

INTERIM RESULTS

6 months to 30 September 2023

Thomas Willcocks
Chief Executive Officer

James Eyre
Chief Financial Officer

16 November 2023



HIGHLIGHTS

Robust performance reflecting the strength and positioning of our market leading brands

- UK outperformance driven by Triton and Merlyn brands
- SA continues to grow share despite headwinds
- NPD, service and cross-selling driving organic market share growth
- Excellent cash generation and low leverage
- Interim dividend of 3.4p per share
- Full year underlying operating profit expected to be in line with market expectations²
- Good progress in refinement and execution of strategic priorities

Revenue¹

£201.6m -4.1%

Underlying Operating Profit

£21.4m -2.7%

Net Debt

£46.6m

Underlying ROCE%

17.3%

Diluted Underlying EPS

15.6p

Interim Dividend per Share

3.4p

1. Like for like revenues at constant currency adjusted for Grant Westfield (acquired 31 May 2022) and Norcros Adhesives
2. Norcros compiled market consensus for the year to 31 March 2024, as at 16 November 2023, is for an underlying operating profit of £43.4m



UK RECORD PERFORMANCE; SA ENERGY IMPACT

UK



Revenue

£143.9m -0.8%¹

Underlying Operating Profit

£18.7m

Underlying Operating Profit Margin

13.0%

- Outperformance from Triton and Merlyn brands
- NPD and service levels drive share gains
- Group collaboration driving sales and cost synergies
- Record underlying operating profit for period
- Adhesives closure, Johnson's capacity reduction²

South Africa



Revenue

£57.7m -11.0%¹

Underlying Operating Profit

£2.7m

Underlying Operating Profit Margin

4.7%

- Outperformance from TAL adhesives
- Energy supply challenges materially impacted demand
- Strong brands and financial strength driving share growth
- Experienced management team
- Operational and market share focus in challenging market

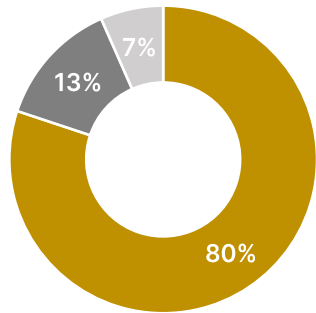
1. Like for like revenues at constant currency adjusted for Grant Westfield (acquired 31 May 2022) and Norcros Adhesives

2. An exceptional cost of £1.4m was recognised in the period in relation to the costs associated with a reduction in capacity at Johnson Tiles (UK). The prior year includes Adhesives closure costs (gross cash cost of c.£2m, net nil cash cost)



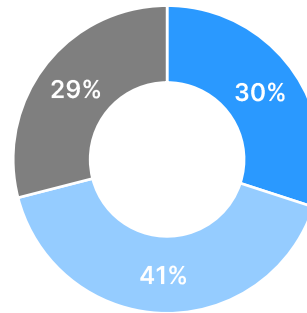
MORE RESILIENT, MID-TO-PREMIUM, RMI MARKET

UK Bathroom Products Market RMI / New Build / Commercial Share¹



- RMI
- Residential New Build
- Commercial RMI + New Build

UK Bathroom Products Market Quality / Price Point¹



- Upper / Premium
- Middle
- Economy

- RMI main driver of bathroom and kitchen market
- New build headwinds, but strong underlying medium-term growth drivers

- Norcros market leading brands positioned in more resilient mid-to-premium segments
- Norcros branded products differentiated from building sector commodities



