norcros

Inspiring Living Spaces

Preliminary Results

Year ended 31 March 2020

norcros

Introduction

Martin Towers, Chairman

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FY20 Results

- Resilient performance despite challenging markets and COVID-19
- Eleventh consecutive year of revenue growth
- Revenue reduced by £13.2m and underlying operating profit by £4.6m –estimated impact of COVID-19 in March
- Underlying operating profit £32.3m (2019: £34.4m)
- Underlying ROCE above hurdle rate at 16.8% (2019: 18.2%)
- Strong cash generation maintained with net debt at 31 March 20 of £36.4m. Net Debt : EBITDA 0.9x
- Return to progressive dividend policy as soon as it is appropriate to do so

COVID-19, Liquidity and Current Trading

- Decisive action taken to safeguard employees, reduce operating costs, minimise cash burn and maximise liquidity
- Covenant waivers agreed at September 2020 and March 2021 replaced with a maximum net debt covenant of £95m. RCF committed to November 2022
- Current trading gathering momentum and ahead of COVID-19 operating scenario
- Year to date revenue to the end of May was 40% of last year, activity levels continue to improve with June month to date at c75% of last year
- Net debt of £38.6m at 7 June 2020
- Strong balance sheet - Group well positioned to withstand COVID-19 impact and to continue to win market share

Financial Review

Shaun Smith, Group Finance Director

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	2020 £m IFRS16	2020 £m Pre-IFRS16	2019 £m Pre-IFRS16	+/- reported	+/- Constant Currency
Revenue	342.0	342.0	331.0	+3.3%	+5.0%
Underlying[1] operating profit	32.3	31.8	34.4	-6.1%	
Margin	*9.4%*	9.3%	*10.4%*		
Finance charges – cash	(3.5)	(1.6)	(1.8)		
Underlying[1] PBT	28.8	30.2	32.6	-11.7%	
Exceptional operating items[2]	(9.0)	(9.0)	(4.0)		
IAS19R admin expenses	(1.5)	(1.5)	(1.5)		
Acquisition related costs[3]	(4.0)	(4.0)	(3.8)		
Finance income – non cash[4]	0.7	0.7	2.1		
PBT	15.0	16.4	25.4	-40.9%	

1 Underlying means before exceptional operating items, IAS19R admin costs, acquisition related costs and where relevant, non-cash finance costs
2 2020 Johnson Tiles COVID-19 related asset impairment. (2019 - see page 43 for details)
3 See page 43 for details
4 Includes £1.9m variance in income relating to “mark to market” on FX forward contracts. (FY20: £1.7m income, FY19: £3.6m income)

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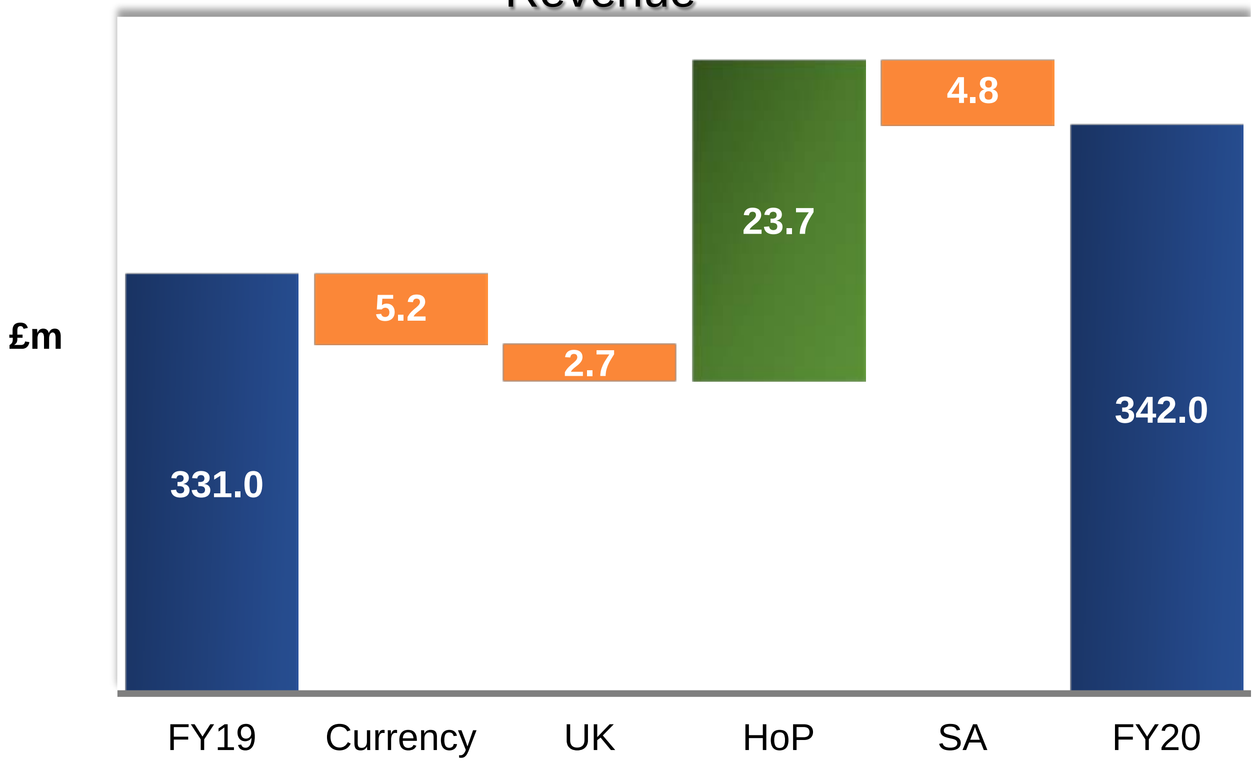
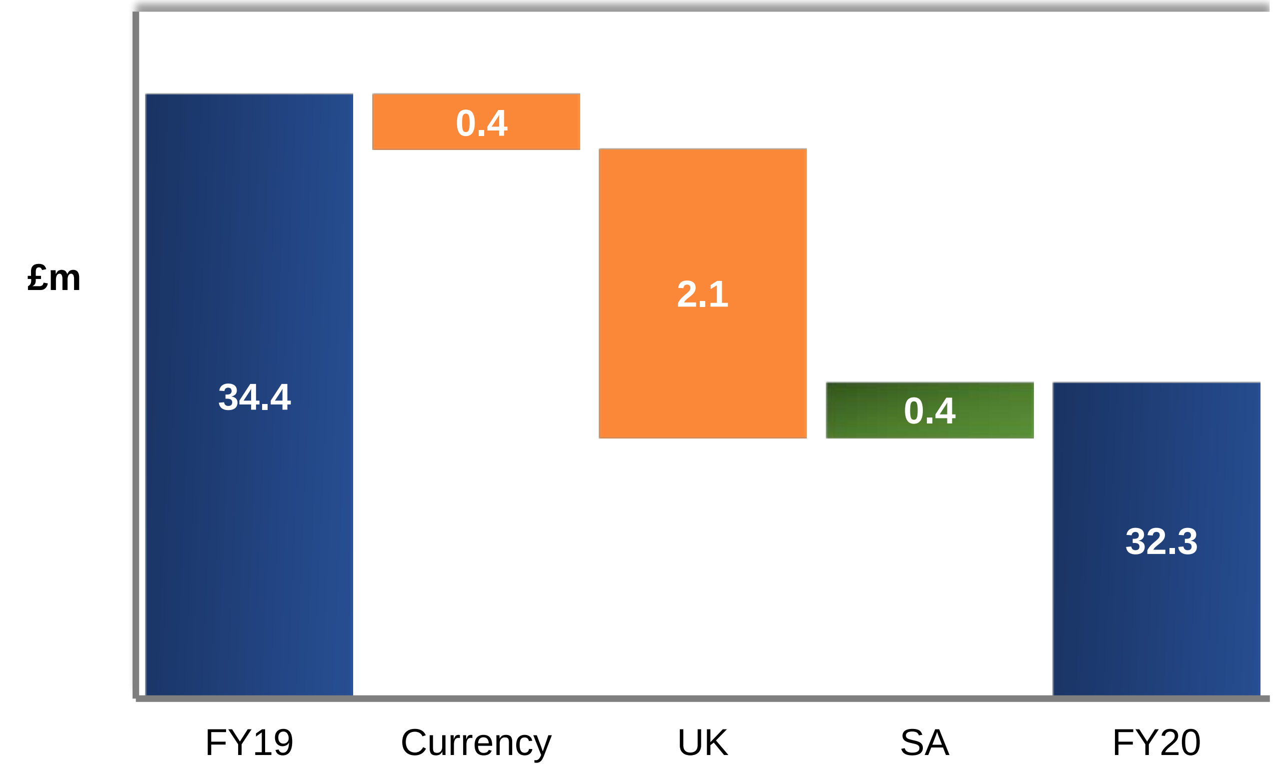
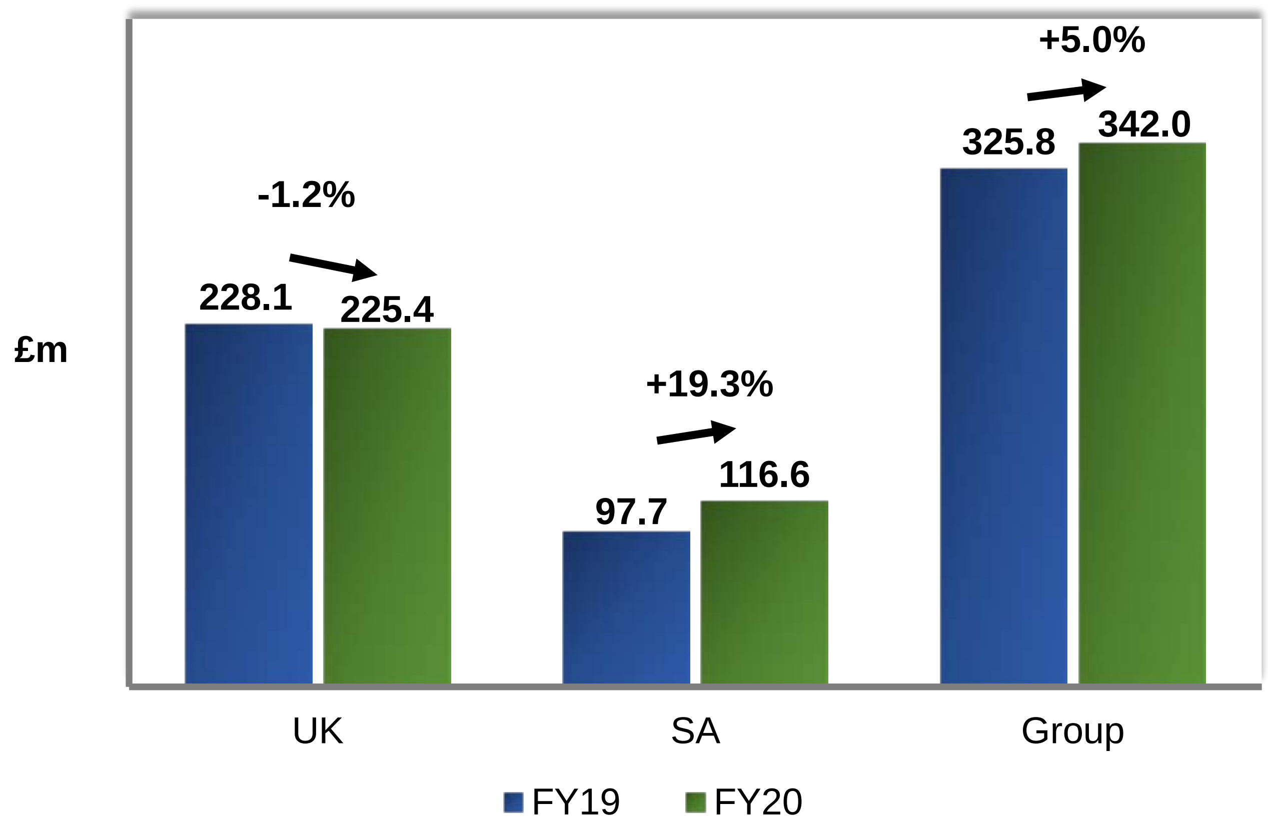
Revenue



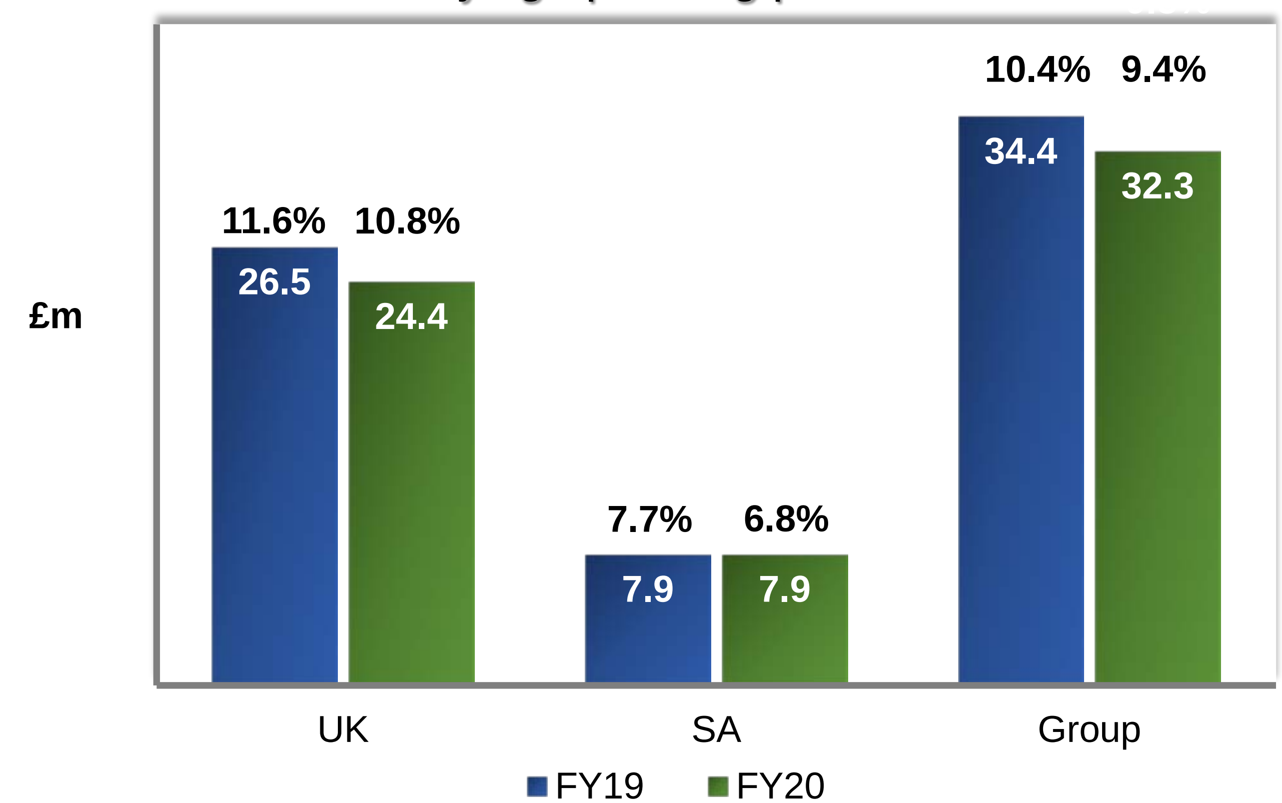
Underlying operating profit



Revenue[1]



