



NEWS RELEASE

Annual Financial Report

10/30/2020

RNS Number : 8088D

Ferguson PLC

30 October 2020

FERGUSON PLC

(the "Company")

Publication Announcement: Annual Report and Accounts 2020 and Notice of Annual General Meeting 2020

Further to the release of the Company's full year results announcement on September 29, 2020, the Company announces that it has today published its Annual Report and Accounts 2020 ("**Annual Report 2020**"). The Company also announces that it has today posted to shareholders the Notice of Annual General Meeting to be held on Thursday, December 3, 2020 (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 <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

- Annual Report and Accounts 2020; and
- Notice of Annual General Meeting to be held on Thursday, December 3, 2020.

The Annual General Meeting will take place at 11:00am, on Thursday, December 3, 2020 at 1020 Eskdale Road, Winnersh Triangle, Wokingham, RG41 5TS, United Kingdom. Please note that in light of mandatory measures imposed by the UK Government relating to the outbreak of COVID-19 (Coronavirus), shareholders will not be able to attend the Annual General Meeting in person. Shareholders should refer to the Notice for further information.

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

	2020
Ordinary Shares marked ex-entitlement to the Dividend	November 12
Record date for entitlement to the Dividend	6:00pm on November 13
Latest time and date for election to participate in the DRIP and submit USD elections for the Dividend	5:00pm on November 27
Latest time and date for receipt of Forms of Proxy from shareholders	11:00am on December 1
Annual General Meeting	11:00am on December 3
Pound Sterling Dividend value announced	December 4
Payment of the Dividend to shareholders	December 11
Purchase of Ordinary Shares for participants in the DRIP in respect of the Dividend	December 11
Ordinary Shares purchased pursuant to the DRIP in respect of the Dividend credited to CREST accounts	December 16

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 2020

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 September 29, 2020. That information together with the information set out below which is extracted from the Annual Report 2020 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 2020. Page and note references in the text below refer to page numbers in the Annual Report 2020. To view the final results announcement, visit the Company website: www.fergusonplc.com.

Extract from Annual Report 2020

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

The materialization 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 summarized 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 program, 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 exceed 50 per cent 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 29.

Risks to the drivers of profitable growth

A. New competitors and technology

Inherent risk level: High Trend: Higher	Definition and impact	Changes during the year	Mitigation
	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.	Ferguson Ventures extended its network in the start-up community, increasing early visibility to new competitors and potential disruption. Partnerships and investments were made in a range of technology companies to also include industry focused venture capital funds. New business model opportunities were identified and progressed, leveraging service design and rapid prototype development in the Ferguson Ventures Innovation Lab, which is focused on exploring areas of innovation and disruption by evaluating consumer and industry evolution in technology and service design.	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 Board is attuned to both the risks and opportunities presented by these changes and is actively engaged as the Group takes action to respond.	In addition, Ferguson accelerated delivery of its omnichannel strategy to meet constantly changing customer demands and emerging digital needs as the rate of customer adoption of e-commerce tools accelerated due to COVID-19.	The Group remains vigilant to the threats and opportunities in this space. The development of new business models in our marketplace is closely evaluated - both for investment potential and threats.

B. Market conditions

Inherent risk level: High Trend: No change	Definition and impact	Changes during the year	Mitigation
	This risk relates to the Group's exposure	This risk is unchanged, notwithstanding the uncertainty	The Group cannot control market conditions but believes it has

	caused by COVID-19.	effective measures in place to respond to changes. Ferguson continues to reinforce existing measures in place, including:
to short-term macroeconomic conditions and market cycles in our sector (i.e. periodic market downturns).	The Group has maintained a strong balance sheet throughout the year	- the development of our business model;
Some of the factors driving market growth are beyond the Group's control and are difficult to forecast.	and other measures have been taken to manage the cost base in line with forecast growth.	- cost control, pricing and gross margin management initiatives, including a focus on customer service and productivity improvement;
Further information on the market trends can be found in our regional reviews on pages 15 and 30 to 47.	The Group has again tested its financial forecasts, including cash flow projections, against the impact of a severe market downturn, see pages 54 and 55.	- resource allocation processes; and - capital expenditure controls and procedures.
The Group continues to closely monitor the impact of COVID-19 and take prudent steps to mitigate any potential impacts to the successful operation of our business. The Group is also monitoring for general recessionary impacts in the medium term that may result from the government-mandated shutdowns that occurred during spring 2020.		The Group remains prepared to implement appropriate mitigation strategies to minimize any potential business disruption from COVID-19.

