# Interim Results

**Six Months to**
**30 September 2019**

norcros


# Introduction

**Martin Towers, Chairman**

- Revenue increased by 11.4% on a reported basis, 12.8% on a constant currency basis, and 0.9% on a like for like[3] basis
- Underlying operating profit[2] increased by 12.5% to £17.1m
- Strong UK domestic organic growth in retail and trade sectors
- House of Plumbing acquisition completed on 1 April 2019 and performing to expectations
- Net debt reduced to £41.1m (Sept 18: £53.5m) driven by strong cash generation
- Interim dividend increased by 10.7% to 3.1p per share

| | |
|---|---|
| **Revenue[1]** | **£181.2m +12.8%** |
| **Underlying Operating Profit[2]** | **£17.1m +12.5%** |
| **Underlying Profit Before Tax[2]** | **£16.2m +14.1%** |
| **Diluted Underlying EPS[2]** | **15.7p +12.9%** |
| **Interim Dividend Per Share** | **3.1p +10.7%** |

1 On a constant currency basis
2 Pre IFRS16 basis
3 LFL (like for like) adjusts 2019 revenue for House of Plumbing (acquired 1 April 2019) and 27 to 26-week period pro-rating

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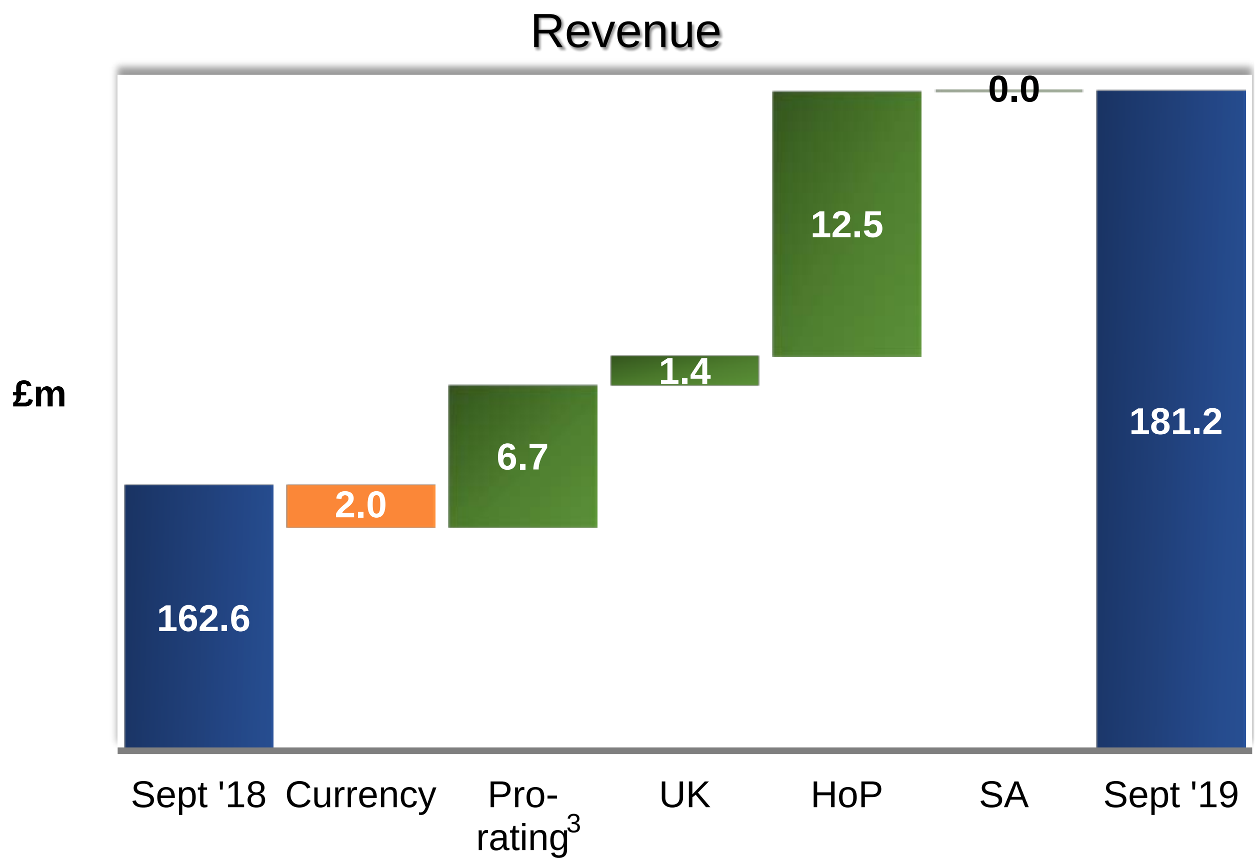
# Financial Review

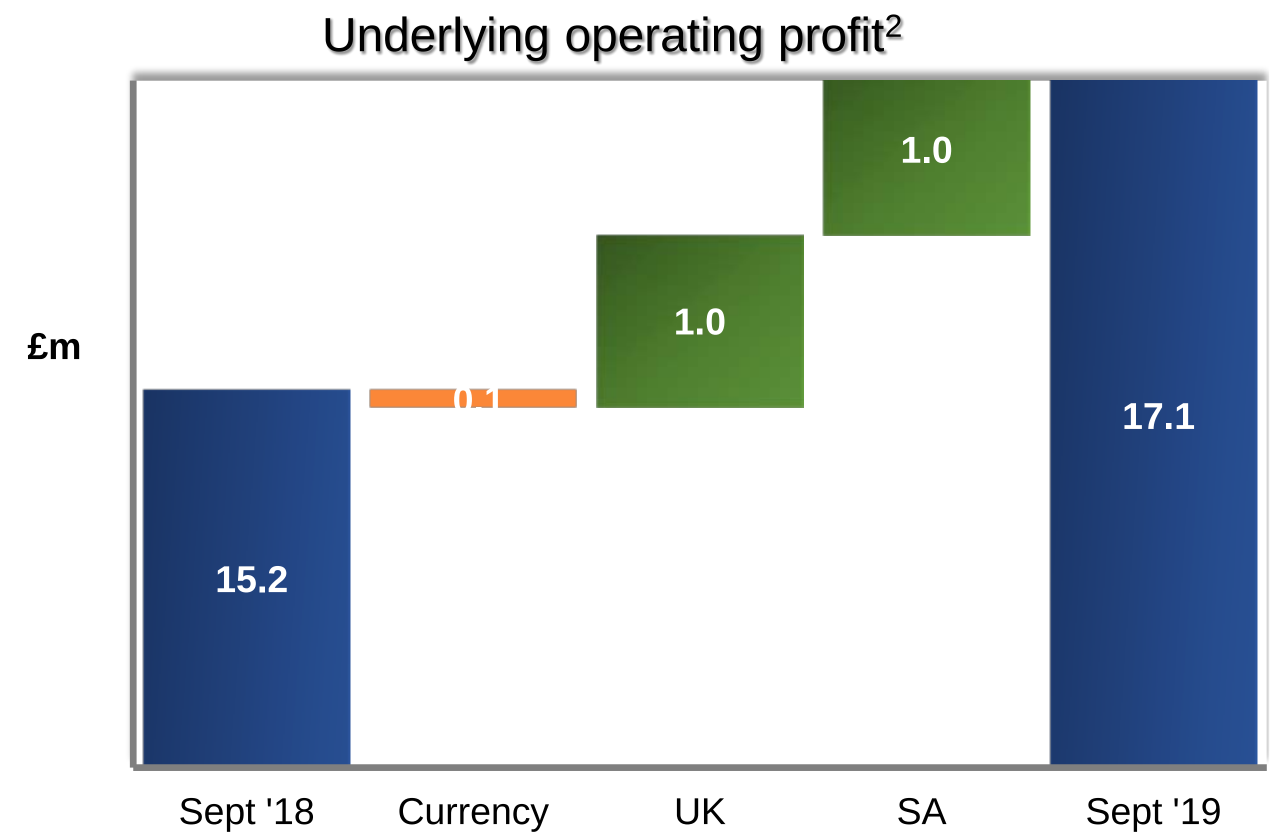
**Shaun Smith, Group Finance Director**

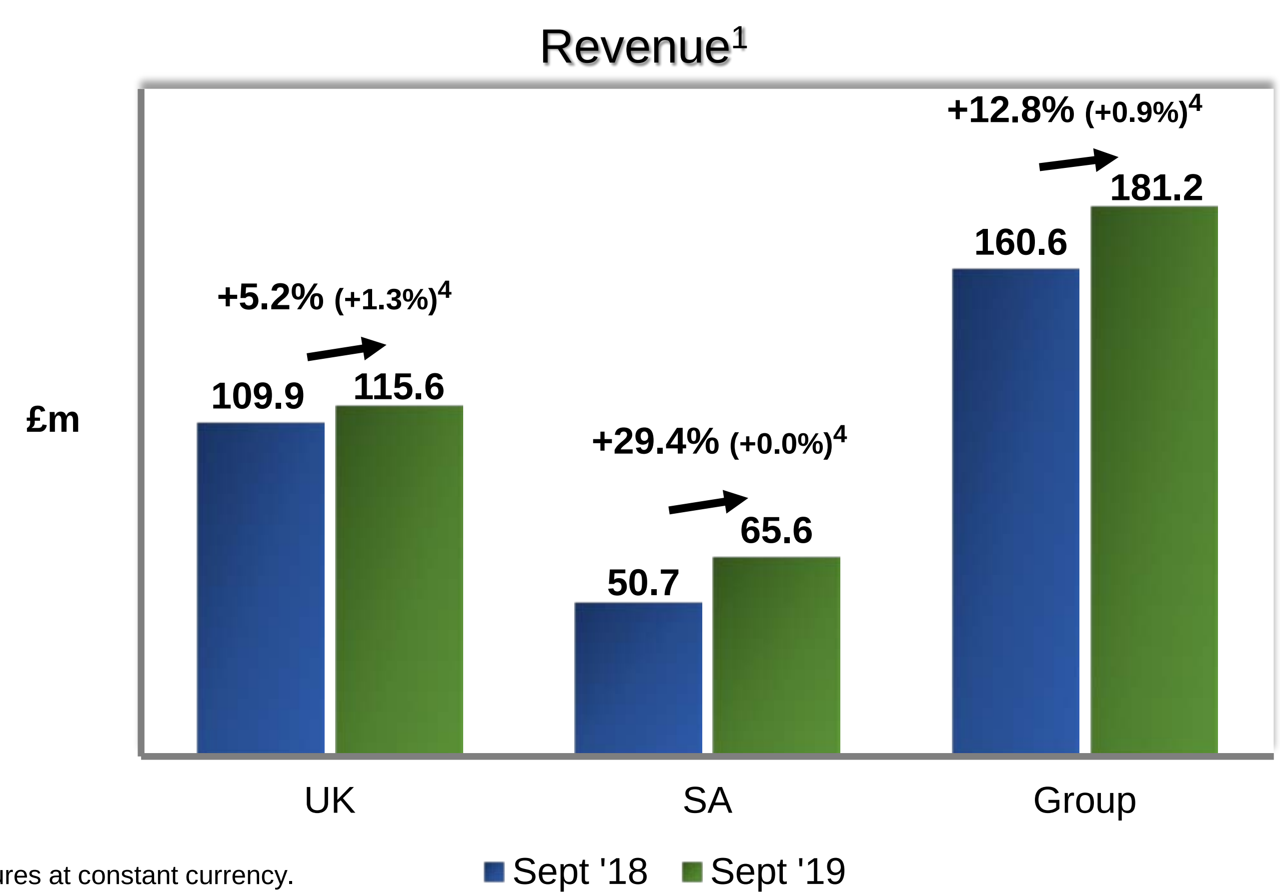
| | H1 Sept 2019 £m | **H1 Sept 2019 Pre IFRS16 £m** | H1 Sept 2018 £m | **+/- Pre IFRS16** | **+/- Constant Currency** | **FY Mar 2019 £m** |
|---|---|---|---|---|---|---|
| Revenue | 181.2 | **181.2** | 162.6 | +11.4% | +12.8% | 331.0 |
| Underlying[1] operating profit | 17.4 | **17.1** | 15.2 | +12.5% | | 34.4 |
| *Margin* | *9.6%* | ***9.4%*** | *9.3%* | | | 10.4% |
| Finance charges – cash | (1.8) | **(0.9)** | (1.0) | | | (1.8) |
| Underlying[1] PBT | 15.6 | **16.2** | 14.2 | +14.1% | | 32.6 |
| Exceptional operating items[2] | - | **-** | - | | | (4.0) |
| IAS19R admin expenses | (0.9) | **(0.9)** | (0.7) | | | (1.5) |
| Acquisition related costs[2] | (2.2) | **(2.2)** | (1.9) | | | (3.8) |
| Finance income – non cash[3] | 0.8 | **0.8** | 3.6 | | | 2.1 |
| PBT as reported | 13.3 | **13.9** | 15.2 | -8.6% | | 25.4 |

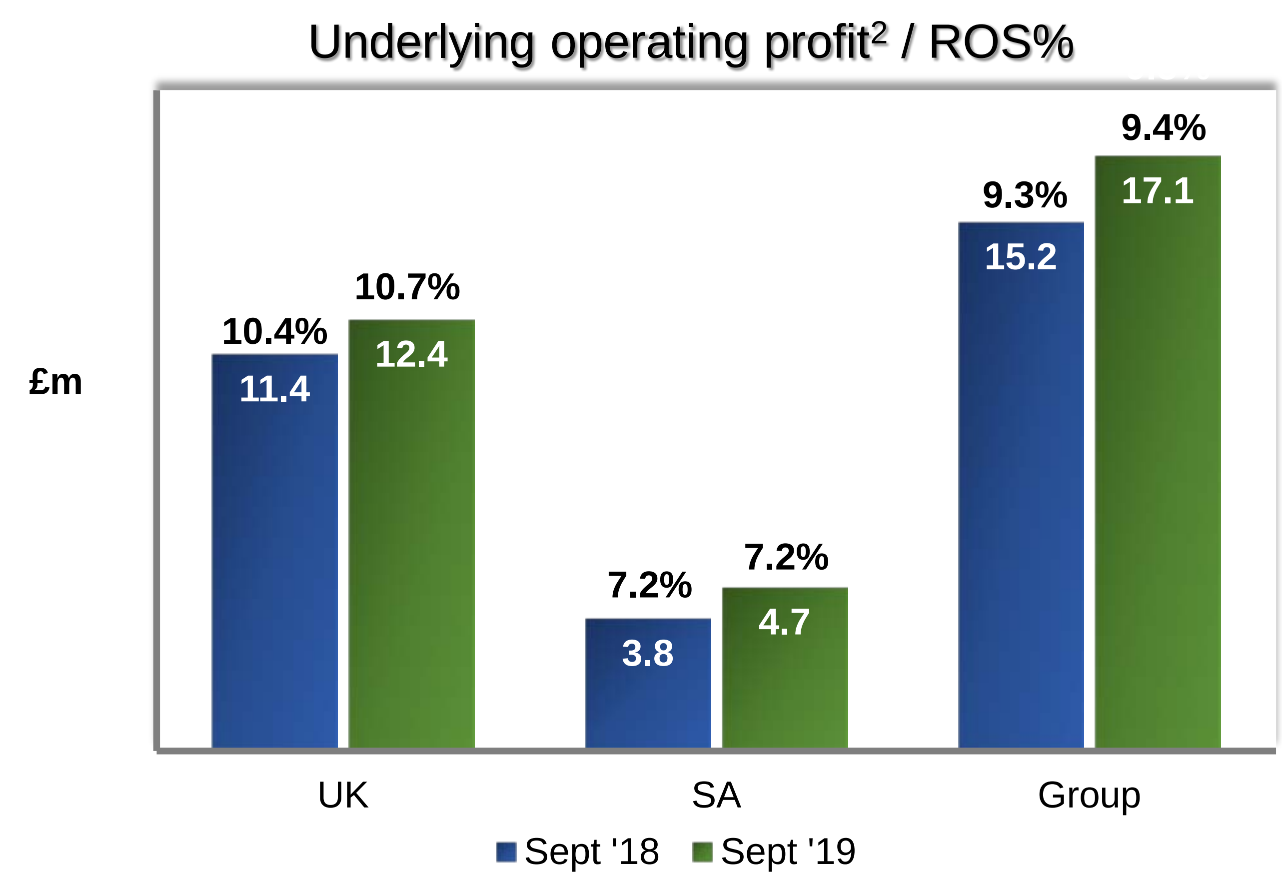
1 Underlying means before exceptional operating items, IAS19R admin costs, acquisition related costs and where relevant, non-cash finance costs
2 See page 33 for details
3 Includes £1.3m non-cash movement relating to “mark to market” on FX forward contracts (2018 : £4.3m)

