SIG plc

2015 Half Year results

11 August 2015

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Highlights

- Group sales +3.1% in constant currency; +0.6% on LFL basis
- Improving trend in Mainland Europe; LFLs turned positive Q2 2015
- UK & Ireland LFL sales up 2.8%
- Strategic Initiatives ahead of schedule; £7m incremental benefit
- Gross margin up 20bps to 27.1%
- Supply chain review progressing well; findings presented Q4 2015
- Acquired eight infill businesses for initial consideration of £34m
- Interim dividend up 19% to 1.69p per share

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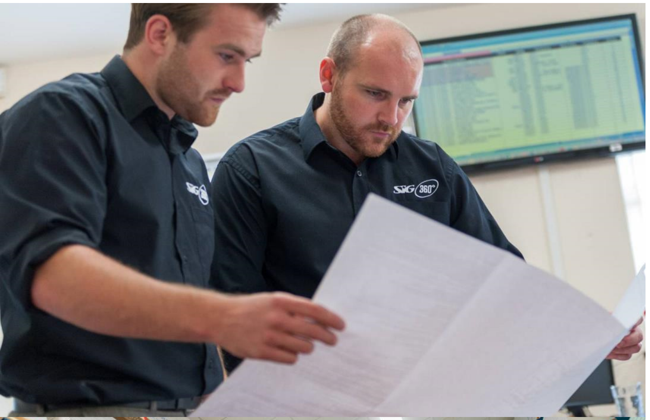

Financial review

Doug Robertson
Group Finance Director

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Financial summary

	H1 2015	H1 2014
Revenue	**£1,243.6m**	£1,278.6m
Gross margin	***27.1%***	*26.9%*
Operating profit	**£44.6m**	£49.3m
Operating margin	***3.6%***	*3.9%*
Profit before tax	**£39.1m**	**£43.0m**
Basic earnings per share	**4.8p**	5.2p
Dividend per share	**1.69p**	1.42p
Return on capital employed	**9.9%**	**10.1%**

£41.8m in constant currency

All figures are stated on an underlying basis excluding other items, as detailed in the appendix.

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Segmental performance

£m	H1 2015	H1 2014	*Change*	*LFL change*
UK & Ireland	**679.2**	642.1	*5.8%*	*2.8%*
Gross margin	***26.9%***	*26.5%*	*40bps*	
Mainland Europe	**564.4**	636.5	*(11.3)%*	*(1.5)%*
Gross margin	***27.2%***	*27.3%*	*(10)bps*	
Group revenues	**1,243.6**	**1,278.6**	***(2.7)%***	***0.6%***
UK & Ireland	**28.0**	25.8	*8.5%*	
Operating margin	***4.1%***	*4.0%*	*10bps*	
Mainland Europe	**21.4**	27.5	*(22.2)%*	
Operating margin	***3.8%***	*4.3%*	*(50)bps*	
Group* operating profit	**44.6**	**49.3**	***(9.5)%***	

* Adjusted for Parent Company costs.

