

FERGUSON

2019/20 Full Year Results Presentation

Twelve months to July 31, 2020



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Highlights and COVID-19 update

Kevin Murphy, Group Chief Executive



Agenda

1. Highlights and COVID-19 update
2. Financial review
3. Update on strategy
4. Q&A

Kevin Murphy, Group Chief Executive

Mike Powell, Group CFO

Kevin Murphy, Group Chief Executive

Thank you to our associates



FERGUSON



Delivering essential products and services to critical industries

Financial highlights

Revenue growth¹

+2.0%

Underlying trading profit growth¹

+4.1%

Proposed total dividend

208.2c

(2019 : 208.2c)

Cash generated from operations²

\$1,904m

Gross margin¹

30.0%

(2019 : 30.0%)

Headline EPS growth

(1.1%)

Net debt EBITDA

0.6x

(2019 : 0.7x)

Recordable injury rate³

35% improvement

(1.94 in 2020 vs 2.96 in 2019)

Strong and resilient performance during a challenging period

1. Ongoing operations
2. On a pre-IFRS 16 basis
3. Total number of injuries per 200,000 hours (100 associates working 40 hours a week for 50 weeks)

COVID-19 approach



- Demonstrated resilient, diversified business model
- Critical focus on:
 - Protecting the health and wellbeing of our associates
 - Continuing to serve our customers during the initial phase of the virus
 - Protecting and preserving the strength of the business for the long term
- Rapidly flexed cost base to offset market pressure
- Excellent working capital management
- Maintained strong balance sheet and liquidity position throughout

Well prepared for any further COVID-19 market related disruption

COVID-19 – positioning for recovery (May onwards)



- Cautious approach to bringing back associates
- US returned to growth in August
 - Consistent market share gains
 - US residential markets held up well
 - US commercial looks more challenging, but upside in some verticals (distribution and data centres, education)
 - Civils markets were resilient
 - Industrial markets have remained challenging

Market update: US end-market revenue growth

		H1 2020	H2 2020	FY 2020	FY 2020
	% of US revenue	Estimated market growth	Estimated market growth	Estimated market growth	Organic revenue growth
Residential	54%	+1%	(3%)	(1%)	+2%
Commercial	32%	+1%	(6%)	(3%)	(1%)
Civil / Infrastructure	7%	+3%	(1%)	+1%	+6%
Industrial	7%	(6%)	(19%)	(13%)	(12%)
		Flat	(6%)	(3%)	+0.4%

Overall markets have recovered to about flat year to date

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Financial review

Mike Powell, Group CFO



Financial highlights

	2020	2019	Change
Ongoing revenue	19,940	19,549	+2.0%
Ongoing gross margin %	30.0%	30.0%	-
Ongoing underlying trading profit ^{1, 2}	1,595	1,532	+4.1%
Headline earnings per share	511.6c	517.4c	(1.1%)
Total ordinary dividend per share	208.2c	208.2c	-
Adjusted EBITDA ³	1,802	1,793	+0.5%
Net debt : Adjusted EBITDA ³	0.6x	0.7x	
Trading days	255	254	

Strong and resilient performance in 2020

1. Trading profit defined as operating profit before exceptional items and amortization of acquired intangible assets.
2. Underlying denotes that the metric is stated on a pre-IFRS 16 basis.
3. Net debt excludes lease liabilities and Adjusted EBITDA excludes the impact of IFRS 16.

Revenue and trading profit growth

		2020
	Ongoing revenue	Ongoing underlying trading profit ¹
Organic growth	(0.1%)	+2.0%
Acquisition growth	+1.8%	+1.0%
FX and trading day impact	+0.3%	+1.1%
	+2.0%	+4.1%

Trading profit growth continues to outpace revenue growth

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

USA

\$m	2020	2019	Change
Revenue	18,857	18,358	+2.7%
Organic revenue growth	+0.4%	+6.2%	
Underlying trading profit ¹	1,587	1,508	+5.2%
Underlying trading margin % ¹	8.4%	8.2%	

