



Wolseley plc

Final results for the year ended 31 July 2009



Ian Meakins Group Chief Executive

Agenda

- Background
- Financial review
- First impressions and key focus areas
- Outlook
- Q&A

Background

- Market conditions remain extremely difficult
 - Residential
 - Commercial & Industrial
- 2009 results reflect tough conditions
 - Trading profit
 - Margin management
 - But cost reductions delivered
 - Strong cash performance
- Immediate focus
 - Understanding the business
 - Improving operating performance
 - Resource allocation



Financial Review

Steve Webster

Chief Financial Officer

Summary of results

Strong cash flow, lower profit reflects challenging conditions

	2009 £m	2008 £m	Change %	Con't curr'cy change %
Revenue	14,441	14,814	(2.5)	(16.3)
Trading profit*	447	787	(43.0)	(52.0)
Exceptional items	(458)	(70)		
Goodwill and acquired intangibles	(595)	(162)		
Operating (loss) / profit	(606)	555		
Net finance costs	(145)	(156)		
Share of post tax loss of associate	(15)	-		
(Loss) / profit before tax from continuing operations	(766)	399		
Tax	34	(157)		
Loss from discontinued operations	(441)	(168)		
(Loss) / profit for the year	(1,173)	74		
EPS* (p)	95.6p	240.3p		
Dividend (p)	-	11.25p		
ROGCE	6.9%	12.7%		
Cash flow conversion	364%	185%		
Gearing	28.4%	73.5%		
Interest cover**	3x	6x		

Includes £6m of exceptional items

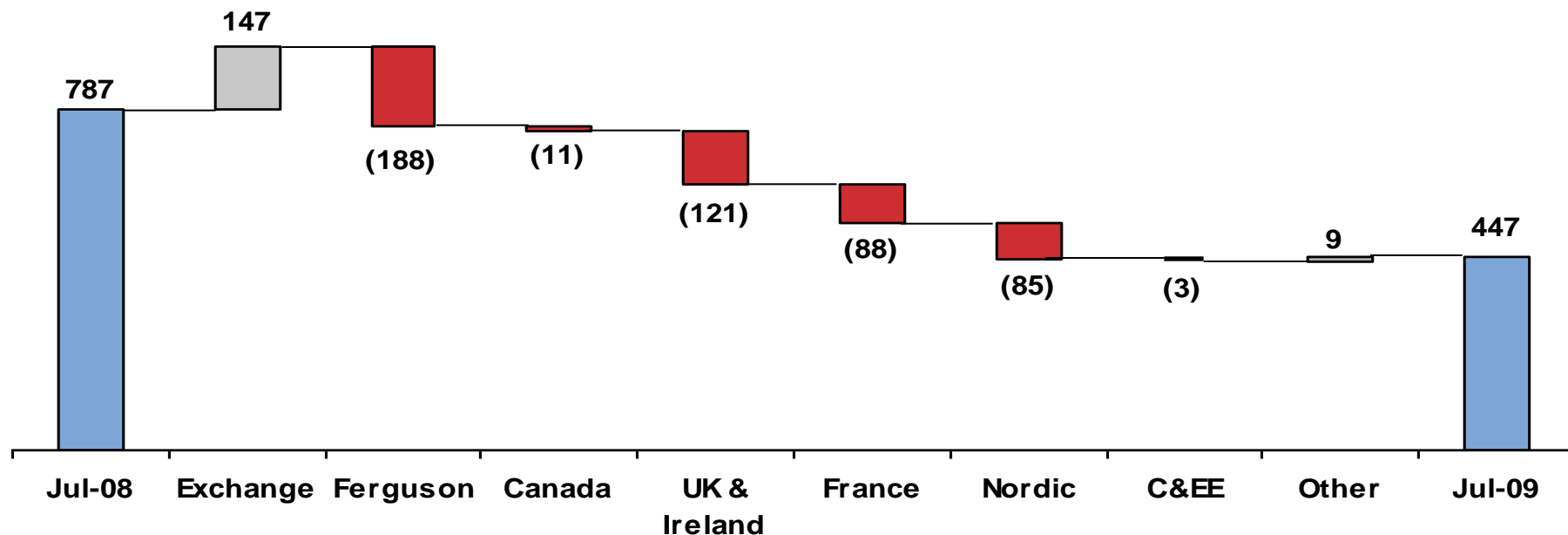
Includes £176m exceptional items and £209m intangibles impairment charge

*Before exceptional items and amortisation and impairment of acquired intangibles

** Interest cover is trading profit divided by net finance costs, excluding net pension related finance costs and the impairment of investments

Trading profit bridge

Organic declines in all areas



- Trading profit was impacted by the following one-off items during the year
 - Increase in bad debt provision of £29m
 - Asset impairment charges of £14m (Ireland and Italy)
 - Commodity deflation of £22m (steel pipe)

Cash flow

Strong cash flow performance in a tough year

	2009 (£m)	2008 (£m)
Trading profit	447	787
Exceptional items	(458)	(70)
Discontinued trading loss after exceptional items	(273)	(110)
Depreciation and profits on sale of property	351	226
Decrease in working capital	846	406
Change in provisions and other non cash items	287	23
Cash flow from operating activities	1,200	1,262
Acquisitions (including deferred consideration paid)	(18)	(244)
Property and business disposals	160	102
Capital expenditure	(157)	(317)
Net interest paid	(165)	(135)
Tax paid	(27)	(99)
Dividends paid	-	(215)
Capital raising	994	4
Currency translation	(351)	(321)
Other items including movements in fair value and reclass of construction loan debt	(126)	(39)
Decrease in net debt	1,510	(2)

Working capital - cash to cash days

57.5% improvement over last three years

	Improvement over					
	FY09	FY08	FY07	3 years	2 years	1 year
Spot inventory days	55.9	62.6	67.9	18.9	12.0	6.7
Spot receivables days *	43.6	49.0	51.8	10.3	8.2	5.4
Spot payables days	(71.5)	(67.8)	(67.7)	8.8	3.8	3.7
Spot cash to cash days	28.0	43.8	52.0	38.0	24.0	15.8
Improvement				57.5%	46.2%	36.0%

* Receivables factoring accounted for approximately 4 days of incremental improvement between FY08 and FY09.

