

2017/18
Half Year Results
presentation

6 months to 31 January 2018

Half Year 2017/2018 Highlights

John Martin, Chief Executive

Operating and strategy highlights

Strong operating performance

- 7.4% organic revenue growth, 8.7% organic revenue growth in the US
- Gross margins 0.4% ahead of last year
- Trading profit growth of 14.4% at constant exchange rates
- Good cash generation and strong balance sheet

Good progress on strategy

- Executing growth strategies effectively in the USA
- Accelerating UK restructuring
- Growing market share and capabilities in Canada

Corporate highlights

- Stark Group disposal : completion expected end of March
- Proposed special dividend of c. \$1 billion (\$4 per share)
- Ongoing share buy back of approx. \$650 million

Operating and financial review

Mike Powell, Group CFO

Financial highlights

| | H1 2018 | H1 2017 | Change | Change (at constant exchange rates) | Organic change ² |
|--|------------------|----------|--------|-------------------------------------|-----------------------------|
| Ongoing revenue | \$10,027m | \$9,090m | +10.3% | +9.0% | +7.4% |
| Ongoing gross margin % | 29.4% | 29.0% | +0.4% | | |
| Ongoing trading profit ¹ | \$698m | \$607m | +15.0% | +14.4% | |
| Ongoing trading margin % ¹ | 7.0% | 6.7% | +0.3% | | |
| Headline earnings per share ¹ | 202.1c | 173.3c | +16.6% | +15.8% | |
| Ordinary dividend per share | 57.4c | 52.1c | +10% | | |
| Net debt | \$1,401m | \$1,632m | | | |

¹ Before exceptional items, the amortisation and impairment of acquired intangible assets and with respect to headline EPS before non-recurring tax items and non-controlling interest.

² The increase or decrease in revenue excluding the effect of currency exchange, acquisitions and disposals and trading days.

Good growth and margin progression

Organic revenue growth

| | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | Q1 2018 | Q2 2018 | H1 2018 |
|-------------------------|------------|------------|------------|------------|------------|------------|---------------|
| USA | +4.8% | +6.9% | +8.8% | +8.7% | +8.3% | +9.1% | +8.7% |
| UK | (3.4%) | +3.1% | (1.4%) | +3.4% | +3.2% | (2.1%) | + 0.5% |
| Canada & Central Europe | (1.7%) | +1.2% | +7.3% | +7.7% | +7.7% | +7.8% | +7.8% |
| | +3.1% | +5.9% | +7.1% | +8.0% | +7.6% | +7.3% | +7.4% |

Good revenue momentum, tougher comparators in second half

Revenue and trading profit growth



Good profit growth and flow through

USA ongoing
(89% of Group trading profit)

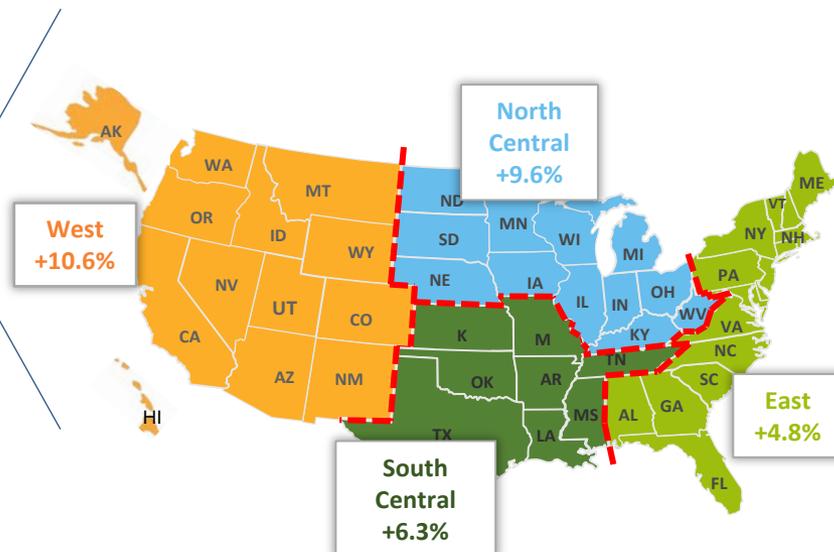


| \$m | H1 2018 | H1 2017 | Change |
|------------------------|--------------|---------|--------|
| Revenue | 7,912 | 7,156 | +10.6% |
| Organic revenue growth | +8.7% | +5.8% | |
| Trading profit | 647 | 559 | +15.7% |
| Trading margin | 8.2% | 7.8% | +0.4% |

