

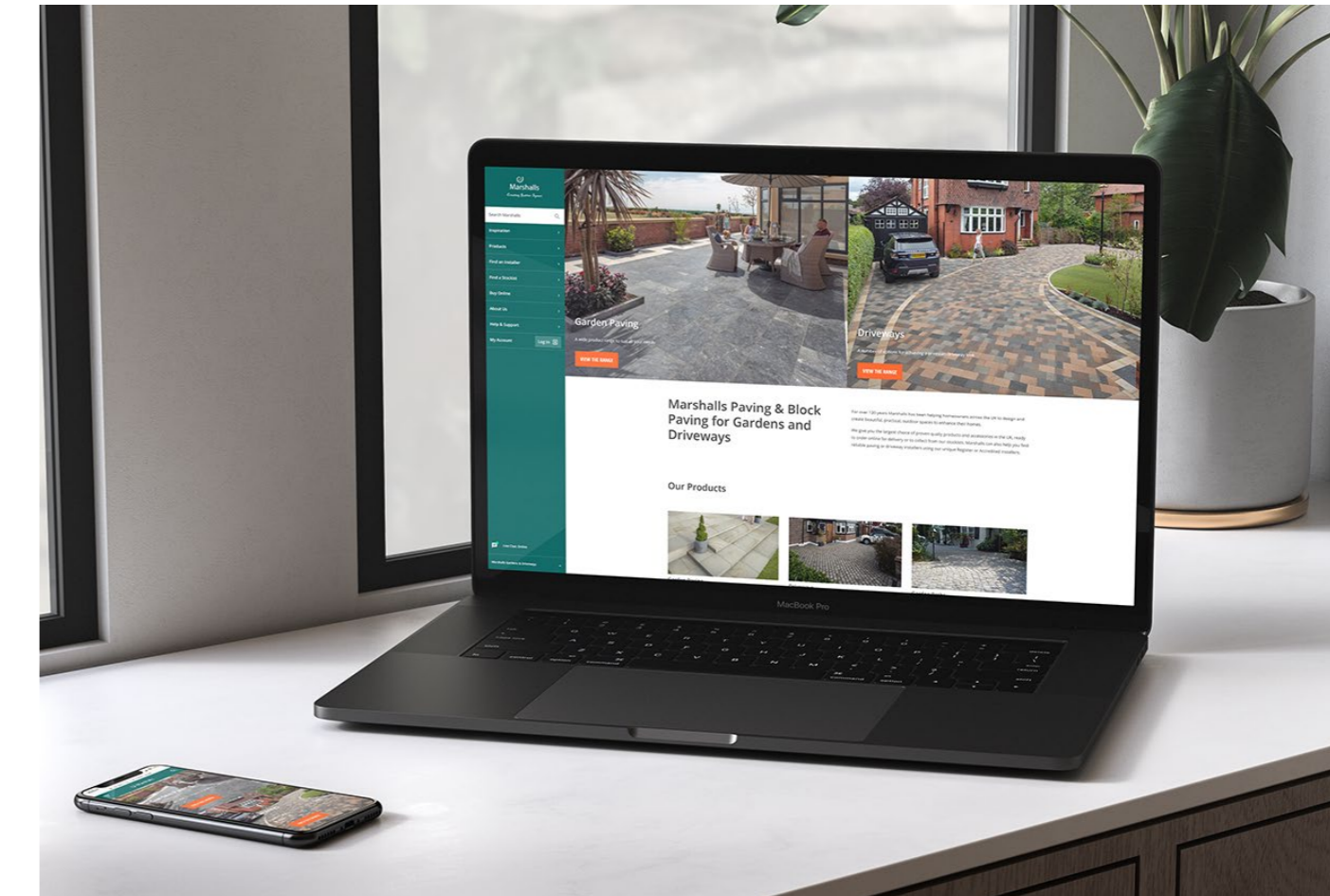
**Marshalls plc
2021 Half Year
Results Review and Outlook**

**Strong growth in first half -
positive trading outlook**





Agenda


- Highlights
- Financial Performance
- The Market
 - Domestic
 - Public Sector and Commercial
- 5 year Strategy
- Continuing ESG Leadership
- Summary and Outlook
- Questions




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Highlights

We remain committed to the 2025 strategy as our driver for growth

	HY 2021	HY 2020	HY 2019	Increase % 2021/2019
Results before operational restructuring costs and asset impairments				
Revenue	£298.1m	£210.5m	£280.1m	6%
EBITDA	£56.4m	£18.2m	£54.9m	3%
Adjusted operating profit	£41.0m	£3.5m	£39.0m	5%
Profit before tax	£38.9m	£1.6m	£37.1m	5%
Basic EPS	15.30p	0.12p	15.18p	1%
ROCE	18.1%	10.9%	19.3%	
Net debt	£52.4m	£98.9m	£97.7m	
Net debt – pre-IFRS 16	£7.6m	£53.9m	£55.6m	
Adjusted operating profit	£41.0m	£3.5m	£39.0m	
Operational restructuring costs and asset impairments	-	£(17.6)m	-	
Statutory operating profit	£41.0m	£(14.1)m	£39.0m	
Statutory results				
Statutory operating profit	£41.0m	£(14.1)m	£39.0m	
Profit before tax	£38.9m	£(16.0)m	£37.1m	
Basic EPS	15.30p	(7.25)p	15.18p	
Interim dividend	4.70p	-	4.70p	

Half year highlights

Strong growth in first half – positive trading outlook

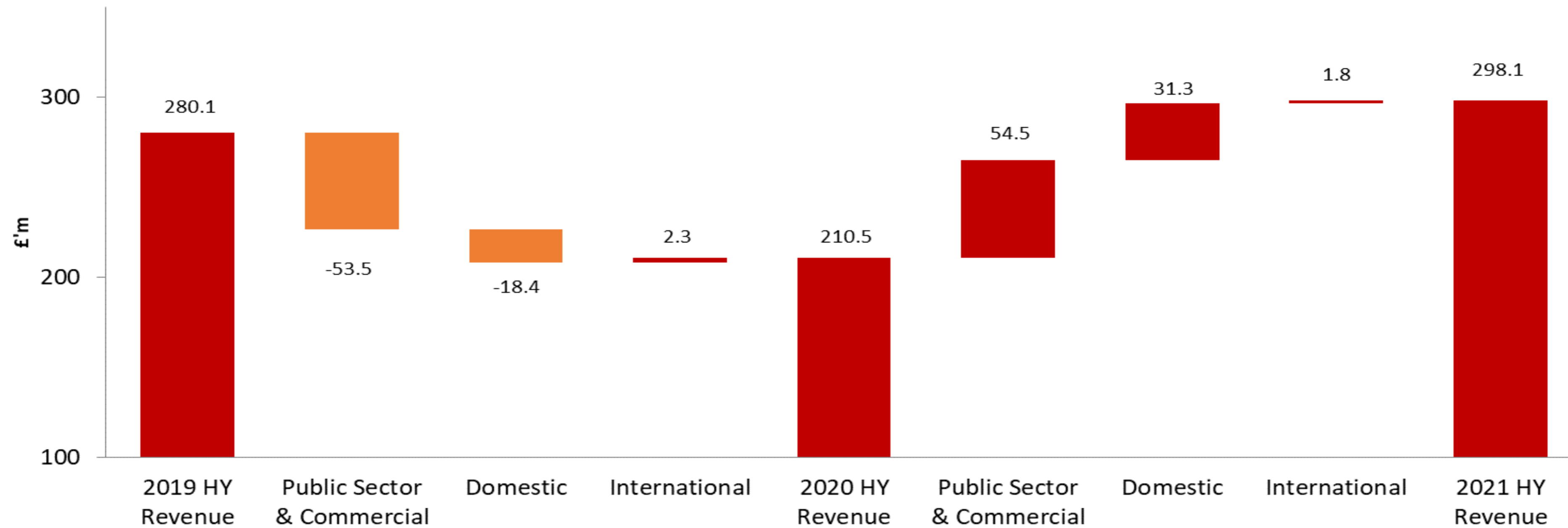
- Strong first half performance – return to growth over pre-COVID-19 trading
- Half year revenue of £298.1 million – up 6% against 2019
- Operating margin in line with 2019 at 13.8%
- Profit before tax of £38.9 million – increase of 5% compared with 2019
- Maintaining a strong balance sheet, a flexible capital structure and a clear capital allocation policy
- Leveraged national manufacturing network and logistics efficiency and proactively managed supply chain challenges
- Capital investment of £30 million planned for 2021 – St Ives dual block plant build has commenced
- Strong order books underpin management’s second half expectations
- Priority continues to be given to health and safety of employees and other stakeholders
- Ongoing focus on ESG leadership and priorities
- Interim dividend of 4.70 pence
- The Board is confident of making further progress in the second half of the year, and is accordingly raising its expectations for 2021 and 2022

Financial Performance



Revenue

Return to growth – revenue 6% ahead of 2019



- Strong recovery in revenues from COVID-impacted H1 2020 – 6% ahead of 2019 and 42% ahead of 2020
- Strong Domestic demand delivered sales growth of 54% on 2020 and 17% on 2019
- Public Sector and Commercial sales growth of 40% and 1% versus 2020 and 2019 respectively
- Continued growth in International of 11% and 27% against 2020 and 2019 respectively

Operating profit and margins

Revenue recovery delivers rebound in operating profit and margins

	Revenue £m	Operating profit * £m	Margin impact %
HY 2020	210.5	3.5	1.7
Landscape Products	81.4	33.4	11.0
Other	6.2	4.1	1.1
HY 2021	298.1	41.0	13.8
HY 2019	280.1	39.0	13.9

*Note:

Before operational restructuring costs and asset impairments

- The recovery that started in H2 2020 has continued strongly in 2021
- Revenue growth and strong operational management delivered 5% growth in operating profit over 2019
- National manufacturing network and logistics efficiency enabled operational flexibility to respond to demand challenges
- Operating margins comparable to 2019 despite additional operating costs associated with our COVID-19 response in 2021 and inflationary pressures

Profit before taxation and earnings per share

Growth in profit and earnings per share despite higher tax rate

£m	HY 2021	HY 2020	HY 2019
Operating profit before restructuring costs and asset impairments	41.0	3.5	39.0
Operational restructuring costs and asset impairments	-	(17.6)	-
Operating profit / (loss): reported	41.0	(14.1)	39.0
Net finance costs	(2.1)	(1.9)	(1.9)
Profit / (loss) before taxation	38.9	(16.0)	37.1
Taxation	(8.3)	1.8	(7.1)
Profit / (loss) after taxation	30.6	(14.2)	30.0
Earnings per share – pence	15.30	(7.25)	15.18

- No exceptional charges in 2021
- Rebound in operating profit delivered 5% increase in profit before taxation compared to 2019 despite modest increase in finance costs
- Effective tax rate of 21.3% driven by deferred tax charge arising from UK Government’s decision to increase corporation tax to 25% from 2023 partially offset by benefit of “super deduction”
- Earnings per share increased by 1% compared to 2019

Cash flow

Strong cash flow generation delivered reduction in net debt

£m	2021	2020	2019
Profit before taxation	38.9	(16.0)	37.1
Working capital and non-cash items	4.1	4.0	(6.2)
Finance costs and income tax paid	(8.9)	(6.4)	(6.6)
Cash flow from operating activities	34.1	(18.4)	24.3
Capital expenditure	(7.0)	(7.4)	(10.1)
Other cash flows	(3.9)	(13.1)	(28.0)*
Reduction / (increase) in net debt	23.2	(38.9)	(13.8)

*Note:

Excluding impact of IFRS 16 transition in 2019

- Cash flow from operating activities was very strong driven by active working capital management, despite inventory build to meet increased demand
- Conversion of EBITDA into operating cash flow (on a twelve month basis) robust at 93%
- Capital expenditure expected to ramp up in H2 – including investment in dual block plant at St Ives
- Strong cash flow delivered £23 million reduction in net debt
- Closing net debt £52 million (£8 million on pre-IFRS 16 basis)

Funding and liquidity

Significant facility and covenant headroom

- Total bank facilities of £165 million – of which £140 million are committed
- Renewal of existing maturing RCF and working capital facilities – balanced maturities now extend as far as 2025
- Significant headroom against bank covenants:
 - EBITA: interest charge – 25.4 times (covenant = greater than 2.5 times)
 - Net debt: EBITDA – 0.1 times (covenant = less than 3.0 times)
- Gearing – 16.4% (pre-IFRS 16 – 2.3%)
- Headroom against bank facilities of £105 million at 30 June 2021

Banking facilities	Facility £m	Cumulative facility £m
Committed facilities		
Q3 2025	20	20
Q3 2024	35	55
Q1 2024	25	80
Q3 2023	20	100
Q2 2023	20	120
Q4 2022	20	140
On demand facilities:		
Available all year	15	155
Seasonal (February to August inclusive)	10	165

