

Marshalls plc
2017 Half Year
Results Review and Outlook

Delivering the 2020 Strategy



Marshalls




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

	HY 2017	HY 2016	Increase %
Revenue	£219.1m	£202.4m	8
EBITDA	£36.7m	£32.4m	13
Operating profit	£29.8m	£26.0m	15
Profit before tax	£29.1m	£25.1m	16
Basic EPS	12.04p	10.36p	16
Interim dividend	3.40p	2.90p	17
ROCE	23.7%	19.9%	↑380 basis points
Net cash / (debt)	£1.2m	(£8.8m)	
Net cash / (debt) – before dividend	£18.6m	(£8.8m)	



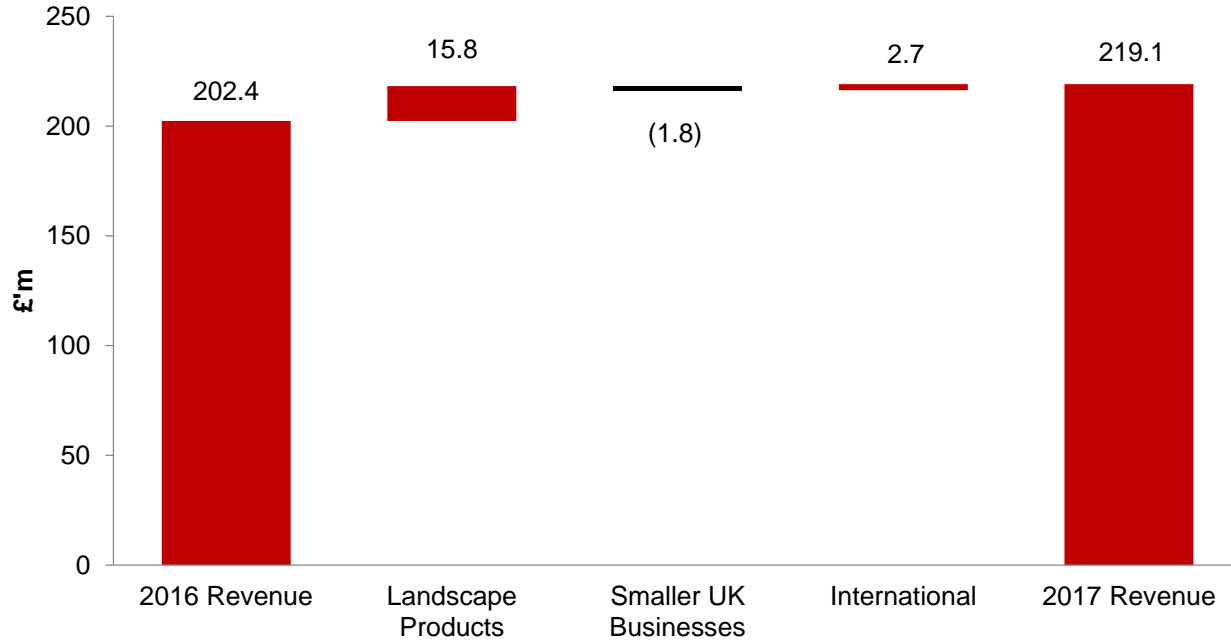
Financial Performance

Half Year

2017 Results

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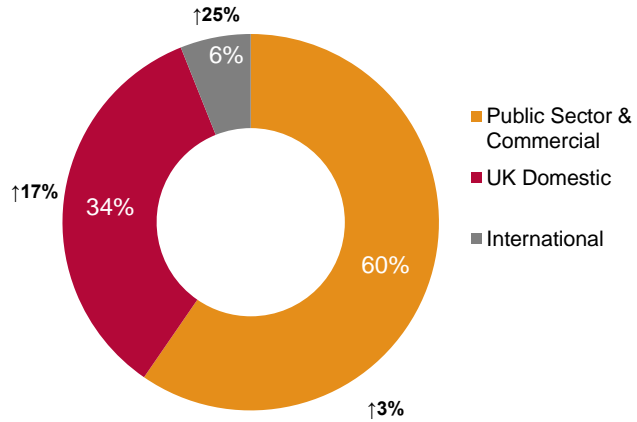
Revenue Growth



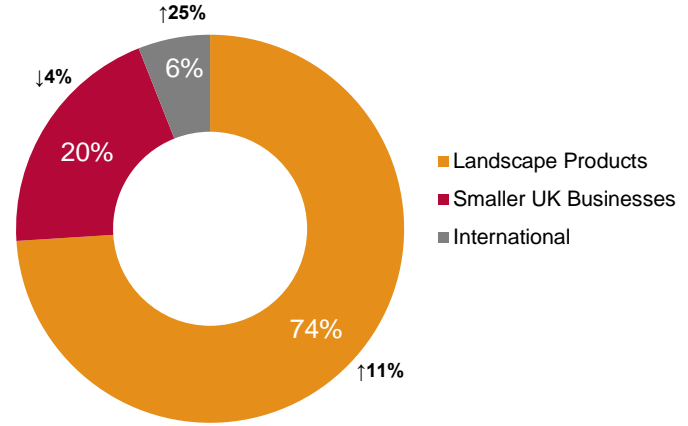
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Revenue Analysis

Revenue analysis: end market



Revenue analysis: business area



Domestic revenue has grown from 32% to 34% of the Group

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Margin Reconciliation

	Revenue £m	Operating profit £m	Impact on margin %
HY 2016	202.4	26.0	12.8
Landscape Products	15.8	3.4	0.7
Smaller UK Businesses	(1.8)	0.1	0.1
International	2.7	0.3	-
HY 2017	219.1	29.8	13.6

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Cash Flow from Operating Activities

	HY 2017 £m	HY 2016 £m
Cash inflow arising from:		
Operating profit	29.8	26.0
Depreciation and amortisation	6.9	6.4
EBITDA	36.7	32.4
Net financial expenses paid	(0.5)	(0.6)
Taxation paid	(5.7)	(3.7)
Net gain on sale of property, plant and equipment	(0.9)	(0.1)
Receivables / payables	(9.6)	(18.0)
Inventory	(1.5)	(1.3)
Equity settled share-based payments and other items	0.7	0.6
Net cash flow from operating activities	19.2	9.3

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Cash Flow

	HY 2017 £m	HY 2016 £m
Net cash flow from operating activities	19.2	9.3
Capital expenditure	(8.7)	(6.1)
Net proceeds from sale of surplus assets	4.2	0.5
Dividends paid	(17.4)	-
Payments to acquire own shares	(1.1)	(1.2)
Sub-total	(3.8)	2.5
Finance leases / exchange differences	(0.4)	0.2
Movement in net debt	(4.2)	2.7
Net cash / (debt) at 1 January	5.4	(11.5)
Net cash / (debt) at 30 June	1.2	(8.8)

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Strong Track Record of Capital Discipline

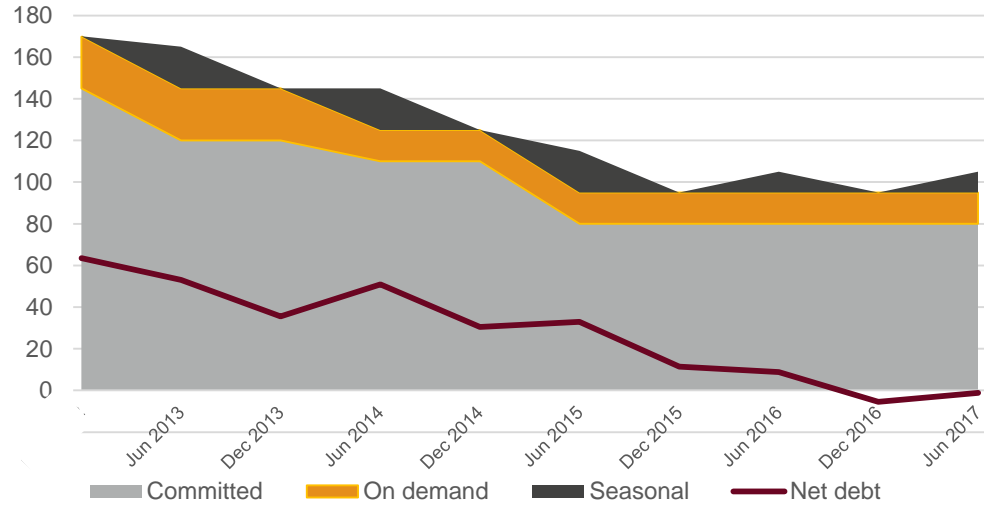
	HY 2017	HY 2016	HY 2015	HY 2014
Debtor days	34	34	36	42
Creditor days	52	51	51	53
Inventory turn (times per annum)	3.3	3.2	3.0	2.9
Liquidity ratio (current assets: current liabilities)	1.6	1.5	1.6	1.5
ROCE	23.7%	19.9%	15.2%	10.1%
Gearing	N/A	4.3%	17.9%	28.8%
Net cash / (debt)	£1.2m	£(8.8)m	£(32.9)m	£(50.9)m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

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Significant Borrowing Facilities

Expiry date	Facility £m	Cumulative Facility £m
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

