



## 2013 RESULTS REVIEW AND OUTLOOK



## AGENDA

- First Impressions
- Time for Growth
- Financial Performance
- UK Strategy
- International Strategy
- Summary
- Questions & Answers



# Marshall's

## First Impressions

- Market leading brand in Landscape in the UK
- Stands for:  
Trust / Leadership / Excellence / Sustainable
- All natural stone ethically sourced
- Only Company within our Sector operating within the UN Global Compact
- FTSE4Good
- Pride in the Brand / Company



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## **2013 Time for Growth**

Economic Change

1<sup>st</sup> half 2013 difficult – weather / economy  
2<sup>nd</sup> half 2013 growth in economy / growth in Marshalls

CEO Change

Positive handover / seamless

Cost reduction / internal focus / strategic survival



Growth strategy / expansion



Forward looking / external focus



Simplify structure / offices



Heads up , not down



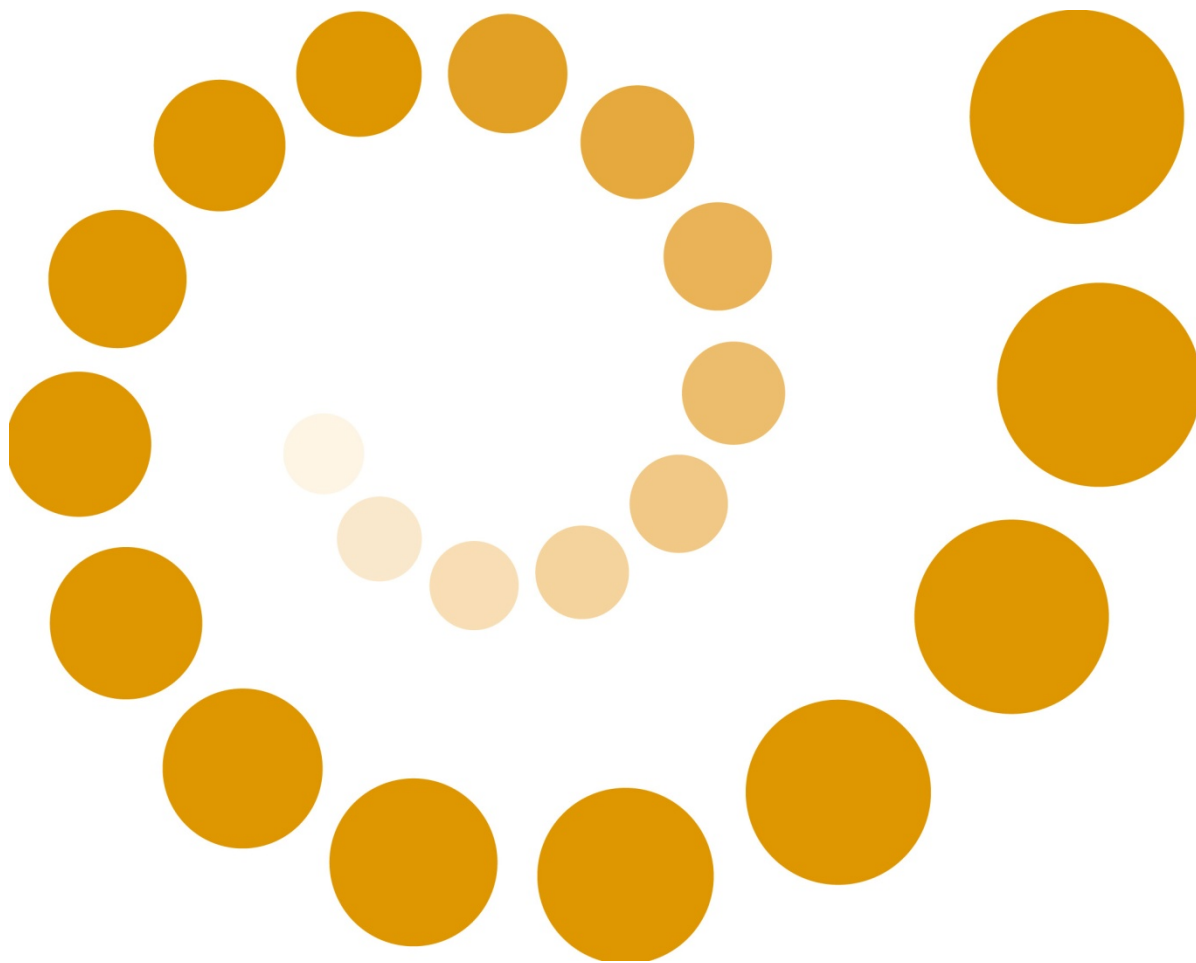
# Marshalls

## Highlights

	2013	2012*†	%
<b>Continuing operations</b>			
Revenue	£307.4m	£300.9m	+ 2
EBITDA	£30.2m	£28.1m	+ 8
Operating profit	£16.1m	£12.9m	+ 25
Profit before tax	£13.0m	£9.3m	+ 40
Basic EPS	6.94p	5.52p	+ 26
Dividends declared	5.25p	5.25p	
Final dividend recommended	3.50p	3.50p	
Net debt	£35.6m	£63.5m	
Net debt to EBITDA	1.2 times	2.3 times	

