

Half Year Results Presentation

For the six months ended 30 June 2015



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.

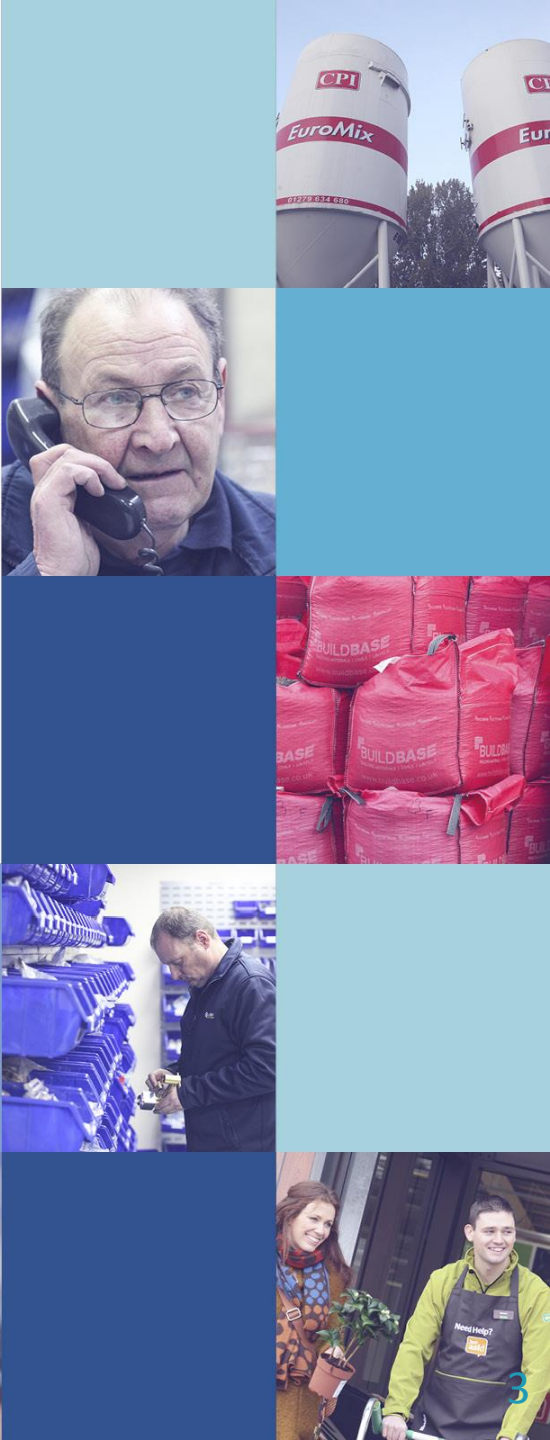
Gavin Slark

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

- ▶ Operating profit up 21% to £61.2m
- ▶ Basic earnings per share up 31% to 20.2p
- ▶ Excellent cash generation – net debt reduced to £51m
- ▶ Organic growth initiatives progressing well
- ▶ Significant contribution from UK acquisitions and new branches
- ▶ Medium term objectives remain 7% operating margin and 15% ROCE

David Arnold

Group CFO

Financial Review



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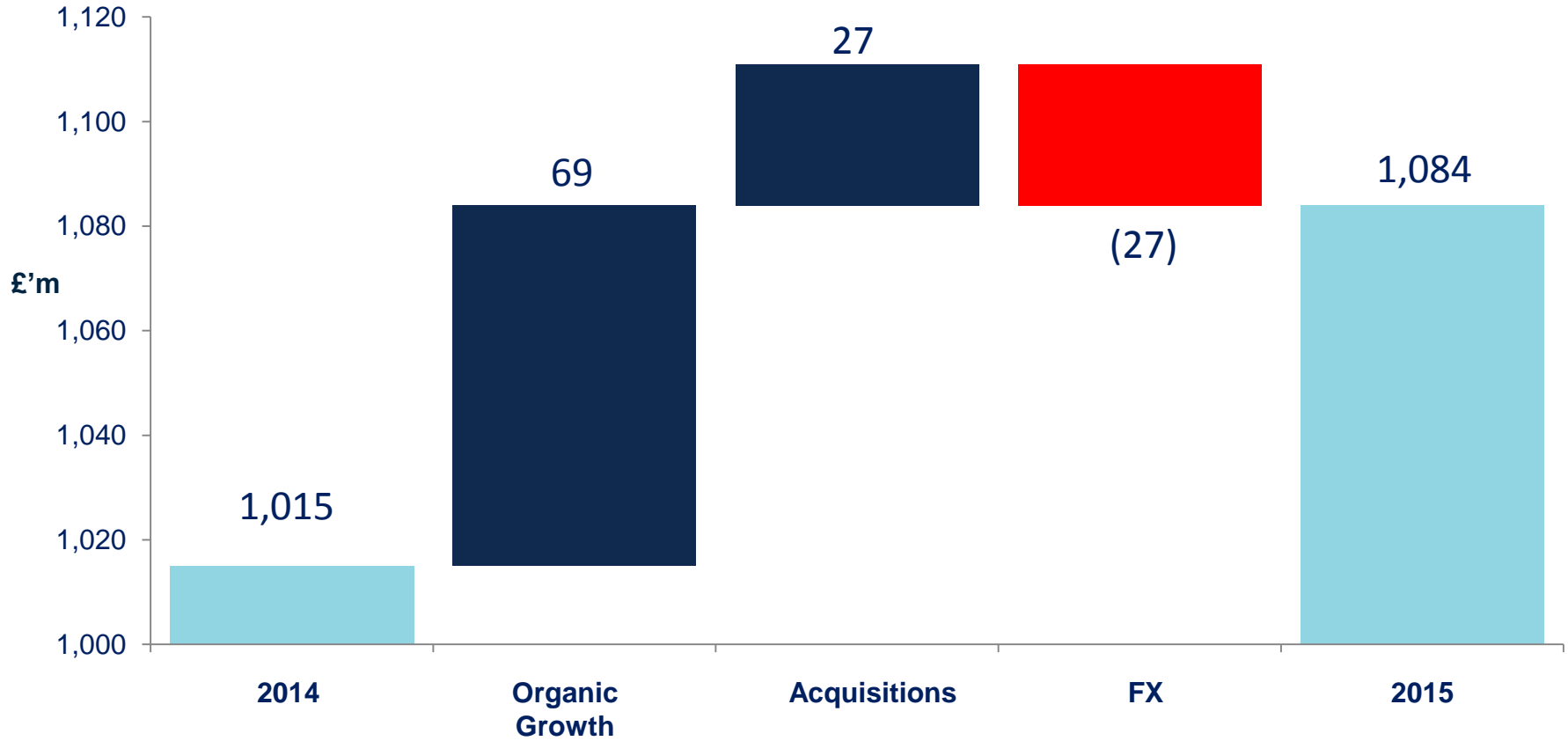
Group Financial Highlights – H1 2015

	2015	2014	Change	Change at constant exchange rates
Revenue (£'m)	1,083.7	1,015.3	+6.7%	+9.7%
Operating profit (£'m)	61.2	50.6	+20.9%	
Operating margin	5.6%	5.0%	+60 bps	
Operating profit (£'m) (pre property)	55.1	49.0	+12.4%	
Operating margin (pre property)	5.1%	4.8%	+30 bps	
Earnings per share (pence)	20.2	15.4	+31.2%	
Interim dividend (pence)	4.50	3.75	+20.0%	
Net debt (£'m)	51.1	101.1	-£50.0m	
ROCE	12.4%	10.2%	+220 bps	

