SIG plc

H1 2024 Results

6 August 2024

H1 2024 Results Agenda

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Gavin Slark
CEO

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Ian Ashton
CFO

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Gavin Slark
CEO

Overview

Gavin Slark, CEO

H1 2024 Results Overview

Prolonged challenging markets

- Group reported revenue of £1.3bn, down 7% LFL
- Largest markets weaker
- Robust sales performance relative to markets
- Poland and Ireland further through cycle and growing

Cost and financial discipline

- Operating cost reduction
- £24m cost savings vs PY in H1, incl. £6m from restructuring
- Effective working capital management helping cash flow, mitigating lower profit
- Robust liquidity of £191m

Progressing actions for operational improvement

- Implementation of new e-commerce platforms
- Actions to increase higher margin sales as markets recover
- Positioning for long-term growth trends

Financial Results

Ian Ashton, CFO

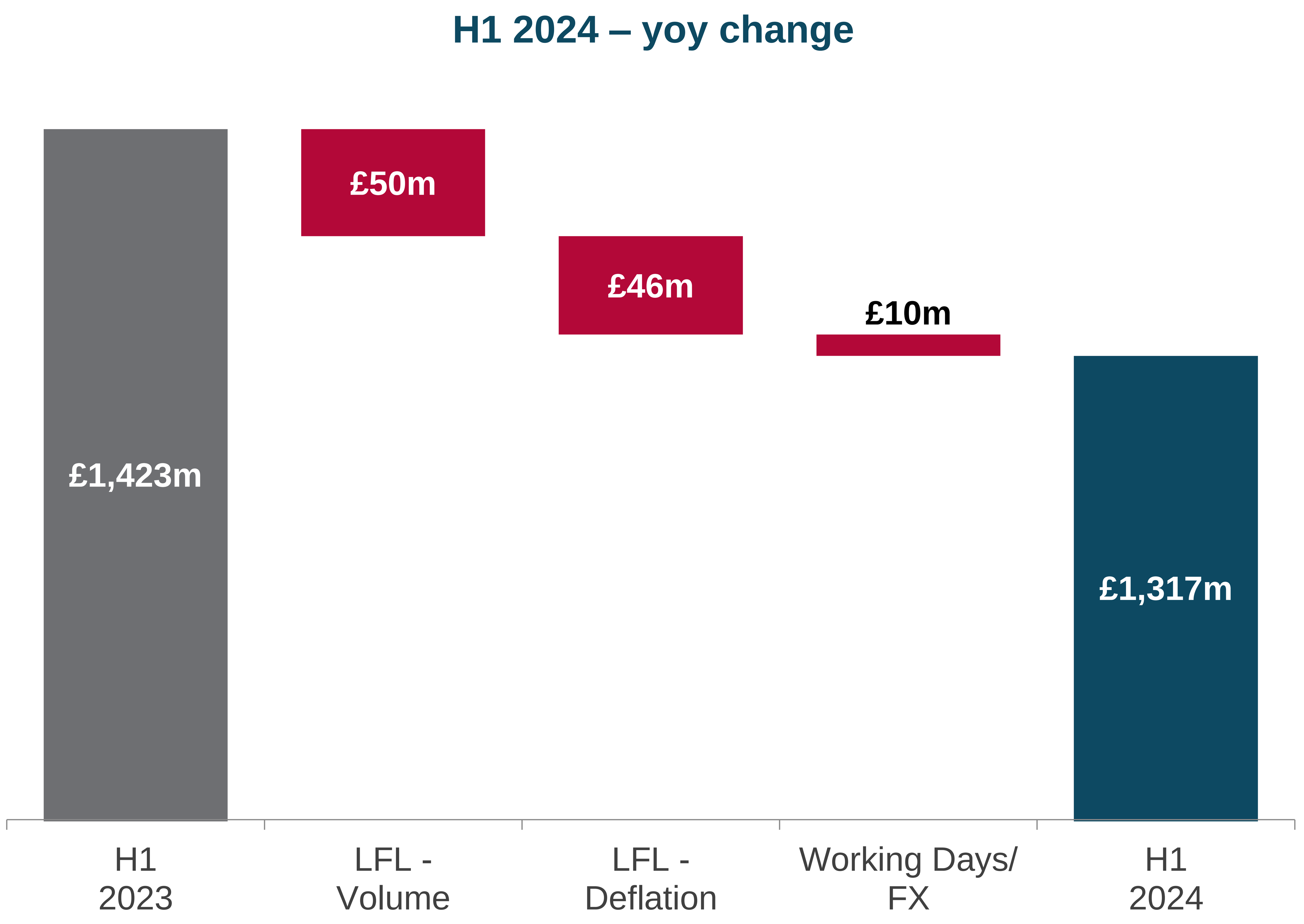
Key Financials

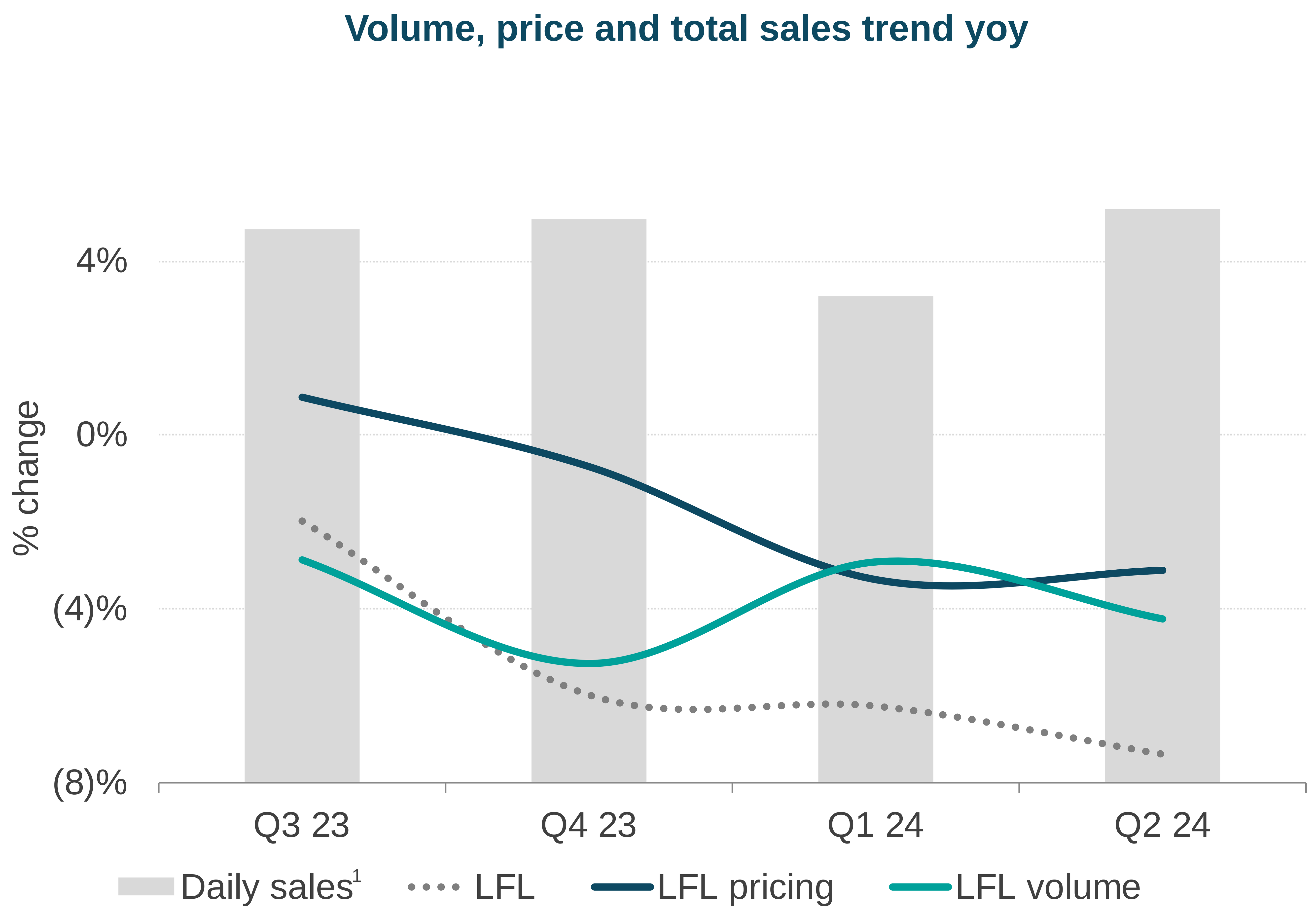
£'m	H1 2024	H1 2023
Revenue	1,317	1,423
LFL sales growth	*(7)%*	*0%*
Gross profit	325	365
Gross margin	*24.7%*	*25.6%*
Underlying operating profit	**12**	**33**
Operating margin	*0.9%*	*2.3%*
Finance costs	(18)	(18)
Underlying (loss)/profit before tax	**(7)**	**15**
Other items	(5)	(3)
Underlying EBITDA	**52**	**72**
Free cash flow	**(22)**	**(20)**
Net debt, post-IFRS 16	**477**	**469**
Net debt, pre-IFRS 16	**179**	**176**
Leverage, post-IFRS 16[1]	**4.3x**	**3.2x**
Leverage, pre-IFRS 16[1]	5.8x	2.4x

- Market headwinds continue:
  - Subdued demand resulting in volume declines of c3%
