


Marshalls plc
2024 Half Year Results Review and Outlook

Positioning the Group for outperformance over the medium term

12 August 2024

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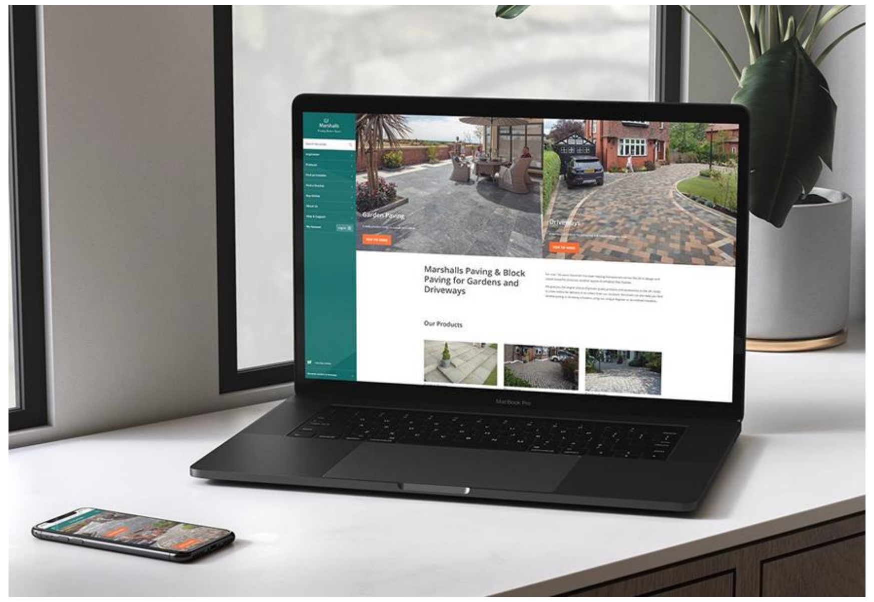
Agenda

- Half year in review
- Half year financial results
- Strategy update
- Summary and outlook
- Q&A



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Matt Pullen,
Chief Executive

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Chief Financial Officer

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Half year in review

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Six-month reflections

- First impressions confirmed – very optimistic for the medium term
- Building Products and Roofing Products in good shape
- Landscape Products has been challenging
  - Steps being taken to strengthen and build on market leading position
- Diversification through recent acquisitions creating value
  - Reinforcing resilience and creating a more balanced portfolio
  - Providing a platform for the next chapter of growth
- Decisive actions taken in 2023 underpin operational gearing to capitalise on the recovery…
- …with significant opportunity to deliver outperformance over the medium term

Half year 2024 in review – a resilient Group performance

- Resilient Group result in weak end markets; however, more challenged performance in Landscape Products
  - Partly mitigated through self-help measures and tight cost management
  - Steps being taken to strengthen and build on our market leading position in Landscape Products
- Continued focus on cash flow resulted in strong cash conversion and reduced net debt
- Profit and net debt for FY2024 expected to be broadly in-line with Board's previous expectations, assuming modest market improvement in H2
  - Encouraged by improving macroeconomic picture and new Government agenda
- Excited for the medium term
  - Strategy development is underway, highlighting meaningful opportunities for outperformance and profitable growth
  - Capital markets event on 19 November 2024

Financial headlines

Revenue	£306.7m	13% ↓
Adjusted basic EPS	7.9p	23% ↓
Adjusted operating profit	£34.0m	19% ↓
Interim dividend	2.6p	none ↔
Adjusted PBT	£26.6m	20% ↓
Pre-IFRS 16 net debt	£155.8m	£28.8M ↓

Note: Adjusted PBT stated after adding back adjusting items totaling £5.1 million; see page 32 for details

