

A year of challenge and change



Results for year ended 31 December 2017

9 March 2018



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A year of challenge and change



Meinie Oldersma
Chief Executive Officer

Today's agenda

- 2017 highlights
- Financial review of the year
- Improving our data
- Current trading and outlook

2017 highlights

- Business stabilising, balance sheet strengthening and portfolio being rationalised
- Revenue +7.4%; LFL sales* +3.8%
- Underlying PBT of £79.2m, in line with expectations
- Underlying PBT excluding one-off property profits of £65.5m
- ROCE (post-tax) stable at 10.3%
- Underlying basic EPS of 9.8p
- Total dividend of 3.75p per share, in line with 2-3x cover policy
- Review of medium term strategy complete

2017 headline performance

	Medium term target	2017	2016
LFL sales growth	Market growth Maintain market share	+3.8%	+0.4%
ROS	c.5%	3.4%	3.5%
ROCE	c.15%	10.3%	10.2%
Headline financial leverage	under 1.0x	1.9x	2.4x

Progress being made towards the Group’s targets...

Progress in stabilising the business

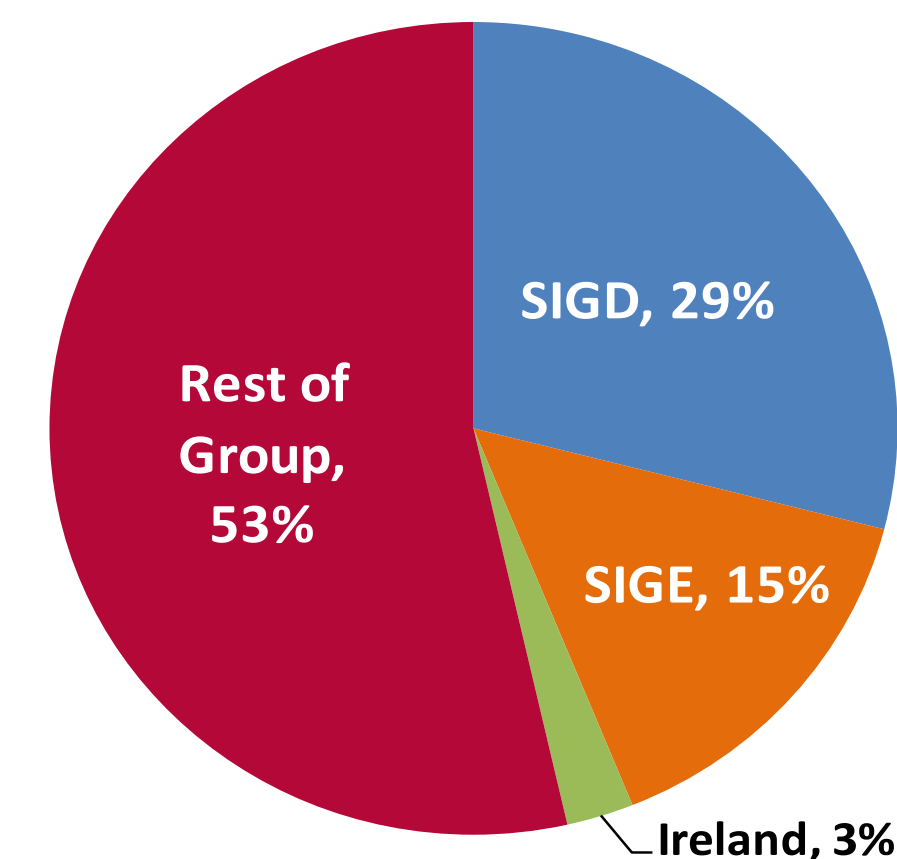
- Debt and leverage down
- Distraction from internal initiatives reducing
- Customer focus being restored
- Operating cost increases being brought under control
- Levels of working capital starting to reduce
- Starting to simplify business through ongoing portfolio management

...though there remains considerable work to be done

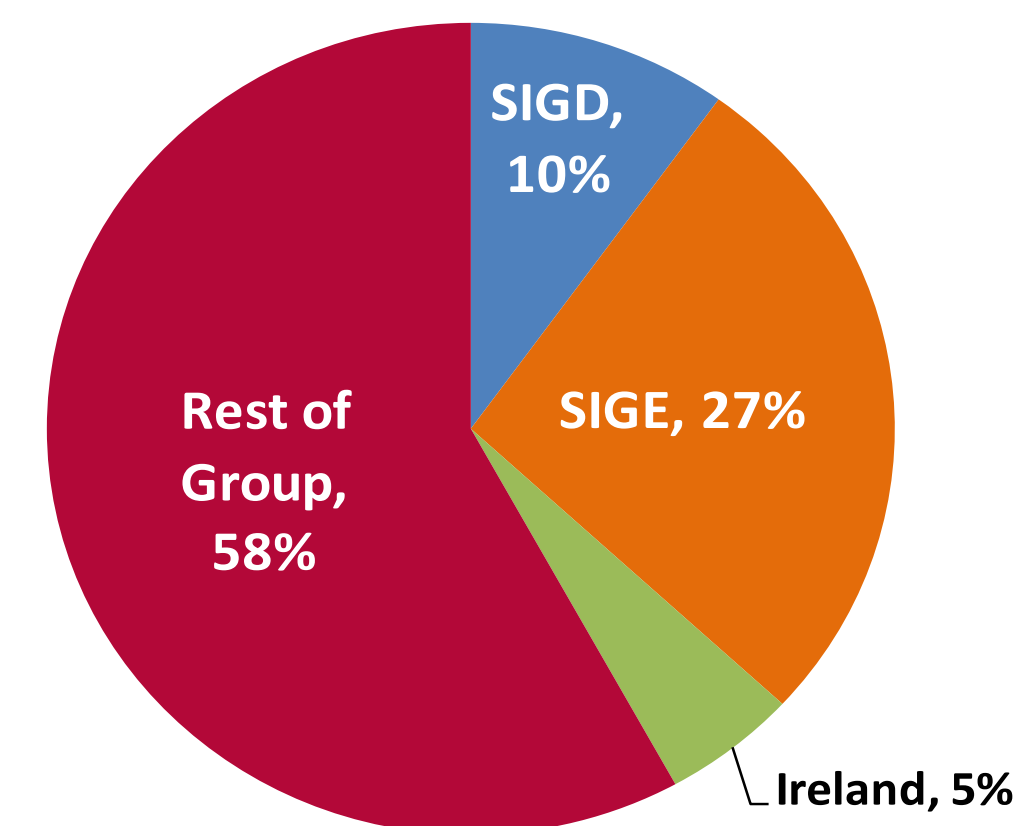
Subdued UK trading environment

- LFL sales ahead by 1.6%, primarily industry price inflation
- Trading volumes fell 2.9%, with operating margins down 50bps
- Increasingly challenging environment
- Macro uncertainty, heightened by recent events in the construction industry
- Stronger performance in Ireland

2017: 47% of Group revenue



2017: 42% of Group operating profit



UK markets uncertain but self-help potential

Note: Data represents underlying performance, before central costs and property profits

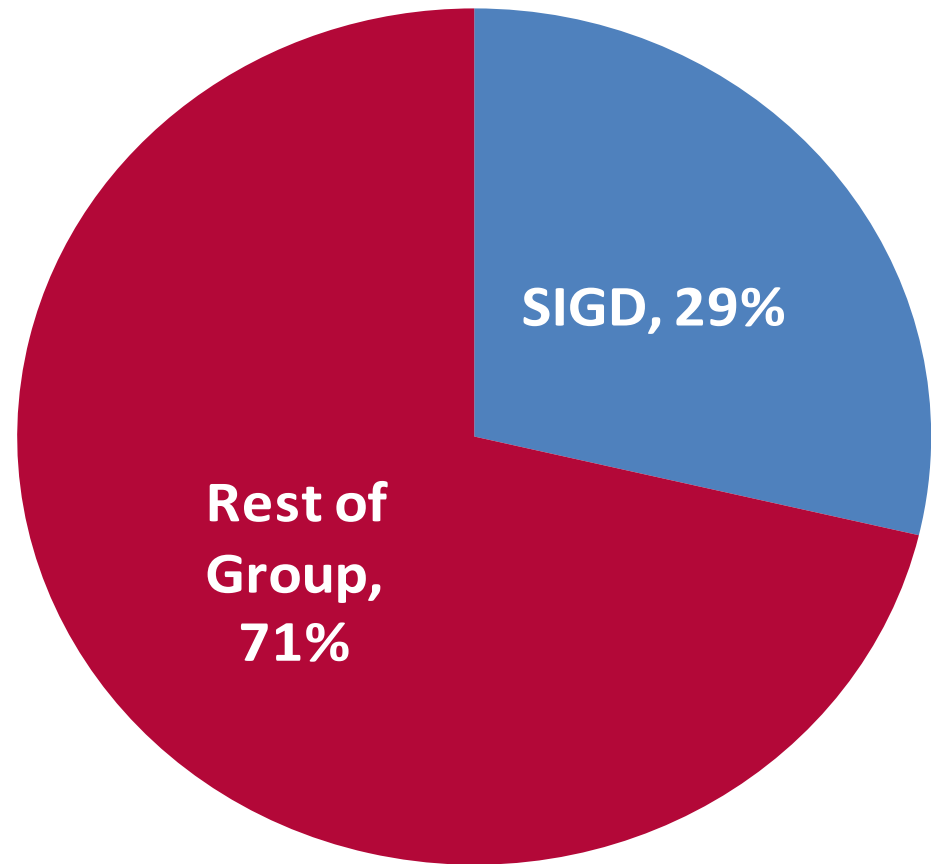
Return to profitability in SIG Distribution

	FY 2017	H2 2016	H1 2016	FY 2015
Revenue	£797.5m	£386.7m	£394.5m	£740.7m
Operating profit	£9.9m	(£2.8)m	£21.0m	£27.9m
Operating margin	1.2%	(0.7)%	5.3%	3.8%

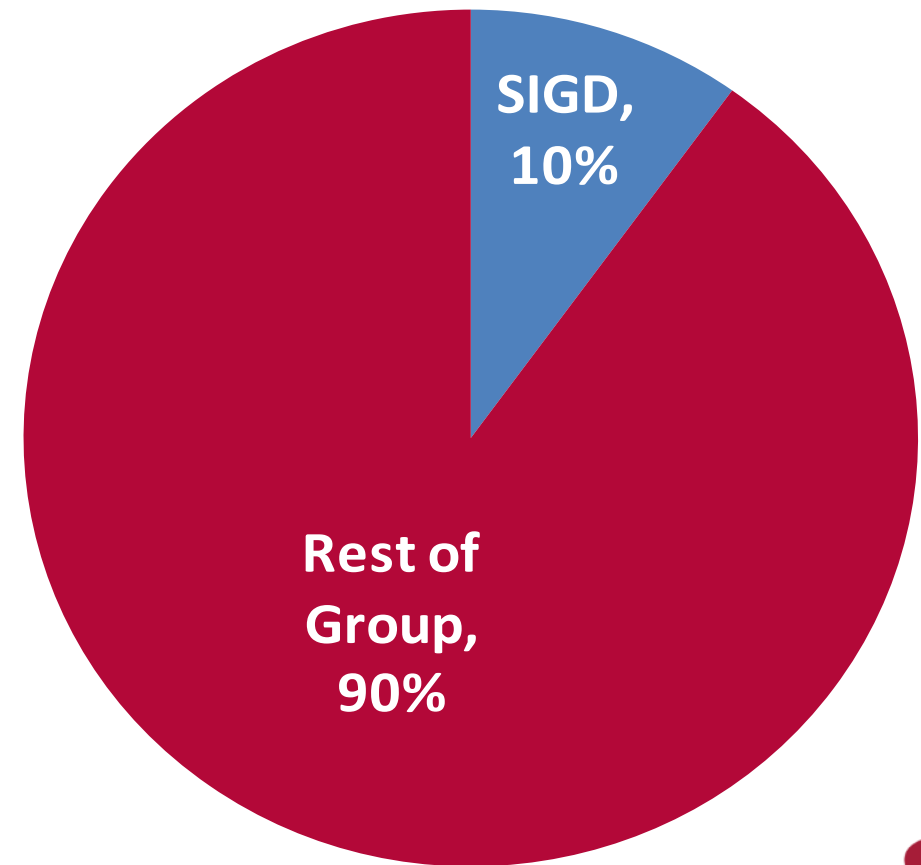
- Profitable in 2017 after losses in H2 2016
- Focus on:
 - Customer value; from effective pricing pass-through and improved management of customer profitability
 - Operational efficiency; through improved cost and working capital control
- New leadership to reset culture and deliver change

