

2017/18 Full Year Results presentation

12 months to 31 July 2018

Highlights

John Martin, Chief Executive

Operating and financial highlights

Good operating performance

- Organic revenue growth
 - Group +7.5%
 - USA +9.9%
- Gross margins +30 basis points
- Trading profit growth +14.7%

Excellent financial returns

- Rebased dividend +21%
- Capital returns of \$2 billion
- Good cash generation and strong balance sheet

Strategy and portfolio development

Active resource allocation

- Completed disposal of Nordics building materials business
- Exited low margin wholesale business in the UK
- Initiated disposal of Wasco (Netherlands) plumbing business

Strategy development

- Executing growth strategies effectively in the USA and Canada
- Focus in UK remains on executing restructuring programme
- Established innovation and disruption group and Ferguson Ventures
- Completed \$415m of acquisitions in 2018 with a further \$240m since year end

The background of the slide is a photograph of two men in safety gear. The man on the left is wearing a blue hard hat, glasses, a dark blue shirt, and a high-visibility yellow safety vest with orange reflective stripes. He is pointing towards a piece of equipment. The man on the right is wearing a brown hard hat, a dark blue shirt, and a high-visibility yellow safety vest. They are both looking at a large, red, cylindrical piece of industrial equipment, possibly a valve or a pump, which has a black flange with a red center. The background shows green trees and a clear blue sky.

Operating and financial review

Mike Powell, Group CFO

Financial highlights

	2018	2017	Change	Change (at constant exchange rates)	Organic change ²
Ongoing revenue	\$20,752m	\$18,845m	+10.1%	+8.8%	+7.5%
Ongoing gross margin %	29.2%	28.9%	+0.3%		
Ongoing trading profit ¹	\$1,507m	\$1,307m	+15.3%	+14.7%	
Ongoing trading margin % ¹	7.3%	6.9%	+0.4%		
Headline earnings per share ¹	444.4c	366.1c	+21.4%		
Ordinary dividend per share	189.3c	156.4c	+21%		
Cash flow from operating activities	\$1,323m	\$1,410m			
Net debt	\$1,080m	\$706m			

¹ Before exceptional items, the amortisation of acquired intangible assets and the impairment of interests in associates and with respect to headline EPS before non-recurring tax items and non-controlling interest.

² The increase or decrease in revenue excluding the effect of currency exchange, acquisitions and disposals and trading days.

Good results and strong cash flow delivered

Organic revenue growth

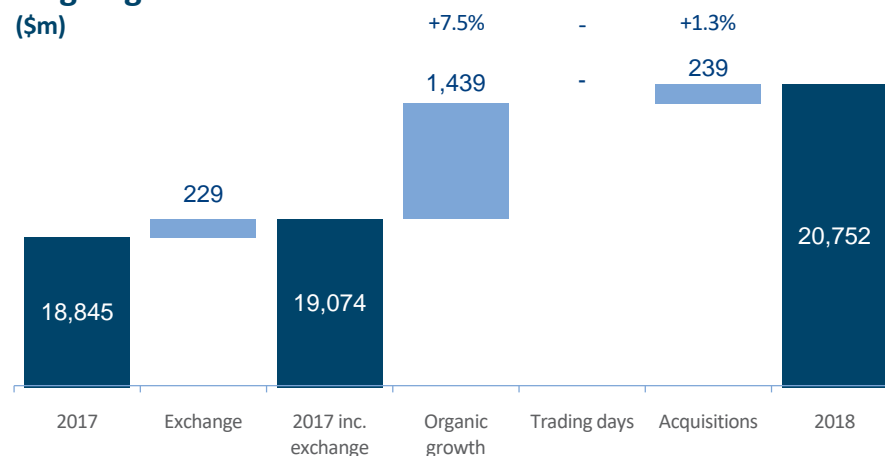
	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
USA	+8.7%	+8.3%	+9.1%	+10.6%	+11.4%	+9.9%
UK ¹	+4.2%	+3.9%	(1.7%)	+0.7%	(0.1%)	+0.7%
Canada and Central Europe	+7.7%	+7.7%	+7.8%	+6.5%	+5.9%	+6.9%
Ongoing businesses	+8.0%	+7.6%	+7.3%	+7.1%	+8.1%	+7.5%

¹ The UK revenue growth rate is on a like-for-like basis to remove the impact of closed branches and the exit of low margin business. Like-for-like is organic revenue growth excluding the effect of branch openings and closures and the exit of low margin business.

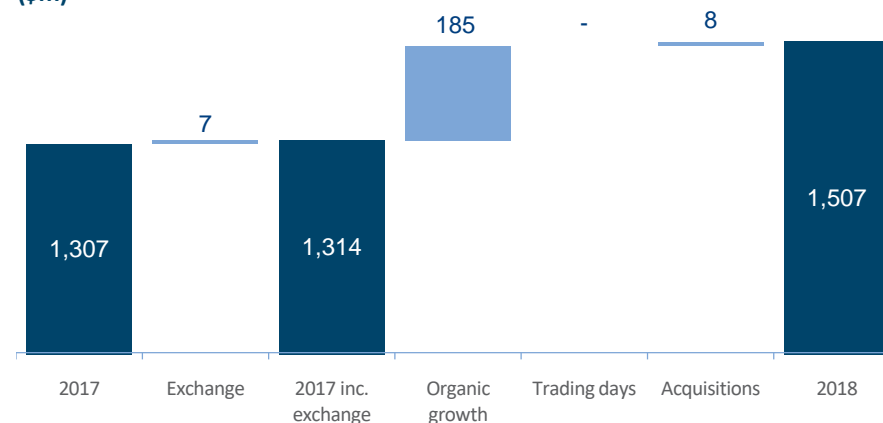
Good revenue growth through the year

Revenue and trading profit growth

**Ongoing revenue
(\$m)**



**Ongoing trading profit
(\$m)**



Good organic profit growth and flow through

USA ongoing (90% of Group trading profit)