Half year financial results

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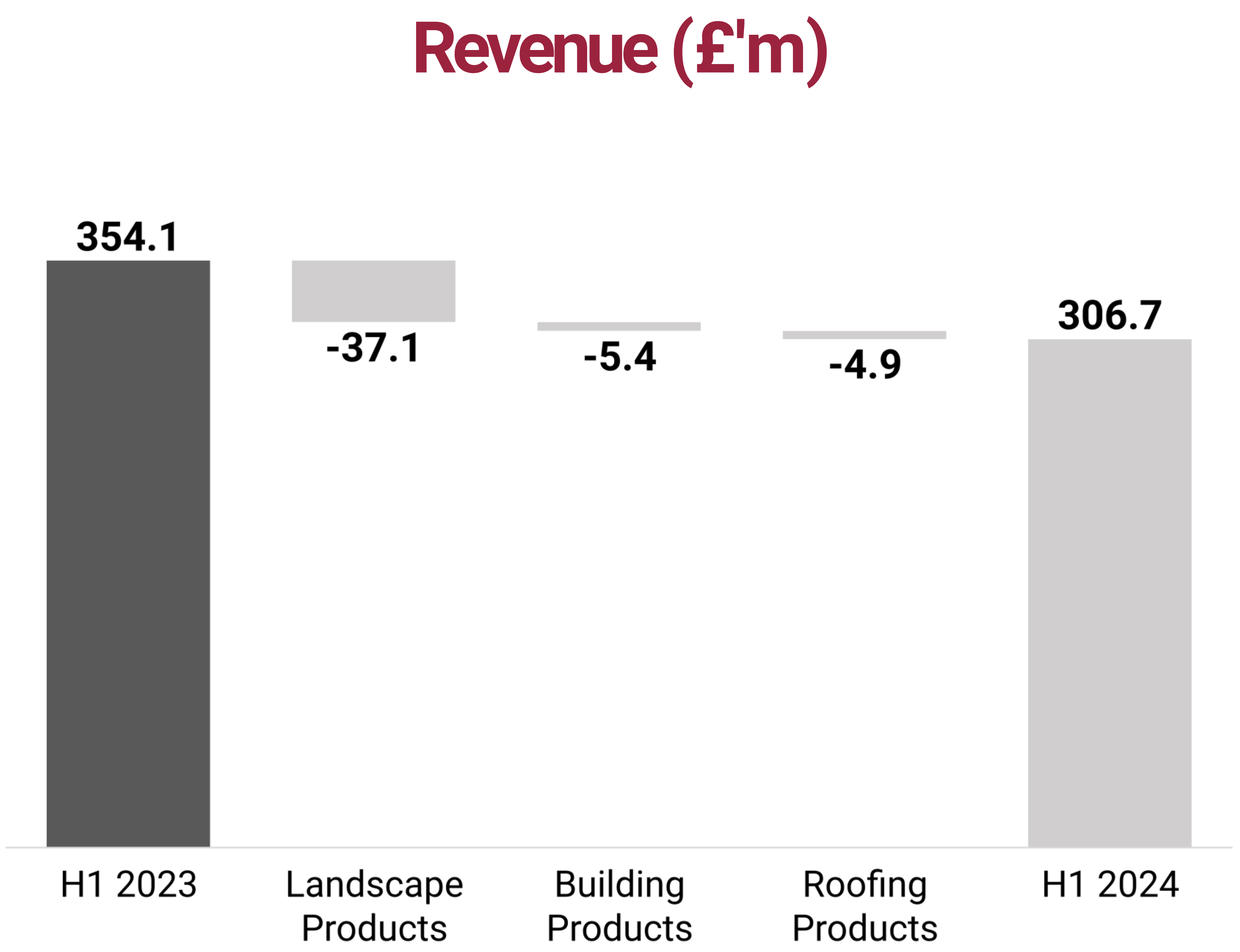
Group revenue

Revenue contracted due to weak end market demand

- Revenue contracted by 12 per cent on a like-for-like basis
- Landscape Products like-for-like revenue contracted by 19 per cent due to lower volumes and impact of weak demand on price realisation
- Revenue in Building Products reduced by six per cent with growth in Civils and Drainage being offset by a contraction in bricks and mortars
- Roofing Products revenue contracted by five per cent due to weaker Marley volumes partially offset by growth from Viridian Solar

