Purmo Group Plc January-December 2022 results

9 February 2023

John Peter Leesi
CEO

October-December 2022:

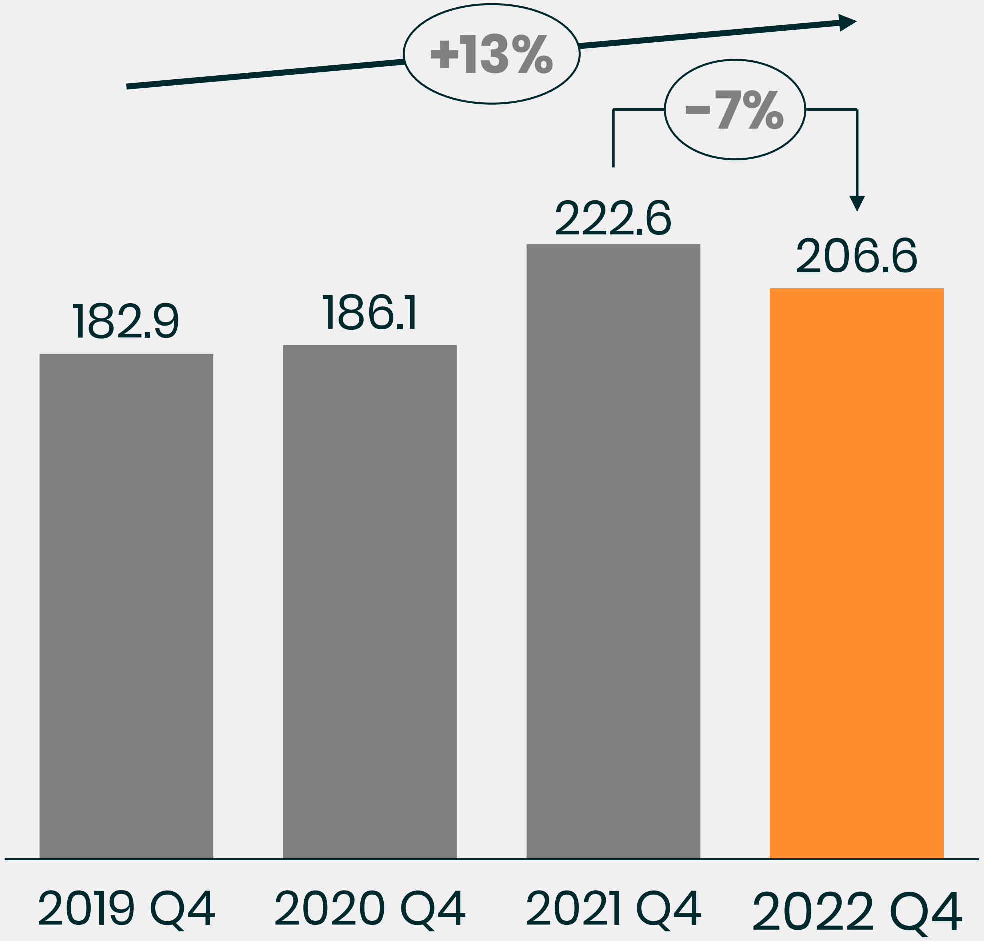
Strong earnings growth in the ICS business, Group performance impacted by weak demand in Radiators

Radiators business challenged by weak demand environment	Continued strong performance in the ICS business and solution sales	Accelerate PG progress according to plan	Financial guidance 2023

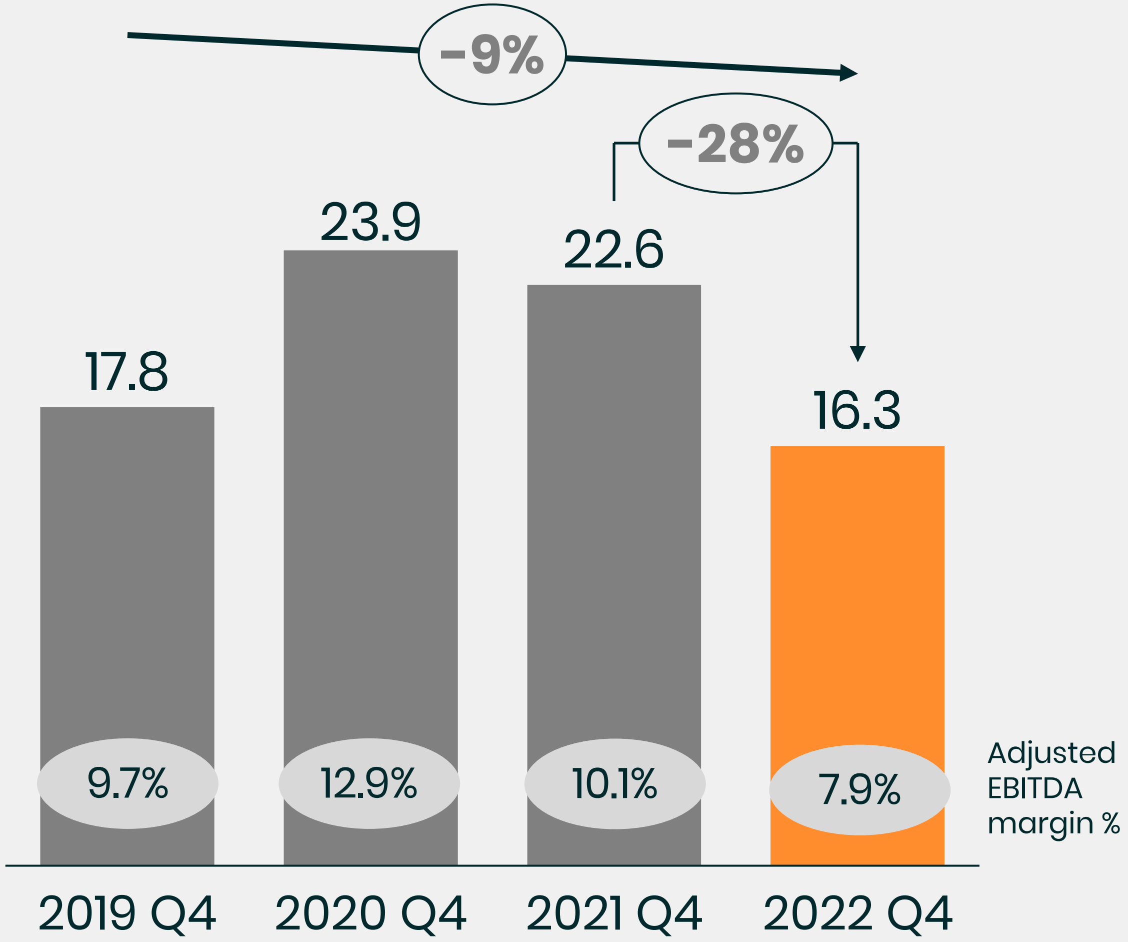
Proposed return of capital for 2022 is EUR 0.36 per class C share and EUR 0.07 per class F share. To be paid in four instalments in Q2 2023, Q3 2023, Q4 2023 and in Q1 2024.

