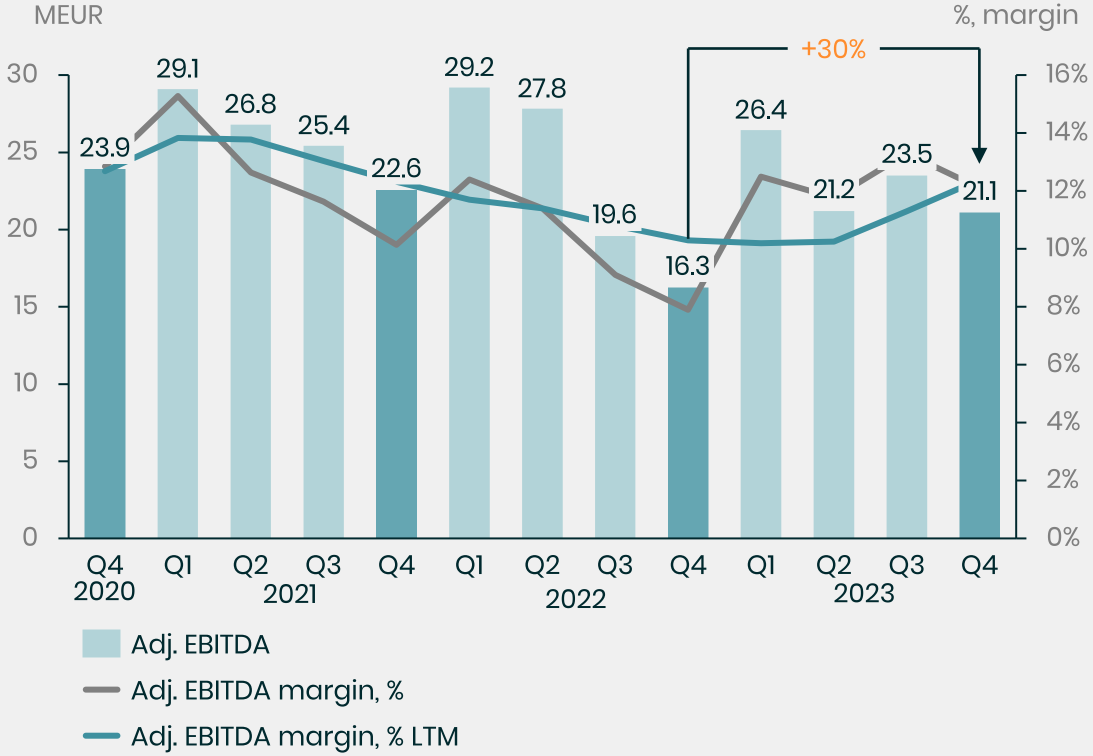
Net sales	Adj. EBITDA	Adj. EBITDA
175.0	**21.1**	**12.1%**
MEUR,	MEUR,	margin
-15.3%	30.1%	4.2 ppt
Q4 2022: 206.6	Q4 2022: 16.3	Q4 2022: 7.9%

Purmo Group

Net sales



Adj. EBITDA



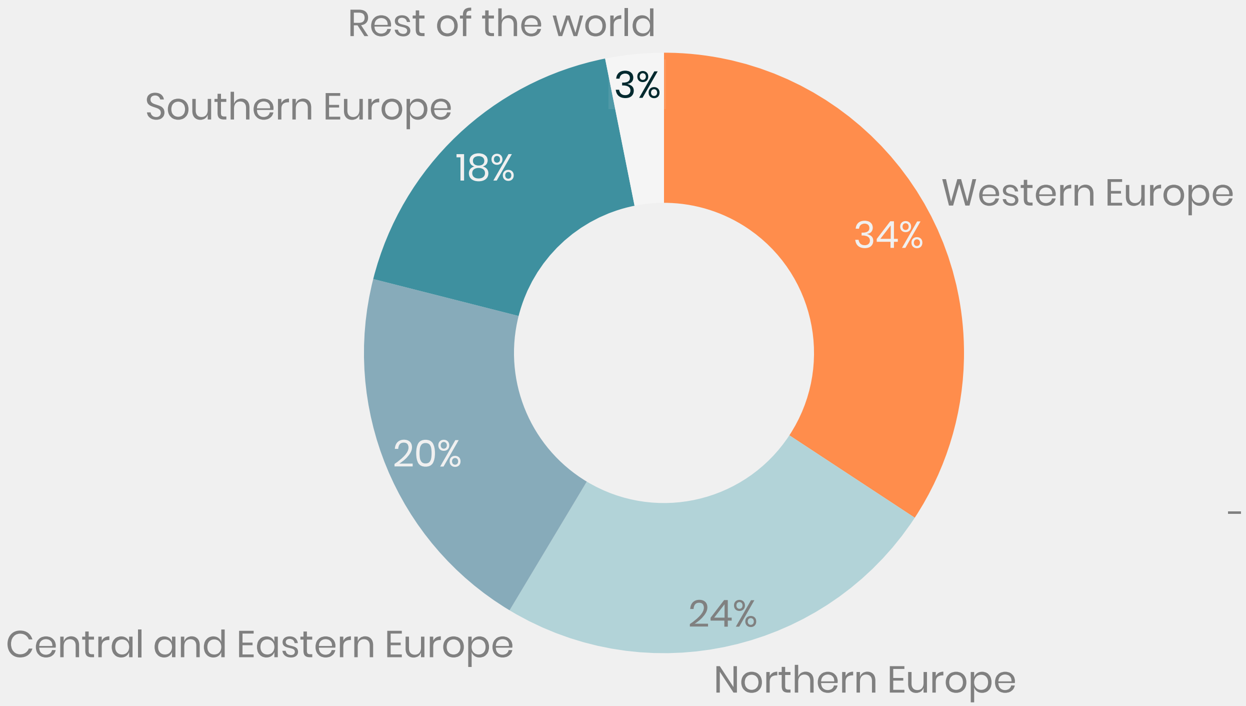
- Organic sales -14% in Q4/23
- Net sales for the Group declined as a result of a weak demand environment across markets and product groups.
- Acquisitions had no impact on Q4/23
- Changes in FX rates decreased reported sales by -1%

