

OPERATIONAL BRIEFING. 2014



Agenda

Group strategy	John Carter / Tony Buffin	p3
General Merchanting	Arthur Davidson	p20
Contracts	Frank Elkins	p35
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Consumer	Simon King / Tony Buffin	p60
IT & Supply Chain	Norman Bell / Robin Proctor	p79
Wrap up	John Carter	p93
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Levers of value creation

Customer innovation

- Improved value
- Extended range
- Product development
- Format renewal
- Technology enabled
- Multi-channel

Optimising network

- TP expansion & modernisation
- Wickes national footprint
- Plumbing & Heating format clarity
- Implants intensify returns
- Trade parks

Scale advantage

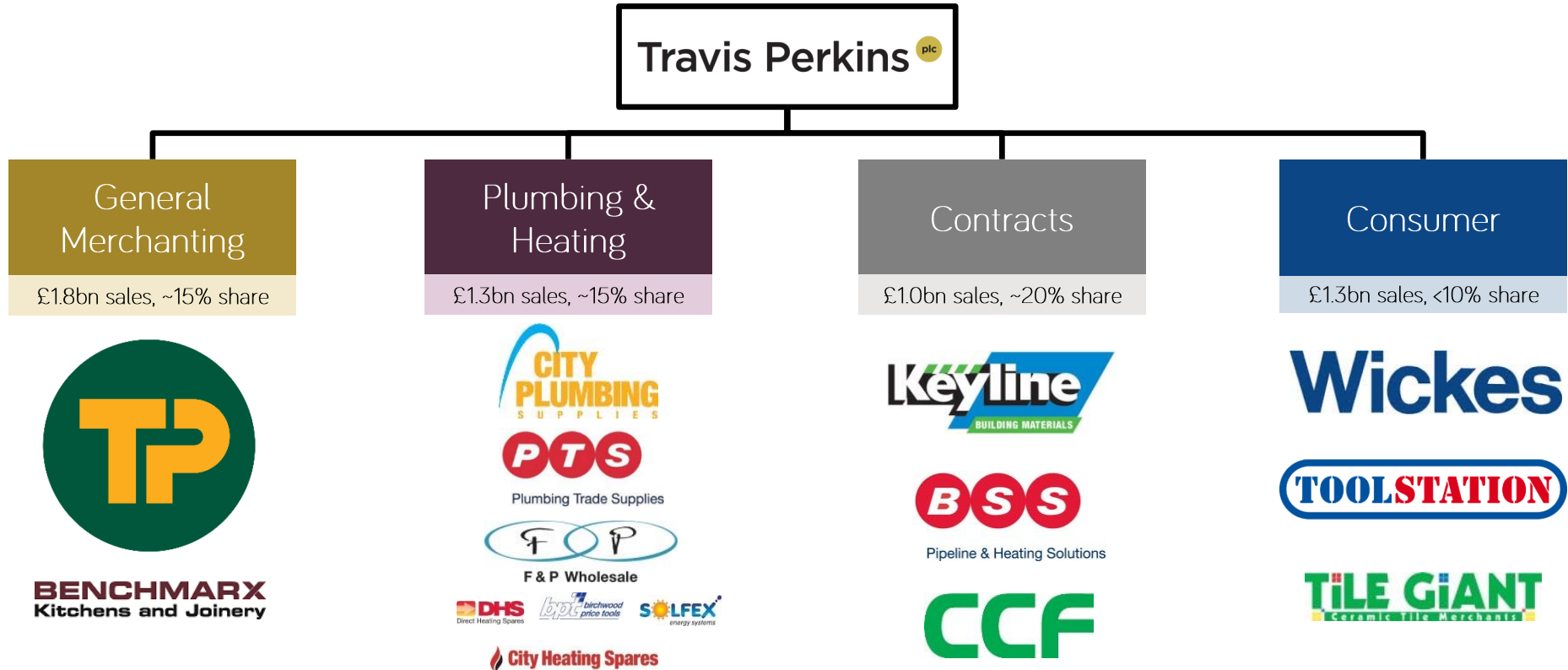
- Supply chain investment
- Leverage property capability
- Group sourcing benefits
- Shared technology investment

Portfolio management

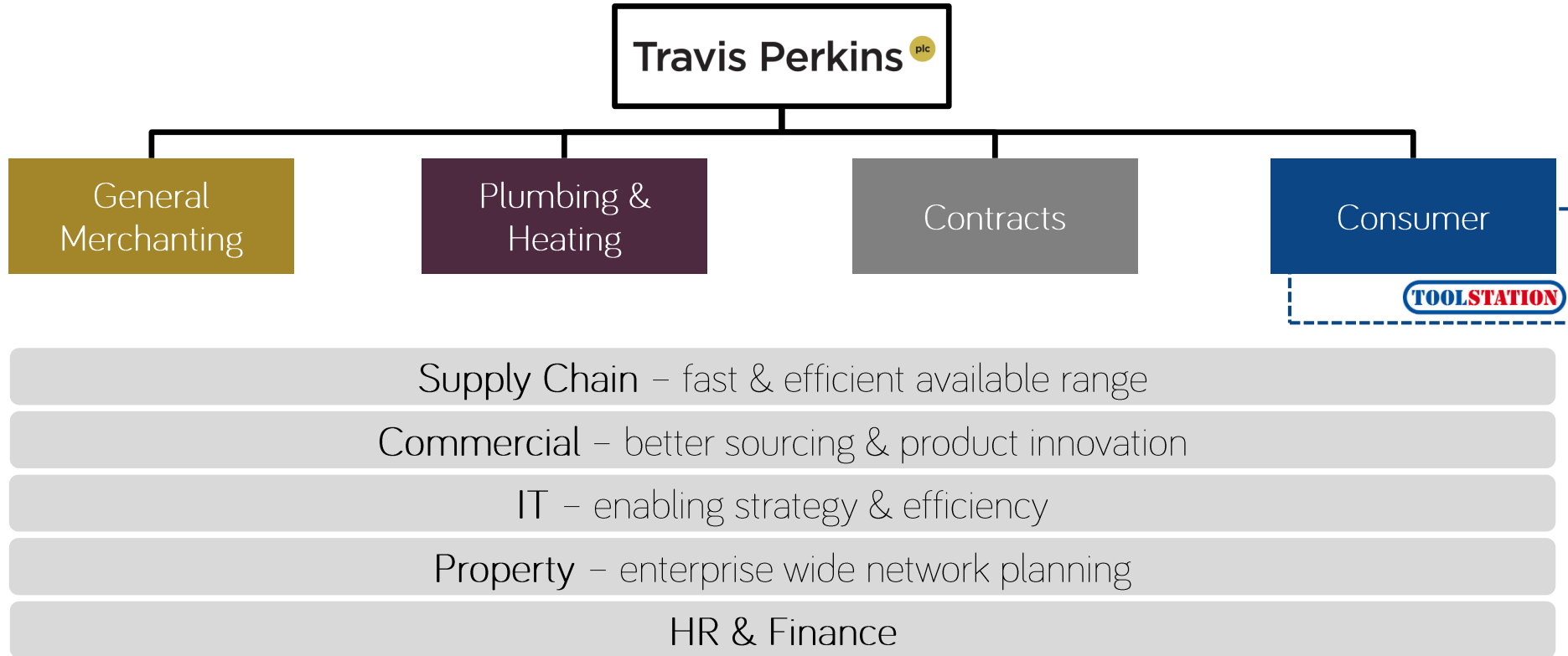
- Streamlined central functions
- Devolved management responsibility
- Disciplined planning & capital allocation
- Regular market updates

