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2018/19 Full Year Results presentation

12 months to 31 July 2019

Gareth Davis, Chairman

Agenda

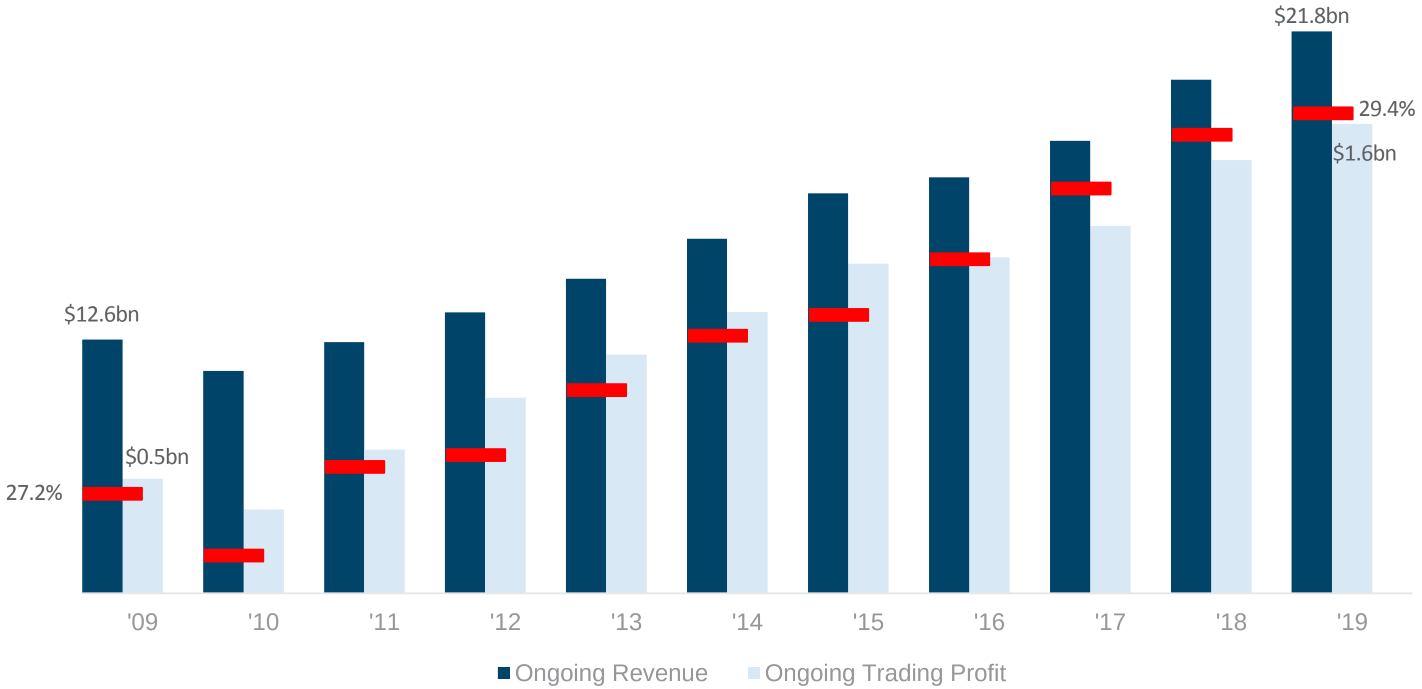
Highlights	John Martin
Operating and financial review	Mike Powell
Business review and outlook	John Martin
Questions	

Highlights

John Martin, Chief Executive

Highlights – financial performance

		2019
9th consecutive year of	- Revenue growth[1]	+7.9%
	- Gross margin expansion	+10 bps
	- Trading profit growth[1]	+7.5%
	- Headline EPS growth	+16.4%