Q4 2022 | Group performance impacted by weak demand in Radiators

Net sales, MEUR

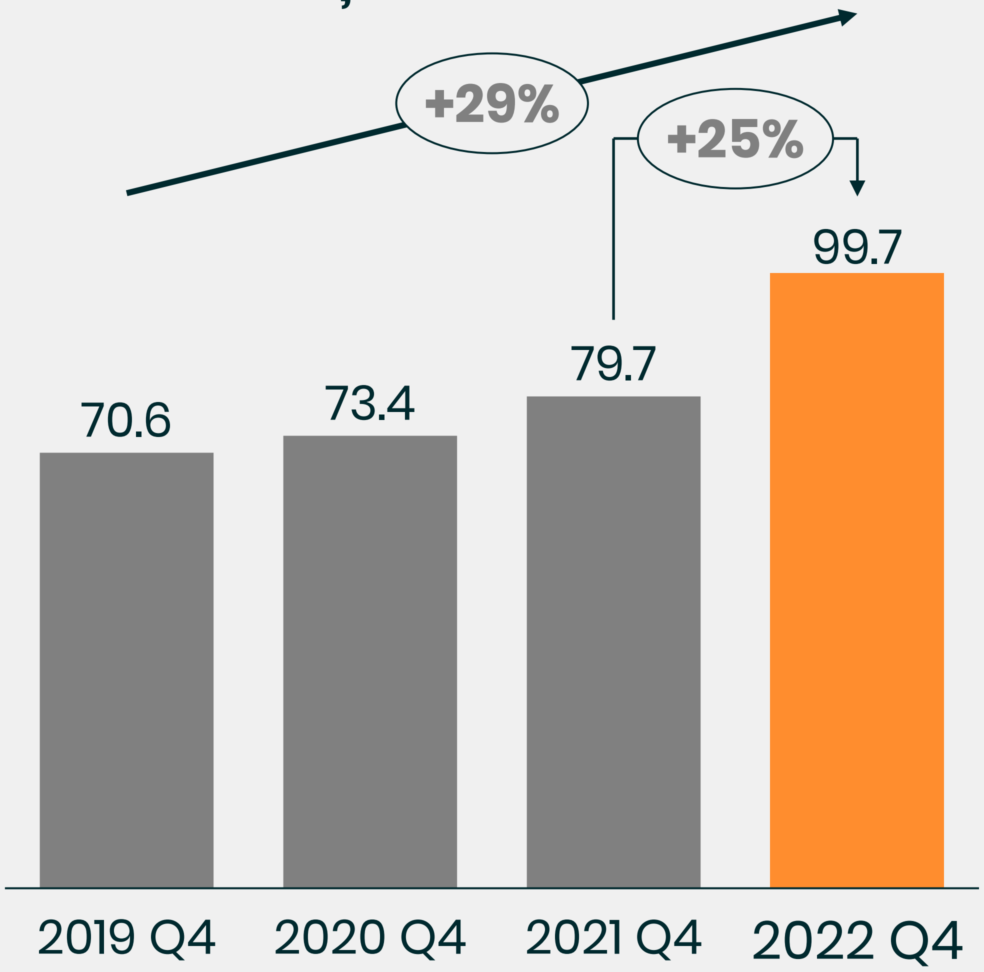


Adj. EBITDA, MEUR

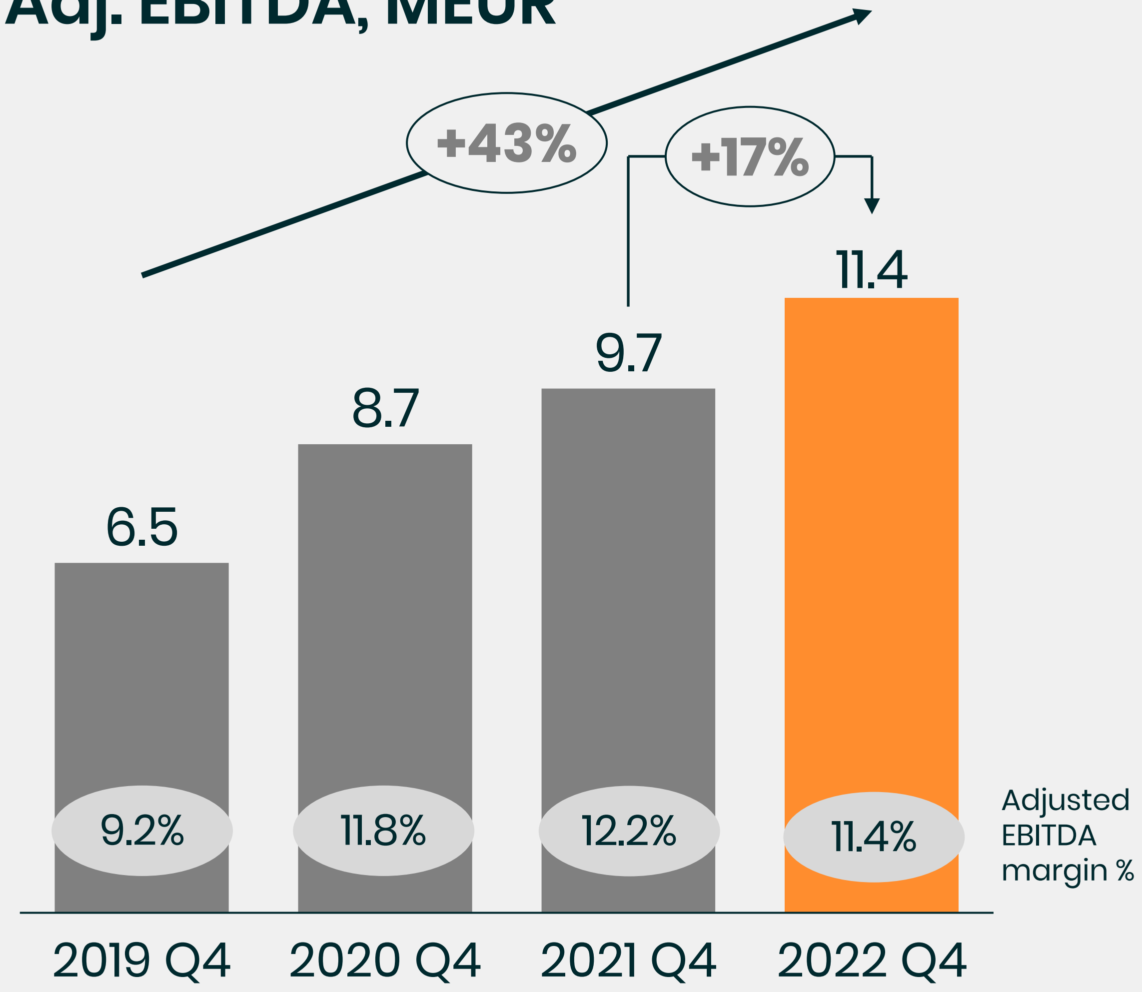


ICS division | Growth in Indoor Climate Systems continued

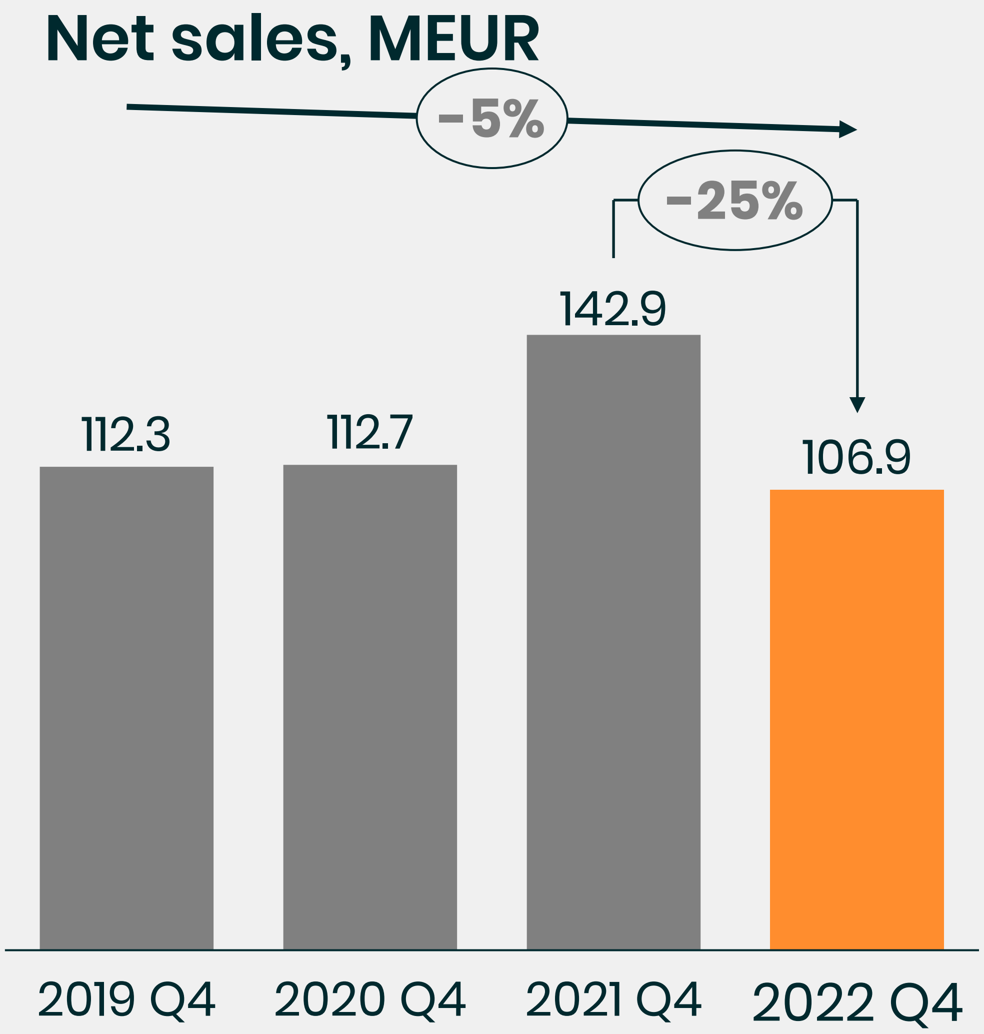
Net sales, MEUR

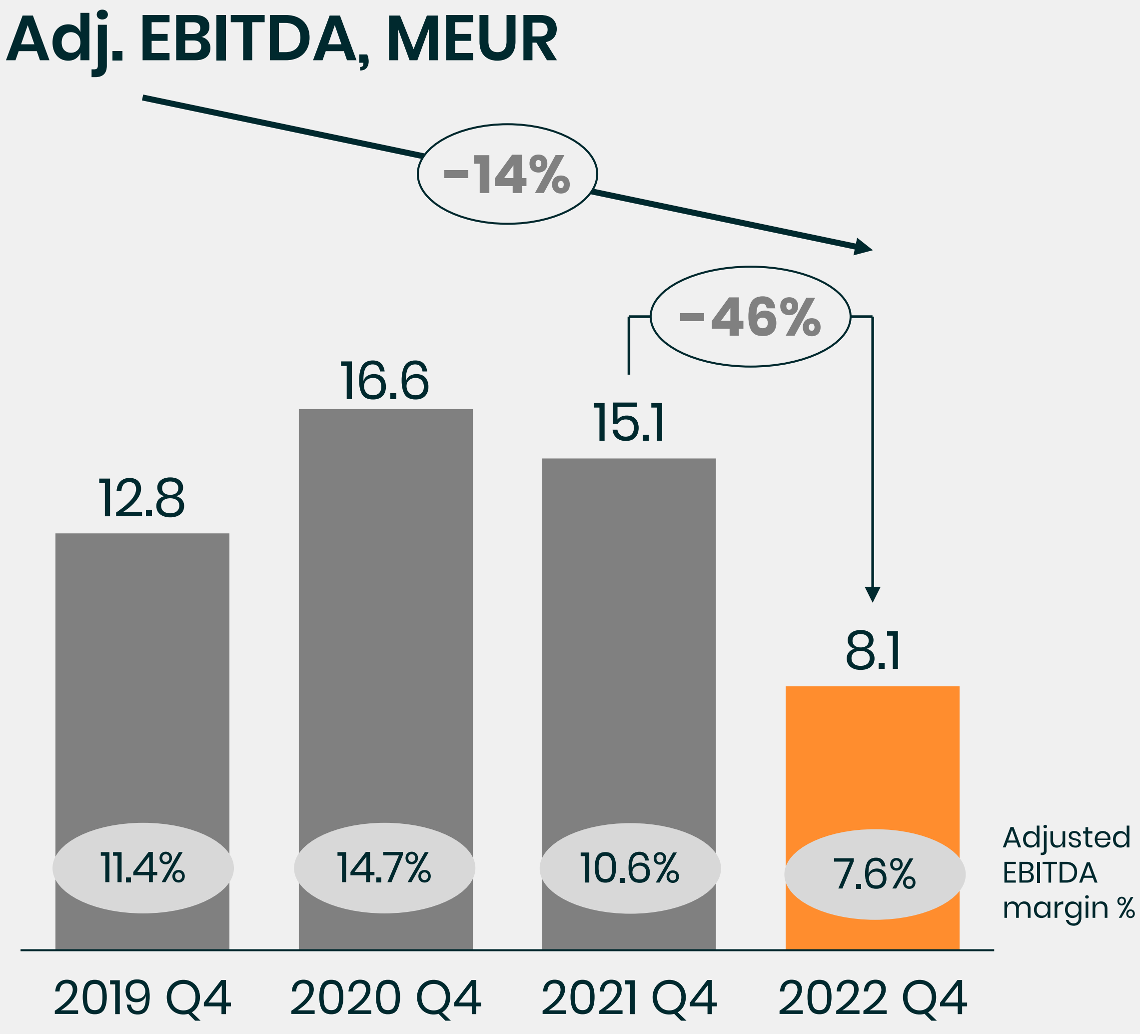


Adj. EBITDA, MEUR

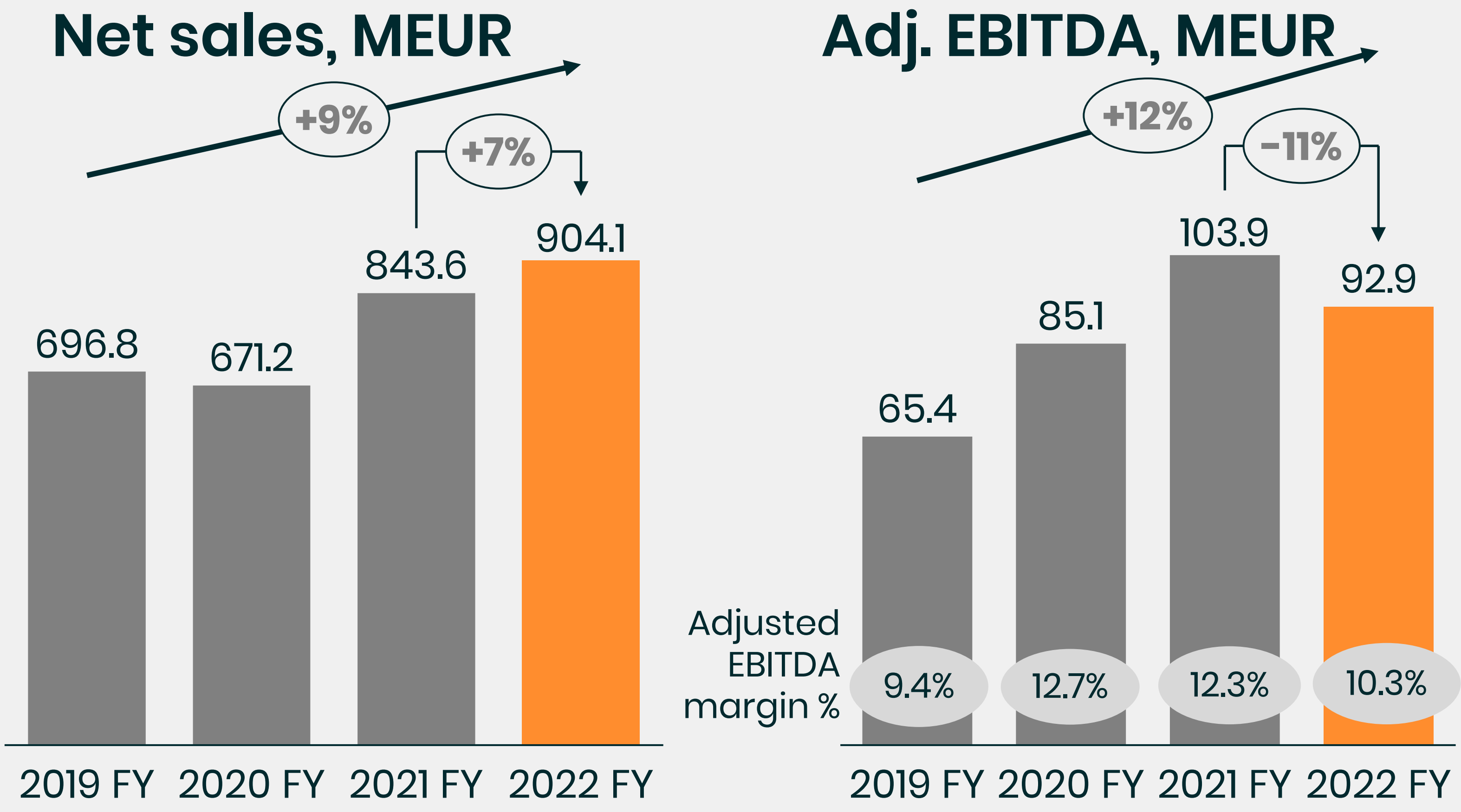


Radiator division | Radiators division challenged by continued low demand





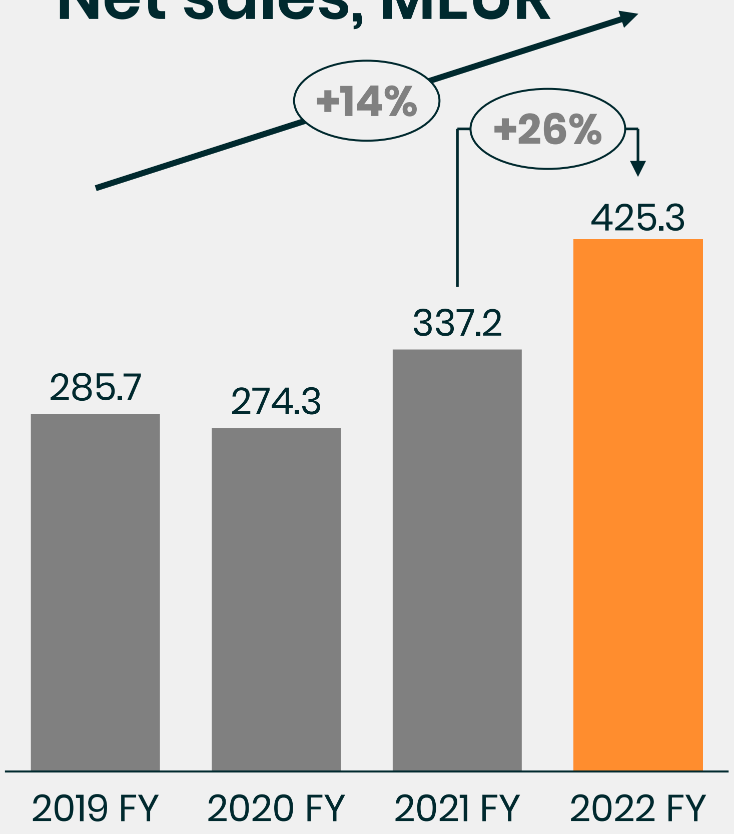
