Return to Growth strategy gathers momentum

Half year 2021 results

21 September 2021

Today's presenters

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Chief Executive Officer

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H1 2021 Results – Agenda

- H1 21 Results & H2 Outlook
- Operational & Strategic Update
- Summary

Growth strategy drives SIG back to profit

Return to Growth strategy gathers momentum

- Earlier and stronger profit delivery
- UK Distribution regaining share and rebuilding margins
- UK Exteriors strong; France and Poland record H1s; Germany improving
- Strategic initiatives on track and underpinning improvements
- Management team further strengthened in H2
- Platform for further growth in place

Encouraging Outlook

- Momentum to drive further profit improvement in H2 2021
- Supply challenges being managed; expected to subside gradually over the next year
- Full Year Operating Profit anticipated to be ahead of previous forecasts

H1 2021 Results

- H1 21 Results & H2 Outlook
- Operational & Strategic Update
- Summary

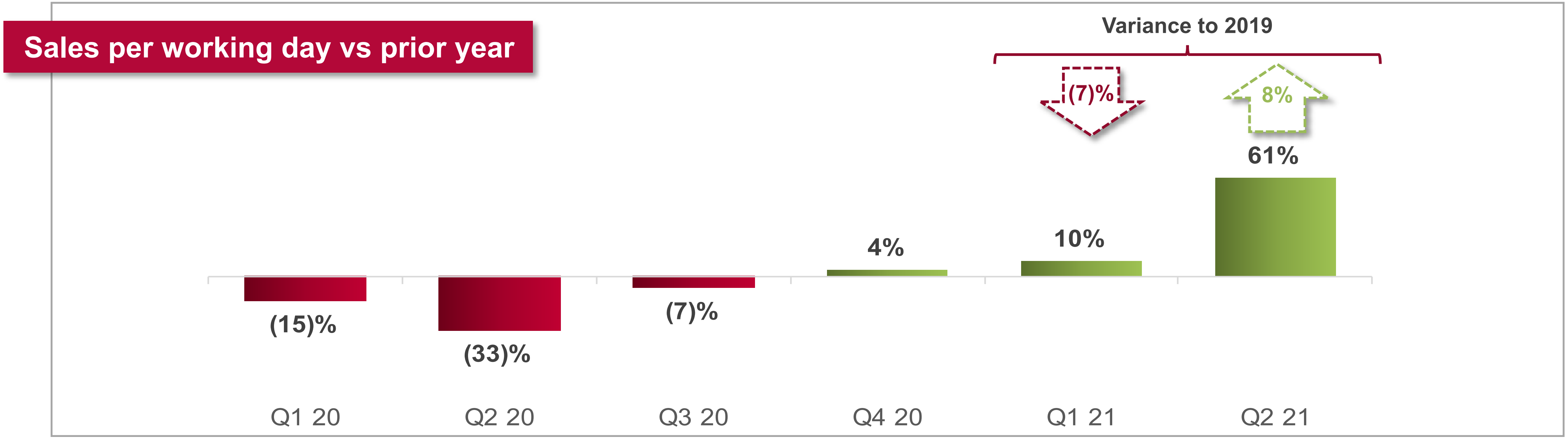
- Key H1 financials
- Outlook and guidance

Key H1 financials

£m	H1 2021	H1 2020
Revenue	1,108	839
LFL sales	*33.0%*	*(24.1)%*
Gross profit	287	209
Gross margin	*25.9%*	*24.9%*
Underlying operating profit/(loss)	**14**	**(43)**
Operating margin	*1.2%*	*(5.1)%*
Finance costs	(11)	(11)
Underlying profit/(loss) before tax	**3**	**(54)**
Other items	**(5)**	**(72)**
Net debt	289	342
Net debt, pre IFRS 16	**58**	**90**

