



# Grafton Group Plc

FINAL RESULTS 2003

# Profile

- **UK and Ireland based Building Materials Group**
- **Principal activities**
  - **Builders and Plumbers Merchanting**
  - **DIY Retailing**
  - **Dry Mortar Manufacturing**
  
- **Market leader or strong market positions**
- **2003 Turnover €1.5 billion**
- **Trading from more than 330 locations**
- **About 6,300 employees**
- **Full listing in Dublin and London**

# Principal Brands / Activities

U.K.



**Builders Merchenting**

*Significant Market positions*



**Plumbers Merchenting**

*Significant Market position*



**Silo Mortar Manufacturing**

*Market Leader*



Ireland



**Builders Merchenting**

*Market Leader*



**DIY Retailing**

*Market Leader*



**Silo Mortar Manufacturing**

*Strong Regional position*

# Strategy

- **Consistent - Focused**
- **To achieve above average long-term returns for shareholders by :-**
  - **Building on strong positions in businesses serving the UK and Irish construction markets**
  - **Developing in other Irish markets**
  - **Growing outside Ireland in businesses with which we are familiar**

# Culture and Philosophy

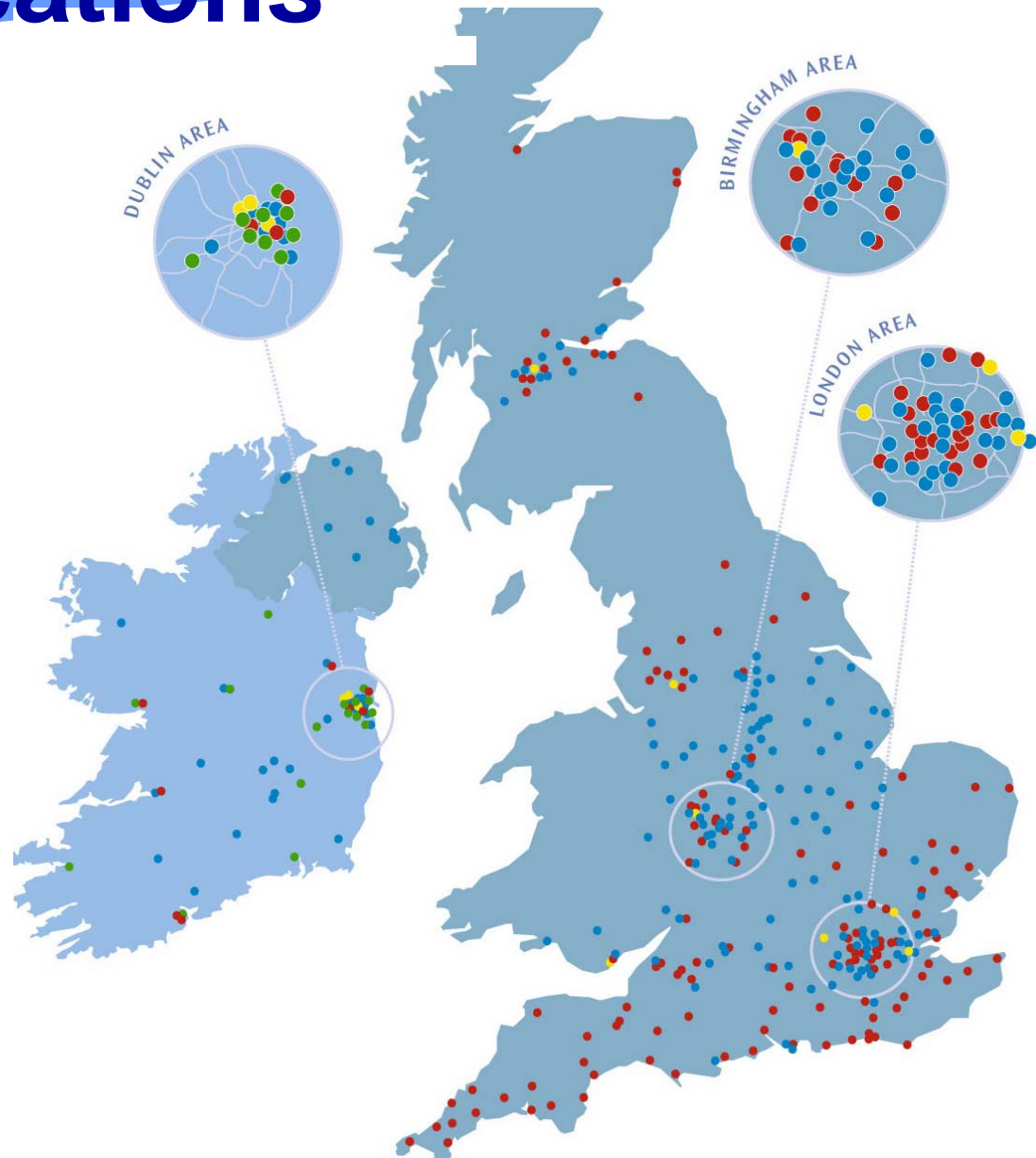
- Decentralised cost conscious profit centres
- Federal structure providing for autonomy and accountability
- Motivated management teams
  - Supported by lean centre
- Profitable growth philosophy
- Sound financing and conservative accounting