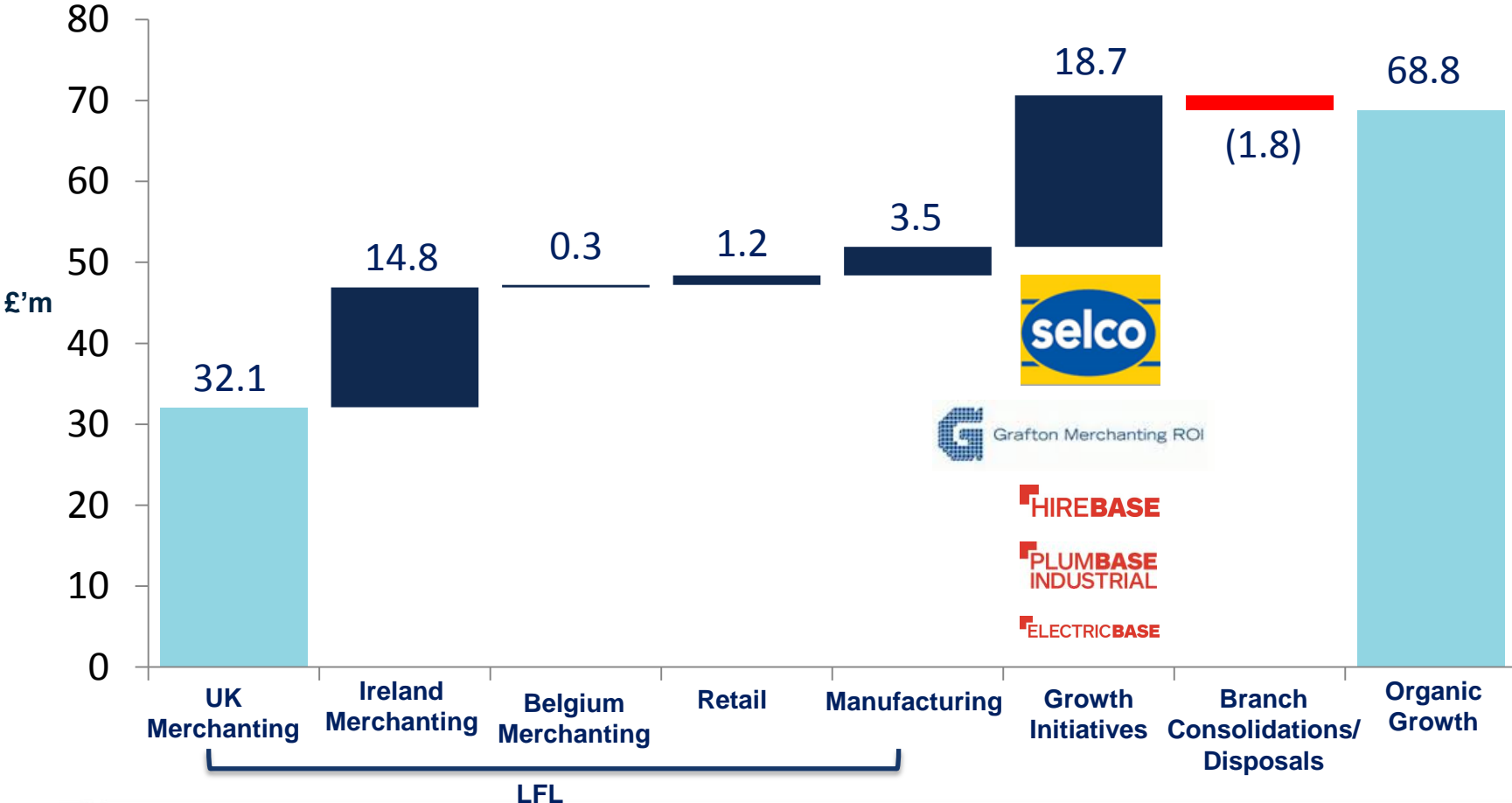
Revenue Growth

	Like-for-like					2015	
	2014		2015				
	Q3	Q4	Q1	Q2	H1	Total Revenue	
						Constant currency	Reported
Merchandising							
UK	5.9%	4.0%	3.5%	5.1%	4.3%	9.6%	9.6%
Ireland	16.3%	12.4%	16.4%	11.1%	13.7%	14.8%	2.3%
Belgium	(12.7%)	(2.7%)	(2.0%)	3.1%	1.1%	8.0%	(3.9%)
Irish Retailing	(2.0%)	(3.3%)	3.0%	1.1%	1.8%	2.0%	(9.3%)
Manufacturing	28.0%	25.6%	14.1%	16.1%	15.1%	15.1%	14.2%
Total Group	6.4%	4.7%	4.9%	5.6%	5.3%	9.7%	6.7%