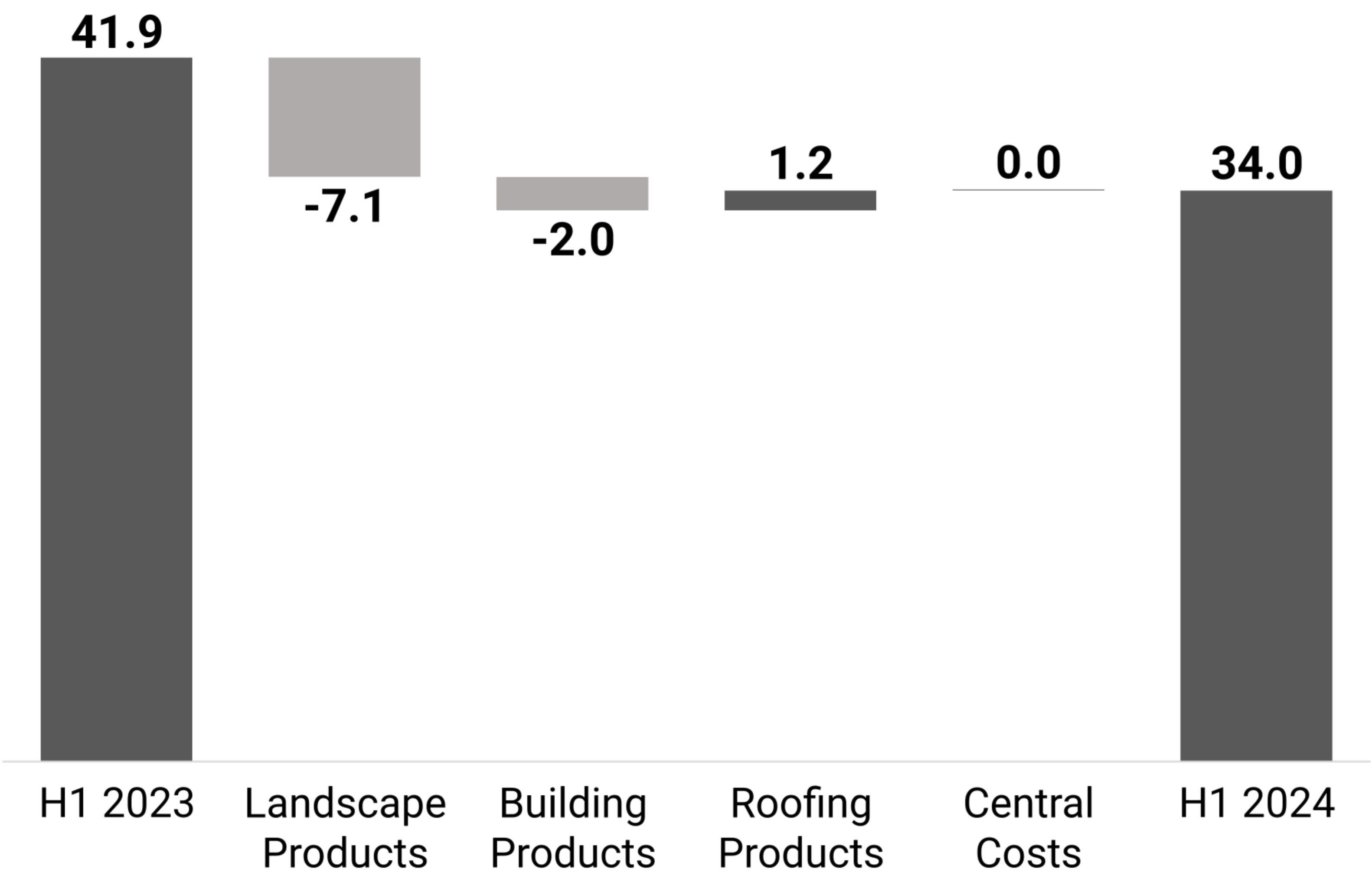


Group adjusted operating profit

Resilient Group performance in weak end markets

- Group operating profit contracted by £7.9 million principally due to lower profitability in Landscape Products
- Roofing Products delivered year-on-year growth of £1.2 million with increasing contribution from integrated solar
- Actions to reduce cost and mothball capacity in 2023 delivered savings in-line with Board’s expectations
- Group operating margin contracted by 0.7ppts to 11.1 per cent due to adverse operating leverage in Landscape and Building Products partially offset by growth in Roofing Products

Adjusted operating profit (£'m)



Note: Operating profit is stated after adding back adjusting items totaling £5.1 million. See page 32 for details.

Landscape Products

Weaker performance due to lower volumes and tougher pricing environment

- Reduced end market demand adversely impacted business volumes exacerbated by some loss in market share
- Revenues contracted by 19 per cent year on year on a like-for-like due to lower volumes and pricing
- Decline in segment operating profit of £7.1 million to £8.3 million arising from lower volumes together with margin squeeze from tougher pricing environment
- Cost savings from 2023 restructuring actions being delivered in-line with plan

	2024 £'m	Change %
Revenue	137.0	19%*
Segment operating profit	8.3	46%
Segment operating margin %	6.1%	2.7ppts

Comprises the Group's Commercial and Domestic landscaping business, Landscape Protection and International businesses

* On a like-for-like basis

Building Products

Continued weak new build housing activity reduced volumes and profitability

- Challenging trading conditions driven by continuation of weak new build housing demand
- Revenue contracted by six per cent with growth in Civils and Drainage being offset by lower revenues in the Group's bricks and mortars businesses
- Operating profit contracted by £2.0 million to £6.4 million due to lower sales volumes partially offset by cost savings
- Brick capacity recommissioned in H1

	2024 £'m	Change %
Revenue	81.8	6%
Segment operating profit	6.4	24%
Segment operating margin %	7.8%	1.8ppts

Comprises Civils and Drainage, Bricks and Masonry, Mortars and Screeds and Aggregates businesses

Roofing Products

Resilient performance demonstrating benefits of less discretionary RMI market and integrated solar growth

- Continued weak new build housing activity together with more resilient RMI and growth in Viridian Solar, resulted in 5 per cent contraction in revenues
- Segment operating profit grew by 5 per cent to £23.2 million due to robust price over cost discipline partially offset by lower Marley volumes
- Segment operating margins increased - expected to be in the range of 20 to 25 per cent in the medium term

	2024 £'m	Change %
Revenue	87.9	5% ↓
Segment operating profit	23.2	5% ↑
Segment operating margin %	26.4%	2.7ppts ↑

Comprises concrete and clay roof tiles, timber battens and integrated solar panels

Adjusted profit before taxation and earnings per share

Profitability impacted by weak construction market

- Operating profit was £34.0 million, representing a 19 per cent reduction YoY
- Lower financing costs reflect reduced borrowings and lower lease costs partially offset by higher base rates
- Profit before tax contracted by 20 per cent year on year to £26.6 million
- Effective tax rate of 25 per cent - higher than 2023 due to increase in UK headline rate
- EPS contracted by 23 per cent due to weaker H1 operating performance and higher effective tax rate, partially offset by lower finance costs

