DCC Interim Results – 30 September 2023

Tuesday, 14th November 2023

Introduction

Donal Murphy

Chief Executive, DCC plc

Welcome

Good morning and welcome to DCC's interim results presentation for the six months ended 30th September 2023. I am Donal Murphy, Chief Executive of DCC and I am delighted to be joined by Kevin Lucey, our Chief Financial Officer. Here is our standard disclaimer. Thankfully I do not have to read it. It is there for your notice. On our agenda for today I will cover off the highlights of the first half of the year, which was another period of strong growth and development activity for the Group. Kevin will take you through the performance review. I will give you an update on our strategy and our development activity. We will finish with our outlook statement and a summary before we open up the session for questions.

Highlights H1 FY24

Financial performance

Let us get started with the highlights for H1 FY24. It was an excellent start to the year with strong growth in operating profit for the Group and an excellent period of acquisition activity. On our financial performance we delivered strong growth in the seasonally less significant first half of our financial year to 30th September 2023. We were really pleased with the performance given the ongoing challenges in the macroeconomic environment. Group adjusted operating profit increased by 12% to £247.6 million driven by an excellent performance in DCC Energy and partially offset, as anticipated, by a decline in both DCC Healthcare and DCC Technology. We were particularly pleased with our organic growth of 4.4% during the period. The Board proposes to increase the interim dividend by 5% to 63.04 pence per share. The strong performance of the Group during the period 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.

Development activity

From a development perspective we made really good progress in delivering on our strategy. Since our results in May 2023 DCC has committed approximately £310 million to new acquisitions in DCC Energy including, as announced separately this morning, the synergistic acquisition of Progas for £140 million, a nationwide distributor of LPG in Germany, Europe's largest energy market. The acquisition is subject to competition clearance. As well as the acquisition of five energy management services businesses, further expanding our offering in this high growth sector. These acquisitions demonstrate the progress we are making on the execution of our Cleaner Energy in Your Power strategy. More about this later.

The world needs progress for all

We enable people and businesses to grow and progress and we are future-focused. We are embedding our strategic and sustainability agendas across the Group. At our Energy Insights event on 6th September we publicly set our ambition to reduce our Scope 3 emissions by 50% by 2030 and to net zero across Scope 1, 2 and 3 by 2050 or sooner. We are well on track to achieving these goals. We announced today that for the first time in our history DCC has been issued with a public credit rating by S&P Global Ratings and Fitch. We have been rated BBB, a solid investment grade rating. Finally, our preparations are well in hand for CSRD. I will hand you over to Kevin now who will take you through the performance review.

Performance Review H1 FY24

Kevin Lucey

Chief Financial Officer, DCC plc

Financial Highlights

For the six months ended 30th September 2023

Thanks Donal and good morning everybody. I will run through the first half performance at a Group and a divisional level. As Donal mentioned, the first half in DCC is seasonally less significant from an activity and profitability perspective, typically accounting for about 35% of our profits on an annual basis. Notwithstanding that it is good to be reporting strong growth in first half operating profits and in line with our expectations overall. Revenue was £9.6 billion in the first half and as you will know revenue is not always the most relevant metric for DCC given the operating model in our Energy division. I will talk through the divisional metrics in a few moments but at a Group level the revenue delta to the prior year was substantially driven by the lower cost of energy commodities during the first half. You will remember that the comparative period saw really elevated prices due to the energy security concerns at the time.

As Donal mentioned, Group adjusted operating profit was £247.6 million, 12% ahead of the prior year and in modest constant currency headwinds. 12.2% ahead on a constant currency basis. We will come back and talk about the divisional contributions to that but with a strong organic performance in Energy operating profit was organically up 4.4%.

