



Marshall's

2016 Half-yearly

Results Review and Outlook

Driving Growth

Half-Yearly Presentation 2016



Agenda

- Highlights
- Financial Performance
- Market Trends
- Driving Growth
 - Commercial
 - Domestic
 - Smaller Businesses
- Self Help Investment
- Acquisition Strategy
- 2020 Update
- Outlook
- Summary
- Questions

Driving Growth

Highlights

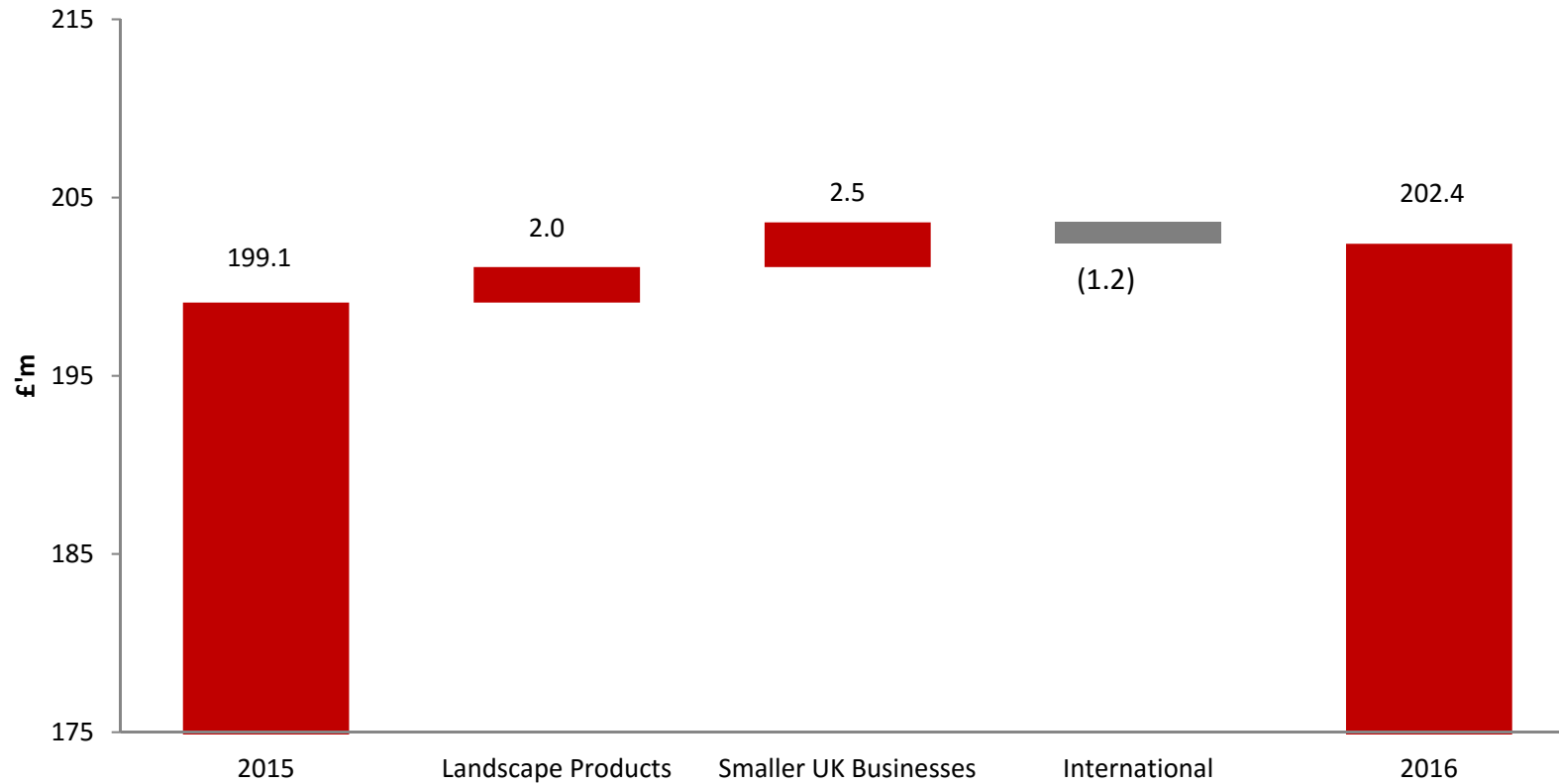


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	HY 2016	HY 2015	Increase %
Revenue	£202.4m	£199.1m	2
EBITDA	£32.4m	£29.7m	9
Operating profit	£26.0m	£22.0m	18
Profit before tax	£25.1m	£20.8m	21
Basic EPS	10.36p	8.50p	22
Interim dividend	2.90p	2.25p	29
ROCE	19.9%	15.2%	↑470 basis points
Net debt to EBITDA	0.2 times	0.7 times	

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Revenue Growth



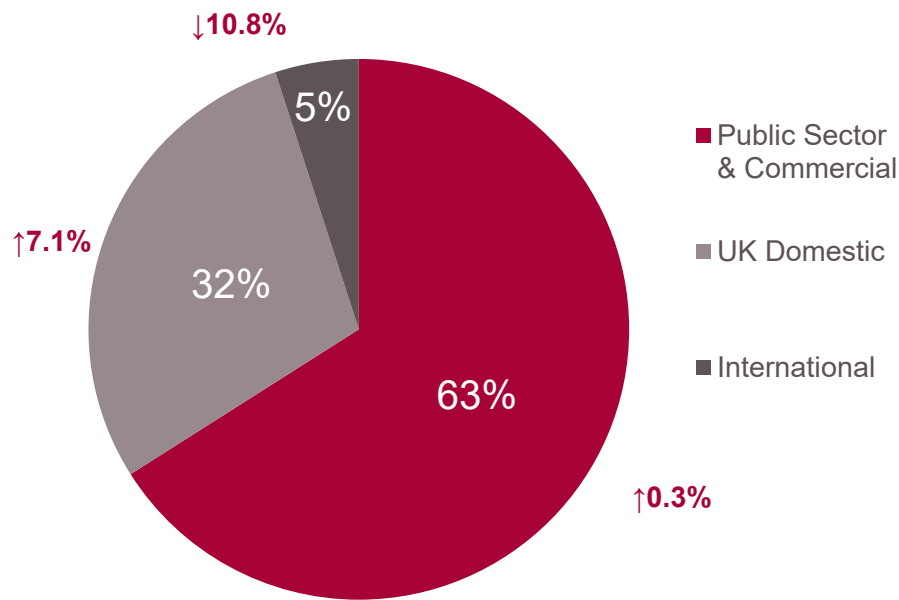
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Revenue Analysis

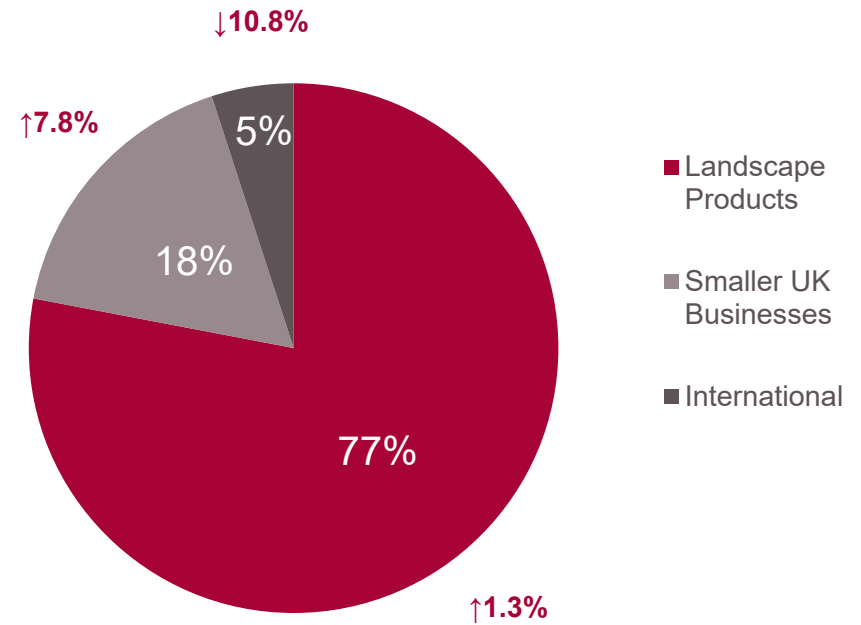


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Revenue analysis: end market