Enabled through people & evolution of unique culture

Strength as a Group – unique breadth in the UK



Strength as a Group – exploiting scale in the UK



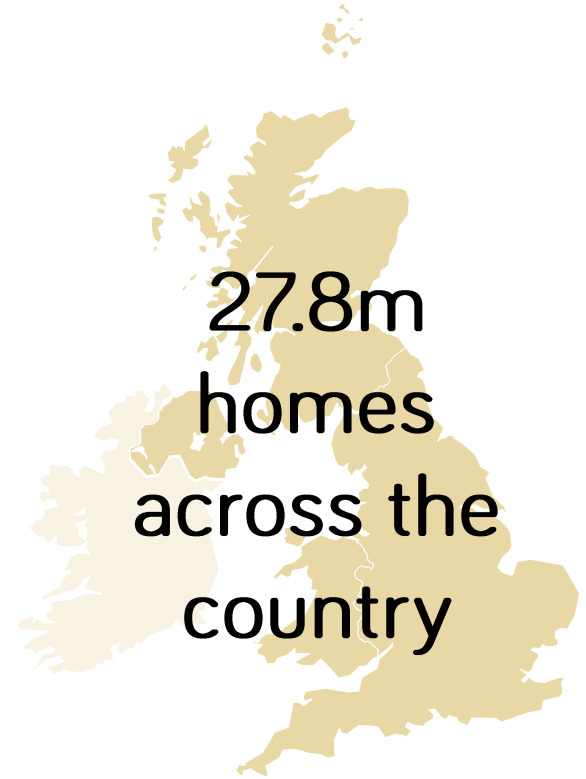
Medium-long term sustainable RMI growth



Smaller
families driving
225,000 new
households
per year



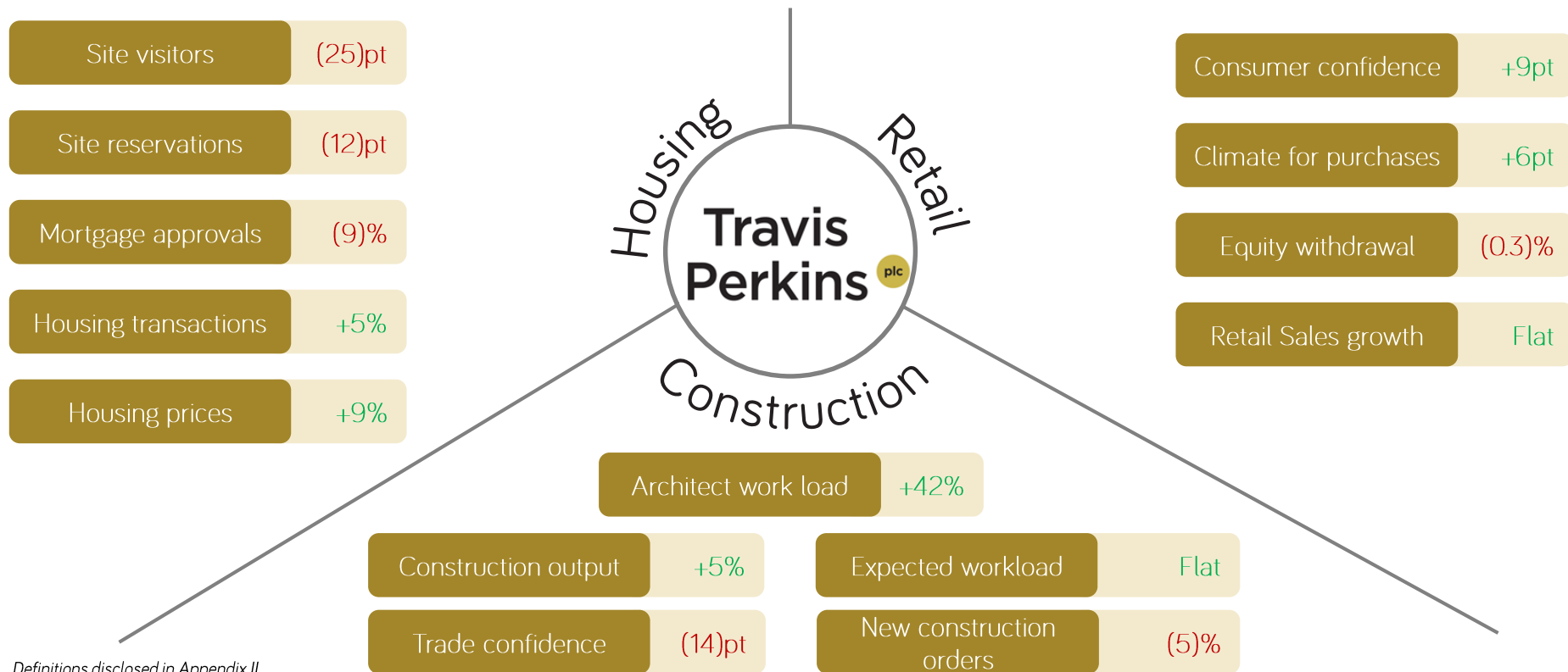
Only 60%
maintained to
a satisfactory
level



27.8m
homes
across the
country

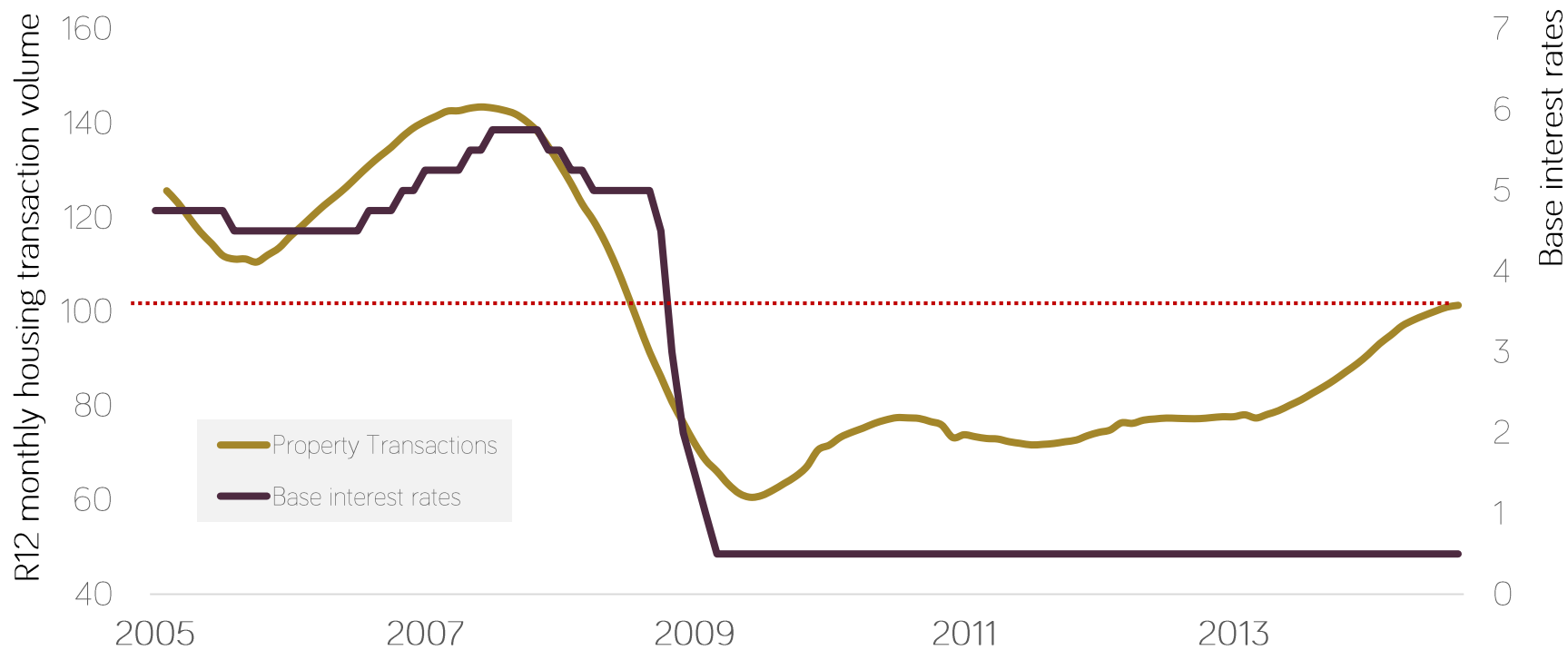
Source: Office of National Statistics

RMI performing as expected



Definitions disclosed in Appendix II

Still early in the recovery of the housing market



Source: HM Revenue & Customs / Bank of England, July 2014

Our growth not constrained by the market

1

Market fragmentation

- Majority of the markets we compete in are highly fragmented
- Proliferation of small family-owned businesses
- Our businesses are #1 or #2 in each of our markets, but with relatively low market shares

2

Structural advantages

- Sourcing & supply chain: sourcing terms, range, stocking and distribution efficiency
- Branch network: 2,000 locations in UK with strong financial position underpinning tight yields & site access
- IT: selective sharing of software platforms and volume hardware purchasing