Adjusted EPS growth was 1.9% with the delta to operating profit growth being driven by a modestly higher effective tax rate of 20.3%. This reflects our expectation for the full year and is a little higher than prior year as the Group grows internationally. Obviously we have also seen a number of jurisdictions increase corporation tax rates over the last 12 months. As expected, our increased interest costs accounted for the majority of the delta. Clearly the interest rate environment has changed materially versus the first half of the prior year and we saw that come through very much in H2 last year. H1 this year has also seen it. Interest costs were modestly higher than H2 of the prior year. The Board has increased the interim dividend by 5% which again will hopefully be welcomed by shareholders this morning.

In terms of balance sheet and cash flow working capital was in line with expectations and the prior year at £440 million so we saw our typical seasonal outflow in working capital. On a like-for-like basis the utilisation of supply chain financing in DCC Technology was lower than the prior year by about £35 million so we are pleased with the performance from a working capital perspective generally. On a rolling 12-month basis the free cash flow conversion of the Group remains very strong at 86%.

Net debt excluding leases was approximately £1 billion. The increase on prior year is really all due to acquisition activity. Most of the prior year acquisition activity from a cash flow perspective was in the second half of the year. We spent £300 million in H2 of the prior year with £150 million in H1 this year so £450 million in acquisition spend since this point last year.

A couple of other quick points on the balance sheet, I suppose we set out a number of years ago to improve the efficiency of the balance sheet and to also add to our funding options over time. During H1 we repaid £235 million in private placement notes from cash resources. We are holding about 50% less cash relative to our EBITDA than we did three years ago. Just under 60% of our debt is now at fixed rates. This has increased from about 30% four years ago. We have had great support from the private debt markets since 1996 and we continue to enjoy their support today. Strong investment grade credit ratings from S&P and Fitch that Donal mentioned earlier provides us with further optionality in terms of Group financing into the future.

We would expect the acquisition of Progas to close before the end of the financial year following the competition process but we expect that to be late in the financial year. We are not expecting much, if any, of a profit contribution until FY25. We would expect to finish the year on the basis of the announced acquisition activity to-date with about 1.0x net debt/EBITDA so pretty similar to prior year.

Divisional Results

For the six months to 30th September 2023

I will not dwell on this slide for too long as we will get into the detail of each division in a moment but as you can see on the right-hand side DCC Energy accounted for 69% of operating profit in H1 with DCC Technology and DCC Healthcare together accounting for 31%. Looking to the table on the left you will see that at Group level we had a very modest constant currency headwind of just 0.2% with reported growth of 12%. Given where currencies are at today relative to the prior year we continue to see an FX headwind of just over 1% to Group operating profit for the year as a whole. Pretty much the same as we did in May when we were guiding. In terms of reported profits DCC Technology declined by 15% to £38.7 million, DCC Healthcare declined by 11.3% to £38.3 million and DCC Energy was up 28.9% to £170.6 million. Now we look at what drove the performance across each of the divisions on the next couple of slides.

DCC Energy – Performance Summary

Excellent organic performance in H1

Operating profit growth in DCC Energy increased by 28.9% to £170.6 million, an excellent performance. Looking at the right-hand side of the slide you will see that the Energy Solutions business represented 61% of profits in the first half with Mobility contributing 39%. On a relative basis Solutions would contribute more to relative profits as usual in the second half.

In terms of headlines organic profit growth was just over 20% with M&A contributing almost 8%. The trajectory we have seen in recent years of an increasing proportion of our profits coming from Services, Renewable & Other products, continued in H1, up 7% on the prior year to 46%. This metric is quite impacted by seasonality as most of our traditional heating business occurs in H2 but nonetheless the direction of travel is instructive. We would expect the full year metric, which was 28% last year, to continue to move northwards. Overall volumes were flat year-on-year.

Profit growth was strong across the Energy Solutions business, 33.3% ahead of prior year. The strongest performing regions were Continental Europe and the Nordics. We had good organic growth across our SRO product offerings and of course most of our acquisition activity over the last 12 months also falls into that product category. Donal will pick up on that later in the presentation. The natural gas and power market was a drag on performance in the prior year and we saw good recovery in that area during the first half. Cost inflation continued to be a feature during H1 but the teams around the division did a very good job on ensuring that costs were minimised and recovered where necessary.

