



NORCROS

INSPIRING LIVING SPACES

Preliminary Results
Year ended 31 March 2023





INTRODUCTION

Thomas Willcocks
Chief Executive Officer



HIGHLIGHTS

Record Performance and Robust Financial Position

- Record revenue and underlying operating profit
- Proven business model
- Grant Westfield acquisition integrated and performing strongly
- Robust financial position – c.1.0x leverage
- ROCE at 18.5%
- Progressive dividend – full year of 10.2p (2022: 10.0p)

1. Like for like revenues at constant currency adjusted for the acquisition of Grant Westfield

Revenue¹

£441.0m +1.5%

Underlying Operating Profit

£47.3m +13.2%

Net Debt

£49.9m

Underlying ROCE%

18.5%

Diluted Underlying EPS

37.4p

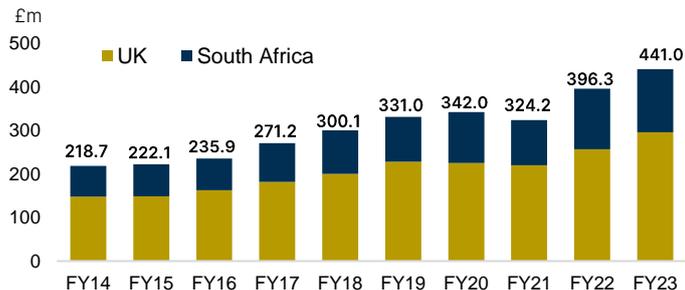
Full Year Dividend per Share

10.2p



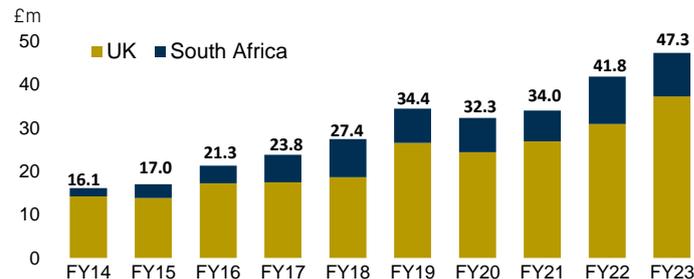
SUCCESSFUL EXECUTION OF GROWTH STRATEGY

Revenue



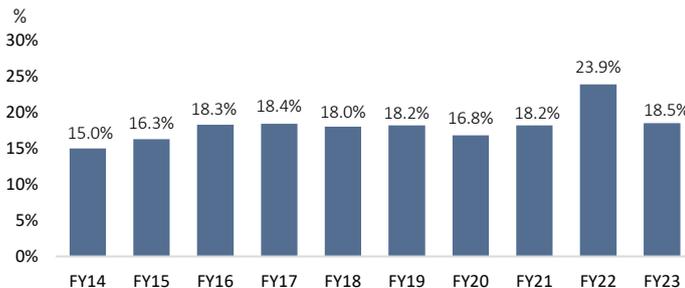
Organic growth enhanced by acquisitions

Underlying Operating Profit¹



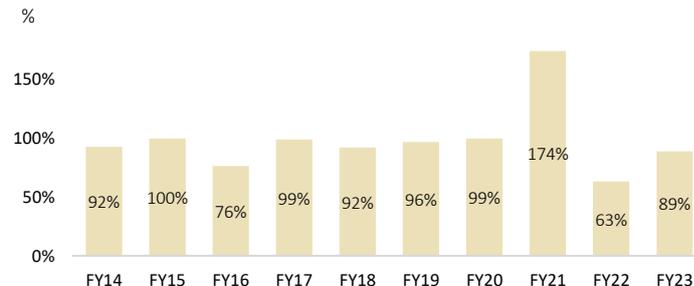
Strong profit post pandemic enhanced by Grant Westfield

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



OBSERVATIONS AND PRIORITIES

Norcros Today

- Leading designer and supplier of bathroom and kitchen products
- Diversified portfolio of market leading brands
- Resilient performance through COVID-19 and recent global / economic challenges
- Group scale advantages with well-established supply chain infrastructure
- Proven M&A track record
- Experienced management team across Group
- Strong balance sheet

Areas of Focus

- Advance successful strategy and strong market positions: 'one-stop-shop'
- M&A opportunities in fragmented markets
- Continue disciplined approach to capital allocation
- Drive organic growth
- Continued focus on operational excellence
- ESG as a competitive advantage
- Super mature pension scheme: IAS 19R surplus

Excellent platform to drive further organic and acquisitive growth





FINANCIAL REVIEW

James Eyre
Chief Financial Officer



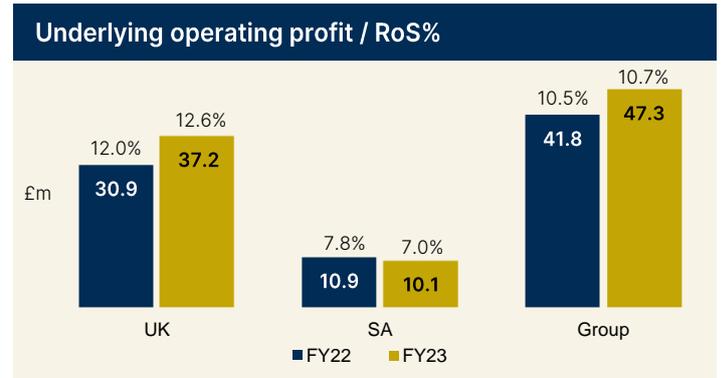
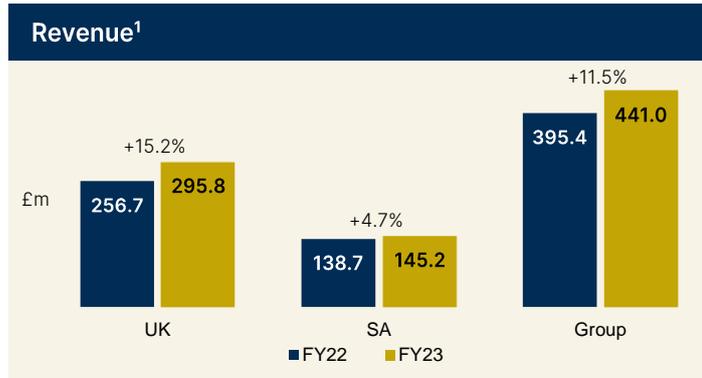
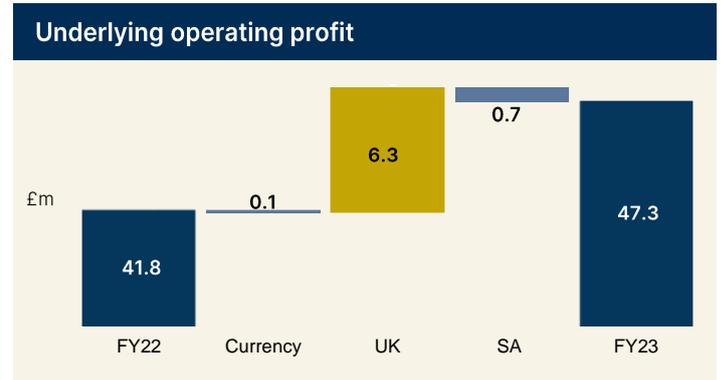
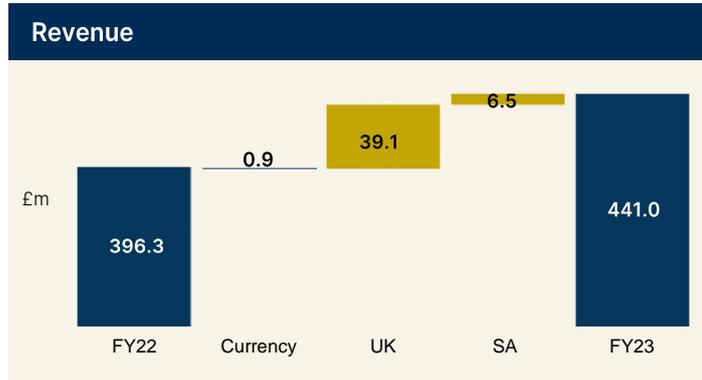
INCOME STATEMENT

