



Grafton Group plc

Final Results 2015

Financial year ended 31 December 2015

Gavin Slark

Group CEO

Introduction & Highlights

Grafton Group plc

Agenda

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

Delivering on our plans

- Good progress against our medium term plans
- Opportunities for ongoing earnings growth through self help, organic developments and acquisition initiatives
  - Expanding Selco footprint
  - More Buildbase branches through acquisitions
  - Meaningful and growing presence in electrical and industrial M&E
  - Strengthening our proposition in Ireland
  - Growing in new markets in the Netherlands
- All underpinned by strong financial disciplines, cash backed profits, a healthy balance sheet and an appetite for growth

Group Financial Highlights

- Adjusted operating profit* up 15% to £126.8m
- Adjusted operating margin* of 5.7% and ROCE of 12.2%
- Adjusted basic earnings per share* up 19% to 41.0p
- Full year dividend increased by 16.3% to 12.5p
- Excellent cash generation of £139.3 million from operations
- Strong balance sheet with gearing of only 12%
- On track to deliver medium term objectives 7% operating margin and 15% ROCE

* Before pension credit and Belgium impairment charge (see Appendix 1)

Group Operational Highlights

- UK merchanting business continued to generate good revenue and profit growth
- Selco performed particularly strongly
- Continuing significant profit improvement in Irish merchanting business
- DIY business in Ireland back on a growth path
- Successful entry into the Netherlands merchanting market (Isero)

David Arnold

Group CFO

Financial Review

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Income Statement

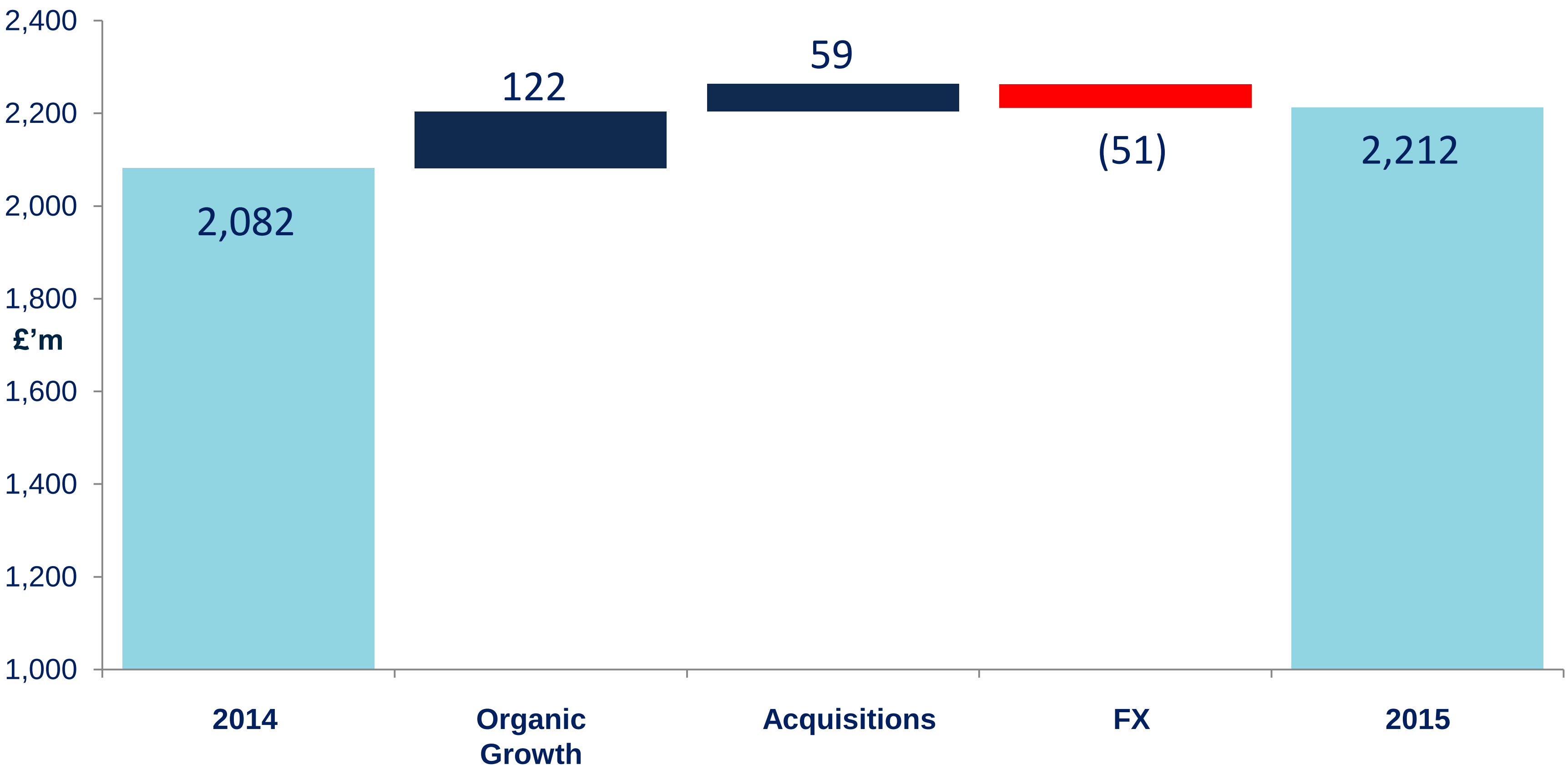
£m	2015	2014	Increase Reported	Increase Constant currency
Revenue	**2,212.0**	2,081.7	**6.3%**	8.9%
Adjusted operating profit*	**126.8**	110.1	**15.2%**	16.5%
Net finance cost	**(7.9)**	(8.9)		
Adjusted profit before tax	**118.9**	101.2	**17.4%**	18.3%
Operating margin*	**5.7%**	5.3%	**+40 bps**	
Operating margin pre property profits*	**5.4%**	5.2%	**+20 bps**	
Underlying tax rate	**21%**	21%		
Adjusted earnings per share	**41.0p**	34.4p	**19.2%**	
Dividend per share	**12.50p**	10.75p	**16.3%**	

* Before pension credit and Belgium impairment charge (see Appendix 1)