	2024 £'m	Change %
Operating profit	34.0	19% ↓
Finance costs	(7.4)	15% ↓
Profit before taxation	26.6	20% ↓
Effective tax rate (%)	25%	2ppts ↑
EPS – pence	7.9p	23% ↓

Note: PBT stated after adding back adjusting items totaling £5.1 million; see page 32 for details

Cash flow

Reduction in net debt delivered by strong management of cash and logistics outsourcing

- Strong annualised cash conversion with 111 per cent of EBITDA due to strong management of working capital
- Finance and tax payments reduced due to lower liabilities and timing of payments
- Net capex of £0.7 million comprises capex spend of £5.1 million less a £4.4 million benefit from site disposals
- Viridian Solar contingent consideration payment
- Leases accounting treatment reflects logistics outsourcing
- Reduction in net debt of £34.6 million reflecting cash generative nature of the business and benefit of lease de-recognition

	2024 £'m	Change £m
Operating profit	34.0	(7.9)
Working capital and non-cash items	**2.2**	**3.3**
Finance cost and tax paid	**(7.1)**	**7.9**
Adjusting items paid	(3.4)	(1.8)
Net capex	**(0.7)**	**6.0**
Acquisitions and disposals	**(2.6)**	**1.8**
De-recognition of leases	**24.4**	**19.1**
Other	(12.2)	(0.4)
Change in net debt	**34.6**	**28.0**

Note: Operating profit stated after adding back adjusting items totaling £5.1 million; see page 32 for details

Ongoing capital discipline

Good control of working capital; medium-term target to rebuild ROCE to c.15 per cent; progressive deleveraging

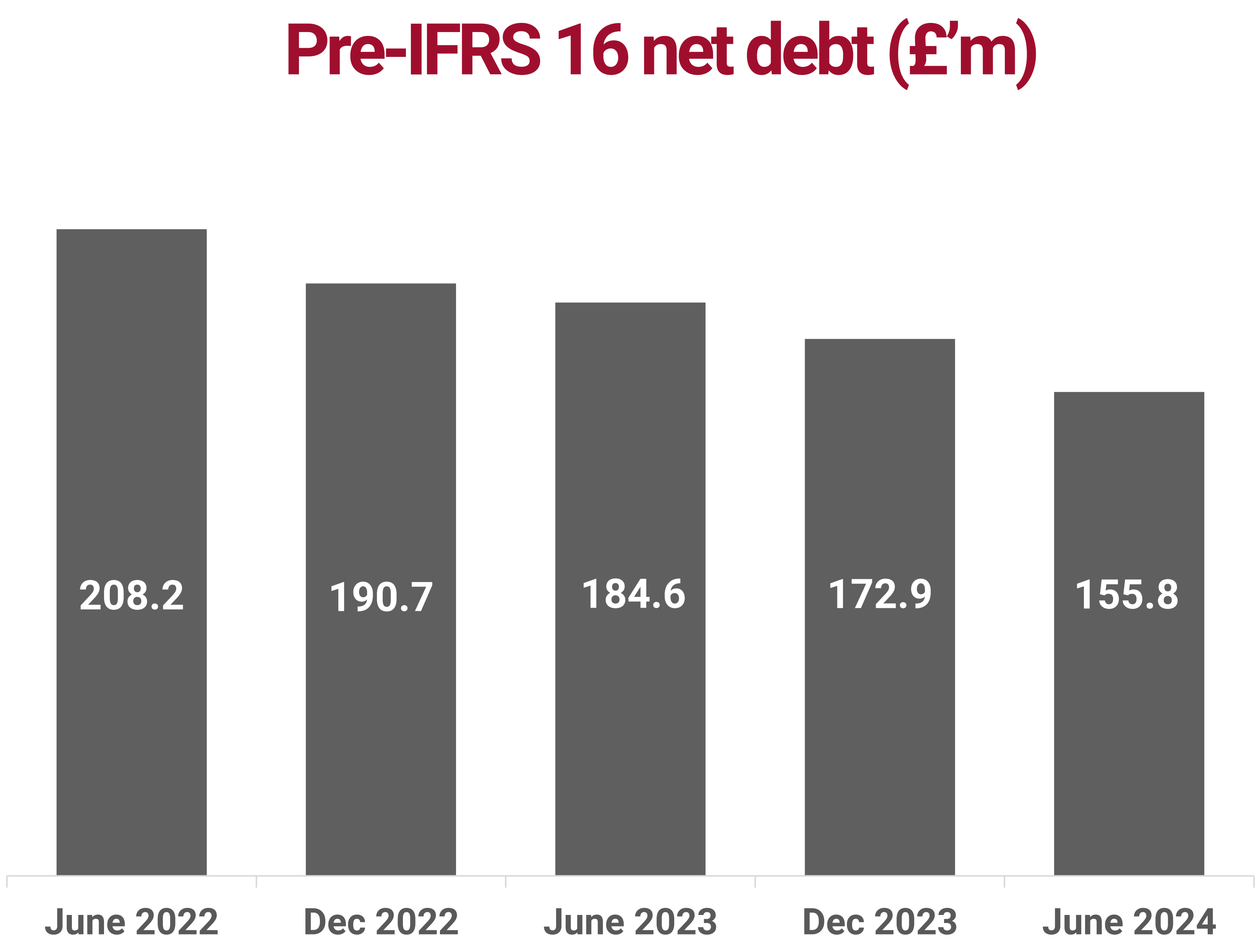
- Continued focus on maintaining capital discipline through active working capital management
- Expecting to build inventory in H2 to be well-positioned for the market recovery
- Annualised return on capital employed of 7.6 per cent; medium-term target of around 15 per cent when market volumes recover
- Pre-IFRS 16 net debt to adjusted EBITDA of 1.8 times, reduced from 1.9 times at FY23
- Cash generative nature of business model expected to support progressive deleveraging

