



## 2012 RESULTS REVIEW AND OUTLOOK



Marshalls

## Highlights

	2012	2011
Revenue*	£309.7m	£334.1m
EBITDA*	£30.0m	£35.0m
Operating profit*	£13.9m	£16.7m
Profit before tax*	£10.4m	£13.7m
Basic EPS*	5.87p	6.30p
Dividends declared	5.25p	5.25p
Final dividend recommended	3.50p	3.50p
Net debt	£63.5m	£77.1m
Net debt to EBITDA**	2.1 times	2.2 times

\* Continuing operations before operational restructuring costs and asset impairments of £21.5m (2011: Nil)

\*\* Based on accounting values

# Revenue

Revenue £309.7m

## Revenue Movement

2011

Exceptional weather in UK

UK

International

**2012**

Revenue

£m

334.1

(13.0)

321.1

(13.1)

1.7

**309.7**

£m

308.8

334.1

309.7

2010

2011

2012

-4%

-4%

+1%

-7%



# Revenue Analysis

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## Public Sector and Commercial Revenue

- 64% of Group
- Revenue lower by 6%
- Price up 4%, weather impact down 3% and volume down 7%

## Domestic UK Revenue

- 32% of Group
- Revenue lower by 12%
- Price up 4%, weather impact down 6% and UK volume down 10%

## International Revenue

- Approaching 5% of Group
- International sales grew by 15% (Sterling)
- Sales from the Belgium base grew by 35% (local currency)



## Operating Profit

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	2012 £m	2011 £m
EBITDA *	30.0	35.0
Depreciation / amortisation	(16.1)	(18.3)
<b>Operating profit *</b>	<b><u>13.9</u></b>	<b><u>16.7</u></b>

\* Excluding operational restructuring costs and asset impairments

## Margin Reconciliation

	Movement in Revenue	Operating Profit	Impact on Margin
	£m	£m	%
2011	334.1	16.7	5.0
Property disposals and other one-off items	-	(0.2)	(0.1)
Weather impact	(13.0)	(3.3)	(0.8)
	<u>321.1</u>	<u>13.2</u>	<u>4.1</u>
Price increases to recover costs	13.6	3.5	0.9
Volume	(26.7)	(5.3)	(1.3)
Organic International expansion	1.7	(0.3)	(0.1)
Profit improvement from restructuring	-	2.8	0.9
	<u>309.7</u>	<u>13.9</u>	<u>4.5</u>
<b>2012*</b>			

\* Excluding operational restructuring costs and asset impairments

## Restructuring Costs and Asset Impairments

	Cash £m	Non-cash £m	Total £m	Business Area:	£m
Restructuring costs	10.2	-	10.2	Landscape Products	9.0
Asset impairments				Natural Stone Walling	8.0
● Intangible	-	2.8	2.8	Scottish Operations	4.5
● Tangible	-	8.5	8.5		
<b>2012</b>	<b>10.2</b>	<b>11.3</b>	<b>21.5</b>		<b>21.5</b>

### Profit improvement:

Annualised savings of £7m pa (£2.8m in 2012)

## Cash Actions

	Original plan H2 2012 £m	Actual H2 2012 £m
<b>Cash actions</b>		
Profit improvement	1.0	2.1
Inventory reduction	2.0	4.9
Property and asset sales	9.0	6.8
Reduced capital expenditure	2.0	2.0
Pension recovery payments	3.0	3.0
	<hr/>	<hr/>
	17.0	18.8
Cash cost of actions	(7.0)	(7.4)
	<hr/>	<hr/>
<b>Net cash benefit</b>	<b>10.0</b>	<b>11.4</b>



## Cash Flow from Operating Activities

Cash inflow arising from:	2012	2011
	£m	£m
Operating profit	13.9	16.7
Depreciation and amortisation	16.1	18.3
<b>EBITDA (continuing operations)</b>	<b>30.0</b>	<b>35.0</b>
Discontinued operations	-	(0.5)
EBITDA (total operations)	30.0	34.5
Net financial expenses paid	(4.2)	(3.5)
Taxation	-	0.2
Pensions paid	(3.6)	(6.6)
Net gain on sale of property, plant and equipment	(1.9)	(1.4)
Inventory *	4.9	0.4
Receivables / payables *	7.2	(4.6)
Operational restructuring costs paid and other items	(7.7)	(3.1)
<b>Net cash flow from operating activities</b>	<b>24.7</b>	<b>15.9</b>