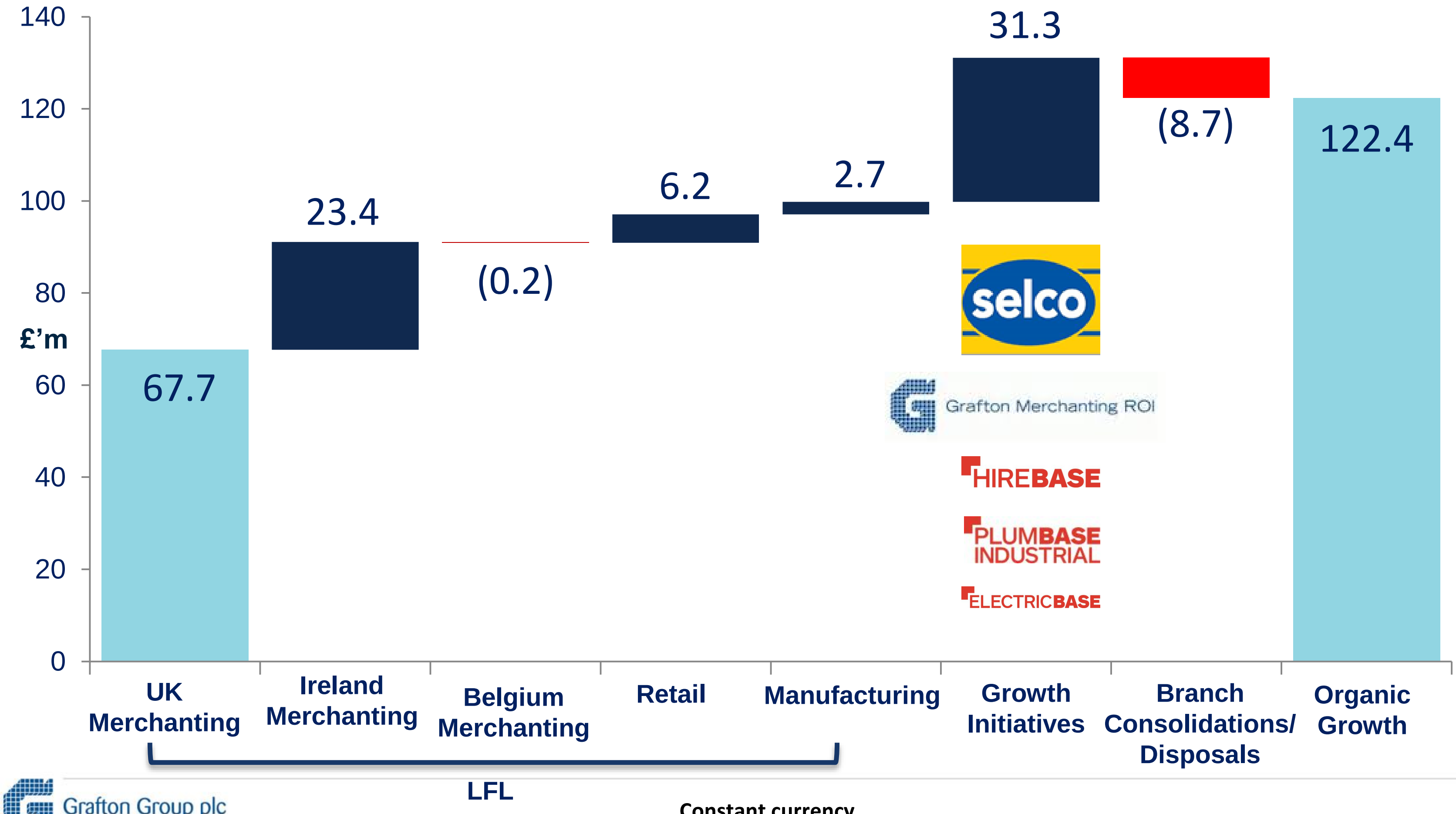
Revenue Growth

	2015 Like-for-like					2015	
	Q1	Q2	Q3	Q4	FY	Total Revenue	
						Constant currency	Reported
Merchanting							
UK	3.5%	5.1%	3.8%	3.3%	3.9%	**8.9%**	**8.9%**
Ireland	16.4%	11.1%	6.2%	7.9%	10.1%	**10.9%**	**(0.1%)**
Belgium	(2.0%)	3.1%	(0.2%)	(3.9%)	(0.3%)	**0.4%**	**(9.6%)**
Irish Retailing	3.0%	1.1%	5.4%	7.9%	4.4%	**4.4%**	**(6.1%)**
Manufacturing	14.1%	16.1%	(3.3%)	(2.3%)	5.6%	**9.2%**	**8.5%**
Total Group	4.9%	5.6%	3.9%	3.8%	4.6%	**8.9%**	**6.3%**