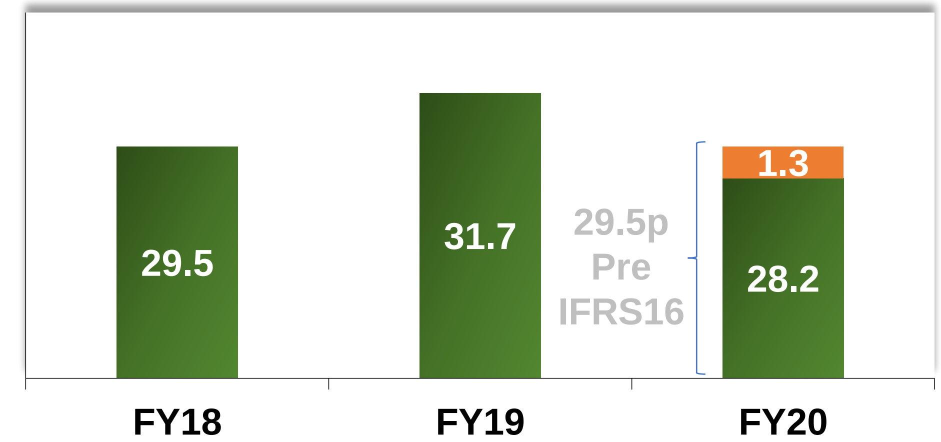
Underlying operating profit / ROS%



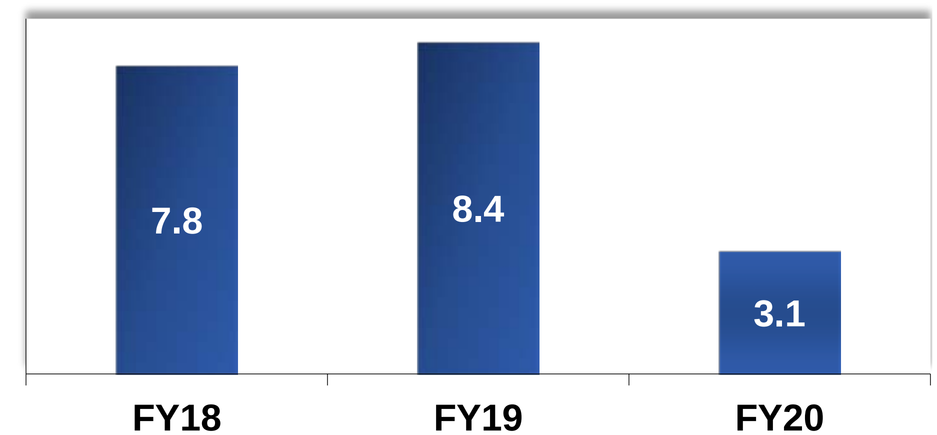
[1] All figures at constant currency.

	Underlying[1]			Reported		
	2020 £m IFRS16	2020 £m Pre IFRS16	2019 £m Pre IFRS16	2020 £m IFRS16	2020 £m Pre IFRS16	2019 £m Pre IFRS16
Profit before Tax	28.8	30.2	32.6	15.0	16.4	25.4
Tax charge	(6.0)	(6.3)	(6.9)	(4.1)	(4.4)	(6.0)
Earnings	22.8	23.9	25.7	10.9	12.0	19.4
Effective Tax rate	20.8%	20.9%	21.2%	27.3%	26.8%	23.6%

Diluted underlying EPS (pence)



Dividend per share (pence)



Effective underlying tax rate of 20.8% (2019: 21.2%)

Underlying[1] earnings £2.9m lower at £22.8m (2019: £25.7m)

Dividend per share 3.1p (2019: 8.4p). No FY20 Final Dividend

[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

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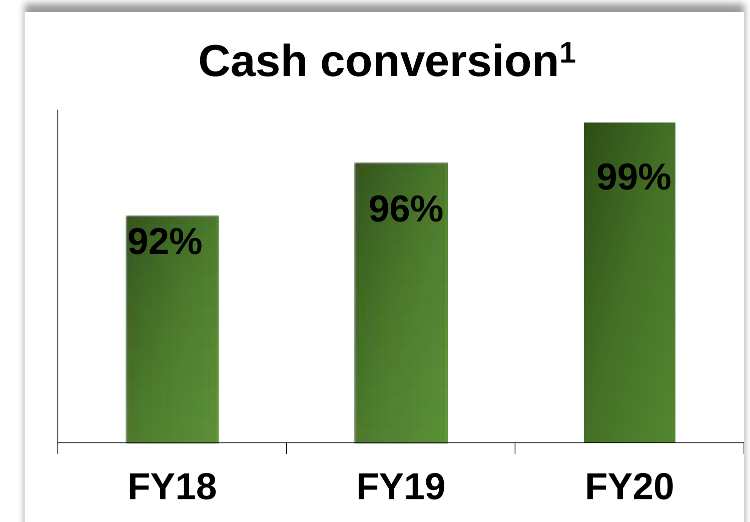
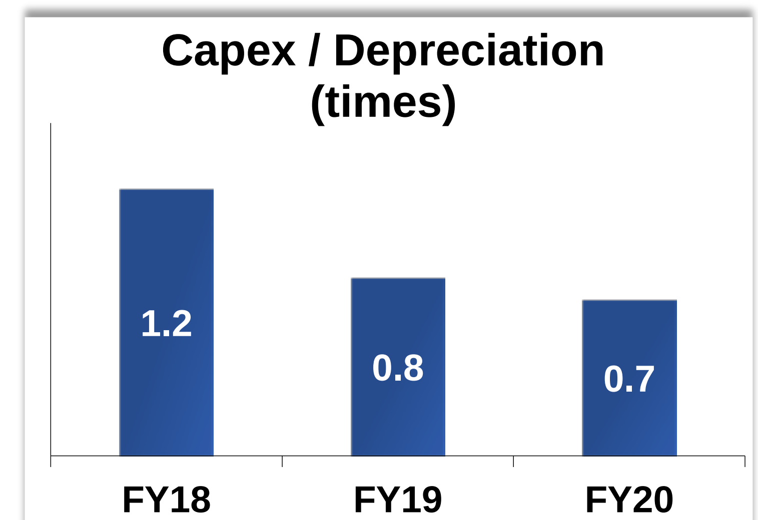
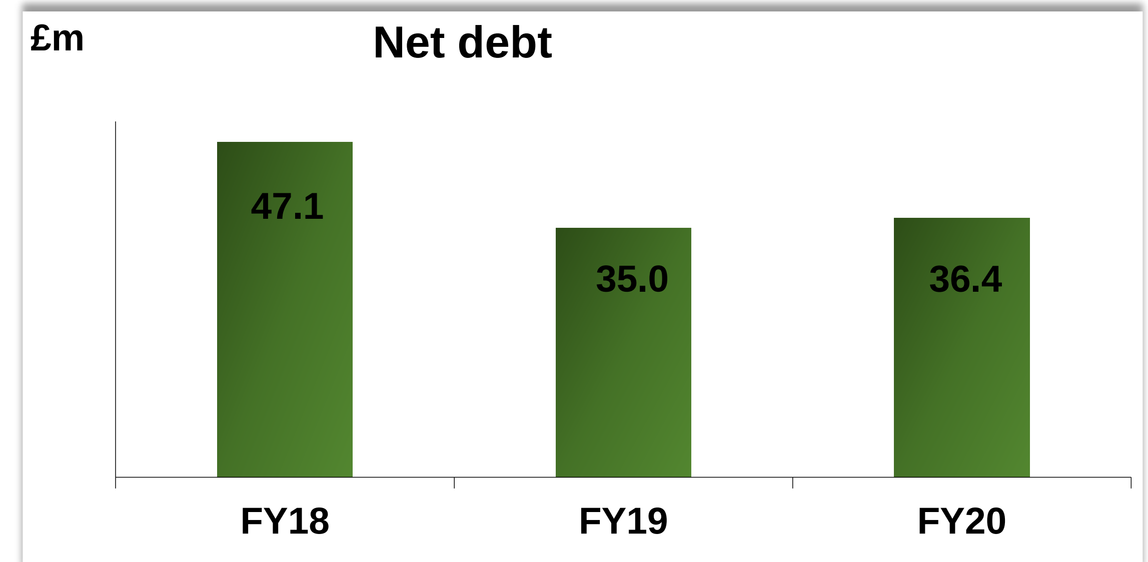
	2020 £m	2020 £m Pre-IFRS16	2019 £m Pre-IFRS16
Underlying EBITDA	**38.6**	38.6	**41.3**
Working capital	(4.8)	(4.8)	(2.1)
Depreciation of right of use assets	4.5	-	-
Operating profit impact of IFRS16	0.5	-	-
Other	(0.4)	(0.4)	0.6
Underlying operating cashflow	**38.4**	33.4	**39.8**
Net capital expenditure	(4.8)	(4.8)	(5.6)
Property proceeds	-	-	0.1
Pension deficit recovery	(3.3)	(3.3)	(2.6)
Tax	(5.3)	(5.3)	(4.6)
Underlying free cash flow pre-financing & dividends	**25.0**	20.0	**27.1**
Exceptional and acquisition related costs	(0.3)	(1.0)	(1.9)
Interest	(3.5)	(1.6)	(1.8)
Dividends	(7.0)	(7.0)	(6.4)
Acquisition of subsidiaries	(9.2)	(9.2)	(2.1)
Principal element of lease payments	(3.8)	-	-
Purchase of treasury / issue of new shares	(0.8)	(0.8)	(0.9)
Net Cash Flow	**0.4**	0.4	**14.0**



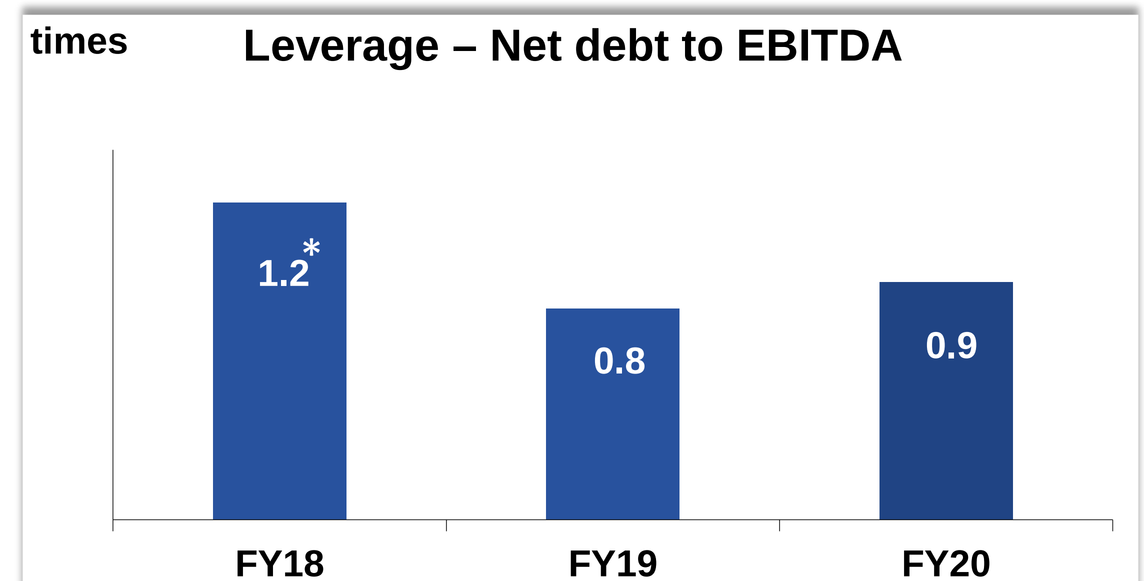


[1] Underlying operating cash flow / Underlying EBITDA

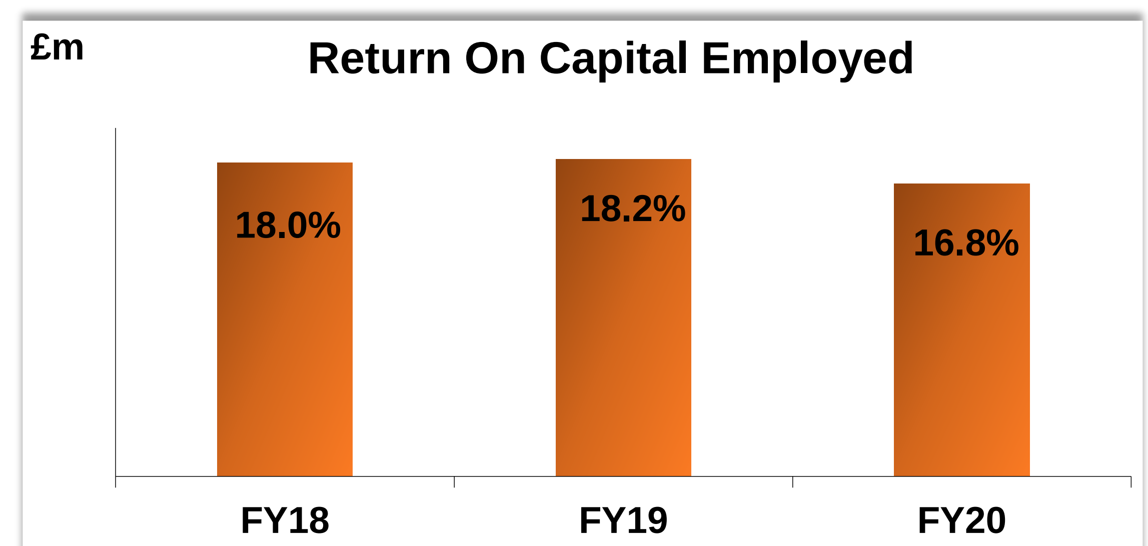
- Net debt £36.4m at end March 20 : £38.6m 7 June 20
- Significant headroom versus £120m RCF