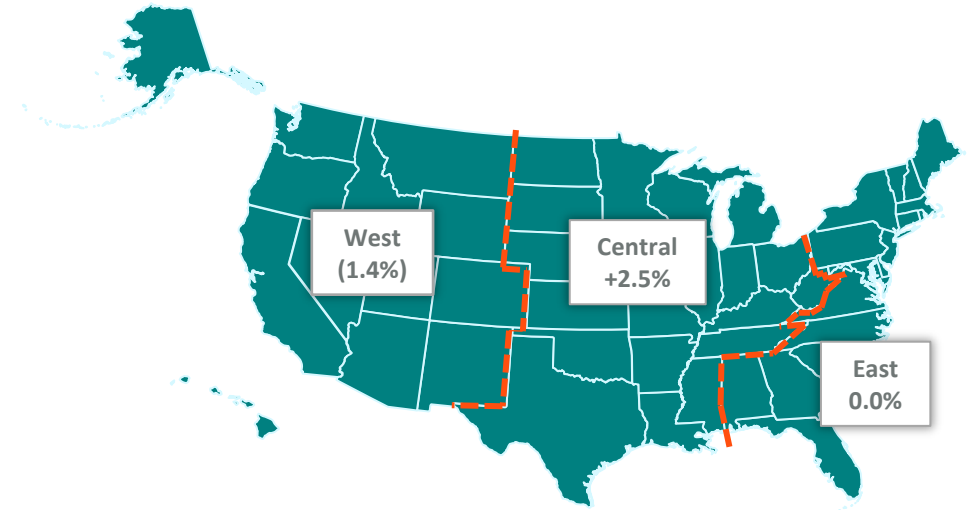
		2020
	Revenue	Underlying trading profit ¹
Organic growth	+0.4%	+3.1%
Acquisition growth	+1.9%	+1.1%
Trading day impact	+0.4%	+1.0%
	+2.7%	+5.2%

Good operating performance in H2 showing agile business model

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

USA revenue growth

Customer group	Revenue \$m	Total growth
Blended Branches (see regional analysis right)	10,510	+0.4%
Waterworks standalone	3,162	+9.1%
HVAC standalone	1,478	+9.4%
eBusiness, Industrial standalone, Fire & Fabrication and Facilities Supply	3,707	+1.7%
USA	18,857	+2.7%



- Resilient performance in Blended Branches during COVID-19 period
- Strong growth in Waterworks, HVAC supported by new residential construction activity
- Robust demand in eBusiness as consumers focused on remodeling

Revenue ahead in majority of customer groups

Canada

\$CADm	2020	2019	Change (in local currency)
Revenue	1,458	1,576	(7.5%)
Organic revenue growth	(8.0%)	(1.1%)	
Underlying trading profit ¹	58	89	(34.8%)
Underlying trading margin % ¹	4.0%	5.6%	

- Challenging markets in H1 became tougher in H2 with COVID-19 lockdowns
- Focused on growth opportunities as markets recover

Tough lockdown period, recent trends improving

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

UK (non-ongoing)

£m	2020	2019	Change (in local currency)
Revenue	1,490	1,725	(13.6%)
Organic revenue growth	(16.0%)	(6.1%)	
Underlying trading profit ¹	6	54	
Underlying trading margin % ¹	0.4%	3.1%	

- Refocused business on clear customer proposition
- Improving trends in operating efficiencies
- Return to revenue growth in August

Improving trends in the UK business

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

Exceptional items, financing and tax

\$m	2020 P&L total
US restructuring costs	65
Canada and UK restructuring costs	28
UK business separation	18
Other exceptional costs	9
Total included in operating profit	120

\$m	2020	2019
Financing		
Net finance costs - pre-IFRS 16	91	74
- IFRS 16 charge	53	-
Reported P&L charge	144	74
Tax		
Ongoing P&L charge	376	339
Ongoing effective tax rate	24.9%	23.3%

Restructuring for current environment, tax and interest as expected

Cash flow

\$m	2020*	2019
Adjusted EBITDA from continuing operations	1,797	1,788
Working capital	209	(77)
Exceptionals, pension & other	(102)	(102)
Cash generated from operations	1,904	1,609
Interest & tax	(331)	(319)
Capex	(302)	(418)
Dividends	(327)	(445)
Share buy backs	(451)	(150)
Acquisitions of businesses	(351)	(657)
Disposals, FX and other items	35	265
Decrease / (increase) in net debt	177	(115)

Continued good cash generation

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

Capital structure

	2020	2019
Net debt ¹	\$1,012m	\$1,195m
Group adjusted EBITDA ¹	\$1,802m	\$1,793m
Net debt : Adjusted EBITDA ¹	0.6x	0.7x
Lease liabilities	\$1,355m	
Net debt including leases	\$2,367m	
Net debt including leases : EBITDA including leases	1.1x	
Net pension (deficit)/asset	(\$61m)	\$153m

Strong balance sheet position

1. Net debt excludes lease liabilities and Adjusted EBITDA excludes the impact of IFRS 16.

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Update on strategy

Kevin Murphy, Group Chief Executive



Strategic update

Key strategic themes – ‘How Tomorrow Works’

- Value added distributor
- As trusted supplier and partner, we provide innovative products and solutions to make our customers’ projects better
- Ensuring scale delivers customer benefits where and when they need
- Investing in technology to drive productivity for our business and our customers
- Innovating and always reimagining our business to serve our customers

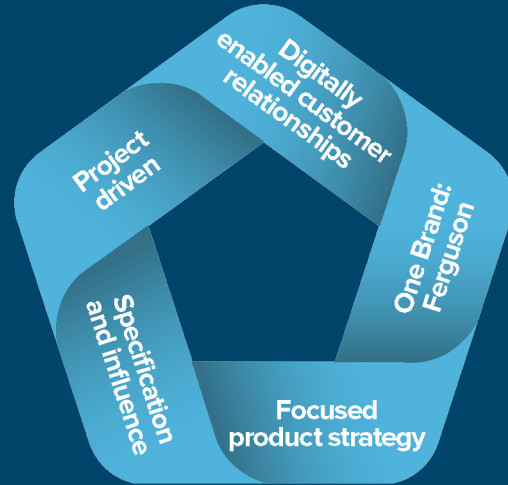
Our strategy is delivering – we’re firmly focused on execution

HOW TOMORROW WORKS

As trusted advisers, we provide innovative products and solutions to make our customers' projects better.