- Working capital expectations for FY10:
 - Underlying improvement
 - Absolute level likely to increase
 - Capitalise on opportunities for organic growth

Exceptional items

Restructuring and other exceptional costs

	FY09 (£m)
Staff redundancy cost	(75)
Provision for future lease cost on closed branches	(271)
Trading operation restructuring items	(346)
Loan Services loan provision on separation from Stock	(31)
Impairment of Business Change Programme IT software	(41)
Loss on business disposals (France and C&EE)	(12)
Loss on write down of carrying value of C&EE assets held for disposal	(28)
Total exceptional items included in operating profit	(458)

Exceptional restructuring costs and benefits

Incremental benefit of £233 million expected in 2010

	Cost £m	Headcount reduction	Benefit £m 2009	Benefit £m pa
UK and Ireland	183	2,914	74	160
France	24	1,020	6	34
Nordic	11	1,413	18	44
Central and Eastern Europe	38	489	7	20
Europe	256	5,836	105	257
US plumbing and heating	80	3,861	88	164
Canada	6	130	1	3
North America	86	3,991	89	167
Group head office	4	21	5	7
Total continuing operations	346	9,848	198	431

Goodwill and intangibles

£21m of impairment provisions in second-half

	FY09 £m	FY08 £m
Amortisation of acquired intangibles	105	105
Goodwill and acquired intangibles impairment		
- DT	359	-
- UK and Ireland	109	46
- Italy	-	11
- Benelux	22	-
Total	595	162

Covenant position and liquidity

Comfortable covenant headroom at 31 July 2009

- Significant banking covenant headroom
 - Covenant headroom of over £1bn
 - Net debt : EBITDA ratio of 1.4x (2008 : 2.7x)
- Strong liquidity position
 - €1 billion two year forward-start bank facility commencing August 2011
 - Committed and undrawn banking facilities of £1.7bn as at the balance sheet date
 - Intention to have credit rating by 31 January 2010

US plumbing and heating

Strong market outperformance – 5.4% trading margin

	2008	Exch	Disp	Acqn	Organic	Change	2009	Change	Cons't
	£m	£m	£m	£m	£m	%	£m	%	Cur'y %
Revenue	5,613	1,533	-	12	(1,338)	(18.7)	5,820	3.7	(18.6)
Trading profit	397	108	-	2	(190)	(37.6)	317	(20.1)	(37.3)
Trading margin	7.1%						5.4%		

- Strong overall trading performance ahead of the market
- Gross margins held relatively well through focus on activities with higher returns
- Property profits of £12m (2008: -£3m)
- Headcount reduced by 3,840 (18%); branch numbers reduced by 154

Canada

Solid performance despite market deterioration

	2008	Exch	Disp	Acqn	Organic	Change	2009	Change	Cons't
	£m	£m	£m	£m	£m	%	£m	%	Cur'y %
Revenue	684	61	-	-	(45)	(6.0)	700	2.4	(6.0)
Trading profit	39	4	-	-	(11)	(25.6)	32	(18.9)	(25.6)
Trading margin	5.7%						4.6%		

- Strong market outperformance in challenging marketplace
- Gross margins lower but improved in second half of year
- Continued benefits of closer alignment with Ferguson
- Headcount reduced by 387 (13%); branch numbers reduced by 29

North America Loan Services

Phased reduction in portfolio continues

	2008	Exch	Disp	Acqn	Organic	Change	2009	Change	Cons't
	£m	£m	£m	£m	£m	%	£m	%	Cur'y %
Trading profit	(19)	(5)	-	-	-	-	(24)	-	-

- Business retained following exit of Stock
- Selective lending and phased orderly reduction of portfolio over the next 2 – 3 years
- 90% of receivables relate to core markets in North & South Carolina, Texas, Virginia
- Net trading loss before exceptional items includes £19m bad debt provision charge
- Net interest income during the period was £8m (2008: £12m)
- At 31 July 2009 construction lending receivables were \$272m (£163m) or 42% below prior year
- Exceptional provision at 31 July 2009 relating to the impairment of the construction loan receivables of £31m

UK and Ireland

Strong Lightside performance but tough conditions continue to impact Ireland and Heavyside

	2008	Exch	Disp	Acqn	Organic	Change	2009	Change	Cons't
	£m	£m	£m	£m	£m	%	£m	%	Cur'y %
Revenue	3,203	46	-	1	(551)	(17.0)	2,699	(15.8)	(16.9)
Trading profit	176	-	-	-	(121)	(68.7)	55	(68.6)	(68.6)
Trading margin	5.5%						2.0%		

- Severe deterioration in trading conditions particularly Ireland
- Gross margin impact limited to 100bp
- Irish trading loss of £30m (including £7m tangible asset impairment charge)
- Property profit of £1m (2008: £15m)
- Lightside and Pipe businesses performed well – market out performance and over 6.0% trading margin
- Significant softening in Commercial & Industrial market
- Action taken in Heavyside and Ireland to reduce cost base and branch footprint
- Headcount reduced by 3,083 (21%); branch numbers reduced by 284
- Supply chain rationalisation

France

Continued focus on Lightside repositioning

	2008	Exch	Disp	Acqn	Organic	Change	2009	Change	Cons't
	£m	£m	£m	£m	£m	%	£m	%	Cur'y %
Revenue	2,116	342	(20)	22	(316)	(12.9)	2,144	1.3	(12.8)
Trading profit	103	17	(1)	1	(88)	(73.0)	32	(68.8)	(73.1)
Trading margin	4.9%						1.5%		

- Outperformed market in Heavyside but underperformed in Lightside
- Gross margin maintained
- Focus remains on restructuring Lightside business (Brossette) - €4m loss
- Decision taken to exit public works business, subject to consultation
- Headcount reduced by 1,152 (11%); branch numbers reduced by 72 (24 disposed)

Nordic

Resilient performance despite challenging markets

	2008	Exch	Disp	Acqn	Organic	Change	2009	Change	Cons't
	£m	£m	£m	£m	£m	%	£m	%	Cur'y %
Revenue	2,290	299	-	-	(476)	(18.4)	2,113	(7.7)	(18.4)
Trading profit	159	22	-	-	(85)	(47.1)	96	(39.4)	(47.1)
Trading margin	6.9%						4.6%		

- Market deterioration is now stabilising
- Good relative performance with all countries at least tracking in line with the market
- Gross margins remained flat
- Headcount reduced by 1,205 (15%); branch numbers reduced by 28
- Closure of loss making Swedish DIY business

Central and Eastern Europe

Improved performance following strategic review

	2008	Exch	Disp	Acqn	Organic	Change	2009	Change	Cons't
	£m	£m	£m	£m	£m	%	£m	%	Cur'y %
Revenue	908	158	(15)	9	(95)	(8.9)	965	6.3	(9.5)
Trading profit	-	3	1	-	(4)	(127.4)	-	-	-
Trading margin	0.0%						0.0%		

- Gross margins held with improving trend in second half
- Disposals of MART and Wasco-Anbuma completed
- Asset impairment charge of £7m (2008: £12m)
- Recent action taken to strengthen leadership teams in Austria and Italy
- Headcount reduced by 850 (22%); branch numbers reduced by 64 (27 disposed)
- Pro-forma revenue of £868m (2008: £801m) and trading profit of £5m (2008: £4m)

FY10 indicative financial calendar

Moving to four reporting periods in FY2010

2009

18 November	Annual general meeting and interim management statement
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2010

22 March	Half year results for the six months ended 31 January 2010
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24 May	Interim management statement
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31 July	Financial year end
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27 September	Final results for the year ended 31 July 2010
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8 December	Annual general meeting and interim management statement
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Note: No January or July pre-close trading statements



