



WOLSELEY

2014 Full Year Results



Highlights

- Improvement in like-for-like growth rate in H2
 - market share performance – except UK
 - margin improvement to 6.0%
- Very strong H2 in US – rest of Group still tough
- Strong cash generation
 - dividend up 25%
 - £250m share buyback
- Continued investment in more efficient / productive business models
 - early results encouraging
- 8 bolt-on acquisitions - £444m in annualised revenue



Operating and Financial Review

John Martin, Chief Financial Officer



Financial highlights

	2014	2013 Restated**	Change	Change (at constant exchange rates)	Like-for- like Change
Ongoing revenue	£12,773m	£12,496m	+2.2%	+6.1%	+4.2%
Foreign exchange impact	(£457m)				
Ongoing gross margin %	28.1%	27.9%	+0.2%		
Ongoing trading profit*	£761m	£731m	+4.1%	+8.6%	
Foreign exchange impact	(£30m)				
Ongoing trading margin %*	6.0%	5.8%	+0.2%		
Net debt	£711m	£411m			
Headline earnings per share*	196.2p	178.5p	+9.9%		
Ordinary dividend per share	82.5p	66.0p	+25.0%		

* Before exceptional items and the amortisation and impairment of acquired intangibles

** 2013 restated to exclude the results of businesses closed, sold or held for sale at 31 July 2014 and for IAS 19 (Revised) "Employee benefits"

Like-for-like growth

	Q4 last year	Q1 this year	Q2 this year	Q3 this year	Q4 this year
USA	+7.4%	+7.4%	+5.0%	+9.0%	+11.1%
Canada	+3.0%	(0.6%)	(3.5%)	(1.6%)	+1.8%
UK	+5.1%	+4.3%	+2.0%	(3.5%)	(2.6%)
Nordic	(3.1%)	(2.5%)	+0.5%	+7.6%	(2.4%)
Central Europe and France	(3.6%)	(1.2%)	+1.3%	(1.7%)	(5.5%)
Ongoing businesses	+3.9%	+3.9%	+3.0%	+5.1%	+4.8%

USA ongoing



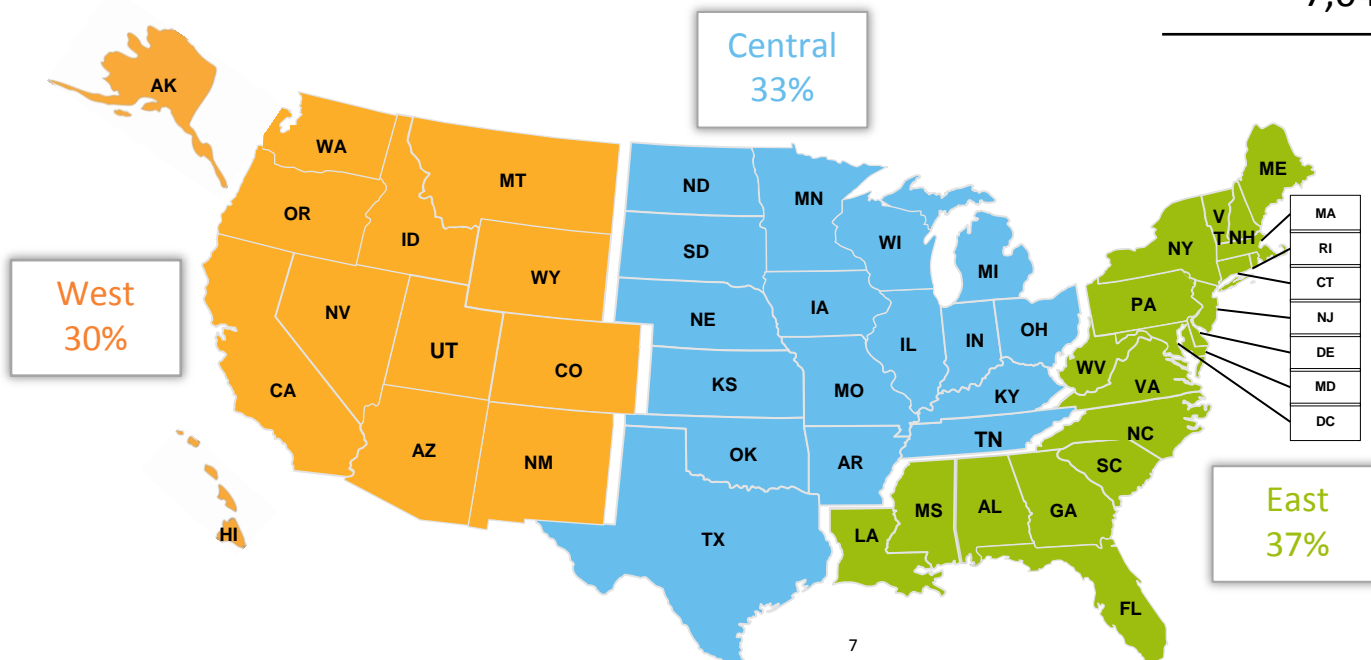
£m	2014	2013*	Change	Change (at constant exchange rates)	Like-for-like Change
Revenue	7,045	6,757	+4.3%	+9.5%	+8.2%
Trading profit	542	490	+10.6%	+16.1%	
Foreign exchange impact	(23)				
Trading margin	7.7%	7.3%	+0.4%		
Branches	1,377	1,346	+31		
Headcount	20,307	18,911	+7.4%		