Revenue analysis: business area



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Profit for the Financial Period



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	HY 2016 £m	HY 2015 £m	Increase %
EBITDA	32.4	29.7	9
Depreciation / amortisation	(6.4)	(7.7)	
Operating profit	26.0	22.0	18
Financial income and expense (net)	(0.9)	(1.2)	
Profit before tax	25.1	20.8	21

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Margin Reconciliation



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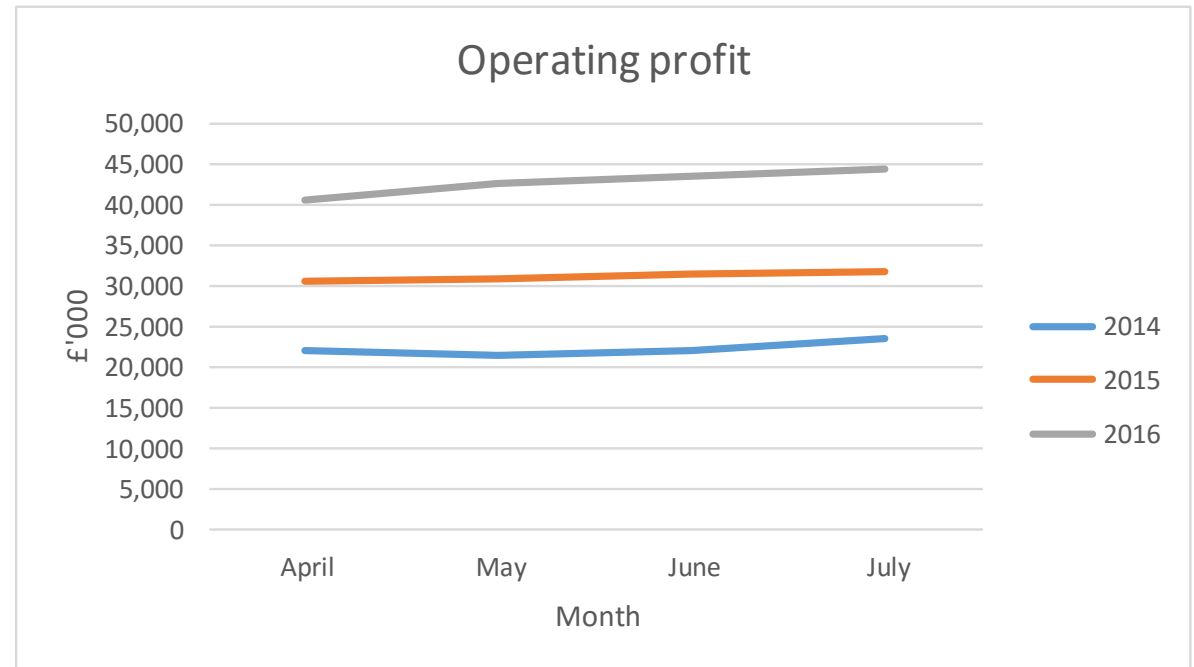
	Revenue £m	Operating profit £m	Impact on margin %
HY 2015	199.1	22.0	11.1
Landscape Products	2.0	3.2	1.3
Smaller UK Businesses	2.5	0.7	0.3
International	(1.2)	0.1	0.1
HY 2016	202.4	26.0	12.8

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Trading Growth



- Operating profit for 2016 is outperforming both 2015 and 2014



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Cash Flow from Operating Activities



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	HY 2016 £m	HY 2015 £m
Cash inflow arising from:		
Operating profit	26.0	22.0
Depreciation and amortisation	6.4	7.7
EBITDA	32.4	29.7
Net financial expenses paid	(0.6)	(1.1)
Taxation paid	(3.7)	(3.7)
Pensions paid	-	(4.3)
Net (gain) / loss on sale of property, plant and equipment	(0.1)	0.1
Receivables / payables	(18.0)	(12.7)
Inventory	(1.3)	(3.6)
Restructuring costs paid	-	(0.2)
Equity settled share-based payments and other items	0.6	1.0
Net cash flow from operating activities	9.3	5.2

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Cash Flow



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	HY 2016 £m	HY 2015 £m
Net cash flow from operating activities	9.3	5.2
Capital expenditure	(6.1)	(6.0)
Net proceeds from sale of surplus assets	0.5	0.1
Payments to acquire own shares	(1.2)	(3.4)
Sub-total	2.5	(4.1)
Finance leases / exchange differences	0.2	1.7
Movement in net debt	2.7	(2.4)
Net debt at 1 January	(11.5)	(30.5)
Net debt at 30 June	(8.8)	(32.9)
Gearing (%)	4.3%	17.9%

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Strong Track Record of Capital Discipline



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	2016	2015	2014	2013
Debtor days	34	36	42	40
Creditor days	51	51	53	64
Inventory turn (times per annum)	3.4	3.0	2.9	2.0
Liquidity ratio (Current assets: Current liabilities)	1.5	1.6	1.5	1.5
ROCE	19.9%	15.2%	10.1%	6.3%
Gearing	4.3%	17.9%	28.8%	29.0%
Net debt	8.8	32.9	50.9	53.0
Net assets	204.9	184.0	177.0	182.7

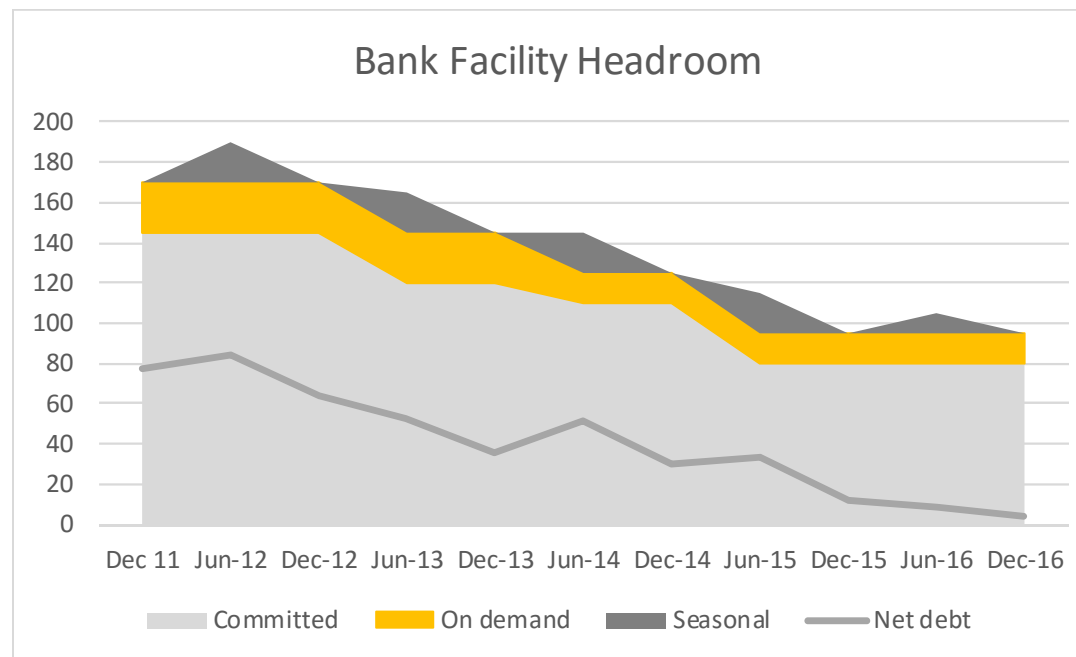
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Significant Borrowing Facilities



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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 facilities actively managed
- Comfortable facilities and headroom
- Balance of committed and uncommitted
- Comfort around covenants

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Bank Debt Capacity



- Continued strong operating cash flow
- OCF : EBITDA * - 99% (2015: 94%)
- 2016 HYE net debt – £8.8 million (2015: £32.9 million)
- Net debt: EBITDA – 0.2 times (2015: 0.7 times)
- Gearing (net debt / net assets) – 4.3% (2015: 17.9%)
- Bank debt capacity of £105 million
- Significant capacity for organic investment and acquisition

