

**WOLSELEY**

**FY13**

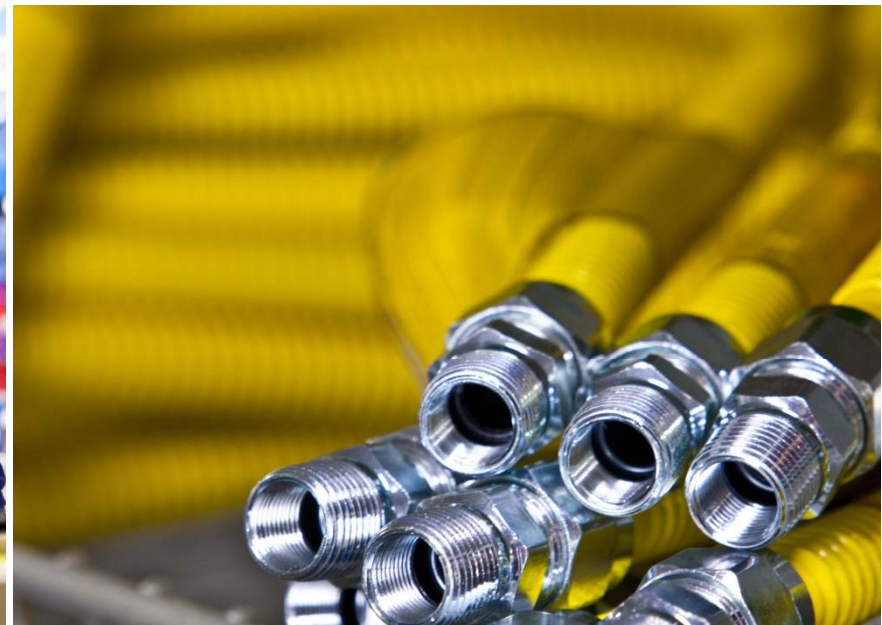
**Half Year Results**





# Welcome and highlights

Ian Meakins , Chief Executive



## Performance Highlights

- Like-for-like growth in H1 - market share performance
- Pricing remains very competitive
- Group gross margins - improving
- Cost reduction initiatives - executed and more planned
- Regional performances decent in widely different market conditions
  - USA strong performance / good leverage
  - UK, Canada, CE, good performance in difficult market conditions
  - Nordics resilient performance despite sharply lower demand
  - France performance difficult in extremely challenging new residential markets
- Proposed plans in France to address underperformance
- Ongoing trading profit +7.6%
  - Ongoing trading margin expansion 4.8% to 5.2%
- Wolseley well placed to deliver good growth in USA - taking significant actions to protect profitability in Europe – continue to invest for long term growth



# Operating and financial review

John Martin, Chief Financial Officer



## Financial Highlights

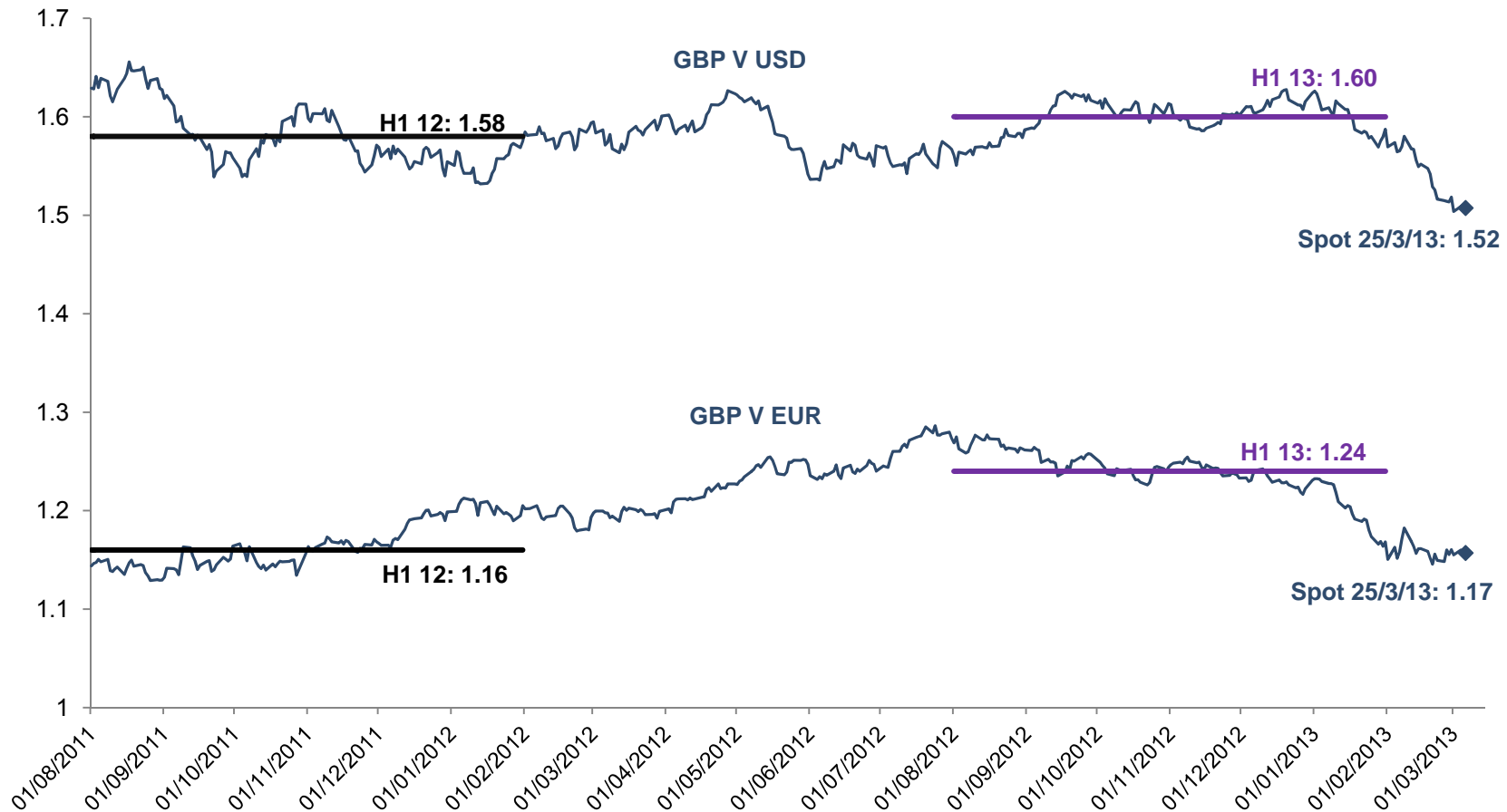
£m	H1 2013	H1 2012 Reported	H1 2012 Ongoing	Change Ongoing	Like-for-like Change
Revenue	<b>6,276</b>	6,841	6,269	+0.1%	2.2%
Trading profit*	<b>324</b>	310	301	+7.6%	
Trading margin	<b>5.2%</b>	4.5%	4.8%	+0.4%	
Profit before tax	<b>199</b>	250			
Headline EPS*	<b>80.7p</b>	77.7p			
Net debt	<b>871</b>	470			
Dividend per share	<b>22p</b>	20p		+10%	

\* Before exceptional items and amortisation of acquired intangibles

## Quarterly Performance

Like-for-like growth	Q1 last year	Q2 last year	Q3 last year	Q4 last year	Q1 this year	Q2 this year
USA	+10.2%	+7.4%	+9.4%	+6.7%	+7.1%	<b>+9.7%</b>
Canada	+1.7%	+4.9%	+7.9%	+4.5%	+3.1%	<b>+1.2%</b>
UK	(3.3%)	(2.4%)	(0.4%)	+3.5%	(0.3%)	<b>+0.3%</b>
Nordic	+2.3%	+6.6%	(1.7%)	(2.9%)	(4.8%)	<b>(8.0%)</b>
France	+2.5%	+4.4%	(6.1%)	(5.6%)	(8.2%)	<b>(12.5%)</b>
Central Europe	+0.5%	+2.2%	(0.1%)	+0.7%	+1.3%	<b>+1.1%</b>
	<b>+4.8%</b>	<b>+5.0%</b>	<b>+3.8%</b>	<b>+2.9%</b>	<b>+2.1%</b>	<b>+2.3%</b>

# Foreign Exchange and Trading Days



FX cost £6 million and one less trading day cost £5 million in H1  
There is also one less trading day in H2

USA



£m	H1 2013	H1 2012	Change	Like-for-like Change
Revenue*	<b>3,189</b>	2,966	+7.5%	+8.3%
Trading profit	<b>223</b>	173	+28.9%	
Trading margin	<b>7.0%</b>	5.8%	+1.2%	
Branches	<b>1,309</b>	1,276	+33	
Headcount	<b>18,336</b>	17,807	+3.0%	

\* Change in Integrated Services accounting - £41 million less revenue in this period, no impact on trading profit



## Canada



£m	H1 2013	H1 2012	Change	Like-for-like Change
Revenue	<b>440</b>	426	+3.3%	+2.3%
Trading profit	<b>28</b>	25	+12.0%	
Trading margin	<b>6.4%</b>	5.9%	+0.5%	
Branches	<b>220</b>	220	-	
Headcount	<b>2,506</b>	2,559	(2.1%)	

## UK ongoing\*



£m	H1 2013	H1 2012	Change	Like-for-like Change
Revenue	<b>853</b>	850	+0.4%	-
Trading profit	<b>45</b>	44	+2.3%	
Trading margin	<b>5.3%</b>	5.2%	+0.1%	
Branches	<b>935</b>	939	(4)	
Headcount	<b>6,238</b>	6,031	+3.4%	

\* Excludes Build Center, Encon, Bathstore and Unifix

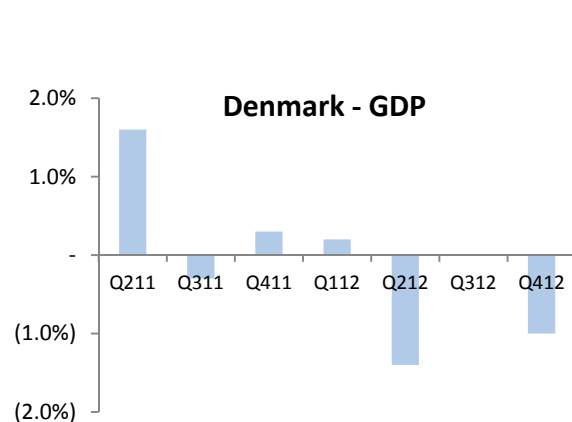
Expect Burdens sites will generate about £60m of sales and a loss of £2 million in H2

# Nordic ongoing\*



£m	H1 2013	H1 2012	Change	Like-for-like Change
Revenue	<b>934</b>	1,044	(10.5%)	(6.2%)
Trading profit	<b>39</b>	46	(15.2%)	
Trading margin	<b>4.2%</b>	4.4%	(0.2%)	
Branches	<b>259</b>	256	+3	
Headcount	<b>5,643</b>	5,937	(5.0%)	

\* Excludes Woodcote and HT Bendix

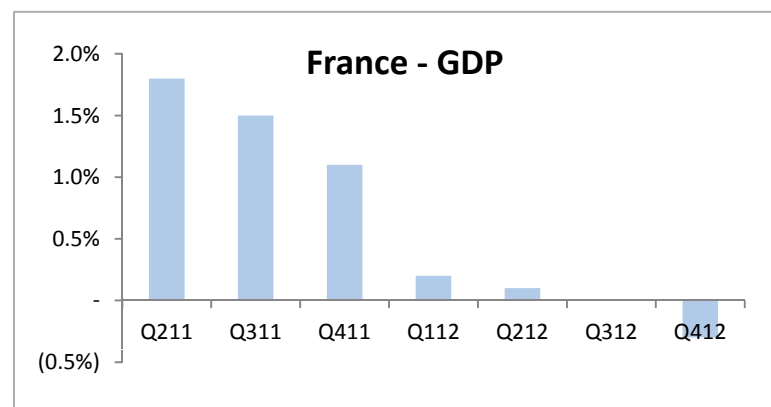


# France ongoing\*



£m	H1 2013	H1 2012	Change	Like-for-like Change
Revenue	506	606	(16.5%)	(10.4%)
Trading (loss)/profit	(7)	8	n/a	
Trading margin	(1.4%)	1.3%	(2.7%)	
Branches	312	316	(4)	
Headcount	5,060	5,411	(6.5%)	