* 2013 restated to exclude the results of businesses closed, sold or held for sale at 31 July 2014

USA ongoing



Business unit		Revenue £m	Like-for-like Change %
Blended Branches	(see regional analysis below)	4,410	+7.7%
Waterworks		1,135	+13.3%
HVAC, Industrial, Fire & Fabrication, B2C		1,500	+6.1%
		7,045	+8.2%



Canada



£m	2014	2013	Change	Change (at constant exchange rates)	Like-for-like Change
Revenue	779	875	(11.0%)	(0.5%)	(0.8%)
Trading profit	44	51	(13.7%)	(2.9%)	
Foreign exchange impact	(5)				
Trading margin	5.6%	5.8%	(0.2%)		
Branches	222	219	+3		
Headcount	2,503	2,511	(0.3%)		

UK



£m	2014	2013	Change	Change (at constant exchange rates)	Like-for-like Change
Revenue	1,853	1,769	+4.7%	n/a	(0.1%)
Trading profit	96	95	+1.1%		
Trading margin	5.2%	5.4%	(0.2%)		
Branches	768	765	+3		
Headcount	5,978	5,952	+0.4%		

Nordic ongoing



£m	2014	2013*	Change	Change (at constant exchange rates)	Like-for-like Change
Revenue	1,892	1,867	+1.3%	+3.5%	+0.4%
Trading profit	80	89	(10.1%)	(7.9%)	
Foreign exchange impact	(2)				
Trading margin	4.2%	4.8%	(0.6%)		
Branches	267	235	+32		
Headcount	6,250	5,878	+6.3%		

* 2013 restated to exclude the results of businesses closed, sold or held for sale at 31 July 2014

Central Europe and France ongoing



£m	2014	2013*	Change	Change (at constant exchange rates)	Like-for-like Change
Revenue	1,204	1,228	(2.0%)	(1.5%)	(1.9%)
Trading profit	34	46	(26.1%)	(27.5%)	
Trading margin	2.8%	3.7%	(0.9%)		
Branches	244	247	(3)		
Headcount	4,410	4,693	(6.0%)		

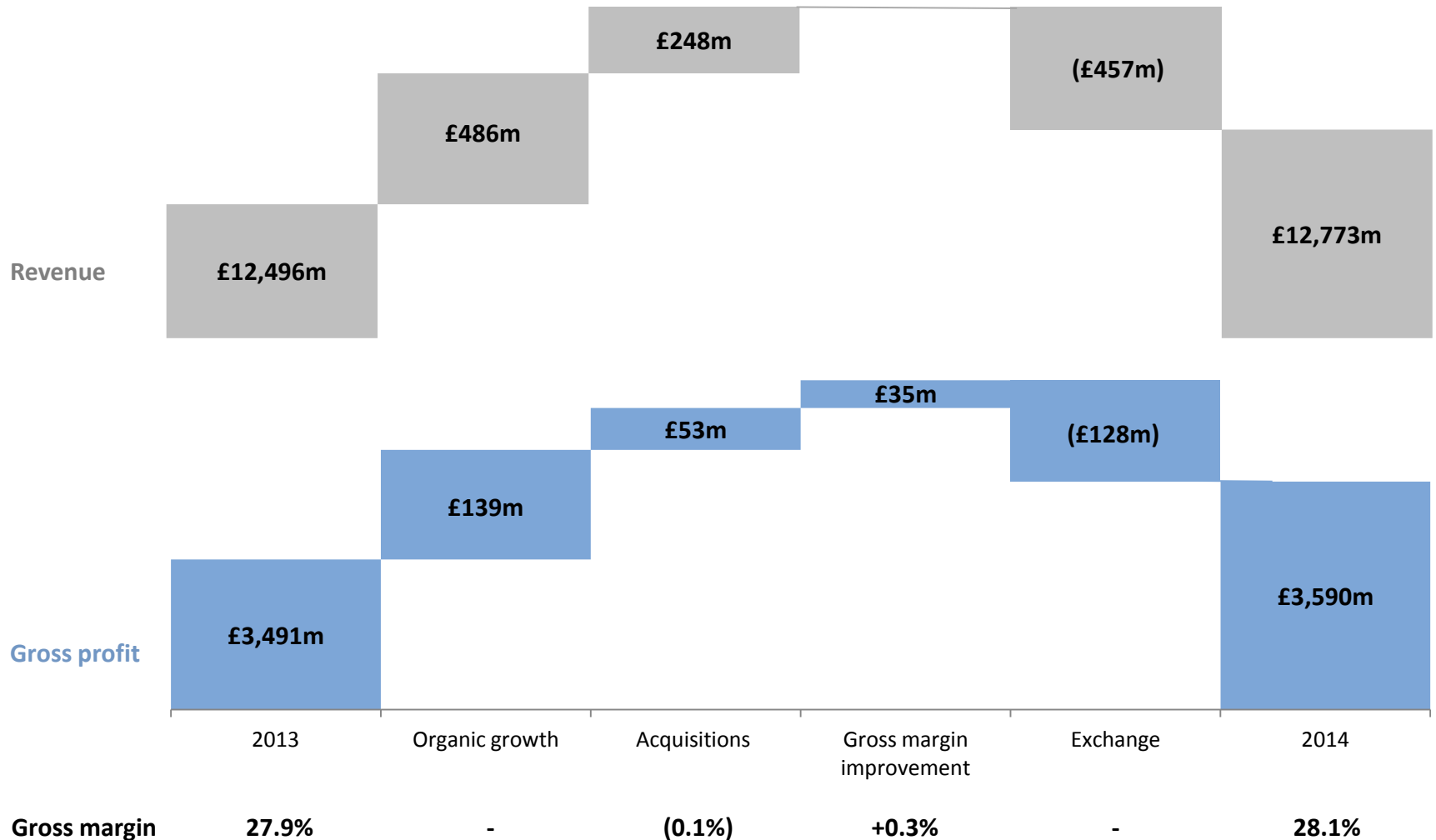
Exploring exit options for ISB wood solutions business in France