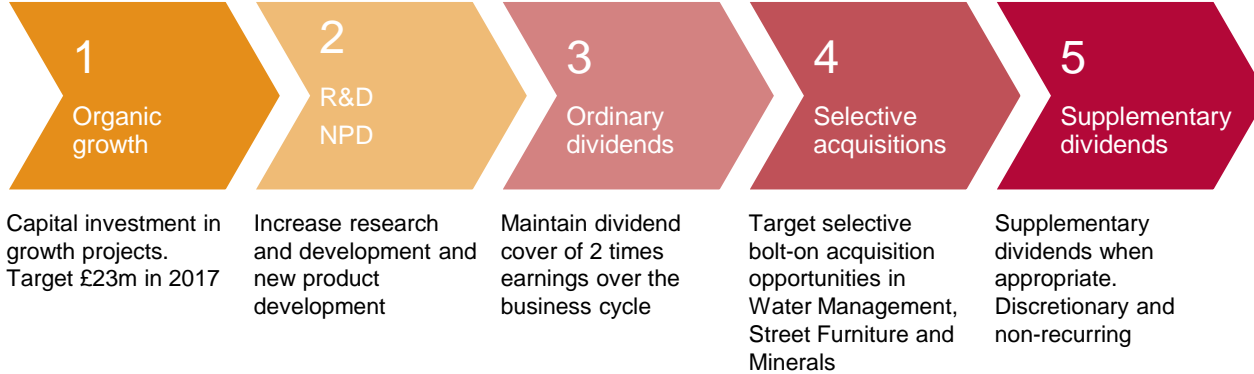
Bank Facility Headroom



- 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
- £1.2 million net cash at 30 June 2017 (2016: £8.8 million net debt)
- Final and supplementary dividends of £17.4 million paid on 30 June 2017
- On a comparable (pre-dividend) basis – cash balance of £18.6 million
- Bank debt capacity of £105 million
- Significant capacity to fund organic investment plans and selective acquisitions

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Pensions

Balance Sheet

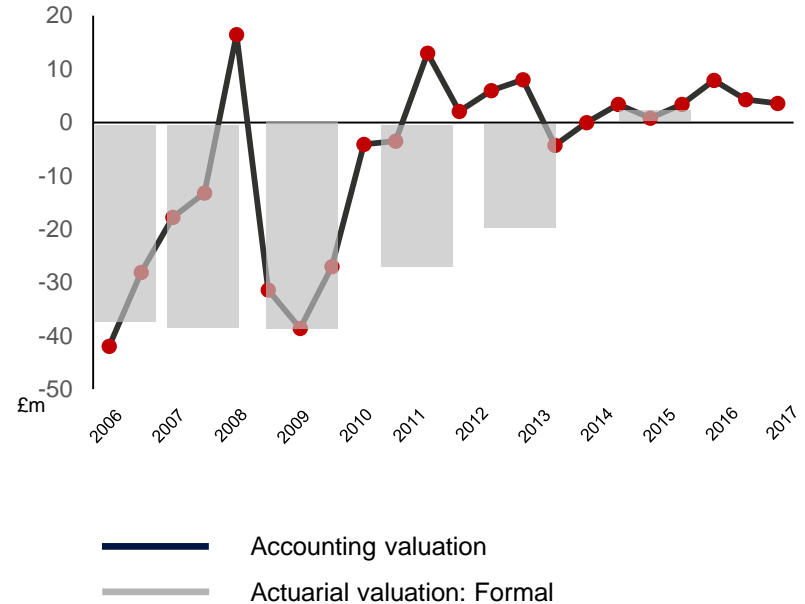
- Company contributions to DB Scheme reduced to zero under agreed Recovery Plan
- HYE 2017 surplus of £3.6 million (YE 2016: surplus of £4.3 million)

Income Statement

- Net service cost: £0.2 million debit (2016: £0.2 million debit)

Defined Contribution Scheme

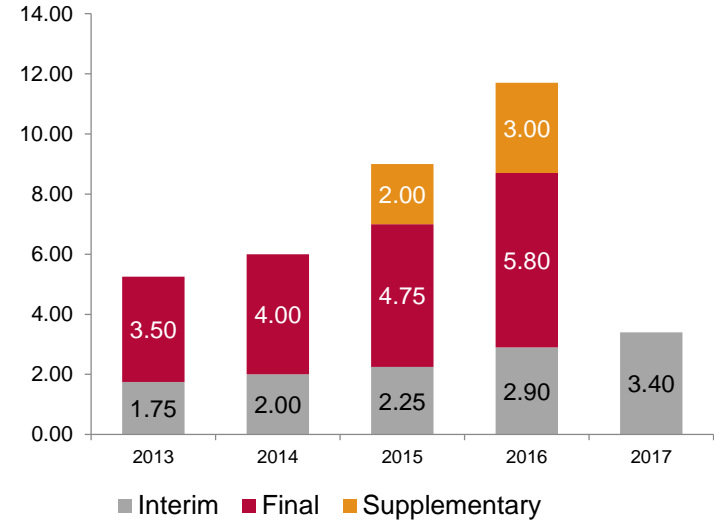
- New DC Scheme within a Master Trust operated by Aviva / Friends Life
- Much improved proposition for the majority of Group employees



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Dividends

- Progressive ordinary dividend policy
- 2017 interim dividend 3.40p (17% up)
- 2x cover
- Supplementary dividend: discretionary and non-recurring





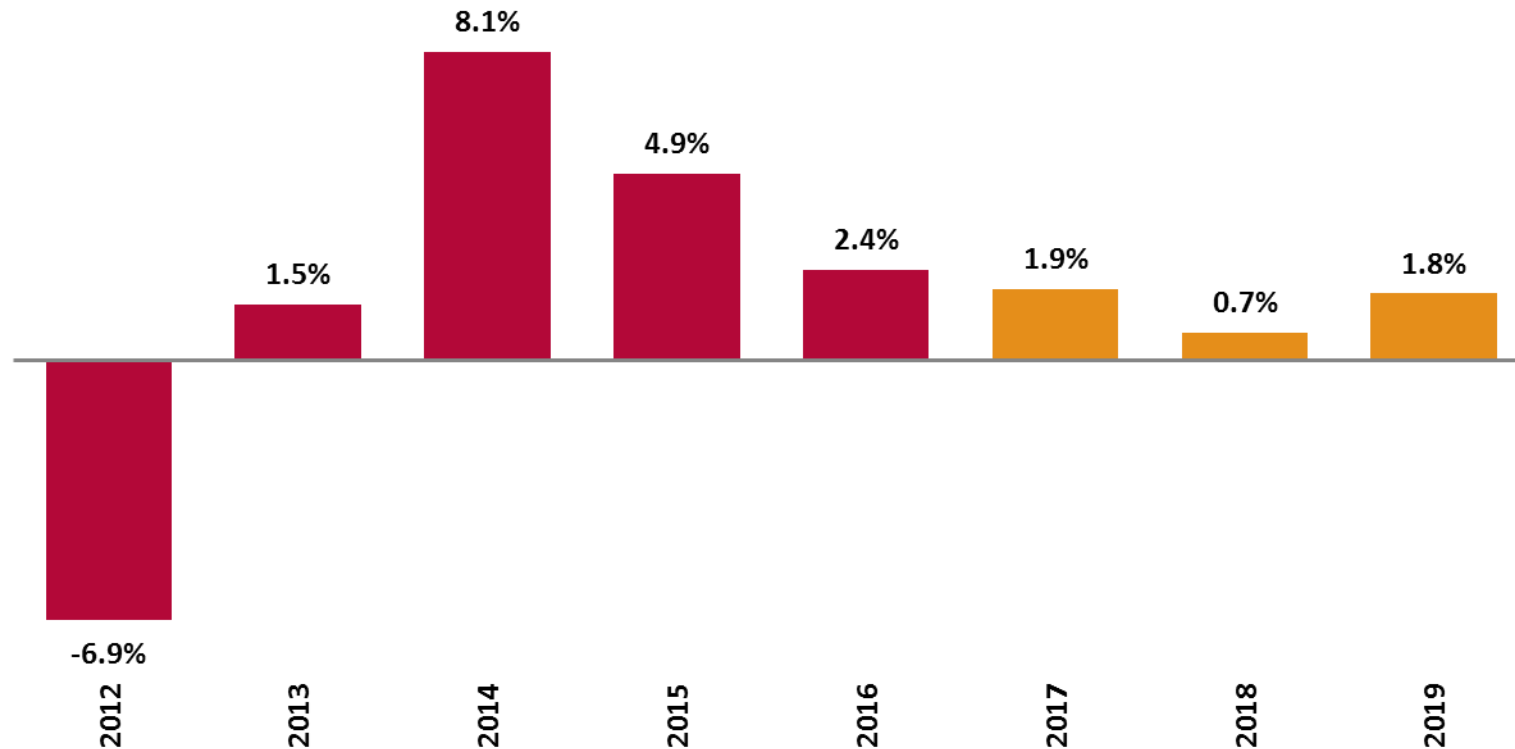
The Market

Half Year

2017 Results

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CPA Total Construction Output Forecasts (% growth)