\* Excluding working capital relating to International expansion in 2011

## Cash Flow

	2012	2011
	£m	£m
<b>Net cash flow from operating activities</b>	<b>24.7</b>	<b>15.9</b>
Investment		
• Capital expenditure	(9.5)	(13.6)
• Proceeds from sale of surplus assets	8.6	5.4
• Investments and International expansion*	-	(8.2)
• Disposals	0.2	0.6
Dividends paid	(10.3)	(10.3)
<b>Sub-total</b>	<b>13.7</b>	<b>(10.2)</b>
Finance leases / exchange differences	(0.1)	(0.1)
<b>Movement in net debt</b>	<b>13.6</b>	<b>(10.3)</b>
Net debt at 1 January	(77.1)	(66.8)
<b>Net debt at 31 December</b>	<b>(63.5)</b>	<b>(77.1)</b>
<b>Gearing (%)</b>	<b>34.6%</b>	<b>37.4%</b>
<b>Net debt to EBITDA**</b>	<b>2.1 times</b>	<b>2.2 times</b>

\* Includes working capital relating to International expansion in 2011

\*\* Based on accounting values

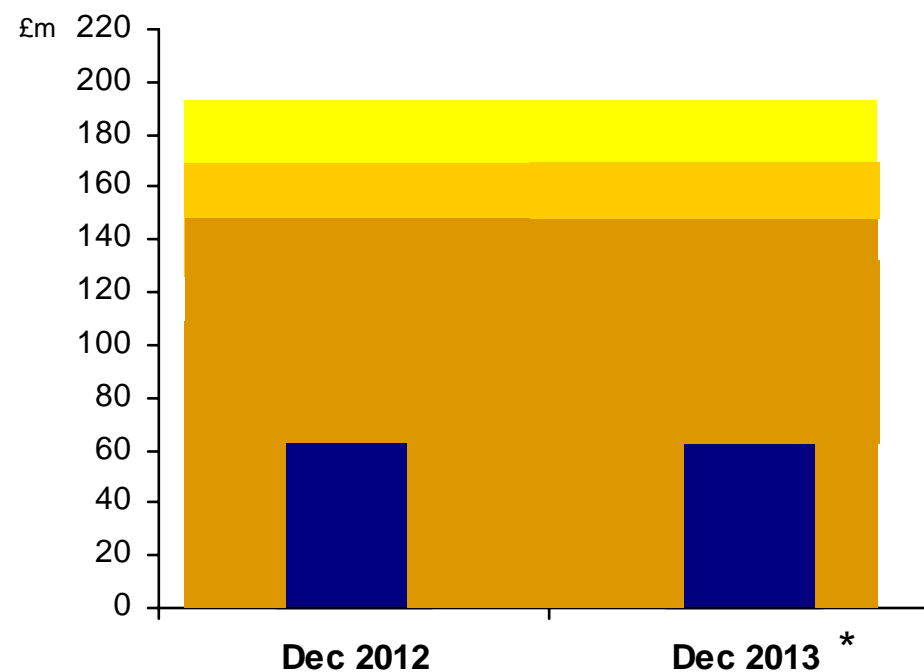
## Additional Information and Ratios

	2012	2011
Interest charge:		
Charge	£3.5 m	£3.0 m
Cover*	3.9 times	5.6 times
Tax rate*	(10.7)%	11.1%
EPS:		
Adjusted*	5.87p	6.30p
Total operations	(2.91)p	3.78p
Dividend:		
2012 interim and final announced	5.25p	5.25p
Cover (continuing operations)	1.1 times	1.2 times
Weighted average number of shares	195.4m	195.4m
Net asset value	£183.6m	£206.1 m

\*Continuing operations before operational restructuring costs and asset impairments

## Significant Borrowing Facilities

Expiry Date	Facility	Cumulative Facility
	£m	£m
<b>Committed facilities:</b>		
Q3 2016	50	50
Q3 2015	75	125
Q3 2014	20	145
<b>On demand facilities:</b>		
Available all year	25	170
Seasonal (February to August inclusive)	20	190



