

# Half Year Financial Results

for the six months ended 31 January 2009



## Wolseley Plc

**Strengthening the Group's balance sheet  
and positioning Wolseley for the future**

**6 March 2009**

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# Overview

*Comprehensive package to strengthen the balance sheet and position Wolseley for the future*

## Comprehensive financial restructuring

- Proposed firm placing and fully underwritten rights issue to raise aggregate net proceeds of approximately £1 billion
- Additional new committed 2 year debt facility of €1 billion available from August 2011
- Exit from the Stock business
- Clear strategic focus on core Wolseley businesses
- Continued attention to cost base and cash management

# Agenda

- Markets and strategy
- Management actions
- Share issue
- Debt facilities and covenants
- Half year financial results for six months ended 31 January 2009
- Summary



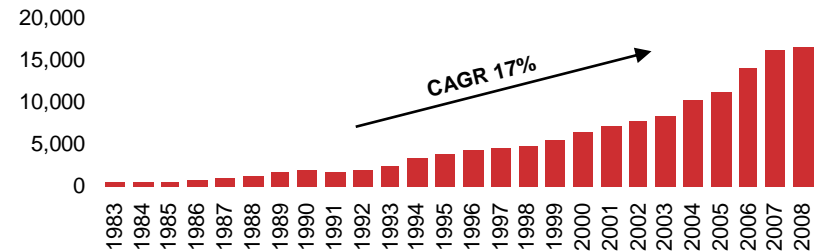
# Wolseley's markets and strategy

# Group overview

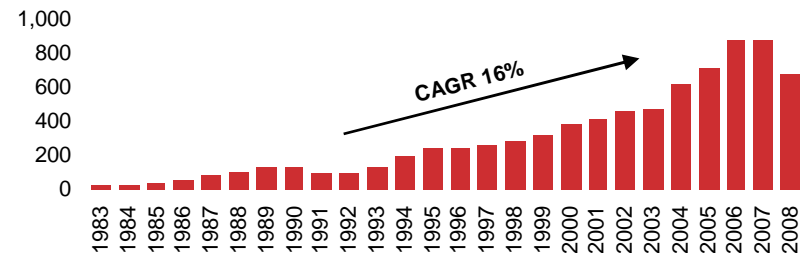
*A strong business with a good track record and solid fundamentals*

- Fundamentally attractive business sector
- Market leading positions in highly fragmented markets
- Scale advantages (distribution and sourcing infrastructure)
- Wolseley expected to be an early beneficiary from US recovery
- Strong market performance built on local brands and knowledge

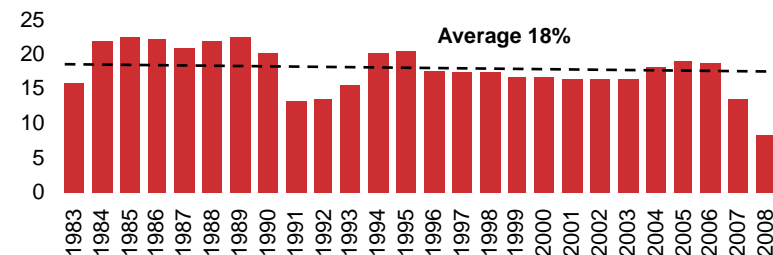
### Group revenue (£m)



### Trading profit (£m)



### Return on capital (%)



## **Group strategy**

*Going forward we will invest where we have strength*

- Clear focus where Wolseley has leading positions, has built sufficient scale and can deliver an appropriate financial return
- North America Plumbing and Heating, UK & Ireland, France and Nordic are core businesses
- French business subject to restructuring; no further expansionary capital until performance improves
- Stock to be exited by 1 August 2009
- CEE under strategic review

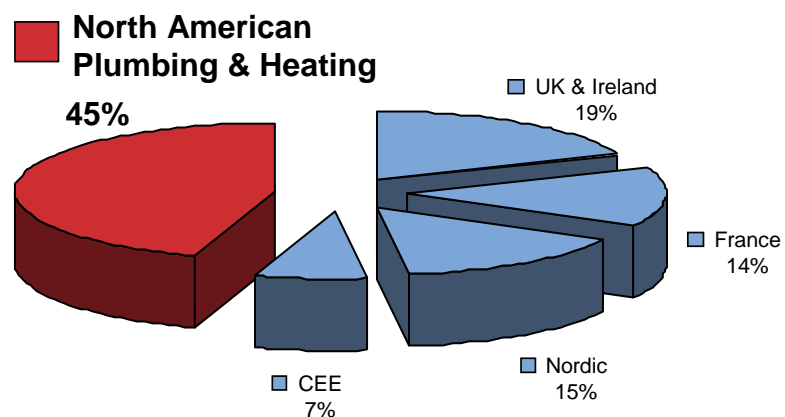


# North America Plumbing & Heating

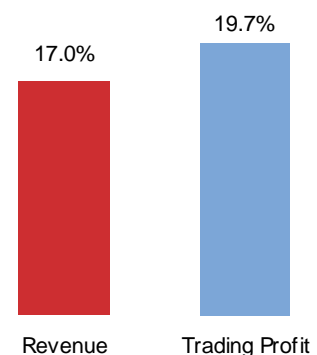
*Consistently high level of returns—priority for future investment*

- **Strong brand and market position**
  - Leading distributor of Plumbing & Heating in North America
  - Continuing strong performance
- **Significant market opportunities**
  - US economy expected to be the first to recover
  - Increasing signs of competitor distress
  - Wolseley Canada managed by Ferguson
- **Strong business model**
  - Large scale distribution centre model and branch network
  - Highly trained employees with extensive local knowledge
  - Operating cash flow of US\$1.4 billion over last 12 months
- **Current initiatives**
  - Continuing review of cost base
  - Opportunity for further network rationalisation
- **Priority for future investment**
  - Acquisition opportunities likely when cycle turns
  - Greenfield expansion capex when appropriate
  - E - Commerce

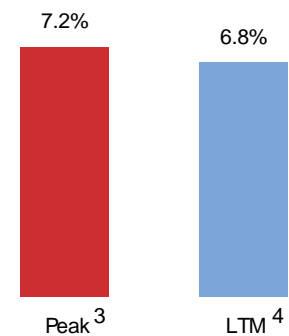
**Contribution to group revenue <sup>1</sup>**



**Historic CAGRs <sup>2</sup>**



**Trading margin**



Notes:

1 Based on six months ended 31 January 2009 (excluding Stock)

2 FY2004–FY2008 calculated in constant currency

3 Peak relates to FY2007 calculated in constant currency

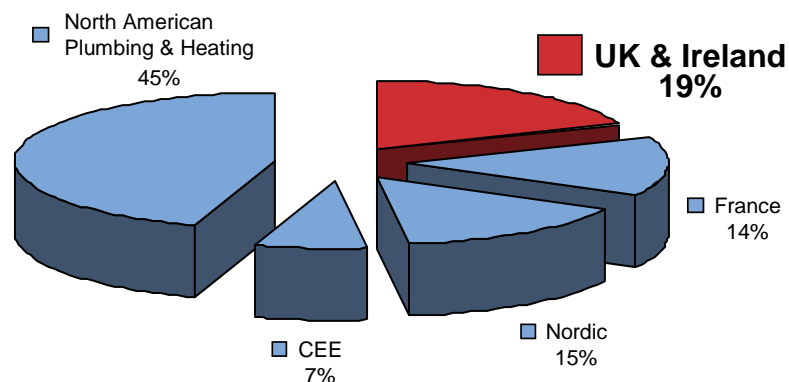
4 Last 12 months ended 31 January 2009

# Wolseley UK & Ireland

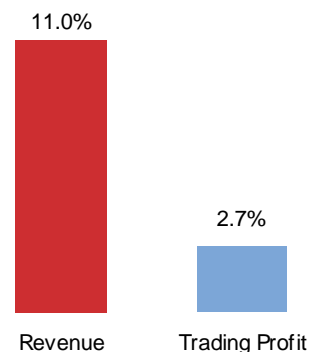
*Capacity for a higher level of return once restructuring complete*

- **Strong brand & market position**
  - “Wolseley” centers are strong, well-known brands targeted to specific customer groups
  - Performing at or above the market in Plumbing & Heating
- **Established business model**
  - Extensive branch network
  - Advanced supply chain providing next day delivery
  - Operating cash flow of £390 million over last 12 months
- **Current initiatives**
  - Restructure to reduce capacity
  - Consolidation of footprint and infrastructure
  - Establish continuous improvement programme
  - Improved use of DC infrastructure
  - Ongoing review of portfolio
- **Opportunities**
  - Investment to maximise organic opportunities
  - Industry consolidation when appropriate
  - Focus on strong market segment positions to exploit scale

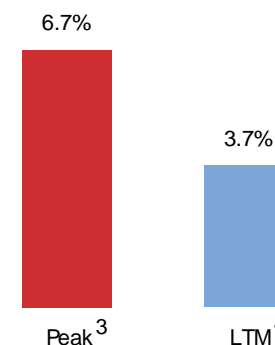
## Contribution to group revenue <sup>1</sup>



