

SIG plc

2015 Full Year results

9 March 2016



2015 summary

Group sales up 3.7% in constant currency

Performance affected by weak H2 trading conditions and FX

Strategic Initiatives ahead of schedule; £12.6m net benefit

£78m expenditure on infill acquisitions

Reshaping supply chain; focus on value added growth

Full Year dividend increased to 4.6p per share



Financial review

Doug Robertson
Group Finance Director



Key financials

	2015	2014
Revenue	£2,566.4m	£2,602.9m
Gross margin	26.8%	26.9%
Operating profit	£98.7m	£111.2m
Operating margin	3.8%	4.3%
Profit before tax	£87.4m	£99.1m
Basic earnings per share	11.2p	12.0p
Dividend per share	4.60p	4.40p
Return on capital employed	9.3%	10.4%

£2,698.0m
in constant
currency

£92.2m in
constant
currency

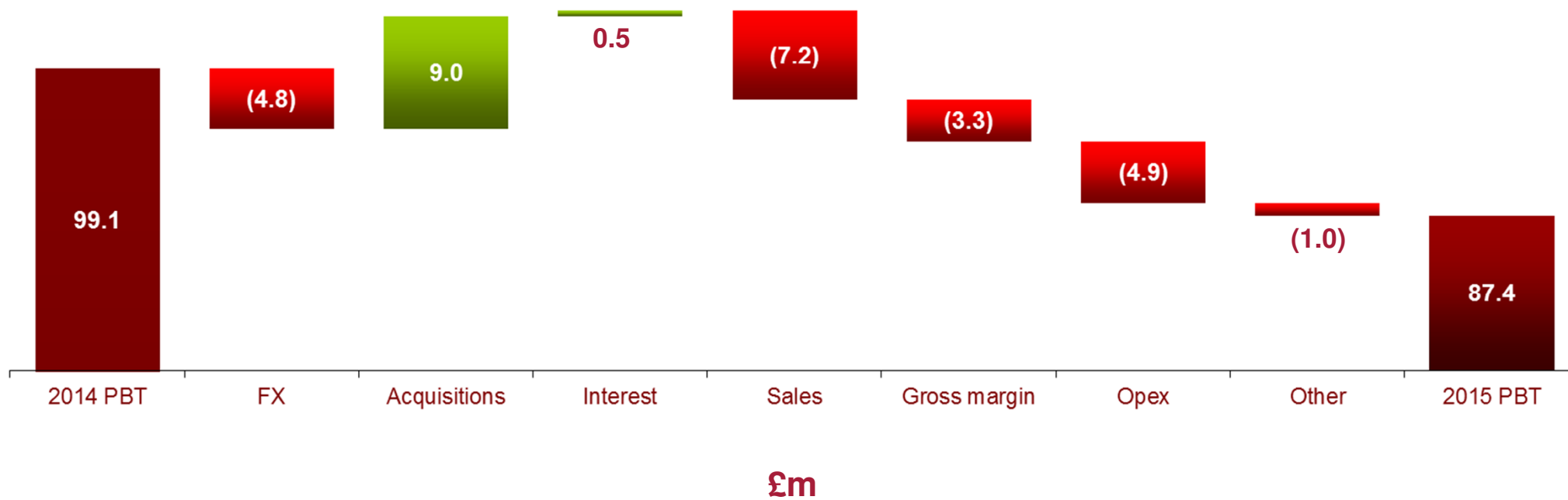
All figures are stated on an underlying basis excluding Other items, as detailed in the appendix.

