DCC Final Results - 31 March 2023

Tuesday, 16th May 2023

Introduction

Kevin Lucey

CFO, DCC

Welcome

Good morning, everybody, and welcome to our results presentation today for the year-ended 31 March 2023. We are delighted to be here, the DCC team, in front of everybody in-person for the first time, well, since 2019 was the last time we did an in-person results announcement. So for the last three years, we have been doing virtual presentations. This is a lot more engaging. Thank you to everybody who has come along today to be in the room. And obviously, welcome also to everybody who is joining us online today. We have quite a few people online.

I guess a lot has changed over DCC in the last three years, but a lot remains the same. And so I think what you will hear today is a lot about the continued resilience of DCC and how we have continued to manage to grow and progress over the last three years, and in particular, again, in the most recent financial year ended.

You all know this already, but Donal, unfortunately is not with us here this morning. And so we send Donal our best wishes, and we very much look forward to having him back full time in the business in advance of our AGM in July.

Introduction

I am Kevin Lucey, the CFO of DCC, and I am joined here this morning by my three divisional colleagues. So Fabian Ziegler, CEO, DCC Energy; Conor Costigan, CEO, DCC Healthcare; and Clive Fitzharris, CEO, DCC Technology. And I think most of you might know Conor Costigan, who has been here with us before. Fabian joined the Group last year as CEO, DCC Energy, and he will introduce himself later on. And indeed, Clive similarly has been with the Group for quite some time, 13 years now, I think, 14 years, and has done lots of senior roles around the Group and stepped up to be CEO, DCC technology during the last financial year.

Obviously, today is all about results, but we are going to use the opportunity to talk about maybe a little bit of the longer-term picture in DCC. And also, just to draw everyone's attention to the fact that this morning, we did launch a new website, which hopefully we will provide people with good additional colour and insight into the DCC business and what makes DCC a great place to work and indeed to invest in.

We have significantly refreshed our preliminary announcement this morning, and there is a lot of additional disclosure in there for investors and analysts. And again, hopefully, people will find that welcome.

And then finally, in the appendix to our results presentation this morning, again, you will find an awful lot more transparency and disclosure about our business. And hopefully, again, that will make things easier for people to understand DCC.

Agenda

There is three sections to what we want to talk to you about this morning. Firstly, we will spend a good chunk of today talking about the highlights of FY 2023 and indeed then delving into a little bit more detail of the performance during the year. Well then, if you will bear with us, take a little bit of a step up and out of the FY 2023 performance to talk a little bit more about the medium-term picture in DCC and what we are trying to do at a Group level, and indeed, then what each of the three divisions are trying to do, and we will talk a little bit about the growth platforms we have in the Group.

And then finally, we will finish with outlook and a bit of a wrap up before we open to Q&A.

Highlights FY23

Okay. Let's begin with getting into FY 2023. I guess the first thing to say is, we are very pleased and happy to report that FY 2023 was another year of very strong growth in DCC. I guess that strong financial performance, again, demonstrates perhaps the benefit we get from the diversity we have in the Group, demonstrates the resilience of DCC.

We have made good progress on our development agenda over the course of the year. We will talk a little bit about that in more detail. And indeed, it has been a good year again of strategic execution in terms of what we have been doing on the energy side and some of the capital we have deployed during the year, and we will talk about that in more detail.

And again, we are very proud of the performance in terms of sustainability across the Group during FY 2023. And again, we will talk a little bit more about that in some detail.

Financial Performance

So firstly, say, from a financial performance perspective, adjusted operating profit up 11.3% to just about £656 million in the year, strong performance. The free cash flow generation of the Group remains very strong. With free cash flow conversion of 87% in the year. And again, keeping that progressive dividend approach that we have had over very, very many years in DCC with a 6.5% increase in our dividends.

Development activity

I mentioned earlier that we believe it has been a good year from a strategic execution perspective. We have made quite a bit of progress in our Energy division, and we have deployed £360 million of new capital into new platforms of growth for the Group during the year.

I think the notable acquisition during the year, the largest one was the expansion of DCC Vital's medical device operations into Europe for the first time through the acquisition of Medi-Globe, but we completed 19 acquisitions over the course of the year and that is £360 million spend. And by number, a lot of them in the energy business, the largest one of those was the PVO solar distribution acquisition that we bought earlier this year. But we have deployed capital into at least 10 acquisitions over the course of the year that expand our capability in newer energy areas. So again, we will talk about some of the progress we are making in that later in the presentation.

The world needs progress for all

And related to some of that capital allocation, particularly on the energy side, it has been a very good year for us from a sustainability perspective. I think a notable feature of our results this morning is that our Scope 3 carbon emissions have reduced further by 5% over the course of the year. That is also contributed to the fact that our services and renewables profits in DCC Energy have grown from 22% of our profits to 28% of our profits over the course of the year. So again, you can see that, that drive for sustainability progress is manifesting itself also in increased profits for the Group.

I think when we look at our own operations, which again is very, very important to us, we have had a very substantial reduction in the year in our Scope 1 and 2 carbon emissions, so over 9% reduction there. And we remain well on track to meet our 50% reduction target against our 2019 baseline by 2030. So again, good progress there.

And finally, on the people front, we have been running engagement surveys across the Group now for a number of years. And again, pleased to report that even on the people side, we managed to create opportunities for people, some of which you see in front of us, myself and Clive and others included, who have grown their careers in DCC and we have improved our engagement scores again across the Group, demonstrating that DCC remains a very good place to work.

Performance Review FY23 – Financial Highlights

For the year ended 31 March 2023

If we get into performance in a little bit more detail, we do not talk too much about revenue in DCC, but revenues were up very substantially over the course of the year, up 25%. And really, that was driven by the increased wholesale cost of energy products over the course of the year. So that is driven predominantly by DCC Energy and, in DCC Energy, predominantly by the fact that the higher wholesale cost of energies were reflected in our revenues.

You do not see the same growth in profits, because as you know, our energy business, the profits are not particularly correlated to the volume of energy or to the revenue that we produce, but more to the volumetric measurements.

Group adjusted operating profit, £655.7 million, up 11.3% and 7.8% constant currency. Adjusted EPS, 456.3p, up 6.1%, a little bit lower growth than on the Group adjusted operating profit line, principally driven by a higher tax rate and higher funding costs over the course of the year. And again, we would see those continuing to be a modest headwind for us as we enter FY 2024.

From a free cash flow perspective, very strong free cash flow generation in the year already talked about that, but over £570 million free cash flow generated or 87% conversion. From a dividend perspective, we are pleased to be proposing another increase in our dividend, our 29th year of consecutive dividend growth for DCC.

And then in talking about return on capital, return on capital remaining strong at 15.1%, reducing a little bit on the prior year, principally reflecting the very substantial acquisition spend we have had across the last two years. So, we have deployed over £1 billion in the last two years, and that really is the primary driver of that. It is also impacted a little bit in the current year by organic headwinds in health care and technology.

From a net debt perspective, balance sheet remains very strong. So, the £767 million of net debt that you see there reflects approximately 0.9x pro forma net debt to EBITDA. And if you were to look forward on an FY24 basis, that would approximate to about 0.6 or 0.7 times net debt EBITDA, assuming we were not deploying capital on acquisitions, but we do not expect that to be the case.

So that is it from a financial highlights perspective.

