Midwich Group

2024 Half Year Results

September 2024

midwichgroupplc.com

Midwich Group

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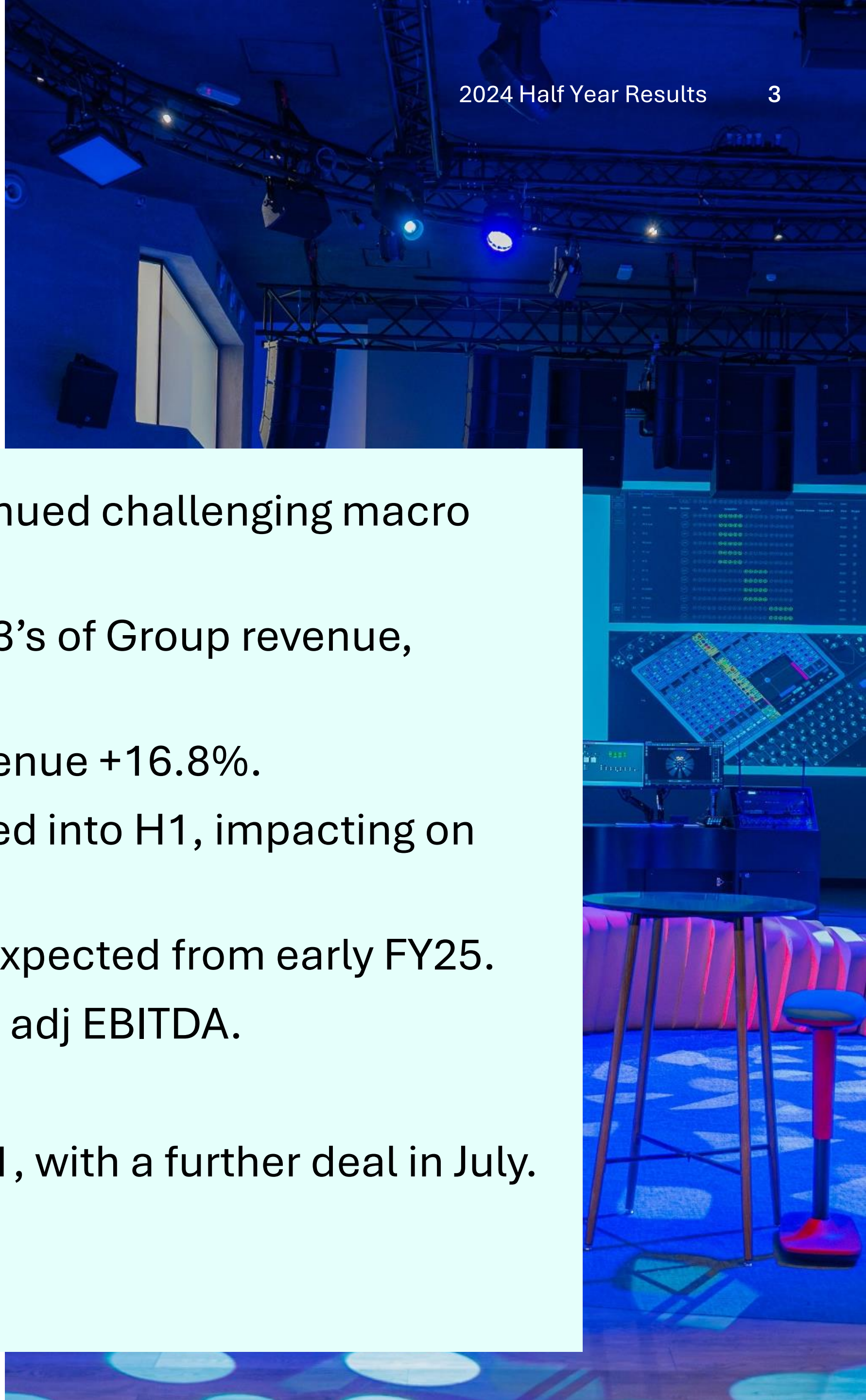
Strategic and operational overview

Stephen Fenby, Managing Director

MidwichGroup

H1 2024: Robust performance in a challenging market



- Midwich delivered **record H1 revenue and gross margins**, despite continued challenging macro conditions.
- **Strong performance in technical product areas** which now make up 2/3's of Group revenue, reflecting Group's strategy to focus on higher margin product areas.
- **Strong performance in North America** with sales +69% and organic revenue +16.8%.
- **Oversupply** in some mainstream product categories in Q4 2023 continued into H1, impacting on margins. This is **expected to reverse in H2**.
- Recent **cost mitigation** plan in place, with c.£5m in annualised savings expected from early FY25.
- **Operating cash** generation inline with expectations, with leverage at c.2x adj EBITDA.
- **Acquisitions** undertaken in 2023 now **integrated and performing well.**
- **Two further acquisitions** to date: One small acquisition completed in H1, with a further deal in July.
- **Full year expectations remain unchanged.**

Robust performance with record gross margins

2024 H1 revenue and gross margin

Global revenue	£646m
Total growth (cc)	+8%
Organic growth	-1%
Mainstream products	-10%
Technical products	+13%
Gross margin	17.3% (up 1.0%)

2024 H1 operating profit and cash generation

Adj. operating profit (cc)	-15%
Adj. operating margin	3.4% (down 0.9%)
Operating cash conversion	13%
Leverage	2x
Interim dividend	5.5p (unchanged)

Current landscape

General Market Conditions

- Although generally challenging economic conditions continue to impact our markets, we are seeing some initial signs of improvement for H2;
- UK&I and Australian markets remain challenging, with some impact in US and mainland Europe. Continued strength in Middle East;
- Corporate market demonstrating weakness with impact on demand for UC solutions;
- Softness in discretionary education spend continues;
- Live events and entertainment continue to be strong.

Our Business

- Order books remain healthy and stable;
- Mainstream product areas most affected by economic downturns, with our focus on higher margin product areas compensating;
- Market shares generally stable or increasing;
- Cost base realignment undertaken in H2;
- Two small deals completed in 2024. Strong future acquisition pipeline, with selective bolt-on acquisition opportunities across a number of regions;
- H2 has started with organic sales slightly ahead of last year.

Our purpose and key differentiators

Why Midwich?

We exist to help our customers win and then deliver successful projects, and our manufacturers to reach a broad market

Deep vendor relationships
Broad, long, close, symbiotic, unique
We are exclusive or #1 distributor in 80% of relationships with our top 40 vendors.

Portfolio management expertise
Products, technologies, geographies
Has driven seamless revenue growth every year since 2005, doubling of GP percentage, and PBT 50x higher

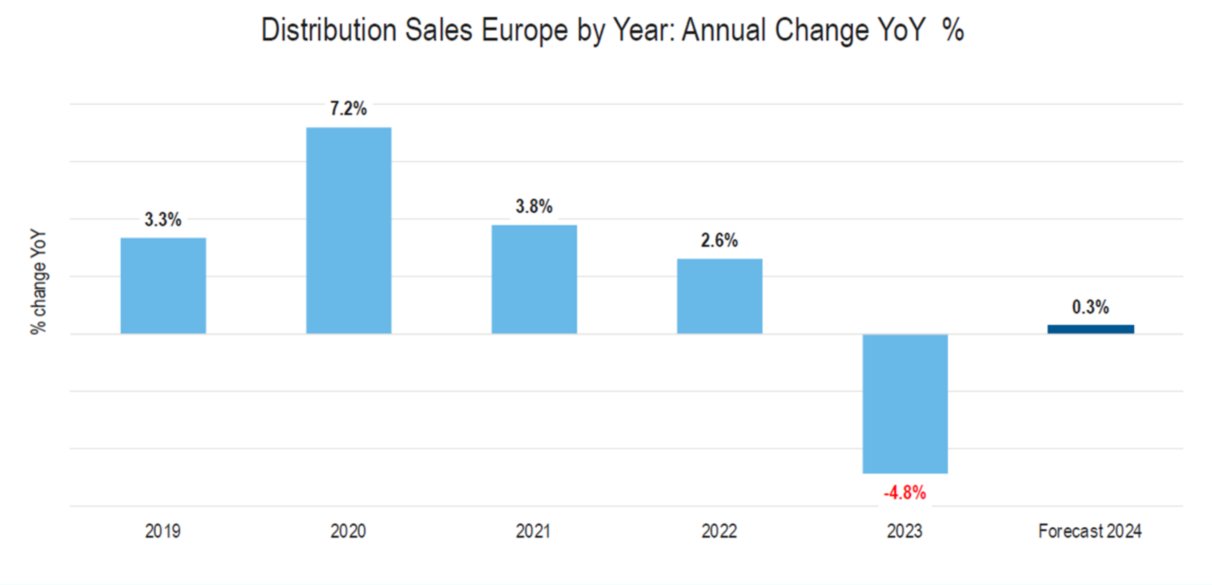
Unrivalled depth of specialist knowledge
Support customers to win and deliver great projects
Technical product sales have grown from 21% (2016) to over 60% of revenue (H1 2024)

Consistently high customer service
Responsive, knowledgeable, understanding and effective operators
Relationship with all top 50 customers for over 10 years

Statistics in respect of 2023

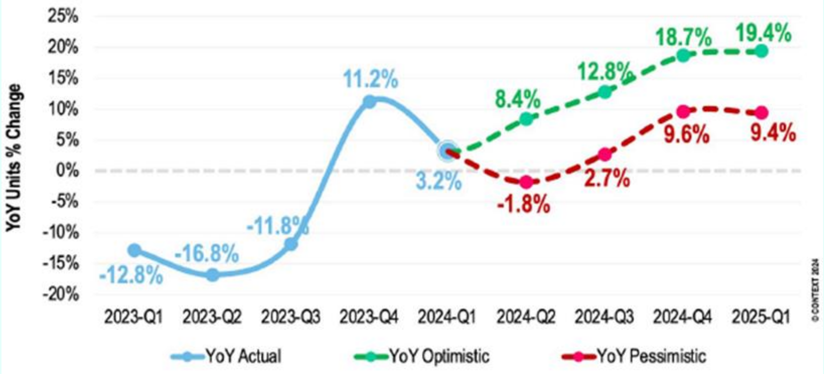
Market data

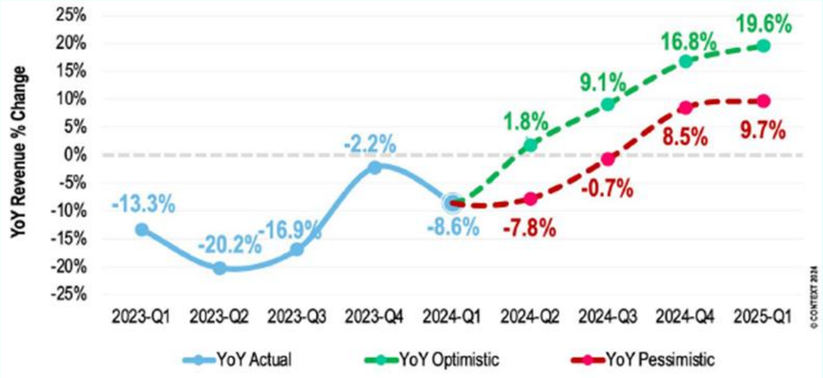
The technology distribution market (IT and AV products) as a whole was challenging in 2023 and is expected to show little growth overall in 2024



Source: CONTEXT

LFD remains a significant part of our product portfolio and has seen price erosion in Europe in the last 9 months - which is expected to reverse:





Market data

Global growth for 2023 (actual) and 2024 (forecast) by segment shows strength in live events/ entertainment segments:

	Core Control *Direct*	**Traditional AV** *Tech/ mainstream*	**IT/AV overlap** *Technical*	**Event tech** *Technical*
2023 growth	4.50%	1.60%	6.90%	11%
2024 growth	3.30%	3.20%	6.50%	8.50%
5 year CAGR	3.68%	3.11%	6.17%	6.30%

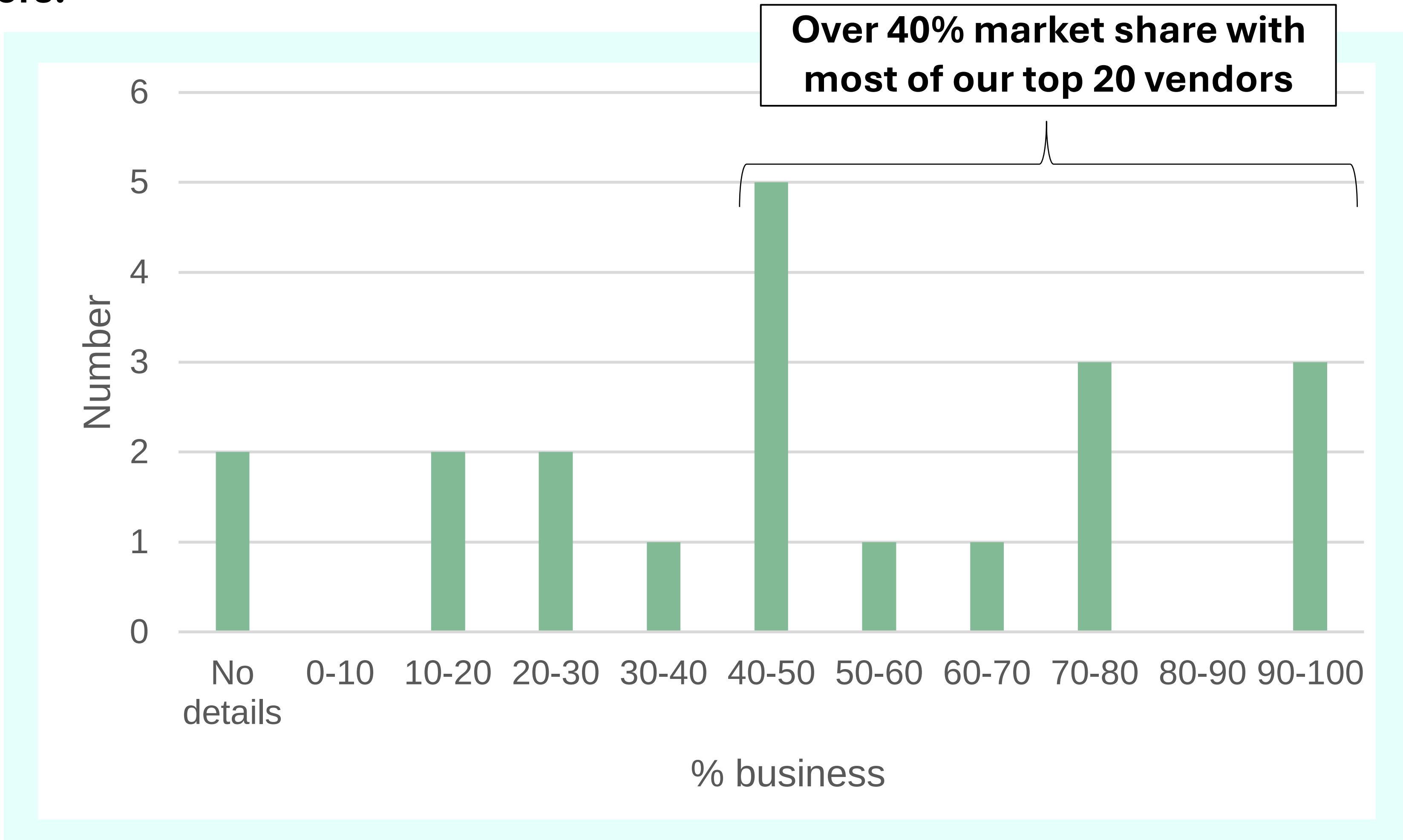
Source: AVIXA

The overall Pro AV market is expected to grow at 5.3% CAGR to 2029.

