Press Release

**19 May 2020**

# DCC Reports Strong Performance and Excellent Free Cash Flow Generation

DCC, the leading international sales, marketing and support services group, is today announcing its results for the year ended 31 March 2020.

| **Highlights** | **2020** | **2019** | **% change** |
|---|---|---|---|
| **Revenue** | **£14.755bn** | **£15.227bn** | **-3.1%** |
| **Adjusted operating profit[1,2]** | **£494.3m** | **£460.5m** | **+7.3%** |
| DCC LPG | £228.2m | £201.8m | +13.1% |
| DCC Retail & Oil | £140.3m | £133.7m | +4.9% |
| DCC Technology | £65.3m | £64.7m | +1.0% |
| DCC Healthcare[3] | £60.5m | £60.3m | +0.3% |
| **Adjusted earnings per share[1,2]** | **362.6p** | **358.2p** | **+1.3%** |
| **Dividend per share** | **145.27p** | **138.35p** | **+5.0%** |
| **Free cash flow[4]** | **£492.3m** | **£434.0m** | |
| **Return on capital employed[5]** | **16.5%** | **17.0%** | |

- Strong performance for the year with all divisions delivering growth, notwithstanding the challenging market conditions experienced during the year including Brexit uncertainty and the emergence of the Covid-19 pandemic. Group adjusted operating profit increased by 7.3% to £494.3 million, ahead of market expectations

- Adjusted earnings per share up 1.3% to 362.6 pence, reflecting strong underlying earnings growth, diluted by the impacts of the prior year equity placing and the adoption of IFRS16

- Continued very strong free cash flow performance, with an excellent 100% conversion of operating profit into free cash flow, and return on capital employed of 16.5%

- Another active period of development for DCC with approximately £170 million of capital committed to new acquisitions, including DCC Healthcare expanding its presence in the US nutritional market with the acquisitions of Ion Labs and Amerilab and continued bolt-on acquisition activity across all divisions

- The Covid-19 pandemic and the global measures being taken to mitigate its impact have resulted in unprecedented change for DCC's employees, customers and business operations. All DCC operations, deemed essential operations by local governments, have successfully invoked their business continuity plans and are operating effectively, albeit in a much-changed environment. The commitment of DCC's

[1] The current financial year includes the impact of the adoption of IFRS 16 *Leases*; the comparatives have not been restated in accordance with transitional guidelines. See Note 2 Accounting Policies (page 29) for further details.
[2] Excluding net exceptionals and amortisation of intangible assets.
[3] The reported growth in operating profit in DCC Healthcare is impacted by the disposal of its UK generic pharmaceutical activities and related manufacturing facility in Ireland (Kent Pharma and Athlone Laboratories) in September 2019. Operating profit growth on a continuing basis is 8.6%.
[4] After net working capital and net capital expenditure and before net exceptionals, interest and tax payments.
[5] Excluding the impact of the adoption of IFRS 16 *Leases*. Current year ROCE including the impact of the adoption of IFRS 16 *Leases* is 15.1%.

employees during such a difficult and uncertain period has been extremely evident and has ensured that our customers continue to receive our essential products and services. Protecting the health, safety and well-being of employees, ensuring the continued supply of these essential products and services to customers, whilst maintaining DCC's very strong financial position, are the Group's key priorities at this time

- With restrictions introduced in all countries where the Group operates, each division of DCC has experienced changed demand patterns. This resulted in significant demand increases in some areas, with significant declines in others. The strong trading performance of the Group in March 2020 benefited from increased demand for essential heating and healthcare products, with negative impacts most apparent later in the month in reduced demand for retail transport fuels and certain consumer technology products

- An integral part of the Group's strategy is the maintenance of a strong and liquid balance sheet. At 31 March 2020, DCC had net debt (excluding lease creditors) of £60.2 million, approximately 0.1 times Net Debt to EBITDA (versus a net debt covenant of 3.5 times) and had cash on the balance sheet of approximately £1.7 billion and undrawn committed facilities of approximately £350 million. DCC's extremely strong financial position leaves the Group very well placed to navigate this period of unprecedented uncertainty and to continue its growth and development in the coming years

- A proposed final dividend of 95.79 pence per share, a 2.6% increase on the prior year, will see the total dividend for the year increase by 5.0% to 145.27 pence per share

- With the Group entering its seasonally quieter period and with extensive lockdowns in place for the full month of April 2020, the Group has continued to trade robustly and is significantly profitable, although behind the prior year and with continuing changed demand profiles. Given the sustained uncertainty, the Group has been actively managing its cost base and resources. All discretionary or non-essential operating or capital expenditure has been curtailed. Essential maintenance and health and safety expenditure continues. Further detail on the impact of Covid-19 and DCC's current trading is included on pages 4 and 5

- The Group continues to be active from a development perspective, as evidenced by the continued bolt-on activity completed since 31 March 2020, although travel restrictions will likely curtail development activity somewhat in the short-term

- Through a period of extraordinary challenge and uncertainty, the Group continues to operate effectively and trade robustly. Whilst the easing of restrictions is underway and the eventual cessation of restrictions will occur at some point, it is likely that the global economy will continue to face significant challenges. In the short-term, DCC's priorities will remain the health, safety and well-being of its people, servicing its customers and maintaining the strength and liquidity of its financial position, whilst also seeking areas of organic and acquisitive opportunity to add to its market leading positions across its four divisions

- DCC has a diverse and resilient business model, leading market positions and an extremely strong balance sheet and is well positioned to continue its growth and development into the future

**Commenting on the results, Donal Murphy, Chief Executive, said:**

***"I am very pleased to report that the year ended 31 March 2020 has been another year of strong growth for DCC. A good trading performance, excellent cash generation, strong returns on capital employed and continued acquisition activity are all hallmarks of DCC's resilient business model.***

***The Group continues to be encouraged by the opportunities available to each division to expand its leading market positions in both existing and new markets. During the year DCC Healthcare's acquisitions of Ion Labs and Amerilab Technologies in the US were material steps in the division's strategy to build a business of scale in the world's largest health supplements and nutritional products market. The US market is highly innovative, fragmented and growing strongly and, we believe, presents an exciting opportunity for the Group to develop, both organically and through acquisition, a leading market position in this attractive market.***

***Covid-19 presents significant challenges to society and the economies in which we operate. The uncertainty it has created is like nothing we have seen in our lifetimes and our number one priority during this time is to keep our employees safe and well. All DCC businesses have and continue to operate effectively during this extraordinary period, ensuring our customers receive the range of essential products and services DCC provides. I am especially proud of all our people who are working tirelessly through these exceptional times. Even during this period of huge challenge, our people are fulfilling DCC's purpose of enabling people and businesses to grow and progress.***

***DCC's diverse, resilient business model and financial strength ensures the Group is in a very strong position to navigate through this period of uncertainty. The Group continues to have the platforms, opportunities and capability for further development across each of our four divisions."***

**Results presentation - audio webcast and conference call details**

DCC will not be hosting a physical results presentation, in line with current guidance on social distancing. Instead there will be a webcast and audio call of the presentation at 9.00am today. The access details for the live presentation are as follows:

<u>Conference call:</u>
Ireland: +353 15060650
UK / International: +44 (0) 2071 928 338
Passcode: 4087851
Weblink: https://edge.media-server.com/mmc/p/evi6bwzn

The results statement, presentation slides and replay of the audio webcast will be made available at www.dcc.ie.

For reference, please contact:


| | |
|---|---|
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**Covid-19 impact and current trading**
The Covid-19 pandemic and the global measures being taken to mitigate its impact have resulted in unprecedented change for DCC's employees, customers and business operations. The Group's energy, technology and healthcare products and services have been fundamental to ensuring the continued operation of economies during this period of sustained disruption.

While the level of lockdown and restrictions vary on a market by market basis, business continuity plans have been successfully implemented in each of DCC's businesses, with all operating effectively since the introduction of lockdowns. DCC's products and services have been used to power the continued operation of essential product supply chains and logistics, to provide the energy used to enable increased working from home, to deliver the technology products required to commission new Covid-19 hospitals and enable working from home and, perhaps most importantly, to provide the healthcare products which have enabled healthcare systems to respond to this unprecedented emergency.

The safety, health and well-being of our employees is DCC's first priority and appropriate social-distancing measures and related personal protective equipment have been introduced in all DCC facilities where an on-site presence is required to ensure continued supply of essential products to customers. The majority of DCC's sales, marketing and support people across the Group are currently working from home.

Given the sustained uncertainty, DCC has taken swift and decisive action to actively manage its resources and thus mitigate the financial impact that lower than expected activity levels have brought to those areas of the Group adversely impacted by the pandemic. With very different demand patterns being experienced across the Group, cost mitigation typically is focused on short-term cost management initiatives, including cessation of all discretionary or non-essential expenditure, and certain of the Group's operations have placed employees on temporary working arrangements or are utilising governmental schemes to support the continued employment of staff in those parts of their businesses that are experiencing much-reduced activity levels. In the context of the Group's cost base, the financial impact of this support is very modest. Essential maintenance and health and safety expenditure will remain a priority.

The Group will keep all expenditure under review as the year progresses, but will ensure its people remain the key priority, its customers continue to receive excellent service and that its businesses are well positioned to capture any additional market opportunities that may arise from any sustained uncertainty, given DCC's leading market positions and financial strength.

**Trading performance**
The impact of Covid-19 on trading since the end of the financial year has varied across the Group, reflecting the nature of products and services provided and the level of lockdown restrictions in place in each market. DCC's profits are significantly weighted towards the second half of the financial year and so the first quarter is typically a modest contributor to the Group's annual profits. Overall, DCC has traded robustly in April and the early weeks of May and has been significantly profitable in the period. Relative to initial expectations at the beginning of April, the performance of the Group has been better than anticipated, albeit behind the prior year. The Group continues to be active from a development perspective and in recent days the Irish LPG business acquired an all-island electricity business, as it continues to grow its natural gas and power offering, while the US LPG business completed a small bolt-on acquisition.

***DCC LPG***
Trading in the period since 1 April 2020 has seen good domestic and cylinder demand across France, the US and Britain being more than offset by lower commercial and industrial demand, in particular in the UK and Ireland, and volumes generally were impacted by warmer weather conditions relative to the prior year. DCC LPG traded behind the prior year in the period, with strong cost control somewhat mitigating the impact of the reduced commercial and industrial demand and the warmer weather conditions.

***DCC Retail & Oil***

In the first six weeks of the new financial year, DCC Retail & Oil has recorded very strong demand from domestic and agricultural customers in the divisions' oil distribution activities. Transport fuel demand declined significantly during the second half of March and into April. However, since the beginning of May, transport fuel demand has begun to increase across each of the countries where DCC operates, albeit remaining well behind the prior year. The strong demand from domestic and agricultural customers and a good cost performance has seen DCC Retail & Oil generate an operating profit which was modestly behind the prior year.

***DCC Technology***

DCC Technology has continued to see very different demand patterns in the early part of the year. The UK business has performed well, with very strong demand from etailers and B2B customers for mobility and working-from-home products being offset somewhat by reduced demand for certain consumer technology and B2B categories, such as Pro AV products. In both Europe and North America, the most impacted areas of the division have been traditional high street retail and the B2B channel where the lockdown restrictions have meant resellers or integrators have not been able to access end-user businesses. Overall, DCC Technology has traded behind the prior year, although the trading performance in April improved through the month relative to initial expectations.

***DCC Healthcare***

DCC Healthcare has traded strongly in the first six weeks of the new financial year, well ahead of the prior year. DCC Health & Beauty Solutions has performed strongly, with good demand for nutritional products and the new acquisitions of Ion Labs and Amerilab both performing well. In DCC Vital, strong demand for Covid-19 related products has more than offset reduced demand for elective surgery and primary care products.

**Group Results**

A summary of the Group's results for the year ended 31 March 2020 is as follows:

| | **2020[1] £'m** | 2019 £'m | **% change** |
|---|---|---|---|
| **Revenue** | **14,755** | 15,227 | **-3.1%** |
| **Adjusted operating profit[2]** | | | |
| **DCC LPG** | **228.2** | 201.8 | **+13.1%** |
| **DCC Retail & Oil** | **140.3** | 133.7 | **+4.9%** |
| **DCC Technology** | **65.3** | 64.7 | **+1.0%** |
| **DCC Healthcare** | **60.5** | 60.3 | **+0.3%** |
| **Group adjusted operating profit[2]** | **494.3** | 460.5 | **+7.3%** |
| **Finance costs (net) and other** | **(54.3)** | (45.9) | |
| **Profit before net exceptionals, amortisation of intangible assets and tax** | **440.0** | 414.6 | **+6.1%** |
| **Net exceptional charge before tax and non-controlling interests** | **(66.4)** | (23.9) | |
| **Amortisation of intangible assets** | **(62.1)** | (63.3) | |
| **Profit before tax** | **311.5** | 327.4 | |
| **Taxation** | **(57.3)** | (56.3) | |
| **Profit after tax** | **254.2** | 271.1 | |
| **Non-controlling interests** | **(8.7)** | (8.5) | |
| **Attributable profit** | **245.5** | 262.6 | |
| **Adjusted earnings per share[2]** | **362.6p** | 358.2p | **+1.3%** |
| **Dividend per share** | **145.27p** | 138.35p | **+5.0%** |
| **Operating cash flow** | **724.0** | 607.5 | |
| **Free cash flow[3]** | **492.3** | 434.0 | |
| **Net debt at 31 March (excluding lease creditors)** | **60.2** | 18.3 | |
| **Lease creditors** | **306.9** | 0.1 | |
| **Net debt at 31 March (including lease creditors)** | **367.1** | 18.4 | |
| **Total equity at 31 March** | **2,541.5** | 2,433.5 | |
| **Return on capital employed[4]** | **16.5%** | 17.0% | |

[1] The current financial year includes the impact of the adoption of IFRS 16 *Leases*; the comparatives have not been restated in accordance with transitional guidelines. As anticipated, the Group adjusted operating profit reflects a benefit of £5.0 million, while finance costs reflect an incremental charge of £8.6 million from the adoption of IFRS 16, resulting in a net negative impact on earnings of approximately £3.6 million, or 3.7 pence per share. See Note 2 Accounting Policies (page 29) for further details.
[2] Excluding net exceptionals and amortisation of intangible assets.
[3] After net working capital and net capital expenditure and before net exceptionals, interest and tax payments.
[4] Excluding the impact of the adoption of IFRS 16 *Leases*. Current year ROCE including the impact of the adoption of IFRS 16 *Leases* is 15.1%.