- The increase of 30% in adjusted EBITDA due to strong and systematic margin management actions and good performance in the Accelerate PG programme
- Adjusted EBITDA margin reached 12.1% in Q4/23 (7.9%)

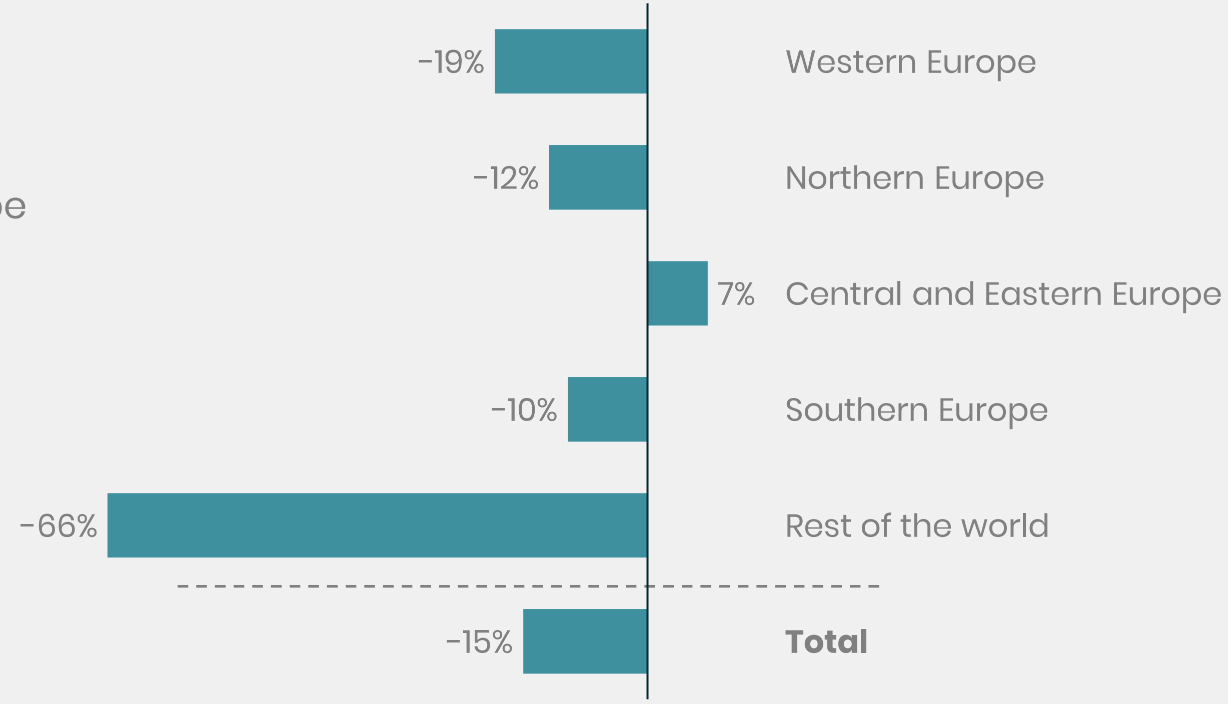
Notes: Quarterly data is unaudited

Q4 2023 net sales by geographical area

% of Net sales

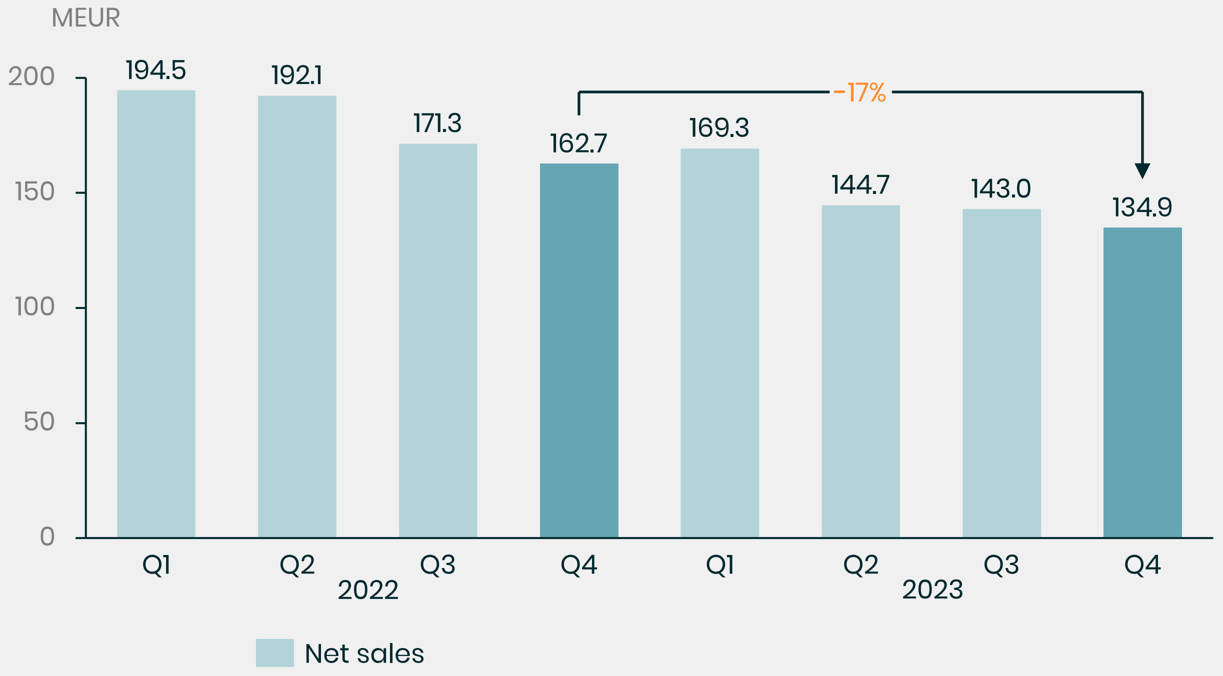


