



**2014**  
Results Review and Outlook





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## 2014 RESULTS PRESENTATION DRIVING GROWTH





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## **Driving Growth Agenda**

- Highlights
- Financial Performance
- Market Trends
- Driving Growth
  - Landscape Products
  - UK Smaller Businesses
  - International
- Future Growth
- Summary
- Questions



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## Driving Growth Highlights

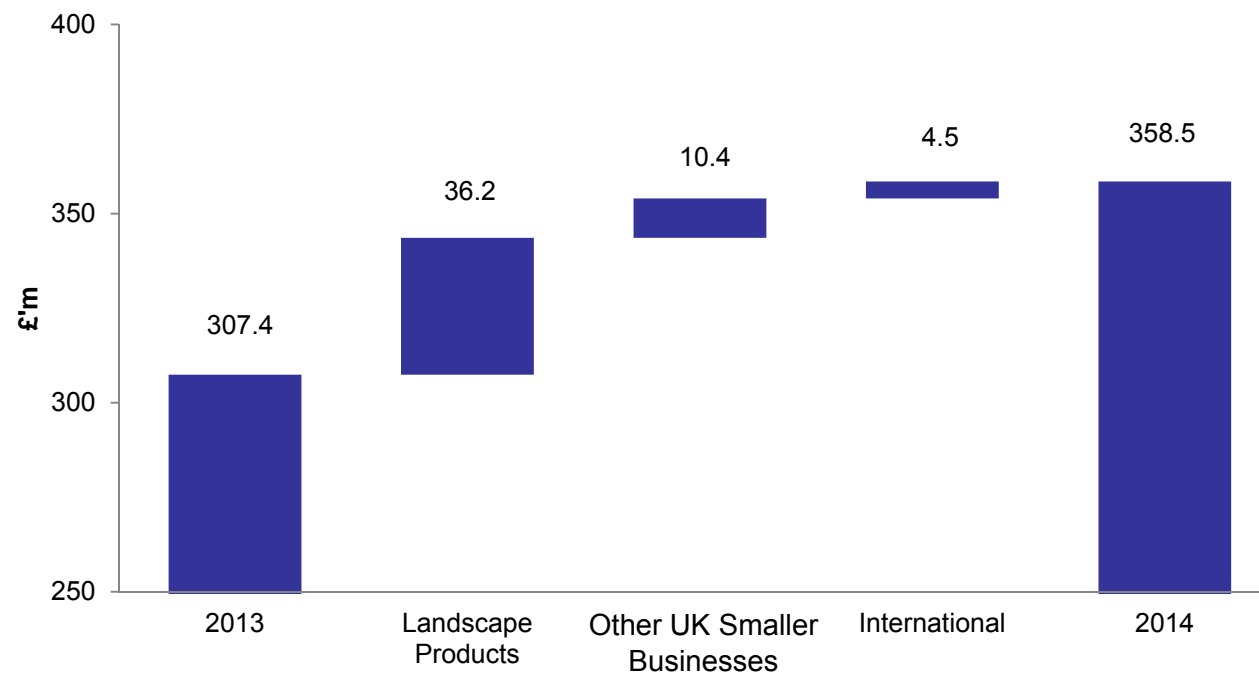
	2014*	2013	Increase %
<b>Continuing operations</b>			
Revenue	£358.5m	£307.4m	17
EBITDA	£38.5m	£30.2m	27
Operating profit	£25.3m	£16.1m	57
Profit before tax	£22.4m	£13.0m	72
Basic EPS	10.13p	6.94p	46
Dividends - declared	6.00p	5.25p	14
Final dividend - recommended	4.00p	3.50p	14
ROCE	12.5%	8.1%	↑440 basis points
Net debt to EBITDA	0.8 times	1.2 times	

\* After £2.0m restructuring costs in the Belgium business in 2014



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## Driving Growth Revenue Growth





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## **Driving Growth Revenue Analysis**

### **Public Sector and Commercial Revenue**

- 64% of Group
- Revenue up 20%
- Price up 4%
- Volume and mix up 16%

### **UK Domestic Revenue**

- 30% of Group
- Revenue up 9%
- Price up 3%
- Volume and mix up 6%

### **International Revenue**

- 6% of Group
- International sales grew by 27%



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## Driving Growth Profit for the Financial Period

	2014* £m	2013 £m
<b>Operating profit: Continuing operations</b>		
EBITDA	38.5	30.2
Depreciation / amortisation	(13.2)	(14.1)
	<hr/>	<hr/>
<b>Operating profit</b>	<b>25.3</b>	<b>16.1</b>
Financial income and expense (net)	(2.9)	(3.1)
	<hr/>	<hr/>
<b>Profit before tax</b>	<b>22.4</b>	<b>13.0</b>

\* After £2.0m restructuring costs in the Belgium business in 2014





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## Driving Growth Margin Reconciliation

