



Creating better spaces

Marshall's plc
2015 Results Review and Outlook

Driving Growth

2015 Results Presentation



Agenda

- Highlights
- Financial Performance
- Market Trends
- Driving Growth
 - Commercial
 - Domestic
 - Smaller Businesses
- Acquisition Strategy
- Self Help Investment
- 2020 Strategy
- Outlook
- Summary
- Questions

Driving Growth

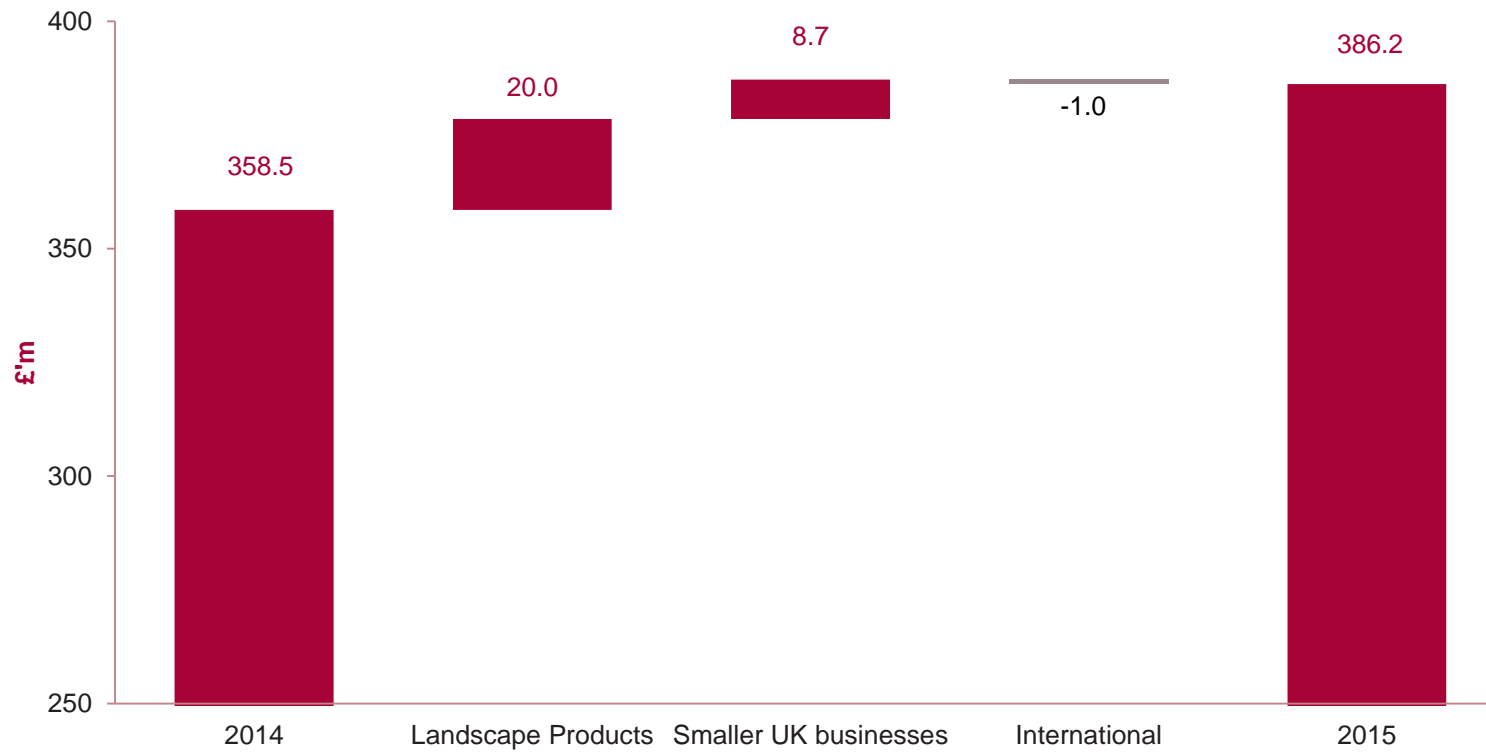
Highlights



	2015	2014	Increase %
Revenue	£386.2m	£358.5m	8
EBITDA	£51.8m	£38.5m	35
Operating profit	£37.5m	£25.3m	48
Profit before tax	£35.3m	£22.4m	57
Basic EPS	14.32p	10.13p	41
Total dividends – ordinary and supplementary	9.00p	6.00p	
Final dividend – recommended	4.75p	4.00p	19
Supplementary dividend – recommended	2.00p	–	
ROCE	19.0%	12.5%	↑650 basis points
Net debt to EBITDA	0.2 times	0.8 times	

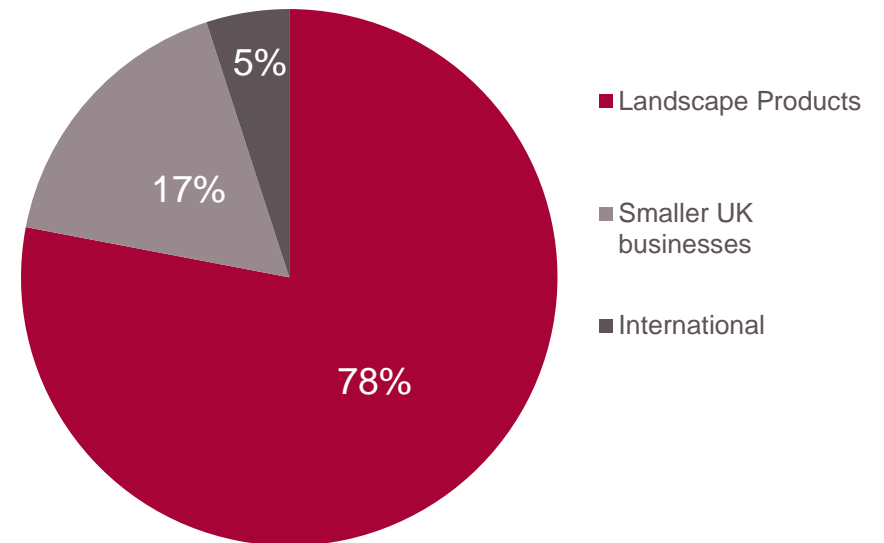
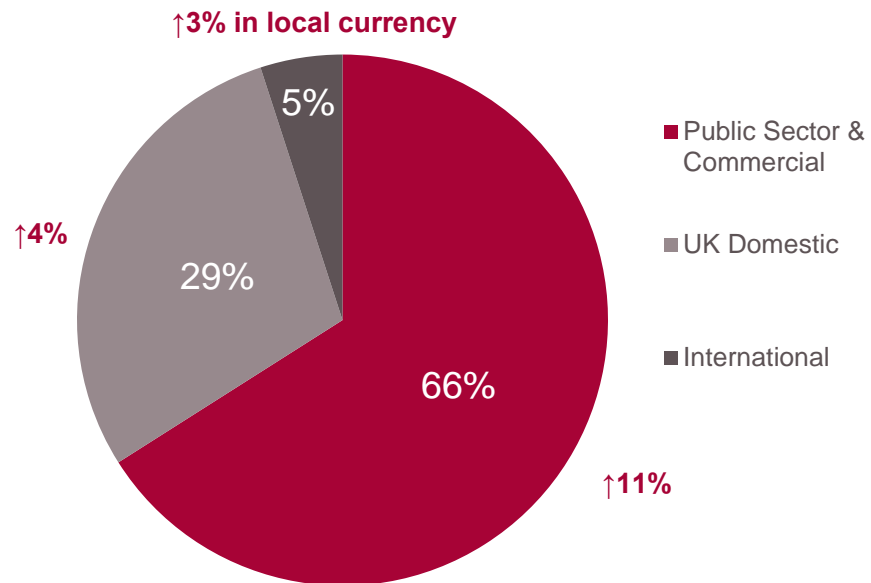
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Revenue Growth



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Revenue Analysis



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Profit for the Financial Period



	2015 £m	2014 £m	Increase %
EBITDA	51.8	38.5	35
Depreciation / amortisation	(14.3)	(13.2)	
Operating profit	37.5	25.3	48
Financial income and expense (net)	(2.2)	(2.9)	
Profit before tax	35.3	22.4	57

