



**WOLSELEY**

**2015**

**Full Year Results**





# Welcome and highlights

Ian Meakins, Chief Executive



# Highlights

- **Group performance**
  - Market share gains
  - Improvements in customer service
  - Revenue and gross profit growth
  - Flow through / margin improvements
- **Excellent USA results**
- **UK was challenging**
  - Pricing / gross margins
- **Nordics H2 improved**
  - Like-for-like revenue growth, share gain and trading profit growth
- **Continued investment in FY15 - £231m**
  - Business model improvement
- **18 acquisitions completed - £105m consideration**
  - £220m annualised revenue
- **Strong cash generation**
  - Ordinary dividend up 10%
  - £300m share buyback
- **Tougher outlook but decent progress expected**





# Operating and Financial Review

John Martin, Chief Financial Officer



# Financial highlights

	2015	2014 Restated**	Change	Change (at constant exchange rates)	Like-for-like Change
Ongoing revenue	<b>£13,300m</b>	£11,952m	+11.3%	+10.1%	+7.1%
Ongoing gross margin %	<b>28.0%</b>	27.9%	+0.1%		
Ongoing trading profit*	<b>£857m</b>	£752m	+14.0%	+11.4%	
Foreign exchange impact (ongoing)	<b>+£17m</b>				
Ongoing trading margin %*	<b>6.4%</b>	6.3%	+0.1%		
Headline earnings per share*	<b>230.2p</b>	195.0p	+18.1%		
Ordinary dividend per share	<b>90.75p</b>	82.50p	+10.0%		
Net debt	<b>£805m</b>	£711m			

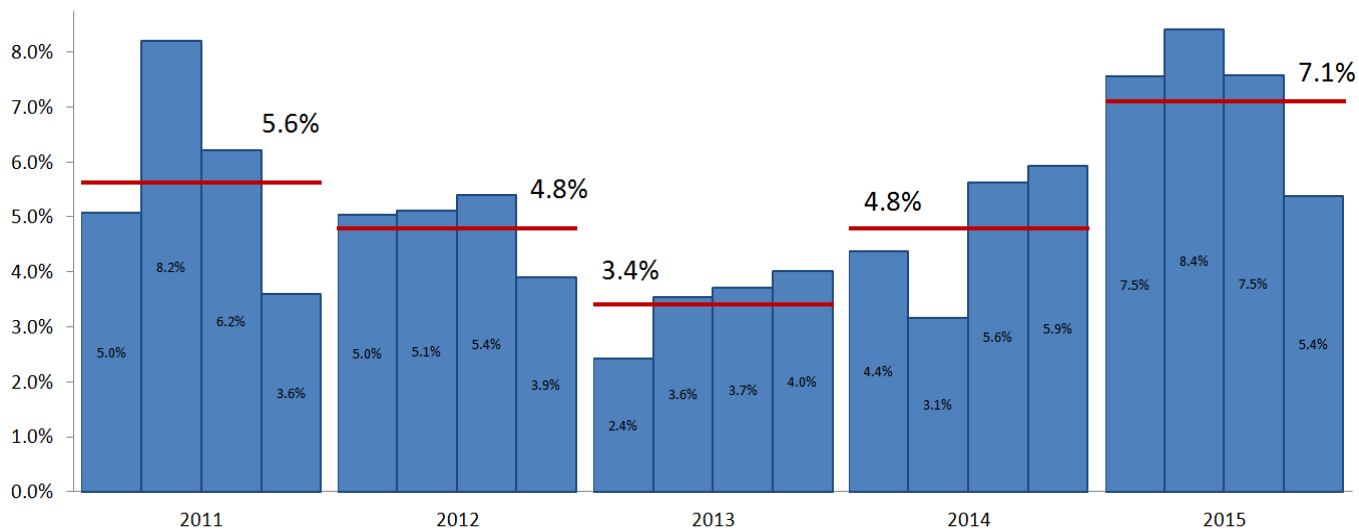
"Ongoing businesses" excludes businesses that have been closed, disposed of or classified as held for sale.

\*Before exceptional items, the amortisation and impairment of acquired intangibles and with respect to headline EPS before non-recurring tax items

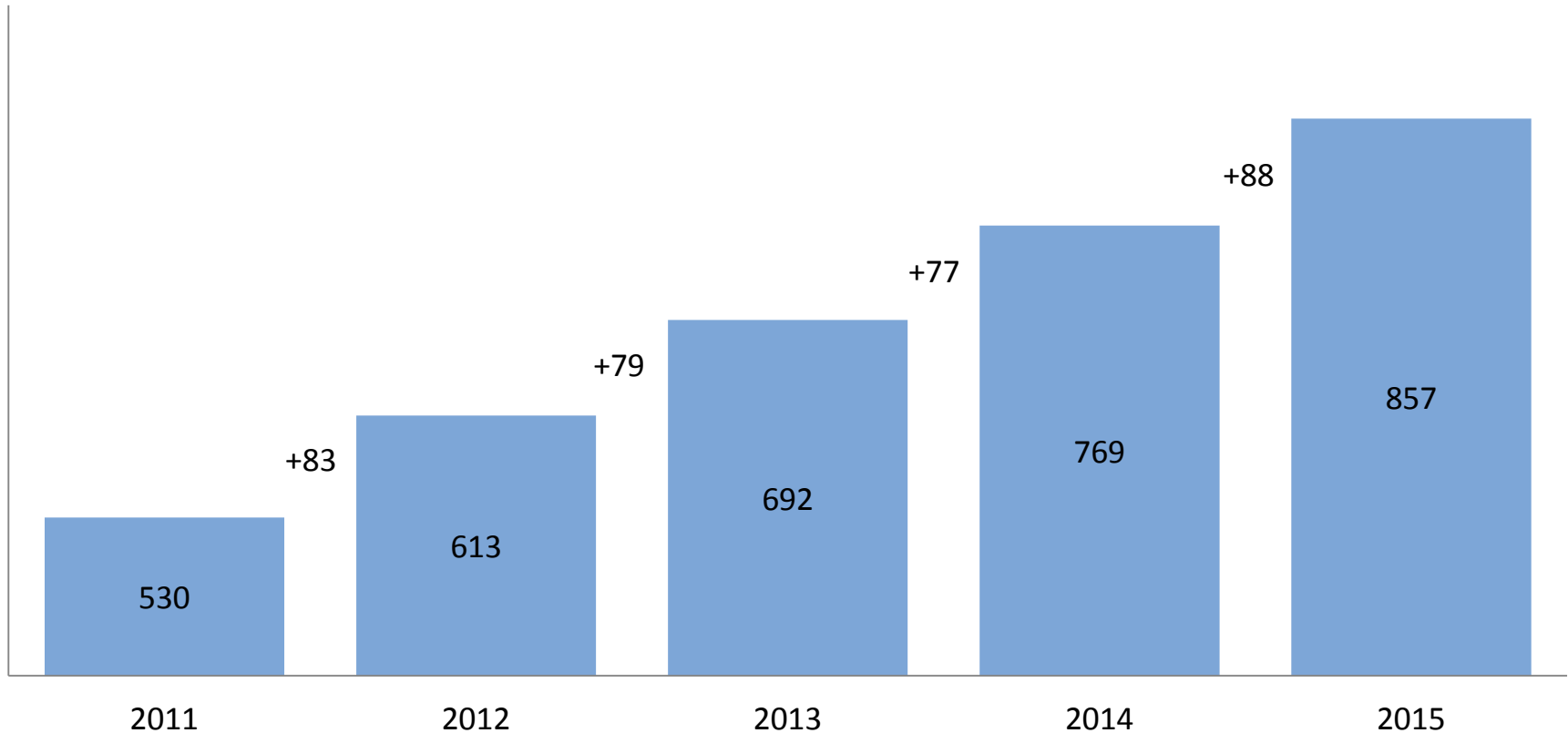
\*\* Restated to present the French businesses as discontinued operations under IFRS 5.