  - Pricing also down yoy – partially due to input cost deflation
- Gross margin reflects competitive pricing pressures
- Operating profit reflects cost reductions and efficiency initiatives to mitigate trading downturn
- Effective cash flow management:
  - Sustained working capital improvements to offset lower profit
  - Cash outflow reflects usual H1 seasonality
  - RCF remains undrawn
  - Net debt broadly unchanged over prior 12 months

Notes: All data presented on a post-IFRS 16 basis unless stated otherwise. 1) Defined as net debt / LTM EBITDA.

Revenue





- Ongoing market softness across most of our geographies, driving volumes down 3-4% LFL yoy
- Purchase price deflation and sales pricing pressures lead to further c3% top line decline
- Price deflation driven by commodity materials (steel, timber batten)
- Right hand graph shows quarterly trends over last year – both flattening – and quarterly sales per working day

1) Group consolidated quarterly daily sales per working day

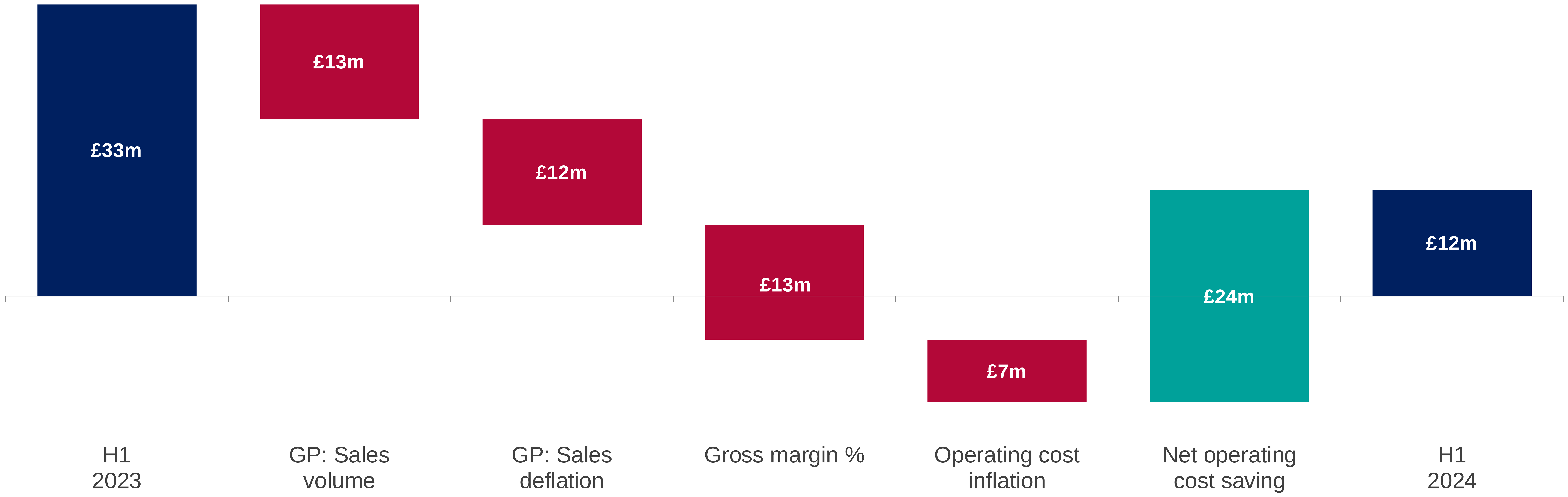
Revenue

Operating company	H1 2024 LFL
UK Interiors[1]	(14)%
UK Roofing[1]	(2)%
UK Specialist Markets[1]	(7)%
UK	**(9)%**
France Interiors	(7)%
France Roofing	(11)%
Germany	(3)%
Poland	3%
Benelux	(12)%
Ireland	9%
EU	**(5)%**
Group	**(7)%**

- Ongoing market softness across most of our geographies, particularly in UK Interiors, French and German markets
- Strategic branch closures impacted LFL growth rates in UK Interiors by 3%
- UK Roofing and Germany performing particularly strongly vs local markets
- More robust demand in Poland and Ireland, helping drive LFL growth

Note: 1) Restated for new UK segmental reporting first presented in FY 2023 results.

