

FERGUSON

2019/20 Half Year Results Presentation

Six months to 31 January 2020



1

Introduction and financial highlights

Kevin Murphy, Group Chief Executive



Agenda

1. Introduction and financial highlights Kevin Murphy, Chief Executive
2. Operating and financial review Mike Powell, Group CFO
3. Business update and outlook Kevin Murphy, Chief Executive
4. Q&A

Viewpoint

Key strategic themes

- Making customers' projects better because they worked with Ferguson
- Acting as trusted advisor to customers giving them unrivalled choice of products
- Ensuring scale delivers customer benefits where and when they need
- Investing in technology to drive productivity for our business and our customers
- Innovating and not afraid to disrupt ourselves

Strategy is delivering – expect evolution not a major refresh

Financial performance

Revenue growth¹

+4.3%

Underlying trading profit growth¹

+4.6%

Gross margin¹

Flat

Headline EPS growth

+1.6%



Consistent delivery: profit growth ahead of revenue growth in the first half

1. Ongoing operations

Capital and returns

Strong balance sheet

1.1x
net debt: adjusted EBITDA

Excellent cash generation

\$465m¹
cash from operations

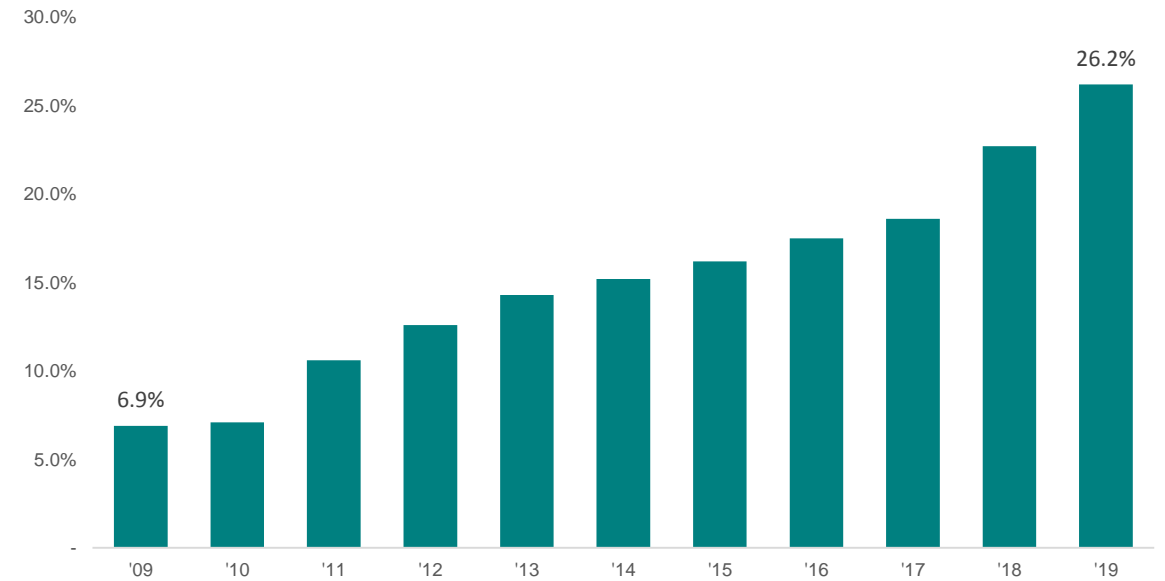
Buyback commenced February 2020

\$500m

Interim dividend

+7.0%

Return on gross capital employed



We will continue to maintain a strong balance sheet

1. Cash from operations is presented excluding IFRS 16. IFRS 16 has no impact on net Cash Flow, but does increase cash generated from operations by \$171 million, offset by increased interest of \$27 million and capital lease payments of \$144 million.

