



**Marshalls**

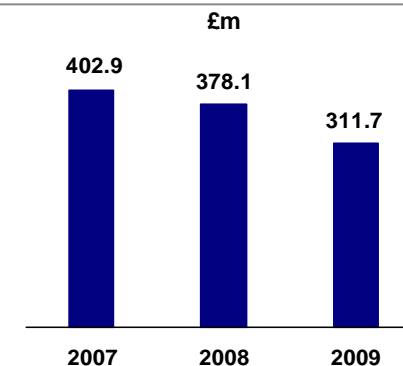
Transforming Britain's Landscapes

	2009	2008
<b>Results before works closure costs, goodwill and intangible asset impairments and redemption of debenture:</b>		
Revenue	£311.7m	£378.1m
Operating profit	£16.4m	£30.6m
Profit before tax	£12.1m	£22.5m
Basic EPS *	5.38p	10.38p
Dividends declared and paid*	3.05p	12.38p
Final dividend recommended*	3.50p	1.30p
<b>Reported results:</b>		
Operating profit	£9.2m	£3.6m
(Loss)/profit before tax	£(2.4)m	£(4.5)m
Basic EPS *	(0.42)p	(3.98)p

\* EPS and dividend per share have been adjusted to reflect the bonus element of the Rights Issue

## Revenue

Revenue (17.6)%



### Revenue Movement

	Revenue £m	
2008	378.1	
Working days: 3 fewer in 2009	<u>(4.7)</u>	
	373.4	
Merchant de-stocking (estimated)	(2.4)	
Like for like	(60.2)	(16.1)%
Acquisitions	<u>0.9</u>	
<b>2009</b>	<b><u>311.7</u></b>	

## Public Sector and Commercial Revenue

- 58% of Group
- Like for like revenue down 18%
- Price and mix up 4%, volume down 22%

## Domestic Revenue

- 42% of Group
- Like for like revenue down 13%
- Price and mix up 3%, volume down 16%

## Phasing

- H1 volume down 23% and H2 down 15%

## Operating Profit

	2009 £m	2008 £m
EBITDA*	36.1	52.9
Depreciation / amortisation	(19.7)	(22.3)
Operating profit*	<u>16.4</u>	<u>30.6</u>
Works closure costs	(7.2)	(17.7)
Goodwill and intangible asset impairments	-	(9.3)
Operating profit: reported	<u>9.2</u>	<u>3.6</u>

\* before works closure costs, goodwill and intangible asset impairments

## Closures

	2009 £m	2008 £m	Total £m
Non-cash items	2.8	6.8	9.6
Cash items	4.4	10.9	15.3
Income Statement charge	<u>7.2</u>	<u>17.7</u>	<u>24.9</u>

### Cash outflows £m

- 2008 actual 6.0
- 2009 actual 6.9
- 2010 onwards 2.4

15.3

### Benefits

- 2008: £1.5m reduction in costs; £6m cash released from stocks
- 2009: £9.9m reduction in costs; £3m cash released from stocks

## Underlying Margin Reconciliation

	Movement in Revenue	Operating Profit*	Impact on Margin
	£m	£m	%
2008 *	378.1	30.6	8.1
Workings days: 3 fewer in 2009	(4.7)	(1.4)	(0.3)
	<u>373.4</u>	<u>29.2</u>	<u>7.8</u>
Sales volume (inc. merchant de-stocking)	(73.9)	(23.7)	(6.0)
Cost increases recovered in sales prices	11.3	1.0	0.3
Cost savings from works closures **	-	9.9	3.2
Acquisitions	0.9	-	-
	<u>311.7</u>	<u>16.4</u>	<u>5.3</u>

\* operating profit before works closure costs, goodwill and intangible asset impairments