FINANCIAL REVIEW

James Eyre
Chief Financial Officer



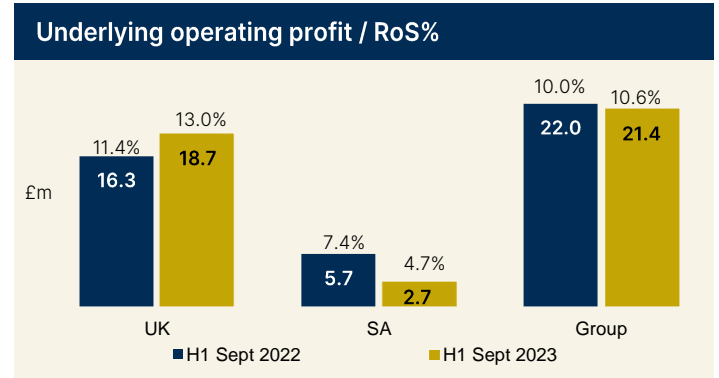
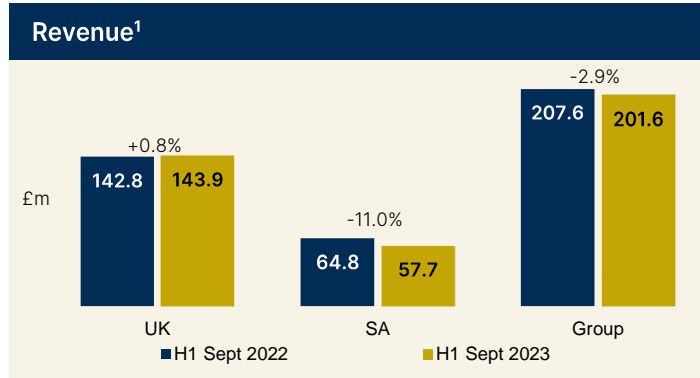
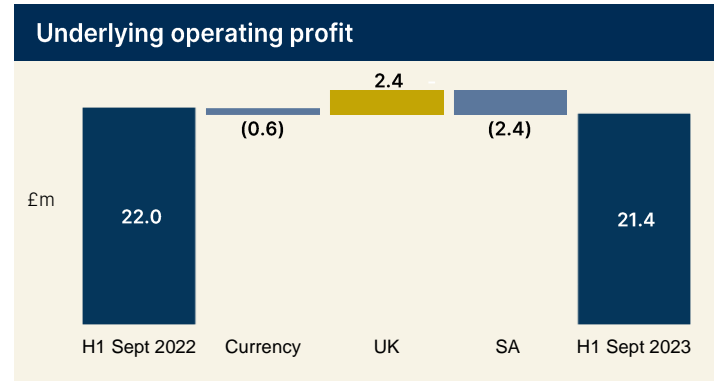
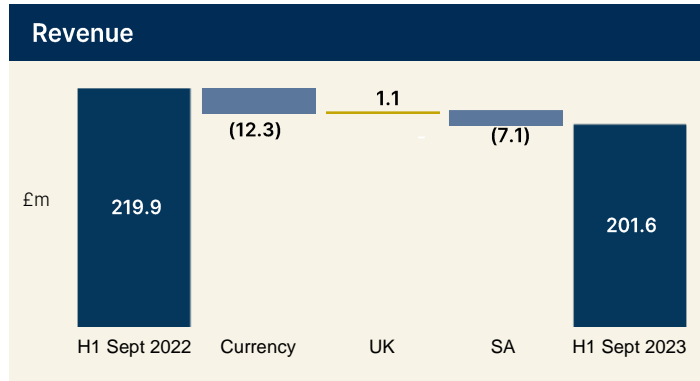
INCOME STATEMENT

	H1 Sept 2023 £m	H1 Sept 2022 £m	Reported v 2022 %	Constant Currency LFL ⁴ v 2022 %	FY Mar 2023 £m
Revenue	201.6	219.9	-8.3%	-4.1%	441.0
Underlying¹ operating profit	21.4	22.0	-2.7%		47.3
Margin	10.6%	10.0%			10.7%
Finance charges – cash	(3.3)	(2.1)			(5.5)
Underlying¹ PBT	18.1	19.9	-9.0%		41.8
Exceptional operating items ²	(1.4)	-			(9.8)
IAS 19R admin expenses	(0.8)	(1.0)			(1.6)
Acquisition related costs ³	(3.9)	(4.9)			(8.4)
Finance charge – non-cash	(0.3)	-			(0.3)
PBT	11.7	14.0			21.7

1. Underlying means before exceptional operating items, IAS 19R admin costs, acquisition related costs and where relevant, non-cash finance costs
2. An exceptional cost of £1.4m was recognised in the period in relation to the costs associated with a reduction in capacity at Johnson Tiles (UK). The prior year includes Johnson Tiles (UK) impairment of £5.0m (nil cash cost) and £4.8m Adhesives closure costs (gross cash cost of c£2m, net nil cash cost)
3. See appendix for details
4. LFL – Like for like revenues at constant currency adjusted for Grant Westfield and Norcros Adhesives



INCOME STATEMENT – KEY BRIDGES



1. Constant currency basis



EARNINGS, DIVIDENDS AND TAX

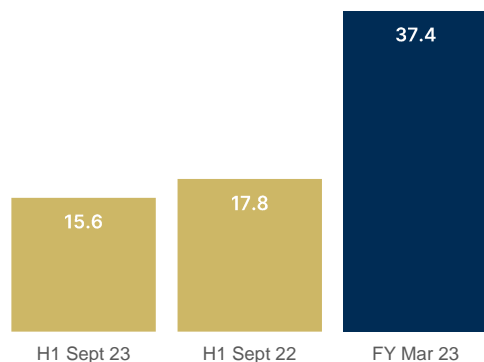
Underlying¹ earnings

£14.1m (2022: £15.8m)

EPS

15.6p (2022: 17.8p)

Diluted underlying EPS (pence)



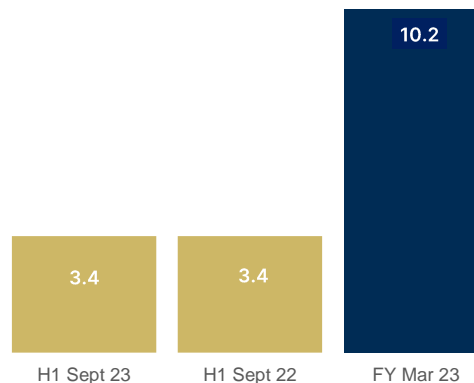
Dividend per share

3.4p (2022: 3.4p)

Effective underlying tax rate

22.1% (2022: 20.6%)

Dividend per share (pence)



1. Before exceptional operating items, IAS 19R admin costs, acquisition related costs and where relevant, non-cash finance costs and attributable tax