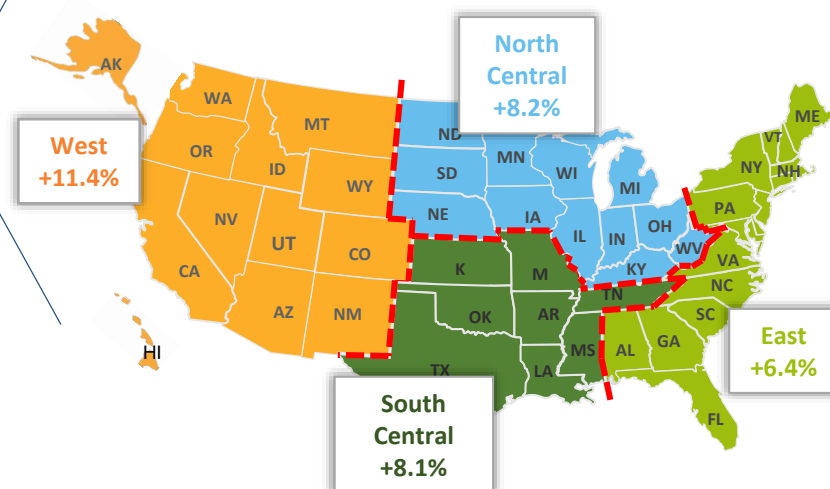


\$m	2018	2017	Change
Revenue	16,670	14,977	+11.3%
Organic revenue growth	+9.9%	+7.3%	
Trading profit	1,406	1,204	+16.8%
Trading margin	8.4%	8.0%	+0.4%

Good revenue growth and trading margin expansion

USA organic revenue growth

Business unit	Revenue \$m	Organic growth
Blended Branches (see regional analysis on the right)	9,613	+8.5%
Waterworks standalone	2,688	+11.5%
B2C e-commerce	1,572	+12.9%
HVAC standalone	1,202	+8.9%
Industrial standalone, Fire & Fabrication and Facilities Supply	1,595	+14.1%
	16,670	+9.9%



Broadly based growth

USA end-market revenue growth

	% of US revenue 2018	Market growth 2018	US organic revenue growth 2018
Residential	~50%	~7%	+10%
Commercial	~35%	~6%	+8%
Civil / Infrastructure	~7%	~6%	+11%
Industrial	~8%	~10%	+20%
		6-7%	+9.9%

Continued outperformance in supportive markets

UK

(5% of Group trading profit)



\$m	2018	2017	Change	Change (at constant exchange rates)
Revenue	2,568	2,548	+0.8%	(5.3%)
Like-for-like revenue growth	+0.7%	+1.0%		
Trading profit	73	96	(24.0%)	(28.8%)
Trading margin	2.8%	3.8%	(1.0%)	

Trading profit lower in tough markets, restructuring continues

Canada & Central Europe

(5% of Group trading profit)



\$m	2018	2017	Change	Change (at constant exchange rates)
Revenue	1,514	1,320	+14.7%	+9.2%
Organic revenue growth	6.9%	3.5%		
Trading profit ¹	83	57	+45.6%	+37.7%
Trading margin	5.5%	4.3%	+1.2%	

¹ Includes one-off \$6m gain from a legal settlement.

Solid trading performance in good markets

Impairment and exceptional items

\$m	Cash	Non-cash	P&L total
Impairment of investment in Swiss associate	-	122	122
Exceptionals			
UK restructuring costs	42	30	72
Other exceptional costs	10	-	10
Total exceptional costs	52	30	82

Exceptional costs as expected

Financing & tax

\$m	2018	2017
Financing		
Reported P&L charge	53	54
Tax		
Ongoing P&L charge	364	351
Ongoing effective tax rate	25.0%	28.0%

Interest and tax costs as expected

Cash

\$m	2018	2017
Reported trading profit	1,507	1,307
Depreciation & amortisation	180	212
Reported EBITDA	1,687	1,519
Working capital	(245)	(95)
Pension, discontinued & share based payments	(119)	(14)
Cash flow from operations	1,323	1,410
Interest & tax	(287)	(460)
Acquisitions	(416)	(331)
Disposals and assets held for sale	1,388	404
Capex	(299)	(224)
Dividends & buybacks	(2,034)	(328)
Other items and FX	(49)	61
Movement in net debt	(374)	532
Net debt as reported	(1,080)	(706)

Continued strong cash generation, \$2bn returned to shareholders

Capital structure

	2018	2017
Net debt as reported	\$1,080m	\$706m
Net debt / EBITDA ¹	0.6x	0.5x
Net pension asset / (liability)	\$174m	(\$28m)
Operating lease commitments	\$1,081m	\$1,129m

Strong balance sheet maintained

¹ Covenant net debt to / EBITDA includes discontinued businesses.

Technical guidance for the full year to 31 July 2019

Trading days and estimated impact on trading profit

Trading profit impact from completed acquisitions

Wasco to be excluded from ongoing results

Exceptional costs in the UK – P&L and cash

Interest

Effective tax rate

Capital investment

Working capital investment

One fewer day \approx \$10 million

\approx Revenue \$450m, Trading profit \$40m

Revenue \$322m, Trading profit \$13m

Approx. \$30m

\approx \$80 million

22% - 23%

Upward pressure to mid-twenties

\$400 - \$450 million

12% - 13% of incremental revenue

Capital allocation

Capital priorities

- Ferguson is highly cash generative through the cycle
- Remain committed to target net debt : EBITDA range of 1x – 2x and priorities for cash usage
 - 1) Re-invest in organic growth
 - 2) Progressive dividend policy, aim to grow the dividend in line with the long-term growth in earnings
 - 3) Invest in selective bolt-on acquisitions to improve our market leadership positions or expand the capabilities of our existing business model
 - 4) Return surplus capital to shareholders reasonably promptly

Capital returns

- Returned over \$2bn in FY18 via dividends and buybacks.
- FY18 total ordinary dividend of 189.3c, an increase of 21% including an upward re-base of 10%.