**Transition to IFRS 16**
The Group transitioned to the new leasing standard, IFRS 16, with effect from 1 April 2019. In common with most companies, DCC elected to adopt the modified retrospective approach, meaning that comparatives are not restated. In adopting IFRS 16 under the transitional guidelines at 1 April 2019, the Group capitalised approximately 2,000 leases. These 2,000 leases were with approximately 700 lessors, with no one lease or lessor relationship being individually significant. The applicable average lease term is approximately four years. The capitalisation of the right to use assets underlying these leases has resulted in a 'Right-of-Use leased asset' of £304.1 million at 31 March 2020, with a related lease creditor of £306.9 million at the same date.

As anticipated, the transition to IFRS 16 resulted in a favourable impact on adjusted operating profit of £5.0 million in the financial year, reflecting the replacement of operating lease charges with depreciation of a discounted right-of-use leased asset. It also resulted in an increase in net interest of £8.6 million in the year reflecting the unwinding of the lease liability. Consequently, the net impact on earnings for the financial year was a charge of approximately £3.6 million, or 3.7 pence per share.

**Reporting currency**
The Group's financial statements are presented in sterling. Results and cash flows of operations based in non-sterling jurisdictions have been translated into sterling at average rates for the year. The principal exchange rates used for the translation of results into sterling were as follows:

| | Average rate | |
|---|---|---|
| | **2020** | 2019 |
| | **Stg£1=** | Stg£1= |
| Euro | **1.1460** | 1.1319 |
| Danish Krone | **8.5639** | 8.4407 |
| Swedish Krona | **12.1816** | 11.7467 |
| Norwegian Krone | **11.4062** | 10.9172 |
| US Dollar | **1.2754** | 1.3184 |
| Hong Kong Dollar | **9.9760** | 10.3392 |

The impact of currency translation versus the prior year had a modest negative impact on Group adjusted operating profit, with average sterling exchange rates marginally strengthening against the euro and other relevant European currencies and weakening against the US Dollar.

**Revenue**
Overall, Group revenue decreased by 3.1% to £14.8 billion primarily driven by the lower oil price that prevailed during the year.

Volumes in DCC LPG increased by 4.7% (up 4.0% organically) to 2.2 million tonnes, principally reflecting continued success in oil to gas conversions in Britain and market share gains, particularly in Scandinavia and in the French B2B natural gas and power sector. Volumes also benefited from a slightly cooler winter versus the prior year, although weather conditions were milder than longer term averages.

DCC Retail & Oil volumes of 11.6 billion litres were 4.3% behind the prior year. Organically total volumes declined by 4.9%. The reduction primarily reflected lower volumes in Britain, particularly in the marine, aviation and commercial sectors as the business actively exited some high-volume, low-margin business, but also reflected lower commercial activity generally, given the more difficult economic backdrop in Britain as a result of Brexit. Volumes across Continental Europe, Scandinavia and Ireland were in line with expectations.

Combined revenues in DCC LPG and Retail & Oil declined by 6.9%, primarily reflecting the lower oil price during the year. Revenue excluding DCC LPG and DCC Retail & Oil was £4.5 billion, an increase of 6.7%, primarily driven by acquisitions.

**Group adjusted operating profit**

Group adjusted operating profit increased by 7.3% (7.6% on a constant currency basis) to £494.3 million, driven by the contribution from acquisitions completed in the current and prior year and good organic profit growth. Good organic performances from DCC LPG, DCC Retail & Oil and DCC Healthcare were somewhat offset by the organic profit decline in DCC Technology's UK business and the sale of DCC Healthcare's UK generic pharma activities. The positive effect of the adoption of IFRS 16 *Leases* on Group adjusted operating profit was £5.0 million and approximately half of the remaining constant currency growth was organic.

DCC LPG delivered very strong growth, with operating profit increasing by 13.1% (13.4% on a constant currency basis) to £228.2 million and more than three-quarters of the growth was organic. This excellent organic performance reflects good volume growth and strong procurement and cost control.

Operating profit in DCC Retail & Oil increased to £140.3 million, 4.9% ahead of the prior year (6.0% on a constant currency basis) and approximately half of the constant currency growth was organic. This strong performance reflects increased penetration of value-added products and services and strong cost control.

DCC Technology recorded modest operating profit growth of 1.0%, with the contribution from acquisitions and a good trading performance in North America and Continental Europe being offset by more difficult market conditions in the UK through the year which saw revenues and profits decline, as a result of uncertainty associated with Brexit and the impact of Covid-19 emerging in February and March 2020.

It was a year of significant progress for DCC Healthcare, as it generated strong profit growth on its continuing activities. DCC Healthcare's underlying profit growth of 8.6% (i.e. excluding the UK generic pharma activities disposed of in September 2019), approximately one-third of which was organic, reflects the benefit of acquisitions and strong organic growth in DCC Vital. DCC Health & Beauty Solutions grew its profits in the nutrition sector, however overall profit growth was held back by investment in onboarding new business in the beauty sector.

| | **FY20** | | | **FY19** | | | **% change** | | |
|---|---|---|---|---|---|---|---|---|---|
| | **H1** | **H2** | **FY** | **H1** | **H2** | **FY** | **H1** | **H2** | **FY** |
| **Adjusted operating profit*** | **£'m** | **£'m** | **£'m** | **£'m** | **£'m** | **£'m** | | | |
| **DCC LPG** | 49.0 | 179.2 | 228.2 | 40.9 | 160.9 | 201.8 | +19.8% | +11.4% | +13.1% |
| **DCC Retail & Oil** | 59.7 | 80.6 | 140.3 | 56.3 | 77.4 | 133.7 | +6.0% | +4.0% | +4.9% |
| **DCC Technology** | 25.4 | 39.9 | 65.3 | 17.8 | 46.9 | 64.7 | +42.6% | -14.8% | +1.0% |
| **DCC Healthcare** | 28.5 | 32.0 | 60.5 | 26.9 | 33.4 | 60.3 | +5.8% | -4.1%** | +0.3% |
| **Group** | **162.6** | **331.7** | **494.3** | **141.9** | **318.6** | **460.5** | **+14.5%** | **+4.1%** | **+7.3%** |
| | | | | | | | | | |
| **Adjusted EPS* (pence)** | **110.2** | **252.3** | **362.6** | **107.1** | **251.1** | **358.2** | **+3.1%** | **+0.5%** | **+1.3%** |

**Excluding net exceptionals and amortisation of intangible assets*

*** H2 like-for-like performance (i.e. excluding UK generic pharma activities sold in Sept 2019) was +14.0%*

## Finance costs (net) and other

Net finance costs and other increased to £54.3 million (2019: £45.9 million). The increase reflects the impact of the adoption of IFRS 16 in the current period, which increased finance costs by £8.6 million. The average net debt, excluding lease creditors, in the year was £342 million, compared to an average net debt of £670 million in the prior year. The decrease in average net debt excluding lease creditors reflects the benefit of the equity issuance completed in October 2018. The Group's private placement debt, which is the primary driver of finance costs, increased modestly versus the prior year as the Group drew down additional private placement debt in April 2019 to pre-fund maturities that the Group has in the current and forthcoming years.

Using the definitions contained in the Group's lending agreements, interest was covered 13.0 times by Group adjusted operating profit before depreciation and amortisation of intangible assets (2019: 12.2 times).

**Profit before net exceptional items, amortisation of intangible assets and tax**
Profit before net exceptional items, amortisation of intangible assets and tax increased by 6.1% to £440.0 million.

**Net exceptional charge and amortisation of intangible assets**
The Group incurred a net exceptional charge after tax and non-controlling interests of £63.0 million (2019: net exceptional charge of £24.6 million) as follows:

| | **£'m** |
|---|---|
| Loss on disposal | (34.7) |
| Restructuring and integration costs and other | (22.5) |
| Acquisition and related costs | (8.3) |
| IAS 39 mark-to-market charge | (0.9) |
| | (66.4) |
| Tax and non-controlling interest | 3.4 |
| **Net exceptional charge** | **(63.0)** |

There was a net cash inflow of £5.8 million relating to exceptional items.

In September 2019, DCC Healthcare completed the disposal of DCC Vital's UK generic pharma activities and related manufacturing facility in Ireland (Kent Pharma and Athlone Laboratories). The disposal sharpens the strategic focus of DCC Vital, allowing it to concentrate on those areas where it has market-leading positions and sustainable competitive advantage, in particular in the sales, marketing and distribution of medical products in Britain and Ireland. Whilst part of the DCC Group, the cashflows generated by the disposed business more than recovered its acquisition cost, however, the transaction resulted in a loss on disposal of £34.7 million, principally representing a non-cash impairment of the goodwill recognised on the initial acquisition of the business.

Restructuring and integration costs and other of £22.5 million principally relate to restructuring of operations related to the integration of completed acquisitions across a number of businesses, including within the LPG business in Britain and Ireland and the Technology business in the UK, and smaller restructuring costs in other businesses. The other significant contributor is ongoing dual running costs relating to the UK SAP implementation which is live in an element of the UK business and to which the remaining components of the business will transition on a phased basis during the upcoming summer months.

Acquisition costs include the professional fees and tax costs relating to the evaluation and completion of acquisition opportunities and amounted to £8.3 million.

Most of the Group's debt has been raised in the US private placement market, denominated in US dollars, euro and sterling. Long-term interest and cross currency interest rate derivatives have been utilised to achieve an appropriate mix of fixed and floating rate debt across the three currencies. The level of ineffectiveness calculated under IAS 39 on the fair value and cash flow hedge relationships relating to this debt is charged or credited as an exceptional item. In the year ended 31 March 2020, this amounted to an exceptional non-cash charge of £0.9 million. Following this charge, the cumulative net exceptional charge taken in respect of the Group's outstanding US Private Placement debt and related hedging instruments is £2.1 million. This, or any subsequent similar non-cash charges or gains, will net to zero over the remaining term of this debt and the related hedging instruments.

The charge for the amortisation of acquisition-related intangible assets decreased to £62.1 million from £63.3 million in the prior year.

**Profit before tax**

Profit before tax decreased by 4.9% to £311.5 million.

**Taxation**

The effective tax rate for the Group remained consistent with the prior year at 17.0%. The Group's tax rate is influenced by the geographical mix of profits arising in any year and the tax rates attributable to the individual territories.

**Adjusted earnings per share**

Adjusted earnings per share increased by 1.3% to 362.64 pence, with the strong growth in profit before exceptional items and goodwill amortisation of 6.1% being offset by the increased number of shares in issue following the equity placing successfully completed in the prior year.

Adjusted earnings in the current year were negatively impacted by the adoption of IFRS16 and the prior year comparatives including a full year's contribution from DCC Healthcare's generic pharmaceutical business, which was disposed of in the current year. Adjusting for both of these items would result in like-for-like adjusted earnings per share growth of 3.5%.

**Dividend**

Notwithstanding the uncertainty created by the Covid-19 pandemic, DCC has a very resilient business model and an extremely strong and liquid balance sheet. Accordingly, and having regard for all other relevant considerations, the Board is recommending the payment of a final dividend. The Board is proposing a 2.6% increase in the final dividend to 95.79 pence per share, which, when added to the interim dividend of 49.48 pence per share, gives a total dividend for the year of 145.27 pence per share. This represents a 5.0% increase over the total prior year dividend of 138.35 pence per share. The dividend is covered 2.5 times by adjusted earnings per share (2019: 2.6 times). It is proposed to pay the final dividend on 23 July 2020 to shareholders on the register at the close of business on 29 May 2020.

Over its 26 years as a listed company, DCC has an unbroken record of dividend growth at a compound annual rate of 14.0%.

**Return on capital employed**
The creation of shareholder value through the delivery of consistent, long-term returns well in excess of its cost of capital is one of DCC's core strategic aims. The return on capital employed by division was as follows:

| | **2020 excl. IFRS 16** | 2019 reported | *2020 incl. IFRS 16* |
|---|---|---|---|
| DCC LPG | **18.4%** | 17.1% | *17.5%* |
| DCC Retail & Oil | **18.5%** | 18.6% | *16.0%* |
| DCC Technology | **11.0%** | 14.3% | *10.0%* |
| DCC Healthcare | **14.7%** | 16.6% | *13.7%* |
| **Group** | **16.5%** | 17.0% | *15.1%* |

In 2020, the Group continued to generate very strong returns on capital employed with the modest decrease in the return on capital employed versus the prior year, excluding the impact of IFRS 16, principally reflecting the difficult market conditions experienced by the UK technology business, acquisition spend in the current and prior year, including the acquisition of Amerilab Technologies in March 2020, and organic investments made in the Group's manufacturing facilities, warehousing and operating infrastructure.

As set out in Note 2, Accounting Policies, on page 29, IFRS 16 *Leases* replaced IAS 17 *Leases* in the current financial year and so the Group's current year results reflect the impact of its adoption. Consistent with the approach taken by most issuers, DCC has not restated the prior year comparatives, in accordance with transitional guidelines.

The adoption of IFRS 16 has a material impact on the Group's financial statements, creating a significant new right-of-use asset and corresponding lease creditor. The net impact on the Group's current year return on capital employed was a reduction of 1.4%, as anticipated. This reduction reflects an increase in average capital employed of £300 million (being the new right-of-use leased assets) and an increase in adjusted operating profit of £5.0 million.

### Cash flow

The Group generated very strong operating and free cash flow during the year as set out below:

| Year ended 31 March | 2020<br>£'m | 2019<br>£'m |
|---|---|---|
| **Group operating profit** | **494.3** | 460.5 |
| Decrease in working capital | **49.2** | 37.5 |
| Depreciation (excl. ROU assets) and other | **122.3** | 109.5 |
| **Operating cash flow** | **665.8** | 607.5 |
| Capital expenditure (net) | **(167.8)** | (173.5) |
| | **498.0** | 434.0 |
| Depreciation on ROU assets | **58.2** | - |
| Repayment of lease creditors[1] | **(63.9)** | - |
| **Free cash flow**[1] | **492.3** | 434.0 |
| Interest and tax paid, net of dividend from equity accounted investments | **(116.2)** | (77.3) |
| **Free cash flow after interest and tax** | **376.1** | 356.7 |
| Acquisitions | **(227.5)** | (296.8) |
| Disposals | **36.7** | 8.5 |
| Dividends | **(139.2)** | (117.0) |
| Exceptional items | **(30.9)** | (34.6) |
| Share issues | **0.3** | 593.2 |
| **Net inflow** | **15.5** | 510.0 |
| Opening net debt | **(18.4)** | (542.7) |
| Translation and other | **(70.1)** | 14.3 |
| | **(73.0)** | (528.4) |
| IFRS 16 transition adjustment at 1 April 2019 | **(294.1)** | - |
| **Closing net debt (including lease creditors)** | **(367.1)** | (18.4) |
| **Analysis of closing net debt (including lease creditors):** | | |
| Net debt at 31 March (excluding lease creditors) | **(60.2)** | (18.3) |
| Lease creditors at 31 March | **(306.9)** | (0.1) |
| | **(367.1)** | (18.4) |

[1] Following the adoption of IFRS 16 *Leases*, the Group has redefined 'Free Cash Flow' to include repayment of lease creditors which ensures that the Group's reported Free Cash Flow is consistent with those previously reported and consequently the comparative measure has not been restated.

