

# SIG plc | Annual Results 2009

for the year ended 31 December 2009

18 March 2010



# Introduction

Les Tench | Chairman



# Agenda



Overview

Les Tench | Chairman



Financial Review

Gareth Davies | Finance Director



Trading Review

Chris Davies | Chief Executive



Restructuring Review

Chris Davies | Chief Executive



Drivers, Opportunities and Outlook

Chris Davies | Chief Executive



Questions

Les Tench | Chairman

# Overview

- Extremely challenging trading conditions in 2009
- Comprehensive package of measures including significant restructuring implemented in 2008 and 2009 to deliver net savings of £100m
- Significantly strengthened financial position
  - Equity raise of £325m (net of expenses)
  - Strong cash generation
- Notwithstanding poor weather in early 2010 - long term drivers remain strong

# Financial Review

Gareth Davies | Finance Director



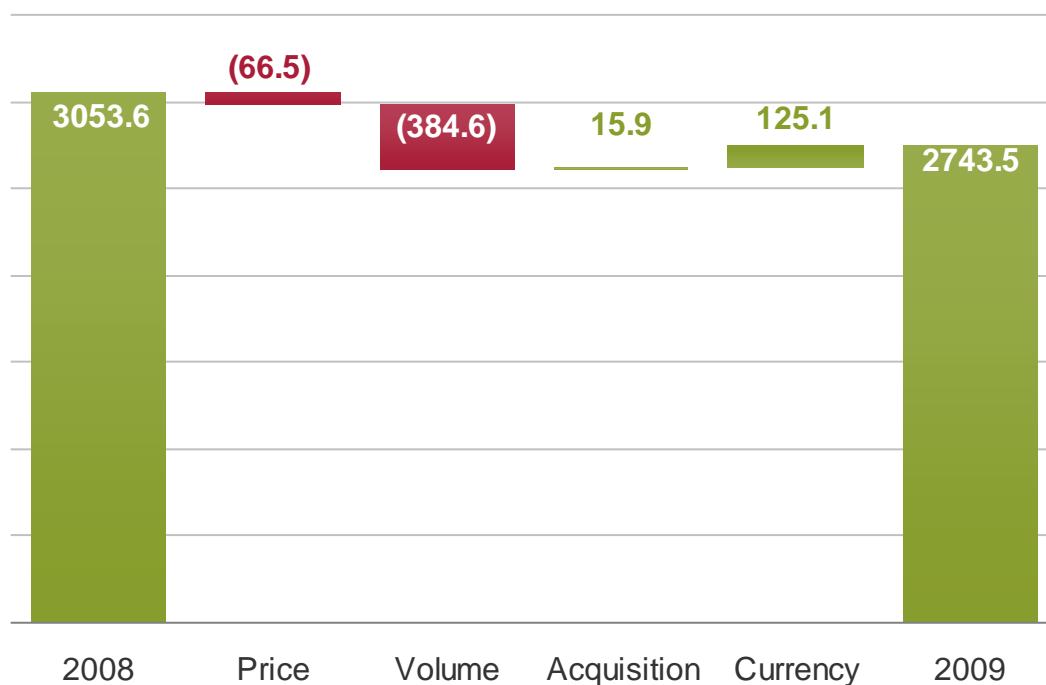
# Summary Income Statement

£m			Change	
	2009	2008	£m	%
Revenue	2,743.5	3,053.6	(310.1)	(10.2%)
Underlying operating profit before Group costs	87.9	179.1	(91.2)	(50.9%)
Group costs	(7.0)	(9.3)	2.3	24.7%
Underlying operating profit	80.9	169.8	(88.9)	(52.4%)
Underlying net finance costs	(20.3)	(32.5)	12.2	37.5%
Underlying profit before tax	60.6	137.3	(76.7)	(55.9%)
Other items*	(115.9)	(104.2)	(11.7)	
(Loss)/profit before tax	(55.3)	33.1	(88.4)	
Underlying basic EPS	9.0p	58.9p	(49.9p)	

\*Other items relate to the amortisation of acquired intangibles, impairment charges, restructuring costs and gains and losses on derivative financial instruments.

- Underlying tax rate 29.7% (2008 : 29.3%)

# Analysis of Revenue Performance



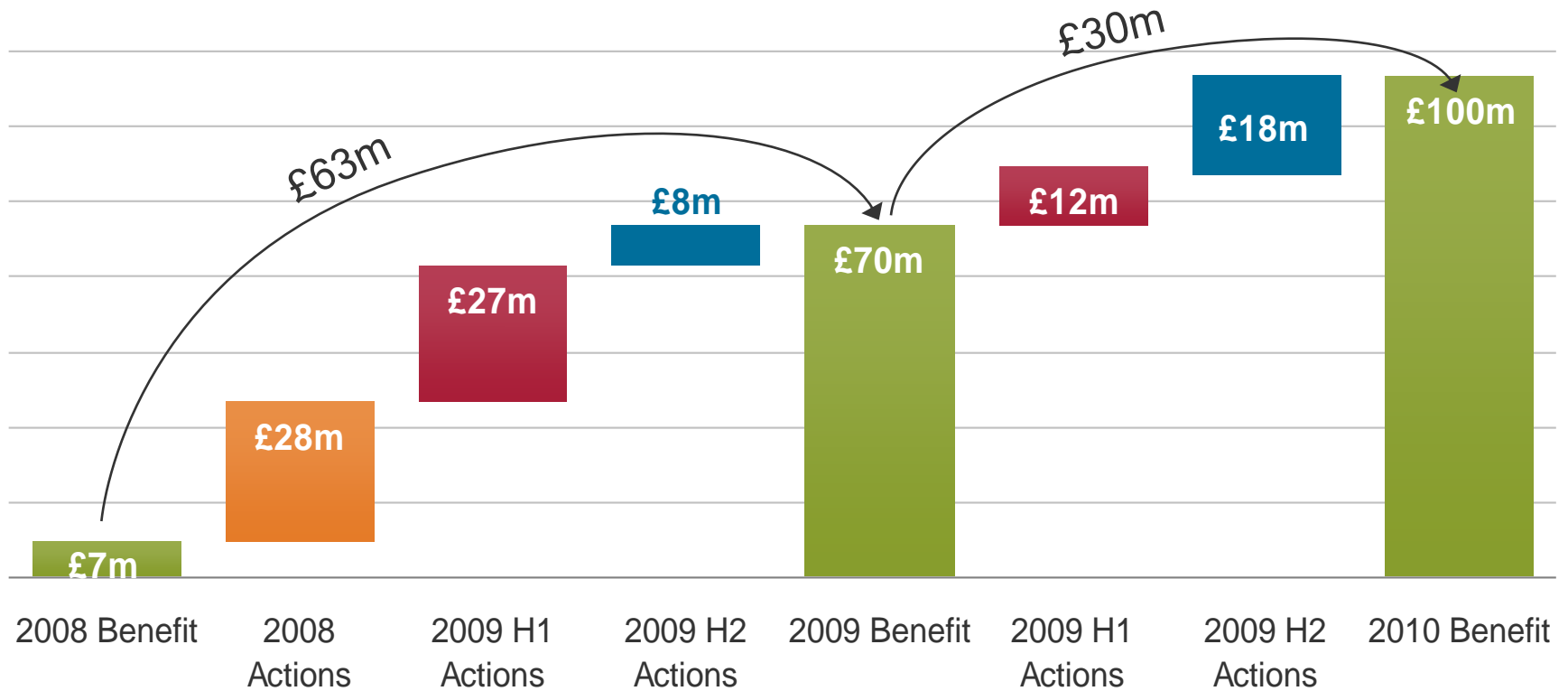
	%	£m
Price	(2.3%)	(66.5)
Volume	(13.3%)	(384.6)
Like for like	(15.6%)	(451.1)
Acquisitions	0.6%	15.9
Currency	4.8%	125.1
	(10.2%)	(310.1)

