



## 2010 RESULTS REVIEW AND OUTLOOK



# Marshall's

*Creating Better Landscapes*



VOTED ONE OF THE UK'S STRONGEST  
BRANDS BY EXPERTS & PROFESSIONALS

## Highlights

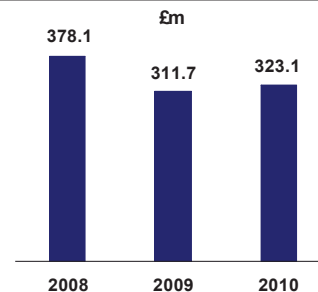
<b>Reported results:</b>	<b>2010</b>	<b>2009</b>
Revenue	£323.1m	£311.7m
EBITDA	£31.1m	£28.8m
Operating profit	£11.8m	£9.2m
Profit /(loss) before tax	£9.2m	£(2.4)m
Basic EPS	3.76p	(0.42)p
Dividends declared	5.25p	3.05p
Final dividend recommended	3.50p	3.50p
Net debt	£66.8m	£69.2m

## Revenue

Revenue growth 3.7%

### Revenue Movement

	Revenue £m	
2009	311.7	
Working days: one extra in 2010	1.3	+ 0.4%
	<u>313.0</u>	
Like for like	10.1	+ 3.3%
	<u><u>323.1</u></u>	
<b>2010</b>		



### Public Sector and Commercial Revenue

- 60% of Group
- Like for like revenue up 6%
  - Price up 1%
  - Volume up 5%

### Domestic Revenue

- 40% of Group
- Like for like revenue up 1%
  - Price up 2%
  - Promotions down 2%
  - Volume up 1%

## Operating Profit

	2010 £m	2009 £m
EBITDA *	33.9	36.1
Depreciation / amortisation	(19.3)	(19.7)
Operating profit *	14.6	16.4
Impact of severe weather in 2010	(2.8)	-
Works closure costs in 2009	-	(7.2)
Operating profit: reported	<b>11.8</b>	<b>9.2</b>

\* before impact of 2010 severe weather and 2009 works closure costs

## Underlying Margin Reconciliation

	Movement in Revenue	Operating Profit	Impact on Margin
	£m	£m	%
2009	311.7	16.4*	5.3*
Workings days: one extra in 2010	1.3	0.3	0.1
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	313.0	16.7	5.4
Trading			
● Sales price / cost inflation	4.9	(1.6)	(0.6)
● Promotions	(1.9)	(2.2)	(0.7)
● Volume	7.1	1.7	0.4
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<b>2010 before severe weather impact</b>	<b>323.1</b>	<b>14.6</b>	<b>4.5</b>
Incremental costs of severe weather	-	(2.8)	(0.8)
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<b>2010 reported</b>	<b>323.1</b>	<b>11.8</b>	<b>3.7</b>
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\* operating profit before 2009 works closure costs

## Additional Information and Ratios

	2010	2009
Financial expenses:		
Interest	£2.2m	£4.2m
Notional interest on pensions	£0.4m	£0.1m
Debenture redemption	-	£7.3m
Tax rate:	20.2%	20.1%
EPS:		
Adjusted	3.76p	5.38p*
Reported	3.76p	(0.42)p
Weighted average number of shares:	195.5m	179.6m
Dividend:		
2010 Interim and final announced	5.25p	5.25p
Cover	0.7 times	1.0 times
IFRS disclosure (dividends paid)	5.25p	3.05p
Net asset value	198.2m	181.1m

\* before 2009 works closure costs



## Free Cash Flow

Cash inflow arising from:	2010	2009
	£m	£m
Operating profit *	14.6	16.4
2010 severe weather	<u>(2.8)</u>	<u>-</u>
	11.8	16.4
Depreciation and amortisation	<u>19.3</u>	<u>19.7</u>
<b>EBITDA **</b>	<b>31.1</b>	<b>36.1</b>
Net financial expenses paid	(2.2)	(4.2)
Taxation	(0.1)	2.9
Inventory	0.5	7.6
Receivables / payables	0.1	(4.4)
Other items	<u>(0.6)</u>	<u>(0.6)</u>
<b>Free cash flow</b>	<b><u>28.8</u></b>	<b><u>37.4</u></b>

