

Flowtech

2023 full-year results

Flowtech Fluid Power Plc (FLO)



Disclaimer

This document contains certain forward-looking statements which reflect the knowledge and information available to the Company during the preparation and up to the publication of this document. By their very nature, these statements depend upon circumstances and relate to events that may occur in the future and thereby involve a degree of uncertainty. Therefore, nothing in the document should be construed as a profit forecast by the company.



Agenda.

- 1 Overview
- 2 Financial performance
- 3 Performance improvement plan
- 4 Journey to the future
- 5 Current trading and outlook



Mike England
Group CEO



Russell Cash
Group CFO

Think Flowtech.
Think Differently.
‘a world of motion’.



Everything we do at Flowtech is focused on keeping businesses moving – whether that's sourcing the right product or designing a complex engineering solution.



Overview.

2023 focus has been on fixing the basics and unlocking near-term self-help opportunities whilst building the stronger foundations needed to scale and deliver accelerated growth in earnings.

Group revenue down (2.3%)*, 11.9%* Ireland of Ireland, (6.2%)* GB, 2.0%* Benelux. Priority focus in H2 has been GB recovery; good progress on getting back to doing the basics.

EBITDA of £9.4m* and underlying adjusted operating profit of £6.0m* in line with market expectations with strong focus on gross margins and cost management.

Gross margins increased by 111bps* with improved momentum through H2 with opportunities to deliver further improvements over time.

Net Debt** £14.7m* as we continue to focus on working capital management and cash generation whilst carefully investing to recover service levels.

H2 Performance Improvement Plan delivering positive early results, new leadership team fully embedded and many fundamental basics now back in place.

Refreshed Strategy successfully implemented with new operating model in place and progress on building capabilities to outperform the market and enhance earnings.

*Unaudited

**Net Debt is pre-leases

Financial performance.

Our world is
always in motion.



Financial highlights.

2.3%* revenue reduction

2.3%* reduction year on year, varying results by segment

6.2%* reduction in GB, 11.9%* increase in Island of Ireland and 2.0%* increase in Benelux

111bps* increase in gross margin

36.8%* represents a 111bps* improvement on an already strong margin

Good discipline in managing ongoing inflationary price changes and impact of new management team actions

Tightly managed operating overheads

Headcount in H2 reduced by 7.6%*

To assist in controlling the degree of overhead increase resulting from inflationary pressures and the investment in new management

Improved net debt position

£1.3m** reduction over 12 months

£2.5m reduction including lease liabilities.

Year ended December	2023*	2022
Revenue (£m)	£112.1m	£114.8m
Gross margin %	36.8%	35.7%
Underlying operating overheads (£m)	£35.2m	£32.4m
Underlying EBITDA (£m)	£9.4m	£11.6m
Net cash from operating activities	£8.2m	£5.0m
Net debt** (£m)	£14.7m	£16.0m

*Unaudited
**Excludes IFRS16 lease debt



Segment performance.

Pleasing bottom line growth in the Island of Ireland and Benelux. Significant number of opportunities within GB business now identified and new management team are busy implementing.

Key focus is recovery of GB Product Distribution

Consolidation of five businesses and poorly received 2022 catalogue had significant impact on customer sentiment. This, combined with a slowdown in the general market, led to a disappointing H2.

Positive indicators now being seen and expect customer confidence to be restored during 2024.

70%*

2023 GB revenue

20%*

2023 IOI revenue

10%*

2023 BNLX revenue

2023	Great Britain	Island of Ireland	Benelux	Total
Revenue (£m)	79.5*	22.0*	10.6*	112.1*
Underlying operating profit (£m)	7.2*	2.5*	1.6*	11.3*
Underlying operating margin	9.1%*	11.4%*	15.1%*	10.1%*

2022	Great Britain	Island of Ireland	Benelux	Total
Revenue (£m)	84.9*	19.6*	10.4*	114.9*
Underlying operating profit (£m)	9.8*	1.9*	1.3*	13.1*
Underlying operating margin	11.5%*	9.9%*	13.0%*	11.4%*

*Unaudited



Net debt.

Progress with net debt and working capital management. Expecting further debt reduction in 2024.