- Leverage 0.9 times underlying EBITDA



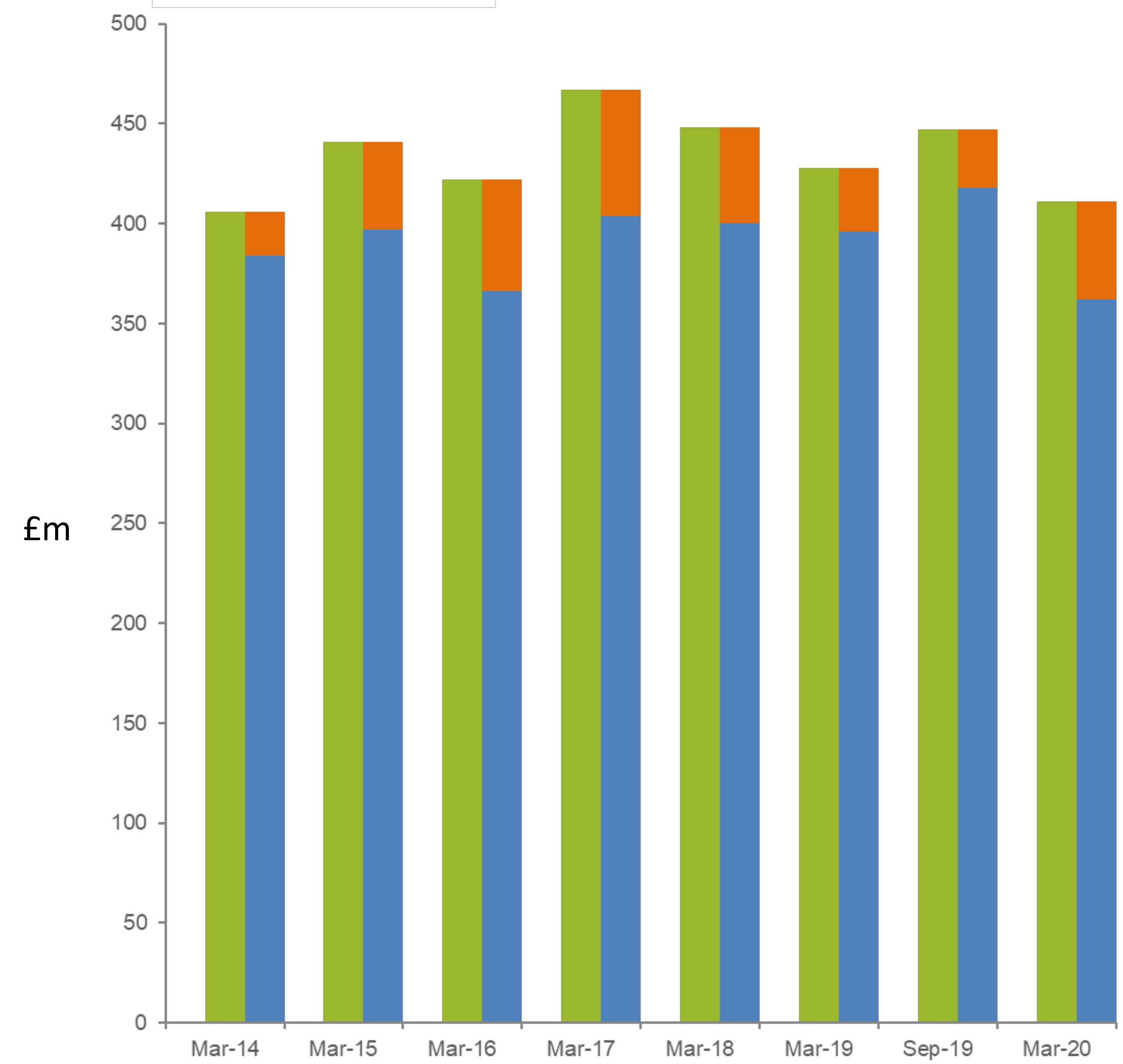
- ROCE 16.8% (2019 18.2%) – remains above 15% target



* Pro forma EBITDA includes full year EBITDA for acquisitions

- IAS 19R deficit £48.9m (March 19: £31.6m)
  - Assets reduced by £34.5m to £361.9m
  - Liabilities reduced by £17.2m to £410.8m
- Contributions continue to be paid in accordance with the triennial valuation recovery plan agreed in June 2019
  - Contributions of £3.25m pa plus CPI for 6.5 years to 30 Sept 2025
- Super-mature scheme
  - 6,733 members (March 2019: 7,035). 70% of pensioners with average age 77
  - Annual pensioner payroll near peak at £20m pa
- Scheme closed to new entrants and future accrual in 2013
- Company and Trustee continue to work constructively together

UK Pension IAS 19R Assets & Liabilities



Liabilities	406	441	422	467	448	428	447	411
Assets	384	397	366	404	400	396	418	362
Deficit	22	44	56	63	48	32	29	49
Disc Rate	4.30%	3.30%	3.55%	2.60%	2.65%	2.50%	1.90%	2.21%
RPI	3.2%	2.90%	2.90%	3.15%	3.10%	3.25%	3.10%	2.55%

Strong liquidity position–significant headroom against new Maximum net debt covenant

➢**Constructive discussions with banking group**

- Group has a £120m committed RCF facility maturing in November 2022 and a £30m accordion
- Additional cash drawdown at year end to eliminate any ‘lockdown’ liquidity concerns
- Negotiated covenant waivers at September 2020 and March 2021
- Agreed replacement Maximum net debt covenant of £95m, tested quarterly until June 2021

➢**Decisive actions to reduce costs and preserve cash**

- Government furlough schemes, tax payment deferrals and rent deferrals totalling circa £10.0m
- Pay freeze across the Group,20% voluntary salary reduction, Board and senior management
- No final dividend proposed (2019 : £4.5m)
- All non-essential capital expenditure has been postponed or cancelled
- All discretionary expenditure has been eliminated
- Rate of cash burn significantly reduced

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Operating Review

Nick Kelsall, Group Chief Executive

- **Resilient Performance**
  - Trading ahead of prior year pre CV-19 impact
  - Flexibility & diversity of Group's operating model – key driver
  - Experienced management, leading market positions, strong brands & channel diversity
  - Clear, consistent, focused strategy remains valid
- **CV-19**
  - Decisive action taken to adapt to CV-19 operating model
  - Full use of Government support; cash preservation & cost reduction initiatives swiftly implemented
  - Strong balance sheet, sufficient banking facilities and liquidity
  - Bank covenants renegotiated providing operating headroom
  - Well positioned to take advantage of post CV-19 opportunities
- **UK**
  - Key March trading impacted by CV-19
  - Strong domestic revenue performance +0.8%
- **South Africa**
  - House of Plumbing acquisition integrated & driving year-on-year revenue growth
  - Strong operating performance despite more challenging economic environment
- **2023 Strategic Vision Remains Valid**
  - £600m revenue target by 2023
  - 50% revenues derived from overseas
  - Sustainable ROCE of >15%

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- **Priority is the health and safety of our staff**
- **CV-19 Senior Management Committee meets daily**
- **Improving outlook despite social distancing measures**
- **Business as usual & successfully adapting to the 'new normal'**

- **UK**
  - No. of staff originally furloughed 74% - currently ~53%
  - All manufacturing & assembly facilities operating other than Johnson Tiles
  - Johnson Tiles start up - dependent on rate of demand recovery
- **South Africa**
  - No. of staff originally furloughed 88% - now minimal
  - All manufacturing & assembly sites and TAF Stores now open
  - Johnson Tiles – back on June 17th in line with opening of private housebuilder channel
- **Customers – Increasing Activity**
  - **All channels operational**
    - **DIY** – B&Q, Homebase, Wickes – all stores open
    - **Small Format** – continue to operate "click-&-collect" and home/site delivery services
    - **Merchants (national and regional)** – majority of branches now open
    - **Specification** – all major housebuilders back on site
    - **Retail** – independents open from 15th June; grocery stores fully operational
    - **Export** – key export markets open, Middle East markets beginning to re-open
    - **South Africa** – all channels operational

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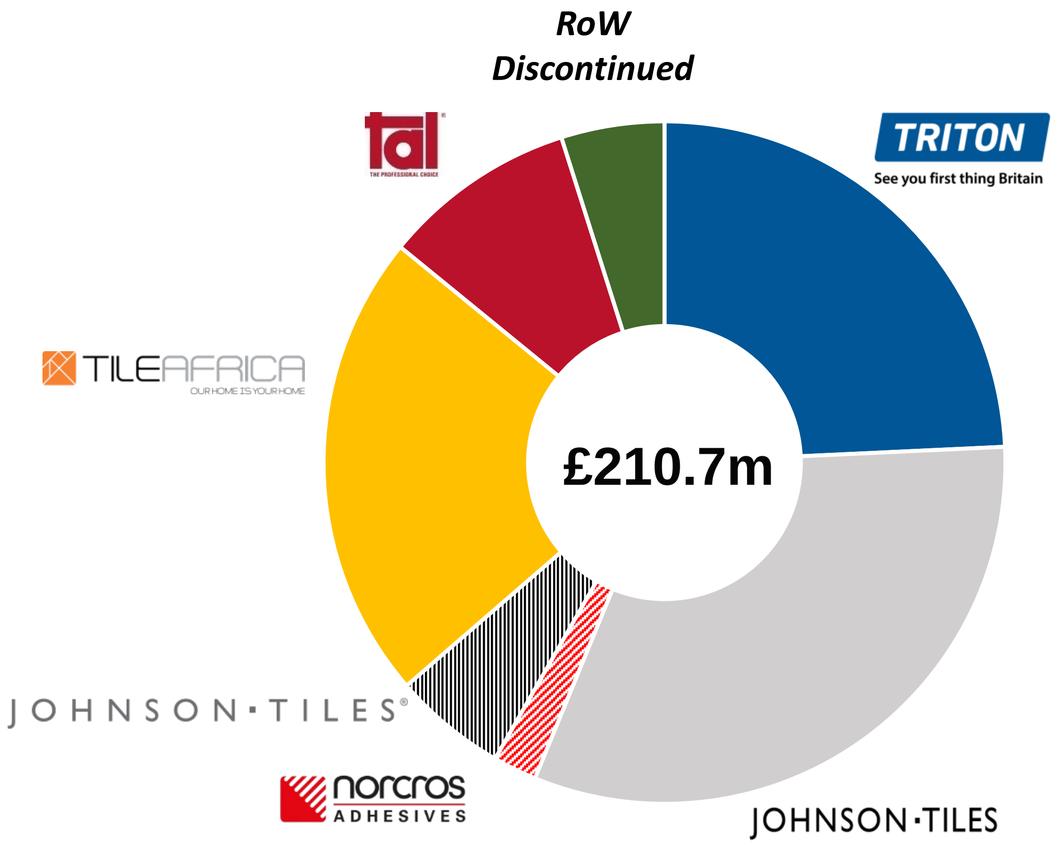
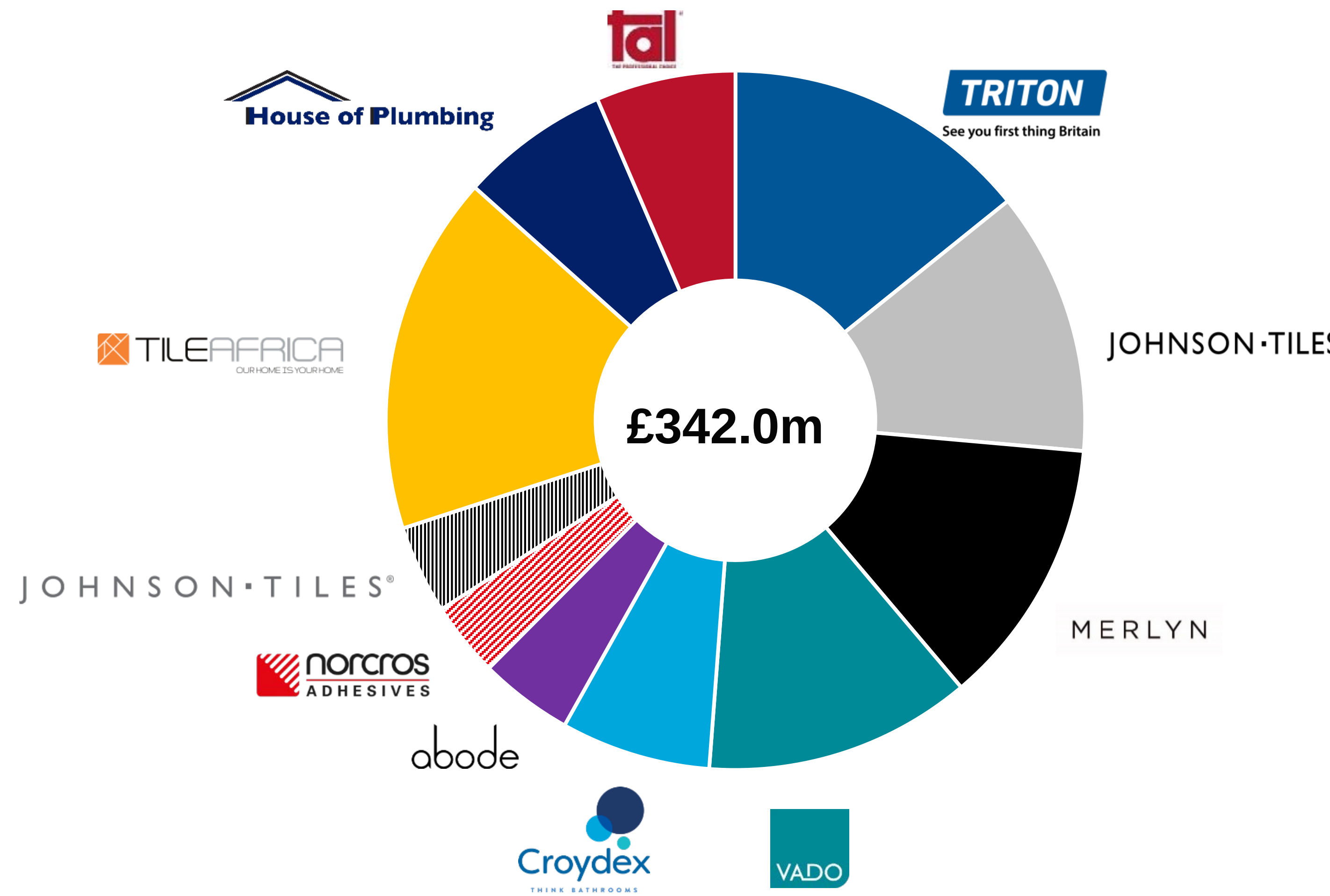
Resilient Business Model

Nick Kelsall, Group Chief Executive

Revenue FY13[1]



