



WOLSELEY

FY14

Half Year Results



Highlights

- Like-for-like growth, market share performance, margins ahead
- Strong cash generation and re-based dividend +25%
- Investment in more efficient / productive business models
- Continued performance management improvement
- Three bolt-on acquisitions completed



Operating and Financial Review

John Martin, Chief Financial Officer

Financial highlights

£m	H1 2014	H1 2013 Restated**	Change	Change (at constant exchange rates)	Like-for-like change
Ongoing revenue	6,412	6,096	+5.2%	+5.1%	+3.2%
Ongoing gross margin %	28.2%	27.8%	+0.4%		
Ongoing trading profit*	360	331	+8.8%	+9.4%	
Ongoing trading margin %*	5.6%	5.4%	+0.2%		
Net debt	927	871			
Headline earnings per share*	91.4p	79.3p	+15.3%		
Ordinary dividend per share	27.5p	22.0p	+25.0%		

* Before exceptional items and the amortisation of acquired intangibles

** Restated to exclude the results of businesses closed, disposed of or classified as held for sale at 31 January 2014 and for IAS 19 (Revised)

Like-for-like growth

	Q1 last year	Q2 last year	Q3 last year	Q4 last year	Q1 this year	Q2 this year
USA	+7.1%	+9.7%	+8.3%	+7.7%	+7.4%	+5.0%
Canada	+3.1%	+1.2%	-	+3.0%	(0.6%)	(3.5%)
UK	(0.3%)	+0.3%	+5.2%	+5.1%	+4.3%	+2.0%
Nordic	(4.7%)	(7.6%)	(7.3%)	(3.1%)	(2.5%)	+0.5%
France	(8.2%)	(12.5%)	(10.0%)	(4.8%)	(2.7%)	+3.6%
Central Europe	(0.5%)	(1.3%)	(4.5%)	(3.9%)	(2.9%)	(2.3%)
Ongoing businesses	+2.5%	+3.0%	+3.0%	+3.8%	+3.6%	+2.8%

USA ongoing



£m	H1 2014	H1 2013	Change	Change (at constant exchange rates)	Like-for-like change
Revenue	3,426	3,189	+7.4%	+8.0%	+6.2%
Trading profit	255	223	+14.3%	+15.2%	
Trading margin	7.4%	7.0%	+0.4%		
Branches	1,360	1,336	+24		
Headcount	19,163	18,336	+4.5%		

Canada



£m	H1 2014	H1 2013	Change	Change (at constant exchange rates)	Like-for-like change
Revenue	406	440	(7.7%)	(1.4%)	(1.9%)
Trading profit	24	28	(14.3%)	(9.3%)	
Trading margin	5.9%	6.4%	(0.5%)		
Branches	222	220	+2		
Headcount	2,461	2,506	(1.8%)		

UK

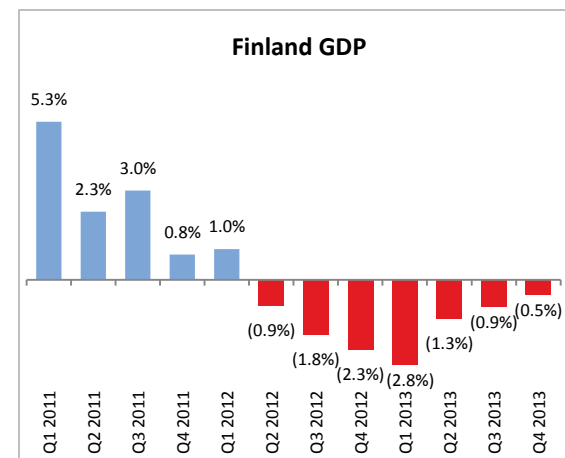
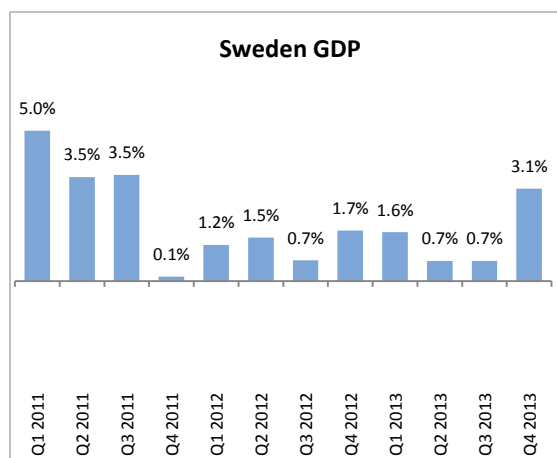
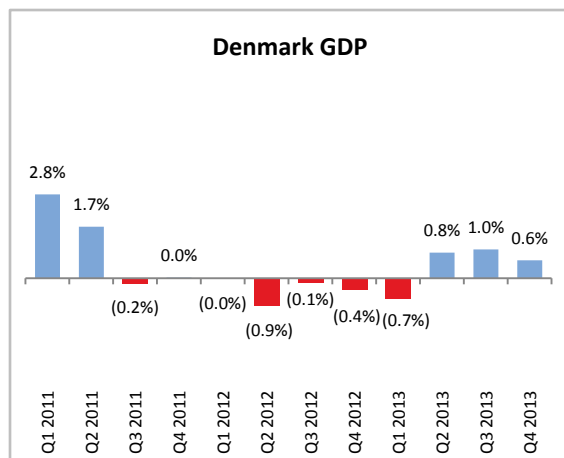


£m	H1 2014	H1 2013	Change	Change (at constant exchange rates)	Like-for-like change
Revenue	943	850	+10.9%	n/a	+3.2%
Trading profit	48	46	+4.3%	n/a	
Trading margin	5.1%	5.4%	(0.3%)		
Branches	759	758	+1		
Headcount	5,835	6,212	(6.1%)		

Nordic ongoing



£m	H1 2014	H1 2013*	Change	Change (at constant exchange rates)	Like-for-like change
Revenue	916	917	(0.1%)	(2.6%)	(1.2%)
Trading profit	31	40	(22.5%)	(23.4%)	
Trading margin	3.4%	4.4%	(1.0%)		
Branches	233	236	(3)		
Headcount	5,372	5,347	+0.5%		



GDP data is the movement of the quarter compared to the same quarter of the previous year. Source: OECD

* H1 2013 restated to exclude the results of businesses closed, disposed of or classified as held for sale at 31 January 2014