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

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

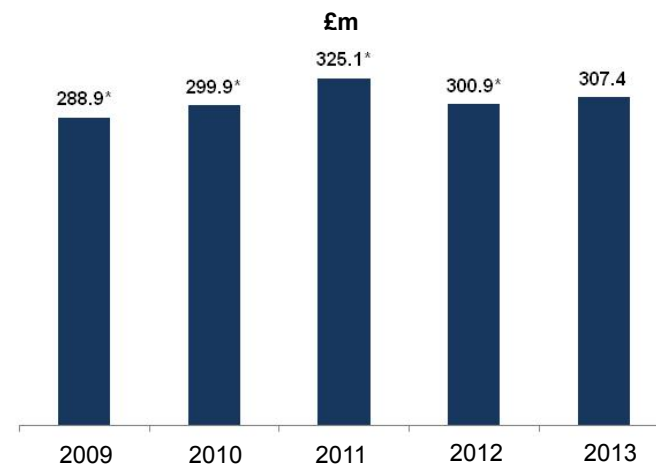




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## Revenue Growth

Revenue £307.4m



### Revenue Growth

	Revenue £m	%
2012*	300.9	
UK	3.4	+1.1
International	3.1	+1.0
<b>2013</b>	<b><u>307.4</u></b>	<b>+2.1</b>

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



## **Public Sector and Commercial Revenue**

- 63% of Group
- Revenue up 1%
- Price up 3%
- Volume and mix down 2%

## **Domestic UK Revenue**

- 32% of Group
- Revenue up 2%
- Price up 3%, product repositioning down 2%
- Volume up 1%

## **International Revenue**

- 5% of Group
- International sales grew by 23%





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## Profit for the Financial Period

	2013 £m	2012*† £m
<b>Operating profit: Continuing operations</b>		
EBITDA	30.2	28.1
Depreciation / amortisation	(14.1)	(15.2)
<b>Operating profit</b>	<b><u>16.1</u></b>	<b><u>12.9</u></b>
<b>Post tax profit of discontinued operations</b>	<b><u>0.5</u></b>	<b><u>0.7</u></b>

Net gain on property disposals included in operating profits:

- 2012: £1.9m
- 2013: £0.1m

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

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## Margin Reconciliation

	Movement in:		Impact on
	Revenue	Operating Profit	Margin
	£m	£m	%
<b>Continuing operations</b>			
2012* †	300.9	12.9	4.3
Net gain on property disposals	-	(1.8)	(0.6)
	<u>300.9</u>	<u>11.1</u>	<u>3.7</u>
Price increases to recover costs	6.3	2.4	0.7
Volume and mix – UK	(2.9)	(0.9)	(0.3)
Profit improvement from restructuring	-	4.9	1.6
Organic International expansion	3.1	(1.4)	(0.5)
	<u>307.4</u>	<u>16.1</u>	<u>5.2</u>
<b>2013</b>	<b>307.4</b>	<b>16.1</b>	<b>5.2</b>

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## Cash Flow from Operating Activities

Cash inflow arising from:	2013	2012
	£m	£m
Operating profit	16.1	12.9
Depreciation and amortisation	14.1	15.2
<b>EBITDA (continuing operations)</b>	<b>30.2</b>	<b>28.1</b>
Discontinued operations	0.5	0.7
EBITDA (total operations)	30.7	28.8
Net financial expenses paid	(3.6)	(4.3)
Taxation	(0.8)	-
Pensions paid	(5.6)	(3.6)
Net gain on sale of property, plant and equipment	(0.1)	(1.9)
Receivables / payables	3.6	7.2
Inventory	2.8	5.0
Works closure costs paid and other items	0.1	(6.5)
<b>Net cash flow from operating activities</b>	<b>27.1</b>	<b>24.7</b>



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## Cash Flow

	2013 £m	2012 £m
<b>Net cash flow from operating activities</b>	<b>27.1</b>	<b>24.7</b>
Investment:		
● Capital expenditure	(6.1)	(9.5)
● Proceeds from sale of surplus assets	0.2	8.6
● Net proceeds from disposal of discontinued operations	17.0	0.2
Dividends paid	(10.3)	(10.3)
Sub-total	27.9	13.7
Finance leases / exchange differences	-	(0.1)
<b>Movement in net debt</b>	<b>27.9</b>	<b>13.6</b>
Net debt at 1 January	(63.5)	(77.1)
<b>Net debt at 31 December</b>	<b>(35.6)</b>	<b>(63.5)</b>
<b>Gearing (%)</b>	<b>20%</b>	<b>35%</b>



