

Delivering the 2020 Strategy



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Agenda


Delivering the 2020 Strategy


- Highlights
- Financial Performance
- The Market
- Delivering the 2020 Strategy
 - Public Sector and Commercial
 - Domestic
 - Smaller UK Businesses
- 2020 Strategy Update
- New Product Development
- Self Help Investment
- Acquisition Strategy
- Summary
- Questions



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Highlights

	2016	2015	Increase %
Revenue	£396.9m	£386.2m	3
EBITDA	£60.8m	£51.8m	17
Operating profit	£47.6m	£37.5m	27
Profit before tax	£46.0m	£35.3m	31
Basic EPS	18.95p	14.32p	32
Total dividends – ordinary and supplementary	11.70p	9.00p	30
Final ordinary dividend – recommended	5.80p	4.75p	22
Supplementary dividend – recommended	3.00p	2.00p	
ROCE	23.0%	19.0%	↑400 basis points
Net cash / (debt)	£5.4m	£(11.5)m	

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Highlights

	2016	2015	2014	2013
Revenue	£396.9m	£386.2m	£358.5m	£307.4m
EBITDA	£60.8m	£51.8m	£38.5m	£30.2m
Operating profit	£47.6m	£37.5m	£25.3m	£16.1m
Profit before tax	£46.0m	£35.3m	£22.4m	£13.0m
Basic EPS	18.95p	14.32p	10.13p	6.94p
Total dividends – ordinary and supplementary	11.70p	9.00p	6.00p	5.25p
ROCE	23.0%	19.0%	12.5%	8.1%
Net cash / (debt)	£5.4m	£(11.5)m	£(30.5)m	£(35.6)m



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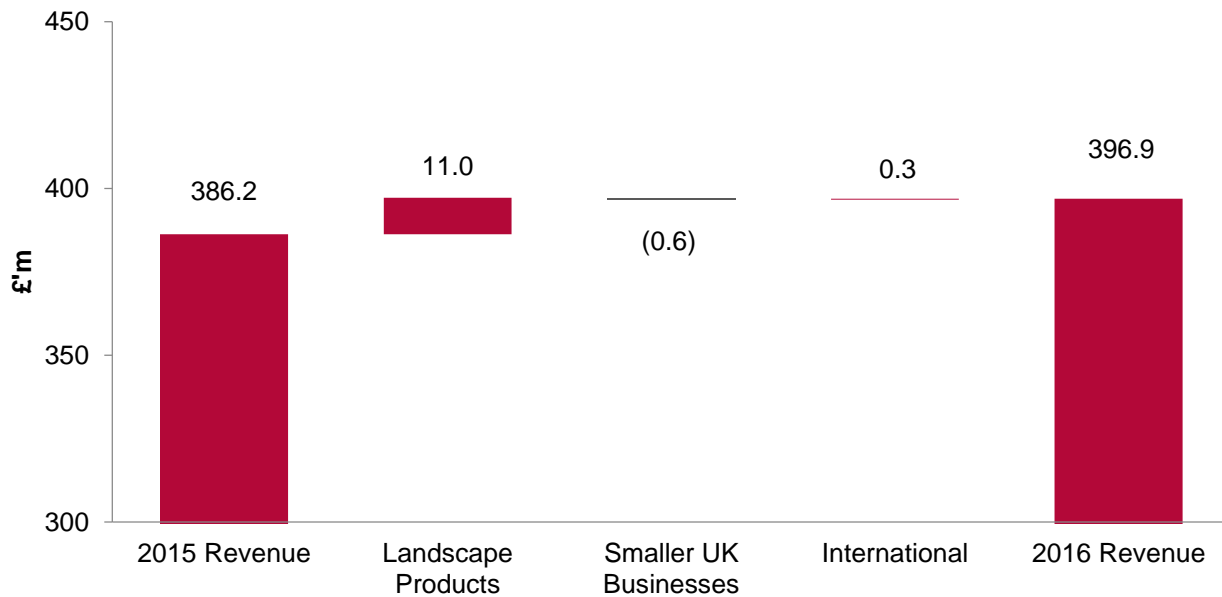
**Financial
Performance**

**Full Year
2016 Results**



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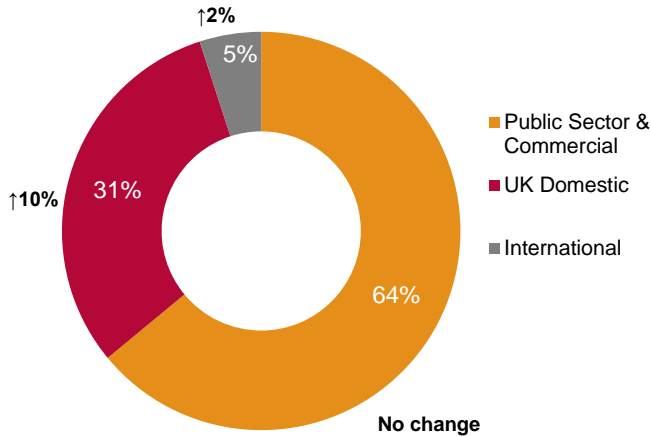
Revenue Growth



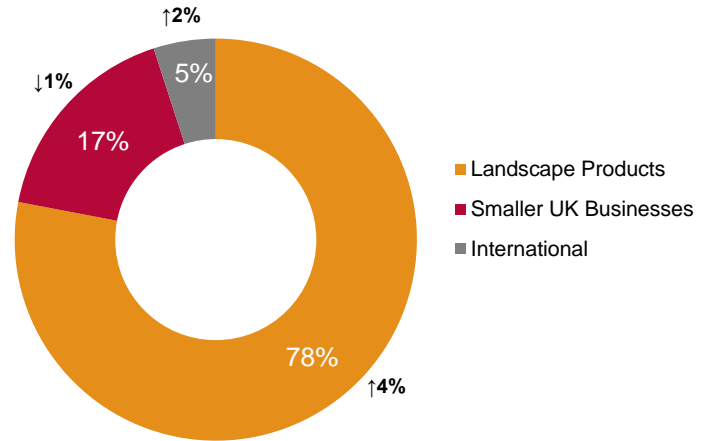
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Revenue Analysis

Revenue analysis: end market



Revenue analysis: business area



Domestic revenue has grown from 29% to 31% of the Group

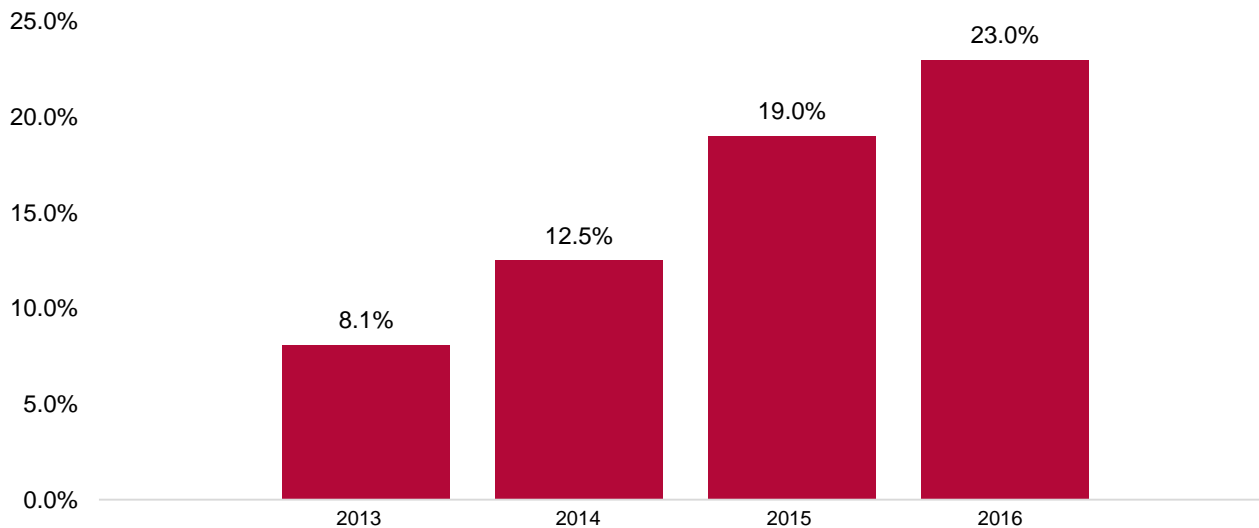
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Margin Reconciliation