* annualised

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Pensions



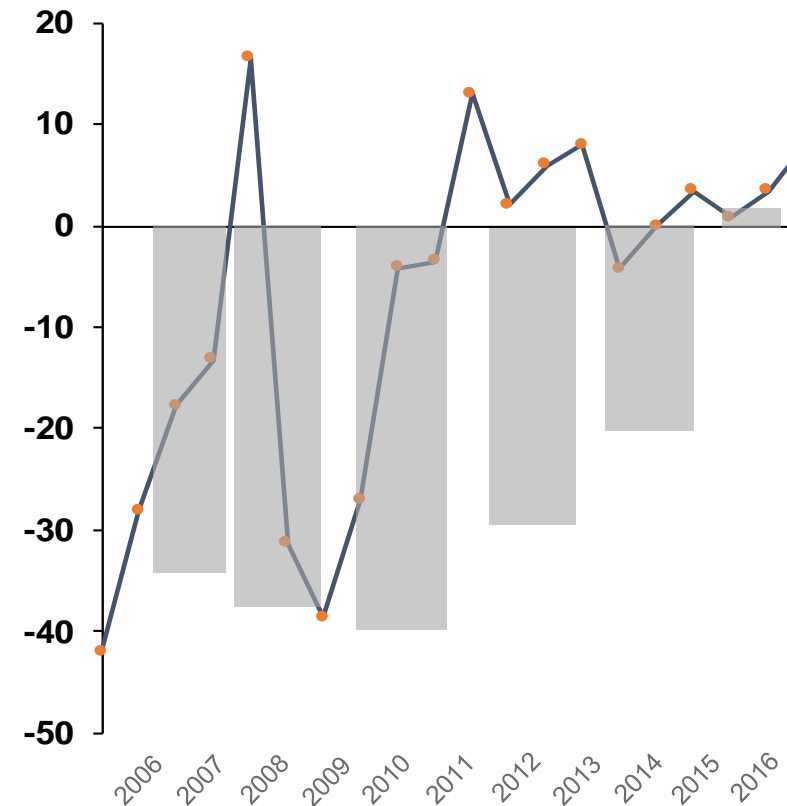
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Balance Sheet

- Company contributions to DB Scheme reduced to zero under agreed Recovery Plan. Annual cash saving of £4.6m.
- HYE 2016 surplus £7.9m (YE 2015: surplus £3.4m)

Income Statement

- Net service cost: £0.2m debit (2015: £0.1m debit)



— = Accounting valuation

— = Actuarial valuation: Formal

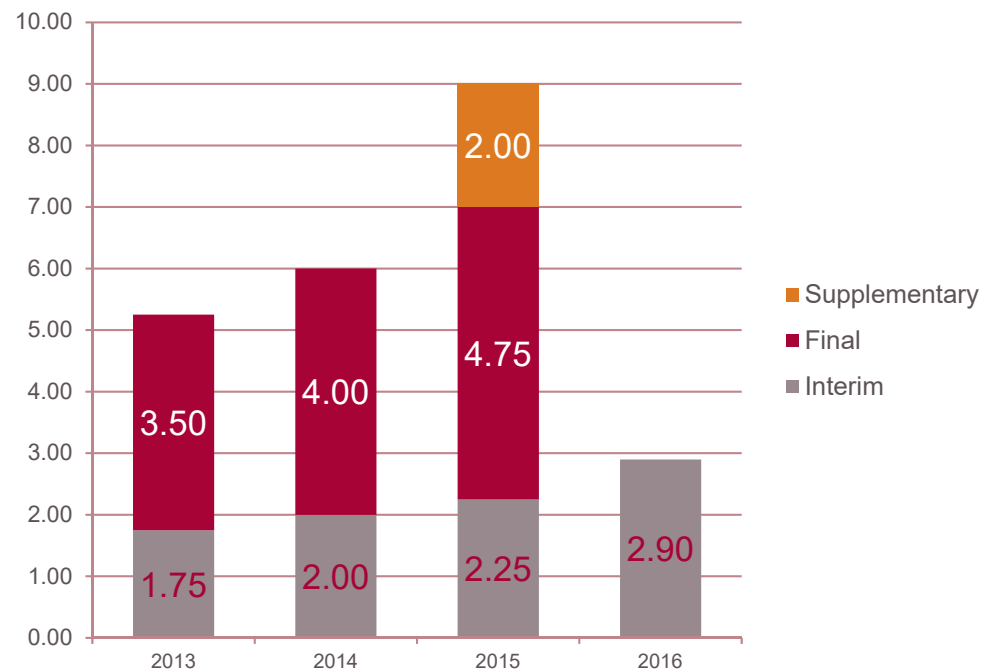
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Dividends



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- Progressive ordinary dividend policy (interim and final)
- 2016 Interim dividend 2.90p (29% ↑)
- 2x cover
- 2016 Interim dividend is 66% higher than 2013





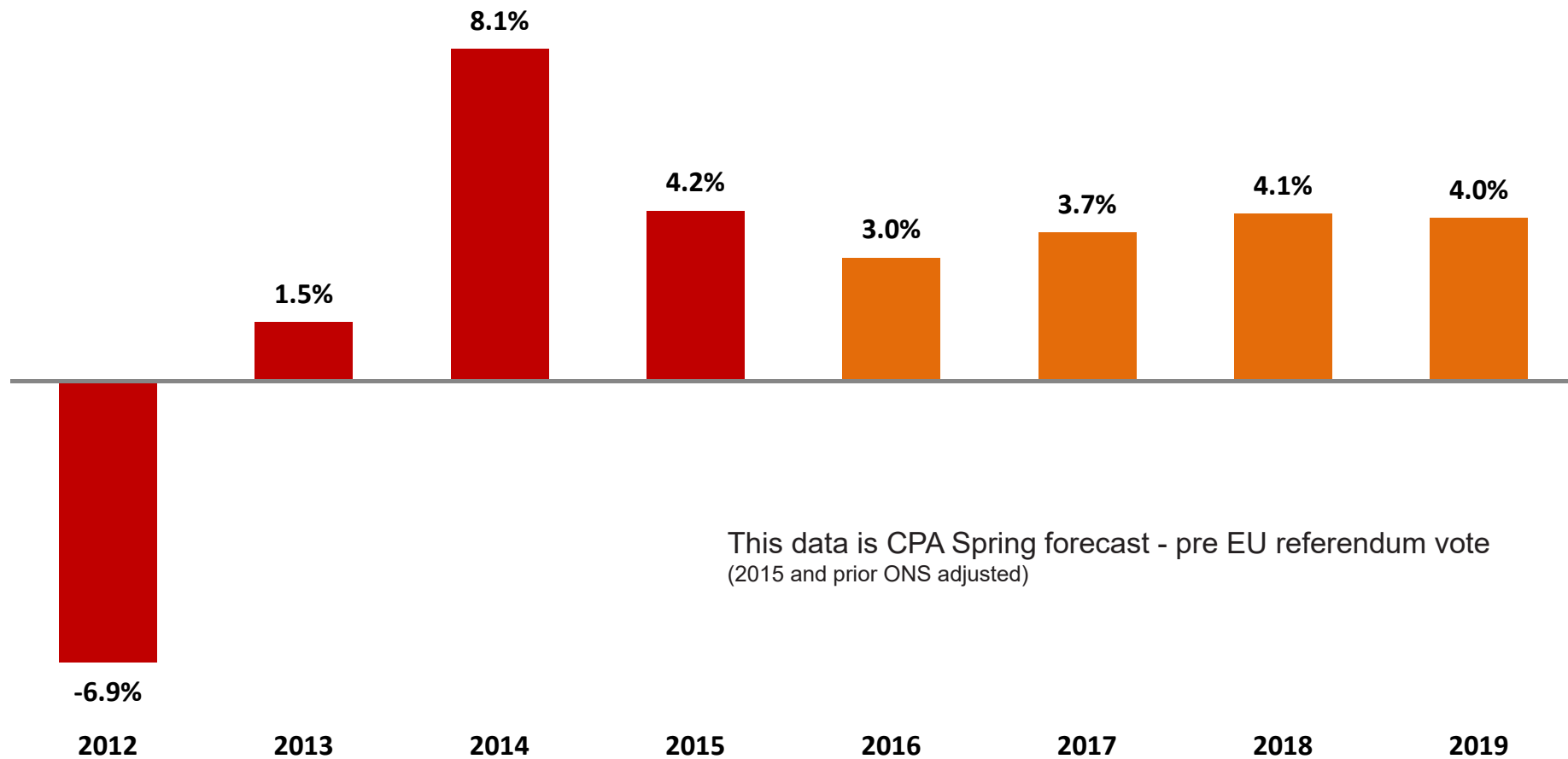
Market Trends

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CPA Forecasts (% Growth)