Divisional Results

For the year ended 31 March 2023

Just to talk a little bit about the divisional shape of the results over the course of the year. Obviously, as you can see, DCC Energy increased its profits by 12.4% and 10% constant currency. DCC Healthcare declined by 8.6% or 11.1% constant currency. DCC Technology is £106 million, an increase of almost 30% year-on-year and 20% constant currency.

In terms of the shape of the Group, Energy, similar to last year, reflecting about 70% of the profits of the Group. And from a geographic perspective, again, the internationalisation, I guess, of DCC continues. So many of you will have been following us for a long time and know that our heritage really has been here in the UK and in Ireland, but obviously, the greater diversity in the Group, the amount of cash flow we now generate in Continental Europe and North America is really quite substantial.

So you see Continental Europe representing approximately 40% of the Group; UK and Ireland, approximately one-third; and then the balance is 26%, principally in North America.

DCC Energy

Performance Summary

We will look at each of the divisions now in a little bit more detail. As you can see in the slide, we have had an excellent performance in DCC Energy over the course of the year. And really, that has been strong right across the division. We have had good performances from our Energy Solutions business and also from our Energy Mobility business over the course of the year.

The organic profit growth at 8.3%, I think, again, was particularly strong in the year. We experienced pretty robust demand in what was a volatile environment. So, notwithstanding the volumes are reduced modestly. That was, I guess, a little bit to be expected.

Energy prices were very high during the year. And we had a lot of efforts, particularly in Continental Europe from governments to try and economise and reduce energy consumption over the course of the year, which is understandable. But notwithstanding that, we saw good demand for our products, particularly on the lower carbon and renewable side of our business over the course of the year. And there was good demand across each of our regions. So we had good profit growth in North America, in the Nordics, in Continental Europe and in UK and Ireland, so I say, a pretty strong performance all around.

And similarly, on the mobility side, very strong performance from our fleet business, our digital, where we provide a lot of digital services to large fleets and also on the retail side, where in France and the UK in particular, we performed well.

I think one of the notable things that I referred to it already, is that you begin to see the strategy in action here that DCC has been investing quite significantly over the last number of years in growing the proportion of our profits that come from services and renewables in DCC Energy. So from a high single-digit percentage four or five years ago to now approximately 28% of our profits in the Energy business coming from products or services where we have effectively zero or very close to zero Scope 3 carbon emissions.

The acquisition activity over the course of the year supported some of that. We have been deploying capital into this area, but it was also as a result of very good organic developments. And again, Fabian will talk a lot about that a little bit later. We completed a lot of acquisitions over the course of the year in DCC Energy. Many of them small, modest acquisitions bolting into our operations, but all of them adding new capability to DCC and particularly in the newer energy areas.

And then finally, and you will hear more about this later on, but obviously, Fabian joined us over the course of the year. But we have established a new regionalised management structure. So quite a lot of new energy across our management team as we have kind of reorganized and repositioned the team to enable us to grow towards 2030, and Fabian, as I say, will talk about that a little later.

DCC Healthcare

Performance Summary

In DCC Healthcare, obviously, after a couple of record years in DCC Healthcare, where we had exceptionally strong organic growth. Last year was a more challenging year for DCC Healthcare. But notwithstanding that, we continue to make good strategic progress and invested in the business to ensure that we are well positioned into the future.

Operating profit declined by 8.6% or 11% constant currency. And organically, that was down 18.7%, really driven by weak demand in DCC Health & Beauty Solutions, and I will talk about that in a second.

In DCC Vital, trading was good and performed well in line with expectations, in fact, modestly ahead of our expectations. And that really reflected good performances from our Medical Devices business here in the UK and also our primary care business here in the UK and in Germany. The Medi-Globe acquisition, which we completed during the year continued to perform well.

On the Health & Beauty side, we began the year 12 months ago, if we were standing here, we would have been talking about record levels of demand and a very strong order book. But over the course of the year, we saw that demand weaken as our customers began to try to reduce the amount of inventory that they had and indeed mirroring, I guess, what they were seeing from their customers in retail stores and consumers.

We have had a period over the second half of the year, in particular, where there has been a large amount of destocking going on in the supply chain. And I guess, that has been reasonably painful for our business. However, I guess, the important point is that we have not reduced our capacity in any way in this business because we believe it is a fantastic long-term growth opportunity, and Conor, again will talk about that a little bit later on.

We did see that destocking in Europe and in North America. I guess the one bright spot for us through that period was that our effervescent business in the US, in particular, continue to perform very well. We remain very confident about the outlook for DCC Healthcare and indeed for our DCC Health & Beauty business. And as we think about FY 2024, certainly, our DCC Vital business, we continue to expect will perform well and grow strongly over the course of the year.

And on the Health & Beauty side, we do see a recent tick up in our order books. And we do expect that as we enter the second half of the year, the destocking will largely have washed its way out. And so by the time we get to H2, we would certainly expect to be back in growth mode in DCC Health & Beauty Solutions.

DCC Technology

Performance summary

Okay. On DCC Technology, which was our strongest growth over the course of the year by growing nearly 30%. All of that growth was driven by the acquisition of Almo. Pleasingly to say that the Almo in the second half was very much in line with expectations. And so operating profit of £106 million and 30% profit growth were very much in line with what we had been thinking about at the November stage when we were talking to you all.

Operating profits organically declined by 16.9%, really driven by weak demand on the consumer side of our business. We saw in Europe and a little bit in North America that the consumer was weaker and consumer expenditure into technology was softer than it had been in the prior couple of years.

Demand for B2B products over the course of the year was pretty robust. And certainly, we continue to see good demand for our Pro solutions, our Pro Tech technologies that we distribute in North America and in Europe.

Our UK business performed better this year and grew strongly. And again, in Ireland we actually had another year of good strong performance. As we think about FY 2024 in technology, again, I think the market will remain pretty difficult on the consumer side. I think on the B2B side, we would be reasonably cautious. However, we do think we can grow our profits again in technology organically in FY24. Business is well positioned. We have invested significantly in the division over recent years. And therefore, we think there is plenty we can do to grow our profits next year.

Adjusted operating profit bridge FY22 to FY23 & Free Cash Flow Generation

For the year ended 31 March 2023

When you pull all that together and look at it at a Group level, obviously, you will see on the left-hand side of the waterfall that we have grown the profits, as I mentioned earlier, 11%. Constant currency or the FX translation impact of that, if you like, was a tailwind for us in the year of 3.5%, reversing what was a headwind in the prior year. We had had a strong headwind from currency in the prior year. So, you really just see the weakening of sterling over the course of the year there.

From an M&A perspective, M&A added 7.6% to our reported growth over the course of the year, principally the acquisition of Almo in DCC Technology. And organically, 0.2% organic growth over the course of the year, driven obviously by the organic growth in DCC Energy, that 0.2% is in the context of a very strong organic performance in the prior year when organically profits were up 6.1%.

And obviously, also is in the context of an 8% increase in our cost base across the Group this year on a like-for-like basis or £130 million of increase, if you like, in our cost base over the course of the year like-for-like. We are pleased with that performance.

From a free cash flow perspective, you can see that, obviously, we converted 87% of our operating profit into free cash flow. And you will see that we continue to invest really on the CapEx line. CapEx in excess of depreciation being the material mover working capital was not a material component of the cash flow in the year.

