

Final Results 2014

Financial Year ended 31 December 2014



Grafton Group plc



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 concerning, amongst other things, the results of the operations, financial condition, liquidity, prospects, growth, strategies and the businesses operated by the Group. The Directors do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Gavin Slark

Group CEO

Introduction & Highlights



Grafton Group plc



Agenda

- ▶ Introduction & Highlights - Gavin Slark
- ▶ Financial Review - David Arnold
- ▶ Strategic Progress & Outlook - Gavin Slark
- ▶ Questions

Group Performance Highlights

- ▶ Revenue up 9.6% to £2.1bn (11.0% in constant currency)
- ▶ Group operating profit margin increased by 120 basis points to 5.3%
- ▶ Operating profit up 43% to £110.1m
- ▶ Profit before taxation up 56% to £101.2m
- ▶ Adjusted basic earnings per share up 54% to 34.4p
- ▶ 26% dividend increase reflects strong improvement in profitability
- ▶ Strong cash generation from operations of £160.0m and year-end gearing of 8%
- ▶ ROCE increased by 330bps to 11.1%

David Arnold

Group CFO

Financial Review



Grafton Group plc



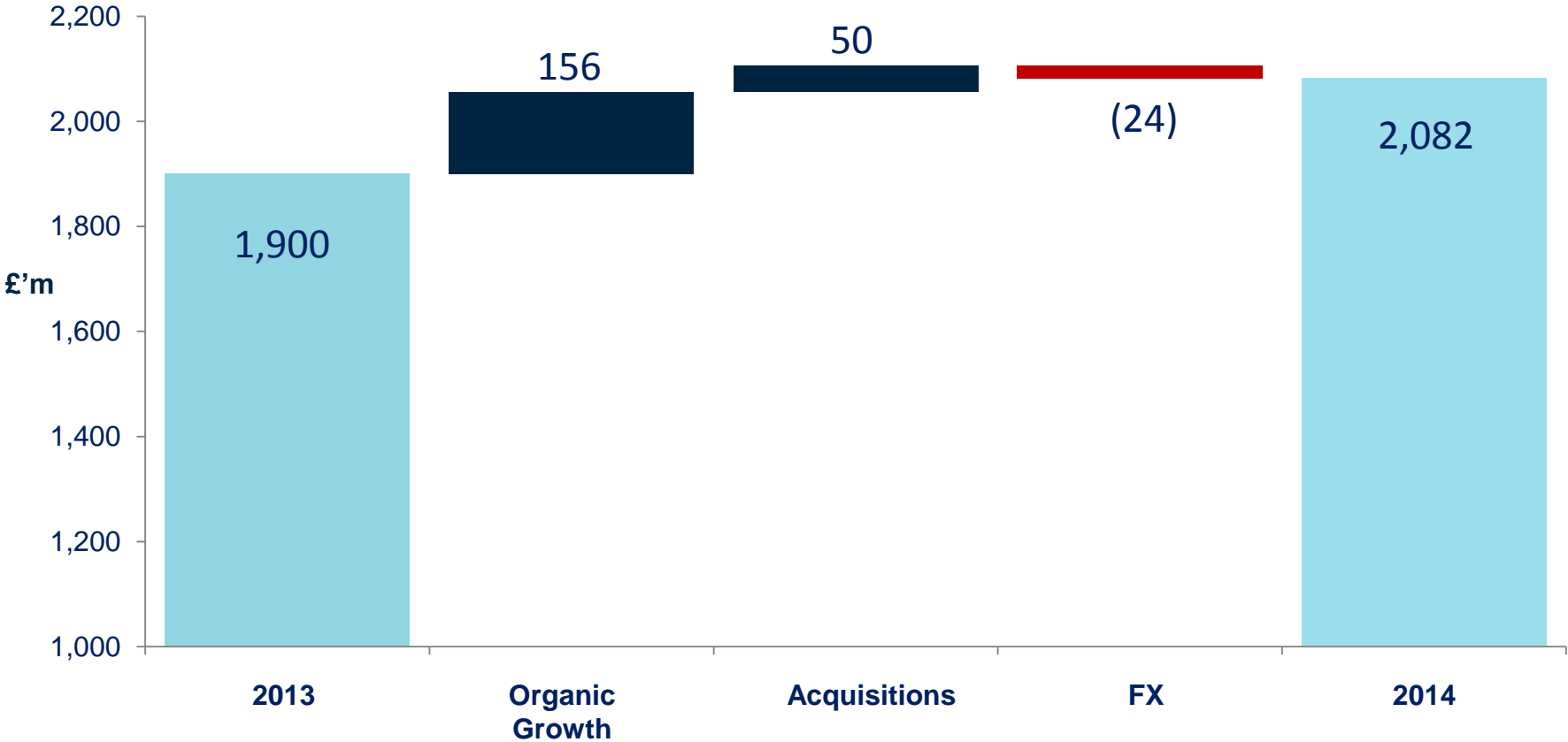
Group Financial Highlights

	2014	2013	Change	Change at constant exchange rates
Revenue (£'m)	2,081.7	1,899.8	+9.6%	+11.0%
Operating margin	5.3%	4.1%	+120 bps	
Operating profit (£'m)	110.1	77.2	+43%	
Earnings per share (pence)	34.4	22.3	+54%	
Full year dividend (pence)	10.75	8.5	+26%	
Net debt (£'m)	75.3	133.7	(58.4)	
Capital turn (times)	2.1x	1.9x	+0.2x	
ROCE	11.1%	7.8%	+330 bps	

