**Travis Perkins plc**

**Half year results for the six months ended 30 June 2021**

**Excellent operational performance; portfolio actions complete**

## Highlights

- Robust revenue performance driven by strong operational delivery and broad-based, RMI led recovery. Like for like revenue in continuing businesses* grew by 44.1% and was 14.5% ahead of 2019
- Adjusted operating profit of £164m (2020: £17m) up 14% vs 2019 resulting from higher volumes with solid gross margins, improved customer proposition and restructuring benefits
- Strong revenue and operating profit performance in Merchanting following decisive actions to refocus the business; challenging period of inflation and materials shortages being navigated well
- Toolstation market share gains continue; rollout on track in both UK and Europe
- Portfolio actions executed with successful Wickes demerger and Plumbing & Heating business sold to H.I.G. Capital for £325m with completion expected Q3
- Interim dividend reinstated at 12.0 pence per share; special return of capital from Plumbing & Heating proceeds post completion
- Increasing guidance for full year 2021 to at least £310m of adjusted operating profit for the continuing businesses reflecting higher property profits of around £30m
- Continued progress on setting industry leading sustainability targets consistent with the 1.5 degree pathway of the 2016 Paris Agreement
- Investor update to be held on 29 September to update on future plans to deliver long term sustainable value to shareholders

| £m *(unless otherwise stated)* | *Note* | **H1 2021** | H1 2020 | *Change* |
|---|---|---|---|---|
| Revenue | | **2,299** | 1,669 | *37.7%* |
| Like-for-like revenue growth[1] | *17f* | **44.1%** | (19.3)% | |
| Adjusted operating profit[1] | *17a* | **164** | 17 | *n/m* |
| Adjusted earnings per share[1] | *10b* | **46.2p** | 1.0p | *n/m* |
| ROCE[1] | *17e* | **12.1%** | 6.9% | *5.2ppt* |
| Covenant net debt[1] | *14* | **105** | 22 | *(83)* |
| Dividend per share | *11* | **12.0p** | 0.0p | |
| Operating profit | | **168** | (79) | |
| Total profit / (loss) after tax | | **100** | (86) | |
| Basic earnings / (loss) per share | *10* | **41.5p** | (34.5)p | |

[1] Alternative performance measures are used to provide a guide to underlying performance. Details of calculations can be found in the notes listed
* The Retail and Plumbing & Heating segments are treated as discontinued operations with the prior year comparatives re-presented

Nick Roberts, Chief Executive Officer, commented:

"I am delighted with our performance during the first half of 2021. To have executed our planned strategic portfolio actions whilst delivering an excellent trading performance in ever changing market conditions is testament to the hard work and capability of our colleagues across the Group.

I am particularly pleased with the agility that our teams have shown in responding to rapidly evolving market dynamics whilst always maintaining their focus on customer, colleague and supplier safety.

This has been particularly noticeable in the Travis Perkins General Merchant where decisive actions taken during the previous two years have enabled us to respond rapidly to customer needs at a local level. Toolstation UK, meanwhile, is on course to deliver another excellent year of growth and our European rollout continues to gather pace.

Our businesses have continued to play a critical role in the construction sector's ongoing recovery and, while some uncertainty still remains, the end markets for our trade-focused businesses remain robust.

As a result, I am cautiously optimistic around the outlook for the business and confident in our ability to make further progress in the second half of the year. We look forward to updating shareholders on our future plans in September."

**Analyst Presentation**

Management are hosting a virtual results presentation at 8.30am. Please register at the following link:

https://www.investis-live.com/travis-perkins/60eda7c32527a916004ba1f4/typs

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This announcement is current as of 3rd August 2021, the date on which it is given. This announcement has not been and will not be updated to reflect any changes since that date.

Past performance of the shares of Travis Perkins plc cannot be relied upon as a guide to the future performance of the shares of Travis Perkins plc.

## Summary

The Group has made excellent progress during H1 2021, building on the decisive actions taken over the preceding two years to strengthen the business and focus on the trade. The Group's end markets remain resilient, despite high levels of uncertainty across the economy as a whole, and the Group's businesses have responded well to the challenging market dynamics over the past six months.

The Wickes demerger was completed successfully, swiftly followed by the sale of the Plumbing & Heating business, during a period where relentless focus was required on operational matters, in particular colleague, customer and supplier safety.

Delivering a strong operational performance at the same time as managing significant portfolio change reflects the talent and capability within the Group and the benefits of more focused management teams, enhanced communication and local branches empowered to make decisions to meet changing customer needs.

Having maintained strong financial health through the pandemic, the Group remains well placed both to invest in growth opportunities and to provide attractive returns. The Board is pleased to confirm the reinstatement of dividends with the interim dividend at 12.0 pence per share. In addition, the net proceeds of the Plumbing & Heating segment disposal will be returned in full to shareholders.

### Business performance

The Group delivered a strong performance in the first half of the year with revenue of £2,299m in its continuing businesses*, up 37.7% or, more meaningfully given the impact of the Covid-19 pandemic in 2020, some 10.7% ahead of 2019. This performance reflects the robust recovery in volumes driven by both domestic and commercial RMI, with management actions over the previous two years leaving the Group's businesses well placed to benefit from increasing demand.

Actions taken to restructure the business, coupled with careful management of both increasing inflation and product availability challenges, enabled the business to increase overall operating margin in continuing businesses by 20bps vs 2019 and deliver an adjusted operating profit of £164m, 14% ahead of 2019.

The Group continues to invest in both physical networks and technology to meet changing customer needs and exploit market opportunities. Larger branches, with greater capability, are being added to the General Merchant portfolio while the rollout of Toolstation continues at pace in both the UK and Europe. Alongside enabling growth in core businesses, the Group is also focused on identifying emerging opportunities, such as TF Solutions, the Group's air conditioning and refrigeration distributor, where network capacity has been doubled in the last twelve months.

Alongside investment in the branch network, the Group also continues to focus on enhancements to both customer facing and back office technology. Customer Apps are being rolled out, starting with Toolstation and the General Merchant, and the delivery management system has been fully implemented across CCF and Keyline as well as around half of the General Merchant network. Internally, work continues to replace manual processes with digital solutions to improve efficiency.

The Group's balance sheet remains robust with covenant net debt of £105m (31 December 2020: £40m), the increase in net debt resulting from funding the £130m capitalisation of Wickes upon demerger offset by a £65m cash inflow from operations.

Post the demerger of Wickes, the Group's operating leverage (on an IFRS16 basis) has reduced to 1.5x net debt / EBITDA (on a rolling 12 months basis).

* The Retail and Plumbing & Heating segments are treated as discontinued operations with the prior year comparatives re-presented

**Portfolio actions**

The demerger of Wickes was successfully completed on 28 April 2021. A share consolidation exercise was subsequently undertaken to maintain consistency in the share price, each holder receiving 0.8925 new ordinary shares for every share held.

In late May, the Plumbing & Heating business was sold to an affiliate of H.I.G. Capital, a leading global alternative investment firm, for cash consideration of £325m with the deal expected to complete in Q3. Due to the strength of the Group's balance sheet, the net proceeds will be returned to shareholders via a 35 pence per share special dividend, to be paid as soon as practicable post completion, and a share buyback programme expected to commence shortly thereafter.

**Investor Update**

On 29 September, Management will hold an update for investors that will include presentations from senior leaders from across the Group's businesses.

The investor update will outline plans for the evolution of the Group's customer proposition, including plans to take advantage of collaboration opportunities. It will also set out key sustainability initiatives alongside technological and digital solutions that will enhance the customer experience as well as drive simplification of internal processes across the Group. In addition, the update will set out plans for further, long-term growth in Toolstation, in both the UK and Europe, and how the Group's priorities for capital allocation will drive future shareholder returns.

**Dividend**

In March 2020, the Board took the decision to suspend dividend payments given the significant impact of the pandemic on financial performance and the risk to the Group's liquidity. Given the strong performance in H1 2021 and the strength of the Group's balance sheet, the Board believes that now is the appropriate time to reinstate dividends, distributing between 30% and 40% of full year adjusted earnings as a regular dividend. As a result, the Board has declared an interim dividend of 12.0 pence per share.

The Board intends to set out its priorities for capital allocation alongside views on appropriate leverage and potential for any incremental shareholder returns, over and above the ordinary dividend, at its investor update.

**Outlook**

The long term fundamentals of the Group's end markets remain robust with ongoing demand for new housing and historic underinvestment in the repair, maintenance and improvement of the existing UK housing stock needing to be addressed. This is further underpinned by the UK Government's commitment to decarbonise the UK economy, providing stimulus packages across a number of sectors, and to invest in infrastructure.

Whilst some uncertainty remains due to the ongoing pandemic, coupled with inflationary pressures and product availability issues, the Group expects the RMI market to remain strong for some time to come and for new housing to continue on its recovery path.

Given the additional property profits resulting from the highly successful post-restructuring disposal programme, adjusted operating profit for the continuing business for 2021 is now expected to be at least £310m.

## Technical guidance

The Group's technical guidance for 2021 is as follows:

- Effective tax rate of 20%
- Base capital expenditure of around £100m
- Property profits of around £30m

## Segmental performance

## Merchanting

| | **H1 2021** | H1 2020 | *Change* |
|---|---|---|---|
| Total revenue | **£1,905m** | £1,385m | *37.5%* |
| Like-for-like growth | **47.3%** | (25.8)% | |
| Adjusted operating profit | **£156m** | £36m | *n/m* |
| Adjusted operating margin | **8.2%** | 2.6% | *560bps* |
| ROCE | **15%** | 9% | *6ppt* |
| Branch network* | **853** | 846 | 7 |

*2020 branch network figures for comparison are taken at 31 December 2020

The Merchanting businesses delivered a strong first half performance, particularly the Travis Perkins General Merchant, underpinned by the strong recovery in domestic RMI demand. Overall Merchanting revenue was up 37.5% versus H1 2020, where enforced closures due to the pandemic significantly affected trading, and 1.9% ahead of H1 2019. Factoring in the 2020 branch closure programme, like-for-like revenue growth was 47.3% and 11.0% up when compared to 2019.