\*\* including managed installations

## Additional Information and Ratios

	2009	2008
Financial expenses:		
Interest (£'m)	(4.2)	(8.2)
Notional interest on pensions (£'m)	(0.1)	-
Debenture redemption (£'m)	(7.3)	-
Tax rate:	20.1%	27.8%
EPS:		
Adjusted *	5.38p	10.38p
Reported	(0.42)p	(3.98)p
Weighted average number of shares:	179.6m	156.2m
Dividend:		
2009 Interim and final announced	5.25p	5.37p
Cover *	1.0 times	1.9 times
IFRS disclosure (dividends paid)	3.05p	12.38p

\* before works closure costs, goodwill and intangible asset impairments and redemption of debenture  
EPS and dividends adjusted for "bonus factor" inherent in the Rights Issue



## Free Cash Flow

<b>Cash inflow arising from:</b>	2009	2008
	£m	£m
Operating profit *	16.4	30.6
Depreciation and amortisation	19.7	22.3
<b>EBITDA *</b>	<b>36.1</b>	<b>52.9</b>
Net financial expenses paid	(4.2)	(7.8)
Taxation	2.9	(4.7)
Pensions (contributions paid / other items)	(2.1)	(6.6)
Inventory	7.6	(7.7)
Receivables / payables	(4.4)	5.7
Other items	(0.6)	(3.6)
<b>Free cash flow</b>	<b>35.3</b>	<b>28.2</b>

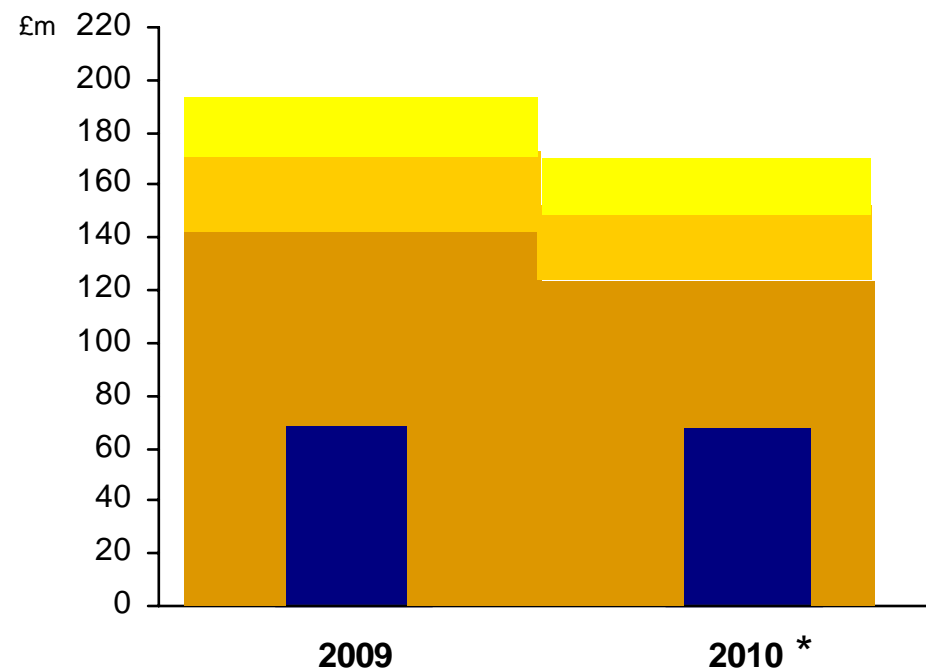
\* Before works closure costs, goodwill and intangible asset impairments

## Cash Flow

	2009	2008
	£m	£m
<b>Free cash flow</b>	<b>35.3</b>	<b>28.2</b>
Investment:		
• Capital expenditure	(9.2)	(22.0)
• Acquisitions	(0.7)	(6.1)
• Sale proceeds	2.4	11.5
Works closure costs	(6.9)	(6.0)
Payment to acquire own shares	-	(0.6)
Dividends paid	(5.5)	(19.4)
	<b>15.4</b>	<b>(14.4)</b>
Rights Issue (net of costs)	34.0	-
Premium on redemption of debenture	(7.3)	-
	<b>42.1</b>	<b>(14.4)</b>
<b>Movement in net debt</b>	<b>42.1</b>	<b>(14.4)</b>
<b>Net debt</b>	<b>(69.2)</b>	<b>(111.3)</b>
<b>Gearing (%)</b>	<b>38.2%</b>	<b>57.6%</b>