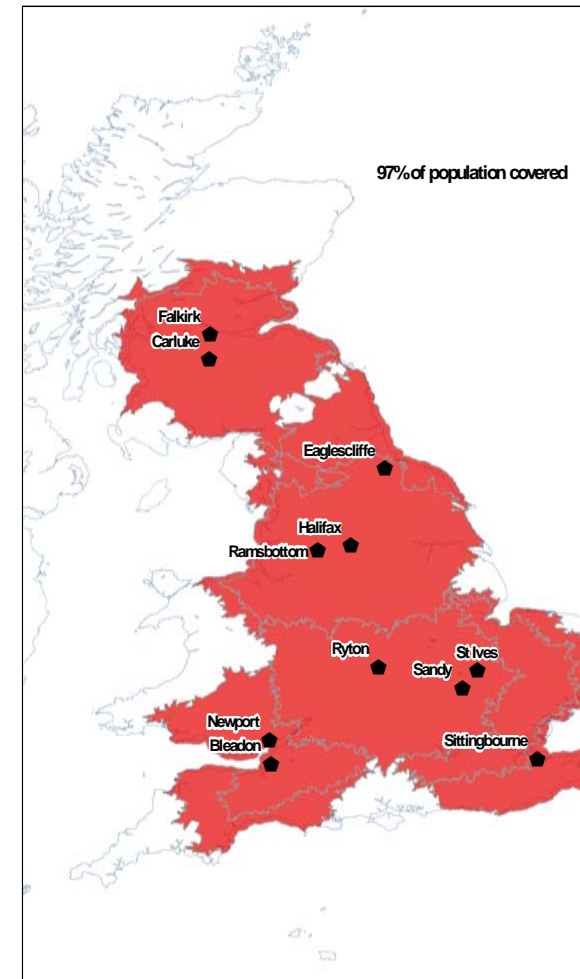
- On demand: Seasonal (Feb to Aug)
- On demand: Overdrafts (all year)
- Committed
- Net debt

\* Note: 2013 based on consensus information

## Managing Capacity

- Excellent geographic coverage
- Modern, efficient well invested factories
- Over 97% of our customers within a 2 hour drive time
- Capacity reduced to release inventory of £10m by the end of 2013
- Fixed cost reductions of £5m pa and efficiency savings of £2m pa
- Output can be increased by at least 25% without significant capital expenditure

## Geographic Coverage Maintained



 = 2 hours driving time



## Sustainable Growth Initiatives

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- Public Sector and Commercial - targeted marketing and partnerships, investment in street furniture, security products, water management and sustainable urban drainage (“SUDS”), internal stone paving, stone cladding
- Domestic - installer initiatives and distributor merchandising, next generation of driveway paving, internal stone paving
- International - specialist landscape products into selected markets