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Commercial

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ABI Contracts Awarded: Hard Landscaping



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**Contract Awarded (12 Month Rolling Basis)
Average of Hard Landscaping Value (ABI with 12 Month Lag)**

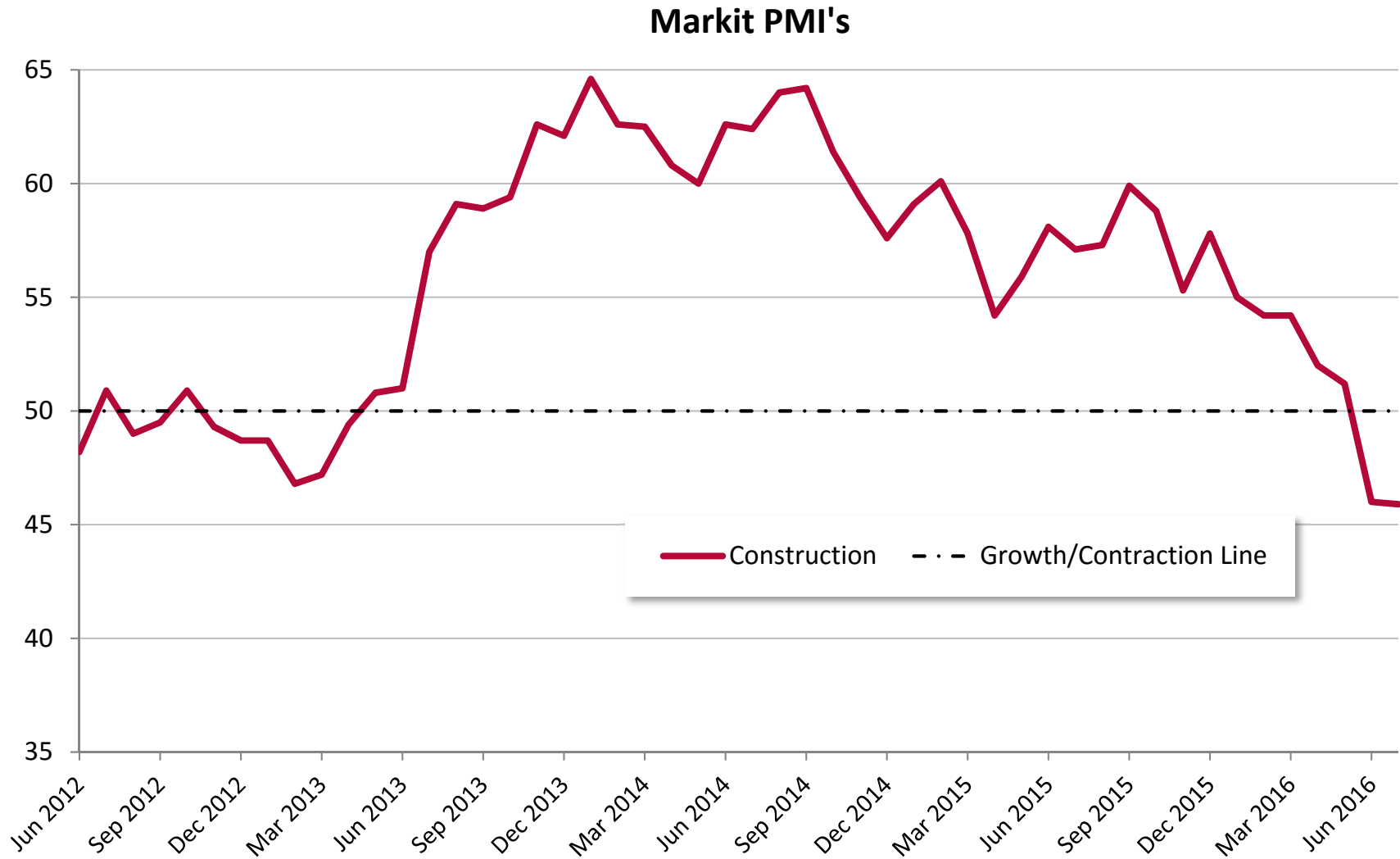


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Continuing Growth: Commercial Market Confidence



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Rail Market Product Opportunities



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Platform



Concourse



Interface

Crossrail in Numbers

Delivered – to date:

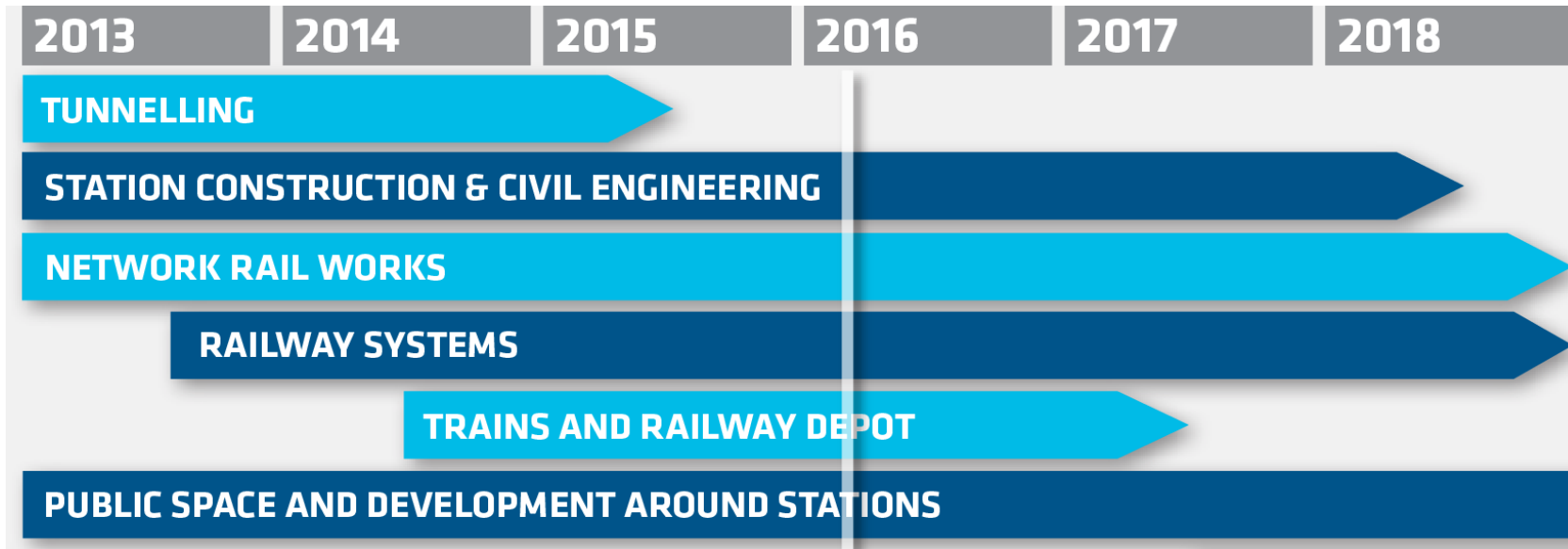
- 73 live Projects
- £5.6m Quotes
- £3.4m Specs
- £1.2m Orders
- £1.1m Sales

Driving Growth

Crossrail in Numbers



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73
live projects

140+
Contracts

£5.6
m
quotes

£3.4
m
specs

£1.2
m
orders

£1.1
m
sales

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Building a Water Management Offer for 2020



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Building a Water Management Offer for 2020



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CHANNEL DRAINAGE

STEP 1 Capacity

STEP 2 Loading

STEP 3 Aesthetics

NEW Online Hydraulic Design Software

DREXUS XL

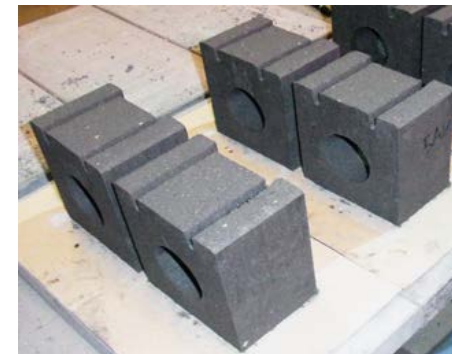
• A patented range of super high capacity channels suitable for any loading application



