



**2017/18**  
**Full Year Results**  
**presentation**

12 months to 31 July 2018



# Highlights

**John Martin, Chief Executive**

# Operating and financial highlights

## Good operating performance

- Organic revenue growth
  - Group +7.5%
  - USA +9.9%
- Gross margins +30 basis points
- Trading profit growth +14.7%

## Excellent financial returns

- Rebased dividend +21%
- Capital returns of \$2 billion
- Good cash generation and strong balance sheet

# Strategy and portfolio development

## Active resource allocation

- Completed disposal of Nordics building materials business
- Exited low margin wholesale business in the UK
- Initiated disposal of Wasco (Netherlands) plumbing business

## Strategy development

- Executing growth strategies effectively in the USA and Canada
- Focus in UK remains on executing restructuring programme
- Established innovation and disruption group and Ferguson Ventures
- Completed \$415m of acquisitions in 2018 with a further \$240m since year end



A photograph of two men in safety gear at a construction site. The man on the left is wearing a blue hard hat, glasses, a dark blue polo shirt, and a high-visibility yellow safety vest with orange and silver reflective stripes. He is pointing towards a device held by the man on the right. The man on the right is wearing a brown hard hat, a dark blue polo shirt, and a high-visibility yellow safety vest. They are standing next to a large, red, cylindrical piece of machinery. The background shows green trees and a clear blue sky. A semi-transparent blue banner is overlaid across the middle of the image, containing the text.

# Operating and financial review

**Mike Powell, Group CFO**

## Financial highlights

	2018	2017	Change	Change (at constant exchange rates)	Organic change <sup>2</sup>
Ongoing revenue	<b>\$20,752m</b>	\$18,845m	+10.1%	+8.8%	+7.5%
Ongoing gross margin %	<b>29.2%</b>	28.9%	+0.3%		
Ongoing trading profit <sup>1</sup>	<b>\$1,507m</b>	\$1,307m	+15.3%	+14.7%	
Ongoing trading margin % <sup>1</sup>	<b>7.3%</b>	6.9%	+0.4%		
Headline earnings per share <sup>1</sup>	<b>444.4c</b>	366.1c	+21.4%		
Ordinary dividend per share	<b>189.3c</b>	156.4c	+21%		
Cash flow from operating activities	<b>\$1,323m</b>	\$1,410m			
Net debt	<b>\$1,080m</b>	\$706m			

<sup>1</sup> Before exceptional items, the amortisation of acquired intangible assets and the impairment of interests in associates and with respect to headline EPS before non-recurring tax items and non-controlling interest.

<sup>2</sup> The increase or decrease in revenue excluding the effect of currency exchange, acquisitions and disposals and trading days.

Good results and strong cash flow delivered

## Organic revenue growth

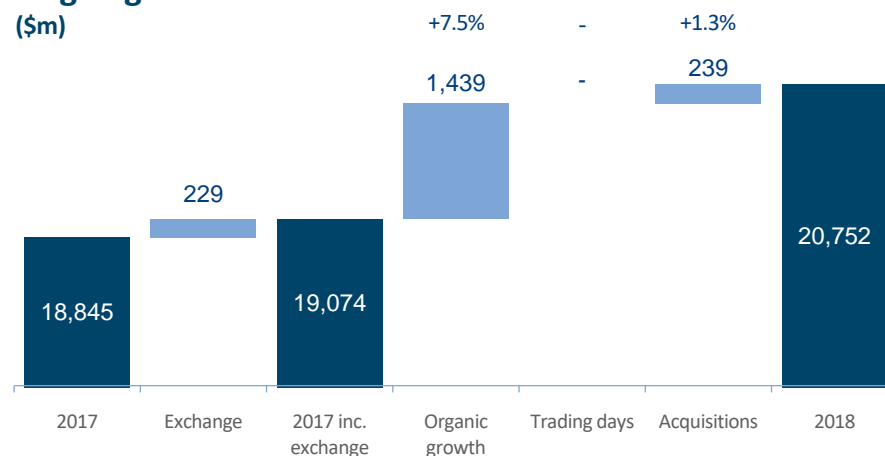
	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
USA	+8.7%	+8.3%	+9.1%	+10.6%	+11.4%	<b>+9.9%</b>
UK <sup>1</sup>	+4.2%	+3.9%	(1.7%)	+0.7%	(0.1%)	<b>+0.7%</b>
Canada and Central Europe	+7.7%	+7.7%	+7.8%	+6.5%	+5.9%	<b>+6.9%</b>
Ongoing businesses	+8.0%	+7.6%	+7.3%	+7.1%	+8.1%	<b>+7.5%</b>

<sup>1</sup> The UK revenue growth rate is on a like-for-like basis to remove the impact of closed branches and the exit of low margin business. Like-for-like is organic revenue growth excluding the effect of branch openings and closures and the exit of low margin business.