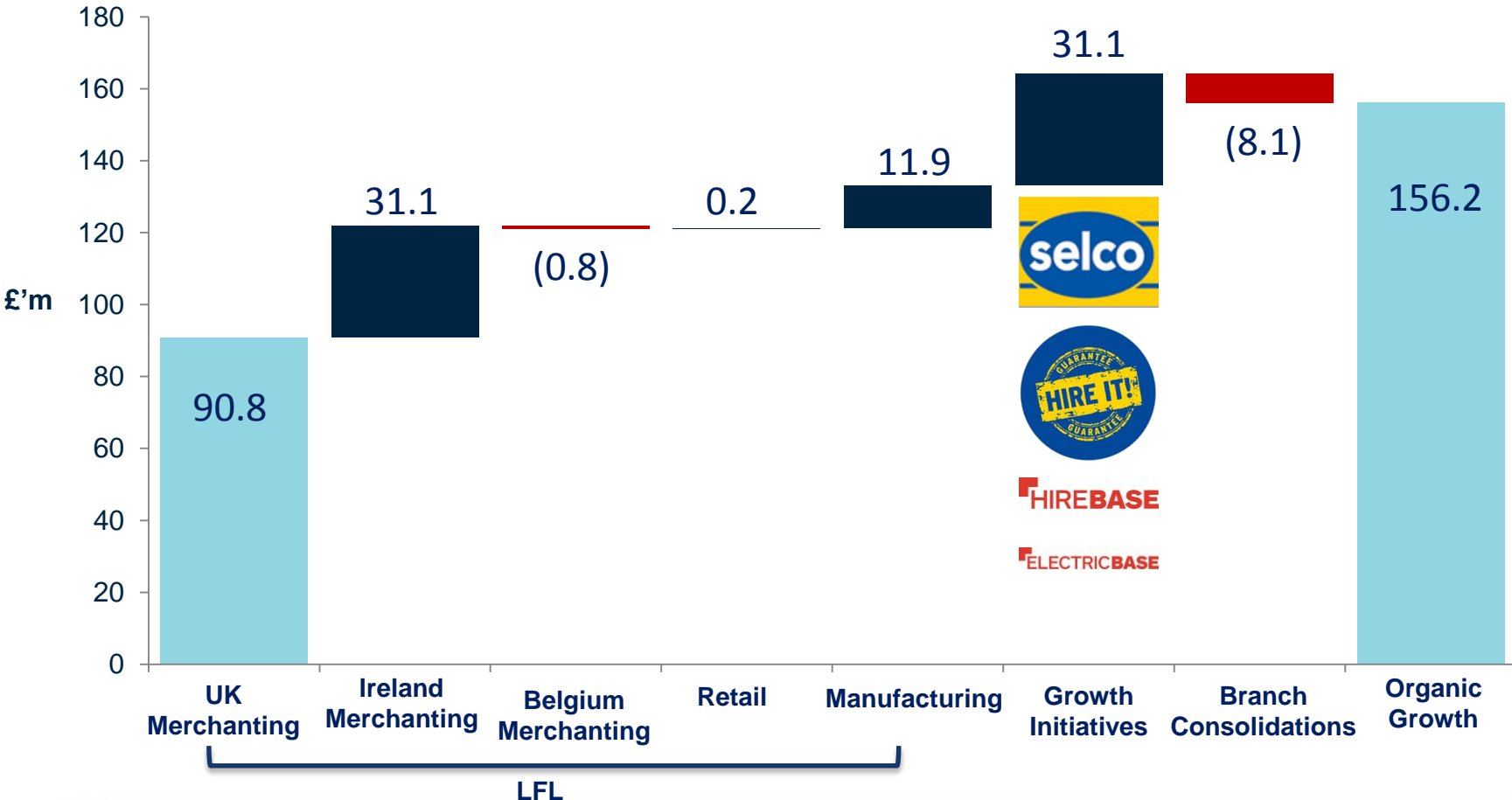
Revenue Growth

	2014 Like for Like					2014	
	Q1	Q2	Q3	Q4	FY	Total Revenue	
						Constant currency	Reported
Merchandising							
UK	9.8%	6.8%	5.9%	4.0%	6.5%	9.5%	9.5%
Ireland	7.4%	18.6%	16.3%	12.4%	13.9%	11.7%	6.0%
Belgium	28.7%	(11.7%)	(12.7%)	(2.7%)	(2.1%)	63.8%	55.6%
Irish Retailing	3.1%	3.2%	(2.0%)	(3.3%)	0.2%	(0.6%)	(5.7%)
Manufacturing	51.6%	27.3%	28.0%	25.6%	31.9%	32.2%	31.7%
Total Group	10.3%	7.5%	6.4%	4.7%	7.1%	11.0%	9.6%

