



Grafton Group plc

Grafton Group plc Investor Day

London

Thursday, 7 November 2013



Grafton Group plc

Gavin Slark
Chief Executive Officer





Cautionary Statement

Certain statements made in this presentation are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied by these forward looking statements. They appear in a number of places throughout this presentation and include statements regarding the intentions, beliefs or current expectations of Directors and senior management concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and the businesses operated by the Group. The Directors and senior management do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Agenda

- Welcome and Overview **Gavin Slark, Group CEO**
- Strategic Financial Overview **David Arnold, Group CFO**
- Irish Merchanting **Eddie Kelly, CEO Grafton Merchanting ROI**
- Selco **Chris Cunliffe, CEO Selco**
Video presentation
- Development Strategy **Joe Sowton, Group Strategic Development Director**
- Summary **Gavin Slark**
- Questions and Answers **Gavin Slark, David Arnold**

Lunch with Management Team

Executive Management Team

Gavin Slark
CEO



David Arnold
Group CFO



Charles Rinn
Group Financial
Controller/ Secretary



Jolyon Ingham
Group IT
Director



Joe Sowton
Group Strategic
Development
Director



Jonathan Jennings
Group Property
Director



Peter Kearney CEO
Grafton
Merchanting NI



Eddie Kelly CEO
Grafton
Merchanting ROI



Mark Kelly CEO
Grafton
Merchanting GB



Chris Cunliffe
Chief Executive
Selco



Declan Ronayne
Chief Executive
Woodie's DIY



Management Team in attendance



Steve Thompstone
Managing Director
Buildbase



Peter Kearney
Chief Executive
Grafton Merchanting NI



Declan Ronayne
Chief Executive
Woodie's DIY



Andy Williams
Managing Director
Plumbase



Kate Tinsley
Finance Director
Grafton Merchanting GB



Chris Cunliffe
Chief Executive
Selco



Charles Rinn
Group Financial
Controller / Secretary



Joe Sowton
Group Strategic
Development Director



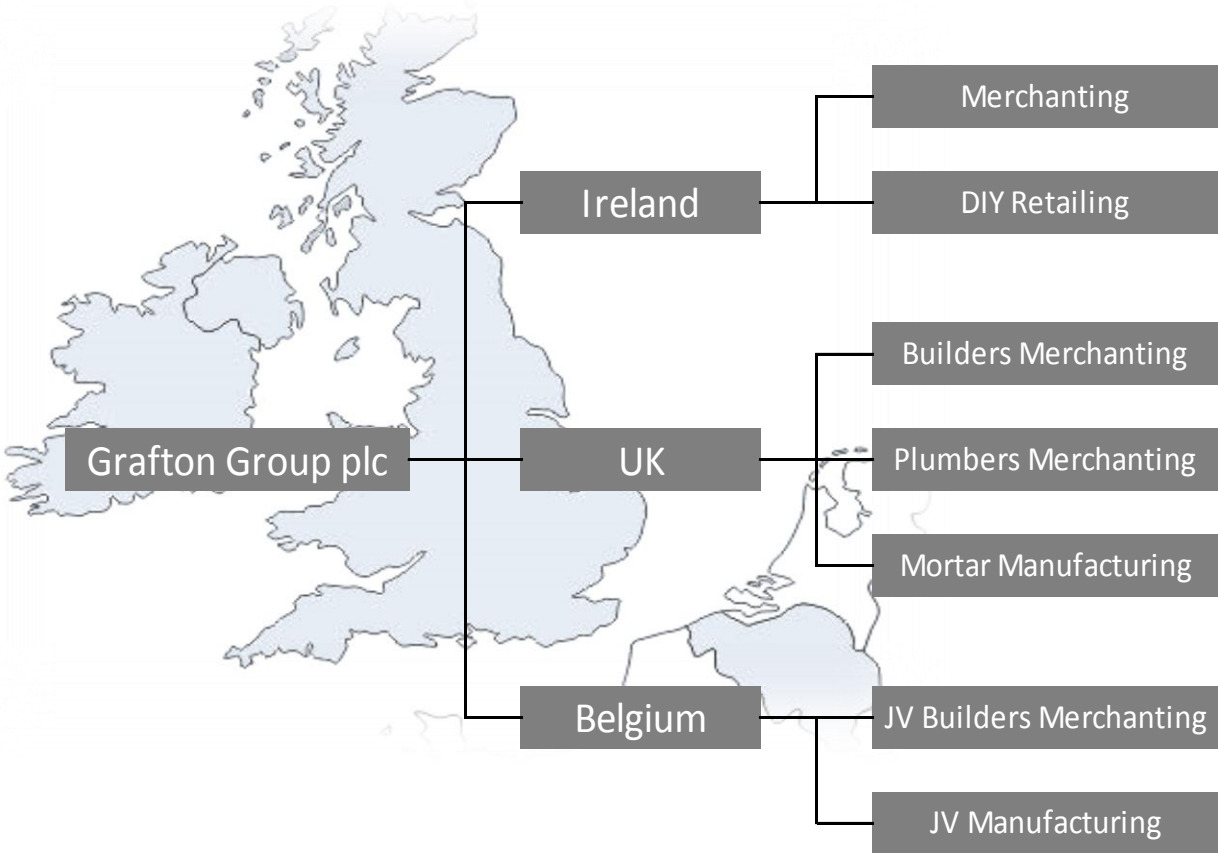
Eddie Kelly CEO
Grafton
Merchanting ROI



Larry Dale
Chief Executive
EuroMix

- 1909 Established in Dublin
- 1965 PLC - Listed on Dublin Stock exchange
- 1985 Michael Chadwick appointed Executive Chairman
- 1990 Northern Ireland – Builders Merchanting
- 1994 England – Plumbers Merchanting
- 1995 England – Builders Merchanting
- 1998 British Dredging plc
- 2003 Jacksons
- 2005 Heiton Group plc
- 2006 Online retail - Plumbworld
- 2009 Belgium – Joint Venture
- 2011 Appointment of Gavin Slark as CEO
- 2013 Change of Listing Arrangements and Reporting Currency

Existing Group structure



Our current market positions

- **Builders Merchanding**

UK	No 3	
ROI	No 1	
Belgium	No 3	(No 1 - 2014)

- **Plumbers Merchanding**

UK	No 4	
ROI	No 1	

- **DIY Retailing**

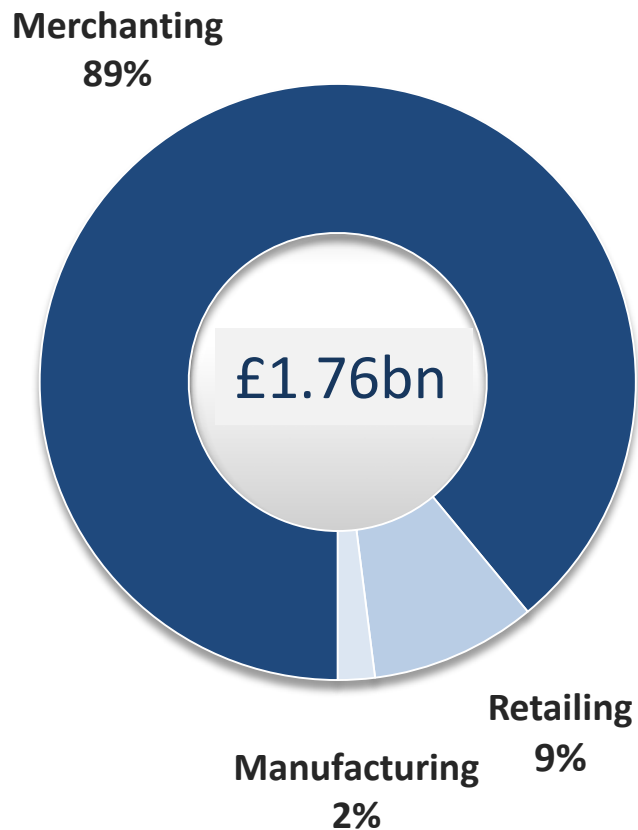
ROI	No 1	
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- **Dry Mortar Manufacturing**

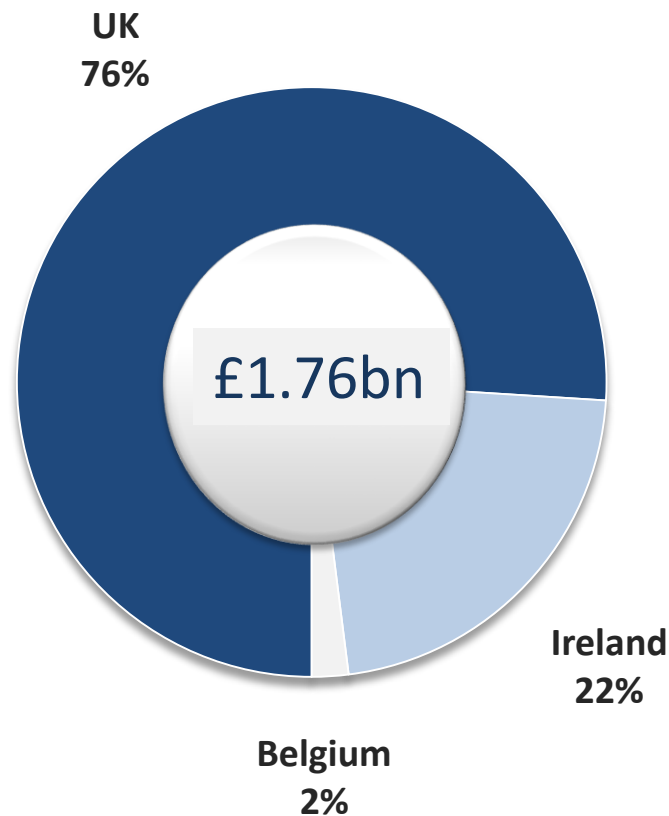
UK	No 1	
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2012 revenue by business segment and geography

Revenue by Business Segment



Revenue by Geographic Area



Group trading locations

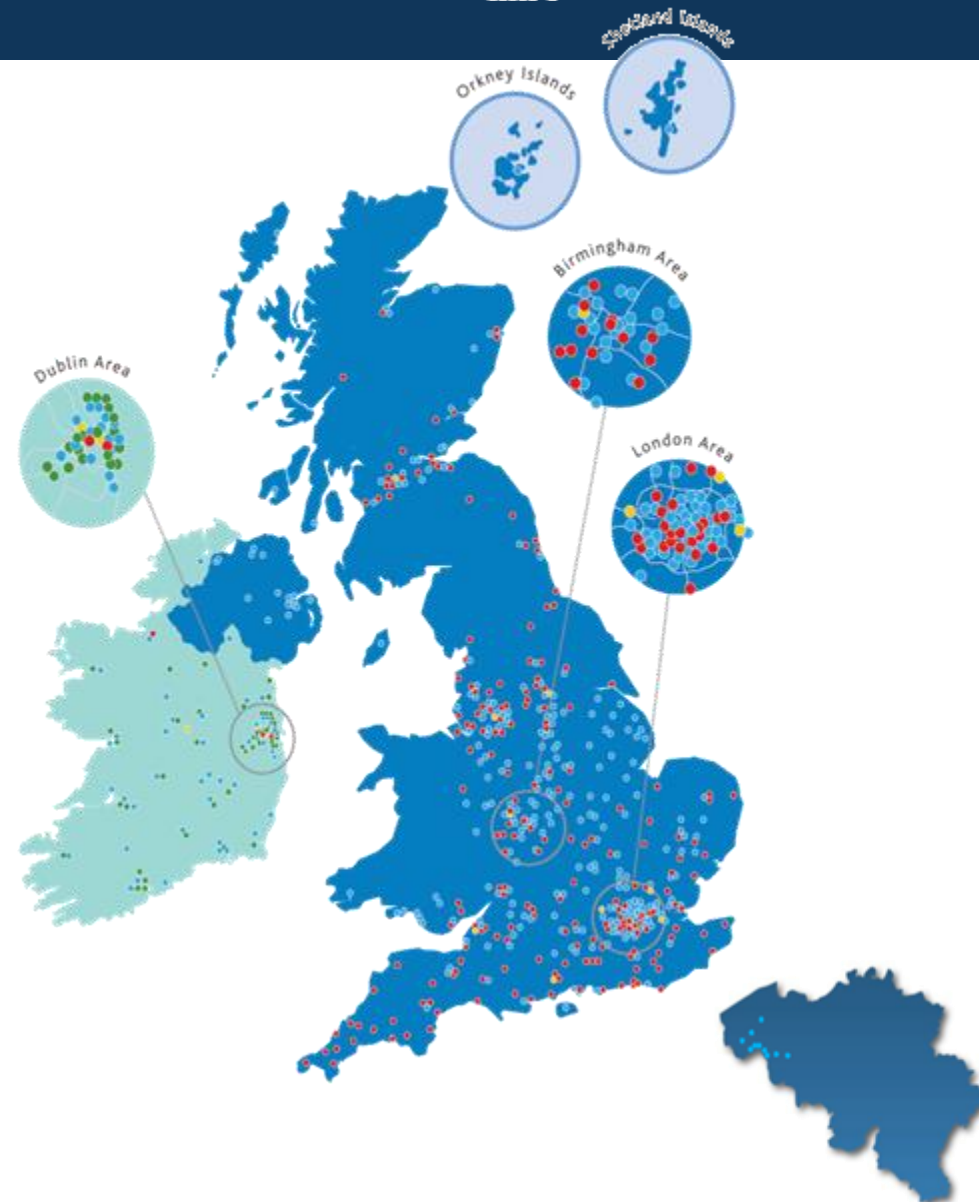


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Circa 600 Trading Locations

- Builders Merchenting
- Plumbers Merchenting
- DIY Retailing
- Manufacturing

	UK	ROI	BE	Total
● Builders Merchenting	260	43	11	314
● Plumbers Merchenting	227	4	-	231
● DIY Retailing	-	45	-	45
● Manufacturing	9	1	-	10
Total	496	93	11	600