# Net Cost Saving Measures to 31 December 2009

- Annualised net savings from 2009 actions £65m, delivering net savings of £35m in 2009
- One off costs £54.8m

Actions to date:	FY 2008	FY 2009	Cumulative
Annualised net hard cost savings	£35m	£65m	£100m
Branches closed/merged	80	72	152
Headcount reduction	1,020	1,774	2,794
Associated one-off costs	£22m	£55m	£77m

# Incremental Net Savings - Benefit by Period



# Summary Balance Sheet

£m	2009	2008
Net Capex	9.5	52.9
Depreciation	40.2	42.6
Capex / Depreciation	0.24	1.24
Net working capital*	253.6	370.7
Net debt	(254.5)	(697.1)
Net debt / EBITDA ratio**	2.0x	3.1x
Interest cover**	4.3x	5.2x

\*Excludes defined benefit pension liability and contingent consideration

\*\*Based on covenant calculation

# Cash flow

£m	2009	2008
<b>Cash inflow from trading</b>	<b>71</b>	<b>189</b>
Change in working capital	103	(33)
<b>Cash inflow from operations</b>	<b>174</b>	<b>156</b>
Interest, tax and pension	(38)	(63)
Maintenance capex	(10)	(43)
<b>Free cash flow available for investment</b>	<b>126</b>	<b>50</b>
Settlement of amounts payable for purchase of businesses	(4)	(123)
Proceeds from equity issue	325	1
Exchange and fair value movements	(5)	(149)
Investment capex	-	(10)
Dividend	-	(37)
Decrease/(increase) in borrowings	442	(268)
Opening debt	(697)	(429)
Closing debt	(255)	(697)

# Working Capital and Cash Conversion

Working Capital		
	2009	2008
Stock days*	40	39
Debtor days*	44	43
Bad & doubtful debt as a % of sales	0.8%	0.6%
Creditor days*	36	28
Working Capital / Sales*	9.0%	10.7%

\* Calculated on a like for like constant currency basis

Cash Conversion		
£m	2009	2008
Cash inflow from operations*	174.9	164.4
Underlying operating profit	80.9	169.8
<b>Trading cash conversion</b>	<b>216%</b>	<b>97%</b>

\* Before pension movement

- Focus on trading cash conversion to reduce debt levels
- Significant working capital improvement

# Use of Equity Proceeds

Immediate rationale for use of equity proceeds	£m
Repay bank debt - immediate repayment of flexible bank facilities	205
Reduce interest costs - cancellation of fixed interest rate derivatives	32
Balance of monies held on deposit	88
<b>Net proceeds</b>	<b>325</b>

- Maintenance of attractive bank facilities critical
  - Flexible bank facilities have been repaid
  - Committed facilities have not been repaid if repayment triggers a loss of facility
  - £171m of debt remains drawn against bank facilities (£145m drawn on 2010 facilities)
- Significant monies held on deposit
  - £219m held on deposit at 31 December 2009 – £159m in the UK
  - Deposit monies allow the Group to repay 2010 debt maturities without expensive refinancing

# Current Debt Facilities\*

- Current UK committed debt facilities of £674m

Facilities Profile	2009	2010	2011
Amounts borrowed against maturing facilities	-	145	80
Total facility maturities	-	180	180
Committed facilities	674	494	314

- Average cost of funding for 2009 c.4.75%
- Average cost of funding for 2010 at current interest rates c.4%
- Fixed rate debt amounts to 59% of total net debt
- Euro net debt amounts to 63% of total net debt

