DCC Interim Results – 30 September 2024

Tuesday, 12th November 2024

Introduction

Strategic Update & Interim Results

Donal Murphy

Chief Executive, DCC plc

Welcome

Good morning, and welcome to DCC's Strategy Update and our Interim Results Presentation for the first half of FY25. Thank you all for joining us this morning on our webcast. I am delighted to be joined today by our Group CFO, Kevin Lucy.

Disclaimer

Here is our standard disclaimer. Thankfully, I do not have to read it out.

Agenda

Here is our agenda for today. I will outline the strategic action we are announcing to maximise shareholder value. Kevin will cover off the financial considerations of the strategic action we are taking. Kevin will also give you an overview of the Group's performance in the first half of FY25. We will finish with our outlook statement and a summary before we open up the session for your questions and answers.

Let us get started with an overview of the strategic action plan we are announcing today.

Strategic Action Plan

Today, we are announcing a strategic plan to maximise shareholder value by:

- One, focusing solely on the compelling opportunity in our energy business; and
- Two, simplifying the Group's operations through portfolio action.

We are taking decisive action from a position of strength to:

- Simplify our Group;
- Pursue our largest growth and returns opportunity in energy; and
- Unlock substantial shareholder value.

This aligns with our philosophy of disciplined capital allocation.

As Chief Executive of DCC plc for the past seven years, I have been very proud of the growth and development of the Group. However, I firmly believe that to maximise shareholder value, we need to change our strategic direction.

Our plan to maximise value has three actions.

One, we believe that our energy business is our most compelling growth opportunity at strong returns. Reflecting on the scale of the opportunity and the progress we have made with our Cleaner Energy in Your Power Strategy, the Group will now focus solely on energy.

Two, we have begun preparations for the sale of DCC Healthcare, which we expect to complete in 2025. DCC Healthcare is an excellent business with a long-term record of growth.

Three, within the next 24 months, as we complete our Operational Improvement program for the business, we will review the strategic options for DCC Technology.

As ever, we are committed to maintaining a strong balance sheet and our investment grade rating. Given the significant cash generation of the Group, we anticipate that any surplus cash arising from the simplification of the Group will be returned to our shareholders in due course.

Today's announcement demonstrates the Board's continued focus on active capital allocation and our commitment to delivering value for stakeholders.

Focus on our winning strategy for energy

In May 2022, we updated our strategy for our Energy division, focusing on our 2030 objectives of doubling profits while significantly reducing our customers' carbon emissions. The key components of this strategy include:

- Converting our customers to renewable and other lower carbon fuels; and
- Building a leading and complementary energy management services capability.

The world needs cleaner energy for everyone that is secure, affordable, and sustainable. And our Cleaner Energy in Your Power strategy is delivering this for our customers.

Our vision is to double our profits while halving carbon emissions by 2030. We will do this by:

- Firstly, reducing the carbon intensity of the essential liquid fuels we supply to our customers, our molecules business; and
- Secondly, we will build a complementary decentralised energy management business to enable our customers to self-generate electricity from renewable sources.

To deliver on our objectives in our liquid fuels business, we will become a leader in biofuels. We will accelerate the growth of liquid gas as a transition fuel, while increasing the percentage of renewable liquid gas in our mix.

We will minimise our activities in high carbon intensity products, and we will maximise the returns from our mobility business.

To deliver on our objectives in our energy management business, we will continue to consolidate the highly fragmented solar installation market, becoming a pan-European leader in solar solutions, and we will continue to buy and build an energy management and services business, providing a broad range of recurring revenue services to our customers.

Our customers are at the heart of our strategy. By implementing our strategy, we will expand the range of products and services we are providing to our Energy Solutions customers to support them on their journey to net-zero.

We will also acquire new customers as we continue to consolidate the liquid gas market and the highly fragmented solar and energy management services sectors. We will accelerate organic customer growth through our combined liquid fuels and new service offerings.

The net result of this strategy is that we will grow our profits by an average of circa 10% per annum, and at mid to high teen returns on capital employed. We will increase the lifetime value of our customers by 1.4 to 4 times, and we will double our profits by 2030.

This is why we are so convinced that Cleaner Energy in Your Power is a winning strategy, both commercially and for the planet.

Pro forma DCC is a market leader with scale and great capability

Energy is our largest division with our highest returns. Since 2022, we have made excellent progress, delivering strong organic growth in biofuels and enhancing our capability in new energies. Our proven M&A approach has accelerated the strategy over the same period, deploying circa £650 million of capital at attractive returns.

DCC Energy is a business of real scale with market leading positions in twelve countries. The business supports the energy needs of circa 10 million customers annually across commercial, industrial, domestic and transport uses. DCC has a near 50-year heritage in the off-gas grid sector, bringing energy and the capability to consume it to customer sites.

