

# Interim Results

Six Months to 30 September 2020

norcros

Inspiring Living Spaces

# Introduction

Nick Kelsall, Chief Executive Officer



JOHNSON-TILES  
Since 1901



- Our people responded admirably to the March COVID-19 lockdown, reopening & adoption of new normal
- Marked recovery in demand; performance reflecting resilience of our operating model
- Performance significantly ahead of COVID-19 operating scenario<sup>2</sup>, benefiting from broad channels & well established supply chains
- Strong financial position with leverage, Net Debt: LTM EBITDA of 0.2 times; significant liquidity & funding headroom
- November lockdown – our facilities are fully operational & vast majority of customers continue to trade

<b>Revenue<sup>1</sup></b>	<b>£135.3m -17.3%</b>
<b>Underlying Operating Profit</b>	<b>£12.8m -26.4%</b>
<b>Underlying Profit Before Tax</b>	<b>£10.7m -31.4%</b>
<b>Net Debt</b>	<b>£7.3m (£41.1m)</b>
<b>Diluted Underlying EPS</b>	<b>10.6p -29.8%</b>

<sup>1</sup> LFL (like for like) at constant currency and adjusting for 27 to 26-week period pro-rating

<sup>2</sup> Scenario 1 of Going concern review, page 89 of Annual Report and Accounts 2020



ARYSTO  
COLOUR

ARYSTO  
COLOUR

Bathrooms

MERLYN  
COLOUR KEEPERS

# Financial Review

Shaun Smith, Chief Financial Officer

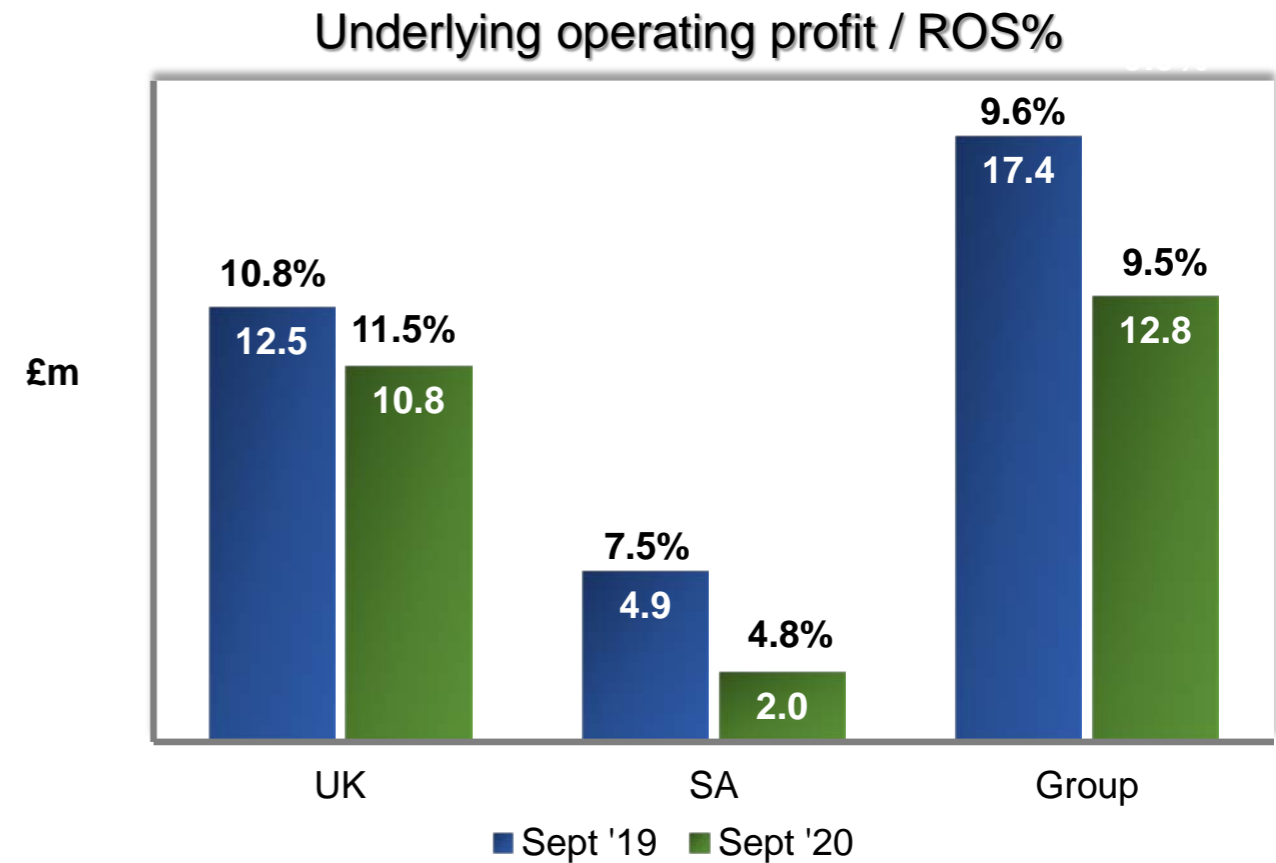
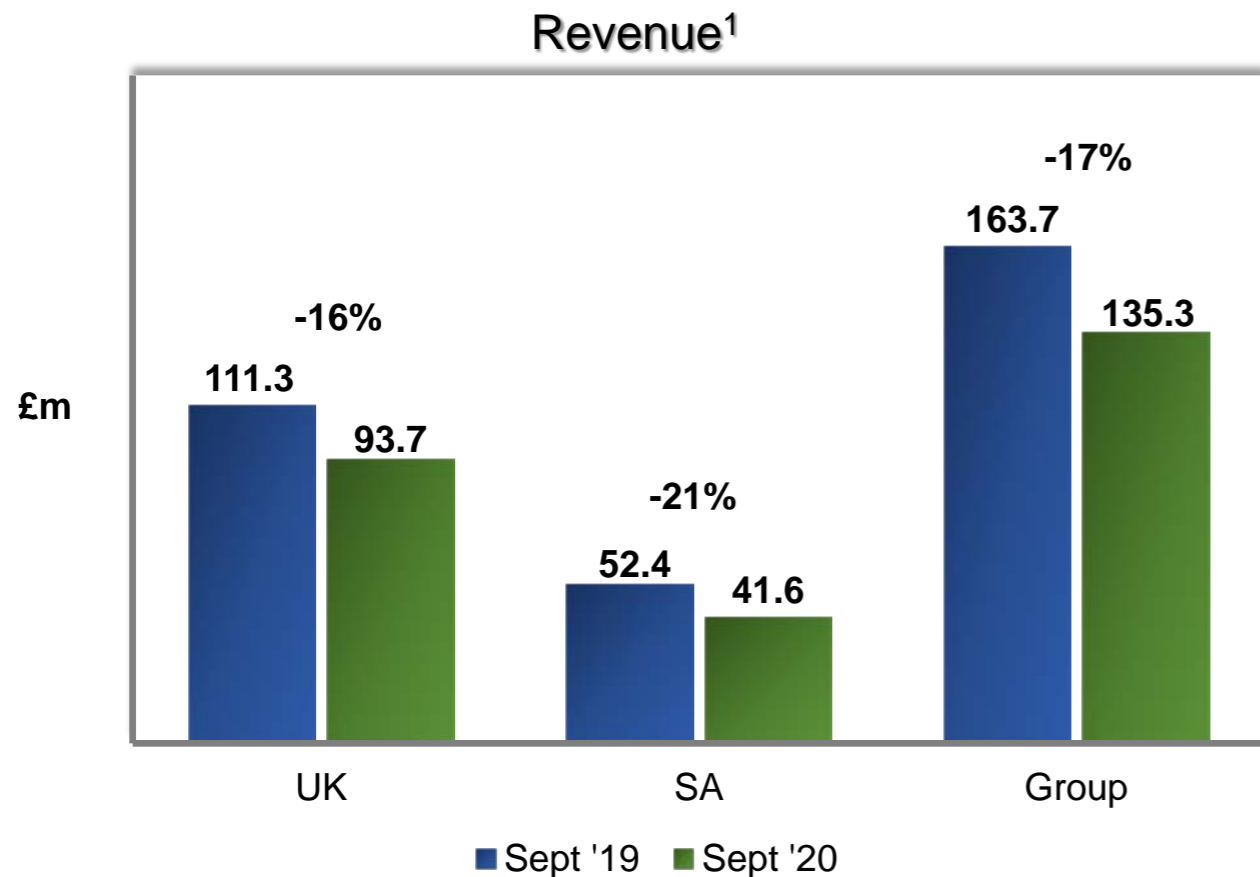
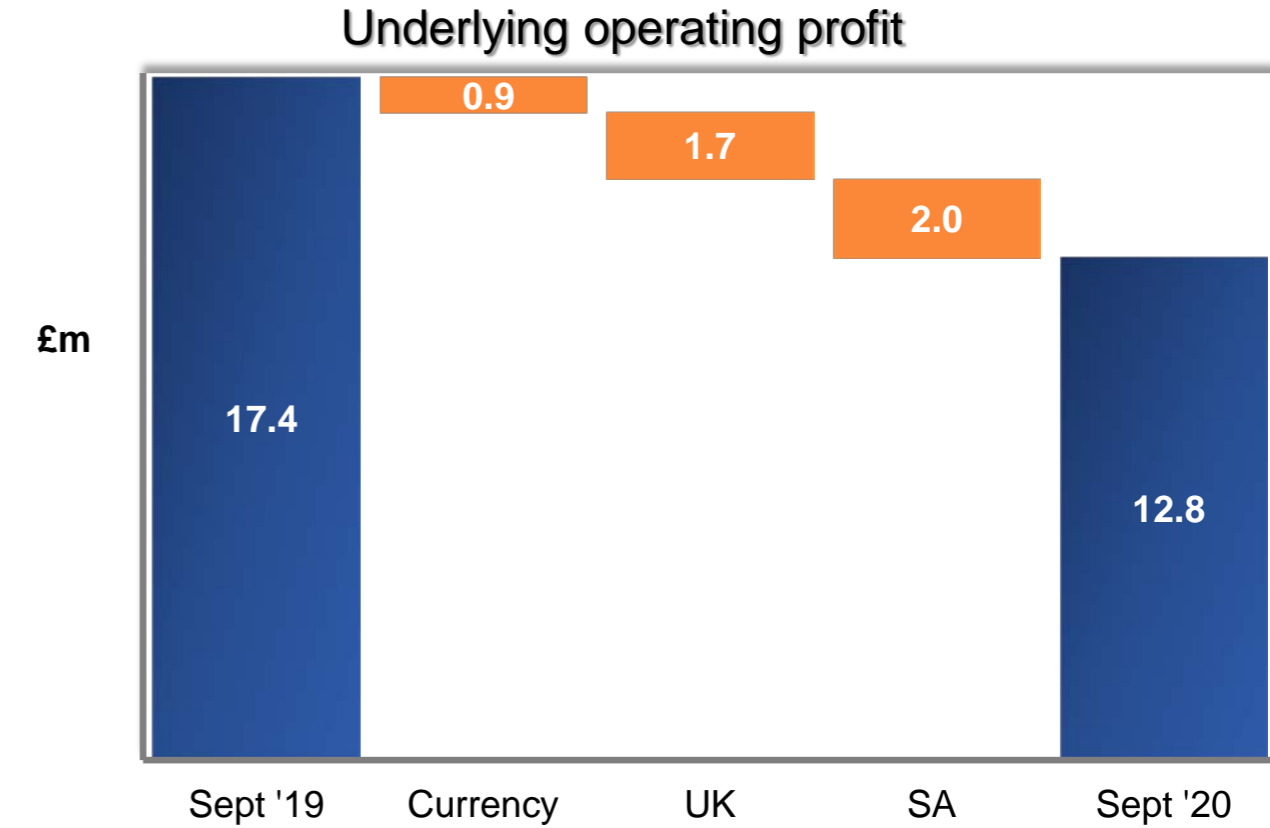
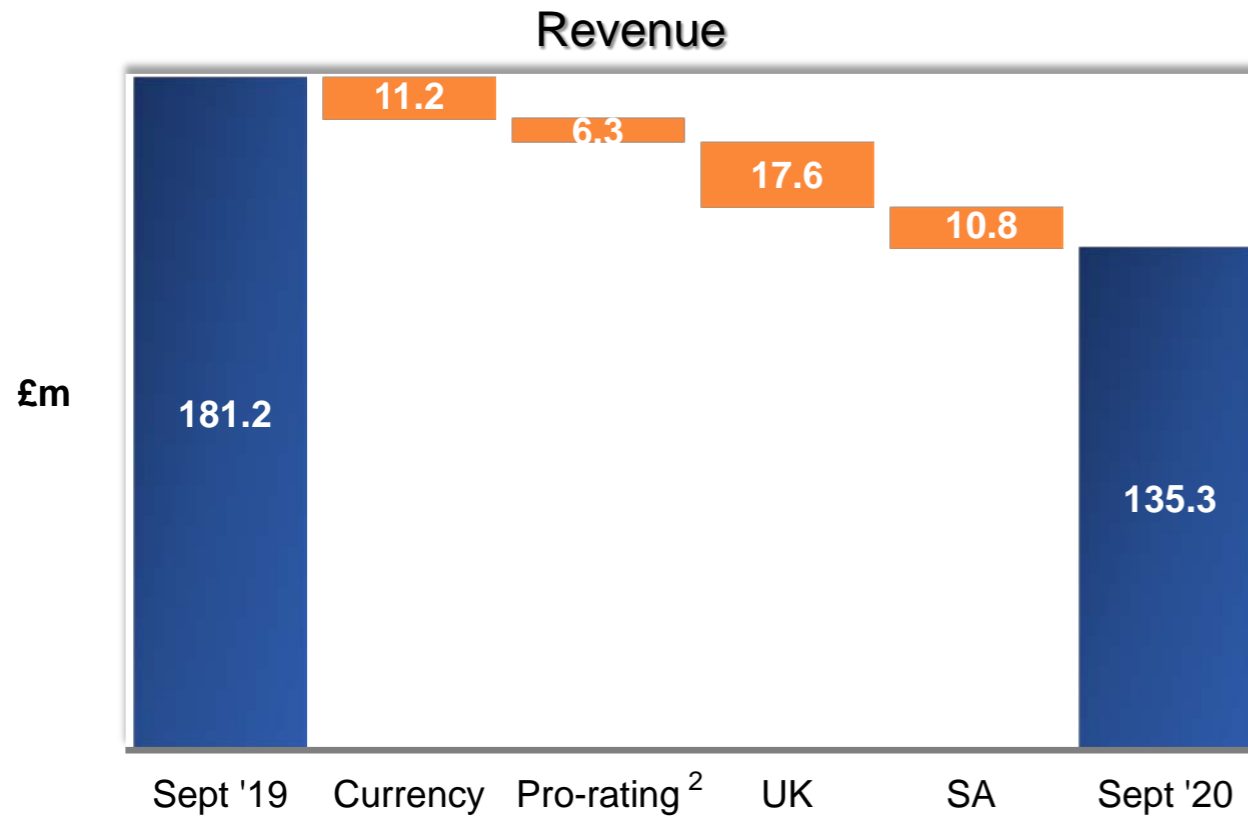
	H1 Sept 2020 £m	H1 Sept 2019 £m	Reported	Constant Currency LFL <sup>4</sup>	FY Mar 2020 £m
Revenue	135.3	181.2	-25.3%	-17.3%	342.0
Underlying <sup>1</sup> operating profit	12.8	17.4	-26.4%		32.3
<i>Margin</i>	9.5%	9.6%			9.4%
Finance charges – cash	(1.2)	(0.9)			(1.6)
Finance charges – leases	(0.9)	(0.9)			(1.9)
Underlying <sup>1</sup> PBT	10.7	15.6	-31.4%		28.8
Exceptional operating items <sup>2</sup>	(2.4)	-			(9.0)
IAS19R admin expenses	(0.9)	(0.9)			(1.5)
Acquisition related costs <sup>2</sup>	(2.1)	(2.2)			(4.0)
Finance (charge)/income – non cash <sup>3</sup>	(1.9)	0.8			0.7
PBT as reported	3.4	13.3	-74.4%		15.0

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

2 See page 34 for details

3 Includes -£1.3m non-cash movement relating to “mark to market” on FX forward contracts (2019 : +£1.3m)

4 LFL (like for like) at constant currency and adjusting for 27 to 26-week period pro-rating

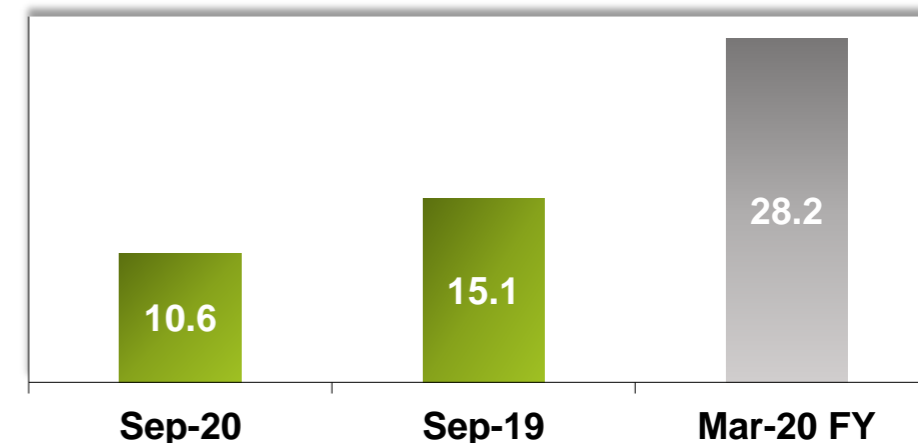


<sup>1</sup> All figures on a LFL (like for like) constant currency basis adjusting for 27 to 26-week period pro-rating