Operations and strategy

Highlights

- Health and safety: ongoing improvement in recordable injury rate in H1¹
- Invested \$141m in acquisitions in H1, including SW Anderson. Recently announced Columbia Pipe & Supply
- Own brand grew to 8.9% of Group ongoing sales in H1
- UK demerger on track for completion in calendar 2020
- Listing assessment: Board will set out a firm proposal later in the spring

Consistent execution of strategy

¹ Recordable injury rate is total number of injuries per 200,000 hours (this represents 100 associates working 40 hours per week for 50 weeks)

2

Operating and financial review

Mike Powell, Group CFO



Financial highlights

	H1 2020	H1 2019	Change
Ongoing revenue	\$9,893m	\$9,489m	+4.3%
Ongoing gross margin %	30.2%	30.2%	
Ongoing trading profit ¹	\$782m	\$714m	
Less impact of IFRS16	(\$35m)	-	
Underlying trading profit ²	\$747m	\$714m	+4.6%
Ongoing underlying trading margin % ^{1,2}	7.6%	7.5%	
Headline earnings per share	245.7c	241.9c	+1.6%
Ordinary dividend per share	67.5c	63.1c	+7.0%
Net debt : Adjusted EBITDA ³	1.1x	1.1x	
Trading days	127	127	-

1. Trading profit defined as operating profit before exceptional items and amortisation of acquired intangible assets.

2. Underlying denotes that the metric is stated on a pre-IFRS16 basis.

3. Net debt : Adjusted EBITDA excludes the impact of IFRS 16.

Revenue and trading profit growth

		H1 2020
	Revenue	Underlying trading profit
Organic growth	+2.0%	+3.4%
Acquisition growth	+2.3%	+1.2%
FX and trading day impact	-	-
	+4.3%	+4.6%

Trading profit growth outpaced revenue growth

USA

\$m	H1 2020	H1 2019	Change
Revenue	9,318	8,874	+5.0%
Organic revenue growth	+2.6%	+9.7%	
Underlying trading profit ¹	740	700	+5.7%
Underlying trading margin % ¹	7.9%	7.9%	

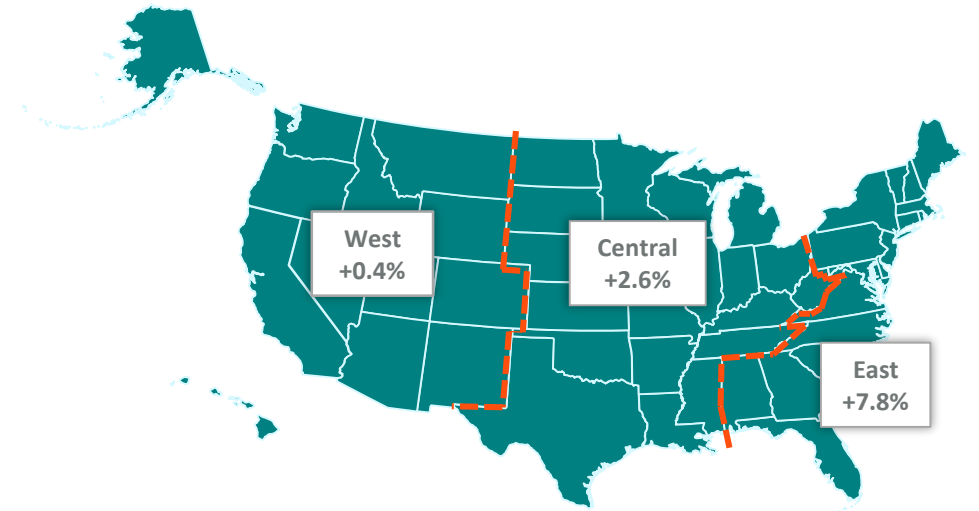
		H1 2020
	Revenue	Underlying trading profit
Organic growth	+2.6%	+4.6%
Acquisition growth	+2.4%	+1.1%
FX and trading day impact	-	-
	+5.0%	+5.7%