	Revenue £m	Operating Profit £m	Impact on Margin %
<b>Continuing operations</b>			
2013 - reported	307.4	16.1	5.2
Price increases to recover costs (UK)	10.2	2.6	0.5
Volume and mix – Landscape Products	27.1	6.6	1.5
Volume and mix – other UK Smaller Businesses	9.3	2.7	0.7
Organic International expansion	4.5	(0.7)	(0.3)
<b>2014 - underlying</b>	<b>358.5</b>	<b>27.3</b>	<b>7.6</b>
Restructuring costs – Belgium	-	(2.0)	(0.5)
<b>2014 – reported</b>	<b>358.5</b>	<b>25.3</b>	<b>7.1</b>



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## Driving Growth Cash Flow from Operating Activities

Cash inflow arising from:	2014	2013
	£m	£m
Operating profit	25.3	16.1
Depreciation and amortisation	13.2	14.1
<b>EBITDA (continuing operations)</b>	<b>38.5</b>	<b>30.2</b>
Discontinued operations	-	0.5
EBITDA (total operations)	38.5	30.7
Net financial expenses paid	(2.8)	(3.6)
Taxation paid	(4.0)	(0.8)
Pensions paid	(4.6)	(5.6)
Net gain on sale of property, plant and equipment	(0.4)	(0.1)
Receivables / payables	(2.8)	2.2
Inventory	3.1	2.8
Restructuring costs	(0.2)	(0.8)
Equity settled share-based payments and other items	2.3	2.3
<b>Net cash flow from operating activities</b>	<b>29.1</b>	<b>27.1</b>



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## Driving Growth Cash Flow

	2014	2013
	£m	£m
<b>Net cash flow from operating activities</b>	29.1	27.1
Capital expenditure	(12.0)	(6.1)
Net proceeds from sale of surplus assets	3.1	0.2
Net proceeds from disposal of discontinued operations	-	17.0
Dividends paid	(10.8)	(10.3)
Payments to acquire own shares	(4.3)	-
	<hr/>	<hr/>
<b>Movement in net debt</b>	<b>5.1</b>	<b>27.9</b>
Net debt at 1 January	(35.6)	(63.5)
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<b>Net debt at 31 December</b>	<b>(30.5)</b>	<b>(35.6)</b>
	<hr/>	<hr/>
<b>Gearing (%)</b>	<b>16.8%</b>	<b>20.3%</b>
	<hr/>	<hr/>





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## **Driving Growth Bank Debt Capacity**

- Strong free cash flow
- 2014 YE net debt - £30.5 million
- Net debt: EBITDA - 0.8 times
- Gearing - 16.8%
- Bank debt capacity of £125 - £150 million using current market ratios
- Significant acquisition capacity