# Public Sector and Commercial Targeted Marketing and Partnering







**Marshalls**

## **Integrated Product Offer Exhibition Road**







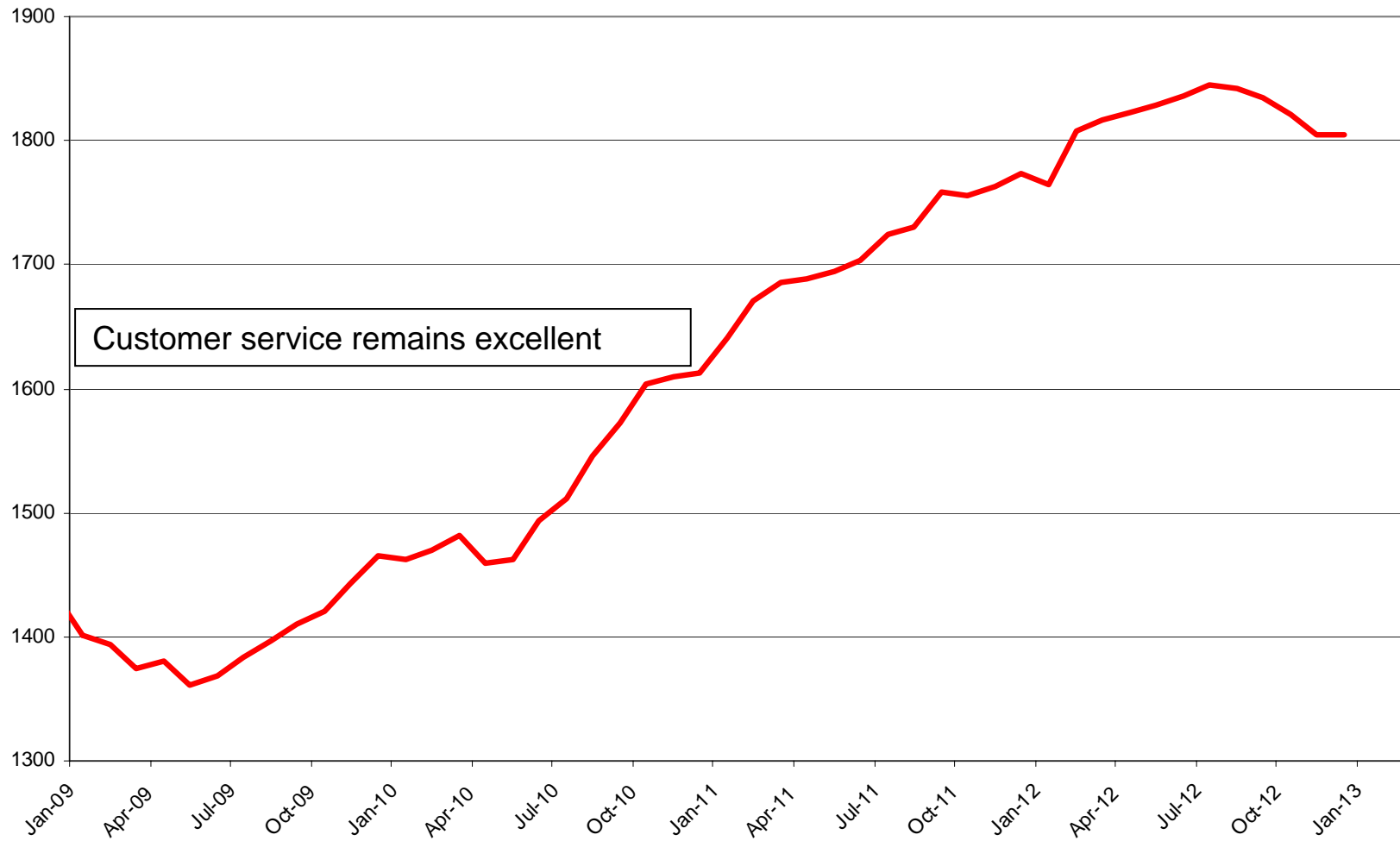
**Marshall's**

**Natural Stone Cladding**



# Domestic Market Installers

## Marshalls Register - Emphasis on Quality





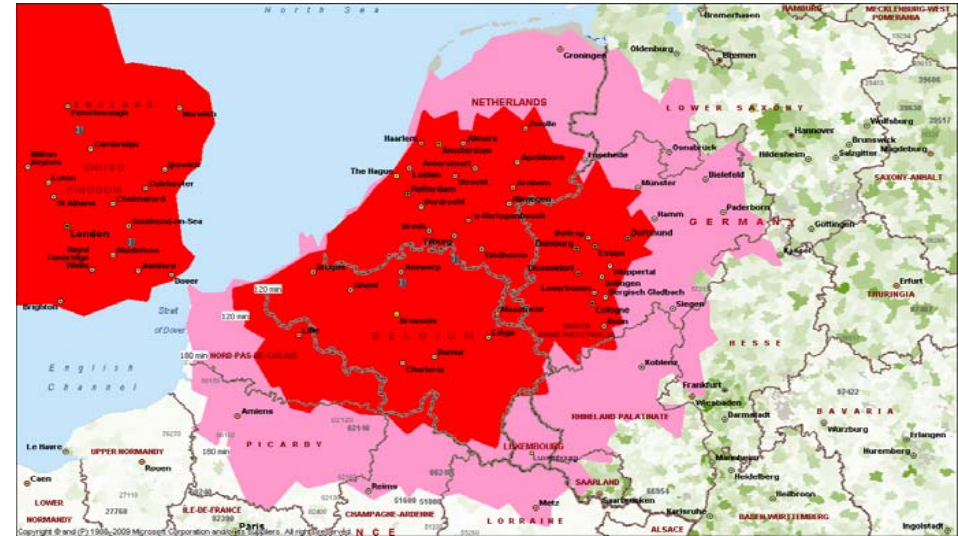


## Product Innovation Cobbletech Driveway System

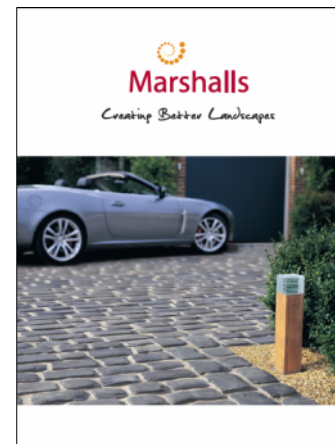




- Two operating sites, 40 million people within a 2 hour drive time
- Natural sandstone, granite and limestone from India and China
- Specialist manufactured products and street furniture from the UK
- Key synergies – marketing and sales collateral, sales processes and systems, broader range of products, manufacturing and technical expertise
- Organic development. Sales increase, from the Belgium base, in local currency of 35%, approaching 5% of Group in 2012, target 10% by 2015.