	Revenue £m	Operating profit £m	Impact on margin %
2015	386.2	37.5	9.7
Landscape Products	11.0	9.0	2.0
Smaller UK Businesses	(0.6)	0.5	0.1
International	0.3	0.6	0.2
2016	396.9	47.6	12.0

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Return on Capital Employed



ROCE : CAGR of 42% over 3 years

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Cash Flow from Operating Activities

	2016 £m	2015 £m
Cash inflow arising from:		
Operating profit	47.6	37.5
Depreciation and amortisation	13.2	14.3
EBITDA	60.8	51.8
Net financial expenses paid	(1.0)	(1.8)
Taxation paid	(7.1)	(7.0)
Pensions paid	-	(4.3)
Net gain on sale of property, plant and equipment	(0.6)	(0.1)
Receivables / payables	(2.8)	6.8
Inventory	(2.4)	1.7
Associates / restructuring costs	(0.4)	0.4
Equity settled share-based payments and other items	2.9	2.2
Net cash flow from operating activities	49.4	49.7

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Cash Flow

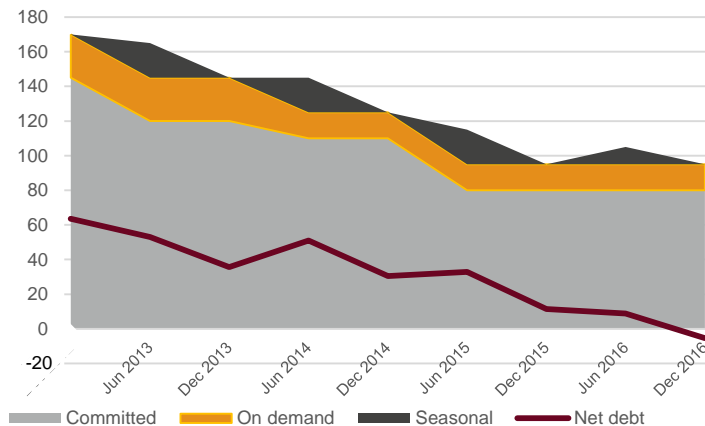
	2016 £m	2015 £m
Net cash flow from operating activities	49.4	49.7
Capital expenditure	(13.9)	(14.9)
Net proceeds from sale of surplus assets	3.8	1.1
Dividends paid	(19.0)	(12.3)
Payments to acquire own shares / other	(1.1)	(5.6)
Movement in net debt	19.2	18.0
Foreign exchange	(2.3)	1.0
Net debt at 1 January	(11.5)	(30.5)
Net debt at 31 December	5.4	(11.5)

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Significant Borrowing Facilities

	Facility £m	Cumulative Facility £m
Expiry date		
Committed facilities:		
Q3 2021	20	20
Q3 2020	20	40
Q3 2019	20	60
Q3 2018	20	80
On demand facilities:		
Available all year	15	95
Seasonal (February to August inclusive)	10	105

Bank Facility Headroom



- Bank facilities actively managed
- Comfortable facilities and headroom
- Balance of committed and uncommitted facilities
- Good comfort against covenants

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Capital Allocation Policy



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Bank Debt Capacity

- Continued strong operating cash flow
- Cash balance of £5.4 million at 31 December 2016 (2015: £11.5 million net debt)
- Bank debt capacity of £105 million
- Significant capacity to fund organic investment and selective acquisitions

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Strong Track Record of Capital Discipline

	2016	2015	2014	2013
ROCE	23.0%	19.0%	12.5%	8.1%
Debtor days	39	39	38	43
Creditor days	56	53	59	69
Inventory turn (times per annum)	3.3	3.2	3.0	2.1
Liquidity ratio (current assets: current liabilities)	1.6	1.6	1.6	1.6
Gearing	N/A	6.0%	16.8%	20.3%
Net cash / (debt)	£5.4m	£(11.5)m	£(30.5)m	£(35.6)m
Net assets	£217.1m	£192.7m	£181.9m	£175.4m

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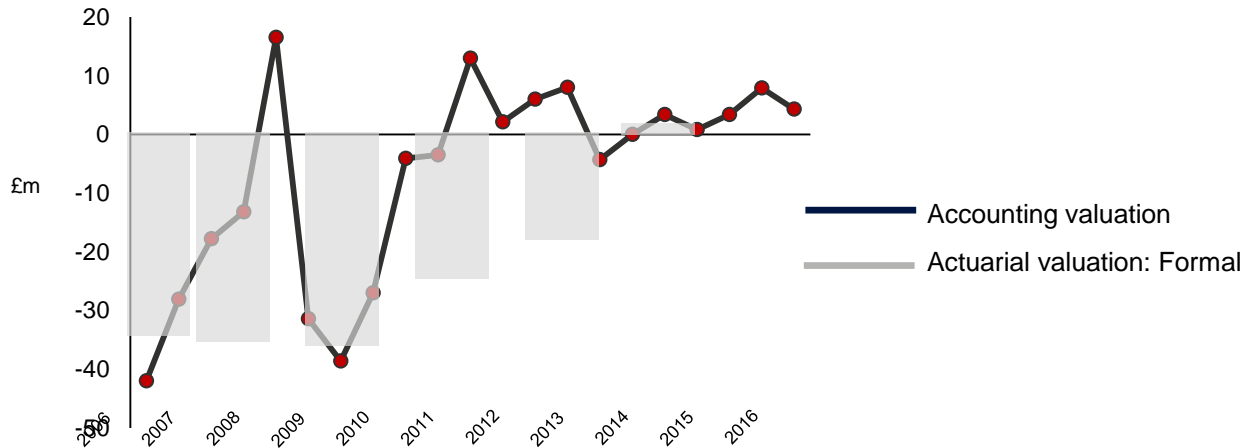
Pensions

Balance Sheet

- Company contributions to DB Scheme reduced to zero under agreed Recovery Plan
- 31 December 2016 surplus of £4.3 million (31 December 2015: surplus of £3.4 million)

Income Statement

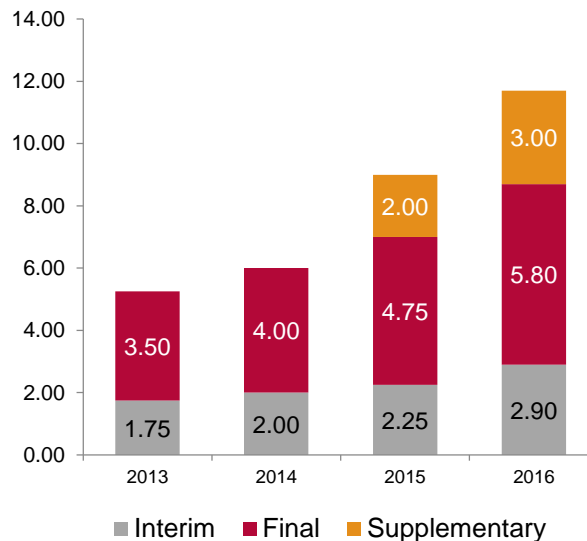
- Net service cost: £0.4 million debit (2015: £0.4 million debit)



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Dividends

- Progressive ordinary dividend policy
- 2016 dividends
 - Interim and final 8.70p (24% up)
 - Supplementary 3.00p
 - Total 11.70p (30% up)
- Supplementary dividend: discretionary and non-recurring
- Dividend cover
 - Interim and final 2.2 x cover
 - Including supplementary 1.6 x cover
- Total dividend (including supplementary dividend) CAGR of 31% over the last 3 years