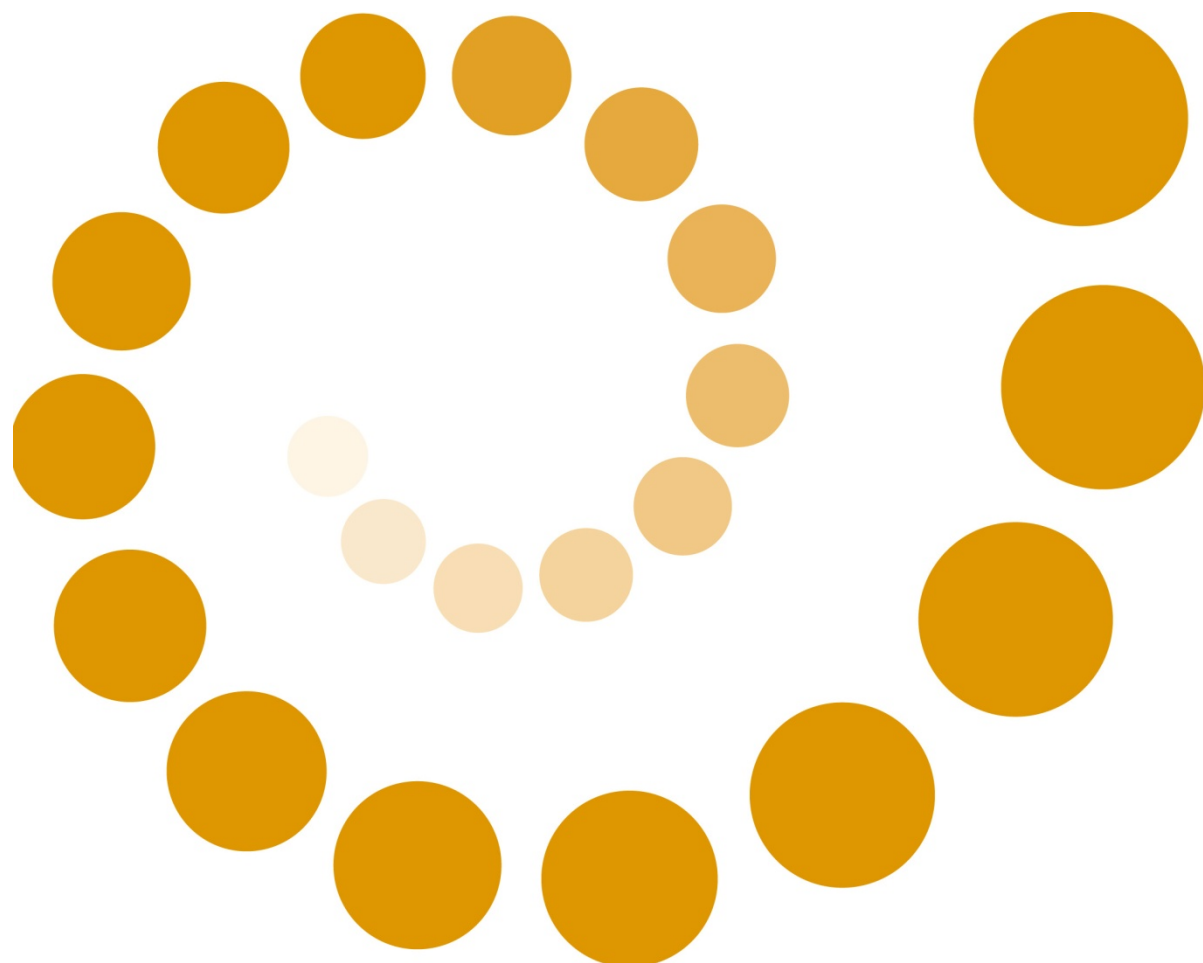


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## Driving Growth Additional Information and Ratios

	2014	2013
Interest:		
Charge	£2.9m	£3.1m
Cover	8.8 times	5.3 times
Tax rate	18.7%	0.5%
EPS:		
Continuing	10.13p	6.94p
Total operations	10.13p	7.20p
Dividend:		
2014 interim and final announced	6.00p	5.25p
Cover	1.7 times	1.3 times
Weighted average number of shares	196.1m	195.7m
Net asset value	£181.9m	£175.4m







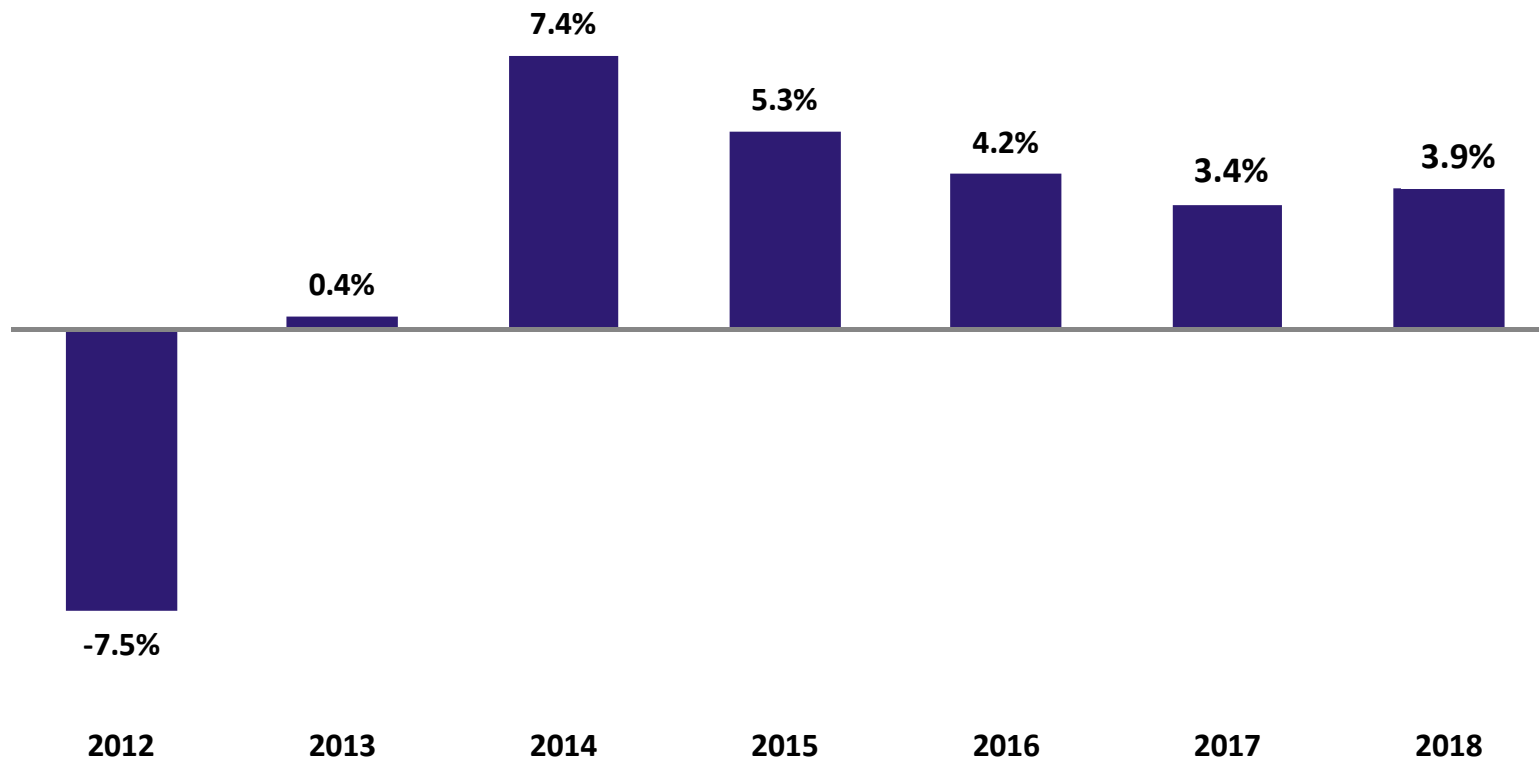
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## **Market Trends**