* 2013 restated to exclude the results of businesses closed, sold or held for sale at 31 July 2014

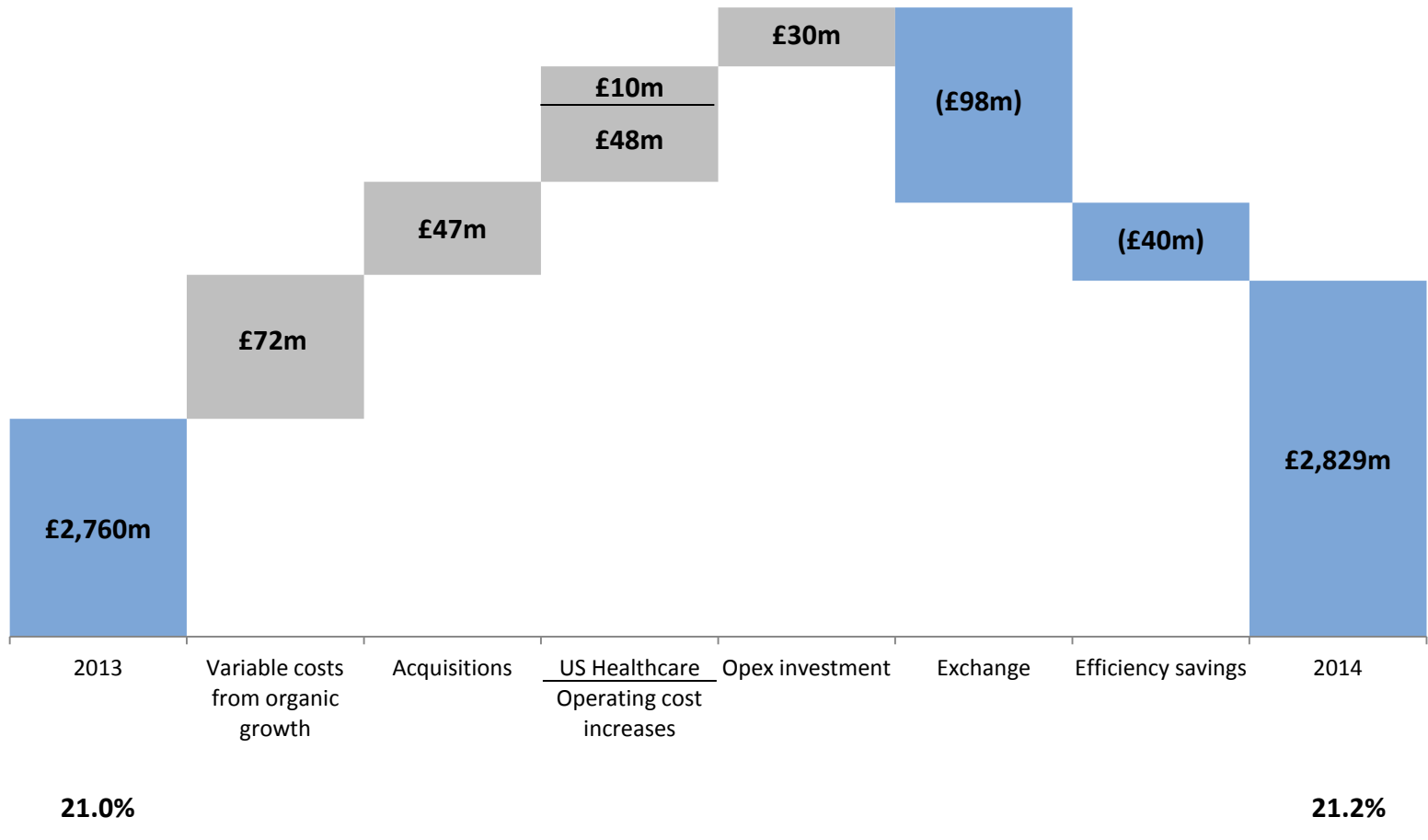
Other

- Central costs of £35m (2013: £40m) including £5m non-recurring insurance gains
- Closed, sold or held for sale includes:
 - France building materials disposals and closures announced last year
 - Disposal of ÖAG in Austria
 - Exit of Cheapy format in Sweden
 - Small, profitable, non-core business in the USA held for sale
 - Aggregate revenue and trading losses of £357m and £6m respectively

Revenue and gross profit in the ongoing business



Operating expenses of the ongoing businesses



Income statement

£m		2014	2013 Restated*
Trading profit	Ongoing	761	731
	Non-ongoing	(6)	(6)
		755	725
Amortisation		(46)	(55)
Impairments and exceptional items		18	(174)
Financing charges		(29)	(36)
Profit before tax		698	460
Tax		(194)	(176)
Discontinued operations		-	12
Profit for the year		504	296

* Restated for IAS 19 (Revised) which increased financing charges by £13m and reduced tax by £4m in 2013.