Strategy

We will expand our role in the value chain to build durable competitive advantages to achieve profitable growth



Where we invest

We will focus on key capabilities that lay the groundwork for our path to tomorrow

Culture of best associates	Innovation and Ferguson Ventures
Omni channel and digital capabilities	Technology and data capabilities
Supply chain and value added services	Salesforce evolution

Changing landscape

- Changing customer expectations
- Shifting channels
- Industry disruptors
- Labor shortage
- Vertical integration

Running a great business

- First in safety
- Customer service
- Strategic growth
- Gross margin improvement
- Operational leverage
- Capital discipline
- Environmental, social and governance



People



Safety



Integrity



Innovation



Service

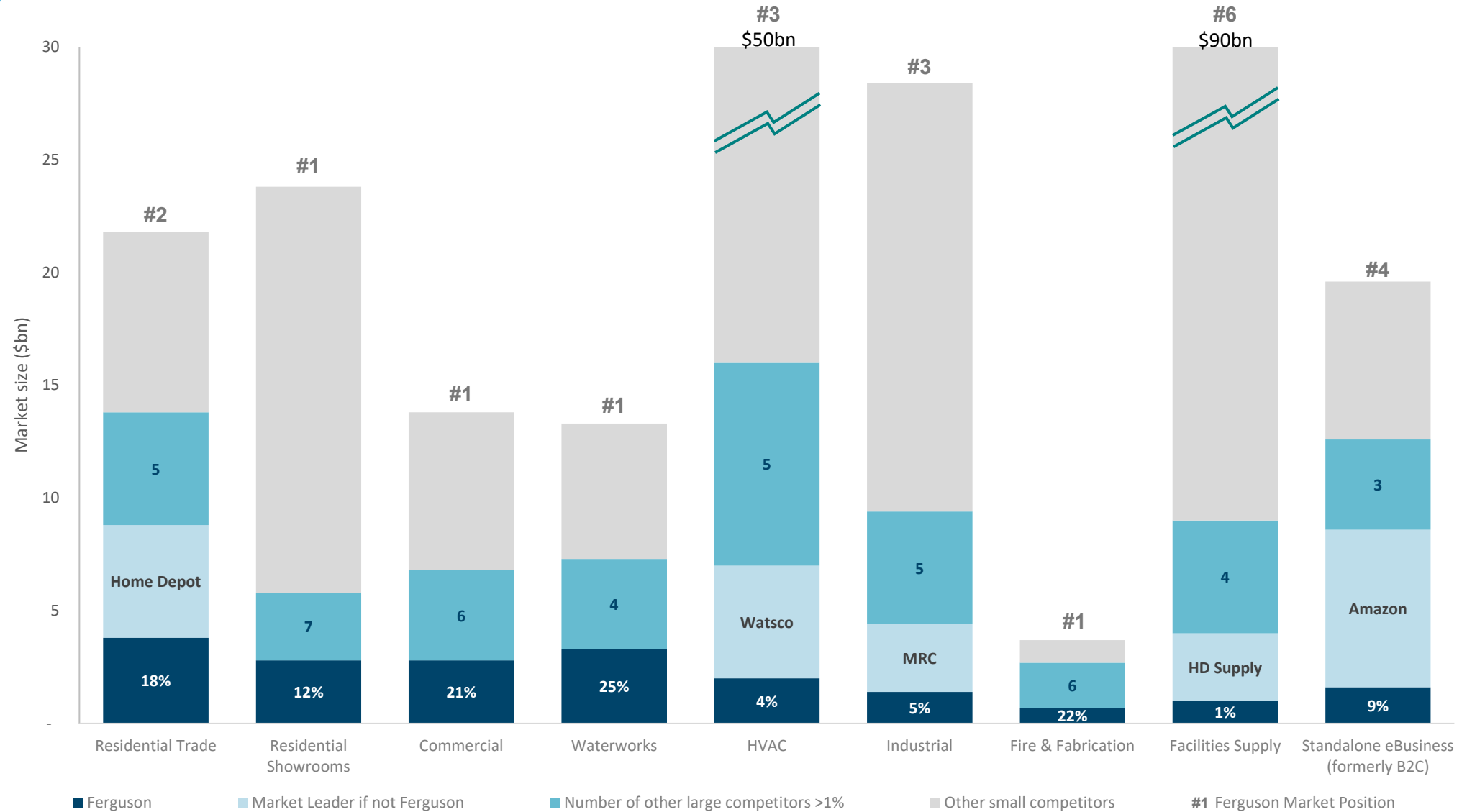


Results




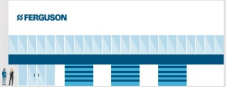

Strategy: Expanding our role in the value chain



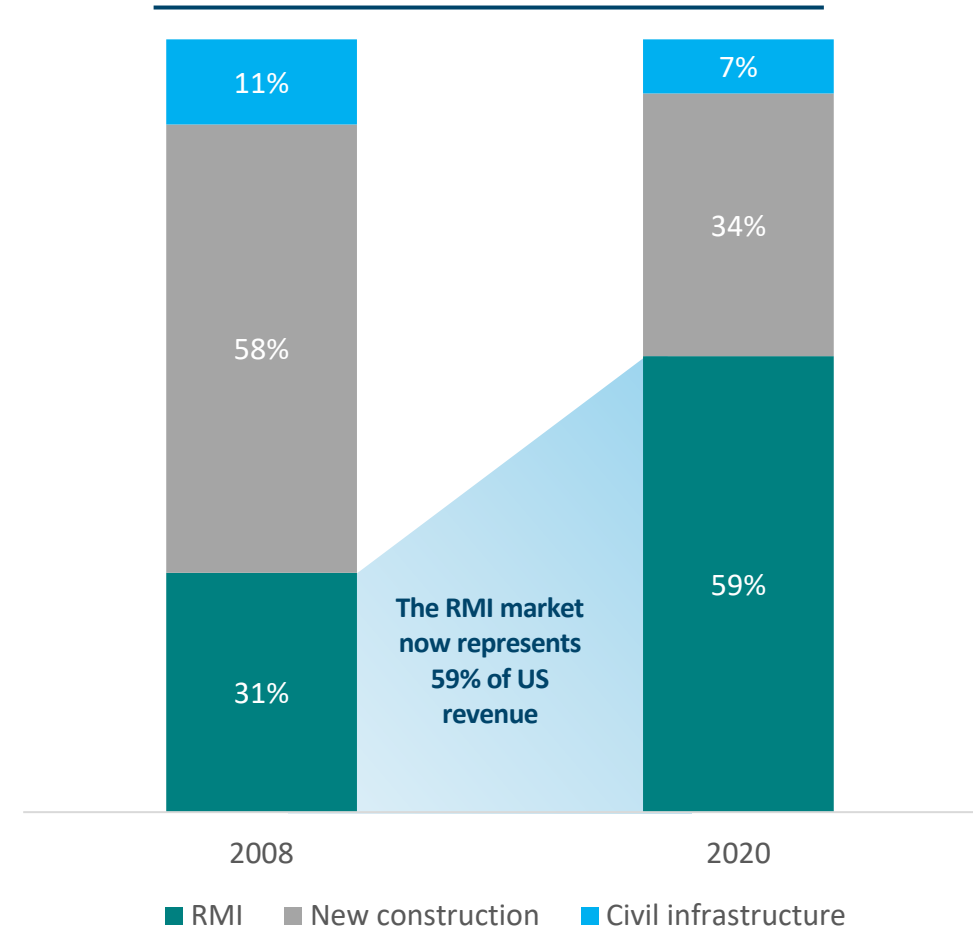
Strategy: USA – a diversified but connected business with attractive market structure