Strong operational delivery in H1

1. Underlying denotes that the metric is stated on a pre-IFRS16 basis.

USA revenue growth

Business unit	Revenue \$m	Total growth
Blended Branches (see regional analysis right)	5,302	+3.7%
Waterworks standalone	1,541	+12.8%
HVAC standalone	671	+10.5%
eBusiness, Industrial standalone, Fire & Fabrication and Facilities Supply	1,804	+0.9%
USA	9,318	+5.0%



- Broadly based growth in Blended Branches, tough prior year comparatives in West
- Strong growth in Waterworks supported by improved new residential construction activity

Revenue ahead in all business units except Industrial

Canada

\$CADm	H1 2020	H1 2019	Change (in local currency)
Revenue	759	810	(6.3%)
Organic revenue growth	(6.6%)	+2.1%	
Underlying trading profit ¹	38	51	(25.5%)
Underlying trading margin % ¹	5.0%	6.3%	

- Markets remained challenging throughout the period
- Focused on driving revenue growth and recovering the value we provide to our customers

Residential markets remained weak

1. Underlying denotes that the metric is stated on a pre-IFRS16 basis.

UK (non-ongoing)

£m	H1 2020	H1 2019	Change (in local currency)
Revenue	845	873	(3.2%)
Organic revenue growth	(5.2%)	(0.1%) ¹	
Underlying trading profit ²	23	25	(8.0%)
Underlying trading margin % ²	2.8%	2.8%	

- We continue to actively manage the cost base in the UK
- UK demerger remains on track for completion this calendar year

Second quarter trading profit of £11 million, up £1 million on Q2 FY19

1. Presented on a like-for-like basis to remove the impact of closed branches and the exit of low margin business.

2. Underlying denotes that the metric is stated on a pre-IFRS 16 basis

Financing and tax

\$m	H1 2020	H1 2019
Financing		
Net finance costs - pre-IFRS 16	43	35
- IFRS 16 charge	27	-
Reported P&L charge	70	35
Tax		
Ongoing P&L charge	181	155
Ongoing effective tax rate	25.4%	22.8%

Tax rate increase due to Swiss tax reform as messaged last year

Cash flow

\$m	H1 2020*	H1 2019
Adjusted EBITDA from continuing operations	872	842
Cash generated from operations	465	287
Interest & tax	(215)	(166)
Capex	(164)	(244)
Dividends	(327)	(300)
Share buy backs	(350)	-
Acquisitions of businesses	(141)	(589)
Disposals of businesses, associates and assets held for sale	8	255
Other items and FX	(31)	(48)
Movement in net debt	(755)	(805)

Continued good cash generation

* Shown on a pre-IFRS 16 basis. See appendices for reconciliation to statutory data

Capital structure

	H1 2020	H1 2019
Net debt	\$1,944m	\$1,885m
Net debt : Adjusted EBITDA	1.1x	1.1x
Lease Liabilities	\$1,445m	
Net debt including leases	\$3,389m	
Net debt including leases : EBITDA including leases ¹	1.6x	
Net pension asset	\$113m	\$154m

Strong balance sheet maintained

1. Only six months of EBITDA available on a post IFRS 16 basis so EBITDA including leases calculation assumes that lease payments in the first six months would have been the same as the latter six months (\$166m X 2 = \$332m) and added this to the last twelve months of adjusted EBITDA through to 31 January 2020 (\$1,825m).

Technical guidance for the full year to 31 July 2020

One additional trading day impact on trading profit	\$12m*
Full year FY20 impact from completed acquisitions	Revenue \$375m, Trading profit \$20m
Exceptional income statement costs	\$50m ¹ (Cash exceptional cost of \$100m ²)
Interest charge	\$85m pre-IFRS16 + \$50m IFRS16 adjustment = \$135m*
Effective tax rate – FY20 onwards	25% - 26%*
Capital investment	\$300 - \$350m*

1. Exceptional costs before accounting gain/loss arising from UK demerger which will include recycling of foreign exchange reserves.

2. Exceptional cash costs includes US Voluntary Early Retirement Programme outflow included in the FY19 income statement.