Note: Data presented post IFRS 16 basis unless stated otherwise

Group revenues – back to growth

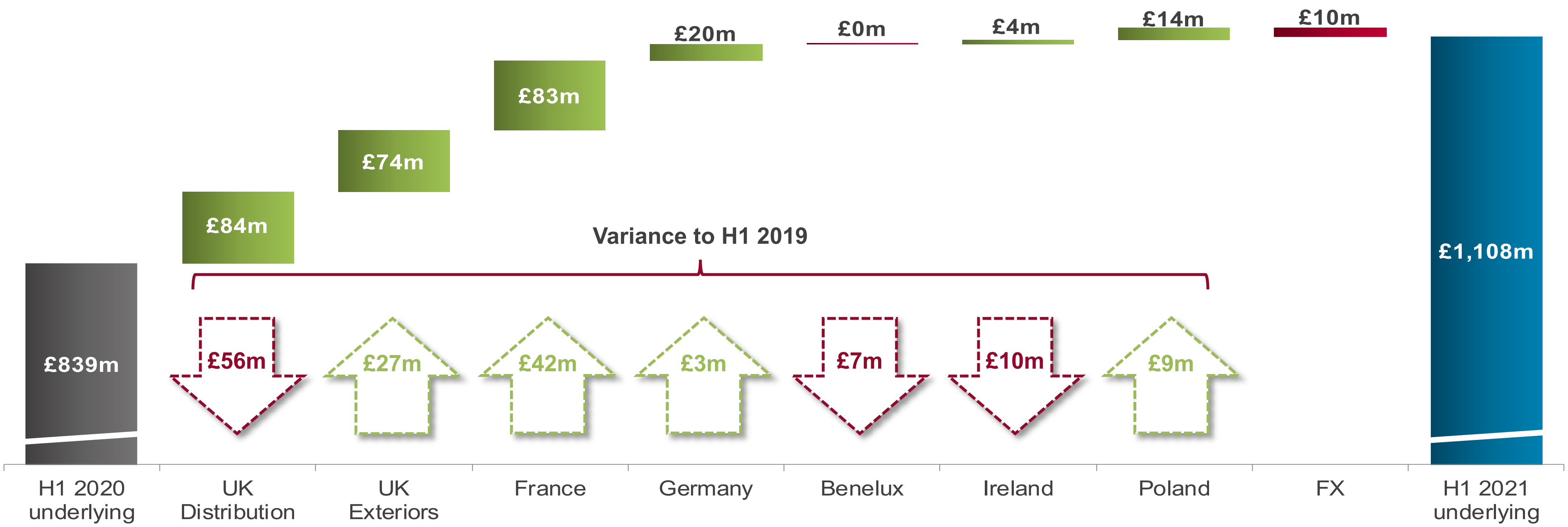


- Group continued upward trajectory across the business with successful return to growth strategy
- Adjusting for Covid impact in 2020, estimate Group growth of 11% in H1 2021. 33% unadjusted
- 1% H1 growth on 2019. This was 8% excluding UK Distribution, which fell materially from mid 2019 until recovery began in late 2020
- Significant COVID-19 impact in March to May 2020

Return to Growth strategy gathers momentum

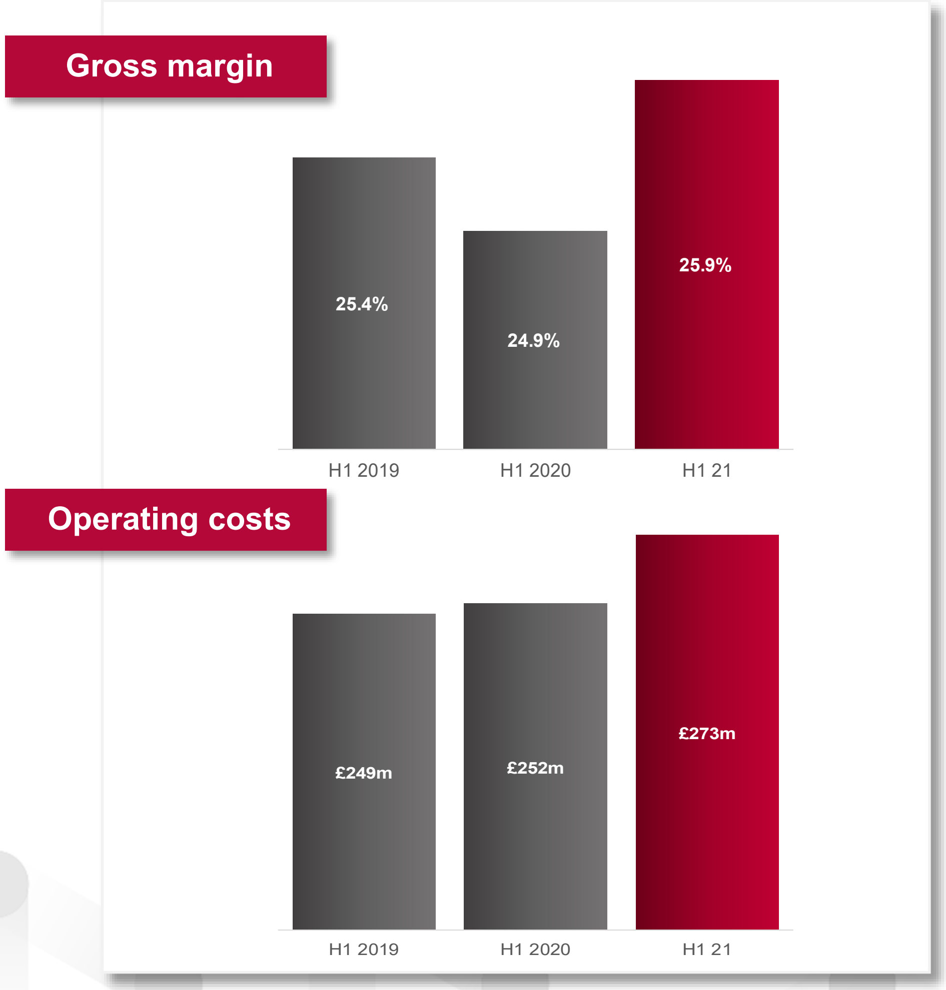
Note: Above data presented on like-for-like and constant currency basis.

