SIG plc
2016 Half Year results
9 August 2016

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Solid first half performance

Good profit growth

PBT **up 20%** and **EPS ahead 24%**

£6m benefit from Strategic Initiatives

Strengthened balance sheet

Successfully refinanced £130m PP notes

Reduced leverage despite working capital peak

Supply chain & value added sales

Positive early signs from new Dublin RDC

Air Handling sales **ahead 36% to €128m**

Recent trading

UK LFL sales flat in June and July

Financial review

Doug Robertson
Group Finance Director

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Financial summary

	H1 2016	H1 2015	*Change*
Revenue	**£1,375.2m**	£1,243.6m	*11%*
Operating profit	**£54.3m**	£45.3m	*20%*
Profit before tax	**£47.7m**	£39.8m	*20%*
Profit before tax exc. property profits	**£45.2m**	£39.8m	*14%*
Basic earnings per share	**6.1p**	4.9p	*24%*
Dividend per share	**1.83p**	1.69p	*8%*

	30 Jun 2016	31 Dec 2015	
Net debt	**£232.8m**	£235.9m	*(1)%*
Leverage	**1.6x**	1.8x	*(11)%*

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

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Segmental performance

£m	H1 2016	H1 2015	Change	LFL change
UK & Ireland	**738.9**	679.2	*8.8%*	*2.3%*
Gross margin	***26.7%***	*26.9%*	*(20)bps*	
Mainland Europe	**636.3**	564.4	*12.7%*	*(1.2)%*
Gross margin	***27.4%***	*27.2%*	*20bps*	
Group revenue	**1,375.2**	1,243.6	***10.6%***	***0.7%***
Gross margin	***27.0%***	*27.1%*	*(10)bps*	
UK & Ireland	**34.7**	28.7	*20.9%*	
Operating margin	***4.7%***	*4.2%*	*50bps*	
Mainland Europe	**23.7**	21.4	*10.7%*	
Operating margin	***3.7%***	*3.8%*	*(10)bps*	
Group* operating profit	**54.3**	45.3	***19.9%***	
Operating margin	***3.9%***	*3.6%*	***30bps***	

* Adjusted for Parent Company costs.