• A variety of top aesthetics offered on a single low capacity channel

New Product Development

• Concrete linear drainage to complement block paving



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Commercial: New Product Development



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Domestic

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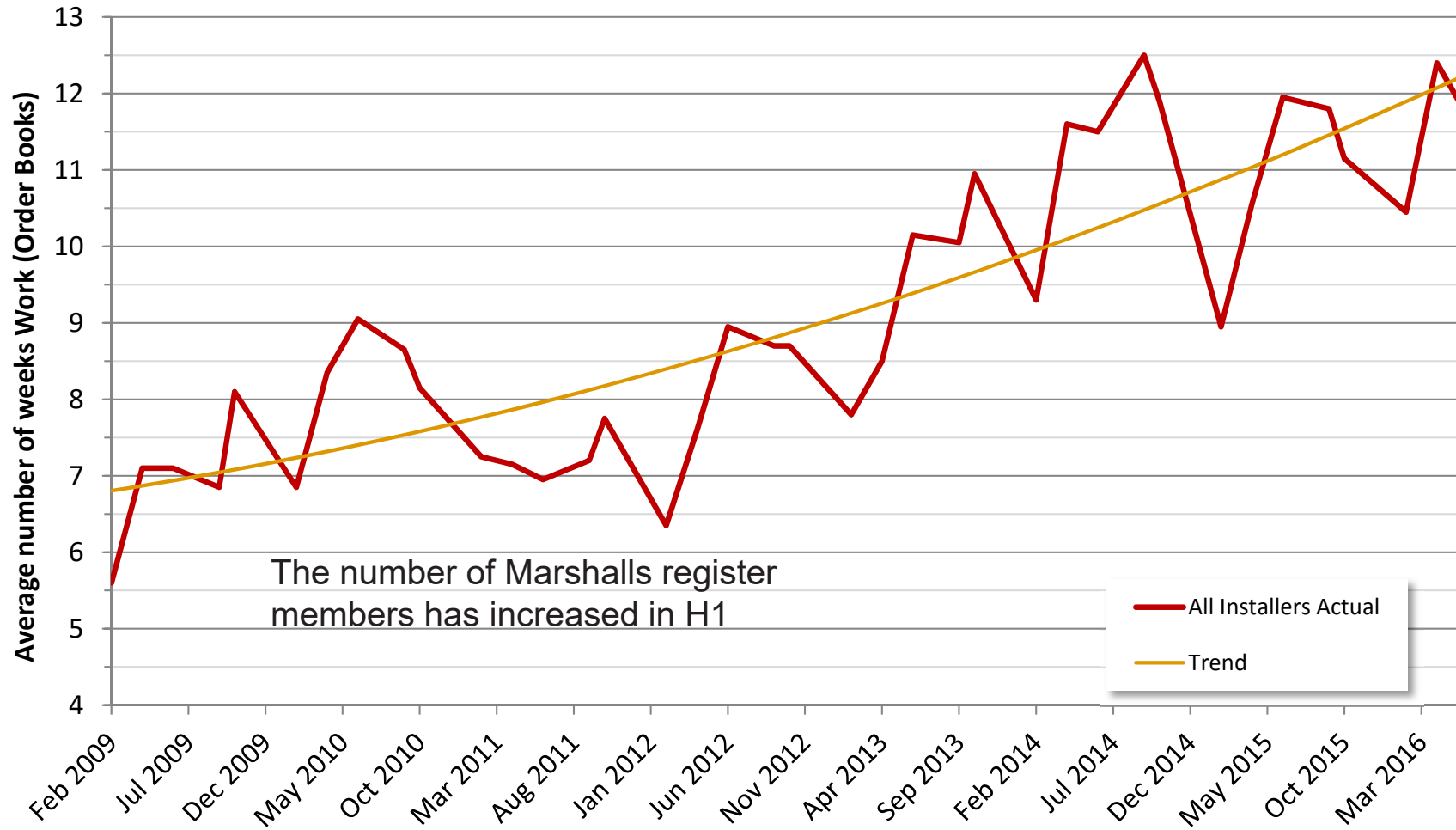
Domestic Market Stability



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Installer Order Books

(Actual Survey Result & 6 Month Moving Average)

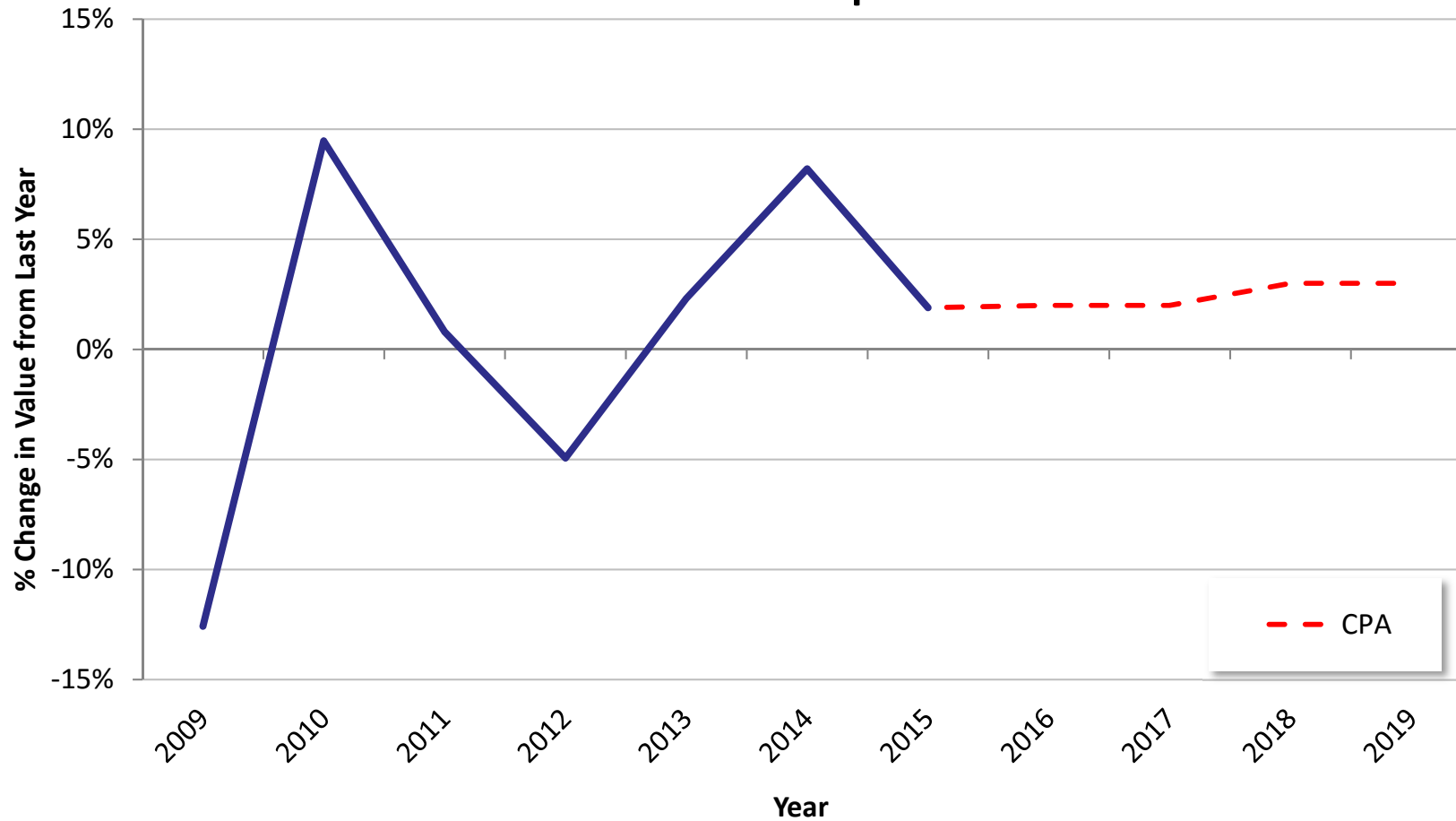


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Current Forecasts for UK Private Housing RMI Construction



Private Housing RMI % Growth on LY Forecast Comparisons



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Domestic New Product Development



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Sawn Versuro Jumbo King Size



Symphony Vitrified (New Colours)