\* Excludes Brossette



## France Strategic Review

*Wood Solutions to be retained and management responsibility transferred to Central Europe*

- Strong strategic position and market leader in Softwood, Panels and Trusses
- Good positions in building products and timber frames
- Year ended 31 July 2012; revenue of £230 million, trading profit of £14 million, 41 sites
- Good progress in focussing and repositioning the businesses in 2012
- Profitable and cash generative, though cyclical

## France Strategic Review

### *Advanced negotiations to sell 88 Building Materials branches in south of France to Chausson*

- Year ended 31 July 2012; revenue of £241 million, trading profit of £2 million, 929 employees
- Consideration: £36 million bond, convertible into 11.6% equity stake in Chausson
- £16 million of freehold property with rental income of £1.2 million pa retained
- National co-operation on sourcing

Relevant employee representatives to be consulted,  
and subject to competition clearance

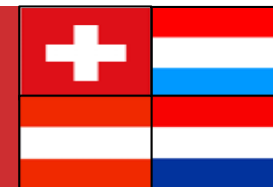
## France Strategic Review

### *Create strong distributor of building materials in north of France*

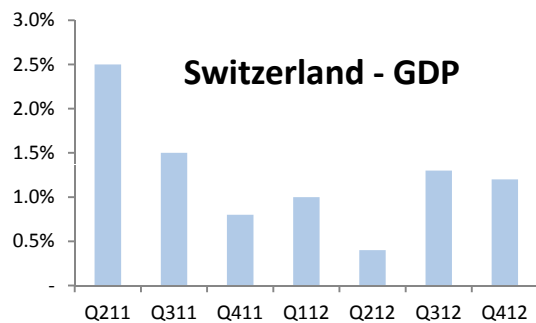
- Year ended 31 July 2012; revenue £653 million, trading profit £17 million
- Rationalisation:
  - Proposal to exit 24 loss making branches (£72 million revenue, £4 million loss)
  - Proposal to dispose of 15 small specialist Cardor and Coverpro branches (£56 million revenue, £1 million trading profit)
- Business improvement programme proposal:
  - Administrative offices in Paris and Rennes would be consolidated and reduced in size, consistent with the smaller branch network
  - Customer offering will be refocused on core ranges with very high availability
  - Greater branch compliance to provide sourcing benefits and consistent pricing

Relevant employee representatives to be consulted

# Central Europe



£m	H1 2013	H1 2012	Growth	Like-for-like Change
Revenue	<b>354</b>	377	(6.1%)	+1.2%
Trading profit	<b>18</b>	20	(10.0%)	
Trading margin	<b>5.1%</b>	5.3%	(0.2%)	
Branches	<b>143</b>	146	(3)	
Headcount	<b>1,963</b>	2,019	(2.8%)	





## Central Costs

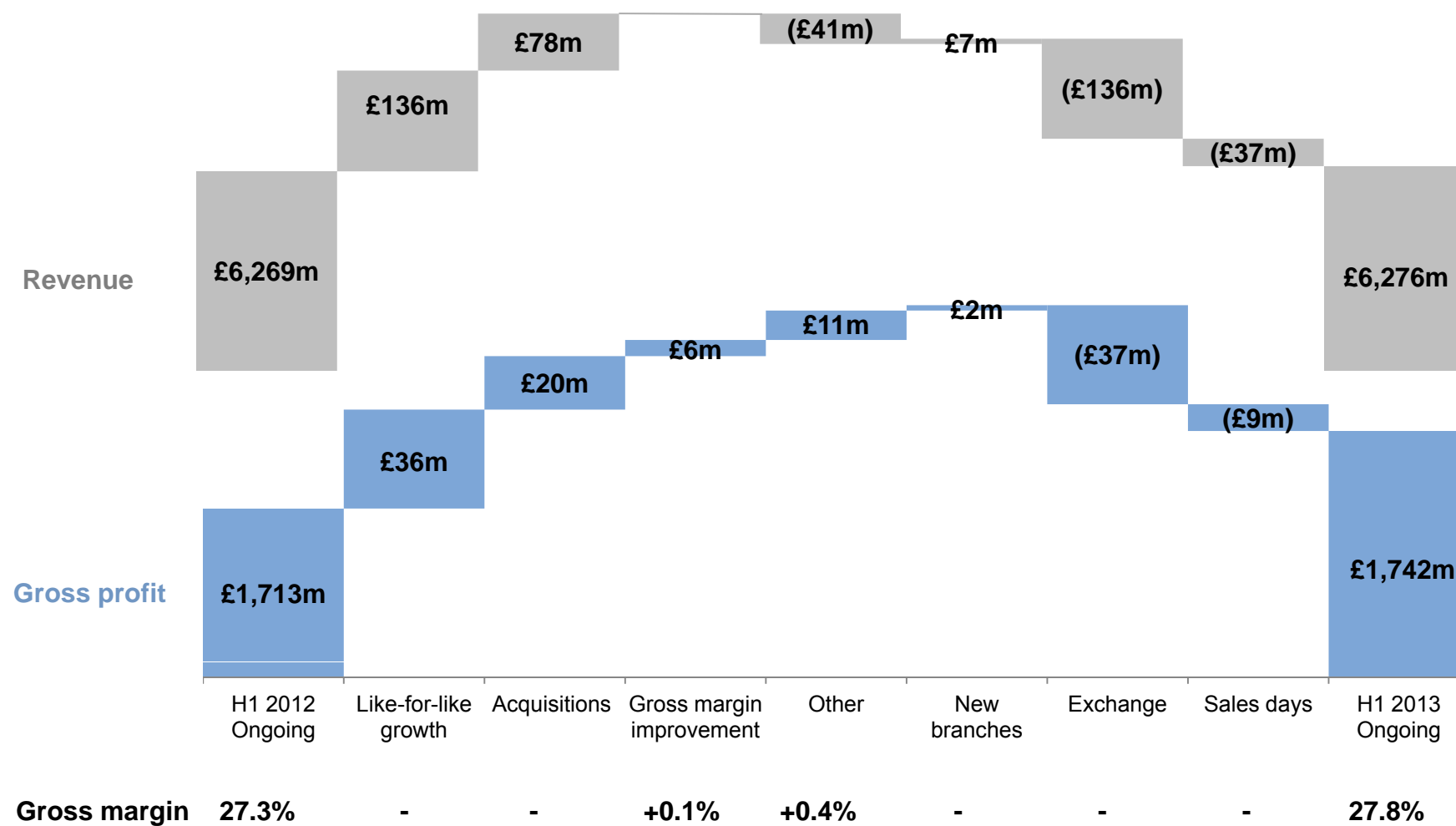
£m	H1 2013	H1 2012
Group costs	17	15
Non-recurring items:		
- Insurance	3	-
- M&A	2	-
	<b>22</b>	<b>15</b>

## Exceptional Items

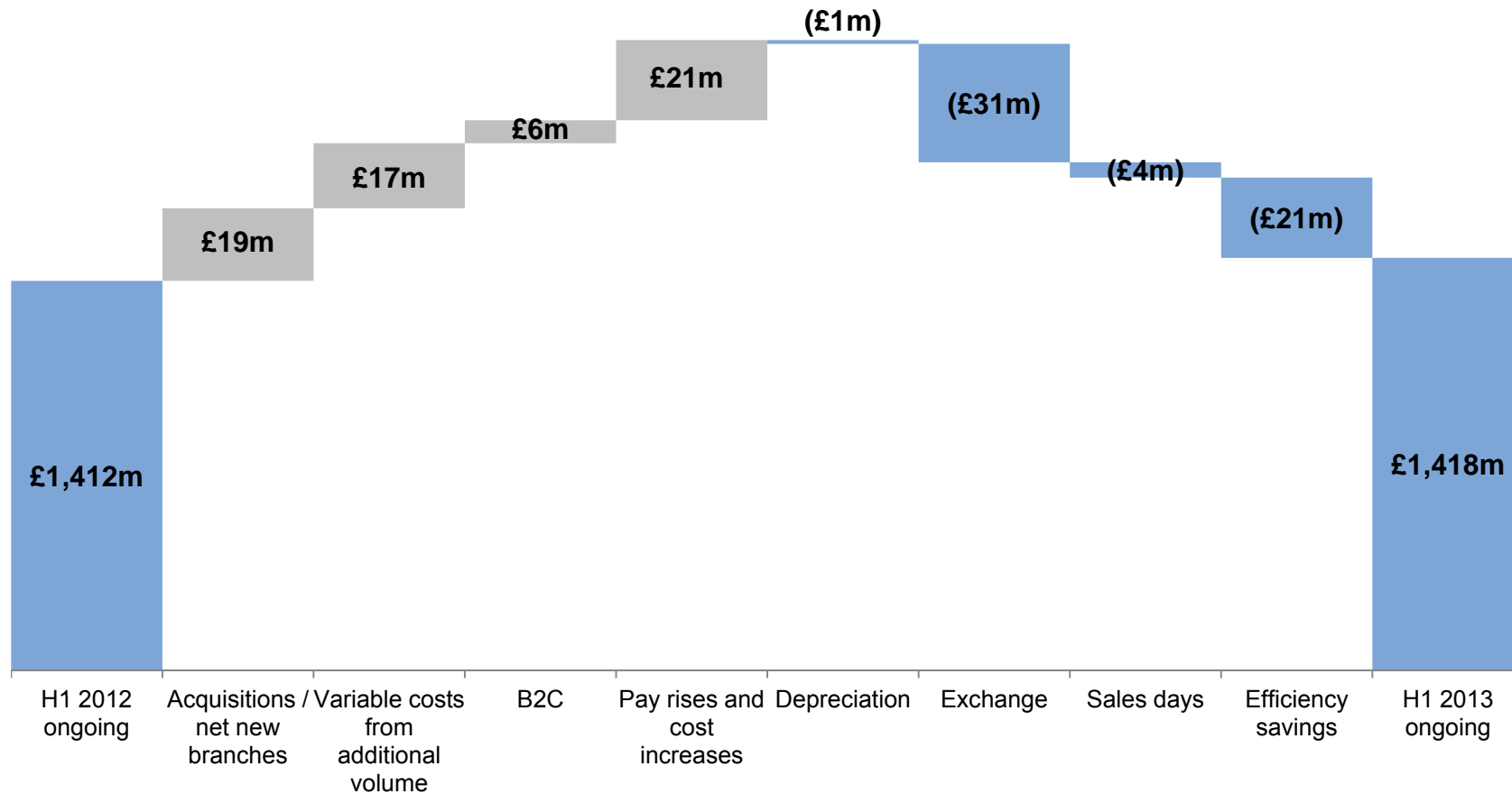
£m Charge / (credit)	H1 2013
Redundancy costs	10
Asset write downs, disposals and other related costs	83
	93
Unauthorised payments in France	10
Business disposals	(16)
	87

Current and future cash impact of exceptional items – outflow of £39 million.  
H2 expected exceptional charges of £70-80 million (cash impact about £20 million)

# Revenue and Gross Profit in the Ongoing Business



# Operating Expenses of the Ongoing Business



Ongoing trading profit / gross profit improved by 1.0% to 18.6%

## Financing and Tax

£m	H1 2013	H1 2012
<b>Financing</b>		
Net interest charges	7	9
Pensions and provisions	2	4
Facility charges	2	2
	<b>11</b>	<b>15</b>
<b>Tax</b>		
Income statement charge	71	70
Exceptionals, intangibles and other adjustments	15	5
Underlying income statement charge	<b>86</b>	<b>75</b>
Trading profit less financing charges	<b>313</b>	<b>295</b>
Effective tax rate	<b>27%</b>	<b>25%</b>

## Cash Flow from Operating Activities

£m	H1 2013	H1 2012
Trading profit	324	310
Depreciation and amortisation	60	64
EBITDA	384	374
Working capital - Timing of year end payments runs	(145)	(114)
- Other working capital movements	(197)	(92)
One-off pension contribution	(125)	(60)
Provisions, other movements and exceptional costs	(33)	2
Cash flow from operating activities	(116)	110

