

**Marshall's plc**  
2018 Half Year Results  
Review and Outlook

# Delivering long-term sustainable growth



**Marshall's**






## Agenda


# Delivering long-term sustainable growth


- Highlights
- Financial Performance
- The Market
- Delivering Long-Term Sustainable Growth
  - Public Sector and Commercial
  - Domestic
  - Emerging UK Businesses
  - CPM
- Strategy Update
- Summary
- Questions



Find out more online  
[www.marshalls.co.uk](http://www.marshalls.co.uk)

 Find us on Facebook  
**MarshallsGroup**

 Follow us on Twitter  
**@MarshallsGroup**

 Follow us on LinkedIn  
**Marshalls**

 Follow us on YouTube  
**MarshallsTV**



# Delivering long-term sustainable growth

## Highlights

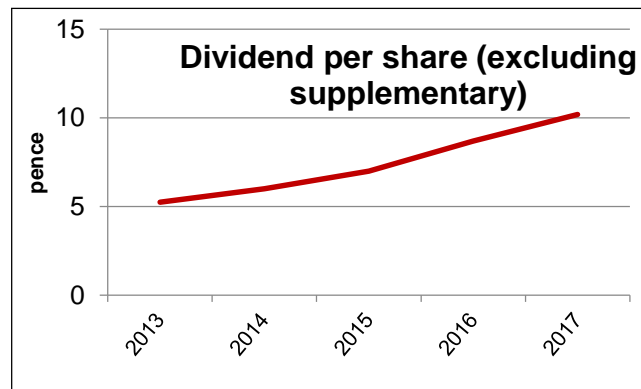
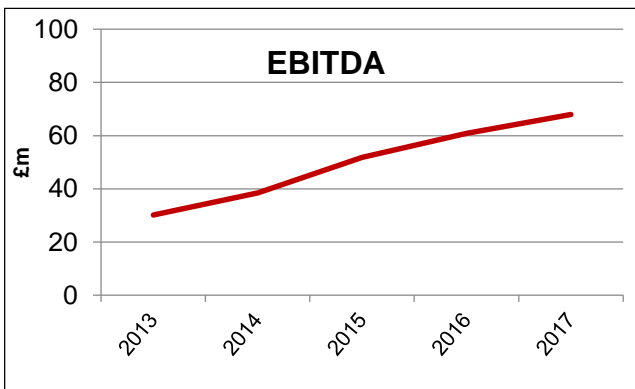
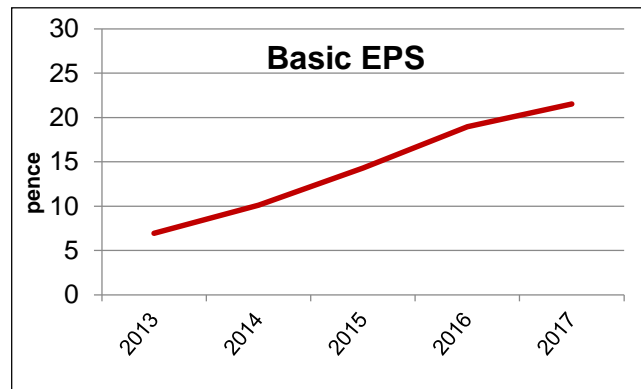
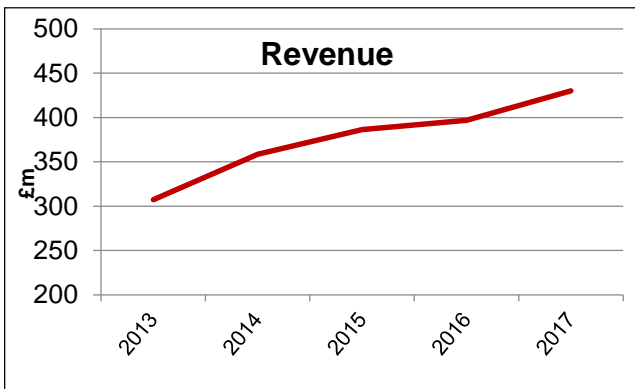
	HY 2018	HY 2017	Increase %
Revenue	<b>£244.3m</b>	£219.1m	12
EBITDA	<b>£41.6m</b>	£36.7m	13
Operating profit	<b>£33.5m</b>	£29.8m	12
Profit before tax	<b>£32.5m</b>	£29.1m	12
Basic EPS	<b>13.24p</b>	12.04p	10
Interim dividend	<b>4.00p</b>	3.40p	18
ROCE	<b>20.0%</b>	23.7%	
Net (debt) / cash	<b>£(48.9)</b>	£1.2m	

- Recent trading very strong – pick up in activity post end of May
- Both June and July revenues +21% v 2017



# Delivering long-term sustainable growth

## Highlights





# Marshalls

## Financial Performance

### Half Year 2018 Results

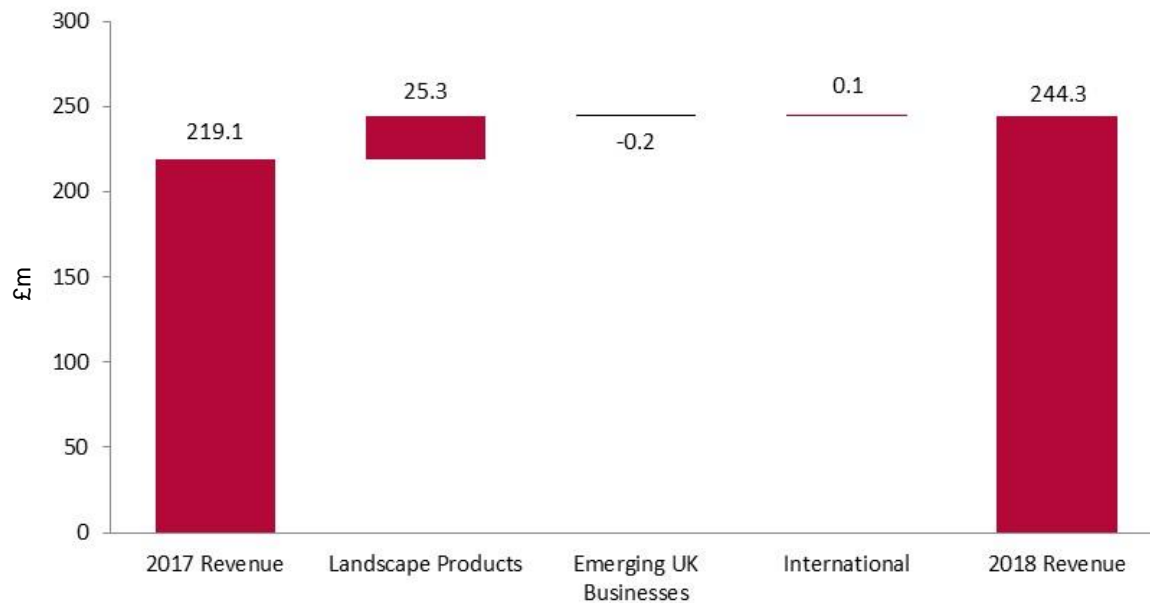






# Delivering long-term sustainable growth

## Revenue growth

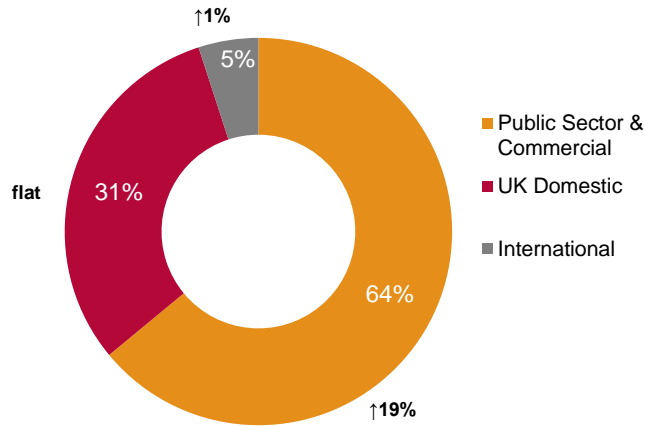




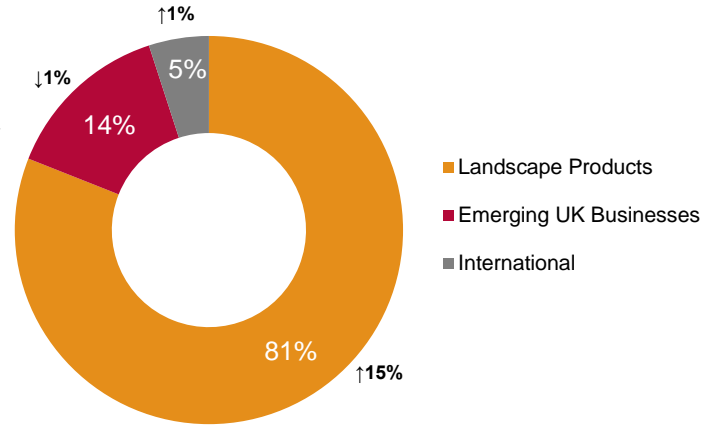
# Delivering long-term sustainable growth

