



## 2013 HALF-YEARLY RESULTS REVIEW AND OUTLOOK





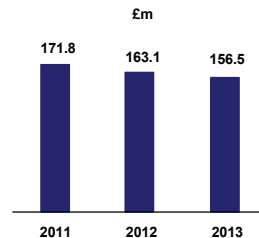
**Marshall's**

	Half year ended 30 June 2013	Half year ended 30 June 2012 <sup>*†</sup>	%
<b>Continuing operations</b>			
Revenue	£156.5m	£163.1m	- 4
Operating profit	£9.8m	£8.8m	+11
Profit before tax	£8.0m	£7.0m	+15
Basic EPS	3.80p	3.43p	+11
Interim dividend	1.75p	1.75p	
Net debt	£53.0m	£83.8m	+37

\*The comparatives have been restated in respect of discontinued operations

† The comparative continuing operations are before operational restructuring costs and asset impairments

**Revenue**      £156.5m



## Revenue Movement

	Revenue	
	£m	%
H1 2012*	163.1	
UK	(7.5)	-5
International	<u>0.9</u>	1
<b>H1 2013</b>	<b><u>156.5</u></b>	<b>-4</b>

\* The comparative figure has been restated in respect of discontinued operations

## Public Sector and Commercial Revenue

- 63% of Group
- Revenue lower by 6%
- Price up 3%
- Volume and mix down 9%

## Domestic UK Revenue

- 32% of Group
- Revenue lower by 3%
- Price up 3%
- Volume, mix and repositioning down 6%

## International Revenue

- 5% of Group
- Growth rate 12%

	2013 £m	2012*† £m
<b>Operating profit: continuing operations</b>		
EBITDA	17.0	17.0
Depreciation / amortisation	(7.2)	(8.2)
<b>Operating profit</b>	<b>9.8</b>	<b>8.8</b>
<b>Post tax profit of discontinued operations</b>	<b>0.4</b>	<b>0.4</b>

Net gain on property disposals included in operating profits:

- H1 2012 : £0.6m
- H1 2013 : Nil

\* The comparative figures have been restated in respect of discontinued operations

† The comparative continuing operations are before operational restructuring costs and asset impairments

	Movement in Revenue	Operating Profit	Impact on Margin
	£m	£m	%
<b>Continuing operations</b>			
H1 2012 *†	163.1	8.8	5.4
Price increases to recover costs	2.7	2.1	1.2
Volume and mix - UK	(10.2)	(4.6)	(2.6)
Profit improvement from restructuring	-	4.4	2.9
Organic International expansion	0.9	(0.3)	(0.3)
Net gain on property disposals	-	(0.6)	(0.3)
<b>H1 2013</b>	<b>156.5</b>	<b>9.8</b>	<b>6.3</b>

\*The comparatives have been restated in respect of discontinued operations

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## Cash Flow from Operating Activities

Cash inflow arising from:	2013	2012
	£m	£m
Operating profit	9.8	8.8
Depreciation and amortisation	<u>7.2</u>	<u>8.2</u>
<b>EBITDA (continuing operations)</b>	<b>17.0</b>	<b>17.0</b>
Discontinued operations	<u>0.5</u>	<u>1.1</u>
EBITDA (total operations)	17.5	18.1
Net financial expenses paid	(2.0)	(2.2)
Taxation paid	-	(1.1)
Pensions paid	(5.3)	(3.3)
Net gain on sale of property, plant and equipment	-	(0.6)
Profit on disposal of discontinued operations	(0.2)	-
Receivables / payables	(15.2)	(13.1)
Inventory	1.7	(1.3)
Works closure costs paid and other items	(0.1)	(1.2)
<b>Net cash flow from operating activities</b>	<b><u>(3.6)</u></b>	<b><u>(4.7)</u></b>