# Strengths

- **Prominent market positions in the UK and Ireland**
- **Proven strategic record**
- **Unique acquisition / integration skills**
- **Strong balance sheet**
- **Highly cash generative and profitable businesses**

# Trading Locations

- Builders Merchenting
- Plumbers Merchenting
- Manufacturing
- DIY Retailing



# Financial Highlights

	2003	2002	% Change
Turnover	€1,496.0m	€1,152.4m	+ 30%
Operating profit before goodwill	€123.3m	€92.3m	+ 34%
Pretax profit	€102.0m	€80.2m	+ 27%
EBITDA	€156.8m	€120.1m	+ 31%
Property profit	€3.4m	€3.7m	
Adjusted E.P.S.**	45.07c	*36.99c	+ 22%
Share redemptions	10.5c	*8.48c	+ 24%

\* Adjusted for bonus element of rights issue

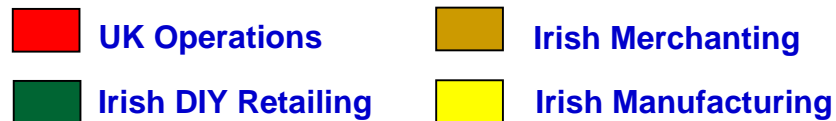
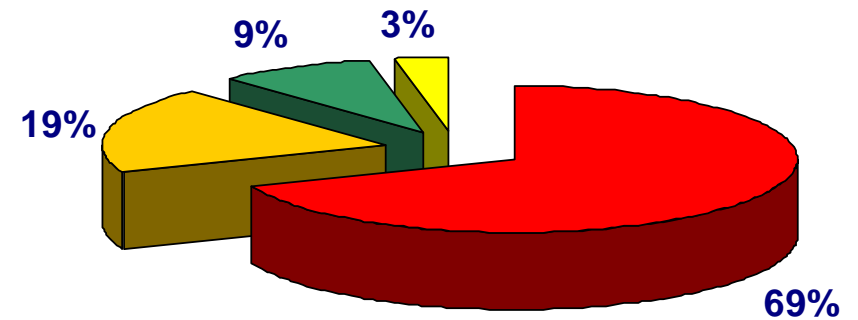
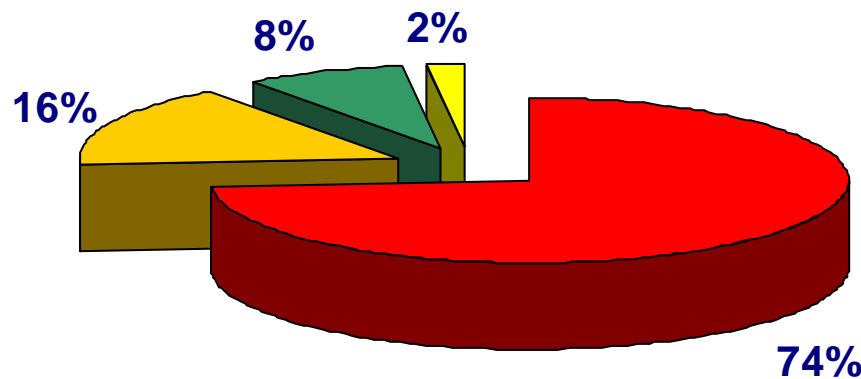
\*\* Before goodwill and property profits