### Construction Output (% Growth)

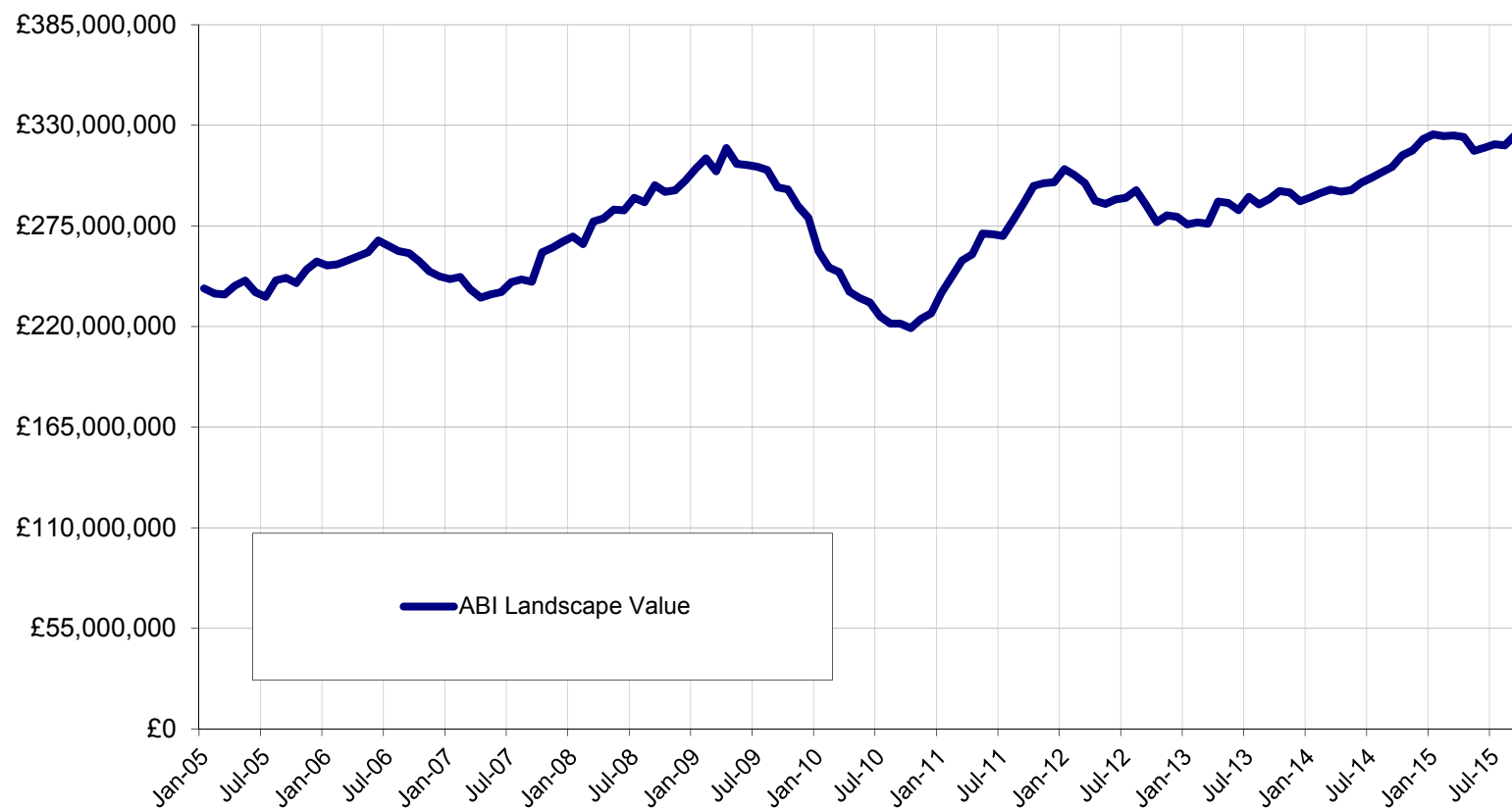




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## Contracts Awarded (12 Month Rolling Basis) Average of Hard Landscape Value Adjusted (ABI with 12 Month Lag)





