

Interim Results Presentation
Six months ended 30 June 2014

27 August 2014



Grafton Group plc

Cautionary Statement

Certain statements made in this presentation are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied by these forward looking statements. They appear in a number of places throughout this presentation and include statements regarding the intentions, beliefs or current expectations of Directors concerning, amongst other things, the results of the operations, financial condition, liquidity, prospects, growth, strategies and the businesses operated by the Group. The Directors do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.



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Grafton Group plc

Gavin Slark
Group Chief Executive Officer



	2014	2013	Change
Revenue (£m)	1,015.3	912.2	+11%
Operating profit (£m)	50.6	31.2	+62%
Profit before tax (£m)	45.9	24.5	+88%
Earnings per share (pence)	15.39	8.02	+92%
Interim dividend (pence)	3.75	3.00	+25%
Cash generated from operations (£m)	88.1	56.9	+55%
Net debt (£m)	101.1	149.8	(48.7)
Operating margin	5.0%	3.4%	+160 bps
Capital turn (times)	2.0x	1.8x	+0.2x
ROCE	10.2%	6.3%	+390 bps



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David Arnold
Group Chief Financial Officer



- Strong profit drop through
 - 11% revenue growth
 - Improved gross margins – UK merchanting +40 bps
 - Good cost control

- Focus on balance sheet efficiency
 - Strong cash generation from working capital
 - Ongoing property opportunities

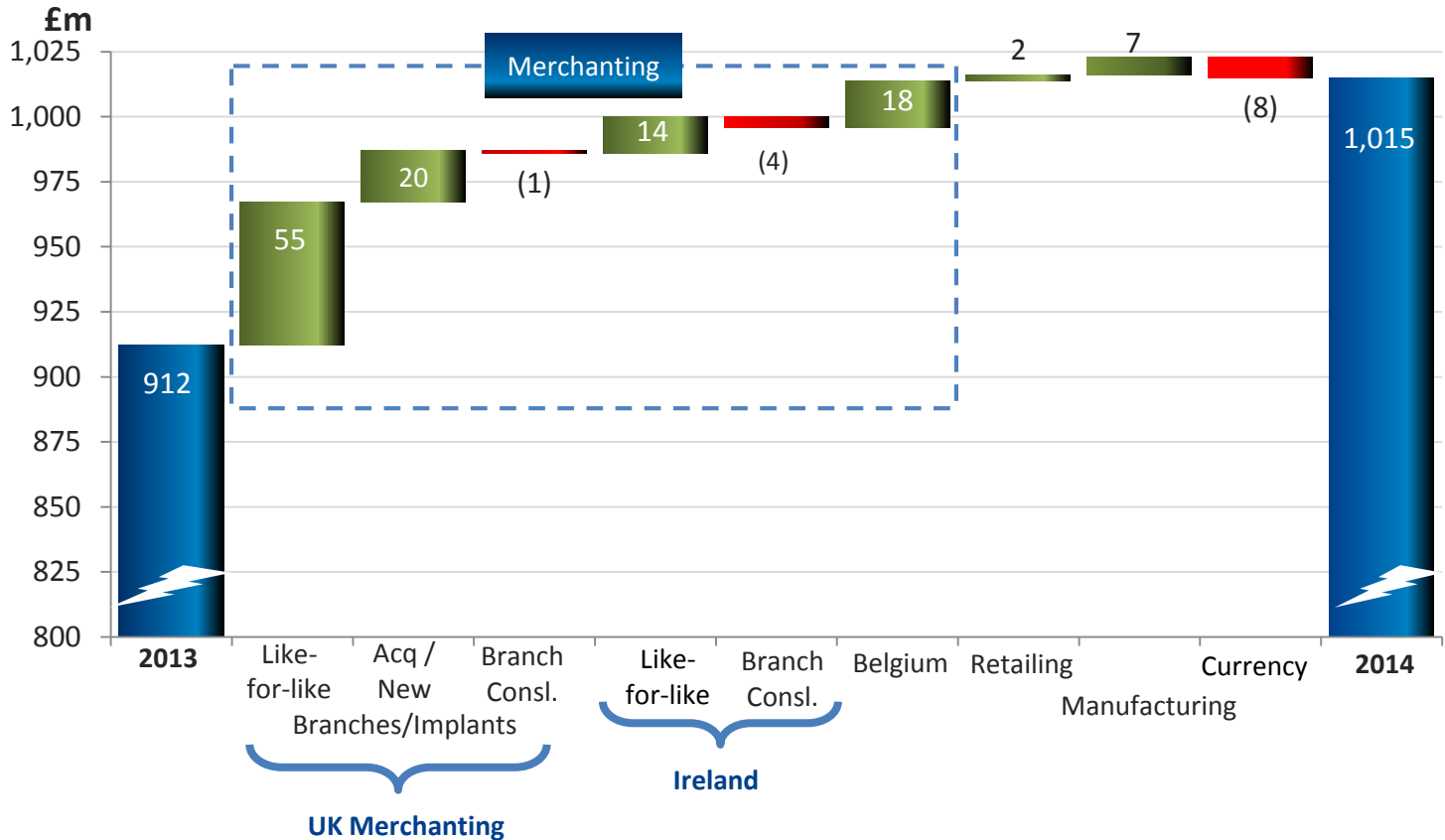
- Performance ahead of expectations in Spring

- First base respectability achieved in financial metrics
 - 5% Group operating margin
 - Capital turn 2.0x
 - ROCE 10.2%