## Revenue analysis

### Revenue analysis: end market



### Revenue analysis: business area





# Delivering long-term sustainable growth

## Margin reconciliation

	Revenue £m	Operating profit £m	Impact on margin %
HY 2017	219.1	29.8	13.6
Landscape Products	25.3	4.8	0.6
Emerging UK Businesses	(0.2)	(1.1)	(0.5)
International	0.1	-	-
<b>HY 2018</b>	<b>244.3</b>	<b>33.5</b>	<b>13.7</b>





# Delivering long-term sustainable growth

## Cash flow from operating activities

	HY 2018 £m	HY 2017 £m
<b>Cash inflow arising from:</b>		
Operating profit	<b>33.5</b>	29.8
Depreciation and amortisation	<b>8.1</b>	6.9
<b>EBITDA</b>	<b>41.6</b>	36.7
Net financial expenses paid	<b>(0.7)</b>	(0.5)
Taxation paid	<b>(6.1)</b>	(5.7)
Net gain on sale of property, plant and equipment	<b>(1.0)</b>	(0.9)
Receivables / payables	<b>(11.9)</b>	(9.6)
Inventory	<b>(7.0)</b>	(1.5)
Acquisition / restructuring costs	<b>(1.5)</b>	-
Equity settled share-based payments and other items	<b>0.6</b>	0.7
<b>Net cash flow from operating activities</b>	<b>14.0</b>	19.2



# Delivering long-term sustainable growth

## Cash flow

	HY 2018 £m	HY 2017 £m
<b>Net cash flow from operating activities</b>	<b>14.0</b>	<b>19.2</b>
Capital expenditure	(14.1)	(8.7)
Net proceeds from sale of surplus assets	1.6	4.2
Dividends paid	(21.3)	(17.4)
Payments to acquire own shares	(1.2)	(1.1)
Payments in respect of share-based awards	(3.7)	-
<b>Sub-total</b>	<b>(24.7)</b>	<b>(3.8)</b>
<b>Finance leases / exchange differences</b>	<b>0.1</b>	<b>(0.4)</b>
<b>Movement in net debt</b>	<b>(24.6)</b>	<b>(4.2)</b>
Net (debt) / cash at 1 January	(24.3)	5.4
<b>Net (debt) / cash at 30 June</b>	<b>(48.9)</b>	<b>1.2</b>



# Delivering long-term sustainable growth

## Bank debt capacity

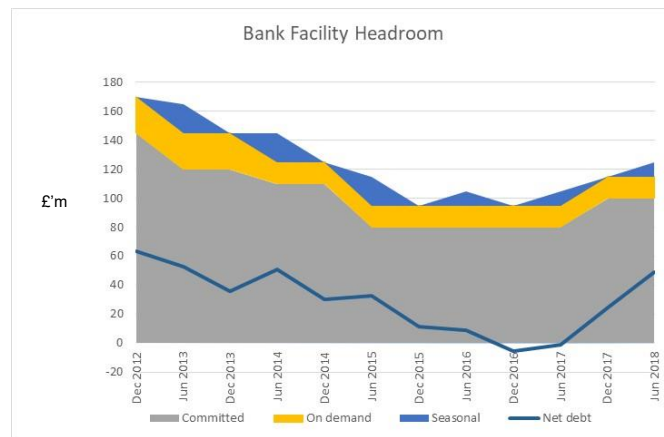
- Continued strong cash generation (OCF : EBITDA = 90%)
- Net debt of £48.9 million at 30 June 2018 (31 December 2017: £24.3 million net debt) following acquisition of CPM
- Final and supplementary dividends of £21.3 million paid on 29 June 2018
- Bank debt capacity of £125 million
- Significant capacity to fund organic investment and selective acquisitions



# Delivering long-term sustainable growth

## Significant borrowing facilities available

Expiry date	Facility £m	Cumulative Facility £m
<b>Committed facilities:</b>		
Q3 2023	20	20
Q3 2022	20	40
Q3 2021	20	60
Q3 2020	20	80
Q3 2019	20	100
<b>On demand facilities:</b>		
Available all year	15	115
Seasonal (February to August inclusive)	10	125



- Bank facilities actively managed
- Balance of committed and uncommitted facilities
- Extension of facilities to 2023
- Comfortable facilities and headroom
- Good comfort against covenants
- Headroom is £76.1 million



# Delivering long-term sustainable growth

## Capital allocation policy





# Delivering long-term sustainable growth

## Strong track record of capital discipline

	HY 2018	HY 2017	HY 2016	HY 2015	HY 2014
Debtor days	<b>33</b>	34	34	36	42
Creditor days	<b>53</b>	52	51	51	53
Inventory turn (times per annum)	<b>3.2</b>	3.3	3.2	3.0	2.9
Liquidity ratio (current assets: current liabilities)	<b>1.6</b>	1.6	1.5	1.6	1.5
ROCE	<b>20.0%</b>	23.7%	19.9%	15.2%	10.1%
Gearing	<b>20.0%</b>	N/A	4.3%	17.9%	28.8%
Net cash / (debt)	<b>£(48.9)m</b>	£1.2m	£(8.8)m	£(32.9)m	£(50.9)m
Net assets	<b>£244.6m</b>	£222.6m	£204.9m	£184.0m	£177.0m



# Delivering long-term sustainable growth

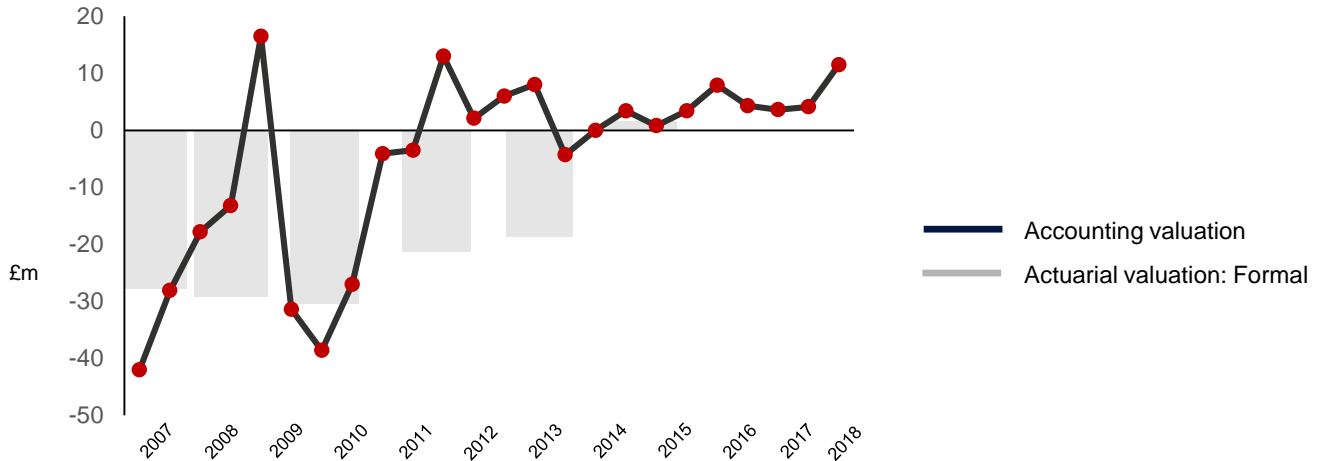
## Pensions

### Balance Sheet

- Company contributions to Defined Benefit Scheme reduced to zero under agreed Recovery Plan
- Surplus of £11.5 million at 30 June 2018 (31 December 2017: surplus of £4.1 million)

### Income Statement

- Scheme closed since 2006 to future accrual
- Net service cost: £0.3 million debit (2017: £0.2 million debit)
- Looking to “transfer out” long term