# Like-for-like growth

	Q4 last year	Q1 this year	Q2 this year	Q3 this year	Q4 this year
USA	11.1%	12.4%	11.1%	8.3%	<b>7.1%</b>
UK	(2.6%)	0.5%	3.4%	7.6%	<b>3.1%</b>
Nordics	(2.3%)	1.9%	5.4%	8.8%	<b>6.4%</b>
Canada	3.7%	3.6%	3.1%	(1.9%)	<b>(5.8%)</b>
Central Europe	0.1%	(7.0%)	4.6%	1.0%	<b>(3.4%)</b>
Ongoing businesses	5.9%	7.5%	8.4%	7.5%	<b>5.4%</b>



# Historical trading profit growth\*



\* Ongoing businesses, at 2015 exchange rates

# USA ongoing (76% of Group trading profit)



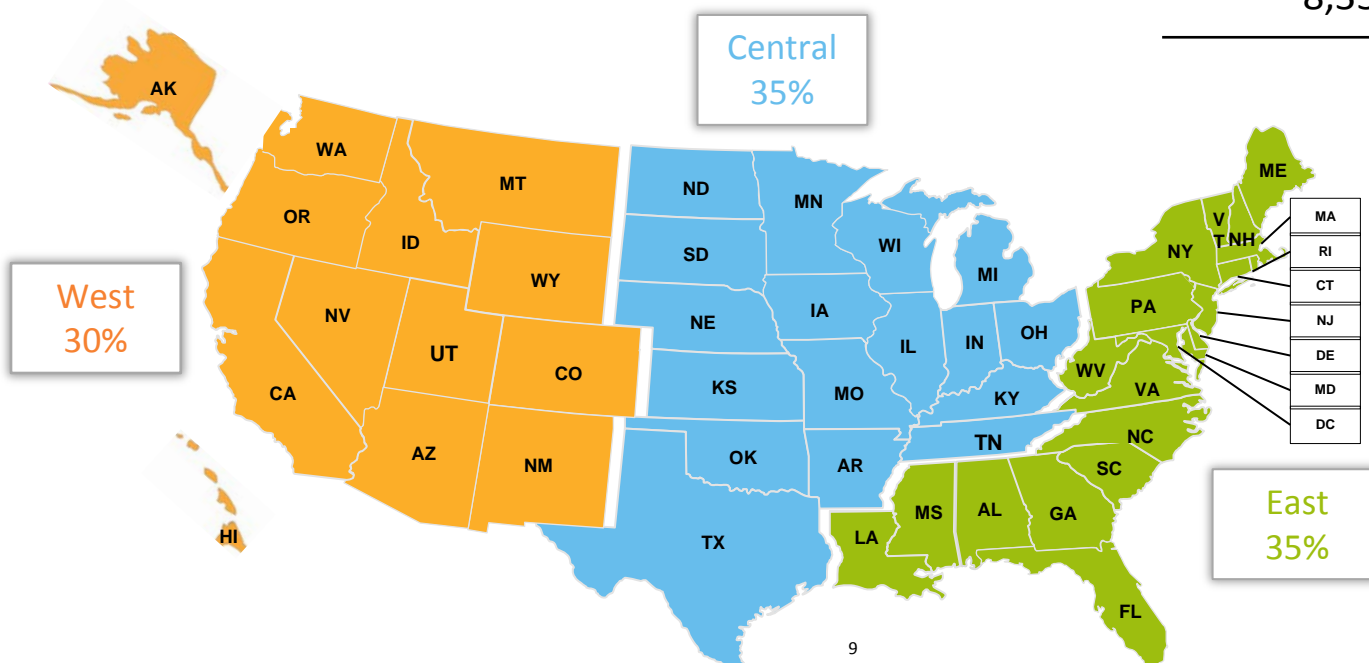
£m	2015	2014	Change	Change (at constant exchange rates)
Revenue	<b>8,337</b>	7,045	+18.3%	+12.4%
Like-for-like growth	<b>+9.6%</b>	+8.2%		
Trading profit	<b>683</b>	542	+26.0%	+19.8%
Foreign exchange impact	<b>29</b>			
Trading margin	<b>8.2%</b>	7.7%	+0.5%	
Branches	<b>1,418</b>	1,377	+41	



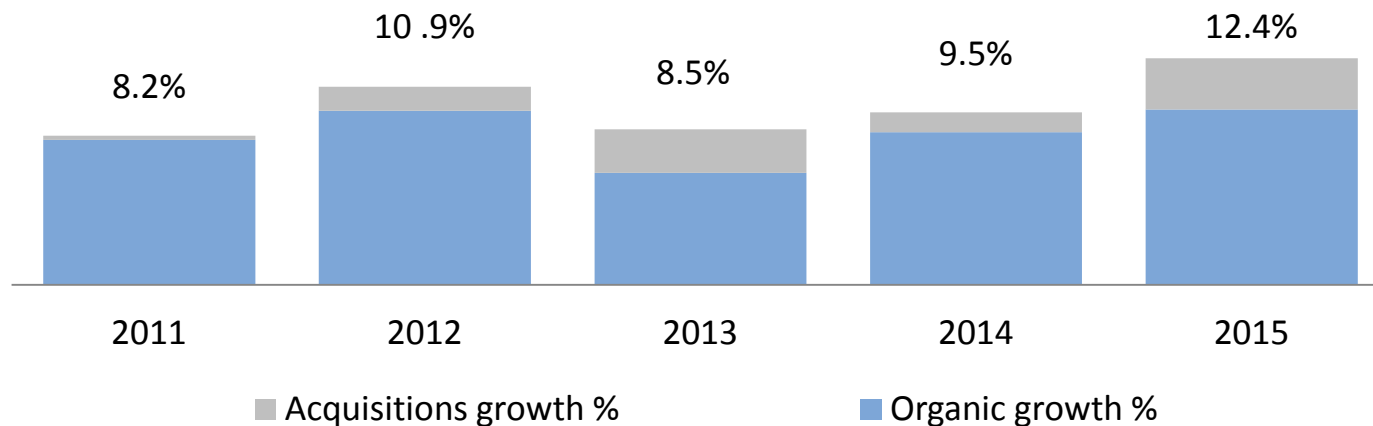
# USA ongoing



Business unit		Revenue £m	Like-for-like Change %
Blended Branches	(see regional analysis below)	5,164	+8.9%
Waterworks		1,320	+8.1%
HVAC, Industrial, Fire & Fabrication, B2C, MRO		1,853	+10.2%
		<b>8,337</b>	<b>+9.6%</b>



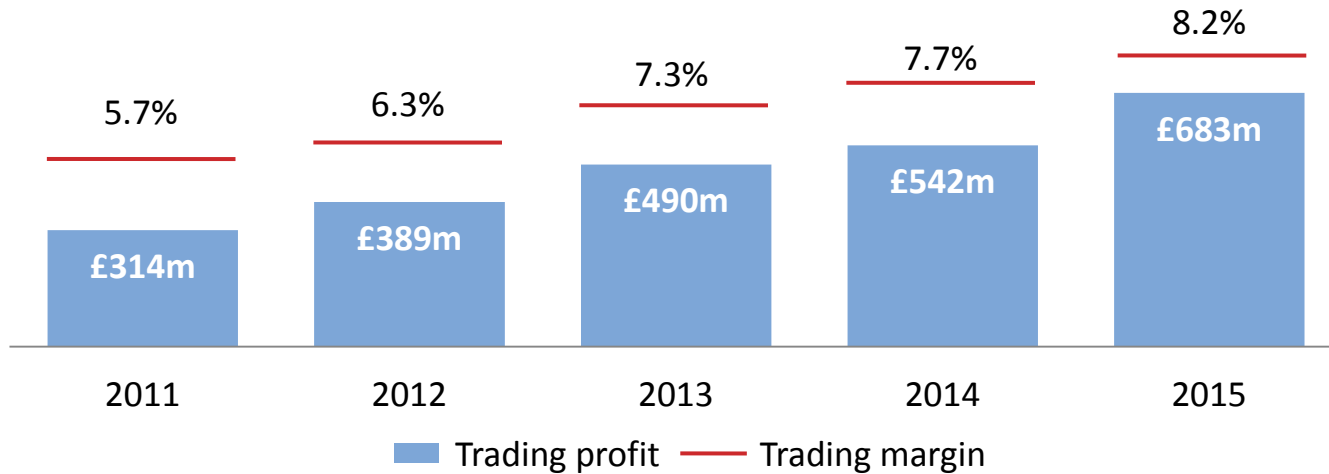
# USA ongoing revenue growth



- Organic growth driven by excellence in customer service, product availability and staff engagement
- Focus on sales force efficiency, CRM processes and National Sales Centre
- Broadly-based growth across all regions and businesses
- Focused network expansion plans by market (e.g. New York)
- Bolt-on acquisitions integrated promptly, adding value

Strong, sustained market share gains

# USA ongoing profitability



- Gross margin driven by service, mix, pricing discipline, vendor partnering
- Leverage DC / hub / branch fulfilment model
- Driving e-commerce (B2B and B2C) to 18% of sales
- Continuing to invest in improving efficiency of the business model
- Clear focus on productivity