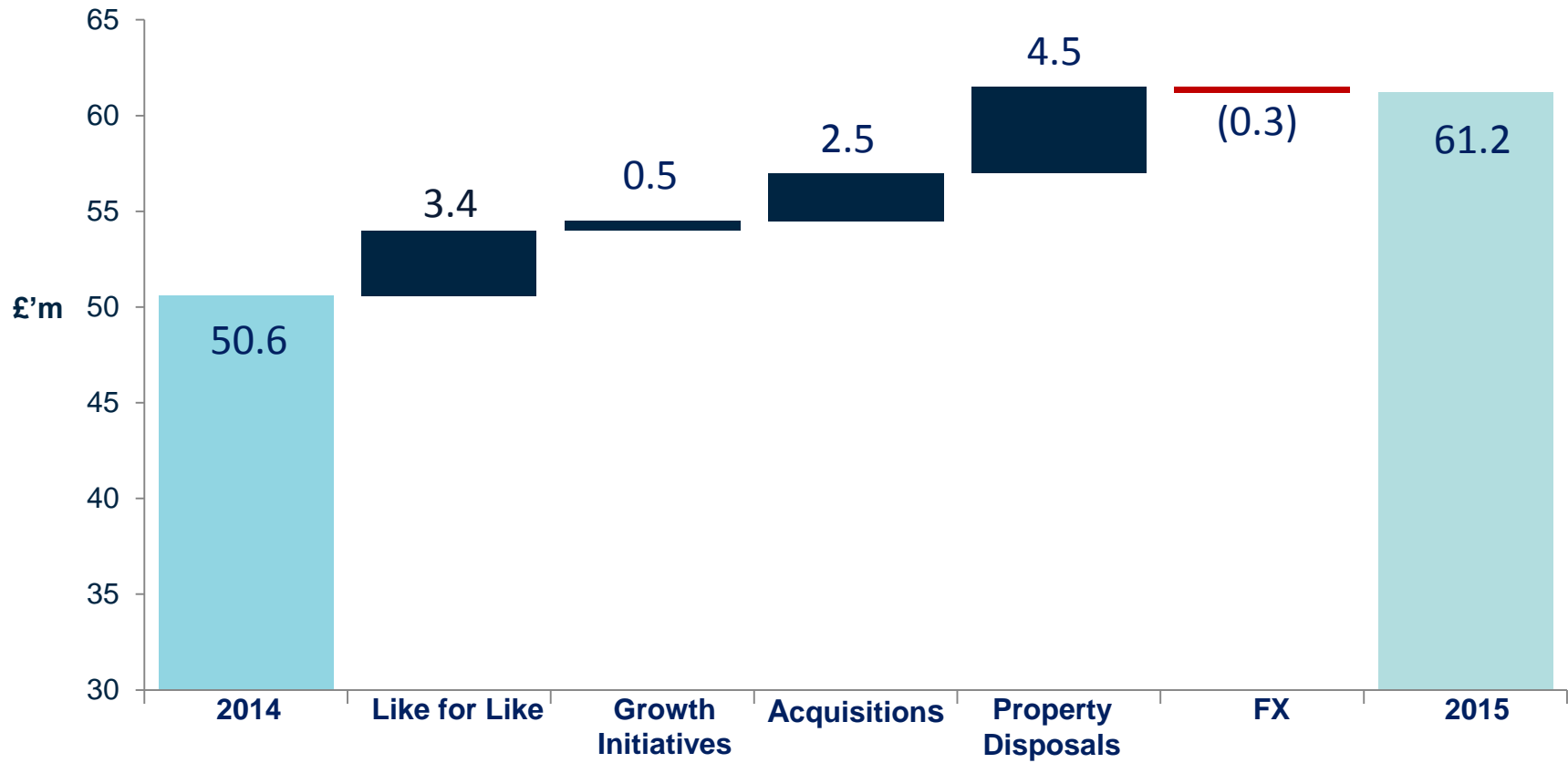
Revenue Growth Analysis



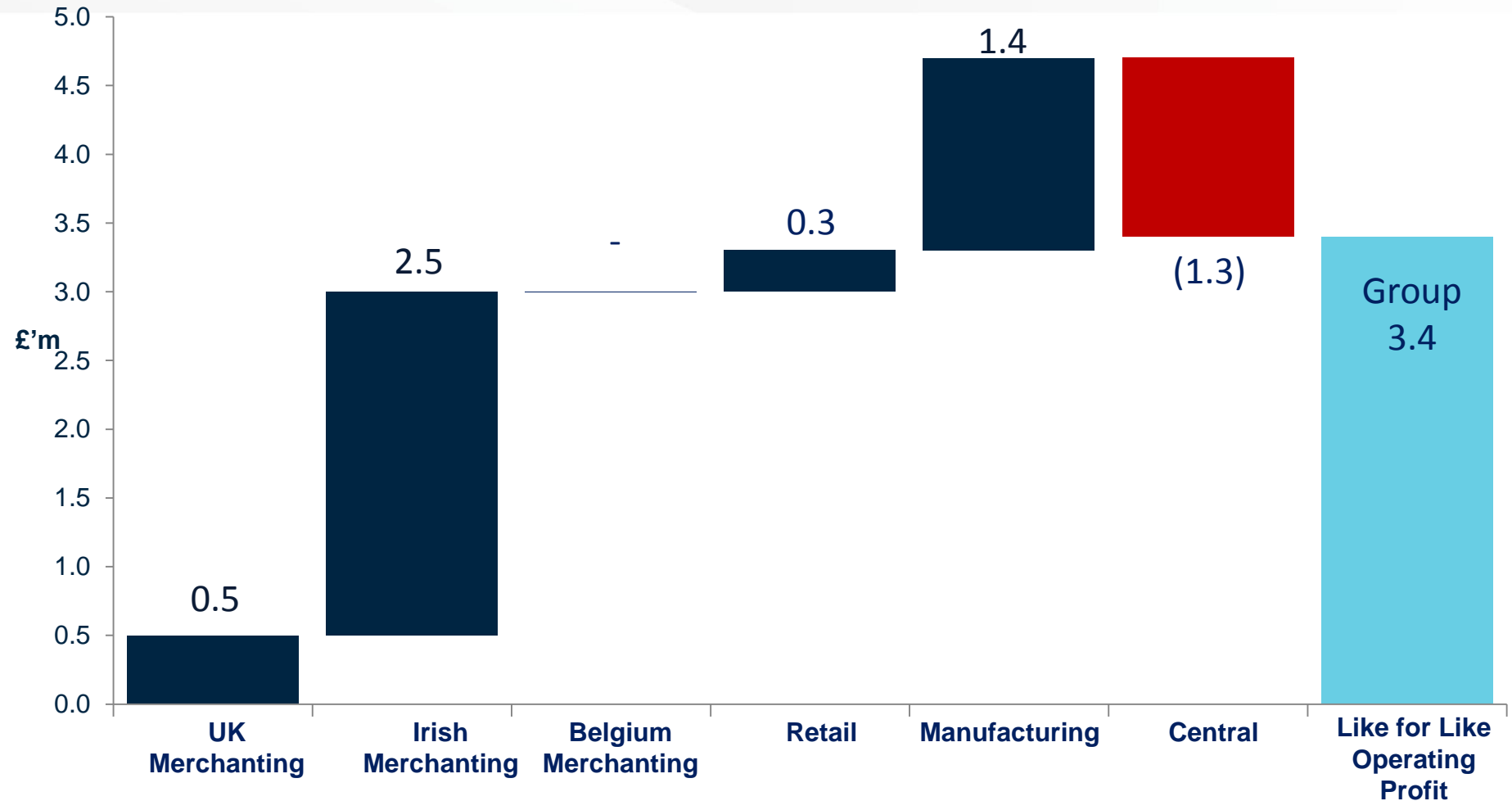
Organic Revenue Growth Analysis



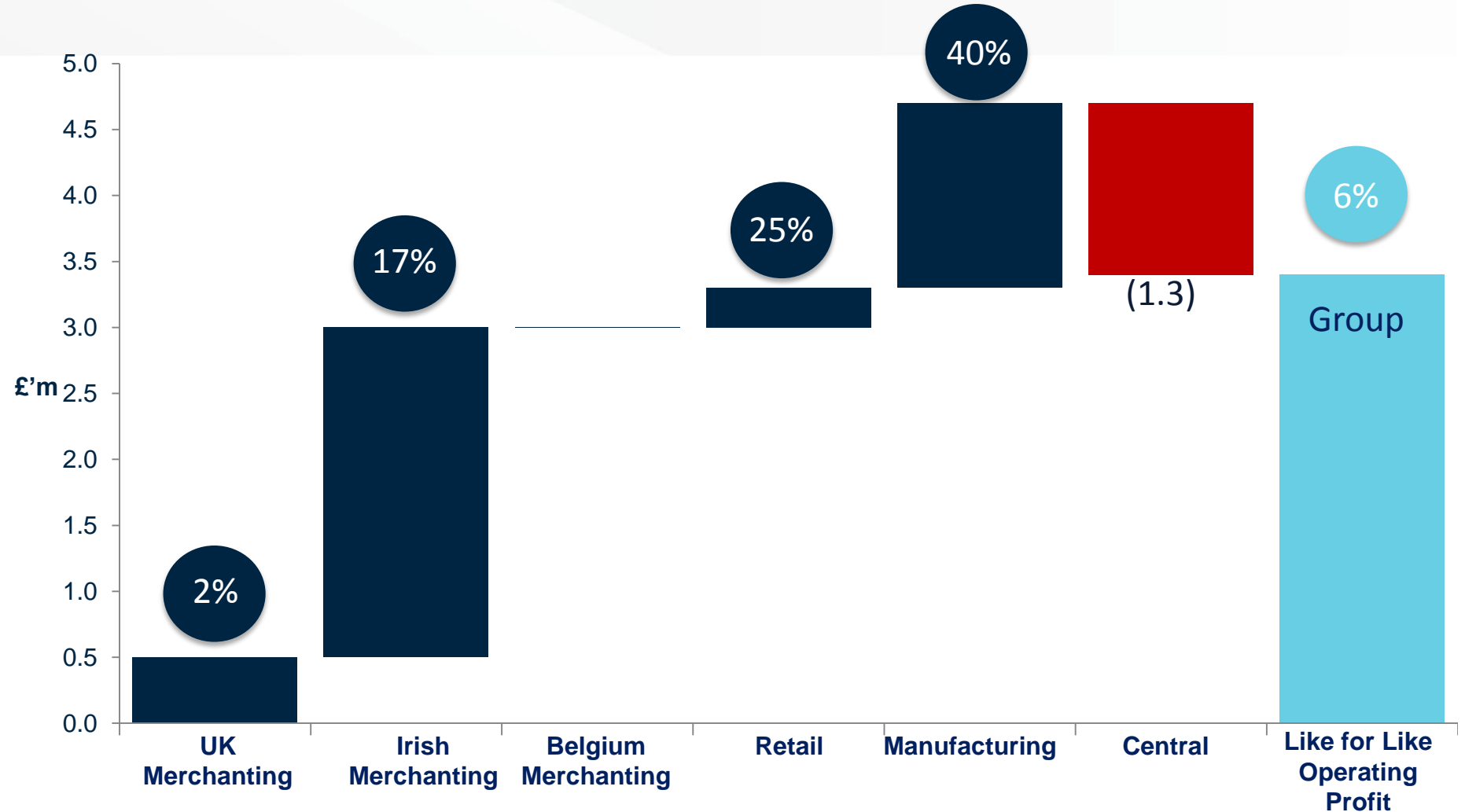
Operating Profit Analysis



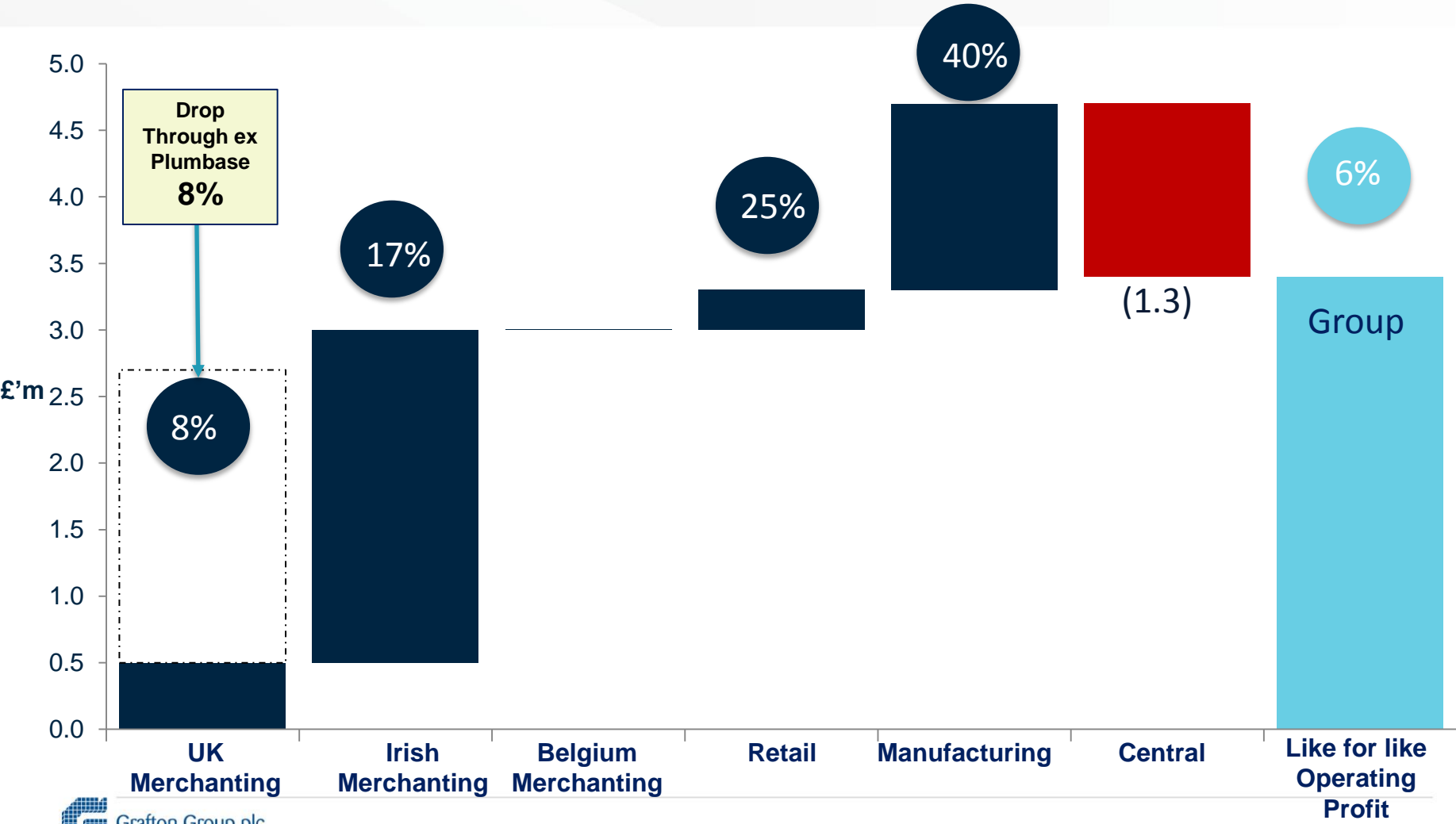
Like for Like Operating Profit Analysis



Operating Profit Drop Through



Operating Profit Drop Through



UK Merchanding

	2015 £m	2014 £m	% Change
Revenue	816.7	745.0	+9.6%
Operating profit	53.5	45.2	+18.3%
Operating margin	6.5%	6.1%	+40 bps

Trading

- ▶ Growth in average daily like-for-like turnover of 4.3%
- ▶ Building materials price inflation estimated at 1.0% to 1.5% and volume growth of c.3%
- ▶ Held gross margin at H1 2014 level in a competitive market
- ▶ Selco performed strongly - increased revenue, profit and operating margins
- ▶ Includes property profit of £6.1m (H1 2014: £1.6m)

Irish Merchanding

	2015 £m	2014 £m	% Change	
			Reported	Constant currency
Revenue	124.1	121.4	+2.3%	+14.8%
Operating profit	7.4	5.6	+33.9%	+50.2%
Operating margin	6.0%	4.6%	+140 bps	-

Trading

- ▶ Strong competitive position delivered like-for-like turnover growth of 13.7%
- ▶ Focus on underpinning gross margin - broadly in line with H1 2014
- ▶ Strong profit improvement in current year - continued self help initiatives of prior years
- ▶ New branch in Cork city opened at end of 2014

Belgian Merchenting

	2015 £m	2014 £m	% Change	
			Reported	Constant currency
Revenue	44.4	46.3	-3.9%	+8.0%
Operating profit	0.4	0.7	-46.3%	-39.8%
Operating margin	0.8%	1.5%	-70 bps	-

Trading

- ▶ Like-for-like revenue increased by 1.1%.
- ▶ Disposal of non core and capital hungry readymix business completed
- ▶ Focus on implementing performance improvement measures and synergy opportunities

Retailing

	2015 £m	2014 £m	% Change	
			Reported	Constant currency