The Mobility business also performed well in H1 with profits up 22.5%, all organic. We saw solid performances across all markets really with the stronger regions being in the Nordics and the UK. Our French business performed well in a challenging operating environment with some disruption from strikes early in the year and also difficult market conditions more recently. Our digital and fleet service business areas also performed well and delivered good growth. Albeit smaller seasonal numbers in H1, a very strong performance overall from DCC Energy.

DCC Healthcare – Performance Summary

Strong profit growth in DCC Vital; continued difficult market for DCC Health & Beauty Solutions

In DCC Healthcare we had operating profits of £38.3 million, 11.3% below the prior year. DCC Vital delivered strong growth in H1. At a divisional level the organic decline in profits was driven as expected by the fall in profitability in DCC Health & Beauty Solutions. The strong growth in DCC Vital included the benefit of the first-time contribution of Medi-Globe and good growth in medical devices and in Ireland. The integration of Medi-Globe has gone well and the business has also performed well. In Primary Care performance was mixed with a good performance in the DACH region but we experienced weaker demand in the UK where there was some impact from funding constraints in the NHS.

As expected, the health and beauty market was difficult. The last 12 months have been characterised by a significant element of destocking both in our brand owner customers, in retail and at a consumer level. As the producers of the product this has been painful for the contract manufacturing sector generally. The trends globally have been consistent and we have experienced similar market conditions in the UK and the US. It is fair to say that it was a little more difficult than we were expecting during H1 with lower customer demand. However, we have seen green shoots in more recent weeks. Our order intake has begun to pick up, order books are building and the market statistics at a consumer level are improving now. We have not seen any material customer attrition during the period and we are seeing increased interest from and engagement with our customers on new products.

Given the difficult market conditions we were obviously very focused on our cost base. We did consolidate manufacturing of two sites into one location in the US, reflecting that focus. We have also been investing in our infrastructure across the last couple of years and this continued in H1. While we were reducing costs where we could, costs were up due to inflation, the relatively higher fixed cost environment in the health and beauty segment, and most materially the investments we are making in new capabilities such as in our new state-of-the-art gummy line in Florida.

Just to summarise, strong performance in DCC Vital with a decline in Health & Beauty. In terms of the divisional operating margin all of the decline was driven by the organic decline in Health & Beauty and the increased costs we saw there. However, the investments we are making reflect our continued confidence in this long term growth sector and we believe it remains a very strong growth opportunity for the Group.

DCC Technology – Performance Summary

Operating profit decline; maintaining market share

Finally for this section of the presentation DCC Technology. Operating profit declined by 15% or 13.4% organic constant currency to £38.7 million. Revenues were back almost 10% organically reflecting weaker demand for our consumer technology. Again our Pro Tech activities where we have increased our presence in recent years performed well with a particularly strong performance in Pro Audio products in North America. The weakest demand we experienced was really for consumer tech products and that is relevant in our Info Tech and Life Tech channels in Continental Europe and the US.

Despite the weaker demand experienced, our large UK business which is in the Info Tech segment performed well and delivered good growth. We have been very focused on this over the last 12 months and it is pleasing to see some good operational improvements coming through now. Across DCC Technology given the backdrop we remain very focused on costs. Costs were flat across the first half which reflected some good cost reductions and then inflationary impacts.

Finally and to reiterate, strong growth in profits overall in the seasonally less significant first half. There is clearly lots of macroeconomic uncertainly around but DCC remains very well positioned to continue its growth and development. I will hand back to Donal now.

We Invest in What the World Needs

Donal Murphy

Chief Executive, DCC plc

A Strategy for the Future

We look for future growth potential

Thanks Kevin. At DCC we invest in what the world needs and now I will give you an update on our strategy, development activity and the progress we are making with the implementation of our Cleaner Energy in Your Power strategy. 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 many years 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. We allocate capital 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 of enabling 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. 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 and 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.