C. Pressure on margins

Inherent risk level: High

Trend: Higher

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, including some that are beyond the Group's control. 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 and availability of commodities or goods purchased, the imposition of new or increased governmental tariffs on international sources of supply, customer or supplier consolidation or manufacturers shipping directly to customers.	Pressure on margins increased during the year, primarily due to levels of competition and adverse mix challenges arising from temporary closure of the branch and showroom networks as a result of COVID-19. 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; strict pricing controls managed with proper data and insight; and effective vendor rebate programs. Revenues from e-commerce, own brand, and other growth sectors continue to grow and the Group has made acquisitions in these areas during 2019/20, while we paused further merger and acquisition activity due to market uncertainty caused by COVID-19. Refer to pages 14 and 154 and 155 for more information on acquisitions during the year.
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 in line with last year.	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")

Inherent risk level: High	Definition and impact	Changes during the year	Mitigation
Trend: No change	<p>The Group has a clearly defined global technology strategy and roadmap. Technology systems and data are fundamental to the future growth and success of the Group. Information Technology risks are categorized as strategic and operational.</p> <p>Strategic risks are threats that could prevent execution of the IT strategic plan such as inadequate leadership, poor allocation/ management of resources and/or poor execution of the organizational change of management necessary to adopt and apply new business processes.</p> <p>Operational risks include business disruption resulting from system failures, fraud or criminal activity. This includes security threats and/or failures in the ability of the organization to operate, recover and restore operations after such disruptions. While cyber security incidents encountered by the Group to date have resulted in minimal impact, this risk continues to persist and evolve, and was amplified by the increase in frequency and intensity of cyberattacks since the emergence of COVID-19 and the related transition to remote work for many of our associates.</p>	<p>IT risks have remained material and are being closely monitored as we implement the clearly defined global technology strategy and roadmap (see page 23). Those risks include the potential for schedule delays, cost overruns, functionality deferrals and change management disruptions on operations.</p> <p>Under the management of the Chief Information Officer, the Group has continued to make substantive progress in implementing its technology strategy and roadmap, including progressing significant upgrades to its enterprise-wide resource planning systems and other enterprise-wide IT resources.</p> <p>IT General Controls continue to be independently tested by Internal Audit and findings reported to the Audit Committee.</p> <p>Briefings on the status of the Group's IT strategy, and its implementation have been regularly provided to the Board, the Audit Committee and the Executive Committee throughout the year.</p> <p>Regular Board update checkpoints have been established to provide monitoring and oversight of execution of the IT strategic plan.</p>	<p>Business leadership continues to execute a comprehensive change management program designed to transition current business practices and norms to adopt new business capabilities.</p> <p>Business Technology and Omnichannel Centers of Excellence are in place to drive organizational discipline around the prioritization of business projects to ensure alignment with Ferguson's strategic framework.</p> <p>Management continues to execute a rolling three-year roadmap of investments in processes, resources and technical defenses necessary to continuously address emerging cybersecurity threats, and is extending enhancements to the Group's control environment to other parts of the Group's systems (see page 80).</p> <p>Group-level compliance processes and insurance coverage, including data protection and cyber liability, are in place.</p> <p>Disaster recovery systems, secondary data centers, cloud redundancy and resiliency platforms, 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 is in place and has been consistently executed across the Group.</p>

E. Health and safety

Inherent risk level: Medium	Definition and impact	Changes during the year	Mitigation
Trend: Lower	<p>The nature of Ferguson's operations can expose its associates, contractors, customers, suppliers and other individuals to health and safety risks.</p>	<p>The Group's strategic plan remains focused on the elimination and control of risks causing disabling injuries, improving our safety culture and closing the safety, health and environmental knowledge gap among our associates. The hiring and deploying of health and safety professionals in the field provides businesses with technical resources to more effectively mitigate risk. Our</p>	<p>Health and safety is a fundamental value in our organization. Our leaders have specific roles to play and are required to actively engage with our associates in ensuring a healthier and safer workplace. Our performance is</p>

<p>Certain products that we sell pose health and safety risks.</p>	<p>efforts in these areas have improved the overall performance of the Group, notwithstanding the impact of COVID-19; see page 49 for more information.</p>	<p>reported and discussed at both the Executive Committee and Board meetings.</p>
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<p>Health and safety incidents can lead to loss of life or severe injuries.</p>	<p>The Group continues to closely monitor the impact of COVID-19 and to take prudent steps to mitigate any potential impacts to the health and safety of our associates or to the successful operation of our business.</p>	<p>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 continue to implement fundamental changes to transform our culture. For more detail see page 49.</p>
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We continue to follow the COVID-19 guidance of the World Health Organization and other governmental health agencies, including with respect to travel restrictions.