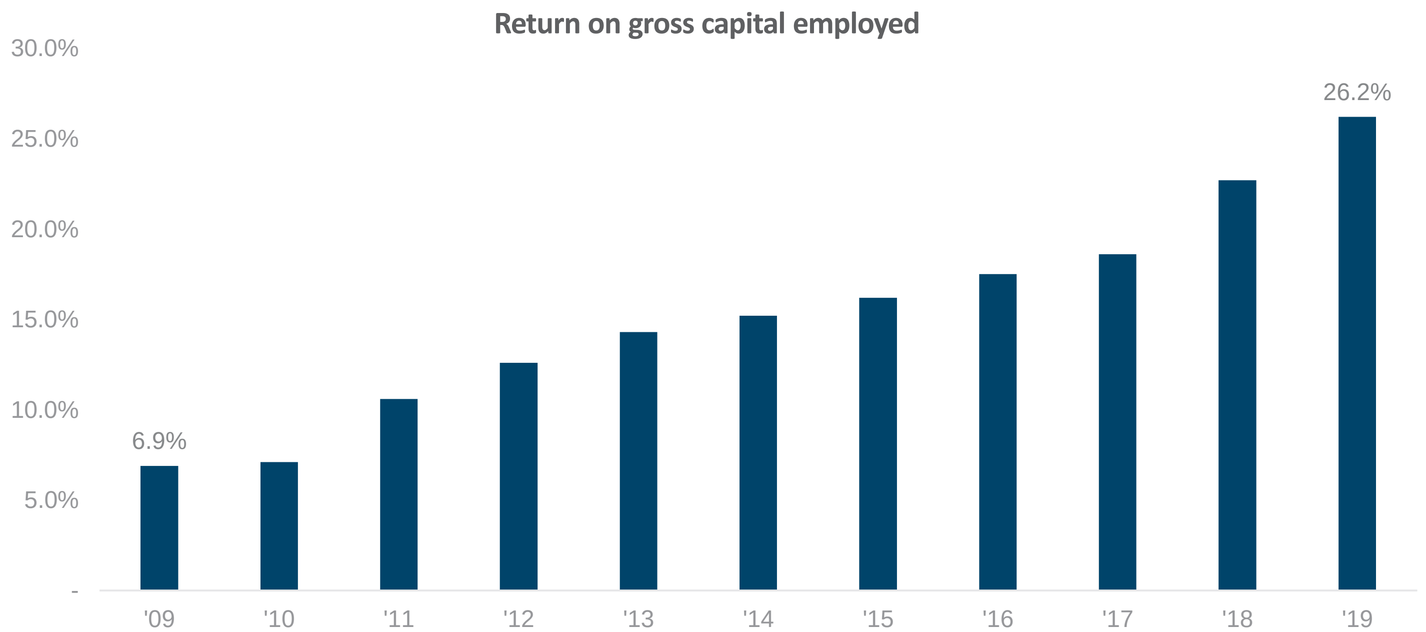
[1] Constant currency growth

Highlights – operations and strategy

- Continued market share gains
- Strong control of operating expenses in weaker market
- Completion of 15 great acquisitions for $657m
- Own brand grown to 8.6% of group ongoing sales in H2
- Concluded on strategic future of UK: demerger in process

Highlights – capital and returns

- Excellent cash conversions with $1.6bn of cash from operations
- c.$600m from dividends and buy back
- Dividends up 10%



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Operating and financial review

Mike Powell, Chief Financial Officer

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Financial highlights

	2019	2018	Change	Change (at constant exchange rates)
Ongoing revenue	**$21,771m**	$20,334m	+7.1%	+7.9%
Ongoing gross margin	**29.4%**	29.3%	+0.1%	
Ongoing trading profit	**$1,601m**	$1,493m	+7.2%	+7.5%
Ongoing trading margin	**7.4%**	7.3%	+0.1%	
Headline earnings per share	**517.4c**	444.4c	+16.4%	
Ordinary dividend per share	**208.2c**	189.3c	+10.0%	
Net debt : adjusted EBITDA	**0.7x**	0.6x		

Strong operating performance in the year with tight cost control

Revenue and trading profit growth

	Revenue	Trading Profit
Organic growth	+4.4%	+5.3%
Acquisition growth	+3.8%	+3.0%
FX and trading day impact	(1.1%)	(1.1%)
	+7.1%	+7.2%

Robust organic profit progression

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Organic revenue growth

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	**FY 2019**
USA	+11.4%	+9.6%	+9.7%	+3.3%	+3.0%	+6.2%
UK[1]	(0.6%)	+0.8%	(1.0%)	+2.8%	(0.3%)	+0.6%
Canada	+6.3%	+3.3%	+0.5%	(2.9%)	(5.2%)	(1.1%)
Ongoing businesses	+8.1%	+6.7%	+6.4%	+2.7%	+2.1%	+4.4%

[1] The UK revenue growth rate is presented on a like-for-like basis to remove the impact of closed branches and the exit of low margin business.

We remain focused on growing ahead of the market

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USA

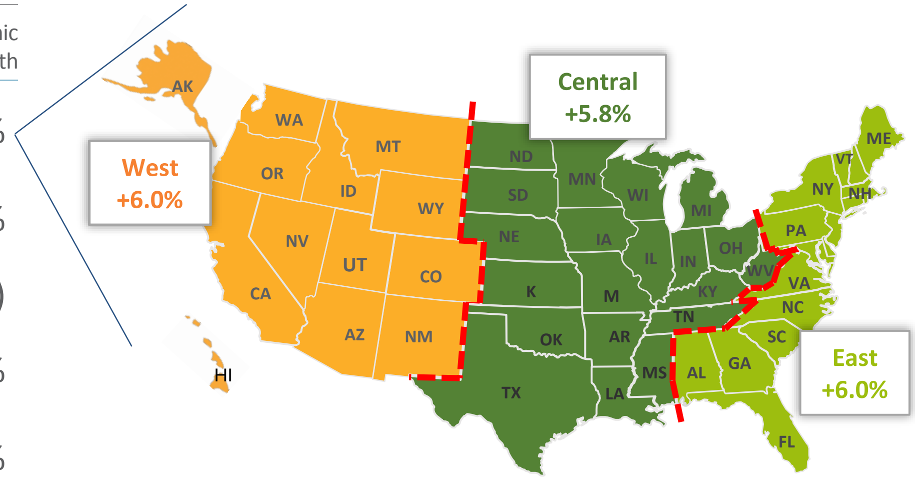
	2019 $m	2018 $m	Change
Revenue	**18,358**	16,670	+10.1%
Organic revenue growth	**+6.2%**	+9.9%	
Trading profit	**1,508**	1,406	+7.3%
Trading margin	**8.2%**	8.4%	(0.2%)