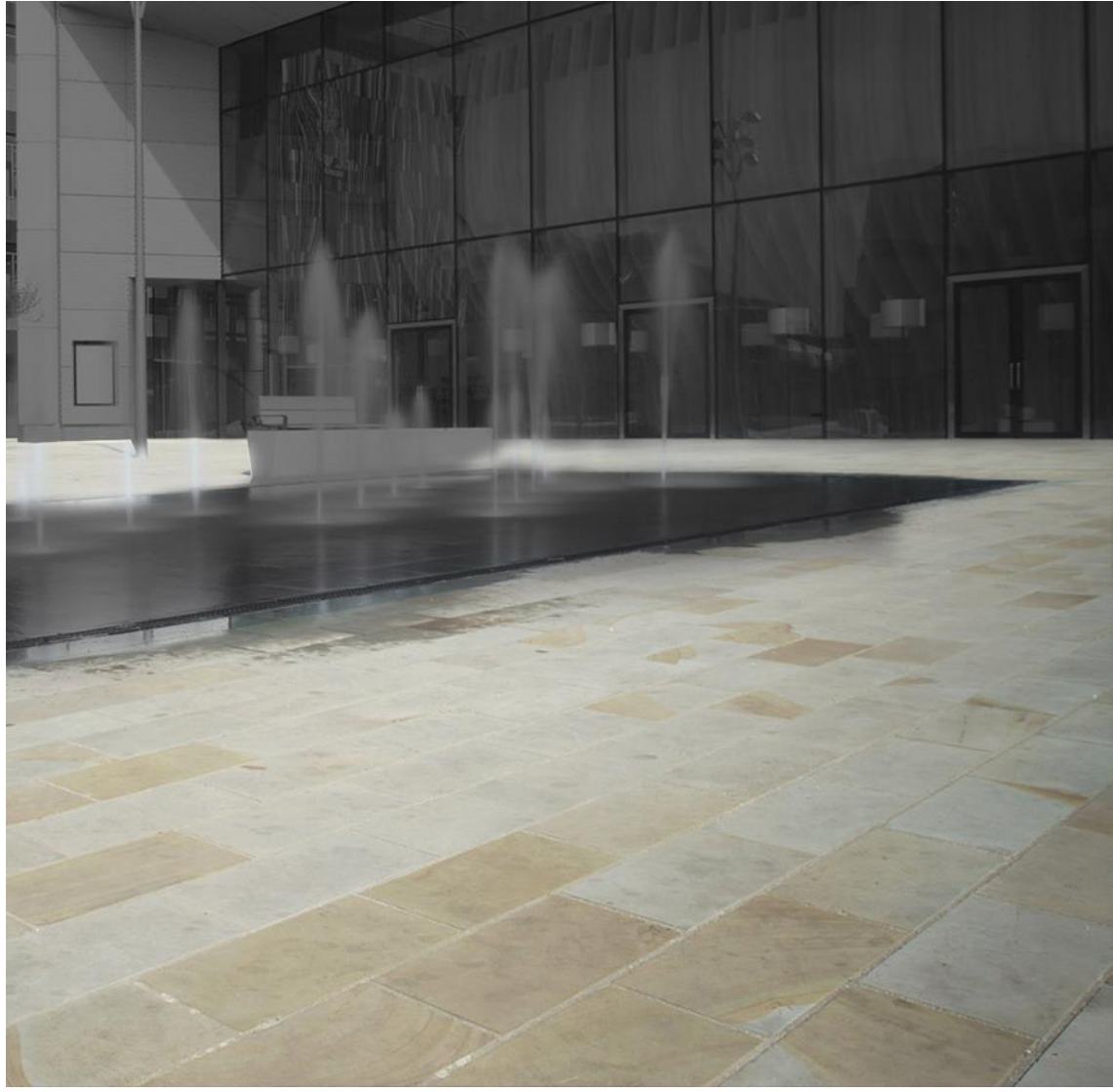




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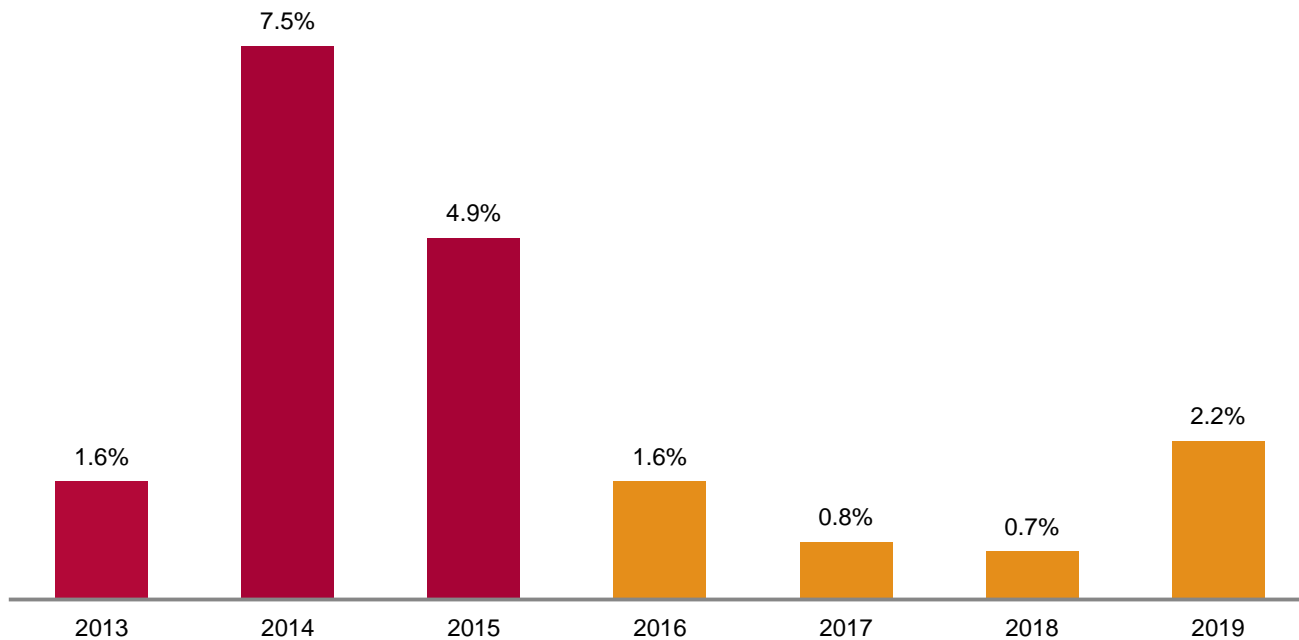
The Market

**Full Year
2016 Results**



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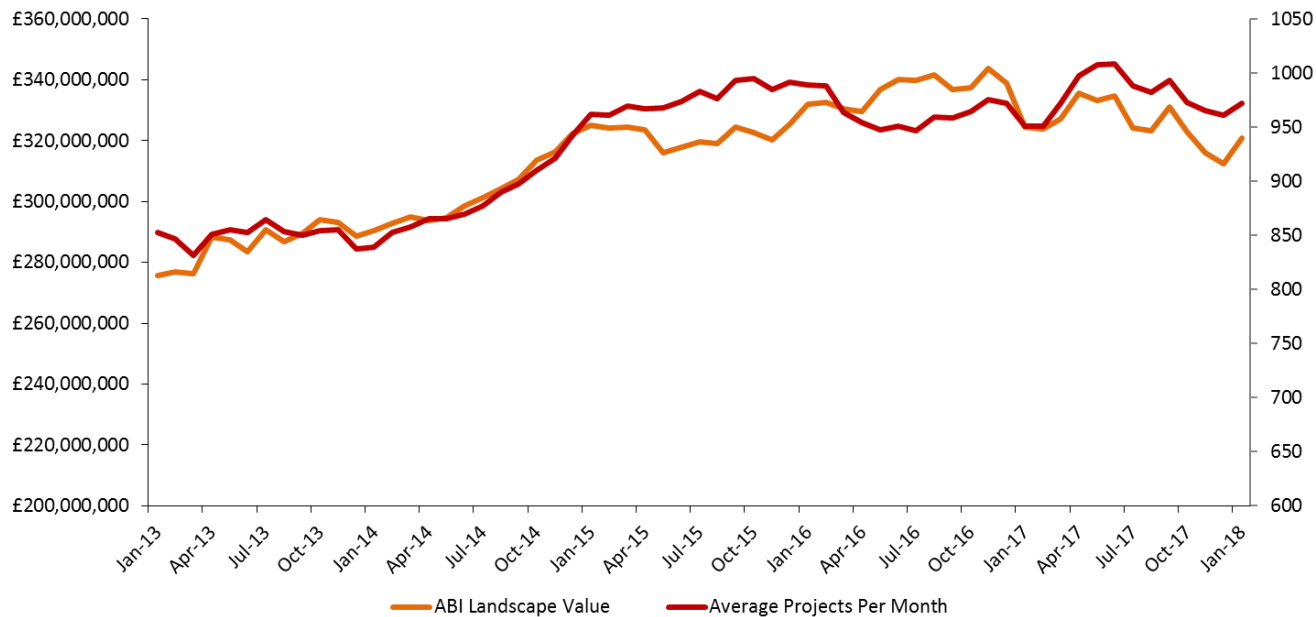
CPA Total Construction Output Forecasts (% growth)