Operating profit bridge



- Sales volume and pricing declines drive lower GP
- Reduction in GM% due to competitive pricing pressures – trade-offs being well managed by teams
- Operating cost inflation of c2-3% (£7m), more than offset by material underlying savings of £24m. Latter includes £6m benefit from restructuring that commenced in H2 2023, and savings from other initiatives, notably management of natural headcount churn

Note: Data represents underlying performance, post-IFRS 16.

Efficiency and productivity

- Restructuring actions to realign permanent cost base and mitigate near-term market weakness
- Improving cost and cash management throughout the business

Restructuring actions

£15m

Annualised operating profit benefit

Annualised operating profit benefit of c£15m, the majority in 2024:

- £10m as previously announced
- Further £5m identified in H1 2024
- £6m P&L benefit in H1 2024 vs H1 2023; £6m expected in H2
- £12m restructuring cost, mostly cash; £3m spent in H1 2024

Cost and operating discipline

£24m*

Net operating cost saving in H1 2024

- £6m from restructuring actions
- Other initiatives:
  - Proactive headcount management
  - Fleet improvements in UK and Germany
  - Volume-linked savings

*£24m before £7m of inflation and £2m FX – reported £19m reduction

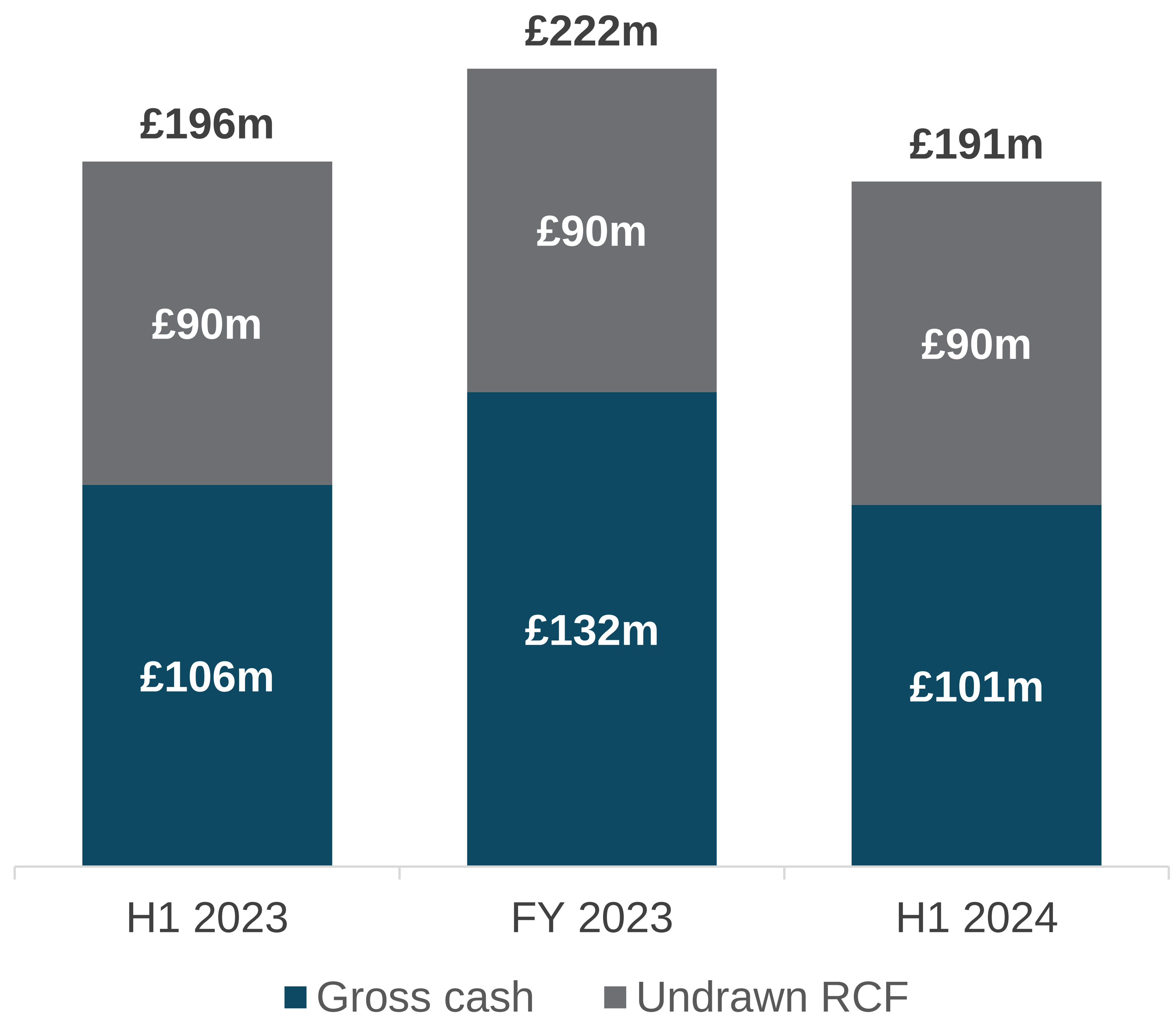
Free cash flow

- Working capital outflow reflects usual H1 seasonality, offset by strong working capital management mitigating lower trading volumes and profit
- Cash exceptionals includes £3m in relation to restructuring (of which £2.5m in relation to H2 2023 announced actions)
- Interest and tax reflects c£1m increase in interest vs PY due to leases, and materially lower tax payments due to H2 weighting in 2024