And again, there is investment going into DCC right around the Group principally in the year in the energy side, where we have been building new capability throughout the year in the Energy business and one or two material investments like our LPG storage facility here in the UK in Avonmouth, and also on the Health & Beauty side, indeed, I mentioned that earlier, where we continue to invest in our capability across gummy formats and expanding our capacity, setting us up well for growth in the future.

Substantial growth, cash generation & capital allocation

Adj. operating profit of £656M, up from £494M in FY20

I mentioned earlier as well how we have progressed quite a bit over the period of those virtual presentations in the last three years. In FY20, the profits of DCC were £494 million. And today, three years later, they are £656 million. And obviously, that DCC £656 million from an EBITDA perspective, cumulatively over the course of those three years is about £2.2 billion. So that really substantial cash generation in DCC has enabled us to deploy about £2.4 billion in capital over the course of the three years.

Those of you who know us well, again, will recognise the right-hand side of the chart here as being really how we set out our capital priorities in terms of investment in DCC. So always investing in making sure that we have well-positioned businesses, well-invested businesses, providing us with organic growth opportunities.

The 500 million in CapEx over the course of the three years is in excess of a depreciation amount of about £400 million. So again, investing in our capability there.

We maintain some agility in terms of how we think about these capital priorities, like a lot of what we do in DCC. And presently, we are investing maybe a little bit more than we have four or five years ago in the organic development of the Group. And that reflects the opportunities that we see, particularly on the Energy side and on the Healthcare side to add new capability and hopefully take a little bit of share.

Over the course of the year, again, three years, we have deployed substantial amounts of capital and M&A. And I guess that has been ever thus in DCC really, but we do believe we have a differentiated M&A capability in the Group. It stems right the way back to the heritage of the Group in 1976 when it was founded. And you know that when we went public in 1994 to today, we have completed about 400 acquisitions. We have also used that capability occasionally for divestment purposes. And so we really do feel we continue to have a really strong engine from a capital allocation perspective, but also capability to invest; that has been a driver of approximately 6-8% profit growth for DCC over the last decade, and we continue to see that opportunity of being available to DCC into the future.

And finally, we have returned just about £500 million to investors over the course of that three years, and that remains something that DCC believes is, continues to be the right way in terms of capital framework, how we set out sharing our returns with our shareholder base.

The progressive dividend was again in evidence this morning. So, you will see the continued increase in dividends. And we do understand that we have the optionality. We have the lever of increasing returns to shareholders, if we were not convinced that there was not the opportunity in the organic development of the business and particularly on the M&A capability side. So continue to believe that there is very strong opportunities for us to deploy capital across our two priority areas from an investment in the business perspective of organically and M&A.

A strategy fit for the future

Okay. I mentioned this at the start, we are going to just take a little pause from the FY23 performance to talk a little bit more into the future in DCC and what it is we are trying to do as a Group. And there are obviously different lenses to look at that through. There is the group lens, clearly. And then there is each of the three divisional lenses, which the guys will articulate and talk about in a minute.

I guess at recent market events, everybody knows that I think we have an ambition in DCC to double our profits by 2030 and make the Group substantially larger, more cash generative than it is today. And actually, Fabian will talk a little bit about the ambition of the DCC Energy business in that context of doubling the profits by 2030 that the Group has.

I think in DCC, we really focus on owning and operating great businesses and trying to manage them well and really embedding that culture of entrepreneurship and innovation that we believe pervades the Group. And we spend a lot of time when we bring new businesses into the Group, encouraging them to follow that DCC mindset, if you like.

Those businesses, if we buy the right ones and we execute well and manage them well, they tend to produce really strong cash flow. And that cash flow gives us the license to invest and reinvest those cash flows where we see fit, and where we really believe we have really strong future growth potential. And that always remains the lens we look at when we think forward about DCC, where do we see the potential.

If we do not see potential in our current business or indeed in things we are looking at, we won’t invest behind them. And indeed, over the course of DCC's history, it has divested of many things that did not quite fit that future focus. We continue to run the Group that way. We think about the future. We look for future potential. And the lens in DCC, the lever we look at and the lens we look through is where is the identifiable need and the sustainable growth potential within businesses we look at.

I guess we talk a lot in DCC about sustainable cash-generative businesses producing very strong returns on capital. That is what we look for, but always looking forward and identifying that future growth potential. And that need, if you like, tends to lend itself to businesses where we believe they are providing essential parts of what the world needs that brings us on a little bit when we think about what the world needs presently and into the future, there is no doubt that we have a great position in three transformative sectors. Things that are right at the heart of a progressive world, and there is a niche link between how we think about investment opportunity and our purpose in DCC, which is to enable people and businesses to grow and progress.

DCC: Invest In What The World Needs…

So, as we think about investing and as we think about those three transformative sectors, we know that there is a real need for progress in the energy market, where there is a necessity to be able to provide cleaner energy for everyone. And if we execute well in DCC, we will contribute to a cleaner world.

Similarly, in healthcare, and Conor will talk about this, how we see the world's necessity for people to live longer and healthier lives. And in technology, we believe the technology we can bring to market will help make a more progressive world of reality.

So, with that little introduction, I am going to hand over to each of my three colleagues who are going to talk to you a little bit about their growth potential within their sectors.

So Fabian, over to you.

Energy 2030 Vision

Fabian Ziegler

CEO, DCC Energy

Introduction

Thank you. Thanks so much. Good morning. It is Fabian. I am delighted to be here. It is a first for me. And it is for me now six months that I am heading DCC Energy. And I just want to briefly say, I know DCC since 2009, and I joined this company because I think it is a great company, and I am deeply convinced it has all it takes to be a true energy transition winner.

I am, of course, deeply impressed with the financial delivery of my division this year, the resilience and very excited by what we have done for our customers and even more excited by what I am deeply convinced we can become a very special energy company.

Three things, ladies and gentlemen, I would like to talk about:

- First, I would like to introduce our ambition to double our profits and become a recognised carbon leader by 2030;
- Then secondly, I will try to lay out our two-pillar approach how we get there. We de-fossilise our carbon intense business becoming a bio leader. And secondly, we established a decentralised electron-based energy management business; and
- Number three, I would like to demonstrate that we are not starting this journey from scratch like many of the big producers.

The world needs cleaner energy for everyone

Our 2030 vision – double profit through strong carbon leadership

Over the past six months, we have built on and sharpened our leading with energy strategy, which we published exactly one year ago. Through this sharpened focus, we position ourselves as a decentralised energy company, deeply passionate about our customers that typically are served not by the central energy systems, and we are leading them through their energy transition.

The world needs cleaner energy for everyone, and our strategy is geared to delivering this outcome. Energy is clearly a challenging category in today's world. The energy trilemma affordability, availability and cleanliness is difficult for our customers. But this, at the same time, constitutes a very positive context for DCC Energy's competitiveness.

We are relatively product agnostic. We have very loyal customers and a strong trust in our brands. We truly believe in being the best customer company in energy. We will service our customers exceedingly well, aim to offer all customers an energy transition solution and act as a net-zero partner in an increasingly decentralised energy system.

From liquids, stored locally, to electrons produced and consumed directly at site, our customers become both producers and consumers in nowadays language ‘prosumers’. Our strategy contains a detailed growth plan to 2030, while embracing a strong intent to be a recognised carbon leader in our industry.

Given the progress we have seen over the last 12 months, we have confidence in our ability to greatly exceed the Scope 3 reduction indicated in Leading with Energy.

