



# Interim Results 2010



# Profile

- ❖ UK and Ireland based Building Materials Group
- ❖ Principal activities
  - Builders and Plumbers Merchanting (No. 1 in ROI, No. 4 in UK)
  - DIY Retailing in Ireland (No. 1 in ROI)
  - Dry Mortar Manufacturing (No. 1 in UK)
- ❖ Annualised turnover circa €2 billion
- ❖ Market leader or strong market positions
- ❖ Trading from 582 locations in the UK and Ireland
- ❖ 9,200 employees

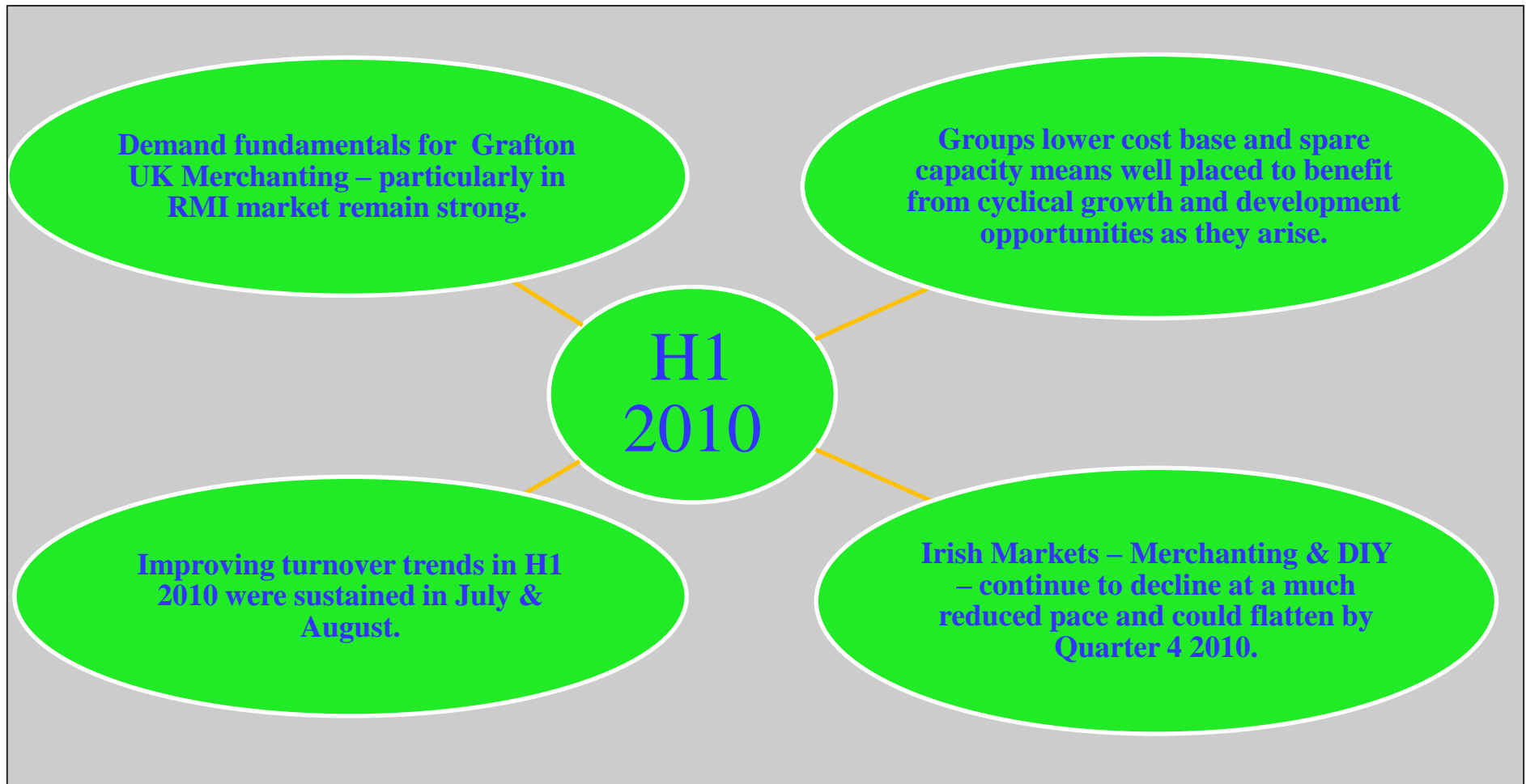
# Group Locations

- Builders Merchanting
- Plumbers Merchanting
- Manufacturing
- DIY Retailing





# Interim Reporting Comments



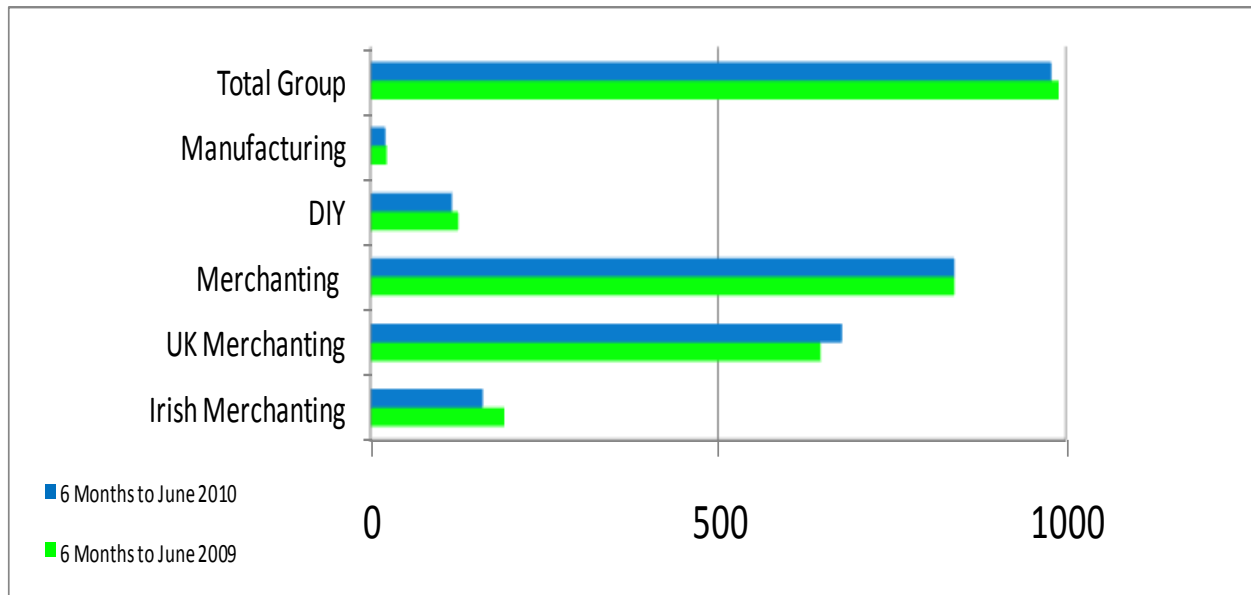