Financing and tax

£m	2014	2013 Restated*
Financing		
Net interest charges	20	21
Pensions and provisions	3	11
Facility charges	6	4
	29	36
Tax		
P&L charge	194	176
Exceptionals, intangibles and non-recurring items	10	21
Underlying P&L charge	204	197
Ongoing trading profit less financing charges	732	695
Effective tax rate	27.9%	28.3%

* Restated for IAS 19 (Revised) which increased financing charges by £13m and reduced tax by £4m in 2013.









Cash flow from operating activities

£m	2014			2013
	Ongoing	Non-ongoing	Reported	Reported
Trading profit	761	(6)	755	725
Depreciation and amortisation	105	1	106	116
EBITDA	866	(5)	861	841
Working capital				
- Timing of year-end payment runs			(70)	-
- Other working capital movements			(63)	(14)
Special pension contributions			-	(125)
Provisions, other movements and exceptionals			(50)	(69)
Cash flow from operating activities			678	633

Other cash flow

£m	2014	2013
Cash flow from operating activities	678	633
Net interest	(34)	(35)
Tax paid	(192)	(184)
Acquisitions	(194)	(111)
Disposals of businesses and proceeds from sale of assets	71	44
Capex	(201)	(140)
Ordinary and special dividends	(489)	(521)
Net purchase of shares by Employee Benefit Trusts	(21)	(103)
FX and other items	82	(39)
Increase in net debt	(300)	(456)
Opening net (debt) / cash	(411)	45
Closing net debt	(711)	(411)

Acquisitions

Acquisition	Business unit	Date	Annual revenue	Acquisition	Business unit	Date	Annual revenue
	US Blended Branches	Jan 2014	£37m		US Waterworks	Mar 2014	£5m
	Nordics Beijer	Jan 2014	£15m		US Blended Branches	Apr 2014	£36m
	Nordics Starkki	Mar 2014	£190m		US	May 2014	n/a
	UK Civils	Mar 2014	£55m		US MRO	Jun 2014	£106m

Financial impact £m

1 August 2013 until the date of acquisition

Date of acquisition until 31 July 2014

Revenue

Trading profit

300

14

144

5

444

19

Organic investment

£m	2014 Capex	2014 Opex
Technology		
- Network infrastructure	14	4
- Processes and systems development	45	14
	59	18
Freehold DCs and hubs	62	2
Branch expansion, showrooms and refurbishment	80	10
	201	30

Net debt, pensions and commitments

£m	2014	2013
Net debt as reported	711	411
Impact of timing of payment runs	90	160
Adjusted net debt	801	571
Net pension assets / (liabilities)	7	(133)
Operating lease commitments	788	868

Committed facilities of £2.2bn

Guidance

	FY15
Expected like-for-like revenue growth over the next 6 months	About 5%
Capital investment	£200m - £220m
Incremental opex in technology and processes	£30m
Trading profit impact of FX at current rates	£5m lower profit
Trading days	Same as FY14
Restructuring costs to be charged to trading profit	£20m
Effective tax rate	27% to 28%
Working capital investment	12 - 13% of incremental sales
Net debt / EBITDA	Within 1x to 2x

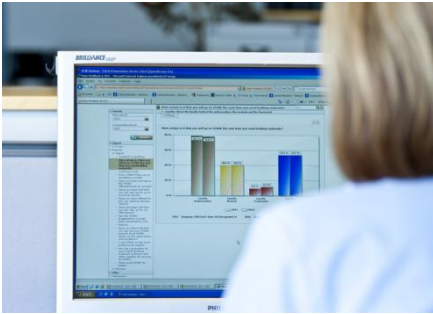
Dividends and capital structure

- Final dividend
 - Recommended 55.0p per share (full year of 82.5p per share; +25.0%)
 - Covered 2.4x by headline EPS

- Balance sheet
 - Net debt / EBITDA 0.8x
 - £250m share buyback programme

Outlook

- Growth rates since the beginning of the new financial year similar to Q4
- Expectations for the next 6 months: like for like growth of 5%



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
 - Organic
 - Bolt-on acquisitions
4. Drive evolution of business models
5. Deliver Group synergies
6. Underpin strategy with strong balance sheet