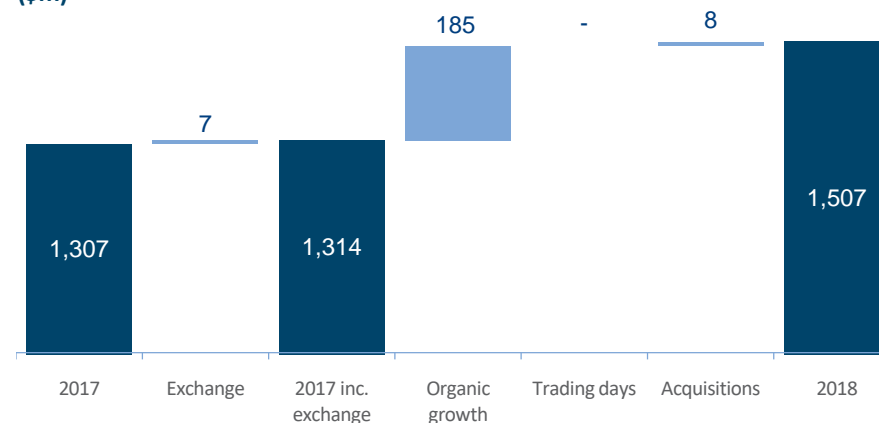
Good revenue growth through the year

# Revenue and trading profit growth

**Ongoing revenue (\$m)**



**Ongoing trading profit (\$m)**



Good organic profit growth and flow through



**USA ongoing**  
**(90% of Group trading profit)**

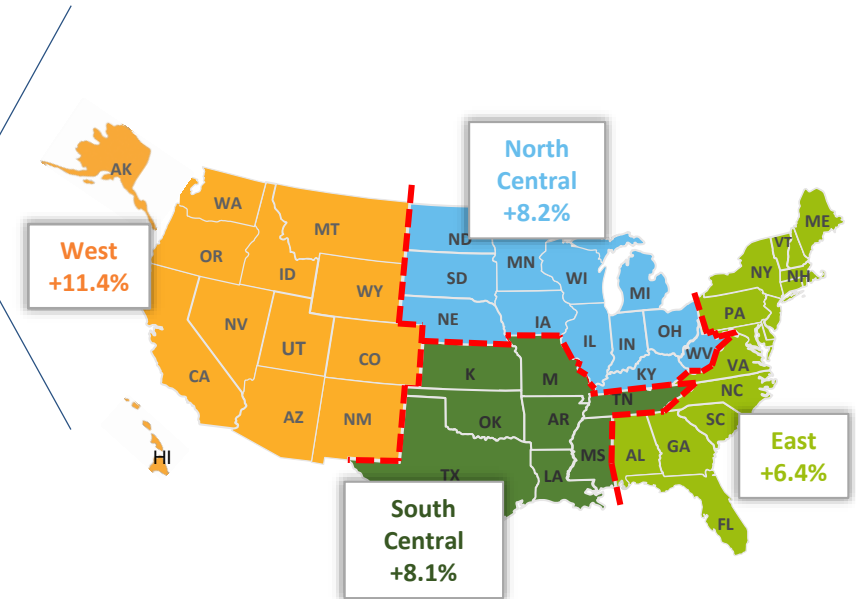


\$m	2018	2017	Change
Revenue	<b>16,670</b>	14,977	+11.3%
Organic revenue growth	<b>+9.9%</b>	+7.3%	
Trading profit	<b>1,406</b>	1,204	+16.8%
Trading margin	<b>8.4%</b>	8.0%	+0.4%

Good revenue growth and trading margin expansion

# USA organic revenue growth

Business unit	Revenue \$m	Organic growth
Blended Branches (see regional analysis on the right)	9,613	+8.5%
Waterworks standalone	2,688	+11.5%
B2C e-commerce	1,572	+12.9%
HVAC standalone	1,202	+8.9%
Industrial standalone, Fire & Fabrication and Facilities Supply	1,595	+14.1%
	16,670	+9.9%



**Broadly based growth**

## USA end-market revenue growth

	% of US revenue 2018	Market growth 2018	US organic revenue growth 2018
Residential	~50%	~7%	<b>+10%</b>
Commercial	~35%	~6%	<b>+8%</b>
Civil / Infrastructure	~7%	~6%	<b>+11%</b>
Industrial	~8%	~10%	<b>+20%</b>
		6-7%	<b>+9.9%</b>

Continued outperformance in supportive markets



**UK**  
**(5% of Group trading profit)**



\$m	2018	2017	Change	Change (at constant exchange rates)
Revenue	<b>2,568</b>	2,548	+0.8%	(5.3%)
Like-for-like revenue growth	<b>+0.7%</b>	+1.0%		
Trading profit	<b>73</b>	96	(24.0%)	(28.8%)
Trading margin	<b>2.8%</b>	3.8%	(1.0%)	

Trading profit lower in tough markets, restructuring continues

## Canada & Central Europe

(5% of Group trading profit)



\$m	2018	2017	Change	Change (at constant exchange rates)
Revenue	<b>1,514</b>	1,320	+14.7%	+9.2%
Organic revenue growth	<b>6.9%</b>	3.5%		
Trading profit <sup>1</sup>	<b>83</b>	57	+45.6%	+37.7%
Trading margin	<b>5.5%</b>	4.3%	+1.2%	

<sup>1</sup> Includes one-off \$6m gain from a legal settlement.

Solid trading performance in good markets

## Impairment and exceptional items

\$m	Cash	Non-cash	P&L total
Impairment of investment in Swiss associate	-	122	<b>122</b>
<b>Exceptionals</b>			
UK restructuring costs	42	30	<b>72</b>
Other exceptional costs	10	-	<b>10</b>
Total exceptional costs	52	30	<b>82</b>

Exceptional costs as expected



## Financing & tax

\$m	2018	2017
<b>Financing</b>		
Reported P&L charge	<b>53</b>	54
<b>Tax</b>		
Ongoing P&L charge	<b>364</b>	351
Ongoing effective tax rate	<b>25.0%</b>	28.0%

Interest and tax costs as expected

## Cash

\$m	2018	2017
Reported trading profit	<b>1,507</b>	1,307
Depreciation & amortisation	<b>180</b>	212
Reported EBITDA	<b>1,687</b>	1,519
Working capital	<b>(245)</b>	(95)
Pension, discontinued & share based payments	<b>(119)</b>	(14)
Cash flow from operations	<b>1,323</b>	1,410
Interest & tax	<b>(287)</b>	(460)
Acquisitions	<b>(416)</b>	(331)
Disposals and assets held for sale	<b>1,388</b>	404
Capex	<b>(299)</b>	(224)
Dividends & buybacks	<b>(2,034)</b>	(328)
Other items and FX	<b>(49)</b>	61
Movement in net debt	<b>(374)</b>	532
Net debt as reported	<b>(1,080)</b>	(706)

Continued strong cash generation, \$2bn returned to shareholders

## Capital structure

	2018	2017
Net debt as reported	<b>\$1,080m</b>	\$706m
Net debt / EBITDA <sup>1</sup>	<b>0.6x</b>	0.5x
Net pension asset / (liability)	<b>\$174m</b>	(\$28m)
Operating lease commitments	<b>\$1,081m</b>	\$1,129m

**Strong balance sheet maintained**

<sup>1</sup> Covenant net debt to / EBITDA includes discontinued businesses.