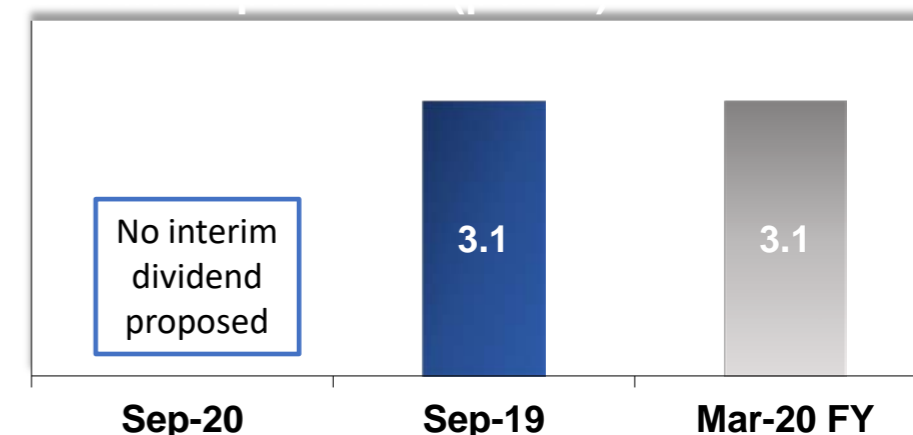
<sup>2</sup> 27 to 26 week pro-rating of previous period

	Underlying <sup>1</sup>			Reported		
	H1 Sept 2020 £m	H1 Sept 2019 £m	FY Mar 2020 £m	H1 Sept 2020 £m	H1 Sept 2019 £m	FY Mar 2020 £m
Profit before Tax	10.7	15.6	28.8	3.4	13.3	15.0
Tax charge	(2.1)	(3.3)	(6.0)	(0.9)	(3.1)	(4.1)
Earnings	8.6	12.3	22.8	2.5	10.2	10.9
Effective Tax rate	19.6%	21.2%	20.8%	26.5%	23.3%	27.3%

Diluted underlying EPS<sup>1</sup> (pence)



Dividend per share (pence)



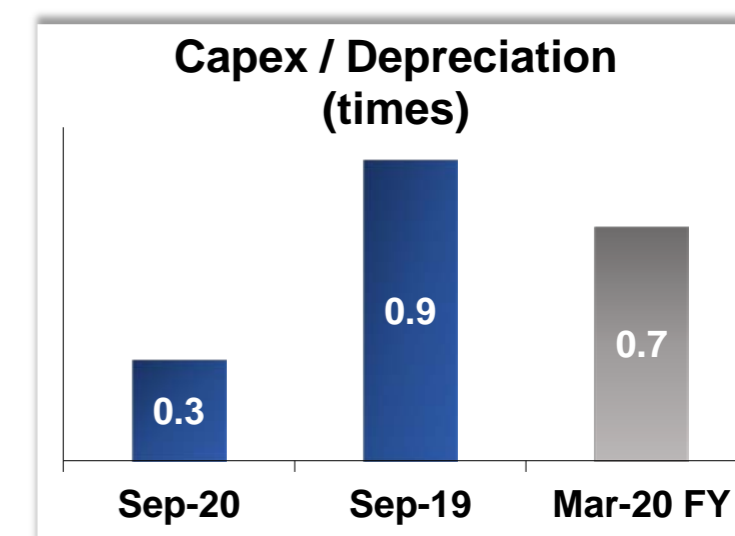
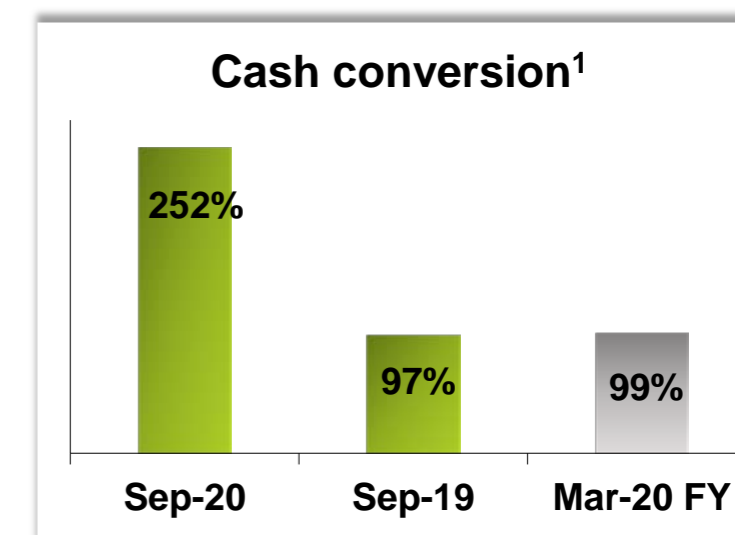
**Effective underlying tax rate of 19.6%<sup>1</sup> (2019: 21.2%)**

**Underlying<sup>1</sup> earnings 30% lower at £8.6m (2019: £12.3m)**

**No interim dividend (2019: 3.1p): Final dividend to be considered at full year**

<sup>1</sup> 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

	H1 Sept 2020 £m	H1 Sept 2019 £m	FY Mar 2020 £m
<b>Underlying EBITDA</b>	<b>14.9</b>	<b>20.6</b>	<b>38.6</b>
Working capital	19.9	(3.1)	(4.8)
Depreciation of right of use assets	2.1	2.2	4.5
Operating profit impact of IFRS16	0.5	0.3	0.5
Other	0.2	-	(0.4)
<b>Underlying operating cashflow</b>	<b>37.6</b>	<b>20.0</b>	<b>38.4</b>
Net capital expenditure	(0.9)	(3.1)	(4.8)
Pension deficit recovery	(1.7)	(1.6)	(3.3)
Tax	(1.1)	(2.9)	(5.3)
<b>Underlying free cash flow pre-financing &amp; dividends</b>	<b>33.9</b>	<b>12.4</b>	<b>25.0</b>
Exceptional and acquisition related costs	(1.5)	(0.4)	(0.3)
Interest	(2.0)	(1.8)	(3.5)
Dividends	-	(4.5)	(7.0)
Acquisition of subsidiaries	-	(9.4)	(9.2)
Principal element of lease payments	(1.9)	(2.0)	(3.8)
Purchase of treasury / issue of new shares	-	(0.9)	(0.8)
<b>Net Cash Flow</b>	<b>28.5</b>	<b>(6.6)</b>	<b>0.4</b>



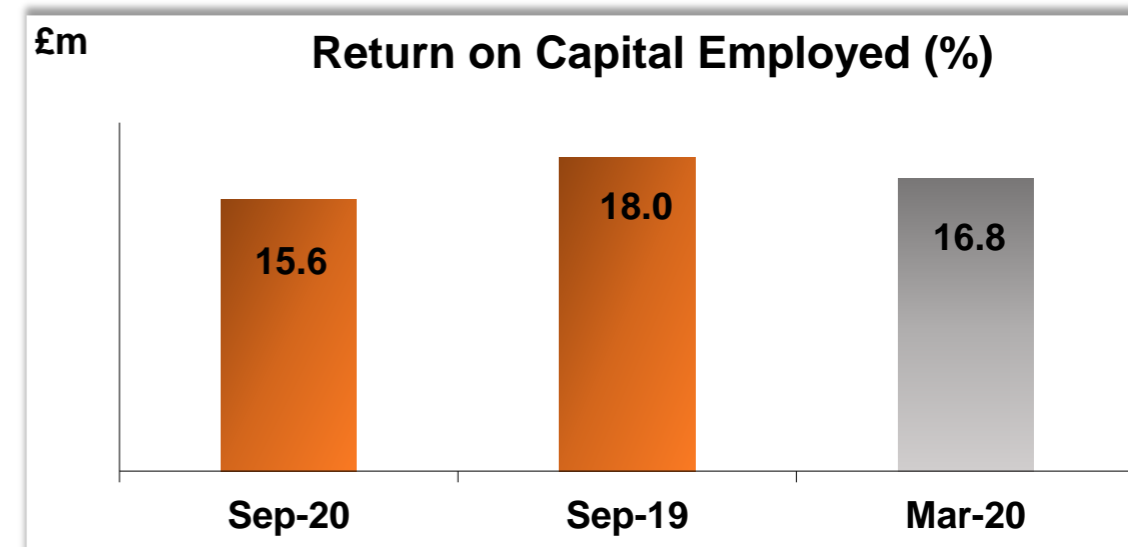
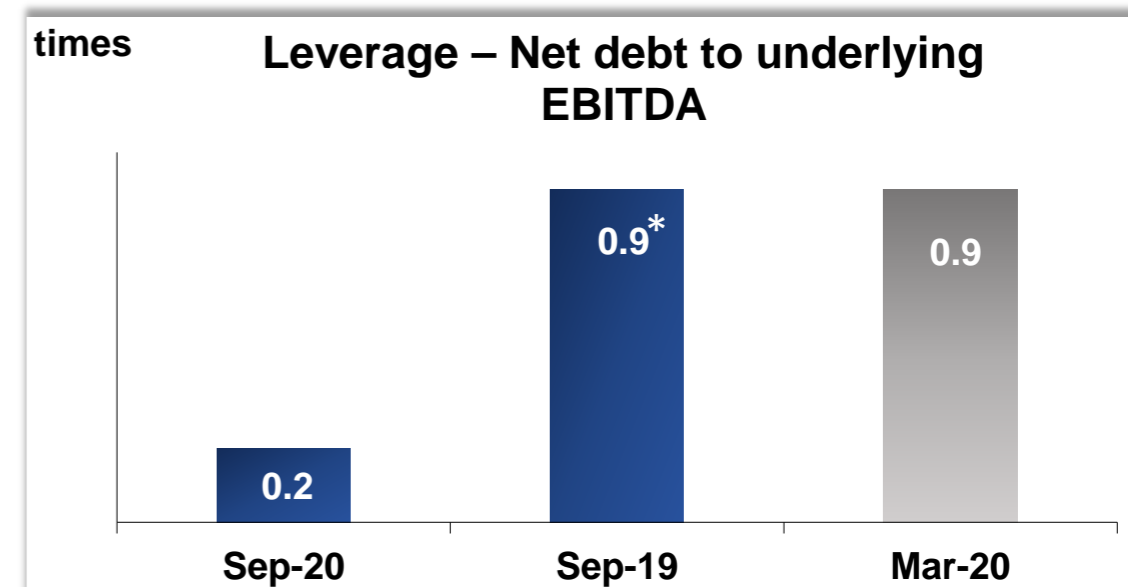
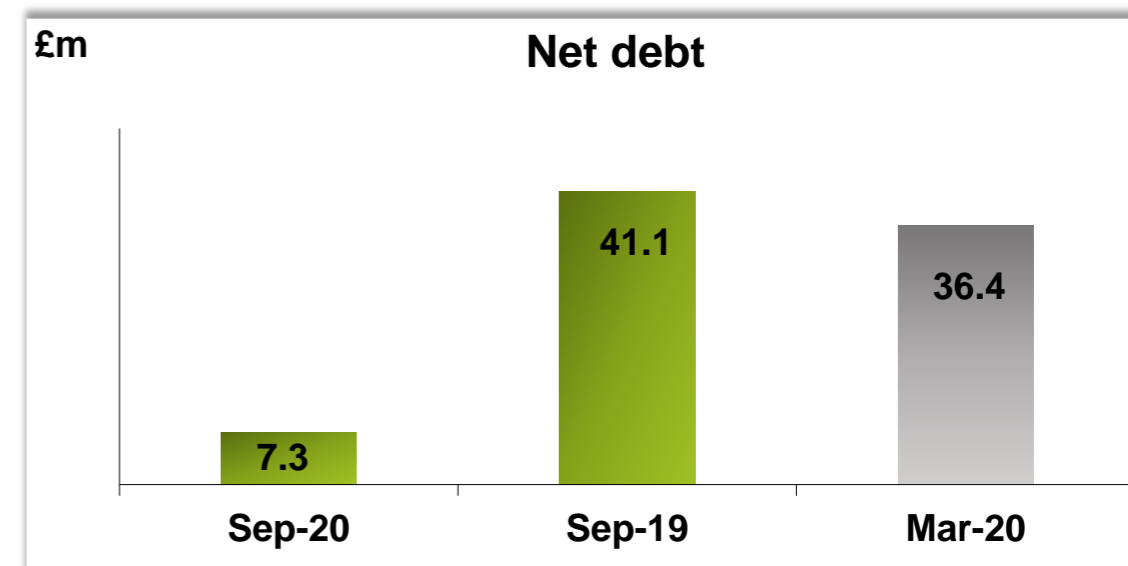
<sup>1</sup> Underlying operating cash flow / Underlying EBITDA



**Net debt £7.3m**  
**(March 20: £36.4m, Sept 19: £41.1m)**

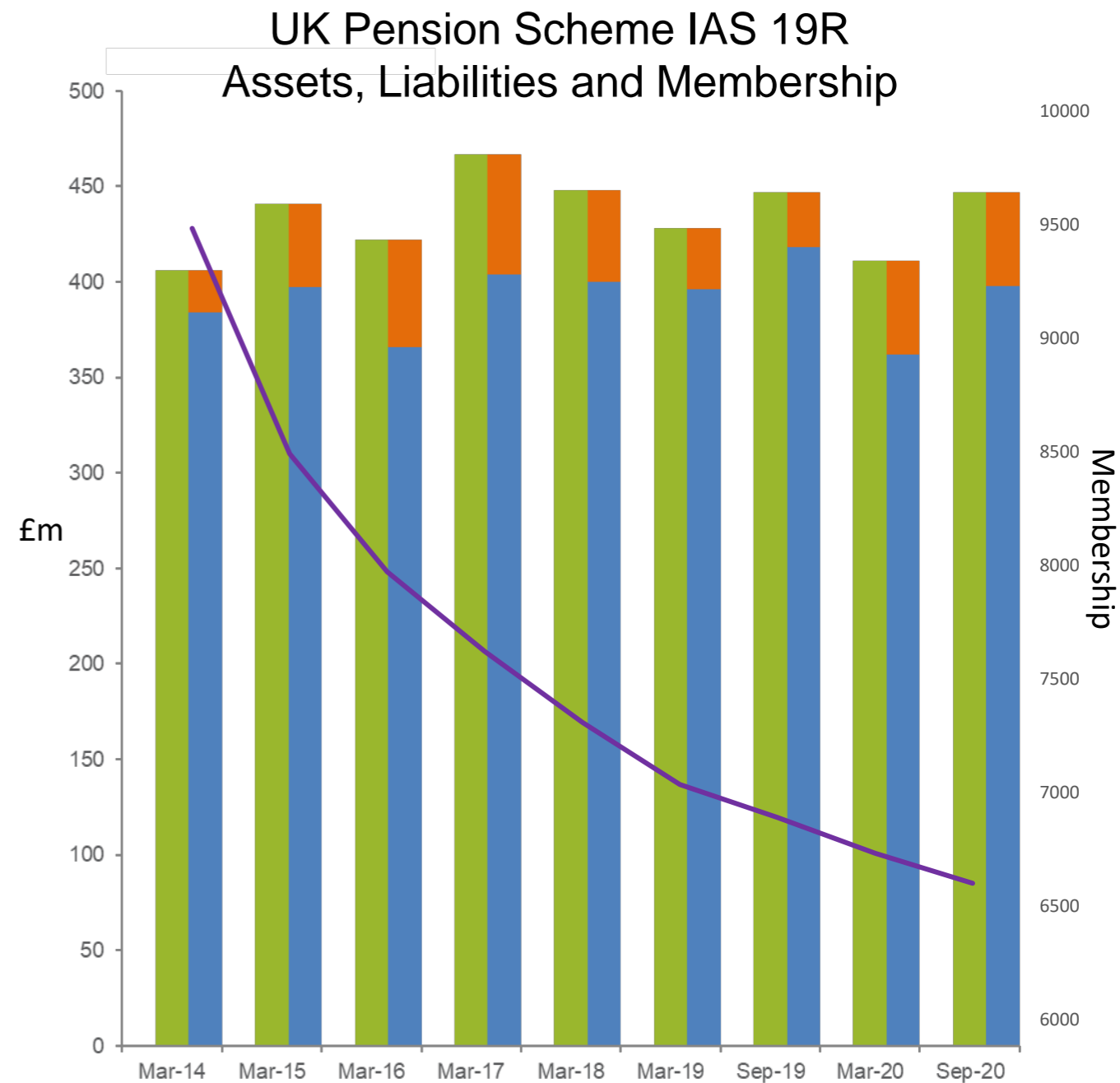
**Leverage 0.2 times underlying EBITDA**

**ROCE 15.6% in line with strategic target despite impact of COVID-19**



\*Pro forma EBITDA includes full year EBITDA for acquisitions

- IAS 19R deficit £48.9m (March 20: £48.9m, September 19: £29.0m)
  - Assets increased by £36.0m to £397.9m
  - Liabilities increased by £36.0m to £446.8m
  
- Contributions continue to be paid in line with the June 2019 recovery plan
  - Contributions of £3.25m pa plus CPI for 6.5 years to 30 Sept 2025
  - Underlines Group's support for the scheme
  