Symphony Vitrified Planks



Pavesys Heritage Paving (New Colour)



Lazaro Marble



Scoutmoor Sandstone Paving



Stoneface Sawn Walling



Stoneface Drystack Walling



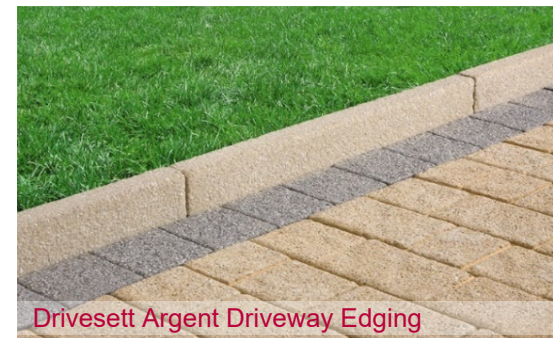
Drivesys Riven Stone (New Colour)



Drivesett Argent (New Colour)



Drivesys Roundtop Driveway Edging



Drivesett Argent Driveway Edging

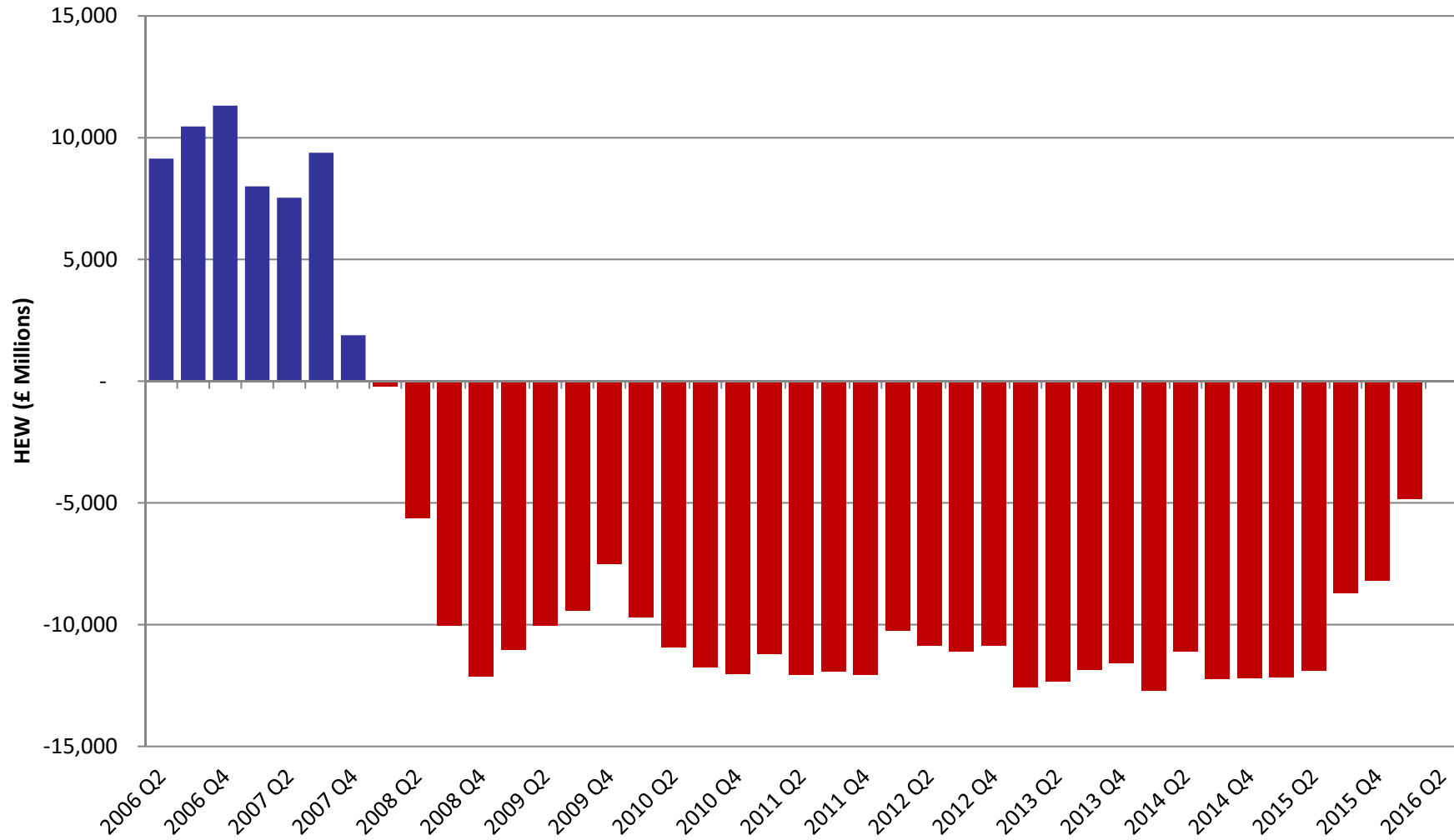
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Domestic Market Stability



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Housing Equity Withdrawal (HEW)



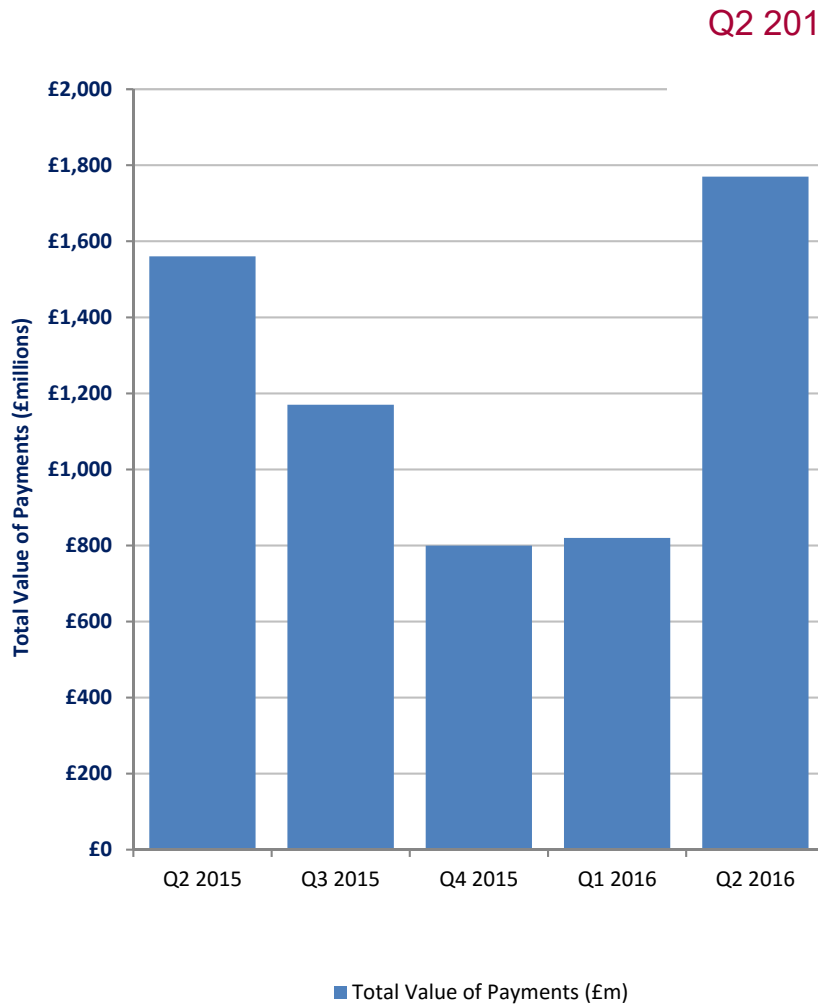
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Domestic Market Stability

