
*Strictly Private & Confidential*

# Full year 2019 results and new growth strategy
# Proposed equity raise of £150m

May 2020

# Presenters

**Andrew Allner**
Chairman

**Steve Francis**
Group Chief Executive Officer

**Kath Kearney-Croft**
Group Chief Financial Officer (Interim)

# Chairman's Comments – FY2019 and COVID-19

- 2019 results, albeit in line with guidance in January Trading Update, very disappointing
- Full year underlying profit before tax[1] of £41.9m (2018 £74.5m)
- Strategy was poorly executed, resulting in an accelerating decline in sales and adverse impact on profitability
- Process underway to improve and strengthen financial systems, procedures and controls
- SIG retains strong positions in its core markets
- COVID-19 – our primary concern during the outbreak has been to preserve the health and safety of colleagues, customers and suppliers

[1] Underlying profit before tax (including businesses held for sale), pre IFRS 16

# Chairman’s Comments – Decisive Board Actions

- The Board has taken decisive action to address 2019 performance
- New leadership team in place:
  - CEO, CFO and MDs of UK and German businesses
- New strategy that reprioritises strong customer-centric values and a commitment to proximity, expertise and service, restoring the Group's historical differentiators
- Strengthening the Group’s capital structure for the long term:
  - Proposed equity capital raise for approximately £150m
  - Clayton, Dubilier & Rice LLC (“CD&R”) has conditionally agreed to invest up to £85m and acquire a stake of up to 29.9% in the enlarged share capital
  - IKO has indicated its intention to subscribe for its full entitlement under the equity capital raise
  - Discussions ongoing with the RCF lenders and private placement note holders, to reset covenants and agree other amendments to its financing facilities alongside the proposed equity capital raise
- My determination, and that of the Board, is to restore value to shareholders

# FY19 Results Overview

# FY19 Summary

- Underlying PBT, including businesses held for sale and pre IFRS 16, of £41.9m (2018: £74.5m) consistent with previous guidance
- Underlying revenue decline of 9.0%, impacted by market share losses in the UK and Germany due to poor execution of transformation initiatives which the Board believes disconnected the business from its customers, suppliers and its front-line colleagues
- The Group's other operating companies recorded continued steady performance, reporting LFL sales growth of 1.4%
- Good operating progress made through the further development of new technologies, e-commerce and increased functionalisation
- Underlying gross margin up 60 bps
- Underlying operating costs lower by £6.0m (1.2%), reflecting adoption of functional operating models, rationalisation of footprint and continued cost discipline
- The Group reported a statutory loss of £112.7m, primarily driven by impairment charges
- Net debt (pre IFRS 16) at year end of £162.8m (2018: £189.4m) and covenant leverage of 2.1x

# FY19 Key Financials

| Continuing Operations | 2019 (post IFRS 16) | 2019 (pre IFRS16) | 2018 | Change (pre IFRS16) |
|---|---|---|---|---|
| Revenue | £2,084.7m | £2,084.7m | £2,290.4m | (9)% |
| *LFL sales %* | *(7.6)%* | *(7.6)%* | *(2.1)%* | *n/a* |
| *Gross margin %* | *25.9%* | *25.9%* | *25.3%* | *+60bps* |
| Operating costs | £(499.6)m | £(505.7)m | £(511.7)m | £6.0m |
| Operating profit | £39.6m | £33.5m | £66.9m | (50)% |
| *Return on sales %*[(1)] | *1.9%* | *1.6%* | *2.8%* | *(120)bps* |
| **Profit before tax** | **£15.6m** | **£20.6m** | **£52.2m** | **(60.5)%** |
| Profit before tax (excl. property profits) | £15.3m | £20.3m | £49.6m | (59.1)% |
| *Working capital as a % of sales* | *4.8%* | *4.8%* | *8.4%* | *+3.6%* |
| **Net debt (as at 31 Dec)** | **£455.4m** | **£162.8m** | **£189.4m** | **£(26.6)m** |
| Headline financial leverage[(2)] | 5.8x | 2.1x | 1.7x | 0.4x |
| *ROCE (post-tax)*[(3)] | *6.1%* | *6.1%* | *10.3%* | *(420)bps* |
| Basic earnings per share[(4)] | (0.1)p | 0.6p | 6.3p | (90.5)% |
| Dividend per share | 1.25p | 1.25p | 3.75p | (2.5)p |

- LFL sales down 7.6%, driven by specific challenges in UK and Germany in particular
- 60bps gross margin improvement
- Operating costs lower by 1.2% reflecting adoption of functional operating models, rationalisation of footprint and continued cost discipline
- Working capital down to 4.8% of sales reflecting unsustainable working capital management at year end and residual debt factoring
- Group net debt position improved to £162.8m
- Dividend reflects Interim dividend, no final dividend declared

Note: Data represents underlying performance.
(1) ROS% stated excluding the impact of property profits of £0.3m (2018: £2.6m).
(2) Headline financial leverage figure of 5.8x post IFRS 16 is provided for illustration purposes only, covenant leverage is calculated on a 'frozen' GAAP basis
(3) ROCE is the ratio of underlying operating profit after tax to adjusted average capital employed excluding the impact of IFRS 16
(4) Stated before 'Other items'

# FY19 Geographical Performance

**Decline in UK and Germany**

**Stability in Rest of Europe**

| | Revenue | | | Op Profit | ROS % |
|---|---|---|---|---|---|
| Revenue(£m) | 2019 | PY var. (£m) | PY var. (%) | PY var. (£m) | 2019 |
| UK* | 822 | (180) | -18% | (23.3) | 1.6% |
| Germany | 382 | (22) | -5% | (4.0) | 0.9% |
| **UK & Germany** | **1,204** | **(202)** | -14% | **(27.3)** | **1.4%** |
| France | 527 | 7 | 1% | (3.0) | 3.6% |
| Poland | 156 | (1) | 0% | 0.9 | 2.5% |
| Benelux | 103 | (5) | -5% | 0.6 | 4.9% |
| Ireland | 95 | (5) | -5% | 0.1 | 6.5% |
| **Europe ex Germany** | **881** | **(4)** | **0%** | **(1.5)** | **3.9%** |

Note: Data represents underlying performance pre IFRS 16

*UK comprises UK Distribution and UK Exteriors

# Base Profit for 2020 – Impact of Disposals

**£41.9m**

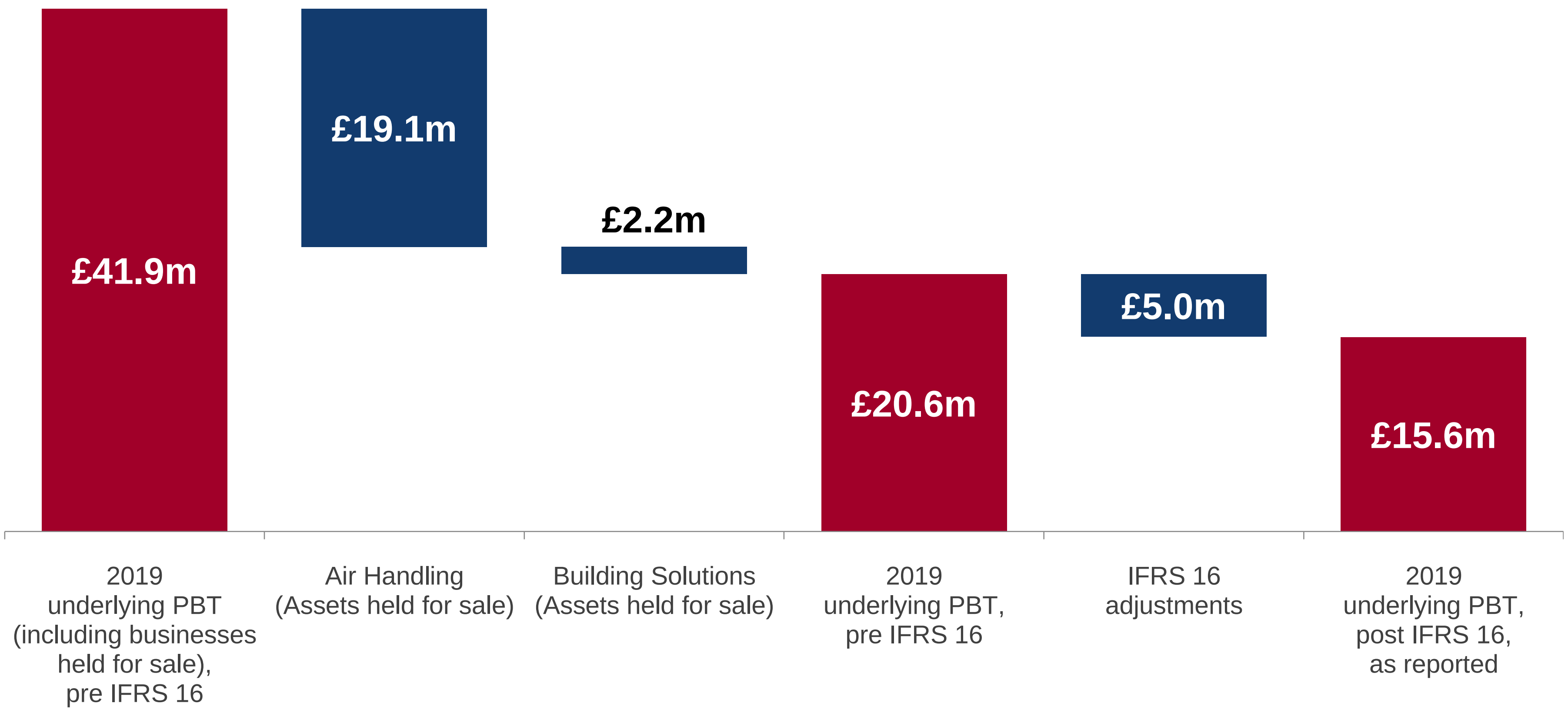
**Underlying PBT (including businesses held for sale), pre IFRS 16**