## Other Cash Flow

£m	H1 2013	H1 2012
Cash flow from operating activities	(116)	110
Net interest	(12)	(8)
Tax paid	(100)	(28)
Acquisitions and disposals including asset disposals	(75)	160
Capex	(50)	(64)
Dividends (including £348m special dividend)	(462)	(85)
Purchase of shares by Employee Benefit Trusts	(110)	-
FX and other items	9	(32)
(Increase)/decrease in net debt	(916)	53
Opening net cash/(debt)	45	(523)
Closing net debt	(871)	(470)

# Acquisitions

Acquisition	Business unit	Date	Annual revenue
	US B2C	Sep 2012	£53m
	US Blended Branches	Oct 2012	£72m
	UK	Nov 2012	£120m

H1 acquisition investment £101 million cash + £19 million deferred consideration



## Significant Organic Investments

- Infrastructure and property
  - Ohio DC
  - Texas hub
- Technology
  - Master data management
  - Finance simplification
  - Telecoms infrastructure
- Development
  - Build.com

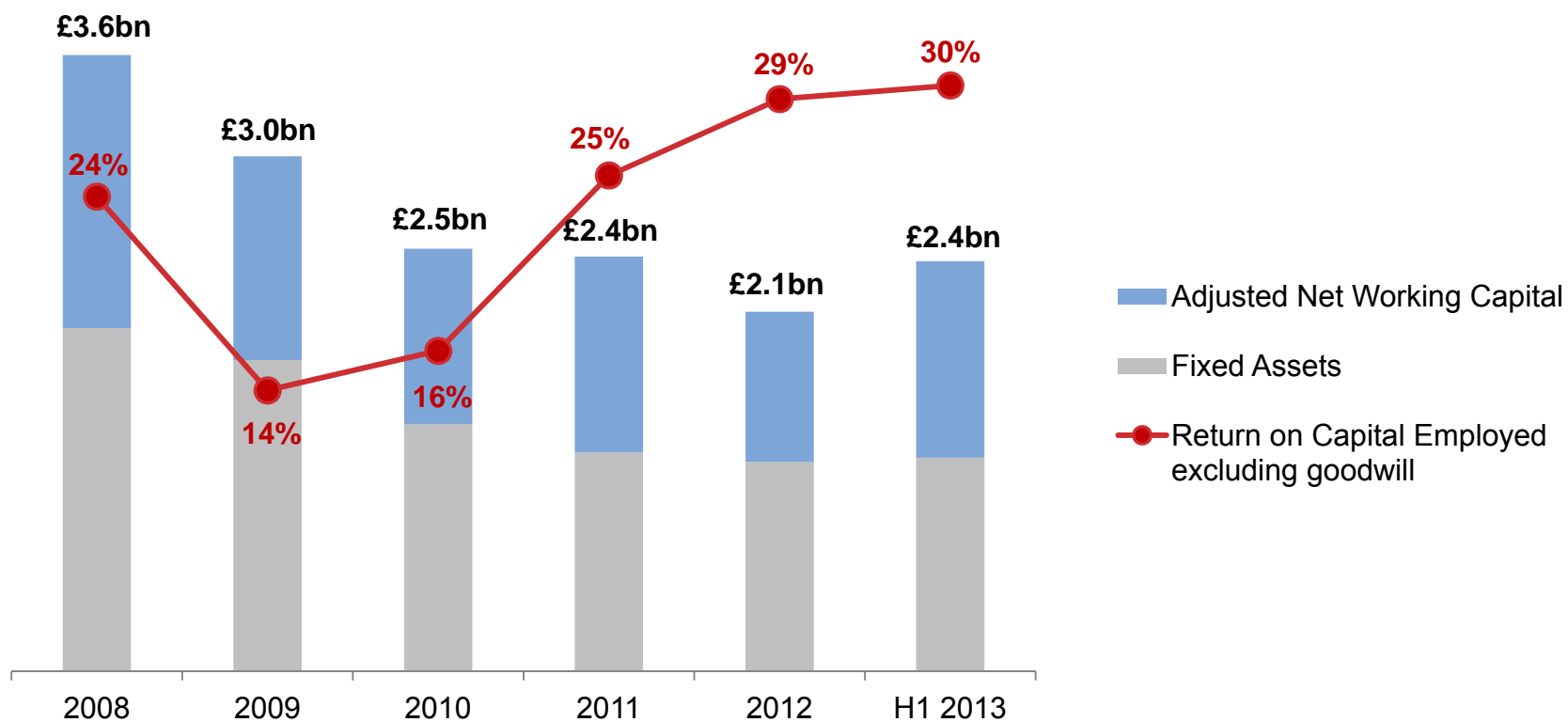
Full year capex investment expected to be approximately £120m

## Net Debt and Pensions

£m	31 Jan 2013	31 Jul 2012	31 Jan 2012
Net debt as reported	(871)	45	(470)
Receivables factoring	-	-	(59)
Impact of timing of payment runs	-	(145)	-
Adjusted net debt	(871)	(100)	(529)
Net pension liabilities	(318)	(358)	(351)

Committed facilities of £1.6bn

# Capital Employed



Note: EU Payment Directive still to be implemented in parts of Europe

## Dividend Policy

- Interim dividend of 22p per share, increased by 10%
- Interim payment expected to be one third of total dividend for the year
- Dividend cover of 2.8x based on current consensus expectations
- Dividend growth will reflect a prudent view of long term earnings growth
- Maintain dividend payments through the cycle
- Reminder of capital structure priorities
  - Organic growth
  - Dividends
  - Acquisitions that meet investment criteria
  - Return of surplus cash to shareholders



# Business Review and Strategy Update

Ian Meakins, Chief Executive



## Wolseley Strategy

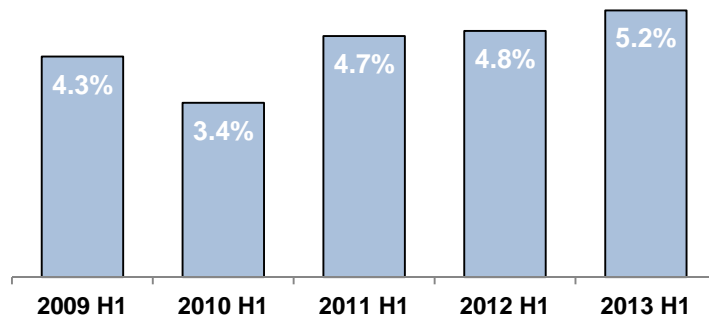
1. Develop our great portfolio of strong businesses
2. Drive performance systematically across Group
3. Accelerate profitable growth
  - organic / bolt-ons / adjacent businesses
4. Drive evolution of business models
5. Deliver Group synergies
6. Underpin strategy with strong balance sheet

## Wolseley Strategy

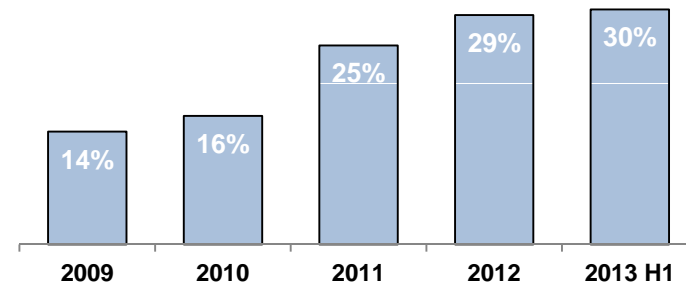
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# Drive Performance

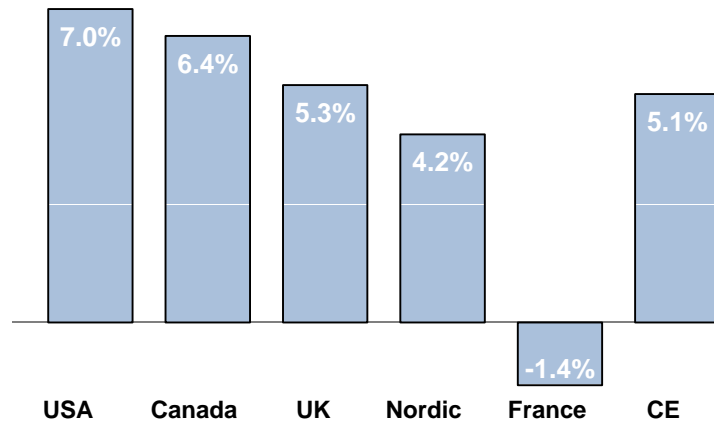
### H1 Trading Margin – Ongoing Businesses



### Group Return on Capital Employed



### H1 Trading Margin – By Geography



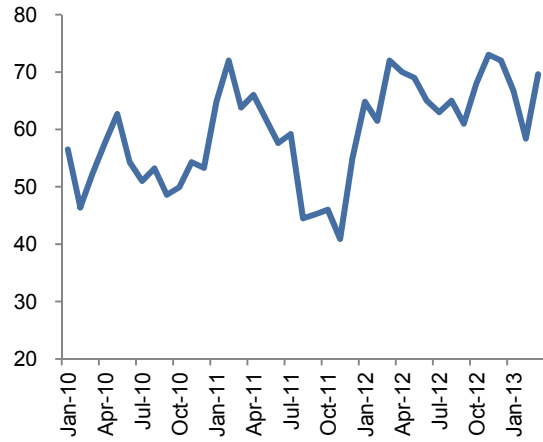


## Wolseley Strategy

1. Develop our great portfolio of strong businesses
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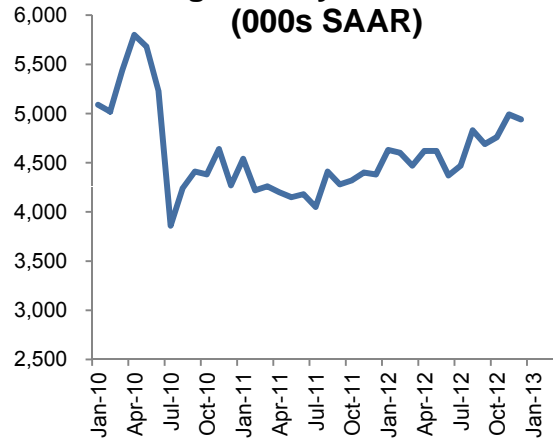
# USA - Market Dynamics

**Consumer Confidence**



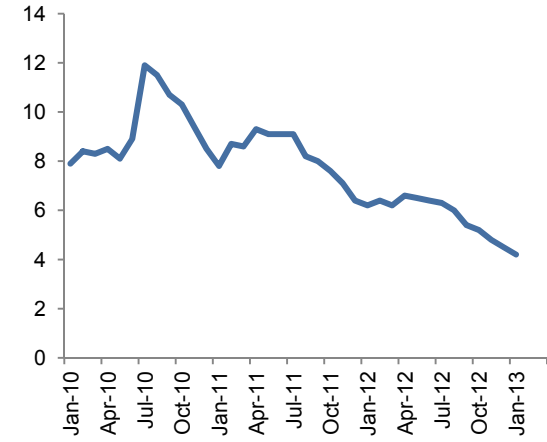
Source: The Conference Board

**Single family home sales (000s SAAR)**



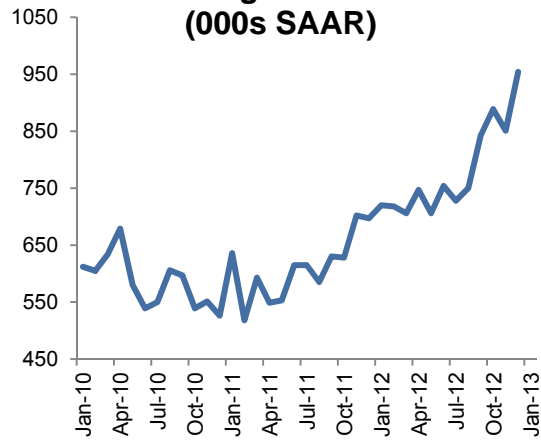
Source: US Central Bureau

**Months supply of inventory**



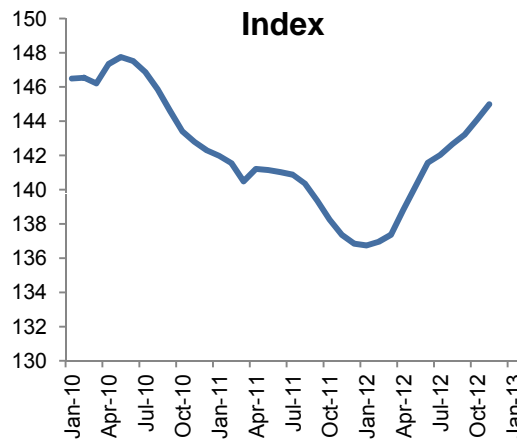
Source: National Association of Realtors