# Technical guidance for the full year to 31 July 2019

Trading days and estimated impact on trading profit

Trading profit impact from completed acquisitions

Wasco to be excluded from ongoing results

Exceptional costs in the UK – P&L and cash

Interest

Effective tax rate

Capital investment

Working capital investment

One fewer day ≈ \$10 million  
 ≈ Revenue \$450m, Trading profit \$40m  
 Revenue \$322m, Trading profit \$13m  
 Approx. \$30m  
 ≈ \$80 million  
 22% - 23%  
 Upward pressure to mid-twenties  
 \$400 - \$450 million  
 12% - 13% of incremental revenue

# Capital allocation

## Capital priorities

- Ferguson is highly cash generative through the cycle
- Remain committed to target net debt : 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 over \$2bn in FY18 via dividends and buybacks.
- FY18 total ordinary dividend of 189.3c, an increase of 21% including an upward re-base of 10%.

Consistent capital policy



# Business review and outlook

John Martin, Chief Executive



## Strategic priorities

Allocate resources to those markets and businesses where we are equipped to win

1

Generate the best profitable growth in the USA

2

Execute UK restructuring programme

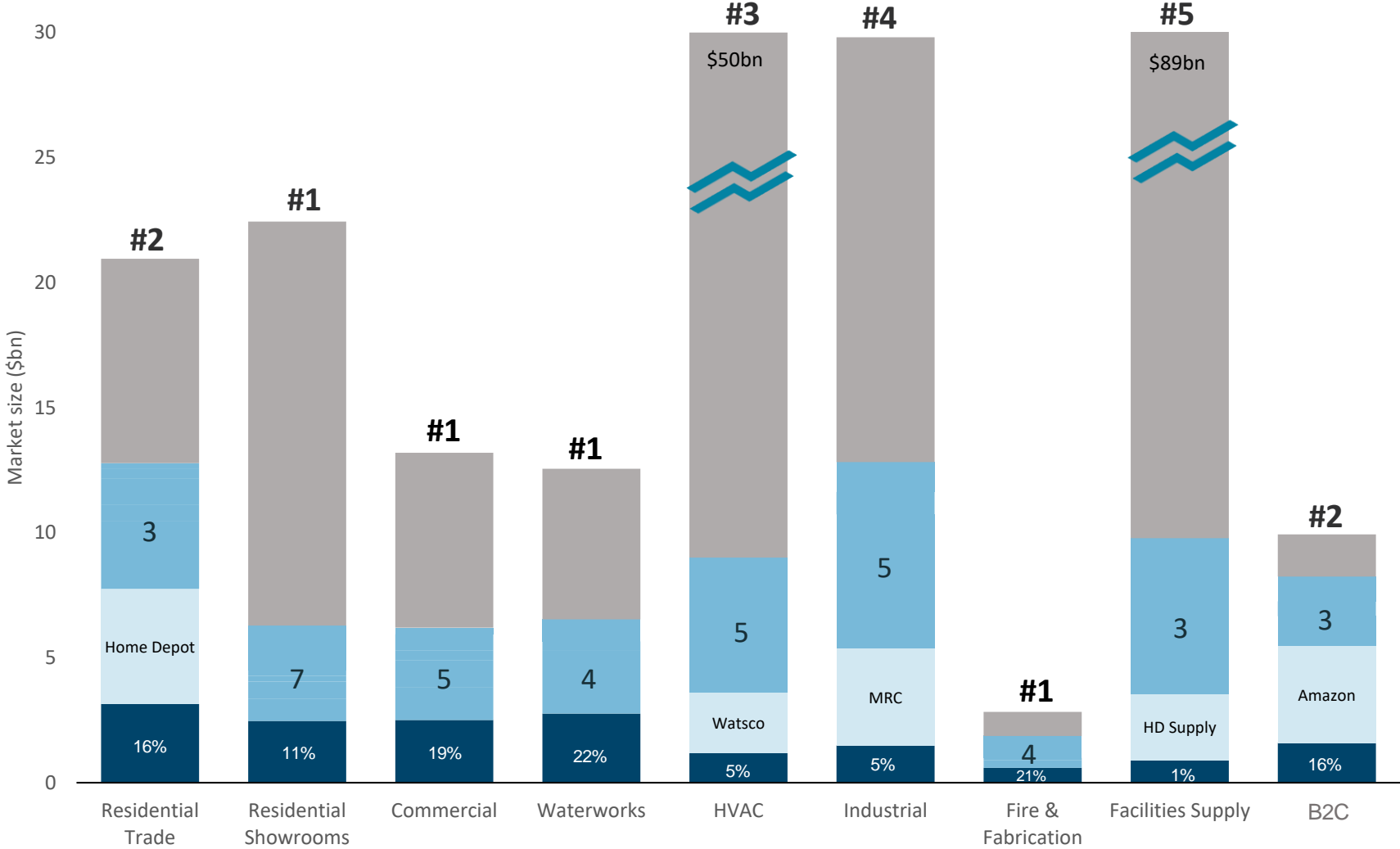
3

Capitalise on the significant growth opportunity in Canada

4

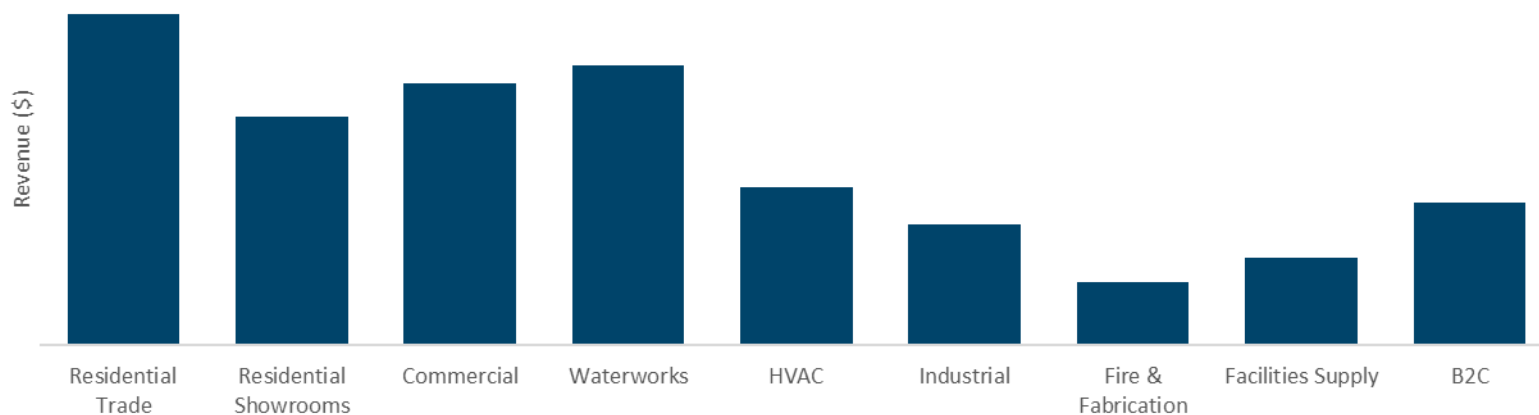
Accelerate innovation

# US markets by strategic business unit



■ Ferguson 
 ■ Market leader if not Ferguson 
 # Ferguson market position  
■ Number of other large competitors >1% 
 ■ Other small competitors

# US shared infrastructure



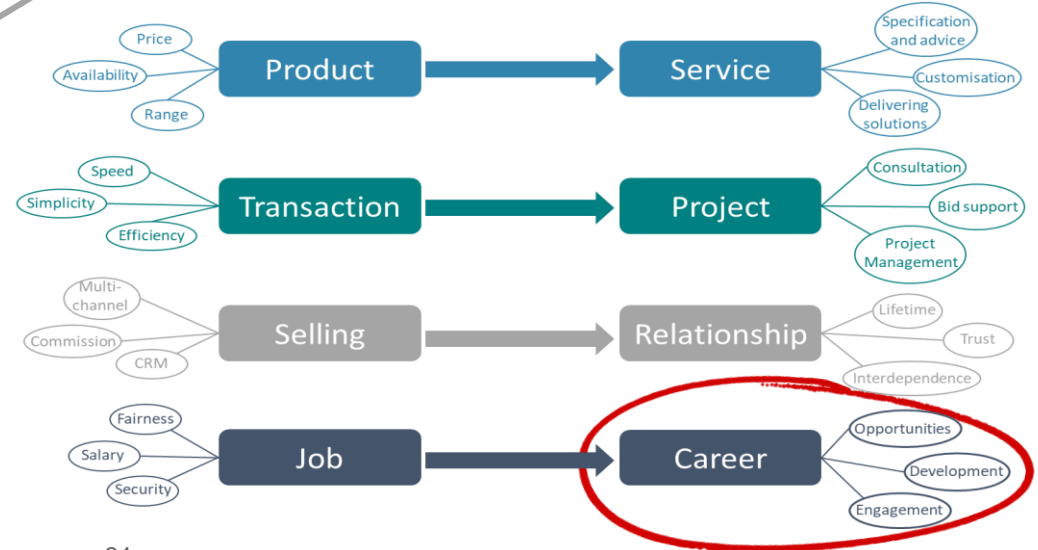
Shared	Residential trade	Residential showrooms	Commercial	Waterworks	HVAC	Industrial	Fire & Fabrication	Facilities Supply	B2C
Branches	●		●	◐	◐	◐	◐	●	
Distribution Centres	●	●	●		●	●	●	●	●
ERP	●	●	●	●	●	●	●		
Sourcing	●	●	●	◐	◐	◐	●	◐	◐
Back office	●	●	●	●	●	●	●	●	
Own brand	●	●	●		◐		●	◐	●