2022 | Net sales growth and a decrease in adjusted EBITDA due to weak demand in Radiators during H2/2022



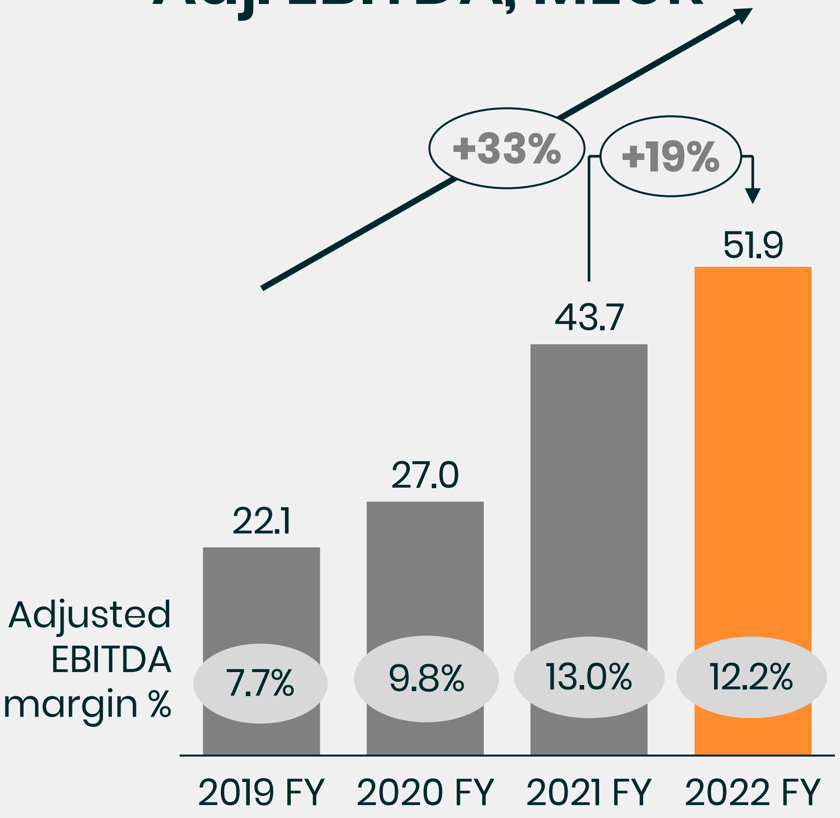
- Net sales amounted to EUR 904.1 million (843.6), +7%
  - Organic growth +3%
  - Thermotech and Evroradiator contribution +3%
  - The net currency effect +1%
- Adjusted EBITDA reached EUR 92.9 million (103.9); -11%
- The adjusted EBITDA margin was 10.3% (12.3)

ICS division | Double-digit growth driven by sales of solutions for energy efficiency