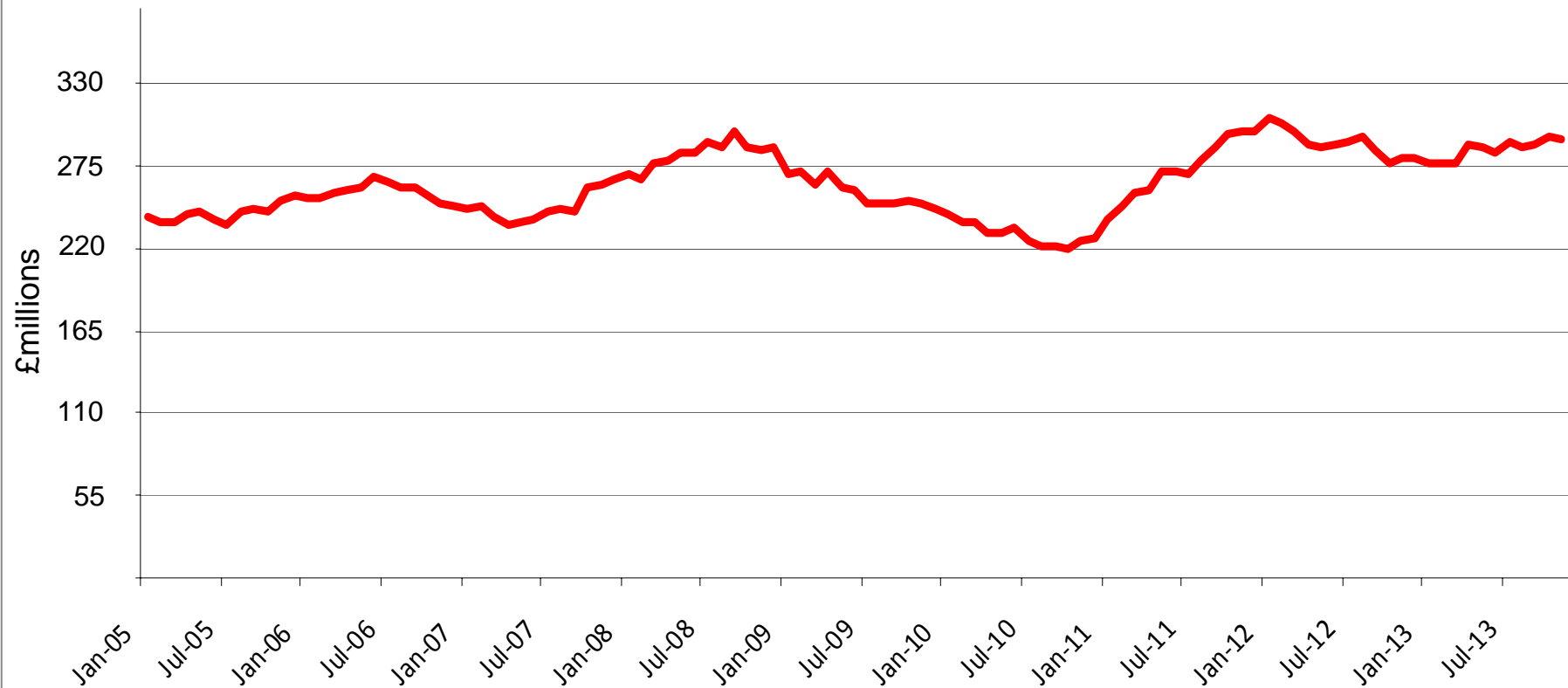


**Drive Zones**  = 2 hours  = 3 hours



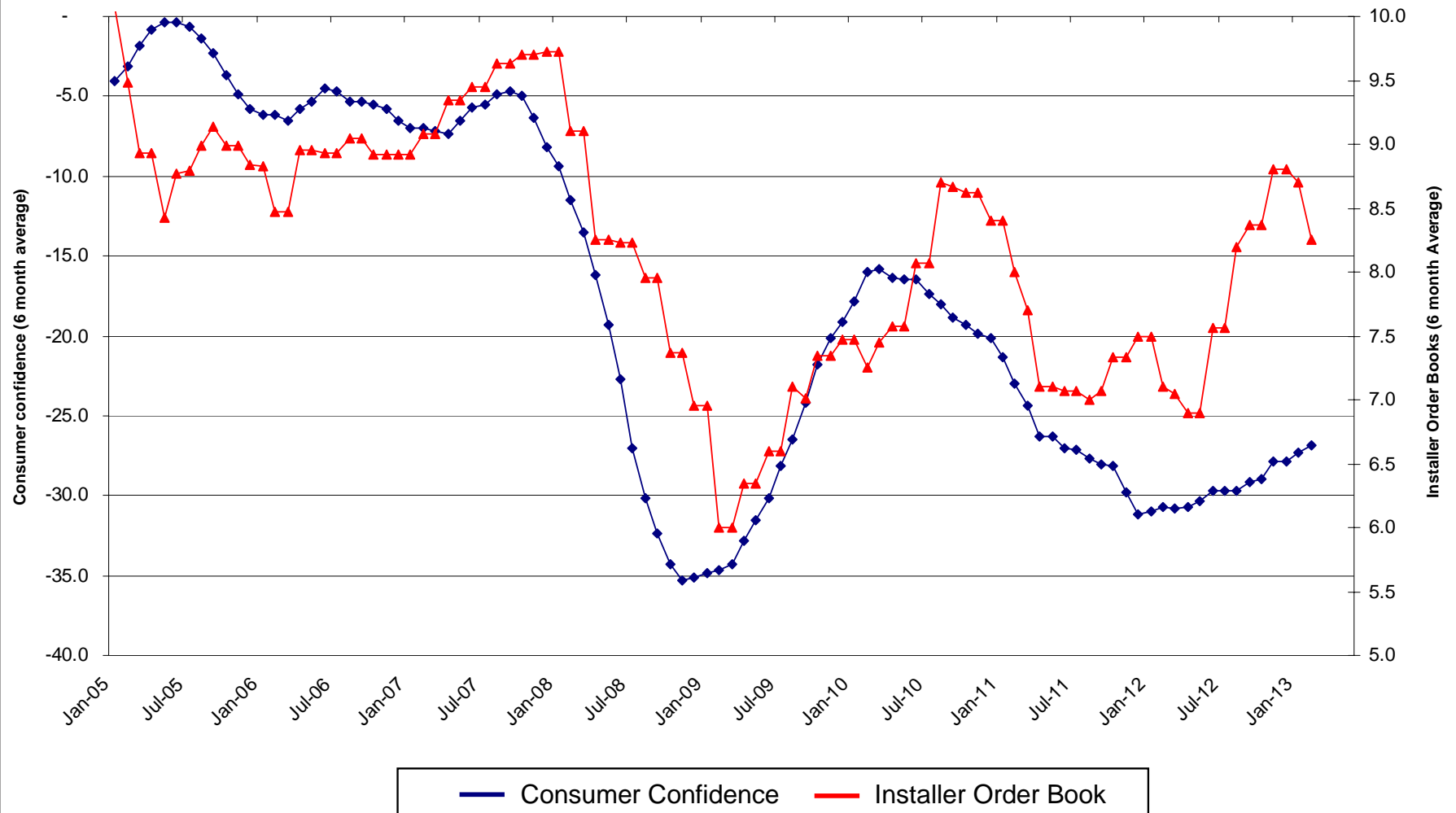
## Public Sector and Commercial New Work Sales Lead Indicator

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 6 Months Consumer Confidence and Installer Order Book (3 month lag)



## Market Outlook

	Revenue Proportions	2013
Commercial	35%	→
Public	20%	↘
New build	8%	↑
Do it for me	27%	↗
DIY	5%	→
International	5%	↑
	<hr/> 100% <hr/>	<hr/> ↘ <hr/>



## Summary

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- Excellent brand, market position and geographical coverage
- Decisive action taken to reduce output, release cash and reduce fixed costs
- Continuing uncertainty about the market environment
- Growth initiatives and product innovation are delivering
- Operating flexibility – significant capacity available, experienced, skilled and committed workforce
- Financial flexibility – medium term facilities, range of actions reducing net debt
- Well positioned to take advantage of a recovery