	2019 Revenue growth	2019 Trading Profit growth
Organic	**+6.2%**	**+5.3%**
Acquisition	**+4.2%**	**+2.8%**
Trading day impact	**(0.3%)**	**(0.8%)**
Total growth	**+10.1%**	**+7.3%**

Strong trading result despite weaker market conditions in H2

USA organic revenue growth

Business unit	Revenue $m	Organic growth
Blended Branches (see regional analysis on the right)	10,463	+5.9%
Waterworks standalone	2,899	+6.7%
eBusiness standalone	1,541	(2.4%)
HVAC standalone	1,351	+8.6%
Industrial standalone, Fire & Fabrication and Facilities Supply	2,104	+14.1%
	18,358	+6.2%



Broadly based geographic growth, continued market outperformance

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UK (local currency)

		2019 £m	2018 £m	Change	Like for like
Revenue	- Underlying	**1,725**	1,712	+0.8%	+0.6%
	- Exited business	**-**	123		
		1,725	1,835	(6.0%)	
Trading profit	- Underlying	**54**	51	+5.0%	
	- Exited business	**-**	2		

Trading profit was ahead despite challenging RMI markets

Canada (local currency)

	2019 $CADm	2018 $CADm	Change
Revenue	**1,576**	1,517	+3.9%
Organic revenue growth	**(1.1%)**	+7.0%	
- Underlying trading profit	**89**	81	+9.9%
- One-off gain	**-**	8	
Trading profit	**89**	89	
Underlying trading margin	**5.6%**	5.3%	+0.3%

	2019 Revenue growth	2019 Trading Profit growth
Organic	**(1.1%)**	**+2.1%**
Acquisition	**+5.0%**	**+7.8%**
Total growth	**+3.9%**	**+9.9%**

Good underlying profit performance in weaker markets

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Exceptional items

$m	2019 P&L total
US restructuring and early retirement programme	62
UK restructuring costs	29
Other	3
Total included in operating profit	94

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Financing & tax

$m	2019	2018
Financing		
Reported P&L charge	**74**	53
Tax		
Ongoing P&L charge	**344**	363
Ongoing effective tax rate	**22.5%**	25.1%

Interest and tax costs as expected

Cash

$m	2019	2018
Continuing adjusted EBITDA	**1,788**	1,687
Working capital	**(77)**	(245)
Pension, exceptional cash and other	**(102)**	(119)
Cash generated from operations	**1,609**	1,323
Interest & tax	**(319)**	(287)
Capex	**(418)**	(299)
Acquisitions of businesses	**(657)**	(416)
Disposals of businesses, associates and assets held for sale	**303**	1,440
Dividends & buybacks	**(595)**	(2,034)
Other items and FX	**(38)**	(101)
Increase in net debt	**(115)**	(374)

Strong cash generation with c.$600m returned to shareholders and c.$650m of great acquisitions

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Capital structure

	2019	2018
Net debt as reported	**$1,195m**	$1,080m
Net debt : adjusted EBITDA	**0.7x**	0.6x
Buy back announced 10 June 2019:		
- completed as at 31 July 2019	**$150m**	
- to complete in FY20	**$350m**	
Net pension asset	**$153m**	$174m
Minimum operating lease commitments	**$1.1bn**	$1.1bn

Strong balance sheet maintained

Technical guidance for the full year to 31 July 2020

One additional trading day impact on trading profit	$12 million
2019/20 impact from completed acquisitions	Revenue $230m, trading profit $15m
Interest charge[1]	$85 million
Effective tax rate	25% - 26%
Capital investment	$300 – $350 million

[1] Pre-IFRS16 basis

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Capital allocation

Capital priorities

- Ferguson is highly cash generative through the cycle
- Remain committed to target net debt : adjusted EBITDA range of 1x – 2x and priorities for cash usage
    1) Re-invest in organic growth
    2) Progressive dividend policy, aim to grow the dividend in line with the long-term growth in earnings
    3) Invest in selective bolt-on acquisitions to improve our market leadership positions or expand the capabilities of our existing business model
    4) Return surplus capital to shareholders reasonably promptly

Capital returns

- Returned approximately $600m in 2018/19 via dividends and buy backs.
- 2018/19 total ordinary dividend of 208.2c, an increase of 10%.