France ongoing

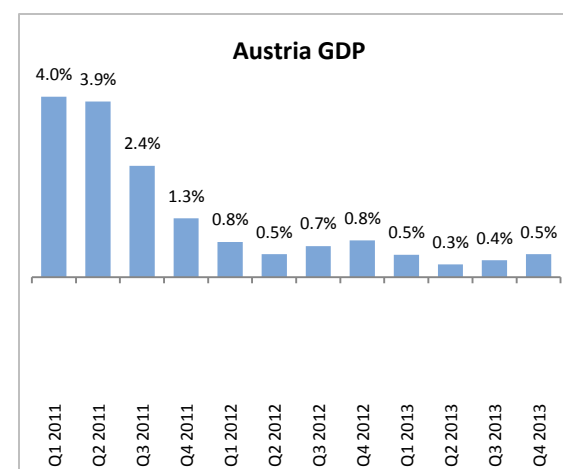
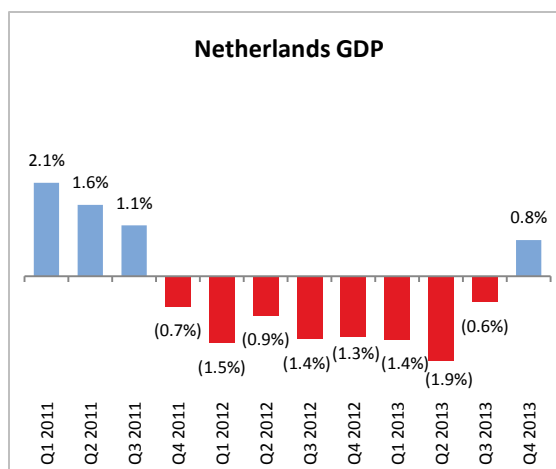
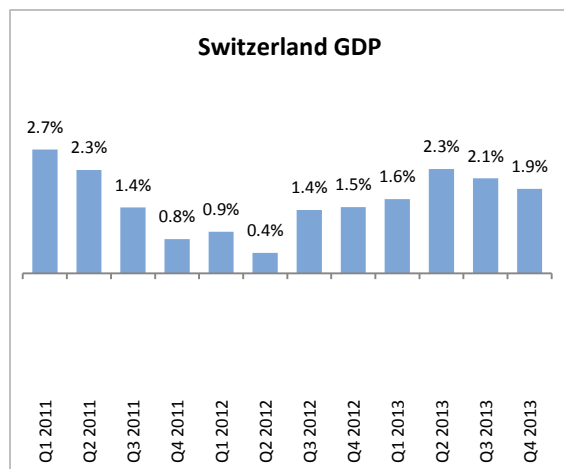


£m	H1 2014	H1 2013	Change	Change (at constant exchange rates)	Like-for-like change
Revenue	285	273	+4.4%	(0.1%)	+0.4%
Trading profit	5	(3)	n/a	n/a	
Trading margin	1.8%	(1.1%)	+2.9%		
Branches	140	145	(5)		
Headcount	2,550	2,791	(8.6%)		

Central Europe ongoing



£m	H1 2014	H1 2013	Change	Change (at constant exchange rates)	Like-for-like change
Revenue	436	427	+2.1%	(1.5%)	(2.6%)
Trading profit	19	19	-	(5.1%)	
Trading margin	4.4%	4.4%	-		
Branches	166	172	(6)		
Headcount	2,707	2,798	(3.3%)		

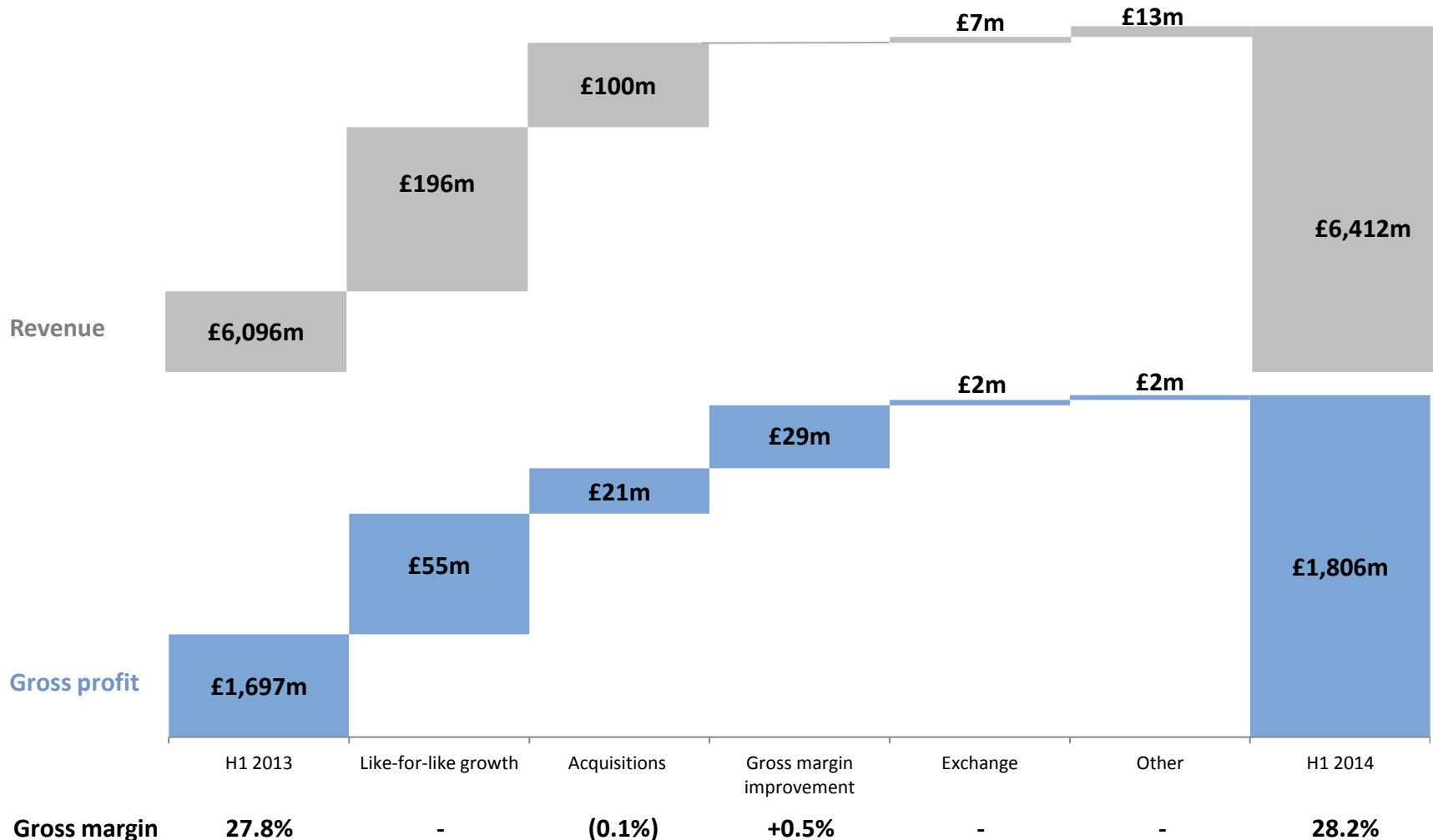


GDP data is the movement of the quarter compared to the same quarter of the previous year. Source: OECD