\* before impact of 2010 severe weather and 2009 works closure costs

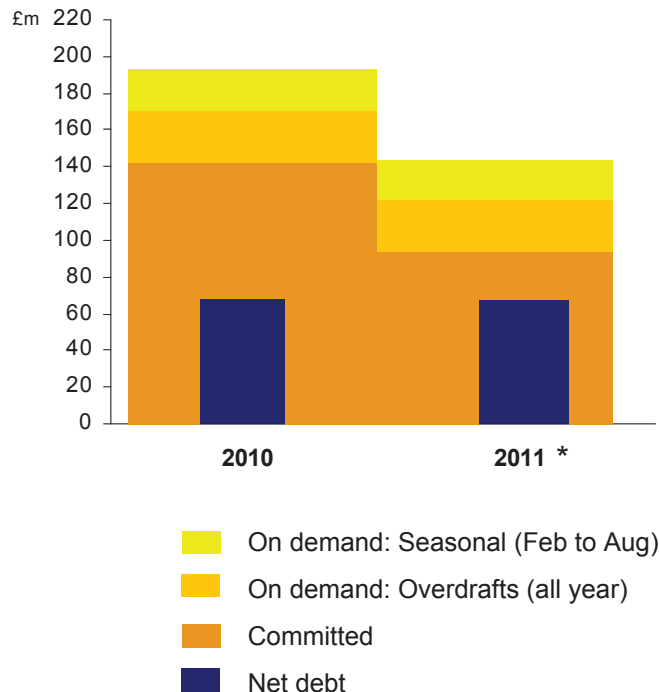
\*\* before impact of 2009 works closure costs

## Cash Flow

	2010	2009
	£m	£m
<b>Free cash flow</b>	<b>28.8</b>	<b>37.4</b>
Investment:		
• Capital expenditure	(11.9)	(9.2)
• Acquisitions	(0.1)	(0.7)
• Sale proceeds	3.9	2.4
Works closure costs	(1.4)	(6.9)
Pensions (contributions paid / other items)	(6.6)	(2.1)
Dividends paid	(10.3)	(5.5)
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Movement in net debt (before Rights Issue)	<b>2.4</b>	<b>15.4</b>
Rights Issue (net of costs)	-	34.0
Premium on redemption of debenture	-	(7.3)
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<b>Movement in net debt</b>	<b>2.4</b>	<b>42.1</b>
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<b>Net debt</b>	<b>(66.8)</b>	<b>(69.2)</b>
	<hr/>	<hr/>
<b>Gearing (%)</b>	<b>33.7%</b>	<b>38.2%</b>

## Significant Borrowing Facilities

Expiry Date	Facility	Cumulative Facility
	£m	£m
<b>Committed facilities:</b>		
Q3 2014	20	20
Q1 2013	50	70
Q4 2012	25	95
Q3 2011	48	143
<b>On demand facilities:</b>		
Available all year	25	168
Seasonal (February to August inclusive)	20	188



\* Note: 2011 based on consensus information

## Pensions

### Risk Management

- 2000 closed to new members
- 2006 closed to future service accrual
- 2007 investment strategy

### Investment Strategy

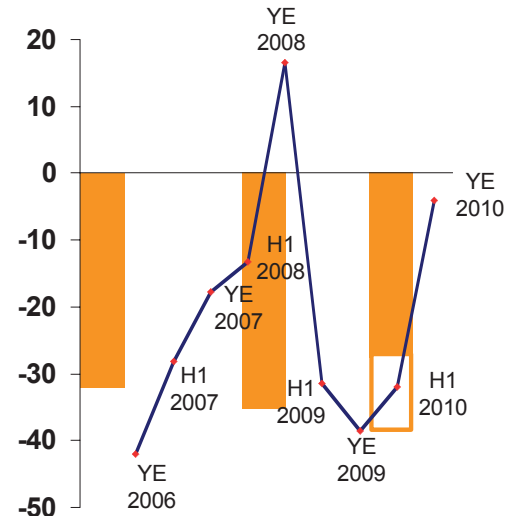
- Moved from equities to LDIs
- Closer matching to liability profile of pension scheme