**Housing Starts 12m (000s SAAR)**



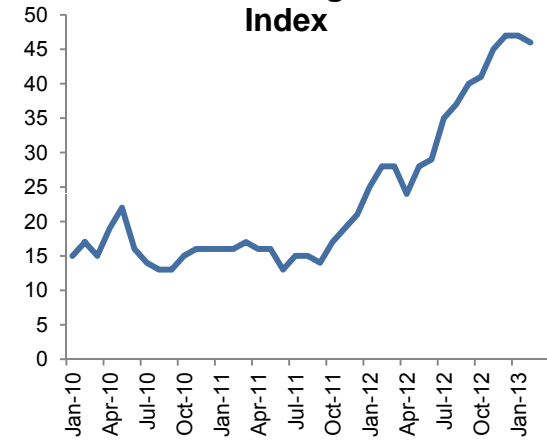
Source: US Census Bureau

**Case Schiller Home Price Index**



Source: Standard and Poor's

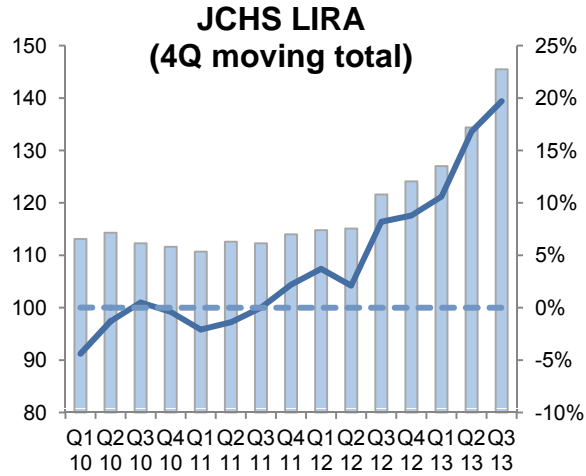
**NAHB Housing Market Index**



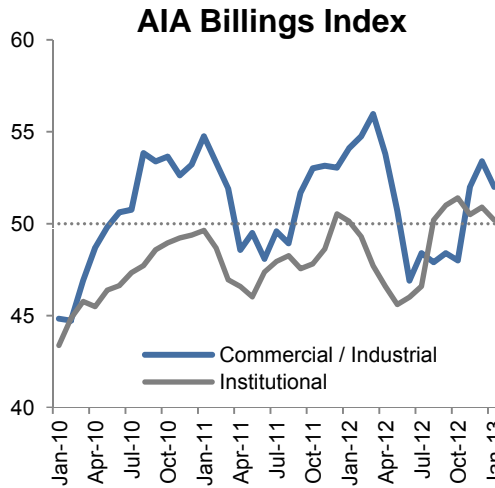
Source: National Association of Home Builders



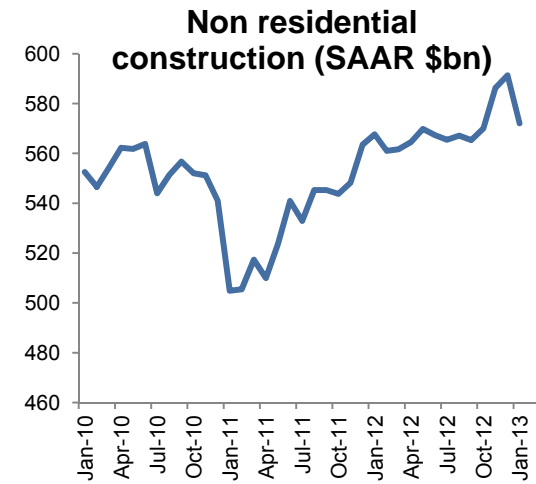
# USA - Market Dynamics



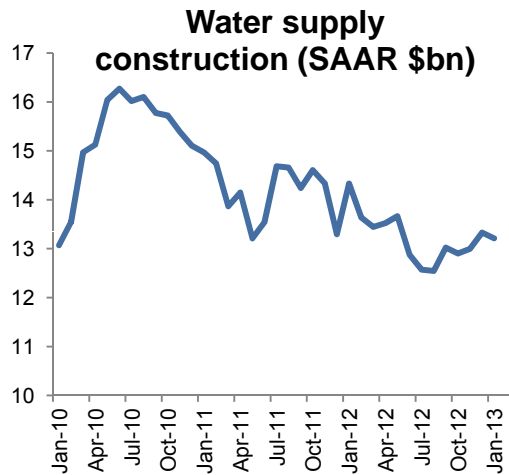
Source: Joint Center for Housing Studies



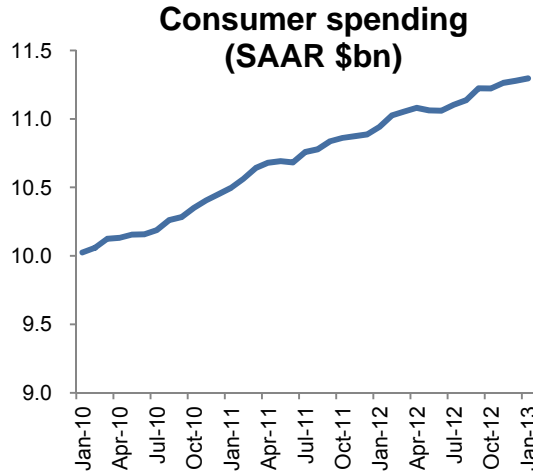
Source: American Institute of Architects



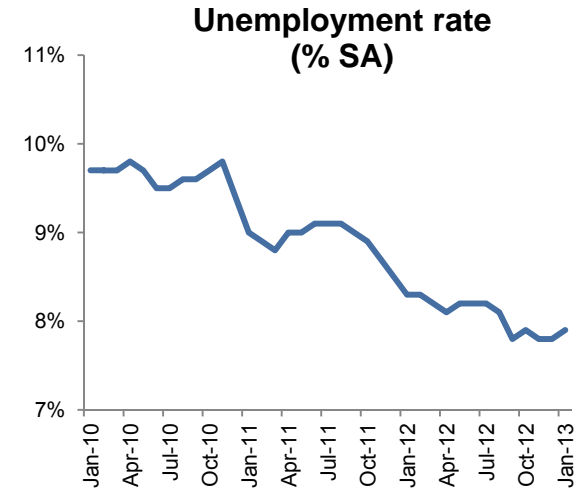
Source: Bureau of Commerce



Source: US Bureau of Census



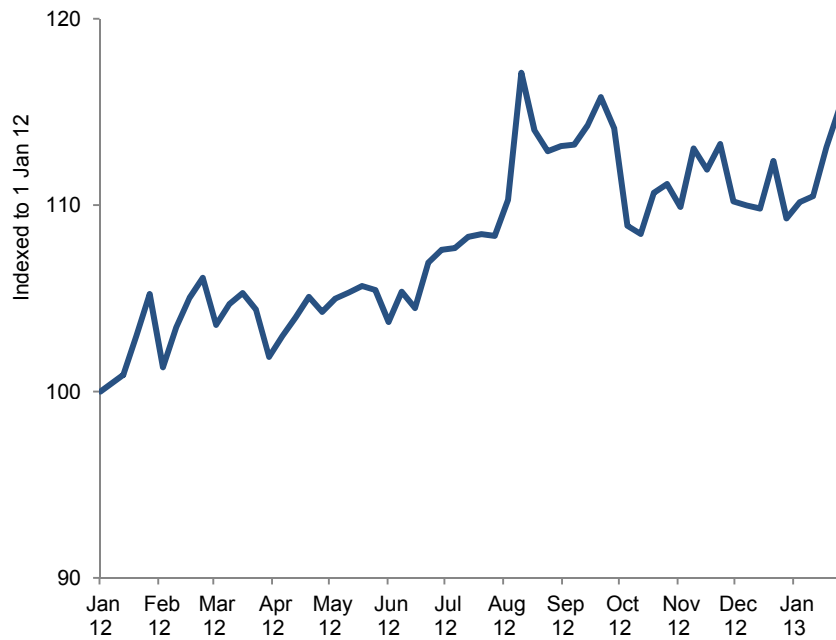
Source: Bureau of Economics and Analysis



