DCC Final Results - 31 March 2024

Tuesday, 14th May 2024

Introduction

Donal Murphy

Chief Executive, DCC plc

Good morning and welcome to DCC's Results Presentation for the year ended 31 March 2024. Thank you all for joining us this morning on our webcast.

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

I am delighted to be joined today by four members of our leadership team: Kevin Lucey, Group CFO, Kevin has been our Group CFO since July 2020; Fabian Ziegler, CEO of DCC Energy, Fabian joined the Group as CEO of DCC Energy in November 2022; Conor Costigan, CEO of DCC Healthcare, Conor has been CEO of DCC Healthcare since July 2006; and Clive Fitzharris, CEO of DCC Technology, Clive has been CEO of DCC Technology since September 2022.

Agenda

On our agenda for today I will cover off the highlights of the year, which was another period of good growth and development activity for the Group. Kevin will take you through the performance review. Fabian, Conor and Clive will give you an update on the strategic progress across each of our divisions. We will finish with our outlook statement and a summary, before opening up our session for your questions.

Growth, Development and Strategic Momentum in Our 30th Year as a Public Company

So let us get started with the highlights of the year. This is DCC's 30th year as a public company and it has been another year of good growth and development, and indeed a year of excellent strategic momentum for the Group.

Growth

On our financial performance, we delivered good growth. We were pleased with this performance given the ongoing challenges in the macroeconomic environment. Group adjusted operating profit increased by 5.3% on a constant currency basis to £682.8 million, driven by the very strong growth in DCC Energy. We delivered excellent cash generation, with free cash flow of 100%.

From a development perspective, we made really good progress in delivering on our strategy. Since our results in May 2023, DCC has committed approximately £490 million to new acquisitions, predominantly in DCC Energy. We significantly strengthened our scale and capabilities in energy management services and strengthened our liquid gas business in Germany and in the US. The board proposes to increase the dividend for the year by 5% to 196.57 pence per share. This will be DCC's 30th consecutive year of dividend growth.

The performance of the Group during the year yet again demonstrates the resilience in DCC's business model, the benefit of our diverse sectors of Energy, Healthcare and Technology, our strong market positions and, most importantly, that we invest in what the world needs every day. I would like to say a big thank you to my 16,600 colleagues whose capability, agility and commitment yet again delivered for DCC. Crucially, it has been a year of excellent strategic momentum for the Group.

Progress

In the Energy sector, there is a real need for progress to cleaner energy solutions that are secure, affordable and sustainable. In DCC Energy, we are ahead of our 2030 target to double our profits following a year of great progress in delivering on our strategy. The share of our energy profits coming from our services, renewables and other activities increased to 35% in FY24, up from 28% in the prior year and 22% in FY22. We accelerated the expansion of our multi-energy offering through nine acquisitions in France, the UK, Ireland, the Benelux and Austria. After a period of reduced market demand, we are pleased that our healthcare business returned to organic growth in the second half of the year. We also passed a material strategic milestone, with 52% of our Group profits now coming from non-fossil sources. Finally, we announced in November that for the first time in our history DCC has been issued with a public credit rating from Standard and Poor's Global Rating and Fitch. We have been rated BBB, a solid investment grade rating.

A Strategy Fit for the Future

DCC has always focused on building a growing, sustainable and cash-generative business which consistently produces returns on capital employed well in excess of our cost of capital. This has been successful over our 30 years as a public company because we always look to the future for growth opportunities.

We seek out the growth potential in our sectors, we operate our businesses well and help them to grow and progress, and we allocate capital prudently across our sectors to improve and scale our businesses. We invest and reinvest in essential solutions, solutions the world needs today and into the future, which underpins our sustainable growth and supports our purpose to enable people and businesses to grow and progress. We invest to grow our businesses organically, we invest in our sectors through M&A, which strengthens and scales our businesses, and we invest in our people to enable them to grow and progress. We operate and invest in sectors where we can see a very clear purpose, solving real needs with macro trends that provide us with growth opportunities.

In the Energy sector, we believe there is a real need for progress to cleaner energy solutions that are secure, affordable and sustainable. In Healthcare, we see the world's necessity for people to live longer and healthier lives. And in Technology we bring to market the products and services to make a progressive world a reality.

We are making really good progress against these objectives, and to demonstrate this I would like to pick out a number of developments from the year. We have built an AI platform in primary care within our Healthcare division, focused on enhancing revenue and increasing customer longevity. We have invested in new product formats in our health and beauty business, including gummies and multi-stick packs. We have created market leadership positions in HVO, an ultra-low carbon substitute product for diesel. We have scaled our Pro AV business into a global leadership position. We have developed our people processes, focused on creating a culture of continuous learning and development across the Group. By investing in targeted training programmes, personalised coaching and active career management, we are building a highly skilled and adaptable workforce that is equipped to tackle current challenges and propel our future growth.

We are ahead of our schedule in implementing our energy strategy. During the year, we made great progress on our energy management services development and service offerings. Since our results in May 2023, we have committed approximately £490 million to acquisitions, the majority of which is dedicated to adding services for the decarbonisation of our customers. These acquisitions not only expand our technological and service capabilities, but also strengthen our team with entrepreneurial people, enriching our Group with their expertise and commitment to excellence.

We have also strengthened our liquid gas business in Germany through the acquisition of Progas. The picture on the right is our new team from Next Energy, an acquisition announced this morning which transforms our offer to domestic customers in the UK market. Fabian will talk more about our energy developments a little later.

Three Decades of Excellence as a Public Company

DCC has a proven business model that has consistently delivered high growth and high returns over our 30 years as a public company. Our Group strategy has been consistent since we went public in 1994. Over our 30 years as a public company, we have grown our operating profits by 14% CAGR, had free cash flow conversion of 99%, delivered unbroken dividend growth to our shareholders of 13% CAGR, all while maintaining high returns on capital employed. If you invested £100,000 in DCC plc when we floated 30 years ago, your investment would be worth £6.4 million today. After 30 years as a public company, I believe we are only starting on our journey.