Segmental performance

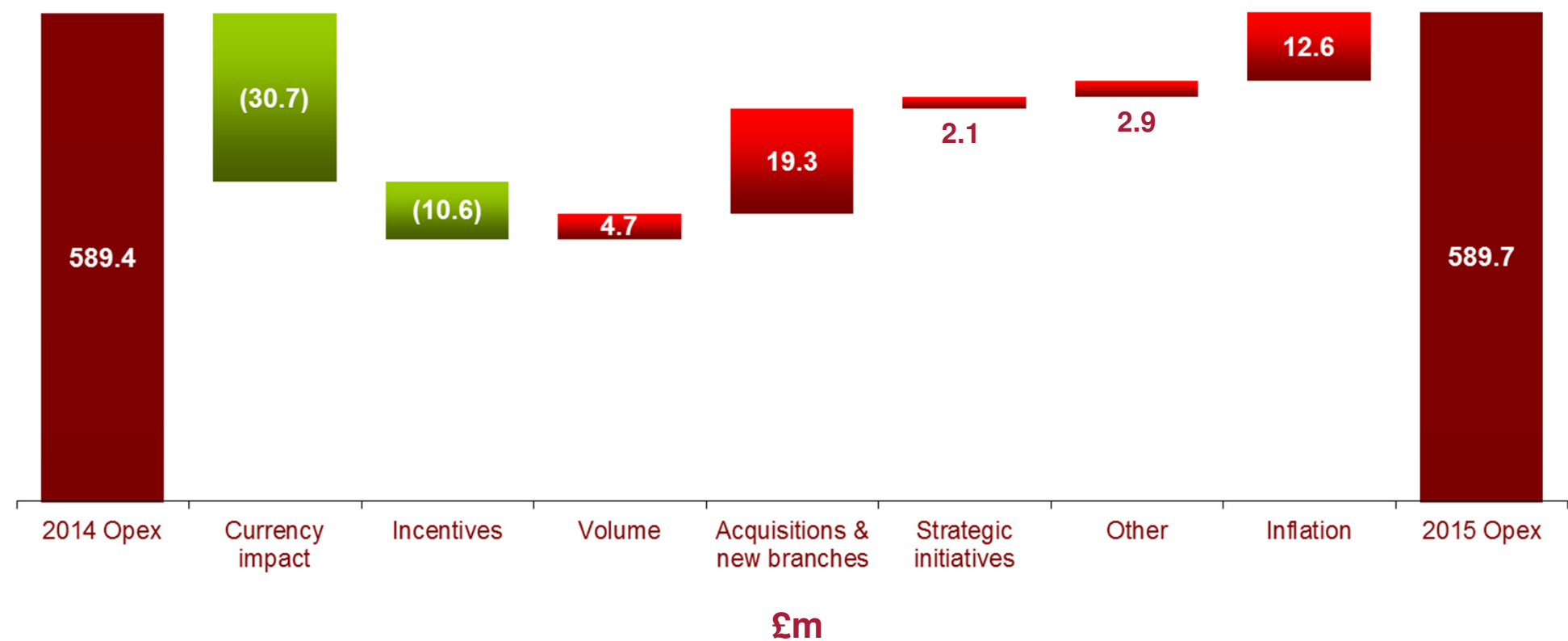
	2015	2014	Change	LFL change
UK & Ireland	£1,412.9m	£1,336.2m	5.7%	1.5%
<i>Gross margin</i>	<i>26.6%</i>	<i>26.7%</i>	<i>(10)bps</i>	
Mainland Europe	£1,153.5m	£1,266.7m	(8.9)%	(0.9)%
<i>Gross margin</i>	<i>27.2%</i>	<i>27.1%</i>	<i>10bps</i>	
Group revenues	£2,566.4m	£2,602.9m	(1.4)%	0.3%
UK & Ireland	£61.0m	£66.9m	(8.8)%	
<i>Operating margin</i>	<i>4.3%</i>	<i>5.0%</i>	<i>(70)bps</i>	
Mainland Europe	£45.1m	£54.2m	(16.8)%	
<i>Operating margin</i>	<i>3.9%</i>	<i>4.3%</i>	<i>(40)bps</i>	
Group* operating profit	£98.7m	£111.2m	(11.2)%	

* Adjusted for Parent Company costs.