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Margin Reconciliation



	Revenue £m	Operating profit £m	Impact on margin %
2014 – reported	358.5	25.3	7.1
Restructuring costs – Belgium	–	2.0	0.5
2014 – underlying	358.5	27.3	7.6
Landscape Products	20.0	5.5	1.0
Smaller UK businesses	8.7	2.4	0.4
International	(1.0)	2.3	0.7
2015	386.2	37.5	9.7

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Cash Flow from Operating Activities



	2015 £m	2014 £m
Cash inflow arising from:		
Operating profit	37.5	25.3
Depreciation and amortisation	14.3	13.2
EBITDA	51.8	38.5
Net financial expenses paid	(1.8)	(2.8)
Taxation paid	(7.0)	(4.0)
Pensions paid	(4.3)	(4.6)
Net gain on sale of property, plant and equipment	(0.1)	(0.4)
Receivables / payables	6.8	(2.8)
Inventory	1.7	3.1
Associates / restructuring costs	0.4	(0.2)
Equity settled share-based payments and other items	2.2	2.3
Net cash flow from operating activities	49.7	29.1

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Cash Flow

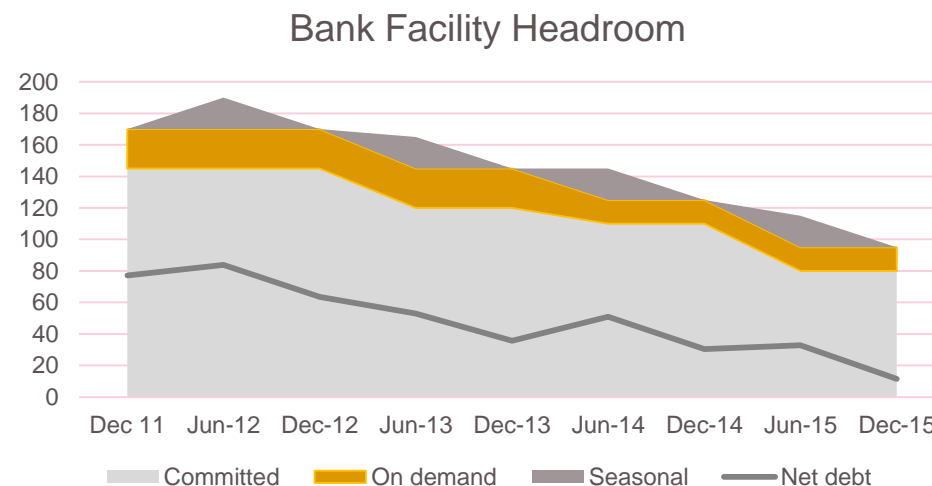


	2015 £m	2014 £m
Net cash flow from operating activities	49.7	29.1
Capital expenditure	(14.9)	(12.0)
Net proceeds from sale of surplus assets	1.1	3.1
Dividends paid	(12.3)	(10.8)
Payments to acquire own shares	(4.6)	(4.3)
Movement in net debt	19.0	5.1
Net debt at 1 January	(30.5)	(35.6)
Net debt at 31 December	(11.5)	(30.5)
Gearing (%)	6.0%	16.8%

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Significant Borrowing Facilities

Expiry Date	Facility £m	Cumulative Facility £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



- Bank facilities actively managed
- Facilities and headroom reduced
- Reduction in finance charges
- Comfort around covenants

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Bank Debt Capacity



- Strong free cash flow
- 2015 YE net debt — £11.5 million (2014: £30.5 million)
- Net debt: EBITDA — 0.2 times (2014: 0.8 times)
- Gearing — 6.0% (2014: 16.8%)
- Bank debt capacity of £115 million
- Significant capacity for organic investment and acquisition

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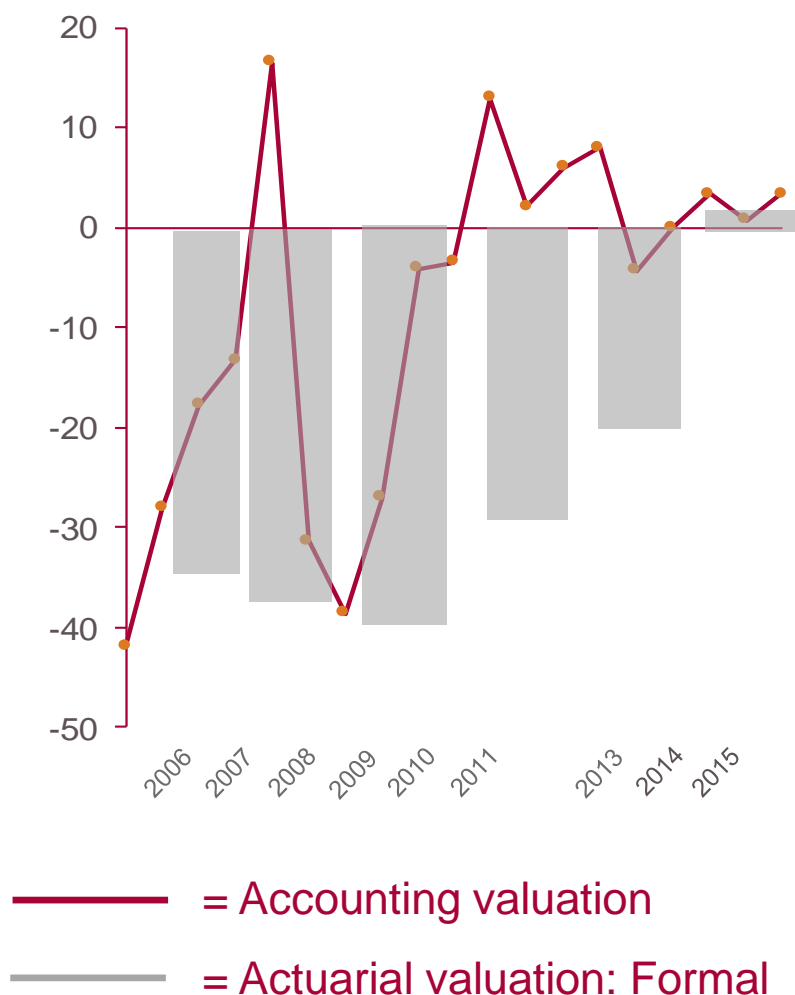
Pensions

Balance Sheet

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

Income Statement

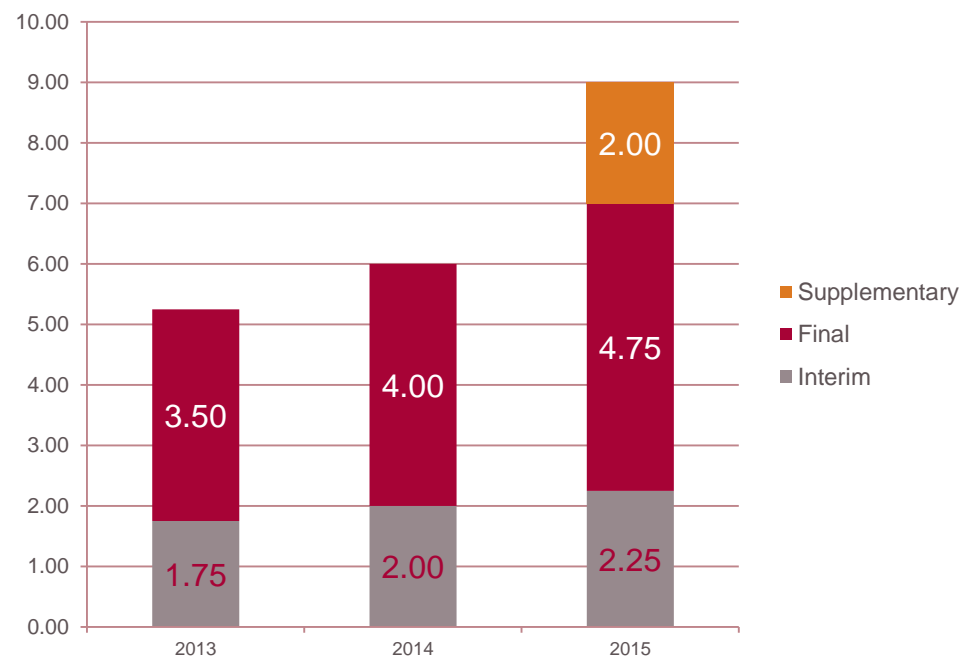
- Net service cost: £0.4m debit (2014: £0.1m debit)



