

# Transformation on track

Results for the year ended  
31 December 2018

8 March 2019





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# Transformation on track



**Meinie Oldersma**  
Chief Executive Officer

# Today's agenda

- 2018 highlights
- Financial review of the year
- Delivering the transformation
- Turnaround at SIG Distribution
- Current trading and outlook

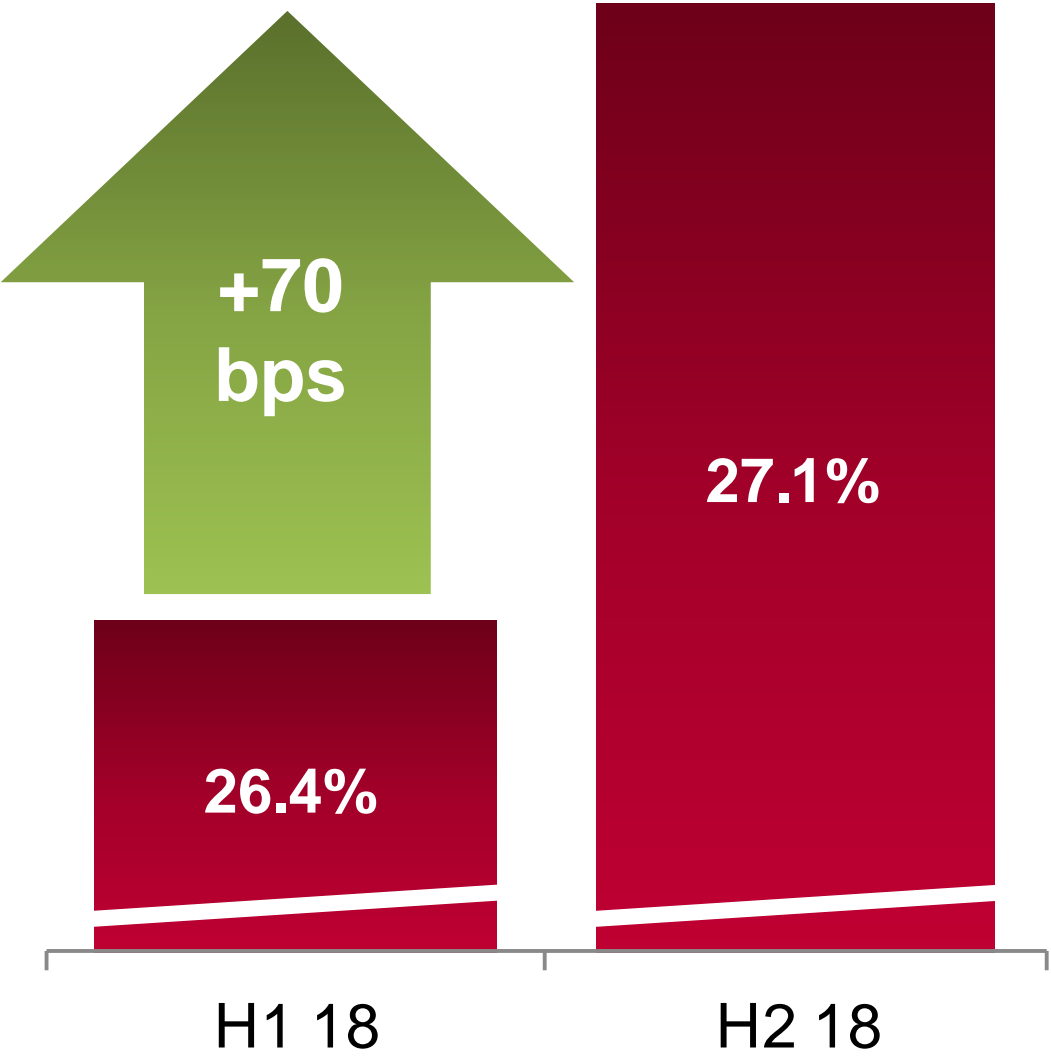


# 2018 highlights

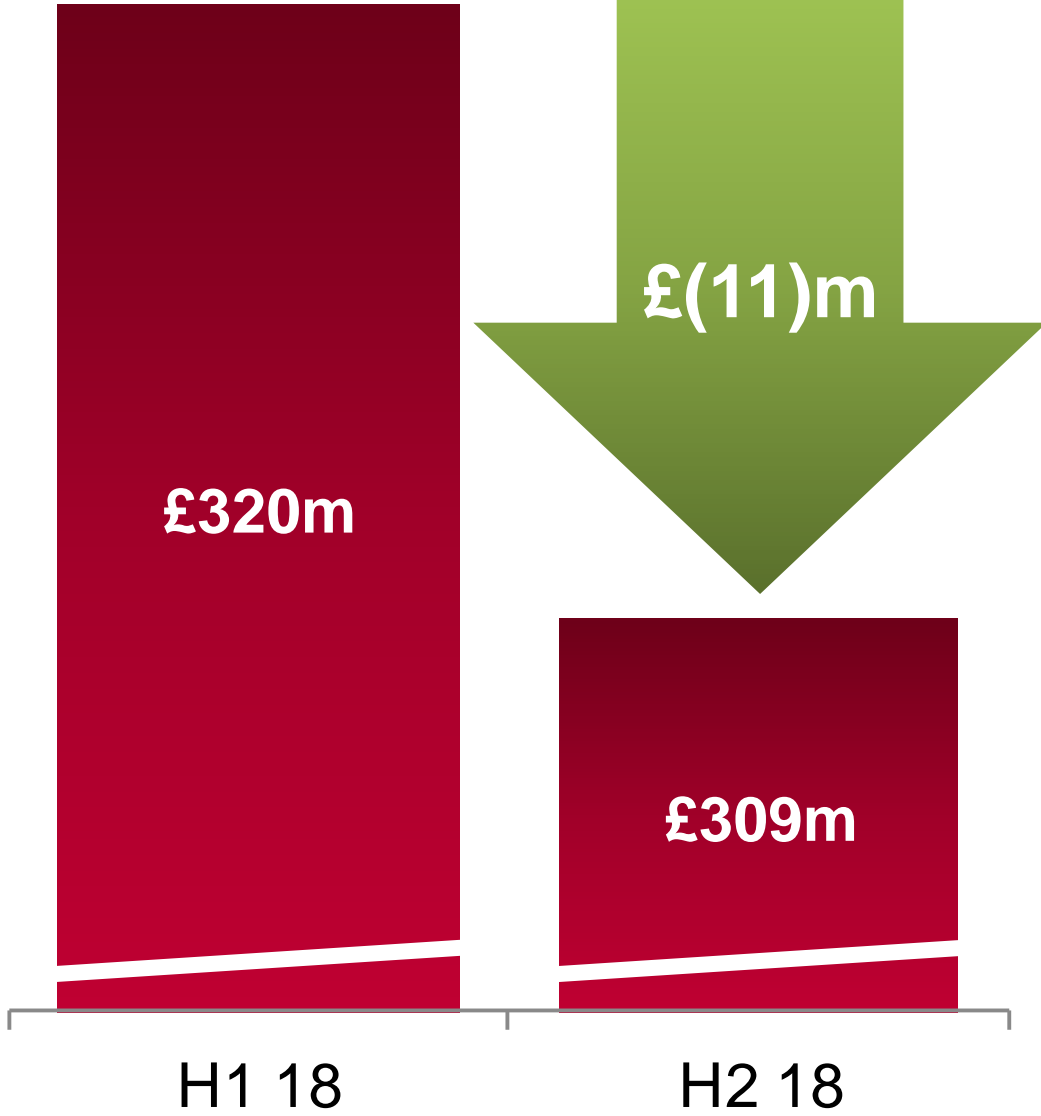
- Significant operational and financial progress in the second half of the year as the transformation starts to deliver
- Underlying revenue down 1.2% due to challenging market conditions and focus on profitability over volume
- Underlying gross margin up 50bps and operating costs down
- Underlying PBT (excl. property profits) up 25% to £72.7m (2017: £58.1m) in line with expectations
- SIG Distribution turnaround well underway, with operating profit up to £20.9m (2017: £3.5m)
- Net debt sharply lower at £189.4m (2017: £258.7m) and headline financial leverage down to 1.7x (2017: 2.3x)
- Final dividend of 2.5p per share, bringing total for the year to 3.75p (2017: 3.75p)
- Group return on sales (excl. property profits) up to 4.0% in the second half, providing good visibility of further significant progress in 2019, despite macro uncertainties
- Board reviewing strategic options for Air Handling

# Significant financial progress in second half

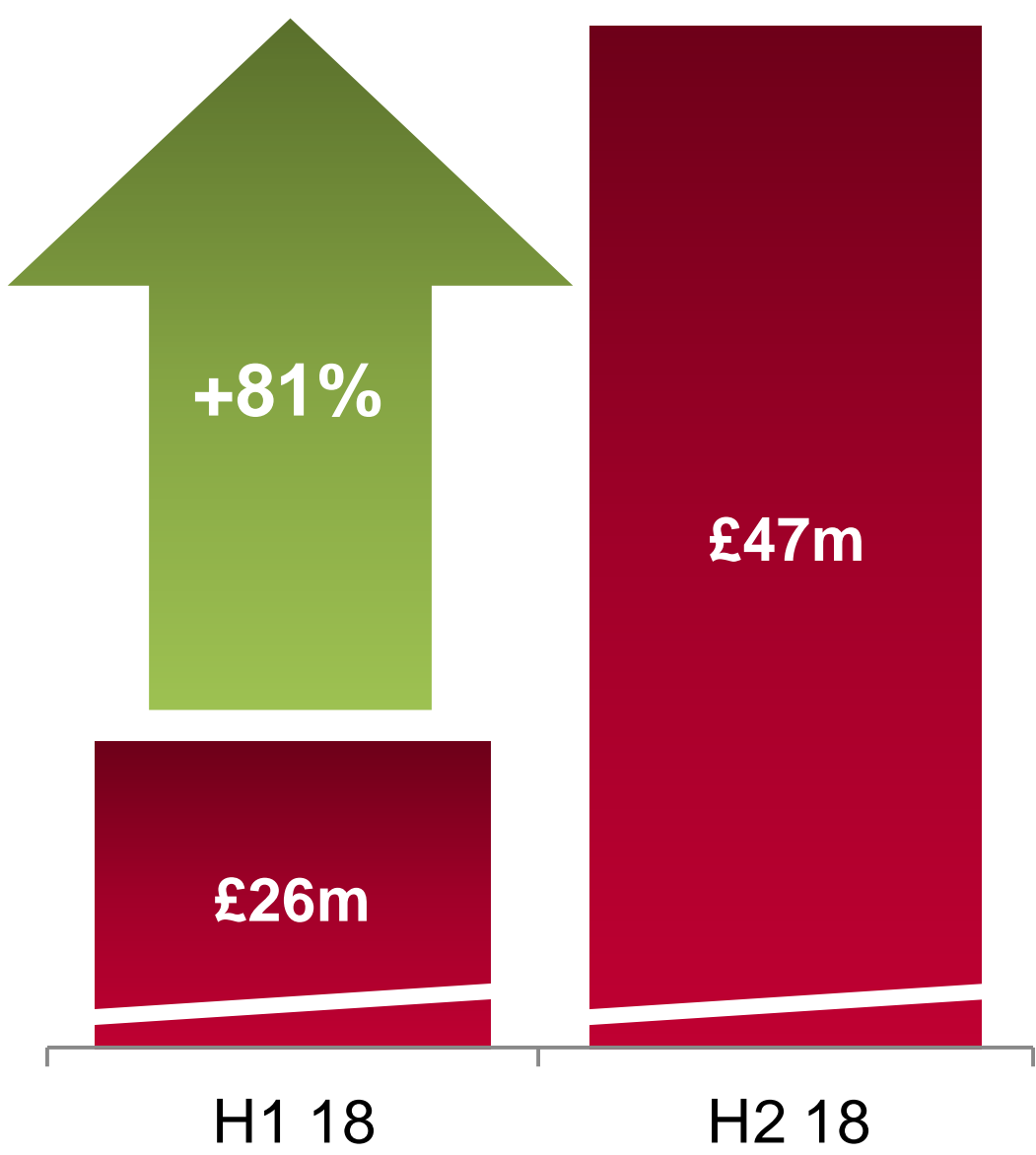
## Gross margin



## Operating costs

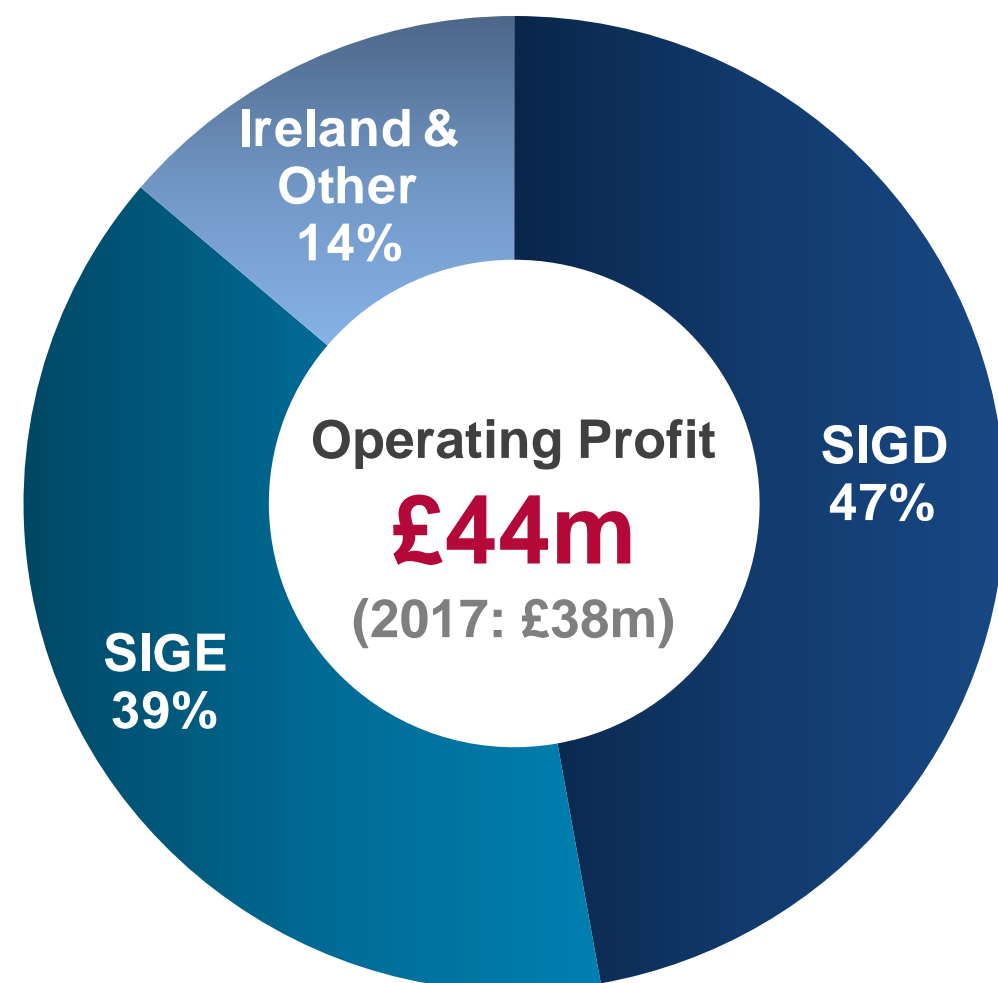
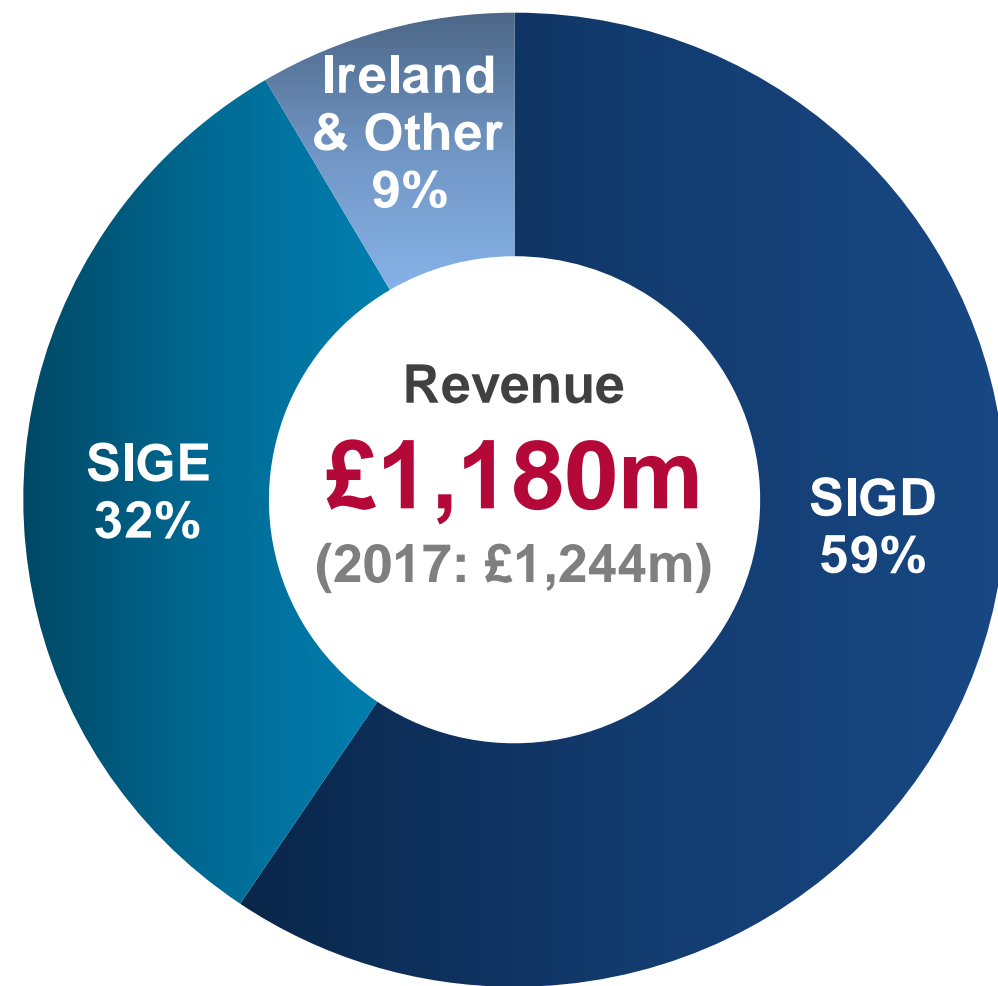