DCC In Action

Progress made in H1 FY24

By pursuing our Group strategy and deploying capital in the higher growth segments of our sectors the size and shape of DCC will be very different by 2030. By 2030 we will have more than doubled the size of the Group and approximately 70-75% of our profitability will come from Energy Services & Renewables, Healthcare and Technology. We are making really good progress against this objective and to demonstrate this I would like to pick out a few of the developments from H1 FY24.

In DCC Energy at our Energy Insights day on 6th September we outlined in detail how we will double our profits while halving carbon emissions by 2030 through the implementation of our Cleaner Energy in Your Power strategy. We doubled the sales of HVO biofuel volume to just under 50 million litres. We expanded our energy management services business through five acquisitions and organically. We completed the development of our Avonmouth LPG storage facility.

In DCC Healthcare in order to drive greater operational efficiencies we consolidated two of our US nutritional contract manufacturing facilities. We completed a state-of-the-art gummy line in the US and are now manufacturing for our first customer in this high-growth innovative format. We have made really good progress with the integration of Medi-Globe and we continue to invest in the technology and digital platforms in primary care to accelerate our growth.

Finally in DCC Technology we are really pleased with the progress we are making in the operational improvement project in our UK Info Tech business. We have invested in and improved our online marketing in our Life Tech fulfilment business in the US.

The World Needs Cleaner Energy For Everyone

Our 2030 Vision – Double profit and half carbon

If you did not have the opportunity to join us for our Energy Insights day on 6th September or to listen to the recording of the event yet, I would encourage you to do so. The recording of the event can be accessed on our website www.dcc.ie. I would just like to briefly summarise our energy strategy and highlight some of the progress we have made during the first half of the year. The world needs cleaner energy for everyone that is secure, affordable and sustainable. Our Cleaner Energy in Your Power strategy will deliver 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. Secondly, by building a complimentary, decentralised electron-based business to enable our customers to self-generate electricity from renewable sources.

To deliver on our objective in our molecules business we will become a leader in biofuels. We will accelerate the growth of LPG as a transition fuel while increasing the percentage of renewable LPG 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 objective in our electrons business we will continue to consolidate the highly fragmented solar installation market becoming a pan-European leader in solar solutions. We will buy and build an energy management and services business providing a broad range of recurring revenue energy management services to our customers. We will continue to expand our services offerings including heat pump and hybrid solutions.

Our customers are at the heart of our strategy and by implementing our strategy we will expand the range of products and services we are providing to our existing 1.7 million direct energy solutions customers to support them on their journey to net zero. We will also acquire new customers as we continue to consolidate the LPG market, the highly fragmented solar and energy management services sectors and with our combined offering we will accelerate organic customer growth. The net result of this is that we will grow our direct solution customers to more than two million by 2030 and we will increase the lifetime value of our customers by 1.4-4.0x as we go forward. This is why we are so convinced that Cleaner Energy in Your Power is a winning strategy, both commercially and for the planet.

DCC Energy's 2030 Vision

EBIT to double by 2030 compared to FY22

Here is our bridge to 2030 outlining the material steps in how we will double our profits to £830 million from 2022. We made great progress during the first half of the year. In LPG not only did we drive strong organic profit growth but we also acquired two LPG businesses, a synergistic bolt-on in the US and the strategically important acquisition of Progas in Germany, a leading distributor of LPG in the German market, for an enterprise value of £140 million. The acquisition is subject to competition clearance. The synergistic acquisition is DCC

Energy's largest to-date in Germany, Europe's largest energy market and considerably expands DCC Energy's customer base in the market to over 100,000 customers. DCC Energy will now accelerate its Cleaner Energy in Your Power strategy for German customers by selling additional solutions into the future.