This strong top line performance, combined with robust gross margins and cost benefits from the restructuring programme, delivered an adjusted operating profit of £156m, up 11% versus 2019 and an operating margin of 8.2%, some 70bps ahead of 2019.

Price inflation accelerated through the first half of the year, with prices increasing by around 4%, Q1 being around 2% compared to Q2 at around 7%. Inflationary pressure is expected to persist in the near term with shortages on some key product lines, most notably in raw materials such as timber and plasterboard related products, which has posed a particular challenge for CCF. Overall, despite these challenges, the Merchanting businesses have managed the issues well, working closely with customers and suppliers to ensure a fair outcome for all.

Performance in the General Merchant benefitted from improvement initiatives undertaken during 2019 and 2020, which included the simplification of processes and commercial deals alongside reduced central influence on pricing and range. The focus on enabling our branches to compete effectively in their local markets and more competitive shelf-edge pricing, particularly on lightside products, has given our branch teams the confidence to adopt a more entrepreneurial approach to running their businesses. These actions, coupled with the rationalisation of the branch network and investment in larger, more capable sites, provide a solid base for the Travis Perkins General Merchant to profitably grow its market share in the medium term.

The specialist businesses are recovering well, with BSS in particular well placed to take advantage of strong demand in the commercial RMI market. Alongside the good performance in the core BSS business, TF Solutions, the Group's specialist air conditioning and refrigeration business which was acquired in 2017, provides an exciting growth opportunity. With strong demand in this market expected to continue in the medium to long term, the Group has invested in 6 further TFS branches during the last twelve months to double the network capacity.

Keyline is starting to see momentum build as the refreshed management team refocuses the business with the objective of delivering enhanced service to customers through technical specialism and sustainability planning. The infrastructure market is strong and new housing is beginning to recover with Keyline the beneficiary of being “first on site” as new housing starts gradually pick up.

CCF’s marketplace remains challenging as the “late cycle” trades, specifically new housing and commercial, continue to lag and product availability remains an issue with several core products on restricted supply. Focus remains on quality of business and enhancing CCF’s service offering to build long term partnerships with customers and suppliers.

In all of the specialist businesses, the difficult but decisive actions taken during 2020 to rationalise the cost base are delivering important benefits. All businesses are carefully rebuilding their capacity in line with market recovery and in a disciplined manner to ensure longer term efficiencies are locked in to create a more flexible cost base that enables operating leverage.

## Toolstation

| | **H1 2021** | H1 2020 | *Change* |
|---|---|---|---|
| Total revenue | **£394m** | £284m | *38.7%* |
| Like-for-like growth | **29.8%** | 12.9% | |
| Adjusted operating profit | **£10m** | £1m | *n/m* |
| Adjusted operating margin | **2.5%** | 0.4% | *210bps* |
| ROCE | **4%** | 4% | - |
| Branch network (UK)* | **490** | 460 | *30* |
| Branch network (Europe)* | **98** | 83 | 15 |

*2020 branch network figures for comparison are taken at 31 December 2020

Memo:

| | | | |
|---|---|---|---|
| UK adjusted operating profit | **£20m** | £10m | *100.0%* |

In the first half of the year, Toolstation has again demonstrated the strength of its customer proposition by achieving total revenue growth of 38.7% with further market share gains. On the back of this sustained outperformance, the Group continues to drive the branch network expansion in both the UK and Europe.

In the UK, 30 branches were opened in the first half and at least 60 new branches will be added during 2021. Alongside the expansion of network capacity, Toolstation UK continues to maintain its market-leading value proposition which has been enhanced by the introduction of trade credit. Initial signs are very encouraging with the average basket size of credit sales more than 50% higher than those of cash sales and the service achieving a net promoter score of 75.

The range of products available online and through the catalogue was extended by a further c.1,800 products, with added ranges primarily being trade-focused brands. Following the addition of Hawksmoor landscaping products, Toolstation now also offers six own exclusive brands.

The operating margin of Toolstation UK was in line with Management expectations in H1 2021 at 5.8%, reflecting the significant investment in the network in the past 12 months.

The European business continues to make good progress with revenue increasing by 52% in the first half. In Benelux, where sales were up 50%, 7 more shops were opened and the business in the Netherlands is scaling up well with losses narrowing. The Belgian rollout is still in the early stages but remains very encouraging.

Customer feedback continues to be strongly positive with Toolstation Netherlands achieving a Trustpilot rating of 4.4 (out of 5.0) equivalent to a rating of “Excellent”. The “Click & Collect in 10 minutes” offer remains well ahead of the competition in terms of speed of service.

In France, sales grew by 74% with 8 new shops opened, taking the total to 27. The new c. 100,000 square foot distribution centre just outside Lyon is now fully operational which will facilitate the continued expansion of Toolstation France.

Toolstation Europe overall made a loss of £(10)m in H1, due primarily to the early stage investment in France. This level of loss is expected to continue through H2 as the rollout programme, with 40 new shops planned for 2021, remains on track.

### Central costs

Central costs reduced year-on-year at £19m with savings generated from the restructuring programme in 2020 more than offsetting the normalisation of management incentives.

### Property transactions

Excellent progress has been made in exiting both freehold and leasehold sites vacated as part of the restructuring programme announced in June 2020 with 96% of freehold properties sold or under offer and 76% of leasehold properties either exited, under offer or transferred to operate in another business within the Group.

These transactions have generated significant upside with £17m of profits recognised in H1. As a result of this work, guidance for full year property profits has been raised to £30m (previously £20m).

## Financial Performance

### Revenue analysis

Both business segments delivered strong revenue growth, although against comparatives influenced slightly differently by the first national lockdown in H1 2020. The Merchanting businesses experienced a period of severe disruption, including many temporary branch closures, in the prior year whilst Toolstation was able to continue trading largely throughout the period, albeit at reduced levels, by adapting branches to become fulfilment centres.

Input cost inflation picked up in the first half of 2021 and was exacerbated by materials shortages. In Merchanting, prices are updated in line with manufacturer increases which are invariably communicated clearly to the market. In Toolstation, this is less straightforward and has to be managed carefully to maintain value leadership.

The reduction in network capacity in the Merchanting business reflects the 2020 restructuring programme and the 1.9% overall growth against 2019 represents a very encouraging performance given the loss of c. (9)% capacity. Toolstation growth reflects the impact of the ongoing network expansion across both UK and Europe and the resulting market share gains.

### Volume, price and mix analysis

| Total revenue | Merchanting | Toolstation | Group |
|---|---|---|---|
| Volume | 43.1% | 28.4% | 40.4% |
| Price and mix | 4.2% | 1.4% | 3.7% |
| **Like-for-like revenue growth** | **47.3%** | **29.8%** | **44.1%** |
| Network changes and acquisitions / disposals | (8.8)% | 9.4% | (5.5)% |
| Trading days | (1.0)% | (0.5)% | (0.9)% |
| **Total revenue growth** | **37.5%** | **38.7%** | **37.7%** |

### Quarterly like-for-like revenue analysis

| | | Like for like revenue | | Total revenue | |
|---|---|---|---|---|---|
| | | 2021 vs 2020 | 2021 vs 2019 | 2021 vs 2020 | 2021 vs 2019 |
| Merchanting | Q1 | 15.7% | 5.8% | 5.7% | (2.6)% |
| | Q2 | 94.1% | 16.1% | 87.8% | 6.4% |
| | **H1** | **47.3%** | **11.0%** | **37.5%** | **1.9%** |
| Toolstation* | Q1 | 42.1% | 47.6% | 49.8% | 96.4% |
| | Q2 | 19.7% | 38.7% | 29.0% | 83.9% |
| | **H1** | **29.8%** | **42.9%** | **38.7%** | **89.9%** |
| Total Group | Q1 | 19.5% | 10.2% | 11.5% | 7.0% |
| | Q2 | 76.9% | 18.6% | 74.6% | 14.3% |
| | **H1** | **44.1%** | **14.5%** | **37.7%** | **10.7%** |

**Toolstation Europe is excluded from the H1 2019 comparative as it was not wholly owned by the Group*

## Operating profit and margin

H1 2020 was significantly impacted by the first national Covid-19 lockdown and hence the rebuilding of revenue, alongside good gross margin management and the benefits of the restructuring programme undertaken in 2020, resulted in a significantly increased adjusted operating profit.

A more meaningful comparison is against H1 2019 where adjusted operating profit for the continuing businesses was £144m. The actions described above have delivered a 14% improvement against this benchmark.

| £m | **H1 2021** | **H1 2020** | **Change** |
|---|---:|---:|---:|
| Merchanting | 156 | 36 | *n/m* |
| Toolstation | 10 | 1 | *n/m* |
| Property | 17 | 0 | *n/m* |
| Unallocated costs | (19) | (20) | *5.0%* |
| **Adjusted operating profit** | **164** | **17** | ***n/m*** |
| *Amortisation of acquired intangible assets* | *(5)* | *(5)* | |
| *Adjusting items* | *9* | *(91)* | |
| **Operating profit** | **168** | **(79)** | |

In 2021, the Group has successfully exited the leases on a number of branches closed in 2020 for less than the contractual lease liability, which has generated a credit to adjusting items of £9m. The prior year charge primarily related to the restructuring programme undertaken in June 2020.

## Finance charge

Net finance charges, shown in note 5, were £22m (2020: £16m). The key driver of the variance was a £7m gain on foreign currency translation in the prior year which did not repeat. Interest payable on bonds and bank facilities reduced by £2m year-on-year while interest on lease liabilities was broadly flat.

