



2014 HALF-YEARLY RESULTS REVIEW AND OUTLOOK



Marshalls



Marshalls

- Highlights
- Financial Performance
- Update on Growth
 - Landscape Products
 - Smaller Businesses
 - International
- Summary
- Questions

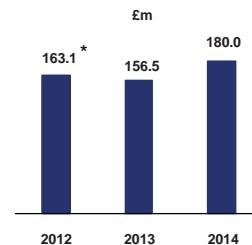
Highlights

	Half year ended 30 June 2014	Half year ended 30 June 2013	Increase %
Continuing operations			
Revenue	£180.0m	£156.5m	15
Operating profit	£15.6m	£9.8m	60
Profit before tax	£14.0m	£8.0m	75
Basic EPS	6.11p	3.80p	61
Interim dividend	2.00p	1.75p	14
Net debt	£50.9m	£53.0m	



Revenue

Revenue £180.0m



Revenue Growth

	Revenue £m
H1 2013	156.5
Landscape Products	15.1
Other UK smaller businesses	4.9
International	3.5
H1 2014	<u>180.0</u>

* The 2012 comparative figure has been restated in respect of discontinued operations

Public Sector and Commercial Revenue

- 62% of Group
- Revenue up 19%
- Price up 3%
- Volume and mix up 16%

Domestic UK Revenue

- 32% of Group
- Revenue up 4%
- Price up 4%
- Volume and mix neutral

International Revenue

- 6% of Group
- International sales grew by 42%

Profit for the Financial Period

	2014 £m	2013 £m
Operating profit: Continuing operations		
EBITDA	22.2	17.0
Depreciation / amortisation	(6.6)	(7.2)
	<hr/>	<hr/>
Operating profit	15.6	9.8
Financial income and expense (net)	(1.6)	(1.8)
	<hr/>	<hr/>
Profit before tax	14.0	8.0
	<hr/>	<hr/>

Margin Reconciliation

	Movement in		Impact on
	Revenue	Operating Profit	Margin
Continuing operations	£m	£m	%
H1 2013	156.5	9.8	6.3
Price increases to recover costs (UK)	5.4	0.9	0.3
Volume and mix – Landscape Products	10.5	3.6	1.7
Volume and mix – other UK smaller businesses	4.1	1.7	0.8
Organic International expansion	3.5	(0.4)	(0.4)
H1 2014	180.0	15.6	8.7

Cash Flow from Operating Activities

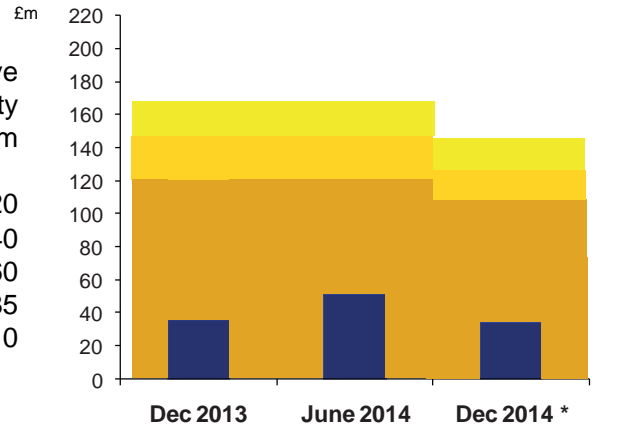
Cash inflow arising from:	2014	2013
	£m	£m
Operating profit	15.6	9.8
Depreciation and amortisation	<u>6.6</u>	<u>7.2</u>
EBITDA (continuing operations)	22.2	17.0
Discontinued operations	<u>-</u>	<u>0.5</u>
EBITDA (total operations)	22.2	17.5
Net financial expenses paid	(1.6)	(2.0)
Taxation paid	(1.9)	-
Pensions paid	(4.3)	(5.3)
Net loss on sale of property, plant and equipment	0.1	-
Profit on disposal of discontinued operations	-	(0.2)
Receivables / payables	(23.6)	(15.2)
Inventory	(0.5)	1.7
Works closure costs paid and other items	0.5	(0.1)
Net cash flow from operating activities	<u>(9.1)</u>	<u>(3.6)</u>