Continue to drive productivity

## UK ongoing (10% of Group trading profit)



£m	2015	2014	Change
Revenue	<b>1,987</b>	1,853	+7.2%
Like-for-like growth	<b>+3.6%</b>	(0.1%)	
Trading profit	<b>90</b>	96	(6.3%)
Trading margin	<b>4.5%</b>	5.2%	(0.7%)
Branches	<b>758</b>	768	(10)

2015 charged £2m of restructuring costs

## Nordic ongoing (8% of Group trading profit)



£m	2015	2014	Change	Change (at constant exchange rates)
Revenue	<b>1,863</b>	1,892	(1.5)%	+9.6%
Like-for-like growth	<b>+5.5%</b>	+0.4%		
Trading profit	<b>72</b>	80	(10.0%)	0.2%
Foreign exchange impact	<b>(9)</b>			
Trading margin	<b>3.9%</b>	4.2%	(0.3%)	
Branches	<b>259</b>	267	(8)	



## Canada ongoing (4% of Group trading profit)



£m	2015	2014	Change	Change (at constant exchange rates)
Revenue	<b>708</b>	736	(3.8%)	+1.5%
Like-for-like growth	<b>(0.3%)</b>	1.0%		
Trading profit	<b>34</b>	43	(20.9%)	(13.3%)
Foreign exchange impact	<b>(2)</b>			
Trading margin	<b>4.8%</b>	5.8%	(1.0%)	
Branches	<b>226</b>	222	4	

2015 charged £5m of restructuring costs

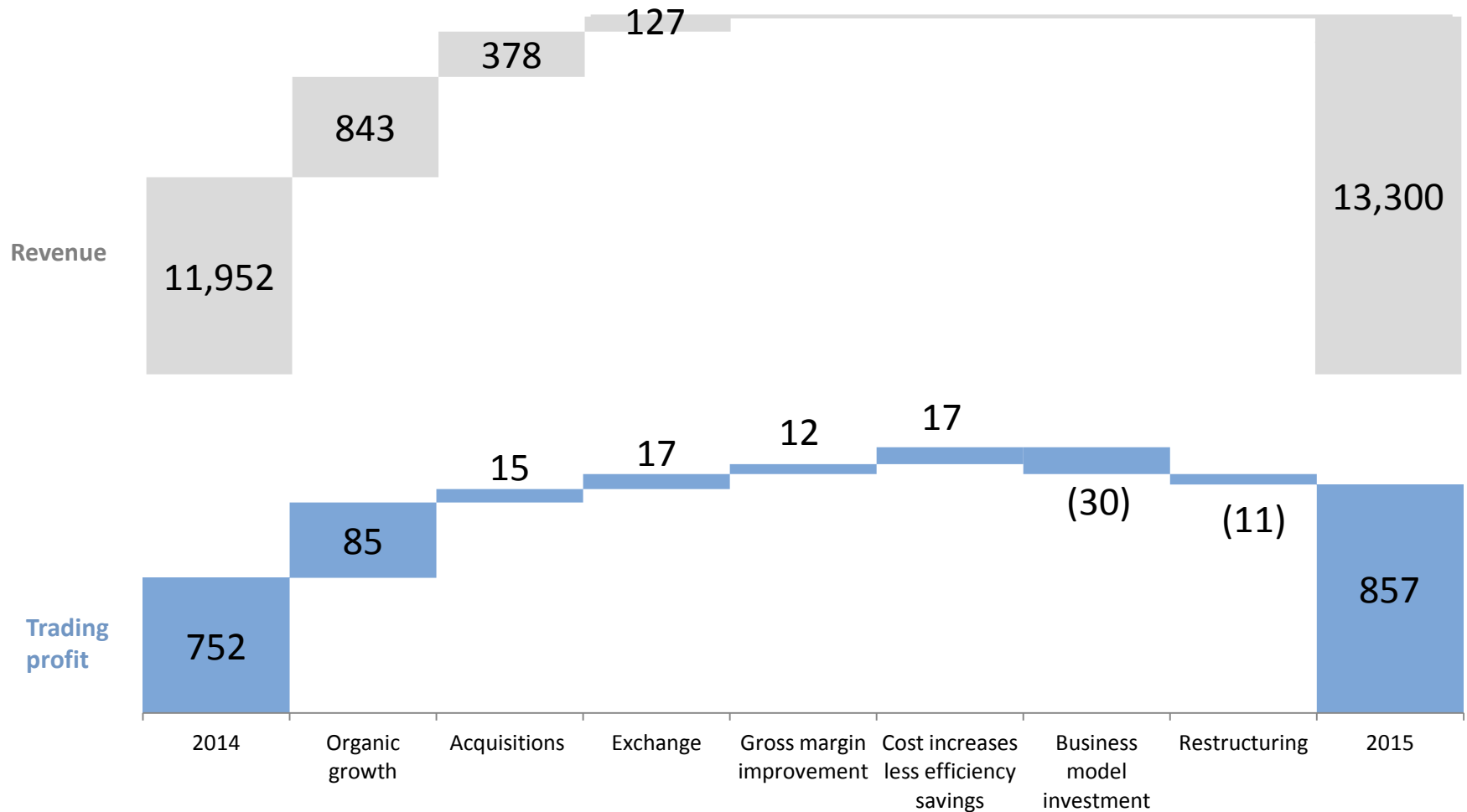
## Central Europe ongoing (2% of Group trading profit)



£m	2015	2014	Change	Change (at constant exchange rates)
Revenue	405	426	(4.9%)	(1.4%)
Like-for-like growth	(1.4%)	(1.9%)		
Trading profit	21	26	(19.2%)	(19.9%)
Foreign exchange impact	(1)			
Trading margin	5.2%	6.1%	(0.9%)	
Branches	78	75	3	

2015 charged £1m of restructuring costs

# Revenue and trading profit in the ongoing business



Trading profit / gross profit 22.5%

23.0%

# Impairments, exceptionals & discontinued operations

£m	H1	H2	FY
Nordic impairment	(245)	11	<b>(234)</b>
France discontinued			
- operating (loss)/profit	(11)	9	<b>(2)</b>
- loss on disposal and impairment	(59)	(67)	<b>(126)</b>
Foreign exchange recycling	(5)	(17)	<b>(22)</b>
Gains on disposal / other items	8	5	<b>13</b>
Pre-tax total	<u>(312)</u>	<u>(59)</u>	<b>(371)</b>

Cash impact: small cash inflow

# Central costs, financing and tax

£m	2015	2014*
<b>Central costs</b>	<b>43</b>	35
<b>Financing</b>		
Net interest charges	24	20
Facility charges	5	6
Pensions and provisions	(3)	3
	<b>26</b>	29
<b>Tax</b>		
P&L charge	187	194
Exceptionals, intangibles & non-recurring items	45	11
Underlying P&L charge	<b>232</b>	205
Effective tax rate	<b>27.9%</b>	28.4%

\* Restated to present the French businesses as discontinued operations under IFRS 5.



# Cash

£m	2015	2014*
Trading profit (reported)	854	752
Depreciation & amortisation	117	95
EBITDA	971	847
Working capital - Year end timing	40	(70)
- Net investment	(48)	(63)
Provisions, other movements & exceptionals	(26)	(36)
Cashflow from operating activities	937	678
Net interest and tax paid	(253)	(226)
Acquisitions	(105)	(194)
Disposals	86	71
Capex	(231)	(201)
Dividends and buy backs	(472)	(489)
FX & other items	(56)	61
Movement in net debt	(94)	(300)

\* Restated to present the French businesses as discontinued operations under IFRS 5.

# Net debt, pensions and commitments

£m	2015	2014
Net debt as reported	805	711
Impact of timing of payment runs	130	90
	935	801
Net pension liabilities/(assets)	15	(7)
Operating lease commitments	861	788
Facilities £bn	2015	2014
Committed facilities		
- New 5 year RCF	0.8	
- New 7-12 year private placement (1 Sept)	0.5	
- Other facilities	0.9	
Committed facilities	2.2	2.2

# Organic investment

£m	2015 Capex	2014 Capex
Technology, processes, systems	69	59
Freehold DCs and hubs	70	62
Branch expansion, showrooms and refurbishment	92	80
	<b>231</b>	201

## Significant investments

Technology	DCs and hubs	Branch refurbishment
Ferguson eCommerce re-platforming, Master Data, UK telecomms	Houston, NY Metro hub, NY DC, Basildon	Ferguson 'Showrooms of the Future'
<b>£27m</b>	<b>£46m</b>	<b>£19m</b>

# Acquisitions

**Pollardwater**<sup>TM</sup>

POWELL PIPE  
& SUPPLY CO.