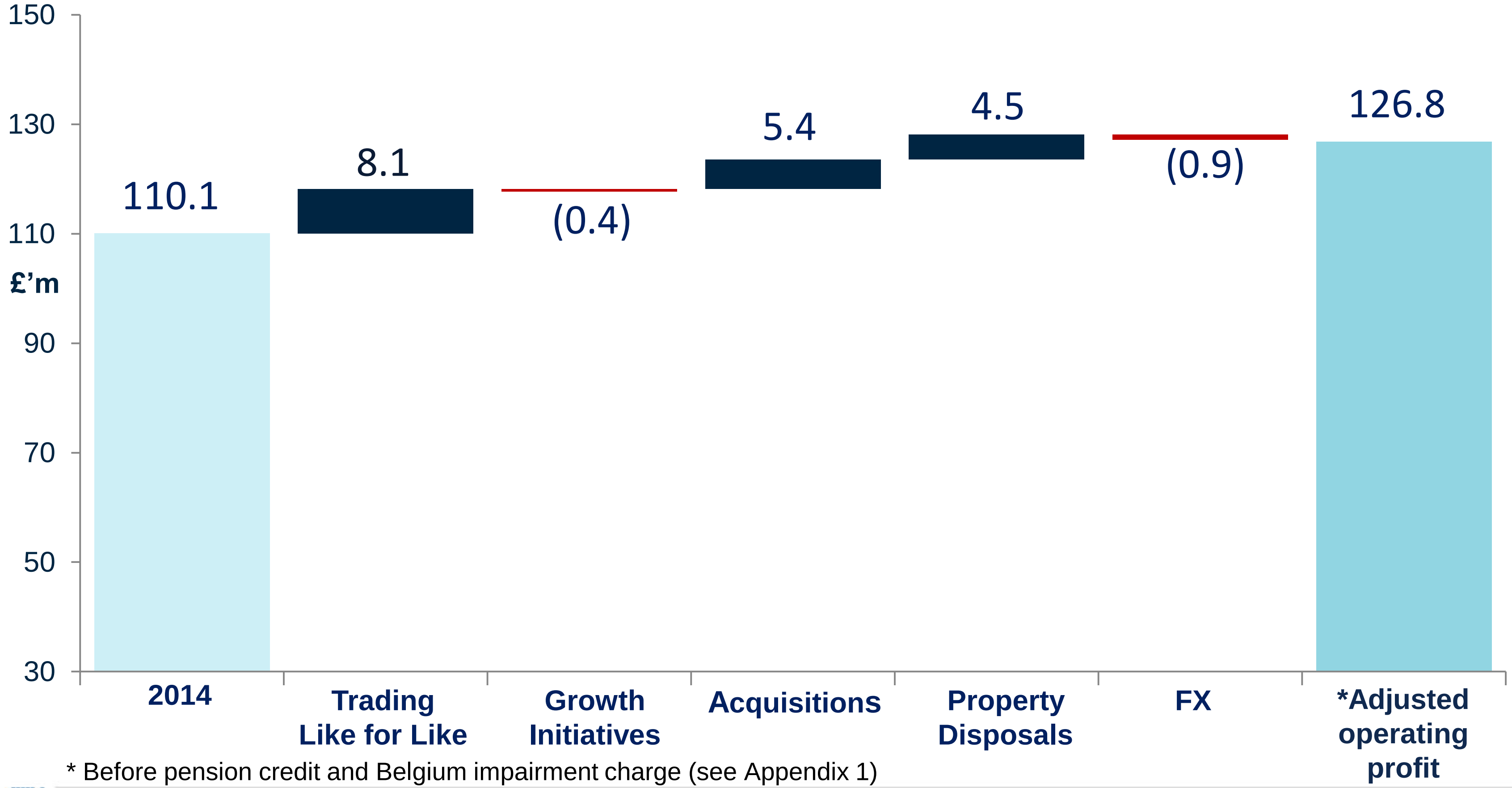
Revenue Growth Analysis



Organic Revenue Growth Analysis

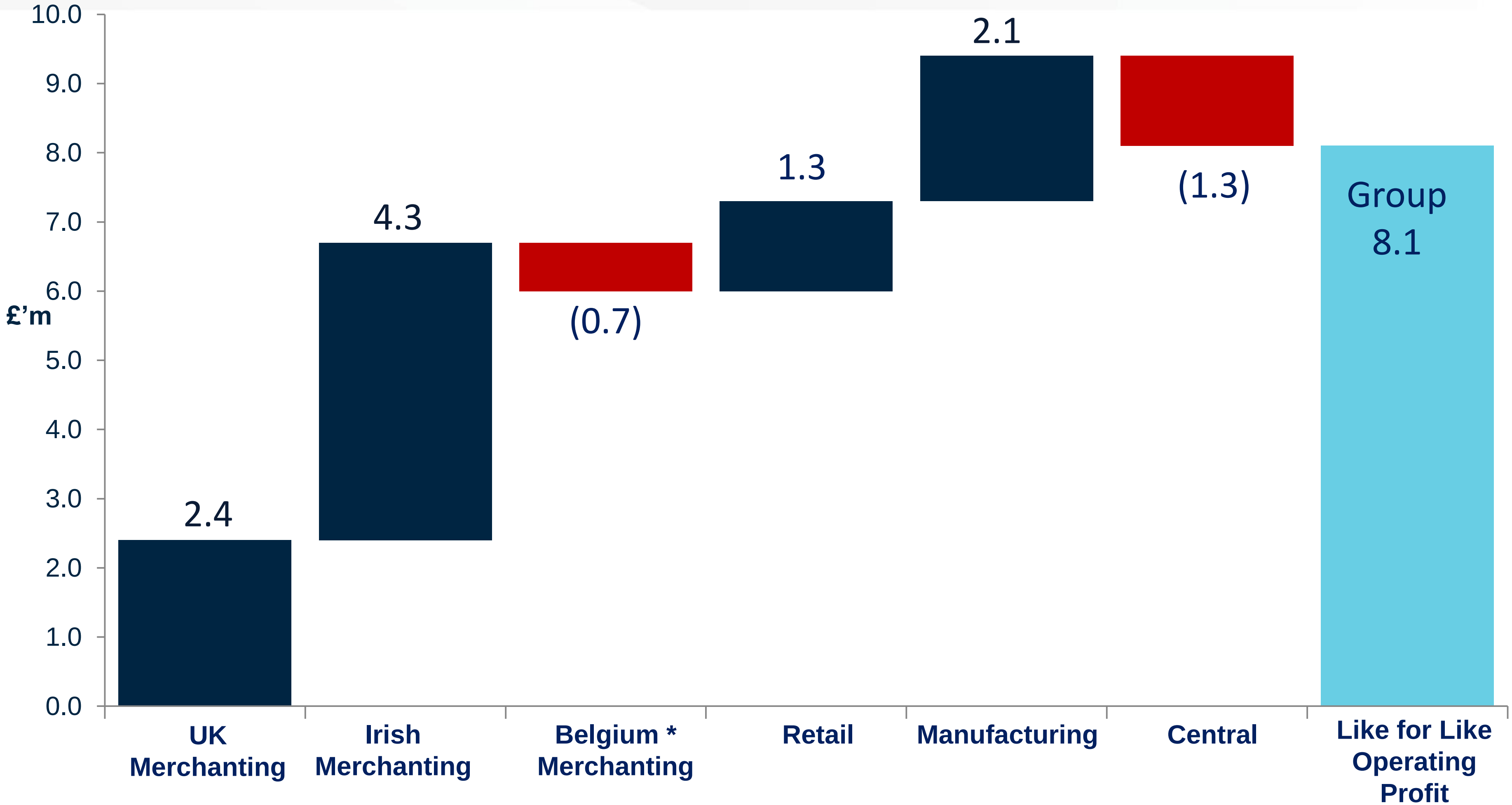


Adjusted Operating Profit Analysis



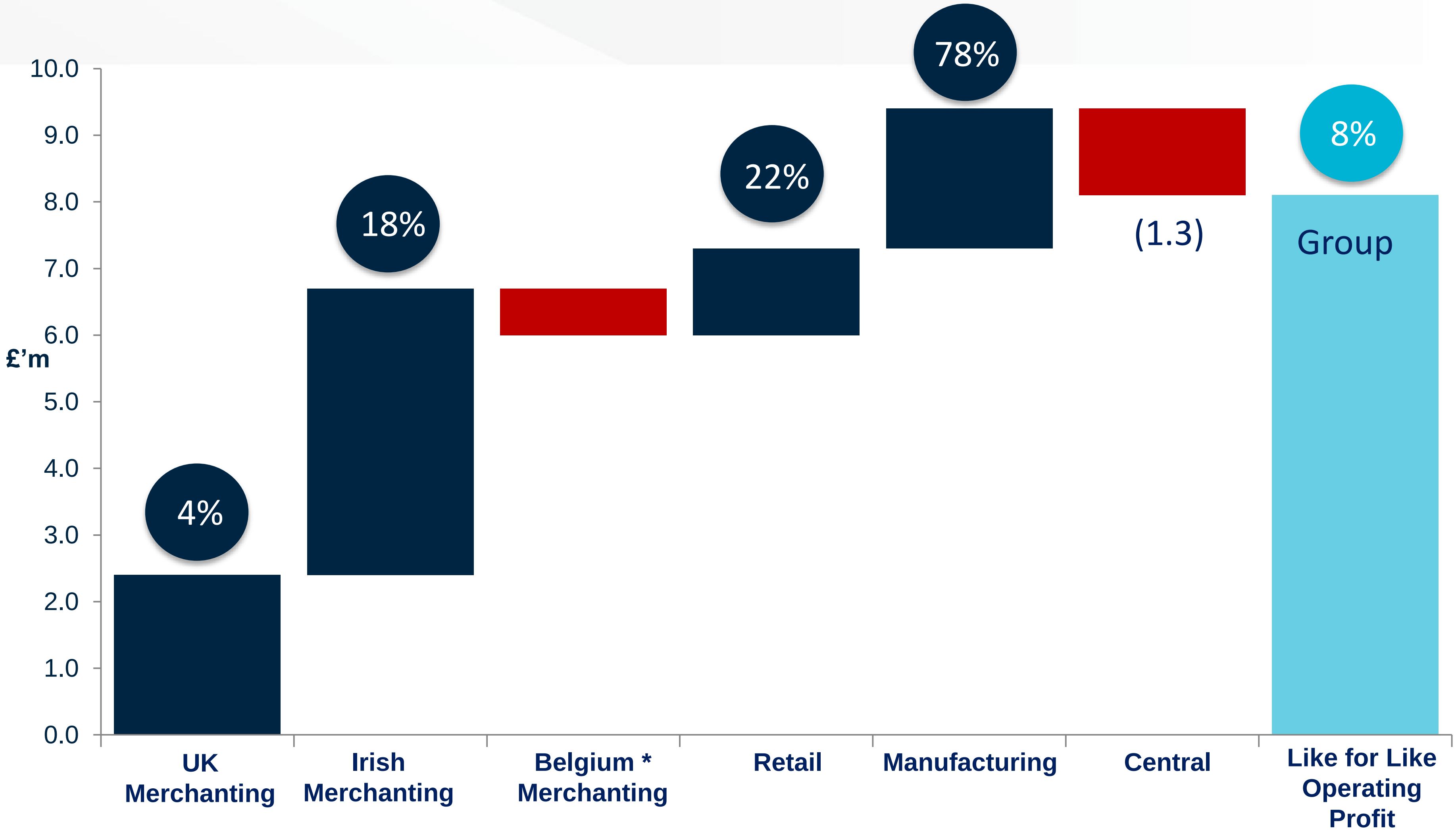
* Before pension credit and Belgium impairment charge (see Appendix 1)