3

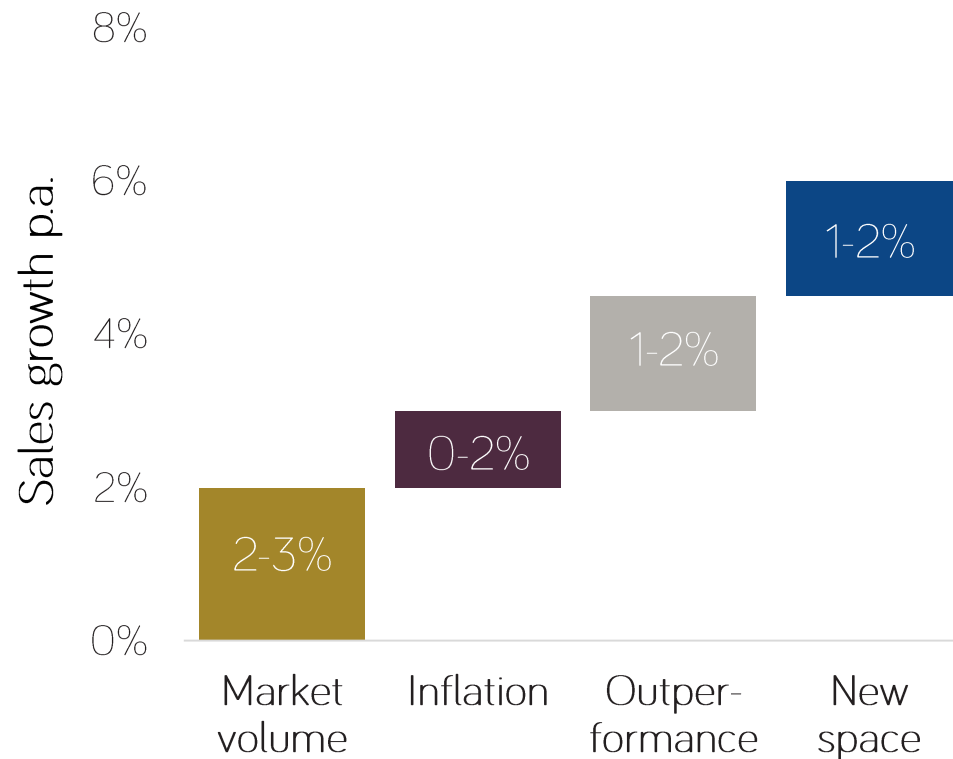
Superior propositions

- Range & value: improved promotions & KVI pricing, range extension, own label development, availability
- Space: new branch & store opening programme with implants intensifying space
- Channel, format & customer service: investment in online channels, new formats and better service

Fragmented markets + structural advantage + superior proposition = sustainable market share gains

Sustainable medium-term revenue growth

- Low-single digit market volume growth assumed
- Low levels of inflation
- Structural advantages & investment opportunities generate consistent market outperformance
- ~6-7% revenue growth p.a.



Significant achievements in our first year

Customer innovation

- Further price investment to grow share
- Heavyside range extensions
- Promotional & branded ranges into Wickes
- City Plumbing format conversions
- New TP format trials underway
- Wickes Click & Collect launched

Optimising network

- 7 new TP branches
- 4 new Wickes stores
- 34 new Toolstation branches
- 60 City Plumbing conversions
- 30 Benchmarx implants
- 30 Toolhire implants
- 50 Spares implants
- 16 Contracts branches redeployed

Scale advantage

- Second Primary Lightside Hub nearing completion
- Second Heavyside Range Centre opening soon
- Technology investment in early stages
- Further sourcing improvements in lightside, heavyside, timber & kitchens

Portfolio management

- Divisional management teams gaining traction
- More to do on incentive structures
- Strategic capital planning, allocation and review processes in place
- Disciplined acquisitions / disposals
- Transparent / regular market updates on progress

Confidence supports additional capital deployment

		Examples	2014E	2015
1	Extending leadership	Strong returns	£25m	£30-40m
		<ul style="list-style-type: none"> New branches, stores & implants 		
2	Investing to grow	Good returns	£15m	£30-40m
		<ul style="list-style-type: none"> New formats Heavyside range centres 		
3	Re-engineering & infrastructure build	Range of returns	£25m	£20-30m
		<ul style="list-style-type: none"> IT systems Relocations 		
		Property	£25m	£40-70m
		Maintenance	£60m	£50-60m
		Group capex	£150m	£170-230m

Illustrating value creation from capital deployment

	4 trade park average*
Annualised year 1 EBITDAR	£2.0m
Lease adjusted investment	£9.2m
Annualised year 1 returns	22%
Returns after 5-year maturity	↑↑

- Capital deployment a key lever of value creation
- Provides confidence to continue

*Includes Bracknell, Luton., Leamington Spa & Gloucester. Excludes Guildford (more mature) and Sutton (opened in too recently).



Small bolt-on acquisitions to support organic growth

Geography

- Smaller, independent merchants for regional infill where valuations attractive
- International expansion not a focus

Online

- Accelerate expansion into new channels for key product areas
- Buy or Build trade-off where valuations prohibitive

- Strategic investments to protect supply chain
- Share in categories which bypass distribution
- Not a focus



New categories

- Access specialist markets
- Focus on product areas attractive to existing customers
- Smaller footprints attractive to leverage existing branch / distribution assets
- Buy or Build trade-off where valuations prohibitive or lack of targets
- Demonstrable IP / innovation key target areas

Building a stronger balance sheet through earnings

<i>Six months ended 30 June</i>	<i>Medium term guidance</i>	H1 2014	H1 2013	Δ		
Net debt	-	£297m	£406m	£(109)m	↓	• Earnings-driven balance sheet improvement
Lease adjusted debt	-	£1,806m	£1,854m	£(48)m	↓	• Successful £250m bond launched
LA Gearing	-	44.1%	48.8%	(4.7)ppt	↓	• Investments funded from cash flows
Fixed charge cover	3.5x	3.0x	2.8x	0.2x	↑	• Good progress towards financial targets
LA Debt : EBITDAR	2.5x	2.8x	3.2x	(0.4)x	↓	
Dividend cover	2.5 - 3.25x					

Underlying guidance for 2014 unchanged

- EPS in-line with consensus
- Required to recognise a number of exceptional charges & income items
- Minimal cash impact

Expected exceptional items (£m)	2014 cash impact	2014 EBITA impact	2015 cash impact	2015 EBITA impact
Wickes store closure	-	10	(3)	-
Plumbing & Heating network reconfiguration	(5)	(26)	(3)	-
Rinus Roofing disposal	3	(4)	-	-
Total	(2)	(20)	(6)	-

Encouraging outlook for 2015

- Low double digit EBITA growth (incl. ~£15m opex investment)
- Improving inflation outlook
- Property profits of ~£20m (2014: ~£20m)
- Effective tax rate moving towards ~20% (2014: ~21%)
- Dividend growth above EPS – medium-term range (2.50x-3.25x)

Consistent medium term guidance

- Continue to outperform in majority of our markets
- Good operating margin prospects for the Group:
 - General Merchanting sustain sector leading margins
 - Plumbing & Heating good growth
 - Contracts good growth
 - Consumer good growth
- Targeting sustainable double digit EBITA growth p.a.
- Add 200-300bps to lease adjusted ROCE over medium term
- Deliver strong & consistent growth in shareholder returns



QUESTIONS.



Key messages



- 1 Consolidation opportunity** The general merchanting market remains fragmented with a compelling consolidation opportunity
- 2 Competitive advantages** Investment in new branches and modernising the Travis Perkins operating model will drive continued share gains
- 3 Good LAROCCE growth** The Division expects to add ~250bps to lease adjusted ROCE over the medium term from 16% 2013 position

- Market volume growth expected to continue, although moderate
- Cost price inflation to remain, 2015 expected to be at similar level to 2014
- Customers are being given increased choice
- Our competition is three pronged: local independents, national merchants and fixed price merchants
- Local branch customer relationships remain key

