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2015 Half-yearly

Results Review and Outlook



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2015 Half-Yearly Results Review and Outlook





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Half-Yearly Presentation 2015

Driving Growth

Agenda

- Highlights
- Financial Performance
- Market Trends
- Continuing Growth
 - Commercial
 - Domestic
 - Smaller Businesses
- Acquisition Strategy
- Future Strategy
- Summary
- Questions



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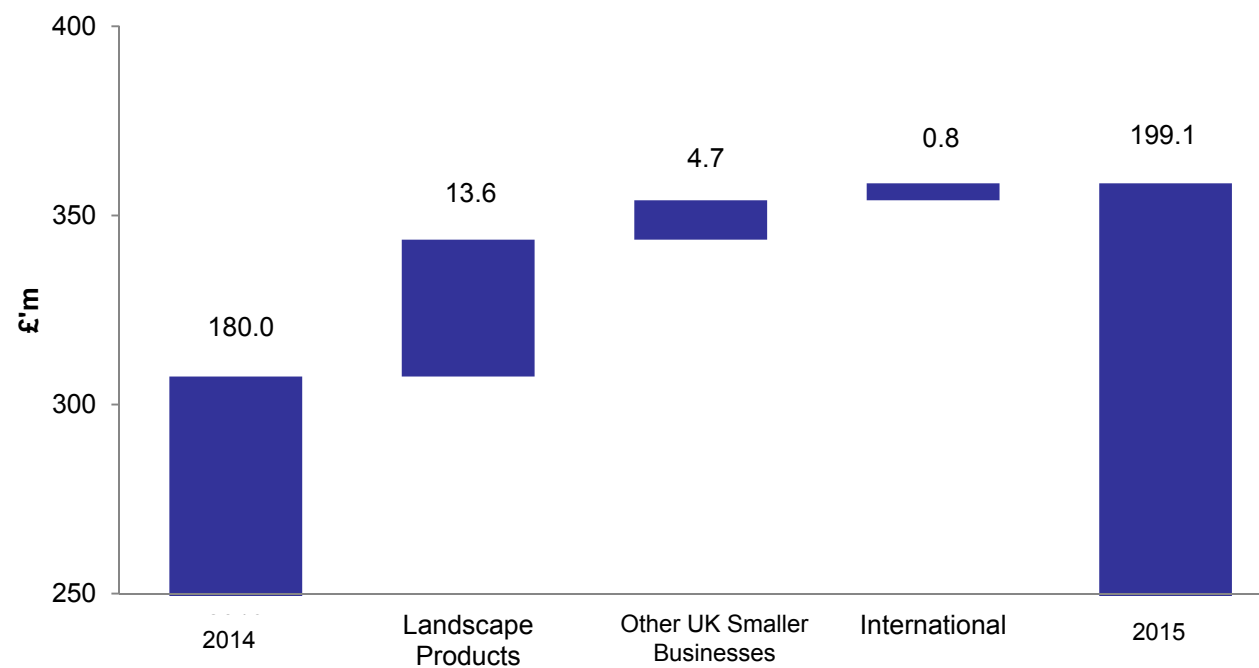
Driving Growth Highlights

	Half year ended 30 June 2015	Half year ended 30 June 2014	Increase %
Revenue	£199.1m	£180.0m	11
EBITDA	£29.7m	£22.2m	34
Operating profit	£22.0m	£15.6m	41
Profit before tax	£20.8m	£14.0m	48
Basic EPS	8.50p	6.11p	39
Interim dividend	2.25p	2.00p	13
ROCE	15.2%	10.1%	↑ 510 basis points
Net debt to EBITDA	0.7 times	1.4 times	



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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 15%
- Price up 4%
- Volume and mix up 11%

Domestic UK Revenue

- 30% of Group
- Revenue up 4%
- Price up 3%
- Volume and mix up 1%

International Revenue

- 6% of Group
- International sales grew by 7%



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Driving Growth Profit for the Financial Period

	2015 £m	2014 £m
EBITDA	29.7	22.2
Depreciation / amortisation	(7.7)	(6.6)
Operating profit	22.0	15.6
Financial income and expense (net)	(1.2)	(1.6)
Profit before tax	20.8	14.0



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Driving Growth Margin Reconciliation

	Movement in Revenue	Operating Profit	Impact on Margin
	£m	£m	%
H1 2014	180.0	15.6	8.7
Price increases to recover costs (UK)	5.6	1.4	0.5
Volume and mix – Landscape Products	8.9	2.5	0.8
Volume and mix – other UK Smaller Businesses	3.8	1.0	0.4
Organic International expansion	0.8	1.5	0.7
H1 2015	199.1	22.0	11.1



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Driving Growth Cash Flow from Operating Activities

Cash inflow arising from:	2015	2014
	£m	£m
Operating profit	22.0	15.6
Depreciation and amortisation	7.7	6.6
EBITDA	<u>29.7</u>	<u>22.2</u>
Net financial expenses paid	(1.1)	(1.6)
Taxation paid	(3.7)	(1.9)
Pensions paid	(4.3)	(4.3)
Net loss on sale of property, plant and equipment	0.1	0.1
Receivables / payables	(12.7)	(23.6)
Inventory	(3.6)	(0.5)
Restructuring costs paid	(0.2)	-
Equity settled share-based payments and other items	1.0	0.5
Net cash flow from operating activities	<u>5.2</u>	<u>(9.1)</u>



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Driving Growth Cash Flow

	2015 £m	2014 £m
Net cash flow from operating activities	5.2	(9.1)
Capital expenditure	(6.0)	(4.2)
Net proceeds from sale of surplus assets	0.1	2.2
Payments to acquire own shares	(3.4)	(4.3)
	<u> </u>	<u> </u>
Sub-total	(4.1)	(15.4)
Finance leases / exchange differences	1.7	0.1
	<u> </u>	<u> </u>
Movement in net debt	(2.4)	(15.3)
Net debt at 1 January	(30.5)	(35.6)
	<u> </u>	<u> </u>
Net debt at 30 June	(32.9)	(50.9)
	<u> </u>	<u> </u>
Gearing (%)	17.9%	28.8%
	<u> </u>	<u> </u>