**£20.6m**

**Underlying PBT, pre IFRS 16**

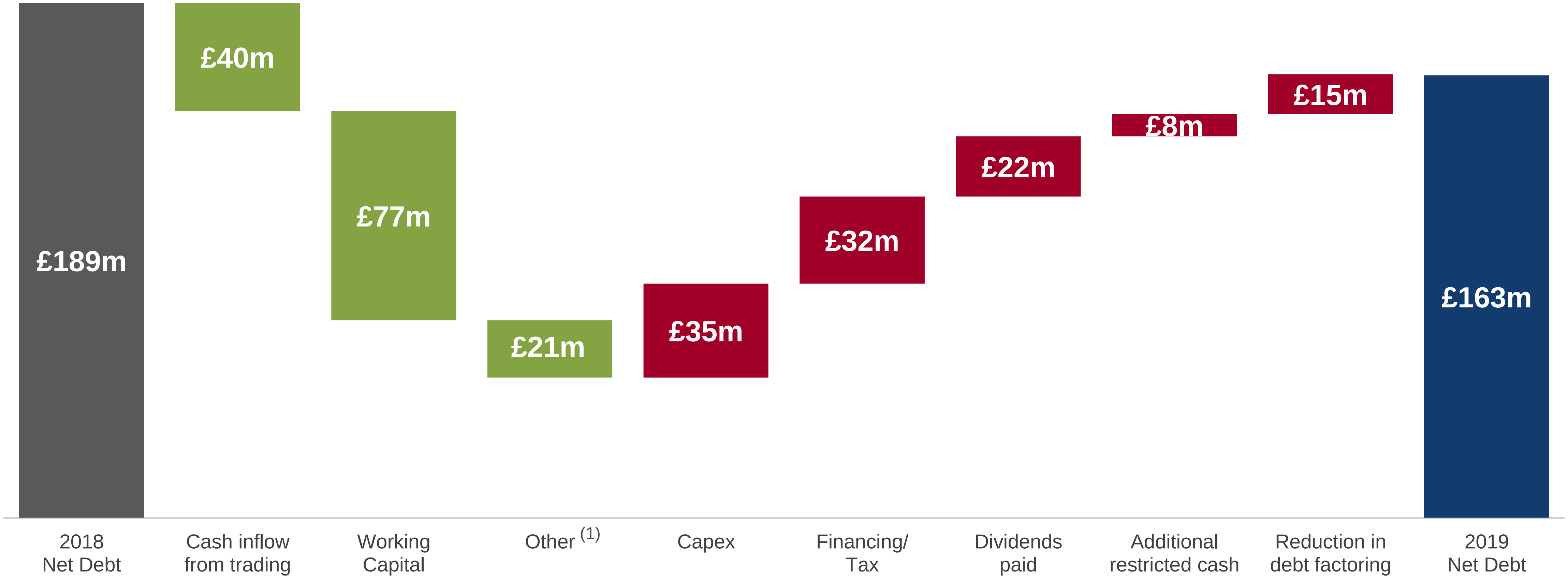
**£15.6m**

**Underlying PBT, post IFRS 16**




Note: Disposal of Air Handling completed in January 2020

# Balance Sheet Flattered by Working Capital Movement



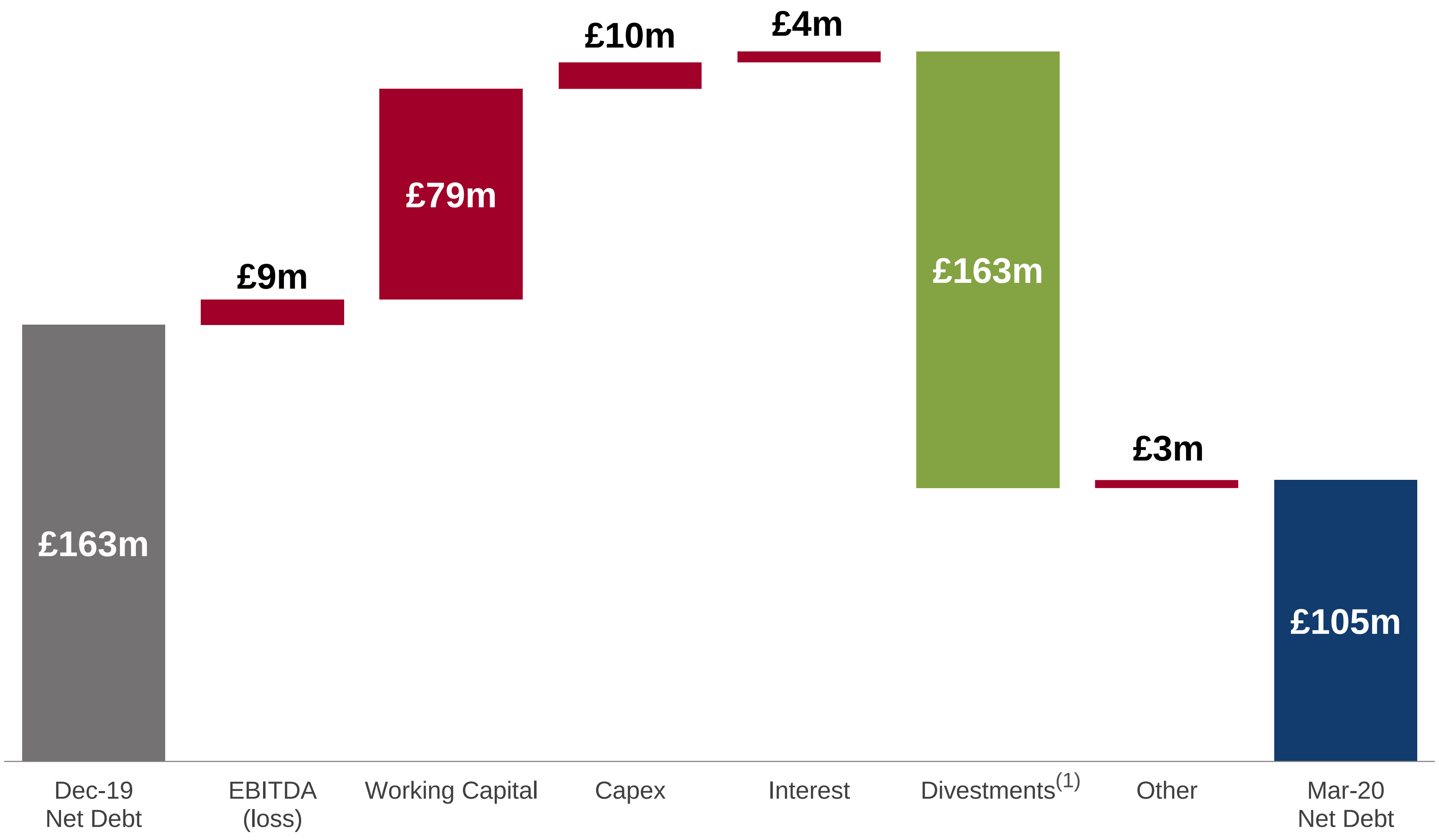

Note: Financial information presented on a pre IFRS 16 basis

(1) Other consists of £8m proceeds from sale of PPE, £8m net proceeds from sale of business and £5m FX

# Unwind of Working Capital in Q1 2020

| Capital Structure (£m) | 31st Dec-19 | 31st Mar-20 |
|---|---|---|
| **Gross Cash** | **137** | **165** |
| **Gross Debt** | **(300)** | **(270)** |
| *Net Cash / (Debt)* | *(163)* | *(105)* |
| *o/w Drawn down RCF* | *(100)* | *(70)* |
| *o/w Private Placement Notes* | *(176)* | *(176)* |
| *o/w Other Indebtedness* | *(24)* | *(24)* |

- **RCF matures in May 2021**
- **Private Placement Notes mature between October 2020 and June 2026**
- **Company in discussions with its RCF lending group and PPN holders to amend to its financing facilities**




(1) Adjusted net proceeds from the divestment of Air Handling represents net cash proceeds prior to associated transaction costs

# Current Trading(1)

- Trading in the first two months in the UK and Germany saw a continuation of the challenging trends seen in the last quarter of 2019, whilst trading activity in the rest of Europe was relatively stable
    - Revenue for the first two months of the year was £296.0m, a like-for-like decline of c.11%
    - Gross margin fell compared to the prior period, driven by margin pressure in UK, Ireland and France
    - The Group posted an underlying operating loss of c.£9m (pre-IFRS16) in the first two months of the year
- We started to see the impact of the COVID-19 outbreak in March and April
    - Revenues in March and April were significantly impacted by UK, Ireland and France site closures
    - Germany, Poland and Benelux were impacted by government measures to a lesser extent, trading largely as normal in March and April
    - Group revenue for March and April was £235.0m, down £138.9m from the prior year
    - During the period the Group has taken decisive cost actions in response to COVID-19 as well as accessed the government-supported job retention schemes, resulting in a reduction in group operating costs year-on-year
- As at 30 April 2020, the Group had £155m of cash and a net debt position, pre- IFRS 16, of £114m

(1) Covering the four months to the end of April

# Strong Market Positions in a Critical Industry with Growth Potential

# SIG's New Growth Strategy & Recapitalisation

- Strong market position in a critical industry with growth potential
- Previous strategies have eroded USPs in UK & German businesses
- Decisive management change & new approach: back to basics
- New customer-centric strategy that reprioritises sales
- COVID-19: Strong management response & robust trading/ liquidity preservation
- Intention to raise £150m; Support from CD&R and IKO; Constructive discussions with lenders

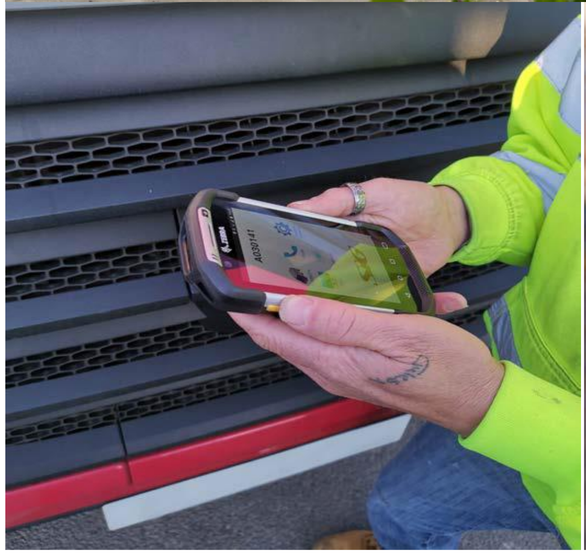
# We Play an Important Role in a Critical Industry

**SIG retains a leadership and balancing role in the construction industry**

- **We understand and serve the needs of a very broad range of customers**
- **We protect and develop the brands and products of our major suppliers to deliver better solutions**

| | |
|---|---|
| **Proximity** | Our network holds local and long-standing relationships across a fragmented market of existing and potential customers, small and large |
| **Expertise** | Knowledgeable staff and deep working relationships with market-leading suppliers give SIG the ability to provide technical advice and support specification across a wide range of products |
| **Service** | Our model seeks to provide high levels of availability and co-ordination of complex deliveries that are seen as critical by customers along with flexible credit management |
| **Scale** | Our scale can provide deep intelligence into the developing needs of the sector and provides an excellent platform for new specialisms and technologies |

# Investment to Differentiate – a Modernised Operating Model



- We have invested in infrastructure and implemented tools to differentiate our business, including:
  - Opening Valor Park near Heathrow, our 135,000 sq ft distribution facility
  - Installed new Warehouse Management System (WMS) into National Distribution Centre in Dublin
  - Rolled out ‘Descartes On Demand’, our brand new vehicle routing and scheduling software across the UK business
  - SIG Poland launched an e-commerce platform…….averaged 70,000 visits per month

# Long Term Structural Growth Drivers

**Impact of COVID-19 on the construction sector has been widespread, but the Board believes a number of structural growth drivers remain**

## Fiscal stimulus

- Construction potentially a prime direct area of fiscal stimulus for UK and EU Governments' post COVID-19
- Post-COVID-19 national recovery funds are likely to support construction activity through infrastructure creation and capital projects