Strong growth from China and India impacts overall trends.

Market data

In the countries in which we operate, we have a high and generally growing share of the business of our top 20 vendors:



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Financial review

Stephen Lamb, Group Finance Director

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Income statement

£m	H1 2024	H1 2023	Actual change	Constant currency change
Revenue	**646.1**	**610.4**	6%	*8%*
Gross profit *Margin*	**111.8** *17.3%*	***99.6*** *16.3%*	12%	14%
EBITDA (Adj.)	**27.1**	**30.5**	(11%)	(9%)
Adjusted operating profit *Margin*	**22.0** *3.4%*	***26.4*** *4.3%*	(17%)	(15%)
Net finance expense	(4.8)	(4.6)		
Adjusted PBT	**17.2**	**21.8**	(21%)	(20%)
Taxation	(4.6)	(5.7)		
Adjusted PAT	**12.6**	**16.1**	(22%)	
Adjusted EPS (p)	**11.22**	**16.93**	(34%)	
Interim DPS (p)	**5.5**	**5.5**	-	

- **Record revenue of £646m, up by 7.5% at CFX.**
- **Organic sales marginally down in a challenging market.**
- **Highest ever gross margin at 17.3%; ahead of prior year by 100bps reflecting technical mix benefit.**
- **Temporary reduction in adj. operating profit due to growth in overheads of £16.6m. These were impacted by M&A, inflationary pressure and further investment in the Middle East.**
- **Substantial progress with overhead reduction programme which is expected to deliver estimated annualised savings of over £5m from early FY25.**
- **Adjusted effective tax rate of 27.1% (H1 2023: 26.1%) reflects introduction of corporation tax in UAE and mix.**
- **Adjusted EPS reflects equity issue in June 2023.**
- **Interim dividend of 5.5p per share (payable October 2024).**

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Balance sheet and net debt

Balance Sheet (30 June)		
£m	2024	2023
Non-current assets	**211.7**	**164.5**
Net working capital (ex cash)	**178.0**	**182.9**
Net working capital as % of revenue	*13.4%*	*13.8%^*
Cash	31.2	20.1
Other net of liabilities due within one year	(72.8)	(83.3)
Capital employed (Total assets less long-term liabilities)	348.1	284.2
Long-term liabilities	(156.6)	(101.9)
Net assets	**191.5**	**182.3**
Net debt (reported)	***154.1***	***124.9***
Adj net debt (ex leases)	***132.3***	***102.1***

^ adjusted for SFM acquired June 23. 14.6% unadjusted

- Non-current assets increased due to seven acquisitions in the twelve months to June 2024.
- Strong working capital management, with working capital as a percentage of last twelve months' revenue below prior year.
- Adjusted net debt of £132.3m (£102.1m at June 2023). Leverage at 2.0x Adj EBITDA (June 2023: 1.5x).
- Acquisition and deferred consideration payments of £20.2m in H1 2024.
- Other liabilities at the period end include estimated payments for put/call options and deferred consideration:
  - £17.2m due <12 months
  - £6.7m due >12 months
- Multibank RCF facility of £175m (plus £75m accordion): RCF c.63% utilised at 30 June 2024. c.£100m of other facilities in place – mainly working capital.
- Cash conversion guidance remains 70-80%.
- Consistent capital allocation model (appendix).

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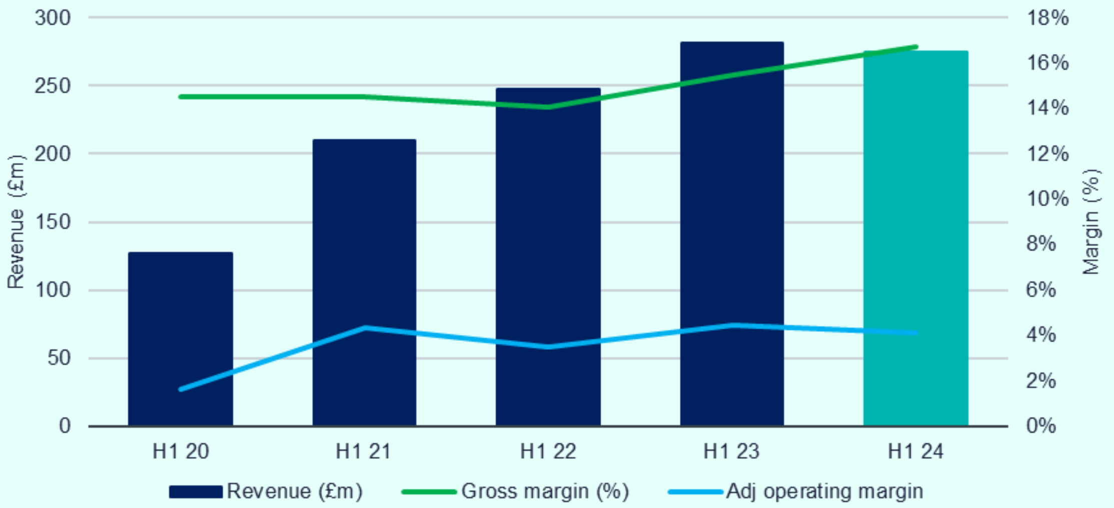
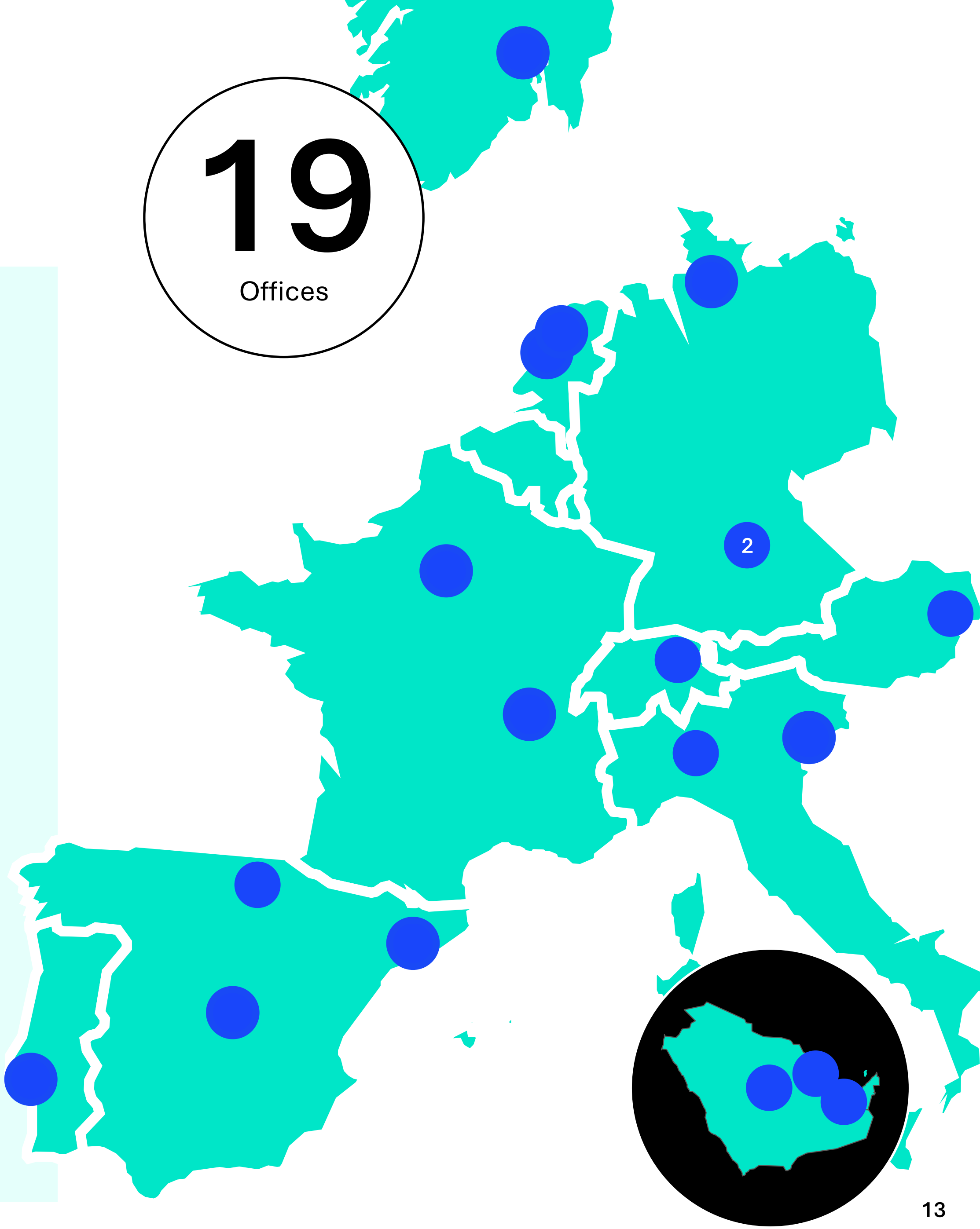
EMEA (43% GROUP REVENUE)

- The EMEA region comprises our businesses in France, Germany, Switzerland, Benelux, Norway, Italy, Iberia, and the Middle East. Revenue, on a constant currency basis, was in line with H1 2023. Organic sales declined by 2.9% reflecting a reduction in mainstream product sales largely offset by increased technical product revenue.
- Our audio-focused, higher margin, businesses in Iberia, Italy and the Middle East continued to perform well. Whilst gross profit margins improved to 16.7% (H1 2023: 15.5%) because of favourable product mix and the benefit of the acquisition of prodyTel in November 2023.
- Adjusted operating profit in EMEA was down 8.6% on the prior year due to the combined impact of lower organic revenue and further investment in growth areas, such as the Middle East. A seasonally stronger second half, combined with cost efficiencies, is expected to result in a return to operating profit growth in H2 2024.
- The acquisitions completed in 2023 are contributing well.