# Interim Financial Highlights ~ 2010

		H1 2010	H1 2009
Turnover	→	€979m	€990m
EBITDA	→	€40.9m	€25.8m
Operating profit / (loss)	→	€14.8m	(€8.3)m
Profit before tax	→	€13.4m	€3.7m
Basic EPS	→	5.6c	1.5c
Free cash flow	→	€56m	€91m
Rationalisation costs	→	€2.9m	€9.1m
Annualised cost savings	→	€88m	



## Segmental Turnover Analysis H1 2010 v H1 2009

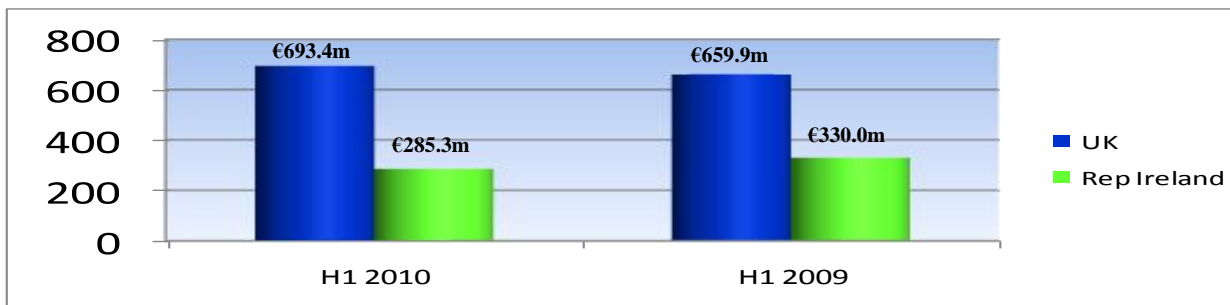


### Operating Segments

- Merchenting revenue marginally lower in H1 2010.
- DIY & Manufacturing 7% lower.
- Group revenue down 1% to €0.98 bn.
- Growth returns to UK Merchenting

### Geographical Analysis

- UK revenue up 5%.
- Republic of Ireland down 14%.
- 71% of Group turnover generated in the UK.





