



# **Safestyle UK plc**

**The UK's No.1 for replacement windows and doors**

Interim Results 2023

27<sup>th</sup> September 2023

# The Business Model

## Key processes:

- Generate enquiries
- Convert to orders
- Undertake technical surveys
- Bespoke manufacture
- Installation
- Service under guarantee

## UK's number one:

- The leading national value brand
- A high quality, energy efficient product range
- State of the art in-house manufacturing
- Fast, efficient installations
- Customer guaranteed peace of mind
- Comprehensive after sales support
- Leading promotional consumer finance
- All at highly competitive prices



# CEO summary – market overview

- Trading context amidst the backdrop of the UK economy and weak consumer confidence is difficult
- Independent forecasts on market performance, such as the CPA Construction Industry Forecasts have degraded since the start of the year – now forecast at -11% for the full year for the RMI market
- FENSA data mirrors these trends with Q2 installation volumes 11.8% lower than Q1 this year
- If in line with CPA RMI forecasts, the market as measured by FENSA would be between -11% and -13% below what have been relatively consistent levels of activity of the past 5 years (excluding COVID-impacted 2020)

# CEO summary

**Our H1 23 financial results reflect the challenging market context described on the previous slide. Our response to this environment included:**

- Cost reduction and restructuring programme delivering over c.£2.8m in annualised savings
- Maintaining a focus on affordability of our products with leading consumer finance offering
- Q1 TV campaign to drive leadflow as well as continuing to grow our brand awareness
- Relentless focus on improving the customer experience, driving performance and our other strategic priorities
- Driving forward our People agenda

**Demonstrable progress has been made on strategic priorities in many areas including:**

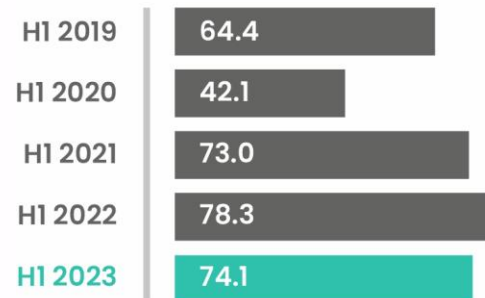
- Market share (as measured by Fensa) increased by 2% versus H1 22. It continues to increase in Q3 23.
- Security of supply chain achieved following transition to new PVCu profile supplier
- Improved 'on time, in full' (+1.9%) and higher contact centre answer rates (+8.2%)
- Reduced staff turnover (down 7.9%) and increasing (+4.6%) our women to men gender balance
- Strong progress towards our 2025 sustainability targets with better than net zero achieved after carbon offset and our waste to landfill reducing further to below 4%

# Outlook

- Our latest trading update, published on 19<sup>th</sup> September, highlighted a weaker start to peak Autumn / Winter trading period
- This trend is reflected in the wider market with Google search index data showing a c.24% reduction in search activity for key terms in July and August 2023 versus a year ago
- Pleasingly, our order intake has not fallen this far, being down c.11% YoY which shows our product offering is withstanding wider market pressures better than others
- We continue to attempt to stimulate demand and purchase intent through a combination of our online activity, the deployment of our upgraded website, discount management and our commitment to a leading consumer finance portfolio
- The Group continues to engage with its stakeholders to discuss ways to strengthen the balance sheet in order to support its recovery and help facilitate future growth and a further update will be provided in due course

# Financial KPIs overview

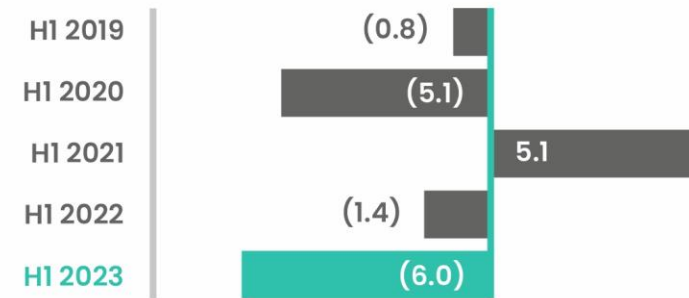
## Revenue (£m)



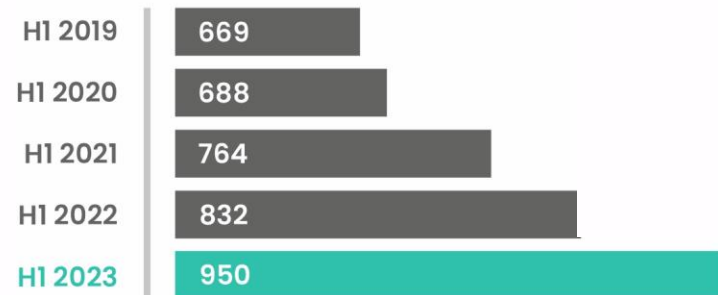
## Net cash<sup>2</sup> (£m)



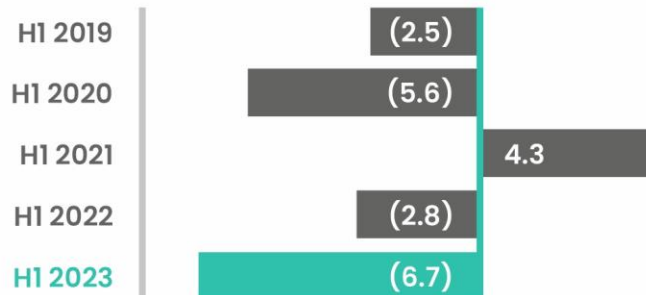
## Underlying (loss) / profit before taxation<sup>1</sup> (£m)



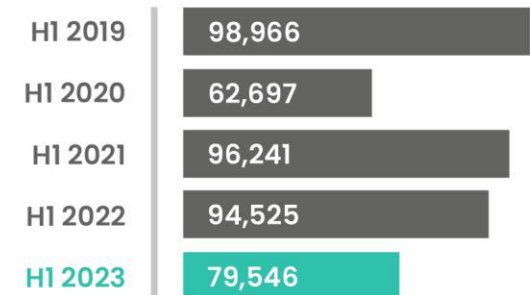
## Average frame price (£)



## Reported (loss) / profit before taxation (£m)



## Frames installed



# Financial overview

## **Revenue – volume reduction offset by price increases implemented to mitigate inflation**

- Revenue down 5.3% vs H1 22
- Frames installed 79.5k, -15.8% vs H1 22 with orders installed -8.3% and frames per order -8.4%
- Average frame price +14.2% vs H1 22 at £950 as price increases that were implemented during last year in response to cost push annualise.