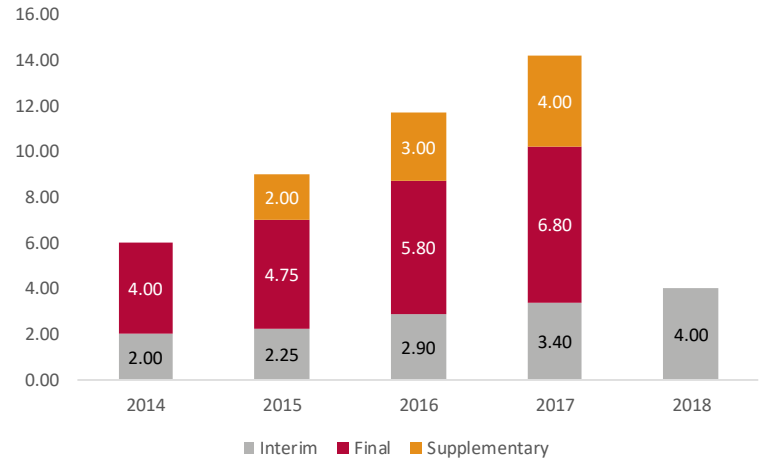




# Delivering long-term sustainable growth

## Dividends

- Progressive ordinary dividend policy
- 2018 interim dividend 4.0p (up 18%)
- Target of 2x cover
- Supplementary dividend: discretionary and non-recurring
- CAGR growth of 18% over 5 years





**Marshalls**

**The Market**

**Half Year  
2018 Results**

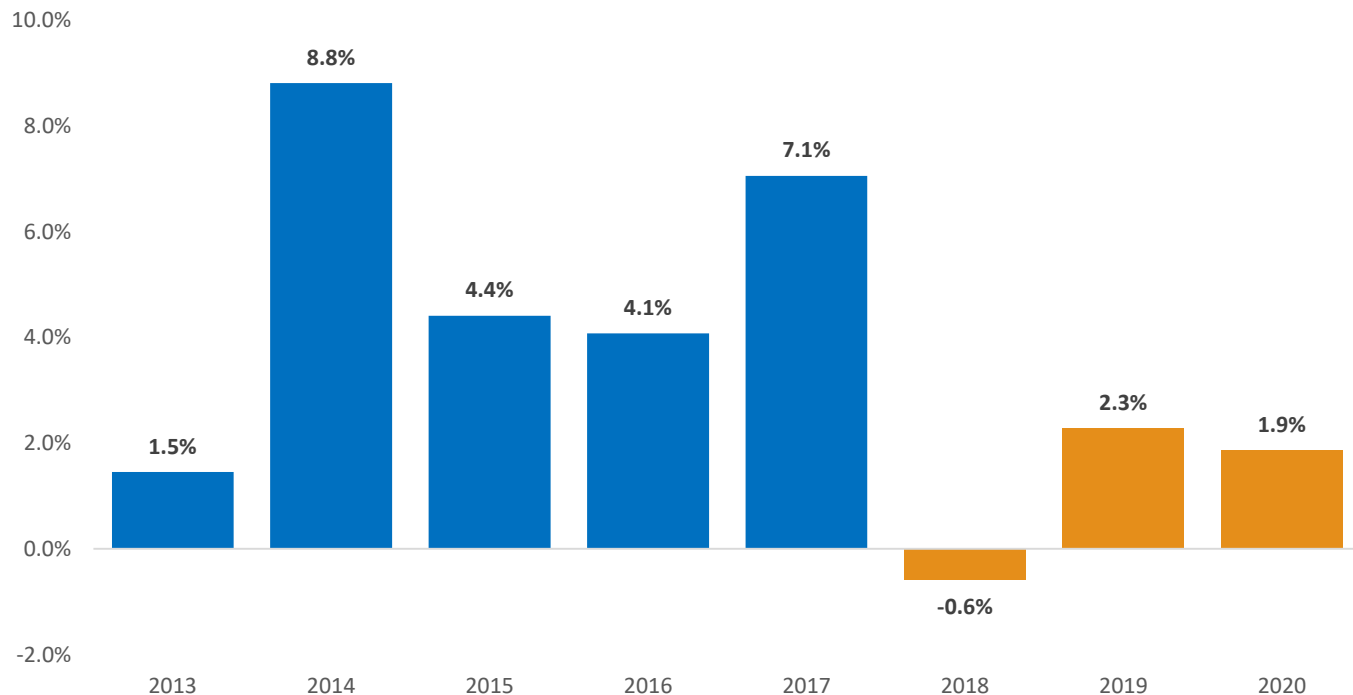




# Delivering long-term sustainable growth

CPA construction output forecasts – Summer 2018

All Work Central Forecast % Growth on Last Year



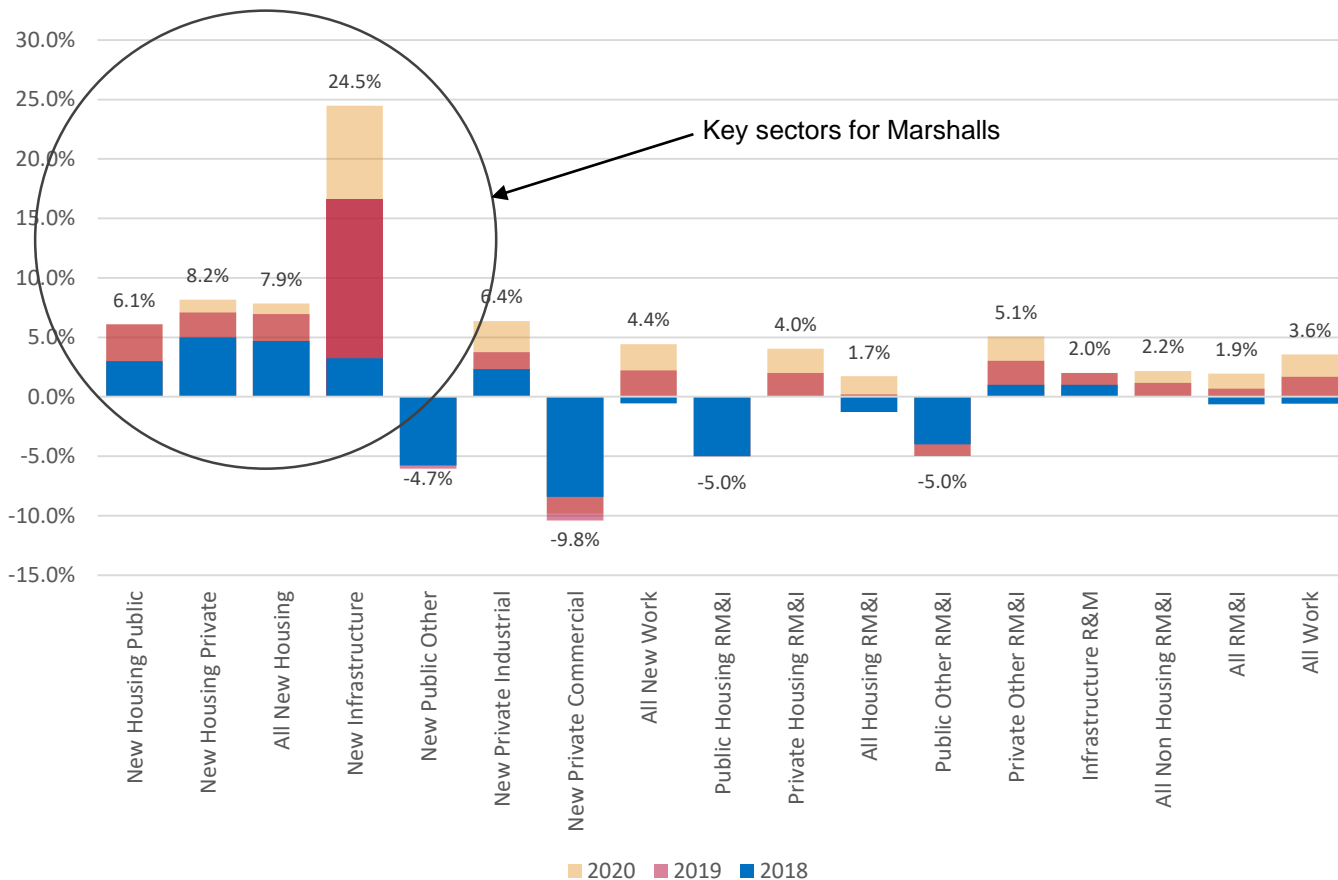
Note: Historic numbers are the latest ONS adjusted figures

Marshalls plc 2018 Half Year Results Review and Outlook



# Delivering long-term sustainable growth

CPA 2018 to 2020 cumulative sector forecasts





# Delivering long-term sustainable growth

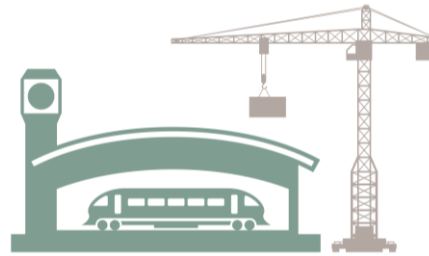
Focus on the sectors with greatest growth and scale  
Marshalls are focused on these sectors