Revenue	72.2	79.6	-9.3%	+2.0%
Operating profit	0.6	0.4	+61.6%	+81.3%
Operating margin	0.9%	0.5%	+40 bps	

Trading

- ▶ Revenue up by 1.8% per cent in like-for-like stores
- ▶ Stable pricing environment following a number of years of deflationary pressure
- ▶ Good progress on improving customer proposition across stores

Manufacturing

	2015 £m	2014 £m	% Change
Revenue	26.3	23.0	+14.2%
Operating profit	4.5	3.1	+44.7%
Operating margin	16.9%	13.3%	+360 bps

Trading

- ▶ Pace of revenue growth moderated to +14.2% in H1 2015
- ▶ Pricing and gross margin gains during 2014 continued in H1 2015
- ▶ Acquisition of Carlton completed in July 2015 - increases capacity and market share in bagged products

Property

- ▶ The Group has a significant freehold estate (December 2014: £280m) to support its branch operations
- ▶ The Group has historically sought to maintain a balance between freehold and leasehold property
- ▶ In addition 23 properties (June 2015: £9.0m) are held for sale (largely in the UK) and 21 properties (June 2015: £19.1m) are held as investment (largely in Ireland and having longer term development value)
- ▶ Property profits are expected to contribute 10-20bps towards operating profit on average though this will vary from one year to the next
- ▶ Property profit in H1 2015 was £6.1m, largely as a result of the disposal of a small branch at Stoke Newington. It would have taken over 20 years to have generated the same post tax cash flows as the sale proceeds
- ▶ Management of the Group's property portfolio is an important component of maximising Grafton's ROCE

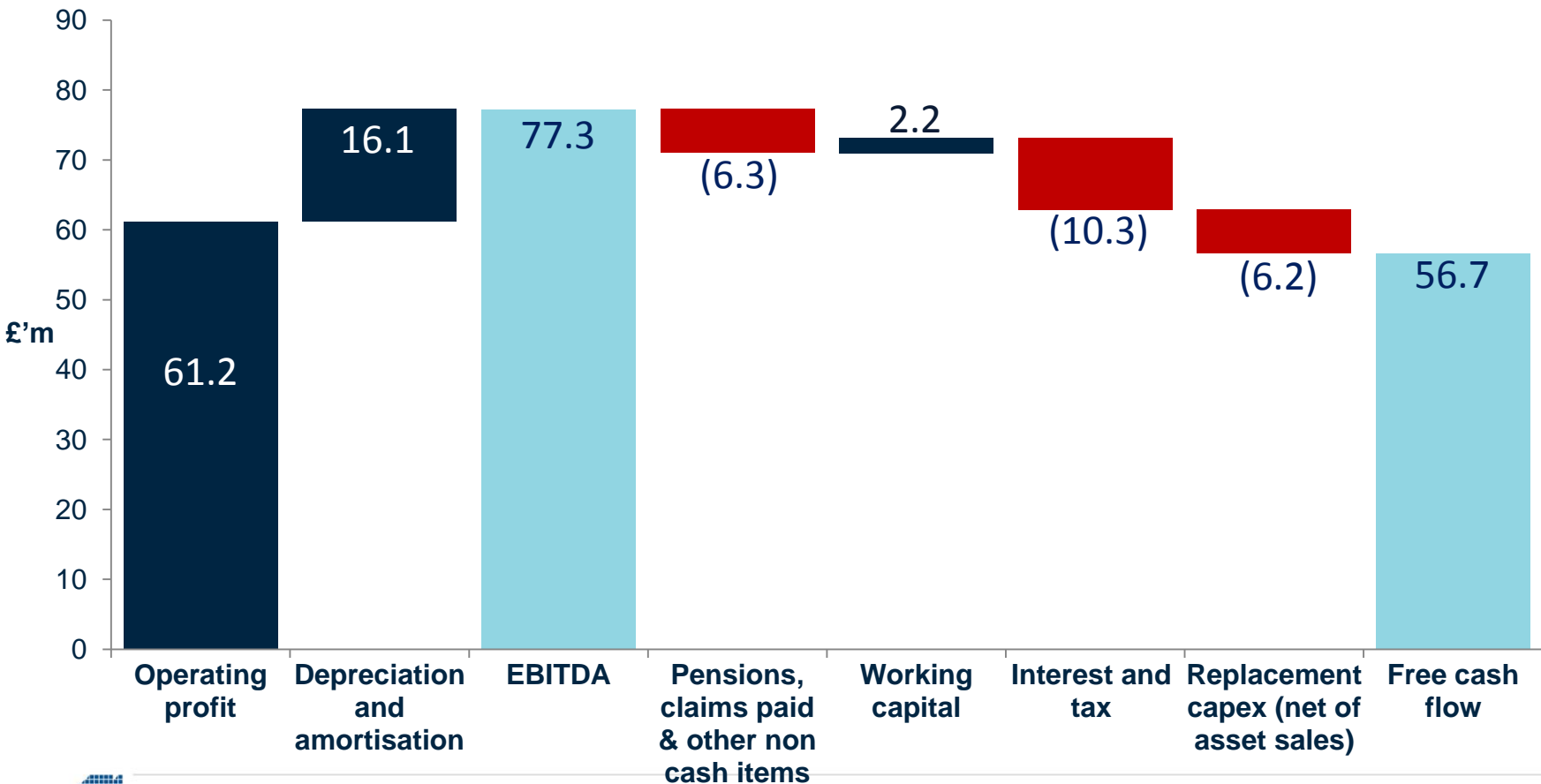
Finance and Tax

	30 June 2015	30 June 2014
Net debt: EBITDA (12 month rolling)	0.33x	0.79x
Gearing	5%	12%
Tax Rate (underlying)	21%	22%
EBITDA interest cover	26.8x	15.2x