- Super-mature scheme – membership continues to reduce
  
- Scheme closed to new entrants and future accrual in 2013



Liabilities	406	441	422	467	448	428	447	411	447
Assets	384	397	366	404	400	396	418	362	398
Deficit	22	44	56	63	48	32	29	49	49
Disc Rate	4.30%	3.30%	3.55%	2.60%	2.65%	2.50%	1.90%	2.21%	1.65%
RPI	3.2%	2.90%	2.90%	3.15%	3.10%	3.25%	3.10%	2.55%	2.90%
Members	9,485	8,492	7,973	7,621	7,309	7,035	6,890	6,733	6,601
% pensioners	61%	64%	66%	68%	68%	69%	69%	70%	70%

- Decisive action taken to safeguard employees and to ensure liquidity, reduce costs and preserve cash
- Underlying operating profit includes £4.9m of COVID-19 government job retention assistance (£3.9m UK, £0.8m SA, £0.2m Ireland)
- Underlying operating cash flow of £37.6m (2019: £20.0m) driven largely by a £19.9m working capital inflow (2019: £3.1m outflow) consisting of:
  - £12m reduction in inventory
  - Some reversal expected in second half
  - VAT deferral circa £3.0m payable in FY22
- Restructuring plan to align costs - Exceptional expense of £2.4m (cash £2.0m, non-cash £0.4m)
  - Payback of less than 12 months
  - £1.0m paid in H1, £0.6m in H2, £0.4m in FY22
  - Headcount reduced by 10%
- Capital expenditure reduced in period to £0.9m (2019: £3.1m). Full year circa £4m (2020: £4.8m)
- Strong financial position, net debt reduced significantly to £7.3m (31 March 2020: £36.4m, 30 Sept 2019: £41.1m).
  - Access to a £120million committed RCF maturing in November 2022
  - Covenant waivers in place but not needed – significant headroom against £95m net debt covenant

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# Operating Review

Nick Kelsall, Chief Executive Officer



- **Strong Recovery**
  - Q2 LfL revenue +4.5% ahead of prior year & return to profitability
  - Excellent cash generation
  - Experienced management, resilient business model and channel diversity
  - Ongoing investment driving share gains & market outperformance
- **UK**
  - Solid Q2 momentum across all channels - 104% LfL vs prior year
  - Strong retail & trade momentum driven by small format, DIY & online
  - Market share gains driven by investment in stock, supply chain & NPD
- **South Africa**
  - Robust Q2 recovery – 106% LfL constant currency vs prior year
  - DIY and renovation segment driving post-lockdown recovery
  - Commercial market slower – improving trend
- **Significant Growth Opportunities**
  - Strong balance sheet allowing further investment in NPD, stock & marketing
  - Winning market share from weaker competitors
  - Acquisition pipeline remains well developed
- **2023 Strategic Vision Remains Valid**
  - £600m revenue target by 2023
  - 50% revenues derived from overseas
  - Sustainable ROCE of >15%



			Group H1 Revenue	%
UK	 See you first thing Britain	Market leader in the manufacture and marketing of showers in the UK	£23.3m	17.3
		Market leading supplier of shower enclosures and trays	£18.1m	13.4
		Leading manufacturer and supplier of taps, mixer showers, bathroom accessories and valves	£16.1m	11.9
		Market leading, innovative designer, manufacturer and distributor of high quality bathroom furnishings & accessories	£10.1m	7.5
		Leading niche designer and distributor of high quality kitchen taps, bathroom taps and kitchen sinks	£6.5m	4.8
		Leading manufacturer and supplier of ceramic tiles in the UK	£14.0m	10.3
		Manufacturer of tile and stone adhesives, grouts and related products	£5.6m	4.1
<b>UK Revenue</b>		<i>(26 weeks to 4<sup>th</sup> October 2020)</i>	<b>(-18.9%) (-15.8% LfL)<sup>1</sup></b>	<b>£93.7m 69.3%</b>

SOUTH AFRICA	 OUR HOME IS YOUR HOME	Leading chain of retail stores focused on tiles, and associated products, such as sanitary ware, showers and adhesives	£21.5m	15.9
		Leading manufacturer of ceramic and building adhesives	£7.9m	5.8
		Leading manufacturer of ceramic and porcelain tiles	£4.8m	3.5
		Market leading supplier of specialist plumbing materials focussed on the specification and commercial sectors	£7.4m	5.5
<b>SA Revenue</b>		<i>(constant currency, 26 weeks to 4<sup>th</sup> October 2020)</i>	<b>(-23.5%) (-20.6% LfL)<sup>1</sup></b>	<b>£41.6m 30.7%</b>

<b>GROUP REVENUE</b>	<i>(constant currency, 26 weeks to 4<sup>th</sup> October 2020)</i>	<b>(-20.4%) (-17.3% LfL)<sup>1</sup></b>	<b>£135.3m 100%</b>
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<sup>1</sup> LfL (like for like) adjusts prior year revenue for 27 to 26 week pro-rating

- **Health and safety of our staff and customers remains key priority**
- **Q2 LfL trading ahead of prior year**
  - Decisive action to adapt to CV-19 operating model
  - Flexibility of fixed capital-light model successfully demonstrated
  - Established customer relationships & diversity of channels
  - Gaining market share – investment in stock, supply chain & NPD

	Q1	Q2	Q2 LfL <sup>2</sup>	H1	H1 LfL <sup>2</sup>
<b>UK</b>	<b>62%</b>	<b>96%</b>	<b>104%</b>	<b>81%</b>	<b>84%</b>
South Africa	42%	81%	87%	63%	66%
<b>South Africa (at cc<sup>1</sup>)</b>	<b>50%</b>	<b>99%</b>	<b>106%</b>	<b>76%</b>	<b>79%</b>
Group	55%	91%	98%	75%	78%
<b>Group (at cc<sup>1</sup>)</b>	<b>58%</b>	<b>97%</b>	<b>105%</b>	<b>80%</b>	<b>83%</b>

- **UK**
  - No. of staff originally furloughed 72% – back to full complement
  - All manufacturing & assembly facilities fully operational
- **South Africa**
  - No. of staff originally furloughed 88% – back to full complement
  - All manufacturing sites, branches & stores fully operational
- **November lockdown – vast majority of customers continue to trade**



<sup>1</sup> CC refers to constant currency basis

<sup>2</sup> LfL (like for like) adjusts prior year revenue for 27 to 26 week pro-rating

# UK Operations

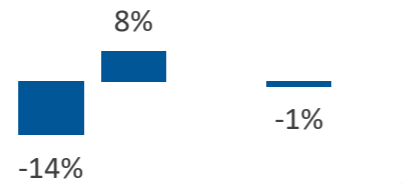
**Nick Kelsall, Chief Executive Officer**



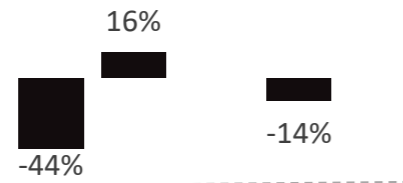


## % Revenue Change

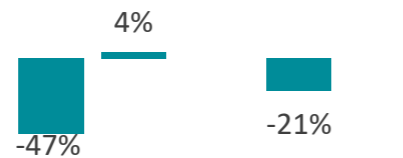
Q1 Q2 LfL<sup>1</sup> H1 LfL<sup>1</sup>



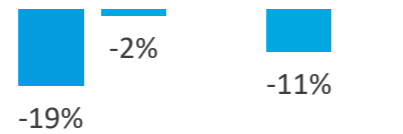
Retail and Online growth; increasing Q2 Trade momentum; and stable Irish market



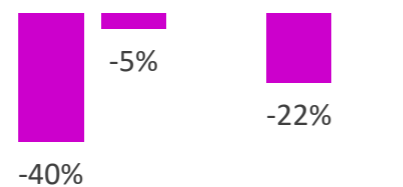
Stock availability and NPD driving account wins and increased share of wallet



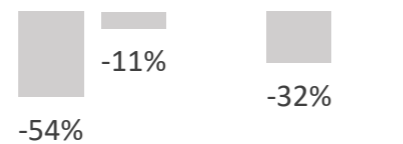
Specification share gains & Retail recovery; solid Q2 Europe & Middle East markets



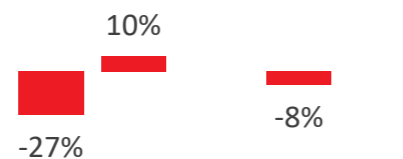
Significant Online growth, Retail recovery and improving Q2 Trade and Export momentum



Account wins driving branded and OEM share gains



Revenue impact of plant mothballing – fully reopened September; Export momentum – Q2 recovery in French and Middle East markets



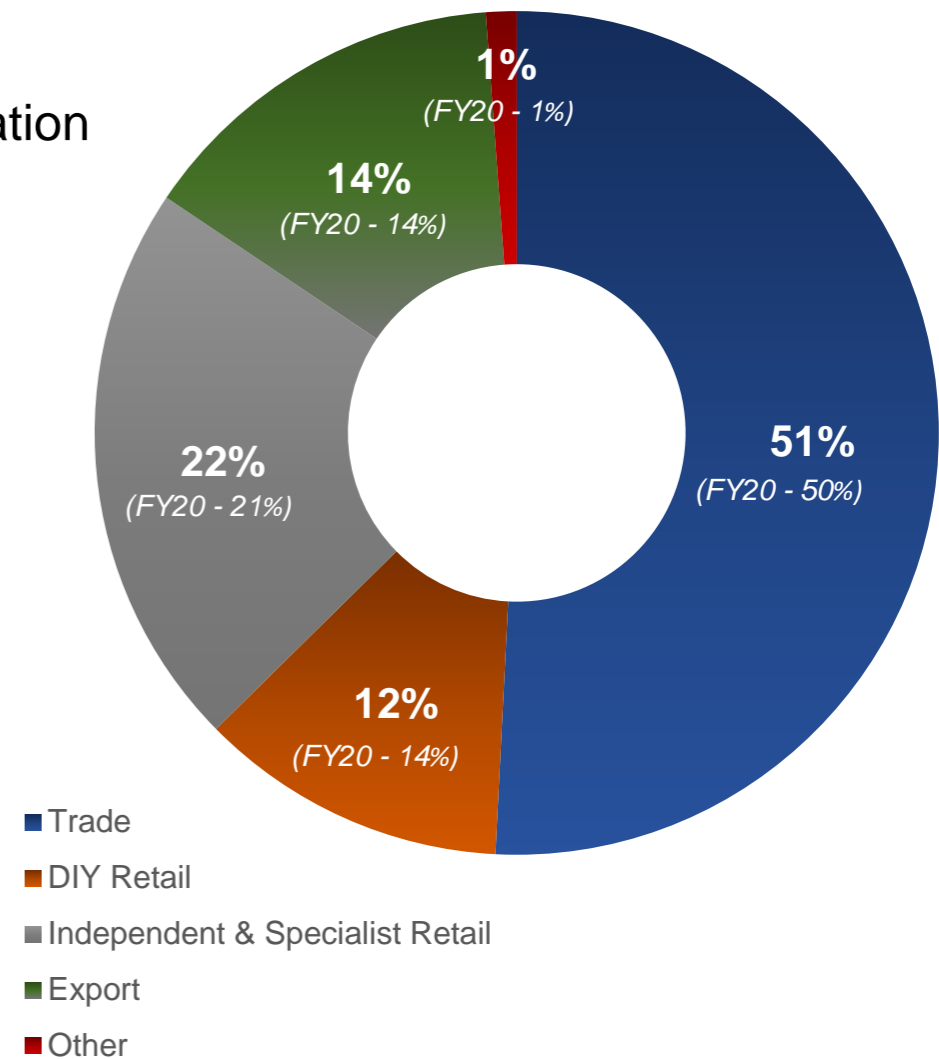
DIY growth driving UK volumes

<sup>1</sup> LfL (like for like) adjusts prior year revenue for 27 to 26 week pro-rating

**Trade**

- **Continued focus on attractive trade segment**
- Sustained sales growth across “Small Format” e.g. Screwfix and Toolstation
- Triton – project wins offsetting local authority slowdown
- Merlyn – significant new account wins and contract extensions:
  - Vistry shower tray business (*Top20 Housebuilder*)
  - Countryside (*Top20 Housebuilder*) and Hills – 2-year contract extensions
  - Ridgeons – supplying new own brand business
- Vado – successful launch of Ridgeons “@home” range
- Abode – new account wins – NPD driving further share gains

**UK Norcross - H1 FY21<sup>1</sup>  
versus FY20<sup>2</sup>**

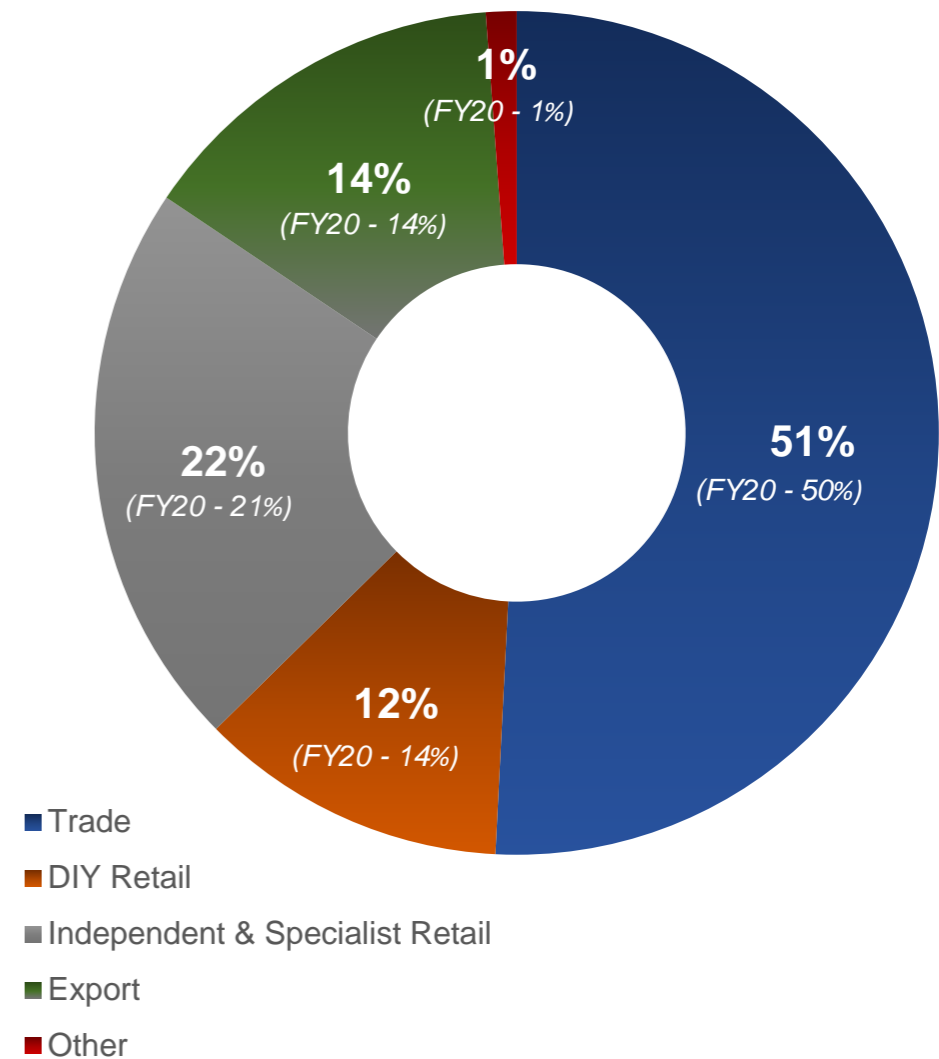


**Independent & Specialist Retail**

- **Strong Q2 footfall return across independent retailers**
- Merlyn and Vado account wins & gaining share of wallet through stock availability & customer support
- Triton – account wins – The Range and Pioneer Bathrooms (online offering)
- Croydex – strong online trading – Amazon, Bath Shop Online, Wayfair and Very

<sup>1</sup> Reported – 26 weeks to 4<sup>th</sup> October 2020   <sup>2</sup> Reported – 12 months to 31<sup>st</sup> March 2020