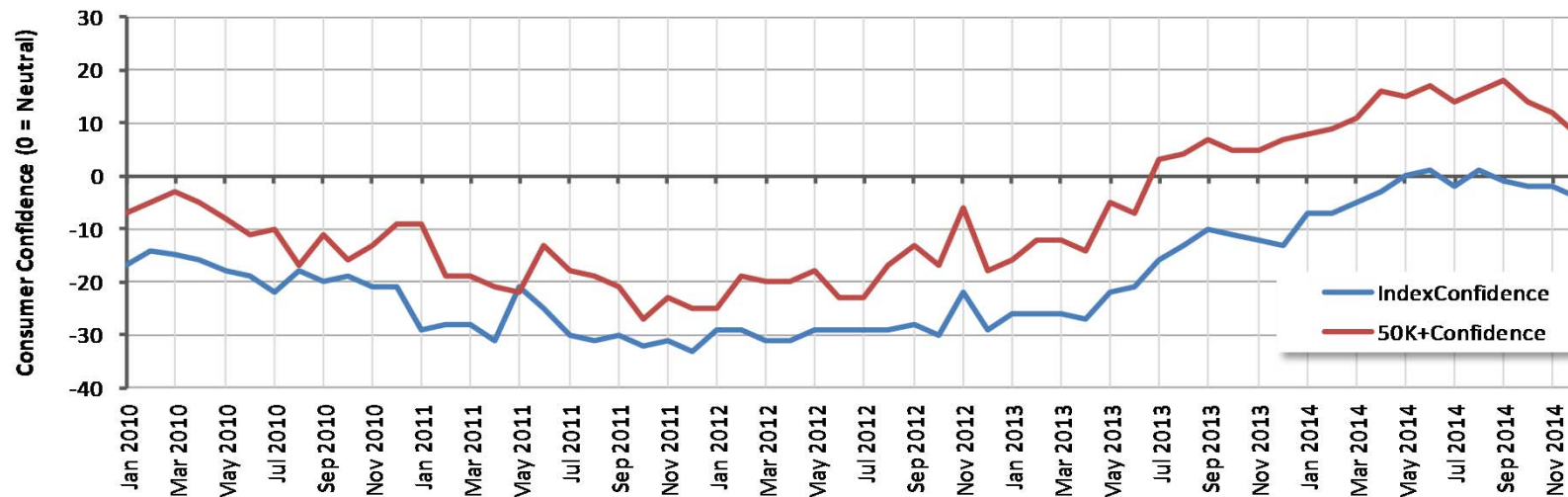


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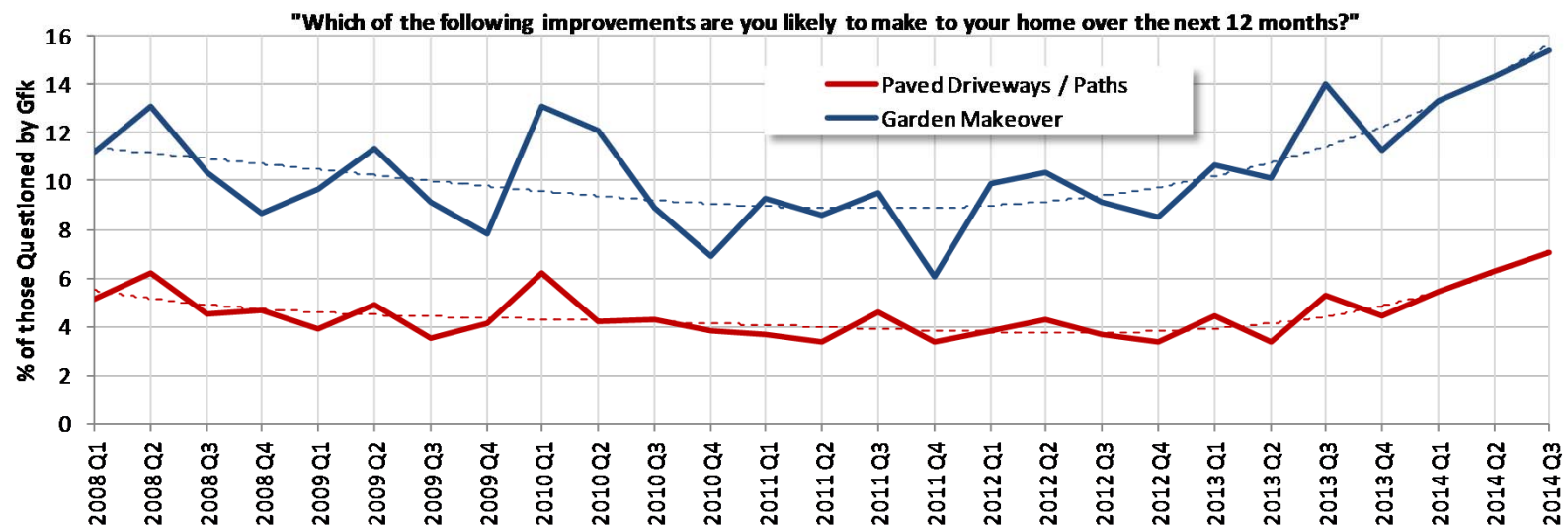
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## Driving Growth Domestic Market Confidence