Change in sales, %



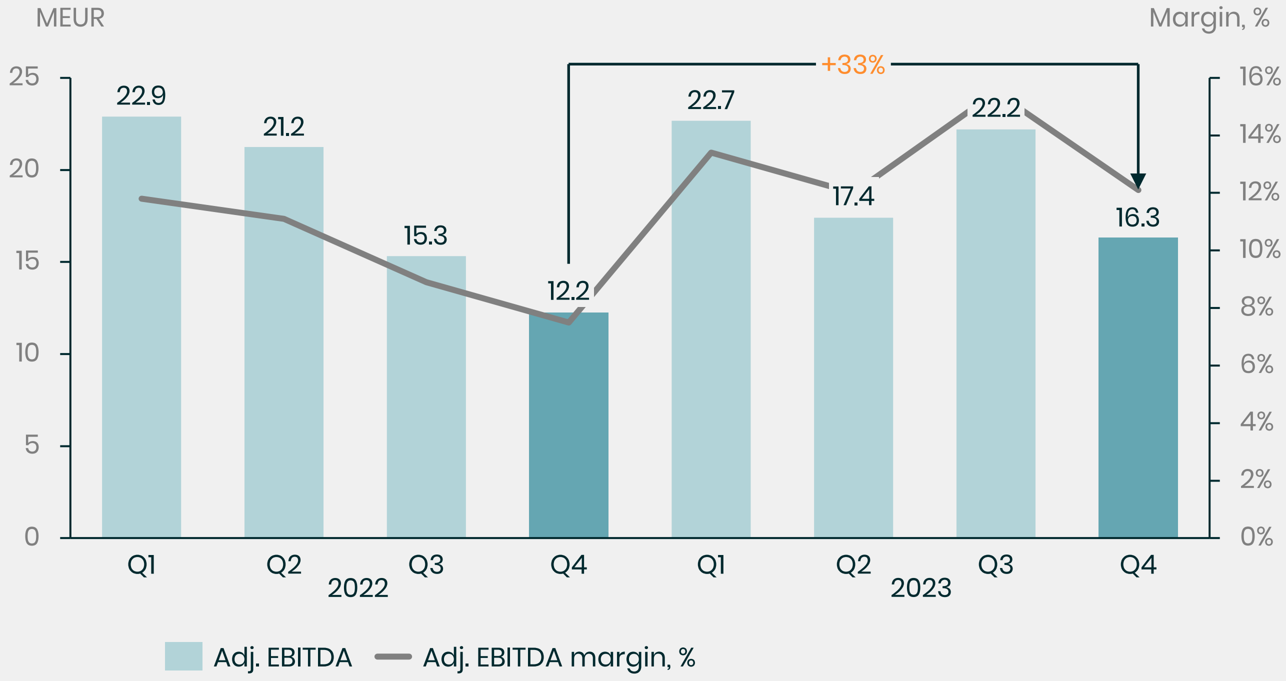
Climate Products & Systems division

Net sales



- Organic sales declined -16%, net currency -1%, acquisitions 0% in Q4/23
- Net sales in radiators amounted to EUR 94.4 (104.0) million
- Volume decline of -5% in radiators, due to the weak demand in renovation and new build markets
- Q4/23 net sales LTM 591.9 MEUR