	2023 £m	2022 £m	Reported v 2022 %	Constant Currency LFL ⁴ v 2022 %
Revenue	441.0	396.3	+11.3%	+1.5%
Underlying¹ operating profit	47.3	41.8	+13.2%	
Margin	10.7%	10.5%		
Finance charges – cash	(5.5)	(2.5)		
Underlying¹ PBT	41.8	39.3	+6.4%	
Exceptional operating items ²	(9.8)	0.9		
IAS 19R admin expenses	(1.6)	(1.7)		
Acquisition related costs ³	(8.4)	(4.8)		
Finance charge – non cash	(0.3)	(0.7)		
PBT	21.7	33.0		

1. Underlying means before exceptional operating items, IAS 19R admin costs, acquisition related costs and where relevant, non-cash finance costs
2. See appendix – includes Johnson Tiles 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 the acquisition of Grant Westfield



INCOME STATEMENT – KEY BRIDGES



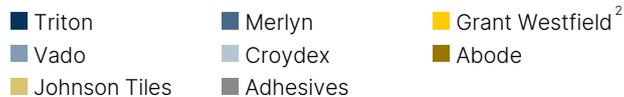
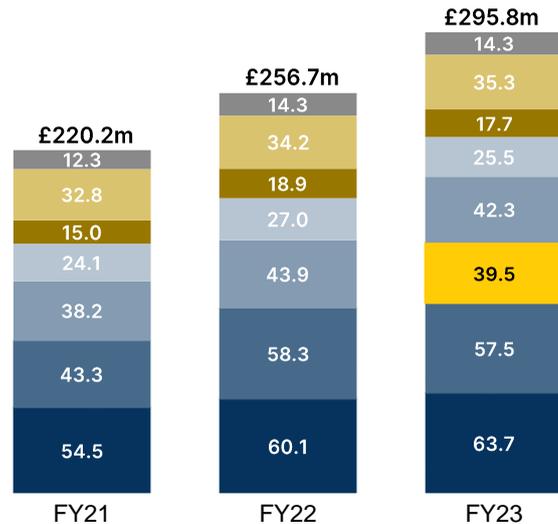
1. Constant currency basis



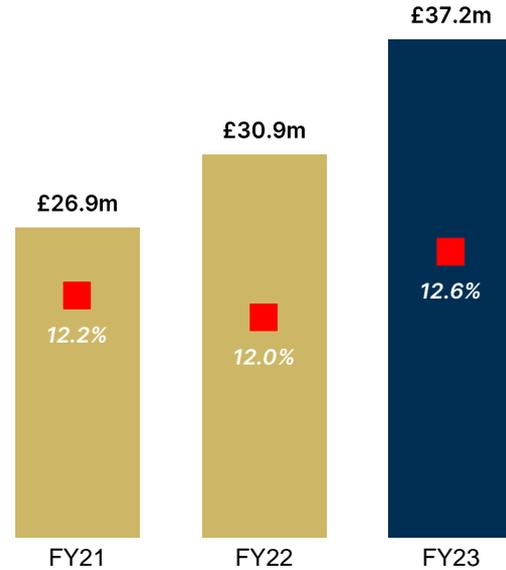
UK – RESILIENT PERFORMANCE AND SHARE GAIN IN TRADE

Revenue¹

FY23 H1 LFL: -3.4%; H2 LFL: +3.3%



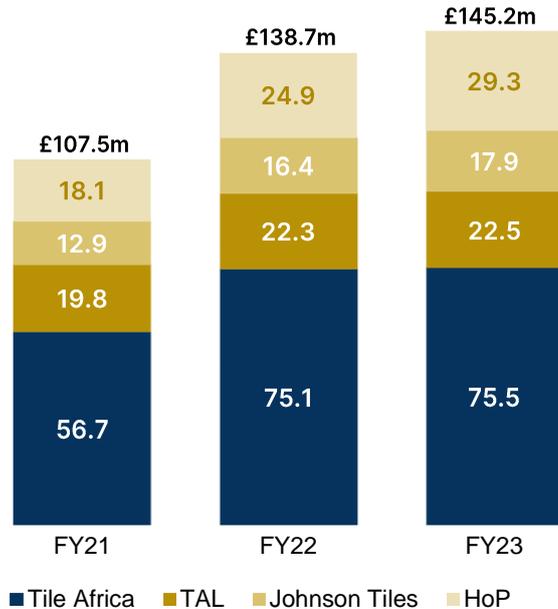
Underlying Operating Profit¹



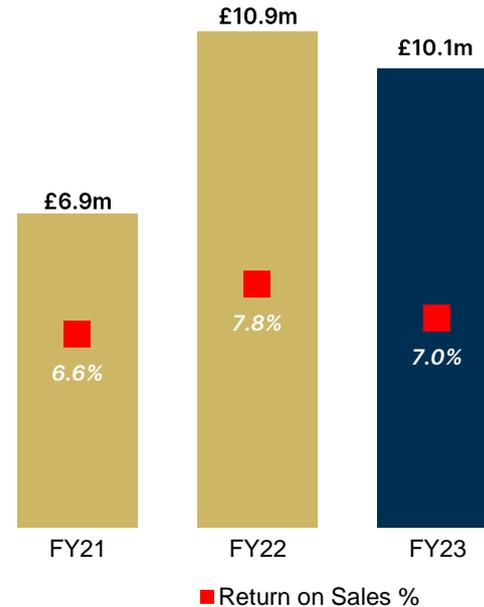
SOUTH AFRICA – STRONG CONTRIBUTION TO GROUP