**GfK Consumer Confidence & £50k+ Confidence**



**GfK - Consumer Intentions**

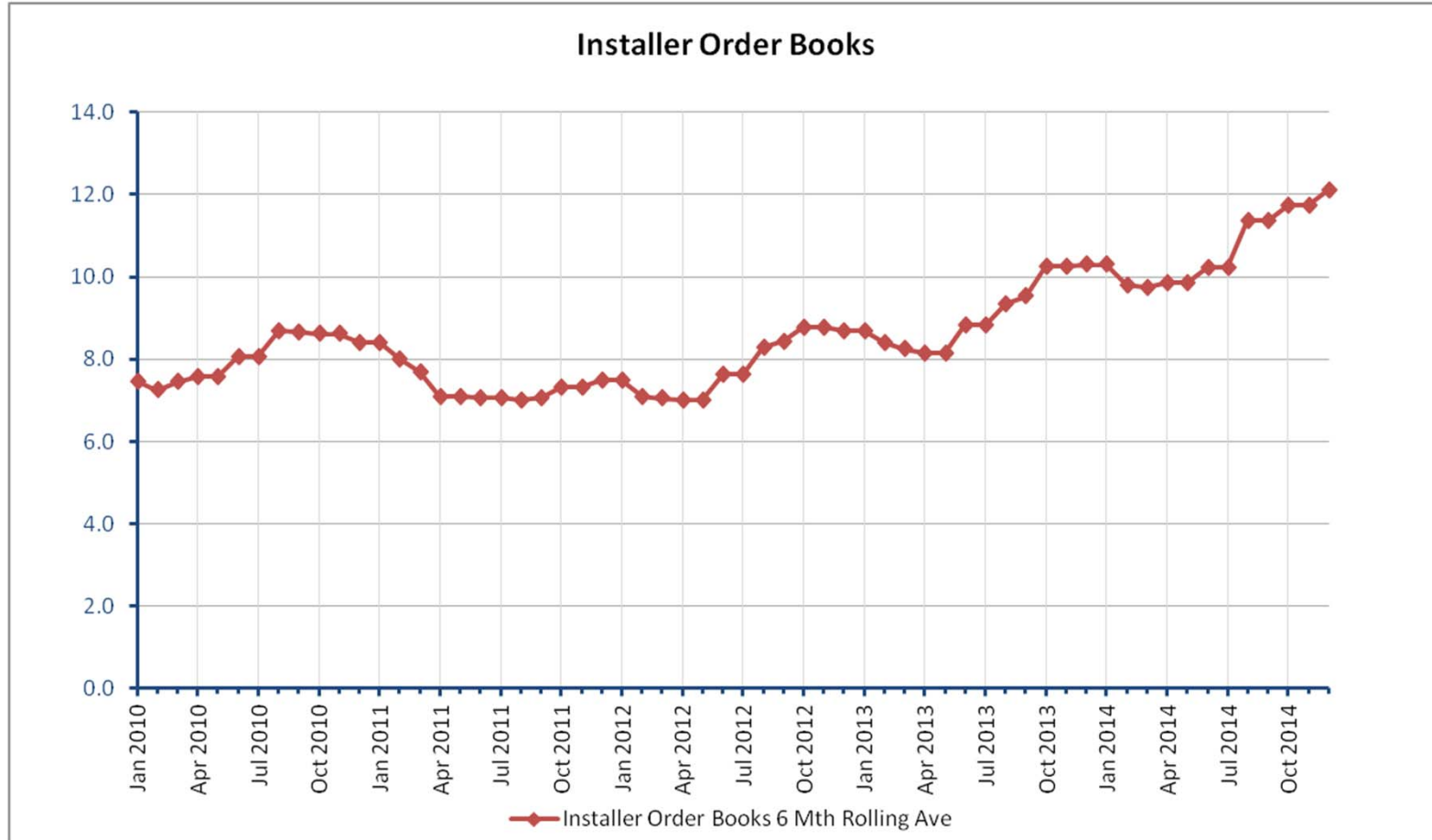




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## Driving Growth Installer Order Book





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## **Driving Growth**





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## Driving Growth Commercial New Product Focus



• NEW Myriad Concrete Block Paving



• NEW Yorkstone Pave Drain, Holborn London



• Needles Lighting, Barclaycard Arena, Birmingham



• NEW Conservation Piora Permeable Flag



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## Driving Growth Linear Drainage

  
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DISCOVER **MONO BEANY**,  
THE SIMPLE WAY  
TO CONTROL WATER.