Market leader with potential for significantly improved profitability

2017: 29% of Group revenue



2017: 10% of Group operating profit



Note: 2016 results restated for historical overstatements. Data in the charts represents underlying performance, before central costs and property profits

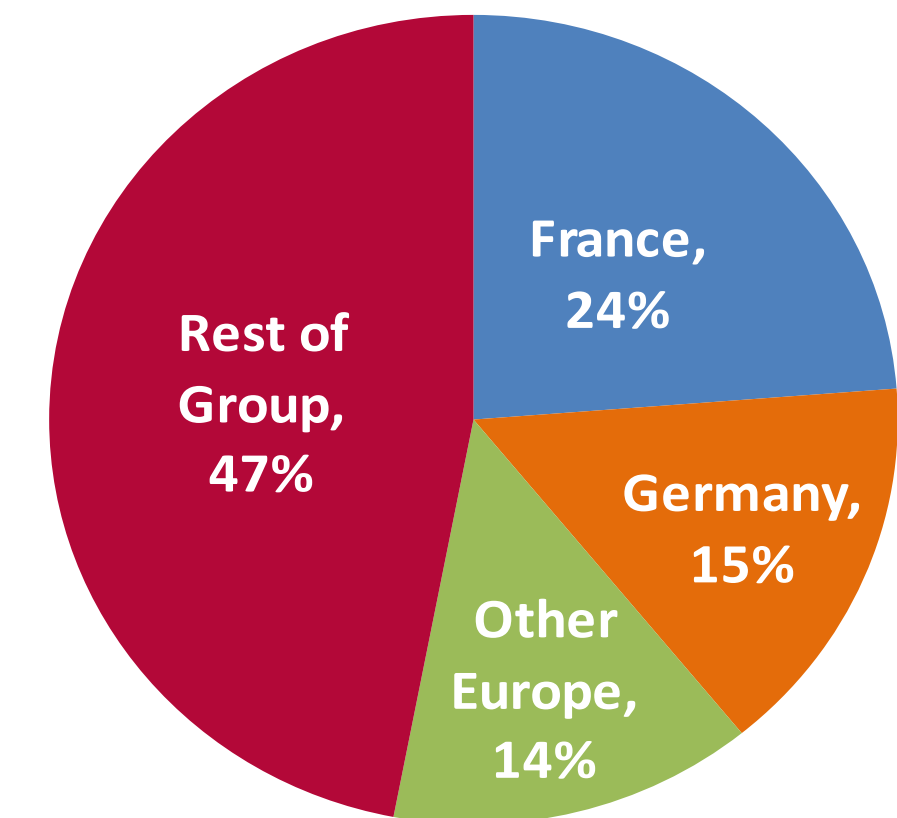
European recovery

- LFL revenues increased by 5.9%
- Margins ahead of 2016 and operating profit increased by 23.5%
- SIG France posted an improvement in operating profit to £26.2m
- Air Handling business finished the year on a record high, delivering growth of 22.2% in revenues
- Some indications of both labour and capacity constraint during the second half of the year

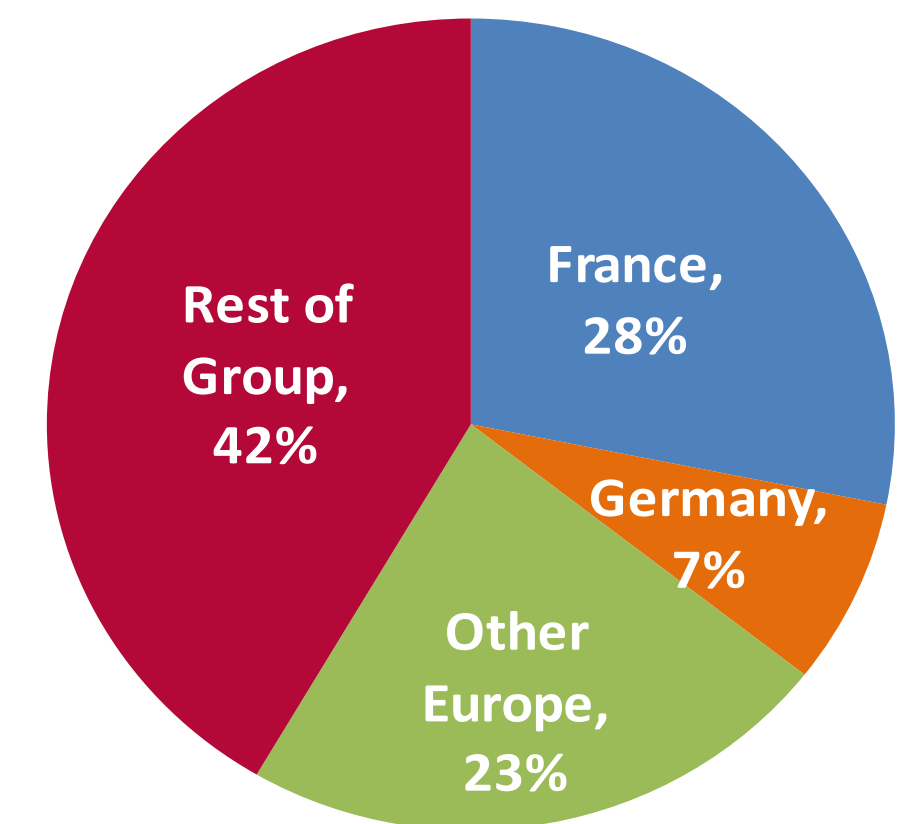
Market confidence continues to improve across our European businesses

Note: Data represents underlying performance, before central costs and property profits

2017: 53% of Group revenue

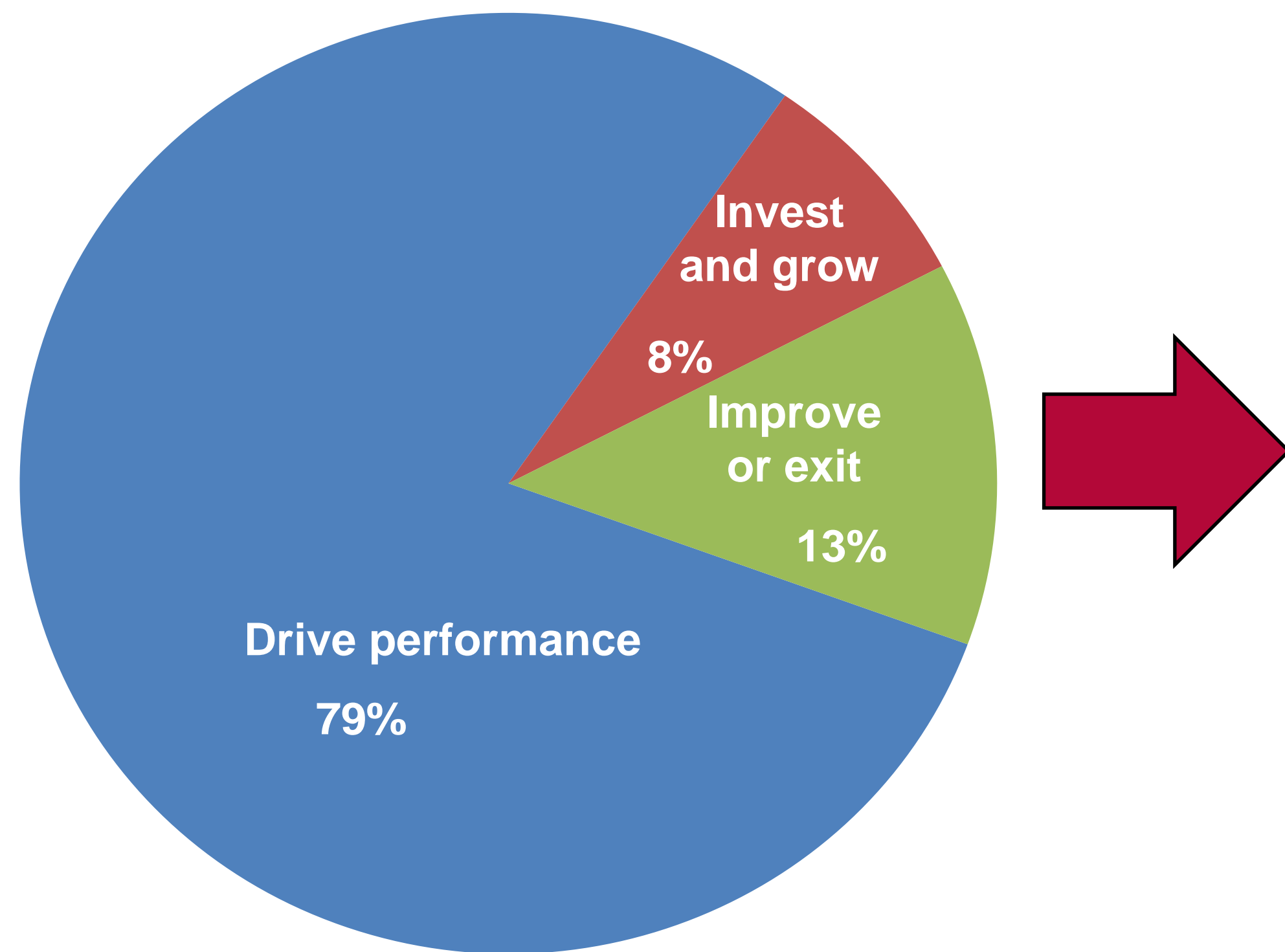


2017: 58% of Group operating profit



Ongoing portfolio management

2016 statutory revenues: £2.8bn



Exited to date	
	<u>Announced</u>
• Drywall Qatar	March 2017
• Carpet & Flooring	March 2017
• Metecho	May 2017
• WeGo Austria	May 2017
• Building Plastics	August 2017
• Middle East	August 2017
• ATC Turkey	December 2017
• Sitaco	December 2017
• GRM Insulation	February 2018
• Building Systems	February 2018
• IBSL	March 2018

Delivered exit from 9% of 2016 Group so far

Rationalisation of UK Offsite Construction

Offsite Construction		
Met techno	Building Systems	RoofSpace
Manufacturer of bathroom pods and utility cupboards 2016 Revenue: £3.3m 2016 Operating loss: £(0.1)m	Modular offsite construction 2016 Revenue: £9.2m 2016 Operating loss: £(6.2)m	Panelised room-in-roof manufacturer 2017 Revenue: £17.6m 2017 Operating profit: £2.1m
Closed May 2017	Trade and assets sold February 2018	Transferred to SIG Distribution