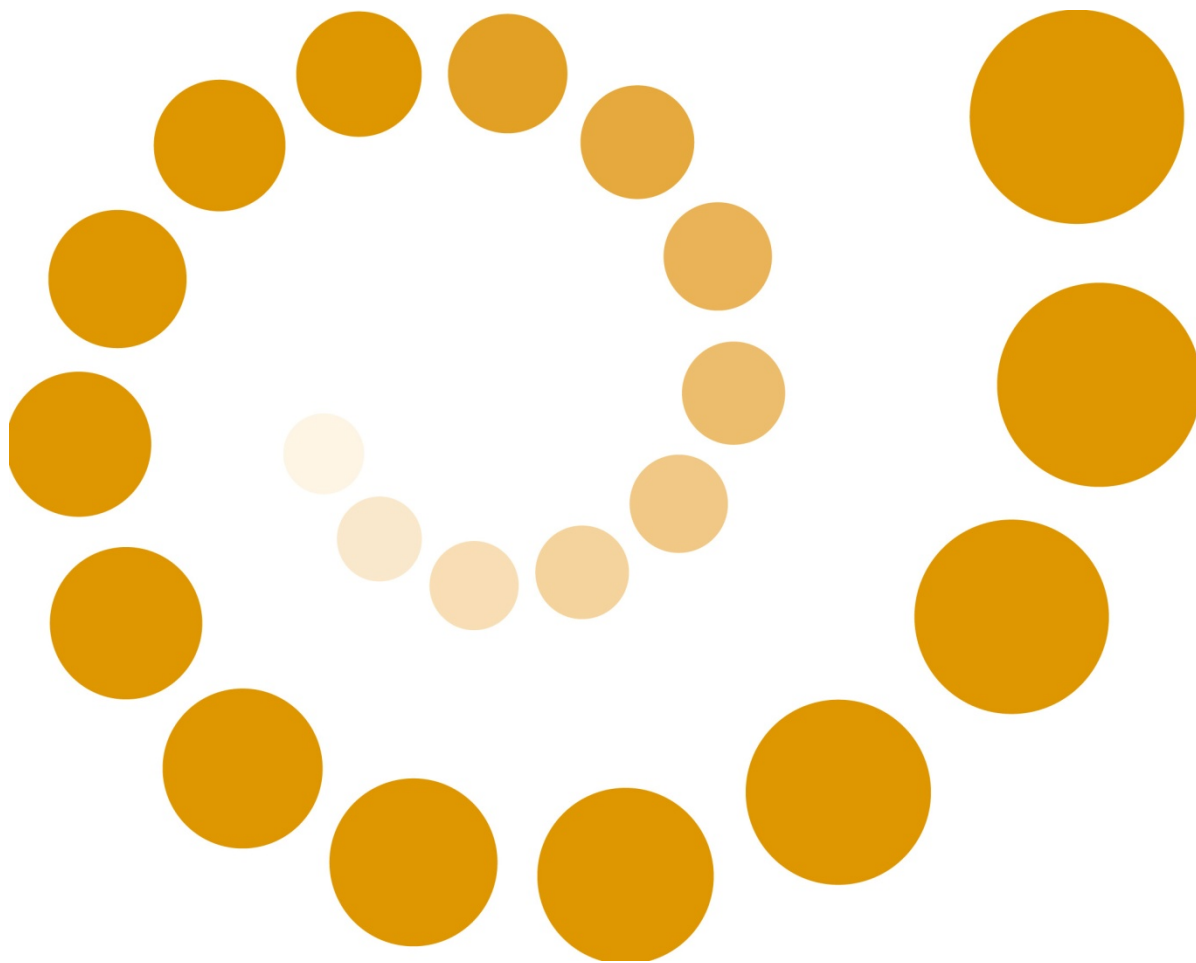
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## Additional Information and Ratios

	2013	2012* †
Interest charge:		
Charge	£3.1m	£3.6 m
Cover	5.3 times	3.6 times
Tax rate	0.5%	(16.3)%
EPS:		
Adjusted	6.94p	5.52p
Total operations	7.20p	(2.91)p
Dividend:		
2013 interim and final announced	5.25p	5.25p
Cover (continuing operations)	1.3 times	1.1 times
Weighted average number of shares	195.7 m	195.5 m
Net asset value	£175.4 m	£183.6 m

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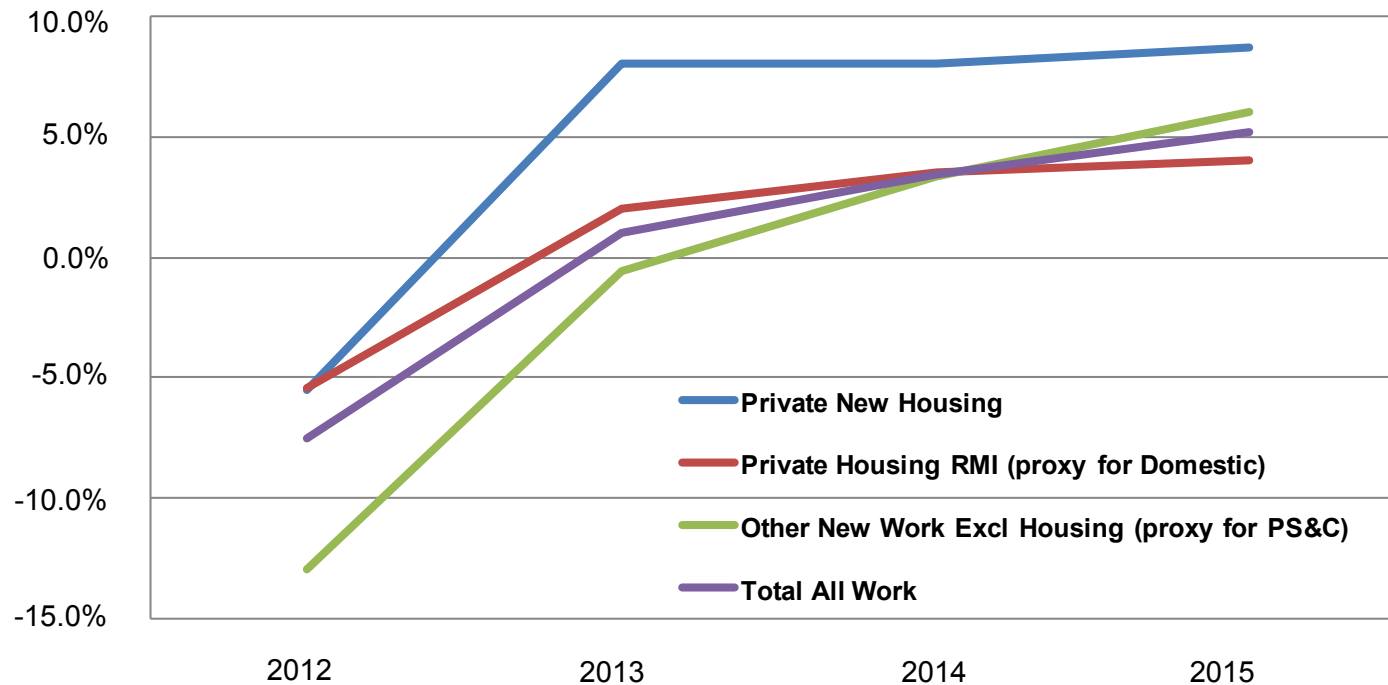