Consistent capital policy

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Markets, strategy and outlook

John Martin, Chief Executive

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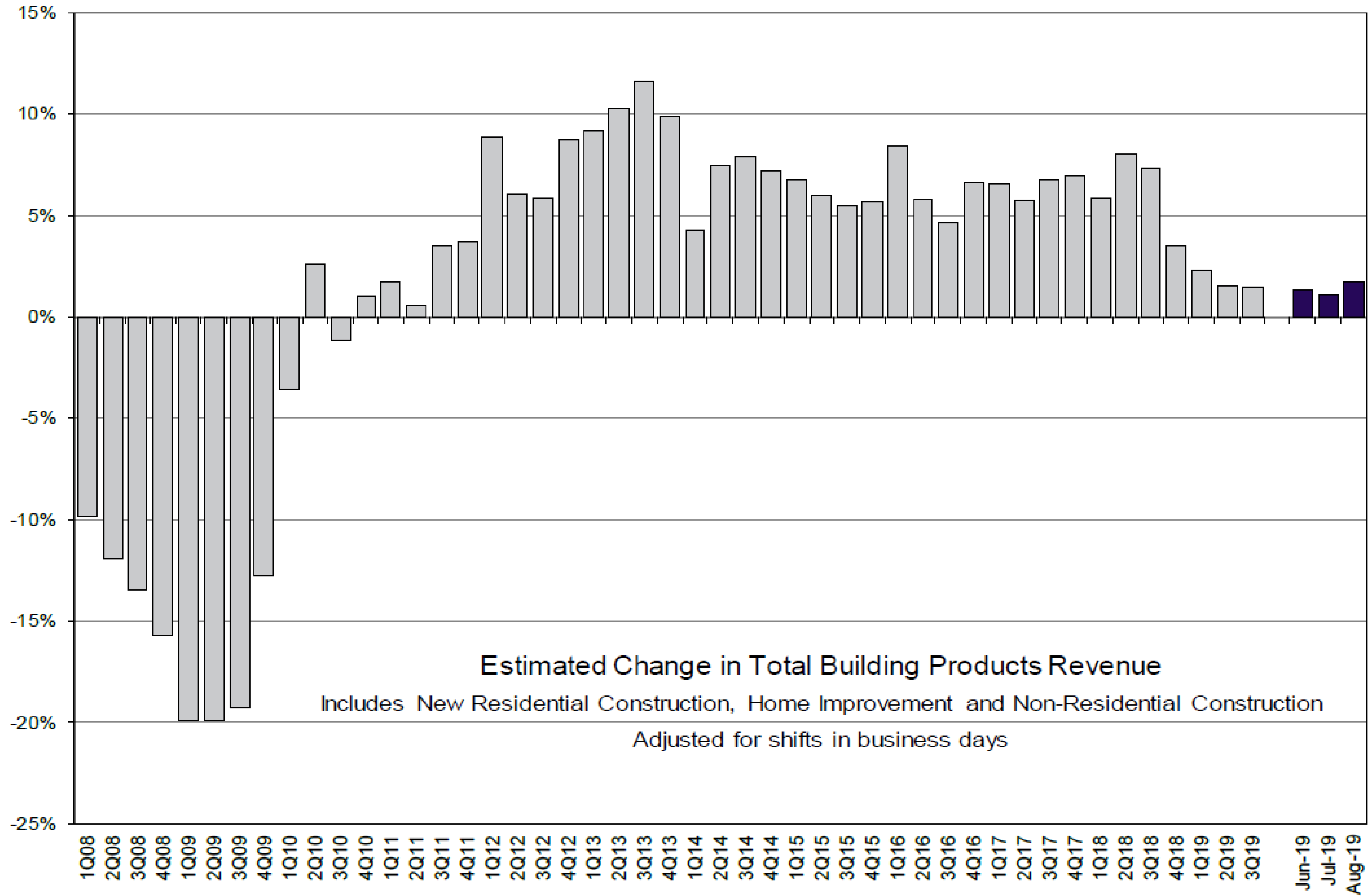
Markets – growth of US end-markets in 2019

	% of US revenue 2019	Estimated market growth in 2019 H1 2019	H2 2019	2019	**Organic revenue growth 2019**
Residential	~50%	6%	1%	3%	**+5%**
Commercial	~35%	5%	2%	3%	**+7%**
Civil / Infrastructure	~7%	5%	2%	3%	**+6%**
Industrial	~8%	13%	-	6%	**+9%**
		6%	1%	3%	**+6.2%**