The Group's operating cash flow amounted to £665.8 million, compared to £607.5 million in the prior year, an increase of 9.6%. Notwithstanding the negative impact of a significantly lower oil price, working capital decreased by £49.2 million, primarily as a result of excellent working capital management across the Group and lower like-for-like activity levels in DCC Technology. Given that DCC's year-end fell during a period of lockdown across every country that the Group operates in, cash collection remained robust in the closing weeks of the year. Overall working capital days were negative 0.6 days sales, compared to negative 0.4 days sales in the prior year.

DCC Technology selectively uses supply chain financing solutions to sell, on a non-recourse basis, a portion of its receivables relating to certain larger supply chain/sales and marketing activities. The level of supply chain financing at 31 March 2020 was in line with the prior year and had a positive impact on Group working capital days of 5.1 days (31 March 2019: 4.9 days) or £207.8 million (2019: £211.4 million).

Net capital expenditure amounted to £167.8 million for the year (2019: £173.5 million) and was net of disposal proceeds of £13.2 million (2019: £8.8 million). The level of net capital expenditure reflects continued investment in organic initiatives across the Group, supporting the Group's continued growth and development. In the current year, investments in DCC LPG primarily comprised investment in relation to the Avonmouth LPG storage facility in the UK and further development expenditure to support the continued growth of the business, including conversion of oil customers to LPG. In the Retail & Oil division, there was continued investment in new retail sites and site upgrades, including capital expenditure in relation to the project to optimise the depot network in the UK to bring greater network and capital efficiency over time. The majority of the capital expenditure in DCC Technology relates to the SAP implementation which is ongoing in the UK business. In DCC Healthcare, the capital expenditure primarily relates to the previously announced investment in the expansion of the soft gel facility in south Wales. Net capital expenditure for the Group exceeded the depreciation charge (excluding depreciation on right-of-use leased assets) in the year by £49.3 million.

The Group's free cash flow amounted to £492.3 million, representing an excellent 100% conversion of operating profit into free cash flow.

**Total cash spend on acquisitions for the year ended 31 March 2020**

The total cash spend on acquisitions completed in the year was £227.5 million and included the payment of deferred and contingent acquisition consideration previously provided of £35.3 million.

The total cash spend on acquisitions completed in the year included the acquisitions of Amacom, Comm-Tec and Pacific Coast Energy which were announced in the prior year preliminary results statement and completed during the current year.

**Committed acquisitions, disposals and net capital expenditure**

Committed acquisition spend since the prior year preliminary results statement and net capital expenditure in the current year amounted to £336.4 million. An analysis by division is shown below:

| | **Acquisitions £'m** | **Capex £'m** | **Total £'m** |
|---|---|---|---|
| DCC LPG | 22.9 | 71.2 | 94.1 |
| DCC Retail & Oil | 10.2 | 55.8 | 66.0 |
| DCC Technology | 7.4 | 17.9 | 25.3 |
| DCC Healthcare | 128.1 | 22.9 | 151.0 |
| **Total** | **168.6** | **167.8** | **336.4** |

***DCC Healthcare***

**Amerilab Technologies**

In March 2020, DCC Healthcare acquired Amerilab Technologies, Inc ('Amerilab'), a specialist provider of contract manufacturing and related services in effervescent nutritional products, based near Minneapolis, in Plymouth, Minnesota. The acquisition of Amerilab is DCC Health & Beauty Solutions' third acquisition in the US market, following the acquisition of Ion Labs in November 2019 and Elite One Source in February 2018. It is a further significant step in the execution of the strategy to build a business of scale in the world's largest health supplements and nutritional products market.

Amerilab specialises in the manufacture of effervescent nutritional products in powder and tablet formats, which are packed in stickpacks, sachets and tubes. Its service offering includes product development, formulation, manufacturing, packaging and regulatory services. Amerilab operates from a large, well-invested facility, which complies with FDA cGMP (current Good Manufacturing Practices) and is certified by leading international regulatory bodies, NSF and the TGA (Australia's Therapeutic Goods Association). In recent years Amerilab has invested in high-speed, automated equipment, enhancing its operational efficiency and increasing manufacturing capacity. Amerilab's customer base consists of high-quality consumer healthcare companies, specialty brand owners and direct sales organisations. Effervescents are a higher growth product segment within the US nutritional market, with attractive demographic characteristics and environmental credentials. Amerilab's complementary effervescent capability will create opportunities for cross-selling and other synergies within DCC Health & Beauty Solutions.

The business, which employs 125 people and has revenues of approximately $68 million, continues to be led by its experienced management team. DCC acquired Amerilab based on an enterprise value of approximately $85 million (£72 million) and the business is expected to generate returns consistent with the existing Health & Beauty business within two years.

**Ion Labs**

In November 2019, DCC Healthcare acquired Ion Labs, Inc (‘Ion’), a Florida-based contract manufacturer of nutritional products for an enterprise value of approximately $60 million (£46 million). This acquisition represented a significant step in DCC Health & Beauty Solutions’ strategy to build a material presence in the attractive US health supplements and nutritional products market. It followed the acquisition of Elite One Source in February 2018, and significantly enhanced DCC Health & Beauty Solution’s service offering to customers in the US market, the world’s largest health supplement and nutritional products market. Ion has a broad product format capability encompassing tablets, capsules, powders and liquids across a variety of product categories including herbal and botanical products, probiotics and liquid nutritionals. In addition, Ion is currently commissioning a new nutritional gummies manufacturing line which will provide DCC Health & Beauty Solutions with capability in this fast growth category. Ion operates from well invested facilities which comply with FDA cGMP (current Good Manufacturing Practices) and Health Canada standards. The business is led by an experienced management team, employs 360 people and has annual revenues of approximately $80 million.

In addition, DCC Vital completed a number of complementary bolt-on acquisitions in Britain which have expanded its product portfolio and strengthened its market presence. SP Services is a leading supplier of medical consumables and equipment for first aid, ambulance, paramedic and rescue professionals in the ‘blue light’ and occupational health sectors. VacSax is a small British manufacturer and supplier of disposable suction devices used in operating theatres and hospitals.

***DCC LPG***

**Budget Energy**

In May 2020, DCC LPG completed the acquisition of Budget Energy, an independent electricity supplier operating throughout the island of Ireland, supplying approximately 90,000 residential electricity customers. Budget Energy has a strong history of sourcing renewable energy, with agreements in place for the purchase of electricity generated from solar, wind and anaerobic digestion sources. The acquisition of Budget Energy enhances DCC LPG's presence in the Irish electricity market and represents an important step in its strategy to develop its natural gas and power offerings across the island of Ireland.

In addition, DCC LPG also recently completed a small bolt-on acquisition in the US.

***DCC Retail & Oil***
DCC Retail & Oil completed a number of small, complementary bolt-on acquisitions in Britain and Ireland during the year. These acquisitions have been successfully integrated into the existing business.

***DCC Technology***
DCC Technology acquired two small businesses during the year, a managed service business in Ireland and a Pro AV specialist in the Benelux region. Although small, both acquisitions support DCC Technology's strategy to continuously enhance its service offering to its customers and suppliers.

**Disposal**
***DCC Healthcare***
**Kent Pharma and Athlone Laboratories**
In September 2019, DCC Vital completed the disposal of its UK generic pharma activities and related manufacturing facility in Ireland (Kent Pharma and Athlone Laboratories). The disposal sharpens the strategic focus of DCC Vital, allowing it to concentrate on those areas where it has market-leading positions and sustainable competitive advantage, in particular in the sales, marketing and distribution of medical products in Britain and Ireland. DCC Vital will also continue to develop its pharma activities in Ireland which encompass a market leadership position in the procurement and sales of exempt medicinal products and agency distribution into the hospital and retail pharmacy segments.

**Financial strength**
An integral part of the Group's strategy is the maintenance of a strong and liquid balance sheet which, amongst other benefits, enables it to take advantage of development opportunities as they arise. At 31 March 2020, the Group had net debt (excluding lease creditors) of £60.2 million, total equity of £2.5 billion, cash resources, net of overdrafts, of £1.7 billion and undrawn, committed debt facilities of approximately £350 million.

The net debt (excluding lease creditors) of £60.2 million is net of translation and other adverse movements of £70.1 million, with most of this movement driven by a mark-to-market liability of the Group's LPG and Retail & Oil hedging derivatives . Reflecting the recent fall in oil and related commodity products, the majority of this mark-to-market liability relates to commodity hedges put in place to facilitate back-to-back fixed pricing requests from customers, with the balance related to the Group's normal rolling hedging programmes.

The Group's outstanding term debt had an average maturity of 6.1 years. Substantially all of the Group's debt has been raised in the US Private Placement market with an average credit margin of 1.66% over floating Euribor/Libor. In April 2019, DCC successfully drew down a private placement issuance of approximately £350 million, the proceeds of which will be used to repay maturing private placement debt. At 31 March 2020, the Group's net debt:EBITDA (excluding lease creditors) was 0.1 times.

This extremely strong financial position leaves DCC very well placed to navigate the uncertainty created by the Covid-19 pandemic and to continue its growth and development into the future.

**Management changes**
As announced on 24 February 2020, Fergal O'Dwyer, who has been Chief Financial Officer since 1994, will retire from the Group after 31 years of service. Fergal will stand down from his executive position and from the Board following the conclusion of the Group's Annual General Meeting on 17 July 2020. He will be succeeded by Kevin Lucey, Head of Capital Markets, who will be appointed to the Board of DCC as an Executive Director, following the conclusion of the Annual General Meeting. Kevin joined DCC in 2010. Kevin has been a member of the Group Management Team and Head of Capital Markets since 2017 and was previously the Head of Group Finance (2015 to 2017) and Finance & Development Director of DCC Technology (2010 to 2015).

**Outlook**
The very uncertain environment created by the Covid-19 pandemic is impacting all businesses. Whilst DCC will be impacted in the near-term by the necessary restrictions placed on society to curtail the spread of the disease, DCC has a diverse and very resilient business model, leading market positions and an extremely strong balance sheet and is well positioned to continue its growth and development into the future.

**Annual Report and Annual General Meeting**
Due to the continuation of the Irish Government's Covid-19 restrictions in relation to travel and public gatherings and to prioritise the health and safety of our shareholders and employees, the Annual General Meeting will be held at 11.00 am on 17 July 2020 at DCC House, Leopardstown Road, Foxrock, Dublin 18, with the minimum necessary quorum of three shareholders (which will be facilitated by the Chairman of the meeting).

Shareholders will be requested not to attend the meeting but instead will be invited to submit questions in advance of the meeting. A listen only dial-in facility will be provided to allow shareholders to listen to the business of the meeting. Further details will be provided in due course.

**Performance Review – Divisional Analysis**

| DCC LPG | 2020 | 2019 | % change |
|---|---|---|---|
| **Volumes (thousand tonnes)** | **2,176.3kT** | **2,078.3kT** | **+4.7%** |
| **Operating profit** | **£228.2m** | **£201.8m** | **+13.1%** |
| **Operating profit per tonne** | **£104.87** | **£97.11** | **+8.0%** |
| **Return on capital employed excl. IFRS 16** | **18.4%** | **17.1%** | |
| *Return on capital employed incl. IFRS 16* | *17.5%* | *N/A* | |

DCC LPG delivered very strong growth, with operating profit increasing by 13.1% (13.4% on a constant currency basis) to £228.2 million and over three-quarters of the constant currency growth was organic. This excellent organic performance was driven by good volume growth and strong procurement and cost control. The performance benefited modestly from the cooler weather relative to the prior year, although weather conditions were milder than long term averages.

Overall volumes increased by 4.7% (4.0% organically), driven by continued success in oil to gas conversions in Britain and market share gains, particularly in Scandinavia and in the French B2B natural gas and power sector. The operating profit per tonne increased versus the prior year, reflecting the good procurement and cost performance and the more favourable cost of product environment.

The business in France again performed well and delivered good operating profit growth, with new business development driving growth in the B2B natural gas and power sector and good procurement and cost control contributing to a strong performance in LPG. The business continues to focus on diversifying its offering to complement its very strong position in the retail and domestic LPG segments and is increasing its presence in the commercial LPG market. In addition, consistent with its ambition to constantly improve the service offering to customers, it has expanded its market-leading cylinder offering to now include both bio-LPG and home delivery.

DCC LPG delivered very strong organic profit growth in Britain and Ireland. In Britain, the business recorded strong growth across all segments and continued its track record of success in growing its sales to industrial and commercial customers. Both the British and Irish businesses also benefited from operational improvement projects implemented in both the prior and current years. In Britain, improvements made in supply-chain and procurement were effective in the seasonally important winter period, following supply disruption experienced in the British market in the prior year. The British business continues to invest in its operational infrastructure and is progressing with the conversion of an existing LNG facility in Avonmouth into a large LPG storage terminal. In Ireland, the business continues to invest in its natural gas and electricity offering and post year-end further expanded its natural gas and power proposition offering in Ireland following the acquisition of Budget Energy, an independent electricity supplier operating throughout the island of Ireland, supplying approximately 90,000 residential electricity customers. Budget Energy has a strong history of sourcing renewable energy, with agreements in place for the purchase of electricity generated from solar, wind and anaerobic digestion sources.

The US business performed very strongly during the year, with good organic profit growth and the benefit from the integration of Pacific Coast Energy, which has performed well since acquisition in April 2019. The organic growth was driven by an excellent operational, supply chain and procurement performance during a period of market supply disruption and cooler weather. The US business continues to target further expansion in the highly fragmented US market and post year-end completed a small bolt-on acquisition. The business in Hong Kong & Macau also performed well during a difficult year for the region with a series of protests and, post-Christmas, the disruption caused by Covid-19. The business remained operational throughout these periods of disruption, continuing to provide excellent service to customers and growing its presence in the domestic sector in particular.