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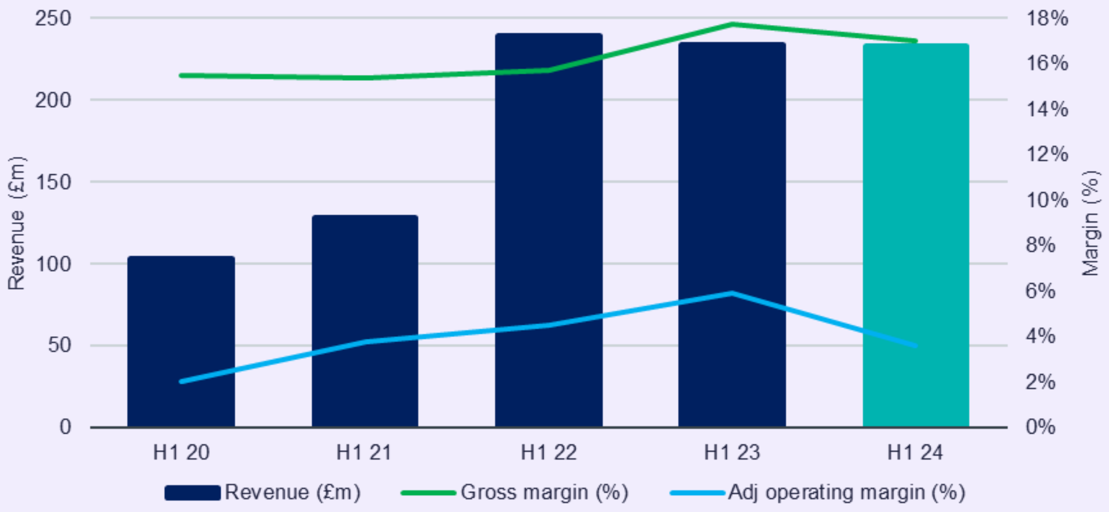
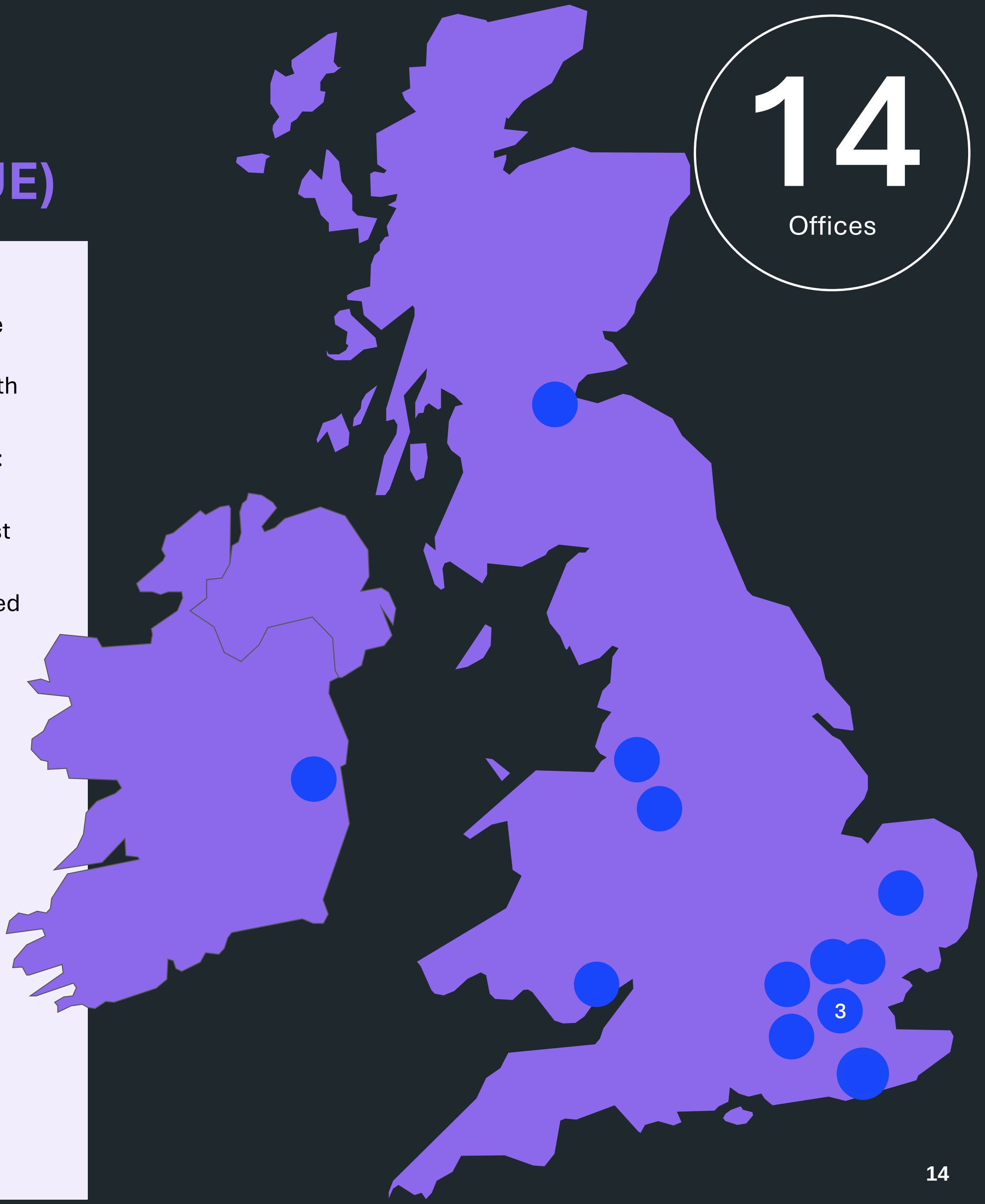
UK & Ireland (36% GROUP REVENUE)

- The UK&I market demand continued to be subdued in the period with revenue flat on prior year.
- The Group has its highest market share in this region and the challenging backdrop resulted in a degree of oversupply, and associated discounting which resulted in a reduction in mainstream product sales. Stronger demand in markets such as live events, entertainment and hospitality supported further growth in technical product sales. Technical products now represent about two thirds of revenue.
- After an exceptional performance last year, gross margins held up well in the period at 17.0% (H1 2023: 17.7%).
- Overheads in the UK&I increased, as expected, reflecting the impact of the acquisitions and labour cost inflation.
- Stronger mainstream product demand and the impact of additional new brands, combined with targeted cost reductions, are expected to result in a stronger operating profit performance in the second half of the year.
- The two small acquisitions completed in H2 2023 have now been fully integrated.





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Offices

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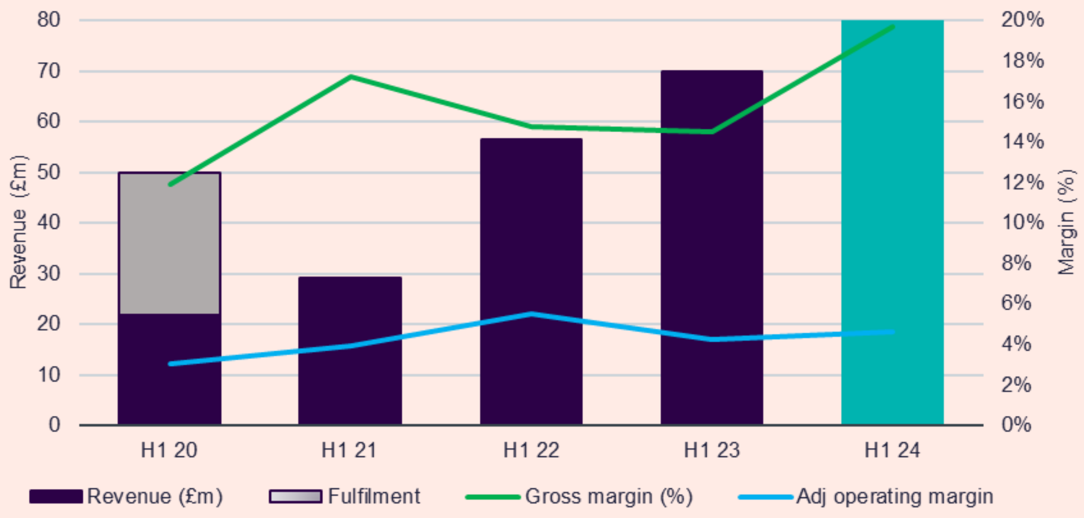
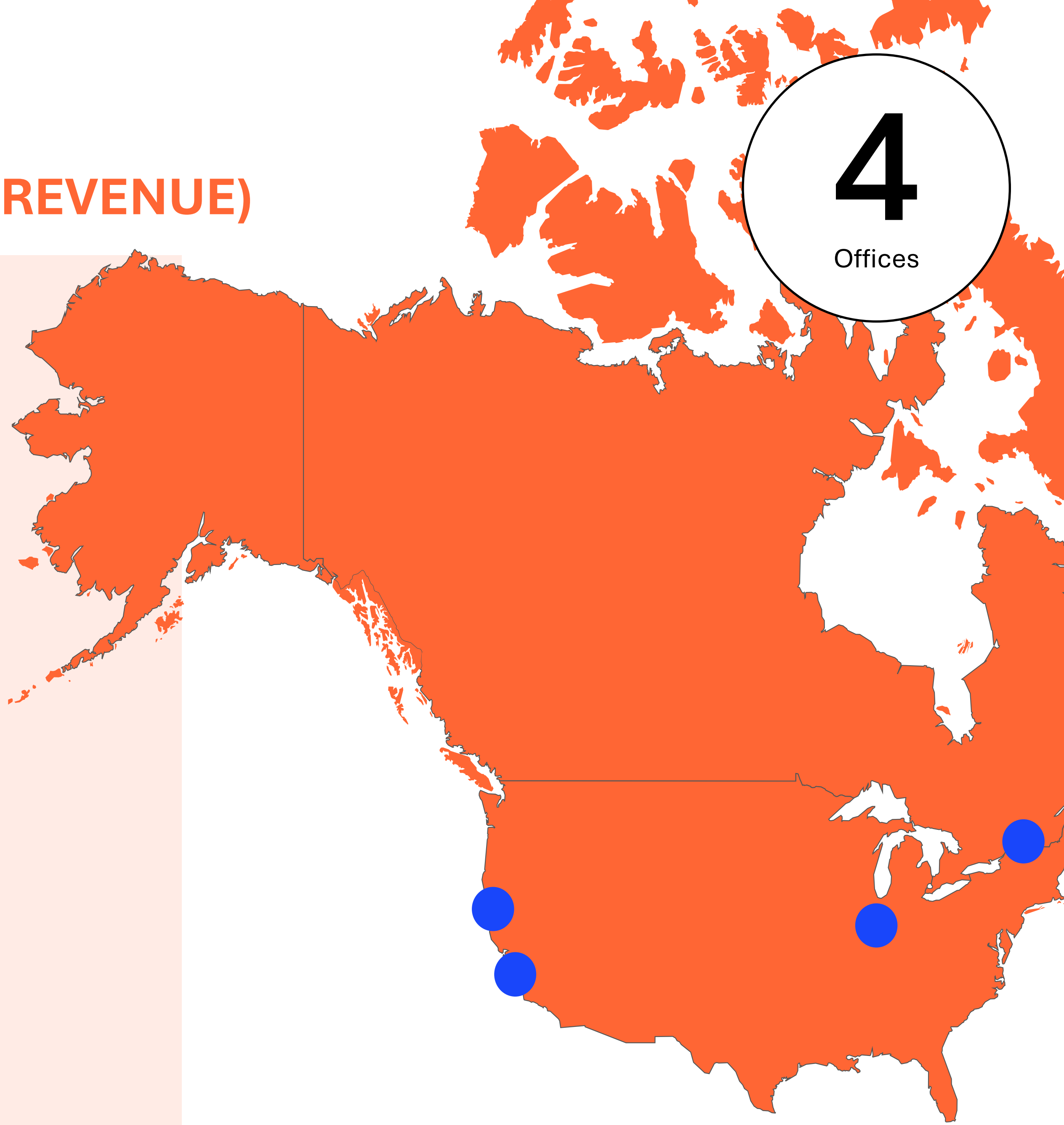
North America (18% GROUP REVENUE)

- Revenue in North America increased by 69.0% reflecting both a full contribution from SFM in Canada (Acquired in June 2023), and further market share gains in the United States.
- Organic revenue growth of 16.8% was driven by demand for unified communications solutions, an increase in customer wallet share and higher project activity.
- Our focus in North America has been to expand our sales and business management teams organically, to gain market share through high service levels and to win strong new brands. We accelerated this through the acquisition of The Farm in January 2024. This sales focused business, now fully integrated, adds two locations and 26 additional people to our team.
- The record gross margins in the region at 19.7% (H1 2023: 14.5%) are attributable to the positive mix impact from the acquisitions of SFM and The Farm (January 2024).
- Adjusted operating profit in North America was significantly ahead of the prior year at £5.3m (H1 2023: £3.0m).





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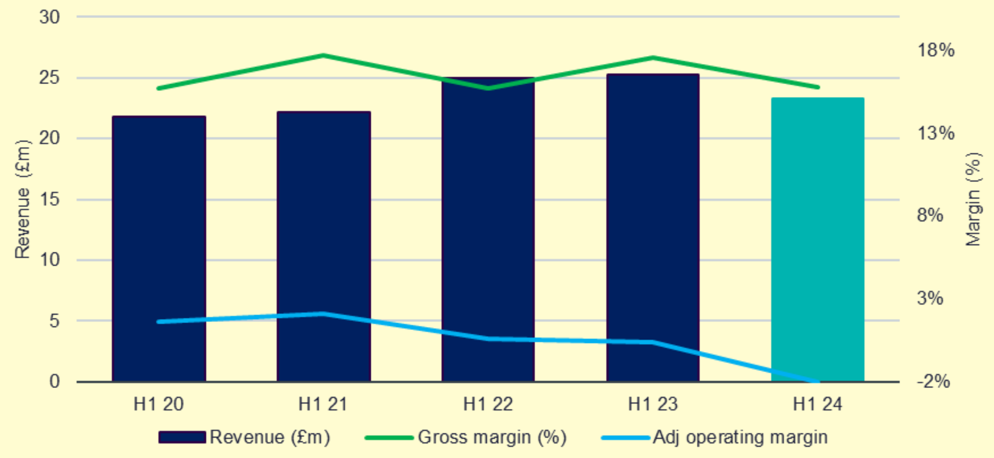
APAC (4% GROUP REVENUE)

- Revenue in Asia Pacific was down 4.1% on the prior year. New brands, added in the last twelve months, are now beginning to build momentum in the region, with a return to growth in the second quarter of the year. Demand for larger projects also showed signs of improvement in the period.
- The Asia Pacific gross profit margin of 15.8% (H1 2023: 17.5%) reflected a higher mainstream product mix.
- The adjusted operating loss in Asia Pacific was £0.5m (H1 2023: £0.1m profit).
- The business is expected to recover to previous levels in time as the recently appointed management team build momentum and add new brands.



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Offices

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M&A overview and our investment case

Stephen Fenby, Group Managing Director

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M&A strategy and results

M&A has been part of our strategy since 2006. We acquire businesses in order to either access new geographical markets, or to add new technical product areas into existing businesses. Midwich has acquired over 40 businesses to date.

We have a team of three working full time on deal execution, with extensive additional resource involved in post acquisition implementation.

In January 2024, we completed the acquisition of **The Farm**, a highly technical sales representative business based on the West Coast of the USA.

In July 2024 we acquired the remaining 70% in **Dry Hire Lighting Limited**, a UK based provider of lighting rental services to the trade sector.

Healthy deal pipeline with selective bolt-ons being pursued across a number of regions.