£1.8m reduction in working capital

Despite £1.3m investment in inventory in H2 to recover service.

£1.3m reduction in Bank debt.

£2.5m reduction inc. lease liabilities.

- Management of all aspects of working capital is an integral part of our EBITDA growth plans.
- Good headroom versus total facility of £25m.
- Bank facilities extended to May 2027.

12 month debt bridge

(31 December 2022 to 31 December 2023)



(*) Opening and closing figures exclude IFRS 16 related liabilities

* Operating cash inflow before changes in working capital and provisions

Performance improvement plan.

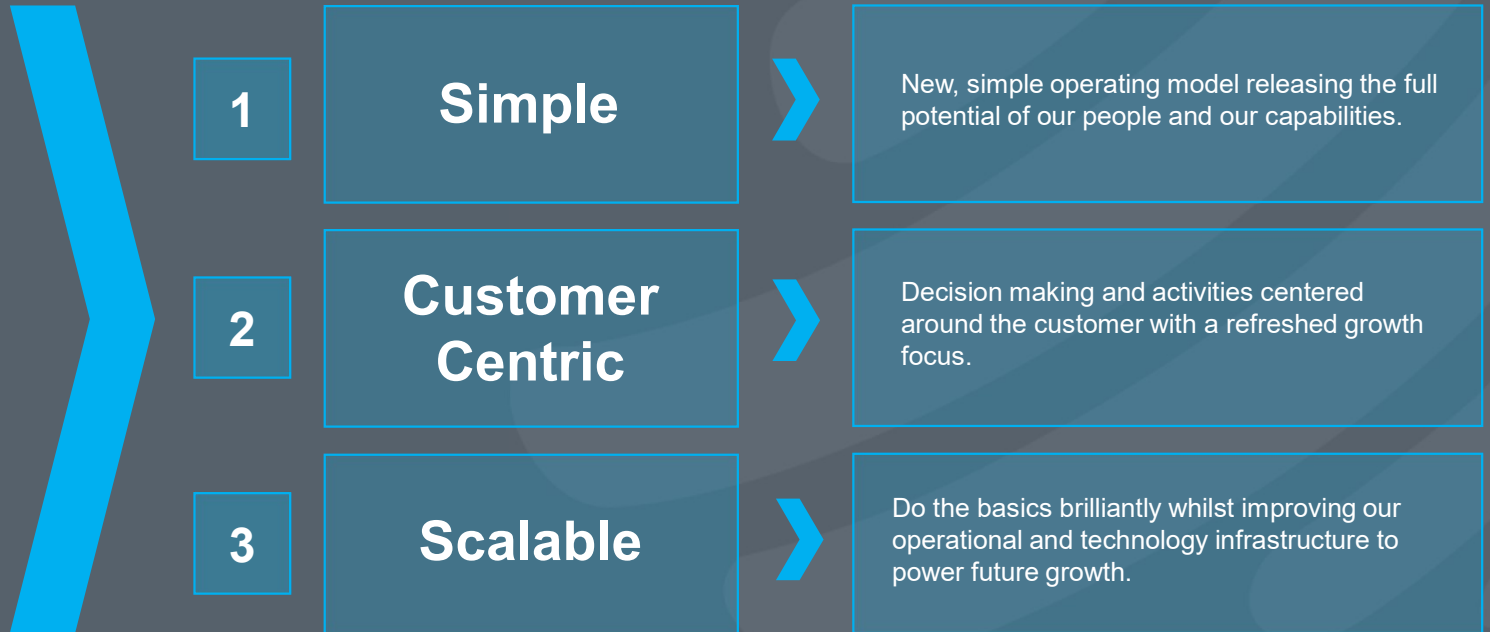
As a specialist, we offer the expertise, experience, services and solutions you need, all in one place.



Objective and framework.

Implemented in H2 2023.

To quickly deliver a more customer centric, lean and scalable platform for growth.



Simple.

1

New, simple operating model releasing the full potential of our people and our capabilities.

What needed improving

Operating model house of brands.
Divisional fragmented structure, silos, inefficiencies and confusion in the market and across the channels.