### Balance Sheet Values

- YE 2010 deficit £4.1m
- YE 2009 deficit £38.0m

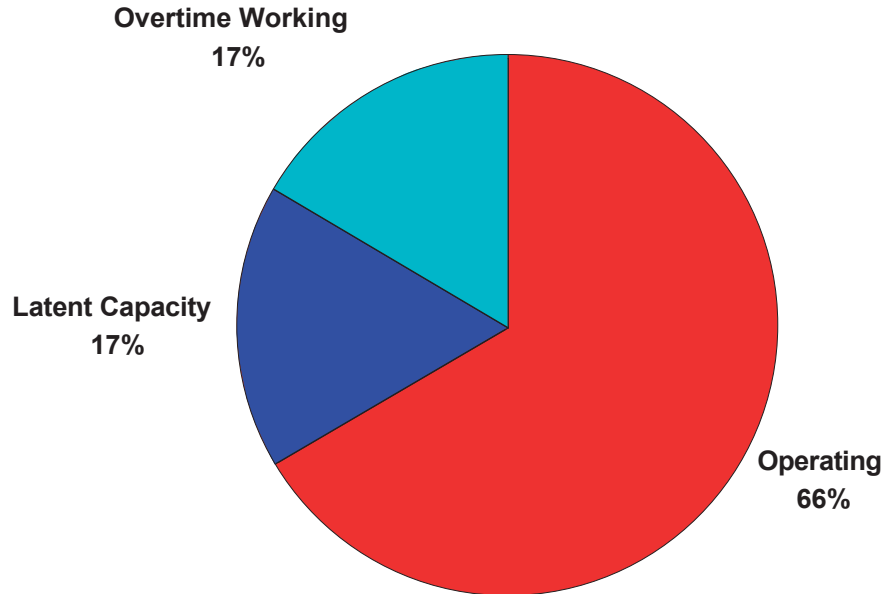
### Movements

- AA Corporate Bond Rate
- Asset values
- RPI to CPI

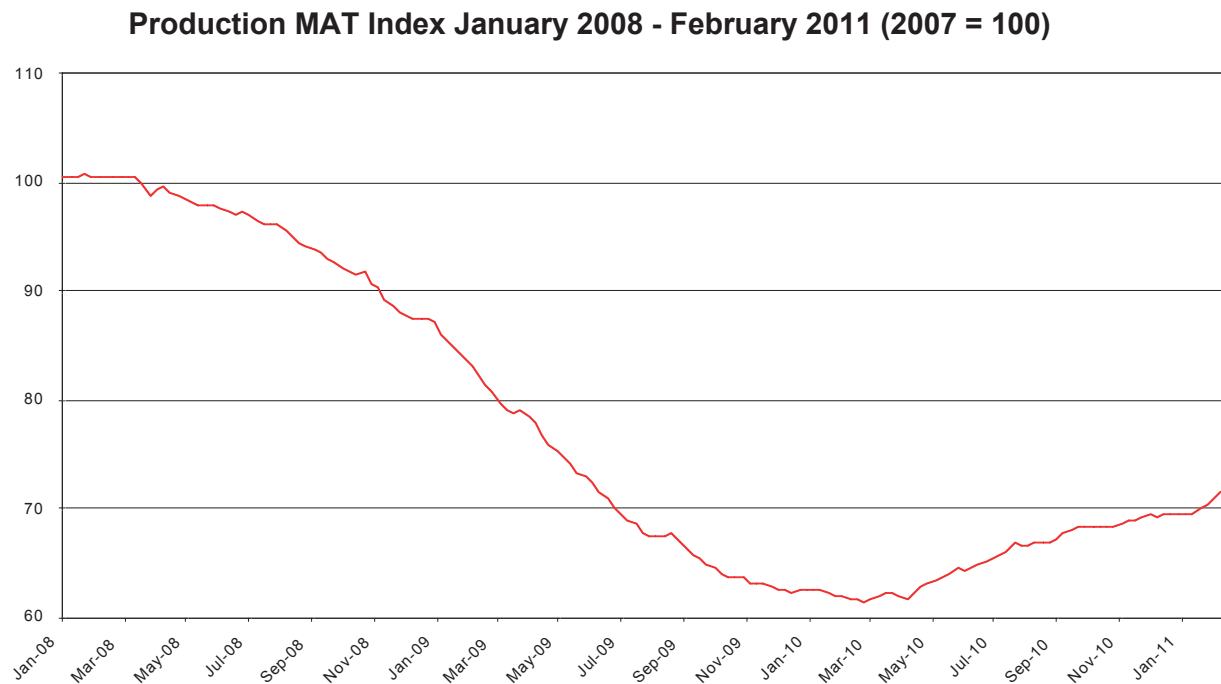


- = Accounting valuation
- = Actuarial valuation
- = Impact of RPI to CPI

## Latent Capacity Available

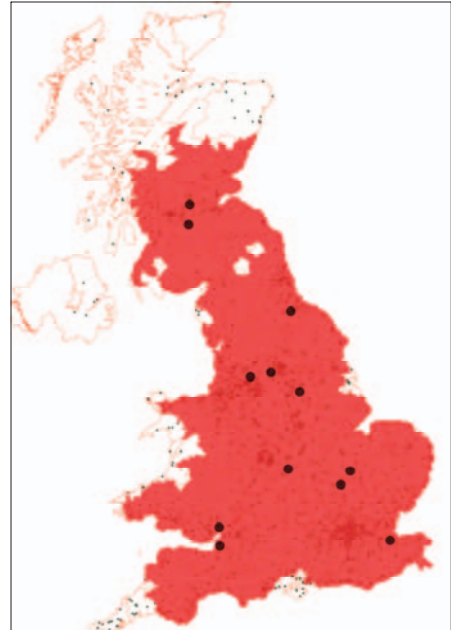


## Production Increasing



## Geographical Coverage Maintained

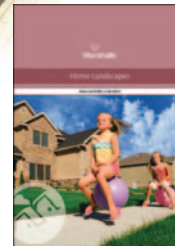
- Majority of customers within 2 hour drive time of Marshall's regional manufacturing and distribution centres
- Detailed optimisation of operations after major restructuring will deliver further margin benefits



## Public Sector and Commercial Identify Future Spend



**Future spend identified**



**Marketing collateral developed**

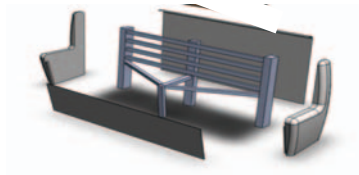
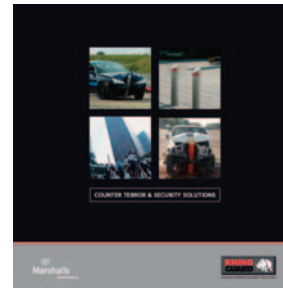




