



Purmo Group Plc January–September 2022 results

10 November 2022

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CEO

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CFO



July–September 2022:

Adjusted EBITDA decreased, additional measures taken to support reaching our financial targets

Weakening market environment, in particular Radiators

Continued ICS sales growth supported by solution sales

Margin pressure from lower volumes and higher raw material costs

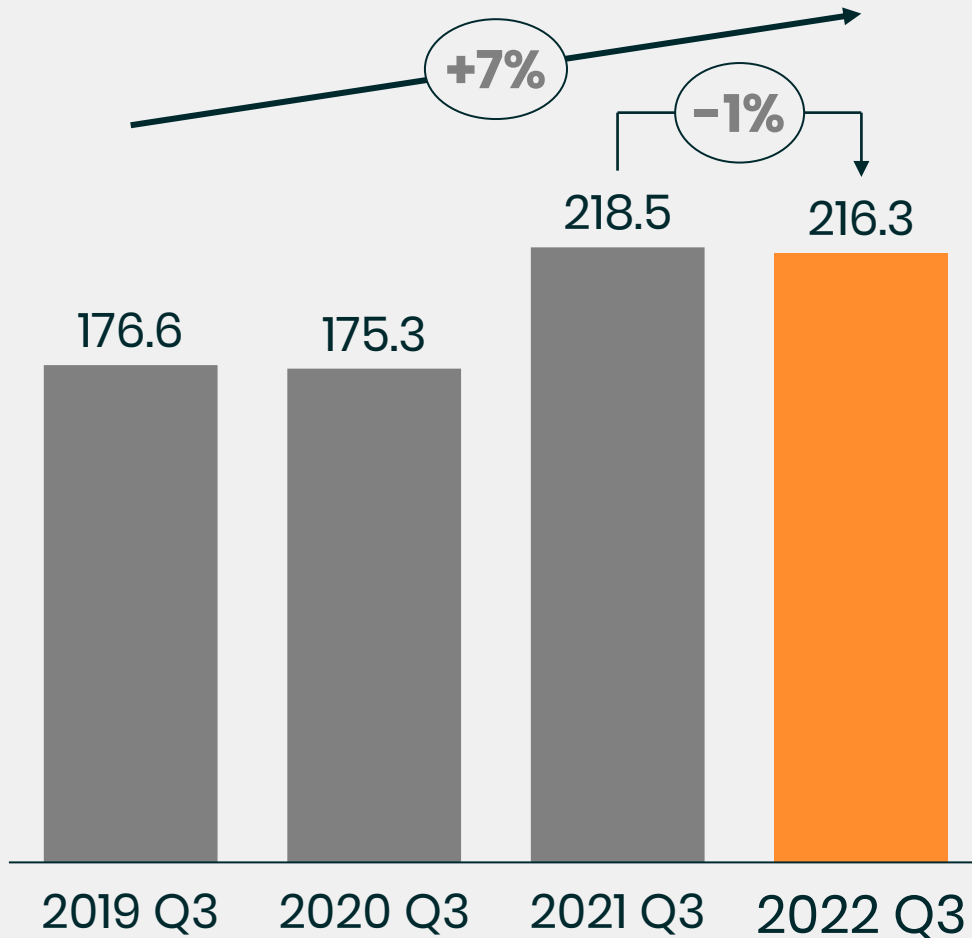
Accelerate PG programme and new organisation*