Revenue^{1,2}

FY23 H1 CC: +9.7%; H2 CC: -0.4%



Underlying Operating Profit¹



1. Financial years ended 31st March

2. On a constant currency basis



TAX, EARNINGS AND DIVIDENDS

Underlying¹ earnings

£33.5m (2022: £31.5m)

Dividend per share

10.2p (2022: 10.0p)

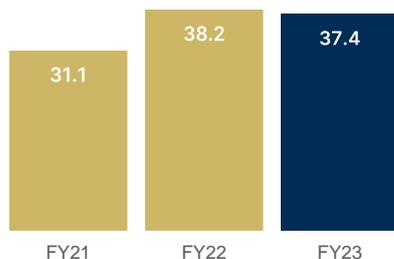
EPS

37.4p (2022: 38.2p)

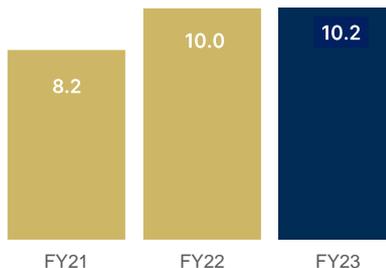
Effective underlying tax rate

19.9% (2022: 19.9%)

Diluted underlying EPS (pence)



Dividend per share (pence)



	Underlying ¹	
	2023 £m	2022 £m
Profit before tax	41.8	39.3
Tax charge	(8.3)	(7.8)
Earnings	33.5	31.5
Effective tax rate	19.9%	19.9%

	Reported	
	2023 £m	2022 £m
Profit before tax	21.7	33.0
Tax charge	(4.9)	(7.3)
Earnings	16.8	25.7
Effective tax rate	22.6%	22.1%

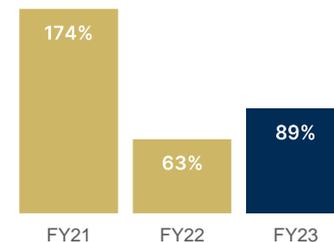
1. Before exceptional operating items, IAS 19R admin costs, acquisition related costs and where relevant, non-cash finance costs and attributable tax



CASH – STRONG CASH CONVERSION

	2023 £m	2022 £m
Underlying EBITDA (pre-IFRS 16)	50.5	45.4
Working capital	(13.3)	(23.6)
Depreciation of right of use assets	4.6	4.1
Operating profit impact of IFRS 16	1.8	1.6
IFRS 2 charges	1.2	1.1
Underlying operating cashflow	44.8	28.6
Net capital expenditure	(6.0)	(5.4)
Pension deficit recovery payment	(3.8)	(3.3)
Tax paid	(7.7)	(6.5)
Underlying free cash flow pre-financing and dividends	27.3	13.4
Exceptional and acquisition related costs	(3.3)	(1.7)
Interest	(5.5)	(2.5)
Acquisition of subsidiaries	(78.3)	–
Dividends	(9.2)	(9.1)
Principal element of lease payments	(4.6)	(4.7)
Purchase of treasury / issue of new shares	18.1	0.1
Net Cash Flow	(55.5)	(4.5)

Cash conversion¹



1. Underlying operating cashflow / Underlying EBITDA

Capex / depreciation (times)



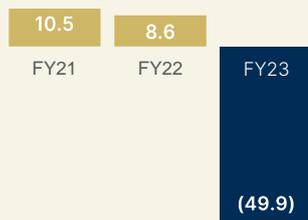
STRONG BALANCE SHEET

Net cash/(debt)

(£49.9m)

- Net debt £49.9m (2022: £8.6m cash)
- Facility of £130m RCF + £70m accordion extended to 2026

Net cash / (debt)



Leverage

~1.0x

- ~1.0x leverage post Grant Westfield acquisition
- Significant liquidity and funding headroom

Leverage (times)

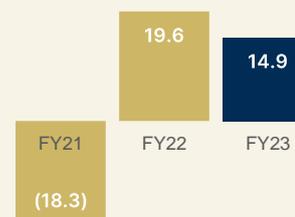


Financial position

£210.4m

- Net assets £210.4m (2022: £200.3m)
- Pension surplus of £14.9m (2022: surplus £19.6m)

Pension Asset / (Deficit)





GROUP STRATEGY

Thomas Willcocks
Chief Executive Officer



STRATEGIC PRIORITIES

- 1 Portfolio Development
- 2 Organic Growth
- 3 ESG
- 4 Operational Excellence
- 5 Talent



1 PORTFOLIO DEVELOPMENT

Consolidating fragmented markets and creating value



Acquisition Criteria

- 'One-stop-shop'
- Attractive end markets
- Market leading positions and strong brands
- Strong organic sales growth
- Potential to drive sales synergies
- Sustainability and ESG impact

Progress

- Strong M&A track record
- Grant Westfield successfully integrated

Priorities

- Well developed acquisition pipeline
- Organic and acquisition growth opportunity
- Harnessing group synergies



1 PORTFOLIO DEVELOPMENT

Excellent platform to drive further acquisitive and organic growth and improve returns

Grant Westfield Acquisition

- Market leader in high growth wall panel segment
- High quality product and innovation track record
- Integration complete and performing strongly
- Early synergies delivered – introductions to new customers
- Successful launch of new Tile Collection
- Further growth opportunity in Europe
- Supporting growth and efficiency driven investment in operations

UK Adhesives Closure

- Norcros Adhesives closure decision March 2023
- Sub scale - c.3% of Group revenue in FY23
- Revenues and £2.7m operating losses included in the underlying financial results for the year
- Closure costs - c.£4.8m (of which c.£2m gross cash cost, net nil cash cost) - exceptional item
- Short-term cash payback



② ORGANIC GROWTH – DESIGN LED, SUSTAINABLY

Vitality rate at 24%¹ – well developed pipeline



 GRANT WESTFIELD **Tile Collection**
Tile effect wall panels
Installation and maintenance benefits



TRITON THE UK'S SHOWER COMPANY
For a cleaner conscience

Enrich electric shower
Screwfix Sustainable Product of the Year
Reduced carbon footprint vs mixers