Consistent capital policy

Business review and outlook

John Martin, Chief Executive

Strategic priorities

Allocate resources to those markets and businesses where we are equipped to win

1

Generate the best
profitable growth in
the USA

2

Execute UK
restructuring
programme

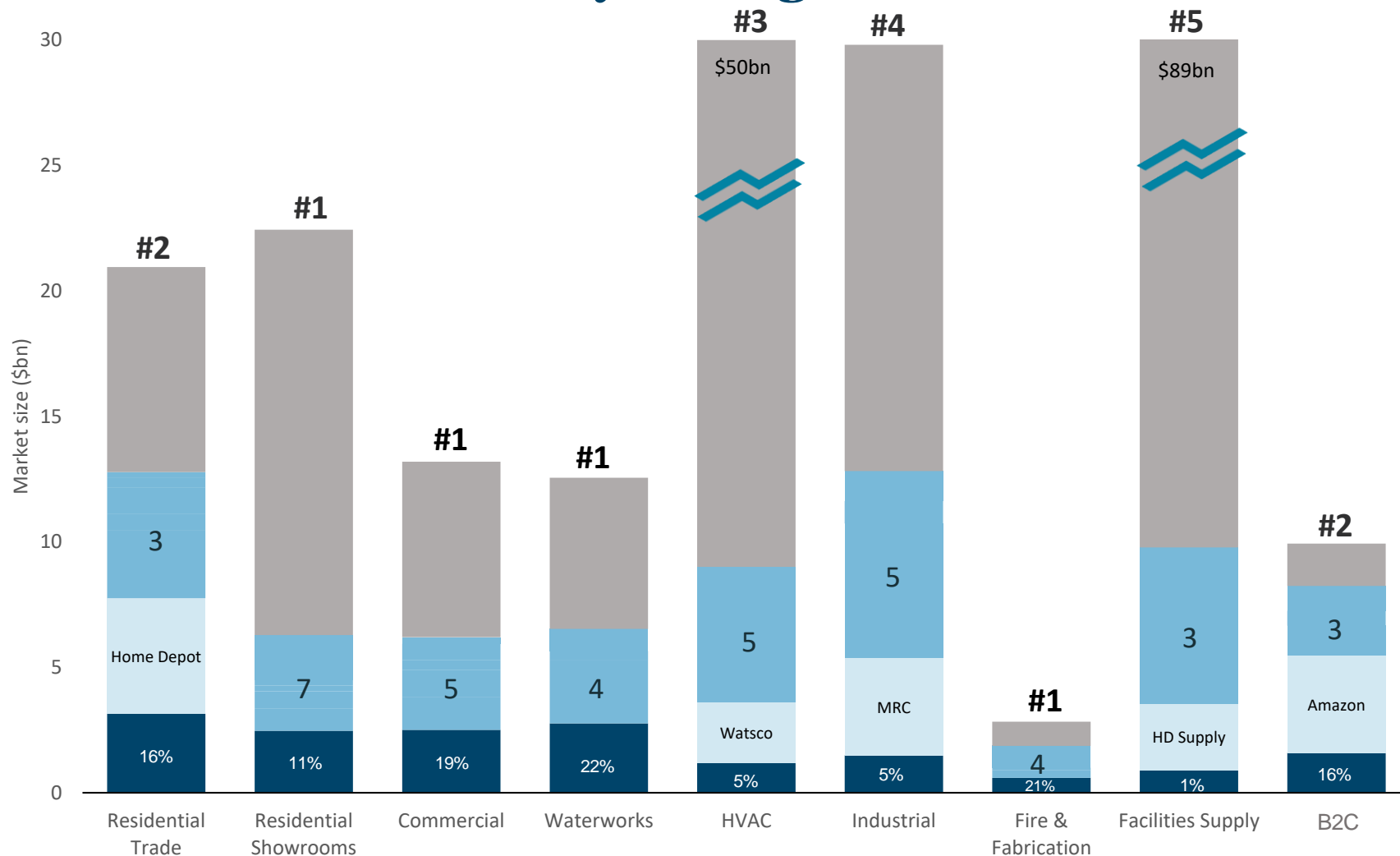
3

Capitalise on the
significant growth
opportunity in Canada

4

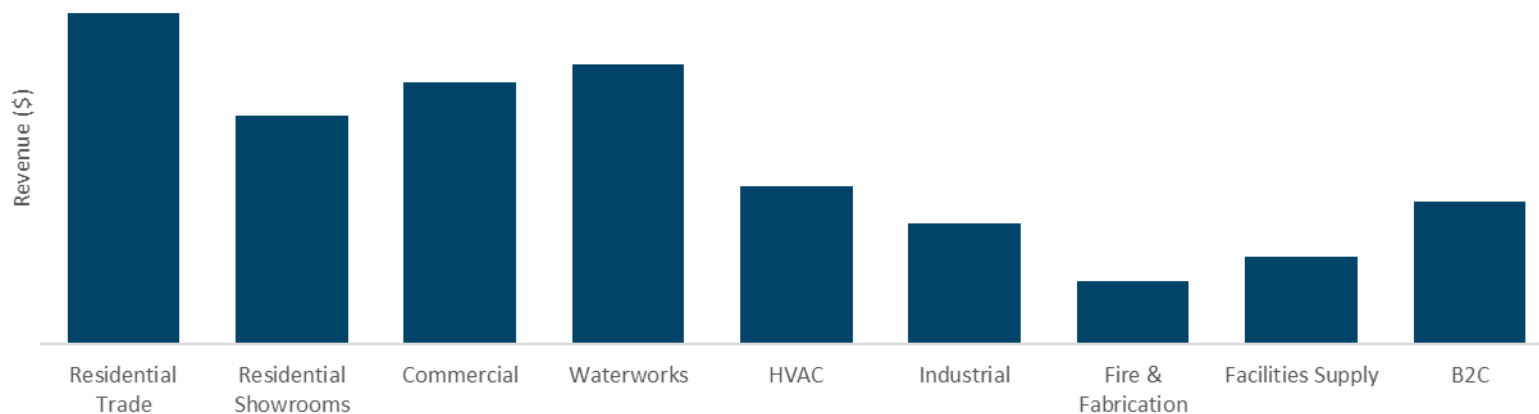
Accelerate innovation

US markets by strategic business unit



■ Ferguson
 ■ Market leader if not Ferguson
 #1 Ferguson market position
■ Number of other large competitors >1%
 ■ Other small competitors