# Group Turnover – UK and Ireland

2003: €1,496m

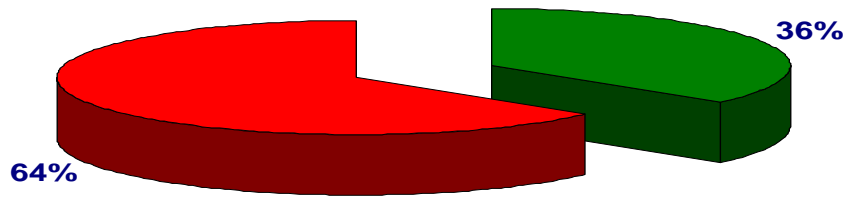
2002: €1,152m



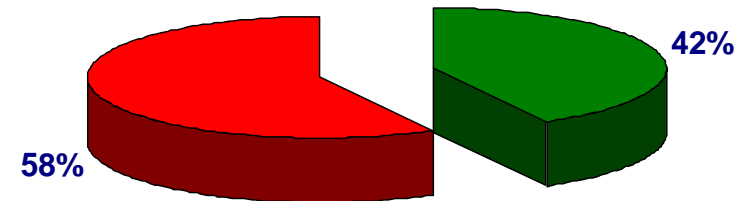
# Group Operating Profit

2003: €123.3m

2002: €92.3m



*UK Operating margin 7.1%*  
*ROI Operating margin 11.6%*



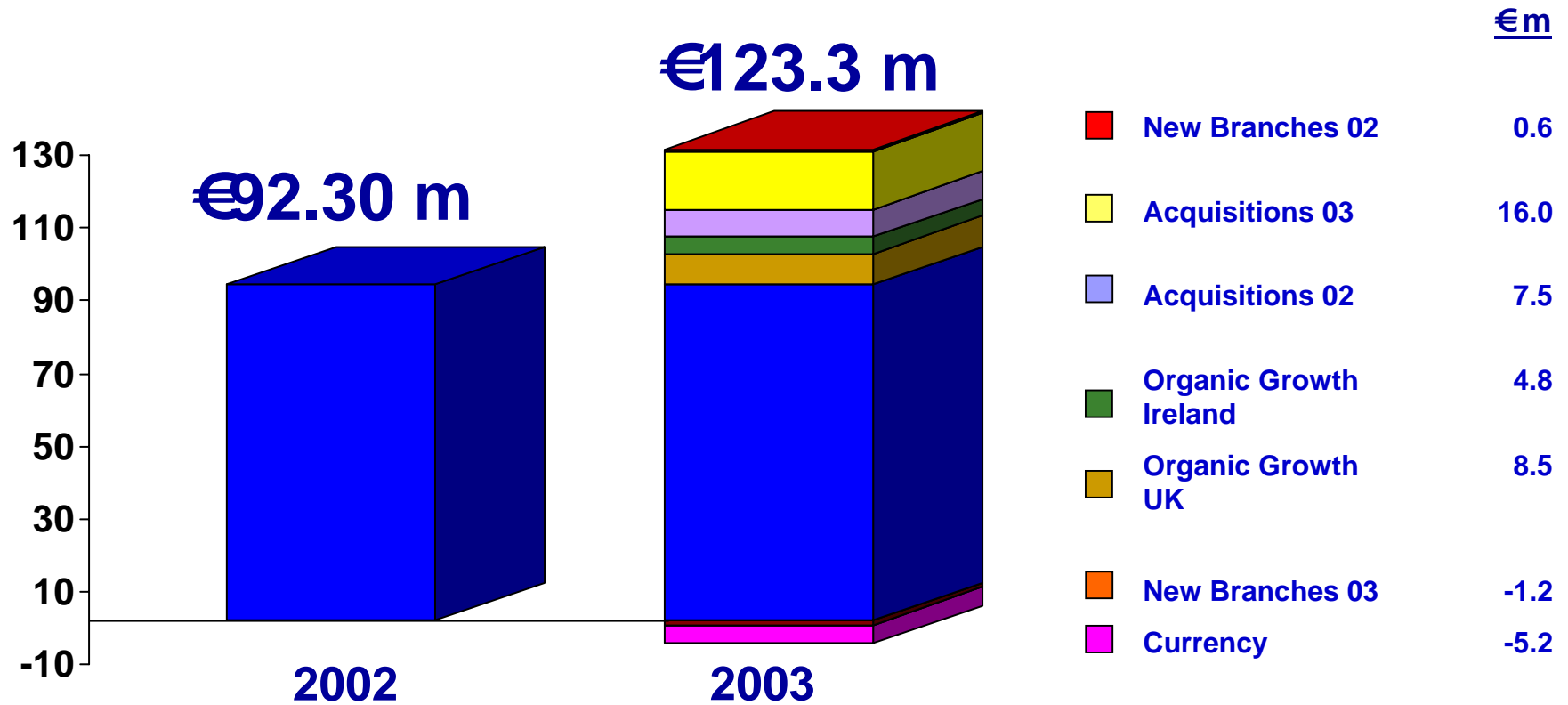
*UK Operating margin 6.6%*  
*ROI Operating margin 11.2%*