## Underlying PBT

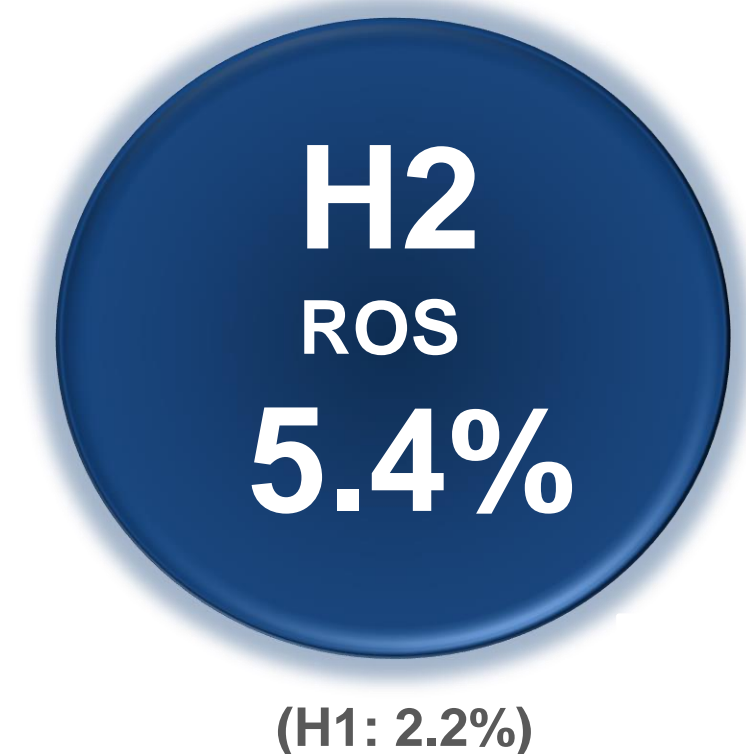


Note: Data represents underlying performance excluding property profits

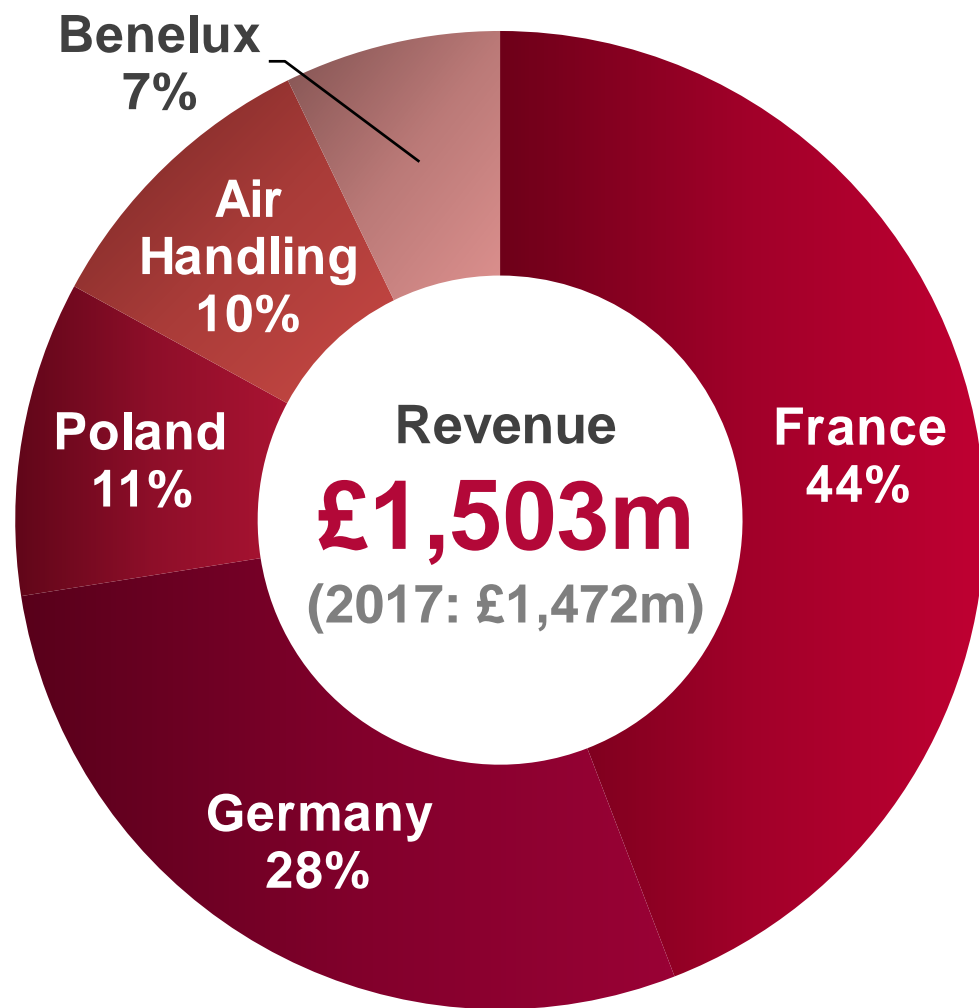
# Management actions deliver step change in UK & Ireland



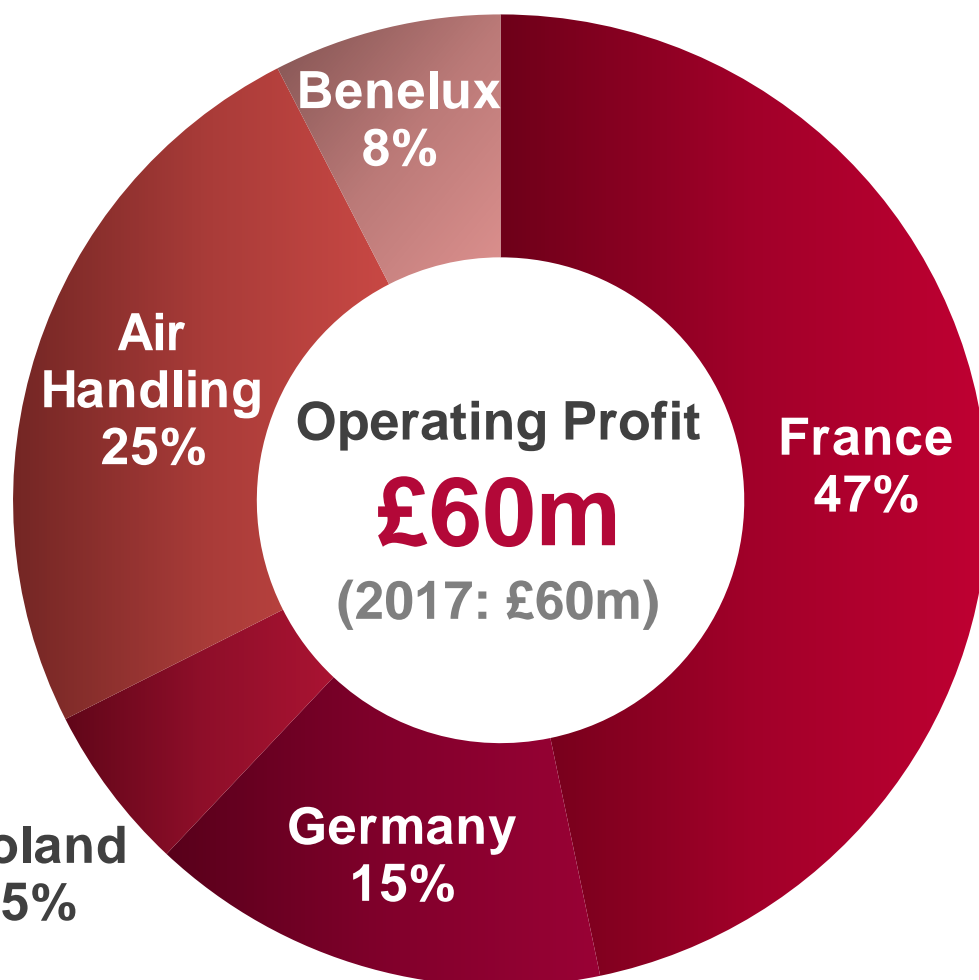
- LFL sales down 5.6% reflecting challenging market conditions and focus on profitability over volume
- Gross margin up 110bps in 2018 from pricing initiatives, particularly in SIG Distribution
- Changes to operating model delivering cost reductions
- H2 operating profit up c.2.4x to £31m
- Return on sales up to 5.4% in H2
- Momentum from 2018 initiatives provides good visibility of further significant progress in 2019



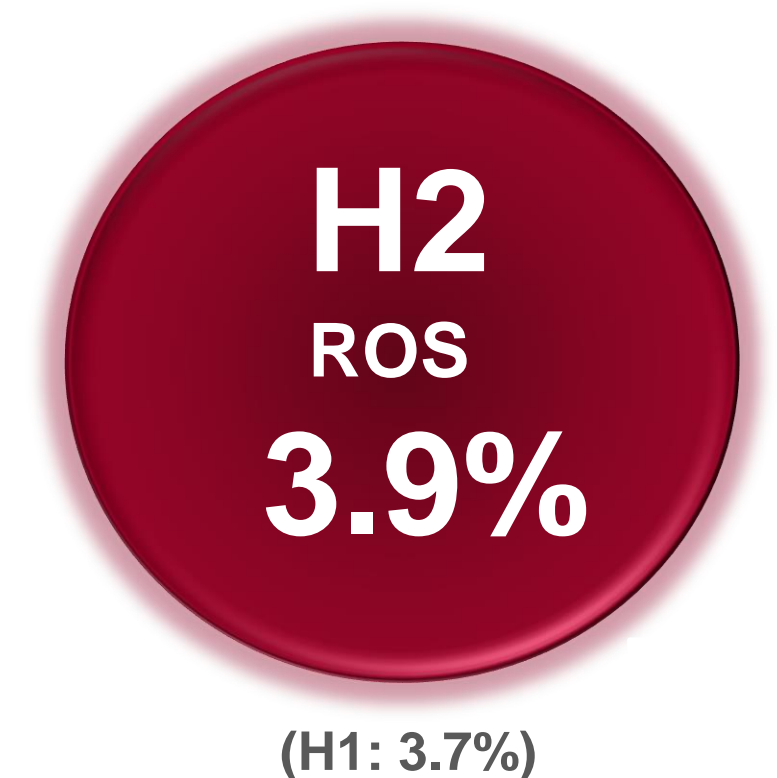
# Stable performance across Mainland Europe



- Weaker H2 trading in France and Germany, as expected
- Good top-line growth in Poland, Air Handling and Benelux
- LFL sales up 0.8% and gross margin stable at 27.4%, despite pressure on pricing in some markets



- Operating profit up 19% in H2
- Return on sales up to 3.9% in H2
- Pace of transformation accelerating in France and Germany, building on UK success





# Air Handling combined as pan-European business

2018 pro forma	Existing Air Handling	Ouest Isol & Ventil	SK Sales	New Air Handling division
Revenue	£148.2m	£140.8m	£21.1m	<b>£310.1m</b>
Operating profit/(loss)	£14.8m	£6.7m	£(2.1)m	<b>£19.4m</b>
ROS (excl. property profits)	10.0%	4.8%	n/a	<b>6.3%</b>

- Remaining air handling businesses (Ouest Isol & Ventil/SK Sales) transferred into Air Handling division
- Establishes specialist provider of air handling solutions operating in ten countries across Europe
- Provides an integrated platform with potential for continuing growth and significant profit enhancement
- The Board is reviewing strategic options for this business



# Progress towards medium term targets

	Medium term target	FY 2018	FY 2017 Restated
LFL sales growth	Market growth/ Maintain market share	<b>(2.1)%</b>	+3.5%
ROS (excl. property profits)	c.5%	<b>3.3%</b>	2.7%
ROCE	c.15%	<b>10.3%</b>	9.3%
Headline financial leverage	under 1.0x	<b>1.7x</b>	2.3x