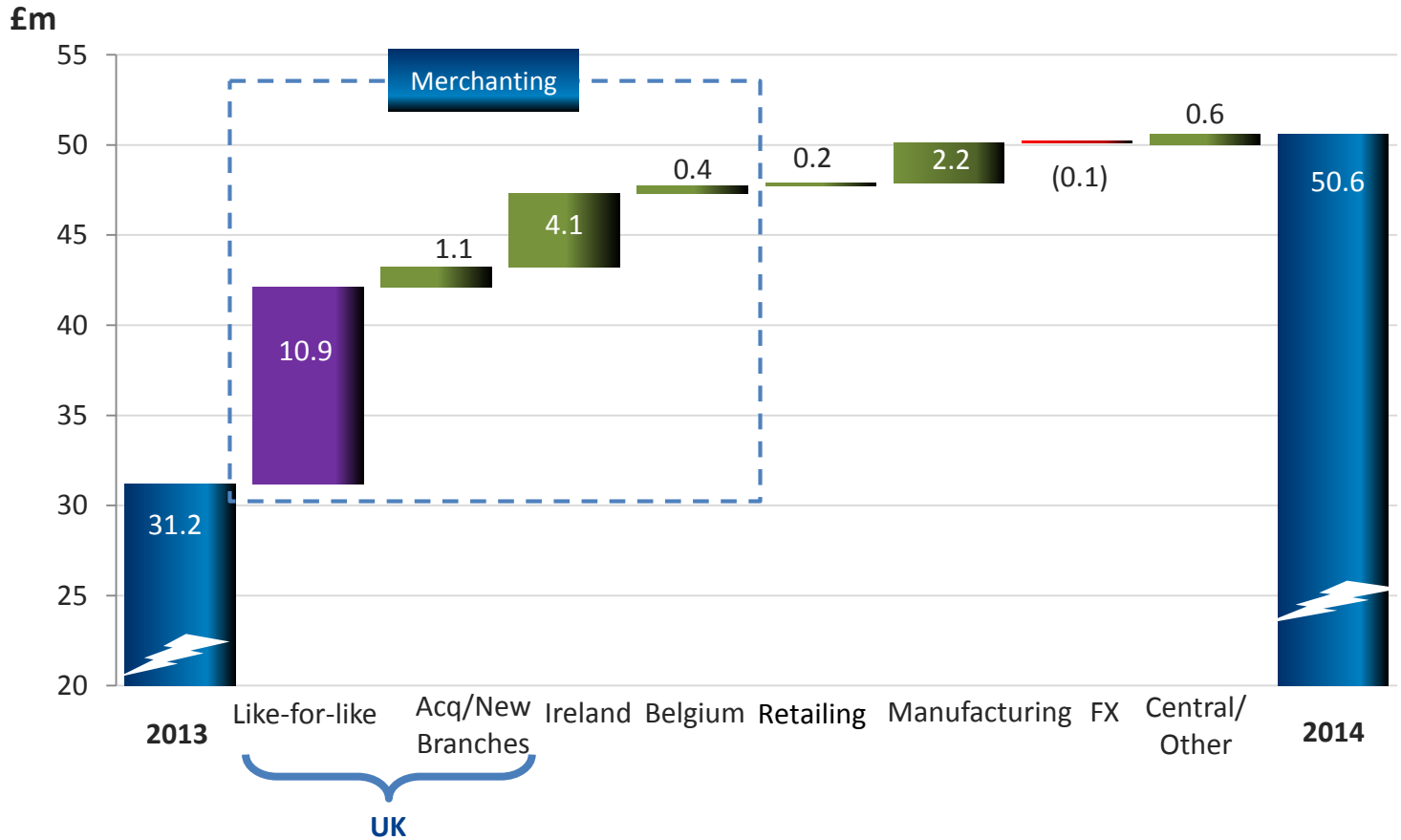


	Like-for-Like Growth 2013				Like-for-Like Growth 2014			Total Revenue 2014
	Q1	Q2	Q3	Q4	Q1	Q2	H1	H1
Merchandising								
UK	(0.6%)	4.2%	5.4%	3.9%	9.8%	6.8%	8.2%	11.1%
Ireland	2.4%	(0.6%)	5.8%	6.7%	7.4%	18.6%	13.1%	5.6%
Belgium	(29.6%)	(0.8%)	(7.2%)	(8.9%)	28.7%	(11.7%)	3.8%	58.0%
Irish Retailing	(12.3%)	8.5%	4.7%	2.7%	3.1%	3.2%	3.2%	(1.4%)
Manufacturing	(10.3%)	8.0%	22.2%	44.3%	51.6%	27.3%	38.2%	37.9%
Group	(1.3%)	3.4%	5.6%	4.3%	10.3%	7.5%	8.8%	11.3%

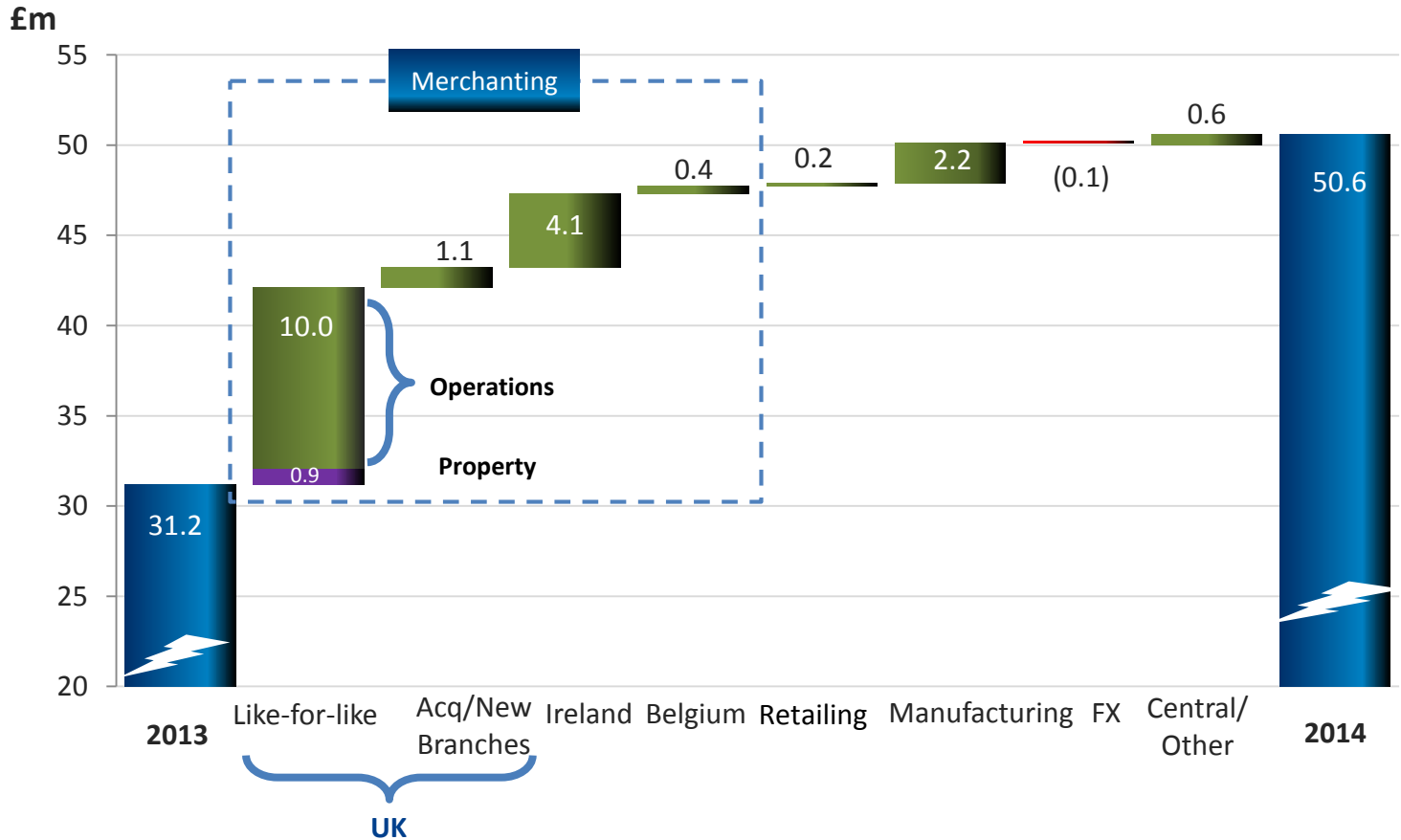
Revenue Analysis



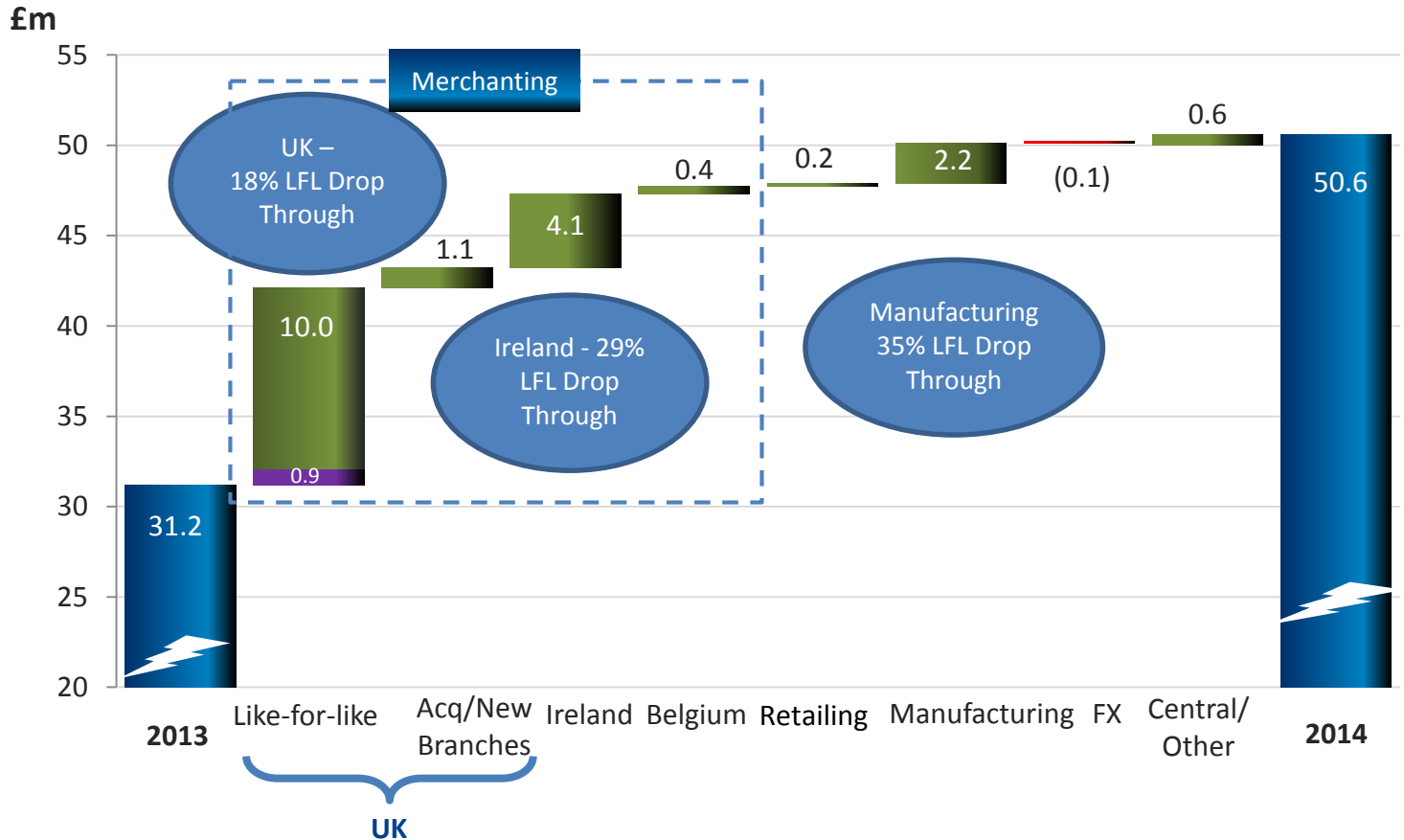
Operating Profit Analysis



Operating Profit Analysis



Strong H1 Drop Through





	2014 £m	2013 £m	% Change
Revenue	745.0	670.6	+11.1%
Operating profit	45.2	33.2	+36.0%
Operating margin	6.1%	5.0%	+1.1%