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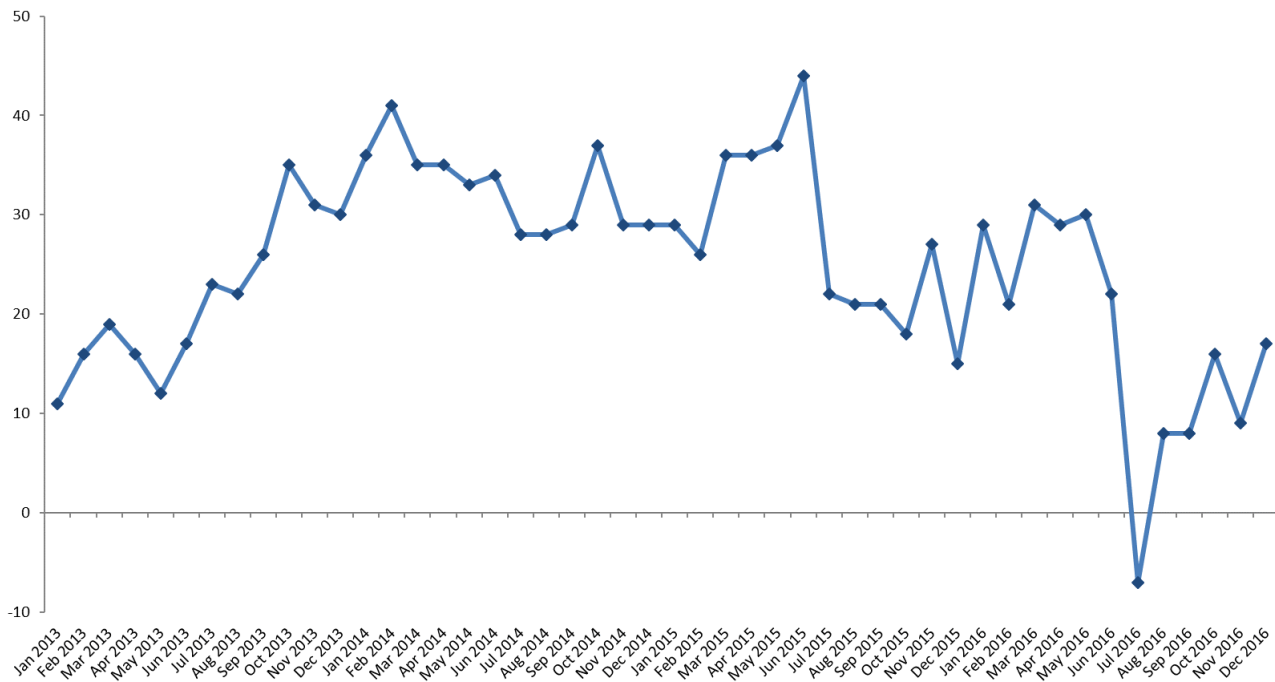
ABI Lead Indicator Hard Landscaping - January 2017

Contract Award (12 Month Rolling Basis) Average of Hard Landscaping Value and Number of Projects



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RIBA 'Architects' Futures Index





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**Public Sector &
Commercial**

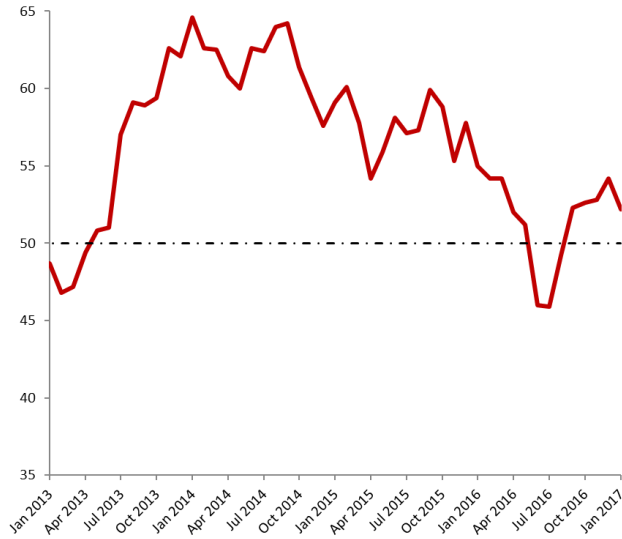
**Full Year
2016 Results**



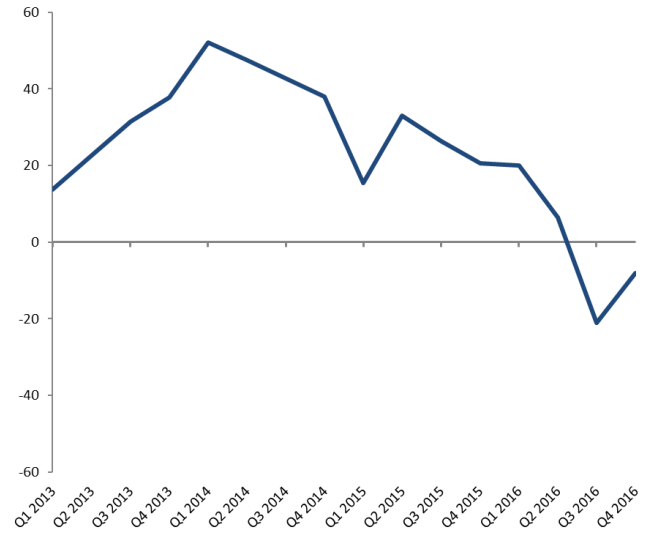
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Commercial Market Confidence

Markit Construction PMI

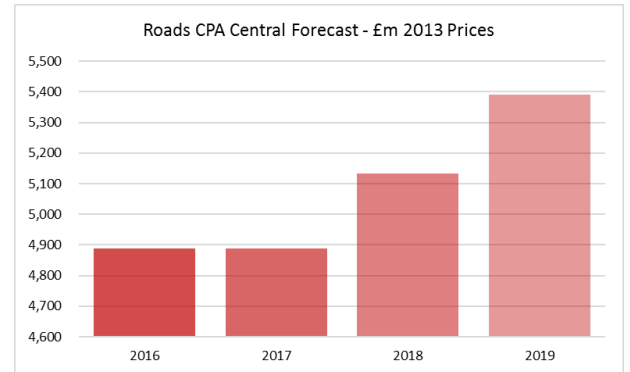
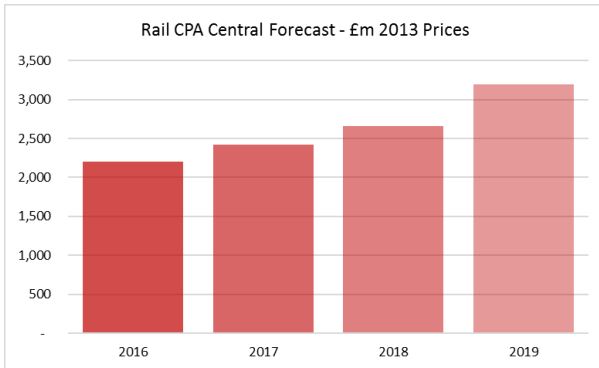
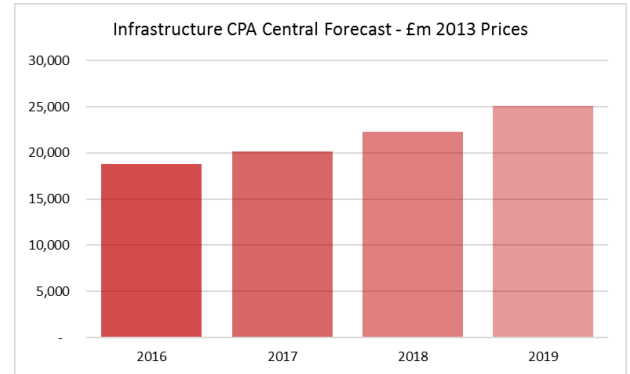
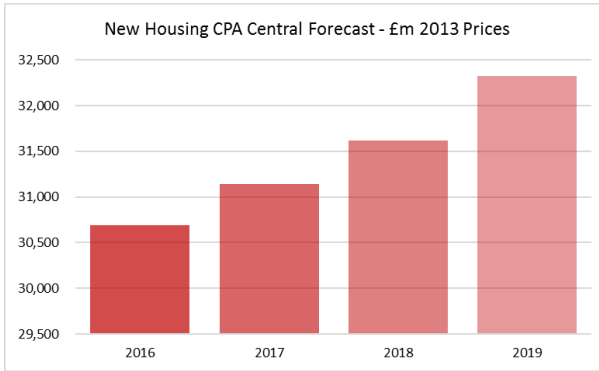