Our Investment Case: Double Group Profits by 2030 at High Returns

And finally from me, I would like to summarise our investment case. Our ambition is to double our profits by 2030, while maintaining high returns on capital. We will deliver this growth by leveraging our strong platforms in growth markets, our devolved and empowered management teams, and we will continue to innovate and develop to deliver on growth opportunities. By doing all this, we aim to compound profits for shareholders by at least 10% per annum on average.

We are strong operators. Our first priority is to deliver, on average, between 3% and 4% organic profit growth per annum. We are prudent capital allocators. We will consolidate our fragmented markets, leveraging our excellent M&A capability. We believe that, on average, this will deliver between 6% and

8% additional growth per annum, and our target is to deliver mid-teen returns on capital employed. We also believe that this growth will be self-funded, given the strength of our balance sheet and the very strong free cash flow generation of the Group.

I will now hand you over to Kevin, who will take you through the performance review of the year. Kevin.

Performance Review FY24

Kevin Lucey

CFO, DCC plc

Financial Highlights for the Year Ended 31 March 2024

Thanks Donal. So, Donal has covered the key highlights, and now we are going to look at the trading performance in more detail. So, you will see here, on the slide, we recorded revenue of £19.9 billion. We had a significant increase in the prior year when the wholesale cost of energy products increased, and we saw that unwind in the current year leading to a decline in DCC Energy revenue and that driving the Group reduction. In line with our expectations, Group adjusted operating profit was £682.8 million, an increase of 4.1% or 5.3% on a constant currency basis. Adjusted EPS growth was very modestly behind the prior year, or 0.9% ahead of the prior year on a constant currency basis. As expected, our effective tax rate increased, but, more materially, the higher interest rate environment relative to prior year increased the cost of the floating element of the Group's debt. As we guided, higher interest costs have been a headwind for earnings over the last two years. Our specific guidance on interest and tax and other items is included in the appendix as usual, but given where Central Bank policy is at the moment, we do not expect interest costs to be a material headwind into FY25.

As you will know, we place great emphasis in DCC on cash generation and we were really pleased to deliver a very strong cash flow performance in the year, with over £680 million of free cash flow generated, up £110 million on prior year and an excellent 100% free cash flow conversion. Donal mentioned earlier the proposed increase in the dividend, our 30th year of unbroken dividend growth since IPO.

On returns, return on capital employed remains strong at 14.3%, albeit lower than prior year. The lower return on capital employed reflects the organic decline this year in our health and beauty business and DCC Technology and the substantial capital deployment in recent years in DCC Healthcare and DCC Technology. If we finish the year at 0.9x net debt to EBITDA pre-IFRS 16 leases, the net debt position reflects the acquisition of Progas and eEnergy just prior to year-end without much profit contribution, so the metric looks a little better again on a pro forma basis.

The balance sheet remains very strong. Looking forward, given the cash generation in the Group and allowing for the acquisitions announced today, we would expect that we will be at approximately 0.7x net debt/EBITDA by end of year if we announce no further acquisition spend.

Divisional Results for the Year Ended 31 March 2024

So, looking at the high-level results by division, you can see that DCC Energy increased its profits by 9.9% to £503 million, 10.8% growth on a constant currency basis. DCC Healthcare profits were back by 4% to

£88.1 million, down 3.6% constant currency, and DCC Technology profits declined 13.6% to £91.7 million, back 10.7% constant currency.

On the right-hand side of the slide you will see 74% of the Group's profits came from DCC Energy during the year, 26% from DCC Technology and DCC Healthcare. In terms of the geographic mix, you can see Continental Europe accounted for 43% of profits, UK and Ireland 36% of profits, and the rest of the world, which is principally North America, 21% of profits.

DCC Energy Performance Summary

Very strong performance, excellent strategic progress

We will go through the trading in each of the divisions in a bit more detail now. So, DCC Energy delivered very strong performance during the year and made excellent progress in further delivering on our 'Cleaner Energy in Your Power' strategy. The growth in the year was driven by the Energy Solutions business, with the Mobility business, as expected, broadly in line with the prior year on a constant currency basis.

Overall, we recorded 10.8% constant currency profit growth; organic profit growth was more than half of this at 5.9%. We delivered very strong growth at strong returns. We saw our share of operating profits in the division from services, renewable products and services, rise to 35% from 28% in the prior year and 22% the year before that. Again, the detail is in the appendix, but in the year from a product and service standpoint, 35% of our profits, as I have mentioned, came from SRO products, 46% from our lower carbon products such as liquid gas, and then 19% of profits from our traditional products.

We reduced our Scope 3 customer carbon emissions by 3%, which meant we also lowered the carbon intensity of our profits again this year. Volumes were modestly behind the prior year, reflecting warmer winter weather conditions and weaker retail transport volumes in France.

So, as mentioned, our Energy Solutions business had a very strong year, profits were up 15% constant currency. We had good growth across all regions, bar the US where very mild weather was a particular headwind for our business there, given the customer base is largely domestic-heating related. We had very strong growth in Continental Europe and in the Nordic region, where we saw good demand across our energy management services businesses, including solar, and from commercial and industrial liquid gas customers, particularly in the Nordic region. We also had a very strong performance in the gas and power business in France, as we also did in Ireland too, actually, where we saw a recovery as wholesale energy costs decreased relative to the prior year. In the UK and Ireland we also had good growth. We benefitted here from the acquisition of leading commercial and industrial solar business Centreco particularly, and we also delivered continued growth in our liquid gas business. We continued to invest in converting commercial and industrial customers to liquid gas, and also completed our liquid gas storage facility in Avonmouth.

We made acquisitions across each region in Energy Solutions and Fabian will talk about that in more detail later. The acquisitions completed during the year performed well and accounted for almost half of the divisional growth, with further benefit to come from these and the new acquisitions announced this morning in FY25 and beyond.

I mentioned already that our Mobility business performed in line with our expectations. The performance reflected a very competitive market in France, which impacted volumes and margins, particularly in Q3.

We had good growth across the other parts of the business, with continued growth in our digital service offerings and in convenience. So, in summary, we are very pleased with the performance in the Energy division for the year, continuing on for a number of years of strong performance.

DCC Healthcare Performance Summary

Return to organic growth in H2

DCC Healthcare returned to organic growth in the second half of the year following 18 months of difficult market conditions for DCC Health & Beauty Solutions. For the division as a whole, operating profits were back 4%, or 3.6% constant currency, and 11.3% organically.