Group profit before tax bridge



Group operating cost bridge



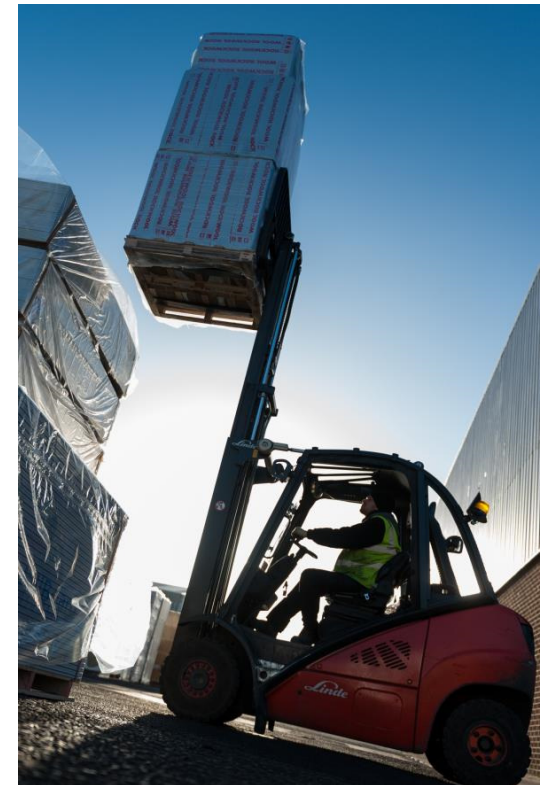
Cash flow and net debt

£m	2015	2014
Cash inflow from trading	99.8	115.4
Increase in working capital	(35.7)	(17.3)
Cash inflow from operations	64.1	98.1
Interest & tax	(20.6)	(28.5)
Net maintenance capex	(22.2)	(18.9)
Free cash flow	21.3	50.7
Investment capex	(24.1)	(17.7)
Dividends	(27.6)	(22.6)
Purchase & sale of businesses	(75.3)	(21.7)
Other	(3.3)	5.6
Increase in borrowings	(109.0)	(5.7)
Closing net debt	(235.9)	(126.9)
Leverage	1.8x	1.0x

Infill acquisitions

- Continue to perform strongly
- Good pipeline of opportunities
- 2015: £78.1m mainly air handling / roofing
- 2016: £14.6m air handling / roofing / interiors
- Slowing pace of expenditure
- Targeting c1.5x leverage in medium-term

Infill acquisitions remain an important element of SIG's growth strategy



2015 performance

Return on capital employed	<i>>11%</i>	✗
Capex	<i>1.5 – 2.0x depreciation</i>	✓
Leverage	<i>c.1.0x</i>	✗
Effective tax rate	<i>c.27.5%</i>	✓
Strategic Initiatives (cumulative)	<i>c.£20m</i>	✓
Market outperformance	<i>2 – 3%</i>	✗

2016 targets and guidance

Capex	<i>$\leq 1.5x$ depreciation</i>
Year end leverage	<i>1.5 – 1.8x</i>
FX translation	<i>1cΔ (€) = c.£0.4m profit</i>
Effective tax rate	<i>c.24.0%</i>
Market outperformance	<i>1 – 2%</i>
Strategic Initiatives net incremental	<i>At least £10m</i>
Supply Chain net benefit	<i>£3m</i>



Business review & outlook

Stuart Mitchell
Chief Executive



United Kingdom

Sales	Change	LFL	Vs Market	Gross margin Δ
£1,340.8m	6.0%	0.8%	1.0%	(20)bps

SIG ROOFING

SIG INSULATION

SIG INTERIORS

SIG TECHNICAL INSULATION

Exteriors

- LFLs (2.9)%; impacted by weak RMI sector
- Lead housing & mortgage indicators improving

Insulation & Interiors

- LFLs +2.1%; competition in commodity products
- Further increase customer focus
- New build housing market remains robust
- Set to benefit from non-residential sector