DCC LPG has substantial operations in ten countries and is very well placed to continue its development both in existing and new territories, as well as continuing to develop its position in adjacencies, which broadens the service offering of the division.

| DCC Retail & Oil | 2020 | 2019 | % change |
|---|---|---|---|
| **Volumes (litres)** | **11.632bn** | **12.151bn** | **-4.3%** |
| **Operating profit** | **£140.3m** | **£133.7m** | **+4.9%** |
| **Operating profit per litre** | **1.21ppl** | **1.10ppl** | **+10.0%** |
| **Return on capital employed excl. IFRS 16** | **18.5%** | **18.6%** | |
| *Return on capital employed incl. IFRS 16* | *16.0%* | *N/A* | |

DCC Retail & Oil delivered good growth, with operating profit increasing to £140.3 million, 4.9% ahead of the prior year, up 6.0% on a constant currency basis and approximately half of the constant currency growth was organic. The performance reflects the continuing focus on providing customers with essential liquid fuel products, increasing penetration of value-added products and services and strong cost control, which drove good organic profit growth in the year.

DCC Retail & Oil sold 11.6 billion litres of product, a decline of 4.3% on the prior year (4.9% decline organically). The reduction primarily reflects lower volumes in Britain, particularly in the marine, aviation and commercial sectors as the business actively exited some high volume, low margin relationships. It also reflects lower commercial activity in Britain generally, given the more difficult economic backdrop during the year as a result of Brexit. Volumes across Continental Europe, Scandinavia and Ireland were in line with expectations, with annual volumes modestly adversely impacted in the retail sector as a result of the Covid-19 related restrictions on mobility introduced in March.

In Britain and Ireland, the business delivered very strong organic profit growth. The reduced marine, aviation and commercial volumes and an increased penetration of premium fuels, including premium heating oil, benefited the margin mix and a good cost performance drove the strong performance. The business continued to make good progress in expanding its retail network in Britain with 10 new site additions and also announced a partnership with Tesco in Ireland to operate its nationwide network of 22 sites which will commence in the current year. In Britain, the business has continued to develop its HGV truck stop network and now has 20 well-located sites, including three new sites completed in the past year, and continues to enhance its offering with additional services to HGVs, such as secure parking and truck washes. The business also continues to develop into adjacent areas, such as lubricants, and has acquired three small bolt-on lubricants and lubricant blending businesses in the last two years.

The Scandinavian business delivered a good performance, primarily driven by strong organic operating profit growth in Denmark, as the business continued to both develop its offering in differentiated fuels and benefit from improvements made to the retail and commercial operations acquired in 2017. In July 2019, the business entered into a new branded marketing and distribution agreement with Shell Aviation, which involved Shell taking a stake in the existing Danish aviation operations, giving the business access to Shell's global network and settlements platform. Although small in the context of the division, this development further strengthens DCC Retail & Oil's presence in the aviation fuels market. The businesses in both Norway and Sweden performed in line with expectations.

The French business delivered very strong organic profit growth, reflecting a continued focus on business development and customer engagement following the successful implementation of customer-centred initiatives in the prior year including a loyalty programme, fuel differentiation through Esso's Synergy Fuels and an improved carwash offering. The business in Austria also performed well and has been particularly successful in bringing new offerings to customers, including premium fuel and lower-carbon initiatives.

DCC Retail & Oil now has substantial operations in eight countries and has developed a scalable platform to grow the business in existing and new territories.

| DCC Technology | 2020 | 2019 | % change |
|---|---|---|---|
| **Revenue** | **£3.913bn** | **£3.631bn** | **+7.8%** |
| **Operating profit** | **£65.3m** | **£64.7m** | **+1.0%** |
| **Operating margin** | **1.7%** | **1.8%** | |
| **Return on capital employed excl. IFRS 16** | **11.0%** | **14.3%** | |
| *Return on capital employed incl. IFRS 16* | *10.0%* | *N/A* | |

DCC Technology experienced a difficult year with the challenges of a UK market impacted by Brexit and related uncertainty throughout the year and the impact of Covid-19 beginning to emerge through February and March 2020. Notwithstanding these significant challenges, the business recorded modest operating profit growth of 1.0%, benefiting from acquisitions completed in the current and prior year and good growth in North America and Continental Europe, being offset by a substantial organic operating profit decline in the UK. DCC Technology delivered strong free cash flow, with the reduction in ROCE reflecting the profit decline in the UK and also the impact of recent strategic investments made in the warehousing and operating infrastructure of the division which will facilitate growth and enhanced returns in future years.

As reported through the year, the UK technology market experienced weak demand which impacted the B2B and enterprise channels and had an increasing impact in the retail sector into the important Christmas trading period. Consequently, the UK business saw a decline both in revenue and operating profit. DCC Technology continues to have leading shares of the UK technology market across its key product categories and customer channels and the business delivered growth in key product categories including smarthome, computing, security and wireless.

The upgrade of the enterprise management system is nearing completion, with the system now live and operating effectively in a portion of the business. The remaining components are scheduled to go live in the coming months and the upgrade is expected to significantly enhance the capability of the business to service its customers and suppliers. The Irish business performed in line with expectations, with strong growth in retail and continued expansion of its services business, including in enterprise mobile management.

In Continental Europe, operating profit growth was primarily driven by the previously announced acquisitions of Amacom and Comm-Tec. Amacom in particular has performed very strongly since acquisition, with its technology-enabled services and customer integration capability enabling etailers and retailers to expand their customer base and product breadth. In France, while the consumer business continued to be challenging, it performed ahead of the prior year as it benefited from revenue growth with key vendors. The French reseller business performed satisfactorily and is continuing to invest in its audio-visual proposition. The business in the Middle East continued to generate organic revenue growth, despite the impact of Covid-19 restrictions towards the end of the year, which impacted high street sales in a market with a relatively immature online presence.

The North American business performed very well, benefiting from good market conditions and some new vendor additions during the year. The business saw strong growth in the Pro AV, Pro Audio & Lighting and Consumer Electronics segments in both the US and Canada. In Pro AV, the business generated growth in the hospitality market as well as in sales of Direct View LED, in particular into corporate and retail customers. In Pro Audio, the business generated strong sales in recording, post-production and mixing products and with a new vendor in the Canadian market, as well as strong sales of multi-media and consumer audio products. DCC Technology has a very strong platform to develop and expand its business in North America, particularly in the Pro AV, Pro Audio and Consumer Electronics markets.

In both expanding its geographic presence and increasing its focus on value-added services in recent years, DCC Technology has built an excellent platform to drive further growth and support its vendors and customers with market-leading services across its chosen markets.

| DCC Healthcare – reported | 2020 | 2019 | % change |
|---|---|---|---|
| **Revenue** | **£578.1m** | **£576.4m** | **+0.3%** |
| **Operating profit** | **£60.5m** | **£60.3m** | **+0.3%** |
| **Return on capital employed excl. IFRS 16** | **14.7%** | **16.6%** | |
| *Return on capital employed incl. IFRS 16* | *13.7%* | *N/A* | |

The reported growth in revenue and operating profit in DCC Healthcare was impacted by the disposal of its UK generic pharmaceutical activities and related manufacturing facility in Ireland (Kent Pharma and Athlone Laboratories) in September 2019. Accordingly, the analysis and commentary below relate to the activities of DCC Healthcare which continue to be part of the Group.

| DCC Healthcare – continuing basis | 2020 | 2019 | % change |
|---|---|---|---|
| **Revenue** | **£549.5m** | **£519.0m** | **+5.9%** |
| **Operating profit** | **£56.0m** | **£51.6m** | **+8.6%** |
| **Operating margin** | **10.2%** | **9.9%** | |

DCC Healthcare made considerable strategic progress during the year in generating very good profit growth, significantly expanding its presence in the US nutrition market with two substantial acquisitions and strengthening its position in the primary and secondary healthcare sectors in Britain with a number of small bolt-on acquisitions. In addition, DCC Healthcare sharpened its strategic focus in disposing of its activities in the highly competitive generic pharmaceutical sector in Britain in September 2019. DCC Healthcare's profit growth of 8.6% reflects the benefit of acquisitions and good organic profit growth, with the ROCE for the year reflecting the timing of the acquisition of Amerilab in March 2020.

DCC Vital, which is focused on the sales and marketing of medical products and pharmaceuticals to healthcare providers in Britain and Ireland, generated strong organic profit growth and benefited from small bolt-on acquisitions completed during the first half of the year. In Britain, the business performed robustly against a market background which was impacted for much of the year by Brexit-related stock movements and funding constraints. In Ireland, the business generated good growth in the pharma sector, particularly in sales of blood plasma products and exempt medicinal products. Following the disposal of Kent, DCC Vital streamlined its operations, increasing efficiency and reducing costs during the second half of the year. In March 2020, DCC Vital responded quickly and effectively to meet urgent Covid-19 demand from the healthcare systems in Britain and Ireland for PPE, ICU-related medical devices and other healthcare products. The business' ability to respond quickly demonstrated the dedication of its people and the robustness of its operations and supply chain.

DCC Health & Beauty Solutions, which provides outsourced solutions to international nutrition and beauty brand owners, grew its profits in the nutrition sector and significantly expanded its US presence. The two acquisitions completed during the year, Ion Labs in November 2019 and Amerilab in March 2020, have both added important new customer relationships and enhanced product format capability in the US market. DCC Health & Beauty Solutions has now made three acquisitions in the US nutrition market in just over two years and is making good progress in executing on its strategy to build a business of scale in the world's largest nutritional products market. In the European nutrition sector, growth was held back due to destocking by a small number of customers which impacted demand for soft gels. In the final weeks of the year, the nutritional order book strengthened significantly across all facilities in the UK and US, as customers benefited from increased consumer interest in preventative healthcare as a result of the Covid-19 pandemic. In the beauty sector, DCC Health & Beauty Solutions made good progress during the year in enhancing its customer mix, moving the weighting further towards premium products for leading international brands and exiting certain mass-market product lines. This activity resulted in certain cost increases with the onboarding of more complex products, but, as anticipated, in the second half of the year these costs normalised following the implementation of increased automation. The business exited the year well positioned for growth.

With both the sharpened strategic focus of DCC Vital and increased geographic reach and product capability in DCC Health & Beauty Solutions, DCC Healthcare has excellent platforms to continue its long-term growth and development in existing and new markets.

## Forward-looking statements

This announcement contains some forward-looking statements that represent DCC's expectations for its business, based on current expectations about future events, which by their nature involve risk and uncertainty. DCC believes that its expectations and assumptions with respect to these forward-looking statements are reasonable, however because they involve risk and uncertainty as to future circumstances, which are in many cases beyond DCC's control, actual results or performance may differ materially from those expressed in or implied by such forward-looking statements.

# Group Income Statement

**For the year ended 31 March 2020**

| | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|
| | **Notes** | **Pre exceptionals £'000** | **Exceptionals (note 5) £'000** | **Total £'000** | Pre exceptionals £'000 | Exceptionals (note 5) £'000 | Total £'000 |
| **Revenue** | **4** | **14,755,393** | **-** | **14,755,393** | 15,226,893 | - | 15,226,893 |
| Cost of sales | | **(13,015,419)** | **-** | **(13,015,419)** | (13,589,254) | - | (13,589,254) |
| **Gross profit** | | **1,739,974** | **-** | **1,739,974** | 1,637,639 | - | 1,637,639 |
| Administration expenses | | **(457,722)** | **-** | **(457,722)** | (410,388) | - | (410,388) |
| Selling and distribution expenses | | **(813,326)** | **-** | **(813,326)** | (793,514) | - | (793,514) |
| Other operating income/(expenses) | | **25,342** | **(65,486)** | **(40,144)** | 26,785 | (28,185) | (1,400) |
| **Adjusted operating profit** | | **494,268** | **(65,486)** | **428,782** | 460,522 | (28,185) | 432,337 |
| Amortisation of intangible assets | | **(62,138)** | **-** | **(62,138)** | (63,312) | - | (63,312) |
| **Operating profit** | **4** | **432,130** | **(65,486)** | **366,644** | 397,210 | (28,185) | 369,025 |
| Finance costs | | **(94,824)** | **(860)** | **(95,684)** | (83,595) | - | (83,595) |
| Finance income | | **39,510** | **-** | **39,510** | 36,980 | 4,307 | 41,287 |
| Equity accounted investments' profit after tax | | **1,015** | **-** | **1,015** | 717 | - | 717 |
| **Profit before tax** | | **377,831** | **(66,346)** | **311,485** | 351,312 | (23,878) | 327,434 |
| Income tax expense | | **(60,625)** | **3,290** | **(57,335)** | (55,617) | (685) | (56,302) |
| **Profit after tax for the financial year** | | **317,206** | **(63,056)** | **254,150** | 295,695 | (24,563) | 271,132 |
| | | | | | | | |
| **Profit attributable to:** | | | | | | | |
| Owners of the Parent | | **308,500** | **(62,991)** | **245,509** | 287,156 | (24,563) | 262,593 |
| Non-controlling interests | | **8,706** | **(65)** | **8,641** | 8,539 | - | 8,539 |
| | | **317,206** | **(63,056)** | **254,150** | 295,695 | (24,563) | 271,132 |
| **Earnings per ordinary share** | | | | | | | |
| Basic earnings per share | **6** | | | **249.64p** | | | 280.14p |
| Diluted earnings per share | **6** | | | **249.21p** | | | 279.73p |
| Basic adjusted earnings per share | **6** | | | **362.64p** | | | 358.16p |
| Diluted adjusted earnings per share | **6** | | | **362.02p** | | | 357.63p |

The current financial year includes the impact of the adoption of IFRS 16 *Leases;* the comparatives have not been restated in accordance with transitional guidelines.