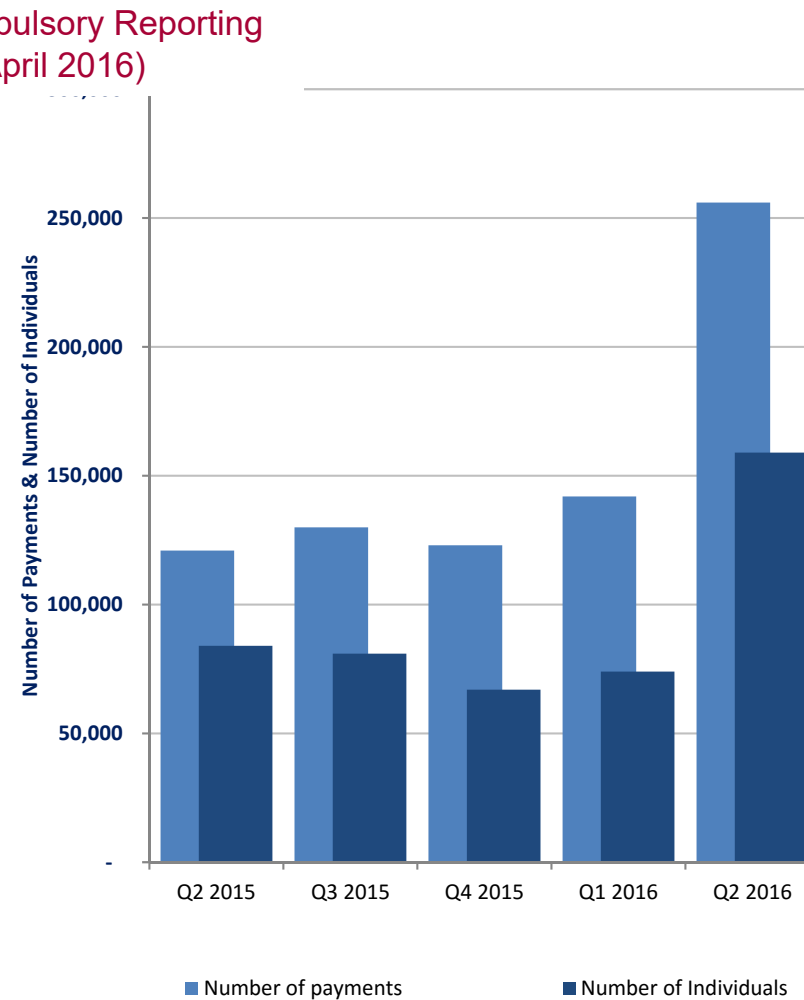


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HMRC Pension Release Data



HMRC Pension Release Data





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Smaller UK Businesses

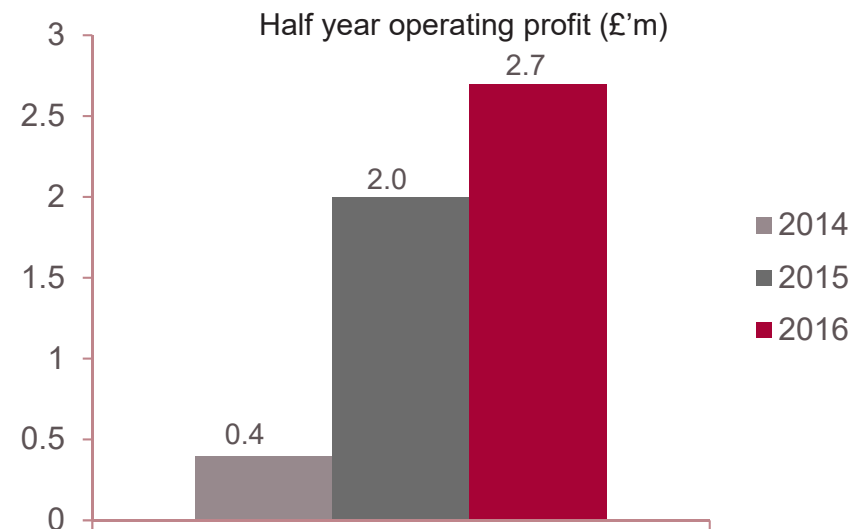
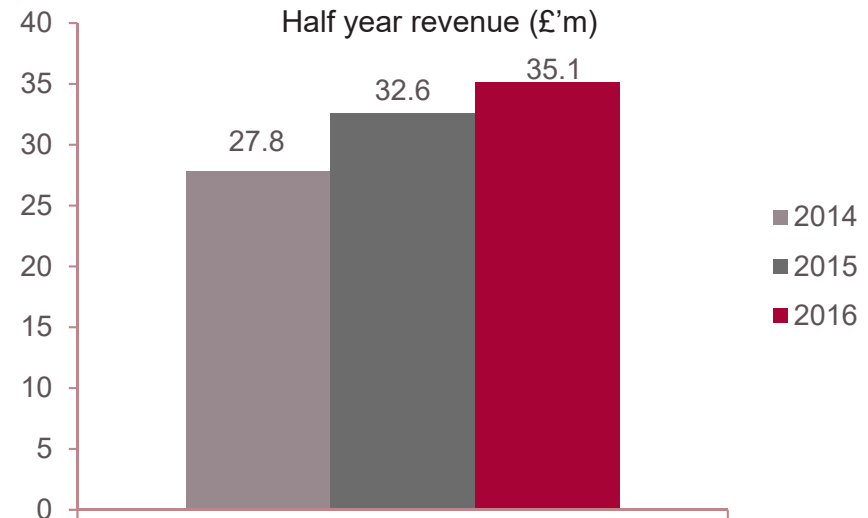
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Smaller UK businesses



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- Comprises Street Furniture, Cladding and Mineral Products
- HY 2016 profit growth: £0.7m (35%)
- Operational gearing of 28%
- Market share increasing – considerable potential remains
- The smaller UK businesses are an important growth driver to 2020



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Marshalls Street Furniture

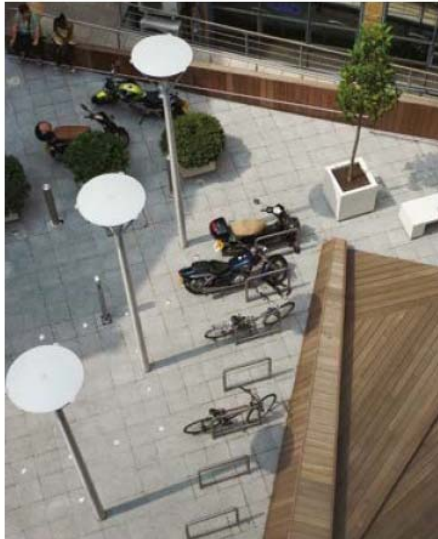


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"A CITY IS NOT AN ACCIDENT..."

...BUT THE RESULT OF COHERENT VISIONS AND AIMS."
Leon Krier



LET'S CREATE THE GREATER OUTDOORS

Our integrated street furniture ranges have everything you need to create spaces that people flock to. Places they can meet up, unwind and relax.

Whatever you're looking for, whether it's a specific product or a certain theme, you'll find everything you need to create the greater outdoors.

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Marshalls Street Furniture



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Protective Street Furniture ... PAS68



Intelligent Street Furniture Systems



Coordinated Seating Ranges



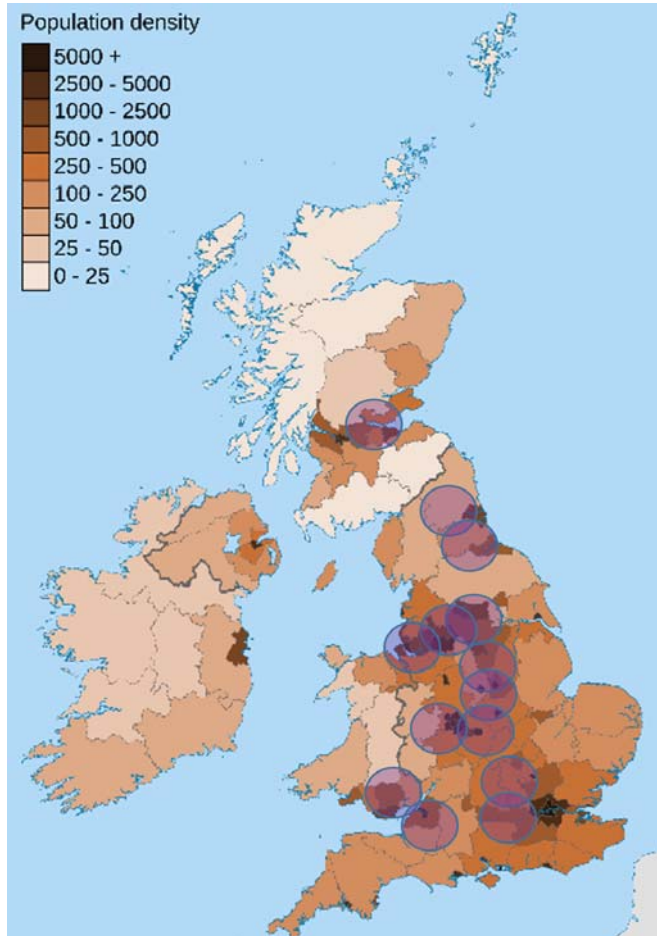
Bollards & Perimeter Protection

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Premier Mortars



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Marshalls Mineral Products



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Sands and Aggregates

Order high quality groundworks materials direct from Marshalls Sands and Aggregates for highways, road and pavements, in-grade subbase aggregates and sands to BS7177 standard requirements or better.