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David Arnold
Chief Financial Officer



Interim Management Statement



Revenue for the 10 months to 31 October was up 7.4% to £1.6 bn (Oct 2012: £1.49bn)

Average Daily Like for Like Revenue Growth – 2013*				Total Revenue
	Q1	Q2	Four months to 31 October 2013	Ten months to 31 October 2013*
UK Merchanting	(0.6%)	4.2%	4.1%	6.2%
Irish Merchanting	2.4%	(0.6%)	5.6%	1.1%
Irish Retailing	(12.3%)	8.5%	4.1%	(1.7%)
Manufacturing	(10.3%)	8.0%	25.5%	0.7%

*Constant currency

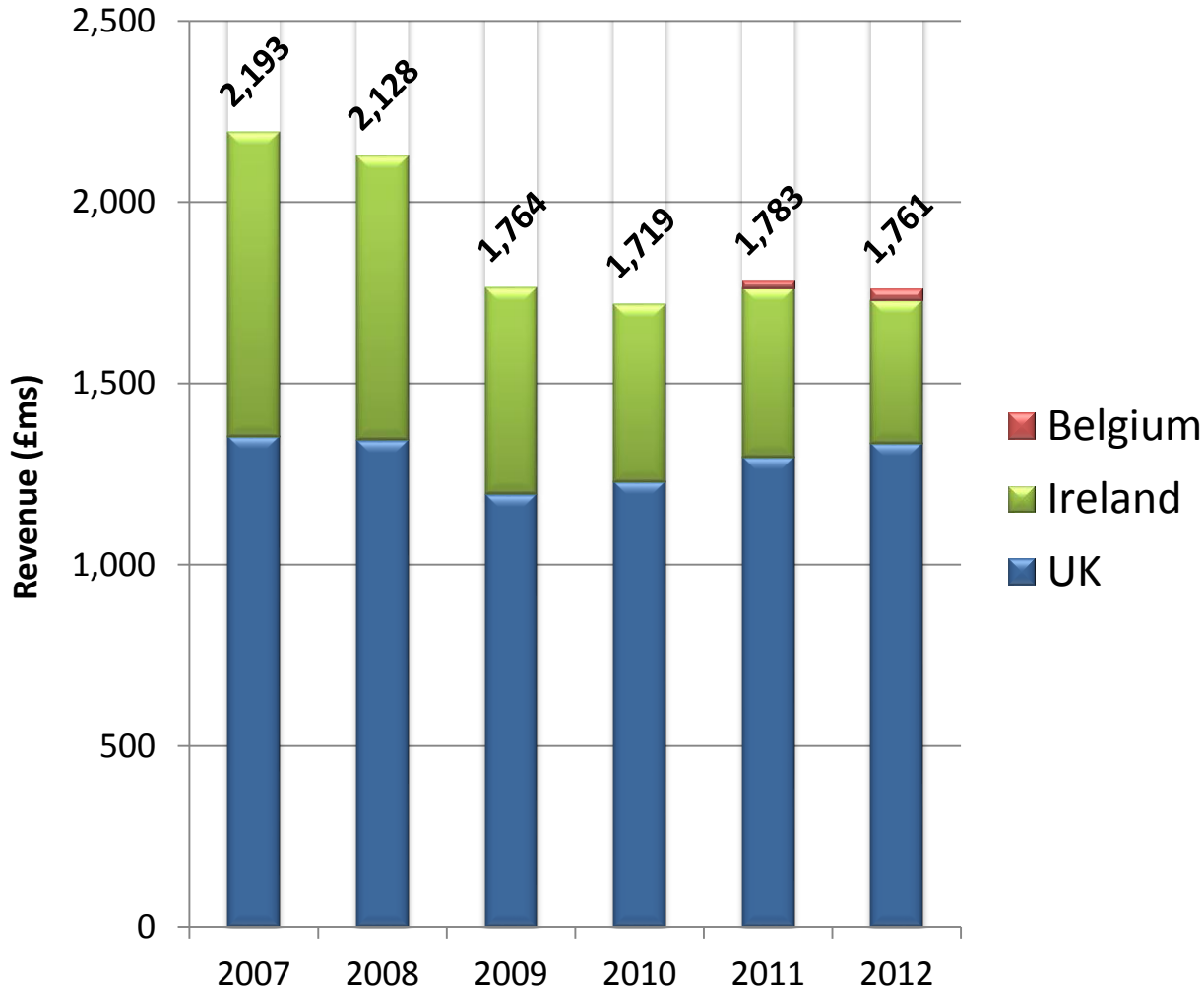
UK

- Housing market is benefitting from Government backed initiatives
- Confidence slowly but surely returning
- Positive, though lagged, effect on Grafton as housing transactions and household spending on RMI increases

Ireland

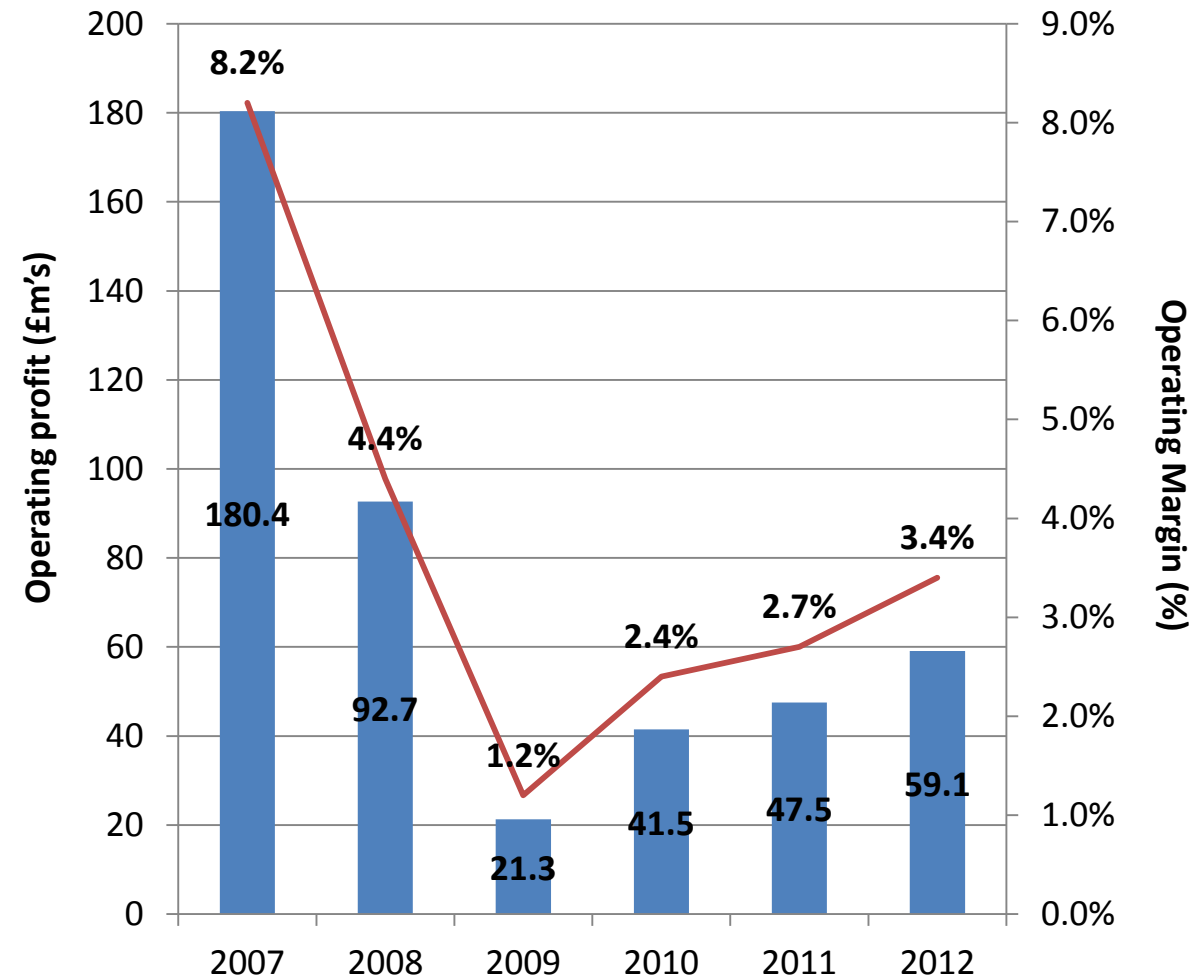
- Consumer confidence has improved and the Merchanting and DIY markets have stabilised at very low levels of activity

Revenue



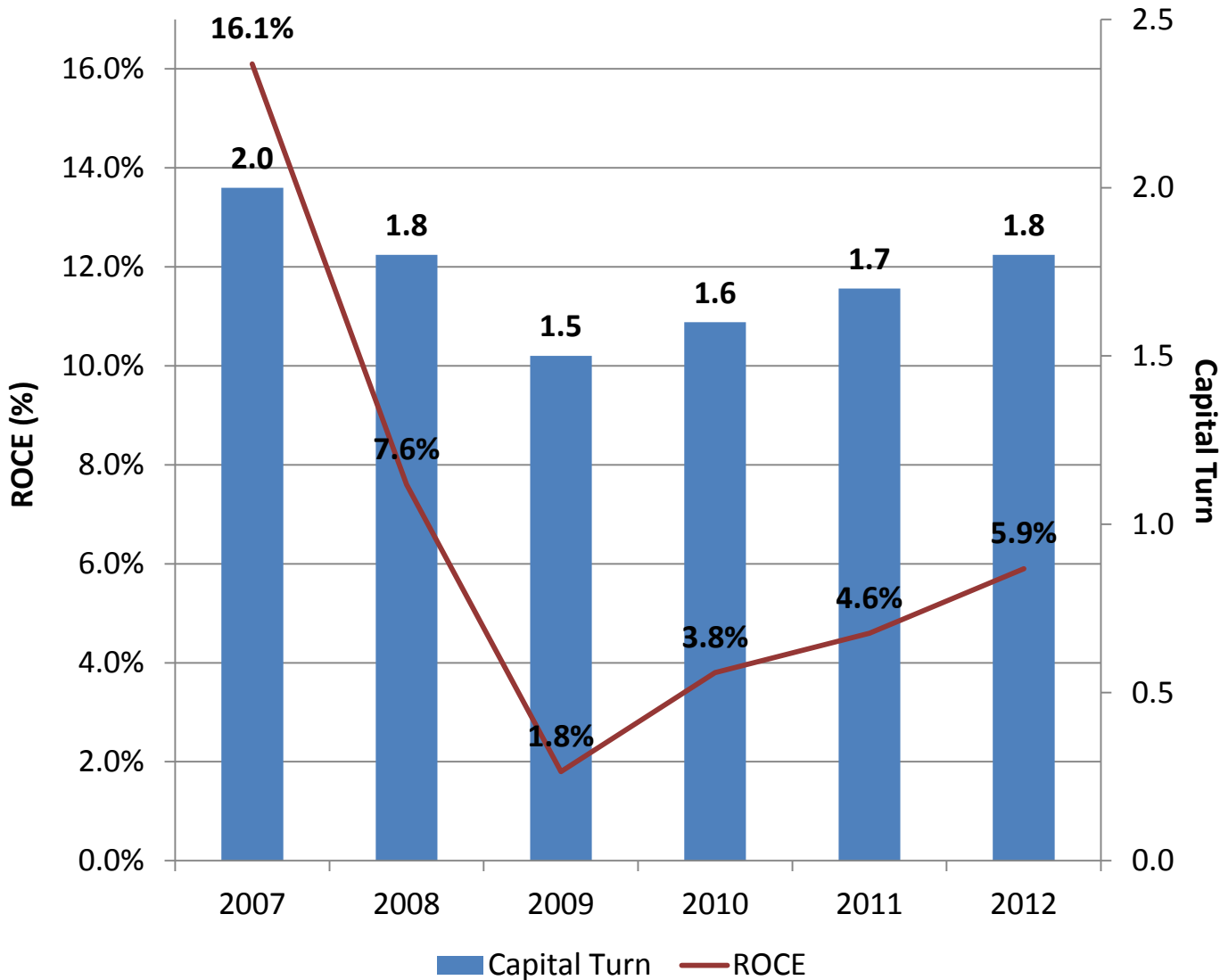
- Ireland revenue peaked at €1,227m (£840m) in 2007. 2012 revenue €487m (£395m)
- 2012 UK revenue broadly back to 2007 level (£1.335bn vs £1.353bn)
- Selco more than doubled revenue over this period (£230m v £112m)
- 2012 Belgium revenue €38m (£31m)