## UK housing shortage

- Residential under-build remains a key social and political factor in the UK
- Government considering extension of Help to Buy

## Position in cycle

- European and UK construction were at a mid-point in the cycle before the COVID-19 pandemic, not at a cyclical high
- Lower likelihood of overbuild correction once the situation recovers

## Climate / ESG

- Commitment to reduce greenhouse gas emissions supports greater activity in the construction of low-carbon buildings
- Energy efficiency linked product verticals such as insulation and roofing well positioned for growth

# Previous Strategies have Eroded USPs in UK & German Businesses

# History and Previous Strategies

**1957-2008**
**Growing Federation of Local Branches**

- Strong customer-centric values: Proximity, Expertise, Service
- Deep partnerships with key suppliers
- "SIG way" evolves: sales & branch-led
- Federated, de-centralised, multi-brand model
- Acquisition-driven growth
- New countries & product markets

**2009-2013**
**Adjusting to Austerity**

- 2009 equity raising
- Focus on debt reduction, divestment of non-core operations
- Reducing layers of management/business consolidation
- 3,700 reduction in employee numbers
- 220 Branches rationalised
- Acquisition strategy continues

**2014-2016**
**Retail-isation**

- Continued focus on debt & cost reduction at expense of growth
- Divestment of non-core operations
- Retail-like focus on reducing cost of materials risking service levels
- Branch manning levels reduced
- Market share erosion begins

**2017-2019**
**Functionalisation/ Centralisation**

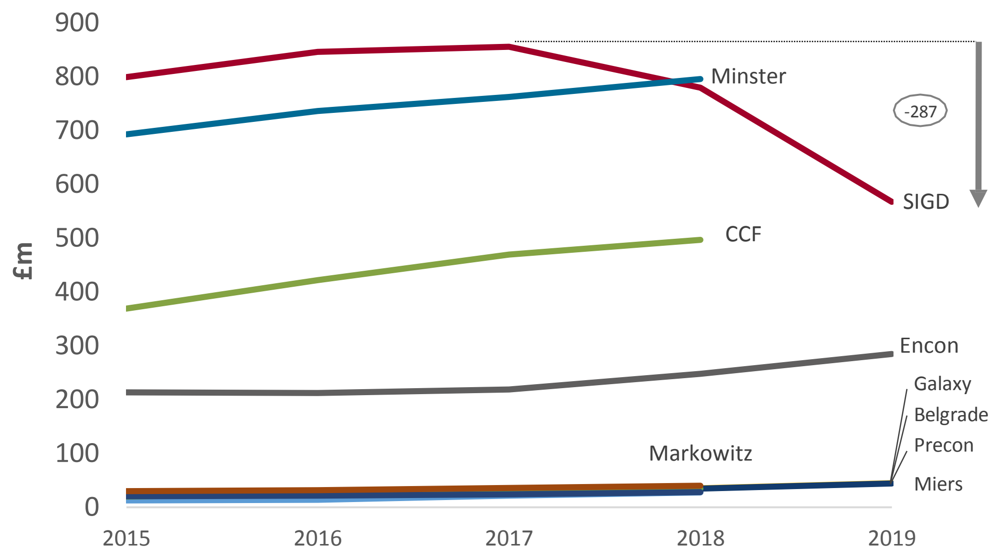
- Divestment of non-core operations
- Group strategy focused on debt reduction & functional "Target Operating Model"
- Key commercial functions centralised without adequate supporting systems and tools
- Accountability of branches unclear
- Loss of expertise, proximity & service in UK/ Germany
- Price increases to offset market share losses
- Morale slumps and many good people leave

# Management Actions led to a Loss in Market Share

**Actions of previous management leading to underperformance:**

1. Centralisation of commercial functions with insufficient support systems
2. Undermining of branch manager autonomy leading to poor staff motivation and retention
3. Decision to uniformly increase prices adversely impacted sales
4. Certain initiatives implemented compromised specialist nature of SIG's products and services
5. Functional model led to more siloed behaviour and undermined customer relationships
6. Branch rationalisation underestimated importance of customer relationships at the branch level and resulted in loss of customers to competitors

**SIGD revenue performance versus competitors 2015-2019**




- All competitors have shown revenue growth since 2015 baseline
- SIGD sales decline since 2017 of £287m
- £293m increase in revenue across these eight competitors since 2017[(1)]
- Largest £m growth since 2017 from the following competitors:
  - CCF £130m[(1)]
  - Encon £67m
  - Minster £34m

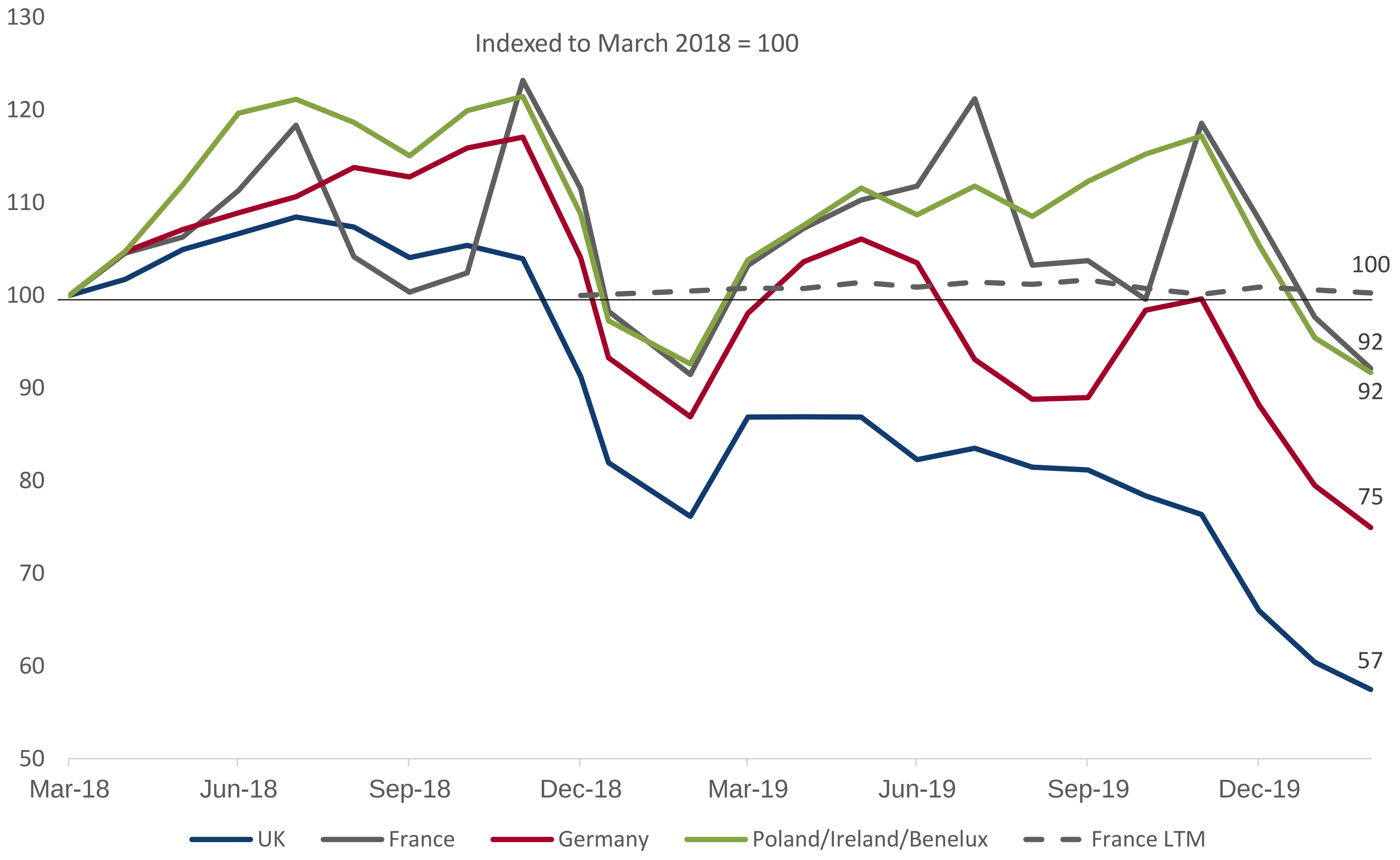
Note: Financial data based on management accounts Latest revenue data is 2018 for three of eight; 2019 CCF and Galaxy figures have been estimated by SIG

# Self-Harm Most Evident in the UK and Germany since 2H19

**Historical Drivers of Self-Harm:**

- **Sales restructure**
- **Inventory / Procurement centralisation**
- **Branch rationalisation**
- **Price increase**
- **Loss of sales management**

**Monthly Revenues by Country (Quarterly Average)**



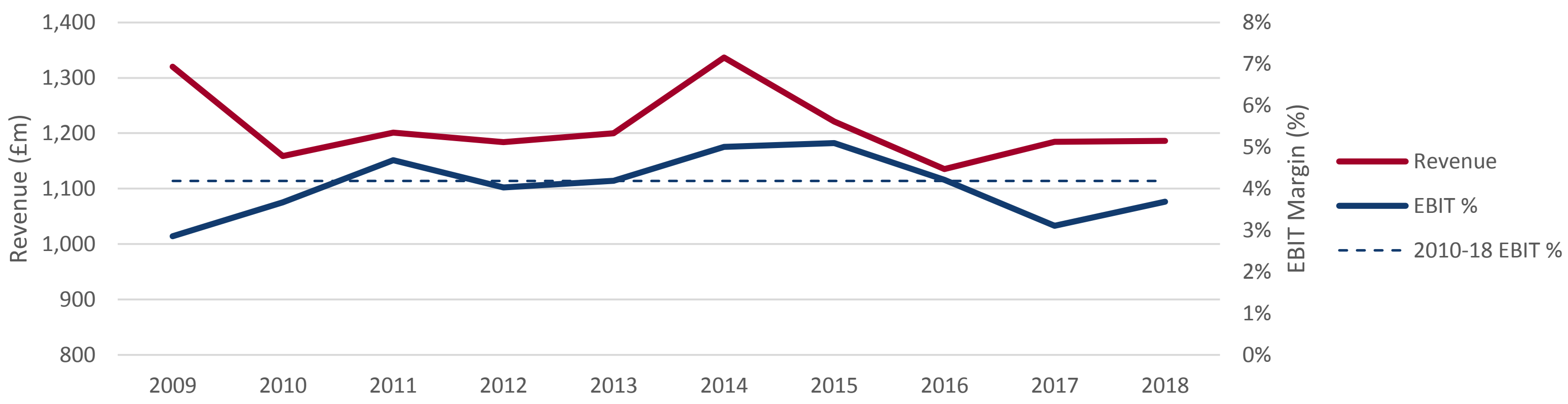

Note: Financial data based on management accounts

# UK Business has Historically held Strong Positions

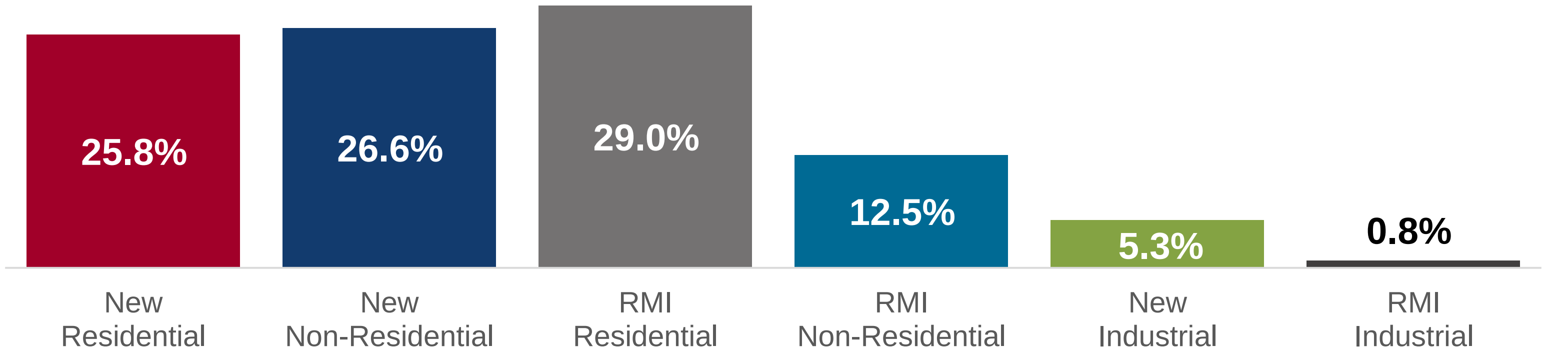
**Our UK&I business has historically been a market leader:**