Non-underlying in 2017 results

RoofSpace now transferred into SIG Distribution for management and reporting purposes

Strategy review complete

- Review of medium term strategy presented to shareholders in November 2017
- Confirms considerable opportunity for significant improvement in operational and financial performance
- Three key strategic levers: Customer Service, Customer Value, Operational Efficiency
- Targeting investment in three key enablers: Data, IT and Capability
- Strategy and detailed action plans presented directly to c.1,200 managers in January 2018 and since cascaded down to each employee
- Close monitoring and support, plus alignment of reward structures

Highly disciplined execution will be key to success

Today's agenda

➤ 2017 highlights

➤ Financial review of the year

➤ Improving our data

➤ Current trading and outlook

Financial review of 2017



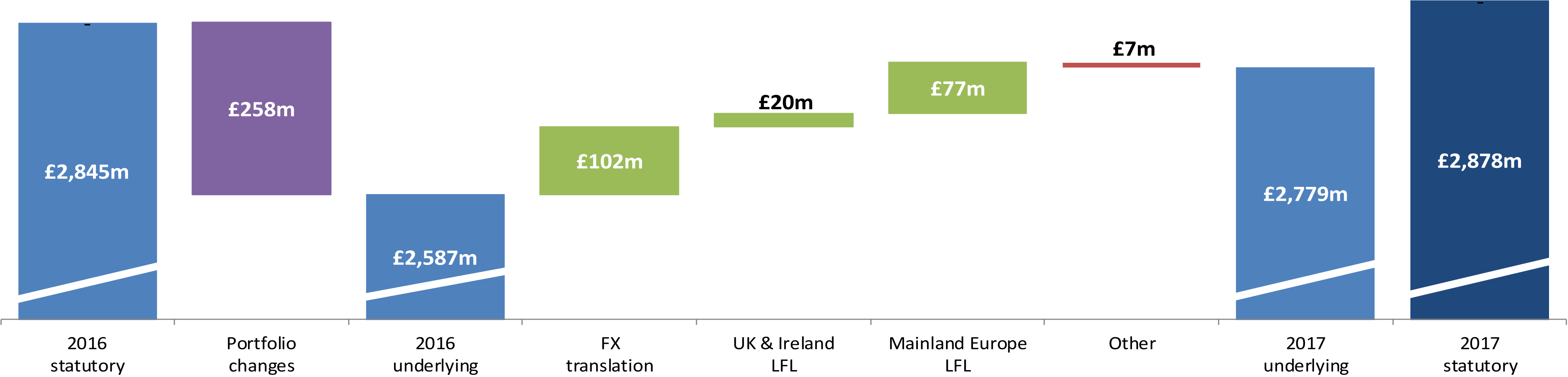
Nick Maddock
Chief Financial Officer

2017 key financials

	2017	2016	Change
Revenue	£2,778.5m	£2,587.4m	+7.4%
LFL sales	+3.8%	+0.4%	+340bps
Operating profit	£94.3m	£89.7m	+5.1%
Profit before tax	£79.2m	£75.9m	+4.3%
PBT excl. property profits	£65.5m	£72.6m	(9.8)%
Basic earnings per share	9.8p	9.7p	+0.1p
Cash inflow from trading	£62.8m	£95.2m	(34.0)%
ROS	3.4%	3.5%	(10)bps
ROCE (post-tax)	10.3%	10.2%	+10bps
Dividend per share	3.75p	3.66p	+2.5%
Net debt (as at 31 Dec)	£223.8m	£279.7m	(20.0)%
Headline financial leverage	1.9x	2.4x	(0.5)x

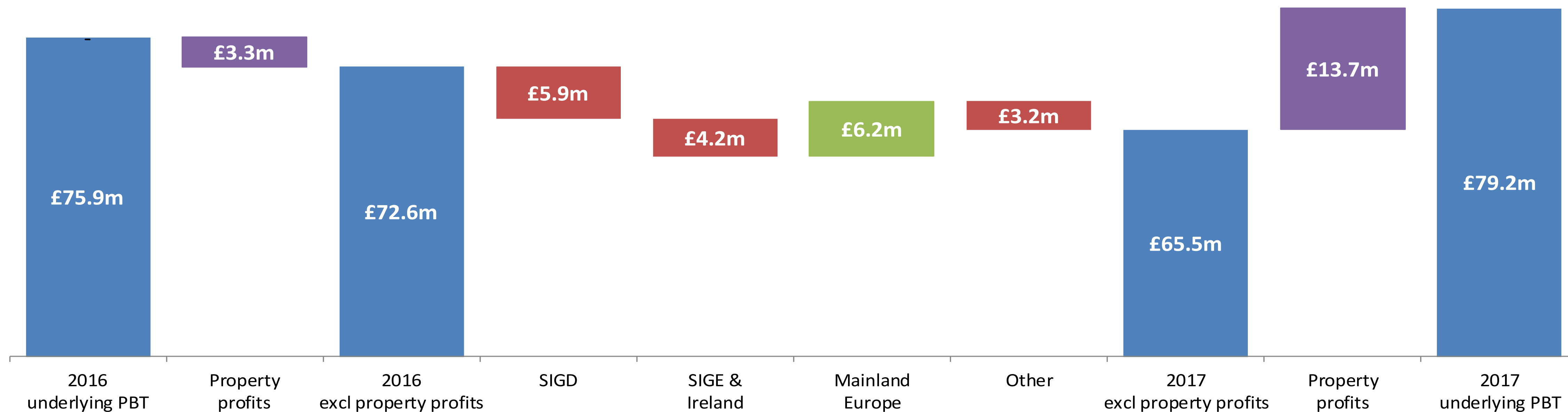
- LFL sales ahead
- First improvement in underlying operating profit for three years
- Significant benefit from property profits
- Some initial progress on debt and leverage
- ROS and ROCE similar to prior year

Revenue



Revenue +7.4% and LFL sales +3.8%

Underlying profit before tax



Improved PBT benefitting from Europe and property profits

Significant benefit from property profits

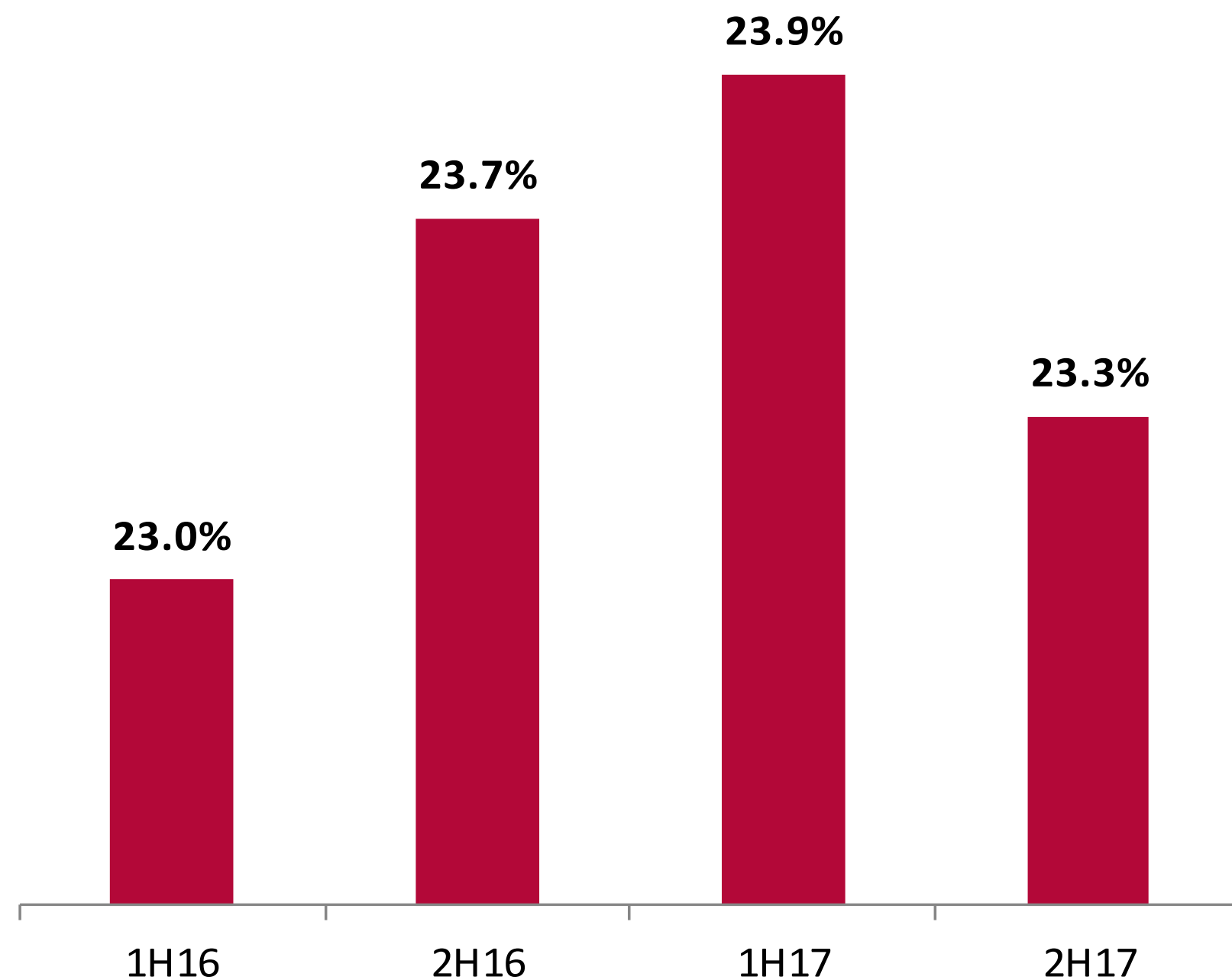
	2017 Underlying	2017 Non-underlying
Cash consideration*	£25.5m	£7.9m
Profit before tax	£13.7m	£5.8m

Underlying PBT including property profits	£79.2m
Underlying PBT excluding property profits	£65.5m

*Underlying cash consideration includes £5.7m received in January 2018 and therefore not reflected in the 2017 net debt figure

