



reddot award
product design



norcross

Preliminary Results

**Year ended
31 March 2018**



norcross

Introduction

**Martin Towers
Chairman**

Highlights

- Ninth consecutive year of growth
- Underlying operating profit up 15.1% at £27.4m (2017: £23.8m)
- Group operating profit was £19.6m (2017: £16.8m)
- Full year dividend increased by 8.3% to 7.8p
- Underlying ROCE at 18.0% (2017: 18.4%) – ahead of strategic target
- Acquisition of Merlyn – trading strongly, in line with expectations and fully integrated

Revenue
£300.1m +8.6%¹

Underlying operating profit
£27.4m +15.1 %

Underlying EPS
29.5p +6.1 %

Underlying operating cash flow
£31.0m +4.0%

Underlying ROCE %
18.0% -40bp

Dividend
7.8p +8.3%

¹ On a constant currency basis

norcros

Financial Review

Shaun Smith
Group Finance
Director



Income Statement

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	2018	2017	+/-	+/-
	£m	£m	Reported	Constant Currency
Revenue	300.1	271.2	+10.7%	+8.6%
Underlying ¹ operating profit	27.4	23.8	+15.1%	+13.7%
<i>Margin</i>	9.1%	8.8%		
Finance charges – cash	(1.1)	(0.9)		
Underlying ¹ PBT	26.3	22.9	+14.8%	
Exceptional operating items ²	(2.1)	(2.3)		
IAS19R admin expenses	(1.4)	(2.0)		
Acquisition related costs ³	(4.3)	(2.7)		
Finance charges – non cash ⁴	(5.0)	(4.4)		
PBT as reported	13.5	11.5	+17.4%	

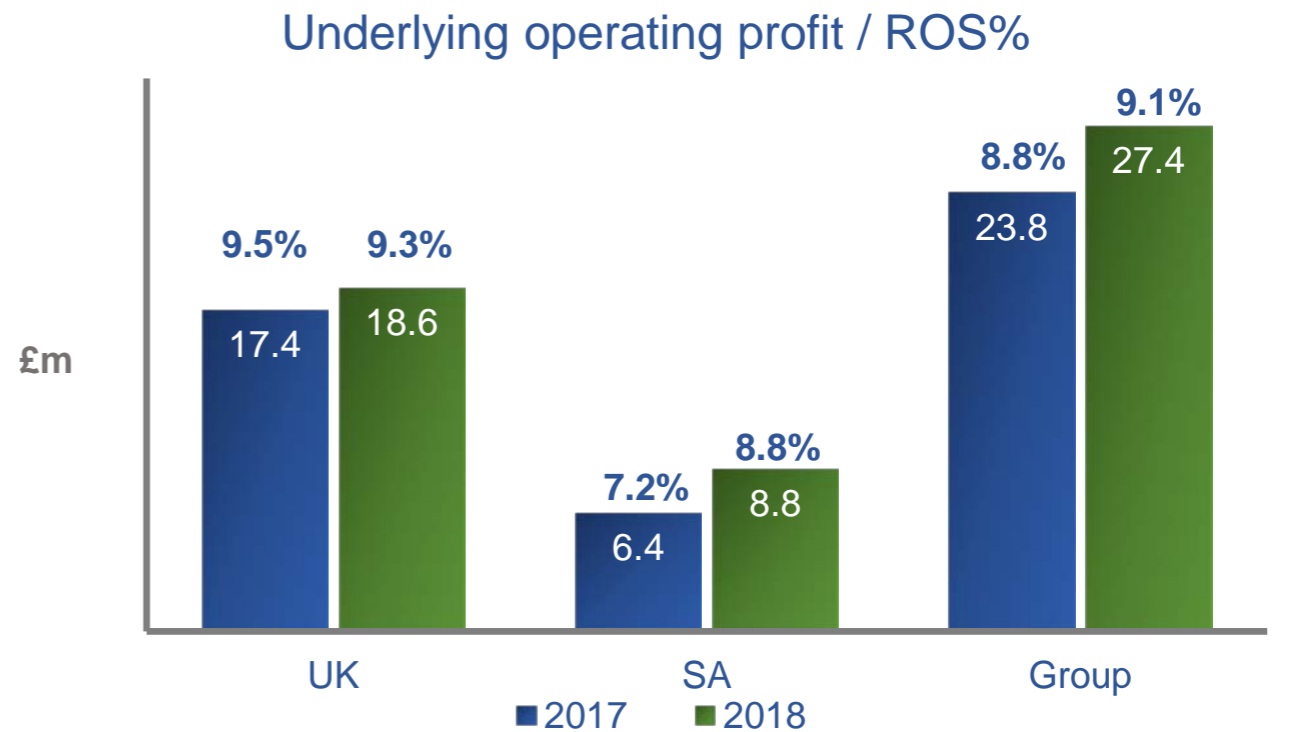
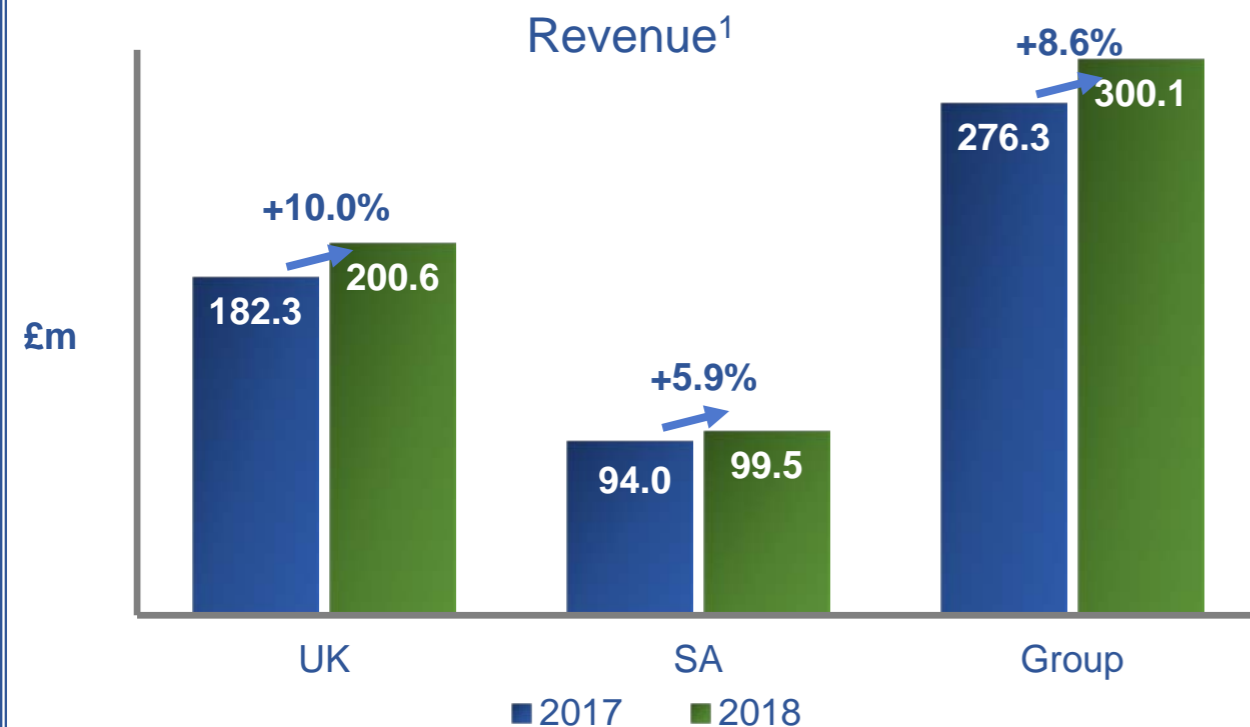
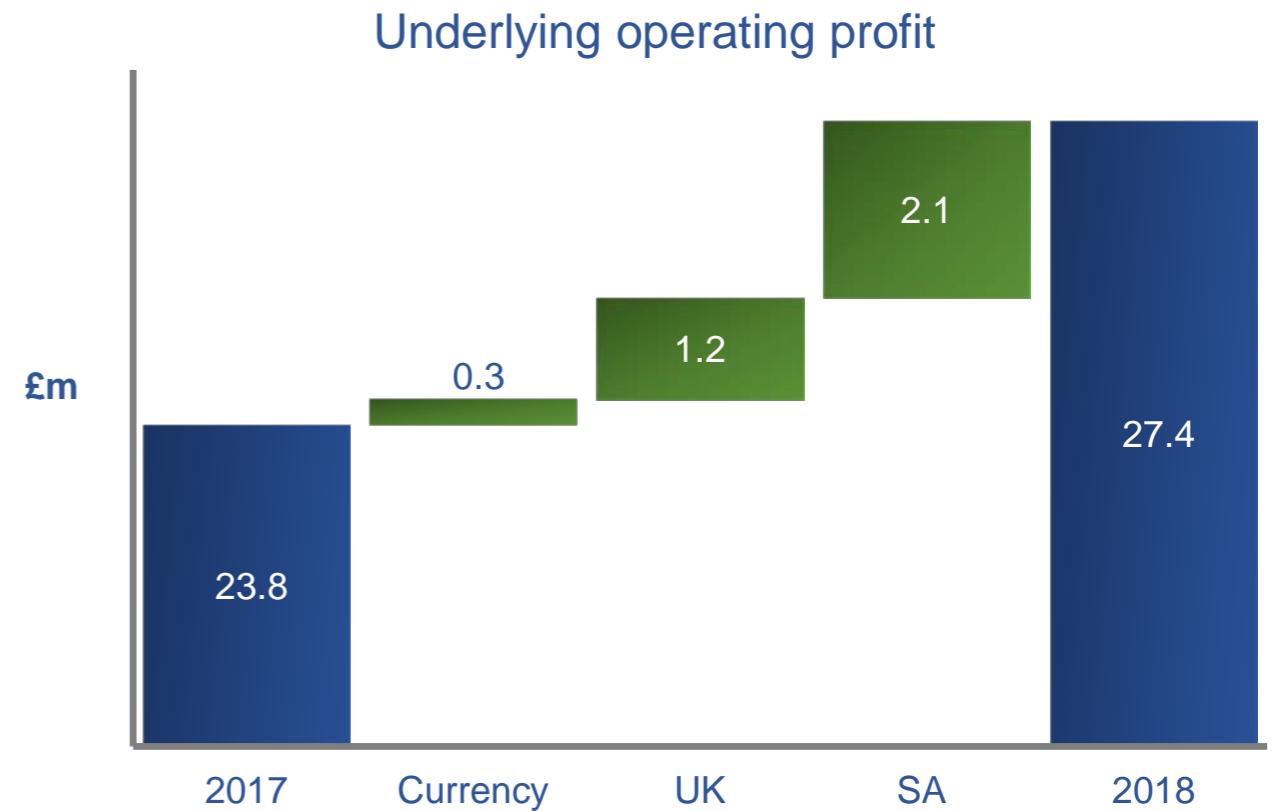
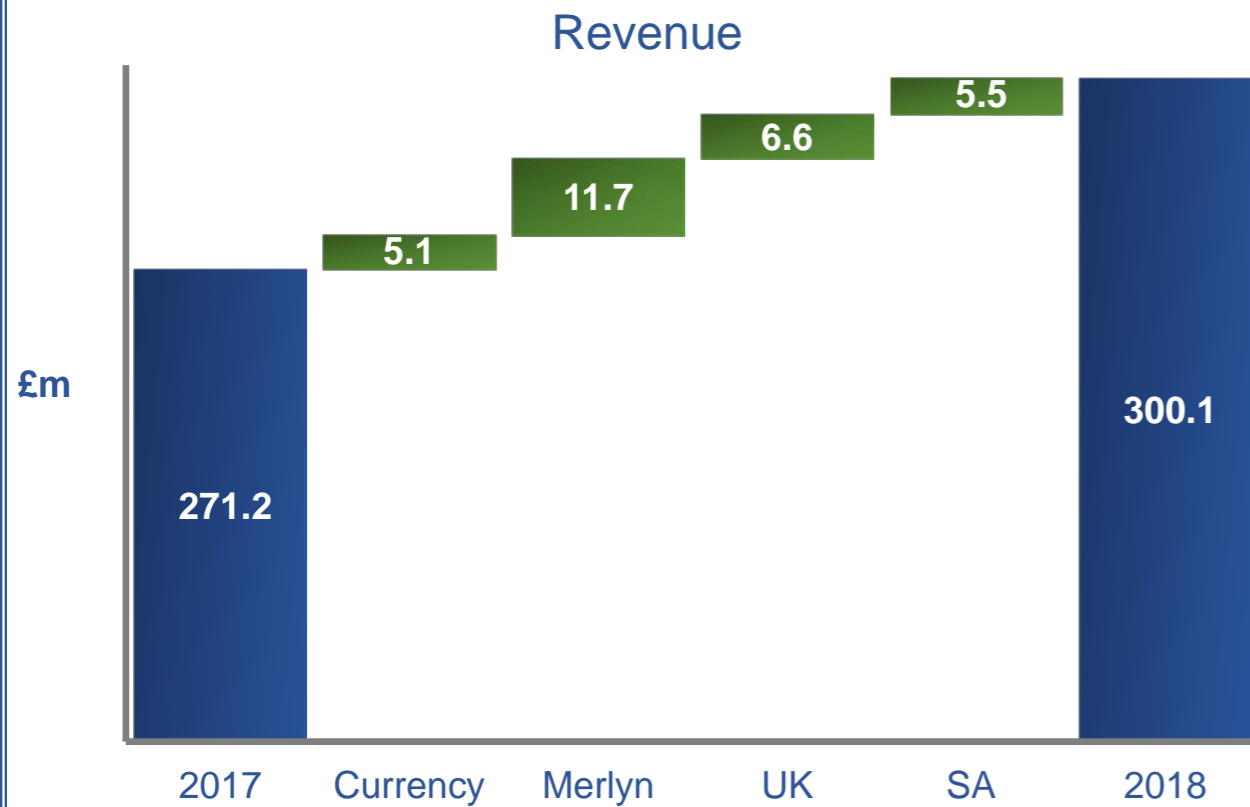
¹ Underlying means before exceptional operating items, IAS19R admin costs, acquisition related costs and where relevant, non-cash finance costs