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Dividends

- Progressive ordinary dividend policy (interim and final)
- 2015 dividends
 - Interim and final 7.00p (17% ↑)
 - Supplementary 2.00p
 - Total 9.00p
- Supplementary dividend: discretionary and non-recurring
- Dividend cover
 - Interim and final: 2x cover
 - Including supplementary: 1.6x cover
- Base dividend of 7.00p represents CAGR of 10% over 3 years



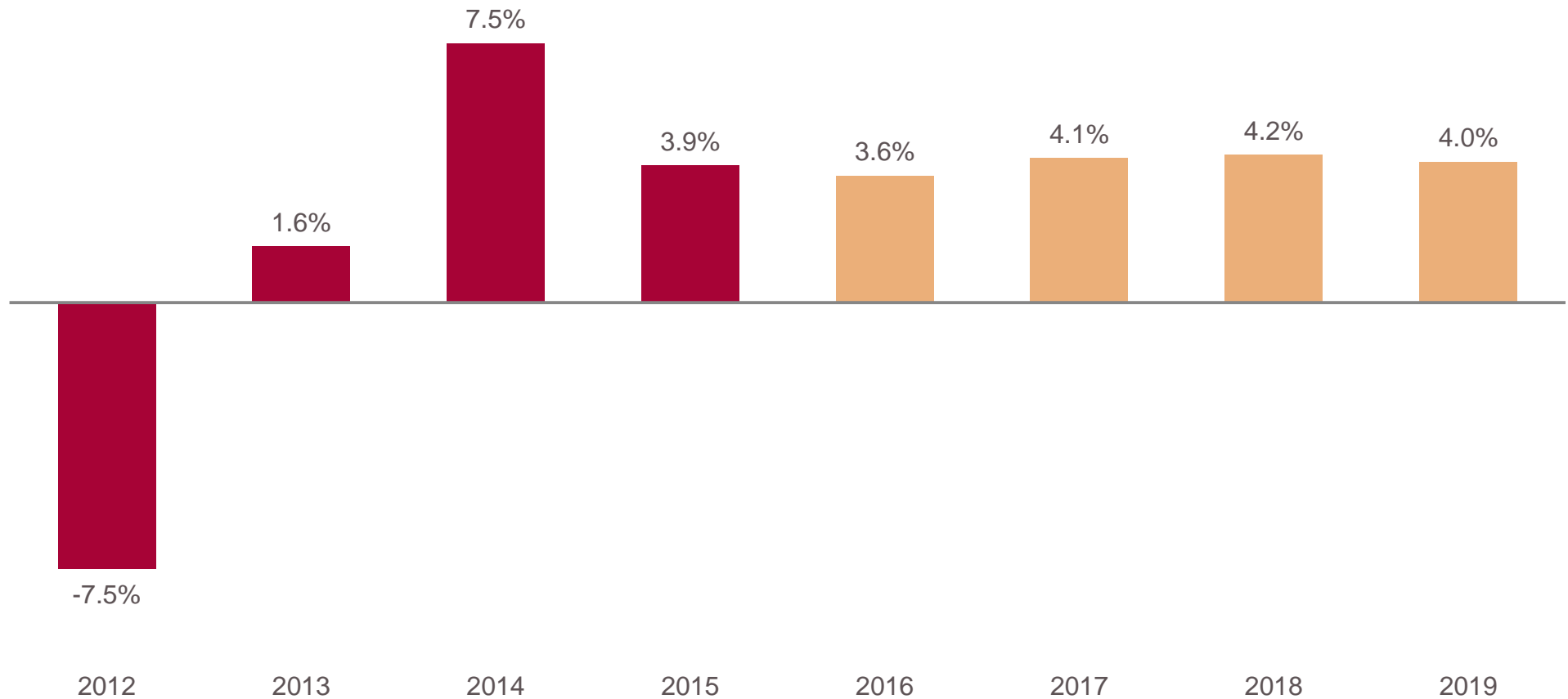
Market Trends

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CPA forecasts



CPA Total Construction Output Forecasts (% Growth)