# **Appendices**

# Construction Products Association

£m/% change	2009 Actual	2010 Actual	2011 Actual	2012 Estimate	2013 Forecast	2014 Forecast	2015 Forecast	2016 Forecast
<b>Housing</b>								
	13,721	17,181	18,444	17,136	16,767	17,263	18,213	19,858
	-26.3%	25.2%	7.6%	-7.1%	-2.1%	3.0%	5.5%	9.0%
<b>Other New Work</b>								
	46,772	52,435	52,734	45,222	43,554	44,425	46,096	48,046
	-11.9%	12.1%	0.9%	-14.2%	-3.7%	2.0%	3.8%	4.2%
<b>Repair, Maintenance and Improvement</b>								
Private Housing	9,916	10,573	10,704	10,275	10,394	10,680	11,107	11,542
	-12.5%	6.6%	1.3%	-4.0%	1.2%	2.8%	4.0%	3.9%
<b>Total</b>								
	36,084	34,847	35,691	35,068	34,939	35,470	36,441	37,529
	-9.4%	-3.4%	2.3%	-1.7%	-0.4%	1.5%	2.7%	3.0%
<b>Total All Work</b>								
	96,576	104,462	106,869	97,426	95,261	97,158	100,751	105,434
	-13.4%	8.2%	2.5%	-8.8%	-2.2%	2.0%	3.7%	4.6%

# Pensions

## Risk Management

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

## Investment Strategy

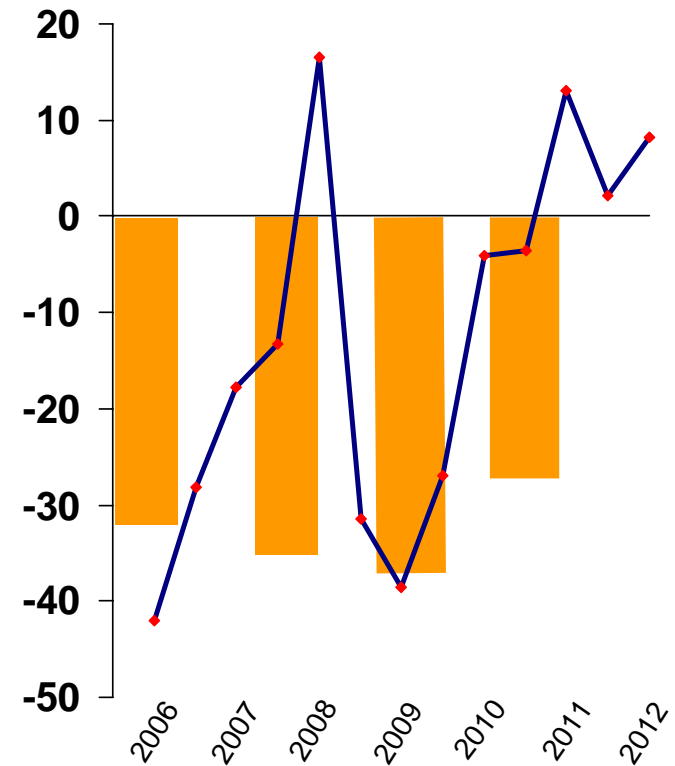
- Moved from equities to LDIs
- Closer matching to liability profile of pension scheme

## Balance Sheet Values

- YE 2012 surplus £8.2m (2011: £13.0m)
- Net of deferred tax £6.3m (2011: £9.7m)

## Movements

- AA Corporate Bond Rate
- Inflation expectations
- Asset values



— = Accounting valuation  
— = Actuarial valuation: Formal



## Financial Flexibility

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2012  
Actual

EBITA: Interest charge

3.7 times

Net Debt: EBITDA

2.2 times

- EBITA to interest charge must be greater than 2.5 times
- Net debt to EBITDA must be less than 3.0 times
- Net assets must be greater than £100 million

## Net Assets

	£m	£m
2011 Year End Net Assets		206.1
<b>Impact of movements in year:</b>		
Loss for the financial period	(5.7)	
Ordinary dividends	(10.3)	
Actuarial movement on pensions (after tax)	(6.6)	
Hedging reserve	(0.9)	
Share based expenses	0.4	
Foreign currency translation differences	0.1	
Non-controlling interest	0.5	
	<u></u>	(22.5)
<b>2012 Year End Net Assets</b>		<u>183.6</u>