² Business unit restructuring

³ See Page 34 for details

⁴ Includes £0.9m increase in charges relating to “mark to market” on FX forward contracts

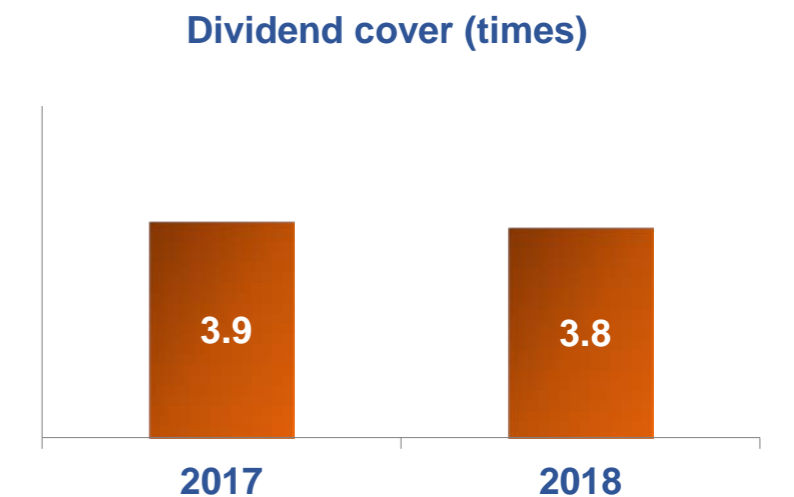
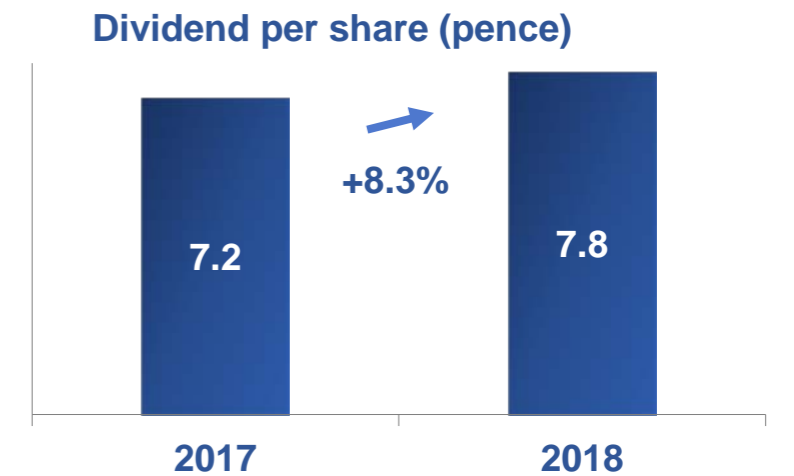
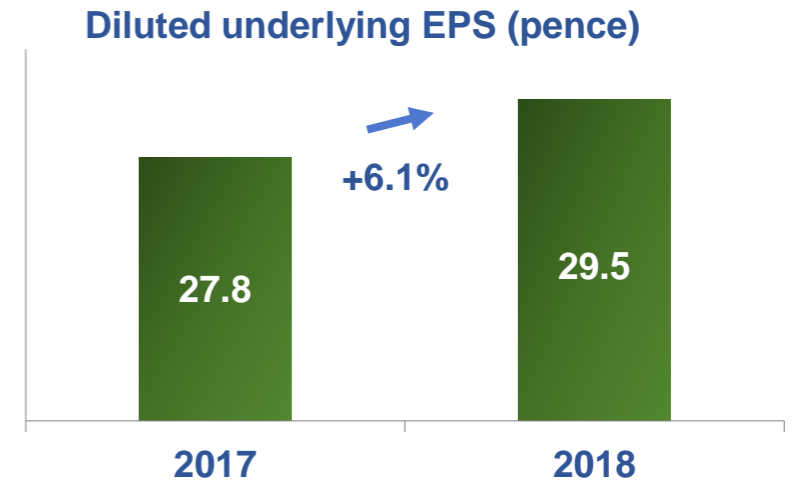
Income Statement – Key Bridges



¹ Constant currency basis

Tax, Earnings and Dividends

	Underlying ¹		Reported	
	2018 £m	2017 £m	2018 £m	2017 £m
Profit before Tax	26.3	22.9	13.5	11.5
Tax charge	(5.7)	(5.3)	(3.6)	(3.0)
Earnings	20.6	17.6	9.9	8.5
Effective Tax rate	21.7%	23.1%	26.7%	26.1%

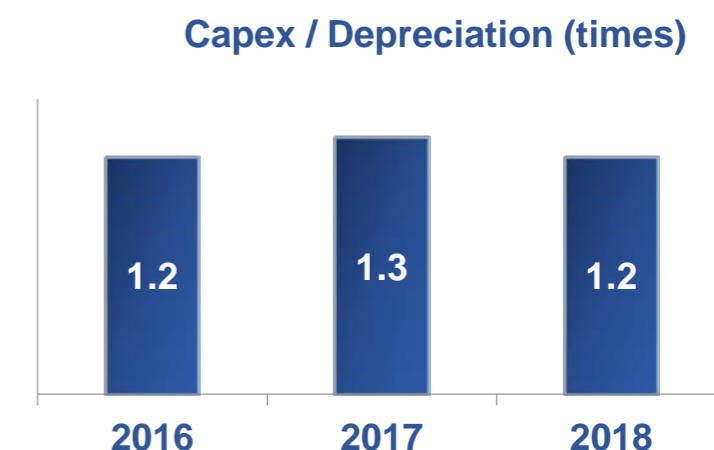
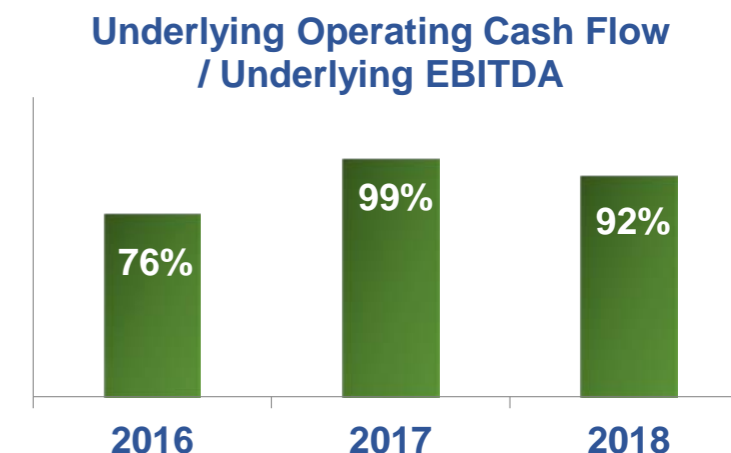


- Diluted underlying¹ EPS 29.5p (2017: 27.8p), +6.1%
- Full year dividend up 8.3%
- Number of shares in issue at 31 March 2018
 - 80,181,418 – issued and fully paid
 - 68,043,628 - weighted average
 - 69,822,064 - weighted average diluted basis