## Group Operating Result– H1 2010

<b>Period</b>	<b>H1 2010</b>	<b>H1 2009</b>
	<b>€m</b>	<b>€m</b>
Operating profit before adjustments (below)	23.9	2.0
Property profit	-	6.1
Restructuring costs	(2.9)	(9.1)
Operating profit / (loss) after restructuring costs	21.0	(1.0)
Central activities	(5.1)	(6.2)
Intangible amortisation	(1.1)	(1.1)
Group operating profit / (loss)	14.8	(8.3)

Significant improvement in operating results



## Operating Result by Segment – H1 2010

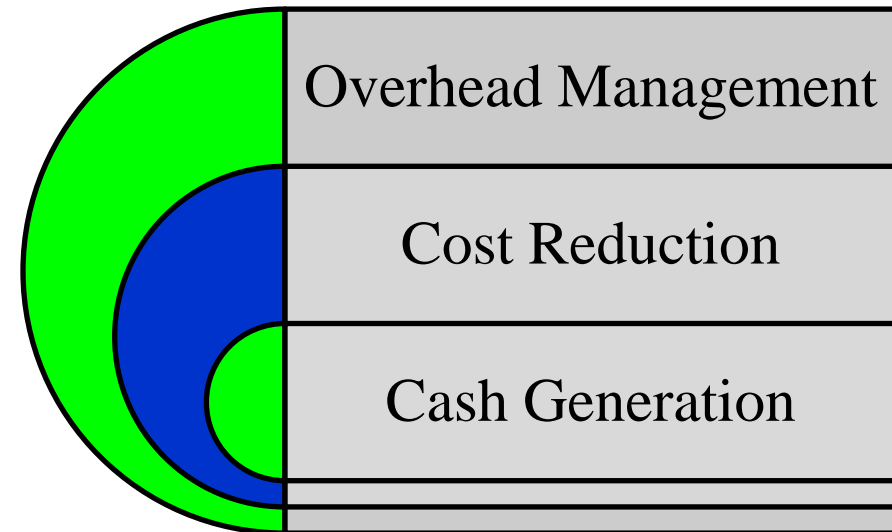
Period	H1 2010			H1 2009		
Segment	Merchanting	Retail	Manufacturing	Merchanting	Retail	Manufacturing
	€'M	€'M	€'M	€'M	€'M	€'M
Segment operating profit /(loss)	27.4	(1.2)	(2.3)	12.8	(0.6)	(4.1)
Restructuring costs	(2.9)	-	-	(7.9)	(0.3)	(0.9)
Segment operating profit /(loss) after restructuring costs	24.5	(1.2)	(2.3)	4.9	(0.9)	(5.0)
<b>% Movement H1 '10 v H1'09</b>	<b>400%</b>	<b>(33%)</b>	<b>54%</b>			

Significant improvement in UK Merchanting



## Management Initiatives – providing positive operating improvements in 2010 & going forward

- ✓ Head count reduction
- ✓ Overhead cost reduction
- ✓ Integration / re-organisation
- ✓ Debtor management
- ✓ Working capital management
- ✓ Cash conversion
- ✓ Customer retention
- ✓ Market share gains
- ✓ Location consolidations / rationalisations



Management focus on Cost Control and Cash Flow



## Improving Trends Identified

- Return to like for like sales growth in UK Merchanting and Manufacturing sectors
- Irish Merchanting tending towards breakeven (loss €0.5m)
- Strong cash generation
- Free Cash Flow of €56m for the half year
- €330m in available liquid cash deposits
- Overheads €22.6m lower than in H1 2009 – effective cost control
- 71% of turnover in UK in H1 2010
- Bank re-financing completed in August 2010
- Net debt at €281 million - 29% gearing (26% for bank covenant purposes)
- Strong Balance Sheet