# Income Statement – Key Bridges



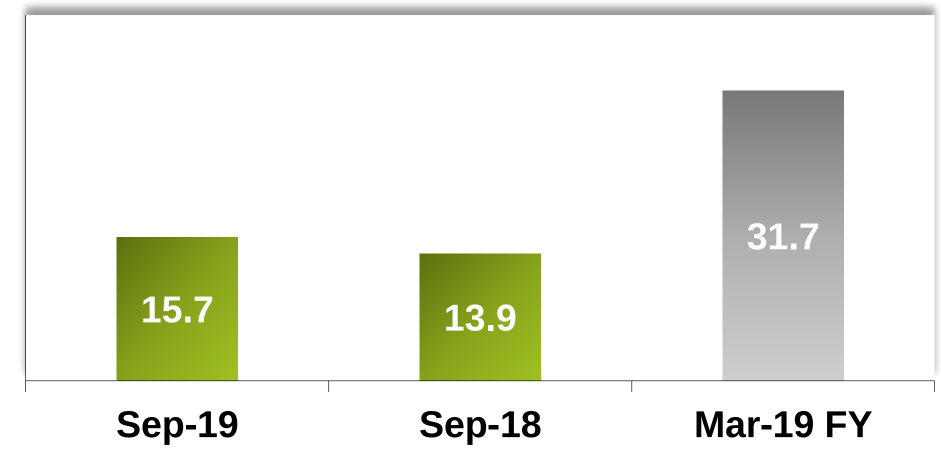



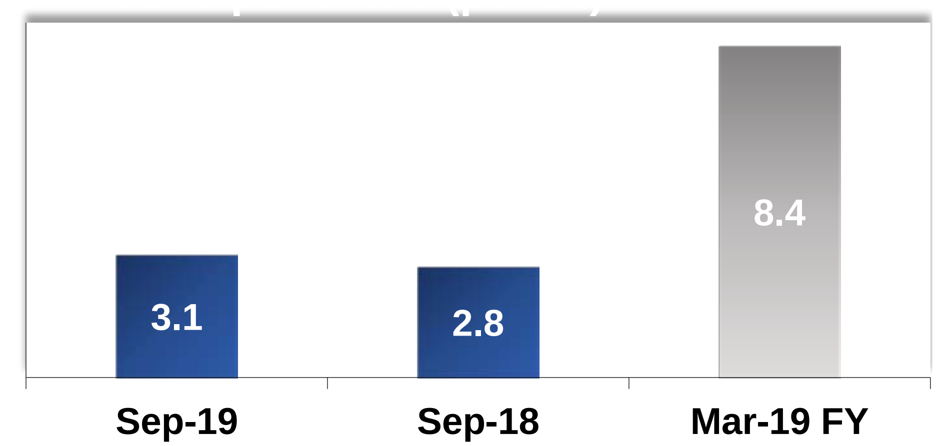

[1] All figures at constant currency.
[2] Pre-IFRS16 adjustment
[3] 27 to 26 week pro-rating of current period
[4] Like for like adjusts 2019 revenue for House of Plumbing (acquired 1 April 2019) and 27 to 26-week period pro-rating

| | Underlying[1] | | | | Reported | | | |
|---|---|---|---|---|---|---|---|---|
| | **H1 Sept 2019 £m** | **H1 Sept 2019 £m Pre IFRS16** | **H1 Sept 2018 £m** | **FY Mar 2019 £m** | **H1 Sept 2019 £m** | **H1 Sept 2019 £m Pre IFRS16** | **H1 Sept 2018 £m** | **FY Mar 2019 £m** |
| Profit before Tax | 15.6 | 16.2 | 14.2 | 32.6 | 13.3 | 13.9 | 15.2 | 25.4 |
| Tax charge | (3.3) | (3.4) | (3.0) | (6.9) | (3.1) | (3.2) | (3.2) | (6.0) |
| Earnings | 12.3 | 12.8 | 11.2 | 25.7 | 10.2 | 10.7 | 12.0 | 19.4 |
| Effective Tax rate | 21.2% | 21.0% | 21.1% | 21.2% | 23.3% | 23.0% | 21.1% | 23.6% |

**Diluted underlying EPS[2] (pence)**




**Dividend per share (pence)**




**Effective underlying tax rate of 21.0%[2] (2018: 21.1%)**

**Underlying[1] earnings up 14.3%[2] to £12.8m (2018: £11.2m)**

**Interim dividend up 10.7% to 3.1p (2018: 2.8p)**

[1] Underlying means before exceptional operating items, IAS19R admin costs, acquisition related costs and where relevant, non-cash finance costs, and where relevant after attributable tax
[2] Pre – IFRS16 basis

# High Cash Conversion

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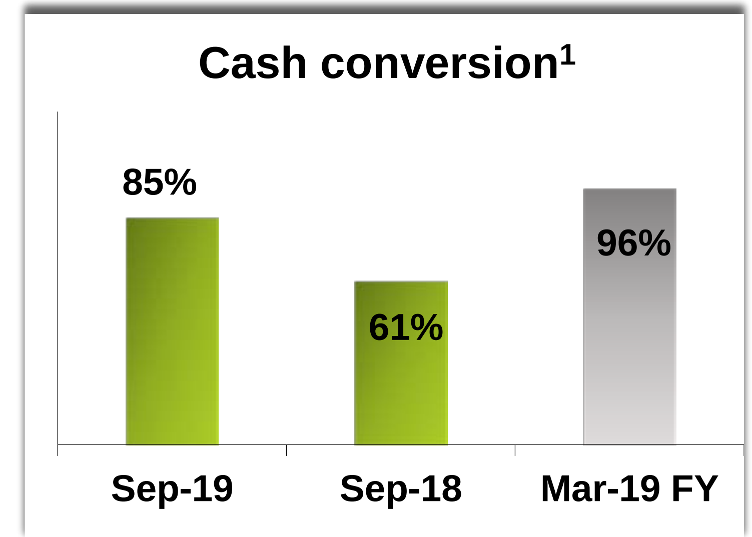
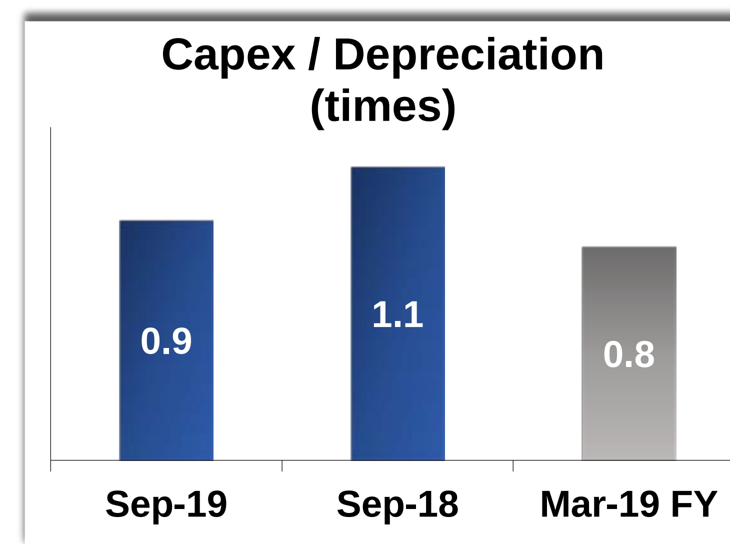
| | H1 Sept 2019 £m | H1 Sept 2019 £m | H1 Sept 2018 £m | FY Mar 2019 £m |
|---|---|---|---|---|
| | | Pre-IFRS16 | | |
| **Underlying EBITDA** | **20.6** | **20.6** | **18.6** | **41.3** |
| Working capital | (3.1) | (3.1) | (7.9) | **(2.1)** |
| Depreciation of right of use assets | 2.2 | - | - | **-** |
| Operating profit impact of IFRS16 | 0.3 | - | - | **-** |
| Other | - | - | 0.7 | **0.6** |
| **Underlying operating cashflow** | **20.0** | **17.5** | **11.4** | **39.8** |
| Net capital expenditure | (3.1) | (3.1) | (3.5) | **(5.5)** |
| Pension deficit recovery | (1.6) | (1.6) | (1.3) | **(2.6)** |
| Tax | (2.9) | (2.9) | (1.9) | **(4.6)** |
| **Underlying free cash flow pre-financing & dividends** | **12.4** | **9.9** | **4.7** | **27.1** |
| Exceptional and acquisition related costs | (0.4) | (0.8) | (1.4) | **(1.9)** |
| Interest | (1.8) | (0.9) | (1.1) | **(1.8)** |
| Dividends | (4.5) | (4.5) | (4.1) | **(6.4)** |
| Acquisition of subsidiaries | (9.4) | (9.4) | (2.0) | **(2.1)** |
| Principal element of lease payments | (2.0) | - | - | **-** |
| Purchase of treasury / issue of new shares | (0.9) | (0.9) | (1.1) | **(0.9)** |
| **Net Cash Flow** | **(6.6)** | **(6.6)** | **(5.0)** | **14.0** |

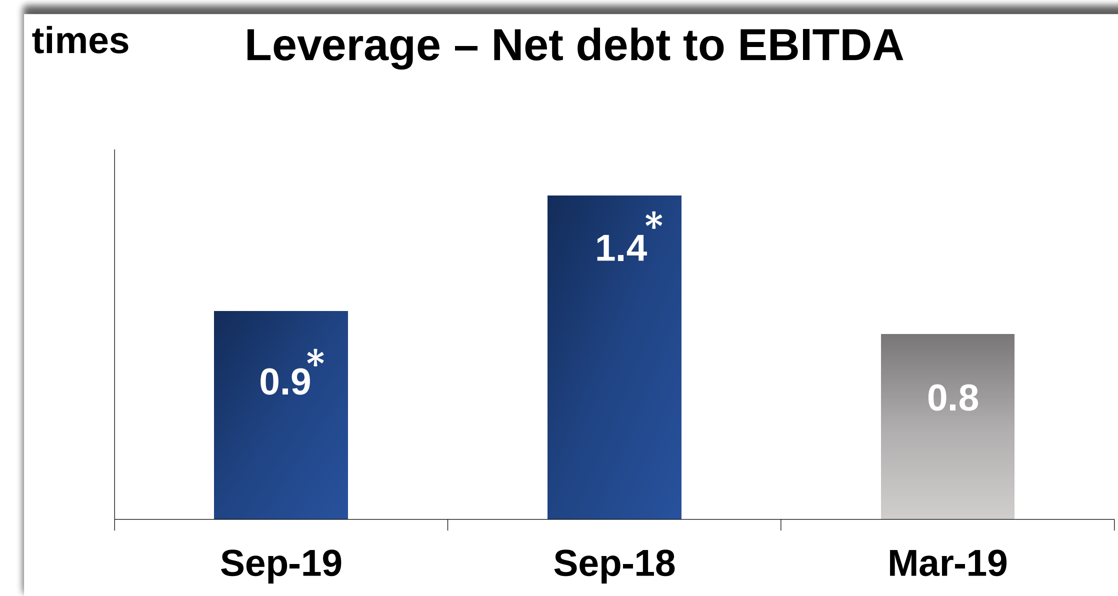


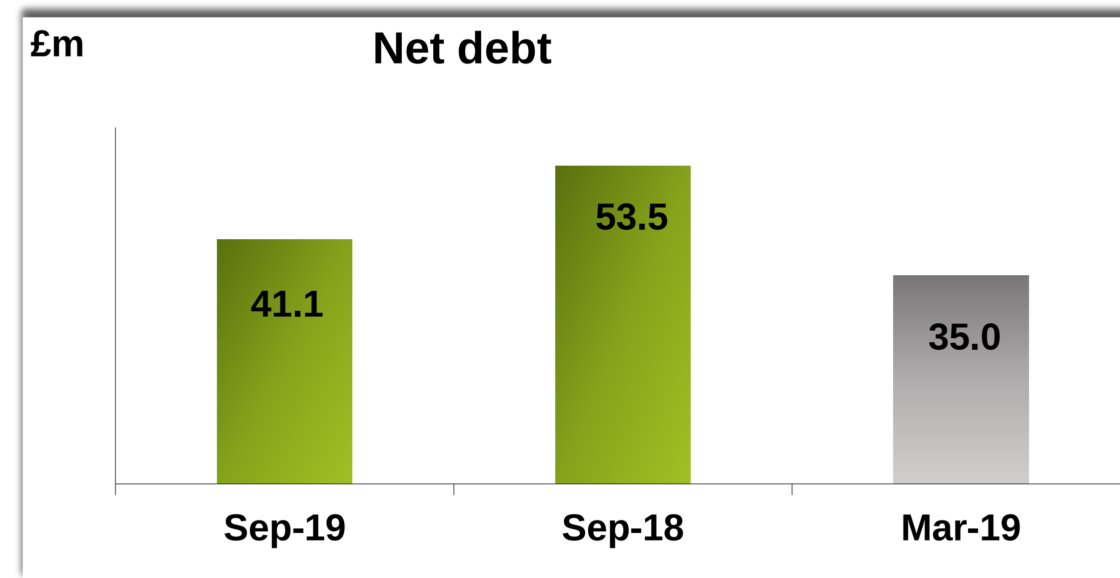

[1] Underlying operating cash flow / Underlying EBITDA, pre-IFRS16 basis

# Strong Balance Sheet

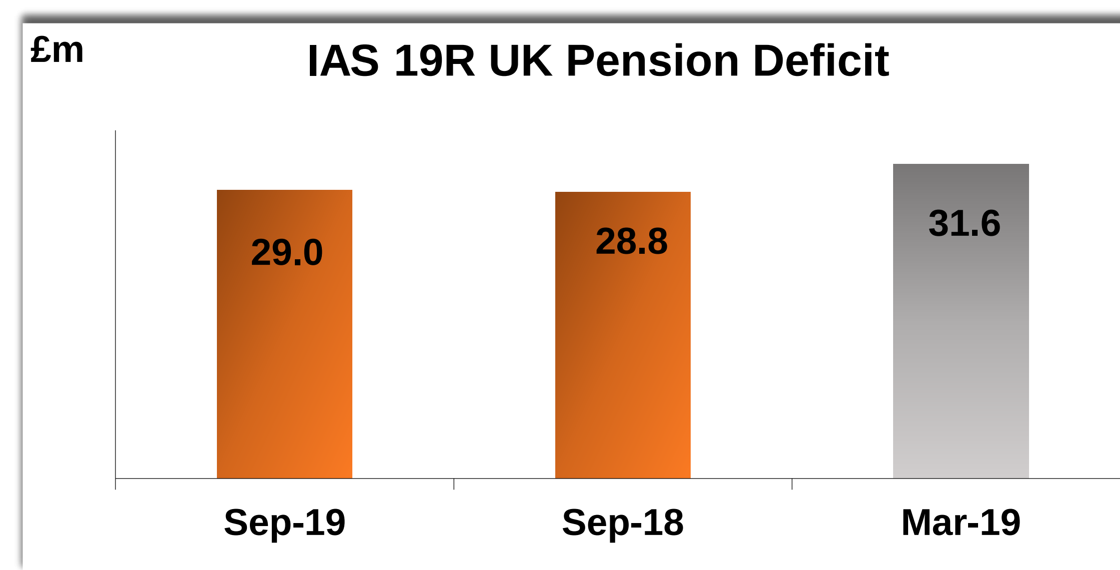
**Leverage 0.9 times underlying EBITDA**