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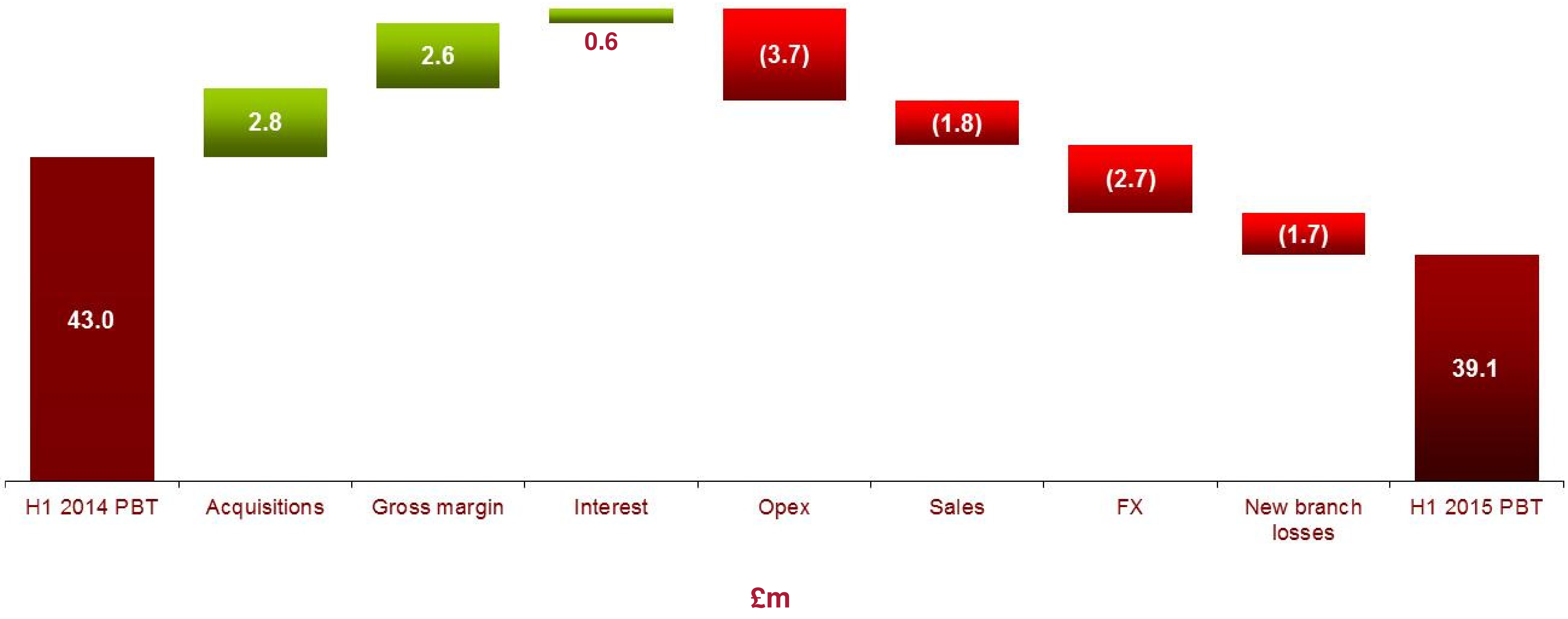
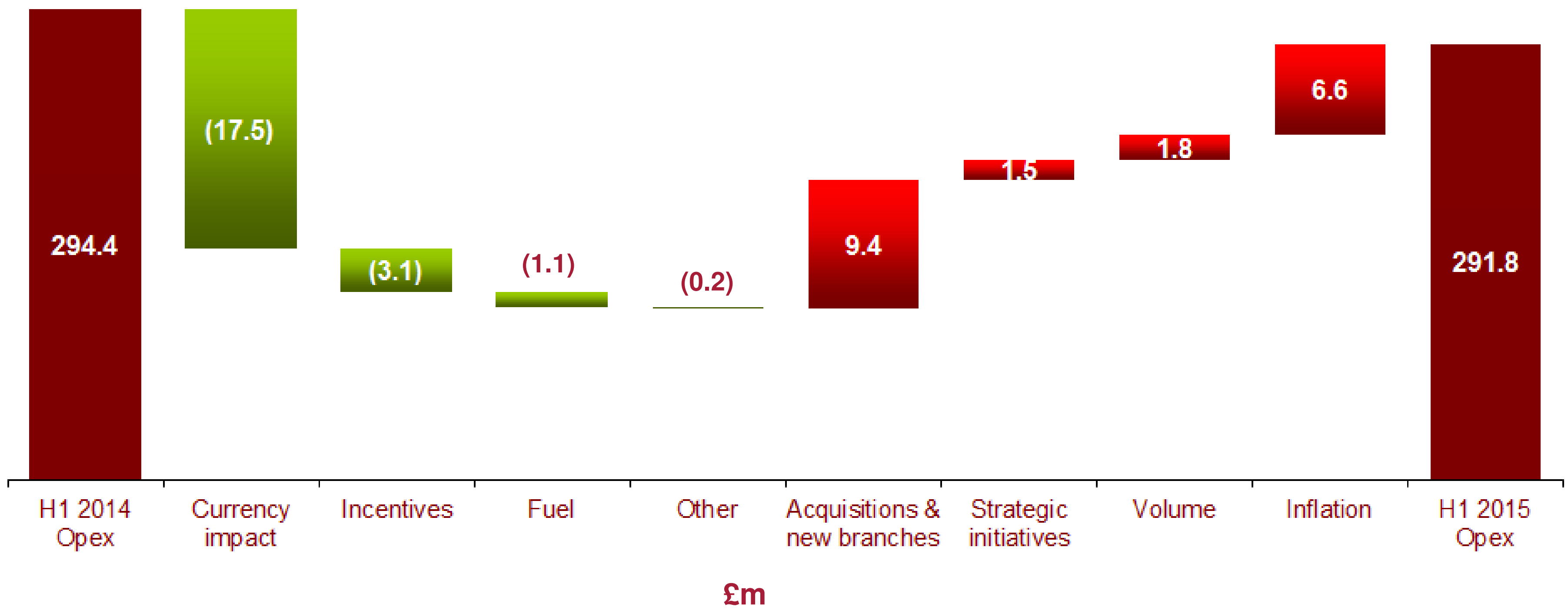
Movement in Group profit