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



2 ORGANIC GROWTH – CHANNEL BREADTH

Diversified blue chip customer base with excellent relationship management

UK Channel Revenue FY23¹



1. 1% of UK Revenues to other channels



2 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	
 BARRATT HOMES	MERLYN JOHNSON-TILES  Croydex  GRANT WESTFIELD
 PERSIMMON	JOHNSON-TILES 
 Taylor Wimpey	VADO
 Bellway	JOHNSON-TILES 
 REDROW	VADO MERLYN abode JOHNSON-TILES  Croydex
 COUNTRYSIDE Properties Limited	VADO MERLYN Croydex
 Vistry Group	MERLYN Croydex
 Berkeley	VADO MERLYN abode JOHNSON-TILES  Croydex
 Keepmoat Homes	Croydex
 BLOOR HOMES	MERLYN Croydex

Progress

- Growth 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
- New product category development – complete 'one-stop-shop'

Strong growth opportunities through economic cycle

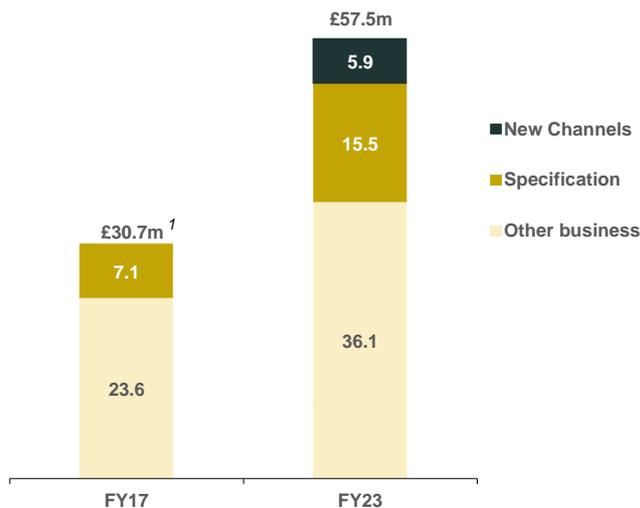


2 ORGANIC GROWTH – MERLYN

Driving growth in acquired businesses

Growth of Merlyn since FY17

MERLYN



1. FY17 ending 31st March, Merlyn acquired 23rd 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



3 ESG – NET ZERO 2040

ESG strategy driving sustainable growth

Norcros 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

Progress

- Agreed 8 ESG Priority Themes
- Net Zero Transition Plan
 - Net Zero by 2040
 - Interim targets for carbon emissions
 - Commitment letter to SBTi
- Reported against TCFD requirements

Priorities

- Embedding ESG strategy across business
- Competitive advantage through sustainability
- Implementation of Net Zero Transition Plan
- Developing Group level policies through 2024
- Complete CDP disclosure in FY24
- ‘Engaged Supplier’ status driving growth



3 ESG – IN ACTION

ESG initiatives delivered across all Norcros business units

Norcros SA – Project YES



Triton – community engagement project



Abode – community engagement project



SA - safe & clean toilets in schools



4 OPERATIONAL EXCELLENCE 5 TALENT

Group wide capabilities driving competitive advantage

4 Focus on Group synergies and scale advantages

- Collaborative, channel specific NPD
- Accelerate freight and warehousing synergies
- Joint development of IT systems and platforms

5 Focus on refreshing talent strategy

- New Chief People Officer position
- Group wide approach to L&D
- Increase talent mobility and career pathways
- Co-ordinated Diversity & Inclusion programme





SUMMARY AND OUTLOOK

Thomas Willcocks
Chief Executive Officer

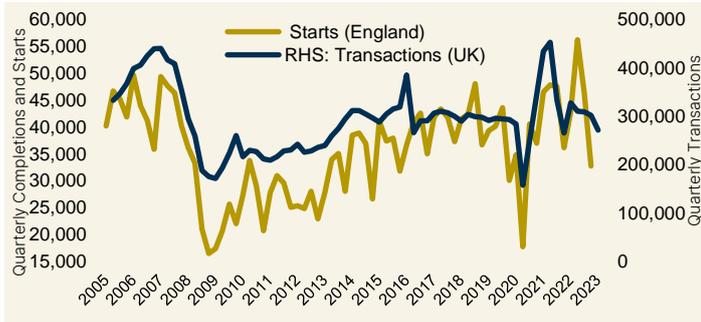


OUTLOOK – RESILIENCE IN CHALLENGING MARKET CONDITIONS

UK – Mixed market indicators

Key Housing Stats

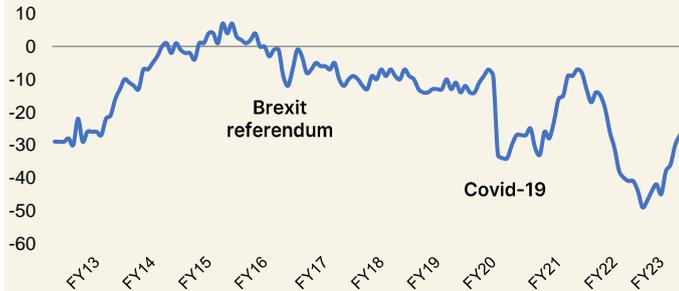
Sources: Starts GOV.UK (Mar23), HMRC Q1 2023



Recent fall in housing starts and transactions to pre-Covid levels

GfK Consumer Confidence

Source: GfK – May 2023



Consumer confidence is on improving trajectory in 2023

South Africa – Uncertain market sentiment

Dwellings Completed and Plans Submitted

Source: Stats Q1 2023



Stable dwelling completions, recent fall in plans submitted

FNB/BER Consumer Confidence

Source: FNB/BER – Q1 2023



Consumer confidence reflects uncertain outlook



RECORD PERFORMANCE AND STRONG FINANCIAL POSITION

- Current trading:
YTD May 2023 revenue +1.3% reported and -3.6% CC LFL¹ (UK +1.3%, SA -12.7%) v 2022
- Significant share gain opportunities
- Grant Westfield acquisition - successfully integrated and performing strongly
- Active acquisition pipeline
- Disciplined approach to capital allocation
- ESG strategy – Net Zero by 2040
- Resilience in challenging market conditions – proven business model