## **Gross profit -16.1% and gross margin % 283bps lower YOY**

- Inflationary cost push on raw materials, energy, fuel and labour coming through
- Dilution in margin due to higher consumer finance costs linked to increased borrowing costs
- £1.5m higher cost (rate) variance on lead generation costs (all channels) versus H1 2022
- The above rate variance was partially offset by the benefit of order book unwind

# Financial overview

## **Operating Expenses +£1.3m vs H1 22, but annualised exit rate over £2m lower**

- TV campaign investment of £1.5m, £0.4m above H1 22 levels
- Wage inflation +6.7%
- Annualisation of H2 2022 IT investment
- Cost reduction and restructuring programme will deliver c£2.8m in reductions versus Q1 23 run rate

## **Underlying (loss) before taxation £(6.0)m – price gains offset by reduced volumes, cost push and TV investment**

## **Net cash of £1.0m – reduced from £8.0m at end of 2022 in line with trading and the following working capital movements**

- £1.4m outflow due to reduced supplier terms from new profile provider (Linia)
- £0.5m outflow linked to cost reduction and restructuring programme
- £0.5m of capex – predominantly in IT



# Financial performance

Financials	H1 2023			H1 2022			H1 23 v H1 22 change in underlying %	
	Underlying £000	Non- underlying items¹ £000	Total £000	Underlying £000	Non- underlying items¹ £000	Total £000		
<b>Revenue</b>	74,115	-	74,115	78,250	-	78,250	▼	(5.3%)
Cost of sales	(57,868)	-	(57,868)	(58,886)	-	(58,886)	▼	1.7%
<b>Gross profit</b>	16,247	-	16,247	19,364	-	19,364	▼	(16.1%)
Other operating expenses²	(21,222)	(715)	(21,937)	(19,943)	(1,429)	(21,372)	▼	(6.4%)
<b>Operating (loss)</b>	(4,975)	(715)	(5,690)	(579)	(1,429)	(2,008)	▼	n/a
Finance costs	(1,008)	-	(1,008)	(833)	-	(833)		(21.0%)
<b>(Loss) before taxation³</b>	(5,983)	(715)	(6,698)	(1,412)	(1,429)	(2,841)	▼	n/a
Taxation			1,333			807	▼	n/a
<b>(Loss) for the period</b>			(5,365)			(2,034)	▼	n/a
Basic EPS (pence per share)			(3.9)p			(1.5)p		
Diluted EPS (pence per share)			(3.9)p			(1.5)p		
Cash and cash equivalents			4,041			17,327		
Borrowings			(3,071)			(4,305)		
<b>Net cash⁴</b>			970			13,022		

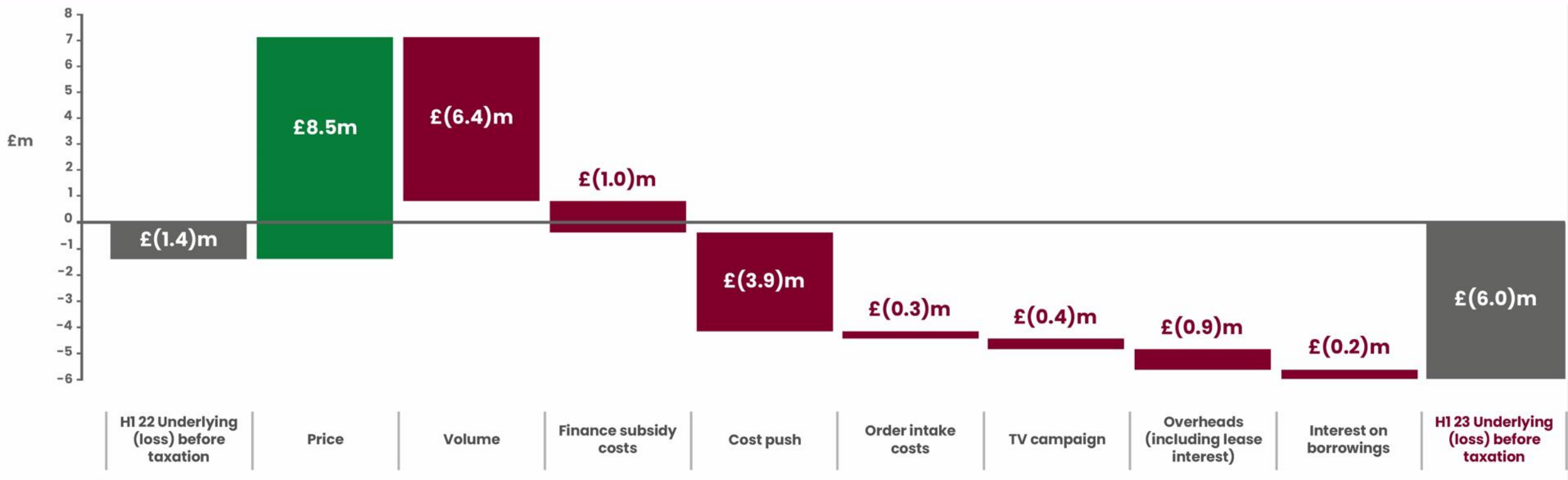
¹ See the non-underlying items section in the Financial Review of the 2022 Year end results announcement