**Net debt £41.1m**
**(March 19: £35.0m, Sept 18: £53.5m)**



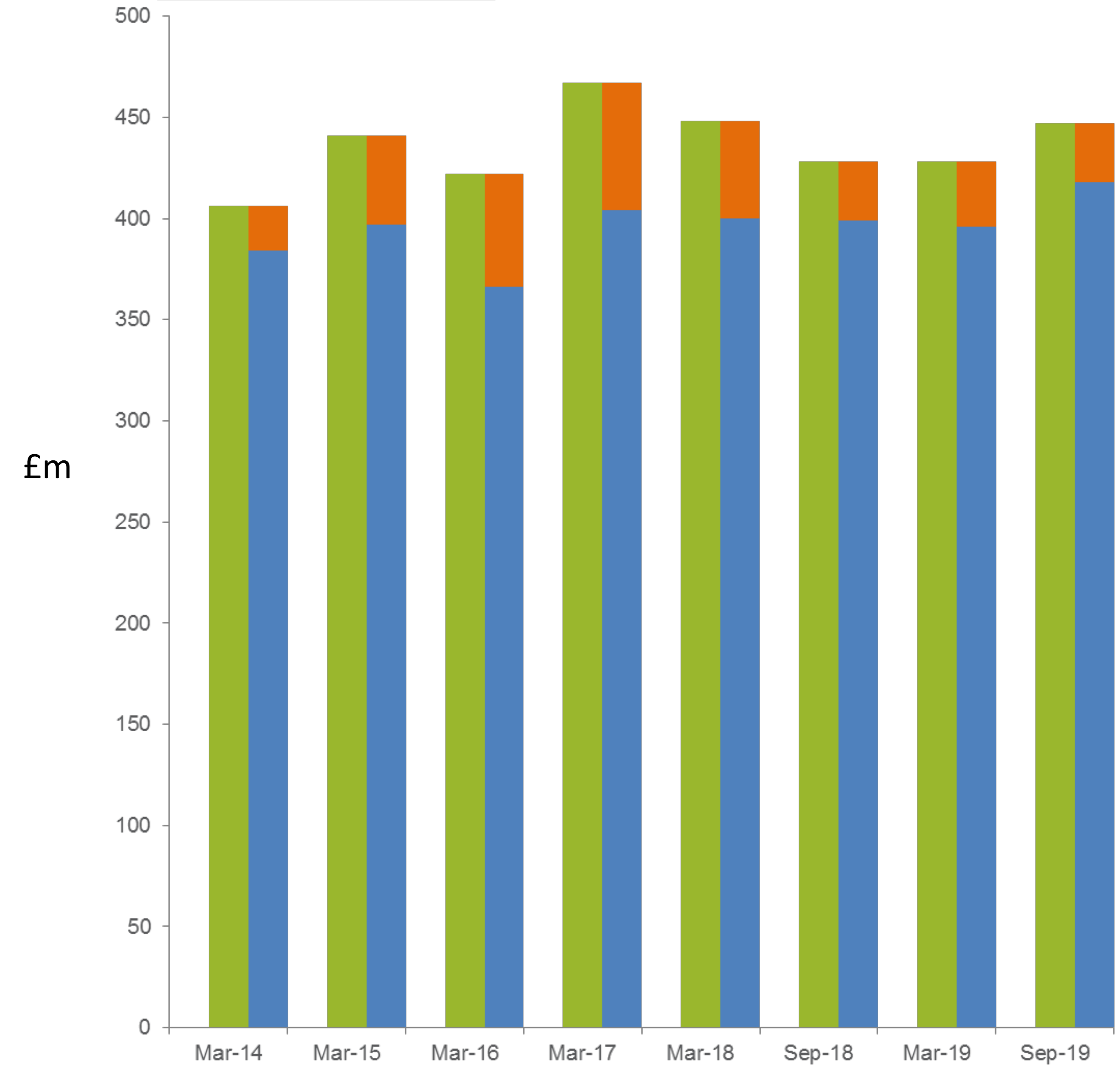

**IAS19R deficit £29.0m**
**(March 19: £31.6m, Sept 18: £28.8m)**




* Pro forma EBITDA includes full year EBITDA for acquisitions

- IAS 19R deficit £29.0m (March 19: £31.6m, September 18: £28.8m)
  - Assets increased by £22.0m to £418.4m
  - Liabilities increased by £19.4m to £447.4m
- Triennial valuation as at 1 April 2018 finalised
  - New recovery plan agreed; contributions £3.25m pa plus CPI for 6.5 years to 30 Sept 2025
- Super-mature scheme
  - 6,890 members (March 2019: 7,035). 69% of pensioners with average age 77
  - Annual pensioner payroll near peak at £20m pa
- Scheme closed to new entrants and future accrual in 2013
- Company and Trustee agreed to a strategy of further de-risking

UK Pension IAS 19R Assets & Liabilities




| | Mar-14 | Mar-15 | Mar-16 | Mar-17 | Mar-18 | Sep-18 | Mar-19 | Sep-19 |
|---|---|---|---|---|---|---|---|---|
| Liabilities | 406 | 441 | 422 | 467 | 448 | 428 | 428 | 447 |
| Assets | 384 | 397 | 366 | 404 | 400 | 399 | 396 | 418 |
| Deficit | 22 | 44 | 56 | 63 | 48 | 29 | 32 | 29 |
| Disc Rate | 4.30% | 3.30% | 3.55% | 2.60% | 2.65% | 2.95% | 2.50% | 1.90% |
| RPI | 3.2% | 2.90% | 2.90% | 3.15% | 3.10% | 3.20% | 3.25% | 3.10% |

# Operating Review

**Nick Kelsall, Group Chief Executive**

# Key Messages

- **Strong Performance**
  - Robust revenue and earnings growth in challenging markets
  - Proven business model delivering market outperformance & share gains
  - Winning strategy – focus & strong execution; further growth opportunities
    - **UK**
      - Solid UK growth - trade segment >50% revenues
      - Triton - Q1 destocking, now stabilised
      - Merlyn, Vado, Abode & Norcros Adhesives – continued momentum and share gain
      - Johnson Tiles - growth in trade & retail
      - Croydex - retail recovery and trade growth
    - **South Africa**
      - Market outperformance & share gains
      - House of Plumbing - integrated & performing in line with expectations; rollout opportunity
- **Acquisition Pipeline**
  - Well developed; number of potential opportunities
  - Focus on complementary products
- **2023 Strategic Vision**
  - £600m revenue target by 2023
  - 50% revenues derived from overseas
  - Sustainable ROCE of >15%
  - Confident of further progress

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| | | | Group H1 Revenue | % |
|---|---|---|---|---|
| UK | TRITON See you first thing Britain | *Market leader in the manufacture and marketing of showers in the UK* | £24.5m | 13.5 |
| | MERLYN | *Market leading supplier of shower enclosures and trays* | £21.9m | 12.1 |
| | VADO | *Leading manufacturer and supplier of taps, mixer showers, bathroom accessories and valves* | £21.1m | 11.6 |
| | Croydex | *Market leading, innovative designer, manufacturer and distributor of high quality bathroom furnishings & accessories* | £11.7m | 6.5 |
| | abode | *Leading niche designer and distributor of high quality kitchen taps, bathroom taps and kitchen sinks* | £8.6m | 4.7 |
| | JOHNSON·TILES | *Leading manufacturer and supplier of ceramic tiles in the UK* | £21.5m | 11.9 |
| | norcros ADHESIVES | *Manufacturer of tile and stone adhesives, grouts and related products* | £6.3m | 3.5 |
| **UK Revenue Growth** | | *(27 weeks to 6th October 2019)* +5.2% *(+1.3% LfL)* [2] | **£115.6m** | ***63.8%*** |
| SOUTH AFRICA | TILEAFRICA OUR HOME IS YOUR HOME | *Leading chain of retail stores focused on tiles, and associated products, such as sanitary ware, showers and adhesives* | £31.7m | 17.5 |
| | tal | *Leading manufacturer of ceramic and building adhesives* | £12.6m | 6.9 |
| | JOHNSON·TILES | *Leading manufacturer of ceramic and porcelain tiles* | £8.3m | 4.6 |
| | House of Plumbing [1] | *Market leading supplier of specialist plumbing materials focussed on the specification and commercial sectors* | £13.0m | 7.2 |
| **SA Revenue Growth** | | *(constant currency, 27 weeks to 6th October 2019)* +29.4% *(+0.0% LfL)* [2] | **£65.6m** | ***36.2%*** |
| **GROUP REVENUE GROWTH** | | *(constant currency, 27 weeks to 6th October 2019)* +12.8% *(+0.9% LfL)* [2] | **£181.2m** | ***100%*** |

[1] Acquired 1st April 2019

[2] LfL adjusts H1 FY20 revenue for House of Plumbing and from 27 to 26 week period on pro-rated basis

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# UK Operations

**Nick Kelsall, Group Chief Executive**

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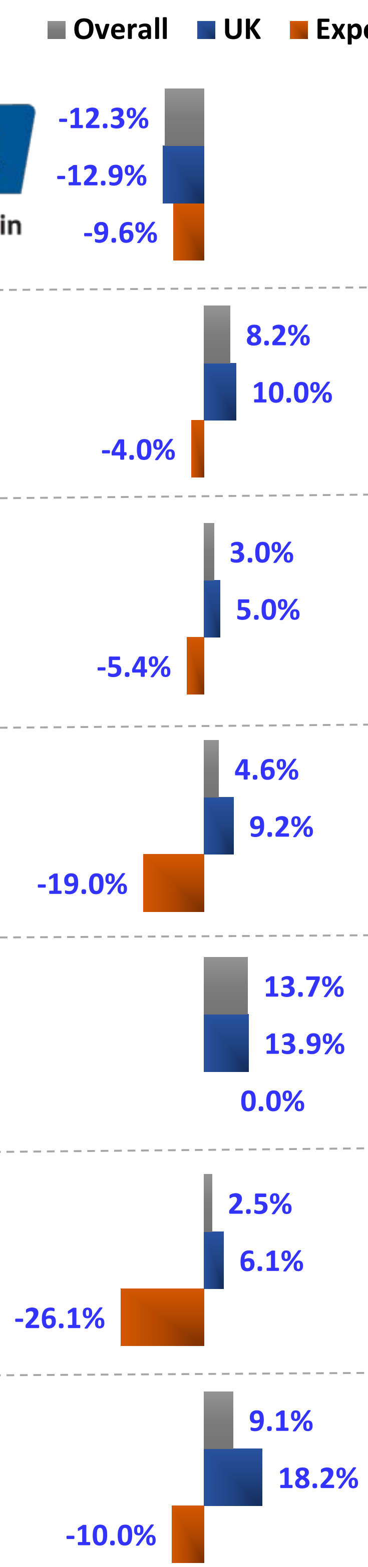
***% Revenue Change*** [1]




| | |
| --- | --- |
| TRITON – The UK's Shower Company – See you first thing Britain | Q1 destocking in both UK and Eire markets – impact stabilised |
| MERLYN | Excellent overall UK performance; French export growth offset by Eire |
| VADO | Strong UK retail and specification growth. Improving export performance |
| Croydex – Think Bathrooms | UK growth in retail and trade; European export growth offset by USA |
| abode | Strong branded and OEM growth driven by share gains and NPD |
| JOHNSON-TILES | UK growth driven by housebuilders & trade supported by LVT success; challenging French and Middle East markets |
| norcros ADHESIVES | Robust growth in UK DIY channel; Middle East project delays |

[1] H1 FY20 versus H1 FY19. H1 FY20 adjusted from 27 to 26 week period on pro-rated basis

## UK Channels – Strong Performance & Share Gains in Trade & Independents

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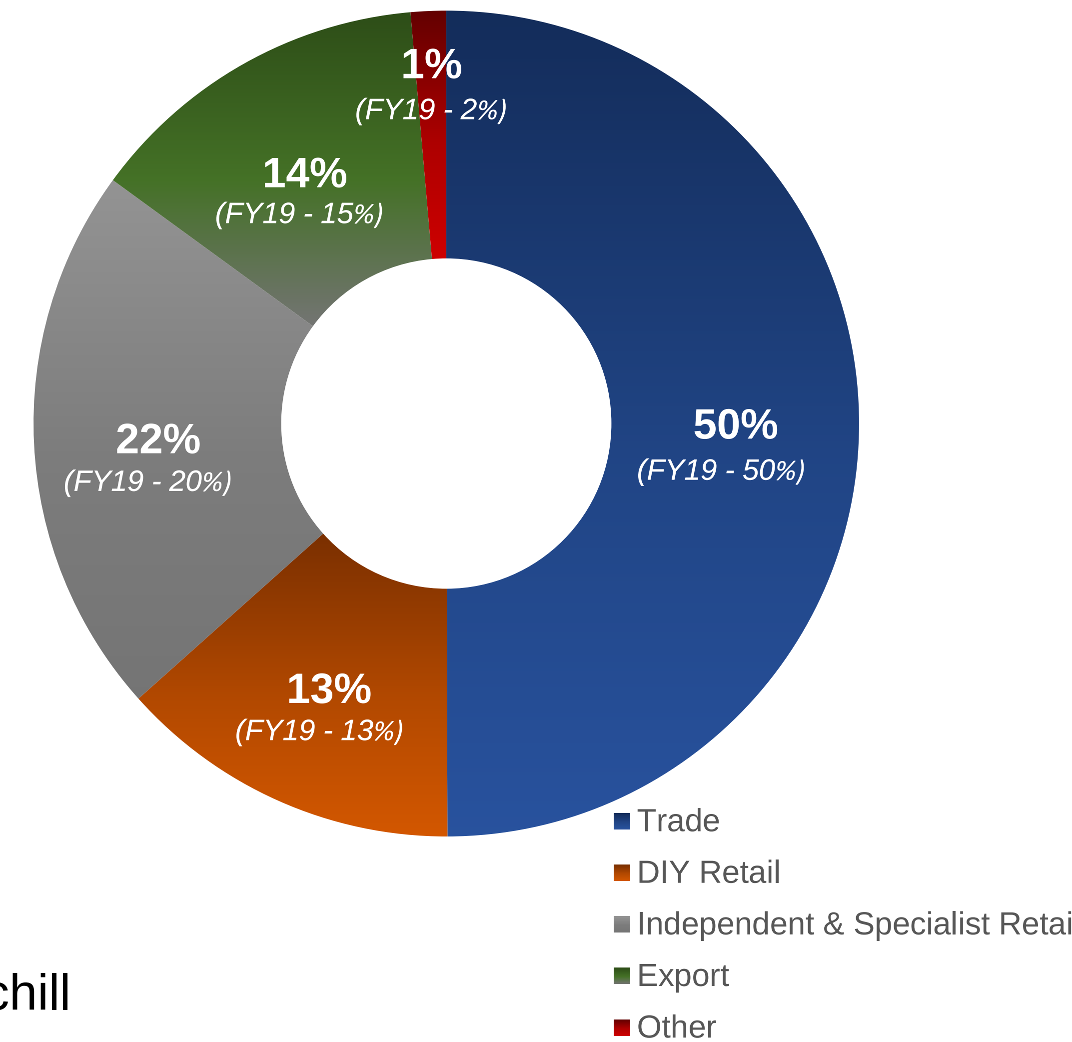
### Trade

- Increasing orientation to trade segment
- Strong Screwfix Q2 growth – Triton, Adhesives and Croydex
- Significant new account wins across the Group:
  - Avant Homes (*Top 20 Housebuilder*) – Abode and Merlyn
  - Robertson Homes (*Scottish Housebuilder of the Year 2019*) – Merlyn
  - Beaulieu Homes and Bloor Homes (*Top20 Housebuilder*) – Vado
  - Sainsbury's portfolio refit (*600 supermarkets & 800 convenience stores*) – Vado
  - London & Quadrant (*UK's No.2 Housing Trust*) – Merlyn, Vado & Johnson Tiles
- Triton – digital shower growth in bathroom pod manufacturers
- Johnson Tiles – LVT successfully launched into Redrow and Persimmon
- Abode – strong growth with Howdens
- Croydex – inclusive/adaptive products into McCarthy & Stone and Churchill

**UK Revenue - H1 FY20[1] (v FY19[2])**




### Independent & Specialist Retail

- Merlyn – increased share of wallet in independents
- Vado – excellent growth driven by sales and marketing initiatives & NPD
- Triton – continued growth in electrical wholesalers
- Croydex – strong online growth; further listings Tesco, John Lewis and The Range to benefit H2