Strategy: USA - attractive market structure

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

RMI revenue accounts for 59% of total revenue



Projects are better with Ferguson – a differentiated service offering



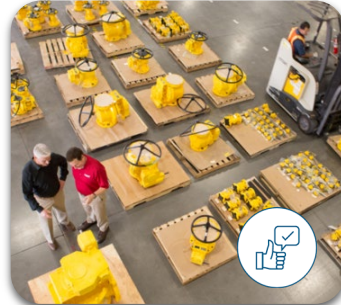
Bidding

- 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
- Curbside delivery



Sales channels

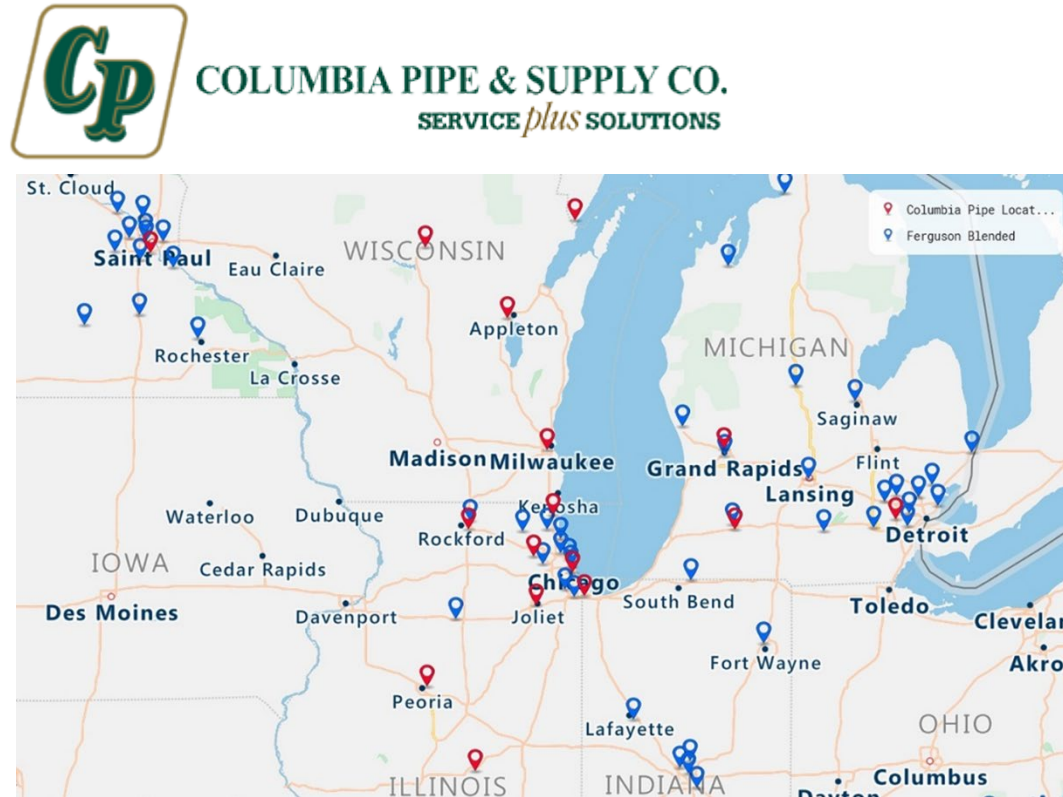
- Inside sales
- Showroom consultancy
- Field/outside sales
- Call/ecommerce call centers
- Online and EDI
- Credit and warranty services
- No hassle returns



Pick-up

- 24/7 secure access
- 1 hour Pro pick-up
- Scheduled forward delivery
- Advice
- Emergency out of hours

Growth - bolt-on M&A



Columbia Pipe and Supply

- Established in 1935
- Largest privately held PVF distributor in the Midwest.
- Revenue of \$220 million (2019) with 16 locations in 5 midwestern states: IL, WI, MI, IN, MN
- Commercial plumbing, PVF and valve and automation
- Customers: Commercial contractors (64%), Industrial End-Users (32%)
- 375 associates, fleet of 120 trucks

Columbia takes our market share to 11% in third largest metro market in USA

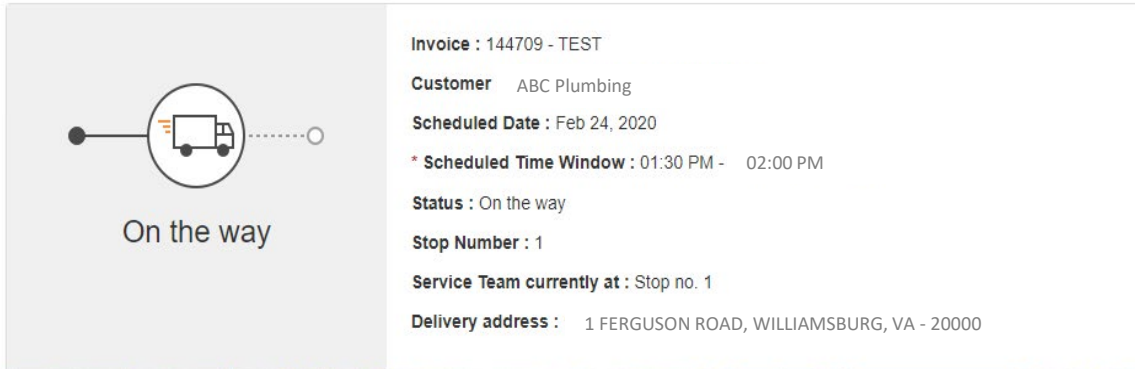
Growth - capability M&A




Adding mobility bathing category

- Acquired Safe Step in July 2018, revenue of \$162 million
- Own brand tubs / showering
- Achieved revenue growth of over 30%
 - Sold and/or installed over 17,300 tubs in L12M
 - Expansion in shower business is growing
- Attractive gross and net margins
- Low working capital model
 - Consumer sales are settled at time of installation

