



# Grafton Group plc

INTERIM RESULTS 2004

# Disclaimer

- This document, which has been prepared by Grafton Group plc (the “Company”) comprises slides for a presentation concerning the Company’s Interim Results Announcement 2004. This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any share in the Company, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or investment decision in relation thereto.
- The information in this document is only intended for distribution in Ireland, the United Kingdom and other jurisdictions to persons where such distribution may lawfully be made.

# Profile

- UK and Ireland based Building Materials Group
- Principal activities
  - ➔ Builders and Plumbers Merchandising
  - ➔ DIY Retailing
  - ➔ Dry Mortar Manufacturing
  
- Market leader or strong market positions
- 2004 half year turnover exceeds €0.9 billion
- Trading from just over 350 locations
- About 6,800 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

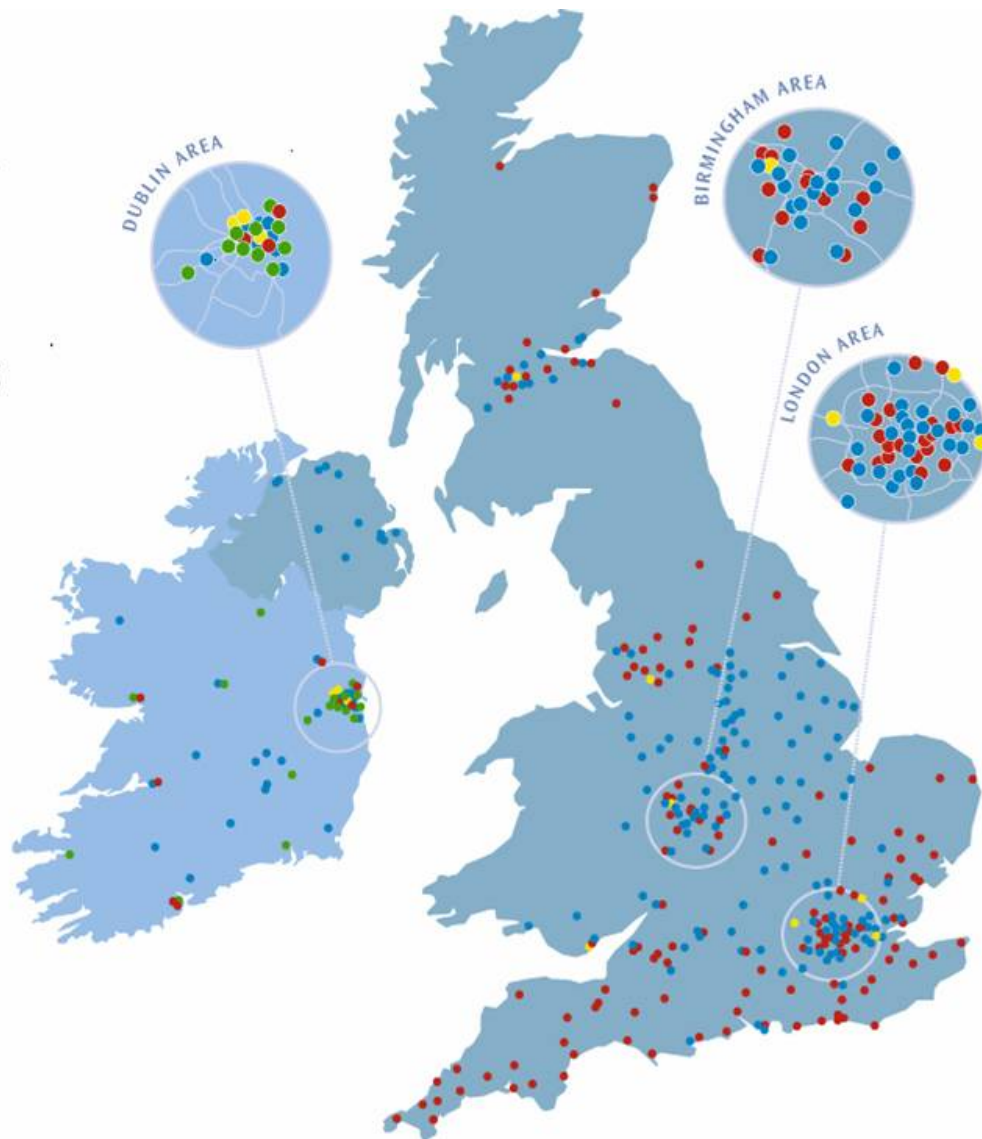
- Decentralised cost conscious profit centres
- Federal structure providing for autonomy and accountability
- Motivated management teams
  - Supported by lean centre
- Profitable growth philosophy
- Sound financing and conservative accounting

