



NEWS RELEASE

Annual Financial Report

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Ferguson PLC

18 October 2019

FERGUSON PLC

(the "Company")

Publication Announcement: Annual Report and Accounts 2019 and Notice of Annual General Meeting 2019

Further to the release of the Company's full year results announcement on 1 October 2019, the Company announces that it has today published its Annual Report and Accounts 2019 ("**Annual Report 2019**"). The Company also announces that it has today posted to shareholders the Notice of Annual General Meeting to be held on Thursday, 21 November 2019 (the "**Notice**"). These documents can be downloaded from the Company's website at www.fergusonplc.com.

In accordance with LR 9.6.1 and DTR 6.3.5(3) copies of the documents listed below have been submitted to the National Storage Mechanism and will shortly be available for inspection at www.morningstar.co.uk/uk/nsm

- Annual Report and Accounts 2019; and
- Notice of Annual General Meeting to be held on Thursday, 21 November 2019.

The Annual General Meeting will take place at 12:30pm, on Thursday, 21 November 2019 at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED, United Kingdom.

The expected timetable for the Dividend and Annual General Meeting is set out below:

	2019
Ordinary Shares marked ex-entitlement to the Dividend	24 October
Record date for entitlement to the Dividend	6:00pm on 25 October
Latest time and date for election to participate in the DRIP and submit USD elections for the Dividend	5:00pm on 7 November
Pound Sterling Dividend value announced	18 November
Latest time and date for receipt of Forms of Proxy from shareholders	12:30pm on 19 November
Annual General Meeting	12:30pm on 21 November
Payment of the Dividend to shareholders	28 November
Purchase of Ordinary Shares for participants in the DRIP in respect of the Dividend	28 November
Ordinary Shares purchased pursuant to the DRIP in respect of the Dividend credited to CREST accounts	3 December

If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders by an announcement to a Regulatory Information Service ("RIS"). All definitions used in the Notice have the same meaning when used in this announcement.

Annual Report 2019

A condensed set of Ferguson plc financial statements and information on important events that have occurred during the year and their impact on the financial statements were included in the Company's final results announcement on 1 October 2019. That information together with the information set out below which is extracted from the Annual Report 2019 constitute the requirements of DTR 6.3.5 which is to be communicated via an RIS in

unedited full text. This announcement is not a substitute for reading the full Annual Report 2019. Page and note references in the text below refer to page numbers in the Annual Report 2019. To view the final results announcement, visit the Company website: www.fergusonplc.com.

Extract from Annual Report 2019

Principal risks and uncertainties

Principal risks:

- A. New competitors and technology
- B. Market conditions
- C. Pressure on margins
- D. Information technology
- E. Health and safety
- F. Regulations
- G. Talent management and retention
- H. Macro political tax risk

The materialisation of these risks could have an adverse effect on the Group's results or financial condition. If more than one of these risks occur, the combined overall effect of such events may be compounded. The chart shows management's assessment of material risks. Various strategies are employed to reduce these inherent risks to an acceptable level. These are summarised in the tables on the following pages. The effectiveness of these mitigation strategies can change over time, for example with the acquisition or disposal of businesses. Some of these risks remain beyond the direct control of management. The risk management programme, including risk assessments, can therefore only provide reasonable but not absolute assurance that risks are managed to an acceptable level. As part of the ongoing risk management process, the Board and the Group's management have identified and assessed emerging risks, and worked with stakeholders to evaluate the impact of such risks to the business. Although none of these risks are deemed to be significant and are consequently not listed as one of the Group's principal risks, they are tracked in case they evolve to become more significant. One such risk relates to the geographical composition of the Group's shareholder register. If shareholders resident in the USA exceeds 50% of

the total, the Group would be subject to additional US regulatory requirements, most notably SEC registration and reporting and Sarbanes Oxley compliance. A detailed beneficial ownership study is conducted on an annual basis to ensure compliance. Another emerging risk is climate change and the impact of this on our business. During the year, the Group commenced a project to get more clarity on the risk climate changes presents. During the year, the Group has convened subject matter experts from across our businesses to examine the specific risks and opportunities to the Group posed by climate change. The Group faces many other risks which, although important and subject to regular review, have been assessed as less significant and are not listed here. These include, for example, natural catastrophe and business interruption risks and certain financial risks. A summary of financial risks and their management is provided on page 25.