1. Constant currency basis and adjusted for Grant Westfield & Norcros Adhesives





APPENDIX



NORCROS DNA DRIVING OUTPERFORMANCE



**FOCUSED
OPERATING MODEL**



**EXPERIENCED
MANAGEMENT
TEAM**



**LEADING MARKET
POSITIONS &
BRANDS**



**GROUP SCALE
ADVANTAGES**



**DIVERSIFIED
CHANNELS &
BUSINESS PORTFOLIO**



**FLEXIBLE & CAPITAL
LIGHT MODEL**



**INNOVATION &
NEW PRODUCT
DEVELOPMENT**



**CLEAR & FOCUSED
STRATEGY**

Proven and compelling business model winning share in fragmented markets



BUSINESS OVERVIEW

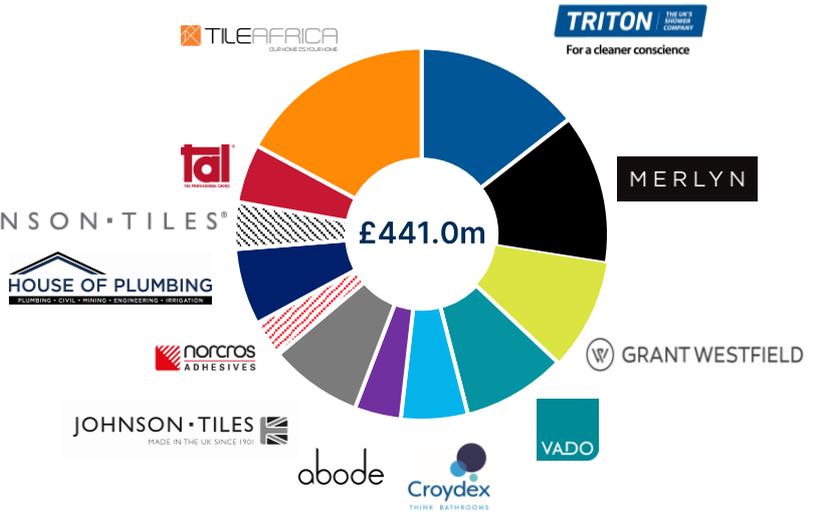
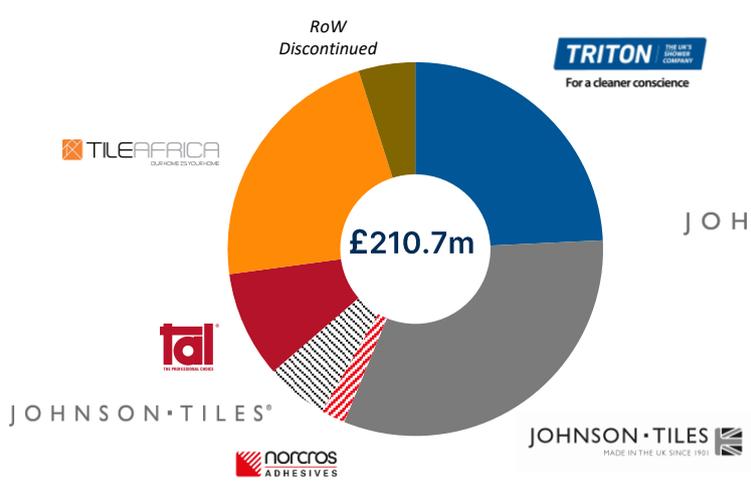
			FY23 Revenue	%	
UK	 TRITON	Market leader in the manufacture and marketing of showers in the UK	£63.7m	14.4%	
	 MERLYN	The UK and Ireland's no. 1 supplier of shower enclosures and trays to the residential, commercial and hospitality sectors	£57.5m	13.0%	
	 VADO	Leading manufacturer and supplier of taps, mixer showers, bathroom accessories and valves	£42.3m	9.6%	
	 GRANT WESTFIELD	Market leading manufacturer of high-end waterproof bathroom wall panels	£39.5m ¹	9.0%	
	 Croydex	Market leading, innovative designer, manufacturer and distributor of high quality bathroom furnishings and accessories	£25.5m	5.8%	
	 obode	Leading niche designer and distributor of high quality kitchen taps, bathroom taps and kitchen sinks	£17.7m	4.0%	
	 JOHNSON-TILES	Leading manufacturer and supplier of ceramic tiles in the UK	£35.3m	8.0%	
	 norcros ADHESIVES	Manufacturer of tile and stone adhesives, grouts and related products	£14.3m	3.2%	
UK Revenue		12 months to 31st March 2023	+15.2%	£295.8m	67.1%
1. Grant Westfield acquired 31st May 2022					
SOUTH AFRICA	 TILE AFRICA	Leading chain of retail stores focused on tiles, and associated products, such as sanitary ware, showers and adhesives	£75.5m	17.1%	
	 tai	Leading manufacturer of ceramic and building adhesives	£22.5m	5.1%	
	 JOHNSON-TILES ²	Leading manufacturer of ceramic and porcelain tiles	£17.9m	4.1%	
	 House of Plumbing	Market leading supplier of specialist plumbing materials focussed on the specification and commercial sectors	£29.3m	6.6%	
SA Revenue		constant currency, 12 months to 31st March 2023	+4.7%	£145.2m	32.9%
GROUP REVENUE		(constant currency)	+11.5%	£441.0m	100%