- **Experienced and knowledgeable work force**
- **National branch coverage**
- **Extensive product range**
- **Connecting leading suppliers to a wide customer base**

## Strong Revenues & Stable EBIT Margins




## Broad Market Exposure

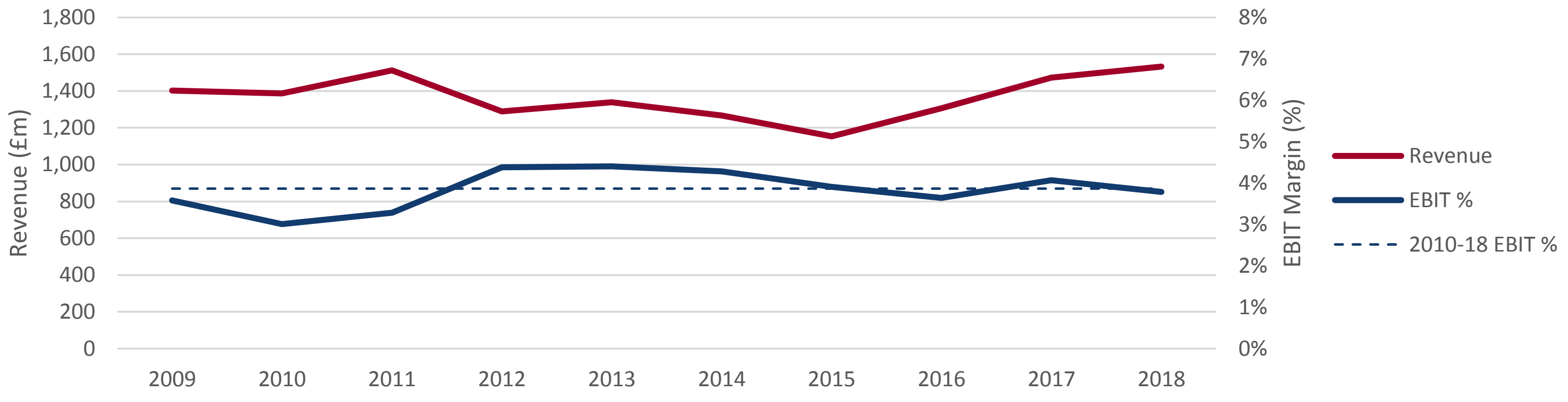


# We have a Profitable European Business

**Geared up to take advantage of market recovery post COVID-19:**

- **Strong positions in our end markets**
- **Strong leadership in place**
- **Transformation initiatives adopted successfully**
- **Structural change to TOM largely complete**

## Stable Revenues & EBIT Margins over the Long Term

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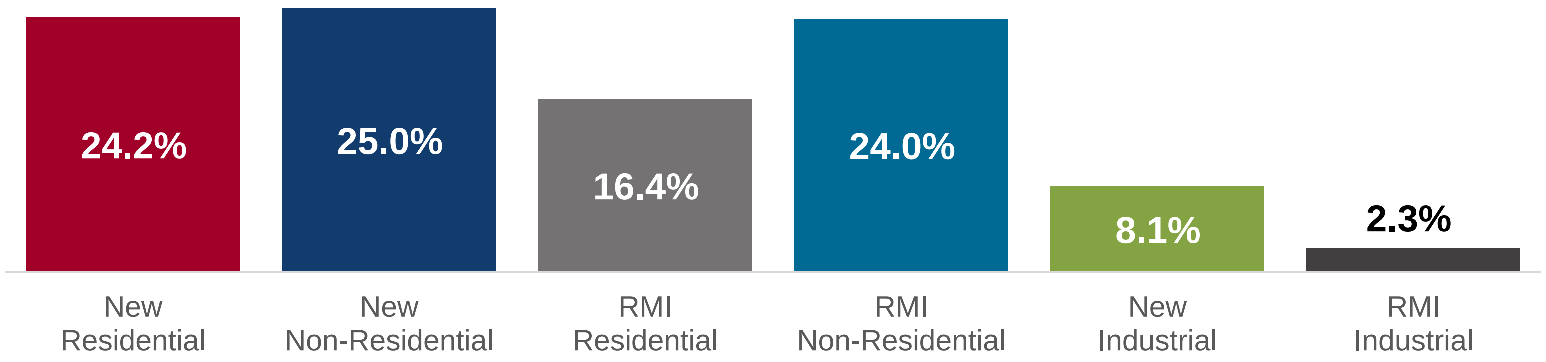

# Return to Profitable Growth and Regain Market Share

# New Strategic Focus

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**2020- Growth through "Local B2B Franchise-style"**

- **Strong customer-centric values & commitment culture: Proximity, Expertise, Service**
- **SIG "franchise-style" model with strong functional support and controls**
- **Return to growth**
- **Industry consolidator role**
- **Leading the industry in omni-channel innovations (e.g. digital)**

# Return to Profitable Growth – Our Purpose and Vision

## Our purpose

Enable modern, sustainable & safe living and working environments in the communities in which we operate

## Our vision

To be the leading B2B distributor of specialist construction products in our key markets

## Our culture

Our culture is underpinned by our **bold**, **flexible and agile** approach and we work together to do the right thing to **make a positive difference**

## Our key strengths

**Employee Expertise**

**Proximity-led**

**High Quality Service**

**Scale Intelligence**

# What is Changing?

| | Was | Is / Will be |
|---|---|---|
| **Clarity on "core" businesses & USPs** | • Disposal candidate? | • Clear definitions and (traditional) USPs |
| **Culture & Behaviours** | • Command & control | • Enable, Empower & Guide |
| **Prioritisation between Growth & Cost** | • Cost | • Growth with controls, acquisitive |
| **Leadership/ the value of tenure at SLT level** | • (UK/ Germany): New to SIG and industry, Loss of "memory" | • More experience/ blend of SIG & external |
| **Quality of financial forecasting/ central cash controls** | • Profit warnings / room for improvement | • Top priority for CEO: no surprises |
| **Role of Centre/ Group initiatives (e.g. Groupwide ERP)**<br>• Cost<br>• Autonomy/ accountability<br>• Speed | • Increasing group cost and interventions<br>  • Increased cost<br>  • Reduced autonomy/ accountability<br>  • Reduced speed | • Group activities lean & smart<br>  • Reduce group cost<br>  • Delegate to Opcos<br>  • Add value (e.g. industry leadership) |
| **Level of Customer focus: relationships, insights, sales disciplines**<br>**Clarity on Operating Model: Central v Local Autonomy**<br>• Salesforce/ Branch management motivation/ loyalty<br>• Service Levels<br>• Importance of local technical expertise | In UK/ Germany only:<br>• Optimised around less stock, logistics and fewer/ larger locations<br>• Bias to centralisation<br>  • Salesforce demotivated/ disempowered/ left<br>  • Service levels fell<br>  • Emphasis to (lower cost) generalists/ often via telesales | All Opcos:<br>  • Customer & sales-focus<br>  • Increase benefits of supplier partnerships<br>  • Fast-adopters of enabling technologies (e.g. digitisation opportunities)<br>  • Local "B2B franchises"<br>  • Eyes open for innovations and add-on acquisitions |
| **KPIs** | • Financial KPIs | • Growth/ productivity-driven KPIs |

# Return to Profitable Growth – Back to Basics

Aim to Recapture Market Leadership by reinforcing Proximity, Expertise, Service

1. Local P&Ls within a "franchise-style" operating model, supported by best in class operations and systems

2. Rebalance the strategic focus between growth and cost reduction

3. Strengthen sales-led culture by accelerating salesforce rebuild and augmenting commercial leadership throughout the organisation… "everyone sells"

4. Gain market share through enhanced customer proximity and service, including strengthening the branch network and augmenting the digital offering

5. Generate economies of scale and of skill, including re-establishing more strategic and Board-led supplier partnerships

6. Re-establish specialist focus and expertise

7. Leaner, smarter corporate functions; improve governance and financial discipline

Become Winners again: Passionate & Values-driven, Customer & Market-focused, Empowering Disciplined Entrepreneurship

# Our Growth Plan

**Structurally our markets have positive drivers of recovery and growth in the medium term and our franchises and market positions remain strong**

**Revitalise Germany and continue to grow our other strong EU businesses**

**Enable growth and energise sales and market share recovery efforts**

# UK Market Share Recapture Plan

## 1 Merge UK Businesses

### Right-size Structure & Organisation

- Merge SIGD & SIGE into single UK division
- Return of Philip Johns with 30 years' SIG & industry experience
- New regional structure, footprint & channel optimisation (local accountability and P&Ls)
- Re-visiting of shared service centres
- Reduction of duplication and waste
- Simplification of operating model

## 2 Enable Growth

### Remove Blockages to Growth

- Enhance service including OTIF (On time In Full) & service recovery
- Stock accuracy, visibility & availability
- Efficient pricing through procurement and rebate management/governance
- Performance management of sales based on training, mentoring, activity metrics, high management cadence and CRM+
- Drive stock availability and OTIF through complete roll out of supporting processes & systems (master data, fleet & warehouse management)
- Rebuild supplier partnerships

## 3 Energise Sales efforts

### Reconnect with Customers

- Leadership & entrepreneurship: "everyone is a sales person"
- Culture and values-led approach
- Clear mission, strategic direction and USPs
- Retention and growth of sales force adding back specialism
- Attraction of more entrepreneurial, specialist sales managers
- Acquisition of add-on businesses
- Adjacent product and service niches
- Focus on strong and complementary digital presence