## Significant Borrowing Facilities

Expiry Date	Facility	Cumulative Facility
	£m	£m
<b>Committed facilities:</b>		
Q1 2013	50	50
Q4 2012	25	75
Q3 2011	48	123
Q4 2010	20	143
<b>On demand facilities:</b>		
Available all year	25	168
Seasonal (February to August inclusive)	20	188



- On demand: Seasonal (Feb to Aug)
- On demand: Overdrafts (all year)
- Committed
- Net debt

\* Note: 2010 based on consensus information

	2009 Actual	Headroom
EBITA: Interest charge	4.1 times	approx 50%
Net Debt: EBITDA	2.0 times	approx 50%

- EBITA to interest charge must be greater than 2.5x
- Net debt to EBITDA must be less than 3x
- Net assets must be greater than £100 million

## Risk Management

- 2000 closed to new members
- 2006 closed to future service accrual
- 2007 investment strategy

## Investment Strategy

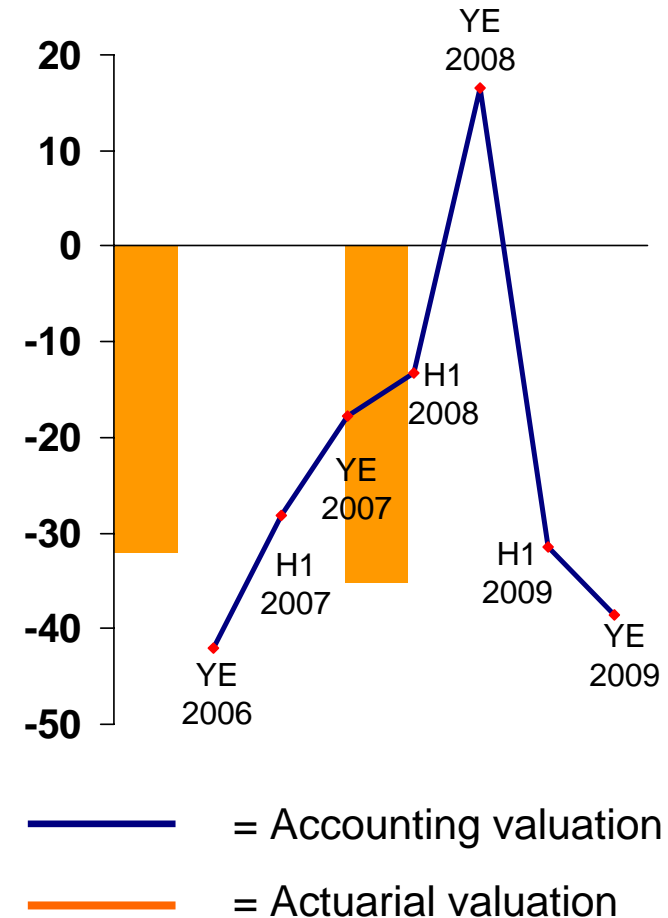
- Moved from equities to LDIs
- Closer matching to liability profile of pension scheme

## Balance Sheet Values

- YE 2009 deficit £38.0m
- YE 2008 surplus £16.5m
- YE 2007 deficit £17.8m

## Movements

- AA Corporate Bond Rate
- Inflation expectations
- Asset values



## **Actions Taken**

### **Financial Position**

---

- £34.0 million of equity raised
- Debenture redeemed reducing interest by £1.7m per annum
- Net cash of £15.4 million generated
- Net debt reduced to £69.2 million (2008: £111.3 million)
- Facilities £168.4 million at year end