## Public Sector and Commercial Product Innovation Continues



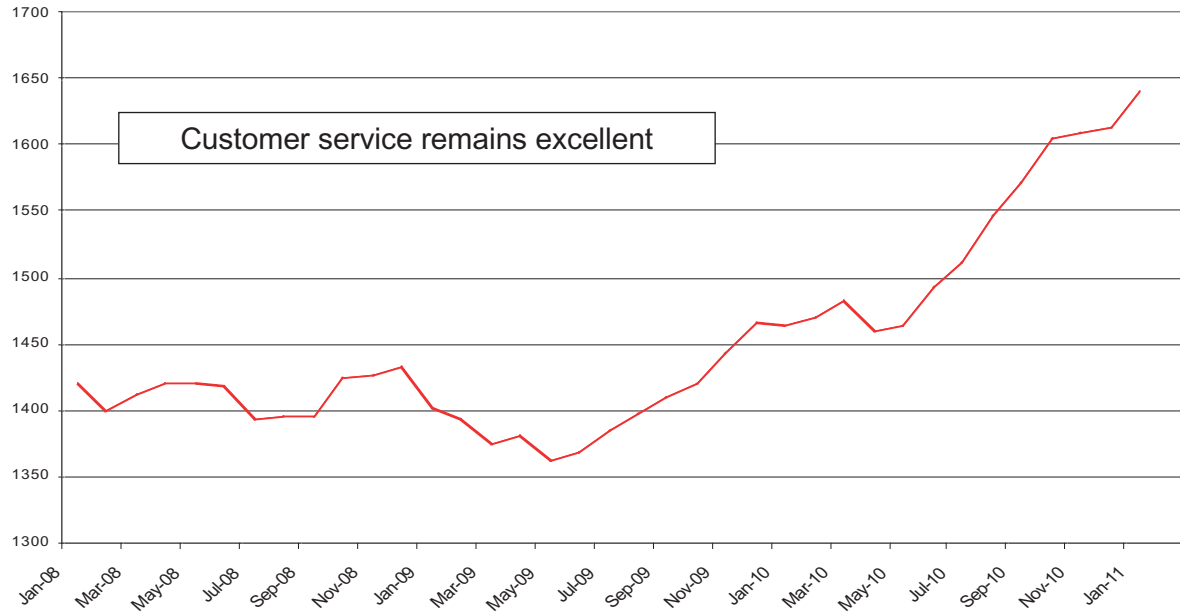
**Integrated offer and sales synergy**



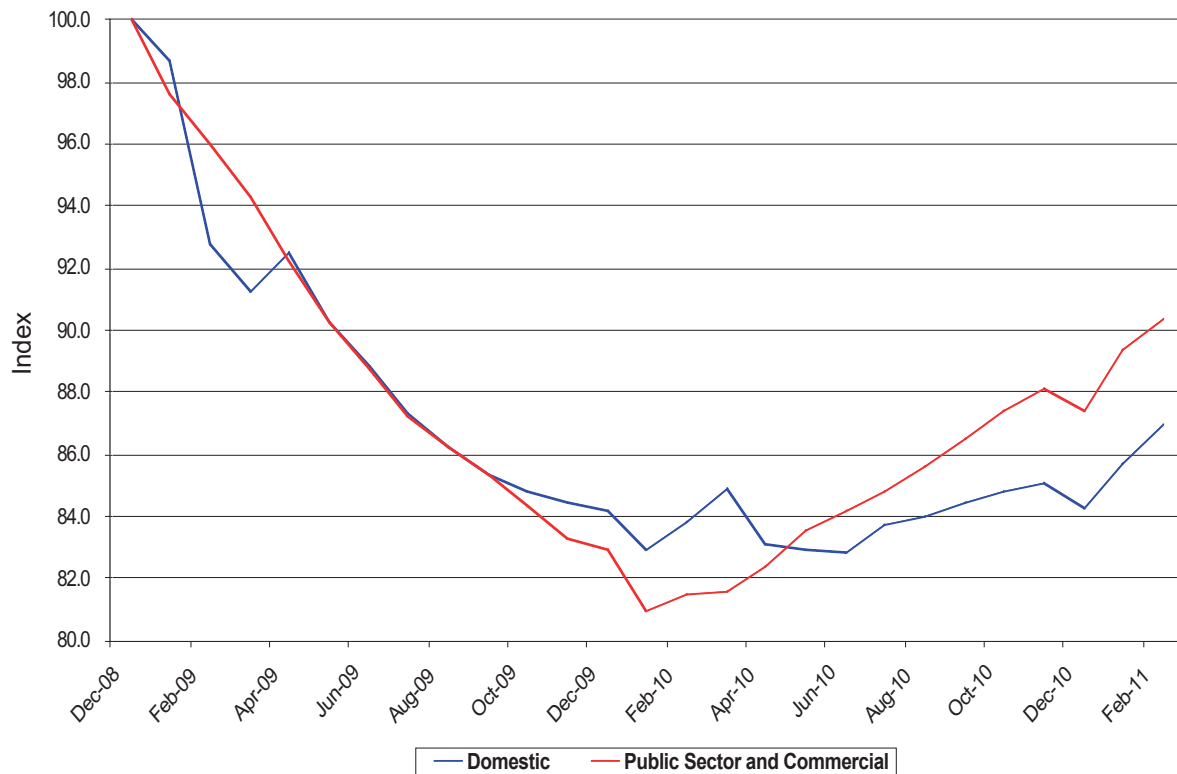
**Counter terror - quoted £3.5m,  
specification £2.0m**