* Unchanged

3

Business update and outlook

Kevin Murphy, Group Chief Executive






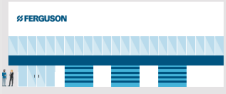

Ferguson today: simpler, stronger, more profitable

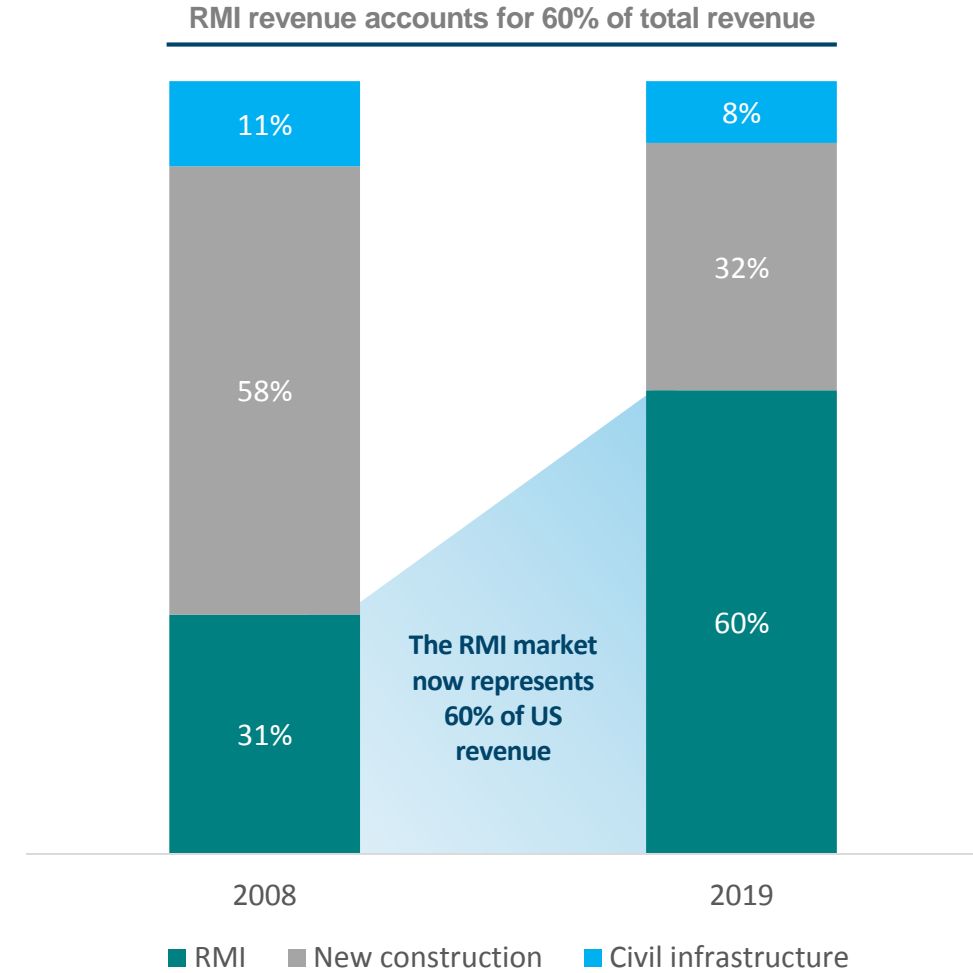
	2008	2019	
Simpler	Business units	45	9 ¹
	Number of countries	27	3 ²
	Presentational currency	£	\$
Stronger	Net debt: adjusted EBITDA	2.7x	0.7x
	Minimum operating lease commitments	(\$3.0bn)	(\$1.1bn)
More profitable	Return On Capital Employed	12.5%	26.2%
	Gross margin	27.7%	30.0% ¹
	Trading profit	\$920m	\$1,532m ¹