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Driving Growth Bank Debt Capacity

- Strong free cash flow
- 2015 HYE net debt - £32.9 million (2014 HYE: £50.9 million)
- Net debt: EBITDA - 0.7 times
- Gearing - 17.9%
- Bank debt capacity of £115 million post refinancing
- Significant capacity for investment and acquisition

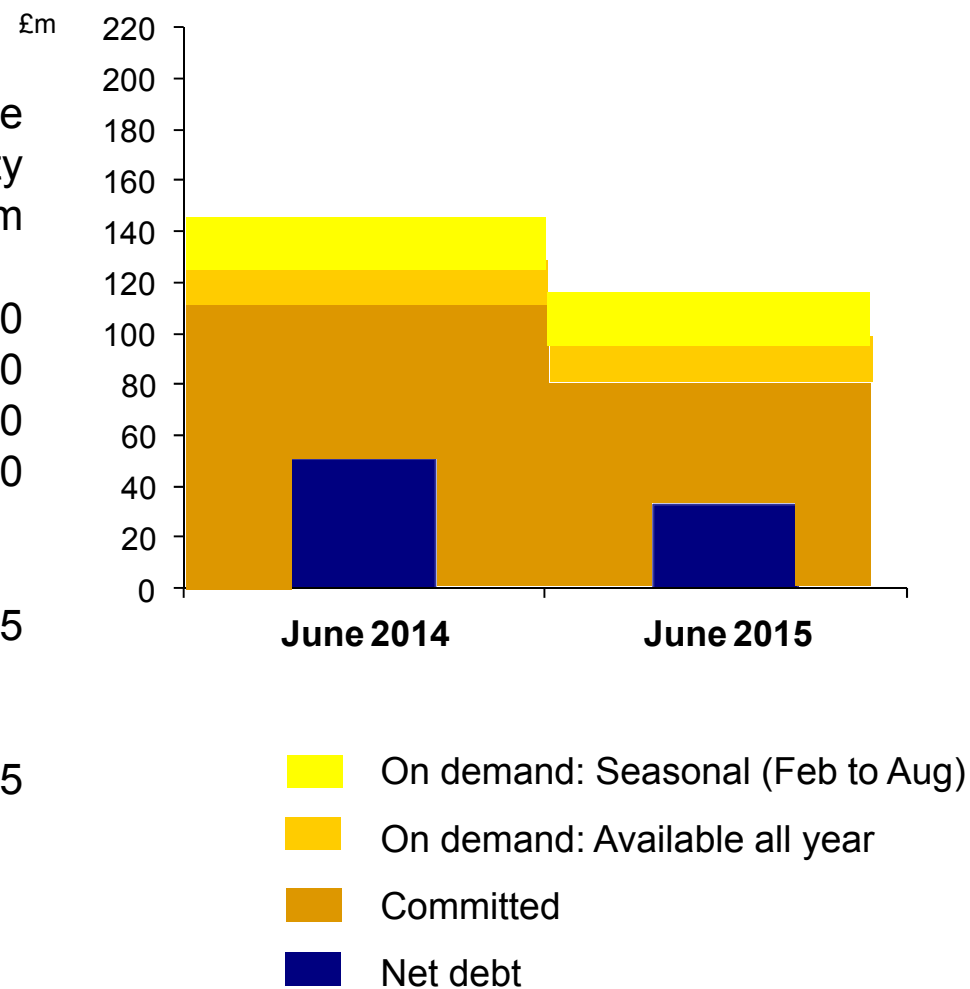


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Driving Growth Significant Borrowing Facilities

Expiry Date	Facility	Cumulative Facility
	£m	£m
Committed facilities:		
Q3 2020	20	20
Q3 2019	20	40
Q3 2018	20	60
Q3 2017	20	80
On demand facilities:		
Available all year	15	95
Seasonal (February to August inclusive)	20	115





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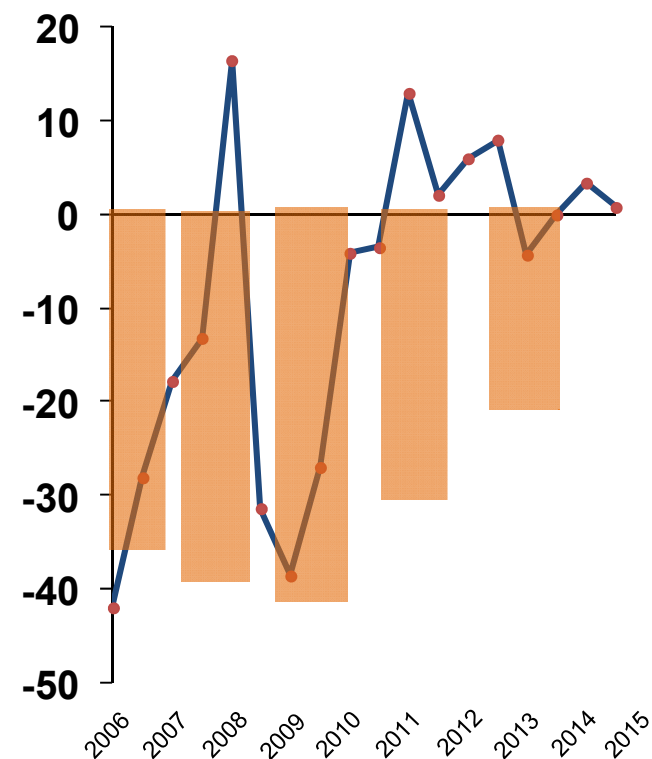
Pensions

