

Focus & Growth

Nick Kelsall, Group Chief Executive

Analyst & Investor Day

3rd October 2013

Material Lab, 10 Great Titchfield Street, London W1W 8BB



Trading and Strategy Update

Nick Kelsall
Chief Executive

Johnson Tiles

Stephen Dixon
Managing Director

Norcros SA

Thomas Willcocks
Managing Director

Triton

Lorna Fellowes
Managing Director

Vado

Jim Williams
Managing Director

Q&A/Tour/Lunch



58% of Sales

37% of Sales

5% of Sales



The Great British Shower Company

Market leader in Showers



Growing supplier of Tile Adhesives, Grout and Related Products

Niche supplier of Taps, Showers and Bathroom Accessories



Leading supplier of Ceramic Tiles



Manufacturer of Ceramic and Porcelain Tiles



Leading retailer of Tile, Sanitary ware, Showers and Adhesives



Market leading manufacturer of Tile and Building Adhesives



Importer and distributor of Ceramic Tiles and Related Products

➤ **Group H1 revenue growth of 15.5% (+0.9% LFL) at cc**

- Stronger Q2 in UK
- Recovering from slow Q1 impacted by weather and destocking in UK
- Momentum in SA maintained

➤ **UK**

- Improved performance in Q2
- Trade segment outperforming retail
- Triton Q2 strong revenue growth +11.9%
- Vado performing strongly

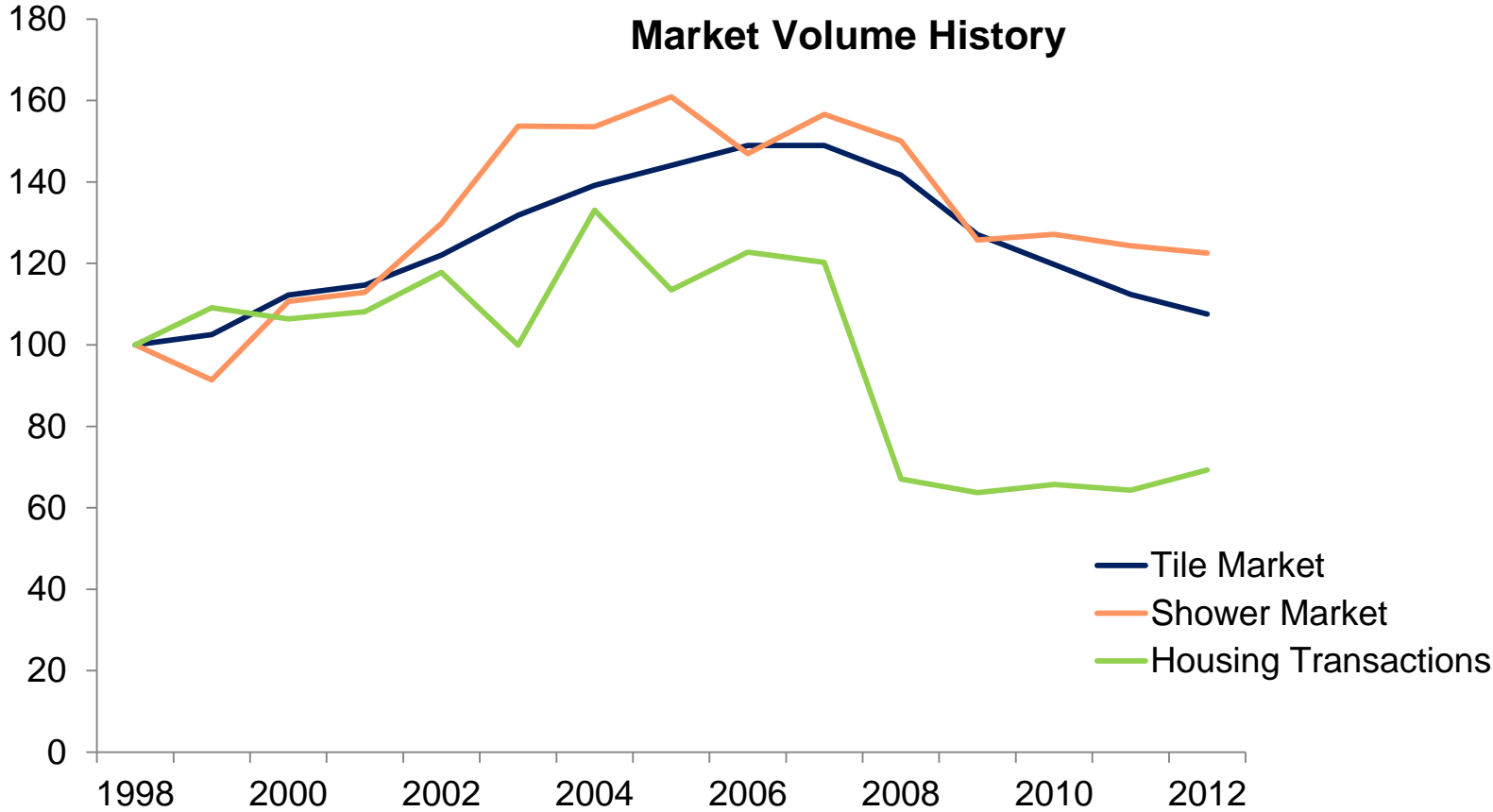
➤ **South Africa**

- Strong H1 revenue growth +12.1% at cc
- Held back by weaker Rand on reported basis

➤ **Improving economic indicators**

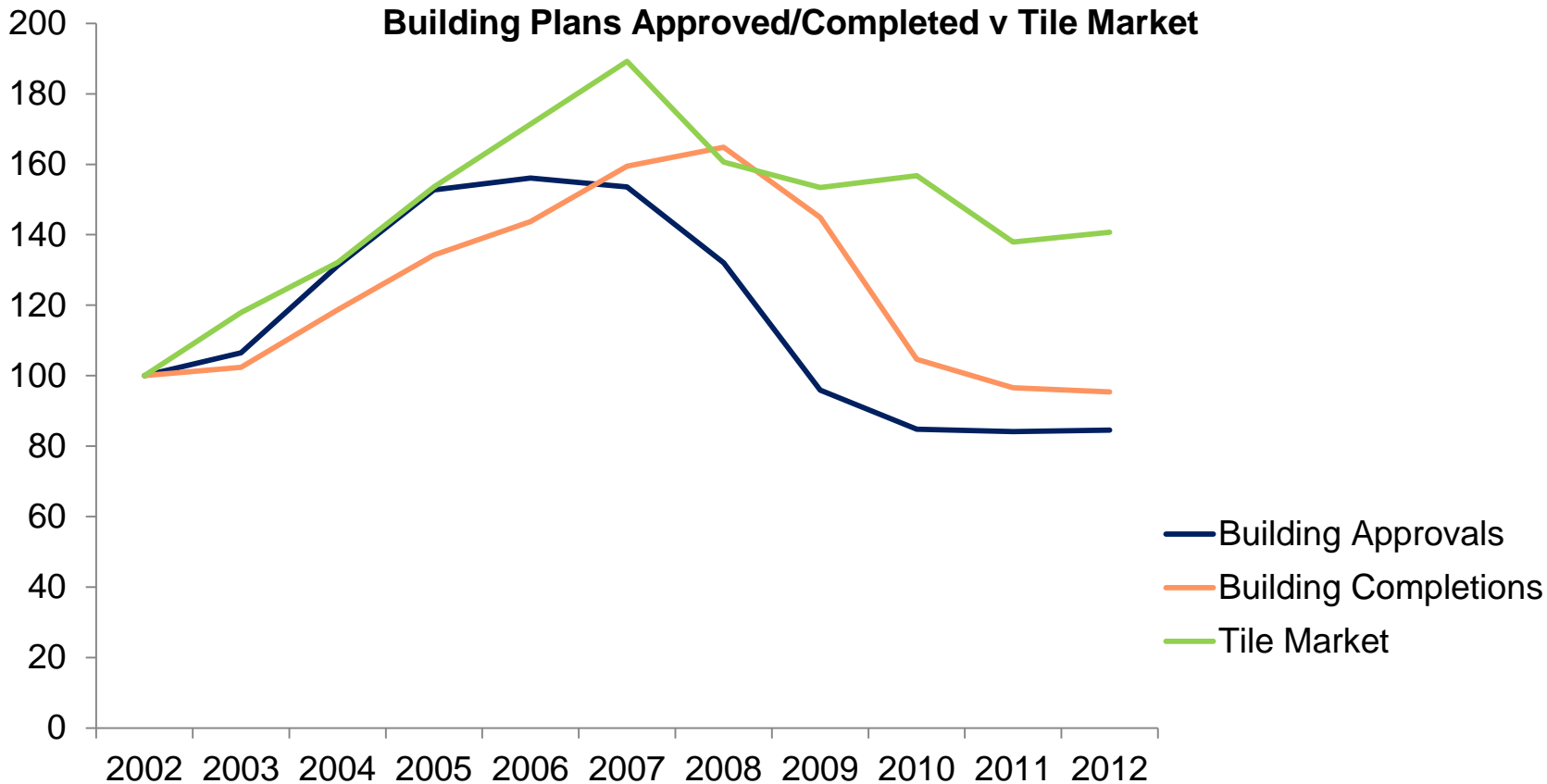
- Too early in cycle to see benefit





Source: OBR/Management Estimates

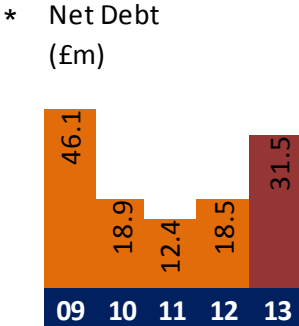
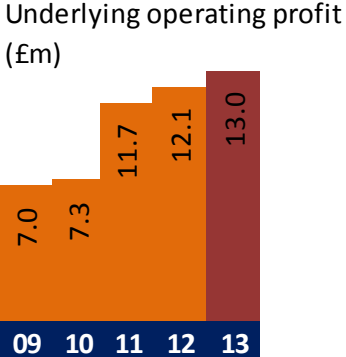
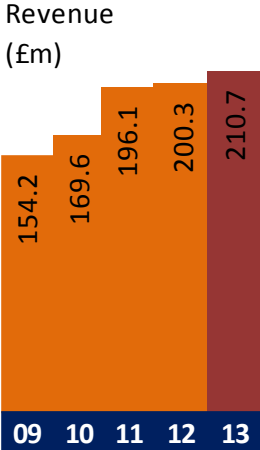
- Correlation between housing transactions and tile and shower markets is strong
- Business well positioned to benefit from operational gearing as economy improves
- Long term trend of market growth is ahead of GDP



Source: Stats SA/Management Estimates

- Correlation between building plans and tile market is strong
- Business well positioned to benefit from operational gearing
- Medium term GDP growth forecast to be 4-5% pa

- Fourth consecutive year of revenue and profit growth
- Sustained investment in new products and operational efficiencies
- Decisive action to restructure tile manufacturing businesses
- Legacy issues being resolved
- Strong financial position
- Well positioned for step change in growth