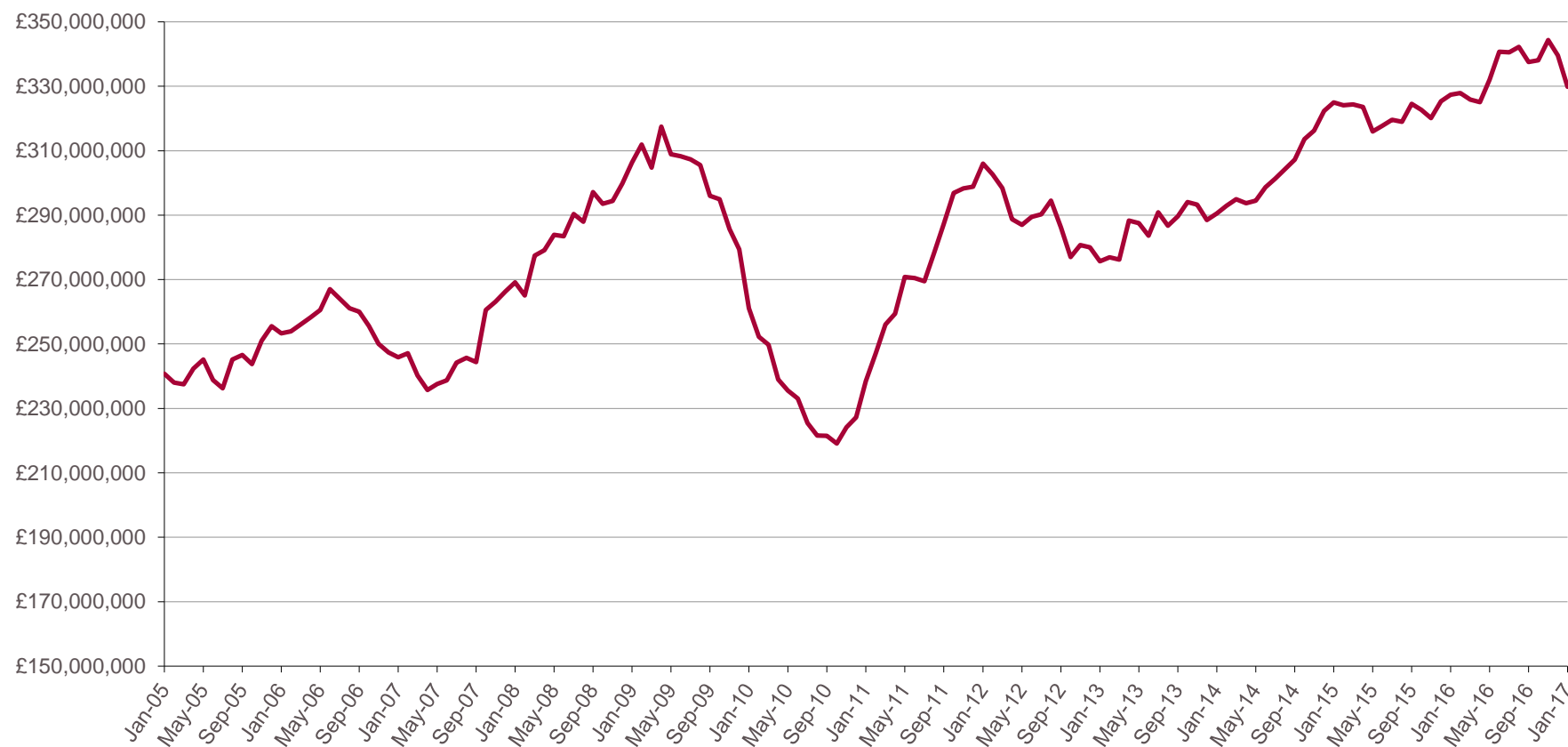


Driving Growth – Commercial

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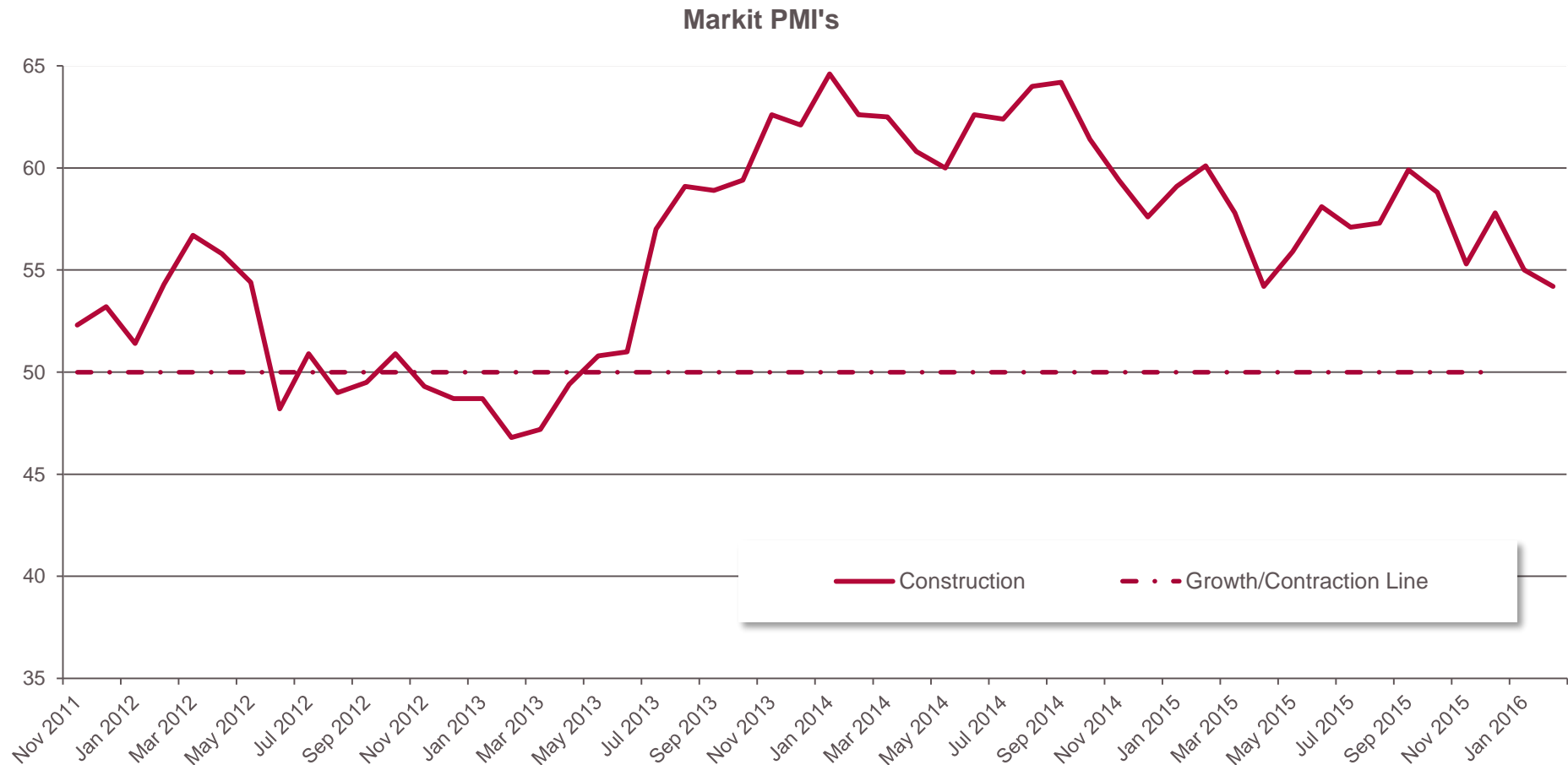
ABI Contracts Awarded: Hard Landscaping

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



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Continuing Growth: Commercial Market Confidence

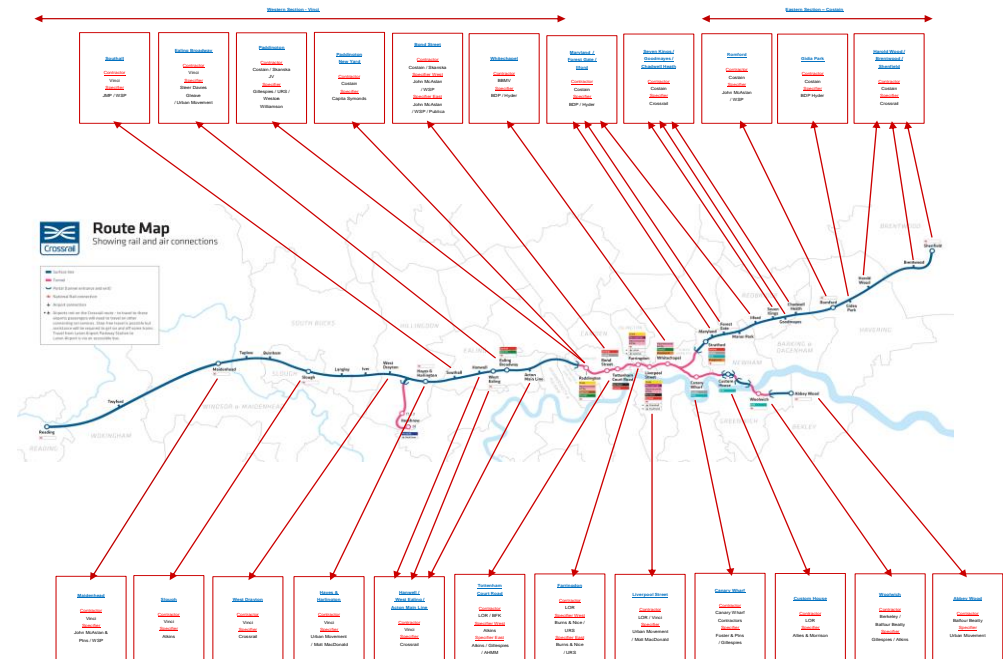


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Major Rail Transport Projects