# The Group's Medium Term Vision

**In the medium term, the Group is targeting the following key financial metrics:**

| | |
|---|---|
| **Margin** | Target an operating margin of approximately 5% within the Group's operating companies, and a Group operating margin of approximately 3%, trending towards approximately 5% in the longer-term |
| **Leverage** | Headline Financial Leverage of <1.5x |
| **Dividend** | Dividend cover of 2-3x once appropriate leverage has been achieved |

# Decisive Management Change and New Approach: Back to Basics

# New leadership focus – First 60 days

1. Change & Upgrade Leadership/ Management
2. Clear & Complete Assessment of What Went Wrong
3. No Surprises! Stronger Governance & Financial Management
4. Re-connect with Colleagues, Customers & Suppliers
5. Ensure Strong Financing in Place

# Strengthened Executive Team to Deliver the Strategy

**Steve Francis**
**CEO**
CEO of Patisserie Valerie, Tulip Ltd and Danwood Group. MD of the largest division of Vion (formerly Grampian) and MBI/CFO team of British Vita plc. Also worked McKinsey and A.T. Kearney

**Kath Kearney-Croft**
**CFO (Interim)**
Group Finance Director of Vitec and Rexam PLC. She also previously held a number of operational finance roles in the UK and US at The BOC Group plc

**Ian Ashton**
**CFO (Elect)**
Formerly Group CFO at Low & Bonar plc. Prior to that, he was CFO of Labviva LLC, and prior to that worked for 20 years at Smith & Nephew plc

**Philip Johns**
**Managing Director, UK**
Appointed April 2020. Over 30 years experience in SIG/construction industry

**Julien Monteiro**
**MD, France**
Over 12 years' global experience in the specialist industrial distribution industry

**Ronald Hoozemans**
**MD, Benelux & Germany**
15 years' experience across the construction/ healthcare. SIG since 2019

**Kevin Windle**
**MD, Ireland**
20 years in the building merchanting industry. Joined SIG 2014

**Marcin Szczygiel**
**MD Poland**
Over 21 years' experience in the specialist construction distribution industry. Poland MD since 1999

**Clare Taylor**
**Group HR Director**
20+ years' experience in global HR leadership roles in manufacturing and distribution

**Kulbinder Dosanjh**
**Group Company Secretary**
Over 20 years experience in public and private companies

**Andrew Watkins**
**Group General Counsel**
Over 17 years' experience as legal counsel in public and private companies

# Two Strong New Business Units created

**NEW: Combined UK unit,**
**£822m strong combined team under leadership of Philip Johns**

**Distribution £534m, contracting**

**Exteriors £288m, contracting**

**Philip Johns**
Appointed April 2020.
Over 30 years experience in SIG/ construction industry

**Ireland £95m, stable**

**Kevin Windle**
20 years in the building merchanting industry.
Joined SIG 2014

**Julien Monteiro**
Over 12 years' global experience in the specialist industrial distribution industry.
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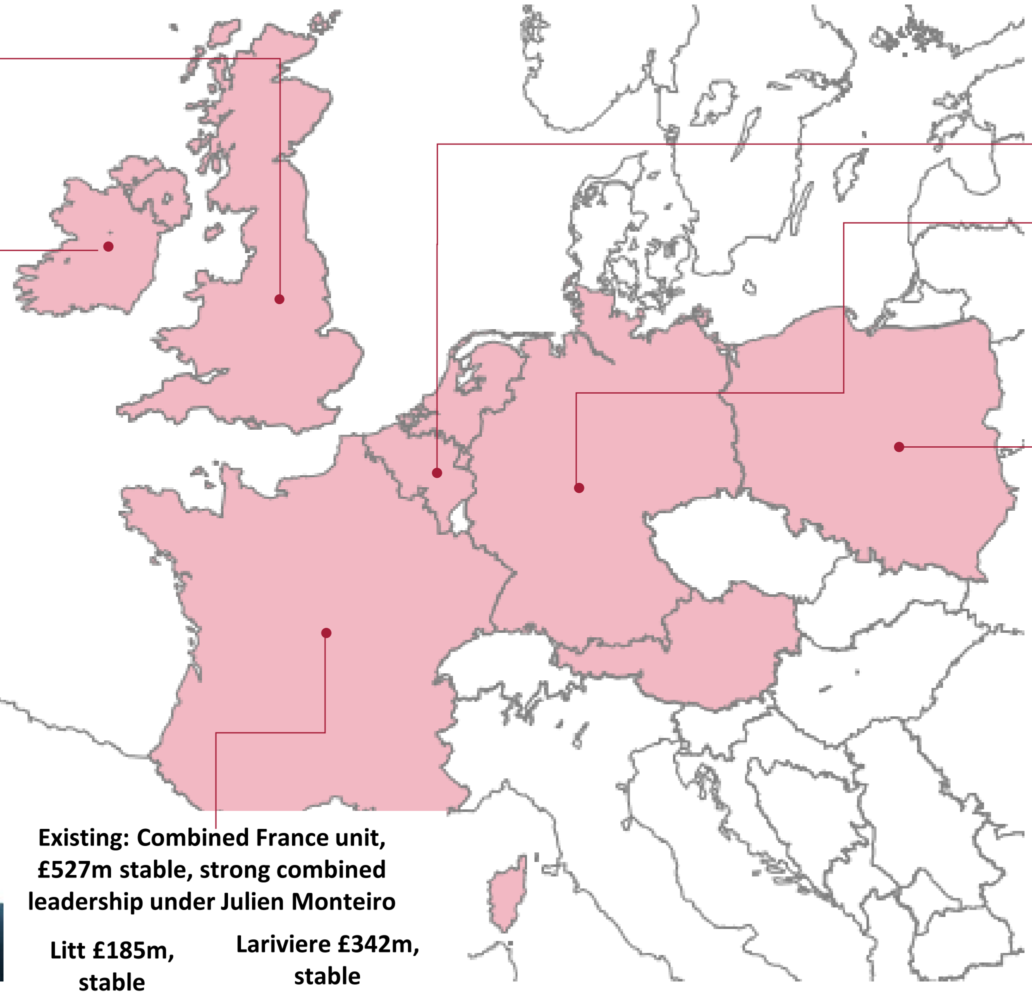


**Existing: Combined France unit, £527m stable, strong combined leadership under Julien Monteiro**

**Litt £185m, stable**

**Lariviere £342m, stable**

**NEW: Combined Germany/ Benelux unit £485m, strong combined leadership**

**Benelux £103m, stable**

**Germany £382m, contracting**

**Ronald Hoozemans**
15 years' experience in leadership across the construction and healthcare industry. SIG since 2019

**Poland £156m, stable**

**Marcin Szczygiel**
Over 25 years' experience in the specialist construction distribution industry and 21 years in SIG

Note: All figures quoted are 2019 Revenues

# COVID-19: Strong Management Response and Robust Trading /Liquidity Preservation

# Swift Action Taken to Mitigate COVID-19 Impact

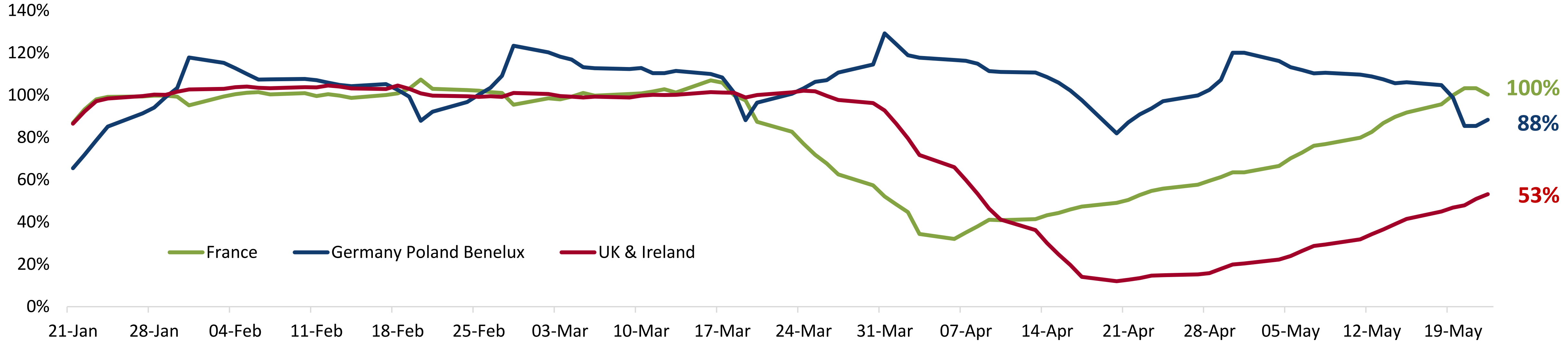
**Comprehensive actions taken to reduce cost and manage liquidity in response to the COVID-19 crisis and the subsequent country lock downs**

| | |
|---|---|
| **Employees** | • >2,000 UK employees furloughed and majority of UK and Ireland trading sites temporarily closed<br>• Temporary pay reductions for both staff not on furlough (up to 20%) and non-executive Directors (reduced by up to 50%)<br>• The furloughing of employees and other wage saving initiatives has enabled the Group to retain an incremental estimated £8 million of cash in the period to May 2020 |
| **Government support** | • Relevant government support accessed, including employment support, tax and social security deferrals, and assessing whether to apply for government loans<br>• Use of these schemes has enabled the Group to defer an estimated £15 million of cash payments in the period to May 2020 |
| **Capital expenditure** | • Programmes requiring significant cash investment and/or which do not provide near-term business benefits have been paused, including major IT projects |
| **Working capital** | • The Group has maintained a sharp focus on proactively managing collections and monitoring overdue payments<br>• Active discussions with large trade suppliers, in order to maintain continuity of supply while netting rebates and agreeing slower payment plans where possible<br>• Actively managing levels of inventory across the branch network whilst ensuring it is still able to service its customers<br>• Deferral and term extension requests are being managed across non-trade suppliers, with a significant focus on IT and services and property |
| **Landlords** | • UK landlords are being approached to request support they may make available. Intention is to request June rent quarter payment is spread across the subsequent two quarters |
| **Dividend** | • No full year 2019 dividend and no shareholder return from proceeds of recent disposals. Further dividend restrictions being considered |

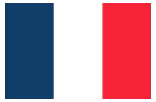
**The cash control measures enacted by the Group have provided a net working capital cash benefit**

# Impacts of COVID-19 have Varied by Geography

**Effect of COVID-19 on SIG Trading Activity**




- Germany, Poland and Benelux benefited from continued trading with the reduction in revenue down to 82% of pre COVID-19 levels before recovering
- The billing cycles in Germany and Poland (focused toward the end of each month) mean that there is more variation in the trend



- Although trading in France continued through the period the reduction in France is more marked with revenue reducing to 32% of pre COVID-19 revenue by early April followed by a steady recovery to pre-COVID-19 levels

- With the Lockdown, UK and Ireland revenue reduced to as low as 12% of pre COVID-19 revenue in April
- Recent re-openings have seen trading recover to over 50% with further re-openings planned as lockdown eases