Leadership capability & organisation effectiveness.
Lacking core capability in multiple areas. Ineffective cross company working.

Fragmented and confused customer value proposition.
Unable to release full potential of Group-wide capabilities to our customers.

What we've done to improve

Operating model to branded house.
Established simple country and functional structure in readiness to underpin rebranding to One Flowtech in Q2 24.

New leadership team & organisation implemented.
New leadership team in place from October. Full organisation restructure completed.

Built platform to launch one single value proposition.
Opening many new cross selling and upselling opportunities across the Group.

Results so far

Simplified and scalable platform.
Transitioned from 10 cash generating units to 3 and 60 statement of operations to 3. Ready for one 'Flowtech' brand launch.

Powered up leadership capability and organisation efficiency.
Reduced H2 headcount by >7.6% whilst investing in new capability i.e. leadership, digital & procurement.

New customer opportunities being identified and converted.
Numerous examples of cross selling happening across the customer base.

Significant leadership, personnel and cultural change implemented.



Customer centric.

Decision making and activities centered around the customer with a refreshed growth focus.

What needed improving

Selling effectiveness.

Siloed sales structure, poor basic sales process and CRM adoption, performance management and accountability lacking.

Marketing effectiveness.

Marketing limited to product distribution. Lower level, tactical marketing effort with limited digital and insight capability in house.

Customer Care.

Inside out culture with minimal customer centricity or customer satisfaction measurement. Highly reactive not proactive.

What we've done to improve

Restructured sales organisation.

Revamped sales strategy, new leadership, CRM embedded, basics put in place (sales pipeline, quote conversion and order book).

New catalogue and digital re-set.

New leadership and team putting core functional competence in place. New catalogue to launch April '24. Digital strategy and plan implemented.

Improved customer experience.

New leadership, improved end-to-end sales and aftersales support and new complaints processes. Customer satisfaction measurement.

Results so far

Improved quality of sales effort.

All sales personnel put through 3-day 'MOT' development. >5% increase in customer interactions and activity. Sales pipeline building.

Laid down foundations for take off.

Over 40,000 catalogues ordered for April launch from 100 partners. Digital re-platforming project in flight. Phase 1 launch in Q3 2024.

Customer first culture.

Customer complaints down by over 50% since June. Customer satisfaction index at 73.1 versus UK all sector average of 76.6.

Vastly better performance measurement and accountability.

Scalable.

3

Do the basics brilliantly whilst improving our operational and technology infrastructure to power future growth.

What needed improving

Stock availability.

Poor stock management especially on fastest running lines resulting in stock outages and frustrated customers.

Operational effectiveness.

Suboptimal operational performance and efficiency at the GB Fulfillment Centre leading to poor customer service.

Visibility and measurement.

Lacking many fundamental business performance management dashboards and no single view of Group inventory and order book.

What we've done to improve

Getting back to best in class.

Full review and reset of stock management and forecasting processes. Invested c£1.0m in fast moving stock to recover service.

Step up in operational capability.

New operational leadership team in place from October. Immediate focus on improving throughput, efficiency and culture.

Built new tools and dashboards.

New technology leadership and team including business intelligence capability. Built data integration tools enabling Group-wide reporting.

Results so far

Stock availability recovery.

Stock availability on top 15,000 lines (c.60% revenue in product distribution) improved from 88% in July to over 97% in December.

Service recovery and efficiency.

22% capacity increase per operator, 30% reduction in touch points, 35% reduction in headcount, with further targeted efficiency improvements in '24.

If you can measure it, you can manage it.

Implemented new reporting and visibility tools; order book, single view of inventory, CRM.

Back to doing the basics resulting in material service level recovery.

Journey to the future.

Whatever you need,
wherever you are,
whenever you need it –
we're here for you.



Big fragmented market.

£30bn

European market

<1%

European market share

<5%

UK market share



Higher growth
High quality earnings
Best in class

We work across virtually all industry sectors, serving the needs of our customers who are designing, building maintaining and improving industrial plant, equipment and operations.



Food & Beverage
Packaging FMCG



Pharma
Medical Devices



Aggregates
Construction Mining



Agriculture



Transport
Shipping Marine Air



Utility Water
Waste Energy



Process Oil & Gas
Petrochem Chemical



Metals & Heavy
Engineering



Aerospace &
Defence



Automotive



Off Highway



Automation &
Systems

Strategy for growth.