**2018 provides reassurance that transformation is on track**

# Financial review of the year



**Nick Maddock**  
Chief Financial Officer



# 2018 key financials

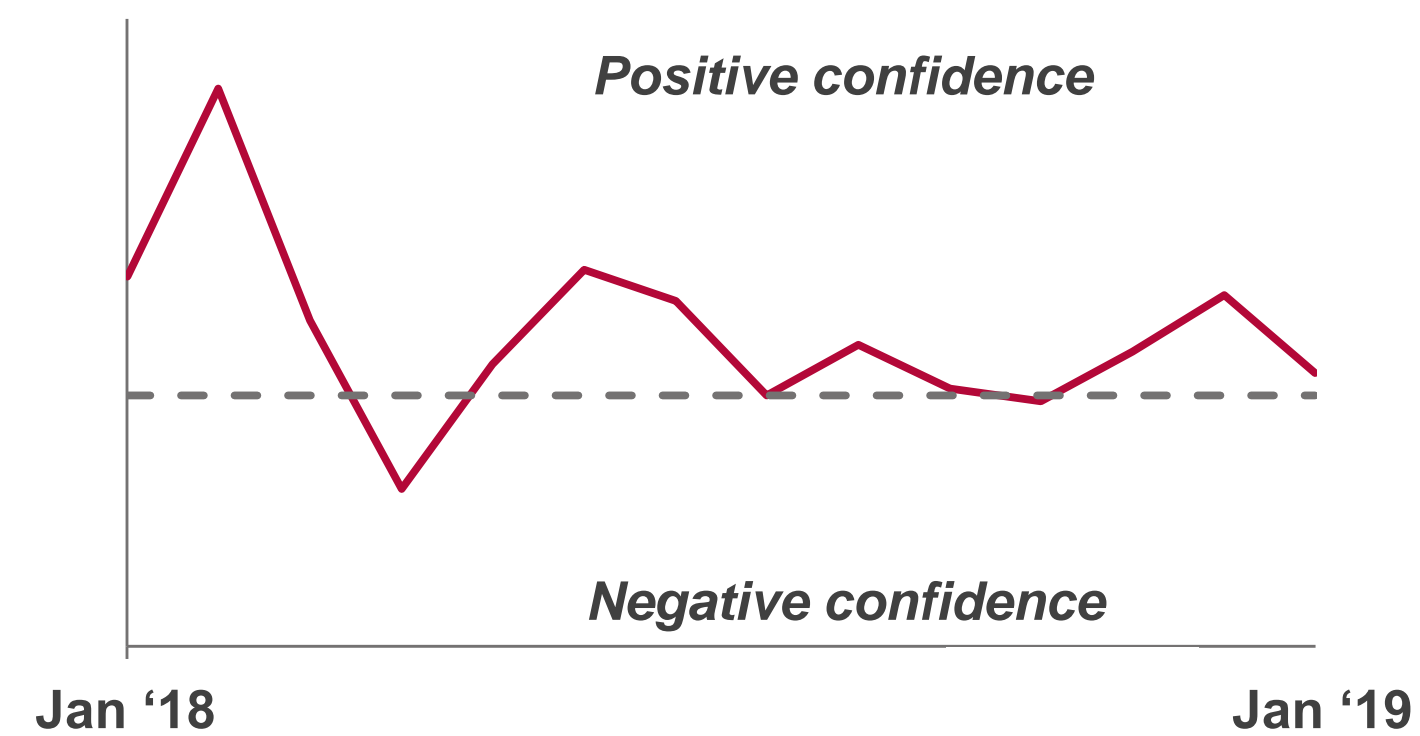
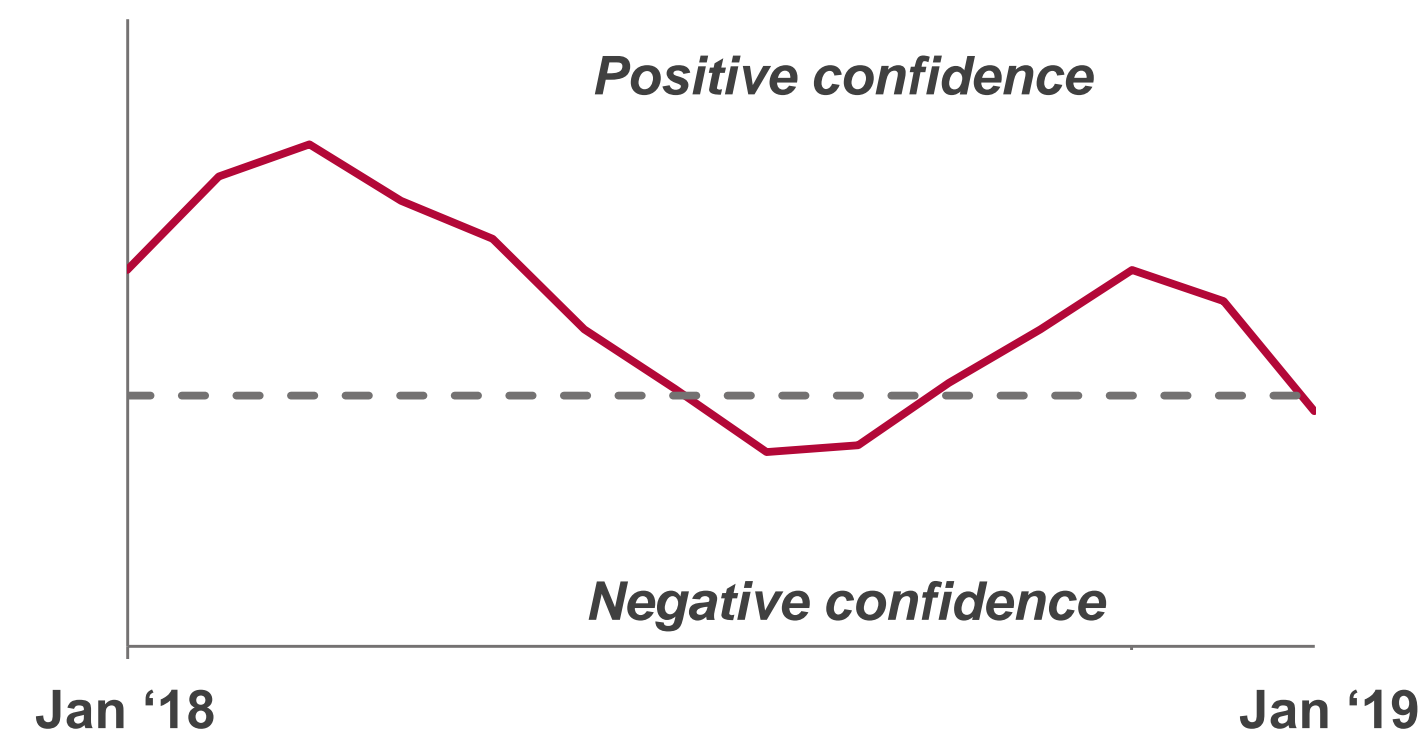
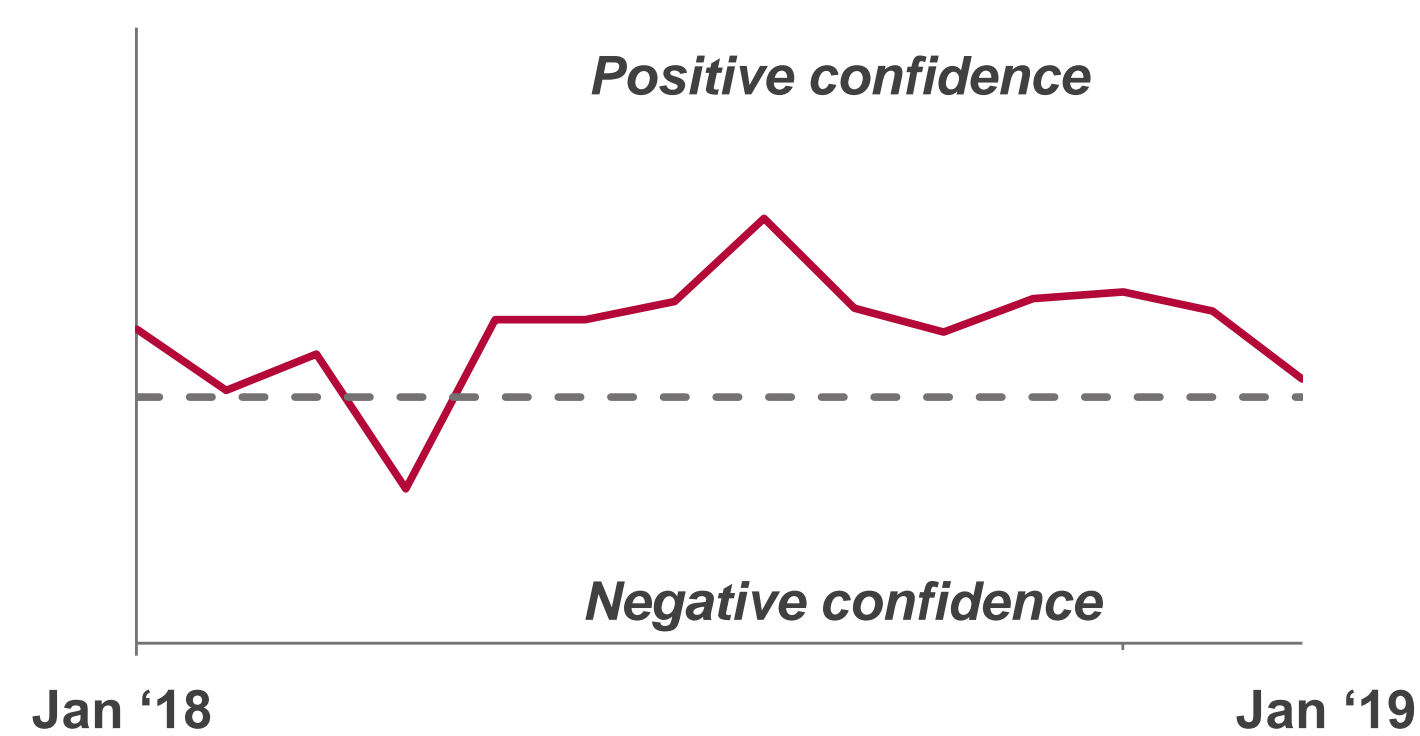
	FY 2018	FY 2017 Restated	Change
Revenue	£2,683.2m	£2,716.4m	(1.2)%
LFL sales	(2.1)%	+3.5%	n/a
Gross margin	26.7%	26.2%	+50bps
Operating profit	£90.6m	£85.6m	+5.8%
Profit before tax	£75.3m	£69.4m	+8.5%
<b>PBT (excl. property profits)</b>	<b>£72.7m</b>	<b>£58.1m</b>	<b>+25.1%</b>
Basic earnings per share	9.3p	8.6p	+8.1%
ROS (excl. property profits)	3.3%	2.7%	+60bps
ROCE (post-tax)	10.3%	9.3%	+100bps
Dividend per share	3.75p	3.75p	n/c
<b>Net debt (as at 31 Dec)</b>	<b>£189.4m</b>	<b>£258.7m</b>	<b>26.8%</b>
<b>Headline financial leverage</b>	<b>1.7x</b>	<b>2.3x</b>	<b>0.6x</b>

- LFL sales affected by challenging market conditions in UK, weaker H2 trading in Europe, and focus on profitability over volume
- Gross margin improvement and tighter cost discipline, particularly in H2, deliver 25% growth in PBT (excl. property profits)
- Net debt and headline financial leverage sharply lower
- ROCE continues to improve, up 100bps to 10.3%

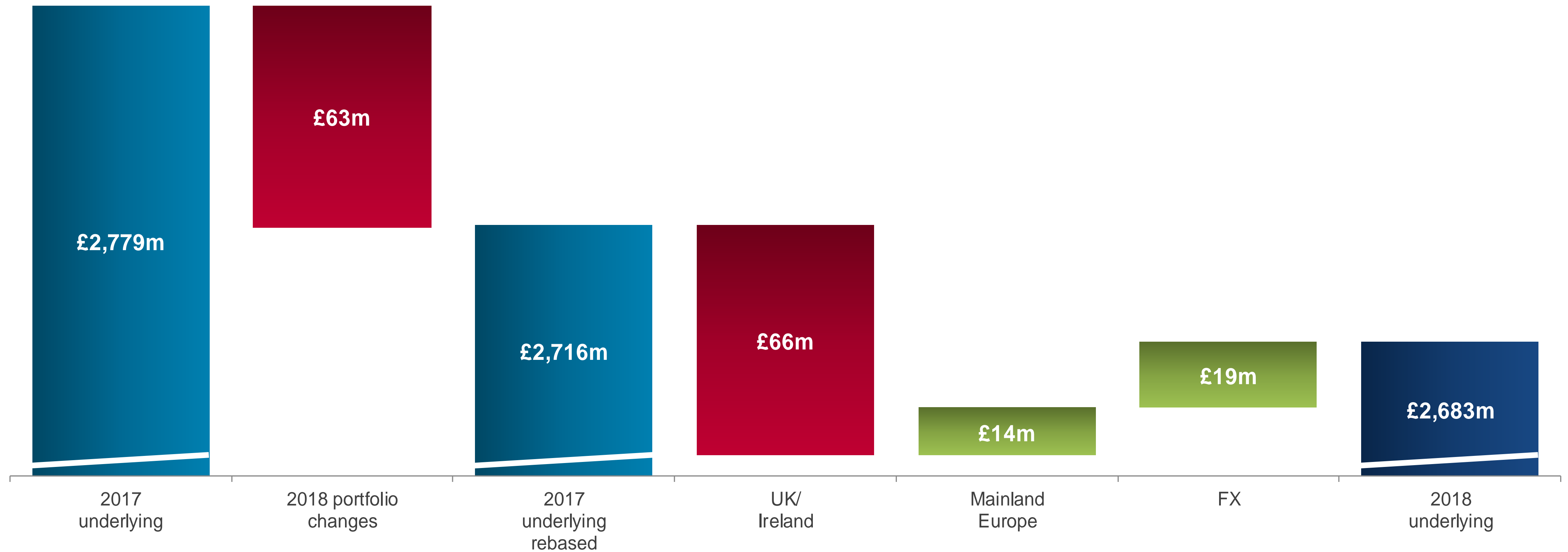
# Market backdrop



## Construction PMI



# Underlying revenues...

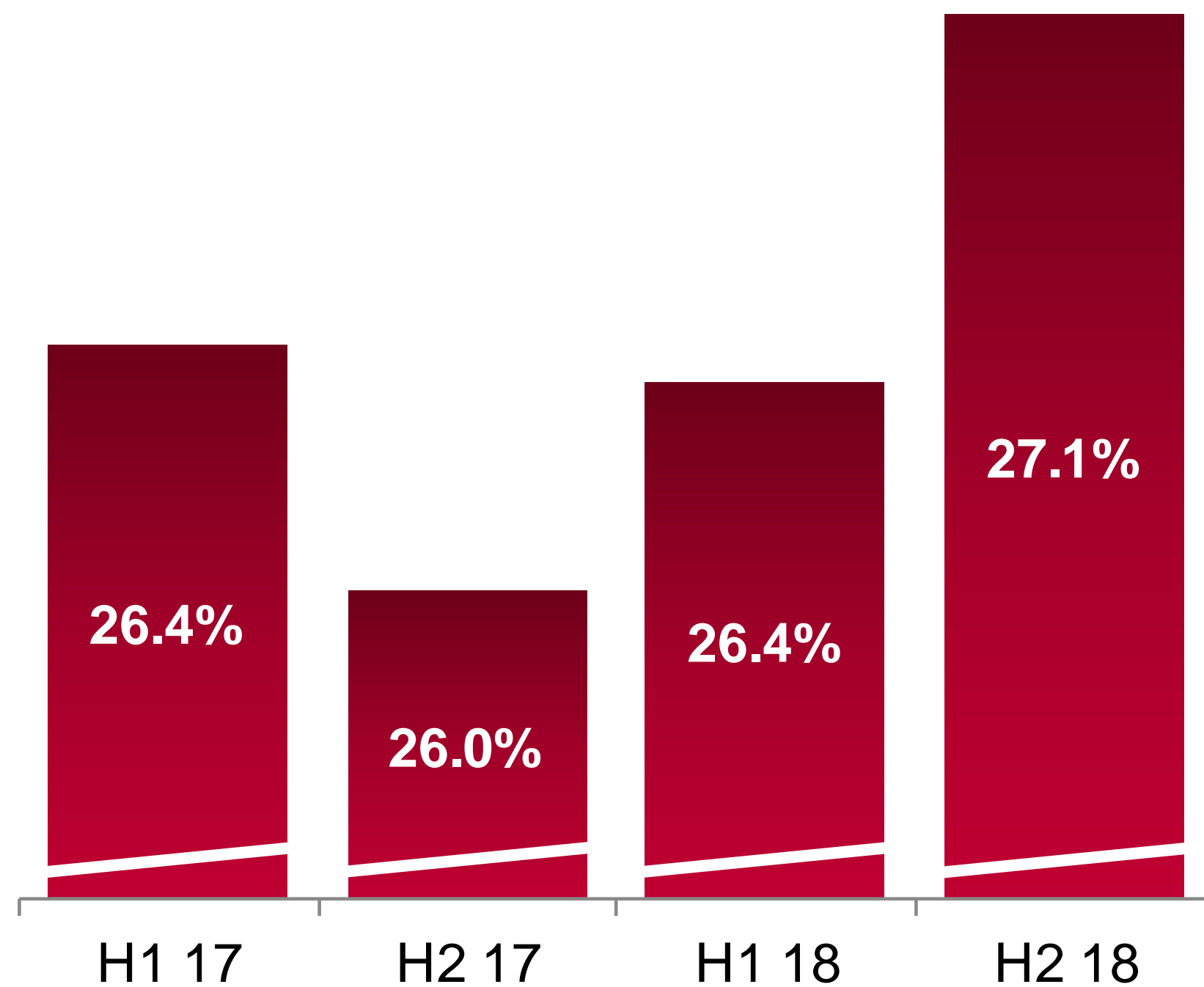


...reflecting market conditions and focus on profitability over volume



# Financial progress - gross margin

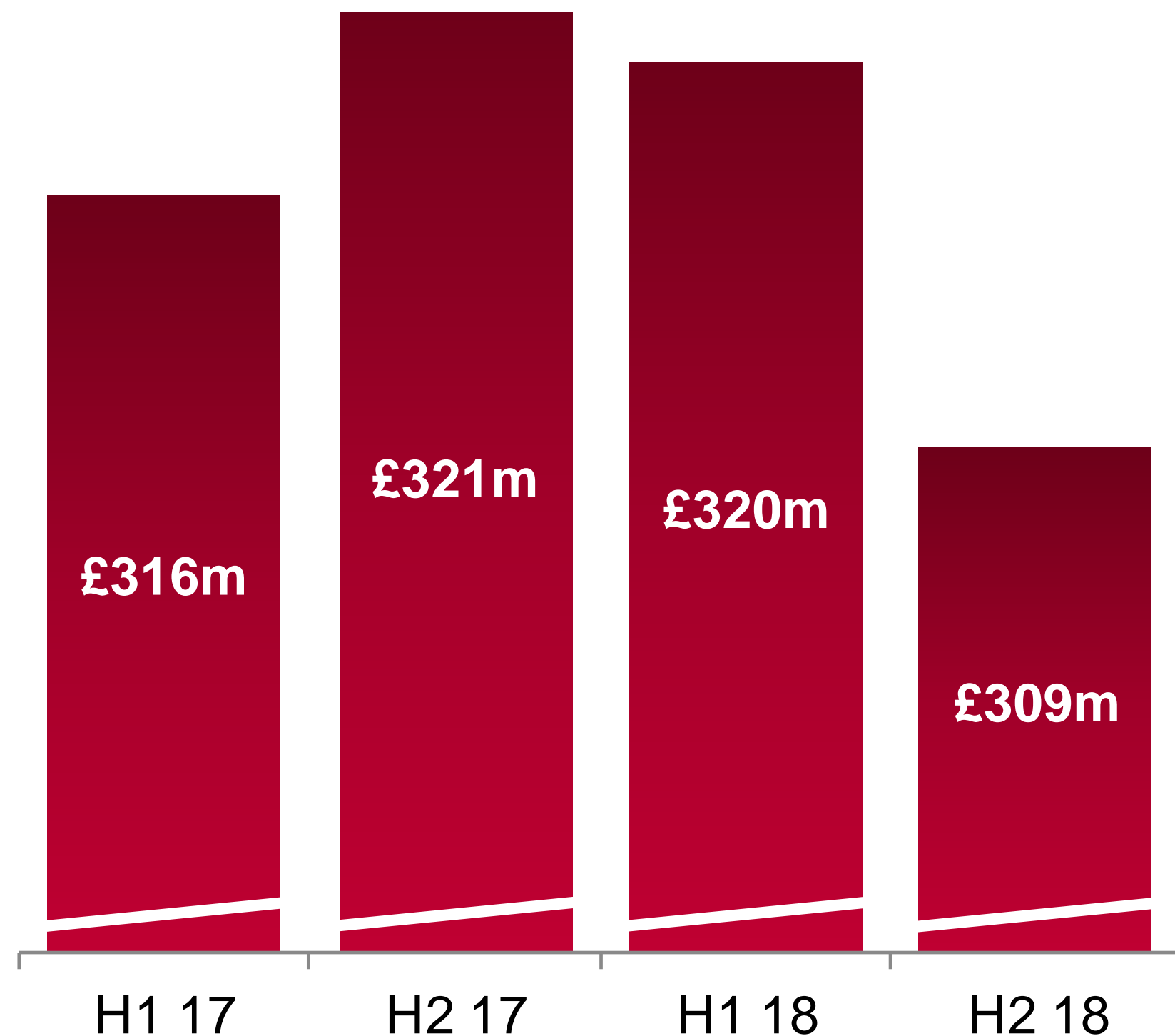
Gross margin %



- Full year gross margin of 26.7%, with UK delivering significant step-up in H2
- Reflects pricing initiatives and focus on profitability over volume
- Further upside expected in 2019 as pricing initiatives continue to roll out across the Group