## Historic CAGRs <sup>2</sup>



## Trading margin



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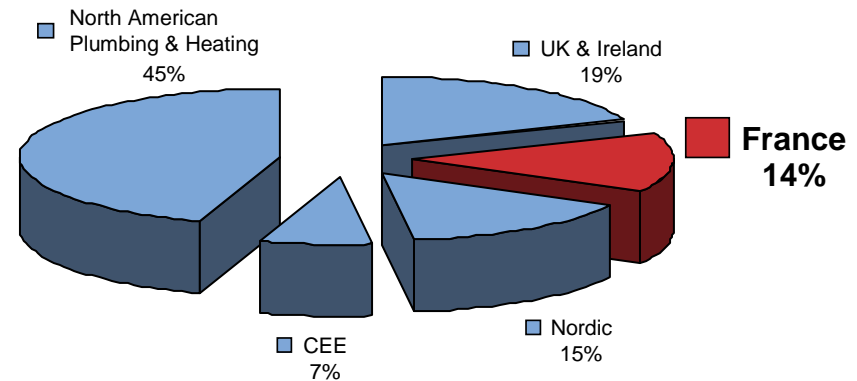
4 Last 12 months ended 31 January 2009

# Wolseley France

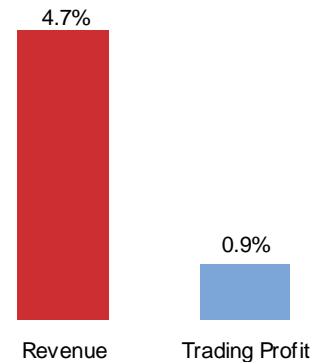
*Good market opportunity but need to reduce complexity & improve returns*

- **Strong brand & market position**
  - Brossette is the No. 2 distributor of plumbing and heating in France
  - Reseau pro is a leading distributor of heavy-side building materials in France
- **Attractive market dynamics**
  - France is the second largest construction market in Europe
  - Market downturn likely to be less severe than in the UK
- **Established business model**
  - Recent investment in distribution model
  - Operating cash flow of €297 million over last 12 months
- **Opportunities**
  - Rationalisation of lightside footprint underway
  - Reformatting showroom capability
  - Further consolidation of heavyside footprint
  - Repositioning of heating business
- **Current initiatives**
  - Capital allocation dependent on performance
  - Selective disposal of non-core operations
  - Reduce complexity of footprint
  - Improve working capital model

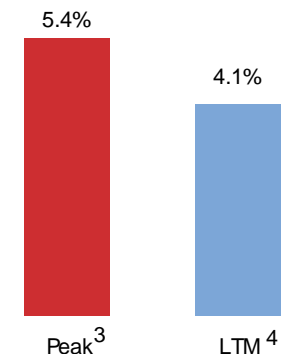
## Contribution to group revenue <sup>1</sup>



## Historic CAGRs <sup>2</sup>



## Trading margin



Notes:

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2 FY2004–FY2008 calculated in constant currency

3 Peak relates to FY2007 calculated in constant currency

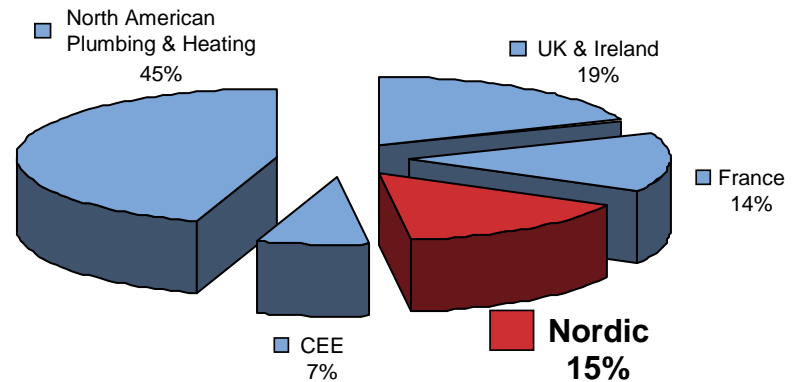
4 Last 12 months ended 31 January 2009

# Nordic—DT Group

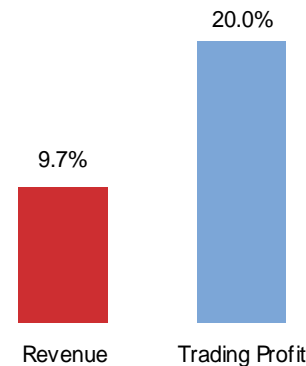
*Best in class performer with expansion potential*

- **Strong brand & market position**
  - A leading retailer and distributor of building materials in the Nordic markets
  - Stark & Beijer are market leaders in Denmark and Sweden respectively
  - Starkki is No. 2 in Finland
- **Attractive market dynamics**
  - Fragmented building materials market
- **Established business model**
  - Industry leading working capital management
  - Strong and experienced management team
  - Well placed branch network
  - Significant operational leverage on the upside
  - Operating cash flow of DKK1.7 billion over last 12 months
- **Opportunities**
  - Investment to expand the organic footprint
  - Expansion of the product offering organically and through selective acquisition

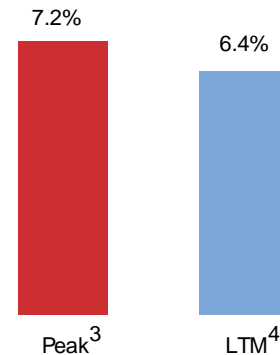
**Contribution to group revenue <sup>1</sup>**



**Historic CAGRs <sup>2</sup>**



**Trading margin**



Notes:

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3 Peak relates to FY2008 calculated in constant currency

4 Last 12 months ended 31 January 2009

## Stock

### *The time has come to exit the business*

- Market conditions continue to deteriorate
  - 750,000 annualised housing starts in October 2008
  - 460,000 annualised housing starts in January 2009
- Need to stop the losses
- Board committed to exit business by 1 August 2009
- JV structure preferred to preserve upside potential while deconsolidating operating loss and conserving cash



# Management actions

**Management actions (between 1 August 2007 to 31 January 2009)**  
*Decisive action plan resulting in a leaner and fitter business*

- Annualised savings of over £500 million
  - c. 17,000 headcount reductions
  - c. 700 branch closures
  - Exceptional restructuring charges of £338 million
- Cash generated from working capital over the past 18 months of £789 million
- Capex reduction from £396 million in FY2007 to target of £180 million in FY2009
- Asset and business disposals of £205 million
- No acquisitions since February 2008
- Dividend suspended, saving c. £225 million p.a
- Further actions continue



**Share issue**



## Reasons for the share issue

- Substantially strengthen balance sheet and overall financial position
- Focus on investment in core businesses
- Return to a profitable focused growth strategy as markets recover
- Improve future access to sources of capital

# Fully underwritten firm placing and rights issue

- Gross proceeds of £1,050 million
  - Proceeds to be used to reduce indebtedness
- Firm placing
  - £270 million firm placing at 120 pence per share
  - Fully underwritten
  - Placing shares will have right to participate in rights issue
- Rights issue
  - £780 million rights issue at 40 pence per share (pre-share consolidation)
  - 11 for 5 basis
  - Fully underwritten
  - 47% discount to TERP<sup>1</sup>
- 10 for 1 share consolidation
- Shareholder approval required at general meeting
  - Firm placing subject to approval of placing and rights issue
  - Shareholder approval required for consolidation

<sup>1</sup> Based on the closing price of 165p per share and taking account of the firm placing

## Expected timetable

- Announcement 6 March 2009
- General Meeting 1 April 2009
- Dealings in new shares nil paid commence 3 April 2009
- Latest date for acceptance/payment 21 April 2009
- New shares fully paid commence trading 22 April 2009



# Debt facilities and covenants

## Pro forma balance sheet

£ million	Pre-rights issue	Pro forma <sup>2</sup> Post rights issue
Net debt	2,486	1,486
EBITDA <sup>1</sup>	795	795
Net debt/EBITDA <sup>1</sup>	3.1	1.9
Gearing <sup>3</sup>	79.7%	36.1%

Notes:

1 Annualised Adjusted EBITDA

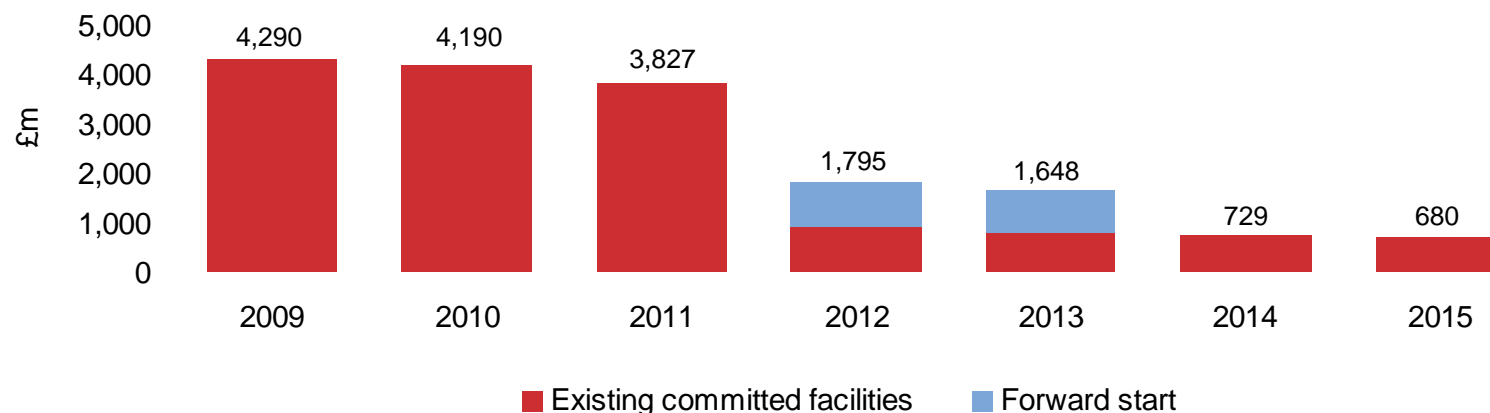
2 Assumes net proceeds from placing and rights issue of £1 billion