² Underlying other operating expenses are defined in the 'Underlying performance measures' section of the 2022 Year end results announcement and the reconciliation between this measure and the GAAP measure is shown above

³ Underlying (loss) before taxation is defined in the 'Underlying performance measures' section of the 2022 Year end results announcement and the reconciliation between this measure and the GAAP measure is shown above

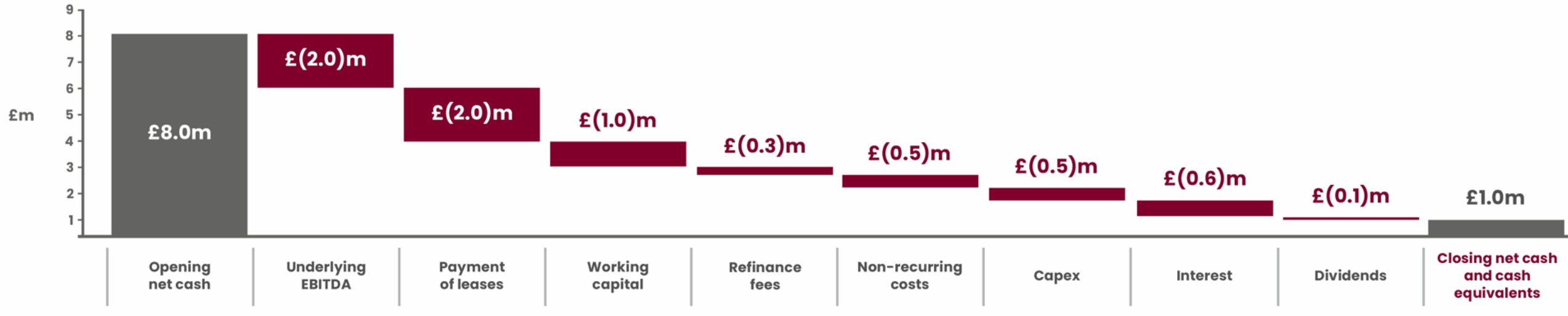
⁴ Net cash is cash and cash equivalents less borrowings

# Underlying (loss) before taxation bridge



- Price benefit of £8.5m predominantly offset by:
  - reduced volume (£6.4m);
  - Increase finance subsidy costs (£1.0m);
  - inflationary-driven cost push within margin (£3.9m); and
  - £0.3m increase in (net) order intake costs being lead generation (rate) partially offset by unwind of order book
- TV campaign costs represent £1.4m of investment in H1 (£0.4m increase YOY)
- Overhead costs driven by inflation – H1 exit rate materially reduced (£2.8m annualised) due to cost reduction and restructuring programme

# Net cash bridge



- Underlying EBITDA less lease payments of £(4.0)m
- Working capital outflow of £1.0m driven by changed payment terms to new profile supplier (Liniar)
- Non-recurring costs of £0.5m incurred as part of the cost reduction and restructuring programme
- £0.3m for fees as a result of the refinancing of our borrowing facility (renewed to end of 2026)
- Capex of £0.5m predominantly ongoing IT systems upgrades
- Interest paid of £0.6m on borrowings and leases
- Final dividend £0.1m

# Strategic roadmap

In the first half of the year, we have maintained focus on our strategic priorities and enablers

## 5 strategic priorities...

**Delivering our financial roadmap**

**Accelerating growth**

**Transforming the customer experience**

**Driving our operational performance**

**Leveraging sustainability and embedding compliance**



## ...and 2 enablers



**Developing our people and our culture**

**Maintaining secure systems that help transform our customer experience and drive productivity**

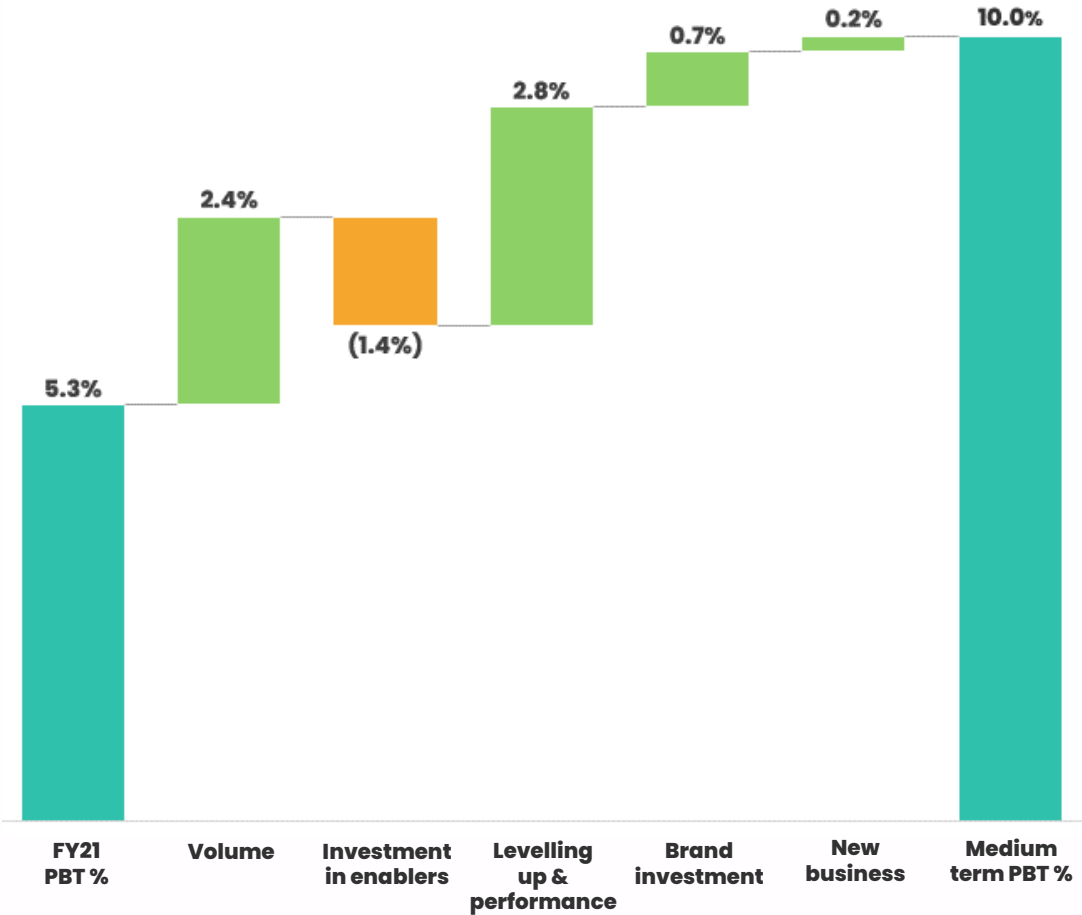
# Delivering our financial roadmap – this remains unchanged for the medium term