Good revenue and profit growth

USA organic revenue growth

| Business unit | Revenue \$m | Organic growth |
|--|-------------|----------------|
| Blended Branches (see regional analysis on the right) | 4,622 | +7.6% |
| Waterworks standalone | 1,265 | +12.0% |
| B2C e-commerce | 743 | +13.1% |
| HVAC standalone | 530 | +8.1% |
| Industrial standalone, Fire & Fabrication and Facilities Supply | 752 | +6.8% |
| | 7,912 | +8.7% |



Broadly based growth

USA end-market revenue growth

| | % of US revenue H1 2018 | Market growth H1 2018 | US organic revenue growth H1 2018 |
|------------------------|----------------------------|--------------------------|--------------------------------------|
| Residential | ~ 50% | 7% | +10 - 11% |
| Commercial | ~ 35% | 4% | +5 - 6% |
| Civil / Infrastructure | ~ 7.5% | 4% | +11 - 12% |
| Industrial | ~ 7.5% | 7% | +10 - 11% |
| | | 5% - 6% | +8.7% |

Continued outperformance in supportive markets

UK

(5% of Group trading profit)



| \$m | H1 2018 | H1 2017 | Change | Change (at constant exchange rates) |
|------------------------|--------------|---------|---------|-------------------------------------|
| Revenue | 1,354 | 1,277 | +6.0% | +0.5% |
| Organic revenue growth | +0.5% | (0.2%) | | |
| Trading profit | 38 | 44 | (13.6%) | (18.6%) |
| Trading margin | 2.8% | 3.5% | (0.7%) | |

Restructuring accelerated in challenging markets

Canada & Central Europe ongoing

(6% of Group trading profit)



| \$m | H1 2018 | H1 2017 | Change | Change (at constant exchange rates) |
|------------------------|--------------|---------|--------|-------------------------------------|
| Revenue | 761 | 657 | +15.8% | +9.3% |
| Organic revenue growth | +7.8% | (0.3%) | | |
| Trading profit | 41 | 30 | +36.7% | +27.2% |
| Trading margin | 5.4% | 4.6% | +0.8% | |

Improved Canadian performance

Exceptional items

| \$m | Cash | Non-cash | P&L total |
|---------------------------------------|------|----------|-----------|
| UK restructuring costs | 23 | 14 | 37 |
| Other | 9 | - | 9 |
| Total exceptional costs in first half | 32 | 14 | 46 |

Exceptional costs as expected

Financing & tax

| \$m | H1 2018 | H1 2017 |
|----------------------------|--------------|---------|
| Financing | | |
| Reported P&L charge | 27 | 29 |
| Tax | | |
| Ongoing P&L charge | 169 | 160 |
| Ongoing effective tax rate | 25.1% | 27.7% |

FY19 onwards effective tax rate expected to be 21% - 22%

Cash

| \$m | H1 2018 | H1 2017 |
|---|----------------|---------|
| Reported trading profit | 698 | 630 |
| Depreciation & amortisation | 84 | 91 |
| Reported EBITDA | 782 | 721 |
| Working capital | (398) | (328) |
| Exceptional items, discontinued and other | 6 | 17 |
| Cash flow from operating activities | 390 | 410 |
| Interest & tax | (129) | (215) |
| Acquisitions | (120) | (296) |
| Capex | (175) | (91) |
| Dividends & buybacks | (583) | (209) |
| Other items and FX | (78) | 8 |
| Movement in net debt | (695) | (393) |
| Net debt as reported | (1,401) | (1,632) |
| Net debt / EBITDA ¹ | 0.8x | 1.2x |

¹ Covenant net debt to / EBITDA includes discontinued businesses.