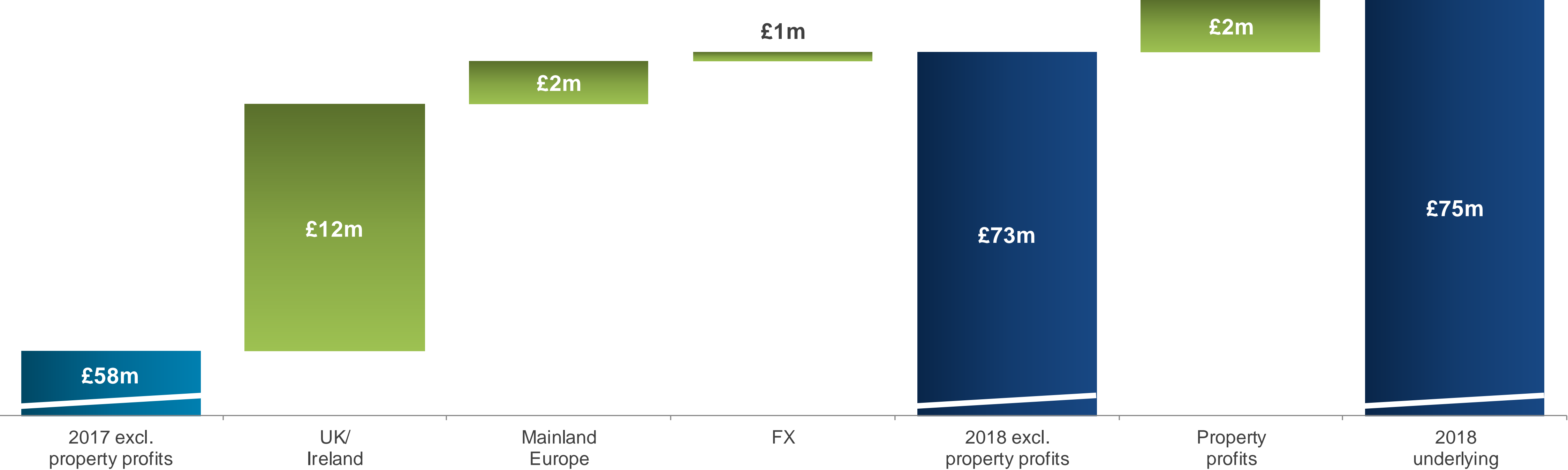
# Financial progress - operating costs

Operating costs £m



- Operating costs down to 23.0% of sales in H2
- Key initiatives include:
  - Reductions in Group, back office and admin costs
  - Changes in operating model - functionalisation of SIGD and hub and spoke in SIGE
  - Branch network and fleet optimisation
- Group headcount down to 8,260 at year end (2016: 10,383). Trading sites reduced to 538 (2016: 661)
- Further changes being implemented in France and Germany in 2019

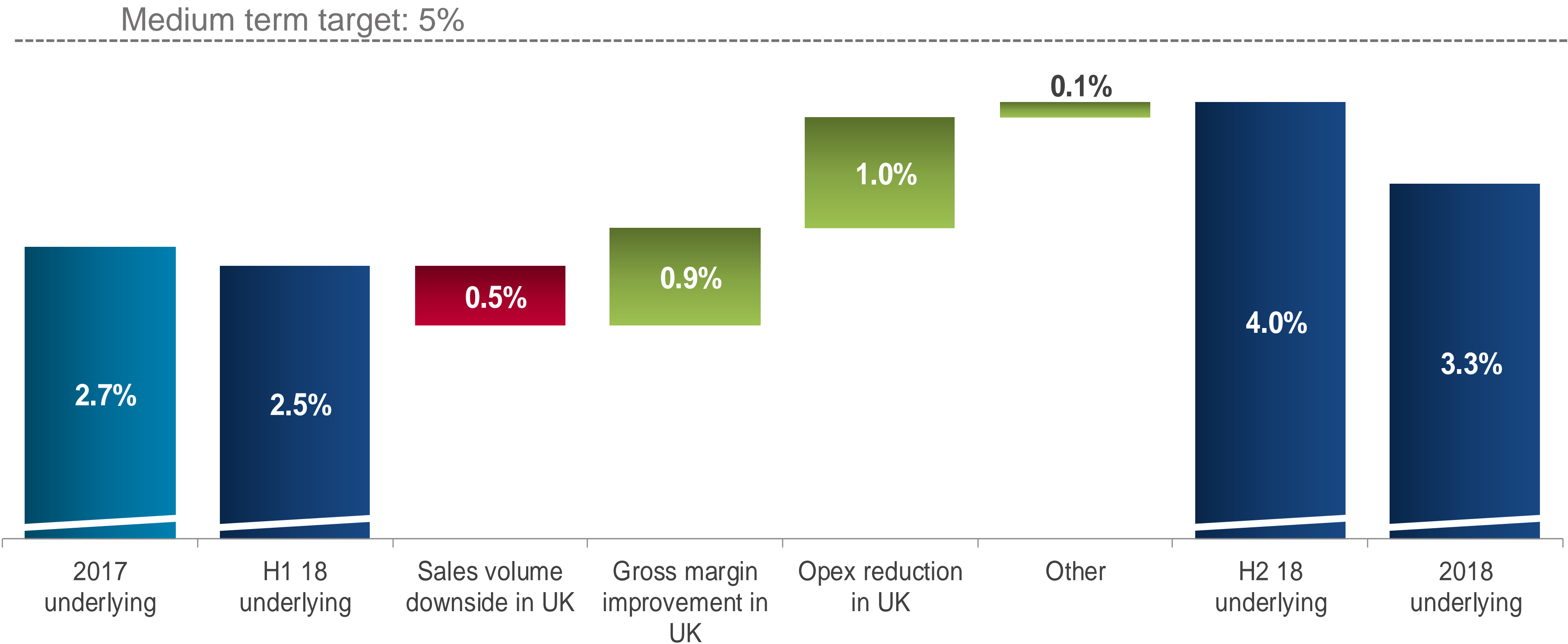
# 25% increase in underlying profit before tax...



...mainly from turnaround at SIG Distribution



# Significant improvement in ROS...



**H2 ROS**  
**UK&I: 5.4%**  
**ME: 3.9%**

...as transformation starts to deliver

Note: Data represents underlying performance excluding property profits

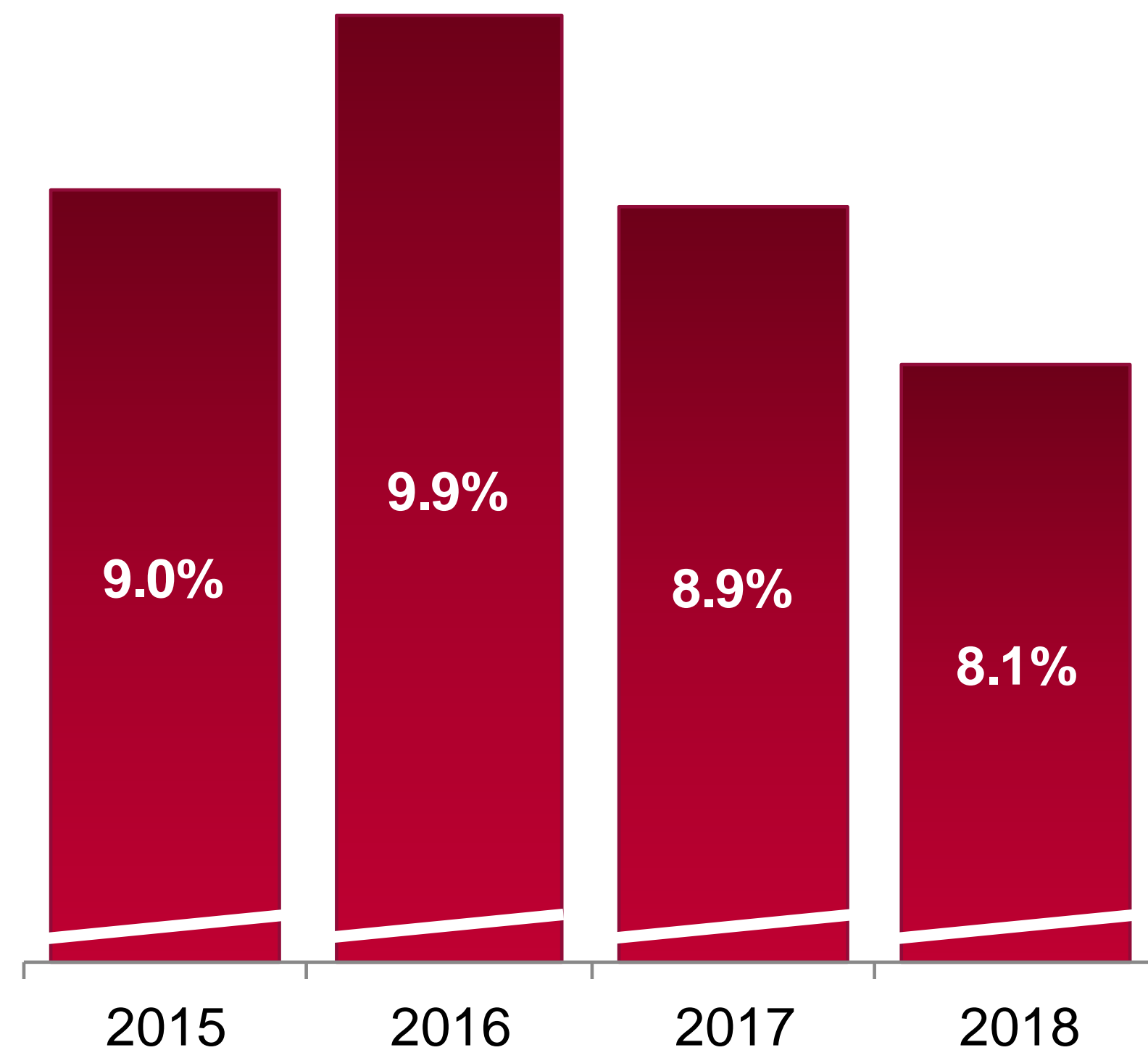
# 2018 key financials – H2 vs H1

	H2 2018	H1 2018	FY 2018
Revenue	£1,342.5m	£1,340.7m	£2,683.2m
LFL sales	(4.2)%	+0.1%	(2.1)%
Gross margin	27.1%	26.4%	26.7%
Operating costs (excl. property profits)	£309.0m	£319.7m	£628.7m
Operating profit	£56.5m	£34.1m	£90.6m
<b>Profit before tax</b>	<b>£49.1m</b>	<b>£26.2m</b>	<b>£75.3m</b>
<b>PBT (excl. property profits)</b>	<b>£46.8m</b>	<b>£25.9m</b>	<b>£72.7m</b>
<b>ROS (excl. property profits)</b>	<b>4.0%</b>	<b>2.5%</b>	<b>3.3%</b>

- H2 LFL sales reduction brings lower base of business into 2019
- Margin and cost actions delivered step change in performance in H2
- ROS up from 2.5% to 4.0%
- Considerable financial benefits brought into 2019

# Financial progress - working capital

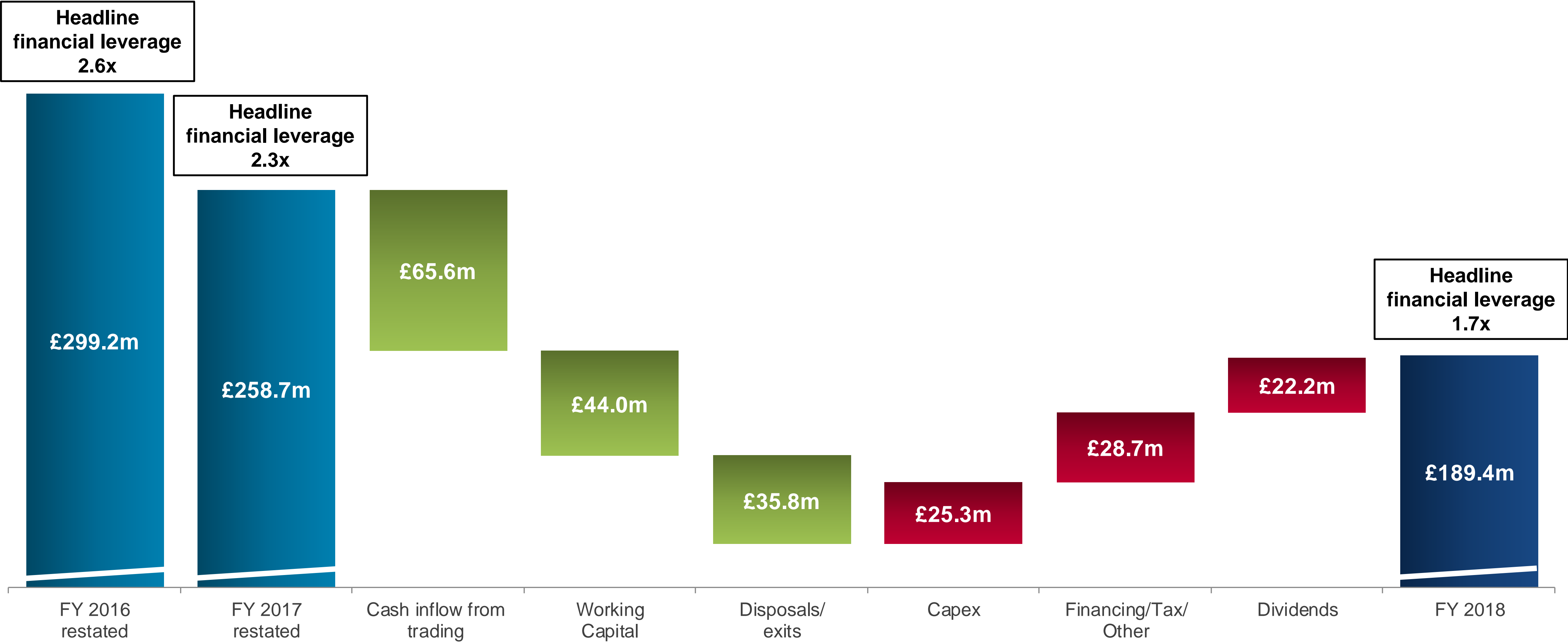
Working capital as a % of sales



- 2017 improvement reflected tactical actions, including debt factoring
- 2018 focus on structural reductions in working capital, particularly inventory:
  - Centralisation of inventory management
  - Improved capability across inventory teams
  - Performance management and incentivisation
- Further significant reductions targeted in 2019



# Net debt and leverage sharply lower



Medium term target remains <1.0x

# Cash flow and liquidity

£m	FY 2018	FY 2017 Restated
<b>Opening net debt (restated)</b>	<b>(258.7)</b>	<b>(299.2)</b>
Cash inflow from trading	65.6	45.2
Decrease in working capital	43.0	(0.5)
Debt factoring	1.0	48.7
<b>Net cash flow from operating activities</b>	<b>109.6</b>	<b>93.4</b>
Interest and tax	(27.1)	(31.4)
Dividends	(22.2)	(18.2)
Capital expenditure	(25.3)	(32.3)
Sale of property and assets	5.1	34.6
Disposals/exits	35.8	17.6
Acquisitions/contingent consideration	(3.4)	(21.2)
Other	(3.2)	(2.0)
<b>Closing net debt</b>	<b>(189.4)</b>	<b>(258.7)</b>
<b>Headline financial leverage (net debt/EBITDA)</b>	<b>1.7x</b>	<b>2.3x</b>

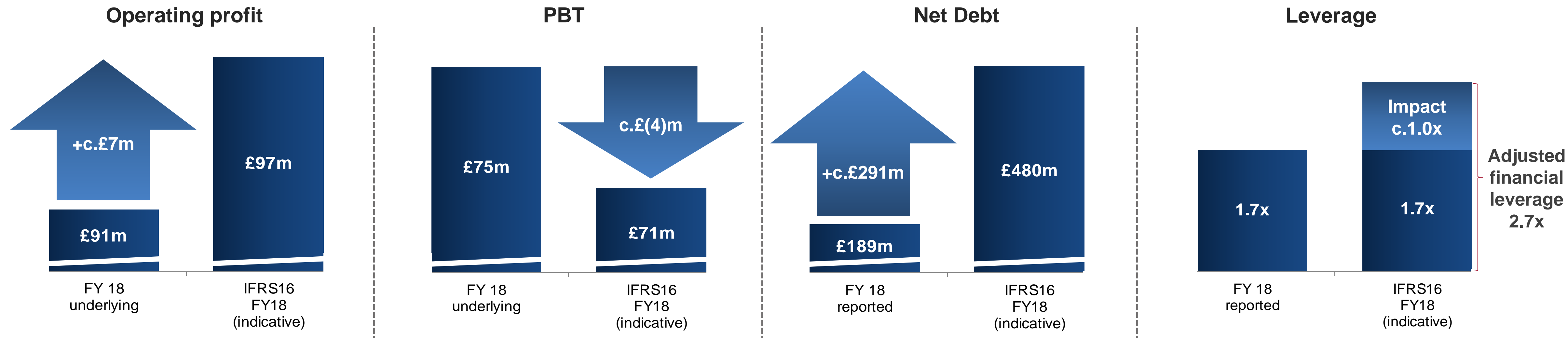
31 December 2018	Total £m	RCF £m
Facilities	536.0	350.0
Drawn (gross)	242.5	56.5
Liquidity headroom	293.5	293.5

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

Covenants (RCF)	At 31 December	Test
Headline financial leverage	1.7x	<3.0x
Consolidated net worth	£463.6m	>£400.0m
Interest cover	6.6x	>3.0x