Like for Like Operating Profit Analysis



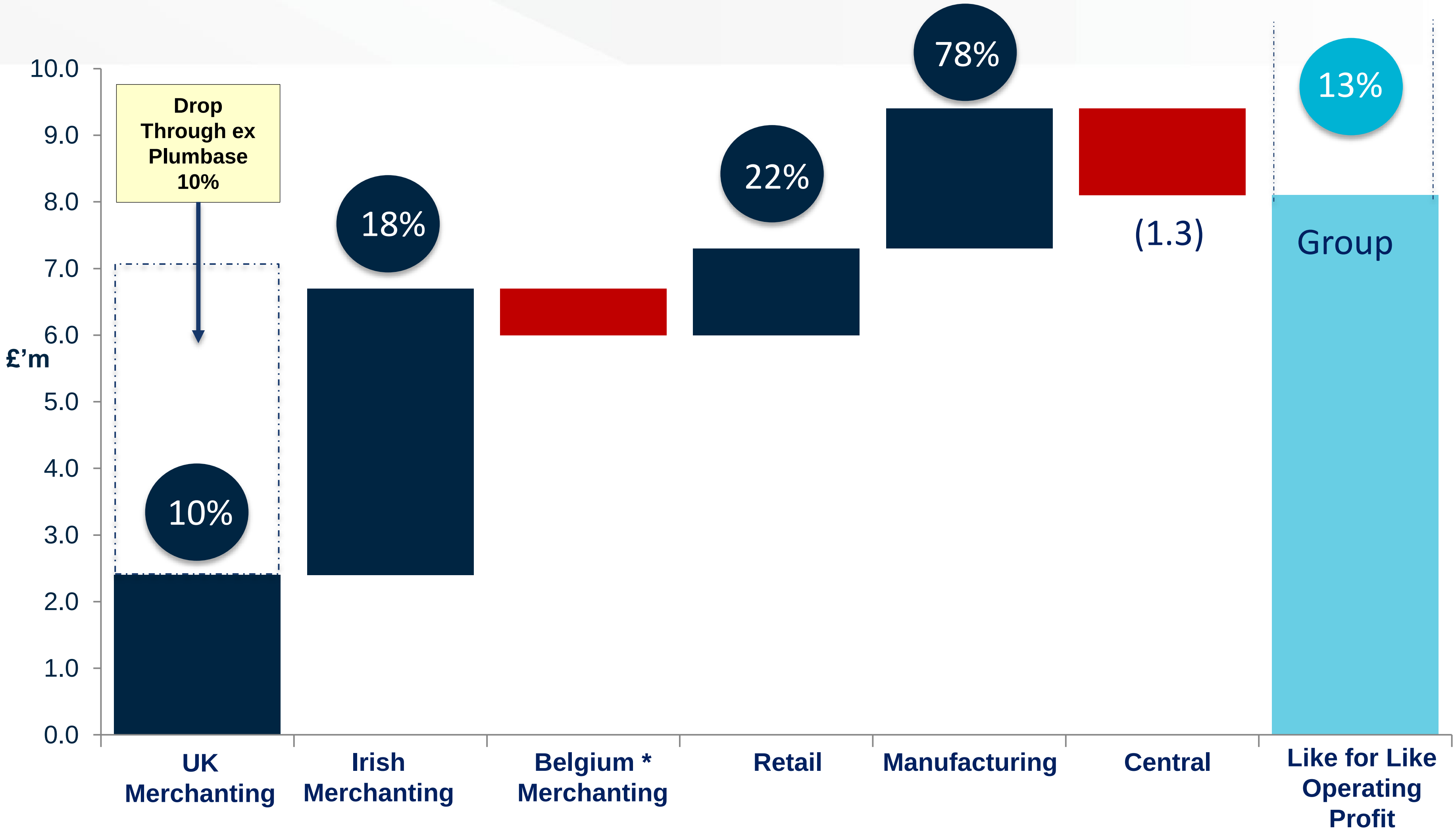
*Adjusted for inventory provision

Like for Like Operating Profit Analysis



*Adjusted for inventory provision

Like for Like Operating Profit Analysis



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*Adjusted for inventory provision

UK Merchanting

£m	2015	2014	Increase
Revenue	**1,662.0**	1,525.6	**8.9%**
Operating profit*	**105.6**	92.8	**13.8%**
Operating margin*	**6.4%**	6.1%	**+30 bps**
Operating margin pre property profit and pension credit	**6.0%**	6.0%	

Trading

- Growth in average daily like-for-like turnover of 3.9%
- Gross margin advanced by 10 basis points in a competitive market
- Selco performed strongly - increased revenue, profit and operating margin
- Result includes property profit of £6.7m (2014: £1.6m)

*Including property profit and excluding pension credit

Irish Merchanting

£m	2015	2014	Increase Reported	Increase Constant currency
Revenue	**257.3**	257.5	**-0.1%**	10.9%
Operating profit	**18.6**	16.4	**13.2%**	25.7%
Operating margin	**7.2%**	6.4%	**+80 bps**	

Trading

- Strong competitive position delivered like-for-like turnover growth of 10.1%
- Gross margin recovery in H2 – benefit of procurement and other commercial initiatives
- Strong profit improvement for second successive year
- New branch in Cork city opened at end of 2014 traded ahead of expectations

Belgium Merchanting

£m	2015	2014	Increase/(Decrease) Reported	Constant currency
Revenue	**82.8**	91.6	**-9.6%**	0.4%
Operating profit*	**(0.3)**	0.8	**-137.5%**	-138.0%
Operating margin	**(0.4%)**	0.9%	**-130 bps**	

Trading

- Disposal of non-core and capital intensive readymix business completed
- Continued focus on implementing performance improvement measures and synergies
- MPRO was resilient in a challenging market
- YouBuild faced gross margin pressure in competitive market

*Adjusted for inventory provision

Retailing

£m	2015	2014	Increase Reported	Increase Constant currency
Revenue	**148.6**	158.2	**-6.1%**	4.4%
Operating profit	**3.5**	2.4	**46.1%**	62.2%
Operating margin	**2.3%**	1.5%	**+80 bps**	

Trading

- Revenue up by 4.4% per cent in like-for-like stores
- Recovery in retail sales extended into the DIY sector
- Good progress on improving customer proposition across stores
- Three new format stores in Dublin and one in Cork completed

Manufacturing

£m	2015	2014	Increase
Revenue	**52.8**	48.7	**8.5%**
Operating profit	**9.8**	7.9	**23.3%**
Operating margin	**18.5%**	16.2%	**+230 bps**

Trading

- Pace of revenue growth moderated to +8.5% for 2015
- Pricing and gross margin gains during 2014 continued in 2015
- Acquisition of Carlton completed in July 2015 - increases capacity and market share in bagged products

Balance Sheet

£m	Dec 2015	Dec 2014	
Intangible assets	**554.2**	485.9	
Tangible assets	**458.7**	453.5	
Working capital	**166.1**	127.1	
Other assets/(liabilities)	**(59.8)**	(51.9)	
Pension deficit	**(16.6)**	(33.0)	
	1,102.6	981.6	
Net debt	**(113.6)**	(75.3)	
Equity	**989.0**	906.3	
Adjusted ROCE*	**12.2%**	11.1%	**+110 bps**
Net debt/EBITDA	**0.70x**	0.53x	

* Before pension credit and Belgium impairment charge (see Appendix 1)