Key M&A criteria;

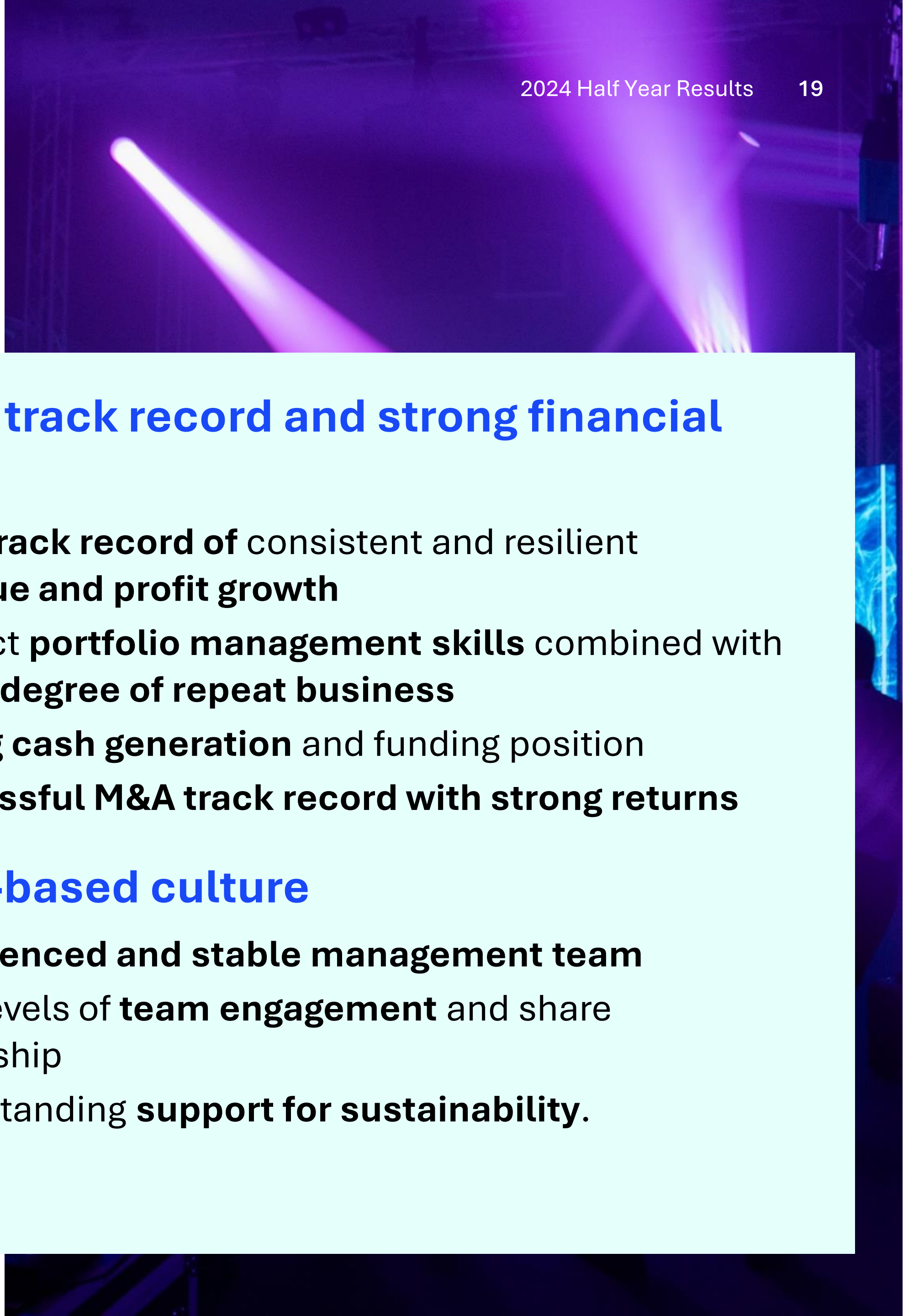
- Strong reputation
- Technical skills
- Vendor and customer portfolio
- Culture and ethos

Typical valuation 5-6x EBIT

M&A spend since IPO >£200m

Average return (EBIT/EV) of c20%

Our investment proposition



Midwich has a market leading position

- We are the **leading** global Pro AV **value-added distributor**
- In a **$325bn global market** that's expected to grow by 5.3% per annum
- Our current revenues represents **less than 4% of our target addressable market**

A clear strategy with solid foundations

- Our **strategy has remained consistent** since our IPO and our business model is robust
- Our long-term customer and vendor relationships provide **significant barriers to entry**
- We have the **strongest team in the industry**, supported by our experience centres and trade shows

A proven track record and strong financial position

- **Long track record of** consistent and resilient **revenue and profit growth**
- Product **portfolio management skills** combined with a **high degree of repeat business**
- **Strong cash generation** and funding position
- **Successful M&A track record with strong returns**

A values-based culture

- **Experienced and stable management team**
- High levels of **team engagement** and share ownership
- Long-standing **support for sustainability.**

Key Drivers for long-term growth

Organic revenue

- Structural market growth (AVIXA c5-6% per annum)
- Trend towards increased use of distribution
- Further market share opportunities – notably in North America

Enhanced by M&A

- Fragmented market, with many opportunities
- Proven acquisition and integration model
- Demonstrable ability to add value to businesses acquired

Gross margin progression

- Continue to grow technical mix
- Continue value-added approach
- Potential for software/services/ rental revenue streams

Manage our cost base

- Operational leverage from scale
- Productivity from new systems
- Interest cost upside if rates fall

2030 financial ambition: mid-high single digit organic revenue growth (plus M&A) with enhanced gross margins and small productivity improvements supports potential double digit adjusted EPS growth

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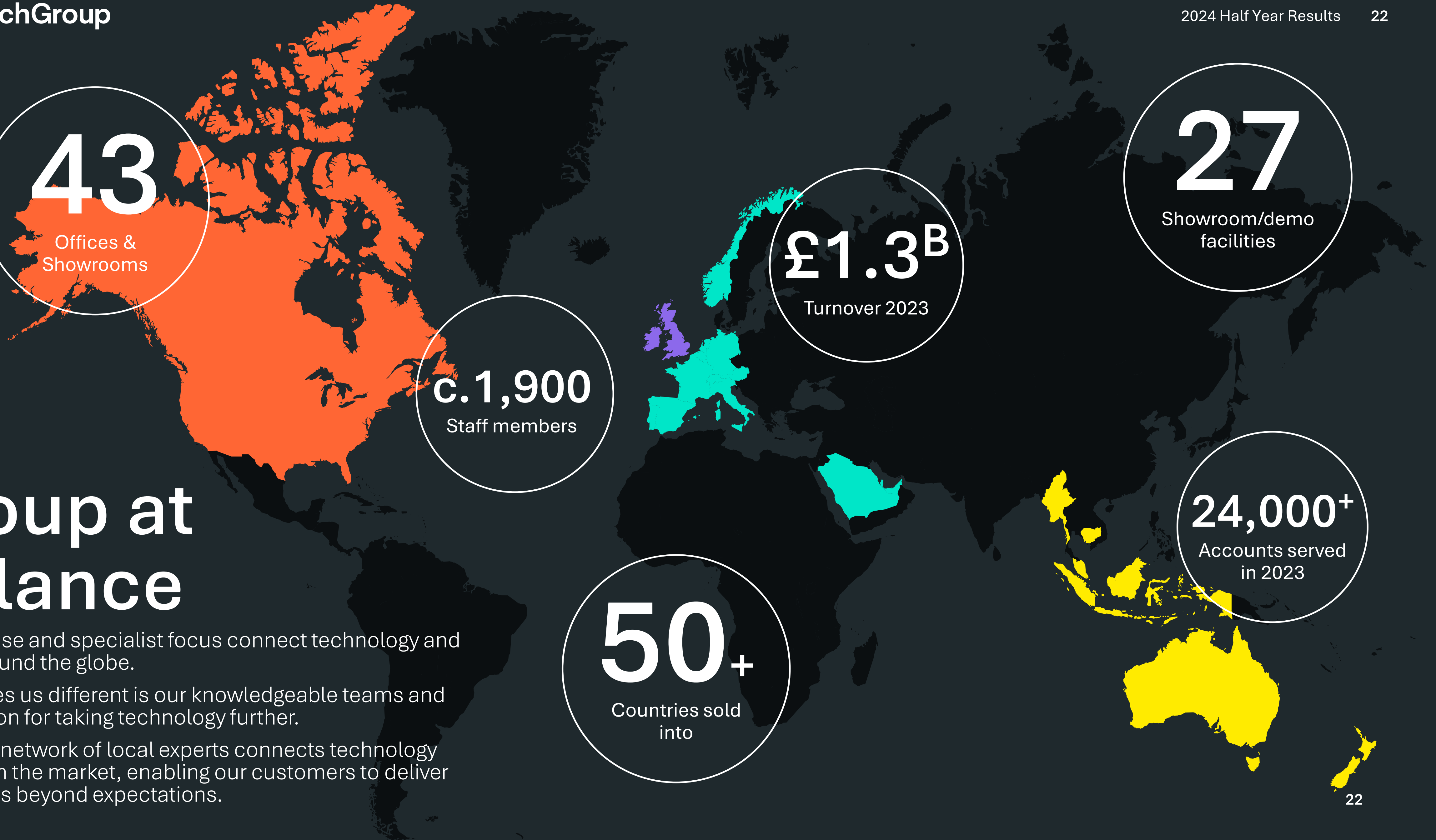
Appendices



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Offices & Showrooms

c.1,900
Staff members

£1.3B
Turnover 2023

27
Showroom/demo facilities

24,000+
Accounts served in 2023

50+
Countries sold into

Group at a glance

Our expertise and specialist focus connect technology and people around the globe.

What makes us different is our knowledgeable teams and their passion for taking technology further.

Our global network of local experts connects technology brands with the market, enabling our customers to deliver experiences beyond expectations.

Delivering against our long-term strategy

Specialisation	Geographical Coverage	Scale
Relevance Profitability Defensibility	Support Global projects Share of wallet	Efficiency Profitability Cross selling

Our strategy delivers:

Long term, strong, predictable and defensible EPS growth

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What makes AV special?

AV can make almost every business perform better.
Our technology helps drive improved performance, for example in...

Corporate
More effective meetings, better collaboration and remote working

Education
Higher quality and more interactive teaching

Retail
More effective meetings and better collaboration

Transport
Making roads and airports flow better and safer

It also supports creativity and fun:

Media and advertising
High impact digital signage and smart advertising

Film and TV
Virtual production and post-production editing to home cinemas

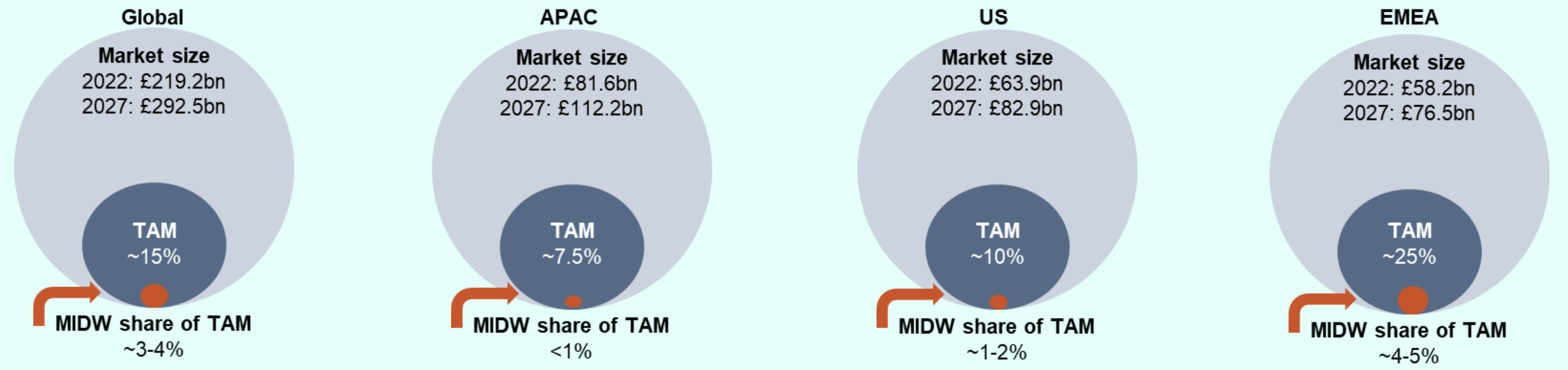
Automotive
Enhance car design to F1 support to showroom experiences

Sport
Better experiences, more fun, enhanced safety and flexible venue use

AV turns the digital into reality

We have significant market opportunity

Our TAM by Global Region



Note: Assumes £1=$1.22 in 2022 and 2027 and £1-= $1.37 in 2021

Substantial addressable market

Opportunity to grow remains significant

Addressable market is an estimate based on:

Total market size less estimates for:

- Integrator value add
- Manufacturer direct sales
- Low margin business not of interest
- Geographical markets not of interest currently (eg Russia, China, South America)

Possible additions not taken into account:

- Manufacturers switching direct business through the channel
- Expansion of our channel services offering

Targeting addressable market opportunity:

- Larger sales resource to penetrate deeper into customer base
- Expand range of brands within current segments
- Expand into new technologies in markets where we don't have an offering
- Expand into new countries

2027 global revenue scenarios:
(£ million)

Impact of increasing share of TAM		
5%	7%	10%
2,194	3,071	4,388

TAM = Our assessment of the Target Addressable Market

The Pro AV value chain

AV MANUFACTURERS

Develop and manufacture products across multiple AV categories, such as displays, projectors, video, audio and digital signage.

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Midwich Group distributes AV products to the trade market.

TRADE MARKET

The AV trade market is formed of professional AV integrators and IT resellers. AV integrators assess their clients' needs and develop an integrated solution, utilising various AV products.

END USERS

End users of AV products broadly cover the corporate, events, government, education, retail, hospitality, healthcare and residential markets.