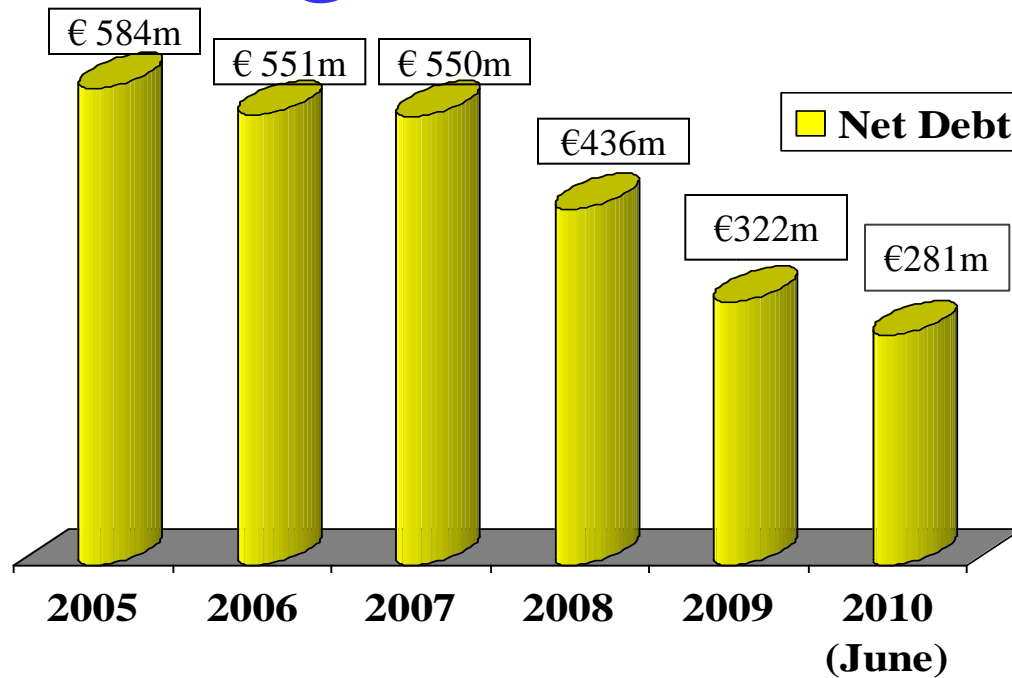


## Cash Generation

	H1 2010	Full Year 2009
	€ million	€ million
Operating profit (before restructuring costs)	18	24
Restructuring costs	(3)	(19)
<b>Operating profit</b>	15	5
Depreciation, amortisation & other	26	59
Investment profit realised in cash	-	22
Proceeds on asset disposals	2	13
Total cash inflow	43	99
Replacement capital expenditure	(5)	(5)
Interest (net) & tax	(3)	(17)
Working capital cash release	21	94
<b>Free cash flow</b>	56	171
Net debt	€281m	€322 m
<b>Gearing</b>	29%	35%



# Reducing Net Debt



- Strengthened balance sheet
- Sustained reduction in gearing & net debt
- Good liquidity, positive free cash flow and high cash deposits

▪ Debt reduced by €269m since December 2007 or 49%

Year	2005	2006	2007	2008	2009	2010
Gearing	72%	54%	52%	50%	35%	29%



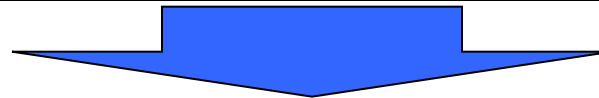
# Components of Change

		Turnover	Operating profit / (loss)
		€'million	€'million
<b>2009</b>		990	(8)
Organic change	- Merchanting	(19)	17
Organic change	- DIY	(9)	(-)
Organic change	- Manufacturing	(2)	2
2009 acquisitions	- Merchanting	2	-
2010 acquisitions	- Merchanting	-	-
New branches 09 &10 & discontinued – Merchanting		(1)	3
Exchange		18	-
Movement on property profits		-	(6)
Movement on central activities		-	1
Movement on restructuring costs		-	6
<b>2010</b>		979	15



## Benefits of Cost Reduction Initiatives – reflected in Results

- Total headcount reduced by further 100 in 1<sup>st</sup> half of 2010 to 9,200. (Total reduction since 1<sup>st</sup> January 2008 is approx 2,900 employees)
- €80m achieved in 2009 with a further €22.6m achieved up to June 2010
- Tight overhead & margin management



- Group now trading profitably
- Headcount reductions almost complete
- Business is poised for recovery
- Significant latent operational leverage available
- Obtaining full integration benefits