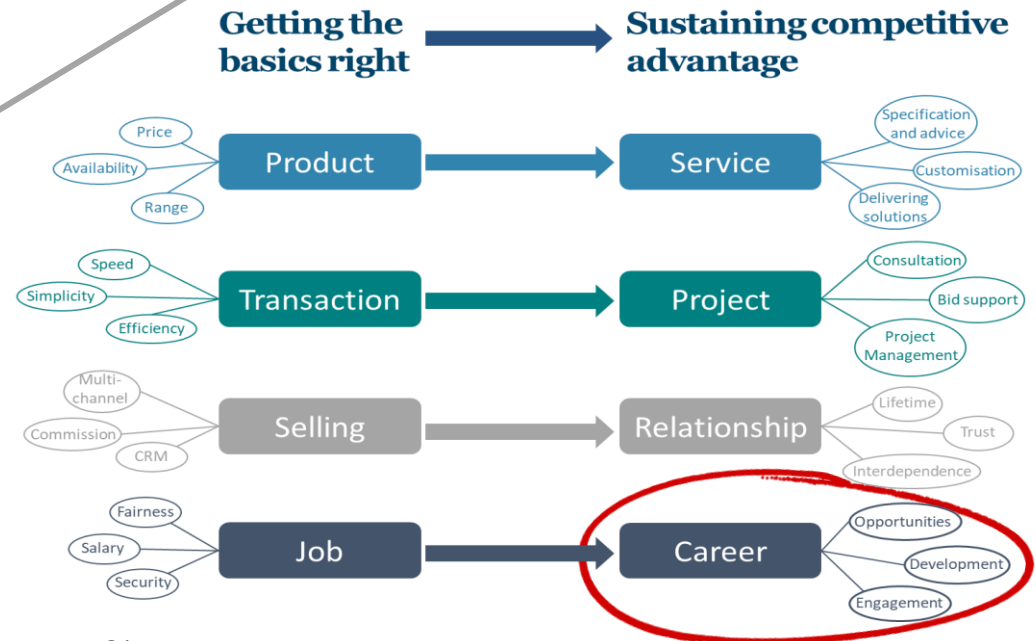
US shared infrastructure



Shared	Residential trade	Residential showrooms	Commercial	Waterworks	HVAC	Industrial	Fire & Fabrication	Facilities Supply	B2C
Branches	●		●	◐	◐	◐	◐	●	
Distribution Centres	●	●	●		●	●	●	●	●
ERP	●	●	●	●	●	●	●		
Sourcing	●	●	●	◐	◐	◐	●	◐	◐
Back office	●	●	●	●	●	●	●	●	
Own brand	●	●	●		◐		●	◐	●
Sales associates	●	◐	●		◐	◐		◐	
Other large competitors	●	●	●	◐	◐	◐			◐

Drivers of profitable growth

Fulfilling customer wants	Attractive growth opportunities	Excellent execution
Excellent service ethic	Organic expansion	Operating model and e-commerce development
Engaged associates	Adjacent opportunities	Pricing discipline
Strong sales culture	Bolt on acquisitions	Own brand penetration



Leadership



College of Ferguson

- 5 month induction programmes tailored by business unit
- 18 training centres established across USA
- Curriculum includes Ferguson culture, sales skills, product knowledge, finance, customer service, warehouse, counter and showroom management, systems training
- 86% graduate retention rate last year



600 graduates in 2018 joined 7,000 already working in the business

US associate survey

	Score 2018
I am confident in Ferguson's future	91
I understand the role I play in Ferguson's future success	83
My direct manager supports me in my efforts to grow my career at Ferguson	77
My management team treats me with respect	84
I am satisfied with the level of communication between my direct manager and my team	76
At work, I have the chance to use my strengths every day	81
At work I clearly know what is expected of me	85
I feel 100% comfortable going to my direct manager with any safety concern, no matter how small	90
As an associate of Ferguson, I feel confident about recommending Ferguson to potential customers	91
Ferguson is a good company to work for	87
Associates invited	24,367

Associates' emotional commitment to Ferguson also drives service and sales

Drivers of profitable growth

Fulfilling customer wants	Attractive growth opportunities	Excellent execution
Excellent service ethic	Organic expansion	Operating model and e-commerce development
Engaged associates	Adjacent opportunities	Pricing discipline
Strong sales culture	Bolt on acquisitions	Own brand penetration

Group acquisitions



VAGUE & VOGUE



Millennium Lighting™



James Electric

5 acquisitions completed in last 8 weeks for \$240m

Drivers of profitable growth

Fulfilling customer wants	Attractive growth opportunities	Excellent execution
Excellent service ethic	Organic expansion	Operating model and e-commerce development
Engaged associates	Adjacent opportunities	Pricing discipline
Strong sales culture	Bolt on acquisitions	Own brand penetration

Own brand acquisitions

Safe Step walk-in tub company

- Specialist supplier of own brand walk-in tubs and showers
- \$125m revenue
- Customisation capability and installation services with 50 third party installers
- 110 independent sales reps selling direct to consumers