Providing power, motion and control solutions, keeping industry moving and creating a more sustainable world.

In focus

1

CUSTOMER FIRST

Diverse customer base and omni-channel approach.

x2

market growth rate

2

POWER OF ONE

Differentiated value proposition delivered through one team.

Mid-teen

EBITDA margins

3

A WORLD OF MOTION

Expanding our products, services and geographical reach.

£30Bn

market opportunity

Enabled by digital & data



Note: further information on 2 and 3 in the appendix.

The power of one.

Our unique differentiator

Customers are increasingly seeking a specialist solutions partner.

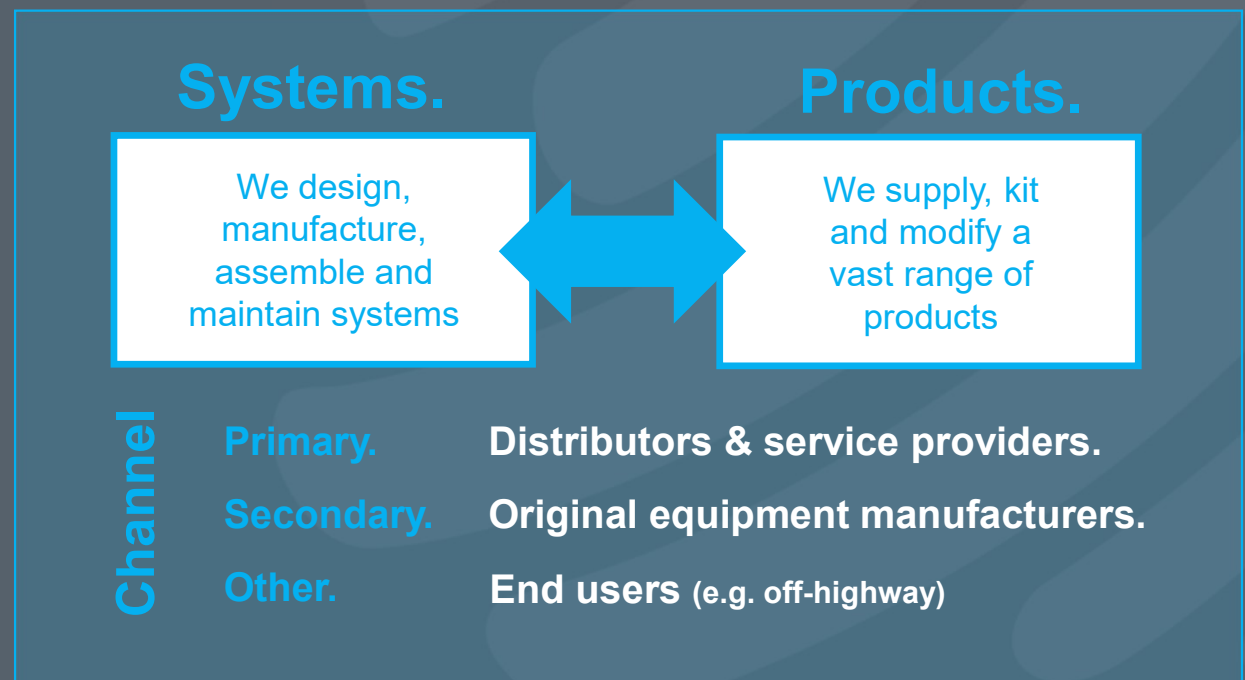
To support them in **designing, manufacturing, assembling and maintaining** their systems.

To help them **access the brands and products needed** to manufacture, assemble and maintain their systems.



In focus

Flowtech has the capability to do both.



The power of one.

Rebranding to One Flowtech H1 2024

Fragmented Approach

Multiple brands operating independently with different offerings and approach to the market



In focus

One Approach

One brand, simple operating model with consistent value proposition accelerating customer focus and growth



The power of one.

One single value proposition



Margin engines.