Acquisitions



VAGUE & VOGUE

Annualised revenue of \$162m and trading profit of \$10m

Technical guidance for the full year to 31 July 2018

Trading days and estimated impact on trading profit

Same number of days in each quarter

Trading profit impact from completed acquisitions

\$11 million

Exceptional costs in the UK

\$65 million (including \$50m of cash)

Effective tax rate

approx. 25%

Capital investment

\$250 - \$300 million

Working capital investment

12% -13% of incremental revenue

Capital allocation

Cash generation

- Ferguson is highly cash generative through the cycle
- Remain committed to target net debt : EBITDA range of 1x – 2x and priorities for cash usage
 - 1) Invest in organic growth
 - 2) Progressive dividend policy, aim to grow the dividend in line with the long-term underlying growth in earnings
 - 3) Invest in bolt-on M&A that meet our stringent investment criteria
 - 4) Return surplus capital to shareholders reasonably promptly

Capital returns

- Share buyback announced on 3 October 2017 will continue, approximately half completed
- Interim dividend increased by 10% to 57.4c
- Stark Group disposal proceeds surplus to ongoing requirements of the business
- Proposed special dividend of \$4 a share, approximately \$1 billion, and share consolidation

Continued capital discipline

FERGUSON

FERGUSON Bath, Kitchen & Lighting Gallery

Business review and outlook

John Martin, Chief Executive

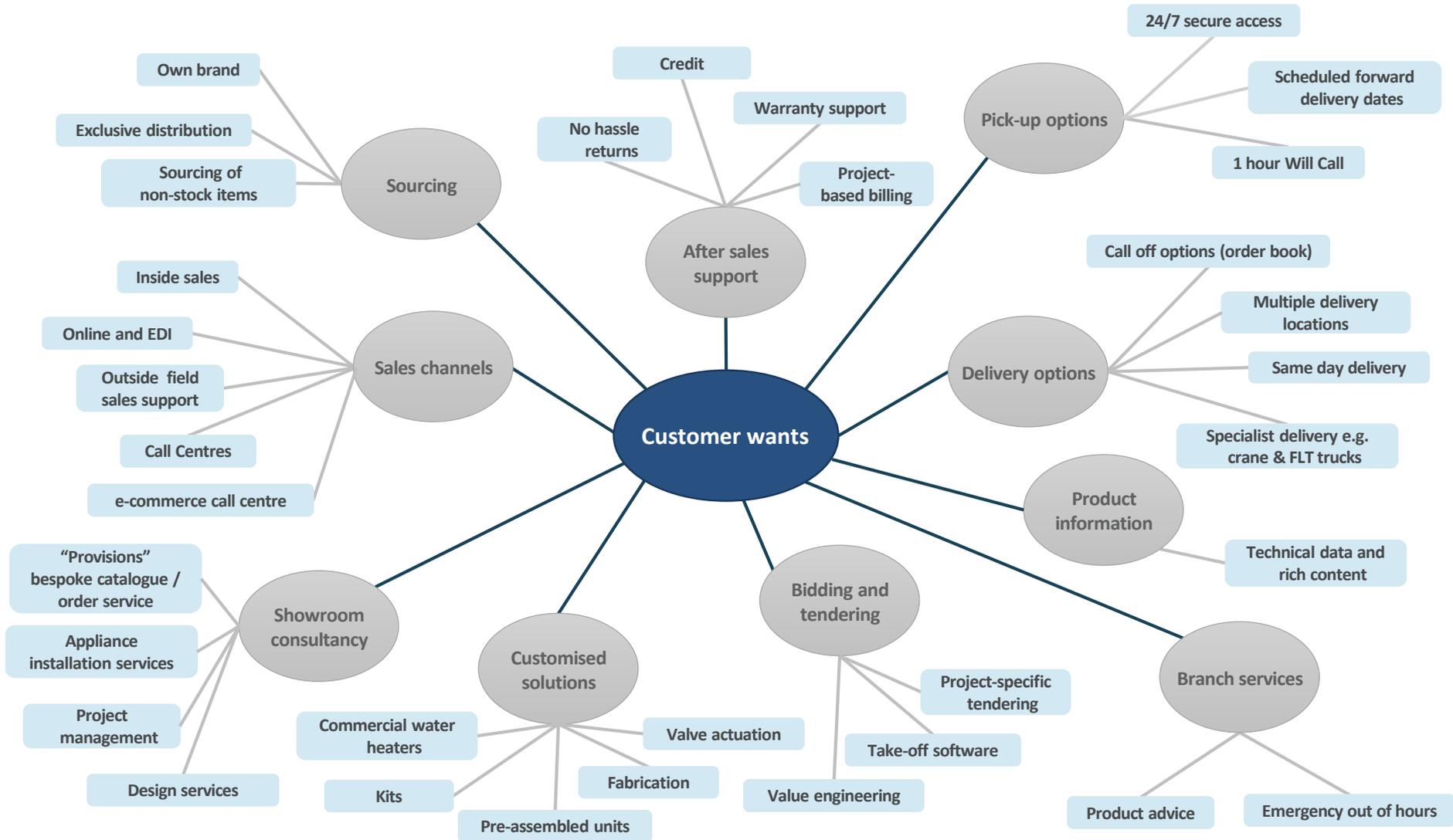
Key priorities

1. Generate the best profitable growth in the USA
2. Execute UK restructuring and repositioning plan
3. Capitalise on the significant growth opportunity in Canada
4. Accelerate innovation
5. Complete Nordics exit