For the medium-term, the Group targets the following performance levels:

<b>Installation volume</b>  Safestyle CAGR of 4% & incremental new business  Accelerating growth Generating capacity Business development	<b>Revenue</b>  c.£200m*  Accelerating growth Generating capacity Business development	<b>Gross Margin</b>  34% target  Building our brand Getting it right Levelling up Raising productivity
<b>Underlying PBT</b>  c.£20m 10%+	<b>Operating Cashflow</b>  c.£22.5m p.a.	<b>Capital Allocation</b>  Funding growth M&A Dividends and buybacks

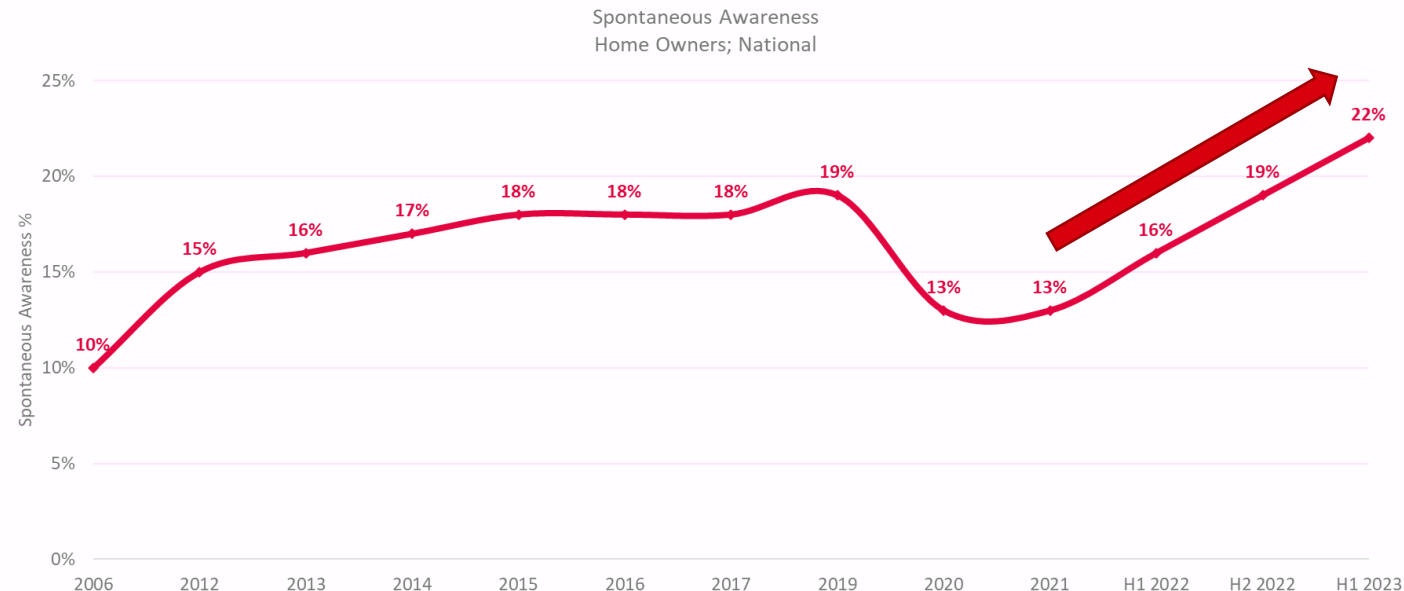
\* Revenue at FY21 pricing, i.e. not adjusted for inflation

With PBT % evolution as follows:



# Accelerating growth

- Q1 saw continuation of our modernised **'Safestyle Saves'** brand proposition fronted by David Seaman MBE, the former England goalkeeper.
- We continued our brand-building campaign with a further **TV advertising campaign** in Feb/Mar 2023 following 2 waves last year – **this represented a £1.4m investment in H1** driving a further 3ppts increase in unprompted brand awareness over 2022 – now at 22% nationally – our highest level ever.



Source: TNS, Home Owners, National





# Transforming the customer experience

We want to deliver a great customer experience every time for our thousands of customers by designing and implementing robust business processes, supported by modern IT systems and effective training.

**This is a phased multiyear initiative, which supports growth and reduces cost.**

**Our focus this year** has been to continue to drive improved customer service response levels alongside the introduction of a new system and process to manage customer complaints.

- **On time in full improved by 1.9%** over H2 22 in H1 23.
- **Call answer rate also improved by 8.2%** versus last year.



# Driving our operational performance

This strategic priority targets delivering consistency and improved results through **standardisation, training, best practice alignment and innovation.**

Our three initiatives are **'getting it right', 'levelling up' and 'capacity and productivity.'** During H1 2023, we...

- Embedded the transition to our new PVCu profile supplier, Liniar at the end of the year. Removed key risk and expanded range potential.
- Completed our **'Role Model Depot' training programme** for depot management.
- Commenced the rollout of a **stock management system** which will drive visibility, accuracy and facilitate us meeting our commitments to our customers.
- Continued our Safestyle Academy fast-track installer training programme. New cohorts targeted to join at end of the year.