1. 2019 shows Business Groups in USA, Canada and central costs

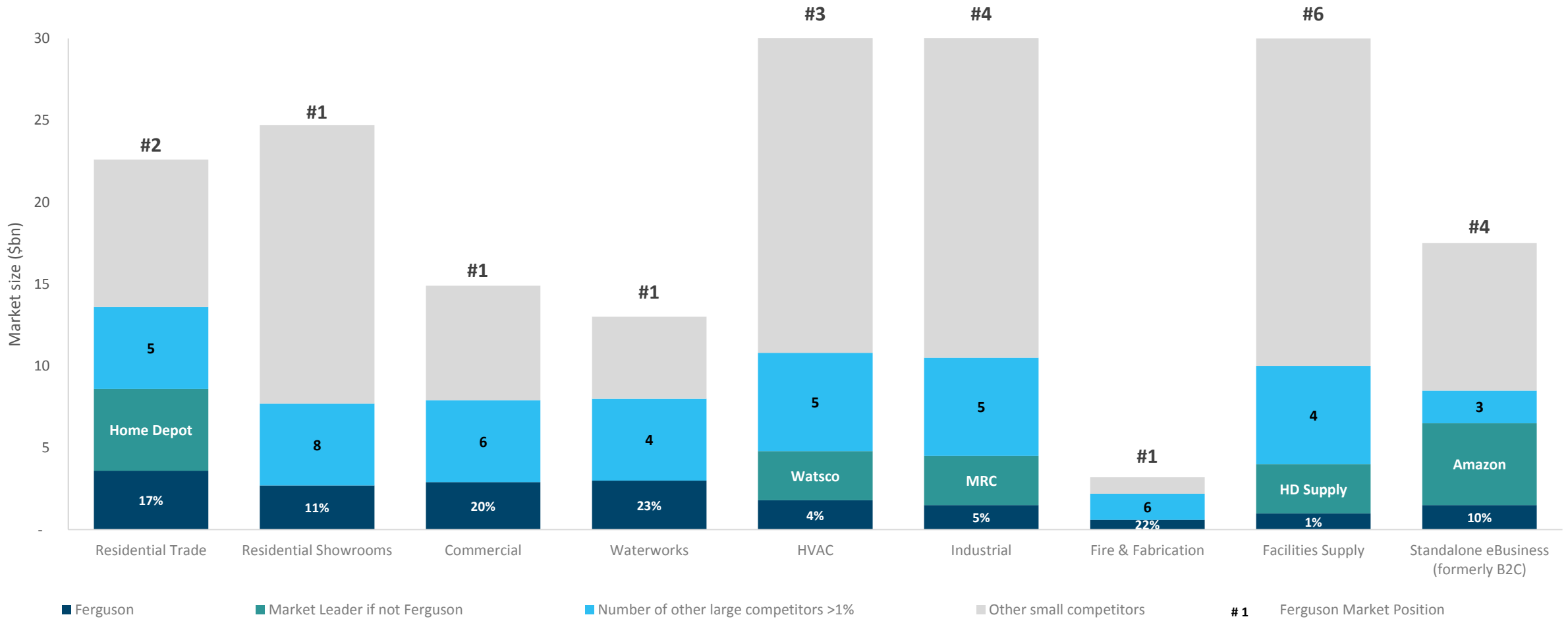
2. Includes UK which will be demerged in calendar 2020 subject to shareholder consent

Strategy: USA - attractive market structure

-  Highly fragmented industry
-  Organic sales growth culture
-  Bolt-on acquisition opportunities
-  Benefits of scale
-  Customer relationships are local