F. Regulations

Inherent risk level: Medium

Definition and impact

Changes during the year

Mitigation

Trend: No change

The Group's operations are affected by various statutes, regulations and standards in the countries and markets in which it operates. The amount of such regulation and the penalties can vary.

There has been no major change in the level of regulation applying to the Group this year. Following the adoption of the California Consumer Privacy Act, the procedures and controls implemented by the relevant businesses within the Group to ensure compliance were reviewed and improvement measures put in place.

The Group monitors the law across the markets to ensure the effects of changes are minimized and the Group complies with all applicable laws.

While the Group is not engaged in a highly regulated industry, it is subject to the laws governing businesses generally, including laws relating to competition, product safety, data protection, labor and employment practices, accounting and tax standards, international trade, fraud, bribery and corruption, land usage, the environment, health and safety, transportation and other matters.

Awareness training of the Group's Code of Conduct was deployed to all associates during the year. The Code sets out the Group's values and commitment to strict compliance with the various laws and regulations that apply wherever the Group operates.

The Group aligns company-wide policies and procedures with its key compliance requirements and monitors their implementation.

Briefings and awareness training on key compliance topics and requirements, including harassment and discrimination, data privacy and security and gifts and entertainment were undertaken.

Violations of certain laws and regulations may result in significant fines and penalties and damage to the Group's reputation.

Further information on the Group's ethics and compliance program can be found on pages 22 and 52.

G. Talent management and retention

Inherent risk level: Medium

Definition and impact

Changes during the year

Mitigation

Trend: No change

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

There has been no material change in the level of associate turnover during the year. Reductions in force implemented as part of the steps taken to manage our cost base given the uncertainty of COVID-19 were offset by lower voluntary attrition.

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 programs, it is important that existing skillsets and talent are retained and that associates remain engaged through recognition, training and communication.

On May 26, 2020, the Group announced that Mike Powell, the Group CFO, had resigned and had committed to assisting with an orderly transition. The new Group CFO is Bill Brundage and is based at the Group's Newport News, Virginia headquarters in the USA. For further information, see pages 6, 71 and 82.

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

A new robust individual development planning process for high-potential successors from the talent review process is aligned with our organizational strategy.

Failure to do so could delay the execution of strategic change programs, result in a loss of "corporate memory" and reduce the Group's supply of future leaders.

Talent management procedures were reviewed during the year (see pages 20 and 21 for further information).

The Group continues to invest in associate development and engagement.

Associate meetings with our Employee Engagement Director of the Board were held and feedback was reported back to the Board.

Related Party Transactions

The Group purchases goods and services from a company which is an indirect wholly owned subsidiary of a company whose chief executive officer is also a Ferguson Non Executive Director. In the year ended July 31, 2020, the Group purchased goods and services totaling \$18 million (2019: \$7 million) from and owed \$nil (2019: \$nil) to this company. The goods and services are purchased on an arm's-length basis.

There are no other related party transactions requiring disclosure under IAS 24 "Related Party Disclosures" in the years ended July 31, 2020 and July 31, 2019 other than the compensation of key management personnel which is set out in note 10.

Key management personnel compensation (including Directors)	2020	2019
	\$m	\$m
Salaries, bonuses and other short-term employee benefits	16	13
Post-employment benefits	1	1
Share-based payments	8	11
Total compensation	25	25

Further details of Directors' remuneration and share options are set out in the Remuneration Report on pages 81 to 108.

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 2020. It is not connected to the extracted information presented in this announcement or the preliminary results announcement released on September 29, 2020.

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 judgments 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:

Geoff Drabble, Chairman

Kevin Murphy, Group Chief Executive

Mike Powell, Group Chief Financial Officer

Alan Murray, Senior Independent Director and Non Executive Director

Tessa Bamford, Non Executive Director

Cathy Halligan, Non Executive Director

Tom Schmitt, Non Executive Director

Nadia Shouraboura, Non Executive Director

Jacky 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 a value-added distributor of plumbing and heating products to professional contractors principally operating in North America and the UK. Ongoing revenue for the year ended July 31, 2020 was \$19.9 billion and ongoing trading profit was \$1.7 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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