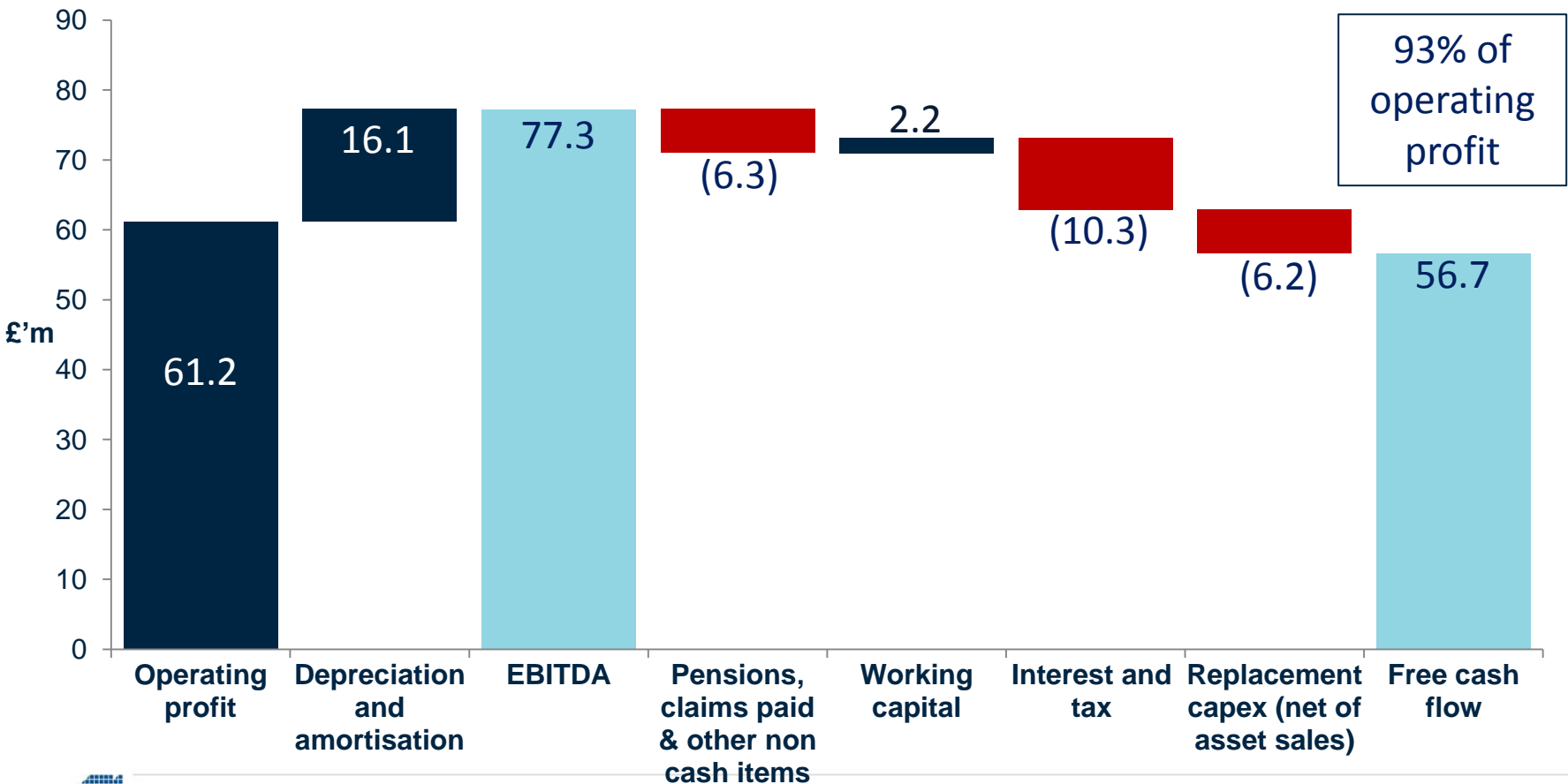


- ▶ Net debt of £51m at lowest level since 1998
- ▶ Finance charge fell by £1.4m to £3.3m - impact of lower debt and refinancing
- ▶ Strong liquidity at period end - cash of £190m and undrawn facilities of over £190m
- ▶ Strong balance sheet - net worth of £935m