The Public Sector & Commercial Market

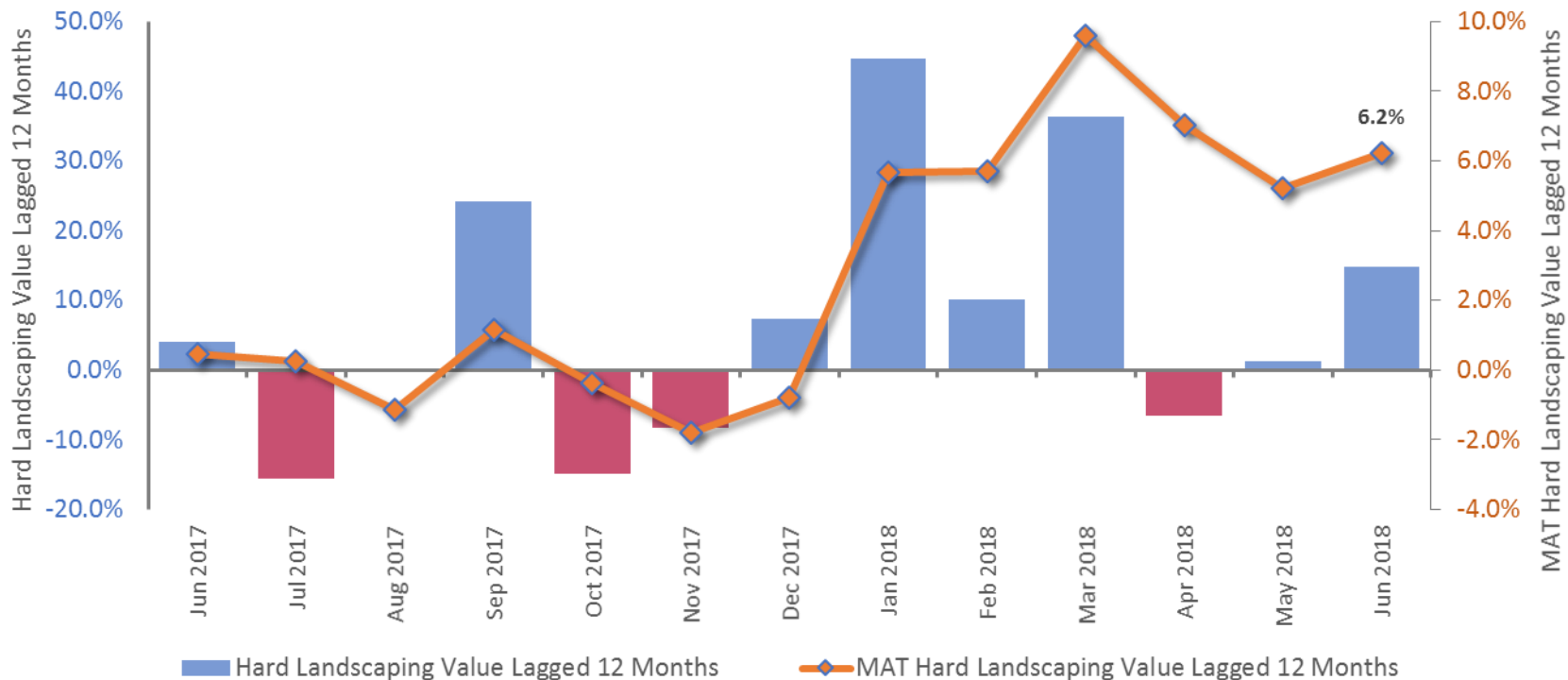
Half Year

2017 Results

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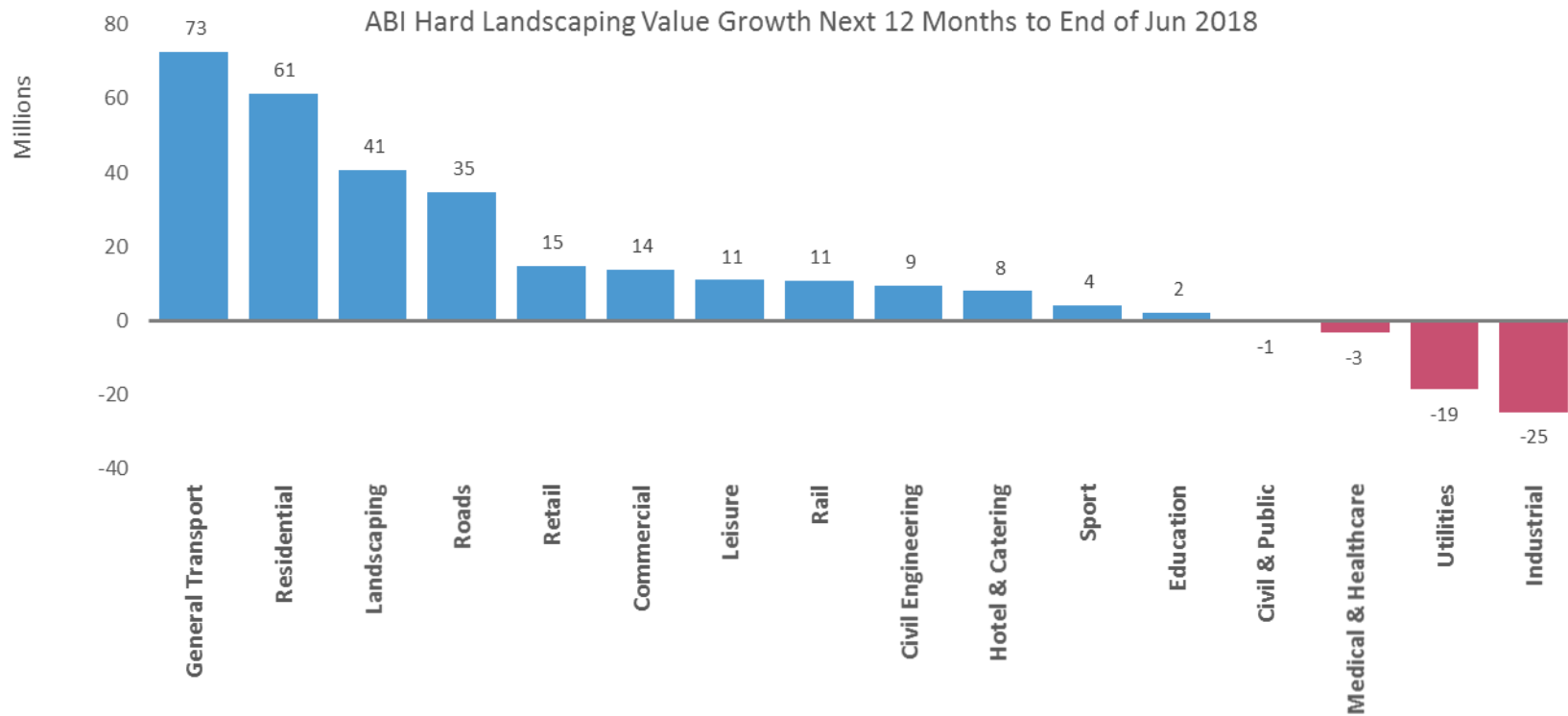
ABI Lead Indicator Hard Landscaping

All Scapes Next 12 Months Hard Landscaping Value % Change



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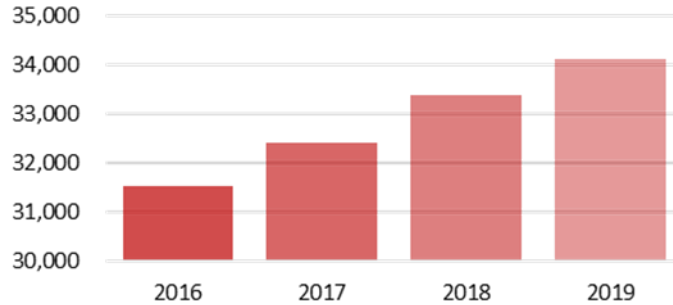
ABI Hard Landscape Scapes



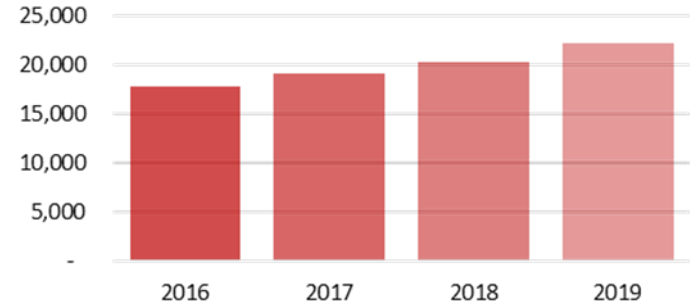
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Commercial Market Environment Through to 2020

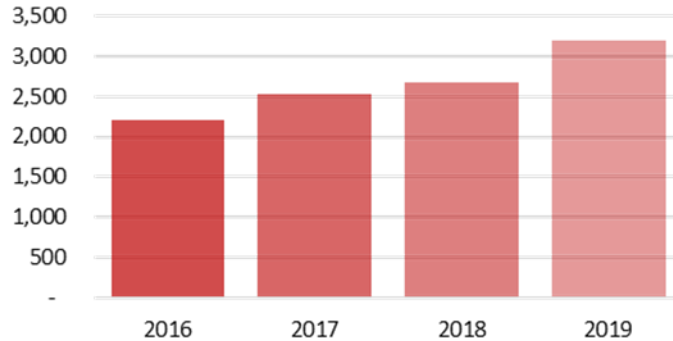
New Housing CPA Central Forecast - £m 2013 Prices