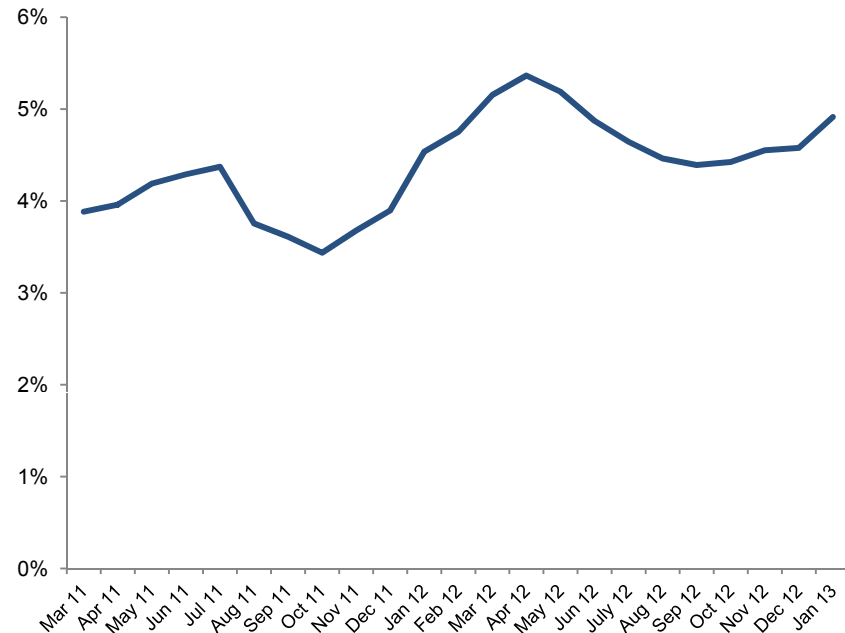
Source: US Bureau of Labour

# Ferguson Outstanding Orders

Current rolling total outstanding orders

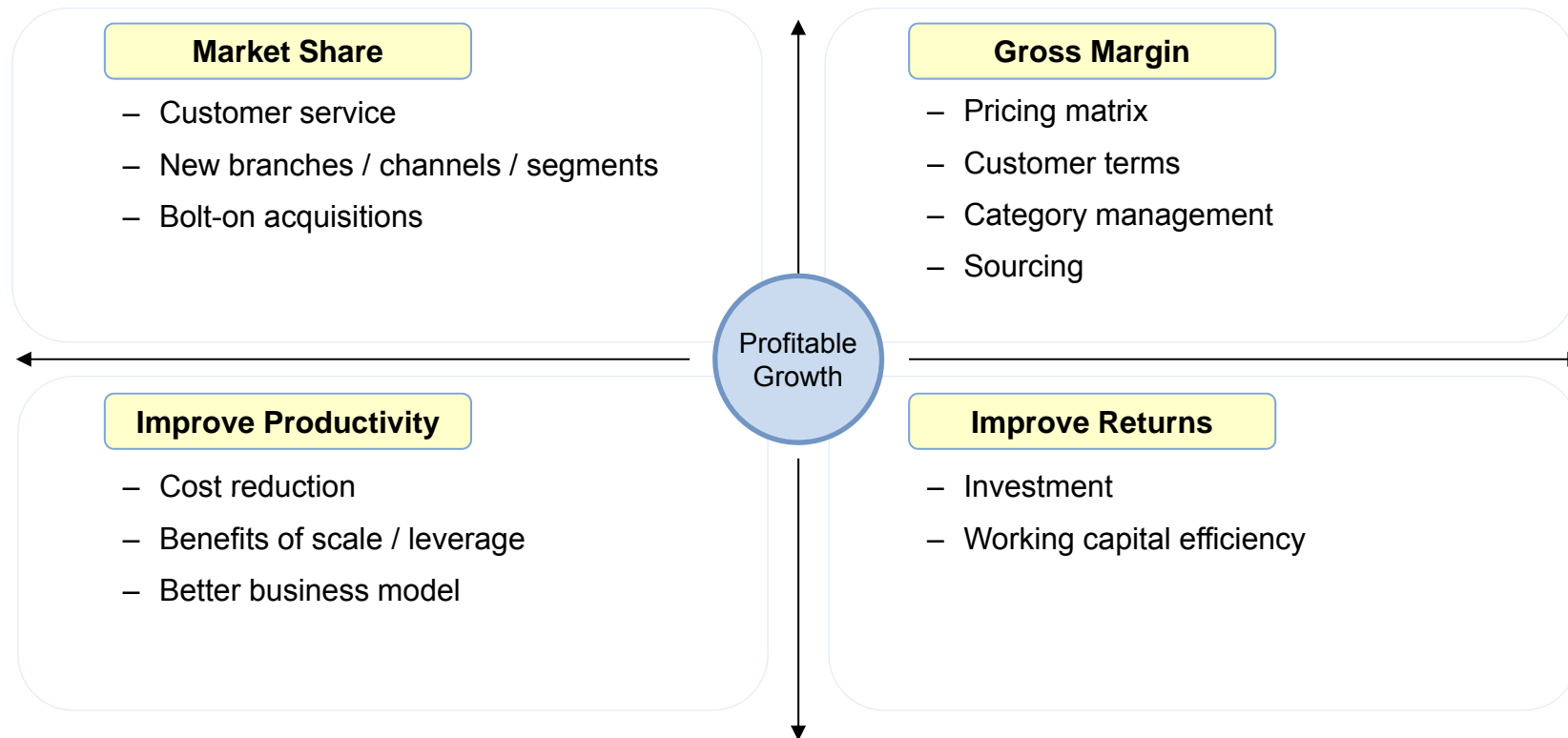


Weighted Customer Sentiment, 12 month forecast of growth



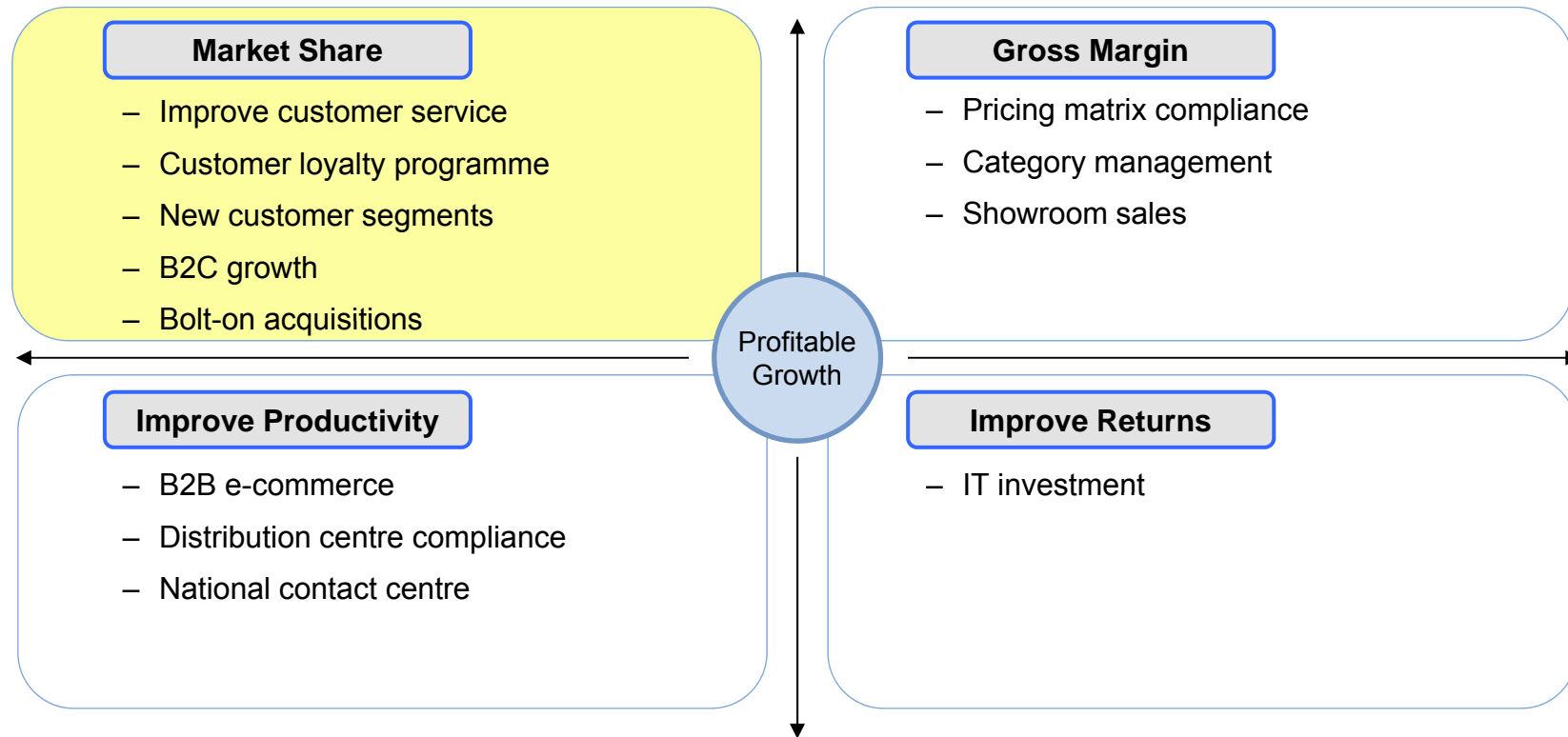
# Accelerate Profitable Growth

## Profit Levers



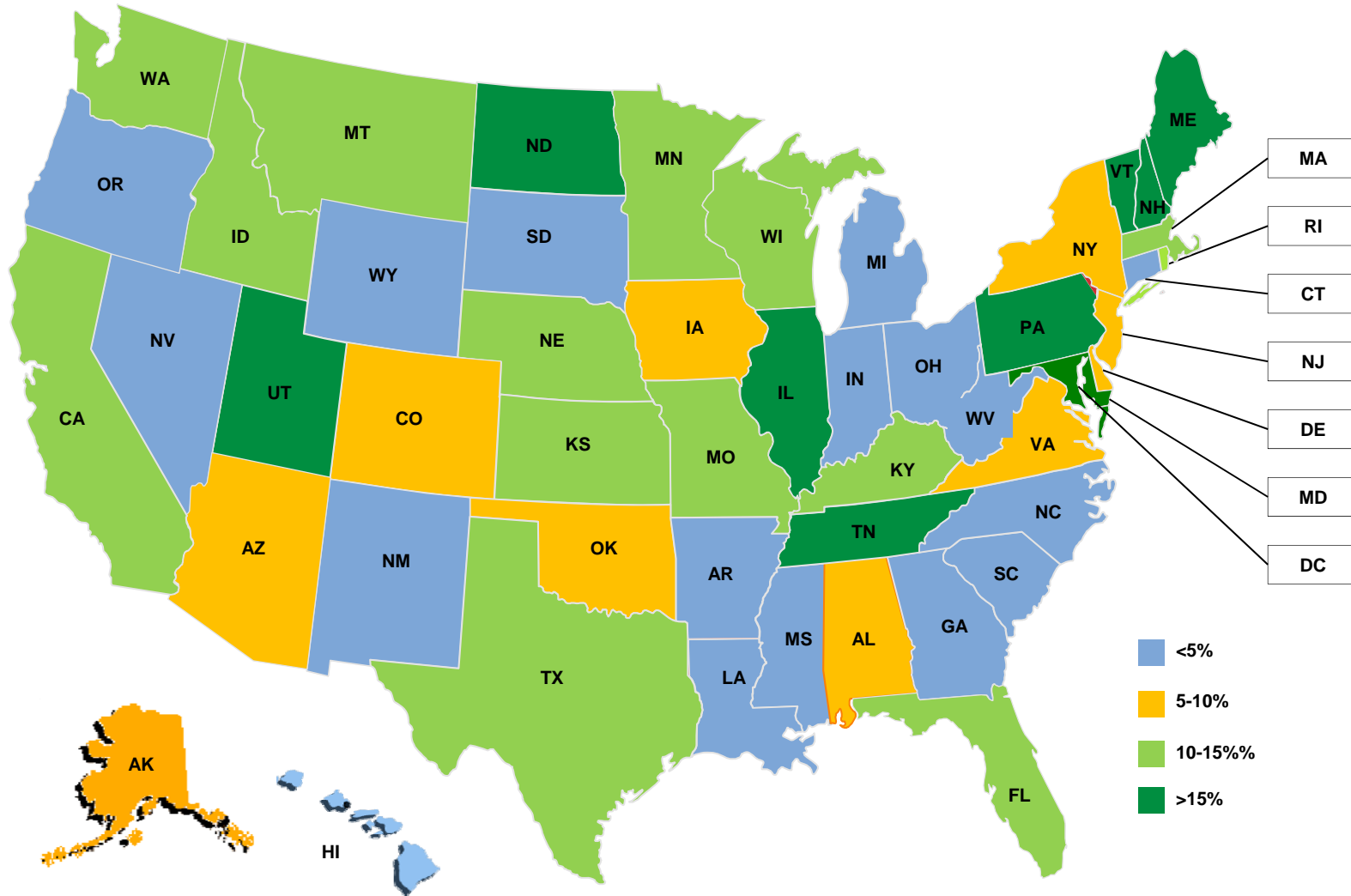
Many small improvements generate very good performance

# USA - Blended Branches



Drive consolidation, gain share, multi channels and new segments, improve leverage

# USA - Blended Branches Revenue Growth by State



# Customer Service Dashboard

Ferguson Customer Dashboard - January 2013					
Market Research - Pipe Up NPS Scores					
FEI Net Promoter Score (NPS)		Prior Month	FEI Average	Notable Customer Type Scores	
Jan-2013, Average Score	63.95			HVAC Contractors	59.12 +2.34 pts
Prior Month Average Score	64.02			Mechanical Contractor	62.11 +0.95 pts
2-yr Average Score	60.70			Plumbing Contractors	62.52 -2.85 pts
Net Promoter Score Drivers					
#1 - Overall Quality of Customer Service		Prior Month	FEI Average	#2 - Rate and Speed of Service	
Jan-2013, Average Score	9.02			Jan-2013, Average Score	8.75
Prior Month Average Score	9.01			Prior Month Average Score	8.73
2-yr Average Score	8.92			2-yr Average Score	8.65
Correlation to NPS	39%			Correlation to NPS	30%
#3 - Range of Products Offered		Prior Month	FEI Average	#4 - Relationship with Associates	
Jan-2013, Average Score	8.81			Jan-2013, Average Score	9.19
Prior Month Average Score	8.76			Prior Month Average Score	9.17
2-yr Average Score	8.79			2-yr Average Score	9.07
Correlation to NPS	30%			Correlation to NPS	28%
#5 - Competitive Pricing		Prior Month	FEI Average	#6 - Availability of Products	
Jan-2013, Average Score	7.93			Jan-2013, Average Score	8.41
Prior Month Average Score	7.92			Prior Month Average Score	8.32
2-yr Average Score	7.90			2-yr Average Score	8.32
Correlation to NPS	26%			Correlation to NPS	22%
#7 - Accuracy of My Call-In Order		Prior Month	FEI Average	#8 - Accuracy and Consistency of Billing	
Jan-2013, Average Score	8.79			Jan-2013, Average Score	8.79
Prior Month Average Score	8.72			Prior Month Average Score	8.75
2-yr Average Score	8.70			2-yr Average Score	8.60
Correlation to NPS	9%			Correlation to NPS	9%