**The ability to respond so effectively to the pandemic demonstrates the Group's resilience and capacity for organisational change**

Note: All figures based on 14 day rolling average sales, as a percentage of average daily sales from 6 January 2020 to 13 March 2020
Financial data based on management accounts

# Financing Strategy – Recapitalisation Process Underway

# Status of Financing Discussions

- Strengthening the Group’s capital structure for the long term:
  - Intention to raise c.£150m in new equity in the coming weeks
  - CD&R has conditionally agreed to invest up to £85m as part of the total equity raise
  - The equity offer will be structured in two, inter conditional tranches:
    - a tranche of £60m being placed firm to CD&R
    - a second tranche of £90m, offered to a broader range of investors and incorporating a pre-emptive offer, in which CD&R will invest up to £25m
  - IKO, the Company's largest shareholder, has confirmed that it is fully supportive of the Company's new strategy and equity raise
  - To facilitate the equity raise the Board is in constructive discussions with its RCF lenders and private placement noteholders to reset covenants and agree other amendments to its financing facilities. Further details will be provided as and when appropriate
  - Alongside this process a waiver has been obtained in relation to the Consolidated Net Worth covenant contained in the Group’s private placement notes. Such waiver includes CNW testing as at 31 December 2019 on the basis of the Group’s audited financial statements now being delivered

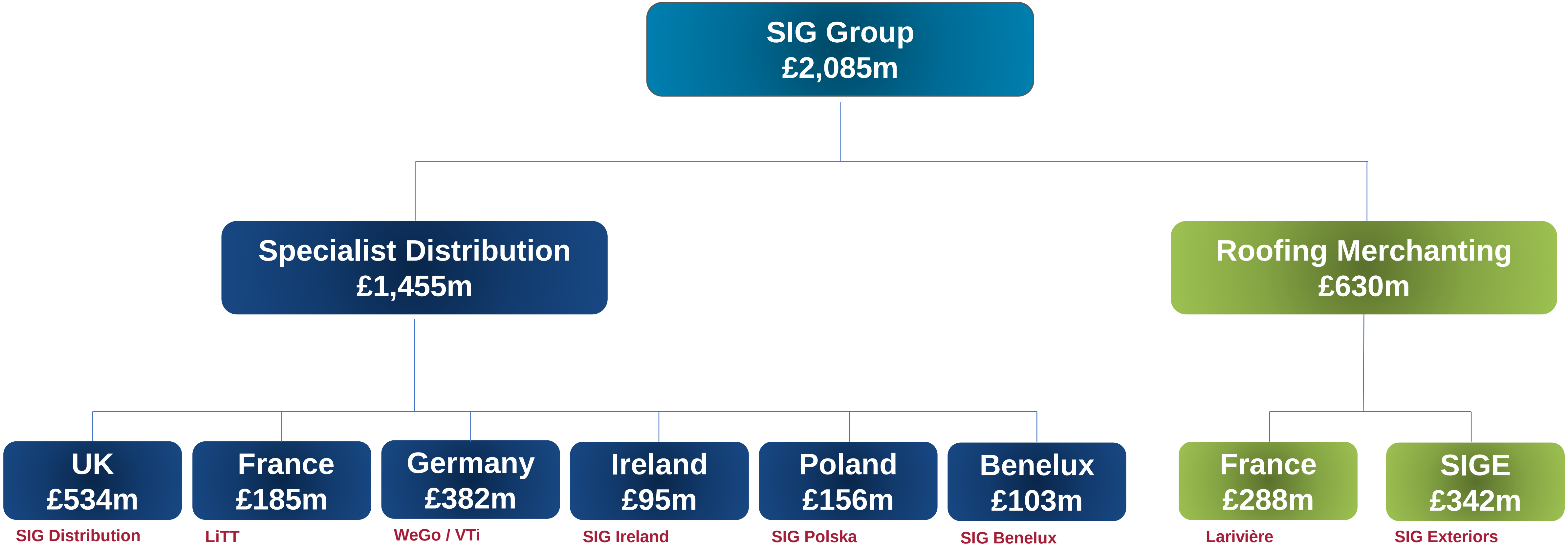
# Outlook and Summary

# Summary

- Strong market position in a critical industry with growth potential
- Strong management in place to drive the business forward
- New approach: back to basics
- New customer-centric strategy that reprioritises sales
- Recapitalisation process underway

# Appendix I:
# Supporting schedules

# Ongoing portfolio management




Note: 2019 revenue from underlying operations.

# Underlying financials by segment

| Specialist Distribution | Revenue | Change | LFL | Gross margin | Change | Operating profit | Change | ROS | Change |
|---|---|---|---|---|---|---|---|---|---|
| UK Distribution | £534m | (21.4)% | (21.1)% | 26.2% | +150bps | £5.8m | (74.7)% | 1.1% | (230)bps |
| France - LiTT | £185m | 5.2% | 7.1% | 27.5% | +0bps | £10.8m | 25.9% | 5.9% | +160bps |
| Germany | £382m | (5.4)% | (2.5)% | 27.7% | +80bps | £3.4m | (55.8)% | 0.9% | (60)bps |
| Ireland & Other | £95m | (5.0)% | (3.3)% | 25.0% | (30)bps | £6.2m | 1.6% | 6.5% | +40bps |
| Poland | £156m | (0.3)% | 2.1% | 20.3% | +30bps | £4.2m | 27.6% | 2.5% | +40bps |
| Benelux | £103m | (5.0)% | (3.3)% | 24.7% | +100bps | £5.1m | 13.3% | 5.0% | +80bps |
| **Total** | **£1,454m** | **(10.4)%** | **(8.8)%** | **25.9%** | **+80bps** | **£35.5m** | **(33.1)%** | **2.4%** | **(70)bps** |

| Roofing Merchanting | Revenue | Change | LFL | Gross margin | Change | Operating profit | Change | ROS | Change |
|---|---|---|---|---|---|---|---|---|---|
| UK Exteriors | £288m | (10.5)% | (10.1)% | 28.4% | n/c | £7.7m | (44.4)% | 2.7% | (160)bps |
| France - Larivière | £342m | (0.7)% | 1.1% | 23.4% | +10bps | £8.0m | (39.5)% | 2.3% | (150)bps |
| **Total** | **£630m** | **(5.4)%** | **(4.3)%** | **25.7%** | **(10)bps** | **£15.7m** | **(42.0)%** | **2.5%** | **(160)bps** |
| **Group** | **£2,085m** | **(9.0)%** | **(7.6)%** | **25.9%** | **+60bps** | **£51.2m** | **(36.1)%** | **2.4%** | **(90)bps** |

Note: Data represents underlying performance pre IFRS 16. Group totals stated net of central costs. ROS% excludes impact of property profits of £0.3m (2018: £2.6m).

# 2019 Other items

| £m | PBT impact | Cash impact |
|---|---|---|
| **Underlying profit before tax pre IFRS 16** | **£20.6m** | **-** |
| IFRS 16 impact | £(5.0)m | - |
| **Underlying profit before tax post IFRS 16** | **£15.6m** | **-** |
| Amortisation of acquired intangibles | £(6.2)m | - |
| Impairment charges | £(90.9)m | - |
| Disposals/exits | £2.1m | £8.4m |
| Net restructuring costs | £(27.1)m | £(22.5)m |
| Investment in omnichannel retailing | £(5.7)m | £(5.6)m |
| Other specific items | £0.3m | £(0.9)m |
| Non-underlying finance costs | £(0.8)m | £(0.8)m |
| **Statutory profit before tax** | **£(112.7)m** | **£(13.0)m** |

# IFRS 16 impacts on cash flow

| £m | 2019 (pre IFRS16) | Impact of IFRS16 | 2019 (post IFRS16) |
|---|---|---|---|
| **Opening net debt** | **(189.4)** | **(300.4)** | **(489.8)** |
| Cash inflow from trading | 39.8 | 52.3 | 92.1 |
| Decrease in working capital | 76.9 | 11.7 | 88.6 |
| Debt factoring | (14.7) | - | (14.7) |
| **Net cash flow from operating activities** | **102.0** | **64.0** | **166.0** |
| Interest and tax | (32.0) | (3.3) | (35.3) |
| Dividends | (22.2) | - | (22.2) |
| Capital expenditure | (34.5) | - | (34.5) |
| Sale of property and assets | 7.6 | - | 7.6 |
| Disposals/exits | 8.4 | - | 8.4 |
| Movement of lease liabilities | - | (55.2) | (55.2) |
| Other | (2.7) | 2.3 | (0.4) |
| **Closing net debt** | **(162.8)** | **(292.6)** | **(455.4)** |

# Impact of divestments and closure of non-core businesses

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Underlying revenue | Underlying PBT | Underlying revenue | Underlying PBT |
| **Underlying Group as reported at 2018 FY results** | **£2,482.5m** | **£38.2m** | **£2,683.2m** | **£75.3m** |
| Businesses identified as non-core in 2019 H1: | | | | |
| WeGo Floortec | £(14.5)m | £(0.8)m | £(23.2)m | £(1.5)m |
| **Underlying Group as reported at 2019 H1 results** | **£2,468.0m** | **£37.4m** | **£2,660.0m** | **£73.8m** |
| Businesses identified as non-core in 2019 H2: | | | | |
| Building Solutions | £(58.3)m | £(2.9)m | £(56.8)m | - |
| Maury | £(1.9)m | £0.9m | £(2.7)m | £0.7m |
| Discontinued operations: | | | | |
| Air Handling | £(323.1)m | £(19.8)m | £(310.1)m | - |
| **Underlying Group as reported at 2019 FY results** | **£2,084.7m** | **£15.6m** | **£2,290.4m** | **£74.5m** |

Note: Data represents underlying performance pre IFRS 16.

# Number of trading sites

| | 31 Dec 2018 | Opened | Closed/ merged | Transferred | Disposed/ Held for sale | 31 Dec 2019 |
|---|---|---|---|---|---|---|
| UK Distribution | 65 | - | (9) | (12) | - | 44 |
| France - LiTT | 38 | - | - | - | - | 38 |
| Germany | 56 | - | (3) | - | (2) | 51 |
| Ireland & Other | 10 | - | (1) | - | - | 9 |
| Poland | 45 | - | (2) | - | - | 43 |
| Benelux | 14 | 1 | - | - | - | 15 |
| **Specialist Distribution** | 228 | 1 | (15) | (12) | (2) | 200 |
| UK Exteriors | 122 | - | (5) | - | (7) | 110 |
| France - Larivière | 110 | - | (2) | - | - | 108 |
| **Roofing Merchanting** | 232 | - | (7) | - | (7) | 218 |
| Air Handling | 22 | - | - | 12 | (34) | - |
| France - Ouest Isol and Ventil | 56 | - | - | - | (56) | - |
| **Air Handling** | 78 | - | - | 12 | (90) | - |
| **Group** | 538 | 1 | (22) | - | (99) | 418 |

Note: 12 trading sites dedicated to SK Sales previously reported in UK Distribution transferred (1 Jan 2019) to Air Handling prior to disposal

# Appendix II:
# Business Overview

# UK Distribution

## Underlying financials

| £m | 2017 | 2018 | 2019 | 18v17 | 19v18 |
|---|---|---|---|---|---|
| Revenue | 717.3 | 680.1 | 534.3 | (5.2)% | (21.4)% |
| LFL sales | (2.1)% | (5.2)% | (21.1)% | n/a | n/a |
| Gross profit | 162.4 | 167.7 | 140.2 | 3.3% | (16.4)% |
| Gross margin | 22.6% | 24.7% | 26.2% | +210bps | +150bps |
| **Operating profit** | **3.0** | **23.0** | **5.8** | **666.7%** | **(74.7)%** |
| ROS | 0.3% | 3.4% | 1.1% | 310bps | (230)bps |
| Trading sites | 78 | 53 | 44 | (25) | (9) |

Note: 2017 and 2018 adjusted to exclude 12 sites (SK Sales), transferred to Air Handling (1 Jan 2019).