## **Actions Taken Operations**

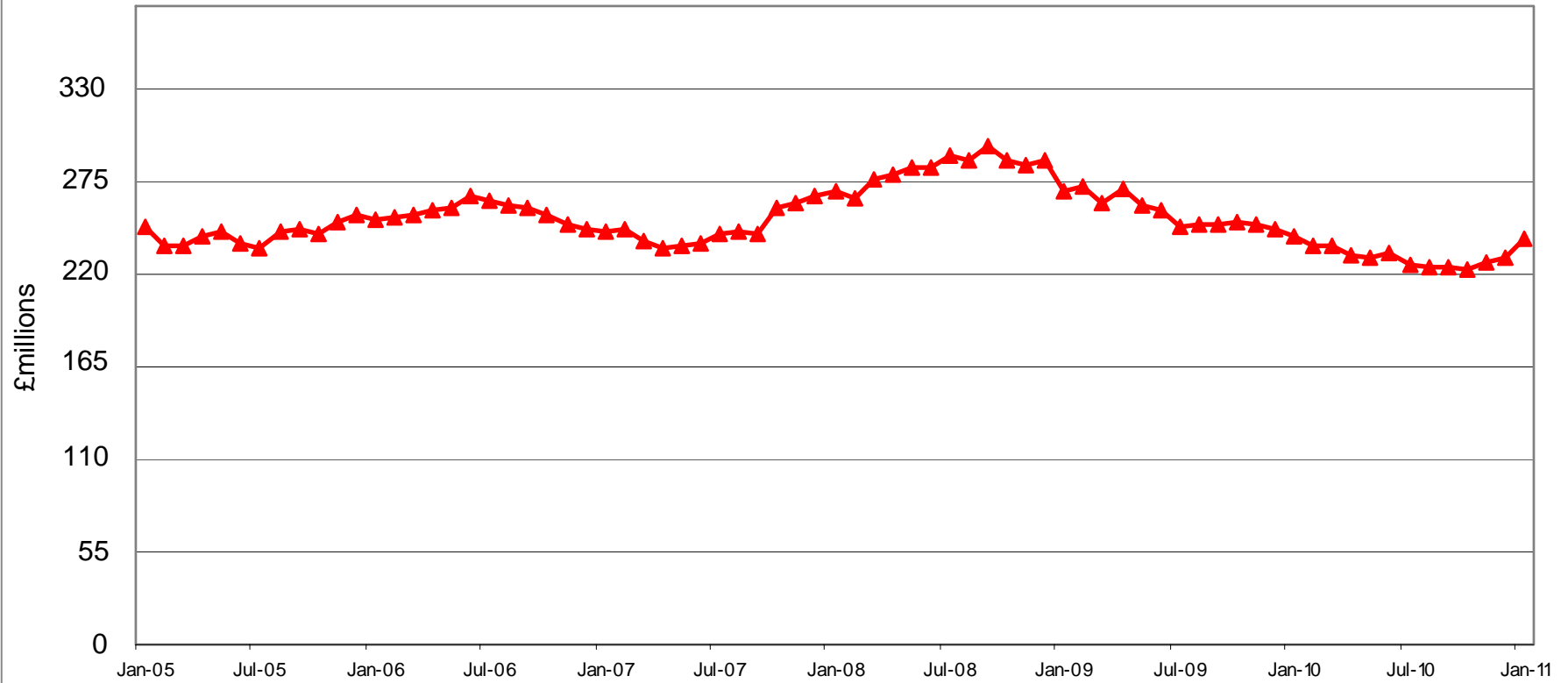
- Annual operating cost reduction of £11.4 million
- Retained medium term manufacturing and logistics capability and built in flexibility
- Full geographic coverage
- Now focussed on optimisation of “lowest cost to market” model

- Market leaders - strong positions in core markets
- Well known brand
- National manufacturing and distribution network
  - Efficient, well invested, latest technology
  - Industry leading customer service and “lowest cost to market”
- Continuing innovation
  - Marketing - sustainability
  - Products and services – new range of polished paving
  - Materials technology – improve appearance, reduce cost
  - Production technology