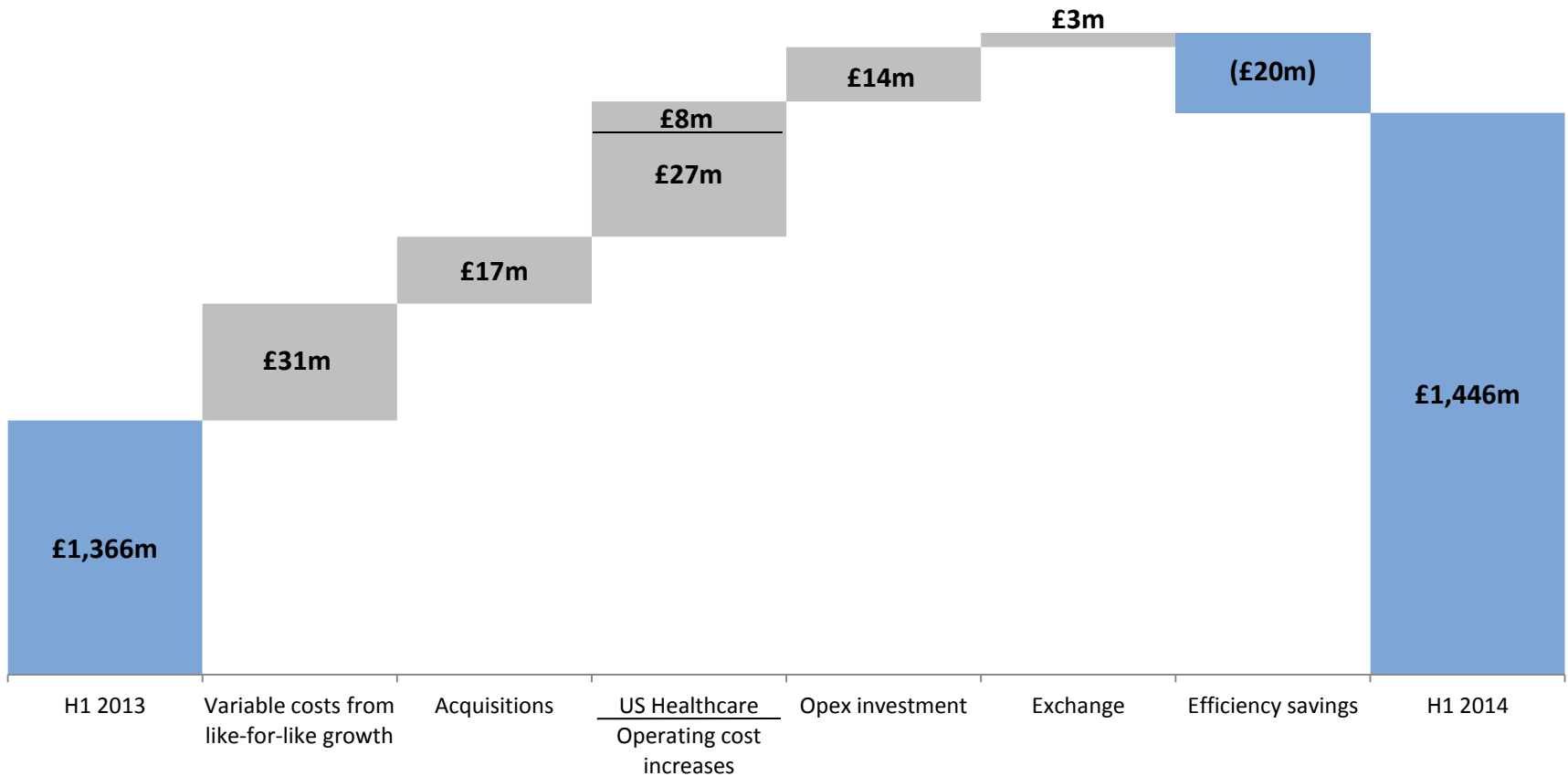
Other

- Central costs of £22m (H1 2013: £22m) in line with last year
- Operations that have been closed, sold or are held for sale contributed:
 - Revenue of £109m (H1 2013: £180m)
 - Trading losses of £8m (H1 2013: £7m) arose from businesses being exited
 - Principally relate to France and Cheapy, a small DIY business in Sweden

Revenue and gross profit in the ongoing businesses



Operating expenses of the ongoing businesses



Income statement

£m	H1 2014	H1 2013 Restated*
Ongoing trading profit	360	331
Trading loss from operations closed, disposed of or held for sale	(8)	(7)
Amortisation	(23)	(27)
Exceptional items	1	(87)
Financing charges	(14)	(17)
Profit before tax	316	193
Tax	(87)	(69)
Discontinued operations	-	9
Profit for the period	229	133

* Restated for IAS 19 (Revised) which increased financing charges by £6m and reduced tax by £2m in H1 2013

Financing and tax

£m	H1 2014	H1 2013 Restated*
Financing		
Net interest charges	10	8
Pensions and provisions	2	7
Facility charges	2	2
	14	17
Tax		
Income statement charge	87	69
Exceptionals, intangibles and other adjustments	6	15
Underlying income statement charge	93	84
Trading profit less financing charges	338	307
Effective tax rate	27.5%	27.4%

* Restated for IAS 19 (Revised) which increased financing charges by £6m and reduced tax by £2m in H1 2013




Cash flow from operating activities

£m	H1 2014	H1 2013
Trading profit	352	324
Depreciation and amortisation	53	60
EBITDA	405	384
Working capital	(304)	(342)
Special pension contributions	-	(125)
Provisions, other movements and exceptional costs	(10)	(33)
Cash flow from operating activities	91	(116)

Other cash flow

£m	H1 2014	H1 2013
Cash flow from operating activities	91	(116)
Net interest	(17)	(12)
Tax paid	(97)	(100)
Acquisitions	(19)	(101)
Disposals	14	26
Capex	(90)	(50)
Dividends (including special dividends)	(417)	(462)
Net purchase of shares by Employee Benefit Trusts	(26)	(110)
FX and other items	45	9
(Increase)/decrease in net debt	(516)	(916)
Opening net (debt)/cash	(411)	45
Closing net (debt)/cash	(927)	(871)

Acquisitions

Acquisition	Business unit	Date	Annual revenue
	US Blended Branches	Jan 2014	£37m
	Beijer	Jan 2014	£15m
	Starkki	Mar 2014	£190m

Total consideration £64m

Organic investment

£m	H1 2014 Capex	H1 2014 Opex
Freehold DCs and hubs	32	-
Branch expansion, showrooms and refurbishment	34	3
Network infrastructure	5	1
Technology and processes	19	10
	90	14

Net debt and pensions

£m	31 Jan 2014	31 Jul 2013	31 Jan 2013
Net debt as reported	927	411	871
Impact of timing of payment runs	-	160	-
Adjusted net debt	927	571	871
Net pension liability / (asset)	(1)	133	318

Committed facilities of £2.4bn

Foreign exchange impact

- First half P&L impact not material overall
- 31 January 2014 balance sheet impact : £283m gross, £204m net of hedging
- Second half P&L impact is likely to be material as shown by the recalculation of H2 last year at the current rates:

	H2 2013 average rate	Current spot rate 28-Feb-14	H2 2013 trading profit £m	H2 2013 retranslation impact gain / (loss) £m*
USD	1.53	1.67	270	(22)
CAD	1.57	1.85	23	(4)
Other			81	(3)
				(29)

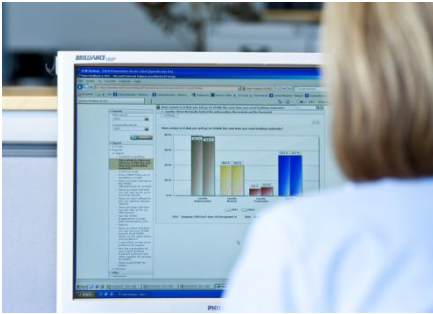
* Estimated impact if exchange rates stay at the 28 February 2014 level throughout H2

FY14 guidance

	Latest guidance for FY14	Change
H2 like-for-like revenue growth	About 4%	-
Capital investment	£200m - £220m	-
Incremental opex in technology, processes and projects	£25m to £30m	£5m to £10m higher
Trading profit impact of FX at current rates	> £30m	-
Impact of trading days	In line with FY13	-
Restructuring costs charged to trading profit	£10m	£10m lower
Effective tax rate	27% to 28%	1% better
Working capital investment	12% - 13% of incremental sales	-
Net debt / EBITDA	No more than 1x to 2x	-
Implementation of IAS 19 (Revised)	FY13 restatement of £13m	-
Losses from operations closed, disposed of or held for sale	£10m	£5m higher

Dividends and capital structure

- Reminder of capital structure priorities
 - Organic growth
 - Ordinary dividends
 - Acquisitions that meet our investment criteria
 - Return of surplus cash to shareholders
- Interim dividend of 27.5p per share, increased by 25%
 - Rebased by 15%
 - Growth of 10%
- No change in our expectations of future dividend growth
 - Based on our prudent view of long term earnings growth
 - Aim to maintain dividends through the cycle