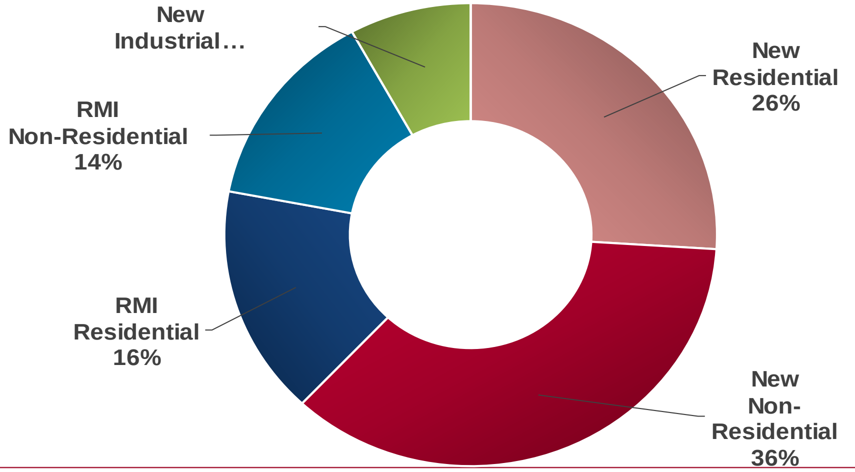
## Business and key competitors

- Principally specialist distribution of insulation/interiors
- A Leading position within UK
- Key competitors:
  - **CCF (Travis Perkins)**
  - **Minster (Saint Gobain)**
  - **Encon (MBO)**

## Key products

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

## Markets




Note: Market share is company estimate. Data represents underlying performance pre IFRS 16. ROS% excludes impact of property profits of £nil (2018: £nil; 2017: £0.9m).

# UK Exteriors

## Underlying financials

| £m | 2017 | 2018 | 2019 | 18v17 | 19v18 |
|---|---|---|---|---|---|
| Revenue | 344.2 | 321.9 | 288.2 | (6.5)% | (10.5)% |
| LFL sales | (3.5)% | (6.5)% | (10.1)% | n/a | n/a |
| Gross profit | 98.9 | 91.5 | 81.8 | (7.5)% | (10.6)% |
| Gross margin | 28.7% | 28.4% | 28.4% | (30)bps | n/c |
| **Operating profit** | **22.9** | **13.8** | **7.7** | **(39.7)%** | **(44.4)%** |
| ROS | 5.1% | 4.3% | 2.7% | (90)bps | (150)bps |
| Trading sites | 127 | 115 | 110 | (12) | (5) |

## Business and key competitors

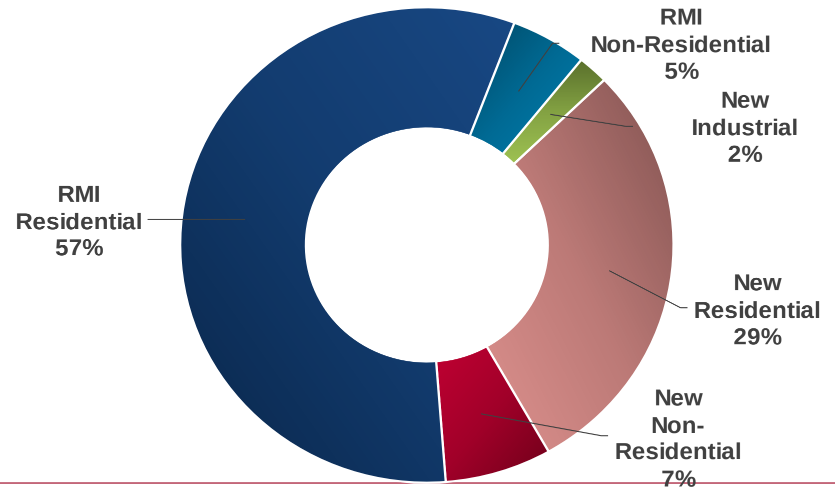
- Principally roofing merchanting
- A UK leader with a strong position in a fragmented market
- Key competitors:
  - **Burtons**
  - **Rinus**
  - **General builders' merchants**
  - **Other small independent roofing specialists**

## Key products

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

SIG ROOFING
SIG DESIGN TECHNOLOGY
SIG ZINC & COPPER
SIG INDUSTRIAL ROOFING
Flex-R Flat Roofing Solutions

## Markets




Note: Market share is company estimate. Data represents underlying performance pre IFRS 16. ROS% excludes impact of property profits of £nil (2018: £nil; 2017: £5.3m).

# Ireland & Other

## Underlying financials

| £m | 2017 | 2018 | 2019 | 18v17 | 19v18 |
|---|---|---|---|---|---|
| Revenue | 98.3 | 99.9 | 94.9 | 1.6% | (5.0)% |
| LFL sales | 7.8% | 0.3% | (3.3)% | n/a | n/a |
| Gross profit | 24.6 | 25.2 | 23.7 | 2.5% | (5.9)% |
| Gross margin | 25.0% | 25.3% | 25.0% | +30bps | (30)bps |
| **Operating profit** | **4.8** | **6.1** | **6.2** | **27.1%** | **1.6%** |
| ROS | 4.9% | 6.1% | 6.5% | 120bps | 40bps |
| Trading sites | 10 | 10 | 9 | - | (1) |

## Business and key competitors

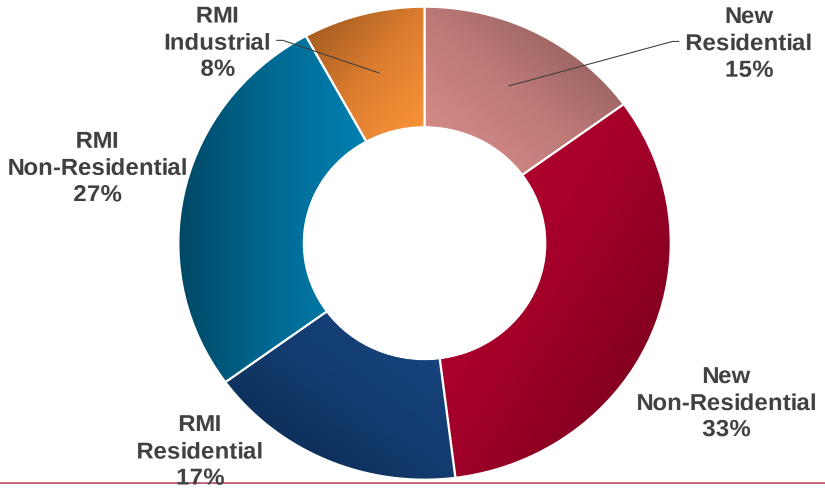
- Principally specialist distribution of interiors, insulation and construction accessories
- Strong positions in Interiors, Insulation and Construction Accessories
- Key competitors:
  - **Tennants**
  - **Saint Gobain**
  - **Sitetech**

## Key products

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

SIG INTERIORS · SIG INSULATION · SIG CONSTRUCTION ACCESSORIES · SIG TECHNICAL INSULATION · SIG ROOFING · SIG WORKPLACE · HHI HOME IMPROVEMENT CENTRES CELEBRATING 30 YEARS · J.S. McCARTHY LIMITED EST 1878

## Markets




Note: Market share is company estimate. Data represents underlying performance pre IFRS 16. ROS% excludes impact of property profits.

# France - Litt

## Underlying financials

| £m | 2017 | 2018 | 2019 | 18v17 | 19v18 |
|---|---|---|---|---|---|
| Revenue | 159.9 | 175.4 | 184.5 | 9.7% | 5.2% |
| LFL sales | (45.3)% | 8.1% | 7.1% | n/a | n/a |
| Gross profit | 40.8 | 48.2 | 50.6 | 18.1% | 5.1% |
| Gross margin | 25.5% | 27.5% | 27.5% | +200bps | n/c |
| **Operating profit** | **6.7** | **8.6** | **10.8** | **28.4%** | **25.9%** |
| ROS | 4.2% | 4.3% | 5.9% | 10bps | 160bps |
| Trading sites | 38 | 38 | 38 | - | - |

## Business and key competitors

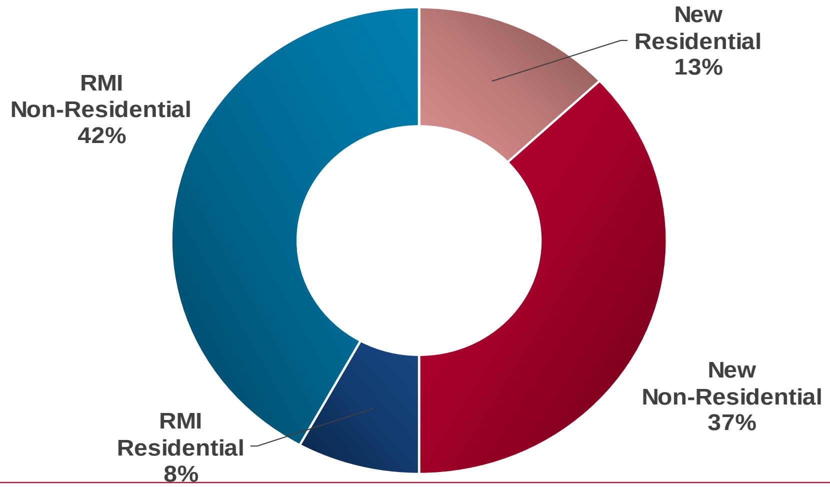
- Specialist distribution of insulation/interiors
- Strong positions in Ceilings and Structural insulation/interiors
- Key competitors:
  - **Point P (Saint Gobain)**
  - **SFIC (Saint Gobain)**
  - **RESO**
  - **Chausson**

## Key products

- Structural insulation, dry lining and partitions

Des spécialistes à votre service

## Markets




Note: Market share is company estimate. Data represents underlying performance pre IFRS 16. ROS% excludes impact of property profits of £nil (2018: £1.0m; 2017: £nil).

