



2018/19
Half Year Results
presentation

6 months to 31 January 2019

Agenda

Highlights

John Martin

Operating and financial review

Mike Powell

Business review and outlook

John Martin

Questions

First half highlights

- +8.1% revenue growth, organic +6.5%
- Organic US blended branches growth:
 - East +8.4%
 - West +10.1%
 - Central +9.2%
- Organic US Waterworks growth +7.8%
- Gross margins 0.1% ahead
- Trading profit growth of 8.0% at constant FX
- Good cash generation and strong balance sheet
- Sale of Wasco and surplus assets for \$255m
- Proposal to move tax domicile to UK
- Interim dividend +10%

Operating and financial review

Mike Powell, Group CFO



Financial highlights

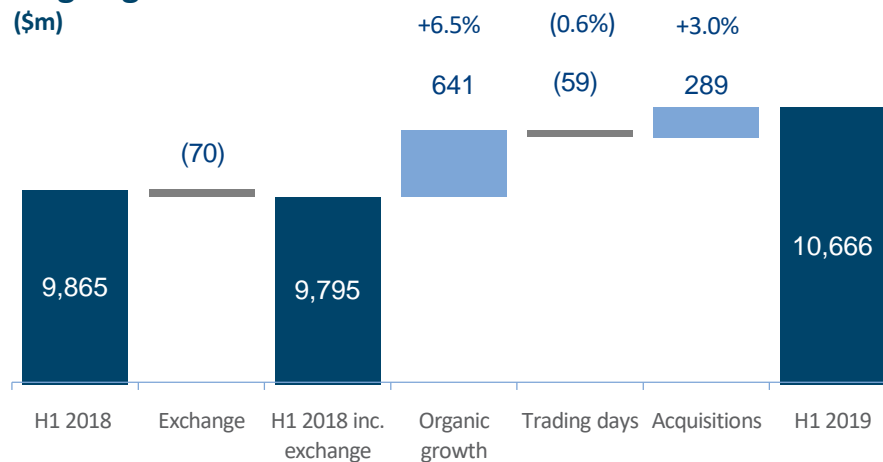
	H1 2019	H1 2018	Change	Change (at constant exchange rates)	Organic change ²
Ongoing revenue	\$10,666m	\$9,865m	+8.1%	+8.9%	+6.5%
Ongoing gross margin %	29.6%	29.5%	+0.1%		
Ongoing trading profit ¹	\$744m	\$691m	+7.7%	+8.0%	
Ongoing trading margin % ¹	7.0%	7.0%	-		
Headline earnings per share	241.9c	202.1c	+19.7%		
Ordinary dividend per share	63.1c	57.4c	+10.0%		
Net debt : EBITDA	1.1x	0.8x			
Trading days	127	128	(1)		

¹ Trading profit defined as operating profit before exceptional items and amortisation of acquired intangible assets.

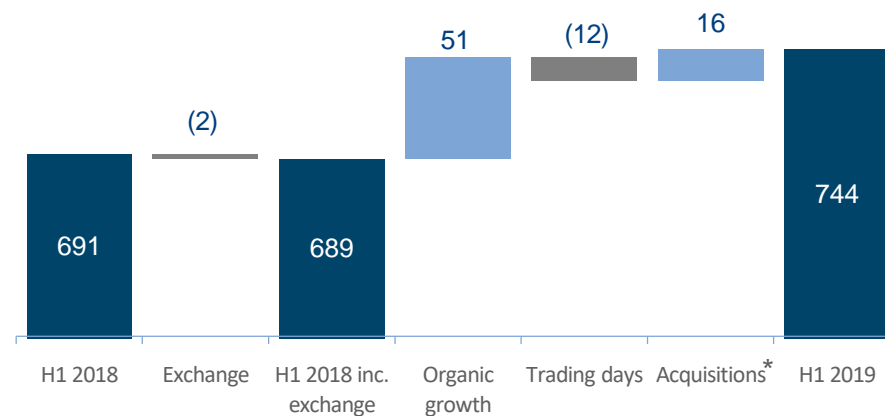
² The increase or decrease in revenue excluding the effect of currency exchange, acquisitions and disposals and trading days.

Revenue and trading profit growth

Ongoing revenue (\$m)



Ongoing trading profit (\$m)



Good organic sales and trading profit growth of \$53 million

* Net of transaction and integration costs.

Organic revenue growth

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
USA	+8.3%	+9.1%	+10.6%	+11.4%	+9.6%	+9.7%
UK ¹	+3.9%	(1.7%)	+0.7%	(0.1%)	+1.5%	(1.0%)
Canada	+7.2%	+9.9%	+4.7%	+6.3%	+3.3%	+0.5%
Ongoing businesses	+7.5%	+7.4%	+7.1%	+8.1%	+6.7%	+6.3%

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.

Good revenue growth in H1 against strong comparators

USA ongoing

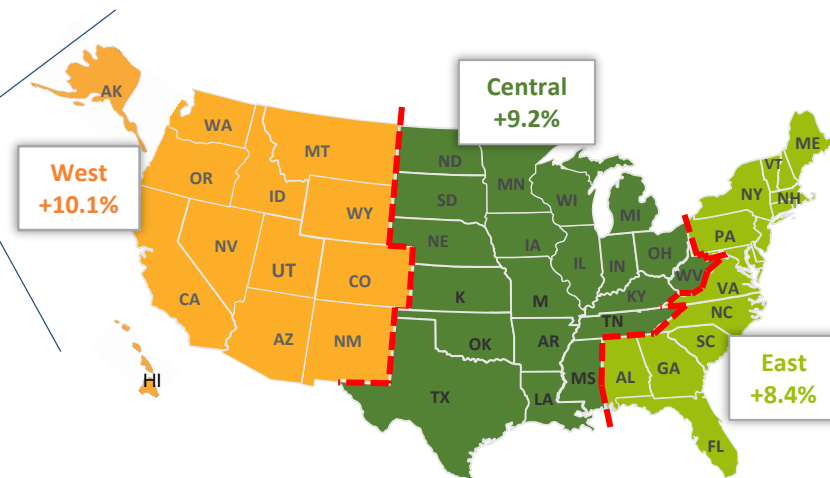


\$m	H1 2019	H1 2018	Change
Revenue	8,874	7,912	+12.2%
Organic revenue growth	+9.7%	+8.7%	
Trading profit	700	647	+8.2%
Trading margin	7.9%	8.2%	(0.3%)

Continued good revenue growth, \$53 million increase in trading profit

USA organic revenue growth

Business unit	Revenue \$m	Organic growth
Blended Branches (see regional analysis on the right)	5,113	+9.2%
Waterworks standalone	1,366	+7.8%
eBusiness standalone	757	+1.0%
HVAC standalone	607	+13.9%
Industrial standalone, Fire & Fabrication and Facilities Supply	1,031	+21.2%
	8,874	+9.7%