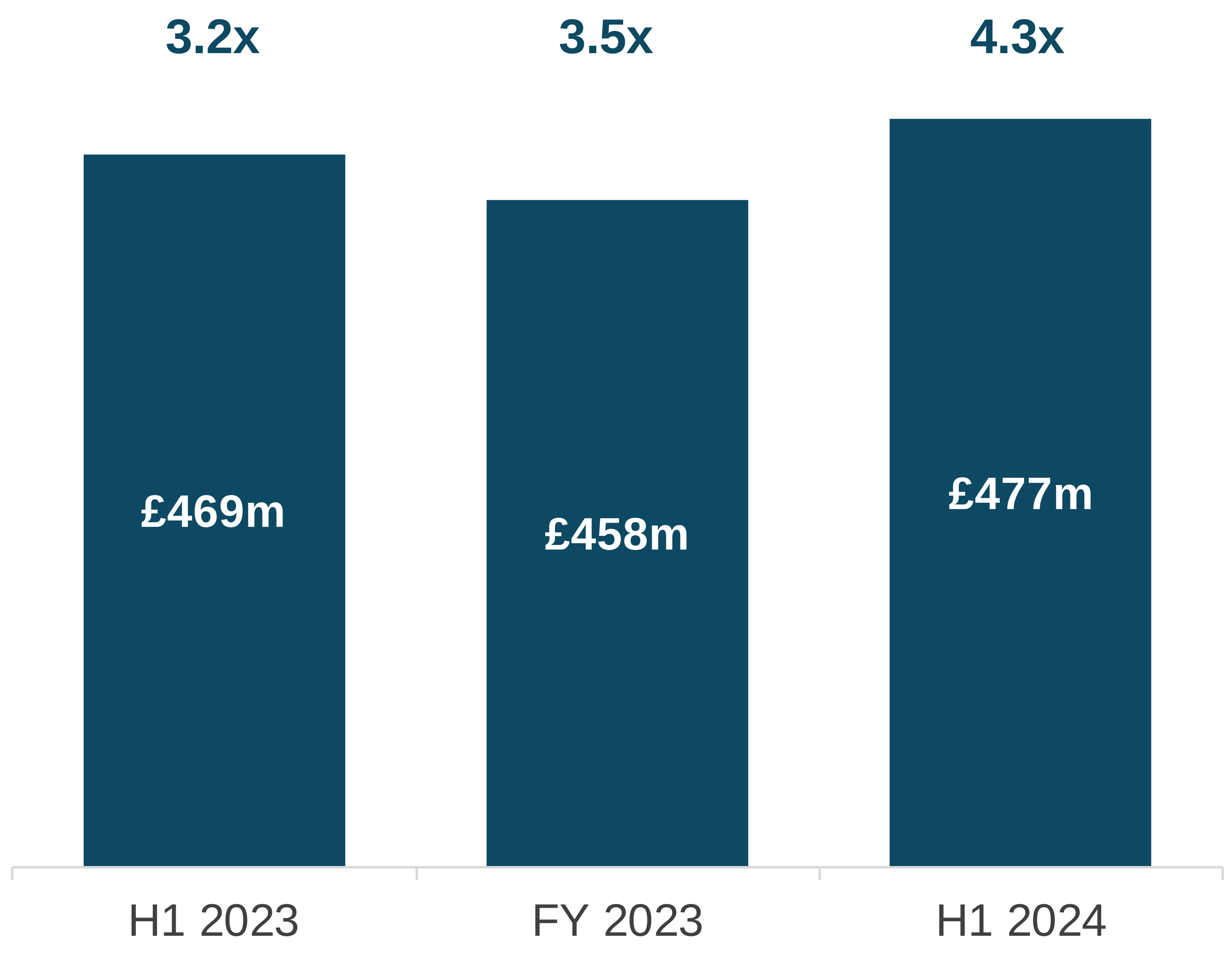
Balance sheet

- Continuing good liquidity
- Net debt stable
- Leverage increased due to lower EBITDA
- Group debt facilities in place with maturity in 2026

Liquidity



Net debt and leverage[1]



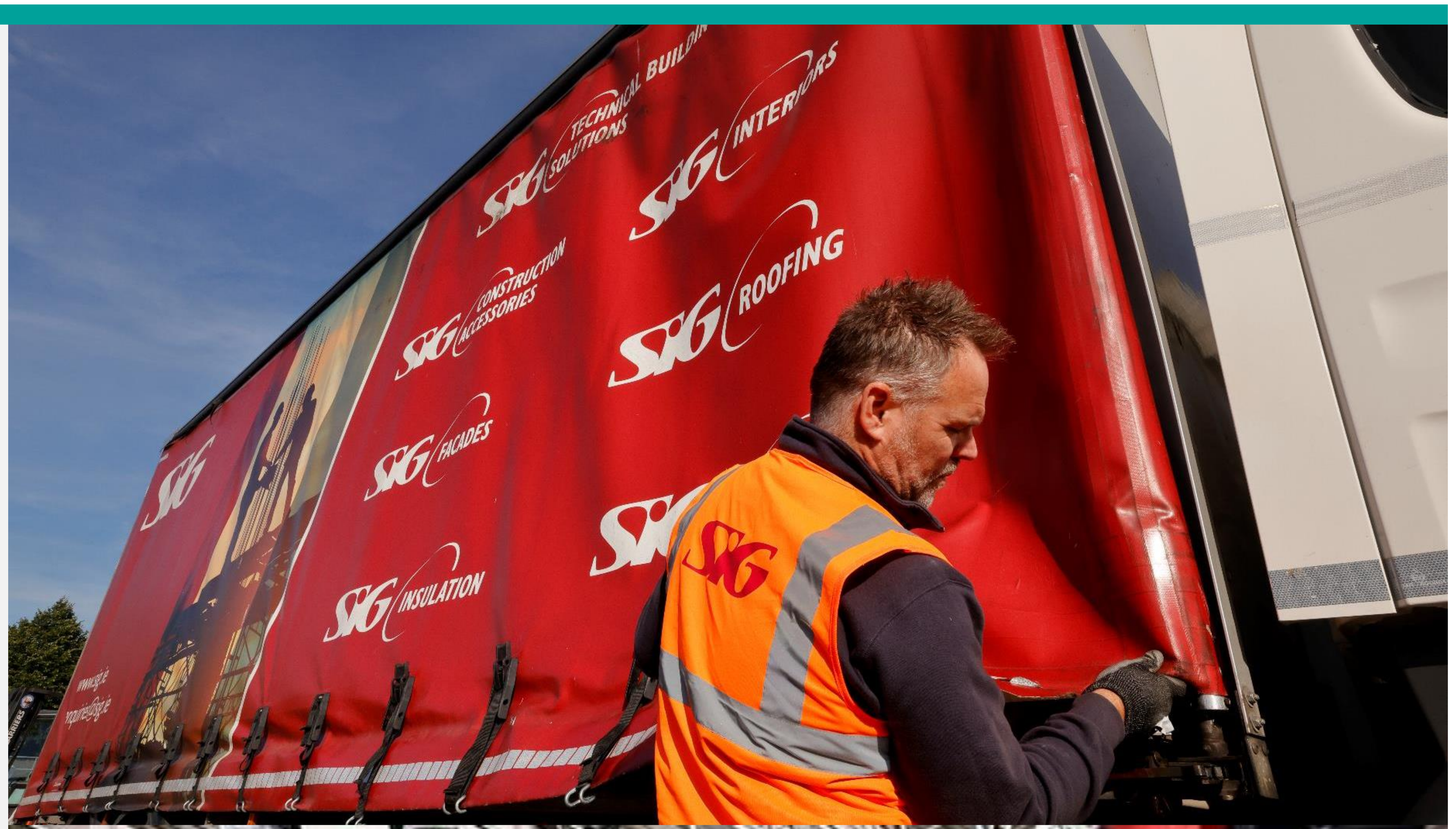
Core Group debt facilities - maturity in 2026

- €300m Senior Secured Notes (mature Nov 2026):
  - 5.25% fixed rate
- £90m RCF (expires May 2026):
  - SONIA + 2.5% to 5.0%
  - Undrawn as at end of H1 2023, FY 2023 and H1 2024

Note: 1) Post-IFRS 16 Net Debt & EBITDA Leverage.

