WOLSELEY

2016
Full Year Results

Highlights of 2016 results

John Martin, Chief Executive

Agenda

– Highlights of 2016 results	John Martin
– Operating and financial review	David Keltner
– Business review and outlook	John Martin

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Highlights of 2016 results

- **Continued improvement in financials**
  - Revenue growth of +2.4% LFL, +4.2% total at constant exchange rates
  - Continued good progress on gross margin, +0.3%
  - Better second half performance on costs and more to do
  - Trading profit growth +1.6% at constant exchange rates
  - Strong cash flow and balance sheet with dividend increase of 10.2%
- **Mixed market conditions**
  - Resilient Ferguson performance
    - good US residential and commercial markets
    - some deflation and industrial headwinds
  - UK market remains very competitive, operational strategy announced today
  - Nordics H2 performance disappointing, operational review initiated
- **Continued progress in investment for future growth**
  - Strong progress on e-commerce
  - Increased investment in acquisitions, including Signature Hardware, since year end

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Operating and financial review

David Keltner, Interim Group CFO

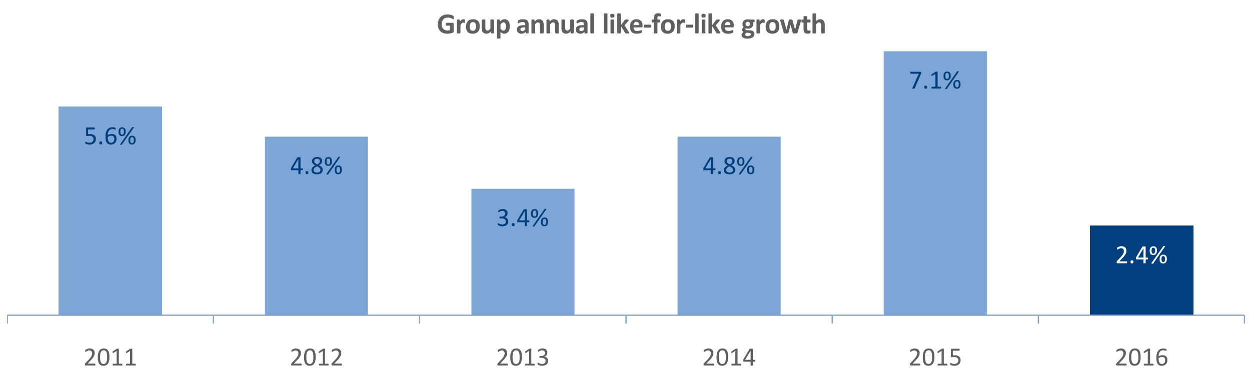
Financial highlights

	2016	2015	Change	Change (at constant exchange rates)	Like-for-like change
Revenue	**£14,430m**	£13,300m	+8.5%	+4.2%	+2.4%
Gross margin %	**28.3%**	28.0%	+0.3%		
Trading profit*	**£917m**	£857m	+7.0%	+1.6%	
Trading margin %*	**6.4%**	6.4%	-		
Headline earnings per share*	**247.7p**	230.2p	+7.6%		
Ordinary dividend per share	**100.0p**	90.75p	+10.2%		
Net debt	**£936m**	£805m			

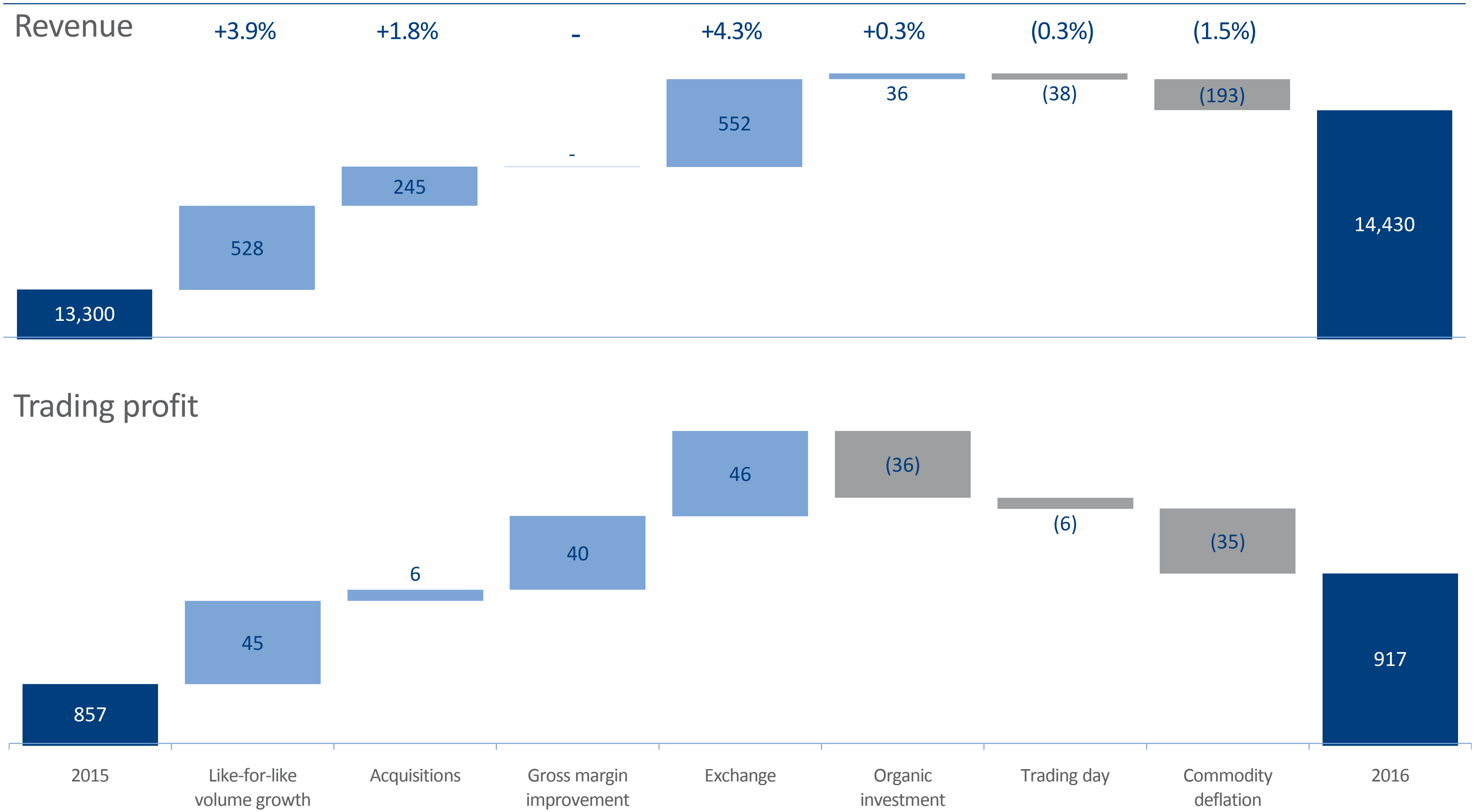
* Before exceptional items, the amortisation and impairment of acquired intangibles and with respect to headline EPS before non-recurring tax items.