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

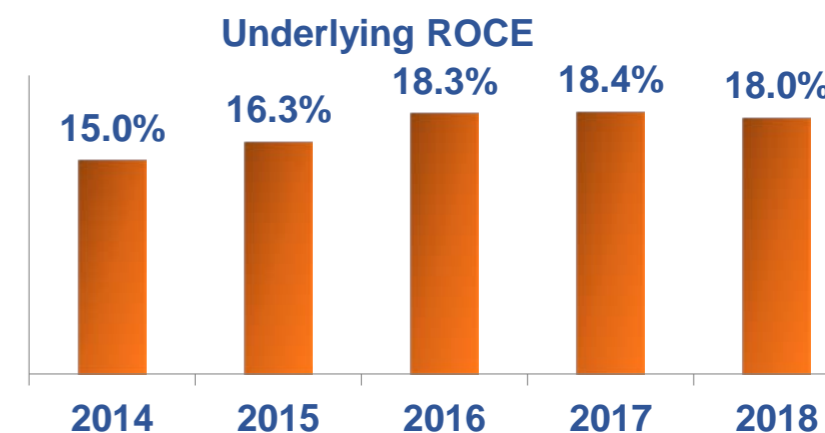
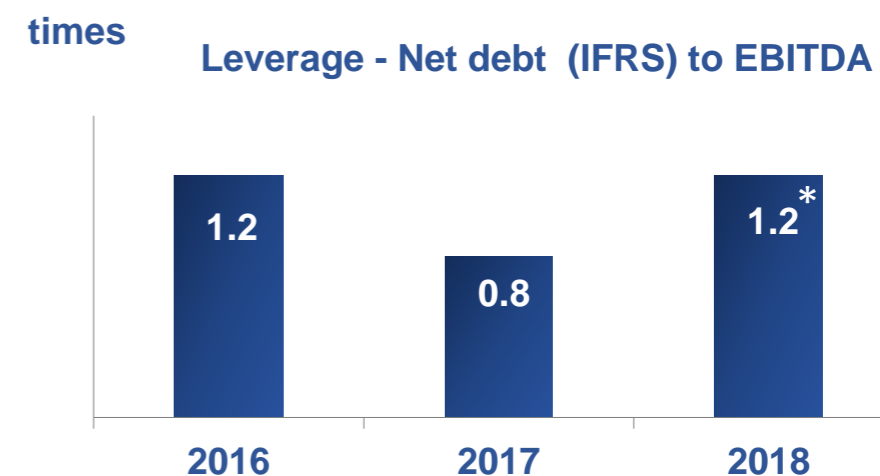
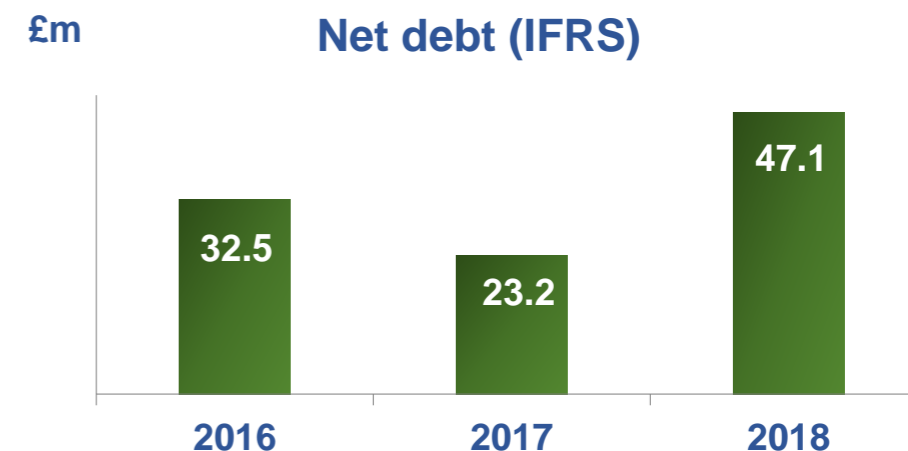
High cash conversion

	2018 £m	2017 £m
Underlying EBITDA	33.8	30.2
Working capital	(2.8)	(1.8)
Other	-	1.4
Underlying operating cashflow	31.0	29.8
Capital expenditure	(7.7)	(8.0)
Pension deficit recovery	(2.5)	(2.5)
Tax	(4.9)	(1.9)
Underlying free cash flow pre-financing & dividends	15.9	17.4
Exceptional and acquisition related costs	(5.0)	(1.8)
Interest	(1.1)	(0.9)
Dividends	(5.0)	(4.2)
Acquisition of subsidiaries	(59.1)	(2.7)
Issue of new shares	30.1	-
Net Cash Flow	(24.2)	7.8



Strong Balance Sheet

- Strong cash generation leaves net debt at £47.1m after the acquisition of Merlyn
- Leverage 1.2x underlying EBITDA on a pro forma* basis
- Underlying ROCE at 18.0% above our medium term strategic target

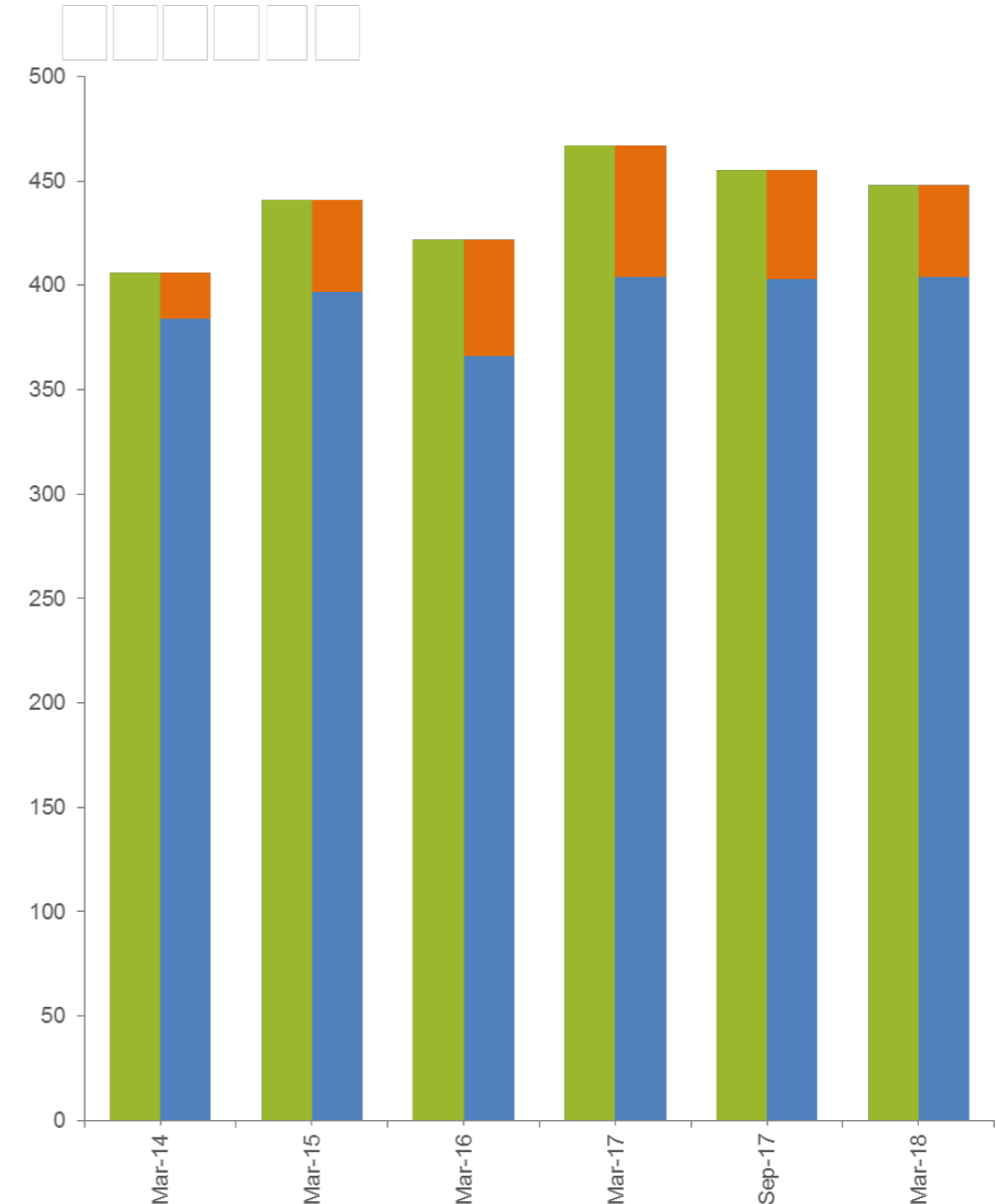


* Pro forma EBITDA includes full year EBITDA for Merlyn,

UK Pension Scheme

- IAS 19R deficit £48.0m (March 17: £62.7m)
 - Assets reduced by £4.8m to £399.6m
 - Liabilities reduced by £19.5m to £447.6m as a result of a higher discount rate of 2.65% (March 2017: 2.60%), lower inflation and reduced mortality improvement expectations
- Super-mature scheme
 - 7,309 members (March 2017: 7,621). 68% of pensioners with average age 77
 - Annual pensioner payroll near peak at £20m pa
- Scheme closed to new entrants and future accrual in April 2013
- Recovery plan in place since April 2016
 - 10 years at £2.5m per annum + CPI
- Next triennial valuation as at 1 April 2018 underway
 - New recovery plan to be agreed
- Company focused on covenant improvement
 - Beneficial to all stakeholders

UK Pension IAS 19R Assets & Liabilities



Liabilities	406	441	422	467	455	448
Assets	384	397	366	404	403	400
Deficit	22	44	56	63	52	48
Disc Rate	4.30%	3.30%	3.55%	2.60%	2.70%	2.65%
RPI	3.2%	2.90%	2.90%	3.15%	3.15%	3.10%

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Operating Review

**Nick Kelsall
Group Chief
Executive**



Key Messages

➤ Overview

- 9th consecutive year of revenue and underlying profit growth
- Execution of strategy – strong momentum
- Benefits of geographical and product diversity
- Strong financial position

➤ UK

- UK growth and export momentum maintained
- Strong performance in trade channel offsetting soft consumer
- Johnson Tiles restructuring – on track

➤ South Africa

- Market share gains
- Improving political & business sentiment

➤ Merlyn Acquisition

- Seamlessly integrated and performing strongly
- Meaningful synergies being pursued

➤ Strategy Refresh

- £600m revenue target by 2023
- 50% revenues derived from overseas
- Sustainable ROCE of >15%



Business Overview

		Group Revenue ¹	%	
UK	 <p>See you first thing Britain</p>	UK market leader in the manufacture and marketing of showers	£ 52.8m	17.6
		Leading manufacturer and supplier of taps, mixer showers, bathroom accessories and valves	£ 42.9m	14.3
		Market leading, innovative designer, manufacturer and distributor of high quality bathroom furnishings and accessories	£ 24.2m	8.1
		Leading niche designer and distributor of high quality kitchen taps, bathroom taps and kitchen sinks	£ 12.8m	4.3
		Market leading supplier of shower enclosures and trays	£ 11.7m ²	3.9
	JOHNSON·TILES	Leading manufacturer and supplier of ceramic tiles in the UK	£ 47.1m	15.7
		Manufacturer of tile and stone adhesives, grouts and related products	£ 9.1m	3.0
UK Revenue Growth (12 months to 31st March 2018)		+10.0%	£ 200.6m	66.8%
SOUTH AFRICA		Leading chain of retail stores focused on ceramic and porcelain tiles, and associated products, such as sanitary ware, showers and adhesives	£ 62.7m	20.9
		Leading manufacturer of ceramic and building adhesives	£ 24.2m	8.1
	JOHNSON·TILES ²	Leading manufacturer of ceramic and porcelain tiles	£ 12.6m	4.2
South Africa Revenue Growth (constant currency 12 months to 31st March 2018)		+5.9%	£ 99.5m	33.2%
Group Revenue Growth (constant currency 12 months to 31st March 2018)		+8.6%	£ 300.1m	100%

