

Why invest in Wolseley?

We are the world's leading specialist plumbing and heating distributor focused primarily on the Repair, Maintenance and Improvement ("RMI") markets.

These markets are attractive and fragmented with excellent growth opportunities. Our knowledge, local coverage and national scale enable us to operate efficiently and provide a high level of customer service.

Our strategy is to drive profitable growth in our businesses and deliver great, sustainable returns for our shareholders.



Great returns

Sustained good trading profit margins	Excellent returns on capital	Dependable and progressive ordinary dividends	Surplus capital returns
6.4%	16.9%	90.75p	£250m
+0.1%	+2.1%	+10.0%	Share buyback completed this year
Trading margin	Return on gross capital employed	Total ordinary dividend	

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- *Largest plumbing and heating distributor in the world*
- *Benefits of scale in procurement, operations, supply chain and technology*
- *Market leading positions (83 per cent of revenue generated through No. 1 or No. 2 market share positions)*

Benefits of scale

Example in the USA: **Expanding in the New York metro area**

In 2012, our Ferguson business served five per cent of the \$6 billion New York metro market with 22 branches and 400 people. This presented a great expansion opportunity that our scale has enabled us to capitalise on. We have now invested £100 million in bolt-on M&A activity and £65 million in building a highly effective supply chain, which we completed this year with the opening of our Secaucus ship hub. The ship hub has increased our efficiency as it enables us to operate all outbound logistics, including customer deliveries, from a single site rather than from numerous locations across the branch network. Today we are the local market leader with nine per cent market share, 40 branches (21 of which are showrooms) and 820 people. There is significant opportunity for growth through this strategy in New York and also in 19 additional regions which we are targeting for further expansion.

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- *Strong sales culture*
- *Fragmented markets*
- *Low risk bolt-on M&A opportunities*
- *Quick, reliable payback from branch expansion*

Attractive growth opportunities

Example in the Nordic region: **Combining Starkki and Puukeskus**

Last year we acquired Puukeskus, a Finnish building materials distributor with a strong market position in timber and related products. The acquisition was an excellent fit with our existing business in the region, Starkki. During the year, we integrated the two businesses into a single business – Stark Finland, an existing brand with strong values that created a common identity among all the employees. Three new customer promises were launched: accessibility, availability and a delivery guarantee. Stark Finland is now the largest building products chain in Finland that serves both professional builders and consumers. The business now has a strong presence across all the major cities in Finland.

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Example in the UK: **Investing in the utilities market**

In May 2015, Wolseley UK completed the integration of Fusion Provida, the UK's leading supply chain partner for utilities and utility infrastructure providers. The acquisition enabled us to expand our existing distribution model across the utilities and infrastructure marketplace. The market, which serves civil and utility contractors, is attractive due to its contract nature. This gives us good order visibility and low volatility through the economic cycle and we achieve similar margins to those available in the plumbing and heating market. We have improved our offering to our utilities customers and benefited from significant synergies in back office functions and supplier consolidation.

Low volatility

- *Sustained gross margins*
- *Strong investment grade balance sheet*
- *Little pension exposure and low level of operating leases*
- *Strong free cash flow through the economic cycle*

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Example in the USA: **Moving forward with e-commerce**

In May, Ferguson launched the new Ferguson.com website to generate leads, drive professional contractors and potential customers to Ferguson branches, attract new online customers and sell more. In addition to a new look, the site also has improved functionality, which includes user-friendly navigation and an online catalogue of 50,000 stock products. Pricing is designed to be competitive with other online retailers. It will also allow Ferguson to offer a customised shopping experience through a variety of channels: 1) Ferguson Online for our customers with trade accounts. 2) Shop.ferguson.com for our showroom customers and their clients. 3) Ferguson.com for new customers that are not aware of Ferguson today. These changes lay the foundation of Ferguson's e-commerce strategy.



Strong execution culture

- *Strong people and service culture*
- *Systematically driving performance*
- *Best-in-class e-commerce*
- *Constantly developing our business model to enhance service and margins*