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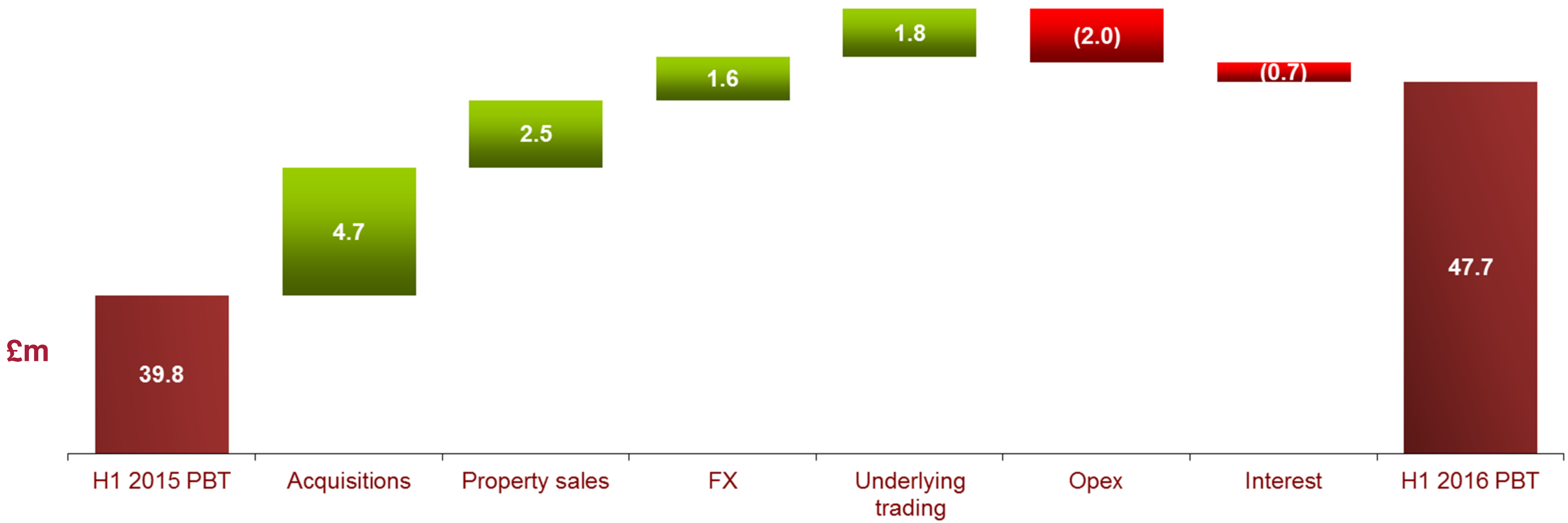
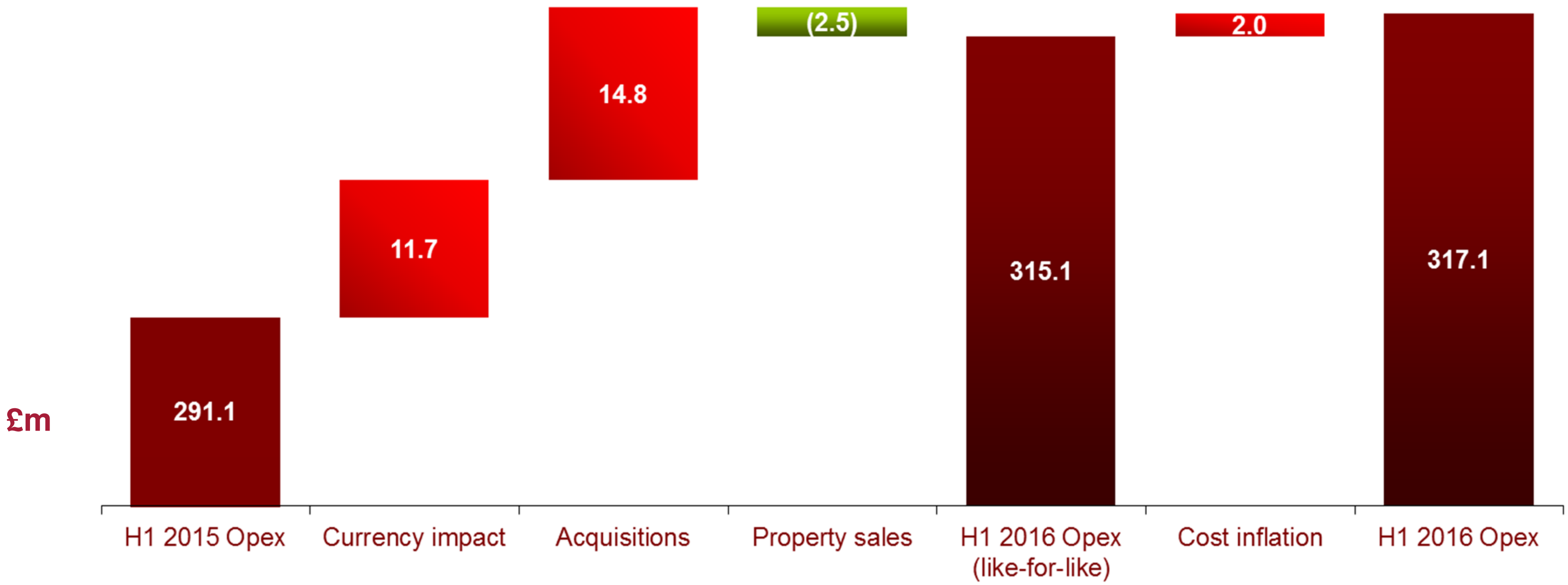
Movement in Group profit before tax