# 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 Merchants
- Plumbers Merchants
- Manufacturing
- DIY Retailing





# Financial Highlights

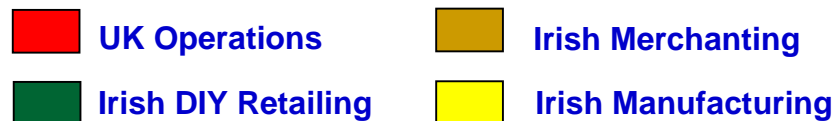
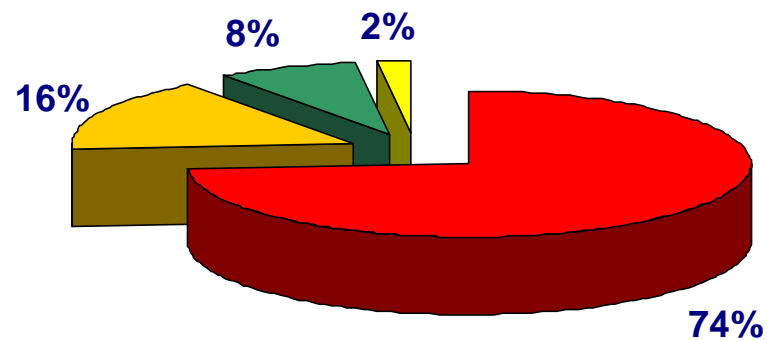
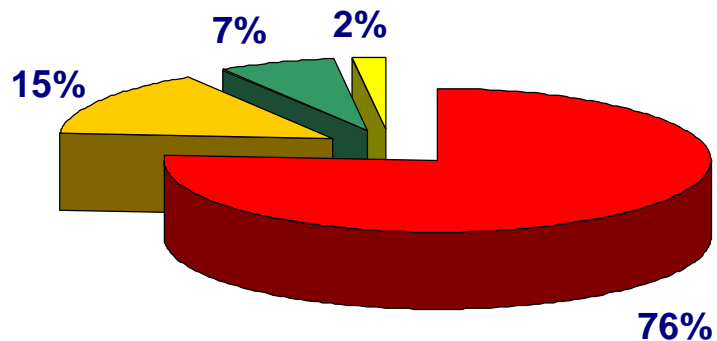
	H1 2004	H1 2003	% Change
Turnover	€111.4 m	€706.5 m	+ 29%
Operating profit before goodwill	€69.9 m	€53.4 m	+ 31%
Pretax profit	€61.9 m	€41.7 m	+ 48%
EBITDA	€95.4 m	€67.5 m	+ 41%
Property profit	€7.5 m	-	
Adjusted E.P.S.*	24.6 c	19.6 c	+ 25%
Share redemption/purchase	6.0 c	4.5 c	+ 33%