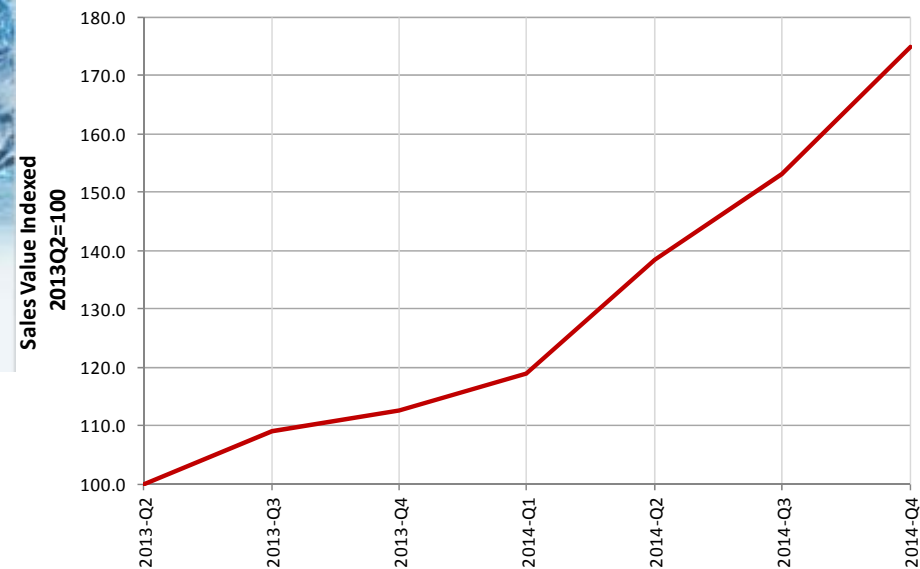
After months of flooding across the country, it's never been more important to specify the right water management solution. And by combining a kerb and a drain, strong construction and rapid installation, Mono Beany makes the choice simple.

- It swiftly clears surface water while maintaining a smooth flow, thanks to a plastic core encased in M-Tec concrete
- It's built to last, able to withstand 40 tonnes of weight
- It carries the British Standard Kitemark, so you can be assured of continual high performance

All of which adds up to a more effective water management solution. And since it's available in two depths, two profiles and two lengths, it's simple to specify for any project.



Linear Drainage



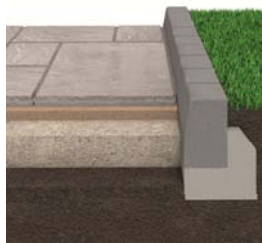




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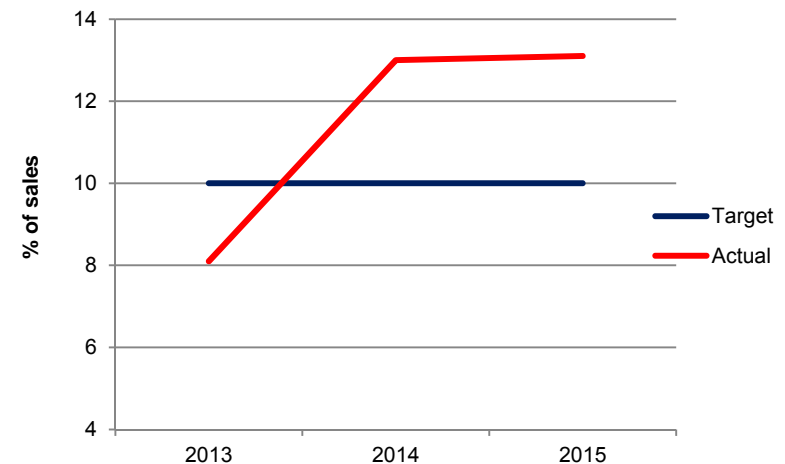
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## Driving Growth Domestic New Product Focus



### Patented systems

% of product sales	Driveways	Patios
2013	6.6%	9.4%
2014	11.1%	14.8%





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## Driving Growth Pavesys Patented Paving System



- Cutting installation time in half!
- Engineered flag design and innovative installation process





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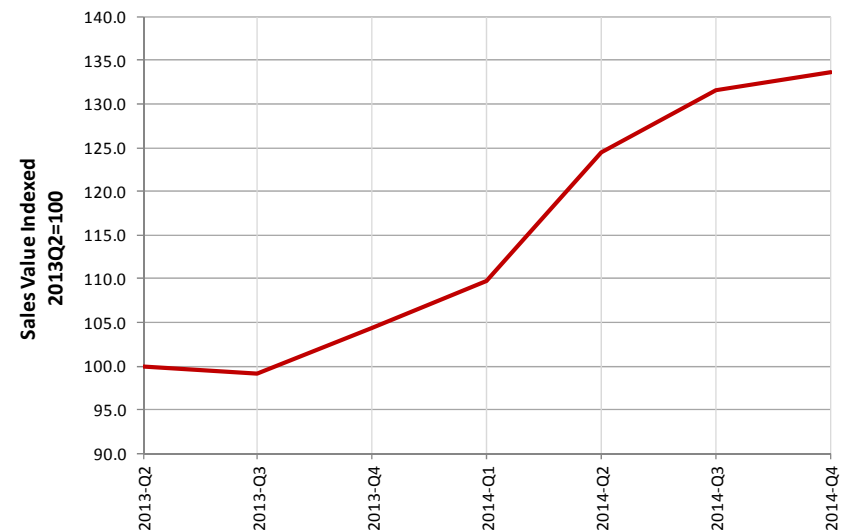
## Driving Growth Fairstone



A decision that will make  
a real difference



Fairstone





## The New Marshall's Stone Standard



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Majority of competitors' sandstone that we tested  
did not comply with the British Standard

Marshall's **exceeds** the Standard

Low Flexural Strength



Not Frost Resistant



High Water Absorbency



*The Marshall's Stone Standard mark gives our customers full assurances that all  
Marshall's natural stone not only meets, but exceeds the base technical levels outlined in  
BS7533*