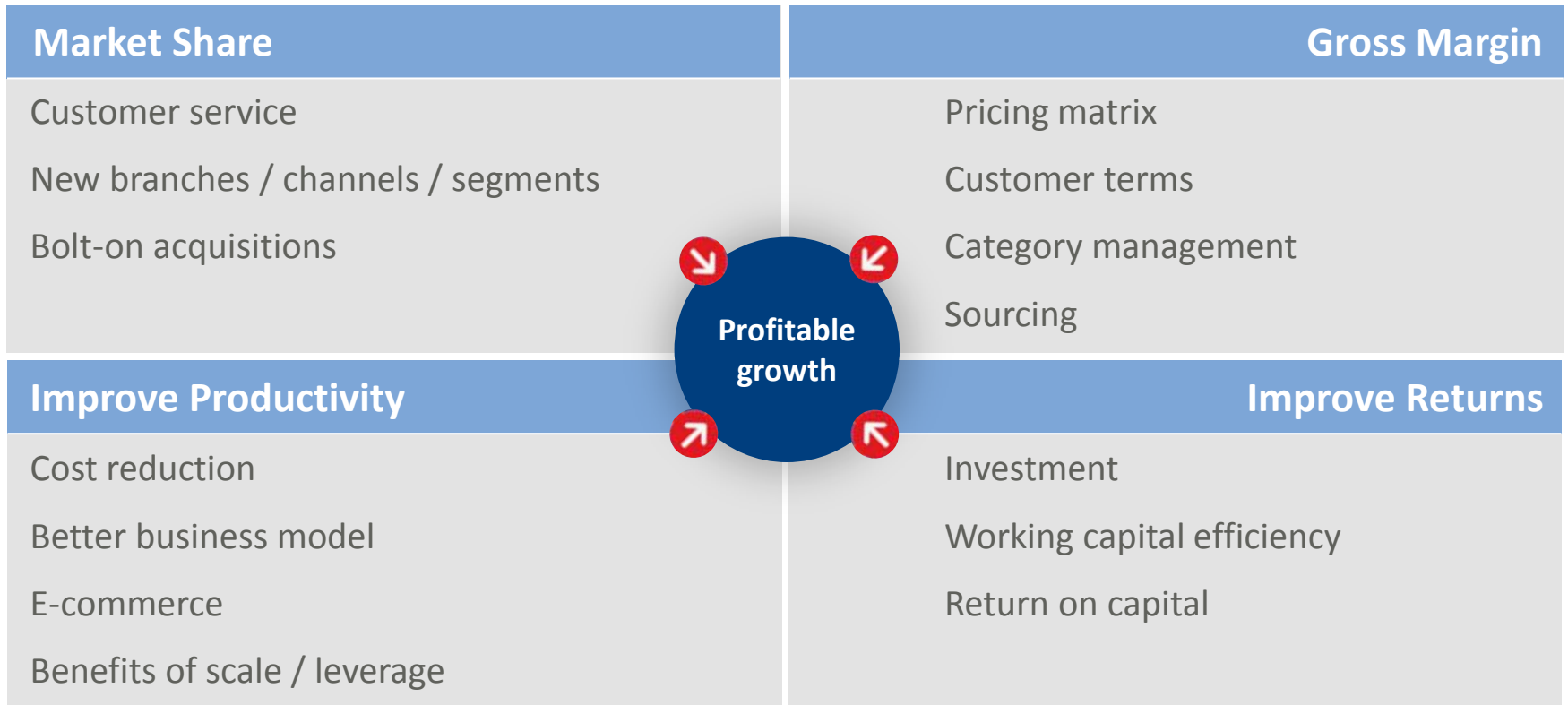
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Accelerate Profitable Growth

Profit Levers – Re-cap



Many small improvements generate very good performance

Accelerate Profitable Growth US Blended Branches

Market Share		Gross Margin	
Revenue growth vs market	↑ +3%	Gross margin	↑
Customer service improvement	↑	Price matrix compliance	↑ +2%
Facilities Maintenance growth	↑ +12%	Private label revenue growth	↑
Branch SKU availability	↑	Counter revenue growth	↑
		Showroom revenue growth	↑ +20%
Productivity		Improve Returns	
B2B e-commerce revenue growth	↑ +70%	Average cash-to-cash days	↑
B2B e-commerce self service events	↑ +40%	Trading margin	↑ +0.8%
Distribution Centre utilisation	↑		
National Sales Centre contacts per day	↑		
Total cost % of gross profit	↑ -2.4%		

Profitable growth

vs prior year -

 improved
  the same
  worsened

Accelerate Profitable Growth US Waterworks

Market Share		Gross Margin	
Revenue growth vs market		Gross margin	
Customer service improvement	+13%	Price matrix compliance	-1%
Branch SKU availability	+1%	Private label revenue growth	+15%
		Counter revenue growth	+23%
Productivity		Improve Returns	
B2B e-commerce revenue growth	+109%	Average cash-to-cash days	+0.9days
B2B e-commerce self service events		Trading margin	+0.4%
Distribution Centre utilisation			
Total cost % of gross profit	-2.0%		

Profitable growth

vs prior year -

improved the same worsened

Accelerate Profitable Growth

UK Plumb & Parts

Market Share		Gross Margin	
Revenue growth vs market	-2%	Gross margin	
Plumbing category revenue growth	+6%	Price matrix compliance	+6%
Customer on-time-in-full measure	+4%	Showroom revenue growth	
Customer service improvement			
Productivity		Improve Returns	
B2B e-commerce revenue growth	+29%	Average cash-to-cash days	
Part-time employees % total	+4%	Trading margin	
Distribution centre utilisation			
Total cost % gross profit	+0.5%		

Profitable growth

vs prior year -

improved the same worsened

Accelerate Profitable Growth Stark

Market Share		Gross Margin	
Revenue growth vs market		Gross margin	
Share of loyal customers	+5.0%	Consumer % total revenue	-1%
Active account customers	+1.8%	Private label % total revenue	
Customer service improvement		E-sourcing	+87%
Productivity		Improve Returns	
Revenue per employee		Average cash-to-cash days	
Total cost % gross profit	+2.8%	Trading margin	-0.8%