Balance Sheet

- Company contributions to DB Scheme reduced to zero under new agreed Recovery Plan. Annual cash saving of £4.6m
- HYE 2015 surplus £0.8m (YE 2014: surplus £3.4m)

Income Statement

- Net service cost: £0.1m debit



— = Accounting valuation

— = Actuarial valuation: Formal



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Driving Growth Additional Information and Ratios

	2015	2014	Increase %
Interest: Charge Cover	£1.2m 18.5 times	£1.6m 9.9 times	
Tax rate	20.8%	17.0%	
EPS	8.50p	6.11p	39%
Weighted average number of shares	196.5m	196.0m	
Interim dividend	2.25p	2.00p	13%
Net asset value	£184.0m	£177.0 m	



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Market Trends

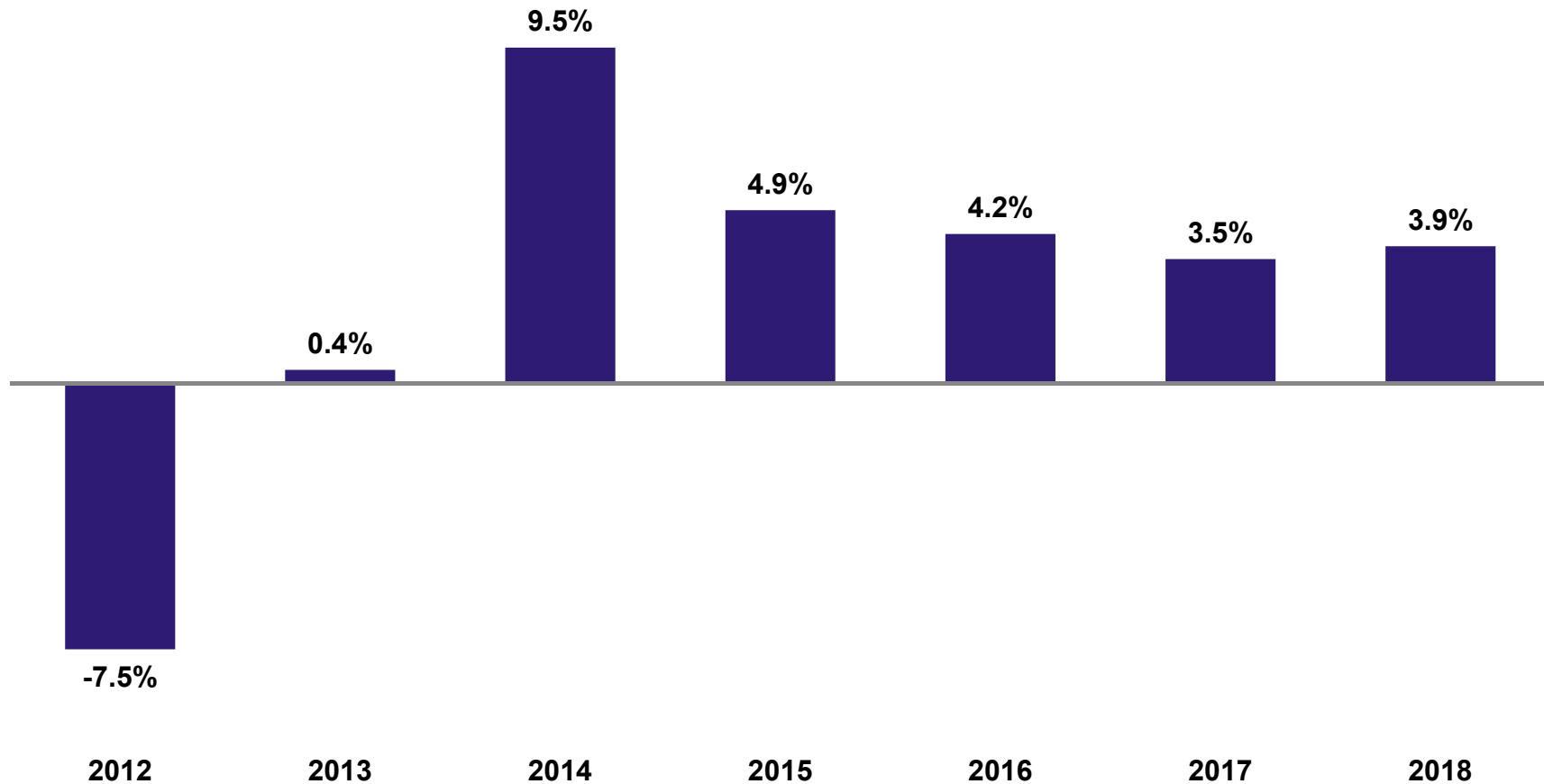


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CPA Market Forecasts

Construction Output (% Growth)