**CityLights**  
design showroom  
A FERGUSON ENTERPRISE

**Jedlon & Johnson**  
A FERGUSON ENTERPRISE

COMFORT<sup>COM</sup>  
UNMATCHED EXPERTISE

**McFarland Supply**  
A FERGUSON ENTERPRISE

**EQUARIUS**  
waterworks

**SHIP PAC**

**GOODMAN INDUSTRIAL**

**Global HVAC**

**MPS**

**BAAC** Appliance Center

**QIP**

**BATHMPIRE**<sup>TM</sup>  
LUXURY BATHROOMS FOR LESS

**The AR-JAY Center**

**XL BYG**  
GØR DET ORDENTLIGT

**ARKANSAS SUPPLY**

**WRW**

**Central Pipe & Supply**

## Financial impact £m

1 August 2014 until the date of acquisition

Date of acquisition until 31 July 2015

Revenue

Trading profit

117

6

103

2

220

8

# Dividends and capital structure

- Final dividend
  - Recommended 60.5p per share (full year of 90.75p per share; +10.0%)
  - Covered 2.5x by headline EPS
  
- Balance sheet
  - Net debt / EBITDA 0.8x
  - £300m share buyback



# Guidance for year to 31 July 2016

Expected like-for-like revenue growth over the next 6 months	<b>4%</b>
Trading days and estimated impact on trading profit	<b>One less day / (£6m)</b>
Impact of restating last years trading profit at current FX rates	<b>Negligible</b>
Restructuring costs to be charged to operating profit	<b>Up to £20m</b>
Incremental trading profit / incremental revenue	<b>Low double digit</b>
Increase in financing charges	<b>About £10m</b>
Effective tax rate	<b>About 28%</b>
Capital investment	<b>£200 to £220m</b>
Working capital investment	<b>12% to 13% of incremental sales</b>
Net debt / EBITDA	<b>Within 1x to 2x</b>



# Business Review and Strategy Update

Ian Meakins, Chief Executive

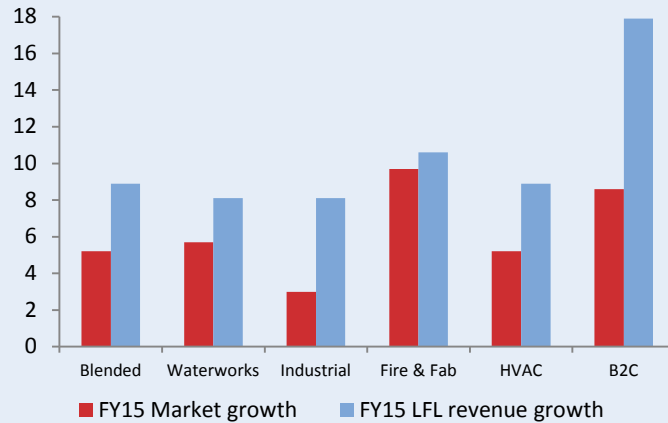


# Agenda

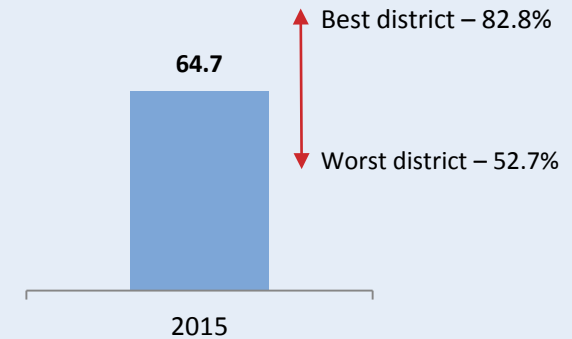
1. US Performance – Excellent 2015 – potential for further progress
2. Strategy – Customer Service
  - Customer needs
  - Service metrics
  - Customer segmentation
  - Proposition development

# USA Ongoing Performance

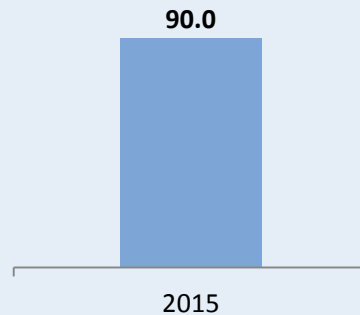
## LFL revenue growth vs market growth %