Like-for-like growth

	Q4 2015	Q1 2016	Q2 2016	Q3 2016	**Q4 2016**
USA	+7.1%	+4.5%	+4.0%	+5.0%	**+3.1%**
UK	+3.1%	(1.1%)	(2.9%)	(0.4%)	**(2.1%)**
Nordics	+6.4%	+5.5%	+2.4%	(2.6%)	**(2.3%)**
Canada & Central Europe	(5.0%)	(2.8%)	(1.7%)	-	**+0.3%**
	+5.4%	+3.2%	+2.3%	+2.8%	**+1.5%**



Revenue and trading profit growth



Impact of commodity price deflation

Revenue	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
USA	(0.5%)	(1.8%)	(2.4%)	(2.3%)	(2.4%)
Group	(0.2%)	(1.2%)	(1.4%)	(1.4%)	(1.5%)

	2016 Revenue growth	**2016 Revenue**	**2016 Trading profit**
Full year impact on Group	(1.5%)	(£193m)	(£35m)

Impact of weaker demand from US industrial customers

Revenue growth	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	**FY 2016**
US total industrial growth rate	(1%)	(12%)	(8%)	(11%)	(8%)	**(10%)**
Impact on overall US growth rate	(0.2%)	(1.7%)	(1.1%)	(1.5%)	(0.9%)	**(1.3%)**

US industrial is 12% of US revenue

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Impact of movements in foreign exchange

- Trading profit* +£46m
- Net debt** +£149m
- Minimal impact on net debt : EBITDA ratio

* 7% average strengthening of USD and other foreign exchange movements

** 18% strengthening of USD spot rate and other foreign exchange movements

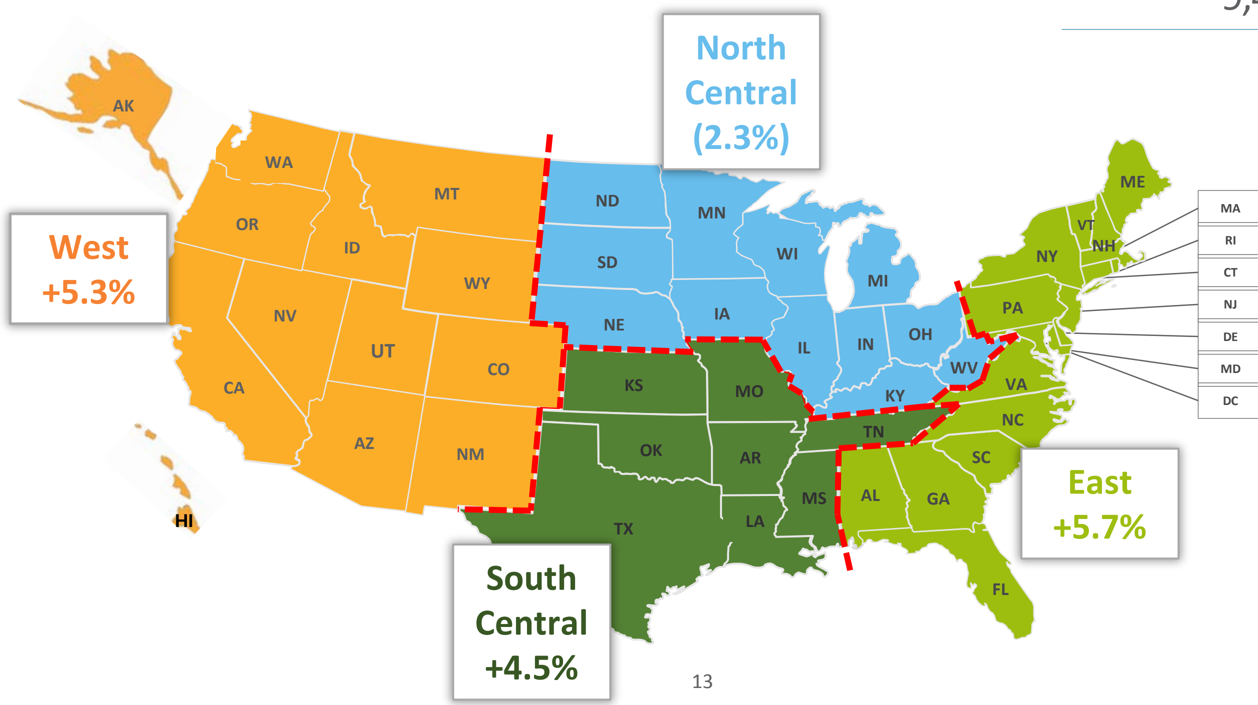
Ferguson (USA)

(81% of Group trading profit)

£m	2016	2015	Change	Change (at constant exchange rates)
Revenue	**9,456**	8,337	+13.4%	+6.2%
Like-for-like growth	**+4.1%**	+9.6%		
Trading profit	**775**	683	+13.5%	+6.3%
Foreign exchange impact	**47**			
Commodity deflation	**(36)**			
Trading margin	**8.2%**	8.2%	-	
Branches	**1,465**	1,418	+47	
Headcount	**23,000**	22,171	+3.7%	

Ferguson like-for-like revenue growth

Business unit	Revenue £m	Like-for-like change %
Blended Branches (see regional analysis below)	5,784	+4.0%
Waterworks	1,494	+4.3%
Industrial standalone	706	(7.8%)
HVAC, Fire & Fabrication, B2C, MRO	1,472	+11.7%
	9,456	+4.1%



Ferguson end-market revenue growth

	% of US revenue 2016	**Revenue growth 2016***
Residential	45%	**+10%**
Commercial	28%	**+7%**
Municipal	15%	**+6%**
Industrial	12%	**(10%)**

* at constant exchange rates

UK

(8% of Group trading profit)

£m	**2016**	2015	Change
Revenue	**1,996**	1,987	+0.5%
Like-for-like growth	**(1.6%)**	+3.6%	
Trading profit	**74**	90	(17.8%)
Trading margin	**3.7%**	4.5%	(0.8%)
Branches	**737**	758	(21)
Headcount	**6,071**	6,331	(4.1%)

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Nordic

(6% of Group trading profit)

£m	2016	2015	Change	Change (at constant exchange rates)
Revenue	**1,881**	1,863	+1.0%	+0.8%
Like-for-like growth	**+0.6%**	+5.5%		
Trading profit	**60**	72	(16.7%)	(17.6%)
Foreign exchange impact	**-**			
Trading margin	**3.2%**	3.9%	(0.7%)	
Branches	**256**	259	(3)	
Headcount	**6,168**	6,293	(2.0%)	

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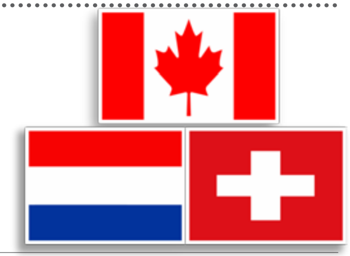

Canada & Central Europe

(5% of Group trading profit)

£m	2016	2015	Change	Change (at constant exchange rates)
Revenue	**1,097**	1,113	(1.4%)	+0.3%
Like-for-like growth	**(1.1%)**	(0.7%)		
Trading profit	**53**	55	(3.6%)	(0.2%)
Foreign exchange impact	**(1)**			
Trading margin	**4.8%**	4.9%	(0.1%)	
Branches	**296**	304	(8)	
Headcount	**3,506**	3,562	(1.6%)	

Impairments & exceptional items

£m	Cash	Non-cash	**Total**
Disposal / closure of businesses	4	4	**8**
UK restructuring	(11)	1	**(10)**
UK goodwill impairment	-	(94)	**(94)**
	(7)	(89)	**(96)**

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Financing & tax

£m	2016	2015
Financing		
P&L charge	**40**	28
Pensions and provisions	**-**	(2)
	40	26
Tax		
P&L charge	**231**	187
Exceptionals, intangibles & non-recurring items	**17**	44
Underlying P&L charge	**248**	231
Effective tax rate	**28.3%**	27.9%

Cash

£m	2016	2015
Trading profit (reported)	**916**	854
Depreciation & amortisation	**140**	117
EBITDA	**1,056**	971
Working capital	**(44)**	(8)
Exceptionals and other	**7**	(26)
Cash flow from operating activities	**1,019**	937
Interest & tax	**(232)**	(253)
Acquisitions	**(113)**	(105)
Disposals	**65**	86
Capex	**(218)**	(231)
Dividends & buybacks	**(538)**	(472)
FX & other items	**(114)**	(56)
Movement in net debt	**(131)**	(94)

Capital structure

	2016	2015
Net debt as reported	**£936m**	£805m
Impact of timing of payment runs	**£120m**	£130m
	£1,056m	£935m
Net pension liability	**£147m**	£15m
Operating lease commitments	**£853m**	£776m
Reported net debt / EBITDA	**0.9x**	0.8x
Total dividend	**100.0p**	90.75p

Triennial review of UK pension - £25m a year recovery plan from 2017, consistent with last valuation

Acquisitions

Financial impact £m	Revenue	Trading profit
1 August 2015 to date of acquisition	87	5
Date of acquisition to 31 July 2016	110	6
	197	11
Acquisitions completed in FY2017 to date	92	19

Central Pipe & Supply

Action Fire Fab & supply

The Bath + Beyond Bath + Hardware + Lighting

Michigan Pipe & Valve Complete Water & Sewer Suppliers Distributor

LivingDirect Smarter Shopping. Better Living.