Good base now established to deliver strong rebound in earnings over coming years as markets normalise



## Rationalisation Costs and Benefits

	<b>Restructuring Cost 30 months to June 2010 €' millions</b>	<b>Benefit per annum €' millions</b>
<b>UK</b>	<b>9</b>	<b>49</b>
<b>Ireland</b>	<b>25</b>	<b>39</b>
	<b>34</b>	<b>88</b>

<b><u>Staff Reductions – 30 months to June 2010</u></b>	
<b>Employee Changes Numbers</b>	<b>Payroll Savings per annum € millions</b>
<b>-1,541</b>	<b>42</b>
<b>-1,324</b>	<b>37</b>
<b>-2,865</b>	<b>79</b>

Annual Payroll Costs 2007      €428m  
Reduction                              18.0%



## Working Capital Trends

	2007	2008	2009	2010 H1
	€'m	€'m	€'m	€'m
Stock	386	331	265	288
Debtors	536	354	307	354
Creditors	(490)	(417)	(387)	(464)
<b>Total</b>	<b>432</b>	<b>268</b>	<b>185</b>	<b>178</b>

	164	83	7
Exchange & other items	(56)	11	14

Net year on year reduction	108	94	21
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<b>2 Yr Total Reduction to Dec 2009</b>	<b>€202m or 47%</b>
<b>30 Months to June 2010</b>	<b>€223m or 52%</b>



# Top 10 Debtors in UK and Ireland

	Ire Jun 10 €'000	Ire Jun 09 €'000	UK Jun 10 £'000	UK Jun 09 £'000	Total in Euro
1	887	1,318	1,190	961	
2	807	1,161	521	595	
3	722	820	449	434	
4	631	655	411	430	
5	488	584	401	416	
6	391	478	370	373	
7	382	462	339	353	
8	348	332	319	336	
9	295	286	318	336	
10	<u>294</u>	<u>273</u>	<u>306</u>	<u>335</u>	
	5,245	6,369	4,624	4,569	
2010 total in euro – 81.75p					€10,901
2009 total in euro – 88.81p					€11,514
June 2010 as percentage of trade and other receivables					3.08%
June 2009 as percentage of trade and other receivables					3.15%

**Only one account  
exceeds €1m across  
the Group at June  
2010**



## Other Actions taken to Improve Cash Position

	<b>H1 2010</b>	<b>Year 2009</b>	Year 2008
<b>Capital expenditure</b>	<b>€5.8m</b>	<b>€12.4m</b>	€78.6m
<b>Acquisition /investment spend</b>	<b>€1.3m</b>	<b>€6.9m</b>	€28.1m



## Gross Margin Remains Consistent.

### Gross Margin Management

Financial Year	2005	2006	2007	2008	2009	2010 H1
Gross Margin	31.5%	32.3%	32.7%	32.3%	31.6%	31.6%

Financial Year	H1 2010	H1 2009
Gross Margin	31.6%	31.4%



## Operating Margin History (Core – before central costs)

Year	UK	ROI	Group
2000	5.9%	12.7%	8.4%
2001	6.3%	13.1%	8.6%
2002	7.0%	12.2%	8.5%
2003	7.3%	13.0%	8.7%
2004	7.8%	13.1%	9.1%
2005	6.9%	10.7%	8.4%
2006	6.7%	11.3%	8.6%
2007	7.3%	10.8%	8.7%
2008	4.5%	5.5%	4.9%
2009	3.2%	-1.7%	1.6%
2009 (H1)	1.9%	-3.1%	0.2%
<b>2010 (H1)</b>	<b>4.0%</b>	<b>-1.4%</b>	<b>2.4%</b>