BALANCED AND DIVERSIFIED BUSINESS PORTFOLIO

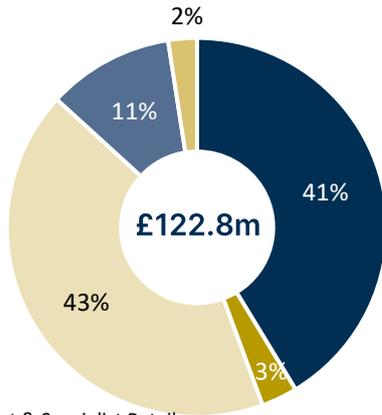
Group Revenue FY13

Group Revenue FY23



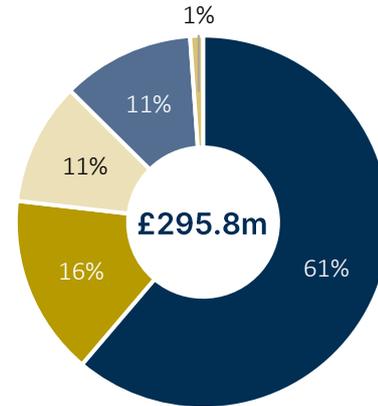
DIVERSIFIED CHANNELS: UK STRATEGIC FOCUS ON ATTRACTIVE SEGMENTS

UK Channel Revenue - FY13



- Trade
- Independent & Specialist Retail
- DIY Retail
- Export
- Other

UK Channel Revenue - FY23



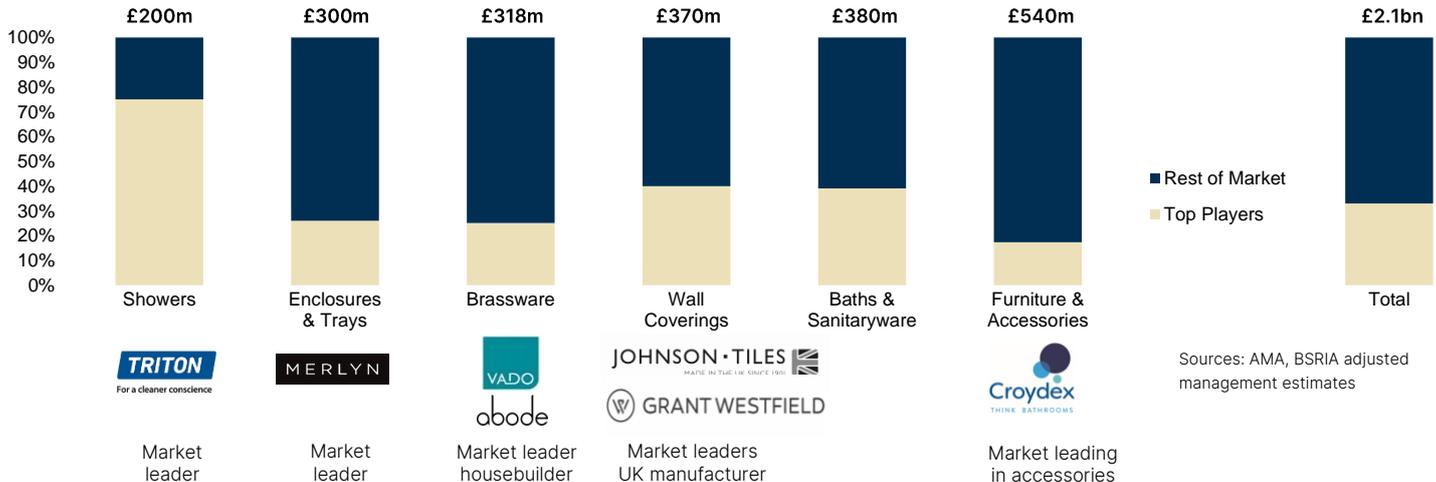
- Trade
- Independent & Specialist Retail
- DIY Retail
- Export
- Other

1. Financial years ended 31st March



UK FRAGMENTATION AND SHARE GAIN OPPORTUNITY

United Kingdom Bathroom – Selective Markets @ MSP



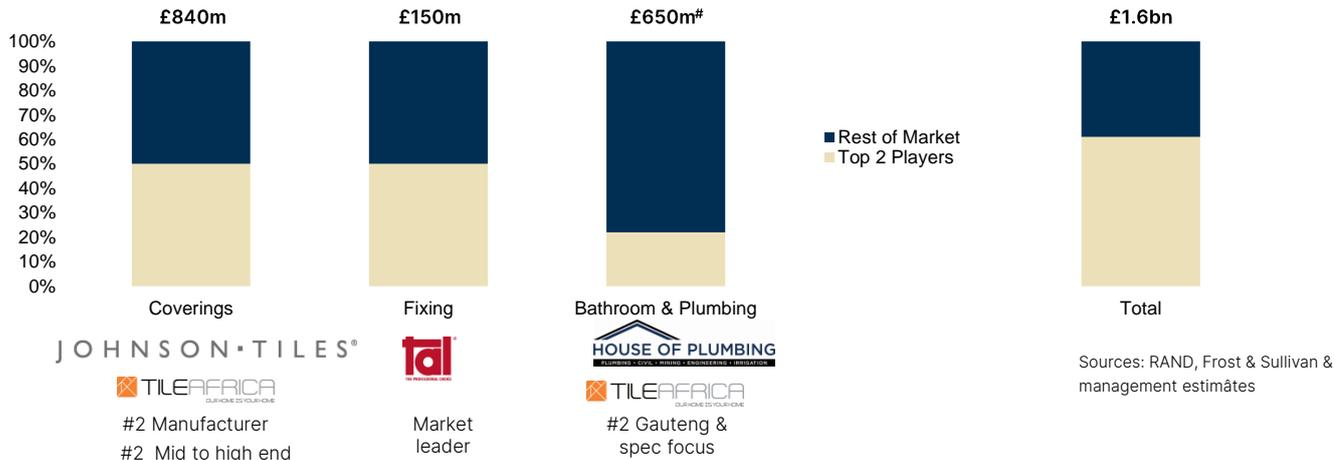
- Overall bathroom market remains highly fragmented – no dominant player
- Sub-market segments are also highly fragmented
- Continued opportunity for share gains
- No one company serves all segments and channels – significant consolidation opportunity remains
- Norcross channel and product position – excellent platform to progress consolidation strategy

Significant consolidation opportunity; fragmented market



SA FRAGMENTATION AND SHARE GAIN OPPORTUNITY

South Africa Bathroom – Selective Markets @ MSP



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

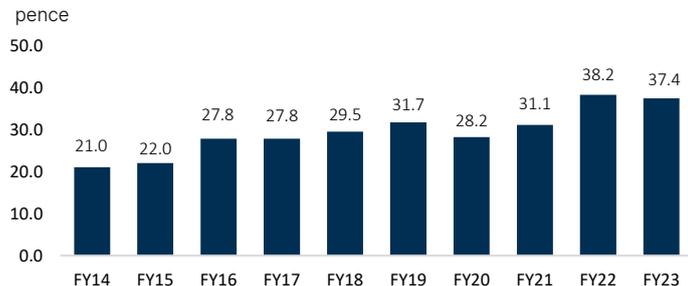
- Sizeable market characterised by greater concentration than UK – “long-tail” of small independent players
- Norcros South Africa - all four businesses have strong commercial positions
- Fragmented and growing alternative coverings segment
- House of Plumbing: strong geographic growth opportunity in fragmented market; entry into civils segment

Norcros SA market leading positions; opportunity to take share from smaller players



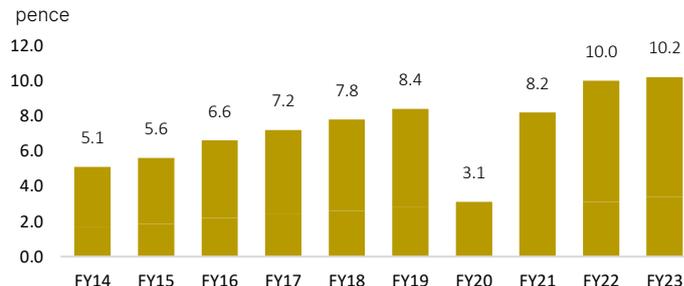
TRACK RECORD OF SUSTAINED PERFORMANCE

Diluted underlying EPS (p)