Under our plan, we will at least double our profits. This leads to a growth rate of 10.4%, which is in line with DCC Energy's historic growth over the last five years of 10.2%. And this is driven by exposure to growth segments of the energy market and, of course, our acquisition ambition.

There are two synergistic growth passes that entail quite different mechanics, but they are connected through our customer orientation. Firstly, we will reduce the carbon intensity of our fossil core business becoming Europe's leading bio marketer. We view this as change from inside the core, this will add around £200 million EBIT. And in true DCC fashion, this will be a mix of organic and acquisition development.

We build on our success with HVO, Hydrotreated Vegetable Oil, a very profitable, highly differentiated product aiming to be 10% of the HVO market in Europe. This is underpinned by partnerships with the large producers. Then we keep growing LPG, namely in the US, LPG accounts for 50% of our profits but only 15% of our carbon.

LPG has the highest profit to carbon ratio of our fossil fuels, and it is around 20% lower carbon than traditional fossil products. We work to position LPG as a highly needed transition fuel for hard-to-serve customer segments. We deepen our involvement in incubating the production of renewable versions of LPG, seeing a path to 15% renewable content by 2030.

We will transition our fossil fuel customers consequently to renewable solutions. And gradually, we will cut some carbon intense activities with lower margin exposure. Also, we have detailed out a mobility strategy to keep it short with three components, highly selective EV investments for the top end of our network, we have almost 100 EV-enabled sites.

Second, our more rural networks will act as a cash engine. And thirdly, we will then consequently grow in our digital fleet customer formats like Fuel Card services and SNAP. This defossilisation pillar we complement with our second growth path, which is building a leading electron-based energy management business. We regard solar as an ideal first platform, leveraging classic DCC strengths as a consolidator of fragmented markets.

Solar plays a big role in any national energy strategy and growth is very strong for long years to come. We can apply our disciplined operations mindset and our decentralised energy distribution capability. We target market leadership across Europe and then in North America.

We will acquire solar installation capability as this is currently the biggest bottleneck. Then we complement it with more central brand management, central procurement of equipment and technology. Our new PVO company is really excellent at this, and we are building digital business models. The design is Solar-as-a-Service, including elements like financing, maintenance, performance management and energy procurement format. So, to steadily increase the proportion of recurring revenues in this space.

Our success in France gives us confidence in this move. This will become a £300 million energy management business led by solar, and we rounded out with the locally most suitable propositions such as energy efficiency services, heat pumps or other solutions. This will be a lot about acquisitions enriched with own capability building. We redirect our exposure to fast-growing segments in energy, and we grow our income per customer.

In combination, the two pillars will make us a holistic energy services company by 2030 with a sharply reduced carbon footprint and 50% or more income from renewables. Geography-wise, focus will be on Europe and the US, where the regulatory frameworks almost compete with one another for more favourable conditions around renewables.

We will invest in our capabilities with the core theme around electrons and carbon. We will constantly improve the quality of our portfolio, especially looking at it from a carbon yield perspective.

Carbon leadership is a significant commercial opportunity

Relentless focus on customer solutions, and embedding CO2 as a currency

We sense a very strong customer pull for this direction. We build on our differentiated positioning as a special energy company following our customer motto "Cleaner Energy in Your Power."

We aim to give our customers control over energy with a very decentral offer, again, from storage in tanks to production at site and making cleaner energy, much more accessible and affordable. We drive decarbonisation not only because it is the right thing, but namely because it is a unique commercial opportunity for a customer company like us.

We worked through a leading carbon reduction story, aiming for leading market practice. Our expertise around advising customers and having a multi-energy offer is increasing by the day. In our 2030 plan, we target 50% more customers and equally 50% more margin per customer, both we think is conservative. And the good news is, it is working already.

In the carbon intensity reduction sphere, we are making good progress all along the value chain. We just announced a partnership with Oberon to incubate production of clean LPG. In our own operations, our third half lead in Ireland, we put 100 trucks on HVO. And we landed large supply agreements with key customers like Amazon Web Services, Björneborg Steel in Sweden, or Sisk Construction. And important to note, Bio is one of the most affordable passes to lower carbon.

Through acquisitions and building own capability, we also broaden out our energy offer. We completed 526 solar installations in France with a total installed capacity of 61-megawatt hours.

Bureau Vallée is a French cereal customer, and they are also pioneers in corporate power purchase agreements for renewable energy, matching our corporate customers like Britvic or Wavin directly with wind farms in the area.

This creates even more longevity in our customer relationships. We talk about customer for life, and we grow margins per customer. Our model is truly customer-led and not dependent on pushing the supply of products we happen to have.

The world needs cleaner energy for everyone

Strong conviction based on our recent success

And this chart pictures some of the facts that give us the greatest confidence in our strategy.

Since Leading with Energy, we track the metric SRO, the percentage of operating profit from services, renewable and other income with zero or close to zero emissions. As you can see, firstly, our SRO proportion has grown from 22% to 28%, and this is highly relevant. We are not starting a decarbonisation journey from zero, we have done a good proportion of the journey already and it works.

Further, you see on this chart our renewable acquisitions over the last months. I just list out a few, PVO, a leading European supply chain company, procuring panels, inverters, batteries, and other equipment. It is very profitable and growing. And importantly, it gives us insights across the whole solar market in Europe.

In France, we have just completed O'SiToiT, our fourth acquisition, making us a leading player in B2B, demonstrating our ability to roll up and build energy management businesses starting with solar.

And in the last few weeks, we acquired AEI, the number two player in Irish solar and Hafod in the UK. Our existing Energy division delivers high returns. But so is our growing newer business. You can see the high ROCE at time of acquisition and where it is today. The key point is that they are in line with this year's overall ROCE of 19% after a tremendous performance for DCC Energy. We are confident our renewable investments will be as or more profitable than fossil ones, and we continue to focus on high returning businesses.

We see tons of opportunity to craft highly profitable energy solution business models for our customers. And therefore, we have the highest confidence in our double profit ambition acting as a true carbon leader.

And with this, I hand over to Conor.

DCC Healthcare

Conor Costigan

CEO, DCC Healthcare

Introduction

Okay. So good morning, everyone. I think I know most people in the room, but for those of you who I have not met, my name is Conor Costigan. I am with DCC over 20 years, and I have been leading the healthcare business since 2006.

So as Kevin said, it is great to be back here in person. And I suppose to update you on what is been happening in DCC, and we have made a lot of progress over the last three years. In fact, over the last five years, we have significantly internationalised the DCC Healthcare division in the US and Europe. And we believe we have never been as well positioned for growth in the future.

Our vision: To enable people to lead healthier lives, throughout their lives

Our vision for DCC Healthcare is to enable people to lead healthier lives throughout their lives. This vision leverages two megatrends in the world today. People are living longer, and that is driving demand for healthcare products and services. And consumers are increasingly focused on their own health and wellbeing, and that is driving demand for self-care products.

DCC Vital, our patient health business supports healthcare providers to improve patient outcomes by providing high-quality medical and diagnostic products for use in hospitals, primary care, and other fragmented healthcare settings.

DCC Health & Beauty Solutions, which is our consumer health-focused business develops and manufactures health supplements and beauty products for brand owners in this long-term growth market.

Through our services, we help consumers to maintain and improve their health and wellbeing and enable them to lead healthier lives every day.