Broadly based growth and market share gains

USA end-market revenue growth in the first half

	% of US revenue H1 2019	Market growth H1 2019	US organic revenue growth H1 2019
Residential	~50%	~6%	+8%
Commercial	~35%	~5%	+9%
Civil / Infrastructure	~7%	~5%	+7%
Industrial	~8%	~13%	+23%
		~6%	+9.7%

End market growth remained strong in H1 but moderated in Q2

UK


\$m	H1 2019	H1 2018	Change	Change (at constant exchange rates)
Revenue	1,177	1,354	(13.1%)	(10.3%)
Like-for-like revenue growth	+0.3%	+1.9%		
Trading profit	30	38	(21.1%)	(16.7%)
Trading margin	2.5%	2.8%	(0.3%)	

In March we exited a non-core business, Soak, which contributed \$51m towards revenue (H1 2018: \$48m) and incurred a \$2m trading loss (H1 2018: \$1m trading profit). Soak contributed \$96m of revenue and a \$1m trading profit in FY18.

Repairs, maintenance and improvement markets were flat in H1



Canada

\$m	H1 2019	H1 2018	Change	Change (at constant exchange rates)
Revenue	615	599	+2.7%	+7.9%
Organic revenue growth	+2.1%	+8.4%		
Trading profit	39	34	+14.7%	+18.1%
Trading margin	6.3%	5.7%	+0.6%	

Strong trading profit growth achieved despite slowing residential markets

Exceptional items

\$m	Cash	Non-cash	H1 2019 P&L total
Disposal of Dutch business	105	(67)	38
UK restructuring costs	(25)	(6)	(31)
Other exceptional costs	(2)	(5)	(7)
Total included in operating profit	78	(78)	-
Disposal of interests in Swiss associate	18	(15)	3
Total included in profit before tax	96	(93)	3

Financing & tax

\$m	H1 2019	H1 2018
Financing		
Reported P&L charge	35	27
Tax		
Ongoing P&L charge	161	167
Ongoing effective tax rate	22.7%	25.2%

Cash flow

\$m	H1 2019	H1 2018
Adjusted EBITDA from continuing operations	842	782
Cash flow from operating activities	287	390
Interest & tax	(166)	(129)
Capex	(244)	(175)
Dividends & buybacks	(300)	(583)
Acquisitions of businesses	(589)	(120)
Disposals of businesses, associates and assets held for sale	255	49
Other items and FX	(48)	(127)
Movement in net debt	(805)	(695)

Continued strong cash generation

Capital structure

	H1 2019	H1 2018
Net debt as reported	\$1,885m	\$1,401m
Net debt : EBITDA	1.1x	0.8x
Net pension asset	\$154m	\$48m
Operating lease commitments	\$1.1bn	\$1.1bn

Strong balance sheet maintained

Change of tax domicile

Intention to move Ferguson's tax domicile to UK

- Requires scheme of arrangement
- Subject to shareholder approval
- Effective date 10 May 2019
- Anticipated Group effective tax rate at 25-26% for FY20, no change to previous guidance

Benefits of moving to the UK

- Simplifies the corporate structure
- Swiss tax reform makes Switzerland less attractive
- UK corporate tax regime has become more competitive in recent years

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 the economics of lease transactions, the cash payments made, business plans or capital allocation
- We will use the modified retrospective approach: right of use asset calculated as though IFRS 16 has always applied; lease liability calculated as the present value of expected future lease payments; no restatement of comparatives
- Indicative impact on financial statements for year ending 31 July 2020:

Estimate	\$bn
Opening right of use asset	+1.0
Opening lease liability	(1.2)
EBITDA	+0.3
Depreciation	(0.2)
Trading profit	+0.1
Finance costs	(0.1)

Technical guidance for the full year to 31 July 2019

Estimated impact of one fewer trading day on trading profit (first half)	\$12 million
FY19 impact from completed acquisitions	Revenue \$750m, Trading profit \$60m
Less transaction / integration costs	\$15 million
Net additional trading profit	\$45 million
Exceptional costs	\$20 million
Interest charge	\$80 million*
Effective tax rate – FY19	22% - 23%*
Effective tax rate – FY20 onwards (post re-domicile)	25% - 26%*
Capital investment	\$400 - \$450 million*