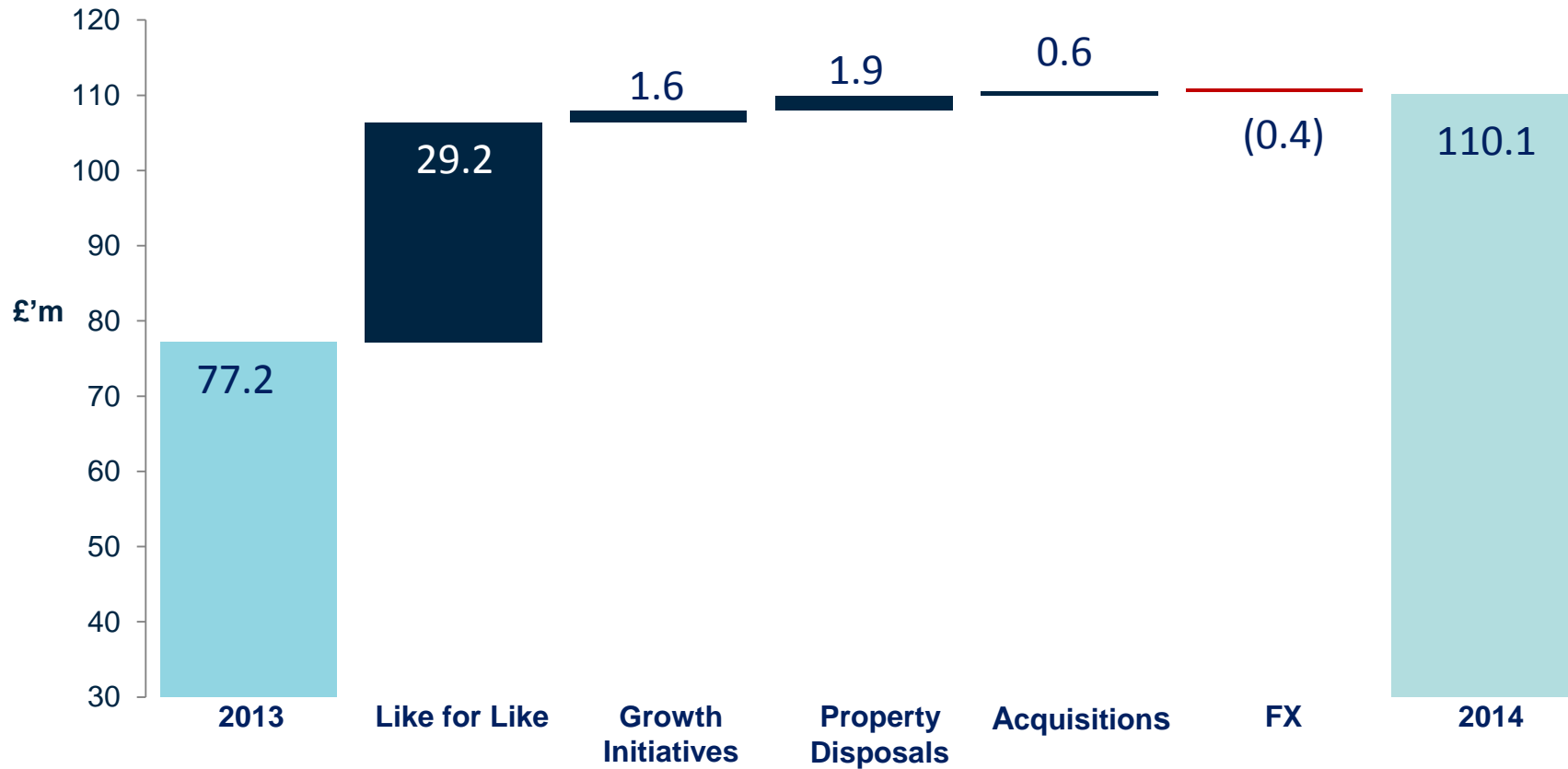
Revenue Growth Analysis



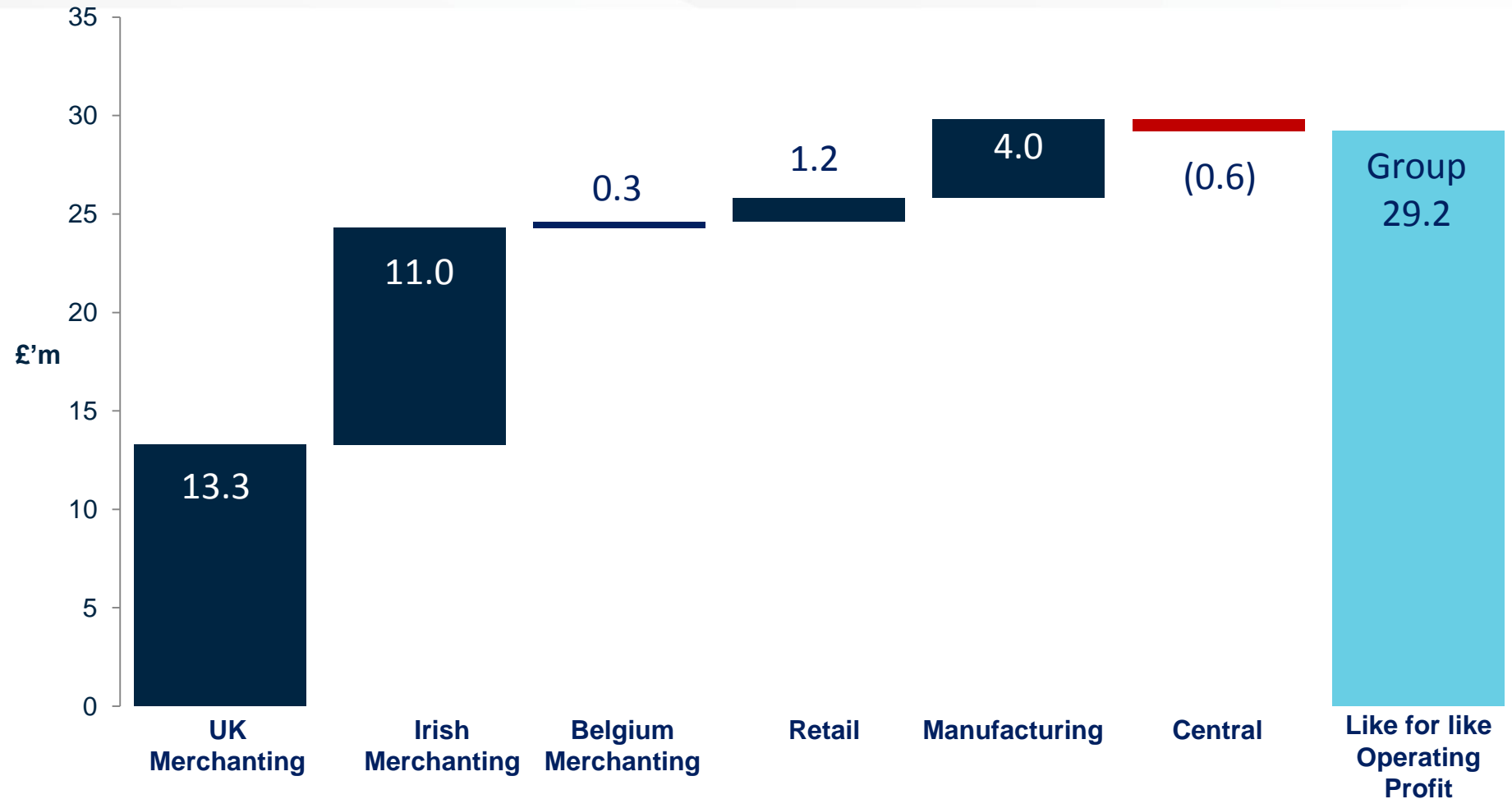
Organic Revenue Growth Analysis



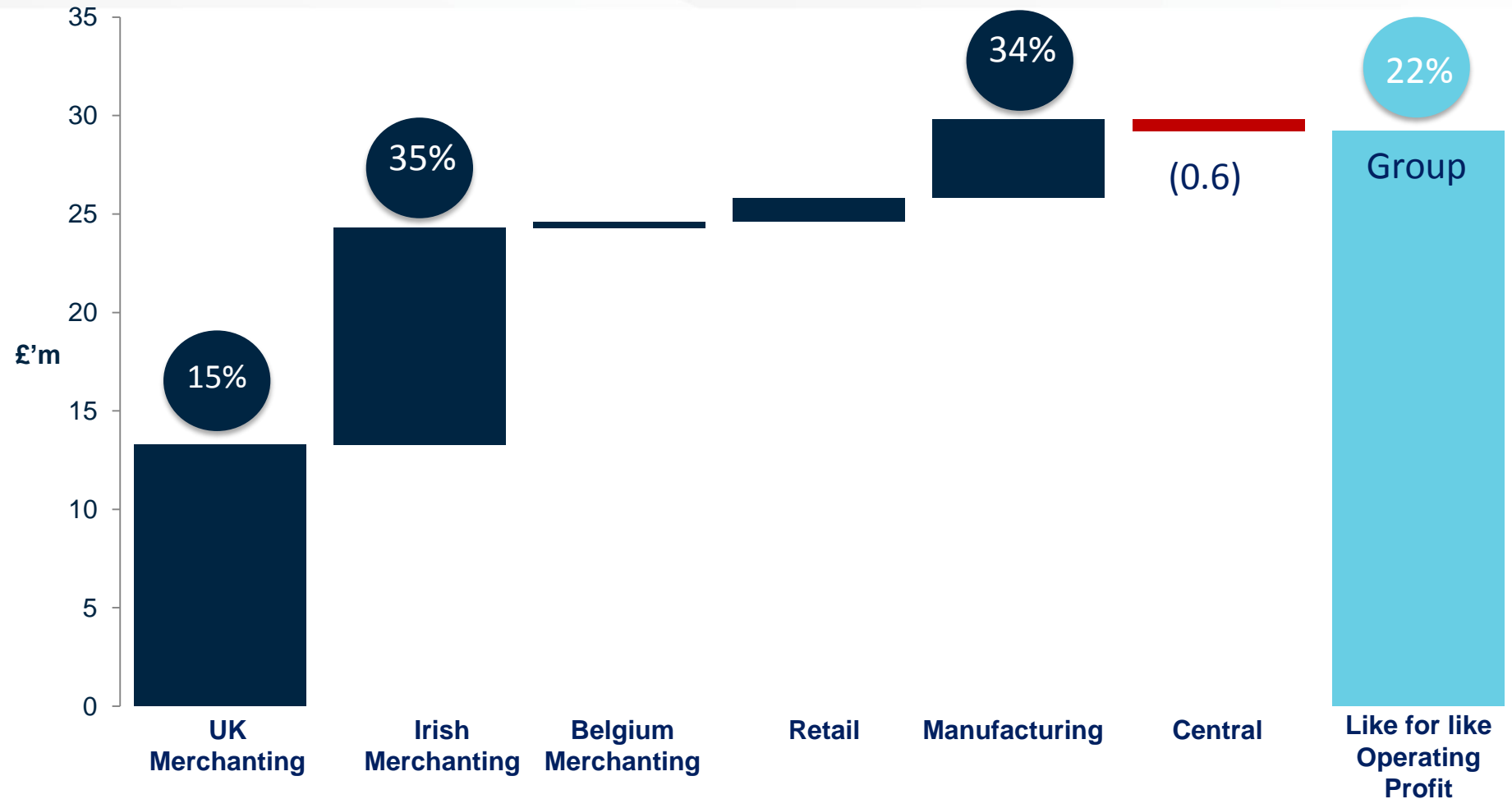
Operating Profit Analysis



Like for Like Operating Profit Analysis



Operating Profit Drop Through



UK Merchanding

	2014 £m	2013 £m	% Change
Revenue	1,525.6	1,393.0	+9.5%
Operating profit	92.8	75.9	+22.2%
Operating margin	6.1%	5.5%	+0.6% pt