Ongoing capital discipline

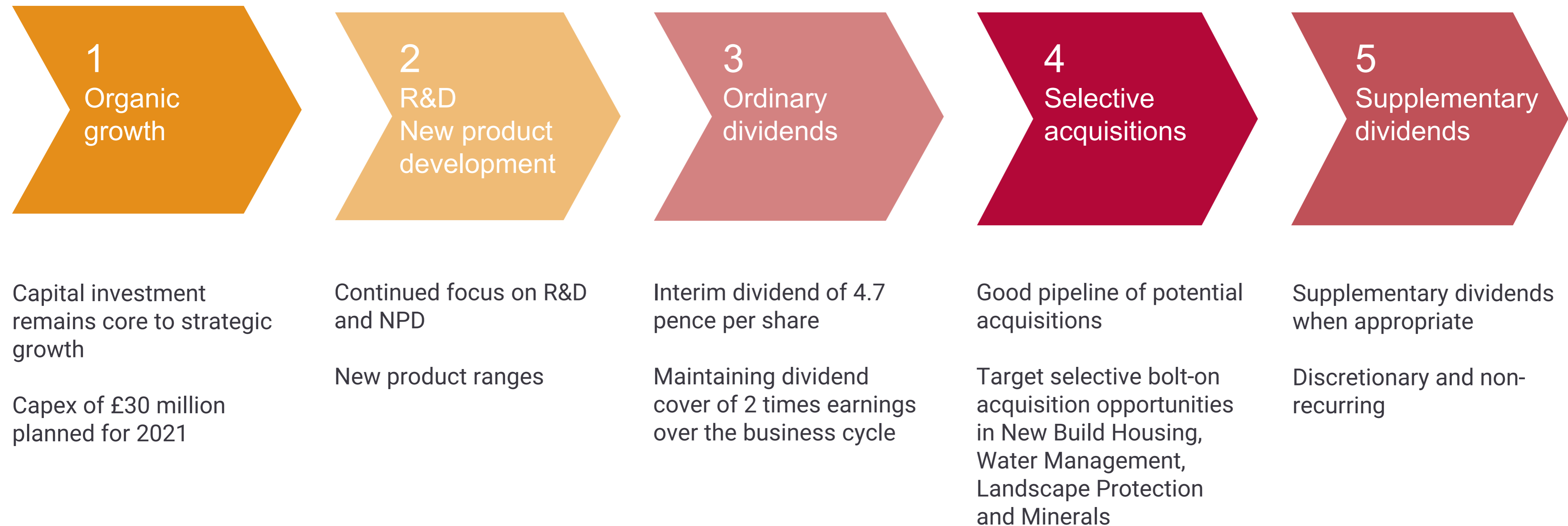
Good control of working capital and recovery of returns; flexible capital structure to support growth

	HY 2021	HY 2020	HY 2019	HY 2018
Debtor days	32	29	35	33
Creditor days	48	47	56	53
Inventory turn (times per annum)	3.1	2.9	3.1	3.2
Liquidity ratio (pre-IFRS 16) (current assets: current liabilities)	1.7	2.0	1.5	1.6
ROCE (pre-IFRS 16)	20.2%	11.9%	21.4%	20.0%
ROCE (reported)	18.1%	10.9%	19.3%	20.0%
Gearing (pre-IFRS 16)	2.3%	19.4%	19.8%	20.0%
Gearing (reported)	16.4%	35.9%	35.1%	20.0%
Net assets	£320m	£276m	£278m	£223m

- Continued focus on maintaining capital discipline through active working capital management balanced with building inventories to support customer demand
- Return on capital employed broadly recovered to pre-COVID-19 levels
- Gearing significantly reduced
- Strong balance sheet, ongoing cash flow generation and liquidity to fund growth opportunities

Capital allocation policy

Clear and consistent policy, good organic and acquisition investment opportunities



Dividends

Return of interim dividend

- 2020 full year dividend of 4.30 pence paid on 1 July 2021
- Recovery in profit before tax and strong cash generation in the first half underpin the return of interim dividends
- The Board has declared an interim dividend of 4.70 pence per share
- Policy remains to maintain a progressive dividend policy
- Objective to target 2 times earnings cover over the business cycle
- Supplementary dividends will remain discretionary and non-recurring in accordance with capital allocation policy

2021 HY

Market Update



CPA main scenario – summer 2021

£20.1bn (13.7%)

Total Construction Output

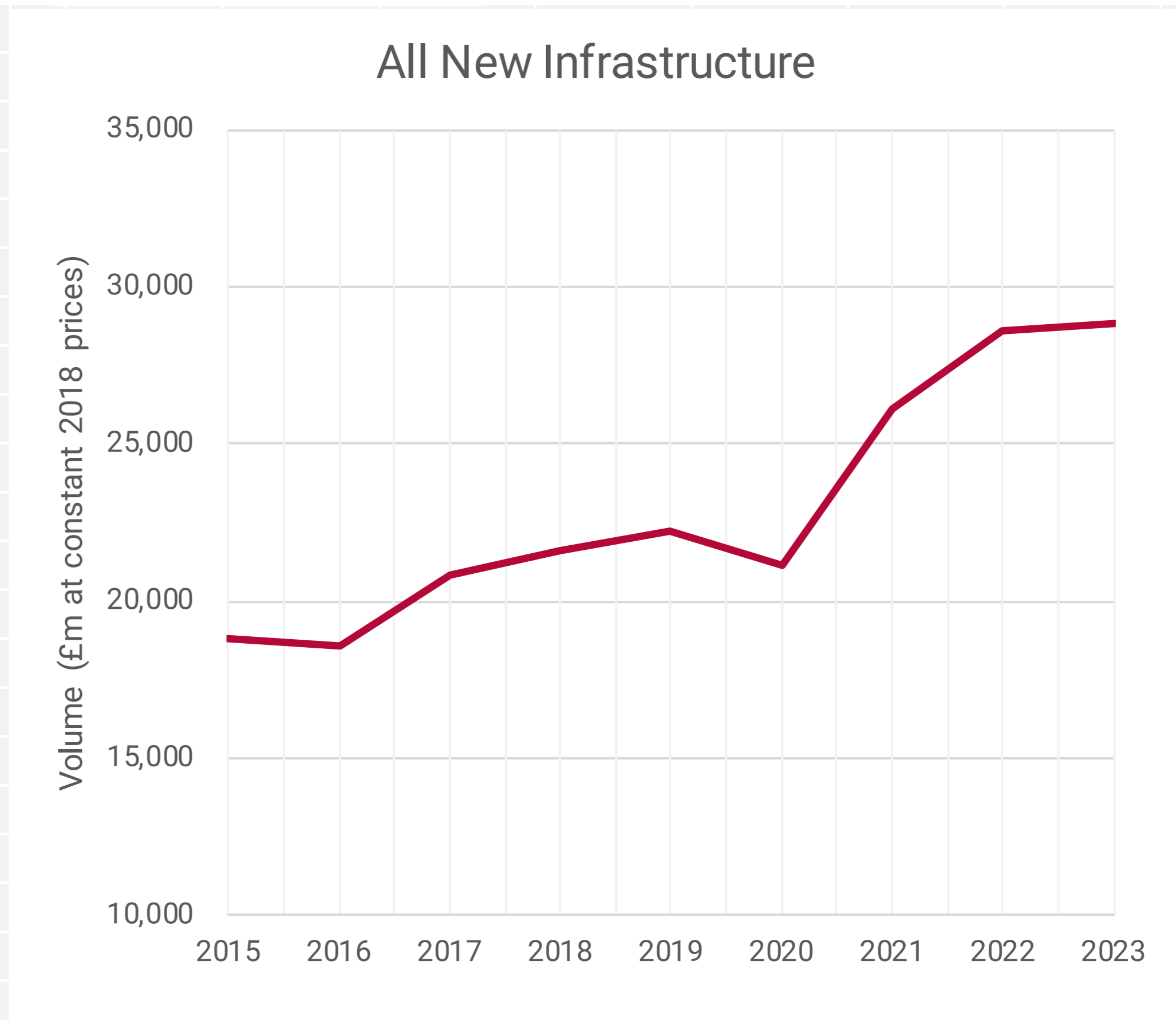
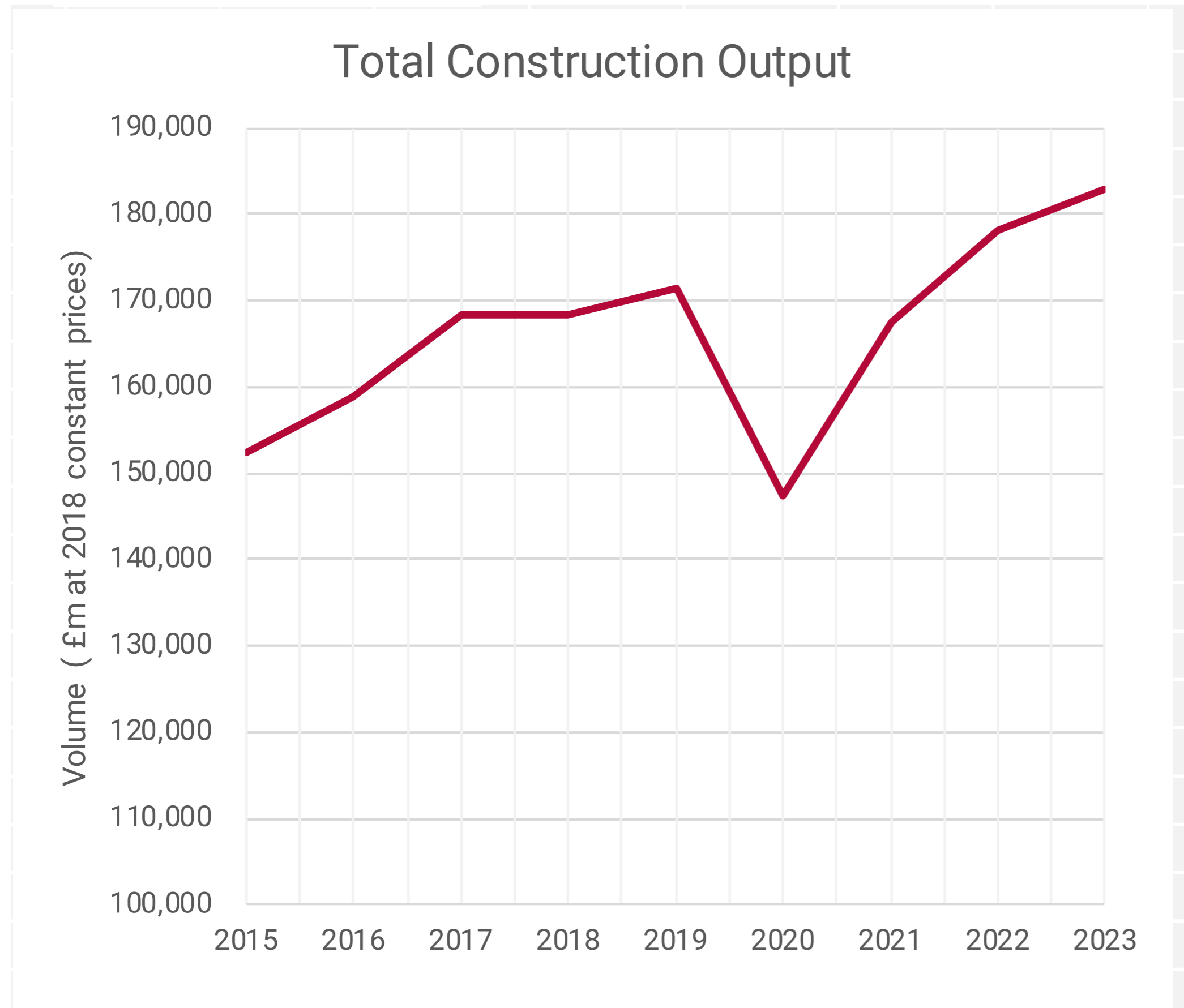
CPA 2021 forecast: £167.6bn

▲ £20.1bn (13.7%)