Cash Flow

	2014	2013
	£m	£m
Net cash flow from operating activities	(9.1)	(3.6)
Capital expenditure	(4.2)	(3.7)
Net proceeds from sale of surplus assets	2.2	0.1
Net proceeds from disposal of discontinued operations	-	17.6
Payments to acquire own shares	(4.3)	-
	<hr/>	<hr/>
Sub-total	(15.4)	10.4
Finance leases / exchange differences	0.1	0.1
	<hr/>	<hr/>
Movement in net debt	(15.3)	10.5
Net debt at 1 January	(35.6)	(63.5)
	<hr/>	<hr/>
Net debt at 30 June	(50.9)	(53.0)
	<hr/>	<hr/>
Gearing (%)	28.8%	29.0%
	<hr/>	<hr/>

Significant Borrowing Facilities

Expiry Date	Facility	Cumulative Facility
	£m	£m
Committed facilities:		
Q3 2019	20	20
Q3 2018	20	40
Q3 2017	20	60
Q3 2016	25	85
Q3 2015	25	110
On demand facilities:		
Available all year	15	125
Seasonal (February to August inclusive)	20	145



* Dec 2014 based on consensus information

Risk Management

- 2000: Closed to new members
- 2006: Closed to future service accrual
- 2007: Investment strategy

Investment Strategy

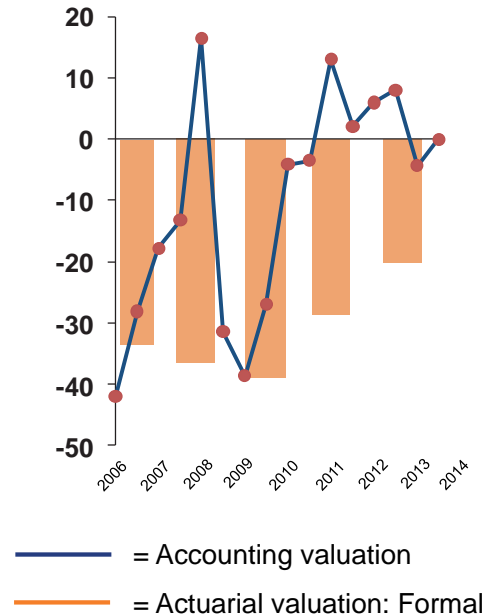
- Moved from equities to LDIs
- Closer matching to liability profile