3 Gearing ratio is the ratio of net debt to shareholder's' funds

# Debt structure

*Comprehensive solution with support from our lending banks*

## Facility maturity profile



- No change to existing debt facility terms
- New €1 billion two year forward-start bank facility<sup>1</sup>
  - Commencing August 2011
  - Underwritten by five core relationship banks
  - Annualised incremental interest cost of c. £20 million
  - Additional covenant of EBITDA to Net Interest of greater than four times
- Intention to have investment grade credit rating by 31 January 2010
- Intention to cancel un-drawn committed facilities of £750 million leaving, £1.8 billion of committed unused facility headroom on a pro forma basis after rights issue
- Hedging strategy will re-balance currency exposure in line with EBITDA

Note:

<sup>1</sup> Subject to raising a minimum of £900m in a successful share issue



# **Half year financial results**

## **for six months ended 31 January 2009**

# Summary of results

*Strong cash flow, lower profit reflects challenging conditions*

	2009	2008	Change	Con't curr'cy change
	£m	£m	%	%
Revenue	8,284	8,029	3.2	(12.1)
Trading profit*	182	318	(42.7)	(51.4)
Trading margin*	2.2%	4.0%		
- Net finance costs	(85)	(67)		
PBT*	97	251	(61.4)	(65.6)
<b>EPS* (p)</b>	10.93	28.40	(61.5)	(66.4)
Exceptional restructuring costs	(262)	(18)		
Impairment and amortisation of acquired intangibles	(800)	(154)		
Interim dividend (p)	-	11.25	-	-
Cash flow from operations	573	367		
Cash flow conversion	315%	115%		

\* Before exceptional items and amortisation and impairment of acquired intangibles of £1,062 million



## Cash flow - *strong cash flow performance*

	2009 £m	2008 £m
Trading profit	182	318
Exceptional restructuring costs	(262)	(18)
Depreciation and profits on sale of property	119	104
Decrease/(increase) in working capital	383	(41)
Increase in provisions and other non cash items	151	4
<b>Cash flow from operating activities</b>	<b>573</b>	<b>367</b>
Acquisitions (including debt acquired)	(8)	(179)
Capital expenditure	(87)	(155)
Net interest paid	(92)	(60)
Tax paid	(31)	(57)
Dividends paid	-	(141)
Share placing	-	2
Other	(372)	(204)
<b>Increase in net debt</b>	<b>(17)</b>	<b>(427)</b>
Cash flow conversion	315%	115%
Gearing	79.7%	83.9%
Interest cover	2.3x	4.6x

## Debt covenant calculation

	12 months ended 31 Jan 2009 £m	12 months ended 31 Jul 2008 £m
Operating (loss)/profit	(725)	301
Amortisation and impairment of acquired intangibles	952	306
Depreciation and other amortisation	274	242
Exceptional items	320	76
Depreciation included in exceptional items	(26)	(9)
Acquisition/disposal adjustment	-	5
Covenant EBITDA	795	921
Year end net debt	2,486	2,469
Net debt: EBITDA	3.1x	2.7x
Covenant limit	3.5x	3.5x

## Exceptional costs and benefits from restructuring actions identified – 1 August 2008 to 31 January 2009

	Cost £m	Headcount reduction	Benefit £m 2009	Benefit £m pa
UK and Ireland	62	2,485	61	95
France	(2)	-	-	-
Nordic	2	860	18	34
Central and Eastern Europe	32	440	12	18
<b>Europe</b>	<b>94</b>	<b>3,785</b>	<b>91</b>	<b>147</b>
US plumbing and heating	23	2,067	83	118
US building materials	142	4,330	97	126
Canada	3	18	-	1
<b>North America</b>	<b>168</b>	<b>6,415</b>	<b>180</b>	<b>245</b>
Group	-	-	4	4
<b>Total</b>	<b>262</b>	<b>10,200</b>	<b>275</b>	<b>396</b>

- Since 31 January further actions have commenced, which will result in additional exceptional costs of around £44m and annualised savings of around £14m

# Outlook

- Confident that measures announced represent a comprehensive package to strengthen the balance sheet and strongly position the Group for the future
- Downturn in the UK, Irish and Nordic economies is likely to be more severe than that experienced in the remainder of Continental Europe
- Ensure further actions will be taken to mitigate the impact if markets deteriorate further than anticipated
- Clear focus on margin management, serving the customer base and developing market opportunities as well as reducing costs and generating cash in core businesses



**Q&A**



# Appendices

## Working capital - cash to cash days

*27% improvement over last two years*

	H107	H108	H109	Improvement over	
				2 years	1 year
Spot inventory days	68.1	65.3	64.1	4.0	1.2
Spot receivables days	55.4	59.2	49.9	5.5	9.3
Spot payables days	(60.3)	(68.5)	(67.6)	7.3	(0.8)
Spot cash to cash days	63.2	56.0	46.4	16.8	9.6
Improvement				26.6%	17.1%

## Goodwill and intangibles - *One-off impairment provisions*

	H109 £m	FY08 £m	
Amortisation of acquired intangibles	65	135	
Goodwill and acquired intangibles impairment			
- DT	349		} 735 46 } 171
- Stock Building Supply	277	114	
- UK and Ireland	88	46	
- Italy		11	
- Benelux	21		
Total amortisation and impairment of acquired intangibles	800	306	
Software amortisation	7	15	
IT development costs impairment			
- BCP in Central and Eastern Europe	2	12	} 2 3 } 15
- Other	-	3	
Total amortisation and impairment of software	9	30	
Total	809	336	

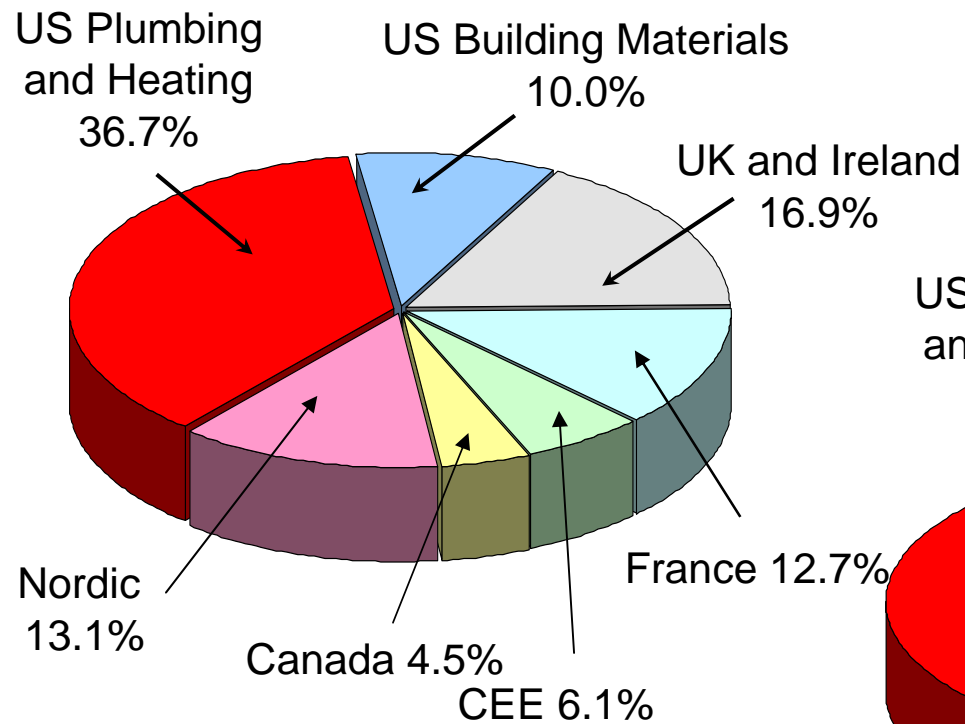


## Finance costs

	H1 2009 £m	H1 2008 £m
Net interest payable	(82)	(68)
Other finance costs	2	(1)
	(80)	(69)
Pension finance income/(charge)	(4)	2
Impairment of equity investment	(1)	-
	(85)	(67)