Adj. EBITDA

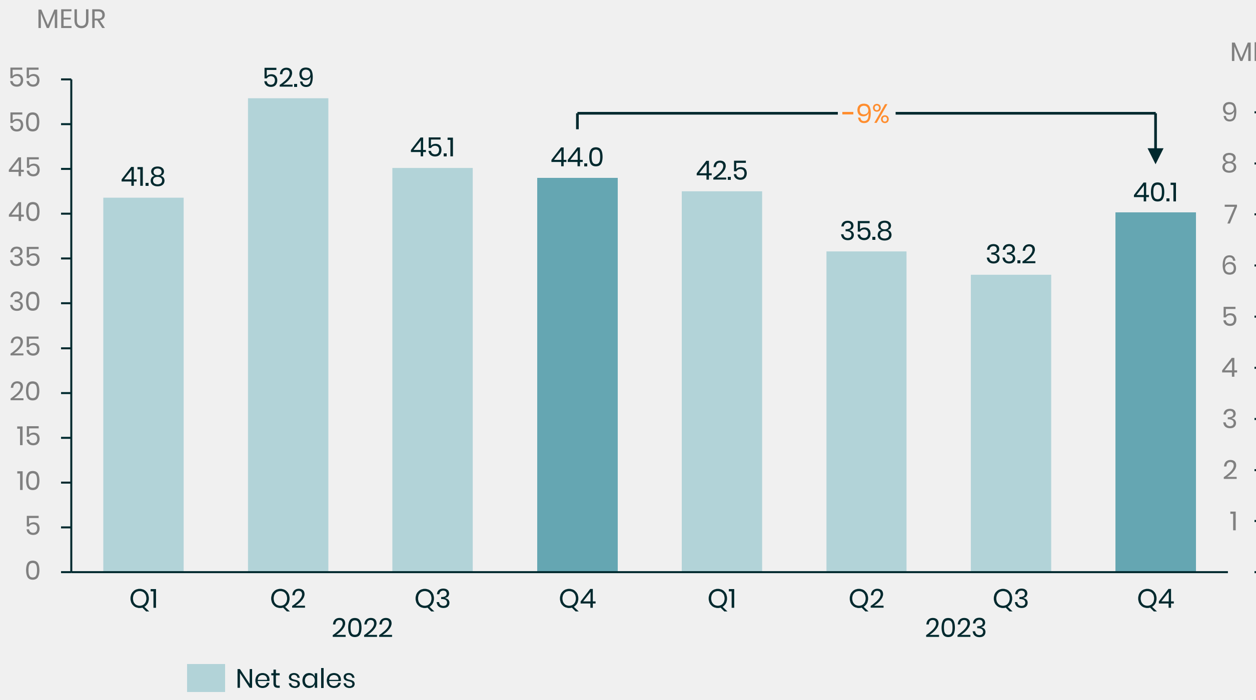


- Adjusted EBITDA margin improved to 12.1% in Q4/23 (7.5%)
- The improvement in adjusted EBITDA margin was a result of continued and systematic margin management actions in the division as well as good performance in the Accelerate PG programme
- Q4/23 Adj. EBITDA LTM 78.5 MEUR, Adj. EBITDA margin LTM 13.3%