Sales associates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

# Drivers of profitable growth

Fulfilling customer wants	Attractive growth opportunities	Excellent execution
Excellent service ethic	Organic expansion	Operating model and e-commerce development
Engaged associates	Adjacent opportunities	Pricing discipline
Strong sales culture	Bolt on acquisitions	Own brand penetration

**Getting the basics right**

**Sustaining competitive advantage**



# Leadership



## College of Ferguson

- 5 month induction programmes tailored by business unit
- 18 training centres established across USA
- Curriculum includes Ferguson culture, sales skills, product knowledge, finance, customer service, warehouse, counter and showroom management, systems training
- 86% graduate retention rate last year



600 graduates in 2018 joined 7,000 already working in the business



## US associate survey

	Score 2018
I am confident in Ferguson's future	91
I understand the role I play in Ferguson's future success	83
My direct manager supports me in my efforts to grow my career at Ferguson	77
My management team treats me with respect	84
I am satisfied with the level of communication between my direct manager and my team	76
At work, I have the chance to use my strengths every day	81
At work I clearly know what is expected of me	85
I feel 100% comfortable going to my direct manager with any safety concern, no matter how small	90
As an associate of Ferguson, I feel confident about recommending Ferguson to potential customers	91
Ferguson is a good company to work for	87
<b>Associates invited</b>	<b>24,367</b>

Associates' emotional commitment to Ferguson also drives service and sales

## Drivers of profitable growth

<b>Fulfilling customer wants</b>	<b>Attractive growth opportunities</b>	<b>Excellent execution</b>
Excellent service ethic	Organic expansion	Operating model and e-commerce development
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## Group acquisitions