**UK Norcros - H1 FY21<sup>1</sup>  
versus FY20<sup>2</sup>**



**DIY Retail**

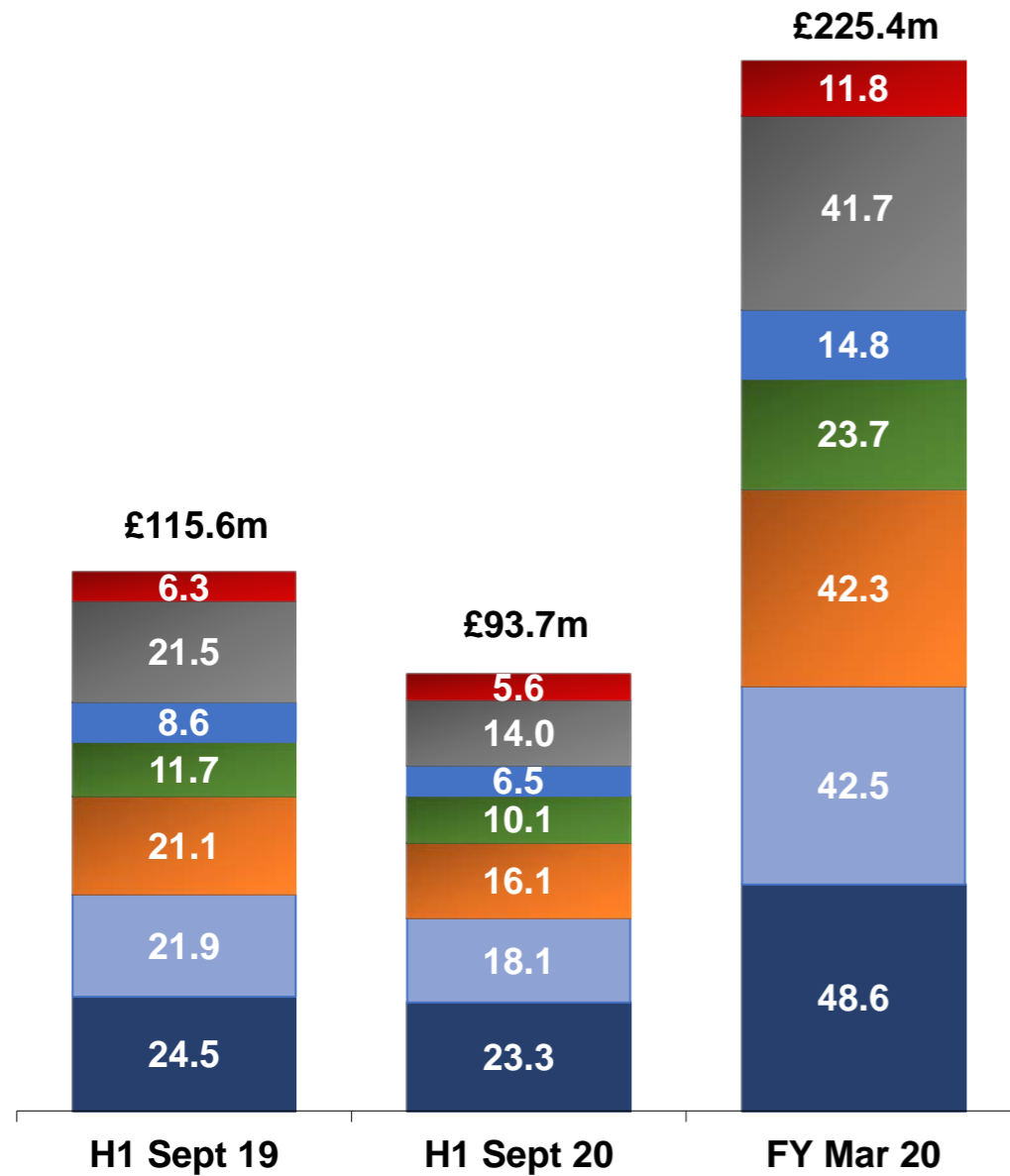
- **Strong RMI and DIY demand driving buoyant trading**
- Triton – strong B&Q growth
- Merlyn – Wickes new account - online launch of “Nexa by Merlyn” range
- Croydex – Wickes new listing; positive reaction
- Abode – Wickes B2C Q1 trial – initial feedback encouraging
- Adhesives – strong growth across B&Q and Wickes

**Export**

- Triton – Q2 robust bounce back driven by Eire
- Merlyn – Q2 strong recovery; new account Orcab Group (c.42 French building cooperatives)
- Vado – solid progress in key Middle East market & Europe; slower recovery in Africa and RoW
- Croydex – expanded listings across US accounts; new European customers e.g. El Corte Ingles & Wayfair Germany

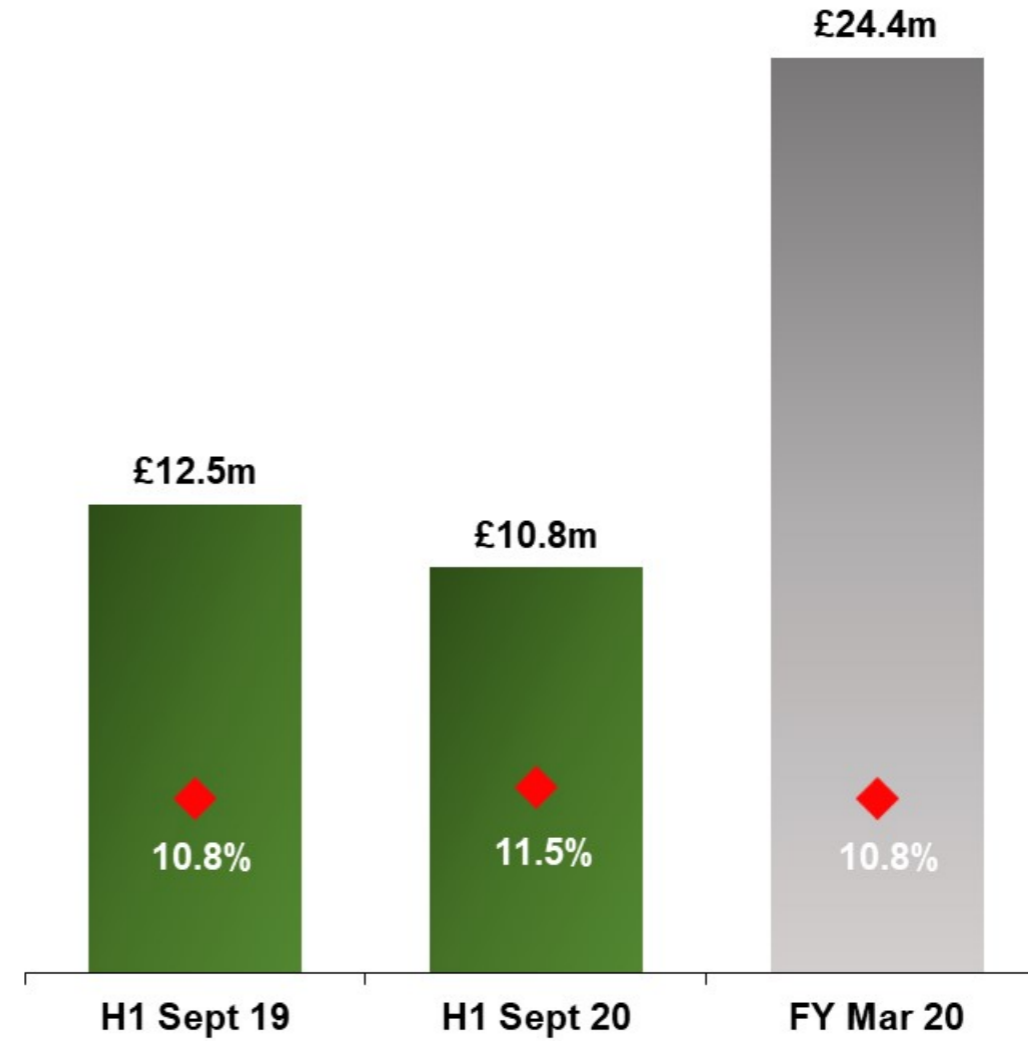
<sup>1</sup> Reported – 26 weeks to 4<sup>th</sup> October 2020    <sup>2</sup> Reported – 12 months to 31<sup>st</sup> March 2020

**Revenue**



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

**Underlying Operating Profit**



- Underlying Operating Profit
- Return on Sales %

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 Tiles

# South Africa

Nick Kelsall, Chief Executive Officer



### Norcros South Africa

- Strong heritage, market leading positions & strong brands
- Sustained robust financial performance & profitability in challenging markets
- Record of market outperformance – well positioned to take further share gains

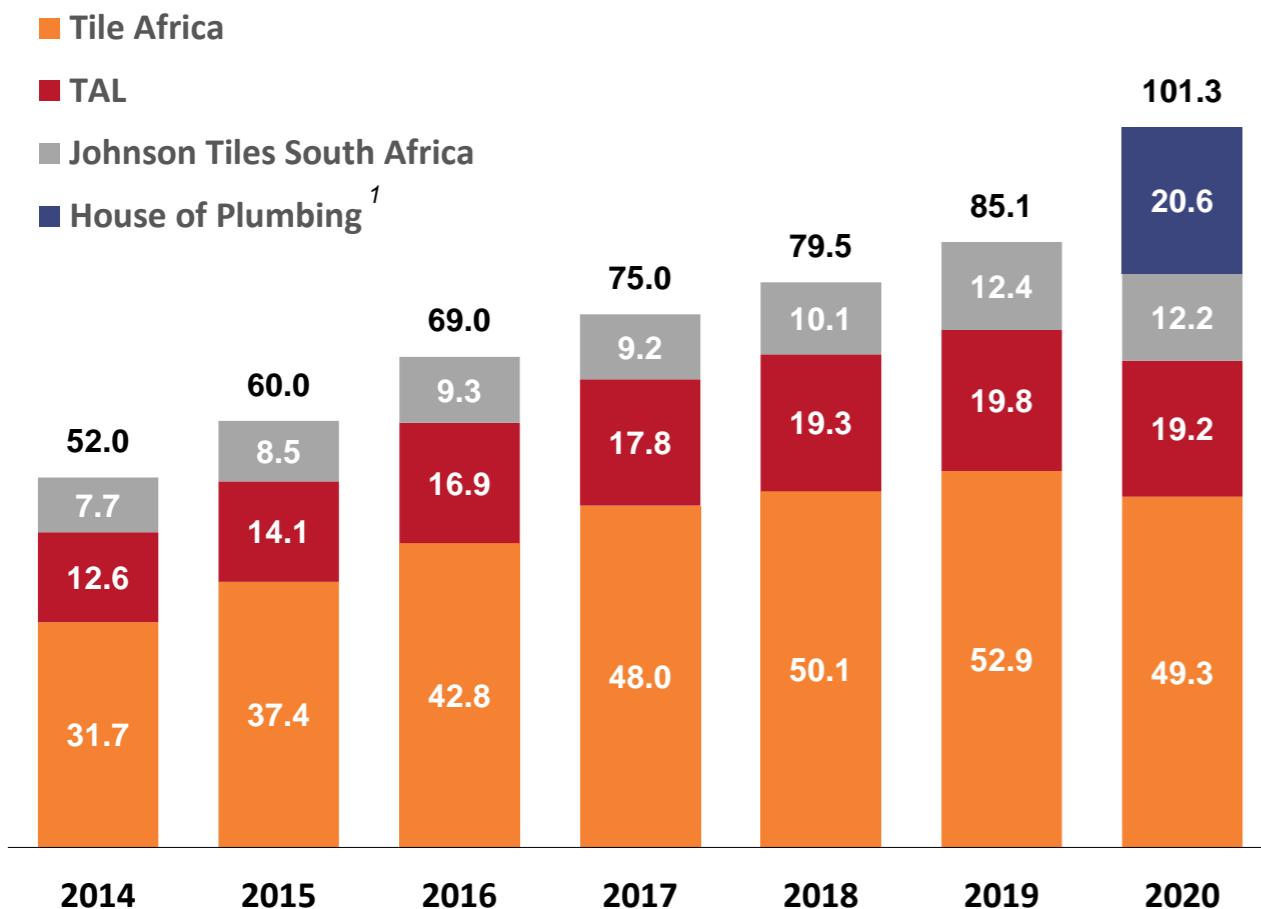
Well established market leading business

### South African Economy

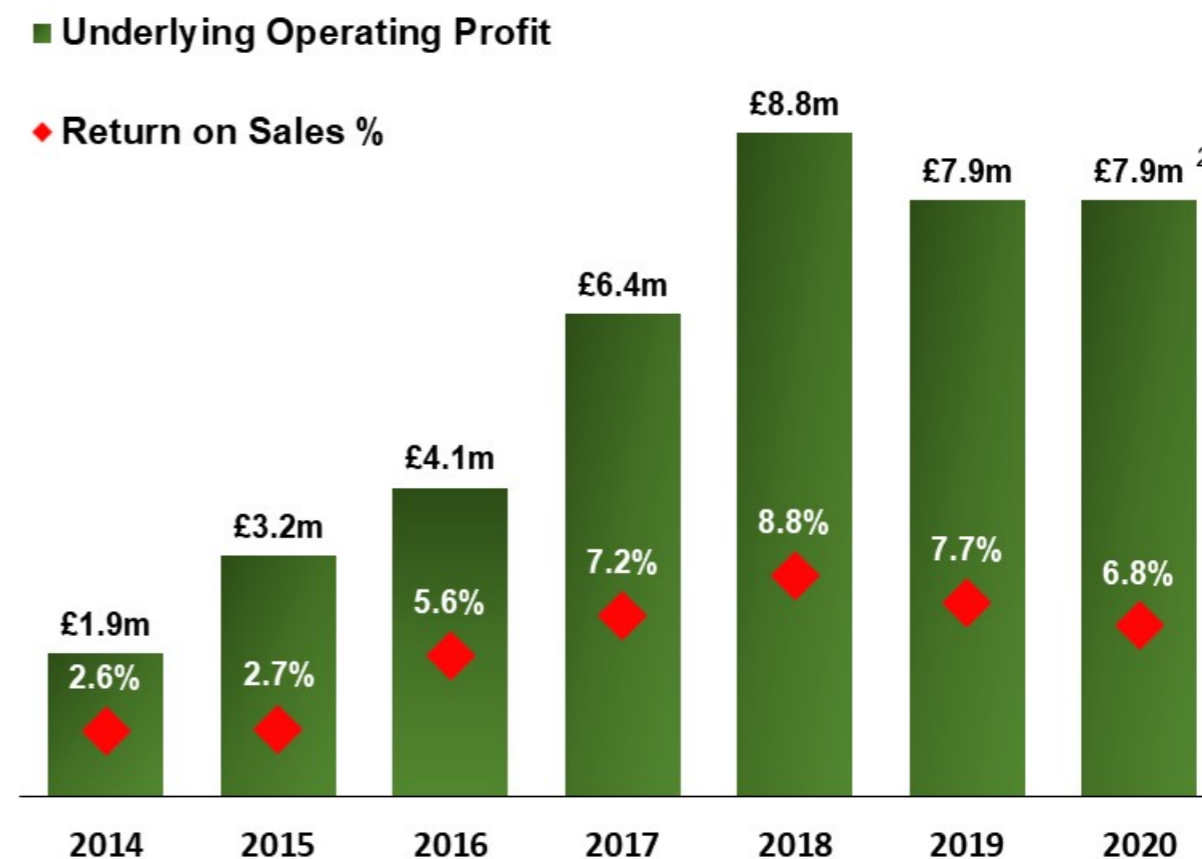
- Large economy & business friendly environment
- Long-term socio-economic dynamics favour our markets
- Shortage of housing & infrastructure provides a significant opportunity
- Large bathroom & plumbing products market ~ £1.2bn @ MSP

Favourable dynamics and long-term potential

### Revenue (£m) – Constant Currencies



### Underlying Operating Profit (£m) & Return on Sales (%)



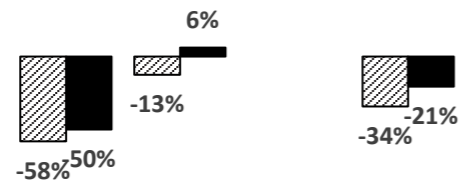
<sup>1</sup> House of Plumbing acquired 1st April 2019

<sup>2</sup> IFRS 16 basis

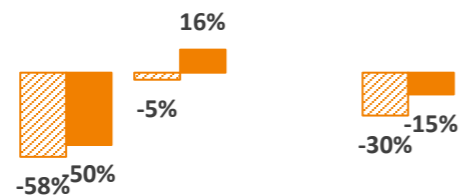
## % Revenue Change <sup>1</sup>

▨ £ Reported ■ Constant Currency

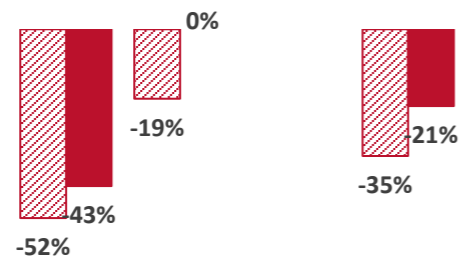
Q1 Q2 LfL <sup>1</sup> H1 LfL <sup>1</sup>



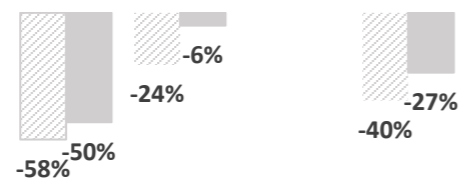
Significant Q2 progress as economy reopened from strict Q1 lockdown



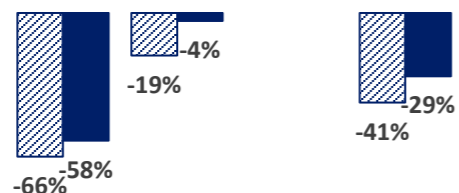
Retail renovation demand driving strong Q2 growth



Retail DIY & Export recovery partially offsetting slower momentum in commercial



Revenue impact of mothballing of manufacturing until mid-June  
Continued NPD and improved tile ranging underpinning increased demand