All New Infrastructure

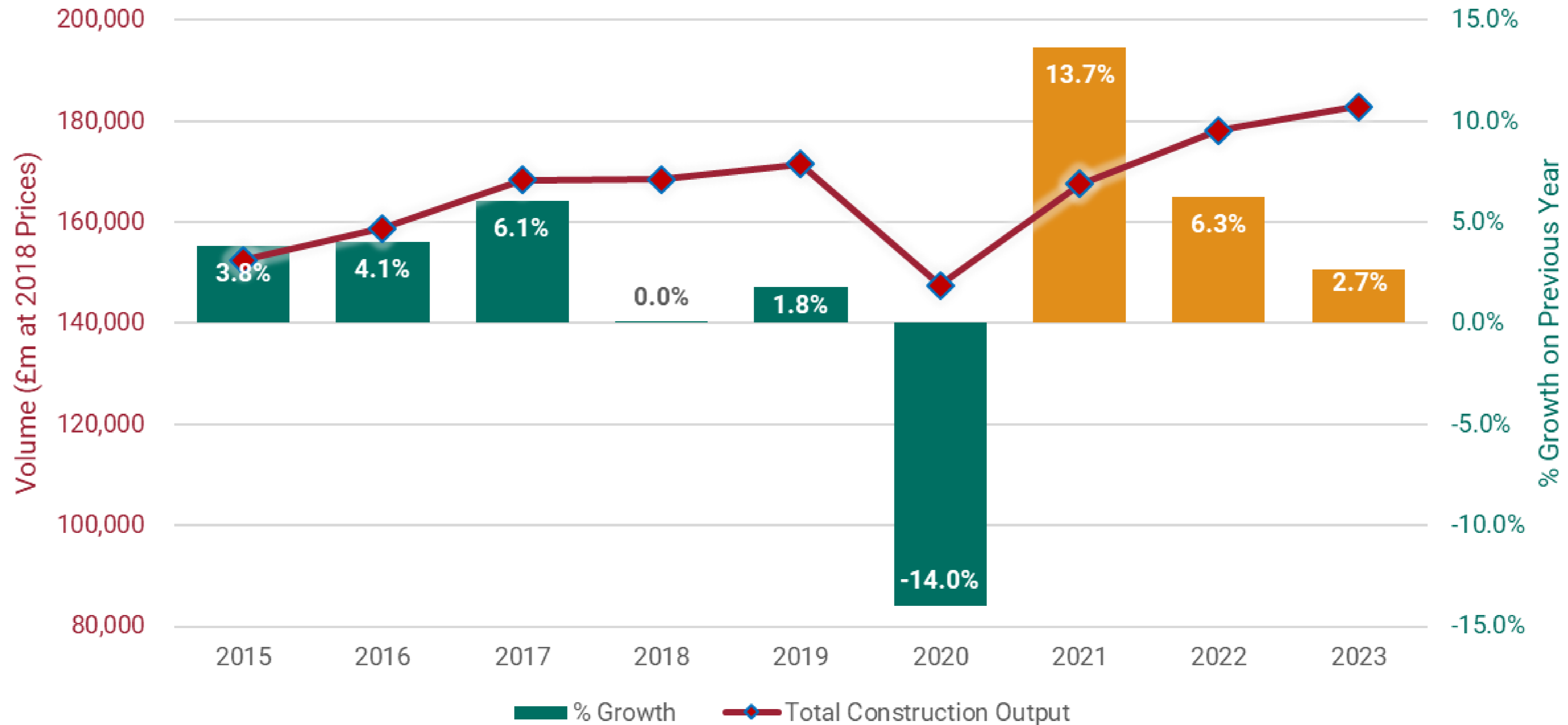
CPA 2021 forecast: £26.1bn

▲ £4.9bn (23.4%)



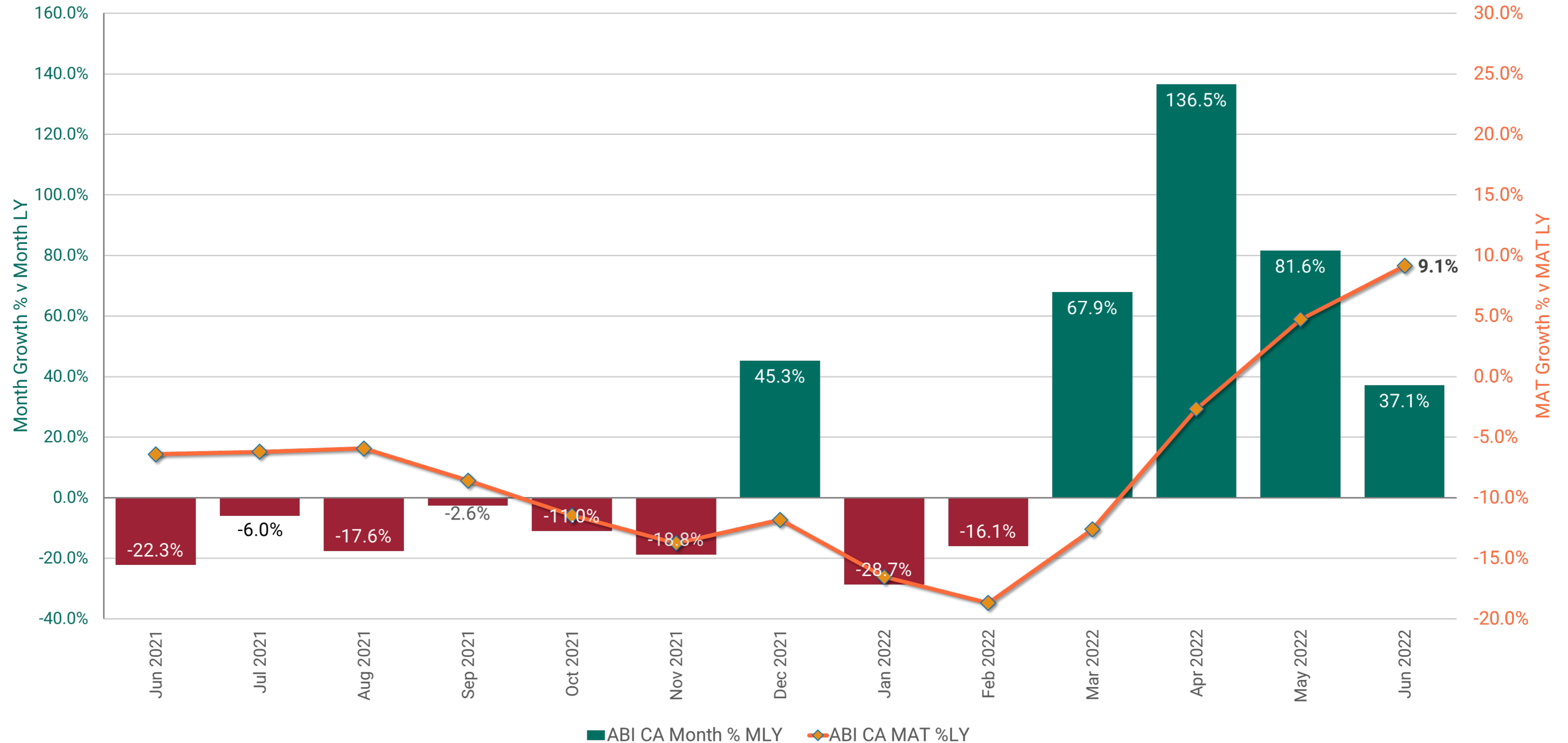
CPA construction output forecast – summer 2021

CPA Forecast – total construction output



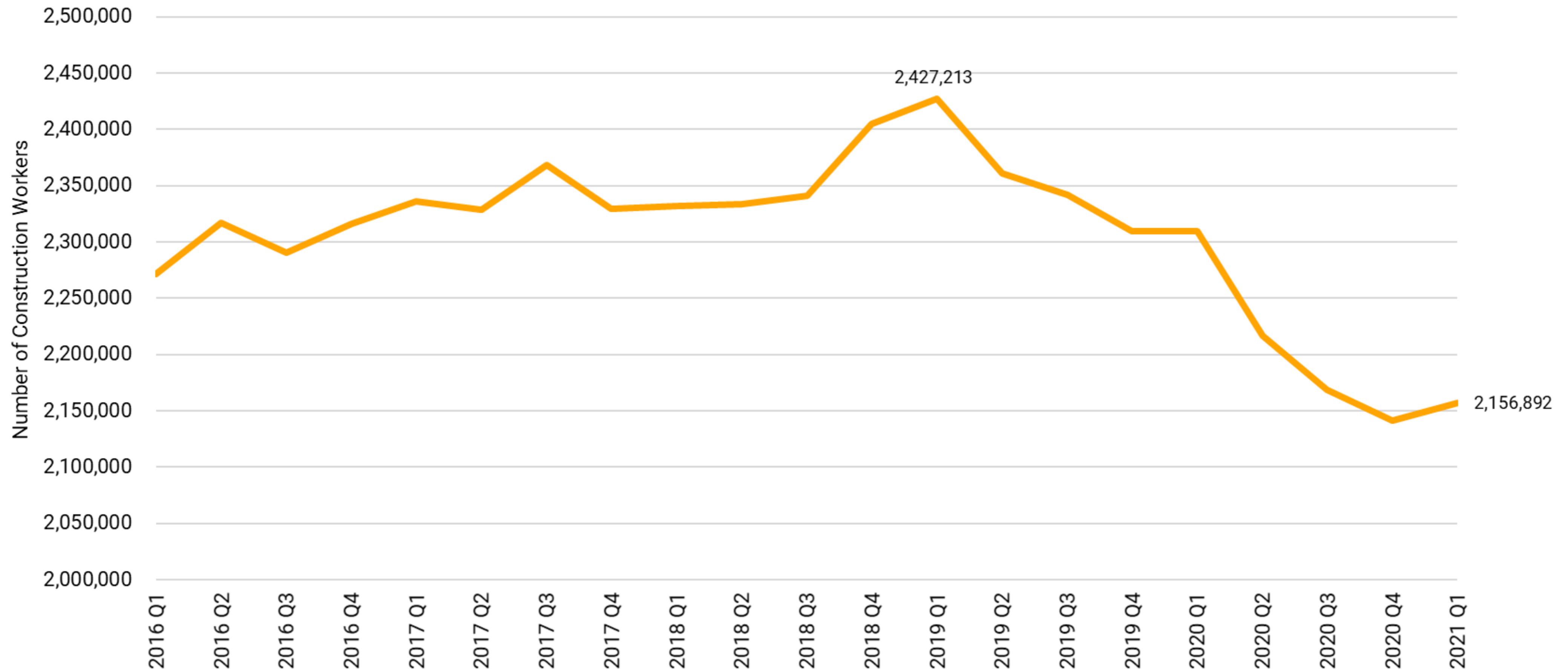
ABI lead indicator rolling – twelve month lag

ABI total – next twelve months total project value % change



Total construction workers in the UK

Total construction employment in the UK



Source: ONS

CLC product availability Group headlines – June 2021

Cement

- Production at normal levels
- Demand significantly greater than available supplies
- Bagged cement a particular issue
- Most stocks have been used

Roofing

- Lead time 3–30 weeks
- Some order books reported as closed
- Allocation systems in place
- Housing demand continues to increase

Timber

- Low stocks and long lead times reported
- Structural timber 6–9 week lead time
- Inflation 20–30% in six months for sheet timber
- Decking and fencing 5–10 week lead time, high demand

Aggregates

- Production “normal” though overall supply reducing
- Fewer demolitions reduced supply of recycled aggregates
- Lead times 1–8 weeks depending on product and region
- Haulier shortages

Plasterboard

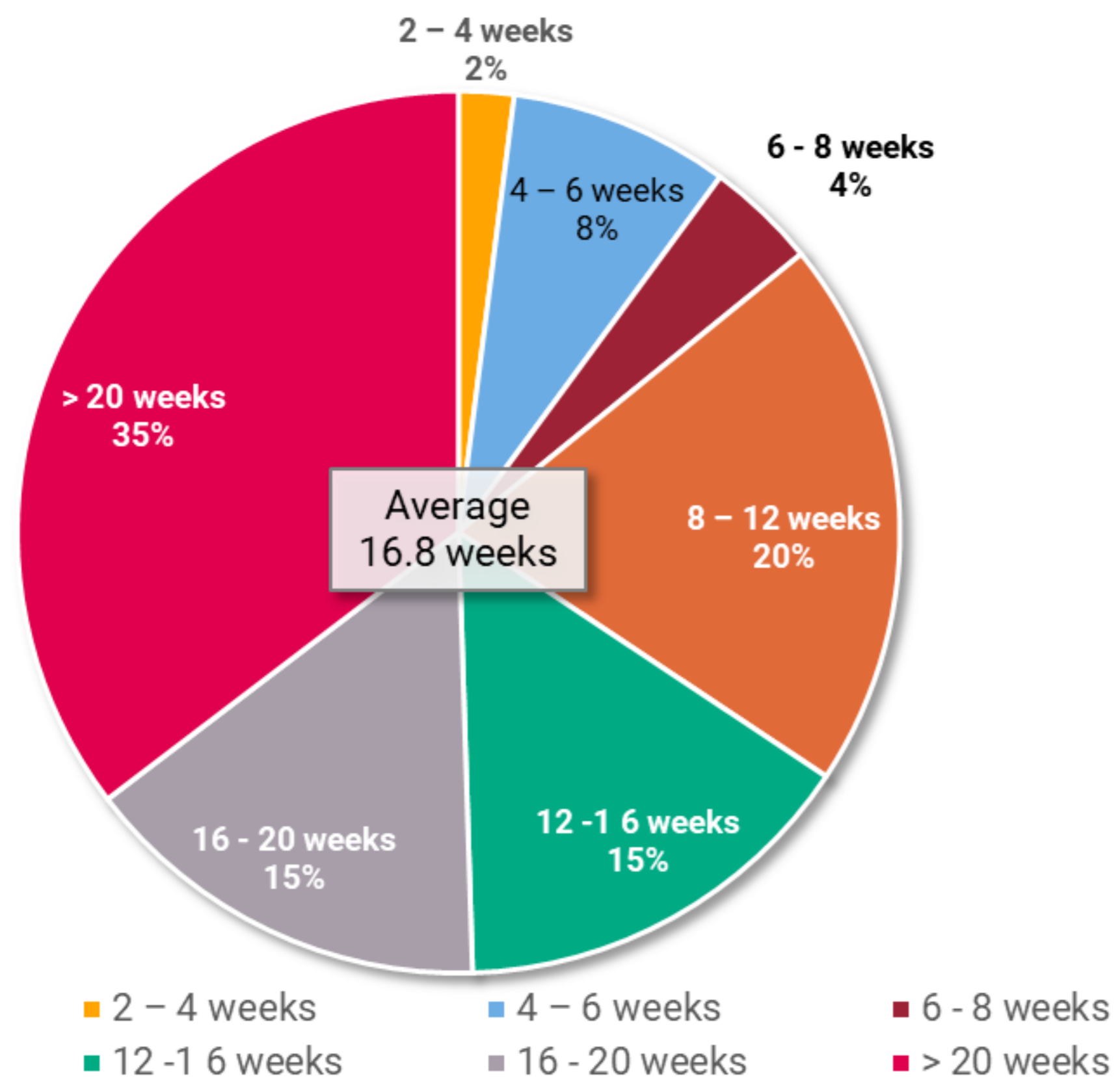
- Supply situation worsening in most regions
- Demand managed by allocation
- Some regions’ stocks exhausted
- 3–4 week lead time