Operating cost increases being brought under control

Opex as % of sales



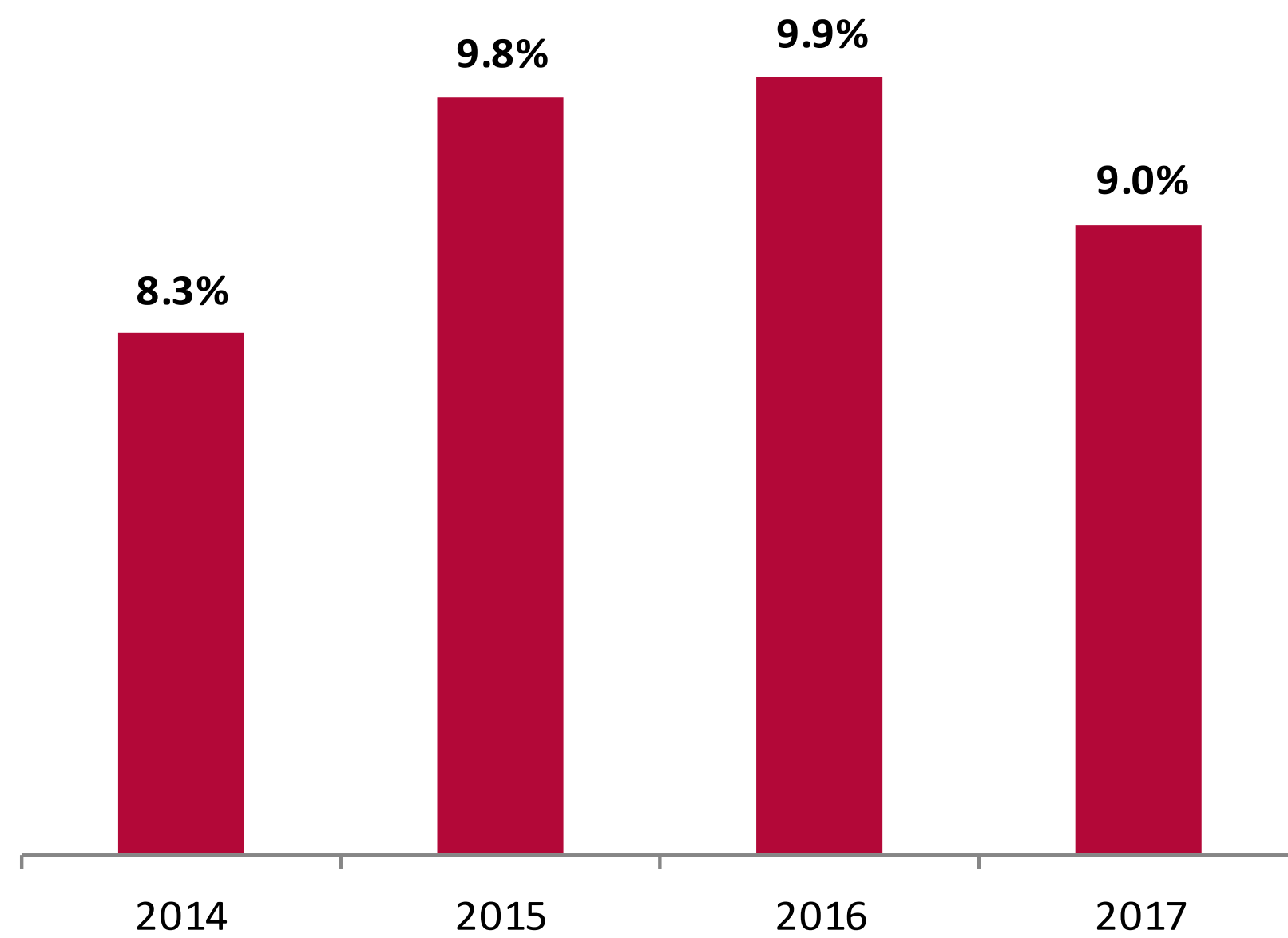
- Group functions being scaled back
- Management layers being removed
- Development of shared services in UK
- Back office reductions in Germany
- Exiting Hillsborough and Paddington offices
- Further progress on opex expected in 2018

Every 0.5% reduction is equal to c.£14m incremental profit

Note: Excludes profits from property disposals

Working capital starting to reduce

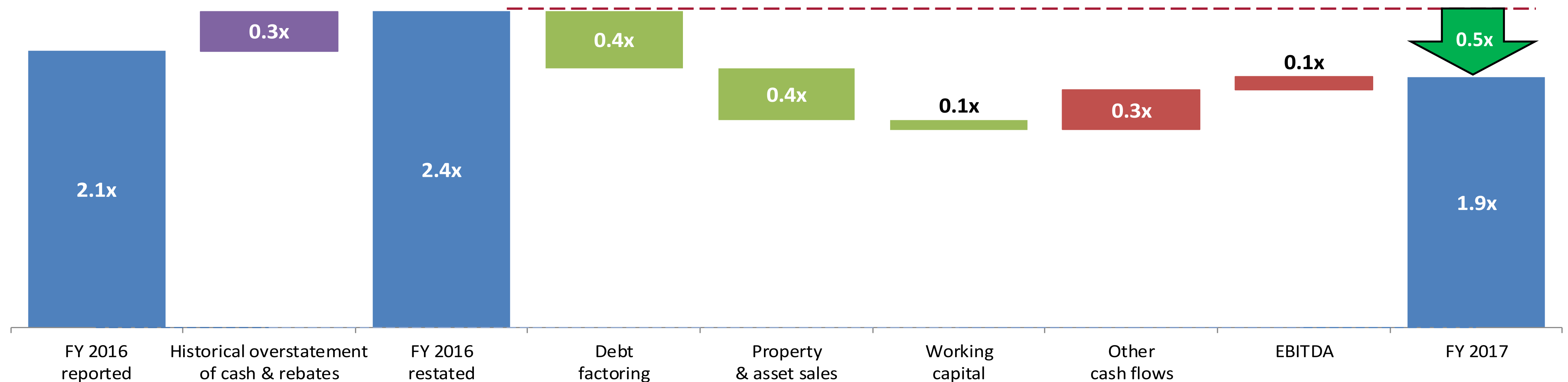
Working capital as % of sales



- Short term actions to improve balance sheet, including debt factoring
- Now targeting sustainable improvements in average working capital, particularly stock
- Negotiating with a number of key suppliers to receive rebates on a more regular basis across the financial year

Every 1% reduction is equal to c.£28m incremental cash

Initial progress on leverage



We continue to target 1.0–1.5x leverage during 2018 and below 1.0x over the medium term

Cash flow and net debt

£m	2017	2016
Opening net debt (restated)	(279.7)	(259.8)
Cash inflow from trading	62.8	95.2
Increase in working capital	(11.8)	(15.3)
Debt factoring	48.7	-
Net cash flow from operating activities	99.7	79.9
Interest and tax	(31.4)	(22.1)
Dividends	(18.2)	(28.0)
Capital expenditure	(22.8)	(39.9)
Sale of property and assets	34.6	39.5
Disposals/exits	17.6	-
Acquisitions including contingent consideration	(6.9)	(25.3)
Other	(16.7)	(24.0)
Decrease/(increase) in borrowings	55.9	(19.9)
Closing net debt	(223.8)	(279.7)
Headline financial leverage (net debt/EBITDA)	1.9x	2.4x

31 December 2017	Total £m	RCF £m
Facilities	553.1	350.0
Drawn (gross)	281.1	78.0
Liquidity headroom	272.0	272.0

Note: £350m RCF falls due for renewal in May 2021

The Group maintains significant liquidity and covenant headroom

2017 Non-underlying items

£m	PBT impact	Cash impact
Disposals/exits	(86.7)	17.6
Amortisation of acquired intangibles	(9.3)	n/a
Net restructuring costs and other one-off items	(33.4)	(22.7)
Impairment of UK ERP	(6.8)	n/a
Non-underlying property profit	5.8	7.9
Total	(130.4)	2.8

Historical overstatements

- On 9 January 2018, we announced an overstatement of c.£20m cash at 31 December 2016 and c.£27m at 30 June 2017
- On 1 February 2018, we announced an overstatement of c.£4.1m profit in 2016 and prior years, plus a further c.£2.5m in H1 2017
- All financials have been restated in today's results
- Remedial actions taken:
 - Financial reporting controls reviewed, with support from KPMG
 - Priority control recommendations implemented
 - Key controls framework being rolled out across the business
 - A number of employees are leaving the business

Historical overstatements – financial impact

	31 December 2016			30 June 2017		
	Underlying PBT	Net debt	Headline financial leverage	Underlying PBT	Net debt	Headline financial leverage
As reported	£77.5m	£259.9m	2.1x	£38.3m	£166.5m	1.6x
Cash overstatement	n/a	£19.8m	0.2x	n/a	£26.9m	0.3x
Profit overstatement	(£3.7)m	n/a	0.1x	(£2.5)m	n/a	0.1x
Restated results	£73.8m	£279.7m	2.4x	£35.8m	£193.4m	2.0x
Impact of disposals/exits	£2.1m			£3.8m		
Underlying PBT	£75.9m			£39.6m		

Dividend

- Consistent with policy, we are recommending a 2017 final dividend of 2.5p (2016: 1.83p)
- Corresponds to total dividend of 3.75p (2016: 3.66p)
- To be paid on 6 July to shareholders on register at close 8 June, subject to AGM approval