PCS Industries Facility Hygiene Solutions

Andrews Lighting & Hardware Gallery

brabyggare.se

Renwes Sales Appliances & Barbeques

Medallion Pipe Supply Company Ltd.

Bruce-Rogers Company

Atlantic American Fire Equipment Company

Underground Specialties

Michigan Meter

c.£300 million of completed / approved transactions since year-end

Technical guidance for the year to 31 July 2017

Trading days and estimated impact on trading profit	One more day / £6m
Impact of restating 2016 trading profit at current exchange rates*	+£93 million
Trading profit impact of YTD acquisitions	£19 million
Exceptional costs	£100 million
Effective tax rate	28.5%
Capital investment (including UK incremental investment)	£220 - £240 million
Working capital investment	12% -13% of incremental revenue

* Based on rates at 16 September 2016 including GBP:USD rate of $1.32

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Business review and outlook

John Martin, Chief Executive

Operating principles

Where we will operate

- Primary focus on organic growth in existing businesses
- Pursue adjacent opportunities, such as Commercial MRO, where we are equipped to win and can generate strong synergies
- Bolt-on acquisitions where we are performing strongly and have management bandwidth

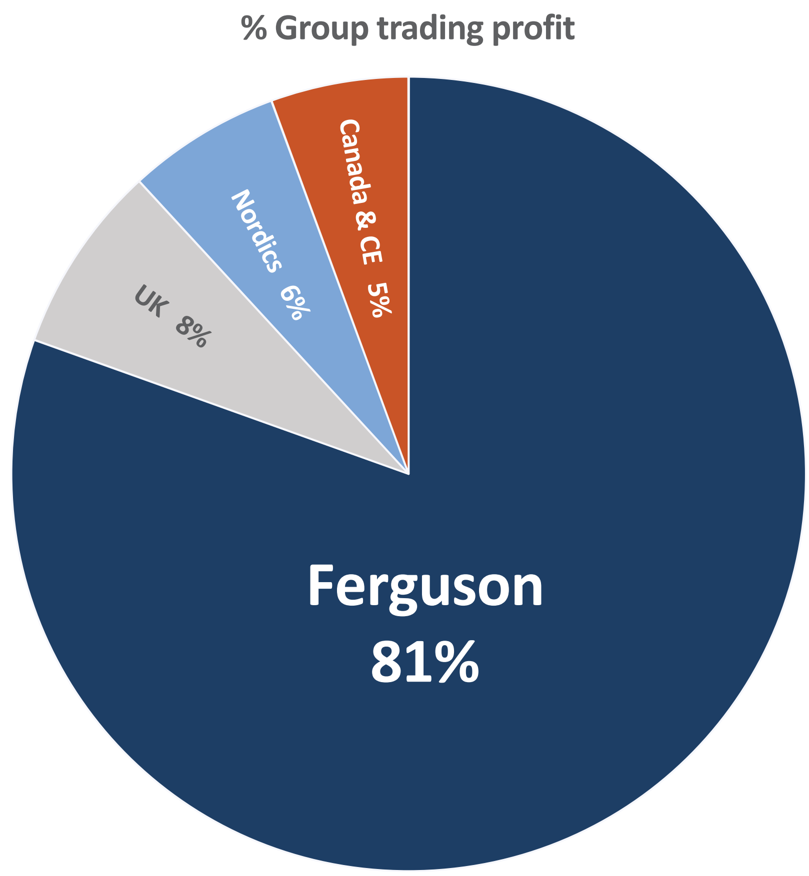
How we will operate

- Recruit, develop and retain great people
- Sales culture focused on profitable growth
- Pursue improvement in our operating models, e.g. e-commerce
- Allocate resources where we can generate the best returns
- Maintain strong balance sheet
- Deal with underperformance decisively and quickly

Expected outcomes

- Grow ahead of the market
- Incremental improvement in margins
- Continued excellent cash generation

Large, specialist US distributor with international operations



Key priorities

1. Generate best profitable growth in Ferguson

2. Execute UK turnaround and repositioning plan

3. Review Nordics operational strategy and restore business to profitable growth

Ferguson is a great business, the US a large, attractive, growth market

Ferguson is a great business

- Strong people and service culture with excellent record of execution
- Benefits of scale in operations, procurement, technology and supply chain help to generate strong returns
- Performance culture and financial discipline generate good margins and returns on capital

The US is a large, attractive and growing market

- Leading market positions in large and fragmented markets
- Excellent opportunities for organic growth and low risk acquisitions in core market and adjacencies
- Access to residential, commercial and industrial customers in new-build and RMI markets

FERGUSON®
Nobody expects more from us than we do℠

Generate best profitable growth in Ferguson

i. Excellent service ethic

ii. Strong sales culture

iii. Organic expansion of our network

iv. Bolt-on acquisitions where we can generate synergies: we will stay disciplined

v. Build scale and capability in selected adjacent markets

vi. Accelerate e-commerce penetration

vii. Further development of operating model

i. Excellent service ethic

- 3,700+ customers surveyed
- 720 customers interviewed
- 550 associates surveyed
- 36 local markets visited
- 5 customer journey maps
- 3 segmentation pilots

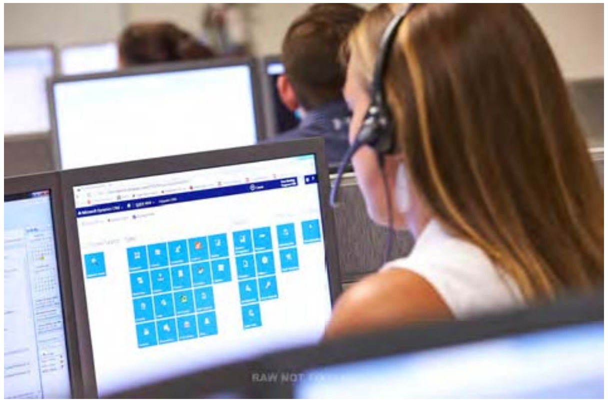
Ferguson recently ranked #1 supplier in all districts surveyed for responsiveness, relationships, expertise and support, integrity and honesty

ii. Strong sales culture

Example: National Sales Center

Supports:

- Growth in Commercial MRO business c. 50% of customer interactions
- National services e.g. emergency water heaters, HVAC equipment
- National accounts e.g. national restaurant chains and shopping malls
- US branch network during peak periods