In biofuels we increased our sales of HVO in H1 FY24 to 48 million litres from 27 million litres in the prior year. Finally in H1 FY24 we acquired five energy management and services businesses including Centreco, the leading solar PV installer in the commercial and industrial sector in Britain; Solcellekraft, a leading solar PV installer in Norway; Isolatiespecialist, a leading provider of energy efficiency and installation services in the Netherlands. We now have leadership positions in solar in five countries in Europe.

Outlook and Summary

Donal Murphy

Chief Executive, DCC plc

Outlook FY24

Just before we open up to Q&A our outlook for FY24. DCC continues to expect that the year ending 31st March 2024 will be another year of operating profit growth in line with our expectations and continued development activity.

To Summarise

In summary DCC delivered strong growth in operating profit in the seasonally less significant first half of FY24. We had excellent acquisition activity with £310 million committed to acquisitions in DCC Energy. We continued to be focused on the future, executing our strategy and embedding sustainability across the Group. Thank you all for listening and we look forward to answering your questions.

Q&A

Annelies Vermeulen (Morgan Stanley): Hi, good morning, I have three please. Firstly on your M&A pipeline into the second half, clearly with what you have spent already in the first half you have delivered most of your annual target already. Could you give us a bit of colour on how the second half of the year you expect to develop, whether you have more deals in the pipeline and whether we can expect further announcements before the end of your fiscal year? Then secondly on Technology, you have obviously commented in Health & Beauty that you are seeing some green shoots and improvements in volume. I am just wondering if you are seeing any of that consumer yet within the Technology business? I am assuming not but if you again have any insights on how and when you expect that to pick up it would be great to hear them. Then lastly just a quick one on Germany. With the acquisition that you have announced today can you comment on what that takes your market share to in Germany in LPG? Can we expect more deals here in German LPG as you continue to consolidate your position? Can we expect that you will achieve a comparable market share position as your other more mature LPG markets? That is all. Thank you.

Donal Murphy: Thanks Annelies. The M&A activity as you say in the first half of the year has been really strong so £310 million in any six-month period is pretty good for DCC. We do have a very active pipeline. It is something we work on all the time. It is not about the deals that we have done but it is about the opportunities going forward. We have opportunities to deploy capital across all our sectors. You never can call when M&A happens but I think we would be pretty confident that there will be more deals to be done in the current year and a good pipeline going forward. Particularly pleased with the activity and the growth in the Services and Renewables side of our business. That is an area that we continue to build capability and capacity as we expand out into the European countries and take leadership positions in more markets.

On Tech I think you answered the question Annelies yourself really. It is difficult to call. As Kevin said, our Pro business or B2B business was pretty robust. The consumer side is more difficult. Spend is discretionary on the consumer side and it is probably hard to see the consumer getting any easier. Certainly in the short term. However, as you know the peak trading period is coming up now over the next number of weeks and when we give our interim update in February we will obviously have better insight into where the consumer is and the Christmas trading period. I think that is really the time for an update on Tech.

Then the acquisition of Progas is really, really important for us. We had a more modest business in LPG through our TEGA business and it really puts us on the map with a nationwide business in Germany. We are now one of the top-five players within the market and it is a really good platform for us to build on. Not only in further consolidation within the market but particularly to build out our energy management services offering within Germany going forward and to bring Cleaner Energy in Your Power to German customers. Thanks Annelies.

Colin Grant (Davy): Good morning everybody and thanks for doing the call. Just a couple of questions from me. Firstly on SRO, obviously very strong growth as you have outlined there and within the bridge that you gave on 6th September you had been hoping to try and get to around £100 million in the services for SRO on a recurring basis for fiscal 2030. I am just wondering if you can give an update on what you are seeing on the services part of the SRO in terms of recurring side of things. Then secondly on Energy Mobility you mentioned in the press release that there had been some competitor activity that has impacted an element of that. I wonder if you could just give us a bit of colour on what is impacting that. Thank you.