Market

- Recovery in UK economy gained momentum – fastest pace of expansion since 2007
- Robust growth in employment
- Housing transactions increased by 25%
- Mortgage approvals declined in the February to May period but recovered in June
- Housing starts up by 22% in H1

Trading

- Growth in average daily like-for-like turnover of 8.2%
- Merchanting volumes increased by 5.2%
- Materials price inflation estimated at 3.0%
- Gross margin 40bps higher in competitive market - margin progression in the key brands and favourable mix
- Buildbase and Selco performed strongly - increased revenue, profit and operating margin



	2014 £m	2013 £m	% Change	
			Reported	Constant Currency
Revenue	121.4	114.9	+5.6%	+9.4%
Operating profit	5.6	1.5	+266.9%	+279.9%
Operating margin	4.6%	1.3%	+3.3%	

Market

- Improvement in world economy benefits Ireland – export growth rebounded
- Domestic economy recovering – growth in investment and the labour market
- Housing transactions rose by 35%
- Pick up in house building from very low level
- Evidence of a shortage of family homes in Dublin

Trading

- Like-for-like turnover growth of 13.1%
- Gross margin increased – price development and procurement gains
- Profit improvement driven by:
 - Volume improvement in RMI market
 - Growth in plumbing and heating revenues
 - Durable benefits from the self-help initiatives of prior years
 - Pick up in house building from very low level



	2014 £m	2013 £m	% Change	
			Reported	Constant Currency
Revenue	46.3	29.3	+58.0%	+63.8%
Operating profit	0.7	0.2	+173.1%	+182.6%

Market

- Belgian economy expanded in Q1 but pace of growth declined in Q2
- Activity in merchanding market benefitted from mild weather in the first quarter
- Overall economic and merchanding market backdrop subdued

Trading

- Average daily like-for-like revenue in the 11 YouBuild branches up 29% in Q1 and down by 12% in Q2
- Acquisition of Mpro completed in February – five branches and a leading position in the Brussels market
- Focus on procurement gains and operational synergies in the enlarged business.
- New country CEO appointed



	2014 £m	2013 £m	% Change	
			Reported	Constant Currency
Revenue	79.6	80.7	-1.4%	+2.3%
Operating profit	0.4	0.2	+63.6%	+69.7%

Market

- Significant improvement in consumer sentiment
- Disposable income stabilising
- Growth in non-core retail sales - signs of a willingness of shoppers to spend
- Level of personal debt in economy will weigh on speed of consumer recovery

Trading

- Revenue up by 3.2 per cent in like-for-like stores
- 2014 is a year of transition in a stable market
- Refocusing on core strengths of DIY, Home and Garden
- Capitalising on strong branding of Woodie's
- Significant improvement in stock turn has freed up cash whilst customer experience improved



	2014 £m	2013 £m	% Change
Revenue	23.0	16.7	+37.9%
Operating profit	3.1	0.8	+262.7%

Market

Trading

- Recovery in UK housing market continued
- Rate of growth in new housing registrations eased to 5% in H1 2014 from 28% in 2013
- Housing starts increased by 22% in H1
- EuroMix is market leader in the silo based mortar market with significant spare capacity in 9 mortar plants
- Trading
 - Strong underlying demand for new housing
 - Benefit of mild weather in quarter one
 - Pace of growth moderated in quarter two – measured against more demanding comparatives
- Operating margin increased to 13.3% from 5.1%

	30 June 2014	30 June 2013
Net debt: EBITDA (12 month rolling)	0.79x	1.53x
Gearing	12%	17%
EBITDA Interest cover*	14.2x	9.7x

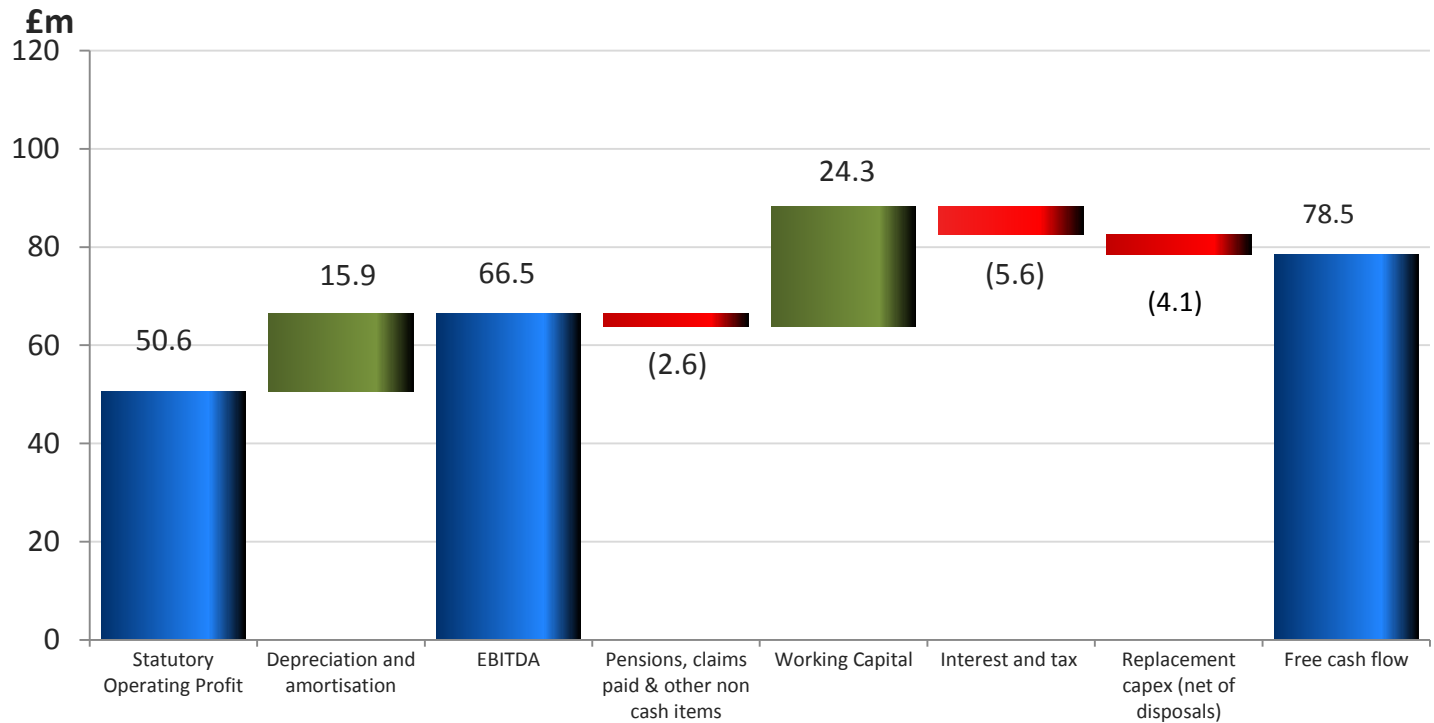
**As defined for bank covenant purposes*

- Finance charge reduced by £2.1m to £4.6m
- Interest on net debt down by £0.5m
- Refinancing completed in May 2014
 - Five year revolving facilities for £460 million – maturing in May 2019
 - Five bilateral relationship banks
 - Improved pricing and terms – savings of c. £3m based on current drawings
 - Undrawn facilities of £207.3 million at the end of June 2014
- 2014 tax rate estimated at c.22.0% - UK rate of corporation tax reduced to 21.5% from 23.25%