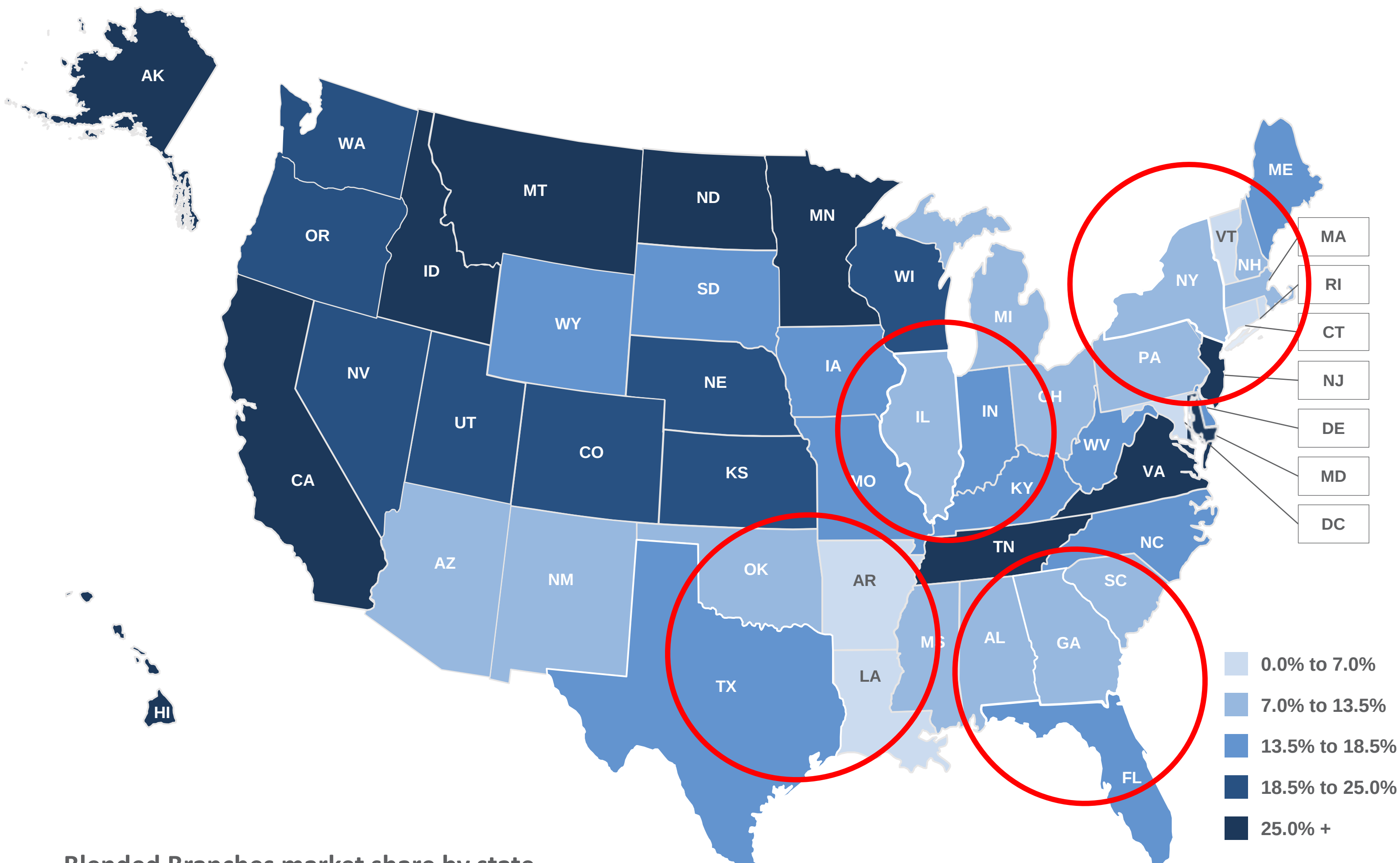


45k sqft facility in VA

350 associates

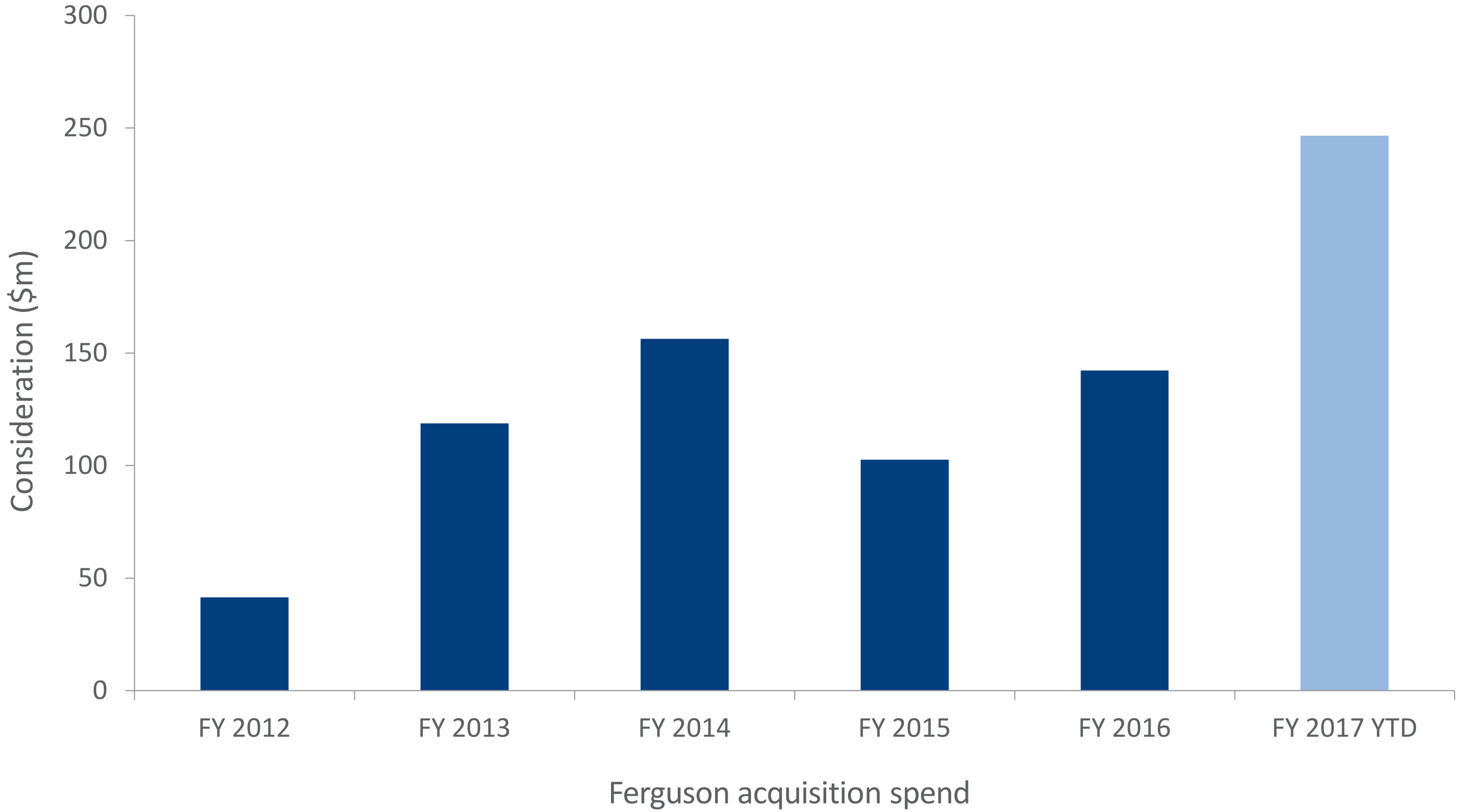
Hours 7am – 8pm EST

iii. Organic expansion of our network



Blended Branches market share by state

iv. Bolt-on acquisitions

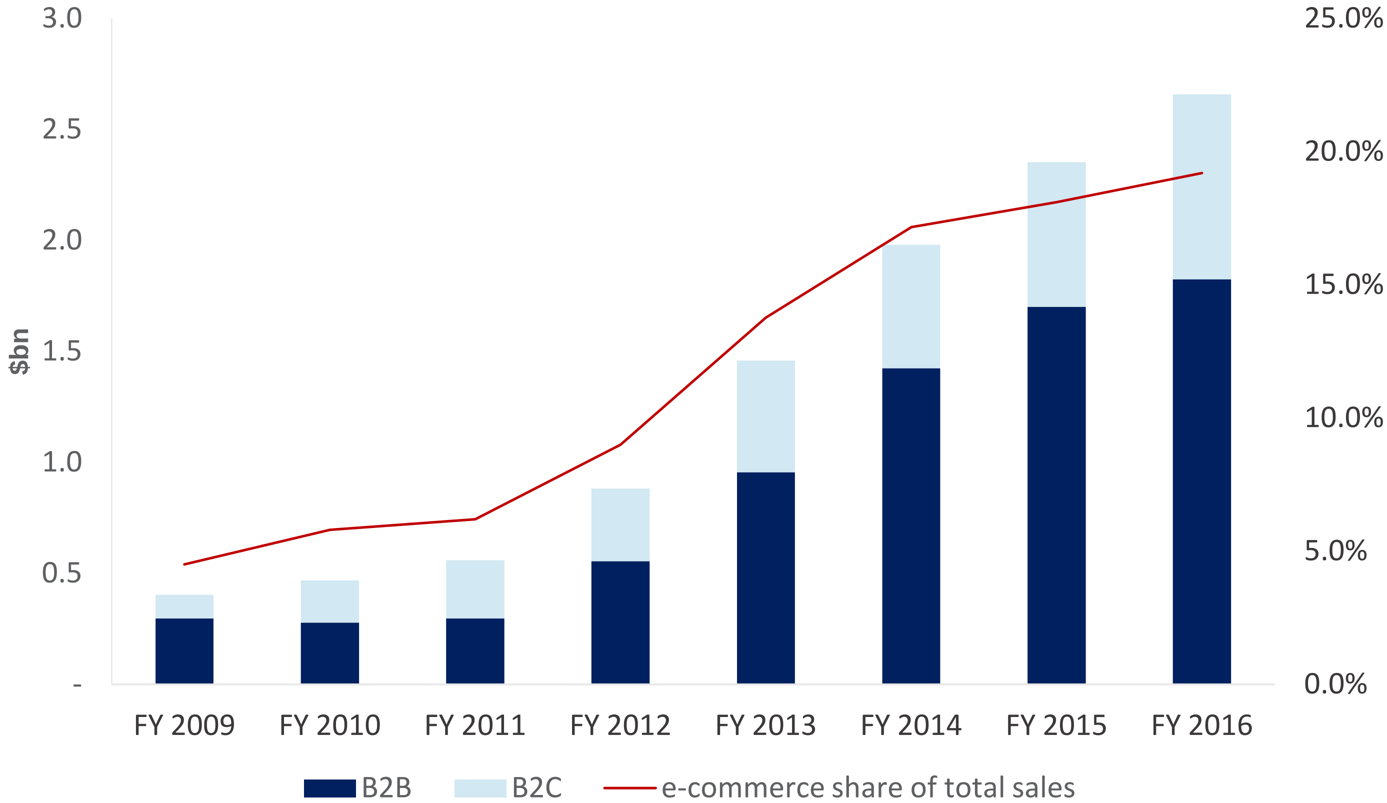


v. Build scale and capability in adjacent markets e.g. Commercial MRO

- Large, attractive addressable facilities maintenance market of c. $90 billion
- Highly fragmented market
- Synergies with core Ferguson business include sales and logistics
- Standalone business unit from 1 August 2016, with revenue of $440 million
- Organic investment in sales and logistics to accelerate growth
- Attractive acquisition opportunities to build scale and add capabilities

Incremental opex investment of $10 million in FY2017

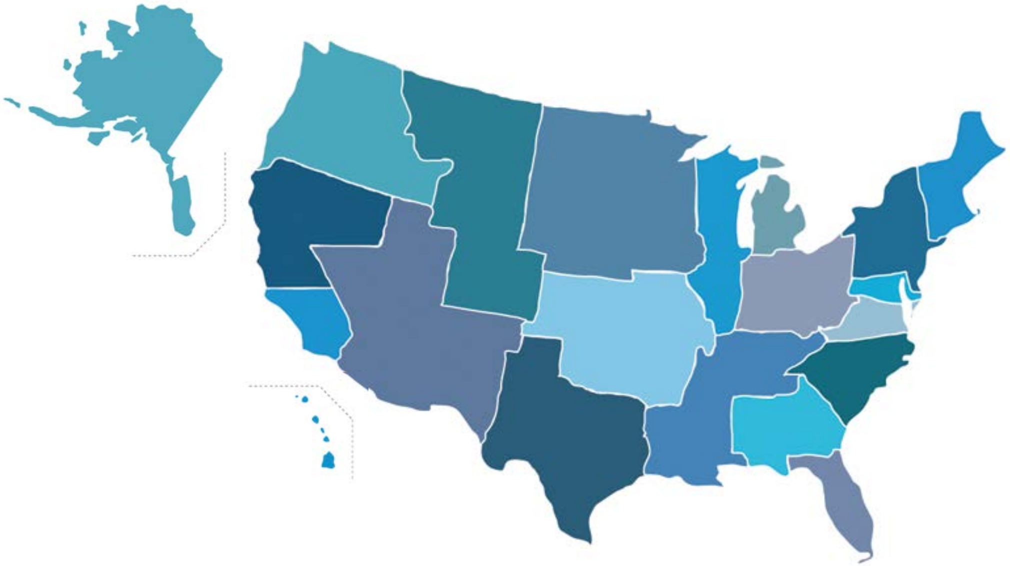
vi. Accelerate e-commerce penetration



Further brand building investment in 2017 of $11 million

vii. Further development of operating model

Example: changing regional structure to better align to customer needs