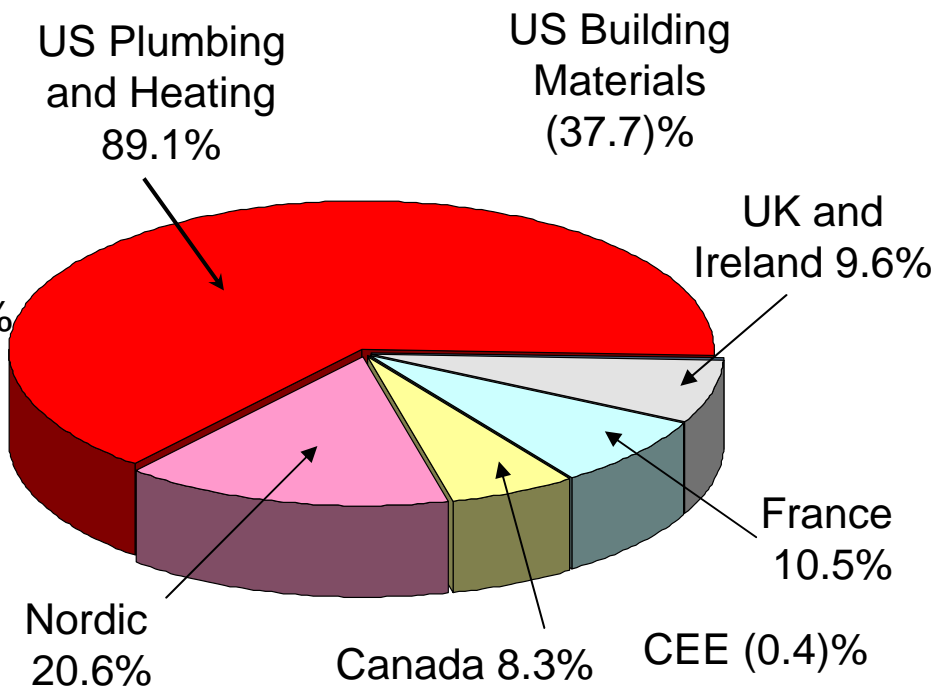
# Group revenue & trading profit

*Six months ended 31 January 2009*



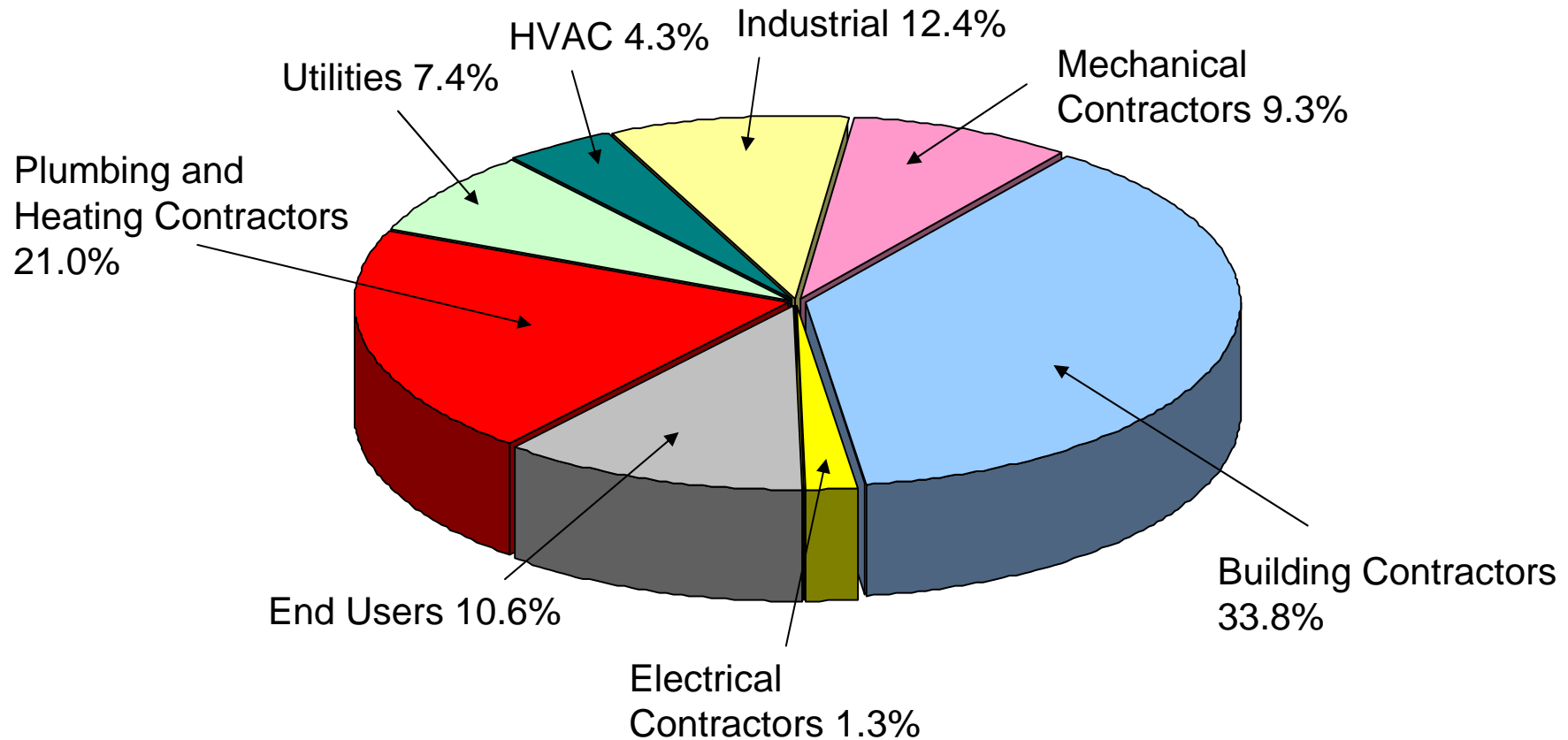
**Revenue**

## Trading profit



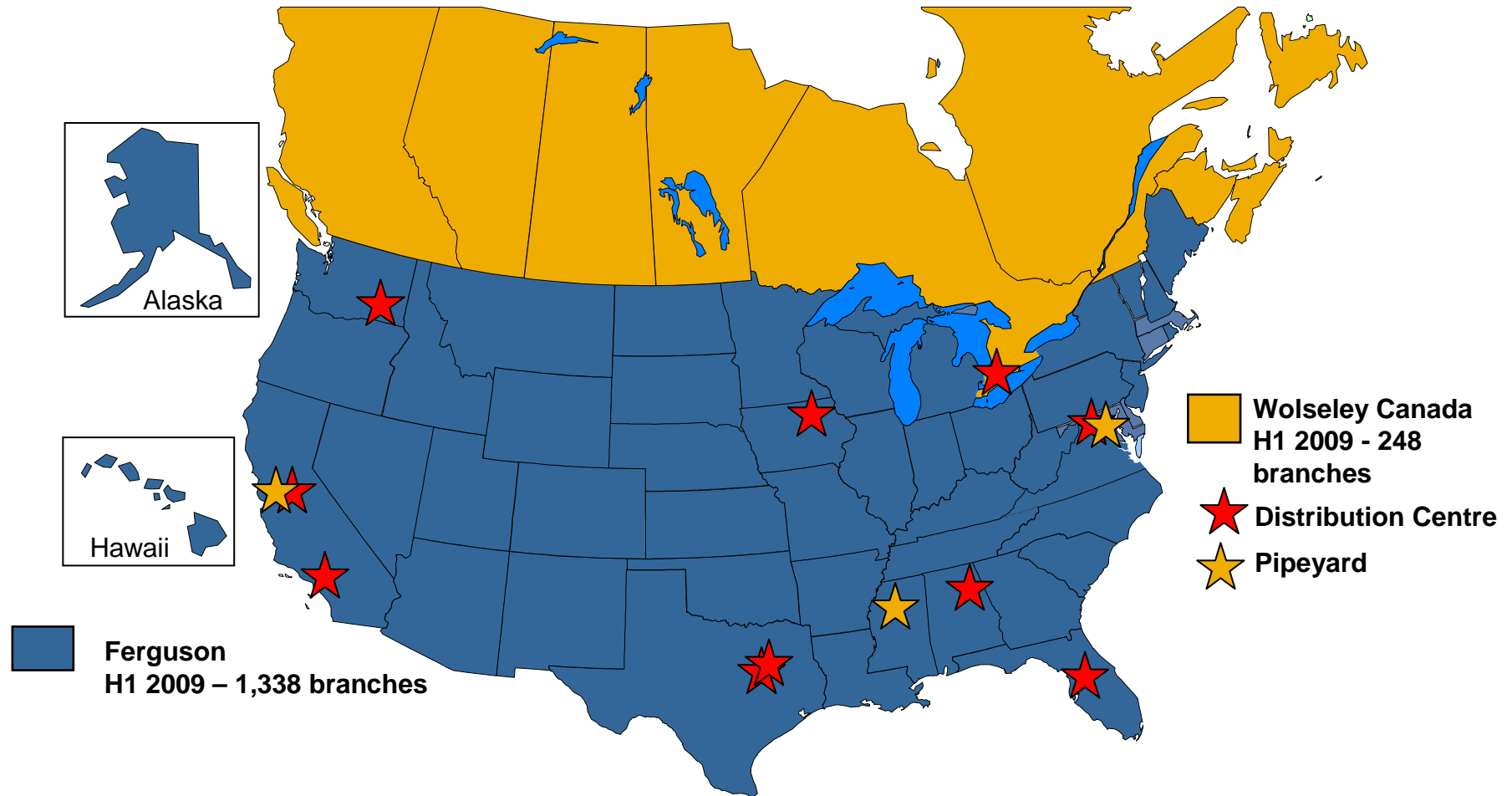
# Our diverse customer mix

*% of group revenue, six months ended 31 January 2009*