Risks to the drivers of profitable growth

The symbols shown at the bottom of this page are displayed alongside each risk on the following pages to indicate which of the strategic drivers of growth are most threatened by that risk.

A. New competitors and technology

Risk is unchanged

Inherent risk level: High
Trend: No change

Definition and impact

Wholesale and distribution businesses in other industry sectors have been disrupted by the arrival of new competitors with lower cost transactional business models or new technologies to aggregate demand away from incumbents.

The Board is attuned to both the risks and opportunities presented by these changes and is actively engaged as the Group takes action to respond.

Changes during the year

Ferguson Ventures has continued its partnerships with, and investments in, a range of technology companies that are operating in our markets and solving industry problems, and participating in new business models. During the year, we set up the Ferguson Ventures Innovation

Lab (based in Atlanta, Georgia), which is focused on exploring areas of innovation and disruption by evaluating consumer and industry evolution in technology and service design.

In addition, during the year, our businesses have adopted next

generation technology and the latest digital tools in order to improve customer service and effective information sharing

(for example, the Group's deployment of Microsoft's Teams

Mitigation

The Group develops and invests in new business models, including e-commerce, to respond to changing customer and consumer needs. This will allow the Group to accelerate the time to market for new revenue streams and gain insight on new disruptive technologies and trends.

The Group remains vigilant to the threats and opportunities in this

space. The development of new

business models in our market place is closely evaluated - both for

investment potential and threats.

		platform and a shift to channel-based communications).	
B. Market conditions		Risk is higher	
Inherent risk level: High Trend: Higher	Definition and impact	Changes during the year	Mitigation
	This risk relates to the Group's exposure to short-term macroeconomic conditions and market cycles in our sector (i.e. periodic market downturns).	This risk has increased during the year as US market growth moderated in the second half.	The Group cannot control market conditions but believes it has effective measures in place to respond to changes.
	Some of the factors driving market growth are beyond the Group's control and are difficult to forecast.	The Group has maintained a strong balance sheet throughout the year and other measures have been taken to manage the cost base in line with forecast growth.	Ferguson continues to reinforce existing measures in place, including:
	Further information on the market trends can be found in our regional reviews on pages 11 and 26 to 41.	The Group has again tested its financial forecasts, including cash flow projections, against the impact of a severe market downturn, see pages 48 and 49.	- the development of our business model; - cost control, pricing and gross margin management initiatives, including a focus on customer service and productivity improvement; - resource allocation processes; and - capital expenditure controls
		The UK's withdrawal from the European Union continues to create a level of uncertainty affecting the UK economy, although this is not expected to have a material impact on the Group (see page 49).	and procedures.
C. Pressure on margins		Risk is unchanged	
Inherent risk level: High Trend: No change	Definition and impact	Changes during the year	Mitigation
	The Group's ability to maintain attractive profit margins can be affected by a range of factors. These include levels of demand and competition in our markets, the arrival of new competitors with new business models, the flexibility of the Group's cost base, changes in the cost of commodities or goods purchased, customer or supplier consolidation or manufacturers shipping directly to customers.	Pressure on margins remained high during the year, primarily due to levels of competition. In response, the Group has continued to manage its cost base in line with changes in expected growth rates. Business unit performance, including margins achieved, were monitored on a monthly basis throughout the year.	The Group's strategy for tackling this issue remains unchanged. This includes continuous improvements in customer service, product availability and inventory management. Revenues from e-commerce, own brand, and other growth sectors continue to grow and the Group has made acquisitions in these areas during 2018/19. Refer to pages 10 and 146 and 147 for more information on acquisitions during



There is a risk that the Group may not identify or respond effectively to changes in these factors. If it fails to do so, the amount of profit generated by the Group could be significantly reduced.

Ongoing gross margin was 10 basis points ahead in 2018/19 with growth driven by improved product mix and procurement efficiencies.

The performance of each business unit is closely monitored and corrective action taken when appropriate.

Resource allocation processes invest capital in those businesses capable of generating the best returns.

D. Information technology ("IT")

Risk is unchanged

Inherent risk level: High

Definition and impact

Changes during the year

Mitigation

Trend: Unchanged

Technology systems and data are fundamental to the day-to-day operations and future growth and

IT risks have remained material and are being closely monitored as we implement the clearly defined global

Business leadership is implementing a comprehensive change

success of the Group. The Group is increasingly dependent on sophisticated information technology and infrastructure. IT risks are categorised as strategic and operational.

technology strategy and roadmap (see page 19).

management programme designed

to transition current business practices and norms to adopt new

business capabilities.