Group Operating Profit



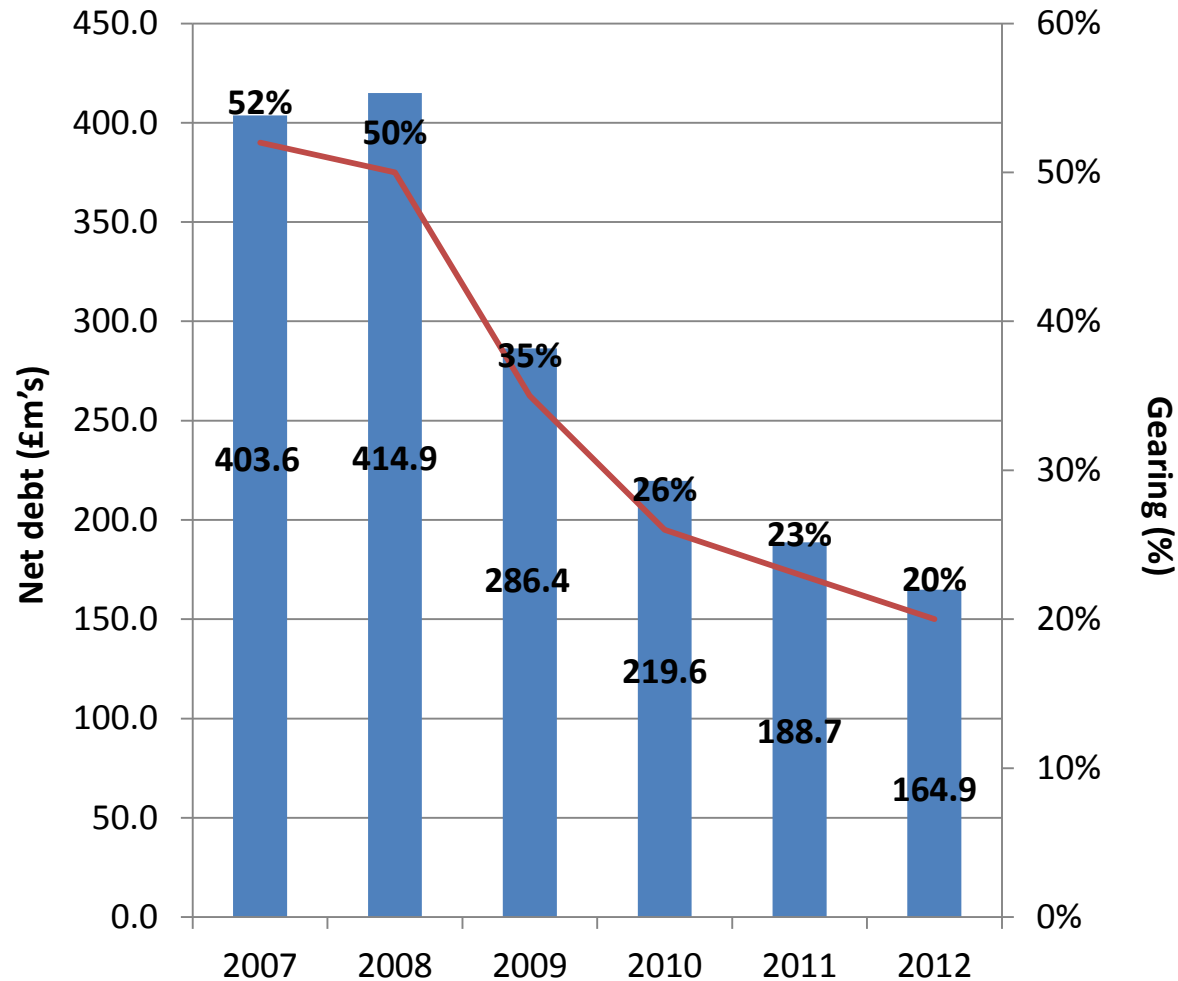
- Group operating margin peaked at 8.3% (2006)
- Operating margin gradually rebuilt since 2009, largely through self help measures

ROCE / Capital Turn



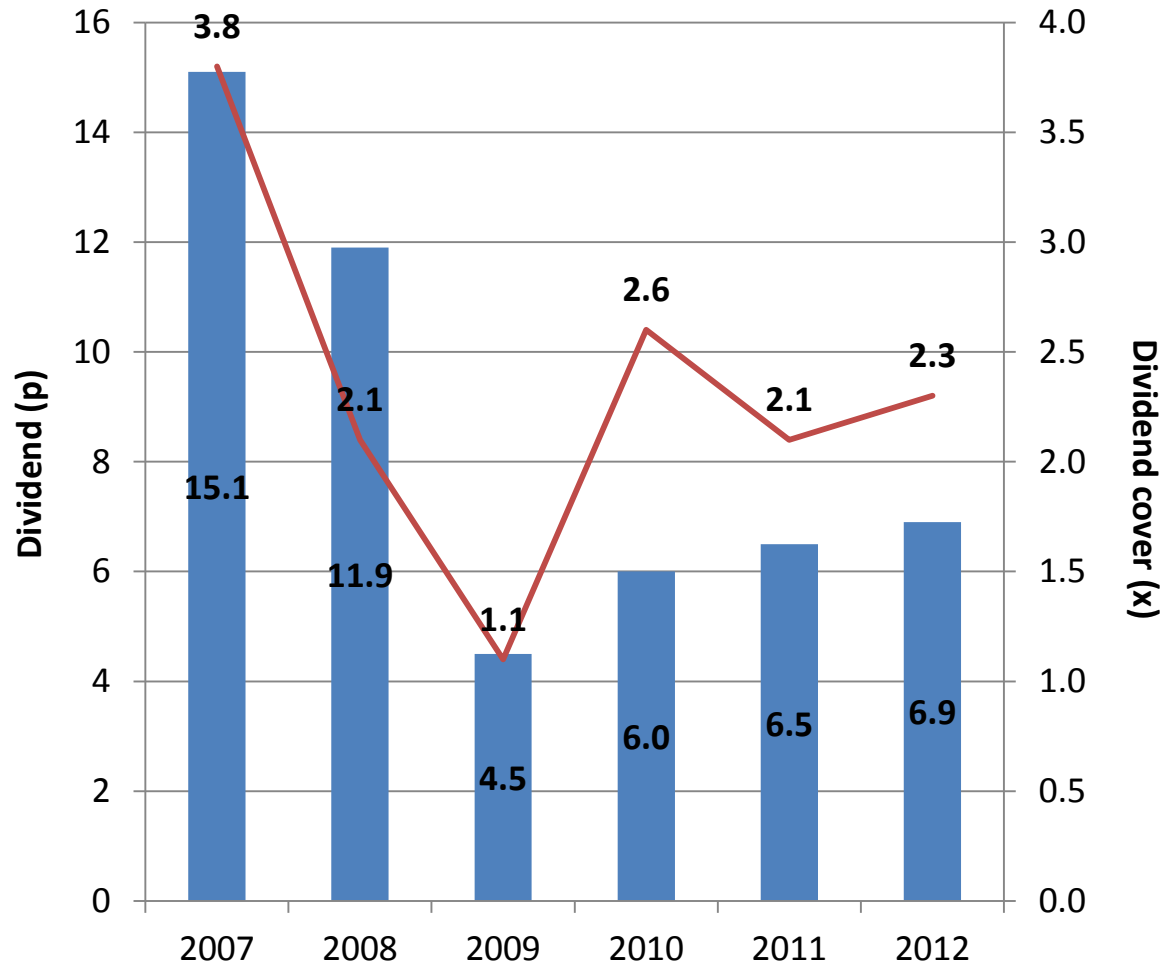
- Increasing focus going forwards
- ROCE at 16.1% in 2007
- Gradual improvement since 2009

Net Debt / Gearing



- Significant reduction in financial leverage
- Debt reduced by £250m over 5 years
- No recourse to shareholders
- Gearing 17% at June 2013

Dividend / Dividend Cover



- Dividends paid throughout the recession
- Progressive dividend policy to be maintained
- 2013 interim dividend increased by 17%

Grafton's Strategic Pillars

Revenue

**Operating
Margin**

**Capital
Turn**

Revenue Growth

Revenue

Growth Points

Economic Growth

Economic Growth

- Exposure to early cycle upturn

Organic Growth

Implants
New Formats
Greenfield

- Multi-specialist
- Product extension
- Selco

Acquisitions

Geography
Added Value

- UK infill and consideration of further overseas markets
- Extending capabilities

Margin Growth

Operating Margin

Operating
Leverage

Pricing
Initiatives

Mix

Self Help
(Part 2)

Growth Points

Operating
Leverage

Pricing Consistency
Customer Insight
Benchmarking

Product
By Customer

Implants
Cost efficiencies
Purchasing

- Inherent operating leverage across our brands
- Across branches
- Sensitive and responsive to customer
- Good value, service-led proposition
- Driving higher margin business and core product range
- Focus on highest returns
- Driving contribution to fixed cost
- Rich vein of opportunity
- Leveraging across the Group

Increasing Capital Turn

Capital Turn

Revenue
Growth

Property

Working
Capital

Cash Collect

Growth Points

Revenue
Growth

Focus

Optimise

Woodie's

Plumbase

Belgium






Selco

Implants

Showrooms


- Capital turn benefits from economic and organic growth plus operating leverage
- Dedicated property team
- Maximising opportunities within the property portfolio
- Progressively improve stock turn towards best in class
- Seasonal stock improvement opportunities
- Maximise terms from expanded footprint
- c.85% cash
- Greater proportion of our customers' spend
- Supporting our trade customers with retail proposition

Revenue Growth

Revenue					Grafton NI	Grafton RoI		Belgium	
Economic uplift		✓	✓	✓	✓	✓	✓	✓	✓
Organic Growth	Implants	✓	✓	✓				✓	
	New Formats		✓						
	Greenfield			✓					
Acquisitions	Geography	✓						✓	
	Added Value	✓							






- All brands early cycle beneficiaries
- Multi-specialist – Hirebase, Plumbase and Electricbase implants are key tools for driving revenue growth
- Plumbase Industrial – new format, experienced team
- New sites and trial formats for Selco
- Selective M&A activity will increase market share of Buildbase and our Belgium business

Margin Growth

Operating Margin					Grafton NI	Grafton Rol		Belgium	
Operating Leverage		✓	✓	✓	✓	✓	✓	✓	✓
Pricing Initiatives	Price consistency	✓	✓		✓	✓		✓	
	Customer insight	✓	✓		✓	✓		✓	
	Benchmarking	✓	✓	✓	✓	✓	✓	✓	✓
Mix	Business/product	✓		✓			✓		
	By Customer	✓	✓		✓	✓			
Self Help Part 2	Implants	✓	✓	✓				✓	
	Cost efficiency	✓	✓	✓	✓	✓	✓	✓	✓
	Purchasing	✓	✓	✓	✓	✓	✓	✓	✓

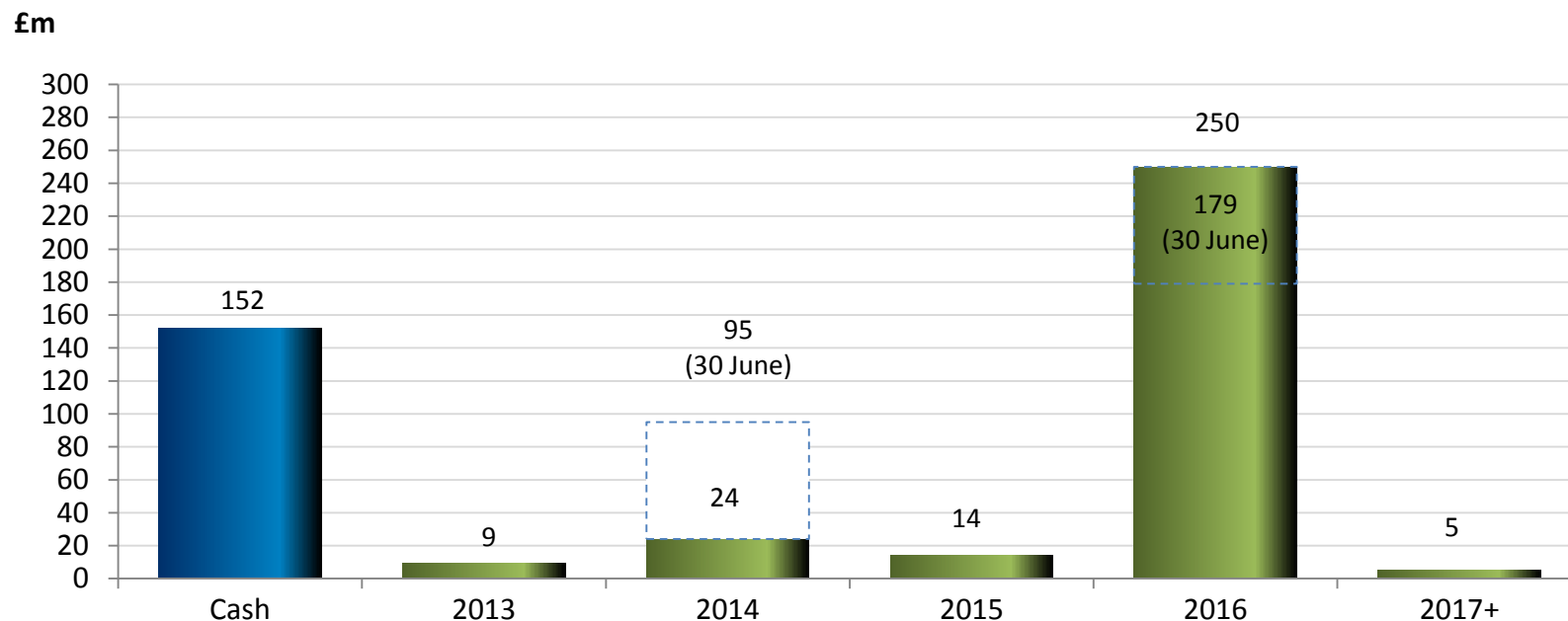
- All brands benefit from operating leverage
- Pricing and mix improvements underpin gross margin opportunities
- Self Help Part 2 – Fundamental restructuring concluded but ongoing initiatives within brands and across the Group