Levers of value creation



Customer innovation

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Optimising network

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Scale advantage

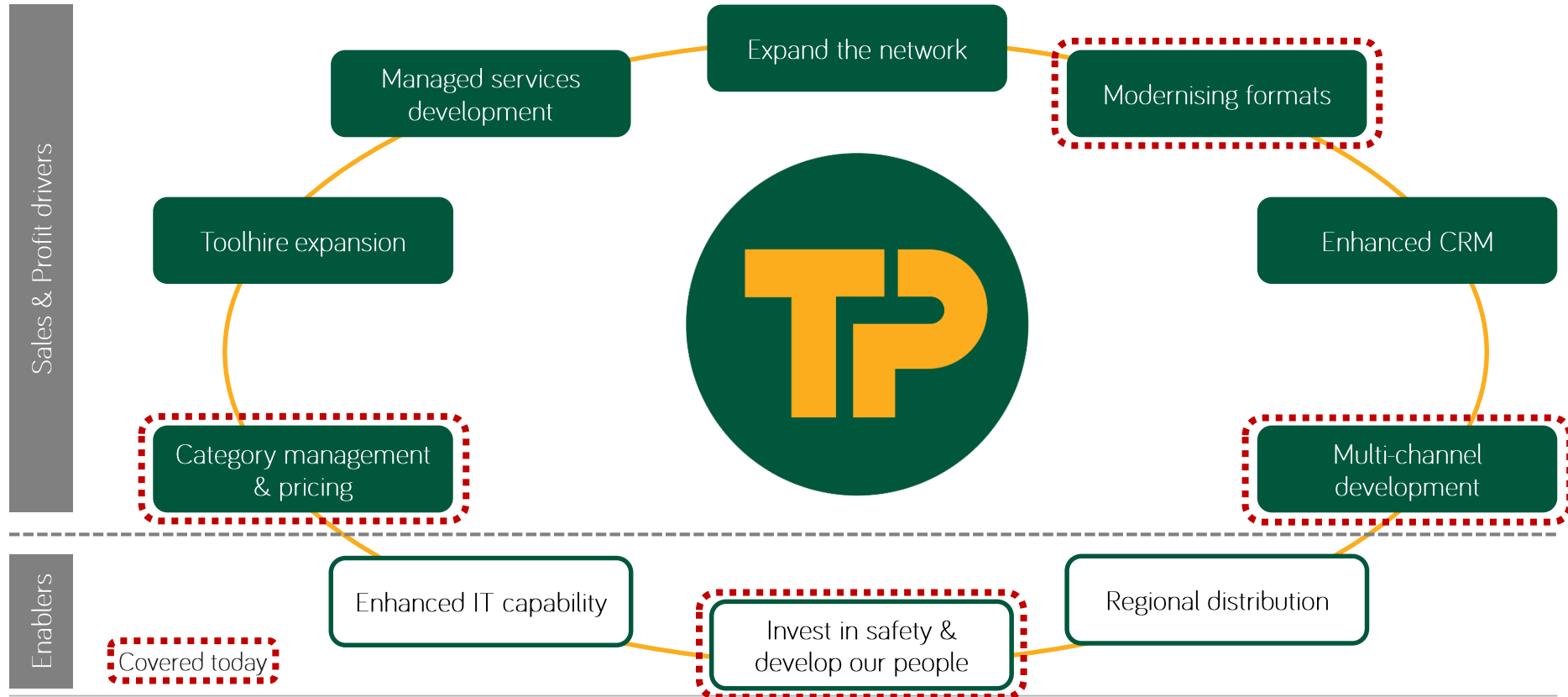
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 - Leverage property capability
- Group sourcing benefits
 - Shared technology investment

Portfolio management

- Streamlined central functions
- Devolved management responsibility
 - Disciplined planning & capital allocation
 - Regular market updates

Enabled through people & evolution of unique culture

Modernising the Travis Perkins model



Modernising the Travis Perkins business - people

Our people make the difference

- We need to protect our heritage and culture, but be receptive to change
- Our people understand the value of customer relationships
- Fewer, better people operating safely
- Continuous improvement with cost focus



Modernising TP's pricing architecture



Enabled by:

- Better systems
- Better analytics and customer behaviour insights
- Investment in category management team



Modernising range & space allocation



- Better merchandising disciplines
- Extended range, c.1000 additional SKU's
- Clearer signage and navigation
- Safer environment
- Making it easier for customers
 - Zonal shop



Modernising range & space allocation



- Three branch pilot underway
- In-branch availability improved
- Next day availability on further extended range
- Early results encouraging
- Wider trial commencing in 2015
- St Pancras benefits from learnings



Modernising the heavyside range

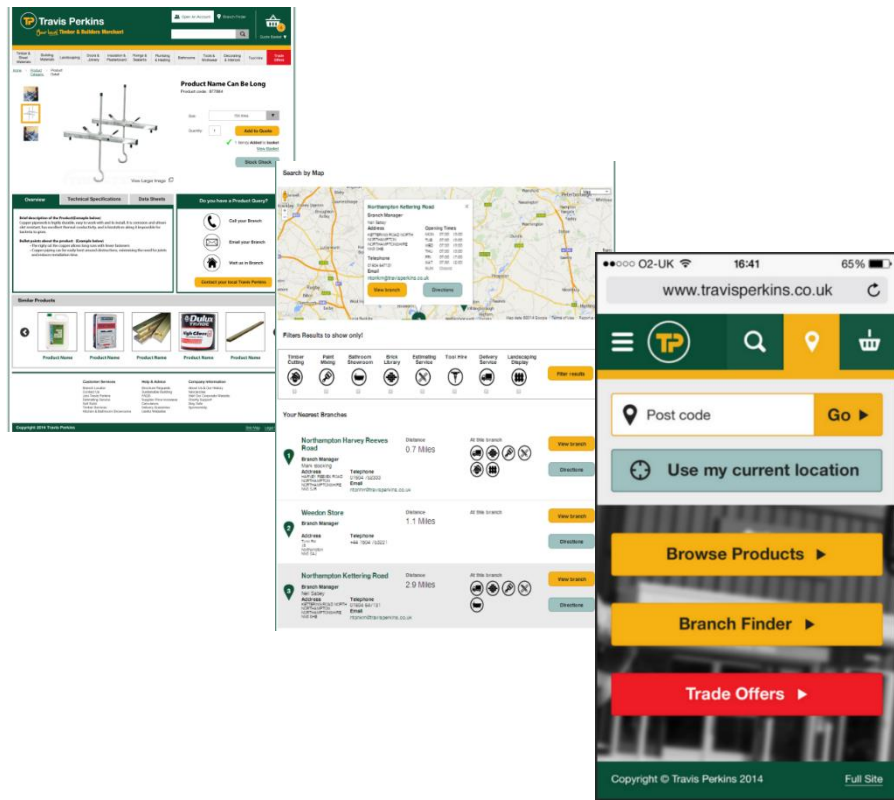


- Heavyside range extended by >2,000 SKU's
- Next day availability on a broader range
- Range conformity enables multi-channel promises
- Reduced reliance on branch-to-branch stock transfers
- Early sales uplifts warranting continued investment



Modernising TP's multi-channel capabilities

- Online adds to current multi-channel ordering methods
- Initial focus on existing customers
 - Stock availability, including extended range and near-branch availability
 - Click and collect available in 2015
 - Delivery time of choice
- Non-account customer transactions to follow



Benchmarkx, a growth story

- Continued network expansion plan
- Combination of group implants and standalone branches
- 'Selection Centre' formats proving a differentiator
- Group sourcing improvements and range consolidation underway



Illustrating value creation from capital deployment

New TP Branch

Annualised year 1 EBITDAR £0.5m

Lease adjusted investment £2.2m

Annualised year 1 returns >20%

Returns after 5-year maturity 

- Capital deployment a key lever of value creation
- Provides confidence to continue



General Merchanting ambition



<i>Measure</i>	Current	Medium-term ambition
Network expansion	648	5-15 new p.a.
Like-for-like sales outperformance	3-5%	1-4% p.a.
Operating margin improvement prospects	Sector leading	Sustain
Capital expenditure	£40-50m	£40-60m p.a.
LAROCE	17%	Add 200-300 bps

- Strong market outperformance
- Network expansion opportunity
- Modernisation programme the key focus
- More Benchmarkx & Toolhire implants & branches
- Good early progress with LAROCE improvement

Meeting Room

With Our
Compliments

Our team are here to help,
please ask for any assistance.

- Please keep your mobile on
- Please keep your mobile on
- Please keep your mobile on
- Please keep your mobile on



Welcome to your local
Travis Perkins

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FAX: 01902 637581

wolverhampton@travisperkins.co.uk

QUESTIONS.



Key messages



- 1 New Division performing well

Contracts Division created just 12 months ago to provide a better service to customers and generate synergies
- 2 Investment opportunities

Investment in new branches, better ranges, enhanced account / sales teams and improved supply chain are driving outperformance
- 3 Good LAROCCE growth

The Division expects to add 200-300bps to lease adjusted ROCE over the medium term from 12% 2013 position

Unique ability to support throughout a project



Clear divisional synergies

Common Customers

Balfour Beatty



LAING O'ROURKE

SKANSKA



Project Tracking

- Shared knowledge
 - Projects
 - Customer contacts
 - Value engineering
- Order consolidation



Solution Sales

- Relationships critical
- In-person transactions continue to be prevalent
- Technical advice to drive product specification

Shared infrastructure

Best practices

Central shared functions

Group sourcing

Lower cost capital

Strong propositions in each business



Pipeline & Heating Solutions



Pricing

Negotiated (tendered & spot-buys)