Drivers of profitable growth

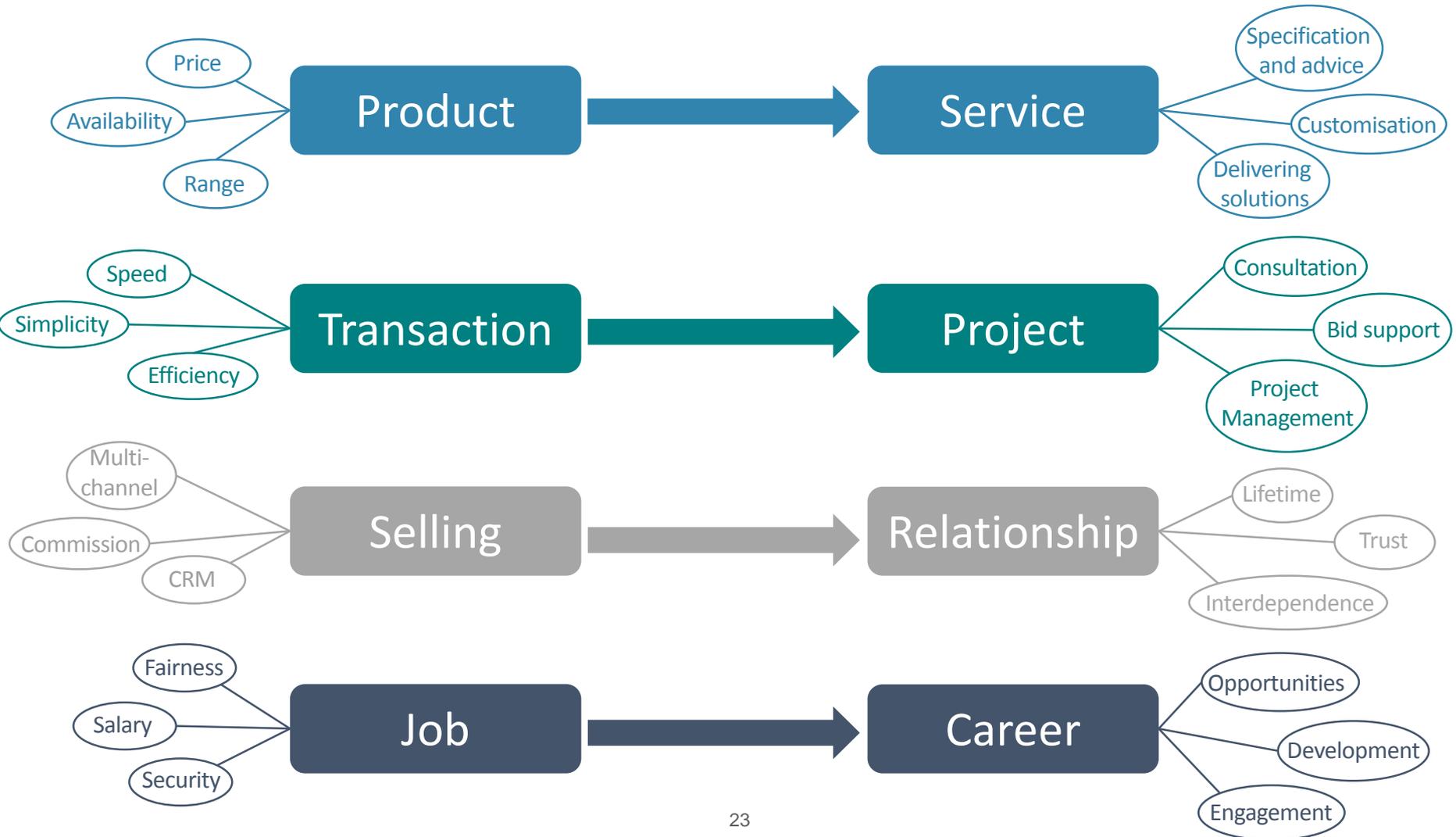
| Fulfilling customer wants | Attractive growth opportunities | Excellent execution |
|---------------------------|---------------------------------|--|
| Engaged associates | Organic expansion | Operating model and e-commerce development |
| Excellent service ethic | Bolt on acquisitions | Pricing discipline |
| Strong sales culture | Adjacent opportunities | Own brand penetration |