## New Build Housing



- **22%** of Construction Market by Value
- 2018 to 2020 Cumulative Growth of 7.9%

## Infrastructure



- **15%** of Construction Market by Value
- 2018 to 2020 Cumulative Growth of 28.5%

## Private Housing RMI



- **13%** of Construction Market by Value
- 2018 to 2020 Cumulative Growth of 4%





**Marshalls**

**Public Sector &  
Commercial**

**Half Year  
2018 Results**

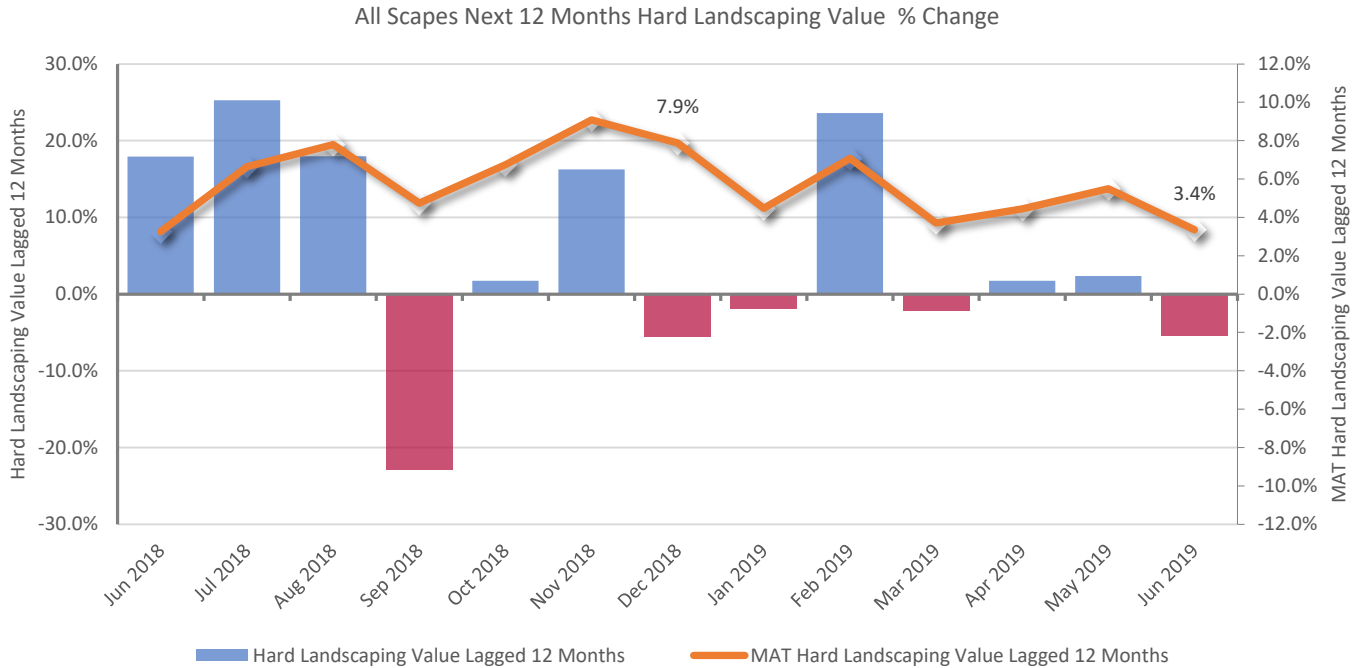




# Delivering long-term sustainable growth

**ABI lead indicator**

**Positive one year out**

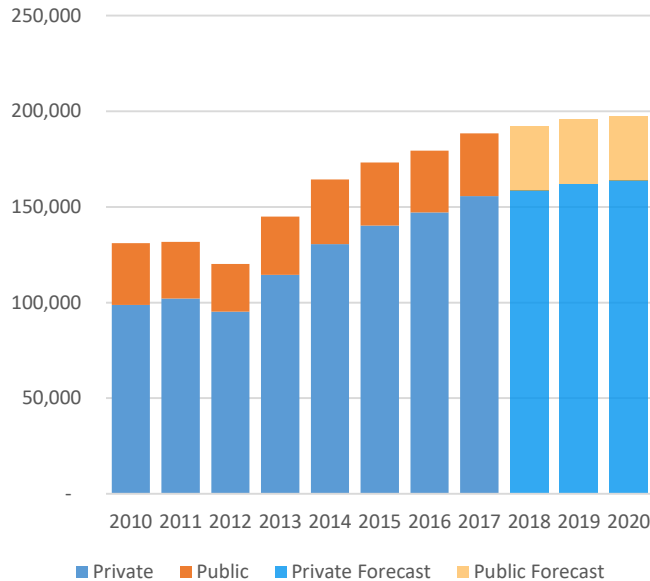




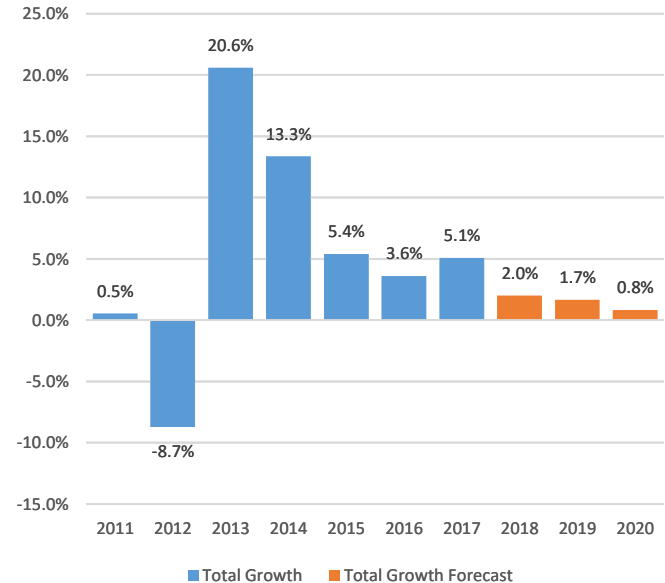
# Delivering long-term sustainable growth

## Private and public housing statistics and CPA forecasts

New Housing Starts & CPA Forecast



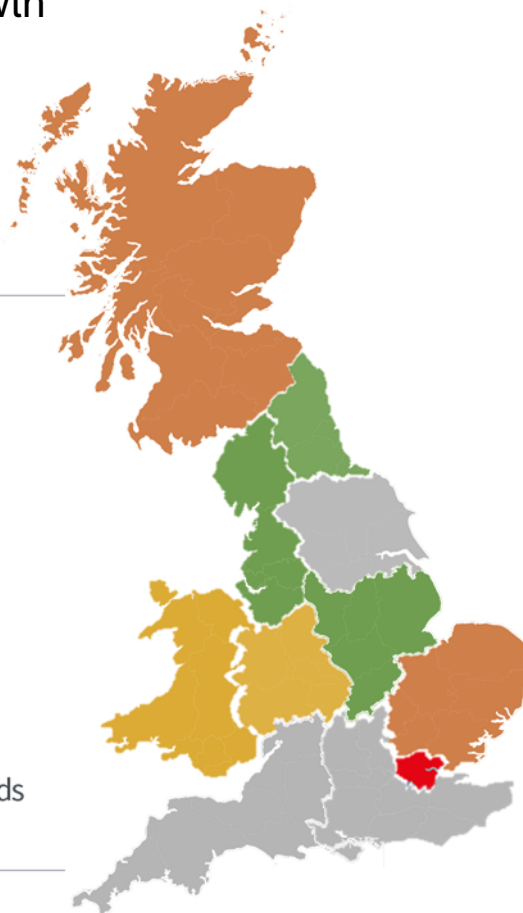
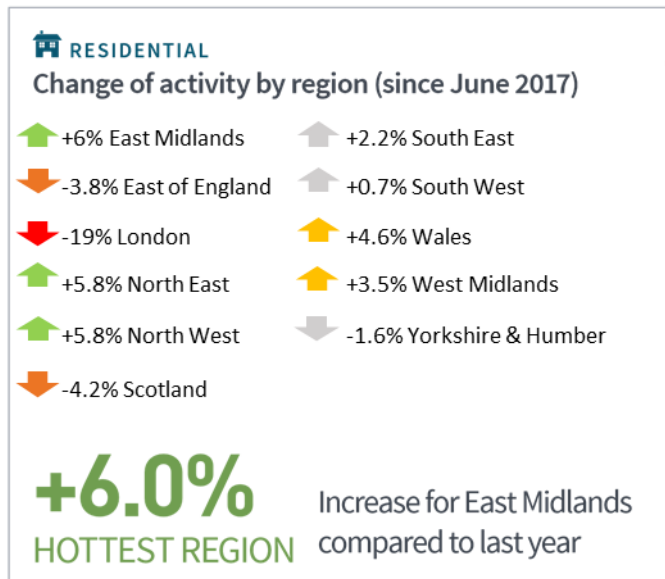
Growth in New Housing Starts & CPA Forecast