Customers

Small

Larger main contractors / sub-contractors

Ranging

~11,000

~27,500

~2,750

Delivery

95%

80%

90%

branches

75

65

32

Proprietary brands

-



Levers of value creation

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Optimising network

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Scale advantage

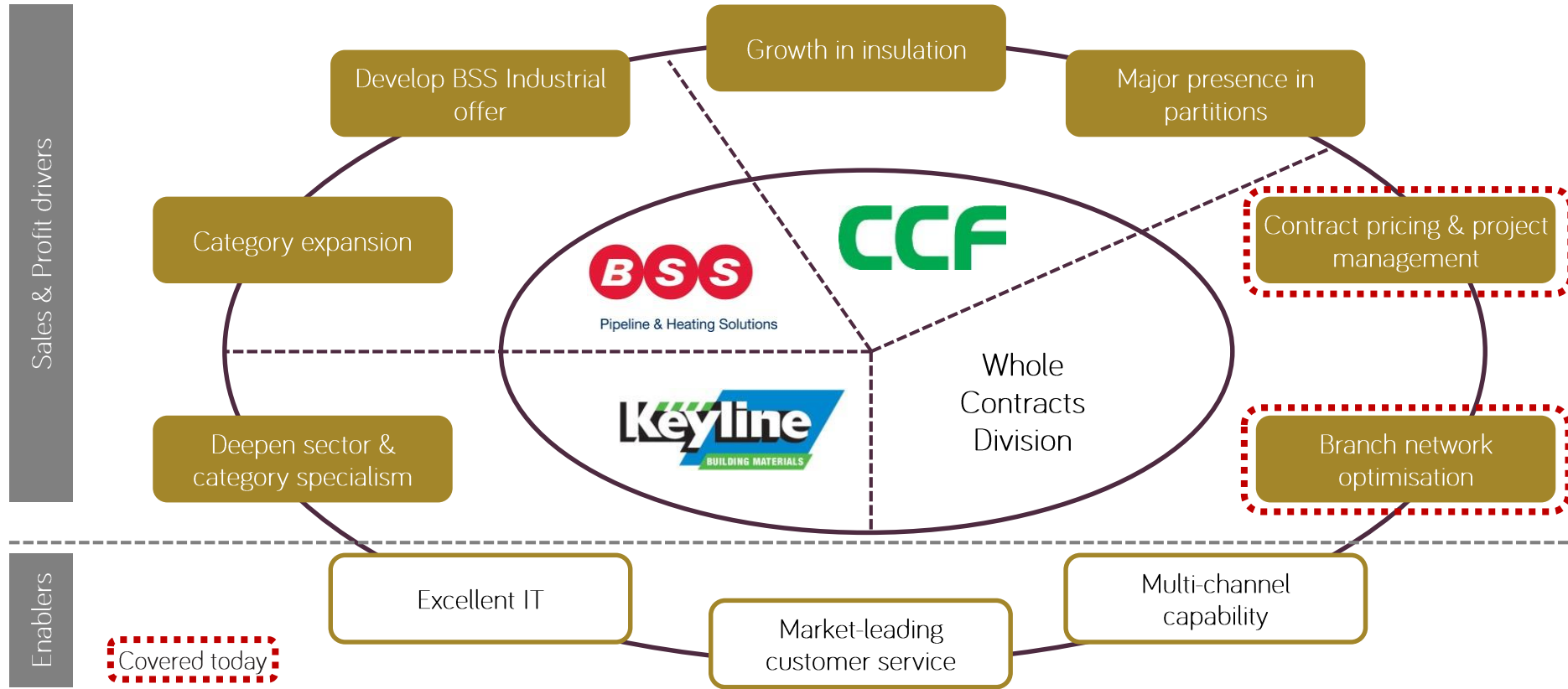
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Portfolio management

- Streamlined central functions
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Enabled through people & evolution of unique culture

Collaboration drives outperformance



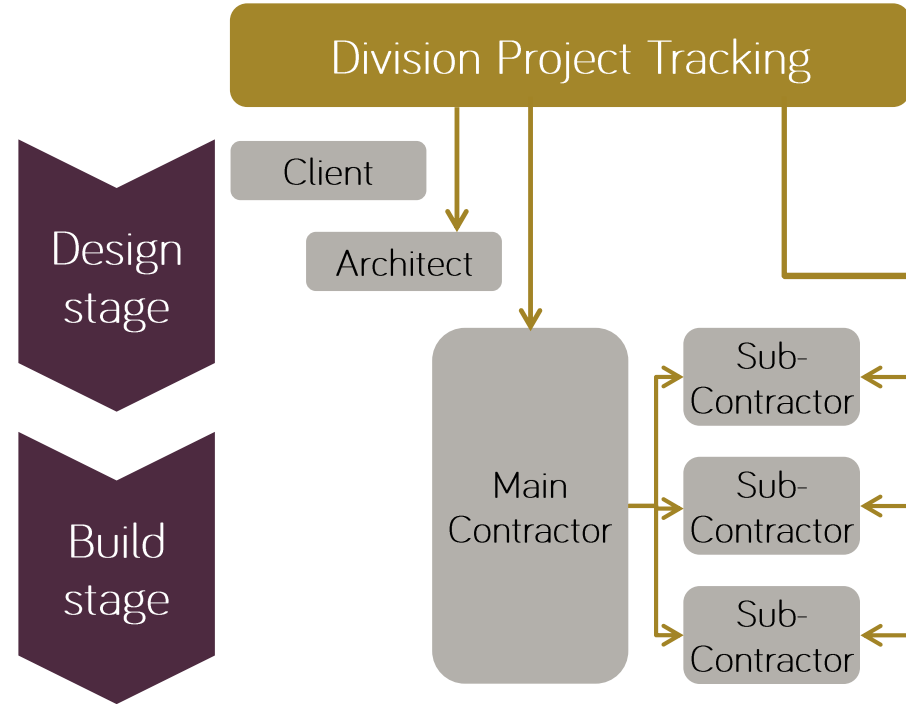
Branch network optimisation

- Branch coverage an opportunity for CCF
- Delivery capability & capacity is critical
- 16 branches reconfigured between Contracts & TP
- New space in 2015
 - 2 new & 2 relocated CCF branches
 - 6 new Keyline branches



Pricing & project management

- More focused commercial teams
- Development of project tracking
- Pricing tools to standardise customer tiers
- Quote follow-up system being developed



Business specific growth agendas



- Enhanced sector specialism
- New branch format trial
- Optimisation & standardisation of civils and drainage range
- Expand tool hire to national coverage



- Further growth in industrial sector
- Leverage newly completed national tool hire network
- Develop smaller format branch
- Extension of own brand range



- Network growth (4 new branches in 2015 / 2016)
- Expand insulation range to drive commercial market
- Exploit Sektor partitions offer
- Develop auto-replenishment solution

Illustrating value creation from capital deployment

New CCF Branch

Annualised year 1 EBITDAR	£0.4m
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Lease adjusted investment	£2.0m
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Annualised year 1 returns	~20%
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Returns after 5-year maturity	↑↑
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- Capital deployment a key lever of value creation
- Provides confidence to continue



Contracts ambition

Measure	Current	Medium-term ambition
Network expansion	172 branches	1-2% net space growth p.a.
Like-for-like sales outperformance	0-3%	1-3% p.a.
Operating margin improvement prospects	7%	Good
Capital expenditure	£12m	£15-25m p.a.
LAROCCE	12%	Add 200-300bps

- Late-cycle recovery – encouraging lead indicators
- Good market positions throughout project lifecycle
- Good synergies through businesses collaborating
- Consistent plans to grow each business

QUESTIONS.





PLUMBING
& HEATING.

Key messages

1 Attractive market

Despite recent market fluctuations, the plumbing & heating market has attractive segments to invest in

2 Network reconfiguration

The network reconfiguration programme will re-allocate capital to City Plumbing offering better returns

3 Good LAROCCE growth

The Division expects to add ~250bps to lease adjusted ROCE over the medium term from 7% 2013 position

Three core operations in differing market segments



	PTS	F&P	CITY PLUMBING SUPPLIES
Pricing	Quote driven pricing	Variable pricing	Formula pricing

Customers	Large		Small
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Ranging	Variable		
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Delivery	75%	90%	25%
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# branches	310	10	190
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Market position	#1	#1	#2
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Market structure warrants redeployment of capital

	Current Division revenue exposure	Market growth	Market structure	LAROCE	Action
<p>Own/exclusive brands, spares, renewables</p>  	Other	Good	Fragmented	Good	Invest
	Bathrooms	Good	Fragmented	Good	Invest
	Plumbing	Good	Fragmented	Good	Invest
	Heating	Low	Consolidated v. competitive	Low	Reduce capital Focus on efficiency