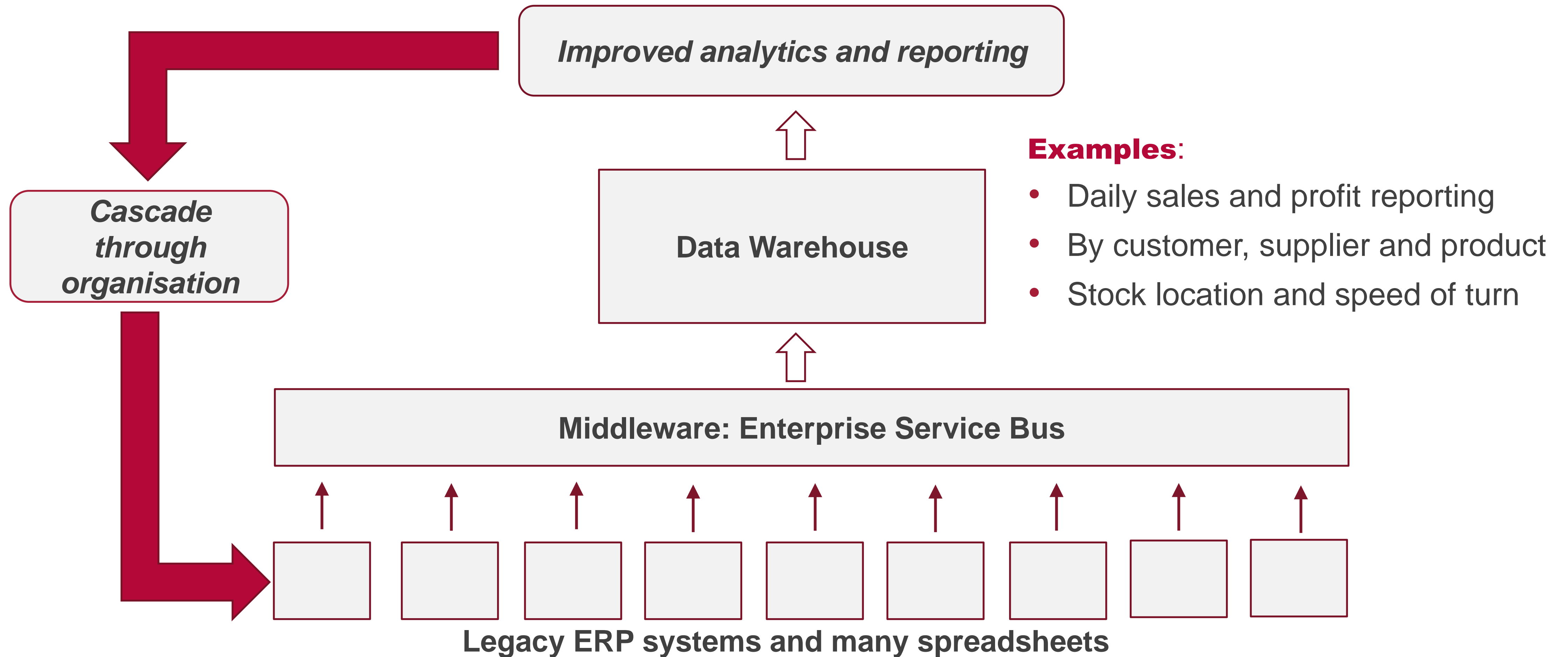


**Stated policy to pay dividends
in line with 2-3x earnings cover**

Today's agenda

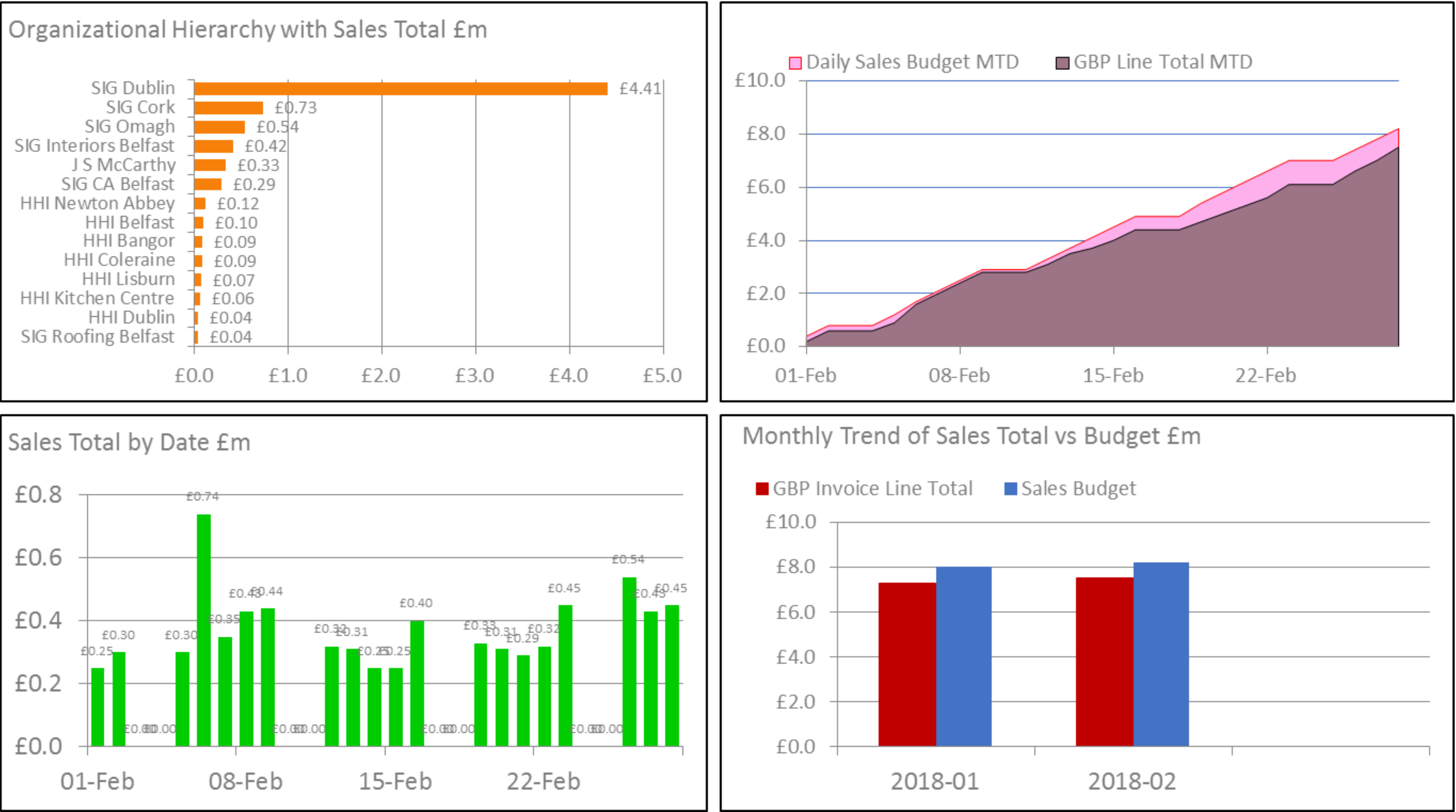
- 2017 highlights
- Financial review of the year
- Improving our data
- Current trading and outlook

Improving our data



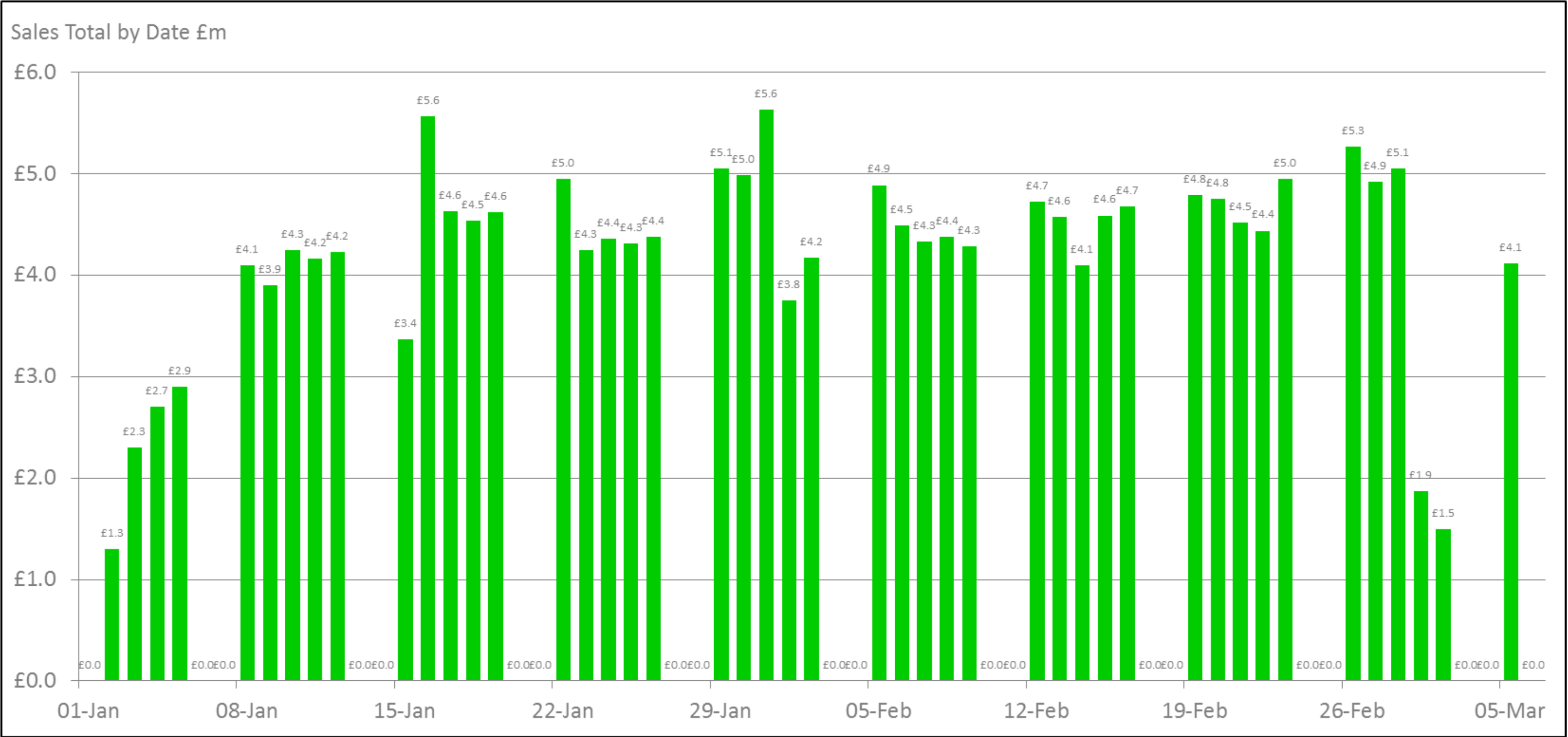
Improving data to provide management visibility

Sales reporting (example) - Ireland



Improving data to provide management visibility

Sales reporting (example) - UK



Note: Extract from sales database

Today's agenda

- 2017 highlights
- Financial review of the year
- Improving our data
- Current trading and outlook

Current trading and outlook

- **UK**
 - Environment increasingly challenging
 - Macro uncertainty
 - Recent events in construction industry
- **Mainland Europe/Ireland**
 - Strong start to year with increasingly confident outlook
 - Some first signs of capacity and labour constraints
- **Group outlook**
 - Significant potential for improvement independent of market backdrop
 - Execution largely within management's control
 - We are working hard to ensure effective delivery

Further update on 10 May 2018 at AGM



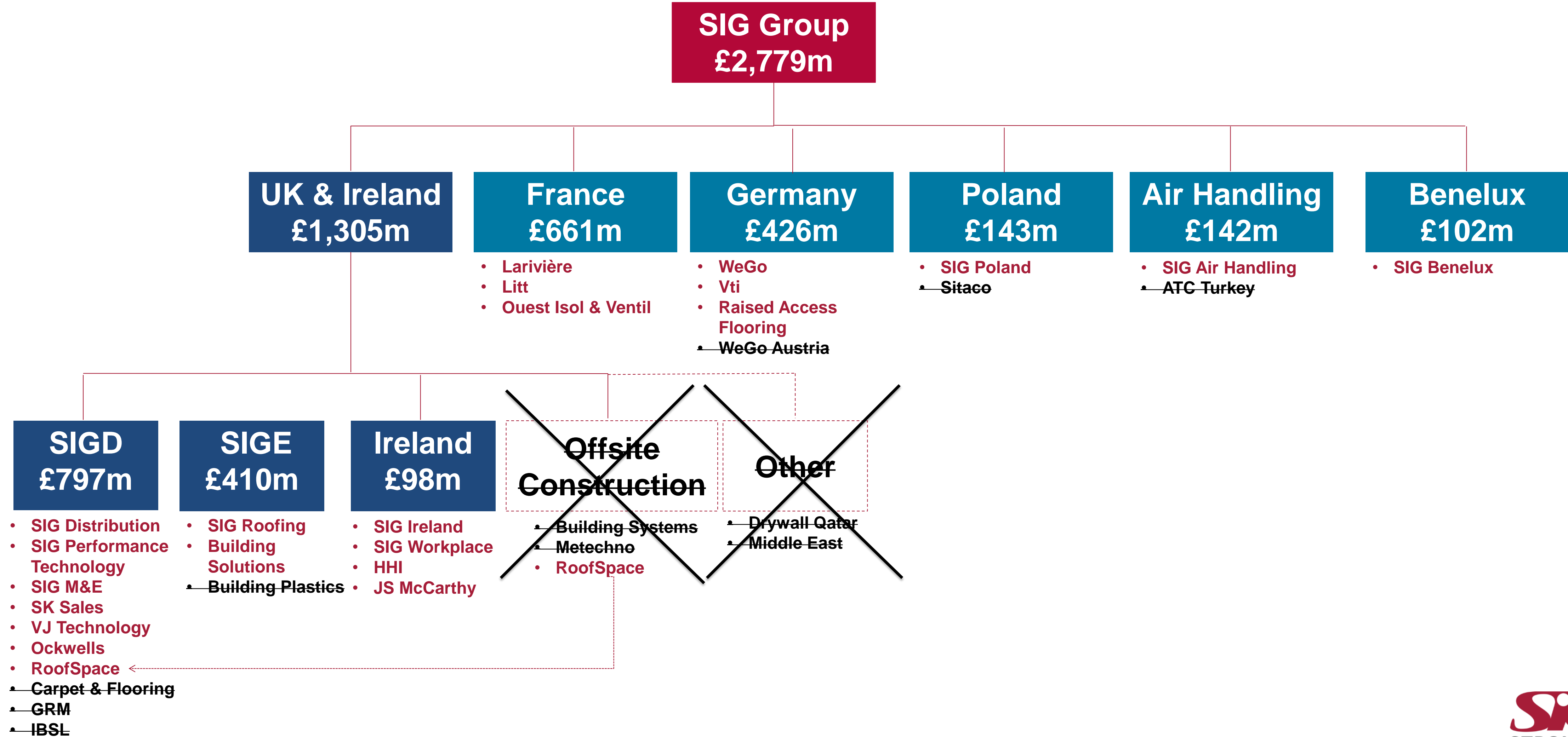
Appendix

Supporting schedules

Our strategic vision



Ongoing portfolio management



Note: FY 2017 revenue from underlying operations

Underlying financials by segment/Opco

UK & Ireland	Revenue	Change	LFL	Gross margin	Change	Operating profit	Change	Operating margin	Change
SIG Distribution	£797.5m	+2.1%	+2.3%	23.9%	(60)bps	£9.9m	(£8.3)m	1.2%	(110)bps
SIG Exteriors	£409.5m	(1.3)%	(1.1)%	28.6%	(20)bps	£32.9m	£2.4m	8.0%	+60bps
Ireland	£98.3m	+15.0%	+8.1%	25.0%	(70)bps	£4.8m	£1.1m	4.9%	+60bps
Total	£1,305.3m	+1.9%	+1.6%	25.5%	(40)bps	£47.6m	(£4.8)m	3.6%	(50)bps