Strategy: USA - attractive market structure



Value added distribution

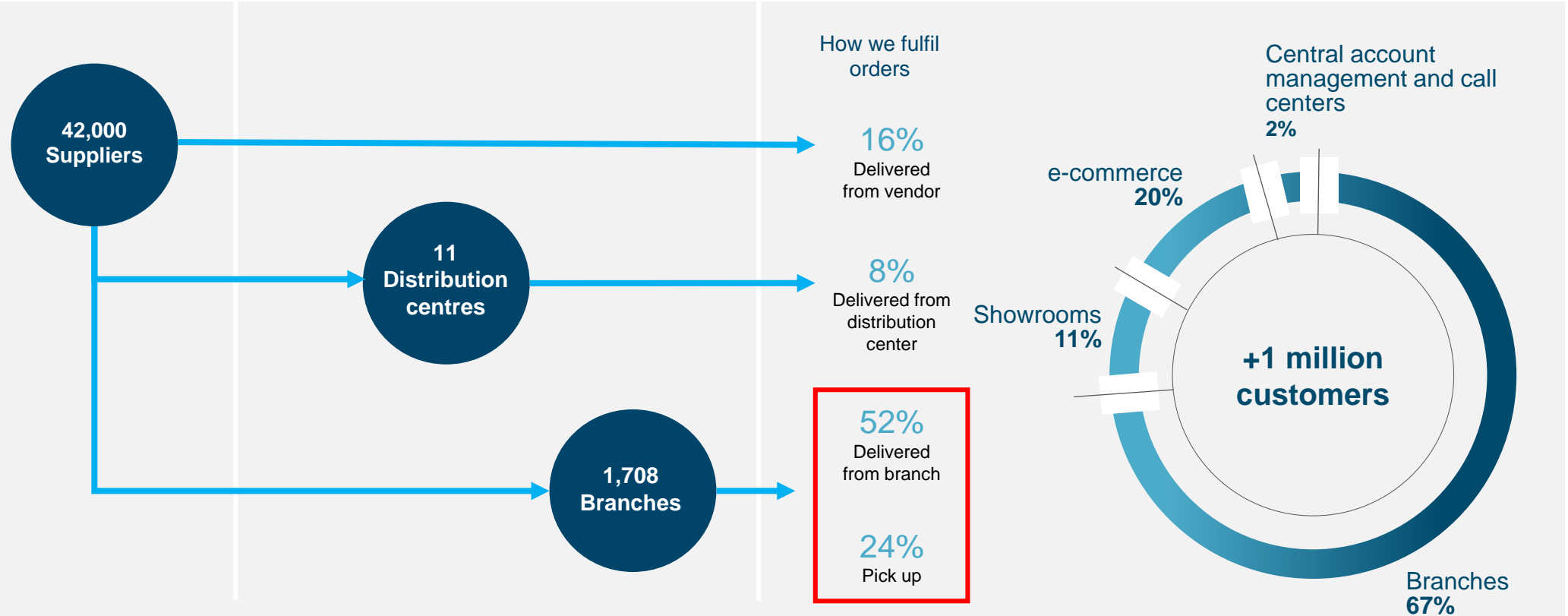
Key resources and relationships

-  **Our associates**
-  **Our customers**
-  **Our suppliers**
-  **Channels to market**
-  **Technology**
-  **Distribution network**
-  **Capital**

Source

Distribute

Sell How our customers buy



What makes us different?

Best associates

Customers value scale

Differentiated service offering

Projects are better because you worked with Ferguson



Bidding

- Take off software
- Value engineering
- Project specific tendering

Sourcing

- Own Brand
- Exclusive distribution
- Non-stock items
- Product information/specification

Customised solutions

- Valve and automation
- Fabrication
- Pre-assembled units and kits
- 24/7 commercial water heaters

Delivery

- Same day
- Specialist eg white glove/crane truck
- Call-off options
- Geo-positioning of truck fleet

Sales channels

- Inside sales
- Showroom consultancy
- Field/outside sales
- Call/ecommerce call centers
- Online and EDI
- Credit and warranty services
- No hassle returns

Pick up

- 24/7 secure access
- 1-800-WILL-CALL (1 hour pick up)
- Scheduled forward delivery
- Advice
- Emergency out of hours

Business update

- Strong operational delivery in the first half
- Good healthy momentum going into March
- COVID approach:
 - Priority to safeguard the wellbeing of our associates
 - Following guidance of World Health Organization and Center for Disease Control
 - Contingency plans in place with constant revision and updates
 - Tight controls for operating expenses, capex and M&A in short-term