\* At 31 December 2009 exchange rates

# Trading Review, Restructuring and Outlook

Chris Davies | Chief Executive

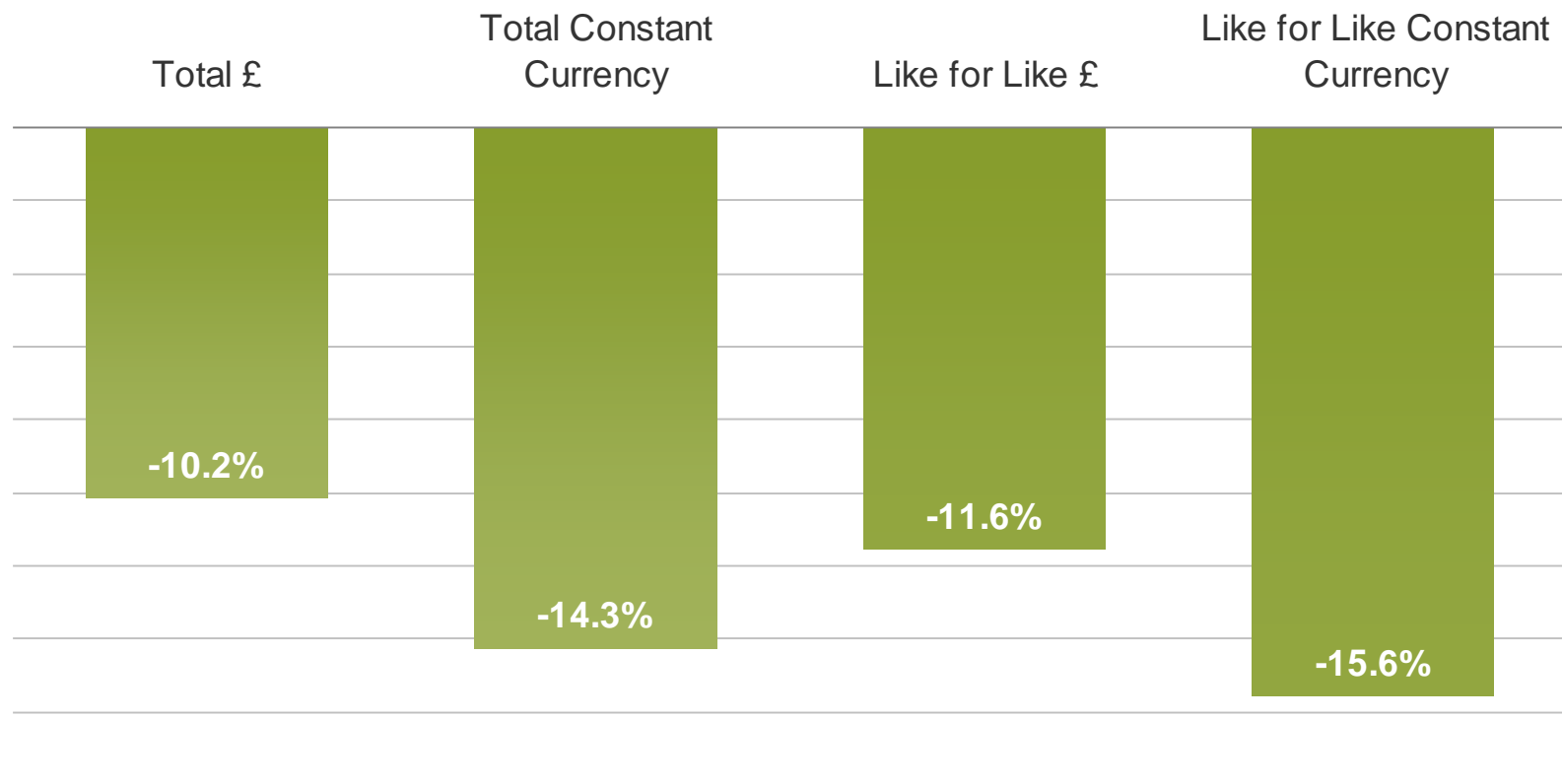


# Trading Review

Chris Davies | Chief Executive



# Total Sales Performance 2009 v 2008 - £2,744m



# Sales by Geography



UK & Ireland  
£1,326.2m

**48.3%**

2008: 54.7%

Mainland Europe  
£1,417.3m

**51.7%**

2008: 45.3%

# Sales Performance: Regional Analysis 2009 v 2008

## UK & Ireland (Constant Currency)

LFL  
**-22.2%**

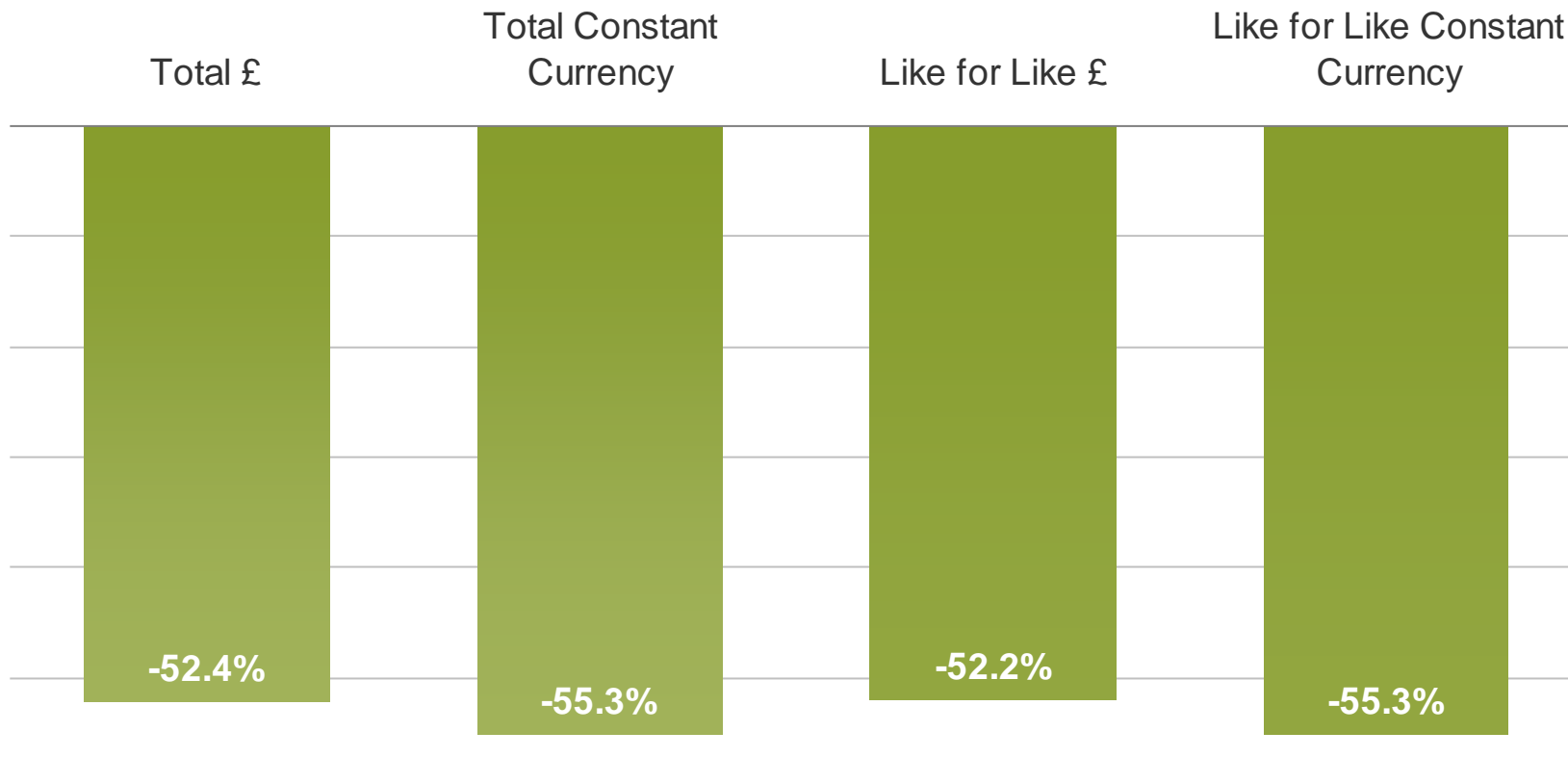
Total  
**-21.1%**

## Mainland Europe (Constant Currency)

LFL  
**-7.6%**

Total  
**-6.0%**

# Total Operating Profit Performance 2009 v 2008 - £80.9m



All reference to operating profit is on an underlying basis, i.e. excluding amortisation of acquired intangibles, impairment charges and restructuring costs.