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## **UK Strategy**

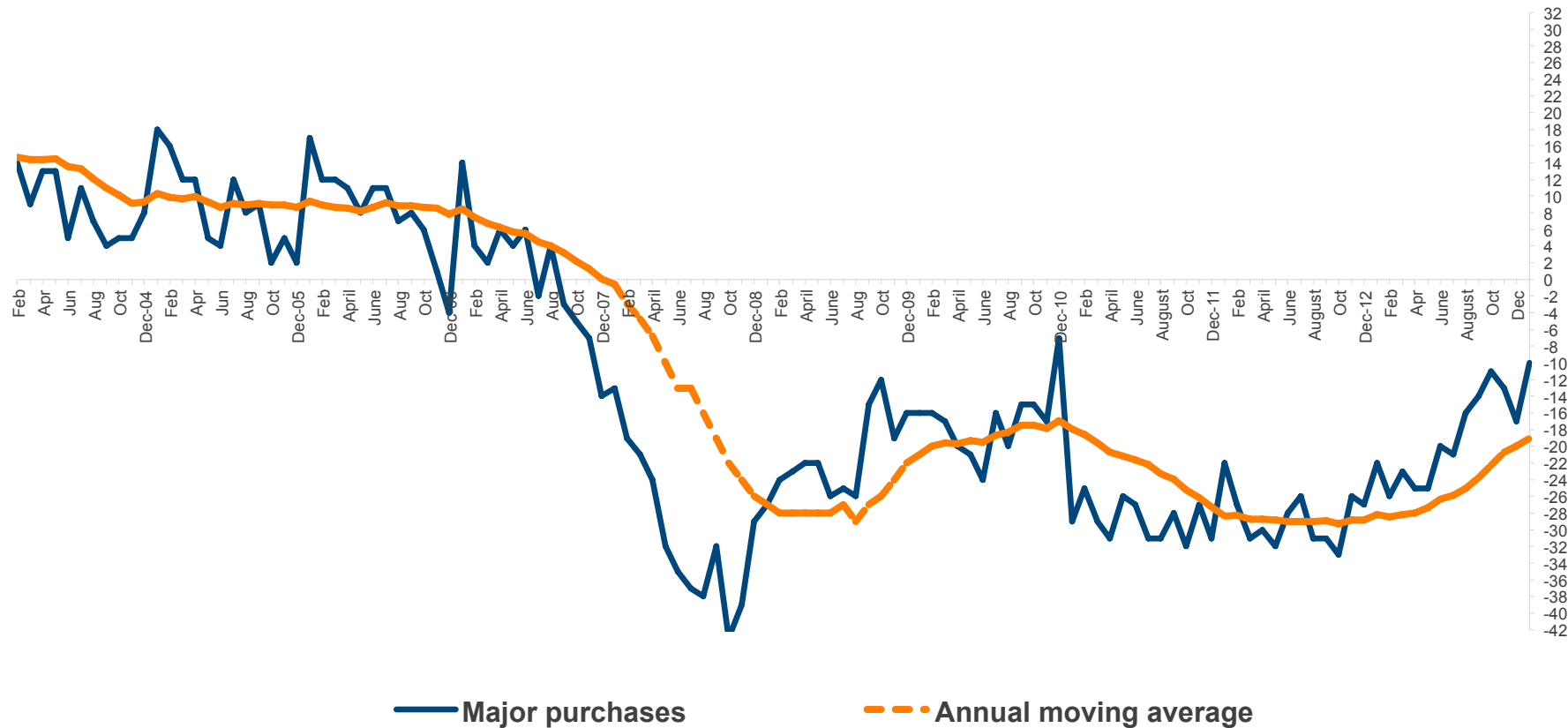
## CPA Winter 2013 / 2014 Forecasts by Sector



- Recovery is seen across all Sectors but led by Private New Housing
- Non Housing New Work, Public Sector and Commercial will take slightly longer to strengthen



# Domestic Consumer Confidence Major Purchases



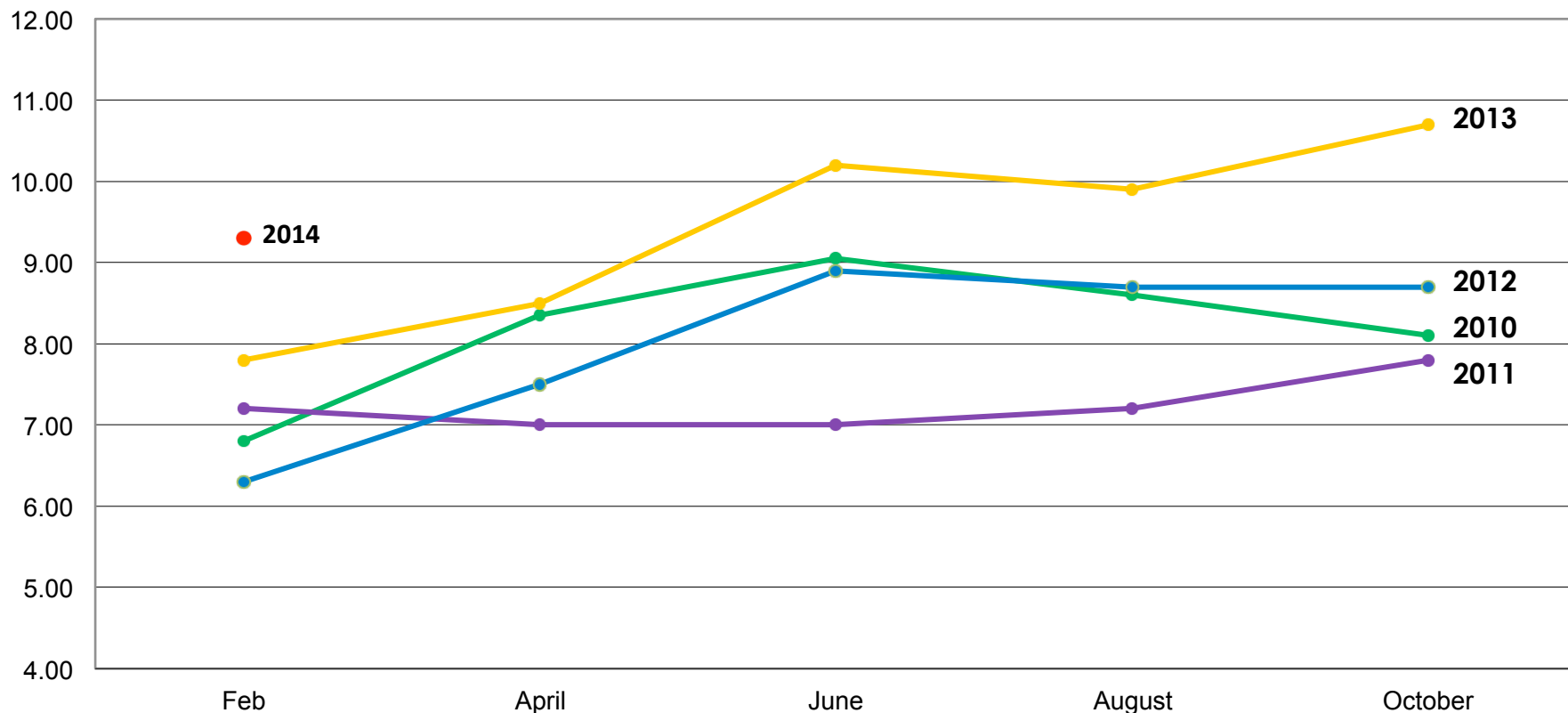
- Most importantly for Marshall's is the Climate for Major Purchases index which currently stands at -10, twelve points higher than this time last year