# Delivering long-term sustainable growth

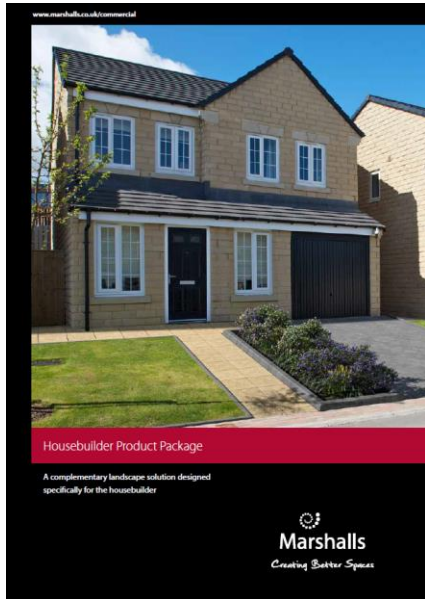
## Housing contract awards by region June 2017-18



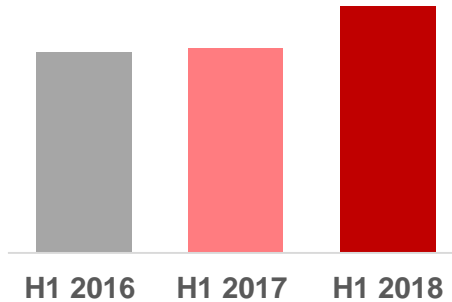


# Delivering long-term sustainable growth

**Marshall's Landscape Products - new products for housing**  
**Increasing sales**



- 'Key' package launched: premium complimentary block, paving, kerb and edging product specifically for the housebuilder
- Urbex Rivien paving launched: economy paving designed for the housebuilder
- Consistent Growth in Specifications



**Urbex**  
 Utility Rivien Paving

**Marshall's**  
 Creating Better Spaces

The ideal flag choice for any housing scheme

- A functional, rivien flag option, making it an ideal budget paving solution
- Available in Marshall's' two most popular colours and three plan sizes
- Plan sizes have been specifically designed to meet pathway requirements in accordance with Building Regulations Part M: 2015

urbex natural

urbex buff

Thickness (mm)	Plan Size (mm)	Unit Weight (kg)	Pack Size (kg)	Pack Weight (kg)	Edge	BS Size	Natural Item Code	Buff Item Code
38	400x400	17.9	16.5	900	Square	E18	FL5869100	FL5860200
38	600x300	16.2	9.0	900	Square	E18	FL5861100	FL5861200
38	600x600	32.3	9.0	900	Square	E18	FL5862100	FL5862200

\*All products are available as stock. This is the standard flag colour variation as shown on the surface of the flag. This will diminish over time and will not affect long term performance.

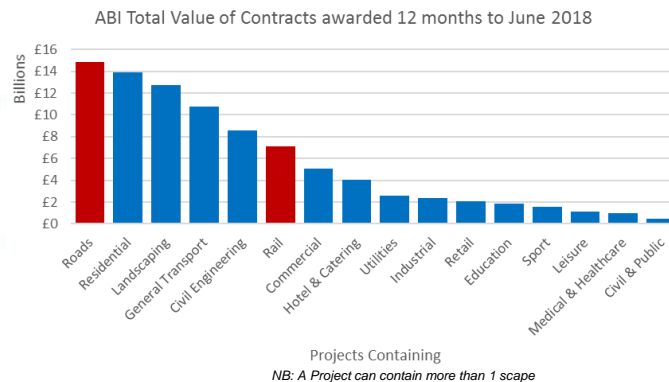
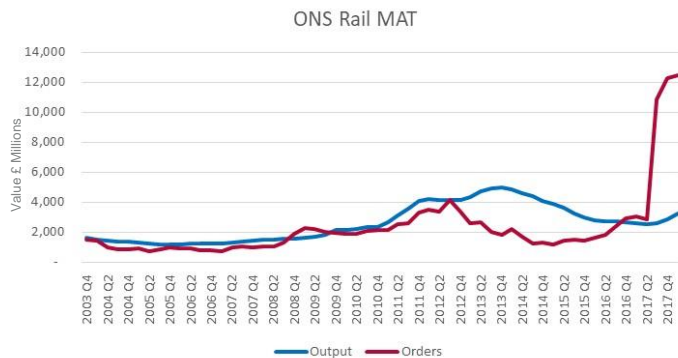
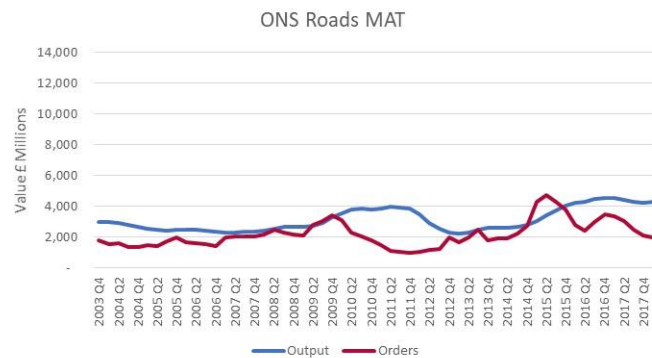
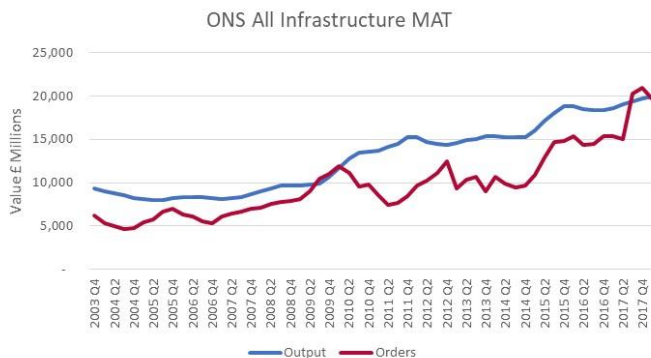
For more information visit [www.marshall.co.uk/urbex](http://www.marshall.co.uk/urbex)