# Underlying Operating Profit: Regional Performance 2009 v 2008

## UK & Ireland

(Constant Currency)

LFL

**-67.2%**

Total

**-66.1%**

## Mainland Europe

(Constant Currency)

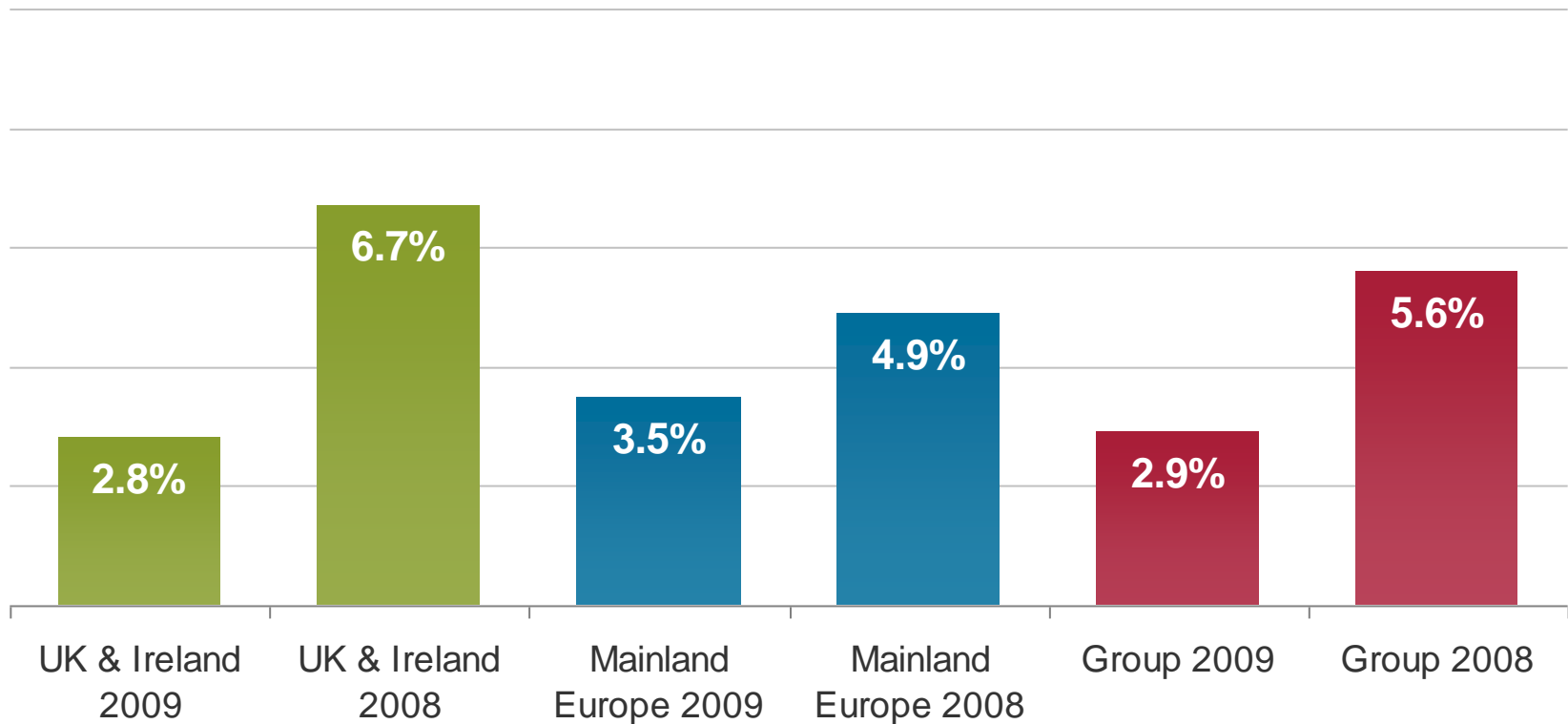
LFL

**-32.5%**

Total

**-33.5%**

# Net Underlying Operating Profit Margins 2009 v 2008



"Group" is stated after Group costs

## 2009 – Key Points Summary

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- Significant further decline in UK construction activity
- UK new housing stabilised, large discretionary RMI weakened further
- UK non-residential private sector contracted sharply, public sector grew moderately
- All Irish construction sectors declined steeply, rate of decline in SIG Ireland starting to slow by year end
- Sales and operating profits down in all SIG market sectors
- UK and Ireland gross margins down 200 basis points
- Reduction of 55 to 378 trading sites as at 31 December 2009

# UK & Ireland: Performance by Business Segment 2009 v 2008



- Insulation and Building Environments division held up best
- Temporary funding flow shortage for CERT in H2 impacted Miller Pattison
- UK Exteriors sales starting to level out towards year end
- UK Interiors and SCP most heavily affected

## 2009 – Key Points Summary

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- Strong 2008 comparators
- Overall recession impact on construction less severe than in UK & Ireland
- Construction downturn variable by country
- Western Europe emerging from recession by mid-year
- SIG's Western European operations held up best
- Q1 demand restricted by protracted winter weather conditions
- Q2 sales improvement below normal seasonality
- Overall gross margin stable

# Performance 2009: Germany & Austria In Euros



- Total sales in Sterling up 3.2%
- LFL FY sales down 7.6% in Euros, down 5.8% in H2
- Roofing LFL sales up 6% in Euros in H2
- Impact of government stimulus packages not yet evident
- Gross margins down 70 basis points
- Underlying operating margin at 3.6%

\* Compared to 1 January 2009

# Performance 2009: France In Euros



- Total sales in Sterling up 7.4%
- Combined France FY LFL sales down 3.5% in Euros, down 2.3% in H2
- Insulation and Interiors LFL sales up 0.1% in Euros, down 2.3% in H2
- Roofing LFL sales down 6.2% in Euros, down 2.4% in H2
- Benefit from new openings in recent years + 11 in 2009
- Gross margins up 70 basis points
- Underlying operating margin at 4.9% (2008: 4.6%)