[1] Reported – 27 weeks to 6th October 2019 [2] Reported – 12 months to 31st March 2019

# UK Channels – Robust DIY Performance; Export Mixed

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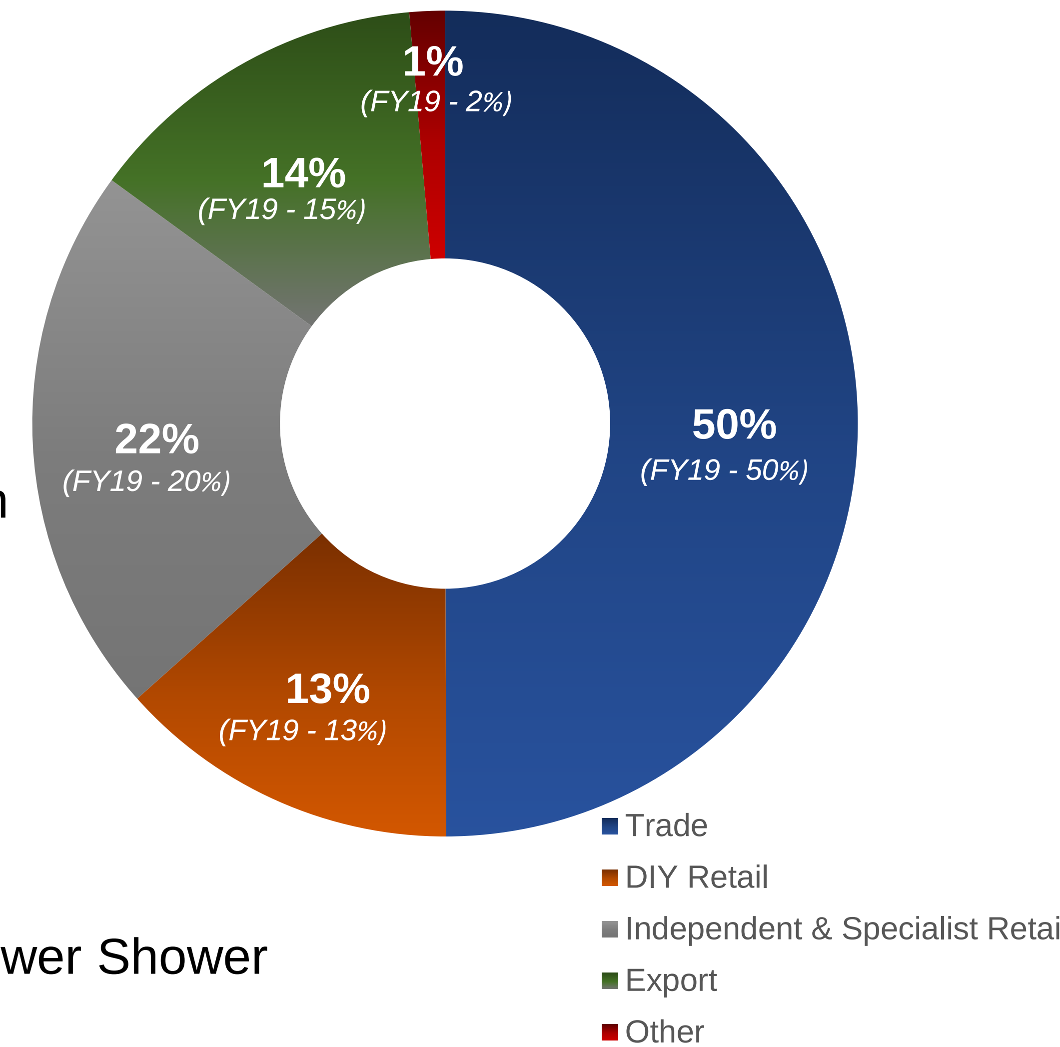
## DIY Retail

- Triton – Q2 recovery following Q1 destocking
- Croydex – Homebase growth despite credit limitations
- Abode – increased Wickes and BMX penetration through sinks and NPD
- Johnson Tiles – strong Wickes performance including LVT range extension
- Adhesives – further gains with Wickes and B&Q

**UK Revenue - H1 FY20[1] (v FY19[2])**




## Export

- Triton – Eire destocking prior to launch of new silent running Integrated Power Shower
- Merlyn – French growth offset by subdued performance in Eire
- Johnson Tiles – challenging French DIY and Middle East markets
- Vado – export stabilised in Q2; Africa strong; Europe and Middle East muted
- Adhesives – healthy Middle East project pipeline impacted by delays
- Croydex – European momentum offset by US destocking & increased tariffs

[1] Reported – 27 weeks to 6th October 2019 [2] Reported – 12 months to 31st March 2019

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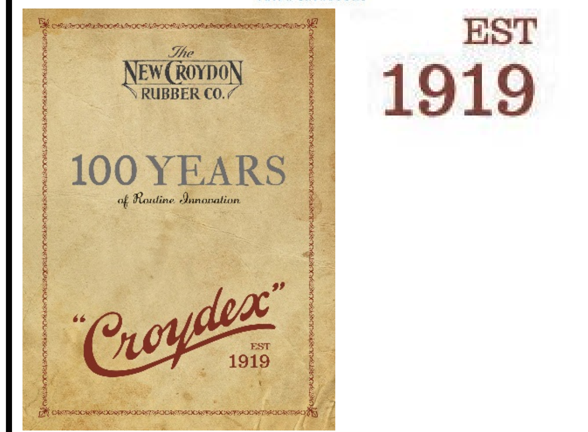
BOOTH & Co.
ENGLAND

**Launch of classic traditional style by Vado**

TRITON THE UK'S SHOWER COMPANY

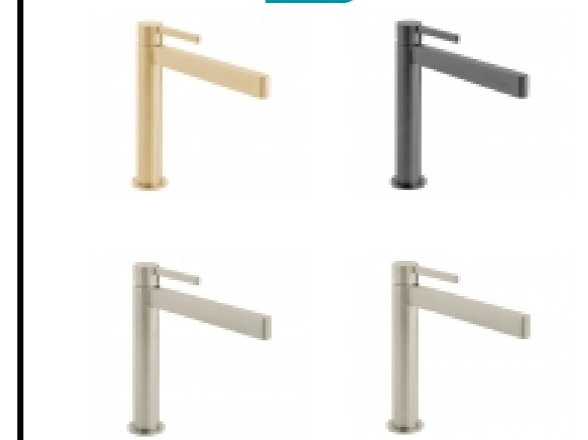
**Launch of instantaneous water heaters**

Croydex




**100th Anniversary Success through innovation & NPD**

VADO



**"Individual" range of special finishes**

MERLYN


**IQ range - '*Easiest door you will ever fit*'**

VADO


**Best Bathroom Tap Brand, 2018 BKU Awards**

**Third time in 4 Years**

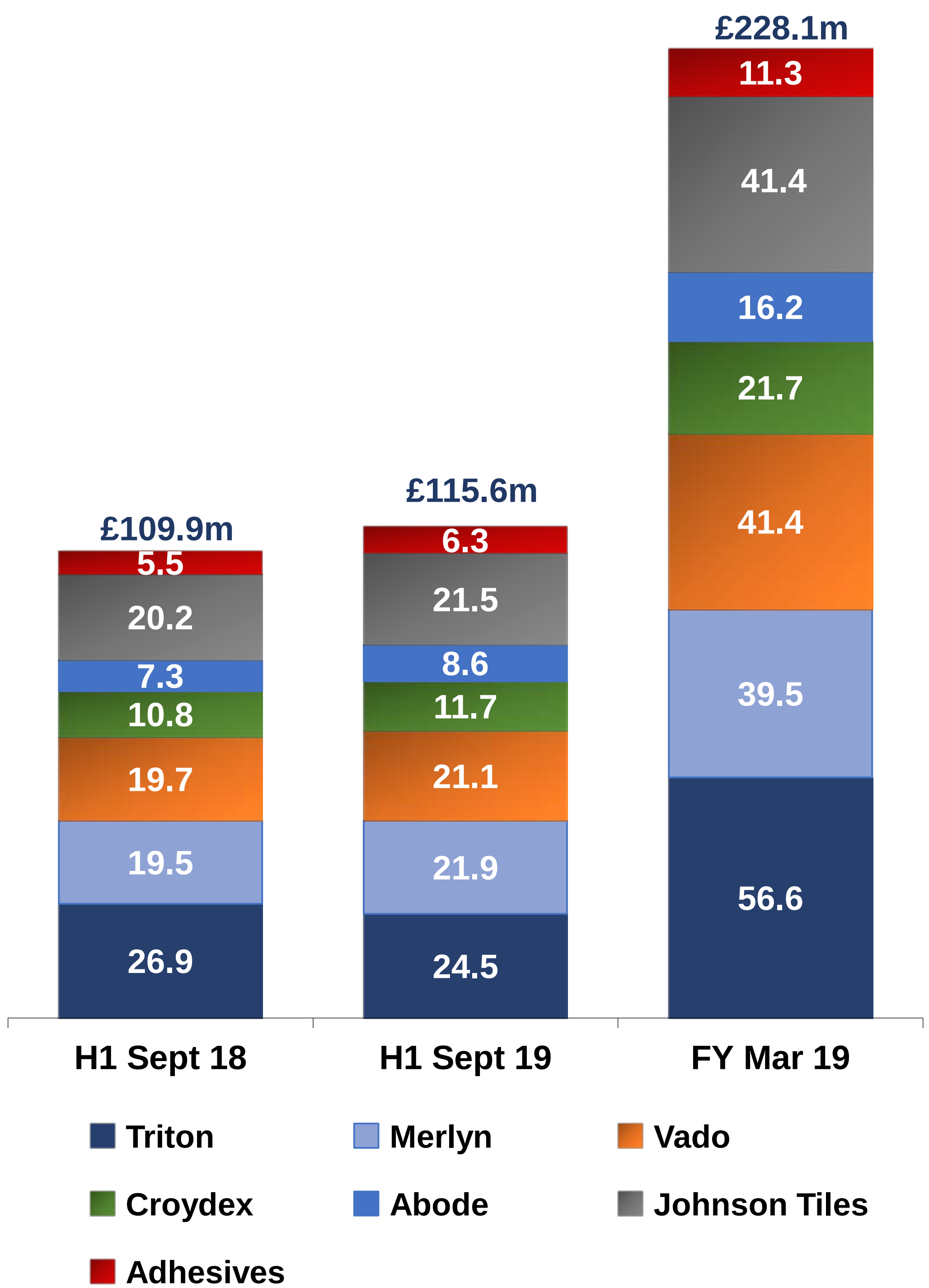
abode


**Launch of Hex professional**

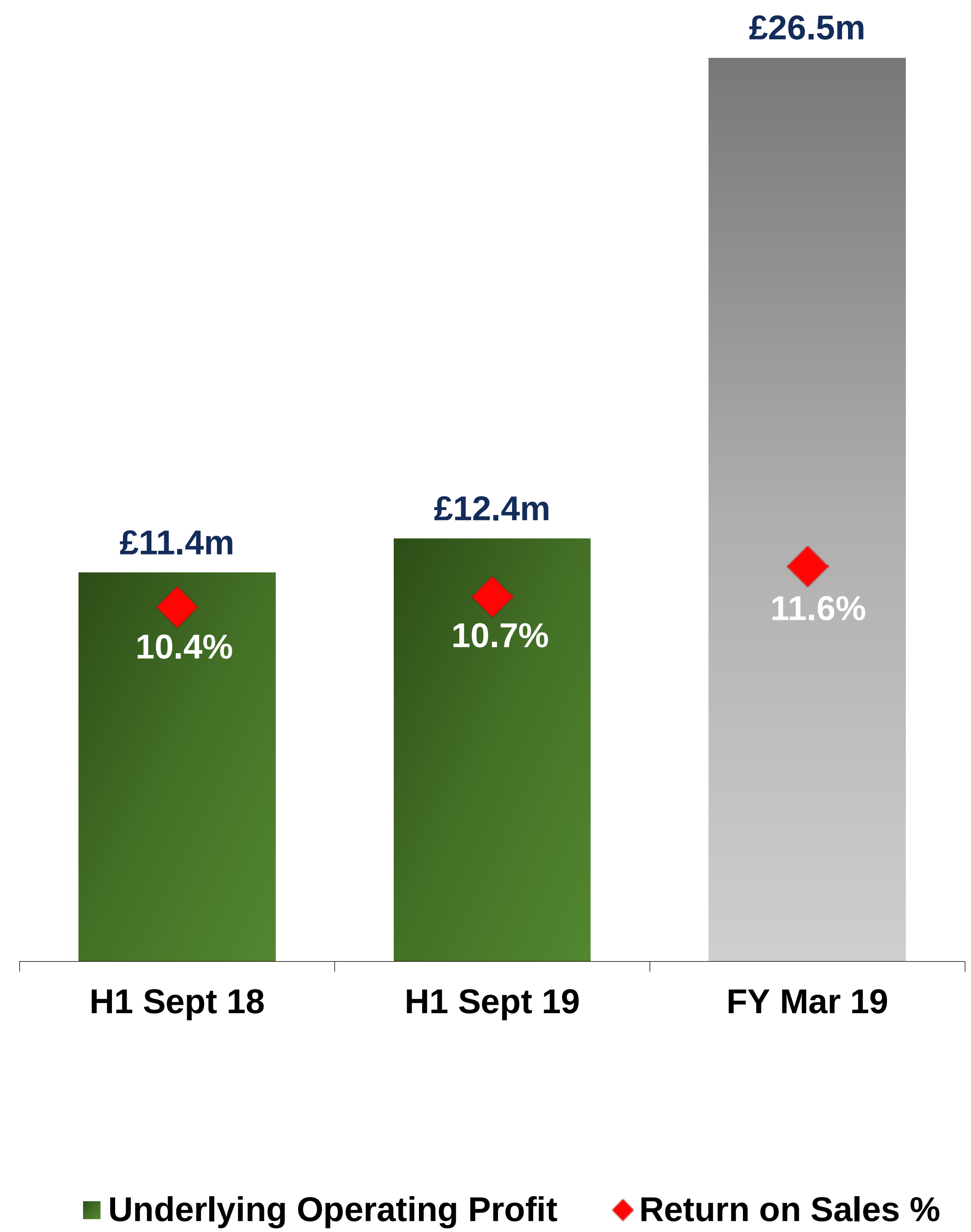
JOHNSON·TILES

**Further success with specification wins**

## Revenue




## Underlying Operating Profit



# South Africa

**Nick Kelsall, Group Chief Executive**

# South Africa Revenue – Sustained Performance in Challenging Markets

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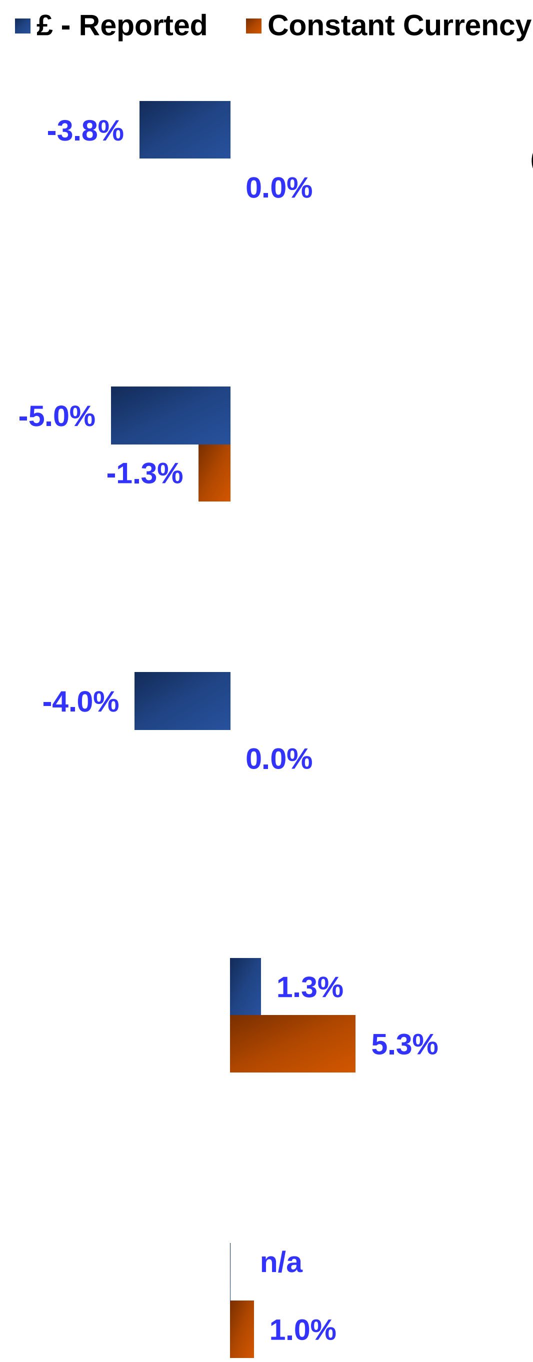
*% Revenue Change*[3]




norcros[2] SA (PTY) LTD — Continued resilient performance in a tough market

TILE AFRICA (OUR HOME IS YOUR HOME) — Share gains despite challenging macro environment

tal (THE PROFESSIONAL CHOICE) — Growth in core South Africa market held back by ongoing restrictions in Zimbabwe