Total Projects Value
£42 billion



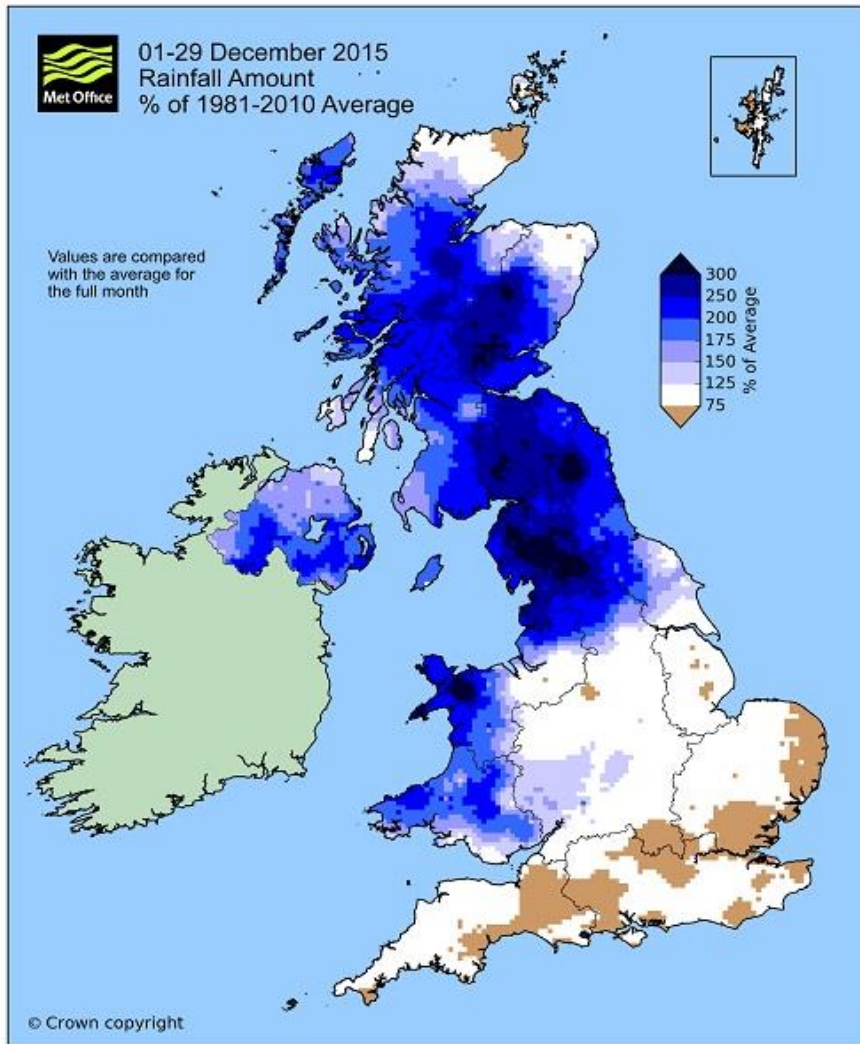
Total Project Value
£15 billion

Marshalls Rail Offer



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Water Management




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New Build Housing

UK Government land released Sites now released for future housing Potential for 103,000 homes


Gov depts:

- Ministry of Defence – enough land for 38,661 homes, released ahead of schedule
- Homes and Communities Agency – enough land for 18,307 homes
- Department of Health and NHS – enough land for 13,039 homes
- Department for Environment, Food and Rural Affairs – enough land for 11,675 homes
- London Legacy Development Corporation – enough land for 6,321 homes
- Department for Transport – enough land for 4,653 homes
- Public Corporations, such as Crown Estates – enough land for 4,113 homes
- Greater London Authority – enough land for 2,652 homes
- Ministry of Justice – enough land for 1,804 homes
- Other smaller departments – enough land for 1,967 homes
- On top of this, there are plans to release land with capacity for 150,000 homes between 2015 and 2020


Marshall's
Creating Better Landscapes
**Planning For a Well Designed
Landscaping Solution...**







When it comes to creating 1st class Home Landscapes, Marshall's understand the fundamentals to achieving high quality, inspirational and sustainable dwellings.

With over 100 years experience, Marshall's can add value to any current or future housebuilding project, from the initial design and engineering stage right through to on-site installation and maintenance.



A COMPREHENSIVE RANGE OF HOME LANDSCAPE PRODUCTS AT YOUR DISPOSAL

- Newer Stone Walling Cladding
- Ground Sealing
- Paving
- Water Management Solutions
- Traffic Calming Solutions
- Street Furniture
- Driveways & Paths

PUBLIC HOUSING	PRIVATE HOUSING
 1 Footways, 2 Driveways, 3 Traffic Calming	 1 Block Paving, 2 Lighting, 3 Traffic Paving, 4 Kiosk
PRIVATE HOUSING	COMMUNITY RETAIL
 1 Newer Stone Walling, 2 Permeable Paving, 3 Driveways, 4 Walling	 1 Paving, 2 Lighting, 3 Cycle Storage, 4 Kiosk
COMMUNITY SPACE	APARTMENTS
 1 Seating, 2 Play Structures, 3 Benches, 4 Signage	 1 Stone Cladding, 2 Permeable Paving, 3 Canopies, 4 Street Driveways

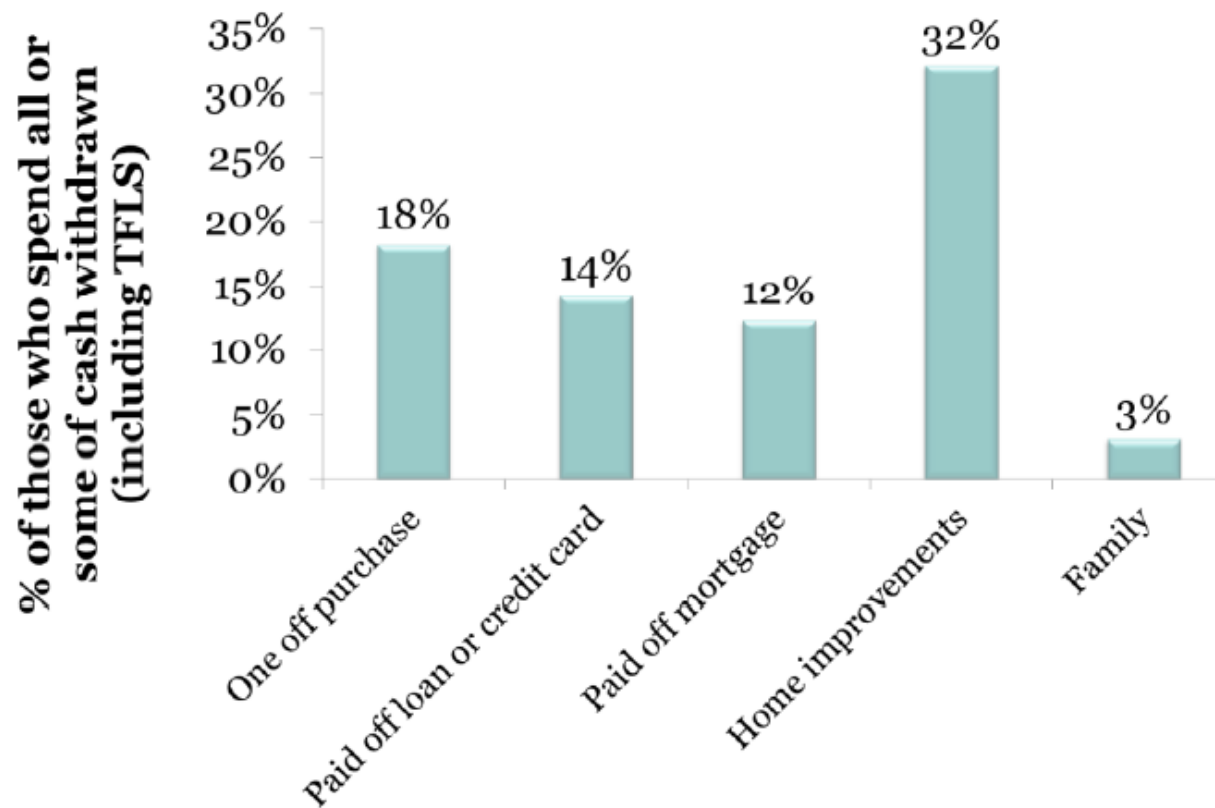
For more information on Home Landscapes
visit www.marshall's.co.uk/home
or Telephone: 0870 442 7720