The business has a competitive advantage in solving the transition needs of our customers, founded on relationships that typically lasts for more than a decade. We have made significant progress to reduce the carbon intensity of our customers' energy. In 2024, 35% of DCC Energy's profits came from our renewable products and services, and a further 42% from lower carbon fuels like liquid gas.

We have dramatically reduced the carbon intensity of our profits in the last two years alone, the most important sustainability metric for an energy business. Our carbon intensity has reduced by 26% since FY2022. We believe that solving the energy transition needs of our customers is the greatest growth opportunity that DCC has ever had.

We are well on track to deliver our vision outlined in September 2023

Our plan is to double profits by 2030 from FY22, and we are on track to do so. Here is our profit bridge to show how we will get there. There are three main elements to our strategy, as I mentioned earlier.

- One, to expand our leadership position in off grid liquid gas. We have already achieved over 40% of our planned growth in liquid gas out to 2030, driven by strong organic growth and our acquisition activity, the largest being the pro gas business in Germany;
- Two, to become a leader in biofuels. We are already a biofuel leader in the UK and Ireland from a standing start two years ago and recorded growth of more than £5 million in operating profit, principally from Hydrotreated Vegetable Oil, or HVO, over the last year; and
- Three, to build a pan-European energy management business. We have built leadership positions providing a range of multi-energy solutions across France, the UK and Ireland and developing positions in five other countries. We reached 20% of our 2030 operating profit goal in the first two years.

We have provided clear and consistent updates on our progress since launching our strategy in May 2022, and we will continue to do so.

Sale of DCC Healthcare to create significant shareholder value

As I outlined earlier, one key part of our value maximisation plan is to sell DCC Healthcare. DCC Healthcare has grown strongly over the last decade, with operating profits growing by 12% CAGR at a 10-year average return on capital employed of 16.2%. The business has market-leading positions across both its patient health and consumer health businesses. Each of these businesses operates in attractive end markets with strong growth characteristics and significant consolidation opportunities.

The business has a long-term track record of organic growth of circa 5% to 6% per annum. The business has established growth platforms in the fragmented sectors of consumer and patient health. This is a compelling opportunity for a new owner to accelerate further through M&A.

It has:

- Strong moats;
- Long-standing customer and supplier relationships;
- Well invested assets;
- Significant growth capacity; and
- Market-leading positions.

DCC Healthcare is led by an experienced, entrepreneurial and motivated management team. After careful consideration, the Board of DCC believes that the sale of the division has the clear potential to enhance the focus and success of the business, while unlocking substantial value for DCC shareholders.

We have appointed advisors and preparation for the sale have already begun. We expect the sale to complete in 2025.

Value maximisation plan for DCC Technology

Our action to maximise value from DCC Technology is another important part of our strategic plan. DCC Technology has also grown strongly over the last decade. The business provides a wide range of products and services across three product areas:

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

DCC Technology is a global leader in Pro Tech, high value AV and audio equipment, and has established a particularly strong footprint in both Pro Tech and Life Tech lifestyle products in North America.

Our well invested Info Tech consumer products business has operated in a challenging market in Europe in recent years but has improved its profitability through an operational improvement programme.

DCC Technology is also led by an experienced, entrepreneurial and motivated management team. The business has strong platforms in each of its pillars and well-invested infrastructure, all playing into the mega trend of progressive technologies. Given the potential for further improvements in profitability, our initial focus will be on delivering our operational integration programme in North America, and then we will review the strategic options for DCC Technology. This will take place over the next 24 months.

I will now hand you over to Kevin, who will take you through the financial considerations of our strategic action and the performance review for the first half of FY25.

Financial Considerations

Kevin Lucey

CFO, DCC plc

Introduction

Thanks Donal, and good morning to everyone. I am going to talk about the financial considerations around our strategy update. Then I will also take you through the key points from our interim results.

Pro-forma DCC has excellent financial characteristics

Our energy business has driven the growth of the Group

Donal has already talked about why we believe we have a unique energy business and that we are well on track in terms of our 2030 ambition. This unique energy business has really excellent financial characteristics and a strong track record of growth.

In fact, our Energy business has been the main driver of growth for DCC over the last decade. Throughout a period of continuous growth for the Group, Energy has gone from 57% to 74% of our overall Group profits.

You will see on the right-hand side of this chart that energy has grown at a 10-year compound annual growth rate of 16.4%. Energy also has the highest returns in our Group. Last year, its return on capital employed was 18.7% relative to our entire Group at 14.3%.

The return on capital employed has been consistently strong throughout the last decade, despite significant capital deployment and in growing into new business areas, be that new geographic areas into Europe and then North America, or in terms of expanding our capability into new areas such as Energy Management.

The resilience and essential nature of what we do in energy is what underpins the excellent cash generation from our Energy business. Across the last decade, the free cash flow conversion has been an excellent 101%.