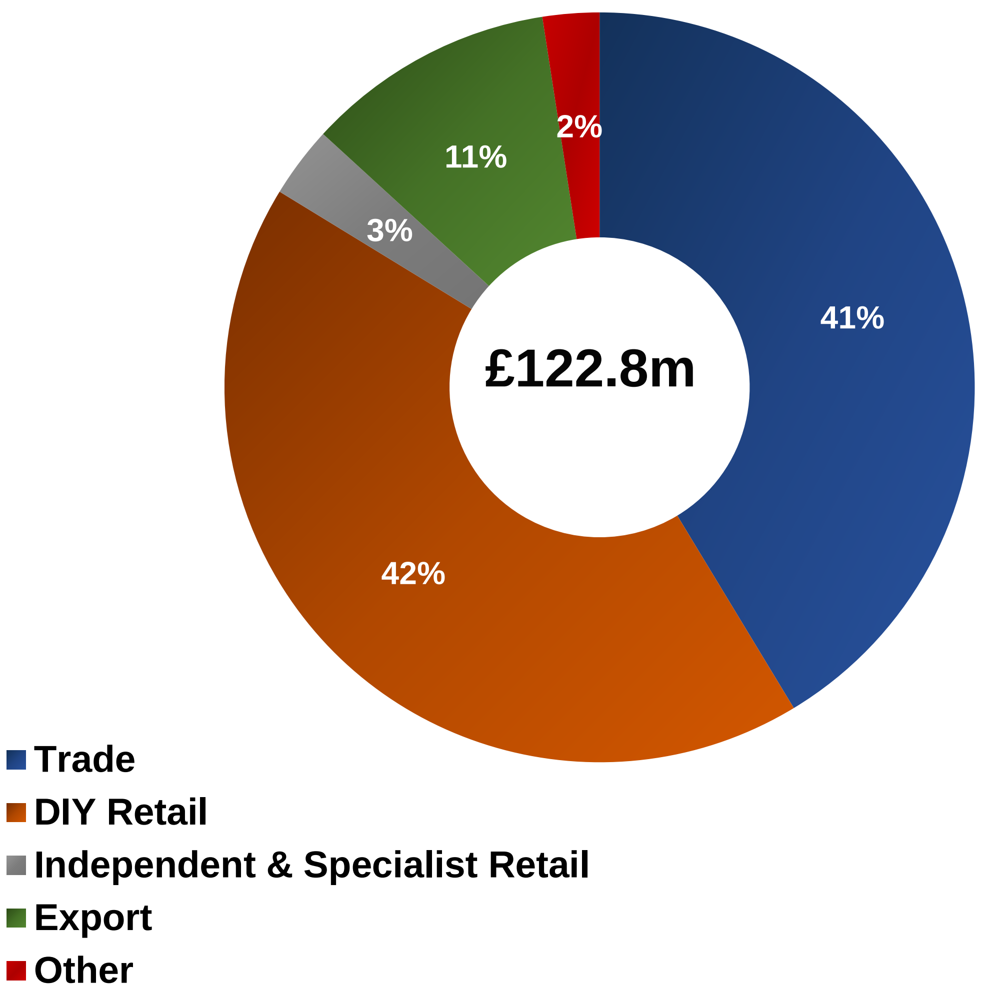
Revenue FY20[1]



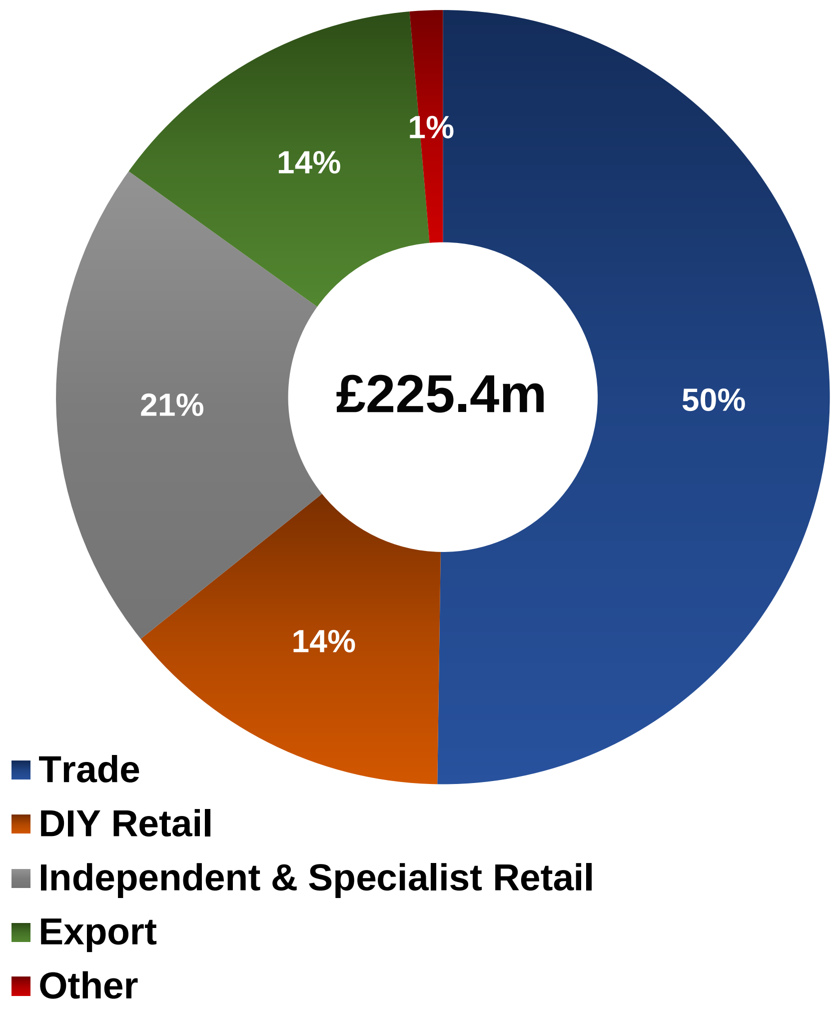
Portfolio of complementary market leading businesses with strong brands

[1] *Financial years ended 31st March*

UK Channel Revenue - FY13[1]



UK Channel Revenue – FY20[1]



UK strategic focus on attractive, trade, specification and independent segments

[1] *Financial years ended 31st March*

Resilient Business Model – Norcros DNA; Key Driver of Outperformance

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Core Competencies

EXPERIENCED MANAGEMENT	DESIGN	INNOVATION	SOURCING
ASSEMBLY	BRANDS & MARKETING	CHANNEL MANAGEMENT	SPECIFICATION

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

TRITON	MERLYN	tal	abode	JOHNSON-TILES
#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

Company	Products	Status
ASTRACAST INTERNATIONAL	*Taps & Sinks*	April 2018 In administration
british ceramic tile	*Tile Manufacturers*	February 2019 In administration
AQUALUX BATHROOM DESIGN	*Shower Enclosures*	November 2019 Acquired by distressed asset investor

Norcros business model winning share in fragmented markets

Resilient Business Model – Target Financially Weak Competitors

- Financially weak & highly leveraged competitors prior to CV-19

Turnover	~£100m
Net Debt/EBITDA	16.1x
% ROCE	(-0.3%)
Cash holdings	£6.3m

Turnover	~£20m
Net Debt/EBITDA	7.3x
% ROCE	(-8.7%)
Cash holdings	£nil

Turnover	~£50m
Net Debt/EBITDA	8.2x
% ROCE	0.5%
Cash holdings	£1.3m

Turnover	~£15m
Net Debt/EBITDA	6.4x
% ROCE	2.1%
Cash holdings	£34k

Increased opportunities to take further market share from financially weak competitors

Business Review

Nick Kelsall, Group Chief Executive

Business Overview

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				Group FY20 Revenue	%
UK	TRITON See you first thing Britain	*Market leader in the manufacture and marketing of showers in the UK*		**£48.6m**	*14.2*
	MERLYN	*Market leading supplier of shower enclosures and trays*		**£42.5m**	*12.4*
	VADO	*Leading manufacturer and supplier of taps, mixer showers, bathroom accessories and valves*		**£42.3m**	*12.4*
	Croydex	*Market leading, innovative designer, manufacturer and distributor of high quality bathroom furnishings & accessories*		**£23.7m**	*6.9*
	abode	*Leading niche designer and distributor of high quality kitchen taps, bathroom taps and kitchen sinks*		**£14.8m**	*4.3*
	JOHNSON·TILES	*Leading manufacturer and supplier of ceramic tiles in the UK*		**£41.7m**	*12.2*
	norcros ADHESIVES	*Manufacturer of tile and stone adhesives, grouts and related products*		**£11.8m**	*3.5*
UK Revenue		*12 months to 31st March 2020*	-1.2%	**£225.4m**	*66%*
SOUTH AFRICA	TILEAFRICA OUR HOME IS YOUR HOME	*Leading chain of retail stores focused on tiles, and associated products, such as sanitary ware, showers and adhesives*		**£56.8m**	*16.6*
	tal	*Leading manufacturer of ceramic and building adhesives*		**£22.1m**	*6.5*
	JOHNSON·TILES	*Leading manufacturer of ceramic and porcelain tiles*		**£14.0m**	*4.1*
	House of Plumbing #	*Market leading supplier of specialist plumbing materials focussed on the specification and commercial sectors*		**£23.7m**	*6.9*
SA Revenue		*constant currency, 12 months to 31st March 2020 (# LfL excluding House of Plumbing)*	+19.3% *(-4.9%)#*	**£116.6m**	*34%*
GROUP REVENUE		*constant currency, 12 months to 31st March 2020 (# LfL excluding House of Plumbing)*	+5.0% *(-2.3%)#*	**£342.0m**	*100%*

House of Plumbing acquired 1st April 2019

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UK Operations

Nick Kelsall, Group Chief Executive

UK Revenue – Solid UK Progress; Export Performance Mixed

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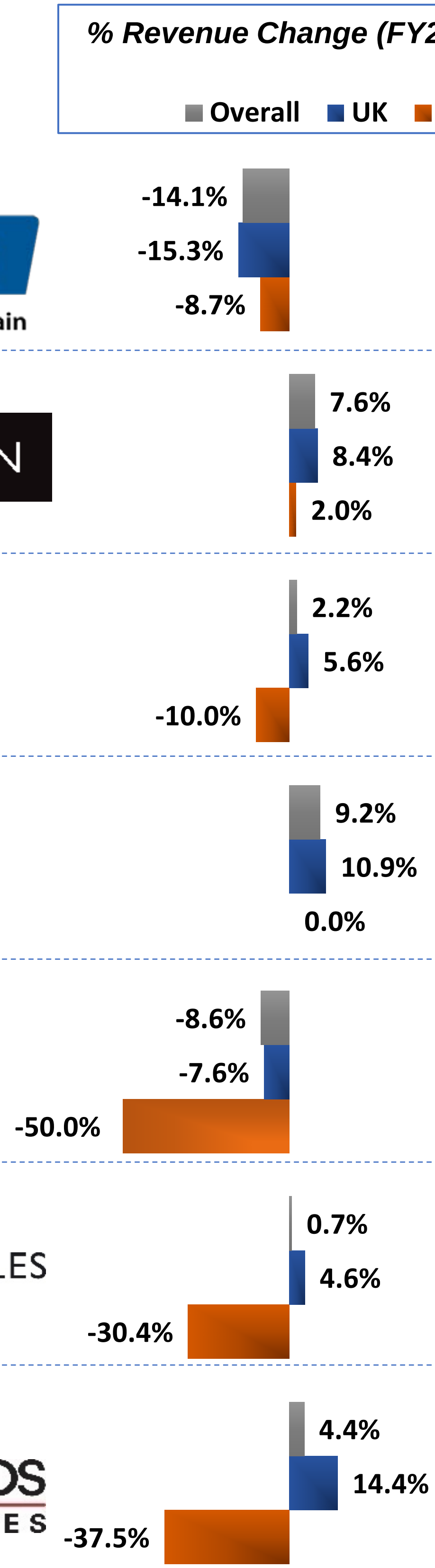

TRITON See you first thing Britain

- Impact of customer destocking and CV-19 in UK and Eire

MERLYN

- Strong UK retail & solid specification growth offset by CV-19

VADO

- UK growth driven by independent retail. Export growth in Africa offset by Middle East

Croydex

- Strong UK retail and trade. European export growth; US impacted by trade tariffs

abode

- Lower UK revenue post FY19 new account/Brexit stock build and CV-19 impact

JOHNSON-TILES

- Robust retail growth; trade stable. Tough French export markets & withdrawal from low margin Middle East business

norcros ADHESIVES

- Solid growth in Screwfix, B&Q & Wickes. Soft Middle East markets

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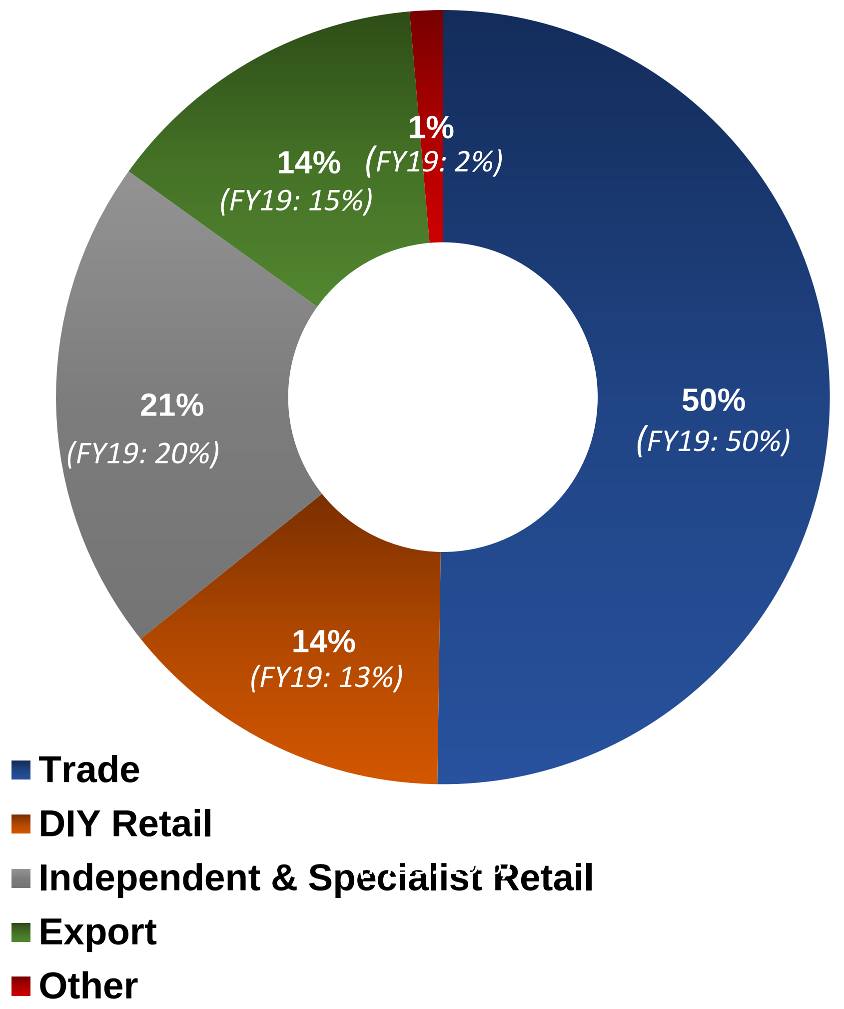
➢ Trade