Levers of value creation

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Scale advantage

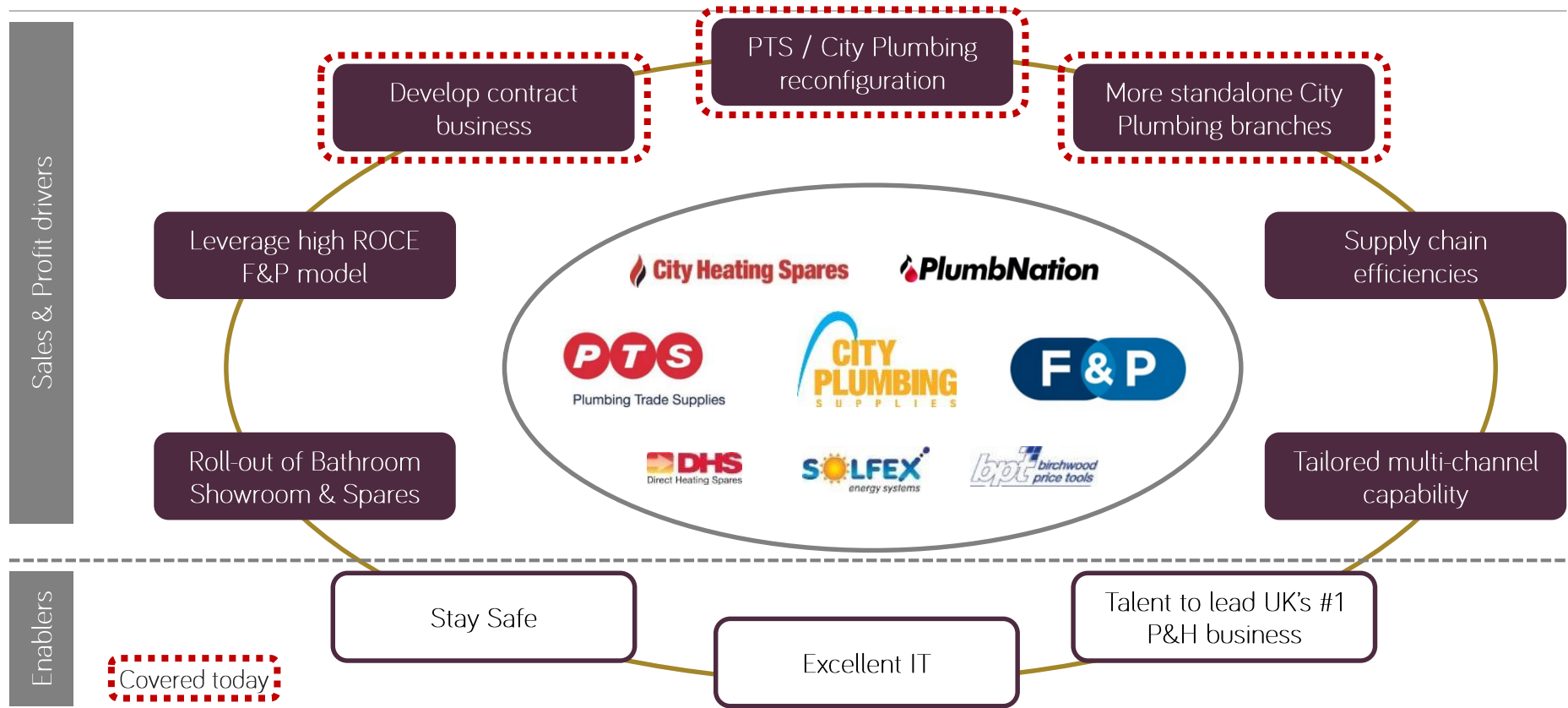
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Portfolio management

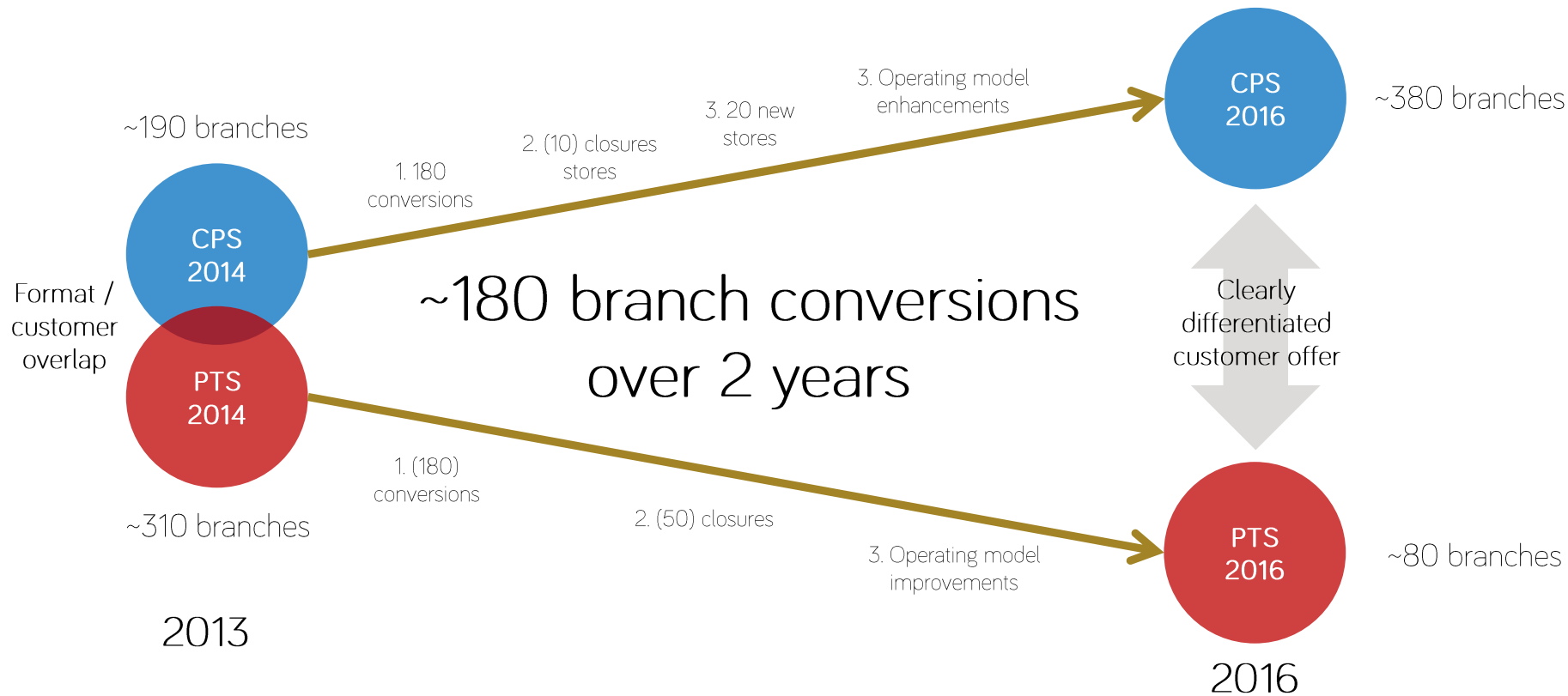
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Enabled through people & evolution of unique culture

Share gain through focused customer propositions

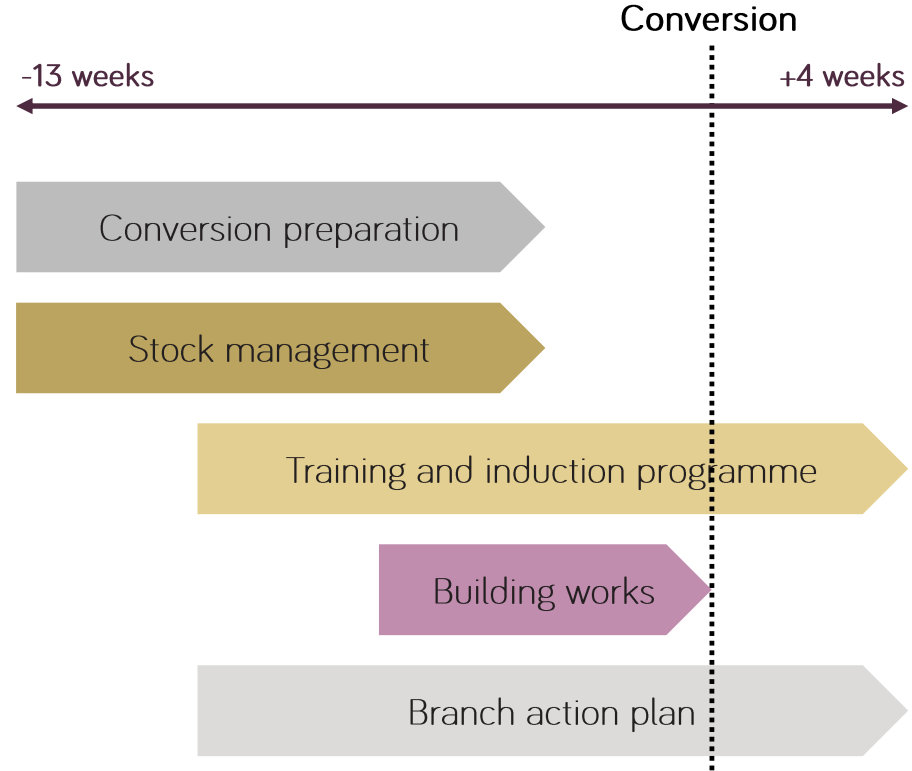


Network reconfiguration – ‘Building the Best’