Profitable growth

vs prior year -

improved the same worsened

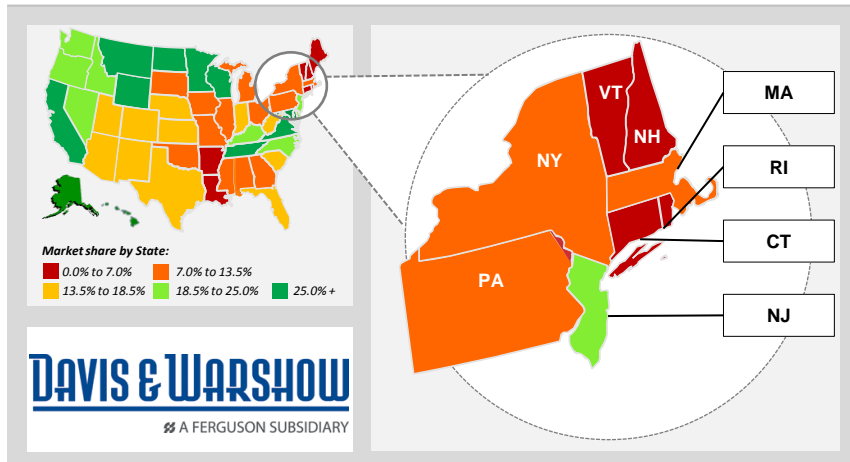
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Bolt-on Acquisitions

USA - Davis & Warshow



Davis & Warshow

- Acquired October 2012
- Blended Branches
- New York metro area
- Revenue £72m, 11 locations, 3 showrooms

Rationale

- New York, great market
 - underpenetrated
 - fragmented
- Platform for further expansion
- Operating Synergies
 - better service – share gain
 - sourcing – gross margin
 - productivity – back office / systems
 - balance sheet – lower working capital

Financials (first full year)

- Market share gain - now 12% and market leader
- Gross margin +0.8%
- Trading margin +0.9%
- Strong working capital improvement
- Return on investment 15%

Bolt-on Acquisitions

UK - Burdens



Burdens

- Acquired November 2012
- Utilities and infrastructure distributor
- 22 branches acquired
- Revenue £120 million

Rationale

- Adjacent market
 - profit pool
 - market share
- Operating synergies
 - service – regain share
 - sourcing - gross margins
 - productivity – labour / branch infrastructure
 - fleet rationalisation
- Wolseley drainage propositions resolved
 - above / below ground

Financials (first full year)

- Revenue +17%
- No. 2 in Utilities/Infrastructure market
- Profitable growth
- Return on investment 15%

Bolt-on Acquisitions

USA – HP Products



HP Products

- Acquired June 2014
- MRO distributor, predominantly janitorial and sanitary
- Regional leader in Midwest
- Revenue £106 million

Rationale

- HP Products to Ferguson Customers
- Expand HP's range with Ferguson SKU's
- Sourcing from HP's supplier base
- E-commerce – move HP onto Ferguson platform
- Leverage national sales centre capability

Financials (expected first full year)

- Revenue growth +24%
- Trading margin +1.1%
- Return on investment 16%

Bolt-on Acquisitions

Capstone



Capstone

- Acquired May 2014
- Taiwan-based sourcing agent
- Predominantly supply Ferguson own label

Rationale

- Platform across Group for all sourcing activities in the Far East
- 200 vendors across Taiwan, China, Thailand, Indonesia and Korea
- Sourcing scale
- Control over quality assurance / quality control

Financials (expected first full year)

- Increased throughput 10%
- Return on investment 17%





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Evolution of Business Model – Major initiatives

Major Initiatives

Customer 	Segmentation	●●○○○○
	Pricing	●●●○○
	Order capture	●●●●○
	Sales management	●○○○○
Supplier 	Category management	●●○○○○
	Rebate management	●●●●○
	Low cost country sourcing	●●●○○
	Lowest cost of goods	●●○○○○
Supply-Chain 	Product availability	●●●●○
	Interface / integration	●●○○○○
	Delivery options	●●●●○
	Productivity	●●●○○
Branch Operations 	Transactional data	●●●●○
	Telephony / infrastructure	●○○○○
	Product information	●○○○○
	Cost management	●●●●○

Evolution of Business Model – Progress on major initiatives

Major Initiatives

Customer 	Segmentation	● ● ● ● ○ ○
	Pricing	● ● ● ● ● ○
	Order capture	● ● ● ● ● ●
	Sales management	● ● ● ○ ○ ○ ○ ○
Supplier 	Category management	● ● ● ● ● ○ ○ ○
	Rebate management	● ● ● ● ● ○ ○ ○
	Low cost country sourcing	● ● ● ● ● ● ○ ○
	Lowest cost of goods	● ● ● ○ ○ ○ ○ ○
Supply-Chain 	Product availability	● ● ● ● ● ● ○ ○
	Interface / integration	● ● ● ● ● ○ ○ ○
	Delivery options	● ● ● ● ● ● ○ ○
	Productivity	● ● ● ● ● ○ ○ ○
Branch Operations 	Transactional data	● ● ● ● ● ○ ○ ○
	Telephony / infrastructure	● ● ● ● ● ○ ○ ○
	Product information	● ● ● ● ● ○ ○ ○
	Cost management	● ● ● ● ● ○ ○ ○

Business Model – Benefits for Our Customers

BENEFITS

Customer



- Product / service offering tailored accurately to their needs
- Consistency of pricing / lower pricing
- Projects / contracts better supported – pre and post bid
- Flexibility of order channel
- Easier to do business with – convenience 24/7

Supplier



- Wider and deeper product range
- Differentiated product range – exclusives and specials
- Higher margin – own label / promotions
- Better technical solutions / specifications

Supply-Chain



- Guaranteed product availability
- Flexible delivery options
- Later cut off times
- Faster response - product close to customer

Branch Operations



- Faster, flexible response to queries
- Expert, technical knowledge readily available
- In person, telephone, on-line
- Order ready to go