Technical guidance – FY 2024

- **Inflation:**
  - Input cost deflation stabilising
  - Opex inflation stabilising to norm; H2 at similar levels to H1
- **Capex** of £17-£20m, down from prior guidance of £20-£25m
- **Net interest** charge of c£40m, as previously advised
- **Tax rate**:
  - EU operations to continue on prevailing local rates
  - No tax charge in UK and Benelux; both continue to have substantial unrecognised deferred tax assets, affecting effective tax rate
  - Group tax charge for 2024 in mid to high single digit £m’s.
  - Cash tax for FY of £11-13m, down vs prior guidance, and heavily H2 weighted



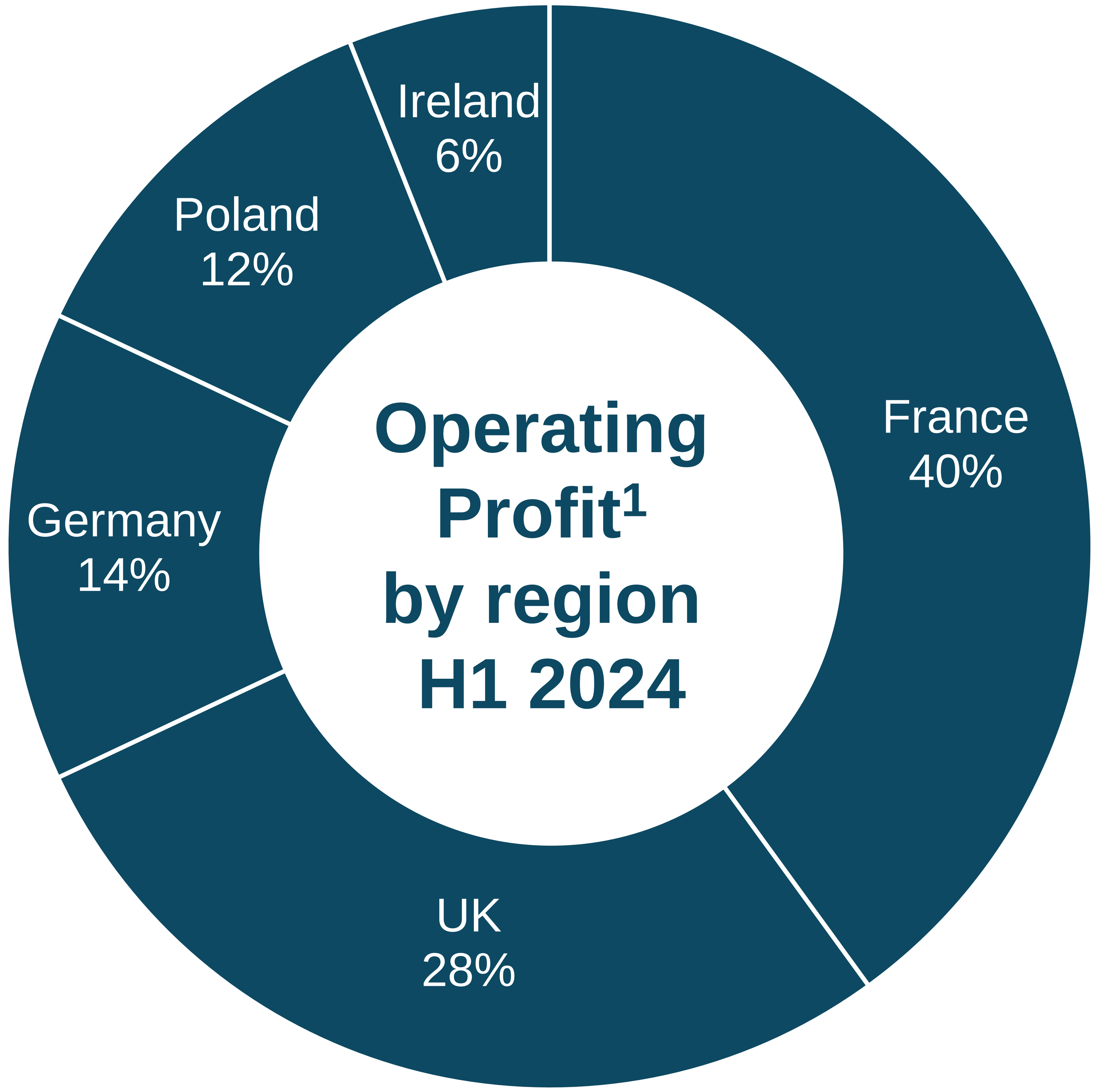
SIG

Business Review

Gavin Slark, CEO

SIG Overview

Our Pan-European operations



435
BRANCHES ACROSS SIX GEOGRAPHIES

7,000+
COLLEAGUES

1,100
DELIVERY FLEET

Note: 1) Underlying operating profit adjusted to exclude Group overhead and Benelux loss.

LFL Revenue performance

	LFL growth[1]	H1 2024 Revenue (£m)
UK Interiors	(14)%	250
Germany	(3)%	220
France Roofing	(11)%	215
UK Roofing	(2)%	182
UK Specialist	(7)%	121
Poland	3%	119
France Interiors	(7)%	105
Benelux	(12)%	54
Ireland	9%	50

Note: 1) LFL revenue growth vs H1 2023, with UK operating companies restated following new segmental reporting first presented in FY 2023 results.

Operating margins & profit

	H1 2024 Operating margin[1]	Target margin[1]	H1 2024 Operating profit[1] (£m)
France Roofing	2.3%	7%	4.9
UK Roofing	2.7%	7%	4.9
France Interiors	3.4%	7%	3.6
Germany	1.4%	6%	3.0
Poland	2.2%	5%	2.6
UK Specialist	1.9%	7%	2.3
Ireland	2.6%	6%	1.3
UK Interiors	(0.5)%	3%	(1.2)
Benelux	(4.4)%	3%	(2.4)

Note: 1) Underlying operating profit.