* Unchanged



Business review and outlook

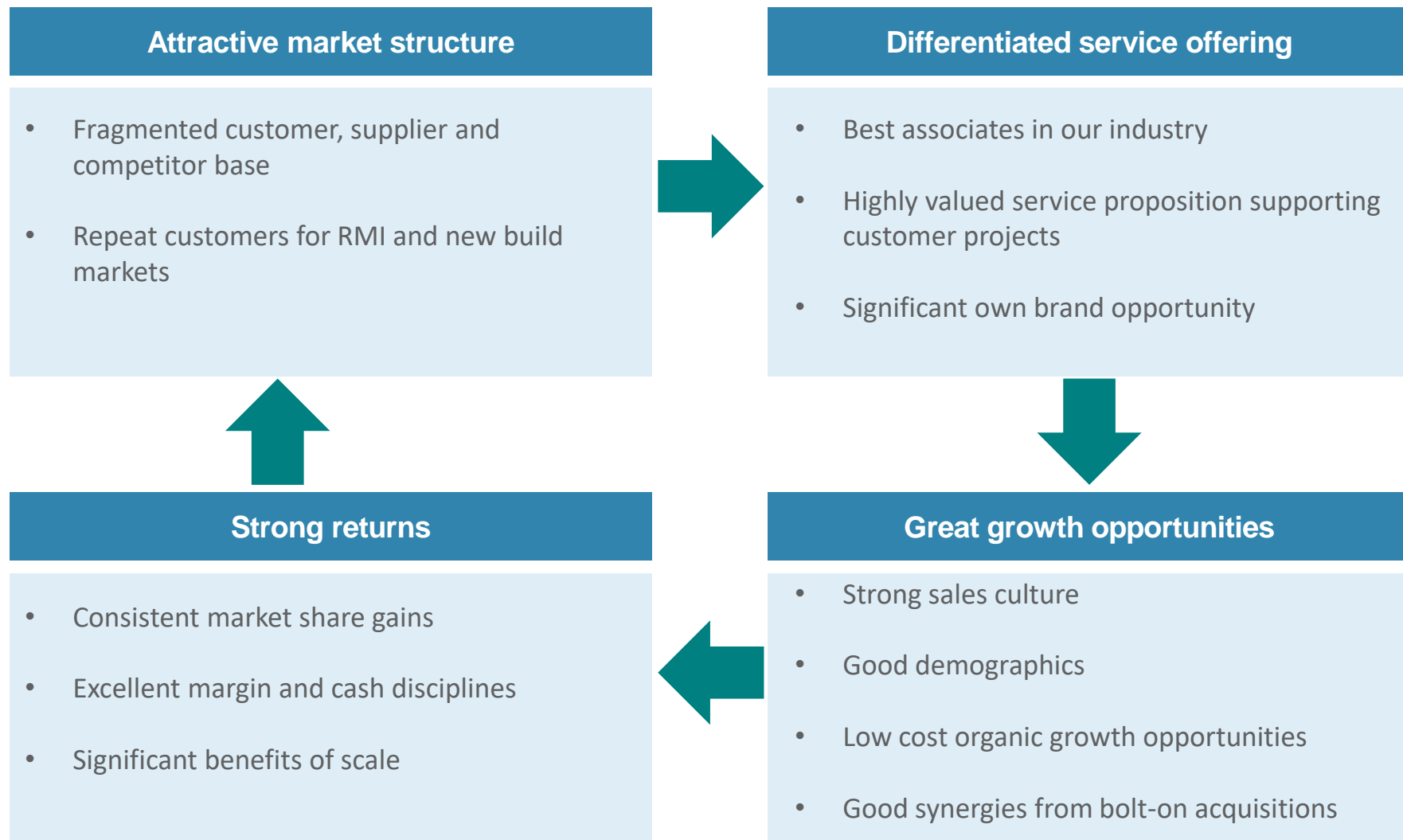
John Martin, Chief Executive

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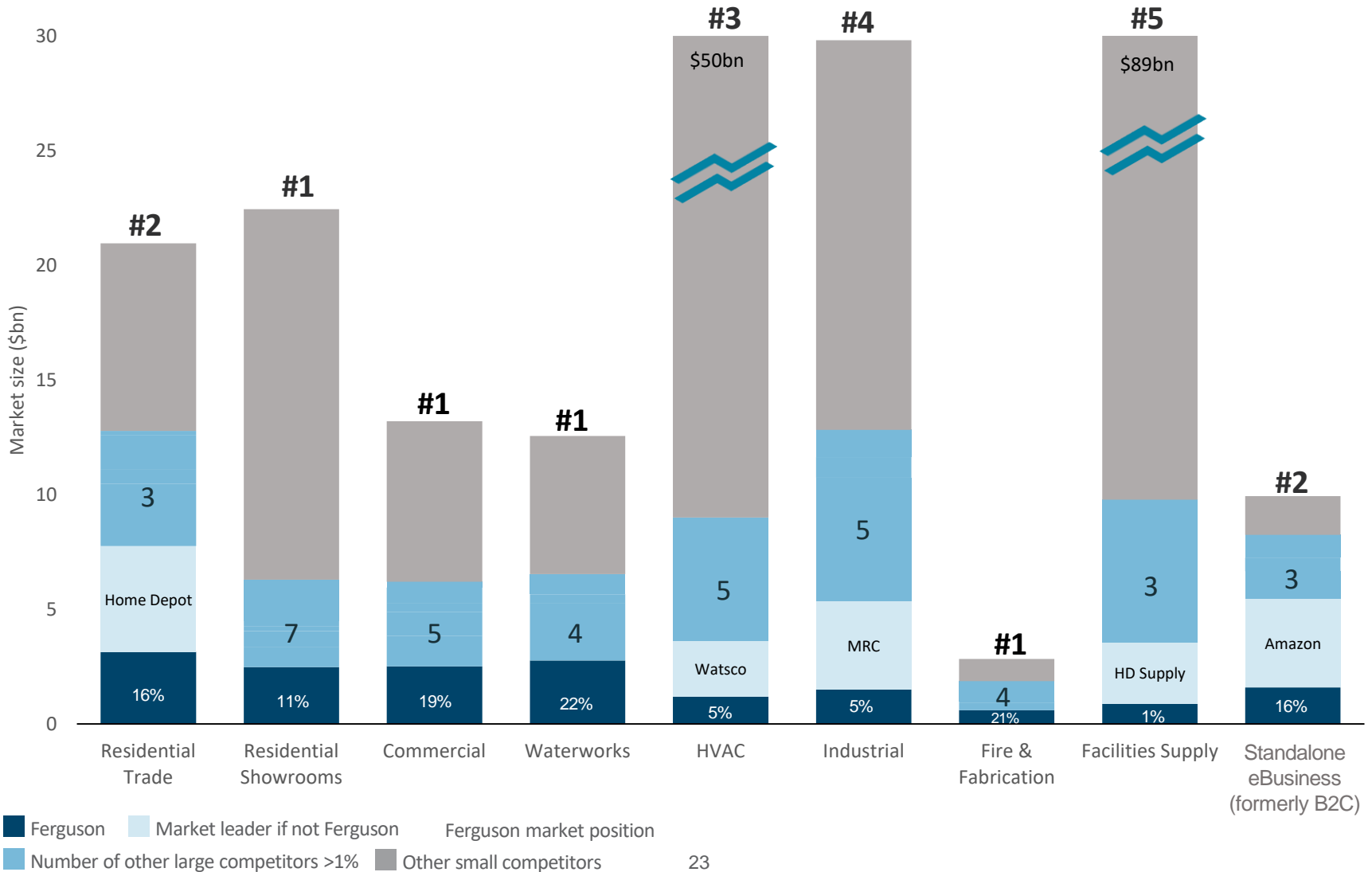
Business review and outlook

- **Attractions of our business model**
- Update on current initiatives
- Markets and outlook