Movement in Group operating costs



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Cash flow and net debt

£m	H1 2015	H1 2014
Cash inflow from trading	**51.0**	**53.8**
Increase in working capital	(37.0)	(26.8)
Cash inflow from operations	**14.0**	**27.0**
Interest and tax	(10.6)	(13.5)
Net maintenance capex	(12.5)	(14.7)
Free cash flow	**(9.1)**	**(1.2)**
Investment capex	(10.9)	(1.0)
Dividends	(17.6)	(14.2)
Sale of land	-	11.6
Net payment from purchase & sale of businesses	(30.6)	(4.9)
Special contribution to defined benefit pension scheme	(2.5)	(2.5)
Exchange and fair value movements & other	2.2	1.9
Increase in borrowings	**(68.5)**	**(10.3)**
Opening net debt	(126.9)	(121.2)
Closing net debt	**(195.4)**	**(131.5)**

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Increased pace of infill acquisition programme

- Important element of our growth strategy; strong pipeline
- Targeting c.£200m expenditure 2015 - 2017
- Maintaining strict hurdle rates based on ROCE
- Acquired businesses performing well and exceeding targets
- H1 2015: Eight acquisitions for £34.0m & earn-out up to £10.2m
  - Four regional infills in UK (all roofing)
  - Three geographic and product infills in Mainland Europe (air handling, interiors and insulation)
  - One interiors business in the Middle East complementing existing operation
- UK technical insulation business also acquired in July

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2015 guidance

	March 2015	Latest view
Market outperformance	2 – 3%	*1 – 2%*
Capex	1.5 – 2.0x depreciation	*Unchanged*
Year end leverage	1.0 – 1.5x	*Unchanged*
FX translation	1c Δ (€) = c.£0.5m profit	*Unchanged*
Effective tax rate	c.27.5%	*c.26.5%*
Strategic initiatives (cumulative)	c.£20m	*£20m +*
Return on capital employed	>11%	*Unchanged*

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Business review & outlook

Stuart Mitchell

Chief Executive

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UK & Ireland

	H1 2015 Sales	Change	LFL change	Vs Market	Gross margin Δ
UK	£644.2m	6.0%	2.1%	0.4%	40bps
Ireland	£35.0m	2.0%	14.8%	2.8%	90bps

- Competitive pressures in insulation & interiors market
- SIG focused on quality of earnings
- Lower than anticipated collected sales in roofing
  - Weak demand in RMI sector
- UK ERP system roll out on track to complete 2016
- Investing in offsite prefabrication capabilities
- H2 outlook remains positive