Balance Sheet

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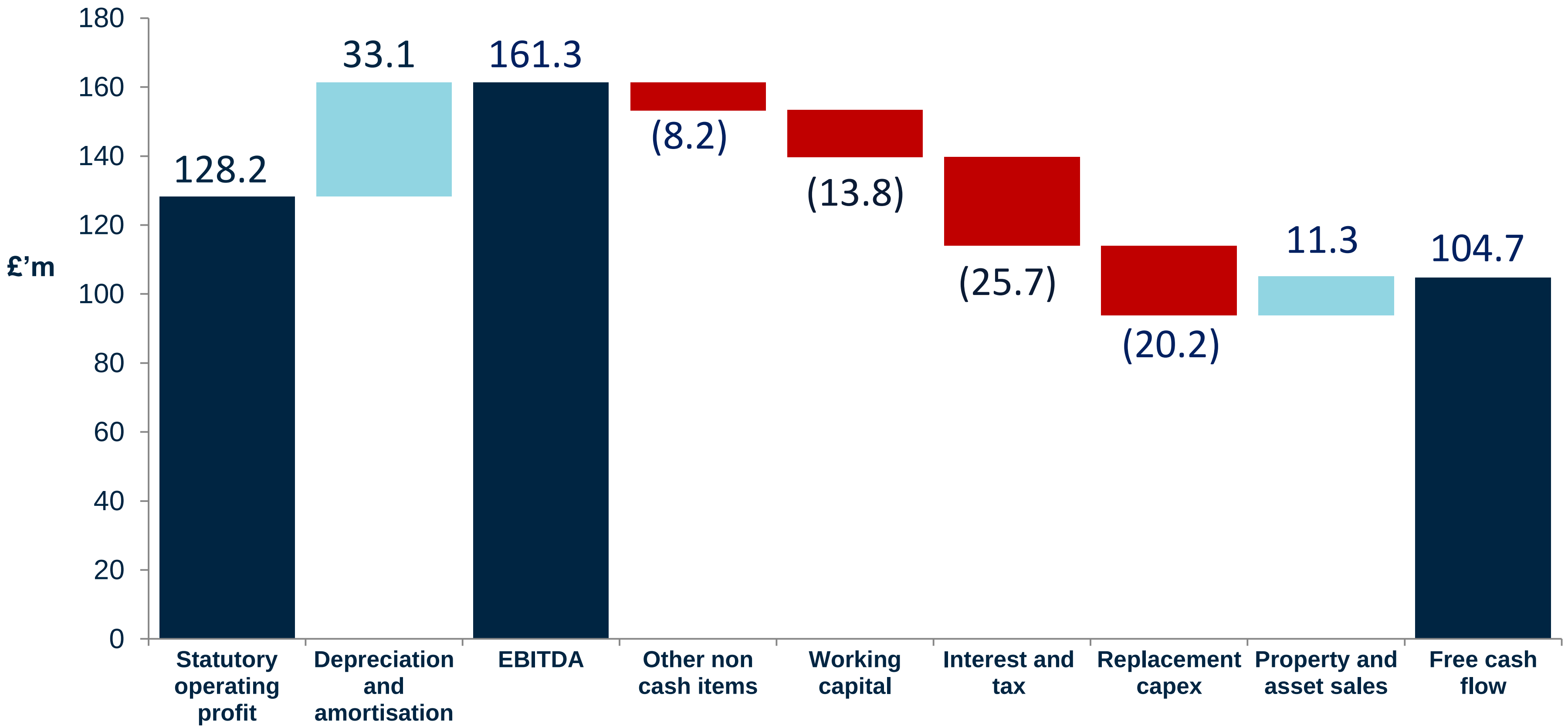
+110 bps

Maturity of bank facilities extended at reduced cost

* Before pension credit and Belgium impairment charge (see Appendix 1)

Free Cash Flow



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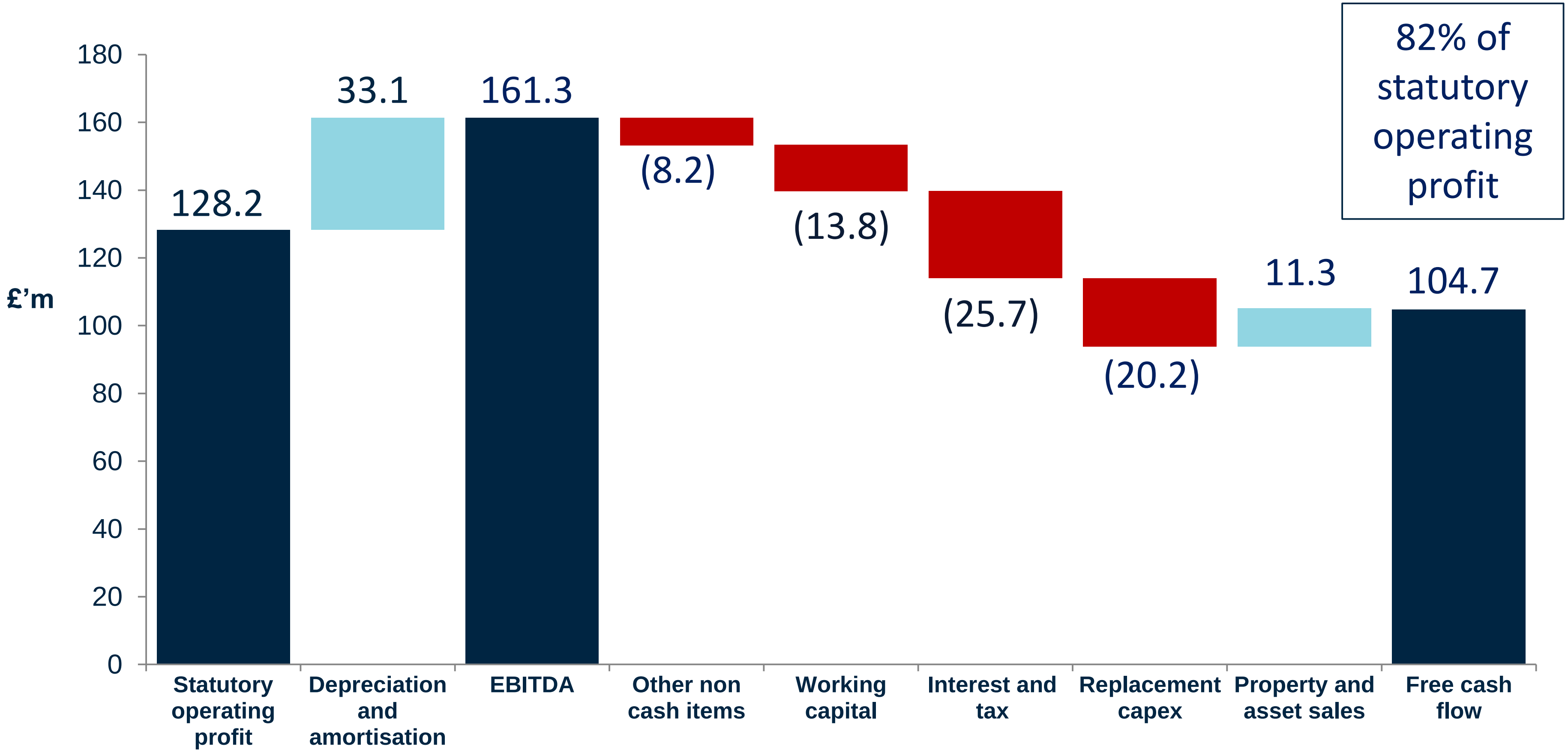
Free Cash Flow



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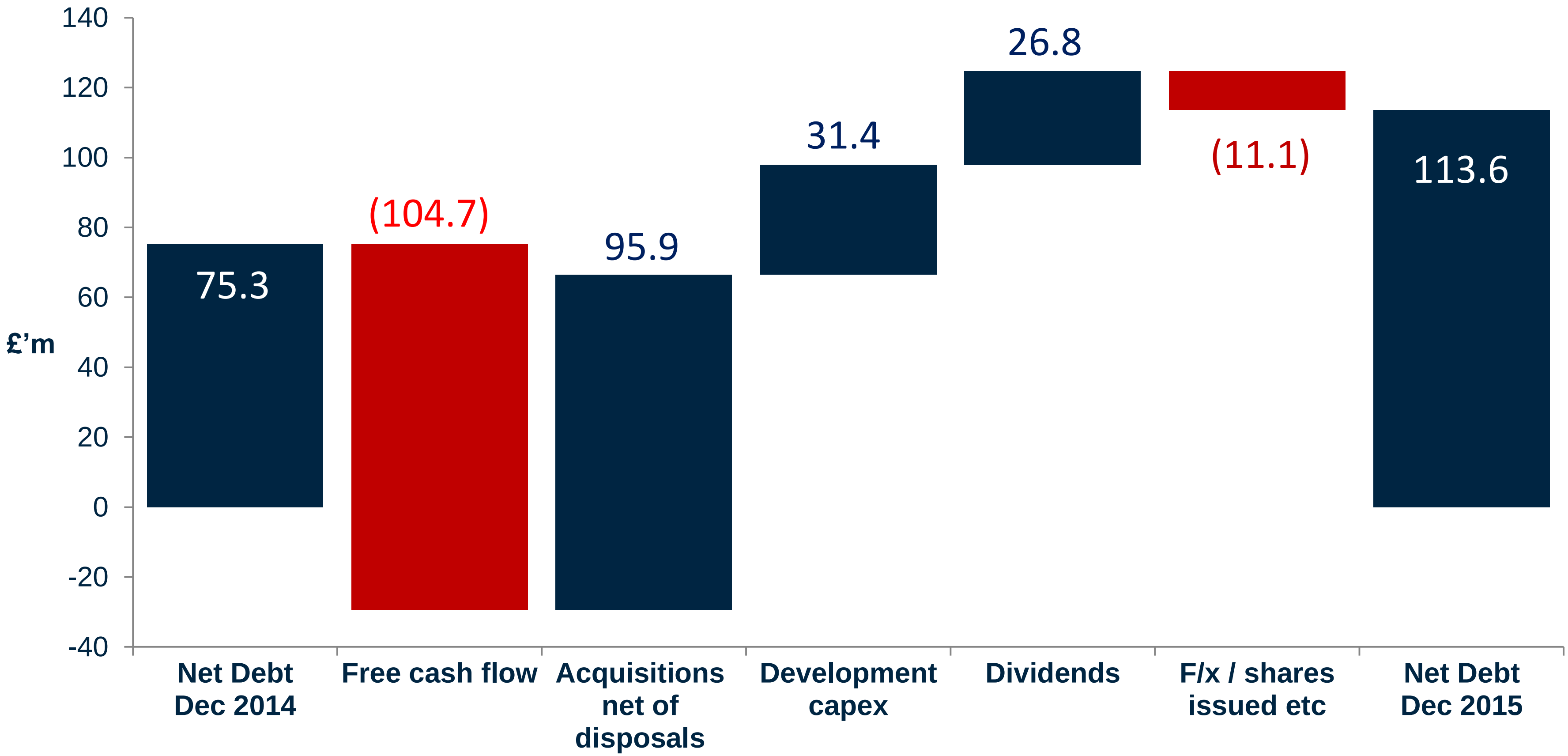
Movement in Net Debt