Most Important NPS Drivers -->

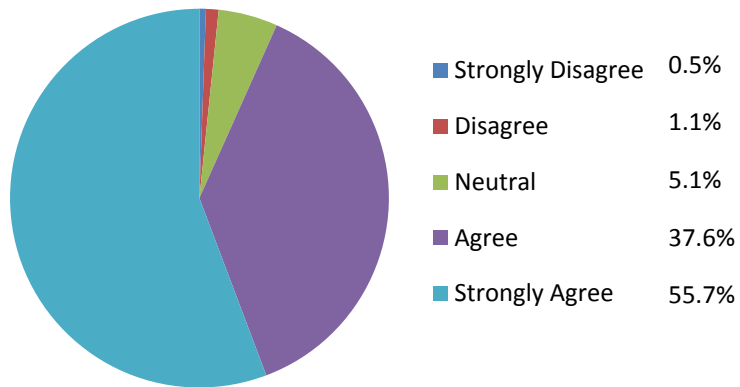
<-- Lesser Important NPS Drivers

\*Correlation to NPS explains how strong the relationship between the NPS Driver and overall NPS score is --> the higher the %, the stronger the relationship

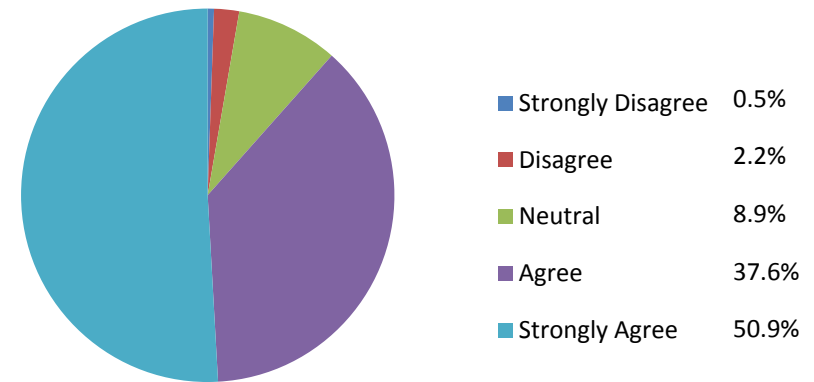


# Employee Engagement

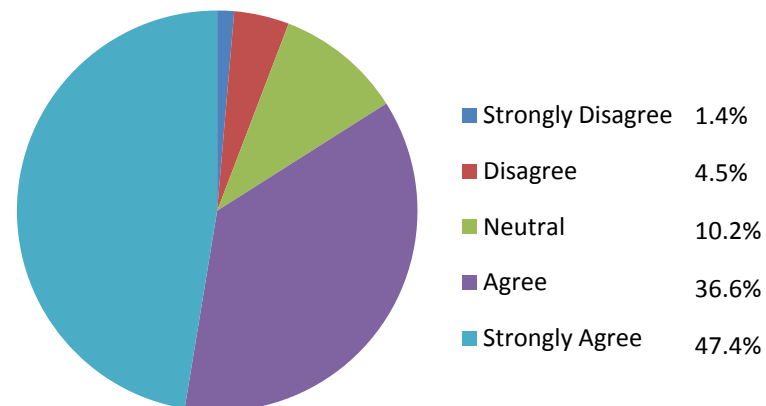
As an associate of Ferguson, I feel confident about recommending Ferguson to potential customers



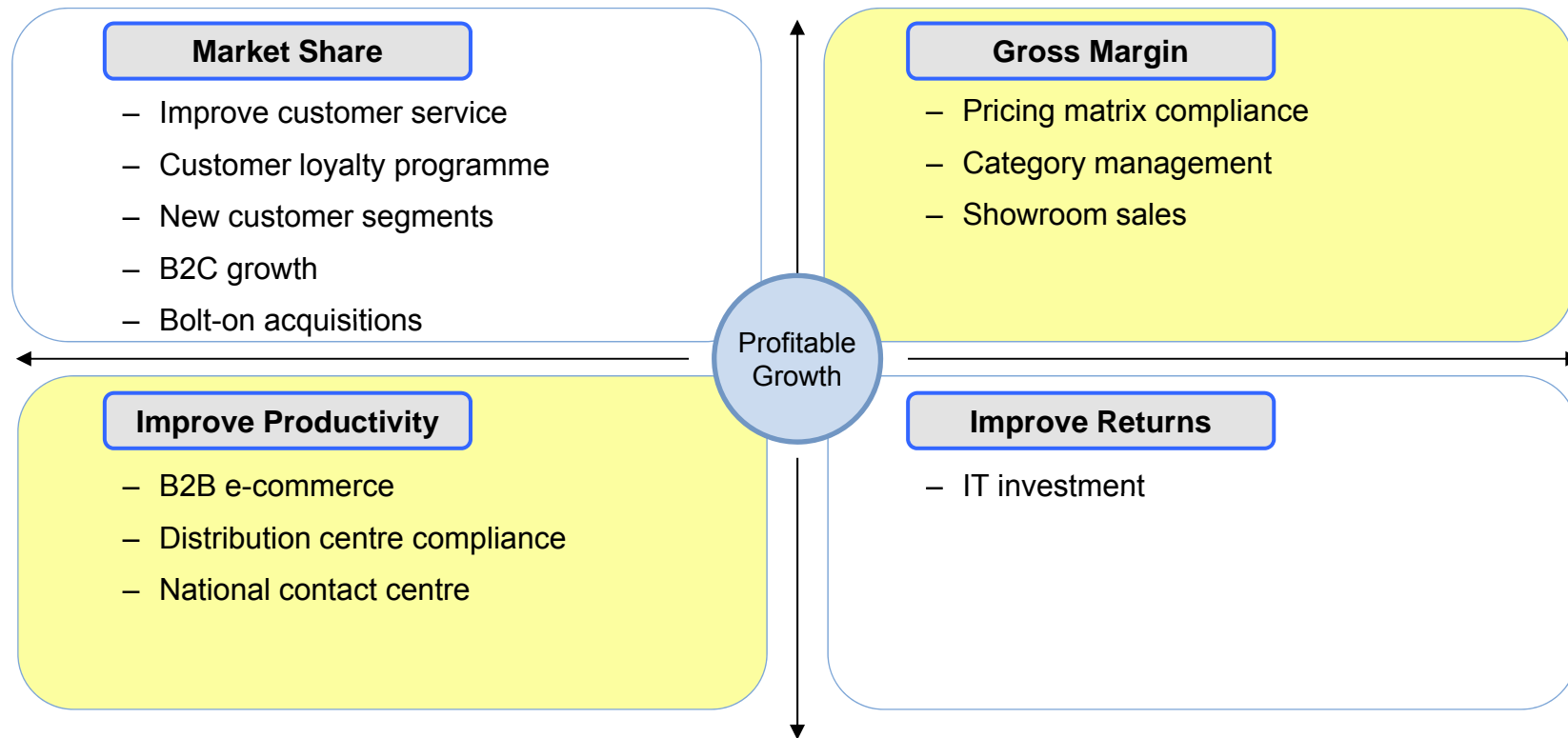
Ferguson is a good company to work for



I would recommend Ferguson as an employer to a good friend of mine



# USA – Blended Branches



Drive consolidation, gain share, multi channels and new segments, improve leverage

## USA – Gross Margin Levers

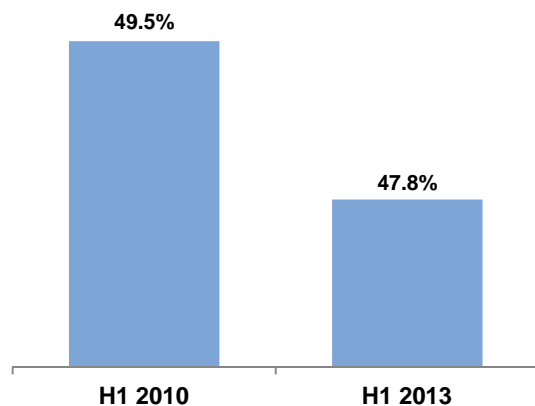
- Matrix utilisation
- DC compliance
- Category management
  - Own label 8% of total
  - Counters 26% of total
  - Showroom 16% of total
- Facility Maintenance
  - 13% growth
- Sales compensation

## USA – Blended Branches Productivity

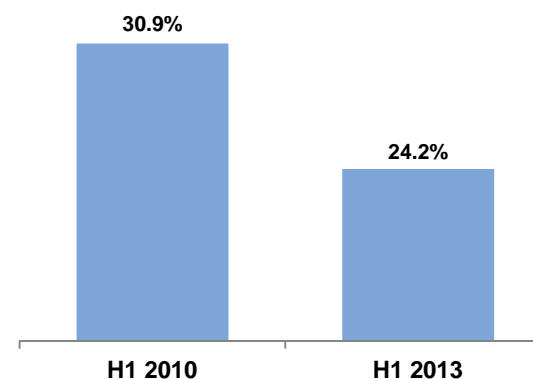
- Tight control of headcount expansion
- National Sales Centre
  - 39,000 customer contacts during January
- Branch of the Future
  - Fort Myers test – revenue / day 20%+
- E-commerce acceleration B2B
  - 10% of business, growth of 30%+
  - Circa 8 million self service events, growth of 50%+