 UK  Ireland

# Financial Statistics

	2003	2002
Interest Cover - EBITA	7.5	7.4
Gearing	69%	75%
Tax Rate	15%	15%
Return avg. cap employed	17.1%	17.0%
Return avg. equity (after tax)	21.0%	21.2%

# Components of Profit Growth



# Cash Generation

	2003 €million	2002 €million
■ Operating profit	114.0	88.1
■ Depreciation & amortisation	37.5	26.6
■ Disposals & investment income	31.0	14.4
■ Shares issued	<u>69.2</u>	<u>0.9</u>
■ Total cash inflows	251.7	130.0
■ Working capital movement*	(20.1)	(3.6)
■ Capital expenditure**	(69.3)	(68.0)
■ Acquisitions	(215.8)	(90.1)
■ Share redemption, interest & tax	(43.4)	(31.1)
■ Translation adjustment	<u>25.8</u>	<u>17.1</u>
■ Debt increase	<u><u>(71.1)</u></u>	<u><u>(45.7)</u></u>

\* Working capital intensity 2003: 13.4% (2002: 13.6%)

\*\*Development capex €36.3m (2002: €35.2m)

# Group Performance to December 2003

## Average per annum compound growth

	5 Year	10 Year	Since 1987
Turnover	28%	27%	22%
Adjusted EPS	26%	33%	28%
Share redemption / dividend per share	26%	28%	23%