# Delivering long-term sustainable growth

## New infrastructure Projects giving growth





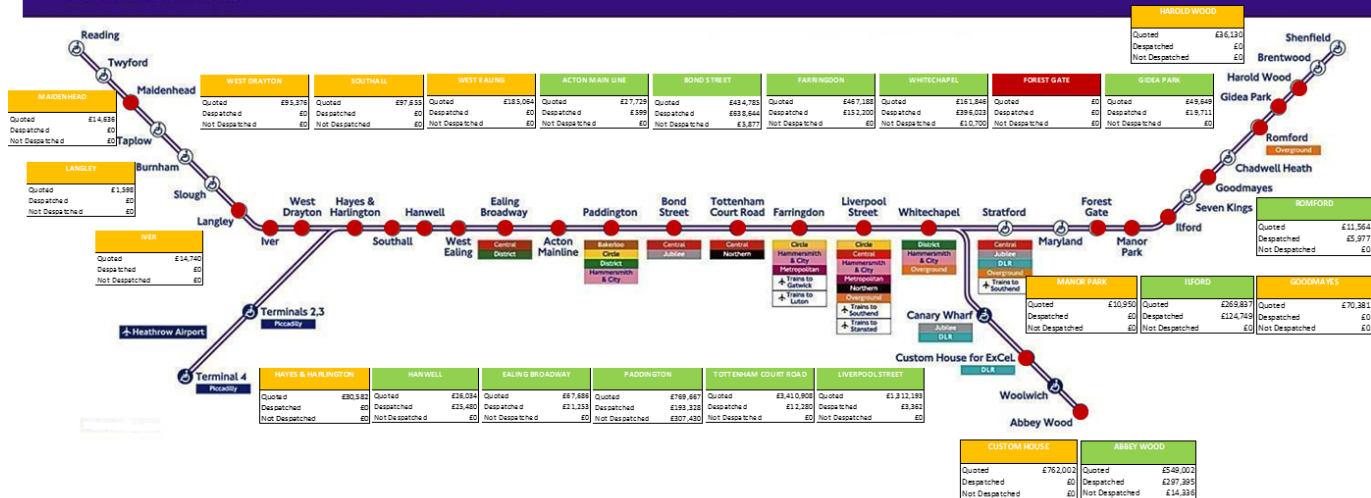


# Delivering long-term sustainable growth

## Update on Cross Rail specs, orders and sales

### Marshall's share increasing

#### Elizabeth line



<b>BURNHAM WEST</b>	<b>HIGH STREET</b>	<b>SEVEN KINGS</b>	<b>PLUMSTEAD STATION</b>	<b>VICTORIA DOCK</b>	<b>PLIDDING MILL LANE</b>	<b>OLD OAK COMMON</b>	<b>SEATING</b>	<b>NORTH EAST SECTION</b>
Quoted £68,978	Quoted £76,170	Quoted £81,800	Quoted £133,500	Quoted £168,500	Quoted £534,125	Quoted £90,450	Quoted £1,176,140	Quoted £21,811
Despatched £0	Despatched £81,800	Despatched £0	Despatched £12,777	Despatched £18,040	Despatched £246,964	Despatched £11,129	Despatched £12,389	Despatched £20,043
Not Despatched £0	Not Despatched £0	Not Despatched £0	Not Despatched £0	Not Despatched £0	Not Despatched £0	Not Despatched £0	Not Despatched £0	Not Despatched £0
<b>OUTER WEST SECTION</b>	<b>WEST TO URINE PARK</b>							
Quoted £80,371	Quoted £27,529							
Despatched £0	Despatched £5,591							
Not Despatched £0	Not Despatched £0							

- Quoted on project and delivered
- Quoted on project
- No activity as yet



Quoted	£13,476,481
Despatched	£2,656,819
Not Despatched	£338,344



**Marshalls**

**Domestic**

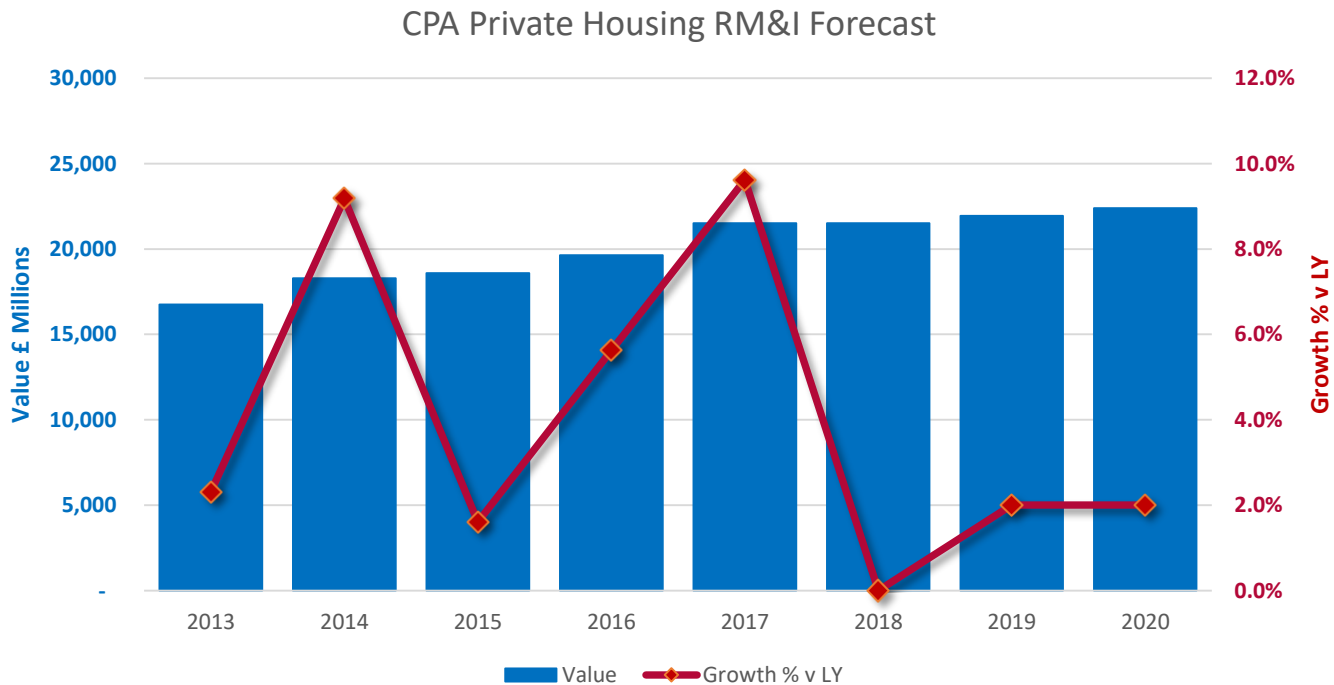
**Half Year  
2018 Results**





# Delivering long-term sustainable growth

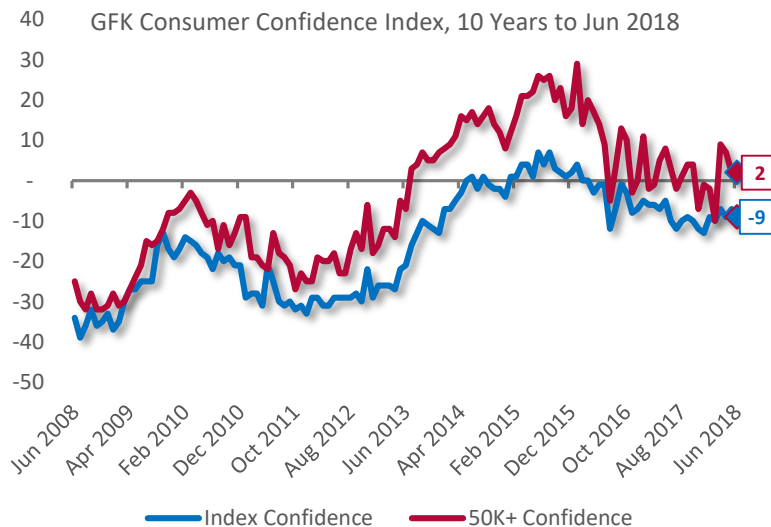
Positive for 2019 and 2020 support growth



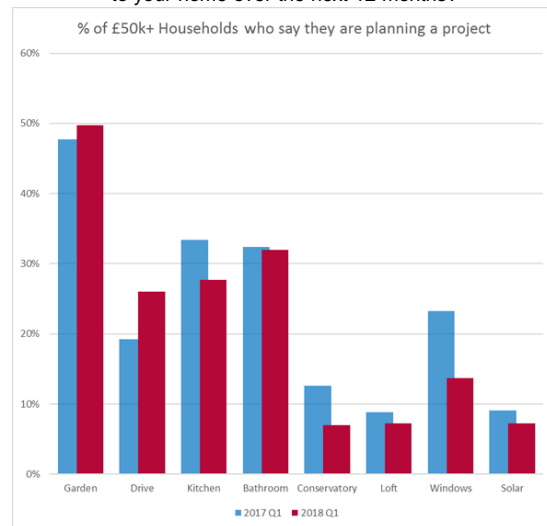


# Delivering long-term sustainable growth

## GfK consumer confidence and project intentions



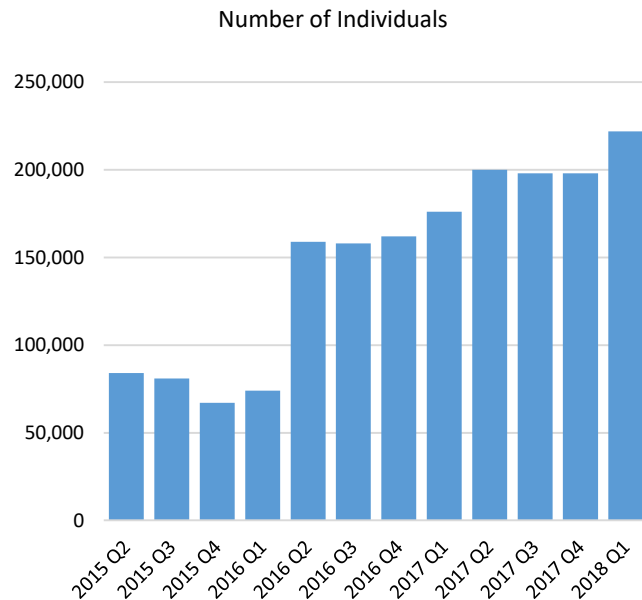
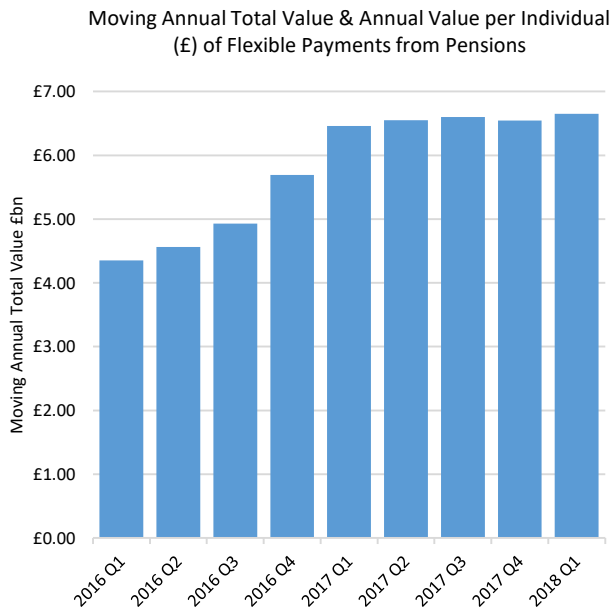
Which of the following improvements are you likely to make to your home over the next 12 months?