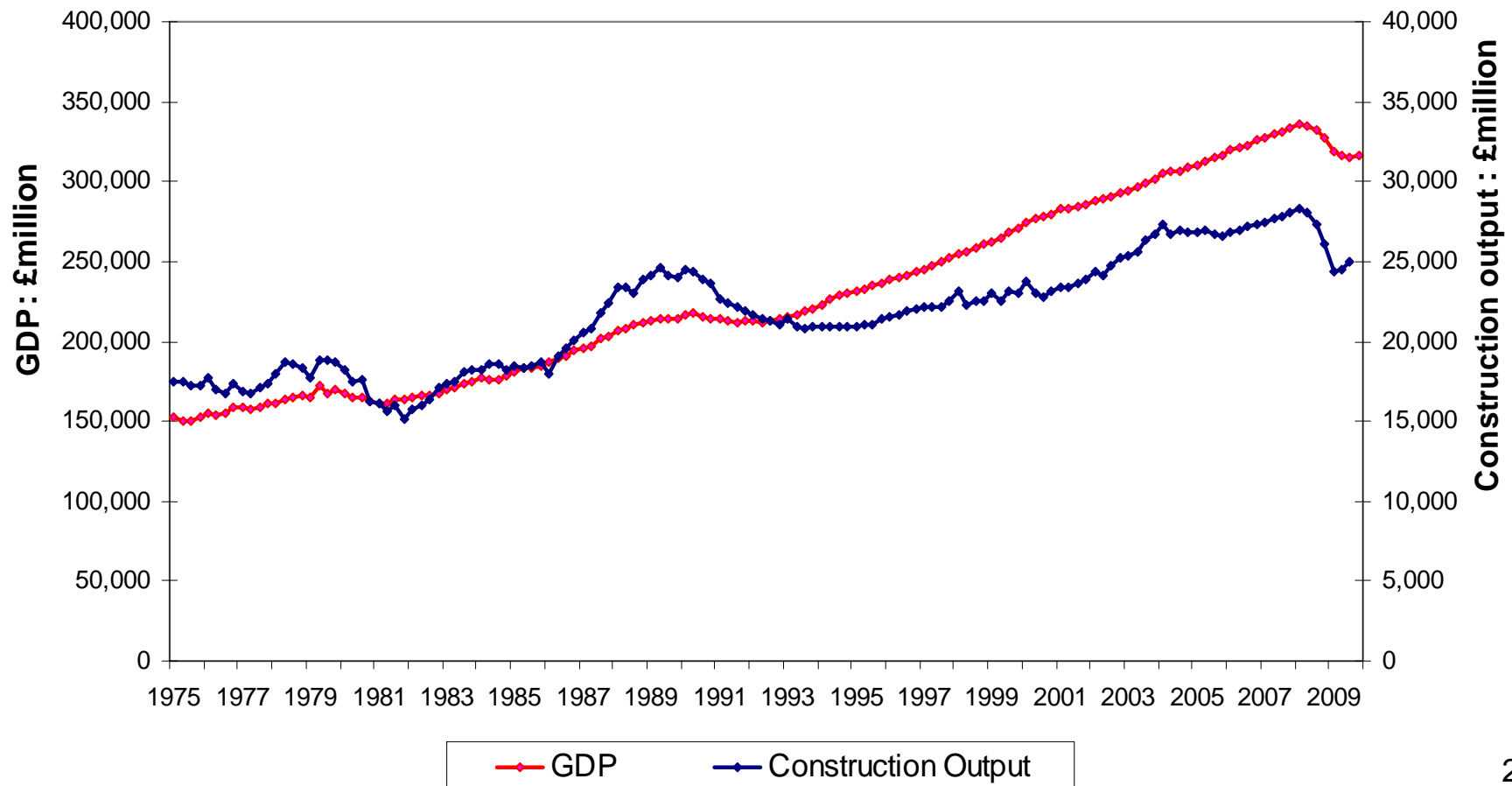
- 58% of Group revenue (2008: 59%)
  - Public: education, health and public realm positive
  - Industrial and commercial: weaker
  - CPA forecast: -3.0% in 2010
- Olympics gathering momentum
- Experienced sales and marketing teams focussed on integrated product offer
- Integrated offer delivering growth in:
  - Bespoke Street Furniture
  - Natural Stone Paving
  - Sustainable Urban Drainage