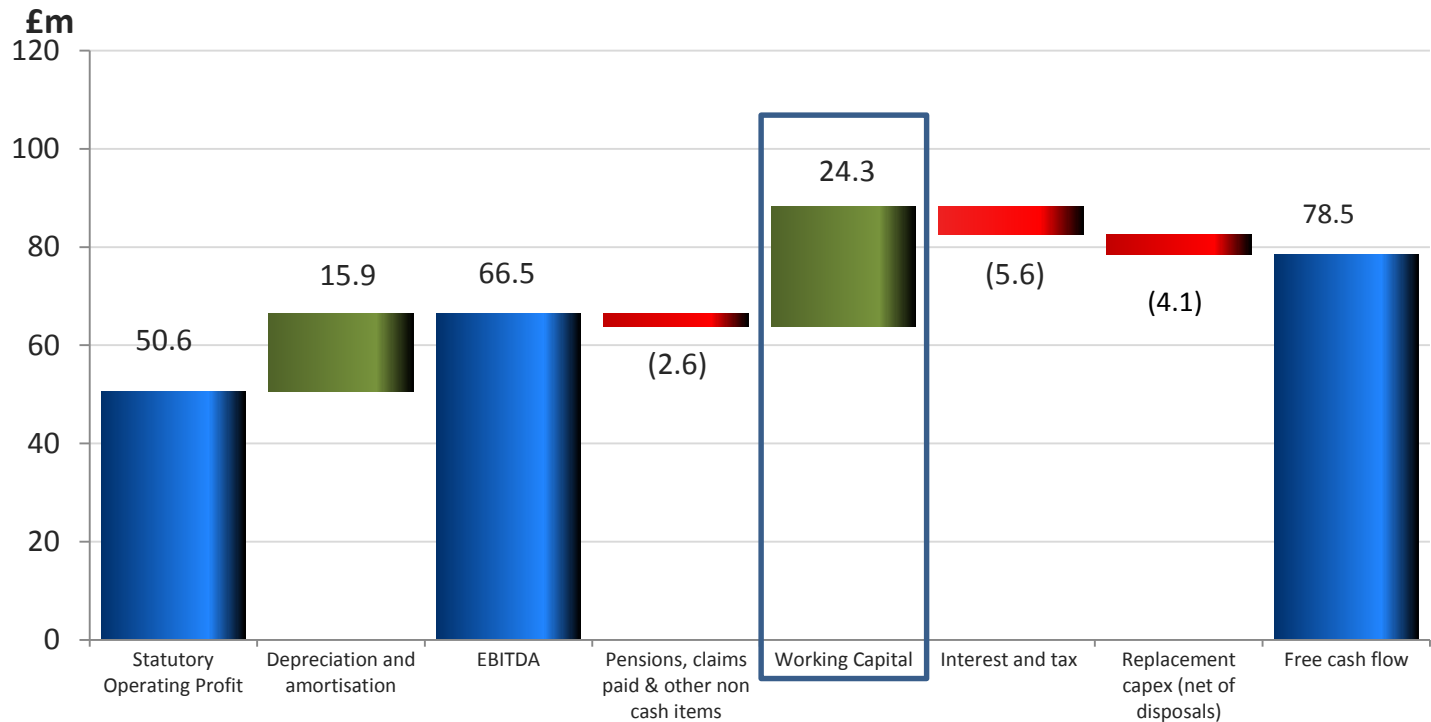
Free Cash Flow



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Working Capital Improvement

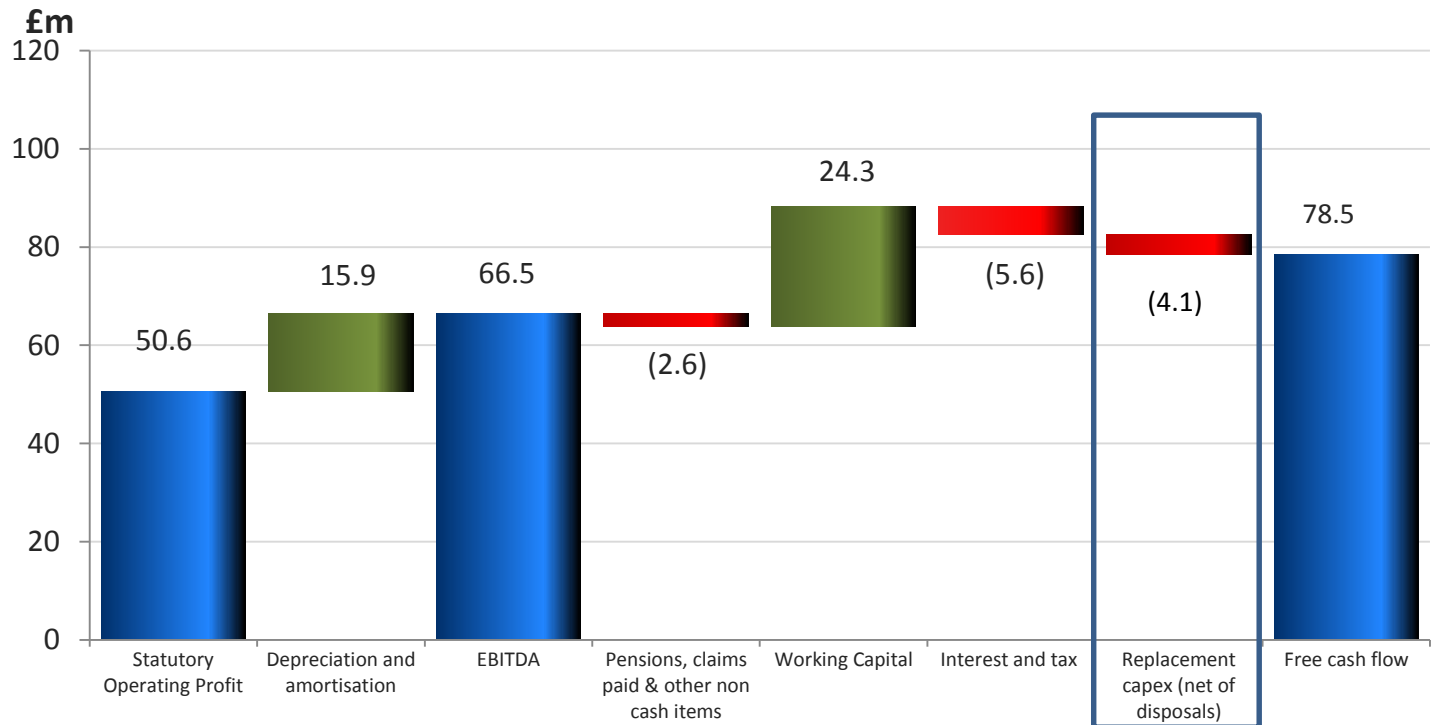


Successful focus on working capital improvements with working capital intensity at June 2014 reducing by 70 bps to 6.2%