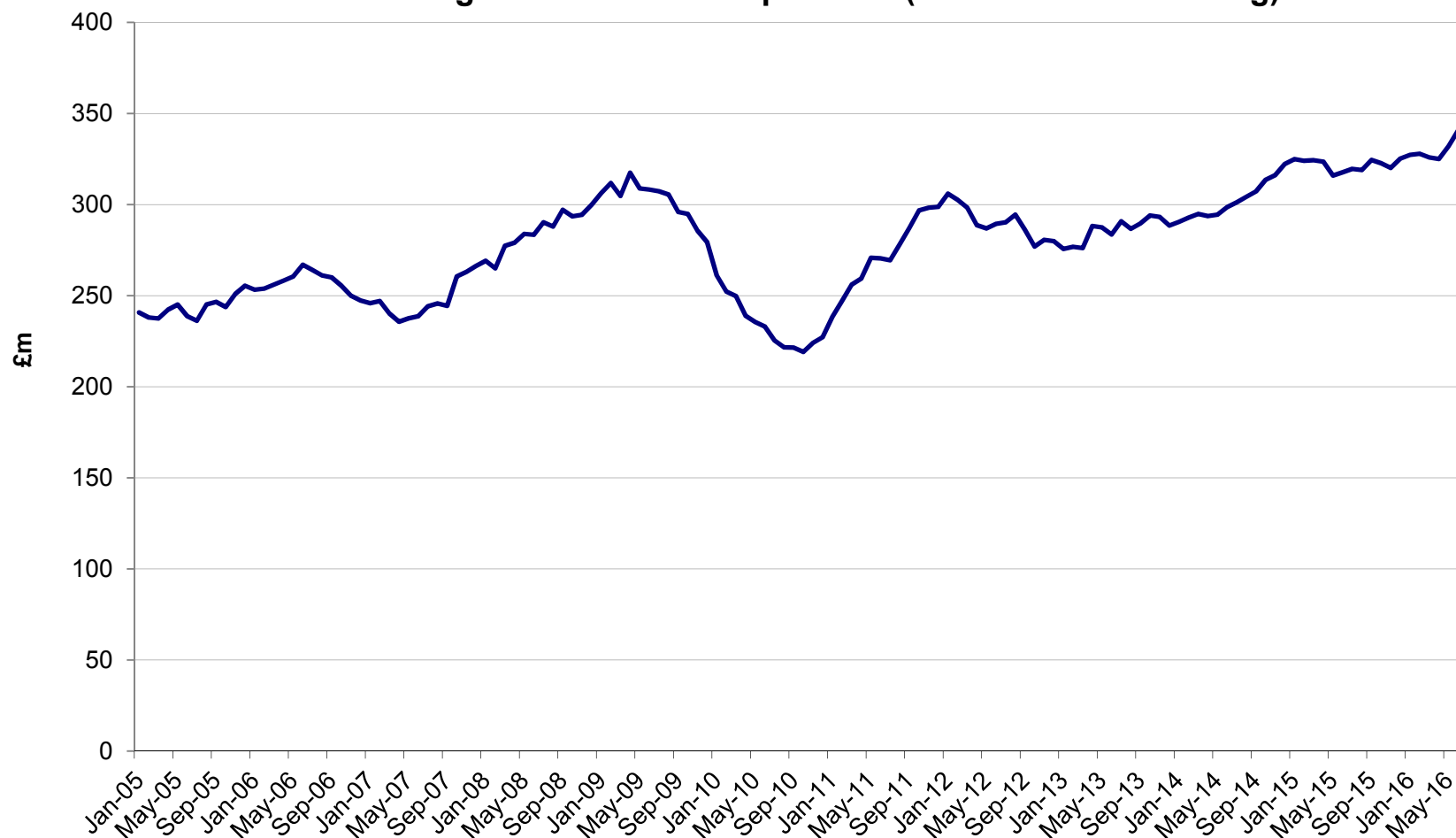


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ABI Contracts Awarded Hard Landscaping

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



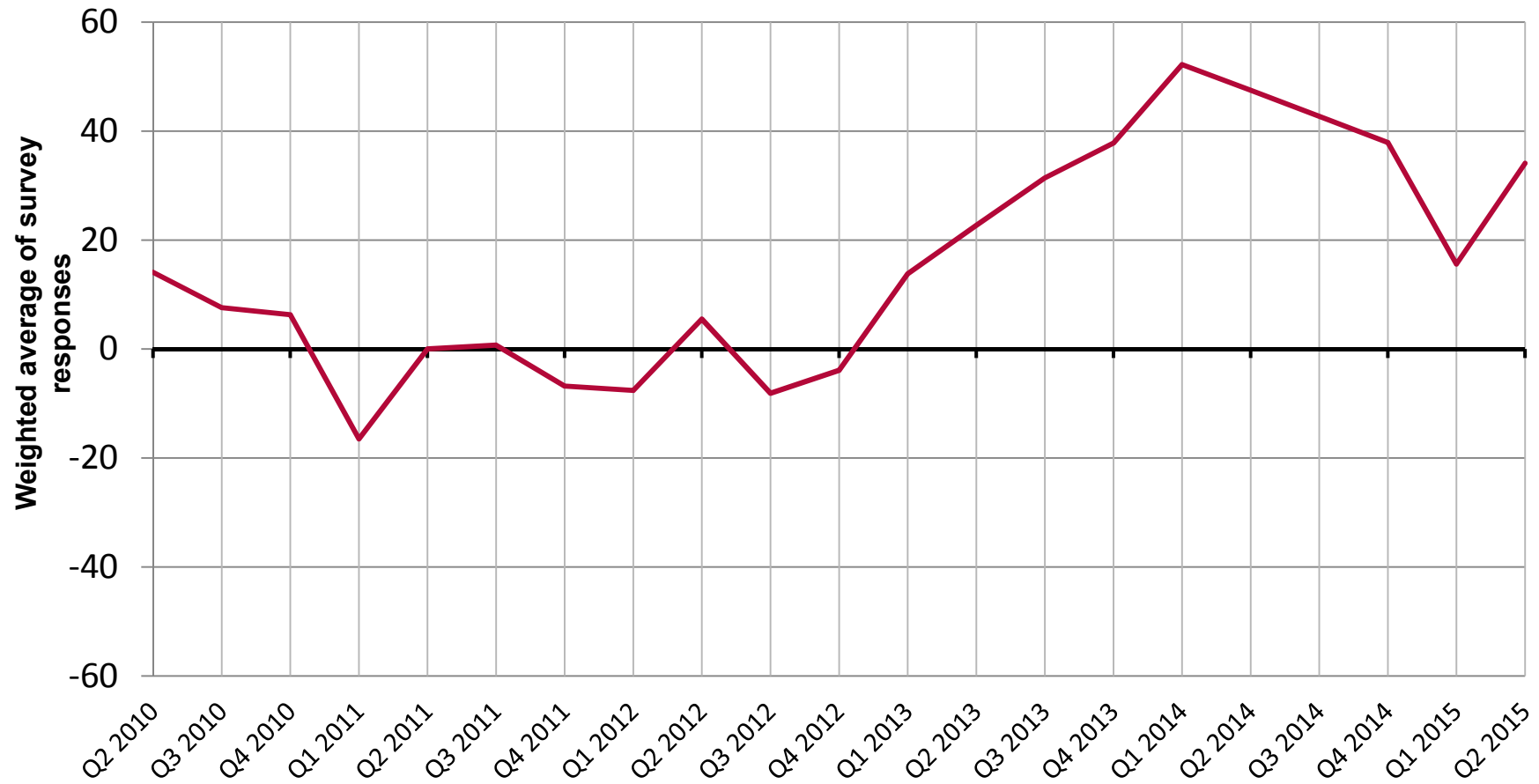


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Commercial Market Confidence