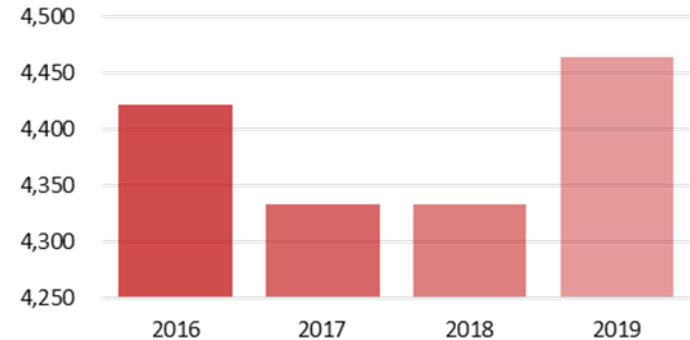
Infrastructure Total CPA Central Forecast - £m 2013 Prices



Rail CPA Central Forecast - £m 2013 Prices



Roads CPA Central Forecast - £m 2013 Prices

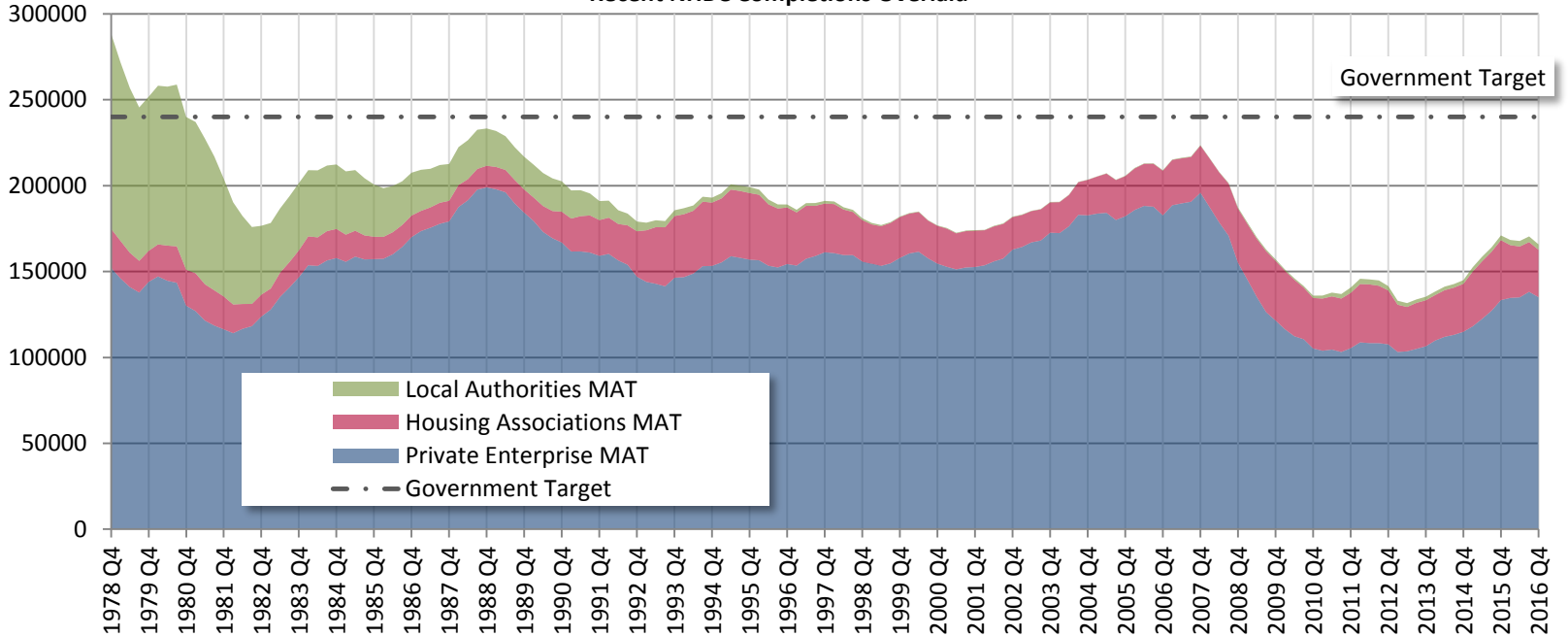


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Housing – Continued Demand

Historical Government Statistics - Dwellings Completed MAT

Recent NHBC Completions Overlaid



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Housing – New Product Launch: Key pave



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Housing – New Product Launch: Urbex



Urbex
Utility Riven Paving

Marshall's
Creating Better Spaces

The ideal paving choice for any residential driveway.

- Attractively riven face, creating a clean, modern paving solution.
- Available in Marshall's best quality natural and stone color ranges.
- Proven to have been used successfully in the most difficult situations to provide a long-lasting, low-maintenance paving solution.

Product Code	Product Name	Thickness (mm)	Product Size (mm)	Weight (kg)	Area (m ²)	Volume (m ³)	Notes
URBEX-001	Utility Riven Paving, Natural	40	600 x 400	1.0	0.24	0.010	Standard
URBEX-002	Utility Riven Paving, Stone	40	600 x 400	1.0	0.24	0.010	Standard



Urbex
Utility Riven Paving

Marshall's
Creating Better Spaces

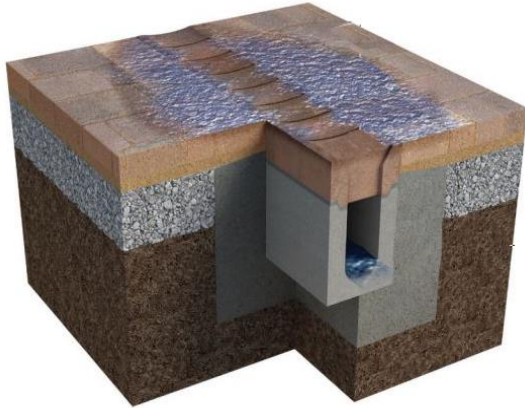
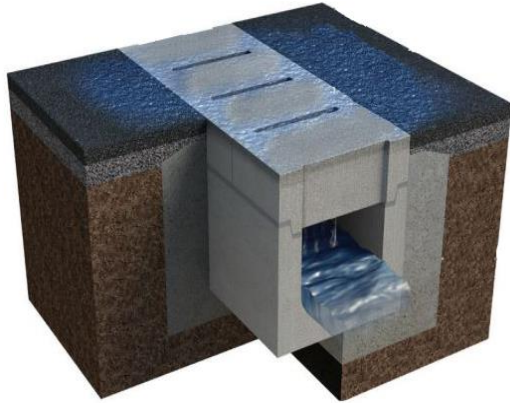
The ideal solution for commercial and residential areas.

- Attractively riven face, creating a clean, modern paving solution.
- Available in Marshall's best quality natural and stone color ranges.
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URBEX-002	Utility Riven Paving, Stone	40	600 x 400	1.0	0.24	0.010	Standard

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Roads – Water Management



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Rail

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From platform copings to tactile paving and concrete flags, the Marshalls Rail portfolio offers the perfect solution for underground and overground stations.

A100 Combined Coping & Tactile

The A100 combined is compliant with Network Rail and British Standards and ensures faster installation in comparison with a traditional loop paving unit.

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CMA raises competition concerns over SW franchise award to First MTR

The government's award of the South West franchise to CMA CGM Rail has raised concerns about the impact on the industry, says a senior industry source.