Donal has talked about our future ambitions earlier. Our confidence for the future is built on our customers and our business capability. The financial profile of our business means we can continue this growth story well beyond our 2030 target.

So, we are going to focus our efforts on this growth story. The largest scale business in the Group, with the largest opportunity set, where our returns are highest and where our track record of growth is also highest.

Our strategy and actions will maximise value for shareholders

We will continue our focus on disciplined capital allocation

On this next slide, I have a couple of things to highlight. Of course, there is change being announced this morning, but one thing that will not change is our conviction that a strong balance sheet is integral to growing a sustainable business. We are committed to this, and we are committed to our investment grade credit rating.

We also believe our plan will create substantial shareholder value. As we just discussed, our Energy business is very cash generative. As we simplify the Group, we expect to generate substantial cash proceeds. We will return surplus capital to shareholders. We will also ensure that value leakage is minimised.

Finally, the cash generative nature of energy means we will continue to deploy capital into our business to help it grow organically and through our programmatic approach to M&A. We will ensure that a disciplined capital allocation for the benefit of our business and our shareholders will remain at the heart of DCC.

Donal will come back to the strategy update in his summary in a few minutes.

Performance Review H1 FY25

We are now going to talk about interim results for the next few minutes.

Highlights

HY FY25

In terms of the highlights of the first half, operating profit was up 4.7% to £259.3 million. That was 6% growth on a constant currency basis. Of the 6% constant currency growth, organic was 0.5%, and M&A activity, net of divestments, contributed the remaining 5.5%.

Adjusted earnings per share were up 6%, or 7.5%, on a constant currency basis. We have increased the interim dividend by 5% to £66.19p per share.

It has been another busy period for corporate development, with acquisition activity and a divestment. Since our last full year results in May, we have committed £130 million to acquisition activity. That is eight bolt-on transactions and most of these were in DCC Energy.

Recognising the scale of the opportunity set we see in Europe and North America; we divested a majority stake in our liquid gas operations in Hong Kong and Macau. The acquisitions we completed during the period again add further scale to our broader multi-energy capability, and we continue to launch new organic initiatives, including a Solar-as-a-Service offering and a variety of biofuel initiatives, including launching an innovative hydrotreated vegetable oil, or HVO, for domestic heating in markets such as Ireland, which provides a cleaner energy drop in alternative without any capital requirements for our customers.

Financial highlights

For the six months ended 30 September 2024

In terms of financial highlights, I have covered a lot of these metrics already, so I would not repeat those. Revenue for the first half was £9.3 billion, a reduction of 3%, or 1.8%, on a constant currency basis. The remaining income statement items I have covered already.

In terms of balance sheet metrics, you will see that our working capital is up by £68 million versus last year, and we acquired over £60 million in acquisitions between the two points. So, the absolute value of working capital, excluding acquisitions, is where it was last year. There are some changes in mix within it. Working capital reduced in DCC Technology relative to prior year while it increased in DCC Energy.

The like-for-like increase in DCC Energy is due to a lower negative working capital profile, as the cost of product was reduced relative to a year ago.

In the six months since the start of the financial year, given the very good working capital cash inflow in the second half of the prior year, our seasonal outflow of working capital was ahead of the prior year, but in line with expectations. As usual, we expect it to largely reverse in the second half of the year.

In net debt terms, we are broadly where we were at this point last year, up about £60 million pre-IFRS 16 leases at just under £1.1 billion.

Assuming no further acquisition activity or divestment activity is completed before the end of this financial year, we would expect our net debt to EBITDA to be approximately 0.8 times at year end.

Divisions results

For the six months ended 30 September 2024

Here is a quick look at the divisional headline performances. I am looking at the right-hand side of the slide in the pie chart. DCC Energy accounted for 70% of profits in the first half, up slightly from 69% in the prior year.

DCC Healthcare and DCC Technology each accounted for 15% of profits. DCC Energy recorded profits of £182.7 million, up 7% on prior year, or up 8.4% on a constant currency basis. DCC Healthcare had profits of £38.1 million, back 0.4% reported, and ahead 0.4% on a constant currency basis.

DCC Technology delivered profits of £38.5 million, back 0.4% reported, and ahead 1.1% on a constant currency basis.

Overall, FX translation was a headwind of 1.3% relative to prior year, reflecting the fact that sterling has strengthened throughout the period relative to our other major currencies. As we sit here today, we would

expect that with the continued strength of sterling, the headwind will be over 2% to operating profit for the year as a whole.

Divisions highlights

Final slide for me. I am going to briefly mention the material items in each of the divisions for the first half of the year.

DCC Energy

DCC Energy performed very well in the first half, 8.4% ahead on a constant currency basis. Organic growth was 1%. That is in the context of over 20% organic profit growth in the first half last year. So, it is really good to be ahead of such a high prior year bar.

The growth in the half was driven by the acquisitions in Energy Solutions and also by a good organic performance in mobility, where we continue to develop our non-fuel and digital services for fleets.