ICAEW/Grant Thornton UK Business Confidence Index: Construction



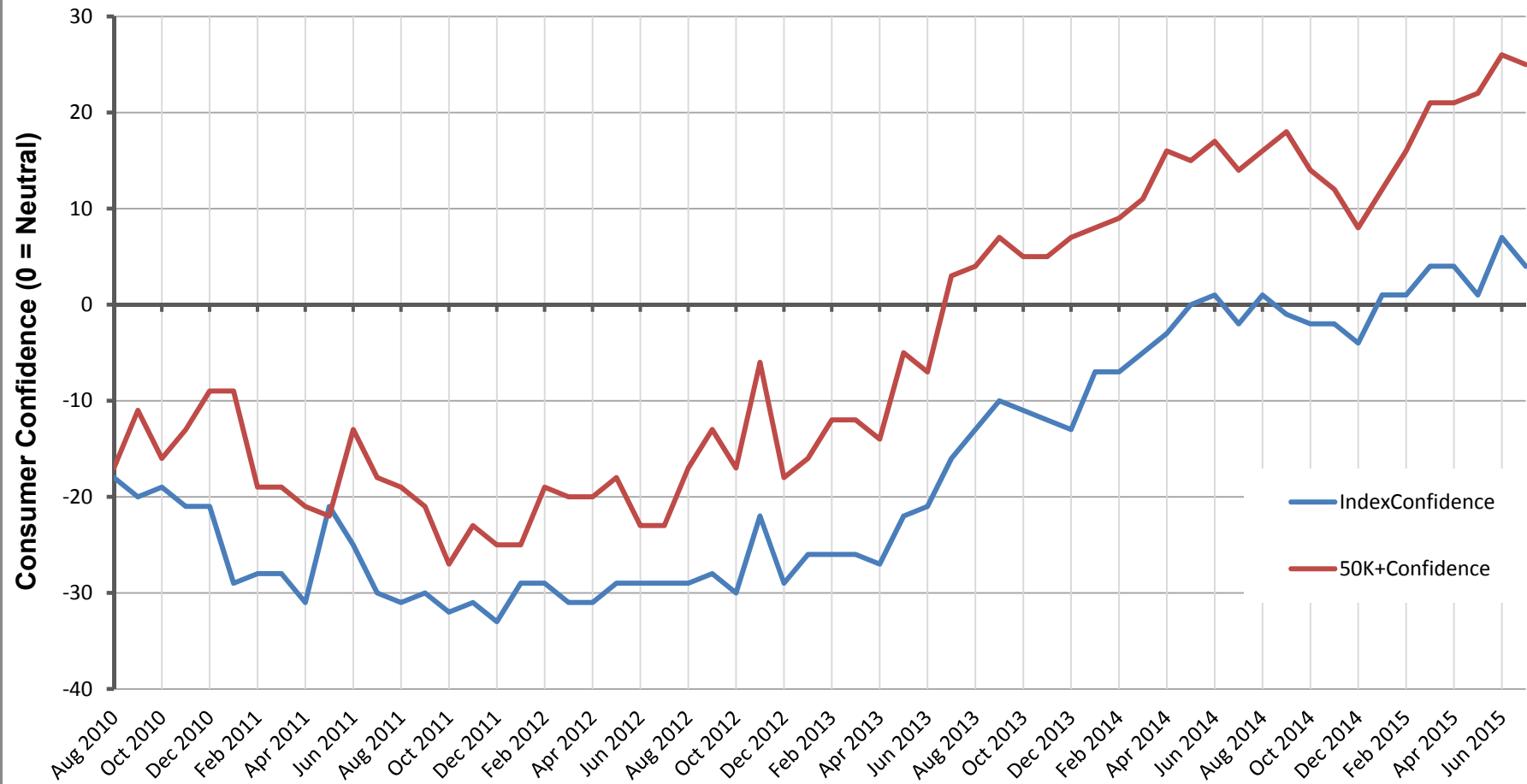


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Domestic Market Confidence

GfK Consumer Confidence and £50k+ Confidence
Long Range Comparison

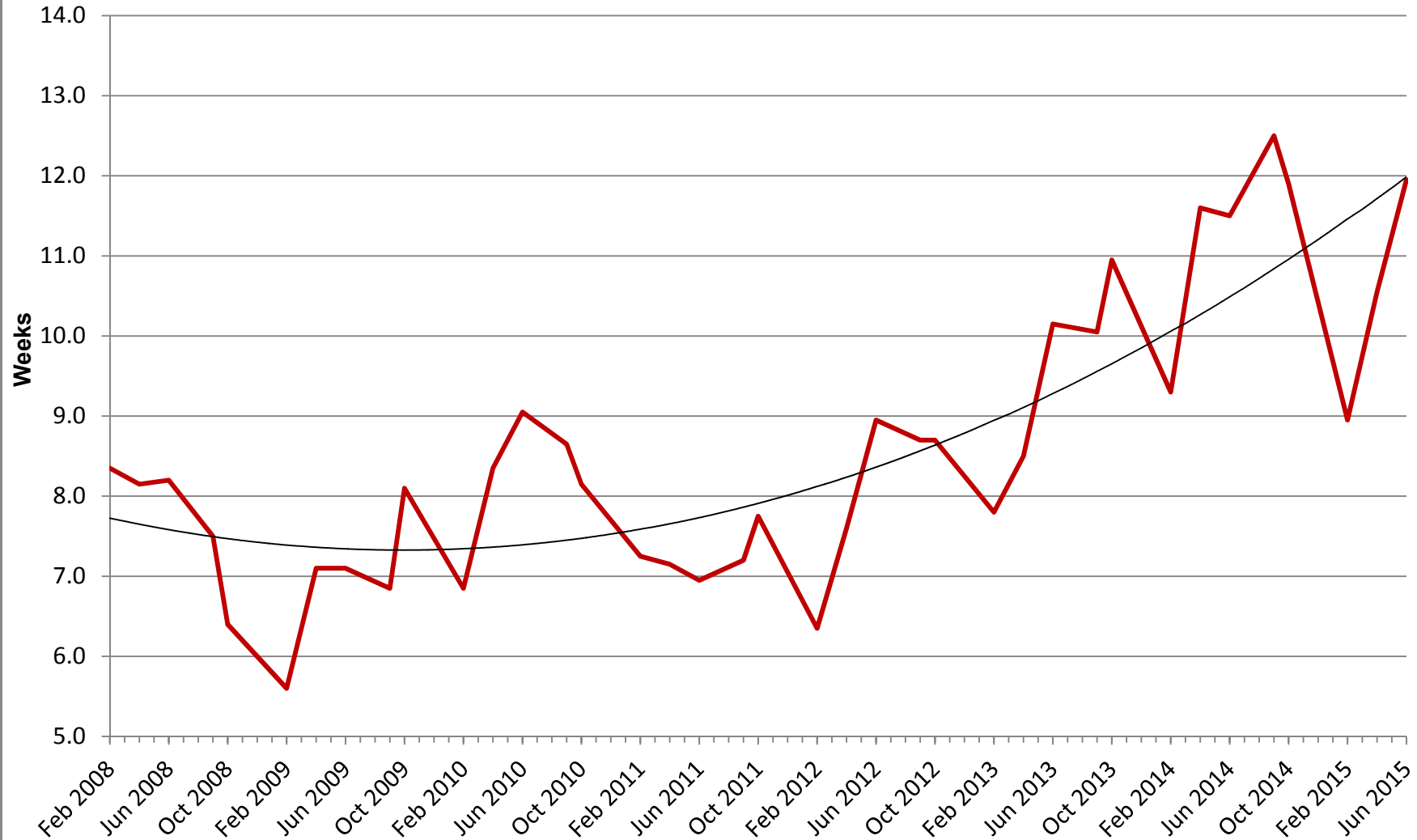




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Installer Order Book





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Driving Growth in Commercial



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Driving Growth Rail



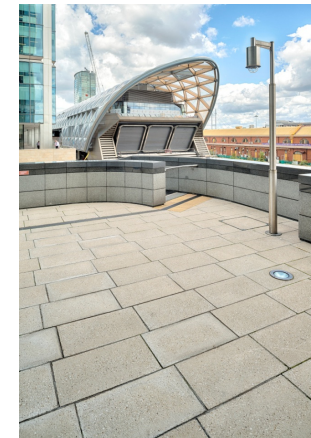
hs *engine for growth*



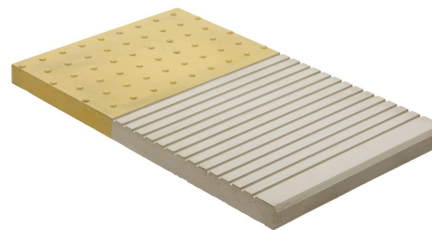