Drainage Products

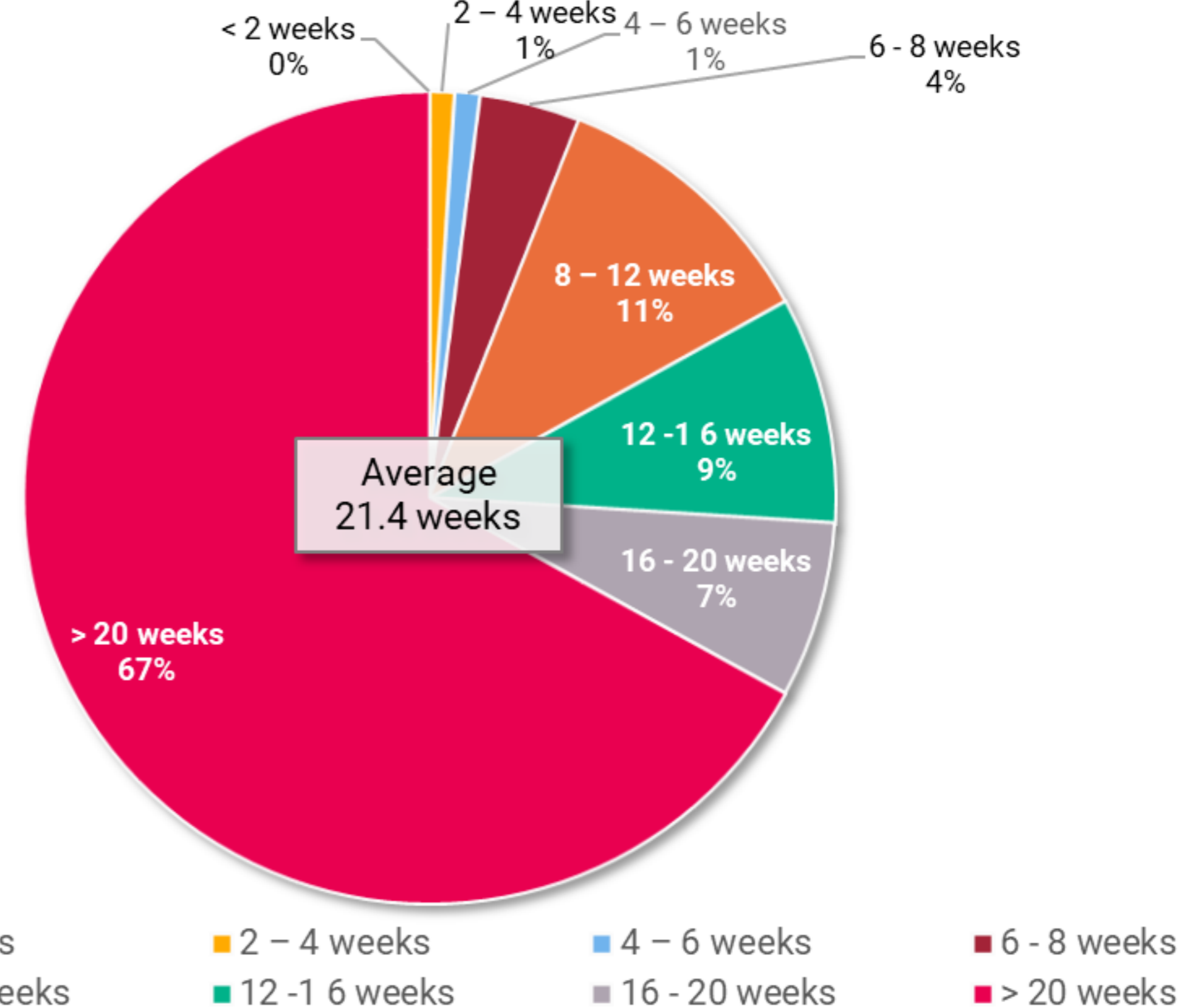
- Raw materials supply issues (PVC, polyethylene, resins)
- Some manufacturers using allocation controls
- Problems with imported manufactured products
- 3–6 week lead times for products used in landscaping

Installer order books spread – June 2021 v June 2020

June 2020 Registered Order Book Spread

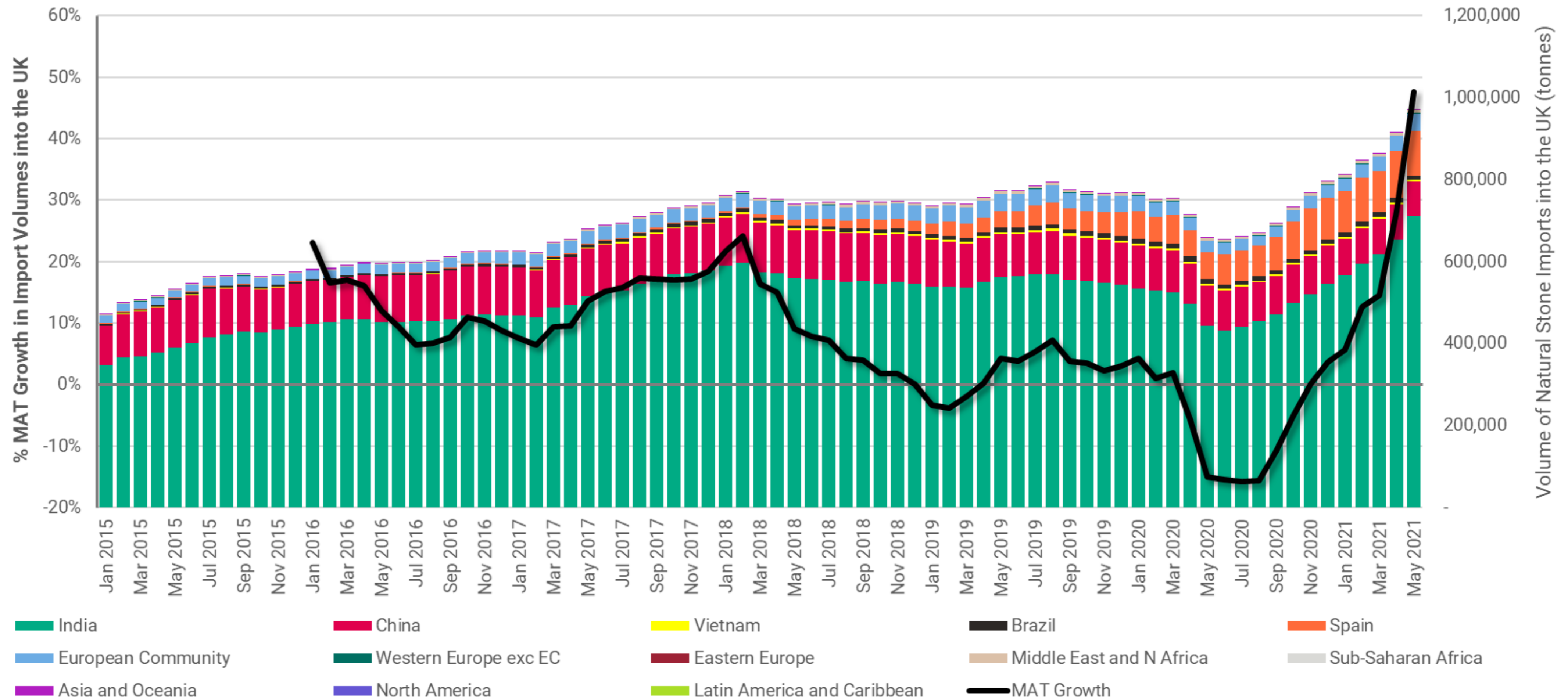


June 2021 Registered Order Book Spread



Imported natural stone (moving annual total)

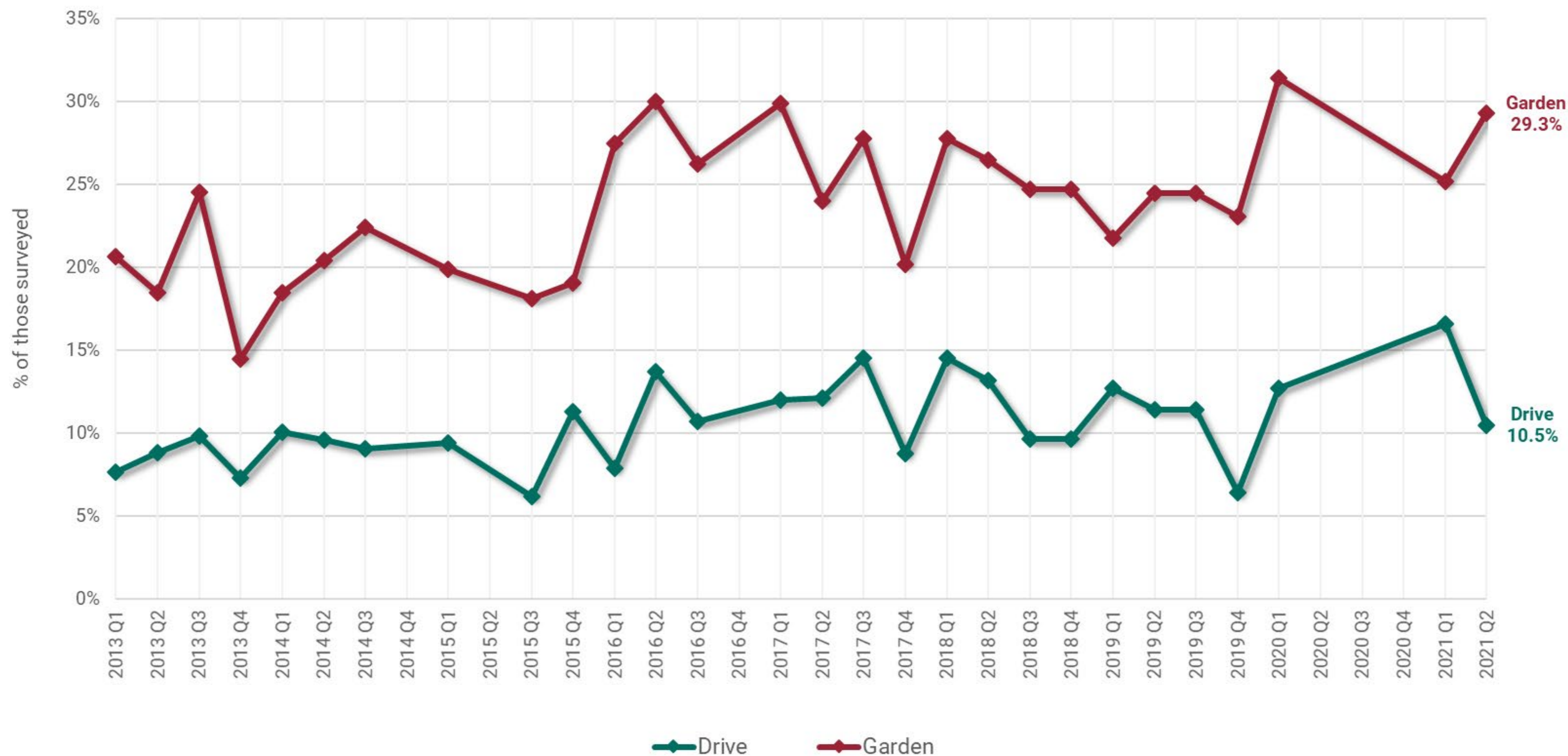
HMRC natural stone imports – MAT tonnage 3 codes like for like