Q2 recovery in smaller commercial projects

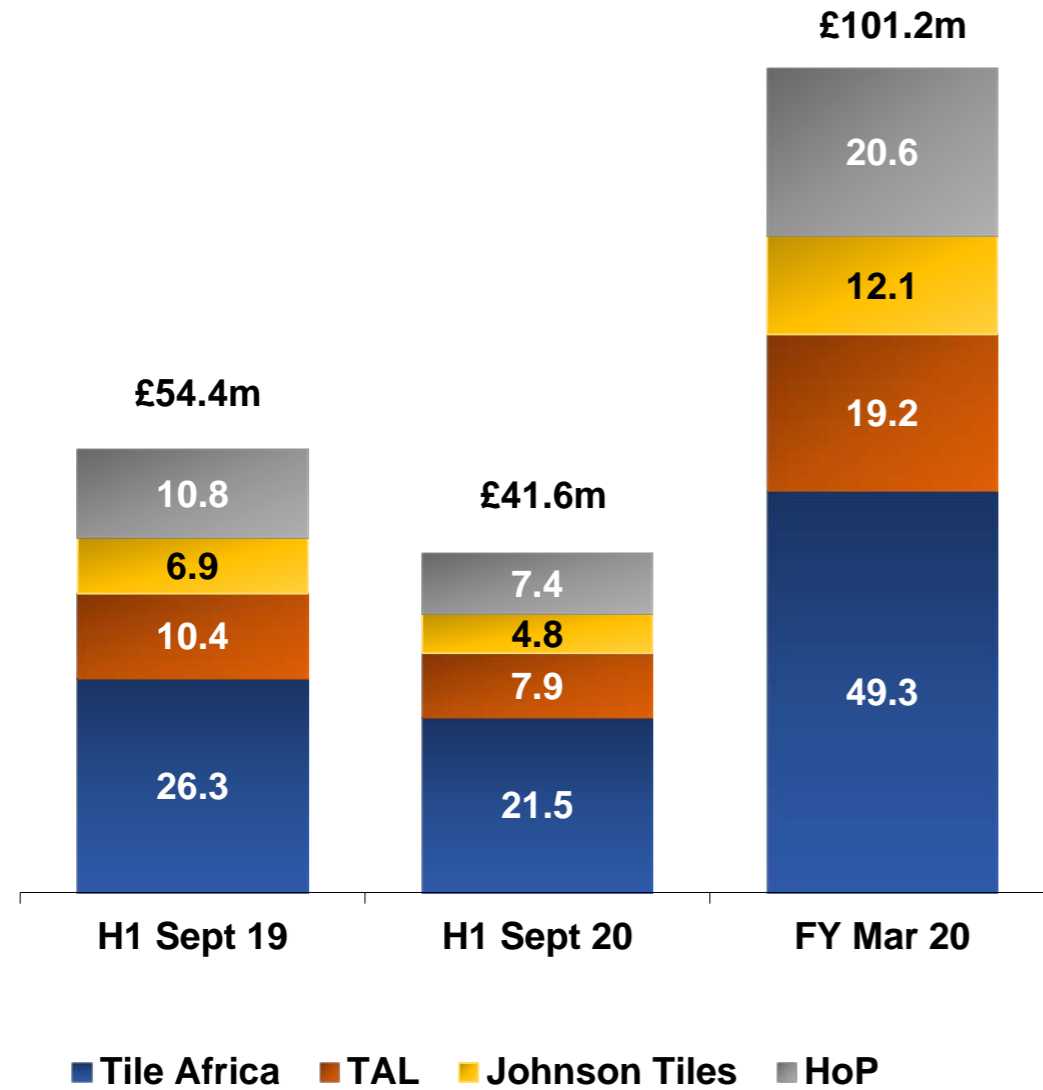
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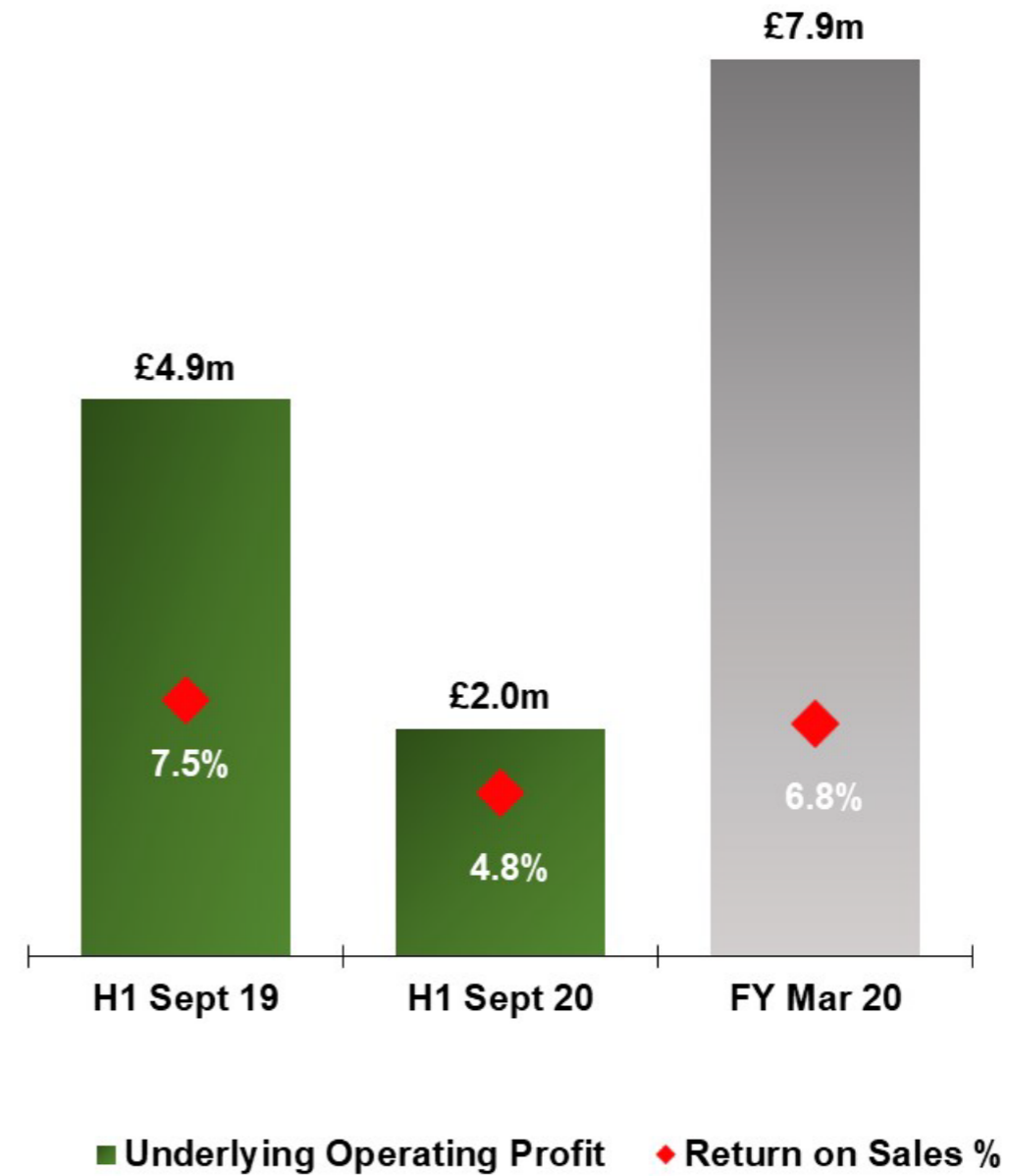
- **TAF**
  - DIY and renovations driving Q2 recovery
  - Improved product ranging – growth in sub-R100 tiles, brassware & plumbing
  - Alternative flooring category building momentum
  - Retail store portfolio – 32 owned and 2 franchises
- **TAL**
  - Further penetration of smaller independent retail accounts
  - Retail recovery driven by DIY retail & independent merchant channels
- **JTSA**
  - Continuing NPD investment driving market share gains
- Subdued commercial activity; slower specification recovery – improving outlook
- Utilising strong market positions in tough markets:
  - TAF – Q2 improvement in commercial housebuilding activity
  - TAF – Robust H2 commercial project pipeline - Bridgewater Mixed Development and Newlands Cricket Ground (Cape Town); Rivonia Hotel (Johannesburg)
  - TAL - 2<sup>nd</sup> phase supply into Steyn City (Johannesburg); won KWV Distillery in the Cape
  - JTSA – Further success in large commercial-housing projects including Lotus Gardens & Kikuyu Lifestyle Development
- **HoP**
  - First roll-out store ~ Polokwane (*Limpopo province*) - national roll-out plan deferred
  - Order book remains healthy
- Zimbabwe robust Q2 recovery despite ongoing competitive market
- Botswana market share gains



### Revenue <sup>1</sup>



### Underlying Operating Profit <sup>2</sup>



<sup>1</sup> On a constant currency basis

<sup>2</sup> On a £ reported basis

**norcross**



# **Group Outlook & Strategy**

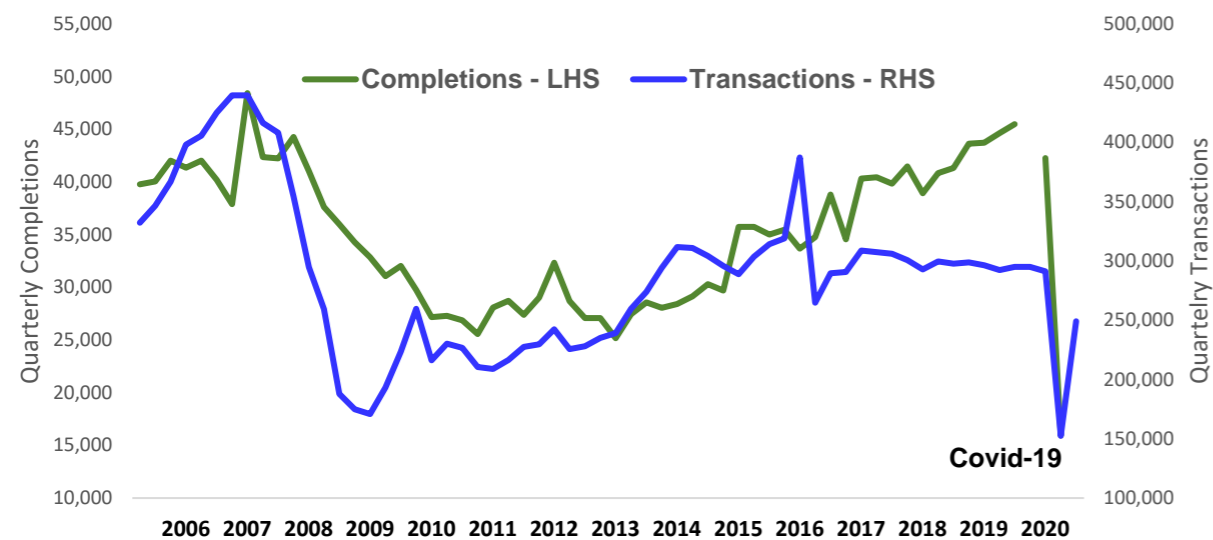
**Nick Kelsall, Chief Executive Officer**