Prudent response to COVID 19

Outlook

- Given the strength of H1 had intended to confirm our full-year trading profit outlook for 2020
- Too early to understand the impact on current trading from COVID-19 today
- Recent Government actions, societal reactions and potential mitigating actions by Ferguson not reflected in existing forecasts and it is too early to quantify them
- Ferguson remains well positioned for long-term success backed by a strong balance sheet

Summary

- Strong operational delivery in flat US markets
- No change of strategy - evolution
- UK demerger on track for completion in calendar 2020
- Listing assessment: Board will set out a firm proposal later in the spring
- Manage the business carefully as impact of COVID-19 unfolds.

Q&A



4

Appendix



Exceptional items

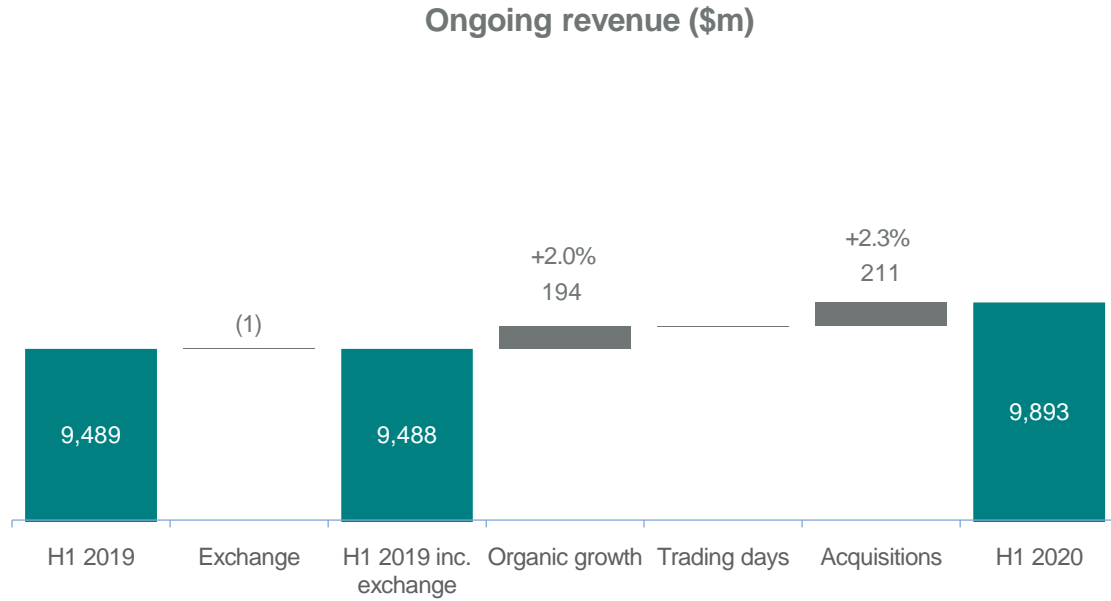
\$m	H1 Cash	Future cash	H1 2020 P&L total
De-merger of UK business	4	4	8
UK restructuring costs	2	7	9
Other exceptional costs	1	1	2
Total included in operating profit	7	12	19
Total included in profit before tax			19