In Solutions, we had a headwind of weather in the US and also renewable power profitability was lower following a very strong prior year. But we had good organic performances from the UK Solutions business and from our fuels and liquid gas businesses in Europe and Scandinavia.

Our services, renewable and other profits, or SRO percentage was largely in line with prior year 43% of profits in the half this year versus 46% last year. The carbon intensity of our profits fell sharply again, this time by 11.6%, reflecting our strategy to continue to pursue growth in lower carbon and renewable products and services.

We reduced our Scope 3 emissions by 5.4% in the first half. Again, conversion to renewable and bioproducts was important here.

DCC Healthcare

DCC Healthcare delivered a robust performance. Operating profits were 0.4% ahead on an organic, constant currency basis. In patient health, we had good growth in medical devices in continental Europe and Ireland also performed in line with expectations. The primary care market remains weak in the UK. NHS funding constraints continue to impact during the first half. We recorded good performances in our other material markets of Germany and Switzerland.

In HBI Health & Beauty Innovations, we delivered good growth driven by the UK and Europe. The US market has not yet normalised. The best performing product sector for us in the half was in Beauty.

We have been very active throughout the first half in the HBI business. We appointed a new CEO and we rebranded the business, helping to create a better commercial proposition. We also have now completed the significant CAPEX investments in our capacity and capability.

DCC Technology

Finally, DCC Technology also delivered a robust performance in the first half in what continues to be a pretty weak market environment. Operating profits were up 1.1%, constant currency. The weak market was not a surprise, as it is a continuation of trends we have seen over the last two years or so. The market conditions were better in Pro Tech, particularly in the US.

In Info Tech, we continued to deliver improved performance in the UK, although Continental Europe was more difficult, particularly in consumer IT products.

In North America, in our key Pro Tech platform, we drove market share gains and delivered a good performance. Life Tech was weaker, reflecting the more consumer focus of that sector.

We have also commenced our commercial excellence programme in North America, and we have made some good progress, albeit, it is still at an early stage.

Just to mention that the usual more detailed slides and the trading for each division and key modelling assumptions and metrics are included in the appendix to this presentation.

So now I will hand you back over to Donal.

Summary & Outlook

Donal Murphy

CEO, DCC plc

Outlook

Thank you, Kevin. So just before we open up to Q&A, firstly our outlook statement for FY25. Notwithstanding the headwind of currency translation, DCC expects that the year ended 31 March 2025 will be a year of good operating profit growth and significant strategic progress.

Summary & Vision of the future

In summary, here is our vision for the future of DCC. Today, we are announcing a strategic plan to maximise shareholder value. We will focus solely on our compelling opportunity in the Energy business, and we will simplify the Group's operations through portfolio actions.

We are taking decisive action from positions of strength to:

- Focus our Group;
- Pursue our largest growth and returns opportunity in energy; and
- Unlock substantial shareholder value.

I have committed to the Board to lead the transformation and to continue to deliver our strategy.

Today, we are commencing the next stage in the evolution of DCC plc. I believe that our new simplified structure has a powerful future.

Thank you for listening, and we look forward to answering your questions.

Q&A

Ryan Flight (Jefferies): Two questions from me if I may. The first one is on surplus cash, and I think you have made a note saying that it is likely to be returned to shareholders. I wondered if you could just help us understand your thinking there and perhaps add to that the M&A pipeline. And maybe it is just too much cash to deploy on M&A or something else there? Then the second question. [Inaudible]

Donal Murphy: Thanks, Ryan. I think the line was breaking up a little bit on your second question, but maybe we will come back to it.

Just in relation to the surplus cash, Ryan, and our comment in the statement, I think, firstly, the focus today is really around announcing the strategy. So, it will obviously take us some time before we have cash proceeds from the sale. During that period, we will clearly consult with shareholders in terms of their views, in terms of the best way to return surplus cash to shareholders.

But the business itself, as we talked about earlier, our Energy business is very highly cash generative. We will grow this business and accelerate the growth of our business in a self-funded way. That is very important to us. But we have no doubt that we are going to generate substantial value through the divestments. That will leave us with surplus cash to return to shareholders.

So, it will be a number of months down the road before we have to make that call. But in the meantime, the focus is on maximising the value for the assets. Then we will make the call in terms of what is the best way to return capital to shareholders.

You just might clarify the EBIT question, if you do not mind, Ryan?

Ryan Flight: Yes, sure. The second was on underlying EBIT pence per litre in the Energy division. So that is purely for the volume-based side of the business. It looks to be about 1.7 for the first half, which is obviously a big increase year-on-year. And I wondered if that is just a continuation of favorable mix tailwinds?

Donal Murphy: It is predominantly a mix issue, Ryan. Obviously, volume in the first half of the year was back somewhat, actually mainly in the mobility side of our business and mainly to do with just some sites we had in Denmark, which went off of a lease arrangement. But the underlying margin performance across the Energy business during the first half of the year was very strong. We were very pleased with the performance. So, nothing particular to flag really.