The Crossrail Bench



Canary Wharf



Transport for London
London Underground





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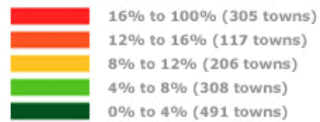
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Driving Growth Water Management

Around 5 million people live in flood risk areas in England and Wales.

[source: Environment agency.]

Percentage of residential addresses at potential risk from flooding (by postal town)



£1.5 billion to build 10 "smart motorways" which need water drainage

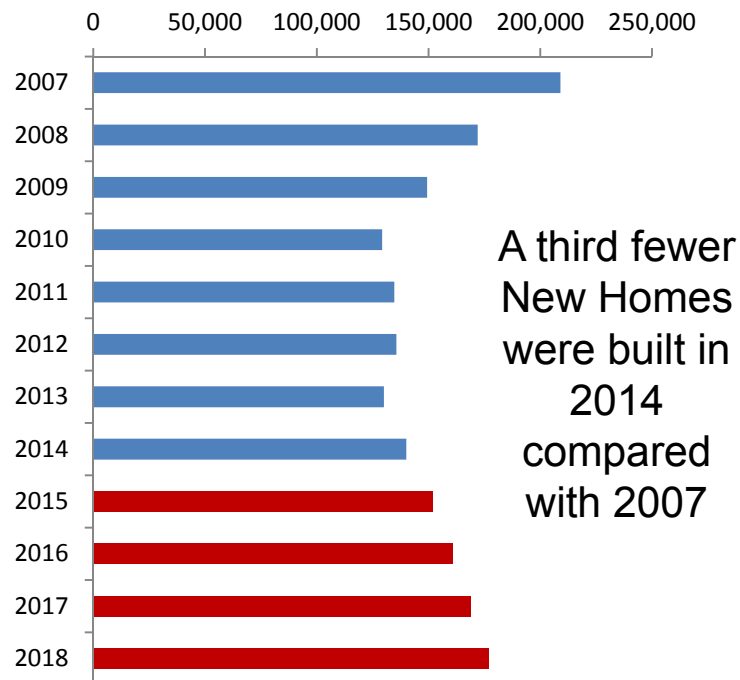




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Driving Growth New Build Housing