Trading

- ▶ Growth in average daily like-for-like turnover of 6.5%
- ▶ Building materials price inflation estimated at 2.5% and volume growth 4.0%
- ▶ Gross margin 0.5% higher in competitive market
- ▶ Selco and Buildbase performed strongly - increased revenue, profit and operating margins

Irish Merchunting

	2014 £m	2013 £m	% Change	
			Reported	Constant currency
Revenue	257.5	243.0	+6.0%	+11.7%
Operating profit	16.4	5.2	+217.3%	+234.3%
Operating margin	6.4%	2.1%	+4.3% pt	-

Trading

- ▶ Strong competitive position delivered like-for-like turnover growth of 13.9%
- ▶ Building materials price inflation c.1%
- ▶ Strong gross margin progression
- ▶ Profit improvement supported by self help initiatives of prior years

Belgian Merchanding

	2014 £m	2013 £m	% Change	
			Reported	Constant currency
Revenue	91.6	58.8	+55.6%	+63.8%
Operating profit	0.8	0.6	+31.8%	+38.8%
Operating margin	0.9%	1.1%	-0.2% pt	-

Trading

- ▶ Like-for-like revenue down 2.1% in the YouBuild business – principally readymix
- ▶ Acquisition of Mpro completed in February and Ginion in October
- ▶ Strong entry points to the Brussels market
- ▶ Focus on implementing performance improvement measures and synergy opportunities

Retailing

	2014 £m	2013 £m	% Change	
			Reported	Constant currency
Revenue	158.2	167.9	(5.7%)	(0.6%)
Operating profit	2.4	1.2	+104.6%	+115.5%
Operating margin	1.5%	0.7%	+0.8% pt	

Trading

- ▶ Revenue up by 0.2 per cent in like-for-like stores
- ▶ Stable pricing environment
- ▶ 2014 a transitional year - Woodie's refocusing on core strengths of DIY, Home and Garden
- ▶ Woodie's increased profitability and was cash generative with c.£10m reduction in gross stock

Manufacturing

	2014 £m	2013 £m	% Change
Revenue	48.7	37.0	+31.7%
Operating profit	7.9	3.9	+100.4%
Operating margin	16.2%	10.7%	+5.5% pt

Trading

- ▶ EuroMix is market leader in the silo mortar market - 9 mortar plants in England and Scotland
- ▶ Pricing and gross margin gains during 2014
- ▶ Pace of revenue growth moderated from +40.3% in H1 to +27.9% in H2
- ▶ Full year operating margin increased by 5.5% to 16.2% (H2: 18.8%)

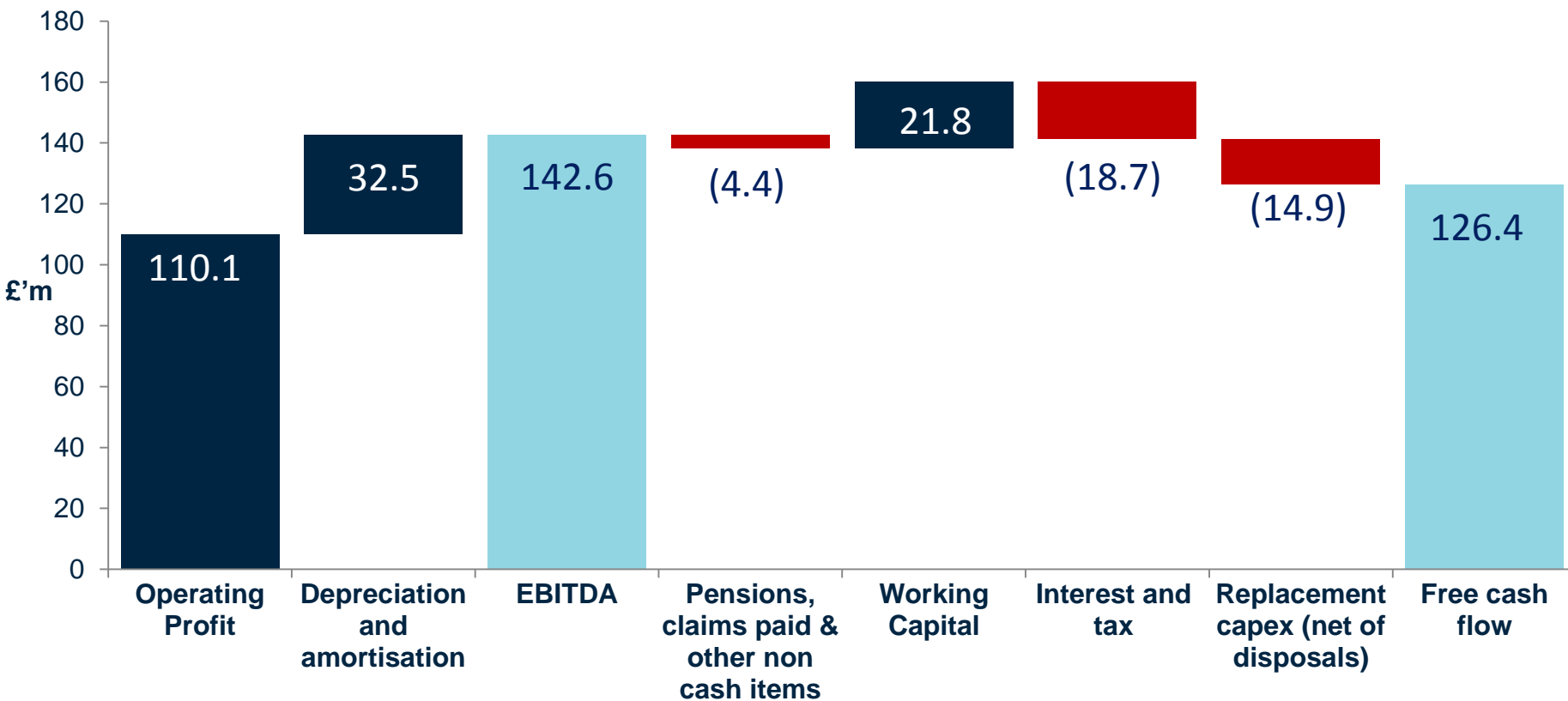
Finance and Tax

	2014	2013
Net debt: EBITDA	0.53x	1.23x
Gearing at 31 December 2014	8%	15%
Tax Rate	21.0%	20.4%
EBITDA interest cover	19.4x	11.0x