Value that AV manufacturers get from Midwich:

- Market intelligence and strategic and tactical input into planning
- Market access through highly experienced and effective AV sales, marketing and technical teams
- Ability to reach broad, profiled AV customer base
- Industry-leading events and experience centres enable greater interaction with customers and end users
- Efficient logistics and specialist product support
- Global reach gives ability to support multinational projects
- Midwich's scale means fewer points of contact, improving operating efficiency for manufacturers

Value that Midwich gets from AV manufacturers:

- Access to high quality products to distribute to its customers, often on an exclusive or number one basis
- Ability to influence product development and early access to new technology
- AV product training, informing users of the value proposition

Value that Midwich gets from the trade market:

- Customers for AV products
- Opportunities to support multinational end users' projects across geographies
- Market knowledge and end user feedback

Value that the trade market gets from Midwich:

- Proactive help to sell and deliver successful projects
- Unrivalled depth of product and technical expertise
- Widest product range and an ability to offer complete solutions
- Efficient logistics
- Demonstration and training facilities
- Credit team knowledge and support
- Technical requirements and targeted marketing support for different vertical markets
- Strong relationship management skills
- 100% trade focus builds high customer trust

Value that the trade market gets from end users:

- Customers for AV products
- Feedback on their needs from the AV market

Value that end users get from the trade market:

- Advice and assistance on AV products and the solution that they require to meet their needs
- Integration and installation of the AV products to ensure that all the products work well together as one solution
- Ongoing monitoring and support of AV installations

Demand drivers in the AV Industry

Driver	Reason	Examples
Cost Saving	Reduces people costs	• Touch screen in shopping centre reduces need for help desk staff • Touch screen ordering in fast food outlet reduces serving staff
	Reduces waste	• Elimination of posters reduces paper waste
Improve efficiency/ effectiveness	Saves time	• Video conferencing means less travelling time for executives
	Allows rapid changes to marketing proposition	• Digital signage allows pricing and promotions to be updated dynamically from central point
	Improves performance	• Collaboration solutions make business meetings more effective through easy sharing and development of ideas across wide geographies • Video walls in security/ military centres enable rapid assessment of situations and improved decision making
	Improves Learning	• Collaborative learning solutions in classrooms give teachers real time analysis of students' understanding of lessons • Interactive displays facilitate improved learning in the classroom
Give competitive advantage	New revenue sources	• Digital signage enables petrol forecourts to sell advertising • Commercial Grade AV required to host global Esports tournaments. "Sports of the future will be played on AV not a grass pitch"
	Improve customer proposition	• Displays, audio and lighting improve ambiance in high street retail - giving a competitive advantage over on-line • Video walls in gyms show inspiring content to users • Extensive use of innovative AV in concerts improves audience experience • AV in museums improves visitor engagement and learning enjoyment
	Data analytics helps focus business strategy	• Use of facial recognition and ANR enables collection of customer data and focused promotional activity
Matches user/ employee expectations	Extensive use of mobile devices gives expectation	• Use of AV in workplace fits with how people live their personal lives, giving sense of congruence
Safeguarding	Evidence to protect against litigation	• Multi angle and camera view high definition recording of operating theatres to protect patients and surgeons in the event of alleged medical negligence
	Real time monitoring and surveillance	• Large videowall canvases displaying high numbers of CCTV streams with operator ability to enlarge one or more streams and track persons of interest live with facial and gait recognition as they move within camera zones • Audio and PAVA equipment for the hearing impaired and to voice evacuation regulations to ensure equal opportunities

Why Midwich Group?

WHY OUR CUSTOMERS CHOOSE US

- Nurturing long-term relationships
- Training and events
- Vertical market focus
- Credit/business services
- Working together
- 100% Trade only
- Market and web services
- Award-winning distribution
- Personal approach

WHY OUR VENDORS CHOOSE US

- Market focus
- Efficient logistics
- Scale and flexibility
- Marketing and sales support
- Events
- Cross-border projects
- Market intelligence and trends
- Long-term relationships

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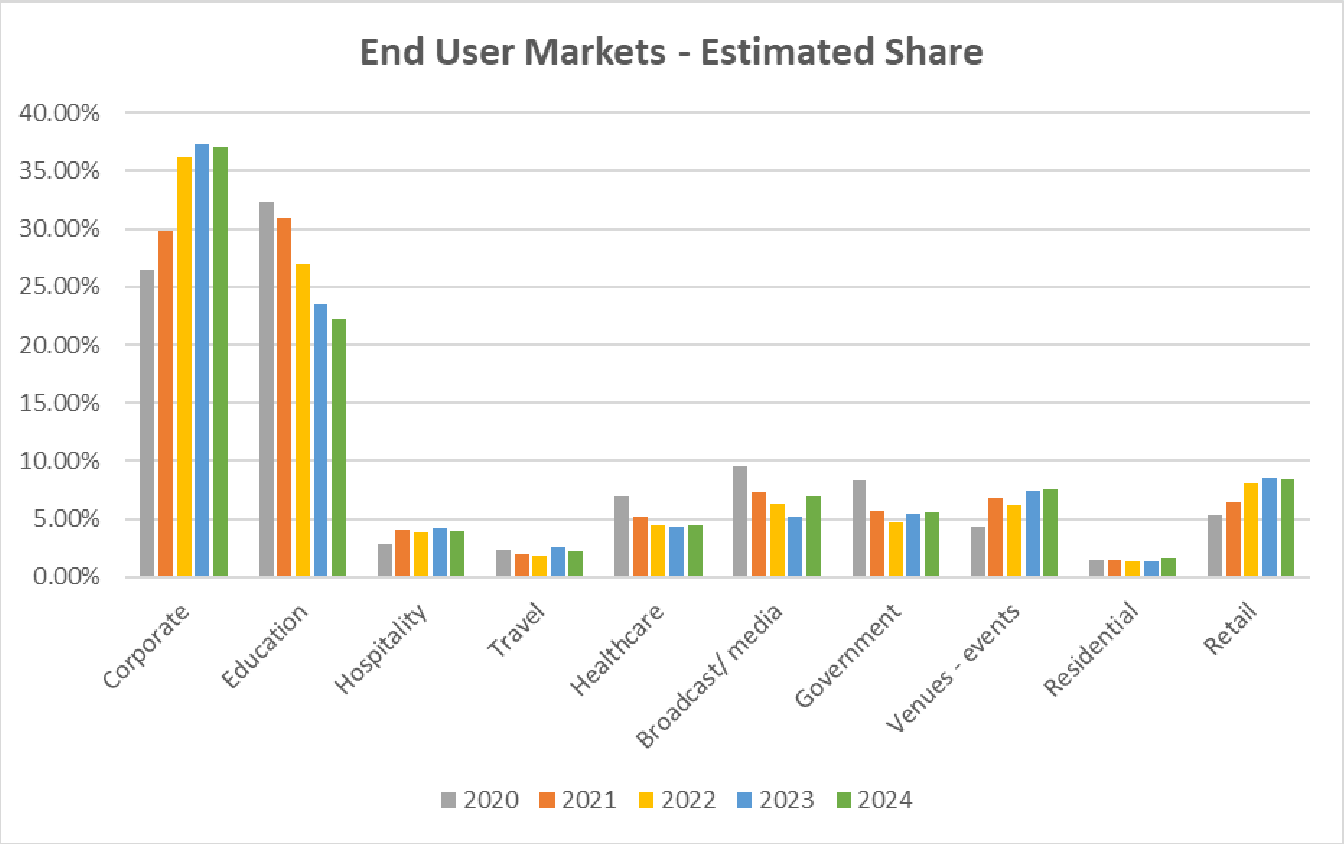
End user market mix



Source: Midwich estimates

- **Impact of acquisitions – inclusion of Nimans in 2022 leads to significant increase in importance of corporate.**
- **Our expanded UC portfolio and continued roll out across the Group also increased importance of corporate market.**
- **Other acquisitions more weighted to broadcast and retail and much less to education.**
- **Education spend dropped – more in schools than higher education. UK&I particularly impacted.**
- **Higher spend in hospitality and events expected to continue.**
- **Writers/ actors strikes impacted broadcast/ media market in 2023. Some recovery expected in late 2024.**

Strong customer and vendor relationships (2023)

Vendors

- Largest supplier accounts for 11% of sales;
- Top 10 vendors account for 48% sales and top 40 account for 80%;
- In our top 40 vendors 17% of sales are in exclusive relationships;
- We are number 1 distributor in a further 62%;
- Rolling out top 40 vendors across our group could increase revenue by 25%;
- Total vendors 960 – of which 112 had sales over £1 million.

- **Reduced vendor concentration dilutes risk;**
- **Significant gains from winning and growing new vendors;**
- **Leading distribution partner strengthens relationships and influence;**
- **Broad and deep portfolio difficult to replicate;**
- **Referred relationships a major strength of the business.**

Customers

- Largest customer accounted for 1.6% of revenue;
- Top 10 customers accounted for 11% total revenue, and top 50 account for 26%. Trading with 60% of top 50 customers for over 20 years, and 10-20 years with the rest;
- Half of the top 50 customers are AV integrators, with one third being IT/ telecoms resellers and the balance mostly etail/ retail. A higher proportion of smaller customers are AV specialists;
- Top 281 customers accounted for 50% of group revenue;
- Over 22,000 customers spent under £100k with us;
- Total traded accounts over 24,000;

- **Long term relationships bring high degree of repeat business;**
- **Low customer concentration mitigates risk;**
- **Our global network supports a significant number of major accounts;**
- **Less distinction between AV and IT customers;**
- **Long tail of accounts difficult to reach by vendors.**

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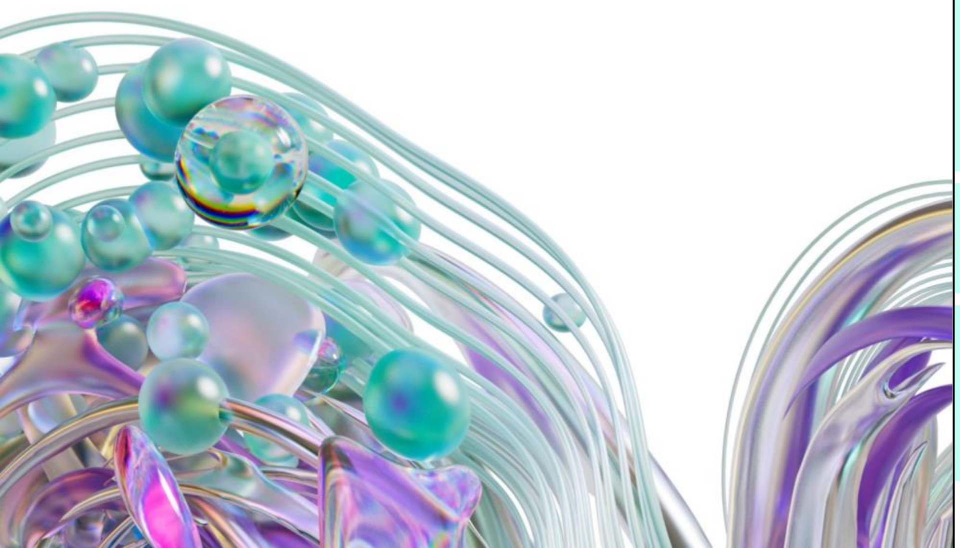
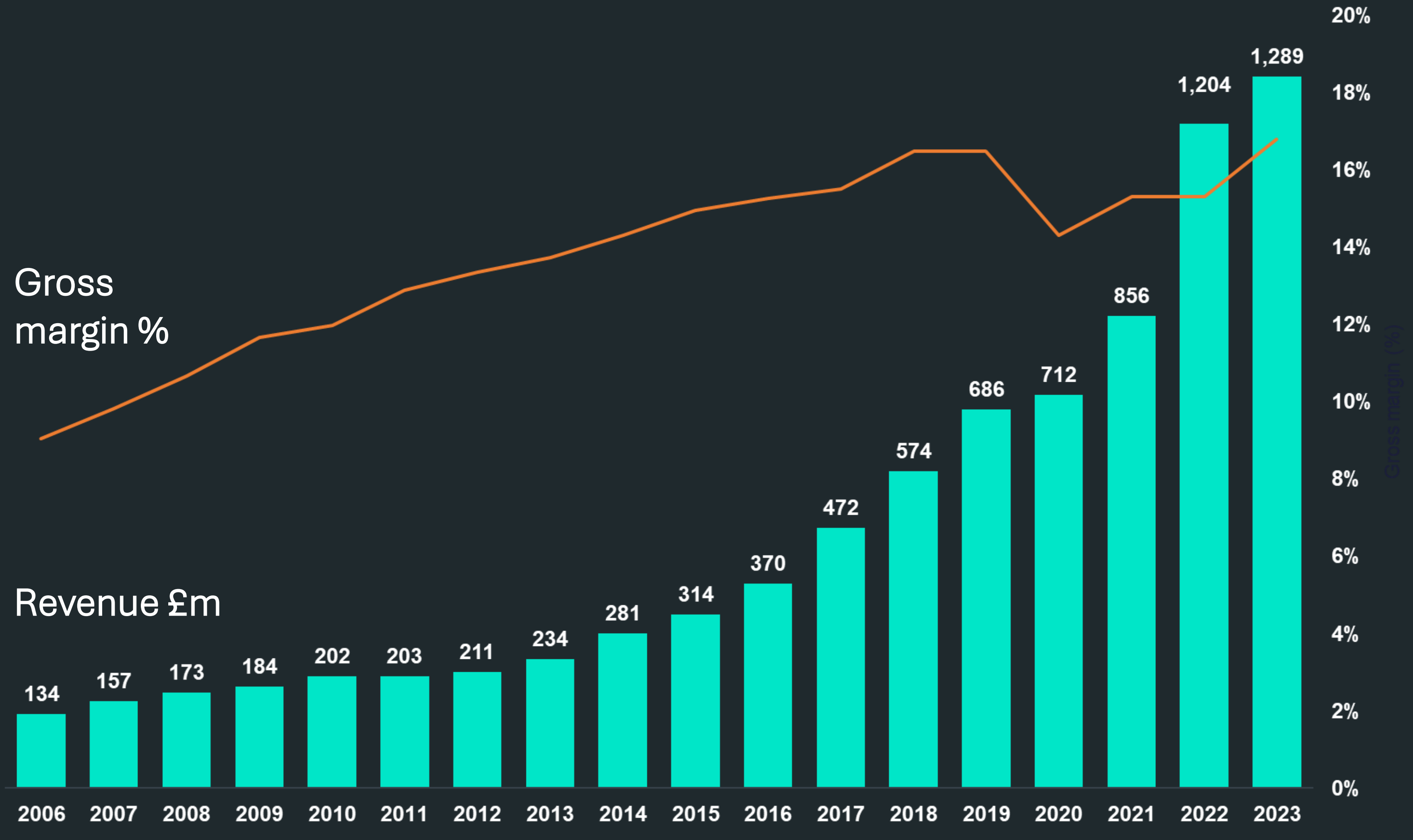
Specialisation across the Group

As you can see, the Group operates in major geographic markets with local specialists covering a multitude of technology categories.