Guidance for 2022 updated, additional measures taken to improve profitability

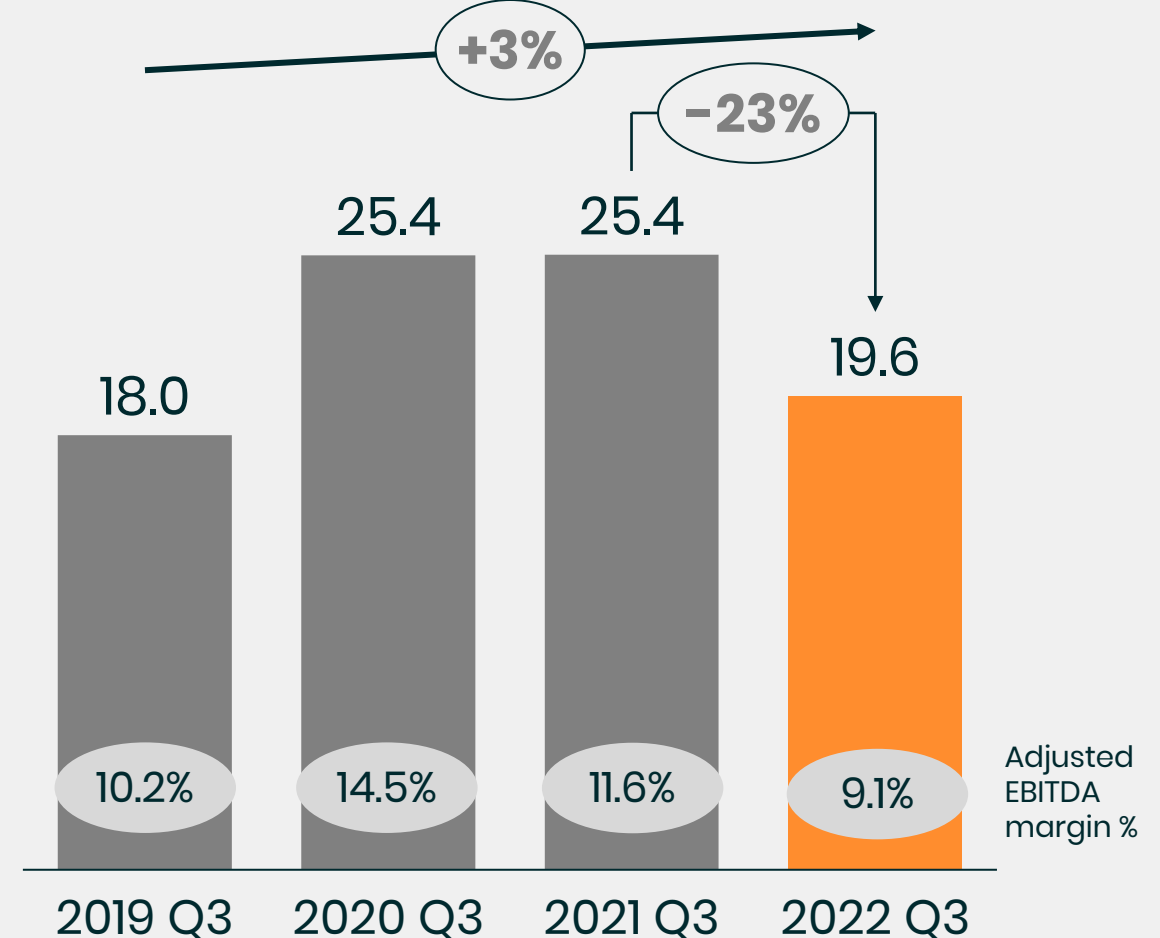
**after the review period*

Q3 2022 | Stable sales and decline in adjusted EBITDA

Net sales, MEUR

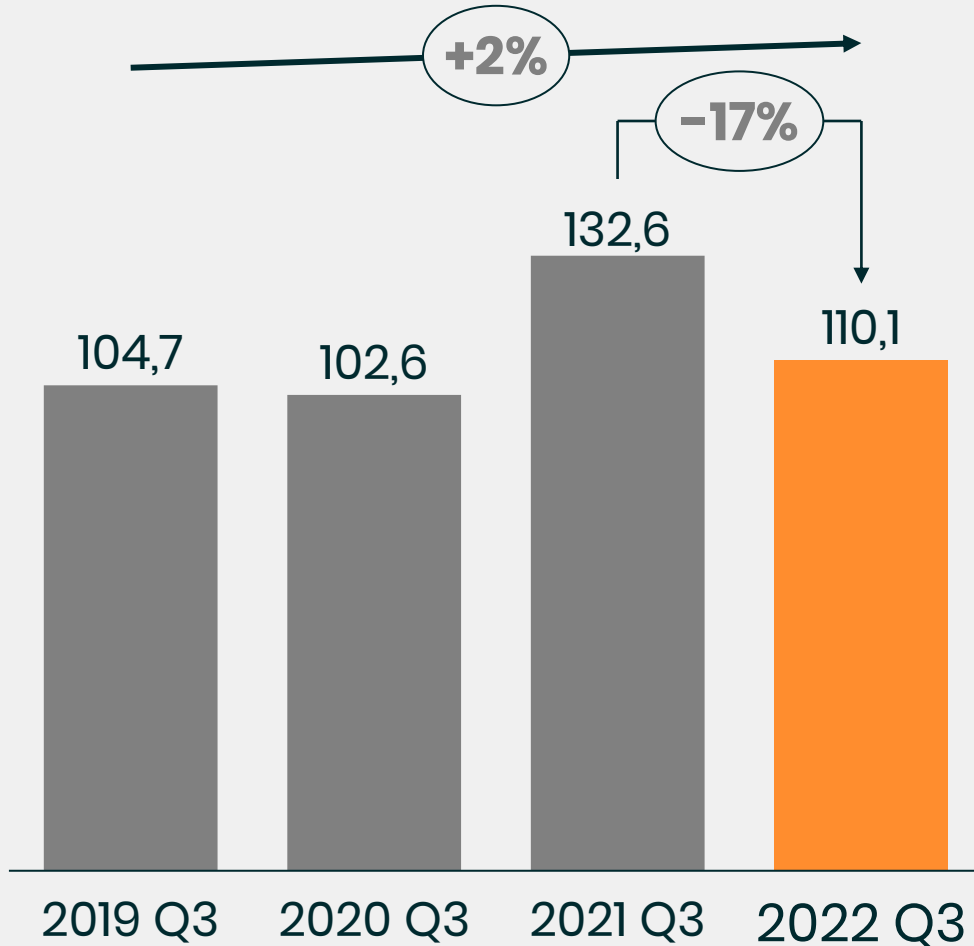


Adj. EBITDA, MEUR

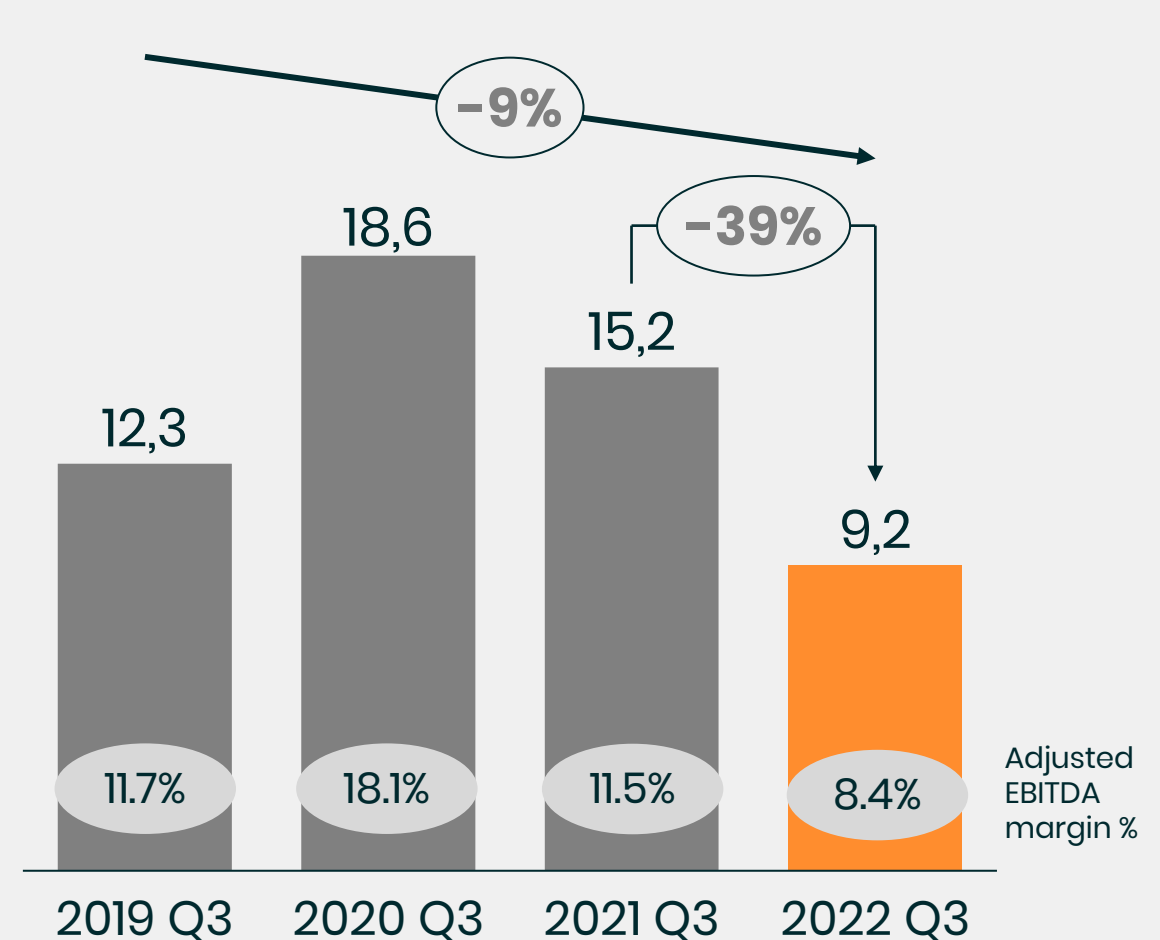


Radiator division | Adjusted EBITDA decline driven by lower demand and sharp supply chain correction