Fulfilling customer wants

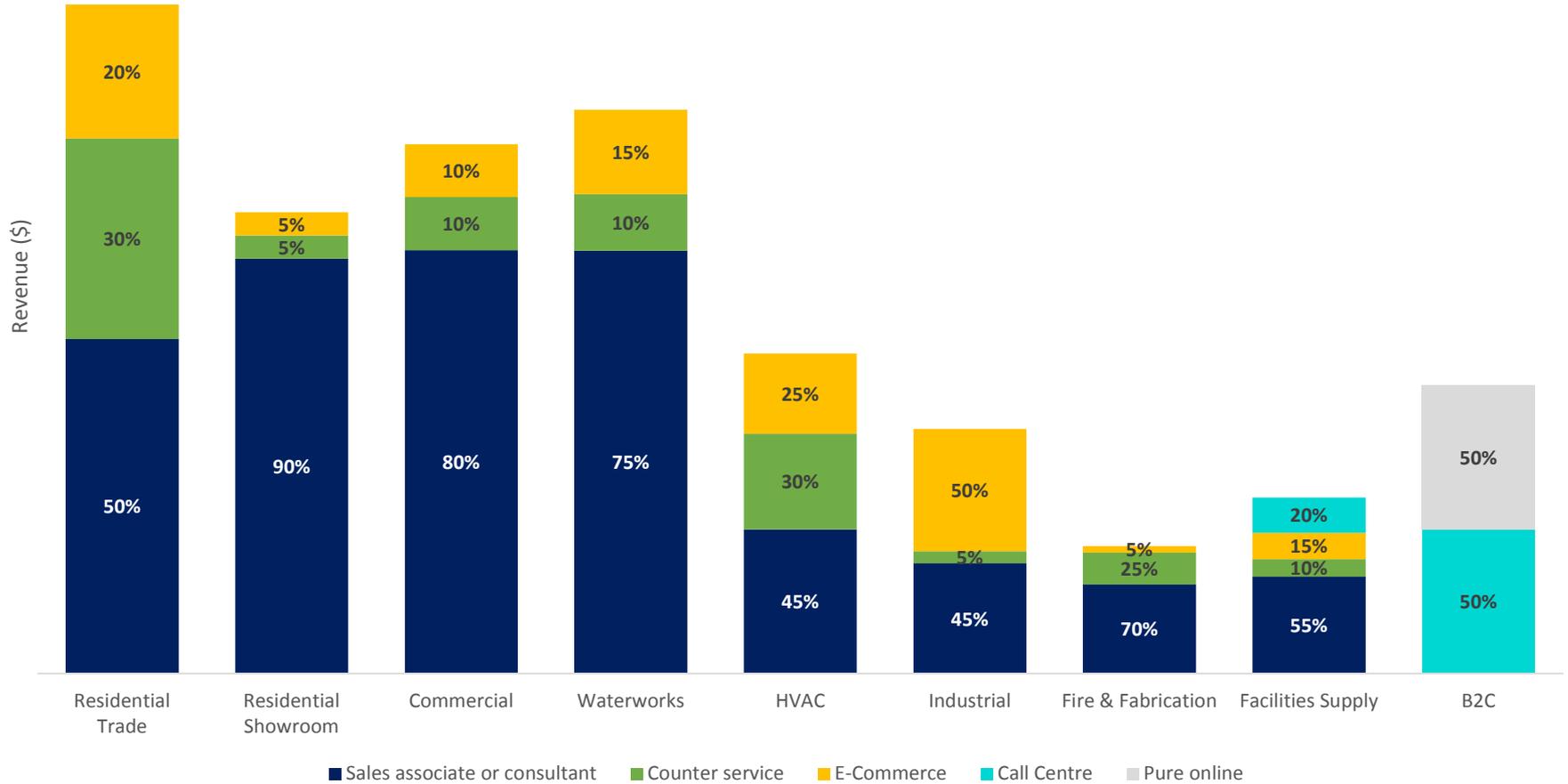


Getting the basics right

Sustaining competitive advantage



Providing sales channels that customers value

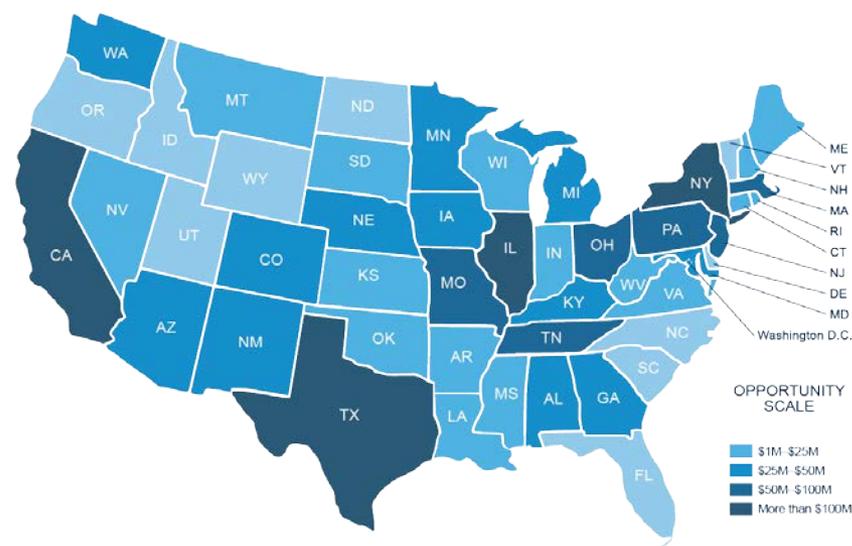
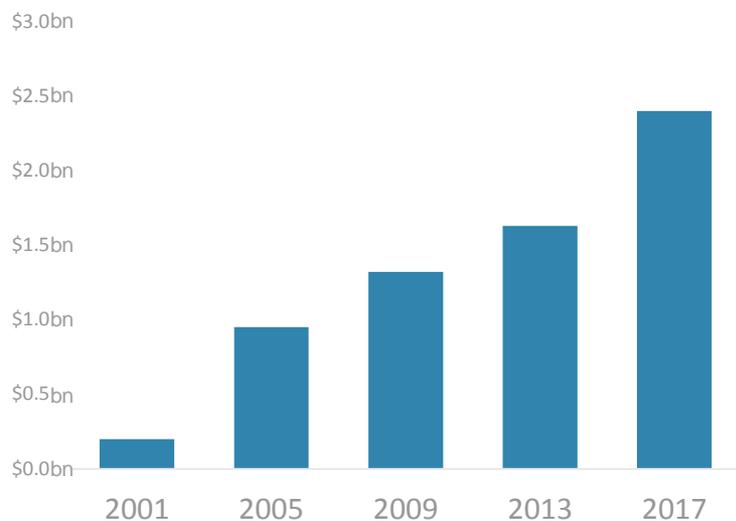


Inside sales, outside sales and showroom consultants drive a majority of our sales

Drivers of profitable growth

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Adjacent opportunities: Waterworks



Excellent growth trend
(including 1/3 from acquisitions)

Very large market opportunity

Waterworks growth opportunities

| <p>Meter and automation group</p> | <p>Rural / municipal water market</p> | <p>Support design/build treatment plants</p> |
|--|---|--|
| <ul style="list-style-type: none"> • Recruit and train dedicated product and technology specialists, sales managers and installation professionals • Develop