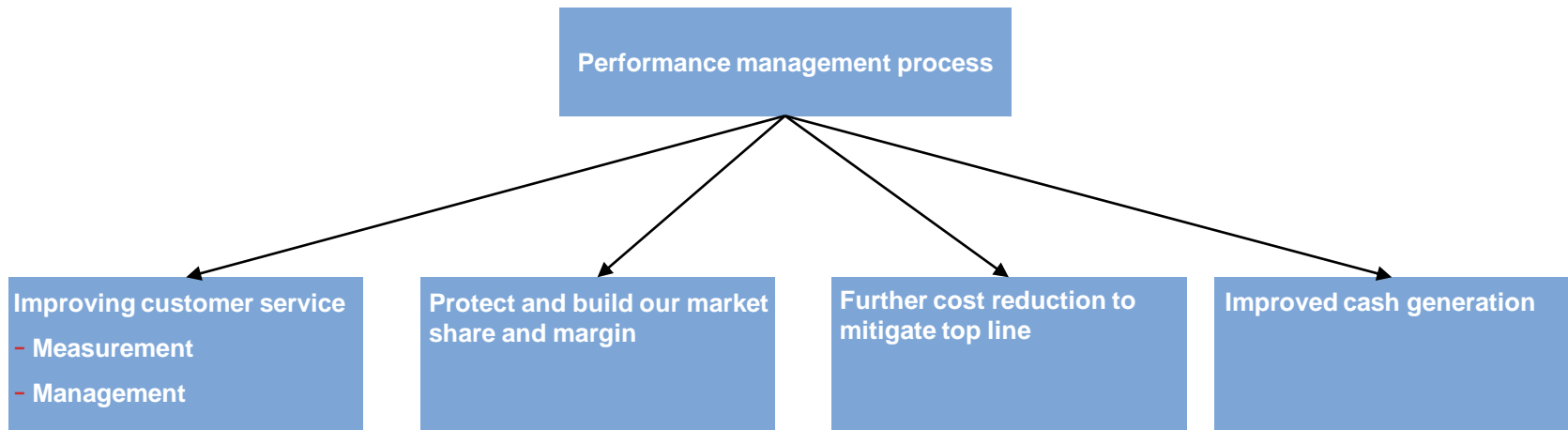
Ian Meakins Group Chief Executive

First impressions

- **Construction materials distribution**
 - Attractive over the long term
 - Cyclical
- **Attractive portfolio of businesses in its core geographies:**
 - Strategically strong locally and nationally
 - Large profit pool available
 - Customer service fundamental for success
 - Competitive logistics network
 - Operational leverage - sourcing and costs
- **Performance vs. competition is mixed**
 - US and Nordics - gaining
 - UK - turning around
 - France – still losing in Brossette (Lightside)
- **We compete in many different businesses**
 - Some are more attractive
 - Scope for performance improvements
- **Cross border synergies**
 - Limited success
 - Further work required

Immediate focus on operating performance

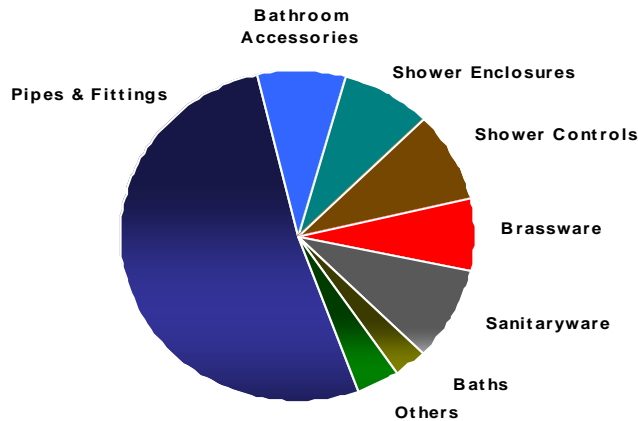
- The performance of all our businesses can still be improved both short and long term by a ruthless focus on performance management:



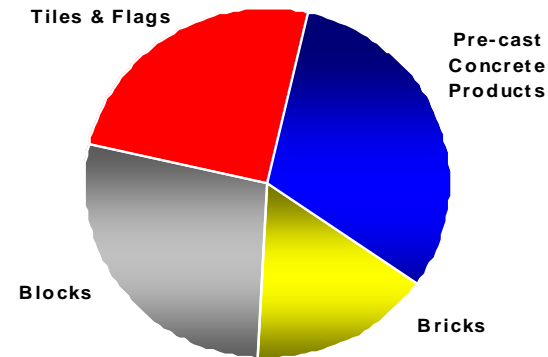
Strategic focus

UK markets

UK Plumbing and drainage market (£4bn)



UK Bricks, blocks and concrete market (£3.4bn)



- Capital raising identified core geographic focus
 - Exit Stock and restructure C&EE
- Compete in many different businesses in core geographies

- Need to focus within each geography
 - Allocating resources to most attractive businesses
 - Extracting national synergies
 - Performance management
- Strategic focus unchanged
 - Prioritised resource allocation by business unit and by geography

US Plumbing and Heating

2009 Group Revenue



Key units	% Revenue
Plumbing & heating	60%
Waterworks	15%
Industrial	15%
HVAC	8%
MRO / distribution	2%

First impressions

- Strong strategic positions
- Good margin management
- Experienced management
- Leading distribution infrastructure
- Opportunities for growth

Focus areas – plumbing & heating

- Gain share of existing customers
- Counter, showroom sales, product mix
- Pricing-matrix
- Customer service

STRATEGICALLY STRONG WITH PERFORMANCE UPSIDE AND SIGNIFICANT GROWTH OPPORTUNITIES

UK and Ireland

2009 Group Revenue



Key units	% Revenue
Plumb / Parts / William Wilson	38%
Build	13%
Pipe	8%
Encon	8%
Electric	5%
Brandon Hire, Bathstore, BCG, Climate, Drain	28%

First impressions

Strong Plumb / Parts / Pipe / William Wilson businesses – growth potential

Good cash generation

Need to reduce complexity

Significant change programme undertaken

Focus areas – Build

Further cost reductions

Network re-alignment

Customer service

Local services

COMPLEX PORTFOLIO OF BUSINESSES WITH PERFORMANCE UPSIDE AND GROWTH OPPORTUNITIES

France

2009 Group Revenue



Key units	% Revenue
Building materials	55%
Plumbing and Heating	30%
Import and Wood	11%
Panofrance, Confortique	4%

First impressions

No magic bullets – long haul, strategically challenged

Weak strategic positions

Strengthen management team

Sensible performance improvement plan

Focus areas – Plumbing and Heating

Strengthen management

Cost reduction

Customer service / product availability

Increase top line sales

Gross margin improvement

**STRATEGICALLY AND OPERATIONALLY MUCH WEAKER
– HOWEVER, PERFORMANCE UPSIDE AND PATIENCE REQUIRED TO DELIVER TURNAROUND**



Key points	% Revenue
Stark (Denmark)	40%
Beijer (Sweden)	25%
Starki (Finland)	19%
Silvan (Denmark)	9%
Norway, Cheapy, Woodcote	7%

First impressions

- Excellent strategic positions
- Good margin management
- Experienced management
- Good cash generation
- Opportunities for growth

Focus areas

- Branch optimisation across portfolio
- Product range improvements
- Customer service and segmentation
- Customer loyalty programmes
- Pricing differentiation

STRATEGICALLY AND OPERATIONALLY STRONG - GROWTH OPPORTUNITIES AS MARKETS RECOVER

Summary

- Most of our businesses are attractive
 - Market growth longer term
 - Strategically well placed
 - Performance and share gain opportunities
 - Some more attractive than others
- Immediate focus on performance management across Group
 - Local customer service improvements to drive share gain
 - Protect share and margin
 - Cost reduction
 - Cash generation
- Work in progress
 - Next stage of strategy is business unit resource allocation by geography
 - Determine how to extract Group synergies
 - Ensure we have the right talent in the leadership team in place
- Longer term great growth potential with even more focus