# Leveraging sustainability and embedding compliance

## CO<sub>2</sub> emissions per frame installed

**Update:** 4.9% increase in emissions per frame, largely due to reduced average number of frames per job installed.

Our new offset programme started in December 2022. Taking this into account, **we are better than net zero.**

Reporting will continue to be on both measures to show progress as we work to reduce our own emissions as well as reporting the impact of offset programmes.

## Sustainability target 2: Zero waste to landfill by 2025

**Update:** 96% of all waste generated from all processes, including materials removed from a customer's home during an installation **was recycled, an improvement of 1.2ppts versus FY22** and we remain on track for our 2025 targets.



# People

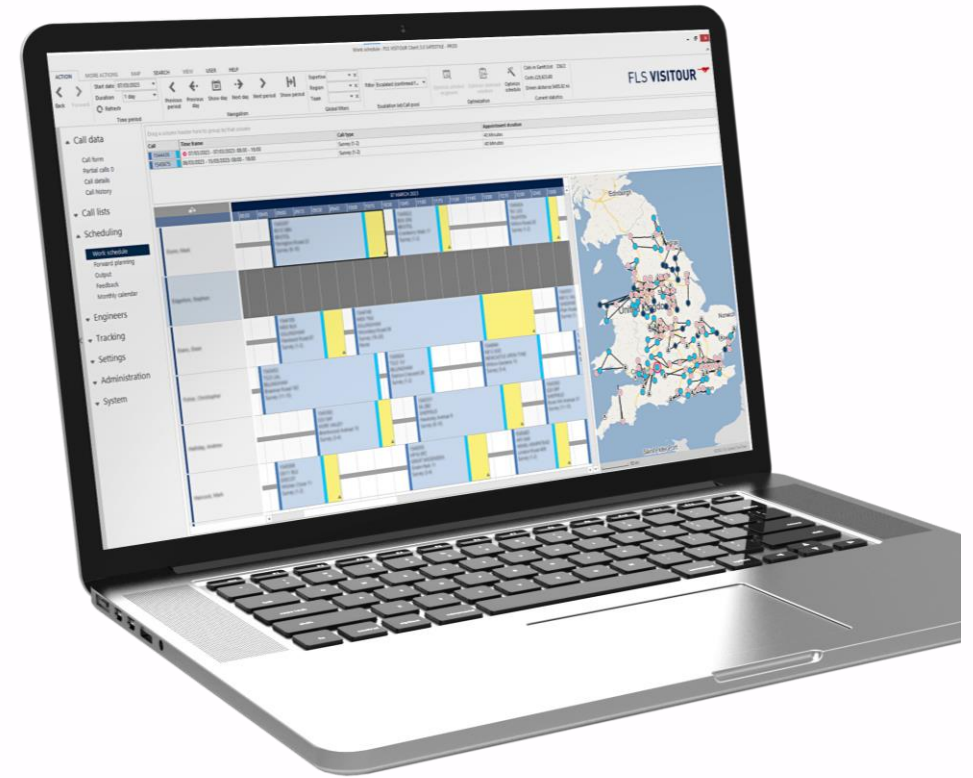
People represent the first core enabler to delivery of our strategic priorities and we have made good progress on many aspects of our People agenda.

- **Michelle Williams** was appointed to the Board as Chief People Officer on 1 March 2023.
- **Supported our people** as we:
  - Launched our new Employee Assistance Programme.
- Successfully **recruited, trained and retained talent** through:
  - Our Training Academy, Role Model Depot courses, new sales training module 'Purpose', enhanced technical training and we maintained our leading position for 'Minimum Technical Competency' of installers trained at almost 100%.
- Developing our working environment which welcomes and encourages diversity through events such as our **Women in Safestyle** forum.

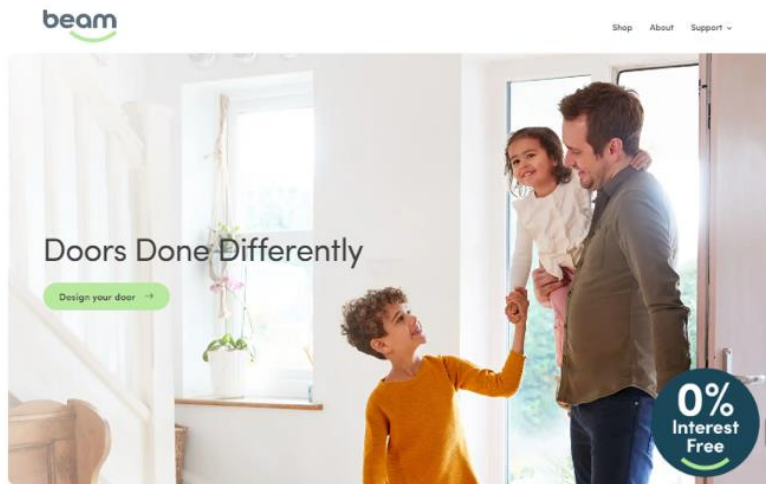


IT is the second key enabler to delivery of our strategic priorities. In H1 2023, we made progress on the following key items:

- **Supported** the embedding of systems following our Liniar profile switchover.
- **Developed** a new depot stock management system.
- **Upgraded** our call centre system.
- Commenced development of our **new website** (which went live in September).
- **Upgraded** our back-up & restore solution.
- Commenced work on a **new HR system**.



# With other opportunities beyond our core business



Buying your dream Beam door is Quick, Simple and Easy.

Just pick and click!

Design your door →



- In 2022, we launched our new concept brand – **Beam** – a **digital channel-only brand**.
- The proposition continues to focus purely on a composite door range offering.
- Test and learn programmes have continued to be run in H1 23.
- Fantastic customer feedback on Trustpilot (4.8 out of 5 stars – rated as 'excellent')
- New businesses such as this represent opportunities to access additional consumers.
- It is complementing our existing core **Safestyle** brand.