Increasing Capital Turn

Capital Turn					Grafton NI	Grafton RoI		Belgium	
Revenue Growth		✓	✓	✓	✓	✓	✓	✓	✓
Property	Focus	✓	✓	✓	✓	✓	✓	✓	✓
	Optimise	✓				✓		✓	
Working Capital			✓				✓	✓	
Cash collect	Selco			✓					
	Implants	✓	✓					✓	
	Showroom	✓	✓						

- Capital turn of all brands benefits from economic and organic growth plus operating leverage
- As at Dec 2012, freehold and long leasehold property totalled £375m plus £14m held for resale
- Specific targets for working capital reduction – opportunity to liberate cash/reinvest in core range

Financing Strategy



- Total Group debt facilities amount to £376m of which £74m was undrawn at 30 June 2013. Undrawn facilities increased to £117m in August 2013
- In August 2013 Ulster Bank's £73m term facility extended out just over two years to 2016
- Weighted average maturity profile of three years – objective to extend maturity and diversify funding sources



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Eddie Kelly

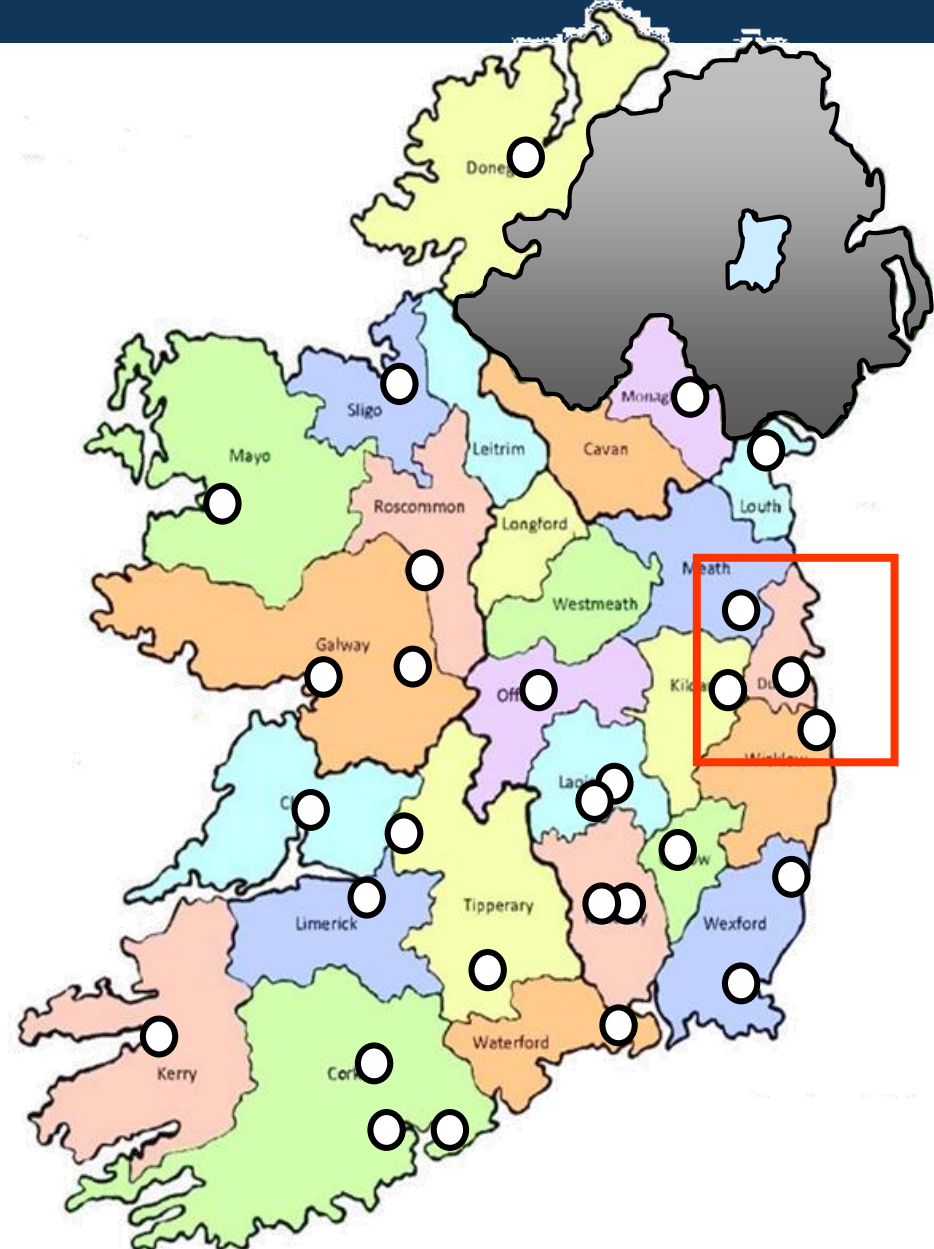
CEO

Grafton Merchanting, Rol



Merchanting Rol

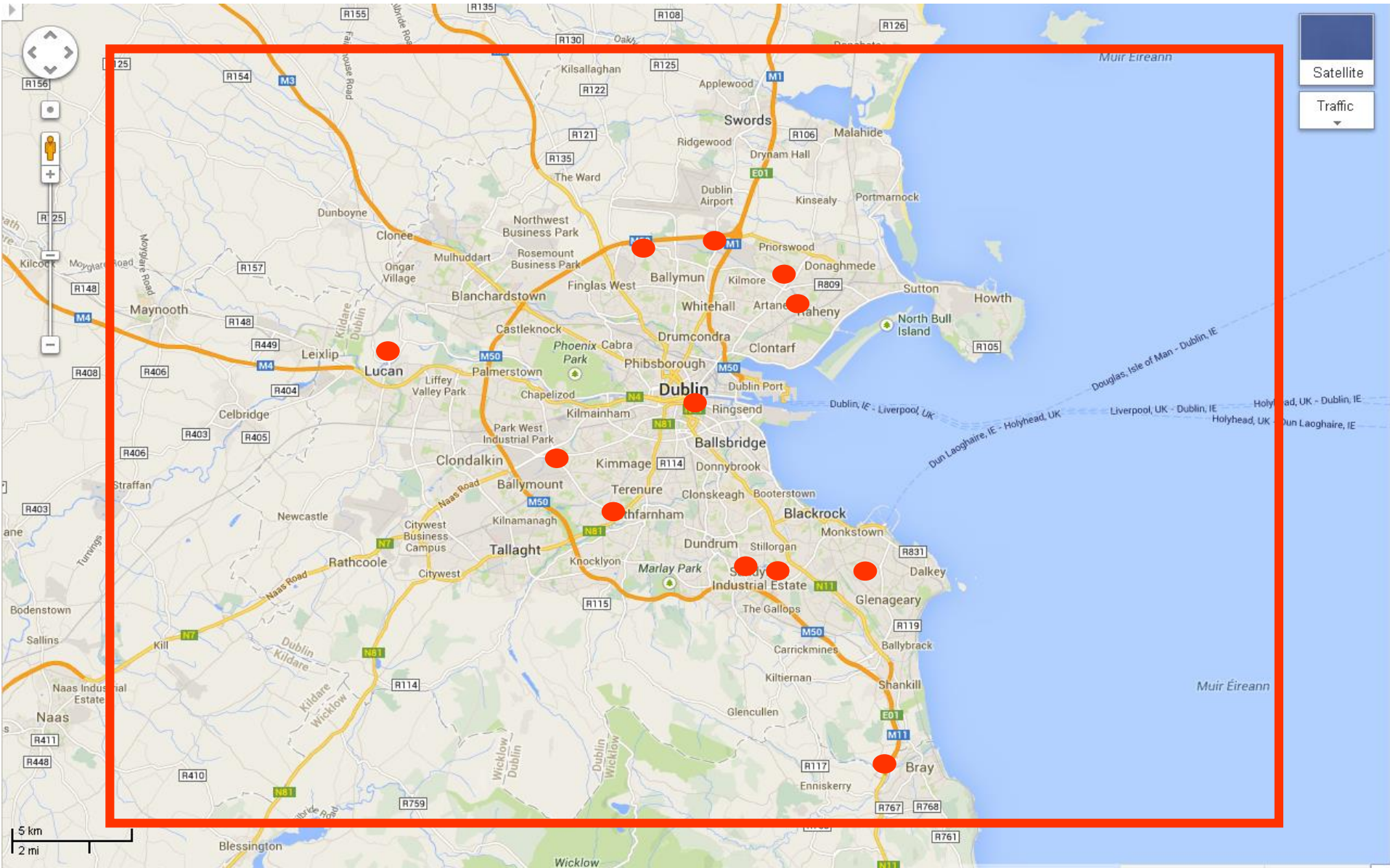
- Largest Builders Merchant
- Largest Plumbers Merchant
- Largest Steel Stockholder
- Largest Civils Merchant