# Group Statement of Comprehensive Income

**For the year ended 31 March 2020**

| | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|
| **Group profit for the financial year** | **254,150** | 271,132 |
| | | |
| **Other comprehensive income:** | | |
| **Items that may be reclassified subsequently to profit or loss** | | |
| Currency translation: | | |
| - arising in the year | **5,763** | 5,649 |
| - recycled to the Income Statement on disposal | **(397)** | - |
| Movements relating to cash flow hedges | **(34,206)** | 1,555 |
| Movement in deferred tax liability on cash flow hedges | **5,816** | (264) |
| | **(23,024)** | 6,940 |
| **Items that will not be reclassified to profit or loss** | | |
| Group defined benefit pension obligations: | | |
| - remeasurements | **4,132** | (1,346) |
| - movement in deferred tax asset | **(560)** | 223 |
| | **3,572** | (1,123) |
| | | |
| **Other comprehensive income for the financial year, net of tax** | **(19,452)** | 5,817 |
| | | |
| **Total comprehensive income for the financial year** | **234,698** | 276,949 |
| | | |
| **Attributable to:** | | |
| Owners of the Parent | **224,496** | 269,387 |
| Non-controlling interests | **10,202** | 7,562 |
| | **234,698** | 276,949 |

# Group Balance Sheet

**As at 31 March 2020**

| | Notes | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **1,089,027** | 996,536 |
| Right-of-use leased assets | **10** | **304,097** | - |
| Intangible assets and goodwill | | **2,126,892** | 2,069,558 |
| Equity accounted investments | | **27,729** | 24,233 |
| Deferred income tax assets | | **35,362** | 26,142 |
| Derivative financial instruments | | **232,766** | 143,554 |
| | | **3,815,873** | 3,260,023 |
| **Current assets** | | | |
| Inventories | | **630,996** | 678,006 |
| Trade and other receivables | | **1,647,117** | 1,517,507 |
| Derivative financial instruments | | **32,656** | 67,987 |
| Cash and cash equivalents | | **1,794,467** | 1,554,093 |
| | | **4,105,236** | 3,817,593 |
| **Total assets** | | **7,921,109** | 7,077,616 |
| **EQUITY** | | | |
| **Capital and reserves attributable to owners of the Parent** | | | |
| Share capital | | **17,422** | 17,422 |
| Share premium | | **882,887** | 882,561 |
| Share based payment reserve | **8** | **34,914** | 28,706 |
| Cash flow hedge reserve | **8** | **(43,277)** | (14,887) |
| Foreign currency translation reserve | **8** | **111,527** | 107,722 |
| Other reserves | **8** | **932** | 932 |
| Retained earnings | | **1,482,288** | 1,368,250 |
| **Equity attributable to owners of the Parent** | | **2,486,693** | 2,390,706 |
| Non-controlling interests | | **54,765** | 42,821 |
| **Total equity** | | **2,541,458** | 2,433,527 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **1,856,004** | 1,441,904 |
| Lease creditors | **10** | **259,456** | 452 |
| Derivative financial instruments | | **3,729** | 1,122 |
| Deferred income tax liabilities | | **179,959** | 174,250 |
| Post employment benefit obligations | **11** | **(7,315)** | (1,397) |
| Provisions for liabilities | | **264,208** | 269,580 |
| Acquisition related liabilities | | **77,381** | 73,586 |
| Government grants | | **331** | 342 |
| | | **2,633,753** | 1,959,839 |
| **Current liabilities** | | | |
| Trade and other payables | | **2,318,758** | 2,218,838 |
| Current income tax liabilities | | **36,487** | 49,799 |
| Borrowings | | **230,264** | 331,124 |
| Lease creditors | **10** | **47,411** | 449 |
| Derivative financial instruments | | **30,144** | 9,008 |
| Provisions for liabilities | | **46,581** | 47,208 |
| Acquisition related liabilities | | **36,253** | 27,824 |
| | | **2,745,898** | 2,684,250 |
| **Total liabilities** | | **5,379,651** | 4,644,089 |
| **Total equity and liabilities** | | **7,921,109** | 7,077,616 |
| **Net debt included above (excluding lease creditors)** | **9** | **(60,252)** | (17,524) |

The current financial year includes the impact of the adoption of IFRS 16 *Leases;* the comparatives have not been restated in accordance with transitional guidelines.

# Group Statement of Changes in Equity

| **For the year ended 31 March 2020** | **Attributable to owners of the Parent** | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Share capital £'000** | **Share premium £'000** | **Retained earnings £'000** | **Other reserves (note 8) £'000** | **Total £'000** | **Non-controlling interests £'000** | **Total equity £'000** |
| **At 1 April 2019** | **17,422** | **882,561** | **1,368,250** | **122,473** | **2,390,706** | **42,821** | **2,433,527** |
| Profit for the financial year | **-** | **-** | **245,509** | **-** | **245,509** | **8,641** | **254,150** |
| **Other comprehensive income:** | | | | | | | |
| Currency translation: | | | | | | | |
| - arising in the year | **-** | **-** | **-** | **4,202** | **4,202** | **1,561** | **5,763** |
| - recycled to the Income Statement on disposal | **-** | **-** | **-** | **(397)** | **(397)** | **-** | **(397)** |
| Group defined benefit pension obligations: | | | | | | | |
| - remeasurements | **-** | **-** | **4,132** | **-** | **4,132** | **-** | **4,132** |
| - movement in deferred tax asset | **-** | **-** | **(560)** | **-** | **(560)** | **-** | **(560)** |
| Movements relating to cash flow hedges | **-** | **-** | **-** | **(34,206)** | **(34,206)** | **-** | **(34,206)** |
| Movement in deferred tax liability on cash flow hedges | **-** | **-** | **-** | **5,816** | **5,816** | **-** | **5,816** |
| **Total comprehensive income** | **-** | **-** | **249,081** | **(24,585)** | **224,496** | **10,202** | **234,698** |
| Re-issue of treasury shares | **-** | **326** | **-** | **-** | **326** | **-** | **326** |
| Share based payment | **-** | **-** | **-** | **6,208** | **6,208** | **-** | **6,208** |
| Sale of equity interest to non-controlling interest | **-** | **-** | **4,169** | **-** | **4,169** | **1,742** | **5,911** |
| Dividends | **-** | **-** | **(139,212)** | **-** | **(139,212)** | **-** | **(139,212)** |
| **At 31 March 2020** | **17,422** | **882,887** | **1,482,288** | **104,096** | **2,486,693** | **54,765** | **2,541,458** |

| For the year ended 31 March 2019 | Attributable to owners of the Parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital £'000 | Share premium £'000 | Retained earnings £'000 | Other reserves (note 8) £'000 | Total £'000 | Non-controlling interests £'000 | Total equity £'000 |
| At 1 April 2018 | 15,455 | 280,533 | 1,237,937 | 108,733 | 1,642,658 | 35,259 | 1,677,917 |
| IFRS 9 transition adjustment | - | - | (3,349) | - | (3,349) | - | (3,349) |
| At 1 April 2018 (restated) | 15,455 | 280,533 | 1,234,588 | 108,733 | 1,639,309 | 35,259 | 1,674,568 |
| Profit for the financial year | - | - | 262,593 | - | 262,593 | 8,539 | 271,132 |
| Other comprehensive income: | | | | | | | |
| Currency translation | - | - | - | 6,626 | 6,626 | (977) | 5,649 |
| Group defined benefit pension obligations: | | | | | | | |
| - remeasurements | - | - | (1,346) | - | (1,346) | - | (1,346) |
| - movement in deferred tax asset | - | - | 223 | - | 223 | - | 223 |
| Movements relating to cash flow hedges | - | - | - | 1,555 | 1,555 | - | 1,555 |
| Movement in deferred tax liability on cash flow hedges | - | - | - | (264) | (264) | - | (264) |
| Total comprehensive income | - | - | 261,470 | 7,917 | 269,387 | 7,562 | 276,949 |
| Issue of share capital | 1,967 | 600,970 | (10,847) | - | 592,090 | - | 592,090 |
| Re-issue of treasury shares | - | 1,058 | - | - | 1,058 | - | 1,058 |
| Share based payment | - | - | - | 5,823 | 5,823 | - | 5,823 |
| Dividends | - | - | (116,961) | - | (116,961) | - | (116,961) |
| At 31 March 2019 | 17,422 | 882,561 | 1,368,250 | 122,473 | 2,390,706 | 42,821 | 2,433,527 |

# Group Cash Flow Statement

**For the year ended 31 March 2020**

| | Notes | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the financial year | | **254,150** | 271,132 |
| Add back non-operating expenses/(income): | | | |
| - tax | | **57,335** | 56,302 |
| - share of equity accounted investments' profit | | **(1,015)** | (717) |
| - net operating exceptionals | | **65,486** | 28,185 |
| - net finance costs | | **56,174** | 42,308 |
| **Group operating profit before exceptionals** | | **432,130** | 397,210 |
| Share-based payments expense | | **6,208** | 5,823 |
| Depreciation (including right-of-use leased assets) | | **176,734** | 109,626 |
| Amortisation of intangible assets | | **62,138** | 63,312 |
| Profit on disposal of property, plant and equipment | | **(5,604)** | (2,182) |
| Amortisation of government grants | | **(11)** | (40) |
| Other | | **3,180** | (3,709) |
| Decrease in working capital | | **49,190** | 37,465 |
| **Cash generated from operations before exceptionals** | | **723,965** | 607,505 |
| Exceptionals | | **(30,922)** | (34,619) |
| **Cash generated from operations** | | **693,043** | 572,886 |
| Interest paid (including lease interest) | | **(84,975)** | (78,031) |
| Income tax paid | | **(78,961)** | (34,500) |
| **Net cash flows from operating activities** | | **529,107** | 460,355 |
| **Investing activities** | | | |
| Inflows: | | | |
| Proceeds from disposal of property, plant and equipment | | **13,166** | 8,810 |
| Dividends received from equity accounted investments | | **-** | 420 |
| Disposal of subsidiaries | | **36,688** | 8,492 |
| Interest received | | **39,188** | 34,831 |
| | | **89,042** | 52,553 |
| Outflows: | | | |
| Purchase of property, plant and equipment | | **(181,014)** | (182,311) |
| Acquisition of subsidiaries | **12** | **(192,189)** | (266,525) |
| Payment of accrued acquisition related liabilities | | **(35,339)** | (30,311) |
| | | **(408,542)** | (479,147) |
| **Net cash flows from investing activities** | | **(319,500)** | (426,594) |
| **Financing activities** | | | |
| Inflows: | | | |
| Proceeds from issue of shares | | **326** | 593,148 |
| Net cash inflow on derivative financial instruments | | **18,574** | - |
| Increase in interest-bearing loans and borrowings | | **408,095** | 201,357 |
| Increase in finance lease liabilities | | **-** | 492 |
| | | **426,995** | 794,997 |
| Outflows: | | | |
| Repayment of interest-bearing loans and borrowings | | **(248,017)** | (201,357) |
| Repayment of lease creditors | | **(55,225)** | (630) |
| Dividends paid to owners of the Parent | **7** | **(139,212)** | (116,961) |
| | | **(442,454)** | (318,948) |
| **Net cash flows from financing activities** | | **(15,459)** | 476,049 |
| Change in cash and cash equivalents | | **194,148** | 509,810 |
| Translation adjustment | | **24,597** | (8,075) |
| Cash and cash equivalents at beginning of year | | **1,466,028** | 964,293 |
| **Cash and cash equivalents at end of year** | | **1,684,773** | 1,466,028 |
| **Cash and cash equivalents consists of:** | | | |
| Cash and short-term bank deposits | | **1,794,467** | 1,554,093 |
| Overdrafts | | **(109,694)** | (88,065) |
| | | **1,684,773** | 1,466,028 |

The current financial year includes the impact of the adoption of IFRS 16 *Leases;* the comparatives have not been restated in accordance with transitional guidelines.

# Notes to the Condensed Financial Statements

**For the year ended 31 March 2020**

## 1. Basis of Preparation

The financial information, from the Group Income Statement to note 16, contained in this preliminary results statement has been derived from the Group financial statements for the year ended 31 March 2020 and is presented in sterling, rounded to the nearest thousand. The financial information does not include all the information and disclosures required in the annual financial statements. The Annual Report will be distributed to shareholders and made available on the Company's website www.dcc.ie. It will also be filed with the Companies Registration Office. The auditors have reported on the financial statements for the year ended 31 March 2020 and their report was unqualified. The financial information for the year ended 31 March 2019 represents an abbreviated version of the Group's statutory financial statements on which an unqualified audit report was issued and which have been filed with the Companies Registration Office. The financial information presented in this report has been prepared in accordance with the Listing Rules of the Financial Services Authority and the accounting policies that the Group has adopted for the year ended 31 March 2020.

## 2. Accounting Policies

The Group has adopted the following standards, interpretations and amendments to existing standards during the financial year:

**IFRS 16 *Leases***

This standard replaced IAS 17 *Leases*. The changes under IFRS 16 are significant and predominantly affect lessees, the accounting for which is substantially reformed. The lessor accounting requirements contained in IFRS 16's predecessor, IAS 17, remain largely unchanged. The main impact on lessees is that almost all leases are recognised on the balance sheet as the distinction between operating and finance leases is removed for lessees. Under IFRS 16, an asset (the right to use the leased item) and a liability (the lease creditor) to pay rentals are recognised. The only exemptions are short-term leases and low-value leased assets. The standard introduces new estimates and judgemental thresholds that affect the identification, classification and measurement of lease transactions.

The Group adopted IFRS 16 on the transition date of 1 April 2019 using the modified retrospective approach, which means that comparatives do not need to be restated. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Account for leases ending within 12 months of the date of initial application as short-term leases;
- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- Rely on a previous assessment of whether leases are onerous in accordance with IAS 37 immediately before the date of initial application as an alternative to performing an impairment review.

At transition date, the Group calculated the lease commitments outstanding at that date and applied appropriate discount rates to calculate the present value of the lease commitment which was recognised as a creditor and a right-of-use leased asset on the Group's Balance Sheet. Adjustments were made for any related prepayments, accruals and onerous lease provisions with no adjustment to opening retained earnings. The discount rates applied were arrived at using a methodology to calculate the incremental borrowing rates across the Group. The Group engaged a specialist valuation expert to assist with this process. The weighted average incremental borrowing rate applied to lease creditors on the Consolidated Balance Sheet at 1 April 2019 was 3.0%.

In the Income Statement, the Group previously recognised operating lease rentals in operating expenses. Under IFRS 16, a right-of-use leased asset is capitalised and depreciated over the term of the lease as an operating expense with an associated finance cost applied annually to the lease creditor. The Group avails of the exemption from capitalising lease costs for short-term leases and low-value assets where the relevant criteria are met; such lease costs continue to be expensed in the Income Statement as incurred. Wholly variable lease payments directly linked to sales or usage are also expensed as incurred. See note 10, Leases, for further information.

The adoption of IFRS 16 had a material impact on the Group's financial statements as follows:

- Right-of-use leased assets: increase of £297 million on transition at 1 April 2019;
- Lease creditors: increase of £294 million on transition at 1 April 2019;
- Adjusted operating profit: increase of £5.0 million in the year; and
- Net finance cost: increase of £8.6 million in the year.

## 2. Accounting Policies (continued)

A reconciliation of the operating lease commitment previously reported under IAS 17 to the discounted lease creditor as at 1 April 2019 under IFRS 16 is as follows:

| | As at 1 April 2019 £'000 |
|---|---|
| **Operating lease commitment under IAS 17** | 376,337 |
| Contracts identified as leases under IFRS 16 | 25,509 |
| Wholly variable leases not capitalised under IFRS 16 | (29,749) |
| Commitments relating to low value leased assets and short-term leases | (5,017) |
| Impact of discounting | (72,940) |
| **Effect of adopting IFRS 16** | 294,140 |
| Existing IAS 17 finance leases | 901 |
| **Discounted lease creditor under IFRS 16 as at 1 April 2019** | 295,041 |

**Set out below is the new accounting policy of the Group upon adoption of IFRS 16, *Leases*:**

The Group enters into leases for a range of assets, principally relating to property. These property leases have varying terms and renewal rights, including periodic rent reviews linked with indices. The Group also leases motor vehicles, plant, machinery and other equipment. The terms and conditions of these leases do not impose significant financial restrictions on the Group.