86 PROFIT CENTRES to 19 DISTRICTS

- Consolidation to fewer large profit centres to enhance consistency of customer experience e.g. pricing, invoicing
- Focus in each district by each discipline
- Getting the most out of our assets (sales people, buildings, trucks, technology, etc.)
- Increased focus on customer service with more training, tools and technology support
- Reorganisation completed in 2016

Incremental technology opex investment of $11 million in FY2017

Omni-channel strategy

Omni-Channel: All channels seamlessly available to our customers and are connected

Ferguson from the ground up

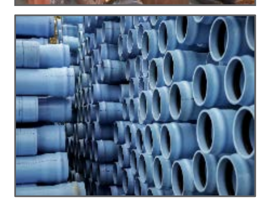
Commercial MRO

HVAC

Fire & Fabrication

Commercial Plumbing

Underground

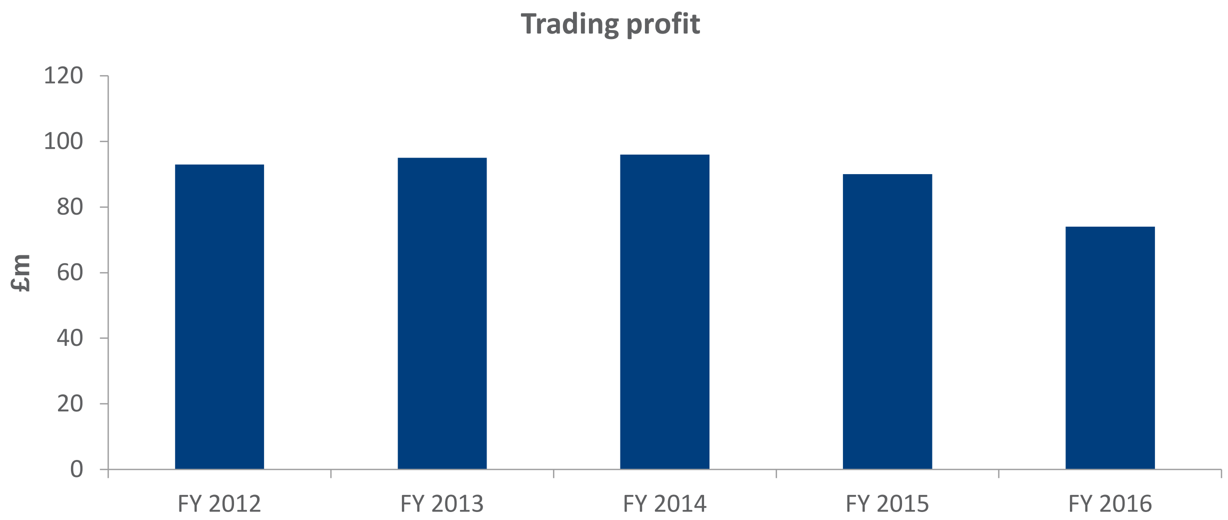


OMNI-CHANNEL APPROACH

Key priorities

1. Generate best profitable growth in Ferguson
2. Execute UK turnaround and repositioning plan
3. Review Nordics operational strategy and restore business to profitable growth

Why did we conduct the UK review?