CASH – EXCELLENT CASH CONVERSION

	H1 Sept 2023 £m	H1 Sept 2022 £m	FY Mar 2023 £m
Underlying EBITDA (pre-IFRS 16)	22.6	23.6	50.5
Working capital	1.3	(11.0)	(13.3)
Depreciation of right of use assets	2.2	2.4	4.6
Operating profit impact of IFRS 16	0.9	0.9	1.8
IFRS 2 charges	0.4	0.2	1.2
Underlying operating cashflow	27.4	16.1	44.8
Cash conversion¹ %	121%	68%	89%
Net capital expenditure	(4.2)	(3.3)	(6.0)
Pension deficit recovery payment	(2.0)	(1.9)	(3.8)
Tax paid	(2.6)	(4.3)	(7.7)
Underlying free cash flow pre-financing and dividends	18.6	6.6	27.3
Exceptional and acquisition related costs	(1.8)	(2.6)	(3.3)
Interest	(3.3)	(2.1)	(5.5)
Acquisition of subsidiaries	-	(78.3)	(78.3)
Dividends	(6.1)	(6.1)	(9.2)
Principal element of lease payments	(2.3)	(2.4)	(4.6)
Purchase of treasury / issue of new shares	(0.8)	18.1	18.1
Net Cash Flow	4.3	(66.8)	(55.5)



STRONG BALANCE SHEET

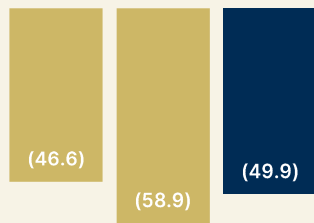
Net debt

(£46.6m)

- Reduced debt driven by excellent cash generation
- Facility of £130m RCF + £70m accordion extended to 2026

Net debt

H1 Sept 23 H1 Sept 22 FY Mar 23

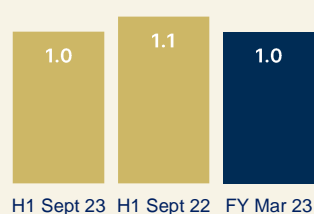


Leverage

1.0x

- Sustained low leverage
- Significant liquidity and funding headroom

Leverage (times)

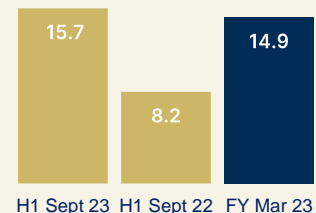


Pension surplus

£15.7m

- Pension surplus maintained
- Super-mature scheme and well managed

Pension surplus



IAS19 basis





GROUP STRATEGY

Thomas Willcocks
Chief Executive Officer



FROM JUNE 2023

Strategic Priorities

- Portfolio development
- Drive organic market share growth
- Continued focus on operational excellence
- ESG as a competitive advantage

Good progress in refinement and early execution of strategic priorities



PROGRESS ON STRATEGIC PRIORITIES

Portfolio Development

- Exit of Adhesives successfully completed
- Reducing manufacturing capacity at Johnson Tiles (UK)
- Well-developed acquisition pipeline

Organic Growth

- Successful new sustainable product launch program
- Group cross-selling initiatives – scale advantages
- Market leading brands in more resilient market segments

Operational Excellence

- Growing group cost synergies – scale advantages
- Further investment in customer service capability
- Investment in warehousing and logistics driving efficiencies

ESG

- Carbon targets being validated by SBTi
- ‘Engaged supplier’ status increasing customer retention
- Appointment of Chief People Officer



PORTFOLIO DEVELOPMENT – M&A OPPORTUNITY

Consolidating fragmented markets and creating value



Acquisition Criteria

- Complementary product categories
- Attractive end markets
- Market leading positions and strong brands
- Strong organic sales growth
- Potential to drive sales synergies
- ESG impact

Progress

- Strong M&A track record
- Grant Westfield integration and synergies

Priorities

- Well-developed acquisition pipeline
- Harnessing group synergies



ORGANIC GROWTH – DESIGN-LED, SUSTAINABLE NPD

Group vitality rate at 25%¹ – well-developed pipeline

ENVi® - next generation electric showers



- Behind the wall and digital
- Sustainability benefits of electric showering
- Personalised display – lower water / energy use and cost
- ENVi® is our first ClimatePartner certified product
- Growth opportunity – Future Home Standard



1. FY23 Group vitality rate – proportion of revenues in the year arising from products launched within the past three years