A contract contains a lease if it is enforceable and conveys the right to control the use of a specified asset for a period of time in exchange for consideration, which is assessed at inception. A right-of-use asset and lease creditor are recognised at the commencement date for contracts containing a lease, with the exception of leases with a term of 12 months or less, leases where the underlying asset is of low value and leases with associated payments that vary directly in line with usage or sales (such lease costs continue to be expensed in the Income Statement as incurred). The commencement date is the date at which the asset is made available for use by the Group.

The lease creditor is initially measured at the present value of the future minimum lease payments, discounted using the incremental borrowing rate over the remaining lease term. Lease payments include fixed payments, variable payments that are dependent on an index known at the commencement date, payments for an optional renewal period and termination option payments, if the Group is reasonably certain to exercise those options. The lease term is the non-cancellable period of the lease adjusted for any renewal or termination options which are reasonably certain to be exercised. Management applies judgement in determining whether it is reasonably certain that a renewal or termination option will be exercised.

Incremental borrowing rates are calculated using a portfolio approach, based on the risk profile of the entity holding the lease and the term and currency of the lease.

After initial recognition, the lease creditor is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future minimum lease payments or when the Group changes its assessment of whether it is reasonably certain to exercise an option within the contract. A corresponding adjustment is made to the carrying amount of the right-of-use asset.

The right-of-use asset is initially measured at cost, which comprises the lease creditor adjusted for any payments made at or before the commencement date, initial direct costs incurred, lease incentives received and an estimate of the cost to dismantle or restore the underlying asset or the site on which it is located at the end of the lease term. The right-of-use asset is depreciated over the lease term and is tested periodically for impairment if an impairment indicator is considered to exist.

**IFRIC 23 *Uncertainty over Income Tax Treatments***

This IFRIC clarifies the accounting for uncertainties in income taxes and is applied to the determination of taxable profit (or tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 *Income Taxes*. The adoption of this IFRIC has had an immaterial impact on the Group's financial statements.

**Amendments to IFRS 9, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform***

The Group has elected to early adopt the amendments to IFRS 9, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform* issued in September 2019 for the financial year ended 31 March 2020. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships that existed at the start of the financial year or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve at 1 April 2019. The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by Interbank Offered Rates ('IBOR') reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the Income Statement. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

## 2. Accounting Policies (continued)

The following changes to IFRS became effective for the Group during the year but did not result in material changes to the Group's consolidated financial statements:

- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19: *Plan amendment, curtailment or settlement*
- Amendments to IAS 28: *Long-term interests in associates and joint ventures*
- Amendments to IFRS 9: *Prepayment features with negative compensation*

The Group has not applied certain new standards, amendments and interpretations to existing standards that have been issued but are not yet effective. They are either not expected to have a material effect on the consolidated financial statements or they are not currently relevant for the Group. These include:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- IFRS 17 *Insurance Contracts*

## 3. Reporting Currency

The Group's financial statements are presented in sterling, denoted by the symbol '£'. Results and cash flows of operations based in non-sterling countries have been translated into sterling at average rates for the year, and the related balance sheets have been translated at the rates of exchange ruling at the balance sheet date. The principal exchange rates used for translation of results and balance sheets into sterling were as follows:

| | **Average rate** | | **Closing rate** | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Stg£1=** | Stg£1= | **Stg£1=** | Stg£1= |
| Euro | **1.1460** | 1.1319 | **1.1282** | 1.1651 |
| Danish Krone | **8.5639** | 8.4407 | **8.4244** | 8.6977 |
| Swedish Krona | **12.1816** | 11.7467 | **12.4789** | 12.1146 |
| Norwegian Krone | **11.4062** | 10.9172 | **12.9851** | 11.2536 |
| US Dollar | **1.2754** | 1.3184 | **1.2360** | 1.3090 |
| Hong Kong Dollar | **9.9760** | 10.3392 | **9.5831** | 10.2755 |

## 4. Segmental Reporting

DCC is a leading international sales, marketing and support services group headquartered in Dublin, Ireland. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as Mr. Donal Murphy, Chief Executive and his executive management team.

The Group is organised into four operating segments (as identified under IFRS 8 *Operating Segments*) and generates revenue through the following activities:

**DCC LPG** is a leading liquefied petroleum gas ('LPG') sales and marketing business with presences in Europe, North America and Asia and a developing business in the retailing of natural gas and electricity as well as the sales and distribution of industrial gases including refrigerants;

**DCC Retail & Oil** is a leading operator of retail petrol stations in Europe and is the leading reseller of fuel cards in Britain. DCC Retail & Oil is also a leading oil distributor in Europe;

**DCC Technology** is a leading route-to-market and supply chain partner for global technology brands and customers; and

**DCC Healthcare** is a leading healthcare business, providing products and services to healthcare providers and health and beauty brand owners.

Net finance costs and income tax are managed on a centralised basis and therefore these items are not allocated between operating segments for the purpose of presenting information to the chief operating decision maker and accordingly are not included in the detailed segmental analysis below. Intersegment revenue is not material and thus not subject to separate disclosure.

## 4. Segmental Reporting (continued)

An analysis of the Group's performance by segment and geographic location is as follows:

### (a) By operating segment

| | Year ended 31 March 2020 | | | | |
|---|---|---|---|---|---|
| | **DCC LPG £'000** | **DCC Retail & Oil £'000** | **DCC Technology £'000** | **DCC Healthcare £'000** | **Total £'000** |
| **Segment revenue** | **1,657,341** | **8,607,302** | **3,912,652** | **578,098** | **14,755,393** |
| **Adjusted operating profit** | **228,230** | **140,240** | **65,280** | **60,518** | **494,268** |
| Amortisation of intangible assets | **(32,719)** | **(5,386)** | **(19,437)** | **(4,596)** | **(62,138)** |
| Net operating exceptionals (note 5) | **(6,030)** | **(3,281)** | **(15,404)** | **(40,771)** | **(65,486)** |
| **Operating profit** | **189,481** | **131,573** | **30,439** | **15,151** | **366,644** |

| | Year ended 31 March 2019 | | | | |
|---|---|---|---|---|---|
| | DCC LPG £'000 | DCC Retail & Oil £'000 | DCC Technology £'000 | DCC Healthcare £'000 | Total £'000 |
| Segment revenue | 1,778,293 | 9,241,281 | 3,630,934 | 576,385 | 15,226,893 |
| Adjusted operating profit | 201,826 | 133,731 | 64,638 | 60,327 | 460,522 |
| Amortisation of intangible assets | (31,525) | (10,574) | (14,885) | (6,328) | (63,312) |
| Net operating exceptionals (note 5) | (7,041) | (4,063) | (16,175) | (906) | (28,185) |
| Operating profit | 163,260 | 119,094 | 33,578 | 53,093 | 369,025 |

### (b) By geography

The Group has a presence in 20 countries worldwide. The following represents a geographical analysis of revenue and non-current assets in accordance with IFRS 8, which requires disclosure of information about the country of domicile (Republic of Ireland) and countries with material revenue and non-current assets.

Revenue from operations is derived almost entirely from the sale of goods and is disclosed based on the location of the entity selling the goods. The analysis of non-current assets is based on the location of the assets. There are no material dependencies or concentrations on individual customers which would warrant disclosure under IFRS 8.

| | **Revenue** | | **Non-current assets*** | |
|---|---|---|---|---|
| | **2020 £'000** | 2019 £'000 | **2020 £'000** | 2019 £'000 |
| Republic of Ireland | **842,680** | 849,795 | **155,712** | 128,138 |
| United Kingdom | **6,818,145** | 7,345,634 | **1,229,019** | 1,118,552 |
| France | **2,875,390** | 2,958,479 | **952,818** | 862,014 |
| Other | **4,219,178** | 4,072,985 | **1,210,196** | 981,623 |
| | **14,755,393** | 15,226,893 | **3,547,745** | 3,090,327 |

** Non-current assets comprise goodwill and intangible assets, property, plant and equipment, right-of-use leased assets and equity accounted investments*

## 4. Segmental Reporting (continued)

**Disaggregation of revenue**

The following table disaggregates revenue by primary geographical market, major revenue lines and timing of revenue recognition. The use of revenue as a metric of performance in the Group's LPG and Retail & Oil segments is of limited relevance due to the influence of changes in underlying oil product costs on absolute revenues. Whilst changes in underlying oil product costs will change percentage operating margins, this has little relevance in the downstream energy distribution market in which these two segments operate where profitability is driven by absolute contribution per tonne/litre of product sold, and not a percentage margin. Accordingly, Management review geographic volume performance rather than geographic revenue performance for these two segments as country-specific GDP and weather patterns can influence volumes. The disaggregated revenue information presented below for DCC Technology and DCC Healthcare, which can also be influenced by country-specific GDP movements, is consistent with how revenue is reported and reviewed internally.

| | **Year ended 31 March 2020** | | | | |
|---|---|---|---|---|---|
| | **DCC LPG £'000** | **DCC Retail & Oil £'000** | **DCC Technology £'000** | **DCC Healthcare £'000** | **Total £'000** |
| Republic of Ireland (country of domicile) | **116,161** | **356,382** | **277,232** | **92,905** | **842,680** |
| United Kingdom | **299,645** | **3,753,823** | **2,347,476** | **417,201** | **6,818,145** |
| France | **843,974** | **1,786,321** | **245,095** | **-** | **2,875,390** |
| Other | **397,561** | **2,710,776** | **1,042,849** | **67,992** | **4,219,178** |
| **Revenue** | **1,657,341** | **8,607,302** | **3,912,652** | **578,098** | **14,755,393** |
| | | | | | |
| Products transferred at point in time | **1,657,341** | **8,607,302** | **3,912,652** | **578,098** | **14,755,393** |
| Products transferred over time | **-** | **-** | **-** | **-** | **-** |
| **Revenue** | **1,657,341** | **8,607,302** | **3,912,652** | **578,098** | **14,755,393** |
| | | | | | |
| LPG and related products | **1,657,341** | **-** | **-** | **-** | **1,657,341** |
| Oil and related products | **-** | **8,607,302** | **-** | **-** | **8,607,302** |
| Technology products and services | **-** | **-** | **3,912,652** | **-** | **3,912,652** |
| Medical and pharmaceutical products | **-** | **-** | **-** | **328,597** | **328,597** |
| Nutrition and health & beauty products | **-** | **-** | **-** | **249,501** | **249,501** |
| **Revenue** | **1,657,341** | **8,607,302** | **3,912,652** | **578,098** | **14,755,393** |

| | Year ended 31 March 2019 | | | | |
|---|---|---|---|---|---|
| | DCC LPG £'000 | DCC Retail & Oil £'000 | DCC Technology £'000 | DCC Healthcare £'000 | Total £'000 |
| Republic of Ireland (country of domicile) | 128,086 | 365,814 | 268,795 | 87,100 | 849,795 |
| United Kingdom | 298,731 | 4,125,047 | 2,477,365 | 444,491 | 7,345,634 |
| France | 911,829 | 1,835,326 | 211,324 | - | 2,958,479 |
| Other | 439,647 | 2,915,094 | 673,450 | 44,794 | 4,072,985 |
| Revenue | 1,778,293 | 9,241,281 | 3,630,934 | 576,385 | 15,226,893 |
| | | | | | |
| Products transferred at point in time | 1,778,293 | 9,241,281 | 3,630,934 | 576,385 | 15,226,893 |
| Products transferred over time | - | - | - | - | - |
| Revenue | 1,778,293 | 9,241,281 | 3,630,934 | 576,385 | 15,226,893 |
| | | | | | |
| LPG and related products | 1,778,293 | - | - | - | 1,778,293 |
| Oil and related products | - | 9,241,281 | - | - | 9,241,281 |
| Technology products and services | - | - | 3,630,934 | - | 3,630,934 |
| Medical and pharmaceutical products | - | - | - | 344,955 | 344,955 |
| Nutrition and health & beauty products | - | - | - | 231,430 | 231,430 |
| Revenue | 1,778,293 | 9,241,281 | 3,630,934 | 576,385 | 15,226,893 |

## 5. Exceptionals

| | **2020** | 2019 |
|---|---|---|
| | **£'000** | £'000 |
| Loss on disposal | **(34,709)** | - |
| Restructuring costs | **(22,011)** | (19,430) |
| Acquisition and related costs | **(8,286)** | (9,564) |
| Adjustments to contingent acquisition consideration | **673** | 1,727 |
| Other operating exceptional items | **(1,153)** | (918) |
| Net operating exceptional items | **(65,486)** | (28,185) |
| | | |
| Mark to market of swaps and related debt | **(860)** | 4,307 |
| Net exceptional items before taxation | **(66,346)** | (23,878) |
| | | |
| Income tax credit/(charge) attaching to exceptional items | **3,290** | (685) |
| Net exceptional items after taxation | **(63,056)** | (24,563) |
| | | |
| Non-controlling interest share of net exceptional items after taxation | **65** | - |
| Net exceptional items attributable to owners of the Parent | **(62,991)** | (24,563) |

In September 2019, DCC Healthcare completed the disposal of DCC Vital's UK generic pharma activities and related manufacturing facility in Ireland (Kent Pharma and Athlone Laboratories). The disposal sharpens the strategic focus of DCC Vital, allowing it to concentrate on those areas where it has market-leading positions and sustainable competitive advantage, in particular in the sales, marketing and distribution of medical products in Britain and Ireland. Whilst part of the DCC Group, the cashflows generated by the disposed business more than recovered its acquisition cost, however, the transaction resulted in a loss on disposal of £34.709 million, principally representing a non-cash impairment of the goodwill recognised on the initial acquisition of the business.

Restructuring and integration costs of £22.011 million principally relate to restructuring of operations related to the integration of completed acquisitions across a number of businesses, including within the LPG business in Britain and Ireland and the Technology business in the UK, and smaller restructuring costs in other businesses. The other significant contributor is ongoing dual running costs relating to the UK SAP implementation which is live in an element of the UK business and to which the remaining components of the business will transition on a phased basis during the upcoming summer months.

Acquisition and related costs include the professional fees and tax costs relating to the evaluation and completion of acquisition opportunities and amounted to £8.286 million.