Revenue change by business unit



- Healthy return to growth vs 2020. Up vs 2019 due to excellent growth in France, UK Exteriors and Poland
- Turnaround in UK Distribution business well on track - soon to show monthly growth v 2019 levels
- Benelux has begun to stabilise in 2021, with more work to do
- Further Covid restrictions impacted Ireland from Jan to May 2021- now trading robustly

Gross margin and operating costs



- H1 gross margin of 25.9%, 100bps higher than 2020
- Gross margin improvement driven by increased supplier rebates as a result of improved trading levels and favourable product mix
- Geographically, driven by UK businesses and France Distribution

- Operating costs of £273m, an increase of £21m compared to 2020
- Increase due to higher variable costs resulting from increased trading volumes, inflation and employee incentives, and due to furlough relief in 2020

Note: Data represents underlying performance, post IFRS 16

Cash flow

£'m	H1 2021	H2 2020	H1 2020
Total operating profit/(loss)*	9	(65)	(102)
Depreciation and non-cash items	39	75	80
Working capital and provisions	(46)	(24)	(7)
Interest and tax	(16)	(18)	(14)
Capital expenditure	(12)	(7)	(13)
Sale of property and assets	2	1	5
Free cash flow	**(24)**	**(40)**	**(51)**
Acquisitions/disposals	(2)	(2)	150
Lease liabilities	(29)	(28)	(27)
Repayment of debt	-	(56)	(29)
Capital raise	-	153	(1)
Change in cash	**(56)**	**27**	**41**
Cash at beginning of period	**235**	**197**	**145**
Effect of foreign exchange rate changes	(5)	10	12
Cash at end of the period	**174**	**235**	**197**

- Working capital in H1 2021 reflects increases in stock and quicker supplier payments to secure stock in the face of supply shortages and longer lead times
- Supplier payments normalised by 2020 year-end, as previously reported
- Non-cash items in 2020 included impairment charges
- H1 2020 comparative includes cash related to disposal of Air Handling business

* 2020 comparatives excludes gain on sale of Air Handling

Outlook and technical guidance

- H2 solid so far. Remain cautious due to material shortages and supply chain disruption – but demand expected to remain robust
- Revenue will reflect further input inflation – expect higher impact from this in H2 than seen in H1. UK Distribution growing v 2019, excluding inflation
- Group and UK business both expected to further improve profitability in H2
- Full year underlying operating profit expected to be ahead of prior expectations
- Expected small Group cash outflow in H2, as a result of extending near term higher inventory levels
- Capex expected to be c£26m for full year, slightly below medium term expectations
- Tax rate
  - EU operations expected to continue on prevailing local rates
  - UK Group continues to have unrecognised deferred tax assets and so not expected to report a tax charge

2021 progress: plans on track

- H1 21 Results & H2 Outlook
- **Operational & Strategic Update**
- Summary

- Strong market for profitable growth
- Business model
- 2021 progress
- Platform for future growth

Strong market for profitable growth

Continued strong rebound of construction industry expected post Covid-19 and medium/long term strength due to structural market shortages, government stimulus and sustainability initiatives

Fiscal stimulus

- European Green Deal (~€1 trillion budget) targets investment in building in renovation across EU
- UK drive to "Build Back Better" with a Green / ESG focus

UK housing shortage

- Structural housing shortage
- Increasing house prices and demand
- Mortgages remain accessible

Position in cycle

- European and UK construction at mid-point in cycle pre-Covid-19 pandemic, now ahead of mid-point
- Lower likelihood of overbuild correction once situation recovers

Climate/ ESG

- Energy efficiency of increasing importance in New Build and RMI projects
- SIG's energy efficient product selection well positioned for growth

Business model: Why stakeholders choose SIG

For our customers

- **Proximity**: Extensive network, scale: large yet local
- **Expertise**: Experts in our field: one-stop access to wide specialist product range
- **Service**: Heritage of quality and reliability: trusted, responsive

What we do

- Distribute market-leading brands
  - Drylining/ insulation
  - Construction accessories
  - HVAC
  - Roofing systems
  - Specialist fabrication

For our suppliers

- Top to bottom integrated strategic partner
- Critical role in industry supply chain
- Brand ambassador and specialists
- Break bulk; fragmented customer base
- Pan-European branch network, large customer base

How we do it

- Work as partners for the long term
- Decentralised and entrepreneurial
- Solve problems
- Growth orientation: new products, services, locations

2021 progress

2021 Actions

- ✓ Continue to upgrade sales teams/branches; revised incentives; enhanced sales tools
- ✓ Deepen expertise; enhance service; build trust
- ✓ Work more closely with key suppliers
- ✓ Continue to build decentralised/disciplined branch franchise model (CRM, Pricing, WMS, TMS, Power BI)
- ✓ Extend and enhance branch network
- ✓ Catch-up investment, including selective digitisation
- ✓ Upgrade centre: lean (fewer activities) and effective (higher quality)
- ✓ Highly selective M&A as an enabler and accelerator of priorities