Business Review and Strategy Update

Ian Meakins, Chief Executive



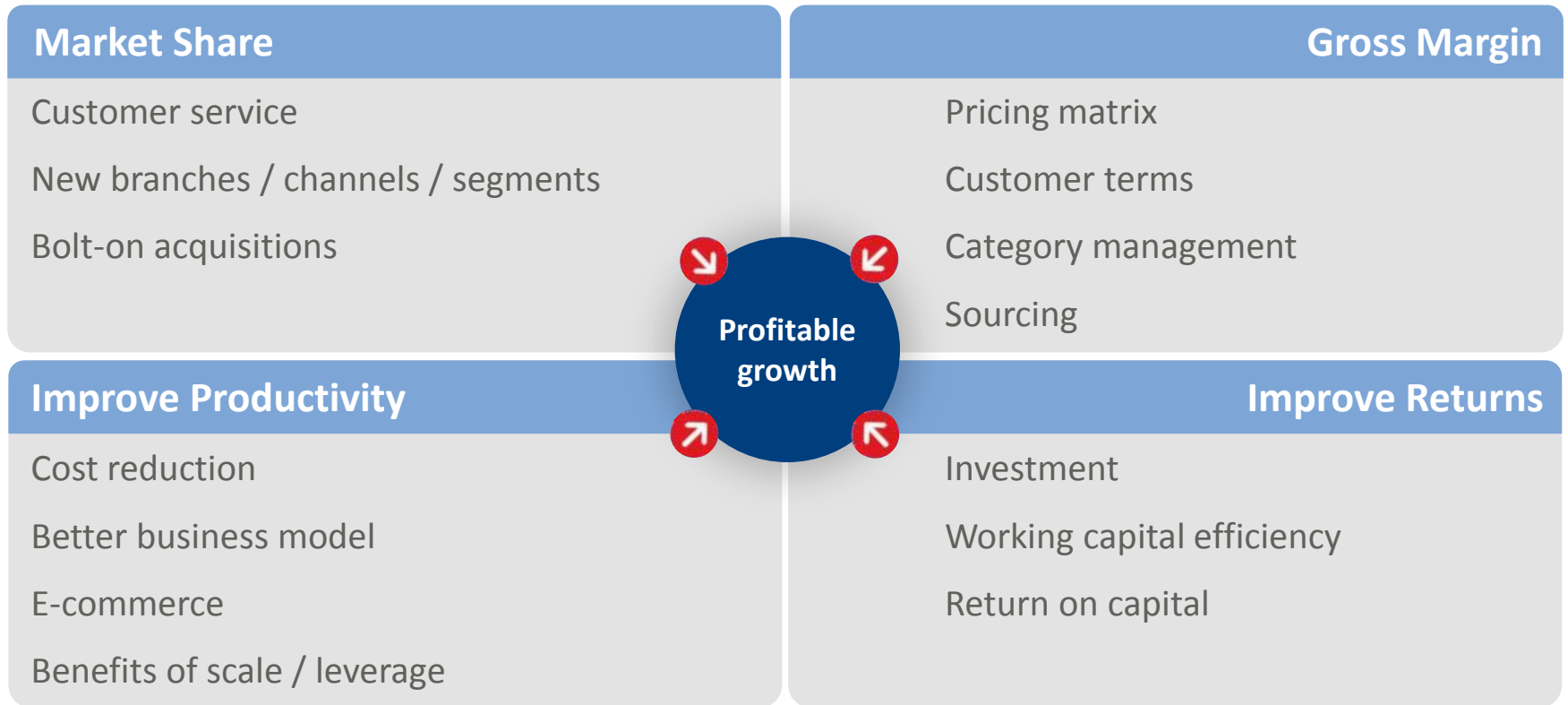
Wolseley Strategy

Re-cap

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

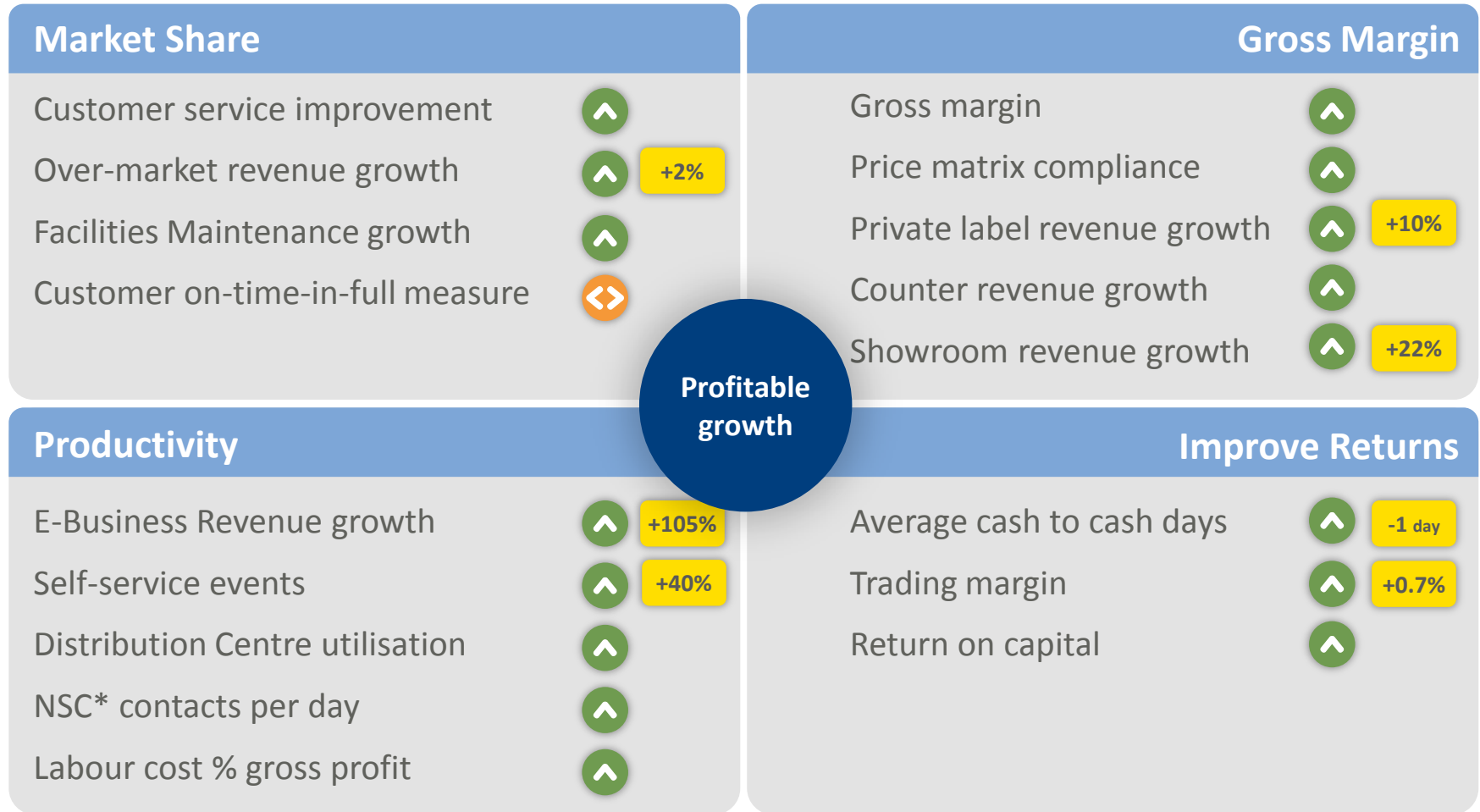