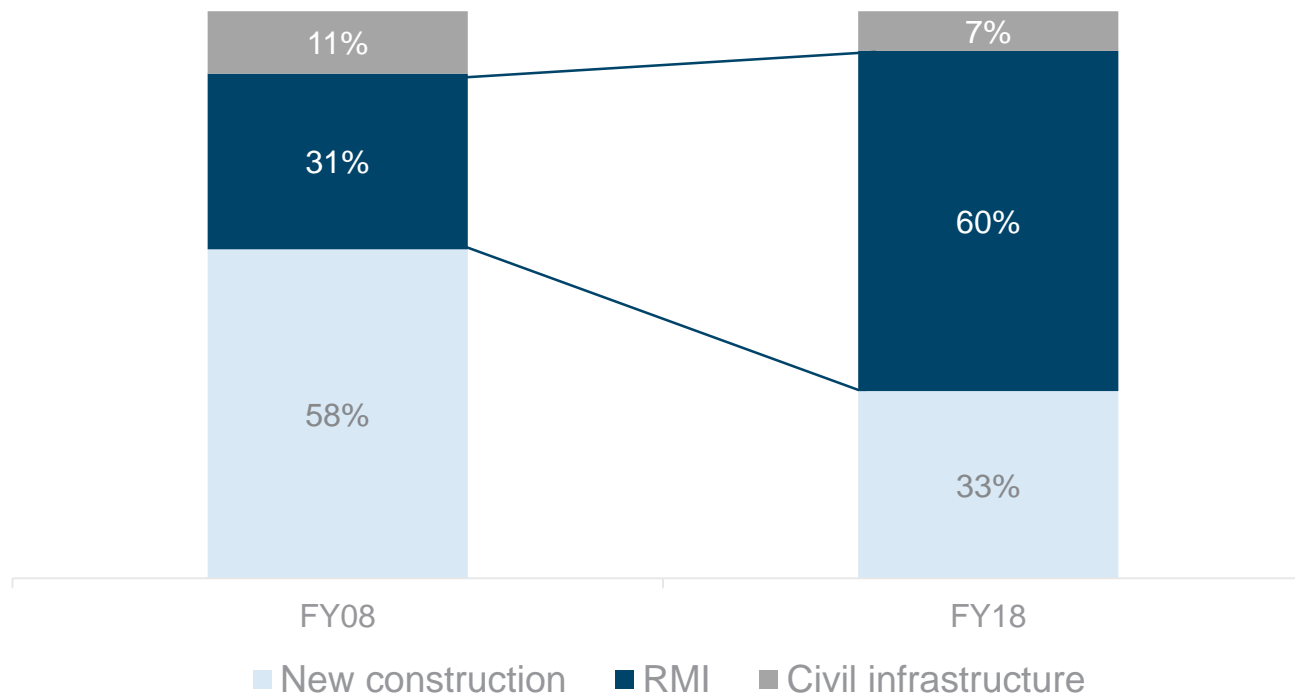
Attractions of our business model



Attractive market structure: Fragmented competitor base

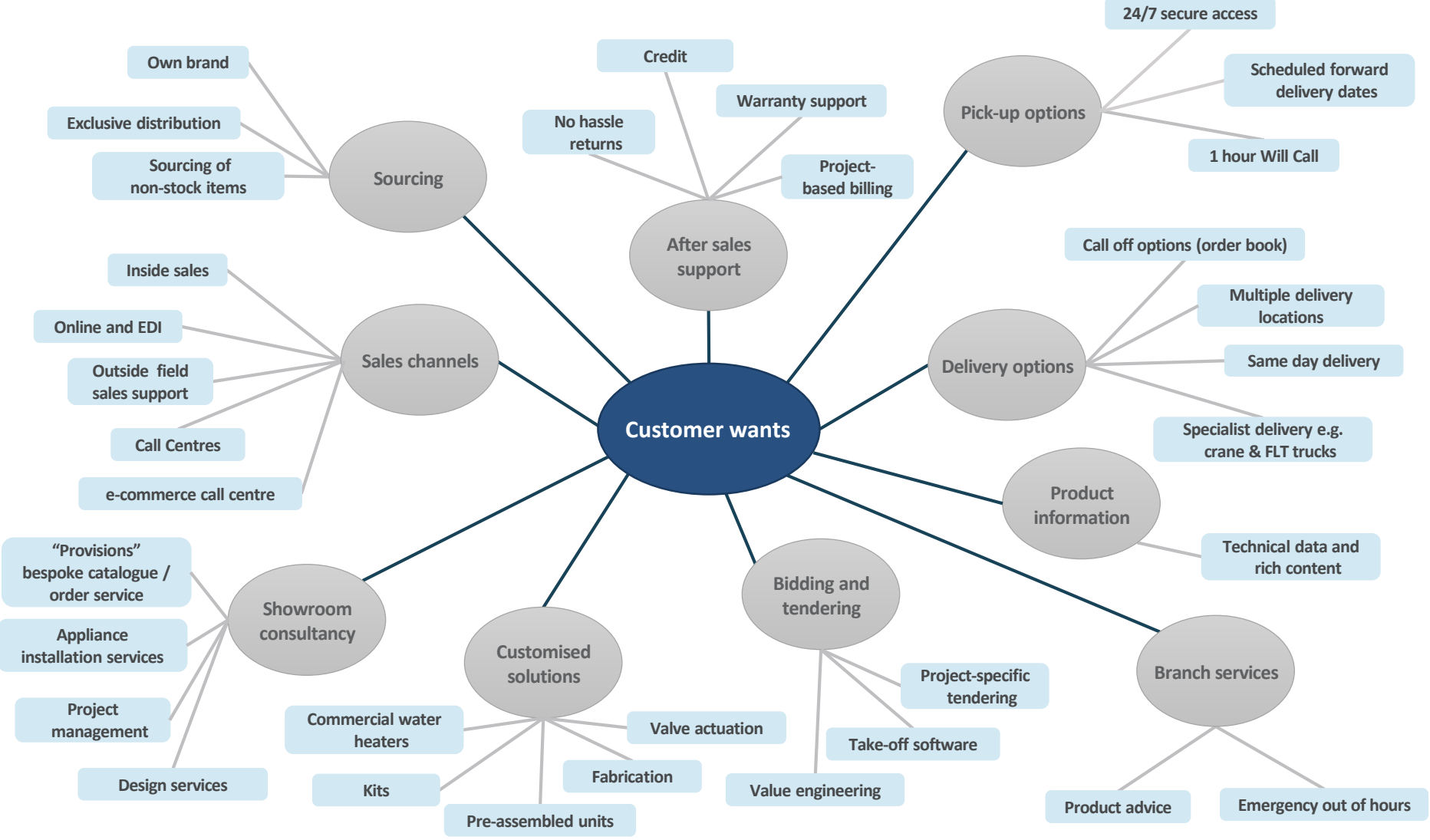


Attractive market structure: Focus on RMI market



Repairs, Maintenance and Improvement (RMI) market now 60% of US revenue

Differentiated service offering



Great growth opportunities

Good demographics

80%

No. of the c. 128m US homes with 2 or more bathrooms¹

42 years

Median age of the US homes²

No.1

US has highest levels of disposable income in OECD³

+6%