Margin growth engines

Engine components

1	Customer growth	<ul style="list-style-type: none"> Selling more things to existing Customers New customer acquisition Introduce industry sector Channel strategy
2	Commercial excellence	<ul style="list-style-type: none"> Buying BETTER and selling WELL Improving receivable and debtor days Optimising inventory availability and stock turns
3	Product and service expansion	<ul style="list-style-type: none"> New product and Brand expansion Introduction of new services Increase geographical reach
4	Own Brand	<ul style="list-style-type: none"> Increase share of customer wallet Focused product range expansion Focused industry channel growth
5	Operate for less	<ul style="list-style-type: none"> Increased distribution efficiency and productivity Optimise throughput and manufacturing capacity Improved sustainability and environmental impact
6	People, talent and capability	<ul style="list-style-type: none"> Increased overall employee engagement Improve diversity and build inclusive culture Health, safety and wellbeing of people first

Margin Growth
DEBT Reduction



Key Performance Indicators

Financial

- Like for like revenue growth
- Adjusted operating profit margin
- Return on capital employed
- Adjusted cash flow conversion
- Net debt

Non-Financial

- Customer satisfaction
- All accidents
- Employee engagement
- Carbon emissions
- % of women in leadership

Strategy execution.

2026

2025

2024

2023

Key deliverables

Steady state

- Continual improvement
- Offer expansion
- Systems upgrades
- Inorganic expansion

Digital ramp up

- Selling effectiveness
- Own brand power up
- Offer expansion
- Systems upgrades

One Flowtech

- Selling effectiveness
- Digital re-platform
- Data-integration
- Increase throughput

Performance Plan

- New leadership
- Operating model
- Launch strategy

Growth engines

1 2 3 4 5 6

1 2 3 4 5 6

1 2 3 4 5 6

1 2 3 4 5 6



Growth engine key



Initiating



Developing



Advancing



Embedded

Increasing focus on ESG.

Decision making and activities centred around the customer with a refreshed growth focus.

Our environment

What we've done.

We've increased focus on our environmental and sustainability goals across the end-to-end supply chain and our operations and fleet.

Results.

23% reduction in like for like carbon emissions
52,000kg general non-hazardous waste recycled
13,000 litres of hazardous waste recycled
>50% of fleet now hybrid and/or electric vehicles

Our people

What we've done.

We've shifted to a customer-first, purpose-led culture. Diversity and inclusion remains a key focus for the business and our future growth.

Results.

Zero RIDDOR with near miss reporting up >100%.
50% of the top tier leadership team are now women. 722 training activities attended by our people.

Our governance

What we've done.

As a new leadership team, we've completed a strategic review of all of our policies and processes across the organisation.

Results.

Full review of all Group policies and governance.
Launching revised and new policies in Q2 24'.

Purpose-led culture.



Picture 1: Launch of our 26 customer personas



Picture 2: One Flowtech Leadership Culture Change Conference

We are determined to create a customer focused, diverse and inclusive culture where our people can thrive, and helps us to attract the best talent in the market.

Current trading and outlook.

The world never stops, and
neither do we, as we keep
lives and industries moving —
in a world of motion.



Current trading and outlook.