# France - Larivière

## Underlying financials

| £m | 2017 | 2018 | 2019 | 18v17 | 19v18 |
|---|---|---|---|---|---|
| Revenue | 347.3 | 344.7 | 342.2 | (0.7)% | (0.7)% |
| LFL sales | 3.4% | (1.1)% | 1.1% | n/a | n/a |
| Gross profit | 81.7 | 80.4 | 80.0 | (1.6)% | (0.5)% |
| Gross margin | 23.5% | 23.3% | 23.4% | (20)bps | +10bps |
| **Operating profit** | **11.2** | **13.2** | **8.0** | **17.9%** | **(39.5)%** |
| ROS | 3.2% | 3.8% | 2.3% | 60bps | (160)bps |
| Trading sites | 113 | 110 | 108 | (3) | (2) |

## Business and key competitors

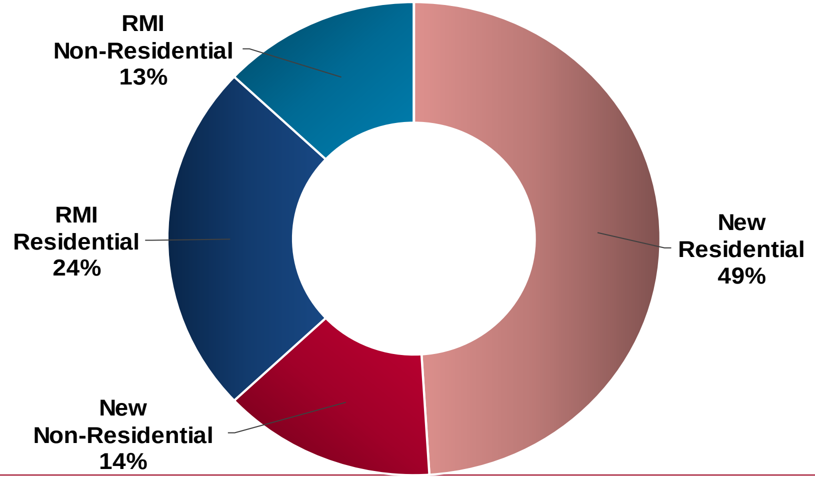
- Roofing merchanting
- A market leader in specialist roofing
- Key competitors:
  - **Point P (Saint Gobain)**
  - **SFIC (Saint Gobain)**
  - **L'asturienne (Saint Gobain)**
  - **Chausson**

## Key products

- Clay tiles, slates, metals, membranes, battens

LARIVIERE
ENTRE EXPERTS DE L'ENVELOPPE DU BÂTIMENT

## Markets



# Germany

## Underlying financials

| £m | 2017 | 2018 | 2019 | 18v17 | 19v18 |
|---|---|---|---|---|---|
| Revenue | 404.8 | 403.4 | 381.5 | (0.3)% | (5.4)% |
| LFL sales | (1.5)% | (1.6)% | (2.5)% | n/a | n/a |
| Gross profit | 107.3 | 108.5 | 105.6 | 1.1% | (2.6)% |
| Gross margin | 26.5% | 26.9% | 27.7% | +40bps | +80bps |
| **Operating profit** | **10.4** | **7.6** | **3.4** | **(26.9)%** | **(55.8)%** |
| ROS | 1.5% | 1.5% | 0.9% | | (60)bps |
| Trading sites | 59 | 56 | 51 | (3) | (5) |

## Business and key competitors

- Specialist distribution of insulation/interiors
- Strong positions in dry lining/ceilings; technical insulation; and structural insulation
- Relatively fragmented market
- Key competitors:
  - **Raab Karcher (Saint Gobain)**
  - **Bauking (CRH)**
  - **Baywa**
  - **Baustoff & Metall**
  - **Small independent regional players**

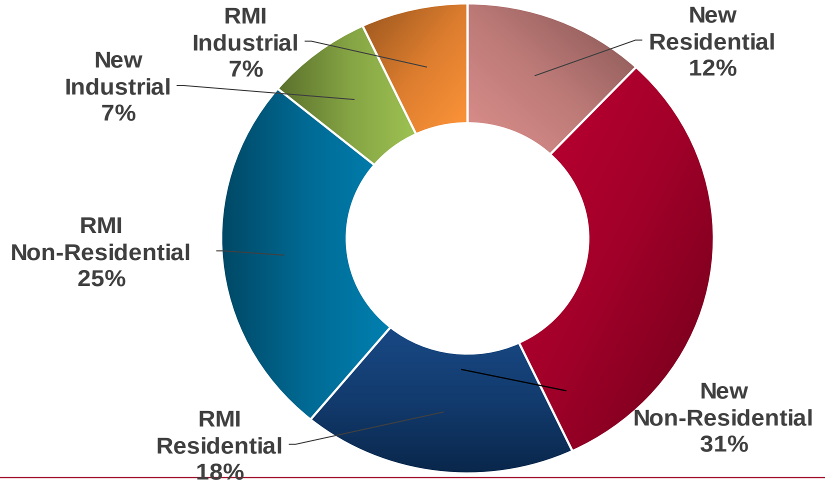
## Key products

- Structural insulation and dry lining
- Ceiling tiles and grids
- Doors and frames
- Technical insulation

Systembaustoffe

Technische Isolierungen

## Markets




Note: Market share is company estimate. Data represents underlying performance pre IFRS 16. ROS% excludes impact of property profits of £nil (2018: £1.6m; 2017: £4.5m).

# Poland

## Underlying financials

| £m | 2017 | 2018 | 2019 | 18v17 | 19v18 |
|---|---|---|---|---|---|
| Revenue | 142.8 | 156.6 | 156.1 | 9.7% | (0.3)% |
| LFL sales | 13.3% | 8.9% | 2.1% | n/a | n/a |
| Gross profit | 28.5 | 31.4 | 31.7 | 10.2% | 1.0% |
| Gross margin | 20.0% | 20.0% | 20.3% | | +30bps |
| **Operating profit** | **1.0** | **3.3** | **4.2** | **230.0%** | **27.6%** |
| ROS | 0.7% | 2.1% | 2.5% | 140bps | 40bps |
| Trading sites | 49 | 45 | 43 | (4) | (2) |

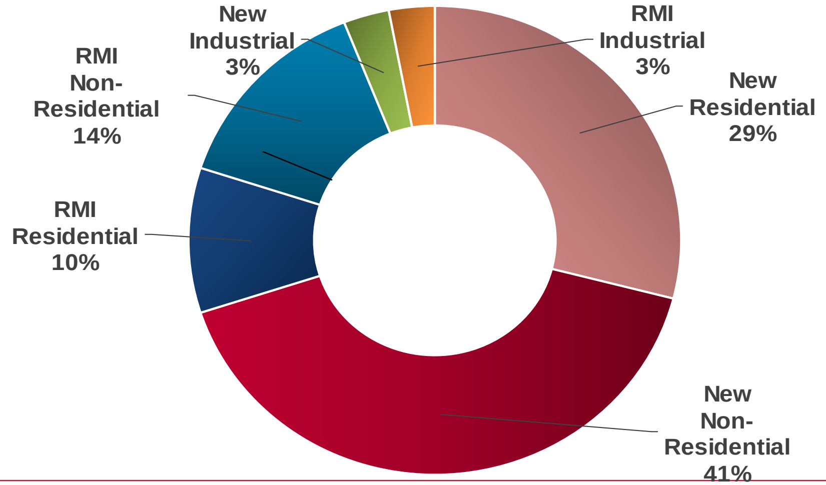
## Business and key competitors

- Principally specialist distribution of insulation/interiors
- Strong positions in structural insulation/interiors and technical insulation
- Key competitors:
  - **3W, AB Bechcicki (structural insulation)**
  - **Caldo Izolacja, Herbud (technical insulation)**
  - **PSB, GHB (Purchasing associations)**

## Key products

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

## Markets




Note: Market share is company estimate. Data represents underlying performance pre IFRS 16. ROS% excludes impact of property profits of £0.3m (2018: £nil; 2017: £nil).

# Benelux

## Underlying financials

| £m | 2017 | 2018 | 2019 | 18v17 | 19v18 |
|---|---|---|---|---|---|
| Revenue | 101.7 | 108.4 | 103.0 | 6.6% | (5.0)% |
| LFL sales | (4.3)% | 5.3% | (3.3)% | n/a | n/a |
| Gross profit | 26.2 | 25.7 | 25.4 | (1.8)% | (1.3)% |
| Gross margin | 25.8% | 23.7% | 24.7% | (210)bps | +100bps |
| **Operating profit** | **6.3** | **4.5** | **5.1** | **(28.6)%** | **13.3%** |
| ROS | 6.2% | 4.2% | 5.0% | (200)bps | 90bps |
| Trading sites | 15 | 14 | 15 | (1) | 1 |

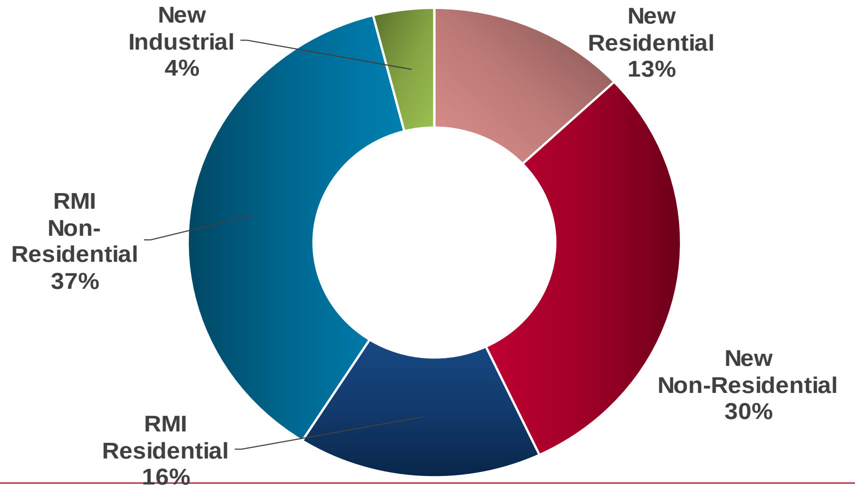
## Business and key competitors

- Specialist distribution of insulation/interiors
- Strong positions in technical insulation) and interiors
- Key competitors:
  - **Astrimex**
  - **Raab Karcher**
  - **Baustoff & Metall**
  - **IPCOM group**

## Key products

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

## Markets




Note: Market share is company estimate. Data represents underlying performance pre IFRS 16. ROS% excludes impact of property profits.

# Definition of terms

| | |
|---|---|
| **Underlying operations** | Excludes businesses divested or closed, or which the Board has resolved to divest or close before 28 May 2020. |
| **Like-for-like (LFL)** | Sales per working day in constant currency, excluding acquisitions and disposals. Sales are not adjusted for branch openings or closures. |
| **ROS** | Underlying operating profit, excluding property profits divided by underlying revenue. |
| **ROCE** | 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 to underlying operating profit before depreciation and amortisation (“EBITDA”). |
| **Opex as % of sales** | Underlying operating costs as a percentage of underlying revenue. |
| **Working capital as % of sales** | Working capital to sales ratio, excluding impact of IFRS 16, is the 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. |
| **Consolidated net worth** | Consolidated net assets less non-controlling interests. |

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