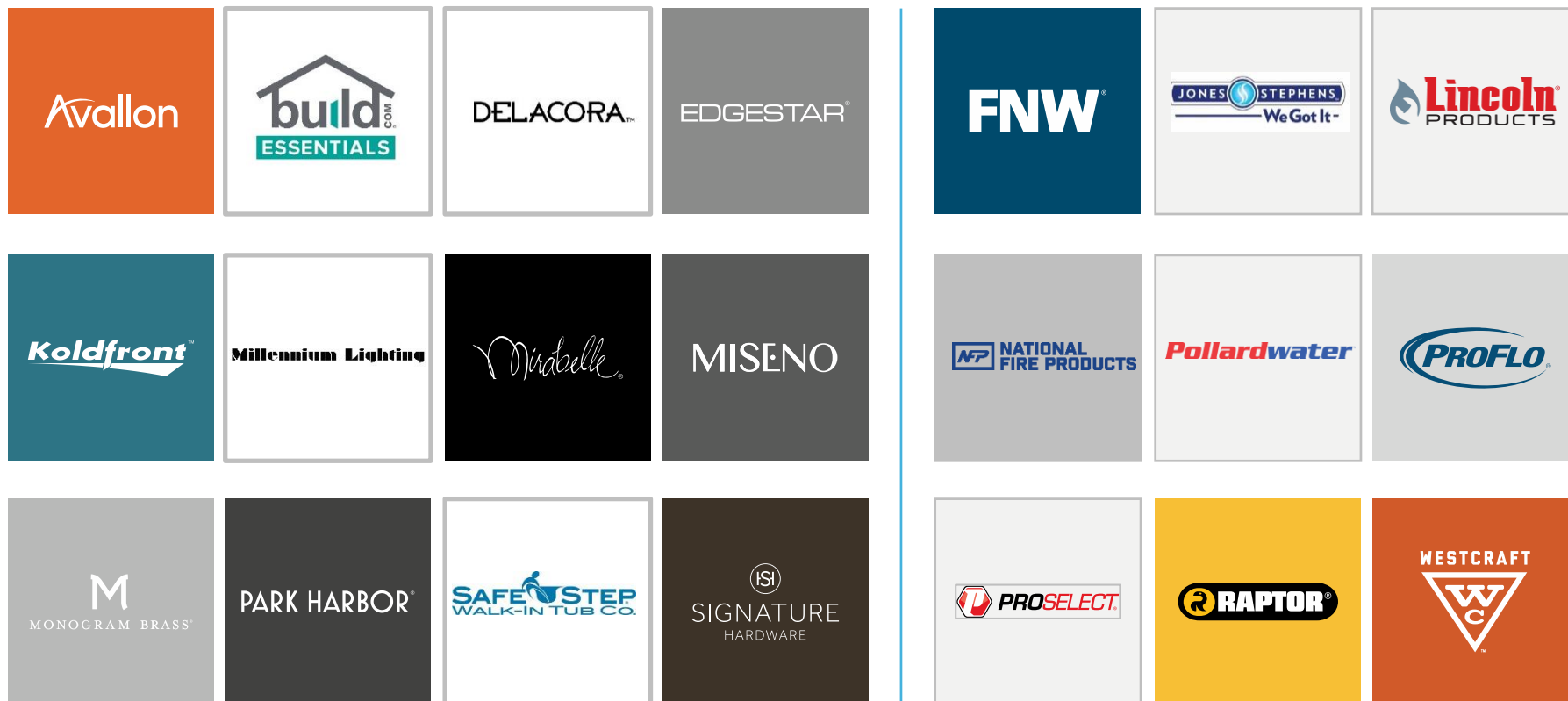
Jones Stephens

- “Master distributor” of own brand plumbing products
- Established brand in residential and light commercial plumbing, rough and specialty products
- \$100m revenue
- Customers include other distributors and retailers
- Network of independent sales representatives



Expands own brand categories, installation capabilities and direct sales model

Organic expansion of own brand ranges



Consumer/Residential finished brands

Trade residential & commercial brands

Own brand allows us to capture more of the value chain, extend our range and is less competitive online

Drivers of profitable growth

Fulfilling customer wants	Attractive growth opportunities	Excellent execution
Excellent service ethic	Organic expansion	Operating model and e-commerce development
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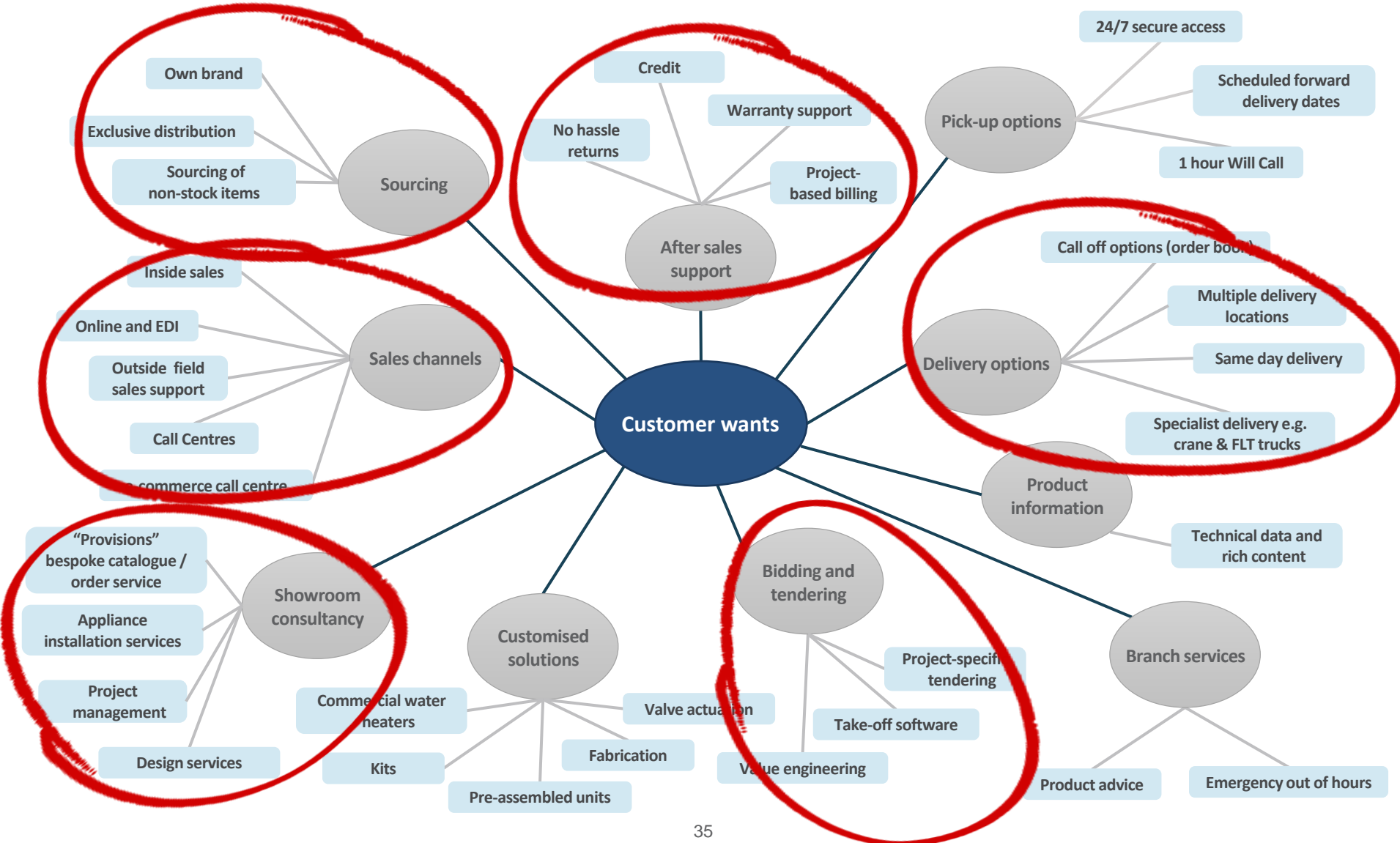
Organic expansion of Miami metro