## Taxation

The tax charge for continuing activities for the period to 30 June 2021, including the effect of adjusting items, is £46m (2020: tax credit £9m).

The tax charge for the half before adjusting items is £31m (2020: £2m credit) giving an adjusted ETR of 21.0% (standard rate 19%, 2020 actual 33.0%). The adjusted ETR is higher than the standard rate due to the effect of expenses not deductible for tax purposes (such as depreciation of property) and unutilised overseas losses. An adjusting deferred tax charge of £14m was recognised as a result of the increase in the UK corporation tax rate.

## Earnings per share

The Group reported a statutory profit after tax of £100m (2020: loss of £86m) resulting in basic earnings per share for continuing operations of 41.5 pence (2020: loss of 34.5 pence). Diluted earnings per share for continuing operations were 41.0 pence (2020: loss of 34.5 pence)

Adjusted profit after tax was £111m resulting in adjusted earnings per share (note 10(b)) of 46.2p (2020: 1.0 pence). Diluted earnings per share were 45.7 pence (2020: 1.0 pence)

## Cash flow and balance sheet

### Free cash flow

| (£m) | H1 2021 | H1 2020 |
|---|---|---|
| **Group adjusted operating profit excluding property profits** | **147** | **17** |
| Depreciation of PPE and other non-cash movements | 46 | 44 |
| Change in working capital | 22 | 261 |
| Net interest paid (excluding lease interest) | (1) | (5) |
| Interest on lease liabilities | (10) | (11) |
| Tax paid | (32) | (28) |
| **Adjusted operating cash flow** | **172** | **278** |
| ***Capital investments*** | | |
| Capex excluding freehold transactions | (44) | (32) |
| Proceeds from disposals excluding freehold transactions | 1 | 0 |
| **Free cash flow before freehold transactions** | **129** | **246** |

Free cash flow conversion was again strong, building on the excellent performance in H1 2020. Despite the significant year on year increase in sales, there was a further working capital inflow of £22m. Credit sales were tightly managed with debtor days reduced by 3 days compared to H1 2019. The increase in stock was more than funded by trade creditors and the Group continues to benefit from the netting out of supplier rebates.

### Capital investment

| (£m) | H1 2021 | H1 2020 |
|---|---|---|
| Maintenance | (9) | (15) |
| IT | (8) | (2) |
| Growth Capex | (27) | (15) |
| **Base capital expenditure** | **(44)** | **(32)** |
| | | |
| Freehold property | (27) | (12) |
| **Gross capital expenditure** | **(71)** | **(44)** |
| Disposals | 25 | 15 |
| **Net capital expenditure** | **(46)** | **(29)** |

Base capital expenditure was £12m greater than the prior year as expenditure normalised following the impact of the first national lockdown in the prior year. The reduction in maintenance capex was predominantly driven by a reduction in fleet purchases resulting from a combination of redeployment of assets post restructuring and also extended lead times on new vehicles ordered for 2021.

Growth capex was £12m higher than the previous year with Toolstation UK opening 30 new branches in H1 compared to only 6 in the prior year due to restrictions imposed by the pandemic. Good progress was also made on building new capacity in the Travis Perkins General Merchant with 5 larger, more capable branches added to the network in H1 including a tool hire hub in London. 7 more General Merchant branches are expected to be added in H2.

Freehold property purchases were significantly higher due to the purchase of the freehold of the Travis Perkins General Merchant branch in Battersea which was previously leased. Disposal proceeds were £10m ahead of prior year reflecting the excellent progress on exiting sites closed as part of the 2020 restructuring programme.

### Uses of free cash flow

| | H1 2021 | H1 2020 |
|---|---|---|
| **Free cash flow (£m)** | **129** | **246** |
| Investments in freehold property | (27) | (12) |
| Disposal proceeds from freehold transactions | 24 | 15 |
| Acquisitions / disposals | - | - |
| Pension payments | (4) | (6) |
| Sale of own shares | 4 | 1 |
| Cash payments on adjusting items | (28) | (24) |
| Other | (163) | 101 |
| **Change in cash/cash equivalents** | **(65)** | **321** |

For the Group as a whole there was a cash outflow of £65m, the key driver of which was the £130m provided to capitalise Wickes upon demerger (shown above in “Other”). The underlying net cash inflow of £65m was primarily driven by the operating profit performance and disciplined working capital management.

The cash inflow of £101m in prior year shown as “Other” principally relates to the cash profits generated by discontinued operations and the £50m received for the sale of the PF&P wholesale business, which was part of the Plumbing & Heating division.

Strong cash generation and actions taken to strengthen the balance sheet have enabled the Group to reinstate the dividend with the 2021 interim dividend to be paid in H2.

### Net debt and funding

| | H1 2021 | H1 2020 | Change |
|---|---|---|---|
| Covenant net debt | **£105m** | £22m | £(83)m |
| Covenant net debt / adjusted EBITDA | **0.3x** | 0.1x | (0.2)x |
| Net debt under IFRS16 | **£617m** | £1,441m | £824m |
| IFRS16 net debt excluding discontinued operations / adjusted EBITDA | 1.5x | 1.7x | 0.2x |

Covenant net debt increased by £83m from 30 June 2020 to £105m. This movement was principally a result of cash outflows relating to the Wickes demerger, which have more than offset trading inflows. The significant reduction in net debt under IFRS16 is due to the reduction in lease liabilities associated with the demerger of Wickes and the agreed sale of the P&H businesses.

### Funding

As at 30 June 2021, the Group's committed funding of £950m comprised:

- £300m guaranteed notes due September 2023, listed on the London Stock Exchange
- £250m guaranteed notes due February 2026, listed on the London Stock Exchange
- A revolving credit facility of £400m, refinanced in January 2019, of which £54m matures in 2024 and the remaining £346m matures in 2025

As at 30 June 2021, the Group had undrawn committed facilities of £400m (2020: £400m) and deposited cash of £378m (2020: £455m), giving overall liquidity headroom of £778m.

The Group's credit rating, issued by Standard and Poor's, was maintained at BB+ negative watch following its review in April 2020. In November 2020, Fitch Ratings assigned the Group an investment grade rating of BBB- with stable outlook.

## Building a sustainable business

The Group continues to set out the framework to achieve its ambition of leading the industry in sustainability. As a key part of that framework, on 12 July 2021, the Group announced a commitment to a new 1.5 degree-aligned carbon reduction target by 2035, consistent with the 1.5 degree pathway of the 2016 Paris Agreement to limit global warming.

For Scope 1 and 2 carbon, which primarily applies to the decarbonisation of the Group's fleet, this target will involve an 80% reduction and a net zero commitment to offset any remaining Scope 1 & 2 carbon by 2035.

For Scope 3 carbon, this target will involve a 63% carbon reduction in the Group's supply chain emissions by 2035, and primarily apply to the purchasing of goods and services; concrete products, bricks and plasterboard in particular, and the in-use emissions of goods sold; especially gas heating and power tools.

These commitments build on the progress Travis Perkins has made to date by reducing Scope 1 & 2 carbon intensity (per £million sales) by 45% since 2013.

In practical terms, to support the delivery of these goals, the Group welcomed its first fully electric HGV into CCF in March, with more such vehicles in the pipeline. All of the Group's LPG forklift trucks will also be replaced by electric equivalents.

In addition to the high level of focus on the Group's environmental impact, significant effort is being invested in building a more diverse and inclusive workforce. To that end, the Group now has enrolled over 850 new and existing colleagues onto an apprenticeship programme, remaining on track to reach the goal of 1,000 apprentices by the end of 2021. Of those on the programme, over 95% are under the age of 25, around one third are female and around half are from a minority ethnic background.

The Group has also taken on just over 350 colleagues under the Government's "Kickstart" scheme to support young people who are currently on Universal Credit and at risk of long-term unemployment. Of those, just under 10% already have a permanent position within the Group and initial indications are that this could become as high as 70%.

To engage colleagues across the Group in building a sustainable business, the "Building For Better" programme has been launched internally, starting with a week of communications from leaders across all of the Group's sustainability workstreams.

## Principal risks and uncertainties

The risk environment in which the Group operates does not remain static. The Group's risks are regularly reviewed and reassessed through a process that considers both internal and external factors. In their review of the principal risks, the Directors have considered the changing nature of the risk trends. Most of the Group's principal risks have experienced some degree of change in the first half of the year, against a backdrop of ongoing uncertainty in relation to the pandemic. Product availability, for example, has presented challenges in recent months but, in considering the effectiveness of measures taken to date, the Directors did not consider this to have driven a material change in the Group's supplier risk profile. The Group's exposure to portfolio management risk is generally reducing given the successful demerger of Wickes and the disposal of the Plumbing & Heating segment but remains on the register whilst activities complete and transitional services arrangements are initiated.

Based on this review, the Directors consider that the principal risks and uncertainties faced by the Group have been, and are expected to remain, broadly consistent with those described on pages 44 to 51 of the 2020 Annual Report and Accounts. Details are provided for inherent risks relating to market conditions, the pandemic, the changing customer & competitor landscape, supplier risks, portfolio management, change management, ESG, IT systems & infrastructure, cyber threat & data security, health, safety & wellbeing, people and legal compliance. Emerging risks, which are known risks that are currently difficult to fully assess and/or quantify, are also regularly considered and monitored by the Directors. There are no emerging risks considered significant enough to report at this time.