Driving Growth - Domestic

Driving Growth

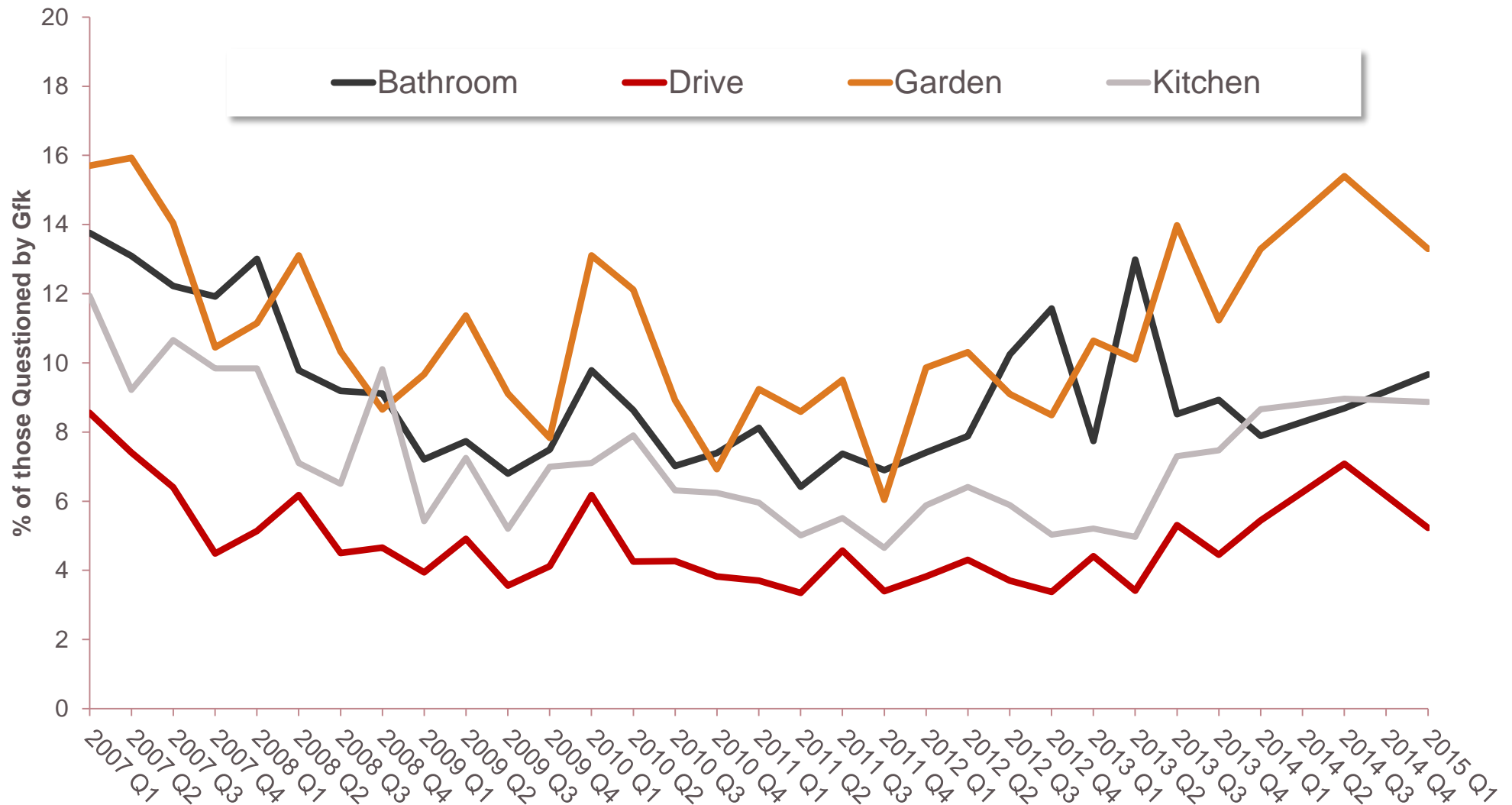
Domestic Markets benefitting from Pension Release

- £3.53bn released from UK pensions in 2015
- 32% spent on Home Improvement



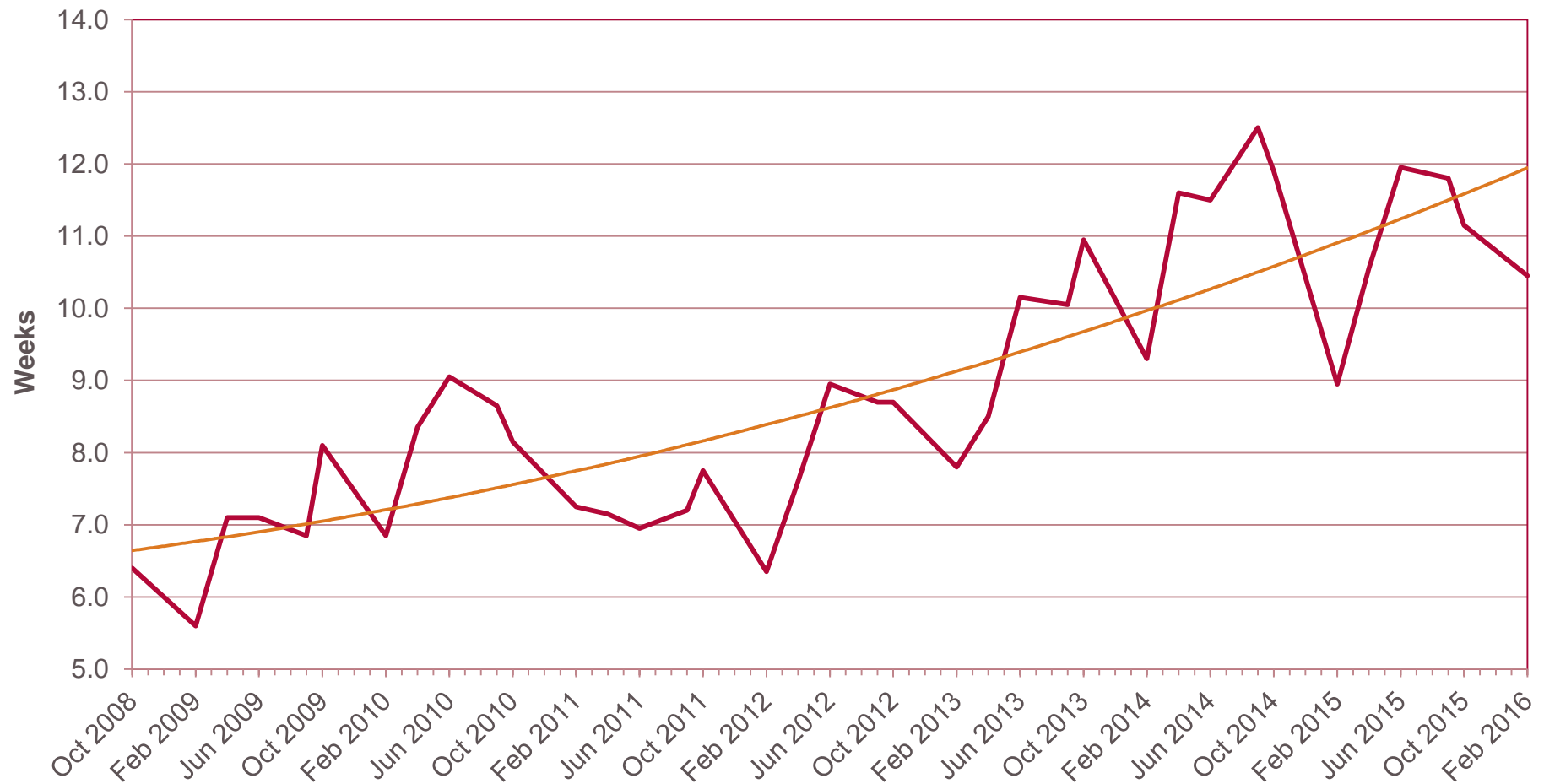
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Domestic Markets – Home Improvement Intentions



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Installer Order Book

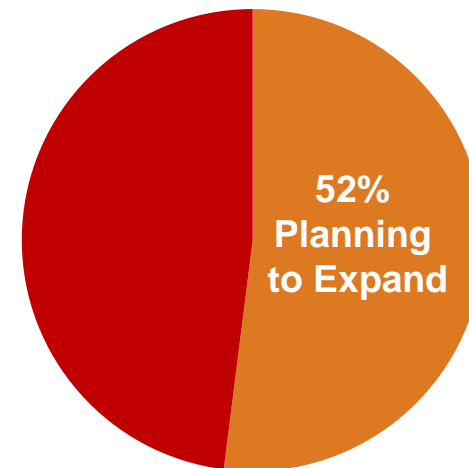


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Increasing Installer Capacity