Balance Sheet

- Almost neutral at less than £(0.1)m

Income Statement: Notional interest

- Almost neutral at less than £(0.1)m



Additional Information and Ratios

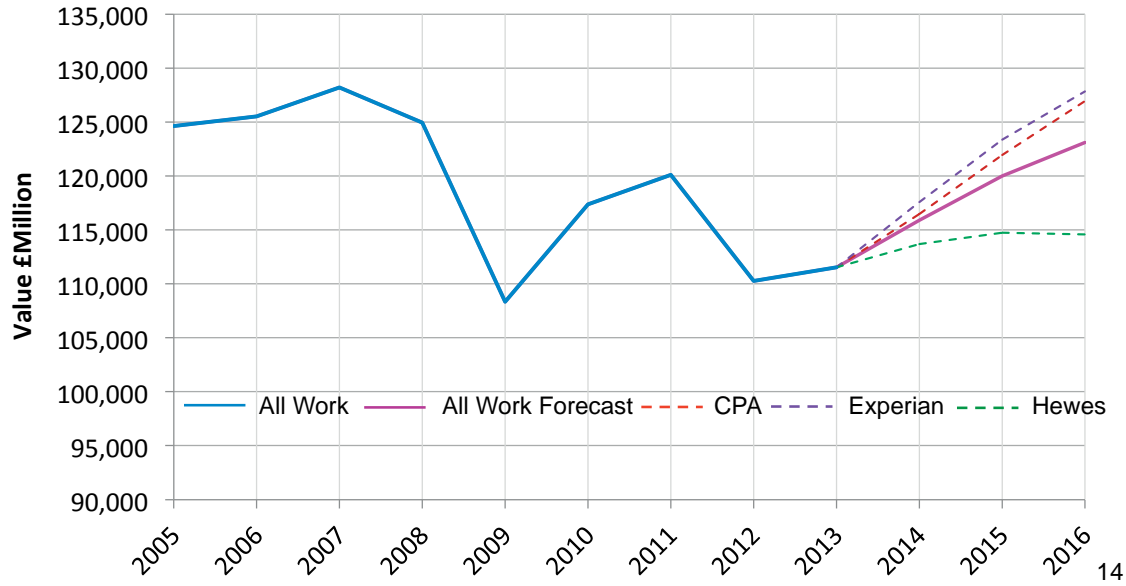
	2014	2013	
Interest charge:			
Charge	£1.6m	£1.8m	
Cover	9.9 times	5.6 times	
Tax rate	17.0%	10.7%	
EPS:			
Continuing	6.11p	3.80p	+ 61%
Total operations	6.11p	4.00p	+ 53%
Weighted average number of shares	196.0m	195.6m	
Interim dividend	2.00p	1.75p	+ 14%
Net asset value	£177.0 m	£182.7m	



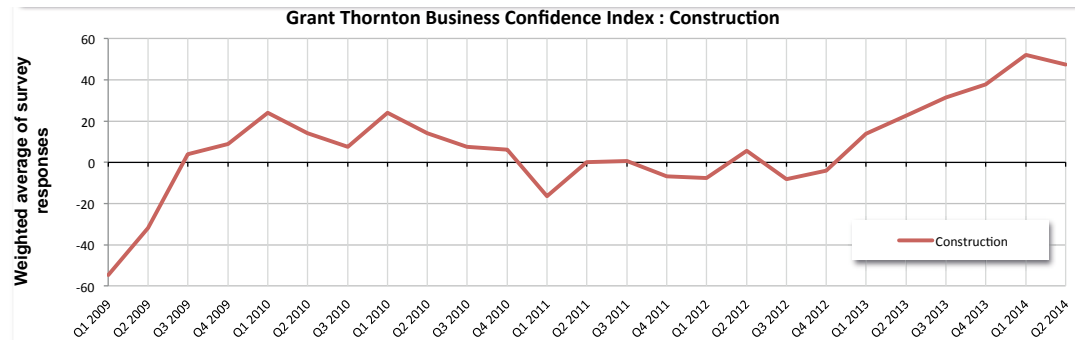
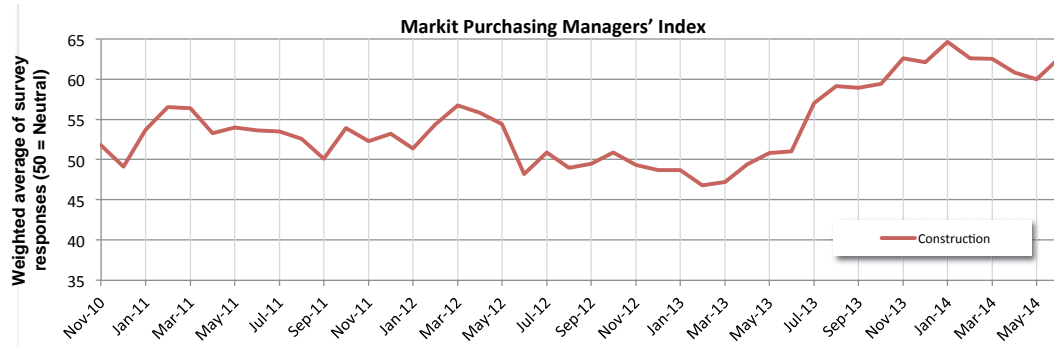
Update on Growth