- 8th largest metropolitan market in US, pop. 5 million
- 16 locations and 3 showrooms
- 15% overall market share by business group
 - Commercial – 18%
 - Showroom – 24%
 - Residential trade – 12%
- Luxury condominium market
 - Key sector of Miami metro construction spend
 - Value added tools needed to simplify complex, large-scale projects
 - Enhance the customer experience



\$400 million opportunity to 'best in class' market share

Fulfilling customer wants



The importance of project management to organic growth

- Dedicated teams - Project Manager, Business Development Manager and Delivery & Install Managers
- Services provided - Contract administration, Project coordination, Change order execution and Project reconciliation
- Support tools - shared between Ferguson and customer's teams:

- Smartsheet mobile enabled project tool
- Real time project information
- Tracking of job site shipments
- Tracking of installation

Unit	Installation Costs	Unit Price Total	Shipped Quantity	Balance	Refrigerator	Refrigerator Contract Qty	Refrigerator Order #	Refrigerator Price	Comments
205	\$11,902.00	\$11,902.00	\$0.00	\$0.00	TT36IB800SP	1	4419306	\$4,471.00	TOETH
206	\$18,426.00	\$18,426.00	\$0.00	\$0.00	TT36IB800SP	1	4419322	\$4,471.00	TOETH
207	\$15,581.00	\$15,581.00	\$0.00	\$0.00	TT36IB800SP	1	4419327	\$4,471.00	TOETH
208	\$11,902.00	\$12,786.00	\$883.00	\$0.00	TT36IB800SP	1	4419338	\$4,471.00	TOETH
209	\$24,237.00	\$21,879.00	\$2,358.00	\$0.00	TT36IB800SP	1	4419349	\$4,471.00	TOETH
210	\$15,568.00	\$18,533.00	\$2,965.00	\$0.00	TT36IB800SP	1	4419359	\$4,471.00	TOETH
211	\$11,902.00	\$11,902.00	\$0.00	\$0.00	TT36IB800SP	1	4419372	\$4,471.00	TOETH
212	\$22,429.00	\$22,429.00	\$0.00	\$0.00	TT36IB800SP	1	4419378	\$4,471.00	TOETH
301	\$11,902.00	\$11,902.00	\$0.00	\$0.00	TT36IB800SP	1	4607036	\$4,471.00	TOETH
302	\$14,244.00	\$14,244.00	\$0.00	\$0.00	TT36IB800SP	1	4607068	\$4,471.00	TOETH
303	\$11,902.00	\$11,902.00	\$0.00	\$0.00	TT36IB800SP	1	4607073	\$4,471.00	TOETH
304	\$12,522.00	\$12,522.00	\$0.00	\$0.00	TT36IB800SP	1	4607121	\$4,471.00	TOETH
305	\$19,091.00	\$17,118.00	\$1,973.00	\$0.00	TT36IB800SP	1	4607147	\$4,471.00	TOETH
306	\$11,902.00	\$11,902.00	\$0.00	\$0.00	TT36IB800SP	1	4607161	\$4,471.00	TOETH
307	\$17,514.00	\$16,514.00	\$1,000.00	\$0.00	TT36IB800SP	1	4607214	\$4,471.00	TOETH
309	\$14,251.00	\$13,491.00	\$760.00	\$0.00	TT36IB800SP	1	4607228	\$4,471.00	TOETH
310	\$16,110.00	\$16,110.00	\$0.00	\$0.00	TT36IB800SP	1	4607233	\$8,879.00	TOETH
311	\$13,391.00	\$13,391.00	\$0.00	\$0.00	TT36IB800SP	1	4607242	\$4,471.00	TOETH
312	\$25,113.00	\$25,113.00	\$0.00	\$0.00	TT36IB800SP	1	4608544	\$5,198.00	TOETH
401	\$11,902.00	\$11,902.00	\$0.00	\$0.00	TT36IB800SP	1	4666276	\$4,471.00	TOETH
402	\$11,902.00	\$11,918.00	\$16.00	\$0.00	TT36IB800SP	1	4666283	\$4,471.00	TOETH
403	\$21,680.00	\$21,680.00	\$0.00	\$0.00	TT36IB800SP	1	4666292	\$4,471.00	TOETH
404	\$11,902.00	\$11,902.00	\$0.00	\$0.00	TT36IB800SP	1	4666298	\$4,471.00	TOETH

Unit	Refrigerator	Refrigerator Qty Shipped	Refrigerator Comments	Cooktop	Cooktop Qty Shipped	Cooktop Comments	Oven	Oven Qty Shipped
201	TT36IB800SP	1	Installation complete	TCET366NS	1		TMEDMC301JS	1