\* Before goodwill and property profits

# Group Turnover – UK and Ireland

H1 2004: €911 m

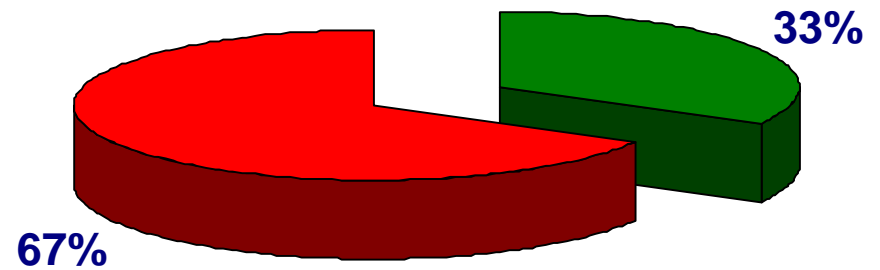
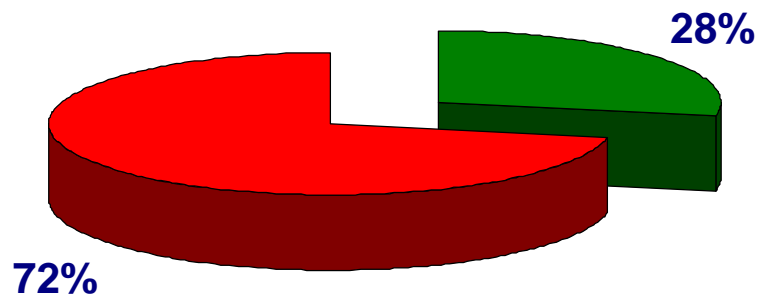
H1 2003: €707 m