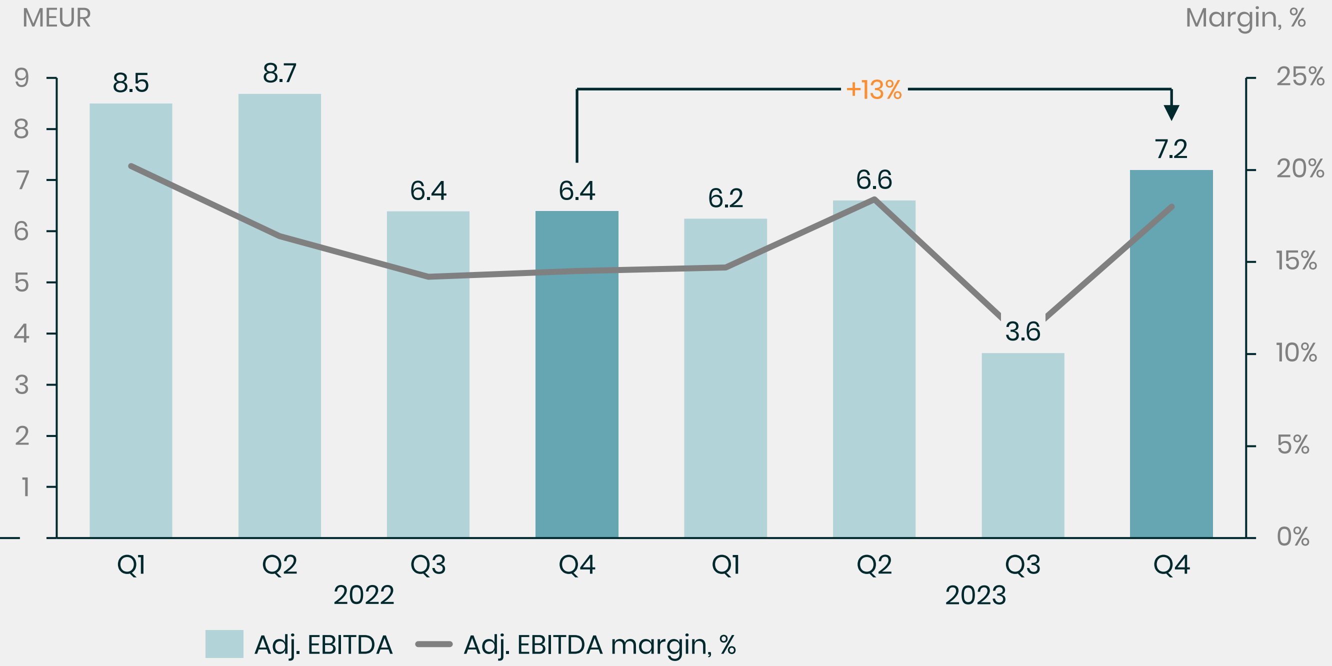
Notes: Quarterly data is unaudited

Climate Solutions division

Net sales



Adj. EBITDA

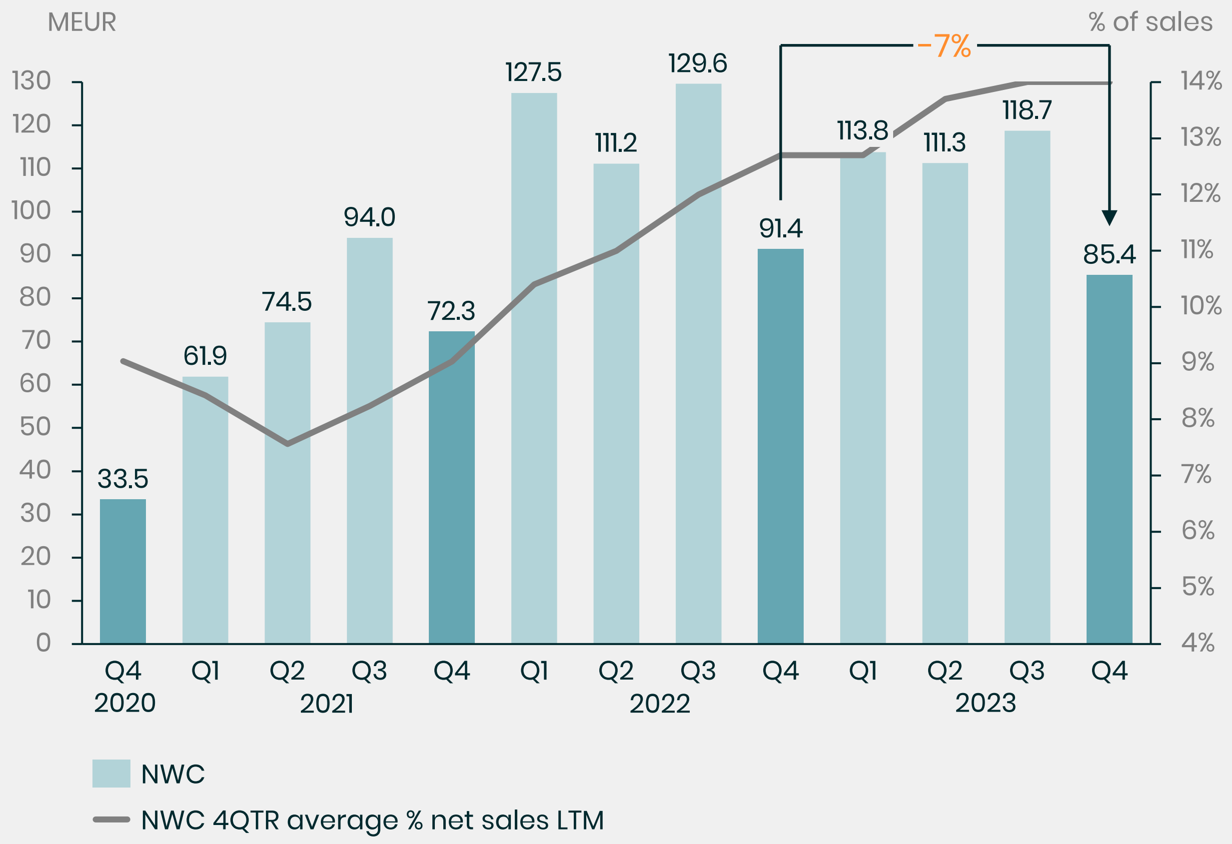


- Organic decline in net sales 8% acquisitions 0%, net currency -1% in Q4/23
- Net sales declined due to low market sentiment across businesses in Italy, the Nordics, the United Kingdom and Ireland
- Net sales were supported by a pick-up in the Italian market towards the end of the year. The Emmeti business in France and Brazil performed well and grew in net sales in Q4/23
- Q4/23 net sales LTM 151.6 MEUR

- Adj. EBITDA margin improved to 18.0% (14.5%)
- The increase in adjusted EBITDA margin during the quarter was a result of successful margin management actions and a pick-up in demand in the Italian market in Q4/23
- The division also achieved cost savings in operative expenses and headcount reductions in Emmeti and Thermotech
- Thermotech contributed with EUR 0.2 million
- Q4/23 Adj. EBITDA LTM 23.7 MEUR, Adj. EBITDA LTM margin 15.6%