Delivered direct to site. The maps indicate the distribution coverage of each Quarry. See the table opposite for the range of quality aggregates and sands available from each location.

SCOUT MOOR QUARRY	POSTCODE: BL8 0RQ
	<p>Scout Moor Quarry forms part of the Western Revenue Island area in the east of the Pennine Valley, above Skelton in the district of Ripponden, Lancashire, a short drive to junction 10 of the M66. The aggregates crushed are derived from a Permian Mill Stone Grit deposit.</p> <p>Call: Paul Rogers 01756 352770 Email: www.marshalls.co.uk/sandaggregates</p>

HOWLEY PARK QUARRY	POSTCODE: WF12 7JH
	<p>Howley Park Quarry situated off Junction 28 of the M62 at Howley. Its location offers quick and efficient access to Leeds and most other destinations in West Yorkshire. The quarry deposit is a light ferrous sandstone.</p> <p>Call: Paul Rogers 01756 352770 Email: www.marshalls.co.uk/sandaggregates</p>

STANTON QUARRY	POSTCODE: SO6 7RH
	<p>Stanton Quarry is conveniently located close to both the M3 and M30, nearest junction 1 of the M30. The quarry is located on an outcrop of Carboniferous Dolerite rock of the Carboniferous formation of Permian Age. The aggregates crushed from this deposit are a hard Carboniferous sandstone.</p> <p>Call: Steve Holder 01703 018300 Email: www.marshalls.co.uk/sandaggregates</p>

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Marshalls Cladding & Facades



Alderman's House, London



Sloane Street, London

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Self Help



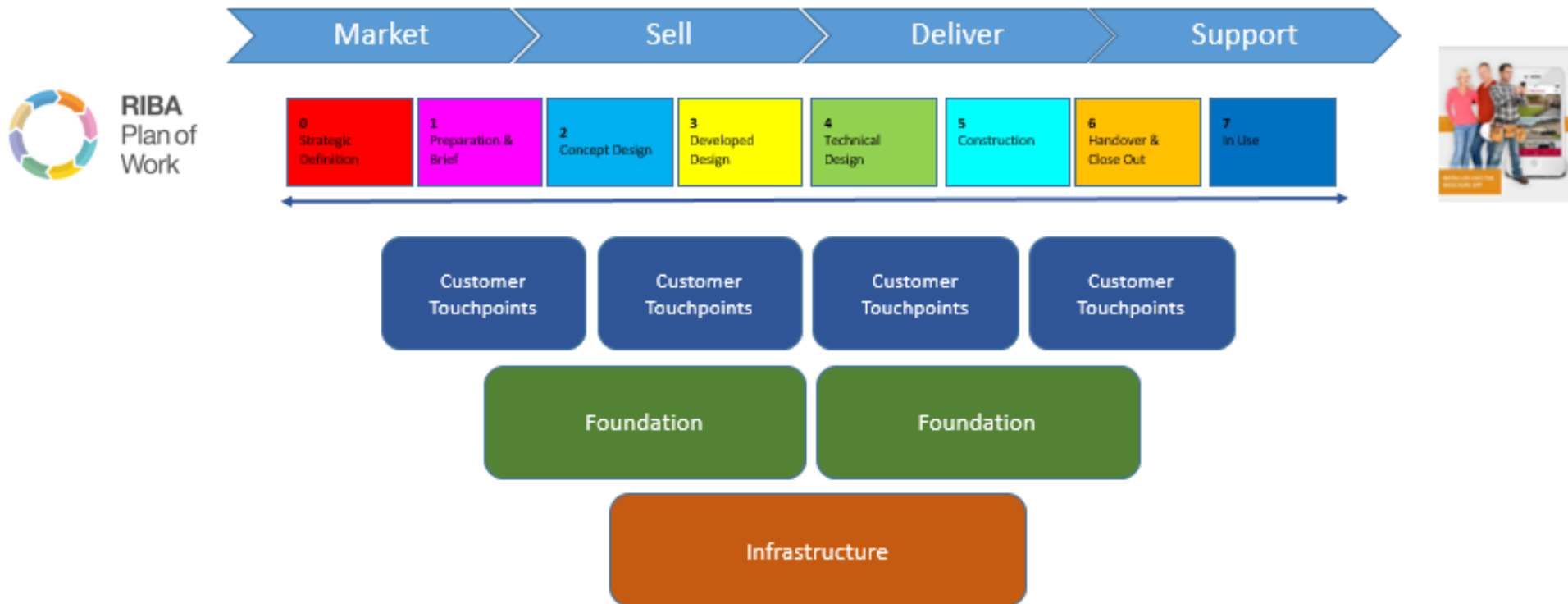
- Objective to invest £15m over 3 years to reduce cost base by £5m per annum
- Phasing of expenditure 2016 - £3m, 2017 - £8.5m, 2018 - £3.5m
- Phasing of cumulative savings 2017 - £1.7m, 2018 - £3.4m, 2019 - £5m
- Natural Stone investment underway, first new machines will be installed in October 2016. This investment will reduce our processing costs
- St Ives will be the first block paving upgrade. The technology has been selected and a detailed implementation plan has been developed. This investment will reduce our material input costs
- The automated material handling investment is now formally out to tender and we expect a decision in the coming months. This investment will increase our efficiency

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Digital Enhancements



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CUSTOMER TOUCHPOINTS : Value adding multi-channel digital touchpoints which drive sales, loyalty and profitability, maintain Marshalls competitive advantage

FOUNDATION: Business systems and processes that build on / utilise the new infrastructure to enable the delivery of digital initiatives

INFRASTRUCTURE : Predominantly technical based projects that help create a sustainable architecture and an agile platform for all digital initiatives

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Acquisition Strategy



- Focused on Water Management and Minerals markets
- Good progress made during H1 particularly around Water Management and expect progress in H2
 - 6 new companies analysed and longer term pipeline further developed
 - sales partnership previously agreed is showing early success
 - 2 further opportunities discounted for value and/or product
 - 1 ongoing discussion well advanced

Targets are likely to be UK orientated, £10m - £30m turnover and profitable with specific technical products or service advantages

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2020 Update



- 2016 Good start PBT +21%
- Self help programme savings £5m underway
- Smaller UK businesses profit +35%
- NPD continuing strongly
- Digital strategy is making an impact
- Good progress on acquisition
- 2020 strategy continues

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Summary



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- Strong PBT growth – up 21%
- UK Revenue growth – up 2%
- Dividend – up 29%
- Improving operating margins – up 170 basis points to 12.8%
- Continued improvement in ROCE – up 470 basis points to 19.9%
- Operating cash flow at 99% of EBITDA
- Good medium term market fundamentals remain; Housing, Infrastructure, Rail and Water Management all set to grow
- Acquisition strategy advancing
- Referendum uncertainty
- 2020 strategy



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Appendices

Additional Information and ratios



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	2016	2015
Interest:		
Charge	£0.9m	£1.2m
Cover	31.4 times	18.5 times
Tax rate	19.1%	20.8%
EPS	10.36p	8.50p
Interim dividend	2.90p	2.25p
Weighted average number of shares	£197.0m	196.5m
Net asset value	£204.9m	£184.0m

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Financial Flexibility



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HYE
2016
Actual

EBITA: Interest charge

41.7 times

Net Debt: EBITDA

0.2 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

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Net Assets



	£m
2015 Year End Net Assets	192.7
Impact of movements in the year:	
Profit for the financial year	20.4
Ordinary dividends	(13.3)
Actuarial movement on pensions (after tax)	3.9
Hedging reserve	1.3
Share-based payments (after tax)	0.8
Purchase of own shares	(1.2)
Foreign currency translation differences	0.2
Non-controlling interest	0.1
HYE 2016 Net Assets	204.9



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