Net sales, MEUR

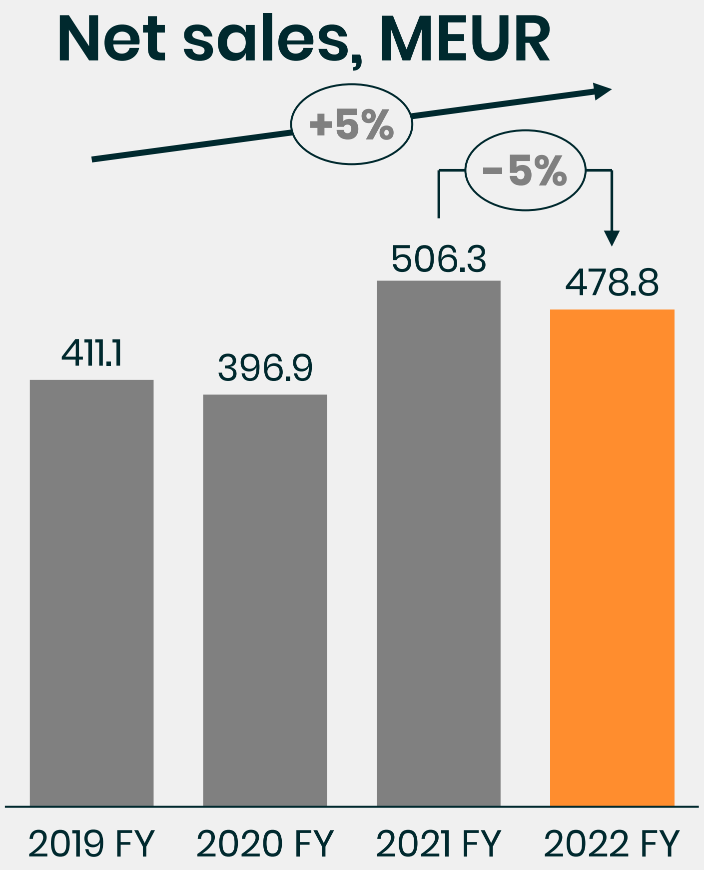


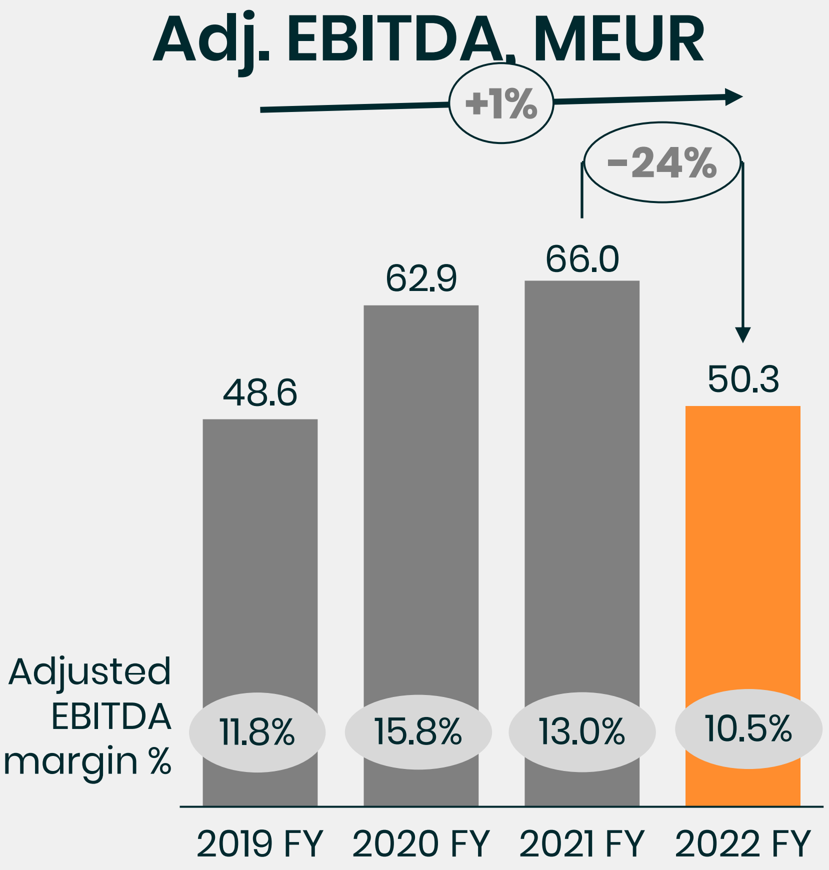
Adj. EBITDA, MEUR



- Net sales increased by 26% to EUR 425.3 million (337.2)
    - Organic growth +19% (volume and price)
    - Thermotech contribution +6%
    - The net currency effect +1%
- Adjusted EBITDA increased by 19% to EUR 51.9 million (43.7)
- The adjusted EBITDA margin was 12.2% (13.0)

Radiators division | Weak demand during H2/2022 due to a market-driven supply chain correction





- Net sales decreased by 5% to EUR 478.8 million (506.3)
  - -7% organic
  - An increase in sales prices of +17% offset -22% organic volume declines
  - Acquisitions contribution +1%
  - The currency impact +1%
- Adjusted EBITDA declined by 24% to EUR 50.3 million (66.0)
- The adjusted EBITDA margin was 10.5% (13.0)

Stable execution of the strategy

Solution selling

- **Emmeti** (Italy), performed well and sales increased in system sales

Smart products

- Demand for our **heat pumps** continued strong
- Develpoment of **Unisenza PLUS** control range

Growth markets

- **Russia** exit ongoing

Operational excellence

- Accelerate PG in full speed, **confirmed run-rate profitability improvements EUR 1.4 million**
- Continued **sales price increases** to mitigate continued cost inflation
- Rapid **cost actions** in the Radiators division in response to weak demand continued

Sustainability

- **Scope 1 and 2 GHG emissions decreased** by 13 per cent
- Joining the **United Nations Global Compact** initiative

Smart product development during Q4 2022

Unisenza PLUS control range

- Built upon the original Unisenza underfloor heating platform
- Allows multiple products from Purmo, such as electronic radiator valves and wireless thermostats, to be inter-connected as part of a common indoor climate comfort control system
- Hardware adapted to future Google, Apple, Amazon home automation platform

Solution case study – Installation

Two tower blocks in Helsinki, Finland: a hotel and a residential building with 19,000 m^2 of space and 32 floors in total

- The northern tower a hotel with 16 floors
- The southern tower a residential building with 16 floors and 143 apartments

Heating system renovation included:

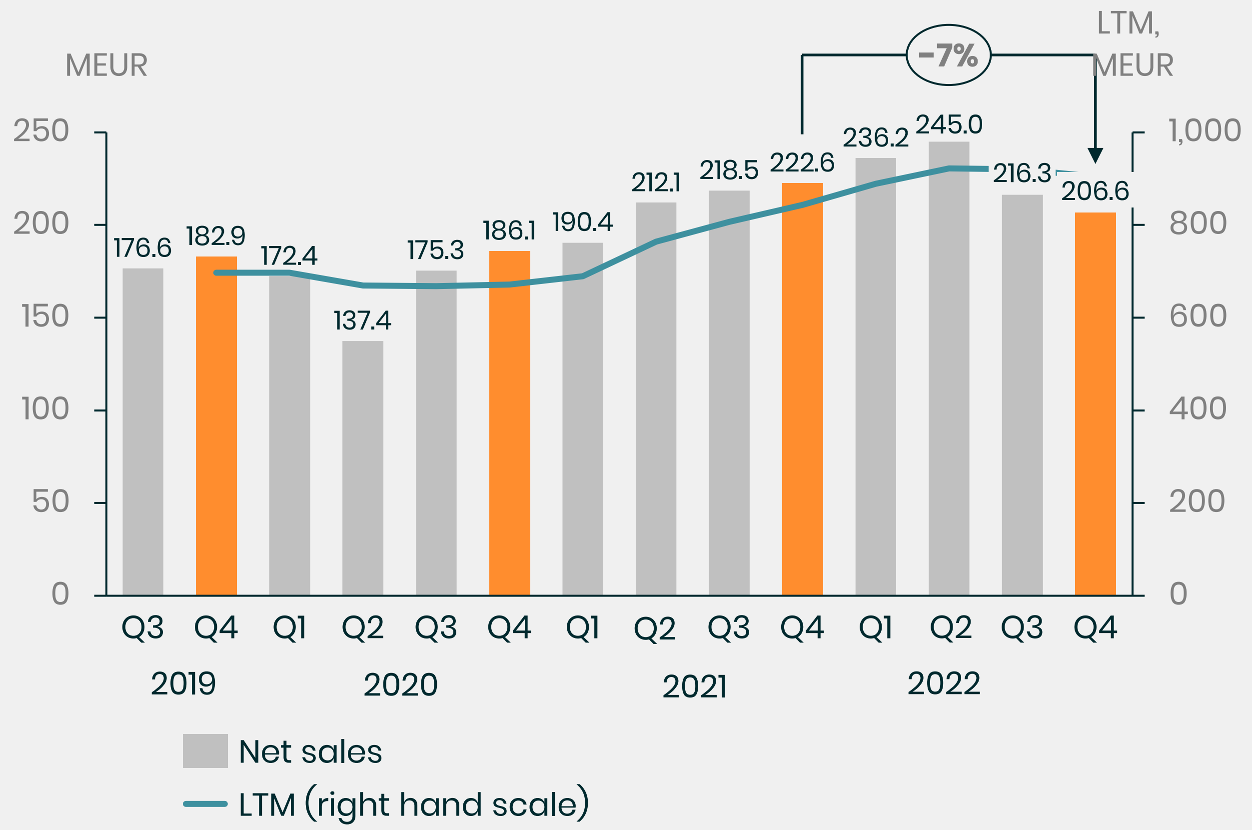
- Thermotech pre-fab underfloor heating, including installation and balancing
- 68,000 meters of 17 millimeters pipe

October-December 2022 financial overview

Net sales	Adj. EBITDA	Adj. EBITDA
206.6	16.3	7.9%
MEUR,	MEUR,	margin
-7.2%	-28.0%	-2.2 ppt
Q4/2021: 222.6	Q4/2021: 22.6	Q3/2021: 10.1%