## Condensed consolidated income statement

| £m | **Six months ended 30 June 2021 (unaudited)** | Six months ended 30 June 2020 (unaudited) (re-presented[1]) | Year ended 31 December 2020 (audited) (re-presented[1]) |
|---|---|---|---|
| Revenue | **2,298.9** | 1,669.2 | 3,697.5 |
| Adjusted operating profit (note 17a) | **163.8** | 16.8 | 128.3 |
| Adjusting items - operating (note 2) | **8.6** | (90.6) | (92.7) |
| Amortisation of acquired intangible assets | **(5.1)** | (4.7) | (8.6) |
| Operating profit / (loss) | **167.3** | (78.5) | 27.0 |
| Share of associates' results | **-** | (0.1) | 0.1 |
| Net finance costs (note 5) | **(21.6)** | (15.9) | (47.4) |
| Profit / (loss) before tax | **145.7** | (94.5) | (20.3) |
| Adjusting items - deferred tax | **(14.4)** | (9.0) | (9.0) |
| Tax on adjusting items | **(1.6)** | 15.2 | 20.9 |
| Other tax | **(29.9)** | 2.7 | (26.7) |
| Total tax (note 7) | **(45.9)** | 8.9 | (14.8) |
| Profit / (loss) from continuing operations | **99.8** | (85.6) | (35.1) |
| (Loss) / profit from discontinued operations (note 13) | **(47.3)** | (27.7) | 13.2 |
| Profit / (loss) for the period | **52.5** | (113.3) | (21.9) |
| Attributable to: | | | |
| Owners of the Company | **52.5** | (113.5) | (22.4) |
| Non-controlling interests | **-** | 0.2 | 0.5 |
| | **52.5** | (113.3) | (21.9) |
| **Earnings / (loss) per share (note 10)** | | | |
| Basic | | | |
| - from continuing operations | **41.5p** | (34.5)p | (14.3)p |
| - from discontinued operations | **(19.7)p** | (11.2)p | 5.3p |
| Diluted | | | |
| - from continuing operations | **41.0p** | (34.5)p | (14.3)p |
| - from discontinued operations | **(19.7)p** | (11.2)p | 5.3p |
| Total dividend declared per share (note 11) | **12.0p** | - | - |

[1] Figures for the year ended 31 December 2020 and the six months ended 30 June 2020 have been re-presented to exclude the results of the Retail and Plumbing & Heating segments, which are now presented as discontinued operations.

## Condensed consolidated statement of comprehensive income

| £m | **Six months ended 30 June 2021 (unaudited)** | Six months ended 30 June 2020 (unaudited) (re-presented) | Year ended 31 December 2020 (audited) (represented) |
|---|---|---|---|
| Profit / (loss) for the period | **52.5** | (113.3) | (21.9) |
| Items that will not be reclassified subsequently to profit and loss: | | | |
| Actuarial (losses) / gains on defined benefit pension schemes (note 8) | **(0.5)** | 6.9 | 113.1 |
| Income taxes relating to other comprehensive income | **(1.7)** | (4.7) | (22.2) |
| Items that may be reclassified subsequently to profit and loss: | | | |
| Foreign exchange differences on retranslation of foreign operations | **0.6** | (2.6) | (2.0) |
| Other comprehensive (loss) / income for the period net of tax | **(1.6)** | (0.4) | 88.9 |
| Total comprehensive income / (loss) for the period | **50.9** | (113.7) | 67.0 |

| | | | |
|---|---|---|---|
| Attributable to: | | | |
| Owners of the Company | **50.9** | (113.9) | 67.0 |
| Non-controlling interests | **-** | 0.2 | - |
| | **50.9** | (113.7) | 67.0 |

Total comprehensive income / (loss) for the period attributable to the owners of the Company arises from:

| | | | |
|---|---|---|---|
| Continuing operations | **98.2** | (86.2) | 53.8 |
| Discontinued operations | **(47.3)** | (27.7) | 13.2 |
| | **50.9** | (113.9) | 67.0 |

## Condensed consolidated balance sheet

| £m | **As at 30 June 2021 (unaudited)** | As at 30 June 2020 (unaudited) | As at 31 December 2020 (audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | **835.9** | 1,359.5 | 1,358.5 |
| Other intangible assets | **131.1** | 321.6 | 312.0 |
| Property, plant and equipment | **747.6** | 860.2 | 830.4 |
| Right-of-use assets | **438.5** | 1,212.8 | 1,145.5 |
| Interest in associates | **-** | 1.8 | - |
| Investments | **9.2** | 6.7 | 9.2 |
| Retirement benefit asset (note 8) | **179.0** | 66.2 | 178.4 |
| Total non-current assets | **2,341.3** | 3,828.8 | 3,834.0 |
| **Current assets** | | | |
| Inventories | **568.8** | 786.7 | 840.7 |
| Trade and other receivables | **750.1** | 849.2 | 892.7 |
| Tax assets | **-** | 21.1 | 6.5 |
| Derivative financial instruments | **-** | 0.4 | - |
| Cash and cash equivalents | **440.8** | 528.5 | 505.6 |
| Total current assets | **1,759.7** | 2,185.9 | 2,245.5 |
| Assets classified as held for sale (note 14) | **579.3** | - | - |
| Total assets | **4,680.3** | 6,014.7 | 6,079.5 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Issued share capital | **25.2** | 25.2 | 25.2 |
| Share premium account | **545.6** | 545.6 | 545.6 |
| Merger reserve | **326.5** | 326.5 | 326.5 |
| Revaluation reserve | **14.3** | 14.5 | 14.3 |
| Own shares | **(22.3)** | (47.1) | (39.5) |
| Foreign exchange reserve | **1.8** | 0.6 | 1.2 |
| Other reserves | **-** | (1.8) | - |
| Retained earnings | **1,209.3** | 1,612.4 | 1,840.5 |
| Equity attributable to the owners of the Company | **2,100.4** | 2,475.9 | 2,713.8 |
| Non-controlling interests | **-** | 4.6 | - |
| Total equity | **2,100.4** | 2,480.5 | 2,713.8 |
| **Non-current liabilities** | | | |
| Interest bearing loans and borrowings | **573.7** | 579.3 | 575.7 |
| Lease liabilities | **416.2** | 1,215.2 | 1,168.3 |
| Deferred tax liabilities | **96.1** | 54.7 | 77.2 |
| Long-term provisions | **18.0** | 14.7 | 21.9 |
| Total non-current liabilities | **1,104.0** | 1,863.9 | 1,843.1 |
| **Current liabilities** | | | |
| Lease liabilities | **68.1** | 175.0 | 158.8 |
| Derivative financial instruments | **0.4** | 1.8 | 1.6 |
| Trade and other payables | **1,035.3** | 1,385.9 | 1,304.2 |
| Tax liabilities | **2.4** | - | - |
| Short-term provisions | **40.7** | 107.6 | 58.0 |
| Total current liabilities | **1,146.9** | 1,670.3 | 1,522.6 |
| Liabilities classified as held for sale (note 14) | **329.0** | - | - |
| Total liabilities | **2,579.9** | 3,534.2 | 3,365.7 |
| Total equity and liabilities | **4,680.3** | 6,014.7 | 6,079.5 |

The interim condensed financial statements of Travis Perkins plc, registered number 824821, were approved by the Board of Directors on 2 August 2021 and signed on its behalf by:

Nick Roberts
Chief Executive Officer

Alan Williams
Chief Financial Officer

## Condensed consolidated statement of changes in equity

| £m | Issued share capital | Share premium account | Merger reserve | Revaluation reserve | Own shares | Foreign exchange | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|
| At 31 December 2020 (audited) | 25.2 | 545.6 | 326.5 | 14.3 | (39.5) | 1.2 | 1,840.5 | 2,713.8 |
| Profit for the period | - | - | - | - | - | - | 52.5 | **52.5** |
| Other comprehensive loss for the period net of tax | - | - | - | - | - | 0.6 | (2.2) | **(1.6)** |
| Total comprehensive income for the period | **-** | **-** | **-** | **-** | - | 0.6 | 50.3 | **50.9** |
| Demerger dividend | **-** | **-** | **-** | **-** | - | - | (679.7) | **(679.7)** |
| Purchase of own shares | **-** | **-** | **-** | **-** | 12.7 | - | (12.7) | **-** |
| Own shares movement | **-** | **-** | **-** | **-** | 4.5 | - | - | **4.5** |
| Equity-settled share-based payments, net of tax | **-** | **-** | **-** | **-** | - | - | 10.9 | **10.9** |
| At 30 June 2021 (unaudited) | **25.2** | **545.6** | **326.5** | **14.3** | **(22.3)** | **1.8** | **1,209.3** | **2,100.4** |

| £m | Issued share capital | Share premium account | Merger reserve | Revaluation reserve | Own shares | Foreign exchange | Other | Retained earnings | Total equity before non-controlling interest | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2020 (audited) | 25.2 | 545.6 | 326.5 | 14.5 | (50.8) | 3.2 | (4.1) | 1,722.6 | 2,582.7 | 4.4 | 2,587.1 |
| (Loss)/income for the period | - | - | - | - | - | - | - | (113.5) | (113.5) | 0.2 | (113.3) |
| Other comprehensive loss for the period net of tax | - | - | - | - | - | (2.6) | - | 2.2 | (0.4) | - | (0.4) |
| Total comprehensive (Loss)/income for the period | - | - | - | - | - | (2.6) | - | (111.3) | (113.9) | 0.2 | (113.7) |
| Purchase of own shares | - | - | - | - | 1.0 | - | - | - | 1.0 | - | 1.0 |
| Option on non-controlling interest | - | - | - | - | - | - | 2.3 | (2.3) | - | - | - |
| Own shares movement | - | - | - | - | 2.7 | - | - | (2.7) | - | - | - |
| Equity-settled share-based payments, net of tax | - | - | - | - | - | - | - | 6.1 | 6.1 | - | 6.1 |
| At 30 June 2020 (unaudited) | 25.2 | 545.6 | 326.5 | 14.5 | (47.1) | 0.6 | (1.8) | 1,612.4 | 2,475.9 | 4.6 | 2,480.5 |