In addition to these megatrends, DCC Healthcare markets are also underpinned by other strong macro trends, large healthcare providers and consumer healthcare brand owners are looking to strong commercial partners to help them to innovate, to support their growth objectives and to generate efficiencies. And we are also seeing increasing regulation across all of our markets, which favours well-invested, well-resourced businesses and DCC Healthcare is well positioned to benefit from all of these trends.

We have the platforms to grow for years to come

We have done a lot of work on building exciting growth platforms over the last three years. And we believe in our med devices activities, our primary care and health and beauty contract manufacturing activities, we have three exciting growth platforms.

In DCC Vital, we have deployed over £300 million over the last two years in Continental Europe through the acquisitions of Medi-Globe and Wörner, significantly enhancing our growth platforms in med devices and primary care.

In med devices, we focus on mid-tech single-use devices for use in minimally invasive diagnostic and surgical procedures in hospitals. And following the significant acquisition of Medi-Globe, our largest acquisition to-date, we now have a strong commercial presence in medical devices in three of the big five European markets, together with developing positions in other European markets and indeed in international markets such as Asia Pacific and South America.

We have enhanced product development capability, enhanced manufacturing, and regulatory capability. And combining our existing activities with Medi-Globe is creating new growth opportunities in med devices.

In primary care, following the acquisition of Wörner, we now have leading positions in Britain, Germany, and Switzerland. Across Europe, at primary care, the landscape in primary care is very fragmented, and customer interactions are increasingly evolving towards e-commerce.

And DCC Vital is one of the few players with the scale and financial strength to play a leading role in the consolidation and digitisation of the primary care sector in Europe.

Our third growth platform is in the contract manufacturing of Health & Beauty products, especially in health supplements. And as you will have heard earlier from Kevin and have seen in our results over the last three years, we have come through an unusual period with where demand patterns have been unusual. However, the fundamental drivers of this market are unchanged and health supplements, we believe, will continue to be a long-term growth market.

Over recent months, we are seeing renewed interest in innovation from our brand owner customers, and our strength in innovation is a key factor in how we attract customers and how we build long-term partnership relationships. We continue to pursue acquisition opportunities in contract manufacturing of nutritional supplements, particularly in the US. And at the same time, we are investing in our existing manufacturing facilities to enhance capacity and capability. We have got two material live projects ongoing at the minute. We are adding nutritional gummy manufacturing capability at our Florida facility, and gummies over the last ten years has been the fastest-growing form factor in nutritional supplements.

And in our Minnesota facility, the Amerilab business, we are investing to significantly expand our capacity in effervescent products to support the growth of customers such as Nestlé Health Science and Haleon.

To wrap up, I want to leave you with three key messages. We operate in DCC Healthcare in long-term growth markets, typically growing at 4-6% historically and projected to grow at similar rates in the future. We have consistently outperformed those growth rates. Over the last 10 years, DCC Healthcare has grown its reported profits by 15% CAGR per annum. And more than half of that was organic.

And we have three exciting international growth platforms. Putting all of that together, we believe we have never been as well positioned to deliver strong growth over the next 10 years.

Thank you. I hand over to Clive.

DCC Technology

Clive Fitzharris

CEO, DCC Technology

Introduction

Thank you very much, Conor, and good morning to you all. I am Clive Fitzharris, CEO of DCC Technology. I have been in DCC for 14 years, eight years within Energy. I think my first year, actually, I had many good times with Fabian as we were buying our business in Denmark. I have also been in Group roles as Head of Group Strategy and M&A. And for the past three years, I have been focused on the growth and development of our technology businesses.

Technology has a central role in improving the world and our lives. Our vision is to bring progressive technologies that enable these enhanced outcomes. Our ambition is to have the leading specialist distributors in our chosen markets. We have articulated our division in a little bit of a different way for you today.

Our vision: A progressive technologically-enhanced world

We have three platform segments that we operate in:

- Pro Tech;
- Info Tech; and
- Life Tech.

Pro Tech comprises our pro audio, AV, enterprise, and related businesses in North America and in Europe. These businesses are focused on specialist solutions to installers and integrators, selling products that are medium to high margin that reflect the service capability and technical competency that we provide to our customers.

Info Tech comprises our information and consumer technology distribution businesses in the UK, Ireland, Continental Europe, and the Middle East. These businesses focus on retailers, e-tailers, B2B resellers and IT integrators with high-volume, low-margin products delivered at speed.

Life Tech comprises our North American specialisms within Jam and Almo, distributing high-quality products that enhance modern lifestyles, products such as prosumer audio, musical instruments, high-quality appliances, and home comfort technologies. Superior gross margins are generated here with a focus on high services to specialist retailers and e-tailers together with a wide range of own brand and exclusive brand product offerings.

In line with our ambition to be the leading specialist distributor in our chosen markets, we are currently number one globally in AV specialist distribution. We are number one in North America in pro audio distribution and also number one in North America in lifestyle technology distribution of appliances and musical instruments.

We have the platforms to grow for years to come

Technology is a 3-5% organic growth market

Technology is a 3-5% organic growth market, and our platforms are positioned to grow above this level. Our division has more than doubled profits in the last five years, and we have added four percentage points to gross margins. This demonstrates the changing mix towards higher value-added platforms in Pro Tech and in Life Tech.

The UK business is transitioning through recent operational and market headwinds and is now in strong recovery. Outside of the UK, if we look at our organic growth elsewhere, it has been in double-digit percentages per annum over the same period. Strategically, we are focused on the organic and acquisitive growth of Pro Tech and Life Tech business, which leverages the leading market positions and capabilities of those platforms.

We are also focused on optimising the Info Tech business in the UK and Europe after the operational challenges in the UK and more recently, the market headwinds post-COVID in Europe.

We have an extensive and granular improvement plan and execution in the UK. And this leverages the digital investments that we have made in recent years and provides considerable opportunity for improved returns and profits for the division.

Following the underperformance in Almo's fulfilment division in half one of last year, we have invested in new e-commerce leadership and talent, supported by leading digital tools and systems. We target material improvement in returns and operating profit in the medium term.

Key takeaways

And to conclude, I would like to highlight three key takeaways. The first, technology distribution is a growth industry, enabling all of our futures. And we see above-market growth for our three platforms as we have delivered in recent years. We have clear near-term priorities in execution in the UK and Almo's fulfilment e-commerce business. And we also have capital deployment opportunities within Pro Tech and Life Tech.

Thank you all, and back to Kevin.

Conclusion

Kevin Lucey

CFO, DCC

Summary & Outlook

Great. Thank you, everybody, and thanks for bearing with us. So we will finish quickly here before opening it to Q&A. So just to touch briefly on our outlook statement for FY 2024. So notwithstanding the uncertain economic environment, DCC expects that the year ending 31 March 2024 will be another year of operating profit growth and continued development activity.

Before I get to summary, I just would really like to thank everybody around our Group for the excellent performance in FY23. And we are in great shape to continue to perform into FY24. Hopefully, what you have heard today is that in FY23, DCC delivered another very strong performance financially and delivered against our sustainability targets.

We completed £360 million of value-creating acquisitions for DCC, things that improve our business today and give us growth today, but also provide us like PVO that Fabian mentioned and like the Medi-Globe acquisition that Conor mentioned, provide us with real growth platforms for the future.