Outlook

- Market trends since the July trading update continue to support the Group's view that in the short term market conditions will remain challenging driven by tight credit conditions, high levels of foreclosures and rising unemployment rates.
 - New residential markets are expected to show continuing signs of stabilisation
 - RMI markets will continue to decline albeit at a slower rate
 - Commercial and Industrial markets are expected to decline at a faster rate
- Each segment is likely to recover at different rates dependent on local economic and credit conditions.
- Overall, we remain cautious as to the outlook in FY2010, although profit trends in the second half are expected to improve, driven by cost reduction actions already taken in FY2009 which are expected to result in incremental benefit in FY2010 of £233 million.
- During FY2010 actions to lower the cost base will be taken according to anticipated local market conditions, to ensure operational leverage is maximised as markets recover.
- At the same time, the Group will continue to evaluate where to prioritise future investment in order to develop its leading businesses which are characterised by leading competitive positions and strong customer franchises.



Q&A



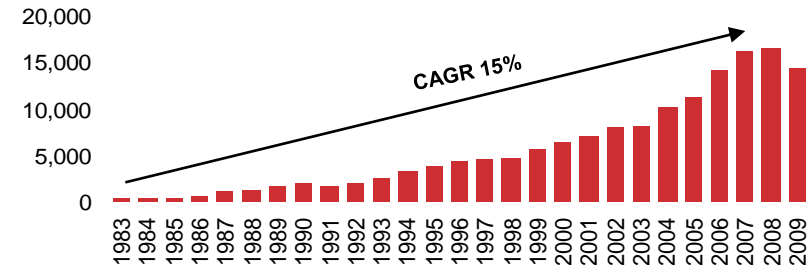
Appendices

Group overview

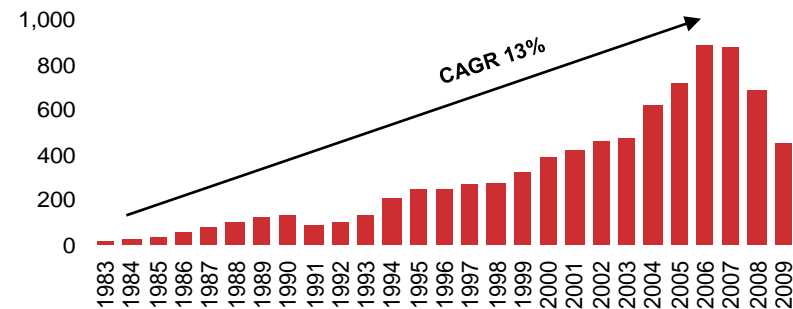
A strong business with a good track record and solid fundamentals

- Fundamentally attractive business sector
- Market leading positions in highly fragmented markets
- Scale advantages (distribution and sourcing infrastructure)
- Strong market performance built on local brands and knowledge

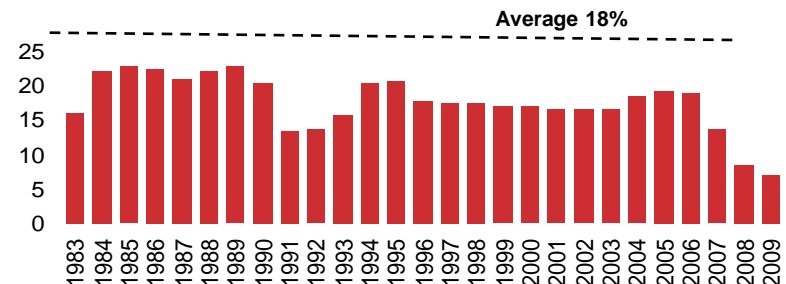
Group revenue (£m)



Trading profit (£m)

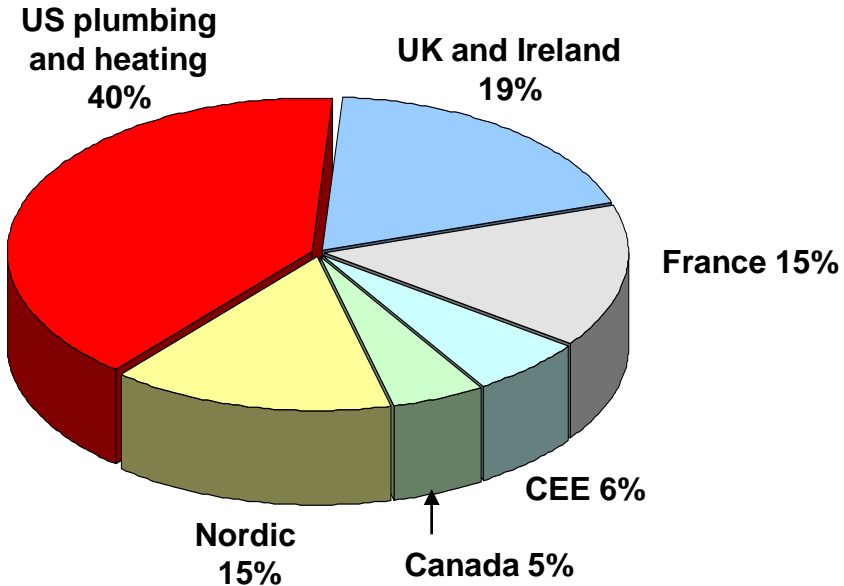


Return on capital (%)