Most of the Group's debt has been raised in the US private placement market, denominated in US dollars, euro and sterling. Long-term interest and cross currency interest rate derivatives have been utilised to achieve an appropriate mix of fixed and floating rate debt across the three currencies. The level of ineffectiveness calculated under IAS 39 on the fair value and cash flow hedge relationships relating to this debt is charged or credited as an exceptional item. In the year ended 31 March 2020, this amounted to an exceptional non-cash charge of £0.860 million. Following this charge, the cumulative net exceptional charge taken in respect of the Group's outstanding US Private Placement debt and related hedging instruments is £2.134 million. This, or any subsequent similar non-cash charges or gains, will net to zero over the remaining term of this debt and the related hedging instruments.

There was a related income tax credit of £3.290 million and non controlling interest credit of £0.065 million in relation to certain exceptional charges.

The net cash flow impact in the current year for exceptional items was an inflow of £5.766 million (2019: an outflow of £34.619 million).

## 6. Earnings per Ordinary Share

| | **2020** | 2019 |
|---|---|---|
| | **£'000** | £'000 |
| Profit attributable to owners of the Parent | **245,509** | 262,593 |
| Amortisation of intangible assets after tax | **48,141** | 48,565 |
| Exceptionals after tax (note 5) | **62,991** | 24,563 |
| Adjusted profit after taxation and non-controlling interests | **356,641** | 335,721 |

| | **2020** | 2019 |
|---|---|---|
| **Basic earnings per ordinary share** | **pence** | pence |
| Basic earnings per ordinary share | **249.64p** | 280.14p |
| Amortisation of intangible assets after tax | **48.95p** | 51.81p |
| Exceptionals after tax | **64.05p** | 26.21p |
| Adjusted basic earnings per ordinary share | **362.64p** | 358.16p |
| Weighted average number of ordinary shares in issue (thousands) | **98,345** | 93,736 |

Basic earnings per share is calculated by dividing the profit attributable to owners of the Parent by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares. The adjusted figures for basic earnings per ordinary share (a non-GAAP financial measure) are intended to demonstrate the results of the Group after eliminating the impact of amortisation of intangible assets and net exceptionals.

| | **2020** | 2019 |
|---|---|---|
| **Diluted earnings per ordinary share** | **pence** | pence |
| Basic earnings per ordinary share | **249.21p** | 279.73p |
| Amortisation of intangible assets after tax | **48.87p** | 51.73p |
| Exceptionals after tax | **63.94p** | 26.17p |
| Adjusted basic earnings per ordinary share | **362.02p** | 357.63p |
| Weighted average number of ordinary shares in issue (thousands) | **98,514** | 93,874 |

The earnings used for the purposes of the diluted earnings per ordinary share calculations were £245.509 million (2019: £262.593 million) and £356.641 million (2019: £335.721 million) for the purposes of the adjusted diluted earnings per ordinary share calculations.

The weighted average number of ordinary shares used in calculating the diluted earnings per ordinary share for the year ended 31 March 2020 was 98.514 million (2019: 93.874 million). A reconciliation of the weighted average number of ordinary shares used for the purposes of calculating the diluted earnings per ordinary share amounts is as follows:

| | **2020** | 2019 |
|---|---|---|
| | **'000** | '000 |
| Weighted average number of ordinary shares in issue | **98,345** | 93,736 |
| Dilutive effect of options and awards | **169** | 138 |
| Weighted average number of ordinary shares for diluted earnings per share | **98,514** | 93,874 |

Diluted earnings per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Share options and awards are the Company's only category of dilutive potential ordinary shares. The adjusted figures for diluted earnings per ordinary share (a non-GAAP financial measure) are intended to demonstrate the results of the Group after eliminating the impact of amortisation of intangible assets and net exceptionals.

Employee share options and awards, which are performance-based, are treated as contingently issuable shares because their issue is contingent upon satisfaction of specified performance conditions in addition to the passage of time. These contingently issuable shares are excluded from the computation of diluted earnings per ordinary share where the conditions governing exercisability would not have been satisfied as at the end of the reporting period if that were the end of the vesting period.

## 7. Dividends

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Final - paid 93.37 pence per share on 18 July 2019 (2019: paid 82.09 pence per share on 19 July 2018) | **89,424** | 73,108 |
| Interim - paid 49.48 pence per share on 11 December 2019 (2019: paid 44.98 pence per share on 12 December 2018) | **49,788** | 43,853 |
| | **139,212** | 116,961 |

The Directors are proposing a final dividend in respect of the year ended 31 March 2020 of 95.79 pence per ordinary share (£94.259 million). This proposed dividend is subject to approval by the shareholders at the Annual General Meeting.

## 8. Other Reserves

**For the year ended 31 March 2020**

| | **Share based payment reserve £'000** | **Cash flow hedge reserve £'000** | **Foreign currency translation reserve £'000** | **Other reserves £'000** | **Total £'000** |
|---|---|---|---|---|---|
| At 1 April 2019 | **28,706** | **(14,887)** | **107,722** | **932** | **122,473** |
| Currency translation: | | | | | |
| - arising in the year | **-** | **-** | **4,202** | **-** | **4,202** |
| - recycled to the Income Statement on disposal | **-** | **-** | **(397)** | **-** | **(397)** |
| Movements relating to cash flow hedges | **-** | **(34,206)** | **-** | **-** | **(34,206)** |
| Movement in deferred tax liability on cash flow hedges | **-** | **5,816** | **-** | **-** | **5,816** |
| Share based payment | **6,208** | **-** | **-** | **-** | **6,208** |
| At 31 March 2020 | **34,914** | **(43,277)** | **111,527** | **932** | **104,096** |

For the year ended 31 March 2019

| | Share based payment reserve £'000 | Cash flow hedge reserve £'000 | Foreign currency translation reserve £'000 | Other reserves £'000 | Total £'000 |
|---|---|---|---|---|---|
| At 1 April 2018 | 22,883 | (16,178) | 101,096 | 932 | 108,733 |
| Currency translation | - | - | 6,626 | - | 6,626 |
| Movements relating to cash flow hedges | - | 1,555 | - | - | 1,555 |
| Movement in deferred tax liability on cash flow hedges | - | (264) | - | - | (264) |
| Share based payment | 5,823 | - | - | - | 5,823 |
| At 31 March 2019 | 28,706 | (14,887) | 107,722 | 932 | 122,473 |

# Notes to the Condensed Financial Statements

**For the year ended 31 March 2020**

## 9. Analysis of Net Debt

| | **2020** | 2019 |
|---|---|---|
| | **£'000** | £'000 |
| **Non-current assets** | | |
| Derivative financial instruments | **232,766** | 143,554 |
| **Current assets** | | |
| Derivative financial instruments | **32,656** | 67,987 |
| Cash and cash equivalents | **1,794,467** | 1,554,093 |
| | **1,827,123** | 1,622,080 |
| **Non-current liabilities** | | |
| Derivative financial instruments | **(3,729)** | (1,122) |
| Unsecured Notes | **(1,856,004)** | (1,441,904) |
| | **(1,859,733)** | (1,443,026) |
| **Current liabilities** | | |
| Bank borrowings | **(166,328)** | (88,065) |
| Derivative financial instruments | **(30,144)** | (9,008) |
| Unsecured Notes | **(63,936)** | (243,059) |
| | **(260,408)** | (340,132) |
| **Net debt (excluding lease creditors)** | **(60,252)** | (17,524) |
| Lease creditors (non-current)* | **(259,456)** | (452) |
| Lease creditors (current)* | **(47,411)** | (449) |
| Total lease creditors | **(306,867)** | (901) |
| **Net debt (including lease creditors)** | **(367,119)** | (18,425) |

*Lease creditors at 31 March 2019 represent amounts previously disclosed as 'finance leases'.

## 10. Leases

The Group adopted IFRS 16 *Leases* with effect from 1 April 2019. At the date of transition, the Group calculated the lease commitments outstanding at that date and applied appropriate discount rates to calculate the present value of the lease commitment which was recognised as a lease creditor and a right-of-use leased asset on the Group's Balance Sheet.

The movement in the Group's lease creditors during the period is as follows:

| | **2020** |
|---|---|
| | **£'000** |
| At 1 April 2019 | **901** |
| Effect of adopting IFRS 16 | **294,140** |
| Exchange differences | **1,474** |
| Additions of right-of-use assets | **46,700** |
| Disposals | **(589)** |
| Arising on acquisition | **19,466** |
| Payments | **(63,860)** |
| Discount unwinding | **8,635** |
| At 31 March 2020 | **306,867** |

## 10. Leases (continued)

An analysis of the maturity profile of the discounted lease creditor arising from the Group's leasing activities as at 31 March 2020 is as follows:

| | 31 March 2020 £'000 |
|---|---|
| Within one year | **47,411** |
| Between one and two years | **40,131** |
| Between two and five years | **90,905** |
| Over 5 years | **128,420** |
| Total | **306,867** |
| | |
| Analysed as: | |
| Non-current liabilities | **259,456** |
| Current liabilities | **47,411** |
| | **306,867** |

The Group has availed of the exemption from capitalising lease costs for short-term leases and low-value assets where the relevant criteria are met. Wholly variable lease payments directly linked to sales or usage are also expensed as incurred. The following lease costs have been charged to the Income Statement as incurred:

| | 2020 £'000 |
|---|---|
| Short-term leases | **7,931** |
| Leases of low value assets | **483** |
| Wholly variable lease payments | **50,304** |
| Total | **58,718** |

The total cash outflow for lease payments during the period was as follows:

| | |
|---|---|
| Cash outflow for short-term leases, leases of low value assets and wholly variable lease payments | **58,718** |
| Lease payments relating to capitalised right-of-use leased assets | **63,860** |
| Total cash outflow for lease payments | **122,578** |

The movement in the Group's right-of-use leased assets during the period is as follows:

| | 2020 £'000 |
|---|---|
| At 1 April 2019, net carrying amount | **-** |
| Effect of adopting IFRS 16 | **296,806** |
| Exchange differences | **2,260** |
| Additions | **46,700** |
| Disposals | **(1,195)** |
| Arising on acquisition | **17,715** |
| Depreciation | **(58,189)** |
| At 31 March 2020, net carrying amount | **304,097** |

## 11. Post Employment Benefit Obligations

The Group's defined benefit pension schemes' assets were measured at fair value at 31 March 2020. The defined benefit pension schemes' liabilities at 31 March 2020 were updated to reflect material movements in underlying assumptions.

The Group's post employment benefit obligations moved from a net asset of £1.397 million at 31 March 2019 to a net asset of £7.315 million at 31 March 2020. The movement in the net asset position primarily reflects contributions in excess of the current service cost together with actuarial gains arising from an increase in discount rates used to value the scheme liabilities in Ireland and Germany and a reduction in the inflation assumption across all schemes.

## 12. Business Combinations

A key strategy of the Group is to create and sustain market leadership positions through acquisitions in markets it currently operates in, together with extending the Group's footprint into new geographic markets. In line with this strategy, the principal acquisitions completed by the Group during the period, together with percentages acquired, were as follows:

- The acquisition by DCC LPG in April 2019 of 100% of Pacific Coast Energy, an LPG distribution business operating in the north-west of the USA;
- The acquisition by DCC Technology in June 2019 of 75% of Amacom Holding BV ('Amacom'). Amacom is a leading distributor of consumer electronics, AV and IT products, primarily to the retail and e-tail sectors in the Netherlands;
- The acquisition by DCC Technology in July 2019 of 100% of Comm-Tec GmbH ('Comm-Tec'). Comm-Tec is a leading value-added distributor of Pro AV and IT products to system integrators and resellers across Germany, Austria, Switzerland, Italy and Spain;
- The acquisition in November 2019 of 100% of Ion Laboratories, Inc ('Ion'). Ion is a contract manufacturer of nutraceuticals based in Florida, USA, and has a broad product format capability encompassing tablets, capsules, powders and liquids across a variety of product categories; and
- The acquisition in March 2020 of 100% of Amerilab Technologies, Inc ('Amerilab'), a specialist provider of contract manufacturing and related services in effervescent nutritional products, based in Minnesota, USA.

# Notes to the Condensed Financial Statements

**For the year ended 31 March 2020**

## 12. Business Combinations (continued)

The acquisition data presented below reflects the fair value of the identifiable net assets acquired (excluding net cash/debt acquired) in respect of acquisitions completed during the year.

| | **Total 2020 £'000** | Total 2019 £'000 |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Property, plant and equipment | **34,276** | 12,791 |
| Right-of-use leased assets | **17,715** | - |
| Intangible assets | **78,991** | 74,053 |
| Equity accounted investments | **1,646** | 164 |
| Deferred income tax assets | **120** | 2,602 |
| Total non-current assets | **132,748** | 89,610 |
| | | |
| **Current assets** | | |
| Inventories | **44,307** | 104,591 |
| Trade and other receivables | **65,888** | 141,388 |
| Total current assets | **110,195** | 245,979 |
| | | |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Deferred income tax liabilities | **(5,443)** | (19,322) |
| Provisions for liabilities | **(588)** | (846) |
| Government grants | **-** | (147) |
| Lease creditors | **(16,403)** | - |
| Total non-current liabilities | **(22,434)** | (20,315) |
| | | |
| **Current liabilities** | | |
| Trade and other payables | **(59,626)** | (129,118) |
| Provisions for liabilities | **(621)** | (389) |
| Current income tax (liability)/asset | **(342)** | 966 |
| Lease creditors | **(3,063)** | - |
| Total current liabilities | **(63,652)** | (128,541) |
| | | |
| Identifiable net assets acquired | **156,857** | 186,733 |
| Goodwill | **78,376** | 109,738 |
| **Total consideration** | **235,233** | 296,471 |
| | | |
| **Satisfied by:** | | |
| Cash | **186,324** | 274,678 |
| Net debt/(cash and cash equivalents) acquired | **5,865** | (8,153) |
| Net cash outflow | **192,189** | 266,525 |
| Acquisition related liabilities | **43,044** | 29,946 |
| **Total consideration** | **235,233** | 296,471 |

## 12. Business Combinations (continued)

None of the business combinations completed during the year were considered sufficiently material to warrant separate disclosure of the fair values attributable to those combinations. The carrying amounts of the assets and liabilities acquired, determined in accordance with IFRS, before completion of the combination together with the adjustments made to those carrying values disclosed above were as follows:

| Total | Book value £'000 | Fair value adjustments £'000 | Fair value £'000 |
|---|---|---|---|
| Non-current assets (excluding goodwill) | 56,604 | 76,144 | 132,748 |
| Current assets | 116,020 | (5,825) | 110,195 |
| Non-current liabilities | (17,416) | (5,018) | (22,434) |
| Current liabilities | (62,809) | (843) | (63,652) |
| Identifiable net assets acquired | 92,399 | 64,458 | 156,857 |
| Goodwill arising on acquisition | 142,834 | (64,458) | 78,376 |
| Total consideration | 235,233 | - | 235,233 |

The initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis in respect of a number of the business combinations above given the timing of closure of these transactions. Any amendments to fair values within the twelve month timeframe from the date of acquisition will be disclosable in the 2021 Annual Report as stipulated by IFRS 3.