# Wrap up

- The first half of 2023 saw continued economic uncertainty and depressed consumer confidence, which resulted in another challenging period for the business.
- Our hard-working people have shown their ongoing dedication and resilience during this time.
- As outlined in our most recent trading update, we have continued to work hard to mitigate these ongoing headwinds and we remain focused on delivering on our strategic efficiency and cost reduction programme that will deliver annualised reductions of c.£2.8m.
- We are pleased that we continue to grow our market share and remain confident that the business is well-positioned to deliver a strong recovery when macro conditions improve.
- The volume of the UK's aging housing stock in need of repair remains one of the most compelling opportunities for the business in the medium-term and we believe that the progress made against our core strategic priorities will stand us in good stead as we look to the future as the UK's market leader.



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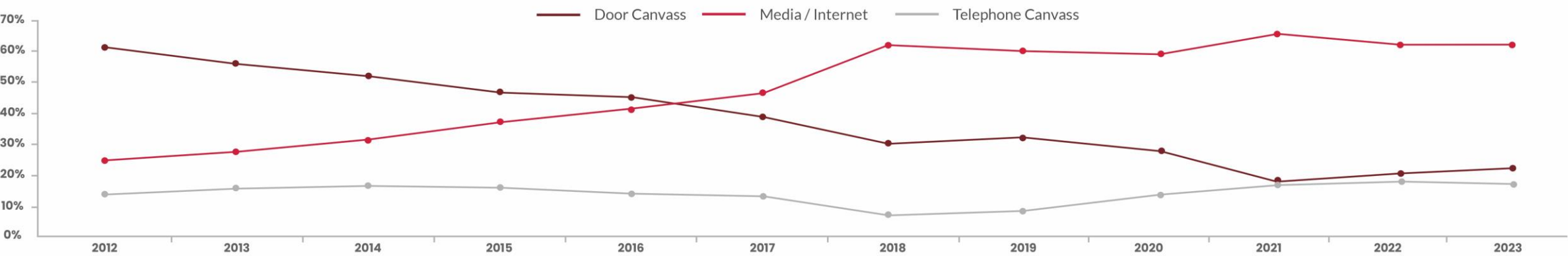
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# Appendices

# Lead source and regional KPIs

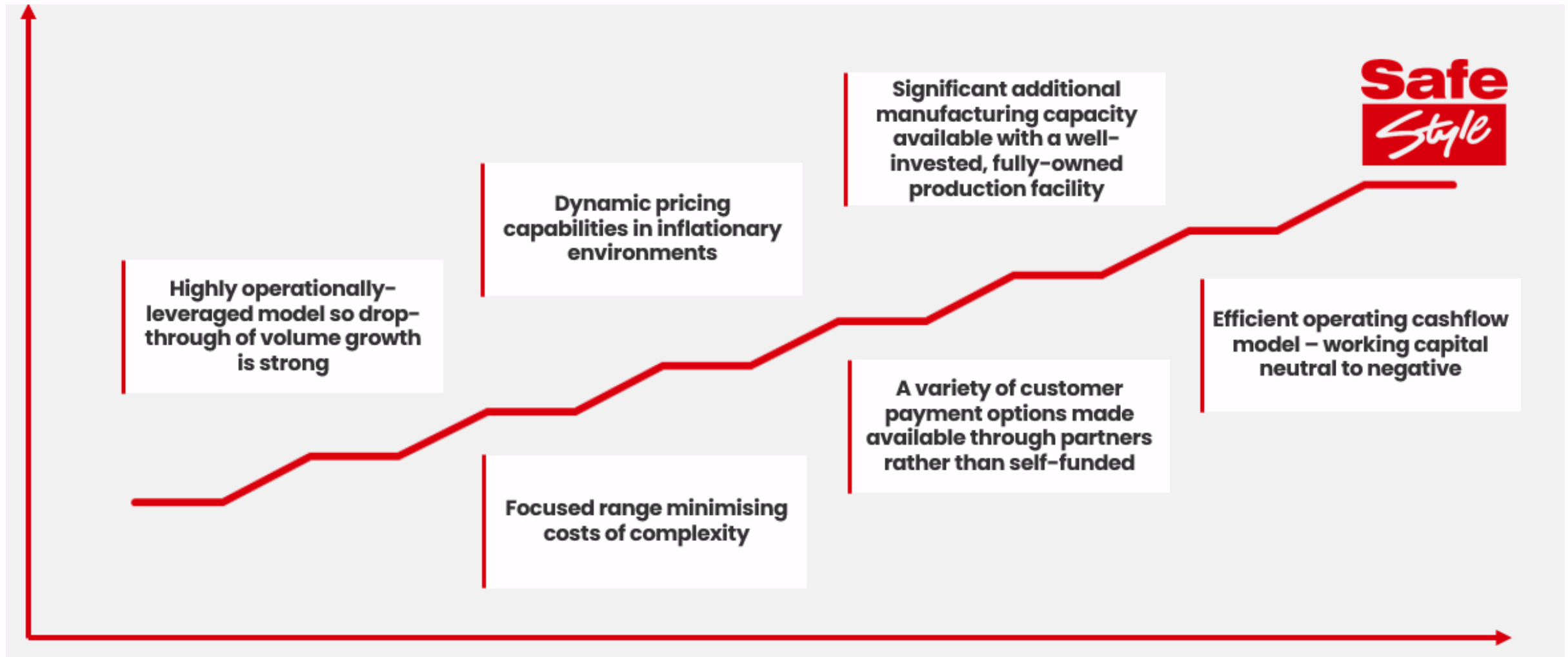
Lead source	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	H1 2023
Door Canvass	61%	56%	52%	47%	45%	39%	31%	32%	28%	18%	20%	22%
Media / Internet	25%	28%	31%	37%	41%	47%	62%	60%	59%	65%	62%	62%
Telephone Canvass	14%	16%	17%	16%	14%	14%	7%	8%	13%	17%	18%	16%