Technology: Customer experience



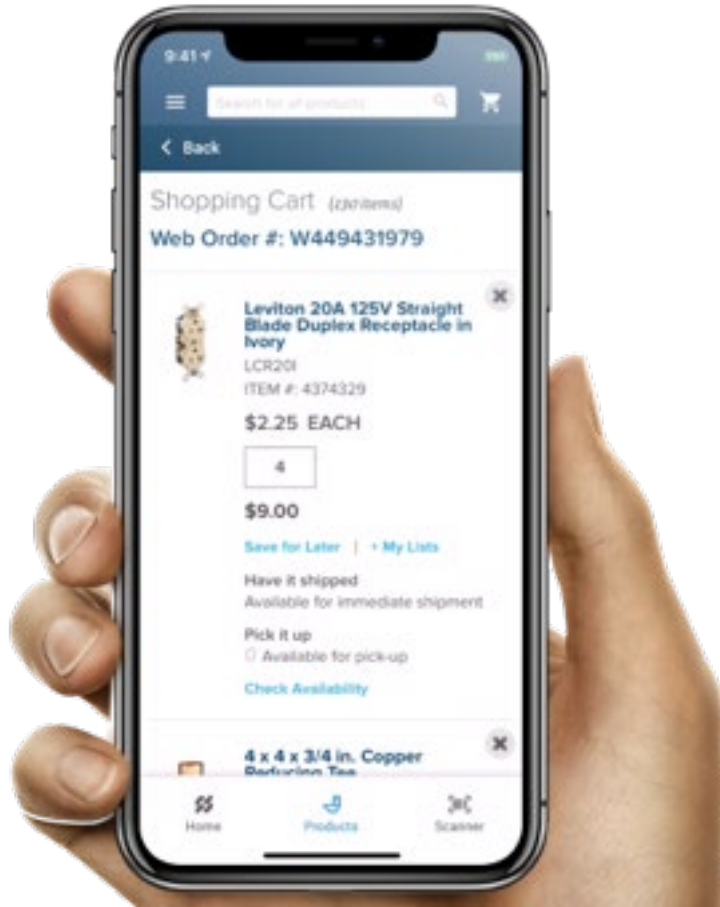
Invoice : 144709 - TEST
Customer : ABC Plumbing
Scheduled Date : Feb 24, 2020
* Scheduled Time Window : 01:30 PM - 02:00 PM
Status : On the way
Stop Number : 1
Service Team currently at : Stop no. 1
Delivery address : 1 FERGUSON ROAD, WILLIAMSBURG, VA - 20000



Helping customers track their deliveries

- Recently rolled out geo location to our 5,000 vehicle fleet
- National alert service live
- Brings live track order feature including item and quantity details
- Includes live tracking of a delivery truck and real time ETA
- Customer service benefits
 - Real time delivery alerts / status – voice, email or text options
 - Proof of delivery
 - Scheduling of installations
- Productivity benefits
 - Reduces inbound calls to inside sales

Technology: Next generation mobile experience



Helping customers stay connected to Ferguson on the move

- New release launched in 2020
- Rapid adoption by customers now 8% of total eBusiness accounts
- Enables transactions plus range of other functionality
 - Buy Online Pick-up In Store
 - Mobile inventory management
- Strong adoption and higher activity among users vs desktop:
 - Placed 100% more orders online
 - 100% Self-Service-Events
- Positioned as gateway to geo-location functionality

Significant customer take-up during COVID-19

Corporate update

- Wolseley UK: the Board is assessing other separation options in parallel with the demerger.
- Listing update
 - USA is the natural listing location for Ferguson
 - Two-step process remains Board's preferred route to achieve primary US listing
 - Strong shareholder approval in July for additional US listing (99.5% voted in favour)
 - Expect US additional listing go-live calendar H1 2021

Summary

- Proud of our accomplishments in a challenging market because of COVID-19
- Strong and resilient performance to date but staying focused on execution
- Model is delivering:
 - Investing in world class supply chain
 - Consultative approach with our customers
 - Ongoing investment in technology to deliver compelling customer proposition