- Continued traction across all national merchants
  - *Travis Perkins, Wolseley, Grafton and Saint Gobain*
- Screwfix momentum – Triton, Croydex & Adhesives
- Toolstation development – Merlyn & Croydex
- Housebuilder and specification growth – major contract wins:
  - Triton – key housing association gains
  - Vado – winning regional housebuilder business
  - Johnson Tiles – Barratt contract renewal, Lovell Homes
  - Merlyn – Holiday Inn (*Manchester*), Avant Homes, L&Q
  - Croydex – Dublin Charlestown Centre, St. Ledger Homes, Shanly Homes
- Bathroom pod manufacturers – channel focus driving progress
- Abode – Howden 3-year contract renewal

➢ Independent & Specialist Retail

- Merlyn – increasing share of wallet driving strong growth
- Vado – strong growth within retail and buying groups
- Croydex – taking share via new listings and category wins

UK Norcros - FY20 (vs FY19)



UK Channels – DIY Exposure Stable; Export Performance Varied

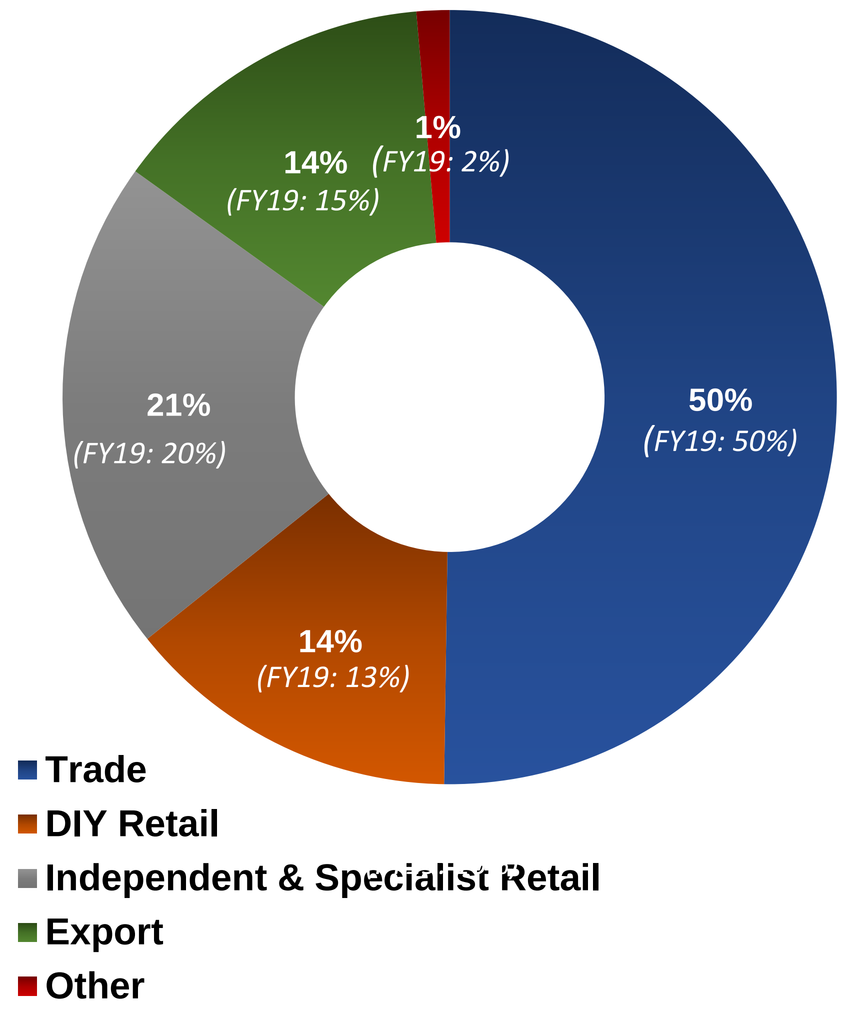
➢ **DIY Retail**

- Triton – H2 v H1 growth despite CV-19 impact
- Croydex – strong B&Q and Wickes growth
- Johnson Tiles – growth in Wickes; Luxury Vinyl Tile range
- Adhesives – continued growth in B&Q and Wickes

➢ **Export**

- Triton – destocking and CV-19 impact in key Eire market
- Merlyn – solid Ireland sales supported by French growth
- Vado – African & Middle East contract growth offset by soft PEX sales
- Croydex – European growth offset by impact of US tariffs
- Johnson Tiles – challenging French market; exit from Middle East
- Adhesives – tough Middle East market

UK Norcros - FY20 (vs FY19)



UK NPD and Brand Investment – Key Driver of Differentiation

Axces contemporary VFM range

AS2000SR silent shower ~ awarded the Quiet Mark approval

Grab and Grip ~ inclusive contemporary grab bar design

Proboil 2X Launched at KBB

Arysto X ~ virtually frameless, sliding door

Norcros Pro AF Low Prep Self Smoothing Levelling Compound ~ ammonia and latex-free

Pronteau 3–in-1 Prothia ~ cost-effective steaming hot water tap

12 ranges launched during the year

UK – Solid Performance Despite CV-19 & Tough Markets

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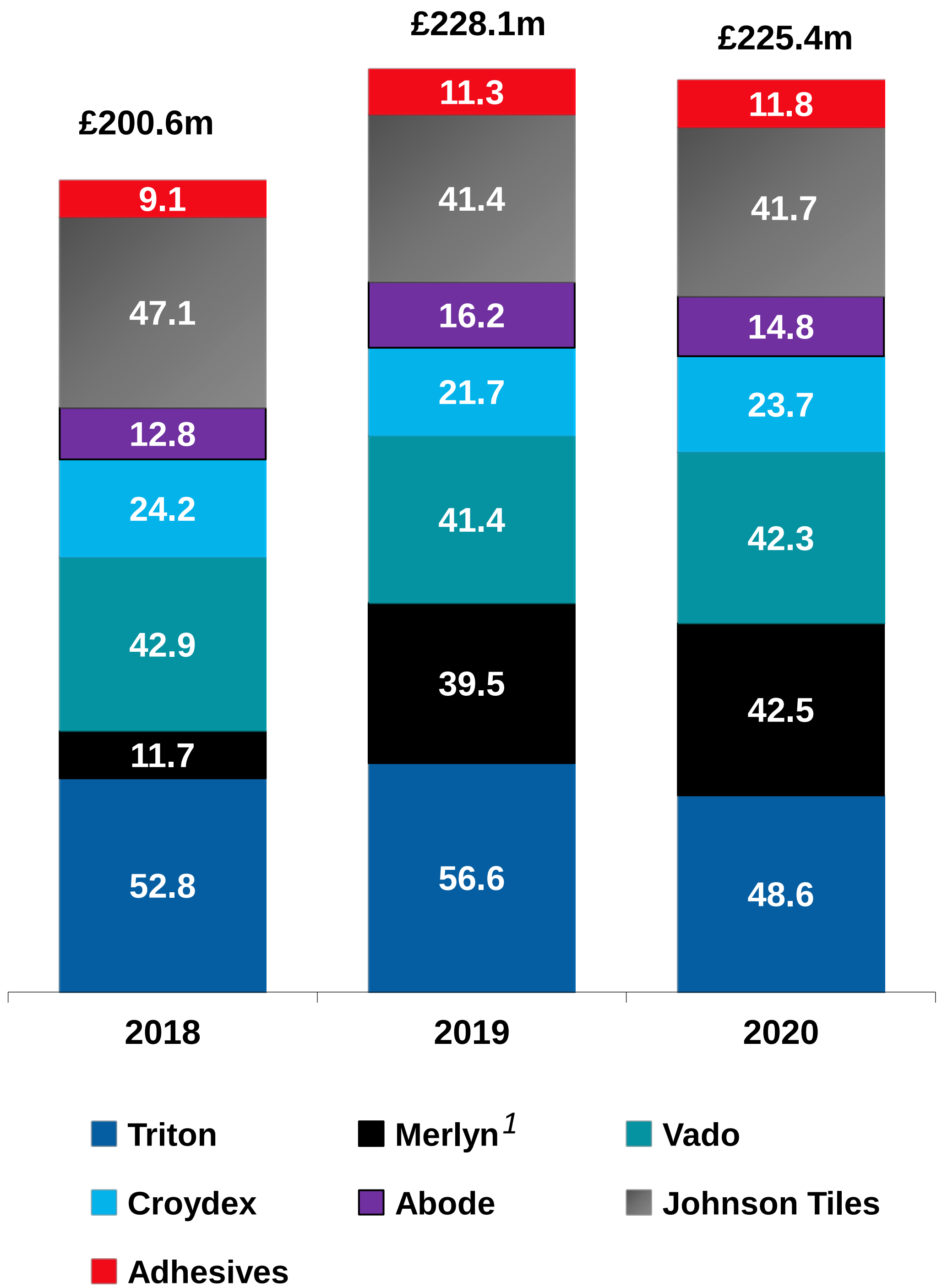
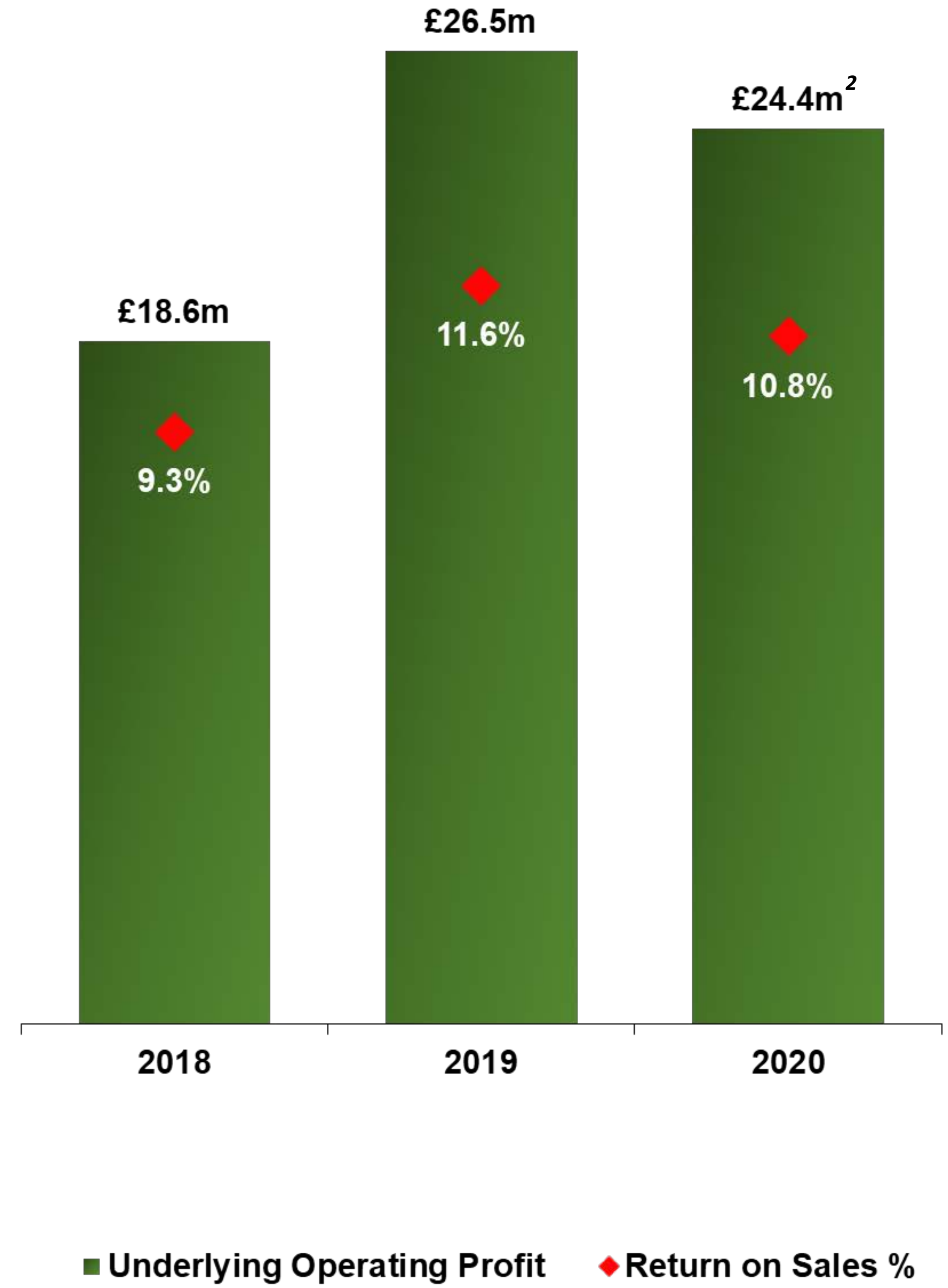
Revenue