Conversions progressing well

- ~60 branch conversions completed to date
- 40 branches currently 'in play'
- ~75 branch conversions completed by the end of 2014
- 2 new development centres
- ~50 new bathroom showrooms



Delivering two targeted propositions in 2016



Local SME business

- 380 branches in 2016, potential for >400
- To include ~300 bathroom showrooms & ~200 spares outlets
- 5-10 new greenfield locations p.a.
- New quote system for showrooms
- All branch and sales managers to receive training through Bedford development centre



Contract business

- Serviced from 2 primary distribution centres & 5 regional service centres with overnight dead drop capability
- Electronic proof of delivery and route planning
- Account management structure
- Branch and account management on quarterly development centre events

Illustrating value creation from capital deployment

Illustrative returns

City Plumbing relocation

Incremental year 3 EBITDAR £0.1m

Incremental lease adjusted investment £0.5m

Year 3 returns ~25%

Returns after 5-year maturity



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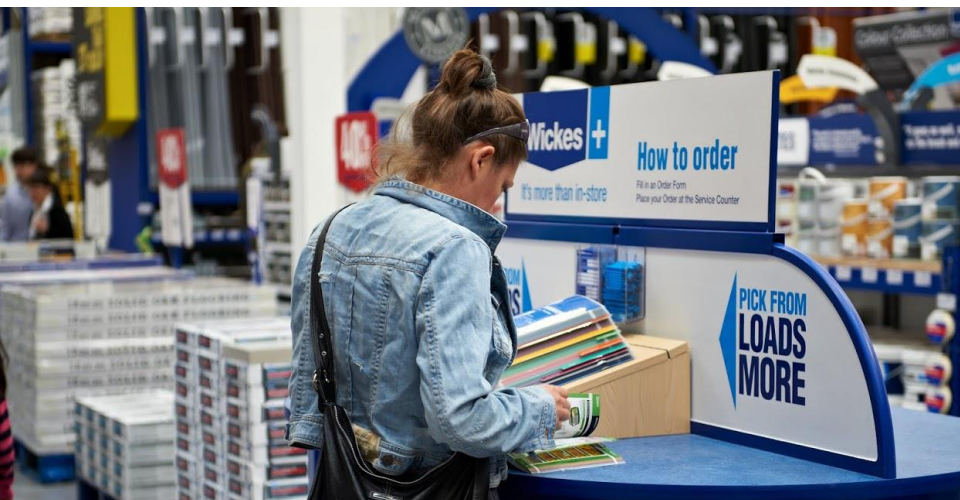
Plumbing & Heating ambition

<i>Measure</i>	Current	Medium-term ambition
Network expansion		5-10 net new branches p.a.
Like-for-like sales outperformance	0-3%	0-3% p.a.
Operating margin improvement prospects	3.5%	Good
Capital expenditure		£10-£20m p.a.
LAROCCE	7%	Add >250bps

- Outperformance through:
 - Reallocation of the capital base from PTS to City Plumbing
 - City Plumbing network expansion
 - Spares and showroom implants
 - Differentiated customer offer
 - Sourcing and own label development
 - F&P supply chain development
 - Development of multi-channel offer



QUESTIONS.



Key messages

1

Structurally advantaged

Wickes and Toolstation are structurally advantaged with relatively fewer and smaller stores, enabling more focused proposition

2

Wickes transformation

Initial improvements in Wickes working well with a new management team in place to drive the transformation

3

Toolstation performing

Toolstation's rapid growth has continued with ambitious new branch programme in the UK alongside European trial

New team driving change

- New team in place
- Priority to increase LFL performance
 - Range, value, communication, service & standards
 - Format renewal
- Accelerate new store openings
- Targets remain consistent with medium term guidance

Wickes Management Team



Mike Ashley

Chief Commercial Officer

- Category reviews and refresh across the portfolio
- Effective sourcing
- Delivering promotional effectiveness



Ian Crook

Chief Marketing Officer

- Driving profitable Multi Channel growth
- Refreshing the format and customer proposition
- Positioning the value proposition



Mike Hollis

Chief Operating Officer

- Extensive experience with Tesco & Coles
- Leading improvements in store operating standards



Fraser Longden

HR Director

- Supporting cultural transformation
- Improving the kitchen & bathroom service model



Duncan Kendal

Supply Chain Director

- Driving lean end to end efficiency
- Developing availability and service in store and online



Antony Smith

Finance Director

- Insight into profitable product & channel mix
- Leading capital allocation decisions (including IT)

Levers of value creation

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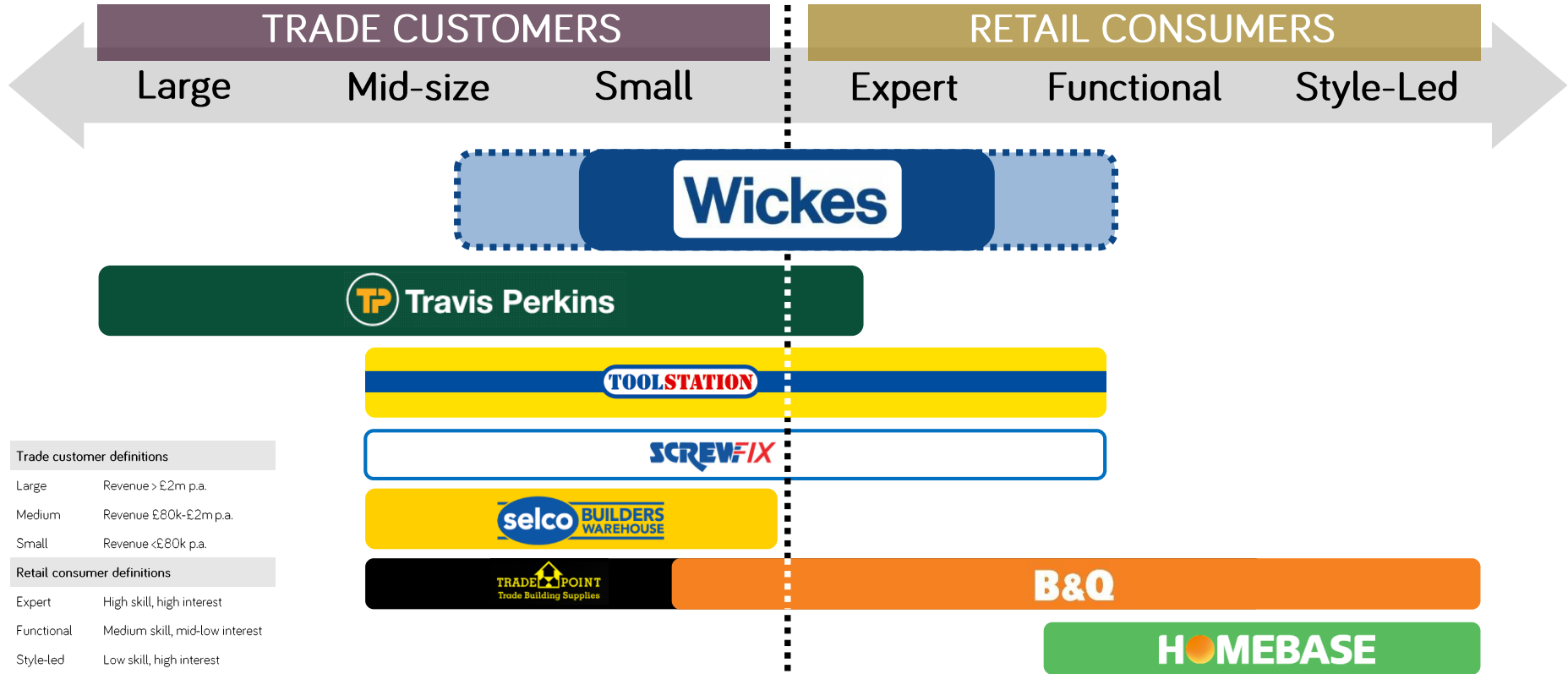
Portfolio management

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Enabled through people & evolution of unique culture

Wickes positioned for sustainable growth

Wickes



Wickes is structurally advantaged

Wickes



Property

- Only 200 full service stores
- 60+ new store opportunities
- Small average store size (25-30,000 ft²)



Value

- Price beat guarantee
- At least 10% cheaper than DIY competitors
- Strong private label offer enabling attractive entry point



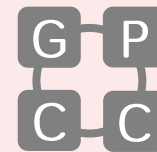
Product

- Focused in-store range
- Online range extension
- Strong availability
- Selective branded ranges

- 2014 re-launch
- Nationwide Click & Collect
- Mobile optimised
- >30% YoY growth



Online



Group

- Group sourcing advantage
- Shared distribution & IT opportunity
- Lower capital cost

Transforming the customer proposition

A Wickes project in every home!