2021 Targets

- ✓ UK back to profit, get back to strong positive Group-wide EBITDA
- ✓ Market share gains
- ✓ Maintained margins at pre COVID-19 norms; overheads held in check
- ✓ Preserve required working capital and investment levels

Return to Growth strategy gathers momentum

SIG's Return to Growth 'Handbook' - the 7 Pillars

SIG

Constructing the Future

Our strategy: To continuously grow our leadership positions and market share through expertise, service and proximity

1. Responsible actions

2. Winning branches

3. Superior service

4. Specialist expertise

5. Valuable partnerships

6. Highest productivity

7. Focused growth

Medium Term Financial Targets:

Superior growth; operating margin of 3%, trending to 5% in longer term

Cash generation to invest sustainably and support progressive dividend policy

Platform for future growth in place

Leadership now in place

- New German MD – industry and SIG-experienced
- New Chief People Officer
- New Benelux leadership team
- New Strategy Director role and appointment

Permission to grow and investment in people energising our branches

- Local empowerment
- Local sourcing and trading to fill gaps
- New product initiatives
- Increased sales capacity, experience, expertise
- Focus on e-commerce capability
- Better working conditions – site investment

Clear Business Model 'Handbook' (the 7 Pillars) for growth implemented Groupwide

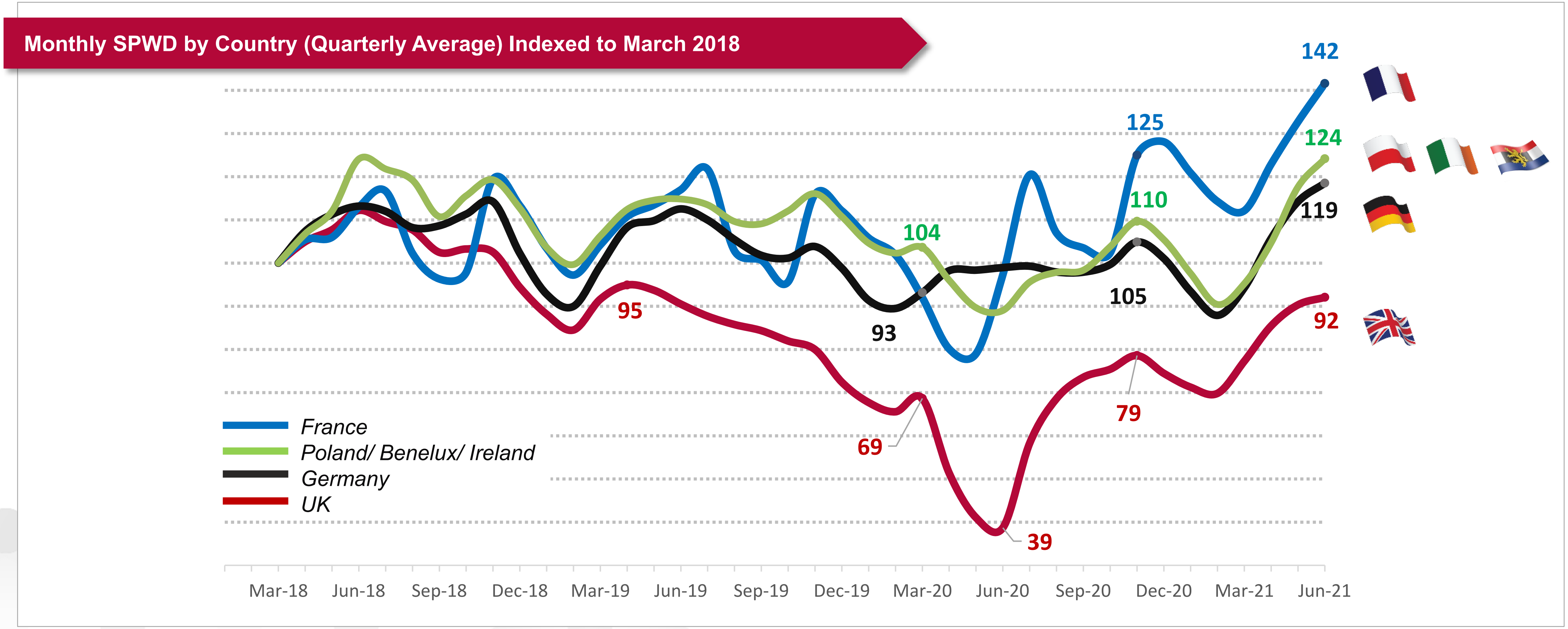
Our strategy: To continuously grow our leadership positions and market share through expertise, service and proximity

1. Responsible actions	2. Winning branches	3. Superior service	4. Specialist expertise	5. Valuable partnerships	6. Highest productivity	7. Focused growth

Return to Growth strategy gathers momentum

Revenues by Country since Q1 2018

- Turnaround in UK now visible: back to Q1 2019 levels, further to go
- Strong Growth in EU countries: now well above Q1 2018 levels