SIG INSULATION SIG ROOFING

SIG INTERIORS SIG TECHNICAL INSULATION

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France

H1 2015 Sales	Change	LFL change	Vs Market	Gross margin Δ
£261.7m	(13.0)%	(3.4)%	1.6%	(30)bps

- Market remained challenging H1 2015
- Weak residential sector; new housing starts down 7%
- Improving quarterly sales trend for SIG
  - Q4 2014 (10.1)%; Q1 2015 (6.0)%; Q2 2015 (0.9)%
- Continued market outperformance
- Grow organically and through infill acquisitions

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Germany & Austria

H1 2015 Sales	Change	LFL change	Vs Market	Gross margin ∆
£178.7m	(12.9)%	(2.5)%	0.4%	No change

- Growth in residential market remains robust
- Weak demand in non-residential and industrial sectors
  - c.75% of SIG's sales in the region
- Technical insulation affected by shift to renewable energy
  - Diversify customer base
- Three branches closing H2; annualised savings of £1.2m

Vertrieb Technischer Isolier-dämmstoffe

WeGo Systembaustoffe

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Benelux / ATC / Poland

	H1 2015 Sales	Change	LFL change	Vs Market	Gross margin ∆
Benelux*	£76.0m	(1.7)%	7.7%	4.4%	60bps
Poland	£48.0m	(9.9)%	0.2%	3.6%	(60)bps

Coolag Hamar TECHNISCHE ISOLATIEMATERIALEN

MPA BOUWSPECIALITEITEN

Modulus PLAFOND- EN WANDMATERIALEN

AIR TRADE CENTRE Durable HVAC Solutions

SIG Poland

- Market conditions improving in The Netherlands
- Belgium remains challenging
- Strong H1 for Air Trade Centre; LFLs up 10.6%
- Good growth prospects in air handling market
- Signs of recovery in Polish market

* Includes international air handling business, except for market outperformance which is Benelux only.

Change programme stage one
Procurement

Procurement

Strategic Initiatives ahead of schedule

- £7.0m incremental net benefit H1 2015
  - 70bps improvement in underlying gross margin
  - Offsetting pressures give 20bps net gain
- £17.1m cumulative saving last 18 months
- High confidence in achieving future targets
  - At least £20m in 2015 & at least £30m in 2016

Procurement milestones		
Fully recruited team	2014	Complete
Reduce suppliers by 33%	2015	On track 29% reduction
Grow own label by 50%	2016	On track 30% increase

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Change programme stage two
Supply chain

Order fulfilment

Rationale

- Current cost to serve is too high
- Insulation / interiors c.90% delivered direct to site
- Need to adapt to changing customer demands

Scope

- End to end movement of products from suppliers to customers
- All of SIG's branch network and commercial vehicles

Vision

- Increase separation of sales from fulfilment
- Build more professional supply chain function
- Reduce cost to serve and improve customer service

Status

- Progressing well with findings presented at CMD in November 2015
- Any savings identified incremental to current targets

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Clear opportunities to further improve efficiency and grow the business

Efficiency

'Stronger Together' business transformation programme

- Professionalising our procurement function
- Comprehensive review of supply chain business model
- Use of eCommerce to serve our customers better

Capitalising on our core skills to grow the business

- Geographic and product infill acquisitions
- Developing a leading pan-European air handling business
- Moving up the value chain through offsite prefabrication

Growth

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2015 Outlook

- Full year outlook broadly unchanged
- Underlying market conditions resulting in margin pressure
  - Offset some of the benefit from Strategic Initiatives
- Expect to make year-on-year progress
  - Assumes improving Mainland Europe sales trend continues
  - Results H2 weighted as anticipated