- Key strategic targets:
 - Double Group revenues → by 2018
 - Organic revenue growth → 5-10% per annum
 - Acquisitions to drive balance of growth targets (c£80m to c£120m of revenue required)
 - Achieve sustainable pre-tax ROCE → 12-15%

- Focus on sectors with highest shareholder value return

- Acquisitions to focus on complementary industry segments /geographies exhibiting attractive growth and returns
 - Bathroom controls and associated products
 - Building/construction adhesives
 - UK, South Africa, Sub Saharan Africa and Middle East

- Acquisition of Vado in March 2013 represents a first step and has been integrated successfully



CURRENT POSITION

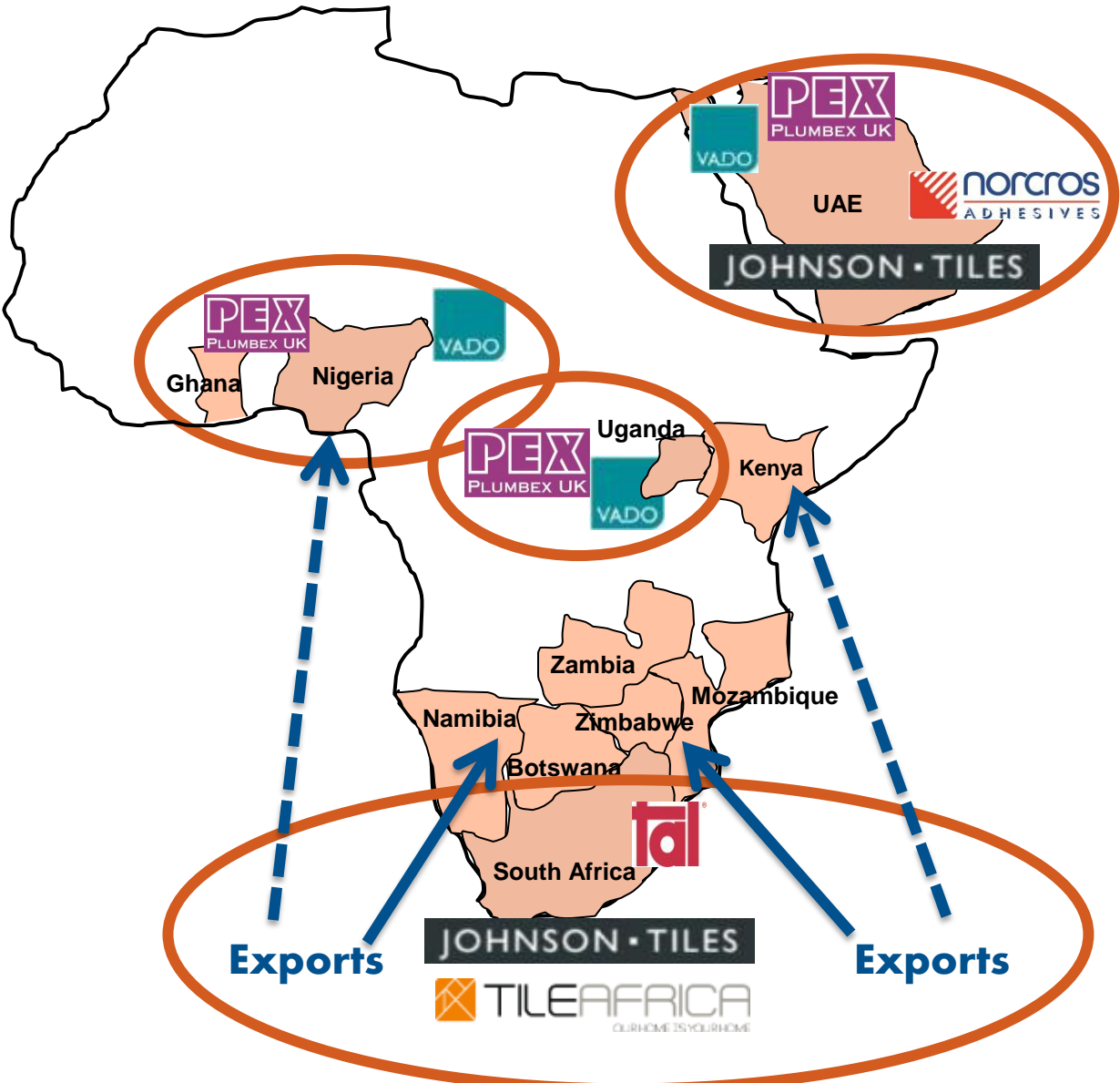
OPPORTUNITIES

	Vado	PEX	Triton	Norcross Africa	UK Tiles
DIY	✗	✗	✓✓✓	✓✓	✓✓✓
National Merchants	✓	✗	✓✓	N/A	✓
Specification	✓✓	✓	✓	✓✓	✓✓
Bathroom Boutiques	✓✓✓	✗	✗	N/A	N/A
Ireland	✓	✗	✓✓✓	N/A	✓
Middle East	✓✓	✓✓	✗	✗	✓✓
South Africa	✓✓	✓	✗	✓✓	N/A
Sub Saharan Africa	✓	✓	✗	✓	N/A

Revenue Synergies

- Taps to UK DIY - "Triton"
- PEX range to merchants and Tile Africa
- Combined approach in specifications
- Electric showers to UK boutiques - "Vado"
- Launch Vado into Triton distribution
- Leverage showers/tiles/adhesives/taps
- Launch Vado in SA
- Leverage showers/tiles/adhesives/taps

- GDP growth in Sub-Saharan Africa currently c6%
- 6 of the 7 fastest growth countries globally are in this region
- Consumer spending will double in the next 10 years
- 3 democracies in 1990, today 25



Organic

- Sharper focus on specification segment
- Vado revenue synergies
- Benefit from good medium term growth and demographic development in SA and Sub Saharan Africa
- Growth opportunities being evaluated
 - Nigeria and Kenya - adhesives and specification
 - SA - electric showers
 - SA - widening of portfolio in B&C adhesives
- Building on market share gains at Triton/HRJ/Norcros Adhesives/Vado
- Benefits from increasing housing activity/RMI in key markets



Acquisition

- Attractive returns, scale and fit
- Bathroom controls - UK market c£600m
- Building construction adhesives - UK market c£500m

Investment in markets with attractive returns

Restructuring of under-performing segments

Clear strategy developed to accelerate growth

Significant organic growth opportunities

Acquisitions in complementary product/industry segments

Experienced management team

**Norcros has delivered a robust performance –
time is right to achieve a step change in growth**

JOHNSON-TILES



- **Respected and Trusted**
 - Established 1901
 - The leading trade brand
 - Longest and most established player

- **Forward thinking and innovative**
 - Material Lab
 - Inkjet printing
 - Absolute

- **Excellent Quality Manufacturing**
 - World class, well invested facility
 - EN ISO 9001/14001
 - 5th most environmentally friendly large energy user in UK (Sunday Times)

- **Strong Sourcing and Logistics**
 - International sourcing team
 - Two modern on site warehouses
 - Utilise high quality carriers





Commercial Specification

- Marks & Spencer
- Whitbread
- London Underground
- London 2012
- Hilton Hotels (incl Hawaii Mural)
- John Lewis
- Barwa (Qatar)
- Dubai Underpass

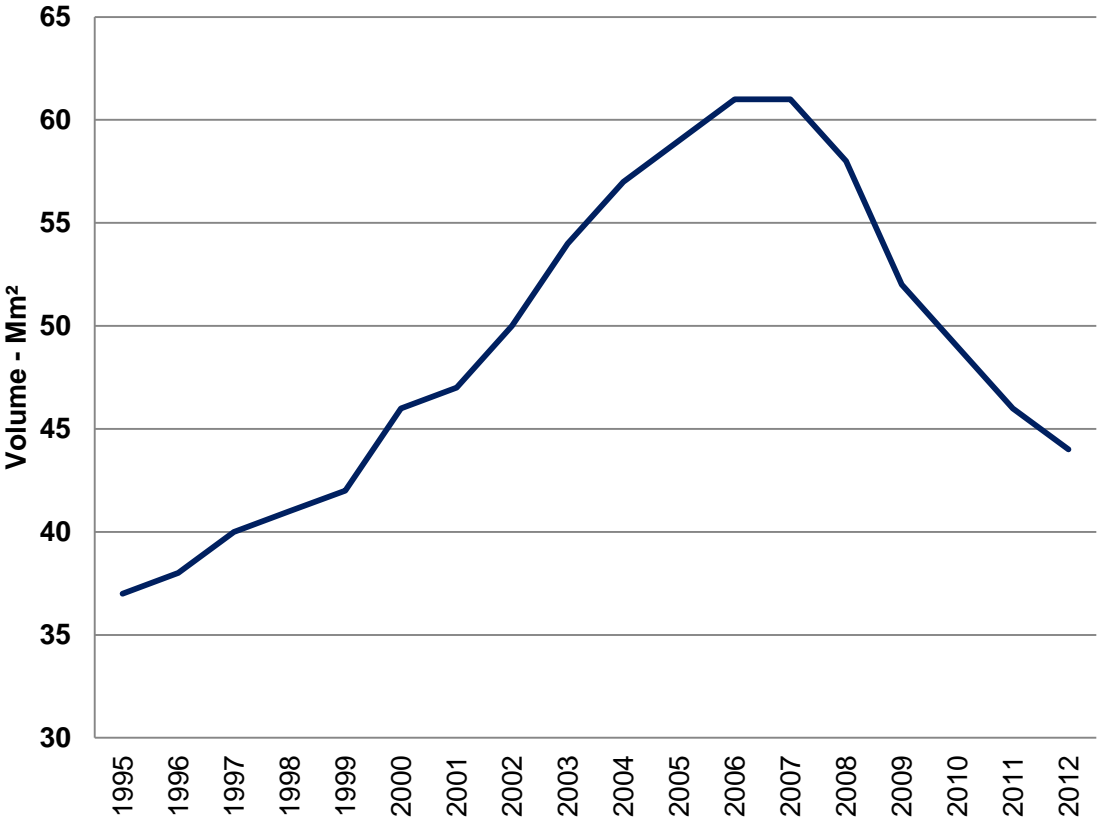
Multiples

- B&Q
- Wickes
- Homebase
- Topps Tiles
- Tile Giant
- Leroy Merlin

Housebuilder Specification

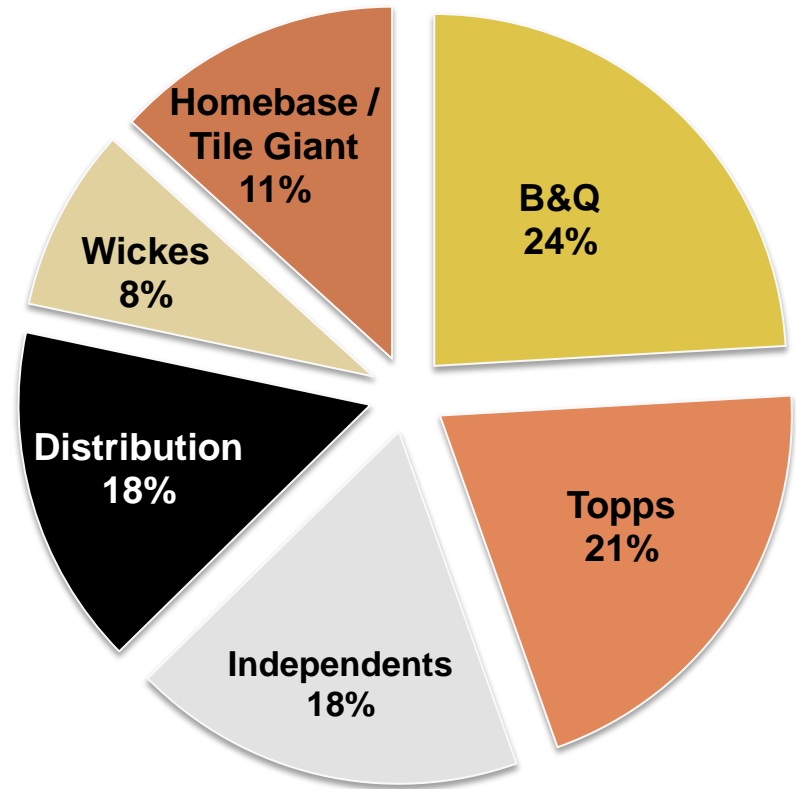
- Barratt / David Wilson
- Redrow
- Persimmon
- McCarthy & Stone
- Telford Homes
- Croudace Homes
- Morris Homes