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Domestic Householders

Half Year

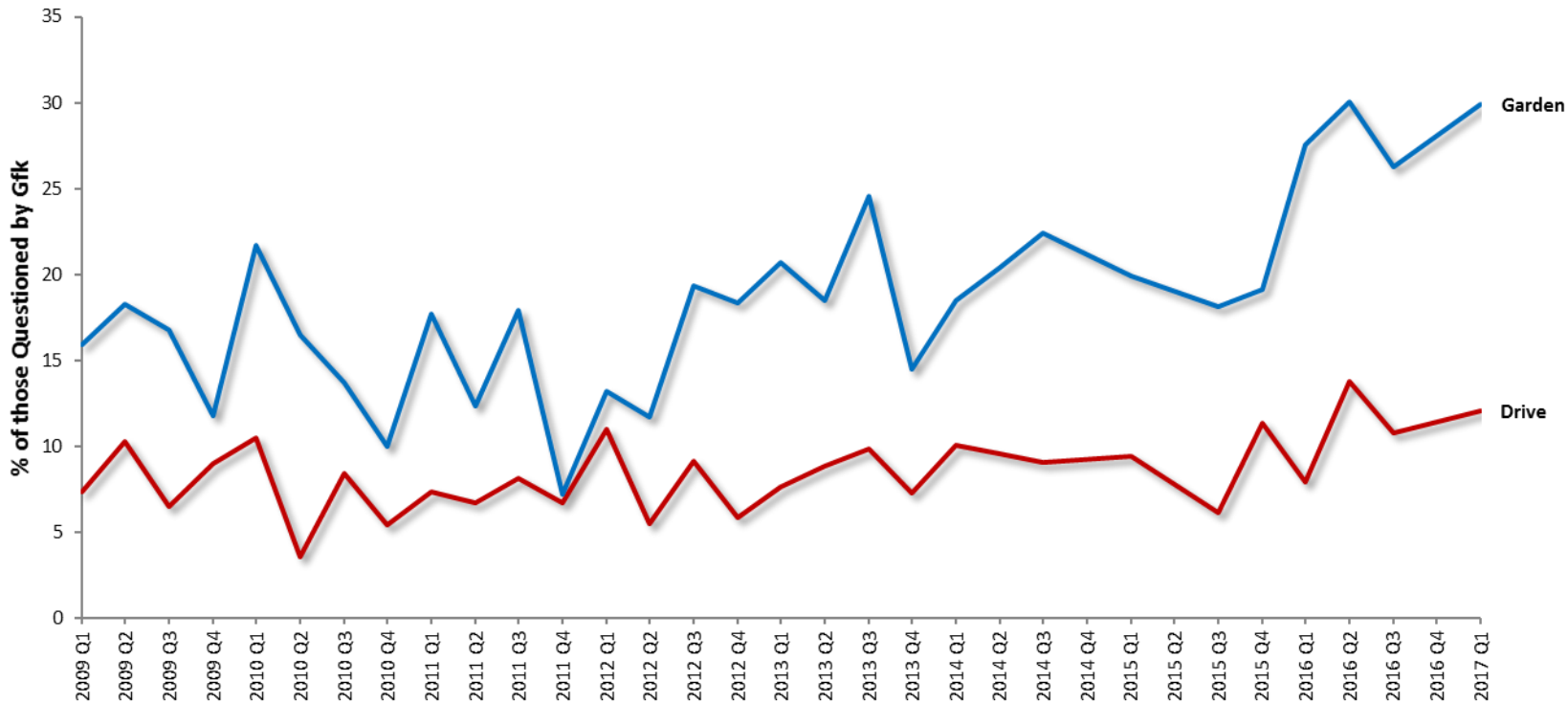
2017 Results

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Consumer Intentions

GfK £50k+ Household Income - Consumer Intentions

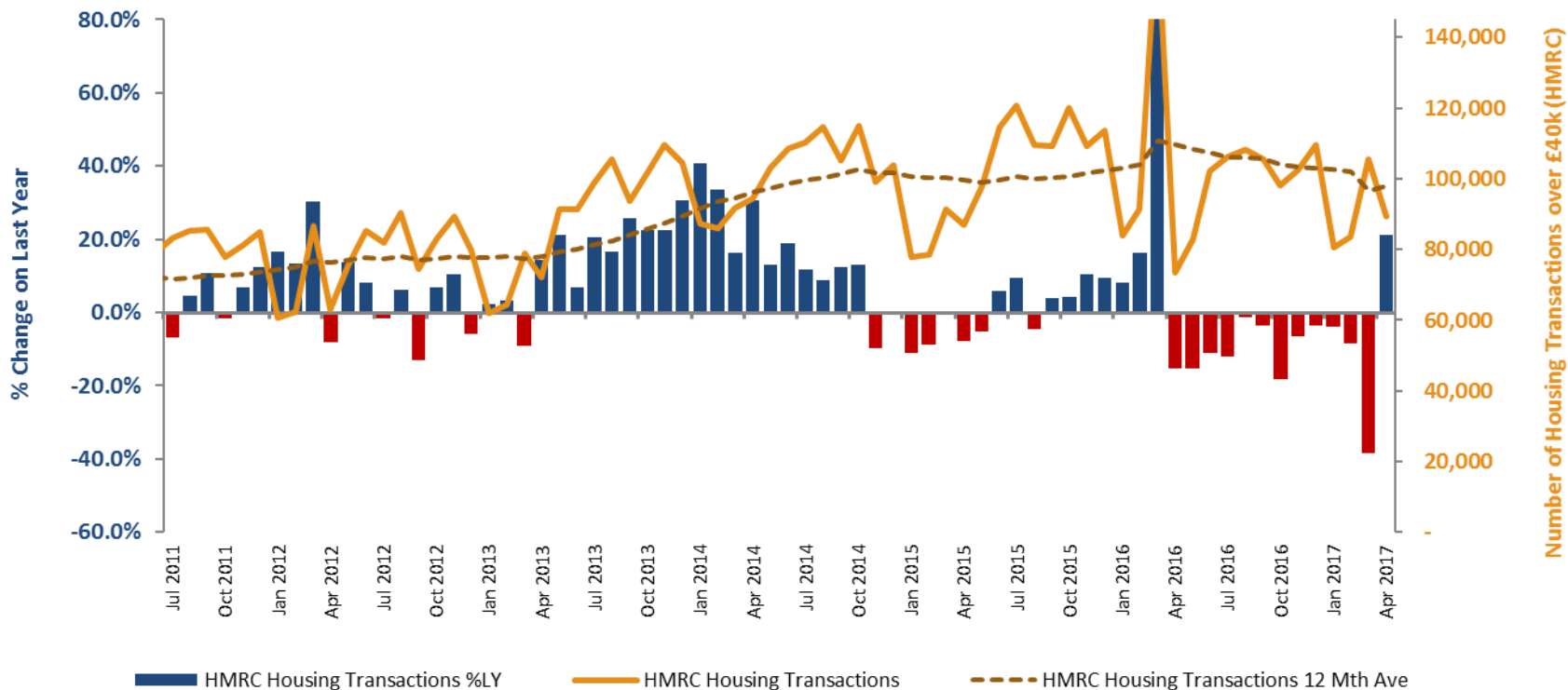
"Which of the following improvements are you likely to make to your home over the next 12 months?"



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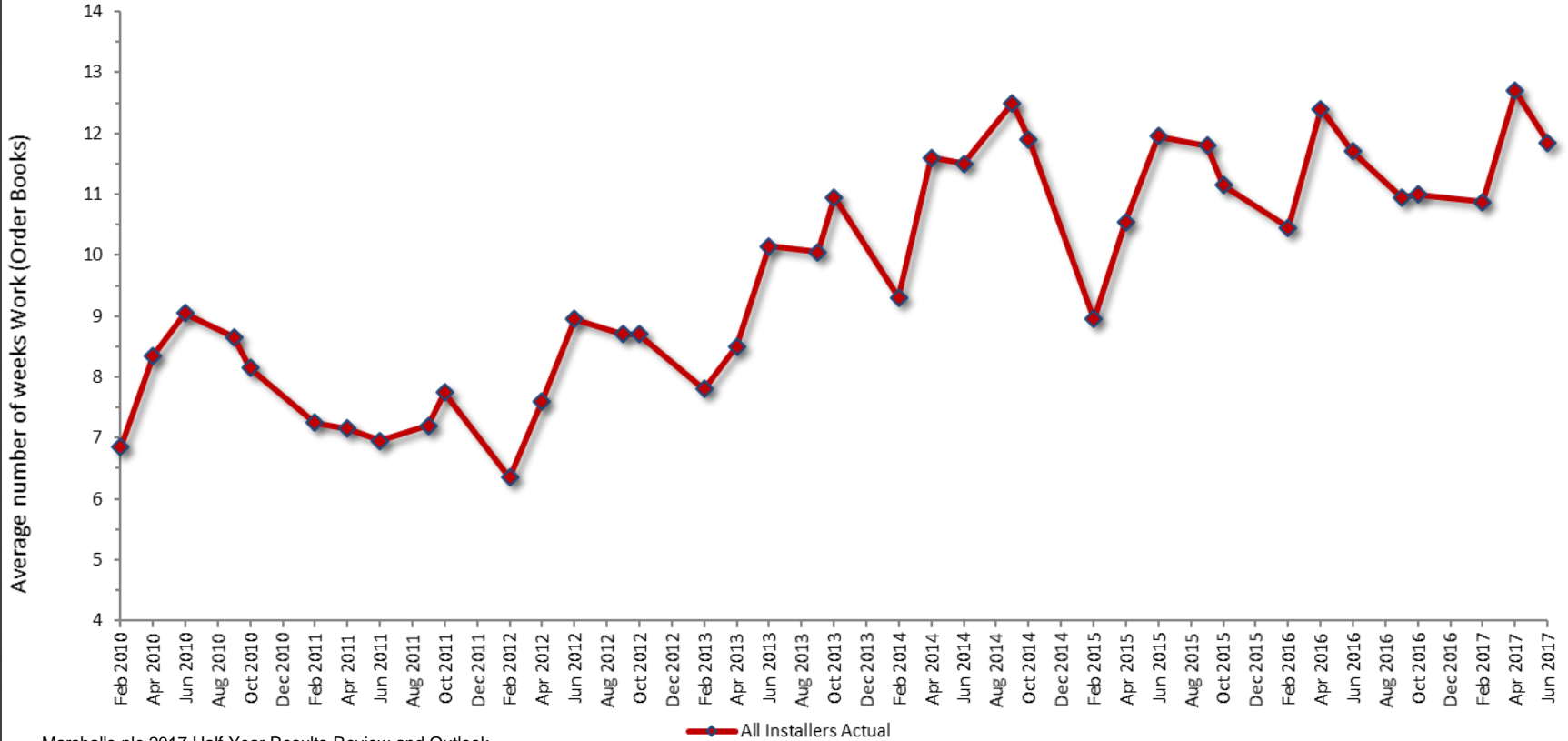
Housing Transactions