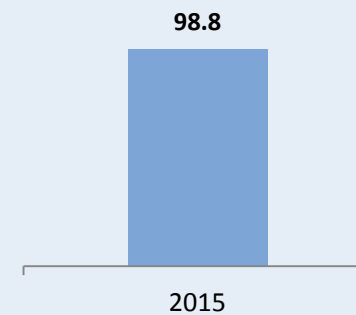
## Net promoter score %



## Employee engagement %

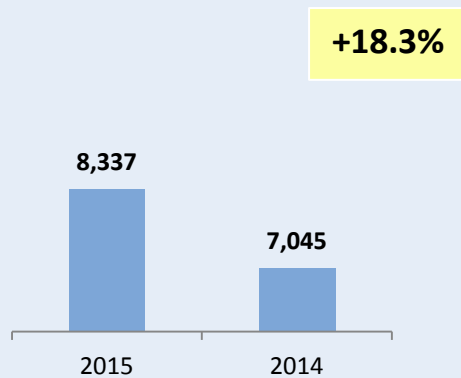


## Top 3,000 SKU availability %

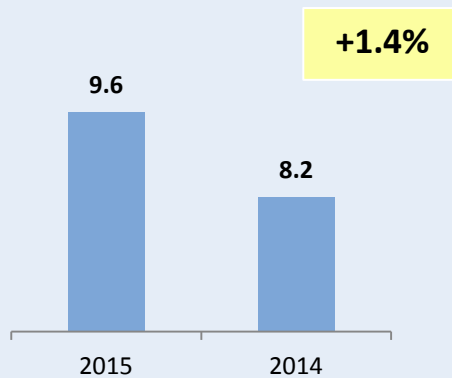


# USA Ongoing Performance

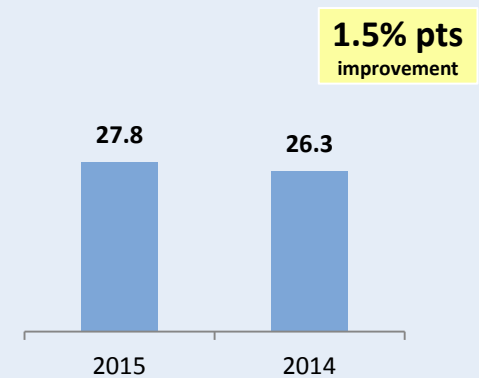
Revenue £m



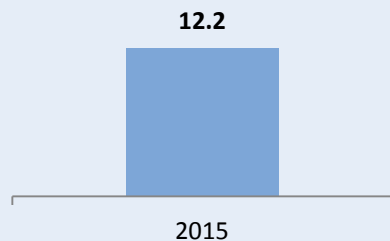
LFL revenue growth %



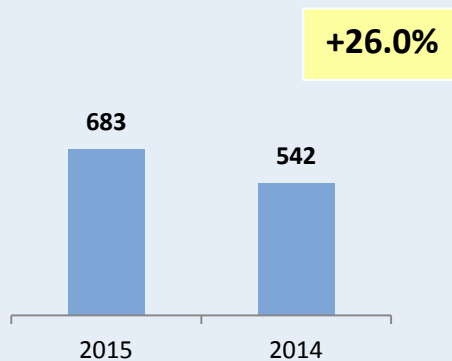
Trading profit as a % gross profit



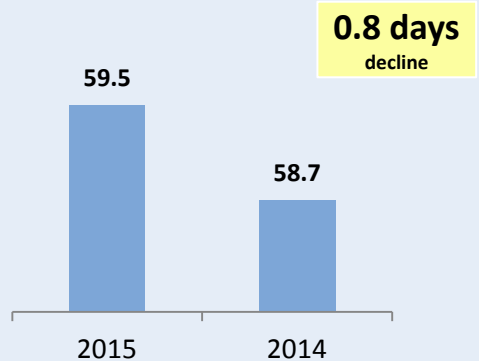
Flow through\* %



Trading profit £m



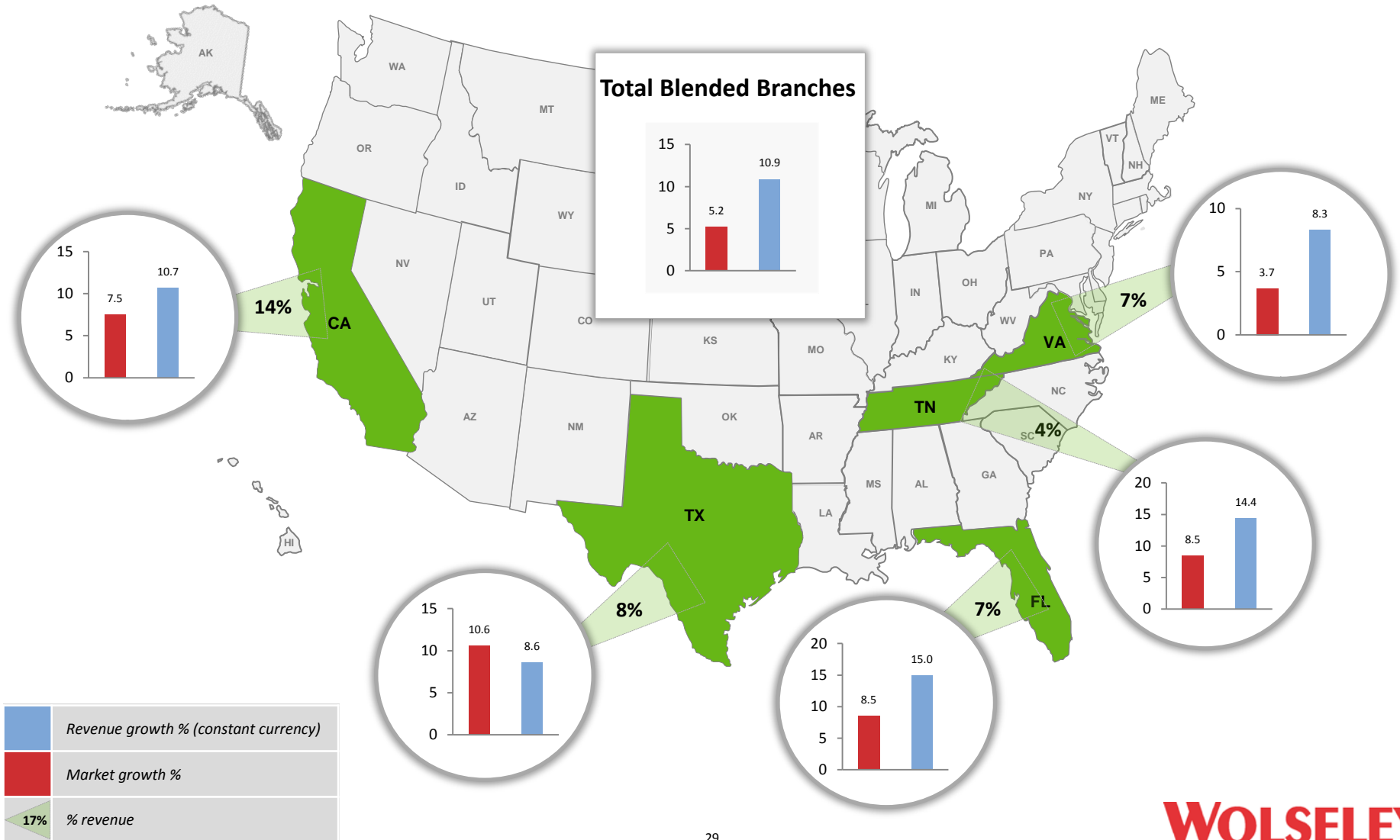
Cash to Cash Days



\* Increase in trading profit growth divided by the increase in revenue growth in constant currency



# Revenue growth vs market – Top 5 states Blended Branches



# Agenda

## 1. US Performance

## 2. Strategy – Customer Service

- Customer needs
- Service metrics
- Customer segmentation
- Proposition development

Better execution and performance – but still a long way to go

# Accelerating profitable growth

## Re-cap

### Customer service

- >99% product availability
- Speed of service
- Range
- Relationships and advice
- Price

### Employee engagement

- Best employees in industry
- Branch and sales staff
- Experienced and knowledgeable
- Trained and rewarded

### Network expansion

- Geographic expansion
- Supply chain and logistics
- Leverage cost base

### Customer segmentation

- Different needs
- Tailored propositions
- Flexible order and fulfilment options

### Sales management

- Winning bids
- Problem solving and advice
- Sales resources
- Efficiency and productivity
- Competitive advantage

### Pricing management

- Competitive and consistent
- Structured
- Charge for services



- Increased wallet share
- Regain lost customers
- Gain new customers

# Customer service

- Profitable share gains driven by improvements in service:
  - Customers and Wolseley benefit
  - Customers complete work on time and get paid
  - Increased share of wallet/ better customer retention
  - Lower cost value chain for customers and Wolseley
- Opportunity to improve our performance
  - In our best businesses performance varies
  - Customer understanding/analysis/management as well as great operations
  - Improving our capabilities – people/training/tools/processes

Customer service is fundamental to profitable share gain

# Customer understanding/analysis



## Group approach

- Quantitative
  - secret shopping
  - existing and new
  - drivers of service
- Qualitative
  - emphasis on needs/expectations
  - competitive offerings
- Employee
  - frontline staff surveyed
- Feedback loop
  - lost customers
  - research generates reactions

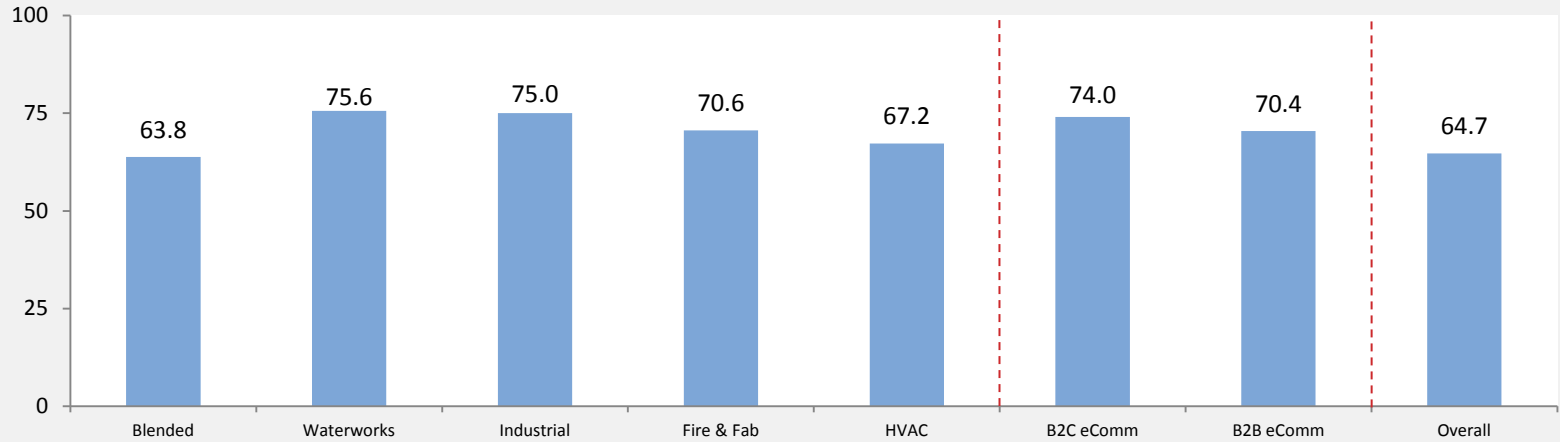


## FY 15 Execution:

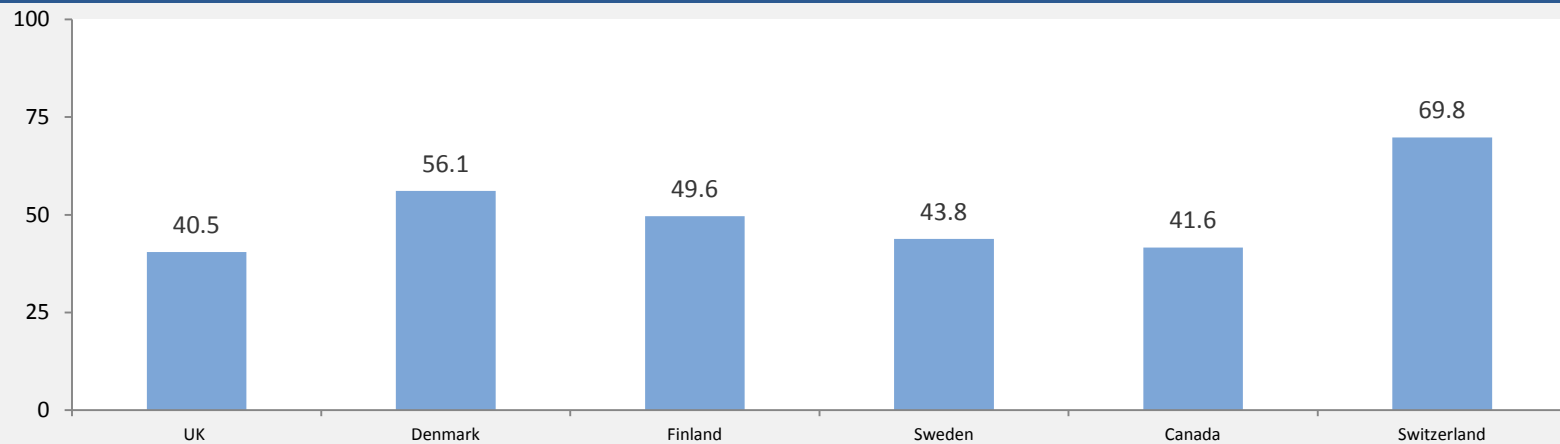
- 16,873 customers surveyed - up 36%
- 1,110 secret shop events
- 750+ customers interviewed in person
- 700+ associates surveyed