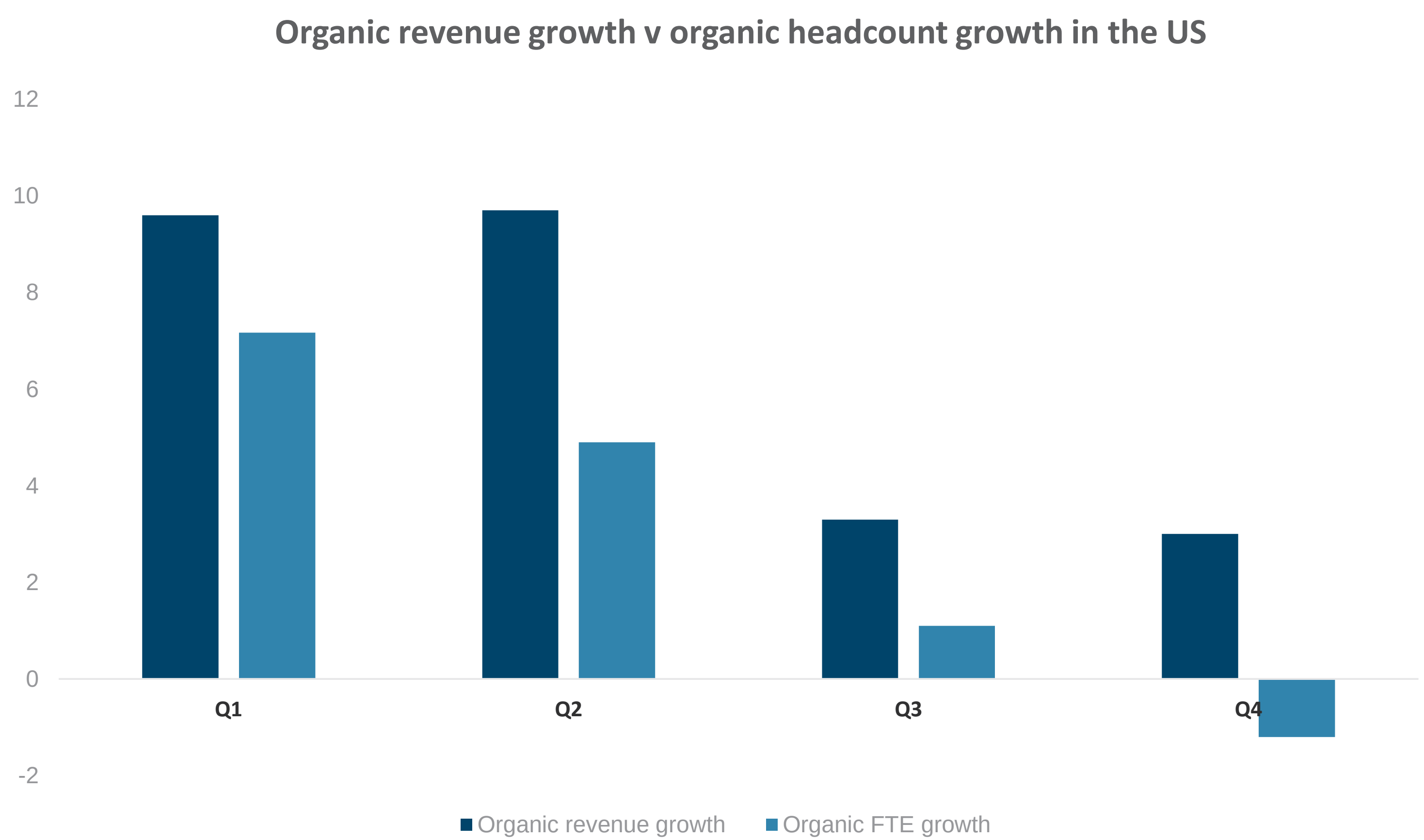
- Markets slowed in the second half
- Ferguson continued to take market share across all end markets

Markets – US total building products revenue (Zelman)



Source: Zelman & Associates Building Products Review

Key initiatives – efficient operating model



- Strong discipline on headcount growth throughout the year
- Enables us to invest in our strategic initiatives

Key initiatives - own brand

build.com ESSENTIALS
PROFLO
SIGNATURE HARDWARE
FNW
SAFE STEP WALK-IN TUB
DELACORA
NFP
PROSELECT
JAMES MARTIN VANITIES
MONOGRAM BRASS
JONES STEPHENS We Got It
PARK HARBOR
Millennium Lighting
EDGESTAR
WC
Lincoln PRODUCTS
Pollardwater
RAPTOR
Koldfront
Mirabelle sensible sophistication
Avallon

US own brand penetration 5.4% to 8.6% over last 4 years

Key initiatives – reconfiguration of distribution centres

- Perris, Southern California DC opened in July 2019
- Servicing all business units across Southern California, Arizona, Utah and Nevada
- 1 million square foot distribution centre built on 47 acres
- Brought into full operation with no disturbance to customer service
- Solar system being installed to generate 3.5m kilowatt hours of electricity a year

Our largest ever distribution centre was brought into operation with no disruption to customer service