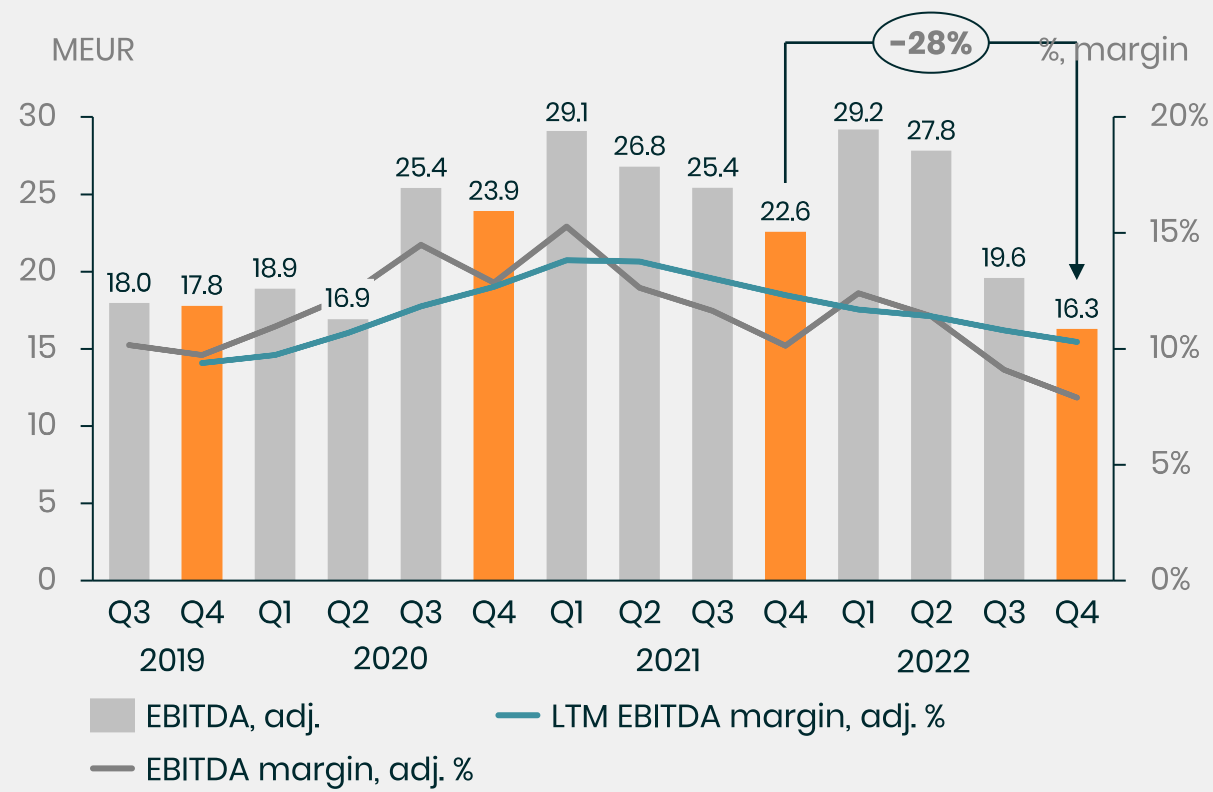
Purmo Group

Net sales



- Organic sales -10% in Q4'22, ICS division compensated the decline in RAD division
- Acquisitions +3% due to Thermotech
- Net currency 0%

Adj. EBITDA



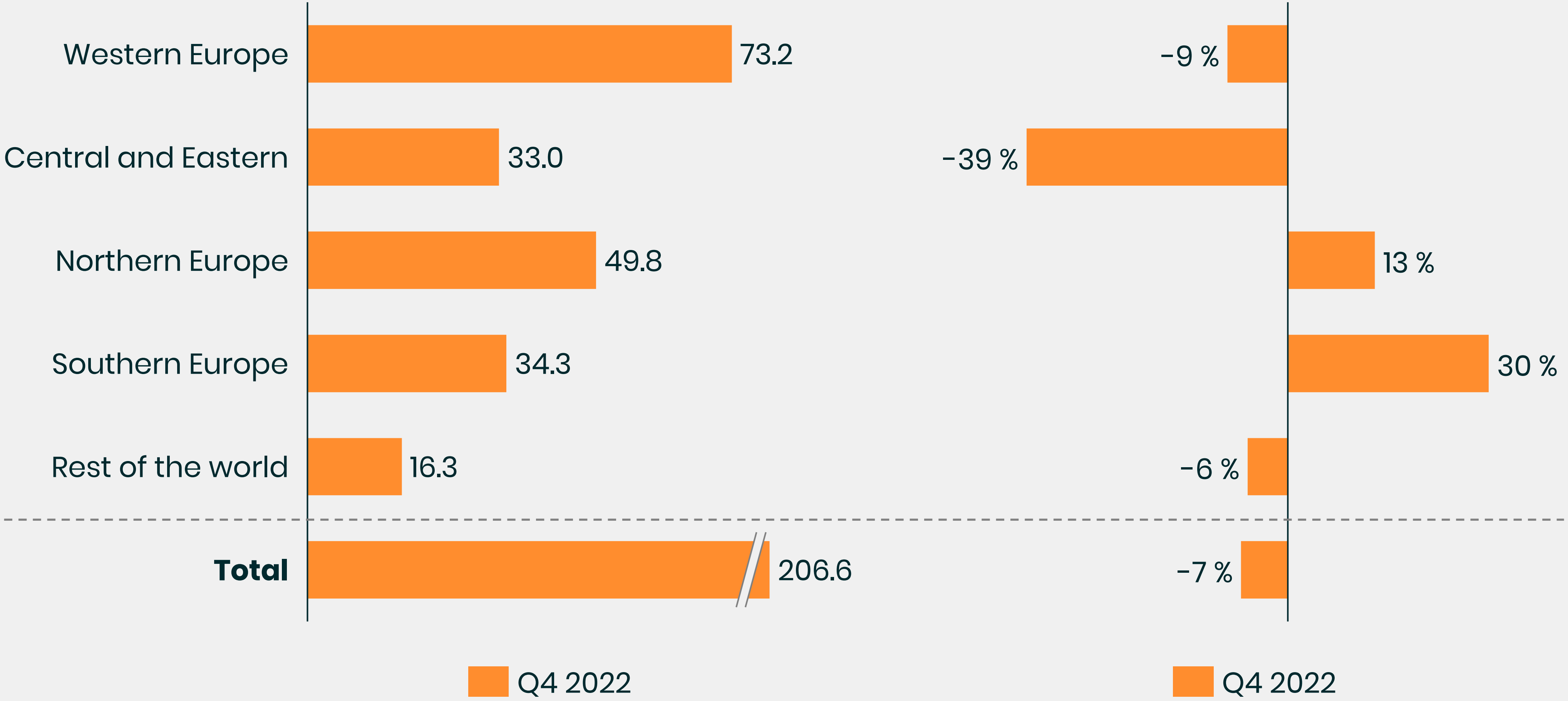
- Adjusted EBITDA margin reached 7.9 % in Q4'22 (10.1%)
- EBITDA margin continued to be burdened by low production and sales volumes in the RAD division
- RAD continued to adjust its fixed and variable costs for production, including raw materials and workforce