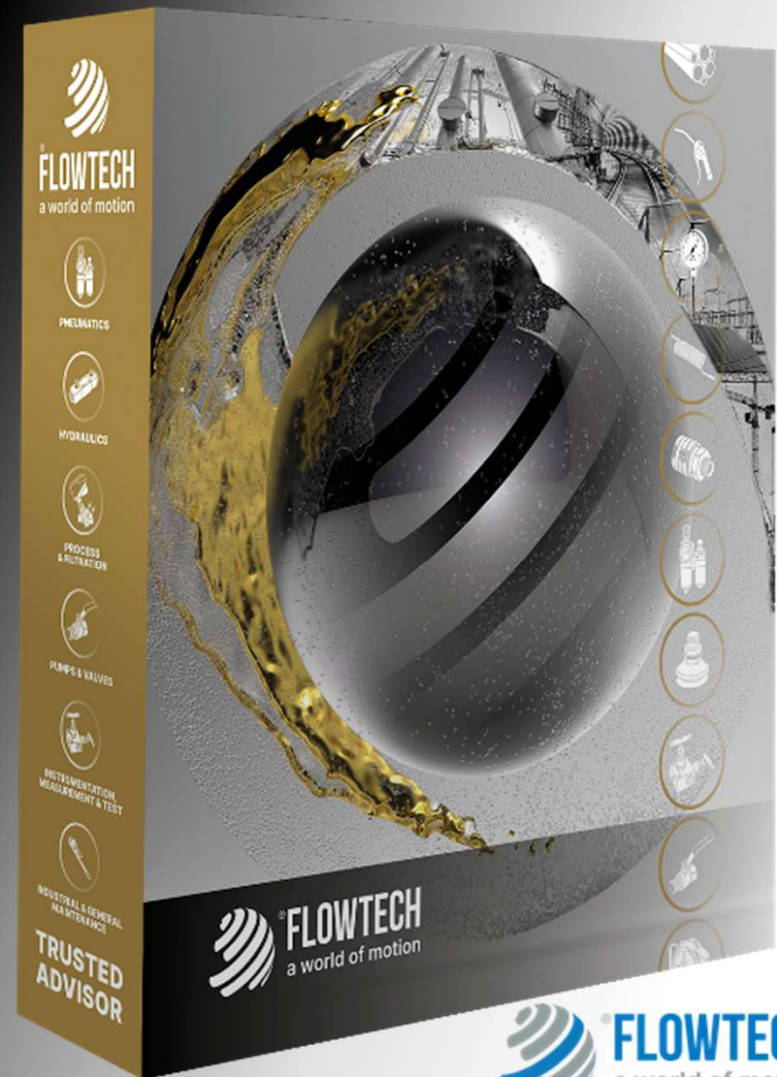
Current trading is in line with expectations.

External industrial markets remain suppressed with headwinds expected to continue.

Despite a challenging market, with ongoing focus on the Performance Improvement Plan initiatives, we expect continued improvement in gross margins and further efficiencies, a positive recovery in our product distribution channel with the benefits of the improved service levels, launch of our new catalogue and enhancements to the website experience.

We are focused on many self-help opportunities and with the rebranding to 'one Flowtech' in Q2 '24, this unlocks further synergies including cross selling and upselling the combined product and solutions proposition to our customers.

Many of the foundations needed to recover performance and scale have been put in place or are being implemented. We are confident that 2024 will be an important turning point for Flowtech.



Think Flowtech.
Think Differently.
'a world of motion'.



Question time.

We provide **power, motion and control solutions**, keeping industry moving and creating a **more sustainable world.**



A man with a beard, wearing a light blue button-down shirt, is standing in a large warehouse. He is holding a tablet computer and looking at the screen. The background consists of tall, industrial shelving units (pallet racks) filled with cardboard boxes. The lighting is bright, typical of a warehouse environment.

Appendix.

**Your trusted partner
in a world of motion.**



About Flowtech.

**Largest supplier of fluid power
in UK, Ireland & Benelux**



560 skilled and specialist people



75,000 products for next day delivery



Broad Engineering Services portfolio



Leading global supplier line card and own brand range



A world of motion.

The Fluid Power market is changing meaning we can evolve to meet our customers needs and accelerate our commercial advantage.

Our customer needs are evolving

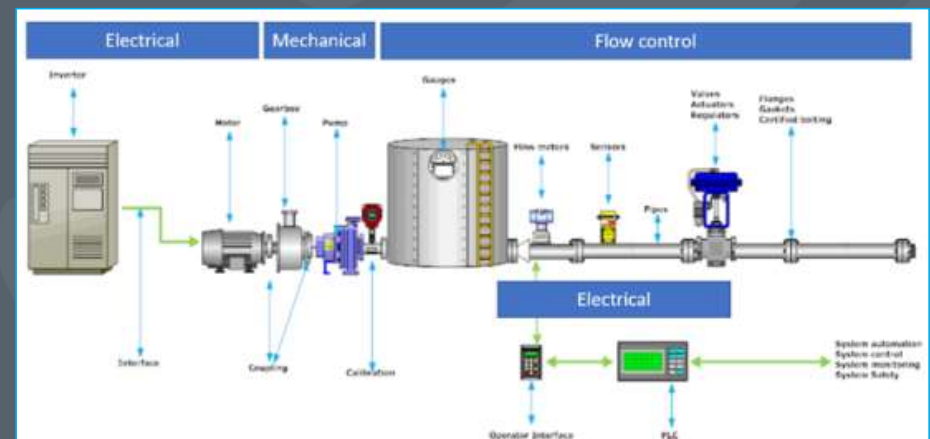
Driven by digitisation, Industrial Internet of Things (IIOT), electrification, new emerging technologies (i.e. hydrogen power), the need for sustainability and market consolidation.