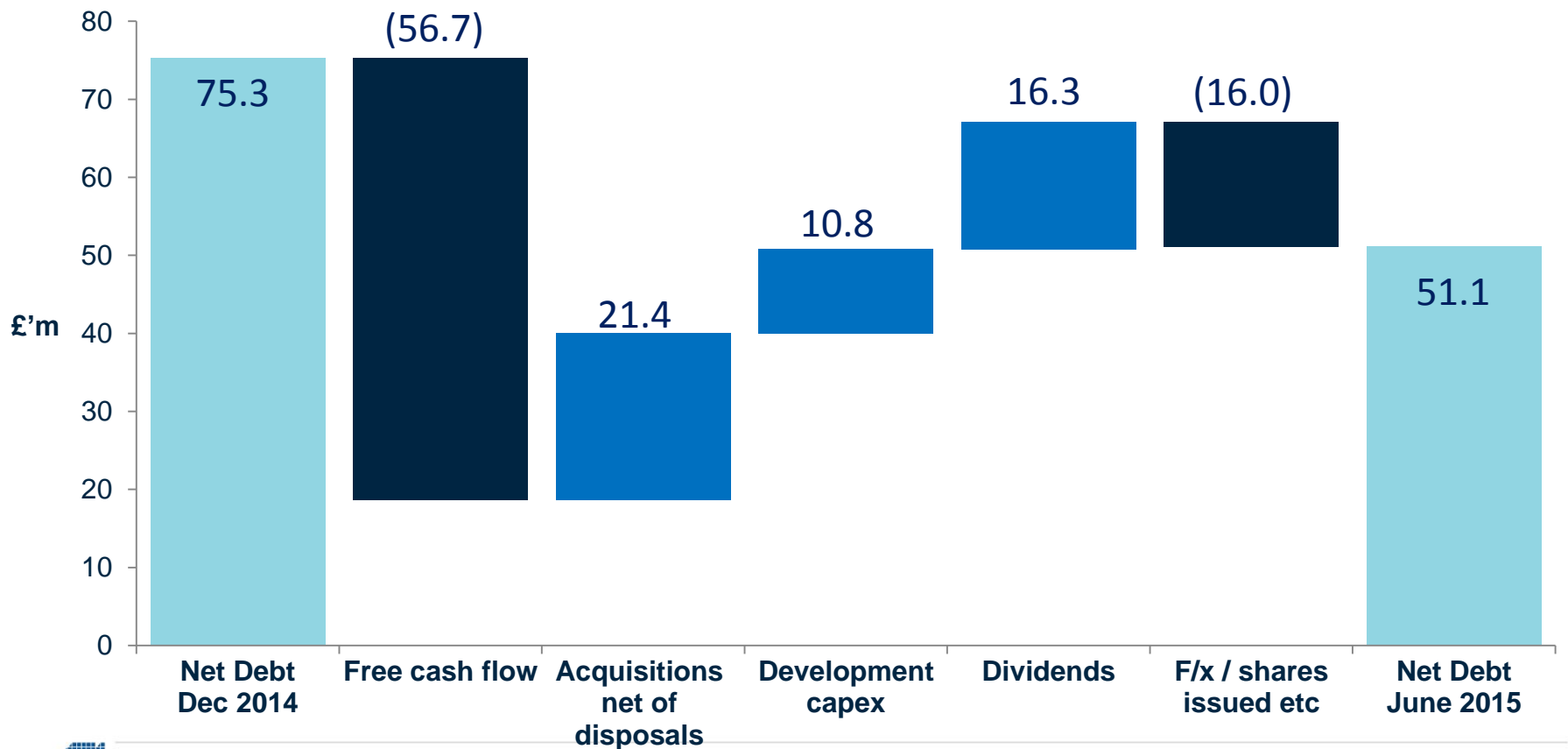
Free Cash Flow



Free Cash Flow



Movement in Net Debt



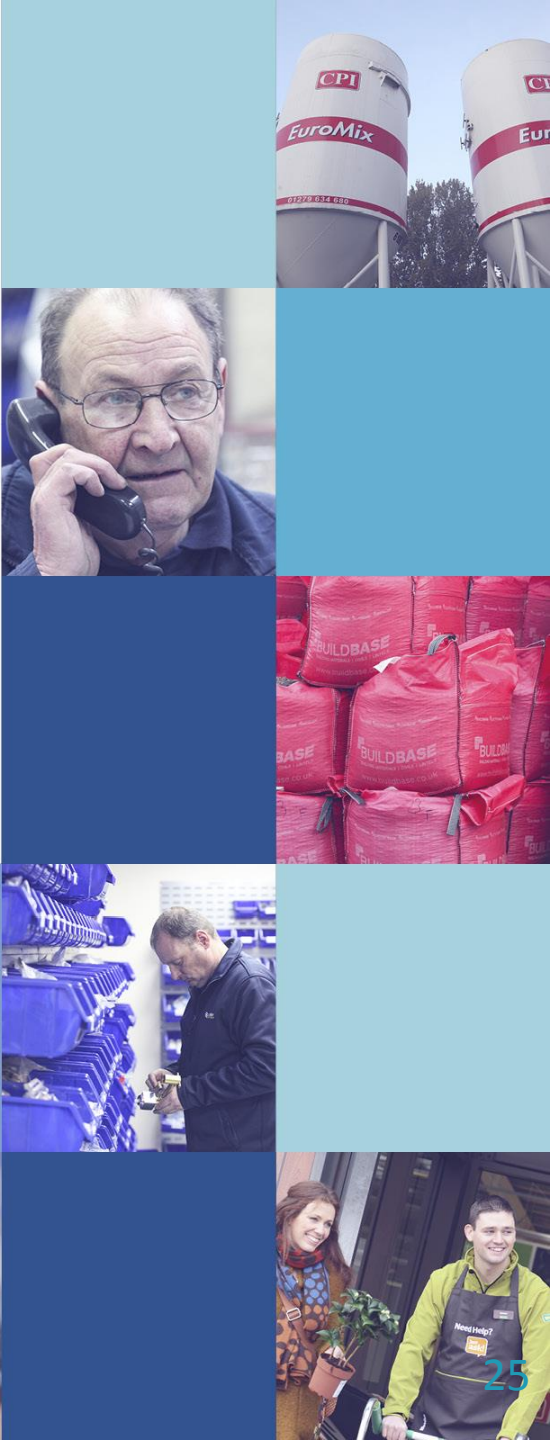
Gavin Slark

Group CEO

Strategic Progress & Outlook

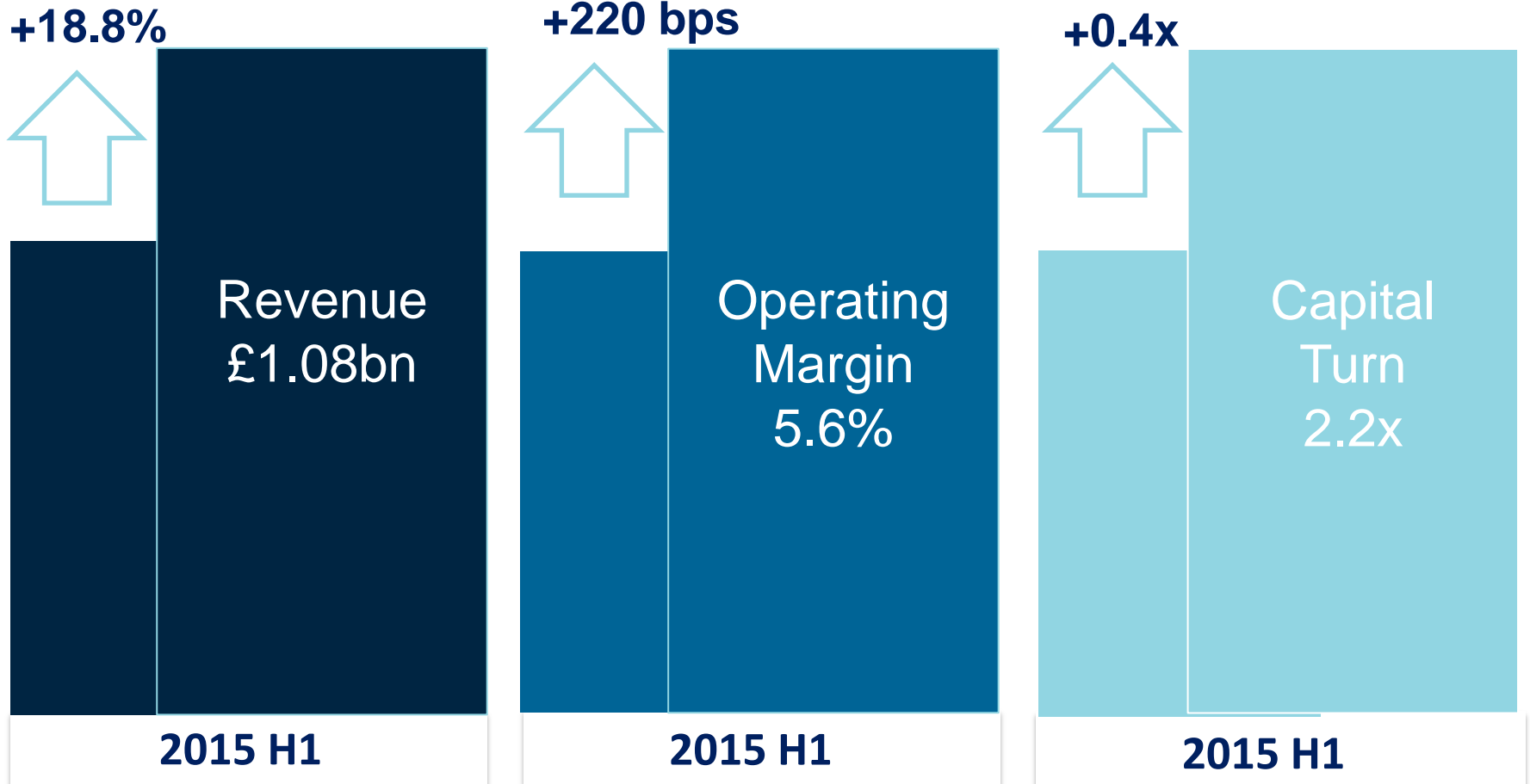


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Grafton's Strategic Pillars

Good progress since Capital Markets Day in November 2013



Good Progress on Growth Initiatives

- ▶ 74 Electricbases, 118 Hirebases and 23 SelcoHires open at end June
- ▶ 13 Plumbase Industrial branches open at end June
- ▶ New Selco in Redhill opened in January 2015 and Coventry in July 2015
- ▶ 40 Selco stores open by end December 2015 (June 2015 : 36)
- ▶ Selco Direct launched in June 2015
- ▶ Click and collect to commence in Selco by year end
- ▶ Continued development of Woodie's new store format

ELECTRICBASE

HIREBASE



Acquisitions Growth

- ▶ TG Lynes acquired in February 2015 which strengthens the Group's growing position in mechanical services and complements Plumbase Industrial
- ▶ Carlton acquired in July 2015 which expands UK Mortar business presence in bagged products
- ▶ Parkes Services Ltd acquired in August 2015 expands Plumbase Industrial's geographical coverage



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PIPE SUPPORT SYSTEMS & SPECIALIST SUPPLIES TO THE HEATING, VENTILATING & PLUMBING INDUSTRIES



Current Trading - 1 July - 23 August 2015

Like-for-like

	H1 2015	1 July to 23 August 2015
Merchandising		
UK	4.3%	3.7%
Ireland	13.7%	6.7%
Irish Retailing	1.8%	5.7%
Total Group	5.3%	4.3%

▶ Improving trends – August outperformed July

▶ Group like-for-like currently consistent with H1

Outlook - UK

- ▶ Generally positive for remainder of 2015 with pace of economic growth forecast to continue at similar levels to H1
- ▶ Activity in the new housing market supported by good underlying demand and low mortgage rates
- ▶ Group's development activity providing a platform for growth
- ▶ Continued focus on internal margin management and cost initiatives should lead to further progress in H2 2015

Outlook - Ireland

- ▶ Recovery well established and looks set to continue with solid growth forecast for the remainder of 2015
- ▶ Consumer spending and investment expected to be key drivers of growth
- ▶ Recovery in house building expected to continue and non residential activity expected to increase
- ▶ Increased employment and disposable income should sustain growth in consumer spending - expected to extend to DIY in due course

