

Our Strategy

At our 2022 Capital Markets Day we outlined the strategy that would enact the next stage in the evolution of Genuit Group. Our Sustainable Solutions for Growth strategy builds on our successful history, market positions and the deep knowledge and expertise of our people, whilst seeking to clarify how we will outperform the wider market and unlock value from within the Group.



1 Focus on higher growth, sustainability driven markets

Genuit operates in a served addressable market valued at £3bn in the UK alone. We occupy number one or two position in the majority of sectors we serve. Our history of expansive M&A activity has meant the Group is active in segments across water management, ventilation and cooling, heating systems and infrastructure. Within these segments we are providing solutions which link to key sustainability-linked growth drivers.

Our water management ranges address key issues around resilience and adaptation, as engineers design for increasingly frequent severe weather events, and combine the design of urban green spaces with solutions to create a resilient stormwater network. Our climate-related products are addressing the need for lower carbon heating and cooling, as well as providing clean and healthy air.

In all of these sectors there are regulatory tail winds such as Parts L and F of the Building Regulations, and the Flood and Water Management Act. These regulatory, societal and climate change-related factors combine to yield growth opportunities in excess of the construction market average. We will continue to focus our capital and efforts on ensuring our portfolio and our organic initiatives are targeting these higher growth segments.

2 We will strengthen our market positions by being the lowest carbon choice for our customers

The roots of our Group lie in the benefits of converting to polymer based piping products versus old fashioned legacy alternatives. Over the years, in addition to benefits such as installation speed, this transition has accelerated due to the lower life cycle emissions of those plastic solutions. Now, our customers are assessing carbon impact as part of their purchasing decisions. We recognise that in the context of the built environment, the choice of products represents a significant contributor to the Scope 3 carbon content of a project, or the participants in its supply chain.

Our efforts to increase our use of recycled plastics, and to reduce the carbon impact of our operations across the Group now mean we can offer customers a way to improve their carbon footprint. In a context where 45% of FTSE companies have net zero targets, along with many of the key developers, contractors, and merchant groups this is now a driver of customer preference. We will continue to improve our position in this regard; we have set our Science Based Targets, we have a near-term target of 62% of our polymers being from recycled inputs, and we are rolling out a programme of Environmental Product Declarations (EPDs) so that increasingly, customers can make data driven informed decisions based on carbon comparison.

Our Strategy continued

3 We will simplify the Business

The evolution of the Group has seen significant M&A, including ten acquisitions completed since IPO. Whilst we remain committed to the strengths of our brands, the strong customer relationships that exist in our businesses and the agility that they show, we have also recognised that in order to capture our future growth opportunities and maximise returns, we have needed to simplify the Group. Therefore, around the end of 2022 we re-organised as three Business Units, from our previous four divisions which had historically been largely a consolidation layer.

This makes the Group easier for investors and colleagues to understand how we align with our served segments, and facilitates solutions for customers in a more cohesive way. We are committed to continuing to exploit revenue and cost opportunities, and this market-aligned structure will assist in both regards.

4 Create value through the Genuit Business System

Although we recognise differences between our businesses and the needs of their customers, it is clearly also true that implementing best practice in our processes can be a key enabler to improve key financial and non-financial metrics. In Q4 2022, we began the roll out of a Lean Transformation at our Adey business, which will continue into 2023 when we will kick off parallel programmes at Polypipe Building Products, and one more site.

As well as yielding benefits at those sites, these Lighthouse Projects will also help us to build a capability that we can then use to deploy these techniques and processes more widely across the Group. We will use this programme to drive improvements in productivity, customer service, and increase the engagement of our colleagues in improving our business. The embedding of the Genuit Business System also means that we have an ongoing flywheel, allowing us to extract synergies from future acquisitions in a proven manner.