# North America

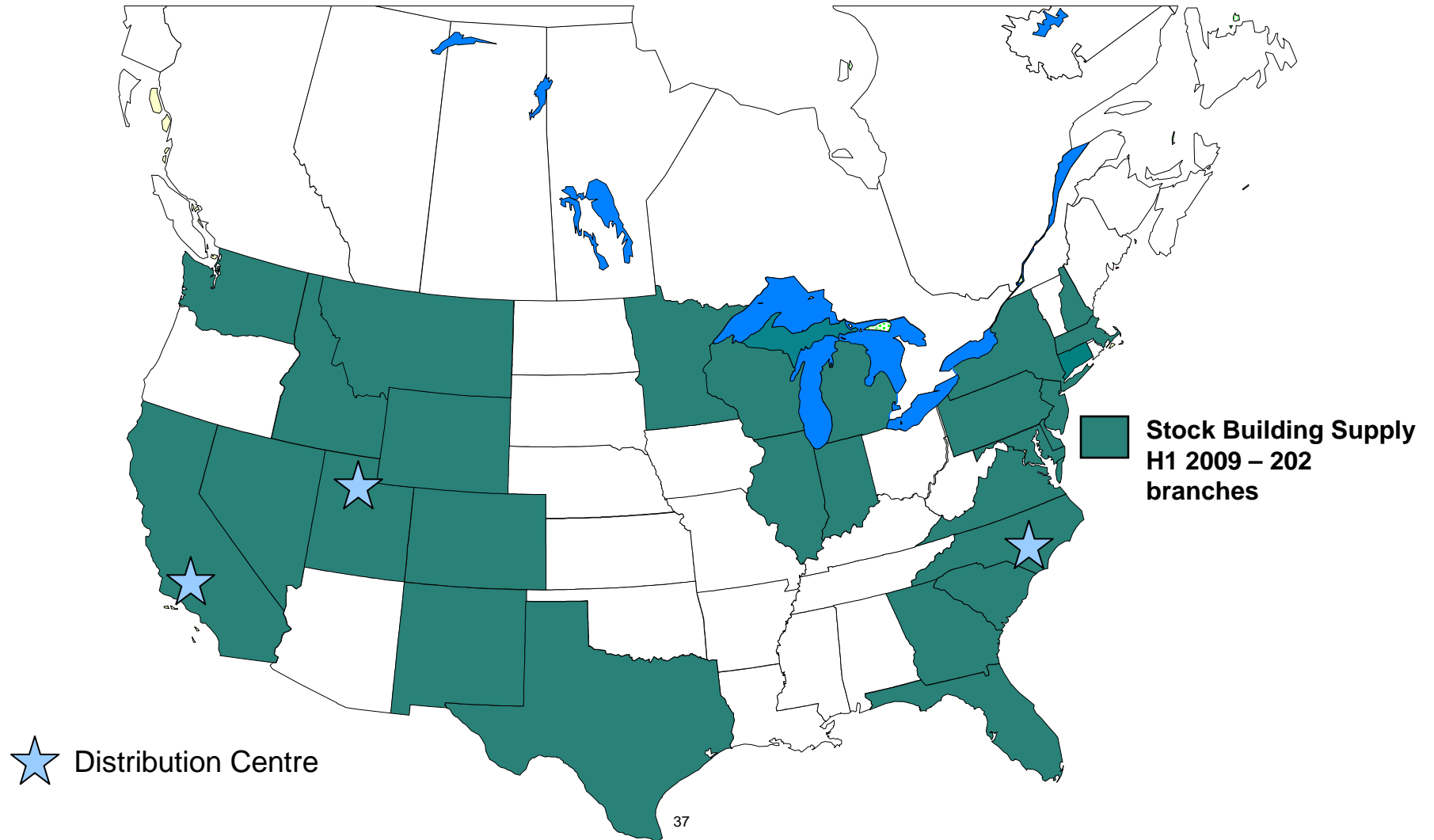
## *Plumbing & Heating*



Also in Puerto Rico, Panama, Trinidad & Tobago and Mexico

# North America

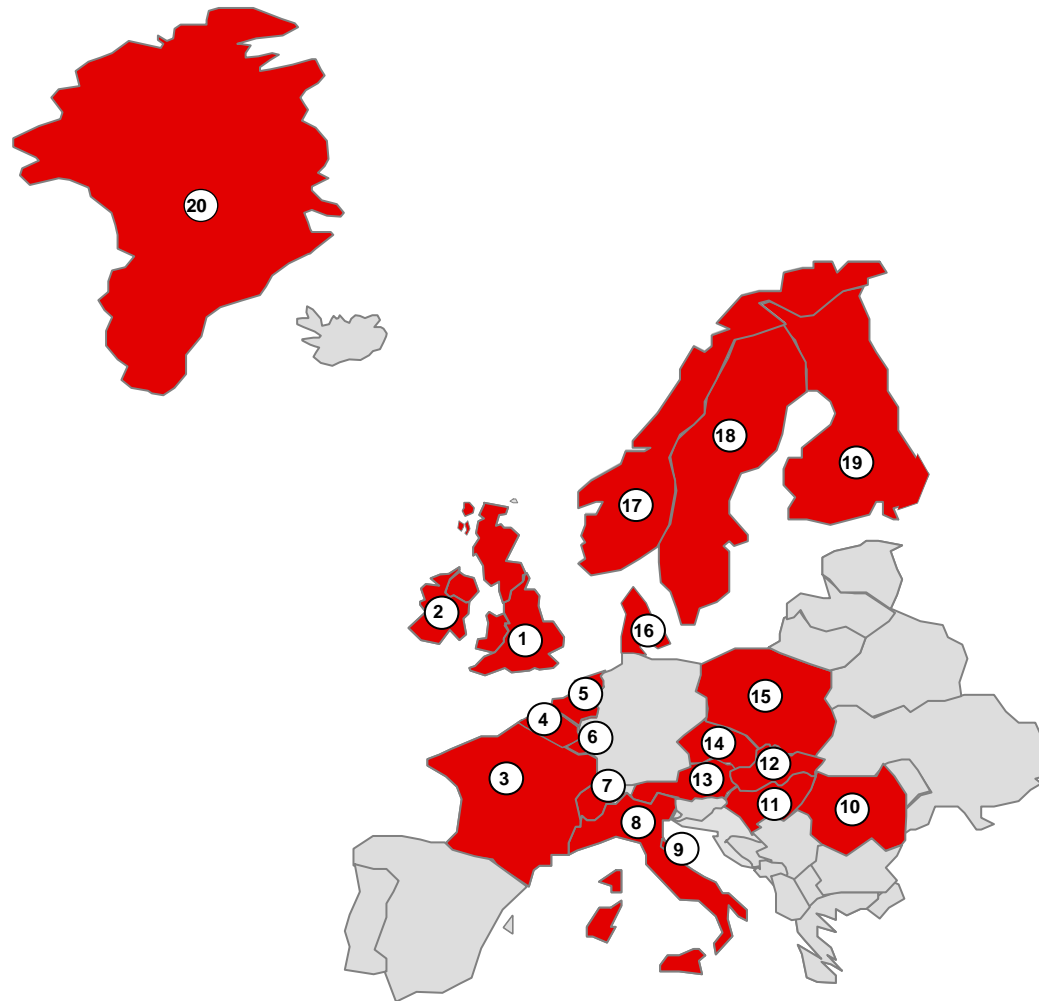
## *Building Materials*



# Europe

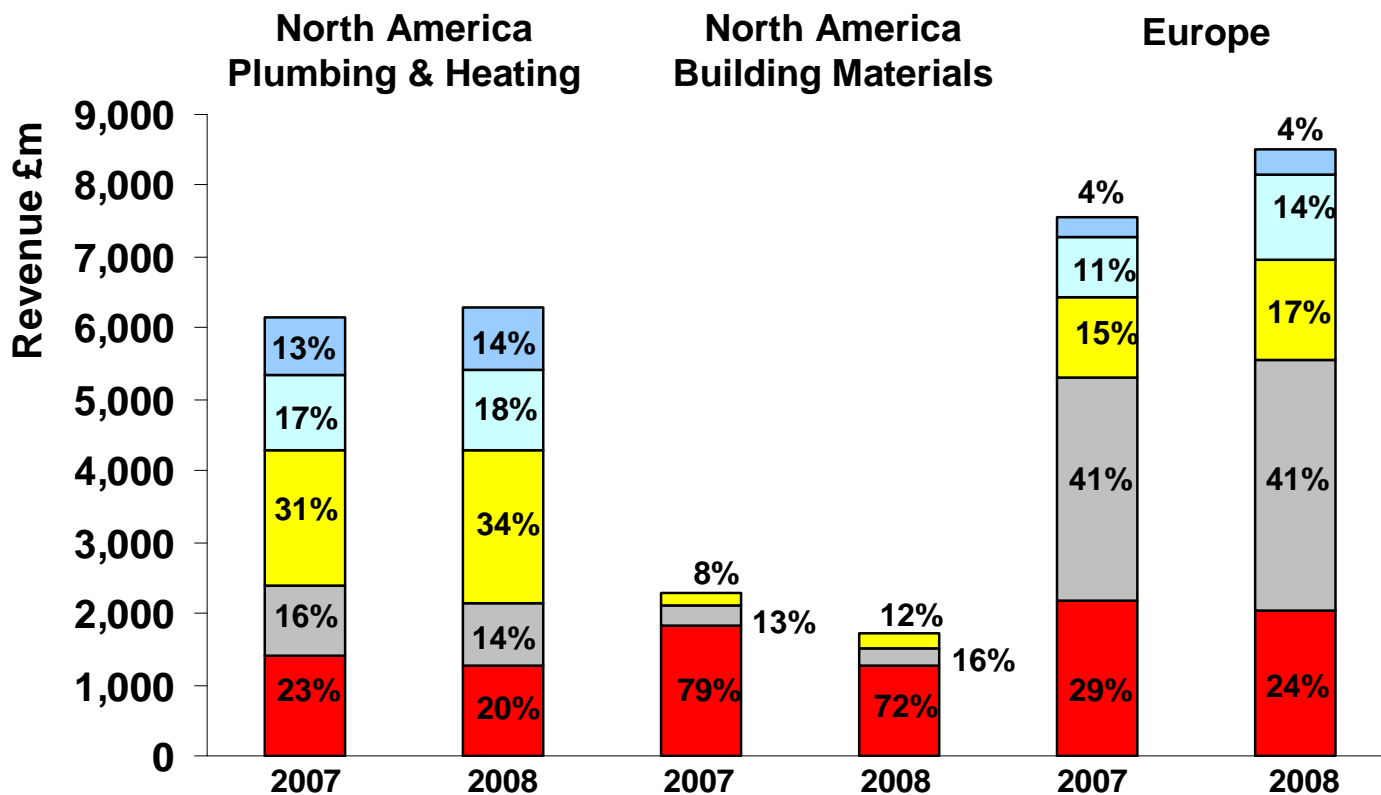
*Branch numbers, six months ended 31 January 2009*