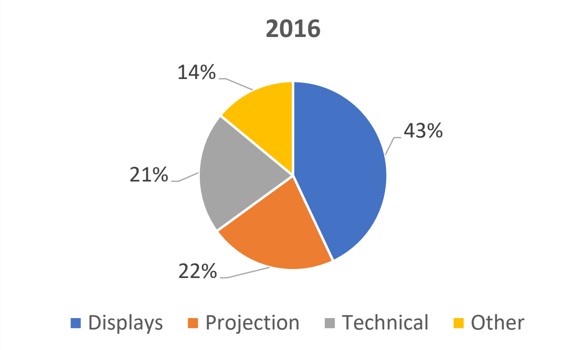
		Mainstream	Technical Video	LED	Audio	UC	Broadcast	Lighting	Security	Dry Hire
UK & I		●	●	●	●	●	●	●	●	●
Northern Europe	Netherlands	●	●	●	●	●	●			
	Belgium	●	●	●	●	●	●			
	Norway	●	●	●		●				
DACH/ Eastern Europe	Germany	●	●	●	●	●	●	●		
	Switzerland	●	●	●		●				
	Austria	●	●	●		●				
Southern Europe	France	●	●	●	●	●				
	Spain	●	●	●	●	●	●	●		
	Portugal	●	●	●	●	●	●			
	Italy	●	●	●	●	●		●		
Middle East	UAE	●	●		●			●		
	Qatar	●	●		●			●		
	Saudi Arabia	●	●		●					
Americas	United States	●	●		●	●	●			
	Canada	●	●		●	●	●			
APAC	Australia	●	●		●	●	●			
	New Zealand	●	●		●	●	●			
	South-East Asia	●	●		●	●	●			

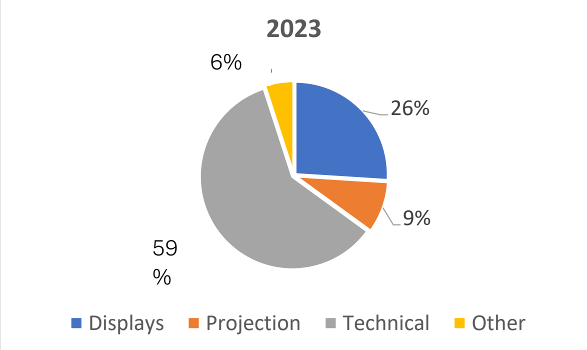
Consistent market outperformance



Evolution of product and geographic mix

Specialisation



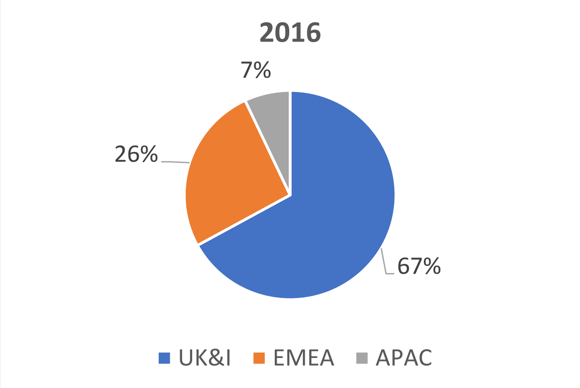


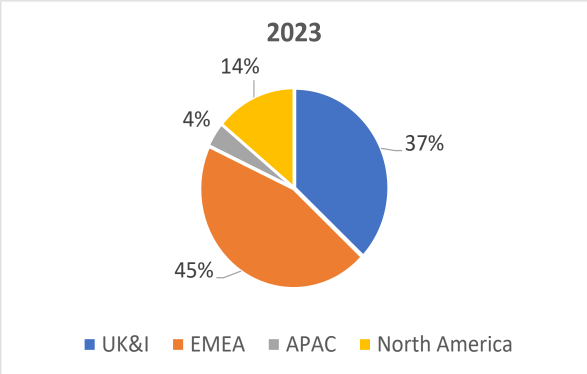
Increased specialisation of the business over time

Technical product categories continue to increase in importance (2023 - 59%)

Displays and projection now 35% of sales

Geographical Coverage





Countries of operation: 6
Number of customers: c10,000

Countries of operation: 22
Number of customers: 24,000+

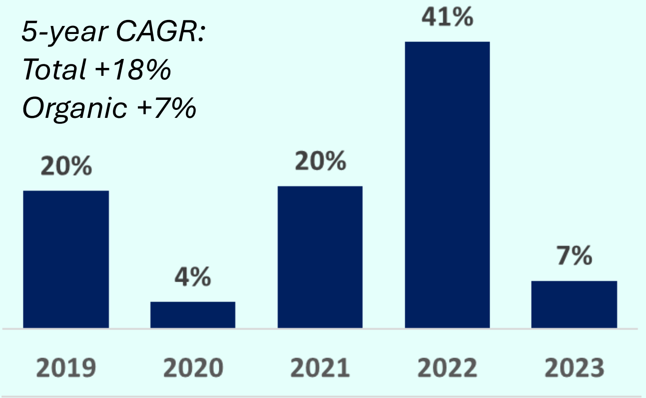
22 countries of operation (Canada added in 2023)

Group strategy and long-term trend towards increased North American and EMEA mix

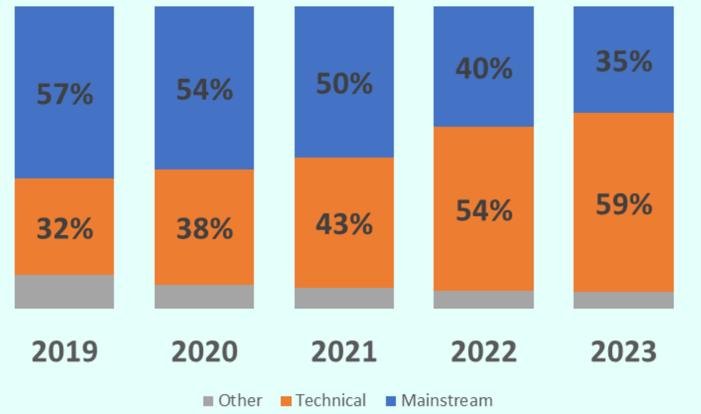
Proforma North America with SFM c.16%.

Strong track record (2023 data)

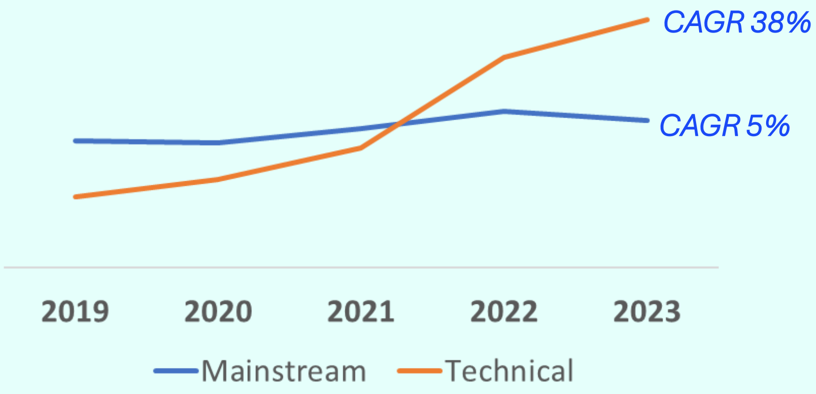
Strong revenue growth



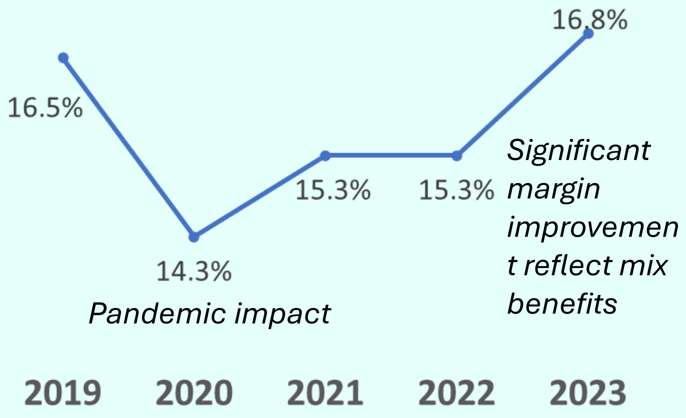
Increased technical product mix



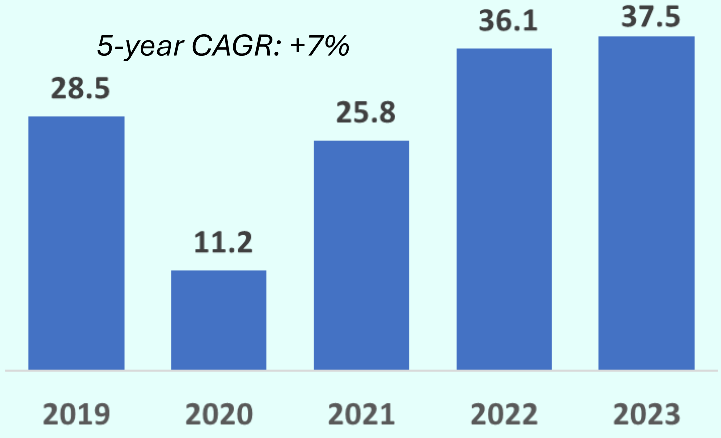
Revenue (£m) by product type



Gross margin development

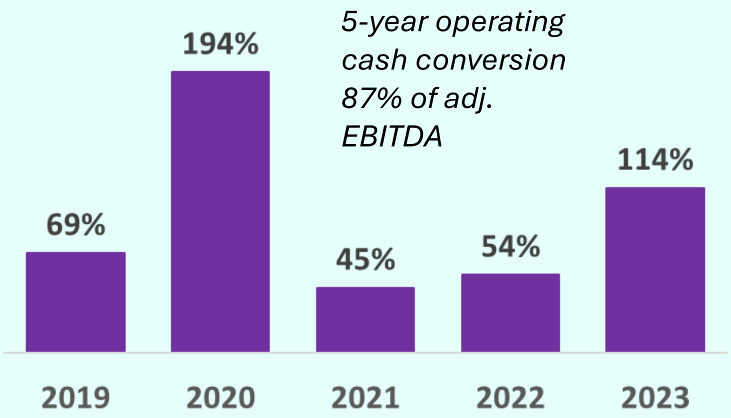


EPS (p) development



Fundraises in 2020 (£40m) 2023 (£51m)

Operating cash generation



MidwichGroup

PERFORMANCE

Proven acquisition capability

28

28 acquisitions since IPO

As you can see, the Group operates in major geographic markets with local specialists covering a multitude of technology categories.

2016
- Holdan, UK
- Wired, New Zealand

2017
- Earpro, Spain and Portugal
- Sound Technology, UK
- Van Domburg Partners, Benelux

2018
- New Media, Germany, Austria and Switzerland
- Perfect Sound, France
- Blonde Robot, Asia Pacific region

2019
- Mobile Pro, Switzerland
- Prase, Italy
- AV Partner, Norway
- EES, Spain

2020
- Starin Marketing, USA
- Vantage Systems, Australia

2021
- NMK Group, UAE and Qatar
- eLink, Germany
- Intro 2020, UK

2022
- DVS (Cooper Projects Limited), UK
- Nimans, UK

2023
- SF Marketing Inc, Canada
- Tool Farm, 76 Media Promotions, USA
- HHB, Pulse Cinemas, UK
- Video Digital, Spain
- prodyTel, Germany

2024
- The Farm, USA
- DHL, UK

Creating value case study - NMK

Acquired 1 January 2021

Acquisition plan included development programme.

Key support from Midwich Group:

- Investment in experience centre
- Financed Saudi business
- Senior finance secondment
- Supported recruitment of 63 people
- Helped to win and launch 15 brands

In return, the business has helped cement relationships with certain key vendors and introduce exciting new brands to the Group.

Profit and cash performance to date significantly exceeded original expectations.

Future development and performance drivers

Strategic focus areas:

Continue to expand technical product capabilities;

Use M&A to slot in technical skill sets into existing businesses (focus on North America, EMEA and APAC);

Selective geographical expansion – primarily through M&A;

Continue to development management and staff skills;

Implement group-wide ERP system;

Look at related new investment opportunities – eg Midwich Ignite.