Medium-term performance target

Improving our performance

To medium-term target margin

5% margin

Improving the way we operate now

Positioning to win in long-term growth market

4 Pillar strategy	Grow	Execute	Modernise	Specialise
	Revenue growth ahead of market	Cost base improvement including restructuring	New omnichannel platform in Germany live in H1	60 new fire protection products in development in UK SM
H1 2024 progress	Strongest performances relative to the market in Germany and UK Roofing	250 headcount reduction yoy; 10 branch closures FY 2024	France Interiors new omnichannel platform in development for Q1 2025	Solar offering roll-out across French and UK Roofing businesses

Long-term growth market and opportunity

Megatrends in our end markets

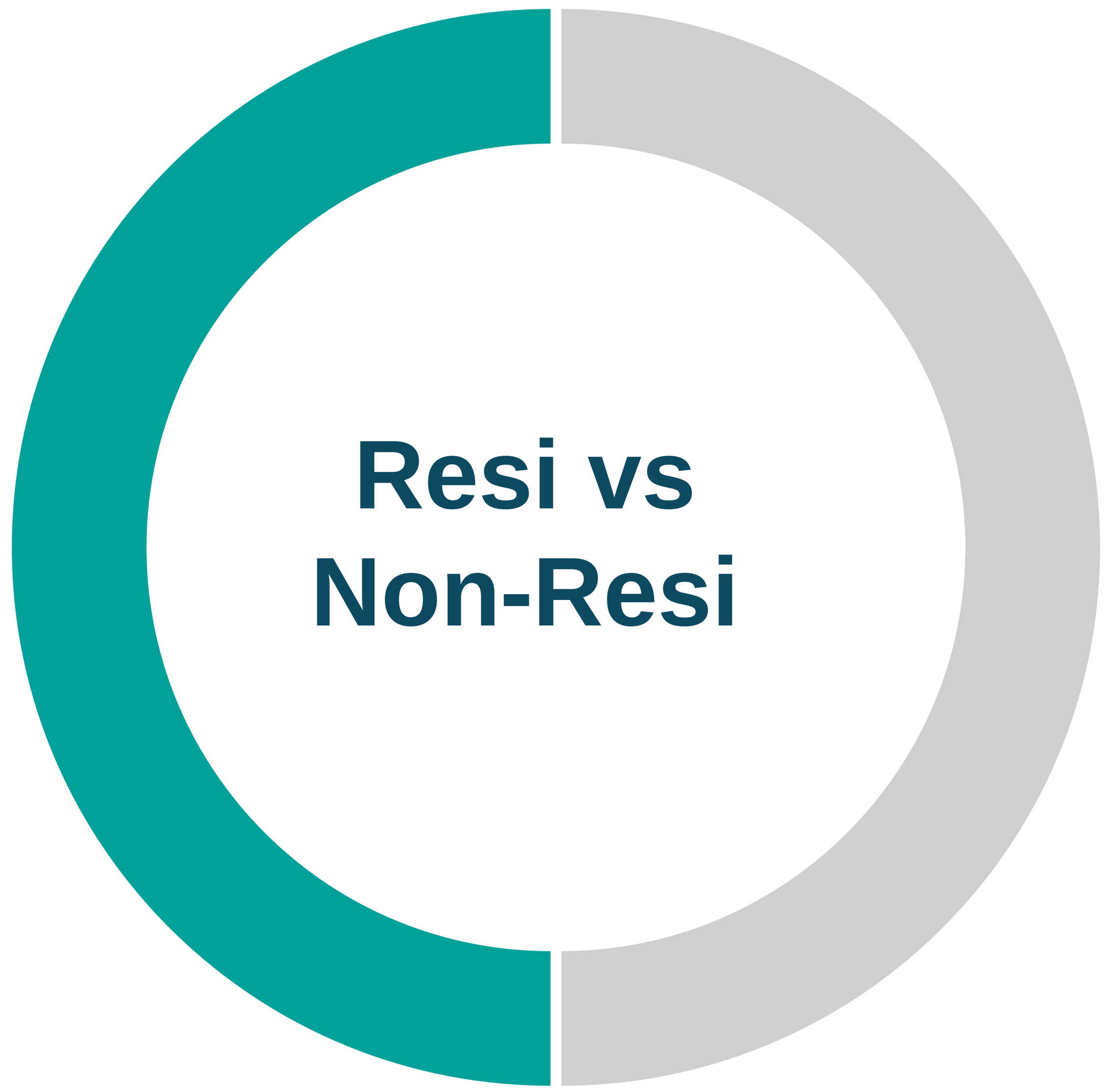
Housing shortage across Europe

Ageing buildings and infrastructure across Europe

Decarbonisation of buildings and construction

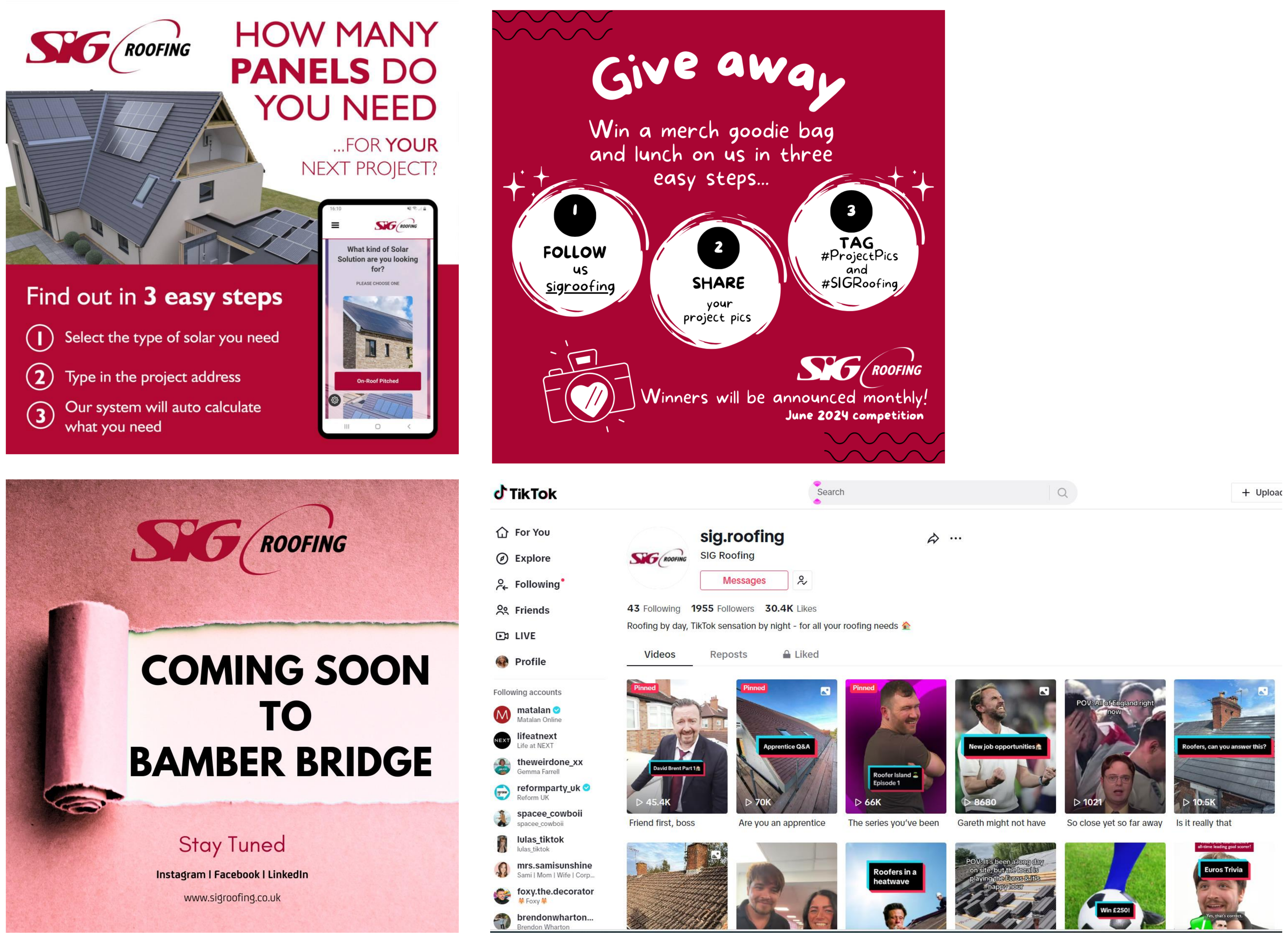
Building safety and performance

SIG revenue mix by end use



Grow: Operating companies performing ahead of the market

- Operating company LFL growth rates demonstrating continued growth ahead of market, notably:
  - Germany
  - UK Roofing
- Continuing internal investment and focus on customer service enhancement, sales and marketing
- Cultural shift to focus on profitable share growth vs growth at any cost
- Managing trade-off between volume and price



UK Roofing – marketing (social media)

Execute: Operational actions to improve cost base

People

Group

- Reduced central corporate team

Country

- Focused on central overhead
- Non-replacement of leavers
- Branch closure related

Headcount reduction of c250 positions yoy

Branch network

Review of branch network locations

- Opportunities for branch mergers/co-location
- 7 branches closed in H1 and 10 expected in total FY 2024
- Closures in France, Germany & UK

Actions generating £15m annualised cost savings, majority benefiting 2024

Modernise: e-commerce platform investment