# Customer service performance across Group

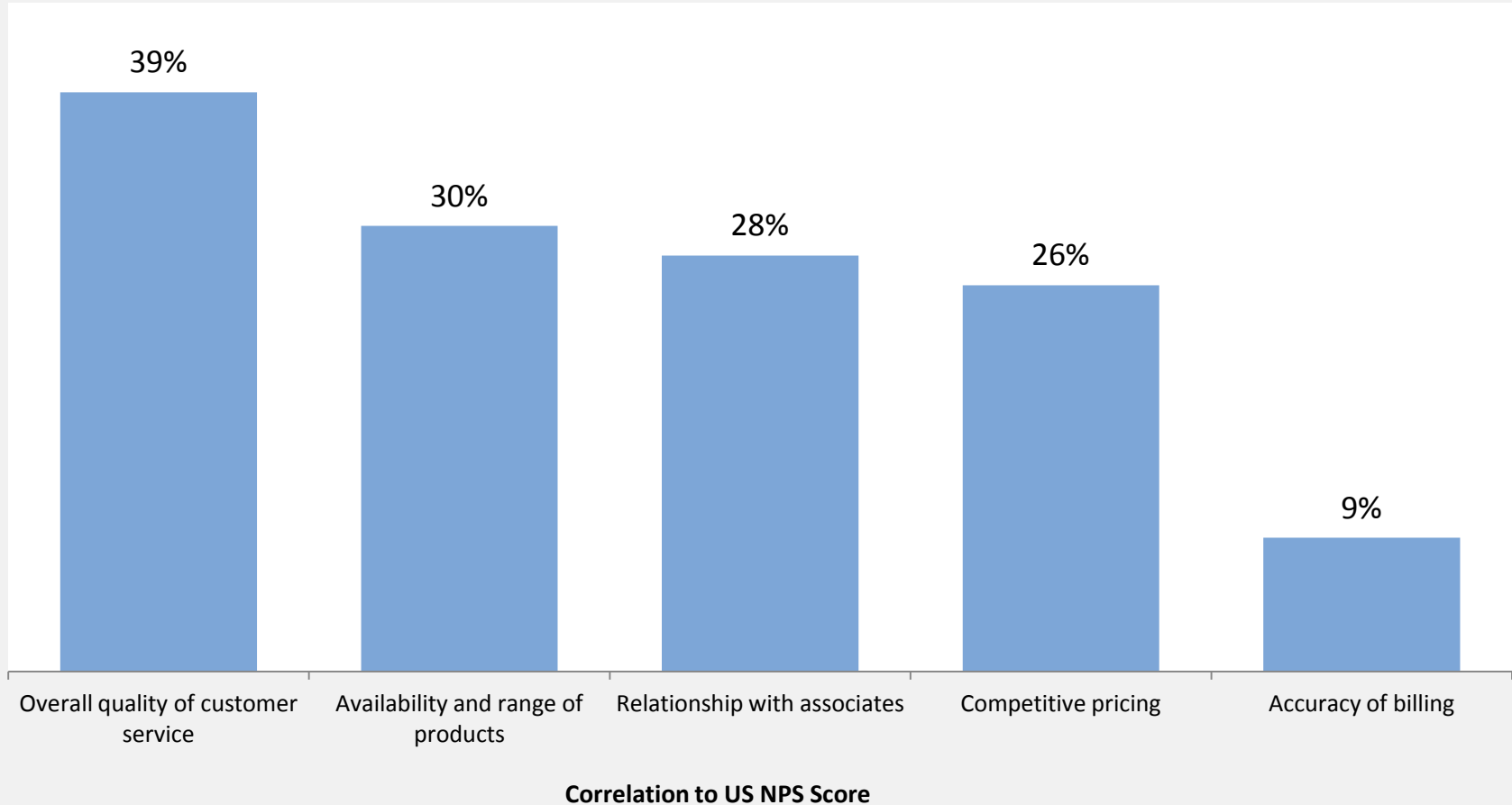
## US NPS By Business Unit and Sales Order Channel



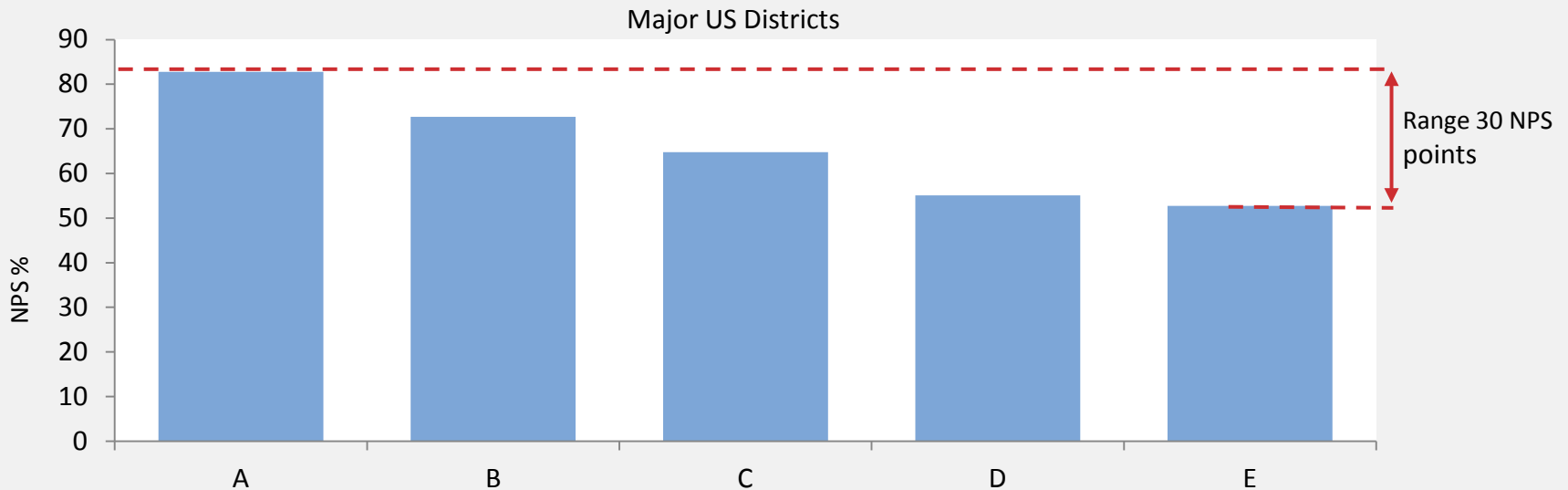
## Other Business Units NPS



# Drivers of NPS – What drives the US score?



# NPS - variability across businesses



NPS Variability	UK	Stark Denmark	Canada	Tobler
<b>Best</b>	60	62	48	81
<b>Worst</b>	35	49	30	67
<b>Range</b>	25 points	13 points	18 points	14 points

Consistent performance across networks is an enormous opportunity



# Agenda

## 1. US Performance

## 2. Strategy – Customer Service

- Customer needs
- Service metrics
- Customer segmentation
- Proposition development

Better execution and performance – but still a long way to go

# Customer segmentation - Ferguson

## Customer Segment

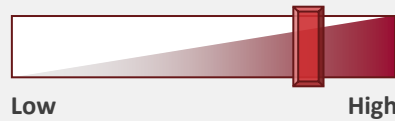
## Price Sensitivity

## % of Revenue

## Sales Opportunity



Deal

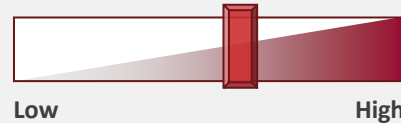


25%

- Lower margin on commodities
- Bundle opportunities



Reliability



15%

- Place orders immediately
- 100% fill rate
- Consignment inventory



Price

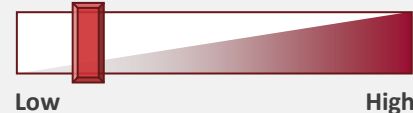


10%

- Optimize delivery costs / frequency
- Ferguson Online channel
- Promotions / marketing materials



Partnership



30%

- Remain engaged
- Learn their business
- Drive rebate/incentive programs



Inventory



20%

- Accessible inventory of AB items
- Inside sales is key
- Online for checking inventory

Specific, tailored propositions needed to win and retain customers

# Customer segmentation - Group

% revenue	Deal	Reliability	Price	Partnership	Inventory
US	25%	15%	10%	30%	20%
UK	30%	15%	20%	15%	20%
Denmark	30%	15%	15%	25%	15%
Switzerland	← 40% →		15%	20%	25%

Segments similar across Group, and price focused segment relatively small

# Customer propositions

## Ferguson

Accurate, responsive, efficient

Reliability segment

**FORGET THE WAIT**

Order online or call ahead to (303) 942-8036

We pull your order within one hour

Wait in line? **NO WAY.** Head to the Pickup Lane.