¹ Reported – 12 months to 31st March 2018, ² Acquired 23rd November 2017, revenue to 31st March 2018

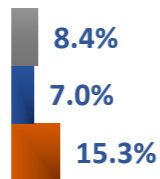
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**UK
Operations**

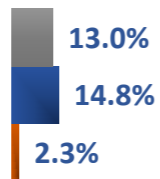
**Nick Kelsall
Group Chief
Executive**



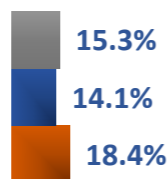
UK Revenue – Excellent Trade & Export Growth



➤ Return to growth in the UK. Strong export momentum in Ireland



➤ Solid progress with independent retail and house builders



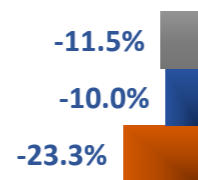
➤ Robust UK specification. Export momentum



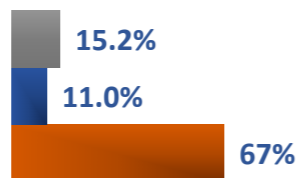
➤ UK impacted by Bunnings/Homebase. Excellent export growth



➤ Strong overall growth in 2nd full year of ownership



➤ Lower H2 UK retail sales – Impact of ONE Kingfisher. Exited low-margin business in the Middle East



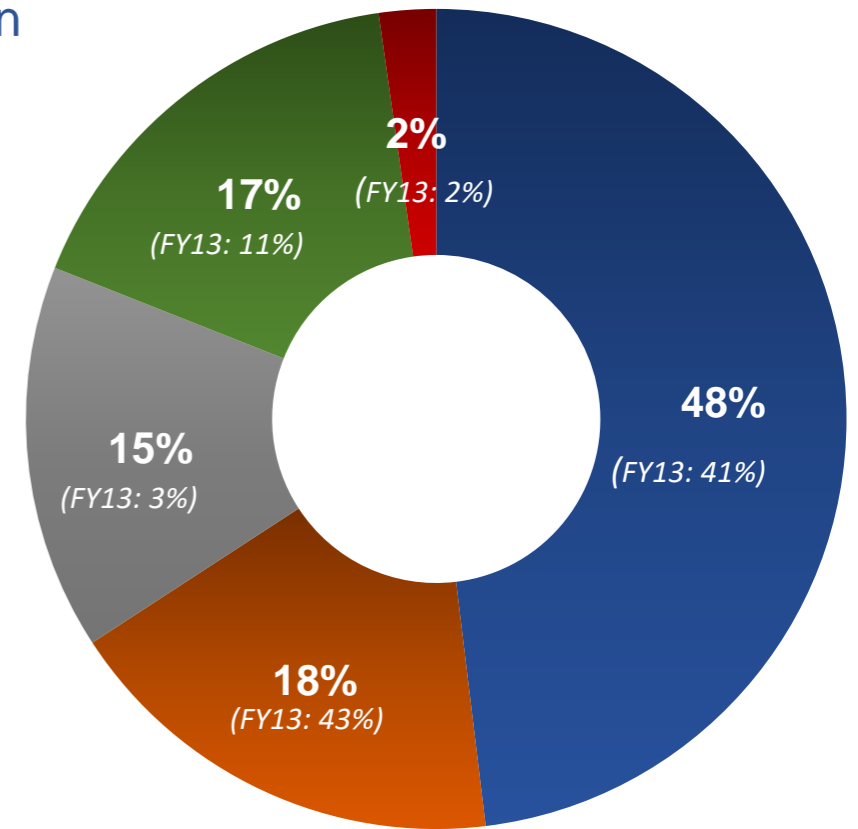
➤ Recovery in UK growth. Momentum building in the Middle East

¹ Acquired 23rd November 2017, % growth for full-year revenues to 31st March 2018

➤ Trade

- Strong Screwfix growth - Triton and Adhesives
- Strong house builder momentum maintained – Vado, Merlyn & Johnson Tiles
- Specification contract wins – e.g. McCarthy & Stone, Inhabit & Bahrain Airport
- Abode – Travis Perkins and Benchmarx new business
- Trade focus enhanced with Merlyn acquisition

% Revenue FY18¹ (v FY13)



- Trade
- DIY Retail
- Independent & Specialist Retail
- Export
- Other

➤ Independent & Specialist Retail

- Vado – share gain – NPD and consumer brand investment
- Abode – strong growth in Pronteau, Abode and OEM ranges
- Croydex – Tesco rollout and expanded John Lewis toilet seat ranges
- Triton – strong growth in online retail; brand marketing campaign
- Channel presence enhanced with Merlyn acquisition

¹ Includes Merlyn's Revenues from 23rd November 2017 to 31st March 2018

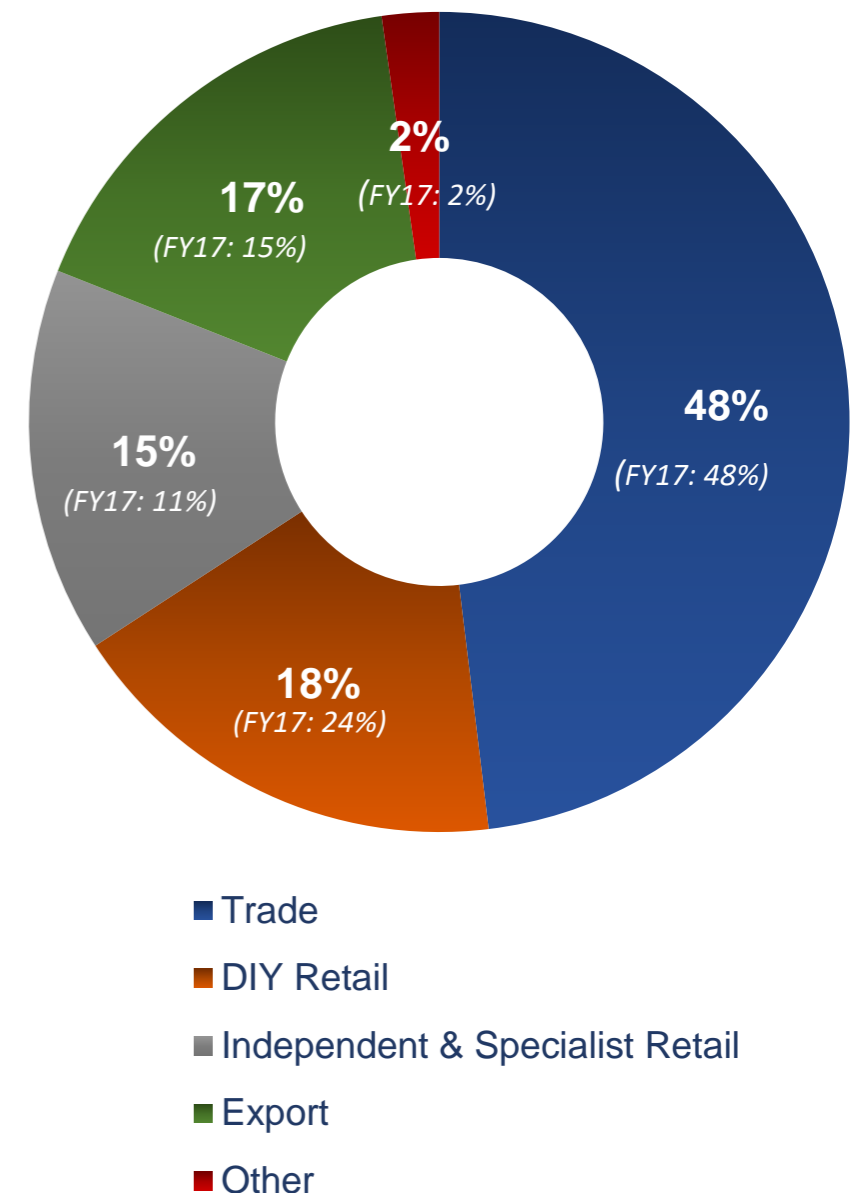
➤ DIY Retail

- Johnson Tiles and Adhesives – robust growth with Wickes
- Abode – new business with Wickes & Benchmarx
- Johnson Tiles - B&Q decline; ONE Kingfisher programme
- Croydex impacted by Bunnings/Homebase performance

➤ Export

- Triton – excellent growth in Ireland driven by T90SR product
- Vado – export growth utilising Middle East stocking hub
- Croydex – further momentum in North America and Germany
- Adhesives – gaining traction in the Middle East – encouraging project pipeline

% Revenue FY18¹ (vs FY17)



¹ Includes Merlyn's Revenues from 23rd November 2017 to 31st March 2018

UK NPD – Continued Investment Driving Differentiation

- Key driver of differentiation and market leading positions
- Strong new product vitality – >25%*, driving revenue and profit growth

Triton & Vado

- Digital showers launched – brands targeting different market segments

Triton

- “Best of British” award – recognition of British design and innovation

Vado

- 6 ranges launched & redden winner – Omika collaboration with top interior designer, Jo Love



Johnson Tiles

- 6 new tile ranges launched in FY18

Abode

- Pronteau hot water tap – Vado extension to serve different segments
- 19 new Wickes/Benchmark products; 50 Abode branded lines

Croydex

- New Flexi-fix toilet seat range performing well – international potential
- Relaunch of Metlex brand into the trade channel

Adhesives

- Resilient products Pro Gyp-base 3-part preparation system launched

Merlyn

- redden winner + rollout of 5 new product ranges including Mbox and Series 6 Frameless



* New product vitality is the % of the last year's total revenue from new products launched in the past 3 years

➤ Award Winning Customer Service

- Triton – “Best Bathroom Supplier” award – recognition of design strength, service and customer service
- Merlyn – Winner of “Irish Customer Contact & Shared Services Award” 2016 & 2017
- Merlyn & Vado - “Supplier of the Year” award – Fortis Buying Group

➤ Investment Driving Best-in-Class Operations

- Vado – additional warehousing and new warehouse management system
- Adhesives – capacity upgrade and new warehouse management system

➤ Maintaining Operational Excellence – ISO Accreditations

- Triton – enhanced Quality standard; Environmental certification
- Merlyn – Quality accreditation and recommended for Environmental
- Adhesives – renewed both Quality and Environmental accreditations