Movement in Group operating costs



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Infill acquisitions

- Slowed expenditure as previously guided
- One further air handling acquisition in July
  - Total 2016 expenditure: £21m
- Remains an important element of SIG growth strategy
- Acquisitions continue to perform strongly
- Disciplined approach to leverage and strict financial hurdles

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Cash flow and net debt

£m	2016	2015
Opening net debt as at 1 January	(235.9)	(126.9)
Cash inflow from operations	**62.7**	**14.0**
Interest and tax	(9.5)	(10.6)
Net maintenance capex	(12.6)	(11.9)
Free cash flow	**40.6**	**(8.5)**
Investment capex	(5.2)	(10.9)
Dividends	(17.5)	(17.6)
One-off sale of fixed assets	22.9	-
Acquisitions including contingent consideration	(25.8)	(30.6)
Foreign exchange	(13.6)	5.9
Fair value movements and other	1.7	(6.2)
Decrease / (increase) in borrowings	3.1	(68.5)
Closing net debt as at 30 June	**(232.8)**	**(195.4)**
Leverage (net debt / EBITDA)	***1.6x***	***1.5x***

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Refinancing and debt facilities

- Refinanced £130m PP notes June 2016
- Attractive terms with existing debt providers
  - £89m new PP notes
  - Increased RCF by £100m to £350m
- Key terms and covenants unchanged
- Total debt facilities up £59m to £542m

Facility	£m*	Matures
PP notes	20	Nov 2018
PP notes	25	Oct 2020
RCF	350	May 2021
PP notes	17	Oct 2021
PP notes	41	Oct 2023
PP notes	89	Aug 2026

* Based on exchange rate of £1 = €1.203

Significant funding headroom with a good blend of medium and long-term debt

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2016 targets and guidance

	Unchanged from March 2016
Capex	*≤1.5x depreciation*
Year end leverage	*1.5 – 1.8x*
FX translation	*1cΔ (€) = c.£0.4m profit*
Effective tax rate	*c.24.0%*
Market outperformance	*1 – 2%*
Strategic Initiatives	*At least £10m*
Supply Chain	*£3m*

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Business review & outlook

Stuart Mitchell
Chief Executive

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United Kingdom

H1 Sales	Change	LFL	Vs Market	Gross margin Δ
£699.0m	8.5%	2.2%	0.8%	(30)bps

Insulation & Interiors (SIGD)

- H1 2016: LFLs 2.2%
- Benefited from sales & operational restructuring
- Market remains competitive

Exteriors (SIGE)

- H1 2016: LFLs (1.0)%
- Market stabilised vs H2 2015

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France

H1 Sales	Change	LFL	Vs Market	Gross margin ∆
£285.0m	8.9%	(3.6)%	1.5%	20bps

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ENTRE EXPERTS DE LA TOITURE

- Market remains challenging
- Q2 impacted by industrial action and flooding
- Actions to improve performance:
  - Branch closures
  - Focus on pricing and gross margin
- Improving residential indicators should benefit SIG

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Germany & Austria

Sales	Change	LFL	Vs Market	Gross margin ∆
£193.4m	8.2%	(1.9)%	0.8%	(100)bps

- New management team (MD & FD)
- Reposition technical insulation business
- Additional sales resources
- Long-term market dynamics remain positive
- SIG well positioned to benefit as market leader

Benelux / Poland / Ireland

	Sales	Change	LFL	Vs Market	Gross margin ∆
Benelux*	£106.2m	39.7%	5.3%	1.4%	200bps
Poland	£51.7m	7.7%	4.4%	12.2%	(60)bps
Ireland	£39.9m	14.0%	4.7%	1.8%	30bps

* Includes Air Trade Centre, except for market outperformance which is Benelux only.