Summary

- ▶ Positive half year performance – results reflect success of strategy pursued in recent years
- ▶ Paul Hampden Smith appointed as Non-Executive Director
- ▶ Good pipeline of acquisition opportunities
- ▶ Overall outlook is positive and we are confident of further progress during 2015
- ▶ Medium term target remains 7% operating margin and 15% ROCE

Questions

Appendices



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Operating Margin Analysis

	H1 2015	H2 2014	H1 2014	H2 2013	H1 2013	H2 2012	H1 2012
UK Merchanting	6.5%	6.1%	6.1%	5.9%	5.0%	4.9%	4.8%
Irish Merchanting	6.0%	8.0%	4.6%	2.9%	1.3%	1.7%	0.7%
Belgium Merchanting	0.8%	0.4%	1.5%	1.3%	0.9%	1.7%	3.1%
Total Merchanting	6.2%	6.1%	5.6%	5.3%	4.3%	4.4%	4.2%
Retailing	0.9%	2.5%	0.5%	1.1%	0.3%	3.8%	(3.6%)
Manufacturing	16.9%	18.8%	13.3%	15.3%	5.1%	8.2%	2.1%
	6.1%	6.1%	5.4%	5.1%	4.0%	4.4%	3.4%
Central Activities	(0.5%)	(0.5%)	(0.4%)	(0.4%)	(0.6%)	(0.5%)	(0.4%)
Total	5.6%	5.6%	5.0%	4.7%	3.4%	3.9%	3.0%

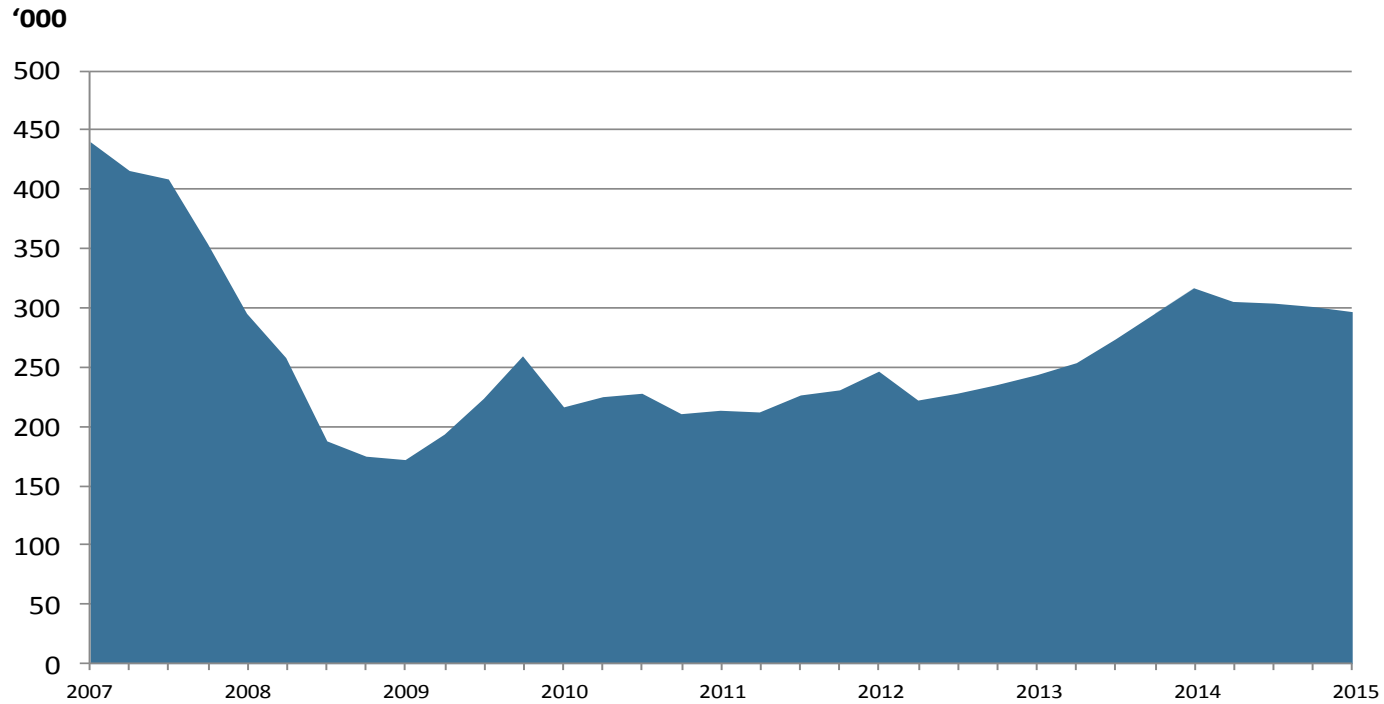


Summary Balance Sheet

	30 June 2015 £'m	30 June 2014 £'m	Change £'m
Property, plant and equipment	424.6	429.9	(5.3)
Investment property	19.1	20.8	(1.7)
Intangibles	483.3	486.3	(3.0)
Financial assets	0.1	0.1	-
	927.1	937.1	(10.0)
Working capital	135.0	124.1	10.9
Income and deferred tax	(28.8)	(28.0)	(0.8)
Retirement benefit obligations	(18.7)	(19.6)	0.9
Provisions	(24.6)	(30.6)	6.0
	990.0	983.0	7.0
Net debt	(51.1)	(101.1)	50.0
Shareholders' Equity	938.9	881.9	57.0
Gearing	5%	12%	