**1 HOUR WILL CALL**

**1 HOUR WILL CALL**

**GET IT & GO.** You don't have a minute to lose!

## Ferguson

Search optimised to meet segment needs

Inventory segment

**FERGUSON ONLINE** Nobody expects more from us than we do™

HOME | ORDERS | PAYMENTS | MY ACCOUNT | CUSTOMER CARE

Shop All Categories | Search for Products | Keyword | SEARCH | CART (0) | MY LISTS

Products

**BALL VALVES**

Popular Brands: NIBCO, FNW, Apollo Valves, MILWAUKEE VALVE

**MATERIAL TYPES**

Brass > Bronze > Stainless Steel > Carbon Steel > Plastic >

**POPULAR SIZES**

1/4 in. > 1/2 in. > 3/4 in. > 1 in. > 1 1/4 in. >

1 1/2 in. > 2 in. > 2 1/2 in. > 3 in. > 4 in. >

## Ferguson

Loyalty Programme

Partnership segment

**FERGUSON PROPlus+**

## Canada

Accurate self scanning for large customers

Partnership segment

**WOLSELEY EXPRESS.COM**

work on-the-go with our latest mobile app

**Check Out** (new version release!)

Our new app will let you...  
 - Add products to your CART  
 - Add 'My Lists' to your CART  
 - Place orders from CHECK OUT

New to Wolseley Canada? Download our Credit Application today!

KEY BENEFITS TO USING WOLSELEY EXPRESS

Icons: User profile, Shopping cart, Star

# Customer propositions continued

## UK, Plumbing and Heating

EDI interface with large customers

Price segment



## UK, Parts Center

'Parts arena' for small plumbers

Inventory segment

**IDENTIFY PARTS ON THE MOVE, ANYWHERE AT ANYTIME**  
Home, office, van or on site

- FREE to Plumb Center and Parts Center trade account holders
- Quick and easy identification of the parts you need fast
- 20,000 exploded diagrams and 10,000 images make identification simple
- Product information at your finger tips
- Live stock availability in your local branch or wherever you are working
- Available on desktop, tablet or mobile
- Coming soon to plumbcenter.co.uk

We want you to get the best from the new Parts Arena, so please use Chrome, Firefox, Safari, IE10 or IE11 from desktop. Please use Safari on iOS and Chrome on Android devices.

Register now at [plumbcenter.co.uk](http://plumbcenter.co.uk) or call today **0344 292 7057**

## Finland, Stark

Service guarantees on availability, accessibility and delivery

Partnership segment

**STARK** AMMATTILAINEN ASIALLA

Työsti hakusana

MYYMÄLÄT Etä-asiointi myymälästä

AMMATTILAISET Oikeuden myyjäisistä

OSTOSKESKUS

Rakennusvälineet Puutarvat Sitoukset Kykyhuone Sauna LUVS Kellot ja säilytys Työkäsit Pöytä

Kampanjat

Elokuu / Stark / Asiakaspalvelu

OSTAMINEN  
AMMATTILAISILLE  
TALOUKSET JA ESITTEET  
PALVELUT  
ETÄ-  
KANTA-ASIAKKAUS  
ASIAKASPALVELU

**Asiakaslupaus**

STARK on valinnut kolme vahvaa asiakaspalveluasiakaspalvelun ydinaspektiä ja kilpailuedukä: Palvelulupaukset on määritelty ammattilaisten tarpeiden pohjalta ja ne vastaa kysymykseen miksi kannattaa ostaa STARKista. Asiakaspalvelu varmistavat, että asiakkaat voivat helposti löytää oikean.

TAVOITETTAVUUSTAMU  
Tehokas asiointi omistuu aina

- 24/7 myyntipalvelu - Tilaukset kanta-asiakalle ympäri vuorokauden. Meillä vastataan puhelimeen ympäri vuorokauden ympäri vuorokauden. Soita 020 541 7704
- 24/7 verkkopalvelu - Tutustu tiloihin ja vastauksia on verkkopalvelussa jatkuvasti eillä.
- Vastaukset tarjouspyyntöihin arkisin 24 tunnin kuluessa
- 24/7 Henkilö - tuloskausi avoin palvelu

## Netherlands

Customer promises

Reliability & Partnership segments



# Actions across Group to drive Customer Service

- Customer service improvements drive profitable growth
- Action plans by business unit, branch, sales team
  - Benchmark vs our best branches / best competitors
  - Range, availability, pricing, training, sales resources, delivery options
- Develop specific propositions per segment
  - Embed segmentation / propositions / cost to serve
- Continue investment in functional expertise
  - Marketing / sales / pricing / e-commerce / data management
- Sales teams allocated by segments
  - Inside vs outside sales
  - Central call / pricing / tender centres
- Continued development of associates
  - Career development at all levels
  - Engagement action plans

Service improving but still huge opportunity

# Outlook

- Expect like-for-like revenue growth of about 4% in first half
- US – continued good growth, except Industrial
- Continued recovery in Nordics
- UK market remains competitive with little growth
- Expect to make continued progress in 2016





# Appendices





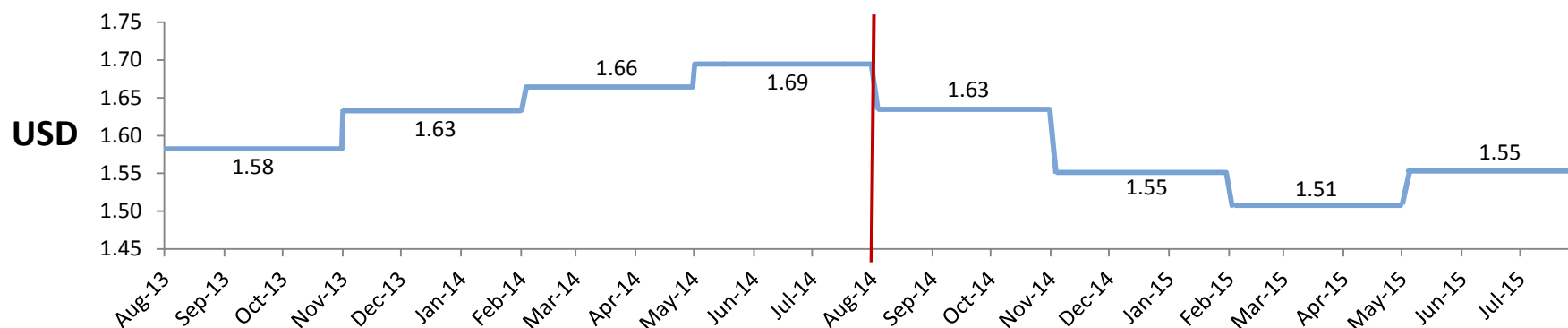
# Regional analysis

£m		Revenue 2015	Revenue 2014	Trading profit 2015	Trading profit 2014
<b>Ongoing</b>	USA	8,337	7,045	683	542
	UK	1,987	1,853	90	96
	Nordic	1,863	1,892	72	80
	Canada	708	736	34	43
	Central Europe	405	426	21	26
	Central costs	-	-	(43)	(35)
		<b>13,300</b>	11,952	<b>857</b>	752
<b>Sold or held for sale</b>	USA	6	25	(2)	4
	Nordic	1	43	(1)	(7)
	Canada	25	43	-	1
	Central Europe	-	208	-	2
		<b>32</b>	319	<b>(3)</b>	-
	<b>13,332</b>	12,271	<b>854</b>	752	