\* Compared to 1 January 2009

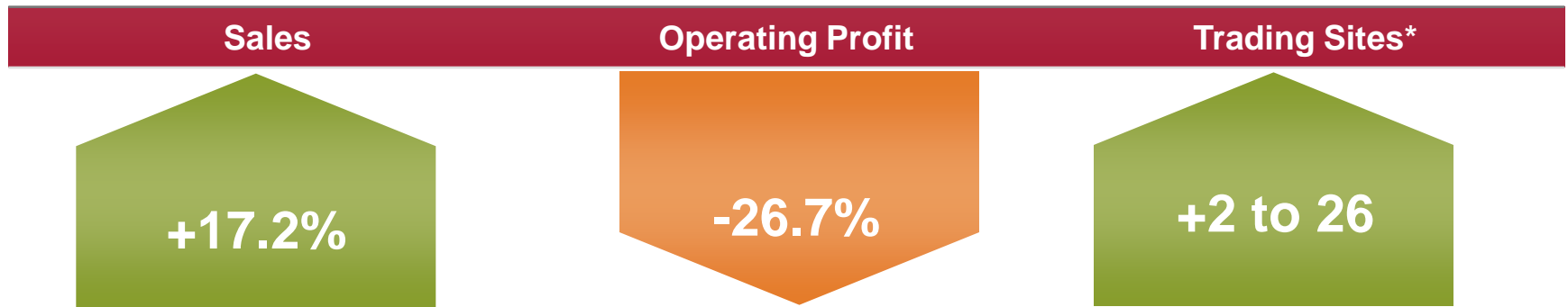
# Performance 2009: Poland and Central Europe In Euros



- Central / Eastern economies worse hit by recession than SIG's Western countries
- Economic upheaval compounded by political uncertainty in Czech Republic and Hungary and currency movements
- Severe price deflation
- LFL sales down 23.8% in local currency
- Gross margin down 110 basis points
- Operating loss

\* Compared to 1 January 2009

# Performance 2009: Benelux In Euros



- Includes international air handling business – HQ in Netherlands
- Insulation and Interiors LFL sales up 11.8% in Sterling
- LFL Euro sales in Insulation and Interiors up by 0.6%
- Gross margins increased by 140 basis points
- Underlying operating margin at 3.8%

\* Compared to 1 January 2009

# Restructuring Review

Chris Davies | Chief Executive



# SIG Structural Changes 2009 – Update on progress

- Interiors Manufacturing Division
  - Full merger of 4 businesses, 12 factories > 6
- Merger of SIGI & CPD
  - Full integration into SIG Distribution
- Merger of SIG Roofing and Roofline
  - Full integration – closure of 35 sites to 209 in UK
- Merger of Polish operations
  - Full integration
- Cross-divisional site sharing in UK
  - Within distribution model – 22 move to 10 shared sites

# SIG Structural Changes 2009 – Rationale

- Additional to cost cutting within individual operating units
- Radical changes to structure to:
  - Focus on operational efficiency
  - Drive competitive commercial advantage
  - Leverage SIG's strengths
- Position better for the upturn
- Benefits beginning to come through
- Further changes implemented Q1 2010

# Restructuring of SCP Division – Q1 2010

- Restructuring of SCP Division
  - Site sharing initiatives 2009 confirmed operational synergies
  - Demerger of SIG Construction Accessories & SIG Fixings from SCP division and integration into SIG Distribution
  - Driven by commercial and competitive benefits
- Rationale
  - Customer synergies
  - Leverage full product portfolio better
  - Unique position in market
  - >130 branches nationwide
  - c.£700m combined sales



# UK National Sales Team – Q1 2010

- Appointment of UK Sales & Marketing Director and a dedicated central team
- Builds on success 2008-09 with main contractors
- Joined-up sales approach bundling all SIG products & services to selected customer groups
- SIG adds value to major projects via technical support, service capabilities and building supply chains
- Unrivalled subcontractor customer base and relationships with major manufacturers
- Widest range of specialist products in UK
- Up to one-third of value of all materials on major building projects within SIG portfolio

# Drivers, Opportunities and Outlook

Chris Davies | Chief Executive



# Drivers and Opportunities

- Fundamental drivers in energy saving / carbon reduction remain positive
  - UK Building Part 'L' regs revision autumn 2010
  - CERT 20% uplift + extension to 2012
  - CESP implementation
  - Code for Sustainable Homes
  - Solar energy feed-in tariff April 2010
  - Renewable Heat Incentive April 2011
  - Similar subsidies / building codes in Europe
- SIG well-poised to exploit growth opportunities
  - Heritage in insulation
  - Broadening range of specialist products / services
  - Air handling / HVAC
  - Roofing contractors natural fit with Solar
  - Platform of current hard revenue streams

# Organic Growth Opportunities

- SIG Energy Management grouping together in UK
  - Miller Pattison
  - SIG Sustainable Solutions
    - Solar Thermal & PV
    - Ground source / air source heat pumps
  - Air Handling
- SIG Express model trialled
- Dedicated Solar teams in French & German Roofing businesses
- Middle East – SIG Emirates
- Selected geographic infill extending market coverage
- Maintained graduate programme

## 2010 Outlook - Context

- Macroeconomic outlook remains highly uncertain
- F/X instability
- Countries / sectors at different points in cycle
- Many sectors and countries likely to see some further slippage
- Very difficult start to year – weather cost £30m sales January/ February
- Excluding the weather, LFL sales June 2009 – February 2010 in line with management expectations

# Market Outlook 2010 – UK & Ireland

## UK

- Residential new build stable, trend gradually improving
- Residential RMI dependent on consumer sentiment / disposable income
- Private non-residential new build deteriorating all year, R&M may pick up H2
- Public sector non-residential still increasing in 2010
- CERT work reduced in H1, increased in H2
- Underlying LFL sales decline in UK reselling businesses levelling out

## ROI

- All sectors to remain depressed, rate of decline easing

# Market Outlook 2010 – Europe

## France / Germany

- Residential trends at exit 2009 mildly encouraging
- Non-residential helped by government investment

## Benelux

- SIG has limited residential exposure, core markets tougher

## Poland / Central Europe

- Volatile region, stabilising as year progresses

## Overall

- Underlying demand slightly down H1, stable H2

# 2010 Outlook Summary

- Severe and prolonged winter weather resulting in especially challenging H1 2010
- Underlying trading remains challenging, but is expected to level out as the year progresses
- Management focused on:
  - Cash
  - Customers
  - Consolidating 2009 / 2010 changes, delivering planned savings
  - Protecting the gross margin
- Modest investment in organic growth
- Well positioned for the upturn
  - Efficient structure
  - Long term drivers providing growth opportunities