Return to Growth strategy gathers momentum

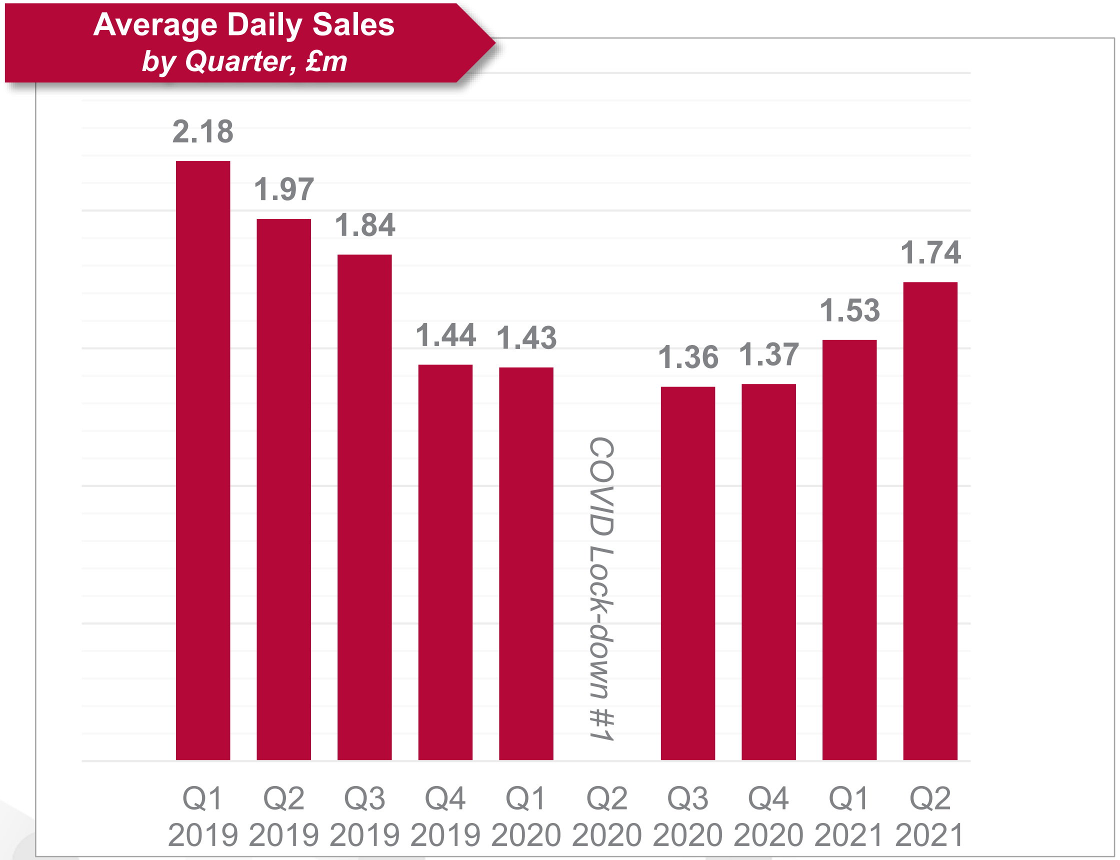
Successful rebuild of UK leadership and organisation

	Plan to enhance Operational efficiency and efficacy	Rebuilt UK business in six months
Merge UK Businesses	**1 Right-size structure and organisation** • Merge SIGD and SIGE into single UK Division • New UK leadership • New structure, footprint and channels encouraging local accountability • Simplify operating model, reducing duplication and optimising shared service centres	**UK merger and reduction in central roles completed generating £4m of savings and reduction of 70 roles** • Total UK headcount steady at 2,700 despite 16% joiners and leavers
Enable Growth	**2 Remove blockages to growth** • Enhance “On Time In Full” (OTIF) service offering • Efficient pricing through procurement and rebate management • Improved sales capability through training, mentoring, activity metrics and CRM+ • Develop supporting systems for stock availability and OTIF	**Reorganisation of senior management under Phil Johns’ leadership** • New Board in place; 5 of 7 market-facing UK Directors joined in 2020 with an average 27 years’ industry experience. All but 1 are SIG alumni

Energise Sales Efforts	**3 Reconnect with customers**
	• Leadership and Entrepreneurship: “everyone is a salesperson” – culture and values led approach
	• Retention and growth of sales force adding back specialism and ability to move into adjacent product and service niches
	• Clear mission, strategic direction and USPs
		Cost savings reinvested in rebuilding UK Distribution
		• 240 joiners and 140 redeployed
		• Industry leading category organisation rebuilt
		  • 86 new senior sales and category experts (average industry experience of 13 years)
		  • 32 new branch manager positions
		  • Onboarding of 101 sales recruits

UK Distribution Daily Sales & Market Share Trends

- UK Distribution daily sales have rebounded strongly
- Recapture of market share well underway