Dublin Area



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Chadwicks Clonmel





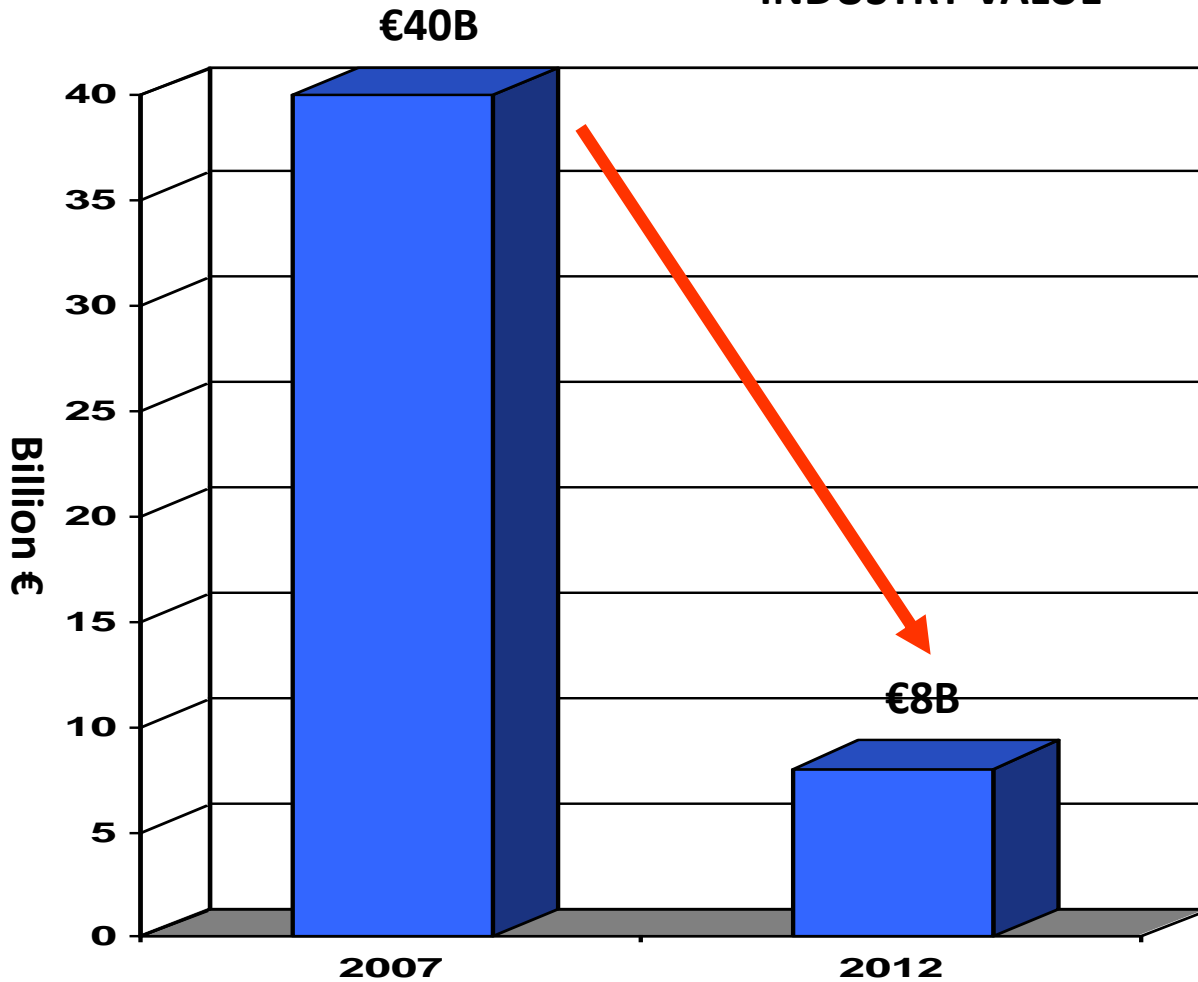
Irish Construction Industry

2007-2012



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INDUSTRY VALUE



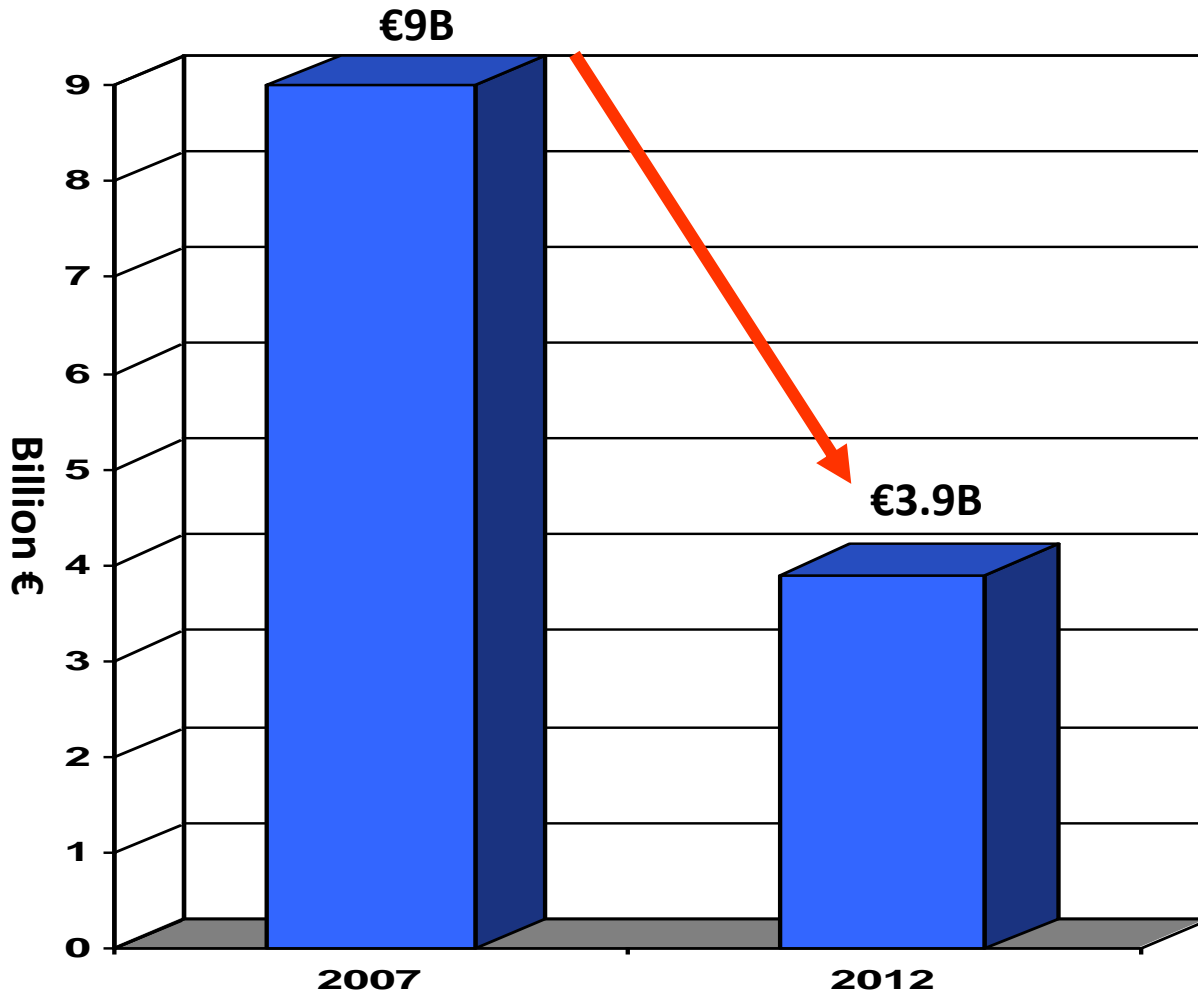
Irish Construction Industry

2007-2012

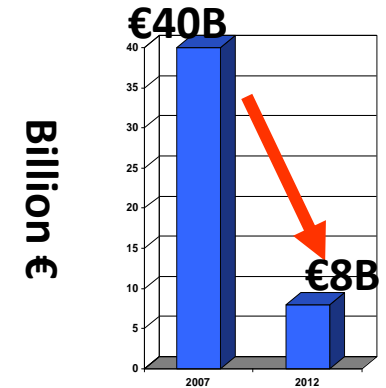


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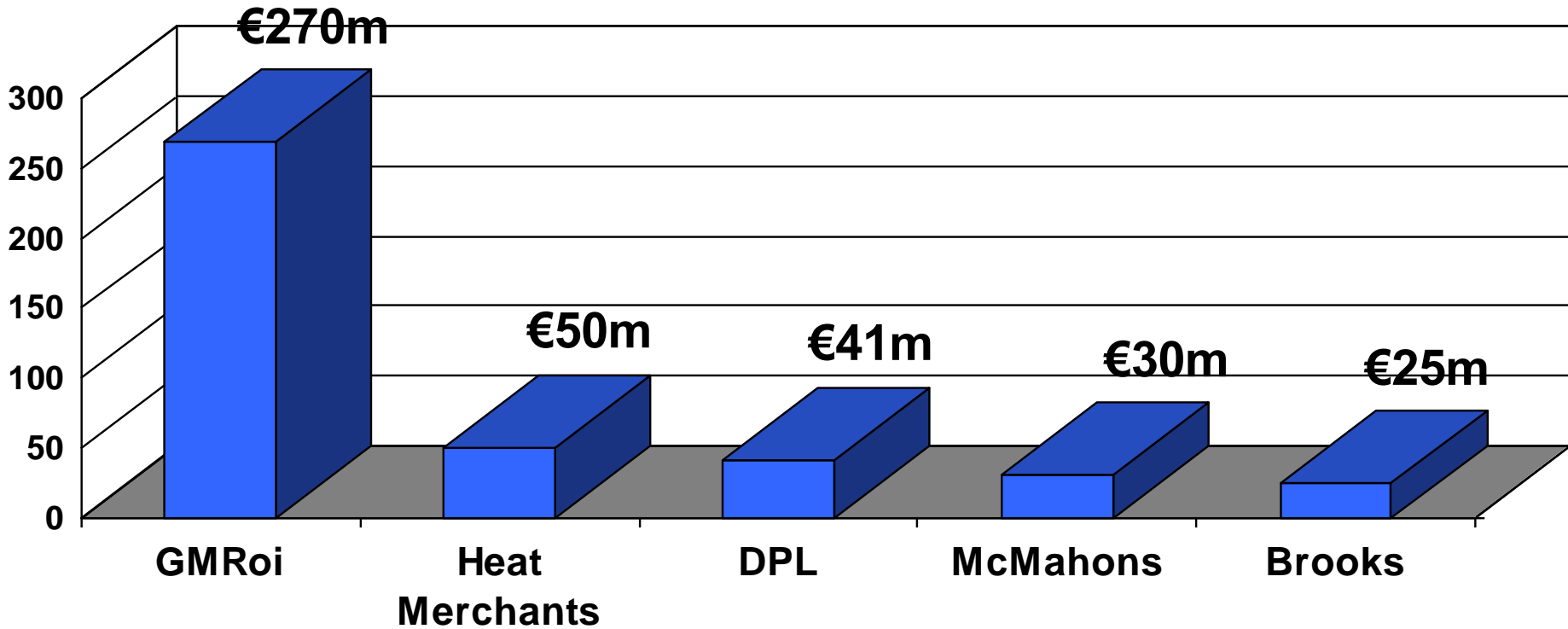
PUBLIC CAPITAL SPEND