Full Year Capex Guidance

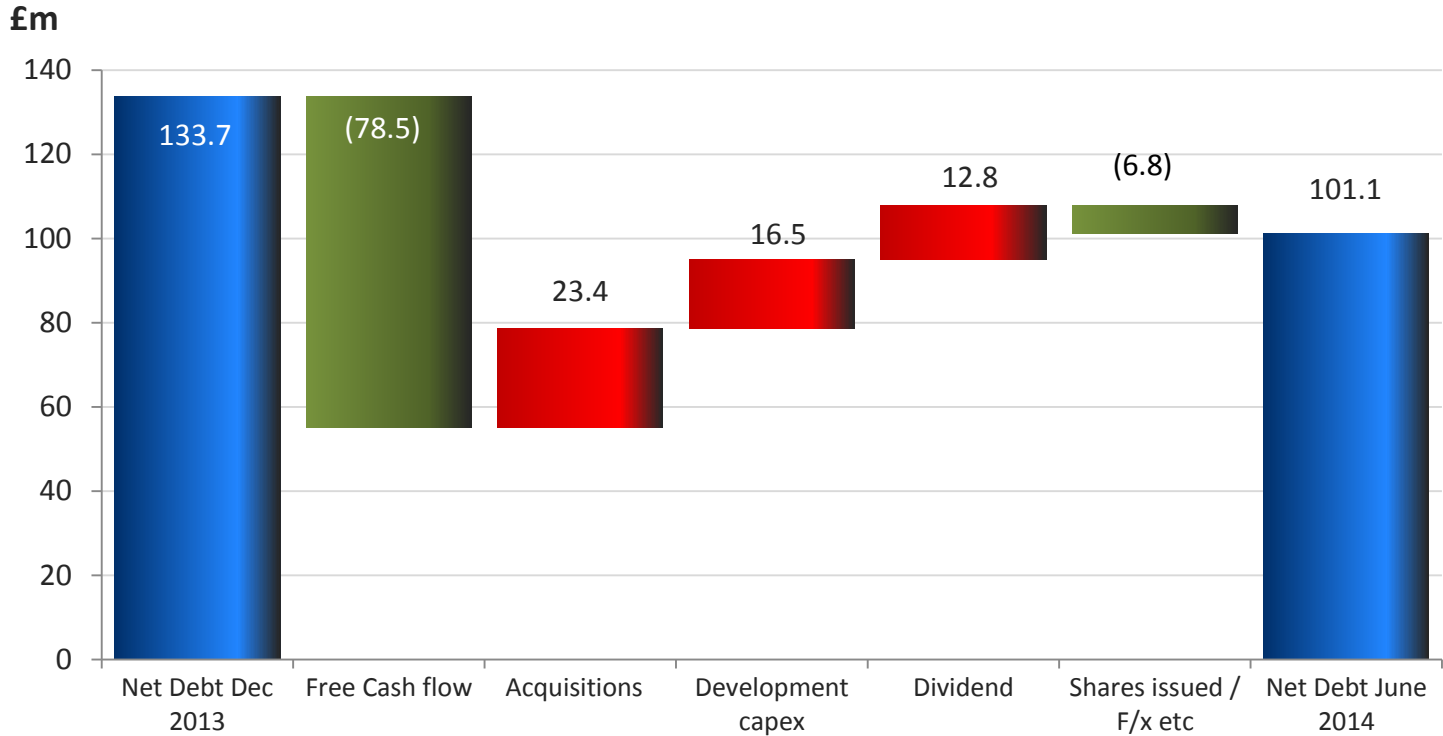


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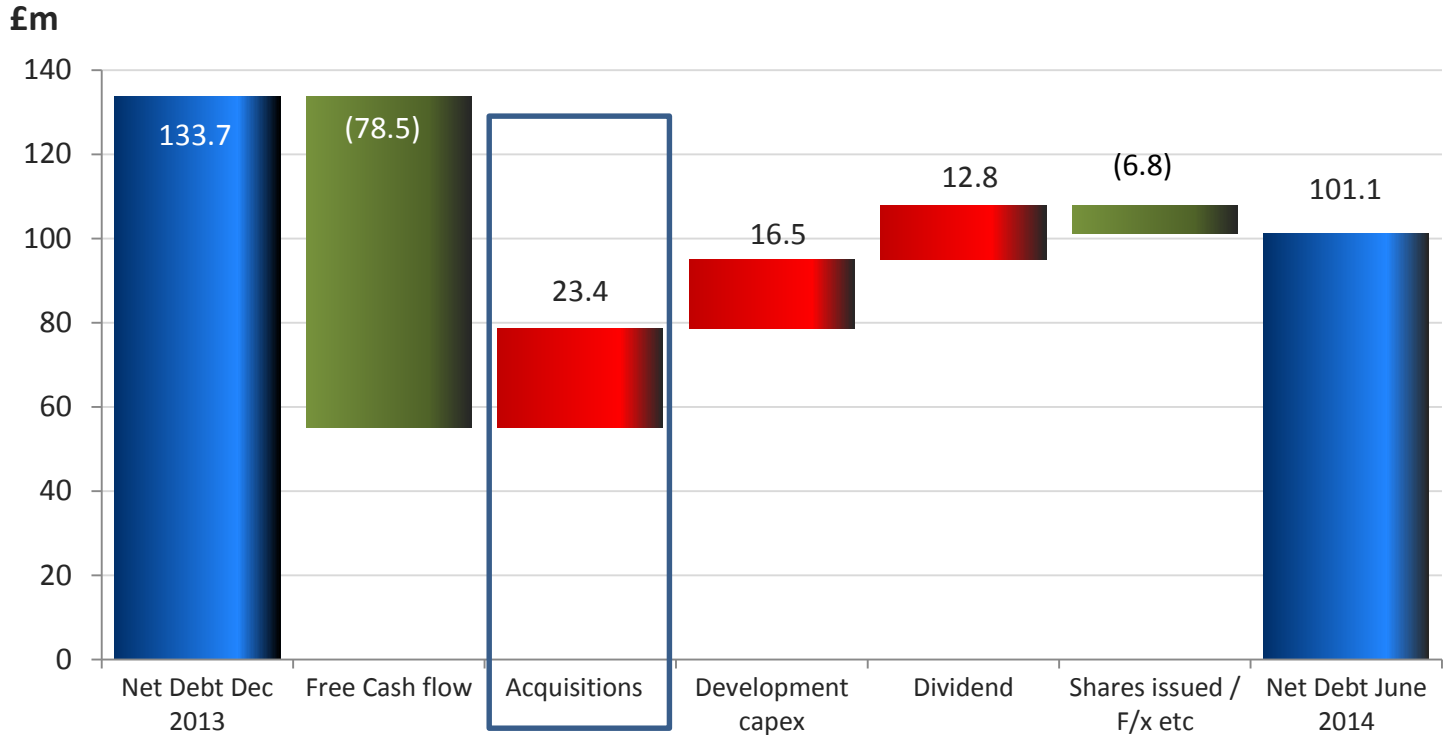


2014 replacement and development capex likely to be c.175% of depreciation

Movement in Net Debt



Movement in Net Debt



H1 2014 acquisitions comprised Mpro (Belgium) and Beaumont Forest Products (UK Merchanding)



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Gavin Slark
Group Chief Executive Officer



2014 H1 Progress

Revenue

+11.3%

**Operating
Margin**

**+160 bps
to
5.0%**

**Capital
Turn**

**+0.2x
to
2.0x**

Implants

- Hirebase: 17 tool, small plant and equipment hire implants opened in Buildbase branches – trading from 110 implants at the end of June 2014
- Electricbase: 30 implants opened in Buildbase and Plumbase branches – trading from 50 implants at the end of June 2014

Greenfield developments

- Selco have just opened a new branch at Isleworth
- Plans at an advanced stage for further Selco branch openings in 2015

New Formats

- Plumbase Industrial opened nine branches following a trial of the concept in 2013

Acquisitions

- MPro acquired in Belgium – five branches – presence in the Brussels market
- Buildbase acquired Beaumont Forest Products – three branch specialist timber business located in the Greater London Area

E-Commerce

- Expanded Selco website with further initiatives planned
- Re-launched Plumbworld website offering



- UK merchanting average daily like-for-like revenue up by 5.2%
- Irish merchanting average daily like-for-like revenue up 15.4%
- Retailing like-for-like revenue declined by 2.6%
- Manufacturing like-for-like revenue up by 23.5%
- Group like-for-like revenue up by 5.6%



UK

- Economy has grown strongly over the past year
- Prospects for a sustained recovery are encouraging but anticipated rise in interest rates may weigh on consumer sentiment
- Activity in the new housing market supported by economic growth, increased confidence and Help-to-Buy scheme
- Improving trends for housing starts and housing transactions
- Mortgage approvals impacted by Mortgage Market Review – more stringent tests for borrowers
- Economic and housing market backdrop supportive of increased volumes in merchanting market
- Internal growth developments providing a platform for future progression



Ireland

- Positive tone to data on Irish economy released in recent months
- Growth in exports, manufacturing, services and construction
- A very gradual pick-up in house building in Dublin and regional cities is expected
- Growth in residential RMI market expected to continue
- Housing transactions and mortgage approvals increasing from a very low base
- Modest growth in disposable incomes and household debt expected to weigh on retail spending including DIY
- New management team in Woodie's focusing on refreshing the customer proposition – 2014 is a year of transition



- Strong first half performance – results reflect success of strategy pursued in recent years
- Highlights from the first half were the progress made by Selco and Buildbase in the UK and the Irish merchanting business
- Further growth anticipated in H2 but at a much slower rate than H1 as prior year comparatives are more demanding
- Overall outlook is positive and we are confident the full year trading performance will be at least in line with current consensus expectations