- 1 UK (1,666)
- 2 Ireland (100)
- 3 France (792)
- 4 Belgium (11)
- 5 Netherlands (29)
- 6 Luxemburg (2)
- 7 Switzerland (40)
- 8 Italy (50)
- 9 San Marino (1)
- 10 Romania (9)
- 11 Hungary (29)
- 12 Slovakia (17)
- 13 Austria (66)
- 14 Czech Republic (33)
- 15 Poland (12)
- 16 Denmark (133)
- 17 Norway (14)
- 18 Sweden (99)
- 19 Finland (21)
- 20 Greenland (5)



# Business drivers FY 2008 & FY 2007

*% of divisional sales*



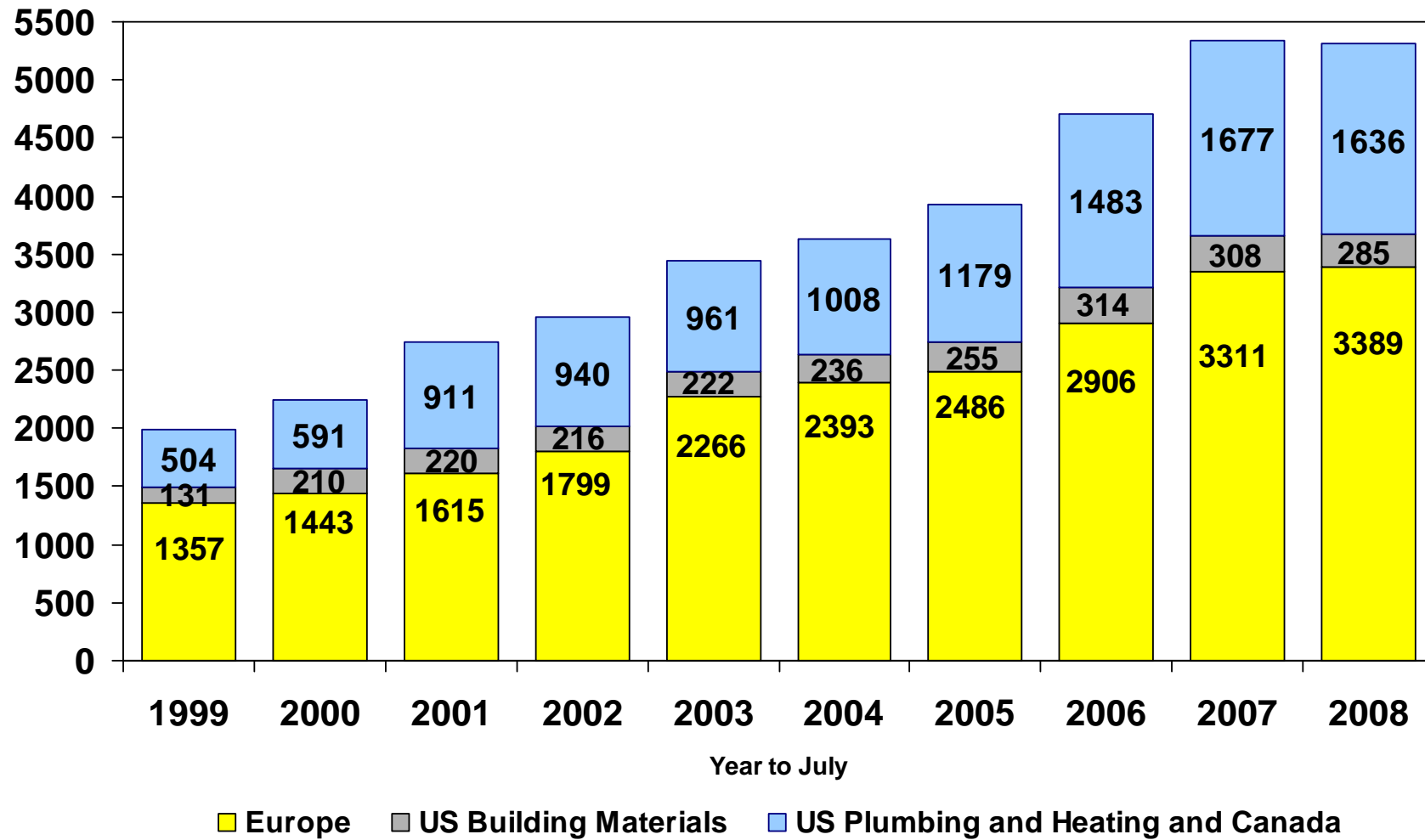
## Branch numbers

	(Restated)* 31 July 2008	Net closures	<b>31 Jan 2009</b>
UK & Ireland	1,927	(161)	<b>1,766</b>
France	848	(56)	<b>792</b>
Nordic	326	(13)	<b>313</b>
Central & Eastern Europe	287	(29)	<b>258</b>
US Plumbing & Heating	1,382	(44)	<b>1,338</b>
Canada	254	(6)	<b>248</b>
US Building Materials	285	(83)	<b>202</b>
<b>Group total</b>	<b>5,310</b>	<b>(393)</b>	<b>4,917</b>

\*48 branches moved from Central & Eastern Europe to Nordic where management responsibility for Woodcote now lies



