



**WOLSELEY**

# 2015 Half Year Results



# Highlights

1. Improvement in like-for-like growth rate across Group
  - market share performance
  - service, product availability, sales force, customer propositions, marketing
2. Excellent growth in US – improving in rest of Group
3. Gross margin progress remains tough
  - Initiatives gaining traction
  - End customer mix – new residential/commercial
  - UK heating market
4. Continued investment in share gains and efficient business model
5. Flow through in US very good – Europe disappointing
  - Increased investments to drive growth
  - Productivity management
6. Strategy unchanged– focus is on execution



# Operating and Financial Review

John Martin, Chief Financial Officer



# Financial highlights

	<b>H1 2015</b>	H1 2014 Restated**	Change	Change (at constant exchange rates)	Like-for-like Change
Ongoing revenue	<b>£6,435m</b>	£5,910m	+8.9%	+10.3%	+7.8%
Ongoing trading profit*	<b>£390m</b>	£351m	+11.1%	+12.0%	
Ongoing trading margin %*	<b>6.1%</b>	5.9%	+0.2%		
Headline earnings per share*	<b>103.6p</b>	91.4p	+13.3%		
Ordinary dividend per share	<b>30.25p</b>	27.50p	+10.0%		
Net debt	<b>£1,221m</b>	£927m			

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

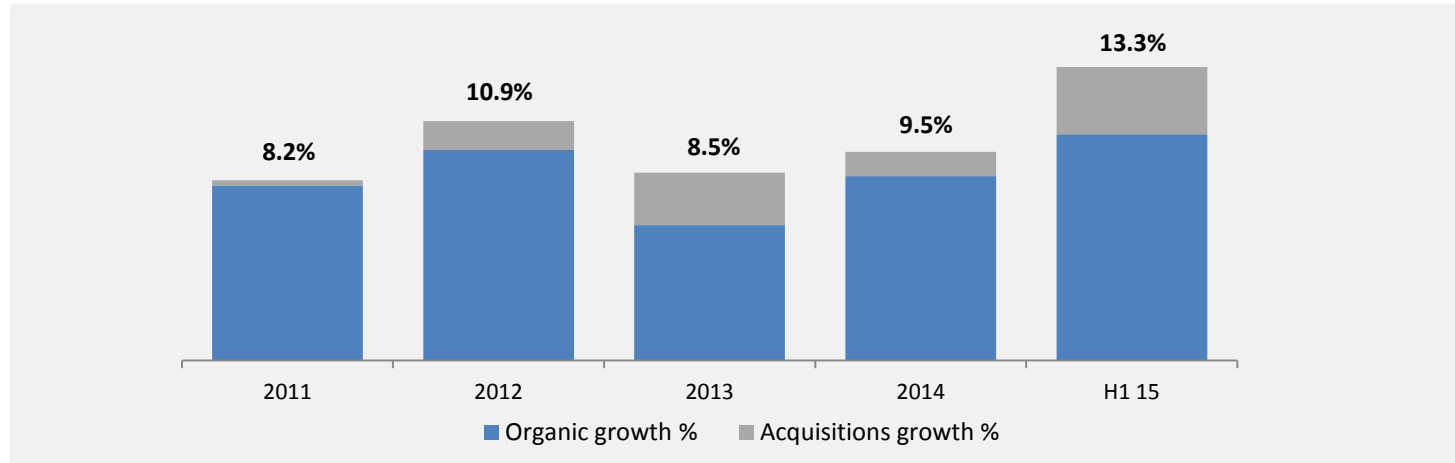
\*\* H1 2014 restated to exclude the results of businesses that have been disposed of, closed, held for sale or classified as discontinued operations

# USA (76% of Group trading profit)



£m	H1 2015	H1 2014	Change	Change (at constant exchange rates)
Revenue	<b>3,912</b>	3,418	+14.5%	+13.3%
Like-for-like growth	<b>11.7%</b>	6.3%	+5.4%	
Trading profit	<b>311</b>	252	+23.4%	+21.9%
Trading margin	<b>7.9%</b>	7.4%	+0.5%	
Branches	<b>1,391</b>	1,358	+33	
Headcount	<b>21,248</b>	19,135	+11.0%	

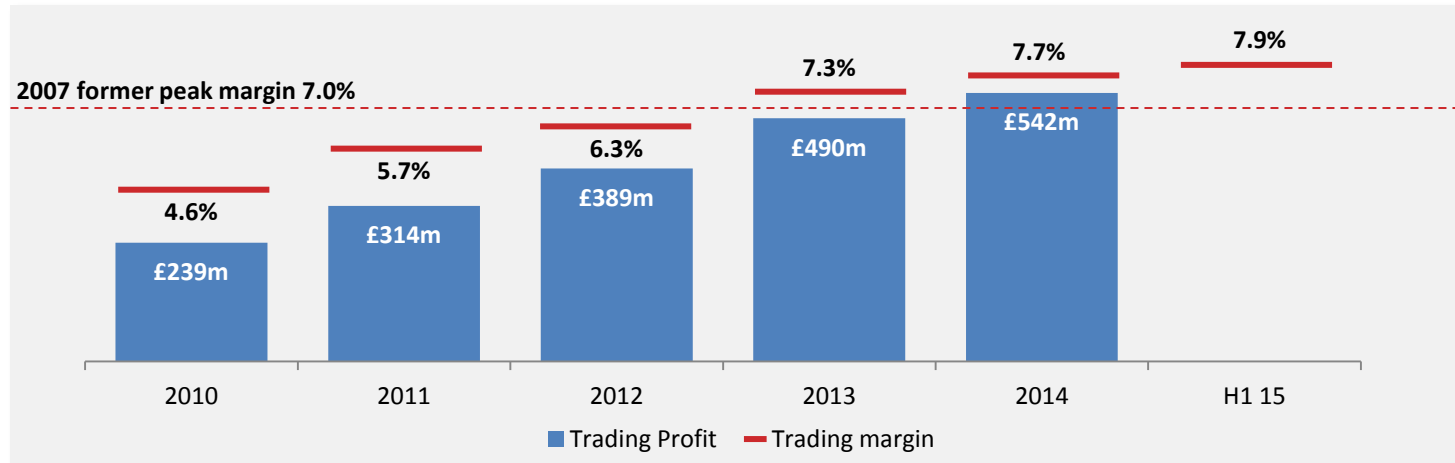
# USA revenue growth



- 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 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% sales
- Continuing to invest in improving efficiency of the business model
- Clear focus on productivity

Continue to drive productivity beyond earlier peak trading margin (7.0%)

## Canada (6% of Group trading profit)

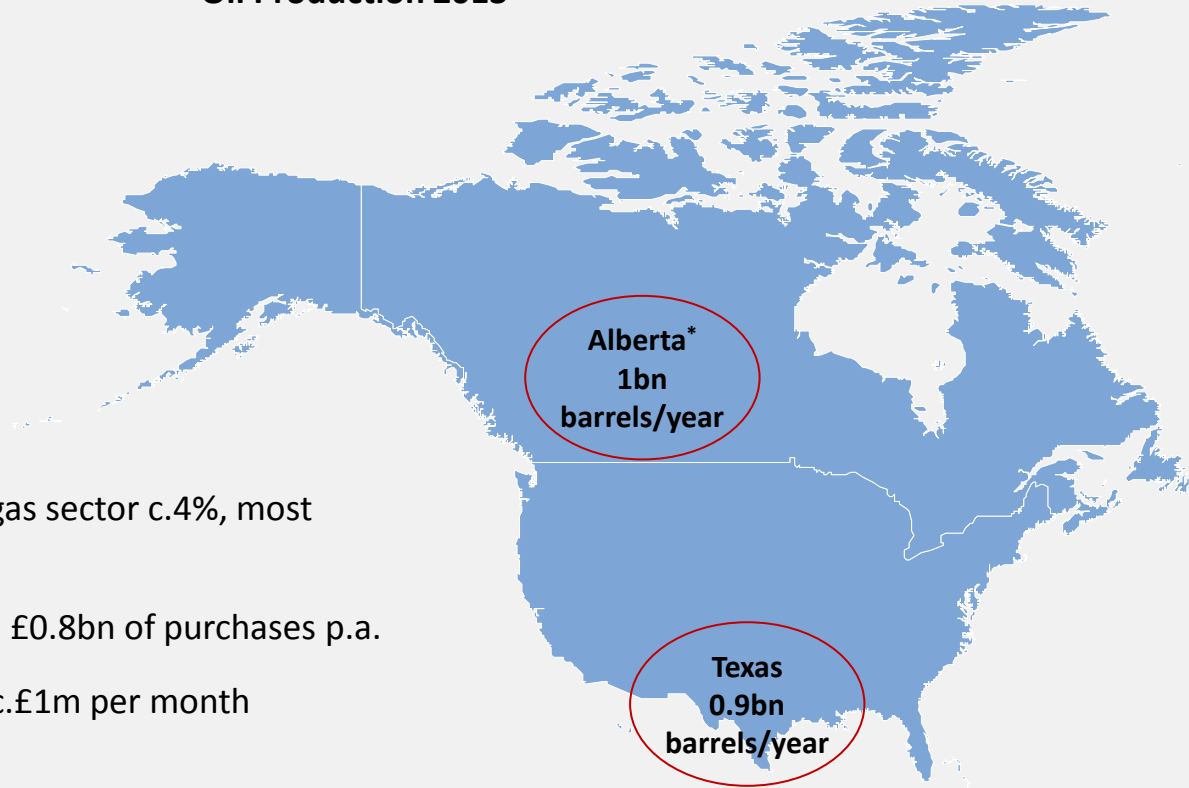


£m	H1 2015	H1 2014	Change	Change (at constant exchange rates)
Revenue	<b>388</b>	406	(4.4%)	+2.2%
Like-for-like growth	<b>1.8%</b>	(1.9%)	+3.7%	
Trading profit	<b>23</b>	24	(4.2%)	+5.0%
Trading margin	<b>5.9%</b>	5.9%	-	
Branches	<b>232</b>	222	+10	
Headcount	<b>2,515</b>	2,461	+2.2%	



# Impact of oil

## Oil Production 2013



- Direct sales to oil and gas sector c.4%, most significant in Canada
- Deflationary impact on £0.8bn of purchases p.a.
- Fuel costs reduced by c.£1m per month