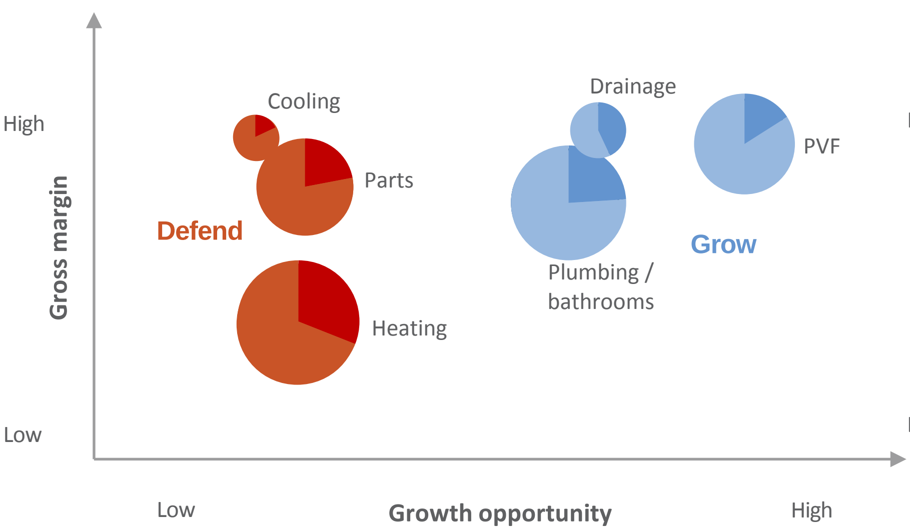
UK operational review process

- Interviews with all major category suppliers
- Interviews, focus groups and quantitative surveys with all customer groups
- Analysis of 46 million customer orders
- Review of branch network footprint and profitability
- Supported by specialist external resources including LEK strategy consultants

Good opportunities for growth

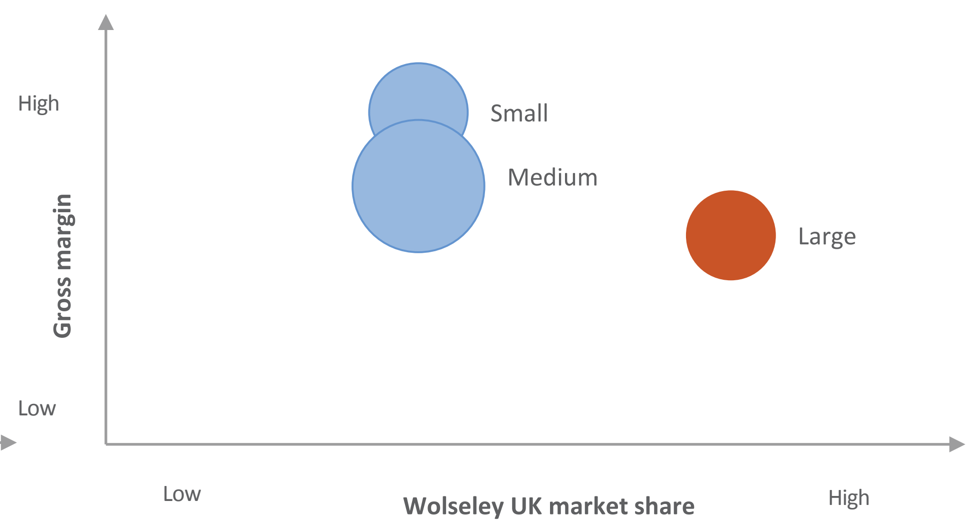
Allocate more resources to growing plumbing/bathrooms, drainage and PVF categories and small and medium customer segments

Product category opportunities



*Balloon size represents market gross profit pool
** Segments represent Wolseley market share

Customer segment opportunities



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Small trade and large customers have some different needs

We will provide two distinct customer propositions

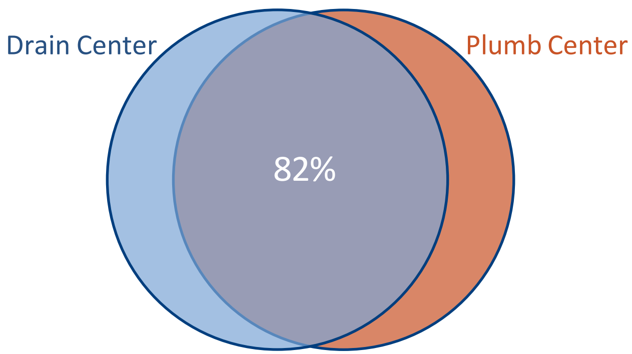
	Small specialist trade customers	Large specialist trade customers
Branch requirements	Local branches	Wide national network
Customer needs	Local expertise and access	Dedicated account management
Pricing	Consistently competitive pricing	Contract pricing
Branch network and supply chain	One integrated operating model	
Other needs	Digital solutions and tools to make customers' lives easier	Solutions to help manage operational complexity e.g. auto-replenish

There is a high degree of overlap between networks

We will optimise the branch network to drive service and efficiency

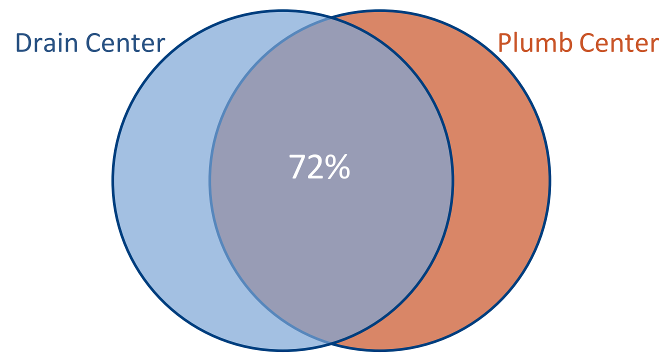
E.g: Overlap of Plumb Center and Drain Center networks