# Delivering long-term sustainable growth

**Pensions release**  
**Continuing to grow**

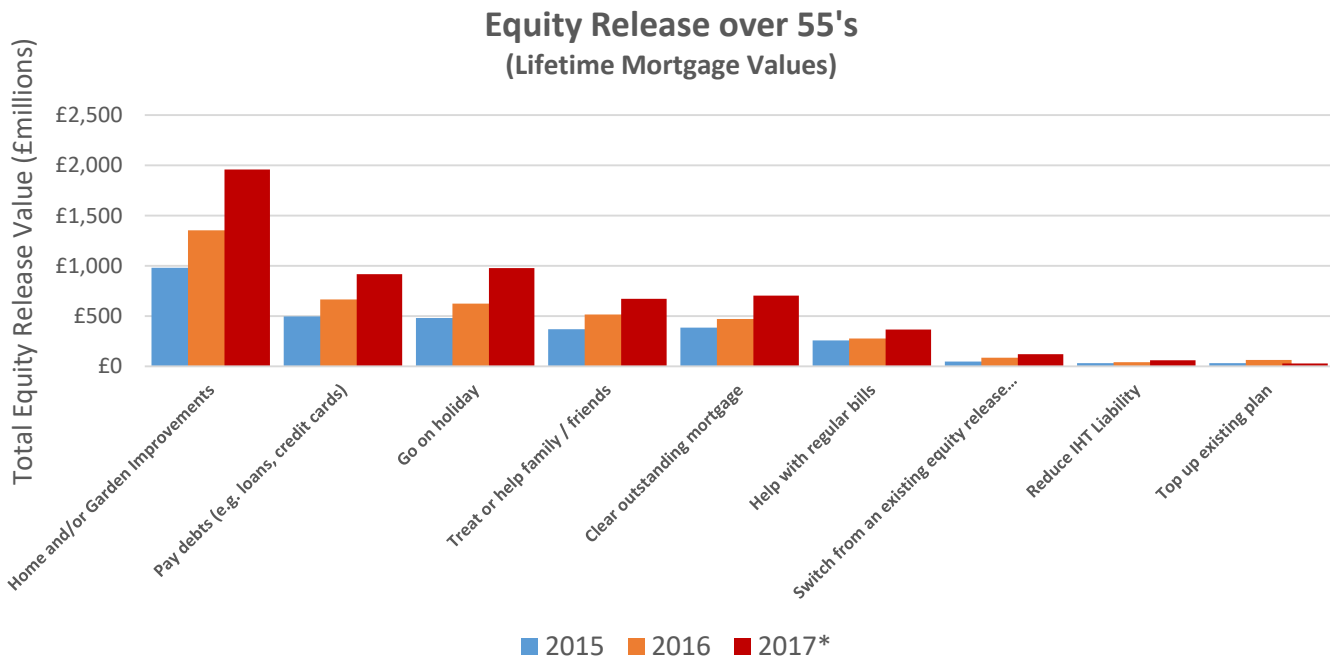




# Delivering long-term sustainable growth

Equity release – over 55's

Funding Domestic growth



\*2017 Proportions based on half year results

Sources: [Equity Release Council](#) & [Key Retirement](#)





# Delivering long-term sustainable growth

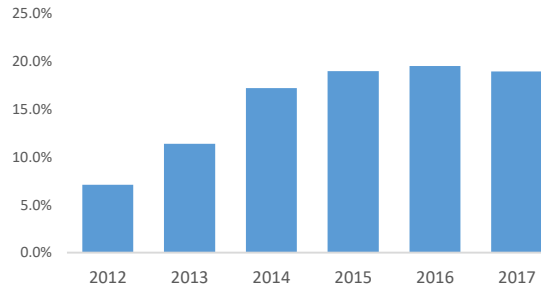
**Domestic new products**  
**Increasing part of the business**



New Products in the Domestic range from innovative stone & vitrified paving to uniquely blended block paving and the move into adjacent categories such as artificial grass



Domestic % Sales from New Products







# Delivering long-term sustainable growth

**The Marshalls Register  
Continues to grow**



The Marshalls Register continues to go from strength to strength.

Recent census with all members saw a satisfaction rating of 8.5 out of 10.

The primary reason for joining the Register is the brand association with the support they receive from Marshalls coming second.

The 10 year awards were the biggest and best yet with the standards getting forever higher.





**Marshalls**

**Emerging UK  
Businesses**

**Half Year  
2018 Results**







# Delivering long-term sustainable growth

Landscape Protection  
Market growing quickly

- Specifications up 291% vs LY 2017 H1



EVERYTHING  
YOU NEED  
TO CREATE  
**A SAFER  
OUTDOORS**

LANDSCAPE PROTECTION

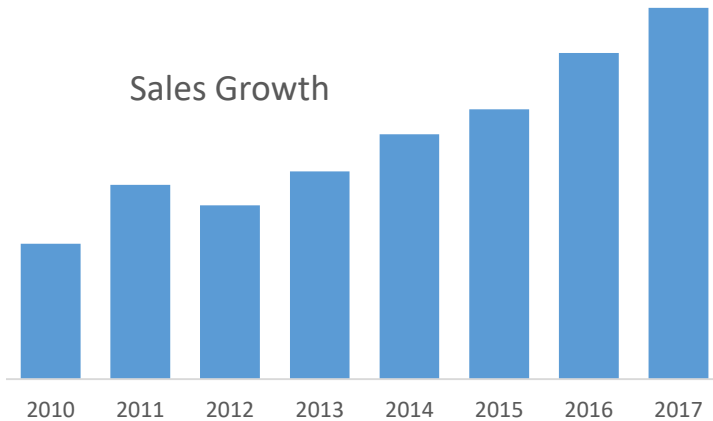


  
**Marshall's**  
Creating Better Spaces

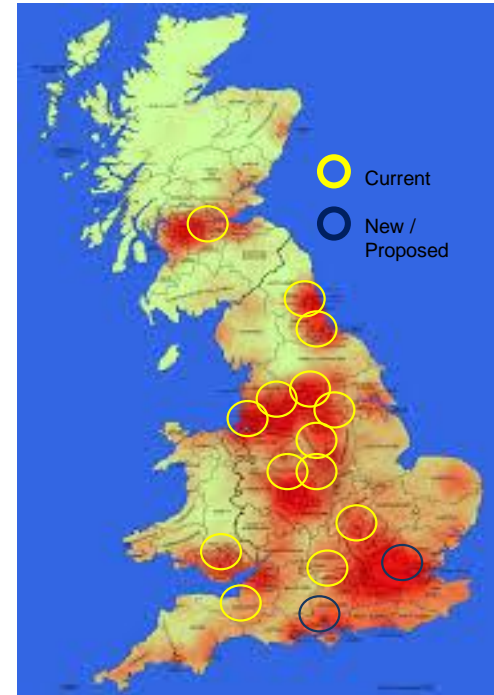
# Delivering long-term sustainable growth

**Premier Mortars and Screeds**  
**Expanding nationally**

- UK market leader in supply of RTU mortar and screeds
- 14 UK plants with expansion opportunities in the South East
- New Product Development :
  - New mortars to compliment our Recon Walling
  - Flowing liquid screeds and quick drying semi dry screeds