➤ Far East Supply Chain – Additional Scale from Merlyn Acquisition

- Further improving Group best practice e.g. inbound logistics

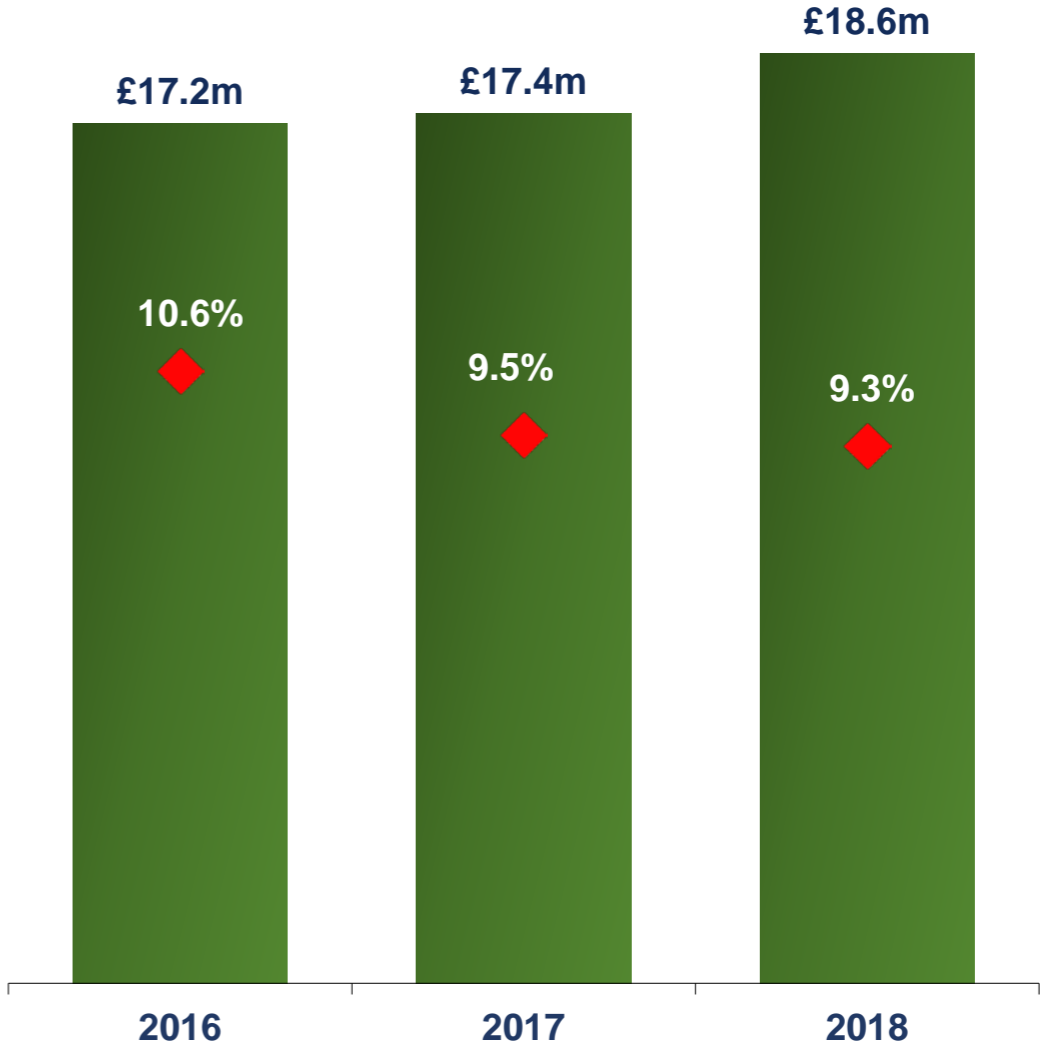
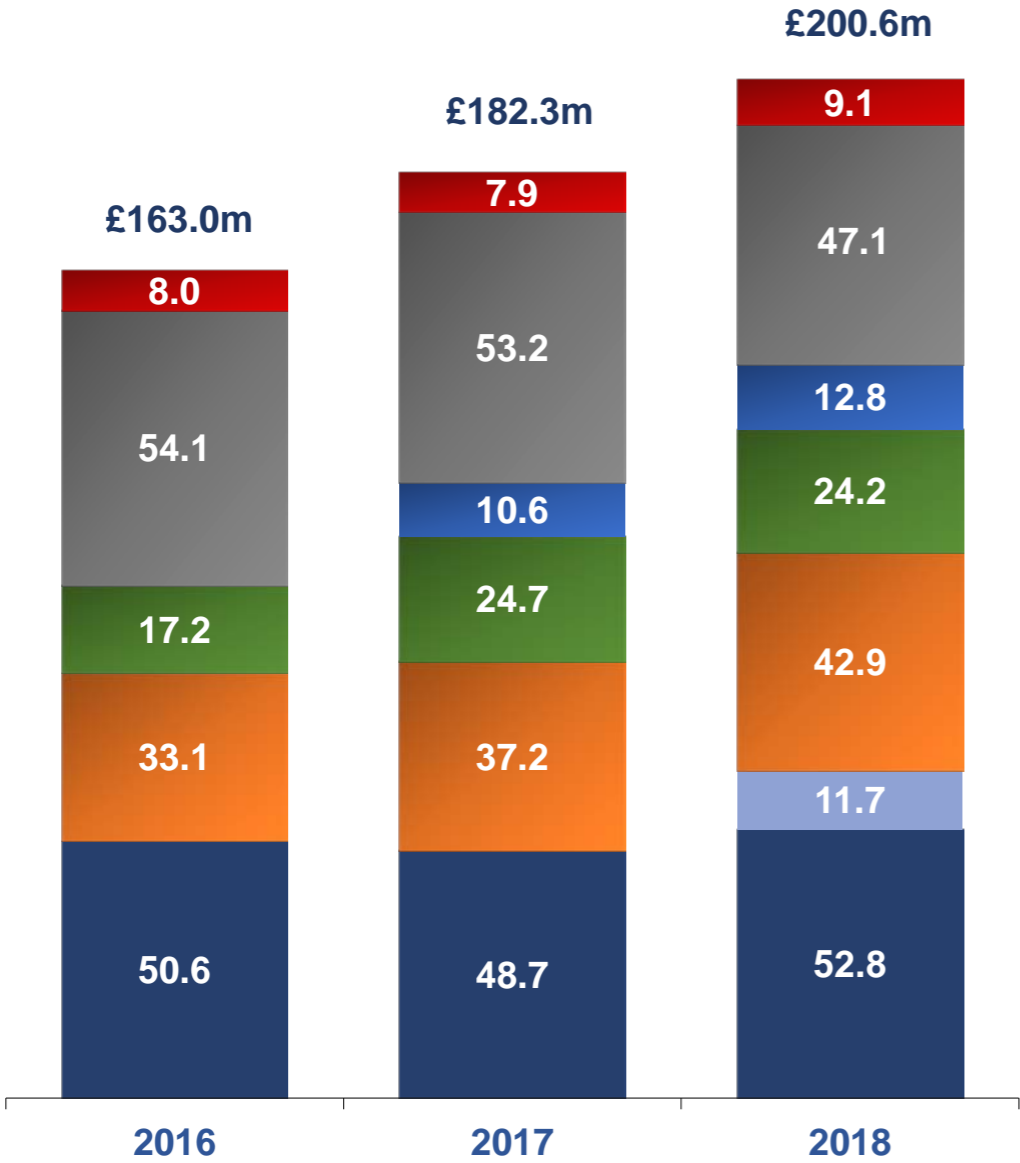


UK – Revenue and Profit Growth in Challenging Markets



Revenue

Underlying Operating Profit



- Triton
- Merlyn¹
- Vado
- Croydex
- Abode
- Johnson Tiles
- Adhesives

- Underlying Operating Profit
- Return on Sales %

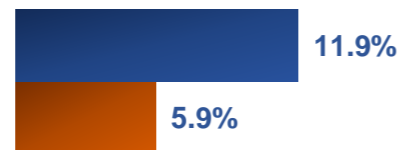
¹ Acquired 23rd November 2017, revenue to 31st March 2018.

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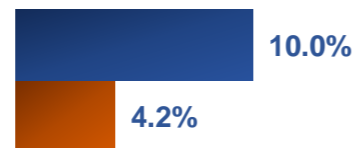
South Africa Operations

**Nick Kelsall
Group Chief
Executive**

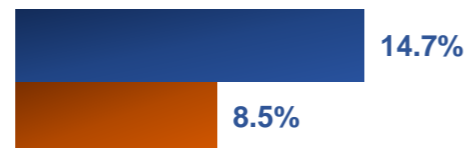
South Africa Revenue – Share Gains in Tough Market



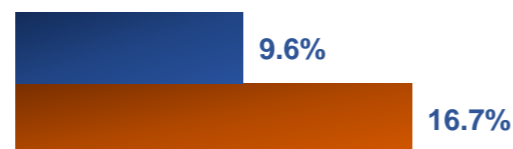
➤ Eighth year of consecutive Rand revenue growth



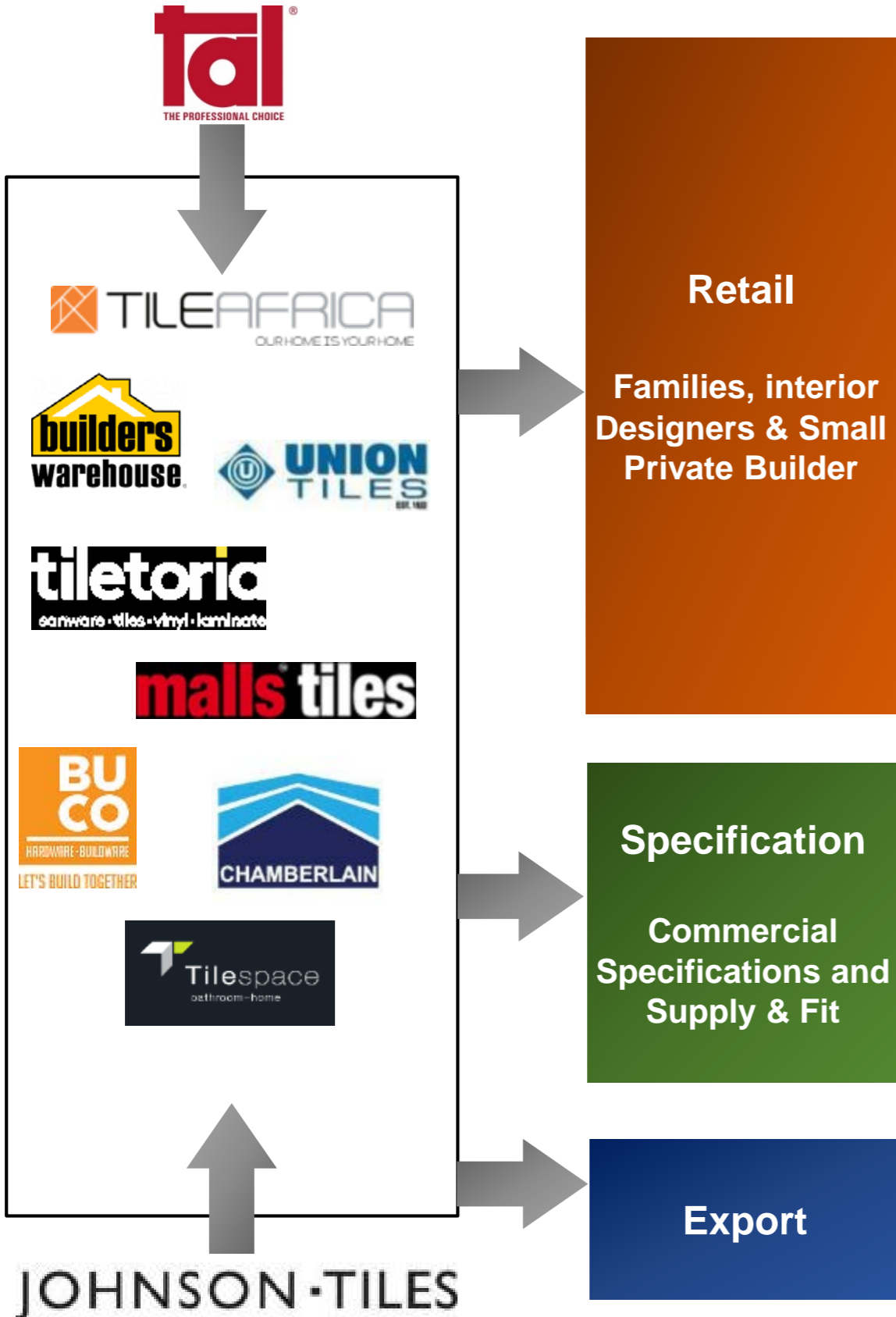
➤ Strong retail revenue growth – two new stores opened and three upgraded to CX format