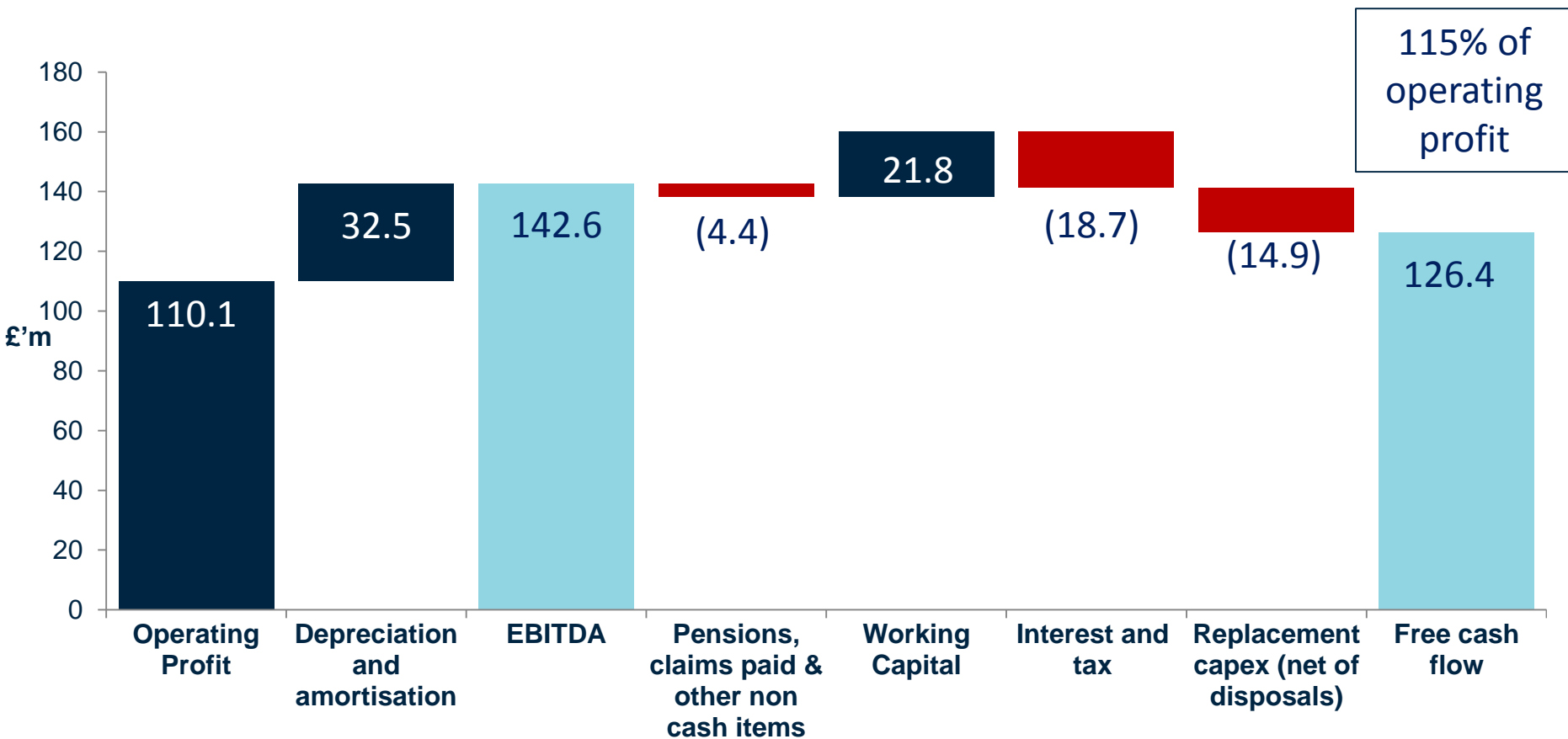


- ▶ Net debt of £75m at lowest level since 1999
- ▶ Finance charge fell by £3.4m to £8.9m – impact of lower debt and refinancing
- ▶ Strong liquidity at year end - cash of £182m and undrawn facilities of over £200m
- ▶ Strong balance sheet – net worth of £902m