INDUSTRY VALUE

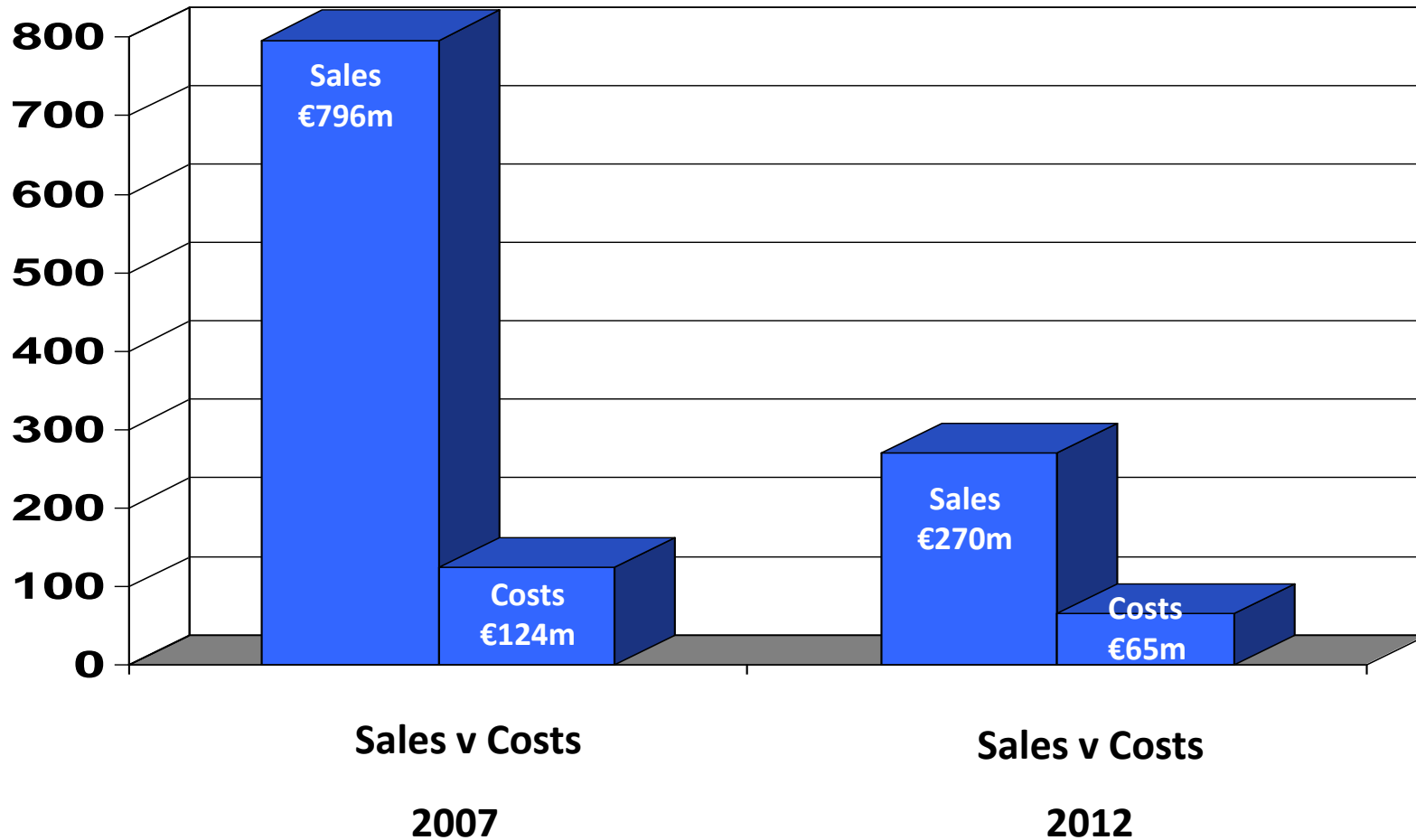


Builders' / Plumbers' Merchants in RoI



250 Independent Merchants operate on turnovers between €1m and €15m.

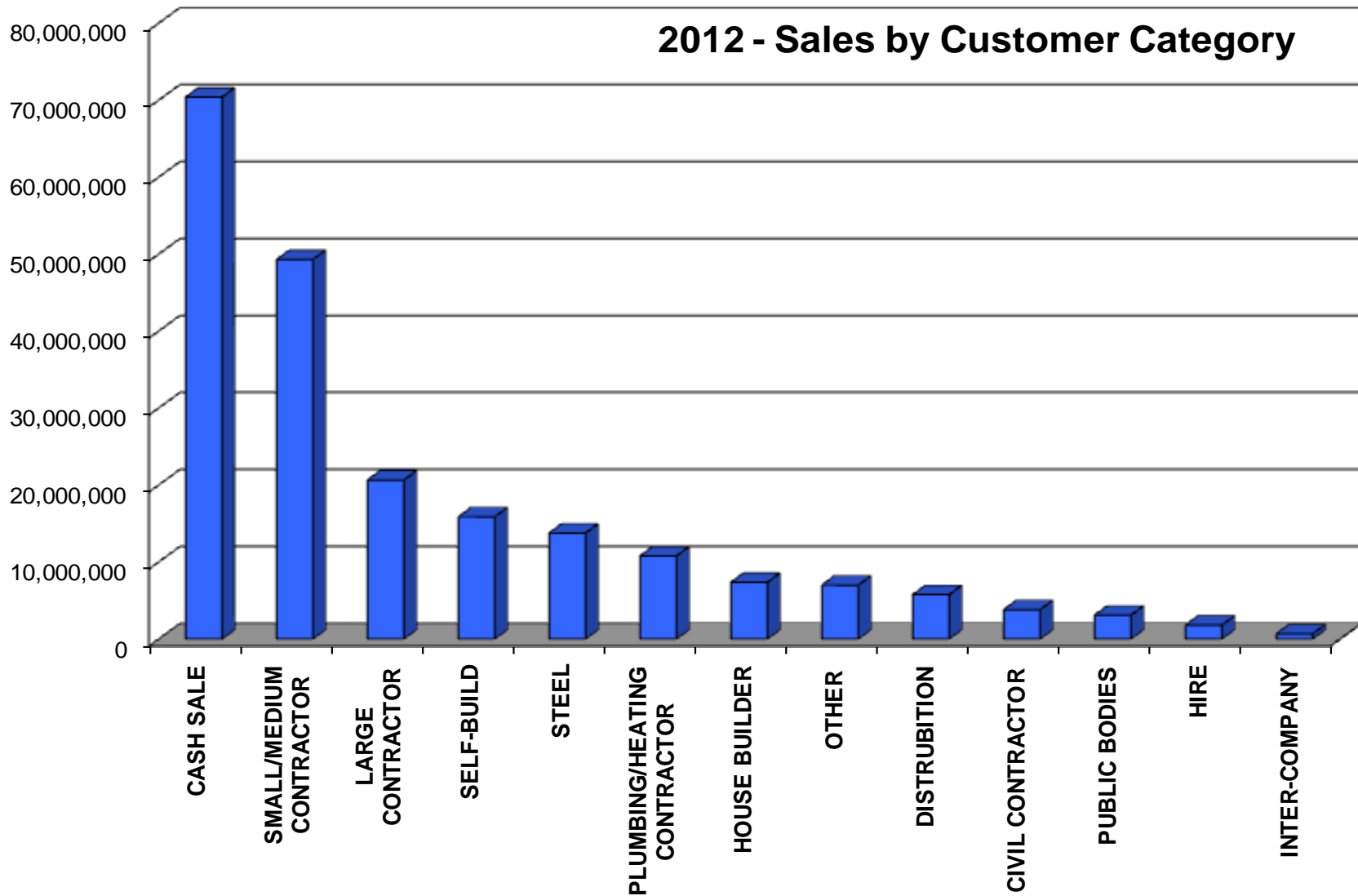
Merchanting Rol & the Recession



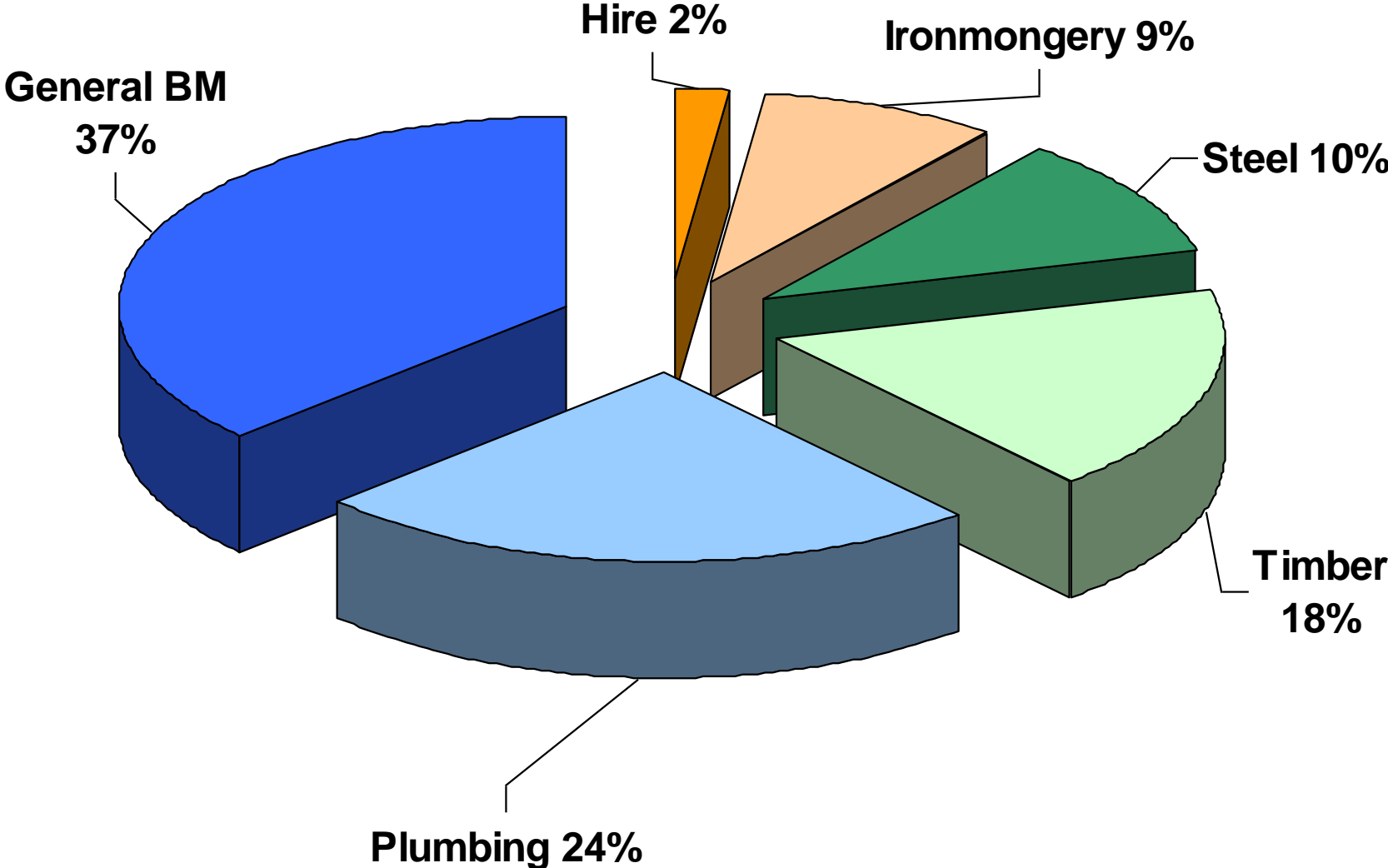
What have we done to improve our bottom line?

- Cost control
 - Costs reduced from €124m to €62m
 - Payroll, bought-in services, rent
- Margin management
 - IT tools
 - Product mix
 - Gap between Grafton and others 3 to 5 points
- Remodelled the business
 - “Branch of the Future”
 - Cash & Collect
 - Training
- Purchasing policy
 - Supplier consolidation
 - Improved terms
- Cash management
 - Stocks
 - Debtors
 - Cash sales

Customer Type



Product Mix

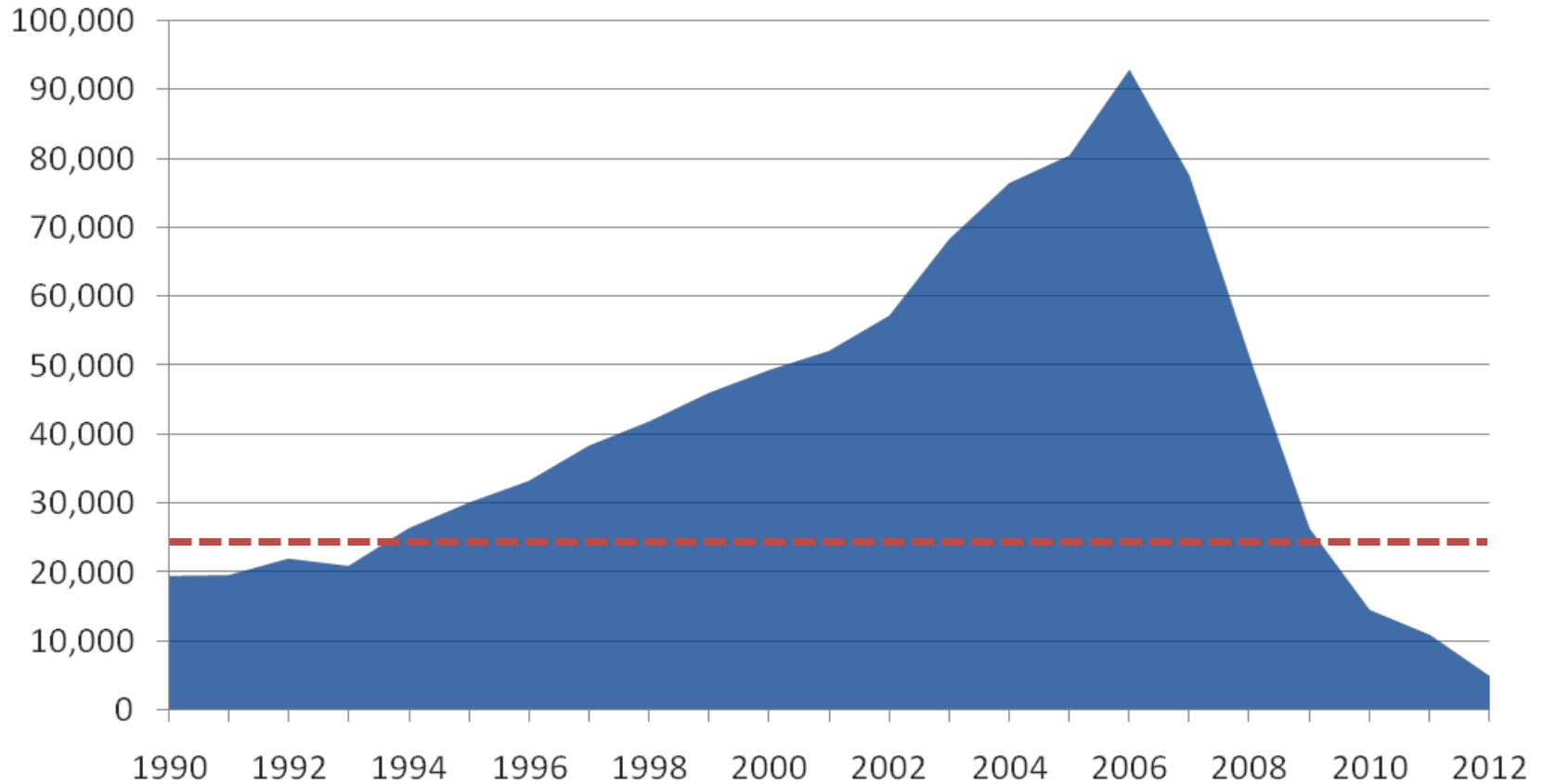


House Completions

Ireland 1990-2012



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**Current activity is at an unsustainably low level
25,000 completions is a more realistic level of activity**

- Recovering Market Conditions
 - Housing
 - RMI
- Demographics
 - Min 25,000 units needed per annum
 - Young population
- Government Stimulus
 - RMI
 - New business start-ups
- Foreign Investment
 - Hotels
 - Incomplete projects
- Food / Agri
 - CAP changes in 2015

Outlook for Merchanting Rol

- Rebuilding Profitability
 - Progress from 2010
 - Further progress expected in 2014
- Increased Market-share
 - Plumbing
 - Geographical
- Maximising our strength
 - Financial weakness of Independents
 - Scale of Grafton v others



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Selco video presentation



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Joe Sowton
Group Strategic
Development Director



- A focussed supplier of construction materials
- Active in the UK, Ireland and Belgium
- Our reputation is built on service
- Market leading positions
- To expand both organically and into new markets

What sets Grafton apart?