JOHNSON·TILES — Strong revenue growth driven by NPD and additional plant capacity

House of Plumbing[1] — Customer service driven business model driving specification share gain

[1] Acquired 1st April 2019, % growth on prior year on constant currency basis when not under Norcros ownership

[2] Norcros South Africa revenue change % excludes House of Plumbing

[3] H1 FY20 versus H1 FY19. H1 FY20 adjusted from 27 to 26 week period on pro-rated basis

**Construction**

tal THE PROFESSIONAL CHOICE

**"Behind-the-Wall"**

House of Plumbing

**"On-the-Wall"**

House of Plumbing

JOHNSON TILES

TILE AFRICA OUR HOME IS YOUR HOME

tal THE PROFESSIONAL CHOICE

## Retail

**Families, interior Designers & Small Private Builder**

- **TAF**
  - Driving growth through improved retail operational execution
  - Trialling flooring "store-within-a-store" concept – positive feedback
- **TAL**
  - Massmart and smaller independent retail accounts driving retail growth
- **JTSA**
  - Further NPD & investment in online and social media marketing driving demand

## Specification

**Commercial Specifications and Supply & Fit**

- Increasing focus on trade and specification segment post HoP acquisition
- Progress in a challenging market; blue-chip prestigious project wins
  - TAF – increasing share of specification spend through LVT product extension
  - TAL – Leonardo Towers (*tallest building in Africa*)
  - JTSA – commercial housing momentum - Ballito Hills, 1,320 unit housing estate
- HoP – successfully integrated
  - Opportunity to develop national footprint - initial locations identified
  - Continued large project wins e.g. Stern City (largest parkland residence)

## Export

- Zimbabwe – difficult political and economic conditions continue
- TAF and TAL growing share of Massmart's sub-Saharan business

# South Africa – NPD and Operational Highlights

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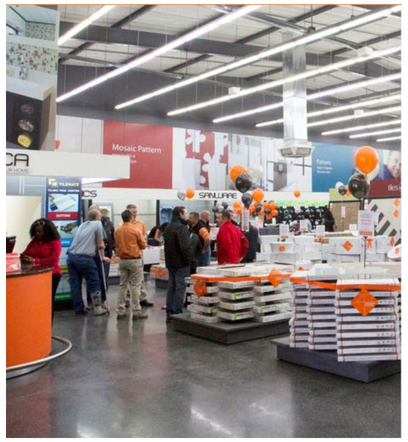
TILEAFRICA
OUR HOME IS YOUR HOME



**Investment in VFM store format**

tal
THE PROFESSIONAL CHOICE

**Cape Town plant upgrade increased capacity +25%**

JOHNSON·TILES®

**71 new SKUs launched in H1**

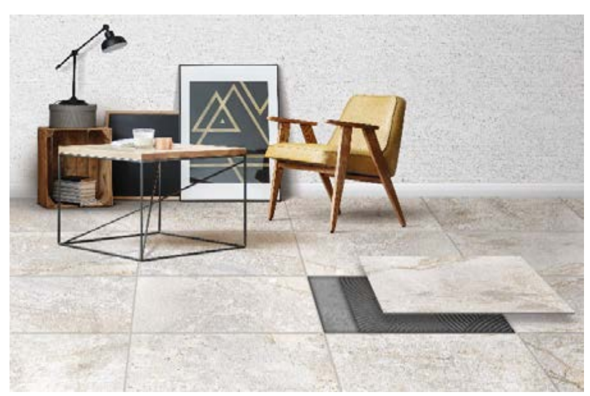
House of Plumbing

**Seamlessly integrated & performing in line with expectations**

TILEAFRICA
OUR HOME IS YOUR HOME


**Flooring "*store-within-a-store*" concept**

tal
THE PROFESSIONAL CHOICE

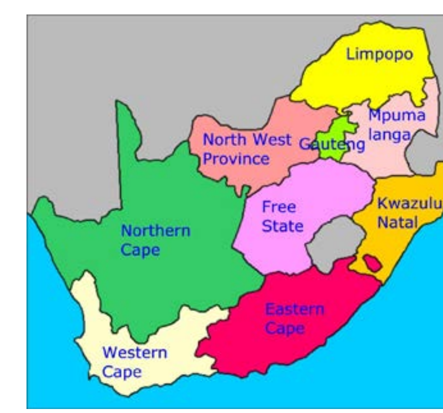


**Ongoing development "*flooring system*" products**

JOHNSON·TILES®

**Jo'burg plant upgrade increased capacity +10%**

House of Plumbing




**National rollout – store locations identified**

## South Africa – Revenue and Profit Growth Enhanced by HoP Acquisition

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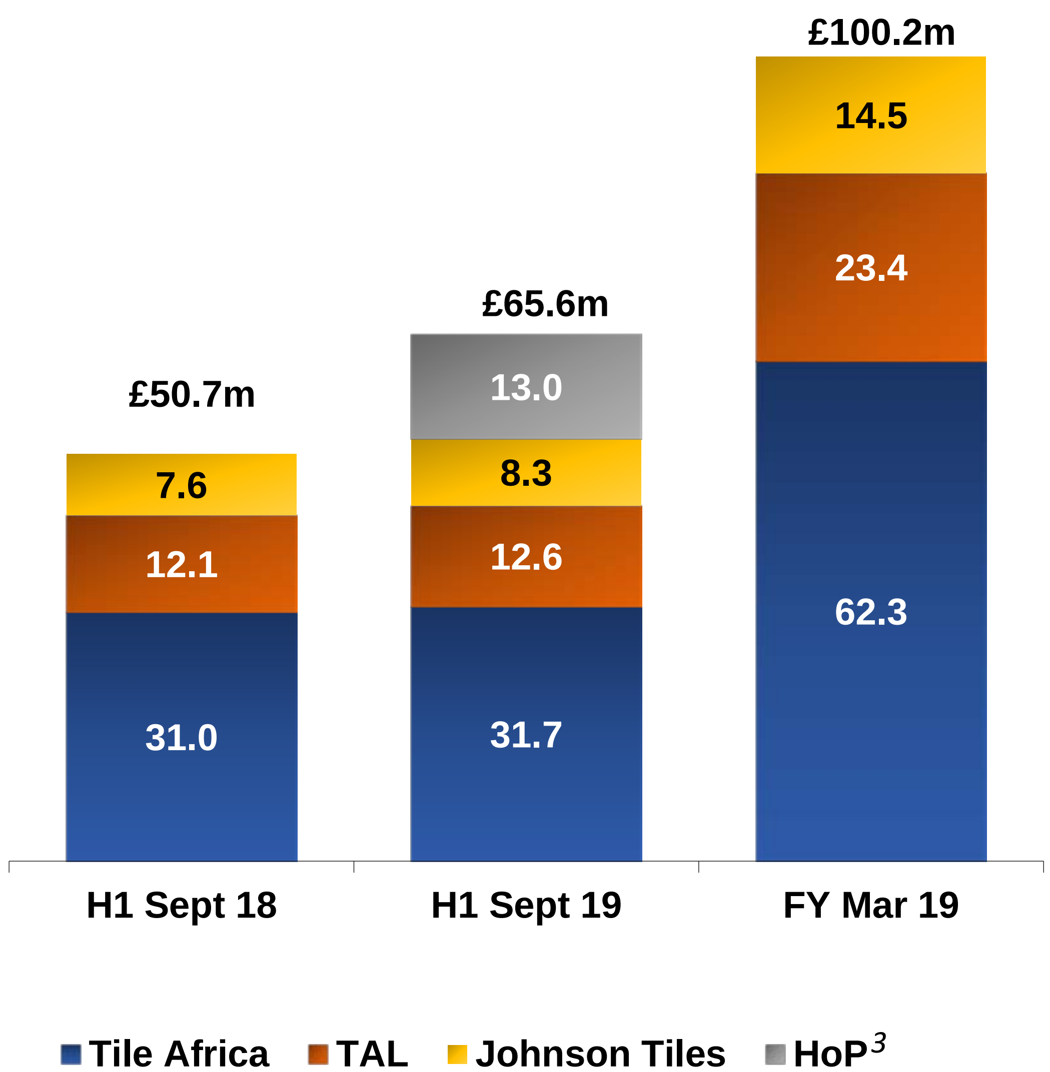
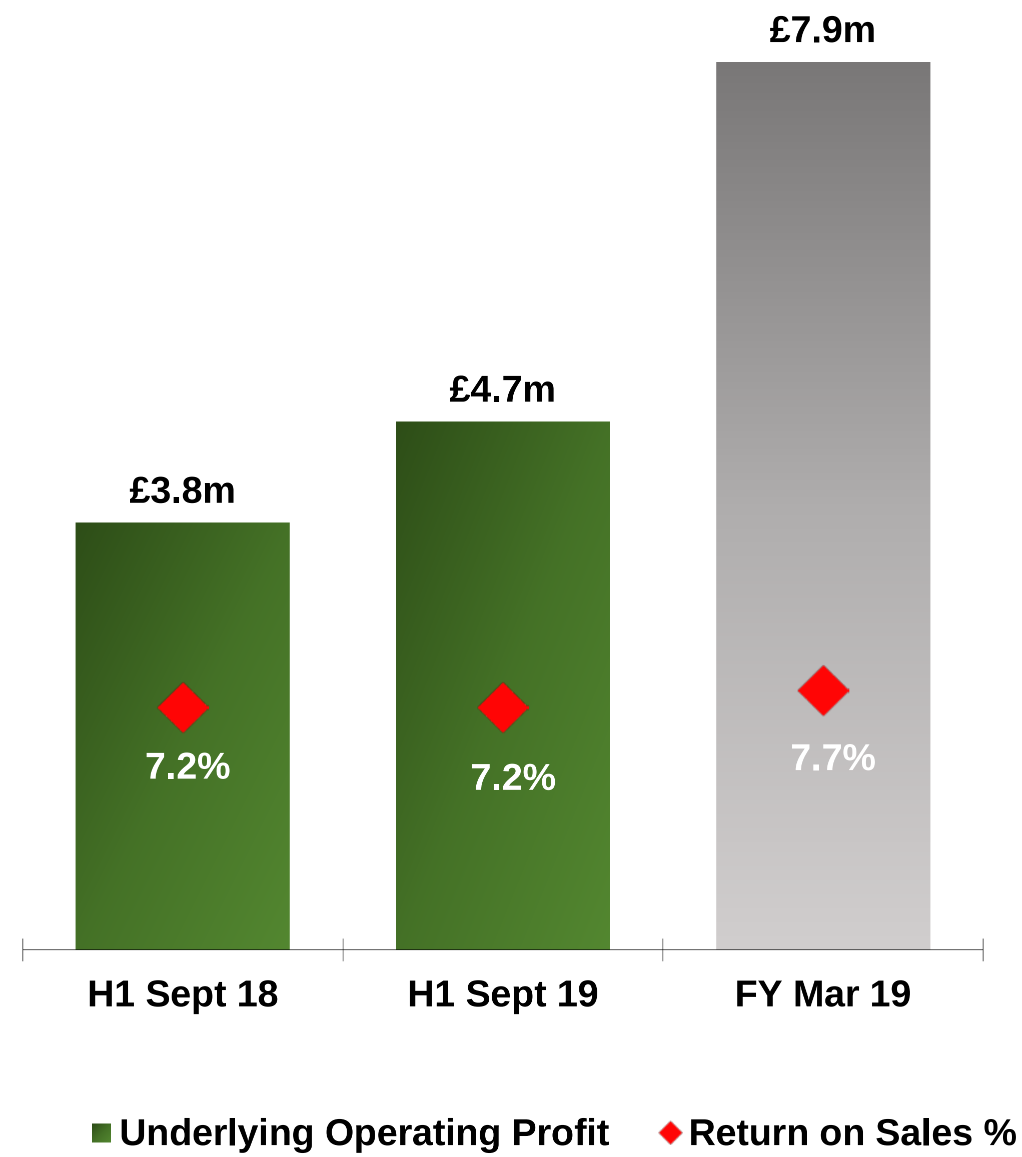
### Revenue [1]




### Underlying Operating Profit [2]




[1] On a constant currency basis [2] On a reported basis [3] House of Plumbing acquired 1st April 2019

# South Africa - Sizeable Market and Medium Term Opportunity

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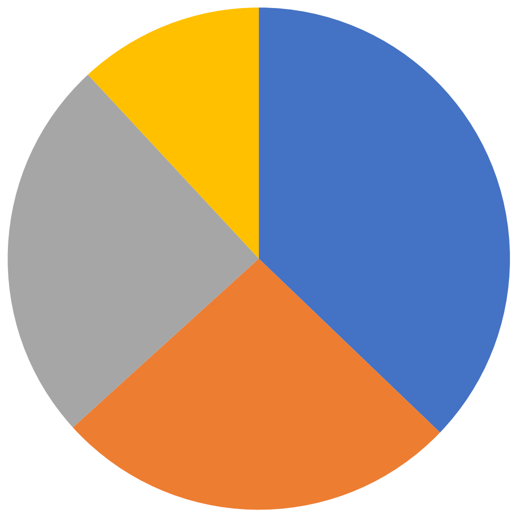
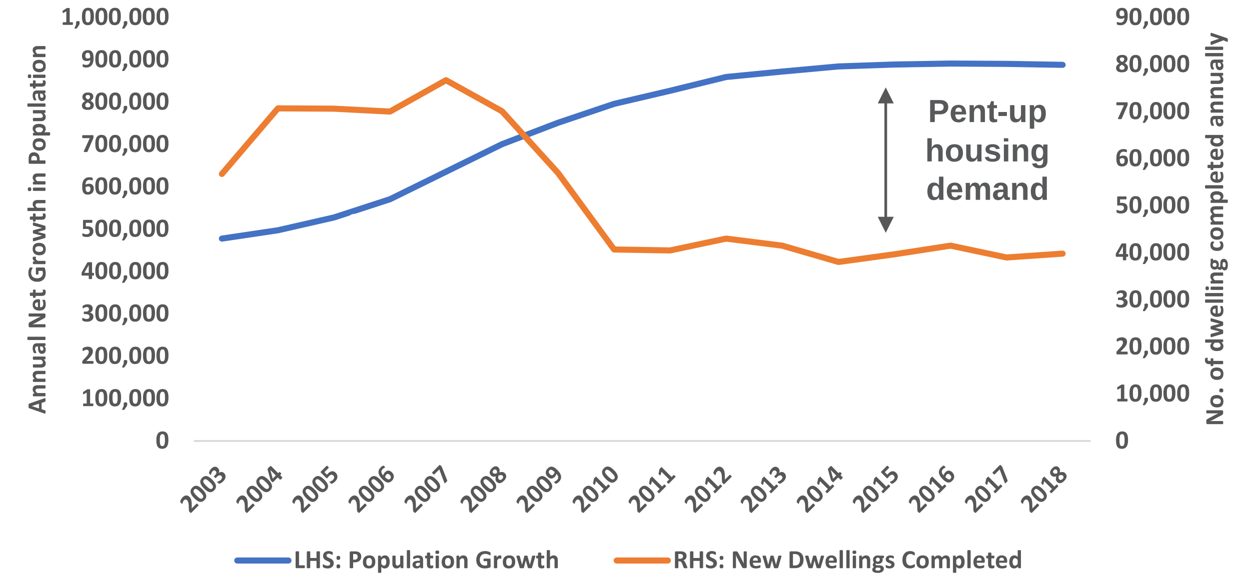
South Africa total market size ~ £1.3bn (MSP)