# Marshall's

## Domestic Installer Order Books

All Installer Order Book Annual Comparison



- Domestic Installer Order Books are healthy at 9.3 weeks in February 2014, compared with 7.8 weeks in February 2013



- Significant upgrading to our New Product Development pipeline
- Largest single set of commercial product launches in our history across all Group product areas



# Marshalls

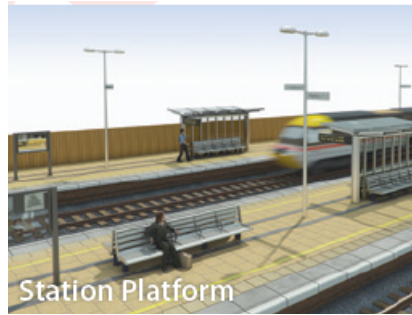
## The Rail Sector



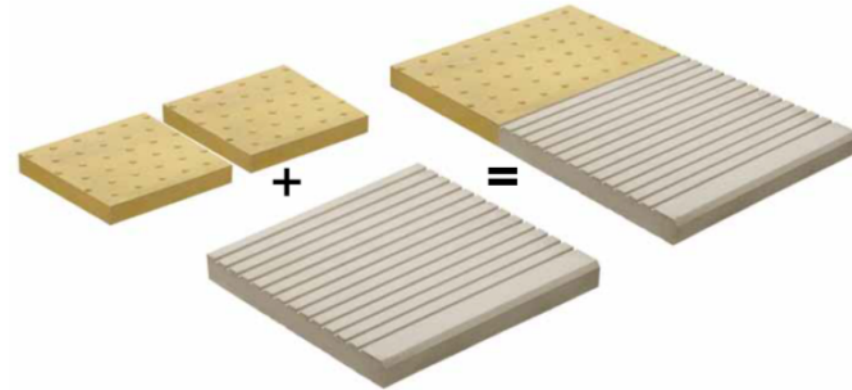
Station Interface



Station Concourse



Station Platform



Significant levels of NPD are driving strong growth

- Focus is on 2 key customers
  - Network Rail, who are responsible for over 2,500 stations in Britain and own 17 of Britain's biggest and busiest stations
  - Crossrail, Europe's largest construction project including 39 Stations, 92,000m<sup>2</sup> of public space



# Marshall's

## Water Management

Rainwater falls onto the surface...

Where it seeps immediately through the specially created voids between the blocks...

Into the specially designed sub-base...

Where it is stored...

Until it permeates into the ground...

...or is released into water courses at a controlled rate.

Marshall's Priora deals with water **Quantity** issues by eliminating pooling

The system improves water **Quality** by filtering the water as it falls through the sub-base.

It also provides **Biodiversity** benefits by replenishing the water table at source, which will maximise ecosystem services in the area.

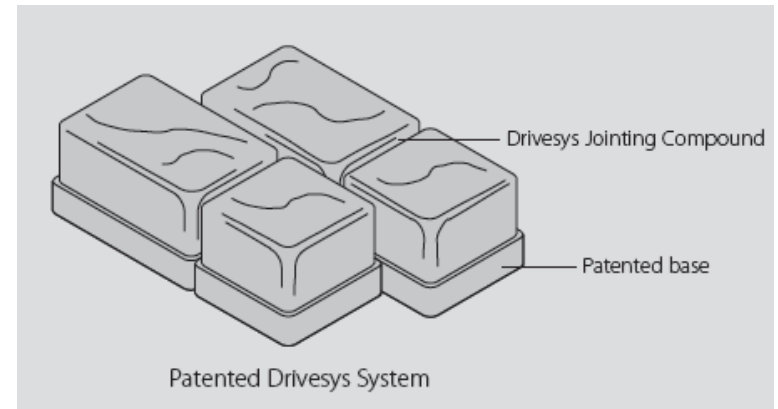
Each block features a series of six patented Priora nibs around its edge, which interlock on eight separate faces in three different directions. These nibs also create the voids through which water run-off percolates into the sub-base.