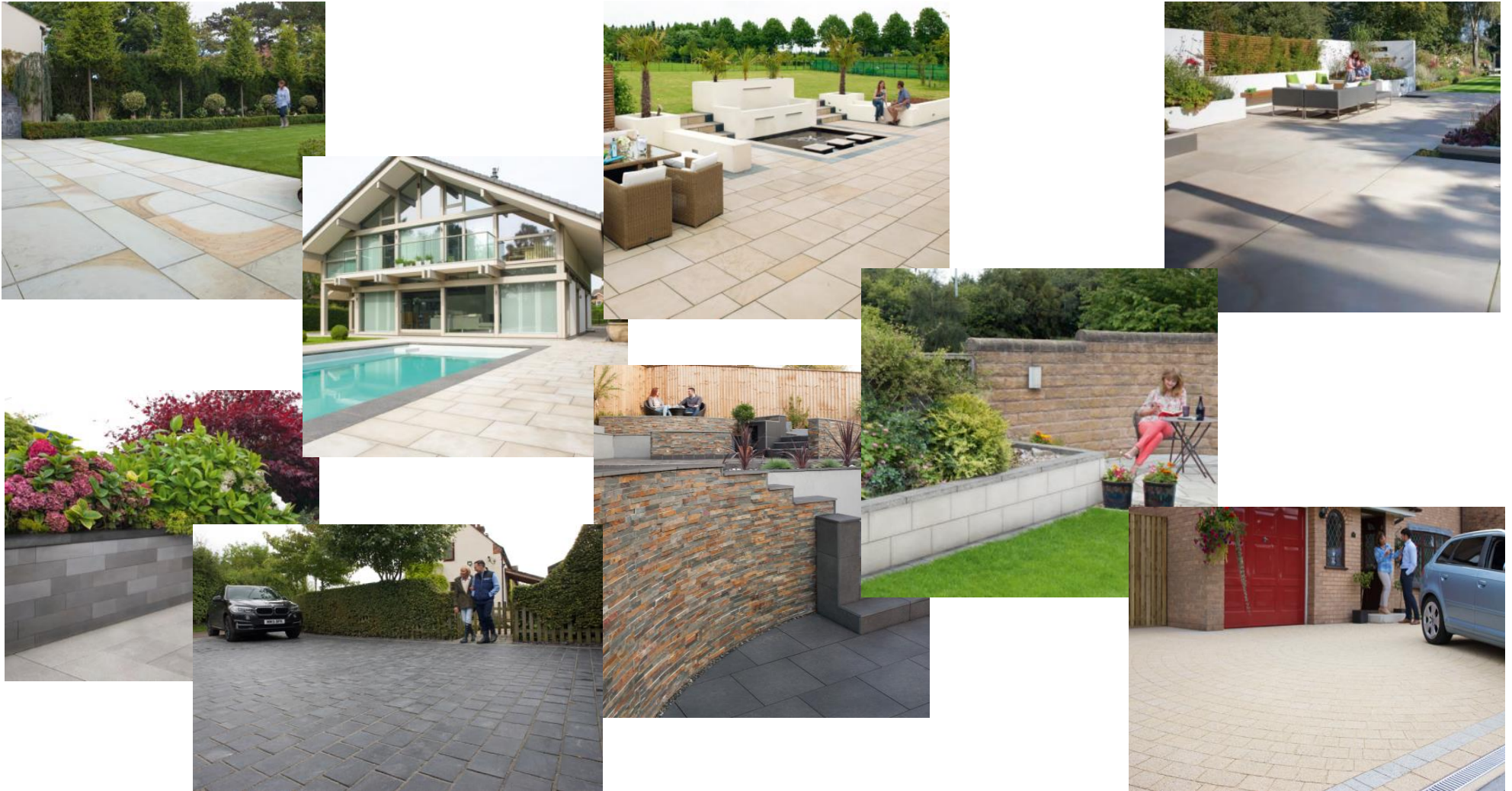


The number of installers on the Marshall's Register is increasing



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New Products in the Domestic Range



Driving Growth - Smaller UK businesses

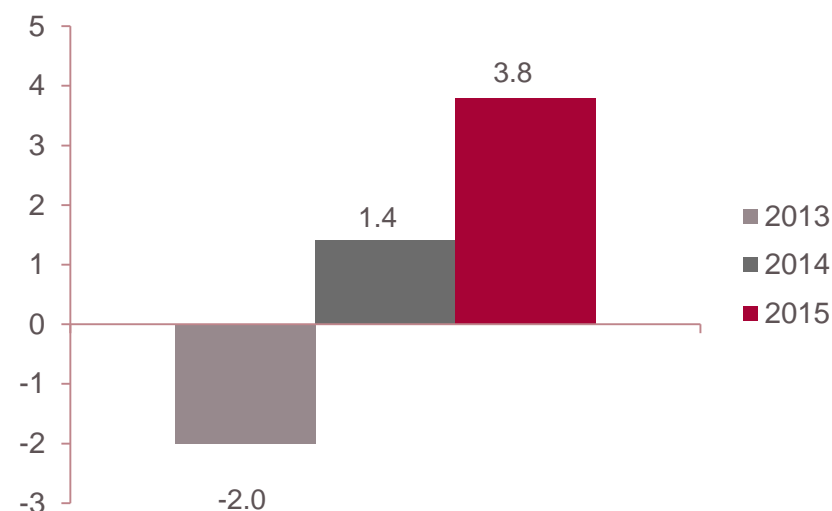
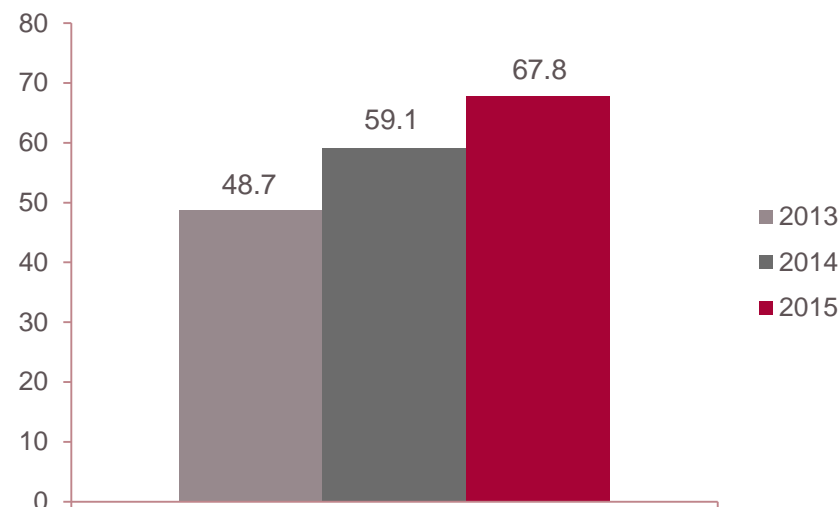
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Smaller UK businesses



Marshalls

- Comprises Street Furniture, Cladding and Mineral Products
- 2015 profit growth: £2.4m (170%)
- Target operational gearing of 30%
- Market share increasing – considerable potential remains
- The smaller UK businesses are an important growth driver to 2020