The principal factors contributing to the recognition of goodwill on business combinations entered into by the Group are the expected profitability of the acquired business and the realisation of cost savings and synergies with existing Group entities.

£40.5 million of the goodwill recognised in respect of acquisitions completed during the financial year is expected to be deductible for tax purposes.

Acquisition related costs included in other operating expenses in the Group Income Statement amounted to £8.286 million.

No contingent liabilities were recognised on the acquisitions completed during the year or the prior financial years.

The gross contractual value of trade and other receivables as at the respective dates of acquisition amounted to £66.771 million. The fair value of these receivables is £65.888 million (all of which is expected to be recoverable) and is inclusive of an aggregate allowance for impairment of £0.883 million.

The fair value of contingent consideration recognised at the date of acquisition is calculated by discounting the expected future payment to present value at the acquisition date. In general, for contingent consideration to become payable, pre-defined profit thresholds must be exceeded. On an undiscounted basis, the future payments for which the Group may be liable for acquisitions completed during the year range from nil to £64.4 million.

The acquisitions during the year contributed £149.4 million to revenues and £11.2 million to profit after tax. Had all the business combinations effected during the year occurred at the beginning of the year, total Group revenue for the year ended 31 March 2020 would have been £14,886.7 million and total Group profit after tax would be £253.6 million.

# Notes to the Condensed Financial Statements
**For the year ended 31 March 2020**

## 13. Seasonality of Operations

The Group's operations are significantly second-half weighted primarily due to a portion of the demand for DCC's LPG and Retail & Oil products being weather dependent and seasonal buying patterns in DCC Technology.

## 14. Related Party Transactions

There have been no related party transactions or changes in related party transactions that could have a material impact on the financial position or performance of the Group during the 2020 financial year.

## 15. Events after the Balance Sheet Date

There have been no material events subsequent to 31 March 2020 which would require disclosure in this report.

## 16. Board Approval

This report was approved by the Board of Directors of DCC plc on 18 May 2020.

# Supplementary Financial Information

**For the year ended 31 March 2020**

### Alternative Performance Measures

The Group reports certain alternative performance measures ('APMs') that are not required under International Financial Reporting Standards ('IFRS') which represent the generally accepted accounting principles ('GAAP') under which the Group reports. The Group believes that the presentation of these APMs provides useful supplemental information which, when viewed in conjunction with our IFRS financial information, provides investors with a more meaningful understanding of the underlying financial and operating performance of the Group and its divisions.

These APMs are primarily used for the following purposes:
- to evaluate the historical and planned underlying results of our operations;
- to set director and management remuneration; and
- to discuss and explain the Group's performance with the investment analyst community.

None of the APMs should be considered as an alternative to financial measures derived in accordance with GAAP. The APMs can have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP. These performance measures may not be calculated uniformly by all companies and therefore may not be directly comparable with similarly titled measures and disclosures of other companies.

The principal APMs used by the Group, together with reconciliations where the non-GAAP measures are not readily identifiable from the financial statements, are as follows:

**Adjusted operating profit ('EBITA')**

Definition

This comprises operating profit as reported in the Group Income Statement before net operating exceptional items and amortisation of intangible assets. Net operating exceptional items and amortisation of intangible assets are excluded in order to assess the underlying performance of our operations. In addition, neither metric forms part of Director or management remuneration targets.

| Calculation | **2020 £'000** | 2019 £'000 |
|---|---|---|
| Operating profit | **366,644** | 369,025 |
| Net operating exceptional items | **65,486** | 28,185 |
| Amortisation of intangible assets | **62,138** | 63,312 |
| Adjusted operating profit ('EBITA') | **494,268** | 460,522 |

**Adjusted operating profit before depreciation ('EBITDA')**

Definition

EBITDA represents earnings before net interest, tax, depreciation on property, plant and equipment, amortisation of intangible assets, share of equity accounted investments' profit after tax and net exceptional items. This metric is used to compare profitability between companies by eliminating the effects of financing, tax environments, asset bases and business combinations history. It is also utilised as a proxy for a company's cash flow.

| Calculation | **2020 £'000** | 2019 £'000 |
|---|---|---|
| Adjusted operating profit ('EBITA') | **494,268** | 460,522 |
| Depreciation of property, plant and equipment | **118,545** | 109,626 |
| EBITDA | **612,813** | 570,148 |

# Supplementary Financial Information

**For the year ended 31 March 2020**

### Alternative Performance Measures (continued)

**Net interest**

Definition

The Group defines net interest as the net total of finance costs and finance income before interest related exceptional items as presented in the Group Income Statement.

| Calculation | **2020 £'000** | 2019 £'000 |
|---|---|---|
| Finance costs before exceptional items | **(94,824)** | (83,595) |
| Finance income before exceptional items | **39,510** | 36,980 |
| Net interest | **(55,314)** | (46,615) |

**Interest cover – EBITDA Interest Cover**

Definition

The EBITDA interest cover ratio measures the Group's ability to pay interest charges on debt from cash flows. In order to maintain comparability with the definitions contained in the Group's lending arrangements, EBITDA and net interest exclude the impact arising from the adoption of IFRS 16 in the current year.

| Calculation | **2020 £'000** | 2019 £'000 |
|---|---|---|
| EBITDA | **612,813** | 570,148 |
| Less: impact of adoption of IFRS 16 in the current year | **(4,999)** | - |
| | **607,814** | 570,148 |
| Net interest | **(55,314)** | (46,615) |
| Less: impact of adoption of IFRS 16 in the current year | **8,635** | - |
| | **(46,679)** | (46,615) |
| EBITDA interest cover (times) | **13.0x** | 12.2x |

**Effective tax rate**

Definition

The Group's effective tax rate expresses the income tax expense before exceptionals and deferred tax attaching to the amortisation of intangible assets as a percentage of EBITA less net interest.

| Calculation | **2020 £'000** | 2019 £'000 |
|---|---|---|
| Adjusted operating profit | **494,268** | 460,522 |
| Net interest | **(55,314)** | (46,615) |
| Earnings before taxation | **438,954** | 413,907 |
| Income tax expense | **57,335** | 56,302 |
| Income tax attaching to net exceptionals | **3,290** | (685) |
| Deferred tax attaching to amortisation of intangible assets | **13,997** | 14,747 |
| Total income tax expense before exceptionals and deferred tax attaching to amortisation of intangible assets | **74,622** | 70,364 |
| Effective tax rate (%) | **17.0%** | 17.0% |

# Supplementary Financial Information
**For the year ended 31 March 2020**

## Alternative Performance Measures (continued)

### Dividend cover
Definition
The dividend cover ratio measures the Group's ability to pay dividends from earnings.

| Calculation | **2020 pence** | 2019 pence |
|---|---|---|
| Adjusted earnings per share | **362.64** | 358.16 |
| Dividend | **145.27** | 138.35 |
| Dividend cover (times) | **2.5x** | 2.6x |

### Net capital expenditure
Definition
Net capital expenditure comprises purchases of property, plant and equipment, proceeds from the disposal of property, plant and equipment and government grants received in relation to property, plant and equipment.

| Calculation | **2020 £'000** | 2019 £'000 |
|---|---|---|
| Purchase of property, plant and equipment | **181,014** | 182,311 |
| Proceeds from disposal of property, plant and equipment | **(13,166)** | (8,810) |
| Net capital expenditure | **167,848** | 173,501 |

### Free cash flow
Definition
Free cash flow is defined by the Group as cash generated from operations before exceptional items as reported in the Group Cash Flow Statement after repayment of lease creditors and net capital expenditure. Following the adoption of IFRS 16, *Leases*, the Group has redefined 'free cash flow' to include repayment of lease creditors which ensures that the Group's reported free cash flow is consistent with those measures previously reported and consequently the comparative measures have not been restated.

| Calculation | **2020 £'000** | 2019 £'000 |
|---|---|---|
| Cash generated from operations before exceptionals | **723,965** | 607,505 |
| Repayment of lease creditors | **(63,860)** | - |
| Net capital expenditure | **(167,848)** | (173,501) |
| Free cash flow | **492,257** | 434,004 |

# Supplementary Financial Information

**For the year ended 31 March 2020**

## Alternative Performance Measures (continued)

### Free cash flow (after interest and tax payments)

Definition

Free cash flow (after interest and tax payments) is defined by the Group as free cash flow after interest paid (excluding interest relating to lease creditors), income tax paid, dividends received from equity accounted investments and interest received. As noted in the definition of free cash flow, interest amounts relating to the repayment of lease creditors has been deducted in arriving at the Group's free cash flow and are therefore excluded from the interest paid figure in arriving at the Group's free cash flow (after interest and tax payments).

| Calculation | **2020 £'000** | 2019 £'000 |
|---|---|---|
| Free cash flow | **492,257** | 434,004 |
| Interest paid (excluding interest relating to lease creditors) | **(76,340)** | (78,031) |
| Income tax paid | **(78,961)** | (34,500) |
| Dividends received from equity accounted investments | - | 420 |
| Interest received | **39,188** | 34,831 |
| Free cash flow (after interest and tax payments) | **376,144** | 356,724 |

### Cash conversion ratio

Definition

The cash conversion ratio expresses free cash flow as a percentage of adjusted operating profit.

| Calculation | **2020 £'000** | 2019 £'000 |
|---|---|---|
| Free cash flow | **492,257** | 434,004 |
| Adjusted operating profit | **494,268** | 460,522 |
| Cash conversion ratio (%) | **100%** | 94% |

### Net debt/EBITDA

Definition

The net debt to earnings before net interest, tax, depreciation, amortisation of intangible assets, share of equity accounted investments' profit after tax and net exceptional items ('EBITDA') ratio is a measurement of leverage, and shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant. In order to maintain comparability with the definitions contained in the Group's lending arrangements, EBITDA for this calculation excludes the benefit arising in the current year from the adoption of IFRS 16.

| Calculation | **2020 £'000** | 2019 £'000 |
|---|---|---|
| Net debt (excluding lease creditors) | **60,252** | 18,425 |
| EBITDA (excluding the impact of IFRS 16) | **607,814** | 570,148 |
| Net debt/EBITDA (times) | **0.1x** | <0.1x |

# Supplementary Financial Information
**For the year ended 31 March 2020**

### Alternative Performance Measures (continued)

**Return on capital employed ('ROCE')**
Definition
ROCE represents adjusted operating profit expressed as a percentage of the average total capital employed. Total capital employed represents total equity adjusted for net debt/cash (including lease creditors), goodwill and intangibles written off, acquisition related liabilities and equity accounted investments. Net operating exceptional items and amortisation of intangible assets are excluded in order to assess the underlying performance of our operations. In addition, neither metric forms part of Director or management remuneration targets.

The Group adopted IFRS 16 *Leases* on the transition date of 1 April 2019 using the modified retrospective approach, meaning that comparatives have not been restated. To assist comparability with the prior year, the impact on ROCE due to the adoption of IFRS 16 has been excluded from both adjusted operating profit and capital employed in the current year. ROCE for the year ended 31 March 2020, inclusive of the impact of IFRS 16, was 15.1%. Future measures of ROCE will be prepared including the impact of IFRS 16.

| Calculation | **2020 £'000** | 2019 £'000 |
|---|---|---|
| Total equity | **2,541,458** | 2,433,527 |
| Net debt (including lease creditors) | **367,119** | 18,425 |
| Goodwill and intangibles written off | **395,577** | 333,439 |
| Right-of-use leased assets | **(304,097)** | - |
| Equity accounted investments | **(27,729)** | (24,233) |
| Acquisition related liabilities (current and non-current) | **113,634** | 101,410 |
| | **3,085,962** | 2,862,568 |
| Average total capital employed | **2,974,265** | 2,713,969 |
| | | |
| Adjusted operating profit | **494,268** | 460,522 |
| Less: impact of adoption of IFRS 16 *Leases* on operating profit | **(4,999)** | - |
| Adjusted operating profit | **489,269** | 460,522 |
| Return on capital employed (%) | **16.5%** | 17.0% |

# Supplementary Financial Information

**For the year ended 31 March 2020**

## Alternative Performance Measures (continued)

### Committed acquisition expenditure

Definition

The Group defines committed acquisition expenditure as the total acquisition cost of subsidiaries as presented in the Group Cash Flow Statement (excluding amounts related to acquisitions which were committed to in previous years) and future acquisition related liabilities for acquisitions committed to during the year.

| Calculation | **2020**<br>**£'000** | 2019<br>£'000 |
|---|---|---|
| Net cash outflow on acquisitions during the year | **192,189** | 266,525 |
| Cash outflow on acquisitions which were committed to in the previous year | **(75,365)** | (14,750) |
| Acquisition related liabilities arising on acquisitions during the year | **43,044** | 29,946 |
| Acquisition related liabilities which were committed to in the previous year | **(10,768)** | (4,099) |
| Amounts committed in the current year | **19,500** | 90,700 |
| Committed acquisition expenditure | **168,600** | 368,322 |

### Net working capital

Definition

Net working capital represents the net total of inventories, trade and other receivables (excluding interest receivable), and trade and other payables (excluding interest payable, amounts due in respect of property, plant and equipment and government grants).

| Calculation | **2020**<br>**£'000** | 2019<br>£'000 |
|---|---|---|
| **Inventories** | **630,996** | 678,006 |
| **Trade and other receivables** | **1,647,117** | 1,517,507 |
| Less: interest receivable | **(428)** | (193) |
| **Trade and other payables** | **(2,318,758)** | (2,218,838) |
| Less: interest payable | **11,963** | 5,058 |
| Less: amounts due in respect of property, plant and equipment | **6,284** | 2,831 |
| Less: government grants | **11** | 11 |
| Net working capital | **(22,815)** | (15,618) |

### Working capital (days)

Definition

Working capital days measures how long it takes in days for the Group to convert working capital into revenue.

| Calculation | **2020**<br>**£'000** | 2019<br>£'000 |
|---|---|---|
| Net working capital | **(22,815)** | (15,618) |
| March revenue | **1,279,731** | 1,343,551 |
| Working capital (days) | **(0.6 days)** | (0.4 days) |