5 Investing in our people and culture

A proactive approach to developing our people and a Genuit culture, is a key cornerstone of our strategy, and forms part of our competitive advantage. We believe that a high performance culture is how we will ensure an engaged and motivated workforce. During the first half of 2023 we are working with groups of colleagues to precisely articulate those core behaviours that evidence this culture, and to which we are all held to account.

Like the Genuit Business System, although we recognise the different identities of our businesses, the Genuit culture will develop consistently across them. This is a key way to extract the benefit of scale in terms of capability and also to promote mobility of talent across the Group so that colleagues feel a wider sense of belonging to the Group, and have ambition to grow and develop in opportunities across it. We are also investing in key enablers such as the Workday HRIS system, an engagement measurement tool called Peakon, and an employee communication and engagement platform, Workplace by Meta.

6 Increasing solutions capability via growth enabling M&A

M&A has been key to the Group's expanded market footprint. For example, our Climate Management Solutions Business Unit has been formed via acquisition since IPO and our activities in underfloor heating (UFH), commercial & residential ventilation, and heating efficiency systems now account for c.25% of Group EBIT. We will focus our inorganic growth on targets that allow us to fill portfolio gaps, and build real value-added solutions. This goes beyond simply offering a wide range; it ensures that our systems complement and integrate with each other so that functionality and value increases for the customer. That is at the heart of our approach to solution selling. The size of our addressable market, and the fragmented nature of key segments provide significant capability for future M&A. As well as being clear of the role of inorganic versus organic growth, we are also clear on how we evaluate M&A opportunities, with transparent and disciplined criteria:

- 1. Strong management teams**
- 2. Above market average growth opportunity**
- 3. Premium products**
- 4. Sustainability at the core of the business**
- 5. Strong market share position**
- 6. IP, expertise and differentiation**
- 7. Profitable and cash-generative future**

Strategy in action

Lower carbon heating and cooling



With our presence in both water and air based climate management technology, Genuit is uniquely placed to offer the solutions for the future of low carbon heating and cooling



Matthew Webber,
MD, Climate Management Solutions

Climate Management Solutions

Since our IPO in 2014, the climate management segment has been a key focus of our M&A activity, to the extent that by 2022 it represented 25.5% of total Group revenue.

This segment benefits from secular growth drivers, which provide tailwinds for above construction market growth rates. The policy environment with recent amendments to Building Regulations such as Part L and Part F, as well as the broader Future Homes Standard, are key enabling pieces of legislation to assist the built environment play its part in a lower carbon economy. The move away from fossil fuels as a sustainability imperative is now also supplemented by the economic issues around energy costs; both of which drive the demand for more efficient solutions. Indeed, products such as our Adey filters which improve the efficiency of existing installations are also offering consumers rapid paybacks as energy costs remain at historic high levels.

25.5%

In 2022 Climate Management Solutions represents 25.5% of total Group revenue

Providing value across technologies

For Genuit, we see real added value in bringing product technologies together to provide more integrated solutions. Historically the heating systems in our homes have been inefficient, but with plenty of spare capacity, so that when we were cold we simply put in more energy for instant heat. The future, and increasingly the present, uses more efficient low carbon energy inputs such as air source heat pumps as offered by Nu-Heat. This means we need to ensure our systems are working together so that technologies such as underfloor heating can be complemented by Mechanical Ventilation & Heat Recovery (MVHR). This combination of base load heating being supplemented by other low carbon heat sources will be the future of heating our homes and workplaces. Genuit is in a unique position to offer these complete solutions, and we will develop interfaces to allow the technologies to interact and to benefit the user. Additionally, we will continue to build our product portfolio so that we can offer genuine solutions which meet specific customer needs rather than being wedded to one product technology.

Alongside low carbon heating, our homes and workplaces also need to adapt to increasingly warm summers. Our Nuaire business provides efficient options for cooling, whilst also providing clean fresh air, rather than simply recirculating air as conventional air conditioning systems have done. We also recognise that with the insulation and "air tight" requirements of Part F, there also comes a need to provide fresh air in a managed manner to provide a healthy environment and also to combat the issues around damp, which are a real concern across the existing housing stock.