➤ Market share growth partially offset by lower export sales into key Zimbabwe market



➤ Strong NPD driving increased demand



- **TAF**
 - Robust growth despite soft consumer sentiment
 - Strong and growing bathroom sales
 - Group synergies – key driver of successful bathroom store-within-a-store concept
 - Taps and accessories growth - benefitting from Vado and Croydex supply chain
- **TAL**
 - Growth through broadening customer base
 - New product introductions well received
- **JTSA**
 - NPD driving increased demand
- **Specification**
 - Robust performance despite challenging market – project delays
 - Prestigious projects include McDonald's, Shell, and Houghton Hotel
- **Export**
 - TAL & JTSA - impacted by lower export revenue
 - Zimbabwe - impacted by FX and import restrictions

New Product Development

➤ TAF

- Extensive new products launched across ten product categories
- Group purchasing synergies driving exclusive ranges delivering higher sales & margins

➤ Johnson Tiles SA

- Strong NPD programme – 56 new products launched in the year

➤ TAL

- Sales traction in rapid-set product category – launch of Goldstar 18 in Q2 FY18
- NPD programme – over R25m in additional sales in FY18

➤ NXSA

- >45%* of FY18 revenue being generated from products launched in the last 36 months

Operations and Supply Chain

➤ TAF

- 32 stores and 2 franchises
- 24 out of 32 stores upgraded to either CX or Lifestyle formats
- Next 12 months – 2x new stores, 2x major upgrades, 6x retrofits & 1x closure

➤ Johnson Tiles SA

- Higher demand met through increased plant efficiencies
- Plan to increase capacity by 10% by H1 FY19 underway

➤ TAL

- Capacity increases at Durban and Cape Town plants
- First industry accredited lab in South Africa

- ISO Accreditations – Johnson Tiles SA and TAL awarded Health & Safety, Quality and Environmental

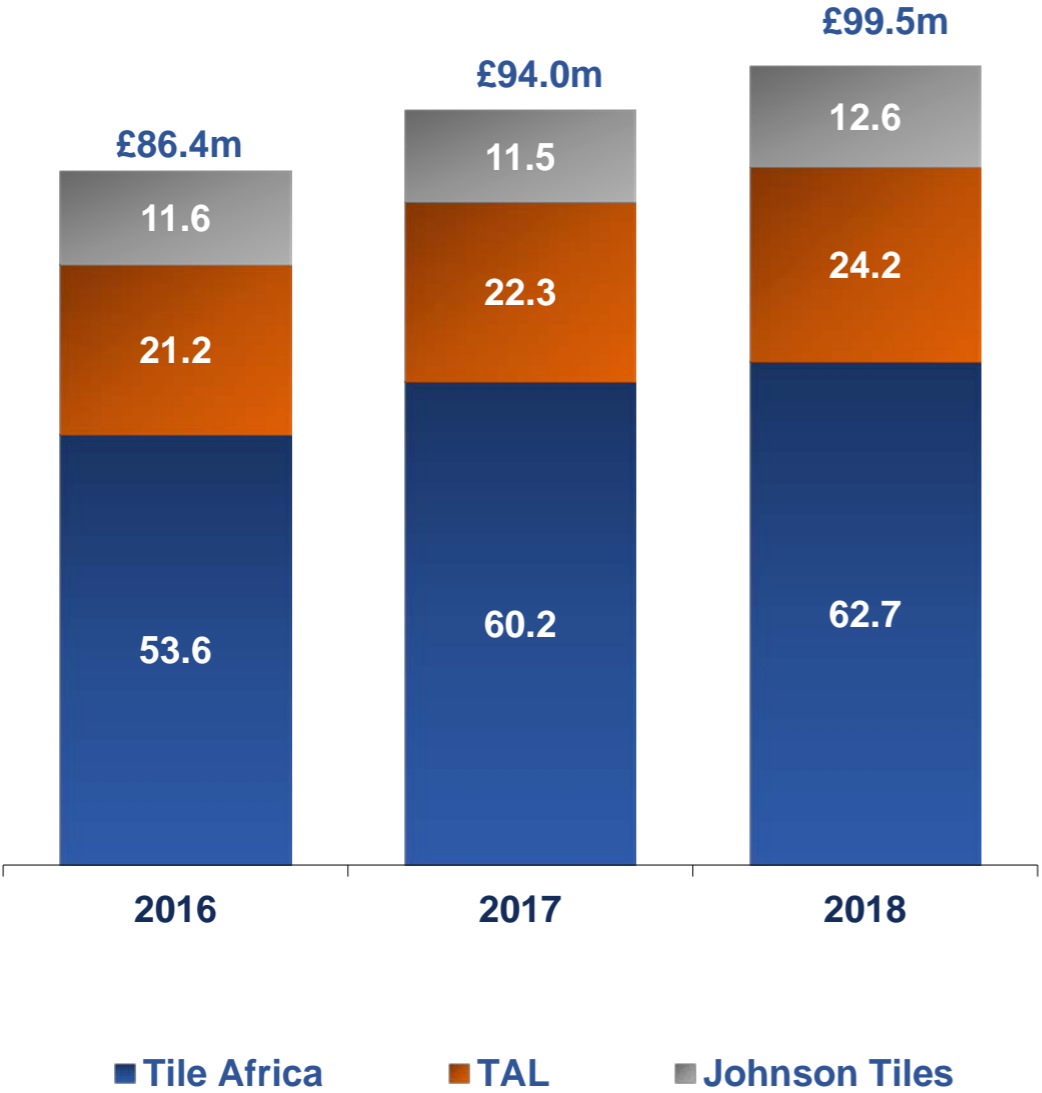


* New product vitality is the % of the last year's total revenue from new products launched in the past 3 years

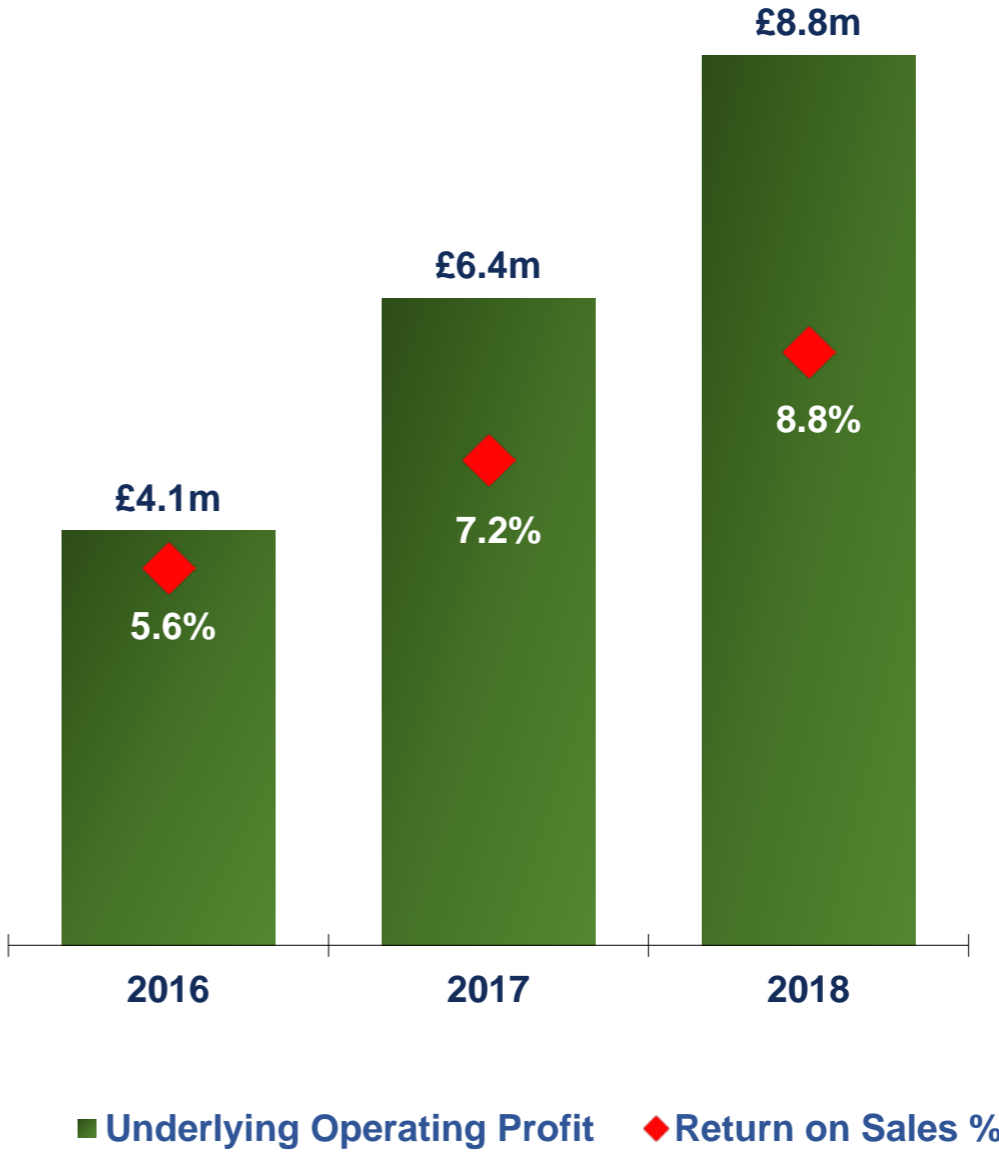
South Africa – Further Year of Excellent Progress