ICAEW/Grant Thornton UK Business Confidence Monitor Construction



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A Supportive Market Environment Through To 2020



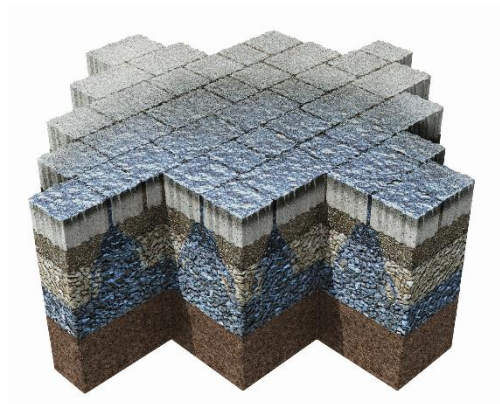
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Housing – The Marshalls Offering



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Infrastructure : Marshalls Water Management

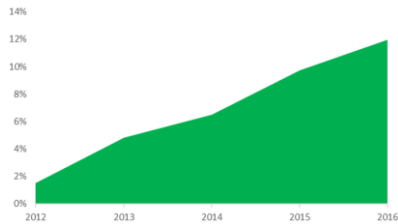


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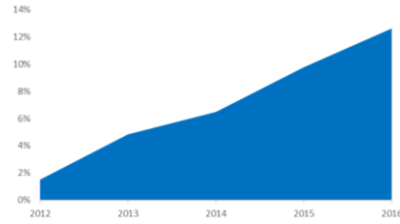
Infrastructure: Rail



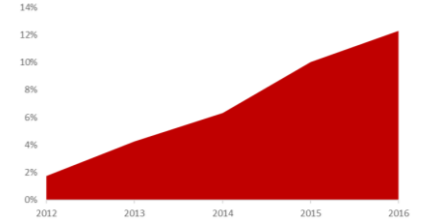
Product Specifications
Crossrail as a % of Marshalls Rail