I think we have been executing very well against our strategic objectives across the divisions, particularly in DCC Energy, where I think you will have heard quite a bit of new granular detail today.

And we remain very focused on the future. And that investment lens that we talked about earlier is part of the secret sauce of DCC and deploying capital in line with our priorities, and we would expect to continue that through FY24.

So thanks for bearing with us, and I think we will open up now to Q&A.

Q&A

Rory McKenzie (UBS): Just a couple first on the FY23 performance. Within Energy, I think the division in gross profit per litre was up a very high 18% year-over-year. Can you say how much of that was like-for-like compared to mix? I know there is so much changing in that division at the moment. But within that like-for-like expansion, does some of that benefit from the, I guess, lag effect of price increases that you see. And so, should we expect that to unwind into FY24?

And then on the declines in Tech and Healthcare. Health & Beauty, I think, was down 25% to 30% organically and Tech minus 18%. Is that just operating leverage on the lower volumes that you have seen, or have you taken any pressure on gross margins as well in what has what is been quite a challenging price market? Is this, therefore, about waiting for volumes to recover? Or maybe Clive and Conor could talk about in more detail our plans to either reduce the cost base or change the product mix to get back to returns targets?

Kevin Lucey: Okay, Rory. Thank you for those questions. And maybe I will have a go with the energy piece and Fabian, I will ask you maybe to comment. But just I guess, right around our business, Rory, and it applies to each of the three divisions, actually. I mean there is no doubt that we have been through a reasonably unusual inflationary periods. So our like-for-like costs in the Group are up 8% year-over-year. So I guess the imperative on us to either be recovering that through efficiency measures or indeed passing those costs through to the market, Rory, is part of normal distribution activity.

So on the energy side, we obviously had significant cost increases, which had to be passed through into the market. And similarly, when it comes to the changing mix of the business, that a lot of the services and renewables that we are providing are higher-margin products for DCC. So there is not a substantial appreciation on like-for-like margins, particularly at a product level, but actually the changing mix of the division towards services and renewables produces better returns.

And I do not know, if Fabian, if you would like to add any colour to that. But I mean, from a like-for-like margin perspective, we have small increases, but really to recover the overhead inflation that we see. But the mix part, Fabian, I think as we move strategy forward, we expect that to be margin enhancing.

Fabian Ziegler: I would strengthen that and I believe there is an impact, more LPG, less fuel, and we make more profit per litre of LPG than fuel. So there is sort of this macro picture in the mix. The other piece is we push in particular, bio products, and they have had at the minute really, really nice margins. We spoke about HVO and sort of the equivalents in LPG.

And I do believe this trend of strength in unit margin, you will keep seeing as we deploy this strategy. There is an element of stock gains and stock losses. I do not have the exact numbers at hand, so I would not speculate about it. But I think this rounds off the story.

Kevin Lucey: Yes. And always when the product price is variable, Rory, we can go through periods where stock and tank is more valuable or less valuable, pretty much washes out through the period actually. So we had a fall in products in H2 and a rise in product price in H1. So year-on-year, that would not be a significant contributor.

I think on the other two divisions, and again I will ask each of the guys to comment, Rory. But again, I suppose that same macro picture applies, which is we have had cost pressure. I think every business has experienced that. And in both Tech and in Healthcare, we have organic revenue declines, okay? So we haven't sought to significantly reduce our capacity, particularly in the healthcare side.

There has been a little bit I think on the technology, guys, Clive, and his team have done a great job of managing the cost base there. But with a couple of exceptions in the technology piece, have not gone wholeheartedly after the cost base if you like. I think there is more of a lead and lag from a cost price pass-through on the Health & Beauty operations within our healthcare business, and that is a feature.

It tends to reflect itself reasonably quickly, but it can be months and quarters rather than next week before we get price increases through to our customers, it is contracted. So I do not know, Conor, if you want to add any colour or Clive similarly?

Conor Costigan: I think it is primarily a volume story, delivering story, but as Kevin says, there is some lag. There are contractual situations which need to wash through. And we have flexed direct labour costs. But obviously, as we have been expanding capacity over the last number of years, we have been adding to our fixed cost base. So I think coming into the new year, our price increases are through across the piece. So we are in reasonable shape for volume uptick when it comes.

Clive Fitzharris: It is the same story in technology. It is operational leverage. It is weaker demand. And as that progressed through the year and overstock within the industry and overstock within our business and we would not discount into that weak market. We have gotten our inventory into a good place at the year-end. So it is principally an operational leverage story.

Oscar Val Mas (JP Morgan): I have three questions. So the first one on technology. I guess you have talked about technology, you expect profit growth. Could you give us a sense of the phasing H1, H2 and what you are seeing in terms of B2B demand so far in the early months of 2024?

The second question is just on M&A. Could you comment on multiples. Have you seen multiples come down? And then which end markets are we still prioritising? Are we still looking across the Group? Are there any areas that you think M&A will be easier going forward?

And then the final question was going back on cost inflation. You saw 8% this year. Could you give us a sense of what you're seeing in terms of cost inflation around drivers or technicians?

Kevin Lucey: Sure. Thanks, Oscar. On Tech, Clive, maybe ask you to comment on the B2B side of it. And from a phasing perspective, Oscar, we would expect to be growing profits organically in tech this year, not necessarily because the market is going to provide us with a dramatic headwind or anything like that. It is actually more to do with the fact that we believe we can continue to execute strongly and phasing, therefore, we would expect maybe to be a little bit better towards the second half than in the first half of the year.

Clive, do you want to talk about kind of where you see B2B demand right now?

Clive Fitzharris: Yes. So B2B, very strong pro through last year and strong into the year-end into March, opened weaker in April but recovering well in May. We saw something similar early autumn last year as well. So I think as Kevin said, we had been cautious about the year ahead. It is a difficult macro environment, but with strong momentum out of last year, so planning for that to continue.

Kevin Lucey: Yes. So I do not think the market is going to give us a whole lot, Oscar, but I think we have got more than enough opportunities to go after. I think on the M&A side, I mean, we kind of talked a little bit about this earlier. We remain very excited by the growth platforms we have within our Group and our capability to bring new opportunities into those growth platforms. So from a DCC plc perspective, certainly, as we think about the three divisional sets that we have, we have got lots of opportunity there.

In terms of multiples, I think the private M&A market, which is where we play, there is no doubt that the rising cost of capital environment does not get reflected the same way it does on a public market. And I think that kind of negotiation period and talking to vendors about the value of their business is perhaps taking a little longer than it would have 12 or 18 months ago, Oscar. So there is a little bit of a readjustment period, but pipeline remains very interesting right now.

I think, like I said, we are trying to hunt for fair value, and therefore, that will always take maybe a little bit more time than in a market like this where it is a bit quieter. And there is no doubt that credit conditions are maybe not quite what they were 12 or 18 months ago, similarly. So I think the competitive landscape might be, as we think forward over the next 12 to 18 months, we would be the optimistic about the opportunity in DCC to continue to deploy capital.

I think geographically, it is pretty straightforward for us that Europe and North America are our core markets, and that is where we would be looking to deploy capital. And I think each of the guys have kind of articulated that they have growth platform opportunities across each of the divisions. So I would not think that there is any one particular call out, but each of the divisions has an opportunity to deploy capital.