Revenue¹



Underlying Operating Profit



¹ On a constant currency basis



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Group Outlook & Strategy

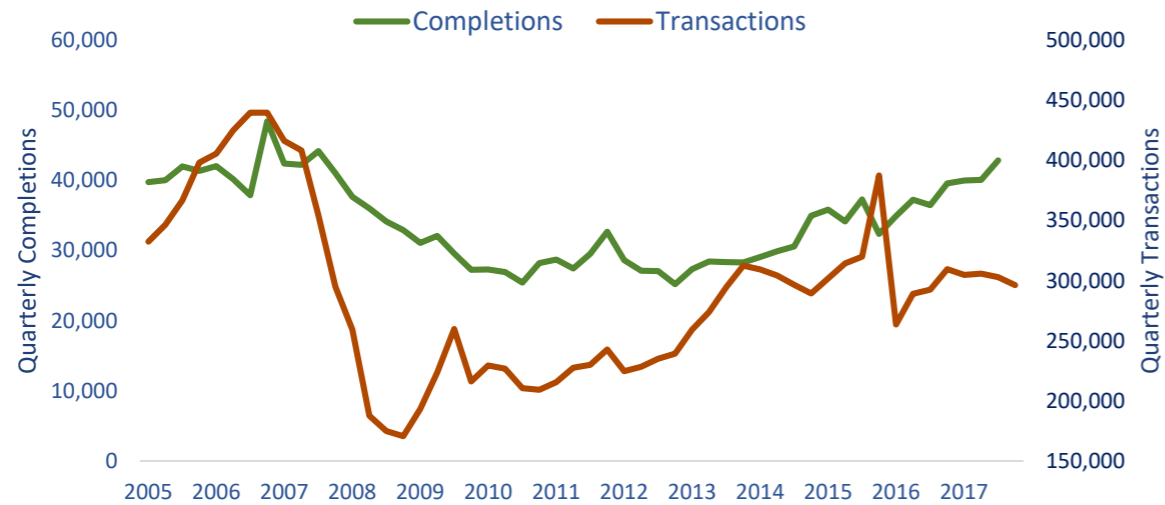
**Nick Kelsall
Group Chief
Executive**

UK

Stable but Lacklustre Market

Key Housing Stats

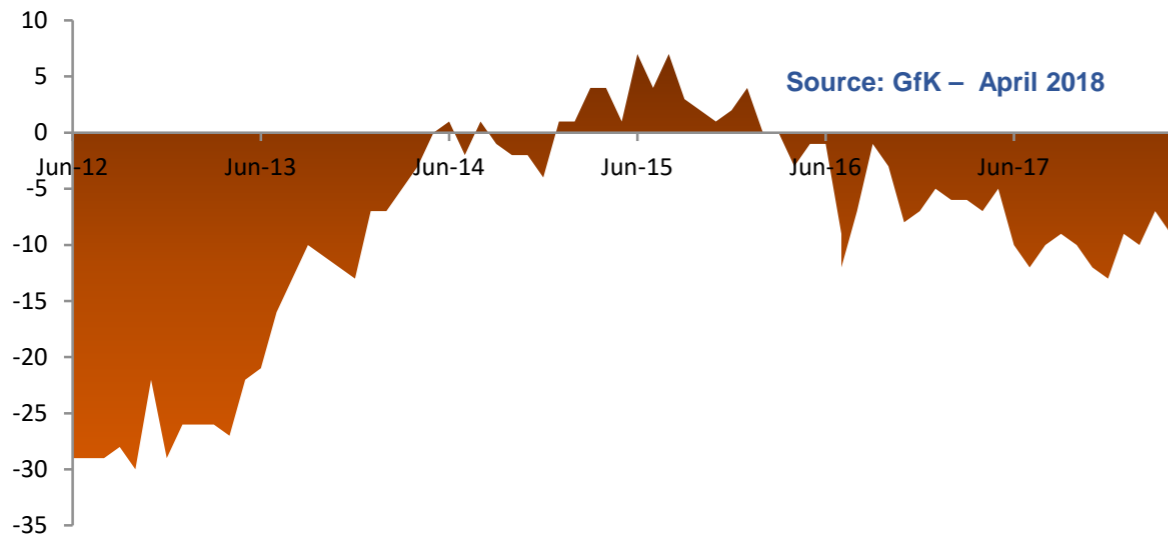
Sources: GOV.UK & HMRC Q1 2018



Completions growth; transactions flat

GfK Consumer Confidence

Source: GfK – April 2018



Consumer confidence remains fragile

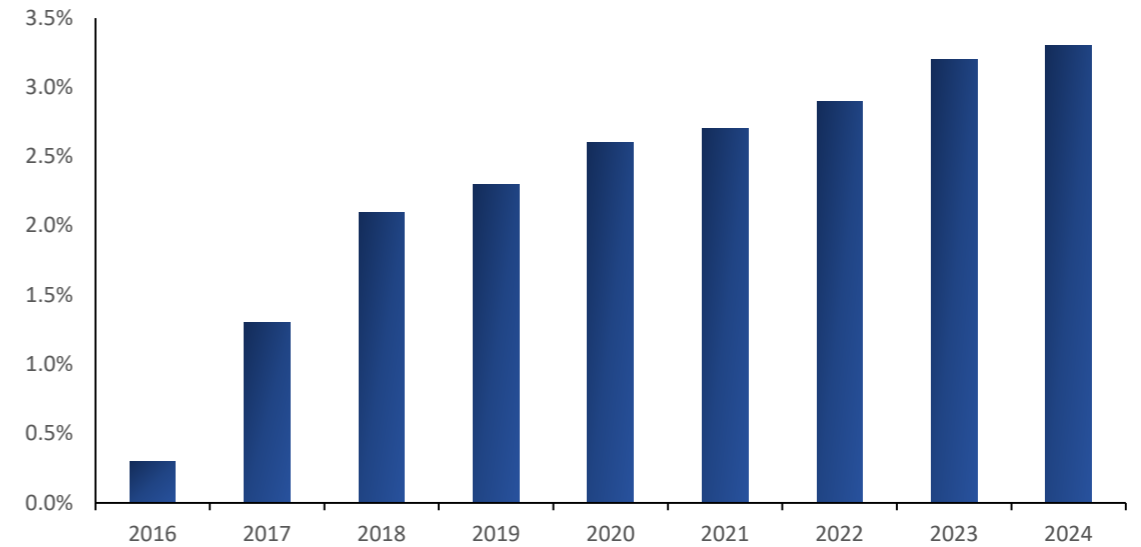
South Africa

Improving Sentiment



% GDP growth

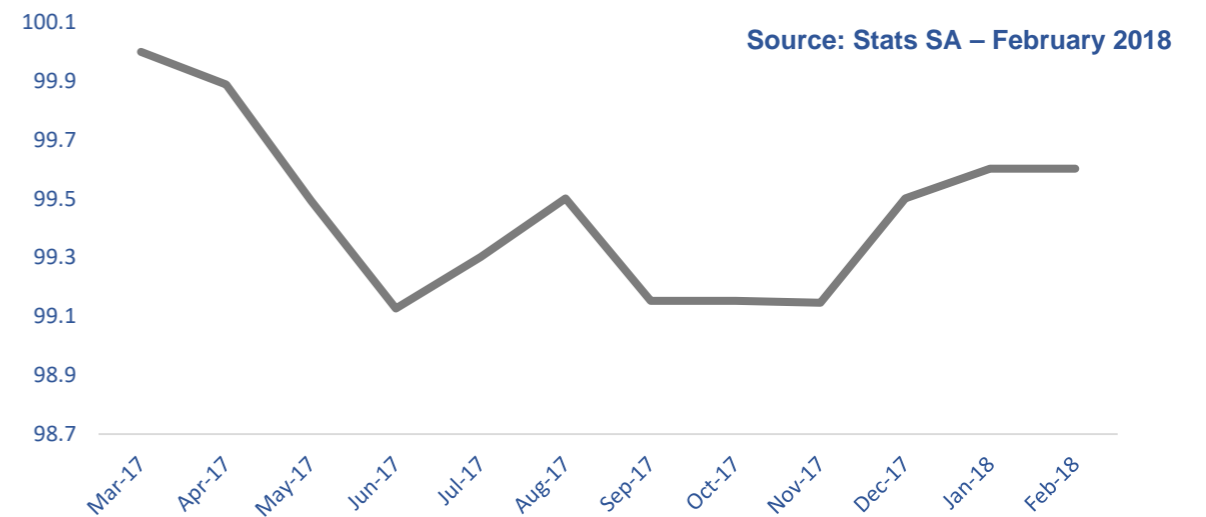
Source: Investec Q2 2018



Improving political and economic outlook

Hardware/Paint/Glass Retail Sales (Index Feb17=100)

Source: Stats SA – February 2018



Key indicator for RMI – recovery from lows of 2017

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
No change

Sustainable ROCE of >15%
Hurdle increased

EXISTING PRODUCT PORTFOLIO



POTENTIAL TO BROADEN PRODUCT PORTFOLIO



COMPLEMENTARY ACQUISITION OPPORTUNITIES – WELL DEVELOPED PIPELINE

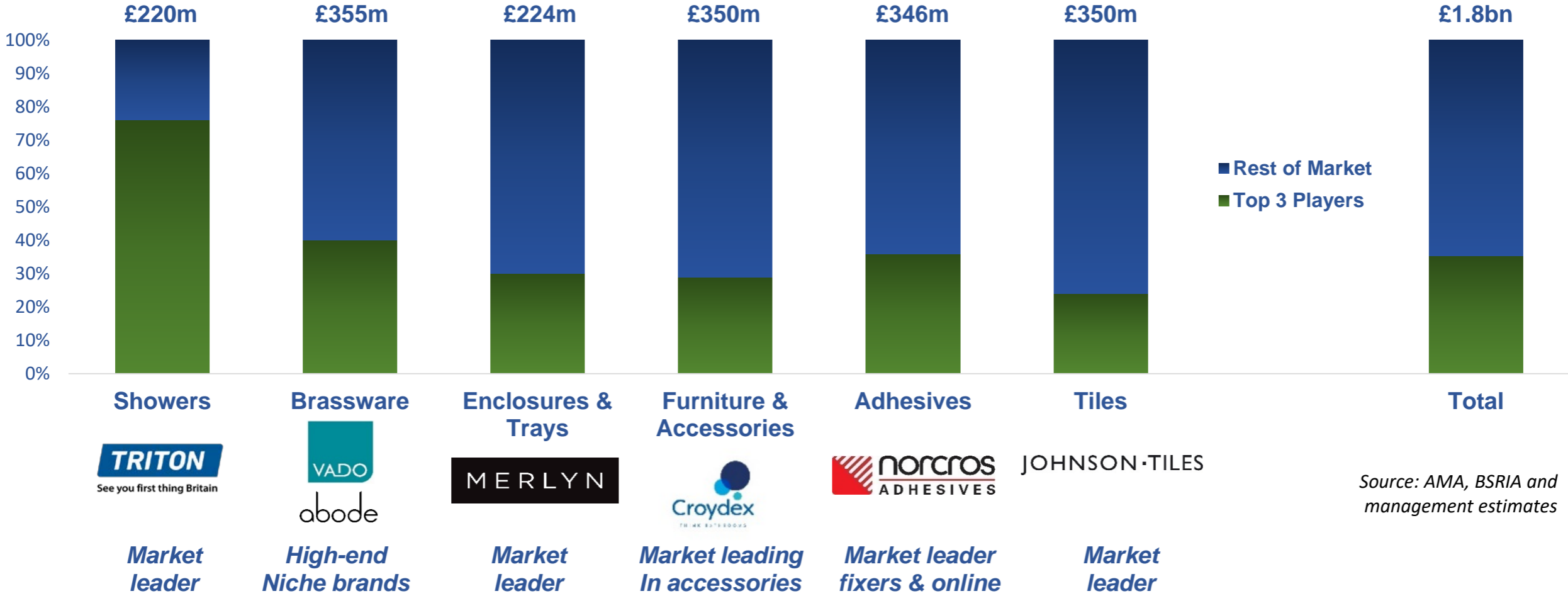
CHOSEN MARKETS SUITABLE FOR CONSOLIDATION