Network Infrastructure, Processes and Systems Investment

Branch
Ops



£59m capex, £18m opex in FY14

Major projects:

- E-commerce £3m
- Master data management £3m
- Finance transformation £4m
- Middleware and business intelligence £5m
- Telephony and Contact Centres £14m
- CRM £1m



B2B E-commerce

USA

- 12.0% of revenue
- 61% growth
- 39% growth in SSEs
- Mobile launch Jan '14



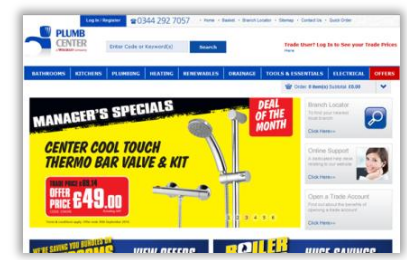
Canada

- 1.6% of revenue
- 49% growth
- 43% growth in SSEs
- Mobile launch Nov '13



UK

- 3.0% of revenue
- 29% growth
- Mobile launch Nov '14
- Click & collect test



Summary

- Overall decent progress again at a Group level
 - Organic growth market share / customer service / employee engagement / e-commerce
 - Bolt-on M&A
 - Investment in more efficient / productive business models
- Business model improvements will benefit Wolseley significantly over time
 - Service / product availability / flexibility / speed of response
 - Market share gains / gross margin improvements / productivity gains / improved returns
- Group strategy clear and consistent – execution is key
 - Accelerate pace of execution behind successes
 - Deliver the returns expected
- Significant long term growth opportunity for Group
 - Large attractive profit pools
 - Fragmented competitors
 - Share gain – core and adjacent – organic and bolt-on
 - Faster growth and better leverage



Appendices



Regional analysis

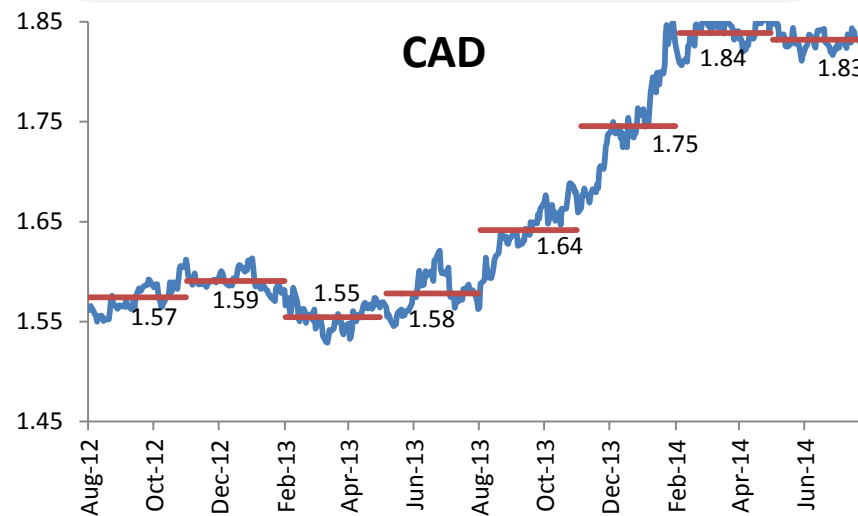
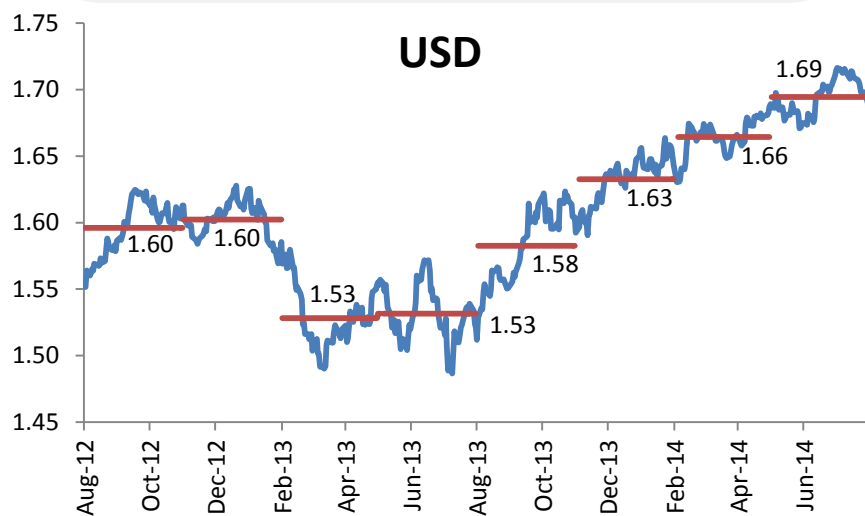
£m	Revenue 2014	Revenue 2013	Trading profit 2014	Trading profit 2013
Ongoing				
USA	7,045	6,757	542	490
Canada	779	875	44	51
UK	1,853	1,769	96	95
Nordic	1,892	1,867	80	89
Central Europe and France	1,204	1,228	34	46
Central and other costs	-	-	(35)	(40)
	12,773	12,496	761	731
Sold or held for sale				
USA	25	28	4	-
Nordic	43	49	(7)	(3)
Central Europe and France	289	581	(3)	(3)
	357	658	(6)	(6)
	13,130	13,154	755	725