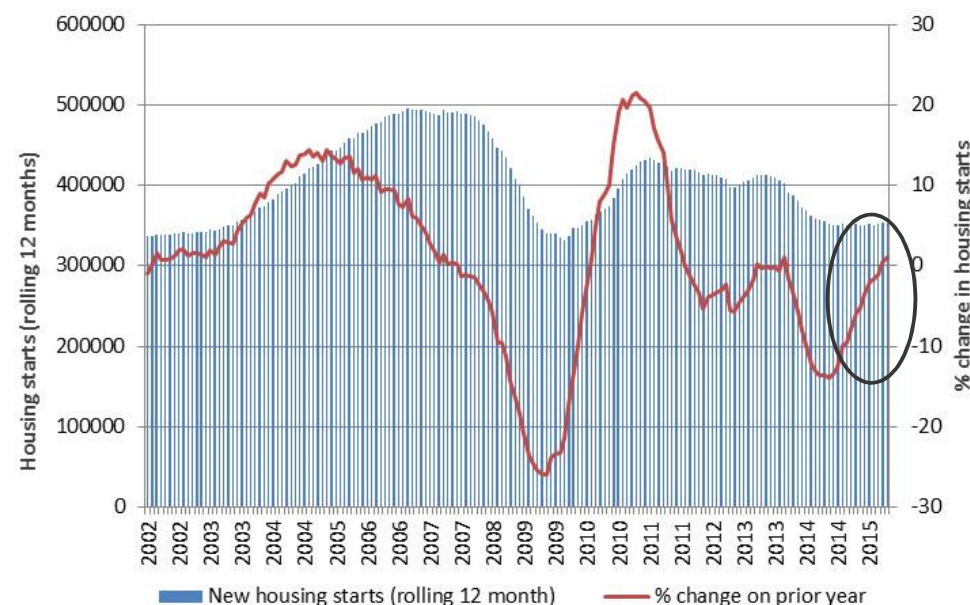
SIG
STRONGER
TOGETHER

France



Sales	Change	LFL	Vs Market	Gross margin Δ
£517.3m	(11.7)%	(2.8)%	2.1%	(20)bps

- Challenging 2015 market
- Residential sector particularly weak
- Signs conditions are improving
 - SIG Q4 2015 LFLs +2.5%
 - New housing starts stabilised
- Euroconstruct anticipating recovery



Germany & Austria

Sales	Change	LFL	Vs Market	Gross margin Δ
£368.3m	(10.7)%	(2.3)%	0.7%	(10)bps



- SIG more exposed to weaker segments of the market
- Residential sector remains robust
- VTI impacted by challenging industrial sector
- Euroconstruct forecast 1.9% growth in 2016
- Actions taken to improve performance



Benelux / Poland / Ireland

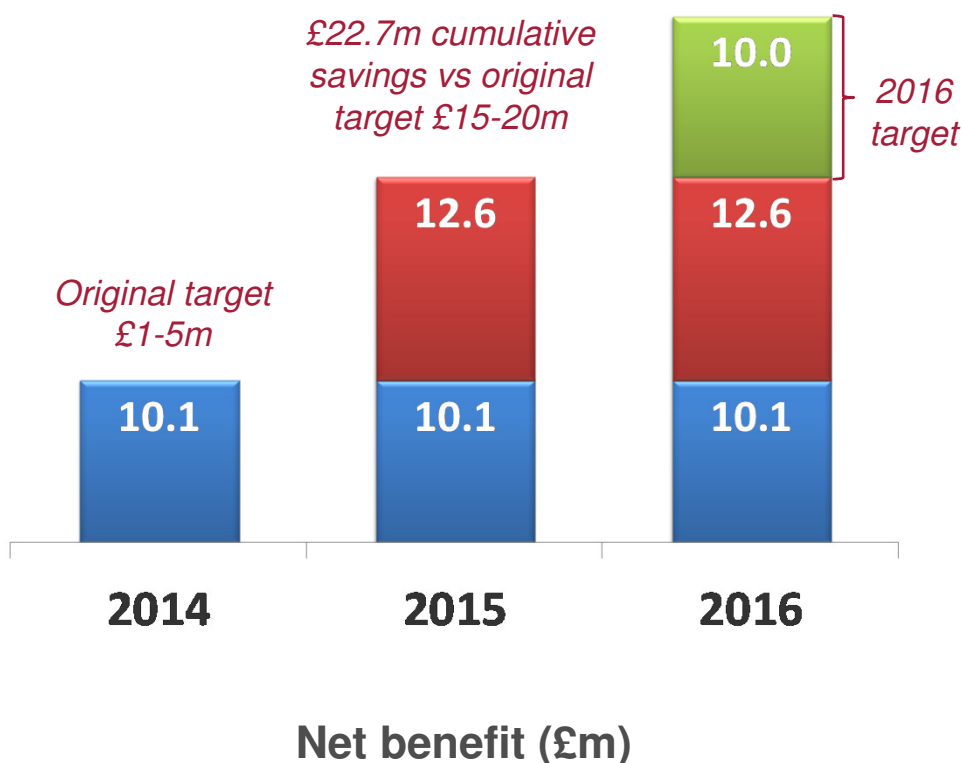
	Sales	Change	LFL	Vs Market	Gross margin Δ
Benelux*	£164.3m	5.1%	7.8%	3.6%	120bps
Poland	£103.6m	(7.5)%	2.3%	3.3%	(30)bps
Ireland	£72.1m	1.5%	12.7%	1.6%	150bps

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

- Good performance in all countries
- Continued improvement in The Netherlands
- Poland recovery following disappointing 2014
- Strong growth in Ireland led by residential sector
- Positive outlook for 2016



Strategic Initiatives ahead of schedule



- £12.6m incremental net benefit 2015
- Procurement main source of savings
- Targeting further £10m net benefit 2016
- New Group Procurement Director