# FX impact

	2014 average rate	2015 average rate	2014 Trading profit £m	2015 impact gain/(loss) £m
USD	1.64	1.56	542	29
CAD	1.76	1.86	43	(2)
EUR	1.21	1.33	19	(2)
DKK & other			87	(8)
				<u>17</u>

	2015 average rate	10-Sept 2015 spot rate	2015 Trading profit £m	2016 impact* gain/(loss) £m
USD	1.56	1.55	683	4
CAD	1.86	2.04	34	(3)
EUR	1.33	1.37	16	-
DKK & other			77	(3)
				<u>(2)</u>



\* Estimated impact if exchange rates stay at the current levels throughout the remainder of FY15

Source: Bloomberg

# Branch numbers

	Reported at 31 July 2014	Acquired	Opened	Closed, disposed of or held for sale	Ongoing at 31 July 2015
USA	1,377	27	44	(30)	1,418
UK	768	5	5	(20)	758
Nordic	267	1	2	(11)	259
Canada	222	4	16	(16)	226
Central Europe*	244	-	3	(169)	78
Group	2,878	37	70	(246)	2,739

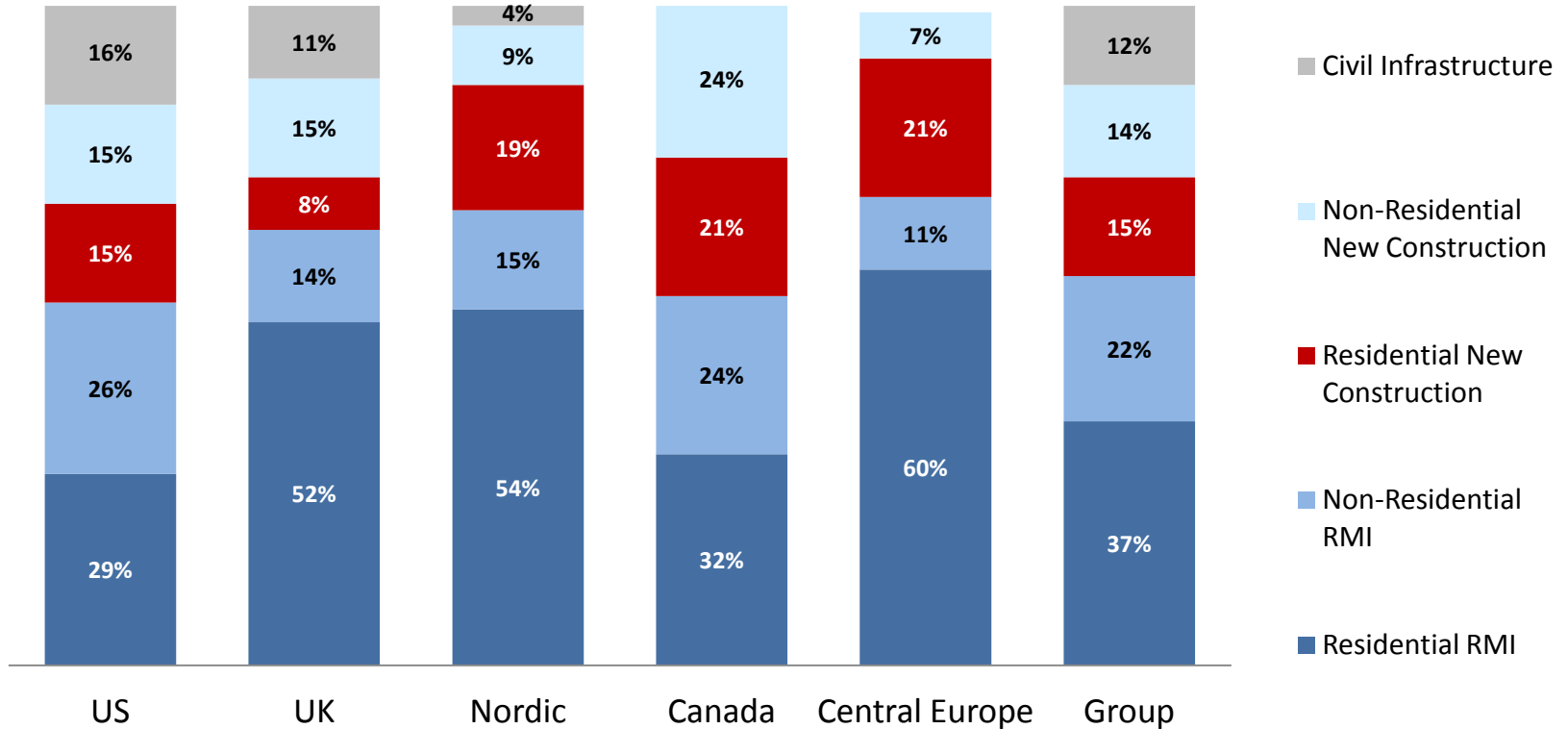
\* In 2014 Central Europe included France

# Headcount numbers

	Reported at 31 July 2014	Acquired	Disposed of or held for sale	Net joiners / (leavers)	Ongoing at 31 July 2015
USA	20,307	407	-	1,457	22,171
UK	5,978	236	-	117	6,331
Nordic	6,250	31	(4)	16	6,293
Canada	2,503	35	(93)	45	2,490
Central Europe*	4,410	-	(3,326)	(12)	1,072
Other	109	-	-	(2)	107
Group	39,557	709	(3,423)	1,621	38,464

\* In 2014 Central Europe included France

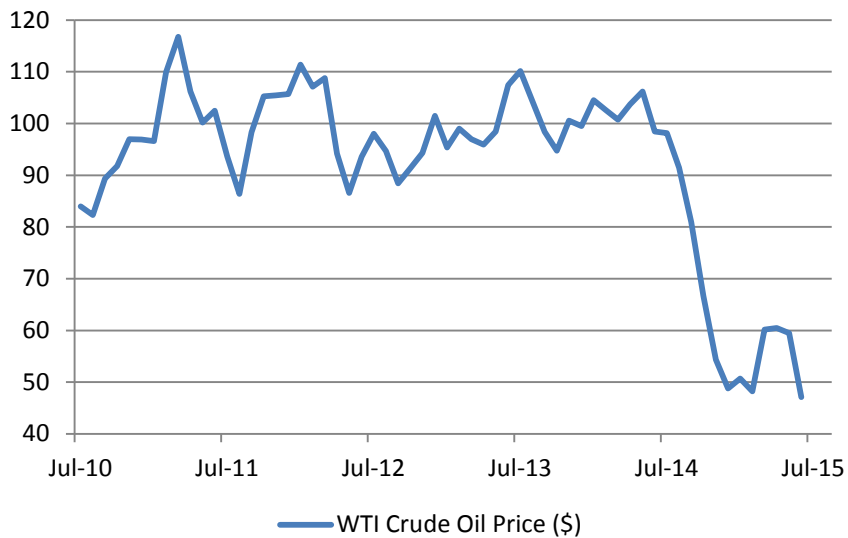
# Product destination analysis



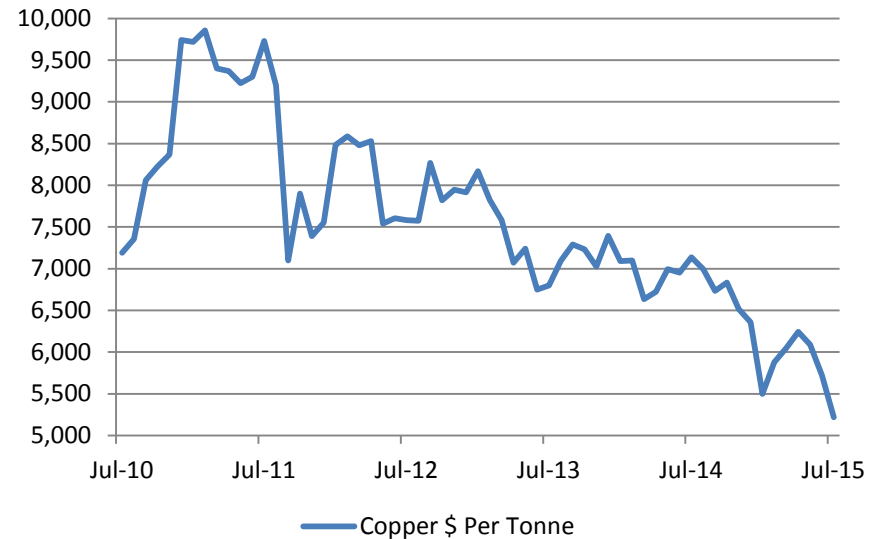
Group: RMI 59%, New Construction 29%

# Commodities

## WTI Crude Oil Price (\$)



## Copper \$ Per Tonne



Our business is resilient but not immune