Notes: Quarterly data is unaudited

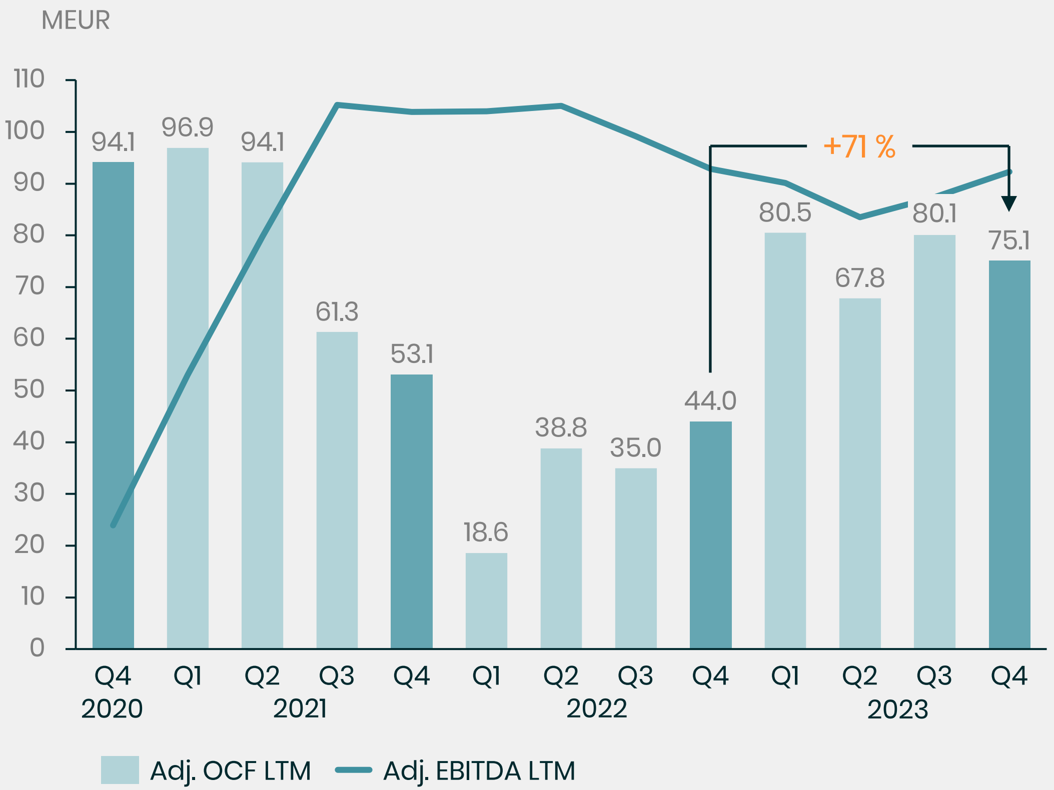
Net working capital



Net working capital	Q4 2023	Q4 2022	Q3 2023
Inventories	143.7	174.1	163.9
Operative receivables	98.6	110.5	113.3
Operative liabilities	156.9	193.1	158.5
Net working capital	**85.4**	**91.4**	**118.7**
% of net sales LTM, QTR	11.5%	10.1%	15.3%
% of net sales LTM, 4QTR average	14.0%	12.7%	14.0%

Notes: Quarterly data is unaudited

Adjusted operating cash flow



Adjusted operating cash flow, last 12 months	Q4 2023	Q4 2022	Q3 2023
Adjusted EBITDA LTM	92.3	92.9	87.4
NWC change*	3.2	-24.8	16.1
Capex LTM**	-20.3	-24.0	-23.4
Adj. operating cash flow, LTM* **	**75.1**	**44.0**	**80.1**
Cash conversion	81.4%	47.4%	91.6%

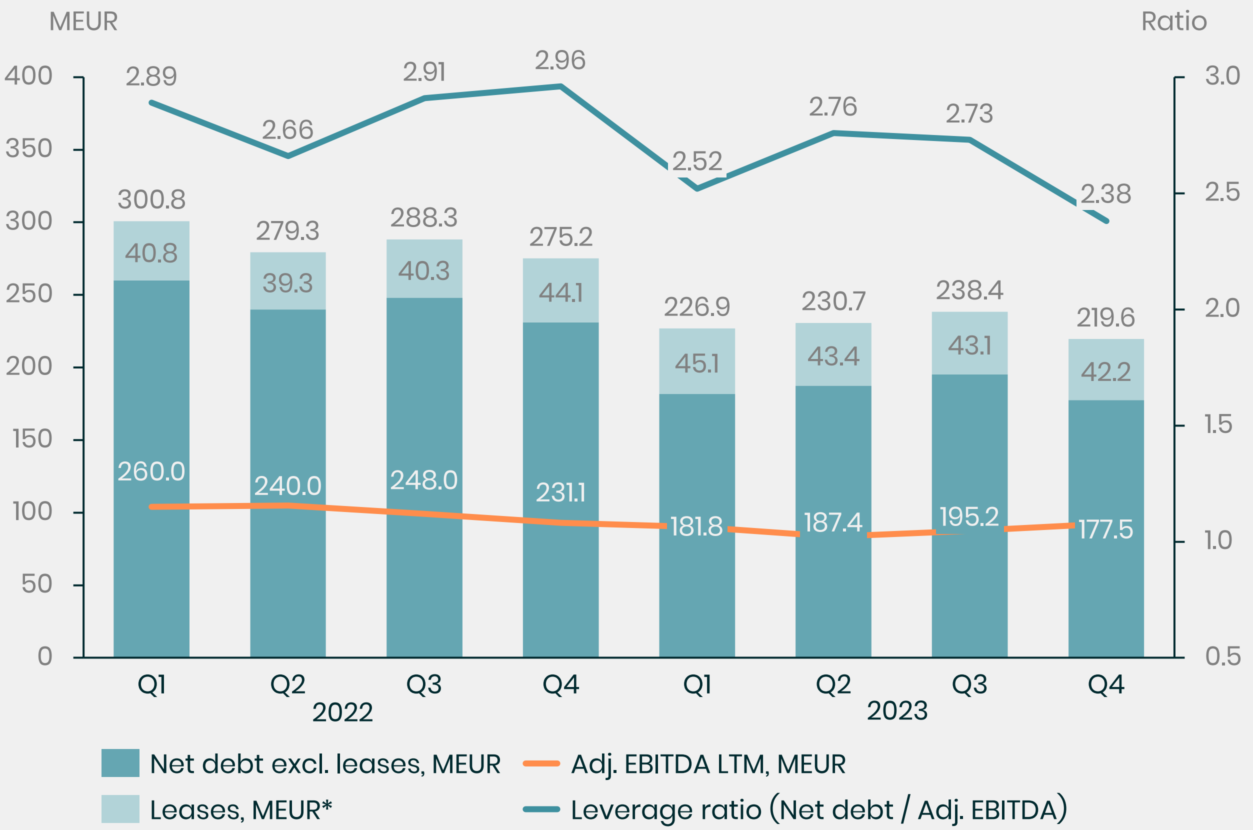
** Change compared to previous year same period, adjusted for impact from M&A. Including the Russian business which has been classified as assets held for sale. The 2022 comparison figure has been restated by EUR 9.6 million impairment charges related to the business in Russia.*