Under the management of the Chief Information Officer, the Group

Strategic risks are threats that could prevent execution of the IT strategic plan such as inadequate leadership,

has made progress in implementing its technology strategy and

A Business Technology Centre of Excellence is in place to drive organisational discipline around the prioritisation of business projects to

poor allocation/ management of resources and/or poor execution of the organisational change of

roadmap, including commencing

ensure alignment with Ferguson's strategic framework.

management necessary to adopt and apply new business processes.

significant upgrades to its enterprise-wide

resources planning systems.

Implemented a rolling three-year roadmap of investments in processes, resources and technical defences

Operational risks include business

IT General Controls were

necessary to continuously address

disruption resulting from system failures, fraud or criminal activity. This includes security threats

independently tested by Internal

emerging security threats.

Audit and findings reported to the

and/or failures in the ability of the organisation to operate, recover and restore operations after such

Audit Committee. This process now

falls under the normal Internal Audit

Group-level compliance processes continue to remain in place.

disruptions. While cyber security

threats have resulted in minimal impact to date, this risk continues to persist and evolve.

Committee reporting throughout the year.

Briefings on the status of the Group's data centres, resources and processes have been implemented to ensure business critical systems are recoverable in the event of a major disaster. Testing of critical infrastructure and application systems are in place and have been consistently executed across the Group.

IT strategy, and its implementation have been provided to the Board, the Audit Committee and the Executive Committee throughout the year.

Regular Board update checkpoints have been established to provide monitoring and oversight of execution of the IT strategic plan.

Disaster recovery systems, secondary data centres, resources and processes have been implemented to ensure business critical systems are recoverable in the event of a major disaster. Testing of critical infrastructure and application systems are in place and have been consistently executed across the Group.

Insurance coverage is in place, including data protection and cyber liability.

E. Health and safety

Inherent risk level: Medium

Definition and impact

Risk is unchanged

Changes during the year

Mitigation

Trend: No change

The nature of Ferguson's operations can expose its associates, contractors, customers, suppliers

The Group's strategic plan is focused on the elimination and control of risks causing disabling injuries, improving our safety culture and closing the safety, health and

Health and safety is a fundamental value in our organisation. Our leaders have specific roles to play and are required to actively

and other individuals to health and safety risks.

environmental knowledge gap among our associates. The hiring and deploying of health and safety professionals in the field provides businesses with technical resources

engage with our associates in ensuring a healthier and safer

workplace. Our performance is reported and discussed at both

Health and safety incidents can lead to loss of life or severe injuries.

to more effectively mitigate risk. Our efforts in these areas have

the Executive Committee and Board meetings.

improved the overall performance of the Group, see pages 42 and 43 for more information.

The Group maintains a health and safety policy, with detailed

minimum standards, and standard operating procedures which sets

out requirements for all businesses. Branches are audited against these standards and businesses are

implementing fundamental changes

to transform our culture. For more

detail see pages 42 and 43.

F. Regulations

Risk is lower

Inherent risk level: High

Definition and impact

Changes during the year

Mitigation

Trend: Lower

The Group's operations are affected by various statutes, regulations

There has been no major change in the level of regulation applying to the Group this year. Following the

The Group monitors the law across its markets to ensure the effects of changes are minimised

and standards in the countries and markets in which it operates.

adoption of GDPR, the procedures and controls implemented by the relevant businesses within the Group to ensure compliance were reviewed and improvement measures put in place.

and the Group complies with all applicable laws.

The amount of such regulation and the penalties can vary.

The Group aligns Company-wide

While the Group is not engaged in a highly regulated industry, it is subject to the laws governing businesses

The Group's Code of Conduct was updated during the year and is

policies and procedures with its key compliance requirements and monitors their implementation.

generally, including laws relating to competition, product safety, data

focused at clearly setting out the standards that are expected from our associates. This includes the commitment to strict compliance with the various laws and

Briefings and training on mandatory topics and compliance requirements including anti-trust, anti-bribery and corruption are undertaken.

protection, labour and employment practices, accounting and tax

regulations that apply wherever the Group operates.

standards, international trade, fraud, bribery and corruption, land usage,

the environment, health and safety, transportation and other matters.

Further information on the Group's ethics and compliance programme

Violations of certain laws and regulations may result in significant

can be found on pages 18 and 46.

finances and penalties and damage to the Group's reputation.