Performance drivers:

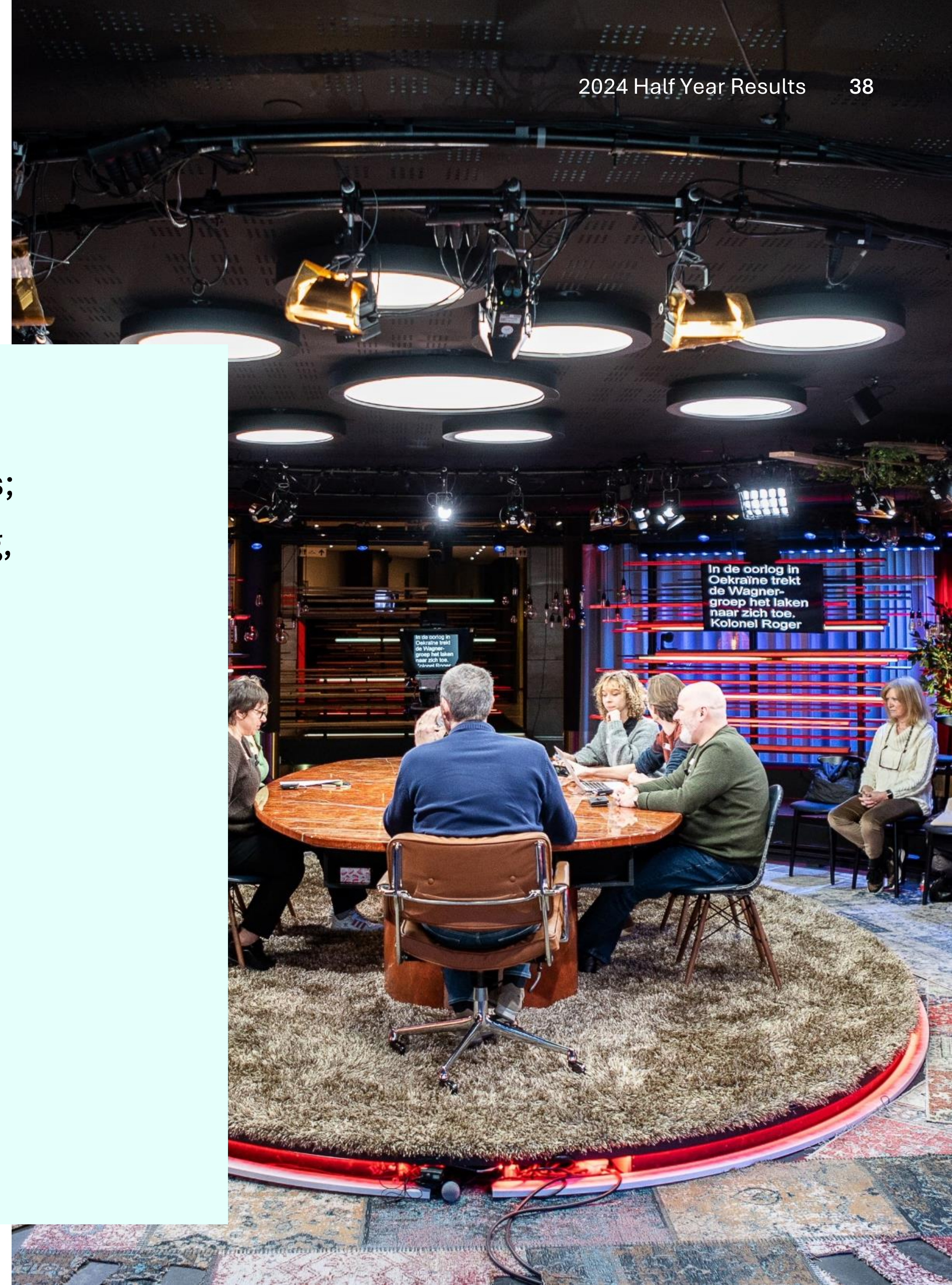
Predictability
- Business diversity balances risk
- Strength in depth of skills
- Portfolio management skills (incl onboarding)
- Long-term relationships
- Risk management competence

Defensibility
- Unequalled brand relationships and portfolio
- Unequalled technical value add skill sets
- Strong cash generation
- Effective and focused capital allocation
- Improved competitive position/market shares
- Strong and efficient systems and processes
- Strong people development

Long-term growth
- Investment in business development
- Infrastructure investment
- M&A programme/pipeline
- People development

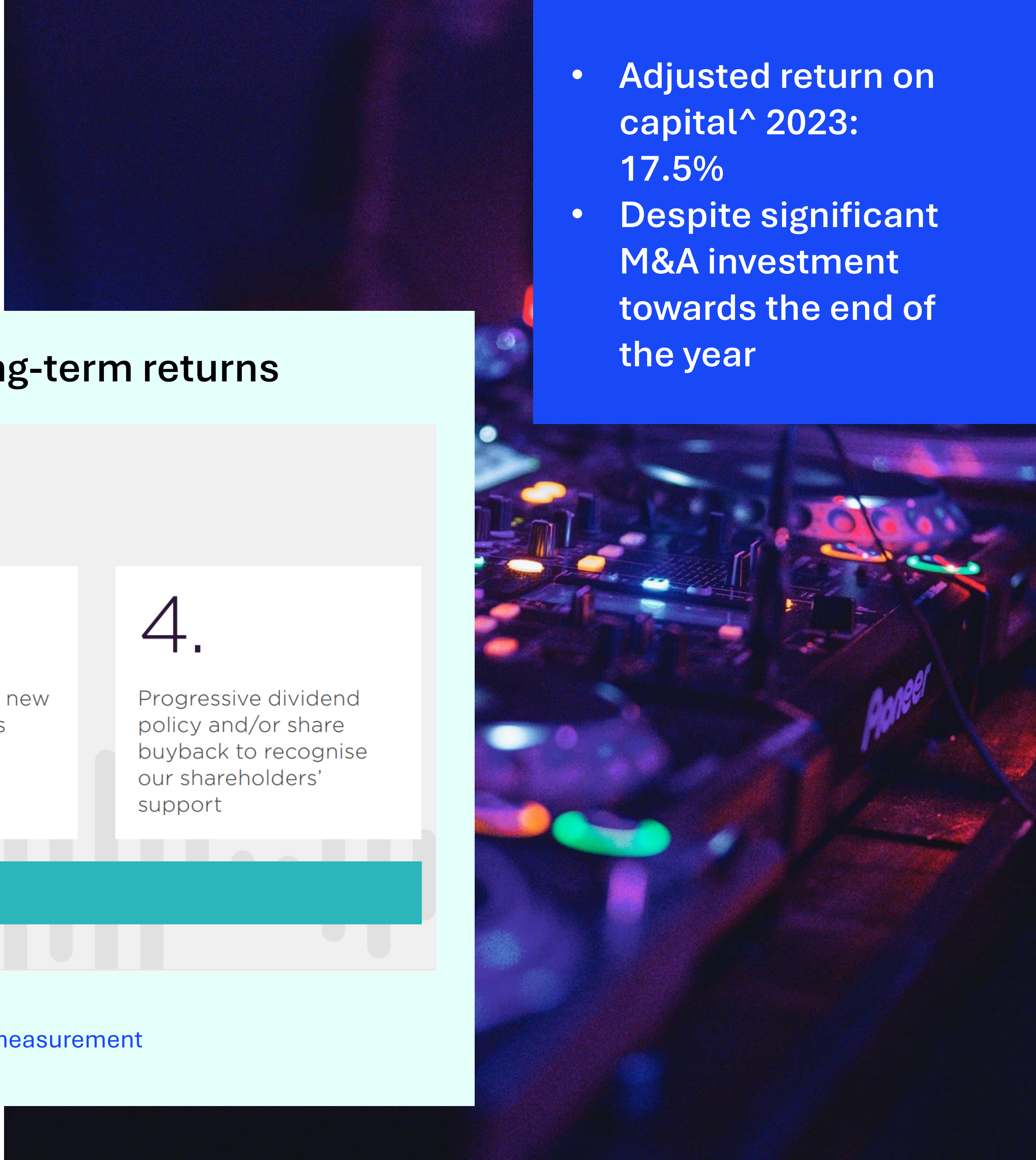
Strengths and defensibility

- ✓ Focus on the AV market;
- ✓ Key long-term, value-add relationships with major vendors and customers;
- ✓ High value-add distribution with specialisms and bespoke service offering, acting as a key differentiator;
- ✓ Leading competitive position and established international platform for future growth;
- ✓ Compelling drivers for a market with proven long-term growth;
- ✓ Experienced management team with long-standing industry expertise;
- ✓ Proven buy and build capabilities;
- ✓ Ability to drive strong organic growth;
- ✓ Strong financial track record and delivery of growth strategy through economic cycles;
- ✓ Proven ability to manage cash in a challenging market.



MidwichGroup

Capital allocation



- Adjusted return on capital^ 2023: 17.5%
- Despite significant M&A investment towards the end of the year

Disciplined capital allocation, with a focus on long-term returns

Capital allocation framework to deliver sustainable compounding growth as well as growing returns to shareholders

1. Organic investment in working capital, infrastructure and our teams to develop and grow the core business

2. Organic investment to in new technologies or brands to support above market growth

3. Acquisitions to add new product capabilities and/or new geographies

4. Progressive dividend policy and/or share buyback to recognise our shareholders' support

Disciplined approach to investment, returns and capital efficiency

^Adjusted return on capital employed is a Midwich Group alternative performance measurement

MidwichGroup

Group trading summary H1 2024

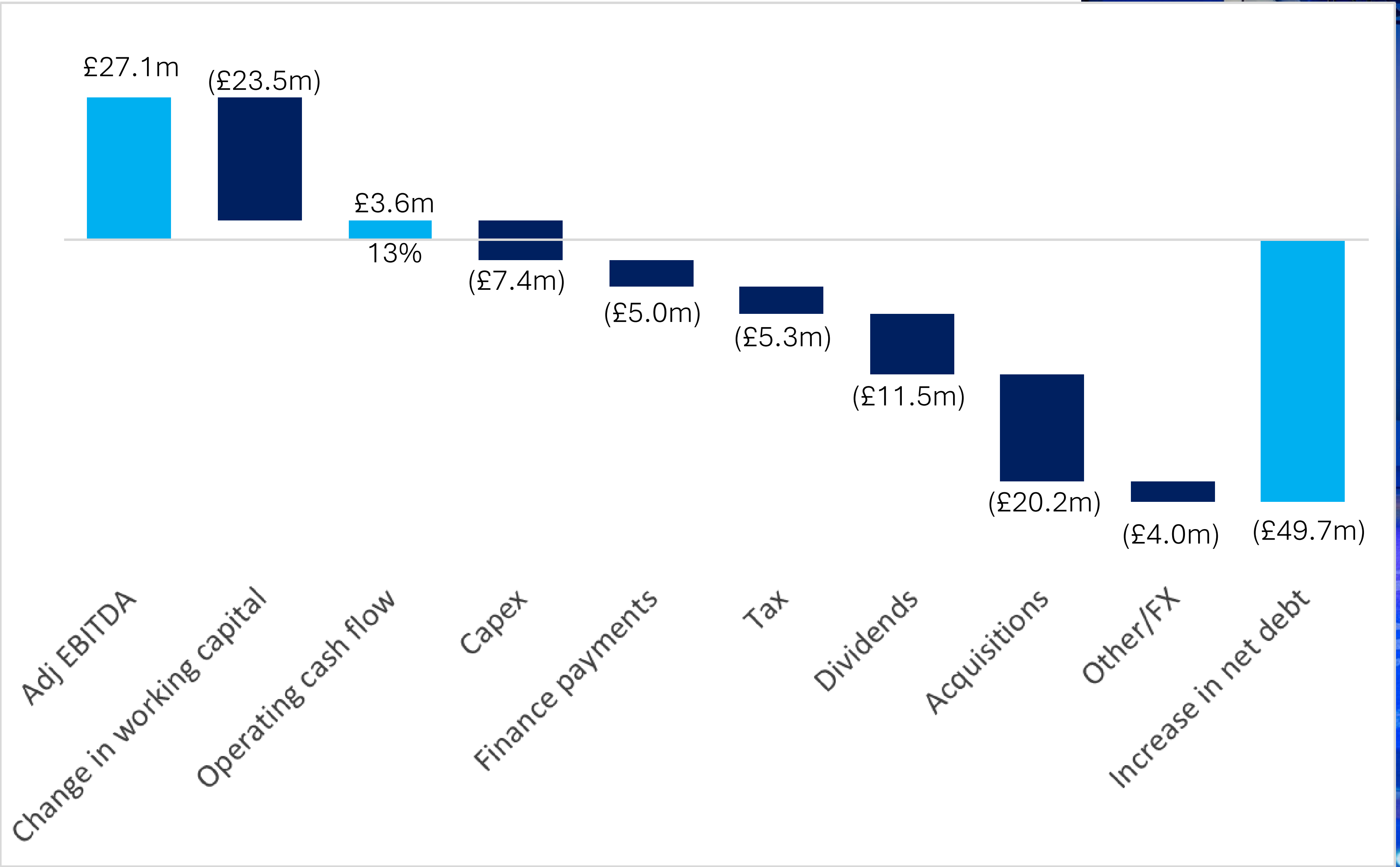
	6 months to 30 June 2024 £m	6 months to 30 June 2023 £m	Growth %	Constant currency growth %
Revenue	646.1	610.4	6%	8% (-1% organic)
Gross Profit	111.8	99.6	12%	14%
Gross profit margin	17.3%	16.3%		
Adjusted operating profit[1]	22.0 *3.4%*	26.4 *4.3%*	-17%	-15%
Adjusted profit before tax[2]	17.2	21.8	-21%	-20%
Adjusted profit after tax[2]	12.6	16.1	-22%	
Adjusted EPS[2]	11.22	16.93	-34%	