Product Orders
Crossrail as a % of Marshalls Rail



Product Sales
Crossrail as a % of Marshalls Rail





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Domestic

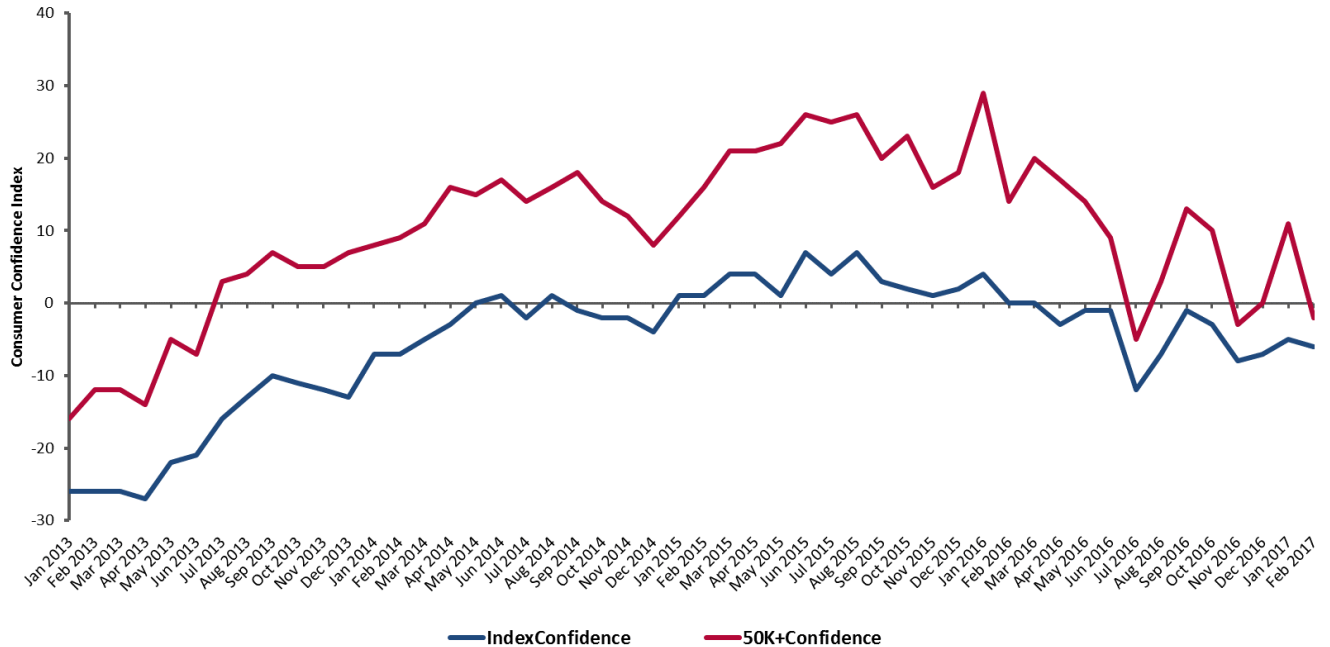
**Full Year
2016 Results**



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Consumer Confidence

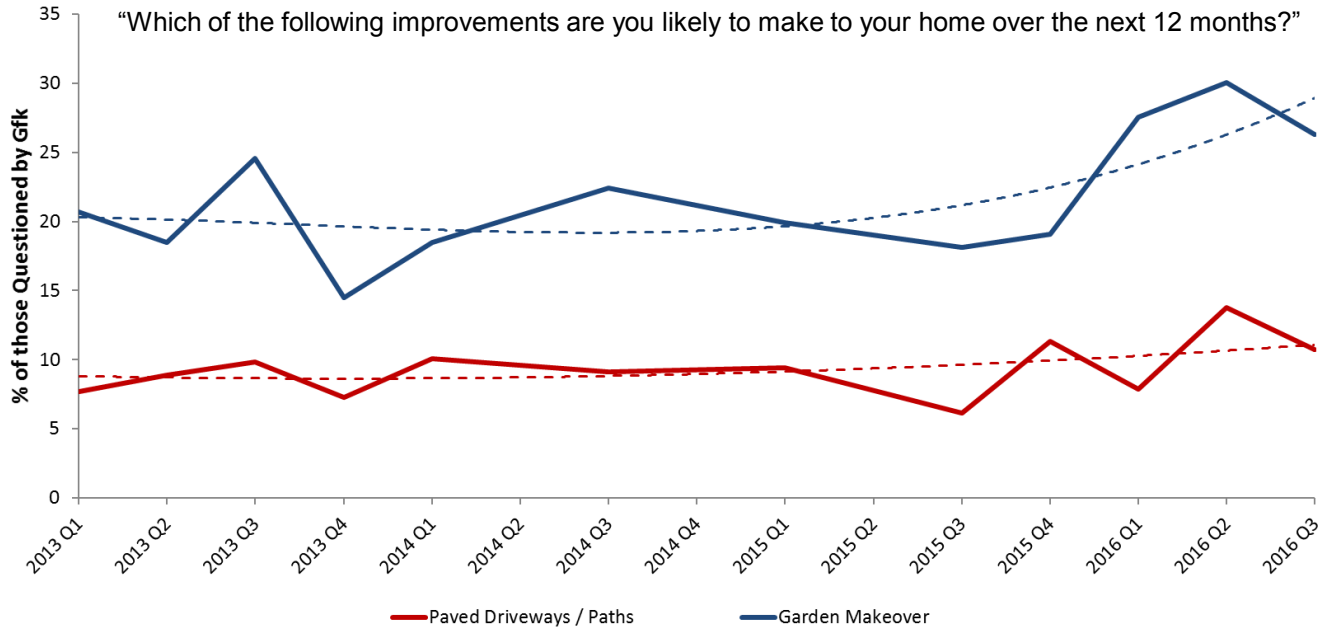
GfK Consumer Confidence Index



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Consumer Intentions

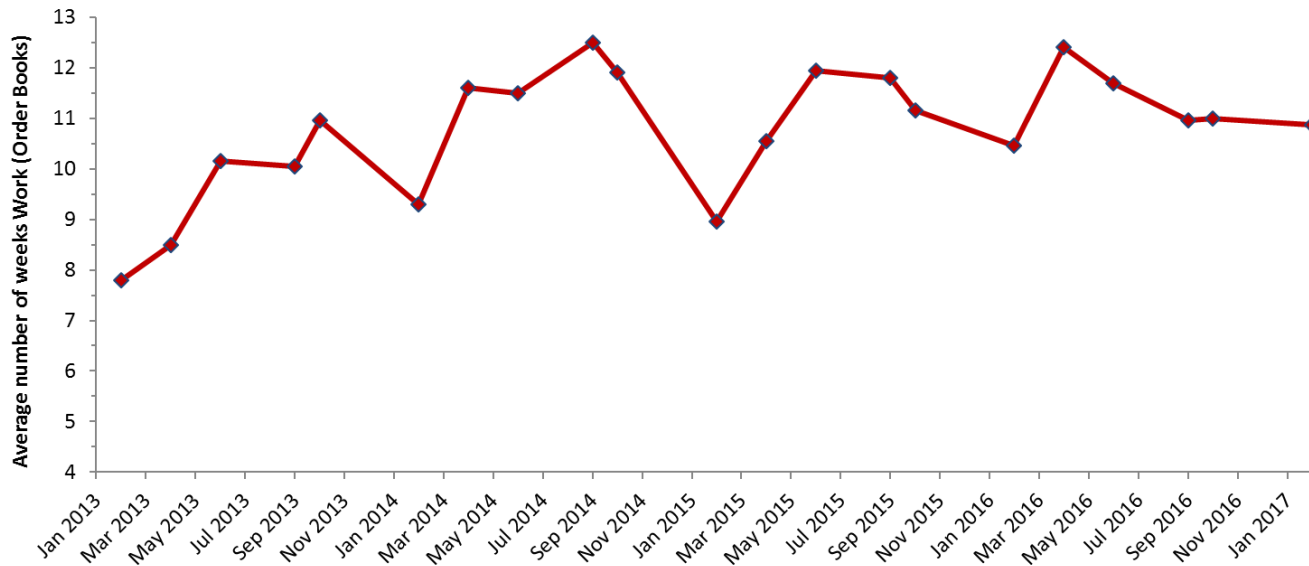
GfK Consumer Confidence £50k+



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Landscape Installer Order Books

Domestic Installer Order Books

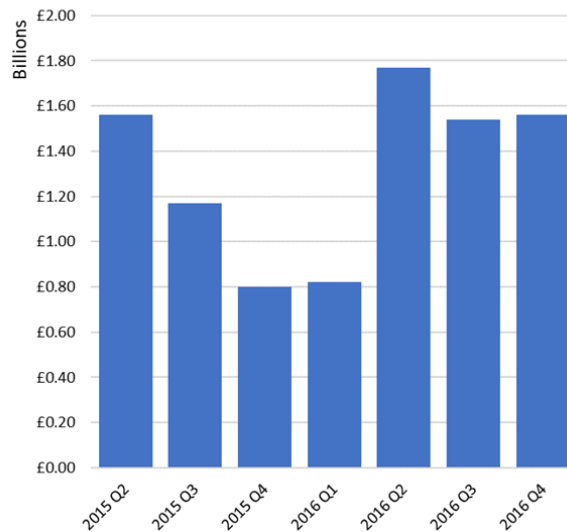


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Private Housing RMI: Consumers



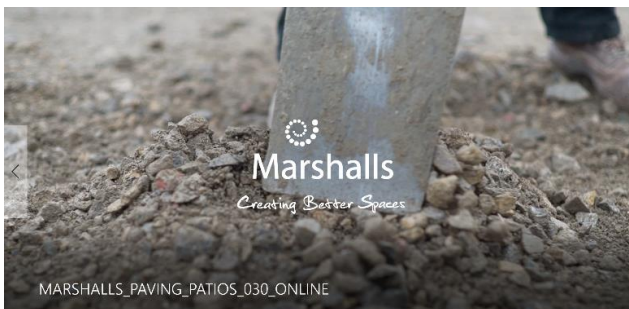
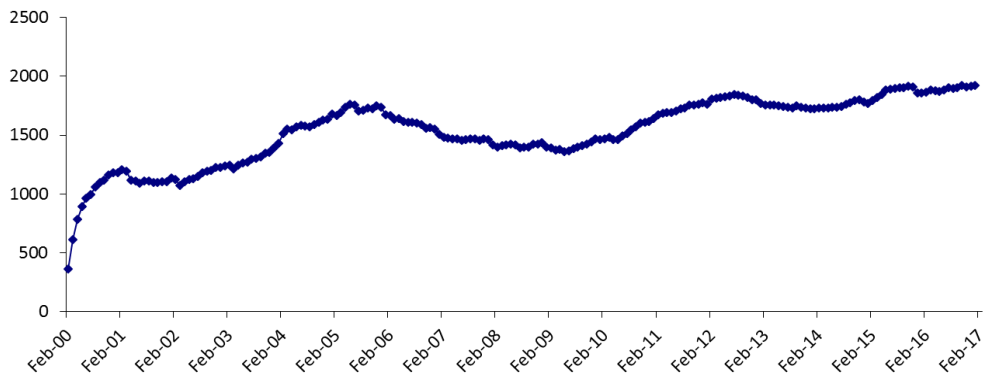
Total Value (£) of Flexible Payments from Pensions



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The Marshalls Register

Approved Teams





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**Smaller UK
Businesses**

**Full Year
2016 Results**



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Profit Growth in Smaller UK Businesses > 10% per annum



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Landscape Protection





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2020 Strategy

**Full Year
2016 Results**



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Marshalls 2020 Strategy



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2020 Strategy Update

- 2016 PBT +31%
- 2016 EBITDA of £60.8m – CAGR of 26% over 3 years
- Self help programme underway – savings of £5 million
- Smaller UK Businesses profit +13%
- NPD continuing strongly
- Digital strategy is making an impact
- Acquisition strategy making good progress
- Continuing development of the Marshalls brand
- 2020 Strategy on track to deliver its goals



Our 2020 Strategy will drive long term growth and shareholder returns

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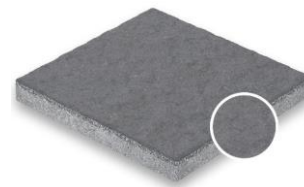
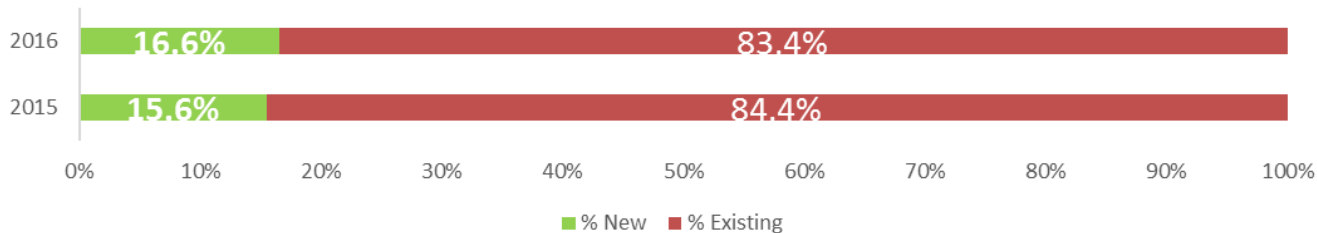
Our 2020 Strategy Will Drive Long Term Growth and Shareholder Returns



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New Product Development to Accelerate Annually