## Domestic Market Installer Initiatives

### Marshall's Register - Installer Teams



## Marshall's Revenue Per Day Index MAT

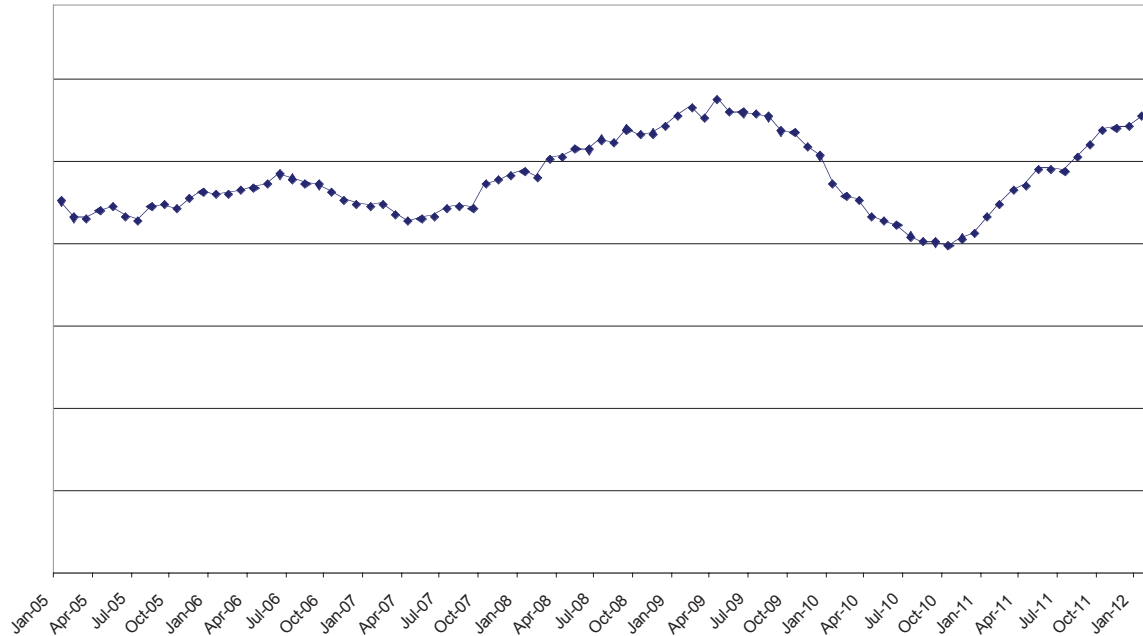




Creating Better Landscapes

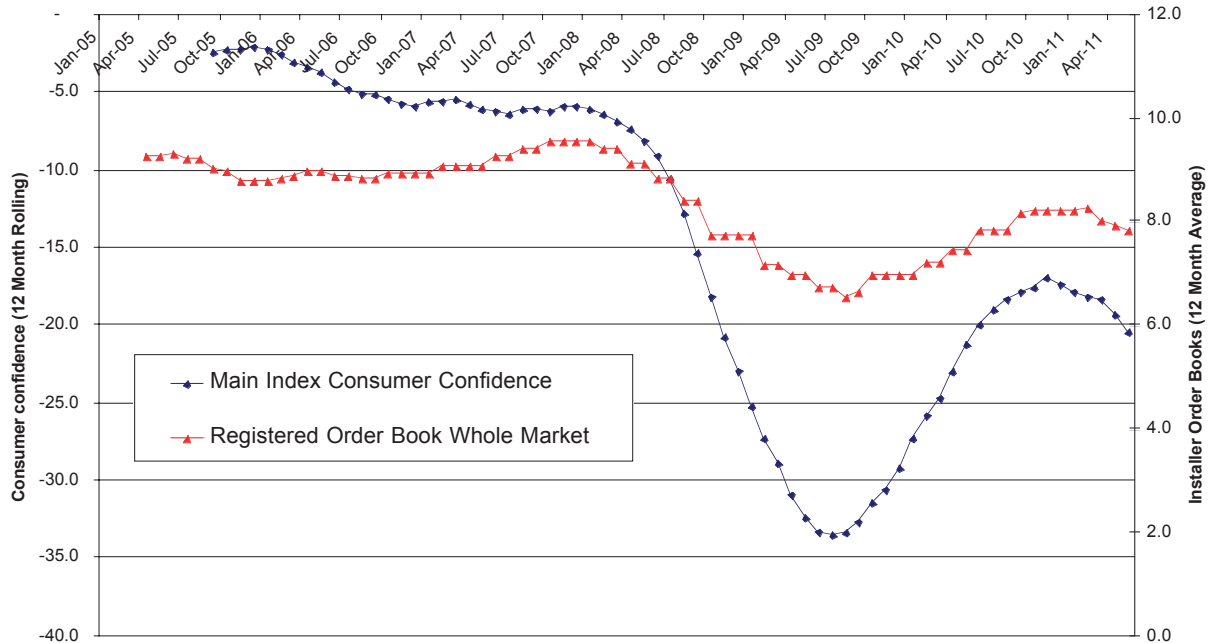
## Public Sector and Commercial End Market New Work Sales Lead Indicator MAT

Contract Awarded 12 Month Rolling Average of Hard Landscape Value Adjusted  