Donal Murphy: Thanks Colin. SRO is going really well and the services element of it in particular. As we outlined and Kevin talked about earlier, we had good growth in all parts of SRO in the first half of the year with 46% of our contribution in the first half coming from SRO activities. However, the services element is where we have been deploying the capital Colin and we are very pleased with the acquisitions, not just the five we announced in September but the acquisitions from last year all performing well. We now have leadership positions. When you look at it we are the number-one player in solar installation in C&I in the UK. We are the number-two player here in Ireland. We are the number-one player in Norway. We have a leading position in the Netherlands now and we are the largest player with a full nationwide coverage in France. Not bad in a couple of years of work. We really see the growth in this area being accelerated over the coming years as we deploy more capital. We are really, really pleased with the activity there.

On the Mobility side we are talking about the challenges in the French market and in the first half of the year we had some strikes. The market is particularly competitive at the moment with some of the competition effectively setting caps on their retail prices. As the oil price has been rising that has made it a little bit tricky but we have been through those situations in the past and our team always find a way to win. We are not in any way concerned about that. It is just to flag it as it was a factor in the first half of the year. Thanks Colin.

David Brockton (Numis): Good morning, two questions from me please, both on Healthcare. You flagged green shoots and improving orders starting to come through in Health & Beauty. How long before those translate into profits and we start to see the division return to its historical growth rate? That is the first. Then the second question related to Healthcare, I think you flagged there that obviously margins have been impacted by some of the investments you have made. Can you just talk about the path to seeing an improved margin perspective there as those initiatives bear fruit? Thank you.

Donal Murphy: Yes, David I think on the Health & Beauty side we are fed up talking about destocking but it has really been a feature of the industry over the last number of reporting periods. However, we absolutely believe that that has bottomed so we will not be talking about destocking going forward. We are seeing our order books building and that translates very quickly into profit growth. We are confident as we go into the second half of this year. Through the period we have obviously managed our costs tightly but we have also made significant investments which is impacting us on a leverage perspective at the moment. We will see the benefit of that flowing through particularly as we get into FY25 where we would expect very strong growth within our Health & Beauty business. We are particularly pleased that we have the gummy capability now live and our first customer in production mode on that in the US. A good forward outlook and the macro trends in nutrition are obviously very positive.

Kevin Lucey: The only other point I would add maybe David and it is more to the 2025 and beyond period is that I mentioned in my commentary earlier that the sector has been having a tough time because what we have experienced is not unique. It is pervasive. DCC thankfully is in a very, very strong and robust financial position. We have been able to make those investments through this cycle and competitively we see a lot of leverage has probably gone into the sector through private equity activity over recent years. Conor Costigan always talks about this. Our strategy has always been to have well-invested facilities, to have best-in-class operations and being able to invest in that is a differentiator for us. If anything through a period like this which has been really tough and painful for our business and for our people, but coming out the other end of it with a lot of debt leverage in the sector and maybe a lot of distress, that feels like a pretty good position to be in competitively. I think that strategy of investing through cycles and continuing to build, doing the right thing, whilst keeping an eye on the cost base, will bear fruit over the coming years.

On the operating leverage point David I think the second half we should see an improvement in that clearly as volumes and profitability recover. The cost base eventually we will lap some of those investments into next year as well. As Donal outlined second half we see some improvement clearly in that as order books rebuild and we produce. Particularly in the fourth quarter of the year and then into FY25 we would expect the operating margin in our Health & Beauty business to pick up substantially. Just to reiterate the point, the operating margin in DCC Vital was not a factor in the divisional performance at all. DCC Vital performing very much in line with expectation and delivering operating margins in line with what it would have in the prior year.

Donal Murphy: Thanks David.