Net sales, MEUR

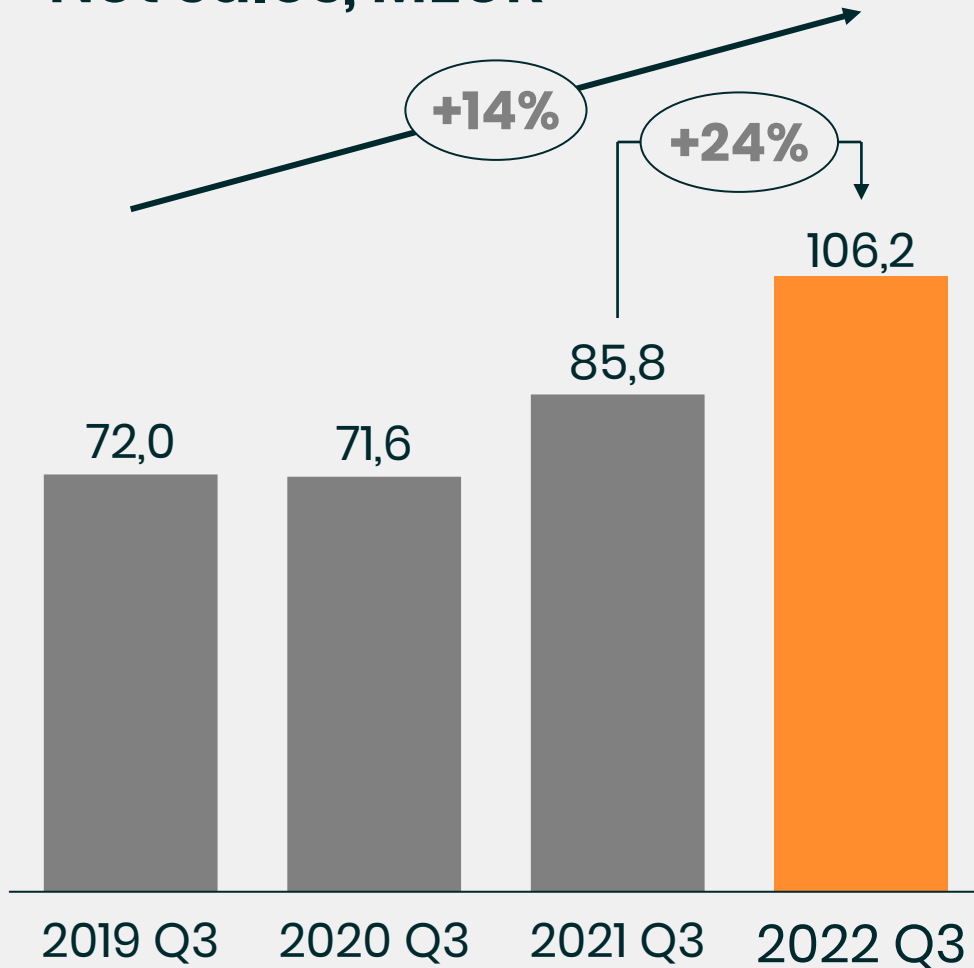


Adj. EBITDA, MEUR

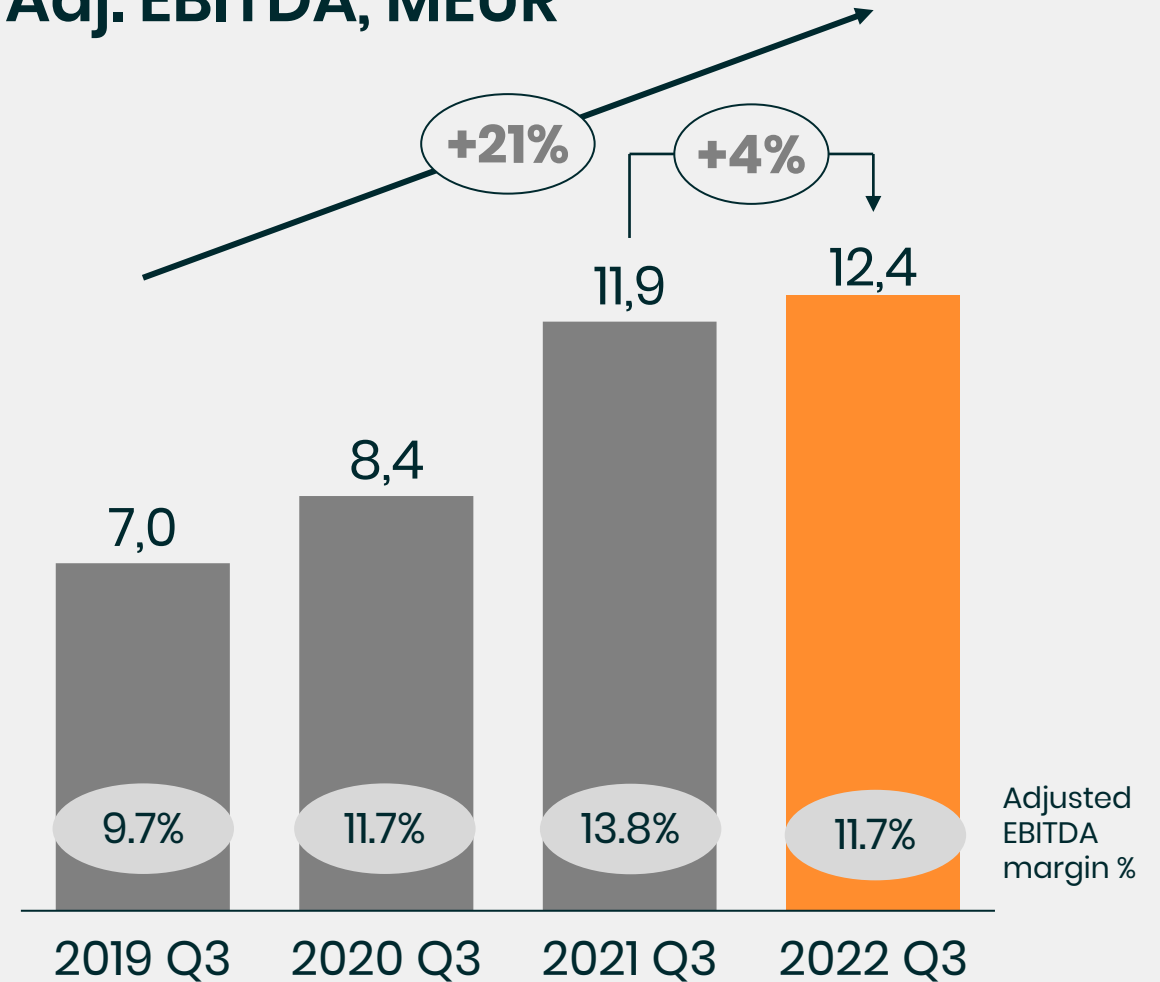


ICS division | Growth in Indoor Climate Systems continued

Net sales, MEUR



Adj. EBITDA, MEUR



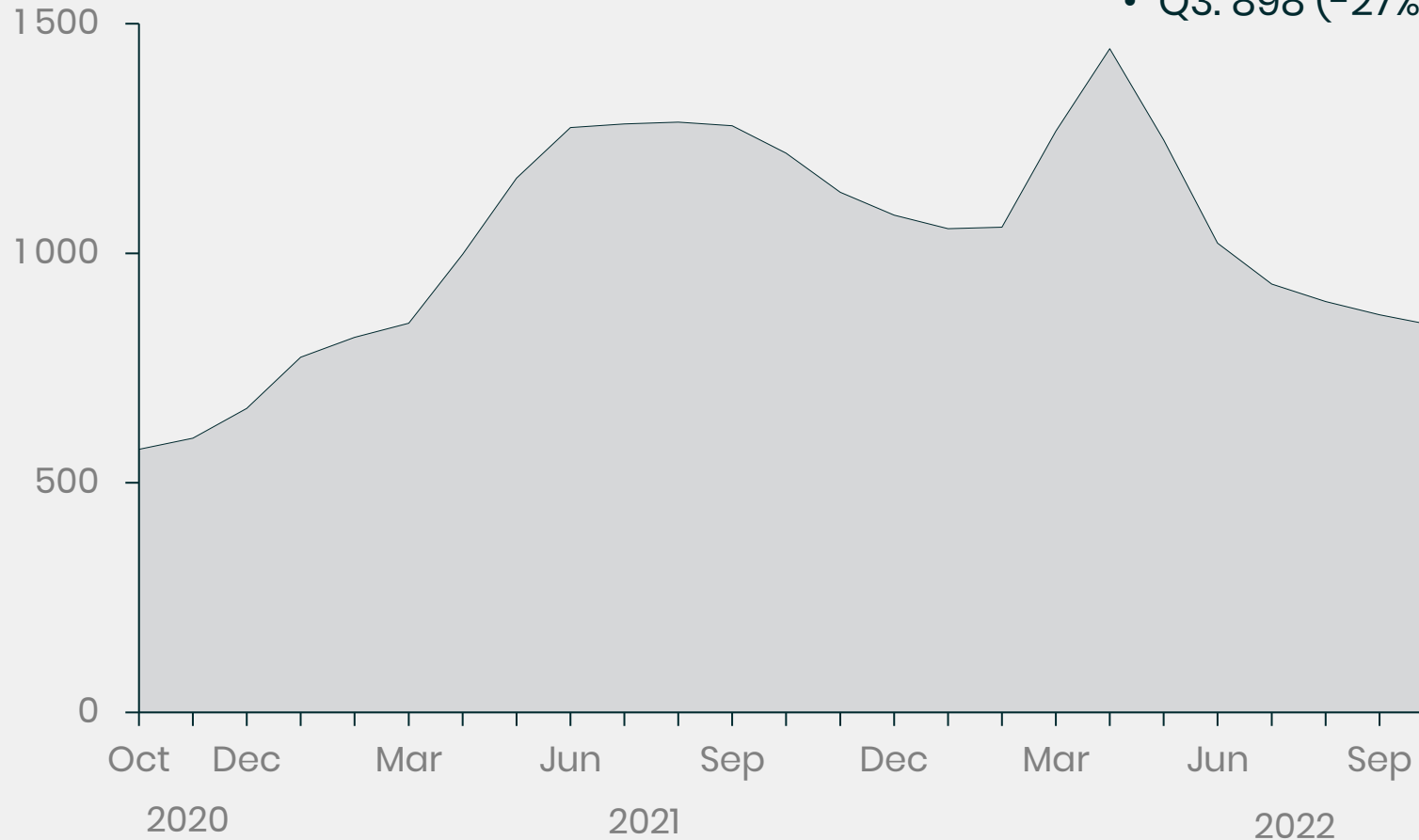
CRC steel prices | Market price decline resumed in Q3 2022

Cold Rolled Coil Steel price

Monthly EU average (EUR/ton)

2022 QTR average (QtQ change)

- Q1: 1,126 (-2%)
- Q2: 1,238 (+10%)
- Q3: 898 (-27%)



- Market price for steel continued to decrease during Q3 2022
- Purmo Group's steel purchase cost is based on previous quarter's average market price
- Purchase cost for Purmo peaked in Q3 2022

Good progress in strategy execution

Solution selling

- **Emmeti** (Italy), continued strong sales growth of system sales
- **Thermotech** (Nordics) synergies from integrating product offering

Smart products

- Demand for our **heat pumps** continued strong
- Fan-assisted radiators for **low-temperature heating**
- Increased demand for **electric radiators**

Growth markets

- **China** double-digit sales growth despite COVID-19 lockdowns
- **Russian** exit progressing

Operational excellence

- Rapid **cost actions** in the Radiators division in response to weak market
- Continued **sales price increases** to mitigate continued cost inflation

People and culture

- **Solutions Selling** training programme expanded into France, focusing on both sales and product management

Sustainability

- Good progress against ESG targets, including committing to **Science Based Targets** to reach net-zero GHG emissions by 2050

Solution case study – Installation

Residential building in Reggio Emilia, Italy: 140 m² with existing low-level of insulation and underfloor heating

Heating system renovation included:

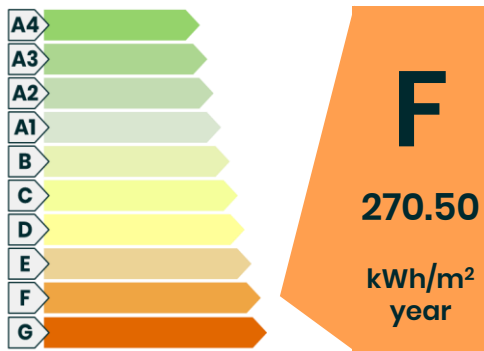
- Replacement of gas boiler with a heat pump
- Energy management from the Febos System
 - The Febos 4.0 is an **energy management** system allowing complete management of the heat pump and the comfort of the home
 - Allows **remote monitoring** to support the end user to obtain maximum comfort with the lowest consumption
 - Purmo Group **proprietary technology** sold under the Emmeti brand
- Installation of photovoltaic panels (solar panels) with a capacity of 8 kilowatt peaks



Solution case study – Energy improvement

Residential renovation in Reggio Emilia, Italy: 140 m² with existing low-level of insulation and underfloor heating