# USA – Blended Branches Performance

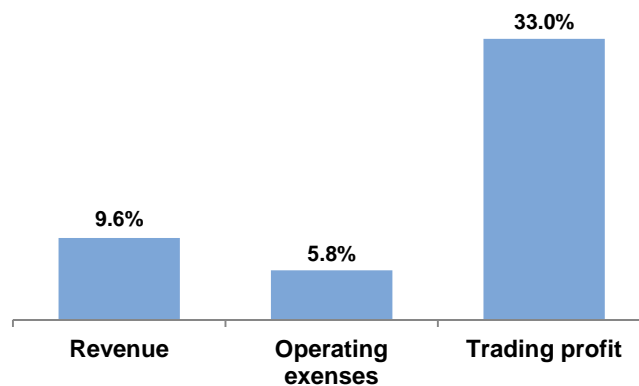
Labour cost as % of gross profit



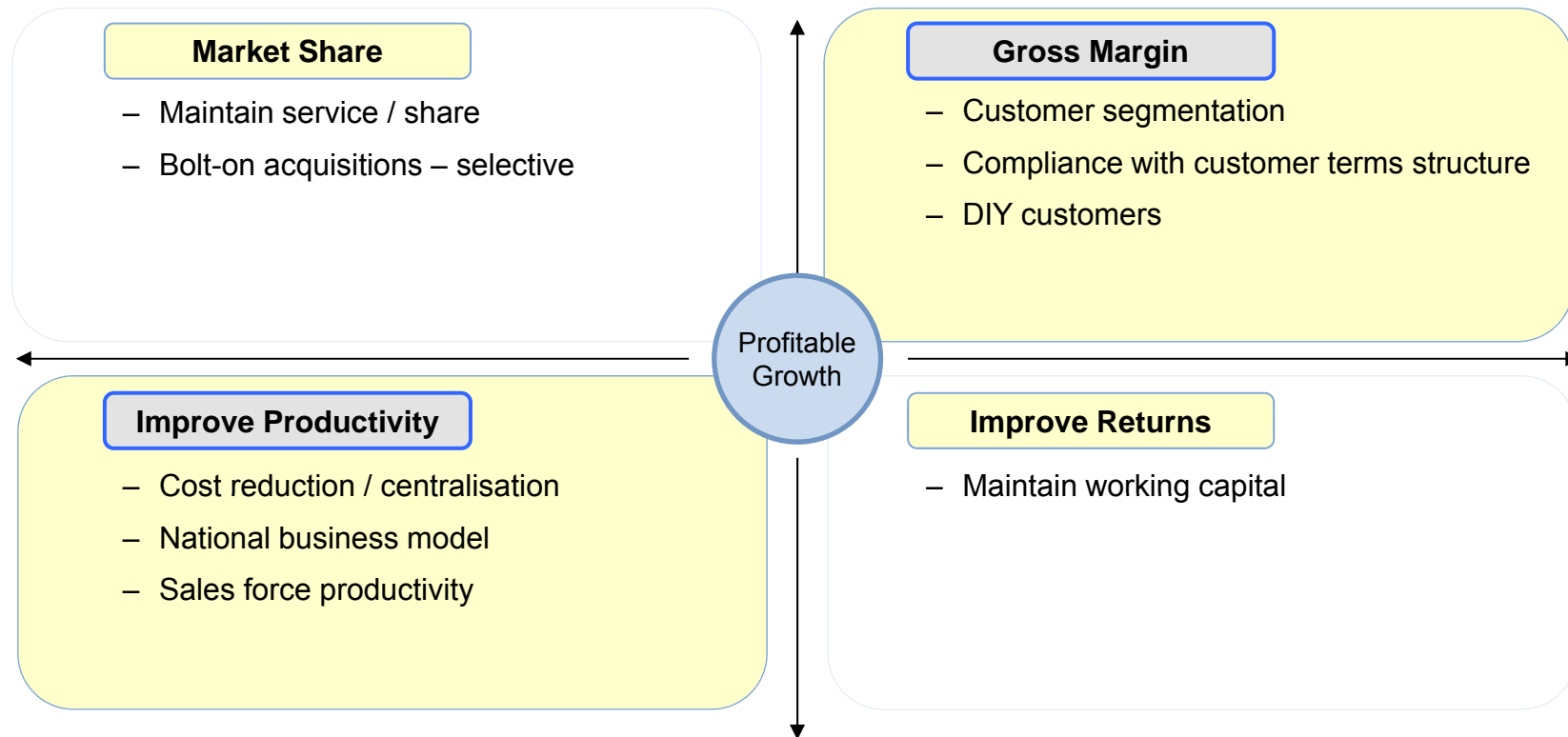
Other costs as % of gross profit



Revenue, operating expenses and trading profit growth H1 2013



# Nordics



Hold share, protect gross margins, rebuild profitability

# Nordics

	Denmark (44%*)		Sweden (24%*)	Finland (24%*)
	Stark	Silvan	Beijer	Starkki
Market share	<p>16%</p>	<p>11%</p>	<p>8%</p>	<p>15%</p>
Relative market share (RMS)	<b>No. 1</b> 1.7 RMS	<b>No. 2</b> 0.9 RMS	<b>No. 1</b> 2.1 RMS	<b>No. 2</b> 0.4 RMS
Market share change H1	Small share loss on directs	Share gain	Flat	Share gain
ROS vs key competition	Better	Much better	Better	Better

\*% revenue of Nordics segment

## Nordics - Actions

- Customer service
  - Maintain historic high levels  $\geq$  competition
- Gross margin protection
  - Pricing compliance
  - Customer terms matrix compliance
  - Individual salesman performance
  - Sourcing improvements
  - DIY customer focus – basket size / items per ticket
  - Less focus on direct deliveries
  - Pricing to reward pick up in branch



## Nordics - Actions

- Cost reduction
  - Headcount reduction of 697 out of 6,500
  - 145 temporary lay-offs
  - Salary increases at statutory minimum
  - Marketing spend restricted
- Business model development
  - Process improvement centralisation
  - Distribution centre (hub in Stockholm)
  - Lower cost / segmented propositions
    - Shared locations
    - Short line offering
  - E-commerce investments

# Wolseley Strategy

1. Develop our great portfolio of strong businesses
2. Drive performance systematically across Group
3. Accelerate profitable growth
  - organic / bolt-ons / adjacent businesses
4. **Drive evolution of business models**
5. Deliver Group synergies
6. Underpin strategy with strong balance sheet



- Output**
- Better meet evolving customers' needs by segment
  - Improve service delivery at lower costs
  - Competitive advantage versus local players
  - Deliver enhanced benefits of scale

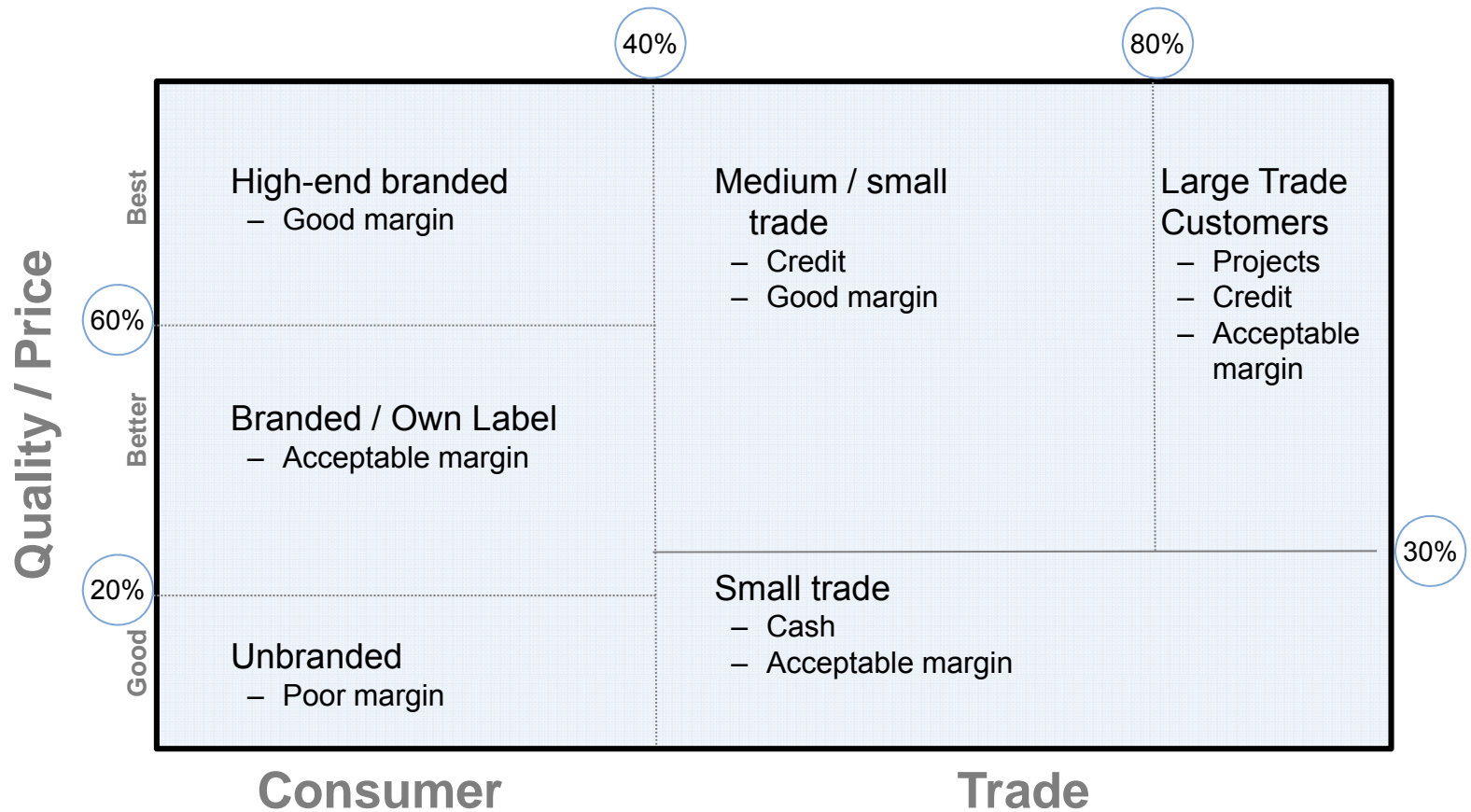
# Business Model Development

## ■ Implications

- Customer segmentation
- Multi-channel approach
- From 'loose confederation' to 'systematically / centrally managed'
- Competitive propositions versus 'non traditional' competitors
- Develop and test different business models

Leading players have expertise and resource to take opportunities

# Customer Segmentation



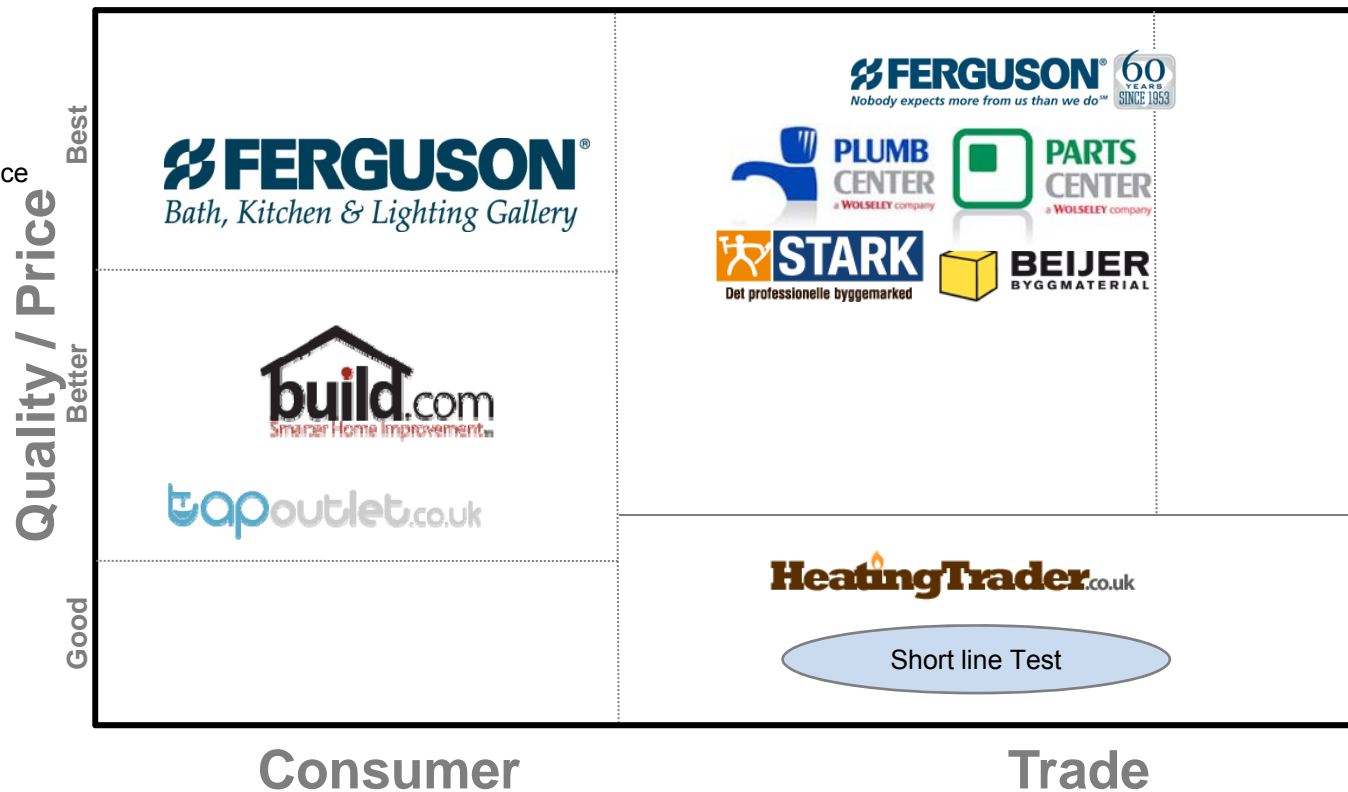
# Customer Segmentation

## Full Service Offering

- Showrooms
- Full SKU range
- Consultation service
- Multi channel

## Medium Service Offering

- Telesales support
- Full SKU range
- Multi channel



## Full Service Offering

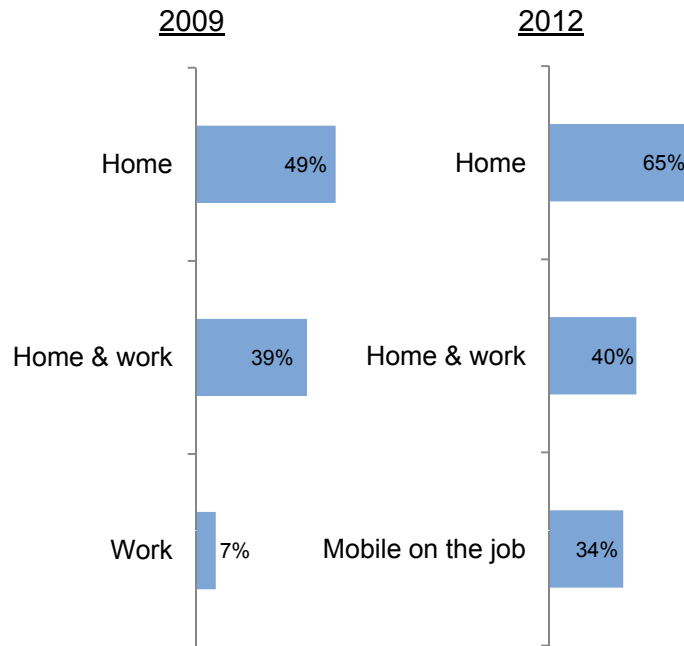
- Branch network
- Full SKU range
- Multi channel order / fulfilment
- Sales people
- Telesales
- DC / branch