Consumer intentions – Q2 2021

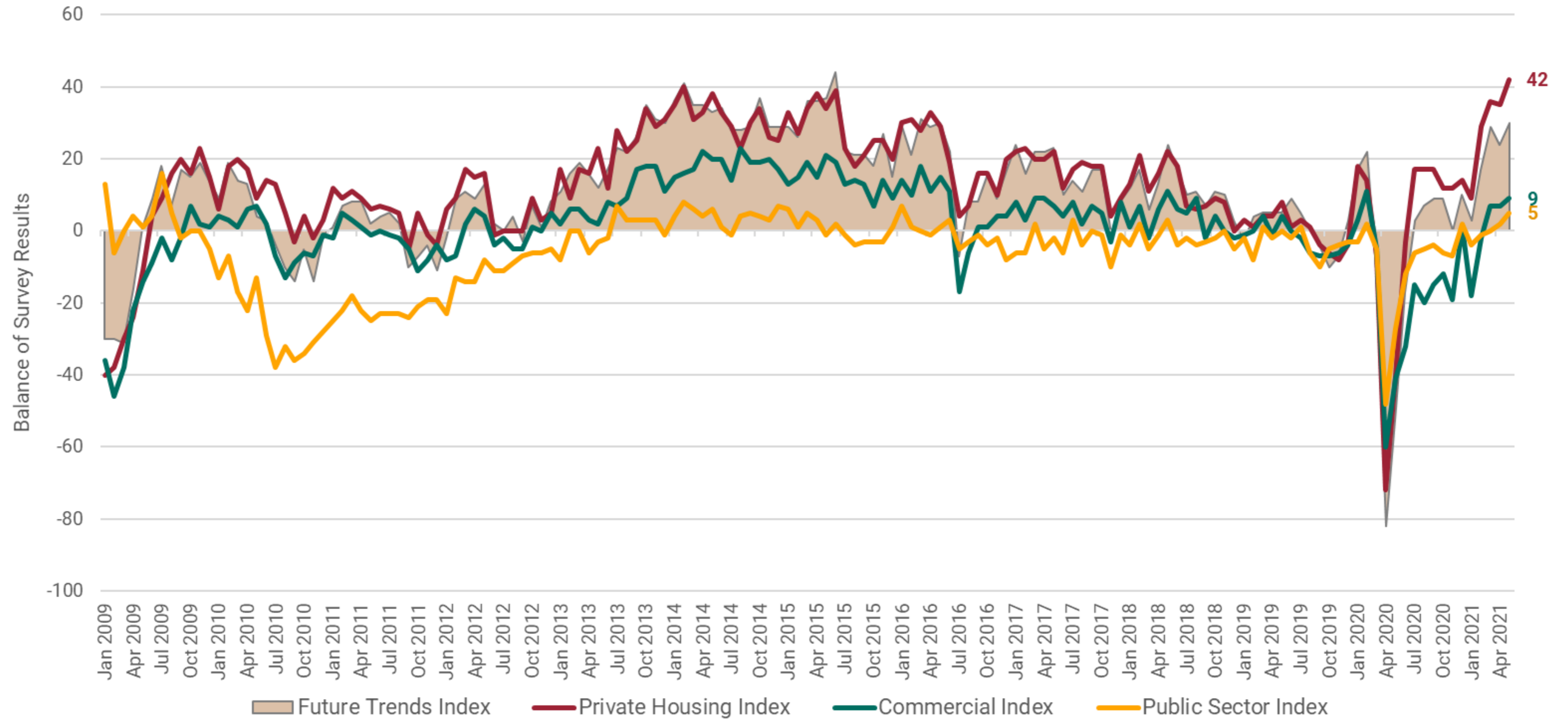
GfK consumer intentions – household income £50k+

Which of the following improvements are you likely to make to your homes over the next twelve months?



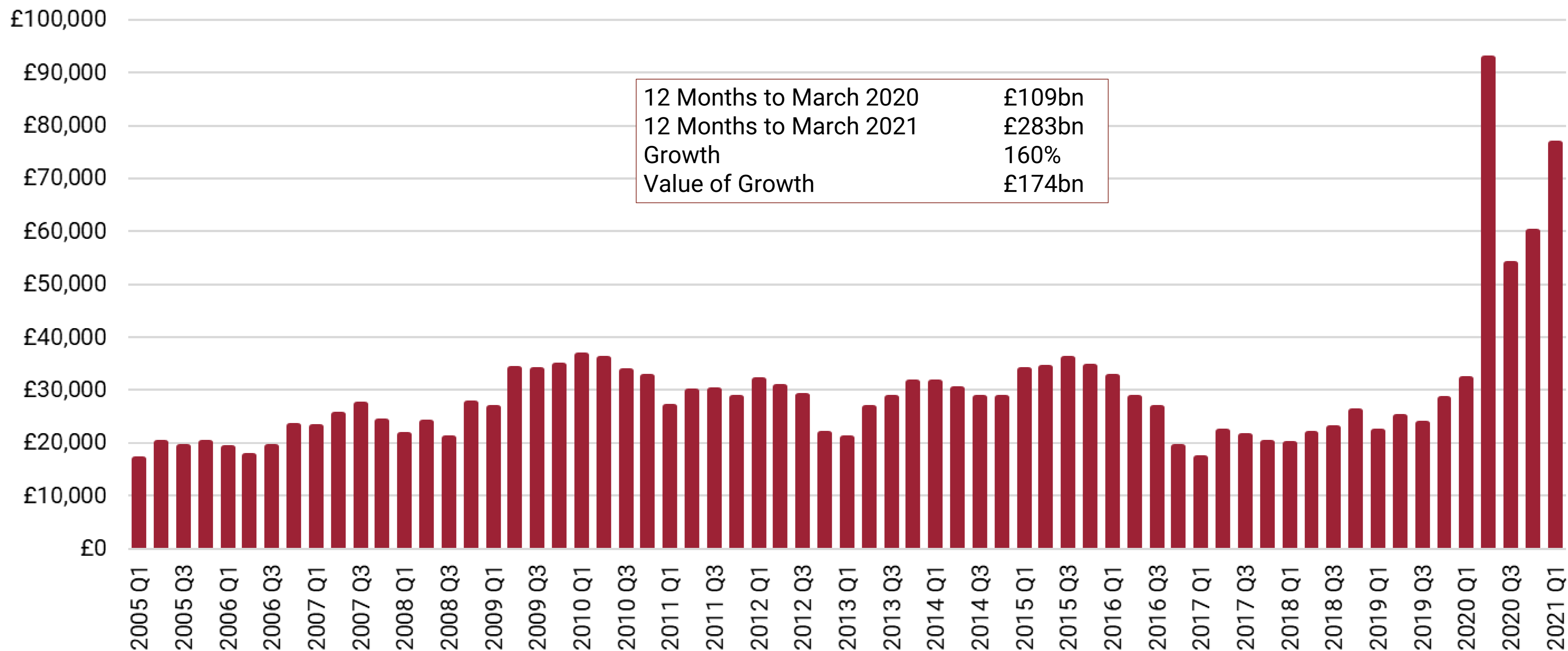
RIBA Future Trends Index – May 2021

RIBA Future Trends Index



Household savings value

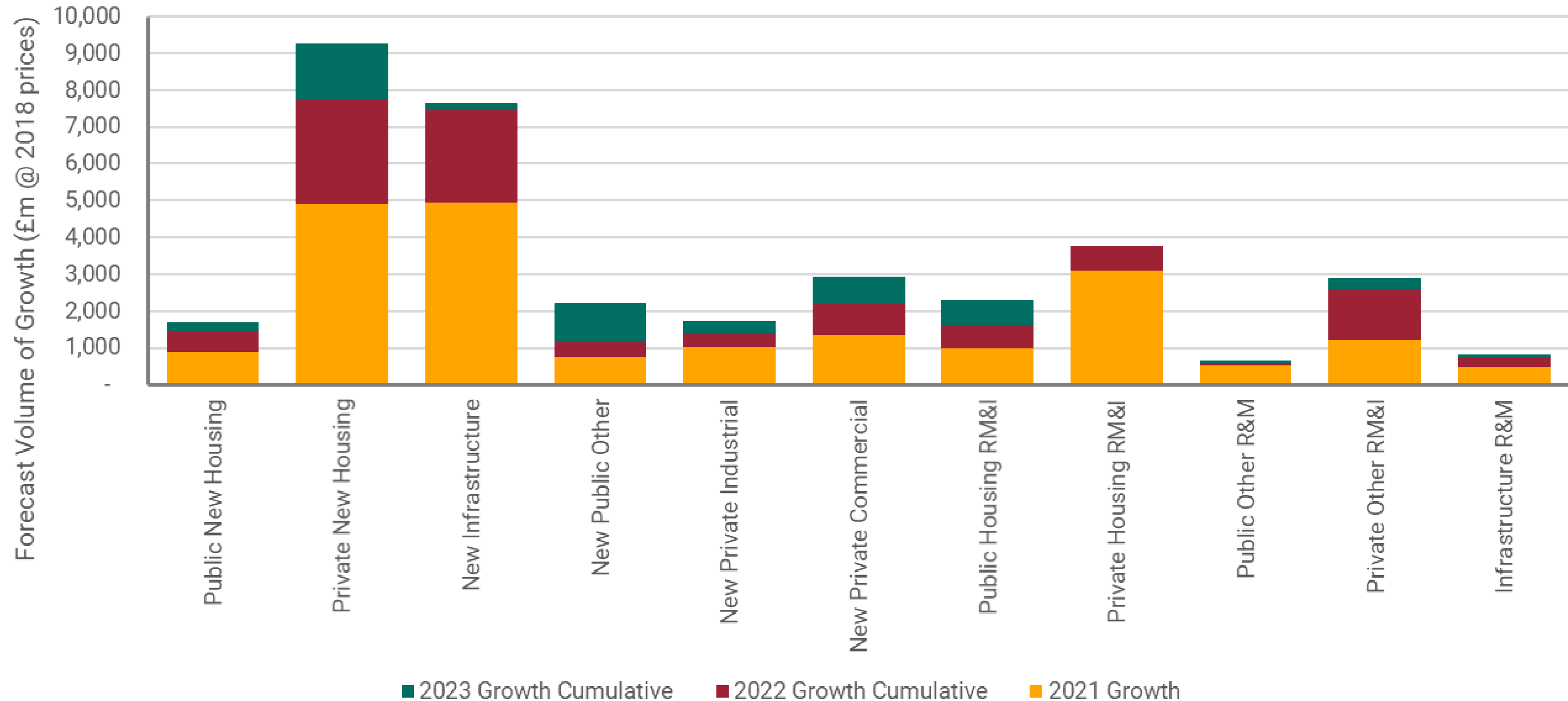
Household savings, current prices, gross £ millions (seasonally adjusted)