Driving Growth

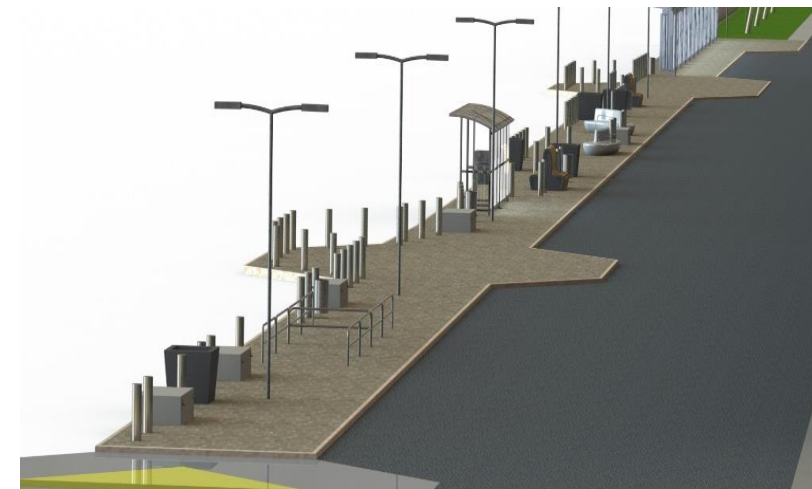
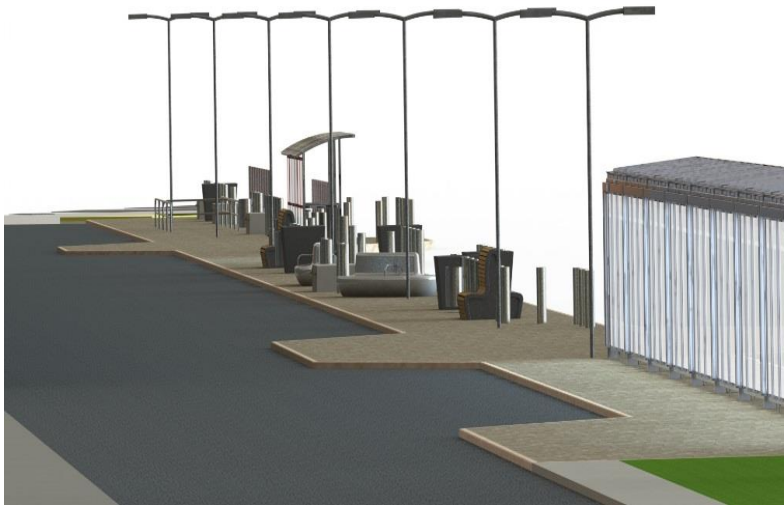
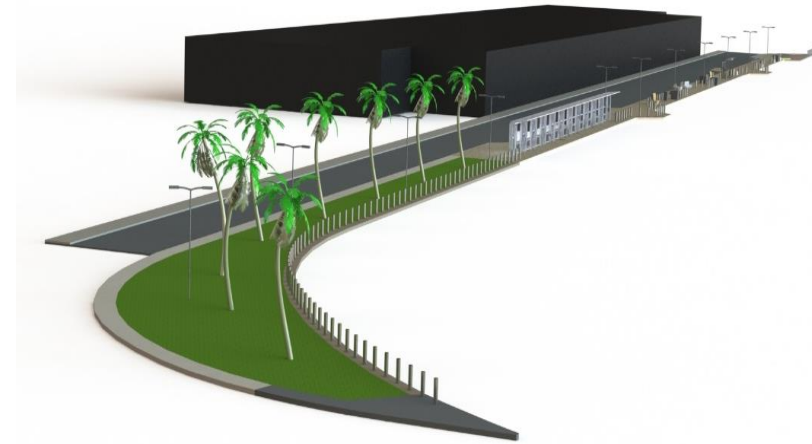
Focused Street Furniture Propositions



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Malta Airport

- Embracing our concept of “inner strength-outer beauty”, including PAS 68 Igneo seating, RhinoBlok 72/40, Litter Bins as well as bollards



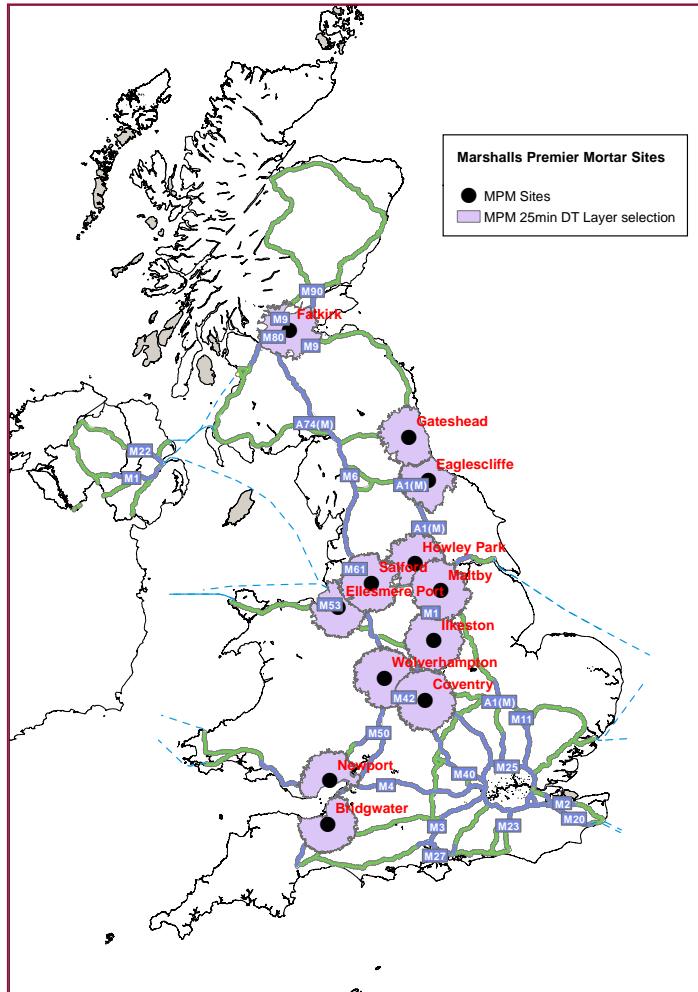
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Marshalls Cladding & Facades



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New Housebuilding : Marshalls Premier Mortars & Screeds



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New Housebuilding : Natural Stone and Reconstituted Concrete Walling



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Marshalls NV : Market Leadership in Ceramics



- Focused on Water Management, Street Furniture and Minerals markets
- Good progress made during the last year
 - 12 companies analysed and longer term pipeline established
 - 1 sales partnership agreed
 - 4 discounted for value and/or product
 - 5 seeds sown for future
 - 2 ongoing discussions – actively under consideration

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

- £15m of additional investment in next 3 years beyond normal capital expenditure programme
- Significantly reduce processing costs for domestic natural stone
- Accelerate investment in block paving to reduce material input costs
- Improve efficiencies through more automated material handling
- Increase utilisation of block plants by increasing product offering
- Reduce cost base by £5m per annum

- Phase 1 return to pre-recession profitability – achieved
- A supportive market environment through to 2020
- Achieve price increases to cover cost increases
- Additional capital investment programme of £15m to deliver cost savings of £5m per year
- Achieve sales growth for the smaller UK businesses of at least 10% per annum
- New product development to accelerate annually
- Increased investment in digital strategy
- Acquisition strategy to enhance this organic growth
- Our 2020 Strategy will drive long term growth and shareholder returns

- The successes of 2015 give the Group a strong platform from which to build
- 2016 has started well – order intake up 6% versus strong comparators

- Good revenue growth – up 8%
- Improving operating margins – up 260 basis points
- Strong PBT growth – up 57%
- Continued improvement in ROCE – up 650 basis points to 19.0%
- Strong cash flow performance
- Strong ordinary dividend growth + 19% plus a supplementary dividend of 2p
- Acquisition strategy actively being pursued
- 2020 Strategy underway

Appendices

Additional Information and ratios



	2015	2014
Interest:		
Charge	£2.2m	£2.9m
Cover	17.2 times	8.8 times
EPS	14.32p	10.13p
Dividend:		
2015 interim and final recommended	7.00p	6.00p
Cover (ordinary)	2.0 times	1.7 times
Supplementary dividend recommended	2.00p	—
Cover (total)	1.6 times	1.7 times
Weighted average number of shares	196.6m	196.1m
Net asset value	£192.7m	£181.9m

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Construction Products Association



£m/% change	2014 Actual	2015 Estimate	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast
Housing						
	27,591	28,555	29,420	30,602	31,119	31,646
	25.5%	3.5%	3.0%	4.0%	1.7%	1.7%
Other New Work						
	51,160	55,418	58,402	61,951	66,420	70,988
	1.5%	8.3%	5.4%	6.1%	7.2%	6.9%
Repair, Maintenance and Improvement						
Private Housing	16,700	17,034	17,545	18,071	18,614	19,172
	8.2%	2.0%	3.0%	3.0%	3.0%	3.0%
Total	47,935	47,636	48,536	49,461	50,412	51,303
	5.4%	(0.6)%	1.9%	1.9%	1.9%	1.8%
Total All Work	126,685	131,609	136,357	142,013	147,950	153,937
	7.5%	3.9%	3.6%	4.1%	4.2%	4.0%

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Financial Flexibility



	2015 Actual
EBITA: Interest charge	26.5 times
Net Debt: EBITDA	0.2 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

Driving Growth

Net Assets



	£m
2014 Net Assets	181.9
Impact of movements in the year:	
Profit for the financial year	28.1
Ordinary dividends	(12.3)
Actuarial movement on pensions (after tax)	(3.1)
Hedging reserve	0.8
Share-based payments (after tax)	2.3
Purchase of own shares	(4.6)
Foreign currency translation differences	(0.1)
Non-controlling interest	(0.3)
	10.8
2015 Net Assets	192.7



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