## Low Service Offering

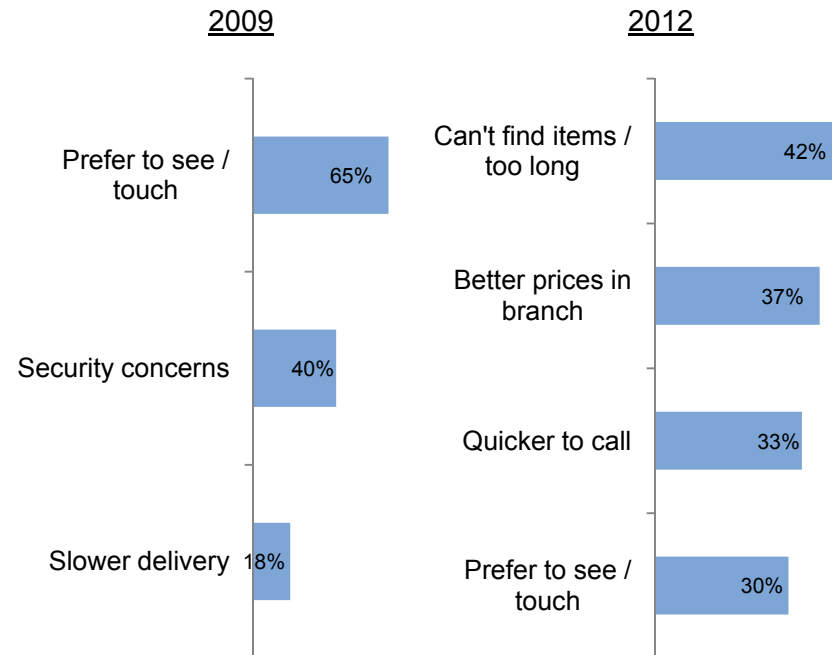
- Limited SKU range
- On-line only
- Physical location test

# Multi Channel Approach – Customer Behaviour in UK

Where do you access internet for your business?

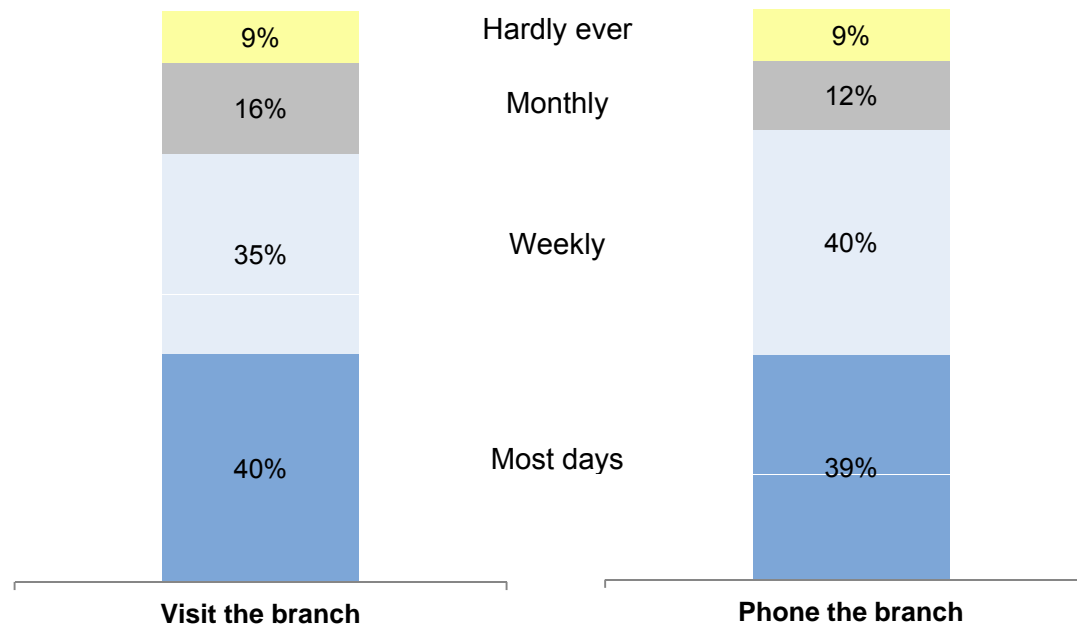


Why don't you purchase from the internet for your business?

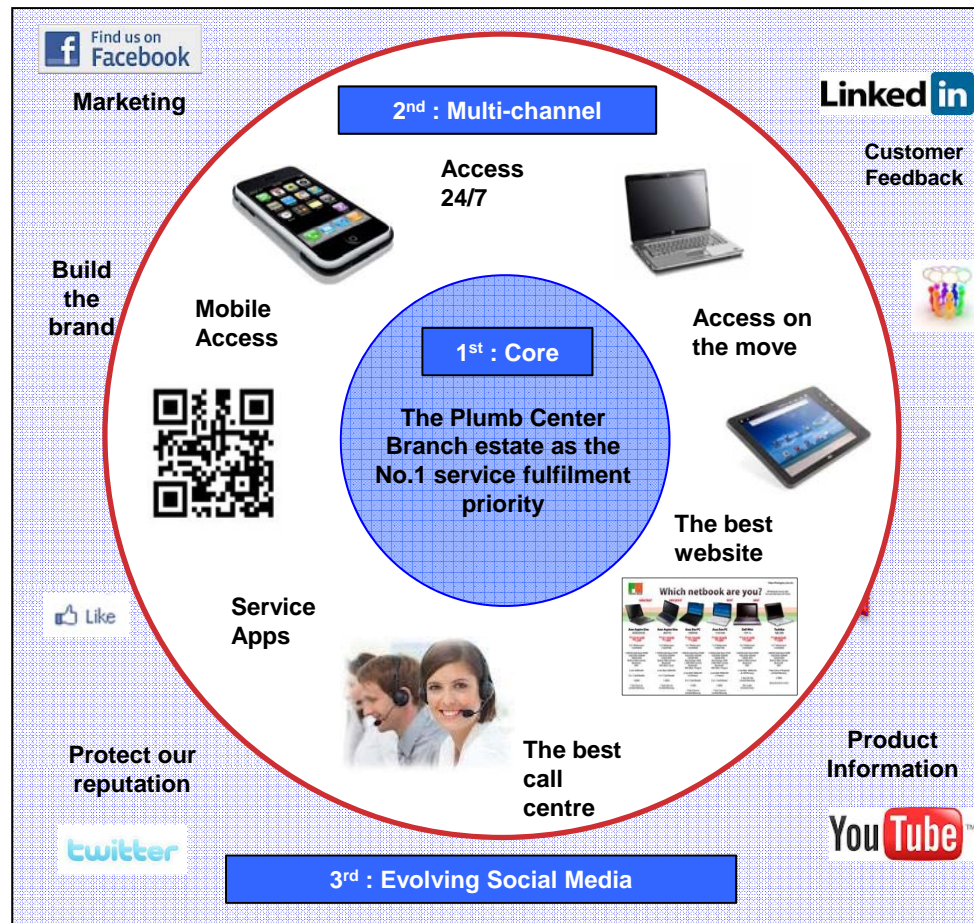


# Multi Channel Approach – Customer Behaviour in UK

## Customer use of branch currently



# Multi Channel Response

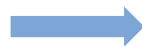




# Business Model Evolution

## *Operating model*

Loose confederation



Systematically / Centrally managed network

- Evolution of process management above branch
  - Compliance with customer terms / pricing matrix / core range of SKUs / DC programmes
  - Contact centres versus branch contact – telesales outbound
  - Sales force managed regionally / nationally
  - Compliance with national sourcing / category management / own label / e-auctions / specials
  - Direct delivery from vendor / DC versus branch delivery
  - More flexible labour models to reflect customer needs – month / week / day / hour
  - Group wide development of B2C business – brand / infrastructure
  - People transition from generalists to specialists



Benefits of scale from Systematic / Centrally managed network

# Business Model Evolution

- Customers' needs evolving
  - End-customer influence
  - Brands / range / price points – choice
  - Order capture / delivery channel – flexibility
  - Availability / technical specs / order execution – real time data
- Business models evolution
  - Branch presence key – local access
  - Process management - above branch
  - Network compliance with core processes
- Opportunities across Group to achieve better leverage in all businesses
  - Margin uplift in reasonable markets
  - Benefits of scale versus local competition

## Summary

- Continued decent progress
- Well placed for good growth in USA
- Taking actions to protect profitability in Europe
- Continued progress on developing more efficient businesses
  - Investing in infrastructure and future growth
  - Benefits of scale



# Q&A





# Appendices



## Regional Analysis

£m	Revenue H1 2013	Revenue H1 2012	Trading profit H1 2013	Trading profit H1 2012
<b>Ongoing</b>				
USA	3,189	2,966	223	173
Canada	440	426	28	25
UK	853	850	45	44
Nordic	934	1,044	39	46
France	506	606	(7)	8
Central Europe	354	377	18	20
Central and other costs	-	-	(22)	(15)
	<b>6,276</b>	<b>6,269</b>	<b>324</b>	<b>301</b>
<b>Sold or held for sale</b>				
UK	-	197	-	-
Nordic	-	54	-	1
France	-	321	-	8
<b>Group</b>	<b>6,276</b>	<b>6,841</b>	<b>324</b>	<b>310</b>

## Branch Numbers

	31 July 2012	Acquisitions	Other movement	Ongoing at 31 Jan 2013
USA	1,274	12	23	1,309
Canada	220	-	-	220
UK	919	22	(6)	935
Nordic	264	-	(5)	259
France	313	-	(1)	312
Central Europe	142	-	1	143
Ongoing	<u>3,132</u>	<u>34</u>	<u>12</u>	<u>3,178</u>

## Headcount Numbers

	31 July 2012	Acquisitions	Other movement	31 Jan 2013
USA	18,245	282	(191)	18,336
Canada	2,607	-	(101)	2,506
UK	5,913	559	(234)	6,238
Nordic	6,340	-	(697)	5,643
France	5,293	-	(233)	5,060
Central Europe	2,023	-	(60)	1,963
Other	120	-	(17)	103
Ongoing	40,541	841	(1,533)	39,849



## Currency

	<b>H1 2013 average</b>	H1 2012 average	Sterling strengthening / (weakening)	Trading profit impact H1 £m	<b>31 Jan 2013 spot</b>	31 Jan 2012 spot
US\$	<b>1.60</b>	1.58	1.3%	(2)	<b>1.59</b>	1.58
CAN\$	<b>1.58</b>	1.60	(1.2%)	-	<b>1.58</b>	1.58
DKK	<b>9.23</b>	8.67	6.5%	(1)	<b>8.71</b>	8.96
Euro	<b>1.24</b>	1.16	6.9%	(2)	<b>1.17</b>	1.20
CHF	<b>1.50</b>	1.40	7.1%	(1)	<b>1.44</b>	1.45
				(6)		

## Summary Income Statement

£m	H1 2013	H1 2012
Trading profit	324	310
Exceptional items	(87)	(13)
Amortisation	(27)	(32)
Financing charges	(11)	(15)
Profit before tax	199	250
Tax	(71)	(70)
Profit from continuing operations	128	180
Discontinued operations	9	(2)
Profit	137	178