Accelerate Profitable Growth

Profit Levers – Re-cap



Many small improvements generate very good performance

Accelerate Profitable Growth US Blended Branches

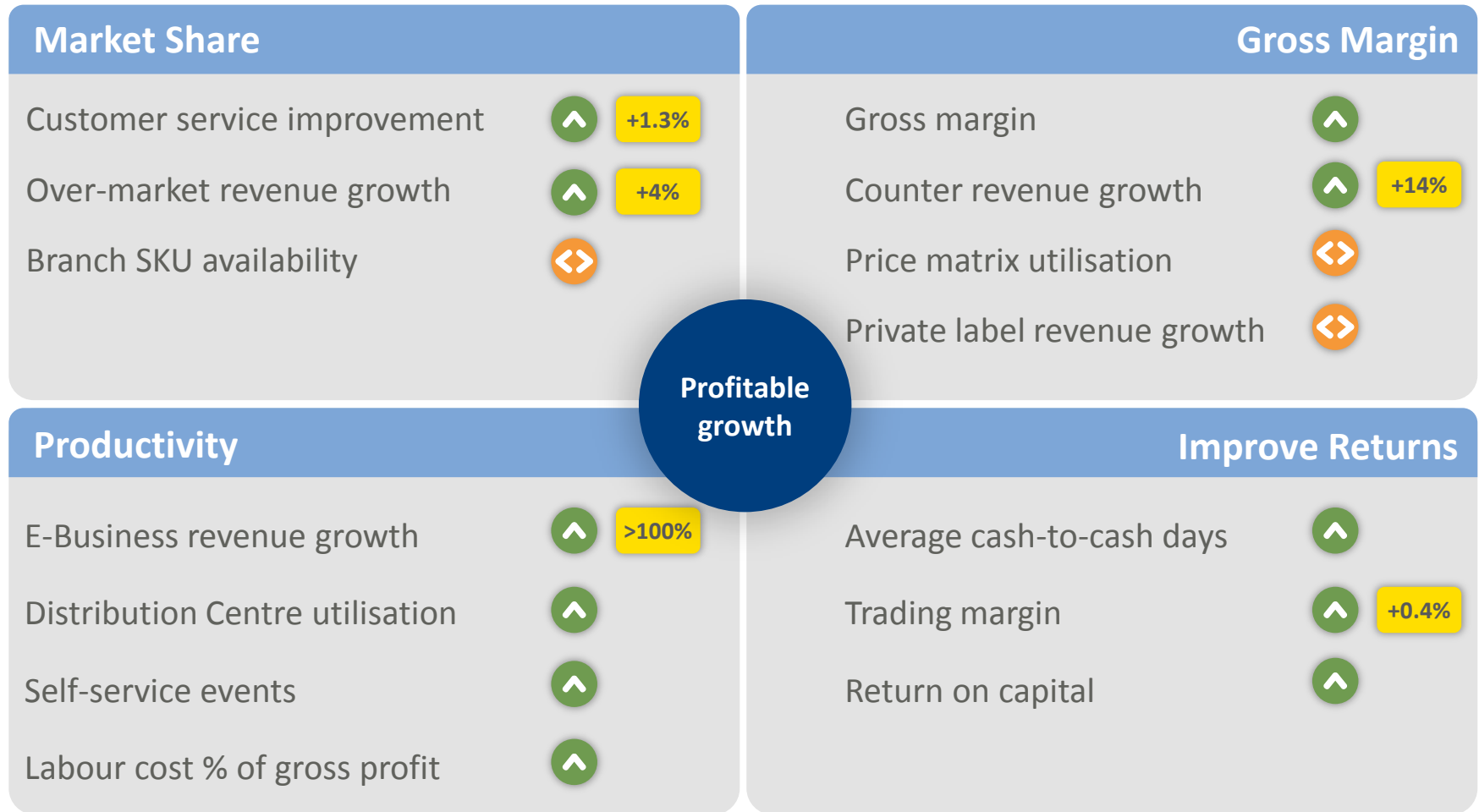


Profitable growth

vs prior year – (August to January)