# Questions

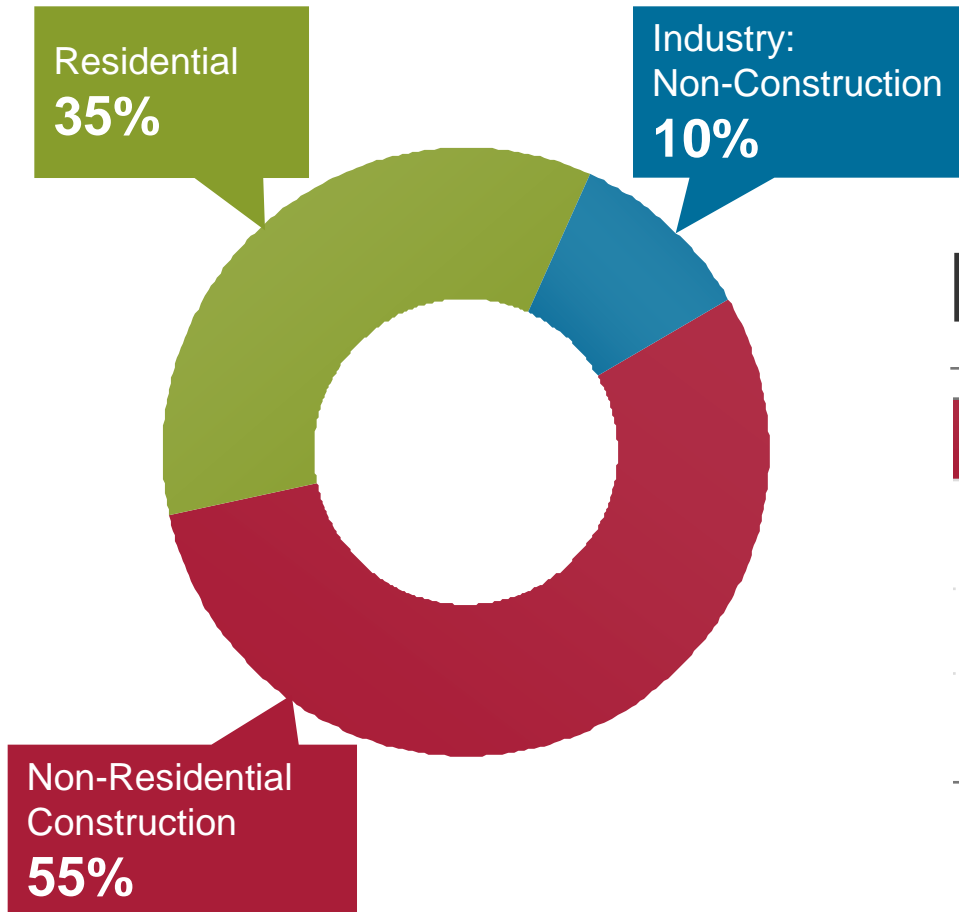
Les Tench | Chairman



# Appendices



# Market Sectors – Indicative Breakdown

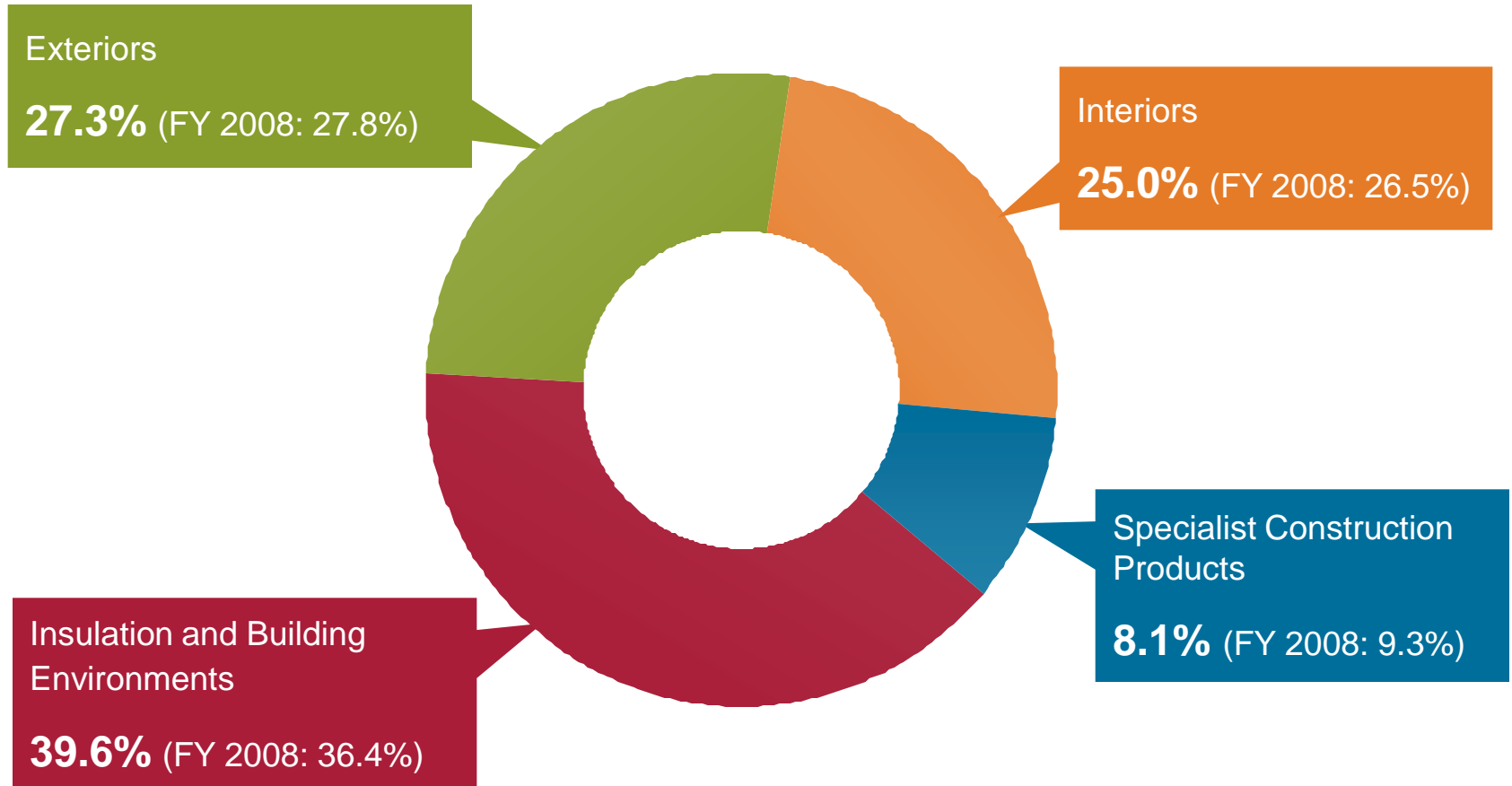


## By End Market

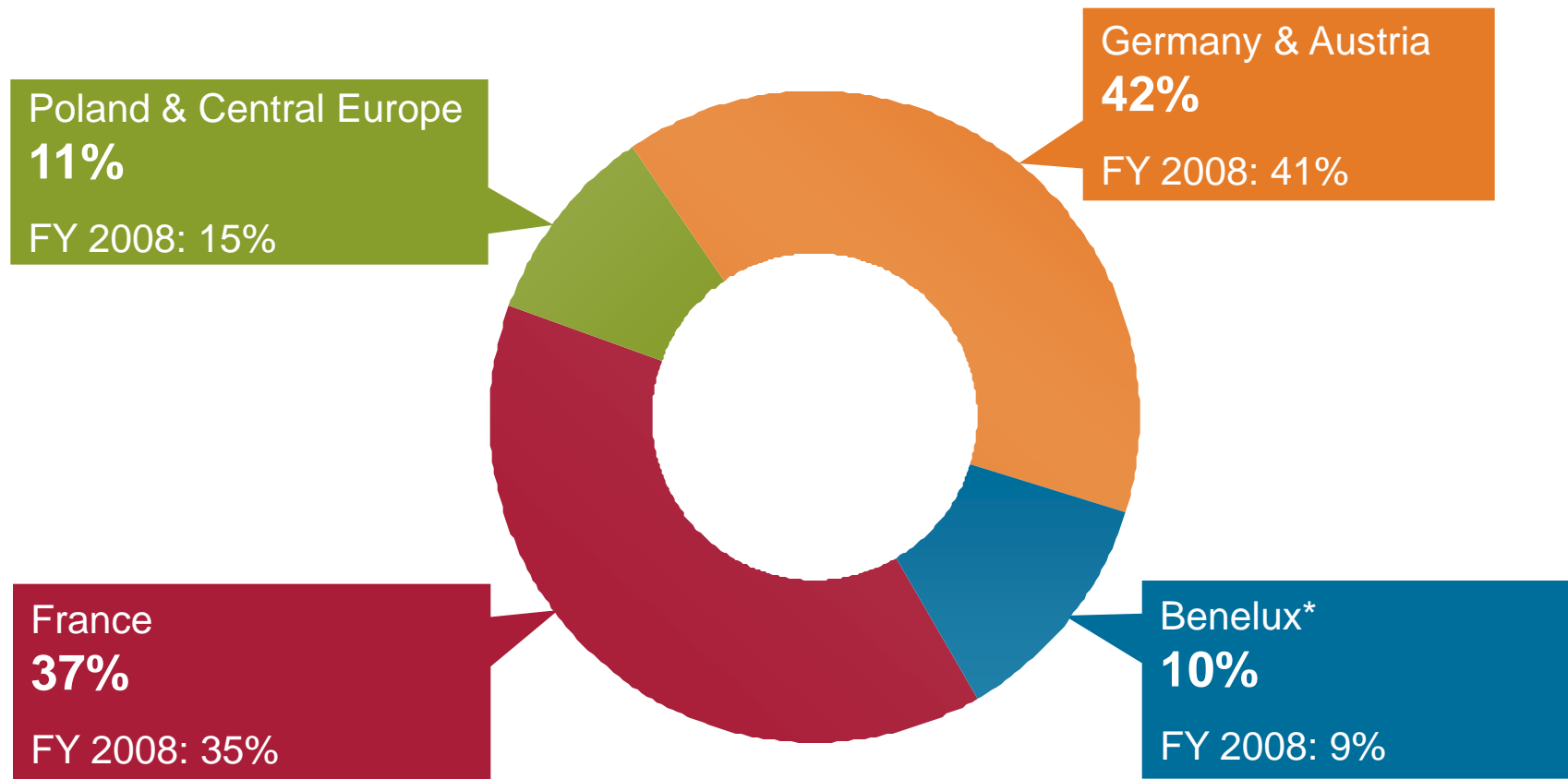
	New Build	RMI
<b>Non-Residential Construction</b>	<b>55%</b>	<b>45%</b>