PROJECT RECORDS

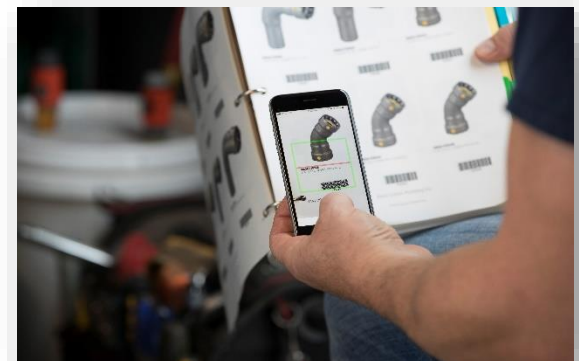
Snapshot view of current vs. contract quantities

Item	Model #	Quantity on Contract	Quantity Shipped	Balance Left to Ship on Contract	Contract Price	Contracted Total
Refrigerator	XXXXXXXXXX	42	40	2	\$4,471.00	\$187,782.00
Cooktop	XXXXXXXXXX	39	39	0	\$942.00	\$36,738.00
Oven	XXXXXXXXXX	38	38	0	\$2,965.00	\$112,670.00
Dishwasher	XXXXXXXXXX	42	40	2	\$736.00	\$30,912.00
Hood	XXXXXXXXXX	44	42	2	\$883.00	\$38,852.00
Recirculation Kit	XXXXXXXXXX	44	43	1	\$60.00	\$2,640.00
Washer	XXXXXXXXXX	42	39	3	\$601.00	\$25,242.00
Dryer	XXXXXXXXXX	42	39	3	\$571.00	\$23,982.00
Cord	XXXXXXXXXX	44	43	1	\$10.00	\$440.00

We help our customers manage their projects

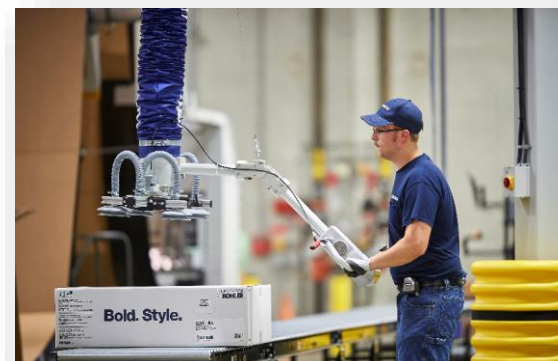
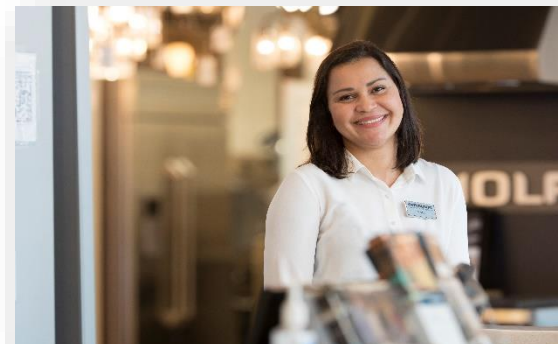
Growth in e-commerce

- New re-platformed [Ferguson.com](https://www.ferguson.com) web site with enhanced personalised features including:
 - Customised inventory by business group and region
 - Over 750,000 SKUs online
 - Mobile friendly features/optimisation
 - Customer “Self Service” options (calls to clicks)
 - “My Lists” features including top 50 bought often items
 - Enhanced quote and ‘quote to order’ functions
 - SKU App (scan a product to a cart)