DCC Vital delivered good growth and benefited from the acquisition of Medi-Globe in the prior year. We performed well across most regions in DCC Vital, particularly so in Ireland, Germany and France. The UK was weak across both primary care and medical devices, reflecting a weak demand environment, with the NHS experiencing a number of challenges which curtailed patient care during the year. From a product perspective, we saw good performances across the gastro and urology categories.

As reported previously, DCC Health & Beauty had a difficult first half on the back of a difficult prior year also, but we saw demand begin to improve over the second half and we began to lap weaker comparatives. We have seen Europe recover a little sooner than the US market, but we saw order books weaken initially in Europe before the US. Given the demand environment, we focused on new business development and on efficiency during the year, and we consolidated our smallest US facility into our larger Florida facility. It is pleasing to see the business recover off its lows and return to organic growth. Conor will talk a little about the market outlook and longer-term demand perspective later.

DCC Technology Performance Summary

Focus on efficiency, maintaining market share

In DCC Technology, as expected revenues were back almost 8% constant currency, reflecting the weaker demand environment for consumer technology that we have seen for just over 12 months now. Operating profits were back 10.7% constant currency, reflecting modest negative operating leverage.

Whilst clearly the market has been challenged, the team have been working very hard to ensure we deliver the best profit result possible, with costs flat on a like-for-like basis despite the significant inflation we have seen. The weakest areas from a profitability perspective were all in the consumer-focused areas, in particular in Info Tech in Continental Europe and Life Tech in the US. B2B demand was more robust.

Notwithstanding the revenue decline in our Info Tech UK operations, we delivered good profit growth, with efficiency and optimisation efforts paying off, and we also performed well in Ireland. Clive will talk a little later on how these efforts will continue into FY25 and beyond as we seek to drive profits and returns from the division.

Adjusted Operating Profit Bridge FY23 to FY24 and Free Cash Flow Generation for the Year Ended 31 March 2024

So, this slide looks at it all from a Group level. So, in the waterfall you can see the overall growth in profits, up to £683 million. Sterling strengthened relative to the prior year against a number of currencies, so as we guided throughout the year we saw an FX translation headwind of 1.2%. M&A contributed 4.5%, principally Medi-Globe in DCC Healthcare and Centreco in DCC Energy. It is worth pointing out that a lot of the acquisition activity during the year completed later in the year, including Progas, eEnergy and obviously more recent acquisitions such as Next Energy, so these are not fully reflected in the current year results.

Finally, organic growth was 0.8%. We achieved this organic growth despite the significant headwinds we had organically in DCC Healthcare and DCC Technology. I have mentioned it already, but we had excellent free cash flow conversion of 100%.

We continued to invest in the business organically during the year. The notable CapEx investments were investments in new customer installations in our Energy Solutions business and upgrading our retail site network in Mobility, improving our EV and convenience capability, which in turn helps with our SRO profitability. We also invested materially in our health and beauty manufacturing facilities to add new capability and capacity in what will be a long-term growth market for us. We recorded an inflow in working capital, driven by a strong performance in DCC Energy and also a good performance in DCC Technology.

So, to finish, just to mention the consistency of performance and the consistency of cash flow generation we have had, so regardless of what period you look at across our 30-year history in the public markets. You will see in the appendix to this presentation we have a cash flow. We have our cash flow this year set against our 30-year cash flow. You will see that the 100% cash flow conversion this year mirrors what we have done across our history. So, whilst plenty has changed and progressed and grown over our 30 years as a public company, we have continued that consistent cash generation, which is a hallmark of DCC and one which enables us to look forward with confidence.

Now, I will hand you over to Fabian.

DCC Energy 2030 Vision

Fabian Ziegler

CEO, DCC Energy

The World Needs Cleaner Energy for Everyone

Our 2030 vision – double profit and half carbon

Thanks Kevin. We are proud of our strong profit growth and progress with strategy execution. This slide is a reminder of ‘Cleaner Energy in Your Power’ launched last May and presented deeper at our investors event in Paris. This strategy is our constant and we are delivering it ahead of schedule.

We act as trusted partner to our 1.7 million customers, supporting them through the energy trilemma. We provide decentralised energy solutions, combining molecules in blue and electrons in green. In our internal change, we reduced the carbon intensity of our liquid fuels business by ramping up HVO and second-generation biofuels to replace diesel and heating oils by maximising our liquid gas position as a lower carbon alternative, and we drive more renewable liquid gas offers. In our more external change, we have made huge progress building the leading European energy management services business, the green box on the right-hand side. We are ahead of our 2030 target.

We cross-sell energy management options into our liquid fuels and gas customer base. We develop multi-energy solutions in many markets. We also progress in our Mobility business. We just won the Best EV Hub in the World award for our Mandal site in Norway. We now have HVO pumps on 90 mobility sites across our network in Europe. In Ireland, we launched HVO on forecourts this year and we ran a campaign with Škoda that was high profile. Our strategy is about winning with our customers, growing customer footprint and share of wallet.

The World Needs Cleaner Energy for Everyone

Strong conviction based on our recent success

Three key messages on this slide here. You know our metric SRO, which measures the proportion of profits from services and renewables, essentially no carbon formats. We have grown this to 35% from 28% last year and 22% two years ago. The bulk of the growth is coming from solar installation and renewable electricity.

We are one of the few companies that manages to decarbonise by growing and retaining high returns. In the middle of the chart you can see that we keep seeing returns from our almost 20 renewable acquisitions that are aligned with our traditional fossil returns. The left-hand side shows the return at the time of acquisition, and on the right-hand side you can see the up-to-date return. Let me add that the 15% is an underestimate as our only solar distribution business was affected by the drop in panel prices during the year. Excluding this, ROCE increases to 18%.

Most important is that we consistently grow our renewable customer sales and marketing capabilities. We re-expose our energy business to fast-growing segments of the energy sector and we gain customers and share of wallet. We strengthen our renewable energy marketing capability; we have become the leading marketer of HVO across Europe. We reached 150 megawatts of solar installation capacity across Europe. We launched the Wewise brand in France and that is a Europe-wide umbrella for international customers. In the UK, we have reached a state where we can offer a full suite of decentralised energy management offerings, including engineering and digital solutions.