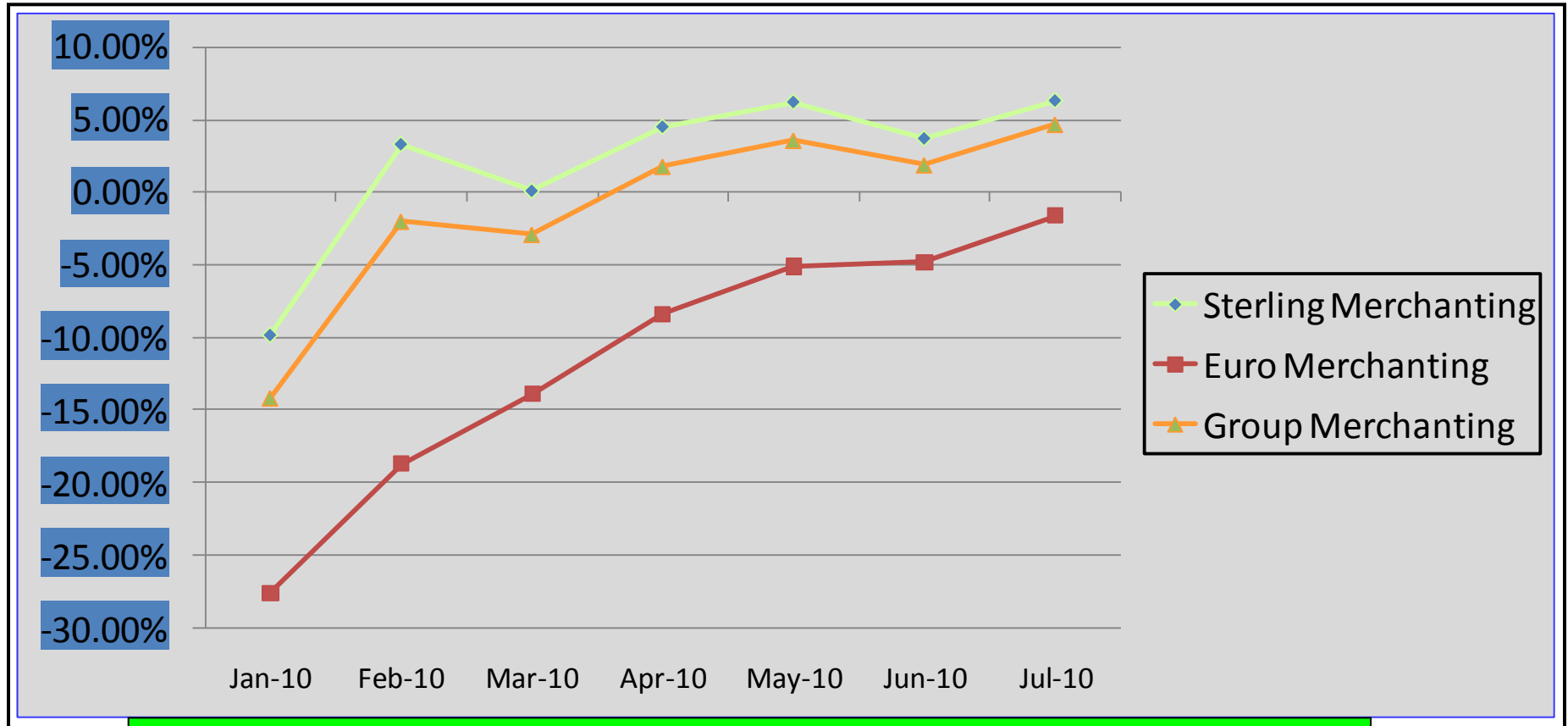
## Quarterly Turnover Trends 2009 ~ 2010



Return to Modest Growth in Q2 2010



## Merchanting Like for Like Revenue Year to July 2010.



Merchanting L-for-L Trends improving across all markets.



## Bank Covenants

	Bank Covenants	Current
Net worth as defined	€750m	€1,063m
Gearing	85%	26%

Debt	€'Million
Bank Debt	488
US Loan Notes & other	123
Cash	<u>(330)</u>
<b>Net Debt</b>	<b>281</b>