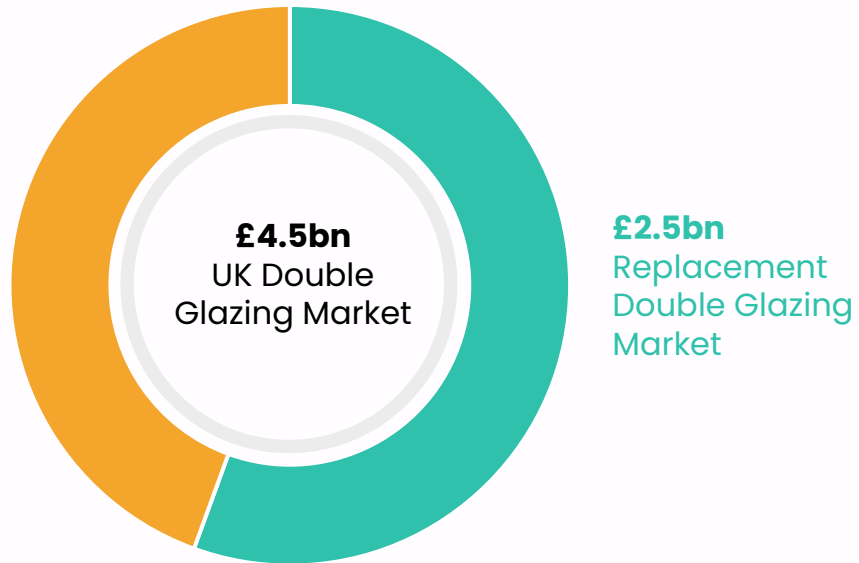
Region	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	H1 2023
North / Midlands	61%	59%	56%	58%	58%	57%	58%	63%	61%	61%	63%	61%
South	39%	41%	44%	42%	42%	43%	42%	37%	39%	39%	37%	39%



# The financial strengths of the business model



# Market overview



Source: FENSA

The wider windows & doors market covers residential, commercial, industrial and public sector, and is valued at c.£4.5bn per annum

The replacement double glazing market accounts for more than 50% of the entire UK double glazing market at c.£2.5bn per annum



The replacement double glazing market consists of the following:



Safestyle operates with a focussed portfolio which enables us to be innovative without diluting effort and effectiveness

# Our customers

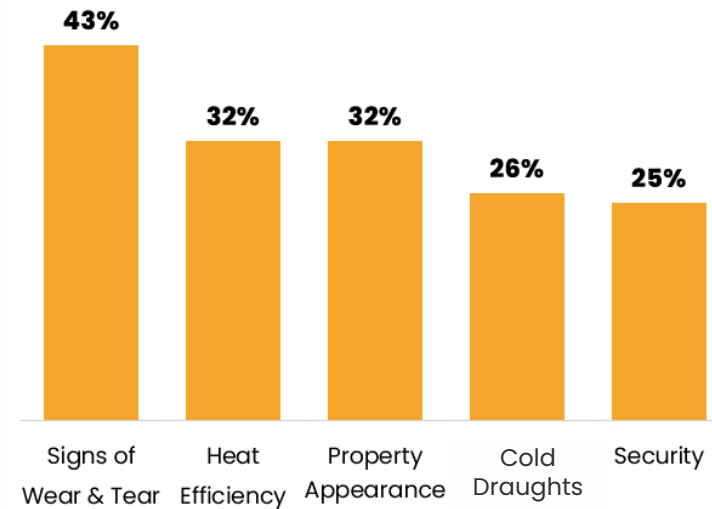
## Who are they?



- Home owners
- Average age 52
- Purchases made only once or twice in customer's lifetime

## Why are they buying?

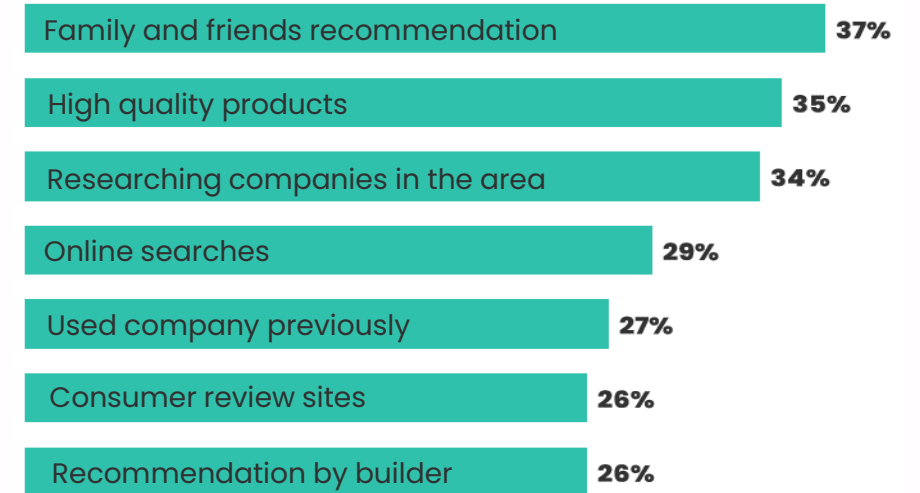
Reasons that customers buy new double glazing



- Necessity driven by energy costs / cold and security
- Aesthetics do play a role

## How do they buy?

How did you go about creating a shortlist of companies to get a quote from?