ORGANIC GROWTH – KEY ACCOUNTS

Diversified blue chip customer base with strong, long-term relationships

UK channel revenue H1 FY24¹

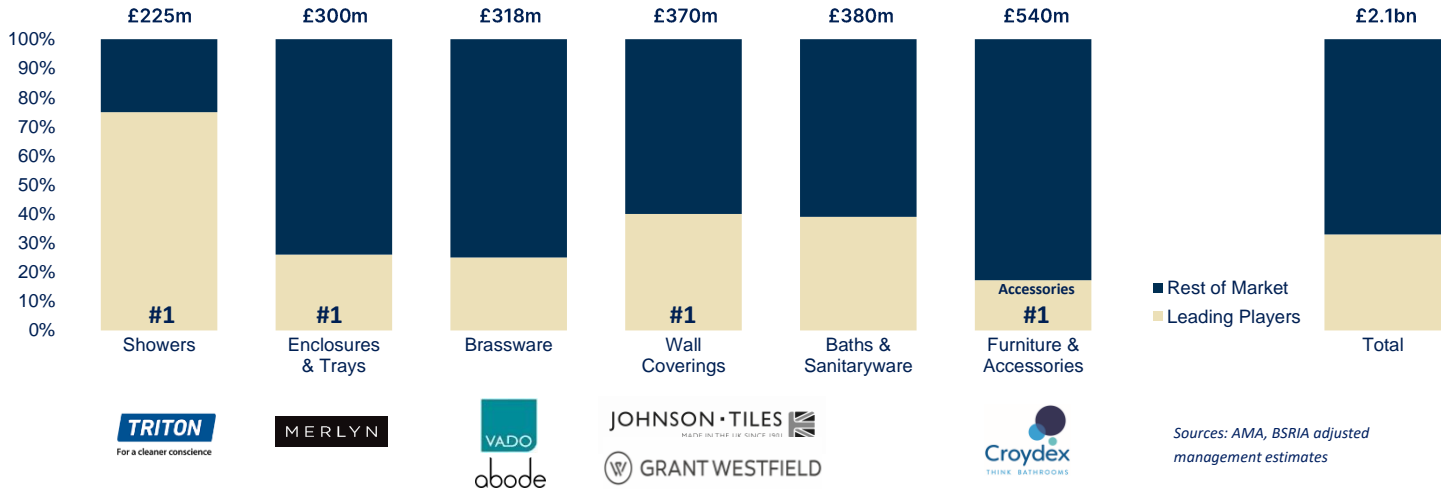


1. 1% of UK revenues to other channels



ORGANIC GROWTH - UK SHARE GAIN OPPORTUNITY

UK bathroom – selective markets @ MSP¹



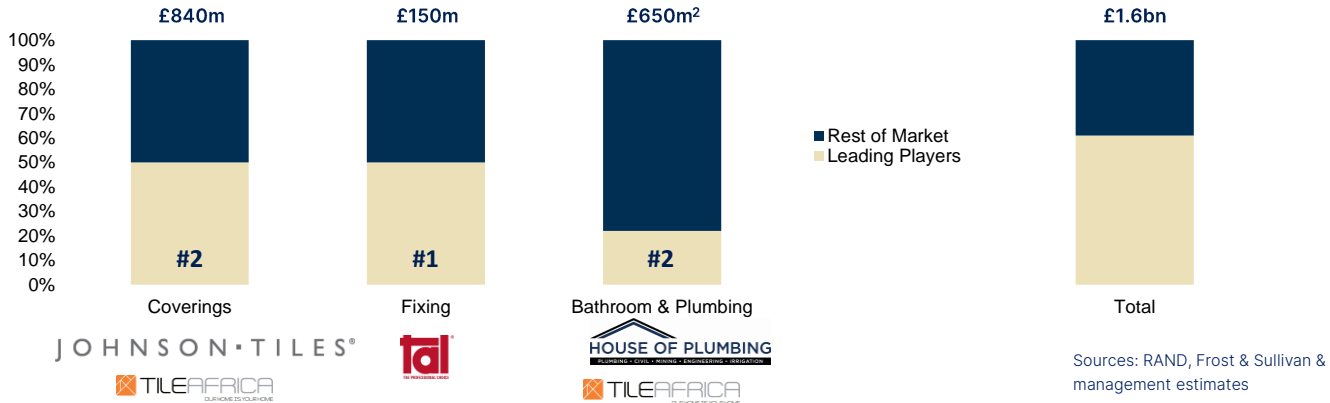
- Overall bathroom market remains highly fragmented; no dominant player
- Sub-market segments are also highly fragmented
- Continued opportunity for share gains
- Significant consolidation opportunity remains
- Norcross channel and product position – opportunities for organic and acquisitive growth

Significant opportunity to take further share in fragmented markets



ORGANIC GROWTH – SA SHARE GAIN OPPORTUNITY

SA bathroom – selective markets @ MSP¹



2 "Bathroom & Plumbing" including Sanitaryware, Taps and Mixers, Pipes, Fittings & Valves and Geysers

- Sizeable market characterised by greater concentration than UK; "long tail" of small independent competitors
- Norcros SA – business units have leading market positions
- Fragmented and growing alternative coverings segment
- House of Plumbing – strong geographic growth opportunity in fragmented market; entry into civils segment

Significant opportunity to take further share from smaller competitors



ESG – KEY SOURCE OF COMPETITIVE ADVANTAGE

ESG strategy driving sustainability, engaged supplier advantage and growth

ESG priority themes



HEALTH &
SAFETY



ETHICAL
CONDUCT &
INTEGRITY



CLIMATE
CHANGE &
EMISSIONS



PRODUCT
QUALITY &
SAFETY



DIVERSITY &
INCLUSION



TALENT &
WORKFORCE
DEVELOPMENT



SUPPLY CHAIN
MANAGEMENT



INNOVATIVE &
EFFICIENT
PRODUCTS

Key areas of progress

- Carbon targets for validation with SBTi
- First disclosure to CDP
- Carbon Neutral – Triton, Merlyn, Vado, Abode
- ENVI®, first ClimatePartner certified product
- Appointed Chief People Officer
- Talent development and DE&I programmes





SUMMARY AND OUTLOOK

Thomas Willcocks
Chief Executive Officer



SUMMARY

Robust performance reflecting the strength and positioning of our market leading brands

Good progress on strategic priorities

- Closure of Adhesives
- NPD and service driving organic share gains
- ESG driving competitive advantage
- Excellent cash generation and low leverage