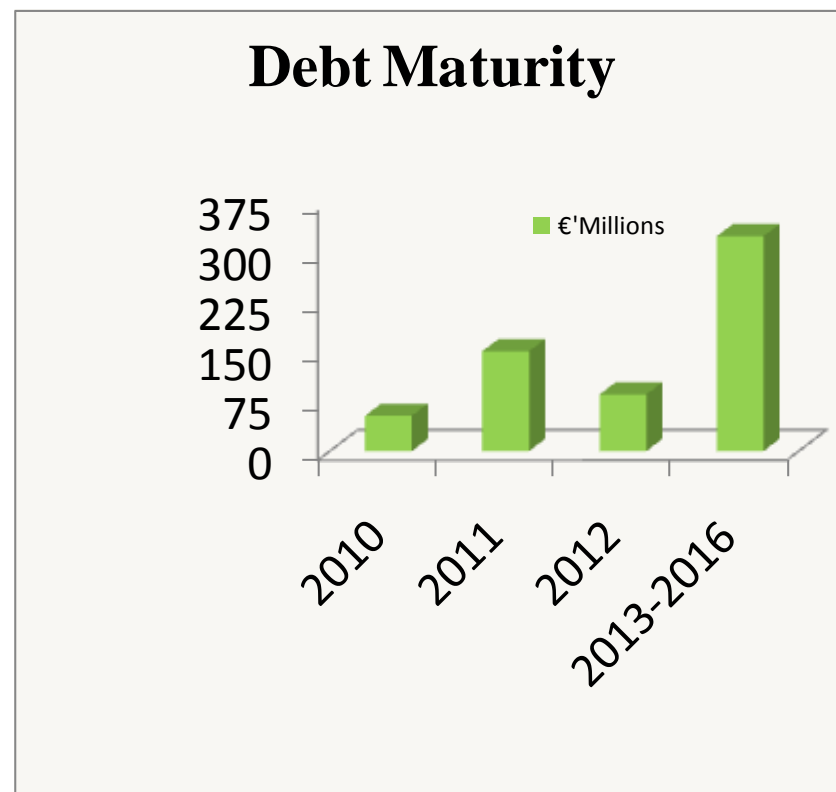
Minimum EBITDA / Interest Ratio		
Year To		12 Months To
31/12/10 *	1:1	30/6/11
31/12/11	2:1	30/6/12
31/12/12	3:1	30/6/13

\*Current EBITDA / Interest ratio for 6 months to June 2010 is 15.7:1.



## Pro-forma Net Debt Position and Maturity re-stated post re-financing

	2010	2009
	€ million	€'million
Gross debt	611	624
Cash	(330)	(302)
<b>Net debt</b>	<b>281</b>	<b>322</b>
<b>Gearing</b>	<b>29%</b>	<b>35%</b>
<b>Gross debt maturities – calender year **</b>		
2010	53	99
2011	150	330
2012	85	149
2013 –2016	323	46
<b>Total</b>	<b>611</b>	<b>624</b>



\*\*Bank facilities of €280m were refinanced in August 2010 out to 2013.



# Outlook

## UK

- ❖ Overall outlook in UK has improved
- ❖ Demand fundamentals for Group exposure to UK RMI market attractive

## Ireland

- ❖ Tentative recovery to take hold, modest growth expected in 2011
- ❖ Positive spending patterns among consumers emerging

## Group

- ❖ Improving trends in turnover evident during H1 were sustained in July & August
- ❖ Challenges encountered in our markets over last 3 years have eased considerably
- ❖ Further improvement in profit expected in H2 2010