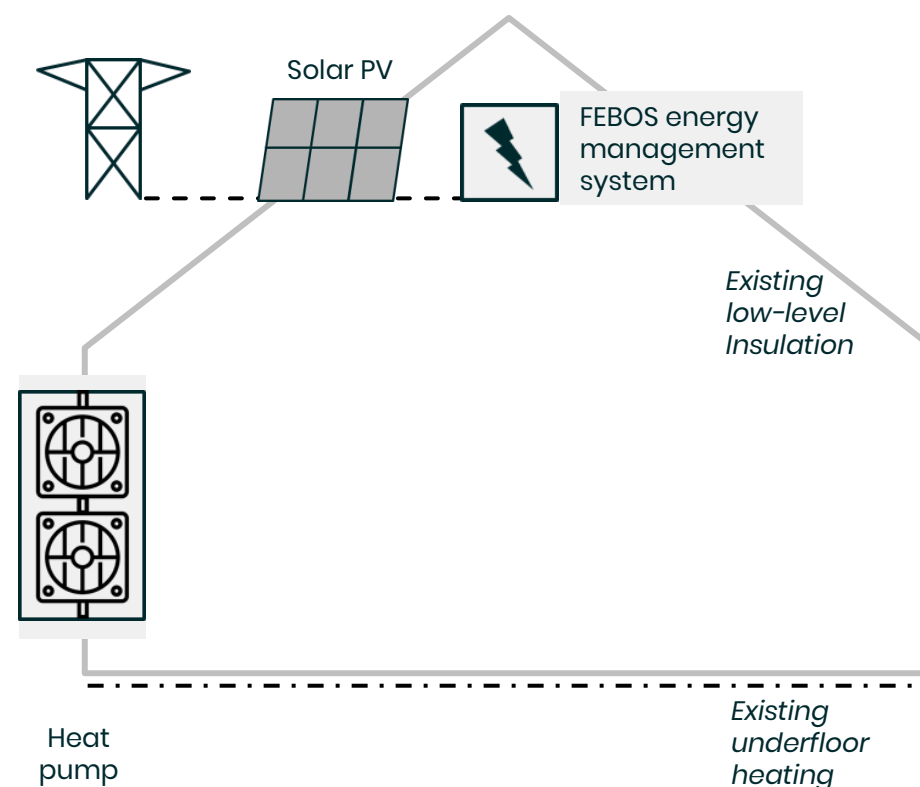
Energy label before



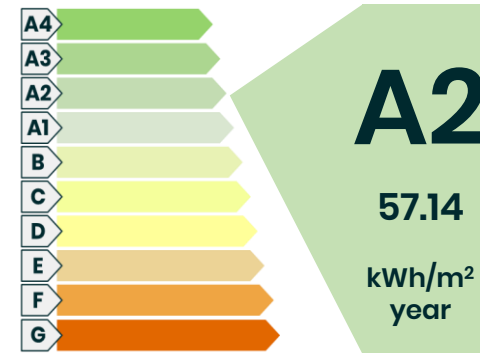
Before the renovation:

Energy used, kWh / m ² / year	270.5
CO ₂ emissions, kg / year	7 558
Annual energy cost, EUR	5 298

Purmo Group's sustainable indoor climate solution



Energy label after



After the renovation:

Energy used, kWh / m ² / year	57.14
Savings, kWh / year	213.36
CO ₂ emissions, kg / year	1 819
Savings, CO₂ kg / year	5 738
Annual energy cost, EUR	2 294
Savings, EUR / year	3 004
Required investment, EUR	28 000
Pay-back time without incentives, years	9.3
Pay-back time with 110% incentives	0