Colin Grant (Davy): Big news today obviously on Healthcare and Technology divisions. But my area of focus for this is actually the Energy division. I think very positive to see you have given the reiterated the earnings bridge you gave previously on between £830 million EBITDA in 2030. I am just wondering if there has been any change in your views over the last 12 months where you have seen more opportunities or less opportunities, or just how you see energy markets developing now, maybe relative to where you were a year ago and whether or not there is areas where there is greater scope than there was previously? I mean, I notice you have announced an initiative of PPAs in solar, which could be an accelerant of installation in that area and opportunities for cross-selling.

And just whether or not there is new things going on that you could give us a bit more colour on, that would be great.

Donal Murphy: Sure. Colin. Look, we are hugely excited about the opportunities in front of us within Energy. That is the reason we are making this strategic change today. We have given clearly our guidance to 2030 in terms of the doubling of our profits from 2022. So do not necessarily want you to be upping that further.

But we do believe that there is very significant opportunities in front of us. And indeed, we believe we have made very significant progress. If you go back to the bridge that we talked about earlier, you will see we are ahead really of our plans to 2030 already.

The one thing I think about energy transition, energy transition, it is a challenging process. And it is not going to be a straight line all the way through. So, there will be ups and downs as we go forward. But the DCC model, and this is key and maybe this is not the right terminology. But if we think about it as an each way bet, because we have a very strong business in our core area, and we are building this complementary business in the new energy area to self-generate electricity.

And we think the combined businesses, just give us so much opportunity for further growth. Just to take one example is we have only 1.5% of the propane market in the US. It is a very large market. And to scale that even modestly, is going to be a significant opportunity. Never mind, the opportunities that we have within the energy management services area.

So, we are making good progress, but we really see the opportunities to accelerate that growth going forward.

Kevin Lucey: Yes. Just one or two other little bits to add to Donal's comments. Colin, if I may. I suppose just our team in the energy side of things are out in the field talking with energy consumers every single day and they are listening to the challenges that they have with their transition. And indeed, how they power their business.

I suppose it is things like that engagement with customers is leading us to launch new initiatives all of the time. So, the domestic HVO offering, for example, is as a result of customers of ours wanting to make cleaner choices, but not having the capital, frankly, to retrofit their entire home. And so it gives them a 90% carbon reduction vis-a-vis their historic fuel source.

And again, you mentioned it in your comment. Solar-as-a-Service, for example, the launch of that initiative, again, is an organic start up by our team, where they are listening to customers who can utilize the power purchase arrangement, in effect, to finance a solar installation at their premise. And that provides DCC with enormous opportunity because it takes a one-time installation customer gives us a capability to service that customer for 15 years in terms of maintaining the installation.

It provides DCC with effectively an asset management capability, where we build a recurring revenue profile from being the originator of the transaction clearly and finding the customer, but then helping manage the ongoing financing and PPA type nature of the cash flow. So we see that as a way of really embedding ourselves with our customers throughout the lifetime of a solar installation. It is those sort of initiatives that underpin what Donal mentioned earlier in terms of increasing the lifetime value of our customers. So all the time thinking about how we can get deeper and deeper engagement with the customers.

Annelies Vermeulen (Morgan Stanley): I have three questions, please. So firstly on the Healthcare. I see you have appointed advisors. Have you engaged with buyers already or had any indications of interest? And

then I suppose, related to that, how confident are you in a sale in 2025? Is there a minimum valuation or multiple that you are considering when deciding whether to pull the trigger on that sale?

And then secondly, on the Technology business, the strategic review and the value enhancing improvement programme. What are the key milestones over the next 24 months that we should consider? And when will you be updating the market on your progress on those? And perhaps you could talk a little bit about what you are seeking to achieve in order to decide on the next steps for that business, whether that is also a sale or something else?

And then just lastly, a quick one on the mix. So previously when you talked about 70% Technology, Healthcare, and Services and Renewables by 2030. With now the sale of Healthcare and potentially Technology, how should we think about the mix that you are targeting between Services and Renewables and the traditional oil and gas business also to 2030?

Donal Murphy: Thanks, Annelies. Very comprehensive set of questions.

Just starting with Healthcare. So clearly, we have been working on this for the last number of months. We have, as you said, appointed advisors. We are extremely confident that we will get a very attractive valuation for the business. I suppose DCC being a public company, all our assets are potentially for sale. So we have had expressions of interest in the past about our Healthcare business.

We know from being in the industry, Annelies, and competing for assets with private equity, we know the kinds of valuations that private equity are paying for these businesses, and that has been a challenge for us in terms of scaling our Healthcare business. So we are very confident that we will get a very high valuation for our Healthcare business. It is a super business. We have two platforms, one in patient care and one in consumer health. Both are very attractive businesses and both businesses of scale. So very confident that that we will get a very high valuation and we will move that process along pretty quickly. It effectively starts from today when this announcement. I am sure it started as soon as this announcement actually went live on the airwaves.