VAGUE & VOGUE



Millennium Lighting™



James Electric

5 acquisitions completed in last 8 weeks for \$240m

## Drivers of profitable growth

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## Own brand acquisitions

### Safe Step walk-in tub company

- Specialist supplier of own brand walk-in tubs and showers
- \$125m revenue
- Customisation capability and installation services with 50 third party installers
- 110 independent sales reps selling direct to consumers

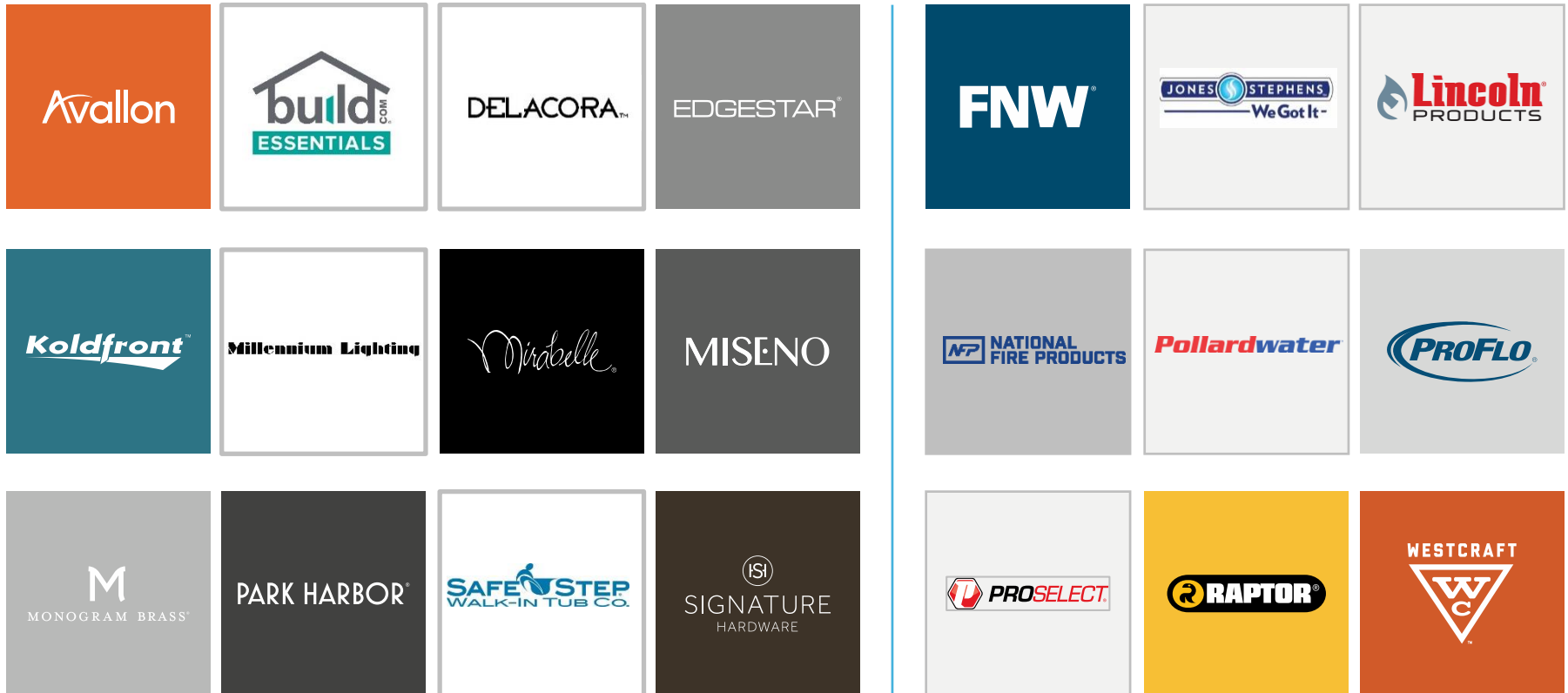
### Jones Stephens

- “Master distributor” of own brand plumbing products
- Established brand in residential and light commercial plumbing, rough and specialty products
- \$100m revenue
- Customers include other distributors and retailers
- Network of independent sales representatives



Expands own brand categories, installation capabilities and direct sales model

## Organic expansion of own brand ranges



**Consumer/Residential finished brands**

**Trade residential & commercial brands**

Own brand allows us to capture more of the value chain, extend our range and is less competitive online