HMRC Housing Transactions over £40k



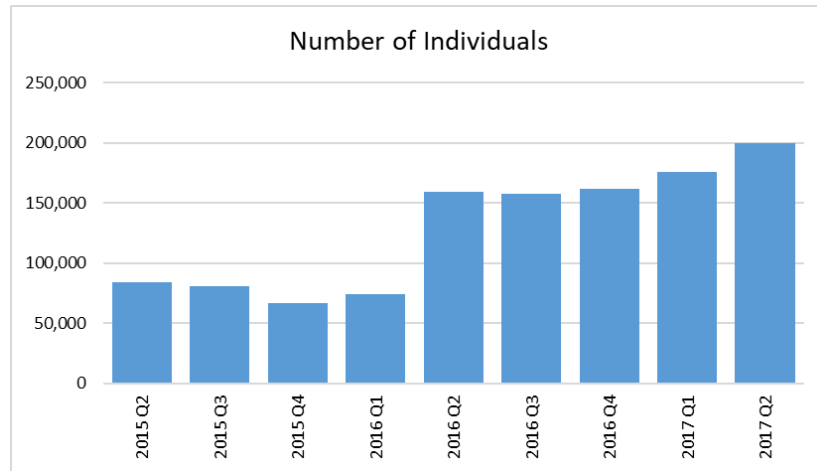
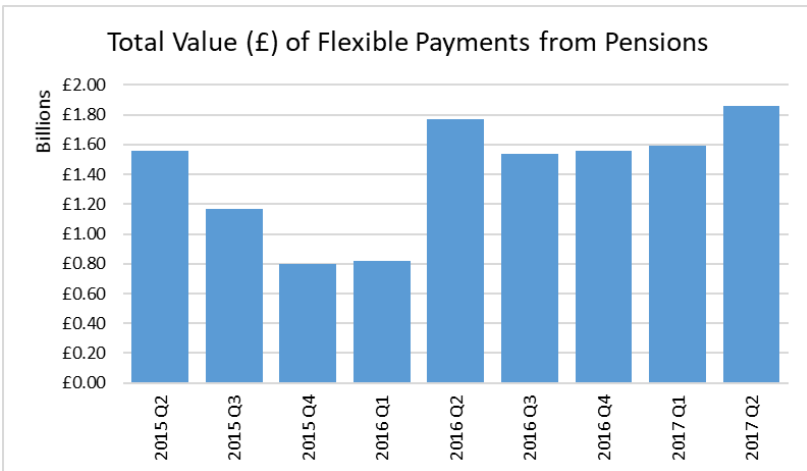
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Installer Order Books



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Pension Release



Average Cost of Driveway installed
£6,000

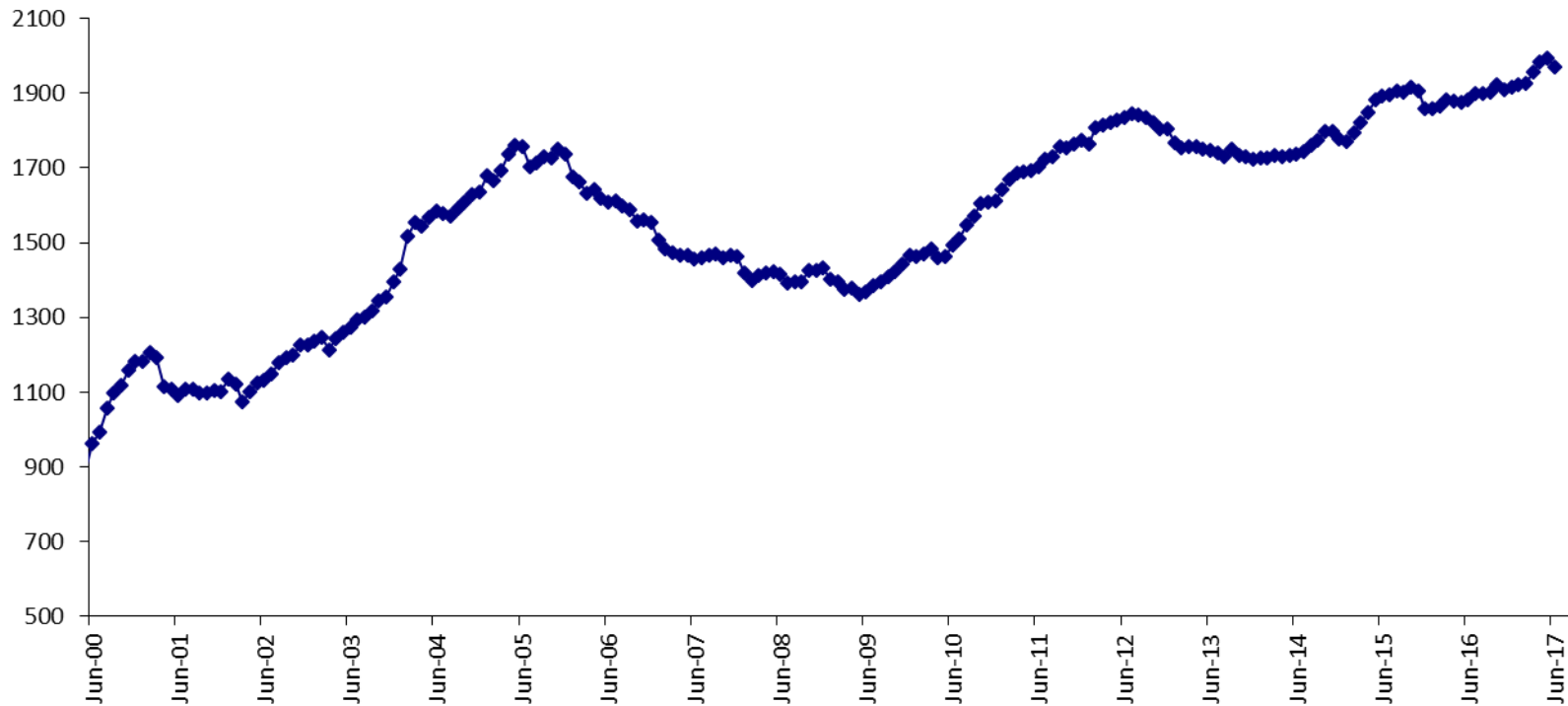


Average Cost of Patio installed
£5,000

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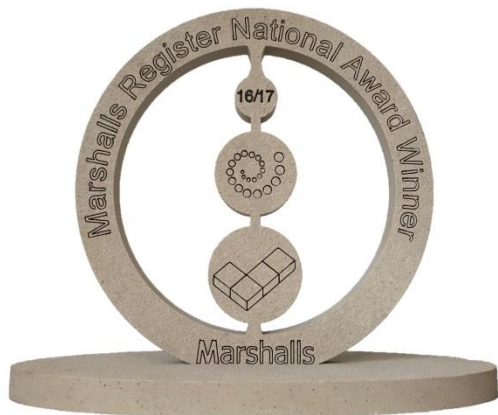
The Marshall's Register

Approved Landscape Teams



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Annual Marshalls Register Awards



1. Best Driveway Transformation Over 70m²
2. Best Driveway Transformation Under 70m²
3. Best Patio Transformation Over 35m²
4. Best Patio Transformation Under 35m²
5. Most Creative Use of Marshall's Products
6. Best Use of Ethically Sourced Fairstone
7. Best Use of a New Marshall's Product
8. Best Engineering Achievement
9. Best Permeable Driveway
10. Best Project by a New Register Member

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National Award Winners

Best Driveway Transformation over 70m²



Best Driveway Transformation under 70m²



Best Patio Transformation over 35m²



Best Patio Transformation under 35m²



Delivering the 2020 Strategy Marshalls Register Overall Winner 2016



Garden TLC

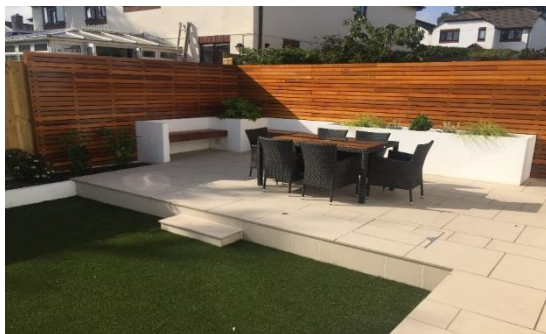
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Marshalls Register Contractor of the Year 2016



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Domestic New Product Expansion