# Group Operating Profit

H1 2004: €69.9 m

H1 2003: €53.4 m

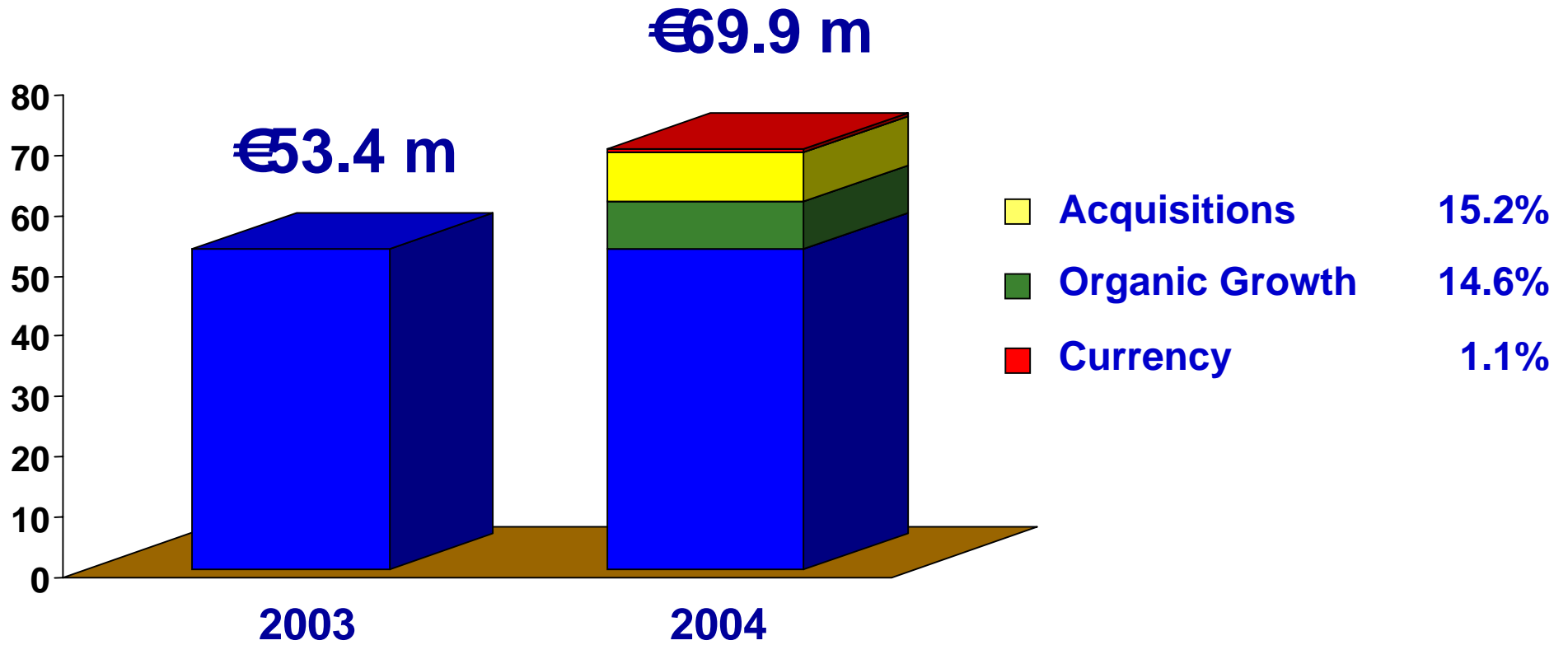


 UK  Ireland

# Financial Statistics

	H1 2004	H1 2003
Interest Cover - EBITDA	8.1	7.8
Gearing	74%	75%
Tax Rate	15%	15%
Return avg. cap employed	16.4%	16.5%
Return avg. equity (after tax)	20.4%	20.4%

# Components of Profit Growth



# Components of Profit Growth

	€million
■ <b>H1 2003 Operating profit before goodwill</b>	<b>53.4</b>
Organic growth – UK	5.9
Organic growth – Ireland	1.3
2003 acquisitions – incremental	6.6
2004 acquisitions	1.5
2003 New branches – incremental	0.8
2004 New branches	-
Discontinued	(0.2)
Exchange effects	<u>0.6</u>
■ <b>H1 2004 Operating profit before goodwill</b>	<b>69.9</b>
	=====

# Cash Generation

	H1 2004 € million	H1 2003 € million
■ <b>Operating profit</b>	<b>63.7</b>	49.4
Disposals, property & investment income	<b>22.6</b>	17.1
Depreciation & amortisation	<b>13.1</b>	4.8
Shares issued	<u><b>0.1</b></u>	<u>68.4</u>
Total cash inflows	<b>99.5</b>	139.7
Working capital movement*	<b>1.0</b>	(19.7)
Capital expenditure**	<b>(45.4)</b>	(37.9)
Acquisitions & investments	<b>(45.8)</b>	(148.0)
Share redemption, interest & tax	<b>(37.3)</b>	(21.4)
Translation adjustment	<u><b>(22.5)</b></u>	<u>20.6</u>
■ <b>Debt increase</b>	<u><b>(50.5)</b></u>	<u>(66.7)</u>

\* *Working capital intensity 2004: 13.1% (2003: 13.8%)*

\*\**Development capex €28.0 m (2003: €22.0 m)*

# 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 €221.3 m + 20%
- Operating profit €19.7 m + 11%
- Operating margin 8.9% (2003: 9.7%)
- Buoyant market sustaining strong growth

# Heiton Transaction

## ■ RECOMMENDED OFFER:

- Offer subject to Shareholder and Competition Authority approval
- Net investment by Grafton €339m\*
- Enterprise value €379m\*\* including debt of €43m as at 30 April 2004
- Multiples 2004: Sales 0.7x EBITA 10x

## ■ THE BUSINESS:

- Group Turnover April 2004 €503m; EBITA 2004 €34m
- No.1 Irish Builders Merchant, Heiton Buckley – Sales 2004: €339m
- No.2 Irish DIY Retailer, Atlantic Homecare – Sales 2004: €95m
- Specialist Merchant in UK, Cooper Clarke/Willis – Sales 2004: €69m

## ■ STRATEGIC RATIONALE:

- Excellent strategic fit with Grafton's Irish and UK businesses
- Opportunities for scale benefits from two geographically complementary businesses

\*Calculated as the net cost to Grafton of acquiring the 71% of Heiton that it does not already own (on the basis of the Grafton share price on 11 August 2004) together with the historic cost of the existing 29% stake and Heiton debt at 30 April 2004

\*\*Calculated on the basis of Grafton's share price on 11 August 2004 (the latest practicable date prior to the announcement of the offers)