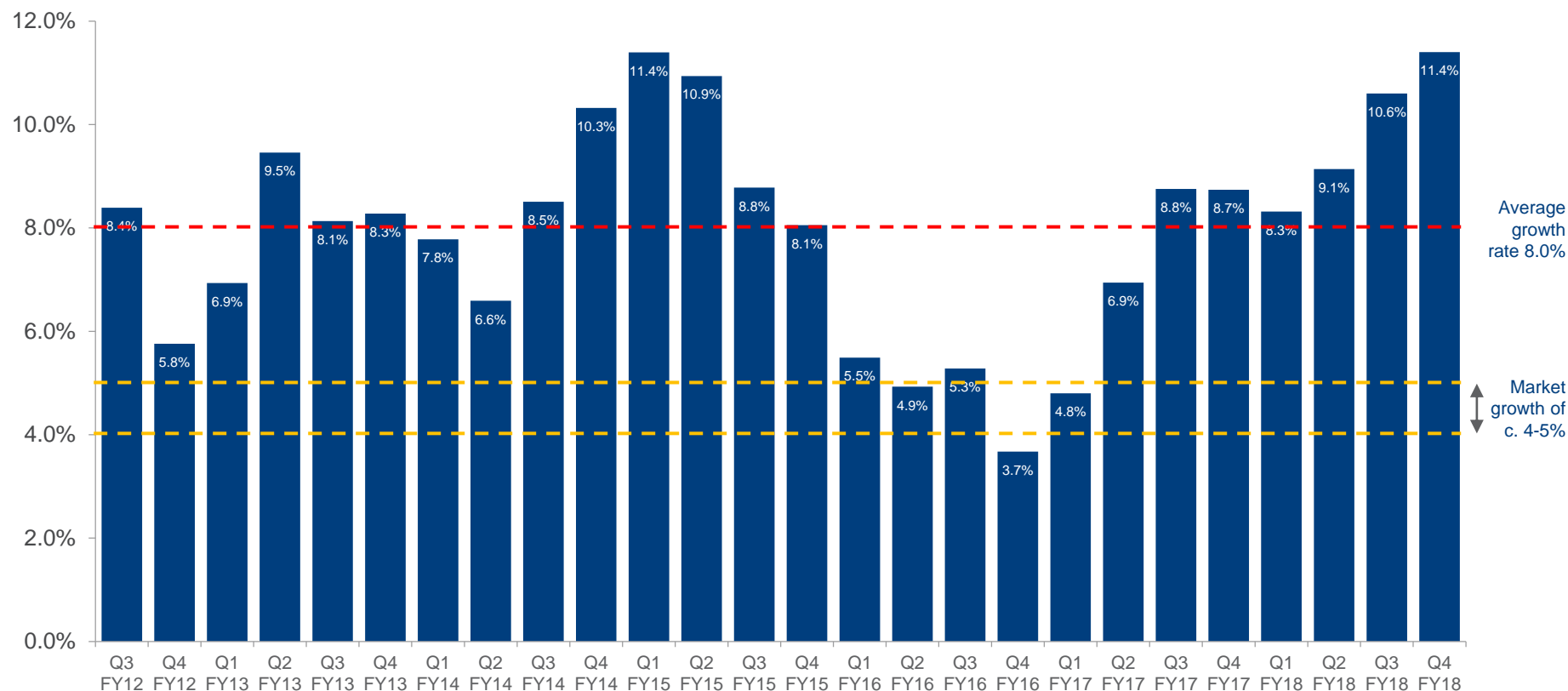


Investment in organic expansion

- 2,500 new associates
- Expansion of facilities – e.g. Perris, Holly Springs, Indianapolis, Baton Rouge
- Consolidation of smaller facilities – announced 26 small branch closures in Q4
- Over \$400m additional investment in inventory and receivables across the Group



US organic revenue growth rate



Long term market outperformance of 3% to 4%

Strategic priorities

Allocate resources to those markets and businesses where we are equipped to win

1

Generate the best profitable growth in the USA

2

Execute UK restructuring programme

3

Capitalise on the significant growth opportunity in Canada

4

Accelerate innovation

Progress on UK strategy

- Mark Higson appointed to lead business in March
- Good progress on range definition and product availability
- Reconfiguration of logistics and supply chain
 - move to in-night branch replenishment complete
 - reduction in DC capacity to 4 regional hubs by 31 December
- Restructuring update
 - closure of wholesale business completed
 - closed 75 branches in 2018
 - Reduced overheads by \$30m pa
- Strong performance in Civils / Infrastructure business



Some good progress on strategy but disappointing financial results

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Capitalise on significant growth opportunity in Canada

- Excellent progress on strategic initiatives
 - Supply chain and logistics optimisation
 - New demand planning technology to drive availability
 - Joined OCTO buying group
 - Own label acceleration
 - New platform for B2B e-commerce (13% revenue)
- Good momentum on M&A, strong pipeline
 - Plomberium Pierrefonds (Blended)
 - Tackaberry (HVAC)
 - AMRE Supply (Facilities Supply)



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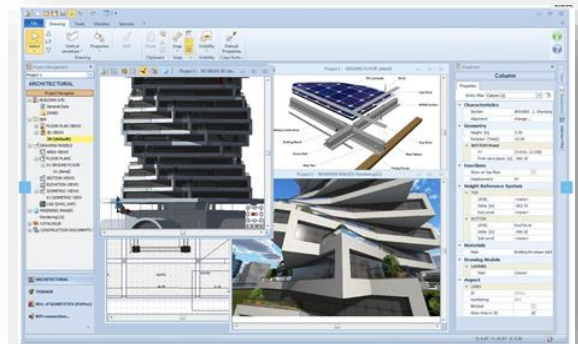
Capitalise on the significant growth opportunity in Canada

4

Accelerate innovation

Accelerate innovation

- Established innovation and disruption team
- Ferguson Ventures will invest and partner in three areas:
 - Connected Ecosystems – to streamline value chains
 - Digital Experiences – creating a best-in-class customer experience with industry leading content
 - Emerging Technology – leveraging emerging technologies to enhance user experiences
- Invested in first portfolio company
 - Building Information Modelling (BIM) software developer
 - Creates a digital blueprint for a project used throughout its life



Market backdrop and outlook

- Group organic revenue growth in our new year broadly in line with last year
- September slightly lower than August
- Order books suggest continued growth in the months ahead.

Appendix



Tariffs

Tariff	Effective date	Products impacted	Total headline US value impacted	Rate	Value of Ferguson direct imports effected \$m
S 232	Feb 2018	Steel			
S 301 List 1	Jul 2018	818 lines	\$34bn	25%	\$1m
S 301 List 2	Aug 2018	279 lines	\$16bn	25%	\$1m
S 301 List 3 round 1	Sep 2018	5,745 lines	\$200bn	10%	\$12m
S 301 List 3 round 2	Jan 2019			25%	\$30m

Regional analysis

\$m	Revenue 2018	Revenue 2017	Trading profit 2018	Trading profit 2017
USA	16,670	14,977	1,406	1,204
UK	2,568	2,548	73	96
Canada	1,192	1,051	70*	49
Central Europe – Wasco	322	269	13	8
Central costs	-	-	(55)	(50)
Group ongoing	20,752	18,845	1,507	1,307
Non-ongoing	-	439	-	34
Group reported	20,752	19,284	1,507	1,341

* Includes \$6m one-off legal settlement income.

Quarterly analysis

Revenue \$m	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
USA	4,112	3,800	4,109	4,649	16,670
UK	679	675	629	585	2,568
Canada	326	272	254	340	1,192
Central Europe - Wasco	74	89	88	71	322
Group ongoing	5,191	4,836	5,080	5,645	20,752
Trading profit \$m	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
USA	363	284	334	425	1,406
UK	21	17	23	12	73
Canada	22	13	7	28*	70*
Central Europe - Wasco	2	4	4	3	13
Central costs	(14)	(14)	(12)	(15)	(55)
Group ongoing	394	304	356	453	1,507

* Includes \$6m one-off legal settlement income.

Branch numbers

	Brought forward 31 July 2017	Acquired	Disposals	Net Opened / Closed	Carried forward 31 July 2018
USA	1,423	24	-	1	1,448
UK	642	-	-	(75)	567
Canada	212	18	-	-	230
Central Europe - Wasco	33	1	-	1	35
	2,310	43	-	(73)	2,280

Headcount

	Brought forward 31 July 2017	Acquired	Disposals	Net joiners / (leavers)	Carried forward 31 July 2018
USA	23,986	489	-	2,026	26,501
UK	5,900	-	-	(283)	5,617
Canada	2,472	251	-	19	2,742
Central Europe - Wasco	390	17	-	18	425
Other	103	-	-	(18)	85
	32,851	757	-	1,762	35,370

FERGUSON

340 FERGUSON Bath, Kitchen & Lighting Gallery

Q&A