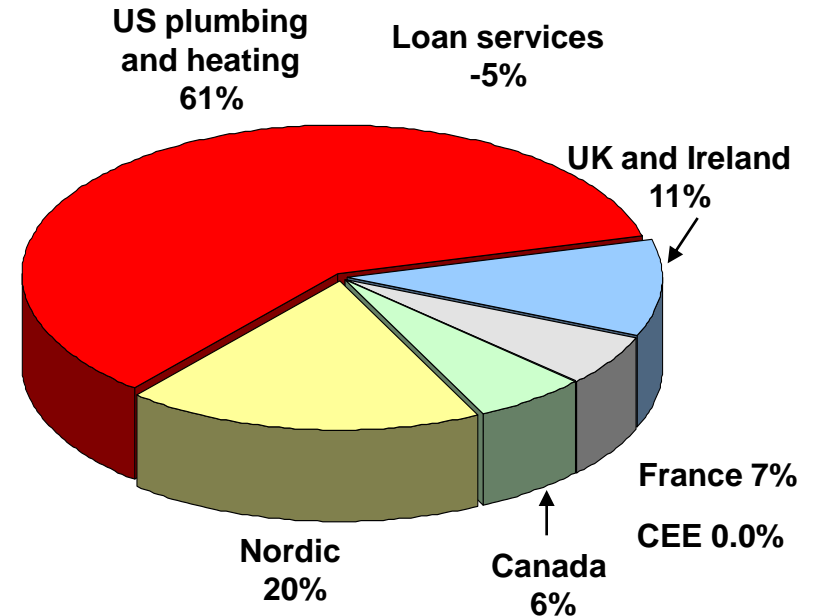
Group revenue & trading profit

Twelve months ended 31 July 2009



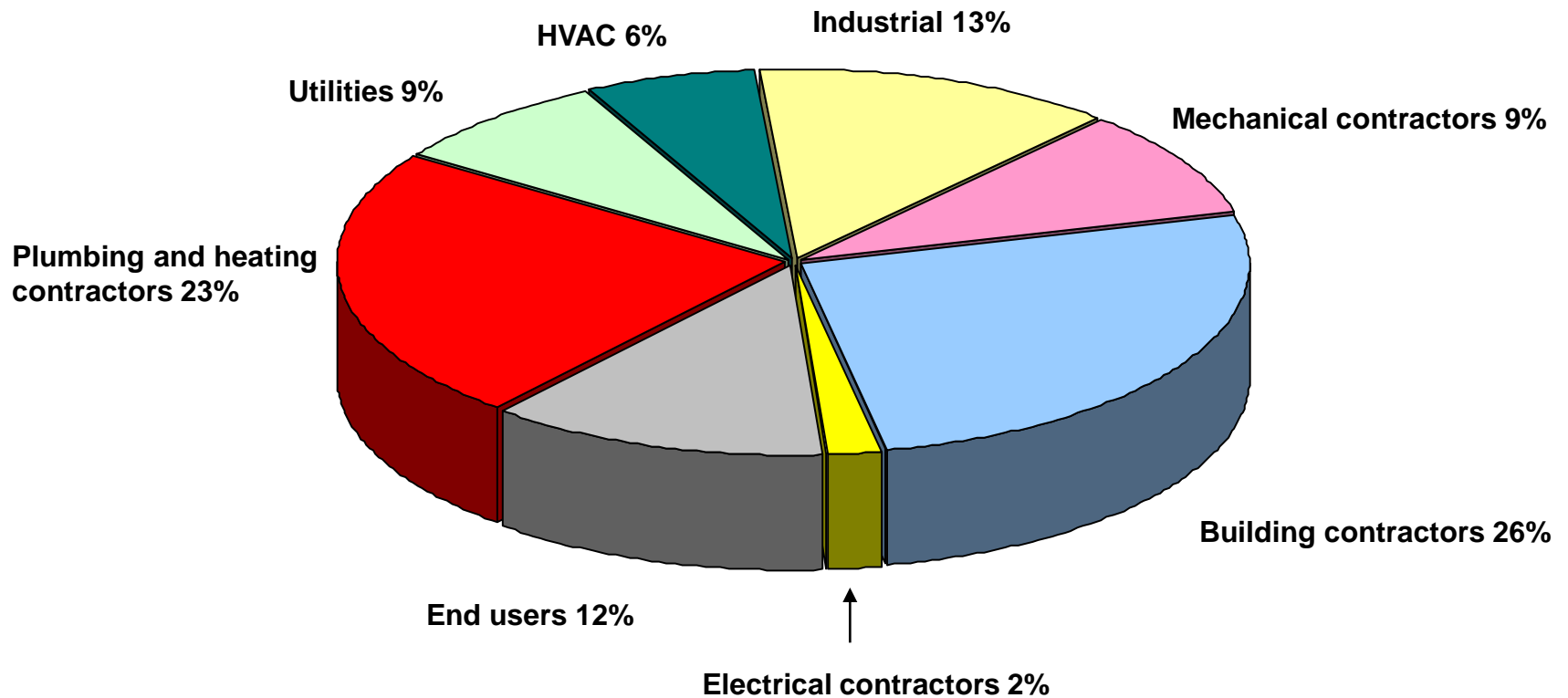
Revenue

Trading profit



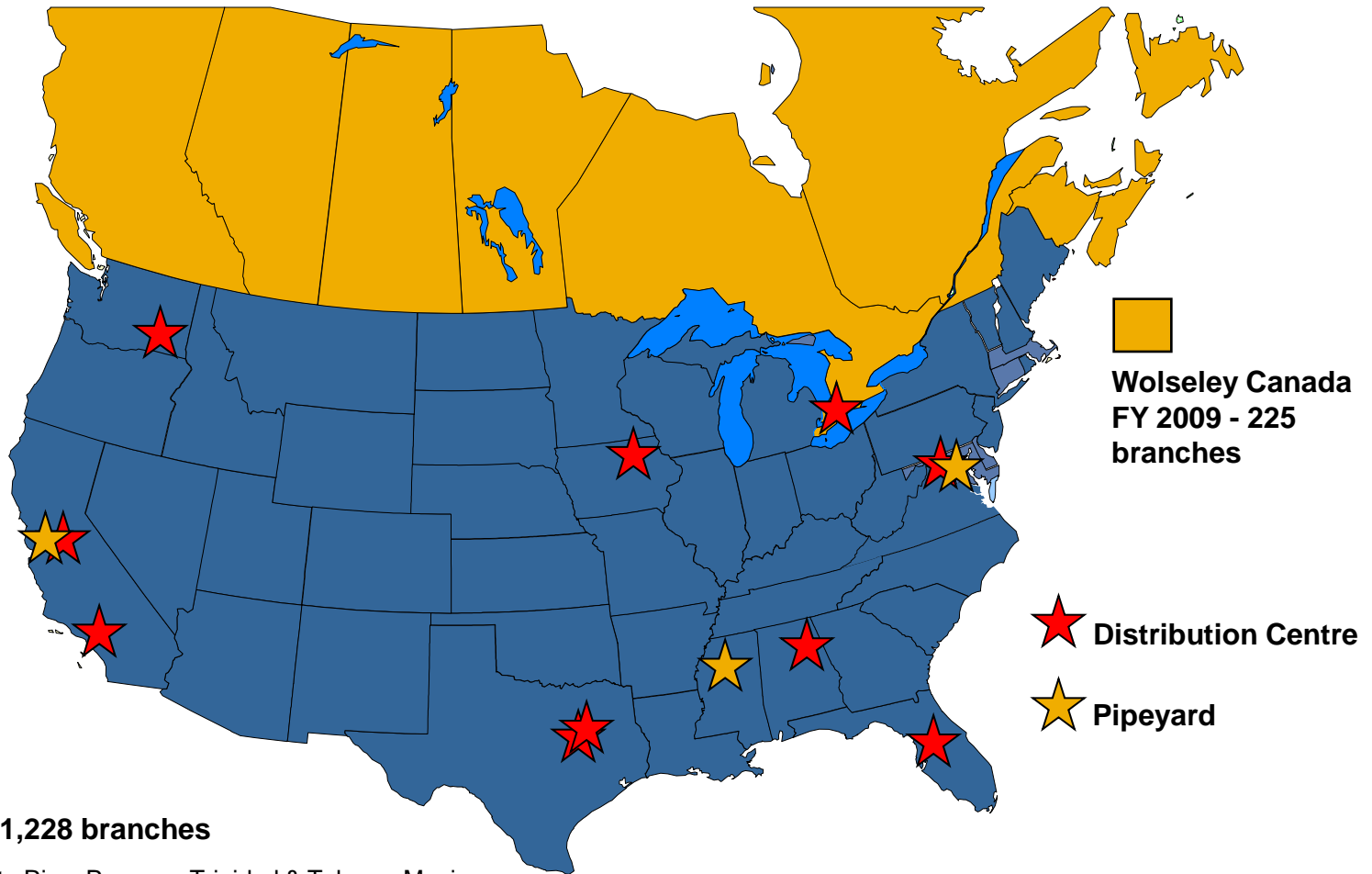
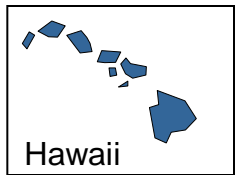
Our diverse customer mix