centralised technical expertise by meter line | <ul style="list-style-type: none"> • Recruit and train dedicated area municipal sales managers • Continue to recruit rural water sales associates targeting smaller, under-served markets • Work with customer at early stages (specification) | <ul style="list-style-type: none"> • Invest resources to support emerging trend of design / build projects • Improve conversion ratio by engaging customers in early stages of design / build projects |

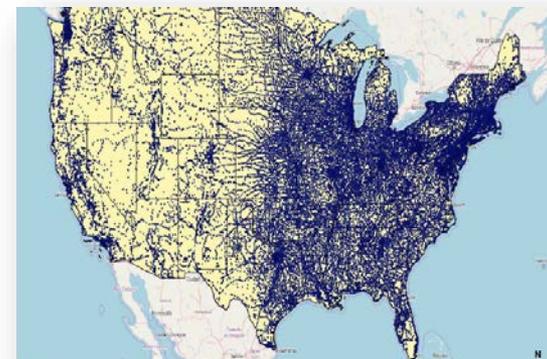
Meter and automation group

- We now have ~ 10% of \$1.2bn market
- Municipal needs
 - Lower cost
 - Increase accuracy
 - Improved data management
- Stand-alone business model with dedicated focus
 - Longer sales cycle
 - Multi-level selling
 - Technology solutions drive sales
- Exclusive vendor relationships by state
- Scalable sales, service and support