- Total market splits circa 53% wall tile, 47% floor tile
- Significant medium term growth potential - currently very low per capita consumption. UK (0.7m²/person) Germany (1.4), France (1.9), Poland (2.5), Italy (2.2), Spain (2.7)
- Market correlates to housing transactions with circa 9 month lag



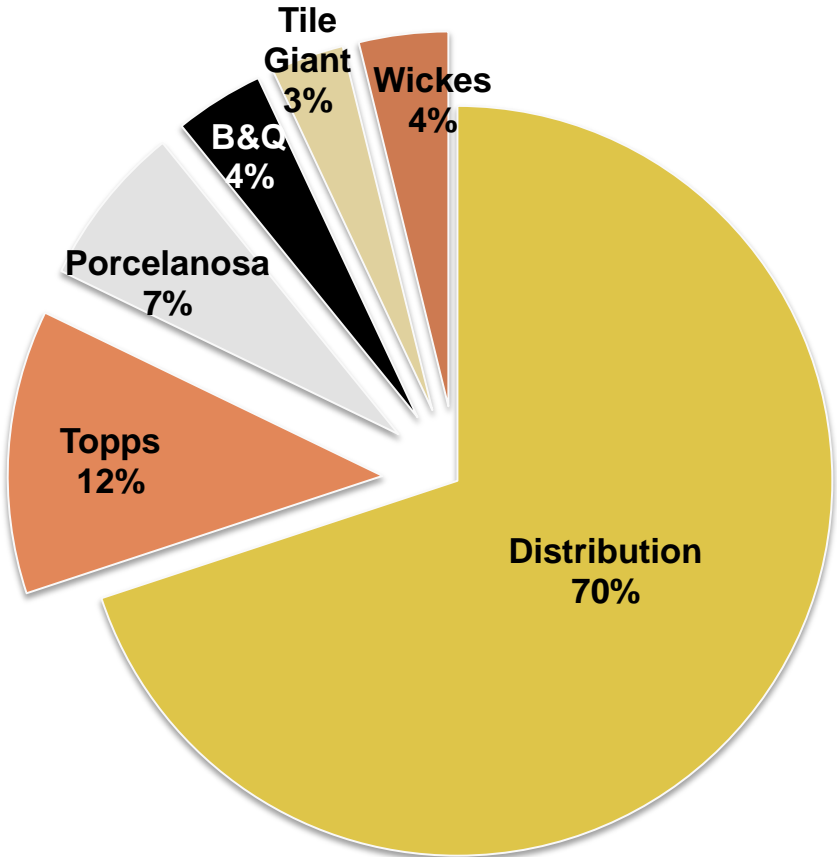
Consumer Market (65% of market)

- Consumer market dominated by B&Q, Topps, Wickes, Homebase and Tile Giant (64% share)
- Remainder of market very fragmented
- Significant degree of cross over between independent retailers and distributors
- Fall in market has lead to disproportionate decline in small independents (down circa 50%)
- Johnson has a very strong presence in B&Q, Wickes and Distribution

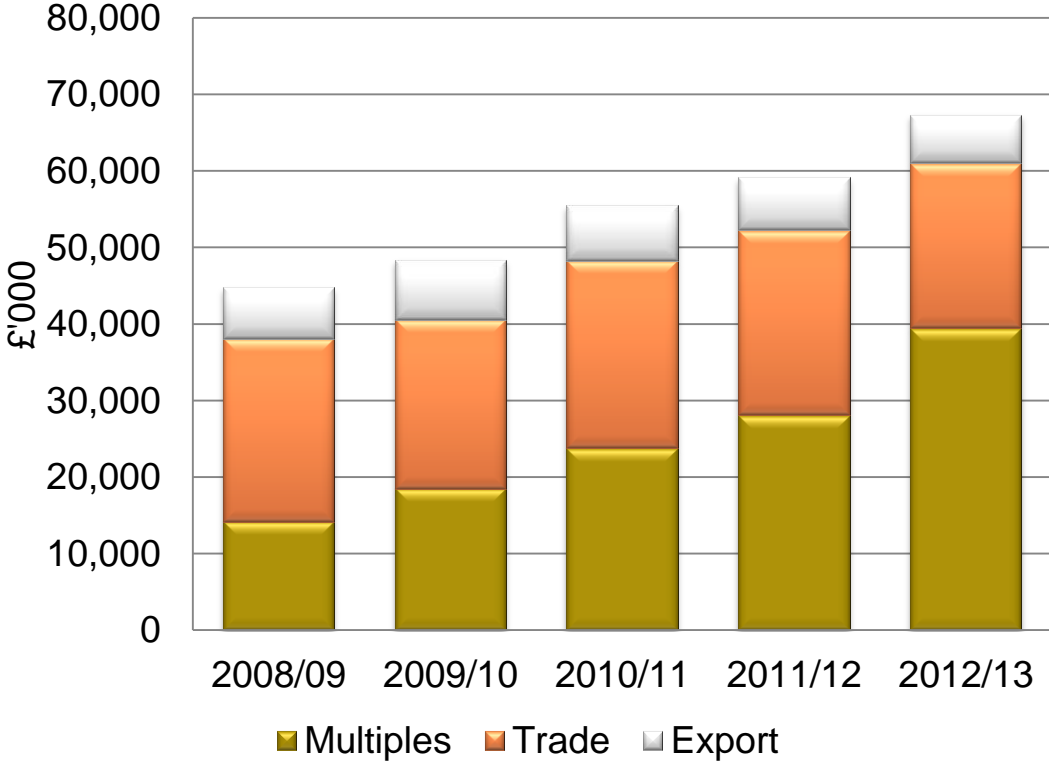


Trade Market (35% of market)

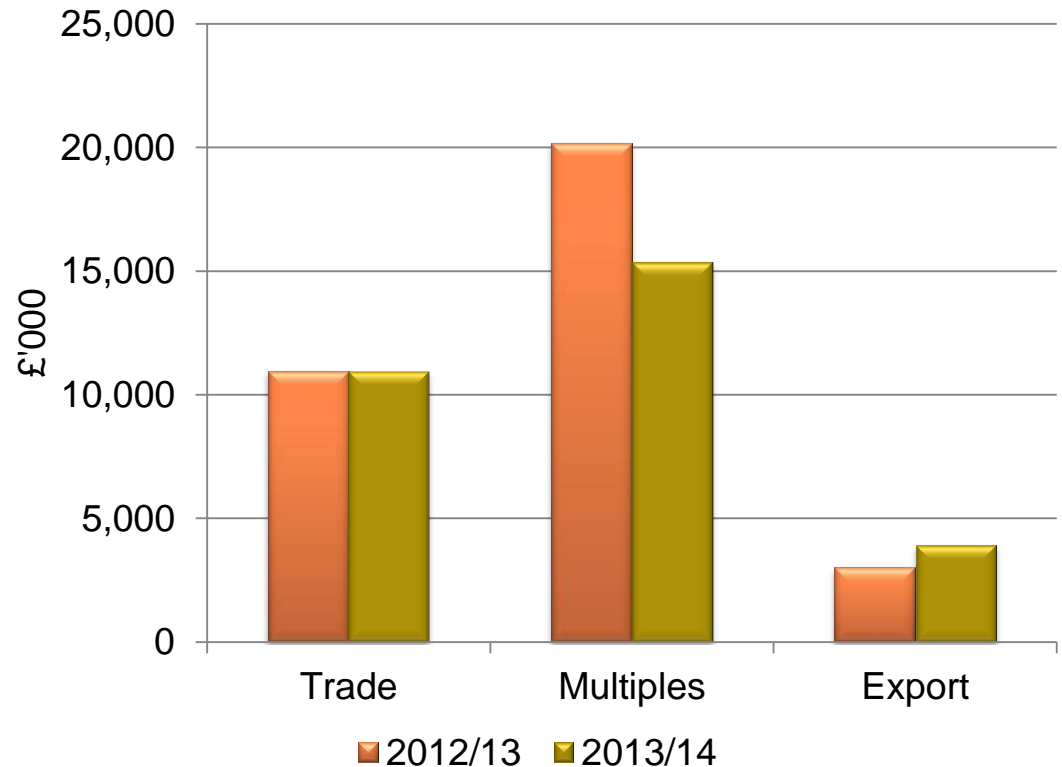
- Trade segment dominated by Distribution
- Professional fixers generally shop at Distributors because
 - Stock availability
 - Branded adhesive
 - Credit account
 - Significant discount given
 - Customer leads given
 - Very convenient
 - Good historic relationship
- Johnson has a very strong position in Distribution