Not all artificial grass is created equal





Smaller UK Businesses

Half Year

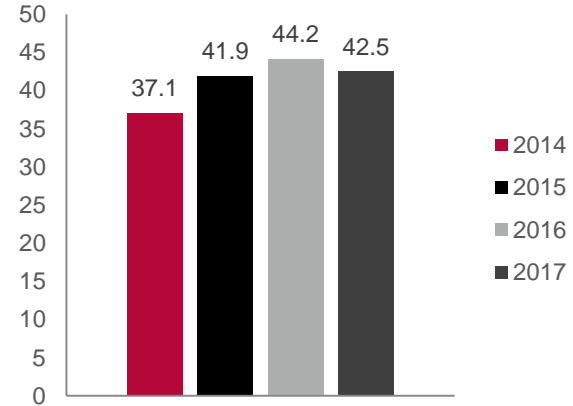
2017 Results

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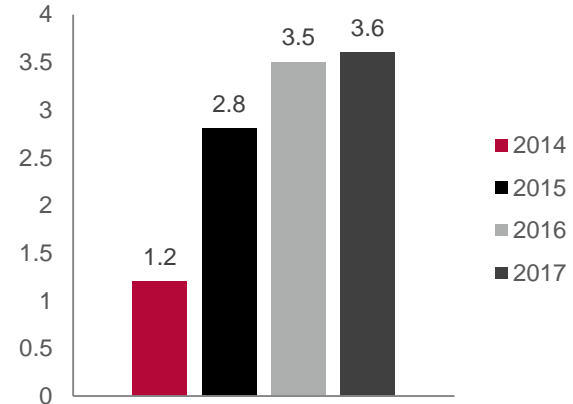
Smaller UK Businesses

- The Smaller UK Businesses are an important growth driver to the 2020 Strategy
- Comprises Street Furniture, Cladding, Mineral Products, Natural Stone Paving and Premier Mortars
- HY 2017 operating profit: £3.6m
- Market share increasing – considerable potential remains

Half year revenue (£'m)

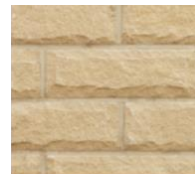


Half year operating profit (£'m)



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Premier Mortars, Screeds & Walling



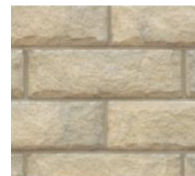
Comwell Pitched, Yorkstone



Comwell Split Face, Yorkstone



Comwell Rustic, Yorkstone



Comwell Pitched, Weathered



Comwell Split Face, Weathered



Comwell Rustic, Weathered



Comwell Pitched, Brown



Comwell Split Face, Brown



Comwell Rustic, Brown



Comwell Pitched, Ash



Comwell Split Face, Ash



Comwell Rustic, Ash

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Landscape Protection

UK terror threat levels

Current international
terror threat level

SUBSTANTIAL

There are five
levels of threat



CRITICAL

An attack is expected imminently

SEVERE

An attack is highly likely

SUBSTANTIAL

An attack is a strong possibility

MODERATE

An attack is possible but not likely

LOW

An attack is unlikely

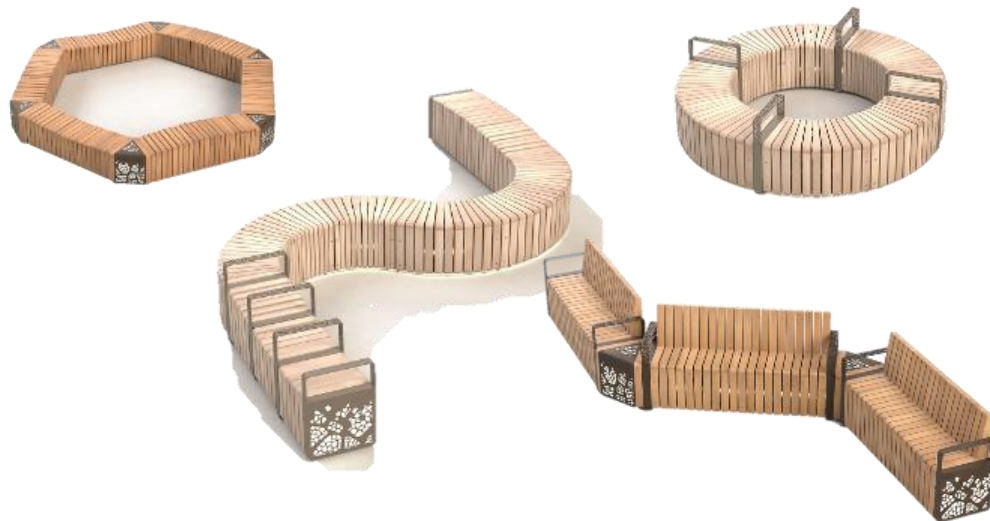


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Public Realm – Marshalls Landscape Furniture

DESIGN INSPIRATION

Biophilic design...bringing nature into urban spaces.



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Self Help

- Important part of the 2020 Strategy
- Original objective to invest £15m over 3 years to reduce cost base by £5m per annum
- Majority of £23m spend in 2017 well underway
- Majority of savings in 2018/19
- Natural stone investment phase 1 complete with expected yield improvement of over 10%
- AGV robots this year, vehicles next year
- Block paving update commenced in St Ives / Eaglescliffe
- Crusher ordered – due this year