| £m | Share capital | Share premium | Merger reserve | Revaluation reserve | Own shares | Foreign exchange reserve | Other | Retained earnings | Total equity before non-controlling interest | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2020 (audited) | 25.2 | 545.6 | 326.5 | 14.5 | (50.8) | 3.2 | (4.1) | 1,722.6 | 2,582.7 | 4.4 | 2,587.1 |
| Loss for the year | - | - | - | - | - | - | - | (22.4) | (22.4) | 0.5 | (21.9) |
| Other comprehensive (loss)/income for the period net of tax | - | - | - | - | - | (2.0) | - | 90.9 | 88.9 | - | 88.9 |
| Total Comprehensive (loss)/ income for the year | - | - | - | - | - | (2.0) | | 68.5 | 66.5 | 0.5 | 67.0 |
| Sale of own shares | - | - | - | - | 6.4 | - | - | - | 6.4 | - | 6.4 |
| Option on non-controlling interest | - | - | - | - | - | - | - | 4.9 | 4.9 | (4.9) | - |
| Adjustments in respect of revalued fixed assets | - | - | - | (0.2) | - | - | - | 0.2 | - | - | - |
| Exercise of options over non-controlling interests | - | - | - | - | - | - | 4.1 | (4.1) | - | - | - |
| Adjustments in respect of leases | - | - | - | - | - | - | - | 40.3 | 40.3 | - | 40.3 |
| Equity-settled share-based payments | | - | - | - | - | - | - | 15.6 | 15.6 | - | 15.6 |
| Tax on equity-settled share-based payments | | - | - | - | - | - | - | (1.7) | (1.7) | - | (1.7) |
| Other tax | - | - | - | - | - | - | - | (0.9) | (0.9) | - | (0.9) |
| Own shares movement | - | - | - | - | 4.9 | - | - | (4.9) | - | - | - |
| At 31 December 2020 (audited) | 25.2 | 545.6 | 326.5 | 14.3 | (39.5) | 1.2 | - | 1,840.5 | 2,713.8 | - | 2,713.8 |

## Condensed consolidated cash flow statement

| £m | **Six months ended 30 June 2021 (unaudited)** | Six months ended 30 June 2020 (unaudited) | Year ended 31 December 2020 (audited) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Adjusted operating profit** | **163.8** | 16.8 | 128.3 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 31.5 | 33.4 | 60.0 |
| Depreciation of right-of-use assets | 40.0 | 38.2 | 78.0 |
| Amortisation and impairment of intangible assets | 6.0 | 5.6 | 11.5 |
| Share-based payments | 8.9 | 5.0 | 12.2 |
| Foreign exchange | (0.6) | 4.5 | 2.0 |
| Other non-cash movements | - | (9.9) | - |
| Gains on disposal of property, plant and equipment | (17.3) | (0.1) | (9.2) |
| Purchase of tool hire assets | (2.8) | (2.2) | (6.4) |
| **Adjusted operating cash flows** | **229.5** | 91.3 | 276.4 |
| (Increase) / decrease in inventories | (75.7) | 47.5 | 70.0 |
| (Increase) / decrease in receivables | (110.1) | 287.0 | 500.4 |
| Increase / (decrease) in payables | 207.0 | (73.4) | (373.0) |
| Payments in respect of adjusting items | (27.6) | (23.5) | (59.9) |
| Pension payments in excess of income statement charge | (1.0) | (6.2) | (11.5) |
| **Cash generated from operations** | **222.1** | 322.7 | 402.4 |
| Interest paid and debt arrangement fees | (1.0) | (5.7) | (29.6) |
| Interest on lease liabilities | (10.1) | (10.8) | (21.3) |
| Income taxes paid | (31.8) | (27.6) | (27.6) |
| **Net cash inflow from continuing operating activities** | **179.2** | 278.6 | 323.9 |
| Net cash inflow from discontinued operating activities | 113.9 | 115.7 | 162.0 |
| **Net cash inflow from operating activities** | **293.1** | 394.3 | 485.9 |
| **Cash flows from investing activities** | | | |
| Interest received | 0.4 | 0.8 | 1.3 |
| Proceeds on disposal of property, plant and equipment | 24.9 | 15.2 | 55.4 |
| Development of software | (3.2) | (1.1) | (2.5) |
| Purchases of property, plant and equipment | (67.8) | (43.0) | (99.8) |
| Disposal of business | - | - | 1.3 |
| **Net cash outflow from continuing investing activities** | **(45.7)** | (28.1) | (44.3) |
| Net cash (outflow) / inflow from discontinued investing activities | (10.6) | 40.6 | 36.6 |
| **Net cash inflow from investing activities** | **(56.3)** | 12.5 | (7.7) |
| **Cash flows from financing activities** | | | |
| Repayment of lease liabilities | (37.9) | (39.0) | (73.2) |
| Payments to pension scheme | (3.4) | (3.5) | (3.4) |
| Sale of own shares | 4.5 | 1.2 | 6.4 |
| Cash received from discontinued operations | 21.4 | - | - |
| Financing transactions with discontinued operations | (156.1) | 111.4 | 76.3 |
| Bank facility fee | (0.4) | - | (2.9) |
| Bond issue | - | - | 248.5 |
| Draw down on bank facilities | - | 400.0 | 400.0 |
| Repayment of debt | - | (400.0) | (660.0) |
| **Net cash (outflow) / inflow from continuing financing activities** | **(171.9)** | 70.1 | (8.3) |
| Net cash outflow from discontinued financing activities | (129.7) | (156.3) | (172.2) |
| **Net cash outflow from financing activities** | **(301.6)** | (86.2) | (180.5) |
| **Net (decrease) / increase in cash and cash equivalents** | **(64.8)** | 320.6 | 297.7 |
| Cash and cash equivalents at the beginning of the period | 505.6 | 207.9 | 207.9 |
| Cash and cash equivalents at the end of the period | 440.8 | 528.5 | 505.6 |

# Notes to the interim financial statements

## 1. General information and accounting policies

The interim financial statements have been prepared on the historical cost basis, except that certain financial instruments including derivative instruments and plan assets of defined benefit pension schemes are stated at their fair value. The condensed interim financial statements include the accounts of the Company and all its subsidiaries ("the Group").

### Basis of preparation

The financial information for the six months ended 30 June 2021 and 30 June 2020 is unaudited. The June 2021 information has been reviewed by KPMG LLP, the Group's auditor, and a copy of their review report appears on page 36 of this interim report. The June 2020 information was also reviewed by KPMG LLP.

The financial information for the year ended 31 December 2020 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2020, as prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards ("IFRS") adopted pursuant to Regulation (EC) No 1606/2002, has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The unaudited interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted for use in the UK, and have been prepared on the basis of IFRS.

The annual financial statements of the Group are prepared in accordance with UK adopted international accounting standards. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2020. The 2020 full year financial statements are available on the Travis Perkins website (www.travisperkinsplc.co.uk).

Although the rapidly changing economic conditions caused by Covid-19 have affected some of the markets in which the Group operates, the Group has remained resilient and produced strong cash and trading results. The Directors are currently of the opinion that the Group's forecasts and projections show that the Group should be able to operate within its current facilities and comply with its banking covenants. The Group is however exposed to a number of significant risks and uncertainties, which could affect the Group's ability to meet management's projections.

The Directors believe that the Group has the flexibility to react to changing market conditions and is adequately placed to manage its business risks successfully. The Group has undertaken a detailed going concern assessment, reviewing its current and projected financial performance and position, including current assets and liabilities, debt maturity profile, future commitments and forecast cash flows. The downside scenarios tested, outlining the impact of severe but plausible adverse scenarios based on a severe recession and housing market weakness, show that there is sufficient headroom for liquidity and covenant compliance purposes for at least the next 12 months from the date of approval of these financial statements. For this reason the interim financial statements have been prepared on a going concern basis.

### New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group has applied the following requirements:

- Narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and annual improvements on various IFRS
- Classification of liabilities, presentation of financial statements
- Interest Rate Benchmark Reform; amendments to IFRS 9, IAS 39 and IFRS 7

The above requirements did not have a material impact on the Group and have been adopted without restating comparative information.

## Notes to the interim financial statements

## 2. Adjusting items

To enable a reader of the interim financial statements to obtain a clear understanding of the underlying trading, the Directors have presented the items below separately in the income statement.

| £m | **Six months ended 30 June 2021** | Six months ended 30 June 2020 (re-presented) | Year ended 31 December 2020 (re-presented) |
|---|---|---|---|
| **Adjusting items – operating** | | | |
| Branch closures and restructuring (credit) / charge | **(8.6)** | 94.8 | 96.9 |
| IT-related settlement credit | **-** | (4.2) | (4.2) |
| | **(8.6)** | 90.6 | 92.7 |
| **Adjusting items – tax** | | | |
| Deferred tax rate change | **14.4** | 9.0 | 9.0 |
| | **5.8** | 99.6 | 101.7 |

**Branch closures and restructuring**

In 2021, the Group has been able to exit the leases of a number of branches closed in 2020 for less than the contractual lease liability, which has generated a credit of £8.6m.

**Deferred tax rate change**

The tax charge includes an adjusting charge of £14.4m arising from the increase in the rate of UK corporation tax from 19% to 25% effective on 1 April 2023 (2020: charge of £9.0m arising from the increase in the rate from 17% to 19% effective on 1 April 2020).

**2020 adjusting items**

In June 2020 the Group announced the closure of 144 branches and the restructuring of distribution, administrative and sales functions. Costs recognised in 2020 in relation to these closures were as follows:

- £46m of property costs arising on the closure of branches and office locations, including a £25m impairment charge in respect of right-of-use assets
- £30m of redundancy and other restructuring costs
- £9m of fixed asset impairments
- £12m of inventory provisions in respect of closed branches and associated restructuring

The 2020 gain of £4.2m was the result of the full and final settlement of claims in relation to the cancelled replacement of the Group's merchant ERP system.

## Notes to the interim financial statements

## 3. Business segments

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ("CODM"), which is considered to be the Board, to assess performance and allocate capital.