- Continued recovery in The Netherlands
- Signs conditions in Belgium are stabilising
- Significant market outperformance in Poland
- Irish recovery spreading to commercial sector

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Supply chain reshaping
Step one: Regional hubs utilising existing network

- UK Exteriors
  - Nine hubs now fully operational
- First hub in Poland
- SIGD change programme roll-out
  - “The SIG Way” launched February 2016
  - Joint initiative with Unipart
- Nearly £1m savings delivered H1 2016
- Confident of achieving £3m target this year and £20m by 2018

THE SIG WAY
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Supply chain reshaping

Step two: Move to RDCs

- Dublin RDC opened April 2016
- First time products from all of SIG's businesses on a single site
- Positive early signs
- 3rd party transport increases cost flexibility
- Next RDC on track for North West England

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Growing value added sales

Air Handling

- H1 2016 sales +36% to €128m
- Entry into German & Austrian markets
- On track for 2018 target: €400m sales

Offsite Construction

- H1 2016 sales +42% to £14.3m
- High customer demand & strong order book
- On track for 2018 target: £150m sales

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Outlook

- UK construction activity slowed around referendum
  - UK LFL sales flat in June and July
- More difficult to assess trading outlook
- Based on current experience expect to make progress this year
- Benefit from Strategic Initiatives, acquisitions, value added sales and FX translation
- Not exposed to cross-border transactional risk

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Good progress on medium-term strategic priorities

Efficiency	Growth
Reduce cost to serve by £50m *Hub & spoke implementation* *New RDC in Dublin*	**Value added sales** *Air Handling +36% H1 2016* *Offsite Construction strong order book*
Procurement *At least £10m saving in 2016* *Further efficiencies thereafter*	**Infill acquisitions** *Remain an important part of strategy* *Continue to perform strongly*

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Appendix

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Sales analysis

H1 2016	Mainland Europe	UK & Ireland	Group
Price	0.5%	(0.1)%	0.2%
Volume	(1.7)%	2.4%	0.5%
Like-for-like	**(1.2)%**	**2.3%**	**0.7%**
Currency	8.0%	0.6%	4.0%
Acquisitions	3.9%	5.1%	4.6%
Working days	2.0%	0.8%	1.3%
Reported	**12.7%**	**8.8%**	**10.6%**

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Balance sheet

£m	H1 2016	H1 2015
Net Capex*	17.8	23.4
Depreciation**	14.8	12.5
Capex / Depreciation	1.2x	1.9x
Net working capital	272.2	235.5
Net debt	232.8	195.4
Net debt / EBITDA ratio***	1.6x	1.5x
Interest cover***	7.8x	9.1x

* Excluding one-off sale of fixed assets
** Including amortisation of computer software
*** Based on covenant calculation

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Working capital and cash conversion

	H1 2016	H1 2015
Stock days	46	46
Debtor days	51	51
Creditor days	51	47
Working capital / sales	9.4%	9.6%
Cash conversion*	116.2%	89.8%
Medium term cash conversion* (last 3 years)	99.5%	98.0%

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

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Other items

£m	H1 2016	H1 2015
Amortisation of acquired intangibles	5.1	4.5
Restructuring costs and other one-off items	(1.1)	4.1
Contingent consideration and acquisition expenses	3.4	3.1
Defined benefit pension scheme curtailment loss	0.9	-
Net fair value losses on derivative financial instruments and unwinding of provision discounting	1.0	1.3
Total	9.3	13.0