Forecast US population growth over next 10 years³

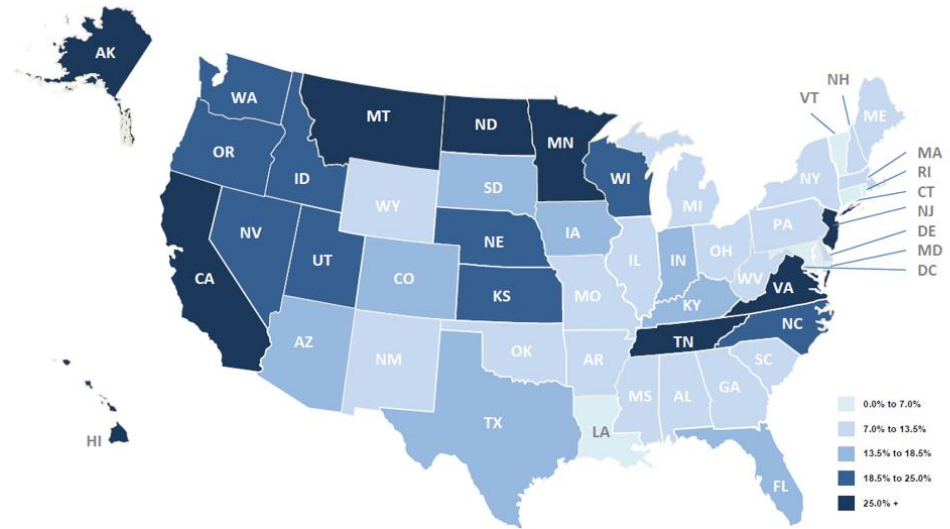
+1m

Ave. annual increase in new lawful permanent US residents in last 20 years⁴

+3.2%

Ave. annual US GDP growth rate since 1948⁵

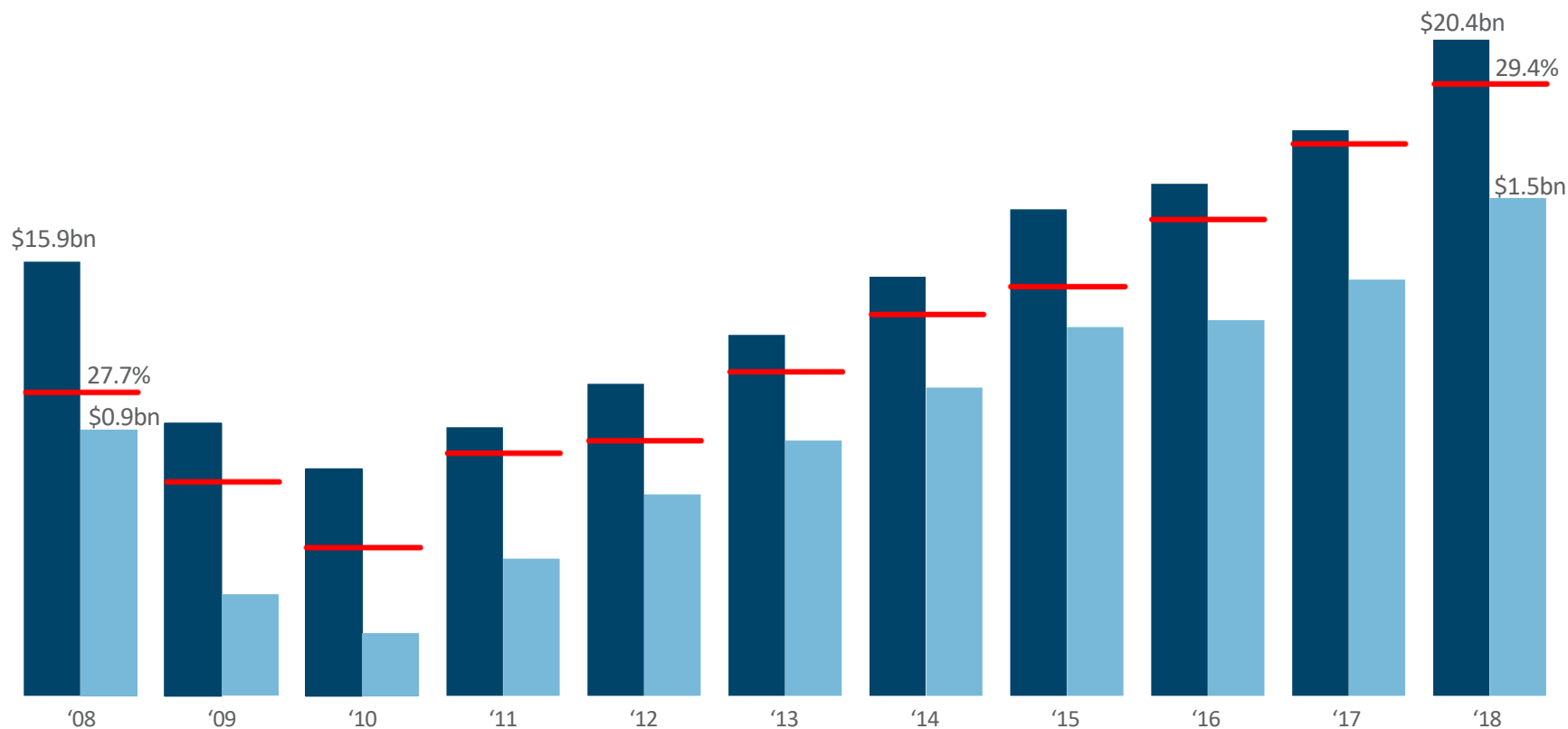
Low cost organic growth opportunities and low-risk bolt-on acquisitions



Example: market share of Blended Branches

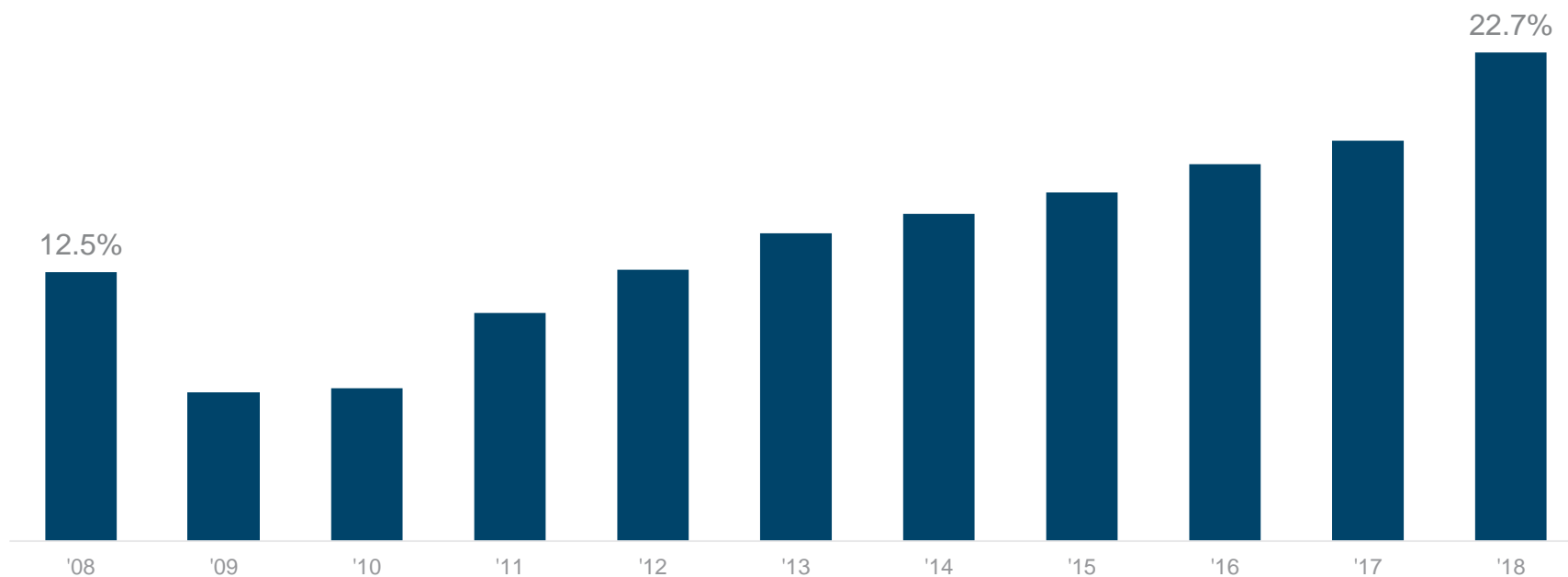
Sources: 1. & 2. US Dept of housing, 3. Organisation for economic co-operation and development (OECD) 4. Department of Homeland Security, 5. Trading Economics