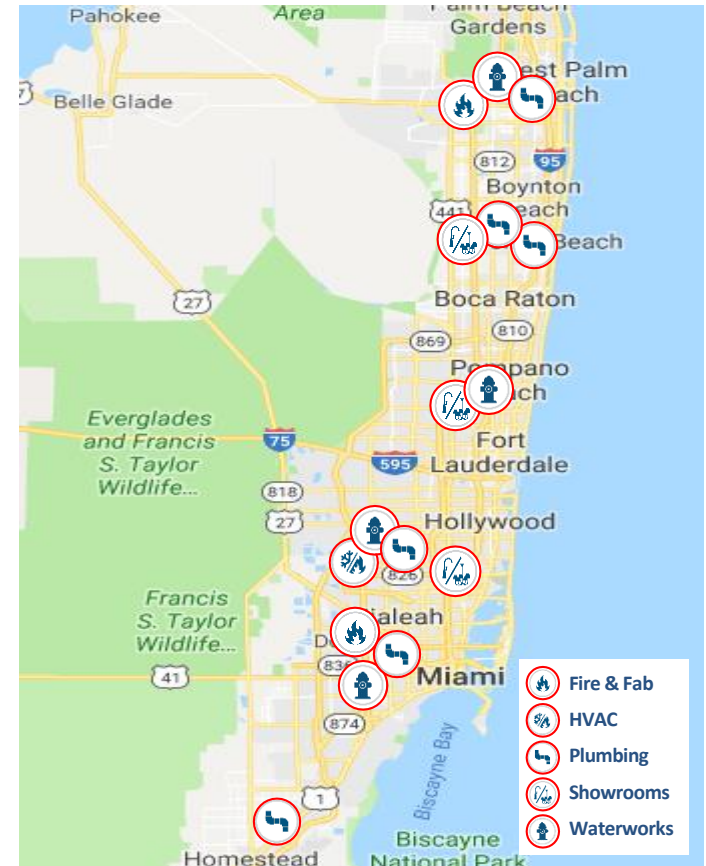


# Drivers of profitable growth

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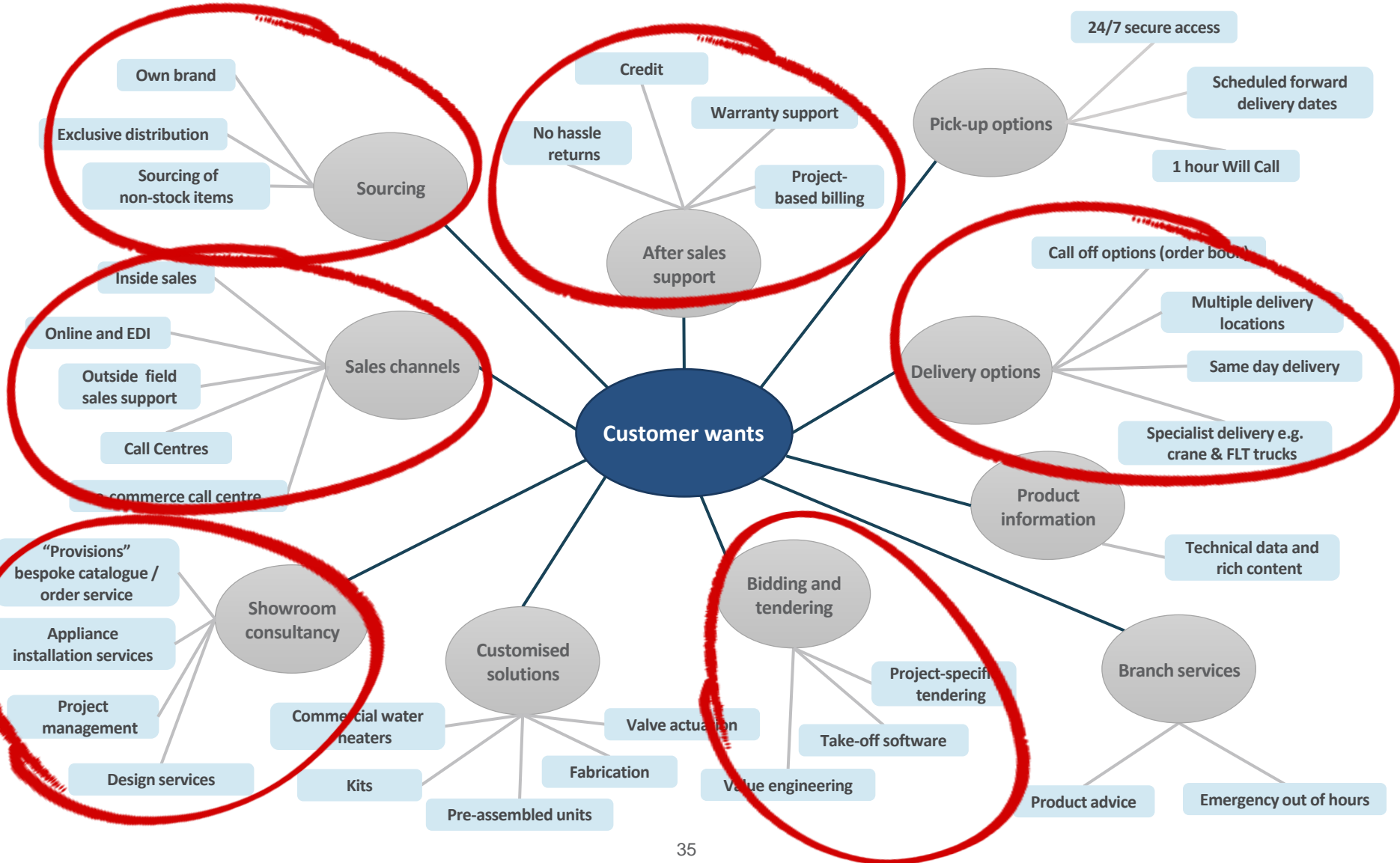
## Organic expansion of Miami metro

- 8th largest metropolitan market in US, pop. 5 million
- 16 locations and 3 showrooms
- 15% overall market share by business group
  - Commercial – 18%
  - Showroom – 24%
  - Residential trade – 12%
- Luxury condominium market
  - Key sector of Miami metro construction spend
  - Value added tools needed to simplify complex, large-scale projects
  - Enhance the customer experience



**\$400 million opportunity to 'best in class' market share**

# Fulfilling customer wants



# The importance of project management to organic growth

- Dedicated teams - Project Manager, Business Development Manager and Delivery & Install Managers
- Services provided - Contract administration, Project coordination, Change order execution and Project reconciliation
- Support tools - shared between Ferguson and customer's teams:
  - Smartsheet mobile enabled project tool
  - Real time project information
  - Tracking of job site shipments
  - Tracking of installation

## PROJECT RECORDS

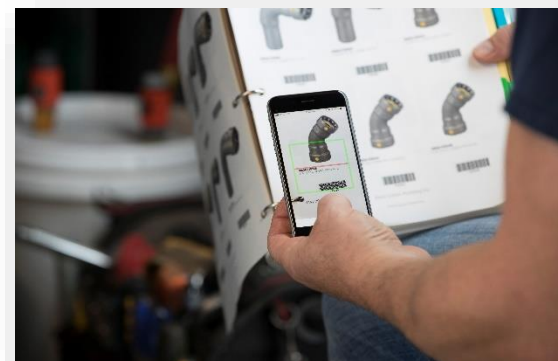
Snapshot view of current vs. contract quantities