Rory McKenzie (UBS): Good morning all, three questions please. Appreciate it is the seasonally smaller half year and there was a lot of mix changes but wanted to ask what we can learn from the strong H1 Energy profits about the run rate into H2. Firstly, your Energy profit share of SRO being up seven percentage points implies that absolute profits there are up 50% year-over-year. Can you give us more detail on what is in that and how to think about the seasonality in what is getting to be a much bigger business? Then secondly in Mobility your operating profit pence per litre is up 33% in two years despite the comments around France. Can you help or comment on how much of that is gross margin versus operating efficiencies versus mix? Then I wanted to ask about Progas. Is that a pure LPG business or does it have a broader portfolio? I remember when you bought TEGA that came with I think some refrigerants and also just wondering if they themselves have an energy management business or whether that is something that you will be developing yourselves?

Donal Murphy: Sure, good question. Let us run through them all. I think on the Services and Renewables Rory your maths are absolutely right. It has been very strong growth in the first half of the year but a flow-through from acquisition activity in the prior year and contribution from the five acquisitions that we acquired this year and announced in September. There is a fair bit of acquisition activity within it but there is really strong underlying organic growth within it as well.

Kevin Lucey: Rory for colour and for context the split of the growth in SRO is one-third acquisition, two-thirds organic. Most of that organic growth is obviously because it is positioned in a higher growth sector Rory. There is a little bit of bounce-back on the renewable power side. Within the product category there you will have renewable electricity sales that we make to corporate customers in particular. We help them with corporate power purchase agreements and things like that. We would have seen some volatility in that area in H1 last year so you see some normalisation within the organic performance as well. Just to call that out but very strong underlying organic growth, a little bit of bounce-back on the renewable power side and then a third of the growth coming through from acquisition activity.

Donal Murphy: I think one of the important things Rory with this and this is something that we have been focused on for many years within the Energy business, is to get the weighting a little bit removed from being so second half weighted. The good thing about the Services and Renewables business is many, many parts of that are very well spread throughout the year. In fact some of the more installation based activities are probably more skewed to the first half of the year when you have actually better weather conditions. Again it gives us probably a better balance in the year and you will have seen that over the last couple of years in terms of the split of our Energy profits. We see that being beneficial. When we look to the year as a whole because it is skewed to the first half that 46% from 39% last year, we certainly see it well north of 30% in the full year, up from 28% last year. We are making really good progress in growth there.

I think on the Mobility side there are lots of factors at play. It has been pretty noisy over the last couple of years because through Covid we had obviously a lot of volume disruption on the retail side. One of the really encouraging factors for our retail business is notwithstanding the volume going through the sites because everyone in the industry is focused on profitability at a site level, you drive your performance through your non-fuel activities and obviously through your fuel activities. We have seen good margin performance across that business over the last couple of years. That margin is coming not just from fuel but it is clearly coming from non-fuel services as well. The resilience in the Mobility business I think speaks for itself. Then we have been growing at a fair clip which goes into that organic growth performance. Our digitally-based fleet services business is a high growth area for us and one that we have been investing in to improve the services.

On Progas this is not the most material clearly in terms of size acquisition but it is a very material acquisition for us in terms of positioning within the German market. The German market is the largest energy market in Europe and we had a relatively small share of the market. You are absolutely right, when we bought TEGA probably 15% of that business was in the refrigerant gas sector and 15% of it was in the LPG area. Our principle focus on acquiring that business was really the LPG activity. Progas is 100% an LPG business. It has some but limited other services for its existing customer base so when you combine our two businesses and then you bring our capability in the energy management services to it we are really well positioned to bring our Cleaner Energy in Your Power solutions for German customers. We see this as a material step forward for us in building a really scaled business in the largest energy market in Europe. I think an important acquisition for us and one that we look forward to getting part of the Group. As Kevin said earlier, it is subject to competition clearance so we do not see it being part of the Group really or contributing to the Group until into FY25. Thanks Rory.

Thank you everyone for joining us today. I think we are really pleased with the performance in the Group in the first half of the year. Notwithstanding the pretty challenging macro environment that we are operating within. We have a really good and clear strategy and we are well on track to deliver against that. We look forward to seeing many of you over the coming days as we go through our roadshows. Thank you all for your time and see you all soon. Bye.

[END OF TRANSCRIPT]