- **Floor Tiles & LVT**
  *- JTSA No. 2*
- **Bathroom - Sanware, taps & mixers**
  *- TAF No. 2*
- **Plumbing - pipes, fittings, valves & geysers**
  *- HoP No. 2*
- **Fixing - Adhesives & Construction Chemicals**
  *- TAL No. 1*

Annual Population Growth v Dwellings Completed




**NXSA market leading positions in a large market**

**Significant opportunity – Pent-up housing demand**

## Short Term Macroeconomic Outlook

- Ramaphosa re-election provides a mandate for reform:
  - "*We must not have an economy that discourages and chases away investors from investing in South Africa*"
- Economic reformers appointed to key cabinet posts
- Tough immediate economic outlook:
  - 2019 Q1 – weaker-than-expected GDP figures
  - Most severe quarterly slump in a decade
  - Recovery in Q2

**Continued robust NXSA performance in current challenging conditions**

## Attractive Medium Term Market Opportunity

- Sizeable market segments
- Construction levels remain half of 2007 peak
- Shortage of housing & infrastructure – significant opportunity
- Young and growing population driving household formation
  - Median age 27.1
  - Median age of marriage Male 36, Female 32
  - 66% under the age of 35
- Supportive long-term socio-economic demographics favour our markets
- NXSA well positioned to take advantage of market opportunity

**Household formation driving our core markets**

# Group Outlook & Strategy

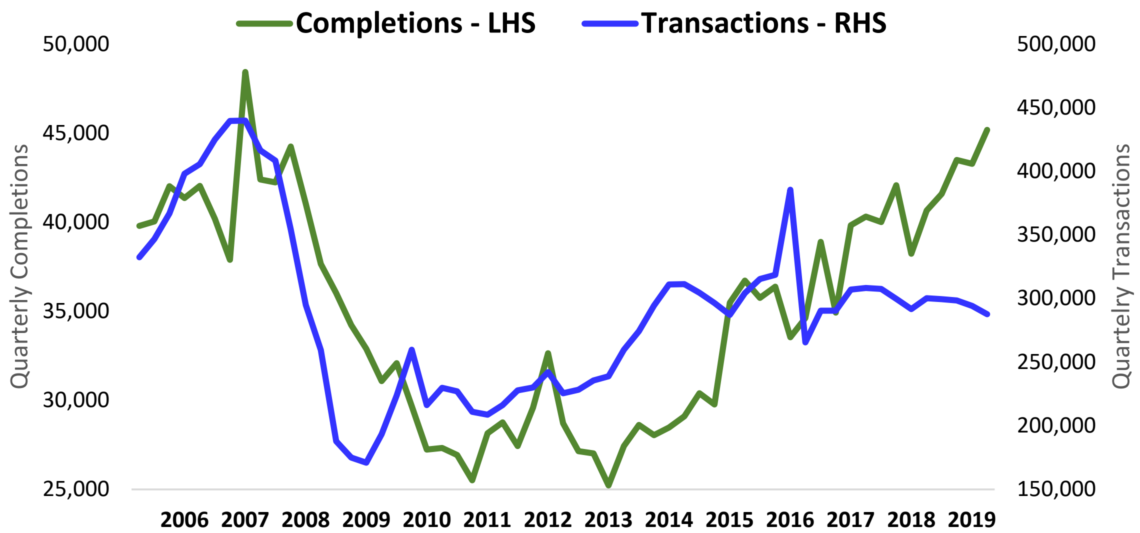
**Nick Kelsall, Group Chief Executive**

norcros

# UK
## House Building Growth; Fragile Consumer

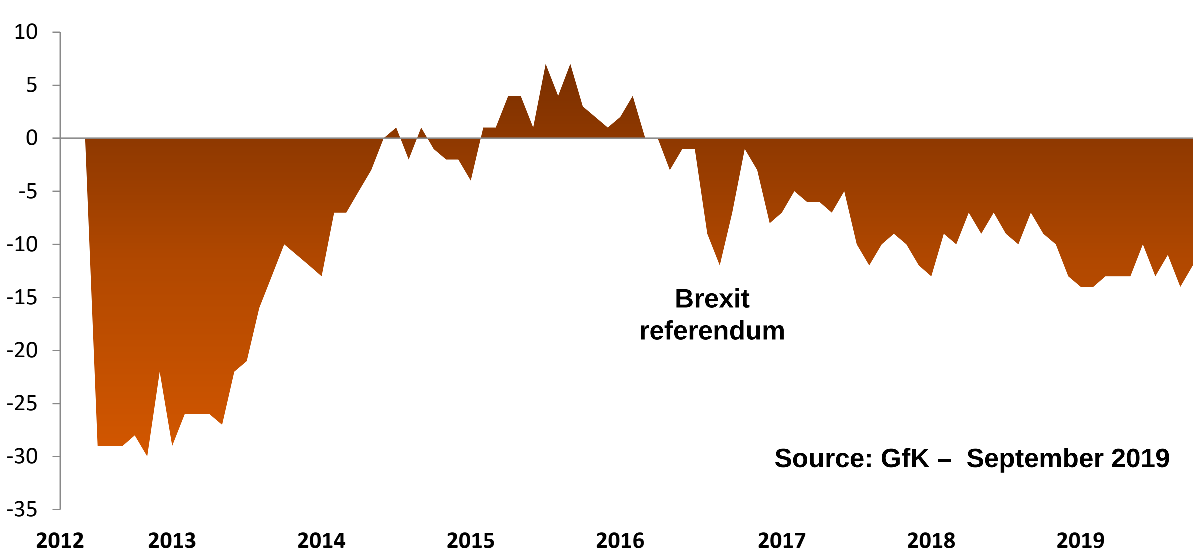
### Key Housing Stats

Sources: GOV.UK & HMRC Q3, Sept 2019




**Ongoing growth in completions; transactions stable**

### GfK Consumer Confidence

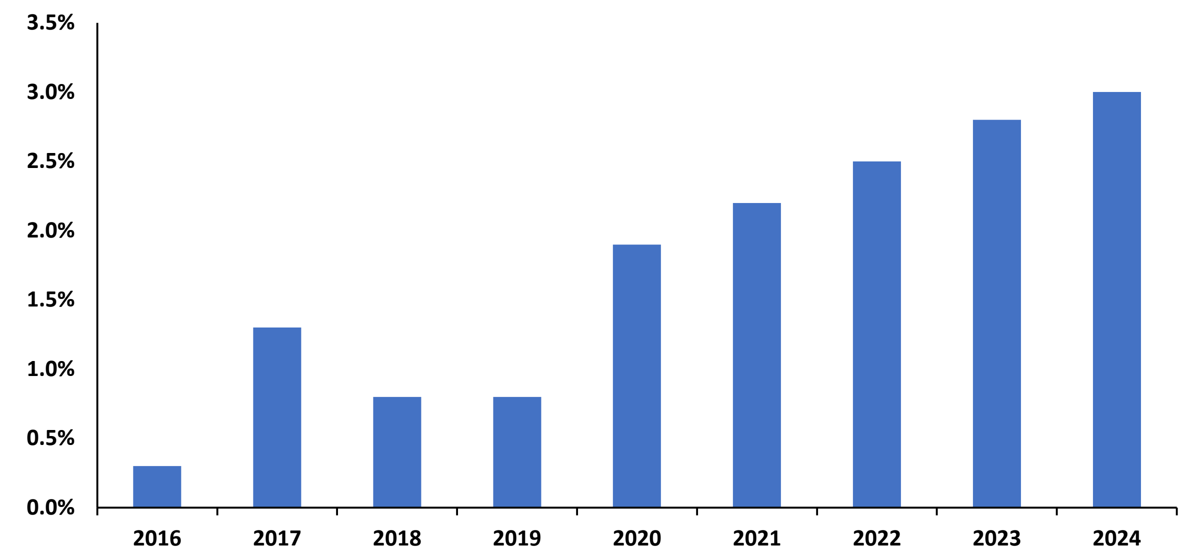



**Consumer confidence remains weak**

# South Africa
## Improving Outlook

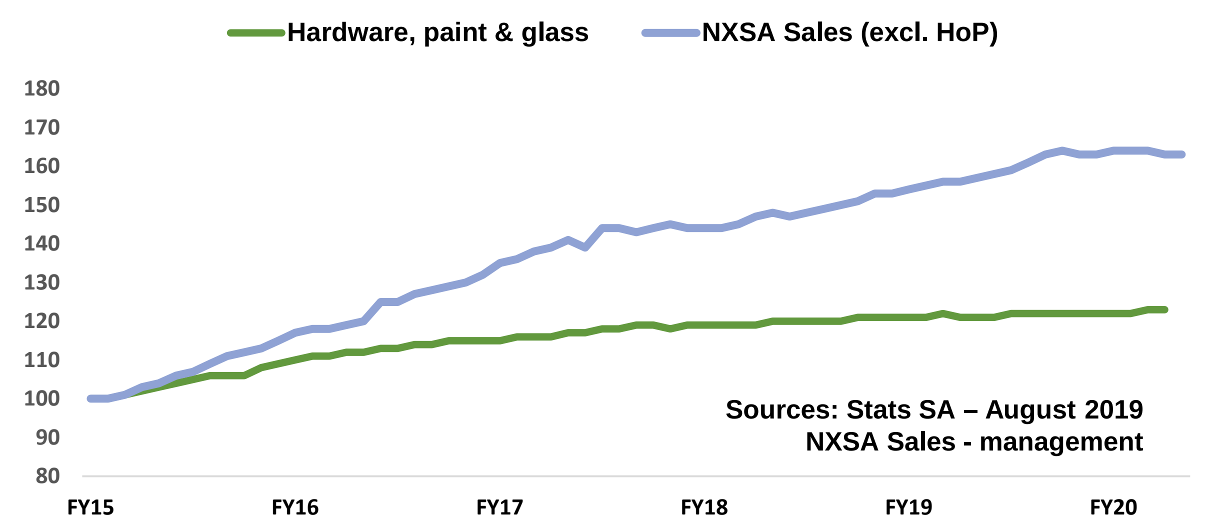
### % GDP growth

Source: Investec Q3 2019




**Forecast recovery from recent sluggish growth**

### NXSA Sales (Rand) v RMI Indicator *(Index March 2015=100)*




**NXSA continues to outperform the market**

## 2023 VISION

**“A leading supplier of bathroom and kitchen products in selected geographies, offering strong brands, contemporary designs, trusted quality, outstanding service, innovation and a wide product range.”**

## STRATEGIC TARGETS

**£600m revenue by 2023**

***Organic & Acquisitions***

**50% revenues derived from overseas**

**Sustainable ROCE of >15%**

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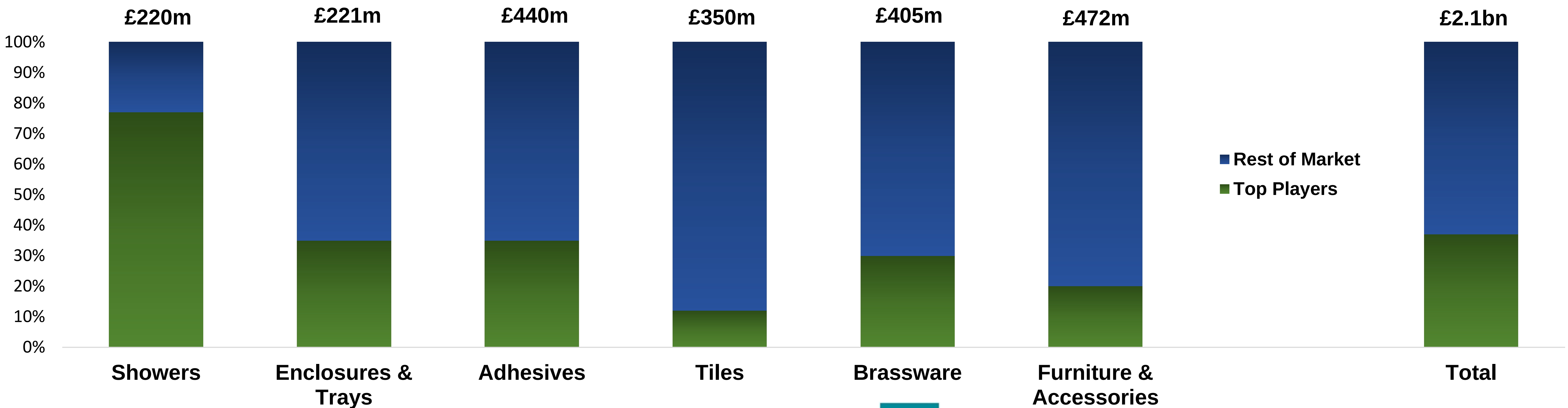
## UK Bathroom – Selective Markets @ MSP




TRITON See you first thing Britain — ***Market leader***

MERLYN — ***Market leader***

norcros ADHESIVES — ***Market leader fixers & online***

JOHNSON·TILES — ***Market leader UK manufacturer***

VADO, abode — ***High-end niche brands***

Croydex — ***Market leading in accessories***

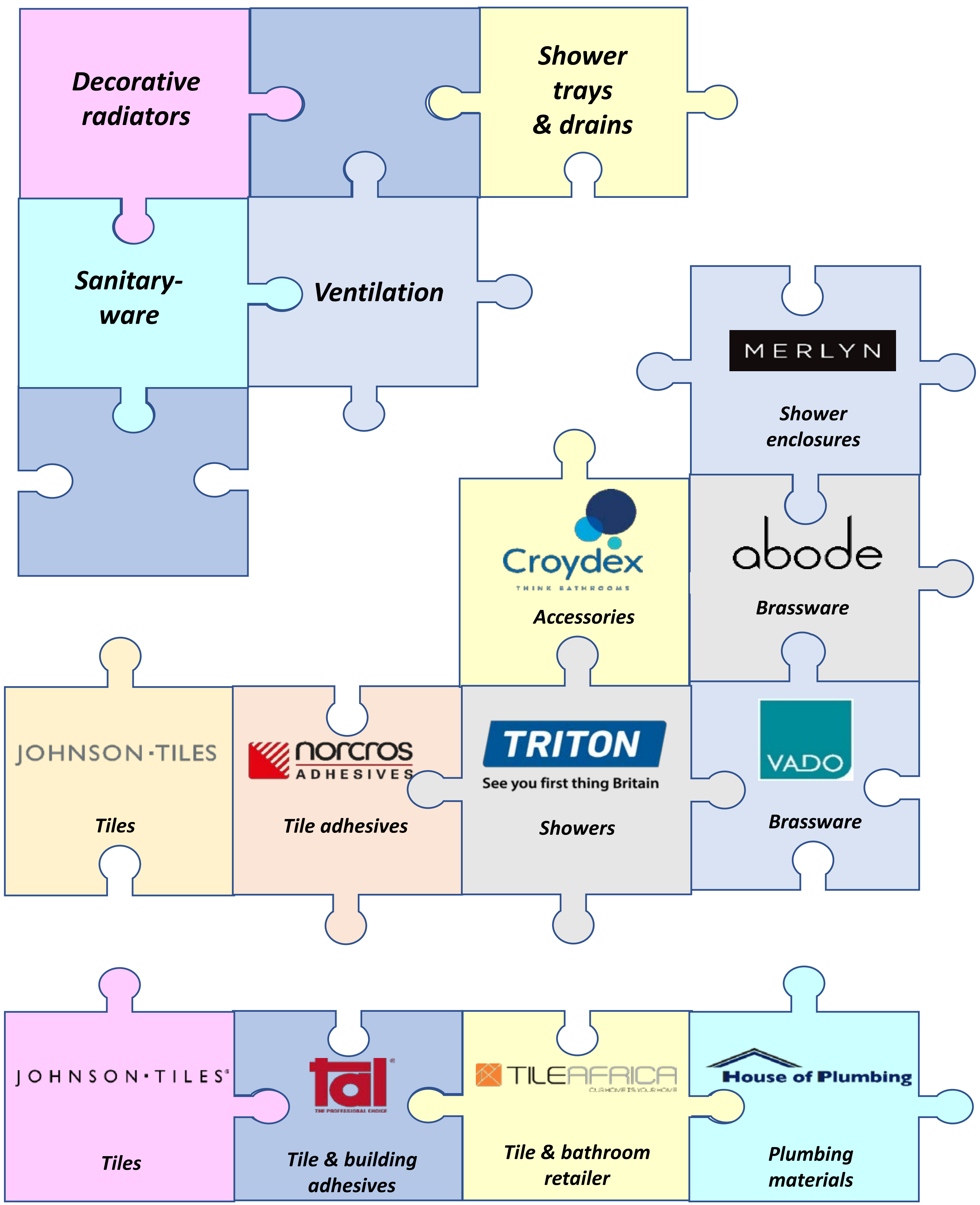
*Sources: AMA, BSRIA and management estimates*