Mainland Europe	Revenue	Change	LFL	Gross margin	Change	Operating profit	Change	Operating margin	Change
France	£660.7m	+12.1%	+5.9%	27.6%	(10)bps	£26.2m	£1.8m	4.0%	(10)bps
Germany	£425.9m	+10.5%	+4.8%	26.4%	(50)bps	£11.5m	£3.8m	2.7%	+70bps
Poland	£142.8m	+24.1%	+13.7%	20.0%	-	£1.0m	(£0.1)m	0.7%	(20)bps
Air Handling	£142.1m	+22.2%	+10.9%	38.4%	+110bps	£14.4m	£3.6m	10.1%	+90bps
Benelux	£101.7m	+2.0%	(4.3)%	25.8%	+60bps	£6.3m	£2.2m	6.2%	+210bps
Total	£1,473.2m	+12.8%	+5.9%	27.4%	(10)bps	£59.4m	£11.3m	4.0%	+30bps

2017 revenue growth analysis

	UK & Ireland	Mainland Europe	Group
Price	4.5%	0.8%	2.6%
Volume	(2.9)%	5.1%	1.2%
Like-for-like	1.6%	5.9%	3.8%
Currency	0.5%	7.3%	3.9%
Acquisitions	0.2%	0.2%	0.2%
Working days	(0.4)%	(0.6)%	(0.5)%
Reported	1.9%	12.8%	7.4%

Note: Underlying performance

Number of trading sites

	31 Dec 2016	Closed/ merged	Opened	Disposed	31 Dec 2017
SIG Distribution	100	(9)	1	(2)	90
SIG Exteriors	194	(1)	-	(59)	134
Ireland	10	-	-	-	10
UK & Ireland	304	(10)	1	(61)	234
France	210	(3)	-	-	207
Germany	62	-	-	(3)	59
Poland	49	-	-	-	49
Air Handling	22	-	-	(1)	21
Benelux	15	-	-	-	15
Mainland Europe	358	(3)	-	(4)	351
Group total	662	(13)	1	(65)	585

SIG Distribution

Underlying financials

	FY 2017	FY 2016	Change
Revenue	£797.5m	£781.2m	+2.1%
LFL sales	+2.3%	+2.1%	+20bps
Gross margin	23.9%	24.5%	(60)bps
Operating profit	£9.9m	£18.2m	(45.6)%
Operating margin	1.2%	2.3%	(110)bps
Branches	90	100	(10)

Key products

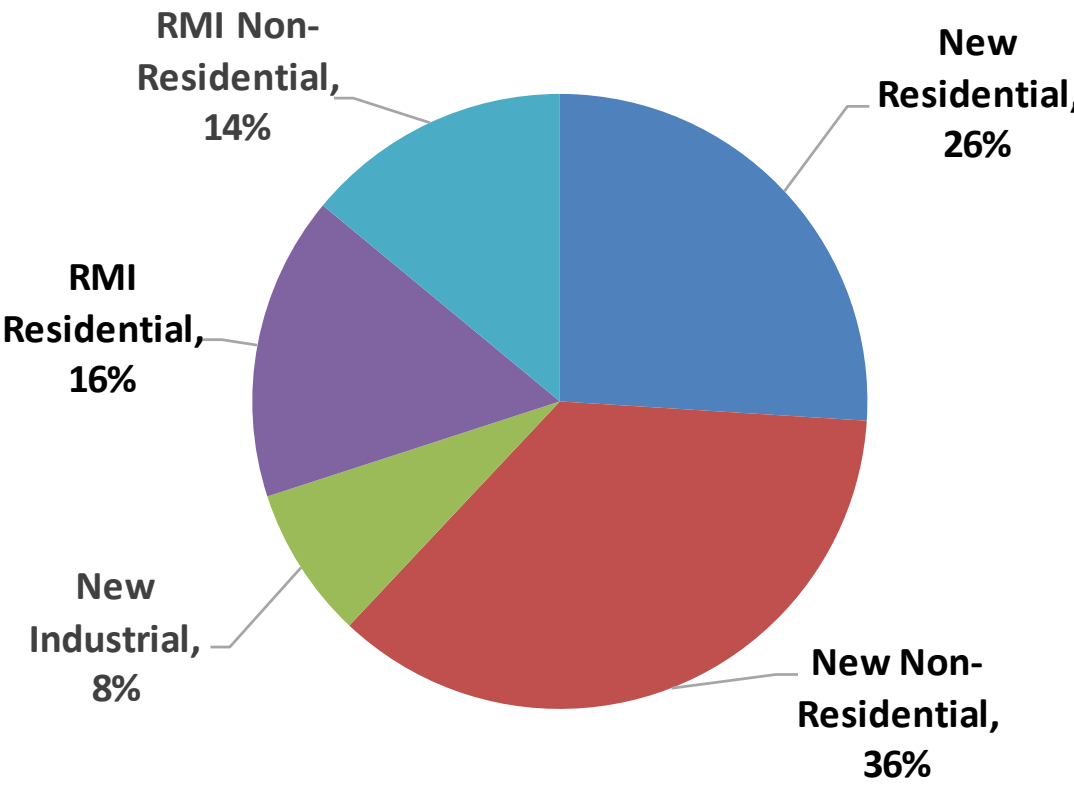
- Structural and technical insulation
- Dry lining/stud and track
- Construction accessories and fixings
- Ceiling tiles and grids
- Partition walls and doorsets



Business and key competitors

- Principally insulation/interiors distribution
- Clear UK leader with 18% share in consolidated market
- Key competitors:
 - CCF (Travis Perkins)
 - Minster (Saint Gobain)
 - Encon (MBO)

Markets



Key driver: Construction activity (mainly new build)



Note: Market share is company estimate. 2016 results restated for historical overstatements. Data represents underlying performance

SIG Exteriors

Underlying financials

	FY 2017	FY 2016	Change
Revenue	£409.5m	£414.8m	(1.3)%
LFL sales	(1.1)%	(1.4)%	+30bps
Gross margin	28.6%	28.8%	(20)bps
Operating profit	£32.9m	£30.5m	+7.9%
Operating margin	8.0%	7.4%	+60bps
Branches	134	194	(60)

Key products

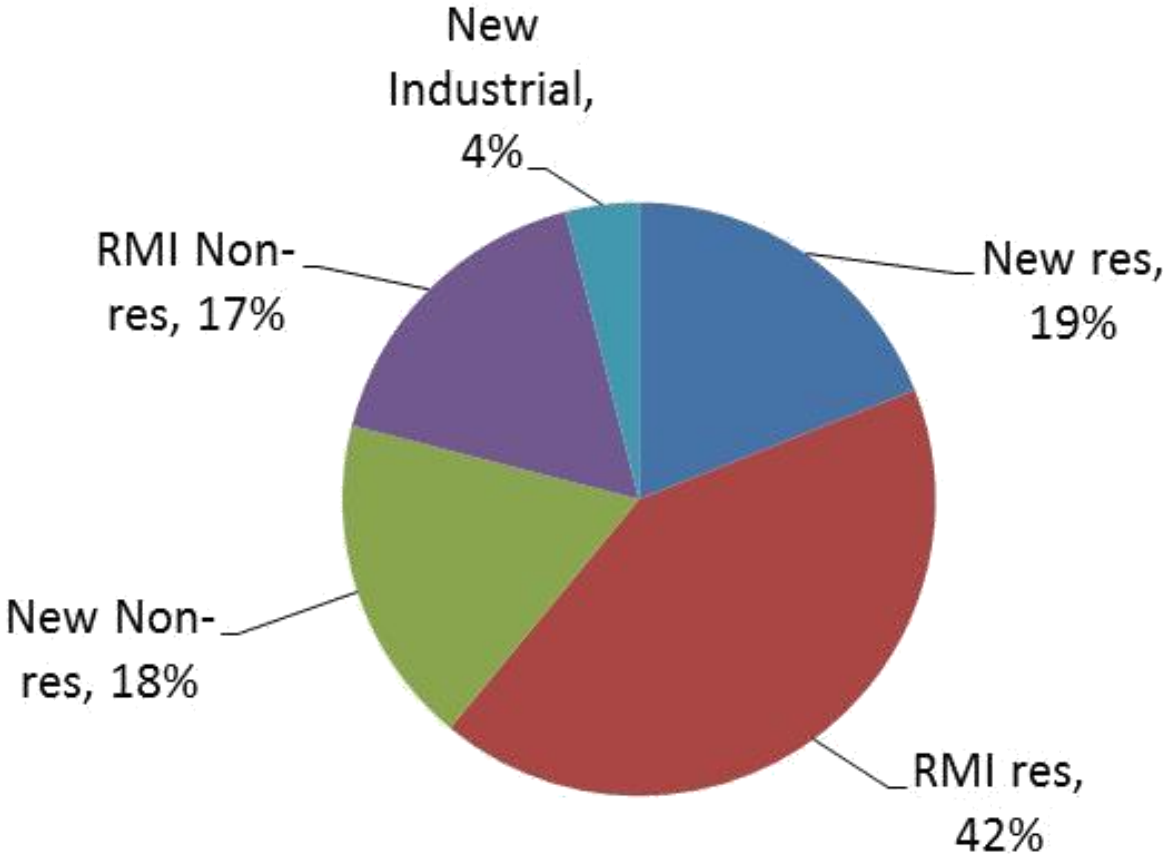
- Tiles, slates, membranes and battens
- Single-ply flat roofing systems
- Industrial roofing and cladding systems



Business and key competitors

- Principally roofing merchanting
- Clear UK leader and only national specialist with c.30% share in fragmented market
- Key competitors:
 - Burtons
 - Rinus
 - General builders' merchants (to some degree)
 - Other small independent roofing specialists

Markets



Key driver: Construction activity (mainly RMI residential)



Note: Market share is company estimate. Data represents underlying performance

SIG Ireland

Underlying financials

	FY 2017	FY 2016	Change
Revenue	£98.3m	£85.5m	+15.0%
LFL sales	+8.1%	+3.8%	+430bps
Gross margin	25.0%	25.7%	(70)bps
Operating profit	£4.8m	£3.7m	+29.7%
Operating margin	4.9%	4.3%	+60bps
Branches	10	10	0