# UK

## Covid-19 impact; tentative recovery

### Key Housing Stats

Sources: GOV.UK (Oct) & HMRC (Oct) 2020

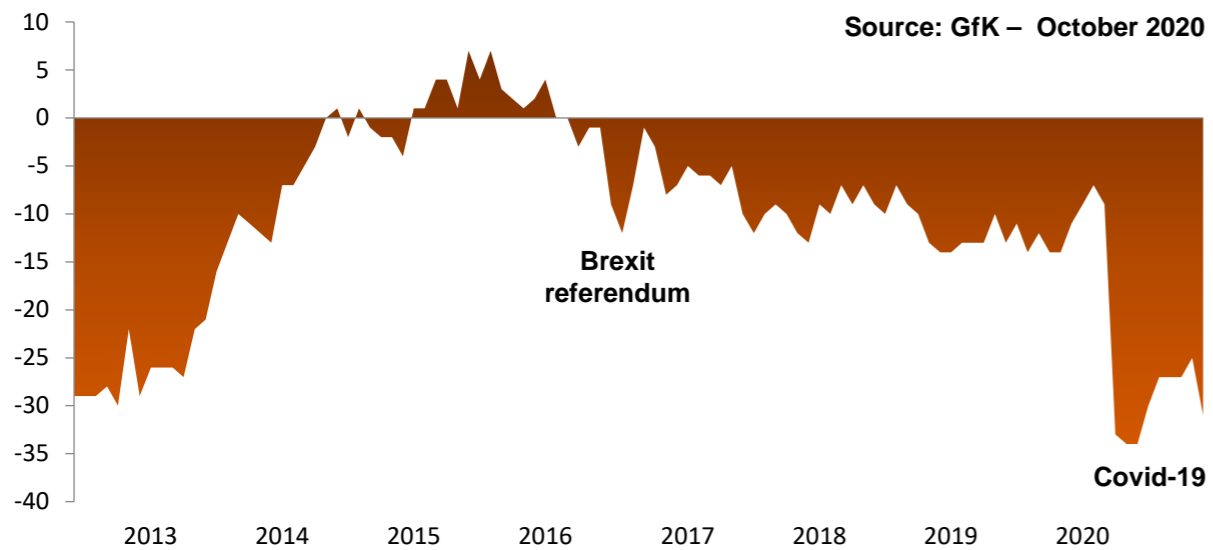


# Note: 2019 Q4 Housing Completions data not released

Completions and transactions collapse during lockdown

### GfK Consumer Confidence

Source: GfK – October 2020



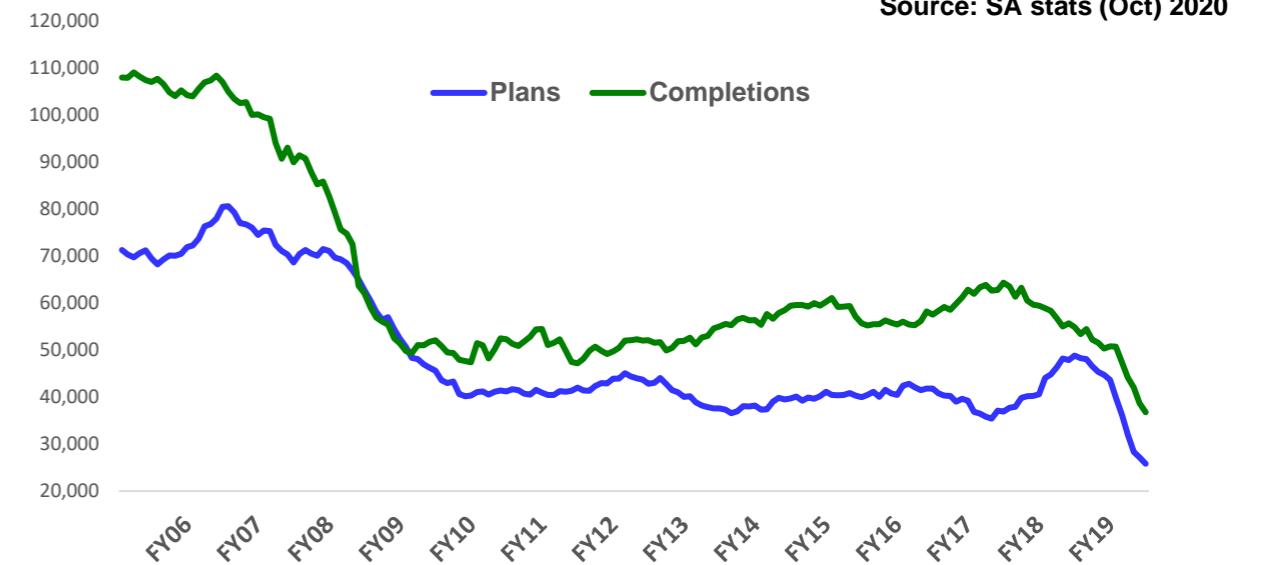
Tentative recovery from historic lows

# South Africa

## Subdued market further impacted by Covid-19

### Dwellings Completed & Plans submitted (MAT)

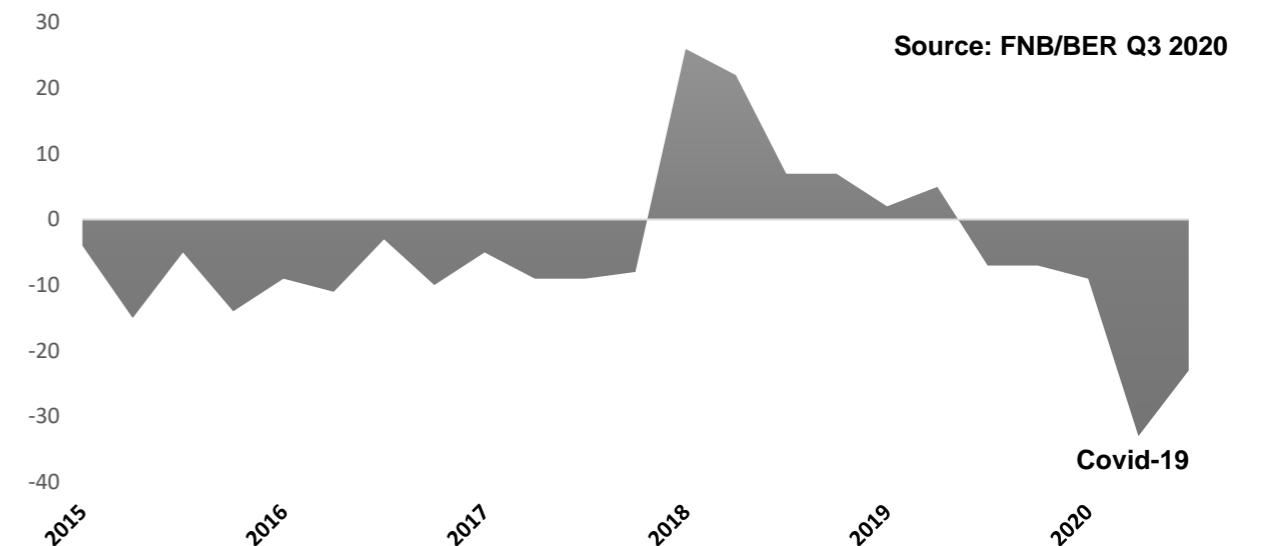
Source: SA stats (Oct) 2020



Prolonged low levels of completions and plans

### FNB/BER Consumer Confidence Index

Source: FNB/BER Q3 2020



Partial recovery from Q1 lockdown

**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*

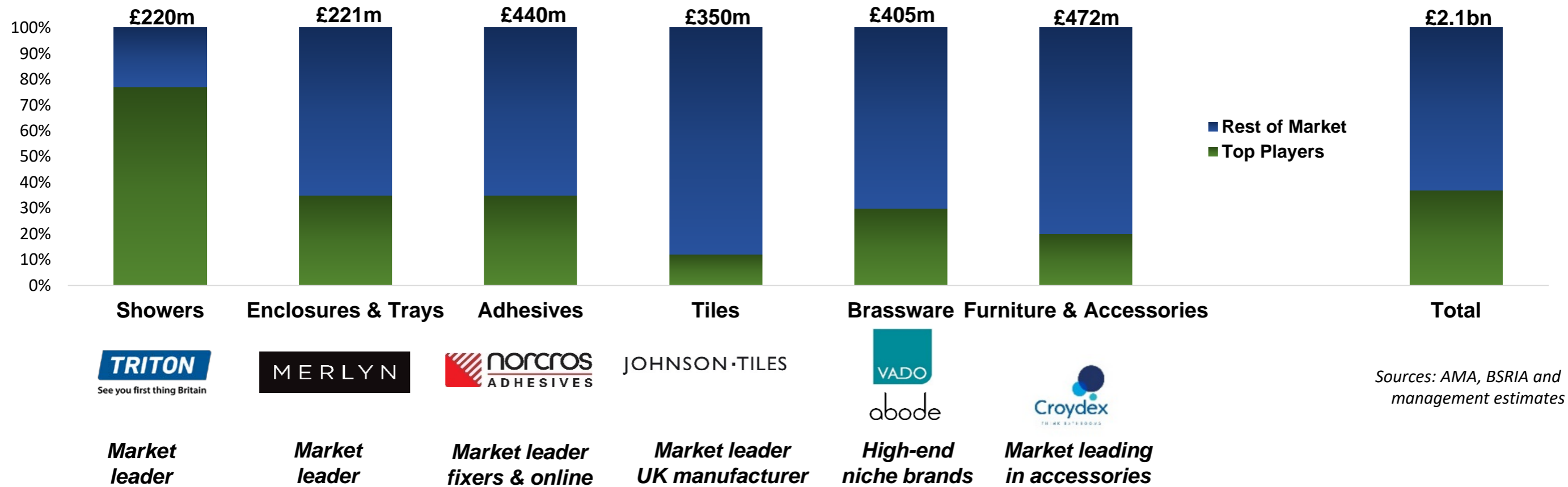
**50% revenues derived  
from overseas**

**Sustainable ROCE  
of >15%**

**Significant growth opportunities across product categories, channels & geographies**

**2023 vision remains valid**

## UK Bathroom – Selective Markets @ MSP



**Significant potential to broaden product portfolio & consolidate fragmented markets – organic & acquisition opportunities**




**Focus on attractive sub-market segments and channels – excellent platform to implement consolidation strategy**

**Market consolidation opportunities enhanced by Covid-19**



**“Rock-Tite” external patio system adhesive**



**Push button mixer showers**




**“Wave” elbow operated dispenser sanitisation stations**




**Level 25 slip resistant shower tray**




**Tablet and outlet**



**Pronteau Prothia 3 in 1 tap**



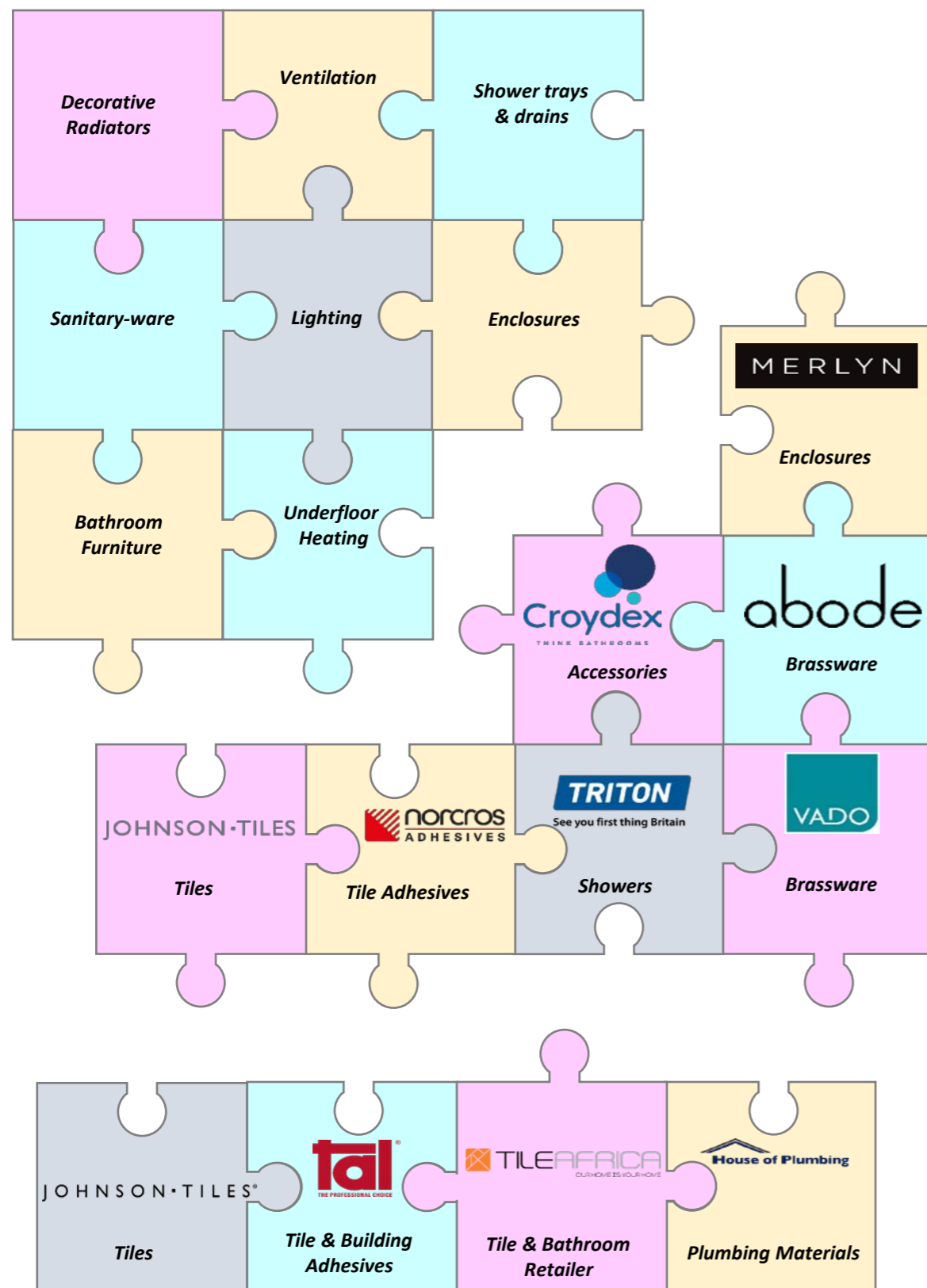
**Stored water heaters 5,10 & 15 litre variants**



**39 SKUs launched Johnson Tiles South Africa**

Continued innovation and NPD investment in H1 driving organic growth & market share gains

ONE STOP SHOP FOR BATHROOMS



## ➤ Consolidator in Large and Fragmented Markets

- Many opportunities across product sub sectors and channels
- Significant organic and acquisition growth potential

## ➤ Acquisition Criteria

- Complementary to Norcross DNA
- Market leading positions and strong brands
- Strong organic sales growth and potential to drive synergies
- Preferred channels and operating in selective geographies

## ➤ Synergies

- Collaborative approach across all channels e.g. specification
- Export market potential
- Utilising Group infrastructure & best practice

## ➤ Strong Track Record

- Vado – strong market share gains
- Croydex – growth across all channels (*excl. Homebase*)
- Abode – significant momentum; blue-chip account wins
- Merlyn – accelerating growth; specification & independents
- House of Plumbing – national rollout opportunity

## ➤ **Resilient H1 Performance**

- Strong recovery & momentum – Q2 LfL revenue ahead of prior year
- Leading market positions & strong brands driving market outperformance
- Investment in stock, customer service & NPD driving organic share gains
- Proven business model & strategy – well positioned to secure further growth opportunities
- Strong balance sheet – capacity to invest for growth

## ➤ **November lockdown – vast majority of customers continue to trade**

## ➤ **Acquisition Pipeline**

- Attractive opportunities across product sub sectors & geographies
- Proven track record of execution, integration & strong post acquisition performance

## ➤ **2023 Strategic Vision Remains Valid**

- Opportunity to consolidate & grow complementary businesses
- £600m revenue target by 2023
- 50% revenues derived from overseas
- Sustainable ROCE of >15%





# Appendix



**Exceptional items**

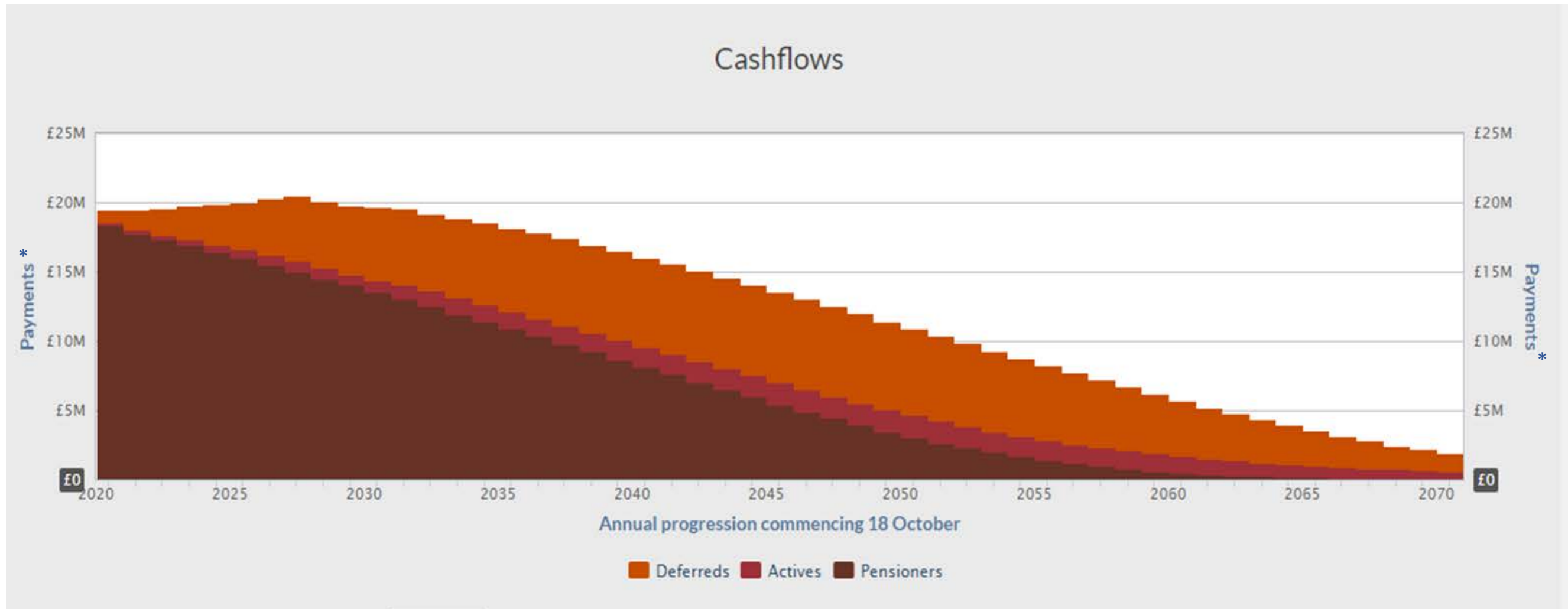
	<b>H1 Sept 2020 £m</b>	<b>H1 Sept 2019 £m</b>	<b>FY Mar 2020 £m</b>
COVID-19 related restructuring	(2.4)	-	-
COVID-19 related impairment	-	-	<b>(9.0)</b>
	<b>(2.4)</b>	-	<b>(9.0)</b>

**Acquisition related costs**

	<b>H1 Sept 2020 £m</b>	<b>H1 Sept 2019 £m</b>	<b>FY Mar 2020 £m</b>
Acquisition related deferred remuneration (earn out)	(0.2)	(0.3)	<b>(0.6)</b>
Release of provision for contingent consideration	-	-	<b>1.1</b>
Intangible asset amortisation	(1.9)	(1.9)	<b>(3.7)</b>
Advisory fees	-	-	<b>(0.8)</b>
	<b>(2.1)</b>	<b>(2.2)</b>	<b>(4.0)</b>

	H1 Sept 2020 £m	H1 Sept 2019 £m	FY Mar 2020 £m
Net debt – opening	(36.4)	(35.0)	<b>(35.0)</b>
Net cash flow	(28.5)	(6.6)	<b>0.4</b>
Other non-cash movements	(0.1)	-	<b>(0.2)</b>
Foreign exchange	0.7	0.5	<b>(1.6)</b>
Net debt – closing	<b>(7.3)</b>	<b>(41.1)</b>	<b>(36.4)</b>

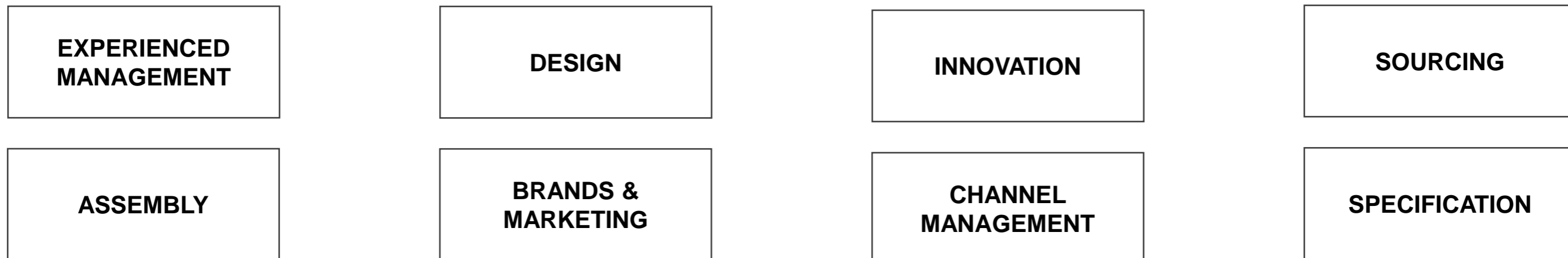
Cash outflow close to peak



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

£m	2020 pre IFRS16	IFRS16 Adjustment	2020 Reported	Explanation
<b>Income Statement</b>				
Underlying operating profit	12.3	0.5	12.8	Lease costs (+£2.6m) replaced with IFRS16 lease depreciation (-£2.1m)
Finance charges	(1.2)	(0.9)	(2.1)	Interest expense on IFRS16 lease liabilities
Underlying profit before tax	11.1	(0.4)	10.7	
Underlying tax	(2.2)	0.1	(2.1)	Tax impact on IFRS16 adjustments
<b>Earnings</b>				
Underlying earnings	8.9	(0.3)	8.6	
Diluted underlying EPS (pence)	11.0p	(0.4p)	10.6p	
<b>Cash flow</b>				
Underlying operating cash flow	35.0	2.6	37.6	Lease costs (+£2.6m) reclassified from operating cash flow to interest payment and principal lease payment (financing cash flow)
Net cash flow	28.5	-	28.5	No overall cash impact
<b>Balance Sheet</b>				
Right of use asset	-	21.7	21.7	Discounted lease payments depreciated over life of the lease asset
Total net debt	7.3	26.6	33.9	Net debt added to discounted lease payments net of calculated interest and cash repayments over life of lease asset

## Core Competencies



Cohesive portfolio of specialist, well invested, market leading businesses outperforming the market



#1 UK & Eire



#1 UK & Eire



#1 South Africa



#2 UK Hot water taps



#1 UK Tile Manufacturer

Further opportunities to take share in fragmented market – failure of financially weak competitors