Market Recovery ONS Actual and Main Forecasters

UK Construction Work Actual and Current Forecasts



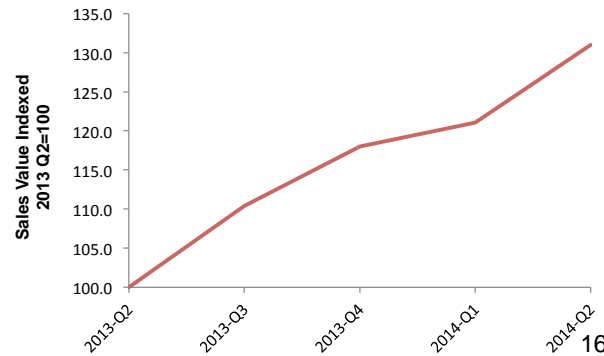
Commercial Market Confidence



Growth Focus: Rail



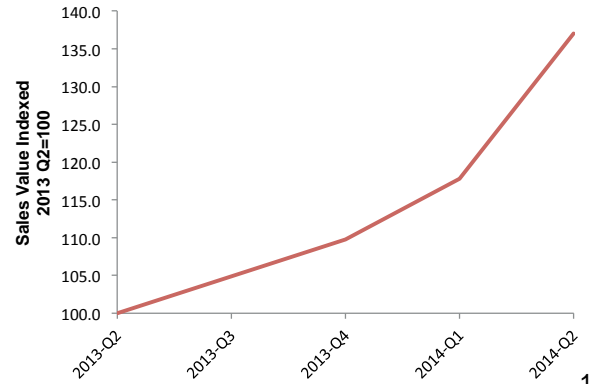
Sales recorded against "Rail & Transport" Project Types