Underlying Operating Profit

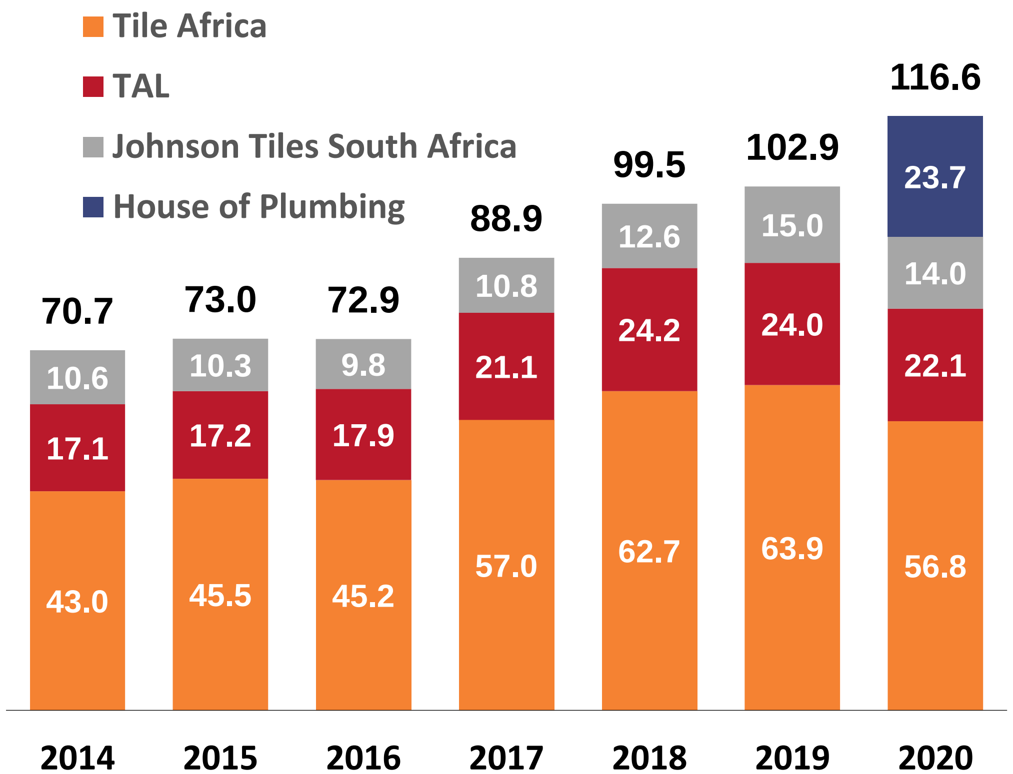


[1] *Acquired 23rd November 2017*   [2] *IFRS 16 basis*

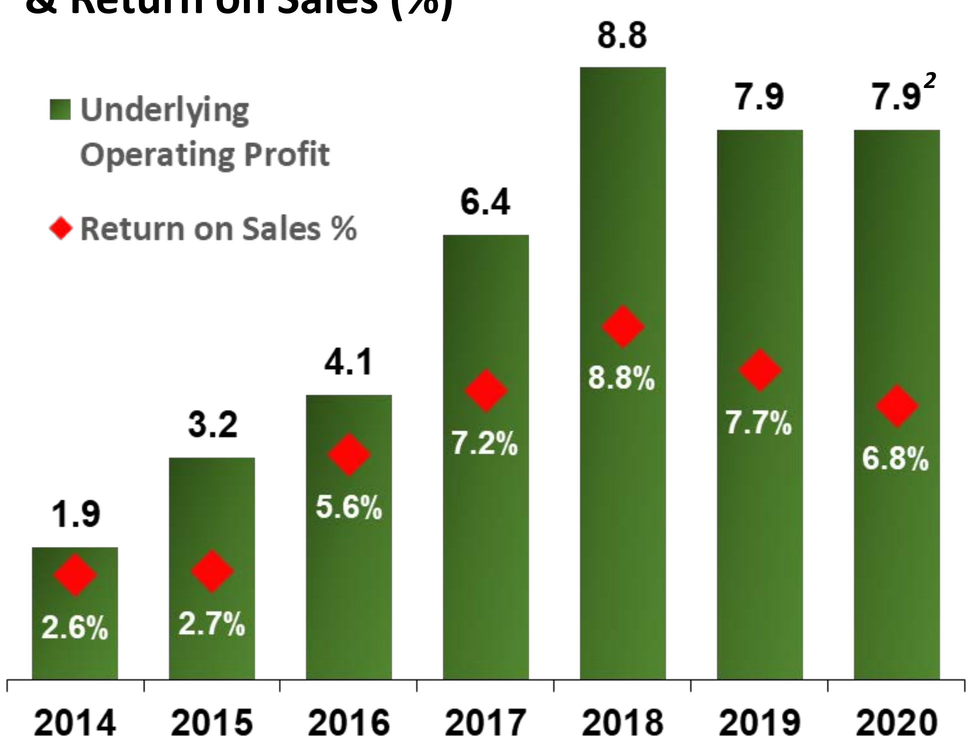
South Africa

Nick Kelsall, Group Chief Executive

Revenue[1] – Unit Breakdown £m



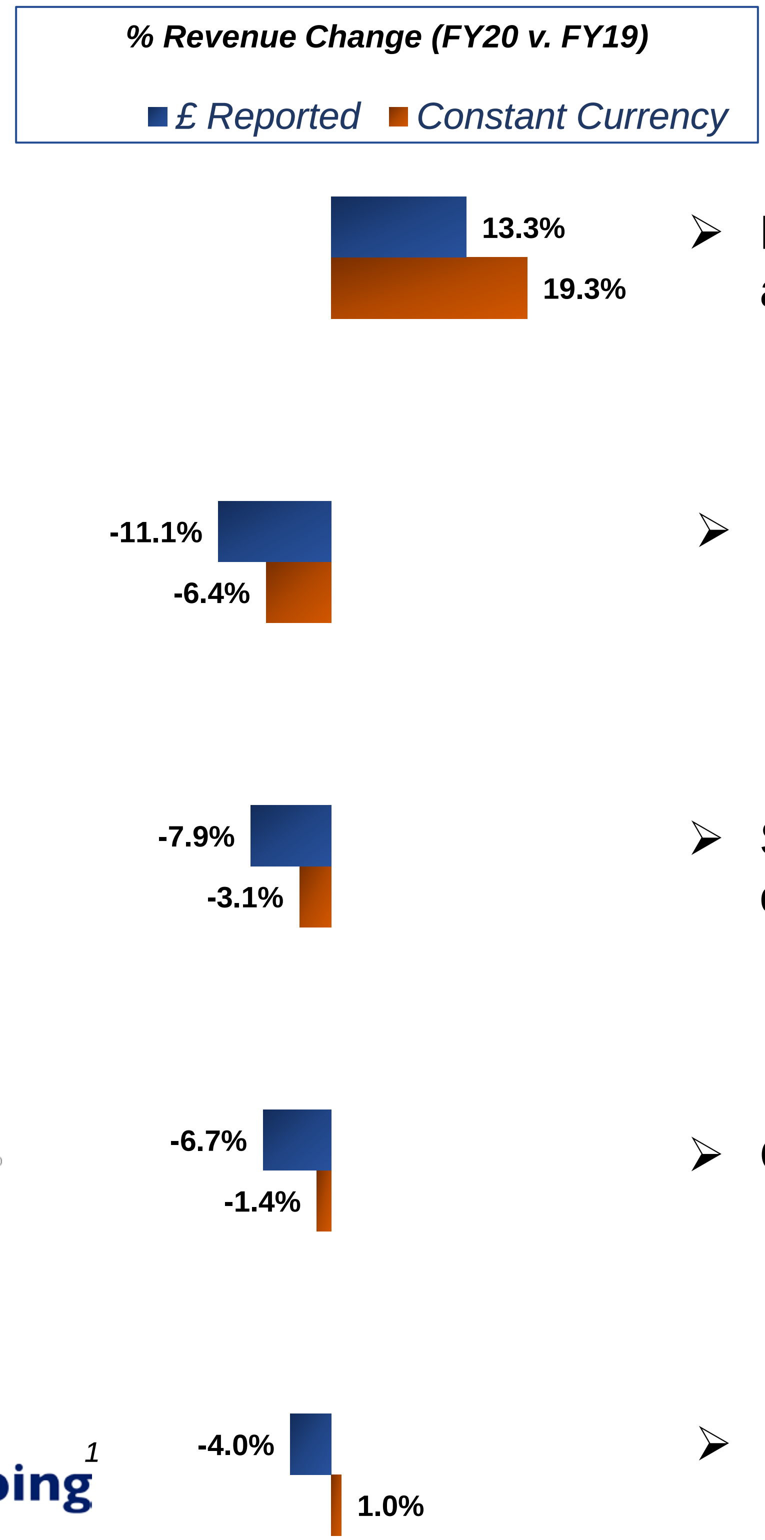
Underlying Operating Profit[1] (£m) & Return on Sales (%)



- 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
- Norcros SA – strong heritage, market leading positions & strong brands
- Sustained robust financial performance & profitability in challenging market
- Norcros SA – record of market outperformance should be maintained

[1] As reported, House of Plumbing acquired 1st April 2019 *[2] IFRS 16 basis*

South Africa Revenue – Maintaining Leading Positions in Challenging Markets



Norcros SA (PTY) LTD

- House of Plumbing acquisition driving growth against significant economic and CV-19 headwinds

Tile Africa

- Responding to tough retail and specification environment – broadening customer base and product offer e.g. alternative flooring

tal

- Stable retail sales despite increasing competition – offset by tough construction segment and continued softness in Zimbabwe

Johnson Tiles

- Continued growth pre-CV-19 impact despite market conditions

House of Plumbing [1]

- Market share gains despite tough commercial and construction markets

[1] *House of Plumbing acquired 1st April 2019; % growth versus pre-acquisition revenues*

South Africa Channels – Integrated Business Model

Construction

"Behind-the-Wall"

"On-the-Wall"

JOHNSON TILES

Retail

Families, interior Designers & Small Private Builder

- **TAF**
  - 32 owned and 2 franchise stores
  - Flagship Greenstone and Port Elizabeth stores upgraded
  - Segment focus – CX-format/VFM momentum
- **TAL**
  - Strong growth with minor independents
- **JTSA**
  - Growing market share – strong growth within minor independents
  - Sustained NPD maintaining differentiation

Specification

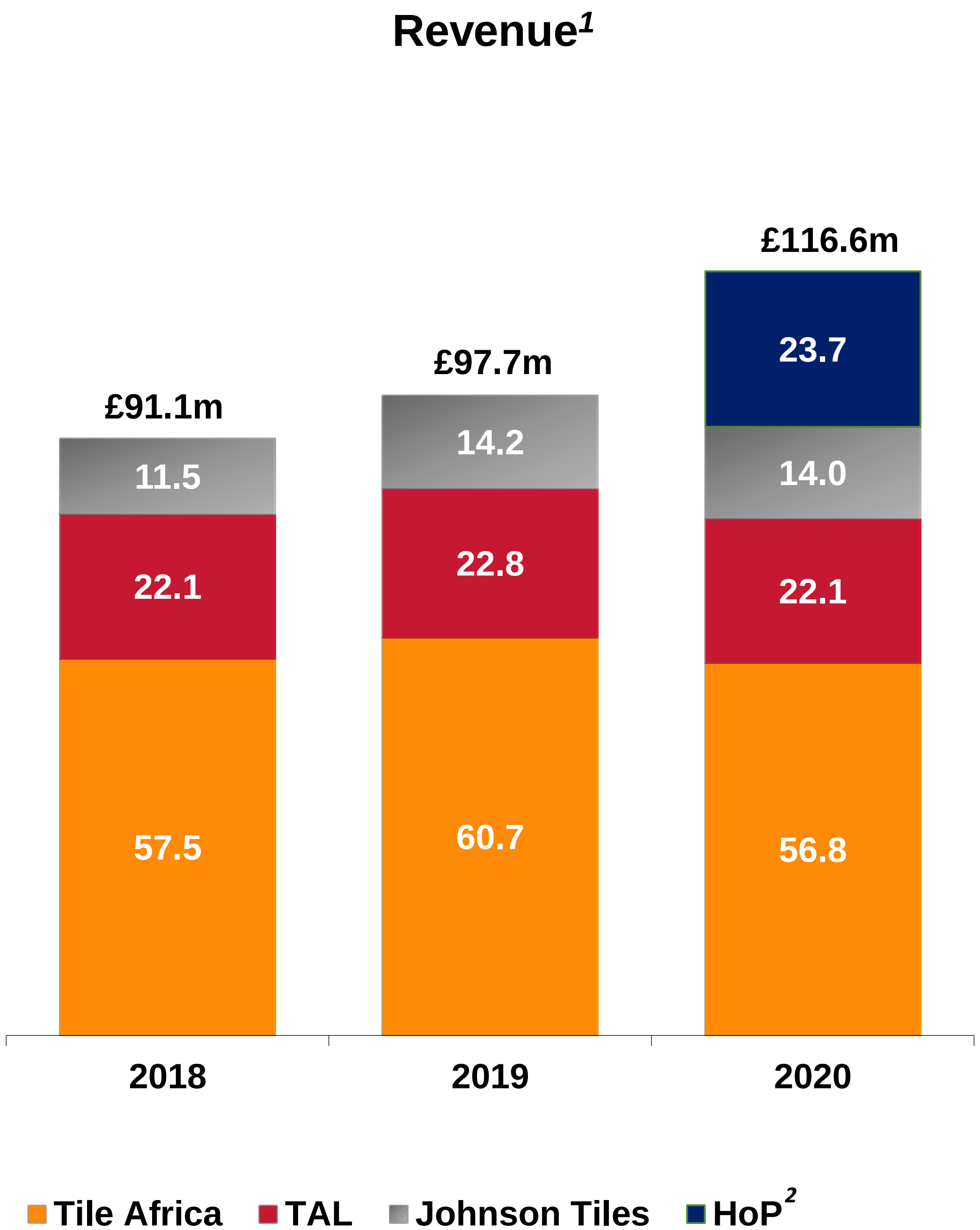
Commercial Specifications and Supply & Fit