The sub-base is composed of two different grades of aggregate. These are specially selected to provide maximum internal friction (offering enhanced stability) whilst also providing a void ratio of over 32% (offering adequate water storage) (see page 19)







- Similar upgrading to our Domestic product range
- Utilising the patented product technology gained from the Marshall's NV acquisition

- Street Furniture / Aggregates / Cladding / Marshalls NV
- 2013: Combined revenue = 20% of Group
- 2013: Combined performance is not contributing to operating profit
- 2013: 21% of inventory of the Group
- 2014: Increased focus on results
- Opportunity to grow market share profitably



# Marshalls

## Mineral Products

- Aggregates Sales in 2012 = £18.4m
  - £8.8m sales disposed; £9.6m retained
- Therefore disposed of 48% of aggregates sales (by value)
  - Representing 21% of aggregates reserves
- Marshalls' aggregates used internally = 10% (of retained aggregates sales)
- All aggregates retained are by-products from the block quarries
- Premier Mortars is Marshalls only stand alone business

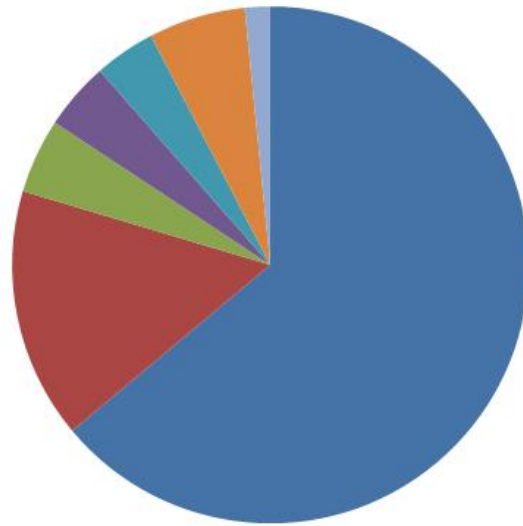


# **International Strategy**

# International Strategy

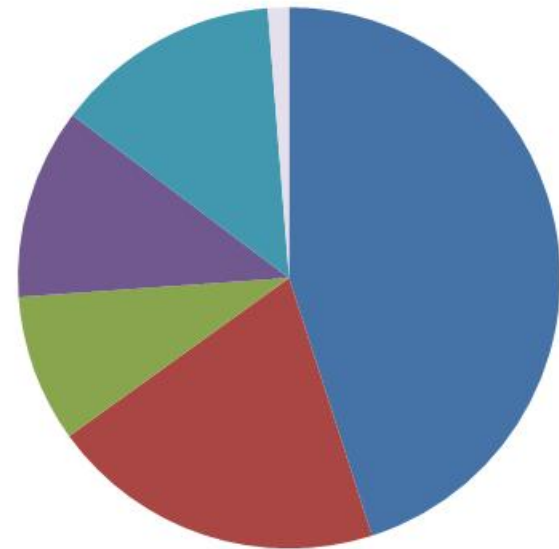
## Destination and Source of International Sales: 2013

2013 International Sales by Destination



■ Belgium  
 ■ Netherlands  
 ■ North America  
 ■ ROW  
 ■ France  
 ■ Middle East  
 ■ Other Europe

2013 International Sales by Country of Origin



■ Belgium  
 ■ India  
 ■ UK  
 ■ China  
 ■ Vietnam  
 ■ ROW



# Marshall's

## International Strategy

	Europe	North America	Middle East	Far East
Domestic Natural Paving Stone	✓	✓	✓	✓
Imported Natural Stone	✓	✓	✓	✓
Natural Stone Cladding	✓	✓	✓	✓
Street Furniture	✓	✓	✓	✓
Concrete Products	✓			



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## **Imported Natural Stone**

- Potential increase in sales domestically through market recovery
- First partner in USA – Unilock \$1m of sales orders
- International markets available through ethical sourcing
- Local investments made in India in new innovative finishing machines has expanded capability

- Sales up 9% in H2 of 2013
- CPA forecast – 2014: 3.4%, 2015: 5.2%, 2016: 4.4%
- 2014: good start to the year
- Economic indicators positive
- Well placed for market growth
- Strong operational gearing
- Growth opportunities in smaller businesses
- International opportunity
- Medium term objective to return to pre-recession results