Strong Norcross platform for further growth

- Consolidating large fragmented markets
- Design-led, sustainable products
- Benefits of scale vs weaker competition

Full year underlying operating profit expected to be in line with market expectations¹



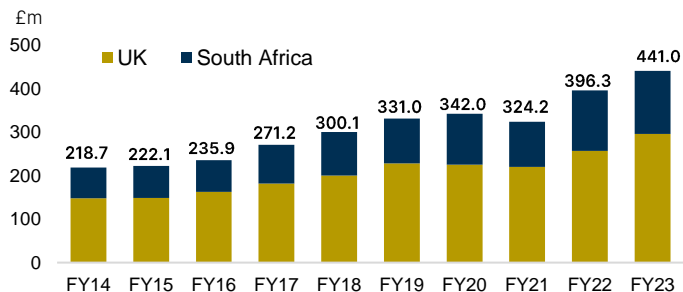


APPENDIX



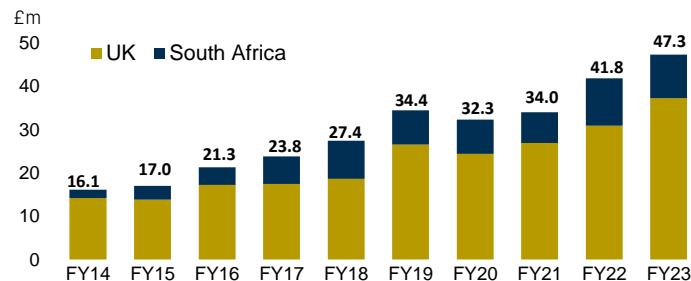
TRACK RECORD OF SUSTAINED PERFORMANCE

Revenue



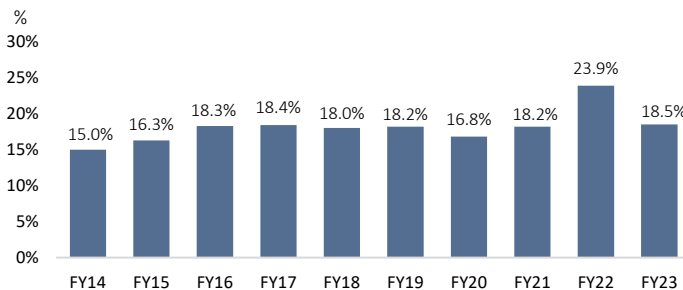
Organic growth enhanced by acquisitions

Underlying operating profit¹



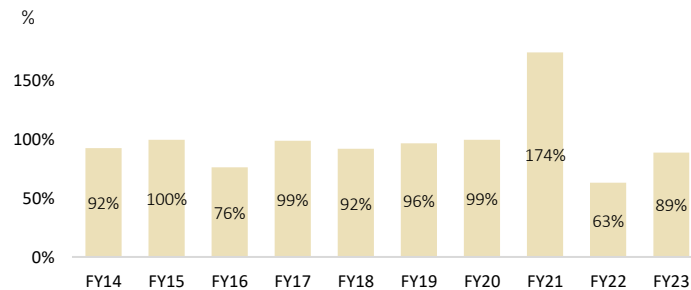
Strong profit post pandemic enhanced by Grant Westfield

Underlying return on capital employed



Consistently achieved a strong return on capital

Pre-CAPEX cash conversion (% of underlying EBITDA)



Consistently high cash conversion

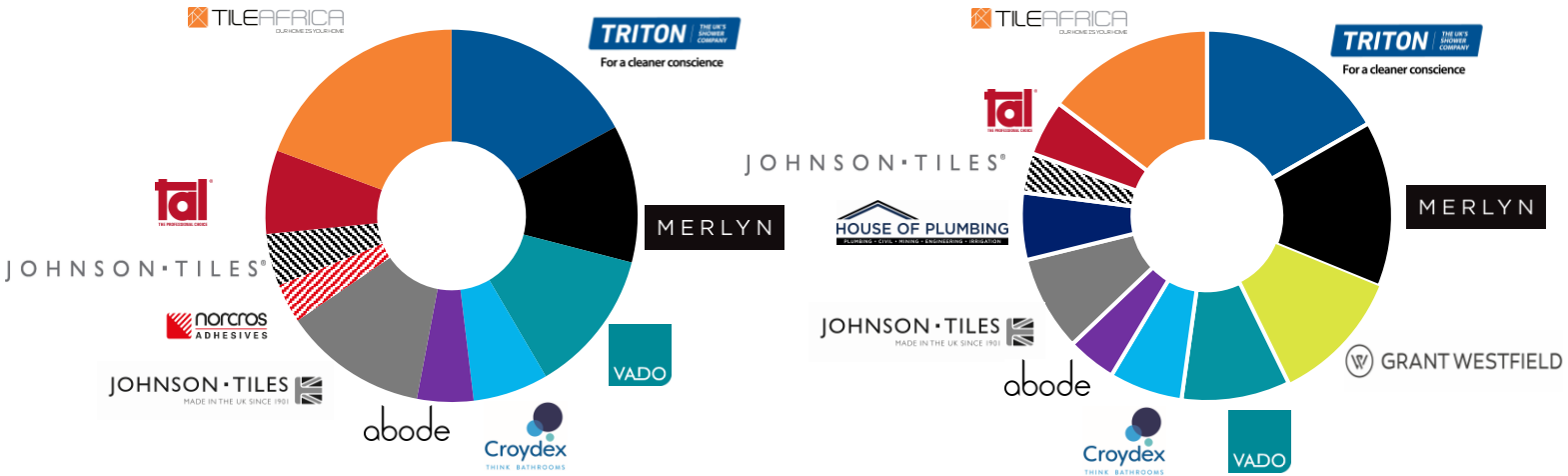
1. Underlying means before exceptional operating items, IAS 19R admin costs, acquisition related costs and where relevant, non-cash finance costs