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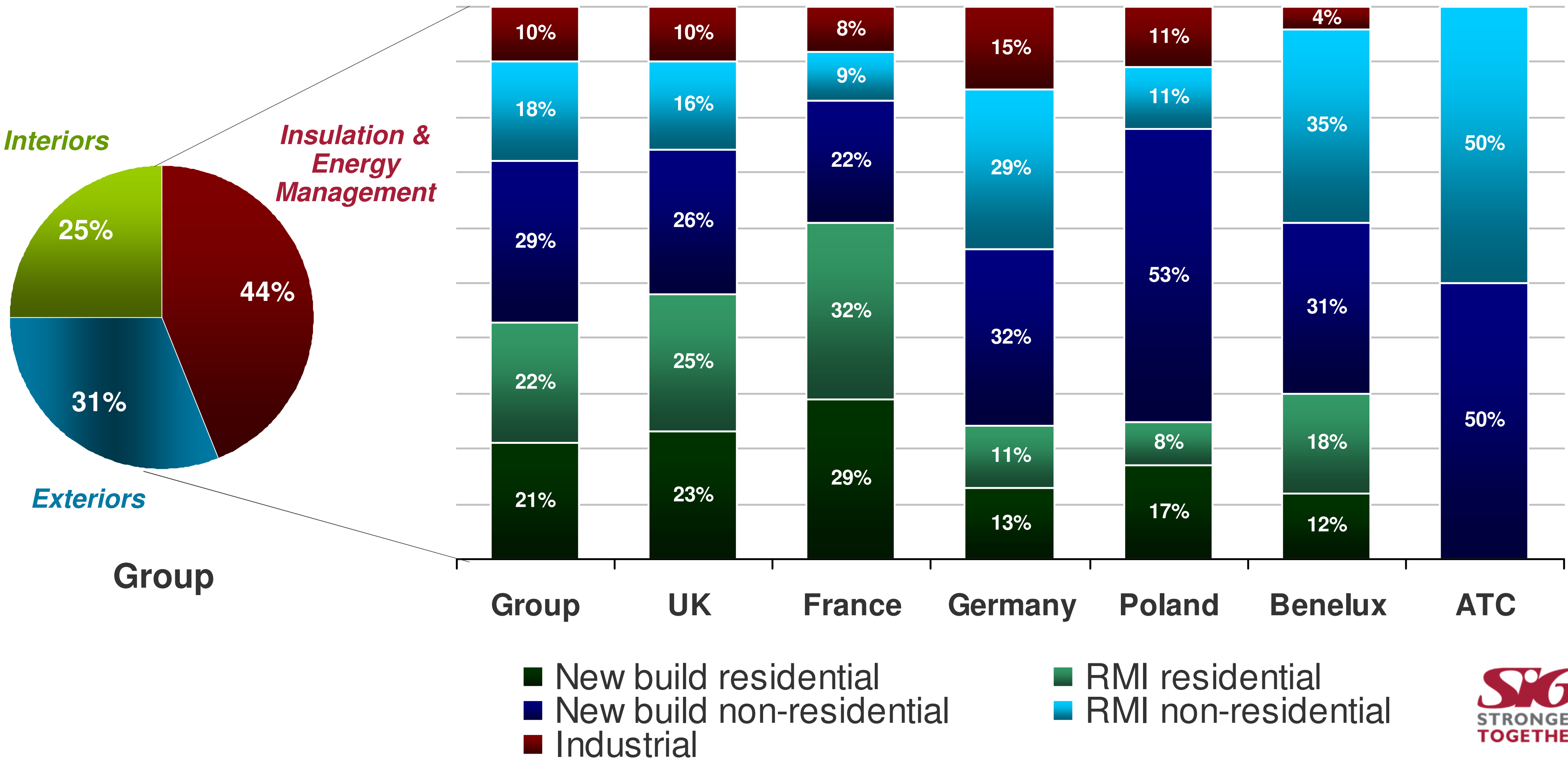
Market exposure H1 2016



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Trading sites movement

	31 Dec 2015	Closed/ merged	Opened	Acquired	30 June 2016
UK	312	(1)	-	5	316
Ireland	12	(2)	-	-	10
UK & Ireland	**324**	**(3)**	**-**	**5**	**326**
France	213	(3)	1	2	213
Germany & Austria	59	-	-	-	59
Benelux*	38	(3)	-	1	36
Poland	49	-	-	-	49
Mainland Europe	**359**	**(6)**	**1**	**3**	**357**
Group Total	**683**	**(9)**	**1**	**8**	**683**

* 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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