improved
 the same
 worsened

Accelerate Profitable Growth US Waterworks

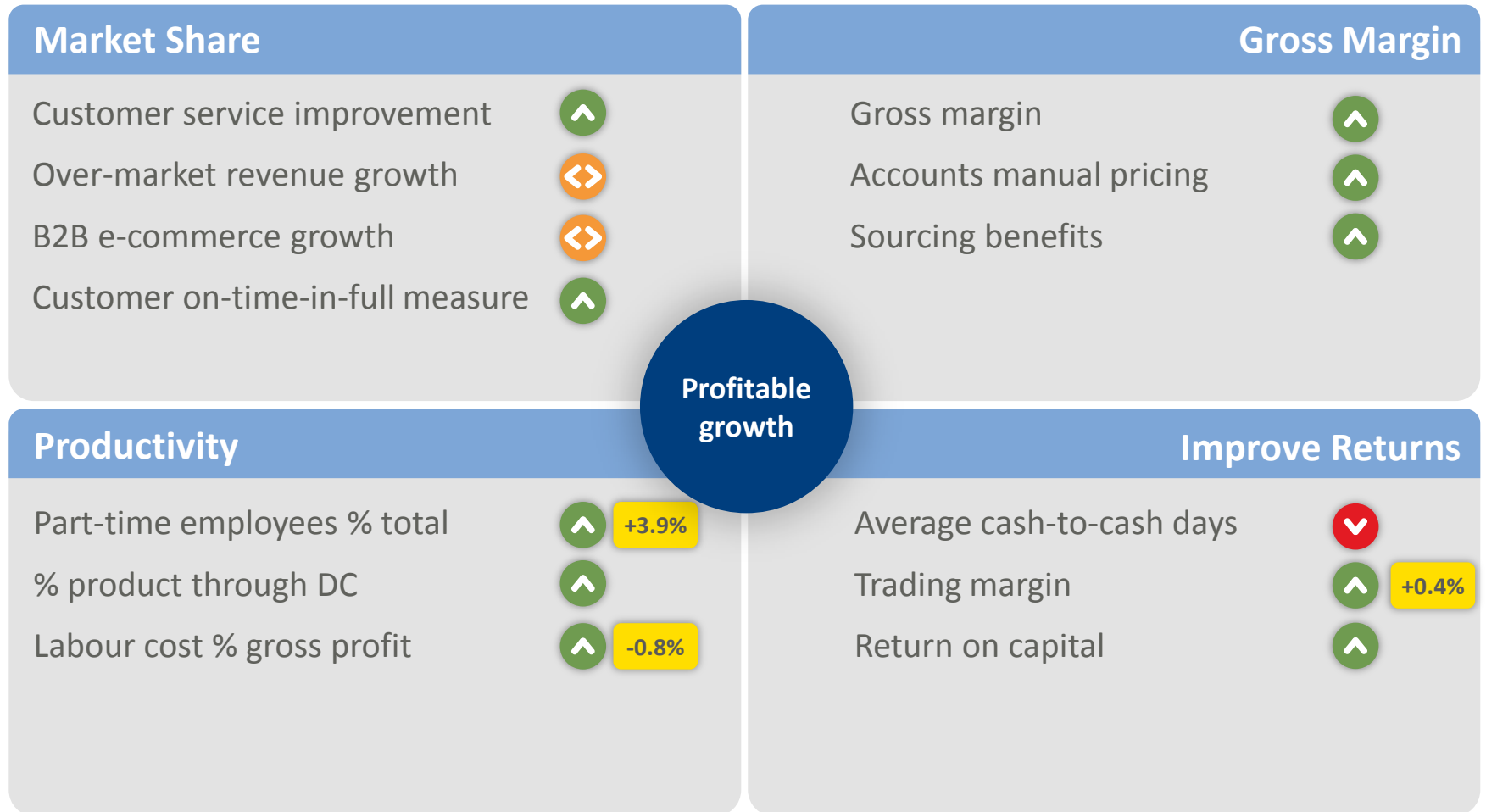


vs prior year -



Accelerate Profitable Growth

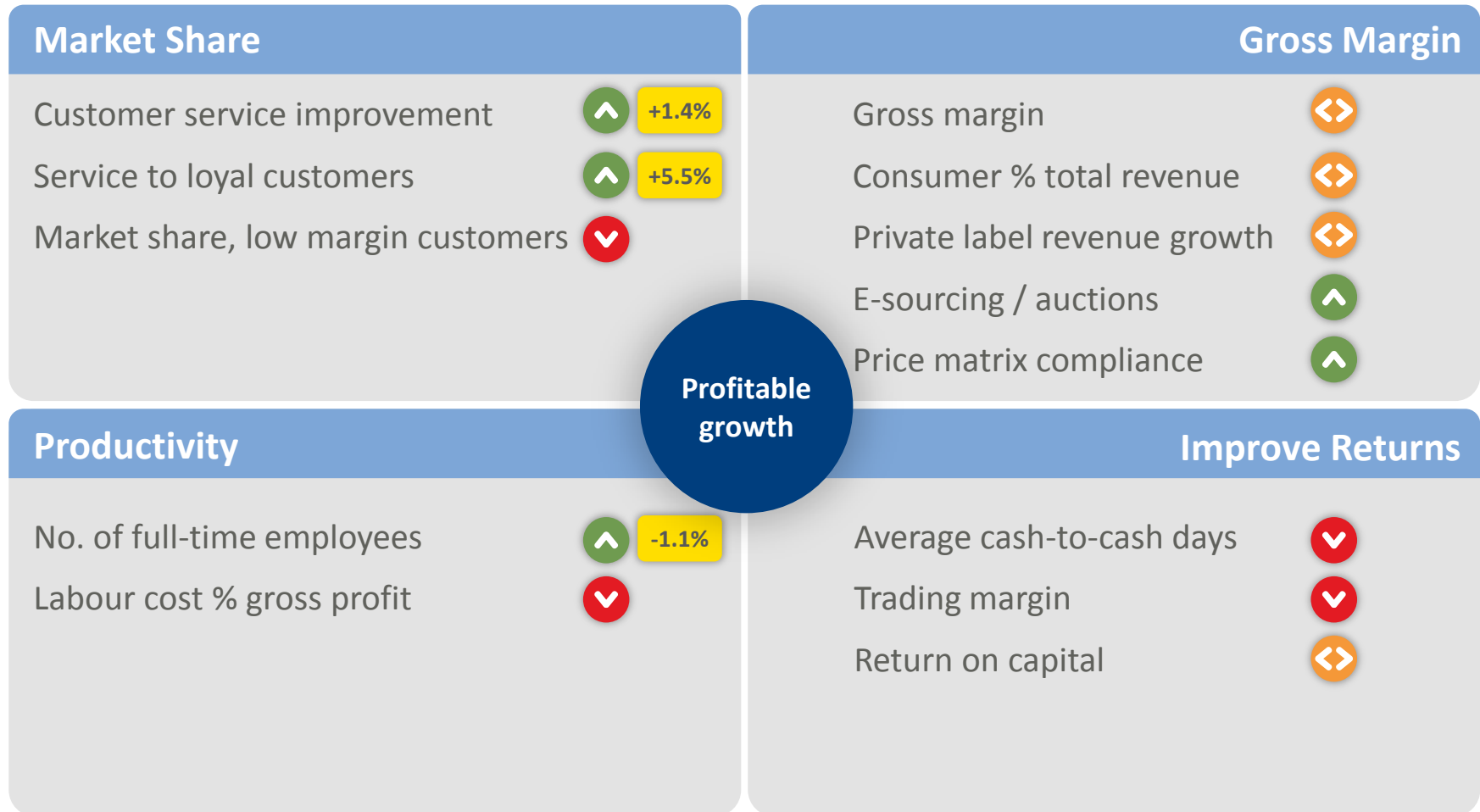
UK Plumb & Parts



vs prior year – (August to January)

improved
 the same
 worsened

Accelerate Profitable Growth Stark



Profitable growth

vs prior year - (August to January)

improved
 the same
 worsened





Wolseley Strategy

Re-cap

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

Evolution of Business Models

Major Initiatives

	Major Initiatives	Current performance
Customer 	Segmentation	●●○○○
	Pricing	●●●○○
	Order capture	●●●●○
	Sales management	●○○○○
Supplier 	Category management	●●○○○
	Rebate management	●●●●○
	Low cost country sourcing	●●●○○
	Lowest cost of goods	●●○○○
Supply-Chain 	Product availability	●●●●○
	Interface / integration	●●○○○
	Delivery options	●●●●○
	Productivity	●●●○○
Branch Operations 	Transactional data	●●●●○
	Telephony / infrastructure	●○○○○
	Product information	●○○○○
	Cost management	●●●●○



Progress On Business Model Initiatives USA

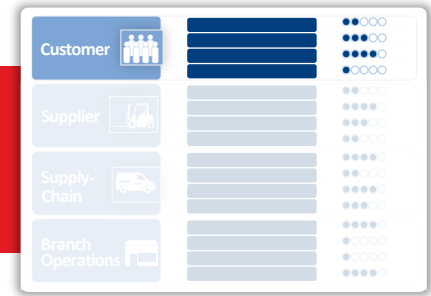
Customer			
Supplier			
Supply-Chain			
Branch Operations			

Customer

- **Segmentation:** differentiation / pricing / brand building
- **Customer service:** progress on range and SKU availability >99%
- **National sales centre:** 102 people, \$75m annualised sales, +33% growth in contacts/day
- **Showroom channel:** 22% growth, higher gross margin
- **Sales management:** people - c.1,800 outside, c. 2,000 inside, CRM implementation
- **B2B e-commerce:** now c. 10% of US revenues, H1 growth +73%
- **Facility maintenance:** 8,325 customer accounts opened, decent growth



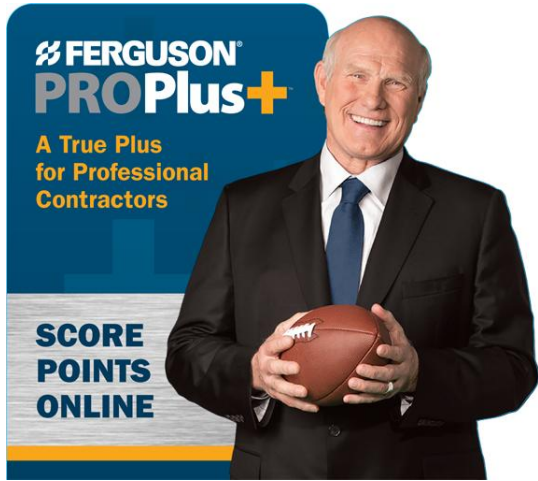
Progress On Business Model Initiatives USA



Segmentation

Preferential trade customer

- Range and availability
- Advice / delivery / price
- Relationships
- Multichannel



Consumer remodelling

- Physical show room relationship
- Range / advice / service / price



D.I.Y. / 'Do it for me' / Small tradesman

- Virtual show room
- Price / range / availability
- Pay per click / TV / radio / catalogue