BALANCED AND DIVERSIFIED BUSINESS PORTFOLIO

Group revenue FY19¹

Group revenue H1 FY24²



¹ Financial year ended 31 March

² Half year ended 30 September



UK – SUSTAINED GROWTH AND SHARE GAINS

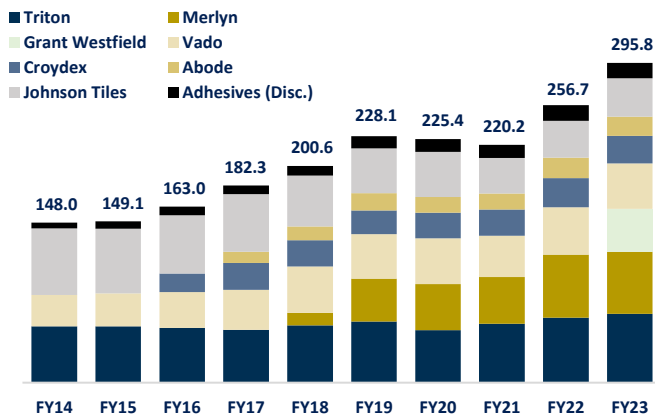
Norcros UK

- Strong heritage, market leading positions and strong brands
- Businesses built on superior offering and customer service
- Leveraging group synergies across acquired businesses
- NPDP, cross-selling and sourcing capability driving revenue

UK bathroom market dynamics

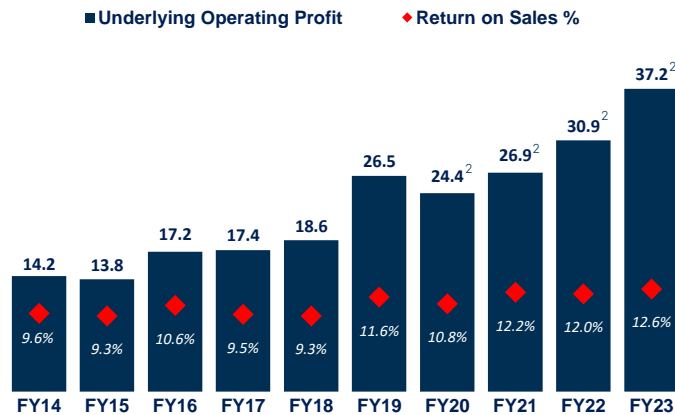
- Large and fragmented bathroom products market ~ £2.1bn *MSP*
- Mid-to-premium RMI segment more resilient
- Immediate economic outlook challenging for smaller players
- Market outperformance opportunity through share gains
- Favourable long-term market background: shortage of housing

Revenue¹ (£m)



Well-established market leading businesses

Underlying operating profit (£m), return on sales (%)



Sustained margin growth through portfolio reorientation

1. Financial years ended 31 March up to 2023

2. IFRS 16 basis



SA – SUSTAINED HISTORIC PERFORMANCE

Norcros South Africa

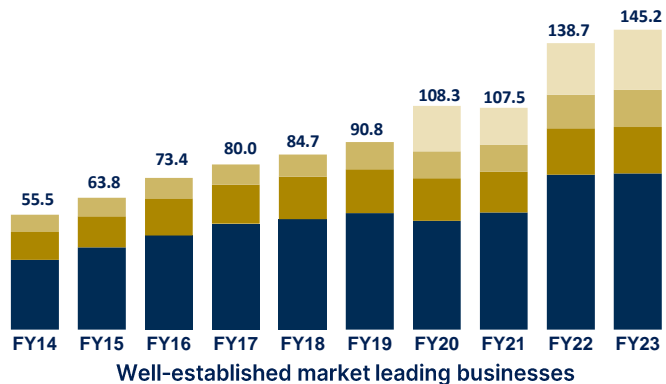
- Strong heritage, market leading positions and strong brands
- Business built on superior offering and customer service
- Sustained market outperformance through share gains
- Resilient financial performance in challenging markets
- Sustained revenue growth despite FX headwinds

South African bathroom market dynamics

- Large economy and business friendly environment
- Long-term socio-economic dynamics favour our markets
- Shortage of housing and infrastructure – significant opportunity
- Large bathroom & plumbing products market ~ £1.6bn MSP

Revenue¹ (£m) – constant currency

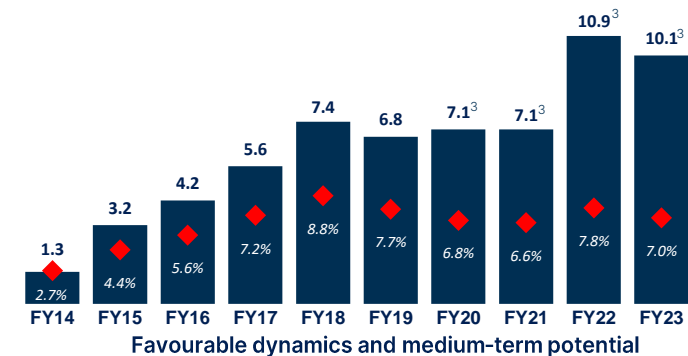
■ Tile Africa ■ TAL ■ Johnson Tiles South Africa ■ House of Plumbing²