Rural / municipal water

- We now have ~12% of \$2.6bn municipal market
- 52,000+ water systems in the US, with some consolidation
- Major investment is needed as infrastructure is ageing
- Key skills required
 - Well-trained associates with industry knowledge
 - Vendor relationships
 - Online take-offs
 - Value engineering / specification influence
 - Project management
 - Access to information – Ferguson.com

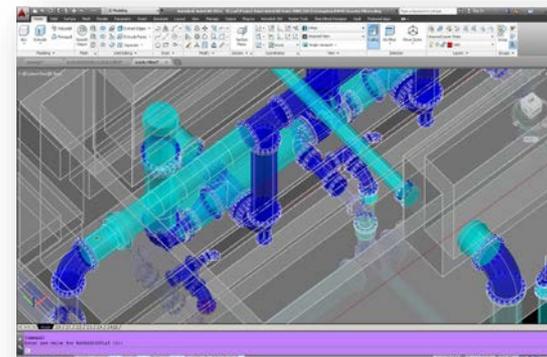


Water utilities in the USA, source: American Waterworks Association



Treatment plant business

- We now have ~25% of a \$0.9bn market
- Dedicated expert team to assist throughout design-build process.
 - Estimating, quotation, research and review
 - Scope and budget development
 - Value engineering
 - CAD drafting
 - Project management and tracking
- Help our customers to bid more projects



Drivers of profitable growth

| Fulfilling customer wants | Attractive growth opportunities | Excellent execution |
|---------------------------|---------------------------------|--|
| Engaged associates | Organic expansion | Operating model and e-commerce development |
| Excellent service ethic | Bolt on acquisitions | Pricing discipline |
| Strong sales culture | Adjacent opportunities | Own brand penetration |

Own brand development: eg Signature Hardware

- Online retailer of bathroom and kitchen hardware
- \$150m revenue pa
- 100% own brand products
- Customisation capability
- 60k product range shipped across North America
- Products also now being sold through showrooms



Own brand penetration: 5.4% to 6.8% over two years

E-commerce development

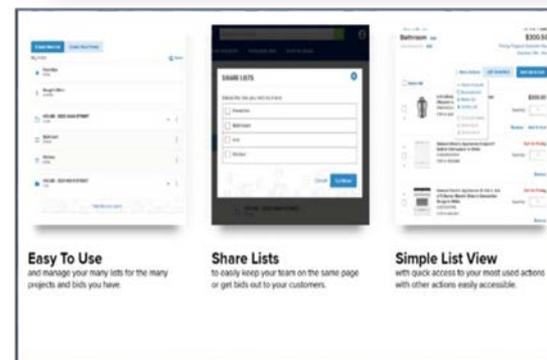
B2B

- Successful customer migration to the new Ferguson.com platform
- Personalising site experience by line of business to increase loyalty
- Promoting omni-channel services to drive efficiency
- Investing and expanding solutions for mobile



B2C

- Building a new e-commerce support center in Atlanta leveraging IT, marketing, and finance
- Migrating brands to common platform to increase efficiencies
- Investing in augmented reality and content to enhance customer experience



E-commerce now 23% of US revenue

Key priorities

1. Generate best profitable growth in the USA
2. Execute UK restructuring and repositioning plan
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Progress on UK strategy

- Category management
 - Completed definition of new 27,000 SKU range
 - Cleansing “out-of-range” stock
 - Continued development of own brand capability
 - Introduced fixed pricing on a range of every day items
- Invested in technology platform
 - Sign-on-glass technology roll out completed this spring
 - Implemented demand management software
 - New platform supporting e-commerce growth
- Improved logistics and supply chain
 - Completed in-night replenishment across network
 - Consolidation of final mile delivery in progress
- Mark Higson appointed Managing Director 1 March 2018



Acceleration of UK restructuring

- Exited \$280m of unsustainable, low margin business
- Closed BCG wholesale business and exited unprofitable accounts
- Consolidated e-commerce platforms
- Announced further 60 branch closures in December
- Cost base reduced by \$30m pa from February
- Reducing supply chain capacity with closure of 420,000 sq ft NDC
- Announced downsizing and relocation of head office
- Accelerating execution has been a short term drag on P&L
 - \$3m incremental cost of moving to in-night deliveries to enhance service proposition
 - \$4m of gross margin foregone by eliminating 'opportunistic' calendar year end purchasing