	2013 £m	2012 £m
<b>Net cash flow from operating activities</b>	<b>(3.6)</b>	<b>(4.7)</b>
Capital expenditure	(3.7)	(4.5)
Proceeds from sale of surplus assets	0.1	2.2
Proceeds from disposal of discontinued operations	17.6	0.1
	<hr/>	<hr/>
<b>Sub-total</b>	<b>10.4</b>	<b>(6.9)</b>
Finance leases / exchange differences	0.1	0.2
	<hr/>	<hr/>
<b>Movement in net debt</b>	<b>10.5</b>	<b>(6.7)</b>
Net debt at 1 January	(63.5)	(77.1)
	<hr/>	<hr/>
<b>Net debt at 30 June</b>	<b>(53.0)</b>	<b>(83.8)</b>
	<hr/>	<hr/>
<b>Gearing (%)</b>	<b>29.0%</b>	<b>46.7%</b>
	<hr/>	<hr/>

	2013	2012*†
Interest charge (continuing):		
Charge	£1.8m	£1.8m
Cover	5.6 times	4.8 times
Tax rate (continuing)	10.7%	4.8%
EPS:		
Continuing	3.80p	3.43p
Total operations	4.00p	(3.82)p
Weighted average number of shares	195.6m	195.4m
Net asset value	£182.7m	£179.5m

\*The comparatives have been restated in respect of discontinued operations

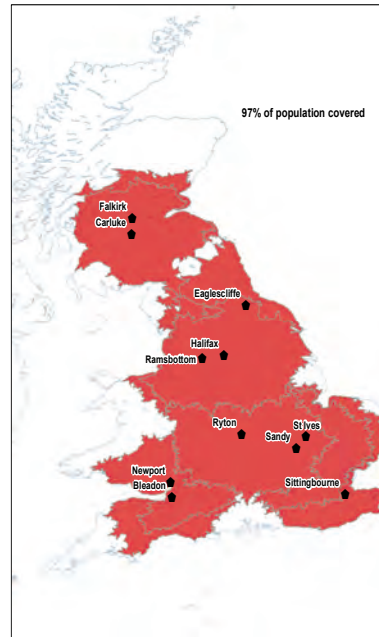
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## Managing Capacity

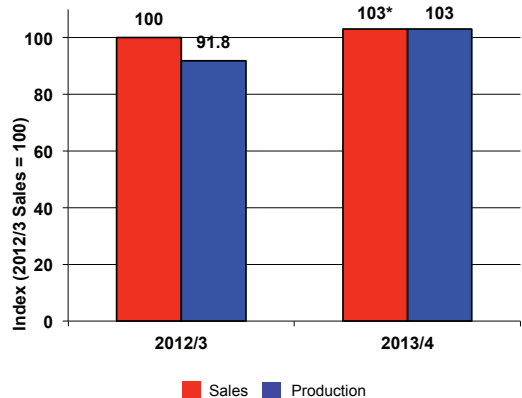
- Excellent geographic coverage
- Modern, efficient, well invested factories
- Over 97% of our customers within a 2 hour drive time
- Inventory reduction of £10m delivered
- Output can be increased by at least 25% without significant capital expenditure

## Geographic Coverage Maintained



 = 2 hours driving time

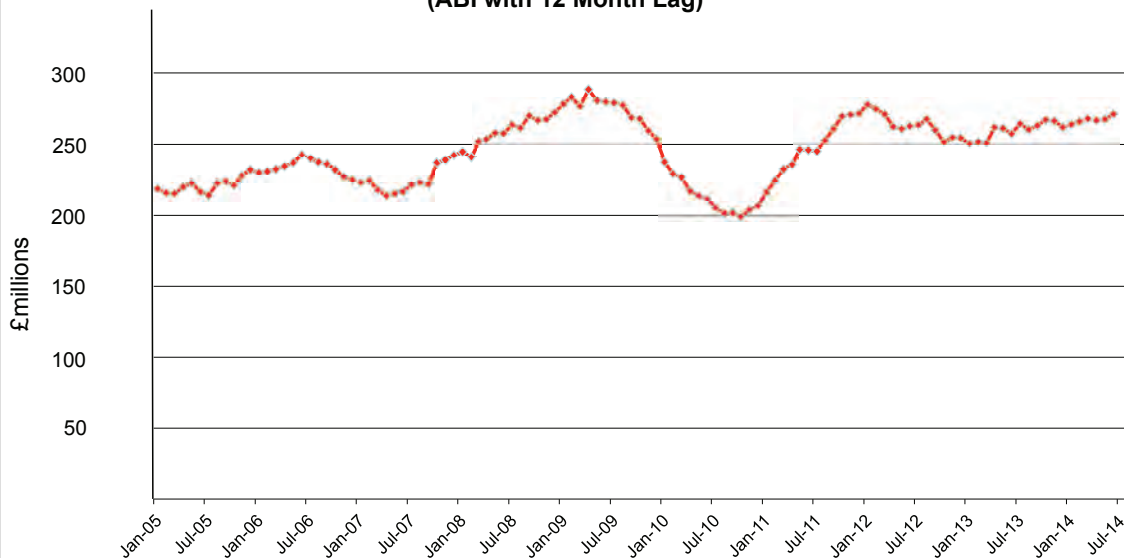
- Inventory at optimum level
- 2012/13 production 92% of sales
- 2013/14 production needs to equal sales, therefore production needs to be c12% higher