Underlying operating profit¹ (£m), return on sales (%)

■ Underlying Operating Profit ◆ Return on Sales %

Constant Currencies



1. Financial years ended 31 March up to 2023

2. House of Plumbing acquired 1 April 2019

3. IFRS 16 basis






























ORGANIC GROWTH – CROSS-SELLING

Driving share gains in target channels through cross-selling

Leading and growing position with UK housebuilders

Top-10 UK House Builders

Progress

- Share gains in specification
- Specification forum: cross-group approach to customers and opportunities
- Enhancing ESG value proposition
- Collaboration on new product development

Priorities

- Increasing focus on cross-selling
- Further gains in specification channel
- Grant Westfield growth in specification
- Complementary new product development

Strong growth opportunities through economic cycle

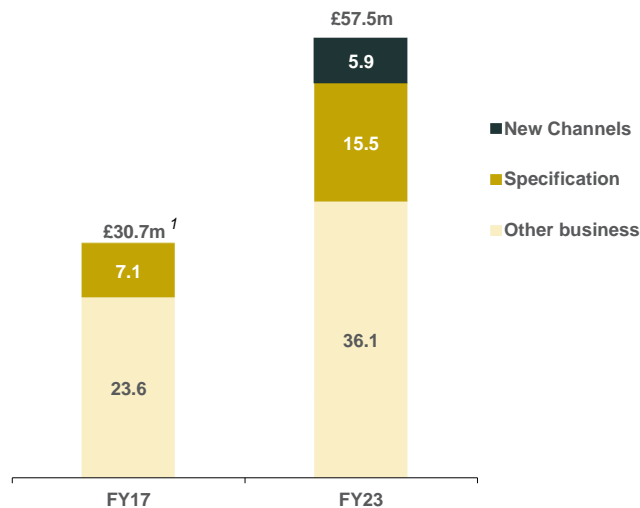


ORGANIC GROWTH – MERLYN

Driving growth in acquired businesses

Growth of Merlyn since FY17

MERLYN



1. FY17 ending 31 March, Merlyn acquired 23 November 2017

Progress

- Significant share gains
- Introduction to new channels
- Cross-selling synergies delivered
- Revenue CAGR of c.11%¹ – strong cash generation

Priorities

- Further cross-selling opportunities
- Channel growth plans – specification
- Grant Westfield synergies
- IT infrastructure



OPERATIONS EXCELLENCE – GROUP SCALE ADVANTAGES



Focused & flexible supply chain across China – source of competitive advantage



EXCEPTIONAL ITEMS AND ACQUISITION RELATED COSTS

Exceptional items	H1 Sept 2023 £m	H1 Sept 2022 £m	FY Mar 2023 £m
UK business restructuring	(1.4)	-	-
Johnson Tiles (UK) impairment	-	-	(5.0)
Closure of UK Adhesives	-	-	(4.8)
	(1.4)	-	(9.8)

Acquisition related costs	H1 Sept 2023 £m	H1 Sept 2022 £m	FY Mar 2023 £m
Intangible asset amortisation	(3.3)	(3.1)	(6.2)
Advisory fees	(0.1)	(1.5)	(1.4)
Deferred remuneration	(0.5)	(0.3)	(0.8)
	(3.9)	(4.9)	(8.4)



NET DEBT RECONCILIATION

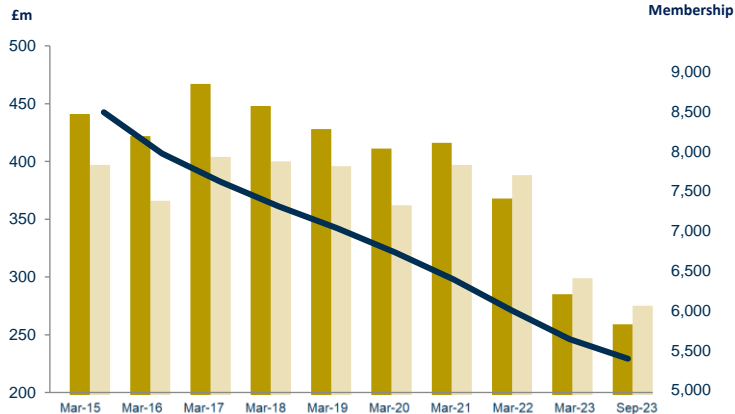
	H1 Sept 2023 £m	H1 Sept 2022 £m	FY Mar 2023 £m
Net (debt)/cash – opening	(49.9)	8.6	8.6
Net cash flow	4.3	(66.8)	(55.5)
Non-cash movements ¹	(0.3)	(0.2)	(0.1)
Foreign exchange	(0.7)	(0.5)	(2.9)
Net debt – closing	(46.6)	(58.9)	(49.9)

1. Represents the movement in the costs of raising debt finance in the year



UK PENSION SCHEME UPDATE

UK Pension IAS 19R Assets and Liabilities



IAS 19R surplus £15.7m (March 2023: surplus £14.9m)