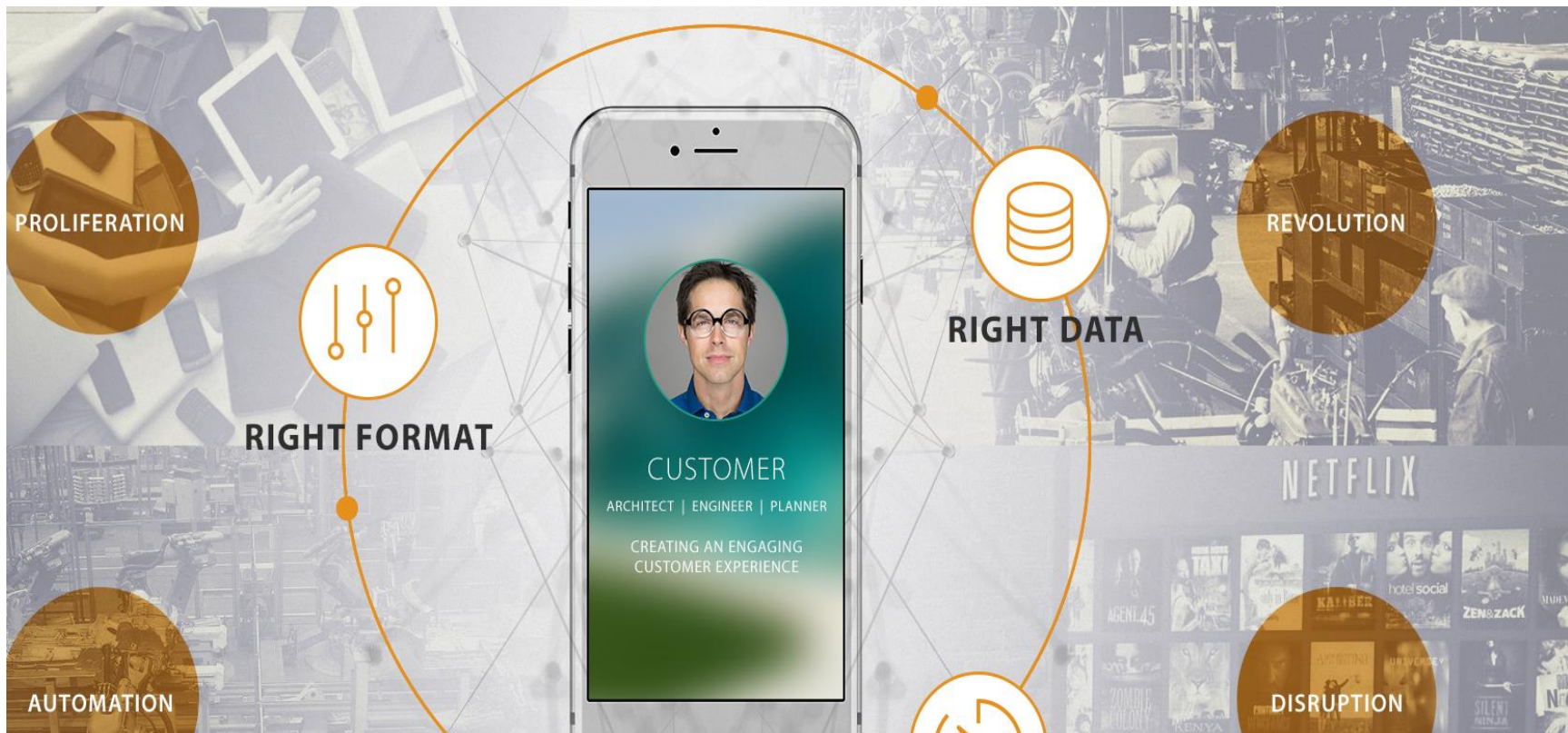
2020 Strategy Update

Half Year

2017 Results

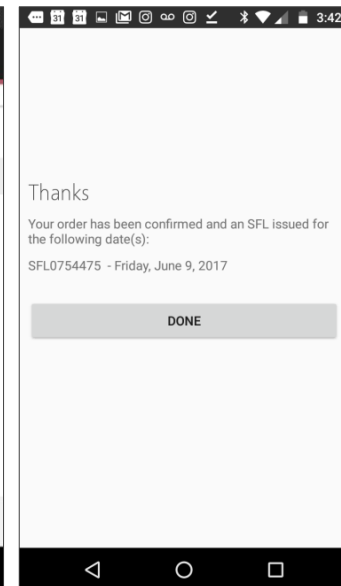
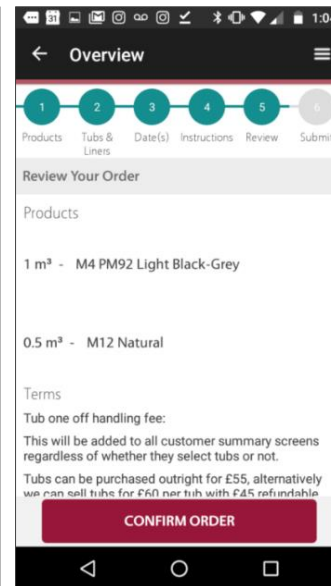
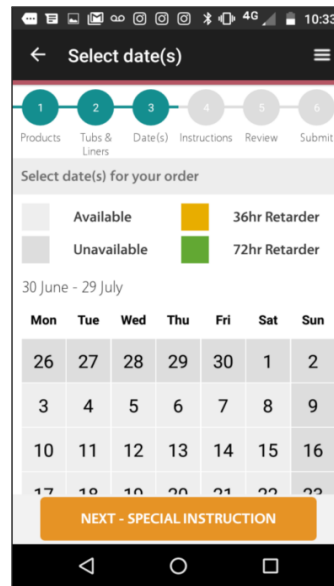
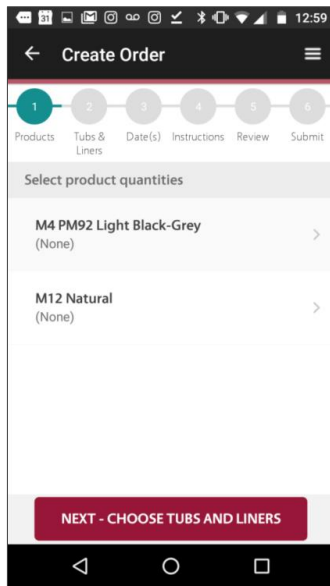
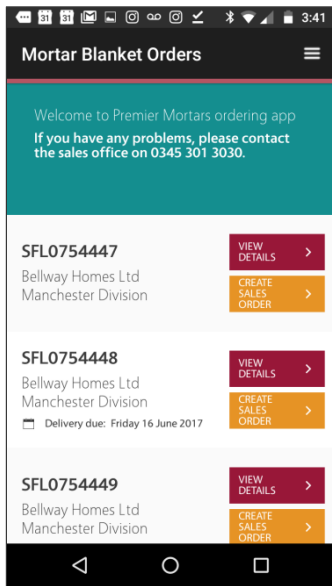
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Digital Strategy: Business Wide

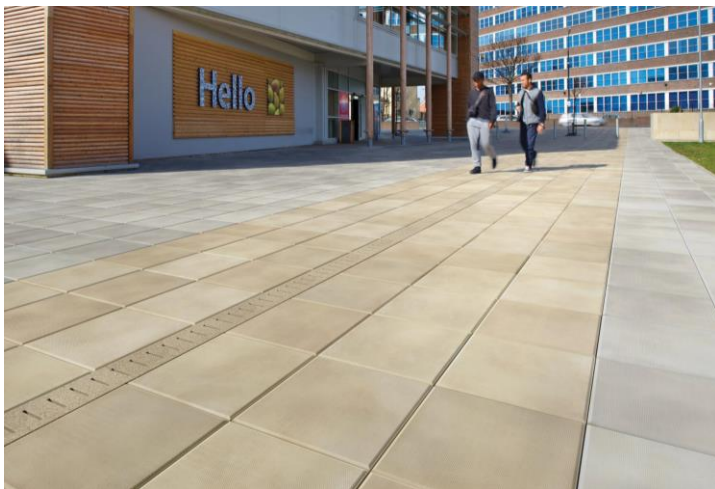


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Marshalls Premier Mortars Ordering App



Delivering the 2020 Strategy Acquisitions

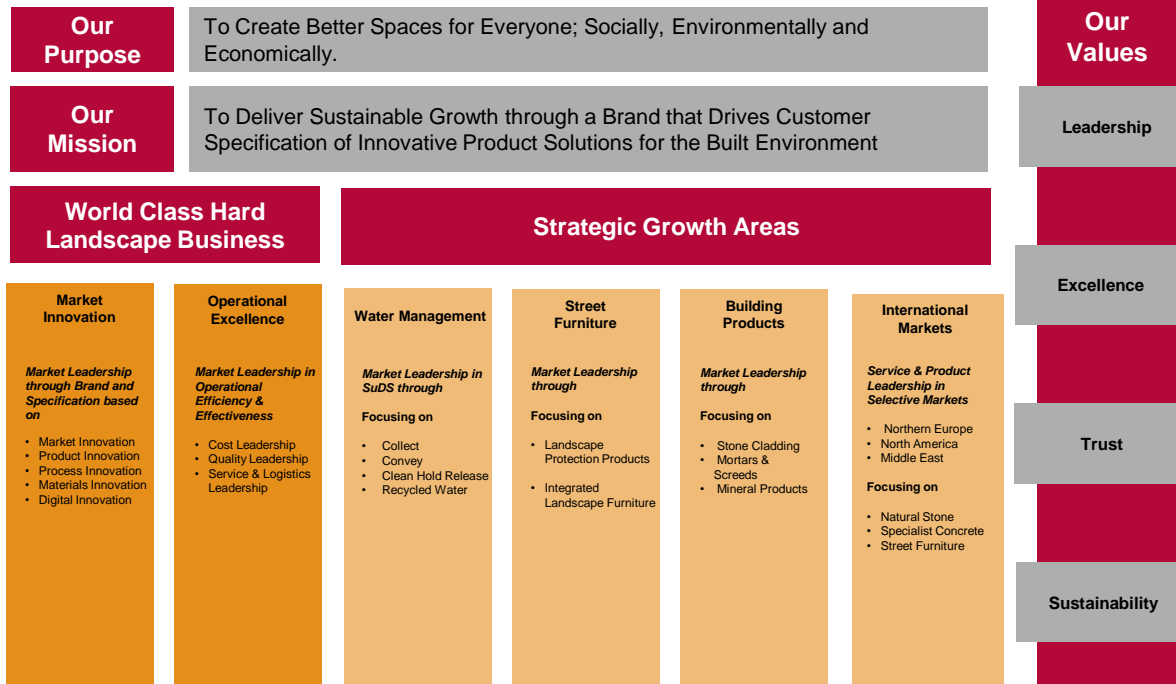


CPNI
Centre for the Protection
of National Infrastructure



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Marshalls 2020 Strategy



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2020 Update

- Good start to 2017 PBT + 16%
- Self Help programme savings of £5m well advanced
- Smaller UK Businesses increasing profitability
- NPD increasing particularly in PSC
- Digital strategy providing real benefits
- Acquisition targets being pursued – selective and investment criteria in place
- 2020 Strategy remains on target to drive shareholder returns



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Summary

- Revenue growth – up 8%
- EBITDA – up 13%
- Continued improvement in ROCE – up 380 basis points to 23.7%
- Interim dividend – up 17%
- Strong PBT growth – up 16%
- Strong operational cash flow
- Good medium term market fundamentals
- Increasing market share through service/product
- Acquisition strategy advancing
- Brexit uncertainty
- Well placed to deliver continued growth and operational profit improvements
- Board remains confident of achieving its expectations for 2017



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Appendices

Half Year
2017 Results

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Construction Products Association

£m / % change	2015 Actual	2016 Actual	2017 Forecast	2018 Forecast	2019 Forecast
Housing					
	28,657	31,528	32,431	33,404	34,117
	3.3%	10.0%	2.9%	3.0%	2.1%
Other New Work					
	57,730	57,854	58,773	58,956	61,121
	11.4%	0.2%	1.6%	0.3%	3.7%
Repair, Maintenance and Improvement					
Private Housing	17,065	17,972	18,871	18,682	18,308
	2.0%	5.3%	5.0%	-1.0%	-2.0%
Total	47,999	48,201	48,962	48,794	48,394
	-1.0%	0.4%	1.6%	-0.3%	-0.8%
Total All Work	134,386	137,583	140,165	141,160	143,638
	4.9%	2.4%	1.9%	0.7%	1.8%

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Profit for the Financial Period

	HY 2017 £m	HY 2016 £m	Increase %
EBITDA	36.7	32.4	13
Depreciation / amortisation	(6.9)	(6.4)	
Operating profit	29.8	26.0	15
Financial income and expense (net)	(0.7)	(0.9)	
Profit before tax	29.1	25.1	16

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Additional Information and Ratios

	HY 2017	HY 2016
Interest:		
Charge	£0.7m	£0.9m
Cover	42.4 times	31.4 times
EPS		
Interim dividend	3.40p	2.90p
Weighted average number of shares	197.4m	197.0m
Net asset value	£222.6m	£204.9m

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Financial Flexibility

	HYE 2017 Actual
EBITA: Interest charge	65.5 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
2016 YE Net Assets	217.1
Impact of movements in the period:	
Profit for the financial period	23.7
Dividends	(17.4)
Actuarial movement on pensions (after tax)	(0.4)
Hedging reserve	(0.8)
Share-based payments (after tax)	1.5
Purchase of own shares	(1.1)
Foreign currency translation differences	(0.1)
Non-controlling interest	0.1
	5.5
HYE 2017 Net Assets	222.6

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