Gavin Slark

Group CEO

Strategic Progress & Outlook

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Grafton's Strategic Pillars

Revenue £2.08bn	Operating Margin 5.7%	Capital Turn 2.1x
2014	**2014**	**2014**

Grafton's Strategic Pillars

Revenue £2.21bn **+6.3%**	Adjusted Operating Margin* 5.7% **+40 bps**	Capital Turn 2.1x
2015	**2015**	**2015**

* Before pension credit and Belgium impairment charge (see Appendix 1)

Good Progress on Growth Initiatives

- 5 new Selco openings: Redhill, Coventry, New Southgate, Weybridge and Southampton
- 40 Selco stores open at year end
- Selco Direct and Click & Collect launched
- 80 Electricbases, 130 Hirebases and 27 Selco Hires
- £39m revenue in industrial M&E segment (Plumbase Industrial and TG Lynes)
- Woodie's new store format rolled out in 4 major stores

ELECTRICBASE

HIREBASE

selco BUILDERS WAREHOUSE

GUARANTEE HIRE IT! GUARANTEE

Woodie's

Acquisitions Growth

- TG Lynes and Parkes Services complement Plumbase Industrial in industrial M&E sector
- Addition of Carlton to UK Mortar business
- General Merchanting adds Wollens in the South West
- Two South East based businesses acquired since year end to expand general merchanting
- Isero marks successful entry into the Netherlands

TGLynes®

carlton
BUILDING A SUSTAINABLE FUTURE

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

WOLLENS

ISERO
IJZERWARENGROEP

Isero

ISERO IJZERWARENGROEP

A SPECIALIST DISTRIBUTOR OF TOOLS AND FIXINGS

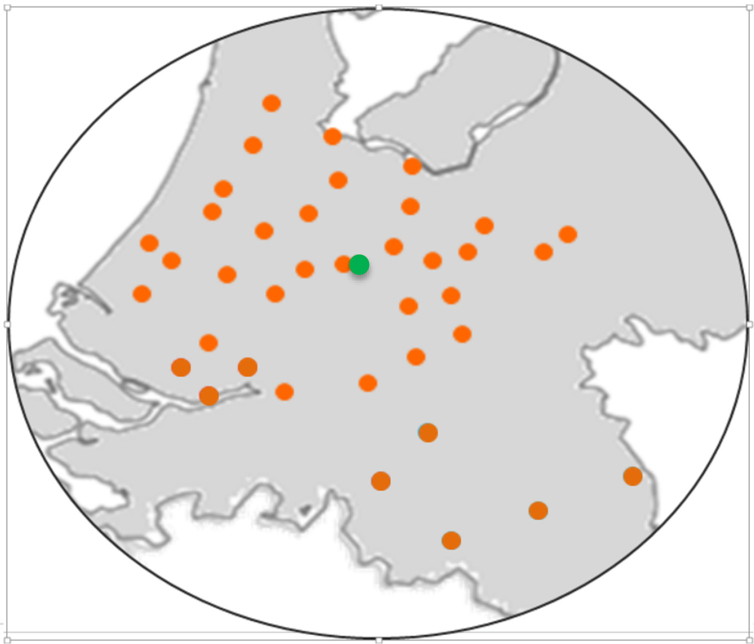
Trades with four brands from 38 branches & 1 distribution centre

GERRITSE ISERO IJZERWARENGROEP

VAN DER WINKEL ISERO IJZERWARENGROEP

BREUR CEINTUURBAAN ISERO IJZERWARENGROEP

PIJNENBURG ISERO IJZERWARENGROEP



Isero – Highlights & Strategic Rationale

- Strong leader in the Randstad area of the Netherlands which is the region with the highest economic activity and a population of over 12m
- Leading market position in the Netherlands – estimated c.9%
- Differentiated scalable 'small box' format
- Branch network offers nationwide delivery
- Strong management team in place
- Good opportunities for product range development
- Potential growth through further acquisition

Current Trading – Two months to end February 2016

	Like-for-like daily revenue	
	Q4 2015	**2 months to Feb 2016**
Merchanting		
UK	3.3%	**5.8%**
Ireland	7.9%	**11.5%**
Belgium	(3.9%)	**1.5%**
Netherlands*	-	**6.1%**
Irish Retailing	7.9%	**7.1%**
Manufacturing	(2.3%)	**13.0%**
Total Group	3.8%	**6.6%**

- Total revenue growth 2 months to end February of 9.3%
- Positive start to the year

* Netherlands growth of 6.1% compared to pre-acquisition performance for Jan/Feb 2015

Outlook - UK

- Generally positive for 2016 with pace of economic growth dependent on trends in global economy, financial markets and UK EU membership
- 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 2016

Outlook - Ireland

- Recovery well established and looks set to continue at a more sustainable level for 2016 notwithstanding inconclusive election result
- 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

Summary

- Positive full year performance – results reflect success of strategy pursued in recent years
- Good pipeline of growth opportunities
- Overall outlook is positive and we are confident of further progress during 2016
- On track for medium term target of 7% operating margin and 15% ROCE