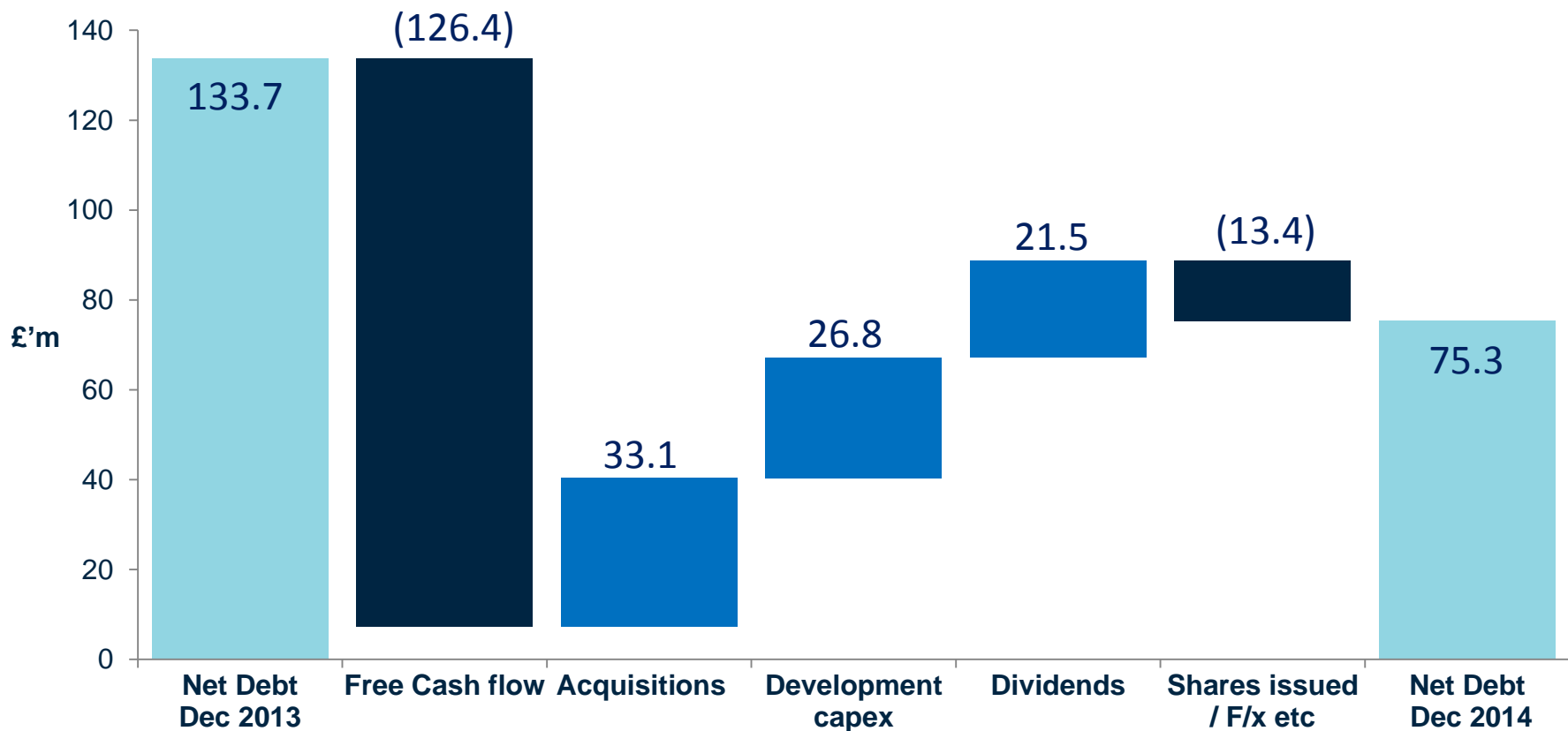
Free Cash Flow



Free Cash Flow



Movement in Net Debt



Gavin Slark

Group CEO

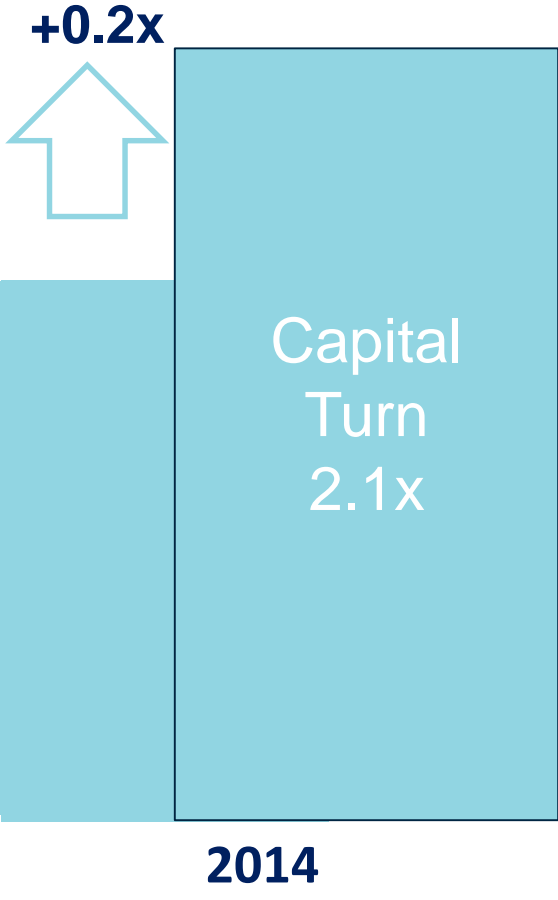
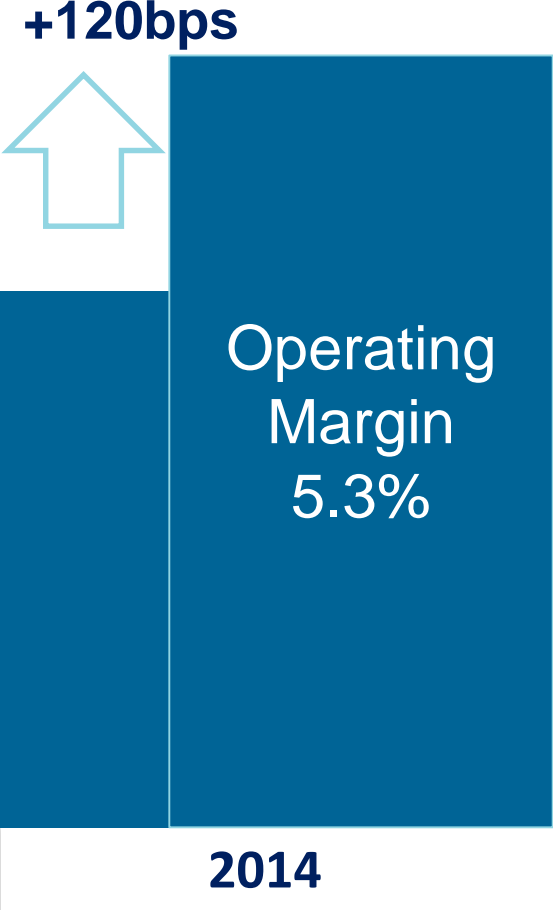
Strategic Progress & Outlook



Grafton Group plc



Strategic Pillars



Good Progress on Growth Initiatives

- ▶ 59 Electricbases, 115 Hirebases and 22 SelcoHires open at end December
- ▶ 10 Plumbase Industrials open at end December
- ▶ New Selco in Isleworth opened in August and Redhill opened in January 2015
- ▶ Good progress with Woodie's new store formats
- ▶ Kitchens now in 10 Woodie's stores
- ▶ New e-commerce initiatives planned for 2015

ELECTRICBASE

HIREBASE



Acquisitions Growth

- ▶ 3 UK acquisitions into Buildbase extending our coverage in the South East of UK
- ▶ Acquisition of Beaumont Forest Products will extend our timber capabilities further
- ▶ 2 acquisitions in Belgium
- ▶ T G Lynes acquired 27 February 2015 which strengthens the Group's growing position in mechanical services and complements Plumbase Industrial



Current Trading – Two months to end February 2015

	Like-for-like	
	Q4 2014	2 months to Feb 2015
Merchandising		
UK	4.0%	4.7%
Ireland	12.4%	18.1%
Belgium	(2.7%)	(4.2%)
Irish Retailing	(3.3%)	3.0%
Manufacturing	25.6%	19.8%
Total Group	4.7%	6.2%

Outlook - UK

- ▶ Economy grew strongly over the past year but slowed in Q4
- ▶ Recovery expected to be sustained by record levels of employment, low inflation and low interest rates
- ▶ Activity in the new housing market supported by economic growth, increased confidence and the Help-to-Buy scheme
- ▶ Activity in new housing market moderated but forecast to remain stable
- ▶ Improvement in economy and secondary housing market supportive of increased housing RMI volumes
- ▶ Development activity providing a platform for growth

Outlook - Ireland

- ▶ Recovery set to continue with solid growth forecast for 2015
- ▶ Growth expected in exports, manufacturing, services and construction
- ▶ Pick-up in house building in Dublin and regional cities to continue
- ▶ Growth in residential RMI market is well established
- ▶ Housing transactions and mortgage approvals increasing from a low base
- ▶ Household debt expected to weigh on retail spending generally including DIY

Summary

- ▶ Strong full year performance – results reflect success of strategy pursued in recent years
- ▶ First base financial respectability achieved – operating margin of 5.3% and ROCE of 11.1%
- ▶ Good pipeline of acquisition opportunities
- ▶ Overall outlook is positive and we are confident of further progress in 2015

Questions

Operating Margin Analysis

	H2 2014	H1 2014	H2 2013	H1 2013	H2 2012	H1 2012
UK Merchanting	6.1%	6.1%	5.9%	5.0%	4.9%	4.8%
Irish Merchanting	8.0%	4.6%	2.9%	1.3%	1.7%	0.7%
Belgium Merchanting	0.4%	1.5%	1.3%	0.9%	1.7%	3.1%
Total Merchanting	6.1%	5.6%	5.3%	4.3%	4.4%	4.2%
Retailing	2.5%	0.5%	1.1%	0.3%	3.8%	(3.6%)
Manufacturing	18.8%	13.3%	15.3%	5.1%	8.2%	2.1%
	6.1%	5.4%	5.1%	4.0%	4.4%	3.4%
Central Activities	(0.5%)	(0.4%)	(0.4%)	(0.6%)	(0.5%)	(0.4%)
Total	5.6%	5.0%	4.7%	3.4%	3.9%	3.0%