# Irish Performance

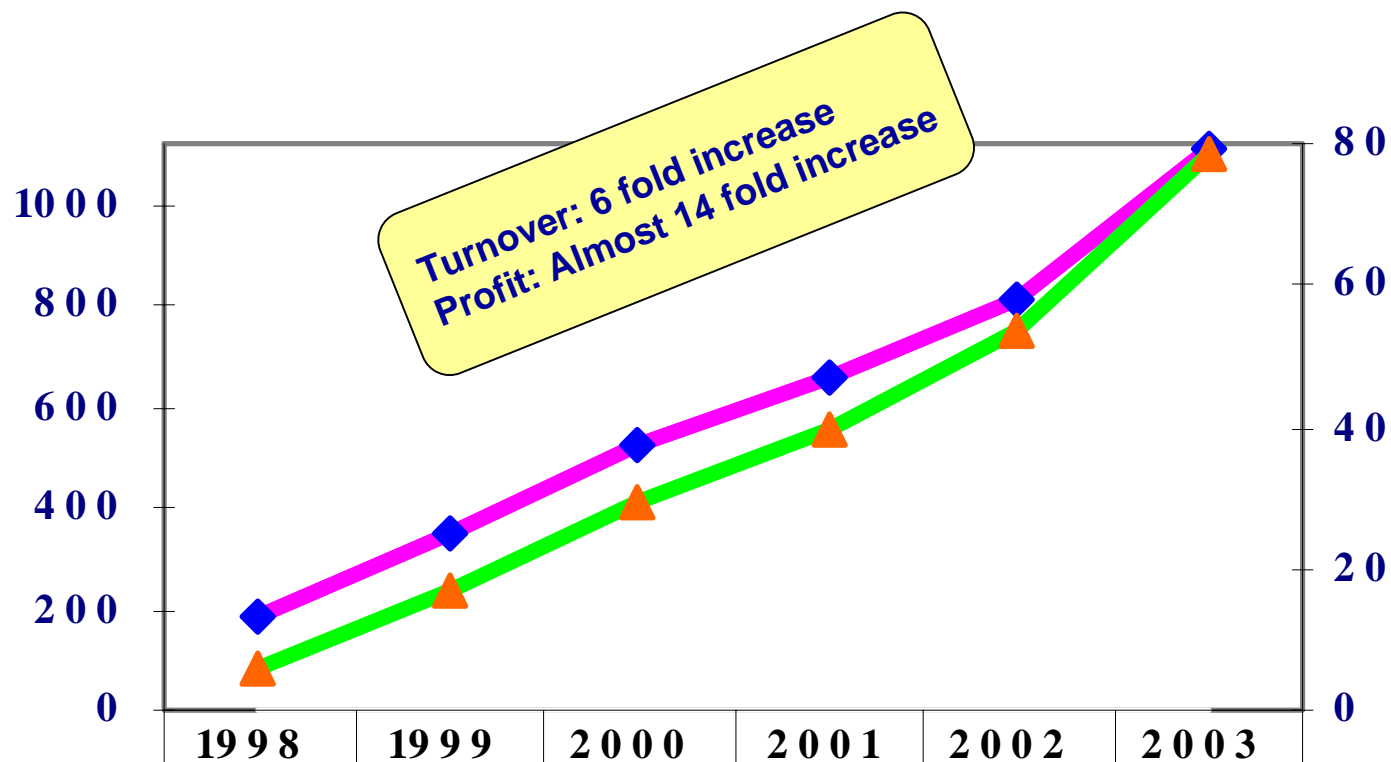
- Turnover                                    €384.5m    + 12%
- Operating profit                            €44.8m    + 16%
- Operating margin                        11.6% (2002: 11.2%)
- Buoyant market sustaining strong growth

# UK Performance

- 74% of turnover / 64% of operating profit
- Turnover                                    ↑ up 37% to €1.1 billion
- Operating profit                        ↑ up 46% to €78.6m
- Operating margin                        ↑ up to 7.1% from 6.6%
- Like for like merchandising sales grew by 5.4%
- Nine acquisitions (including Jacksons €131m)
- 52 additional branches in full year
- 276 merchandising locations in UK