Questions

Appendices

Appendix 1
Operating Profit Bridge – Statutory to Adjusted

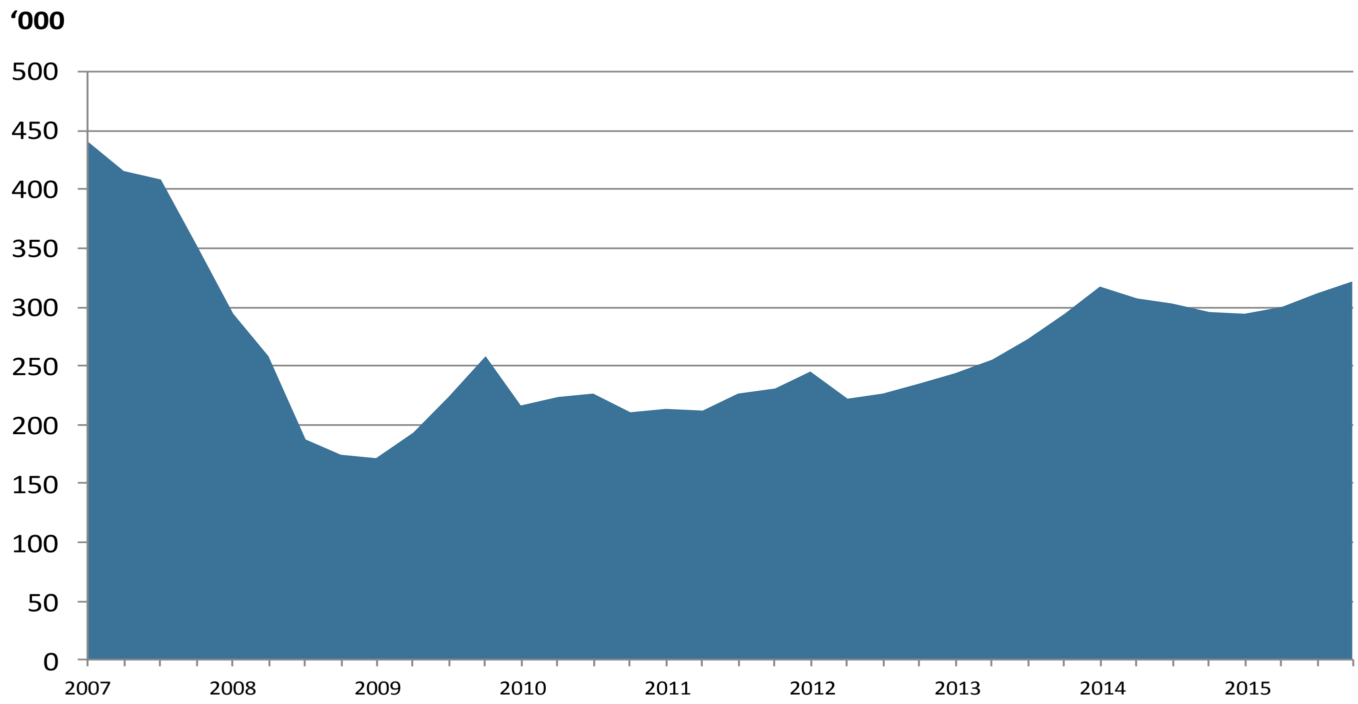
	2015 £’m	2014 £’m	Change £’m
Revenue	**2,212.0**	**2,081.7**	**130.3**
Statutory operating profit	128.2	110.1	18.1
Defined benefit pension scheme past service credit	(2.9)	-	(2.9)
Asset impairment – Belgium	1.5	-	1.5
Adjusted operating profit	**126.8**	**110.1**	**16.7**
Property profit	(6.7)	(2.2)	(4.5)
Adjusted operating profit (pre-property profits)	**120.1**	**107.9**	**12.2**
Statutory operating profit margin	5.8%	5.3%	+50 bps
Adjusted operating profit margin	5.7%	5.3%	+40 bps
Adjusted operating profit (pre-property profit) margin	5.4%	5.2%	+20 bps

Appendix 2
Operating Margin Analysis*

	H2 2015	H1 2015	H2 2014	H1 2014	H2 2013	H1 2013	H2 2012	H1 2012
UK Merchanting	6.2%	6.5%	6.1%	6.1%	5.9%	5.0%	4.9%	4.8%
Irish Merchanting	8.4%	6.0%	8.0%	4.6%	2.9%	1.3%	1.7%	0.7%
Belgium Merchanting	(1.7%)	0.8%	0.4%	1.5%	1.3%	0.9%	1.7%	3.1%
Netherlands Merchanting	3.8%	-	-	-	-	-	-	-
Total Merchanting	6.2%	6.2%	6.1%	5.6%	5.3%	4.3%	4.4%	4.2%
Retailing	3.7%	0.9%	2.5%	0.5%	1.1%	0.3%	3.8%	(3.6%)
Manufacturing	20.0%	16.9%	18.8%	13.3%	15.3%	5.1%	8.2%	2.1%
	6.3%	6.1%	6.1%	5.4%	5.1%	4.0%	4.4%	3.4%
Central Activities	(0.5%)	(0.5%)	(0.5%)	(0.4%)	(0.4%)	(0.6%)	(0.5%)	(0.4%)
Total	**5.8%**	**5.6%**	**5.6%**	**5.0%**	**4.7%**	**3.4%**	**3.9%**	**3.0%**

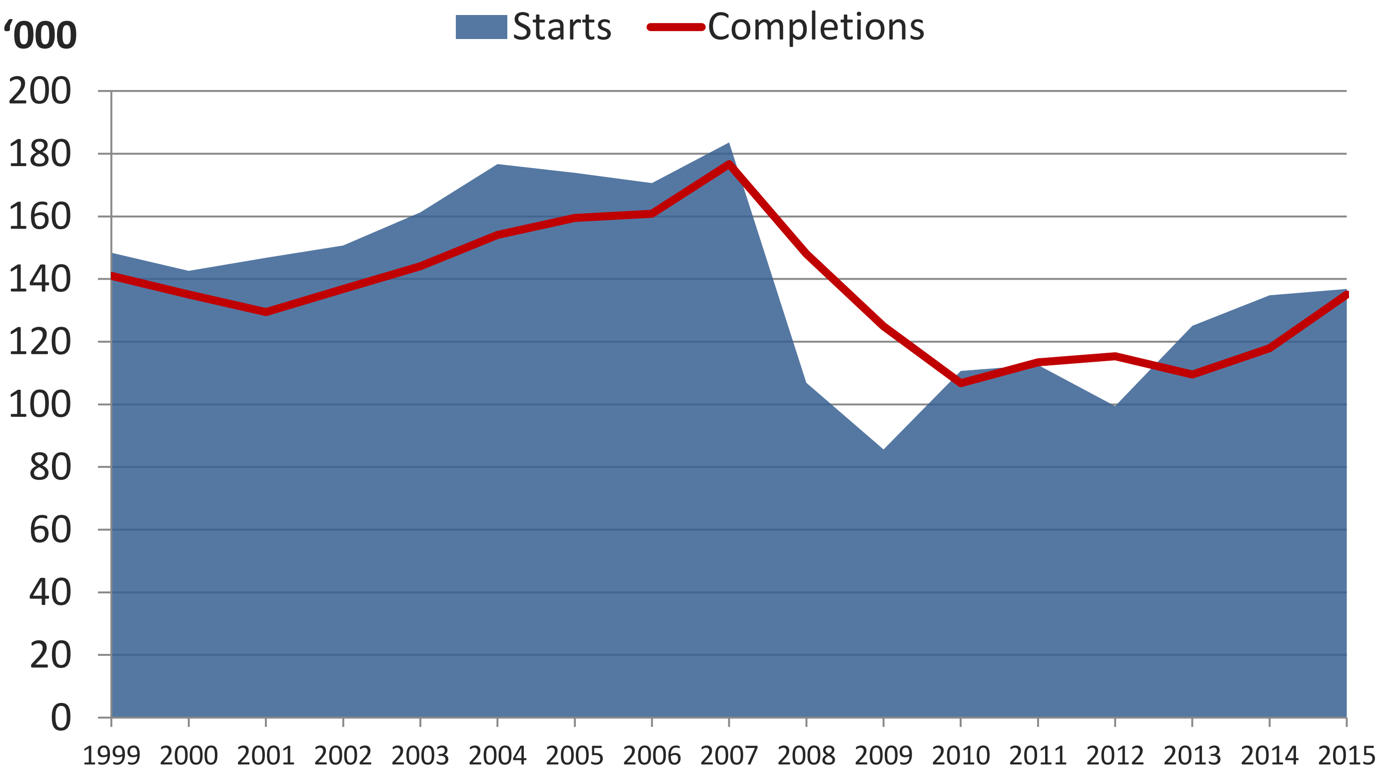
* Including property profit

Appendix 3
UK Housing Transactions 2007 - 2015



•Quarterly Seasonally Adjusted
Source: HM Revenue & Customs UK Property Transactions Count

Appendix 4
Housing Starts & Completions – England: 1999 - 2015



Source: UK Department for Communities & Local Government on a rolling 12 month basis