\* Based on Construction Products Association volume forecasts

## Public Sector and Commercial New Work Sales Lead Indicator

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



## Public Sector and Commercial Initiatives to Underpin Growth



**Wider Landscape Offer – Exhibition Road**



**Targeted Marketing**

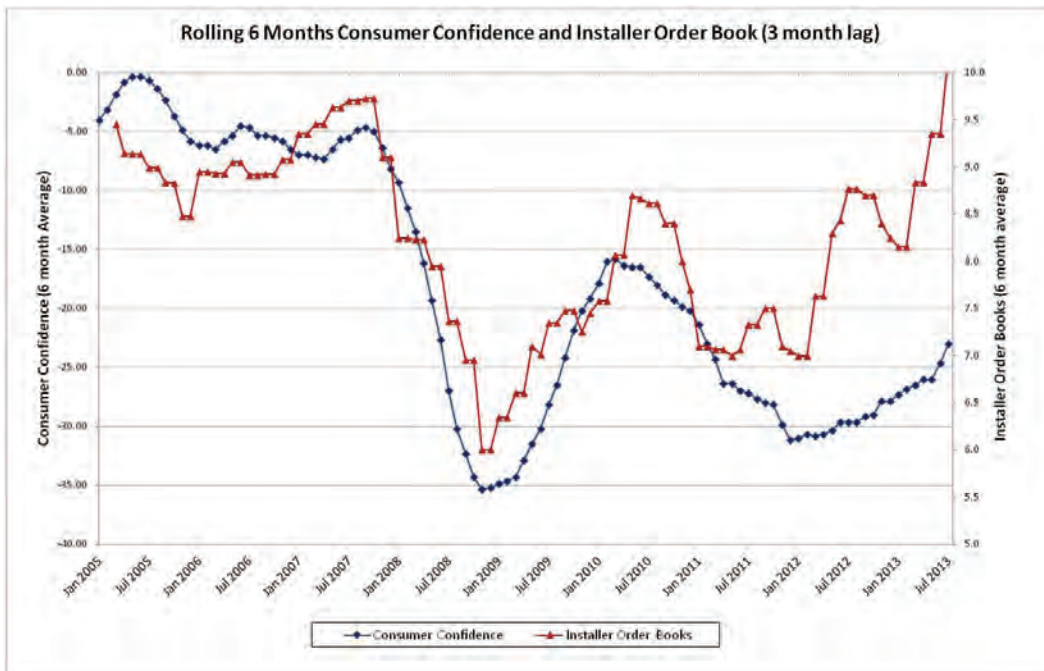


**Internal Natural Stone**



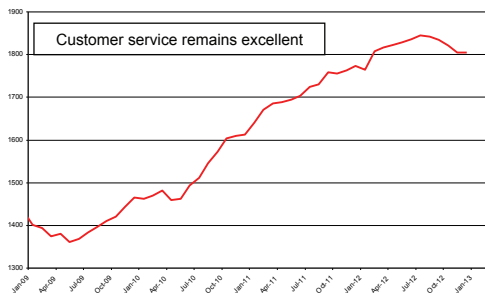
**Natural Stone Cladding**

# Domestic Market Consumer Confidence and Installer Order Books





## Domestic Initiatives to Underpin Growth



**Installers Register**



**New Generation Products**

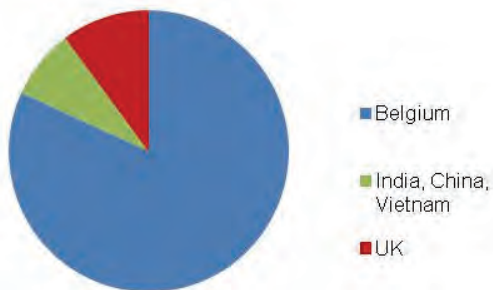


**Ethical Sourcing – India, China, Vietnam**

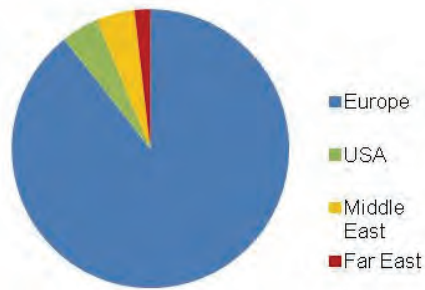


**Jointing Materials**

**2013 HY International Revenue:  
From**