Regional analysis

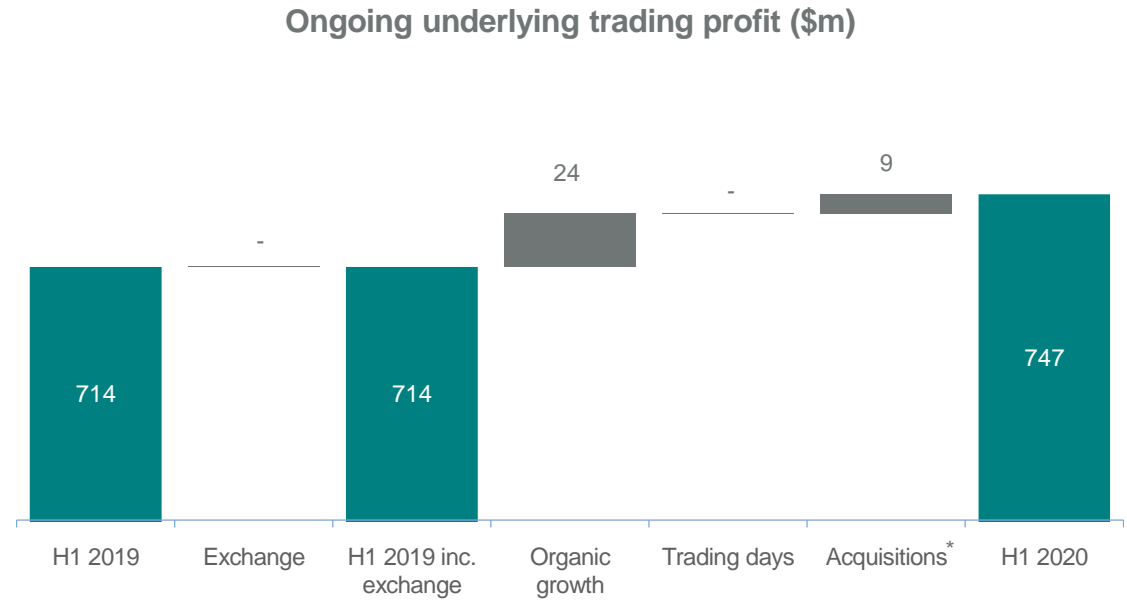
\$m	Revenue H1 2020	Revenue H1 2019	Underlying trading profit H1 2020	Trading profit H1 2019
USA	9,318	8,874	740	700
Canada	575	615	29	39
Central costs	-	-	(22)	(25)
Group ongoing	9,893	9,489	747	714
Non-ongoing - UK	1,073	1,126	30	32
- soak.com	-	51	-	(2)
- Wasco	-	181	-	9
Group reported	10,966	10,847	777	753

Revenue and trading profit growth

Ongoing revenue (\$m)



Ongoing underlying trading profit (\$m)



* Net of transaction and integration costs

Net debt reconciliation

\$m	H1 2020 Pre-IFRS16	IFRS16 adjustment	H1 2020 Post IFRS16
Adjusted EBITDA from continuing operations	872	166	1,038
Cash generated from operations	465	171	636
Interest & tax	(215)	(27)	(242)
Capex	(164)	-	(164)
Dividends & buybacks	(677)	-	(677)
Acquisitions of businesses	(141)	-	(141)
Disposals of businesses, associates and assets held for sale	8	-	8
Lease additions	-	(61)	(61)
Other items and FX	(31)	(47)	(78)
Movement in net debt	(755)	36	(719)

Branch numbers and headcount

Branch numbers

	Brought forward 31 July 2019	Acquired	Net opened / (closed)	Carried forward 31 January 2020
USA	1,491	11	(41)	1,461
Canada	217	-	1	218
	<u>1,708</u>	<u>11</u>	<u>(40)</u>	<u>1,679</u>

Headcount¹

	Brought forward 31 July 2019	Acquired	Net joiners / (leavers)	Carried forward 31 January 2020
USA	27,476	159	(249)	27,386
Canada	2,630	-	(98)	2,532
Other	78	-	(6)	72
	<u>30,184</u>	<u>159</u>	<u>(353)</u>	<u>29,990</u>

1. Permanent full time equivalents

IFRS16 impact

- Applies to year ending 31 July 2020 for Ferguson
- No impact on economics of lease transactions, cash payments made or capital allocation
- Impact on opening financial statements (i.e. balance sheet as at 1 August 2019) and estimated impact for year ending 31 July 2020:

\$m	Balance sheet	Income statement
Opening right of use asset	+1,220	
Opening lease liability	(1,481)	
EBITDA		+320
Depreciation		(250)
Trading profit		+70
Finance costs		(50)
EPS		<10c