Stone Walling, Recon Walling, Mortar



Kerbs, Edging, Lighting, Traffic Calming



Paving, Permeable Paving, Driveways, Patios



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Driving Growth in Domestic

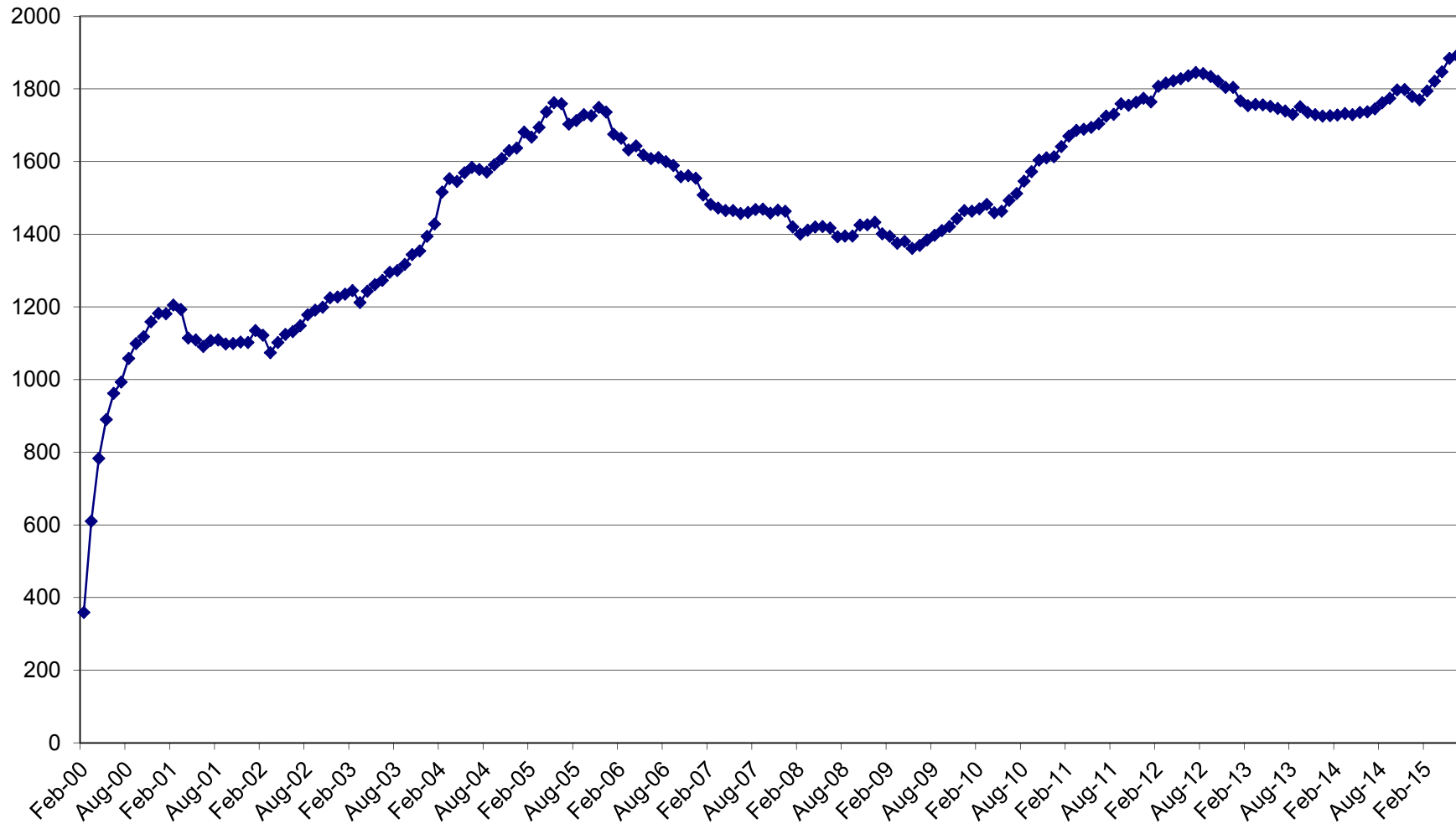


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The Marshall's Register Number of Teams

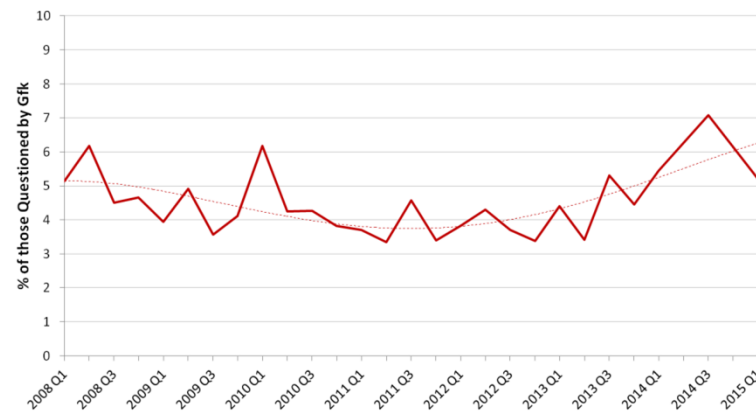
Approved Teams



Driving Growth Driveways

Strong latent demand for Driveways

Gfk - Consumer Intentions - Driveways



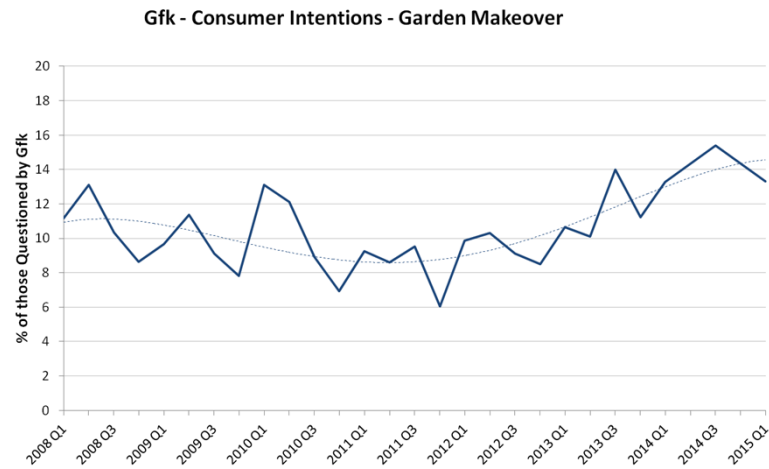
Budget 2014: greater choice in pensions explained

People's pensions are hard-earned over years of work. It is only right they have the freedom to choose how and when they access them during retirement.