	2024 £'m	Change
Debtor days	47 days	1 day ↓
Creditor days	56 days	1 day ↑
Inventory turn (times per annum)	2.8X	none ↔
Adjusted ROCE	7.6%	3ppts ↓
Net debt to adjusted EBITDA leverage	1.8X	0.2X ↑

Funding and liquidity

Material YoY reduction in drawn borrowings; significant liquidity and covenant headroom

- Syndicated bank facility of £340 million - principally matures in April 2027
- Net debt of £183.0 million and £155.8 million on a pre-IFRS16 basis
- Cash generative nature of the Group illustrated by £28.8 million YoY reduction in pre-IFRS16 net debt
  - £50 million+ reduction in last two years
- Comfortable headroom against covenants
  - EBITA: interest charge – 5.0X (covenant = more than 3X)
  - Net debt: adjusted EBITDA – 1.8X (covenant = less than 3X)
- Bank facility headroom of £145.0 million at June 2024



Note: Adjusted EBITDA is on a pre-IFRS16 basis and is stated after adding back adjusting items set out on page 32.

Capital allocation

Clear and unchanged policy

1 Organic growth

Capital investment remains core to strategic growth

Capex of c.£15 million planned for 2024

2 R&D and new product development

Continued focus on R&D and NPD

New product ranges focused on low carbon and energy efficiency products

3 Ordinary dividends

Maintaining dividend cover of two times adjusted earnings

Interim dividend of 2.6 pence per share

4 Balance sheet deleveraging

Target to reduce net debt to around one times adjusted EBITDA

5 Selective acquisitions

Target selective bolt-on acquisition opportunities

Strategy update

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Encouraging backdrop to developing our new five-year strategy

- Medium term outlook for the UK construction industry is positive with modest improvement expected in H2 and progressive recovery anticipated from 2025
- Supported by the new Government's agenda to get "Britain building again"
  - 1.5 million new homes
  - Implementation of Water Industry's next investment cycle
  - Commitment to renewables
- Underpinned by the continued urgent need for more sustainable solutions

Review of strategy is deepening our understanding of value creation opportunities

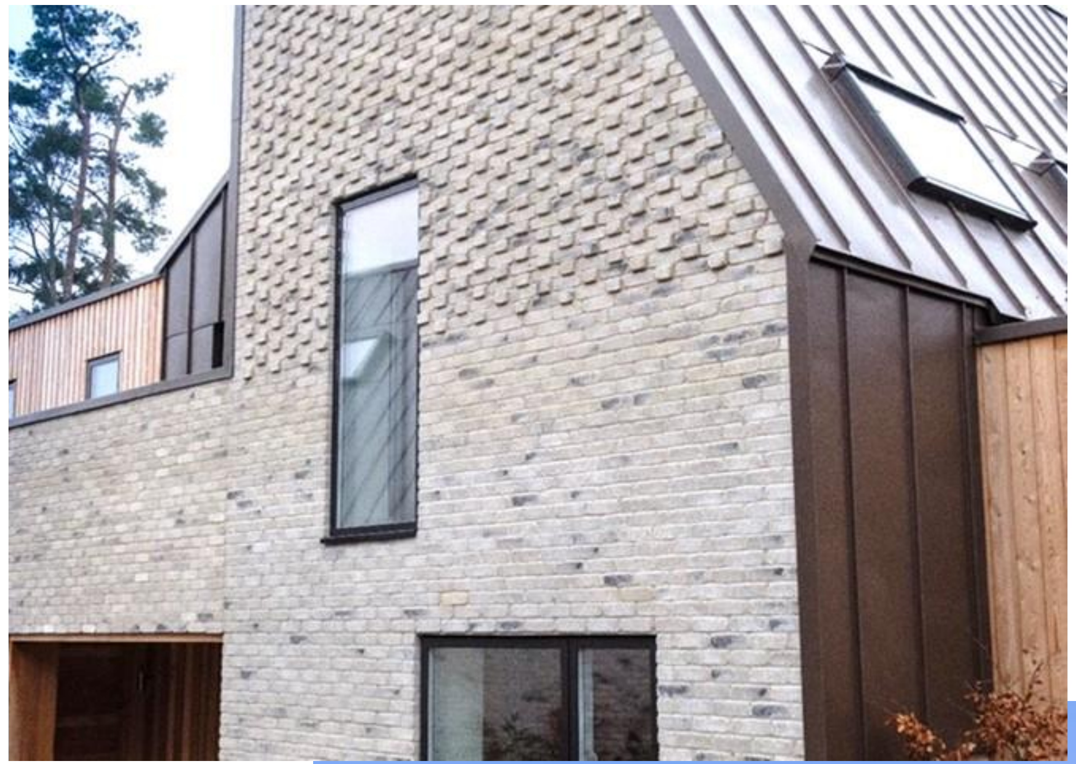
Enviable market leading positions and models in our core scale businesses