**Significant potential to broaden product portfolio & consolidate fragmented markets – organic & acquisition opportunities**

**Focus on attractive sub-market segments and channels – excellent platform to implement consolidation strategy**

# Group Strategy – Complementary Businesses Creating Value

ONE STOP SHOP FOR BATHROOMS




## Consolidator in Large and Fragmented Markets

- Many opportunities across product sub sectors and channels
- Significant organic and acquisition growth potential

## Acquisition Criteria

- Complementary to Norcros DNA
- Market leading positions and strong brands
- Strong organic sales growth and potential to drive synergies
- Preferred channels and operating in selective geographies

## Synergies

- Collaborative approach across all channels e.g. specification
- Export market potential
- Utilising Group infrastructure & best practice

## Strong Track Record

- Vado – strong market share gains
- Croydex – growth across all channels (*excl. Homebase*)
- Abode – significant momentum; blue-chip account wins
- Merlyn – accelerating growth; specification & independents
- House of Plumbing – national rollout opportunity

# Key Messages

- **Resilient Results in Challenging Markets**
  - Proven business model delivering market outperformance
  - Clear, focused and winning strategy
    - **UK**
      - Continued share gains in trade & independents
      - Q1 destocking now stabilised
      - Growth in retail despite challenging environment
    - **South Africa**
      - Continued outperformance in tough market
      - Medium term dynamics supportive
      - House of Plumbing – good strategic fit and significant rollout opportunity
- **Acquisition Pipeline**
  - Well developed opportunities with organic growth and synergy potential
  - First class track record
- **2023 Strategic Vision**
  - Opportunity to consolidate & grow complementary businesses
  - £600m revenue target by 2023
  - 50% revenues derived from overseas
  - Sustainable ROCE of >15%

# Appendix

**Exceptional items**

| | H1 Sept 2019 £m | H1 Sept 2018 £m | FY Mar 2019 £m |
|---|---|---|---|
| Onerous lease | - | - | **(3.0)** |
| GMP Equalisation | - | - | **(1.0)** |
| | **-** | **-** | **(4.0)** |

**Acquisition related costs**

| | H1 Sept 2019 £m | H1 Sept 2018 £m | FY Mar 2019 £m |
|---|---|---|---|
| Acquisition related deferred remuneration (earn out) | (0.3) | - | **(0.2)** |
| Intangible asset amortisation | (1.9) | (1.8) | **(3.5)** |
| Advisory fees | - | (0.1) | **(0.1)** |
| | **(2.2)** | **(1.9)** | **(3.8)** |

# Net Debt Reconciliation

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| | H1 Sept 2019 £m | H1 Sept 2018 £m | FY Mar 2019 £m |
|---|---|---|---|
| Net debt – opening | (35.0) | (47.1) | **(47.1)** |
| Net cash flow | (6.6) | (5.0) | **14.0** |
| Other non-cash movements | - | (0.1) | **(0.2)** |
| Foreign exchange | 0.5 | (1.3) | **(1.7)** |
| Net debt – closing | **(41.1)** | **(53.5)** | **(35.0)** |

# Impact of applying IFRS16 on key financial metrics

| £m | H1 Sept 19 pre IFRS16 | IFRS16 Adjustment | H1 Sept 19 | Explanation |
|---|---|---|---|---|
| **Income Statement** | | | | |
| Underlying operating profit | 17.1 | 0.3 | 17.4 | Lease costs (+£2.5m) replaced with IFRS16 lease depreciation (-£2.2m) |
| Finance charges | (0.9) | (0.9) | (1.8) | Interest expense on IFRS16 lease liabilities |
| Underlying profit before tax | 16.2 | (0.6) | 15.6 | |
| Underlying tax | (3.4) | 0.1 | (3.3) | Tax impact on IFRS16 adjustments |
| **Earnings** | | | | |
| Underlying earnings | 12.8 | (0.5) | 12.3 | |
| Diluted underlying EPS (pence) | 15.7p | (0.6p) | 15.1p | |
| **Cash flow** | | | | |
| Underlying operating cash flow | 17.5 | 2.5 | 20.0 | Lease costs (+£2.5m) reclassified from operating cash flow to interest payment and principal lease payment (financing cash flow) |
| Net cash flow | (6.6) | - | (6.6) | No overall cash impact |
| **Balance Sheet** | | | | |
| Right of use asset | - | 26.5 | 26.5 | Discounted lease cash flows on transition / acquisition depreciated over life of the asset |
| Financial lease liability | - | 29.7 | 29.7 | Discounted finance lease cash flows |

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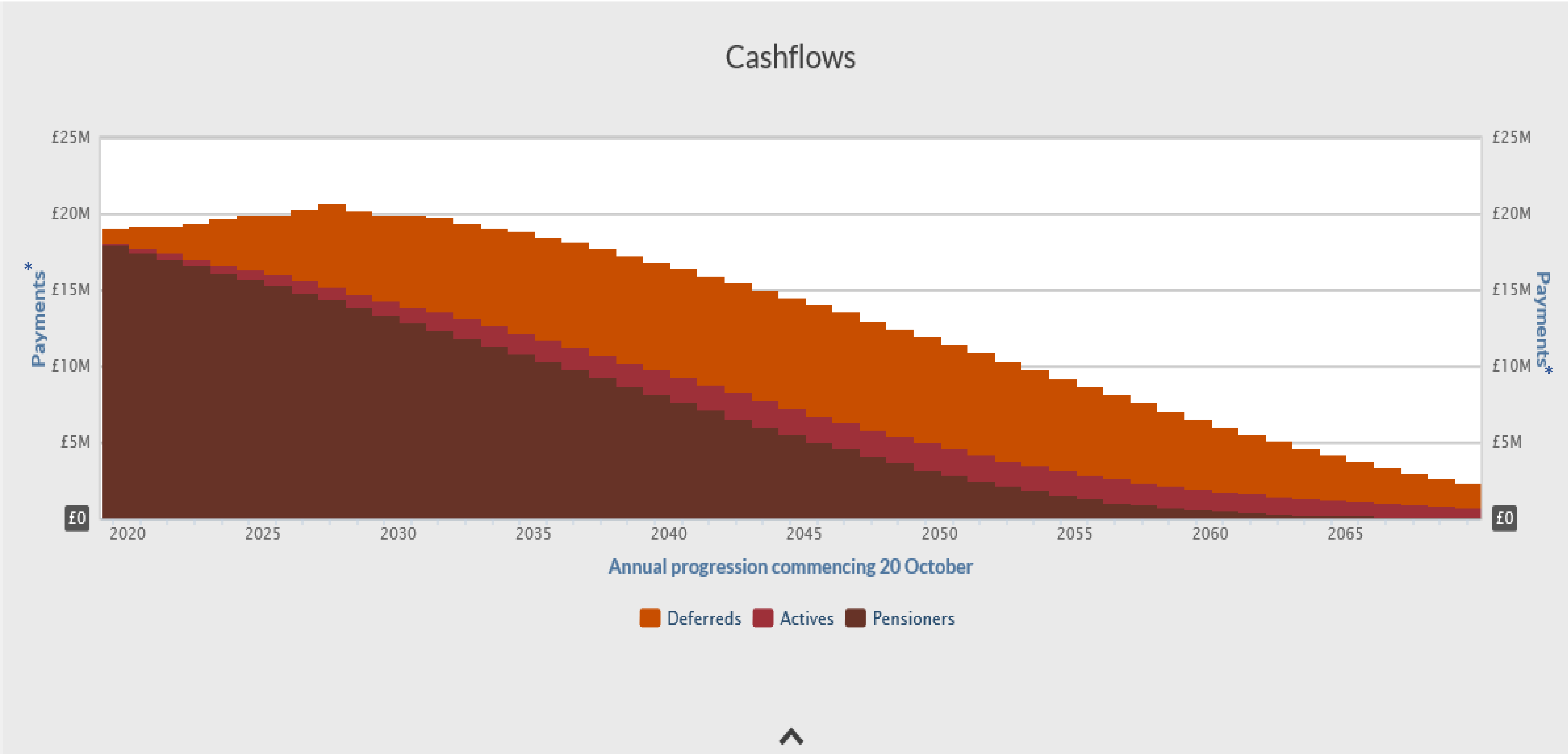
Cash outflow close to peak




* Annual pensioner payroll, excludes non-predicted costs such as transfer out and early retirement payments

# Investment Case - Decade of Sustained Growth

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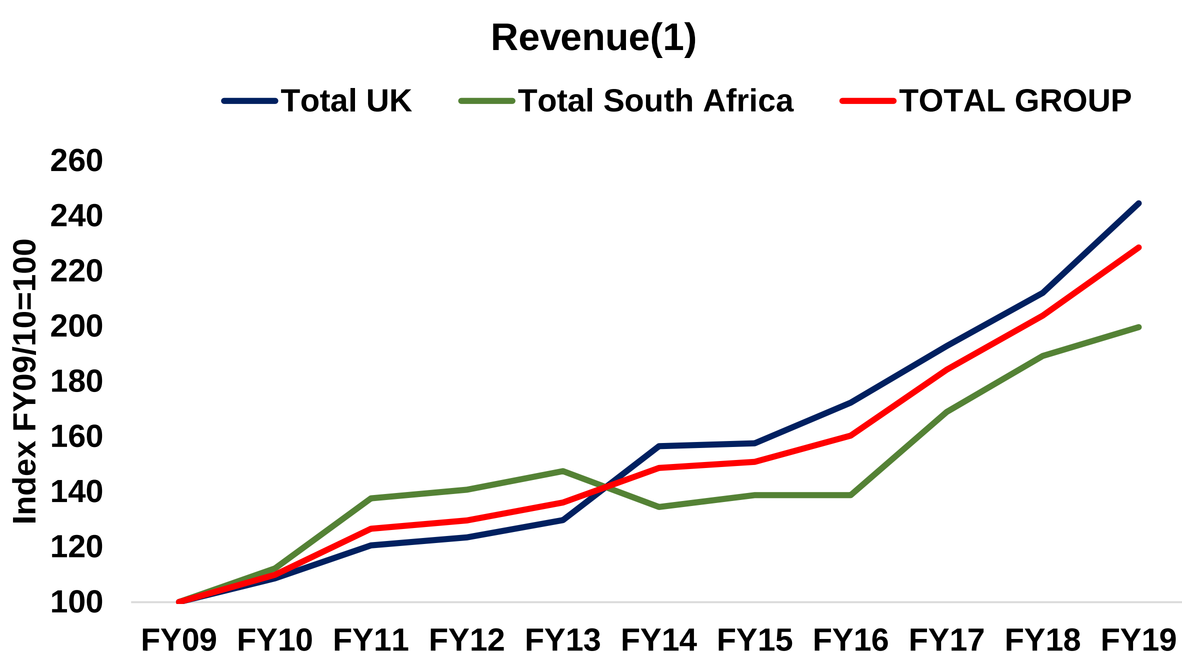
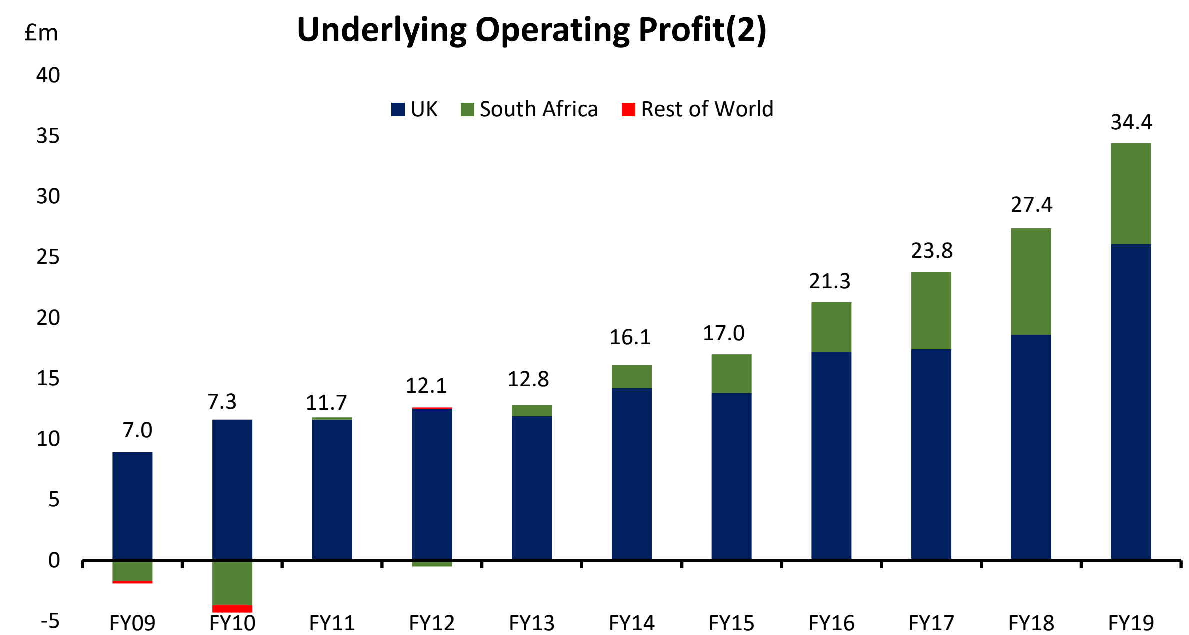
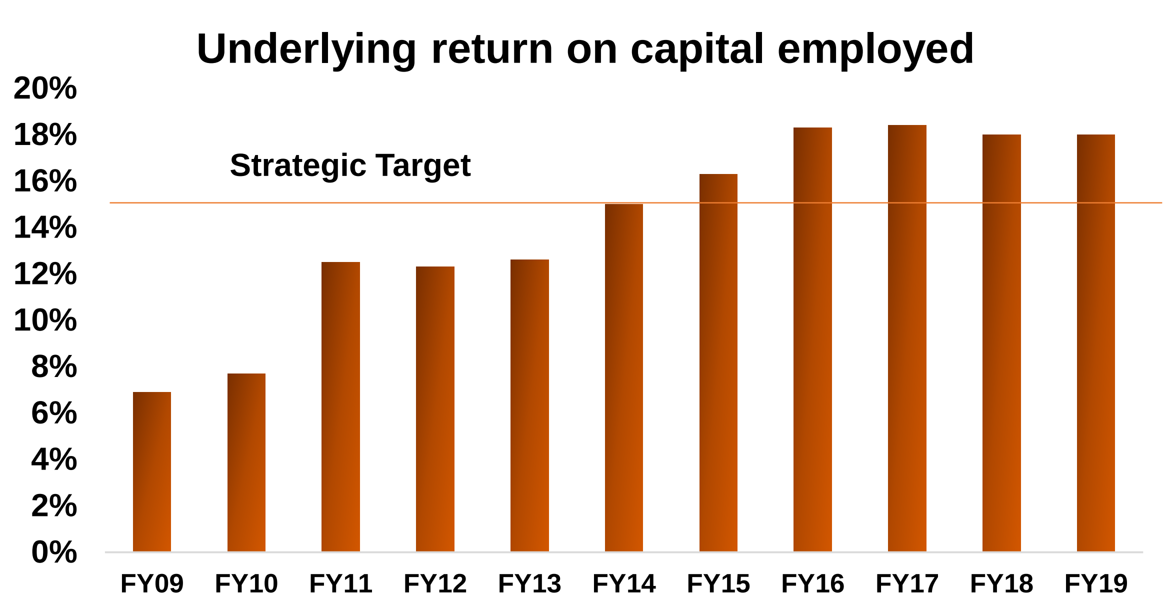
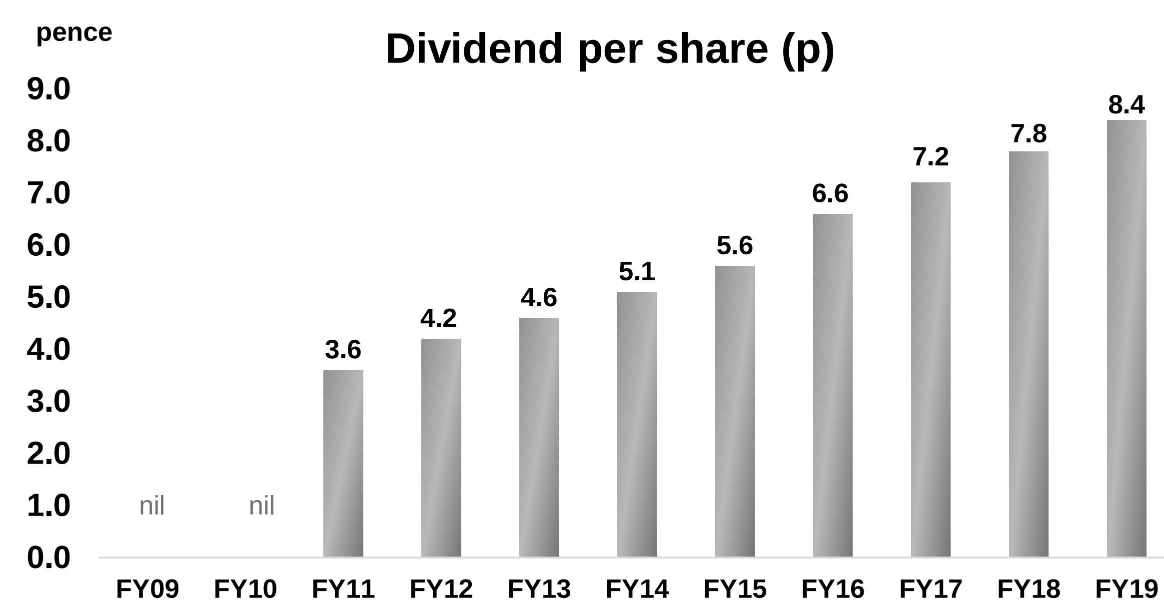