Expect little overall Group impact

## UK (10% of Group trading profit)



£m	H1 2015	H1 2014	Change	Change (at constant exchange rates)
Revenue	<b>984</b>	943	+4.3%	+4.3%
Like-for-like growth	<b>1.9%</b>	3.2%	(1.3%)	
Trading profit	<b>43</b>	48	(10.4%)	(10.4%)
Trading margin	<b>4.4%</b>	5.1%	(0.7%)	
Branches	<b>762</b>	759	+3	
Headcount	<b>6,049</b>	5,835	+3.7%	

## Nordic (5% of Group trading profit)



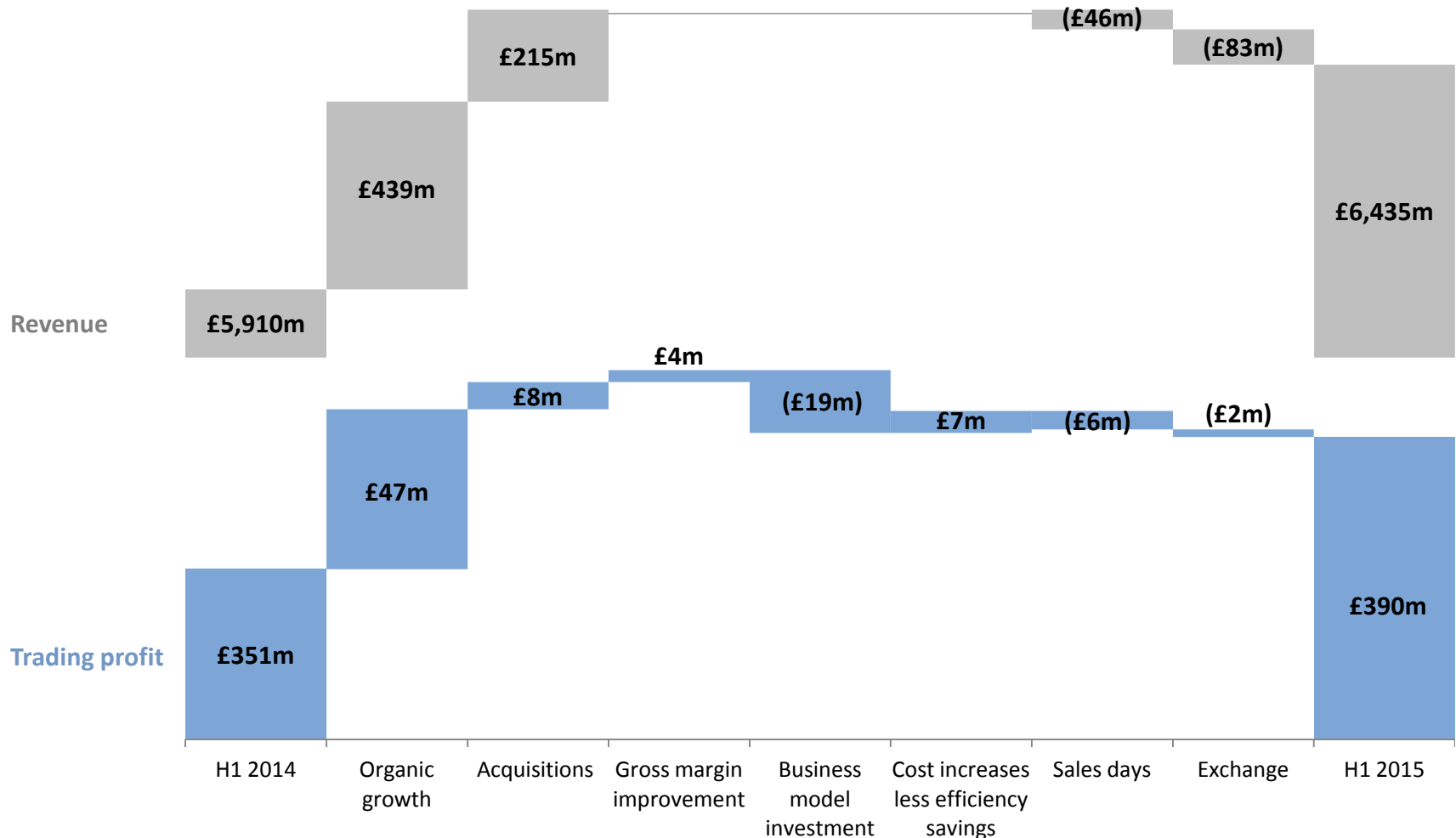
£m	H1 2015	H1 2014	Change	Change (at constant exchange rates)
Revenue	<b>936</b>	913	+2.5%	+11.3%
Like-for-like growth	<b>3.3%</b>	(1.2%)	+4.5%	
Trading profit	<b>22</b>	32	(31.3%)	(23.7%)
Trading margin	<b>2.4%</b>	3.5%	(1.1%)	
Branches	<b>258</b>	233	+25	
Headcount	<b>5,736</b>	5,357	+7.1%	

## Central Europe (3% of Group trading profit)



£m	H1 2015	H1 2014	Change	Change (at constant exchange rates)
Revenue	215	230	(6.5%)	(2.1%)
Like-for-like growth	(1.5%)	(1.9%)	+0.4%	
Trading profit	14	17	(17.6%)	(12.6%)
Trading margin	6.5%	7.4%	(0.9%)	
Branches	77	73	+4	
Headcount	1,082	1,092	(0.9%)	

# Revenue and trading profit in the ongoing business



# Impairments, exceptionals & discontinued operations

£m	Impairments & discontinued	Exceptionals	Cash	Non-cash
Nordic impairment	(245)	-	-	(245)
France discontinued	(11)	(59)	(12)	(58)
Gains on disposal / other	-	8	8	-
Foreign exchange recycling	-	(5)	-	(5)
	(256)	(56)	(4)	(308)

- France discontinued revenue £313m, trading loss of £11m
- Assets held for sale include £63m working capital likely to crystallise a loss on disposal

# Central costs, financing and tax

£m	H1 2015	H1 2014 Restated*
<b>Central costs</b>	<b>23</b>	22
<b>Financing</b>		
P&L charge	18	13
Exceptionals (FX recycling)	(5)	-
Underlying P&L charge	13	13
<b>Tax</b>		
P&L charge	91	87
Exceptionals, intangibles & non-recurring items	15	6
Underlying P&L charge	106	93
Effective tax rate	28.1%	27.5%

\* H1 2014 restated to present the French businesses as discontinued operations

# Cash

£m	H1 2015	H1 2014 Restated*
EBITDA before exceptionals	<b>444</b>	393
Seasonal working capital outflow	<b>(274)</b>	(303)
Exceptionals and other	<b>(21)</b>	1
Cash flow from operating activities	<b>149</b>	91
Disposals	<b>44</b>	14
Interest & tax	<b>(124)</b>	(114)
Acquisitions & capex	<b>(144)</b>	(109)
Dividends & buybacks	<b>(358)</b>	(417)
FX & other items	<b>(77)</b>	19
	<b>(510)</b>	(516)

\* H1 2014 restated to present the French businesses as discontinued operations



# Acquisitions

Rationale	Example
Adjacent business expansion	
New channels	
Bolt-ons	

# Organic investment

£m	H1 2015 Capex	H1 2015 Opex
Technology		
- Network infrastructure	7	3
- Processes and systems development	32	13
	39	16
Freehold DCs and hubs	37	1
Branch expansion, showrooms and refurbishment	40	2
	116	19

# Capital structure

	<b>31 Jan 2015</b>	31 July 2014	31 Jan 2014
Net debt*	<b>£1,221m</b>	£801m	£927m
Net pension assets / (liabilities)	<b>(£84m)</b>	£7m	£1m
Committed facilities	<b>£2.3bn</b>	£2.2bn	£2.4bn
Interim dividend +10%	<b>30.25p</b>	-	27.50p

Share buyback programme: bought 6.5m shares for £214m (average £32.81 per share)

\* 31 July 2014 adjusted by £90m reflecting the timing of payment runs

# Outlook for the second half

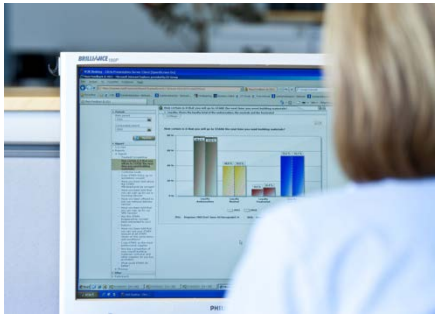
Expected like-for-like revenue growth over the next 6 months	<b>About 6%</b>
Opex investment in technology and processes	<b>£15m</b>
Restructuring costs to be charged to trading profit	<b>£10m</b>
Trading days compared to H2 last year	<b>One more day</b>
Impact of restating last years H2 trading profit at current FX rates	<b>+£26m</b>
Effective tax rate	<b>28%</b>
Capital investment in the second half	<b>£100m - £110m</b>
Working capital investment	<b>12 - 13% of incremental sales</b>
Net debt / EBITDA	<b>Within 1x to 2x</b>

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# Business Review and Strategy Update

Ian Meakins, Chief Executive



# Wolseley Strategy

## Re-cap

1. Develop our great portfolio of strong businesses
2. Drive performance systematically across Group
3. Accelerate profitable growth
4. Drive evolution of business model
5. Deliver Group synergies
6. Underpin strategy with strong balance sheet

# Wolseley Strategy

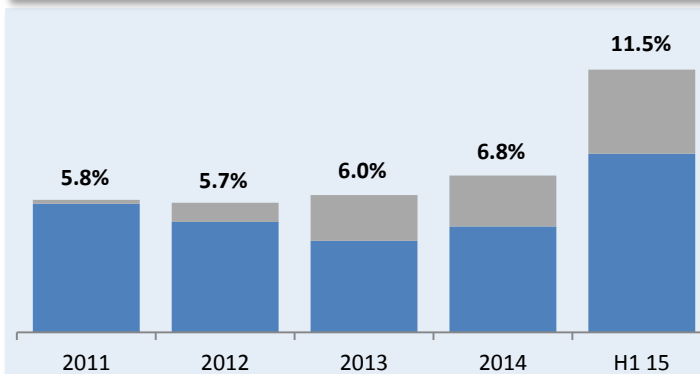
## Re-cap

1. Develop our great portfolio of strong businesses
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4. Drive evolution of business model – benefits of scale
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# Revenue growth