- Landscape Products has a unique and distinctive national model providing sources of competitive advantage
  - Product ubiquity and availability
  - End sector expertise allowing a more tailored specification and service model
  - National network enabling cost synergies, sustainability and distribution benefits
- Marley Roofing is a clear market leader with a track record of superior value creation
  - Very loyal installer base and commands strong premiums
  - Superior value creation through specification with a full roofing offer and integrated solar
- Operationally geared to capitalise on the market recovery
  - A return to 2019 volumes has potential to double PBT

Review of strategy is deepening our understanding of value creation opportunities

Recent acquisitions increased exposure to attractive markets with strong tailwinds

- Integrated solar and energy transition
  - Strong growth through uptake of Solar PV through Part L and Future Homes Standard
  - Penetration of solar in new build housing anticipated to mirror Scotland at c.80%
- Water management
  - Significant growth tailwinds in wastewater, surface water management and infrastructure
  - Benefit from a recovery in housebuilding and incremental Water Industry investment from the AMP8 cycle
- Concrete bricks
  - Anticipating strong demand tailwinds from an increase in housebuilding
  - Increasing adoption as a more sustainable alternative to clay
  - Wide variation in regional adoption provides opportunity for growth



Review of strategy is deepening our understanding of value creation opportunities

The Group is competitively advantaged for future growth

- Scale and national footprint
- Operational excellence and gearing in our core scale businesses
- Market leading brands with strong positions
- Technical expertise driving product differentiation
- Centres of innovation in sustainable technologies
  - Solar and energy transition
  - Water management
  - Concrete bricks

Summary and outlook

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Positioning the Group for outperformance over the medium term

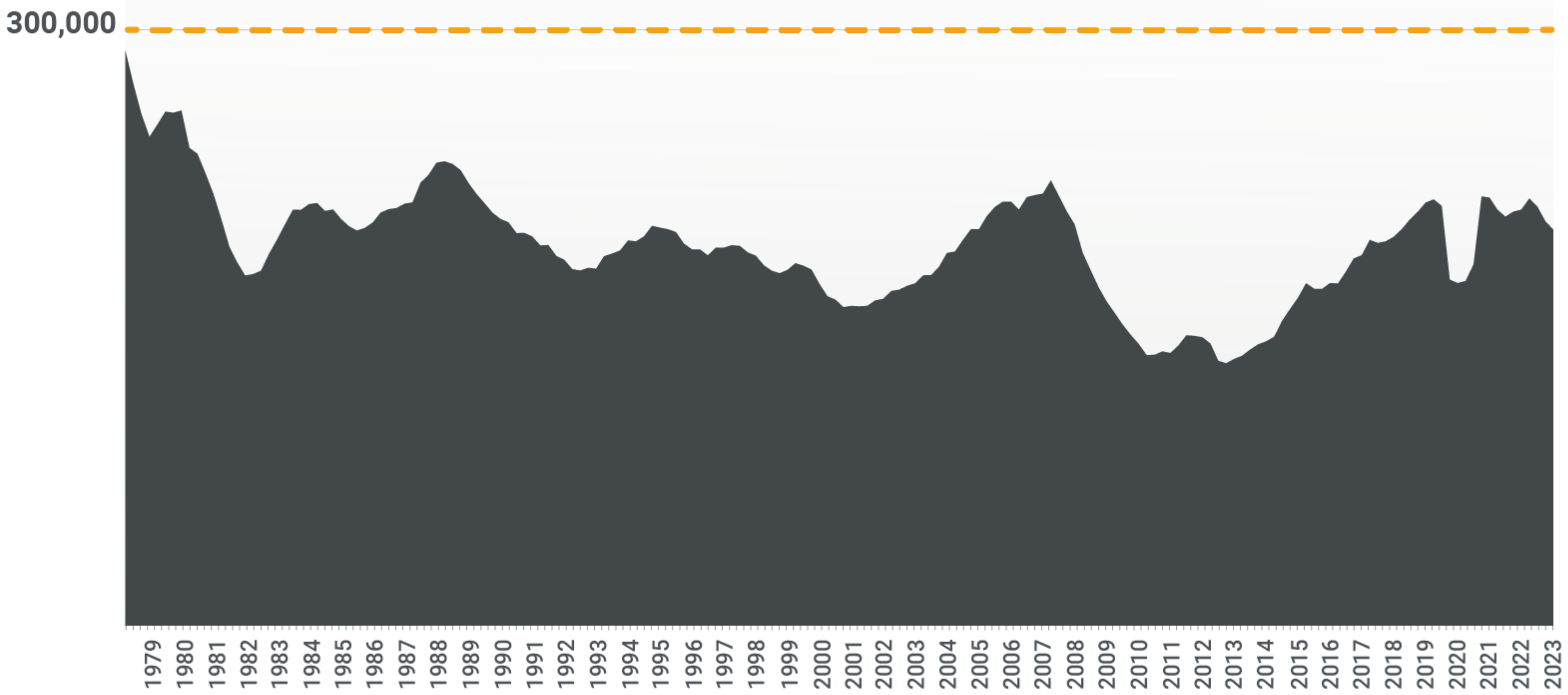
- Resilient Group performance in challenging markets in H1 2024
- Modest market recovery expected to commence in H2 2024 against an improving macro-economic backdrop
- Profit and net debt for 2024 expected to be broadly in-line with the Board's previous expectations
- Medium-term opportunity
  - UK construction activity is expected to grow in the next cycle…
  - …supported by the Government's mission to get "Britain building again"
  - Operationally geared to capitalise on market recovery
  - Review of strategy is deepening our understanding of the opportunities for value creation in the diversified Group
  - To be outlined at the November capital markets event