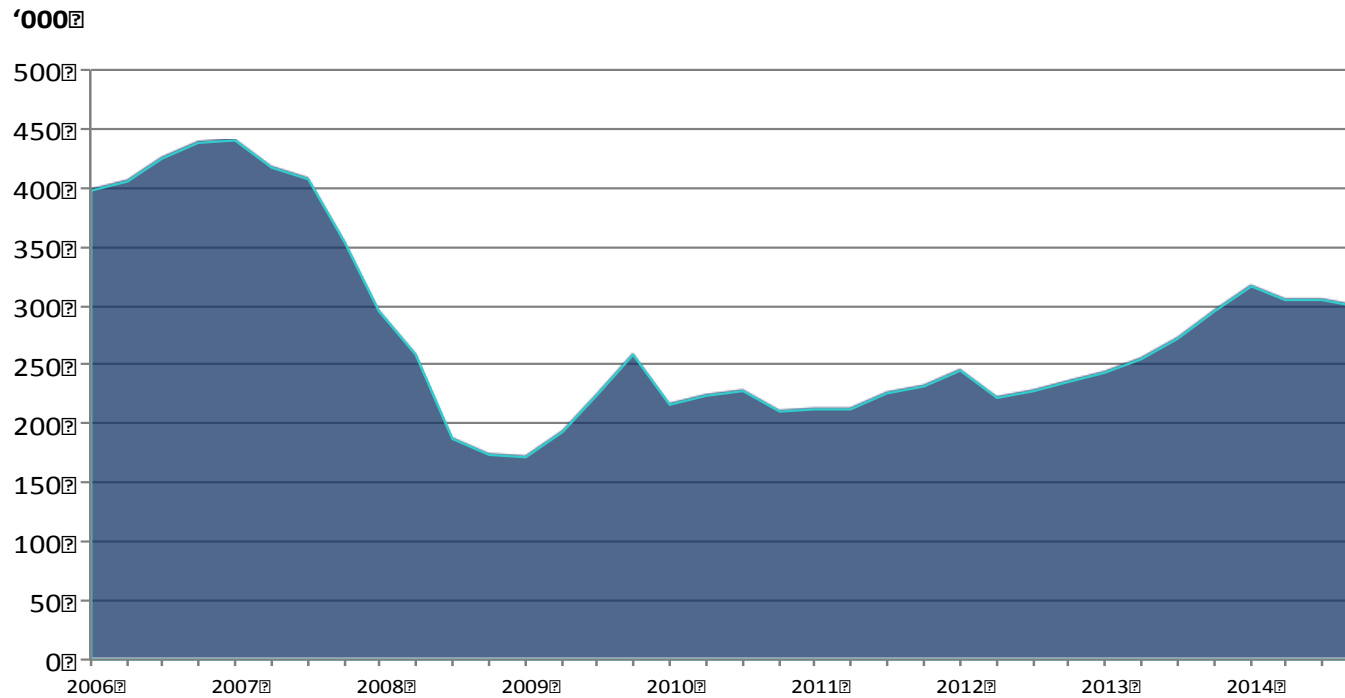


Summary Balance Sheet

	31 December 2014 £'m	31 December 2013 £'m	Change £'m
Property, plant and equipment	433.0	424.7	8.3
Investment property	20.5	19.9	0.6
Intangibles	485.9	481.0	4.9
Financial assets	0.1	0.1	-
	939.5	925.7	13.8
Working capital	127.1	144.0	(16.9)
Income and deferred tax	(24.6)	(21.3)	(3.3)
Retirement benefit obligations	(33.0)	(7.1)	(25.9)
Provisions	(27.4)	(33.3)	5.9
	981.6	1,008.0	(26.4)
Net debt	(75.3)	(133.7)	58.4
Shareholders' Equity	906.3	874.3	32.0
Gearing	8%	15%	