% of group revenue, twelve months ended 31 July 2009



North America

Plumbing & Heating



Ferguson also in Puerto Rico, Panama, Trinidad & Tobago, Mexico and Barbados

Europe

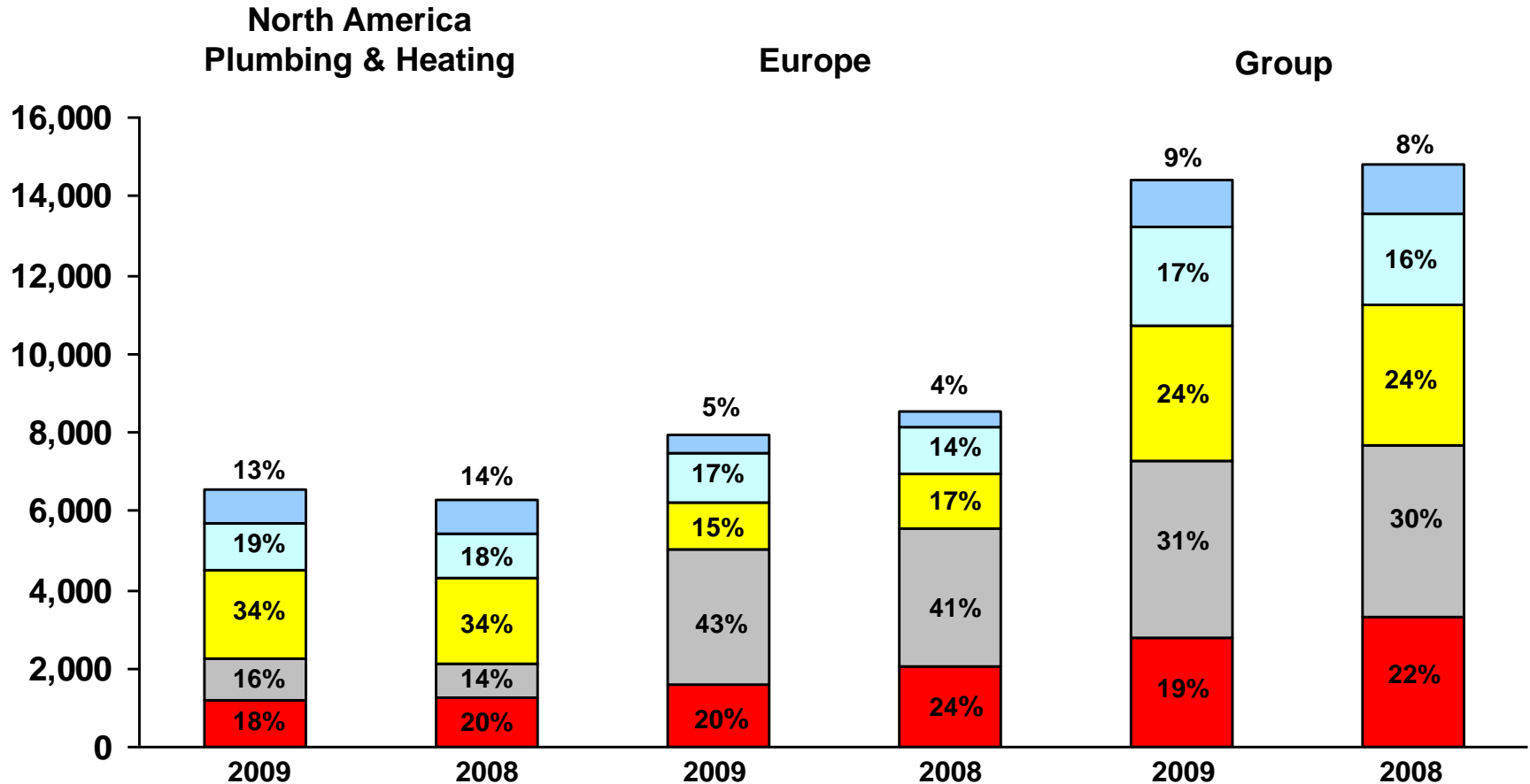
Branch numbers, twelve months ended 31 July 2009

- 1 UK (1,561)
- 2 Ireland (82)
- 3 France (776)
- 4 Belgium (8)
- 5 Netherlands (29)
- 6 Luxemburg (2)
- 7 Switzerland (41)
- 8 Italy (45)
- 9 San Marino (1)
- 10 Romania (7)
- 11 Hungary (4)
- 12 Slovakia (17)
- 13 Austria (66)
- 14 Czech Republic (33)
- 15 Poland (12)
- 16 Denmark (132)
- 17 Norway (14)
- 18 Sweden (84)
- 19 Finland (22)
- 20 Greenland (5)