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Delivering on our strategy

- Variable markets & increasing competitive pressures in H1
- Continuing to focus on quality of earnings
  - Gross margin increased 20bps
- Strategic Initiatives ahead of schedule
  - Procurement delivering significant savings
  - Supply chain review progressing well
- Acquisitions performing well with strong pipeline
- Clear opportunities to further improve efficiency and drive growth in the business

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Appendix

Sales analysis

H1 2015	Mainland Europe	UK & Ireland	Group
Price	0.9%	0.2%	0.6%
Volume	(2.4)%	2.6%	-
Like-for-like	**(1.5)%**	**2.8%**	**0.6%**
Currency	(11.1)%	(0.6)%	(5.8)%
Acquisitions	1.3%	3.6%	2.5%
Reported	**(11.3)%**	**5.8%**	**(2.7)%**

Impact of disposals on prior year comparators

£m	Sales	Underlying PBT
H1 2014 reported in prior year	1,286.9	41.5
Ice Energy	(8.3)	1.5
H1 2014 continuing operations	**1,278.6**	**43.0**

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Balance sheet

£m	H1 2015	H1 2014
Net Capex*	23.4	15.7
Depreciation**	12.5	11.7
Capex / Depreciation	1.9x	1.3x
Net working capital	235.5	235.5
Net debt	195.4	131.5
Net debt / EBITDA ratio***	1.48x	1.0x
Interest cover***	9.8x	9.7x

* Excluding sale of land.

** Including amortisation of computer software.

*** Based on covenant calculation.

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Working capital

	H1 2015	H1 2014
Stock days	**46**	45
Debtor days	**51**	49
Creditor days	**48**	48
Working capital / sales	**9.4%**	8.9%
Cash conversion*	**89.8%**	94.7%
Medium term cash conversion* (last 3 years)	**98.0%**	106.9%

* Excludes cash costs on restructuring and one-off pension payments.

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Other items

£m	H1 2015	H1 2014
Amortisation of acquired intangibles	4.5	9.4
Profits and losses on sale of businesses	-	8.3
Operating losses attributable to businesses divested in 2014	-	5.7
Restructuring costs and other one-off items	3.4	6.2
Contingent consideration and acquisition expenses	3.1	0.6
Net fair value losses on derivative financial instruments & unwinding of provision discounting	1.3	1.0
Total	12.3	31.2

