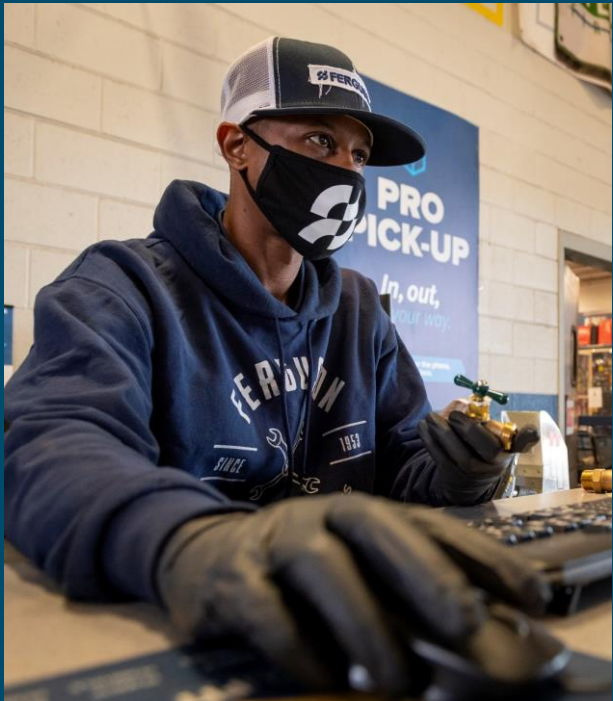


**FERGUSON**

# 2020/21 First quarter results update

Three months to October 31, 2020



---

# Introduction

**Kevin Murphy, Group Chief Executive**



## Highlights

- Focused on the safety of our associates and supporting our customers
- Sincere thanks to all of our 33,000 associates for their dedication and commitment
- Strong Q1 demonstrating our resilient business model
  - Grew Group revenue 3.1% and underlying trading profit 12.2%
  - Excellent cash generation
  - Strong balance sheet with leverage at 0.5 times net debt : adjusted EBITDA
    - Continued investment in the business including our technology platform
    - Resumed ordinary dividends – \$467m final dividend will be paid on 11 December
    - Completed two bolt on M&A transactions since the start of the year

**Business is in very good shape and well prepared for any future COVID disruption**

---

# Operating and financial review

Bill Brundage, Group CFO



## Quarterly ongoing financial results (Q1 2021)



Resilient business model delivered strong trading profit growth

## USA

\$m	Q1 2021	Q1 2020	Change
Revenue	5,050	4,893	+3.2%
Organic revenue growth	+3.3%	+3.1%	
Underlying trading profit <sup>1</sup>	473	425	+11.3%
Underlying trading margin % <sup>1</sup>	9.4%	8.7%	+0.7%

- Returned to revenue growth in first quarter
- Gross margins slightly softer due to mix
- Excellent cost control led to strong trading margin progression

**Good operating performance showing agile business model**

1. Underlying denotes that the metric is stated on a pre-IFRS 16 basis.

## Canada

\$m	Q1 2021	Q1 2020	Change
Revenue	322	315	+2.2%
Organic revenue growth	+3.5%	(6.4%)	
Underlying trading profit <sup>1</sup>	23	19	+21.1%
Underlying trading margin % <sup>1</sup>	7.1%	6.0%	+1.1%

- Good revenue growth, markets remain challenging in Western Canada
- Gross margins slightly lower
- Grew trading profit \$4m as a result of benefits of restructuring and tight cost control

**Good profit progression despite challenging backdrop**

1. Underlying denotes that the metric is stated on a pre-IFRS 16 basis.

## UK (non-ongoing)

\$m	Q1 2021	Q1 2020	Change
Revenue	569	541	+5.2%
Organic revenue growth	+1.2%	(4.2%)	
Underlying trading profit <sup>1</sup>	25	15	+66.7%
Underlying trading margin % <sup>1</sup>	4.4%	2.8%	+1.6%

- Material uplift in underlying trading profit from benefits of operational efficiencies and business restructuring