(ABI with 12 Month Lag)



## Domestic Market Consumer Confidence and Installer Order Books

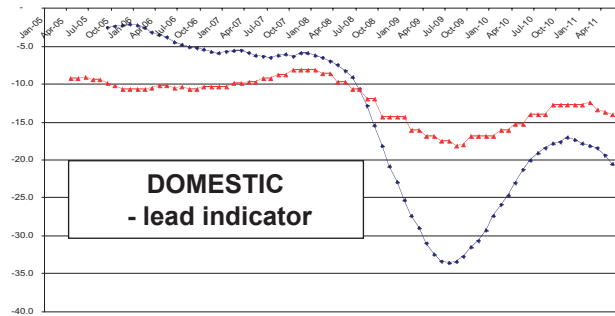
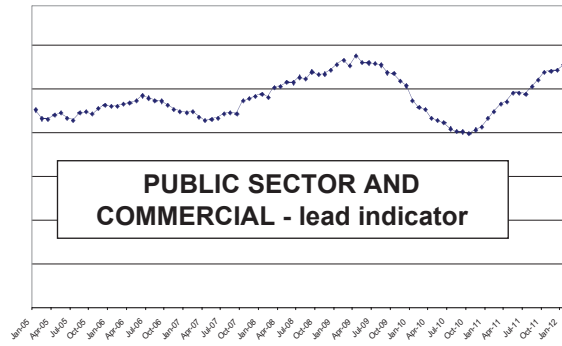
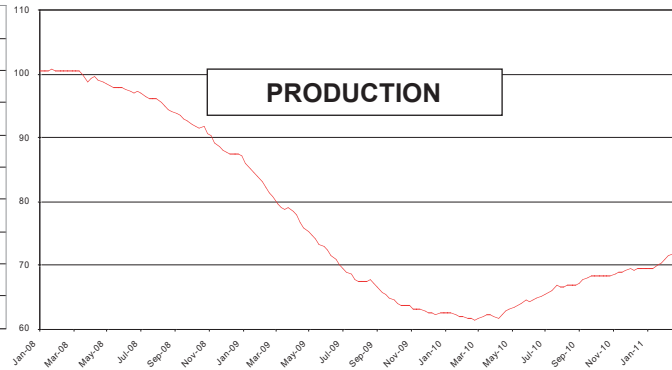
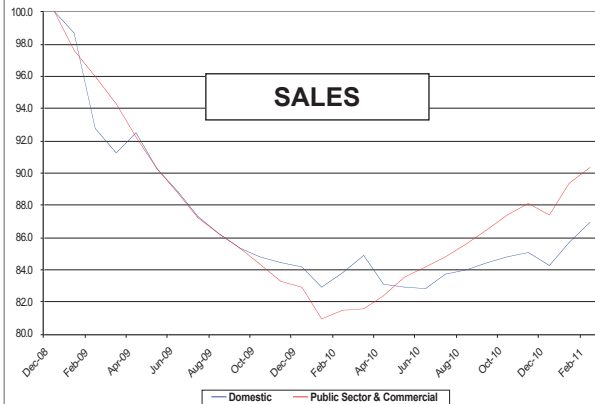
**Rolling 12 Months Consumer Confidence v Installer Order Book (3 Month Lag)**