Business drivers 2009 & 2008

% of divisional sales



■ Residential - new

■ Residential - RMI

■ Non residential - new

■ Non residential - RMI

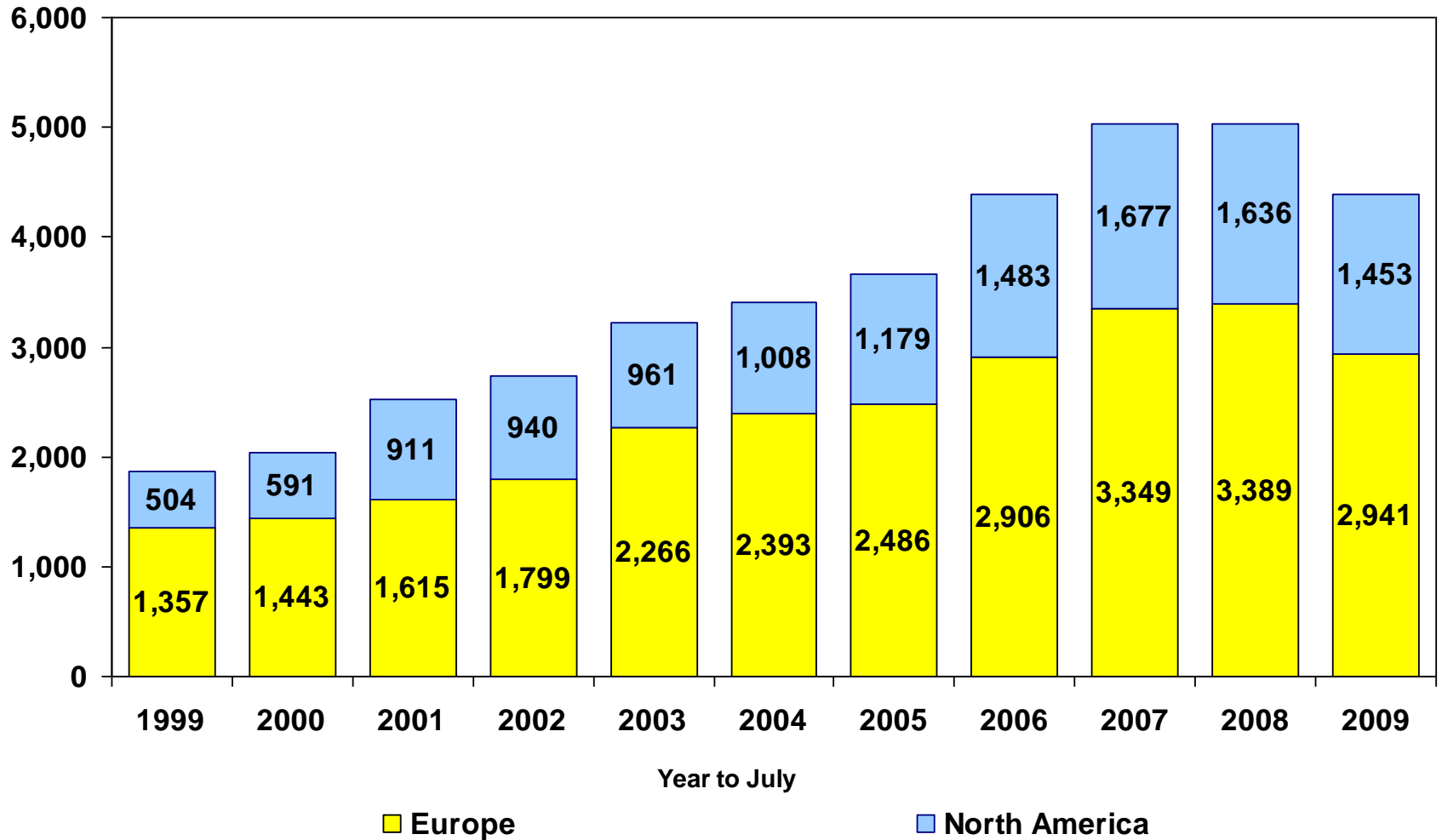
■ Civil infrastructure

Branch numbers

	(Restated)* 31 July 2008	Net reduction	31 July 2009
UK & Ireland	1,927	(284)	1,643
France	848	(72)	776
Nordic	324	(28)	296
Central & Eastern Europe	290	(64)	226
US Plumbing & Heating	1,382	(154)	1,228
Canada	254	(29)	225
Group total	5,025	(631)	4,394

*46 branches moved from Central & Eastern Europe to Nordic where management responsibility for Woodcote now lies