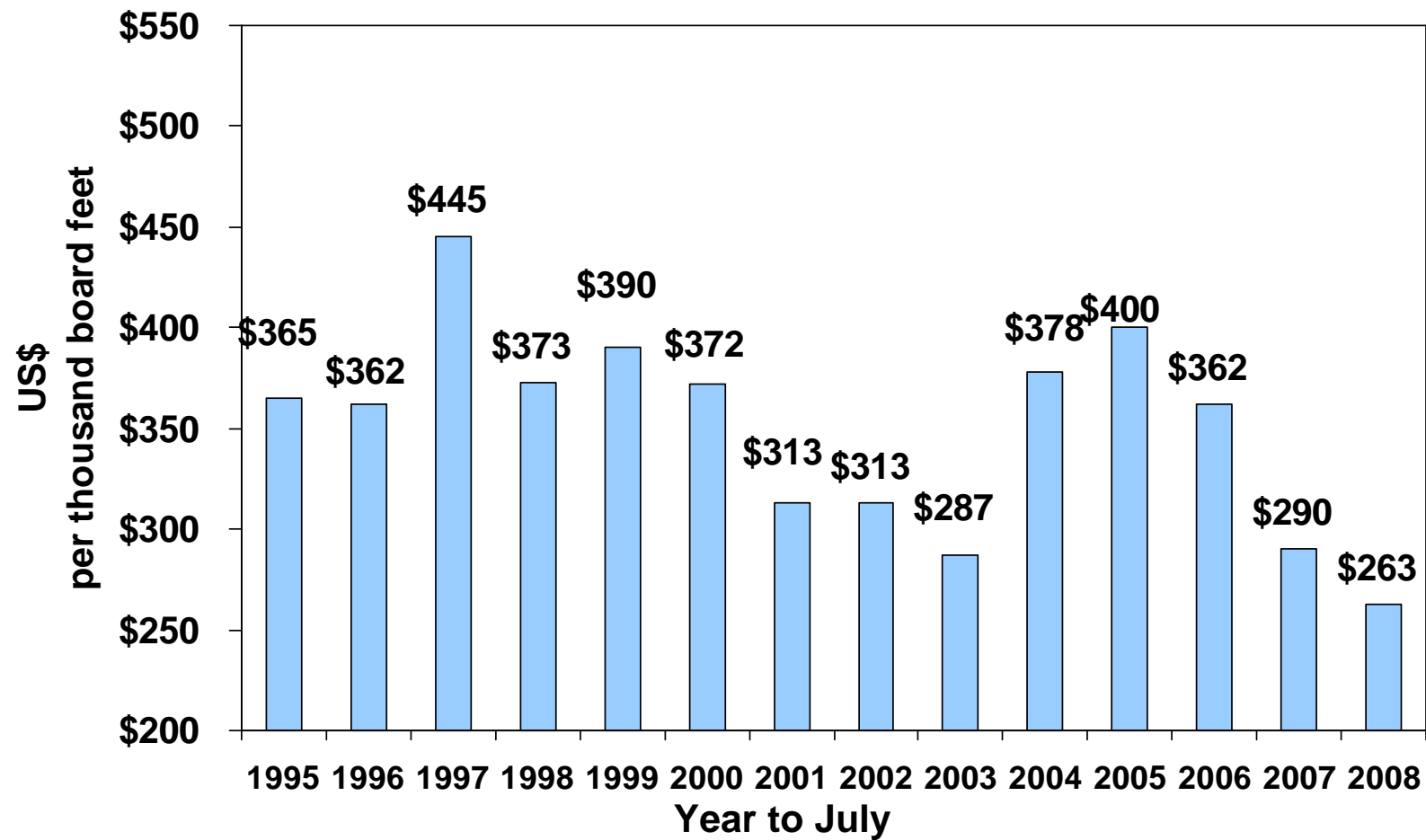
# Branch growth



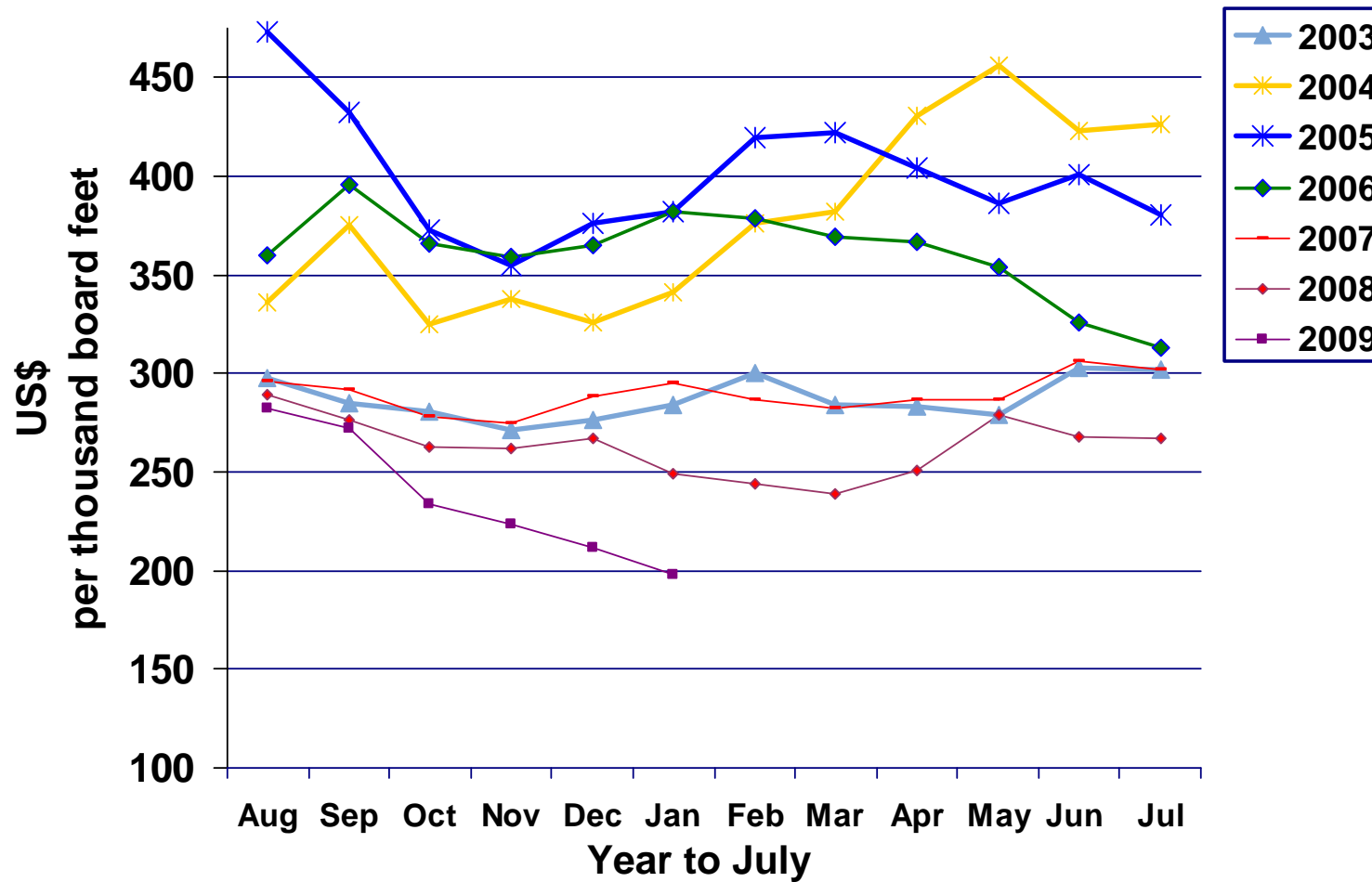


# Market information

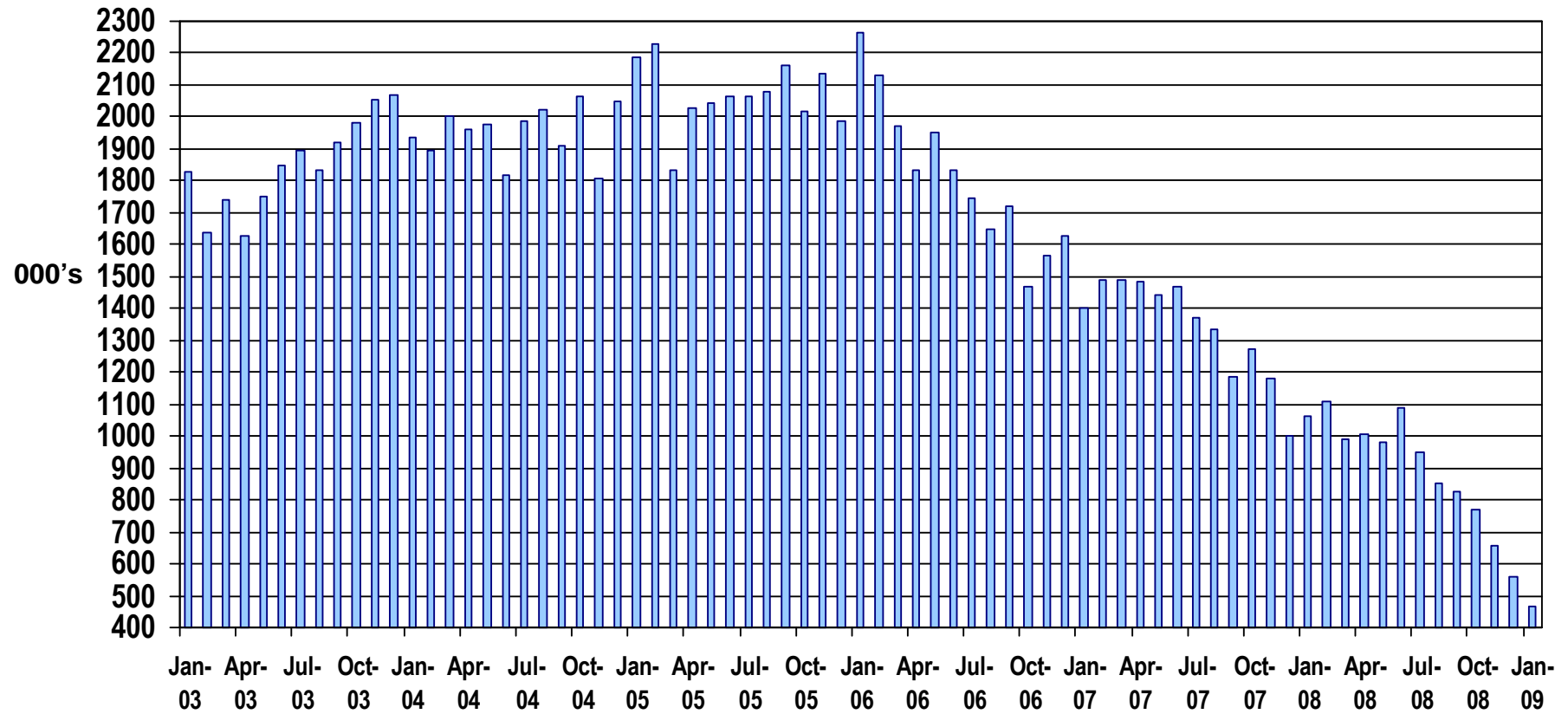
# Average lumber price 1995 - 2008



# Monthly lumber price 2003 - 2009

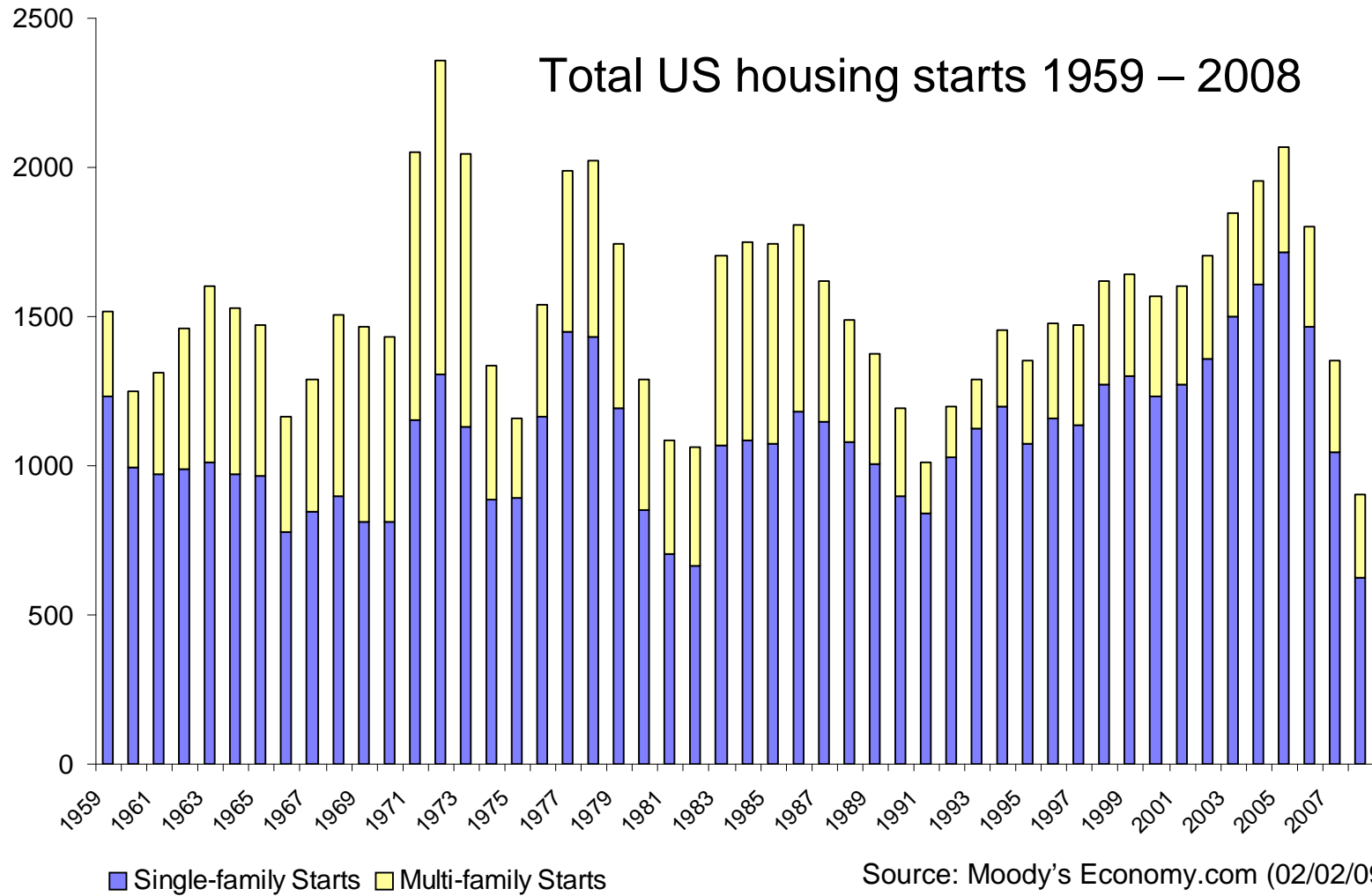


# US housing starts



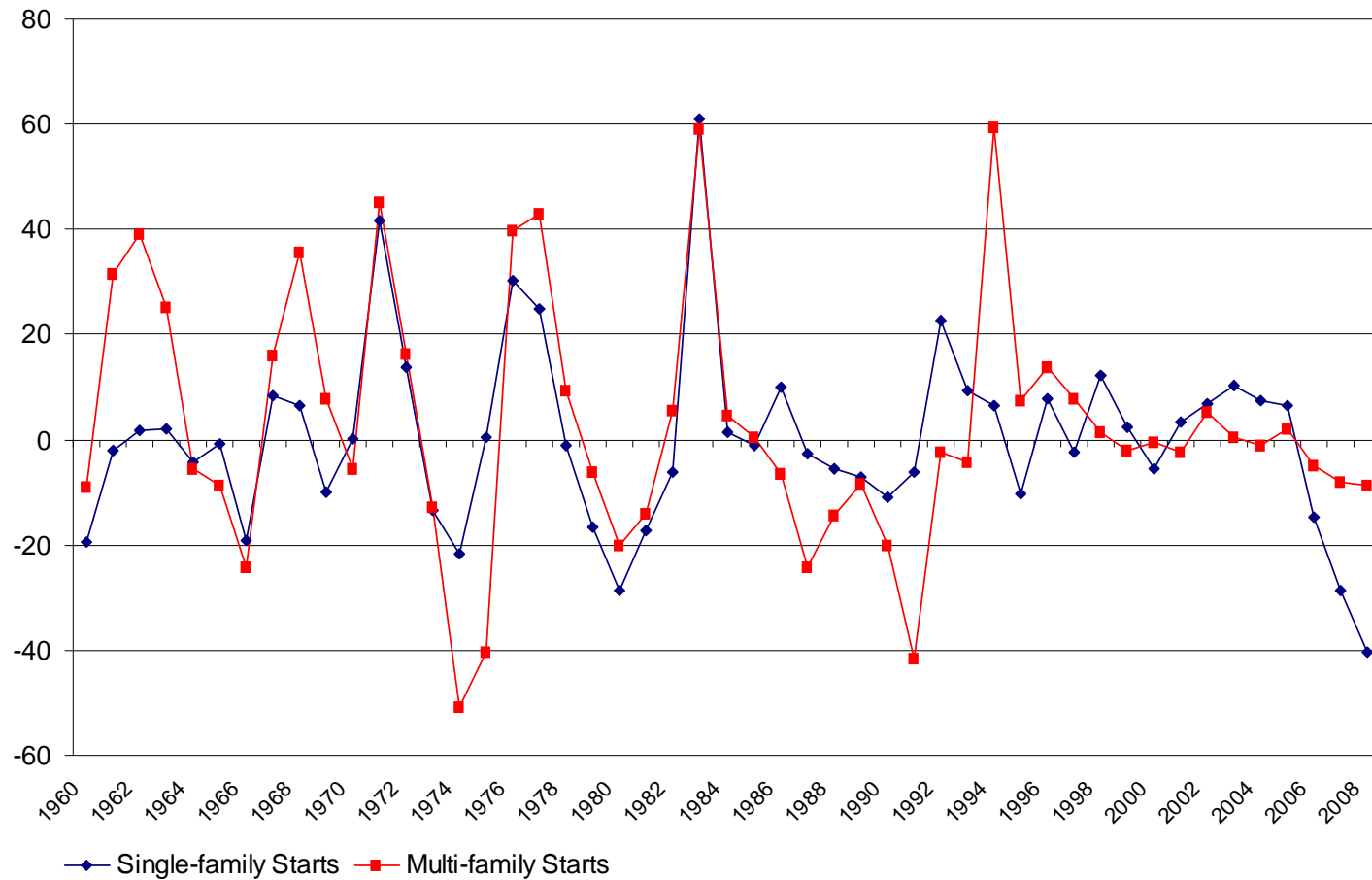
Source: US Census Bureau