<i>Procurement milestones</i>		
Fully recruited team	End 2014	Complete ✓
Reduce suppliers by 33%	End 2015	Complete ✓ 48% reduction
Grow own label by 50%	End 2016	On track 42% increase

Supply chain reshaping underway

Two-step strategy

- First step move to regional hubs
 - UK Exteriors
 - SIGD change programme
 - Transport scheduling
- Targeting £20m saving by 2018
 - £10m exceptional charge mainly recognised 2015
- Second step trial RDCs
 - New sites this year: France, UK and Ireland



Value added sales

Air Handling

- 2015 sales +17% to €214m
- €250m on pro forma basis
- Project design key component

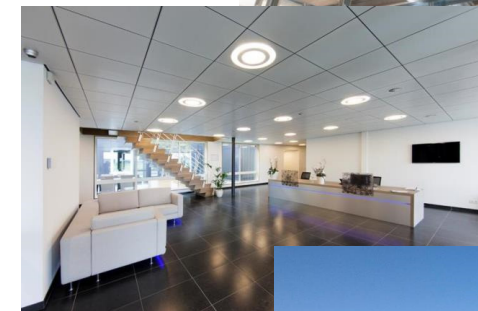
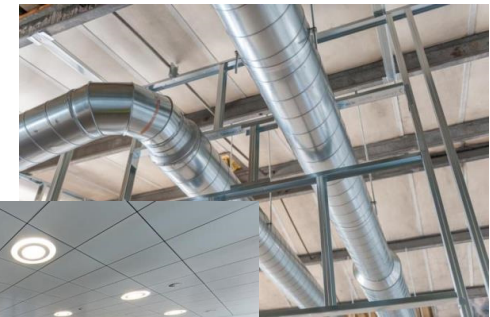
2018 target:
€400m sales

Offsite Construction

- Compelling SIG proposition
- Rapid market growth
- Strong customer demand drivers

2018 target:
£150m sales

Encouraging progress towards 2018 targets



2016 Outlook

- Anticipate good growth in UK new build sector
- Positive UK RMI lead indicators
- Trajectory of recovery in Mainland Europe uncertain
 - Improved trading conditions in France
- Encouraging start to the year
 - UK & Ireland and Mainland Europe positive LFLs
- Expect to make progress



Clear opportunities for efficiency and growth

Reduce cost	Grow business
<p>Supply chain</p> <p><i>Step one: £20m savings by 2018</i></p> <p><i>Step two: Further £30m potential</i></p>	<p>Value added sales</p> <p><i>Air Handling: €400m sales by 2018</i></p> <p><i>Offsite: £150m sales by 2018</i></p>
<p>Procurement</p> <p><i>£10m saving in 2016</i></p> <p><i>Further efficiencies thereafter</i></p>	<p>Infill acquisitions</p> <p><i>Strong pipeline of opportunities</i></p> <p><i>Enhance Group returns</i></p>



Appendix

Sales analysis

2015	Mainland Europe	UK & Ireland	Group
Price	0.8%	0.2%	0.5%
Volume	(1.7)%	1.3%	(0.2)%
Like-for-like	(0.9)%	1.5%	0.3%
Currency	(9.9)%	(0.5)%	(5.1)%
Acquisitions	1.9%	4.7%	3.4%
Reported	(8.9)%	5.7%	(1.4)%

Balance sheet

£m	2015	2014
Net Capex*	46.3	36.6
Depreciation**	26.0	24.0
Capex / Depreciation	1.8x	1.5x
Net working capital	242.2	209.7
Net debt	235.9	126.9
Net debt / EBITDA ratio***	1.8x	1.0x
Interest cover***	8.1x	8.9x

* Excluding sale of land.