Notes: Quarterly data is unaudited

Net sales growth by geographical area

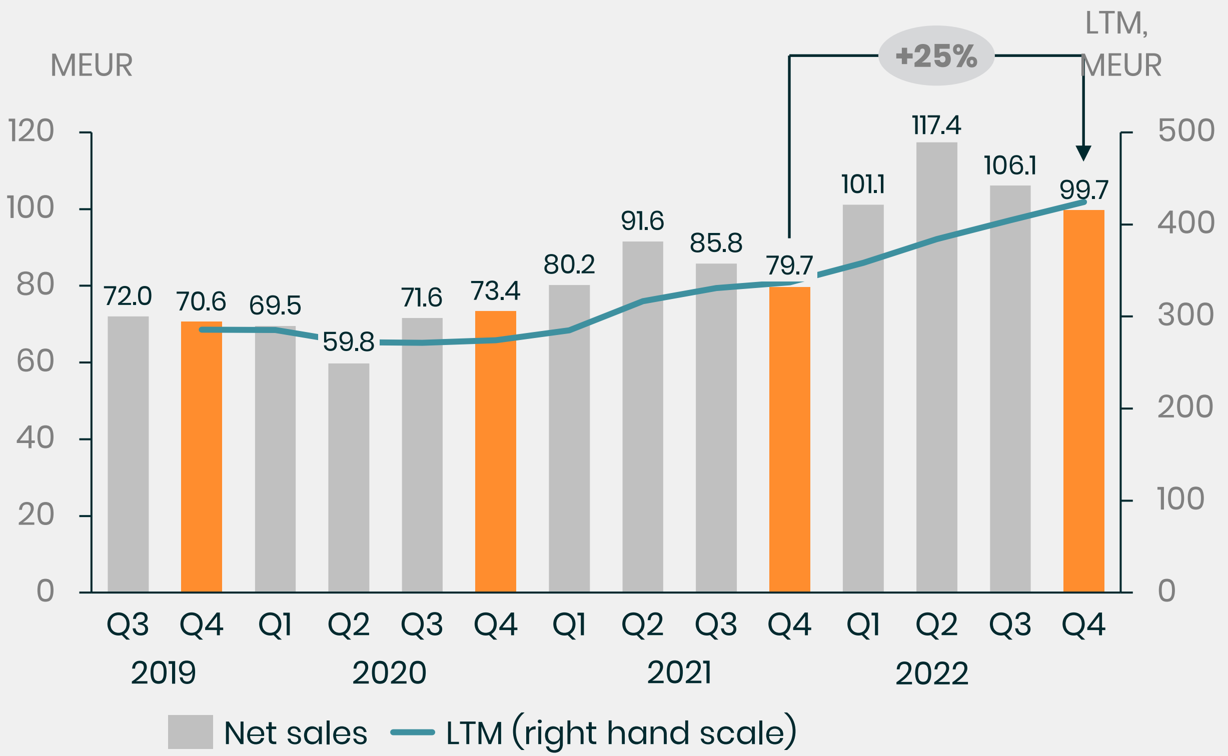
Net sales, MEUR

Growth, %



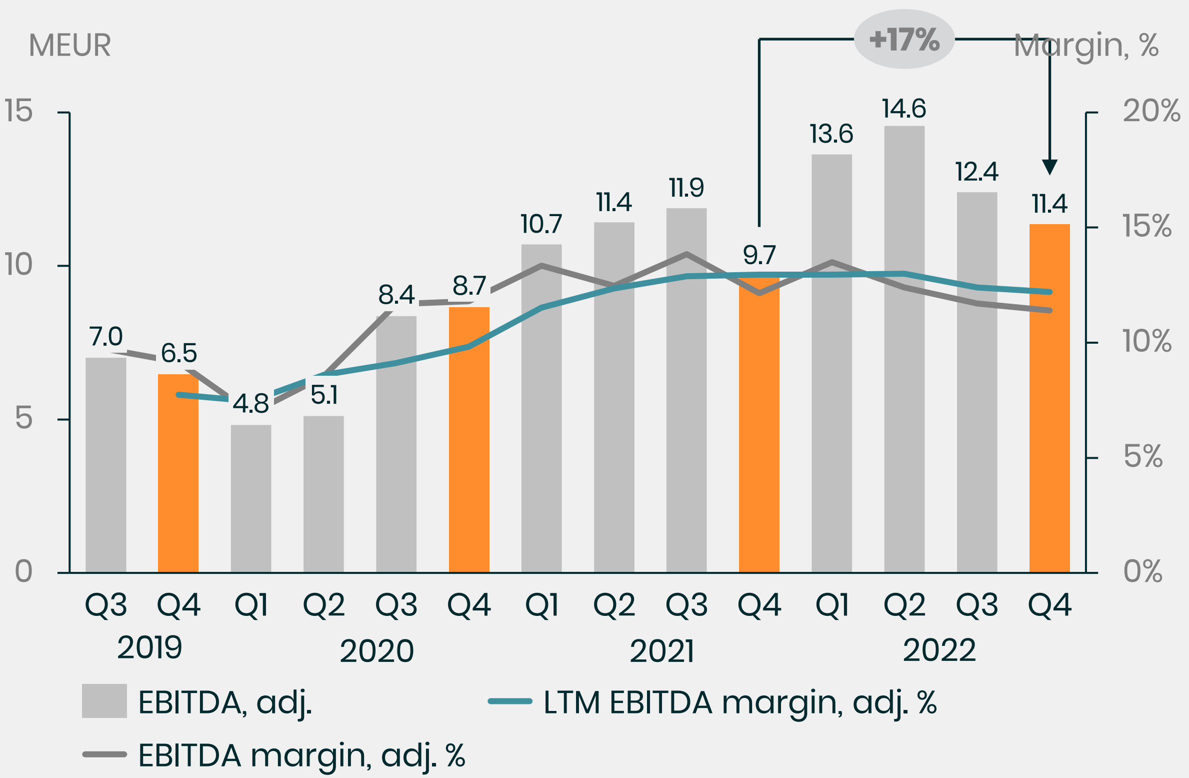
ICS division

Net sales



- Organic growth +18% in Q4'22, net currency 0%
- Acquisition of Thermotech contributed with +8% to sales growth
- Sales in Italy, Brazil and Germany developed well
- Strong demand in heat pumps, solar panels, pipes and ceiling heating and cooling solutions

Adj. EBITDA

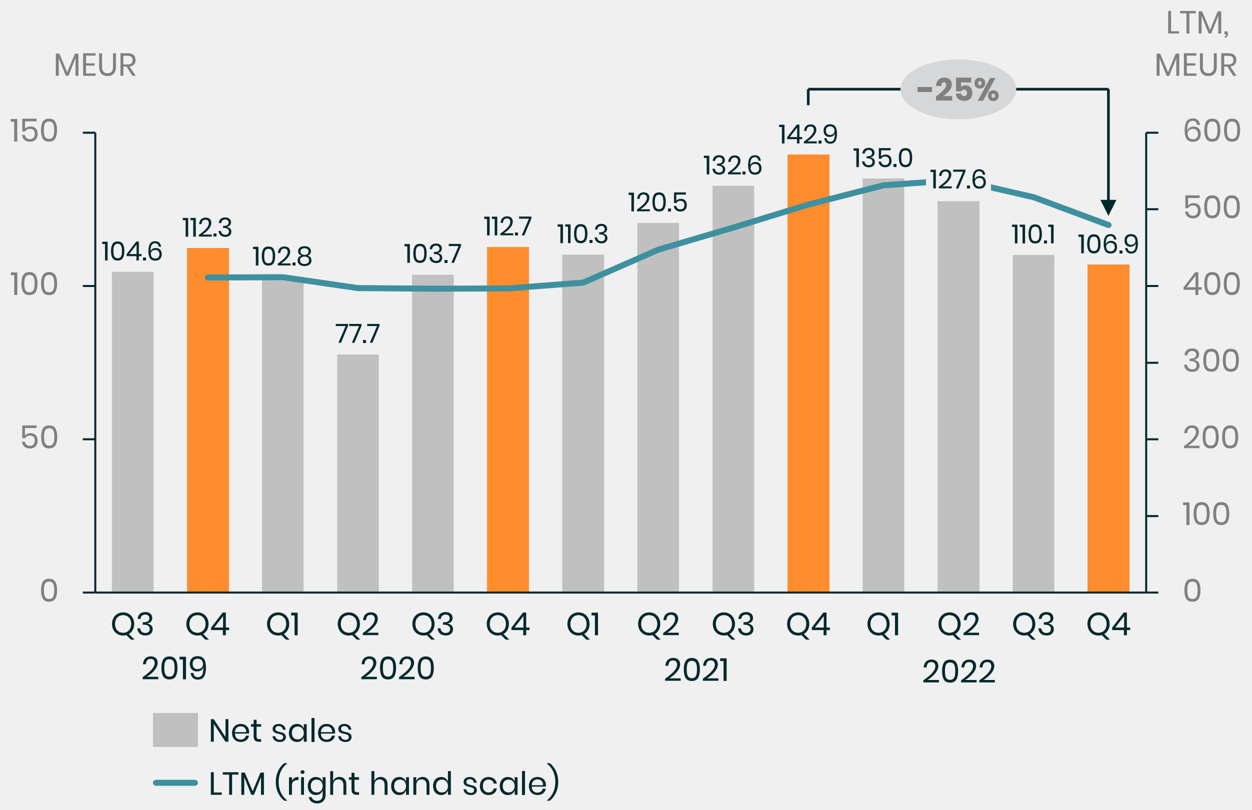


- Adjusted EBITDA improvement driven by continued, successful price increases
- Thermotech contributed with EUR 0.6 million (+6%) to Adj. EBITDA
- Adj. EBITDA margin was 11.4 % in Q4'22 (12.2%)
- A slight decrease in adj. EBITDA margin due to lower sales and production volumes in Central Europe in December