And then final piece was just on kind of look forward at a cost environment right now. And I think we are definitely beginning to see an ease in some of those cost caption. So the ones that are typically quicker to react are things like freight, transport, where they are so correlated to energy pricing and as energy pricing falls, maybe there is a little bit of pressure comes out.

The labour cost continues to be a challenge. Labour availability is a little bit better than where it was 12 months ago, maybe, but it is still hard to get good people. So as we look forward, I think we see an abatement in that sort of 8% cost environment, but would not be expecting for it to be dramatically lower. So maybe a couple of percentage points lower into FY24 around the 5-6% level is kind of where we kind of feel cost inflation is right now in our business. And obviously, we are doing our best to manage that carefully.

Chris, we will go along the row.

Chris Bamberry (Peel Hunt): I was just wondering if you could give us a breakdown on the profit growth in services renewables between organic and inorganic. Secondly, Fabian, you mentioned about, I think, by 2030, increasing, was it profit per customer by 50%. Is that primarily due to mix? Or are there some other elements within that? And finally, Conor, you mentioned that you were one of the few people well placed in Vital for that move to e-commerce. Could you just elaborate on that, please?

Kevin Lucey: Okay. So thanks, Chris, for your questions. On the service, I will take the services and renewables. Maybe, Fabian, you talk a little bit about the kind of the customer focus in the Energy business. And then Conor will answer the final piece. I guess on the service and renewables piece, Chris, as ever with us, it is a mix of organic and acquisition growth over the course of the year. So you will know that the acquisition of PVO, for example, goes straight into that services and renewables box as there is a lot of the other capital we have deployed during the year.

Now the capital hasn't been massive, right? So in fact, the mix is about two-thirds organic, one-third M&A over the course of the year. But a lot of the organic growth, if you like, is that we are getting increasing momentum around the bio initiatives that we have around the Group, the solar businesses that we brought into the Group two, three years ago are growing strongly, okay.

So we did call out and if you think back to – it's a little while ago now our capital allocation priorities and the growth rates we set out in each of the markets, we did say at the time that we did see in the services and renewables area, maybe a 5% plus growth rate in those markets or that opportunity. And I think that is what the guys are delivering in the energy team right now. So that has been the mix there. Do you want to talk a little bit about the customer, Fabian?

Fabian Ziegler: Yes, with pleasure. So at the minute, we have 9.5 million customers. It is obviously a bit of a mixed bag, mobility customer, stationery customers, and we calculate it through the whole 2030 ambition, doubling profits also with customer modelling. And we see, in principle, two things, and it is interesting, solar entrepreneurs are excited to join us because they see phenomenal cross-selling opportunities with our existing customer base.

And this take your customer on the journey, it often looks like it starts with a conventional fuel. You put bio into it. You then complement it with the solar installation, you can make it more holistic. You can complement it with a heat pump. And the fossil it does not go away immediately. I see this with my own house with a solar installation, you keep needing fossil energy. But as you take your customer on this journey, you can simply make more money per customer. And we have detailed this out quite a bit. And we also keep thinking that there is organic customer growth to be had.

So you to add 50% to our 9.5 million customers, we believe is eminently doable.

Kevin Lucey: Conor, do you want to talk about the digital opportunity maybe?

Conor Costigan: Yes. So we, as you all know, we have a leadership position in GP supplies in the British market. And we have been investing significantly in that business over recent years to really move to a true omnichannel approach with heavy e-commerce content. And so it is one of the kind of revelations as we began to look at the German market, and I think this got exposed kind of generally through COVID is the lack of digitisation in the German economy generally, but particularly also in primary care.

So we still get faxed orders in Germany, which is seems incredible. So that is evolving that the pace of that evolution will pick up and leveraging our learnings and expertise from our British position. We are in a very strong position to really be at the forefront of that digitisation in Germany and on into other markets as we make further acquisitions.

Kevin Lucey: Thanks, Chris, for that. David?

David Brockton (Numis): Can I ask two on technology, please. Firstly, going back to Almo, I just wonder if you can just touch on given the issues that you had in terms of fulfilment, etc., last year. Can you just kind of confirm that cycle aside, you feel that you have resolved all of the issues in terms of search optimisation, excess inventory as sort of wash through there. That is the first one.

And then the second one on technology as well. I think you touched on how B2B has sort of started weak in April and improved. I am just wondering if you can just touch on the consumer side, what you are now seeing there. Is that now sequentially stable and could we therefore start to see the like-for-likes improvement in sort of two quarters' time?

Kevin Lucey: Yes. David, thanks. And just to let Clive answer in more detail for you. But from a financial performance in FY23, we obviously had a slightly lower outcome in H1 than we liked. But from a H2 perspective, Almo performed exactly where we were. And in fact, was at the top end of the range, I would have given you last November.

So we remain 100% convinced that in North America now, we have a fantastic scale platform. We have got coast-to-coast distribution of large products, both from the integration of our Jam business and our Almo business. So we really do see ourselves as being well positioned. Clive called out some of the optimisation opportunities we have, but that is the same for every DCC business. We are constantly looking at ways that we can execute better. You know about our mantra of operational excellence. So those kind of things will continue to be brought to bear on our newer platforms, particularly those businesses in North America.

So Clive, I do not know if you want to?

Clive Fitzharris: Yes. From the search optimisation perspective and an e-commerce execution perspective, we are very happy with where we are in terms of our listings on the various marketplaces. A lot of that business is heat related, so it is air conditioning units and home comfort units. So you need the weather. And when we have had the weather in short period so far, we are not in the key period. The selling has been very satisfactory.

So we are happy with where it is at. There will be a level of discounting so that we have an overhang of inventory. So there is a level of discounting that will mean that the margins will be somewhat depressed as we moved through that during the balance of this year. We transferred over in terms of digital leadership, our Head of Marketing in the UK business that has worked in the UK e-commerce environment is leading. So he transferred over just before Christmas. And we have hired into the team, a number of people that are ex-Amazon and other marketplaces and then put the tools around them to make sure that we are sensing where the market is in real time and making adjustments. So we are very happy with where we are from an execution perspective.

Kevin Lucey: Yes. I think more on the outlook point, David, like on the consumer, Clive?

Clive Fitzharris: It is stable. To be honest, it is stable. I think what we have seen and a lot of the retailers, they are just ordering to demand. They are not ordering to inventory. So we had quite a slowdown, I suppose, into peak and into the early part of calendar this year. We do not see that as much now. We think they are getting their inventory levels right, but the consumer demand is not really there, particularly for high-priced products.

So as consumer gains confidence, hopefully, the retailers will gain confidence, and we will see a more positive environment into the back end of the year.

Colin Grant (Davy): Just on the Energy division, you have outlined some very interesting and ambitious plans for 2030 in terms of biofuels and solar and so on. But in terms of service and renewals at the moment, which has grown very substantially, I think it has about £128 million of EBITDA in fiscal 2023. It is almost a division in itself. It has grown so large. Can you give us some flavour as to what the current mix is within that today so we can then gauge how that ramps up going forward? Maybe to start with that, please?

Kevin Lucey: Yes. Well, it is actually quite a fragmented mix of different types of products and solutions, Colin. So I mean, it has got great breadth and diversity to it, so it extends from everything from renewable power the PPA type services that we sell in the markets like Ireland to the convenience operations that we have in our mobility side, the EV charging that we supply in Norway and carwash and things like that.