Customer overlap



Most Drain Center customers also shop at Plumb Center

SKU overlap



Most Drain Center SKUs are also available at Plumb Center

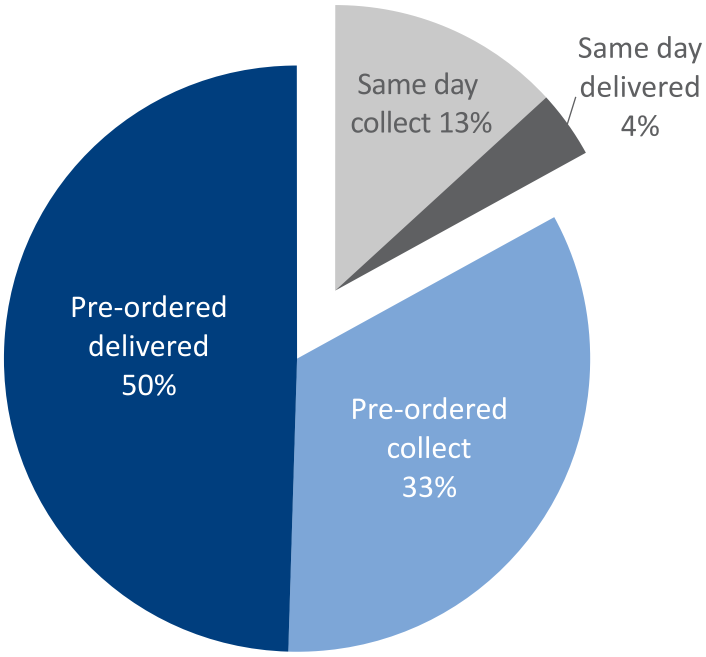
We operate multiple brands and formats

We will operate a single network, with two formats and transition to a single brand

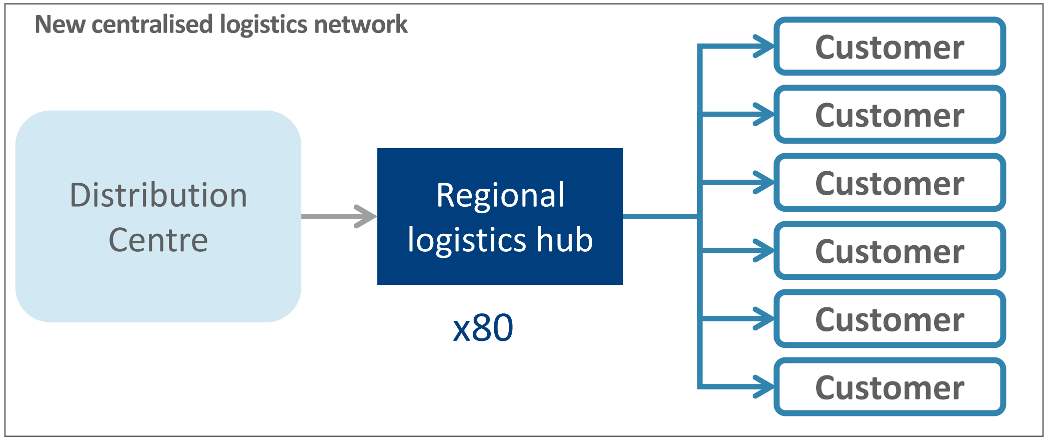
Local branches (c.440)	**Destination branches (c.80)**
Everyday needs of local customers c. 4,000 core products in stock	More comprehensive range c. 9,000 core products in stock
Extensive range available next day	Extensive range available next day
Principally serving residential / light commercial	Also serving larger RMI and new build projects
Open 5½ days a week	Open 7 days a week
Strong product expertise	Showroom attached
	In branch expertise for all specialisms
	Operate as local logistics hubs

83% of sales are pre-ordered with the large majority picked from branch

Picking and packing of pre-ordered items will be done at distribution centre/hubs



% revenue



Other transformation objectives

- Substantial simplification of branch based activities: focus on sales and service
- Further technology investment in multi channel platform and digital tools to support customers
- Single, national, non-negotiable pricing on range of SKUs to improve price perception
- Sales network consolidation, new Customer Account Management platform
- Stronger category focus and range discipline with 80,000 SKUs available for next day delivery
- Increased investment in own-label expertise to further leverage group expertise

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Costs and benefits

- Expect to close 80 branches and one distribution centre
- Expect up to 800 job losses (subject to consultation)
- Restructuring charges of c. £100m (£70m cash)
- Cash element to be fully offset by property proceeds and working capital reduction
- Incremental investment in estate and technology of c.£40m over 3 years (within Group guidance)
- Whole programme when complete expected to cut costs by £25m to £30m a year

Summary of UK turnaround and repositioning plan

- UK performance has deteriorated
- We have strong positions in attractive markets
- We will generate growth by targeting attractive categories and segments
- Action plan identified with new customer propositions and leaner, fitter supply chain network
- Robust plan now focused on rapid execution

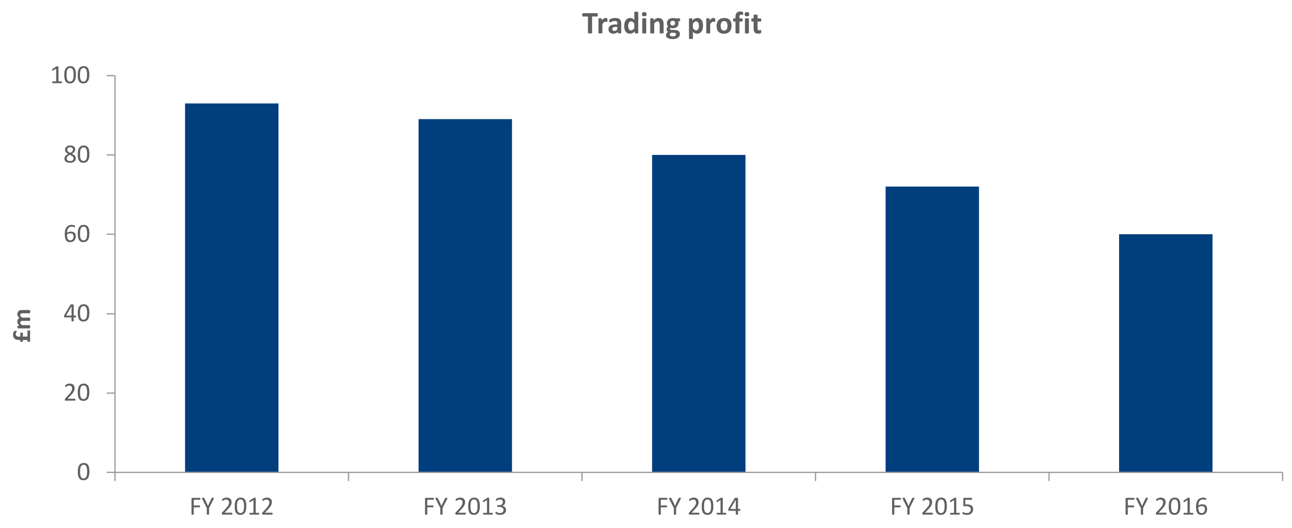
Key priorities

1. Generate best profitable growth in Ferguson
2. Execute UK turnaround and repositioning plan
3. Review Nordics operational strategy and restore business to profitable growth

Short-term actions in Nordics

- Generate above market organic profitable growth in Sweden
- Stabilise and improve gross margins in Denmark
- Align capacity with market demand in Finland
- Reduce central costs

Why are we initiating the Nordics review?



Starting operating review in September 2016 and expect to complete in H1 2017

Capital allocation priorities

1. Top priority is to reinvest in organic growth opportunities
2. Fund ordinary dividend, to grow in line with long term earnings growth
3. Bolt-on acquisitions to existing businesses, where we have momentum and management bandwidth
   - Post year-end completed and / or approved £300m of acquisitions
   - Current pipeline is healthy with further acquisitions likely this financial year
   - No change to target criteria – we will remain disciplined
4. Excess cash will be returned to shareholders promptly

Maintain investment-grade balance sheet (net debt : EBITDA of 1x to 2x)

Outlook and summary

- Like-for-like revenue growth in the new financial year has been 1.5 per cent for the Group and 4.5 per cent in the USA.
- Demand across our markets remains mixed, with some uncertainty in the economic outlook.
- We will remain vigilant in controlling our costs to protect profitability while investing in attractive opportunities for profitable growth.
- We are confident that Wolseley will make further progress in the year ahead.