We cement and deepen existing key customer relations, as well as gaining access to new customers. We replicate with multisite customers, such as the French hypermarkets. We gain with blue-chip customers, building our international accounts capability, for instance with AWS or DHL, and we made really nice HVO customer gains. This all gives us confidence that we will manage to accelerate our organic growth, gain market share and grow our lifetime customer value.

DCC Energy 2024 Progress Exceeds Rate Set Out in 2030 Vision

Which leads me to the last chart, which shows that we are ahead of schedule to reach our 2030 long-term ambition to double profits with half the carbon. The acquisition boxes for liquid gas and for EMS are pro forma full-year ’24 numbers, whereas the organic growth is actual. For lower carbon liquid gas, following our deal for Progas in Germany this year we are very confident that we will reach or exceed our targeted growth to 2030. We are 40% of the way to our EMS acquisition target after only two years, and as part of that today we are announcing the deal for Next Energy. We have been consistent in saying that we see the bigger immediate opportunity with C&I customers, who will move more quickly than domestic customers. The biggest opportunity today within domestic is the government-backed retrofit market. We have acquired the market leader in the UK, Next Energy, which has an addressable government-backed market of 16 million homes out of the UK's 28 million housing stock. The business provides retrofit services, such as insulation, heat pumps and solar, and this business will lead our domestic multi-energy offering in the UK.

The focus, now, is on really driving organic growth. We are well-positioned here, with strong supply partnerships and growing customer demand in HVO. We increased our biofuel supply by more than three times this year, from just under 60 million litres to over 150 million. In EMS we have a unique, EU-wide installation capacity and work to assemble our acquired capabilities to offer differentiated customer value propositions. As we continue to integrate our multi-energy offering, we will continue to win with our customers, grow profits and enhance returns.

Thank you. I hand over to my colleague, Conor.

DCC Healthcare

Conor Costigan

CEO, DCC Healthcare

Thank you very much, Fabian, and good morning everyone. I am delighted to have the opportunity to update on the strong strategic progress we are making in DCC Healthcare.

The World Needs Lifelong Health

We are set for 5%+ growth – we have invested in healthcare and H&B market has now bottomed

The healthcare market has been and continues to be a long-term growth market, averaging mid-single-digit growth rates across our sectors. The fundamentals remain attractive; favourable demographics, healthcare policies and consumer trends. The health and beauty market challenges over the last couple of years have now bottomed out. As you heard earlier, we are back in growth in H2 of this year and we expect to generate good growth in FY25.

Strategic progress

Kevin described earlier that trading conditions were challenging throughout most of FY24. However, we are continuing to make strong strategic progress. We are strengthening our divisional and business leadership teams, enhancing our org structure to increase our agility, and improving the quality and robustness of our three international growth platforms in medical devices, primary care supplies and contract manufacturing of nutritional products. Each of these platforms has the potential to scale significantly at a global level.

International growth platforms

In medical devices, following the acquisition and integration of Medi-Globe we are now a leading player in Europe; across Ireland, Britain, France and Germany. We have particular strength in gastroenterology and urology, higher growth segments of the healthcare market, and we are making good progress with the launch of the Medi-Globe gastroenterology range in the UK, leveraging our existing market access infrastructure. We are also expanding and accelerating the development of our own-brand product pipeline.

In primary care supplies, we have leadership positions in Britain, Germany and Switzerland, and we have ambitious plans for further geographic expansion. We are continuing our strategic investment in our primary care technology platform across ERP, digital sales and AI; an exciting project which Donal referred to earlier. This provides an enhanced platform for growth, improved customer experience and efficiency. To date, the investment in technology has been primarily focused on the UK market, but the rollout to our German business is now also underway. Primary care is a fragmented sector across Europe, and through building strong foundations in technology and distribution infrastructure this will allow us to augment our organic growth with synergistic plug and play bolt-on acquisitions.

In health and beauty we are a leading contract manufacturer of nutritional products in both the US and Europe. As you know, the market has been tough for all CMOs over the last two years, but we believe we have weathered the storm better than most of our competitors. We have been operating successfully in this sector for more than 25 years. The market has been a long-term growth market, underpinned by positive long-term trends, increasing consumer interest in health and wellness and proactive healthcare, increasing regulation of the nutritional supplements market, which favours well-resourced CMOs like DCC Health & Beauty Solutions.

The market is projected to return to consistent mid-single-digit growth over the coming years, and we are confident of the long-term outlook for the market and that our businesses will generate good growth and increasing returns. We have invested with that positive future outlook in mind.

We completed two gummy manufacturing lines during the last 12 months, serving the US and European markets. We are enhancing our capability in stick packs for the US market, a key packaging format for the growing powder nutrition category.

We have enhanced our sustainability credentials with investment in renewable energy generation at our facilities, and we are also enhancing our leadership and demand creation teams to leverage our new product format capability and to better exploit the cross-selling opportunities across our customer network.

In conclusion, we are excited about the prospects for DCC Healthcare driving organic growth and return on capital employed improvement in FY25 and beyond. As we see the benefit of the investments in our health and beauty facilities, onboarding new business and driving capacity utilisation, the investment in our primary care technology platform, and accelerating synergies from the recent European acquisitions in medical devices and primary care.

Now I will hand over to Clive.

DCC Technology

Clive Fitzharris

CEO, DCC Technology

The World Needs Progress Makers

We are building the base for the long term as 3-5% technology market growth will return

Thank you, Conor. Good morning to you all. Technology has a central role in improving the world and our lives. We are an enabler between leading technology brands and the people and businesses who need those products and solutions. DCC Technology brings solutions that enhance experiences, save time and improve lifestyles. Our ambition is to be the leading specialist distributor in each of our chosen markets.

Growth and development

While the recent market backdrop for technology spend has been challenging, we expect the market to improve through this year. Over the longer term, we are confident in market growth averaging 3% to 5% per annum. We have focused a division on the growth and development of our specialist distribution segments of Pro Tech and Life Tech. They are faster growing segments, requiring higher value add and providing more attractive margins than Info Tech. In FY24, we increased our overall gross margin percentage by 80 basis points to 12.4%. We also brought our operating costs just below the prior year.