ORGANIC GROWTH MOMENTUM

Strategy - Industry Fragmentation + Consolidation Opportunity



UK Bathroom – Selective Markets @ MSP



Source: AMA, BSRIA and management estimates

- Overall bathroom market – highly fragmented – no dominant player
- Sub-market segments are also highly fragmented
- Numerous specialist brands within sub-markets – channel focus
- No one company serves all segments and channels – significant consolidation opportunity
- Norcross focus on attractive sub-market segments and channels
- Norcross current channel and product position – excellent platform to implement consolidation strategy

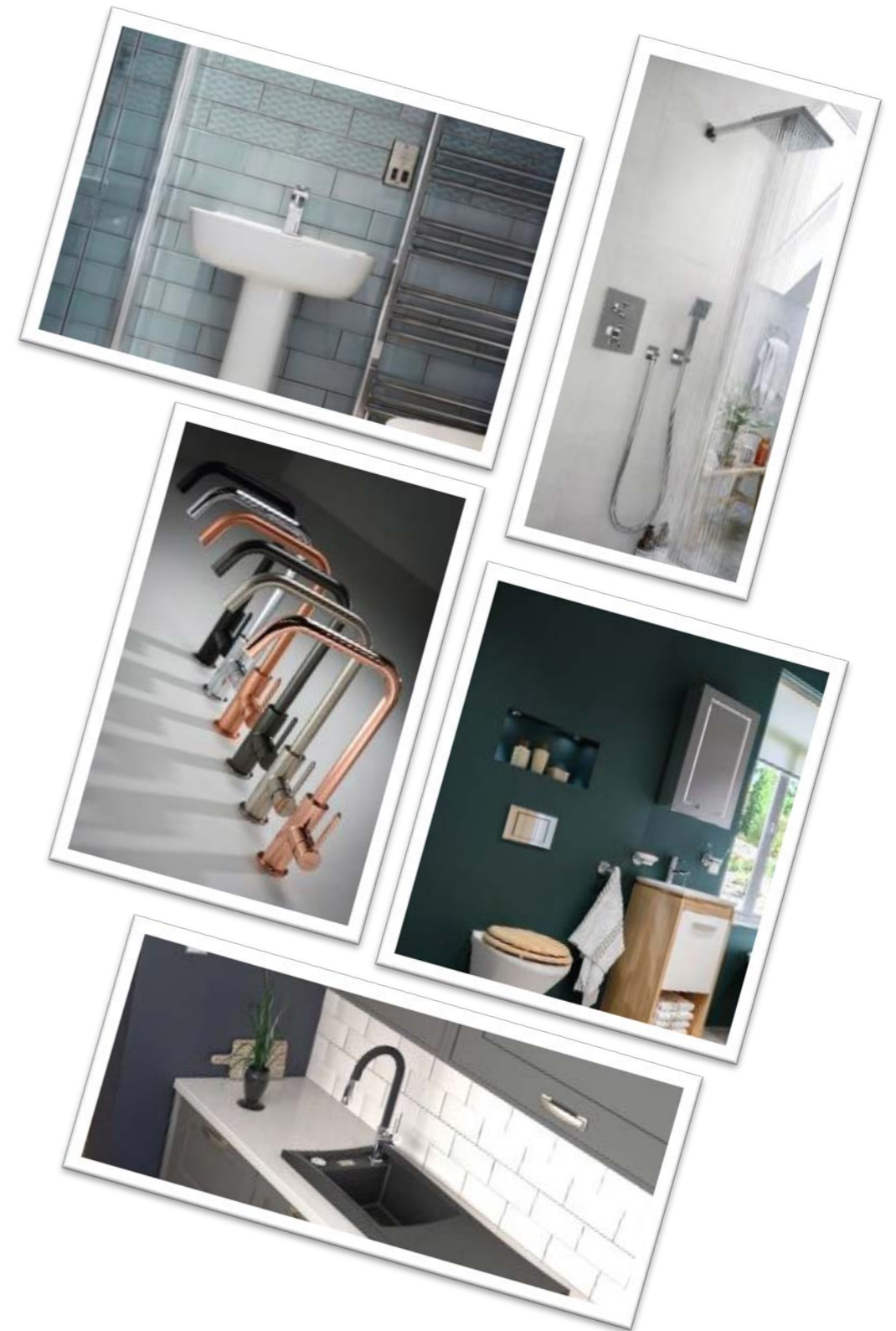
Robust Full Year Results

Rollover of Our Successful Strategy

Organic Growth and Synergy Opportunities

Developed Pipeline of Acquisition Opportunities

Medium Term Indicators Favourable





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Appendix

Merlyn : Key Financials

- Acquired 23 November 2017
- Cash consideration £59.1m net of acquisition costs
- Total costs of £4.1m including the cost of raising equity
- Financing:
 - Debt: Bank facility increased to £120m: Maturity date November 2021
 - Equity: 18,254,161 10p new ordinary shares issued at 172p per share – raised £29.9m net of fees
- Fair value exercise completed

Merlyn acquisition	£m
Identifiable intangibles	30.7
Identified net assets	13.7
Goodwill	25.5
Acquired cash	(10.8)
Net consideration	59.1

- Business has performed well since acquisition –
 - Revenues £11.7m, pro forma* £34.7m, (31 March 2017, £30.7m)
- Successfully integrated into the Group

* Pro forma includes pre acquisition revenue, ie for the period 1 April 2017 - 22 November 2017

Acquisition related costs

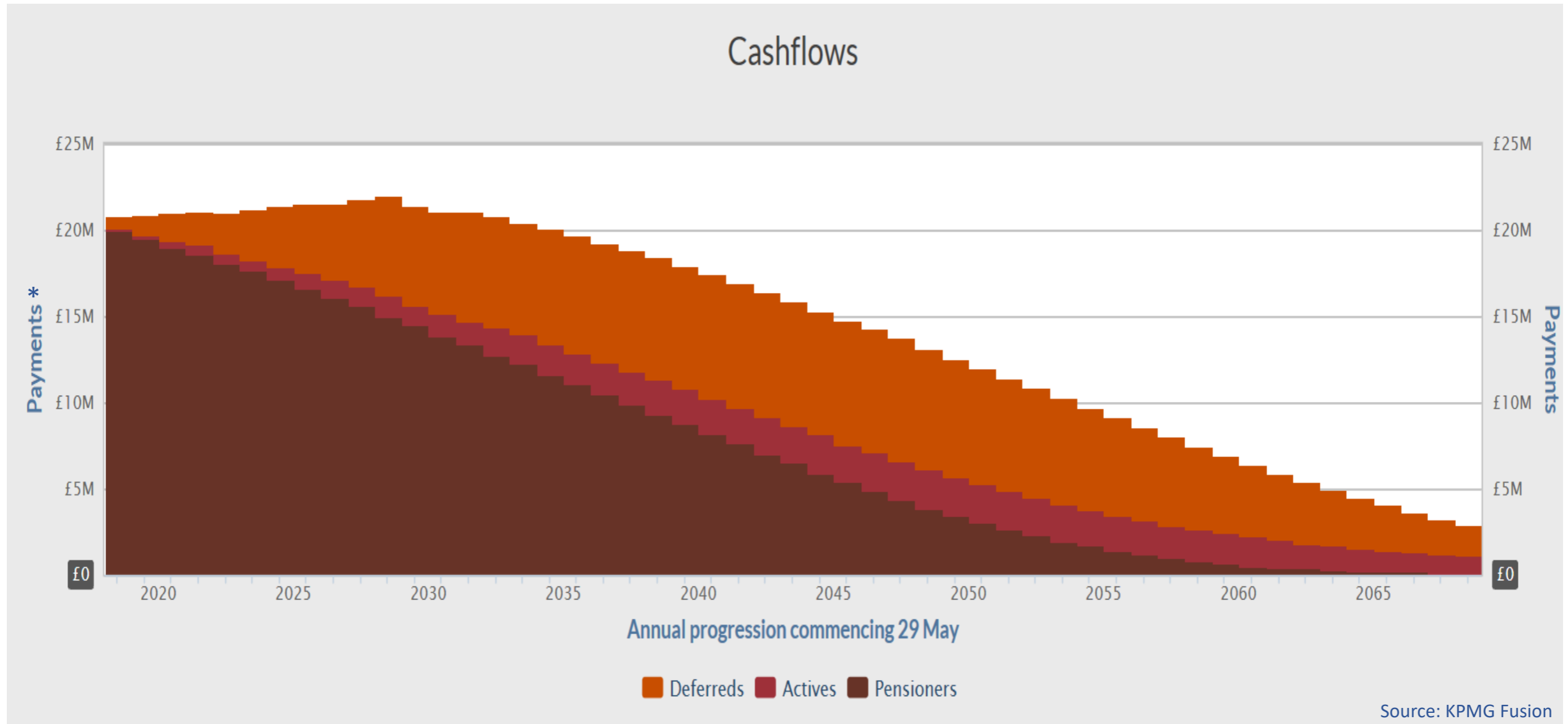
	2018 £m	2017 £m
Acquisition related costs		
Acquisition related deferred remuneration (earn out)	0.3	(0.4)
Intangible asset amortisation	(2.2)	(1.2)
Staff costs and advisory fees	(2.4)	(1.1)
	<u>(4.3)</u>	<u>(2.7)</u>

Net debt reconciliation

	2018 £m	2017 £m
Net debt (IFRS) – opening	(23.2)	(32.5)
Net cash flow	(24.2)	7.8
Other non cash movements	(0.2)	(0.2)
Foreign exchange	0.5	1.7
Net debt (IFRS) - closing	(47.1)	(23.2)

UK Pension Scheme cashflows

➤ Cash outflow remains close to peak



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