Appendix

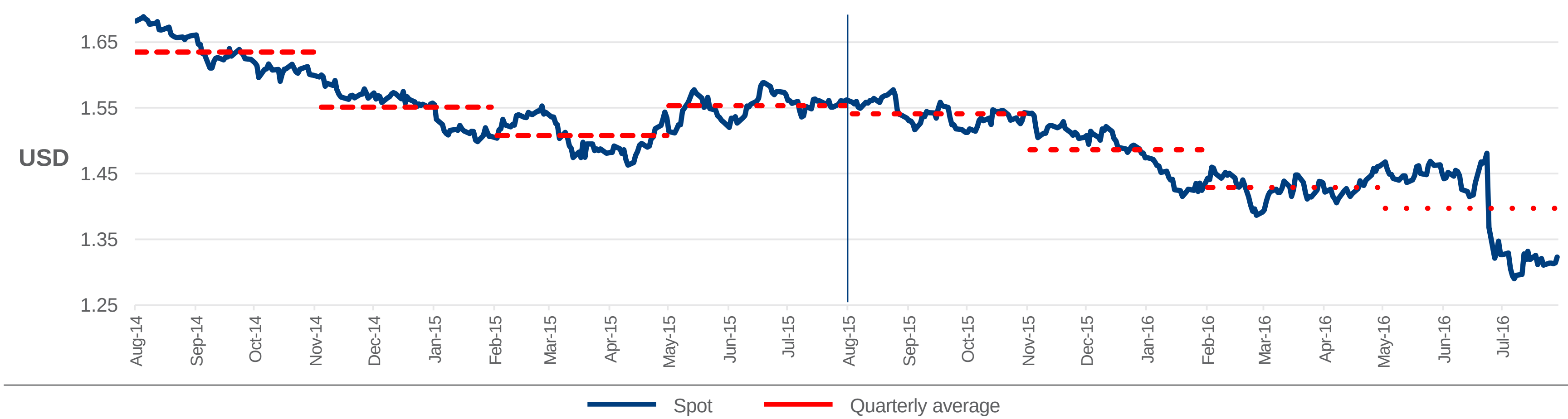
Regional analysis

£m	Revenue 2016	Revenue 2015	Trading profit 2016	Trading profit 2015
USA	**9,456**	8,337	**775**	683
UK	**1,996**	1,987	**74**	90
Nordic	**1,881**	1,863	**60**	72
Canada & Central Europe	**1,097**	1,113	**53**	55
Central costs	**-**	-	**(45)**	(43)
	14,430	13,300	**917**	857
Non-ongoing	**-**	32	**(1)**	(3)
	14,430	13,332	**916**	854

Foreign exchange impact

	2015 average rate	2016 average rate	2015 Trading profit £m	2016 impact gain/(loss) £m
USD	1.56	1.46	683	47
CAD	1.86	1.94	34	(2)
EUR	1.33	1.31	16	-
Other			77	1
				46

	2016 average rate	16-Sep-2016 spot rate	2016 Trading profit £m	2017 impact* gain/(loss) £m
USD	1.46	1.32	775	81
CAD	1.94	1.72	32	4
EUR	1.31	1.18	15	2
Other			66	6
				93

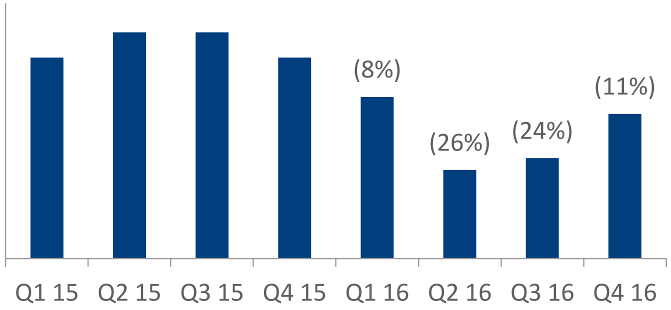


* Estimate impact if exchange rates stay at the rates prevailing on 16 Sep 2016 throughout the remainder of FY17

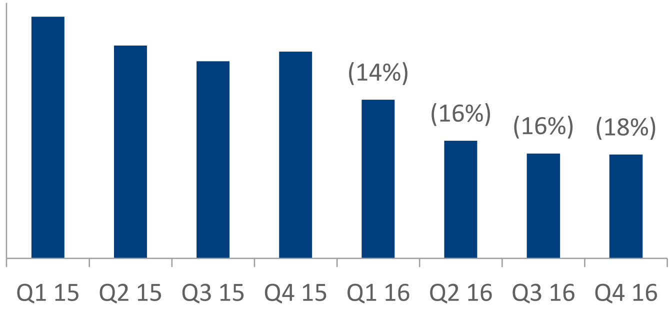
Source:Bloomberg

Movement in Ferguson commodity prices

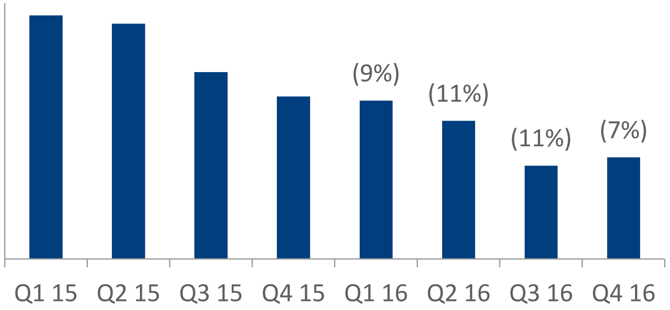
Plastic price
Impact until Q2 2017 at current rates



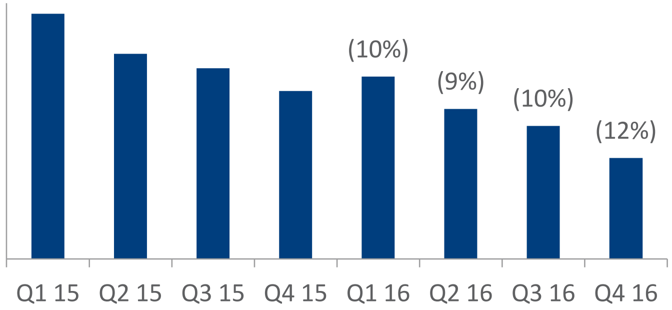
Copper price
Impact until Q3 2017 at current rates



Carbon steel price
Impact until Q3 2017 at current rates



Stainless steel price
Impact until Q4 2017 at current rates



Branch numbers

	Brought forward 31 July 2015	Acquired	Opened	Closed	Carried forward 31 July 2016
USA	1,418	26	69	(48)	1,465
UK	758	-	6	(27)	737
Nordic	259	-	7	(10)	256
Canada & Central Europe	304	4	3	(15)	296
	2,739	30	85	(100)	2,754

Headcount

	Brought forward 31 July 2015	Acquired	Net joiners / (leavers)	Carried forward 31 July 2016
USA	22,171	361	468	23,000
UK	6,331	-	(260)	6,071
Nordic	6,293	-	(125)	6,168
Canada & Central Europe	3,562	37	(93)	3,506
Other	107	-	-	107
	38,464	398	(10)	38,852

American Depositary Receipts (ADRs) programme

Wolseley has a Level 1 ADR program trading on OTCQX, the premier tier of the US over-the-counter market

Ticker: WOSYY

Exchange: OTCQX

CUSIP: 977868306

ISIN: US9778683063

Ratio: 10 ADRs : 1 Ordinary Share

ADR key benefits

- Convenient means of trading/holding foreign shares
- USD-denominated security – reducing custody costs
- Trade, clear and settle like other US securities
- Dividends (when declared by the Board) paid in USD
- Purchased or sold through US brokers

For assistance with converting Ordinary Shares into ADRs (or vice versa), please contact Deutsche Bank's ADR broker helpline:

New York: +1 212 250 9100

London: +44 207 547 6500

Hong Kong: +852 2203 7854

e-mail: adr@db.com

Q&A