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Questions & Answers



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Supplementary Information



Merchanting Ireland



DIY Ireland



Merchanting UK



Manufacturing



Belgium

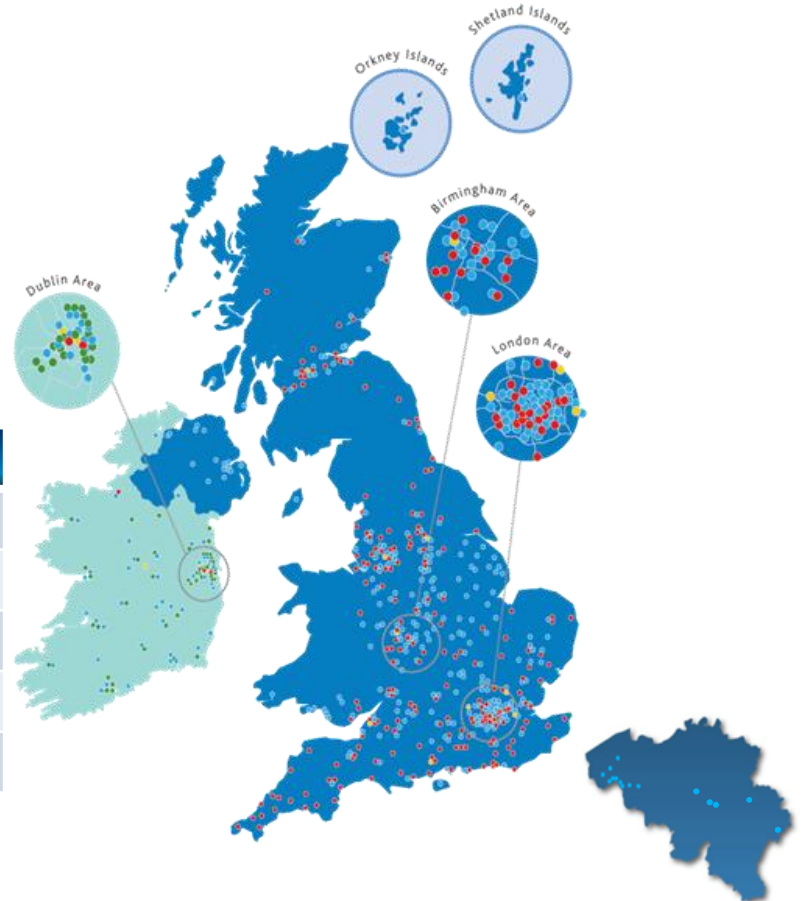




Over 600 Trading Locations

- Builders Merchenting
- Plumbers Merchenting
- DIY Retailing
- Manufacturing

	UK	ROI	BE	Total
●	279	39	16	334
●	232	2	-	234
●	-	44	-	44
●	9	1	-	10
Total	520	86	16	622



Summary Balance Sheet



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	30 June 2014 £m	30 June 2013 £m	Change £m
Property, plant and equipment	429.9	476.7	(46.8)
Investment property	20.8	-	20.8
Intangibles	486.3	487.5	(1.2)
Financial assets	0.1	0.1	-
	937.1	964.3	(27.2)
Working capital	124.1	123.9	0.2
Income and deferred tax	(28.0)	(28.7)	0.7
Retirement benefit obligations	(19.6)	(13.0)	(6.6)
Provisions	(30.6)	(36.3)	5.7
	983.0	1,010.2	(27.2)
Net debt	(101.1)	(149.8)	48.7
Shareholders' Equity	881.9	860.4	21.5
Gearing	12%	17%	

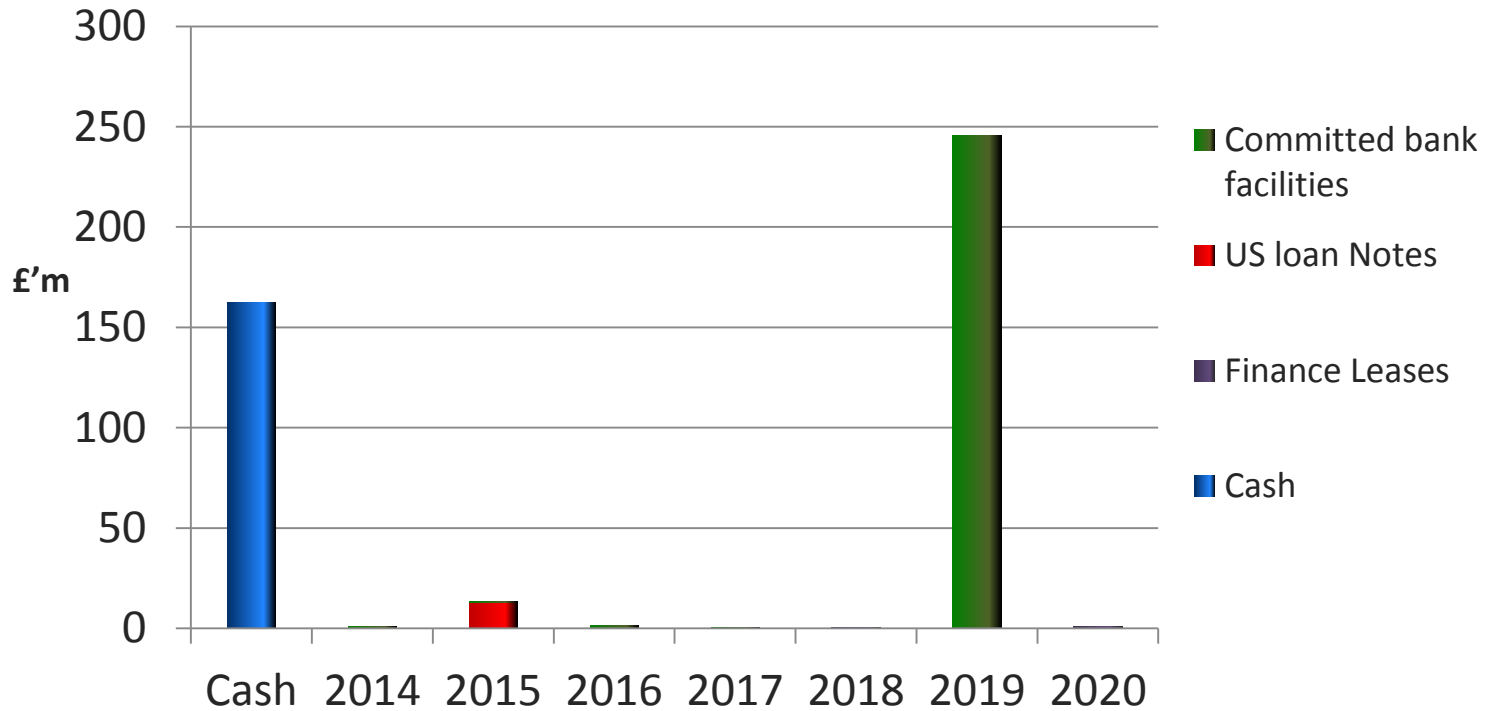


	H1	H2	H1	H2	H1
	2014	2013	2013	2012	2012
UK Merchanting	6.1%	5.9%	5.0%	4.9%	4.8%
Irish Merchanting	4.6%	2.9%	1.3%	1.7%	0.7%
Belgium Merchanting	1.5%	1.3%	0.9%	1.7%	3.1%
Total Merchanting	5.6%	5.3%	4.3%	4.4%	4.2%
Retailing	0.5%	1.1%	0.3%	3.8%	-3.6%
Manufacturing	13.3%	15.3%	5.1%	8.2%	2.1%
	5.4%	5.1%	4.0%	4.4%	3.4%
Central Activities	(0.4%)	(0.4%)	(0.6%)	(0.5%)	(0.4%)
Total	5.0%	4.7%	3.4%	3.9%	3.0%