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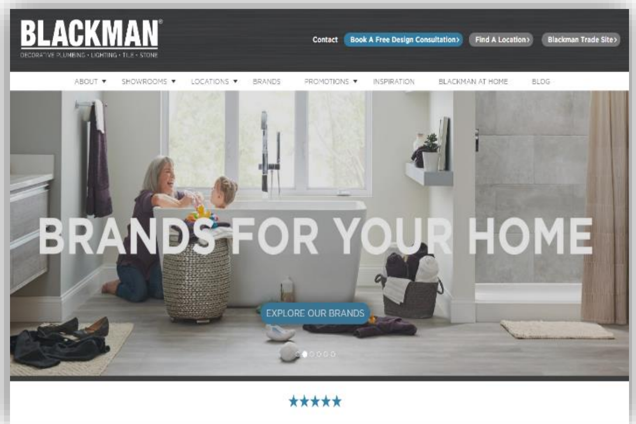
Key initiatives - acquisitions

- Acquired Blackman Plumbing Supply in December 2018
- $240m revenue in plumbing , heating, HVAC and waterworks categories
- Based in Long Island – population 8m
- Market leader in residential and commercial plumbing
- 23 branches



Up to 100 Ferguson associates worked on integration

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Key initiatives – reaffirmation of our values

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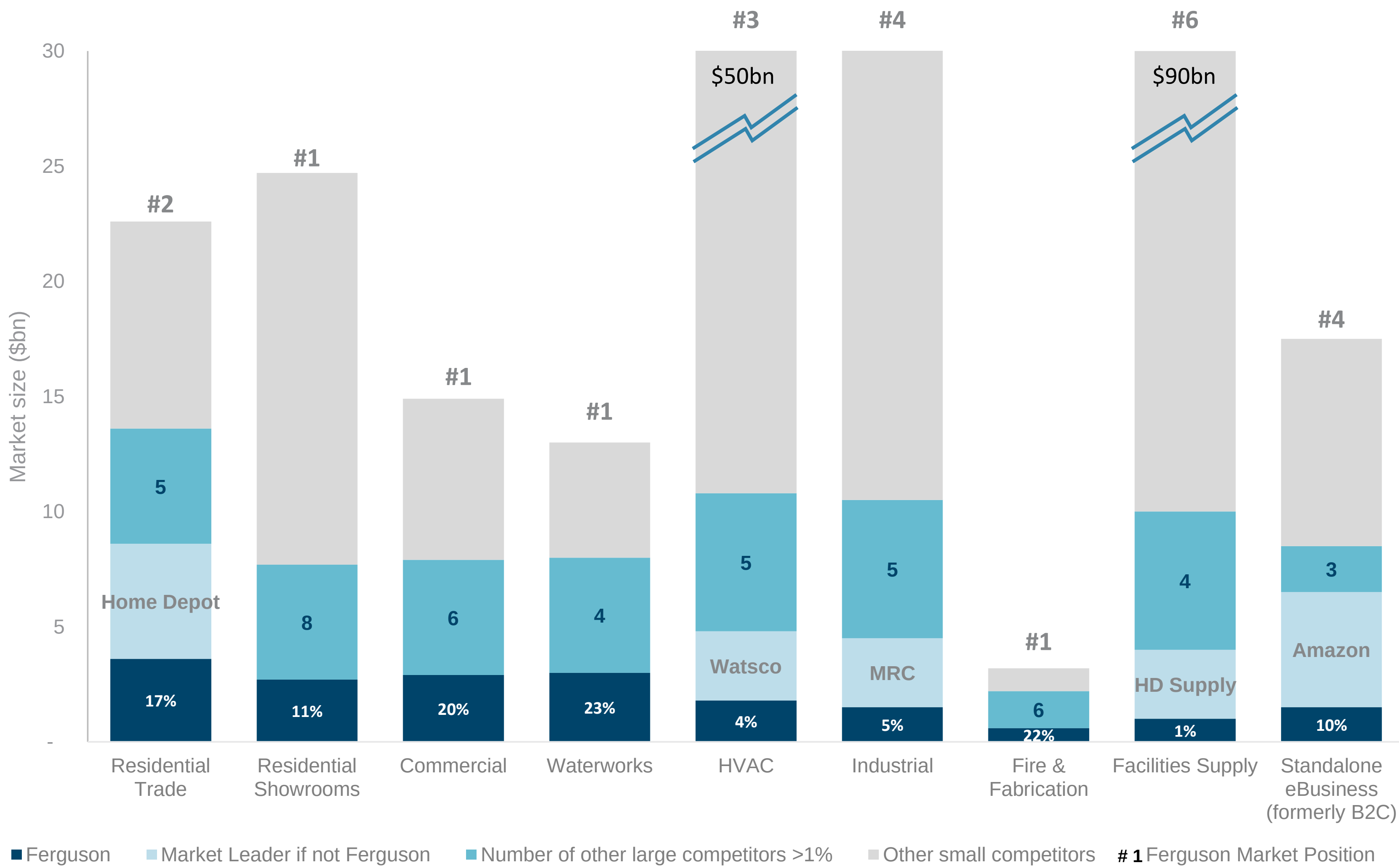
Ferguson – attractive market structure