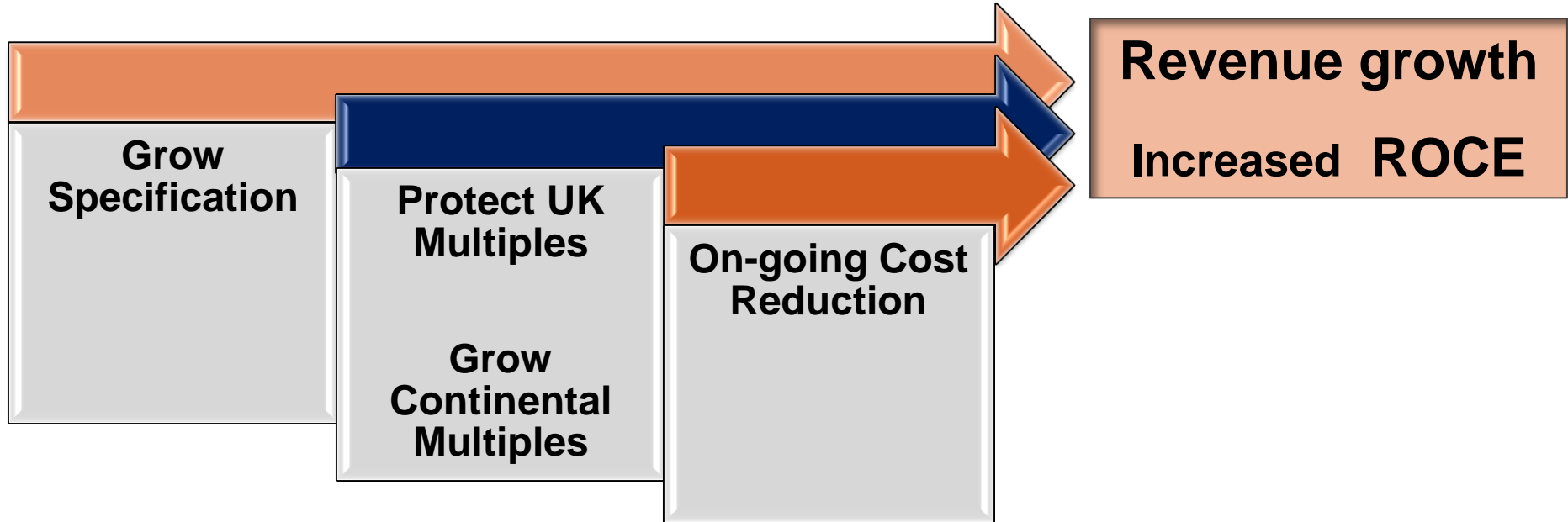


- 50% net revenue growth 2008/9 to 2012/13
- Growth driven by significant share gain in B&Q
- 5% share gain in trade, increased specification generation
- Export broadly static, emphasis historically on UK growth



- Total net revenue down 11.4%
- Trade sales up 0.1% in a marginally declining market (down 2%)
- Multiples sales down 23.8%, prior year B&Q range change coupled with destocking in 2013
- Export sales up 30.4%, increased focus particularly in Leroy Merlin (France) and Middle East specifications





JOHNSON-TILES



- Strong in house design team lead by experienced commercial Creative Director

- High quality, well managed portfolio
 - Established industry standard ranges
 - Innovative, leading edge ranges
 - Good, Better, Best structure

- Combine world class manufacturing with focused sourcing

- Authoritative Product and Trend Management with key customers



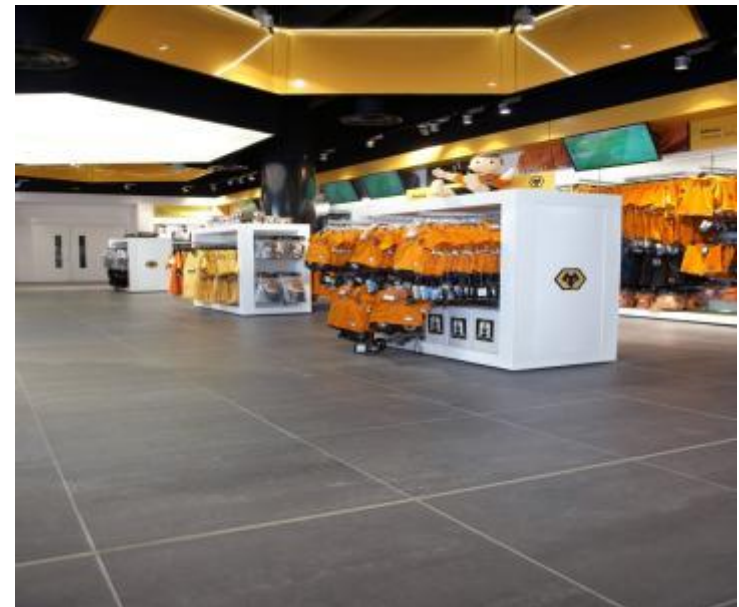
- Unrivalled strength and authority in UK Multiples
 - Supply 85% of B&Q's stock keeping units (sku's)
 - Supply 50% of Wickes portfolio

- Position built on
 - Market knowledge
 - Product and trend authority
 - Excellent logistics and supply chain
 - Embedding ourselves in our customers

- Beginning to leverage UK position into Continental Europe
 - Leroy Merlin in France
 - Leroy Merlin in Italy
 - Other opportunities to follow



- Innovative and focused product portfolio continually reviewed by in-house design team
- New specification focused website launched September 2013
 - Simple to navigate
 - Fully transportable to tablets and smart phones
- Strong showroom presence - Material Lab, Dubai, Bahrain and Qatar
- Further strengthened London, Birmingham and house builder sales teams
- Excellent service via strong Distribution network



Solid Base

- Experienced, customer focused management team
- World class, well invested production facility
- Excellent logistics and product sourcing
- Established customer base and routes to market

Excellent Growth Opportunities

- Lucrative UK and Middle East specifications
- Continental European multiples
- Will benefit from improvement in new house build and housing transactions

norcross™

SA (PTY) LTD



JOHNSON • TILES®





Leading manufacturer of Tile Adhesive, Pourable Floor Coverings and Tiling Tools

25.0%

R259 Million*

3rd Party Revenue

JOHNSON • TILES®

Number two ceramic tile manufacturer in South Africa

14.6%

R152 Million*

3rd Party Revenue



Leading retailer of local and international tiles, bathroom and kitchen fittings

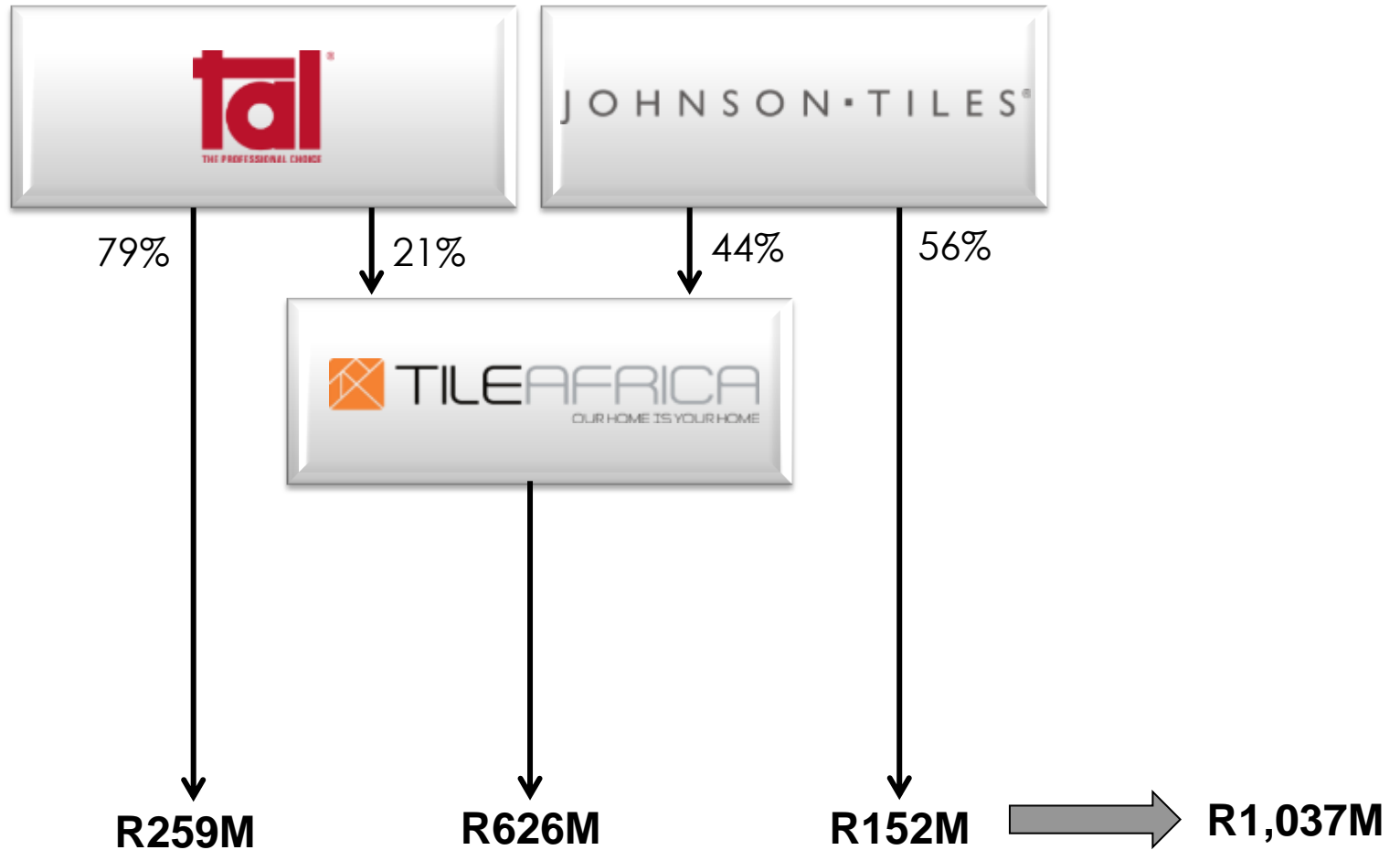
60.4%

R626 Million*

3rd Party Revenue

* Sales Year to End 31st March 2013

norcros™
SA (PTY) LTD



Estimated Size of our addressable market

- **In South Africa**
 - R1.064 Billion
- **Key Competitors**
 - Saint Gobain
 - Eeze Tile
- **Key Customers**
 - Tile Africa
 - Builders Warehouse (Walmart)
 - Malls Tiles
 - Tiletoria
 - Union Tiles
 - Tilespace
 - Independent Export Customers



“TAL continues to build on its strong and trusted brand in both the retail and trade sectors. Its technical expertise and excellent customer service leave it well placed for growth”

➤ **Estimated Size of the Tile Market in South Africa**

- 51 Million m²

➤ **Key Competitors**

- CIL
- Imports

➤ **Key Customers**

- Tile Africa
- Builders Warehouse (Walmart)
- Malls Tiles
- Tiletoria
- Union Tiles
- Tilespace
- Independent Export Customers



“Recent investment in manufacturing processes and new management make this business a key turnaround opportunity for the Norcross Group”

- **Strong regional footprint**
 - 35 retail showrooms
 - National Contracts Division
 - Supply & Fit Division

- **Tile & Bathroom Split**
 - 90% Tile & Accessories
 - 10% Bathrooms
 - Vado

- **Key Competitors**
 - Italtile Group
 - Builders Warehouse
 - Tiletoria
 - Union Tiles

- **Key Corporate Customers**
 - Famous brands
 - Pick n Pay / Boxer
 - Land-Rover
 - Standard Bank
 - Nando's




“A well respected mid to upper end retailer with a strong retail and contracts product offer, good store locations, and potential to grow further in South Africa and into sub-Saharan Africa.”