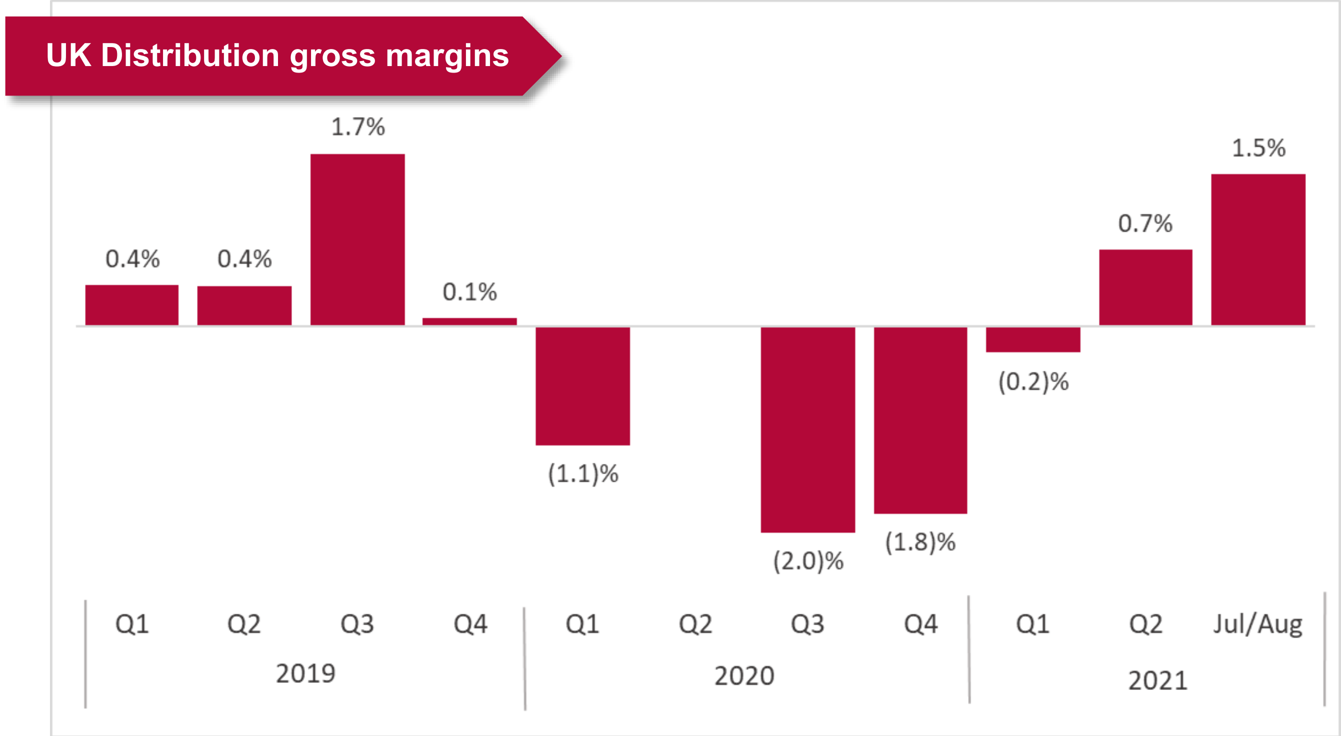


Return to Growth strategy gathers momentum

UK Distribution gross margins rebuilt

- Despite the significant inflationary conditions and supply dislocations, UK Distribution has rebuilt margins to historic levels in the last year
- Main levers:
  - Improved supplier relationships (both rebates and terms)
  - Successful input price inflation management
  - Improved pricing disciplines (both spot and traded business)
  - Improving product mix (towards higher margin products as a result of the return of expertise)

(NB. Margins in H2 2019 were inflated by excess price rises in dry lining which accelerated market share loss; 2018 is a more realistic benchmark)



Data indexed vs 2018 full year average

Notes: figures for Q2 2020 distorted by COVID lock-down #1

Summary

- H1 21 Results & H2 Outlook
- Operational & Strategic Update
- **Summary**

Medium term goals remain unchanged

Conclusion

Medium term goals remain unchanged

The Group has the following medium term key financial goals:

Margin	• Group operating margin of approximately 3%, trending towards approximately 5% in the longer-term • Underpinned by a target operating margin of approximately 5% within the Group's operating companies
Leverage	• Headline Financial Leverage of <1.5x (pre IFRS16)
Dividend	• Dividend cover of 2-3x once appropriate leverage has been achieved