Continue to implement consistent and successful strategy

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Appendix

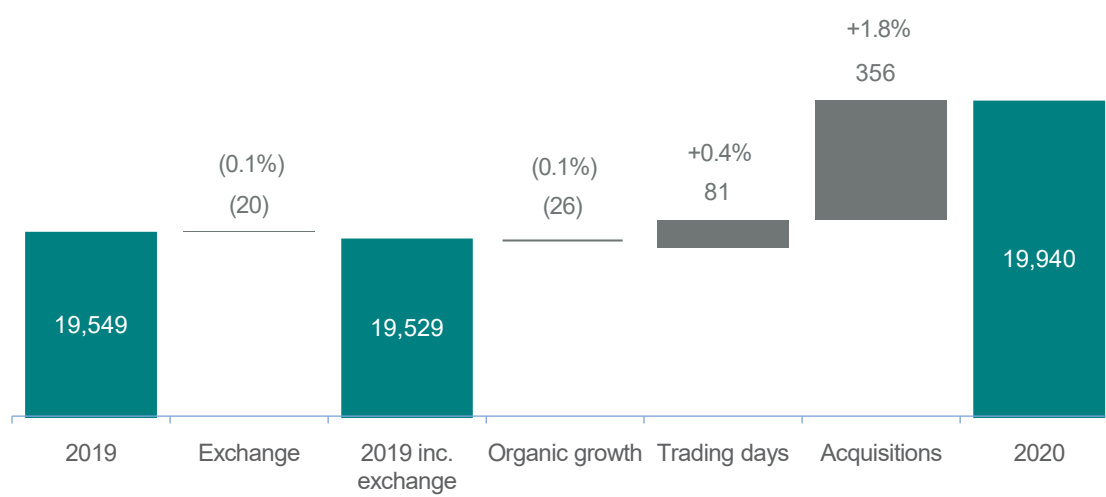


Regional analysis

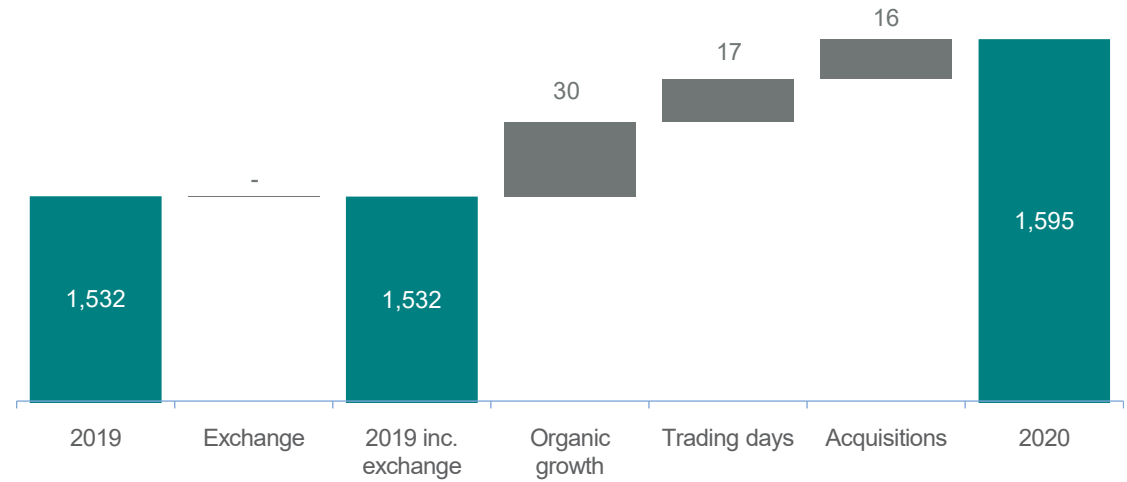
\$m	Revenue 2020	Revenue 2019	Underlying trading profit 2020	Trading profit 2019
USA	18,857	18,358	1,587	1,508
Canada	1,083	1,191	43	67
Central costs	-	-	(35)	(43)
Group ongoing	19,940	19,549	1,595	1,532
Non-ongoing - UK	1,879	2,222	8	69
- soak.com	-	59	-	(4)
- Wasco	-	180	-	9
Group reported	21,819	22,010	1,603	1,606

Revenue and trading profit growth

Ongoing revenue (\$m)



Ongoing underlying trading profit (\$m)



Technical guidance for the full year to 31 July 2021

One fewer trading day impact on trading profit	(\$15m)
Full year FY21 impact from completed acquisitions	\$130m of revenue
Interest charge*	Approx \$135-140m
Effective tax rate – FY21 onwards	25 – 26%
Capital investment	\$300-350m
FY21 cash flow from FY20 exceptional charges	Approx. \$70m