** Investments tangible and intangible assets, excluding acquisitions (M&A).

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

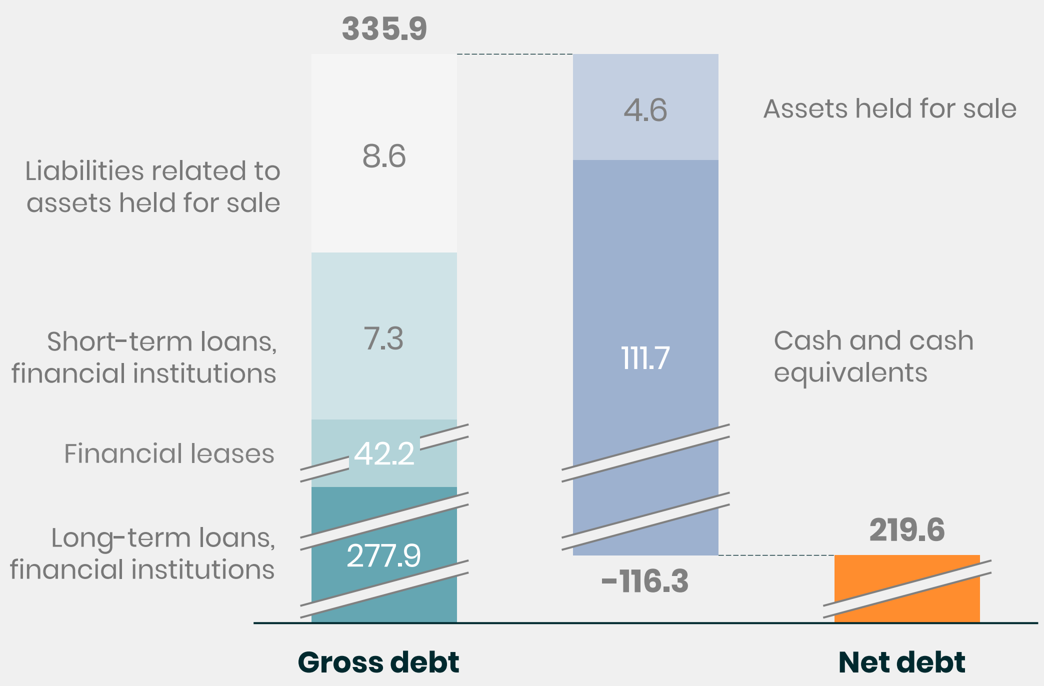
Notes: Quarterly data is unaudited

Net debt and leverage



* Does not include leases related to assets held for sale

Distribution of gross and net debt (MEUR)



- Liabilities related to assets held for sale EUR 8.6 million mainly redemption liability related to business in Russia
- Assets held for sale (cash) EUR 4.6 million related to business in Russia

Notes: Quarterly data is unaudited

Financial guidance 2024

Adjusted EBITDA in 2024 is expected to be on a similar or higher level than in 2023 (EUR 92.3 million).

Wholesalers' stock levels have stabilised, and the lower interest rates support the expectations of a gradual market activity improvement. Strong margin management actions, which will continue in 2024, provide confidence in the guidance for the Group. However, increased geopolitical risks and high overall uncertainties can have an impact on Purmo Group's core markets.

The strategy acceleration programme, Accelerate PG, performs ahead of plan and further underpins Purmo Group's outlook for 2024. As a result, the company updates the programme's target. The cumulative targeted adjusted EBITDA run-rate improvements will be EUR 50 million (previously: above EUR 40 million), which are expected to be reached by the end of 2024. The programme also targets cumulative net working capital improvements of EUR 45 million by the end of 2024 (previously: more than EUR 30 million).

Long-term financial targets and dividend policy

Growth	> Market organic growth and notable M&A	Net sales growth
Profitability	> 15%	Adj. EBITDA margin %
Leverage[1]	≤ 3.0x	Interest bearing net debt / Adj. EBITDA on a rolling twelve-month basis
Dividend[2]	≥ 40%	Distributed as a % of annual net profit

1) The leverage ratio is targeted not to exceed 3.0x, measured as interest bearing net debt / Adjusted EBITDA on a rolling twelve-month basis. However, leverage may temporarily exceed the target level, for example in conjunction with acquisitions or restructuring actions.
2) Purmo Group's aim is to distribute at least 40% of annual net profit as dividends or return of capital, intended to be paid out after considering earnings trends for the group, its financial position and future growth potential.