Both operating segments sell building materials to a wide range of customers, none of which are dominant, and operate almost exclusively in the United Kingdom.

Segment result represents the result of each segment without allocation of certain central costs, finance costs and tax. Adjusted segment result is the result of each segment before adjusting items and property profits. Unallocated segment assets and liabilities comprise financial instruments, current and deferred tax, cash, borrowings and pension scheme assets and liabilities.

The Wickes business was demerged on 27 April 2021 and the Plumbing & Heating segment is classified as held for sale as a result of the binding sale agreement announced on 22 May 2021 and therefore are excluded from the segmental analysis. Information about these discontinued operations is provided in note 13.

### a) Segment results

**Six months ended 30 June 2021**

| £m | Merchanting | Toolstation | Unallocated | Consolidated |
|---|---|---|---|---|
| Revenue | 1,904.9 | 394.0 | - | **2,298.9** |
| Adjusted segment result | 155.3 | 10.2 | (19.0) | **146.5** |
| Property profits | 17.3 | - | - | **17.3** |
| Adjusting items | 8.6 | - | - | **8.6** |
| Amortisation of acquired intangible assets | (3.4) | (1.7) | - | **(5.1)** |
| Segment result | 177.8 | 8.5 | (19.0) | **167.3** |
| Adjusted segment margin | 8.2% | 2.6% | - | **6.4%** |

**Six months ended 30 June 2020 (re-presented)**

| £m | Merchanting | Toolstation | Unallocated | Consolidated |
|---|---|---|---|---|
| Revenue | 1,384.7 | 284.5 | - | **1,669.2** |
| Adjusted segment result | 35.2 | 1.2 | (19.7) | **16.7** |
| Property profits | 0.1 | - | - | **0.1** |
| Adjusting items | (93.2) | (0.7) | 3.3 | **(90.6)** |
| Amortisation of acquired intangible assets | (2.8) | (1.9) | - | **(4.7)** |
| Segment result | (60.7) | (1.4) | (16.4) | **(78.5)** |
| Adjusted segment margin | 2.5% | 0.4% | - | **1.0%** |

## 3. Business segments (continued)

**Year ended 31 December 2020 (re-presented)**

| £m | Merchanting | Toolstation | Unallocated | Consolidated |
|---|---|---|---|---|
| Revenue | 3,064.8 | 632.7 | - | **3,697.5** |
| Adjusted segment result | 151.8 | 7.6 | (40.3) | **119.1** |
| Property profits | 9.2 | - | - | **9.2** |
| Adjusting items | (89.1) | (0.9) | (2.7) | **(92.7)** |
| Amortisation of acquired intangible assets | (6.2) | (2.4) | - | **(8.6)** |
| Segment result | 65.7 | 4.3 | (43.0) | **27.0** |
| Adjusted segment margin | 5.0% | 1.2% | - | **3.2%** |

### b) Segment assets and liabilities

| £m | **30 June 2021** |
|---|---|
| **Segment assets** | |
| Merchanting | 2,839.2 |
| Toolstation | 649.2 |
| Unallocated | 612.6 |
| Subtotal | **4,101.0** |
| Assets of a disposal group classified as held for sale (note 13) | 579.3 |
| Total assets | **4,680.3** |
| **Segment liabilities** | |
| Merchanting | (1,233.3) |
| Toolstation | (288.6) |
| Unallocated | (729.0) |
| Subtotal | **(2,250.9)** |
| Liabilities of a disposal group classified as held for sale (note 13) | (329.0) |
| Total liabilities | **(2,579.9)** |

## 4. Seasonality

The Group’s trading operations are not normally significantly affected by seasonal factors when assessed on a half-yearly basis, however there was higher seasonal variation in 2020 due to Covid-19. In 2020, the period to 30 June accounted for 45.2% of the Group’s annual revenue (2019: 39.8%).

## Notes to the interim financial statements

## 5. Finance costs

### a) Net finance costs

| £m | **Six months ended 30 June 2021** | Six months ended 30 June 2020 (re-presented) | Year ended 31 December 2020 (re-presented) |
|---|---|---|---|
| **Finance income** | | | |
| Fair value gains on currency forward contracts | **-** | 0.9 | 1.4 |
| Net gains on remeasurement of foreign exchange | **-** | 6.9 | 6.4 |
| Interest receivable | **0.5** | 0.8 | 2.0 |
| Other finance income – pension scheme | **1.2** | 0.5 | 1.1 |
| | **1.7** | 9.1 | 10.9 |
| **Finance costs** | | | |
| Interest on lease liabilities | **(10.1)** | (10.7) | (21.2) |
| Interest on bank loans and overdrafts | **(0.1)** | (1.7) | (3.0) |
| Interest on sterling bonds | **(9.9)** | (10.5) | (19.5) |
| Accelerated interest on repayment of 2014 bond | **-** | - | (10.0) |
| Amortisation of issue costs of bank loans | **(0.6)** | (0.7) | (2.3) |
| Other interest | **-** | (0.2) | - |
| Unwinding of discounts – liability to pension scheme | **(1.0)** | (1.1) | (2.1) |
| Unwinding of discounts – property provisions | **(0.1)** | (0.1) | (0.2) |
| Fair value losses on currency forward contracts | **(1.1)** | - | - |
| Net loss on remeasurement of foreign exchange | **(0.4)** | - | - |
| | **(23.3)** | (25.0) | (58.3) |
| Net finance costs | **(21.6)** | (15.9) | (47.4) |

## 6. Government grants and other support

The UK government has offered a range of financial support packages to help companies affected by Covid-19. The Group received the following benefits from these support packages:

| £m | **Six months ended 30 June 2021** | Six months ended 30 June 2020 (re-presented) | Year ended 31 December 2020 (re-presented) |
|---|---|---|---|
| Government grants from furlough scheme | - | 31.2 | 30.7 |
| Business rates relief | - | 8.3 | 30.5 |
| | - | 39.5 | 61.2 |

The Group elected to deduct the grants from the furlough scheme in reporting the related administrative expense. Following the announcement in December 2020 that the Group would repay rates relief and furlough grants received by Toolstation, £2.5m of this was reversed in the second half of 2020.

In addition, in March 2020 the Group deferred £107m of VAT payments. This was subsequently paid in December 2020.

## 7. Tax

| £m | **Six months ended 30 June 2021** | Six months ended 30 June 2020 (re-presented) | Year ended 31 December 2020 (re-presented) |
|---|---|---|---|
| **Current tax** | | | |
| - current year | **34.8** | (10.4) | 16.0 |
| - prior year | **-** | - | 3.6 |
| Total current tax | **34.8** | (10.4) | 19.6 |
| **Deferred tax** | | | |
| - current year | **11.1** | 1.5 | (4.9) |
| - prior year | **-** | - | 0.1 |
| Total deferred tax | **11.1** | 1.5 | (4.8) |
| Total tax charge/(credit) | **45.9** | (8.9) | 14.8 |

Tax for the interim period is charged on profit before tax, based on the best estimate of the corporate tax rate for the full financial year. There is a £14.4m deferred tax charge in the current year, reflecting the impact of the change in corporation tax rate from 19% to 25% effective on 1 April 2023 on the opening balances.

## 8. Retirement benefit obligations

### (a) Defined benefit pension schemes

The Directors have agreed with the Trustees of the Group's two material defined benefit pension schemes that, following the elimination of the deficits in these schemes, no further contributions from the Group are currently required. In the case of the TP scheme, the ongoing management and administrative expenses are also now being met by the scheme. The Group will still provide £27.5m of funding to one of the schemes over the period to 2030 through a Group-controlled special purpose vehicle put in place in 2010 which is backed by the security of 16 of the Group's freehold properties.

### (b) Pension scheme asset movement

**Six months ended 30 June 2021**

| £m | TP Schemes | BSS Schemes | **Group** |
|---|---|---|---|
| Gross pension asset at 1 January | 145.6 | 32.8 | **178.4** |
| Administration expenses | (0.7) | (0.4) | **(1.1)** |
| Net interest income | 1.0 | 0.2 | **1.2** |
| Contributions from sponsoring companies | - | 1.0 | **1.0** |
| Return on plan assets (excluding amounts included in net interest) | (72.0) | (19.0) | **(91.0)** |
| Actuarial gains arising from changes in financial assumptions | 71.4 | 19.1 | **90.5** |
| **Gross pension asset at 30 June** | **145.3** | **33.7** | **179.0** |
| Deferred tax | | | **(34.0)** |
| Net pension asset | | | **145.0** |

## Notes to the interim financial statements

## 8. Retirement benefit obligations (continued)

**(b) Pension scheme asset movement (continued)**

**Six months ended 30 June 2020**

| £m | TP Schemes | BSS Schemes | **Group** |
|---|---|---|---|
| Gross pension asset / (liability) at 1 January | 55.0 | (2.4) | 52.6 |
| Administration expenses | (0.3) | (0.3) | (0.6) |
| Net interest income / (expense) | 0.6 | (0.1) | 0.5 |
| Contributions from sponsoring companies | 1.0 | 5.8 | 6.8 |
| Return on plan assets (excluding amounts included in net interest) | 126.4 | 35.5 | 161.9 |
| Actuarial losses arising from changes in financial assumptions | (119.6) | (35.4) | (155.0) |
| Gross pension asset at 30 June | 63.1 | 3.1 | 66.2 |
| Deferred tax | | | (12.8) |
| Net pension asset | | | 53.4 |