Growth strategy drives SIG back to profit

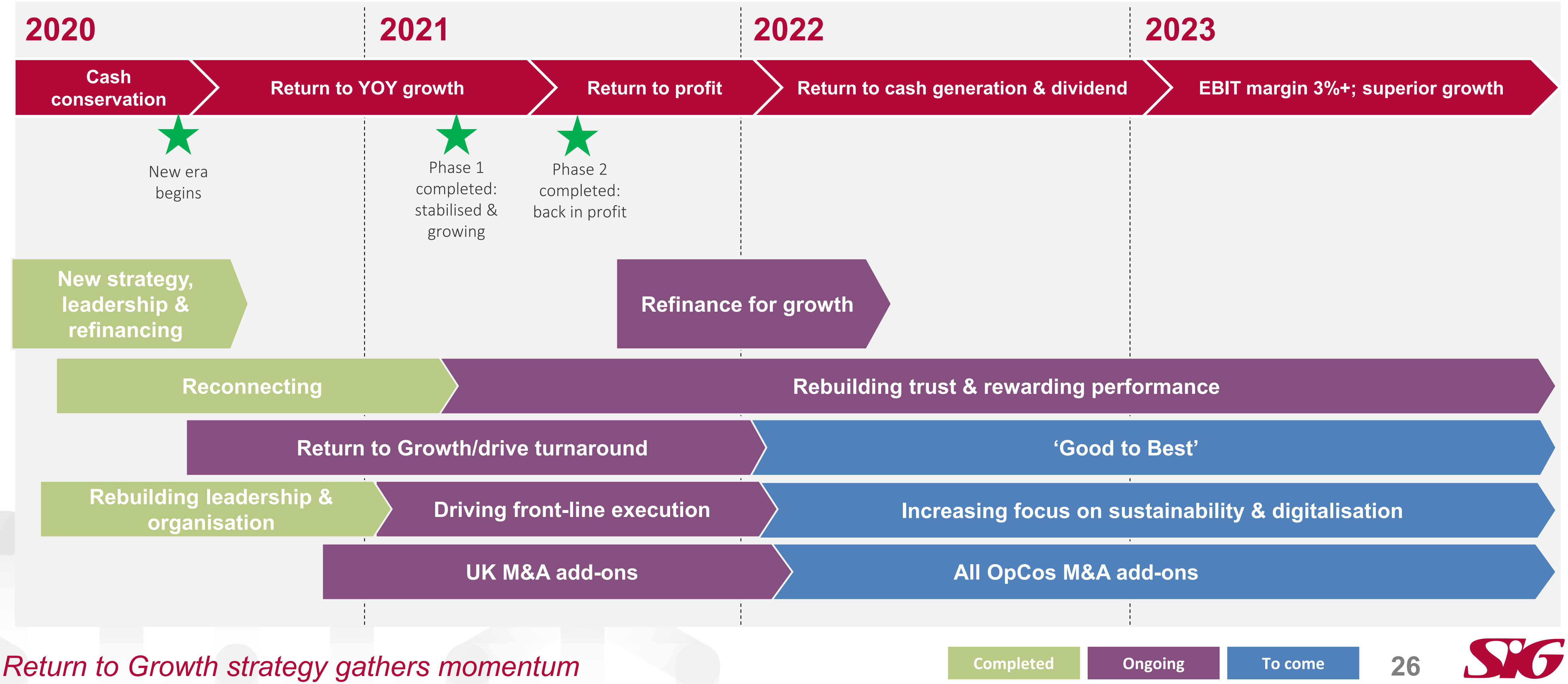
- Revenue-driven strategy delivering ahead of expectations
- Reconnection with customers, suppliers and employees
- Return to growth driven by investment in people
- Successful rebuild of UK leadership and organisation
- Building blocks for growth in place
- Healthy long term industry fundamentals
- Growing confidence on longer term business potential

Appendix

Return to Growth strategy: key milestones

The execution of the "Return to Growth" strategy is on track, with the first milestones having been achieved

Current status and milestones of the "Return to Growth" strategy



Return to Growth strategy gathers momentum

Underlying financials by segment

	Revenue	Change vs PY	LFL vs 2020	LFL vs 2019	Operating (loss)/profit	Change vs PY	Operating margin	Change vs PY
UK Distribution	£239m	54.5%	54.0%	(19.4)%	£(5.4)m	£22.0m	(2.2)%	+1,540bps
UK Exteriors	£199m	59.0%	58.2%	14.4%	£7.9m	£16.5m	4.0%	+1,080bps
Total UK	**£439m**	**56.5%**	**55.9%**	**(6.9)%**	**£2.5m**	**£38.5m**	**0.6%**	**+1,340bps**
France Distribution	£101m	37.0%	37.6%	7.8%	£6.2m	£4.9m	6.1%	+430bps
France Exteriors	£206m	33.7%	34.2%	19.4%	£10.8m	£9.2m	5.2%	+420bps
Total France	**£308m**	**34.8%**	**35.3%**	**15.3%**	**£17.0m**	**£14.1m**	**5.5%**	**+420bps**
Germany	£194m	9.7%	11.1%	1.0%	£2.6m	£3.9m	1.3%	+210bps
Benelux	£47m	(1.3)%	1.6%	(10.1)%	£(0.0)m	£(1.8)m	(0.0)%	(380)bps
Ireland	£37m	11.7%	13.9%	(20.6)%	£(0.2)m	£1.2m	(0.5)%	+370bps
Poland	£84m	15.5%	21.6%	20.2%	£2.5m	£1.9m	3.0%	+220bps
Total Group	**£1,108m**	**32.1%**	**33.0%**	**1.0%**	**£13.6m**	**£56.5m**	**1.2%**	**+630bps**