We are already the number one specialist distributor in Pro Tech in North America and continue to grow our share organically. We are also investing in new capabilities, adding to our market-leading platforms. Under a single North American leadership team, we are combining the back ends of the Jam and Almo businesses to deliver efficiency and cost benefits in operations and support services. We are also launching a commercial excellence program to deliver enhanced customer and vendor experiences for profitable growth and improved returns. I am confident that these plans will materially benefit divisional profitability in the coming years.

Optimisation

In Info Tech, our UK improvement plan is delivering in line with expectations, with stronger gross margins and good cost control. As previously announced, we have consolidated our warehousing and we have reduced headcount by 10% alongside commercial improvements. We will continue to optimise our Info Tech businesses in the UK and mainland Europe as markets stabilise through this year. With our plans in North America and in Info Tech, I am confident that divisional profitability and returns will grow materially over the medium term.

In summary, my three takeaways are we have established market-leading positions providing progressive technology the world needs, with opportunities for further improved margins in gross and operating terms. I see demand recovering as this year progresses towards our long-term growth trends, and our decisive action plans in Info Tech and now in North America will bring material profit growth for the division.

Now back to Donal.

Outlook and Summary

Donal Murphy

CEO, DCC plc

Outlook FY25

Thanks Clive. So just before we open up to Q&A, our outlook statement for '25. DCC expects the year ending 31st March 2025 will be a year of strong operating profit growth and continued development activity.

To summarise

So, just to summarise, in DCC's 30th year as a public company it has been another year of good growth and development, and, indeed, a year of excellent strategic momentum for the Group. We are delivering on the significant opportunity in decarbonisation, and we continue to be focused on the future, executing our strategy and embedding sustainability across the Group. After 30 years as a public company, I believe we are only starting on our journey.

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

Q&A

Rory McKenzie (UBS): Good morning everyone, it is Rory from UBS. Three questions, please. Firstly, on Energy's services, renewables products, I think those were up about 37% year-over-year FY24. Can you confirm that that was about an 18% contribution from M&A and therefore nearly 20% organic growth? They tend to give more detail about the drivers of this. How much was growth in solar, for example, and what do you think the key metric is to track there? Will you be disclosing, for example, how many megawatts of solar you install over each six-month period?

Secondly, on the carbon-based energy profits it looks like they were down about 5% year-over-year in H2, with a little bit of pressure on both volumes and margins. How much of that would you say was the impact of the milder weather or product costs, and what should we expect for those carbon-based energy profits in FY25?

Then finally on technology, which is still under pressure, we can see you have expensed further restructuring costs in the year. Can you give more details about where you are rationalising or changing the business, and whether there are any parts of the market that you think are structurally not really going to rebound? Thank you.

Donal Murphy: Thanks Rory, a very comprehensive set of questions. Just, I suppose, starting with the energy business and the SRO and the key area for growth, as you say, and very strong organic growth has been in the energy management services and, as Fabian called out, we installed 150 megawatts of power during the year. That is actually 2,500 customer installations during the period, and it is predominantly within the commercial and industrial side of the market.

Fabian, I do not know if you want to add anything to that, but it is a rapidly growing part of our market.

Fabian Ziegler: I totally agree. I just want to point to the exposure we now gain to growing segments of the energy market. I mean solar, for instance, we expect to demonstrate growth rates above 10% for the years to come, and this enables us to sit in a per se growing market. We also have a superior capability to gain additional customers, gain market share and penetrate the share of wallet by offering our customers multi-energy applications, the demand for which we keep seeing growing and getting better. So, a good combination of acquisitive, but more and more focus on organic growth.

Donal Murphy: Rory, on the liquid-based fuels and the carbon part of the business, as you described it, you are quite right, it was a milder winter. However, again, over the last number of years DCC has very clearly diversified its Energy business, so you can see the benefit. If we were here a number of years ago and we had the wild weather conditions that we had during the second half of the year, we would probably be talking about a different set of results. So the diversification within Energy is really delivering for us. Kevin will just talk you through the numbers for the second half of the year.

Kevin Lucey: Yeah, thanks. Thank you for the question. I suppose a couple of things to point out, really, just on the H1/H2 piece. I mean, I think you will probably remember this time last year we were coming off the back of a very, very strong H2 performance last year, so we very much guided that while we saw good growth in H1, that H2 was likely to be a very, very high bar organically for us as a Group. So, I guess the results in H2 are pretty much exactly in line with what we had expected.

The decline in profitability is modest and driven by the mobility business, actually, and not so much around weather. I will come back to weather in a second, but you will remember, again, that at Q3 time we were updating you, and again, actually, at H1 we talked a little bit about the competitive pricing environment in France, our most material mobility business, and how that was having an impact on volumes and margins. We were glad to see that as H2 progressed that market began to normalise and volumes and margins began to come back to where we would have seen them historically, so there was probably a little bit of temporary disruption there.

Weather, whilst weather is still material for us it was really just regionally an impact in North America and we would have seen that very clearly in our volume performance; our volumes in North America were back 7% or 8%, really just down to weather, Rory, so there was an impact there. But we had very strong performances on the other side of the coin, from our natural gas and power businesses, from our liquid gas business across commercial and industrial customers. So I think the weather, not as material as you might have thought and maybe more driven by the mobility piece in H2.

Donal Murphy: Thanks Kev. Just on the technology piece, and, again, Clive will talk about this a little bit more, but the market clearly has been very challenging and we have not been sitting back waiting for the market to recover. We are very clear on taking self-help; we have been talking about that, Rory, for a while in terms of the investments we have made within the UK market. As Clive outlined earlier, we are taking that, now, into North America and not assuming that we are going to get a bounceback from the market, certainly in the short term.

So, Clive?

Clive Fitzharris: Yes, Rory. So, to give you a little bit more colour on that. As I said, the UK is progressing well and we are delivering growth in a difficult year, both in costs and in margins, and the plan is to continue that in the year ahead.