## Group ongoing

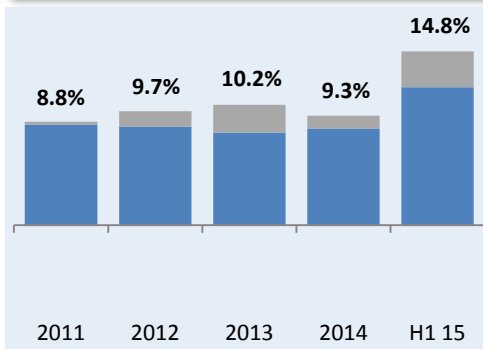


### Key:

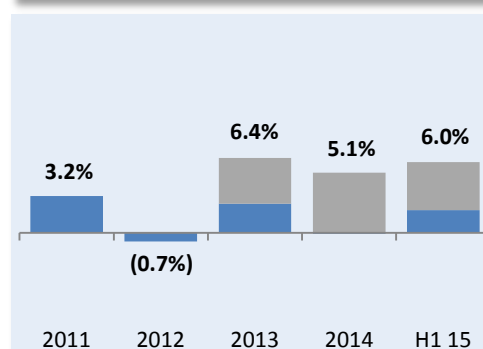
- Like for like revenue growth %
- Acquisition revenue growth %

## Growth principally driven by:

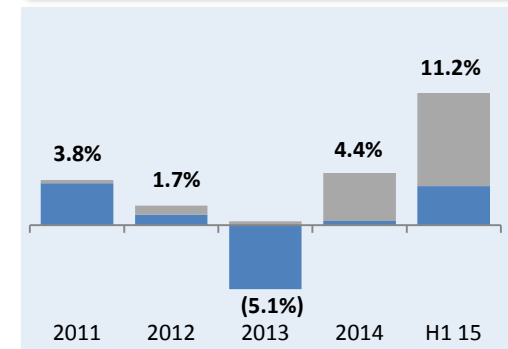
### US (61%)