**Group maintains significant liquidity and covenant headroom**

# Indicative impact of IFRS16 lease accounting changes

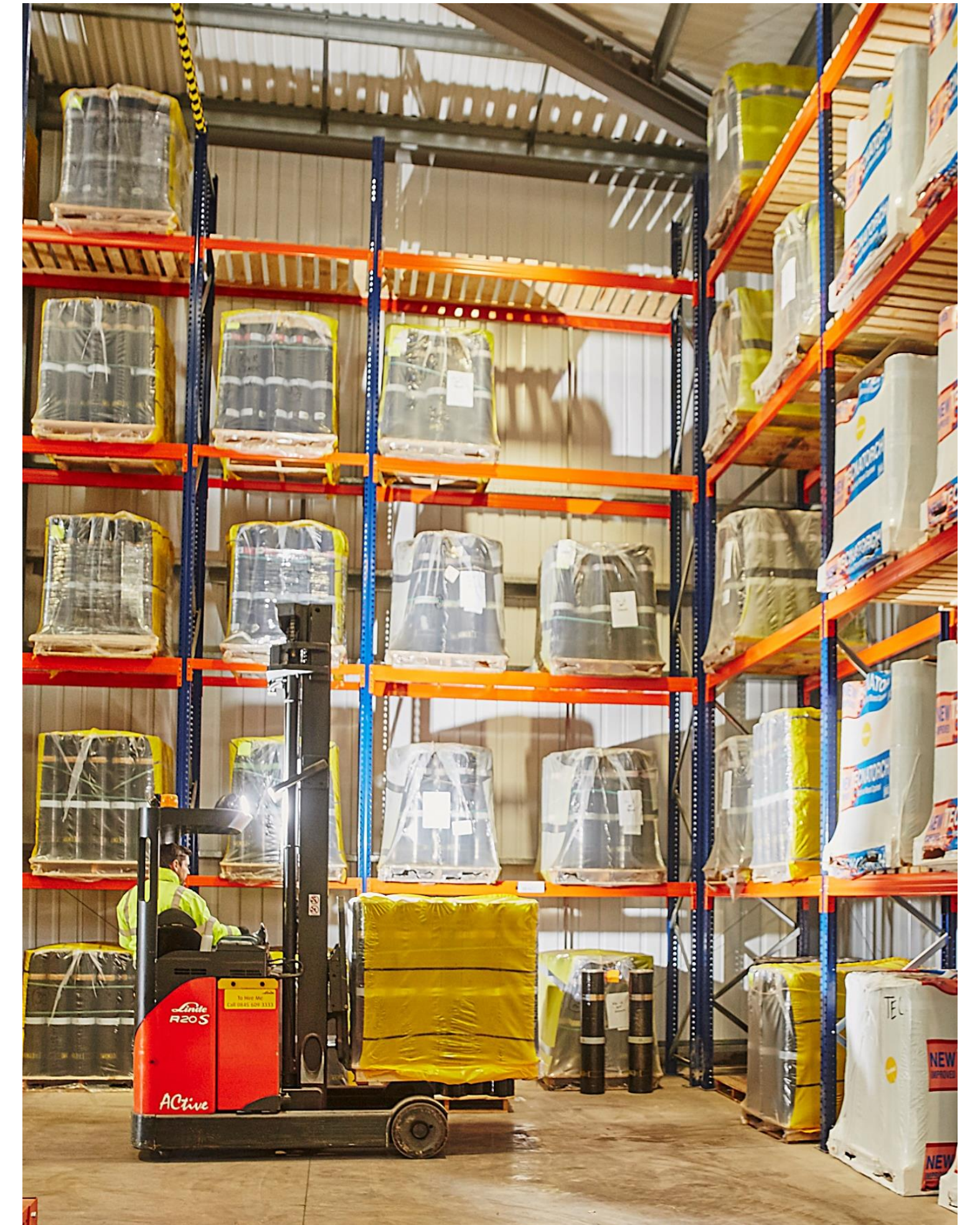


- IFRS16 removes distinction between finance and operating leases from 2019
- We are applying IFRS16 prospectively – no impact on 2018
  - If applied in 2018, IFRS16 would have increased operating profit by c.£7m, interest expense by c.£12m, and net debt by c.£291m
  - We anticipate c.£4m PBT reduction from IFRS16 in 2019
- Lending covenants based on “frozen GAAP” so headline financial leverage of 1.7x unaffected
- We will also report adjusted financial leverage going forward – including the impact of IFRS16



# Dividend

- Consistent with policy, we are recommending a 2018 final dividend of 2.5p (2017: 2.5p)
- Total dividend of 3.75p (2017: 3.75p)
- To be paid on 5 July to shareholders on register at close 7 June, subject to AGM approval on 8 May
- Delivery of medium term leverage target remains on track



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



# Delivering the transformation

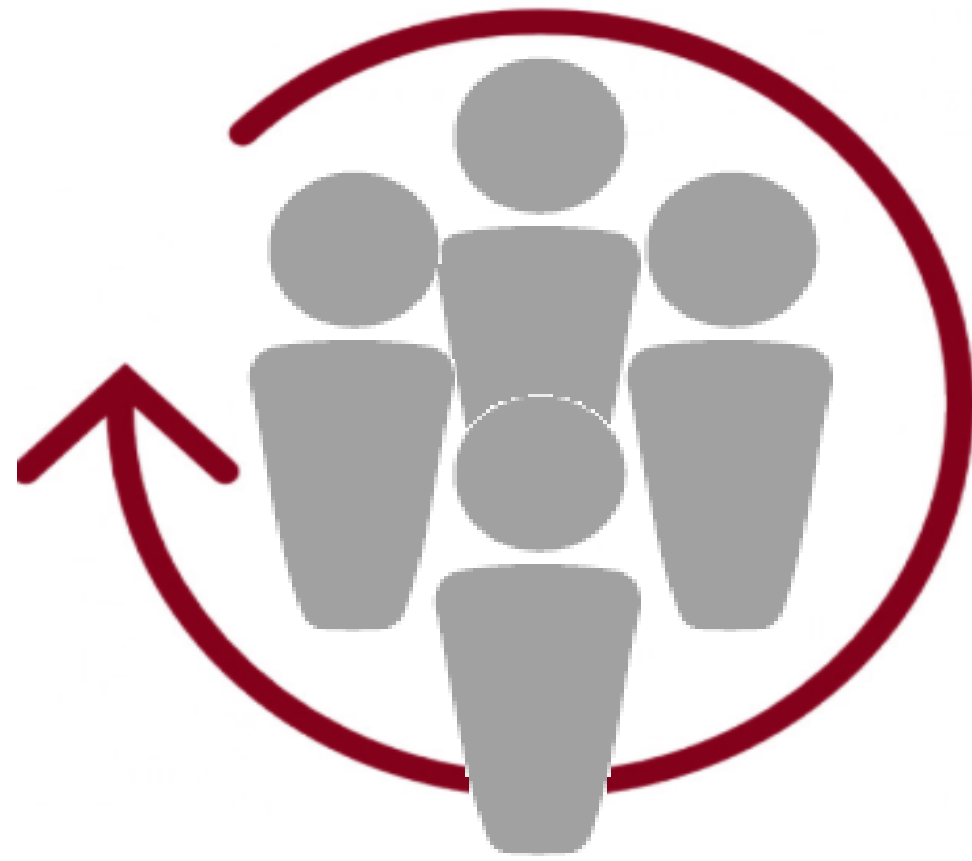


**Meinie Oldersma**  
Chief Executive Officer

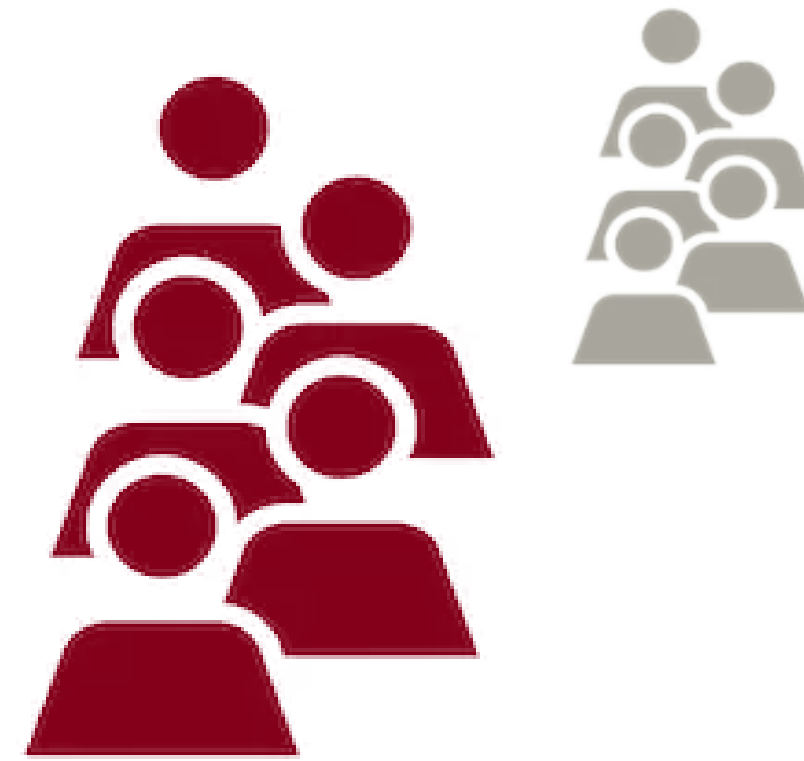
# Our strategic vision – a reminder



# Radical actions taken to transform our business



**c.70%**  
change in senior  
leadership



**c.20%**  
reduction in  
workforce



**c.11%**  
of peripheral business  
divested



# Our strategic levers

## Customer Service

- Invest in our people and branches
- Improve our sales effectiveness
- Consistently deliver excellent customer service

## Customer Value

- Right products, right price
- Specialist advice and services
- Price for the value we deliver

## Operational Efficiency

- Streamline our ways of working
- Improved stock management
- Control our costs





# Customer Service

## Investment in capability, branches and technology



### Progress

- Sales teams in SIGD and SIGE restructured into dedicated sales functions
- Introduced new sales and CRM tools, improving conversion rates
- Investment in branch telephony, transport management and ePOD capability
- Programme of trade counter upgrades at SIGE continues

### Next steps

- Continued development of sales capability and associated tools
- Increased investment in eCommerce strategy and capability
- Focus on reducing customer lead times and improving “on time in full” deliveries



# Customer Value

## Optimising pricing and profitability



### Progress

- List price rises in SIGD
- Ongoing review of profitability by customer
- New charging structures implemented for charges for ancillary services
- Historic customer terms extensively reviewed
- Improved data analytics and new reporting

### Next steps

- Further pricing and margin optimisation
- New pricing framework in France and Germany
- Reduced discounting and increased compliance



# Operational Efficiency

## Reducing operating costs and working capital



### Progress

- Continued reduction in management layers and headcount across the Group
- Functional model at SIGD/ hub and spoke at SIGE
- Back office functions for UK combined and UK finance outsourced
- Fleet and branch costs reduced
- Tighter controls around inventory

### Next steps

- Improved transport management
- Further changes in France and Germany
- Continue to streamline ways of working



# Key enablers

## Improved data and reporting



### Progress

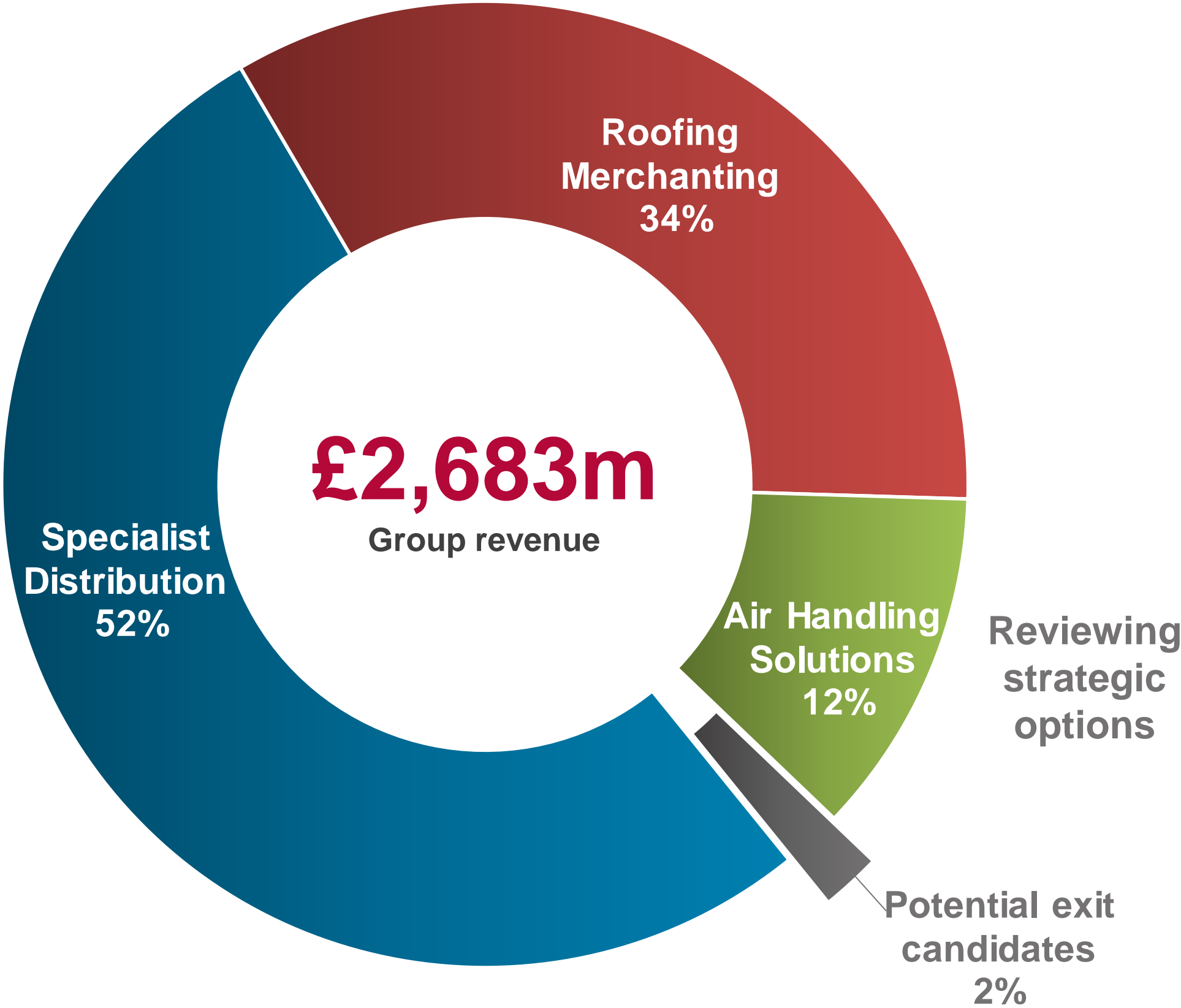
- Daily visibility of sales and margin
- New data analytics and reporting have benefited initiatives to improve sales, manage pricing and reduce stock
- Master Data Management system being rolled out

### Next steps

- Implement improved transport and inventory management systems
- Upgrade and standardise ERP system in UK
- Prepare to replace dated and inefficient ERP systems in France and Germany

# Portfolio management continues at pace

Exited in 2018	
	<u>Announced</u>
GRM Insulation	February 2018
Building Systems	February 2018
IBSL Group	March 2018
VJ Technology	June 2018
SIG Cut Solutions	September 2018
Roofspace	December 2018
Proteus	December 2018
<b>Net proceeds of £35.8m in year</b>	
Decision also taken to close Commercial Drainage business in the UK	



Note: Data represents underlying performance. Air Handling Solutions includes SK Sales and Ouest Isol & Ventil in this analysis