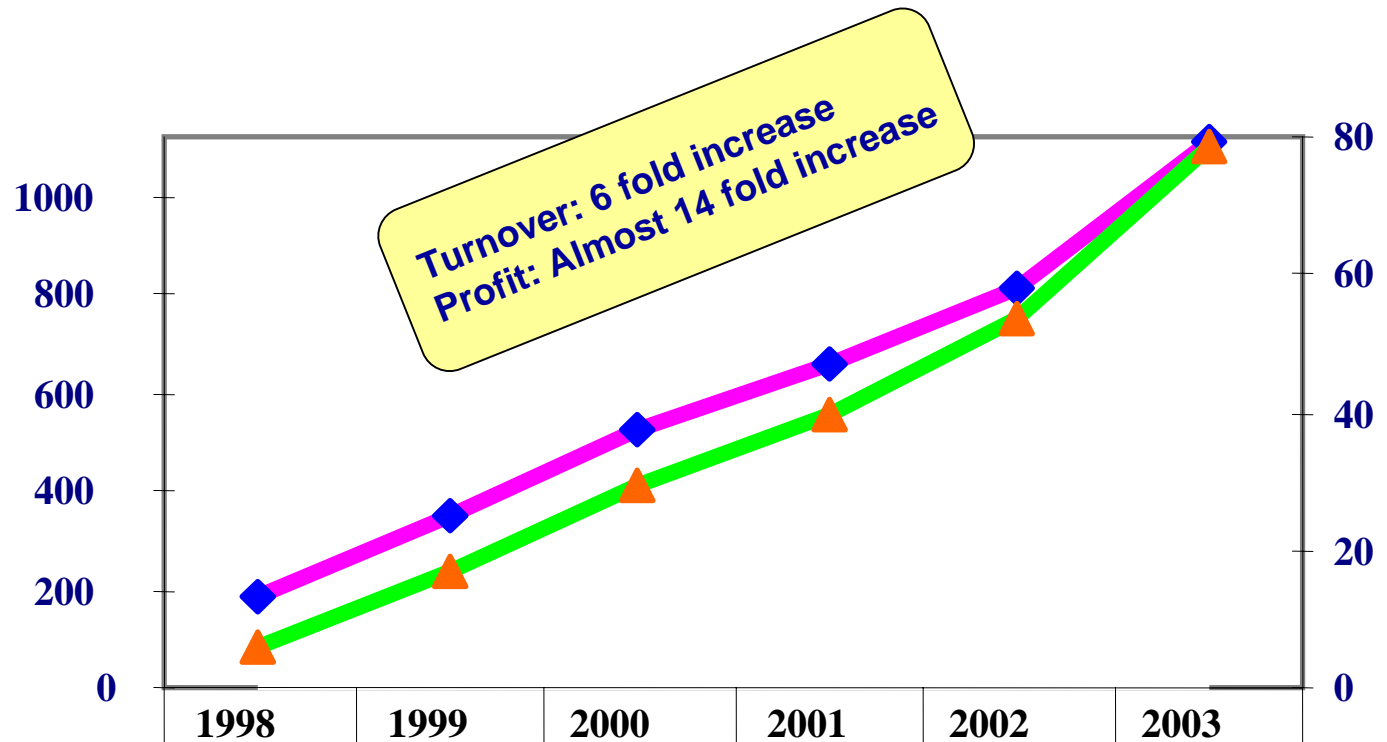
# Overview of Enlarged Group

- **Sales: UK 61% - Ireland 39%**
- **Market leader in Irish Merchanting and DIY markets**
- **Strong No. 4 in UK Merchanting market**
- **19% of Irish Merchanting market – over 50 branches**
- **15% of Irish DIY market – 31 stores**
- **9% of UK Merchanting market – 300 branches**