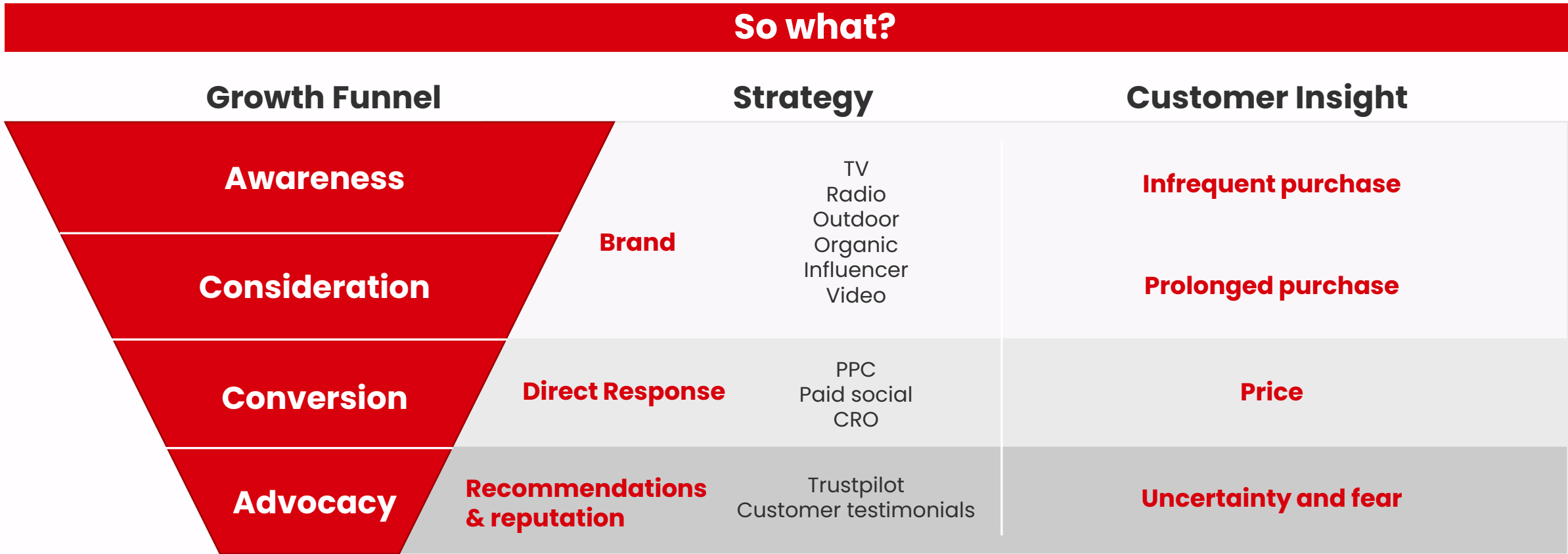


Source: Bryter

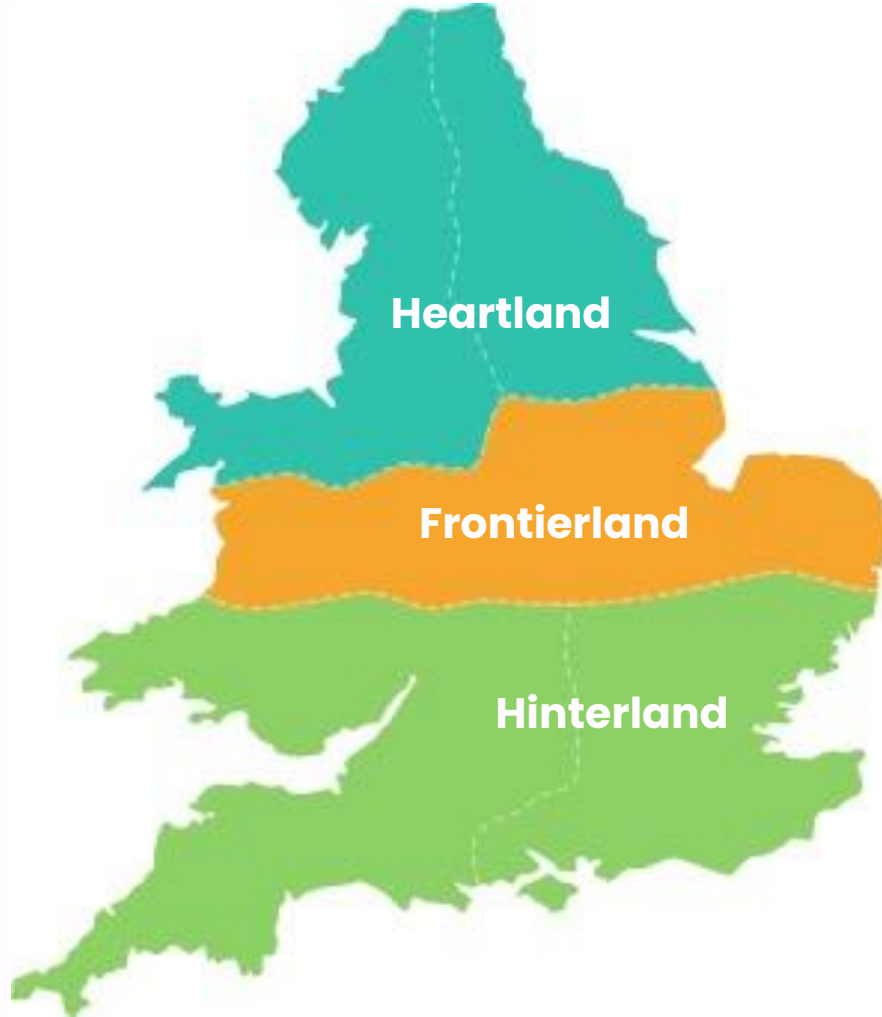
- Often an extended purchase process
- Consumers identify a small group of companies to consider
- Price is the main factor in the decision
- Personal recommendations and reviews weigh heavily

# Our formula for growth

Our formula for growth is based on the insights identified from our detailed research and helps us target our marketing strategy



# Expanding our footprint



**We will be growing our geographical presence by expanding our branch network and canvass sales in selected locations**

**New sales branches deliver the following benefits:**

**Incremental growth in door canvassing**

**Service increased demand generated by brand activity**

**Extra competition improves branch KPIs**

**Our methodology for opening branches follows the below:**

- Major population centres
- Alignment with brand investment
- Fit capacity
- Depot proximity
- Mosaic & search trend data