North America, we see material benefit bringing the back ends of Jam and Almo together, particularly on distribution and transportation. We are already making some material gains in our costs in those areas, with more to come into this year and the following year, and also leveraging the scale of our sales capability across North America for margin and top-line improvement.

I think you also asked in relation to areas of the market that we see as more structurally difficult, and while we are making material improvements in Info Tech we will continue to review options within businesses, and certain businesses, as we continue to improve those businesses.

Donal Murphy: Thanks Rory.

Colin Grant (Davy Group): Thank you and good morning everybody. I have a couple of questions, actually, on your Healthcare division, if I could. Just, firstly, in terms of the return to organic growth in EBITDA that you have highlighted in H2, after the period of destocking that took place. I wonder if you could just give us a bit more colour on what you are seeing there, what is driving it and how it might develop looking out into the current fiscal year. That is the first question.

Then the second thing, really, just relates to the organic investments that you have been making into the Healthcare division, you have outlined a number of those. I wonder if you could update us on where we are with those and, I suppose, just help understand how those investments might bear fruit for you in a recovery and demand, looking ahead. Thank you.

Donal Murphy: Yeah, thanks Colin. I will hand you over to Conor to take you through both of those questions. Just to say, obviously it has been a tough period for Healthcare over the last 18 months or so, but we have got to put it into the context of we had two years of 34% year-on-year growth, half of which was organic. So, through the COVID period we had very strong growth within the Healthcare sector, in a sector that grows at 5% to 6% per annum. Our confidence has never waned in Healthcare and that is demonstrated by the investments that we made throughout that period. So, while it has been tough and it has been tough on the teams on a week-in-week basis when we are struggling to grow the profits, we were very committed to making investments to really position this business for very strong organic growth as we go through the next number of years.

So, Conor?

Conor Costigan: Yeah. I mean the recovery, the market recovery, I suppose is essentially driven by the destocking period coming to an end. As people know and Donal has outlined, there was a significant spike in demand and I suppose consumers, retailers, brands all got themselves into an overstocked position on the back of that and it has just taken some time for that to unwind. Obviously, we have seen that happening over the last little while and that is evidenced by the level of interest in getting back into product development, getting back into new product launches, and I suppose that innovation piece, really, is our stock and trade and how we have built the business. The market experts would predict that the market will return to consistent mid-single-digit growth over the next couple of years and beyond, and certainly that is our expectations as well. The fundamentals that have driven the market and that we have enjoyed over the last 20 years all remain.

In terms of your second question on the investments, we are very pleased with the progress we have made there. We have put in some really high-quality infrastructure, particularly into our US facilities, which are relatively recent acquisitions. We now have completed and commissioned the two gummy lines, larger line in the US, but also one in the UK. Both are producing commercial product for some months now. Our focus with those lines is really on complex formulation gummy business, so we are not interested in the volume end of the market, really interested in the higher value add, more enduring business in the complex end.

Then our stick pack project in Minnesota, that is on track for completion in the middle of this year. Again, stick packs has been a higher growth segment for the powder nutrition sector, and we will have a highly automated, highly sophisticated plant on the back of this investment.

So, I suppose over the coming years as demand recovers, as we build out our new business development and drive up the utilisation of the kit that we have put in place, that will have an obvious benefit on our profit growth and particularly on our returns over the coming years.

Donal Murphy: Thanks Conor, thanks Colin.

Annelies Vermeulen (Morgan Stanley): Hi, good morning. I have two questions, well, two and a half, really. So, firstly on the M&A pipeline, clearly you have done a lot of M&A this year ahead of your average annual target, £300 to £400 million. How do we think about that for full year '25? Could we expect to see you exceed that target again, based on the pipeline you have in front of you today? Can we expect an ongoing focus in Energy, or are you also looking at businesses in Healthcare and Tech at all? Then, could you remind me on multiples in energy management and renewables, how do those compare for the deals that you have done recently to the deals you have done historically, on average, across all the divisions in the Group over the years?

Then, secondly, on your returns on capital employed, historically this has been a key focus area for you and we have seen returns decline for a number of years now. How confident are you in your ability to return to a high teens return on capital employed, and do you expect to make positive progress on returns in 2025? Thank you.

Donal Murphy: Thanks Annelies. Two and a half questions are good. So, look, on the M&A pipeline we are really pleased with the £490 million of spend in the year just gone. We are very ambitious to put capital to work, and I think between the strength of the balance sheet, Annelies, and the 100% cash flow conversion we are in a very strong position to continue to deploy capital. As we always say, M&A is sometimes a bit like the buses, so they come sometimes together and sometimes there is a bit of a gap. So it is always hard to call a number and we never budget for a number for M&A, but I think we are pretty confident that when we look at the pipelines across the businesses that there is plenty of opportunities for us to deploy capital. We are, I suppose, accelerating because we really see the capability to accelerate growth on the energy transition side. That is probably our number one priority at the moment because we are building out that capability across the different markets and building leadership positions in the EMS space, in particular, and indeed in the liquid gas space, so that is a very high priority for us.

We have a lot to do in Technology and in Healthcare from an organic perspective, but, again, we are always active on the M&A front. I think in terms of, if I look to the next 12 months, the higher volume of acquisition spend will be in the energy space on multiples, if that was the half a question. On the multiples piece I think we are not seeing, actually, anything different, and Fabian kind of outlined that in his presentation, in the returns, that we are buying these businesses at 15% returns on capital. So we are coming in in a decent level of return and we are typically buying a lot of these businesses. They are entrepreneurial-backed businesses, where we might buy 60%, 70% of the business upfront, and the big opportunity for our partners, and these do become our partners, is the benefit to scale and grow their earnout through the growth of our business as we leverage our customer base. So multiples are fine and the growth opportunity for our partners is really strong.

Finally, on ROCE, we are very confident, Annelies, about our ability to grow our ROCE. We have maintained ROCE okay. It is back a little bit, but we have maintained ROCE at decent levels during a period where we have had really strong challenges from an organic perspective within Healthcare and Technology, and we believe both of those businesses will be in growth next year. As we continue to scale the Energy business, we are scaling the Energy business at higher returns on capital, so very positive about the return environment. Thank you, Annelies.