# ABI Lead Indicator January 2010



- 42% of Group revenue (2008: 41%)
  - Consumer confidence improving from low base
  - Target customer group: 8.9 million existing homes “Don’t move, improve”. Generally older, equity in property and savings
- CPA forecasts: 2% reduction in Private Housing Repair & Maintenance spending in 2010
- Approved installers key – additional support; number of installation teams increased by 4%
- Order books: 6.8 weeks (2008: 5.6 weeks)

## Quarterly GDP and Construction Output 1975 - 2009



- Carbon reduction
- Water run off and flooding
- Machine lay
- Ethical sourcing
- Ageing population & outdoor living

## Historical Perspective

	<b>Revenue</b> £000	<b>Operating Profit</b> £000	<b>Margin</b> %	<b>Capital Expenditure</b> £000
1990	181,447	28,630	15.8	36,143
1991	184,370	18,697	10.1	11,959
1992	174,355	17,317	9.9	3,786
1993	169,492	12,437	7.3	5,712
1994	191,495	21,683	11.3	20,384
1995	229,496	31,194	13.6	20,120

*These are years ended 31<sup>st</sup> March*

- Financial flexibility - balance sheet robust and borrowings reducing
- Decisive action taken to reduce cost and conserve cash, operating flexibility established
- Public Sector and Commercial end market – challenging but comparatives easing
- Domestic end market stabilising – installer order books 6.8 weeks
- Business gaining ground and well positioned for recovery
- Shareholder value will be delivered by staying focussed on core business

## Disclaimer

- This presentation, which is personal to the recipient and has been issued by Marshalls plc (“Marshalls”), comprises slides for a presentation in relation to Marshalls preliminary results, and is solely for use at such presentation.
- This presentation and these slides are confidential and may not be reproduced, redistributed or passed on directly or indirectly to any other person or published in whole or in part for any purpose.
- This presentation and associated discussion includes forward-looking statements. Information contained in this presentation relating to Marshalls has been compiled from public sources. All statements other than statements of historical fact included in this announcement, including without limitation those regarding the plans, objectives and expected performance of Marshalls, are forward-looking statements. Marshalls has based these forward-looking statements on its current expectations and projections about future events, including numerous assumptions regarding its present and future business strategies, operations, and the environment in which it will operate in the future.
- Forward-looking statements generally can be identified by the use of forward-looking terminology such as 'ambition', 'may', 'will', 'could', 'would', 'expect', 'intend', 'estimate', 'anticipate', 'believe', 'plan', 'seek' or 'continue', or negative forms or variations of similar terminology. Such forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors related to Marshalls.
- By their nature, forward-looking statements involve risks, uncertainties and assumptions and many relate to factors which are beyond the control of Marshalls, such as future market and economic conditions, external factors affecting operations and the behaviour of other market participants. Actual results may differ materially from those expressed in forward-looking statements. Given these risks, uncertainties, and assumptions, you are cautioned not to put undue reliance on any forward-looking statements. In addition, the inclusion of such forward-looking statements should under no circumstances be regarded as a representation by Marshalls that Marshalls will achieve any results set out in such statements or that the underlying assumptions used will in fact be the case.
- Other than as required by applicable law or the applicable rules of any exchange on which securities of Marshalls may be listed, Marshalls has no intention or obligation to update or revise any forward-looking statements included in this presentation.
- This presentation is for information only and does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase, any shares in Marshalls or any other securities, nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied upon in connection with, any contract or investment decision related thereto.