### UK (15%)



### Nordic (15%)



# Accelerating profitable growth

## Customer service

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

## Employee engagement

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

## Network expansion

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

## Customer segmentation

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

## Sales management

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

## Pricing management

- Competitive and consistent
- Structured
- Charge for services

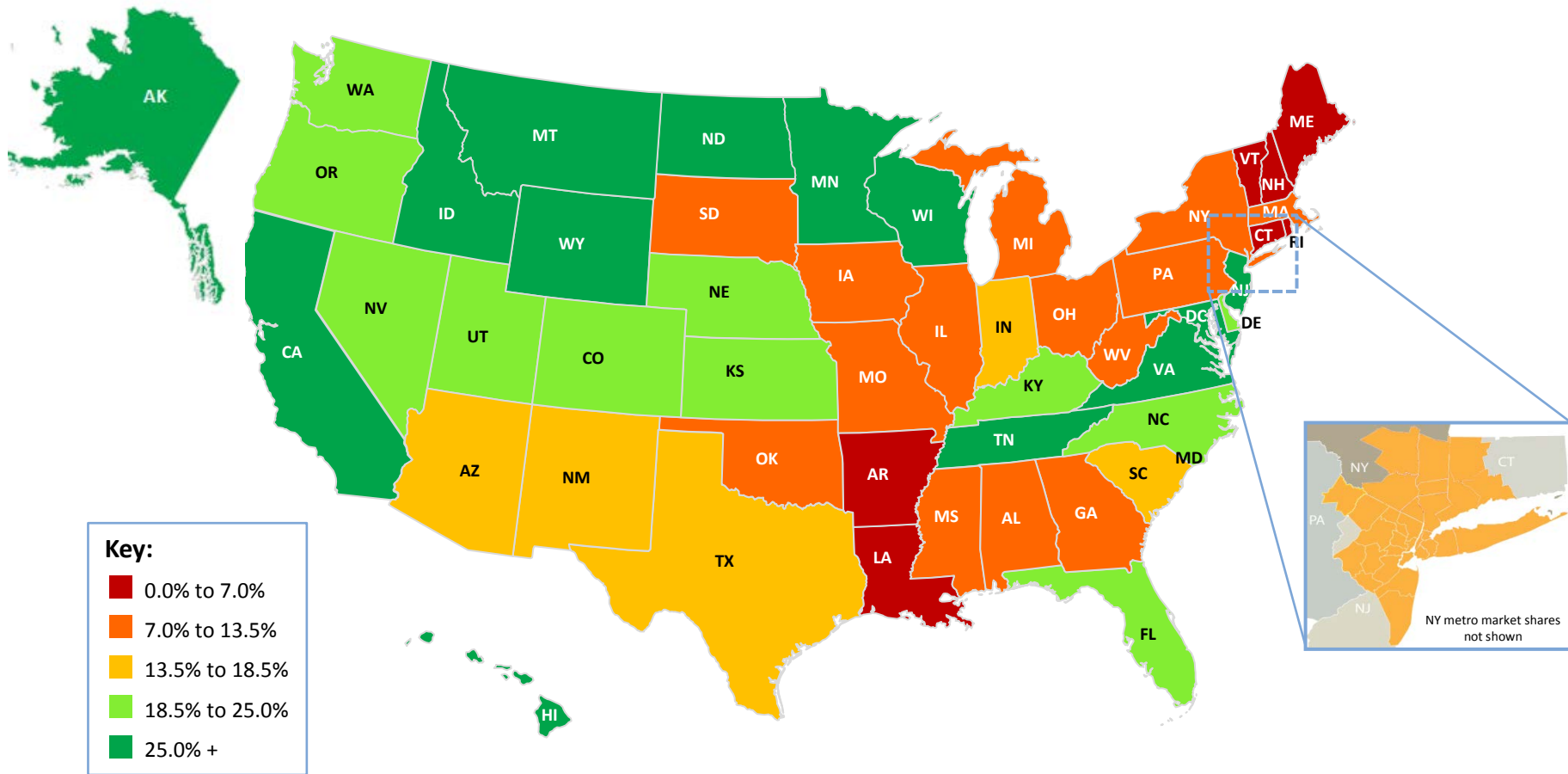


- Increased wallet share
- Regain lost customers
- Gain new customers

# Network Expansion – New York Metro Area

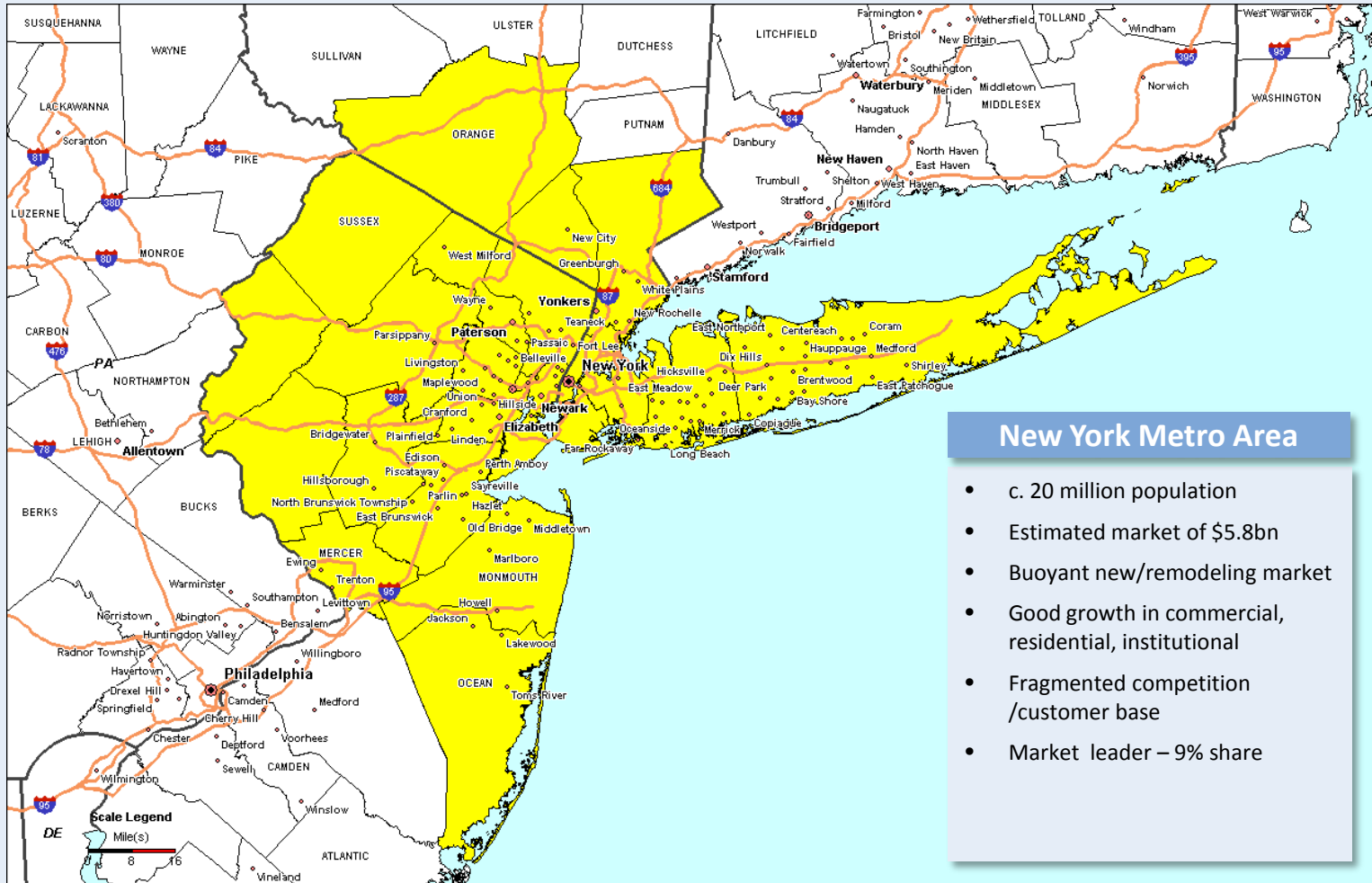
## US Market Share by state

US Blended Branches market share by state H1 2015\*

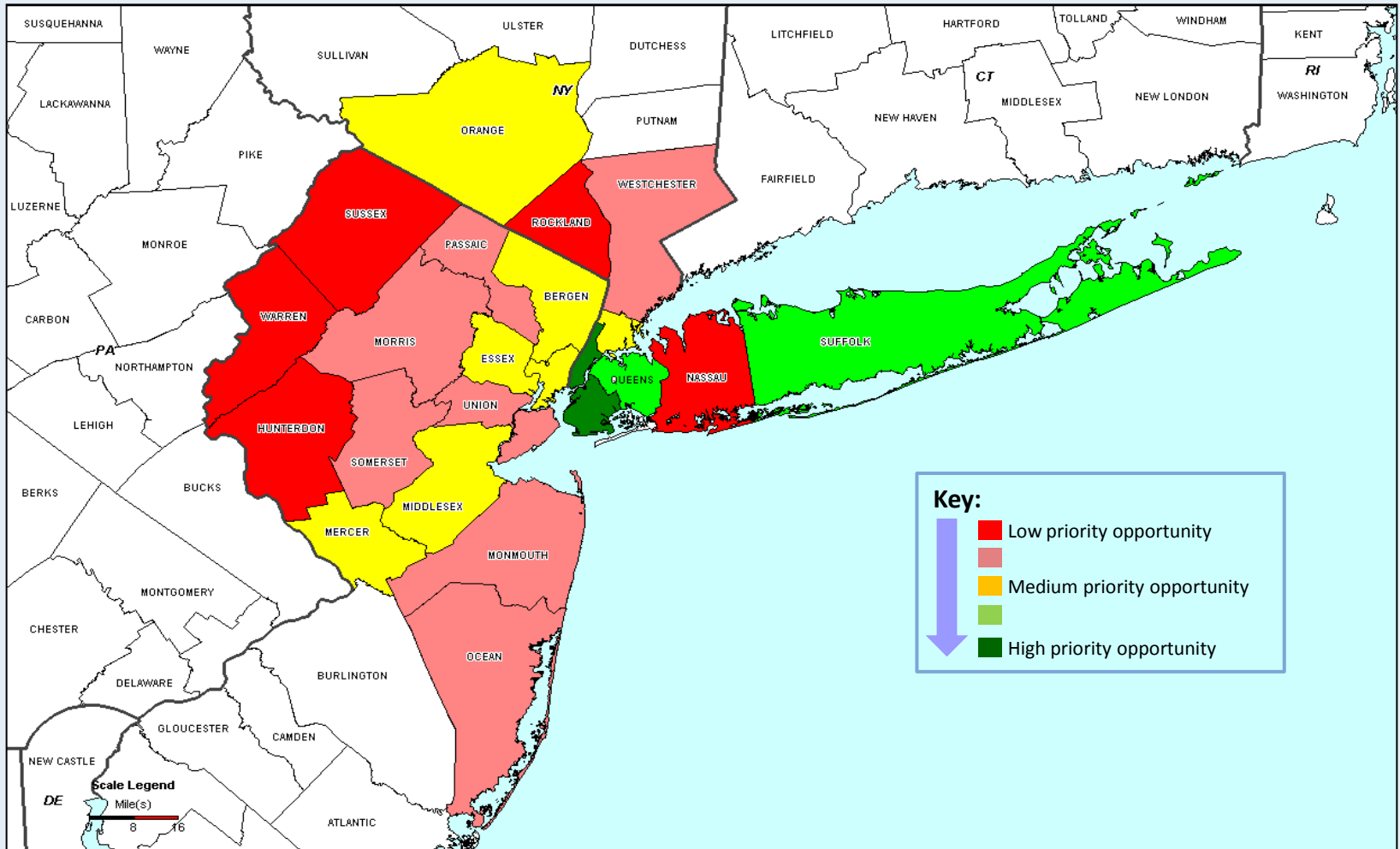


\* Company estimates

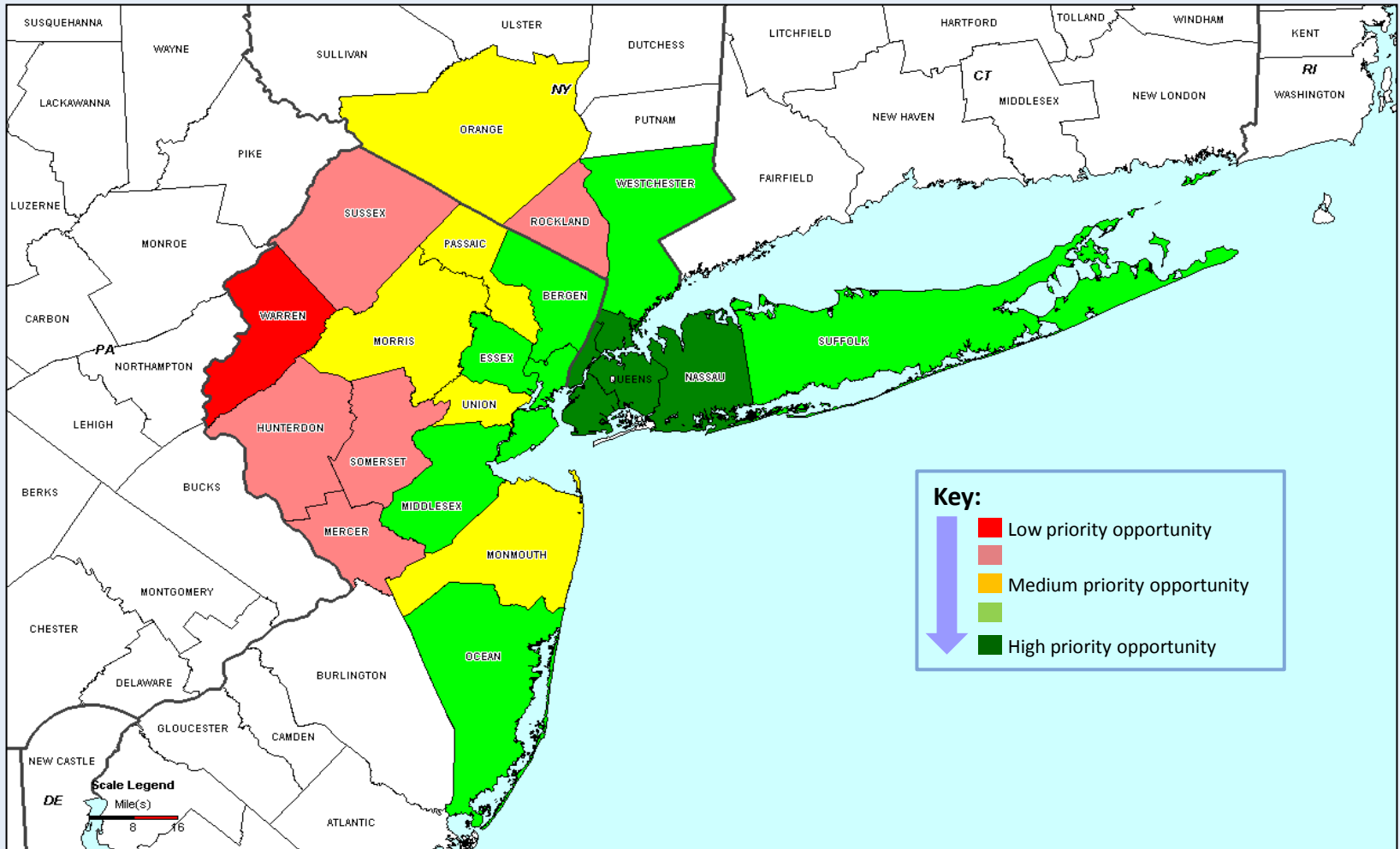
# Network Expansion – New York Metro Area



# Network Expansion – New York Metro Area Plumbing and Heating Commercial Market Opportunity

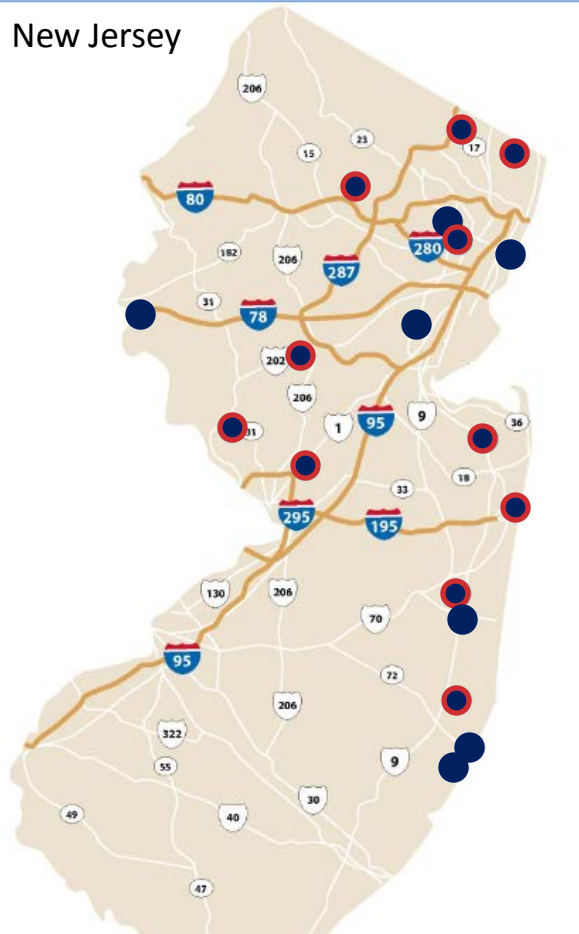


# Network Expansion – New York Metro Area Waterworks Market Opportunity



# Local Network Expansion – New York Metro Area

## Branch network in 2012

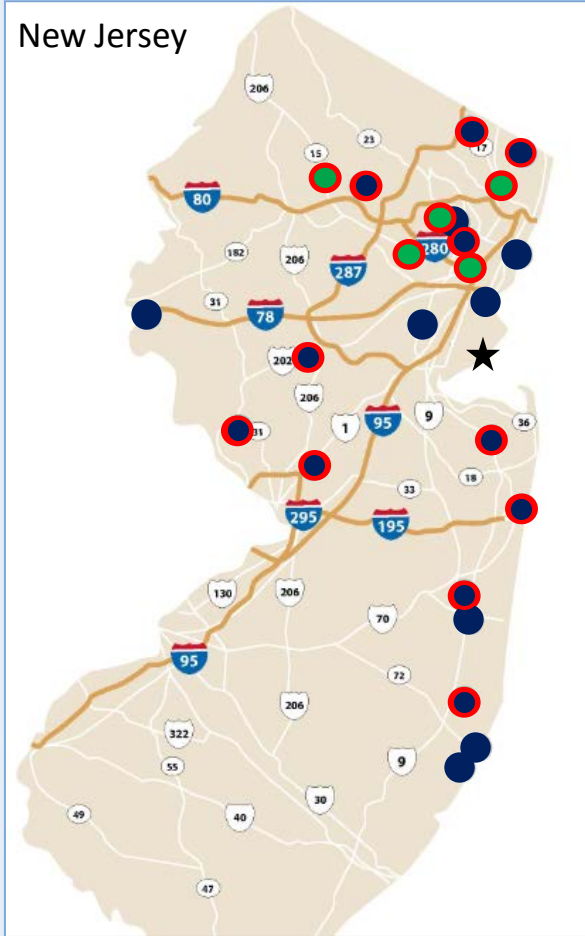


- 22 Branches
- 12 Showrooms
- DC Front Royal, VA (c. 300 miles)
- Revenue \$270m
- Market share 5%