Appendices

Structural under-investment in construction expected to drive medium-term market outperformance

Material structural deficit in new build housing

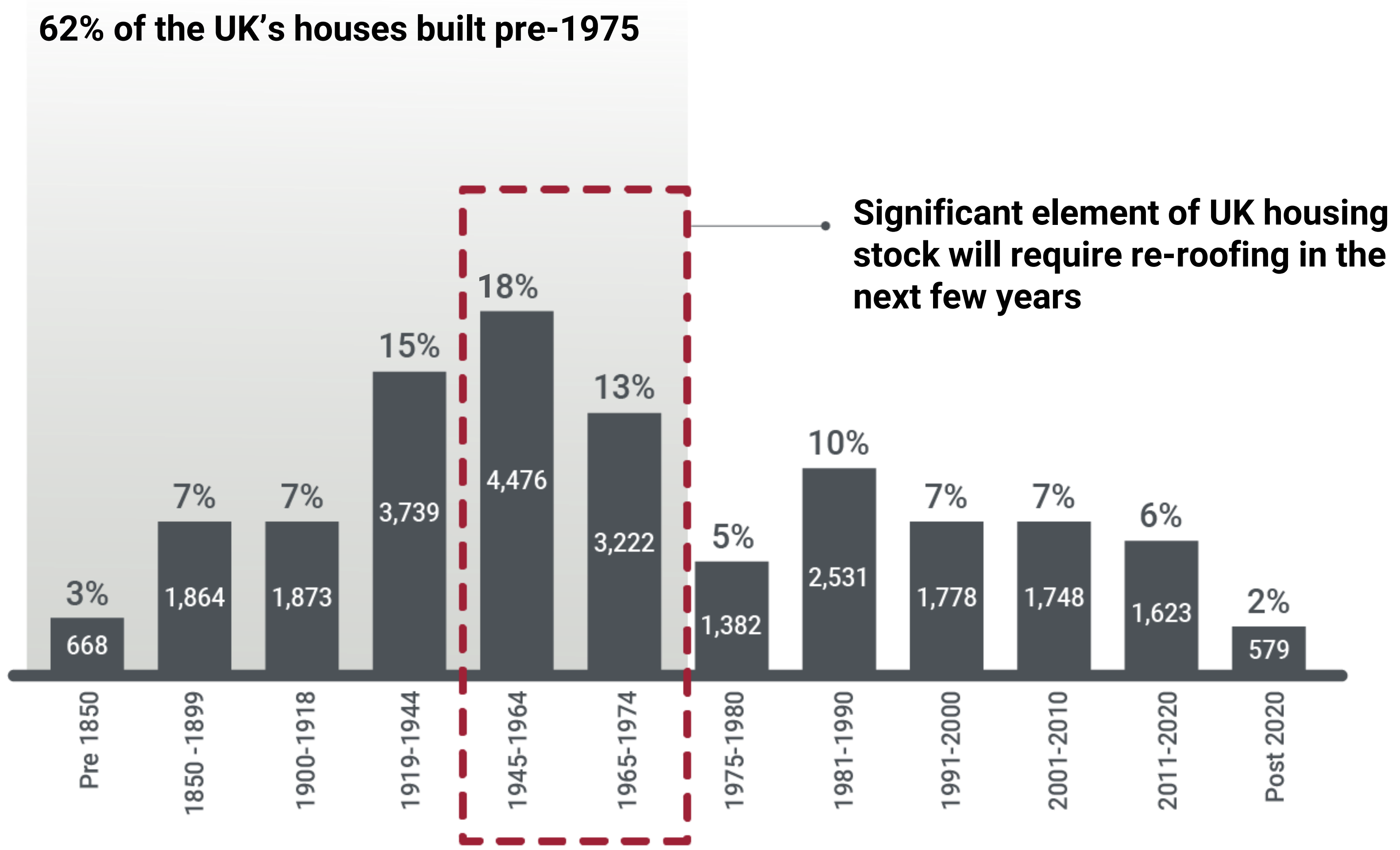
House building volumes compared to government targets