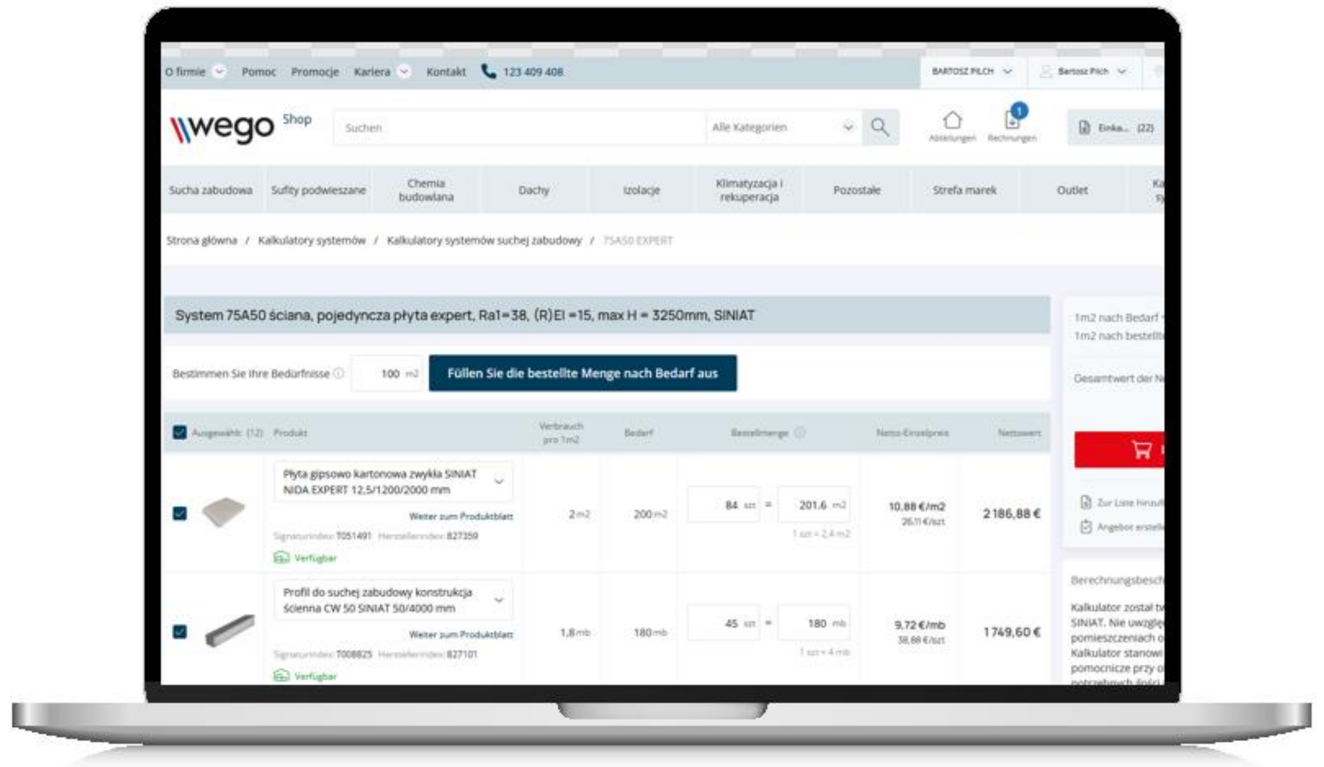
New omnichannel sales model with e-commerce platforms being rolled out in Germany and France

Market	Progress H1 2024
Germany	• Successful pilot phase completed in H1 2024 • Full site launch Q3 2024 • First B2B distributor in Germany to offer end-to-end omnichannel approach integrated across branch network
France	• Platform under development • New LiTT site based on Polish and German model • Targeting pilot site launch in Q1 2025

A key tool to drive margin accretive revenue growth per customer

Omnichannel targets:

- Greater revenue share of wallet per customer
- Higher private label sales mix per customer
- Greater cost efficiency to SIG sales team



Specialise: H1 2024 development

	Long-term opportunity	Progress H1 2024
UK	Building safety and fire regulations increasing Long-term demand for solar New government house building pledge	• Expanded fire protection range, multi-brand systems and specialist thermal insulation ○ >60 products under development, 10 products launched in H1 2024 • Integrated solar offering rolled out; new digital planning tools for customers • Maintain strong customer relationships with national housebuilders
France	National commitment to EU building decarbonisation regulations Political (all party) pledges to accelerate house building	• Added new dedicated solar warehouse and key account team to support growing solar offering • Expanding product range for RE 2020 regulations; three new suppliers of bio-based products • New sales and project management tool in development - to support future demand for collective residential apartment housing

Increasing SIG presence in more specialist, higher margin areas supported by long-term structural growth trends and regulatory drivers

H1 2024 Results Summary & Outlook

H1 2024 Results

- Prolonged market weakness in largest end-markets
- Margin impacted by volume declines, offset by cost actions
- Disciplined cash management with good liquidity