July–September 2022 financial overview

Net sales

216.3

MEUR,
-1%

Q3/2021: 218.5

Adj. EBITDA

19.6

MEUR,
-23%

Q3/2021: 25.4

Adj. EBITDA

9.1%

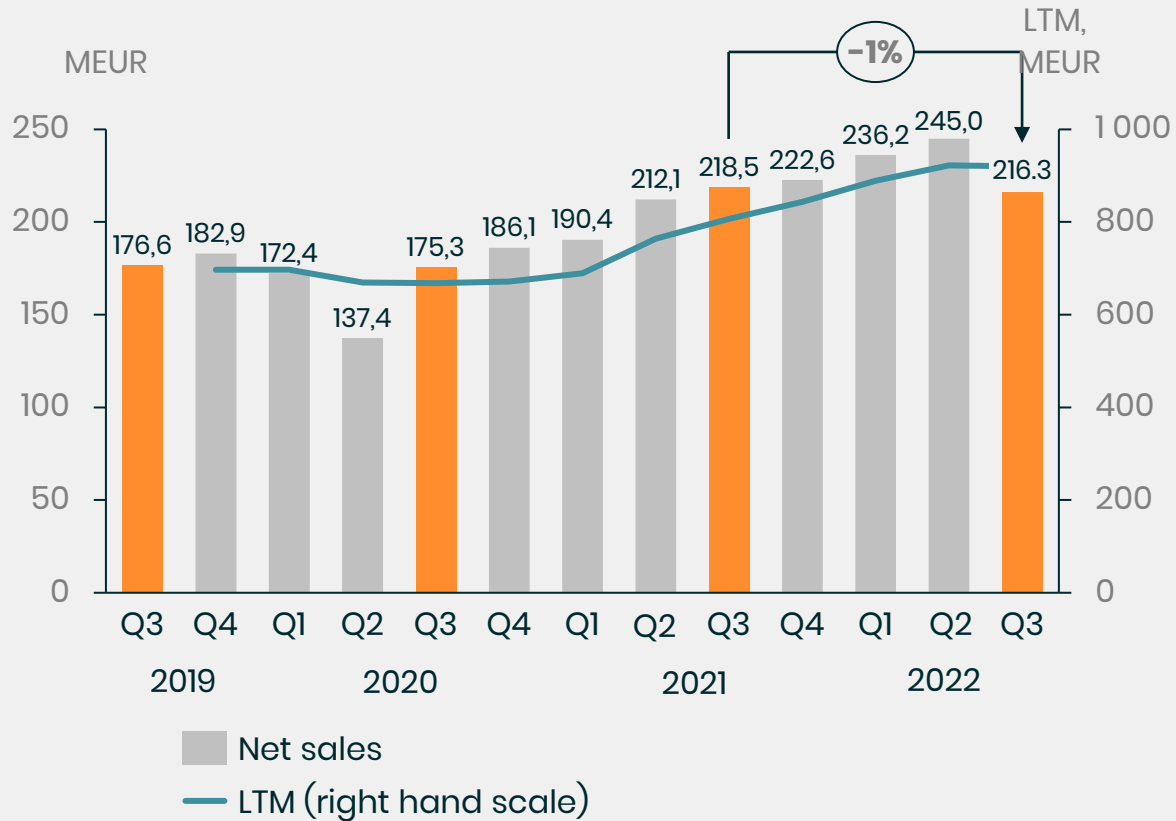
margin

-2.5 ppt

Q3/2021: 11.6%

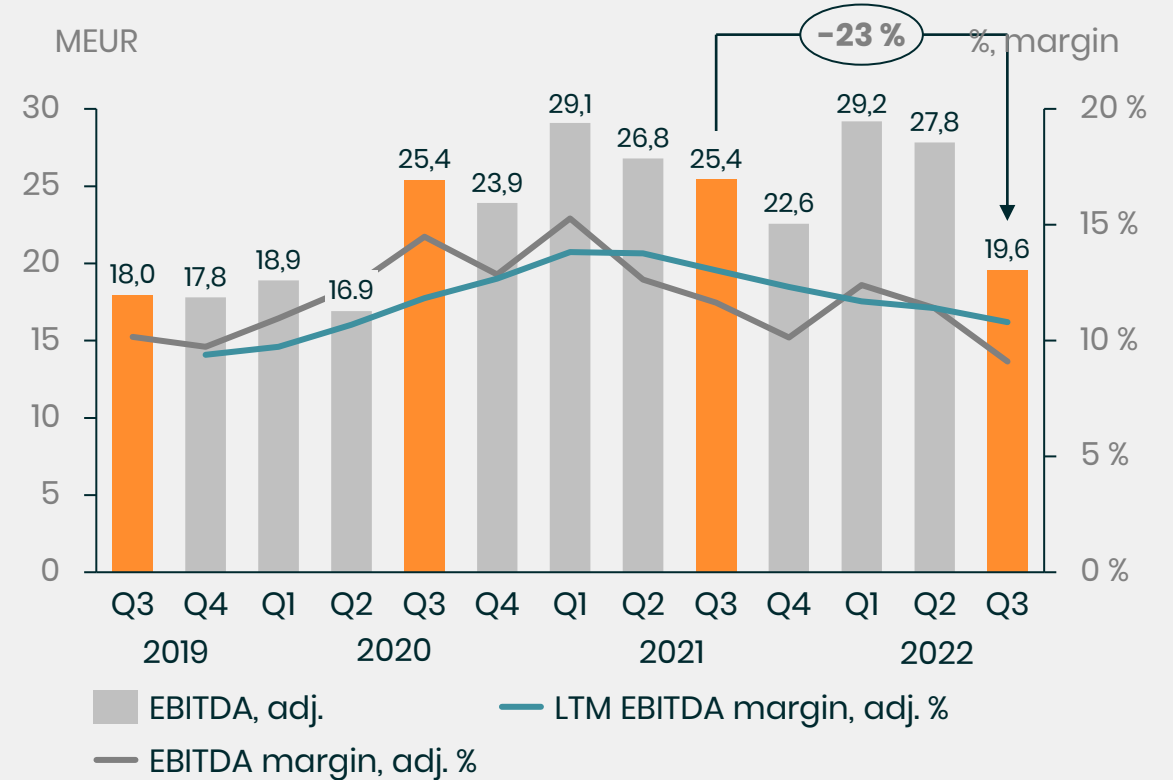
Purmo Group

Net sales



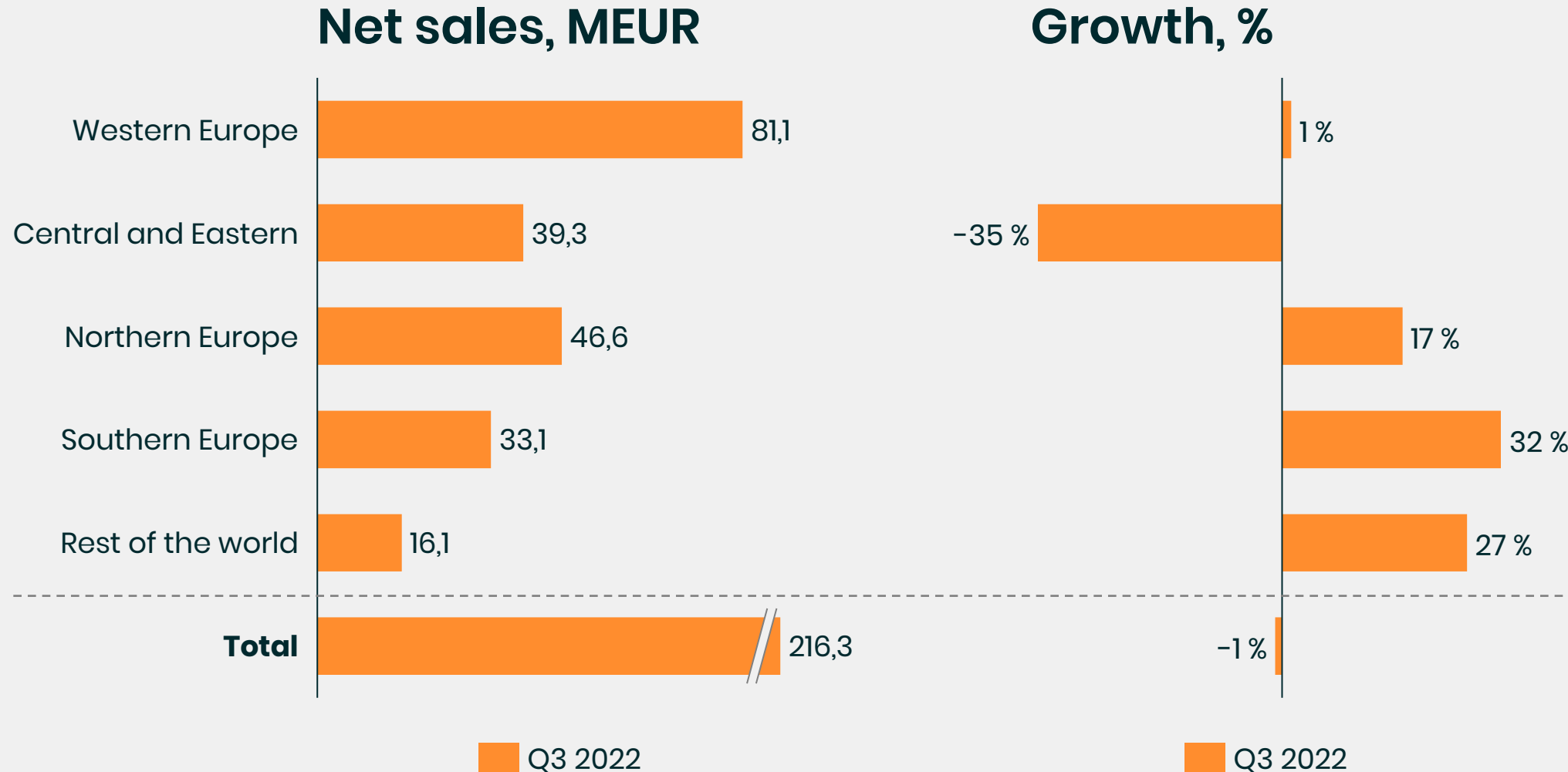
- Organic sales -5% in Q3 2022, RAD division weakness partly offset by ICS
- Acquisitions +3% due to Thermotech
- Net currency +1%

Adj. EBITDA



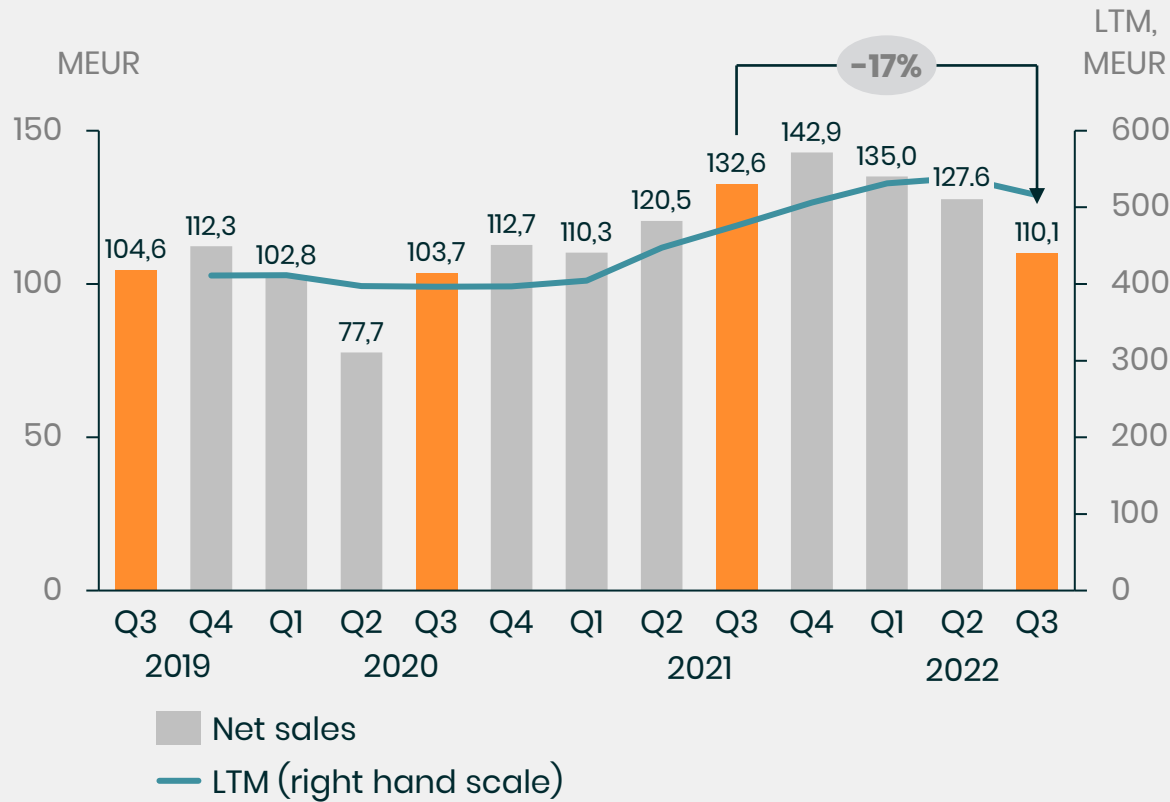
- Adjusted EBITDA margin reached 9.1% in Q3 2022 (11.6%)
- Margin impacted by lower production volumes in RAD and high raw material prices in both divisions
- RAD continued to adjust cost structure and both divisions implemented price increases, will effect in Q4 2022