Key products

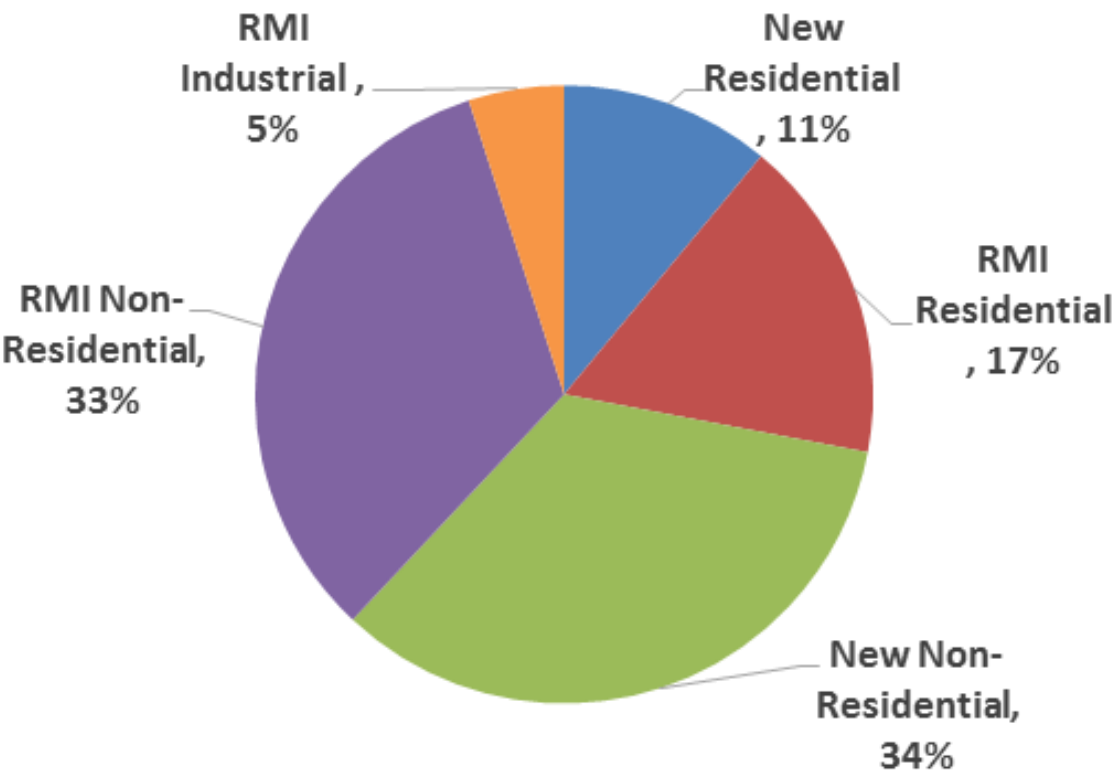
- Structural and technical insulation
- Dry lining
- Suspended ceilings
- Masonry support and waterproofing
- Tiles, slates and roofing accessories
- Cladding and façade systems



Business and key competitors

- Principally distribution of interiors, insulation and construction accessories
- #1 Interiors (c.40% share); #2 Insulation (c.24% share); #1 Construction Accessories (c.26% share)
- Key competitors:
 - Tennants
 - Saint Gobain
 - Sitetech

Markets



Key driver: Construction activity, total and sectoral (mainly non-residential)



Note: Market share is company estimate. Data represents underlying performance

SIG France

Underlying financials

	FY 2017	FY 2016	Change
Revenue	£660.7m	£589.2m	+12.1%
LFL sales	+5.9%	(3.8)%	+970bps
Gross margin	27.6%	27.7%	(10)bps
Operating profit	£26.2m	£24.4m	+7.4%
Operating margin	4.0%	4.1%	(10)bps
Branches	207	210	(3)

Key products

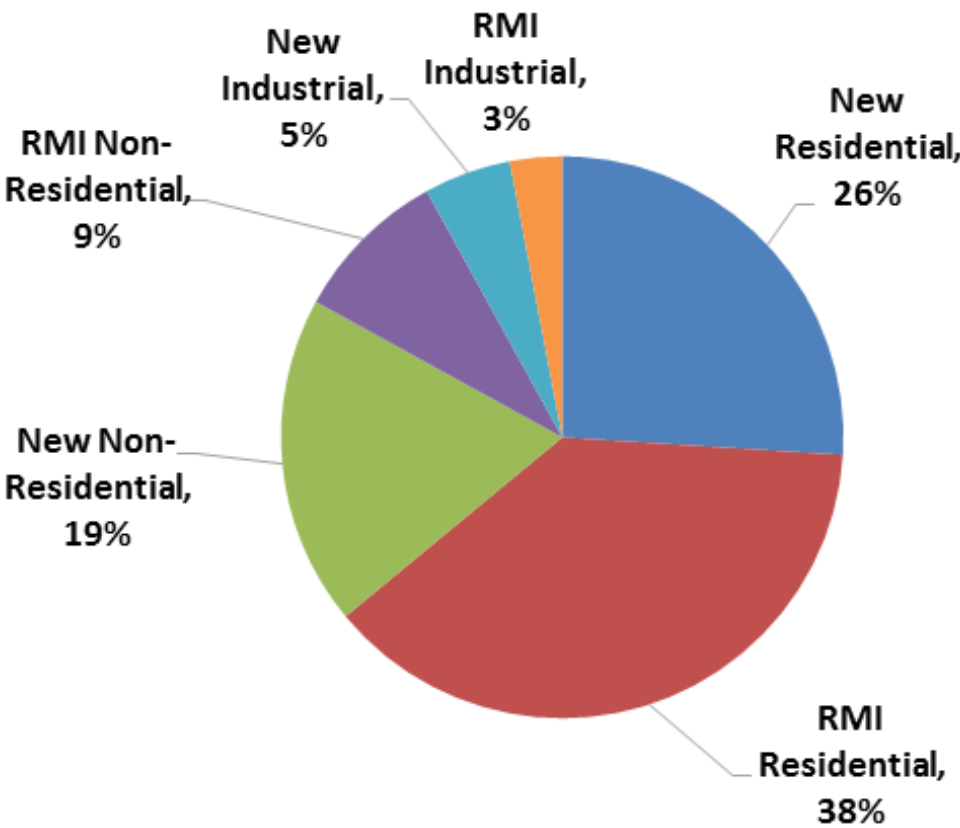
- Clay tiles, slates, metals, membranes, battens (Larivière)
- Structural insulation, dry lining and partitions (LiTT)
- Technical insulation and air handling
- Air handling (Ouest isol & ventil)



Business and key competitors

- Specialist distributor in roofing and air handling insulation/interiors
- #1 Specialist roofing (c.17% share); #1 Ceilings; #2 Technical insulation (c.35% share); #3 Structural insulation/interiors (c.7% share)
- Key competitors:
 - Point P (Saint Gobain)
 - L'asturienne (Saint Gobain)
 - SFIC (Saint Gobain)
 - Chausson

Markets



Key driver: Construction activity (mainly residential)



Note: Market share is company estimate. Data represents underlying performance

SIG Germany

Underlying financials

	FY 2017	FY 2016	Change
Revenue	£425.9m	£385.6m	+10.5%
LFL sales	+4.8%	(1.0)%	+580bps
Gross margin	26.4%	26.9%	(50)bps
Operating profit	£11.5m	£7.7m	+49.4%
Operating margin	2.7%	2.0%	+70bps
Branches	59	62	(3)

Key products

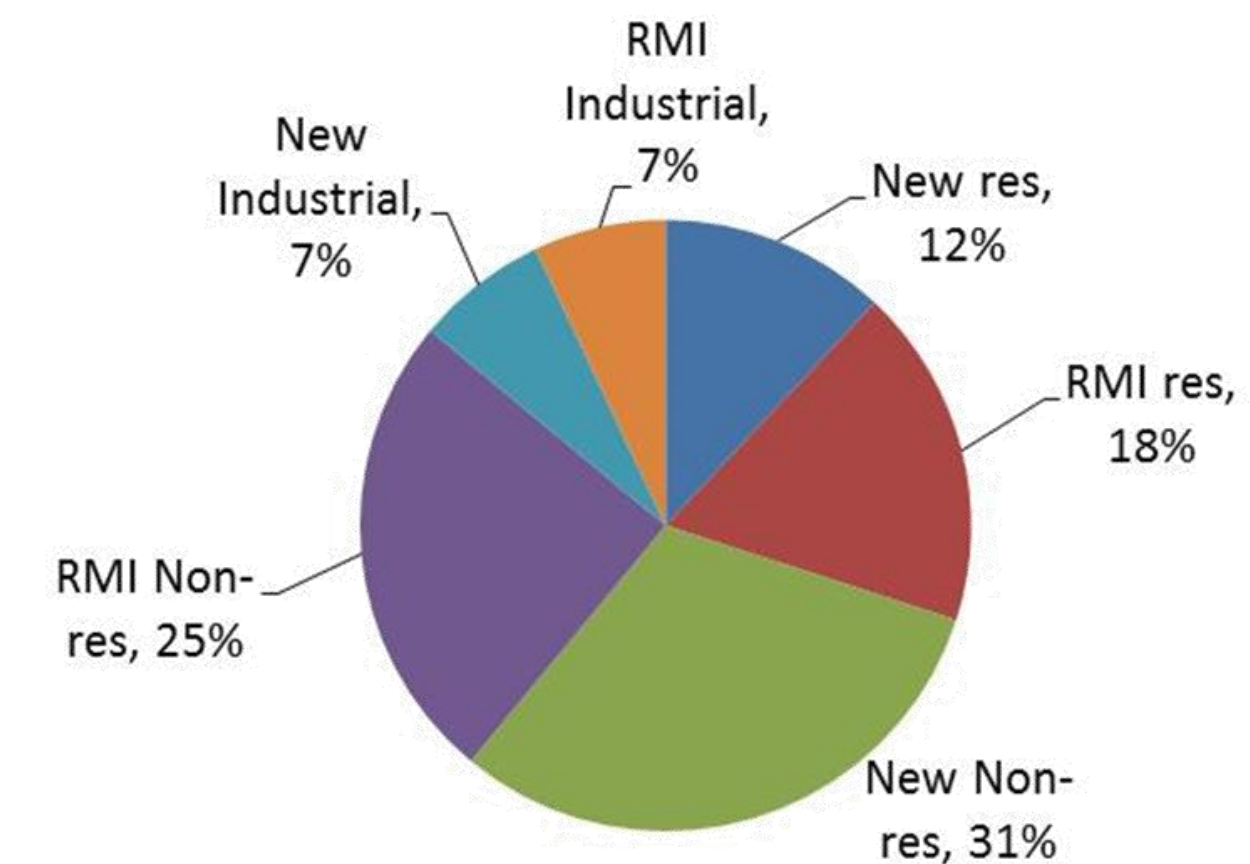
- Structural insulation and dry lining
- Screed and raised access flooring
- Ceiling tiles and grids
- Doors and frames
- Technical insulation



Business and key competitors

- Insulation/interiors distribution
- #1 technical insulation (c.17% share); #3 structural insulation/interiors (c.12% share)
- Relatively fragmented market
- Key competitors:
 - Raab Karcher (Saint Gobain)
 - Bauking (CRH)
 - Baustoff & Metall