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## **Appendices**

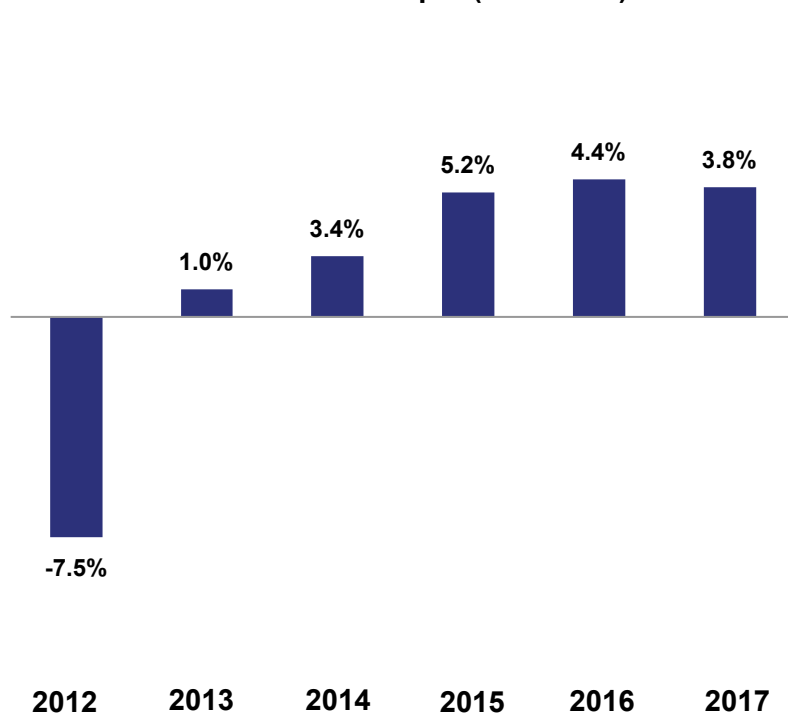


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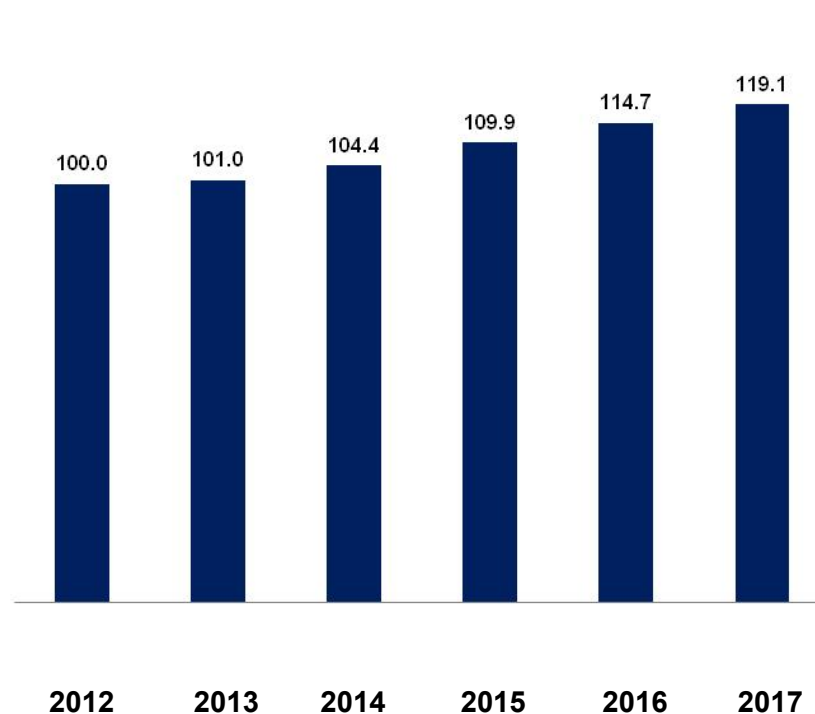
## Construction Products Association

	2012	2013	2014	2015	2016	2017
£m/% change	Actual	Actual	Forecast	Forecast	Forecast	Forecast
<b>Housing</b>						
	20,025	21,617	23,343	25,372	26,595	27,221
	-5.5%	8.0%	8.0%	8.7%	4.8%	2.4%
<b>Other New Work</b>						
	48,410	48,121	49,696	52,667	55,842	58,772
	-12.9%	-0.6%	3.3%	6.0%	6.0%	5.2%
<b>Repair, Maintenance and Improvement</b>						
Private Housing	13,755	14,030	14,526	15,107	15,711	16,496
	-5.4%	2.0%	3.5%	4.0%	4.0%	5.0%
<b>Total</b>						
	42,680	42,520	43,042	44,090	45,105	46,360
	-1.5%	-0.4%	1.2%	2.4%	2.3%	2.8%
<b>Total All Work</b>						
	111,115	112,258	116,081	122,129	127,542	132,353
	-7.5%	1.0%	3.4%	5.2%	4.4%	3.8%

**Construction Output (% Growth)**



**Cumulative Growth (2012: = Index of 100)**



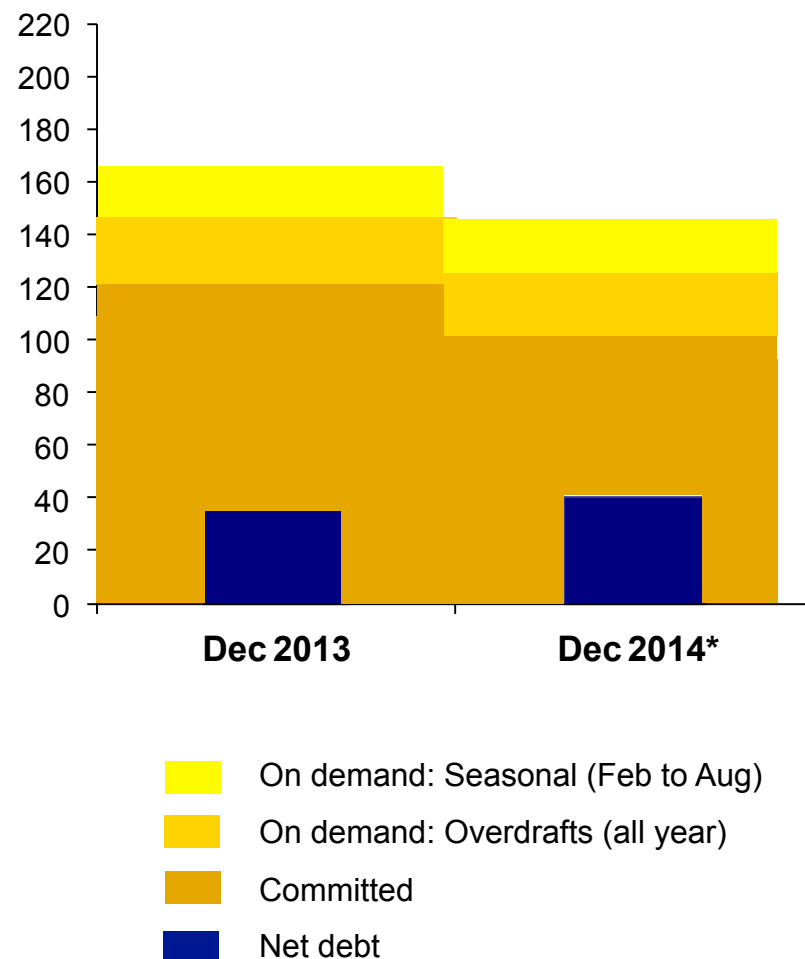




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## Significant Borrowing Facilities

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: 2014 based on consensus information