# Transforming SIG Distribution

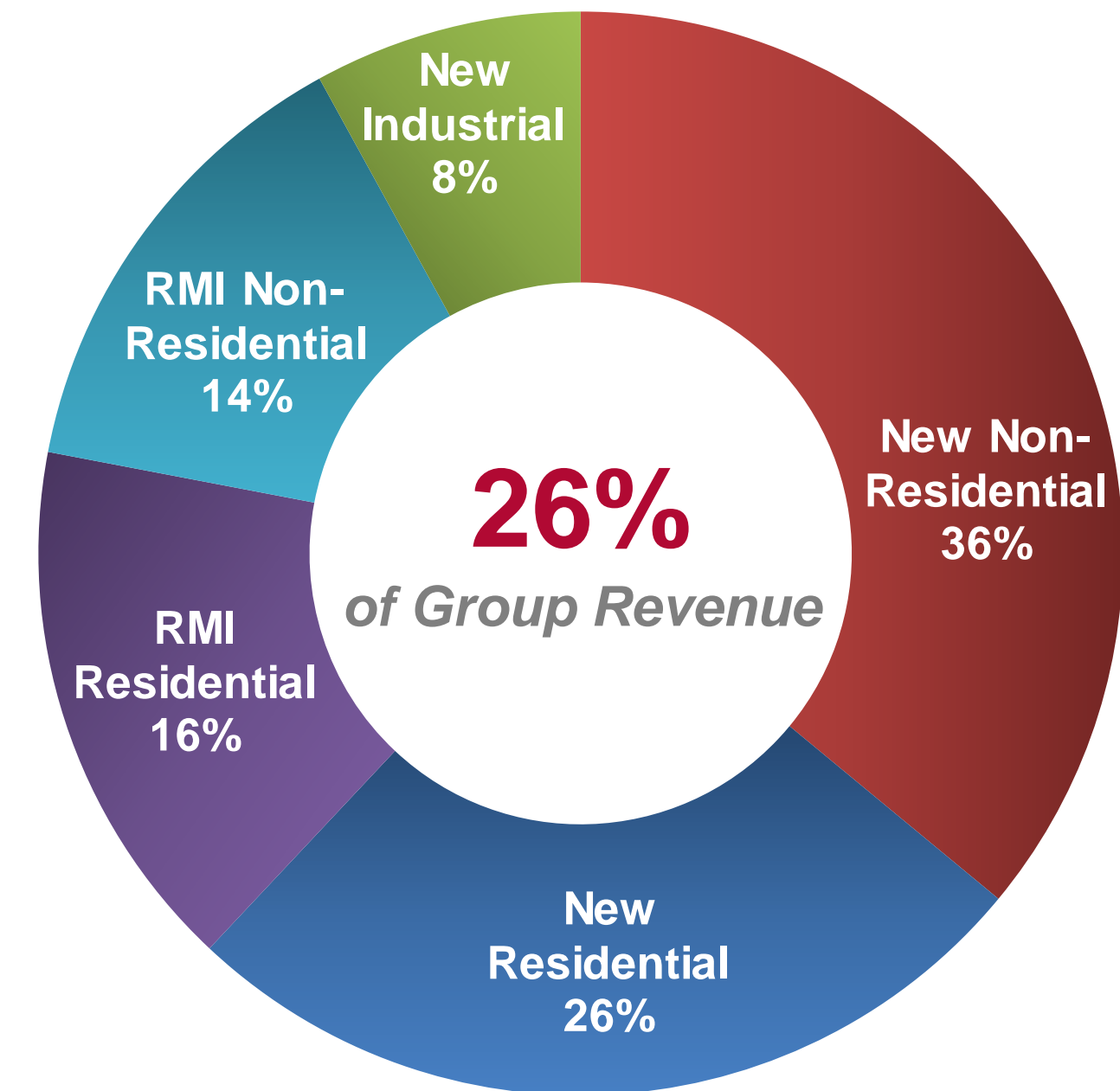


**Dave Walmsley**

Managing Director  
SIG Distribution

# SIG Distribution

- Appointed as MD March 2018
- UK market leading distributor of insulation and interior products in the UK
- 1,832 staff at year end (2016: 2,439)
- 65 trading sites across UK mainland (2016: 100)
- Total fleet of 444 vehicles



**SPEEDLINE**  
DRYWALL PRODUCTS

**British Gypsum**  
SAINT-GOBAIN

**Celotex**  
SAINT-GOBAIN

**ROCKWOOL**

**Armstrong**  
CEILING SOLUTIONS

**RECTICEL**  
insulation

**Kingspan**  
Insulation

**ISOVER**  
SAINT-GOBAIN

**KNAUF**

Connecting leading manufacturers to a wide customer base



# SIGD was in need of a turnaround

2017		
Revenue	Op. Profit	ROS %
£741.9m	£3.5m	0.4%

## Ineffective management

### Actions

- Change in leadership and improved capability
- Organisational structure simplified, facilitating clear communication
- Documented ways of working
- Embed a “can do” culture

## Poor control of prices and costs

### Actions

- Change from branch-centric to functional-led business model
- Restructured sales force
- “Fit for purpose” performance management tools, supported by improved data and profit incentives

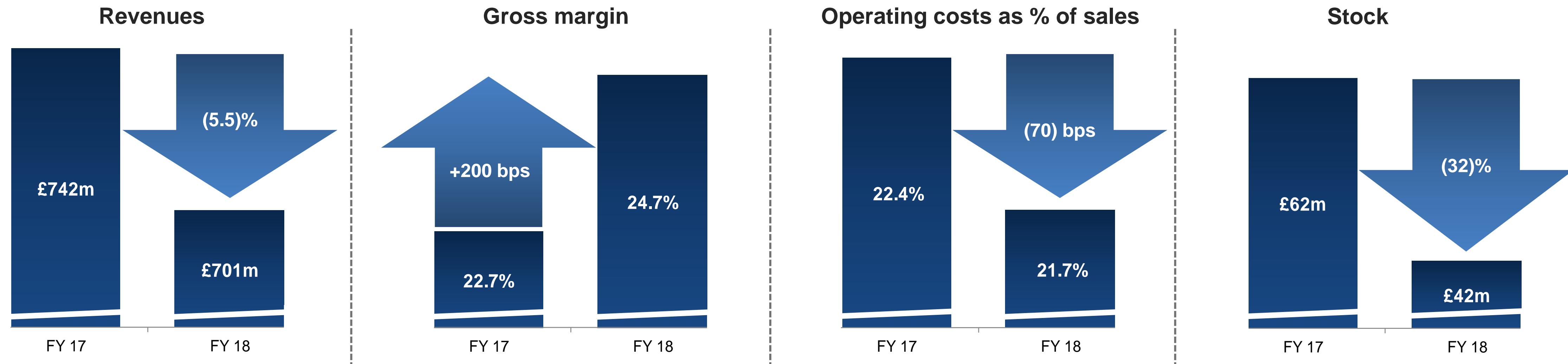
## High levels of stock

### Actions

- Introduction of strict controls over order capabilities and authorisations
- Centralised inventory management team
- Improved stock profiling and new inventory management processes

...and an injection of pace and urgency

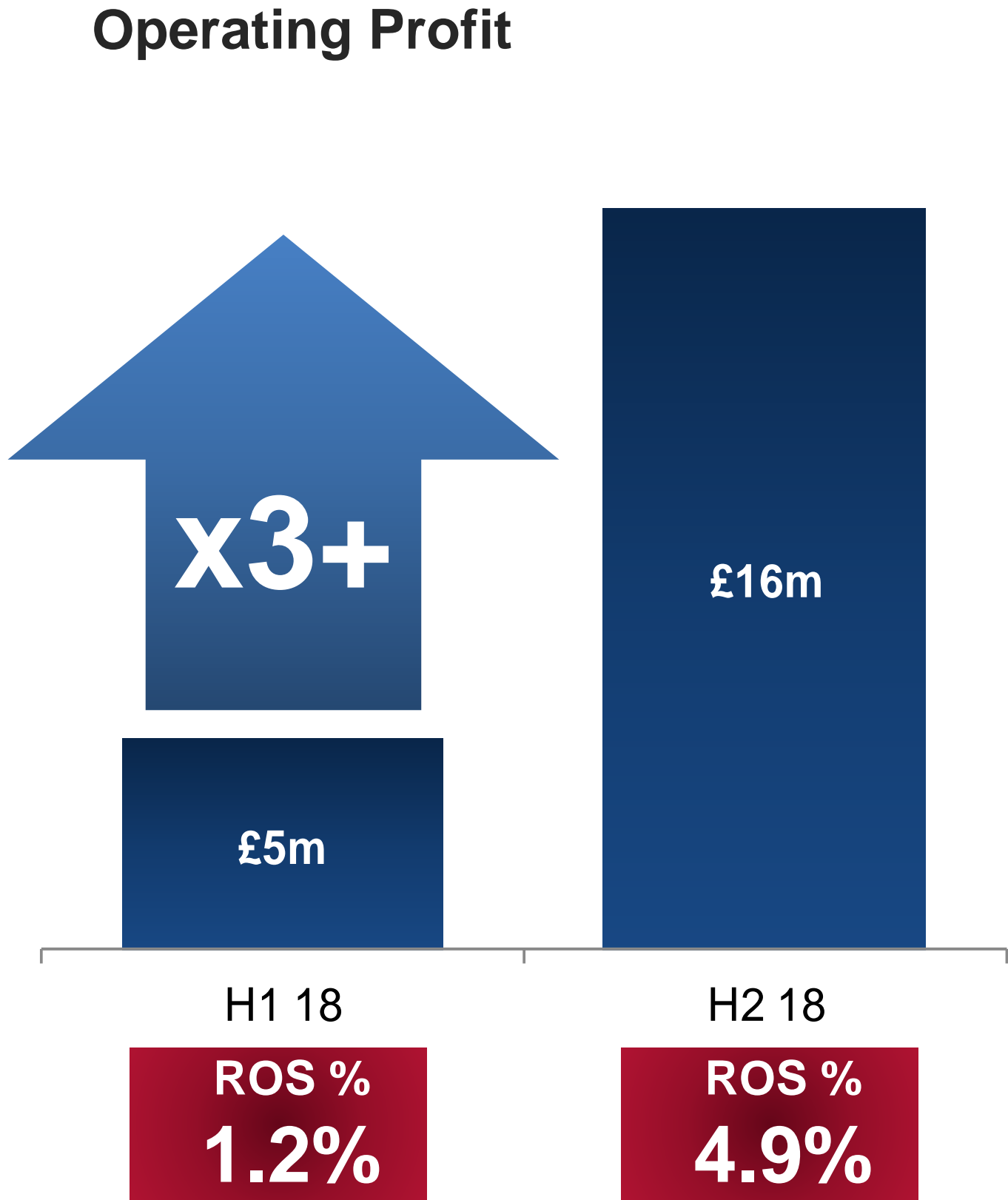
# Turnaround now well underway



- List price increases across key product ranges with focus on profitability over volume
- Branches restructured to focus on sales, inventory, warehousing and transport
- Reduced headcount by 607 (25%), branches by 35 (35%) and fleet volumes c.20% since 2016
- Exit run rate for operating costs c.19% of sales
- Inventory now managed centrally with stock days down in 2018 from 32 to 25

# Turnaround now well underway

2018		
Revenue	Op. Profit	ROS %
£701.2m	£20.9m	3.0%



- ✓ Capable leadership team now in place
- ✓ Gross margins increasing
- ✓ Optimal operational efficiency with capable and experienced staff
- ✓ Inventory sharply lower
- ✓ Firm foundations to build industry-changing value proposition

Bringing significant H2 momentum into 2019

Note: Data represents underlying performance. Operating profit includes property profits. ROS stated excluding property profits

# Current trading and outlook



**Meinie Oldersma**  
Chief Executive Officer



# Current trading and outlook

- The Group brings considerable financial benefits into 2019
- The delivery of a step change in performance in SIG Distribution has given us confidence to accelerate the pace of transformation in other major Group businesses
- Trading conditions remain challenging, with the outlook in many of our end markets uncertain, and the Group expects continuing like-for-like sales declines in the first part of the year
- Notwithstanding these headwinds, the margin and cost actions taken in 2018 give us good visibility of further significant progress in the current year

***While much work remains to be done, our delivery in 2018 and the momentum brought into 2019 confirm that our transformation of SIG is on track***

**Further update on 8 May 2019 at AGM**

# Questions?





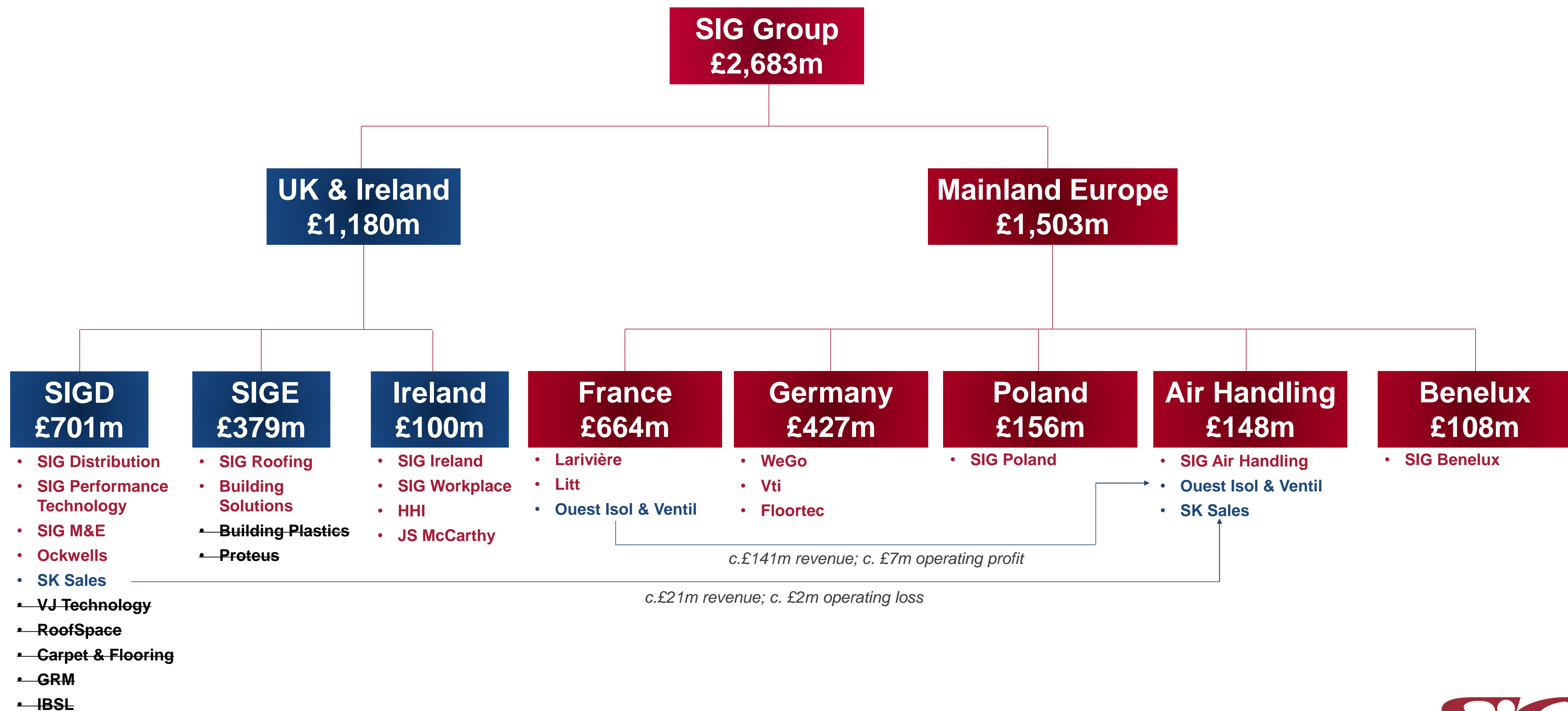


# Appendix

## Supporting schedules



# Ongoing portfolio management



Note: FY 2018 revenue from underlying operations. SK Sales and Ouest Isol & Ventil since transferred into Air Handling division

# Underlying financials by segment

UK and Ireland	Revenue	Change	LFL	Gross margin	Change	Operating profit	Change	ROS	Change
SIG Distribution	£701.2m	(5.5)%	(5.8)%	24.7%	+200 bps	£20.9m	497.1%	3.0%	+260 bps
SIG Exteriors	£378.7m	(6.2)%	(6.6)%	28.3%	(10) bps	£17.3m	(42.5)%	4.6%	(150) bps
Ireland & Other UK	£99.9m	1.6%	(0.1)%	25.2%	+20 bps	£6.1m	27.1%	6.1%	+120 bps
<b>Total</b>	<b>£1,179.8m</b>	<b>(5.2)%</b>	<b>(5.6)%</b>	<b>25.9%</b>	<b>+110 bps</b>	<b>£44.3m</b>	<b>15.4%</b>	<b>3.8%</b>	<b>+120 bps</b>

Mainland Europe	Revenue	Change	LFL	Gross margin	Change	Operating profit	Change	ROS	Change
France	£663.6m	0.4%	(0.9)%	27.7%	+10 bps	£27.8m	6.1%	4.0%	+10 bps
Germany	£426.6m	0.4%	(0.8)%	26.7%	+30 bps	£9.1m	(24.2)%	1.8%	-
Poland	£156.6m	9.7%	8.5%	20.1%	+10 bps	£3.3m	230.0%	2.1%	+140 bps
Air Handling	£148.2m	4.3%	2.6%	38.1%	(30) bps	£14.8m	2.8%	10.0%	(10) bps
Benelux	£108.4m	6.6%	5.7%	23.7%	(210) bps	£4.5m	(28.6)%	4.2%	(200) bps
<b>Total</b>	<b>£1,503.4m</b>	<b>2.1%</b>	<b>0.8%</b>	<b>27.4%</b>	<b>-</b>	<b>£59.5m</b>	<b>(0.7)%</b>	<b>3.8%</b>	<b>+10 bps</b>

<b>Group</b>	<b>£2,683.2m</b>	<b>(1.2)%</b>	<b>(2.1)%</b>	<b>26.7%</b>	<b>+50 bps</b>	<b>£90.6m</b>	<b>5.8%</b>	<b>3.3%</b>	<b>+60 bps</b>
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Note: Data represents underlying performance. Operating profits includes property profits. ROS stated excluding property profits. Existing Air Handling represents the business managed from The Netherlands. Oquest Isol & Ventil is reported in 2018 within France and SK Sales within SIG Distribution

# 2018 revenue growth analysis

	UK & Ireland	Mainland Europe	Group
Price	4.7%	1.0%	2.7%
Volume	(10.3)%	(0.2)%	(4.8)%
<b>Like-for-like</b>	<b>(5.6)%</b>	<b>0.8%</b>	<b>(2.1)%</b>
Currency	0.1%	1.2%	0.7%
Working days	0.3%	0.1%	0.2%
<b>Reported</b>	<b>(5.2)%</b>	<b>2.1%</b>	<b>(1.2)%</b>

Note: Data represents underlying performance.



# 2018 Other items

£m	PBT impact	Cash impact
<b>Underlying profit before tax</b>	<b>75.3</b>	<b>-</b>
Amortisation of acquired intangibles	(8.9)	-
Impairment charges	(4.0)	-
Disposals/exits	(5.5)	35.8
Net restructuring costs and other one-off items	(28.4)	(25.3)
Other items	-	2.5
<b>Statutory profit before tax</b>	<b>£28.5m</b>	

Note: Data represents underlying performance.