Current Mortar Sites and Expansion Opportunities

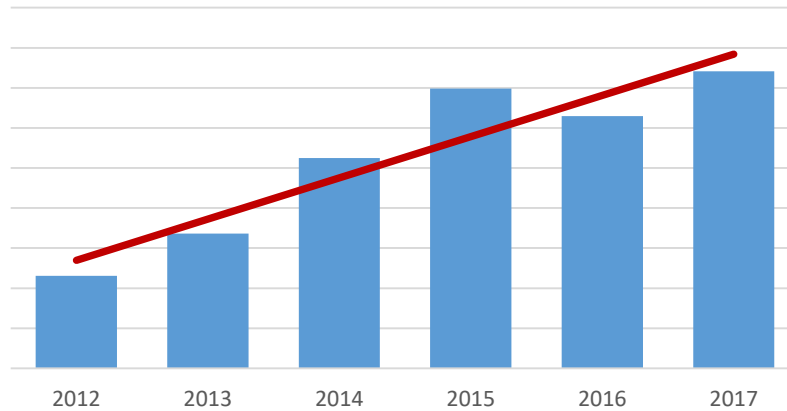




# Delivering long-term sustainable growth

Recon Walling  
Growing in New Build

Sales Growth



4 Distinct Colours  
4 Finishes





# Delivering long-term sustainable growth

CPM brand alignment



Water Management | Precast | Retaining Walls





# Delivering long-term sustainable growth

## CPM integration

On target

- Acquired in October 2017 for £41.4 million including £3 million of assumed CPM debt
- Integration plan well advanced – now fully part of Landscape Products
- Strong trading since acquisition with half year performance in line with our expectations
- Strong order book – first smart motorway order received
- Numerous cross-selling opportunities
- Strong pipeline of new products
- Significant capital expenditure with new £5 million facility at Mells in Somerset increasing capacity and efficiency



# Delivering long-term sustainable growth

## CPM major project wins

- M20 Smart Motorway Programme Junctions 3-5
- M23 Smart Motorway Programme Junctions 8-10
- M6 Smart Motorway Programme Junctions 2-4





# Delivering long-term sustainable growth

**CPM : the perfect manhole system**  
**Continues to grow**





# Delivering long-term sustainable growth

**CPM new factory due to be completed November 2018**

Increased efficiency ... Increased capacity







**Marshalls**

Strategy Update

Half Year  
2018 Results

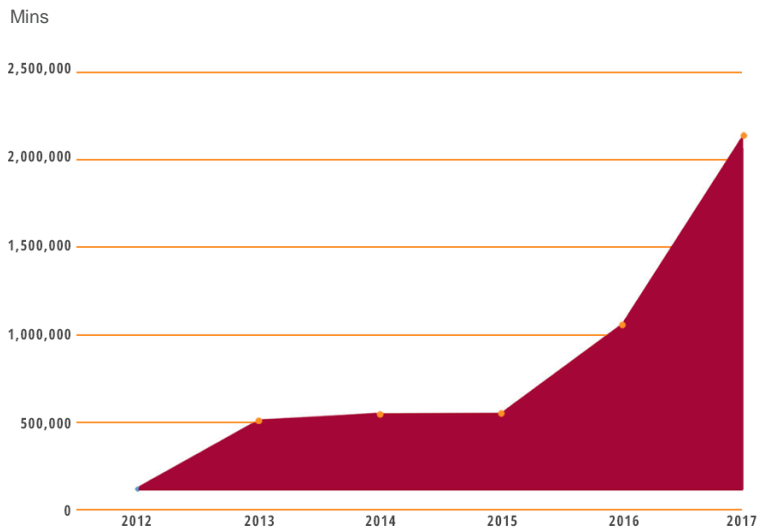




# Delivering long-term sustainable growth

Digital journey gaining pace

Progression of user minutes spent on Marshalls online



# 2018

vs SAME PERIOD 2017

WATCH TIME:

+25.6%



VIEWS:

+17.5%



SHARES:

+92.3%



LIKES:

+78.3%



VIEW DURATION:

+7%



SUBSCRIBERS:

+61.3%



**6m** VIEWS



**20m** MINUTES





# Delivering long-term sustainable growth

## Digitising the specification journey





# Delivering long-term sustainable growth

## Self help improvement projects

### Sittingbourne New Press



### AGV Phase 1 completed



### Splay Kerb Improvements



### Robot Self Cleaning





# Delivering long-term sustainable growth

## Acquisitions

Future acquisitions – water management, perimeter protection, housebuilding and natural stone







# Delivering long-term sustainable growth

## Strategy update

- Adverse weather impact in first 4 months – reduced sales of £9 million
- Strong recovery recently with half year PBT + 12%
- Recent trading very strong – both June and July revenues +21% v 2017
- CPM continuing to trade strongly and integration well advanced
- Organic capital investment continues
- Restructuring of certain of the Emerging UK Businesses
- Continued focus on innovation and new product development
- Digital strategy progressing rapidly – driving real benefits across the business
- Acquisition targets continue to be identified – selective and investment criteria in place
- Maintained a 2 times dividend cover policy, supported by supplementary dividends.

The 2020 Strategy will drive long-term growth and shareholder returns



# Delivering long-term sustainable growth

## 2020 Strategy update

- Strong PBT growth +12%
- 2018 H1 EBITDA £41.6 million +13%
- Self help programme - savings of £5 million p.a. increasingly certain
- NPD continuing strongly
- Interim dividend – +18%
- Digital strategy in full implementation. Commercial website now 'live', Domestic to follow shortly
- First acquisition bedding in; strong pipeline of future acquisition targets
- Continuing development of the Marshalls brand
- 2020 Strategy increasingly confident to deliver its goals



Our 2020 Strategy will drive long-term growth and shareholder returns



# Delivering long-term sustainable growth

## Summary

- Strong financial performance; despite adverse weather impact in first 4 months
- New Build Housing, Road, Rail and Water Management remain attractive markets
- Increasing market share through service/product
- Strong start at CPM and integration on track
- Well placed to deliver continued growth and operational profit improvements
- Both June and July revenues +21% v 2017
- Board remains confident of achieving its expectations for 2018





**Marshalls**

Q&A

Half Year  
2018 Results



**Marshalls**

Appendices

Half Year  
2018 Results



# Delivering long-term sustainable growth

## Profit for the financial period

	HY 2018 £m	HY 2017 £m	Increase %
<b>EBITDA</b>	<b>41.6</b>	36.7	13
Depreciation / amortisation	<b>(8.1)</b>	(6.9)	
<b>Operating profit</b>	<b>33.5</b>	29.8	12
Financial income and expense (net)	<b>(1.0)</b>	(0.7)	
<b>Profit before tax</b>	<b>32.5</b>	29.1	12



# Delivering long-term sustainable growth

## Construction Products Association

£m / % change	2016 Actual	2017 Actual	2018 Estimate	2019 Forecast	2020 Forecast
<b>Housing</b>					
	34,578	37,966	39,754	40,606	40,953
	10.4%	9.8%	4.7%	2.1%	0.9%
<b>Other New Work</b>					
	61,243	63,584	61,185	63,161	65,092
	2.5%	3.8%	-3.8%	3.2%	3.1
<b>Repair, Maintenance and Improvement</b>					
Private Housing	19,908	22,088	22,088	22,530	22,980
	7.2%	11.0%	-	2.0%	2.0%
Total	52,871	55,636	55,278	56,012	56,721
	1.6%	5.2%	-0.6%	1.3%	1.3%
<b>Total All Work</b>	148,692	157,186	156,217	159,779	162,766
	3.9%	5.7%	-0.6%	2.3%	1.9%

Note: Figures taken from the latest CPA Summer Forecast



# Delivering long-term sustainable growth

## Additional information and ratios

	HY 2018	HY 2017
<b>Interest:</b>		
Charge	<b>£1.0m</b>	£0.7m
Cover	<b>34.0 times</b>	42.4 times
<b>EPS</b>	<b>13.24p</b>	12.04p
Interim dividend	<b>4.00p</b>	3.40p
<b>Weighted average number of shares</b>	<b>197.6m</b>	197.4m
<b>Net asset value</b>	<b>£244.6m</b>	£222.6m





# Delivering long-term sustainable growth

## Financial flexibility

	HYE 2018 Actual
EBITA: Interest charge	62.6 times
Net Debt: EBITDA	0.66 times


- 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



# Delivering long-term sustainable growth

## Net assets

	£m
2017 YE Net Assets	237.6
<b>Impact of movements in the period:</b>	
Profit for the financial period	26.2
Dividends	(21.3)
Actuarial movement on pensions (after tax)	6.4
Hedging reserve	0.2
Share-based payments (after tax)	(3.2)
Purchase of own shares	(1.2)
Foreign currency translation differences / other	(0.1)
Non-controlling interest	-
	7.0
<b>HYE 2018 Net Assets</b>	<b>244.6</b>



# Delivering long-term sustainable growth

## 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 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. No investment advice is being given in this presentation.



# Marshall's

*Creating Better Spaces*