Growth Focus: Water Management

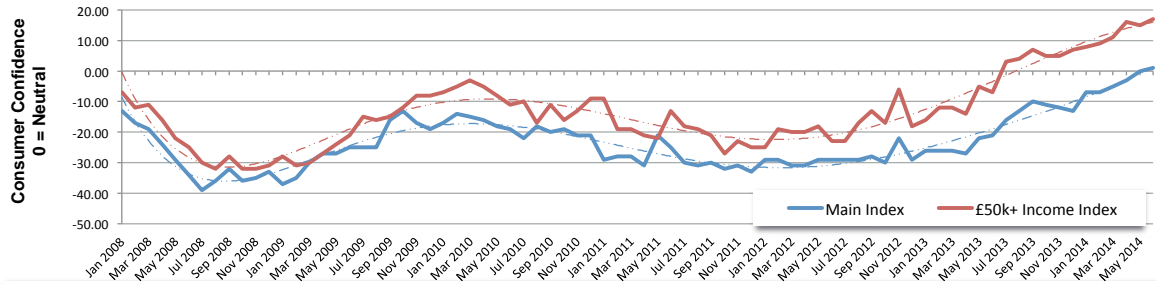


Linear Drainage

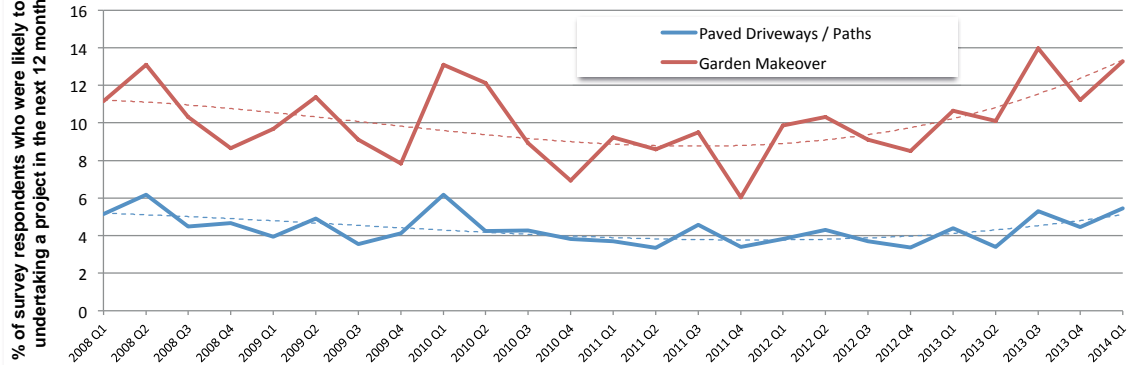


Domestic Market Confidence

Gfk Consumer Confidence Index Main and £50k Income

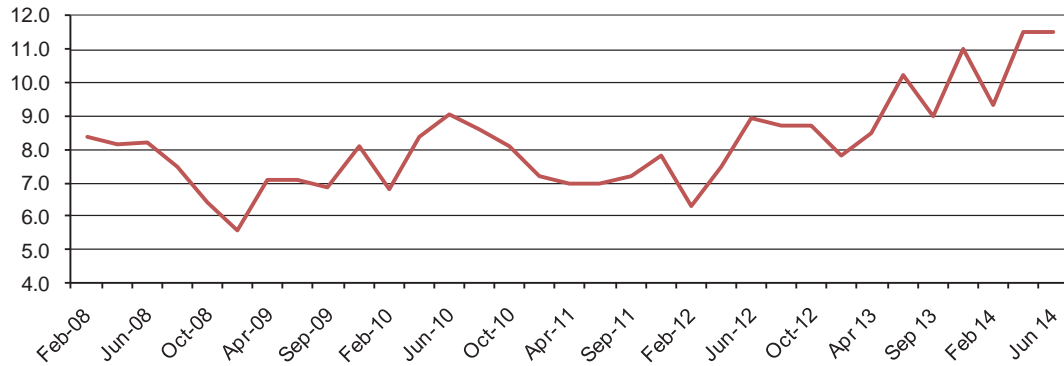


Gfk Consumer Intentions



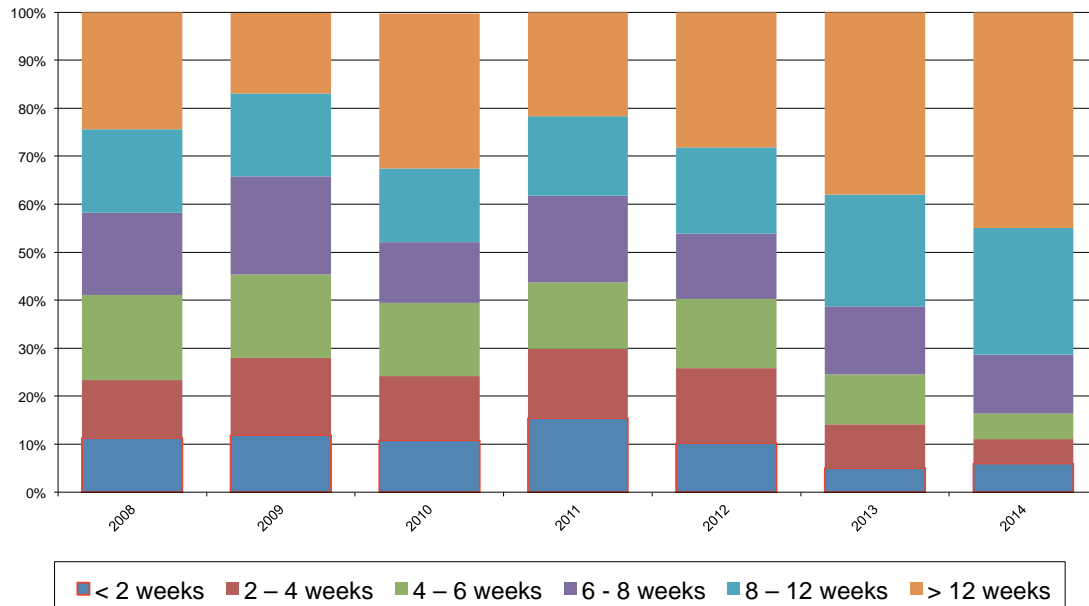
Market Recovery Installer Order Books

Average Order Book in Weeks for all Installers



Market Recovery Installer Order Books - June

Annual Averages - Spread of Order Book for Whole Market





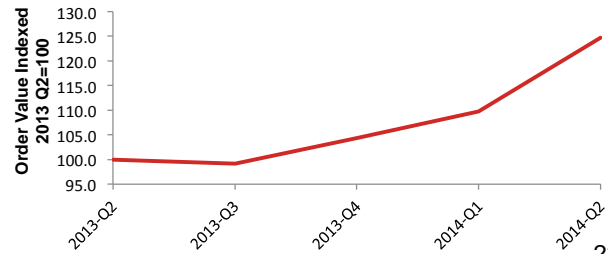
Marshalls Drivesys Patented Driveway System Reduces Installation Time by 50%



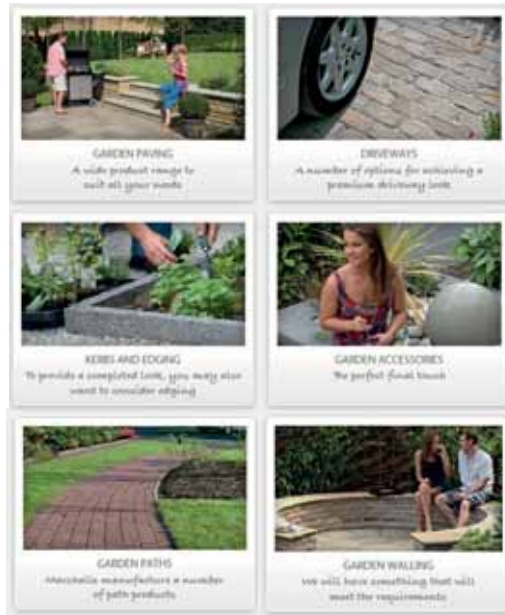
Growth Focus: Fairstone



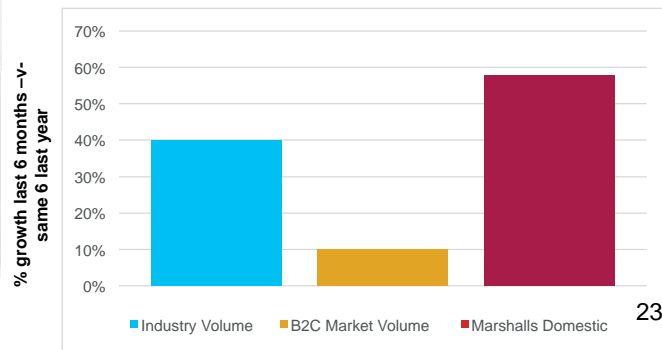