Appendix 5
UK Mortgage Approvals UK: 2008 - 2015

Source: Bank of England

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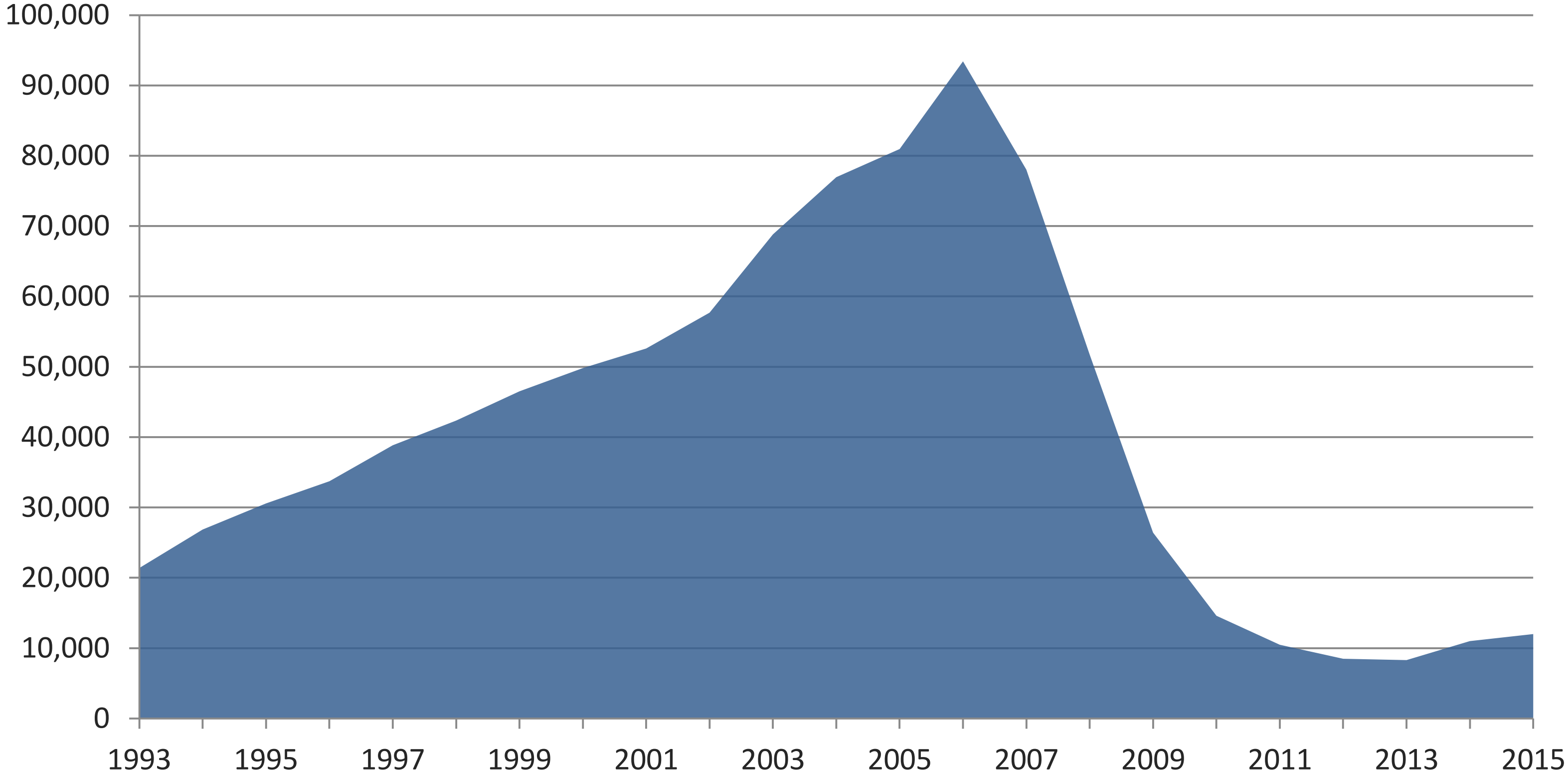
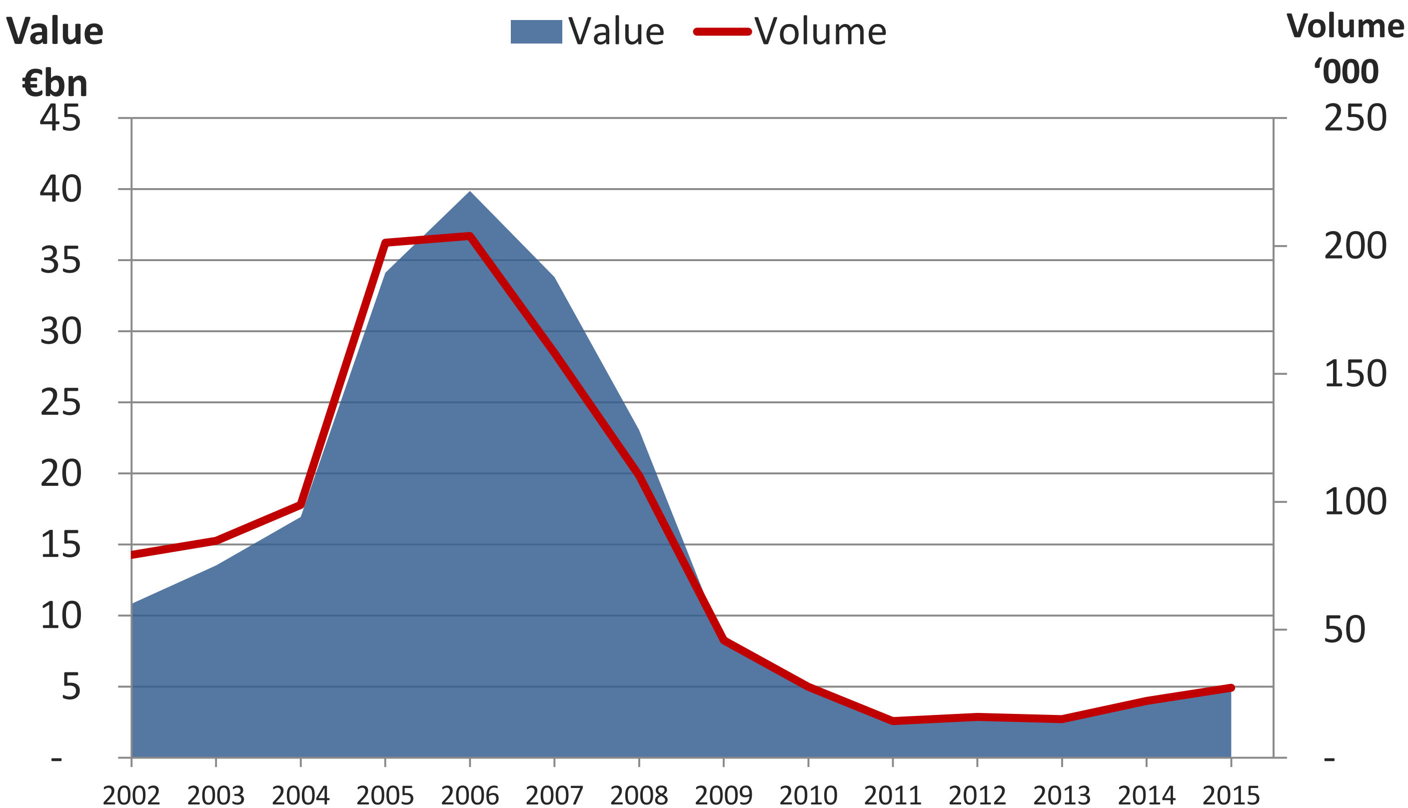
Appendix 6
House Completions – Ireland 1993 - 2015



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

Appendix 7
Mortgages Approvals in Ireland: 2002 - 2015



Source: IBF on a rolling 12 month basis

Cautionary Statement

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