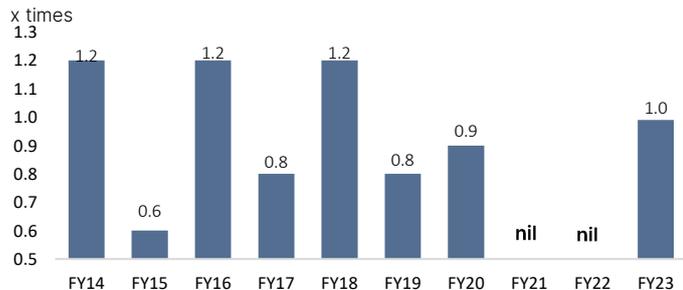
Solid EPS progress

Dividend per share (p)



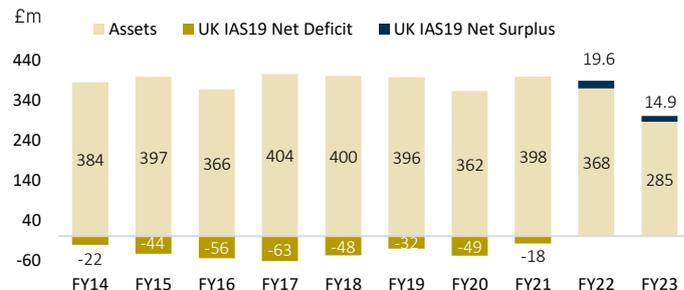
Track record of progressive dividend growth