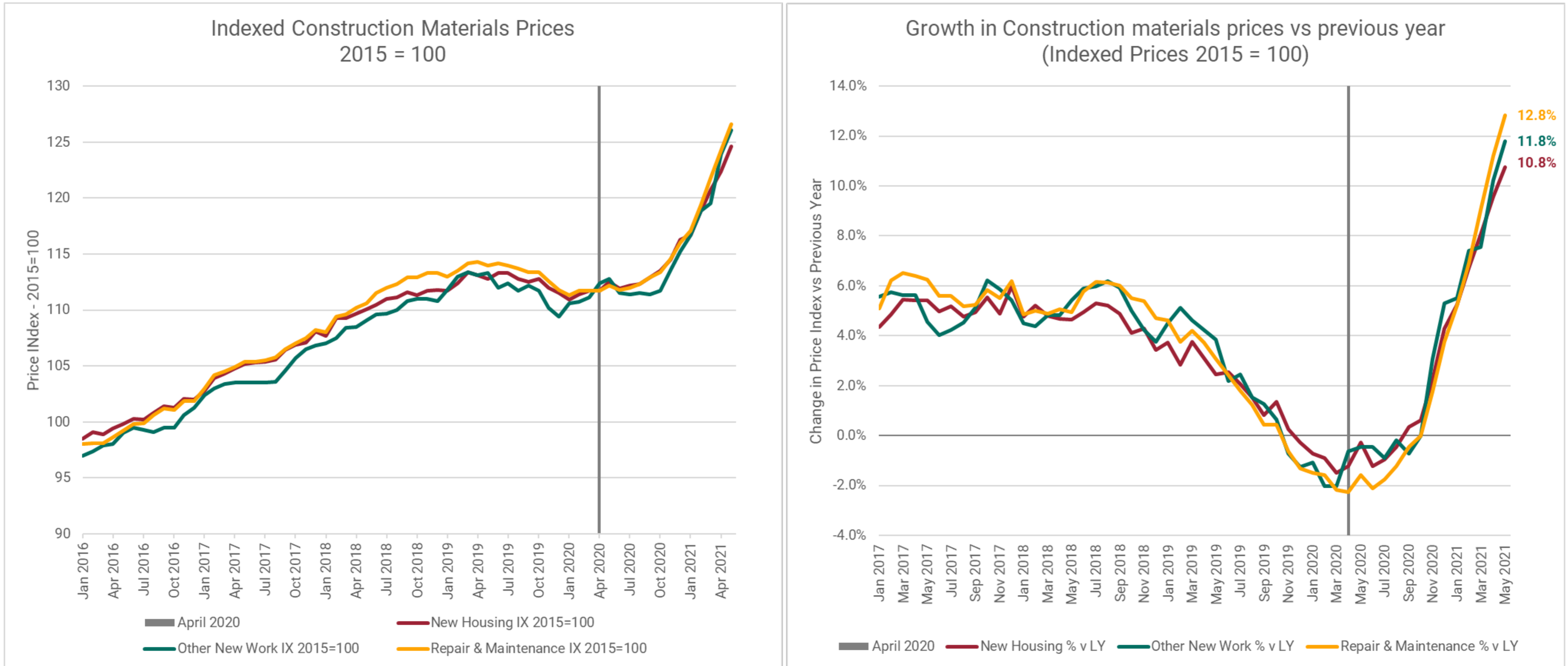
Source: ons.gov.uk

CPA cumulative growth forecasts – cumulative value of growth

CPA forecasts cumulative value of growth from 2020 – £ millions, 2018 prices



Construction Materials Price Index



Source: gov.uk

5 year Strategy Update



Marshalls 5 year Strategy Update



OUR VISION

Our vision is to Create Better Spaces and Futures for Everyone; Socially, Environmentally and Economically

OUR MISSION

Our Continuing Mission is to Deliver Sustainable Growth through a Brand that Drives Customer Specification of Innovative Product Solutions for the Built Environment

OUR STRATEGIC GOAL...

is to become the UK's Leading Manufacturer of products for the Built Environment

Strategic Priorities

Marshalls

Creating Better Spaces

Brand Preference for Product Specification

Logistics Excellence

Customer Centricity

Sustainable Materials Supply

New Product Development

Digital Transformation

Operational Excellence

Enabled by People and Talent Development

Growth in the Emerging Businesses

Brand preference for product specification



Product specifications are increasingly being used to underpin customers' own commitments to sustainability, in particular for lower embedded carbon, flood prevention and human rights



Customer centricity

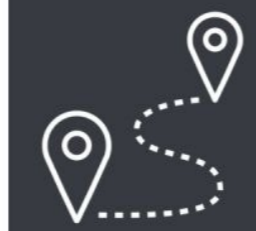


Net Promoter Score well on track with installers at +56 compared to +50 pre-pandemic

Logistics excellence

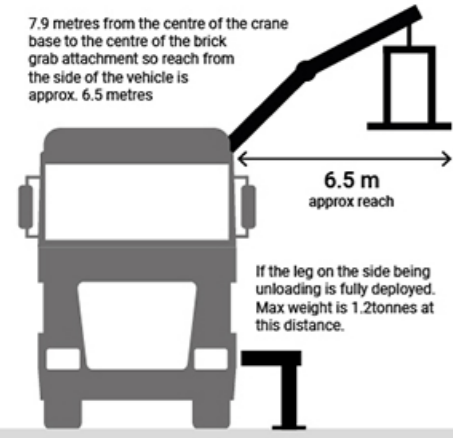


Track your deliveries



Crane

7.9 metres from the centre of the crane base to the centre of the brick grab attachment so reach from the side of the vehicle is approx. 6.5 metres



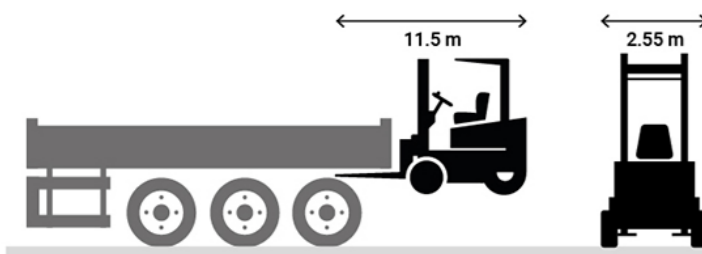
6.5 m approx reach

If the leg on the side being unloading is fully deployed. Max weight is 1.2 tonnes at this distance.



www.marshalls.co.uk/delivery-progress

Marshalls' own fleet of Euro 6 trucks ensures the most efficient vehicles are planned and tracked for every job



Operational excellence



Following the announcement of significant investment and upgrades to our concrete block paving technologies, flag paving is now the focus

New flag presses are being installed producing four units per cycle

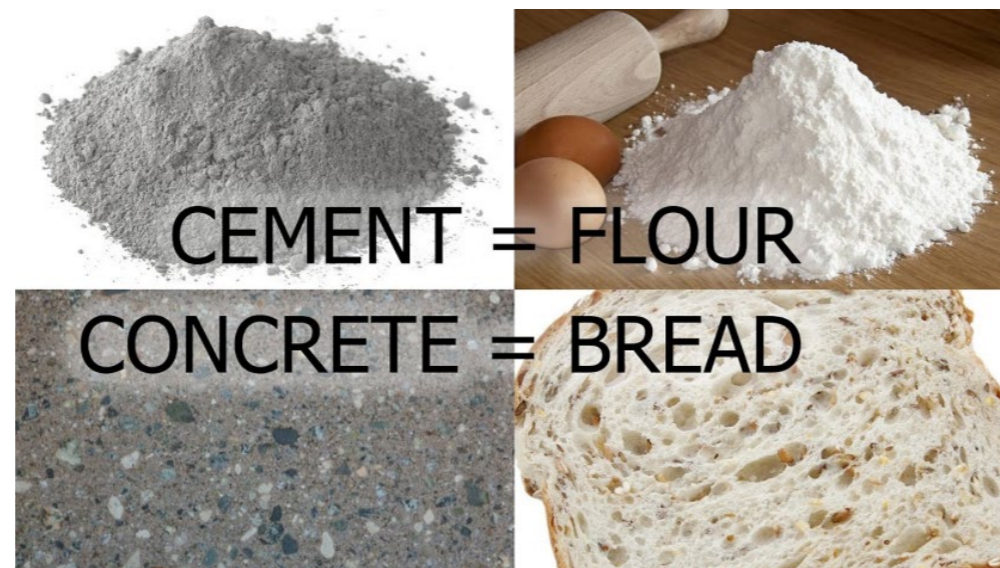
This is double the output of standard three mould presses



Sustainable materials supply



We continue to drive low carbon technologies building upon the successes of 60% cement substitution for block paving products



Plastic packaging has significantly reduced by moving from full cover bags to ¾ bags and sashes



New product development

NPD continues to be driven by Marshalls' long-standing sustainable thinking and by anticipating future trends

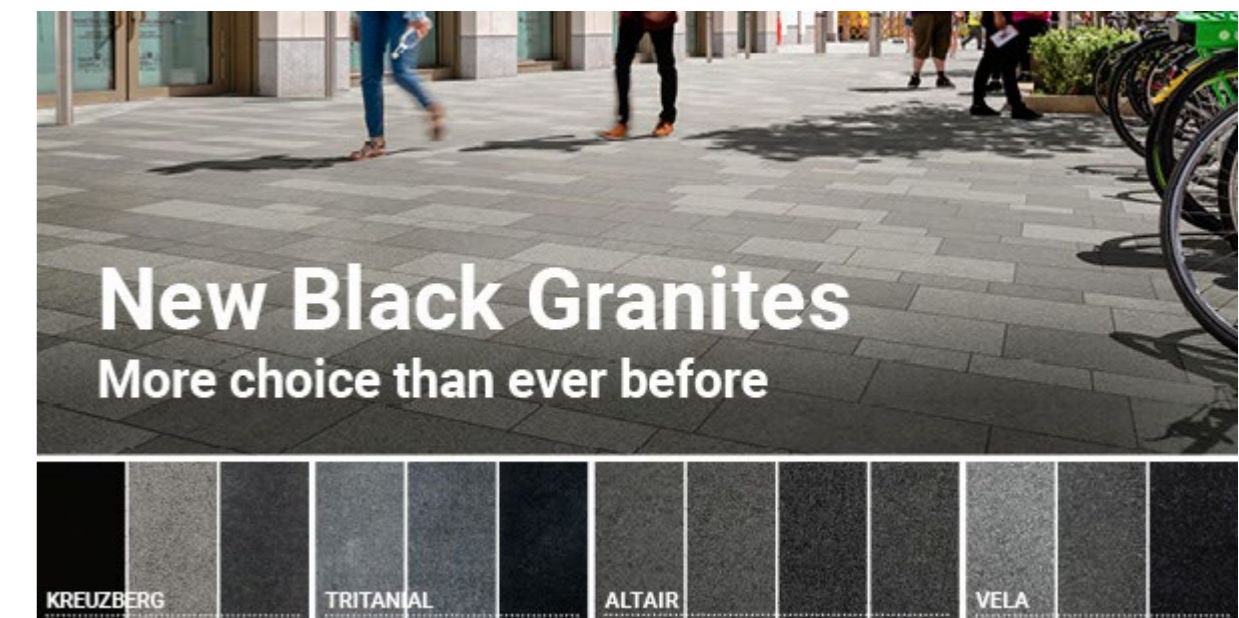


The current trend for outdoor living spaces and kitchen gardens is one Marshalls has long anticipated



New facing bricks have significantly lower product carbon footprints

New granites offering more choice for architects with lower Ethical Risk Index scores



Digital transformation



The New Housebuilders website and digital tools are integrating group-wide products and services

“Create a house your clients will love, from the first drive down the street to pulling up alongside their potential home”

House building solutions

A well-designed and carefully installed development is the best possible advertisement for the home you are trying to sell. First impressions count in this hugely competitive market.

The external infrastructure of a development is frequently at the bottom of a developer's priority list, but investing in your developments kerb appeal can make a real difference to the value and potential profitability of the homes you sell, as well as create a sense of community and individuality on your plot.

If you engage with Marshalls during the planning stage of your new housing scheme, you will receive sound, warranted product and design advice as well as drive significant cost out of the build. Doing this will ultimately free up budget for architects and designers to be just as creative on the outside as they are on the homes interior, helping you on those all-important first impressions.

The Marshalls Street

It's all about those first impressions

According to research, it takes potential homebuyers less than eight seconds to decide whether or not they like a home.

We have an extensive range of house builder products available to help develop your new build housing estate. Create a house your clients will love, from the first drive down the street to pulling up alongside their potential home.

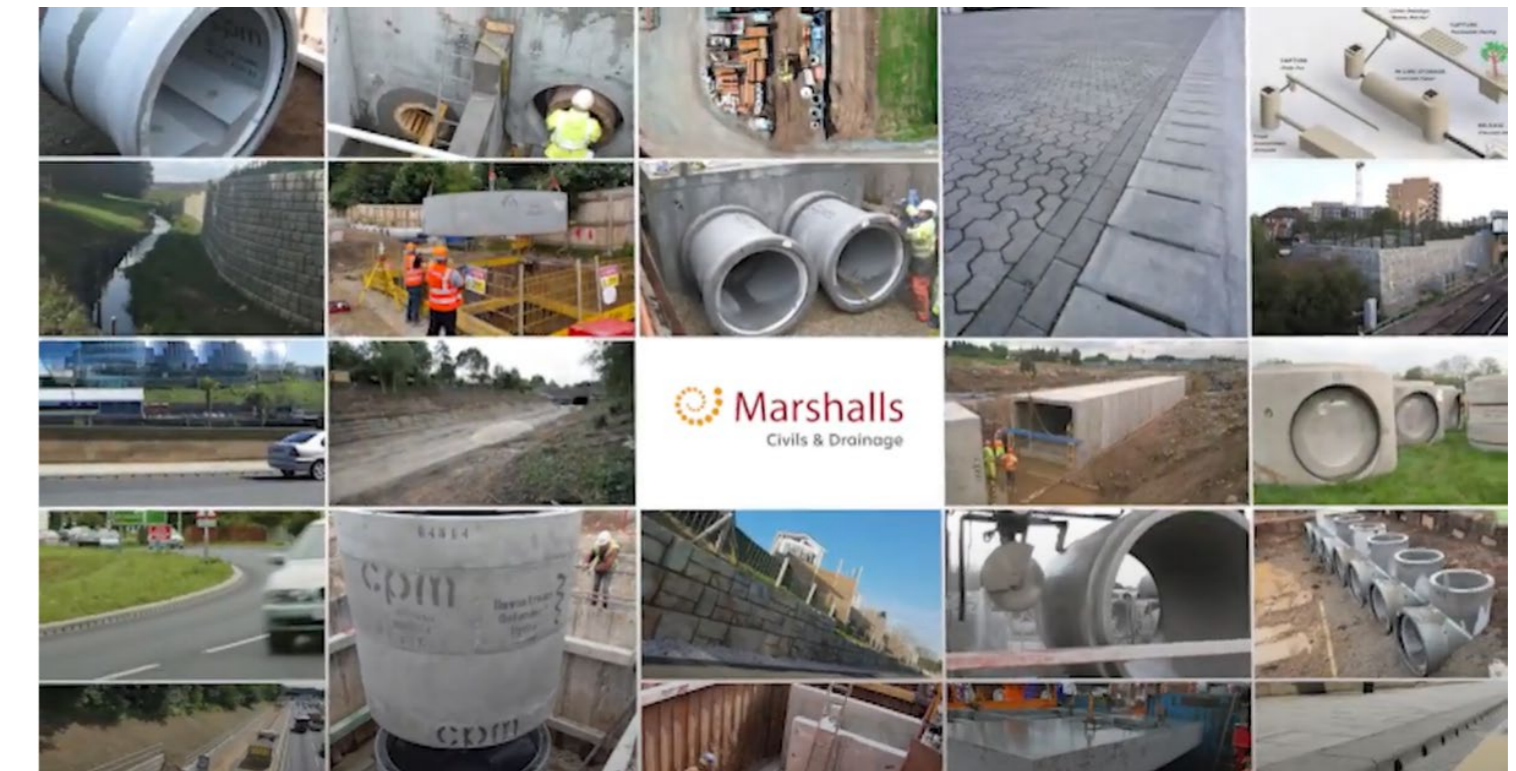
[Watch the video](#)