G. Talent management and retention

Risk is unchanged

Inherent risk level: Medium
Trend: No change

Definition and impact

Changes during the year

Mitigation

As the Group develops new business models and new ways of working, it needs to develop suitable skillsets.

There has been no material change in the level of associate turnover during the year.

All of the Group's businesses have established performance

management and succession planning procedures.

Furthermore, as the Group continues to execute a number of strategic change programmes, it is important that existing skillsets and talent

Kevin Murphy, the US CEO, will succeed John Martin as Group Chief

Reward packages for associates are designed to attract and retain the best talent.

are retained.

Executive on 19 November 2019. For further information, see pages 2 and 3, 10, and 72 to 75.

Failure to do so could delay the execution of strategic change

Talent management procedures were reviewed during the year (see page 17 for further information).

A new talent review process was launched across the Group to be aligned with our



	programmes, result in a loss of "corporate memory" and reduce the Group's supply of future leaders.		organisational strategy. The Group continues to invest in associate development.
H. Macro political tax risk		Risk is unchanged	
Inherent risk level: High Trend: No change	Definition and impact	Changes during the year	Mitigation
	The wider macro political and economic situation is uncertain	The Group's headquarters were relocated from Switzerland to the	The Group is engaged with the relevant tax authorities to proactively assess any proposed changes in
	in some of the territories in which Ferguson operates and changes	UK which facilitated the continued simplification of the Group's corporate structure in line with its strategy.	tax policy.
	could adversely impact the Group's business as well as the Group's future tax rate. A combination of growing international trade pressures, including trade-related actions taken by the USA and China and rising debt levels, is creating political and regulatory uncertainty which could	Group Tax continues to allocate resources to ensure the macro	Once policy changes are fully assessed the Group will ensure any
	lead to changes in the prevailing tax regime and adversely impact the Group's results.	political uncertainties are being appropriately monitored and mitigation plans updated when the need arises.	changes are reflected in Ferguson's tax strategy. The Group assesses, and takes appropriate action to respond to,
			the impact of the introduction of, and/or change to, customs duties and tariffs on imported products.

Related Party Transactions

In the year ended 31 July 2019, the Group purchased goods and services on an arms length basis totalling \$7 million from and owed \$nil in respect of these goods and services to a company that is controlled by another company in respect of which one of the Group's Non Executive Directors is the chief executive officer.

There are no other related party transactions requiring disclosure under IAS 24 "Related Party Disclosures" in the years ended 31 July 2019 and 31 July 2018 other than the compensation of key management personnel which is set out in note 11.

	2019	2018
	\$m	\$m
Key management personnel compensation (including Directors)		
Salaries, bonuses and other short-term employee benefits	13	14
Post-employment benefits	1	1

Termination benefits	-	4
Share-based payments	11	9
Total compensation	25	28

Further details of Directors' remuneration and share options are set out in the Remuneration Report on pages 80 to 106.

Directors' Responsibilities Statement

This statement is repeated here solely for the purpose of complying with DTR 6.3.5. This statement relates to and is extracted from the Annual Report 2019. It is not connected to the extracted information presented in this announcement or the preliminary results announcement released on 1 October 2019.

The Directors are responsible for preparing the Annual Report and Accounts and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in

accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the

Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors of Ferguson plc as at the date of this Annual Report are as follows:

Gareth Davis, Chairman

Geoffrey Drabble, Non Executive Director and Chairman designate

John Martin, Group Chief Executive

Michael Powell, Group Chief Financial Officer

Kevin Murphy, Chief Executive Officer, USA

Alan Murray, Senior Independent Director

Tessa Bamford, Non Executive Director

Catherine Halligan, Non Executive Director

Thomas Schmitt, Non Executive Director

Darren Shapland, Non Executive Director

Nadia Shouraboura, Non Executive Director

Jacqueline Simmonds, Non Executive Director

Each Director confirms that, to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

For further information please contact

Graham Middlemiss

Group Company Secretary

Tel: 0118 927 3800

About Ferguson plc

Ferguson plc is the world's largest specialist trade distributor of plumbing and heating products to professional contractors principally operating in North America. Ongoing revenue for the year ended 31 July 2019 was \$21.8 billion and ongoing trading profit was \$1.6 billion. Ferguson plc is listed on the London Stock Exchange (LSE: FERG) and is in the FTSE 100 index of listed companies. For more information please visit www.fergusonplc.com or follow us on Twitter https://twitter.com/Ferguson_plc.

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