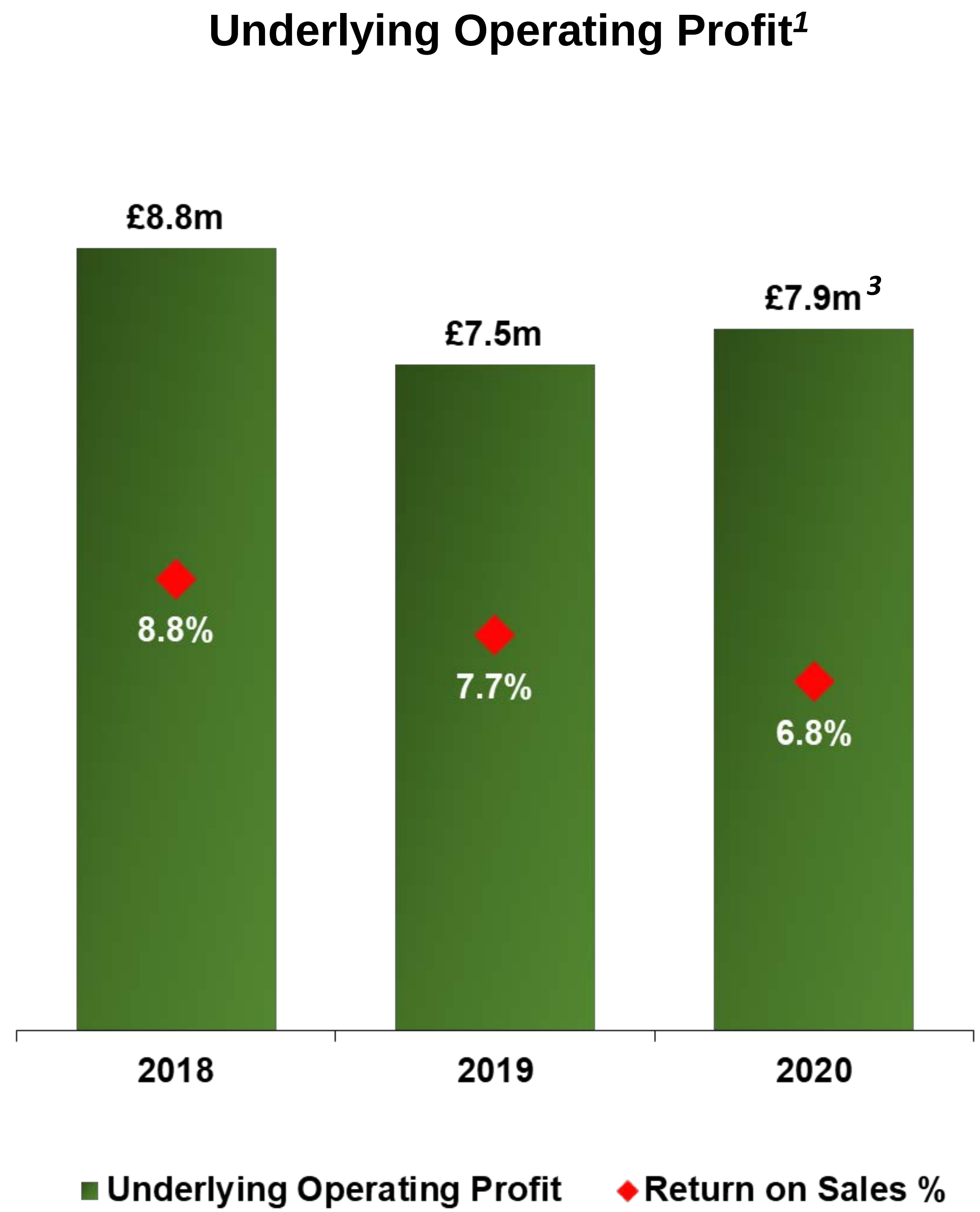
- **TAF**
  - Retaining customers albeit lower volumes
  - Alternative flooring and wall coverings growth
- **TAL**
  - Product development to complement alternative flooring portfolio
  - Specification contract wins – Deloitte HO, Greenstone Mall, Sasol Boulevard Mall, Emperor's Gate Montana Housing Development
- **JTSA**
  - Commercial housing projects success
- **House of Plumbing**
  - Landmark projects – ABSA Towers, Tlhabane Square Shopping Centre, Pretoria Head & Neck Hospital & Southern Sun Ridgeway Hotel
  - Solid commercial pipeline

Export

- **Continued decline in key Zimbabwe market**
  - Political and economic upheaval, FX restrictions and import regulations

South Africa – Solid Performance Despite More Challenging Market





[1] On a constant currency basis, [2] House of Plumbing acquired 1st April 2019 [3] IFRS 16 basis

Group Outlook & Strategy

Nick Kelsall, Group Chief Executive

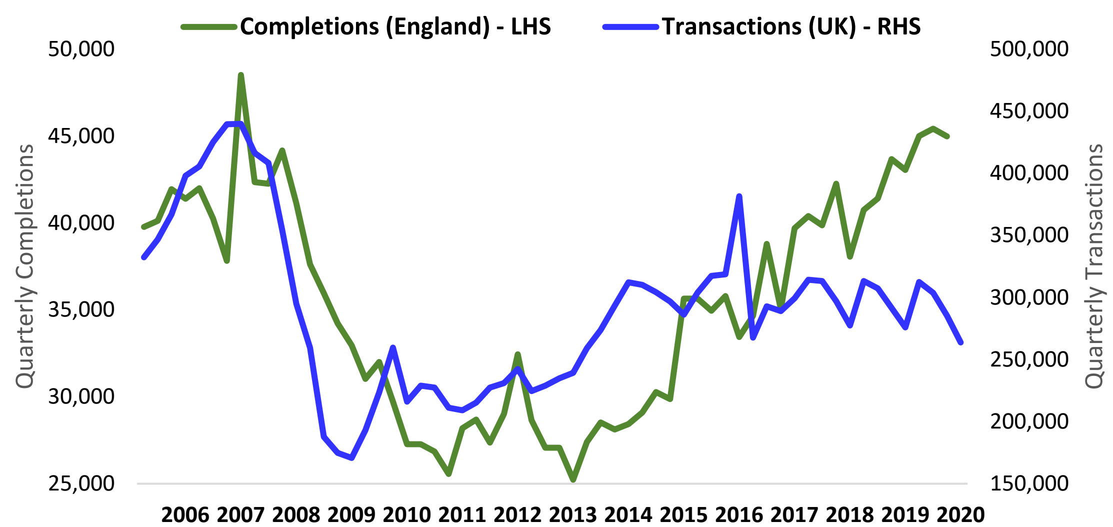
UK

South Africa

Structural housing shortages & low point in consumer confidence should support medium term recovery

Key Housing Stats

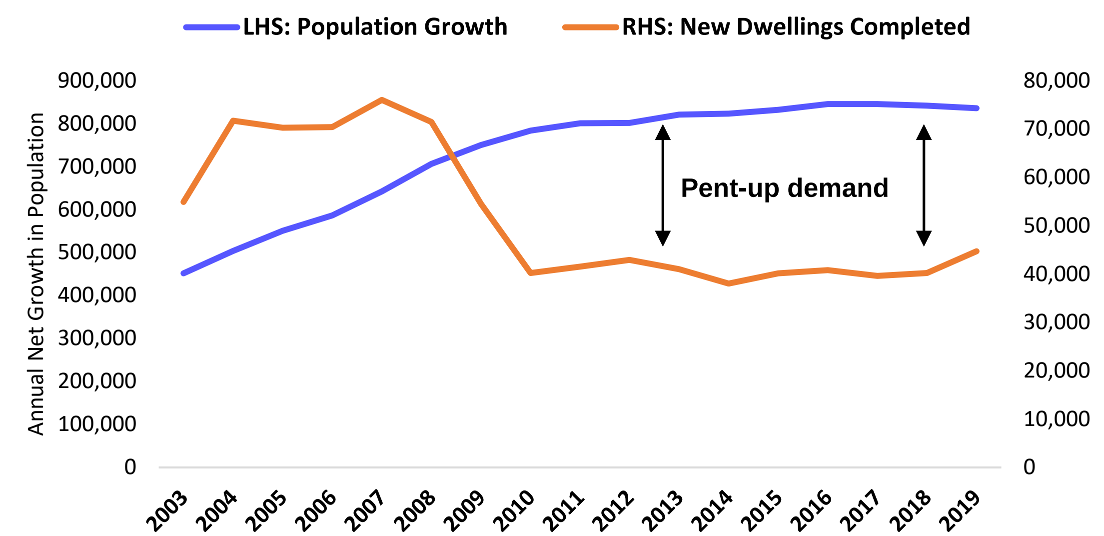
Sources: GOV.UK & HMRC Q1 2020



Completions growth; transactions broadly stable

Population Growth versus Dwellings Completed

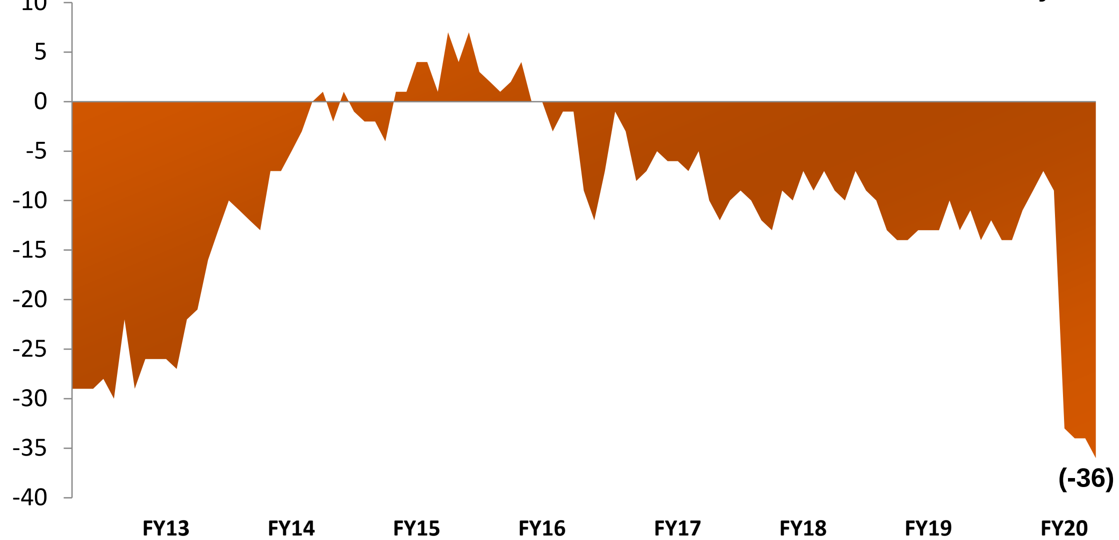
Source: Stats SA March 2020



Growing pent-up demand for dwellings since 2007

GfK Consumer Confidence

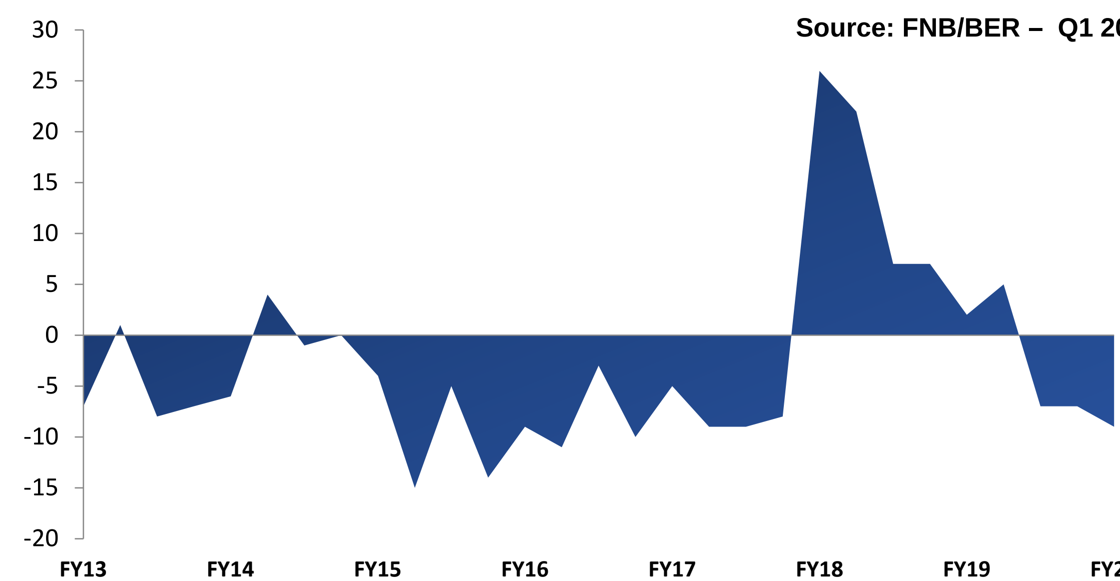
Source: GfK – May 2020



Consumer confidence collapse due to Coronavirus

FNB/BER Consumer Confidence

Source: FNB/BER – Q1 2020



Fall in Ramaphosa optimism and coronavirus impact

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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

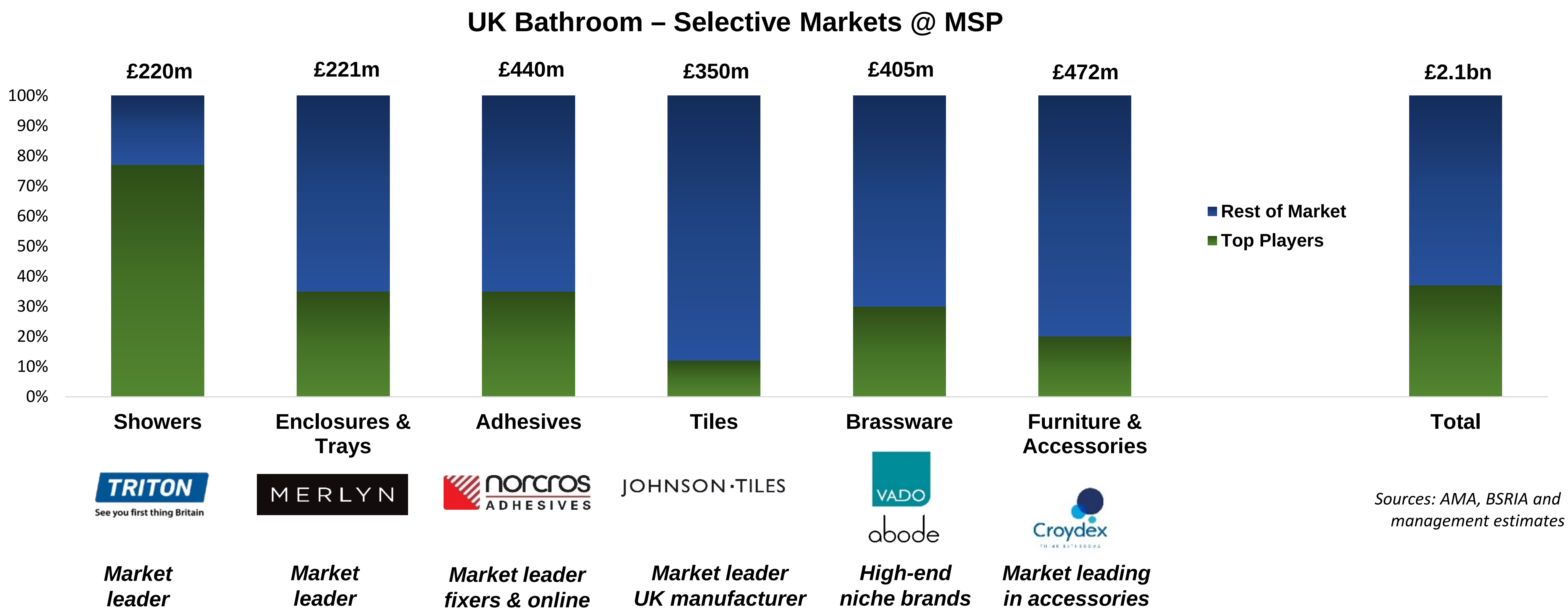
Organic & Acquisitions

50% revenues derived from overseas

Sustainable ROCE of >15%

2023 vision remains valid

Significant opportunities exist across product categories, channels & geographies



- Overall bathroom market – remains highly fragmented – no dominant player
- Sub-market segments are also highly fragmented
- Weaker players failing and opportunity for share gains – reinforced by CV-19 impact
- No one company serves all segments and channels – significant consolidation opportunity remains
- Norcros channel and product position – excellent platform to progress consolidation strategy