Building on 15 years of experience in digital visualisation the new Augmented Reality app gives architects, garden designers, installers and consumers state of the art solutions



The Emerging Businesses

All businesses are now operating under the Marshalls Brand



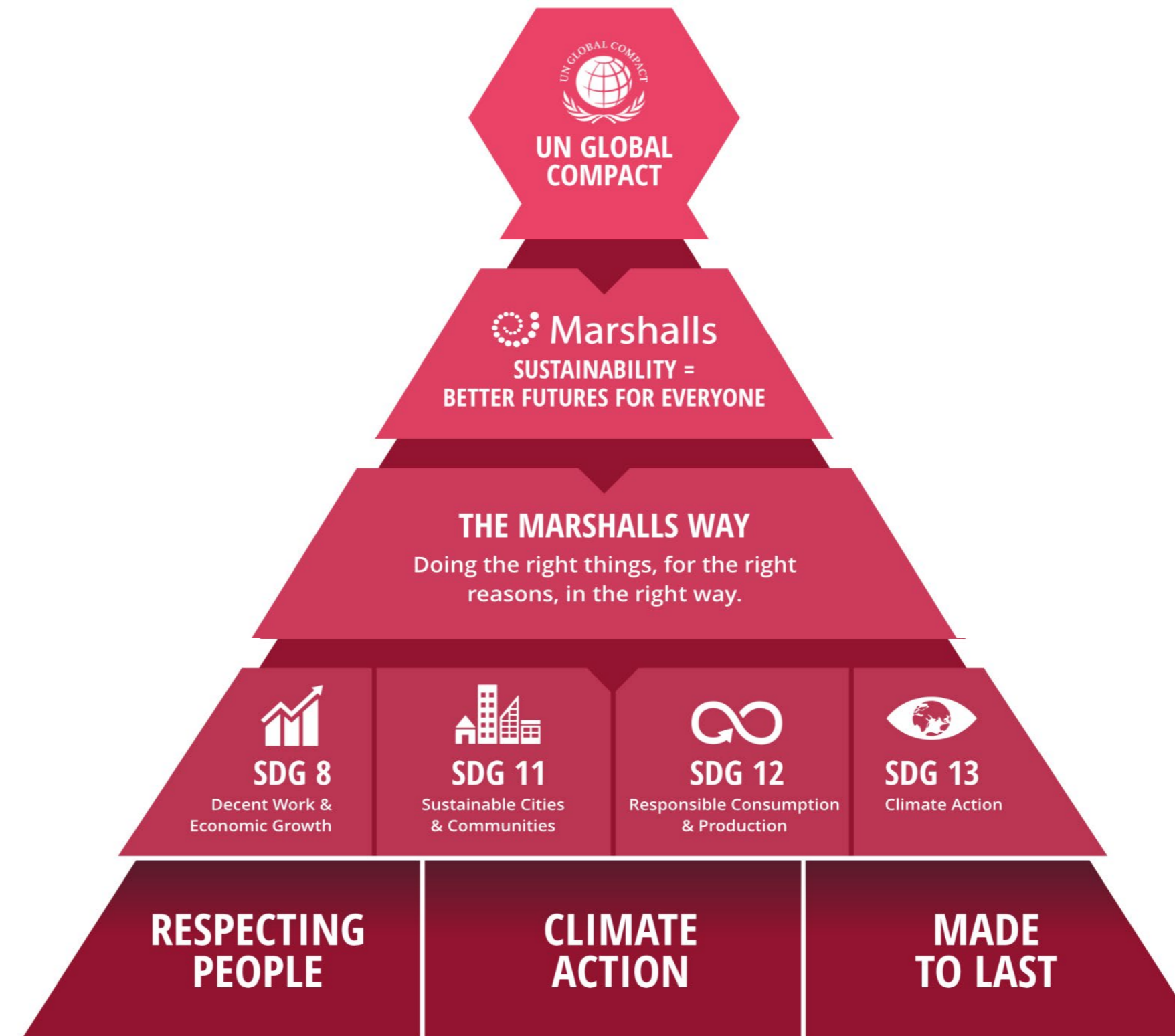
Strong growth plans are in place building upon our lower carbon and water management and landscape protection strengths

Continuing ESG Leadership



Sustainability approach

Strong foundations, meaningful actions



Addressing climate change

Science based targets and individual product carbon footprints



Over 5,000
individual product carbon footprints

Up to 50% lower
than direct AND indirect
competitor products

COMPANY	STATUS	TARGET CLASSIFICATION	LOCATION	REGION	SECTOR	DATE
Marshalls plc	Targets Set	Well-below 2°C	United Kingdom (UK)	Europe	Construction Materials	Mar 2020

Showing 1 to 1 of 1 entries

Climate change strategy

Mitigation and adaptation



Mitigation.

Action to reduce emissions that cause climate change.



Action to manage the risks of climate change impacts.

Adaptation.

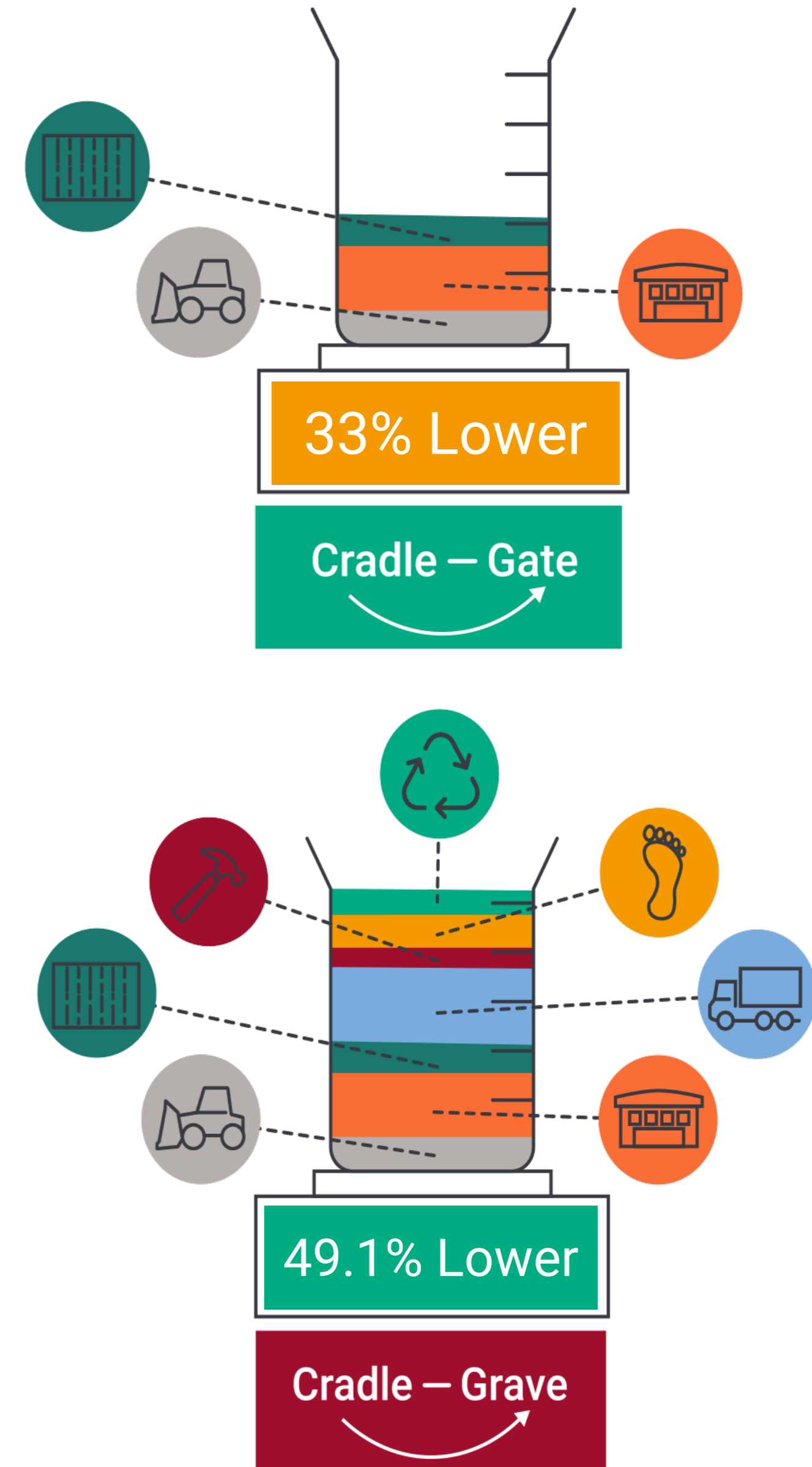
NPD for lower carbon footprints

Climate change adaptation based on data



Introducing our **perforated concrete engineering brick**

- Stock available nationally
- Available as mixed loads with Commons, Facing brick & Block



Climate change mitigation

Next steps... reducing urban heat island effect



Ongoing focus on ESG leadership

Ratings agency performance

Agency	Current score (Apr 21)	Next score due
MSCI	AAA (Leadership)	June 22
FTSE4Good	3.2 out of 5	December 21
CDP (Carbon Disclosure Project)	B (Management)	December 21
ISS	C (Highest in industry is C+)	October 21
Sustainalytics	52 management (50–100 is strong) 23.4 risk (20–30 is medium)	January 22
Vigeo Eiris	72%	November 21
Refinitiv	57% (Good relative ESG performance and above average degree of transparency in reporting material ESG data publicly)	December 21
EcoVadis	61% (top 25% of companies assessed)	Mid-March 22



Ongoing focus on ESG leadership

Maintaining accreditations and validations

- Approved science based targets for climate change
- Signatory to UN Global Compact
- Accredited to BES 6001 (responsible sourcing) and BES 6002 (ethical labour sourcing)
- Accredited to ISO 45001 (health and safety management), ISO 14001 (environmental management), ISO 9001 (quality management) and ISO 50001:2018 (energy management)
- Carbon Trust standard
- Disclosure to CDP (Carbon Disclosure Project)
- Fair Tax accreditation
- Superbrand status
- Real Living Wage employer
- Social Mobility Pledge signatory
- Women's Empowerment Principles commitment
- Partnership with Bright Future
- Charity partnership with Macmillan
- Members of Made in Britain, ETI (Ethical Trading Initiative), CIRIA (Construction Industry Research and Information Association), UNGC UK Modern Slavery Working Group, Sustainable Concrete Forum, Logistics UK, Logistics Emissions Reduction Scheme (LERS), Mineral Products Association and Construction Products Association (CPA)



ESG Update July 2021

Summary and outlook

- Strong first half – revenue, profit and cash generation
- ESG embedded throughout the business
 - Source of competitive advantage
 - SBTi targets set – clear climate change strategy
- Continued strong growth in Domestic
 - DIY and home improvement markets remain strong
 - Installer order books at record levels 21.4 weeks at end of June
- Positive outlook for Infrastructure (Road and Rail) – New Build Housing and Water Management remain attractive markets
- Capital investment to drive growth – planned increase, including dual block plant at St Ives
- Focus on innovation to drive sustainable new product development
- Strong balance sheet – with flexible capital structure to support growth and delivery of 5 year Strategy
- Interim dividend of 4.70 pence – intention to increase dividends in line with earnings
- The Board is confident of making further progress in the second half of the year, and is accordingly raising its expectations for 2021 and 2022