Proforma Net Debt/EBITDA



Conservative approach to leverage

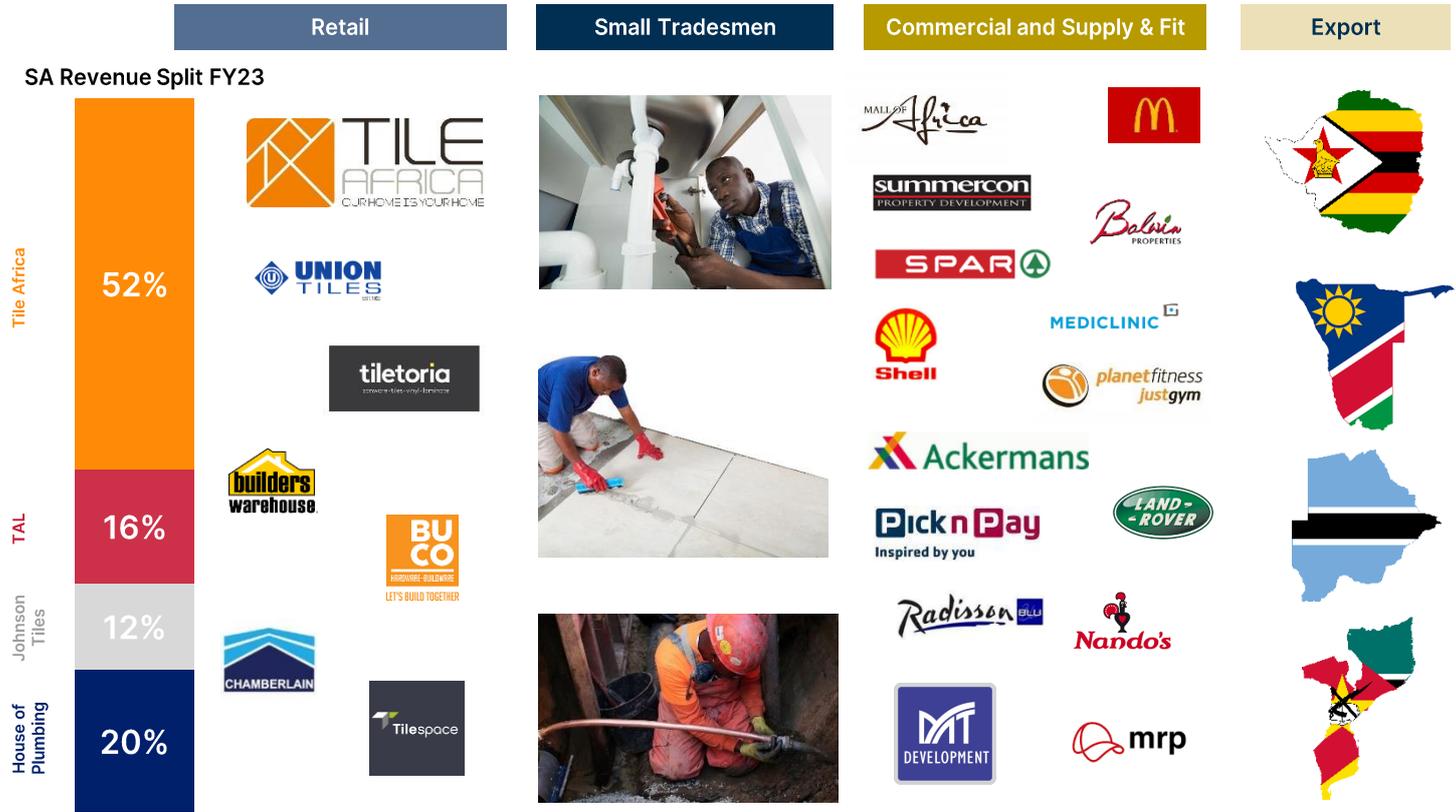
UK IAS19 Pension Position



FY23 - pension fund surplus of £15m



DIVERSIFIED SA CHANNELS



Broad market coverage through multi channel approach



SA – SUSTAINED PERFORMANCE IN TOUGH MARKETS

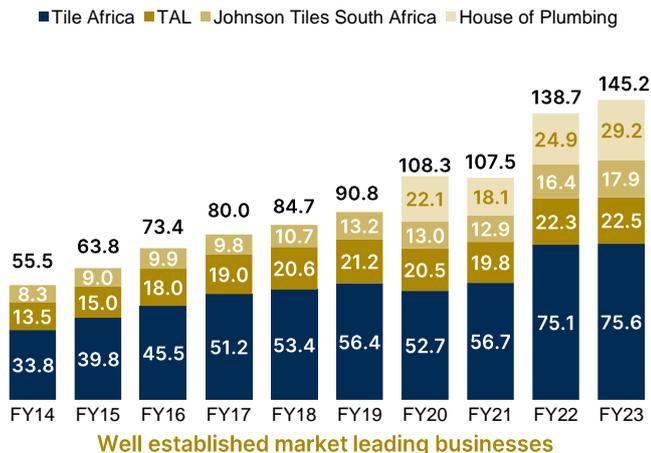
Norcros South Africa

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

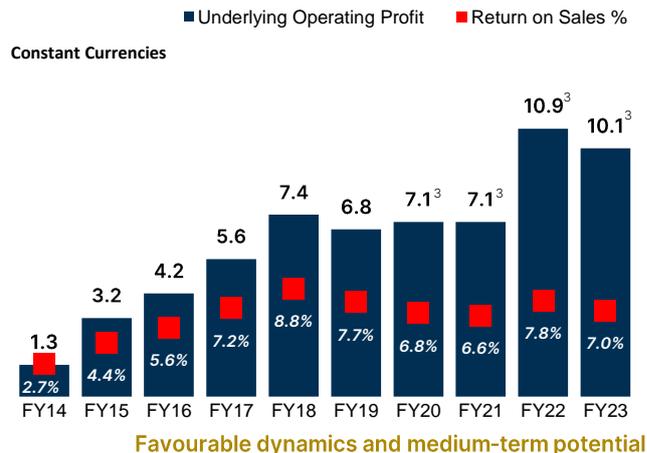
South African Dynamics

- 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



Underlying Operating Profit¹ (£m) & Return on Sales (%)



1. Financial years ended 31st March

2. House of Plumbing acquired 1st April 2019

3. IFRS 16 basis



EXCEPTIONAL ITEMS AND ACQUISITION RELATED COSTS

Exceptional items	2023 £m	2022 £m
Johnson Tiles (UK) impairment	(5.0)	–
Closure of UK Adhesives	(4.8)	–
Release of UK property provision (Groundwell)	–	0.9
	(9.8)	0.9

Nil cash cost of Johnson Tiles impairment and gross cash cost of c.£2m for UK Adhesives closure, net nil cash cost

Acquisition related costs	2023 £m	2022 £m
Advisory fees	(1.4)	(1.1)
Intangible asset amortisation	(6.2)	(3.7)
Deferred remuneration	(0.8)	–
	(8.4)	(4.8)



NET DEBT RECONCILIATION

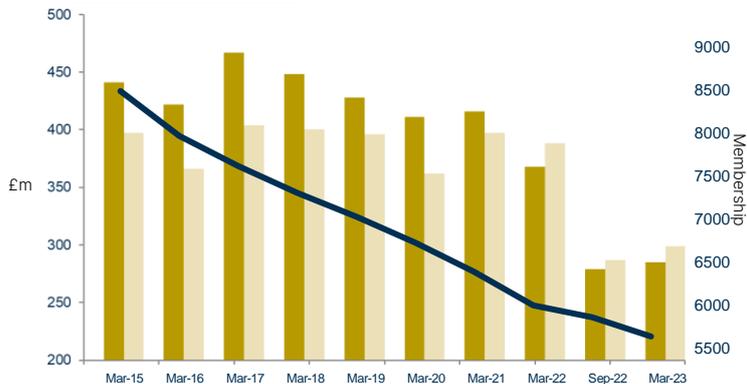
	2023 £m	2022 £m
Net cash – opening	8.6	10.5
Net cash flow	(55.5)	(4.5)
Non-cash movements ¹	(0.1)	1.0
Foreign exchange	(2.9)	1.6
Net (debt)/cash – closing	(49.9)	8.6

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 £14.9m (March 2022: surplus £19.6m)

- Liabilities reduced by £83.3m to £285.0m
- Assets reduced by £88.0m to £299.9m
- Discount rates driving reduced liabilities
- Well managed and appropriately funded

UK Pension Data

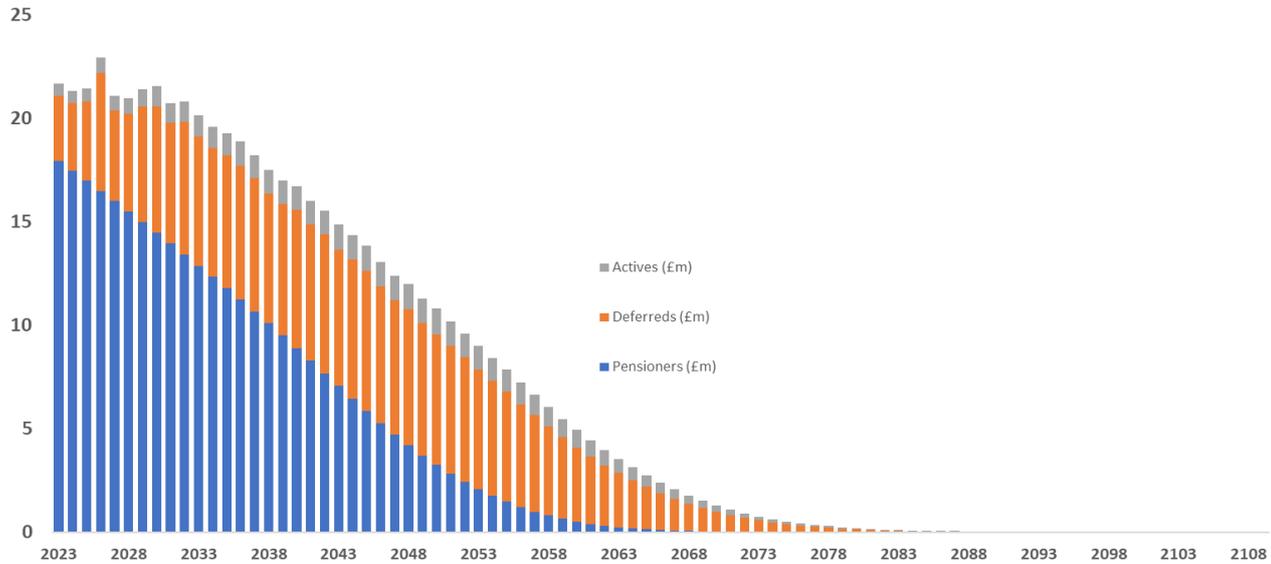
	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Sep-22	Mar-23
Liabilities	441	422	467	448	428	411	416	368	279	285
Assets	397	366	404	400	396	362	398	388	287	300
(Deficit)/Surplus	(44)	(56)	(63)	(48)	(32)	(49)	(18)	20	8	15
Disc Rate	3.30%	3.55%	2.60%	2.65%	2.50%	2.21%	2.05%	2.75%	5.25%	4.90%
RPI	2.90%	2.90%	3.15%	3.10%	3.25%	2.55%	3.25%	3.70%	3.55%	3.25%
Membership	8,492	7,973	7,621	7,309	7,035	6,733	6,393	6,002	5,867	5,641

Super-mature scheme:

- 5,641 members (March 2022: 6,002)
- 74% pensioners with average member age 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