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**Driving Growth**

## **UK Smaller Businesses – Street Furniture/Cladding/Mineral Products**

- Sales increase - £10.4m (+ 21%)
- Operating profit - £2m loss to £1.5m profit
- Market share increasing but all still single digit
- Restructuring complete – now driving growth



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## **Driving Growth International**

- Sales growth + 27%
- Belgium restructuring cost £2m
- Reducing manufacturing capacity - increasing distributed products
- International business expected to breakeven in 2015
- US office operational, Dubai office next



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## **Driving Growth Future Strategy**

- Driving organic growth
- Continuing to invest in new product development
- Strong free cash flow
- Up to 2 x dividend cover over the business cycle
- LEK are assessing 5 key areas
  - Street Furniture
  - Cladding
  - Drainage
  - Internal Natural Stone
  - Walling
- Acquisition opportunities



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## **Driving Growth Summary**

- Good revenue growth – up 17%
- Strong PBT growth – up 72%
- Target to achieve pre-recession results well underway
- CPA forecast 13% growth in the next 3 years
- Continue to drive organic growth
- Good start to 2015 – revenue YTD + 13%





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## **Appendices**



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## Construction Products Association

	2013	2014	2015	2016	2017	2018
£m/% change	Actual	Actual	Forecast	Forecast	Forecast	Forecast
<b>Housing</b>	21,617	26,587	28,908	30,119	30,603	31,097
	8.3%	23.0%	8.7%	4.2%	1.6%	1.6%
<b>Other New Work</b>	47,968	48,182	51,060	54,064	57,177	61,205
	-2.5%	0.4%	5.9%	5.8%	5.7%	6.9%
<b>Repair, Maintenance and Improvement</b>						
Private Housing	14,118	15,747	16,377	17,032	17,543	18,069
	-1.7%	11.5%	4.0%	4.0%	3.0%	3.0%
<b>Total</b>	43,422	46,566	47,842	48,963	49,790	50,474
	-0.1%	7.2%	2.6%	2.5%	2.0%	1.8%
<b>Total All Work</b>						
	113,007	121,335	127,810	133,146	137,569	142,776
	0.4%	7.4%	5.3%	4.2%	3.4%	3.9%



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## Financial Flexibility

2014  
Actual

EBITA: Interest charge 11.5 times

Net Debt: EBITDA 0.8 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



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## Pensions

### Risk Management

- 2000: Closed to new members
- 2006: Closed to future service accrual
- 2007: Investment strategy

### Investment Strategy

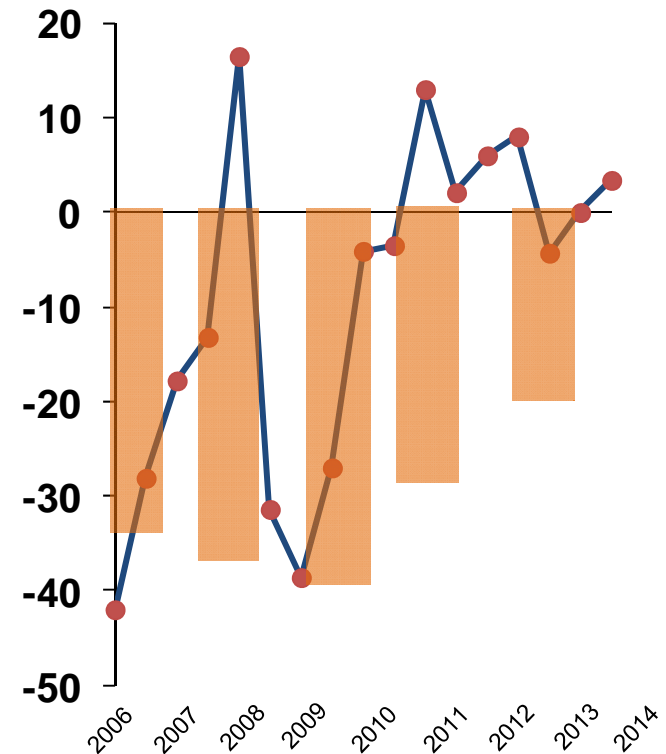
- Moved from equities to LDIs
- Closer matching to liability profile

### Balance Sheet

- YE 2014 surplus £3.4m (YE 2013: deficit £4.3m)

### Income Statement: Notional interest

- Almost neutral at less than £(0.1)m



— = Accounting valuation  
— = Actuarial valuation: Formal



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## Net Assets

	£m	£m
2013 Year End Net Assets		175.4
<b>Impact of movements in year:</b>		
Profit for the financial year	19.9	
Ordinary dividends	(10.8)	
Actuarial movement on pensions (after tax)	2.6	
Hedging reserve	(2.3)	
Share-based expenses (after tax)	3.3	
Purchase of own shares	(4.3)	
Foreign currency translation differences	(0.1)	
Non-controlling interest	(1.8)	
	<hr/>	6.5
<b>2014 Year End Net Assets</b>		<hr/> <b>181.9</b> <hr/>





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