In relation to Technology, our key focus for Technology is to complete that operational integration programme that we talked about earlier. There is a substantial prize involved in that and of the magnitude of probably £20 to £30 million of improvement that we will get over the next 12 to 18 months.

We are very clear that DCC will be singularly focused on energy. So our strategic review is clearly to see what is the best options and way to deal with that business so that DCC going forward will be solely an Energy business.

In relation to mix of profitability, Annelies. DCC Energy is 74% of Group profits. It is by far the highest return business we have at 18.7% return on capital employed. The energy business, if you like, 35% of that last year was Services and Renewables. So no or ultra-low carbon fuels, 42% was our low carbon fuel. So if you take that as the mix for DCC, as I said earlier, the pace of growth will very much depend on the opportunities in each of those areas.

We think the highest growing area clearly is going to be in the Services and Renewables segment. That is a double-digit growth market. And so we will benefit from the growth there and we will deploy capital there. But we do believe that there is significant growth opportunities within the liquid fuel side of our business. I

think I said earlier that we have only 1.5% of the propane market in the US, and it is a big business we have in the US that we were not in five years ago. So we have made progress. But us in DCC, 1.5% is small. We want to have a meaningful share of that market and that will be a high priority for us as well.

Kevin Lucey: Yes. I mean, clearly, Annelies, looking at the 2030 context for the Group that was set out a number of years ago that you referred to. We envisage Healthcare not being of the mix in 2030. And obviously, we will have some decisions to make on Technology as well.

So clearly, we will have to update for that. But I mean, we are convinced that the carbon intensity of our energy business will continue to decline. So directionally, we do not see a change relative to our focus on increasing our low-carbon and service and renewables and other activities.

So very much consistent strategic direction relative to what we would have talked to you about a number of years ago. But obviously the mix of the Group is going to change somewhat following this announcement.

Rory McKenzie (UBS): Firstly, just on the timelines. Both Technology and Healthcare have been under of course some volume pressure. And you have talked about taking cost out. How do we think about the normalised profits each division compared to about £90 million each made last year. How does that fit into the timelines as you are trying to work out how to maximise the value of each of these businesses?

Then secondly, just to follow up on the surplus cash. Kevin, you mentioned heading towards 0.8 times net debt to EBITDA for this year-by-year end. Obviously, on just having standalone energy profits, that ratio would be a lot higher. So any sense you can give us on what leverage range you think a pure energy distribution business could stay in?

Then just finally on the H1. I think the absolute SRO profits look quite flat year-over-year despite the acquisition contribution. Can you just take us through some of the ups and downs within that portfolio, and maybe give us any updates on installation volumes or any metric like that?

Donal Murphy: Thanks, Rory. Well, look, I think the timeline, it is clearly a very good question. When you look at the Healthcare business in particular, our Healthcare business, clearly demand has been a challenge in the Health & Beauty side of our business over the last 18 months as we went through destocking. We are clearly through that.

At this point in time, you see in the results that the Health & Beauty business or HBI has performed well in the first half of the year. But the growth potential in that business is clearly very, very strong and there is both a bounce back and there is capacity.

And through the downturn we have invested in significant capacity within the business. So that is there. And you could say, well, actually, if you wait another 12 or 18 months, do you get a significant uplift on the back of that. And that clearly went through our thought process as we were thinking about timing.

Why do we think now is the right timing for that? We think now is the right timing for it because we know there is very material interest in both parts of our Healthcare business. And we know that the people that are interested in the parts of our business will be buying that capacity, will be buying the very high quality customer relationships that we have, and we will be buying into the ability to continue to grow that business, which is a high growth market in Health & Beauty.

Similarly, on the patient care side, we have had some challenges. We talked about it in the primary care business in the UK, mainly due to NHS funding. Look, there has been a new budget. Clearly, there has been a big commitment to Healthcare spend within the UK market. So that will regularise going forward. But again, these are really high-quality businesses and the valuations that both private equity and strategic players are paying for these businesses are multiple times the valuation of the DCC Group.

So we are very confident that we will get a very good value. And now is the right time to move on that.

In relation to technology, it is slightly different. And the timing is different is because we think that there is tangible material benefit that we are going to get in the next 12 to 18 months by our operational integration programme. I talked about £20 to £30 million of improvement through that. And we think in terms of maximising value for shareholders, which this is all about maximising the value for shareholders. The right time to look at action for our Technology business is when we have completed that.

Kevin, do you want to talk about surplus cash?