Net sales growth by geographical area



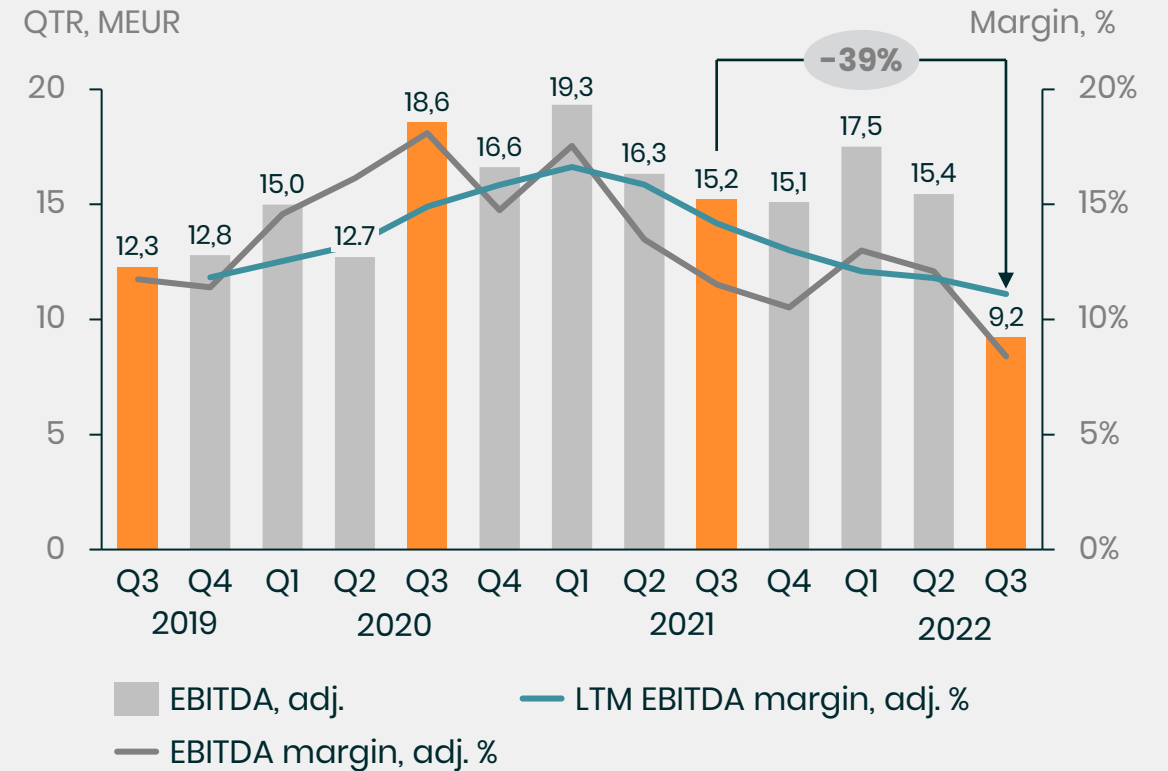
Radiator division

Net sales



- Organic sales decline -19% in Q3 2022, Net currency +2%; acquisitions 0%
- Significant volumes decline, -33% in Q3, due to weak demand and sharp supply chain correction
- Sales/price mix improving +14% mitigating cost inflation

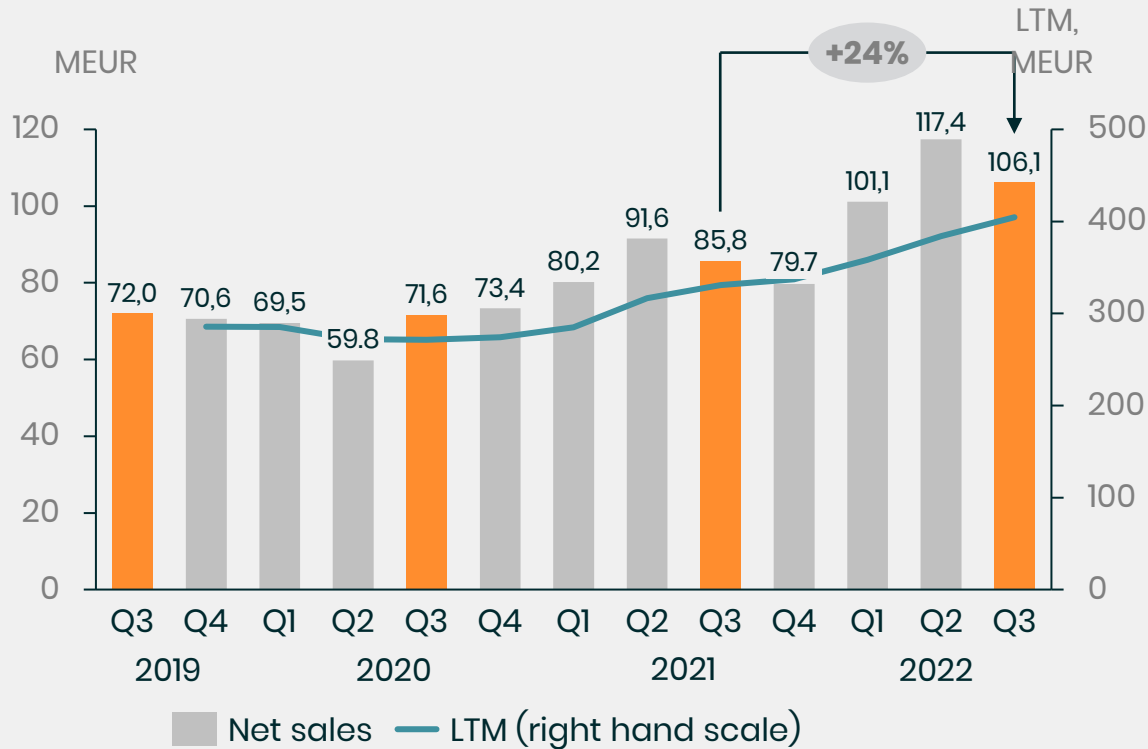
Adj. EBITDA



- Adjusted EBITDA margin was 8.4% in Q3 2022 (11.5%)
- Decline in margin as a result of lower production and sales volumes, combined with high raw material costs including steel
- RAD continued to adjust cost to lower volume levels, including workforce and increased sales prices to mitigate cost inflation