## Summary of Outlook

- Public Sector and Commercial end market
  - Public currently stable, expect future weakness
  - Commercial recovery from low base, forward indicators positive
  - Overall mildly positive
- Domestic stable – installer order books 7.2 weeks (2010: 6.8 weeks)
- Overall mildly positive

## Summary Building Momentum







## Appendices

## Construction Products Association

	2006	2007	2008	2009	2010	2011	2012
£m/% change	Actual	Actual	Actual	Actual	Estimate	Forecast	Forecast
<b>Housing</b>							
	21,097	20,920	17,273	13,774	15,942	15,703	15,467
	2.5%	-0.8%	-17.4%	-20.3%	15.7%	-1.5%	-1.5%
<b>Other New Work</b>							
	45,812	48,418	50,049	45,200	48,317	47,438	47,021
	4.9%	5.7%	3.4%	-9.7%	6.9%	-1.8%	-0.9%
<b>Repair, Maintenance and Improvement</b>							
Private Housing	10,660	10,772	11,143	9,837	9,945	9,995	10,194
	-3.5%	1.1%	3.4%	-11.7%	1.1%	0.5%	2.0%
<b>Total</b>							
	38,832	38,895	39,712	35,820	34,835	33,943	33,883
	-3.3%	0.2%	2.1%	-9.8%	-2.7%	-2.6%	-0.2%
<b>Total All Work</b>							
	105,741	108,233	107,033	94,793	99,094	97,084	96,371
	1.3%	2.4%	-1.1%	-11.4%	4.5%	-2.0%	-0.7%

## Historical Perspective

	<b>Revenue</b> <b>£000</b>	<b>Operating Profit</b> <b>£000</b>	<b>Margin</b> <b>%</b>	<b>Capital Expenditure</b> <b>£000</b>
1990	181,447	28,630	15.8	36,143
1991	184,370	18,697	10.1	11,959
1992	174,355	17,317	9.9	3,786
1993	169,492	12,437	7.3	5,712
1994	191,495	21,683	11.3	20,384
1995	229,496	31,194	13.6	20,120

*These are years ended 31<sup>st</sup> March*

### Very comfortable headroom

2010  
Actual

EBITA: Interest charge 6.9 times

Net Debt: EBITDA 2.2 times

- EBITA to interest charge must be greater than 2.5x
- Net debt to EBITDA must be less than 3x
- Net assets must be greater than £100 million

## Net Assets

	£m	£m
2009 Year End Net Assets		181.1
<b>Impact of movements in year:</b>		
Trading	7.3	
Dividends	(10.3)	
Actuarial movement on pensions (after tax)	20.1	
	<u>          </u>	
		17.1
		<u>          </u>
<b>2010 Year End Net Assets</b>		<b><u>198.2</u></b>

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