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Ferguson – shared infrastructure

Shared	Residential trade	Residential showrooms	Commercial	Waterworks	HVAC	Industrial	Fire & Fabrication	Facilities Supply	B2C
Branches	●		●	◐	◐	◐	◐	●	
Distribution Centres	●	●	●		●	●	●	●	●
ERP	●	●	●	●	●	●	●		
Sourcing	●	●	●	◐	◐	◐	●	◐	◐
Back office	●	●	●	●	●	●	●	●	
Own brand	●	●	●		◐		●	◐	●
Sales associates	●	◐	●		◐	◐		◐	
Other large competitors	●	●	●	◐	◐	◐			◐

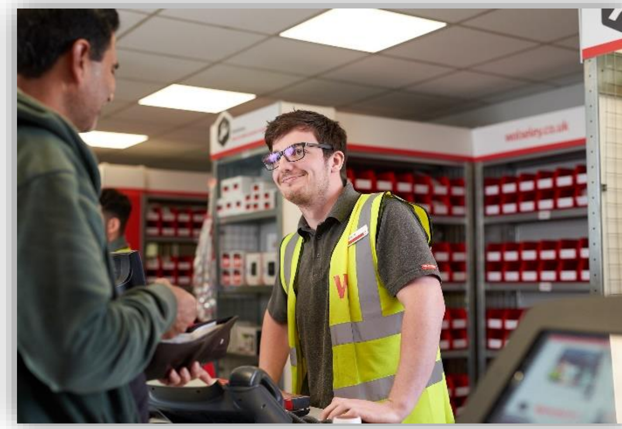
Wolseley UK - operations today

- Clear branding under the Wolseley banner
- Focused on trade and contract customers
- Principally serving the lower volatility RMI market
- Good market positions in residential plumbing and heating, commercial building services and infrastructure.
- Largest network with nationwide coverage (551 branches)
- Clear strategy focused on service and availability
  - Industry-leading fulfilment (core range, in branch) > 99%
  - Focus on customer service, NPS of 44

New management has stabilised the business in a tough trading environment

Wolseley UK - opportunities

- Grown own brand capability (currently 8.4% of sales) to drive gross margin expansion (50% +)
- Effective online functionality (currently 9% of sales)
- Leverage overnight fulfilment of 30,000 products
- Opportunity to drive pricing discipline
- Incremental bolt-on acquisition opportunities (like Continental Engineering)



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Wolseley UK – financials

		2019 £m	2018 £m	Change
Revenue	Underlying	**1,725**	1,712	+0.8%
	Exited business	**-**	123	
		1,725	1,835	
Trading profit	Underlying	**54**	51	+5.0%
	Exited business	**-**	2	
		54	53	

- Improved performance in a challenging market
- Net assets (excl. pension, debt and tax) : £339m

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Listing - assessment of listing structure

- Board has kept listing under review over several years
- After demerger of Wolseley UK, 100% of Ferguson's revenue will be generated in North America
- Approximately 40% of shareholders are US based
- A number of shareholders have requested that we review the listing structure
- Considering the feasibility, costs and benefits of a range of options

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Listing – some considerations

Internal controls and governance

- Sarbanes Oxley
- Corporate governance

Structural considerations

- Tax, pensions
- Registration
- Settlement mechanism

Market considerations

- Index inclusion
- Sell side analyst coverage and peer group
- Shareholders' wishes

Reporting

- US GAAP, IFRS
- SEC reporting

Markets - outlook

- US markets are broadly flat – we continue to outperform
- Order books support modest growth in the months ahead
- Expect to make further progress in the year ahead

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Questions

Appendix

Impact of tariffs

Tariff	Effective date	Products impacted	Total headline US value impacted	Rate	Value of Ferguson direct imports affected $m
S 232	Feb 2018	Steel			
S 301 List 1	Jul 2018	818 lines	$34bn	25%	$1m
S 301 List 2	Aug 2018	279 lines	$16bn	25%	$1m
S 301 List 3 round 2[1]	May 2019	5,745 lines	$200bn	25%	$34m
S 301 List 4 Phase I	Sep 2019	c. 3200 lines	$300bn[2]	15%	$3m
Current impact on Ferguson					$39m
S 301 List 1-3 increase in rate from 25% to 30%	Oct 2019	c. 6,800 lines	$250bn	30%	$7m[3]
S 301 List 4 Phase II	Dec 2019	c. 600 lines	$300bn[2]	15%	$7m

We will continue to work with customers to pass through price increases

[1] S 301 List 3 round 1 was introduced in September 2018 at a rate of 10% resulting in a $13m impact. This was increased to 25% during round 2.
[2] $300bn is the total value of list 4, phase I and II combined
[3] Reflects just the increase in impact from 25% to 30% rates.