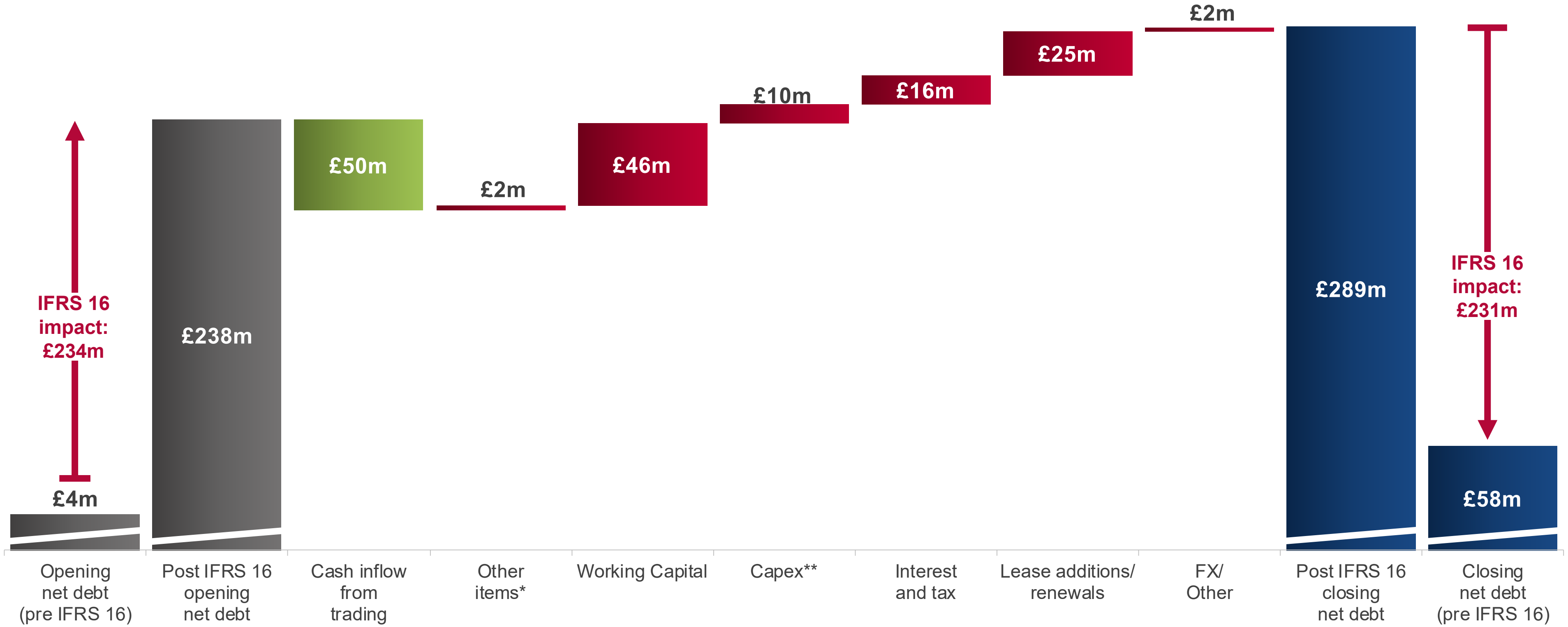
Note: Data represents underlying performance post IFRS 16. Group stated net of central costs

Other items – continuing operations

£m	PBT Impact H1 2021	PBT Impact H1 2020	Cash Impact H1 2021	
Amortisation of acquired intangibles	(2.3)	(2.8)	-	
Impairment charges	-	(42.8)	-	Impairment of goodwill
Acquisition costs/disposals/exits	(0.3)	1.2	(0.1)	
Net restructuring costs	(2.2)	(3.5)	(2.2)	
Investment in omnichannel retailing	-	(4.1)	-	Exit of previous e-commerce strategy
Costs associated with refinancing	-	(6.9)	-	Advisor fees on successful renegotiations of Group's debt structure
Other specific items	0.2	(1.1)	-	
Non-underlying finance costs	-	(11.6)	-	Loss on modification of debt
Total Other items	**(4.6)**	**(71.6)**	**(2.3)**	

Note: Data presented post IFRS 16 basis unless stated otherwise

Net debt bridge



- Net debt increased by £51m to £289m on a post IFRS 16 basis
- Improved profitability offset by increase in working capital reflecting increases in stock and quicker supplier payments to secure stock in the face of supply shortages and longer lead times.

* *See previous slide for detail of Other items*
** *Capex net of proceeds from sales of property, plant and equipment*

Number of trading sites in 2021

	31 Dec 2020	Acquired/ opened	Closed/ merged	30 Jun 2021
UK Distribution	43	5	(1)	47
UK Exteriors*	116	-	-	116
Total UK	159	5	(1)	163
France Distribution	38	-	-	38
France Exteriors	106	-	-	106
Total France	144	-	-	144
Germany	51	-	-	51
Benelux	15	1	(1)	15
Ireland	9	-	-	9
Poland	43	1	-	44
Total Group	421	7	(2)	426

** UK exteriors includes 7 (H120: 7) trading sites relating to Building Solutions.*

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