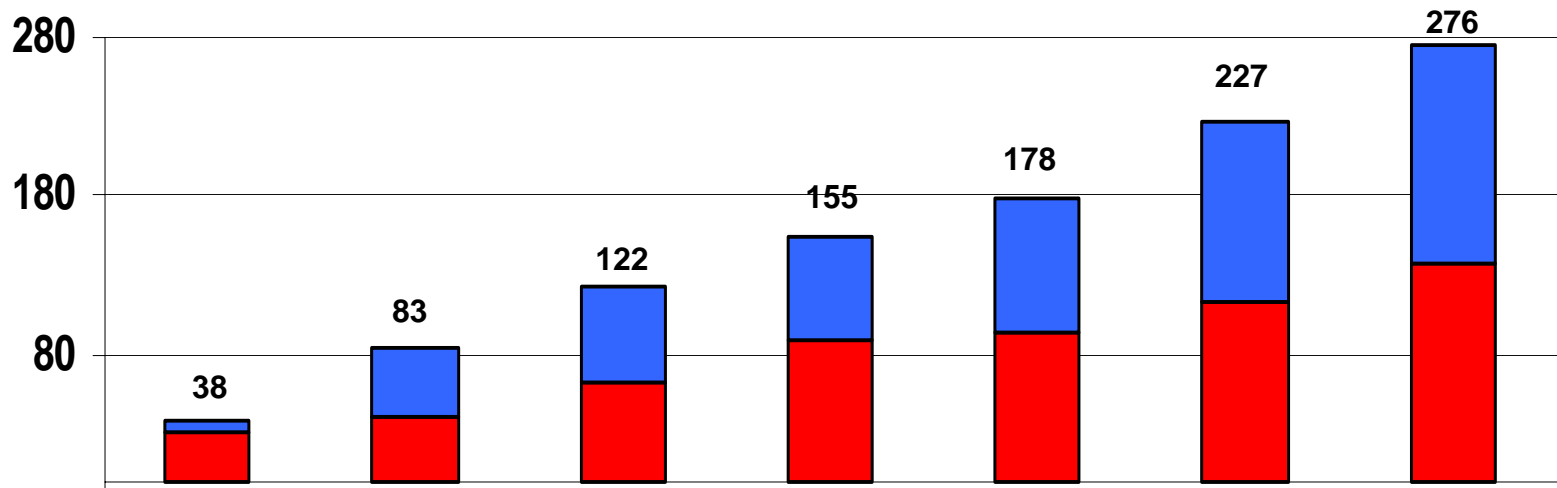
# UK Performance 1998 / 2003



Turnover: 6 fold increase  
Profit: Almost 14 fold increase

	1998	1999	2000	2001	2002	2003
◆ Turnover	187.3	344.4	520.0	657.2	808.5	1,111.5
▲ Op. Profit	5.7	16.6	29.2	40.0	53.7	78.6
Op Profit Margin	3.0 %	4.8 %	5.6 %	6.1%	6.6 %	7.1%