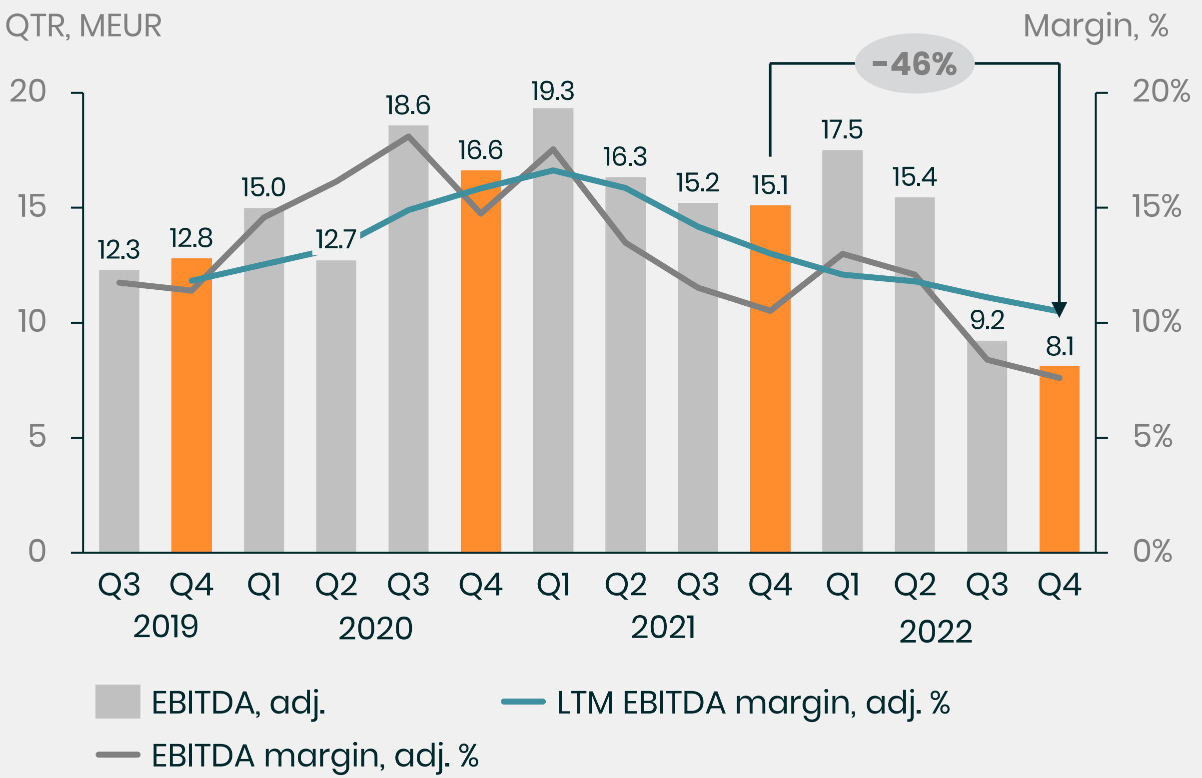
Notes: Quarterly data is unaudited

Radiator division

Net sales



Adj. EBITDA

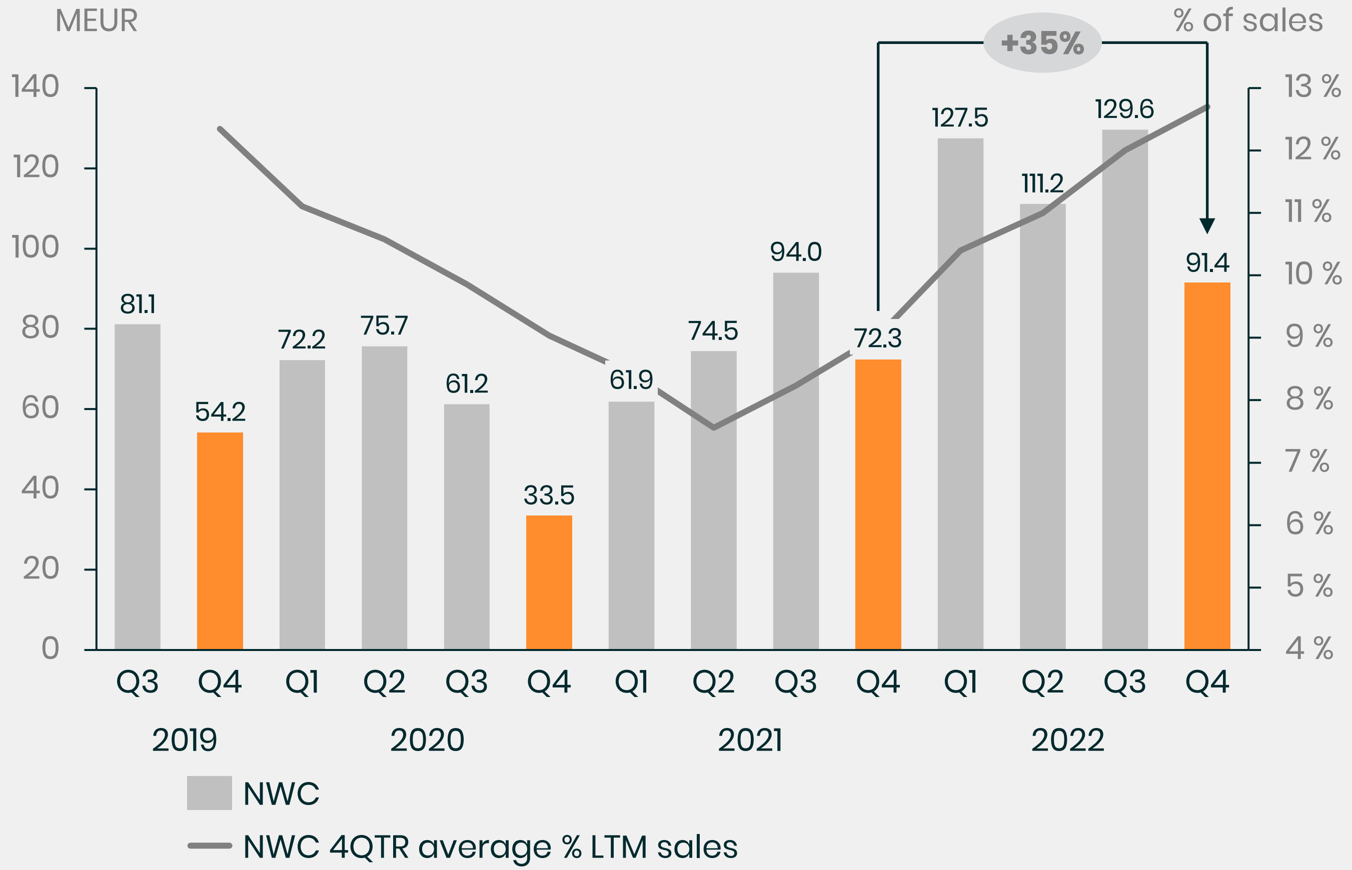


- Organic sales decline -26% in Q4'22, net currency +1%; acquisitions 0%
- Volume decline of -33% in Q4'22, due to weak demand in renovation and new-build markets and high inventory levels of wholesalers
- Price increases +8% mitigating cost inflation

- Adjusted EBITDA margin was 7.6% in Q4'22 (10.6%)
- The decline in adj. EBITDA margin due to low production and sales volumes
- The RAD plants continued to adapt to lower level of production by introducing cost saving actions, including workforce reduction, operational expense restraints and relocation of production

Notes: Quarterly data is unaudited

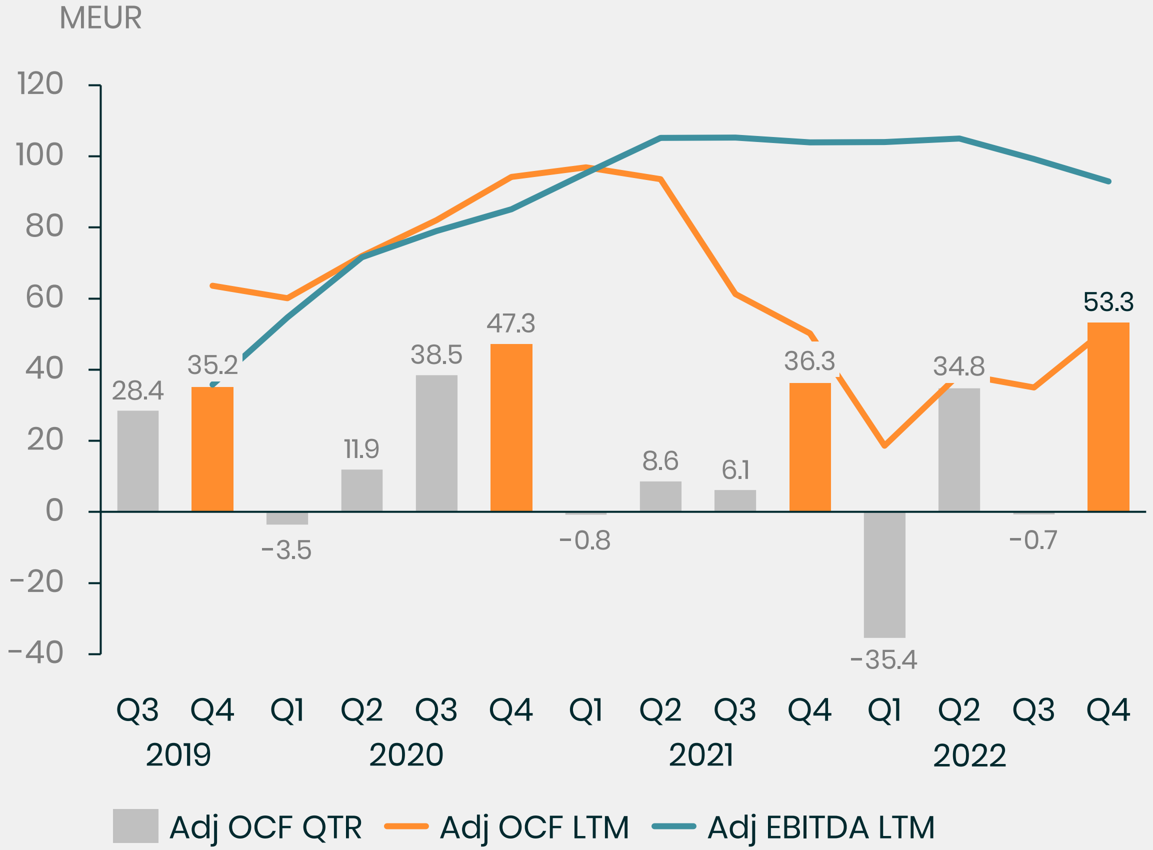
Net Working Capital



Net working capital	**Q4 2022**	**Q4 2021**	**Q3 2022**
Inventories	174.1	157.4	191.2
Operative receivables	110.5	104.7	154.0
Operative liabilities	193.1	189.7	215.6
Net working capital	**91.4**	**72.3**	**129.6**
% of sales, QTR	**10.1%**	**8.6%**	**14.1%**
% of sales, 4QTR average	**12.7%**	**9.0%**	**12.0%**

Notes: Quarterly data is unaudited

Adjusted Operating Cash Flow



	Q4 LTM 2022	Q4 LTM 2021	FY LTM 2021
Adjusted EBITDA LTM	92.9	103.9	103.9
NWC change*	-16.9	-38.8[1)]	-38.8[1)]
Capex LTM**	-24.0	-14.8	-14.8
Adj OCF* **	**51.9**	**50.2[1)]**	**50.2[1)]**
Cash conversion	55.9%	48.3%[1)]	48.3%[1)]

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

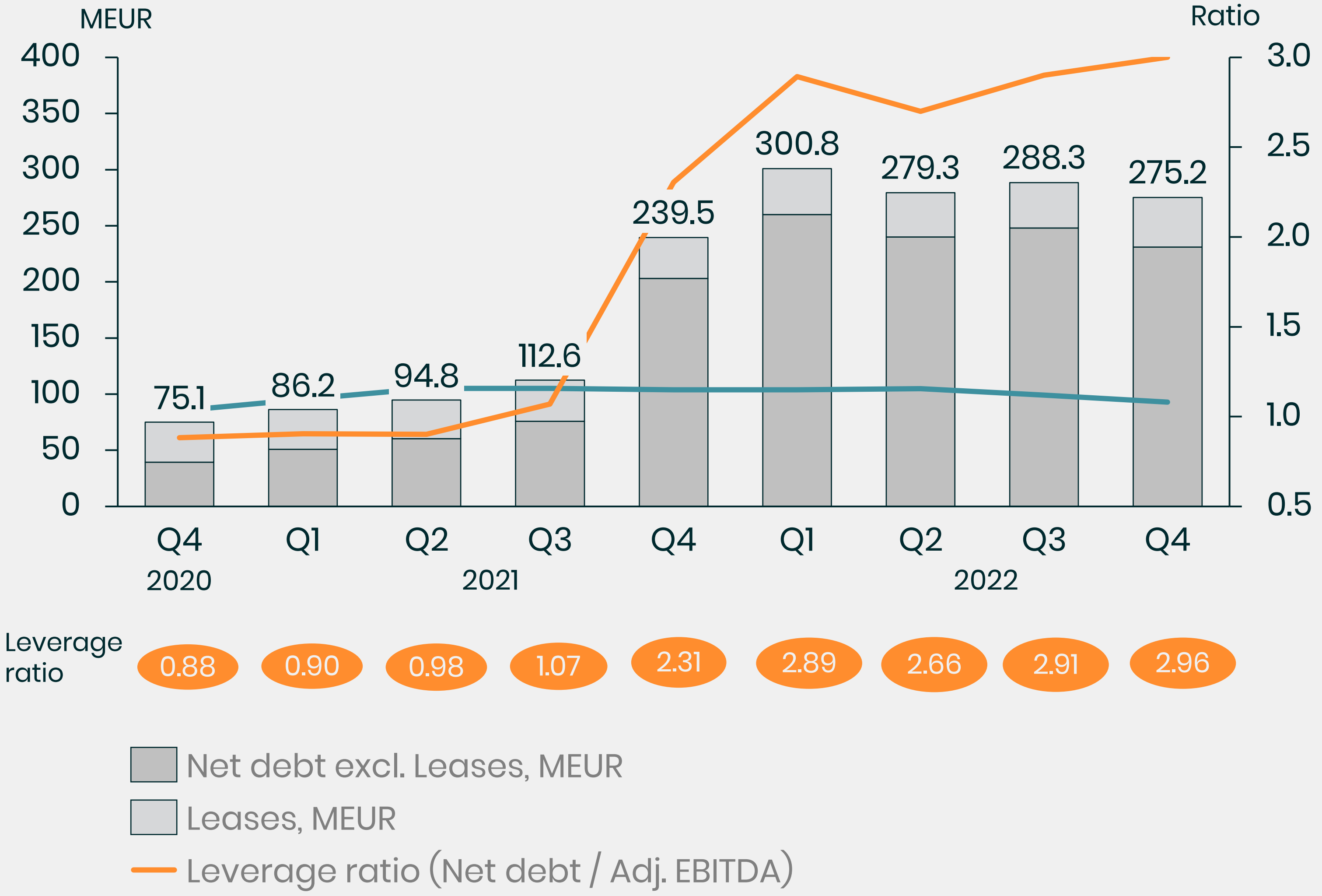
** Investments tangible and intangible assets, excluding acquisitions of companies