**Year ended 31 December 2020**

| £m | TP Schemes | BSS Schemes | **Group** |
|---|---|---|---|
| Gross pension asset / (liability) at 1 January | 55.0 | (2.4) | 52.6 |
| Current service costs and administration expenses | (1.2) | (0.4) | (1.6) |
| Net interest income | 1.1 | - | 1.1 |
| Contributions from sponsoring companies | 2.4 | 10.6 | 13.0 |
| Foreign exchange | - | 0.1 | 0.1 |
| Return on plan assets (excluding amounts included in net interest) | 148.1 | 45.2 | 193.3 |
| Actuarial gain arising from changes in demographic assumptions | 47.0 | 13.5 | 60.5 |
| Actuarial losses arising from changes in financial assumptions | (127.4) | (36.1) | (163.5) |
| Actuarial gains arising from experience adjustments | 20.6 | 2.3 | 22.9 |
| Gross pension asset at 31 December | 145.6 | 32.8 | 178.4 |
| Deferred tax | | | (33.9) |
| Net pension asset at 31 December | | | 144.5 |

## Notes to the interim financial statements

## 8. Retirement benefit obligations (continued)

### (c) Amounts recognised in the statement of comprehensive income

**Six months ended 30 June 2021**

| £m | TP Schemes | BSS Schemes | **Group** |
|---|---|---|---|
| Return on plan assets (excluding amounts included in net interest) | (72.0) | (19.0) | **(91.0)** |
| Actuarial losses arising from changes in financial assumptions | 71.4 | 19.1 | **90.5** |
| Actuarial (loss)/gain on defined benefit pension schemes | **(0.6)** | **0.1** | **(0.5)** |

**Six months ended 30 June 2020**

| £m | TP Schemes | BSS Schemes | Group |
|---|---|---|---|
| Return on plan assets (excluding amounts included in net interest) | 126.4 | 35.5 | 161.9 |
| Actuarial losses arising from changes in financial assumptions | (119.6) | (35.4) | (155.0) |
| Actuarial gains on defined benefit pension schemes | 6.8 | 0.1 | 6.9 |

**Year ended 31 December 2020**

| £m | TP Schemes | BSS Schemes | Group |
|---|---|---|---|
| Return on plan assets (excluding amounts included in net interest) | 148.1 | 45.2 | 193.3 |
| Actuarial losses arising from changes in demographic assumptions | 47.0 | 13.4 | 60.4 |
| Actuarial losses arising from changes in financial assumptions | (127.4) | (36.1) | (163.5) |
| Actuarial gains arising from experience adjustments | 20.6 | 2.3 | 22.9 |
| Actuarial gains on defined benefit pension schemes | **88.3** | **24.8** | **113.1** |

## 9. Share capital

| | Allotted | |
|---|---|---|
| | No. | £m |
| Ordinary shares: | | |
| At 1 January 2021 | **252,143,923** | **25.2** |
| Allotted under share option schemes | **-** | **-** |
| Share consolidation | **(27,117,997)** | **-** |
| **At 30 June 2021** | **225,025,926** | **25.2** |

On 29 April 2021 the Group completed a consolidation of its shares at a ratio of 0.8925 new ordinary shares for each share held at the record time. Each ordinary share has a nominal value of £0.1121. Before the share consolidation each ordinary share had a nominal value of £0.10.

## Notes to the interim financial statements

## 10. Earnings per share

### a) Basic and diluted earnings per share

| £m | **Six months ended 30 June 2021** | Six months ended 30 June 2020 (re-presented) | Year ended 31 December 2020 (re-presented) |
|---|---|---|---|
| Profit / (loss) attributable to the owners of the parent | | | |
| - from continuing operations | **99.8** | (85.8) | (35.6) |
| - from discontinued operations | **(47.3)** | (27.7) | 13.2 |
| No. | | | |
| Weighted average number of shares in issue | **240,649,202** | 248,364,801 | 248,566,317 |
| Dilutive effect of share options | **3,015,066** | - | - |
| Weighted average number of shares for diluted earnings per share | **243,664,268** | 248,364,801 | 248,566,317 |
| Earnings / (loss) per share | | | |
| - from continuing operations | **41.5p** | (34.5)p | (14.3)p |
| - from discontinued operations | **(19.7)p** | (11.2)p | 5.3p |
| Diluted earnings / (loss) per share | | | |
| - from continuing operations | **41.0p** | (34.5)p | (14.3)p |
| - from discontinued operations | **(19.7)p** | (11.2)p | 5.3p |

### b) Adjusted earnings per share

Adjusted earnings per share are calculated by excluding the effects of the amortisation of acquired intangible assets, adjusting items and discontinued operations from earnings.

| £m | **Six months ended 30 June 2021** | Six months ended 30 June 2020 (re-presented) | Year ended 31 December 2020 (re-presented) |
|---|---|---|---|
| Profit / (loss) attributable to the owners of the parent from continuing operations | **99.8** | (85.8) | (35.6) |
| Adjusting items | **(8.6)** | 90.6 | 92.7 |
| Tax on adjusting items | **1.6** | (15.2) | (20.9) |
| Amortisation of acquired intangible assets | **5.1** | 4.7 | 8.6 |
| Tax on amortisation of acquired intangible assets | **(1.0)** | (0.9) | (1.6) |
| Adjusting items – deferred tax | **14.4** | 9.0 | 9.0 |
| Earnings for adjusted earnings per share | **111.3** | 2.4 | 52.2 |
| Adjusted earnings per share | **46.2p** | 1.0p | 21.0p |
| Adjusted diluted earnings per share | **45.7p** | 1.0p | 21.0p |

## Notes to the interim financial statements

## 11. Dividends

No amounts have been recognised in the financial statements as distributions to equity shareholders in the period (2020: no amounts). An interim dividend of 12.0p is proposed in respect of the year ending 31 December 2021. It will be paid on 5 November 2021 to shareholders on the register at the close of business on 1 October 2021. The shares will be quoted ex-dividend on 30 September 2021.

## 12. Borrowings

At the period end, the Group had the following borrowing facilities available:

| £m | **As at 30 June 2021** | As at 30 June 2020 | As at 31 December 2020 |
|---|---|---|---|
| **Drawn facilities:** | | | |
| £250m sterling bond (due September 2021) | **-** | 254.1 | - |
| £250m sterling bond (due February 2026) | **250.0** | - | 250.0 |
| £300m sterling bond (due September 2023) | **300.0** | 300.0 | 300.0 |
| | **550.0** | 554.1 | 550.0 |
| **Undrawn facilities:** | | | |
| 5-year committed revolving credit facility (expires January 2025) | **400.0** | 400.0 | 400.0 |
| Bank overdraft | **30.0** | 30.0 | 30.0 |
| | **430.0** | 430.0 | 430.0 |

## 13. Non-current assets held for sale and discontinued operations

The Wickes business was demerged on 27 April 2021. In accordance with IFRIC 17 – Distributions of Non-cash Assets to Owners, the Group has recognised the distribution at fair value of £679.7m, as measured by the volume-weighted average price on the day the demerged business was admitted to the market. The difference between the fair value of the Wickes business and the carrying amount of the assets distributed has been recognised as an expense.

The sale of the Plumbing & Heating business was announced on 20 May 2021 and is expected to complete in the third quarter of 2021. The assets and liabilities of this business have been classified as held for sale as at 30 June 2021 and its results presented as part of the Group's discontinued operations.

The Primaflow F&P wholesale business, which formed part of the Plumbing & Heating segment, was sold on 31 January 2020 for cash consideration of £50.1m, generating profit on disposal of £1.8m. On 30 September 2020, the Group sold Tile Giant Limited, which formed part of the Retail segment, for consideration of £6.1m, generating profit on disposal of £1.4m. The results of these businesses have been presented as part of the Group's discontinued operations.

## Notes to the interim financial statements

### a) Results of discontinued operations

| £m | **Six months ended 30 June 2021 (unaudited)** | Six months ended 30 June 2020 (unaudited) | Year ended 31 December 2020 (unaudited) |
|---|---|---|---|
| Revenue | **1,177.1** | 1,111.4 | 2,460.0 |
| Operating profit / (loss) | **49.2** | (13.0) | 50.1 |
| Net finance costs | **(17.4)** | (19.0) | (37.5) |
| Profit / (loss) before tax | **31.8** | (32.0) | 12.6 |
| Tax | **(9.7)** | 4.3 | 0.6 |
| Profit / (loss) for the period of discontinued operations | **22.1** | (27.7) | 13.2 |
| Pre-tax loss and loss after tax recognised on the remeasurement of assets held for distribution | **(69.4)** | - | - |
| (Loss) / profit for the period from discontinued operations | **(47.3)** | (27.7) | 13.2 |

The revenue of £1,177.1m consists of £629.2m relating to the Plumbing & Heating business and £547.9m relating to Wickes. The operating profit consists of £22.0m relating to the operation and sale of the Plumbing & Heating business and £27.2m relating to the Wickes business and its demerger. The loss on the revaluation of the Wickes business that was distributed to shareholders was £69.4m.