- Revenue from new products increased by 10% in 2016



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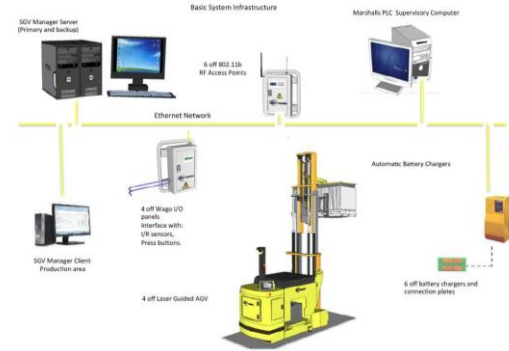
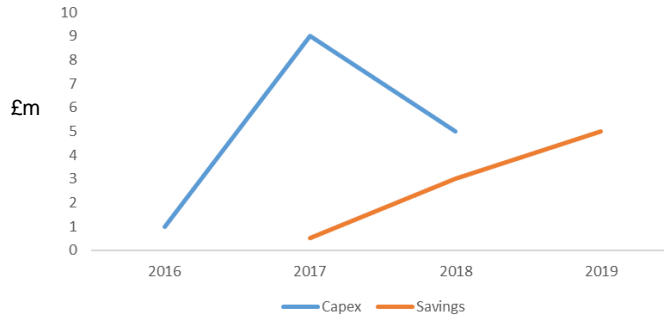
New Product Development to Accelerate Annually



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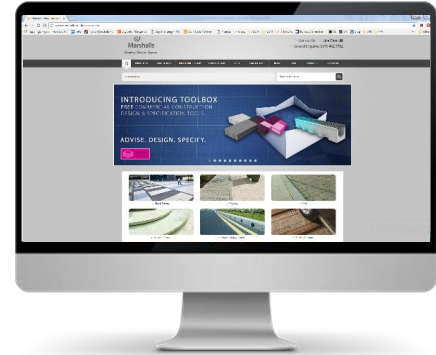
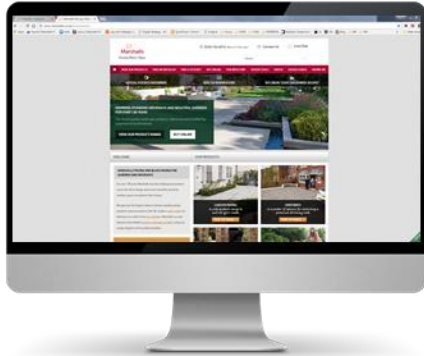
Additional Capital Investment Programme of £15m to Deliver Cost Savings of £5m per year

Self Help Programme

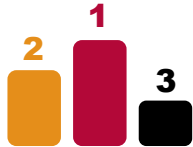


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Increased Investment in Digital Strategy



Domestic Traffic
 ↑ 33% since 2015



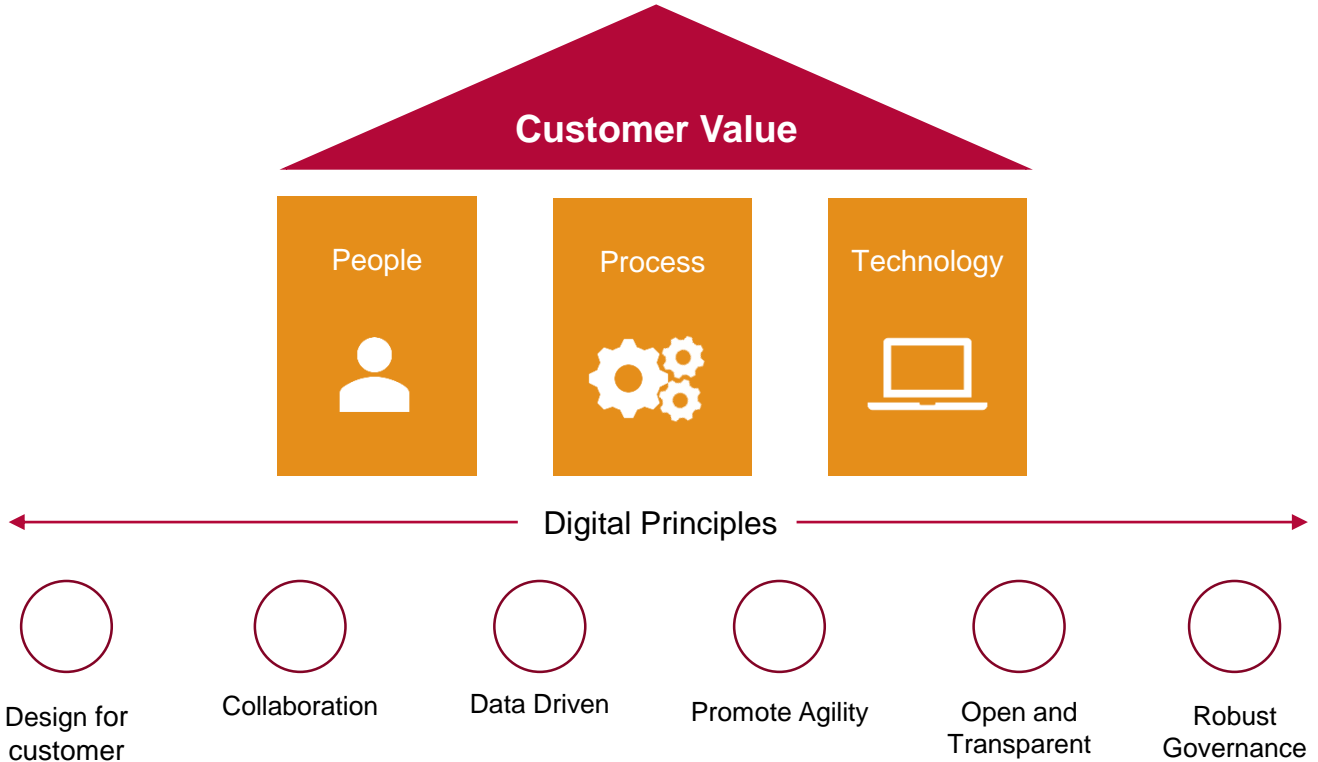
Ranking
 75% of Key Words on Page 1

Commercial Traffic
 ↑ 15% since 2015

Ranking
 80% of Key Words on Page 1

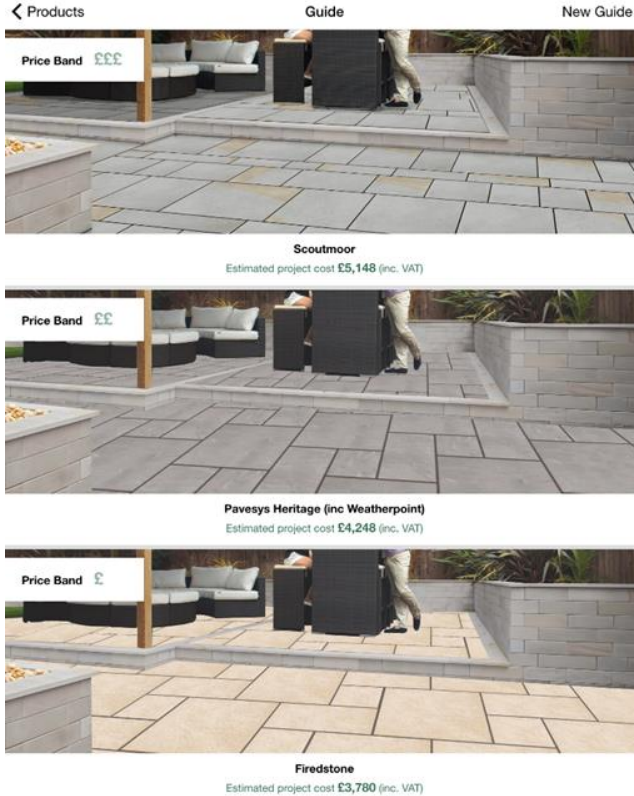
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Digital Strategy Principles