<b>Residential</b>	<b>43%</b>	<b>57%</b>
<b>Industry: Non-Construction</b>	<b>52%</b>	<b>48%</b>

Source: Company estimates. RMI: Repairs, Maintenance and Improvement

# Sales Sector Split 2009



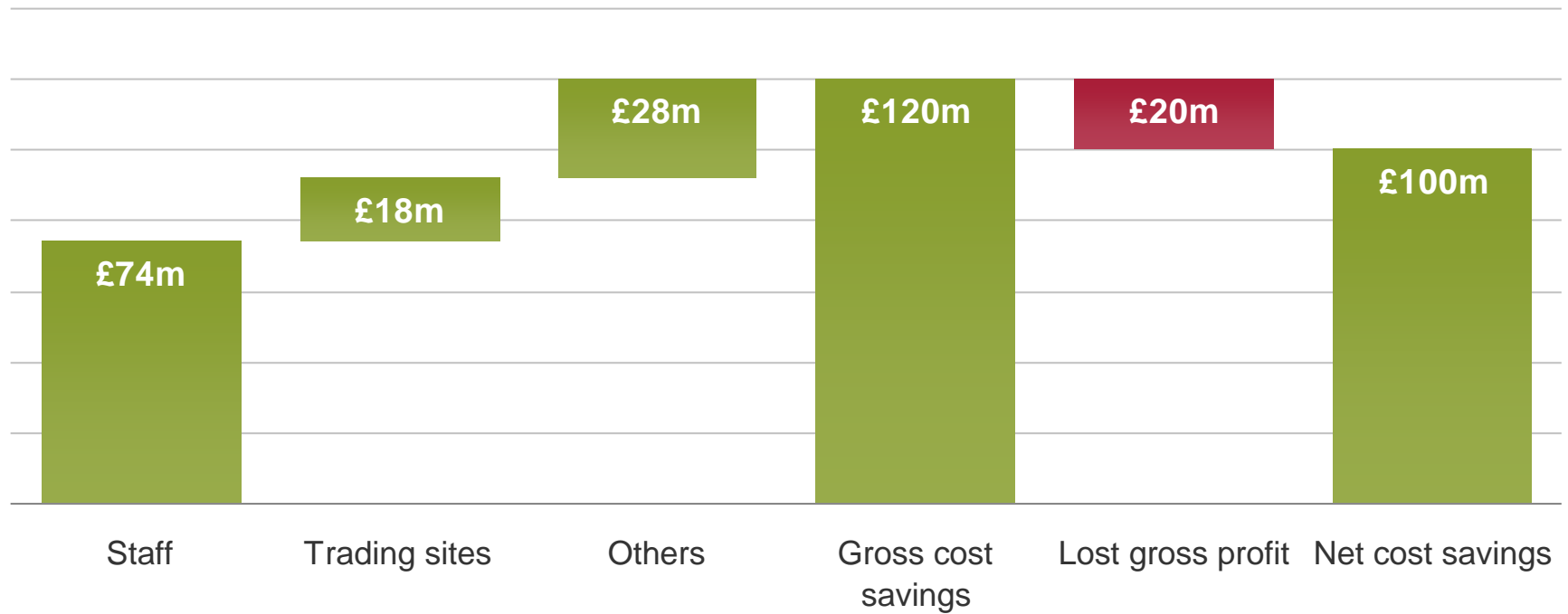
# SIG Mainland Europe Sales by Region 2009