# UK Performance

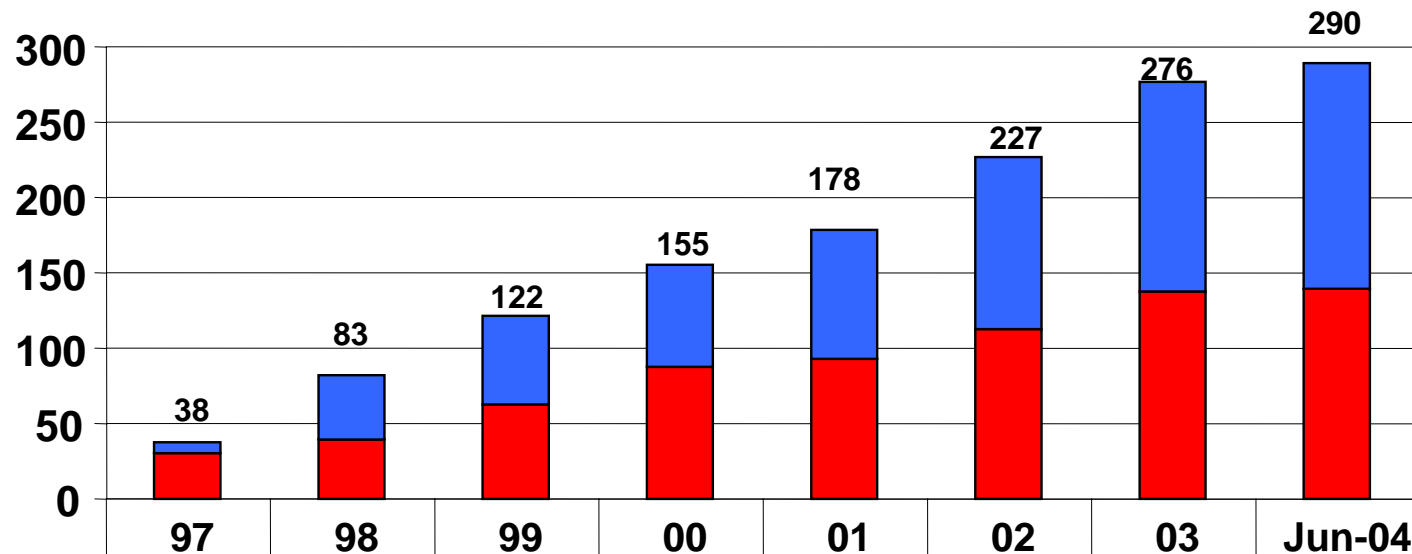
- 76% of turnover / 72% of operating profit
- Turnover                    ↑ up 32% to €690 m
- Operating profit        ↑ up 41% to €50.2 m
- Operating margin       ↑ up to 7.3% from 6.8%
- Like for like merchanting sales grew by 6.8%
- Six acquisitions – cost €32 m
- 14 additional branches in half year including 5 greenfield
- 290 merchanting locations in UK