Item	Model #	Quantity on Contract	Quantity Shipped	Balance Left to Ship on Contract	Contract Price	Contracted Total
Refrigerator	XXXXXXXXXX	42	40	2	\$4,471.00	\$187,782.00
Cooktop	XXXXXXXXXX	39	39	0	\$942.00	\$36,738.00
Oven	XXXXXXXXXX	38	38	0	\$2,965.00	\$112,670.00
Dishwasher	XXXXXXXXXX	42	40	2	\$736.00	\$30,912.00
Hood	XXXXXXXXXX	44	42	2	\$883.00	\$38,852.00
Recirculation Kit	XXXXXXXXXX	44	43	1	\$60.00	\$2,640.00
Washer	XXXXXXXXXX	42	39	3	\$601.00	\$25,242.00
Dryer	XXXXXXXXXX	42	39	3	\$571.00	\$23,982.00
Cord	XXXXXXXXXX	44	43	1	\$10.00	\$440.00

We help our customers manage their projects

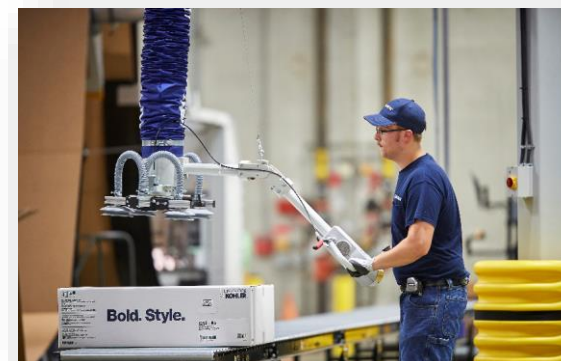
## Growth in e-commerce

- New re-platformed [Ferguson.com](https://www.ferguson.com) web site with enhanced personalised features including:
  - Customised inventory by business group and region
  - Over 750,000 SKUs online
  - Mobile friendly features/optimisation
  - Customer “Self Service” options (calls to clicks)
  - “My Lists” features including top 50 bought often items
  - Enhanced quote and ‘quote to order’ functions
  - SKU App (scan a product to a cart)

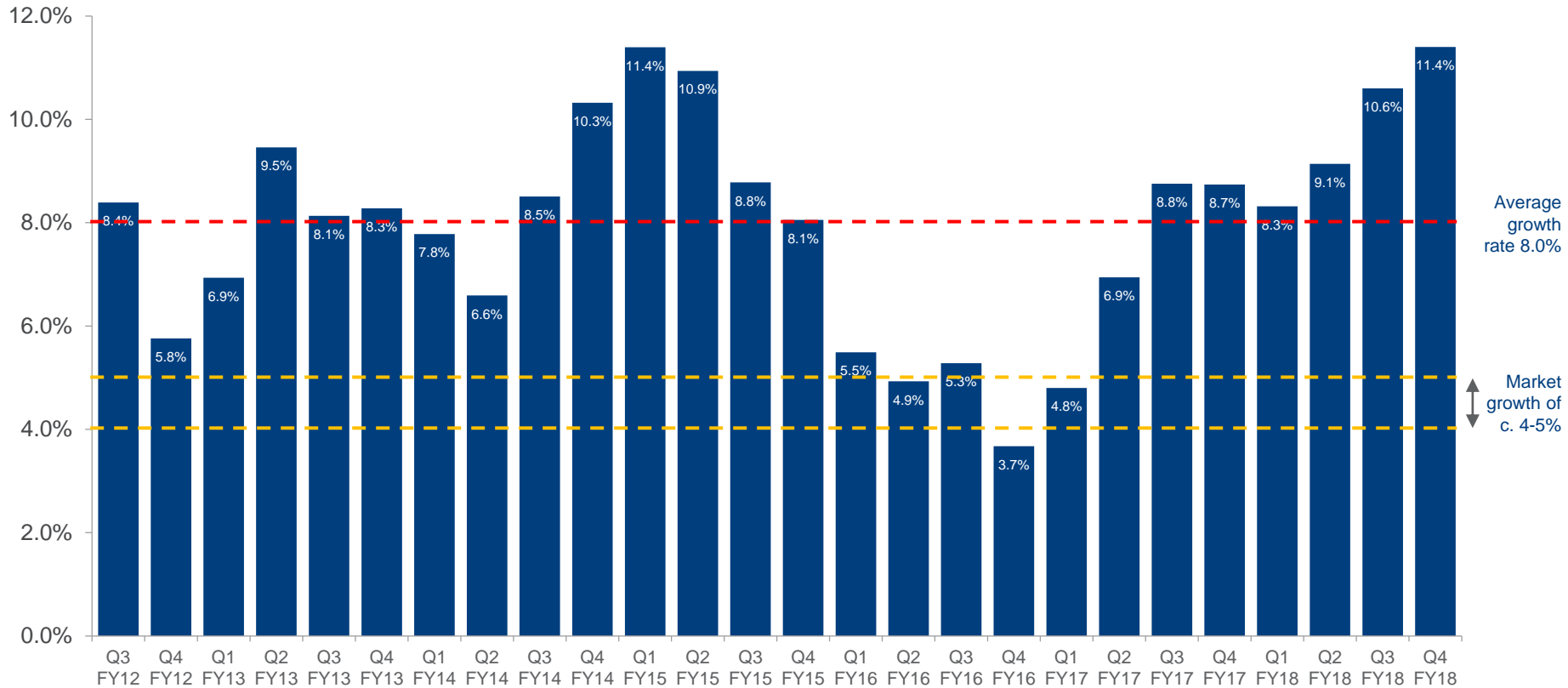


## Investment in organic expansion

- 2,500 new associates
- Expansion of facilities – e.g. Perris, Holly Springs, Indianapolis, Baton Rouge
- Consolidation of smaller facilities – announced 26 small branch closures in Q4
- Over \$400m additional investment in inventory and receivables across the Group