Progress On Business Model Initiatives USA

Customer			
Supplier			
Supply-Chain			
Branch Operations			

National Sales Centre

- Central team of industry professionals (currently c.100 people)
 - Expertise in plumbing, HVAC, PVF
- Available from 7am to 8pm Eastern time
- “National branch” – supports variety of business / customers
 - Segmented by customer – single point of contact
 - Water heaters / FM customers / master distribution
 - Supports national accounts
 - Back up support to regional sales teams
- Access to all order entry and delivery channels

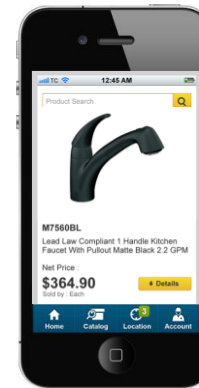


Progress On Business Model Initiatives USA

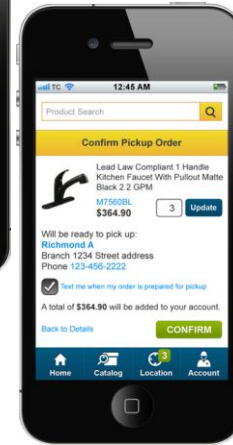
B2B e-commerce

- Strong growth +73%
- 83,000 registered customers, 36% growth
 - 30 people dedicated to converting customers on-line
- Higher order value, good margins
- \$25m invested to date, \$7m planned to re-platform
- c. 8m self service events a year

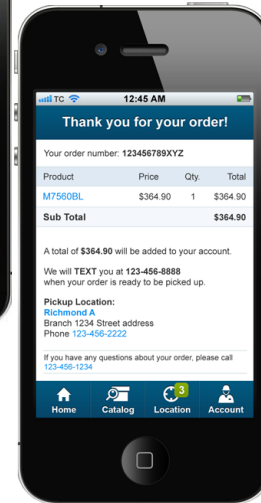
Customer	Progress bar	Progress indicator
Supplier	Progress bar	Progress indicator
Supply-Chain	Progress bar	Progress indicator
Branch Operations	Progress bar	Progress indicator



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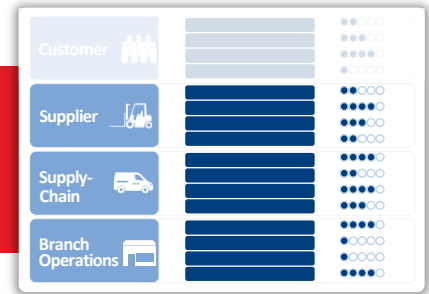
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Progress On Business Model Initiatives USA



Supplier



- **Category management:** supplier consolidation
- **Own label development:** low cost country sourcing
- **Cost modelling and e-sourcing**

Supply-Chain



- **New Distribution Centre** to support growth (£60m investment)
 - **Houston hub:** 135,000 sq ft, operational November 2014
 - **Ohio DC:** 315,000 sq ft, operational May 2014
 - **New York DC:** 460,000 sq ft, operational late 2015

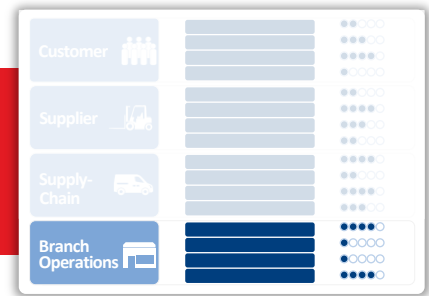
Branch Operations



- **Branch of the future:** better service, reduced cost, productivity
- **Process and IT investments:** total capex of £20m in FY14

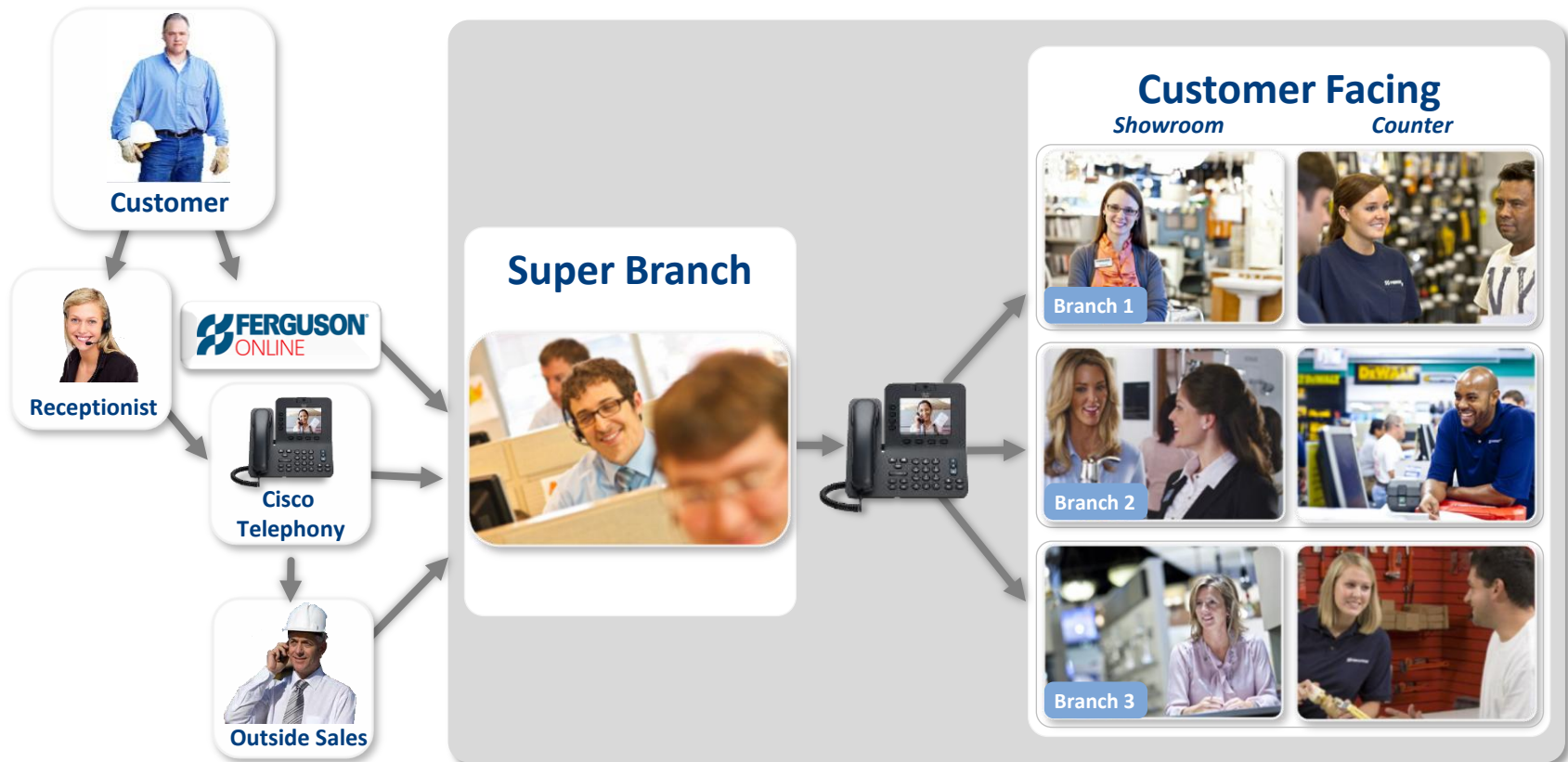


Progress On Business Model Initiatives USA



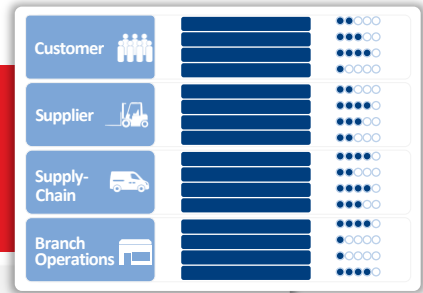
Branch of the Future

- **Tested in Fort Myers:** >25% improvement in sales per day, no additional inside sales associates
 - Pooled sales teams
 - Groups formed to support specific customer types / business segments
 - Telephony investment
- **Roll out plan:** 64 locations active, 175 implemented in next 12 months