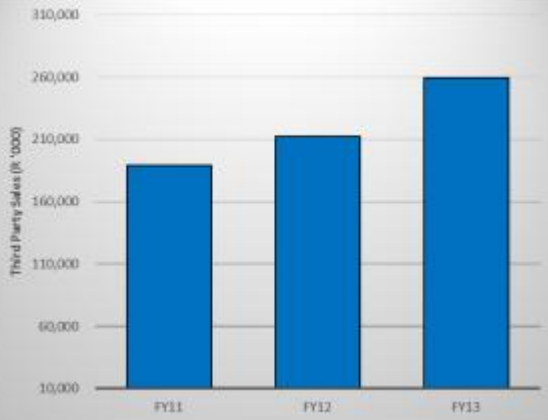
Average Revenue Growth for Last 3 Years

norcross™
SA (PTY) LTD

13.6% 

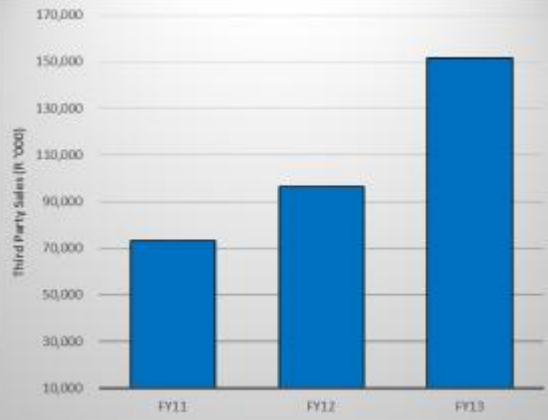
tal

17.2% 




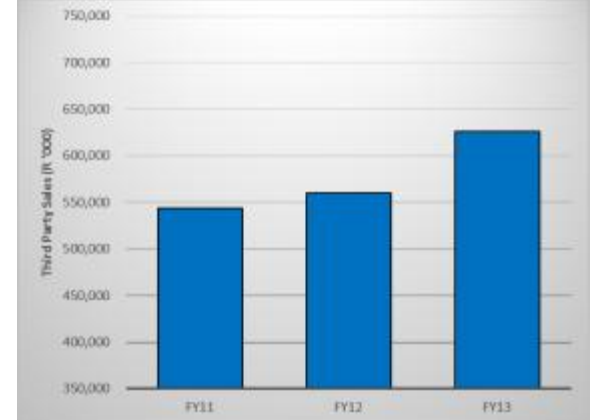
JOHNSON • TILES®

44.6% 



TILEAFRICA
OUR HOME IS YOUR HOME

7.4% 



norcros[™]
SA (PTY) LTD

18.4%



tal[®]
THE PROFESSIONAL CHOICE

19.5%



JOHNSON·TILES[®]

30.7%



 **TILEAFRICA**
OUR HOME IS YOUR HOME

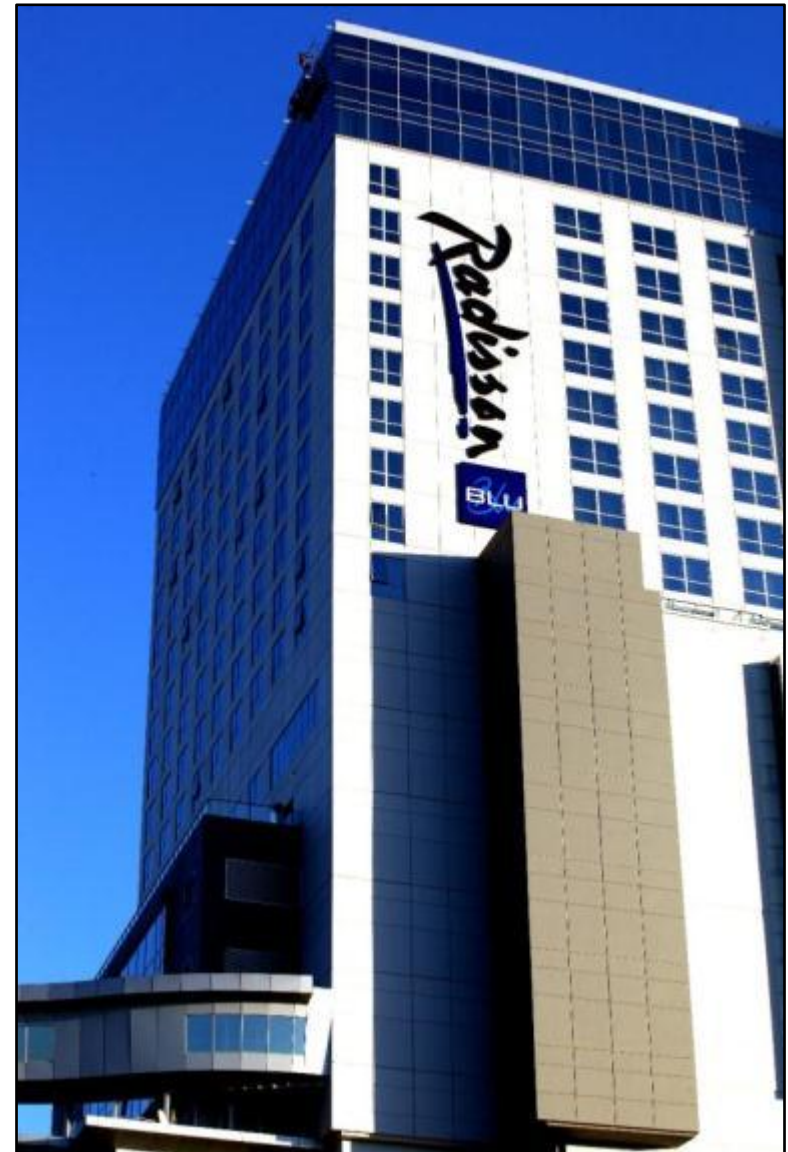
15.0%



Growth strategy based on product range expansion, geographic diversification and targeted acquisitions

Key Targets

- Revenue to double over next 5 years
 - Organic – range expansion /geographic diversification
 - Acquisitions
 - Tile adhesive and pourable floor coverings
 - Bathroom controls and accessories
- Business to achieve ROCE of 12%-15%
- 15% of revenue to be generated outside of South Africa





- Evaluate new plants in Sub-Saharan Africa
 - West Africa
 - East Africa
- Grow our Pourable Floor Covering Division
- Exports

Exports Revenue - 9.2%

JOHNSON • TILES®

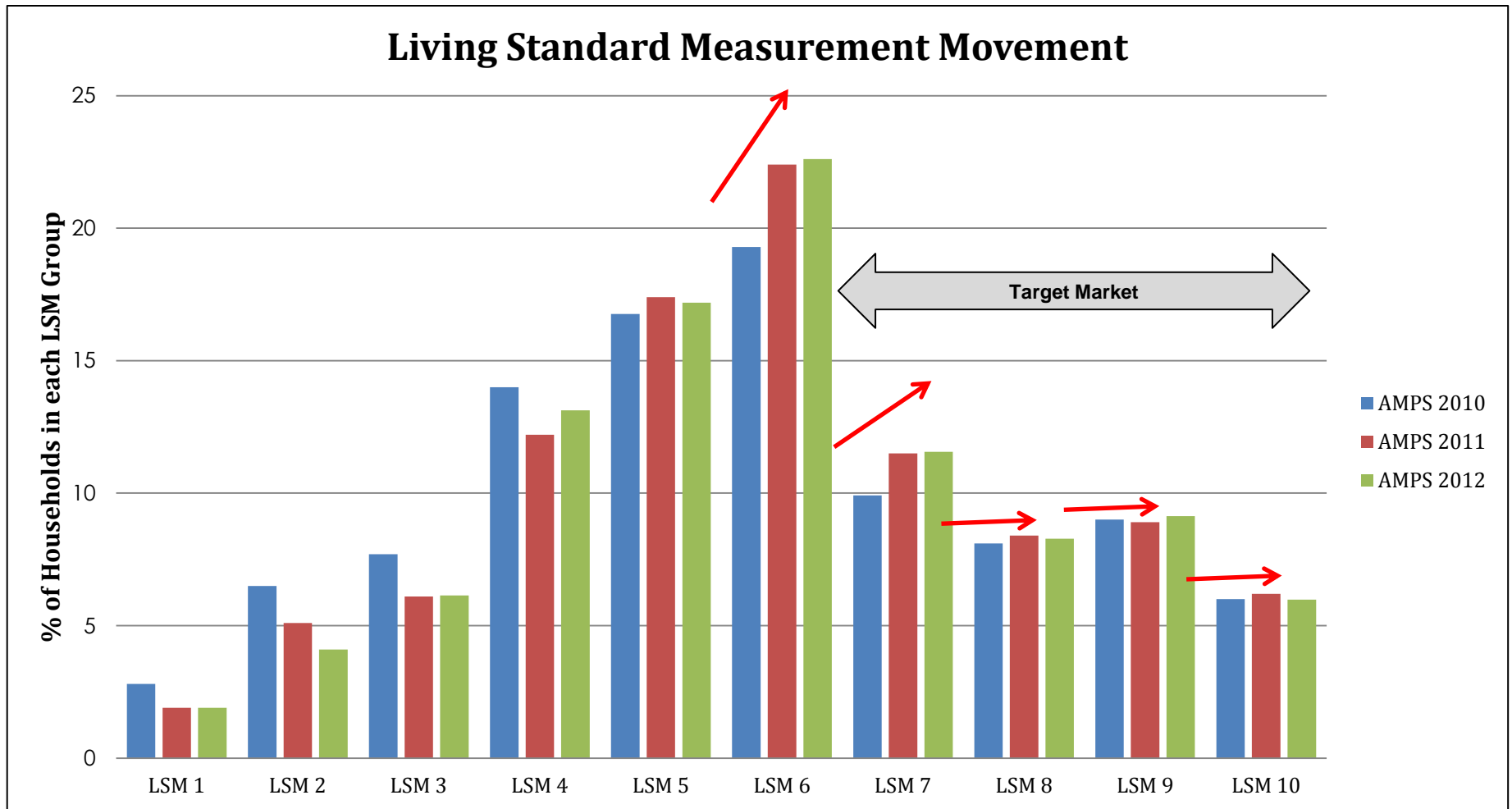
- Introduction of Inkjet
- Accelerated growth into specifications market
- Increase factored range
- Exports

Exports Revenue – 20.1%



- 15 new stores in Southern Africa over next 5 years
- Evaluating opportunity to expand our Contracts Business into Africa by opening offices in:
 - West Africa
 - East Africa
- Grow our Bathroom Category (Vado)

Exports Revenue – 1.0%



- Strong growth in the LSM 6 & 7 segments, driven by higher levels of government employment.
- Over the last decade LSM 6 has risen by 60% from 6.4million to 12.2million people (South Africa Audience Research Foundation)



- Improved production technologies
 - Automated recipe management
 - Increase throughput
- NPD adhesives
 - New generation grouts
 - Tiling accessories
- NPD pourable floor coverings
 - Flooring
 - Waterproofing



- Inkjet (digital printing)
- Larger formats
- Increased factored range



- Improved customer experience
 - Store model
 - Transaction interactivity
- Direct sourcing
- Distribution centres
 - Johannesburg
 - Durban
 - Cape Town



6 of the top 7 growing economies world-wide are found in Sub-Saharan Africa

- TAL**
- Southern Africa
 - Mozambique
 - Angola
 - Sub-Saharan Africa
 - Western Gateway
 - Eastern Gateway
- Johnson Tiles**
- Southern Africa
 - Mozambique
 - Angola
- Tile Africa**
- Southern Africa
 - Eastern Gauteng
 - Southern Gauteng
 - Mozambique
 - Sub-Saharan Africa
 - Western Gateway
 - Eastern Gateway



- **Favourable economic growth and demographics in SA**
- **Excellent Geographic Growth Potential**
 - Sub-Saharan Africa (2014 GDP Growth Forecast 6.1%)
- **Rapid Urbanisation**
 - Significant housing shortages in most sub-Saharan countries
- **Infrastructure Development**
 - Major investment in infrastructure improvements in sub-Saharan Africa.