FY 2024 Outlook

- Full year:
    - Underlying operating profit guidance of £20-£30m unchanged
- Continuing focus on managing near-term margin pressure and strengthening operating platform

Medium to longer term

- Business model and leverage will help drive quick and material margin rebound as markets recover
- Medium and long-term growth aided by structural growth tailwinds
- Medium-term target of 5% Group operating margin
- Shareholder value creation

Appendix

SIG Plc

H1 2024 Results

Our Vision and Strategic framework

OUR VISION

To be the best provider of specialist construction and insulation products in Europe

OUR LONG-TERM OBJECTIVES

Partner of choice for specialist contractors

Improving our operating performance

Growing sustainably as a responsible business

OUR MEDIUM-TERM STRATEGY

Four pillar strategy to 5% margin target

Grow	Execute	Modernise	Specialise
Continue above-market growth	Strengthen execution and margin	Greater productivity through modernisation	Accelerate in specialist, higher return businesses

Underlying financials by segment

	Revenue	LFL vs H1 2023	Operating profit/(loss)	Change vs PY	Operating margin	Change vs PY
UK Interiors[1]	£250m	(14.4)%	£(1)m	£(4)m	(0.5)%	(1.3)%
UK Roofing[1]	£182m	(1.9)%	£5m	£0m	2.7%	0.2%
UK Specialist Markets[1]	£121m	(6.7)%	£2m	£(3)m	1.9%	(2.5)%
Total UK	**£553m**	**(8.9)%**	**£6m**	**£(7)m**	**1.1%**	**(1.0)%**
France Interiors	£105m	(6.9)%	£4m	£(3)m	3.4%	(2.1)%
France Roofing	£215m	(10.6)%	£5m	£(7)m	2.3%	(2.6)%
Total France	**£320m**	**(9.4)%**	**£9m**	**£(10)m**	**2.7%**	**(2.4)%**
Germany	£220m	(3.5)%	£3m	£(7)m	1.4%	(2.6)%
Poland	£119m	3.0%	£3m	£0m	2.2%	(0.3)%
Benelux	£54m	(11.8)%	£(2)m	£(1)m	(4.4)%	(1.8)%
Ireland	£50m	8.6%	£1m	£1m	2.6%	1.5%
Total Group	**£1,317m**	**(6.8)%**	**£12m**	**£(21)m**	**0.9%**	**(1.4)%**

Note: 1) Restated for updated segmental reporting.
Data represents underlying performance post-IFRS 16. Group stated net of central costs.

Other items

£'m	PBT Impact H1 2024	PBT Impact H1 2023	Cash Impact H1 2024
Amortisation of acquired intangibles	(1.1)	(1.6)	-
Net restructuring costs	(2.8)	-	(3.0)
Cloud computing costs	(0.4)	(1.3)	(0.4)
Onerous contract costs	-	(0.2)	-
Other	(0.3)	0.4	(0.2)
Impact on operating profit	**(4.6)**	**(2.7)**	**(3.6)**
Non-underlying finance costs	(0.1)	(0.1)	(0.1)
Impact on profit/(loss) before tax	**(4.7)**	**(2.8)**	**(3.7)**

Note: cash impact of net restructuring costs includes costs accrued in H2 2023, settled in H1 2024.

Cash flow and net debt

£'m	H1 2024	H2 2023	H1 2023
Underlying operating profit	12	20	33
Add back: Depreciation & amortisation	40	40	39
Underlying EBITDA	**52**	**60**	**72**
Working capital movements	(8)	30	(28)
Repayment of lease liabilities	(34)	(32)	(32)
Capital expenditure	(8)	(10)	(6)
Cash exceptionals	(4)	(4)	(3)
Other	(2)	2	2
Operating cash flow	**(3)**	**47**	**6**
Interest and financing	(18)	(18)	(17)
Tax	(1)	(5)	(9)
Free cash flow	**(22)**	**24**	**(20)**
Payments related to previous acquisitions	(7)	1	(2)
(Repayment)/drawdown of debt	(0)	(0)	(0)
Total cash flow	**(29)**	**25**	**(22)**
Cash at beginning of the period	**132**	**106**	**130**
FX impact	(3)	1	(2)
Cash at end of the period	**101**	**132**	**106**
Bond	(253)	(259)	(259)
Other debt	(5)	(5)	(3)
Net lease liability, pre-IFRS 16	(22)	(22)	(21)
Pre-IFRS 16 net debt	**(179)**	**(154)**	**(176)**
Net IFRS 16 lease liability	(298)	(304)	(293)
Post-IFRS 16 net debt	**(477)**	**(458)**	**(469)**

- Working capital reflects normal H1 seasonality as well as underlying improvements
- Lease payments increasing year-on-year; underlying rent increases partially offset by increase in discount rate
- Capex primarily branch maintenance, renovation and HSE
- Cash exceptionals include £3m in relation to restructuring (mainly in relation to H2 2023)
- Increase in interest reflecting higher levels of lease liability and increases in lease discount rates
- Acquisitions cash relates to the expected deferred and contingent payments re Miers acquisition (completed 2022)
- Modest increase in IFRS 16 leases year-on-year due to extensions and renewals, mainly in UK and Germany

Net debt bridge

- Modest increase in net debt due to EBITDA being offset by structural cash outflows related to capex, interest, tax, and new or renewed leases
- Lease renewals (including extensions) mainly in UK and Germany

Ongoing approach to capital allocation

Organic growth	• Investment in new branches and capabilities, focused on high margin categories • Management of existing network and fleet to optimise efficiency, growth and sustainability • Inventory to drive new product focus areas
Focused M&A	Criteria for acquisitions: • Operating company readiness • Strategic fit - category priorities, specialist expertise, aligned to sustainability • Higher return, accretive deals
Dividends	• Targeting dividend reinstatement, once at appropriate leverage and sustainable free cash flow
Underpin	• Maintain liquidity and continue to focus on headline financial leverage targets • Targeting financial leverage of <2.5x post-IFRS 16 basis; or c1.5x pre-IFRS 16 • Maintain credit ratings

Number of trading sites

	31 Dec 2023	Opened	Merged	Closed	30 Jun 2024
UK Interiors	34	-	(1)	(2)	31
UK Roofing	110	-	-	-	110
UK Specialist Markets	30	-	-	(1)	29
Total UK	**174**	**-**	**(1)**	**(3)**	**170**
France Interiors	39	-	-	-	39
France Roofing	102	-	-	-	102
Total France	**141**	**-**	**-**	**-**	**141**
Germany	53	1	-	(3)	51
Benelux	12	-	-	-	12
Ireland	11	-	-	-	11
Poland	48	2	-	-	50
Total Group	**439**	**3**	**(1)**	**(6)**	**435**