Source: England: Gov.uk; Scotland: Scottish Government;
Northern Ireland: finance-ni.gov.uk; Wales: Statswales.gov.wales

UK's housing stock continues to age, underpinning RMI demand going forward

Age profile of UK housing stock



Source: management estimates based on internal data

Group well positioned for when markets recover

20 per cent recovery in sales volumes has potential to double PBT

- Market recovery and volume growth will drive stronger returns with improved operational leverage
- 10 per cent volume growth delivers 200bps margin improvement and 50 per cent growth in PBT
- 20 per cent volume growth delivers a further 300 bps margin improvement and PBT doubles

	2023	10% Growth	20% Growth
Revenue	£671M	£738M	£805M
Adjusted operating profit	£71M	£94M	£127M
Adjusted PBT	£53M	£77M	£110M
EPS - pence	16p	23p	33p
Operating margin	11%	13%	16%

Ingredients in place to drive significant shareholder returns

Our key strategic goals define our medium-term targets

Execution of strategic goals delivers sustainable profit growth

- Group growth ahead of the market as structural under-investment addressed
- Leverage strong sustainability credentials

Higher volumes and efficiency improvements drive margin recovery

- Group operating margin of c.15 per cent

Strong cash conversion

- Target of c.85-90% EBITDA converting to OCF

Capital discipline and financial flexibility

- Re-build ROCE to c.15 per cent
- Clear capital allocation priorities; 2x dividend cover

Results summary

Challenging end market conditions continue to impact Group's financial performance

	2024	2023	Change %
Revenue	**£306.7m**	£354.1m	(13%)
Adjusted results			
EBITDA	**£50.6m**	£58.8m	(14%)
Operating profit	**£34.0m**	£41.9m	(19%)
Profit before tax	**£26.6m**	£33.2m	(20%)
Basic EPS	**7.9p**	10.2p	(23%)
ROCE (%)	**7.6%**	10.6%	(3ppts)
Pre-IFRS16 net debt	**£155.8m**	£184.6m	16%
Statutory results			
Operating profit	**£28.9m**	£26.8m	8%
Profit before tax	**£21.5m**	£16.7m	29%
Basic EPS	**6.4p**	5.2p	23%

Note: Adjusted PBT are stated after adding back adjusting items totaling £5.1 million. See page 32 for details.

Adjusted profit before taxation and earnings per share

Bridge of reported result to adjusted result

£'m	**2024 Reported**	**2024 Adjusting**	**2024 Adjusted**	2023 Reported	2023 Adjusting	2023 Adjusted
Operating profit	**28.9**	**5.1**	**34.0**	26.8	15.1	41.9
Net finance costs	**(7.4)**	**-**	**(7.4)**	(10.1)	1.4	(8.7)
Profit before taxation	**21.5**	**5.1**	**26.6**	16.7	16.5	33.2
Taxation	**(5.4)**	**(1.3)**	**(6.7)**	(3.8)	(3.9)	(7.7)
Profit after taxation	**16.1**	**3.8**	**19.9**	12.9	12.6	25.5
Earnings per share – pence	**6.4p**	**1.5p**	**7.9p**	5.2p	5.0p	10.2p

Note: PBT stated after adding back adjusting items totaling £5.1 million; see page 32 for details

Adjusting items charged to profit before taxation

	2024 £'m	2023 £'m
1. Amortisation of acquired intangible assets	**(5.2)**	(5.2)
2. Contingent consideration	**(1.6)**	(1.2)
3. Profit from significant property sale	**1.7**	--
4. Impairment charges, restructuring and similar costs	**-**	(9.3)
5. Disposal of Belgian subsidiary	**-**	0.6
Total adjusting items within operating profit	**(5.1)**	(15.1)
6. Adjusting items within finance costs	**-**	(1.4)
Total adjusting items	**(5.1)**	**(16.5)**

Notes:
1. Amortisation of intangible assets arising on acquisitions
2. Additional contingent consideration relates to the reassessment of the amounts that will become payable to vendors arising in relation to Marley's acquisition of Viridian Solar Limited in 2021
3. Profit arising on the sale of a former manufacturing site
4. Impairment charges, restructuring and similar costs comprise asset impairment charges, redundancy costs, other site closure costs and similar expenses
5. Profit of sale of the Group's interest in its former Belgian subsidiary
6. Non-cash finance charge arising from decision to augment pensioner benefits to avoid hardship following a review of historical benefit issues

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