Great growth opportunities: Consistent revenue, gross margin and profit growth



- Group ongoing revenue
- Gross margin
- Group ongoing trading profit

Strong returns: Returns on capital



(%) Return on gross capital employed =

Group trading profit

Average

(Shareholders' equity + adjusted net debt + accumulated amortisation and impairment of goodwill and acquired intangible assets)

Simpler, stronger, more profitable business

	2008	2018	
Simpler	Business units	45	15
	Number of countries	27	3
	Presentational currency	£	\$
Stronger	Net debt: EBITDA	2.7x	0.6x
	Operating leases	(\$3.0bn)	(\$1.1bn)
	Pensions	(\$0.5bn)	\$0.2bn
More profitable	Return On Capital Employed	12.5%	22.7%
	Gross margin*	27.7%	29.4%
	Trading profit*	\$920m	\$1,494m

*Group ongoing

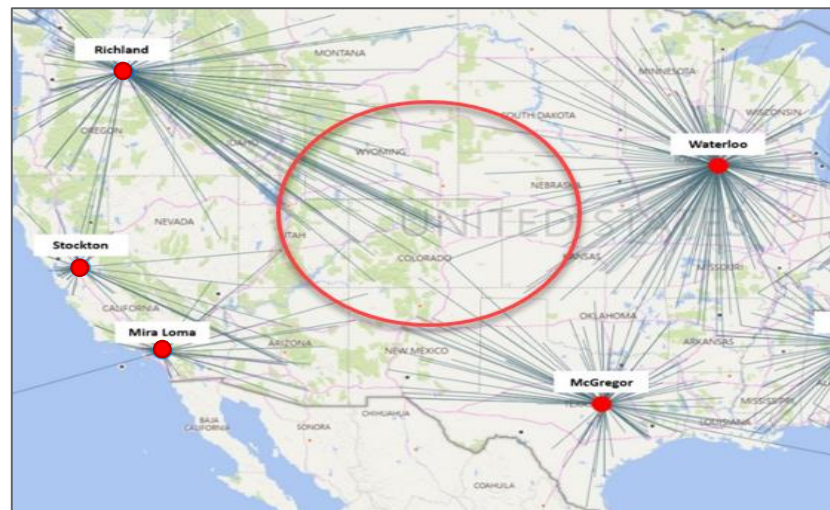
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- Attractions of our business model
- **Update on current initiatives**
- Markets and outlook

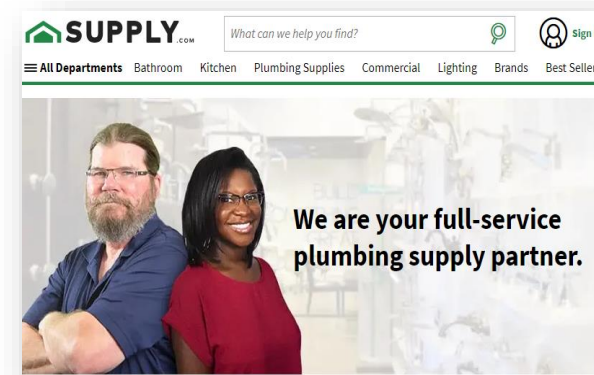
Improving service, lowering cost and driving growth

- Denver is a \$1.5bn residential and commercial market
- 11% revenue growth CAGR between 2015-2018
- 450k ft² new facility in Aurora, Colorado
 - Replaces 4 existing sites
 - Eliminates double handling
 - Provides next day replenishment capability for 70 branches and same day delivery capability
- Reduces freight and distribution costs by \$10m pa
- Opportunity to fill a gap in our supply chain (currently served from 1,200 miles away)



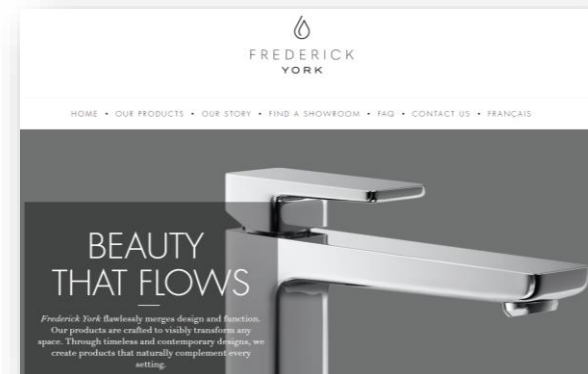
Providing innovative solutions for customers

- Residential, commercial and HVAC supplier from a single distribution centre in Atlanta
- Focused on professional contractors, designers, builders, architects and plumbers
- Combines e-commerce platform with personalised full service account management from call centre
- 350,000 SKUs and personalised procurement
- Same-day shipping of consolidated orders on 1,000+ orders each day and two day delivery guaranteed for 70%+ of US