Driving Growth Patios

Strong latent demand for Patios



Budget 2014: the New ISA

The government announced at Budget 2014 that from 1 July 2014, ISAs (Individual Savings Account) will be reformed into a new simpler product, the 'New ISA' (NISA) with equal limits for cash, and stocks and shares.





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Driving Growth in Smaller Businesses



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Driving Growth Street Furniture

Market	c £440m
Sales	£17m
Share	4%
Order intake 2015 YTD	+28%

**Millennium Square,
Coventry**



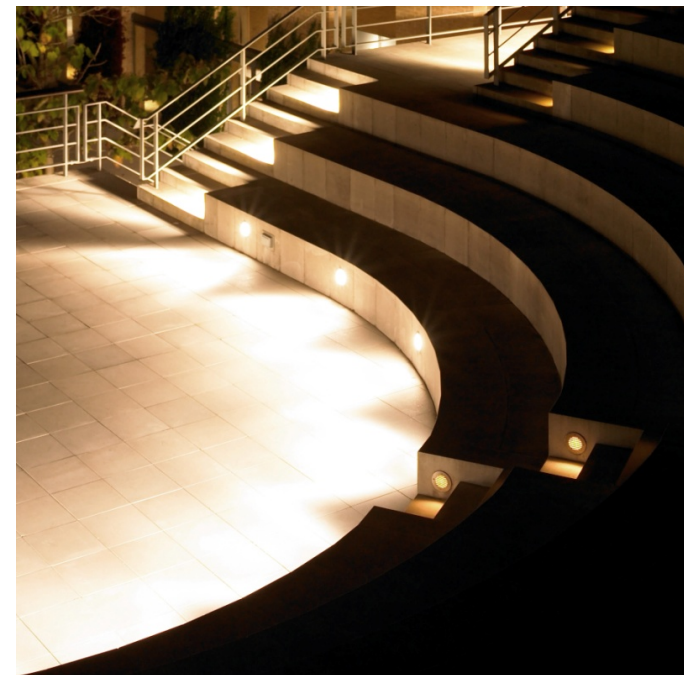
St. Augustine's Parade, Bristol



Store Street, London



Saïd Business School, Oxford





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Driving Growth Cladding

Market	c £100m
Sales	£8m
Share	8%
Order intake 2015 YTD	+20%

Cannon Street



Bishopsgate



Sloane Street





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Driving Growth Mineral Products

Aggregates

Premier Mortars

Recon Walling

All businesses operating profitably

Order intake 2015 YTD + 34%





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Driving Growth International

2015 objective of breakeven on target

Arendonk closed, transition complete

Positive result in Q2

US office continues to grow

Middle East office to open Q3



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Natural Stone Paving**



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Acquisition Strategy

3 potential areas identified

- Drainage
 - Provide system design and solutions
- Street Furniture
 - Expand offer to include more specified ranges
- Minerals
 - Strategic purchase of mineral reserves

Targets are likely to be UK orientated, £10m - £30m turnover and profitable with specific technical products or service advantages



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Future Strategy Accelerating Growth

- CPA forecasts 15% growth in next 4 years
- Deliver organic growth ahead of the market
- New product development to differentiate our offer
- Fleet expansion to differentiate our service offer
- Strategic acquisitions
- System provider



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Driving Growth Summary

- Good revenue growth - up 11%
- Improving operating margins - up 240 basis points
- Strong PBT growth - up 48%
- Continued improvement in ROCE - up 510 basis points to 15.2%
- Strong cash flow performance
- NPD, Capital, Acquisition targets
- If positive market conditions continue, full year trading may be above original expectations



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Appendices



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Construction Products Association

	2014	2015	2016	2017	2018	2019
£m/% change	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Housing						
	27,141	29,002	29,857	30,302	30,808	31,323
	25.6%	6.9%	3.0%	1.5%	1.7%	1.7%
Other New Work						
	49,474	52,418	55,794	59,073	63,027	66,722
	3.1%	5.9%	6.4%	5.9%	6.7%	5.9%
Repair, Maintenance and Improvement						
Private Housing	16,018	16,659	17,325	17,845	18,380	18,932
	13.5%	4.0%	4.0%	3.0%	3.0%	3.0%
Total						
	47,116	48,366	49,610	50,635	51,597	52,586
	8.5%	2.7%	2.6%	2.1%	1.9%	1.9%
Total All Work						
	123,731	129,785	135,261	140,010	145,431	150,631
	9.5%	4.9%	4.2%	3.5%	3.9%	3.6%



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Financial Flexibility

H1 2015

EBITA: Interest charge

16.8 times

Net Debt: EBITDA

0.7 times

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



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Net Assets

	£m	£m
2014 Year End Net Assets		181.9
Impact of movements in the period:		
Profit for the financial period	16.7	
Ordinary dividends	(7.9)	
Actuarial movement on pensions (after tax)	(5.4)	
Hedging reserve	1.2	
Share-based expenses (after tax)	1.3	
Purchase of own shares	(3.4)	
Foreign currency translation differences	(0.1)	
Non-controlling interest	(0.3)	
	<hr/>	2.1
2015 Half Year Net Assets		<hr/> 184.0 <hr/>



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