### b) Assets and liabilities of disposal group classified as held for sale

| £m | **30 June 2021 (unaudited)** |
|---|---|
| **Assets** | |
| Property, plant and equipment | **32.8** |
| Right-of-use assets | **75.1** |
| Intangible fixed assets | **65.9** |
| Inventory | **216.3** |
| Trade and other current receivables | **183.0** |
| Deferred tax asset | **6.2** |
| Total assets | **579.3** |
| **Liabilities** | |
| Trade and other payables | **(228.3)** |
| Lease liabilities | **(89.0)** |
| Provisions | **(11.7)** |
| Total liabilities | **(329.0)** |
| Net assets | **250.3** |

## Notes to the interim financial statements

## 14. Net debt

| £m | **Six months ended 30 June 2021** | Six months ended 30 June 2020 | Year ended 31 December 2020 |
|---|---|---|---|
| Net debt at 1 January | **(1,397.2)** | (1,787.7) | (1,787.7) |
| *Lease-related movements:* | | | |
| Additions to leases | **(58.8)** | (61.7) | (99.3) |
| Disposals of leases | **6.0** | - | 21.4 |
| Cash flows from repayment of lease liabilities | **95.4** | 113.6 | 222.1 |
| Discount unwind on lease liability | **(27.5)** | (29.7) | (59.0) |
| *Movements related to discontinued operations:* | | | |
| Cash derecognised on demerger | **(238.0)** | - | - |
| Lease liabilities derecognised on demerger | **738.7** | - | - |
| Transferred to liabilities classified as held for sale | **89.0** | - | - |
| *Other net debt movements:* | | | |
| Increase in cash and cash equivalents before the impact of demerger | **173.2** | 320.6 | 297.7 |
| Cash flows from debt | **0.1** | 0.5 | 0.5 |
| Cash flows from pension liability | **3.6** | 3.5 | 3.4 |
| Finance charges movement | **(0.6)** | (0.6) | (0.1) |
| Amortisation of swap cancellation receipt | **-** | 1.7 | 5.8 |
| Discount unwind on liability to pension scheme | **(1.0)** | (1.1) | (2.0) |
| Net debt at 30 June / 31 December | **(617.1)** | (1,440.9) | (1,397.2) |
| Less: pension SPV liability | **27.5** | 29.1 | 30.1 |
| Less: lease liability | **484.2** | 1,390.2 | 1,327.1 |
| Covenant net debt at 30 June / 31 December | **(105.4)** | (21.6) | (40.0) |

## Notes to the interim financial statements

## 15. Financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- Foreign currency forward contracts are measured using quoted forward exchange rates
- Deferred consideration liabilities are calculated using forecasts of future performance of acquisitions discounted to present value

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

There were no transfers between levels during the year. There are no non-recurring fair value measurements.

| £m | **As at 30 June 2021** | As at 30 June 2020 | As at 31 December 2020 |
|---|---|---|---|
| **Included in assets** | | | |
| Level 1 – Loan notes at fair value through profit and loss | **-** | - | 2.8 |
| Level 2 – Foreign currency forward contracts at fair value through profit and loss | **-** | 0.4 | - |
| | **-** | 0.4 | 2.8 |
| Current assets | **-** | 0.4 | 2.8 |
| Non-current assets | **-** | - | - |
| | **-** | 0.4 | 2.8 |
| **Included in liabilities** | | | |
| Level 2 - Foreign currency forward contracts at fair value through profit and loss | **0.4** | - | 1.6 |
| Level 3 – Deferred consideration at fair value through equity | **-** | 1.8 | - |
| | **0.4** | 1.8 | 1.6 |
| Current liabilities | **0.4** | 1.8 | 1.6 |
| Non-current liabilities | **-** | - | - |
| | **0.4** | 1.8 | 1.6 |

## 16. Related party transactions

The Group has related party relationships with its subsidiaries and with its Directors. Transactions between group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note. There have been no related party transactions with directors other than in respect of remuneration.

## 17. Non-statutory information

### a) Adjusted operating profit

Adjusted operating profit is calculated by excluding the effects of amortisation of acquired intangible assets and adjusting items from operating profit.

| £m | **Six months ended 30 June 2021** | Six months ended 30 June 2020 (re-presented) | Year ended 31 December 2020 (re-presented) |
|---|---|---|---|
| Operating profit / (loss) | **167.3** | (78.5) | 27.0 |
| Adjusting items (note 2) | **(8.6)** | 90.6 | 92.7 |
| Amortisation of acquired intangible assets | **5.1** | 4.7 | 8.6 |
| Adjusted operating profit | **163.8** | 16.8 | 128.3 |

### b) Adjusted profit before tax

Adjusted profit before tax is calculated by excluding the effects of amortisation of acquired intangible assets and adjusting items from profit before tax.

| £m | **Six months ended 30 June 2021** | Six months ended 30 June 2020 (re-presented) | Year ended 31 December 2020 (re-presented) |
|---|---|---|---|
| Profit / (loss) before tax | **145.7** | (94.5) | (20.3) |
| Adjusting items (note 2) | **(8.6)** | 90.6 | 92.7 |
| Amortisation of acquired intangible assets | **5.1** | 4.7 | 8.6 |
| Adjusted profit before tax | **142.2** | 0.8 | 81.0 |

### c) Ratio of net debt to adjusted EBITDA (rolling 12 months)

| £m | **30 June 2021** | 30 June 2020 (re-presented) | 31 December 2020 (re-presented) |
|---|---|---|---|
| Operating profit | **272.8** | 49.9 | 27.0 |
| Depreciation and amortisation | **158.6** | 158.0 | 160.0 |
| EBITDA | **431.4** | 207.9 | 187.0 |
| Adjusting items (note 2) | **(6.5)** | 108.9 | 92.7 |
| Share of associates' results | **0.2** | 0.3 | 0.1 |
| Adjusted EBITDA | **425.1** | 317.1 | 279.8 |
| Net debt (note 14) | **617.1** | 1,440.9 | 1,397.2 |
| Net debt to adjusted EBITDA | **1.5x** | 4.5x | 5.0x |
| Memo: Net debt excluding discontinued operations to adjusted EBITDA | **1.5x** | 1.7x | 2.0x |

## Notes to the interim financial statements

## 17. Non-statutory information (continued)

### d) Free cash flow

| £m | **Six months ended 30 June 2021** | Six months ended 30 June 2020 (re-presented) | Year ended 31 December 2020 (re-presented) |
|---|---|---|---|
| Adjusted operating profit | **163.8** | 16.8 | 128.3 |
| Less: profit on disposal of properties | **(17.3)** | (0.1) | (9.2) |
| Adjusted operating profit excluding property profit | **146.5** | 16.7 | 119.1 |
| Depreciation of property, plant and equipment | **31.5** | 33.4 | 60.0 |
| Amortisation of internally-generated intangibles | **6.0** | 5.6 | 11.5 |
| Share-based payments | **8.9** | 5.0 | 12.2 |
| Movement on working capital | **21.6** | 261.1 | 197.4 |
| Other net interest paid | **(0.6)** | (4.9) | (28.3) |
| Interest on lease liabilities | **(10.1)** | (10.8) | (21.3) |
| Income tax paid | **(31.8)** | (27.6) | (27.6) |
| Capital expenditure excluding freehold purchases | **(43.7)** | (32.4) | (127.8) |
| Disposal of plant and equipment | **1.1** | 0.1 | 5.4 |
| Free cash flow | **129.4** | 246.2 | 200.6 |

### e) Capital ratios

#### *(i) Average capital employed in continuing operations (rolling 12 months)*

| £m | **30 June 2021** | 30 June 2020 | 31 December 2020 |
|---|---|---|---|
| Opening net assets | **2,480.5** | 2,502.0 | 2,587.1 |
| Net pension asset | **(53.4)** | (37.9) | (43.7) |
| Net borrowings | **1,440.9** | 1,852.4 | 1,787.7 |
| Less: net assets of discontinued operations | **(661.8)** | (822.5) | (902.3) |
| Less: net borrowings of discontinued operations | **(889.7)** | (932.9) | (918.7) |
| Opening capital employed in continuing operations | **2,316.5** | 2,561.1 | 2,510.1 |
| Closing net assets | **2,100.4** | 2,480.5 | 2,713.8 |
| Net pension asset | **(145.0)** | (53.4) | (144.5) |
| Net borrowings | **617.1** | 1,440.9 | 1,397.2 |
| Less: net assets of discontinued operations | **(250.3)** | (661.8) | (747.7) |
| Less: net borrowings of discontinued operations | **(89.0)** | (889.7) | (842.1) |
| Closing capital employed in continuing operations | **2,233.2** | 2,316.5 | 2,376.7 |
| Average capital employed in continuing operations | **2,274.9** | 2,438.8 | 2,443.4 |

# Notes to the interim financial statements

## 17. Non-statutory information (continued)

### *(ii) Return on capital employed (rolling 12 months)*

| £m | **30 June 2021** | 30 June 2020 (re-presented) | 31 December 2020 (re-presented) |
|---|---|---|---|
| Adjusted operating profit (rolling 12 months) | **275.3** | 168.0 | 128.3 |
| Average capital employed in continuing operations | **2,274.9** | 2,438.8 | 2,443.4 |
| Return on capital employed | **12.1%** | 6.9% | 5.3% |

### f) Like-for-like sales

| £m | Merchanting | Toolstation | Total |
|---|---|---|---|
| 2020 H1 revenue (re-presented) | 1,384.7 | 284.5 | **1,669.2** |
| Network change | (93.7) | (2.0) | **(95.7)** |
| Trading days | (13.4) | (1.5) | **(14.9)** |
| 2020 H1 like-for-like revenue | 1,277.6 | 281.0 | 1,558.6 |
| Like-for-like change | 603.9 | 83.9 | **687.8** |
| Network change | 23.4 | 29.1 | **52.5** |
| **2021 H1 revenue** | **1,904.9** | **394.0** | **2,298.9** |
| **Like-for-like revenue** | **1,881.5** | **364.9** | **2,246.4** |
| **Like-for-like revenue %** | **47.3%** | **29.8%** | **44.1%** |

Like-for-like sales are a measure of underlying sales performance for two successive periods. Branches contribute to like-for-like sales once they have been trading for more than 12 months. Revenue included in like-for-like sales is for the equivalent times in both years being compared. When branches close, revenue is excluded from the prior year figures for the months equivalent to the post closure period in the current year.

## RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted for use in the UK;
- The Interim Management Report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

| | |
|---|---|
| Nick Roberts | Alan Williams |
| Chief Executive Officer | Chief Financial Officer |
| 2 August 2021 | 2 August 2021 |

# INDEPENDENT REVIEW REPORT TO TRAVIS PERKINS PLC

## Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the latest annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted for use in the UK. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

## Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

**Anthony Sykes**

**Senior Partner**

**for and on behalf of KPMG LLP**

*Chartered Accountants*

15 Canada Square
Canary Wharf
London
E14 5GL

2 August 2021