FX impact

	2013 average rate	2014 average rate	2013 Trading profit £m	2014 impact gain/(loss) £m
USD	1.56	1.64	490	(23)
CAD	1.57	1.76	51	(5)
EUR	1.20	1.21	38	-
Other			97	(2)
				(30)

	2014 average rate	24-Sep 2014 spot rate	2014 Trading profit £m	2015 impact gain/(loss) £m
USD	1.64	1.63	542	3
CAD	1.76	1.81	44	(1)
EUR	1.21	1.28	25	(1)
Other			89	(6)
				(5)

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



Source: Bloomberg

— Spot — Quarterly average

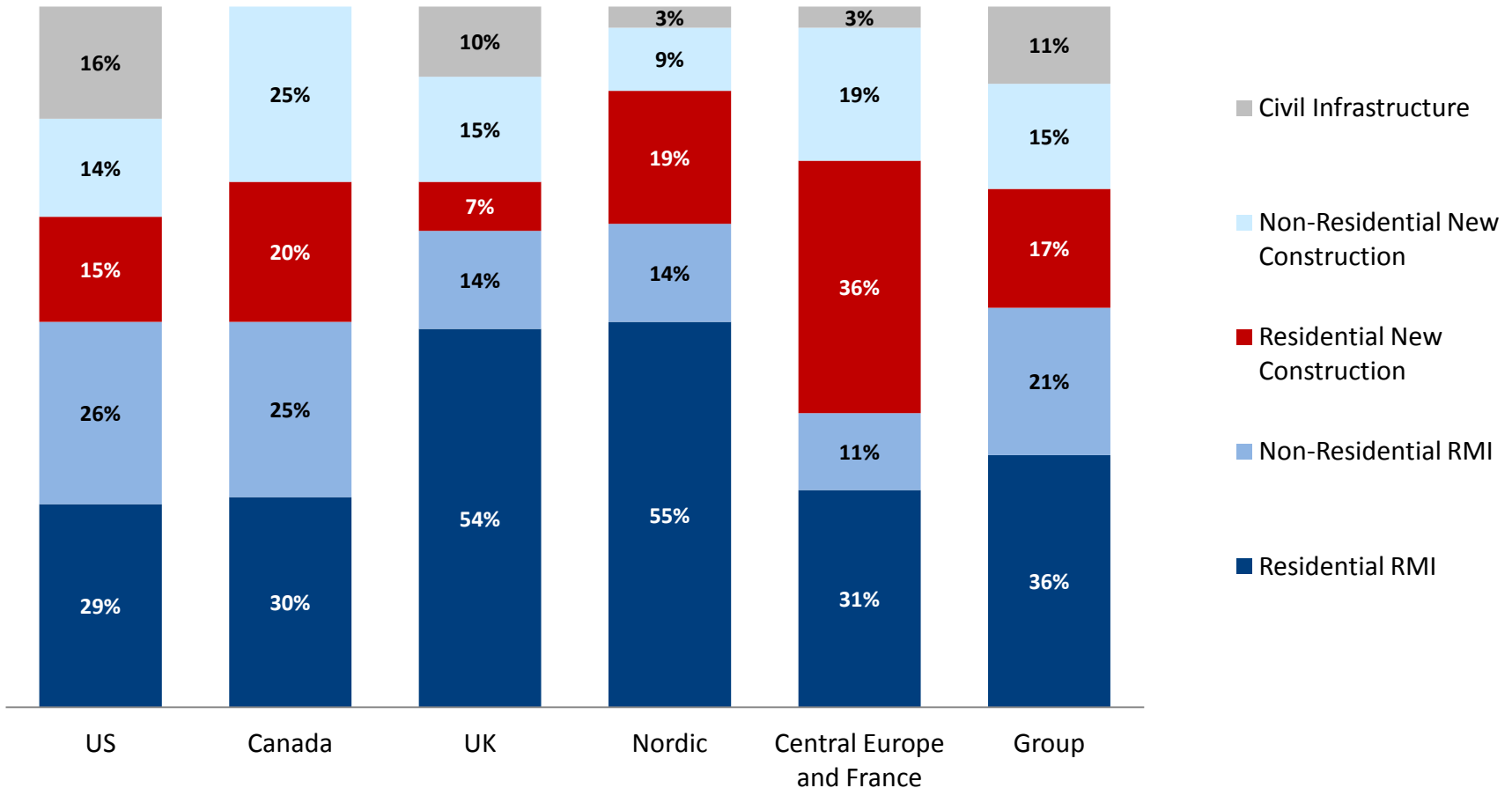
Branch numbers

	As at 31 July 2013	Acquired	Opened	Closed, disposed of or held for sale	Ongoing at 31 July 2014
USA	1,348	24	44	(39)	1,377
Canada	219	-	7	(4)	222
UK	765	10	5	(12)	768
Nordic	260	25	12	(30)	267
Central Europe and France	325	-	1	(82)	244
Group	2,917	59	69	(167)	2,878

Headcount numbers

	As at 31 July 2013	Acquired	Closed, disposed of or held for sale	Net joiners / (leavers)	Ongoing at 31 July 2014
USA	18,969	709	(57)	686	20,307
Canada	2,511	-	-	(8)	2,503
UK	5,952	195	-	(169)	5,978
Nordic	6,145	501	(180)	(216)	6,250
Central Europe and France	5,605	-	(904)	(291)	4,410
Other	104	-	-	5	109
Group	39,286	1,405	(1,141)	7	39,557

Product destination analysis



Group: RMI 57%, New Residential 17%