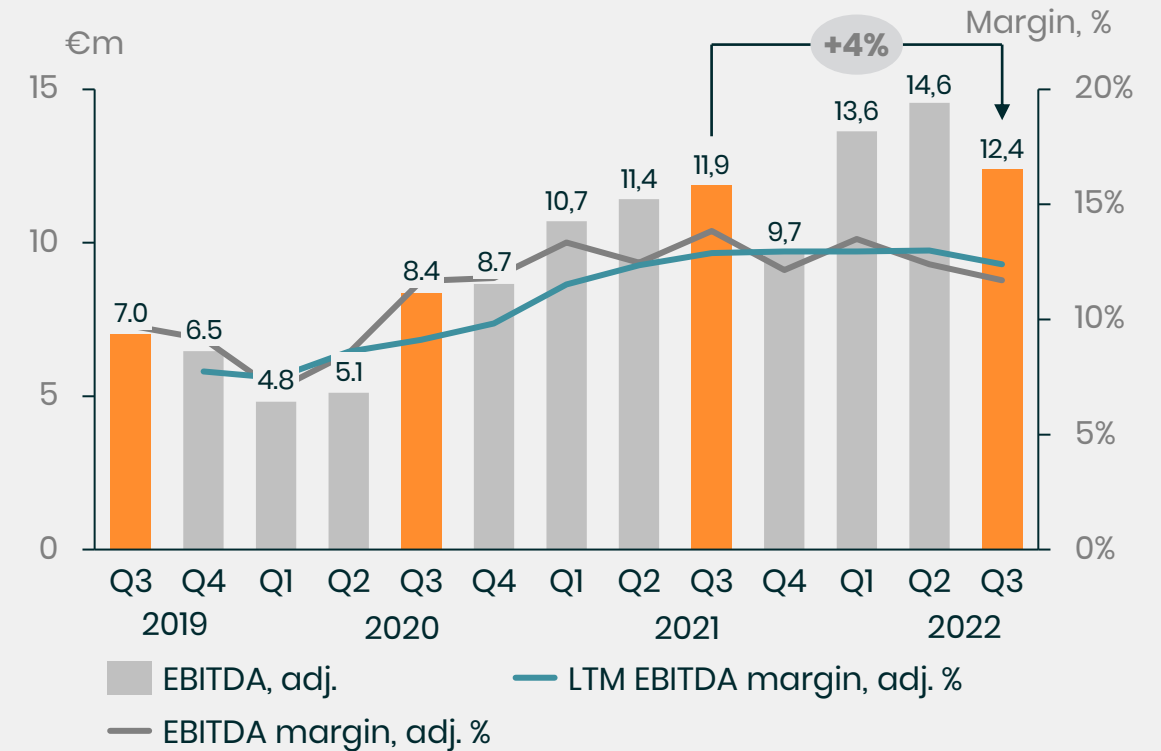
ICS division

Net sales



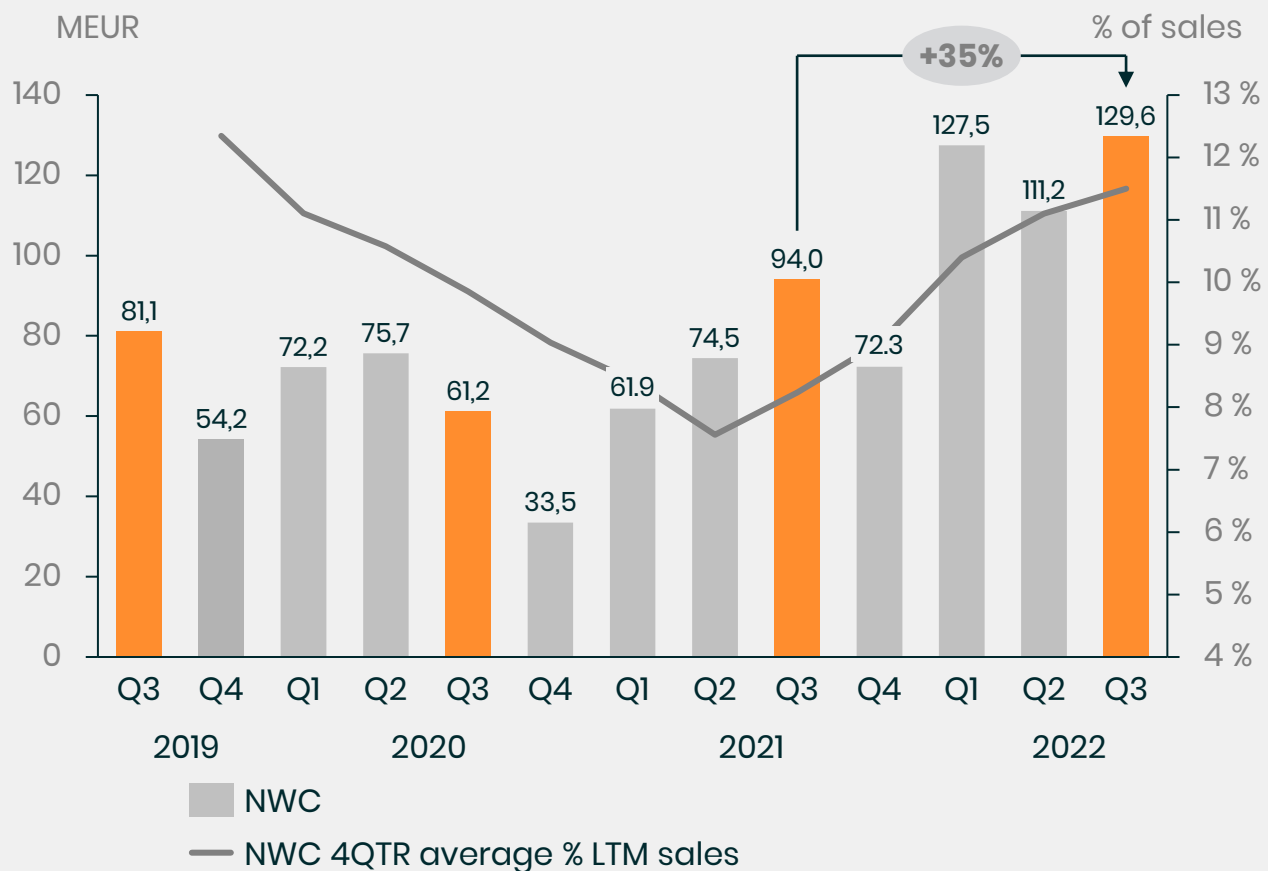
- Organic growth +17% in Q3 2022, Net currency +1%
- Acquisition of Thermotech contributed with +7% to sales growth
- Demand in all product categories remained on a moderate level
- Italian renovation market strong growth continued

Adj. EBITDA



- Adjusted EBITDA margin was 11.7% in Q3 2022 (13.8%)
- Profit improvement due to high demand in Italy, strong product mix of solar panels and heat pumps and sales price increases
- Margin adversely impacted by high costs in production, not fully compensated by price increases
- Thermotech contributed with EUR 0.7 million to ICS adjusted EBITDA

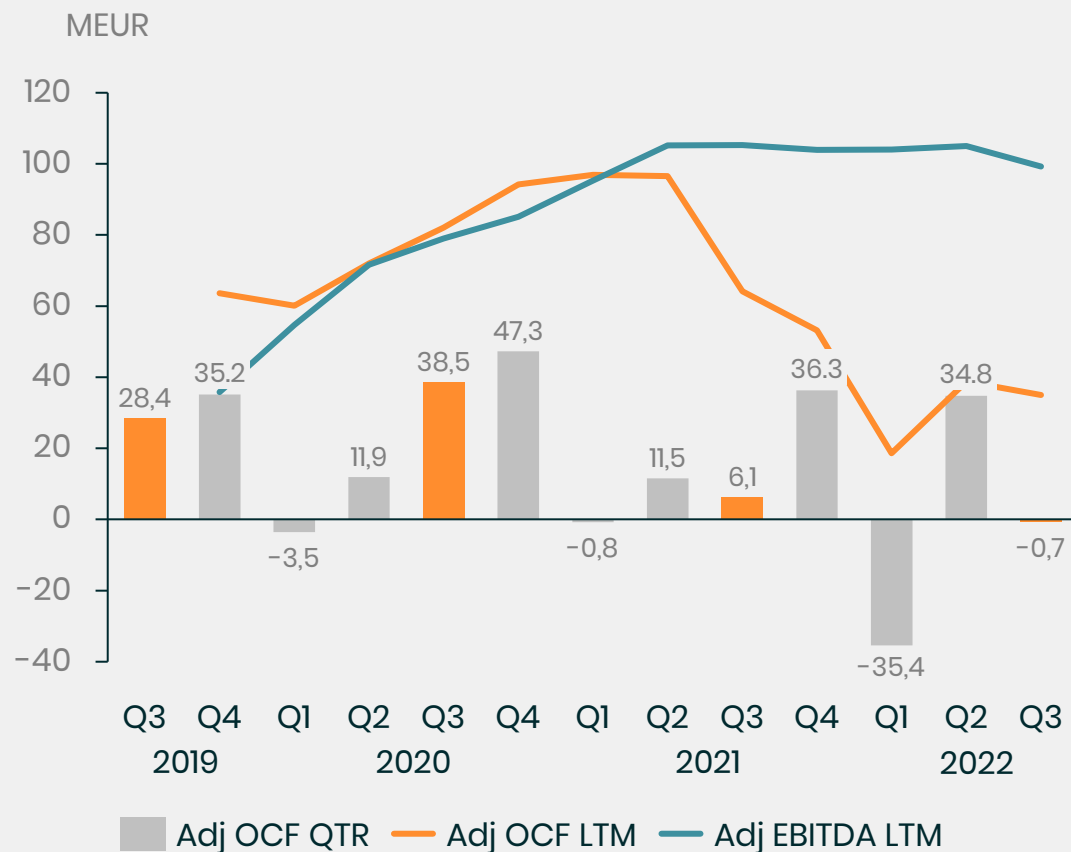
Net Working Capital



	Q3 2022	Q3 2021	Q2 2022
Net working capital			
Inventories	191.2	143.6	179.5
Operative receivables	154.0	164.2	129.9
Operative liabilities	215.6	213.7	198.2
Net working capital	129.6	94.0	111.2
% of sales, QTR	12.1%	11.0%	11.3%
% of sales, 4QTR average	11.5%	8.2%	11.0%



Adjusted Operating Cash Flow



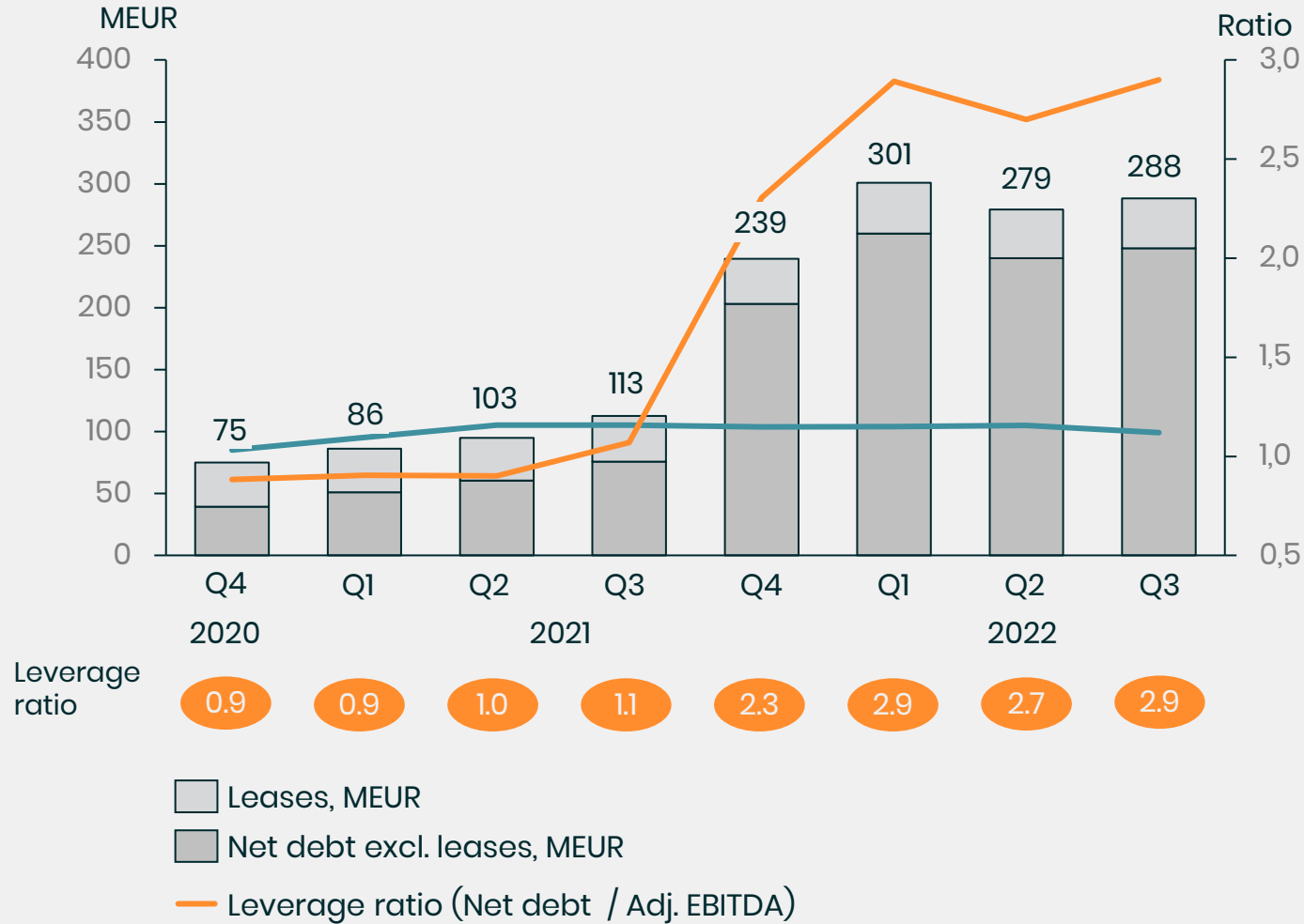
	Q3 LTM 2022	Q3 LTM 2021	FY LTM 2021
Adjusted EBITDA LTM	99.2	105.2	103.9
NWC change*	-43.7	-32.8	-35.9
Capex LTM**	-20.5	-11.1	-14.8
Adj OCF***	35.0	61.3	53.1
Cash conversion	35.3%	58.2%	51.1%