* Interest charge = \$85-90m pre-IFRS 16 + \$50m IFRS 16 adjustment

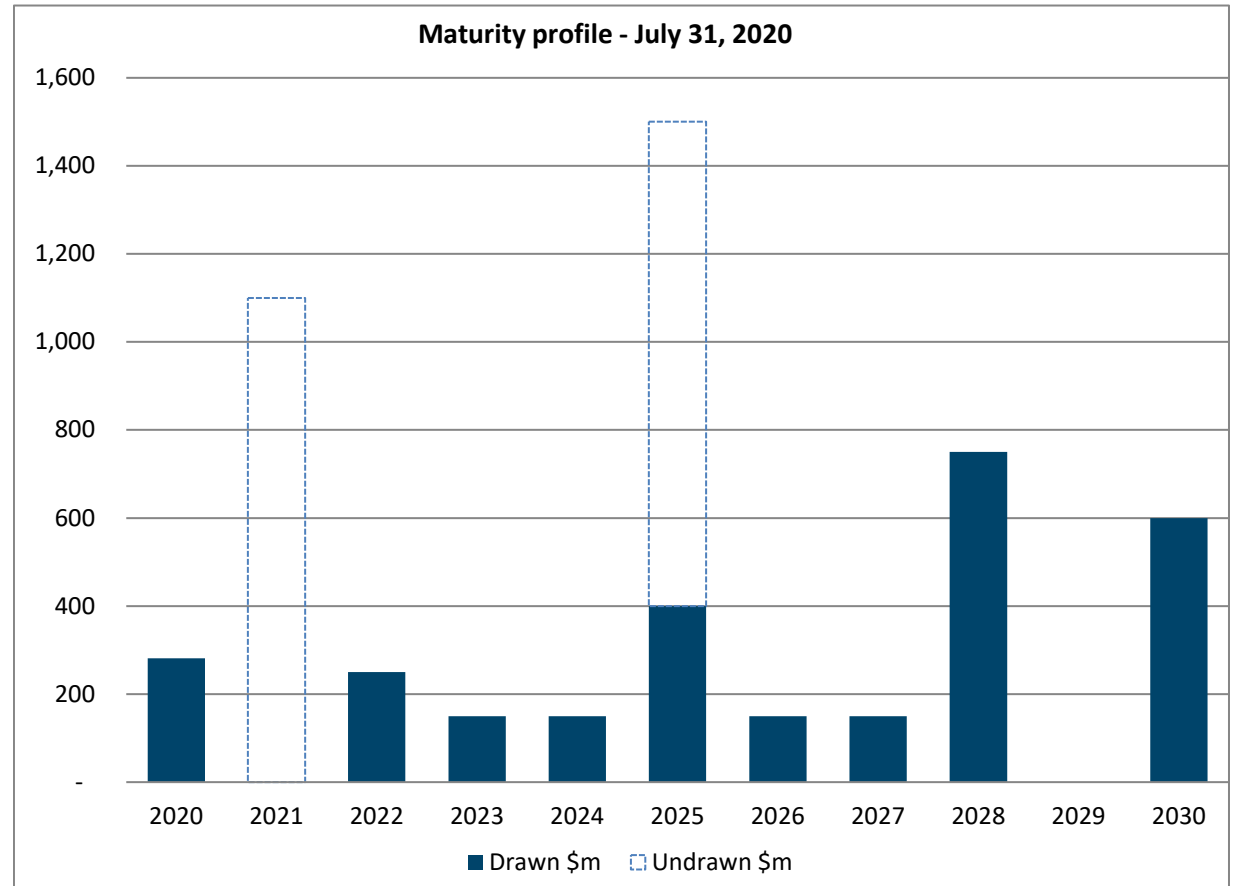
Net debt reconciliation

\$m	2020 Pre-IFRS 16	IFRS 16 adjustment	2020 Post IFRS 16
Adjusted EBITDA from continuing operations	1,797	337	2,134
Working capital	209	11	220
Exceptionals, pension & other	(102)	-	(102)
Cash generated from operations	1,904	348	2,252
Interest & tax	(331)	(53)	(384)
Capex	(302)	-	(302)
Dividends & buybacks	(778)	-	(778)
Acquisitions of businesses	(351)	-	(351)
Disposals, FX and other items	35	(54)	(19)
Lease liability additions	-	(115)	(115)
Decrease in net debt	177	126	303

Committed Financing Facilities

	Maturity	Size	Amount drawn	Available
		\$m	July 31, 2020	July 31, 2020
US Private Placement	Nov 20	281	281	-
US Private Placement	Sep 22	250	250	-
US Private Placement	Nov 23	150	150	-
US Private Placement	Nov 24	150	150	-
US Private Placement	Sep 25	400	400	-
US Private Placement	Nov 26	150	150	-
US Private Placement	Sep 27	150	150	-
US 144A Bond	Oct 28	750	750	-
US 144A Bond	Jun 30	600	600	-
Total Committed Term Facilities		2,881	2,881	-
Revolving Credit Facility	Mar 25	1,100	-	1,100
Committed Bank Facility	Mar 21	500	-	500
Securitisation Facility	Dec 21	600	-	600
Total Committed Revolving Facilities		2,200	-	2,200
Total Committed Facilities		5,081	2,881	2,200

1



* Calendar years

¹ Excludes \$37m of fair value adjustment on US private placement debt.

Branch numbers and headcount

Branch numbers

	Brought forward July 31, 2019	Acquired	Net opened / (closed)	Carried forward July 31, 2020
USA	1,491	29	(78)	1,442
Canada	217	-	(7)	210
Ongoing operations	1,708	29	(85)	1,652
UK (non-ongoing)	551	-	(9)	542

Headcount¹

	Brought forward July 31, 2019	Acquired	Net joiners / (leavers)	Carried forward July 31, 2020
USA	27,476	510	(1,907)	26,079
Canada	2,630	-	(276)	2,354
Other	78	-	(14)	64
Ongoing operations	30,184	510	(2,197)	28,497
UK (non-ongoing)	5,109	115	(503)	4,721

1. Permanent full time equivalents

IFRS 16 impact

- First applied 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 impact for year ending 31 July 2020:

\$m	Balance sheet	Income statement actuals	Cash flow actuals
Opening right of use asset	+1,220		
Opening lease liability	(1,481)		
EBITDA		+337	
Depreciation		(268)	
Trading profit		+69	
Finance costs		(53)	
Headline profit		+16	
Cash generated from operations			+348

- We expect the impact in the year ending 31 July 2021 to be similar to FY20

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Q&A