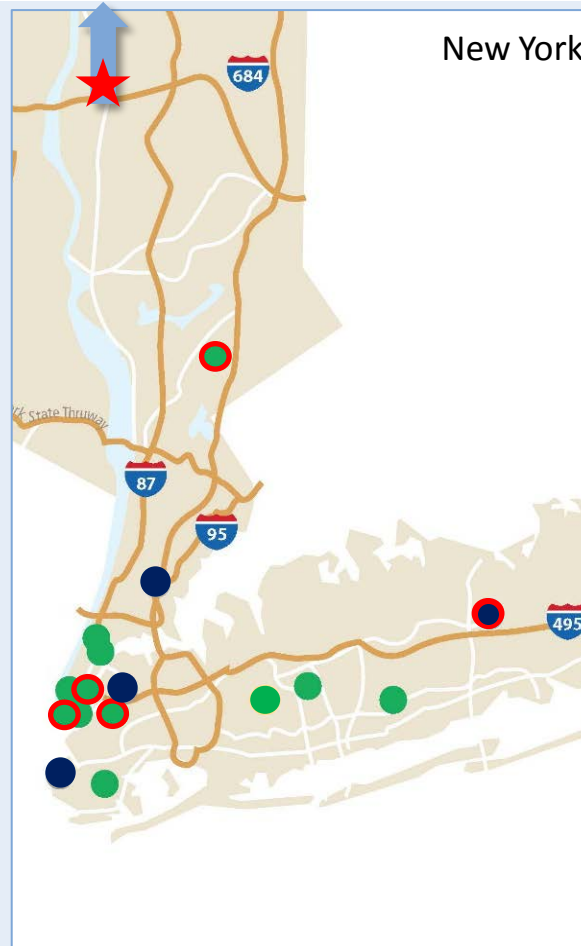
● Branch location    ○ Showroom location

# Local Network Expansion – New York Metro Area Branch network 2015

New Jersey



New York



- 40 Branches
- 21 Showrooms
- Low cost logistics from ship hub and DC
- Revenue \$500m
- Market share 9%

● Branches in 2012   
 ○ Showroom   
 ● New branches   
 ★ New Ship Hub   
 ★ New DC (Cocksackie, NY)



# New York Metro Strategy

- Growth opportunities for each customer type by line of business at the zip code level
- Managed branch network serving core blended and adjacent businesses
- Extension of branch footprint by a combination of organic and bolt-on acquisitions:
  - Davis & Warshow (2012)
  - Karl's Appliance (2013)
  - Pollardwater (2014)
- Realignment of local management structure to specific customer segments
- Development of shared, integrated business model provides best availability and service at lowest cost:
  - NY Ship Hub, Secaucus NY (March 2015)
  - North East DC, Cocksackie NY (Autumn 2015)
  - Call centre based in Lakewood, NJ with 34 people serving NY metro area

**Detailed plans being developed in 19 other US markets**

# Accelerating profitable growth

## Customer service

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- Speed of service
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- Price

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## Customer segmentation


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

## Sales management

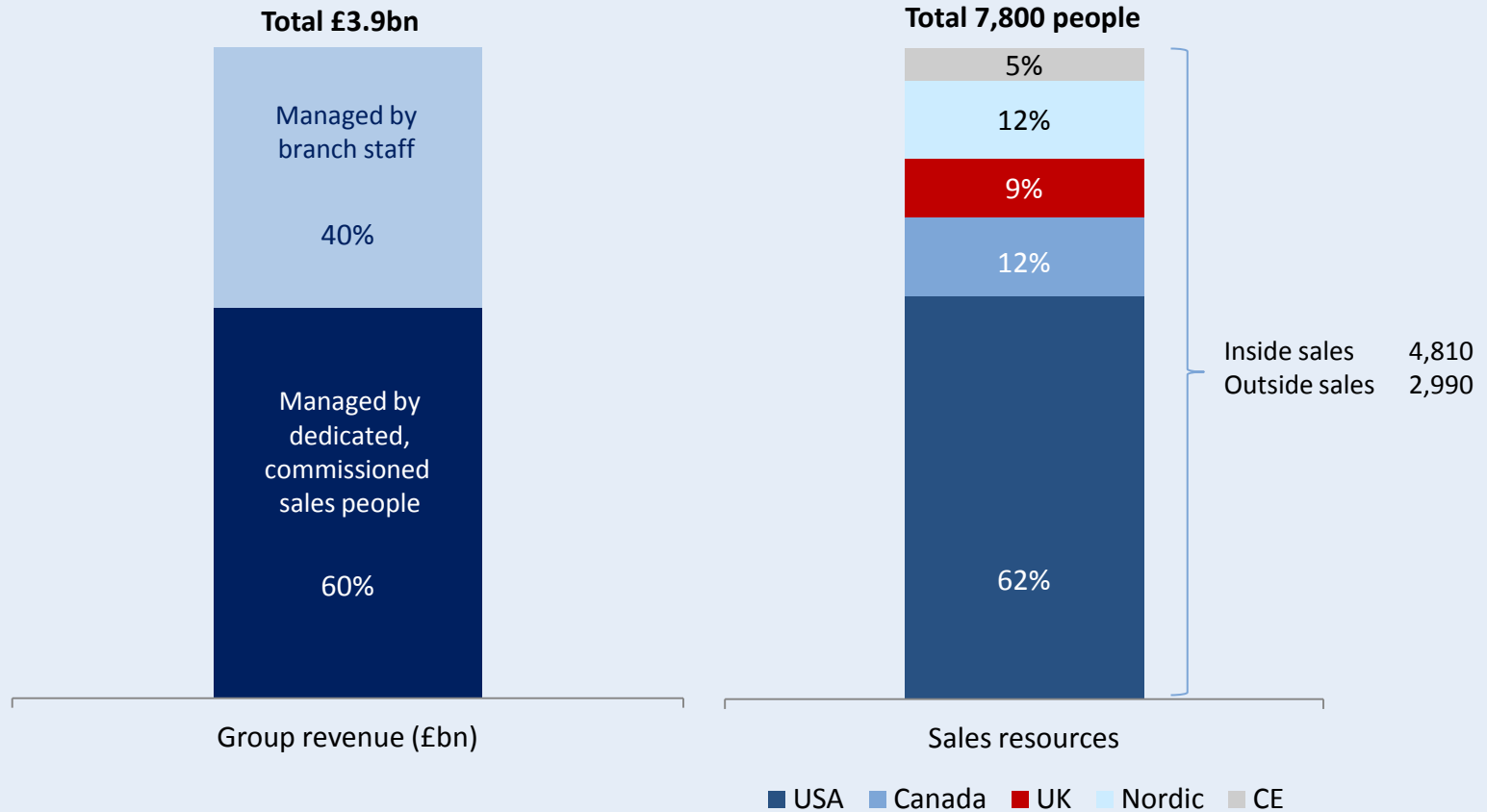
- Winning bids
- Problem solving/advice
- Sales resources
- Efficiency/productivity
- Competitive advantage

## Pricing management

- Competitive and consistent
- Structured
- Charge for services

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

# Sales management



# Sales management

## Customer Benefits

### Winning bids

- Tailored propositions
- Technical specifications
- Lower cost solutions
- Support from suppliers

### Problem solving/advice

- Long term relationships

## Effectiveness/Efficiency

### Sales resources

- Customers covered
- Size and mix of sales teams

### Efficiency/productivity

- Number of calls
- Effectiveness of calls
- Pipeline management
- CRM implementation
- Reward and retention

## Wolseley Benefits

### Competitive advantage

- Wallet share gains
- New customers at lower cost
- Profitable share gain

# US sales management dashboard

## Sales Team KPIs

### Sales Productivity KPIs

Salesrep	Last Month		Fiscal Year to Date				
	Sales to Budget	GP to Budget	Sales to Budget	GP to Budget	# of Customers	Sales / Cust	GP / Cust
Rep A	82.1%	79.1%	83.7%	83.8%	65	\$14,872	\$3,666
Rep B	109.0%	128.3%	98.0%	114.4%	48	\$31,624	\$7,300
Rep C	97.2%	86.2%	102.1%	89.2%	47	\$42,897	\$9,980
Rep D	117.8%	111.9%	109.3%	104.2%	46	\$24,759	\$5,819
Rep E	95.3%	99.5%	92.9%	98.4%	57	\$20,730	\$4,710
Rep F	98.1%	101.7%	93.0%	97.3%	43	\$21,326	\$4,951
Overall	99.8%	100.3%	97.0%	97.4%	306	\$25,750	\$4,979

District Averages		
Cust / Slim	Sales / Cust	GP\$ / Cust
87	\$39,138	\$7,399

## Customer Sales and Budget by Product Group

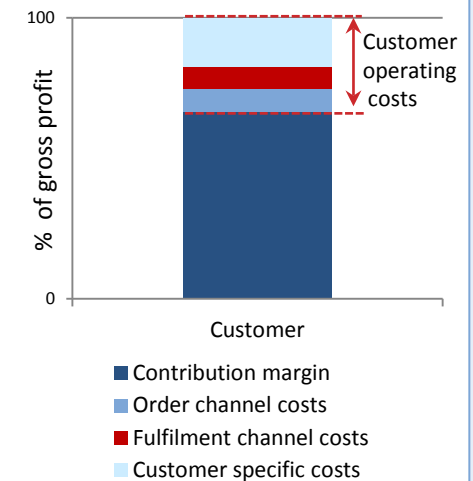
Report for: Customer A    Report Current Through: March 2015

Comp Plan Group	Fiscal Year to Date Results				
	Sales	Avg Cost GP	GP%	Sales Growth	GP% Change
CORE	\$198,788	\$23,794	12.0%	13.4%	-2.1%
GROWTH	\$193,364	(\$7,768)	-4.0%	11.7%	-0.1%
STRATEGIC	\$62,860	\$15,895	19.2%	9.4%	4.4%
Total	\$475,012	\$31,921	6.7%	12.0%	-0.1%