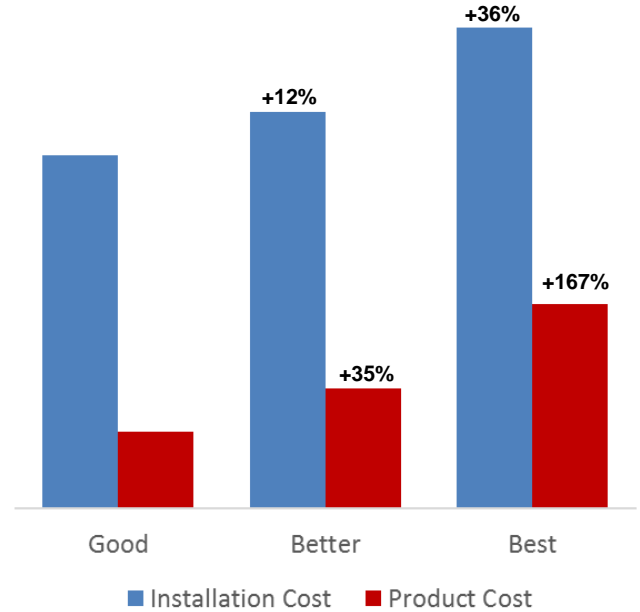


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Digital Tools Enable Consumer Choice

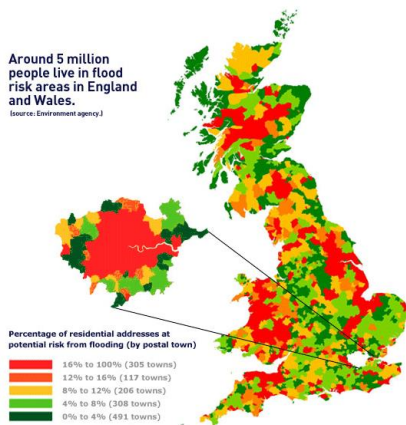


Project Costs and Product Costs

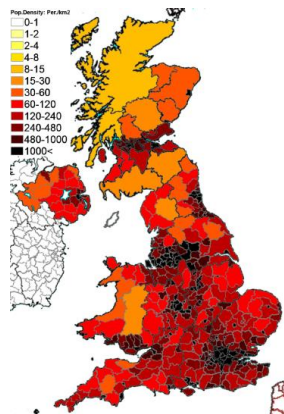


Delivering the 2020 Strategy Acquisition Strategy to Enhance Organic Growth

Water Management



Security Products



Mineral Products



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Summary

- Revenue growth – up 3% (2013-16: +29%, CAGR: 9%)
- Strong PBT growth – up 31% (2013-16: +254%, CAGR: 52%)
- Improving operating margins – up 230 basis points to 12.0%
- Continued improvement in ROCE – up 400 basis points to 23.0% (2013-16: +1,490 basis points, CAGR: 42%)
- Operating cash flow at 94% of EBITDA
- Dividend – up 30% (2013-16: +123%, CAGR: 31%)
- Good medium term market fundamentals remain: Housing, Infrastructure, Rail and Water Management all set to grow
- Acquisition strategy making good progress
- 2020 Strategy on track to deliver its goals
- 2017 strong sales and order intake
- Well placed to deliver continued growth and operational profit improvements



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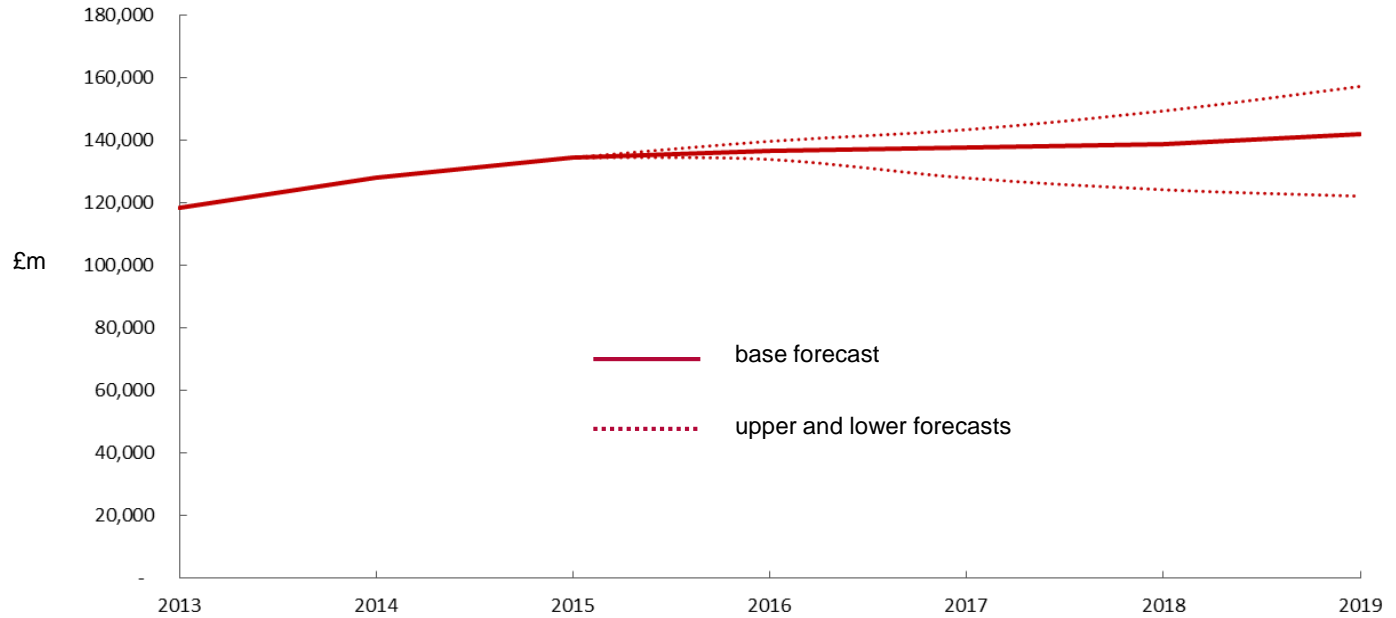
Appendices

Full Year
2016 Results

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Total Construction Output and CPA Forecasts

Total Construction Value £(m) 2013 Prices



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Construction Products Association

£m / % change	2015 Actual	2016 Estimate	2017 Forecast	2018 Forecast	2019 Forecast
Housing					
	28,657	30,694	31,138	31,616	32,324
	3.3%	7.1%	1.4%	1.5%	2.2%
Other New Work					
	57,730	58,221	59,153	60,264	62,805
	11.4%	0.8%	1.6%	1.9%	4.2%
Repair, Maintenance and Improvement					
Private Housing	17,065	17,406	17,406	17,058	17,058
	2.0%	2.0%	-	-2.0%	-
Total	47,999	47,680	47,443	46,863	46,727
	-1.0%	-0.7%	-0.5%	-1.2%	-0.3%
Total All Work	134,386	136,594	137,735	138,743	141,856
	4.9%	1.6%	0.8%	0.7%	2.2%

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Profit for the Financial Year

	2016 £m	2015 £m	Increase %
EBITDA	60.8	51.8	17
Depreciation / amortisation	(13.2)	(14.3)	
Operating profit	47.6	37.5	27
Financial income and expense (net)	(1.6)	(2.2)	
Profit before tax	46.0	35.3	31

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Additional Information and Ratios

	2016	2015
Interest:		
Charge	£1.6m	£2.2m
Cover	29.9 times	17.2 times
EPS	18.95p	14.32p
Dividend:		
2016 interim and final recommended	8.70p	7.00p
Cover (ordinary)	2.2 times	2.0 times
Supplementary dividend recommended	3.00p	2.00p
Cover (total)	1.6 times	1.6 times
Weighted average number of shares	197.1m	196.6m
Net asset value	£217.1m	£192.7m

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2016 Net Debt Cycle



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Financial Flexibility

	2016 Actual
EBITA: Interest charge	54.9 times
Net Debt: EBITDA	N/A

- EBITA to interest charge must be greater than 2.5 times
- Net debt to EBITDA must be less than 3.0 times
- Net assets must be greater than £100 million

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Net Assets

	£m
2015 Net Assets	192.7
Impact of movements in the year:	
Profit for the financial year	37.4
Dividends	(19.0)
Actuarial movement on pensions (after tax)	1.2
Hedging reserve	2.2
Share-based payments (after tax)	3.4
Purchase of own shares	(1.2)
Foreign currency translation differences	0.1
Non-controlling interest	0.3
	24.4
2016 Net Assets	217.1

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Creating Better Spaces