# Impact of non-core businesses/prior period restatements

£m	2018			2017		
	Underlying revenue	Underlying PBT	Net debt	Underlying revenue	Underlying PBT	Net debt
Underlying Group as reported at 2017 FY results	2,737.9	78.9	189.4	2,778.5	79.2	223.8
VJ Technology	(17.0)	(3.1)	-	(30.6)	(5.0)	-
Prior period restatements	-	-	-	-	(3.0)	34.9
<b>Underlying Group as reported at H1 2018 results</b>	<b>2,720.9</b>	<b>75.8</b>	<b>189.4</b>	<b>2,747.9</b>	<b>71.2</b>	<b>258.7</b>
SIG Cut Solutions	(0.3)	0.3	-	(0.9)	0.6	-
Roofspace	(24.0)	(2.1)	-	(17.6)	(2.0)	-
Proteus	(3.4)	0.5	-	(5.6)	(0.6)	-
Commercial Drainage	(10.0)	0.8	-	(7.4)	0.7	-
Prior period restatements	-	-	-	-	(0.5)	-
<b>Underlying Group as included at 2018 FY results</b>	<b>2,683.2</b>	<b>75.3</b>	<b>189.4</b>	<b>2,716.4</b>	<b>69.4</b>	<b>258.7</b>

Note: Restatements as part of review of accounting treatment of certain opening balances following appointment of Group's new statutory auditor.

# Number of trading sites

	31 Dec 2017	Closed/ merged	Opened	Disposed	31 Dec 2018
SIG Distribution	90	(13)	-	(12)	65
SIG Exteriors	134	(13)	1	-	122
Ireland & Other UK	10	-	-	-	10
<b>UK &amp; Ireland</b>	<b>234</b>	<b>(26)</b>	<b>1</b>	<b>(12)</b>	<b>197</b>
France	207	(3)	-	-	204
Germany	59	(3)	-	-	56
Poland	49	(4)	-	-	45
Air Handling	21	-	1	-	22
Benelux	15	(1)	-	-	14
<b>Mainland Europe</b>	<b>351</b>	<b>(11)</b>	<b>1</b>	<b>-</b>	<b>341</b>
<b>Group</b>	<b>585</b>	<b>(37)</b>	<b>2</b>	<b>(12)</b>	<b>538</b>

Note: SIG Distribution includes 15 trading sites dedicated to SK Sales. France includes 56 trading sites dedicated to Ouest Isol & Ventil





# Appendix

## Business overview



# SIG Distribution

## Underlying financials

	FY 2018	FY 2017 Restated	Change
Revenue	£701.2m	£741.9m	(5.5)%
LFL sales	(5.8)%	0.3%	-
Gross margin	24.7%	22.7%	+200bps
Operating profit	£20.9m	£3.5m	+497.1%
ROS	3.0%	0.4%	+260bps
Trading sites	65	90	(25)

## Key products

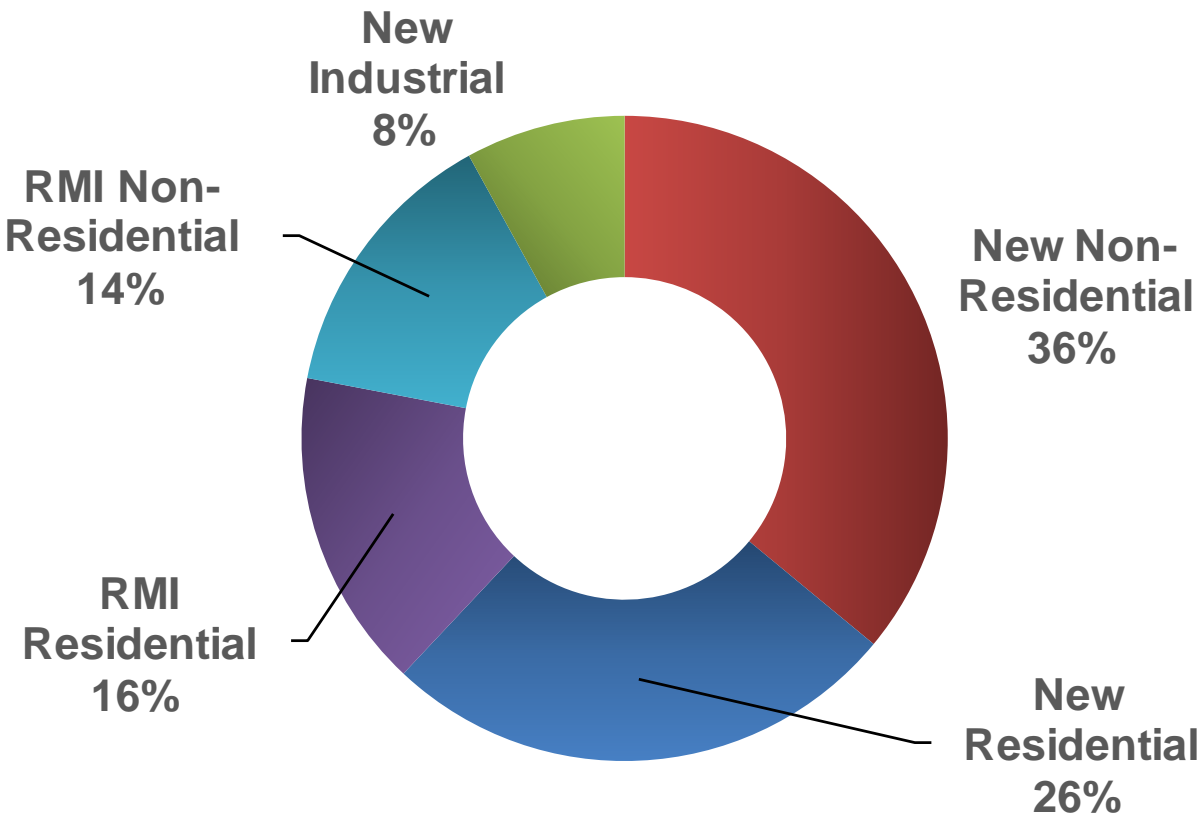
- Structural and technical insulation
- Dry lining/stud and track
- Construction accessories and fixings
- Ceiling tiles and grids
- Partition walls and doorsets



## Business and key competitors

- Principally specialist distribution of insulation/interiors
- Clear UK leader with 16% 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. Includes SK Sales. Data represents underlying performance. Operating profits includes property profits. ROS stated excluding property profits

# SIG Exteriors

## Underlying financials

	FY 2018	FY 2017 Restated	Change
Revenue	£378.7m	£403.9m	(6.2)%
LFL sales	(6.6)%	(1.4)%	-
Gross margin	28.3%	28.4%	(10)bps
Operating profit	£17.3m	£30.1m	(42.5)%
ROS	4.6%	6.1%	(150)bps
Trading sites	122	134	(12)

## Key products

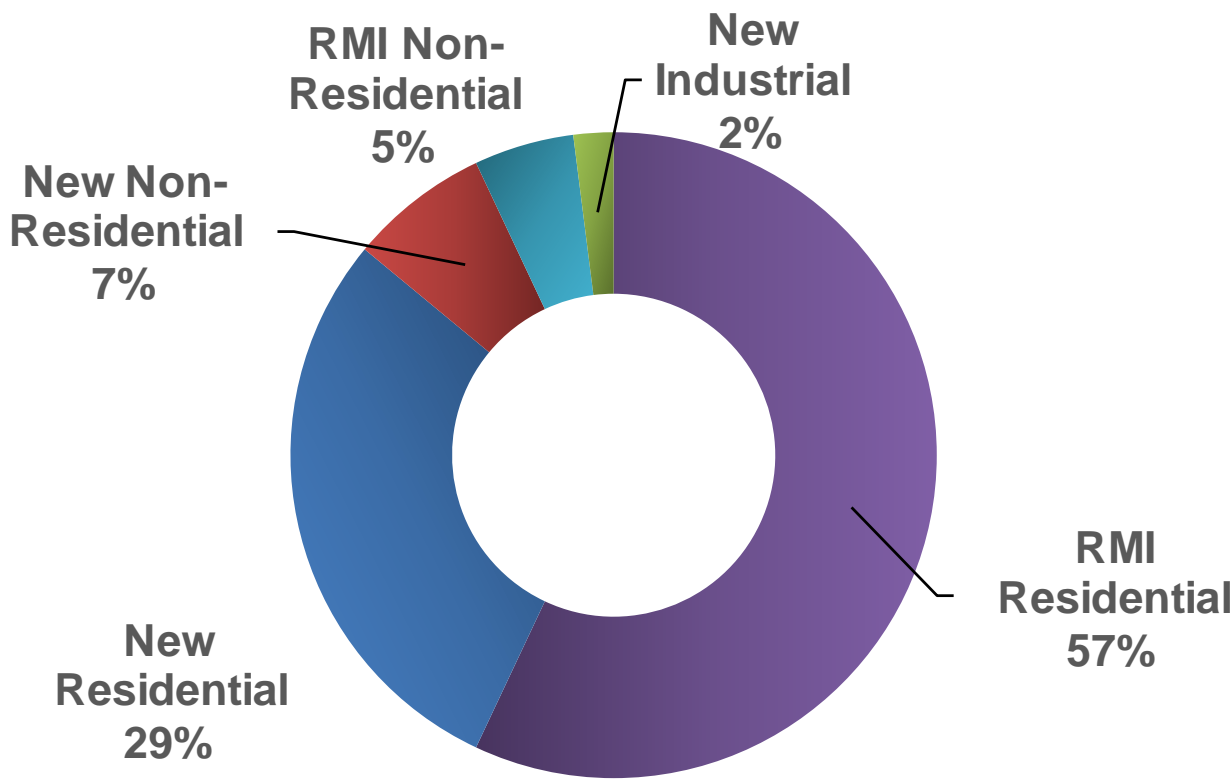
- Tiles, slates, membranes and battens
- Single-ply flat roofing systems
- Industrial roofing and cladding systems



## 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
  - Other small independent roofing specialists

## Markets



Key driver: Construction activity (mainly RMI residential)

Note: Market share is company estimate. Data represents underlying performance. Operating profits includes property profits. ROS stated excluding property profits



# SIG Ireland & Other UK

## Underlying financials

	FY 2018	FY 2017 Restated	Change
Revenue	£99.9m	£98.3m	1.6%
LFL sales	(0.1)%	8.1%	-
Gross margin	25.2%	25.0%	+20bps
Operating profit	£6.1m	£4.8m	+27.1%
ROS	6.1%	4.9%	+120bps
Trading sites	10	10	0

## Key products

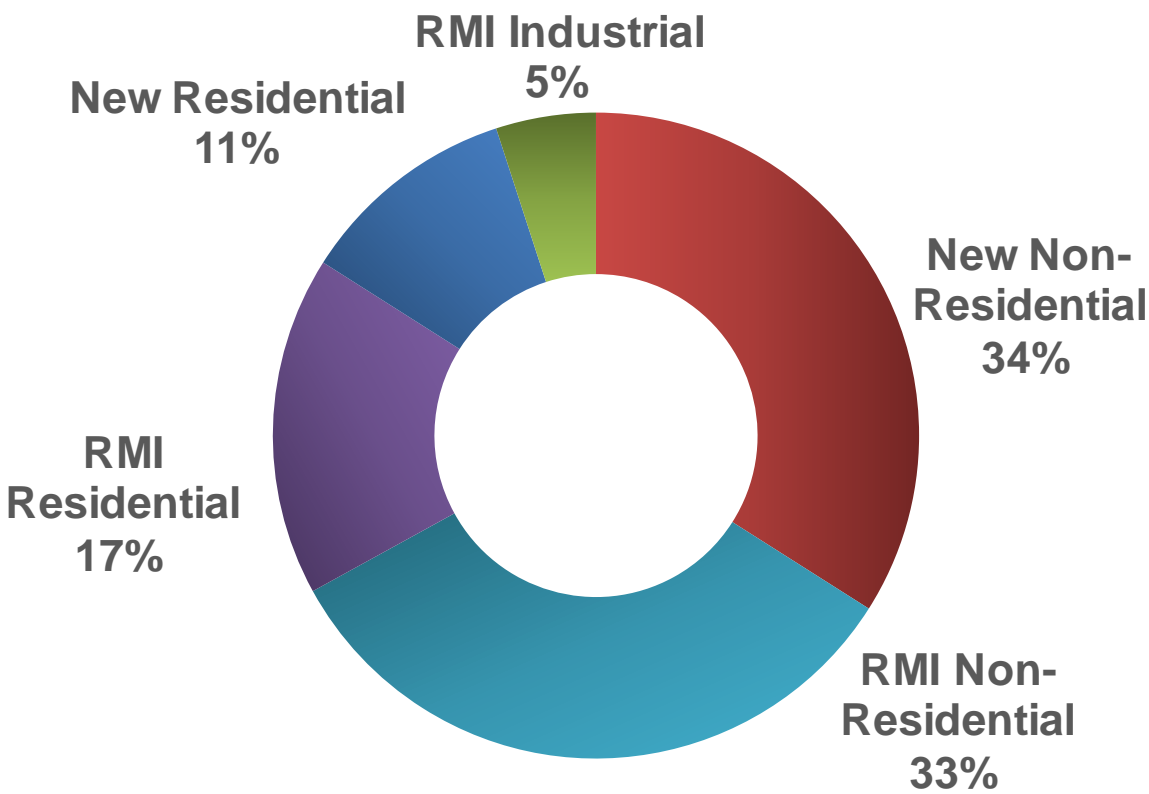
- Structural and technical insulation
- Dry lining
- Suspended ceilings
- Masonry support and waterproofing
- Tiles, slates and roofing accessories
- Cladding and façade systems



## Business and key competitors

- Principally specialist 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. Operating profits includes property profits. ROS stated excluding property profits

# France

## Underlying financials

	FY 2018	FY 2017 Restated	Change
Revenue	£663.6m	£660.7m	0.4%
LFL sales	(0.9)%	6.2%	-
Gross margin	27.7%	27.6%	+10bps
Operating profit	£27.8m	£26.2m	+6.1%
ROS	4.0%	3.9%	+10bps
Trading sites	204	207	(3)

## Key products

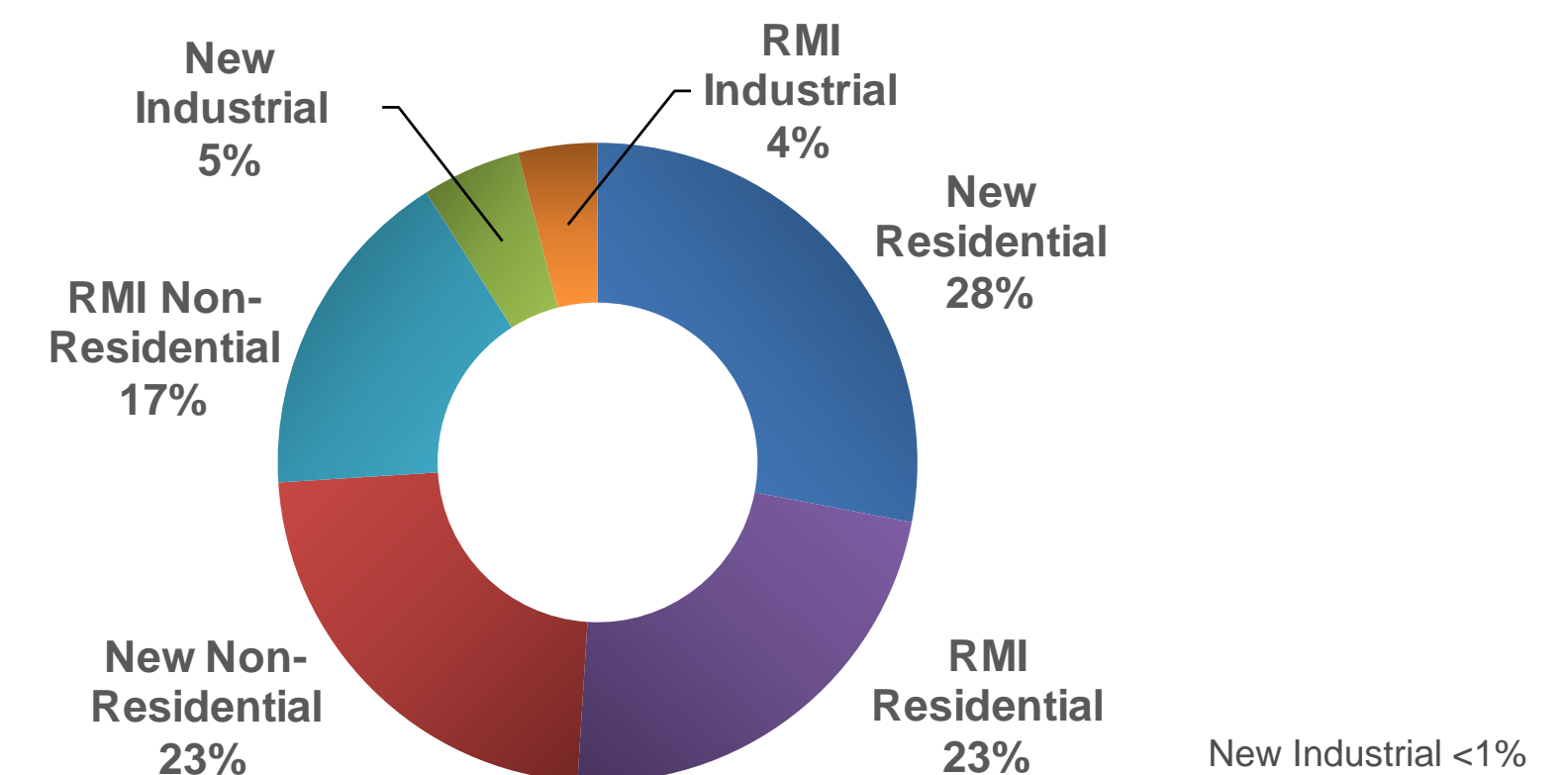
- Clay tiles, slates, metals, membranes, battens (Larivière)
- Structural insulation, dry lining and partitions (LiTT)
- Distribution and manufacturing of ventilation, air conditioning and technical insulation (Ouest Isol & Ventil)