Regional analysis

$m	Revenue 2019	Revenue 2018	Trading profit 2019	Trading profit 2018
USA	**18,358**	16,670	**1,508**	1,406
UK	**2,222**	2,472	**69**	72
Canada	**1,191**	1,192	**67**	70
Central costs	**-**	-	**(43)**	(55)
Group ongoing	**21,771**	20,334	**1,601**	1,493
Non-ongoing	**239**	418	**5**	14
Group reported	**22,010**	20,752	**1,606**	1,507

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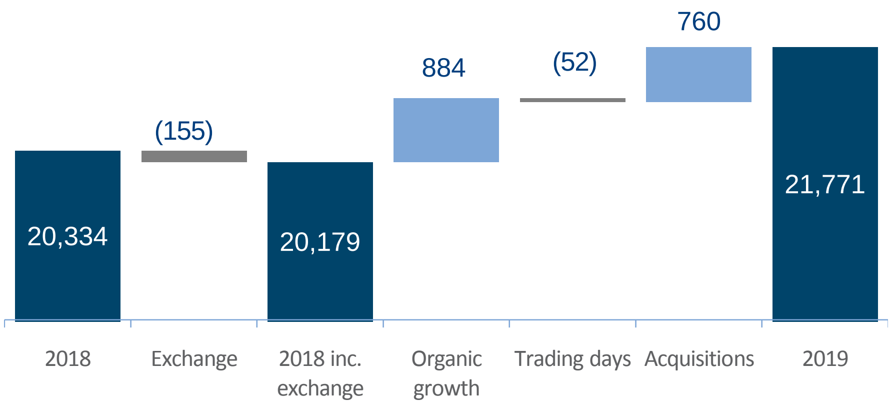
Quarterly analysis

Revenue $m	Q1 2019	Q2 2019	Q3 2019	Q4 2019	**FY 2019**
USA	4,607	4,267	4,457	5,027	**18,358**
UK	580	546	567	529	**2,222**
Canada	340	275	250	326	**1,191**
Group ongoing	5,527	5,088	5,274	5,882	**21,771**

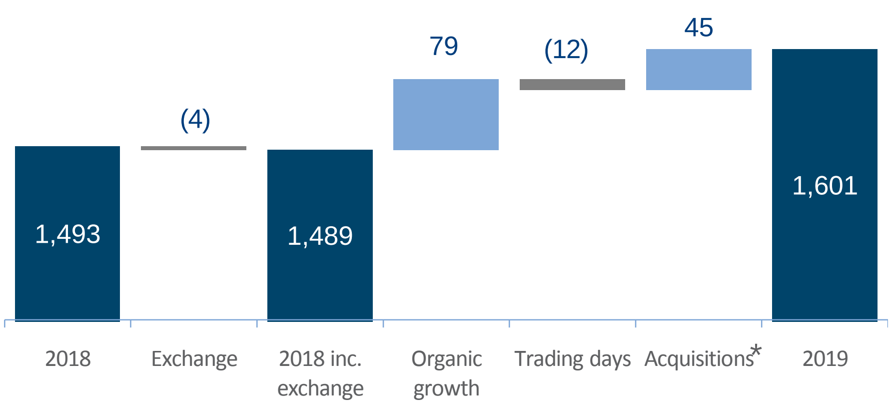
Trading profit $m	Q1 2019	Q2 2019	Q3 2019	Q4 2019	**FY 2019**
USA	400	300	346	462	**1,508**
UK	19	13	20	17	**69**
Canada	27	12	4	24	**67**
Central costs	(14)	(11)	(11)	(7)	**(43)**
Group ongoing	432	314	359	496	**1,601**

Revenue and trading profit growth

Ongoing revenue
($m)



Ongoing trading profit
($m)



* Net of transaction and integration costs.

Branch numbers

	Brought forward 31 July 2018	Acquired	Net Closed	Carried forward 31 July 2019
USA	1,448	72	(29)	1,491
UK	567	-	(16)	551
Canada	230	1	(14)	217
	2,245	73	(59)	2,259

Headcount[1]

	Brought forward 31 July 2018	Acquired	Disposals	Net joiners / (leavers)	Carried forward 31 July 2019
USA	26,501	1,120	-	(145)	27,476
UK	5,617	-	(236)	(272)	5,109
Canada	2,742	60	-	(172)	2,630
Other	85	-	-	(7)	78
	34,945	1,180	(236)	(596)	35,293

[1] Permanent full time equivalents

IFRS16 impact

- Applies to year ending 31 July 2020 for Ferguson
- First financial statements published under IFRS 16 will be 2019/20 half year in March 2020
- No impact on economics of lease transactions, cash payments made or capital allocation
- Impact on opening financial statements (i.e. balance sheet as at 31 July 2019) and estimated impact for year ending 31 July 2020:

$m	Balance sheet	Income Statement
Opening right of use asset	+1,200	
Opening lease liability	(1,500)	
EBITDA		+300
Depreciation		(250)
Trading profit		+50
Finance costs		(50)
EPS		Immaterial