Norcros South Africa is well positioned to take advantage of the growth in the building sector in the region and will actively grow our business through product range expansion, geographic diversification and targeted acquisitions.

Norcros South Africa



TRITON

The Great British Shower Company 



Total UK Branded Shower Market

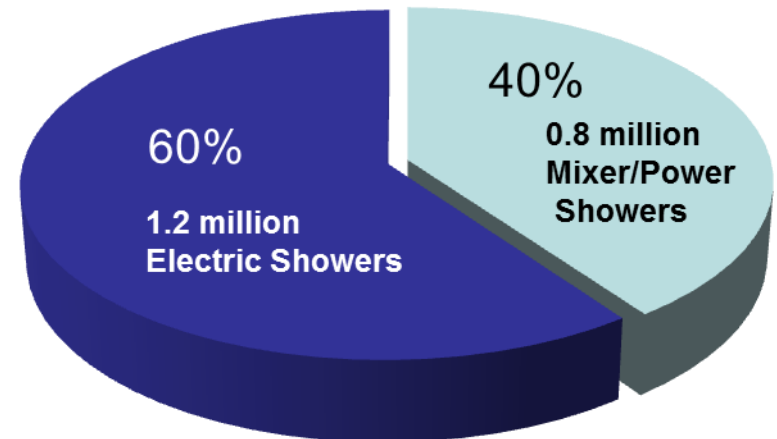
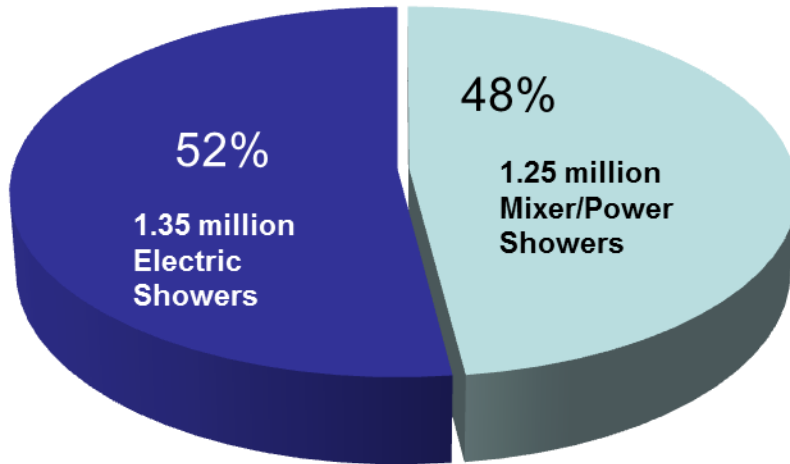
Product Mix – Aug 2013 MAT (volume)

March 2007

Total 2.6 million units

Aug 2013

Total 1.9 million units

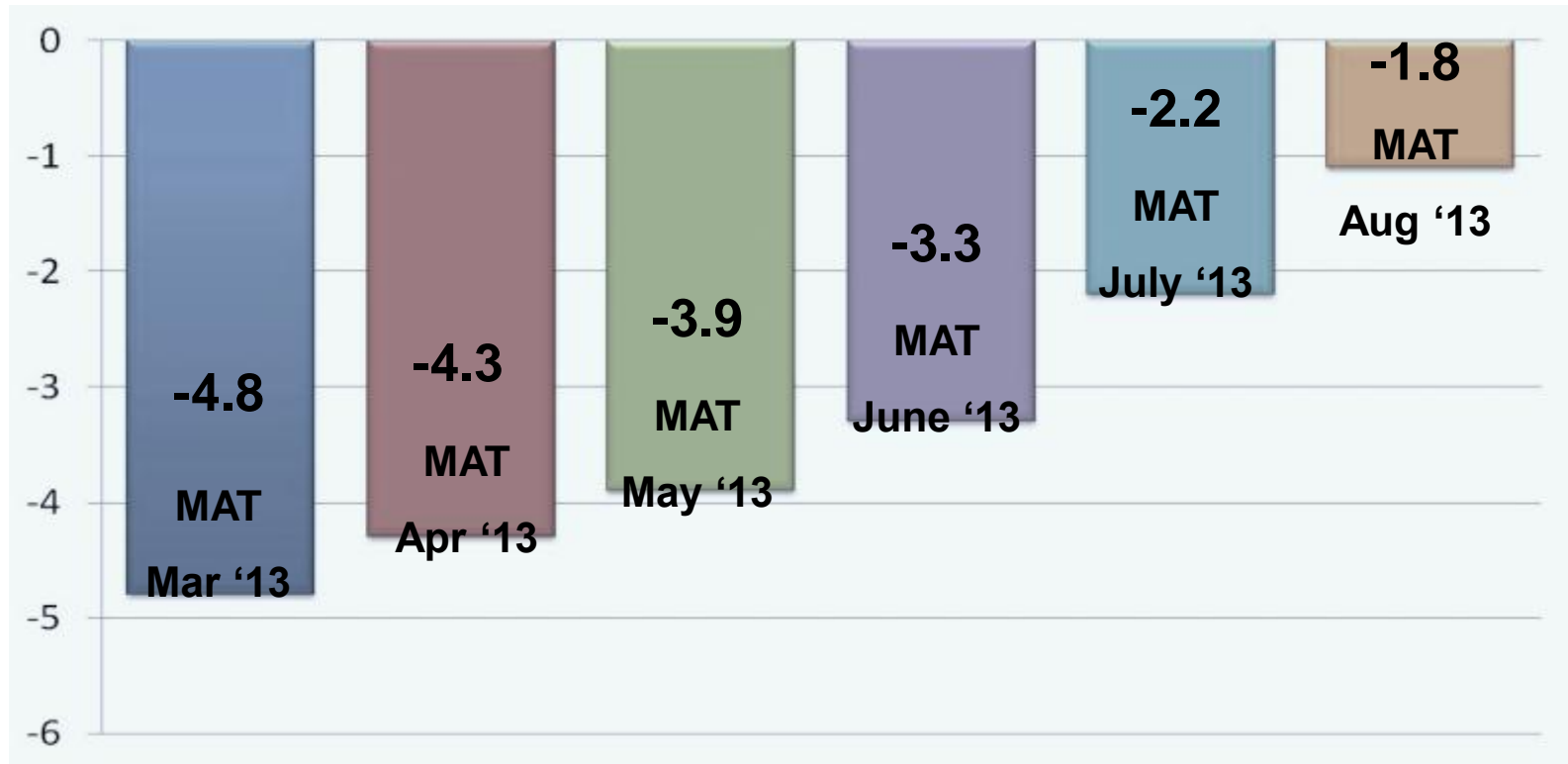


Electric showers have an increased share of the market

Total UK Branded Shower Market

% Growth

MAT Volume



Total UK shower market is steadily improving

BSRIA
Jun-13

Total UK Branded Shower Market

Segment Mix (volume)

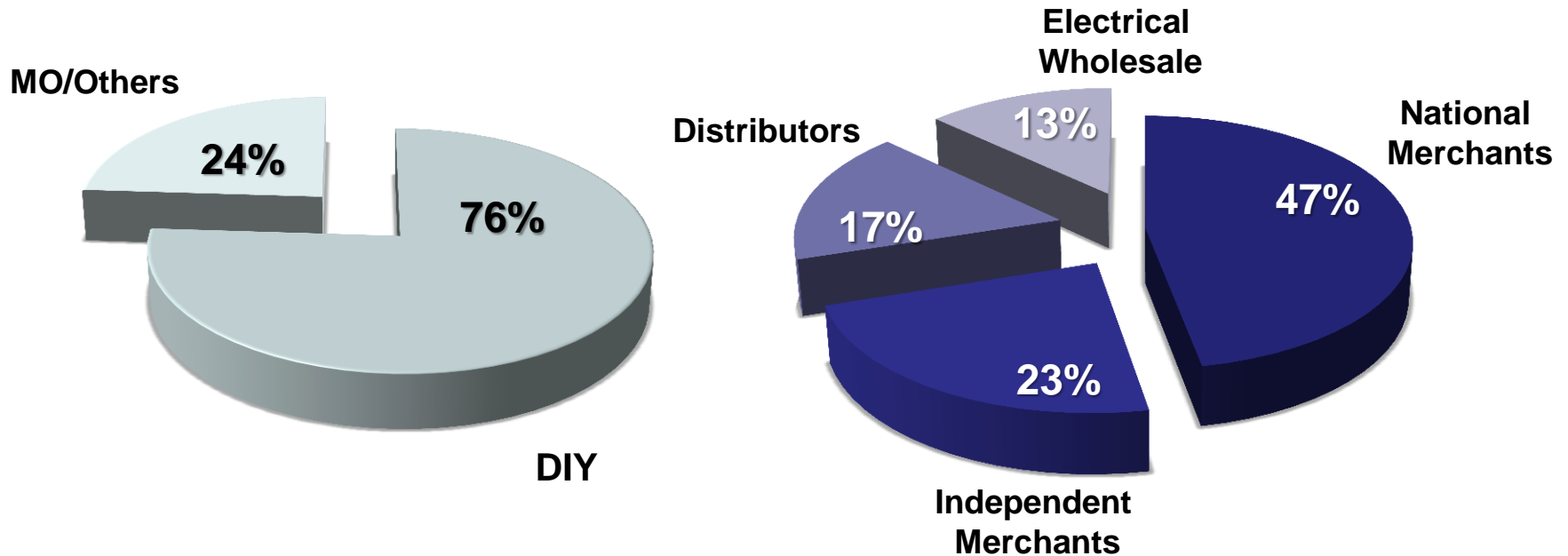


Retail mix: 71% Electric/29% Mixer/Power

Trade mix: 60% Electric/40% Mixer

Total UK Branded Shower Market

Segment Mix (volume)