Sylvia Barker (J.P. Morgan Cazenove): Hi, morning. I think we have covered my first one to some extent, but just on Healthcare growing at 4% organically at the profit level in the second half, how should we think about the revenue, in a way, or the volume versus the margin as we go forward for this year?

Then, secondly, I appreciate that operating margins are obviously not relevant for most of the Energy business, but when we think about your SRO activities, I suppose they are meaningful. So could you maybe just talk about what margins you generate on SRO and if there are any differences between the different activities there?

Then, finally, on solar. You have got number-one positions in several markets. What market share do you think you have, especially in commercial? Thank you.

Donal Murphy: Okay, thanks Sylvia. So, just on the Healthcare side, and Kevin, you might just talk about the revenue and growth, and then Conor, you might just put a bit of context onto it.

Kevin Lucey: Sylvia, thank you. I suppose, from a revenue perspective and, indeed, from an operating profit perspective, our expectation is that we would likely see mid-single-digit improvements in FY25, Sylvia. I mean, there is clearly operating leverage in the Healthcare business, in particular on the health and beauty side. I think Conor referred to that a little bit earlier. So we would expect, maybe as we go through ’26 and beyond, the fact that we have been investing quite significantly in the capital base in health and beauty, and as we fully commission all of that capital during ’25 that that would give you operating profit leverage, if you like, or operating leverage through the system in back end of ’25 and into ’26. I suppose our expectation for ’25 would be more at the mid-single-digit level, and I suppose with an expectation that we can improve from there in ’26 and beyond.

Kevin Lucey: Conor, do you want to add anything to that?

Conor Costigan: Yeah look, I think that covers it. I mean I think generally, obviously as we have said, our markets are mid-single-digit growth markets. Obviously, as the health and beauty market recovers it is stepping back towards those kind of growth rates, and we are obviously very well dressed up to benefit from that. A lot of focus, now, on building out our demand creation, which will drive our capacity utilisation and drive our returns and profitability in health and beauty.

Donal Murphy: On the SRO piece, Sylvia, as you rightly point out, actually, there is quite a range of activities within our SRO business and ranging from margins on solar install of 10% to 15%, up to 30% plus on energy management services. Fabian, you might just talk a little bit about the solar and the market positions and shares that we have within the solar market.

Fabian Ziegler: I was going to say the exact same thing, that you need to decompose this, and the great thing about SRO is that it replaces fossil and normally we see higher margins. Donal spoke to the margins we see in solar, indeed 15% in France, 10% in the UK, good margins elsewhere. Also, if you look at margins on biofuels, these margins tend to be much higher than any margin we see in the fossil space. Interestingly – we spoke a bit about our EV business in Norway – in Norway, in the mobility business we make better margins on electrons than fossil. So I do believe, across the board, our exposure that grows into SRO will bolster margins and up returns.

Donal Murphy: Just the solar market shares.

Fabian Ziegler: I mean, it is to the tune of 10% to 15% in the B2B markets. We see ourselves as leading in France, we see ourselves as leading in the UK. We are probably number two in Ireland. We have just acquired, with Secundo, a really strong company in Austria, which we believe is number one or two. So we are really working to become this European-wide B2B solar/EMS player that has scale, that is a strong partner to international customers and, essentially, a business model not many other people are having.

Donal Murphy: Super, thanks Fabian. Again, Sylvia, as we progress, obviously, and scale in these areas we will be giving more disclosures to the market going forward on these areas, so you will have more detail to come in the coming years. So, thanks Sylvia.

Ryan Flight (Jefferies): Yeah. Good morning all. Three from me, please. So, first one on the Energy division. The 75% that is volume-driven, the pence per litre jumped to 2.49 from 2.22. Is that just mix and the biofuels that you have alluded to, or is there anything else at play there?

Secondly, on Info Tech you have made some comments about the lower margins that we are all aware of, but is there any way you could quantify that; where we are at the moment and where you think you can get that business to on margins given the transformation?

Then, lastly, on the back of an earlier question, obviously back with the 2030 vision you alluded to an £1.5 to £1.8 million M&A spend and £180 million inorganic EBIT with that. I guess, given your deployment, is that £180 starting to look soft?

Donal Murphy: Great question, Ryan. All right. On the energy piece, maybe Kevin will give you the split, and, again, Fabian will just put a bit of context on it.

Kevin Lucey: Ryan, thanks, and, for everyone's benefit, I think you are alluding to some additional disclosure we have made this year, just around how much of our Energy business is correlated to top-line volume growth versus, sort of, more traditional revenue areas. So I think, Ryan, the continued margin progression there really is we have seen a solid margin performance around the business, but I think, in particular, there is a little bit of mix, Ryan, going on, where a lot of the growth we would have seen in the year in that area has come from the liquid gas areas and maybe the natural gas side of things, rather than the oil, traditional oil products. So those tend to be higher margin than the oil distribution activities, and so with a good performance in those areas the mix will benefit and that is the principle reason. As I say, we are satisfied with margin performance right around the Energy business, but I think that the particular change there, or improvement there, is really mix-driven.

Donal Murphy: Anything to add, Fabian, here?

Fabian Ziegler: Yeah. I might add, Ryan, that our business model emphasises, really, margin management. We are laser sharp on operational cost in all our businesses out there. We price many of our products out of a central hub based in Drogheda. So I think there is a lot of mix, but there is also our operations and our margin mindset, and a lot of discipline when it comes to pricing operations, margin management.

Donal Murphy: Super, thanks Fabian. Just on Info Tech, and I will hand over to Clive, but just to say, Ryan, we are very confident about the recovery within the overall technology market. We have been through these cycles in the past, one of the benefits of being around the industry for a while, and in ways we have had a bit of a double whammy of a weak consumer and no must-have technology products coming out during the period, as well. So the self-help we talked about earlier is just so important to us, so looking for improvements at all line levels, at gross margin costs and bottom line, but, most importantly, to drive our returns up back to acceptable levels within the industry. I think we are very confident of doing that, Clive?

Clive Fitzharris: Yeah. Yes, indeed. The gross margins in Info Tech are around about 8%, something of that order. We see more modest improvement in those gross margins, but certainly top-line improvement in the Info Tech side as the market recovers. Overall, and from a divisional perspective, Pro Tech is about 15%, and then our Life Tech is more at 20%. So, with stronger growth on those areas you will see the margins overall in the division staying and improving above the current levels.