Q&A

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Appendix

The Accelerate PG programme
Improvements completed at the end of Q4 2023

APG impact by category, EUR million	**Actual run-rate[1],** (change since Q3 end)	**2024 target**	**Key initiatives implemented in Q4**
Growth	1.3 (+0.5)	5	✓ Growth in Emmeti France ✓ Growth in Merriott UK driven by review of project proposals and improved service levels
Pricing & Portfolio	11.1 (+1.7)	15	✓ Implementation of Sales mix steering tool ✓ Commenced holistic portfolio review and the first wave of pricing actions realised
Sourcing	8.8 (+1.4)	12	✓ Significant cost-savings achieved through direct supplier negotiations, leveraging favourable market conditions for granulates ✓ Implementation of energy-efficiency initiatives across several sites resulting in a significant reduction in energy costs
Overhead optimisation	5.8 (+1.4)	7	✓ Implementation of managerial delayering, role consolidation, and back-office efficiencies proceeding to plan
Footprint optimisation	3.0 (+2.6)	11	✓ Zonhoven closure progressing with horizontal panel radiators produced in Rybnik already being delivered to customers ✓ 33mm move from Gateshead to Rybnik complete
Adj. EBITDA total	**30.1 (+7.7)**	**50**	
NWC	**20.6 (+11.6)**	**45**	✓ Local operations teams upskilled on inventory optimisation ✓ Most of the excess cash released from inventories

1. Impact visible in P&L.

Key figures

MEUR	Q4 2023	Q4 2022	Change, %	FY 2023	FY 2022	Change, %
Net sales	175.0	206.6	*-15%*	743.2	904.1	*-18%*
Adjusted EBITDA	21.1	16.3	*30%*	92.3	92.9	*-1%*
Adjusted EBITDA margin, %	12.1%	7.9%		12.4	10.3%	
EBIT	-25.5	-1.5		9.7	39.0	*-75%*
EBIT margin, %	-14.6%	-0.7%		1.3%	4.3%	
Profit for the period	-23.4	-7.0		-9.3	13.1	
Cash flow from operating activities	32.5	40.2		40.4	31.1	
Adjusted operating cash flow, last 12 months[1 3]				75.1	44.0	*71%*
Cash conversion %, last 12 months[2 3]				81.4%	47.7%	

[1] Adjusted EBITDA on a rolling 12 month basis deducted by the change in net working capital and capex on a rolling 12 month basis.
[2] Adjusted operating cash flow divided by Adjusted EBITDA, both on a rolling 12 month basis.
[3] Change in net working capital includes assets held for sale. The 2022 comparison figure has been restated by EUR 9.6 million impairment charges related to the business in Russia.

Comparability adjustments

Comparability adjustments	Q4 2023	Q4 2022	FY 2023	FY 2022	
M&A related transactions and integration costs	0.2	0.5	0.3	2.2	
Restructuring costs and one-off costs related to efficiency programs	35.5	2.9	46.0	6.6	Partly non-cash
Impairment and write-down charges	2.2	6.0	5.2	12.9	Non-cash
Other	1.1	0.2	1.3	0.2	
Total comparability adjustments affecting EBITDA and EBITA[1]	**39.0**	**9.7**	**52.8**	**21.7**	
Taxes relating to comparability adjustments[1]	-8.1	-0.9	-11.2	-2.2	
Total comparability adjustments[1]	**30.9**	**8.8**	**41.6**	**19.6**	

[1] The definition of adjusted profit for the period to include tax impact from comparability adjustments has been updated from Q4 2023 and the comparative data has been restated.

Net financials, depreciation and amortisation

Net financial items	Q4 2023	Q4 2022
Interest net	-3.2	-3.2
Exchange gains and losses (FX and financing items)	0.0	-2.5
Leases IFRS 16	-0.3	-0.5
Other financial income and expenses	-1.6	-1.1
Total	**-4.9**	**-7.3**
% of net sales	***2.8%***	***3.5%***

Depreciation and amortisation	Q4 2023	Q4 2022
Amortisation on intangible assets	-1.0	-1.1
Tangible assets	-4.3	-3.8
Impairment of intangible and tangible assets	-7.1	-
Right-of-use assets (IFRS 16)	-2.5	-3.2
Total	**-14.8**	**-8.1**
% of net sales	***4.4%***	***3.9%***

Tax

Income tax expense, MEUR	FY 2023	FY 2022	
For the financial period	-12.6	-14.8	
Change in deferred taxes	12.8	4.5	
Previous years taxes	0.0	1.9	
Total income tax expense	**0.3**	**-8.4**	
Effective Tax Rate adjusted for non-deductible items	***-27.8%***	***20.1%***	
Non-deductible items			**Comments**
Profit before taxes	-9.6	21.6	As reported
Russian divestment plan	4.9	12.9	Impairment and write-down of Russian business assets and liabilities
Restructuring costs	-	3.2	Non-deductible restructuring costs related to the Irish subsidiary in 2022
Previous years' company restructurings	5.7	3.6	Trademark amortisation and claw-back of Group internal capital gain
China divestment	-	0.5	Sale of Chinese subsidiary
PBT adjusted for non-deductible items	**1.0**	**41.8**	

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