Product Group	Fiscal Year to Date Results				
	Sales	Avg Cost GP	GP%	Sales Growth	GP% Change
FAUCETS - BRASS PRODUCT	\$156,227	(\$3,433)	-2.2%	28.6%	2.0%
FIXTURES	\$73,603	\$7,880	10.7%	68.5%	4.6%
OTHER	\$60,828	\$6,462	10.6%	48.8%	-7.1%

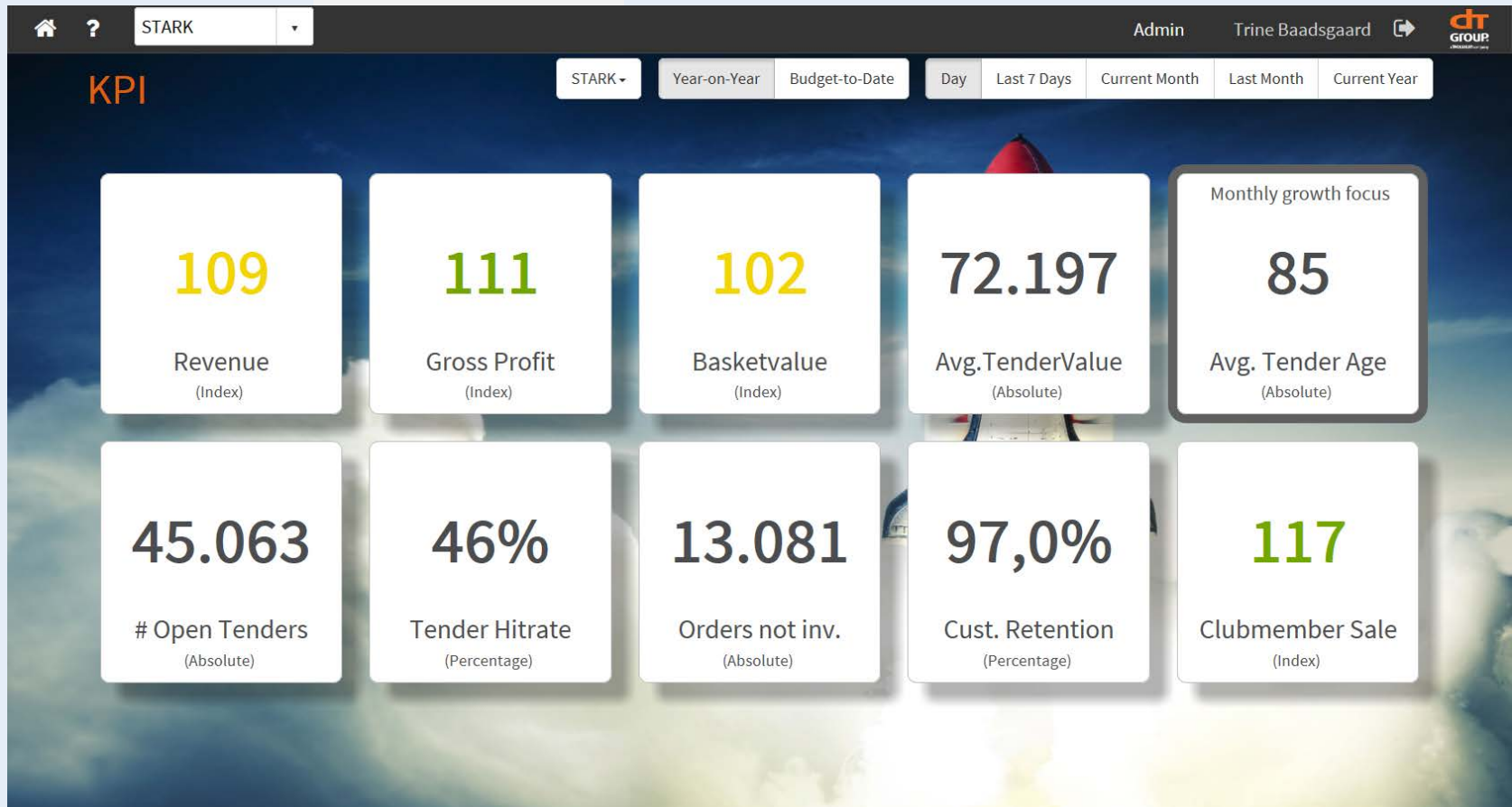
Benchmark sales performance by salesman and by customer/product mix vs. best performance

## Customer profitability



Profitability data by customer dependent on mix / channel and services required

# Nordic – Daily sales performance dashboard

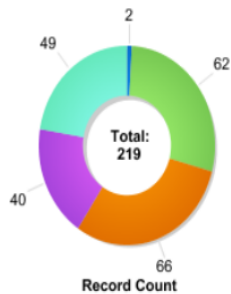


# UK – Sales pipeline management

## Number of new quotes

This Month Quotes Assigned to Pipeline (>£5k)

[Click Here for Full Report](#)



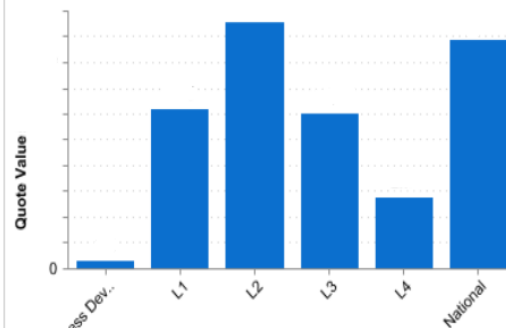
Account: Account Owner Region



## Value of new quotes

Salestrack Account Quotes Raised This Month (>£5k)

[Click Here for Full Report](#)

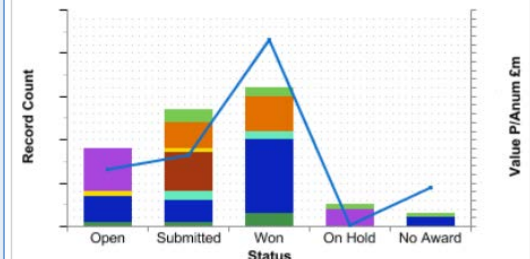


Account: Account Owner Region

## Current tender pipeline

Total Tenders Currently Managed

[Click Here for Full Report](#)



Submission Type



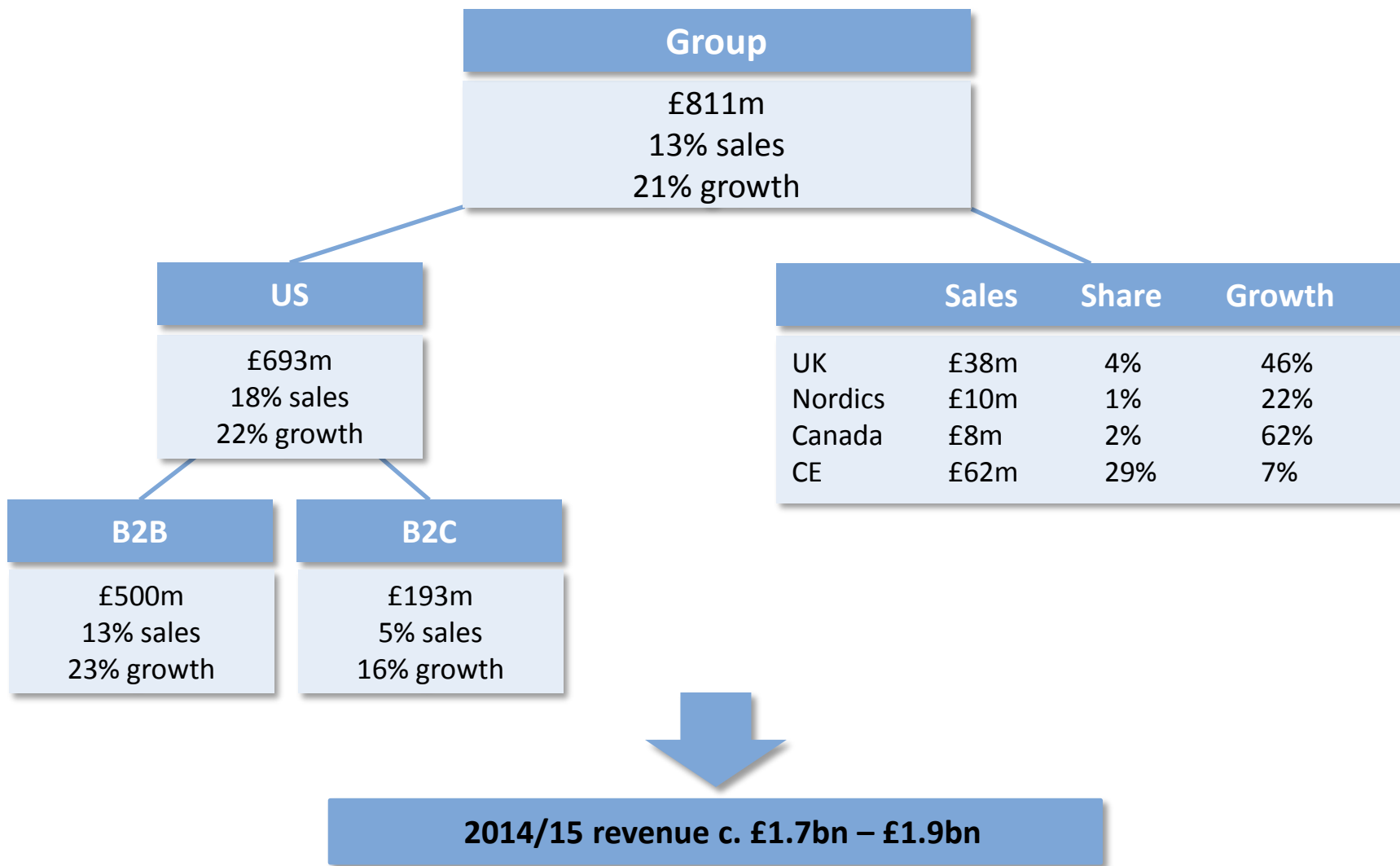
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- E-commerce
5. Deliver Group synergies
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# E-commerce



# B2B e-commerce

## Customer Benefits

- 24/7 – self service
- Product / availability
- Pricing consistency and comparison
- Product technical specifications
- Flexibility of fulfilment