Donal Murphy: Thanks Clive. Our target is soft, Ryan. I think, look, we have called out that, actually, we are ahead of schedule on the energy side, and that is a good place to be for the time being. We are very ambitious to grow this business, and I think hopefully you know us well enough that when we set targets, we set targets to beat them and that is always our focus. Thanks Ryan.

David Brockton (Deutsche Numis): Good morning. Can I just ask one around the technology business, just following up on that last question? Can you just confirm that the demand environment you are seeing today is now more stable? I just noticed a smaller peer talking about further mid-single-digit declines they are seeing in the UK and Ireland through the beginning of this year. Maybe just if you are able to flesh out more of the path of recovery from a top-line perspective that you would hope to see through 2025. Thanks.

Donal Murphy: Yeah, thanks David. No, we noted that one this morning as well. So I will hand you over to Clive.

Clive Fitzharris: So, I suppose, firstly David, calendar Q1 this year has been weak. It has been in line with the full 12 months for us; it is the same pattern throughout the year. Q2, in our own business – and it is early, but it is more stable – we are looking at more of a flat performance in Q2. While it is harder to do projections in the current environment, our view is very much the back end of the year, and certainly to the back end of our year into calendar Q4 and the start of next year with more macro stability and political stability. That will be a return, particularly on the corporate spend side, and there should be strong growth in the back end of the year in line with the long-term trends that I talked about in my presentation.

Donal Murphy: As we said earlier, David, the tech industry has always been a growth industry, but it does go through cycles, both the economic cycle and the product tech cycles as well, so we need a couple of those to converge. Anyway, thanks David.

Christopher Bamberry (Peel Hunt): Good morning. Just wanting to check, follow up on that answer on technology. Does that mean the rate of decline in Q4 was worse than the rate of decline in Q3?

Secondly, what are your customers saying about this year across the three segments in Technology?

Finally, UGI obviously recently decided to retain its AmeriGas business. Any thoughts on that, how that may or may not impact the North American market? Thank you.

Donal Murphy: Okay. Well, maybe I will take the last one, just per se. We will not, obviously, comment on competitors' businesses, but I think we see the US market as being a big growth market for us going forward. We have made good progress over the last number of years, and we certainly continue to expect to deploy capital over there. We will let UGI do what UGI want to do with their business.

Clive?

Clive Fitzharris: Between Q3 and Q4 similar, it is the same, there is no difference really. What are our customers saying? Very similar to ourselves. They are optimistic about the back end of the year and the projects are coming back. Particularly in North America, we see within our Pro Tech business a very good April versus a weak April in the prior year and a reasonable start to May. So, I think similar to what I was talking about.

Donal Murphy: Thanks Chris.

Daniel Cowan (HSBC): Thank you. Good morning everyone. Two questions. One on the working capital, please. Just wondering what went so well in working capital? Perhaps you can just talk us through some of the moving parts of that and what you would expect for the current year.

The second one, I do not know how you want to answer this, but I will ask it anyway. Just in terms of capital allocation, are there parts of the Group, and I am thinking perhaps, maybe, bits of Mobility or perhaps even parts of Info Tech in Technology, where you might be thinking of divestments, sort of medium to longer term, and perhaps being able to recycle some capital into some higher return areas. Those are my questions, please.

Donal Murphy: Thanks Dan. Well, look, I will start with the second one, and then we are delighted you asked a working capital question because it has been a super performance in the year and Kev will come back and talk about that. Look, portfolio management is a key part of the way we have managed our Group. Take you back a number of years ago, we had a Food & Beverage business, we had an Environmental, services businesses, and if we do not see any business within the Group that has both the growth potential and the right returns characteristics, well then we have got to consider it from a portfolio management perspective. So nothing has changed on that front.

I am not going to call out any areas specifically, but we look at the portfolio of businesses across the Group through that lens all the time and we do make those divestment decisions. So if there is a business that we do not see with the growth potential, well then clearly we will consider the options and redeploy that capital into higher growth areas.

Kevin?

Kevin Lucey: Hey, Dan, thanks for the question. When it comes to working capital, I mean, look, we are pleased with the result for the year, Dan. I mean, as you know, I think the way the mix of the Group is at the moment, and the most heavily negative working capital business has maybe been on the Mobility side, where we have deployed a little bit less capital in recent years, we now have a positive working capital dynamic underlying the Group. Therefore, as we grow our businesses we tend to invest in working capital rather than throw off working capital. Now, that being said, we are very pleased with the performance in the current year and the 100% free cash flow conversion is a really strong performance.

I guess on working capital there is probably two things to call out. I suppose one on the Energy side. This time last year, Dan, we had a very elevated wholesale cost of energy, and in our natural gas and power businesses in particular, which are positive working capital businesses, that manifested itself in quite an investment in working capital, which we have seen unwind as the year went on. So that is probably the one, the single biggest. There are lots of ups and downs typically in working capital, Dan. That is the one single thing that probably made the difference in Energy this year.

I would say the second area to call out is that obviously with the volume decline that we have seen across the Technology business from a revenue perspective, clearly our revenues are down and we have been very focused on driving inventory levels down across the tech division, and the team did a good job on that this year. So I think that is probably the other area where there was a notable improvement in working capital management over the course of the year.

So those two things combined were the primary drivers, Dan, and I think when it comes to FY25 we would tend to be investing in working capital. So we would be expecting we would have a modest £30 to £40 million outflow in working capital for the year as a whole, with a larger working capital outflow in the first half and a working capital inflow in the second half, but a net working capital outflow of £30 to £40 million.

Donal Murphy: Thanks Dan.

Thanks very much and, look, just to thank everyone for joining the call today. As I say, we feel really good about the Group, 30 years as a public company, and go back to my £100,000 invested on flotation and £6.4 million would be in your back pocket today. We think we are really well-positioned, not just the past but for the next 30 years to come, and, as I say, lots of exciting things in front of DCC. So thank you all for your time today and we look forward to seeing many of you during the week. Thank you. Bye.

[END OF TRANSCRIPT]