Fairstone Orders



Digital Outperformance Domestic



Marshalls Domestic Website Traffic –v- Industry Total



- Street Furniture/Mineral Products/Stone Cladding/International
- 2013 Combined Revenue = 21% Group
- 2014 H1 Sales + 27% Growth
- 2014 H1 Operating Profit £2m improvement
- 2014 H1 2 out of 4 profitable
- 2014 FY 3 out of 4 profitable
- 2014/5 recovery plan agreed for Marshalls NV



International Strategy

Sales up 42% H1 2014

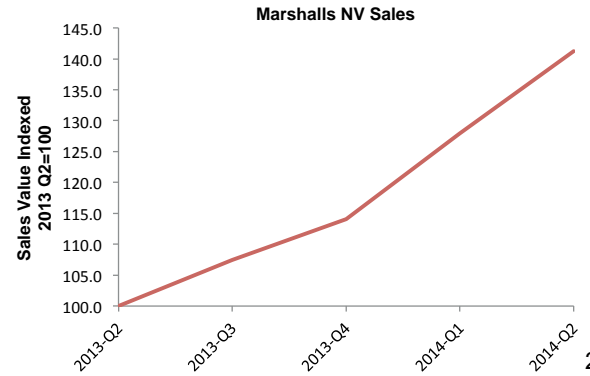
Commercial

- Premier projects in Middle East e.g. King Abdulaziz International Airport
- Landscape/street furniture/cladding/internal
- Specifiers/architects/contractors
- Convert specification to order
- Medium term develop Marshalls NV model