## Business and key competitors

- Roofing merchandising and specialist distribution of insulation/interiors
- #1 Specialist roofing (c.17% share); #1 Ceilings (c.25% share); #3 Structural insulation/interiors (c.7% share)
- Key competitors:
  - Point P (Saint Gobain)
  - SFIC (Saint Gobain)
  - Aldes
  - L'asturienne (Saint Gobain)
  - Chausson
  - France Air

## Markets



Key driver: Construction activity (mainly residential)

# Germany

## Underlying financials

	FY 2018	FY 2017 Restated	Change
Revenue	£426.6m	£425.0m	0.4%
LFL sales	(0.8)%	4.6%	-
Gross margin	26.7%	26.4%	+30bps
Operating profit	£9.1m	£12.0m	(24.2)%
ROS	1.8%	1.8%	-
Trading sites	56	59	(3)

## Key products

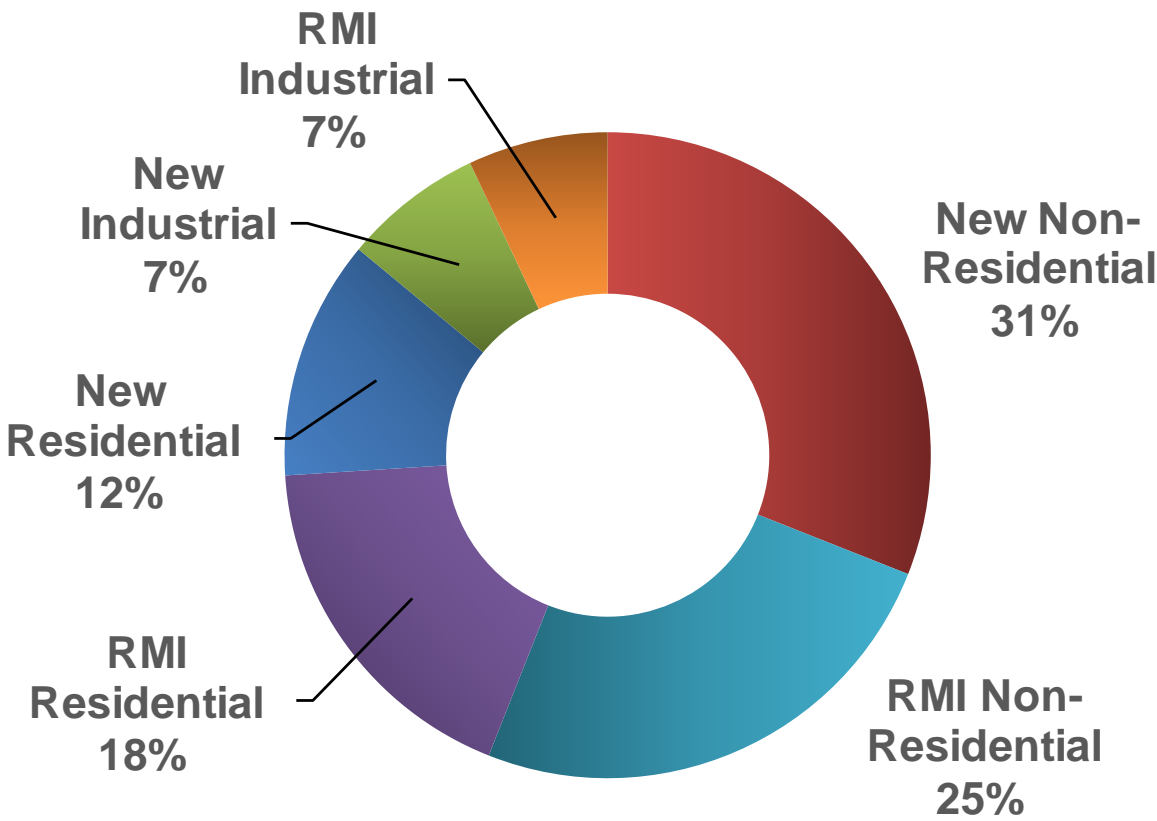
- Structural insulation and dry lining
- Screed and raised access flooring
- Ceiling tiles and grids
- Doors and frames
- Technical insulation



## Business and key competitors

- Specialist distribution of insulation/interiors
- #1 Dry lining/ceilings (c.14% share); #1 technical insulation (c.17% share); #3 structural insulation (c.9% share)
- Relatively fragmented market
- Key competitors:
  - Raab Karcher (Saint Gobain)
  - Bauking (CRH)
  - Baywa
  - Baustoff & Metall
  - Small independent regional players

## Markets



Key driver: Construction activity (mainly non-residential)

Note: Market share is company estimate. Data represents underlying performance. Operating profits includes property profits. ROS stated excluding property profits



# Poland

## Underlying financials

	FY 2018	FY 2017 Restated	Change
Revenue	£156.6m	£142.8m	9.7%
LFL sales	8.5%	13.7%	-
Gross margin	20.1%	20.0%	+10bps
Operating profit	£3.3m	£1.0m	+230.0%
ROS	2.1%	0.7%	+140bps
Trading sites	45	49	(4)

## Key products

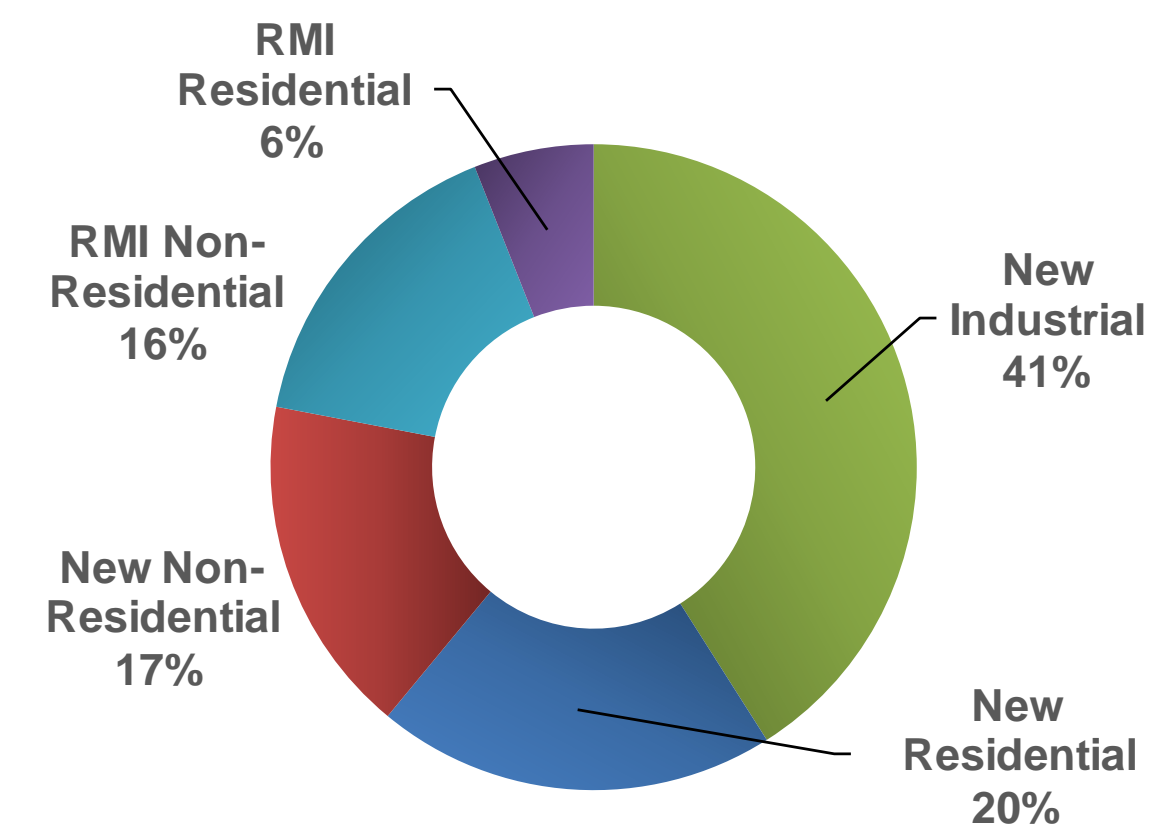
- Structural and technical insulation
- Dry lining
- Ceiling tiles and grids
- Plasters and construction chemicals
- Roofing felts and membranes



## Business and key competitors

- Principally specialist distribution of insulation/interiors
- #1 structural insulation/interiors (c.12% share);  
#1 technical insulation (c.25% share)
- Key competitors:
  - 3W, AB Bechcicki (structural insulation)
  - Caldo Izolacja, Herbud (technical insulation)
  - PSB, GHB (Purchasing associations)

## Markets



Key driver: Construction activity (mainly non-residential)

# Air Handling

## Underlying financials (2018 basis excl. Ouest Isol & Ventil/SK Sales)

	FY 2018	FY 2017 Restated	Change
Revenue	£148.2m	£142.1m	4.3%
LFL sales	2.6%	2.6%	-
Gross margin	38.1%	38.4%	(30)bps
Operating profit	£14.8m	£14.4m	+2.8%
ROS	10.0%	10.1%	(10)bps
Trading sites	22	21	1

## Key products

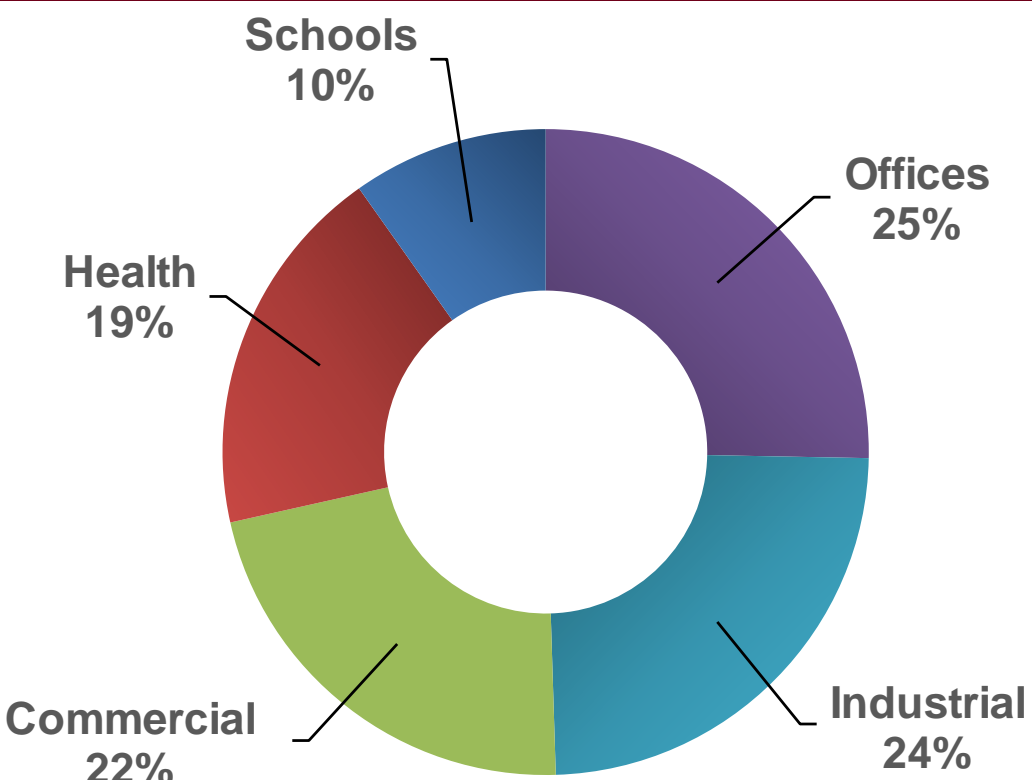
- Air handling units and fans
- Ducts, components and fixings
- Volume and fire/smoke dampers
- Climate ceilings and controls
- Grills and diffusers



## Business and key competitors

- Pan-European provider of Air Handling solutions
- Market supplied by manufacturers (55%), distributors (45%)
- Key competitors:
  - Systemair
  - Trox
  - Lindab
  - Swegon
  - Fläkt Group

## Markets



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

Note: Market share is company estimate. Represents business managed from the Netherlands, excluding Ouest Isol & Ventil/SK Sales.  
Data represents underlying performance. Operating profits includes property profits. ROS stated excluding property profits

# Benelux

## Underlying financials

	FY 2018	FY 2017 Restated	Change
Revenue	£108.4m	£101.7m	6.6%
LFL sales	5.7%	(4.3)%	-
Gross margin	23.7%	25.8%	(210)bps
Operating profit	£4.5m	£6.3m	(28.6)%
ROS	4.2%	6.2%	(200)bps
Trading sites	14	15	(1)

## Key products

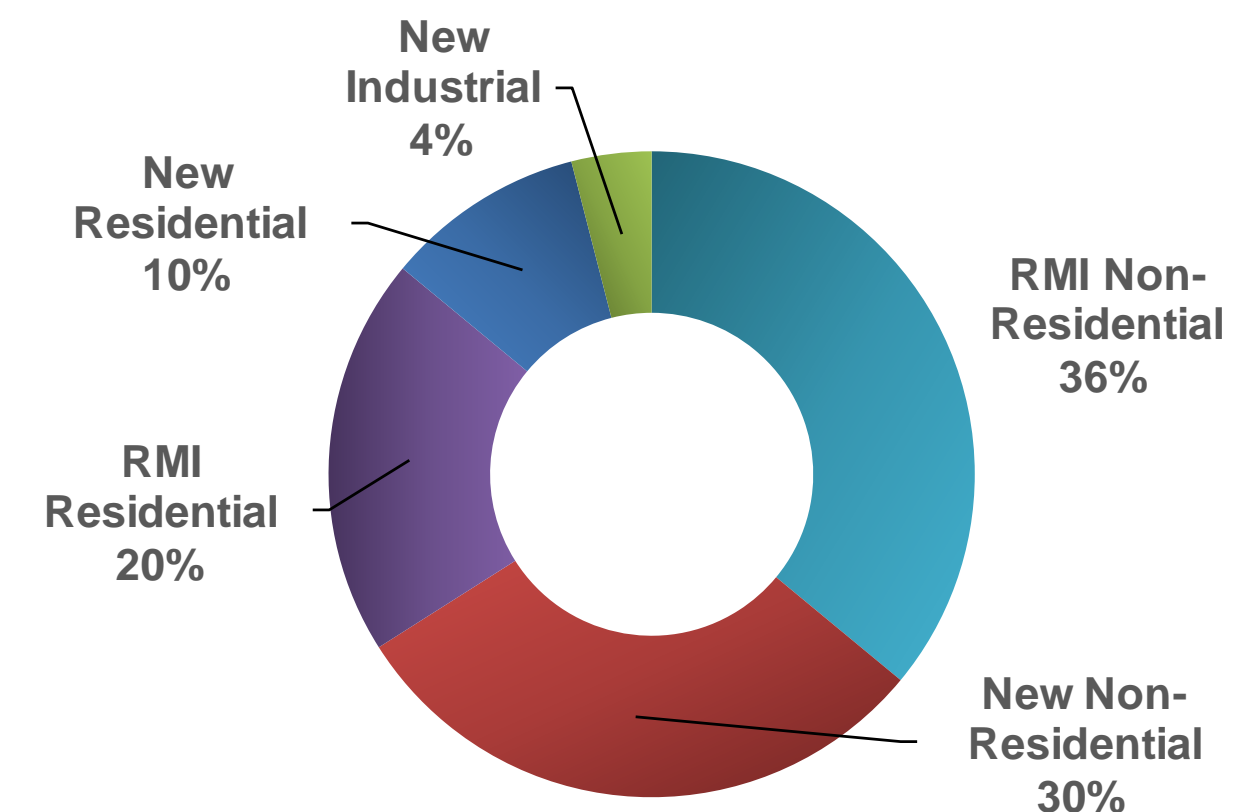
- Structural and technical insulation
- Wet plaster
- Dry lining
- Ceiling tiles and grids
- Stud and track



## Business and key competitors

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

## Markets



Key driver: Construction activity (mainly non-residential)



# Definition of terms

<b>Underlying operations</b>	Excludes businesses divested or closed, or which the Board has resolved to divest or close before 8 March 2019
<b>Like-for-like (LFL)</b>	Sales per working day in constant currency excluding acquisitions and disposals. Sales are not adjusted for branch openings or closures
<b>ROS</b>	Return on Sales, calculated as underlying operating profit excluding property profits divided by underlying revenue
<b>ROCE</b>	Return on Capital Employed, calculated on a rolling 12 month basis as underlying profit less tax, divided by average net assets plus average net debt
<b>Headline financial leverage</b>	Ratio of closing net debt to underlying operating profit before depreciation, adjusted for the impact of acquisitions and disposals during the previous 12 months (“EBITDA”)
<b>Opex as % of sales</b>	Underlying operating costs excluding property profits as a percentage of underlying revenue
<b>Working capital as % of sales</b>	Ratio of closing working capital (including provisions but excluding pension scheme obligations) to annualised revenue (after adjusting for any acquisitions and disposals in the current and prior year) on a constant currency basis