**Business now benefiting from a clear strategy and simplified customer proposition**

1. Underlying denotes that the metric is stated on a pre-IFRS 16 basis.



## Cash flow and balance sheet

- Robust profit growth led to excellent cash generation in period
- Pro forma net debt to adjusted EBITDA 0.7x after \$467m cash outflow from final dividend
- Target range of net debt to adjusted EBITDA of 1-2x
- Capital allocation priorities unchanged:
  1. Organic growth
    - Investment in generating profitable growth
    - Technology to support customers and productivity improvement
  2. Ordinary dividends
    - Reinstated final dividend in September, to be paid in December
  3. Bolt-on acquisitions
    - Two completed
    - Normal forward pipeline
  4. Return of surplus cash
    - Suspended given current economic uncertainty

**Strong balance sheet underpins continued execution of our strategy**

---

# Operational review

Kevin Murphy, Group Chief Executive



## US current trading

- Residential customer groups strong across new and RMI
- Strong HVAC growth supported by pick-up in repair and remodel work in residential
- Non residential customer groups (particularly Commercial and Industrial) remain challenging
- Waterworks continues to hold up well, robust residential sales but more challenging in municipal
- eBusiness continues to generate exceptional growth as a result of demand from project minded consumers and light pro's
- Order books remain healthy consistent with low single digit revenue growth

**Strong Q1 demonstrates resilience of our business model**

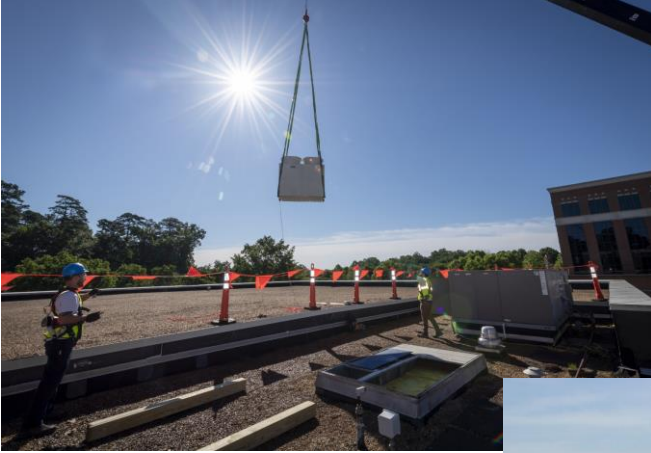
## Market update: US end market revenue growth

	<b>% US revenue<sup>1</sup></b>	<b>Q1 end market growth</b>
Residential	54%	'High single digit growth'
Commercial	32%	'Mid single digit decline'
Civil/infrastructure	7%	'Low single digit decline'
Industrial	7%	'High teens decline'

**Overall US markets were broadly flat in first quarter**

1. Split based on revenue in the year to July 31, 2020.

## Bolt on M&A



### Old Dominion Supply (HVAC)

- Wholesale distributor of HVAC parts to residential and commercial contractors
- Serving Washington DC, Central Maryland, Northern Virginia
- Revenue of \$55m with two locations and 42 associates
- Brings strong customer relationships in region.
- Complements Ferguson's strength in the metro DC, Baltimore HVAC market which is primarily in the equipment category

### Atlantic Construction Fabrics (Waterworks)

- Geotextiles business - erosion control solutions and geosynthetics, HQ in Richmond, VA
- Further diversifies our Waterworks business and complements existing customer offering
- Revenue of \$100m with 20 locations from Florida to Main, extending West into Ohio
- Follows Innovative Soil Solutions deal in 2019
- Large revenue base and geographic footprint from which to expand, strengthens vendor relationships, expands capabilities in more technical engineered products.

**Disciplined M&A remains key part of growth strategy, deal pipeline remains healthy**

## Closing and Outlook

- Since the start of Q2 business has continued to generate low single digit revenue growth in broadly flat markets
- We remain cautious on the outlook, considering current pandemic trends
- Despite potential headwinds the business is in very good shape
- Well prepared should there be any further market related disruption
- Overall management's expectations for FY 2021 are unchanged

**FERGUSON**

**Q&A**