Continue to focus on profitable, sustainable business and lower cost base

Key priorities

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Capitalise on the significant growth opportunity in Canada

- Strengthened key leadership
- Market share gains across all business units
- Key growth initiatives
 - Grow HVAC business
 - Private label expansion
 - E-commerce penetration now up to 12% of revenue
- Excellent progress on strategic objectives
 - Continued DC and logistics optimisation in Toronto and Montreal
 - Implementing demand planning technology
 - Joined Octo buying group
- Good M&A pipeline to supplement organic initiatives



Key priorities

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Accelerate innovation

- Dedicated team and allocated resources
- Identify and test new technologies and business models
 - Investment fund to partner with interesting start ups
 - Innovation lab to explore emerging technologies
- Three areas of focus
 - Connected ecosystem e.g. platforms linking home owner to contractors
 - Enhanced content e.g. augmented reality, voice activation
 - Data and intelligence



Key priorities

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Complete Nordics exit

- Strong recovery in financial performance underpinned favourable transaction
 - H1 revenue growth of 6.3%
 - H1 trading profit up 48.2%
- Disposal summary
 - Net proceeds approx. \$1.2 billion after transaction costs
 - Competition approval received on 14 March
 - Completion expected at end of March
 - Retained approx. \$180 million of surplus property for sale



Market update and outlook

Markets

- US residential markets growing well, commercial growth is good and industrial markets have recovered
- Canadian markets are healthy
- UK markets challenging

Outlook

- Order books remain strong
- Group organic revenue growth since the end of January has continued in line with growth achieved in the second quarter, though comparators get progressively stronger through the second half

Appendix

 FERGUSON

Regional analysis

| \$m | Revenue H1 2018 | Revenue H1 2017 | Trading profit H1 2018 | Trading profit H1 2017 |
|-------------------------|--------------------|--------------------|---------------------------|---------------------------|
| USA | 7,912 | 7,156 | 647 | 559 |
| UK | 1,354 | 1,277 | 38 | 44 |
| Canada & Central Europe | 761 | 657 | 41 | 30 |
| Central costs | - | - | (28) | (26) |
| Group ongoing | 10,027 | 9,090 | 698 | 607 |
| Non-ongoing | - | 292 | - | 23 |
| Group reported | 10,027 | 9,382 | 698 | 630 |

Quarterly analysis

| Revenue \$m | Q1 2018 | Q2 2018 | H1 2018 |
|-------------------------|--------------|--------------|---------------|
| USA | 4,112 | 3,800 | 7,912 |
| UK | 679 | 675 | 1,354 |
| Canada & Central Europe | 400 | 361 | 761 |
| Group ongoing | 5,191 | 4,836 | 10,027 |

| Trading profit \$m | Q1 2018 | Q2 2018 | H1 2018 |
|-------------------------|------------|------------|-------------|
| USA | 363 | 284 | 647 |
| UK | 21 | 17 | 38 |
| Canada & Central Europe | 24 | 17 | 41 |
| Central costs | (14) | (14) | (28) |
| Group ongoing | 394 | 304 | 698 |

Branch numbers

| | Brought forward 31 July 2017 | Acquired | Disposals | Net Opened / Closed | Carried forward 31 January 2018 |
|-------------------------|---------------------------------|----------|-----------|---------------------|------------------------------------|
| USA | 1,423 | 7 | - | 7 | 1,437 |
| UK | 642 | - | - | (52) | 590 |
| Canada & Central Europe | 245 | 7 | - | - | 252 |
| | 2,310 | 14 | - | (45) | 2,279 |

Headcount

| | Brought forward 31 July 2017 | Acquired | Disposals | Net joiners / (leavers) | Carried forward 31 January 2018 |
|-------------------------|---------------------------------|----------|-----------|-------------------------|------------------------------------|
| USA | 23,986 | 235 | - | 804 | 25,025 |
| UK | 5,900 | - | - | (85) | 5,815 |
| Canada & Central Europe | 2,862 | 80 | - | 36 | 2,978 |
| Other | 103 | - | - | (9) | 94 |
| | 32,851 | 315 | - | 746 | 33,912 |

Q&A