**2013 HY International Revenue:  
To**



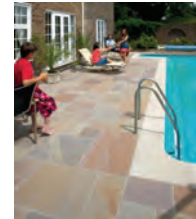
## UK



## Belgium

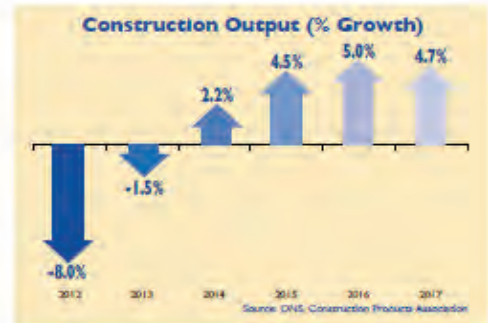


## India, China and Vietnam



	Revenue Proportions 2012	Second Half 2013	2014
Commercial	35%	↗	↗
Public	20%	↘	→
New build	8%	↑	↑
Do it for me	27%	↗	↗
DIY	5%	↗	↗
International	5%	↑	↑
	<hr/> 100% <hr/>	<hr/> ↗ <hr/>	<hr/> ↗ <hr/>

- Market improving, entering recovery phase
- Capitalise on previous action to reduce inventory, release cash and reduce fixed costs
- Excellent brand, market position and geographical coverage
- Growth initiatives and product innovation are delivering
- Operating flexibility – significant capacity available, experienced, skilled and committed workforce
- Financial flexibility – expected year end net debt / EBITDA of 1.5 times
- Effective implementation of strategy is key