Kevin Lucey: Yes. Thanks, Rory. Obviously, we are announcing the sale process today, so I am not going to talk about absolute numbers, Rory, in terms of where we think things could land. I mean, obviously we expect to realise very significant proceeds from divestment activity. There is no doubt that our energy business is extremely cash generative. It is very resilient business.

And you could envisage a world where it could sustain slightly higher leverage actually than the DCC Group today. I guess our thinking on this, Rory, is we are completely wedded to the principle of strong balance sheet and our investment grade credit rating. We do not envisage leverage really rising as a result of this activity. But we expect that the proceeds to be very significant.

From a DCC perspective, Rory, our financial policy will remain similar. We would never like to see our net debt EBITDA go above 2 times. We would envisage the world where we continue to operate in and around leverage levels we have been operating at today. We will certainly realise relative to the EBITDA that may leave the Group through a divestment. We are going to realise relatively significant proportion of disposal proceeds, relative to that.

You should continue to expect us to run the Group at around the leverage levels we are at today. That allows us lots of scope to deploy capital and M&A into our energy business and continue to maintain a very strong balance sheet. So they would be the key messages.

I think, when it comes to the SRO, Rory, that you asked about also, just in terms of numbers. Donal may want to add some colour here also. But you are right. I mean, I guess SRO performance year-on-year is broadly in line with prior year and with some M&A activity coming in. But really, we have the normalisation, I guess, a little bit of very, very strong profits in the renewable power sector in the prior year, which declined year-on-year and that really is the principal organic decline.

The solar distribution market remained pretty tough as well. That would have been a small profit decline for us also in the first half. So they would be the two pieces that I guess were headwinds for us in our SRO. And then all the other pieces really delivering well and giving good growth to deliver a pretty flat profile overall. The two areas to call out from a headwind perspective organically would have been the solar distribution market, where the continued fall in panel prices means that margins were compressed.

And then on the renewable power, we had just very strong growth in the prior year. And we saw some of that normalise. So they had been the two headwind pieces. But other than that good performances.

Donal Murphy: Look, nothing really to add. Kevin has been very comprehensive. I think, like if you look at panel prices, Rory, they are down over 60%. So that is going to be – that has any distribution activities, where you buy and sell stock that has an impact. And we saw that in the first half of the year.

But like, I think actually we were very pleased with the performance of our SRO business. So those two issues we kind of knew were going to be challenges. The rest of our SRO business has grown actually very strongly during the first half of the year. So really pleased with the underlying performance. And those areas will normalise.

David Brockton (Deutsche Numis): Two questions actually, just clarifying and a follow up to the last few questions if I may. So firstly, on the Healthcare business. Is it your intention to market that as one business or two separate businesses, or are you open up to a range of a range of options?

Then the second question in respect of the reduction in SRO profits or the percentage profit of the division through the first half. How should we think about the risk profile for SRO activity going forwards, as technological progress continues to drive down the cost of products for installation? Is that an ongoing risk, or do you think that is now done and behind the business?

Donal Murphy: Thanks, David. The focus really from a Healthcare perspective is to bring that to market as one business. We have run it that way ourselves. We think the two parts of the business sit well together. So we will be focused on selling it as a business.

But clearly, we have an obligation to maximise shareholder value from this. There may be some parties that will be interested in one part of the business versus the other part of the business. If that is the case and that is the way to maximise value, well, then clearly we look at it on that basis. But our base case is that it will sell as one business.

I would not use the word risk, David, around the SRO piece. I think as Kevin outlined and said earlier, we had 20% organic profit growth in Energy in the first half of last year. Some of that was in relation to our renewable electricity activities. And some of that was a strong margin profile which we knew would normalise.

It has been unprecedented the reduction in panel prices. I do not think you see a technology that is not normal for a technology to drop by 60% in a relatively short period of time. So there are two aberrations, if you like, within the market. We do not think, as I said earlier, that the renewable energy areas, will grow on a linear basis, but they are going to grow very strongly.

So you will see higher growth in some periods and a little bit lower growth. But I am talking growth all the time. So we think the profile of growth within SRO is going to be very strong as we go forward. But it will not be even, every six months you will see the same level of growth.

But the world has got to adopt newer technologies. People need energy that is affordable, that is secure and that is sustainable. And our primary focus for growth is in the commercial and industrial space. And in the commercial and industrial space, our customers have got to reduce their Scope 1, their Scope 2 and their Scope 3 emissions in the products and services that they are providing.

They need the technologies to enable them to do that. And that is what we are bringing to them. And that is why we think this is such a powerful new strategy for the Group to focus solely on the Energy business.

Kevin Lucey: Yes. David, just two other points to add. Obviously, just to highlight again, in the first half last year we did talk about the benefit we had from the fall in power prices and particularly in the renewables side. So I see that very much as a one-time normalisation.

Secondly, as the cost of products hopefully come down, ultimately that is a good thing for customers and it is a good thing for demand, right? So while it might be painful in the short term for distribution, it is good for all of our customers. It is good for our installation business and it is good for demand in the medium term.