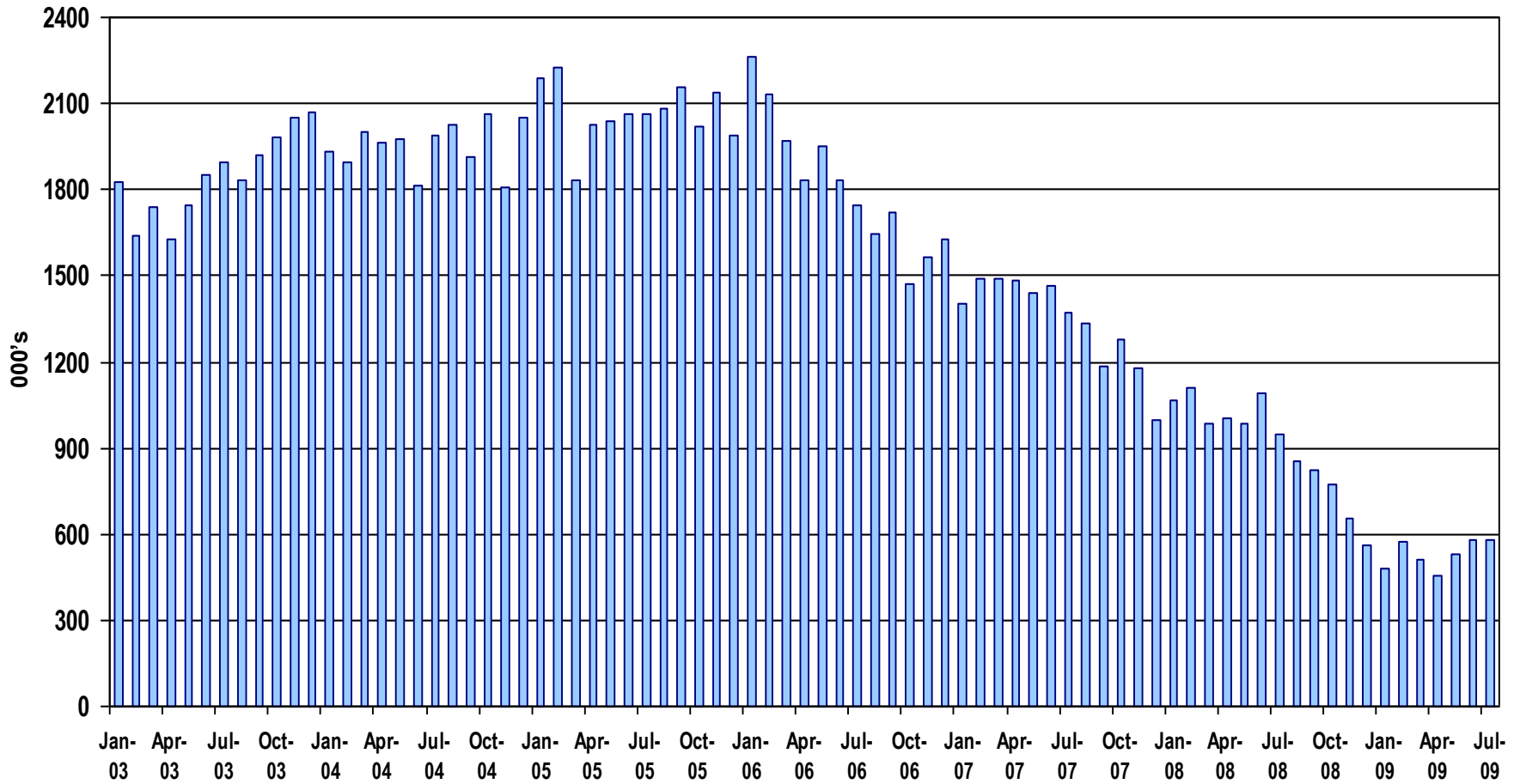
Branch growth





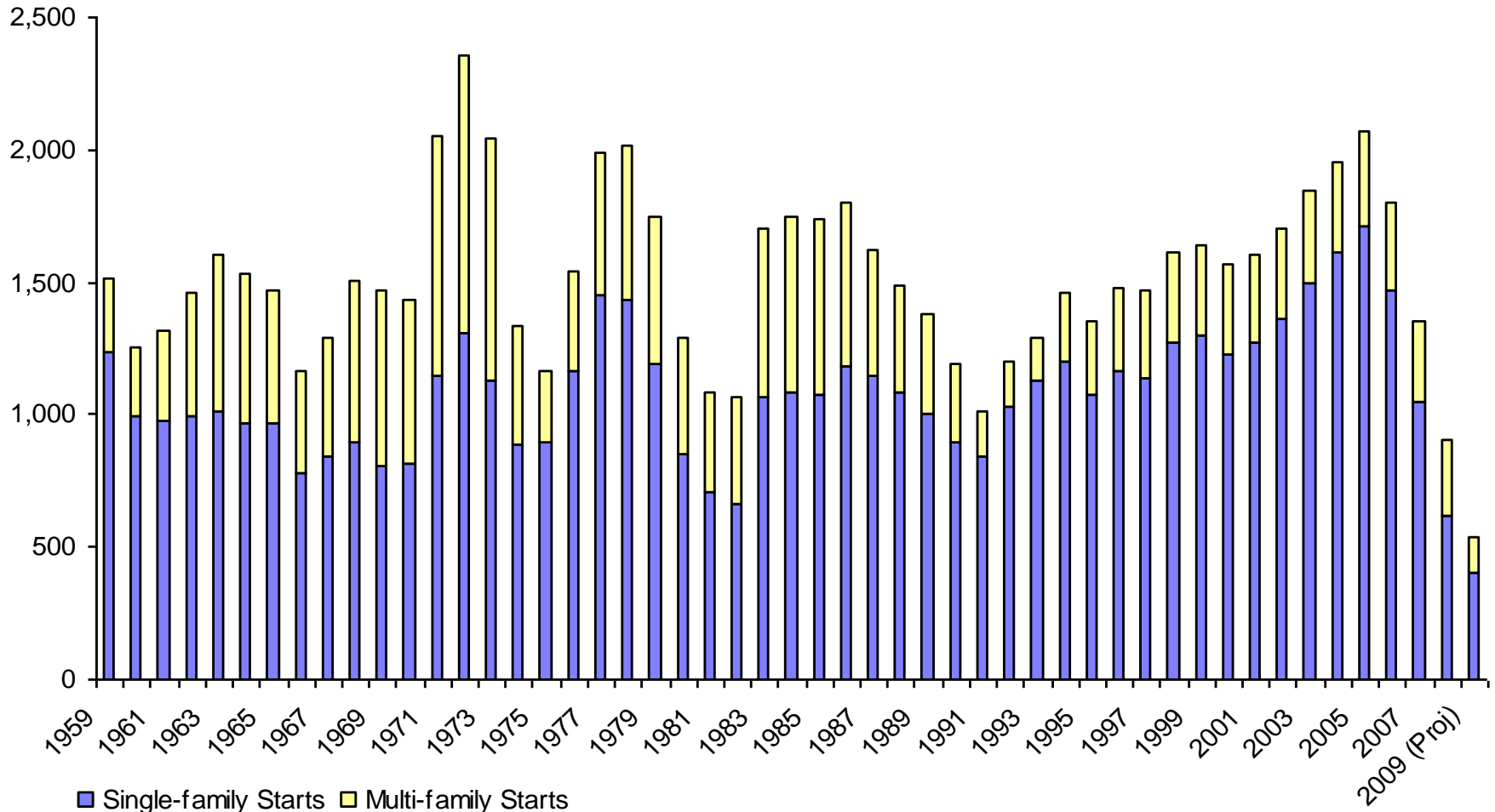
Market information

US housing starts



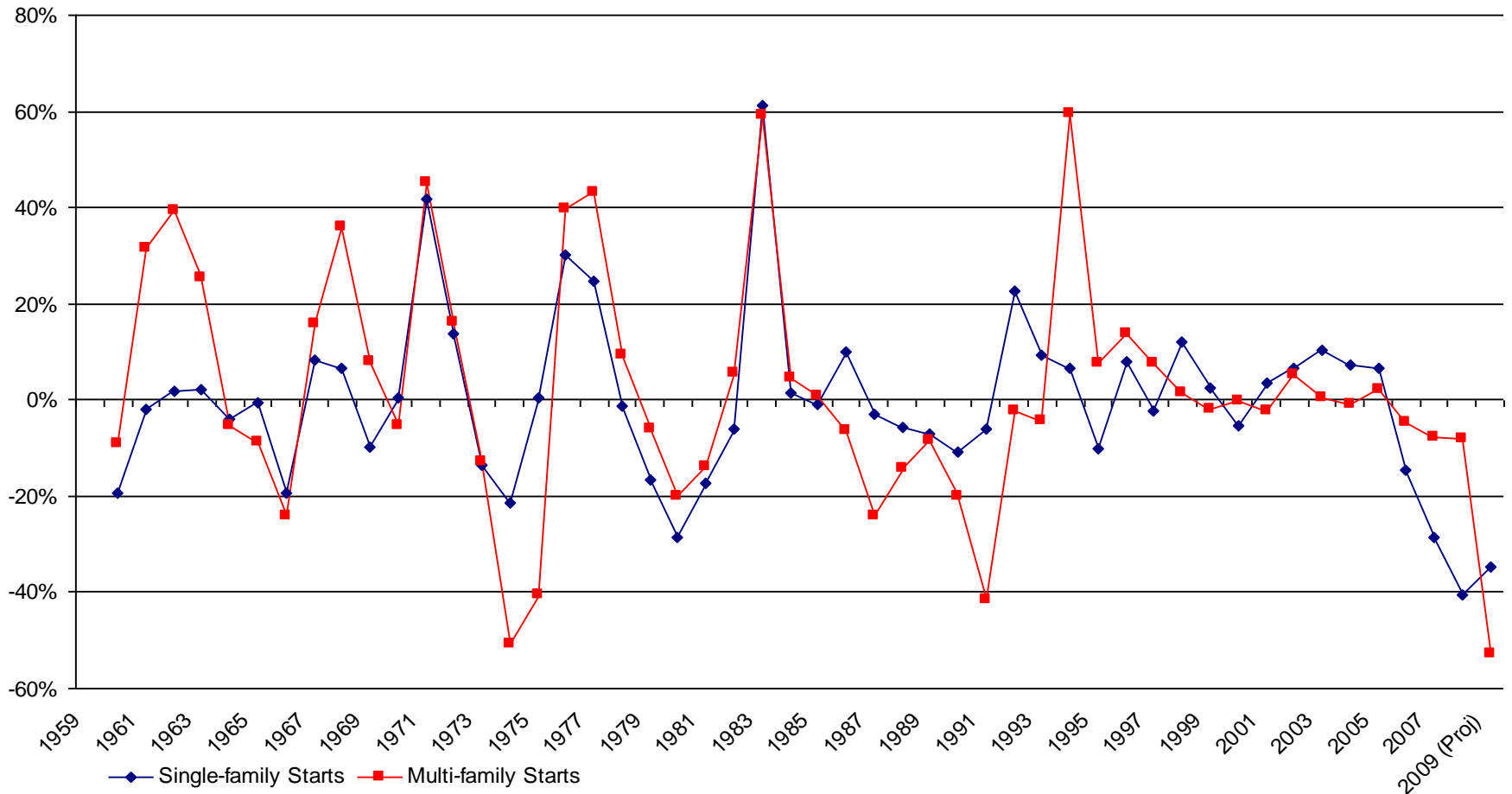
US new residential construction activity

Total US housing starts 1959 – 2009



New residential construction activity in US

Total US housing starts 1959 – 2009, year over year % change



Repair and remodeling (RMI) activity in the US

RMI expenditure vs expenditures for new residential construction 1964–2009