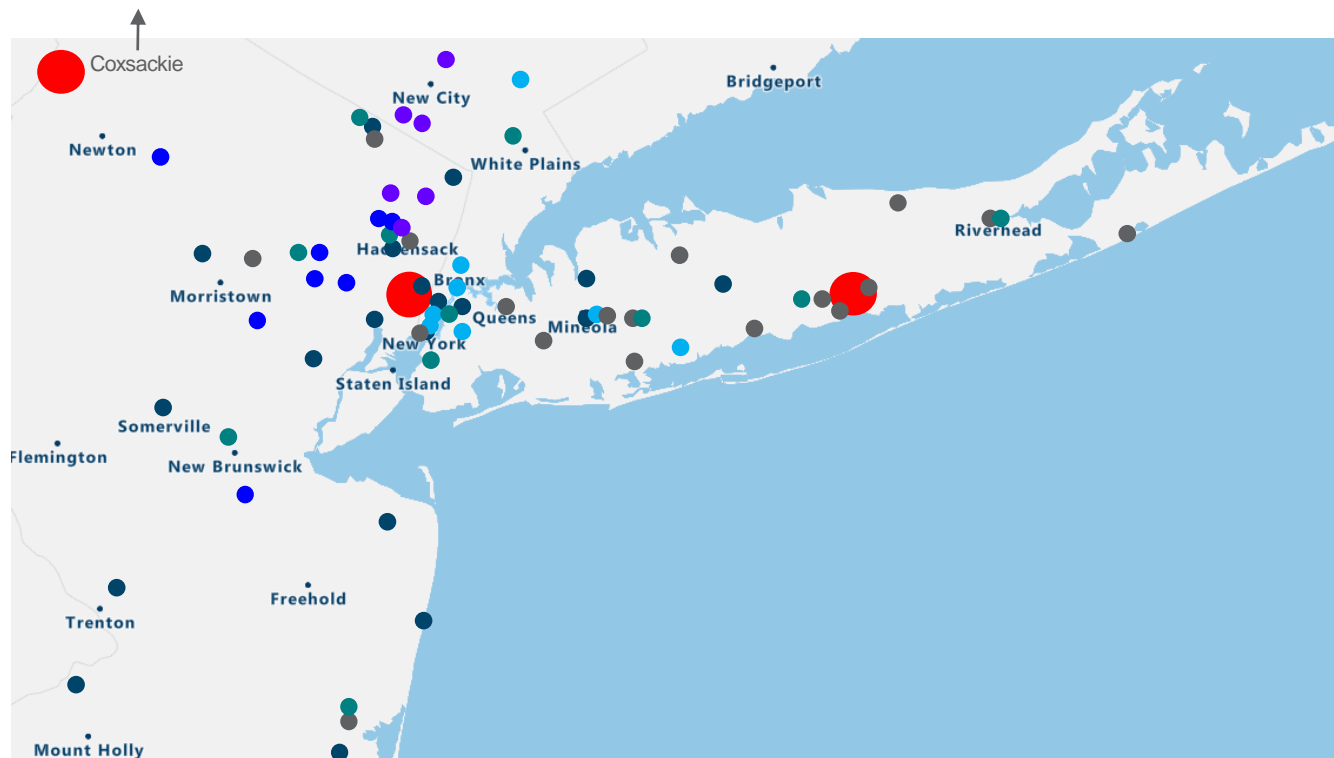


Expanding customer choice and generating more value with expansion of own-brand ranges

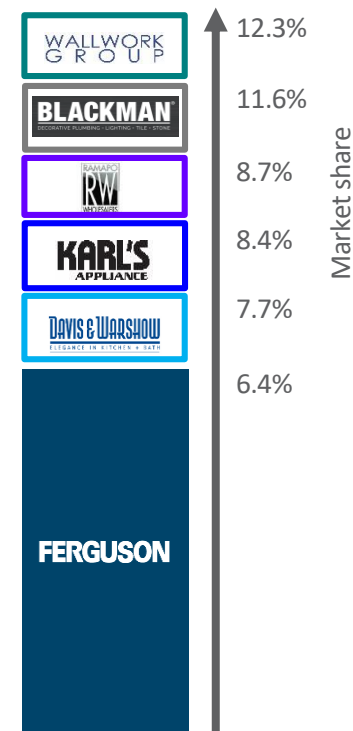
- Fredrick York brand launched in Canada in September 2018
- Range of kitchen and bathroom fixtures and fittings
 - bespoke range for Canadian market
 - available in showrooms and branches nationwide
 - dedicated transactional website
- Products sourced through Group's low cost country sourcing team
- Also adapting US Proflo range and Silverline tools from UK



Building market share with bolt-on acquisitions



- Distribution centre
- Ferguson
- Davis & Warshow
- Karl's appliance
- Ramapo
- Blackman
- Wallwork



New York and New Jersey, an \$11bn market in Blended, Waterworks, HVAC

Building a better quality, more consistent business in the UK

- Focused on customer service and inventory availability, including in-night replenishment
- Completed range definition with 3,000 to 11,000 SKUs in branches and 17,000 in RDCs
- Closed National Distribution Centre reducing double handling and received \$45m from disposal in February
- Rebranded whole network
- Downsized and relocated support services office
- Sold Soak B2C business



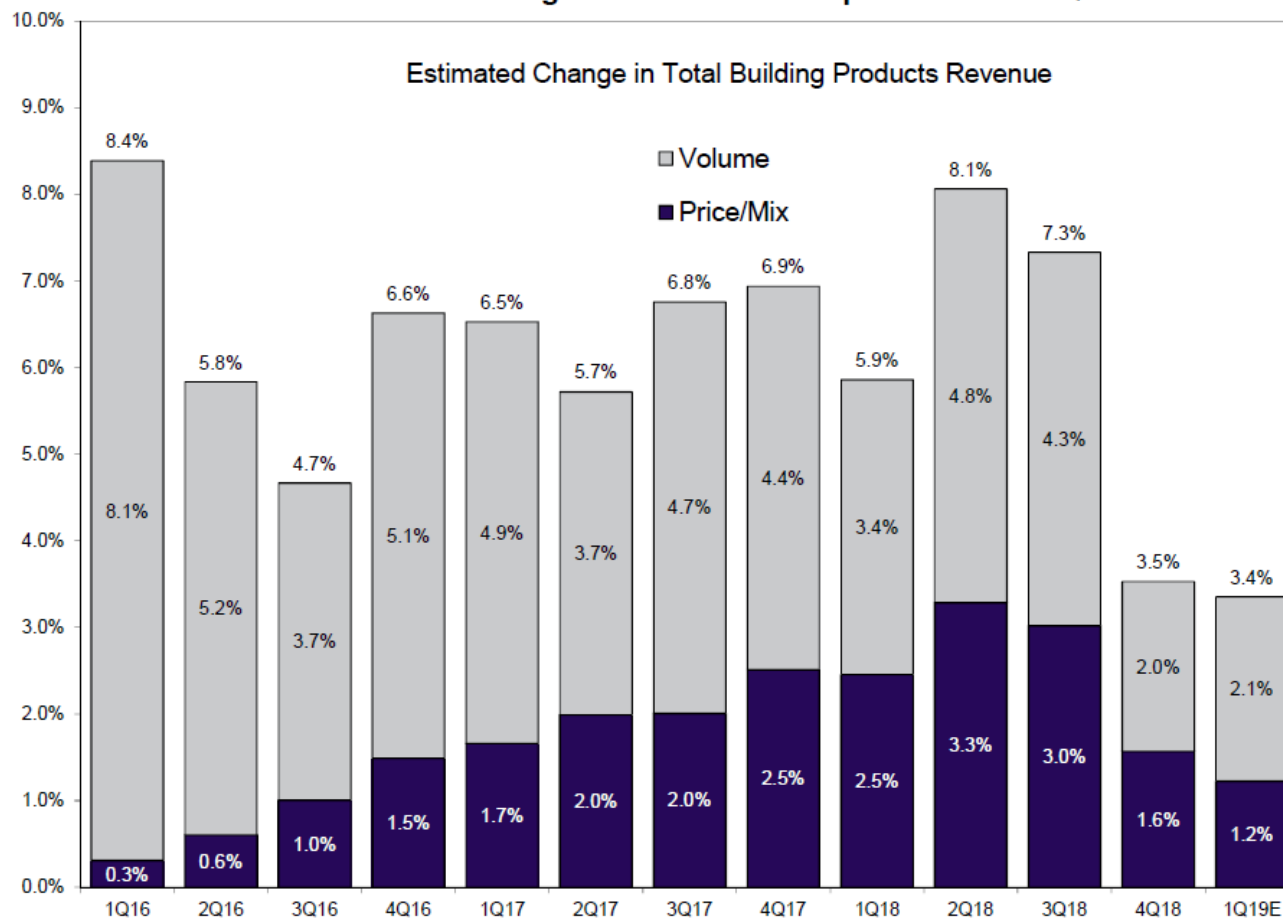
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Business review and outlook