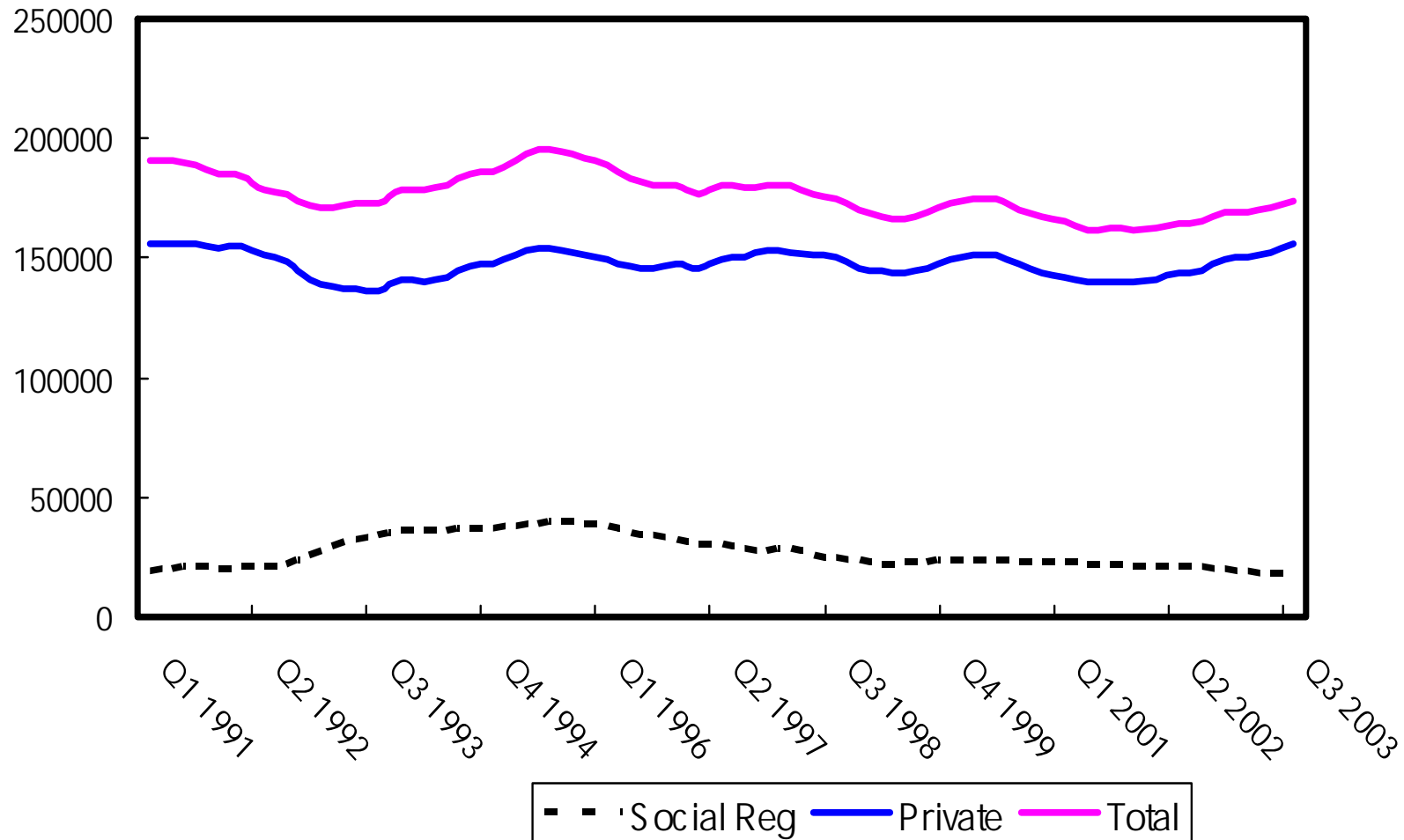
# UK Merchanding Outlets



	97	98	99	00	01	02	03
■ Builders Merchants	8	43	59	67	85	114	139
■ Plumbers Merchants	30	40	63	88	93	113	137

# UK Housing Completions

UK Housing Completions (Rolling 12-Mth Total)



# Jackson Building Centres

- Important and valuable strategic move
- Acquired 3<sup>rd</sup> March 2003
- Cost at completion Stg£88.75m
  
- Turnover 2003                      Stg£142.6m                      (Turnover 2002 - Stg£134m)
- Op. profit 2003                      Stg£9.3m                      (Op. profit 2002 - Stg£6.7m)
  
- An even better business than originally thought prior to acquisition
  
- Gives Grafton real critical mass in UK market
- Adding significant buying power benefits
- Strong local management team

# 2003 UK Acquisitions

- **Nine acquisitions in the year**
- **Consistent with Grafton's strategy and record**
- **Significant landmark year in Grafton's expansion (Jacksons)**
  
- **Grows Grafton's market share from 6% to 8%**
- **Consolidates Grafton's top four market position**
- **Creates stronger platform for growth**
- **Now only two other independent merchants of this scale in the UK**

# UK Merchanding Super League Table

## Market Shares

■ Jewson	18%
■ Wolseley	18%
■ Travis Perkins	16%
■ Grafton Group	8%

***Fastest  
Growing  
Merchant***

# Outlook 2004 - Ireland

- Construction sector may weaken
- Residential new build market to moderate / decline
- RMI market – single digit growth
- Telfords full year benefit
  
- DIY market – single digit growth
- Woodie's – Cavan and Carlow stores trading successfully
- Clonmel opened in March 2004
- More Woodie's stores in the pipeline :-  
Dublin, Kilkenny, Navan, Limerick, Drogheda.

# Outlook 2004 - UK

- UK operations will be driver of Group growth
- Main UK merchanting exposure to RMI market
- 2003 acquisitions will drive UK Turnover to well over €1.2 billion
- Full year acquisition and buying benefits to be realised on 2003 acquisitions
- More bolt on acquisitions to follow
- EuroMix expansion – 7<sup>th</sup> UK plant in Southampton to open



# Research Coverage



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# Components of Profit Growth

	€million
■ <b>2002 Operating profit</b>	<b>92.3</b>
Organic growth – UK	8.5
Organic growth – Ireland	4.8
UK 2002 acquisitions – incremental	7.5
2003 acquisitions	16.0
2002 New branches – incremental	0.6
2003 New branches	(1.2)
Discontinued	(0.3)
Exchange effects	<u>(4.9)</u>
■ <b>2003 Operating profit</b>	<b>123.3</b>
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