Progress On Strategic Initiatives: UK



Customer

- Segmentation: differentiation / pricing / cost to serve
- Customer service: availability / later cut off times / same day delivery
- National contact centre
- Showroom trials
- Salesforce efficiency
- Above and below ground drainage propositions
- B2B e-commerce expansion

Supplier

- Category management
- Supplier consolidation
- Own label
- Supplier cost modelling and e-sourcing

Supply-Chain

- Measham DC: £9m investment
- Warehouse management system

Branch Operations

- Golden trading period
- Flexible labour model
- Branch telephony: £8m investment / 140 complete
- Oracle finance simplification: £10m investment



Progress On Strategic Initiatives: Nordics

Customer			
Supplier			
Supply-Chain			
Branch Operations			

Customer



- Segmentation: Differentiation / Pricing
- Customer service
- Logistics specialisation
- Salesforce efficiency and CRM implementation
- Regional / national job quotation centres

Supplier



- Category management
- Demand planning and replenishment
- Integration of Puukeskus
- Cost modelling and e-sourcing
- Own label development

Supply-Chain



- Adopt DC model for metro areas
- Regionalised logistics operations
- Adoption of warehouse management systems similar to US/UK

Branch Operations



- Process standardisation and centralisation: Productivity / lower cost
- Infrastructure – fix basics
- Master data management
- Branch of the Future testing

Summary

- Performance management – progress made but still much to do
- Investment in more productive business models
 - Required to deliver better leverage and benefits of scale
 - Speed of execution across multiple initiatives
- Significant opportunity to continue to drive profitable share gain



Appendices



Regional analysis

£m		Revenue H1 2014	Revenue H1 2013	Trading profit H1 2014	Trading profit H1 2013
Ongoing	USA	3,426	3,189	255	223
	Canada	406	440	24	28
	UK	943	850	48	46
	Nordic	916	917	31	40
	France	285	273	5	(3)
	Central Europe	436	427	19	19
	Central costs	-	-	(22)	(22)
		6,412	6,096	360	331
Non-ongoing	USA	6	3	(2)	(1)
	Nordic	21	17	(3)	(1)
	France	77	147	(3)	(5)
	Central Europe	5	13	-	-
		109	180	(8)	(7)
Group		6,521	6,276	352	324

Branch numbers

	As at 31 July 2013	Acquired	Opened	Closed, disposed of or held for sale	Ongoing at 31 Jan 2014
USA	1,348	6	18	(12)	1,360
Canada	219	-	3	-	222
UK	765	-	2	(8)	759
Nordic	260	2	6	(35)	233
France	158	-	-	(18)	140
Central Europe	167	-	-	(1)	166
Ongoing	2,917	8	29	(74)	2,880

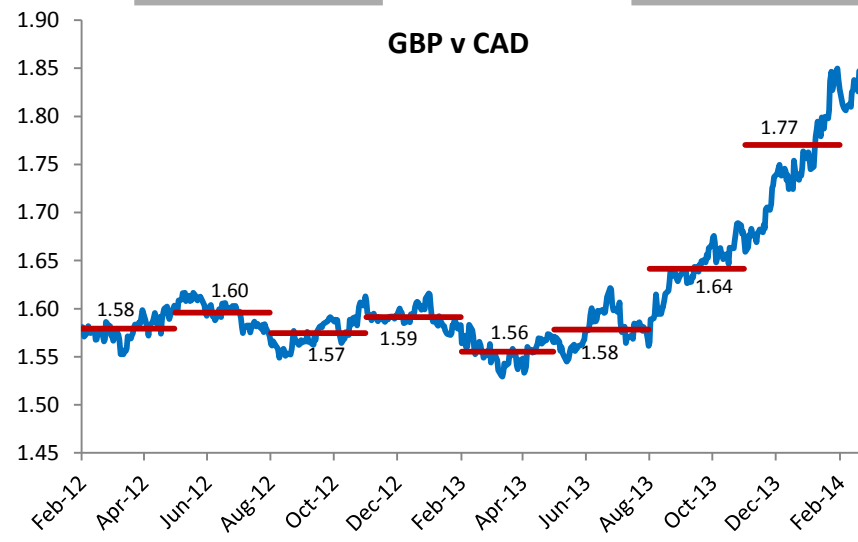
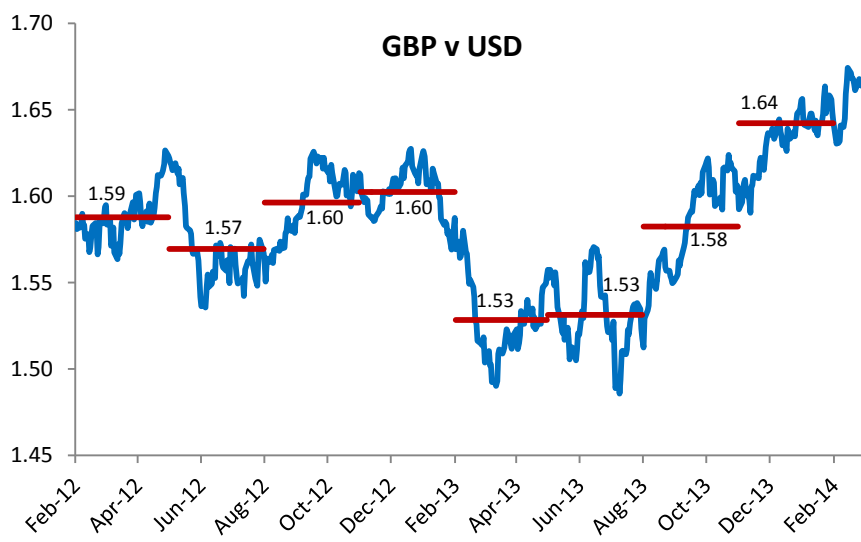
Headcount numbers

	As at 31 July 2013	Acquired	Closed, disposed of or held for sale	Net joiners / (leavers)	Ongoing at 31 Jan 2014
USA	18,969	84	(27)	137	19,163
Canada	2,511	-	-	(50)	2,461
UK	5,952	-	-	(117)	5,835
Nordic	6,145	36	(180)	(629)	5,372
France	2,869	-	(187)	(132)	2,550
Central Europe	2,736	-	(2)	(27)	2,707
Other	104	-	-	(4)	100
Ongoing	39,286	120	(396)	(822)	38,188

Foreign exchange impact

	H1 2013 average rate	H1 2014 average rate	H1 2013 trading profit £m	H1 2014 impact gain / (loss) £m	Current spot rate 28-Feb-14	FY14 impact gain / (loss) £m*
USD	1.60	1.61	223	(1)	1.67	(23)
CAD	1.58	1.69	28	(2)	1.85	(6)
EUR	1.24	1.19	10	+1	1.21	-
Other			46	+1		(1)
				(1)		(30)

* Estimated impact in FY14 if exchange rates stay at the 28 February 2014 level throughout H2



Source: Bloomberg

— Spot — Quarterly average