Funding Maturity Profile



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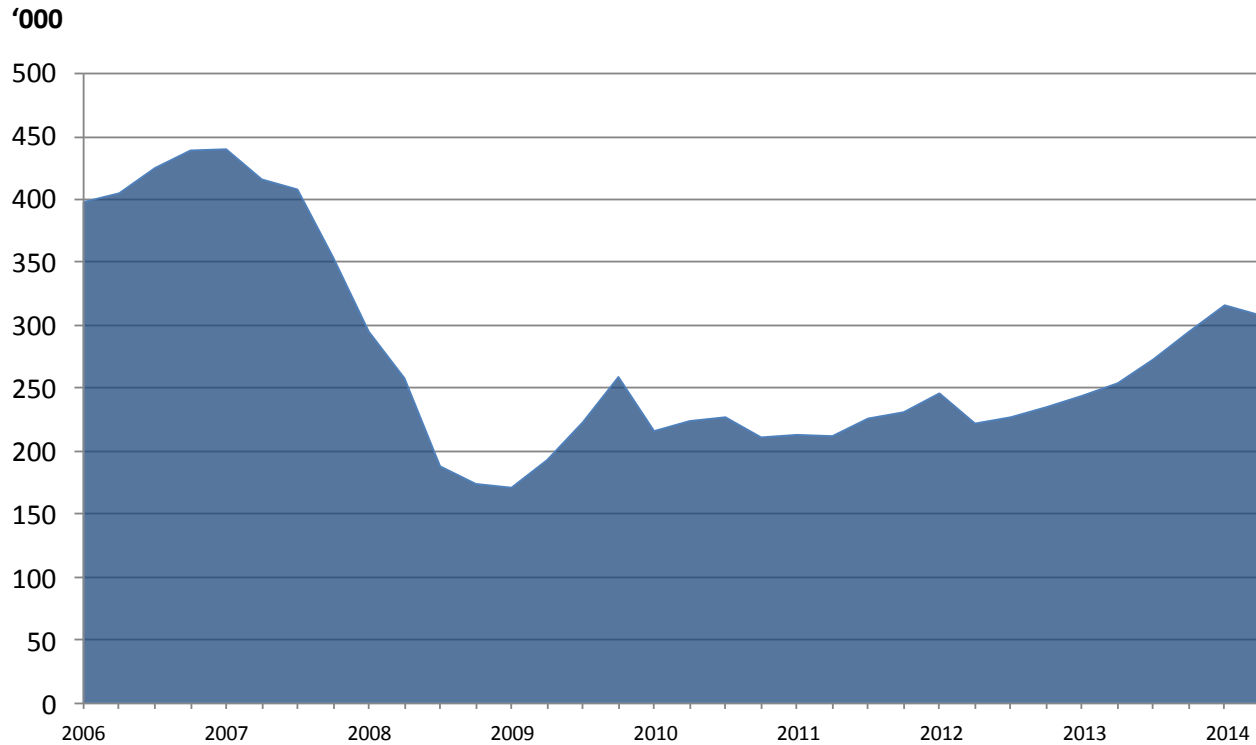
■ Total Group debt facilities amount to £456m of which £207m was undrawn at 30 June 14

■ Weighted average maturity profile of circa 4.7 years

UK Housing Transactions 2006 – 2014



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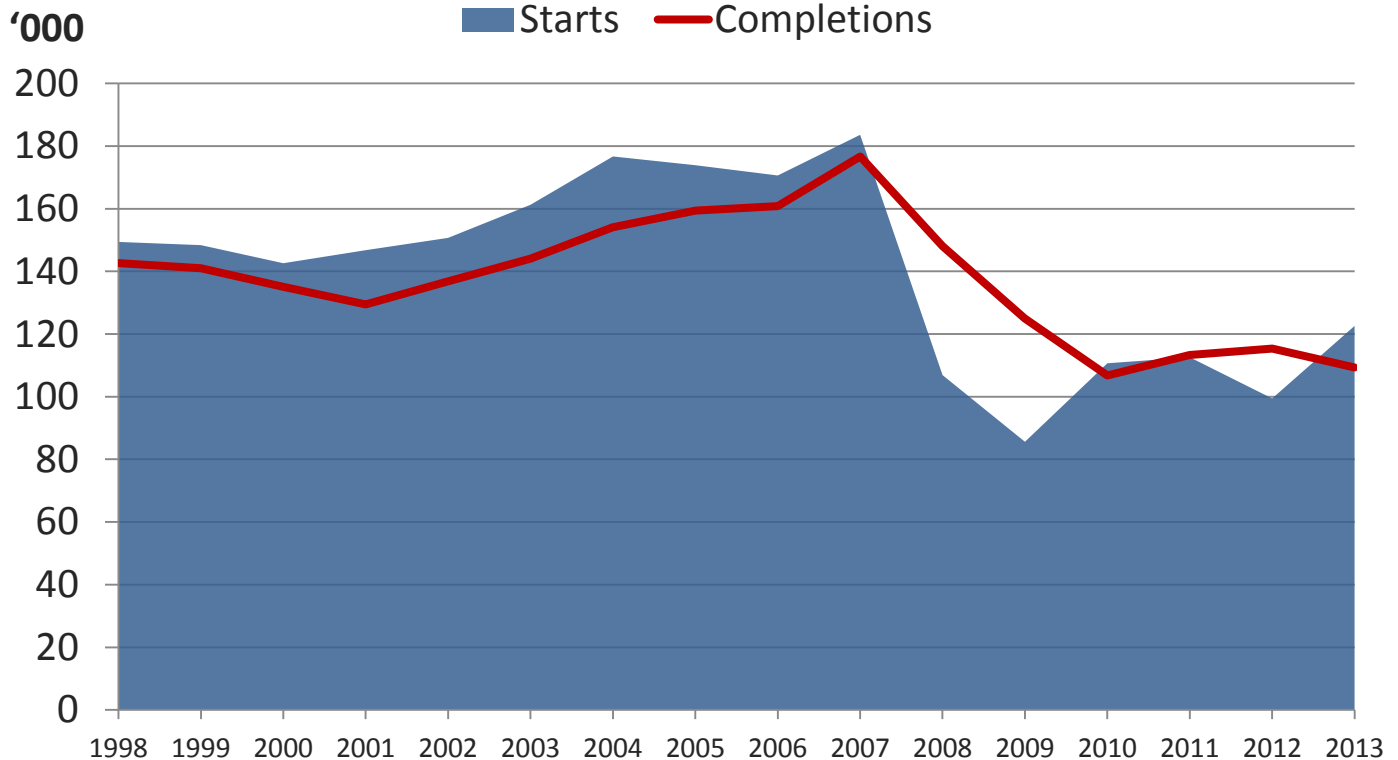
•Quarterly Seasonally Adjusted

Source: HM Revenue & Customs UK Property Transactions Count

Housing Starts & Completions - England: 1998 - 2013



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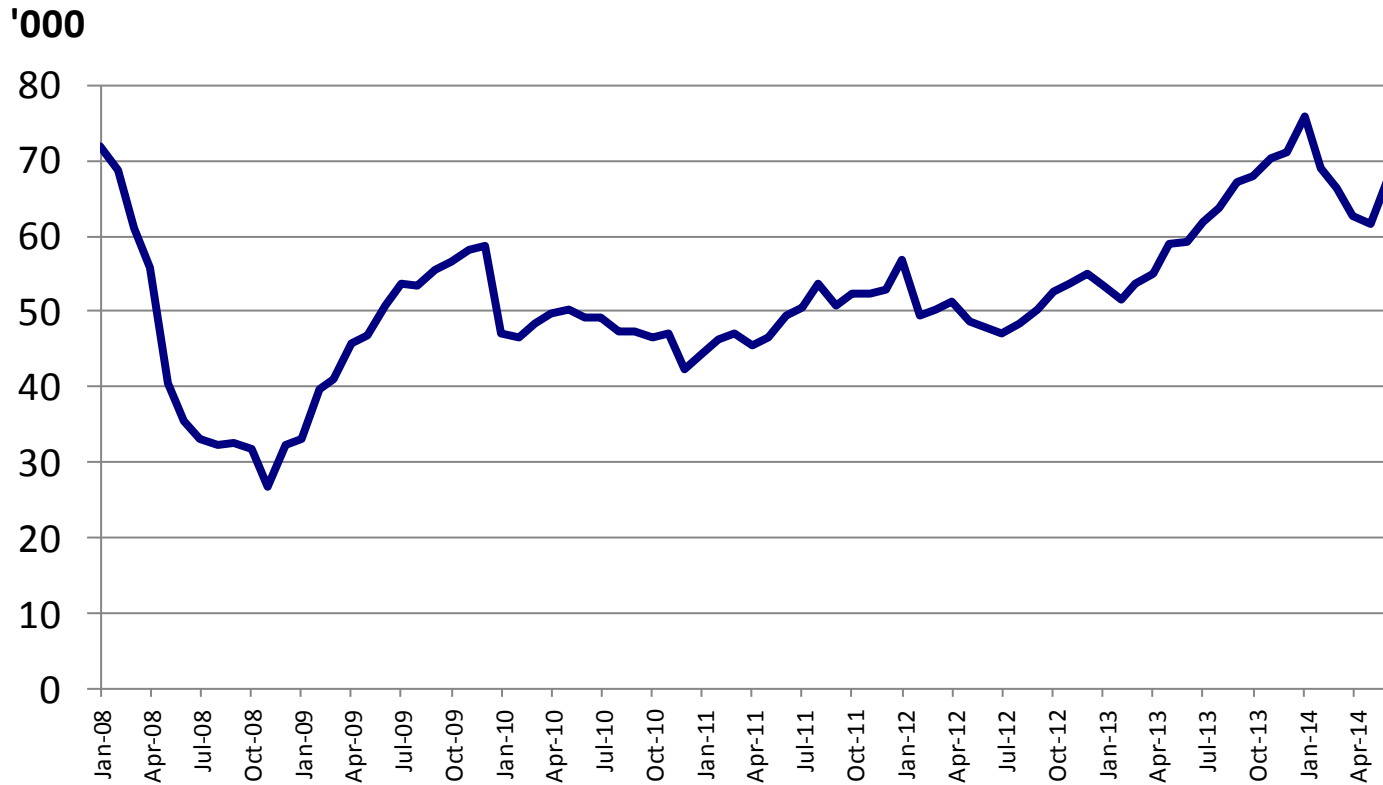