Markets



Key driver: Construction activity (mainly non-residential)

SIG Poland

Underlying financials

	FY 2017	FY 2016	Change
Revenue	£142.8m	£115.1m	+24.1%
LFL sales	+13.7%	+2.1%	+1160bps
Gross margin	20.0%	20.0%	-
Operating profit	£1.0m	£1.1m	(9.1)%
Operating margin	0.7%	0.9%	(20)bps
Branches	49	49	0

Key products

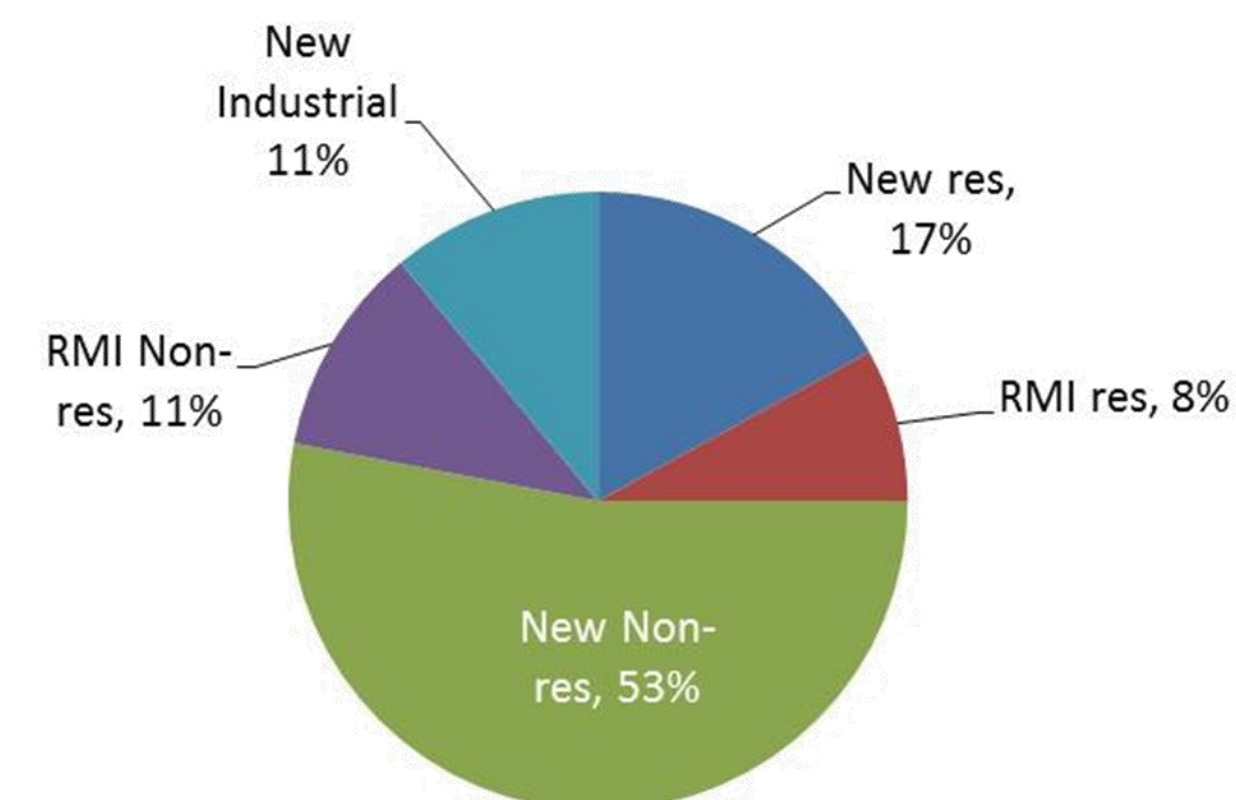
- Structural and technical insulation
- Dry lining
- Ceiling tiles and grids
- Plasters and construction chemicals
- Roofing felts and membranes



Business and key competitors

- Principally insulations/interiors distribution
- #1 structural insulation/interiors (c.12% share);
#1 technical insulation (c.25% share)
- Key competitors:
 - PSB, GHB (Purchasing associations)
 - Caldo Izolacja, Herbud (TI & AH)
 - 3W, AB Bechcicki (following SIG business model)

Markets



Key driver: Construction activity (mainly non-residential)

SIG Air Handling

Underlying financials

	FY 2017	FY 2016	Change
Revenue	£142.1m	£116.3m	+22.2%
LFL sales	+10.9%	+9.3%	+160bps
Gross margin	38.4%	37.3%	+110bps
Operating profit	£14.4m	£10.8m	+33.3%
Operating margin	10.1%	9.2%	+90bps
Branches	21	22	(1)

Key products

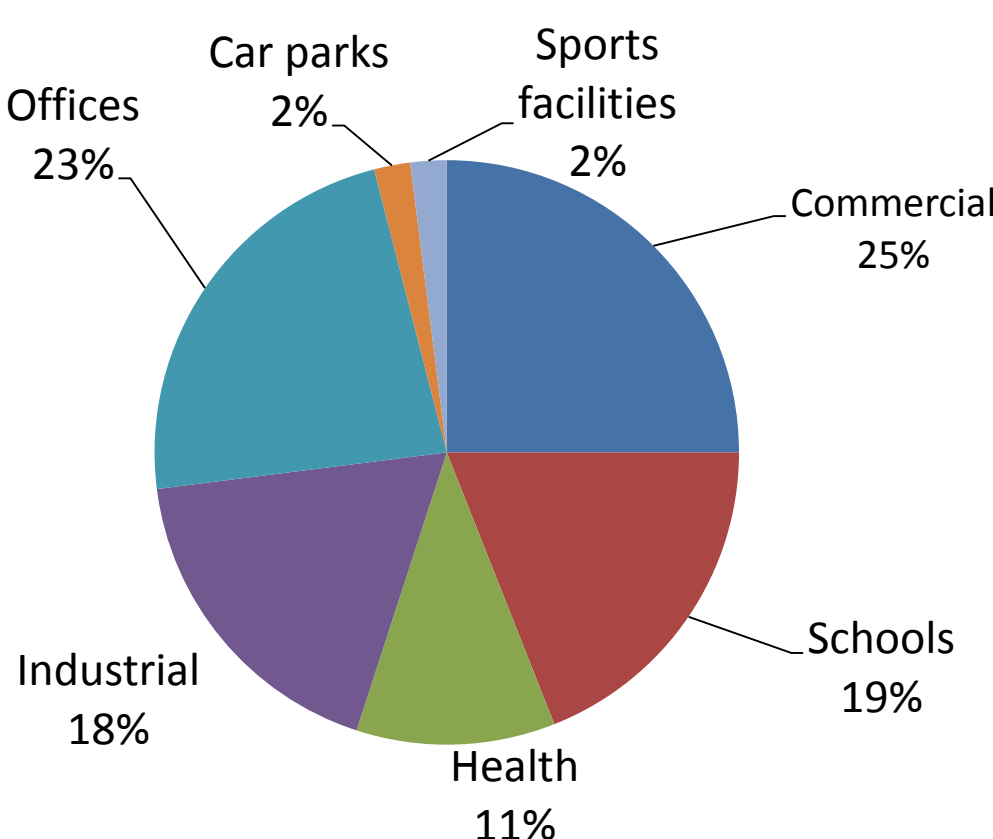
- Air handling units and fans
- Ducts, components and fixings
- Volume and fire/smoke dampers
- Climate ceilings and controls
- Grills and diffusers



Business and key competitors

- Largest pure-play specialist AH distributor in Europe
- Market supplied by manufacturers (55%), distributors (45%)
- Key competitors:
 - Systemair
 - Lindab
 - Fläkt Group
 - Trox
 - Swegon

Markets



Key drivers: Various sectors including commercial, offices, schools and industrial

Note: Market share is company estimate. Data represents underlying performance

SIG Benelux

Underlying financials

	FY 2017	FY 2016	Change
Revenue	£101.7m	£99.7m	+2.0%
LFL sales	(4.3)%	+2.5%	(680)bps
Gross margin	25.8%	25.2%	+60bps
Operating profit	£6.3m	£4.1m	+53.7%
Operating margin	6.2%	4.1%	+210bps
Branches	15	15	0

Key products

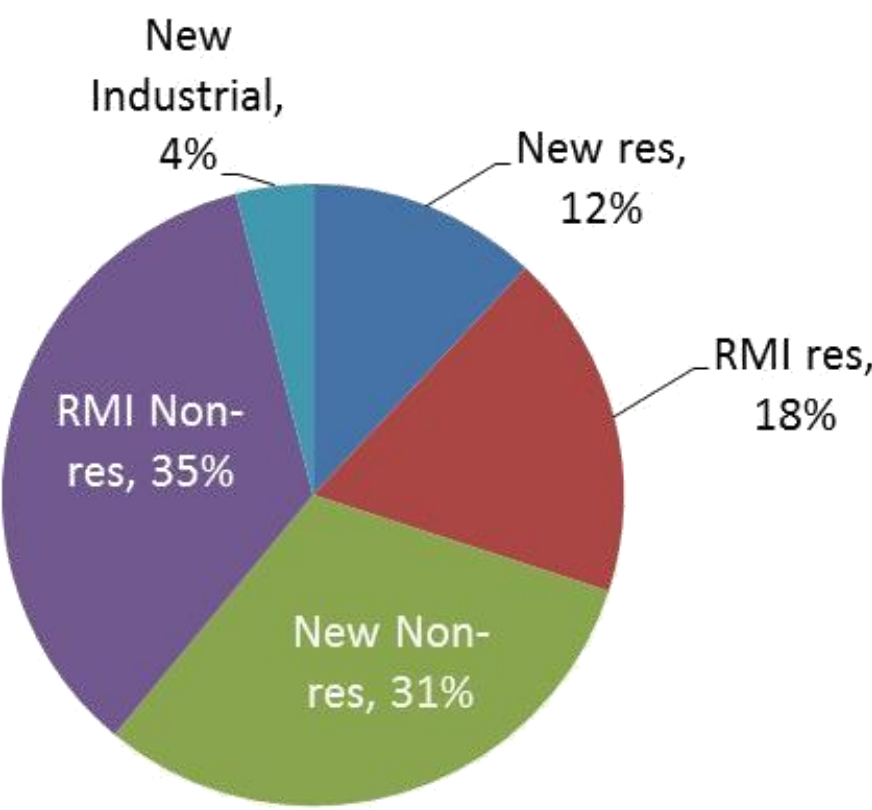
- Structural and technical insulation
- Wet plaster
- Dry lining
- Ceiling tiles and grids
- Stud and track



Business and key competitors

- Insulations/interiors distribution
- #1 technical insulation (c.25% share);
#1 interiors (c.28% share)
- Key competitors:
 - Astrimex
 - Baustoff & Metall
 - Veris
 - Raab Karcher
 - IPCOM group

Markets



Key driver: Construction activity (mainly non-residential)



Note: Market share is company estimate. Data represents underlying performance

Definition of terms

Underlying operations	Excluding the impact of any disposals made in current and prior year or currently under review
Like-for-like (LFL)	Sales per day in constant currency, excluding acquisitions and disposals
ROS	Return on Sales, calculated as underlying operating profit before tax, divided by underlying revenue
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
Headline financial 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")
Opex as % of sales	Ratio of underlying other operating expenses to underlying revenue
Working capital as % of sales	Ratio of working capital (including provisions but excluding pension scheme obligations) to annualised revenue (after adjusting for acquisitions and disposals) on a constant currency basis