# New residential construction activity in US



# New residential construction activity in US

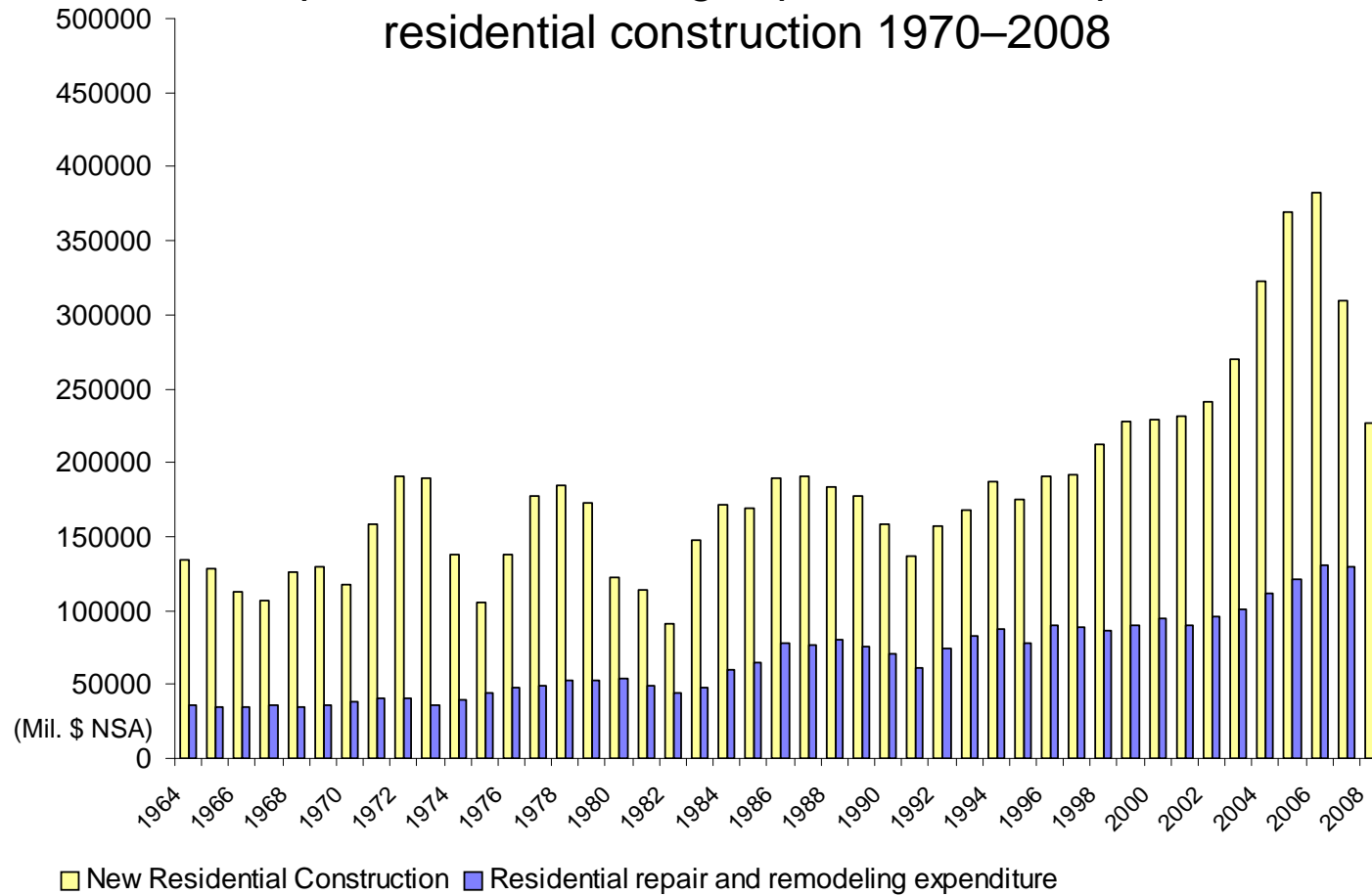
Total US housing starts 1960 – 2008, year over year % change



Source: Moody's Economy.com 02/02/09

# Repair and remodeling activity in the US

Residential repair and remodeling expenditure vs expenditures for new residential construction 1970–2008



Source: U.S. Census: C-30 and U.S. Census C-50 Reports