# UK Performance 1998 / 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%

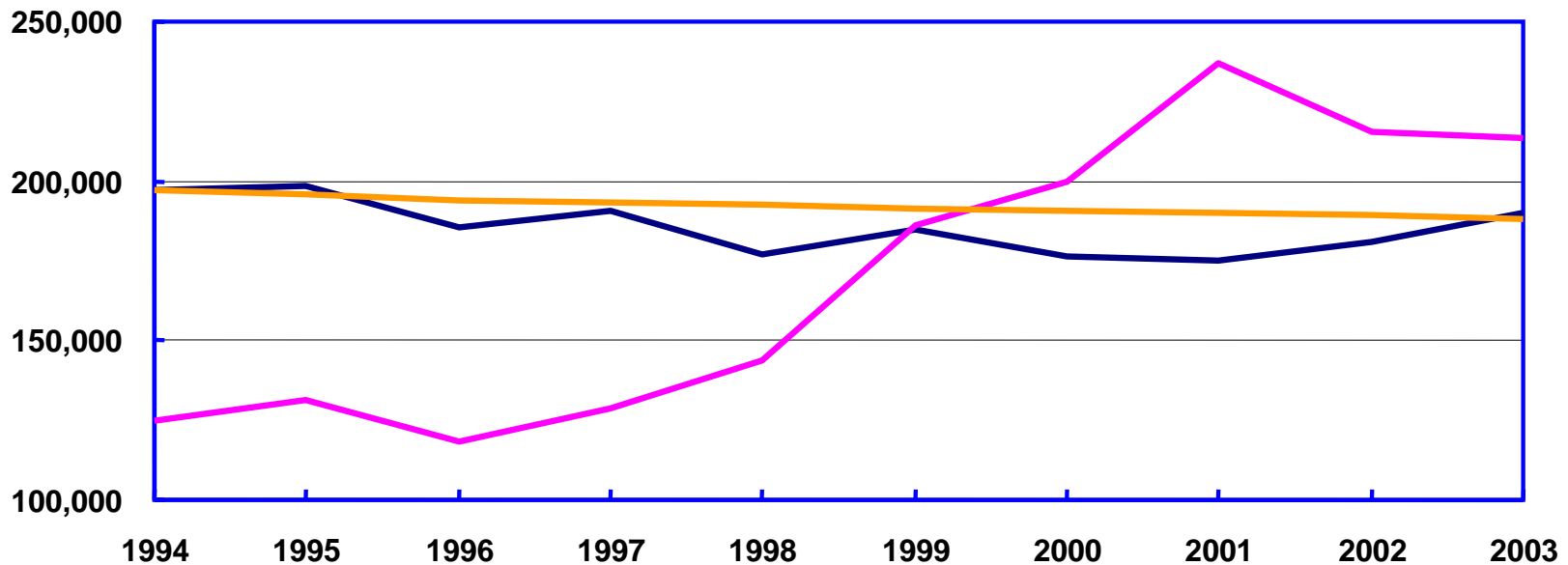
# UK Merchanding Outlets



<b>■ Builders Merchants</b>	<b>8</b>	<b>43</b>	<b>59</b>	<b>67</b>	<b>85</b>	<b>114</b>	<b>139</b>	<b>150</b>
<b>■ Plumbers Merchants</b>	<b>30</b>	<b>40</b>	<b>63</b>	<b>88</b>	<b>93</b>	<b>113</b>	<b>137</b>	<b>140</b>

# UK Housing Outlook

- UK housing completions remain low relative to average household size decreases and population growth



— Completions    — Population Growth    — Relative Avge Household Size Decrease

# UK Merchanding Super League Table

## Market Shares Dec 2003

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

***Fastest  
Growing  
Merchant***



# Outlook 2004 - Ireland

- **Construction sector peaking**
- **Residential new build market to moderate / decline in 2005**
- **RMI and DIY market – favourable environment**
  
- **Woodie's – Naas Road and Clonmel stores opened and trading successfully; now trading from 18 branches nationally**
- **More Woodie's stores in the pipeline :-  
Dublin, Kilkenny, Navan, Limerick, Drogheda.**

# Outlook 2004 - UK

- Outlook for UK economy is positive
- Main UK merchanting exposure to RMI market
- Continued growth expected in RMI market
- Full year acquisition and buying benefits being realised on 2003 acquisitions
- 6 bolt on acquisitions completed to June 2004 – more to follow
- EuroMix expansion – 7<sup>th</sup> UK plant in Southampton opened in July 2004

# Research Coverage



Aynsley Lammin  
0044 20 7986 4092



Florence O'Donoghue  
+353 1 614 8997



Robert Eason  
+353 1 641 9462



Thomas Heidstra  
0044 20 75882828



John Mattimoe  
+353 1 240 4256



Mark Hake  
0044 20 7996 1194



Liam Boggan  
0044 207 6093758



John Sheehan  
+353 1 611 5912

# For Further Information

**Michael Chadwick**

**Chairman**

**Colm ó Nualláin**

**Finance Director**

**Address:**

**Grafton Group plc,  
Heron House, Corrig Road,  
Sandyford Industrial Estate, Dublin 18**

**Telephone:**

**353 1 2160600**

**Fax:**

**353 1 2954470**

**Email:**

**[email@graftonplc.com](mailto:email@graftonplc.com)**

**Web:**

**[www.graftonplc.com](http://www.graftonplc.com)**