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

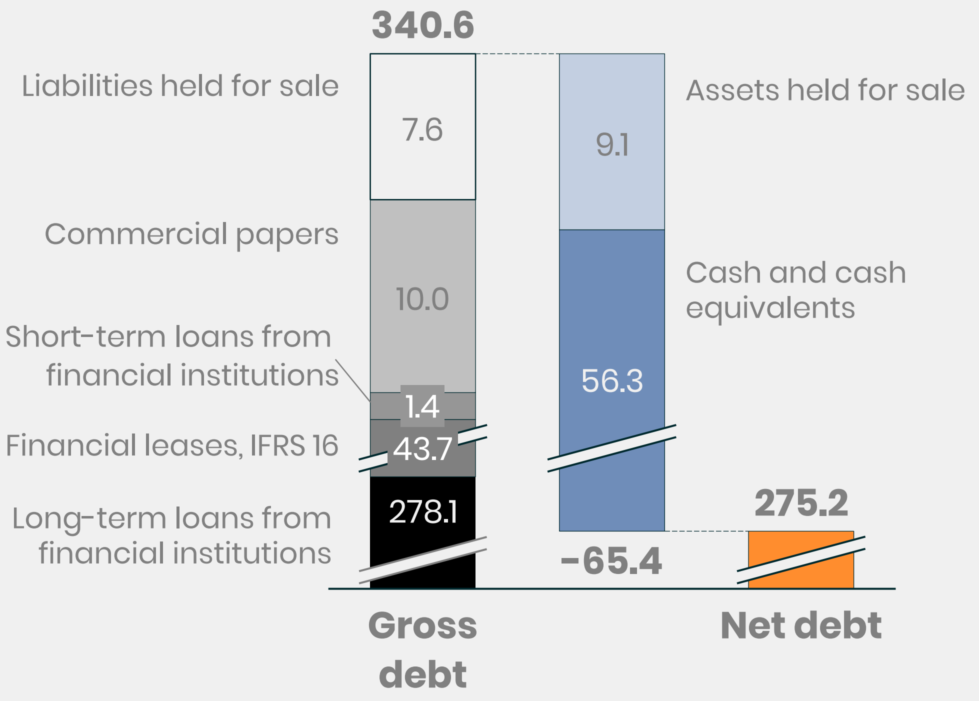
1) Figures for 2021 restated for comparability reasons.

Notes: Quarterly data is unaudited

Net Debt



Distribution of gross and net debt (MEUR)



- Liabilities held for sale 31 Dec 2022: EUR 7.7 million liabilities option liability related to business in Russia
- Assets held for sale (cash) EUR 11.1 million related to business in Russia

Notes: Quarterly data is unaudited

Comparability adjustments

Comparability adjustments	Q4 2022	Q4 2021	2022 FY	2021 FY	
IFRS 2 merger impact		52.3		52.3	Non-cash
M&A related transactions and integration costs	0.5	0.1	1.6	0.1	
Restructuring costs and one-off costs related to efficiency programs	2.9	0.3	6.2	8.9	Partly non-cash
Formation of Purmo group and standalone preparations		3.7	0.3	6.6	
Management fee to owners and legacy Rettig Group incentive plans		1.0		2.4	Partly non-cash
Impairment and write-down charges	6.0		12.9		Non-cash
Other	0.2	0.3	0.2	0.0	
Total adjustments	**9.7**	**57.7**	**21.7**	**70.2**	

[1] Includes EUR 3 million non-cash items

Net financials, depreciation and amortisation

Net Financial items	Q4 2022	Q4 2021
Interest net	-3.2	-1.3
Exchange gains and losses (FX and financing items)	-2.5	-0.3
Leases IFRS 16	-0.5	-0.5
Other financial income and expenses	-1.1	-0.6
Total	**-7.3**	**-2.7**
% of net sales	***3.5%***	***1.2%***

Depreciation and amortisation	Q4 2022	Q4 2021
Amortisation on intangible assets	-1.1	-0.7
Tangible assets	-3.8	-4.1
Impairment of intangible and tangible assets	–	–
Right-of-use assets (IFRS 16)	-3.2	-2.0
Total	**-8.1**	**-6.8**
% of net sales	***3.9%***	***3.0%***

Tax

Income tax expense, MEUR	2022 FY	2021 FY	
For the financial period	-14.8	-13.4	
Change in deferred taxes	4.5	-0.8	
Previous years taxes	1.9	0.4	
Total income tax expense	**-8.4**	**-13.7**	
Effective Tax Rate adjusted for non-deductible items	***20.1%***	***27.0%***	
Non-deductible items			**Comments**
Profit before taxes	21.6	-5.1	As reported
IFRS 2 listing cost	-	52.3	One-time, non-cash item
Russian divestment plan	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
China divestment	0.5	-	Sale of Chinese subsidiary
Trademark amortisation	3.6	3.6	Related to previous years' company structuring
PBT adjusted for non-deductible items	**41.8**	**50.8**	PBT adjusted for non-deductible items

Key figures

MEUR	Q4 2022	Q4 2021	*Change, %*	2022 FY	2021 FY	*Change, %*
Net sales	206.6	222.6	*-7%*	904.1	843.6	*7%*
Adjusted EBITDA	16.3	22.6	*-28%*	92.9	103.9	*-11%*
Adjusted EBITDA margin, %	7.9%	10.1%		10.3%	12.3%	
EBIT	-1.5	-41.9	*96%*	39.0	3.5	*1025%*
EBIT margin, %	-0.7%	-18.8%		4.3%	0.4%	
Profit for the period	-7.0	-46.7	*85%*	13.1	-18.8	*170%*
Cash flow from operating activities	40.2	32.2	*25%*	29.2	35.4	*-17%*
Adjusted operating cash flow, last 12 months(1)				51.9	50.2(3)	
Cash conversion %, last 12 months(2)				55.9%	48.3%(3)	

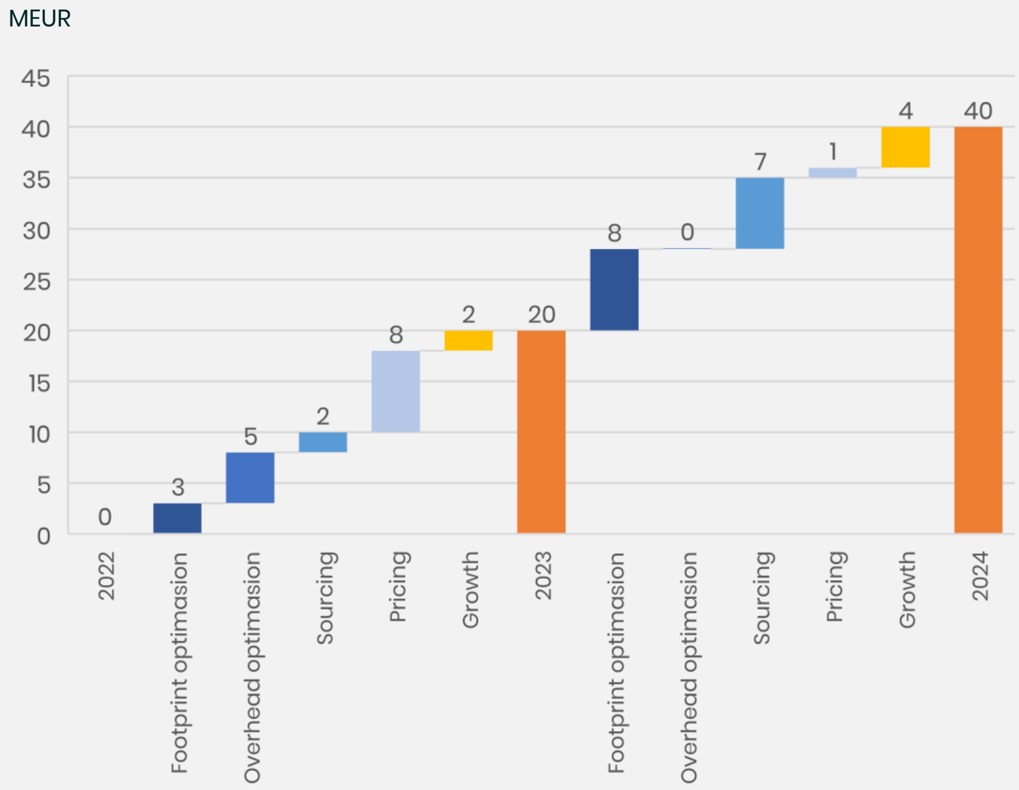
(1) Adjusted EBITDA on a rolling 12 month basis deducted by the change in net working capital and capex on a rolling 12 month basis.
(2) Adjusted operating cash flow divided by Adjusted EBITDA, both on a rolling 12 month basis.
(3) Restated for comparability reasons

"Accelerate PG"
Strategy acceleration programme

Accelerate PG progressing according to plan

Adjusted EBITDA run-rate impact – EUR 40 million

Adjusted 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 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

Costs of the programme of EUR 43 million:

- EUR 33 million are expected to incur before the end of 2023 and the remainder in 2024, to be treated as items affecting comparability

Outcomes of the programme at the end of 2022:

- The programme is in full speed with over 150 initiative roadmaps validated
- Implemented run-rate EBITDA improvements at the end of 2022 amounted to EUR 1.4 million, which is according to expectations given the phasing of the programme's initiatives

Financial guidance for 2023

- Purmo Group’s adjusted EBITDA in 2023 is expected to be on a similar level as in 2022 (EUR 92.9 million).
- Similar means a change within +/- 5 per cent from the previous year.

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) 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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