Taps & Sinks

April 2018  
In administration



Tile Manufacturers

February 2019  
In administration



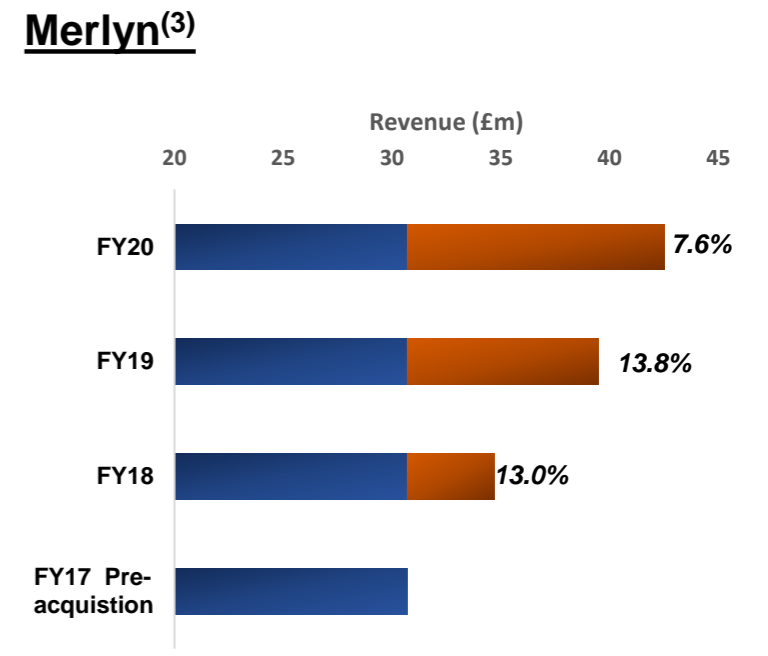
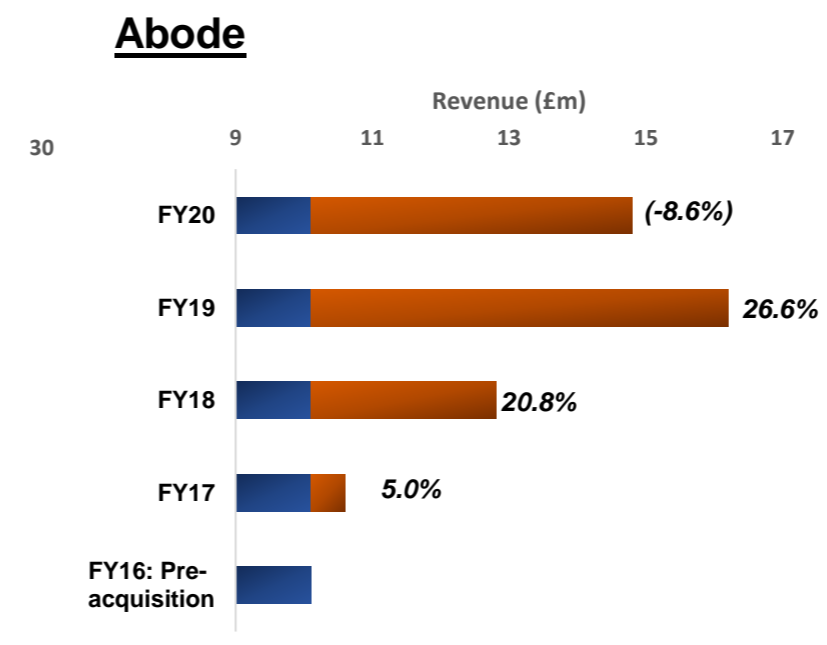
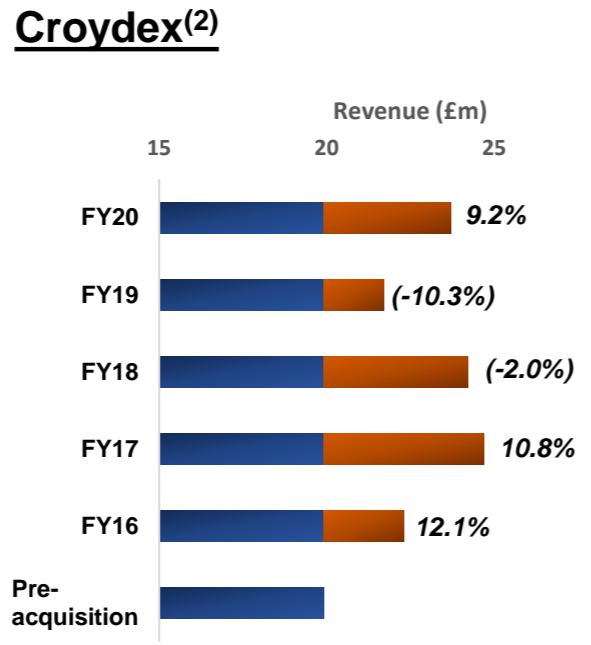
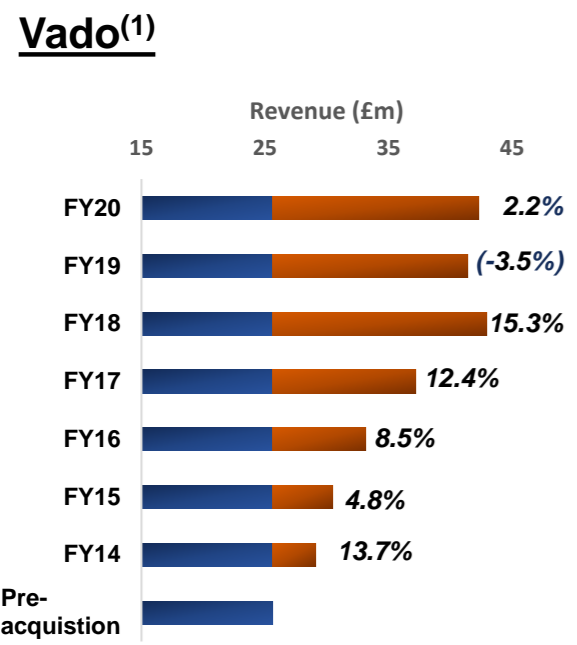
Shower Enclosures

November 2019  
Acquired by distressed  
asset investor

Norcros business model winning share in fragmented markets

		VADO	Croydex	abode	MERLYN	House of Plumbing
Group strategy	1 Revenue target	✓	✓	✓	✓	✓
	2 Underlying ROCE of >15%	✓	✓	✓	✓	✓
	3 Geographic fit	✓	✓	✓	✓	✓
Acquisition criteria	4 Complementary market	✓	✓	✓	✓	✓
	5 Preferred channel mix	✓	✓	✓	✓	✓
	6 Export potential	✓	✓	✓	✓	✓
	7 Growth potential	✓	✓	✓	✓	✓

Management have a successful track record of acquiring and integrating complementary businesses and developing them

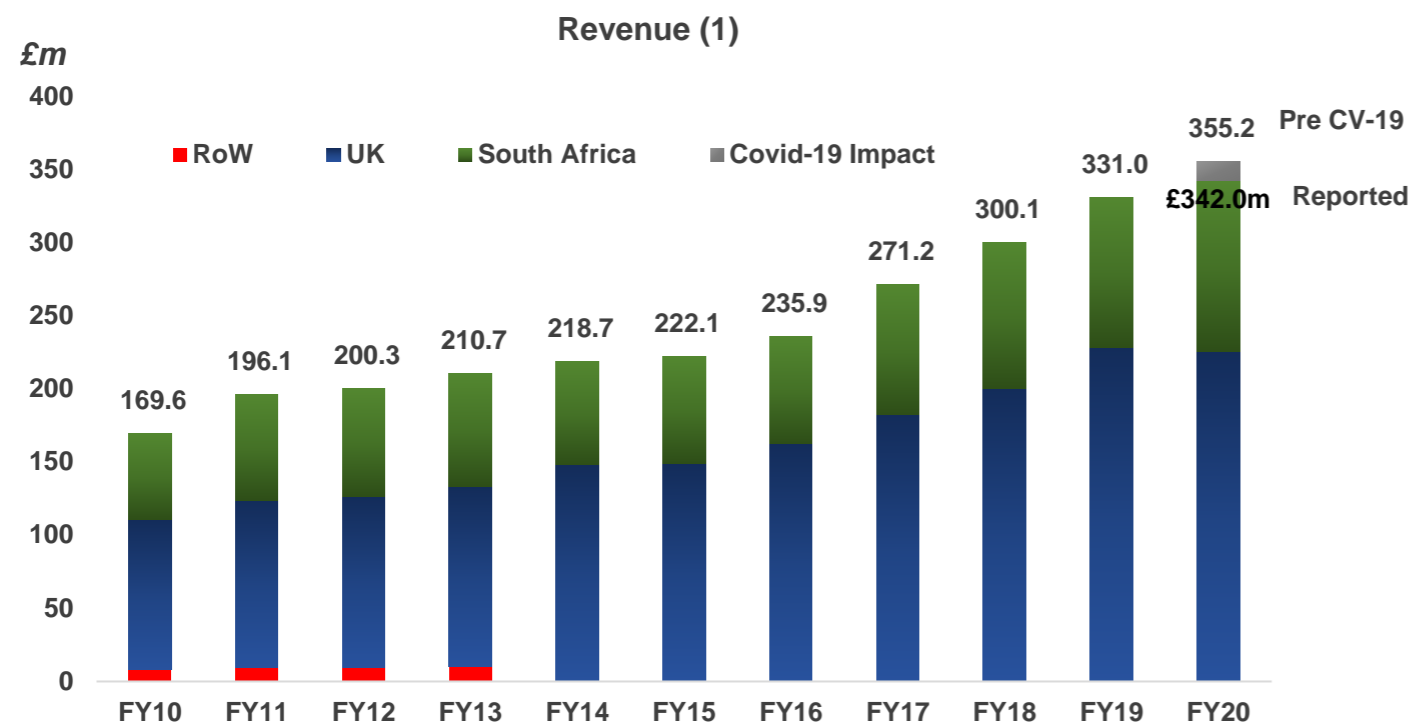


Highly selective acquisitions delivering strong growth

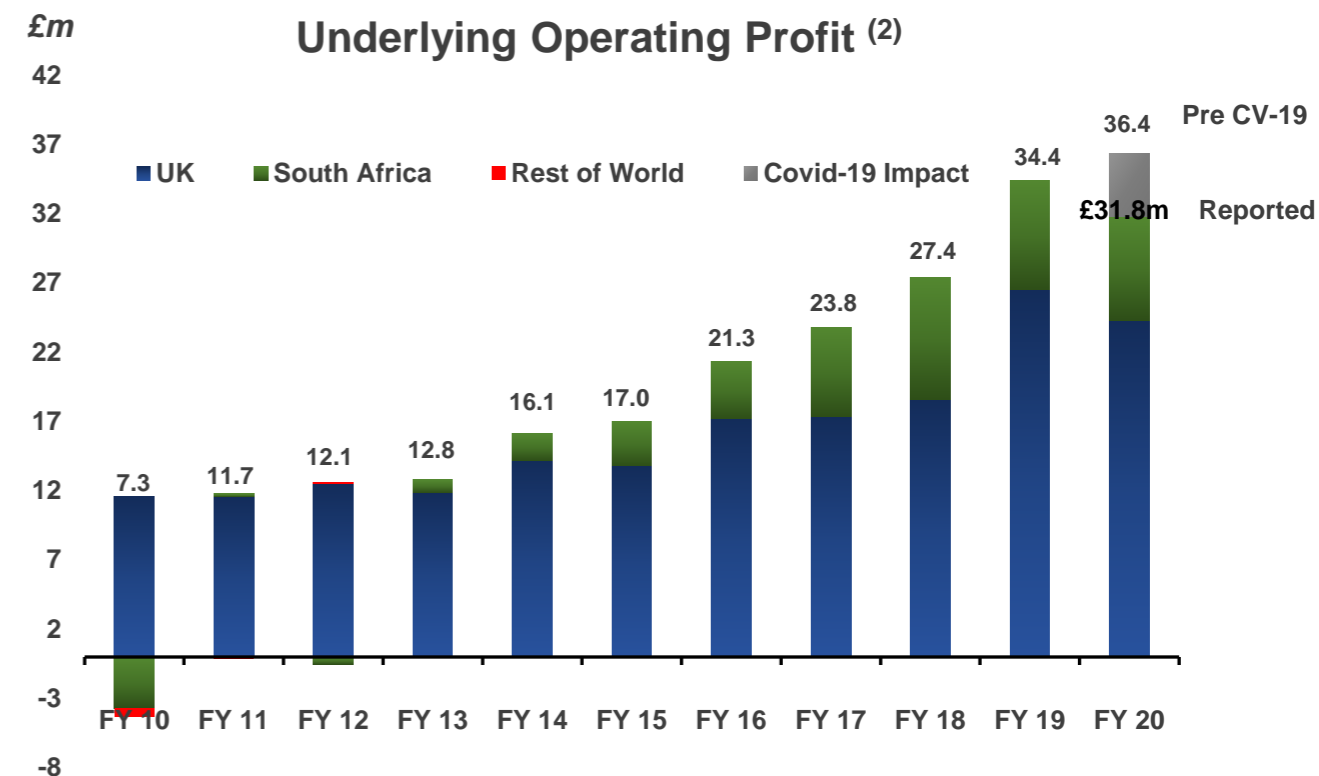
<sup>1</sup> Pre-acquisition revenue to 31<sup>st</sup> December 2012;

<sup>2</sup> FY16 revenue includes 3 months pre Norcross ownership; pre-acquisition revenue to 31<sup>st</sup> December 2014

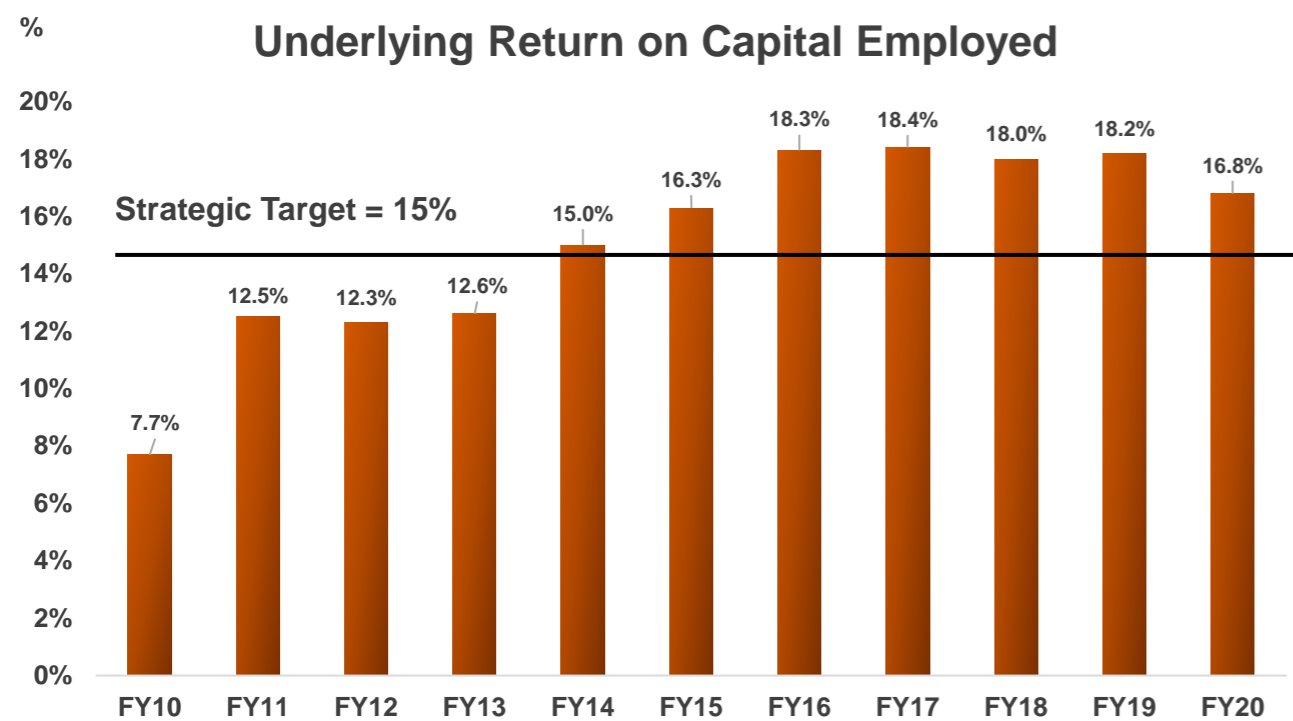
<sup>3</sup> FY18 revenue includes 8 months pre Norcross ownership



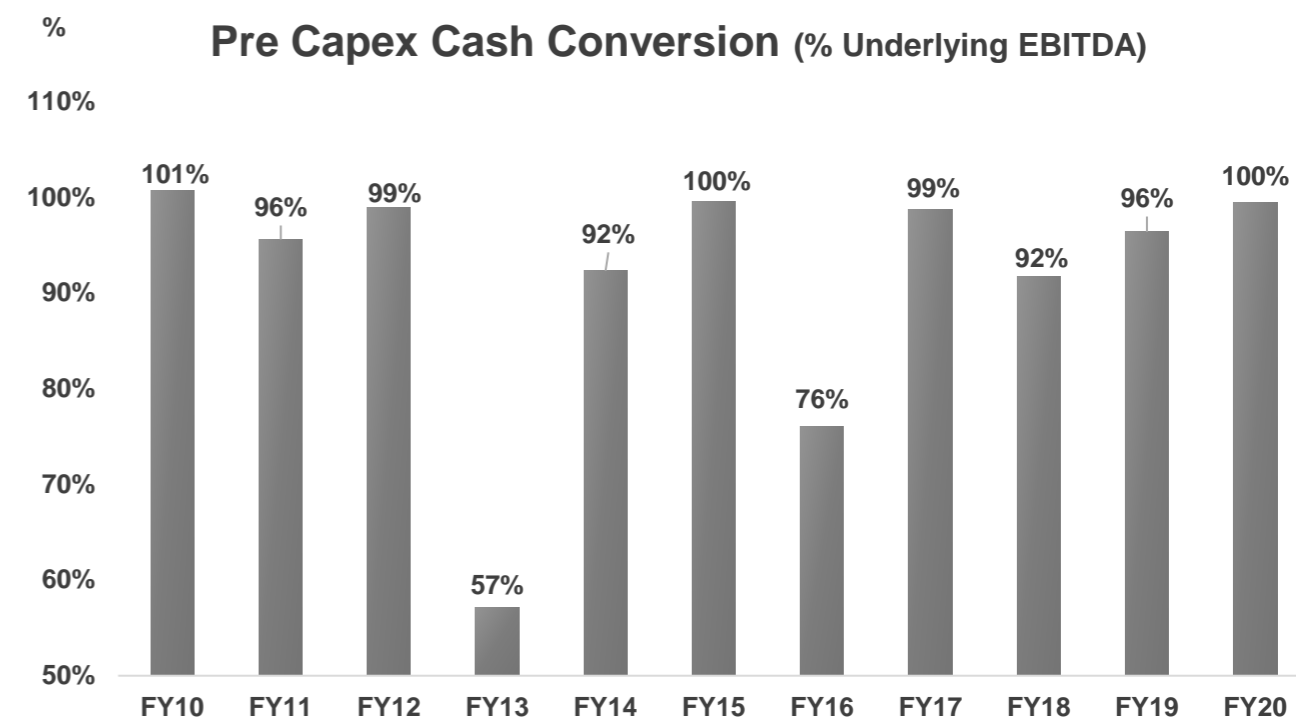
**Organic growth enhanced by acquisitions**