** Including amortisation of computer software.

*** Based on covenant calculation.

Working capital

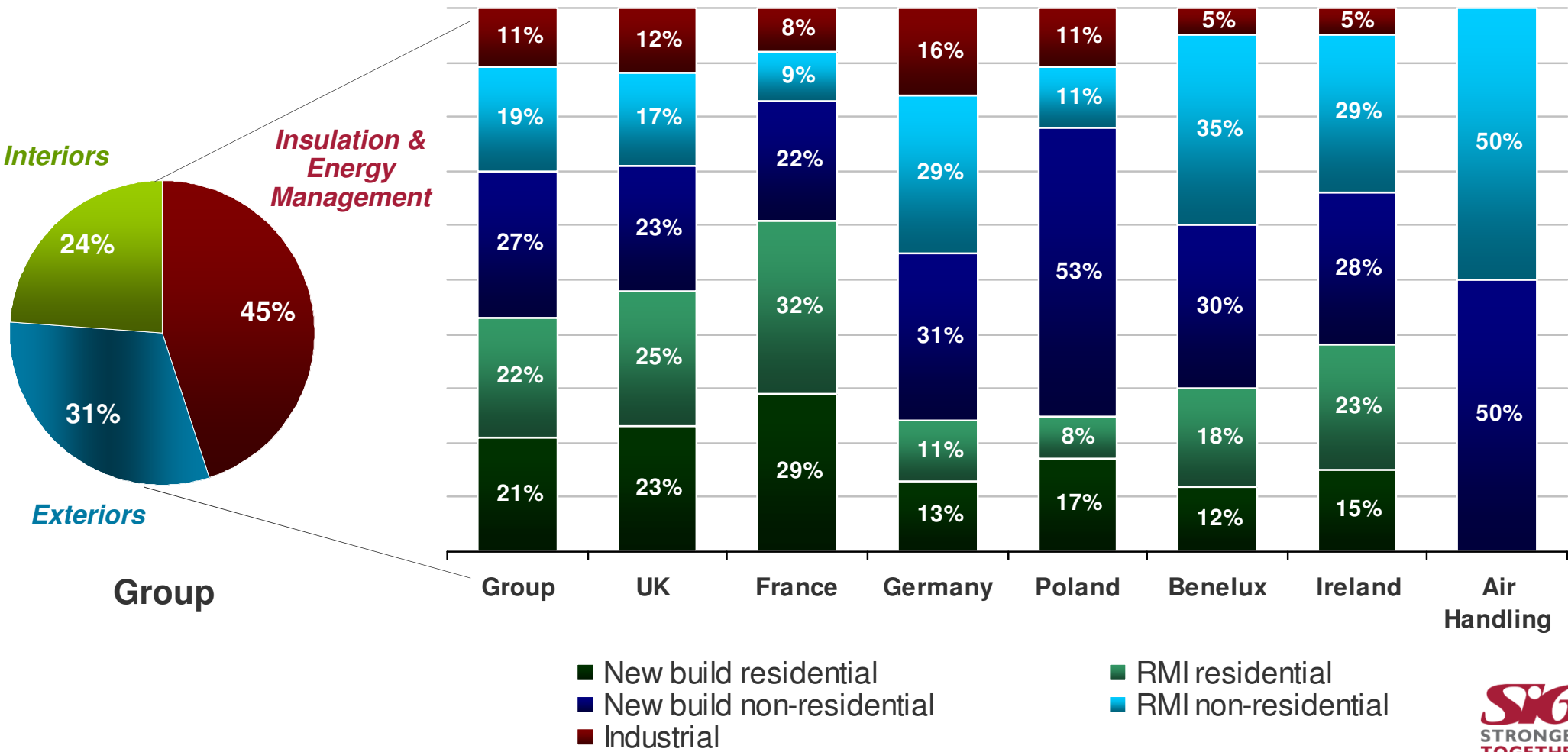
	2015	2014
Stock days	46	43
Debtor days	45	43
Creditor days	39	36
Working capital / sales	9.1%	8.0%
Cash conversion*	75%	99%
Medium term cash conversion* (last 3 years)	93%	104%

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

Other items

£m	2015	2014
Amortisation of acquired intangibles	10.3	19.6
Profits and losses on sale of businesses	-	14.0
Operating losses attributable to businesses divested in 2014	-	6.7
Restructuring costs and other one-off items	8.2	13.8
Contingent consideration and acquisition expenses	14.3	3.9
Net fair value losses on derivative financial instruments & unwinding of provision discounting	3.3	2.1
Total	36.1	60.1

Market exposure 2015



Trading sites movement

	31 Dec 2014	Closed/ merged	Opened	Acquired	31 Dec 2015
UK	303	(10)	2	17	312
Ireland	12	-	1	-	13
UK & Ireland	315	(10)	3	17	325
France	210	-	1	2	213
Germany & Austria	61	(4)	2	-	59
Benelux*	33	-	1	4	38
Poland	51	(2)	-	-	49
Mainland Europe	355	(6)	4	6	359
Group Total	670	(16)	7	23	684

* Includes Air Trade Centre

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)