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

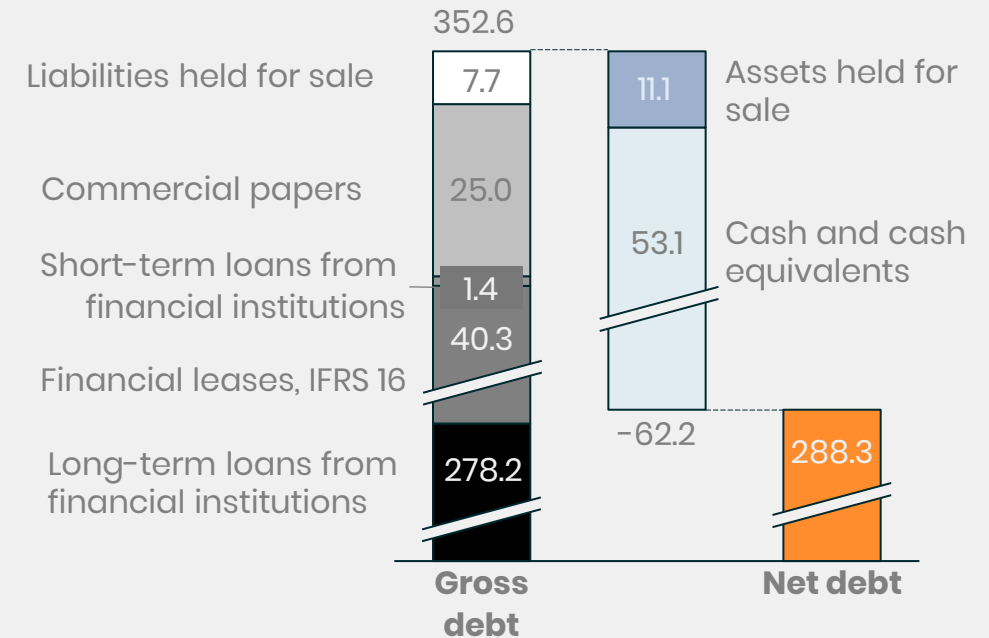
** Investments tangible and intangible assets, excluding acquisitions of companies

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

Net Debt



Distribution of gross and net debt (MEUR)



- Liabilities held for sale 30 Sep 2022: 7.7 MEUR liabilities option liability related to business in Russia
- Assets held for sale (cash) 11.1 MEUR related to business in Russia



Comparability adjustments

Comparability adjustments	7-9/ 2022	7-9/ 2021	1-9/ 2022	1-9/ 2021	2021	
IFRS 2 merger impact					52.3	Non-cash
M&A related transactions and integration costs	1.3		1.6	0.0	0.1	
Restructuring costs and one-off costs related to efficiency programs	-0.2	6.1	3.3 ⁽¹⁾	8.6	8.9	Partly non-cash
Formation of Purmo group and standalone preparations		2.2	0.3	2.9	6.6	
Management fee to owners and legacy Rettig Group incentive plans		0.6		1.4	2.4	Partly non-cash
Impairment and write-down charges			6.9			Non-cash (D&A impact)
Other		-0.4		-0.4	0.0	
Total adjustments	1.0	8.6	12.1	12.5	70.2	

⁽¹⁾ Includes EUR 3.8 million non-cash items

Net financials, depreciation and amortisation

Net Financial items	7-9/ 2022	7-9/ 2021
Interest net	-2.8	-0.9
Exchange gains and losses (FX and financing items)	-0.2	-0.4
Leases IFRS 16	-0.6	-0.5
Other financial income and expenses	-0.7	-0.3
Total	-4.3	-2.2
% of net sales	2.0%	1.0%

Depreciation and amortisation	7-9/ 2022	7-9/ 2021
Amortisation on intangible assets	-0.9	-0.7
Tangible assets	-5.1	-5.4
Impairment of intangible and tangible assets	-	-
Right-of-use assets (IFRS 16)	-2.0	-1.8
Total	-8.1	-7.9
% of net sales	3.7%	3.6%

Tax

Income tax expense, MEUR	1-9/ 2022	1-9/ 2021	2021	
For the financial period	-8.4	-6.3	-13.4	
Change in deferred taxes	-2.4	-5.4	-0.8	
Previous years taxes	0.5	0.0	0.4	
Total income tax expense	-10.2	-11.6	-13.7	
Effective Tax Rate adjusted for non-deductible items	23.3%	27.3%	27.0%	
Non-deductible items	Comments			
Profit before taxes	30.4	39.5	-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	3.2	-	-	Non-deductible restructuring costs related to the Irish subsidiary
China divestment	0.5	-	-	Sale of Chinese subsidiary
Trademark amortisation	2.7	1.8	3.6	Related to previous years' company structuring
PBT adjusted for non-deductible items	43.7	41.3	50.8	PBT adjusted for non-deductible items

Key figures

MEUR	7-9/ 2022	7-9/ 2021	Change, %	1-9/ 2022	1-9/ 2021	Change, %	2021
Net sales	216.3	218.5	-1%	697.5	621.0	12%	843.6
Adjusted EBITDA	19.6	25.4	-23%	76.6	81.3	-6%	103.9
Adjusted EBITDA margin, %	9.1%	11.6%		11.0%	13.1%		12.3%
EBIT	10.5	8.9	17%	40.5	45.3	-11%	3.5
EBIT margin, %	4.8%	4.1%		5.8%	7.3%		0.4%
Profit for the period	5.3	3.6	47%	20.2	27.9	-28%	-18.8
Cash flow from operating activities	-2.2	-2.4	-7%	-9.1	3.2	-387%	35.4
Adjusted operating cash flow, last 12 months ⁽¹⁾				35.0	61.3	-43%	53.1
Cash conversion %, last 12 months ⁽²⁾				35.3%	58.2%		51.1%

⁽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.

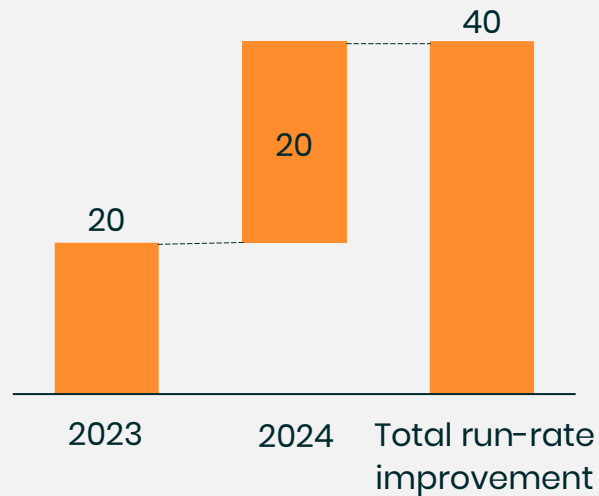
"Accelerate PG"

Strategy acceleration programme

Accelerate PG: Adjusted EBITDA run-rate improvements by 2024

Adjusted EBITDA run-rate impact – EUR 40 million (previous: EUR 35 million)

EBITDA run-rate improvements of EUR 20 million by the end of 2023 and cumulatively EUR 40 million by the end of 2024.



Profitability improvements to include:

- **Footprint optimisation** of manufacturing, warehouse and distribution facilities circa EUR 11 million
- **Overhead optimisation** of circa EUR 5 million
- **Sourcing** including purchasing savings and value engineering circa EUR 9 million
- **Pricing** for selected products of circa EUR 9 million
- **Growth** initiatives of circa EUR 6 million

Financial guidance for 2022 for adjusted EBITDA updated

- Adjusted EBITDA is expected to decline from 2021 (EUR 103.9 million) and to be between EUR 88 million – EUR 96 million.
- Net sales remains as announced earlier: For 2022, Purmo Group expects net sales to increase from 2021 (EUR 843.6 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	≤ 3.0x	Interest bearing net debt / Adj. EBITDA on a rolling twelve-month basis
Dividend ¹	≥ 40%	Distributed as a % of annual net profit

¹) 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

Q&A



PURMO

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