**UK profit growth, SA turnaround & exit RoW**



**Strong Return on Capital - ahead of strategic target**

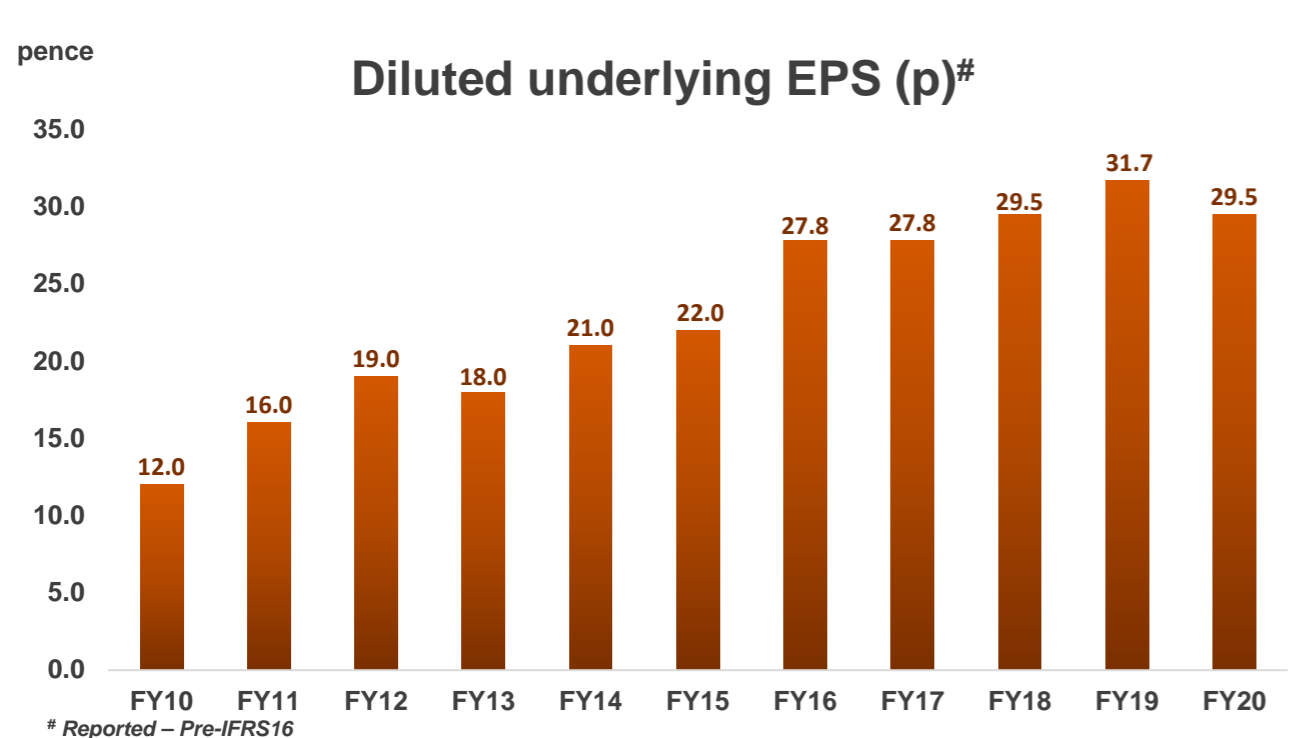


**Consistently high cash conversion**

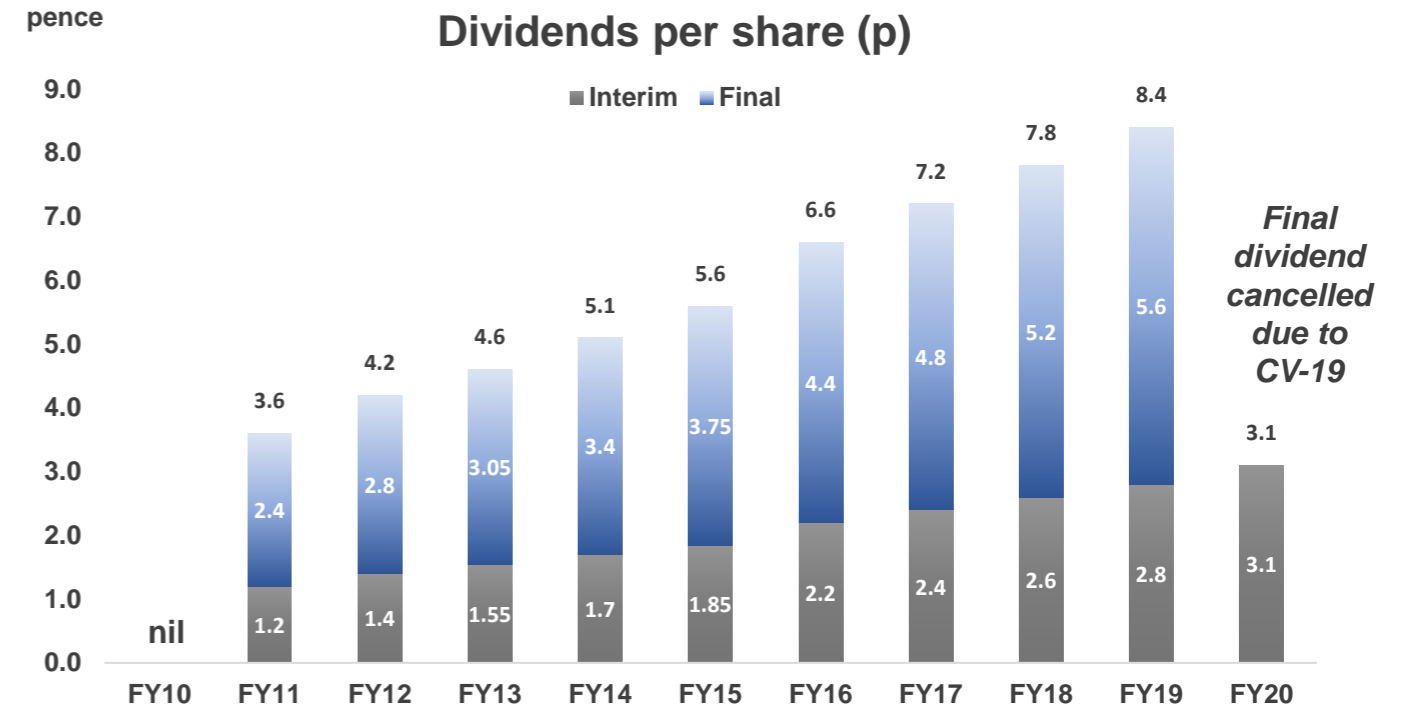
<sup>1</sup> Reported - financial years ending 31<sup>st</sup> March, total Group includes Rest of World

<sup>2</sup> Underlying Operating Profit Underlying means before exceptional operating items, IAS19R admin costs, acquisition related costs and where relevant, non-cash finance costs – pre IFRS16 basis

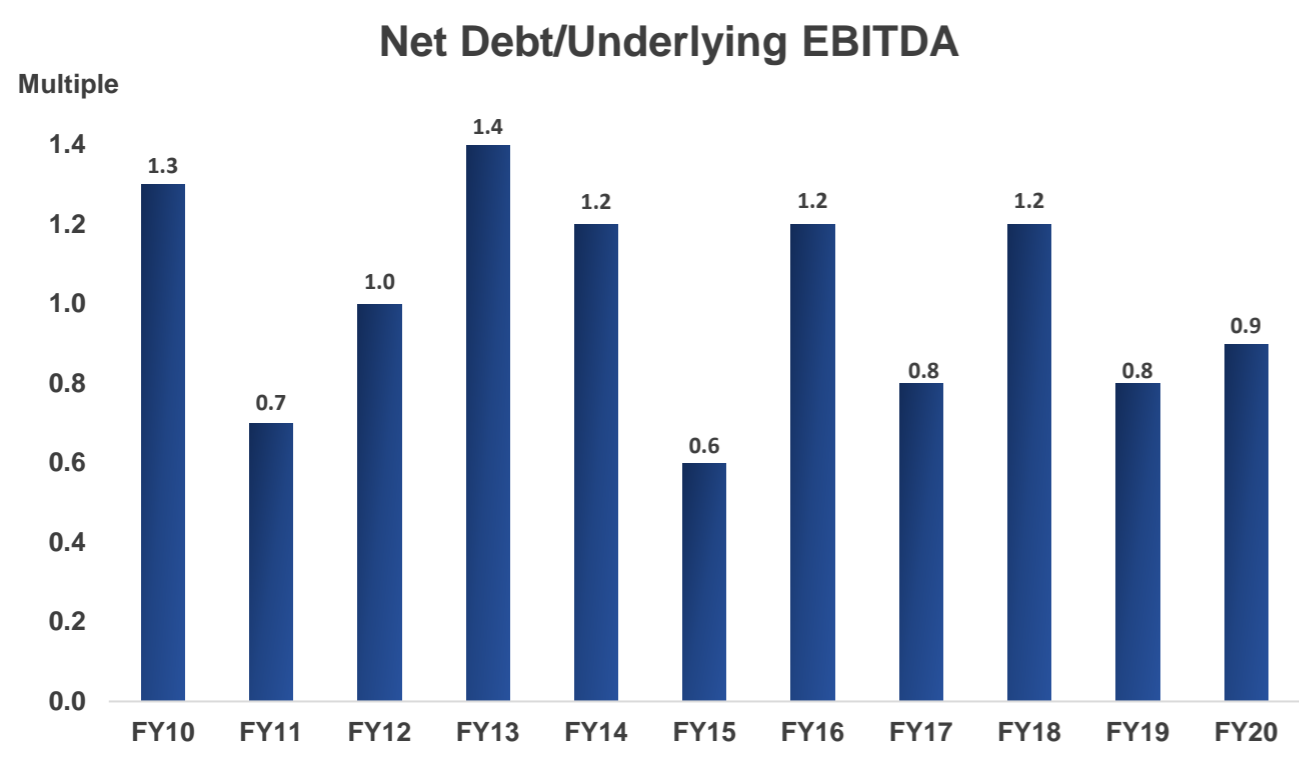




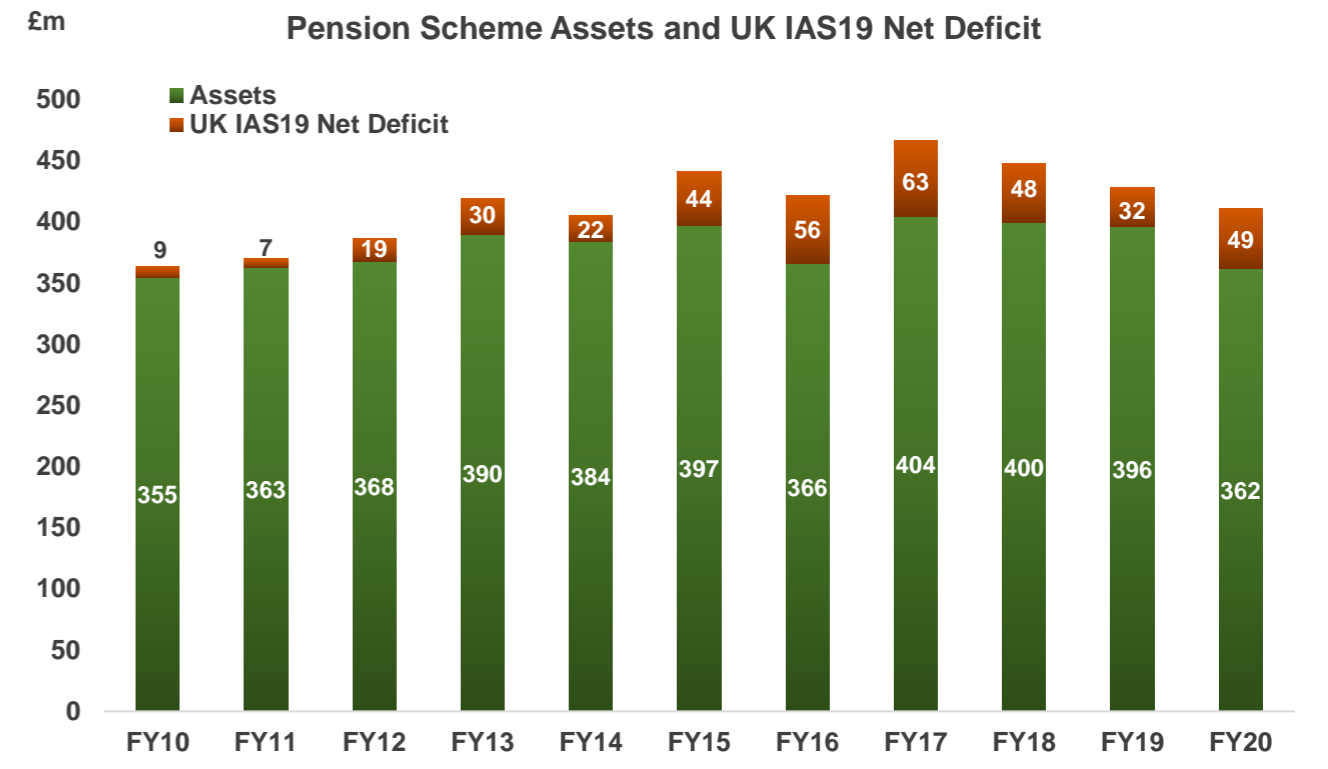
**Solid EPS progress**



**Track record of progressive dividend growth**

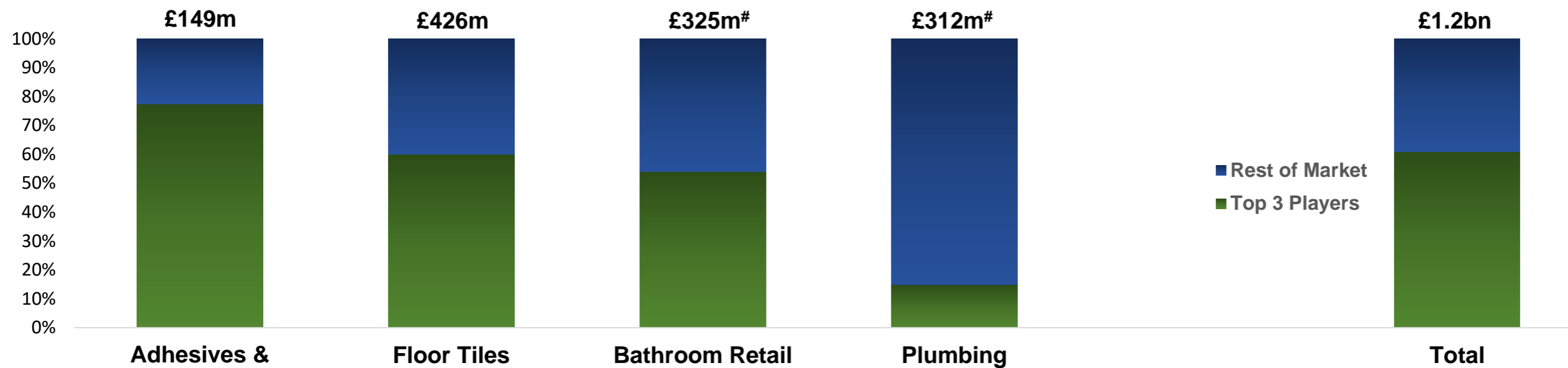


**Conservative approach to gearing**



**Manageable pension deficit – despite low discount rates**

**South Africa Bathroom – Selective Markets @ MSP**



Sources: RAND, Frost & Sullivan & management estimates



**Market leader**

JOHNSON • TILES\*

**#2 Manufacturer**



**#2 Mid to high end consumer focus**



**#2 Gauteng & spec focus**

# "Bathroom Retail" including Sanitaryware and Taps and Mixers; "Plumbing" including Pipes, Fittings & Values and Geysers

- Greater market concentration than UK - "long-tail" of small independent players
- Integrated business models dominant i.e. Italtile/CIL/EzeeTile and NXSA – TAF/JTSA/TAL
- Plumbing sub-segment – fragmented and regional market
  - House of Plumbing – opportunity to take share through capital-lite national roll-out

**NXSA market leading positions enhanced by integrated business model; positioned to take share from smaller players**

# Interim Results

Six Months to 30 September 2020

norcros

Inspiring Living Spaces