Significant UK market consolidation opportunity – increased by CV-19

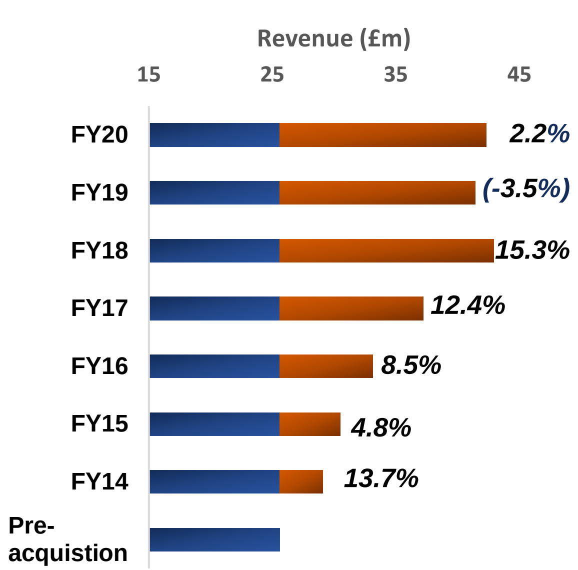
- **Resilient Performance**
  - Trading ahead of prior year pre CV-19 impact
  - Flexibility & diversity of Group's operating model – key driver
  - Experienced management, leading market positions, strong brands & channel diversity
  - Clear, consistent, focused strategy remains valid
- **CV-19**
  - Decisive action taken to adapt to CV-19 operating model
  - Full use of Government support; cash preservation & cost reduction initiatives swiftly implemented
  - Strong balance sheet, sufficient banking facilities and liquidity
  - Bank covenants renegotiated providing operating headroom
  - Well positioned to take advantage of post CV-19 opportunities
- **Outlook**
  - All customers now trading
  - Demand building ahead of operating scenario – Revenue mtd June 20 – c75% of PY
  - Restructuring programme in progress – 10% reduction in employees
  - Structural market & industry drivers reman valid
  - Group well positioned to gain market share
- **Strategic Vision Remains Valid**
  - £600m revenue target by 2023
  - 50% revenues derived from overseas
  - Sustainable ROCE of >15%
  - Significant market consolidation opportunity

Appendix

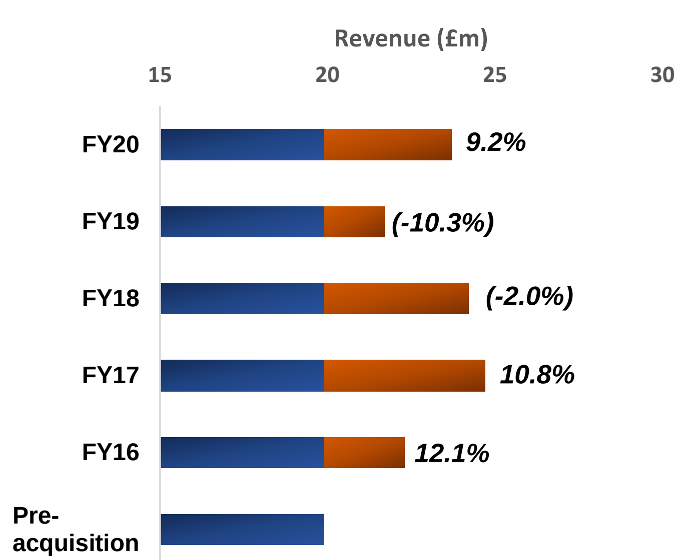
		VADO	Croydex	abode	MERLYN	House of Plumbing
Group strategy	1 Revenue target	✓	✓	✓	✓	✓
	2 Underlying ROCE of >15%	✓	✓	✓	✓	✓
	3 Geographic fit	✓	✓	✓	✓	✓
Acquisition criteria	4 Complementary market	✓	✓	✓	✓	✓
	5 Preferred channel mix	✓	✓	✓	✓	✓
	6 Export potential	✓	✓	✓	✓	✓
	7 Growth potential	✓	✓	✓	✓	✓

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

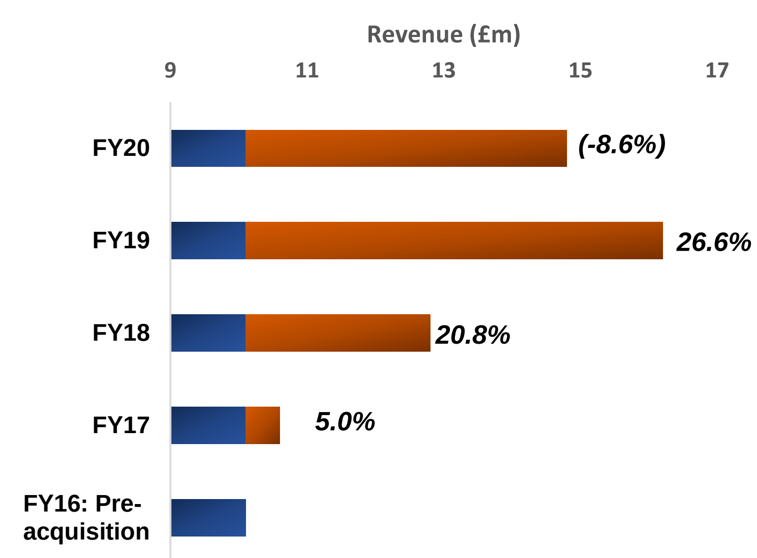
Vado[1]



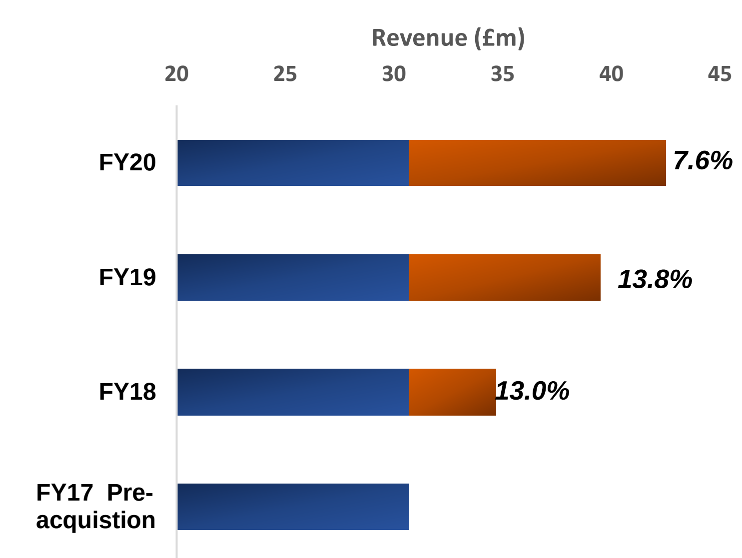
Croydex[2]



Abode



Merlyn[3]



Highly selective acquisitions delivering strong growth

[1] *Pre-acquisition revenue to 31st December 2012;*
[2] *FY16 revenue includes 3 months pre Norcros ownership; pre-acquisition revenue to 31st December 2014*
[3] *FY18 revenue includes 8 months pre Norcros ownership*

Housebuilding

Specification

DIY Retail

Merchants

Specialist Retail

Trade

End consumer

Tradesmen

Multiple sales channels increasing market penetration & reducing customer concentration

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Existing Product Portfolio – Organic Growth Opportunities

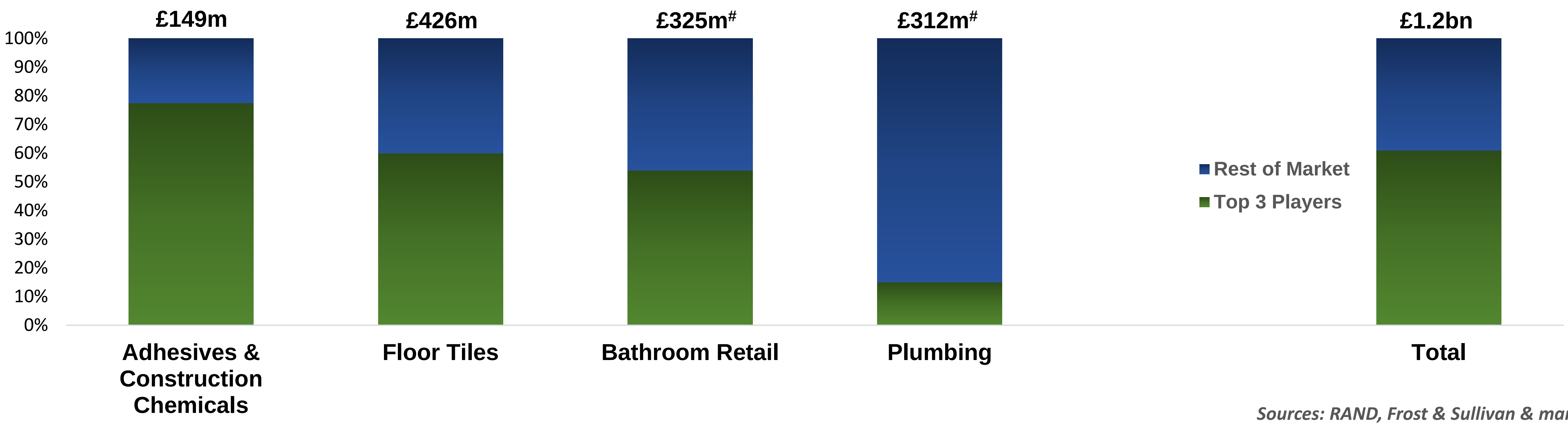
Potential to Broaden Product Portfolio – Organic and Acquisition Opportunities

Well Developed Pipeline – Complementary Acquisition Opportunities

Chosen Markets Suitable for Consolidation

Organic growth and acquisition opportunities in complementary markets

South Africa Bathroom – Selective Markets @ MSP



Sources: RAND, Frost & Sullivan & management estimates

tal	JOHNSON·TILES	TILEAFRICA	House of Plumbing
Market leader	***#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

Exceptional items

	2020 £m	2019 £m
COVID -19 related impairment	(9.0)	-
Onerous lease	-	(3.0)
GMP Equalisation	-	(1.0)
	(9.0)	(4.0)

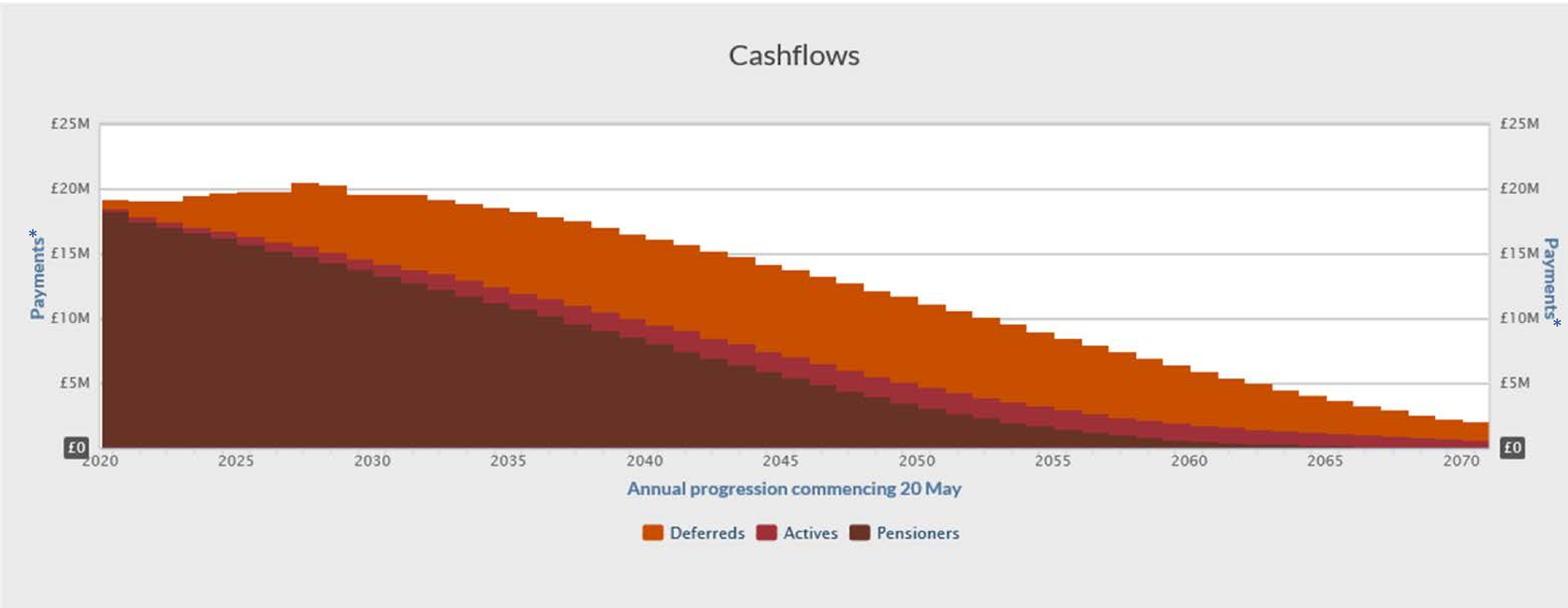
Acquisition related costs

	2020 £m	2019 £m
Acquisition related deferred remuneration (earn out)	(0.6)	(0.2)
Intangible asset amortisation	(3.7)	(3.5)
Release of provision for contingent consideration	1.1	-
Advisory fees	(0.8)	(0.1)
	(4.0)	(3.8)

Net Debt Reconciliation

	2020 £m	2019 £m
Net debt – opening	(35.0)	**(47.1)**
Net cash flow	0.4	**14.0**
Other non-cash movements	(0.2)	**(0.2)**
Foreign exchange	(1.6)	**(1.7)**
Net debt – closing	**(36.4)**	**(35.0)**

Cash outflow close to peak



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

Impact of applying IFRS16 on key financial metrics

£m	2020 pre IFRS16	IFRS16 Adjustment	2020 Reported	Explanation
Income Statement				
Underlying operating profit	31.8	0.5	32.3	Lease costs (+£5.0m) replaced with IFRS16 lease depreciation (-£4.5m)
Finance charges	(1.6)	(1.9)	(3.5)	Interest expense on IFRS16 lease liabilities
Underlying profit before tax	30.2	(1.4)	28.8	
Underlying tax	(6.3)	0.3	(6.0)	Tax impact on IFRS16 adjustments
Earnings				
Underlying earnings	23.9	(1.1)	22.8	
Diluted underlying EPS (pence)	29.5p	(1.3p)	28.2p	
Cash flow				
Underlying operating cash flow	33.4	5.0	38.4	Lease costs (+£5.0m) reclassified from operating cash flow to interest payment and principal lease payment (financing cash flow)
Net cash flow	0.4	-	0.4	No overall cash impact
Balance Sheet impact on transition				
Right of use asset	-	24.7	24.7	Discounted lease cash flows on transition / acquisition depreciated over life of the asset
Financial lease liability	-	27.7	27.7	Discounted finance lease cash flows

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Inspiring Living Spaces

Preliminary Results

Year ended 31 March 2020