So while it does create some uncertainty for customers, and we have seen some of that through the first half where customers we go and engage with, they know hardware prices are falling a little bit. And it may actually mean that they postpone their decision on whether or not to push the button on a new installation or a new piece of hardware.

Ultimately that normalises and that lower price creates better demand for us in the medium term. So ultimately we think it is a good thing for customers.

Sylvia Barker (JP Morgan): Three for me, please. One on Technology. That is a similar question to the previous one on Health. But obviously Info Tech, you have been improving for the last couple of years, in a sense, probably you do not need to wait necessarily for that one, given it does not play into that £20 to £30 million improvement in profit. Can you talk about the plan for on that side, on the Info Tech side, and maybe just talk about where you think the profit for that business might be over the next 12 months?

Then second question. What are the book values of Technology and Healthcare at the moment? How do we think about any capital gains considerations on sale?

And then finally on M&A. Could you maybe just provide us with guidance for the M&A contribution from existing acquisitions for the full year? Thank you.

Donal Murphy: Sure. Well, look, Sylvia, I suppose, we said what we said in the statement really about the Technology division. You are right, we have been making really good progress on the Info Tech through the operational improvement programme that we have had. The profitability is growing well, actually, within our Info Tech business and particularly our business in the UK.

But we see and that is why maybe we are not trying to be vague in terms of the terminology around it. But there is options as to how we bring that business to market. And we will consider that both in terms of timing and in terms of approach. But like we are giving ourselves a window of 24 months to deal with the technology division.

Kevin, do you want to just talk about the book values?

Kevin Lucey: Yes. No problem. Thanks, Sylvia. I mean, I guess from a Healthcare perspective and Tech perspective, you have got book values of about £800 million and £1.1 billion across the two divisions. We are a little bit early again, Sylvia, frankly, to be talking about capital gains and whatever, but I suppose we have thought through all of the considerations. Our expectation of realising substantial value for

shareholders is net of any value leakage items or our considerations around capital gains, etc. so the exact quantum of taxes and everything like that completely depends on what the proceeds are and whatever. But we are very confident that the net surplus available to shareholders here will be significant.

Donal Murphy: Kevin, do you want to just talk about the acquisition contribution?

Kevin Lucey: Yes. In the FY25, obviously we have the impact from acquisitions completed in the prior year, where we have still first-time contributions, Sylvia. And then we have obviously, the acquisitions we have made in the current year. We also have a material divestment of Hong Kong. The net of all of those is going to be in the range of about £35 to £40 million of M&A contribution for DCC for the full year FY25.

Daniel Cowan (HSBC): I am going to ask one question, because I appreciate we are coming up to the end of the hour. Just on the breaking things up. Any dis-synergies that we should be aware of? I know you run these businesses largely separately. But any dis-synergies that, perhaps we should be mindful of, too.

Donal Murphy: Look, thanks, Dan, for the question and thanks for only one question because we are coming up against a bit of time pressure. Look, no is the short answer to that. One of the benefits of the DCC model and our devolved approach and keeping a relatively light head office is that we can carve these businesses out very, very seamlessly, really.

And Kevin talked about it earlier, like we do not believe that there is any really or certainly no material leakage through the sale process. I think we are in good shape.

Kevin Lucey: Only one other point maybe to make is that, obviously it is a little while ago, but we have disposed of divisions of the Group before, 2014, 2015 in terms of the Food & Beverage division and 2017 in the context of Environmental. So those considerations, we have some experience of thinking through. And as Donal said, we are confident that there is nothing material there.

Chris Bamberry (Peel Hunt): Just one quick question. Given the strategic review, options of Technology, I presume it is safe to assume there will be no further M&A in the Technology business?

Donal Murphy: Thanks, Chris, for the question. Until we sell a business, it is business as usual. So I think it is fair to say you would not see material capital deployment into either division, but if there is a bolt-on acquisition that makes sense for the business, then clearly we would continue to do it. So we are running these businesses business as usual until they are not part of the Group.

And whatever we can do to enhance the value of those businesses, we will continue to do that. That is in the best interest of DCC shareholders.

Super. Well look, thank you all for joining us this morning. It is a very important day for DCC. Maybe just to reiterate our vision for the future, this strategic plan that we are announcing today, it is all about maximising shareholder value. We will focus solely on our compelling opportunity in energy going forward. We will simplify the Group's operation through the portfolio actions that we have taken.

So this is decisive action we are taking today. We are doing it from positions of strength, to focus our Group, pursue our largest growth and returns opportunity, which is in the energy sector. And in doing so, we are going to unlock substantial value for our shareholders. So really for us, it is the next stage in the evolution of DCC plc. We really believe that DCC has a powerful future.

Thank you all for joining us. We look forward to seeing many of you over the next few days. Thank you.

[END OF TRANSCRIPT]