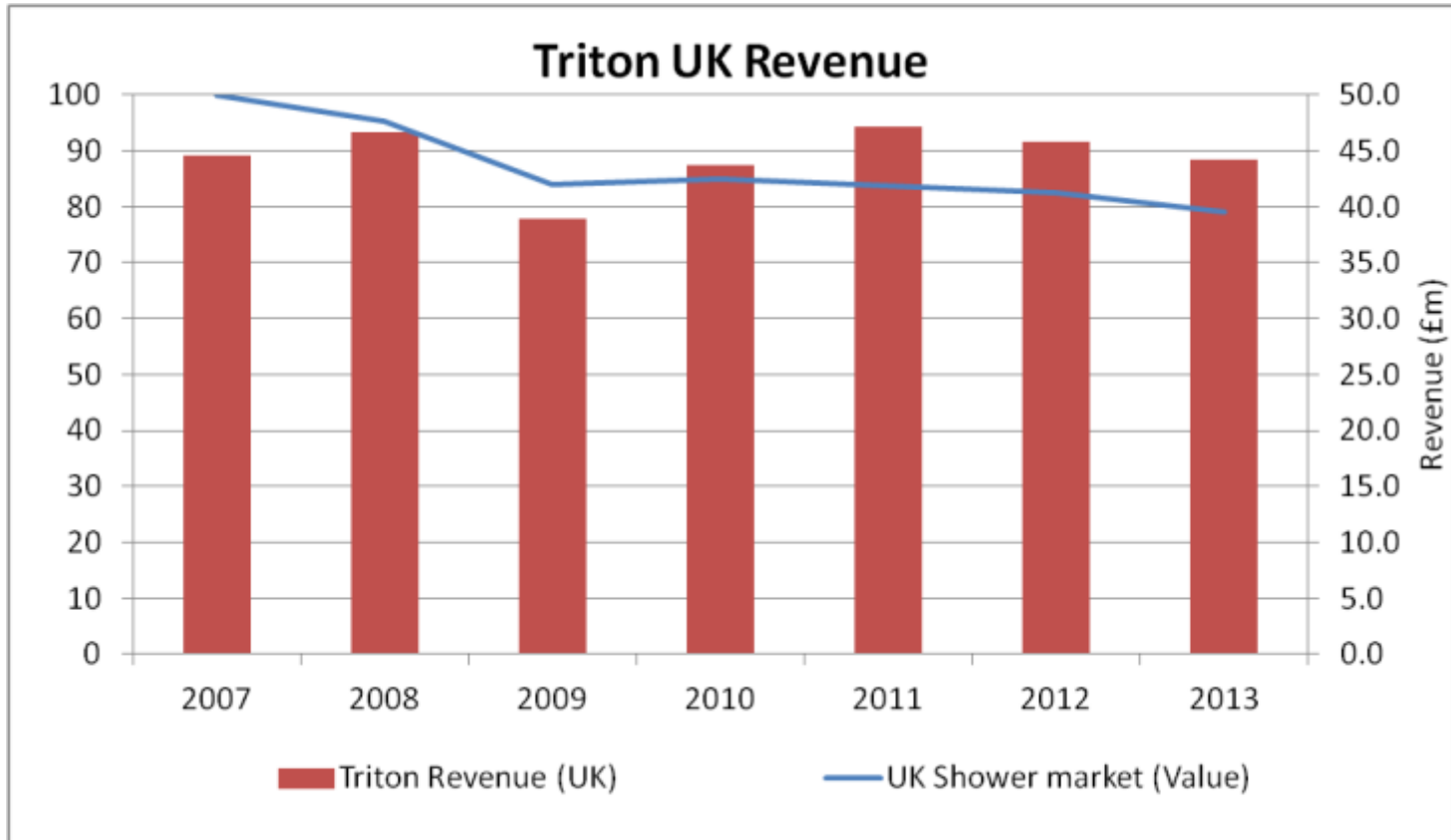


Retail mix: 71% Electric/29% Mixer/Power

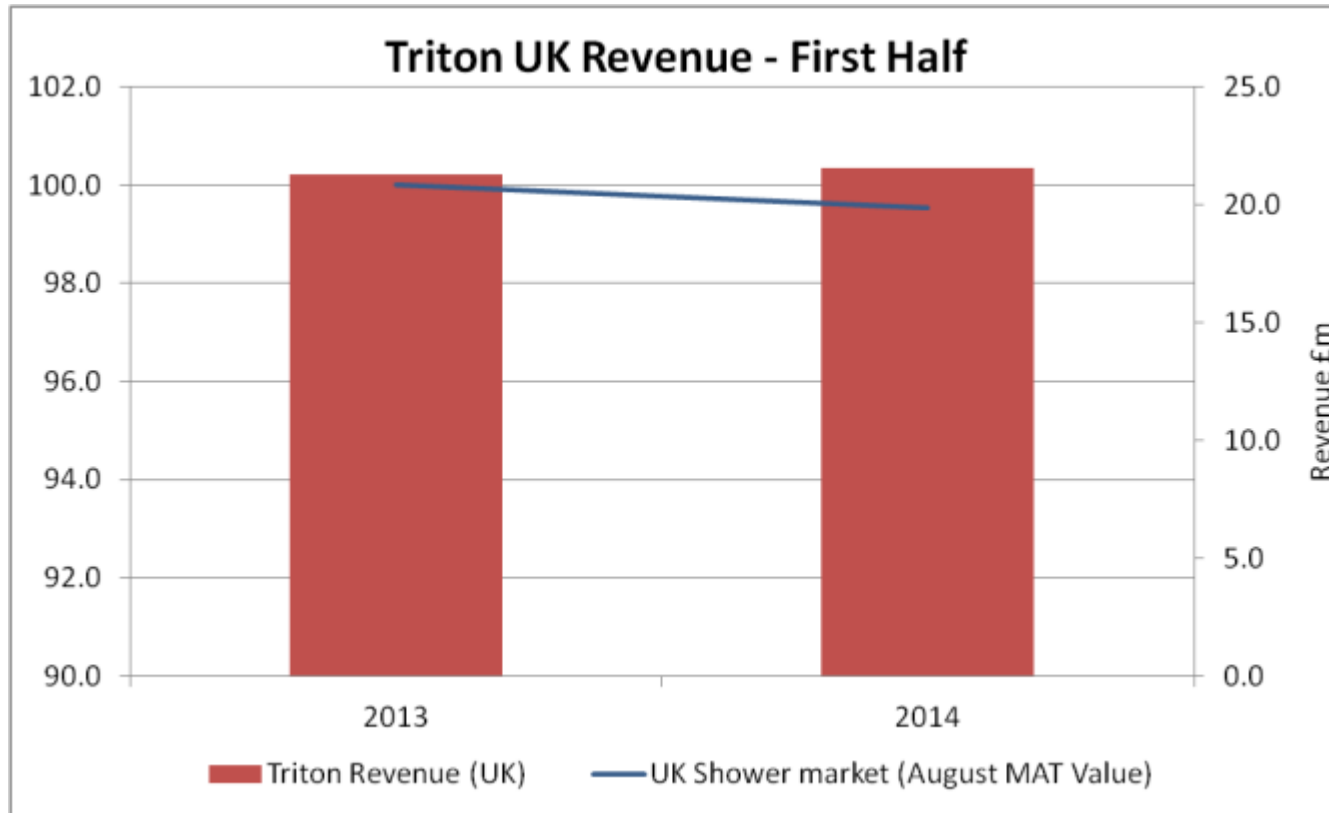
Trade mix: 60% Electric/40% Mixer

- Top brand/great awareness
- Strong consumer franchise
- Great distribution
- Product innovation
- Best industry service
- First class quality
- Key customer category management
- Experienced management
- Marketing led company

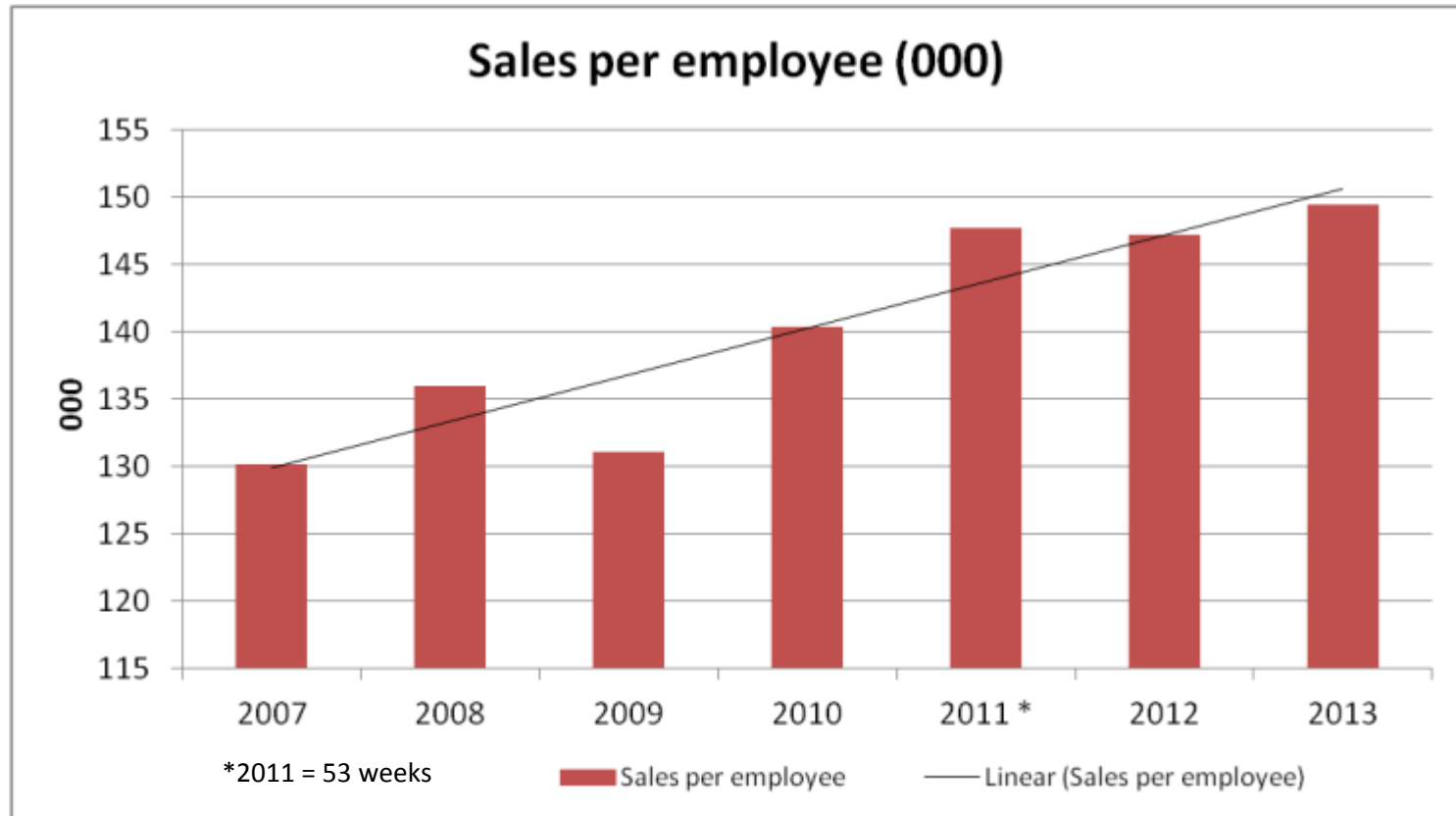












Take advantage of uplift in expected housing transactions/Shower market growth

Grow Trade through “Specification business”

Growth by acquisition

Growth by demand synergy with Vado

Digital interaction



- New product development is key
- Affordable technology
- IP patent-box



➤ **Triton is a successful business underpinned by:-**

- Great consumer brand/franchise
- Strong blue chip customer base
- Innovative NPI/IP
- Excellent quality and customer service
- Leading marketing and digital marketing
- Strong profitability and cash generation in a declining market



➤ **Growth opportunities from a strong start point:-**

- Well set up to benefit from economic growth/improving consumer confidence
- Large electric replacement market
- Experienced management
- Potential Vado business (Export and UK)

“Digital”



“Stylish”