Expanding our product & service offering

Across the power, motion and control sectors increases our value to our customers and future proofs our business. Unlocks £30bn fragmented European market opportunity.

Typical Industrial Application

Today we play within the flow control technology area supporting movement of air and gases to transfer power. This is a key part of most industrial applications, but industrial customers increasingly seek products and solutions of technologies across the total application.



We are evolving to meet the changing needs of our customers.

Top 10 shareholders.

63% of shares are held by the top 10 shareholders

	Individual
Odyssean Investment Trust	17.1%
Harwood Capital	10.0%
Downing	9.5%
Close Brothers Asset Management	6.7%
Charles Stanley	4.8%
Lazard Freres Banque (PB)	4.0%
BGF	3.1%
Transact (EO)	3.0%
Hargreaves Lansdown, stockbrokers (EO)	2.7%
Gresham House Asset Management	2.6%

As at 6th March 2024

Cash flow statement.

Consolidated Statement of Cash Flows For the year ended 31 December

	Note	2023 £000 <i>unaudited</i>	2022 £000 <i>audited</i>
Cash flow from operating activities			
Net cash from operating activities	10	8,202	5,014
Cash flow from investing activities			
Acquisition of property, plant and equipment		(2,092)	(1,645)
Acquisition of intangible assets		(121)	(212)
Proceeds from sale of property, plant and equipment		135	65
Net cash used in investing activities		(2,078)	(1,792)
Cash flows from financing activities			
Repayment of lease liabilities		(1,818)	(1,673)
Interest on lease liabilities		(221)	(227)
Other interest		(1,567)	(925)
Proceeds from sale of shares held by the EBT		-	172
Dividends paid	6	(1,289)	(1,228)
Net cash used in financing activities		(4,895)	(3,881)
Net change in cash and cash equivalents		1,229	(659)
Cash and cash equivalents at start of year		3,972	4,562
Exchange differences on cash and cash equivalents		(17)	69
Cash and cash equivalents at end of year		5,184	3,972

Statement of financial position.

Consolidated Statement of Financial Position at 31 December

	Note	2023 £000 <i>unaudited</i>	2022 £000 <i>audited</i>
Assets			
Non-current assets			
Goodwill	8	40,066	53,092
Other intangible assets	9	2,529	3,523
Right-of-use assets		4,829	6,091
Property, plant and equipment		7,822	7,234
Total non-current assets		55,246	69,940
Current assets			
Inventories		32,009	31,486
Trade and other receivables		23,725	24,620
Prepayments		856	387
Cash and cash equivalents		5,184	3,972
Total current assets		61,774	60,465
Liabilities			
Current liabilities			
Interest-bearing borrowings		-	19,967
Lease liability		1,695	1,705
Trade and other payables		21,558	19,569
Tax payable		767	1,219
Total current liabilities		24,020	42,460
Net current assets		37,754	18,005

Non-current liabilities			
Interest-bearing borrowings		19,915	-
Lease liability		3,822	5,008
Provisions		330	317
Deferred tax liabilities		1,534	1,281
Total non-current liabilities		25,601	6,606
Net assets		67,399	81,339
Equity directly attributable to owners of the Parent			
Share capital		30,746	30,746
Share premium		60,959	60,959
Other reserves		187	187
Shares owned by the Employee Benefit Trust		(124)	(124)
Merger reserve		293	293
Merger relief reserve		3,646	3,646
Currency translation reserve		23	159
Retained losses		(28,331)	(14,527)
Total equity attributable to the owners of the Parent		67,399	81,339

Flowtech

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