UK Housing Transactions 2007 - 2015

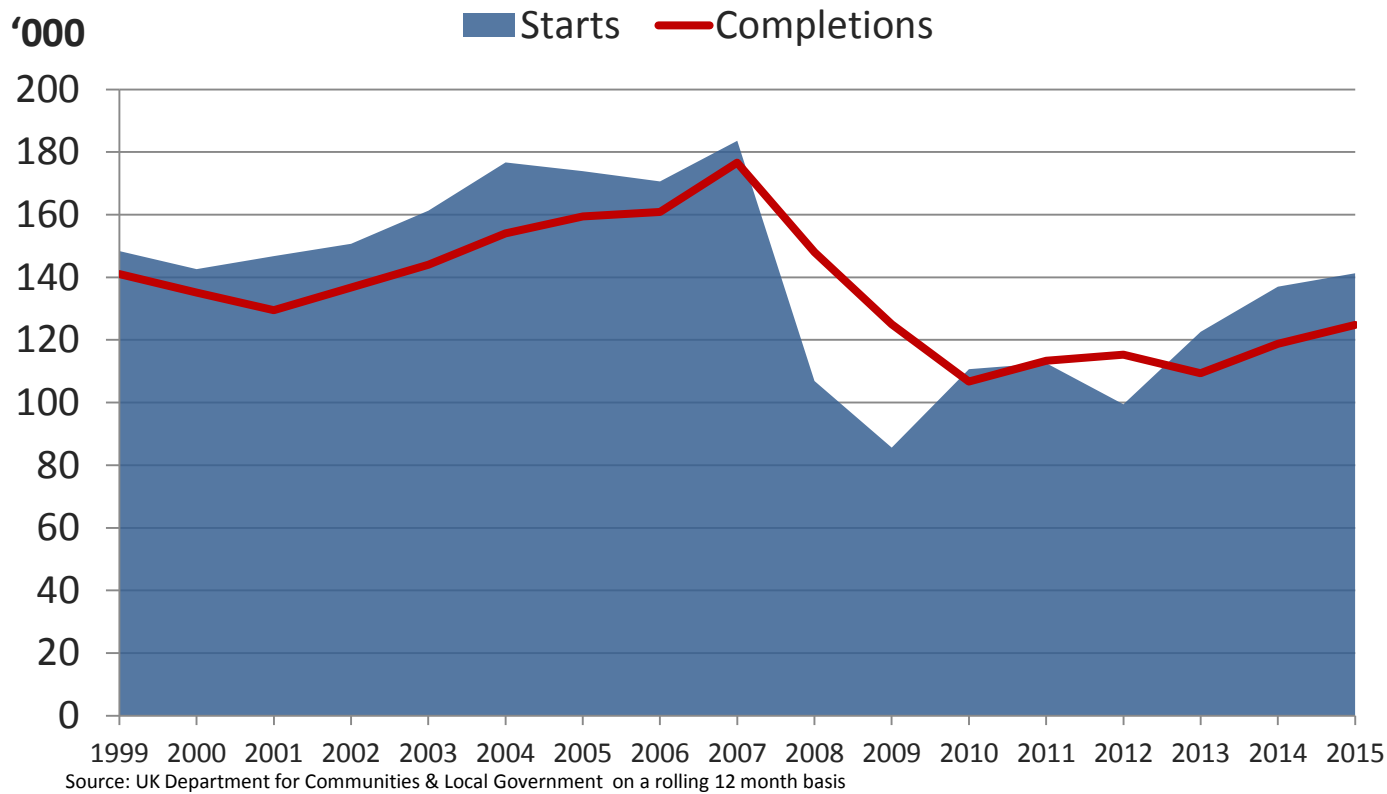


**Quarterly Seasonally Adjusted*

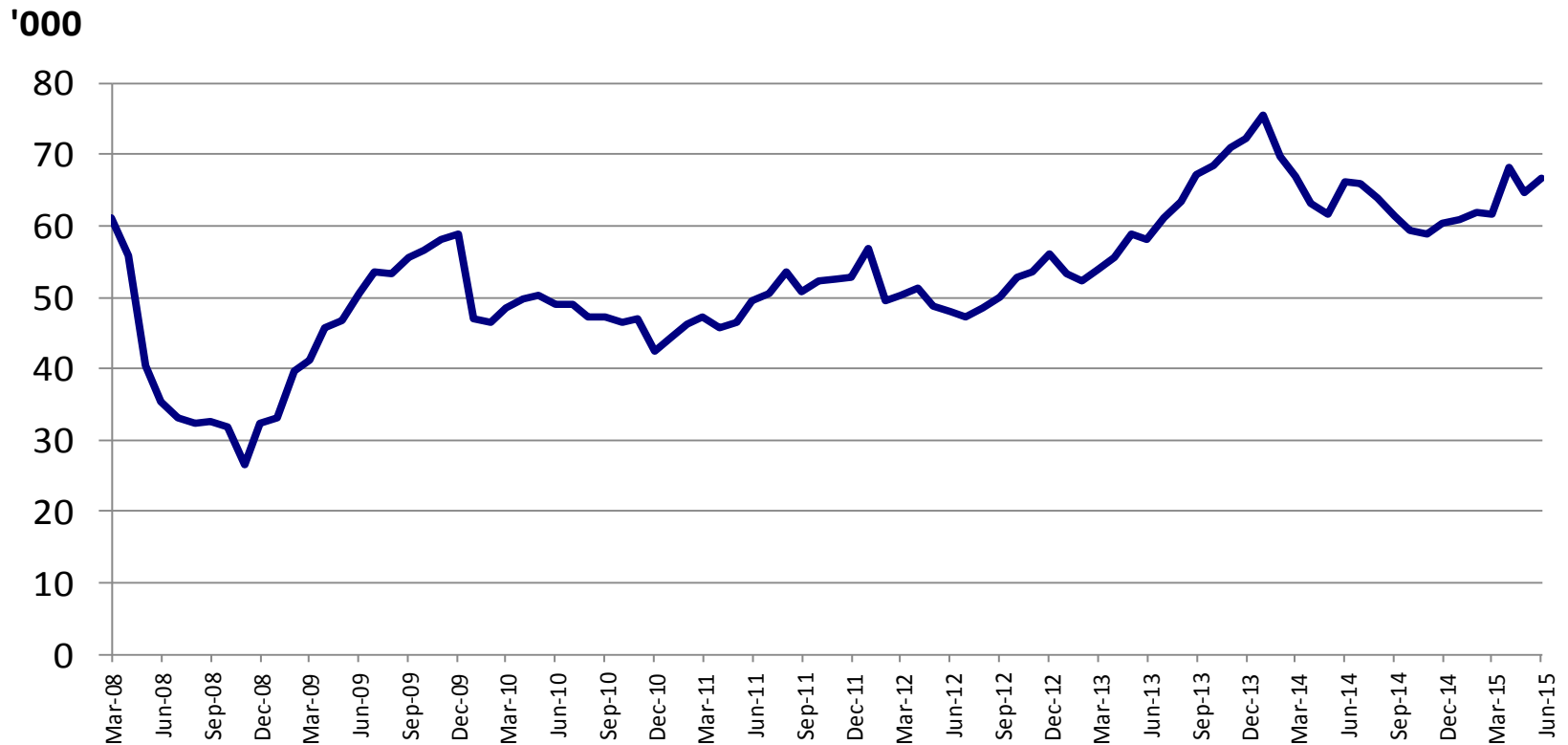
Source: HM Revenue & Customs UK Property Transactions Count



Housing Starts & Completions – England: 1999 - 2015

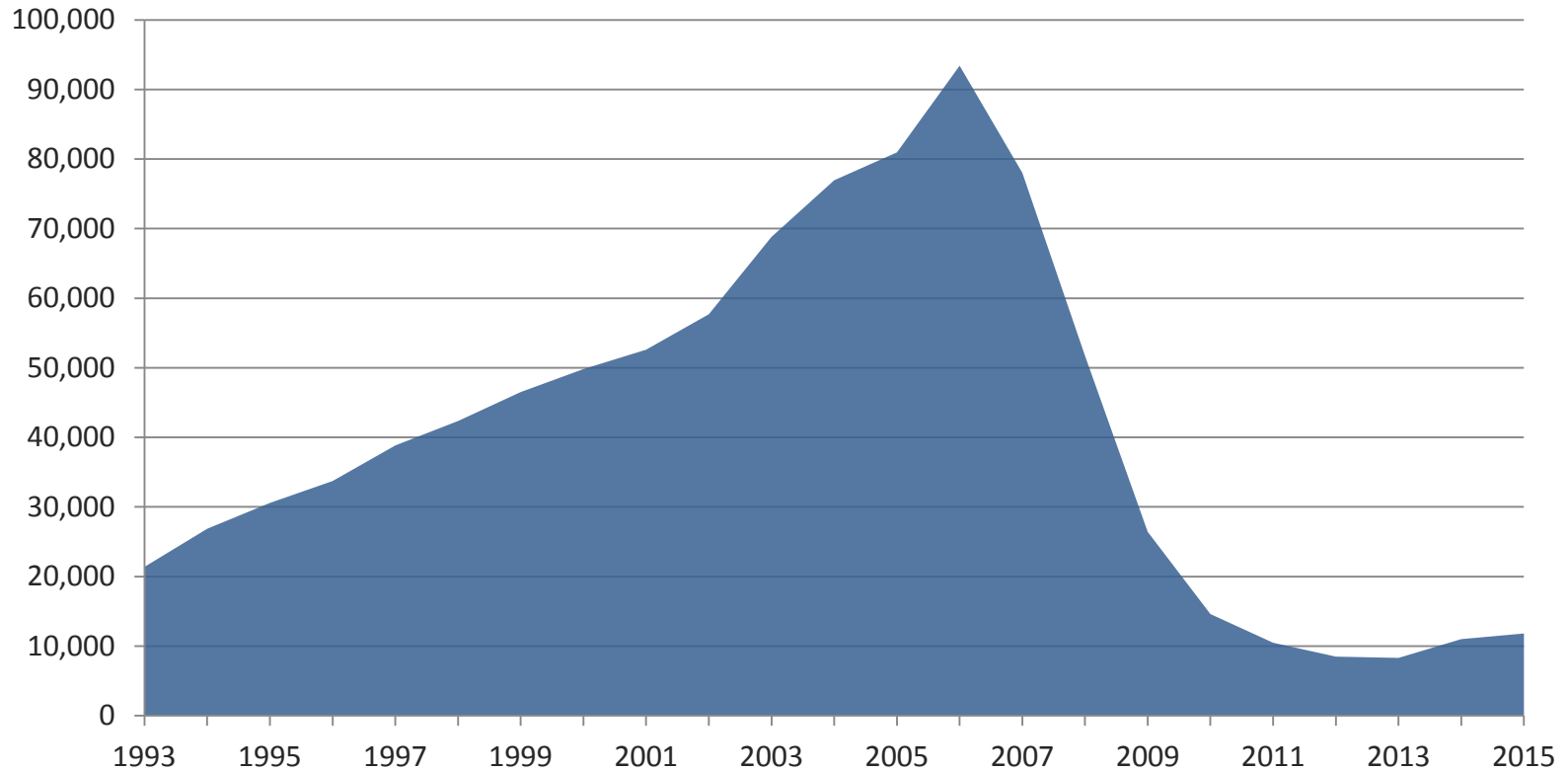


UK Mortgage Approvals UK: 2008 - 2015



Source: Bank of England

House Completions – Ireland 1993 - 2015



Source: Department of the Environment, Community & Local Government - (DoELG) on a rolling 12 month basis

Mortgages Approvals in Ireland: 2002 - 2015