## Principal Brands – UK and Northern Ireland

**BUILDBASE**

**PLUMBASE**

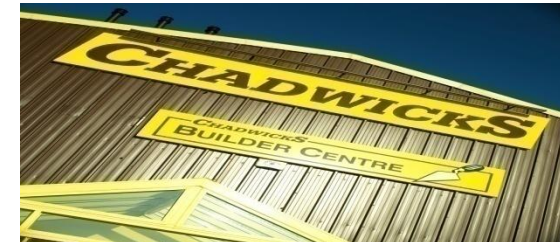


 **MACNAUGHTON BLAIR**





## Principal Brands – Irish Merchanting and Manufacturing



Irish Merchants





## Irish DIY Retail Brands



**inhouse**  
AT THE PANELLING CENTRE



## Irish DIY Retail Brands



# **BUILDBASE**





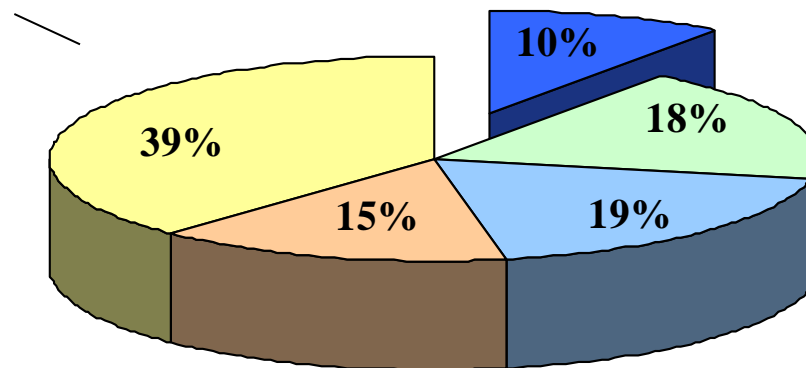
*Build on our Experience*





## Estimated UK Merchanting League Table

Circa 2,000  
independents



■ Grafton 3<sup>rd</sup> Largest Builders Merchant

■ Jewson

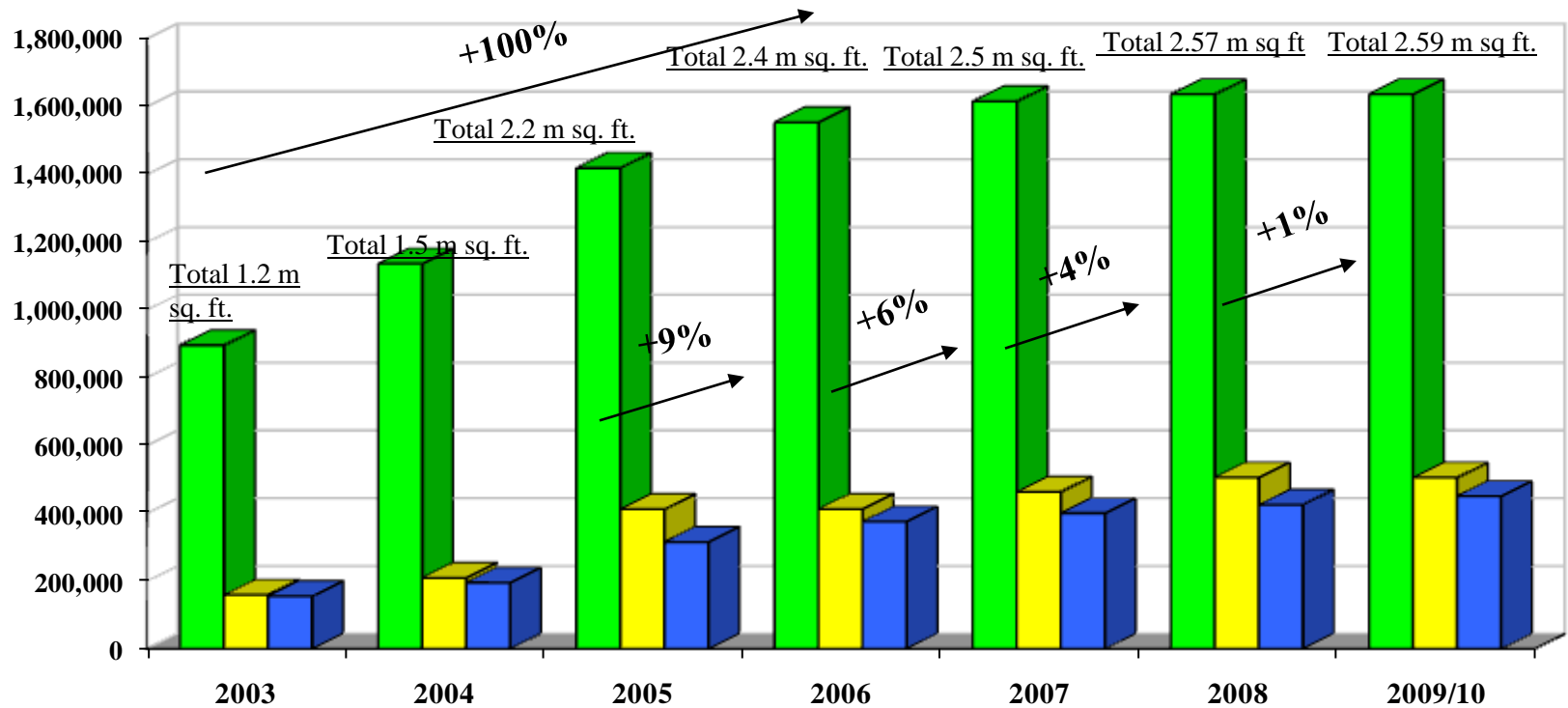
■ Wolseley

■ Travis Perkins  
(excluding Wickes)

Sector Turnover £12 billion plus  
Independents £4.6 billion plus



# Comparison of DIY Store Sizes in the Republic of Ireland



Woodie's & Atlantic	74%	74%	66%	64%	65%	63%	63%
B & Q	13%	14%	19%	18%	19%	20%	20%
Homebase	13%	12%	15%	16%	16%	17%	17%



## For Further Information

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