**Organic growth enhanced by acquisitions**

**UK profit growth, SA turnaround & exit RoW**



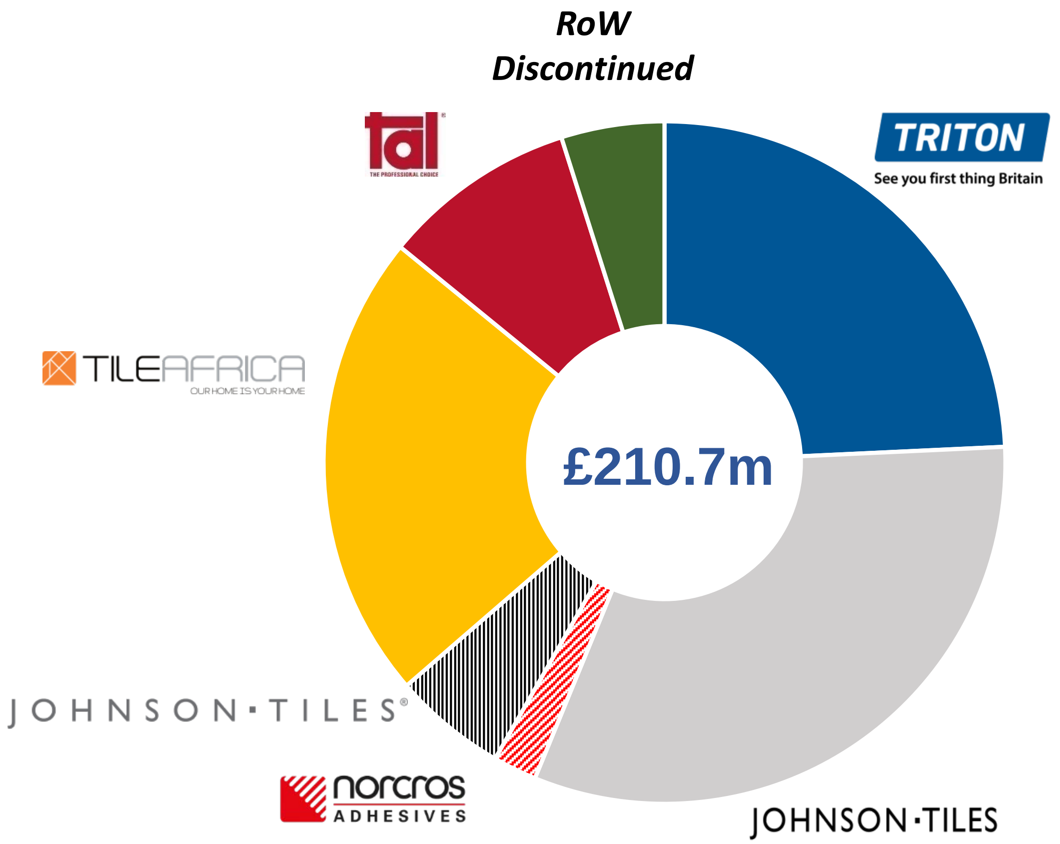




**Strong Return on Capital ~ increasing ROCE %**

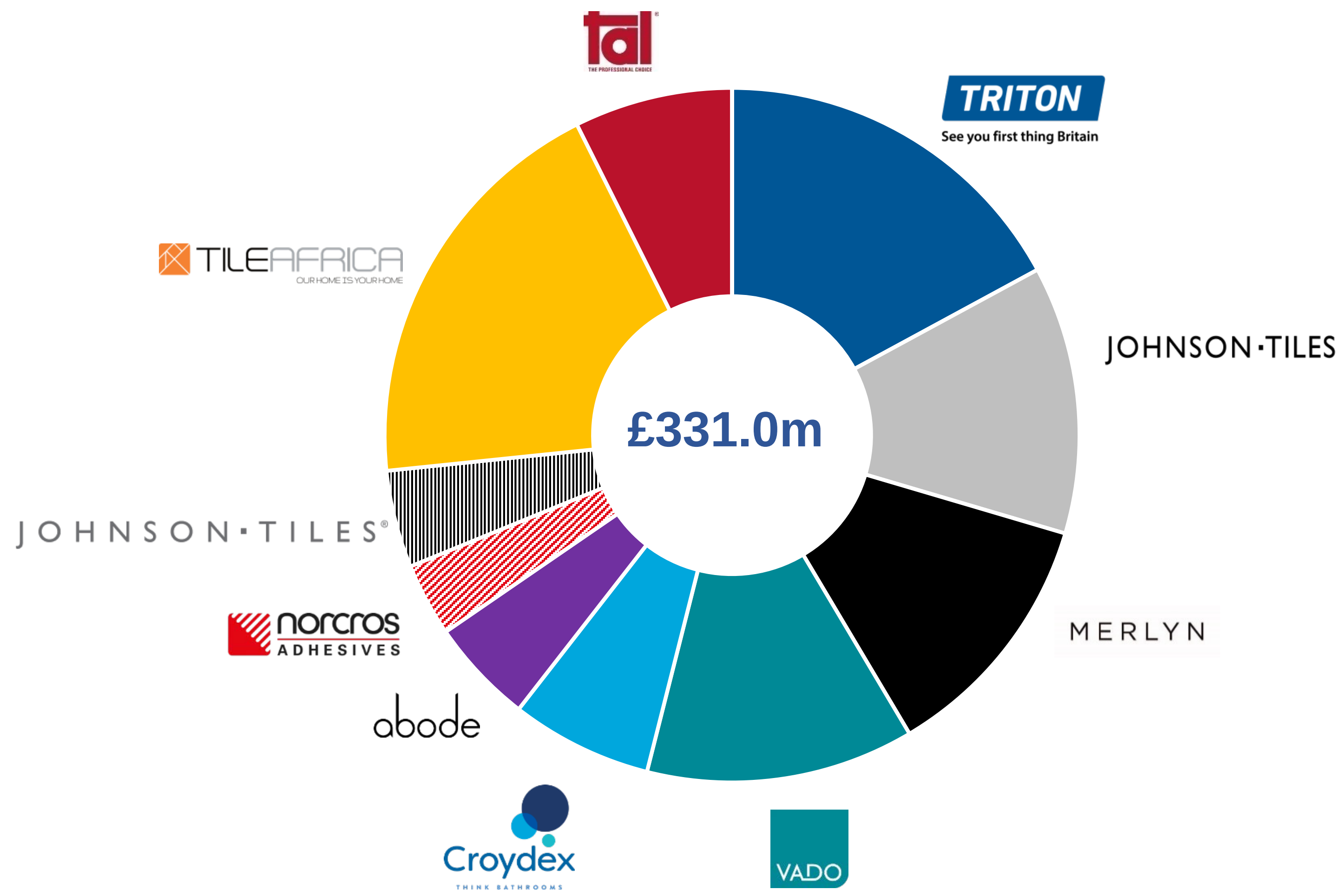
**Track record of progressive dividend growth**

[1] Reported - financial years ending 31st March, total Group includes Rest of World
[2] Underlying Operating Profit Underlying means before exceptional operating items, IAS19R admin costs, acquisition related costs and where relevant, non-cash finance costs

## Revenue FY 13 [1]



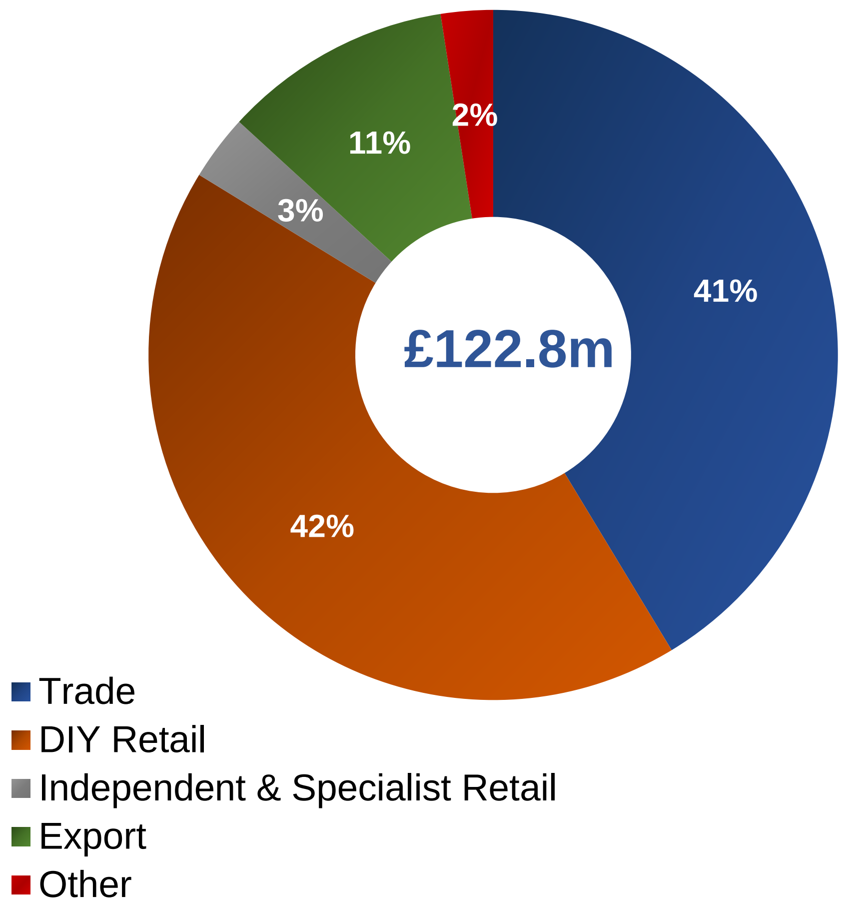

## Revenue FY 19 [1]



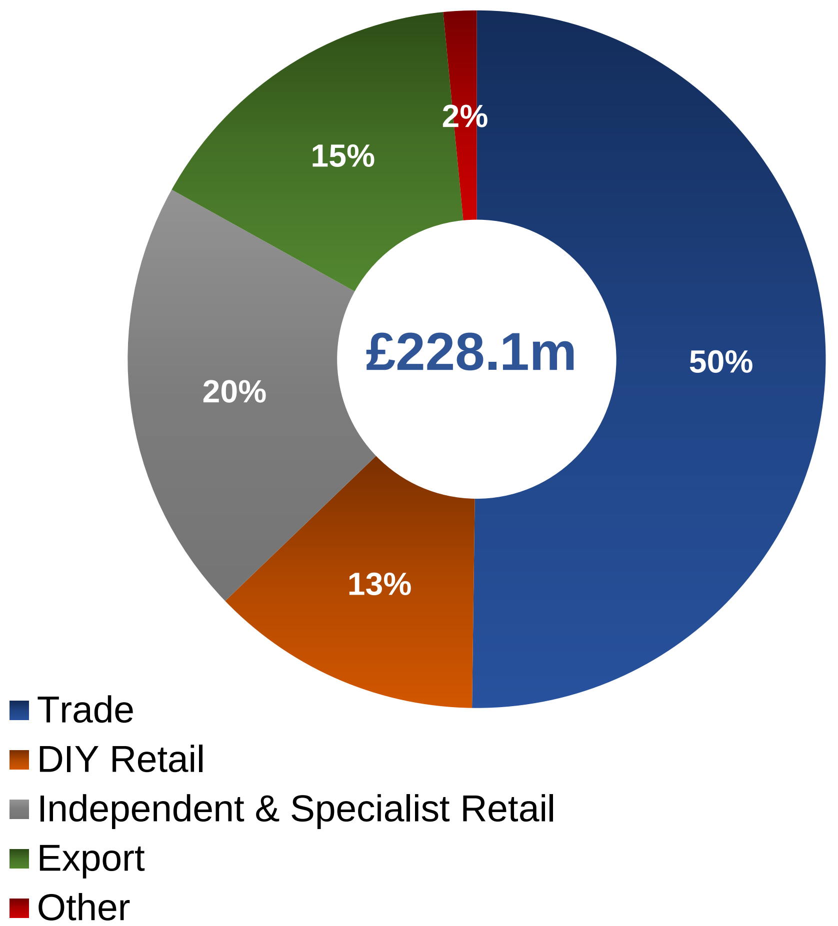

**Strong portfolio of complementary brands; reduced reliance on Triton**

[1] Financial years ended 31st March

## UK Channel Revenue - FY13 [1]




## UK Channel Revenue - FY19 [1]




**UK business better balanced with strategic focus on attractive trade, specification & independent segments**

[1] Financial years ended 31st March

# Investment Case - Norcros DNA – Key Driver of Outperformance

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## Core Competencies

| | | | |
|---|---|---|---|
| EXPERIENCED MANAGEMENT | DESIGN | INNOVATION | SOURCING |
| ASSEMBLY | BRANDS & MARKETING | CHANNEL MANAGEMENT | SPECIFICATION |

## Cohesive portfolio of specialist, well invested, market leading businesses outperforming the market

| TRITON | MERLYN | tal | abode | JOHNSON-TILES |
|---|---|---|---|---|
| #1 UK & Eire | #1 UK & Eire | #1 South Africa | Leading niche designer & distributor | #1 UK Tile Manufacturer |

## Share opportunities as failures of under-capitalised competitors in fragmented market

| manhattan | ASTRACAST INTERNATIONAL | british ceramic tile |
|---|---|---|
| *Shower Enclosures* | *Taps & Sinks* | *Tile Manufacturers* |
| October 2018<br>Wound up | April 2018<br>In administration | February 2019<br>In administration |

**Norcros business model winning share in fragmented markets**