But now more materially, it encompasses more biofuel, HVO profitability, which is some of the bigger growth in the year and solar. So we make now approximately about £25 million pro forma just in solar, which has grown from nothing two years ago. So that has been a significant driver of the growth momentum there. So there is probably not one particular huge area to call out. It is actually just the detailed execution locally market by market.

So the reason it is not one big block is that, as you know, the energy market, market by market is slightly different, and we are adapting and agile to perform the services that will be rewarded locally in those markets. So in Sweden, for example, we sell lots of HVO, whereas in Norway, we know that is more of an electron opportunity to get the forecourt. So those kind of things are reflected. And therefore, you have got a lot of breadth of different services that we offer.

So not one major thing, I would say. Fabian, I do not know if you want to add any colour. But from a profit mix perspective, Colin, there is no one single big huge category in there.

Fabian Ziegler: I agree with that, and it will be hard to kind of spell it out. There is just one piece I would like to highlight, which is digital fleet formats. We have a company that is called Fuel Card Services. We acquired another company that is called SNAP that is kind of allocating parking lots to drivers. And we look at this space at the minute in a quite intense way with sort of this customer backed mindset again. And we believe that is an area which is low carbon or no carbon. And it is a great way to grow in this mobility services field, but in particular with fleet customers, i.e., larger fleets, long haul, hauliers, etc. That is a pretty interesting area too.

Colin Grant (Davy): Could I have a follow-on question?

Kevin Lucey: Yes. Sure, Colin.

Colin Grant (Davy): It is just to do with the return on capital employed, again, on the same area, the services, and renewables because the whole division saw a 40 bps expansion in ROCE in the year to 19%. And it feels as though services and renewables are contributing to that and actually driving higher and there was a chart in there, and it showed a 24.5%. I do not know if that was just related to the acquisitions you have done last year or if that is across the entire £128 million of EBITDA.

Kevin Lucey: Yes, that reflects just the recent acquisition activity over the last three years, Colin, really. So it does not pick up some of those digital opportunities that Fabian mentioned.

I think, it really goes to some of the more energy efficiency businesses or the solar acquisitions that we have made over the last number of years or indeed on the renewable power side, where we have been deploying capital there.

I mean the expansion in the services and renewable profit increases clearly is expansionary from a return on capital perspective at the moment, but the sample size is small. So relative to the capital employed of DCC Energy, the capital employed in that today remains relatively modest. From that new acquisition chart that we showed, you have got about £150 million of capital, if you like, deployed in that area, which has expanded from 15% to the over 20%.

So that has been helpful, obviously, in the overall return on capital of the division. But I think the division continues to be very cash generative, continues to deploy capital sensibly and therefore, the returns we would expect to continue to be strong. But I guess the key message for us is that the services and renewables expansion is not coming at the detriment of returns, which is a question we get asked quite a bit.

Daniel Cowan (HSBC): Just one question for me. On that point, you mentioned, Kevin. Over time, how do you see cash generation and energy changing with the change in mix? I mean more services would HVO have a similar working capital characteristics to what you have in the fossil fuels? How do you see that developing over time?

Kevin Lucey: Yeah. Good question, Dan. Thank you. I mean, to be honest, what we see presently, again, a little bit like the returns question is that the expansion into HVO or any of the bio products that we sell are producing good returns Dan. They have similar working capital characteristics. So when you talk about the renewable products, I mean, I think what we are trying to do a little bit is invest a little bit in our stock position presently on some of these renewable fuels to ensure that we can fulfil the promises we're making to customers.

So we might maintain a slightly longer days position from an inventory perspective and some of the renewable products just to ensure, I guess, the robustness of the supply chain. It is not as perfect as supply chain presently as the very strong commodity type fossil products. So maybe a little bit more investment in inventory. But on the other hand, that is rewarded by slightly higher margin profile. So again, from a return on capital perspective, no real difference.

And the services and renewables side, in general, has that same asset-light DCC model that we are attracted to, Dan. So altogether away from what the energy business is doing to sit here at DCC level. It is asset-light. It is recurring revenues with predictability with order books with real customer engagements over a long period. So we do not see the capital or cash flow characteristics changing too much over time.

Gerry Hennigan (Goodbody): Just two on energy if you do not mind. First, can you talk on the outlook or relative stability of LPG in the context of what is a transition you are involving yourself and obviously, the transition is following in the market and whether there is any variation on either side of the Atlantic. And two, your ambition in terms of bio you are confident that the supply can keep up with that sort of ambition and where you are seeing the most opportunities there?

Kevin Lucey: Okay. Thanks, Gerry. I mean, the there is no doubt, and I will ask Fabian to respond in more detail on these, Gerry. But in terms of the LPG piece, LPG is the fuel of choice in many, many hard-to-abate sectors, okay? So in terms of the language we have been talking about from LPG last year to this year, it does not change a whole lot. It remains the lowest carbon of the fossil fuels. It remains used off-the-grid in hard to abate use cases of a rural domestic customer, rural businesses or in niche manufacturing or manufacturing off-the-grid indeed. So that use case does not change too much.

I mean we do see on the domestic side and more in the US, in particular, less substitutable products. But I think at the end of the day, we serve rural communities in both sides of the Atlantic, maybe there is a slightly different policy perspective either side of the Atlantic, but I will ask Fabian to comment on that in more detail.

But no real change to the outlook for it in general. But I guess, key to the longer, longer, longer-term outlook for LPG is the bio piece Fabian, which you might – sorry, that just does not apply to LPG because I think your question is more broad around bioavailability. So do you want to have a go with that, Fabian?

Fabian Ziegler: Let me just add to the first question that the industry is really acting up in terms of engaging with regulators, with policymakers and sort of really making progress in establishing LPG as a transition fuel. That is also something where I will invest quite a bit of my personal time.

In terms of the bioavailability, I think it is a story of two tails. I mean, there is the liquids market, the fuels market, if you want, where Hydrotreated Vegetable Oil is pretty established. You have sort of leading producers like Nestle, like Preem, but you now also have most of the refiners investing in HVO plants, Shell in Pernis, Cespa in Spain. So we believe this market is relatively liquid. The interesting piece is that the top producers, they like us a lot because they see our customer strengths. They see how good we are at generating demand. So the top producers are very interested in deep partnerships with us. So to my mind, we are well positioned there to get access to the product.

The story is a bit different in LPG. The industry is stepping up now. There is a bio LPG, which is a byproduct of the HVO production. But it is very small quantities, and many other industries compete for the same product streams. So what really needs to happen is the industry needs to invest in the production of renewable DME, which is a product that is more and more talked about.

We deem this to be the most likely route. There is small plants in operation already. Our partnership with Oberon, which we landed a few weeks ago, is designed to co-invest like as a seed investor to start the first plant in Europe. There is another company by the name Dimita. We are also engaged with. So to crack the bio nut in LPG is a little bit harder that we are positive to 15% of our portfolio on renewable versions of LPG by 2030 is in reach.

Kevin Lucey: Okay. Thank you, Gerry. Got anything else in the room? No. Nothing online. Okay. Well, I am very conscious. We have kept everyone probably a little bit longer than we thought we would today. So we will finish there, but just to thank everybody for coming in the room to us today. And indeed, thank you for everybody online who joined us. We really enjoyed talking to you today about DCC, and we look forward to engaging more with the market over the coming weeks as we road show around. So thanks, everybody, and best wishes.

[END OF TRANSCRIPT]