- Liabilities reduced by £25.3m to £259.7m
- Assets reduced by £24.5m to £275.4m
- Discount rates driving reduced liabilities
- Well managed and appropriately funded

UK Pension Data

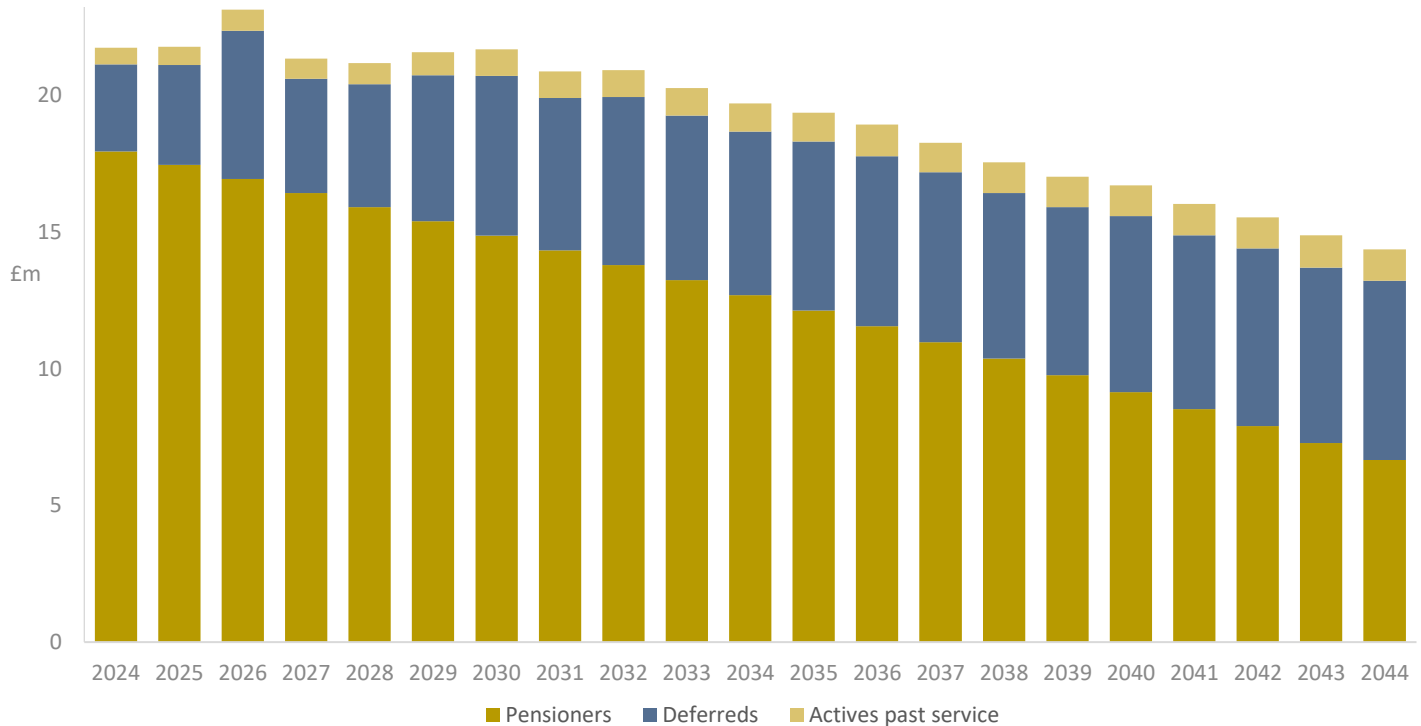
	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Sep-23
Liabilities	441	422	467	448	428	411	416	368	285	259
Assets	397	366	404	400	396	362	398	388	300	275
(Deficit)/Surplus	(44)	(56)	(63)	(48)	(32)	(49)	(18)	20	15	16
Disc Rate	3.30%	3.55%	2.60%	2.65%	2.50%	2.21%	2.05%	2.75%	4.90%	5.60%
RPI	2.90%	2.90%	3.15%	3.10%	3.25%	2.55%	3.25%	3.70%	3.25%	3.30%
Membership	8,492	7,973	7,621	7,309	7,035	6,733	6,393	6,002	5,641	5,397

Super-mature scheme:

- 5,397 members (March 2023: 5,641)
- 77% pensioners with average member age of 78
- Scheme closed to new entrants and future accrual in 2013
- Annual pensioner payroll near peak at circa £22m pa



UK PENSION SCHEME – CASH FLOWS



Pension cash outflow close to peak at circa £22m



EFFECTIVE TAX RATES

	Underlying ¹		
	H1 Sept 2023 £m	H1 Sept 2022 £m	FY Mar 2023 £m
Profit before tax	18.1	19.9	41.8
Tax charge	(4.0)	(4.1)	(8.3)
Earnings	14.1	15.8	33.5
Effective tax rate	22.1%	20.6%	19.9%

	Reported		
	H1 Sept 2023 £m	H1 Sept 2022 £m	FY Mar 2023 £m
Profit before tax	11.7	14.0	21.7
Tax charge	(2.4)	(3.0)	(4.9)
Earnings	9.3	11.0	16.8
Effective tax rate	20.5%	21.4%	22.6%

1. Before exceptional operating items, IAS 19R admin costs, acquisition related costs and where relevant, non-cash finance costs and attributable tax