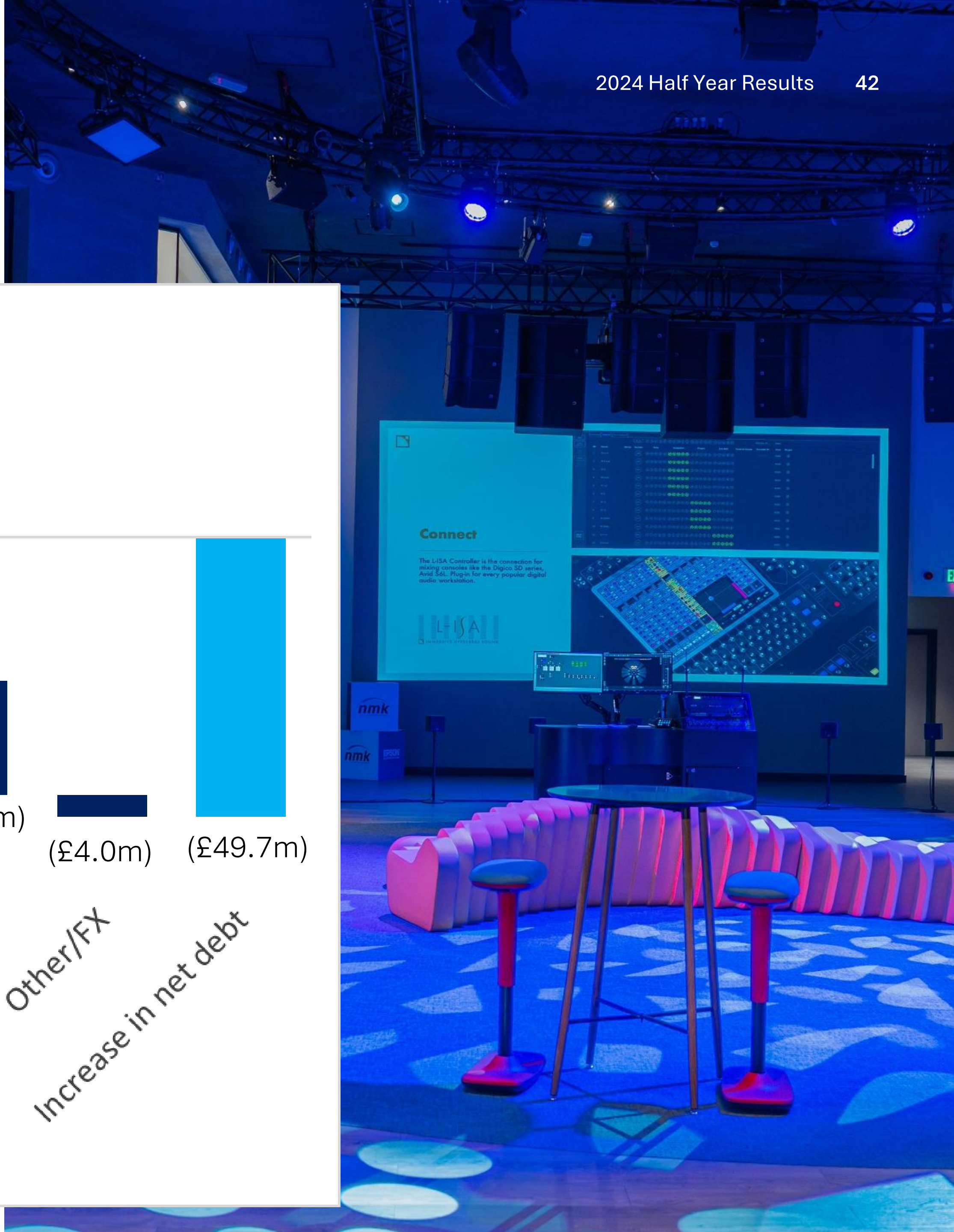
Regional summary

Region	Revenue H1 2024 £m	Revenue H1 2023 £m	CFX %	Org %	GP % H1 2024	GP % H1 2023	GP % Change
UK&I	233.1	234.0	-	(4%)	17.0%	17.7%	-0.7ppts
EMEA	274.6	281.3	-	(3%)	16.7%	15.5%	+1.2ppts
APAC	23.3	25.2	(4%)	(4%)	15.8%	17.5%	-1.7ppts
North America	115.1	69.9	69%	17%	19.7%	14.5%	+5.2ppts
Total	**646.1**	**610.4**	**8%**	**(1%)**	**17.3%**	**16.3%**	**+1.0ppts**

Adjusted operating profit[1]	H1 2024 £m	H1 2023 £m	CFX %
UK&I	8.5	13.9	(39%)
EMEA	11.2	12.5	(9%)
APAC	(0.5)	0.1	(579%)
North America	5.3	3.0	84%
Group	(2.5)	(3.1)	
Total	**22.0**	**26.4**	**(15%)**
Adjusted operating margin	**3.4%**	**4.3%**	**-0.9ppts**

Movement in adj. net debt





Modelling considerations

Acquisitions	Payments related to past M&A expected to be £10.5m in H2 2024, with c£12m in 2025 and £8m in 2026. These figures include the recent acquisition of DHL.
ERP amortisation	ERP programme in testing with initial "go live" now expected in H2 2024. Amortisation of core platform will be phased in as users go live. c£3m by 2027.
Interest (adjusted)	Expected to be c.£10.5m in 2024 before any further M&A or rate changes.
Tax	Increasing to c27% for 2024 (FY of 2023 M&A and UAE implementation of corporation tax/BEPS).
FX	Approximately 1.5% headwind estimated for the full year.
Capex	Full year to be c£15m including ERP and UK rental fleet assets with c£12m next year and £10m 2026.
Dividend policy	Long-term progressive dividend policy; 2024 interims in line with prior year.

Reconciliation to statutory profits

£m	H1 2024	H1 2023
Statutory operating profit/(loss)	**12.8**	**18.6**
Acquisition related expenses	0.3	0.3
Exceptional costs	0.5	-
Share based payments and employer taxes	2.6	2.7
Amortisation of acquired intangibles	5.8	4.8
Adjusted operating profit	**22.0**	**26.4**

Statutory profit after tax	**7.4**	**11.6**
Operating profit adjustments (above)	9.2	7.8
Derivative movements and FX gains/losses on borrowing for acquisitions	(0.6)	(1.5)
Finance costs – change in carrying value of deferred consideration/Put & call options	(1.5)	(0.2)
Tax impact of adjustments	(1.9)	(1.6)
Adjusted profit after tax	**12.6**	**16.1**

Note, adjusted profit after tax after non-controlling interests is £11.4m for H1 2024 (£15.3m for H1 2023)

MidwichGroup

Sustainability strategy

Further progress

We continue to make progress against our sustainability strategic objectives with the Board Sustainability committee now in place for the Group. Actions underway include:

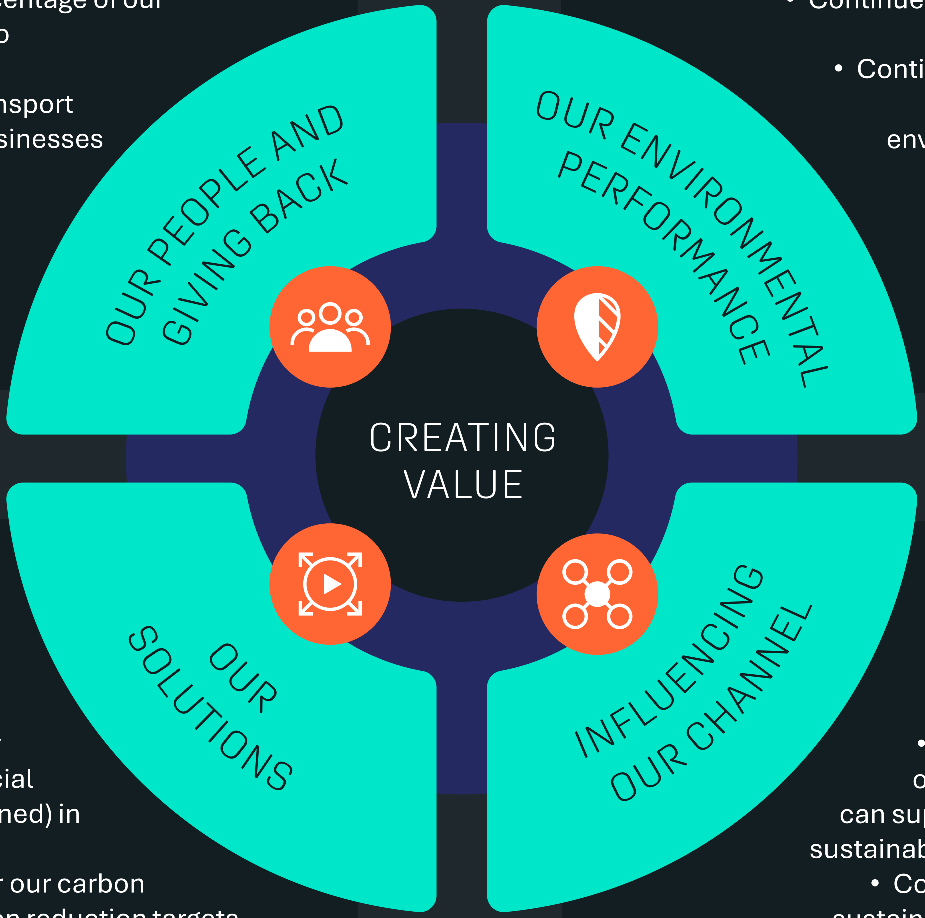
- Further embedding sustainability into our community programmes.
- TCFD aligned reporting is now in place and we are enhancing our scope 3 reporting and starting to add third party ratings for some of our biggest businesses.
- Focusing on carbon reduction activities in the UK and EMEA.
- Piloting sustainable solutions

Commitments

- Setting an end date for the use of gas and oil in all of our facilities
- Shifting a material percentage of our purchased electricity to renewable energy
- Developing a green transport policy for our EMEA businesses
- Assessing the carbon reduction plans for our biggest vendors

Commitments

- Work with industry bodies and leading experts on channel sustainability
- Continue to involve ourselves with long-standing partners
- Continue to support the WEEE regulations and other environmental programmes in other geographies



Commitments

- Incorporate Mandatory Climate-related Financial Disclosures (TCFD aligned) in the 2023 annual report
- Establish a baseline for our carbon emission and set carbon reduction targets
- Continue to improve our working environment
- Commit time to local conservation projects

Commitments

- Continuing to work with our top brands on how we can support them in taking their sustainability messages to market
- Continuing to champion AV sustainability through dedicated content featured in our digital channels across the businesses

Group management team

Stephen Fenby
Managing Director

Stephen Lamb
Finance Director

Tom Sumner
Chief Strategy Officer

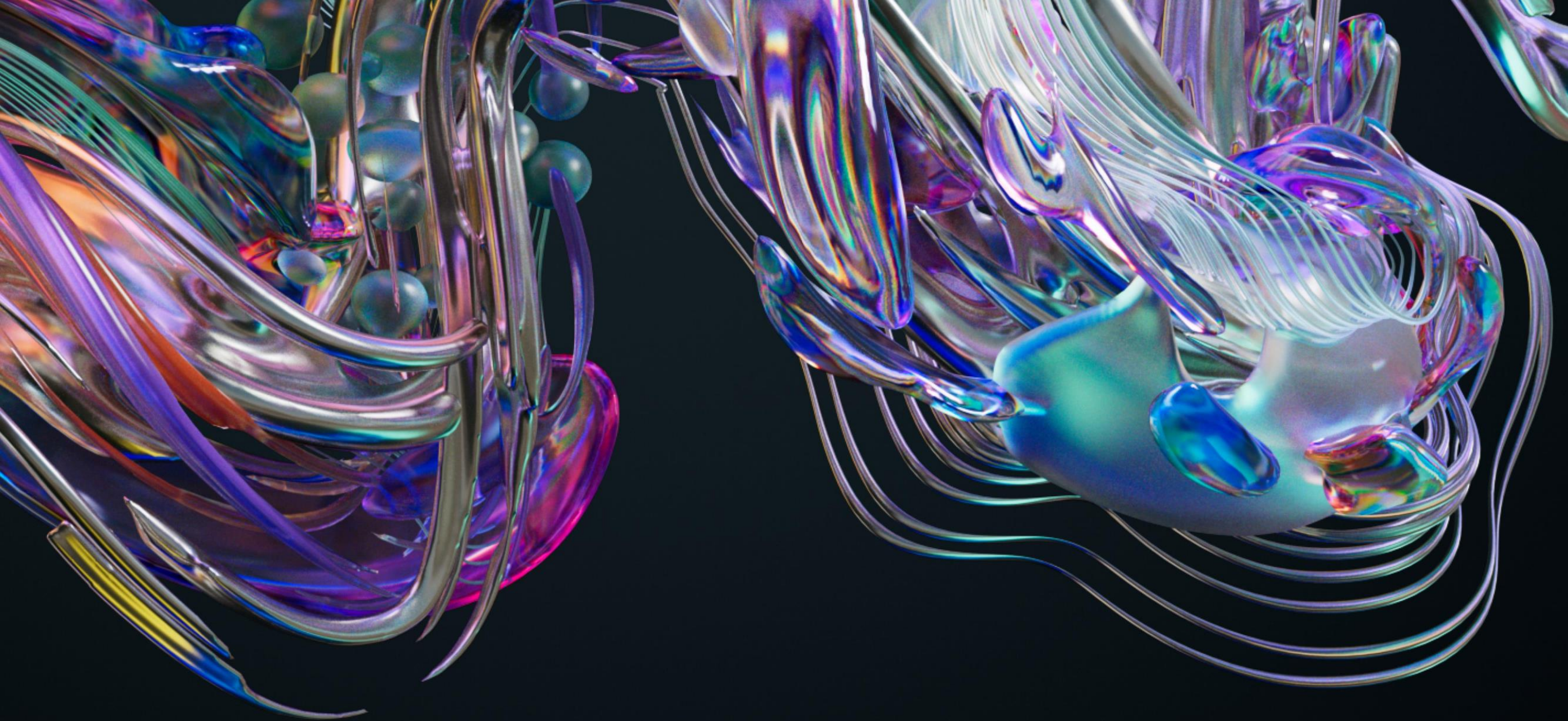
Mark Lowe
Chief Commercial Officer

Mathieu Payet
Managing Director - EMEA

Stuart Mizon
Group Commercial Director

Joe Thompson
Corporate Strategy Director

Phil Bligh
Chief Finance Officer – UK&I



Midwich Group

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