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Market backdrop

Exhibit 9: Price/Mix Gains Decelerating as Volume Backdrop Weakens in 1Q19

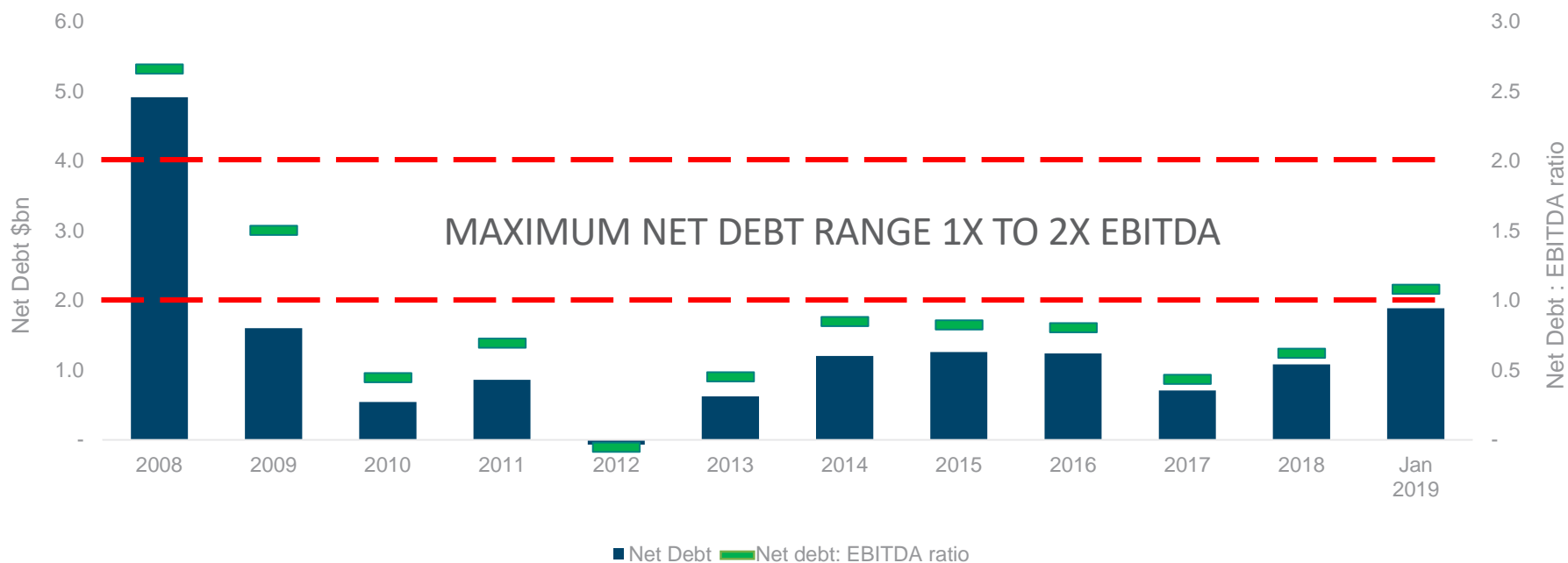


Source: Zelman & Associates Building Products Survey

Business focus

- Maintain high service standards and great inventory availability to continue to grow and gain market share
- Protect our gross margins and actively manage our cost base
- Complete acquisitions and add new capacity only where financials are compelling
- Continue to generate strong cash flow and maintain strong balance sheet

Maintain strong balance sheet



\$3.0bn
(\$0.5bn)

Operating lease liabilities
Pension (liabilities) / assets

\$1.1bn
\$0.2bn

Outlook

- After strong revenue performance in first half, our growth rate has moderated recently in line with market conditions
- Estimate of Group organic revenue growth in range 3% to 5% in second half
- Expect full year trading profit towards lower end of range of current analysts' expectations



Appendix

Impact of tariffs

Tariff	Effective date	Products impacted	Total headline US value impacted	Rate	Value of Ferguson direct import 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	Currently on hold			25%	\$30m

Regional analysis

\$m	Revenue H1 2019	Revenue H1 2018	Trading profit H1 2019	Trading profit H1 2018
USA	8,874	7,912	700	647
UK	1,177	1,354	30	38
Canada	615	599	39	34
Central costs	-	-	(25)	(28)
Group ongoing	10,666	9,865	744	691
Non-ongoing – Wasco	181	162	9	7
Group reported	10,847	10,027	753	698

Quarterly analysis

Revenue \$m	Q1 2019	Q2 2019	H1 2019
USA	4,607	4,267	8,874
UK	607	570	1,177
Canada	340	275	615
Group ongoing	5,554	5,112	10,666

Trading profit \$m	Q1 2019	Q2 2019	H1 2019
USA	400	300	700
UK	19	11	30
Canada	27	12	39
Central costs	(14)	(11)	(25)
Group ongoing	432	312	744

Branch numbers

	Brought forward 31 July 2018	Acquired	Net Closed	Carried forward 31 January 2019
USA	1,448	62	(31)	1,479
UK	567	-	(10)	557
Canada	230	1	-	231
	2,245	63	(41)	2,267

Headcount

	Brought forward 31 July 2018	Acquired	Net joiners / (leavers)	Carried forward 31 January 2019
USA	26,501	959	357	27,817
UK	5,617	-	(133)	5,484*
Canada	2,742	60	(38)	2,764
Other	85	-	(7)	78
	34,945	1,019	179	36,143

* Includes 265 for Soak

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FERGUSON Bath, Kitchen & Lighting Gallery

Q&A