Strategy in action continued

Enabling adaptation and resilience



The impact of climate change on the need to accommodate extreme weather events is clear. We are committed to designing solutions which address that need, and in doing so also provide for higher quality urban spaces. Our significant usage of recyclate also means that we are minimising our own impact upon the climate



Steve Durdant-Hollamby,
MD, Water Management Solutions

Water Management Solutions

Our Water Management Solutions Business Unit is helping adaptation and resilience through integrated surface and drainage solutions. The built environment is increasingly under stress from extreme weather events which are happening with greater frequency, and require solutions which cater for increased volumes of water, whilst also being sympathetic to the requirements of landscape planning. These issues lie behind the key regulatory and policy tailwinds, such as the Flood and Water Management Act which is long overdue in its implementation in England, and also the Sustainable Drainage Systems (SuDS) requirements which now form the backbone of environmentally sympathetic drainage development.

A holistic approach to design

Our Water Management Solutions Business Unit has considerable expertise in holistic design. For example in our Polypipe Civils & Green Urbanisation business we provide solutions for storing and managing the flow of stormwater, or attenuation, whilst at the same time using that water to sustain green spaces on the surface. This may be in podium decks, blue-green roofs, or rain gardens; all ways to improve urban spaces and the air quality within them, whilst ensuring the resilience of the drainage system below the surface. These are key ways of re-introducing green surfaces into what has become an increasingly concretised urban landscape.

Our Horncastle site is home to the Group's largest investment in recycling, with our wash plant facility that in 2022 processed c.8,000 tonnes of post consumer waste such as plastic milk cartons, detergent bottles and other HDPE products. The facility converts that 'waste' into pipe systems which have design lives in excess of one hundred years, addressing real societal needs, and underpins our position as leading the European piping industry in terms of use of recycled polymers.

>30,000t

In 2022 our WMS Business Unit consumed over 30,000 tonnes of recycled post-consumer waste

Strategy in action continued

Driving out carbon



With our leading brand positions, we are well placed to help our customers reduce their carbon impact. We are committed to an innovation programme which will build on the progress we have already made



Steve Currier,
MD, Sustainable Building Solutions

Sustainable Building Solutions

Our mission in our Sustainable Building Solutions Business Unit is to reduce the carbon impact of the built environment. Our brands such as Polypipe Building Products, Terrain, and Manthorpe already lead their respective sectors and have strong reputations built on innovation and high quality. Much of their history has been to position their products against legacy materials such as copper or cast iron. Hitherto much of those sales arguments had centred upon issues such as ease and speed of installation, and whilst those points remain valid it is increasingly the case that customers are choosing these ranges because of their lower carbon impacts.

Removing carbon; for us, and our customers

We will continue to drive carbon out of our product ranges so that we are the lowest carbon supplier of choice for our customers. As well as being consistent with our desire to be a sustainable business with clear goals such as Science Based Targets, we also see the growth opportunities that this presents given that for many of our customers, their choice of products is a key driver of their own Scope 3 emissions. Our drive for carbon reduction is a key component of their pathways to net zero.

We continue to explore ways to increase our use of recycled materials in place of virgin polymers, and in 2022 we launched a new product in our Terrain range following the £2.5m investment on our Aylesford site which allows us to produce a range with 65% recycled content. We are also rolling out a programme of Environmental Product Declarations (EPDs), which are third party accredited meaning that customers are able to make objective informed choice based on the actual carbon content of our products rather than industry generic statistics. Our Advantage offering from Polypipe Building Services provides contractors with a way to access the benefits of Modern Methods of Construction (MMC), with our precision design, and fabrication of bespoke systems in a manufacturing environment. This reduces waste as well as transport, and consequently the carbon impact of the installation. With large contractors, asset owners and developers increasingly committing to net zero futures, our low carbon solutions offer a source of competitive advantage.

65%

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