\* Includes International Air handling business (HQ in the Netherlands)

# Annualised Gross Cost Savings of £120m Implemented

## Achieved Savings by category



# Like for Like Sales Trend (Constant Currency)

	6 Months to 30 June 2009	6 Months to 31 December 2009	Year to 31 December 2009
UK	(22.2%)	(18.6%)	<b>(20.5%)</b>
UK & Ireland	(24.1%)	(20.3%)	<b>(22.2%)</b>
Mainland Europe	(9.0%)	(6.3%)	<b>(7.6%)</b>
Group Total	(17.5%)	(13.6%)	<b>(15.6%)</b>

All figures are percentage change on prior year

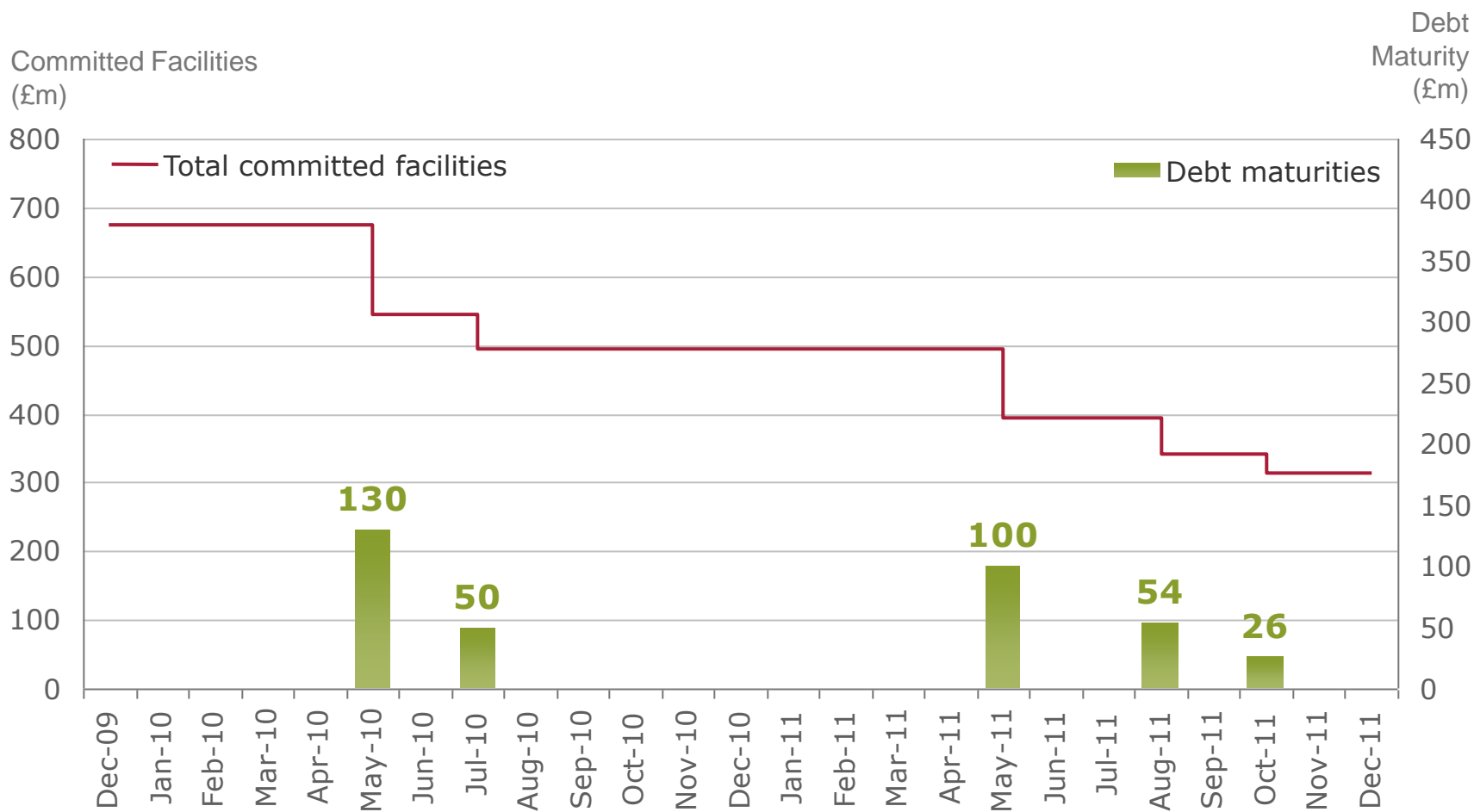
# Fixed vs. Floating Rate Debt

	£m	Rate (%)
Private placement fixed rate debt*	141.0	6.0%
Fixed rate bank debt	0.8	2.4%
<b>Total Fixed rate debt</b>	<b>141.8</b>	
Private placement floating rate debt*	142.4	1.7%
Floating rate bank debt^	177.8	1.2%
Cash and cash equivalents (Cash – overdraft)	(216.9)	(1.2%)
<b>Total Floating rate debt</b>	<b>103.3</b>	
Other debt (Hire purchase and loan notes)	9.4	13.4%
<b>Total Group debt</b>	<b>254.5</b>	
<b>Fixed rate debt (%) of Total debt</b>	<b>59.4%</b>	

\* After taking into account associated derivative financial instruments

^ Based on current interest rates

# Debt Maturity Profile



# Group Divisional Structure 2010