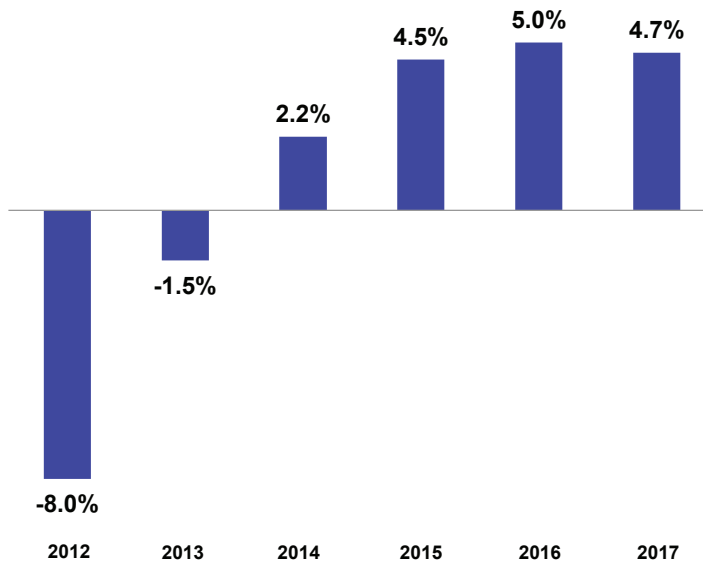
## **Appendices**

	2011	2012	2013	2014	2015	2016	2017
£m/% change	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Housing</b>							
	18,453	17,121	17,635	18,281	19,428	21,167	22,719
	7.7%	-7.2%	3.0%	3.7%	6.3%	8.9%	7.3%
<b>Other New Work</b>							
	53,123	45,885	43,971	44,864	47,264	49,812	52,277
	1.6%	-13.6%	-4.2%	2.0%	5.3%	5.4%	4.9%
<b>Repair, Maintenance and Improvement</b>							
Private Housing	10,661	10,121	10,323	10,633	11,058	11,501	12,076
	0.9%	-5.1%	2.0%	3.0%	4.0%	4.0%	5.0%
<b>Total</b>	35,704	35,171	35,094	35,686	36,602	37,484	38,545
	2.4%	-1.5%	-0.2%	1.7%	2.6%	2.4%	2.8%
<b>Total All Work</b>							
	107,281	98,177	96,700	98,831	103,294	108,463	113,541
	2.9%	-8.0%	-1.5%	2.2%	4.5%	5.0%	4.7%



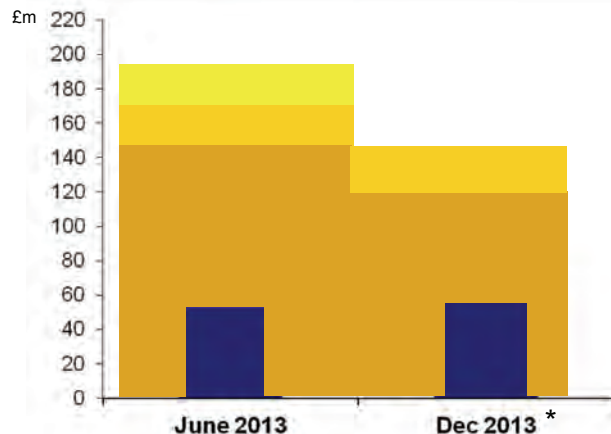
## Construction Products Association Forecasts

**Construction Output (% Growth)**



## Significant Borrowing Facilities

Expiry Date	Facility	Cumulative Facility
	£m	£m
<b>Committed facilities:</b>		
Q3 2016	50	50
Q3 2015	50	100
Q3 2014	20	120
<b>On demand facilities:</b>		
Available all year	25	145
Seasonal (February to August inclusive)	20	165



\* Note: 2013 based on consensus information

H1 2013  
Actual

EBITA: Interest charge

4.1 times

Net Debt: EBITDA

1.9 times

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

## Risk Management

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

## Investment Strategy

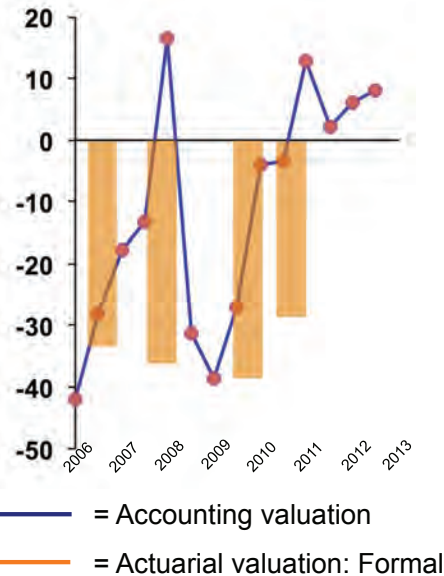
- Moved from equities to LDIs
- Closer matching to liability profile of pension scheme

## Balance Sheet Values

- HYE 2013 surplus £9.9m
- YE 2012 surplus £8.2m

## Movements

- AA Corporate Bond Rate
- Inflation expectations
- Asset values



	£m	£m
2012 Year End Net Assets		183.6
<b>Impact of movements in year:</b>		
Profit for the financial period	7.8	
Ordinary dividends	(6.9)	
Actuarial movement on pensions (after tax)	(3.0)	
Hedging reserve	0.6	
Share based expenses	0.5	
Foreign currency translation differences	0.3	
Non-controlling interest	<u>(0.2)</u>	
		<u>(0.9)</u>
<b>2013 Half Year Net Assets</b>		<b><u>182.7</u></b>

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