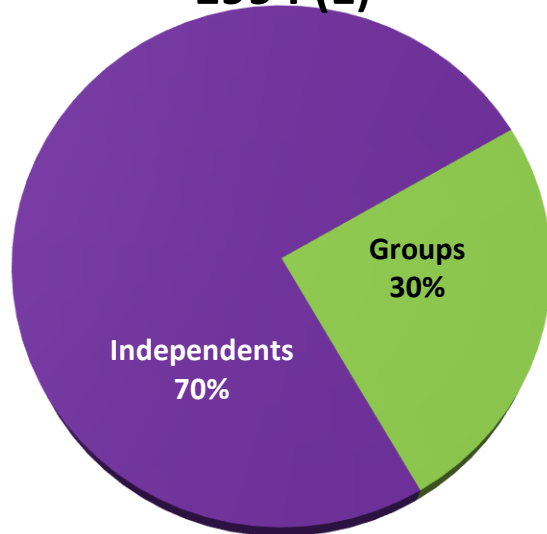
- We aim to lead not follow the market
- ‘Multi specialist’ stores
- Market leader in Ireland
- Selco – unique model
- Strong local management
- Group structure and disciplines
- High service levels



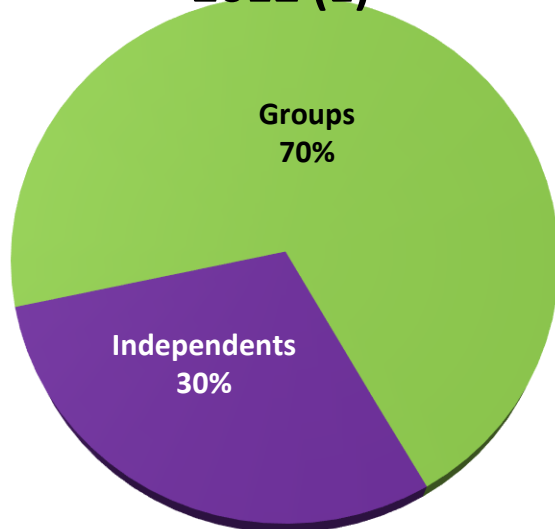
- Over 150 acquisitions since 1994
- Averaged over 10 acquisitions a year for 10 years
- Doubled in size every three years between 1997 & 2006
- Strong pipeline of potential targets
- Unique market positioning & development opportunity

GB market consolidation

1994 (E)



2012 (E)



- GB market has undergone a high degree of consolidation
- Further consolidation is anticipated
- Grafton is able to acquire without any significant competition issues

- Rapid growth of largest Groups
- Modern efficient outlets
- IT transforms efficiency and communication
- Wider range of products and services
- Retail custom encouraged
- Industry professionalised
- Buying groups evolved

GB Merchanding

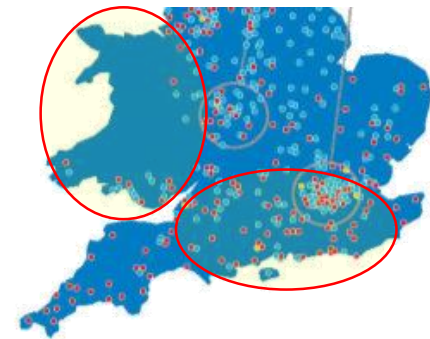
436 branches

Geographical reach

2012



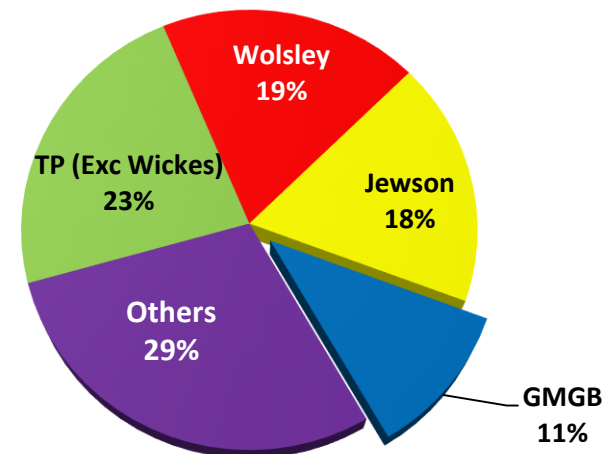
2014 expansion focus



2012 – 436 Branches

2012 market position

Builders Merchanding	No 3
Plumbers Merchanding	No 4



Organic opportunities Implants

Estate optimisation identified to deliver substantial additional sales over time generated through implants:-

ELECTRICBASE

Over 200 potential UK locations

Showrooms

150 locations
Project launched in 2014

HIREBASE

2013 – 100 locations
2014 – 115 locations

PLUMBASE INDUSTRIAL

2013 – 1st branch in
Hayes
25 – 30 potential locations

GB Merchanding

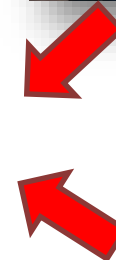
focus on growth



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Implants

DECORATING
IRONMONGERY



Acquisitions and green field sites

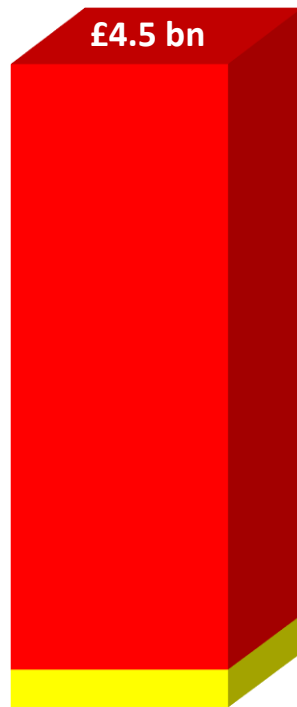
Over 100 white gap opportunities



Trade cash & carry - 36 stores



Estimated market size



Est. 6%

36 BRANCHES



Considerable development potential



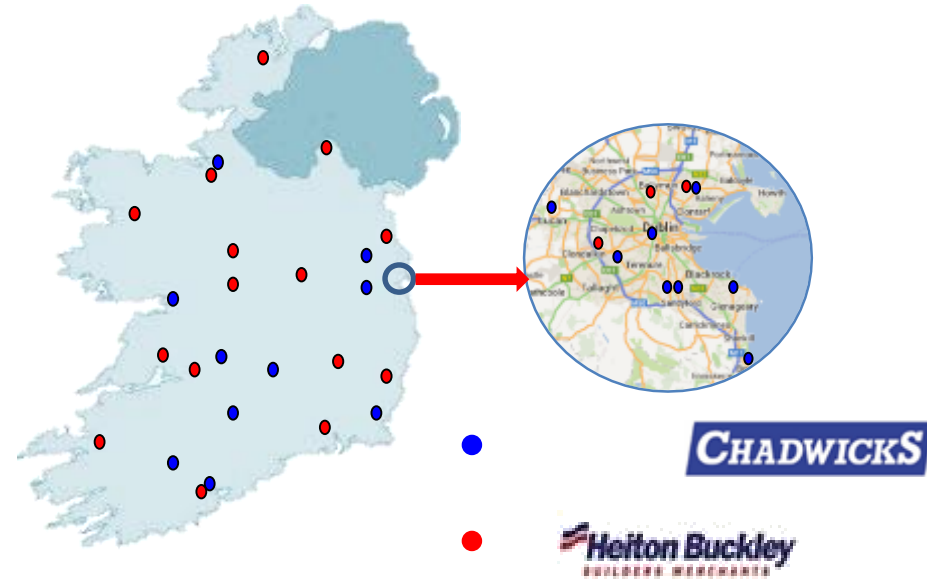
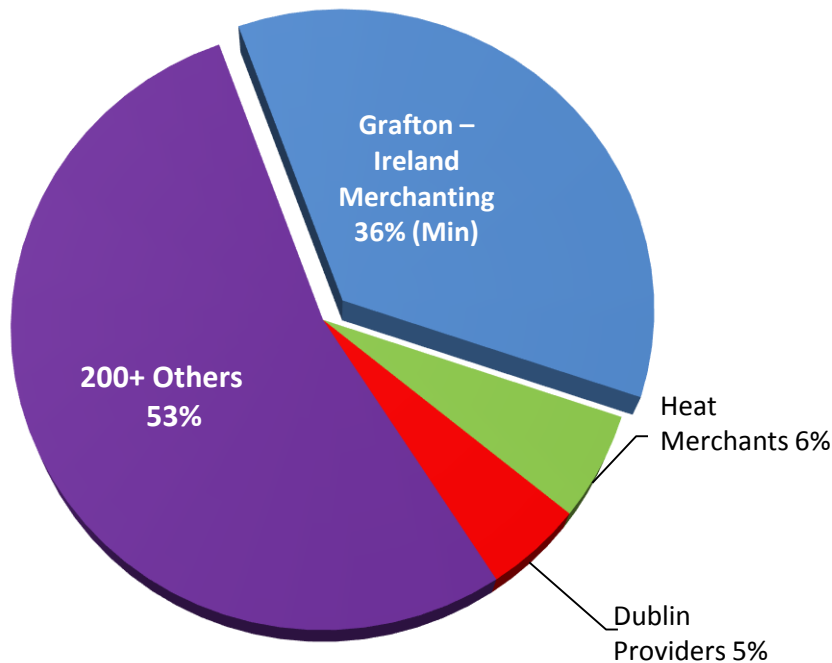
Irish Merchanding