EXCLUSIVE

Range of electric Showers by



“Simplicity”



“Colours”



VADO



- Founded in 1988 as a distributor
- Business evolved to focus on own designed and branded ranges of:
 - Taps
 - Showers
 - Bathroom accessories
 - Plumbing valves
- Majority of manufacturing is outsourced allowing excellent flexibility
- Assembly operations and distribution centre located in Cheddar
- China office opened 2008
- Now exporting to more than 60 countries around the world
- Became part of Norcros on March 31st 2013



UK

- Total addressable market £350m*:
 - Taps: £160m
 - Accessories: £110m
 - Mixer Showers: £80m
- Current market share 4%



Export

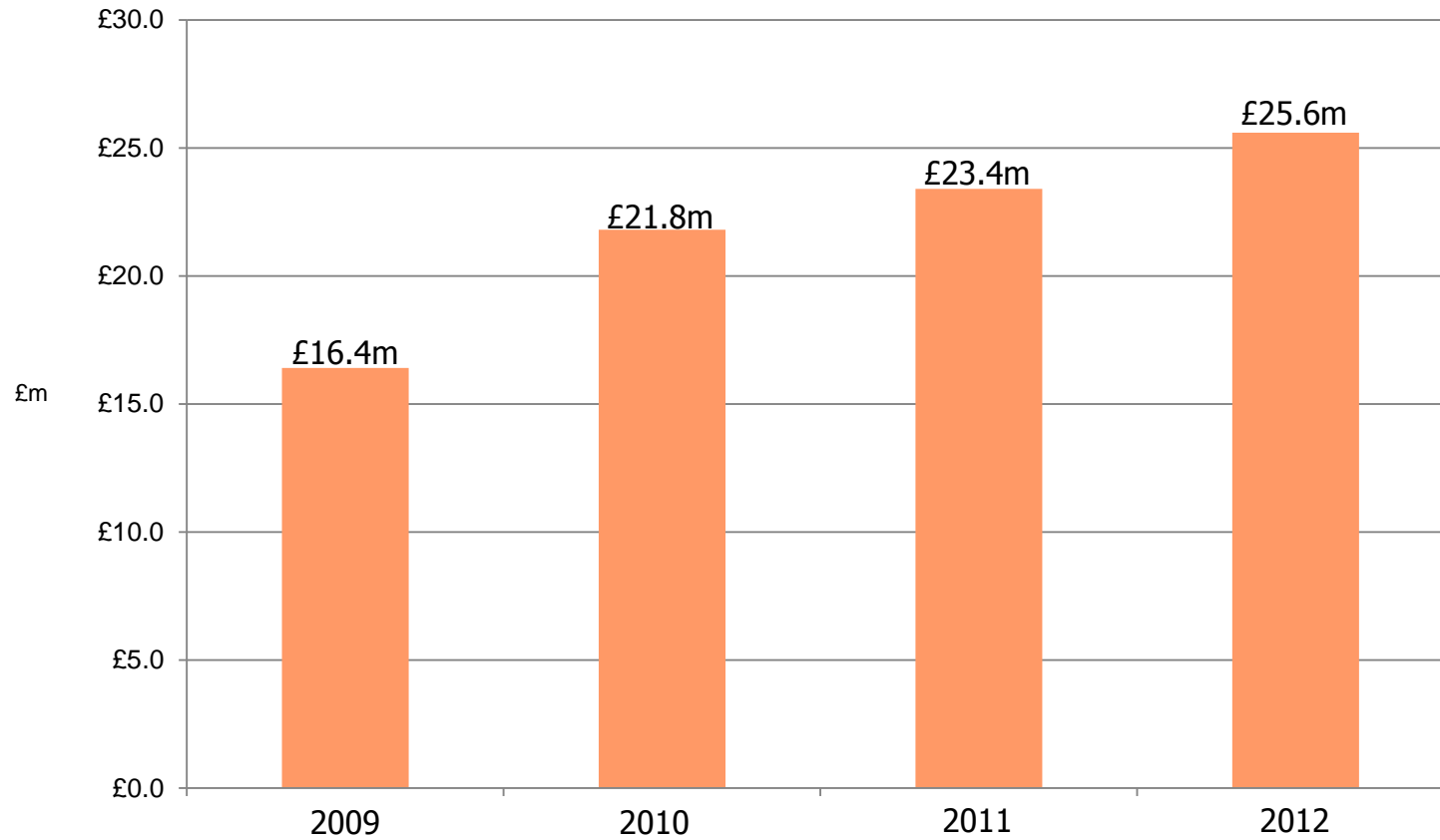
- Global market for taps and showers in excess of £10bn**
- Current market share 0.1%



* Based on VADO analysis of AMA market research

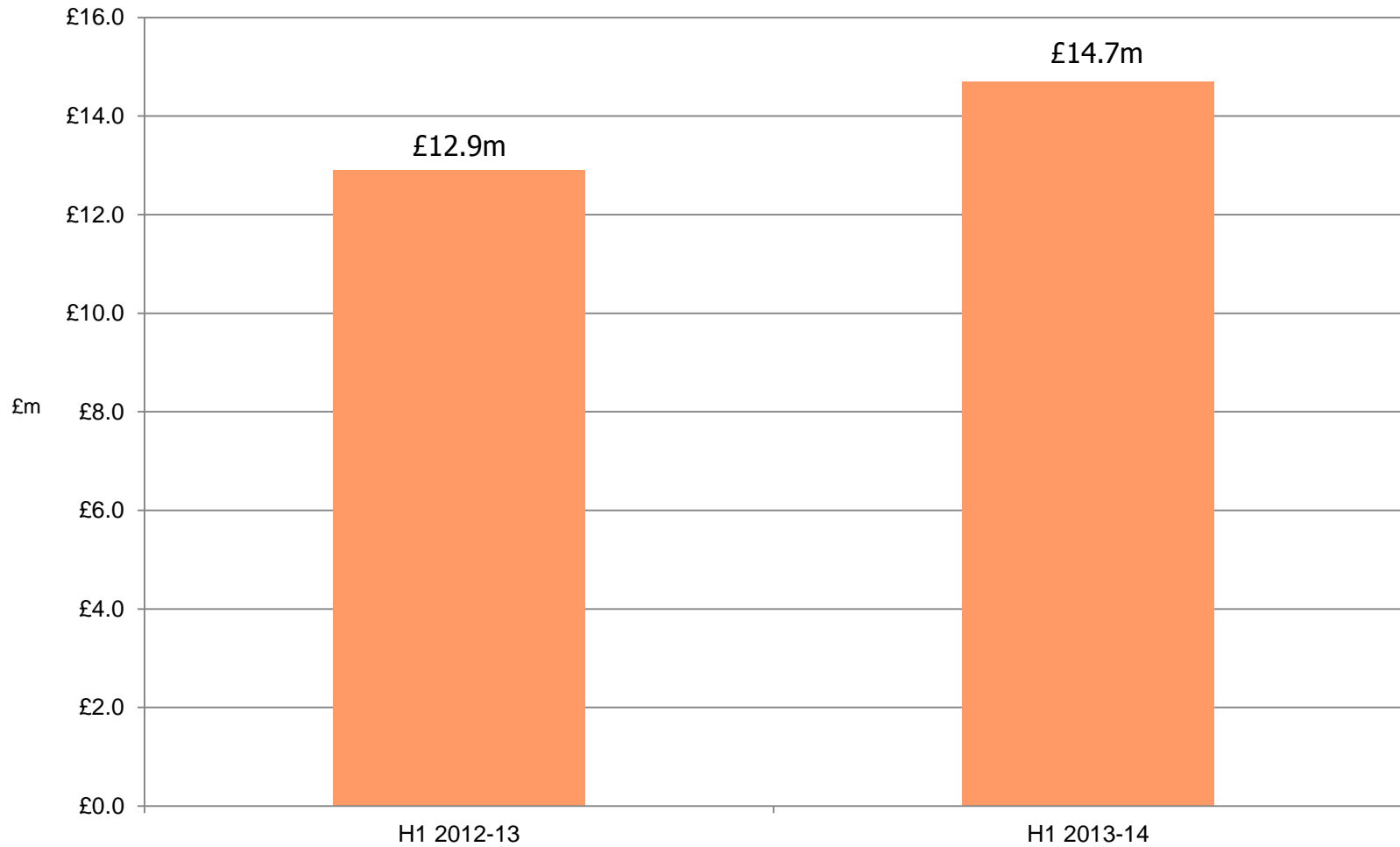
** Based on VADO analysis

- Continual turnover growth
- CAGR 16% over the last 3 years



All figures shown as reported in Jan-Dec results

- H1 +14% increase on 2012
- Strong pipeline for H2



UK

- Focused on 3 key channels:
 - Specialist retailers
 - Specification work
 - Plumbers merchants
- Addressable market in excess of £350m*
- 4% market share gives huge growth opportunities
- Further enhanced by synergies as part of Norcros



Export

- Global market for taps and showers in excess of £10bn**
- Capitalise on strong presence in Middle East and Africa
- Increased focus on international specification work via
 - London
 - Local market presence
- Growth into selected new territories without diluting efforts



* Based on VADO analysis of AMA market research

** Based on VADO analysis

UK

- Capitalising on existing channel opportunities
- Expansion of sales team
- Increased levels of Aftersales service
- Significant growth in UK merchant buying groups
- Legislation continues to present opportunities:
 - The Code for Sustainable Homes
 - Part G of Building Regulations
- Major new specification clients added:
 - St. George
 - Redrow
 - Lend Lease



Export

- Maintain focus: don't spread too thin
- Sales growth in existing Middle East and African markets:
- New distributors in Saudi Arabia, Iraq, Libya, Nigeria
- Team expansion to support new territory growth
- Key new territories for focus:
 - South Africa
 - North Africa
 - Russia
- High profile project list continues to expand
 - JW Marriott Marquis, Dubai
 - Hilton, Riyadh
 - LOHAS Park, Hong Kong



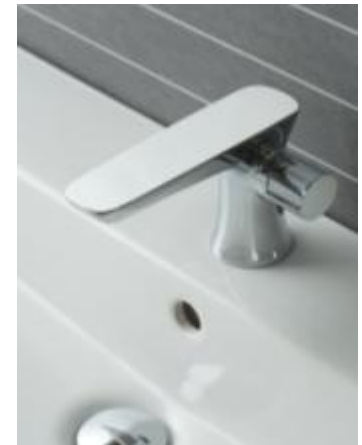
- Production methodology allows rapid new product development
- Vado introduces 50+ new products annually

Imminent projects:

- 2 new ranges set to launch later this month:
 - *Altitude*: High end
 - *Ascent*: Mid range
 - A re-launch of Digital showering

Future major initiatives

- Flagship top end range planned for mid 2014
- Designer led range late 2014
- A re-design of concealed thermostatic showers
- Co-operation with Triton on
 - A VADO branded electric shower
 - Digital showering



- Continual sales growth in a challenging market
- VADO remains a developing brand
- Modest market share leaves substantial growth potential
- Recovering construction markets in the UK and overseas territories will aid further growth
- Major synergistic opportunities within Norcross will give a further boost to growth
- Strategy is working with revenue significantly ahead of last year