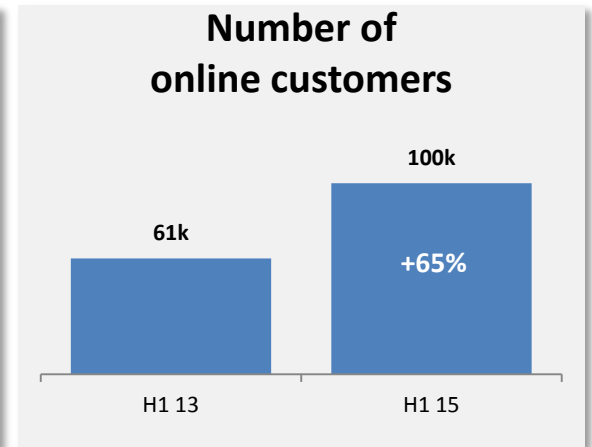
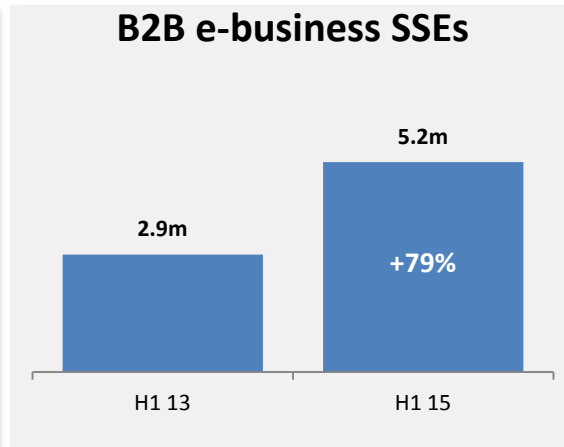
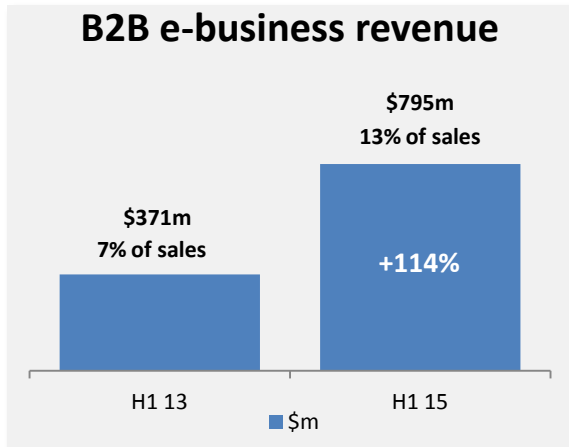
## Investment

- Investment in platforms / processes / data management / product specifications
- Dedicated e-commerce teams
- Click and collect
- Benchmark vs. best-in-class

## Wolseley Benefits

- Very satisfied customers – NPS 73
- Marginally better basket size / gross margins
- Better work flow
- Competitive advantage vs. smaller local players
- Scale – lower cost to serve

# US B2B e-business



Predominantly switch from other order channels



Improves productivity



Dedicated teams converting customers

# US B2B e-business

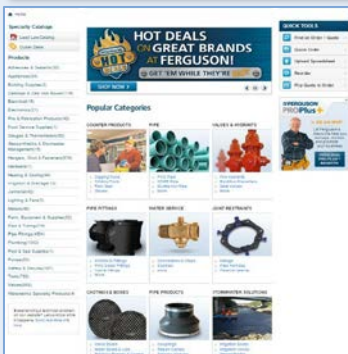
## Easy to use website:

- Predictive search
- Multiple my lists function
- Electronic proof of delivery
- Online bill pay

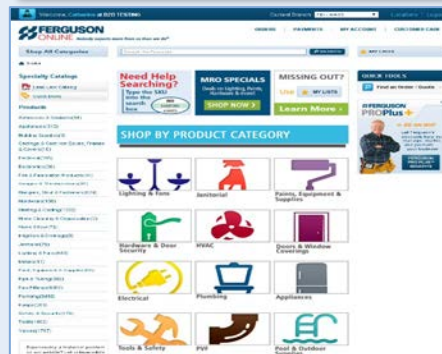


## Personalised profile by customer segment

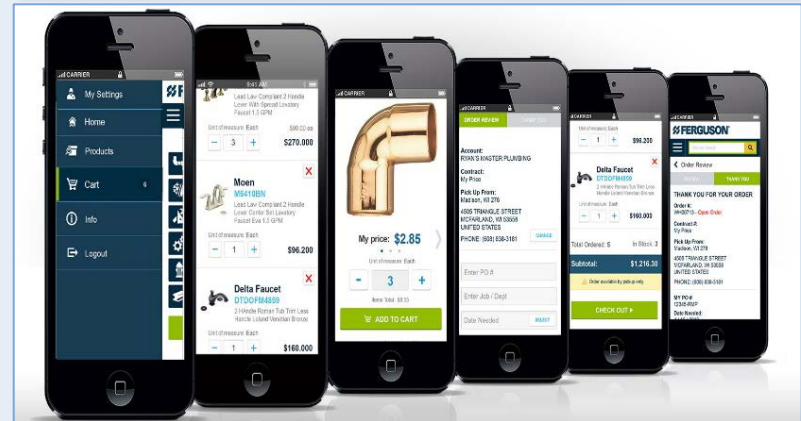
### Waterworks



### Facilities Maintenance



## Transactional mobile site

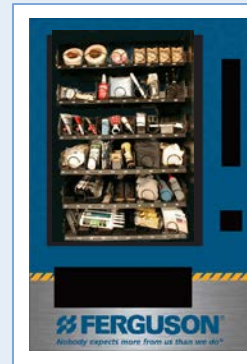


# US B2B e-business

## Inventory replenishment



## Dispensing



## E-trading with large customers

- Interface with major software platforms
- Seamless ordering and account management process
- Industry leading e-business solutions
- Improved customer service
- Lower cost to serve

## Campaign testing & optimisation

**FERGUSON PRO Plus+**

**» BE AN MVP**

Let Ferguson's discounts help you manage, market, and promote your business

**FERGUSON PRO PLUS™ BENEFITS**

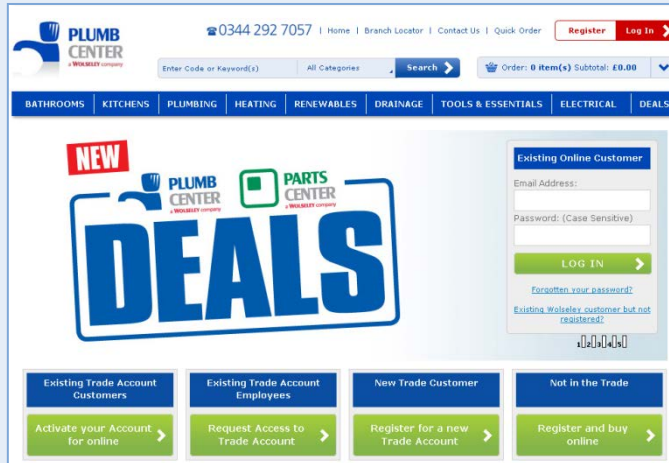
**Score Points for Free Stuff**

**REGISTER NOW**

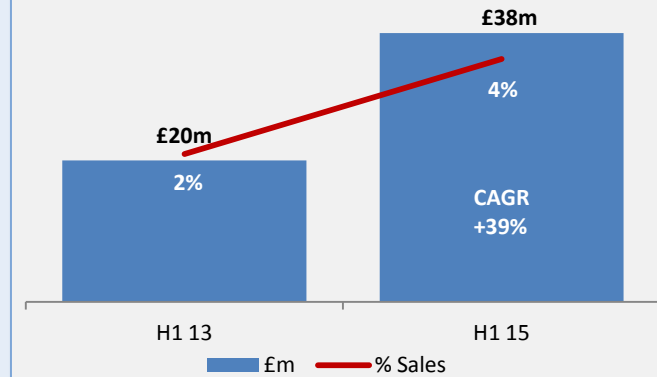
**Score Points for Free Stuff**

**REGISTER NOW**

# UK B2B e-business



## UK B2B e-business revenue



## Conversion of large customers



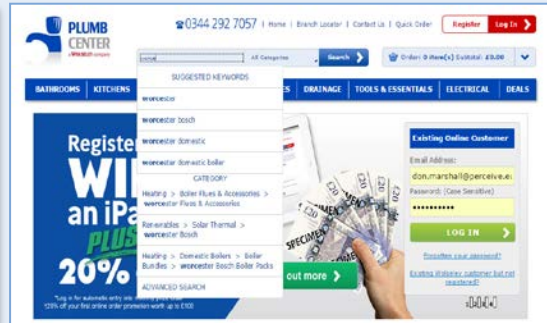
## E-trading with large customers

- Seamless ordering and account management process
- Industry leading e-business solutions
- Improved customer service
- Lower cost to serve

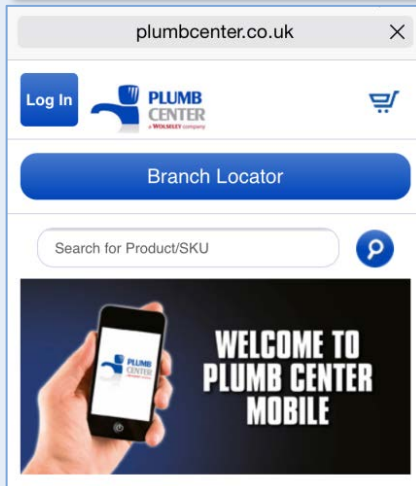
# UK B2B e-business

Re-platformed the website to improve usability:

- Predictive search
- Quicker checkout
- My lists function



Transactional mobile site launched Dec-14



Open trade cash account instantly



Click & Collect pilot started



# Tobler B2B e-business

## E-shop mobile



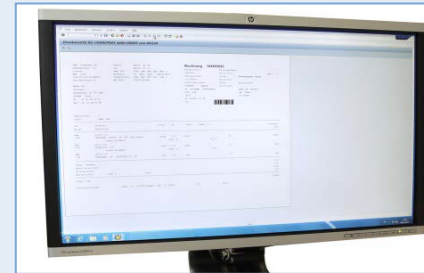
## Online flip catalogues



## E-ordering smart



## E-invoicing





# Summary

- Good set of results
  - Top line better and gross margins OK
  - Flow through – good in US – disappointing in Europe
- Attractive long term growth opportunities
  - Profitable share gains
    - Service, people, great execution
  - Build out expansion of our network
    - Key metro areas
  - Investing in sales and marketing management
    - Size/efficiency
  - Potential to generate better leverage
    - More “centralised”/productive business model
    - Investments incremental and low risk
- Deliver attractive returns for shareholders