Domestic

- Distribution model in Europe through Marshalls NV
- Warehouse expansion into France 2015
- Supply agreements in North America e.g. Unilock, Stonepavers

Growth Focus: International Belgium



- Core business growing ahead of CPA numbers
- Key areas of focus achieving substantial growth
- Smaller businesses grown by 27% H1
- Profit turnaround on target
- Re-branding complete, market share growth commenced
- International growth of 42% achieved H1
- PBT growth of 75% achieved
- Medium term objective of return to pre-recession results underway



Marshalls

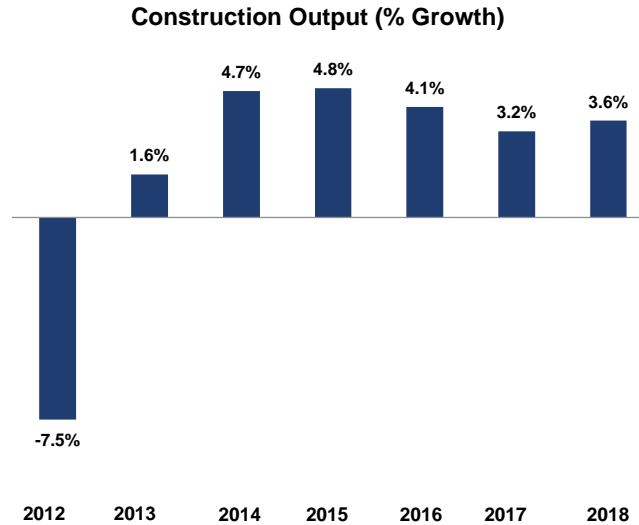
Creating Better Spaces

Appendices

Construction Products Association

	2013	2014	2015	2016	2017	2018
£m/% change	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Housing						
	21,669	23,610	25,686	26,773	27,209	27,653
	9.0%	9.0%	8.8%	4.2%	1.6%	1.6%
Other New Work						
	47,272	49,221	51,597	54,379	57,106	60,558
	-1.9%	4.1%	4.8%	5.4%	5.0%	6.0%
Repair, Maintenance and Improvement						
Private Housing	14,032	14,874	15,469	16,088	16,570	17,067
	2.5%	6.0%	4.0%	4.0%	3.0%	3.0%
Total						
	43,145	44,538	45,693	46,830	47,809	48,727
	2.3%	3.2%	2.6%	2.5%	2.1%	1.9%
Total All Work						
	112,086	117,369	122,976	127,982	132,124	136,938
	1.6%	4.7%	4.8%	4.1%	3.2%	3.6%

Construction Products Association Forecasts



	H1 2014 Actual
EBITA: Interest charge	8.3 times
Net Debt: EBITDA	1.4 times
<ul style="list-style-type: none">● EBITA to interest charge must be greater than 2.5 x● Net debt to EBITDA must be less than 3.0 x● Net assets must be greater than £100 million	

Net Assets

	£m	£m
2013 Year End Net Assets		175.4
Impact of movements in year:		
Profit for the financial period	12.0	
Ordinary dividends	(6.9)	
Actuarial movement on pensions (after tax)	-	
Hedging reserve	0.2	
Share-based expenses (after tax)	1.0	
Purchase of own shares	(4.3)	
Foreign currency translation differences	(0.1)	
Non-controlling interest	(0.3)	
	<u> </u>	1.6
2014 Half Year Net Assets		<u><u>177.0</u></u>

Disclaimer

- For the purposes of the following disclaimer, references to this “presentation” shall be deemed to include references to the presenters’ speeches, the question and answer session and any other related verbal or written communications.
- 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 half-yearly 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. No investment advice is being given in this presentation.