# US organic revenue growth rate



Long term market outperformance of 3% to 4%



## Strategic priorities

Allocate resources to those markets and businesses where we are equipped to win

1

Generate the best profitable growth in the USA

2

Execute UK restructuring programme

3

Capitalise on the significant growth opportunity in Canada

4

Accelerate innovation

## Progress on UK strategy

- Mark Higson appointed to lead business in March
- Good progress on range definition and product availability
- Reconfiguration of logistics and supply chain
  - move to in-night branch replenishment complete
  - reduction in DC capacity to 4 regional hubs by 31 December
- Restructuring update
  - closure of wholesale business completed
  - closed 75 branches in 2018
  - Reduced overheads by \$30m pa
- Strong performance in Civils / Infrastructure business



Some good progress on strategy but disappointing financial results

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# Capitalise on significant growth opportunity in Canada

- Excellent progress on strategic initiatives
  - Supply chain and logistics optimisation
  - New demand planning technology to drive availability
  - Joined OCTO buying group
  - Own label acceleration
  - New platform for B2B e-commerce (13% revenue)
- Good momentum on M&A, strong pipeline
  - Plomberium Pierrefonds (Blended)
  - Tackaberry (HVAC)
  - AMRE Supply (Facilities Supply)



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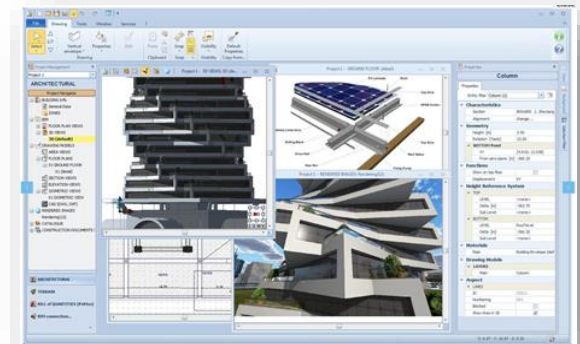
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Accelerate innovation

## Accelerate innovation

- Established innovation and disruption team
- Ferguson Ventures will invest and partner in three areas:
  - Connected Ecosystems – to streamline value chains
  - Digital Experiences – creating a best-in-class customer experience with industry leading content
  - Emerging Technology – leveraging emerging technologies to enhance user experiences
- Invested in first portfolio company
  - Building Information Modelling (BIM) software developer
  - Creates a digital blueprint for a project used throughout its life





## **Market backdrop and outlook**

- Group organic revenue growth in our new year broadly in line with last year
- September slightly lower than August
- Order books suggest continued growth in the months ahead.

A woman with blonde hair tied back, wearing safety glasses and a dark blue polo shirt with a small 'FERGUSON' logo on the chest. She is smiling and leaning her arms on a metal surface, possibly a workbench or part of a vehicle. The background is a blurred industrial setting.

# Appendix

## Tariffs

Tariff	Effective date	Products impacted	Total headline US value impacted	Rate	Value of Ferguson direct imports effected \$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 1	Sep 2018	5,745 lines	\$200bn	10%	\$12m
S 301 List 3 round 2	Jan 2019			25%	\$30m

## Regional analysis

\$m	Revenue 2018	Revenue 2017	Trading profit 2018	Trading profit 2017
USA	<b>16,670</b>	14,977	<b>1,406</b>	1,204
UK	<b>2,568</b>	2,548	<b>73</b>	96
Canada	<b>1,192</b>	1,051	<b>70*</b>	49
Central Europe – Wasco	<b>322</b>	269	<b>13</b>	8
Central costs	-	-	<b>(55)</b>	(50)
<b>Group ongoing</b>	<b>20,752</b>	18,845	<b>1,507</b>	1,307
Non-ongoing	-	439	-	34
<b>Group reported</b>	<b>20,752</b>	19,284	<b>1,507</b>	1,341

\* Includes \$6m one-off legal settlement income.

## Quarterly analysis

Revenue \$m	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
USA	4,112	3,800	4,109	4,649	<b>16,670</b>
UK	679	675	629	585	<b>2,568</b>
Canada	326	272	254	340	<b>1,192</b>
Central Europe - Wasco	74	89	88	71	<b>322</b>
<b>Group ongoing</b>	<b>5,191</b>	<b>4,836</b>	<b>5,080</b>	<b>5,645</b>	<b>20,752</b>
Trading profit \$m	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
USA	363	284	334	425	<b>1,406</b>
UK	21	17	23	12	<b>73</b>
Canada	22	13	7	28*	<b>70*</b>
Central Europe - Wasco	2	4	4	3	<b>13</b>
Central costs	(14)	(14)	(12)	(15)	<b>(55)</b>
<b>Group ongoing</b>	<b>394</b>	<b>304</b>	<b>356</b>	<b>453</b>	<b>1,507</b>

\* Includes \$6m one-off legal settlement income.

## Branch numbers

	Brought forward 31 July 2017	Acquired	Disposals	Net Opened / Closed	Carried forward 31 July 2018
USA	1,423	24	-	1	1,448
UK	642	-	-	(75)	567
Canada	212	18	-	-	230
Central Europe - Wasco	33	1	-	1	35
	2,310	43	-	(73)	2,280

## Headcount

	Brought forward 31 July 2017	Acquired	Disposals	Net joiners / (leavers)	Carried forward 31 July 2018
USA	23,986	489	-	2,026	26,501
UK	5,900	-	-	(283)	5,617
Canada	2,472	251	-	19	2,742
Central Europe - Wasco	390	17	-	18	425
Other	103	-	-	(18)	85
	32,851	757	-	1,762	35,370



FERGUSON

FERGUSON Bath, Kitchen & Lighting Gallery

Q&A