# Appendices



# Regional analysis

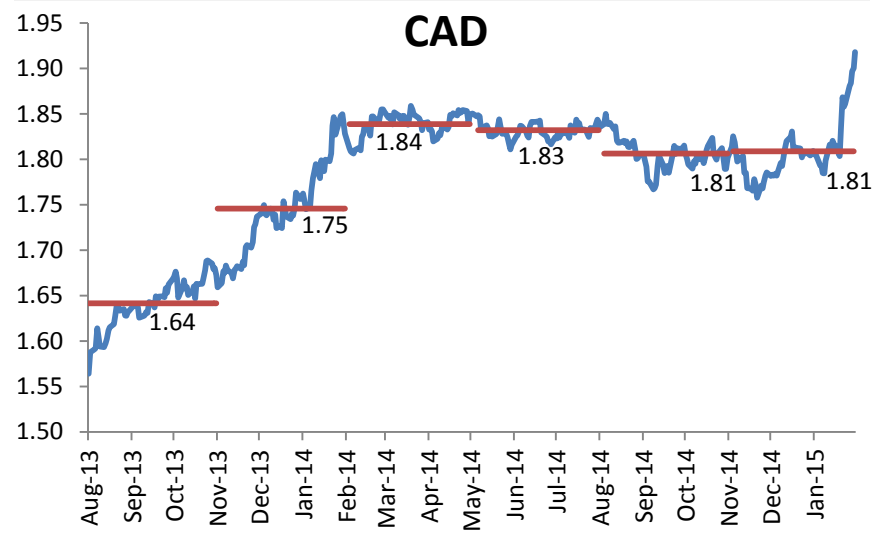
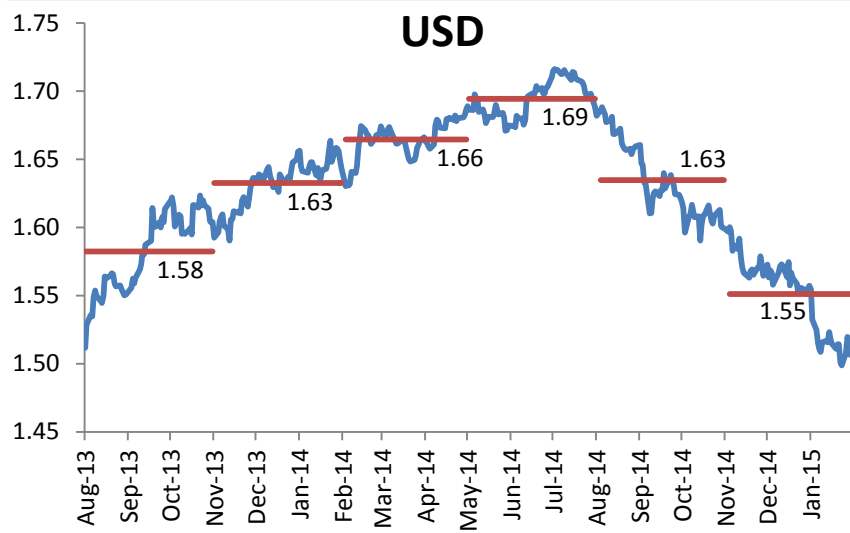
£m	Revenue H1 2015	Revenue H1 2014	Trading profit H1 2015	Trading profit H1 2014
<b>Ongoing</b>				
USA	<b>3,912</b>	3,418	<b>311</b>	252
Canada	<b>388</b>	406	<b>23</b>	24
UK	<b>984</b>	943	<b>43</b>	48
Nordic	<b>936</b>	913	<b>22</b>	32
Central Europe	<b>215</b>	230	<b>14</b>	17
Central and other costs	-	-	<b>(23)</b>	(22)
	<b>6,435</b>	5,910	<b>390</b>	351
<b>Sold or held for sale</b>				
USA	<b>7</b>	15	<b>(1)</b>	1
Nordic	-	24	-	(4)
Central Europe	-	118	-	3
	<b>7</b>	157	<b>(1)</b>	-
	<b>6,442</b>	6,067	<b>389</b>	351

# FX impact

	H1 2014 average rate	H1 2015 average rate	H1 2014 Trading profit £m	H1 2015 impact gain/(loss) £m
USD	1.61	1.59	252	3
CAD	1.69	1.81	24	(1)
EUR	1.19	1.27	8	(1)
Other			40	(3)
				<u>(2)</u>

	H2 2014 average rate	9-Mar 2015 spot rate	H2 2014 Trading profit £m	H2 2015 impact* gain/(loss) £m
USD	1.68	1.51	290	30
CAD	1.84	1.90	20	(1)
EUR	1.23	1.39	10	(1)
Other			39	(2)
				<u>26</u>

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



Source: Bloomberg

— Spot — Quarterly average

# Branch numbers

	As at 31 July 2014	Acquired	Opened	Closed, disposed of or held for sale	Ongoing at 31 Jan 2015
USA	1,377	17	16	(19)	1,391
Canada	222	1	11	(2)	232
UK	768	-	3	(9)	762
Nordic	267	-	1	(10)	258
Central Europe and France	244	-	2	(169)	77
Group	2,878	18	33	(209)	2,720

# Headcount numbers

	As at 31 July 2014	Acquired	Held for sale	Net joiners / (leavers)	Ongoing at 31 Jan 2015
USA	20,307	169	-	772	21,248
Canada	2,503	9	-	3	2,515
UK	5,978	-	-	71	6,049
Nordic	6,250	-	-	(514)	5,736
Central Europe and France	4,410	-	(3,324)	(4)	1,082
Other	109	-	-	(1)	108
Group	39,557	178	(3,324)	327	36,738

# Acquisitions

**Pollardwater™**

US Waterworks  
£9m Revenue  
Aug-14

**POWELL PIPE  
& SUPPLY CO.**

US Blended Branches  
£7m Revenue  
Sep-14

**CityLights**  
design showroom

US Blended Branches  
£3m Revenue  
Oct-14

**GOODMAN  
INDUSTRIAL**

Canada Industrial  
£7m Revenue  
Oct-14

**Global HVAC™**  
# A FERGLUSON ENTERPRISE

US HVAC  
£10m Revenue  
Nov-14

**McFarland  
Supply**

US Blended Branches  
£3m Revenue  
Dec-14

**SHIP PAC**

US Industrial (MRO)  
£18m Revenue  
Dec-14

**BAI** Appliance Center

US Blended Branches  
£18m Revenue  
Feb-15

**XL BYG.**  
GOR DET ORDENTLIGT

Stark  
£10m Revenue  
Feb-15

**The AR-JAY  
Center**

US Blended Branches  
£4m Revenue  
Feb-15

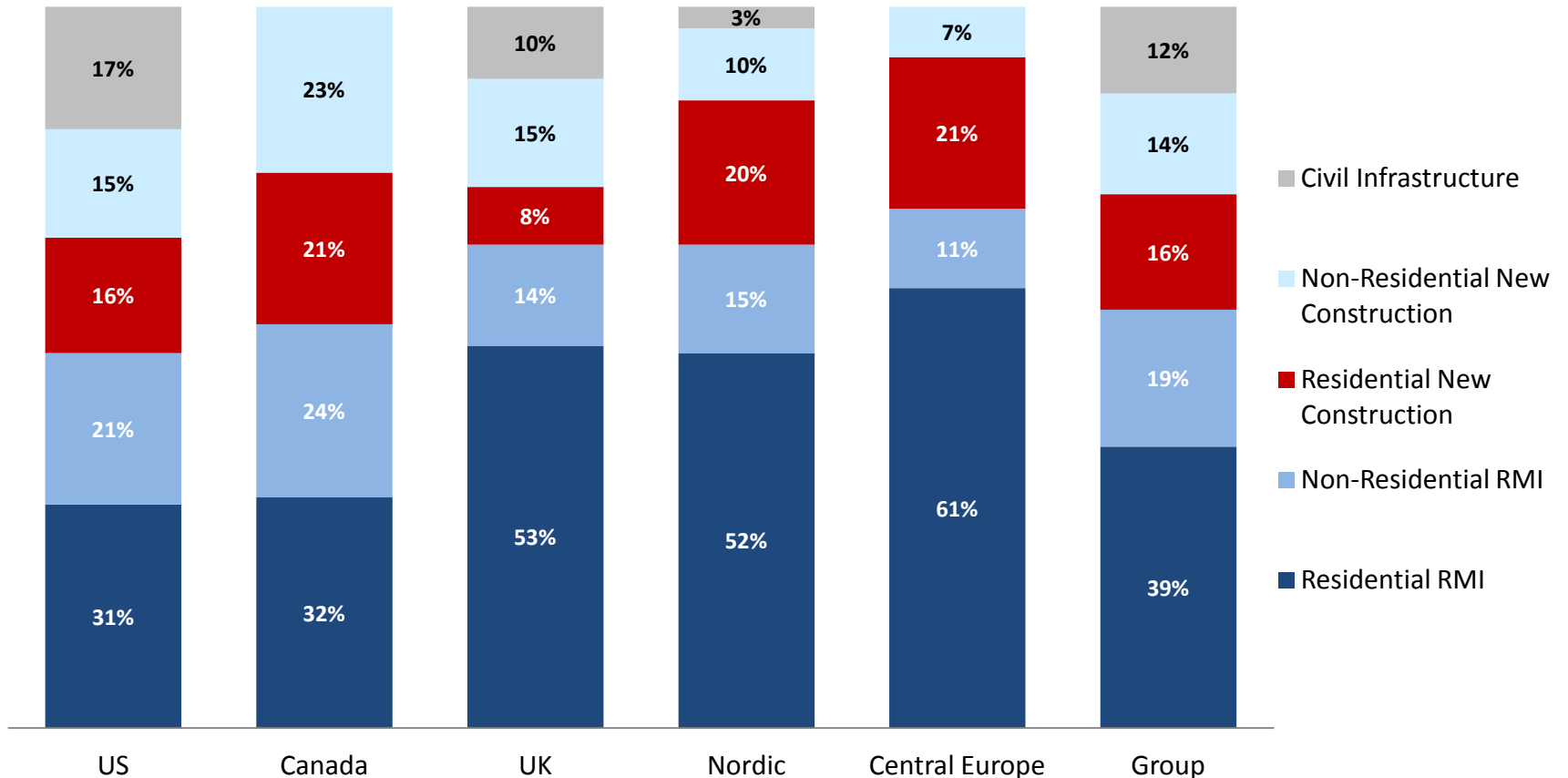
**BATH MPIRE™**  
LUXURY BATHROOMS FOR LESS

UK  
£26m Revenue  
Mar-15

**EQUARIUS**  
waterworks

US Waterworks  
£12m Revenue  
Mar-15

# Product destination analysis



Group: RMI 58%, New Residential 16%