Source: UK Department for Communities & Local Government

UK Mortgage Approvals UK: 2008 – 2014



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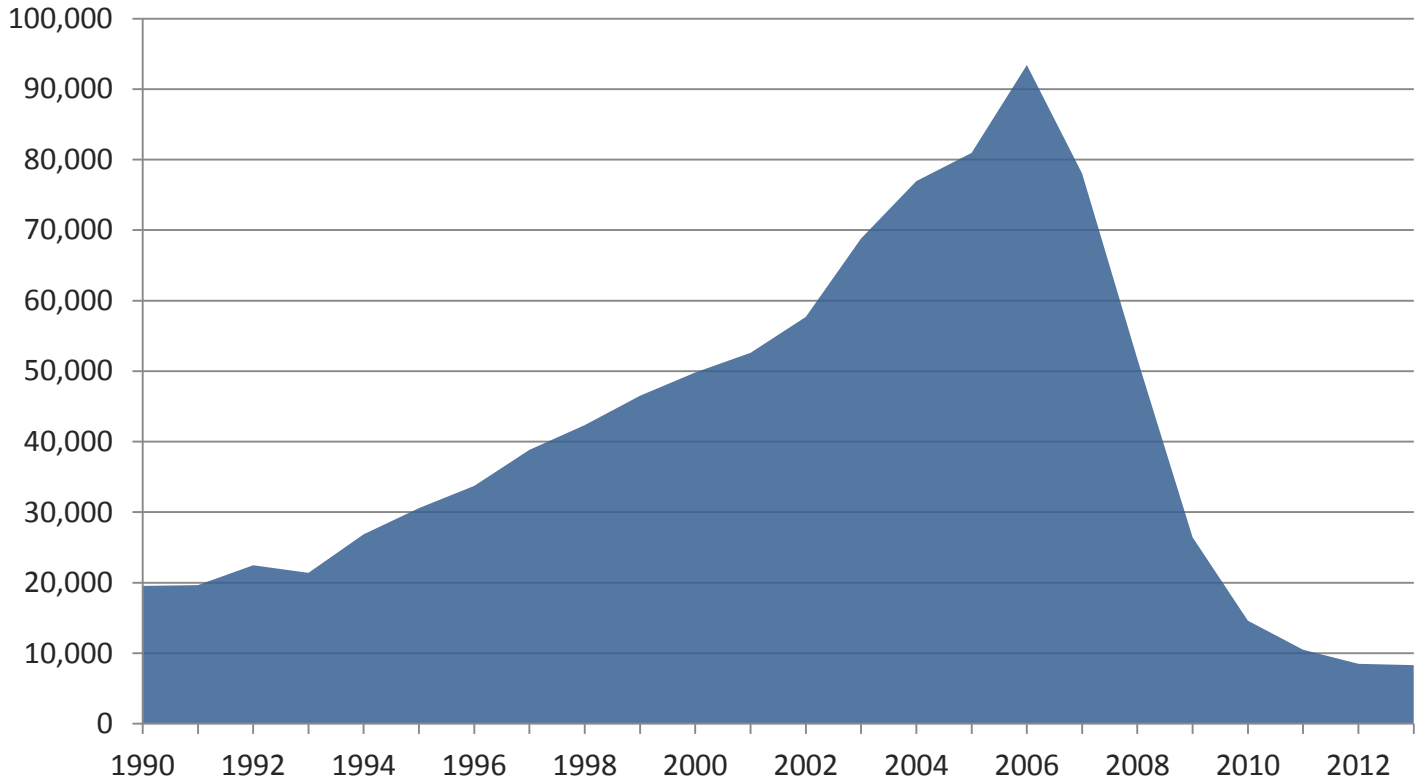


Source: Bank of England Statistics

House Completions – Ireland 1990 – 2013



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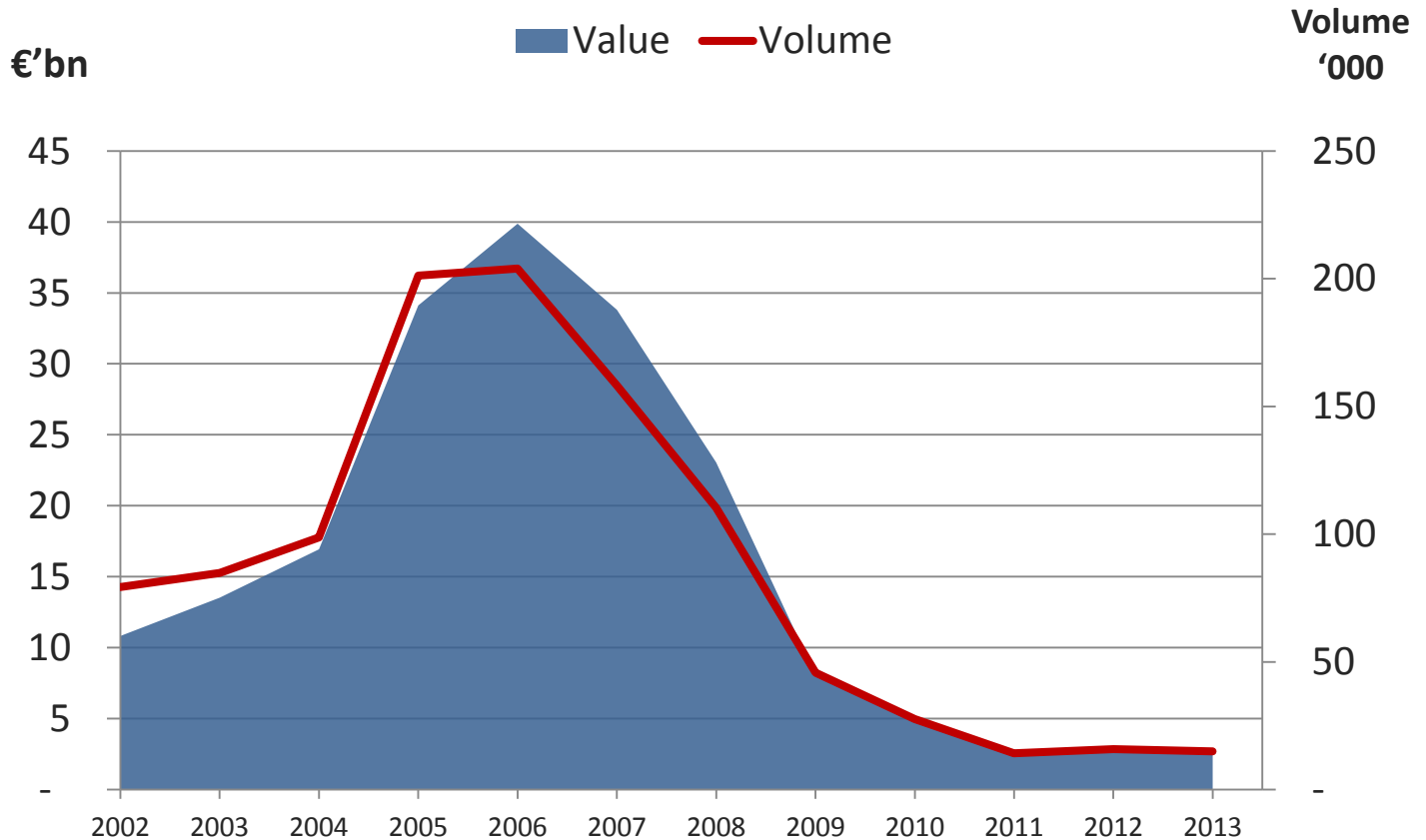


Source: Department of the Environment, Community & Local Government - (DoELG)

Mortgages Issued in Ireland: 2002 - 2013



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For Further Information



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