43 branches



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Geographical reach



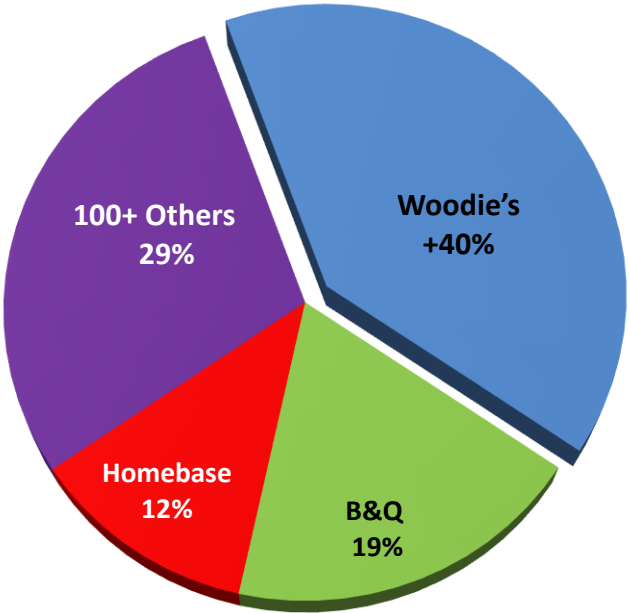
Estimated 2012 market share

Builders Merchanding No 1

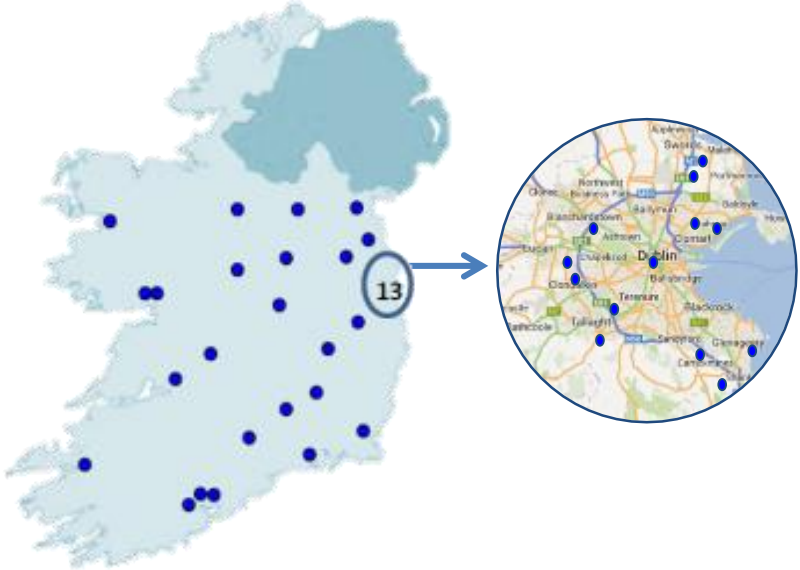
Plumbers Merchanding No 1

2012 market share

DIY Retailing No 1



Geographical reach



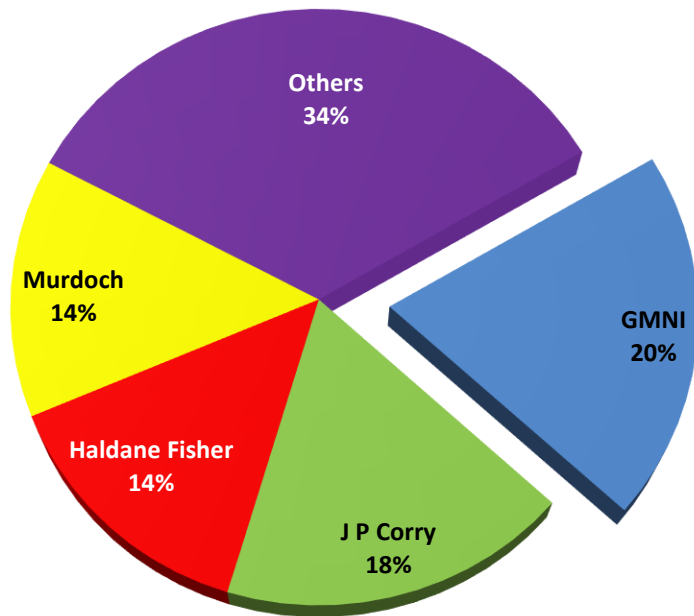
Northern Irish Merchants

15 branches



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Geographical reach



2012



Potential



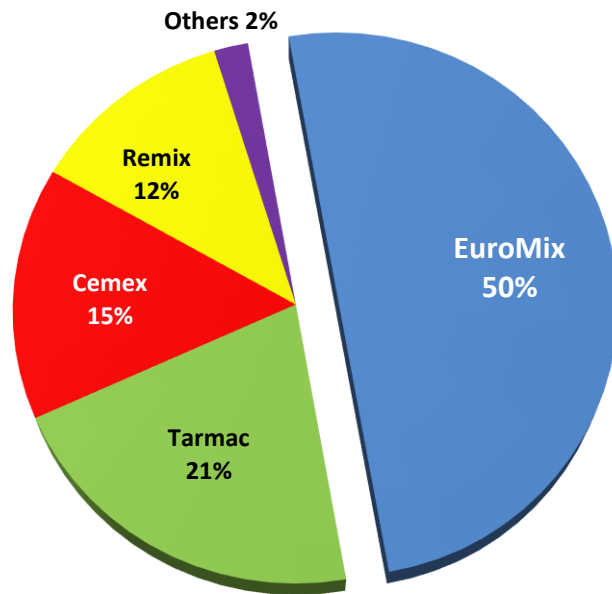
Estimated NI 2012
market share

EuroMix Dry Mortar

EuroMix

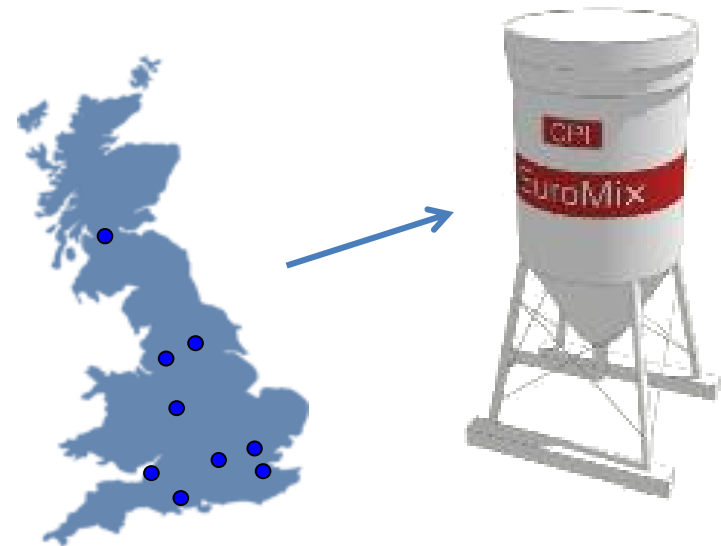


2012 dry silo market share



Geographical reach

2012



EuroMix

UK Dry Mortar Manufacturing No 1

- Transferable skills & knowhow
- Synergies
- Experience of growth

- ✓ **Ability to deliver shareholder value**
- ✓ Construction output
- ✓ Market size: RMI housing & non-housing / commercial
- ✓ GDP per capita & CAGR
- ✓ Housing starts
- ✓ Age of housing stock
- ✓ Population trends
- ✓ Unemployment trends
- ✓ Ease of doing business
- ✓ Risk analysis

GRAFTON'S JOINT VENTURE WITH ROUSSEL NV - 2009



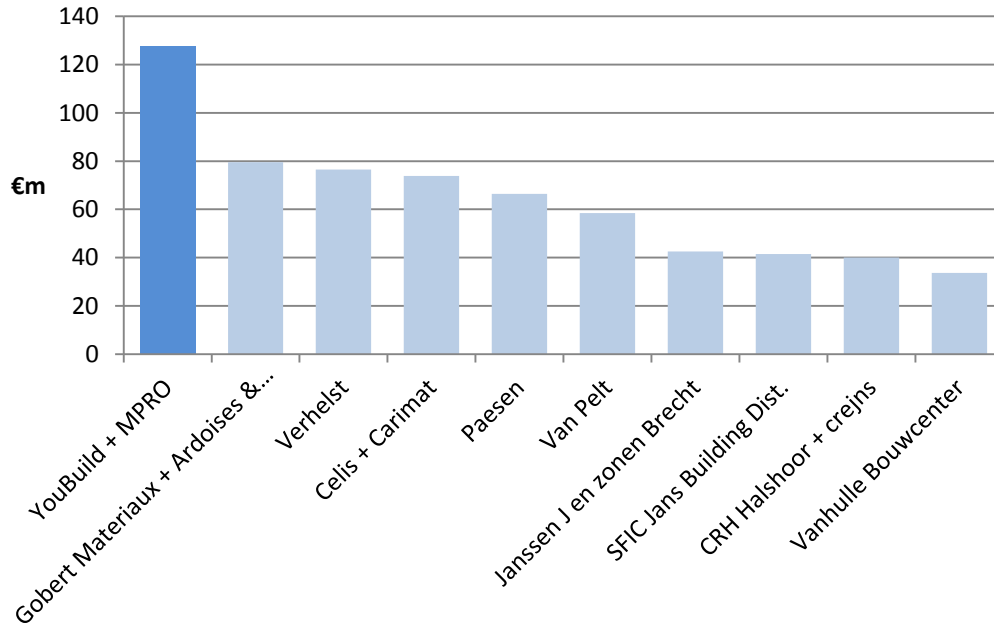
Why Belgium?

- Stable market €3 - €3.5bn
- Unconsolidated
- Underdeveloped
- Excellent quality sites
- Strong pipeline
- Ability to gain leading position

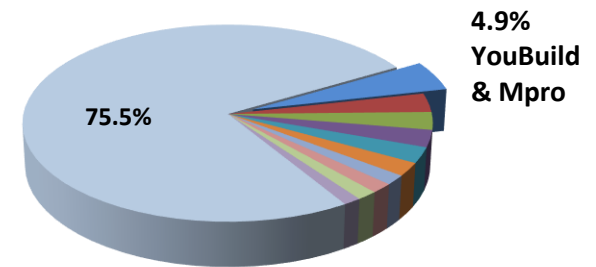


Belgian Market

Estimated 2012 Turnover - Top 10 Belgian Merchants



2012 Estimated Market Share



10	Builders Merchant
1	Plumbers Merchant
2	Ready Mix Concrete
5	Tile Showroom
1	Tile, Kitchen & Bathroom Showroom

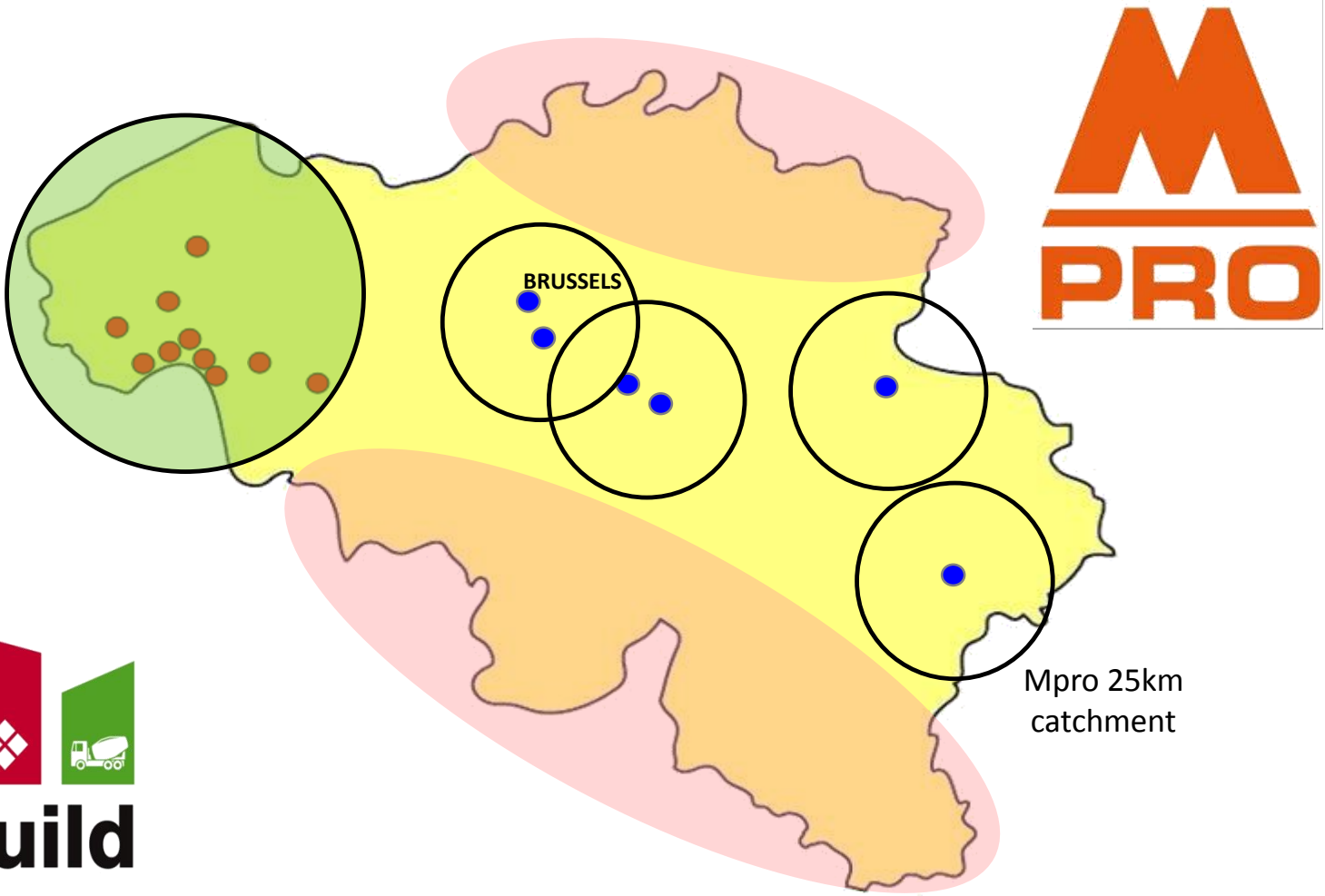




YouBuild
We Supply

- JV successfully repositioned in 2012
- Grafton now has control
- JV area redefined mainly within an area of West Flanders
- Family shareholders no longer operational management
- Supplier renegotiations successfully completed following exit from buying group
- 2013 – introduced uniform IT platform across group
- Grafton at liberty to develop outside of the JV in Belgium

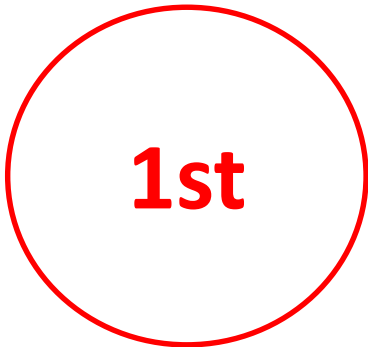
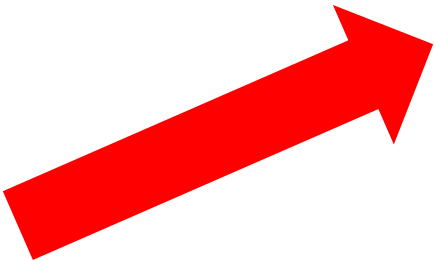
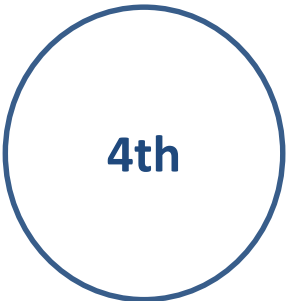
Belgian builders merchants opportunities



● YouBuild ● Mpro

2012

2014



YouBuild



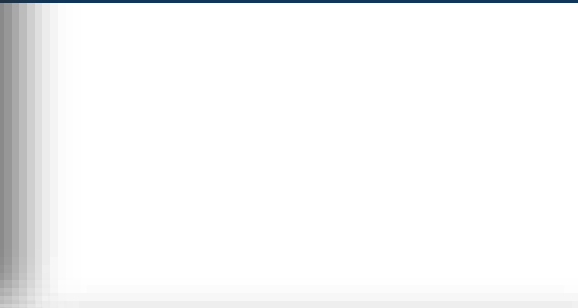
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- Key focus on UK growth
- Well positioned in Ireland
- Significant progress in Belgium
- Potential to develop internationally



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Gavin Slark
Chief Executive Officer



- Economy growing at moderate rate as recovery takes hold
- Clear signs that the housing market has strengthened
- Improving trend in housing transactions and mortgage approvals
- Economic and housing market backdrop supportive of increase in RMI volumes in merchanting market
- Internal developments also providing a platform for growth
- Government help to buy measures will benefit the Group but we anticipate a time delay

- Domestic economy starting to stabilise – after contracting for five years
- Downturn in housing construction bottoming out
- House price stabilisation expected to become more broadly based geographically
- Housing transactions and mortgage approvals coming off a low base

- Grafton has managed the recession well
- Experienced Executive management team now in place
- Significant potential for organic growth
- UK acquisition opportunities
- Scope for further international development

Questions and answers



Grafton Group plc

Thank you for listening