2013  
Actual

EBITA: Interest charge 5.3 times

Net Debt: EBITDA 1.2 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



### Risk Management

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

### Investment Strategy

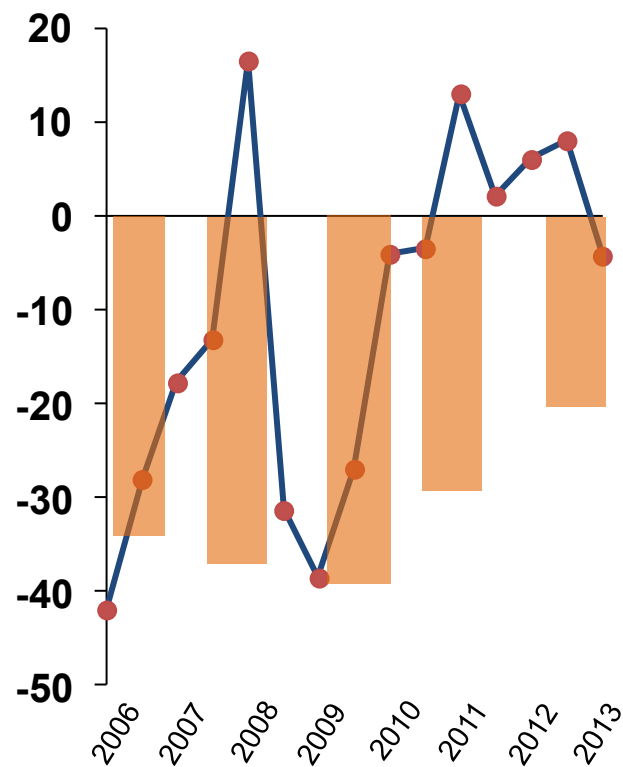
- Moved from equities to LDIs
- Closer matching to liability profile

### Balance Sheet Values

- YE 2013 deficit £4.3m

### Movements

- AA Corporate Bond Rate
- Inflation expectations
- Asset values



— = Accounting valuation  
— = Actuarial valuation: Formal



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## **Net Assets**

	£m	£m
2012 Year End Net Assets		183.6
<b>Impact of movements in year:</b>		
Profit for the financial period	14.1	
Ordinary dividends	(10.3)	
Actuarial movement on pensions (after tax)	(15.0)	
Hedging reserve	1.1	
Share based expenses	2.2	
Non-controlling interest	(0.6)	
Other	<u>0.3</u>	
		(8.2)
<b>2013 Year End Net Assets</b>		<b><u>175.4</u></b>



# Marshall's

## Internal Natural Stone



*Inviting you...*

**SBID** **Marshall's**  
Creating Better Spaces

Marshall's supported by the Society of British Interior Designers cordially invite you to an exciting launch event for internal stone flooring

This new collection of world stones by Marshall's features exclusive products new to the UK

- Come and see the collection showcased
- On hand stone specialists
- See how features and specials can be incorporated

**VIEWING TIMES**


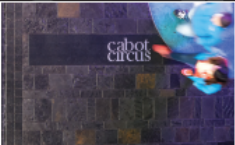
WEDNESDAY 19th FEBRUARY 2014 12 - 2pm / 5.30 - 7.30pm  
THURSDAY 20th FEBRUARY 2014 12 - 2pm / 5.30 - 7.30pm

**LOCATION**

SofaSolNear, 19 Grosvenor Place, Westminster London, SW1X 7HT

Places are limited to 30 per viewing so book your place early  
We look forward to meeting you at this exclusive exhibition

Aaron Dehara  
Mobile: 07813 450621  
Email: aaron.dehara@marshall.co.uk

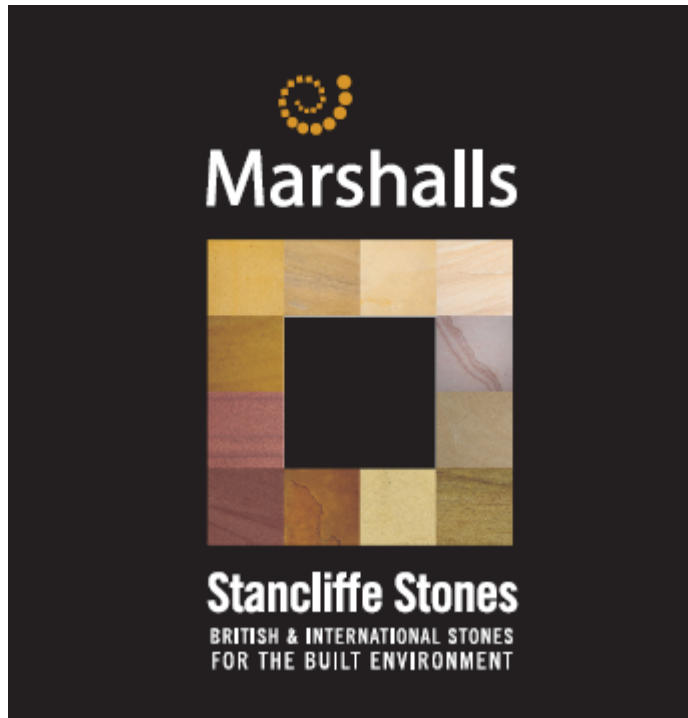


- Range formally launched with the Society of British Interior Designers
- Sales levels above target



# Marshall's

## Natural Stone Cladding



- The Marshall's range of Stancliffe Stones has been chosen to clad the new Bloomberg Building





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## Street Furniture

- Focus on integrated ranges
- Intelligent use of materials



STRONGER  
**TOUGHER**  
LIGHTER  
**SMARTER**  
BETTER.

FERROCAST® FROM MARSHALL'S.

  
Ferrocaster



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## International Strategy



- Natural Stone builds upon our strong international brand and our award winning ethical supply chains
- Underpinned by our United Nations Global Compact commitments and work with UNICEF





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