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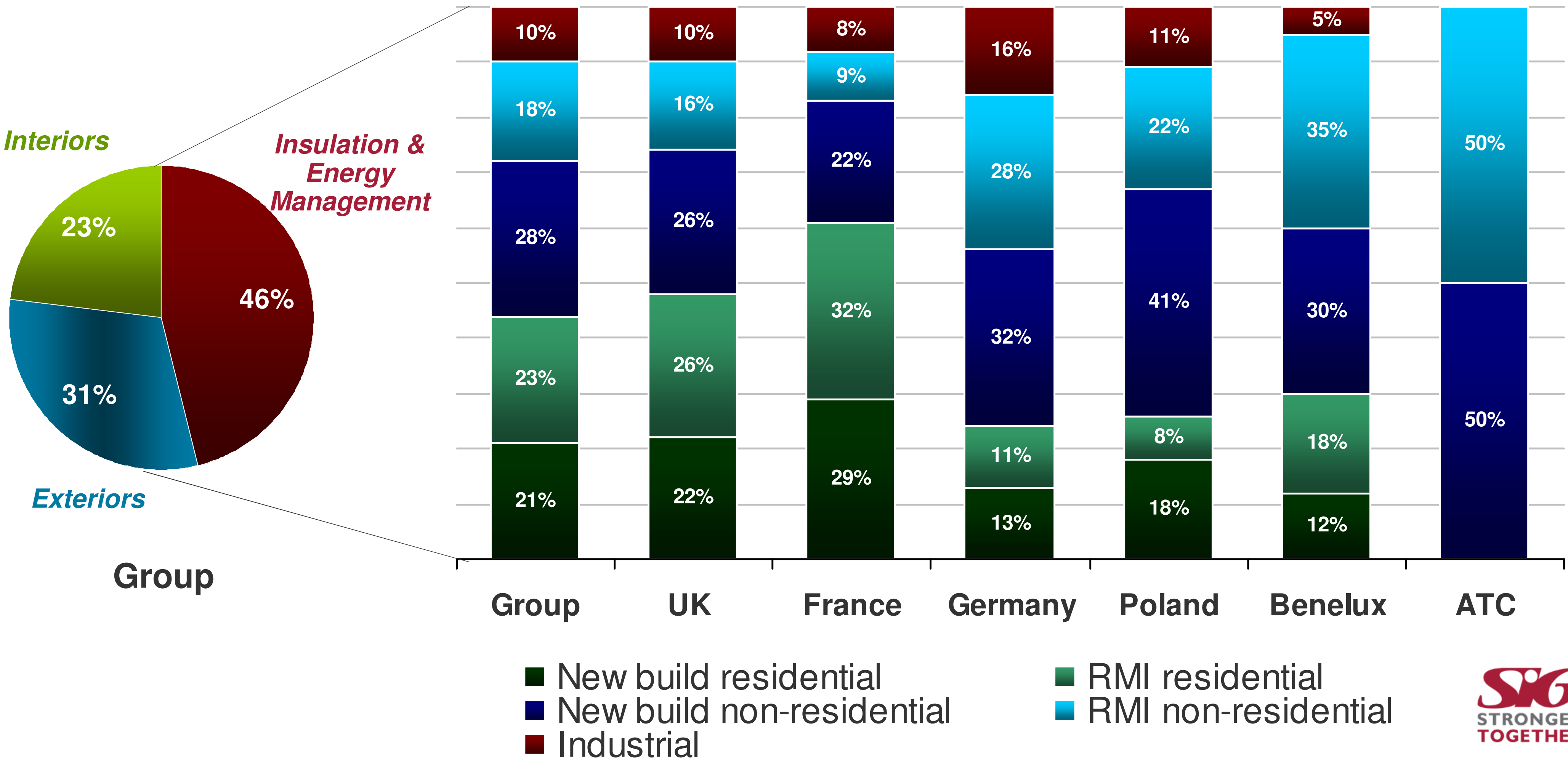
Market exposure H1 2015



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Trading sites movement

	31 Dec 2014	Closed/ merged	Opened	Acquired	Disposed	30 June 2015
UK	298	(1)	2	6	-	305
Ireland	12	-	1	-	-	13
UK & Ireland	**310**	**(1)**	**3**	**6**	**-**	**318**
France	210	-	1	2	-	213
Germany & Austria	61	(3)	1	-	-	59
Benelux*	33	-	-	-	-	33
Poland	52	(2)	-	-	-	50
Mainland Europe	**356**	**(5)**	**2**	**2**	**-**	**355**
Group Total	**666**	**(6)**	**5**	**8**	**-**	**673**

* Includes Air Trade Centre

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Definition of terms

Continuing operations	Excluding the impact of any disposals made in current and prior year
Like-for-like	Sales per day in constant currency excluding acquisitions and disposals
ROCE	Return on Capital Employed, calculated on a rolling 12 month basis as underlying operating profit less tax, divided by average net assets plus average net debt
WACC	Weighted Average Cost of Capital
Leverage	Ratio of closing net debt over underlying operating profit before depreciation, adjusted for the impact of acquisitions and disposals during the previous 12 months ("EBITDA")
Working capital to sales	Ratio of working capital (including provisions but excluding pension scheme obligations) to annualised sales (after adjusting for acquisitions and disposals) on a constant currency basis
Underlying gross margin	Ratio of underlying gross profit to underlying sales (excluding disposals)
Underlying operating margin	Ratio of underlying operating profit to underlying sales (excluding disposals)
Interest cover	Ratio of the previous twelve months' underlying operating profit (including the trading losses and profits associated with divested businesses) over net financing costs (excluding pension scheme finance income and costs)

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