Appendices



Construction Products Association

	2019 Actual	2020 Actual	2021 Estimate	2022 Forecast	2023 Projection
Housing (£m)	44,882	35,461	41,231	44,643	46,429
	6.1%	-21.0%	16.3%	8.3%	4.0%
Other new work (£m)	67,286	58,387	66,455	70,634	72,906
	-	-13.2%	13.8%	6.3%	3.2%
Repair, Maintenance and Improvement					
Private Housing (£m)	22,071	19,310	22,400	23,072	22,610
	0.1%	-12.5%	16.0%	3.0%	-2.0%
Total (£m)	59,311	53,602	59,906	62,829	63,514
	0.8%	-9.6%	11.8%	4.9%	1.1%
Total all work (£m)	171,479	147,450	167,593	178,106	182,849
	1.8%	-14.0%	13.7%	6.3%	2.7%

Note:
Figures taken from the latest CPA summer forecast (main scenario)

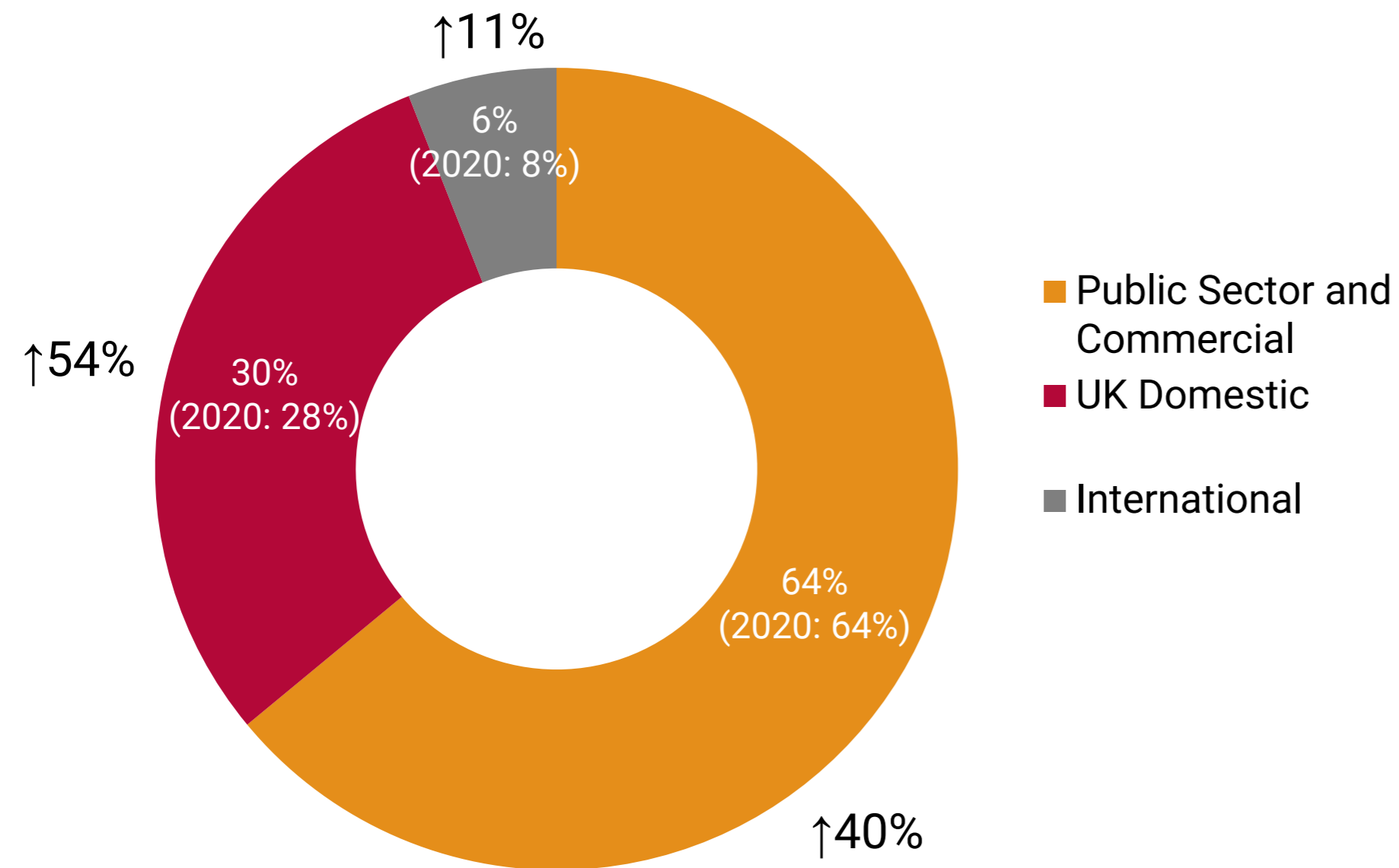
Key financial metrics

	HY 2021	HY 2020	HY 2019
Interest			
Charge	£2.1m	£1.9m	£1.9m
Cover (rolling annual)	13.5 times	10.7 times	25.5 times
EPS	15.30p	0.12p	15.18p
Weighted average number of shares	199.0m	198.6m	198.3m
Net asset value	£320.1m	£275.8m	£278.2m

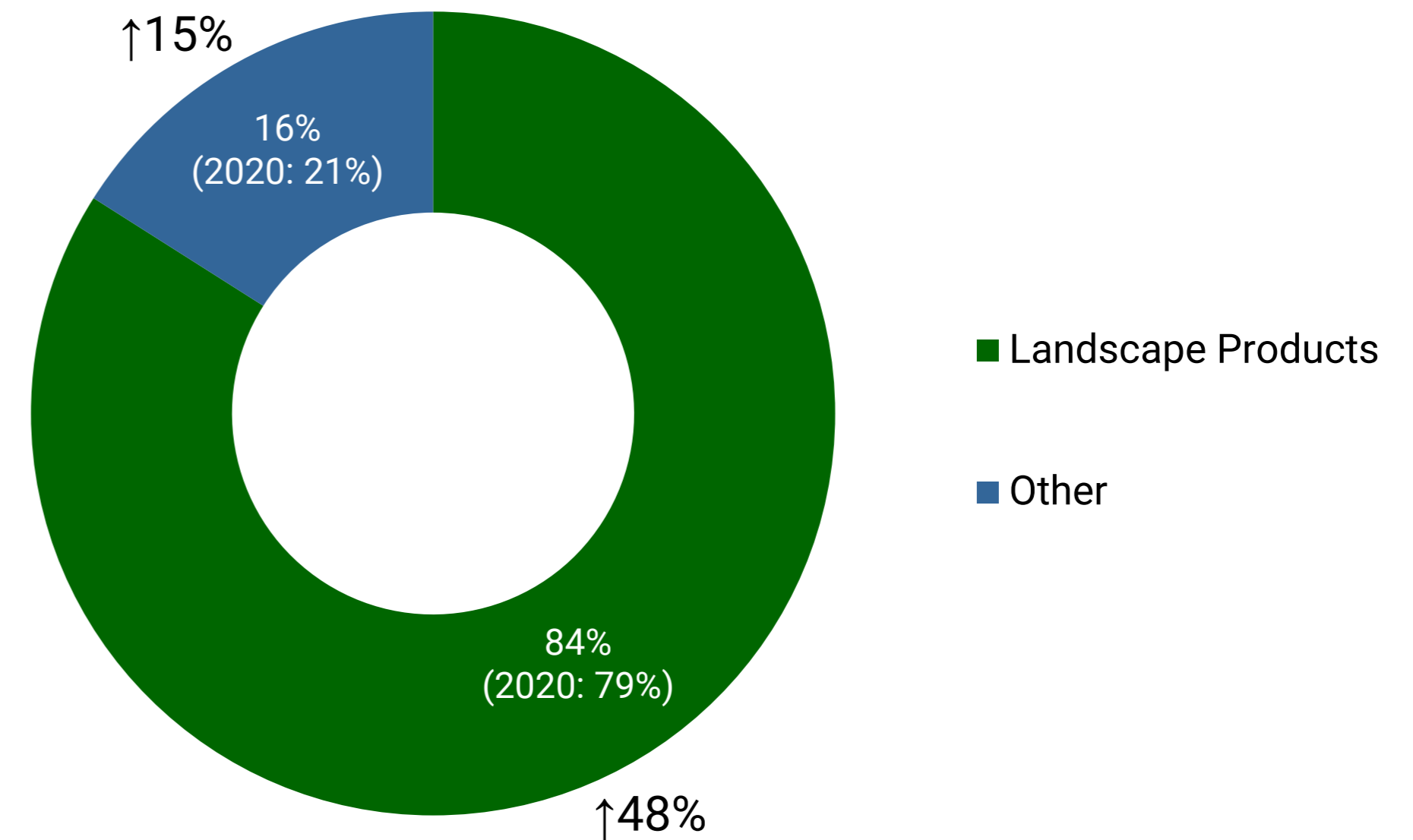
Revenue by end market and business area

Strong growth in Domestic, improved trading in Public Sector and Commercial

Revenue analysis: end market



Revenue analysis: business area



- Strong growth in Domestic to represent 30% of Group revenue
- Continuing improvement in Public Sector and Commercial
- Further growth in International

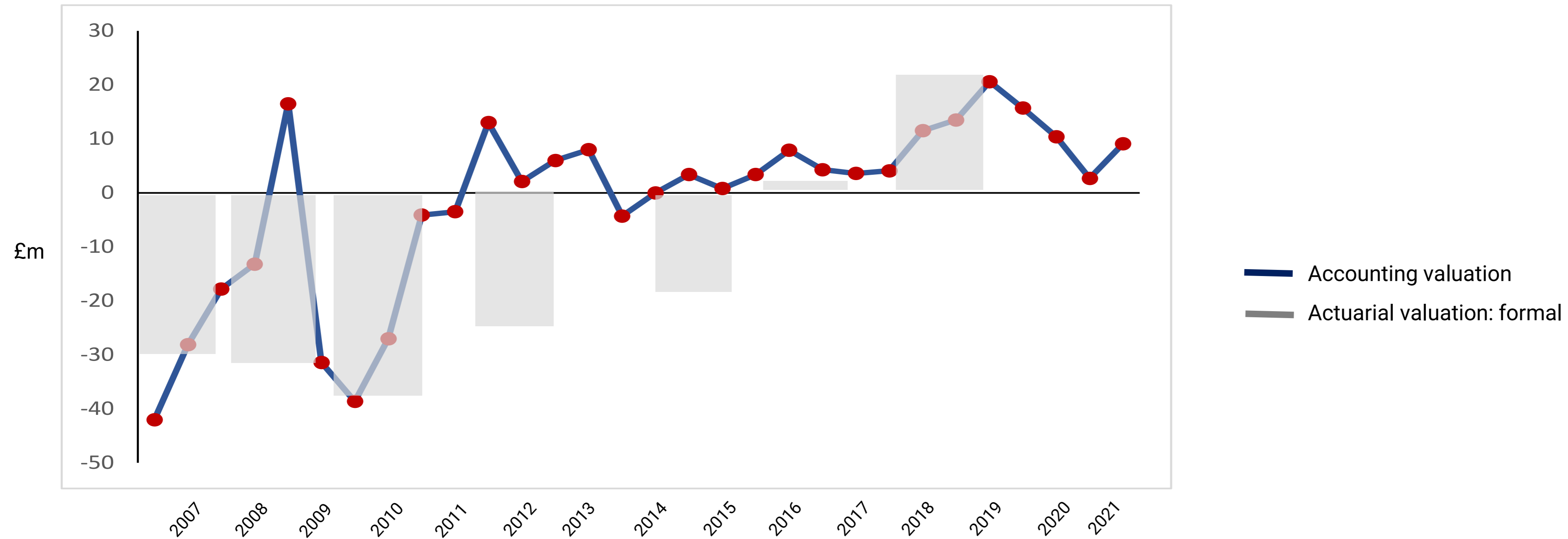
Pensions

Balance Sheet

- Company contributions to defined benefit scheme reduced to zero under agreed recovery plan
- Surplus of £9.5 million at 30 June 2021 (31 December 2020: surplus of £2.7 million)

Income Statement

- Scheme closed since 2006 to future accrual
- Net service cost: £0.1 million debit (2020: £0.1 million debit)
- Looking to “transfer out” long term



Net assets

	£m
2020 YE net assets	287.8
Impact of movements in the period:	
Profit for the financial period	30.6
Actuarial movement on pensions (after tax)	5.2
Hedging reserve	(1.4)
Share-based payments (after tax)	1.1
Purchase of own shares	(3.5)
Foreign currency translation differences / other	0.2
Non-controlling interest	0.1
HYE 2021 net assets	320.1

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