UK Housing Transactions 2006 - 2014

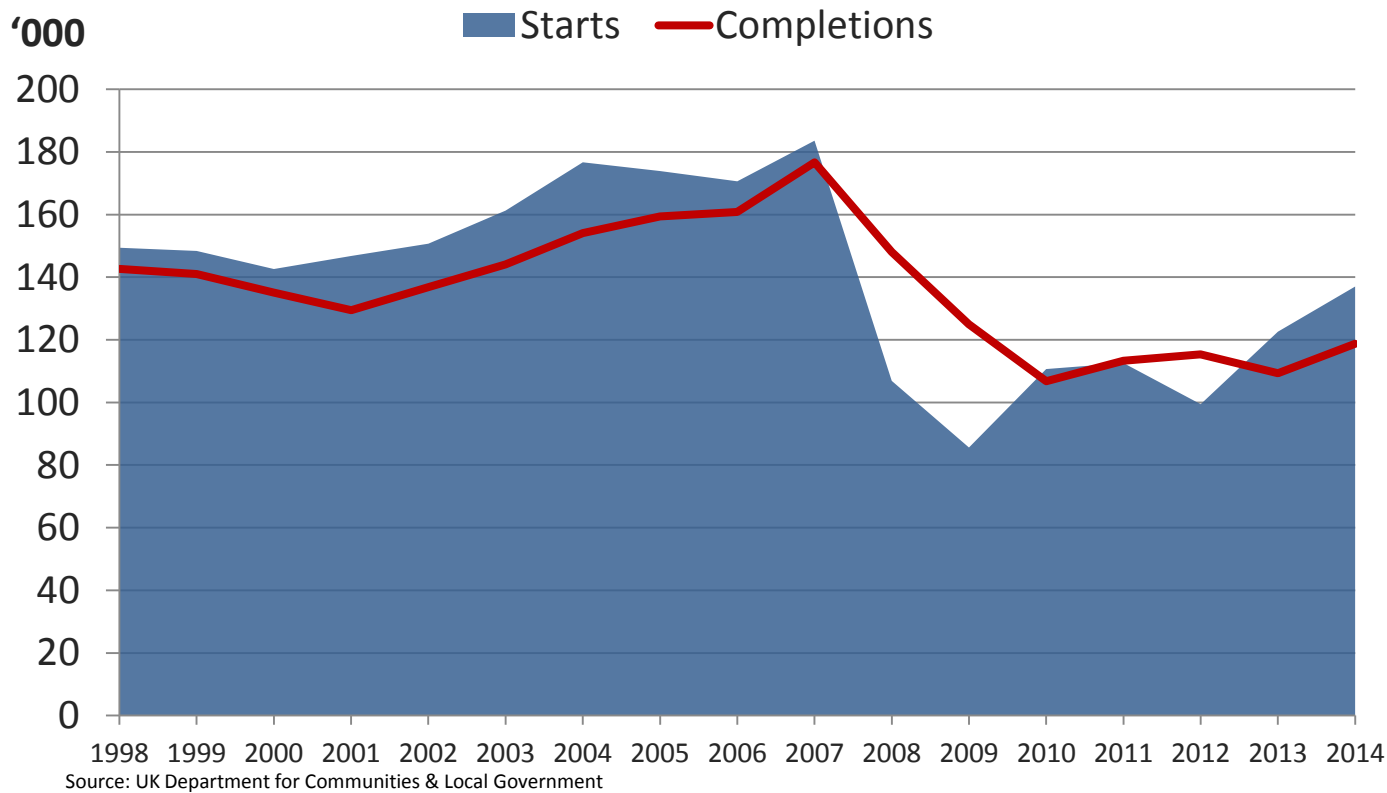


**Quarterly Seasonally Adjusted*

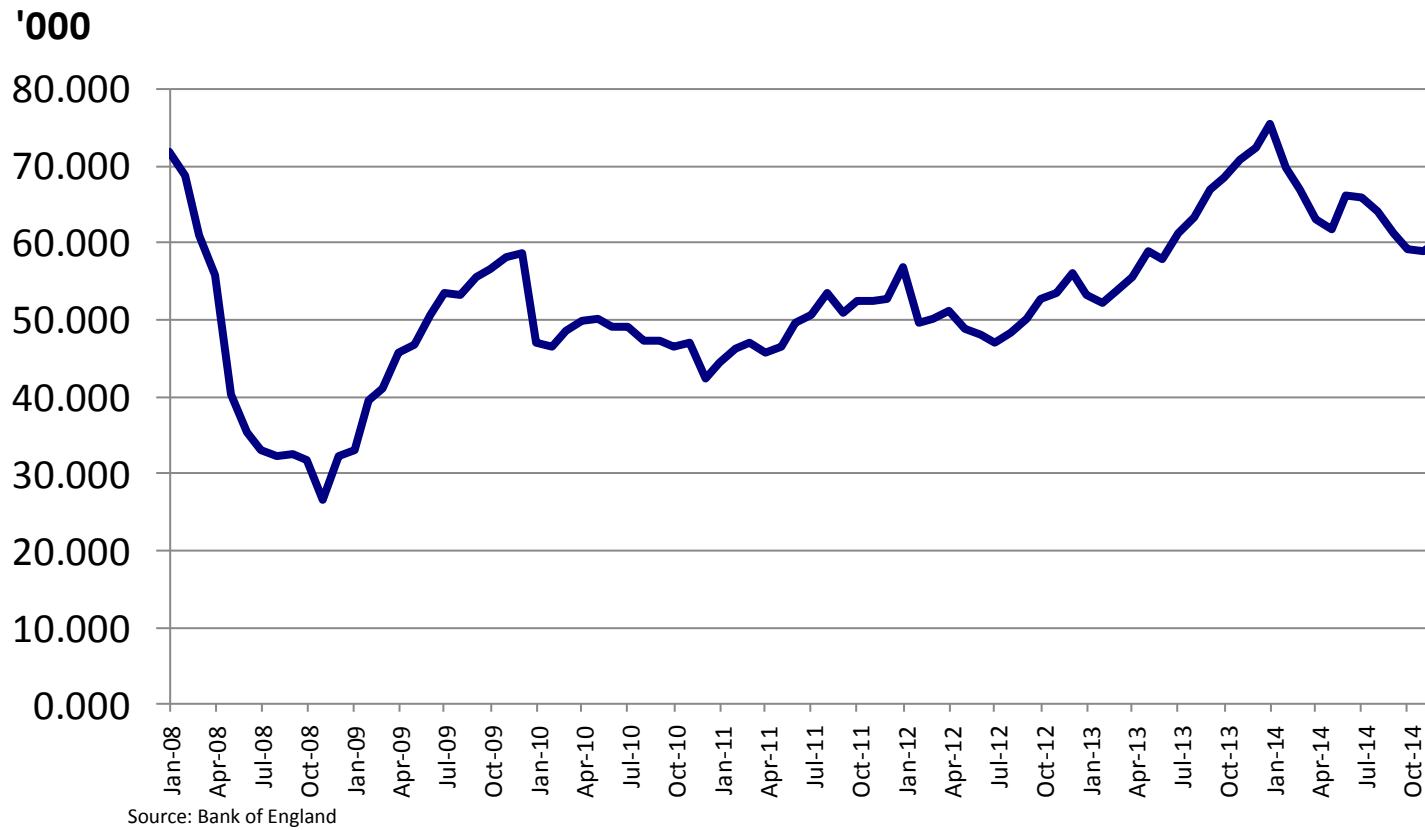
Source: HM Revenue & Customs UK Property Transactions Count



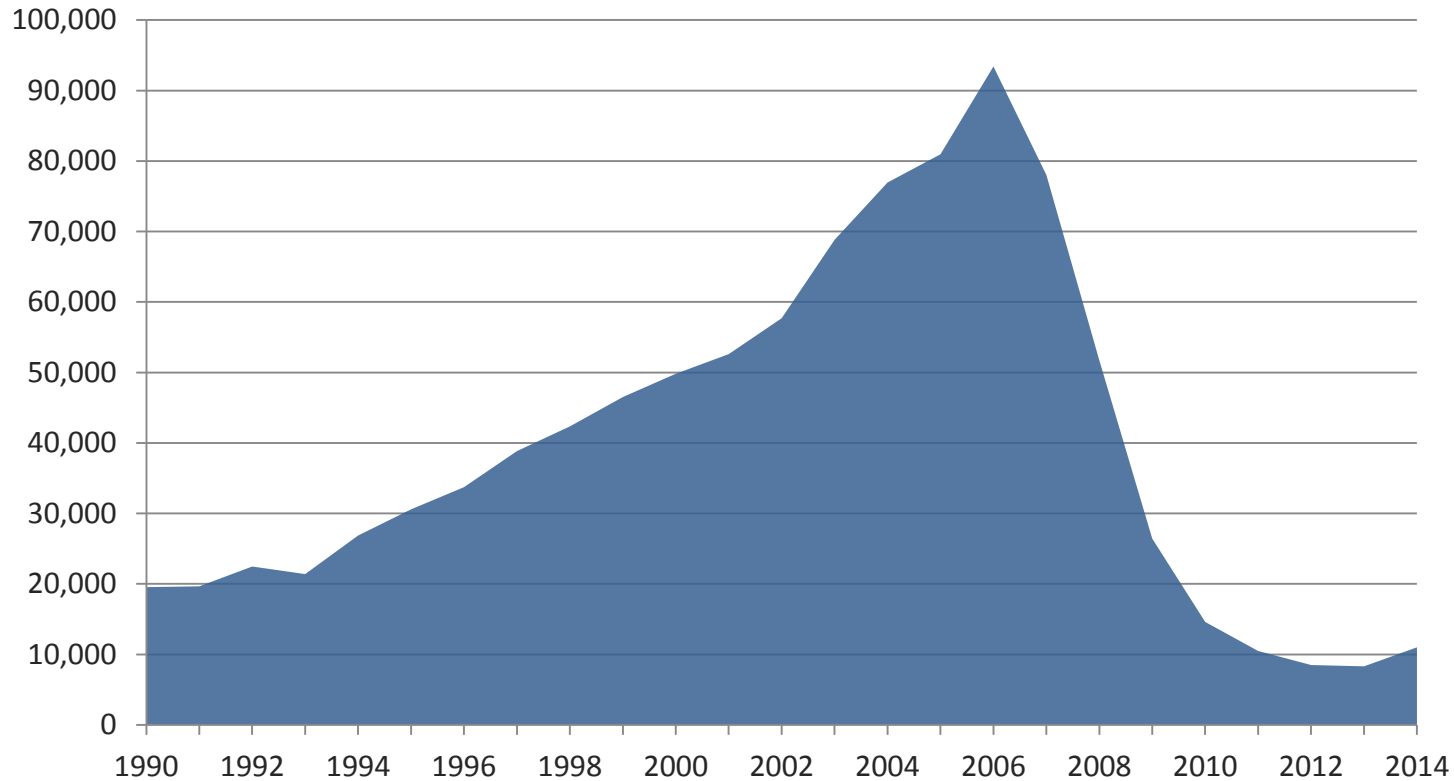
Housing Starts & Completions – England: 1998 - 2014



UK Mortgage Approvals UK: 2008 - 2014



House Completions – Ireland 1990 - 2014



Source: Department of the Environment, Community & Local Government - (DoELG) except for quarter 4 for 2014 which is estimated

Mortgages Issued in Ireland: 2002 - 2014