Value for money.

- Refocus product offering based on clear customer needs
- Maintain structural price advantage with authority
- Extend to broader customer base

We always deliver.

What we sell

Wickes

How we sell

Quick, simple & easy.

- Build on multi-channel strengths
- National estate coverage
- Improve in-store infrastructure & experience

- Leverage group scale in buying & distribution
- Leaner service model
- Enable greater efficiency through IT

Efficient & Effective

How we work

- Become a great place to work, always
- Develop a diverse workforce to match our customer base

Some early quick wins

- Strong sales growth
- Introduced more brands
- Fewer & bigger promotions with clearer messaging
- Stronger direct communication with our customers
- On-line growth with strong Click and Collect



What we sell – range

Famous for

- Categories where Wickes can win
- A strong alternative to market leader



Traffic driver

- Identifying the products and categories where promotions & value drive greater footfall



Min. credible

- Least profitable categories but necessary to maintain position
- Required to be value leader in projects throughout the home



Basket builder

- Categories which are simple and easy to shop
- Readily available products to complete a project

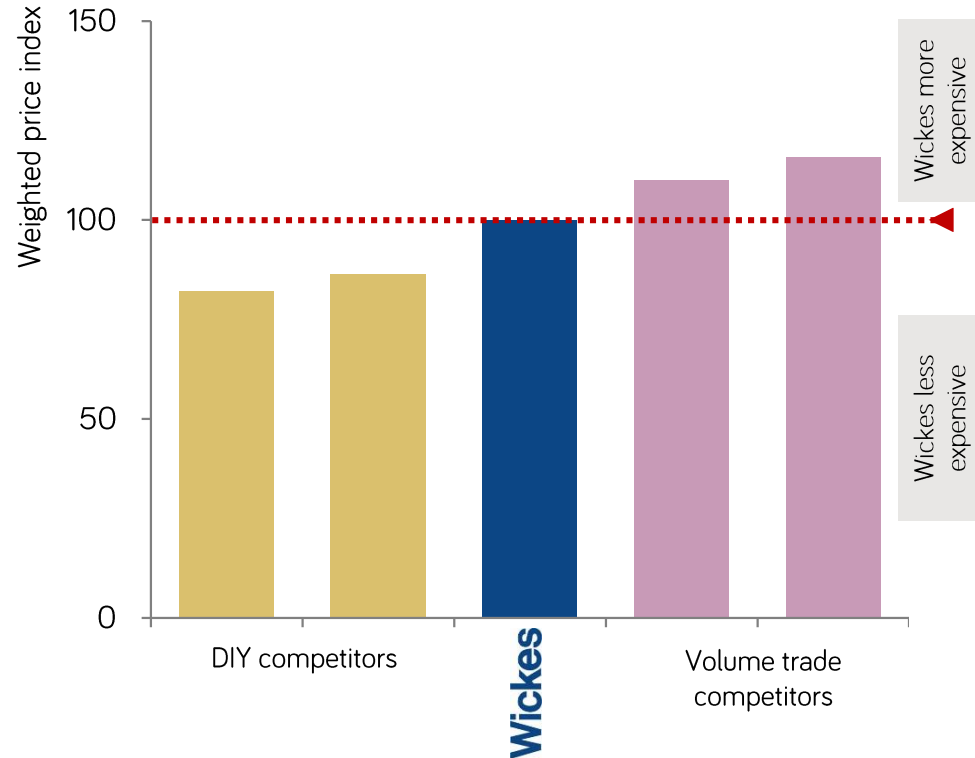


Reason to choose Wickes

Bigger and profitable baskets

What we sell – maintain value position

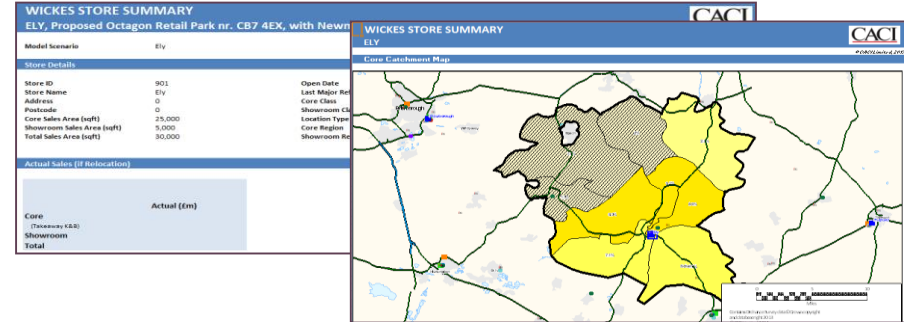
- Fewer & bigger promotions on products that matter
- Better KVI pricing
- Re-engineer private label portfolio to broaden range & reduce duplication
- Stronger communication of value



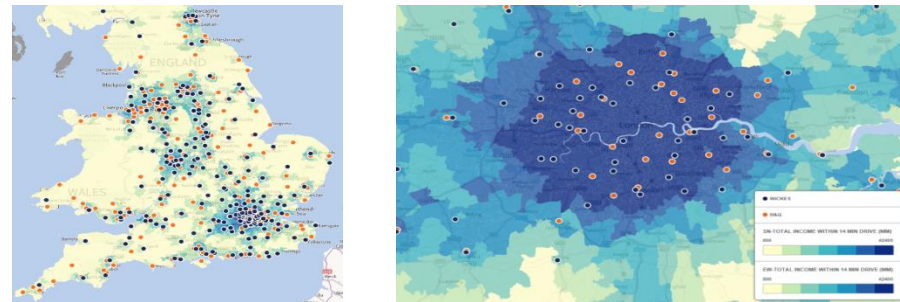
How we sell – good opportunity to expand **Wickes**

- New Wickes stores earn >25% LAROCCE
- ~60 new store opportunities across the UK
- Store refurbishment trials through 2015, to roll out 2016-2019
- Stores to remain 25-30,000 ft²
- Limited 'tail' management

'Gravity' modelling to assess new catchment demand



Catchment income / competitor density modelling



Illustrating value creation from capital deployment

New Wickes Branch

Annualised year 1 EBITDAR	£0.8m
Lease adjusted investment	£3.1m
Annualised year 1 returns	~20%
Returns after 5-year maturity	↑↑

- Capital deployment a key lever of value creation
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How we sell – multi-channel

Simple to transact



Product info and content hub



Project shopping



Extended range online



Better delivery (day of choice)



Connecting to store



- New team in place over last six months
- Wickes is structurally advantaged to compete
- A changing DIY / trade landscape works to our advantage
- Comprehensive transformation plan to address what we sell, how we sell it, how we work and our efficiency
- It is early days, but we have landed a number of quick wins to good effect

TOOLSTATION

Search for products here

SEARCH



Browse by department

Power Tools
Power Tool Accessories
Screws & Fixings
Hand Tools
Access & Storage
Landscaping
Automotive
Workwear
Cleaning & Pest Control
Painting & Decorating
Adhesives & Sealants
Ironmongery
Safety & Security
Construction Materials
Roofing & Drainage
Plumbing
Heating
Taps & Showers
Electrical
Lighting
Clearance

**WINTER BONANZA**

Over 150 prizes to
help you power
through this winter

Click here to enter >



Spend just £10
for free delivery



160+ UK
branches

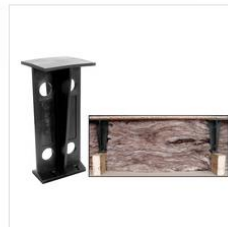


Customer services

OUR LATEST DEALS



Werner Aluminium Loft Ladder
£49.55



Loft Flooring Legs
£11.65



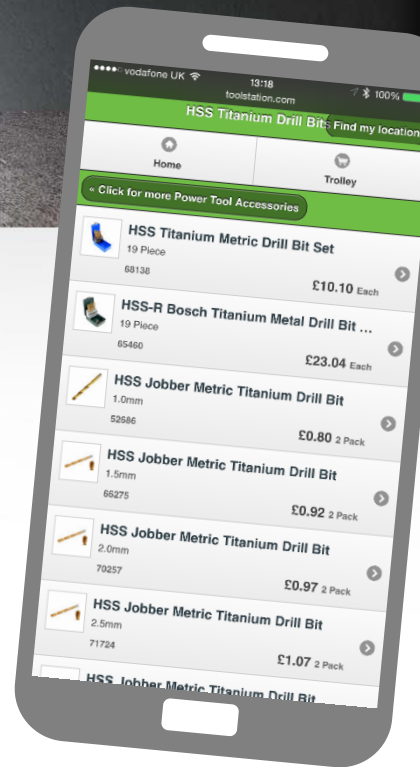
Loft Ledge
£8.06

Add to trolley +

Add to trolley +

Add to trolley +

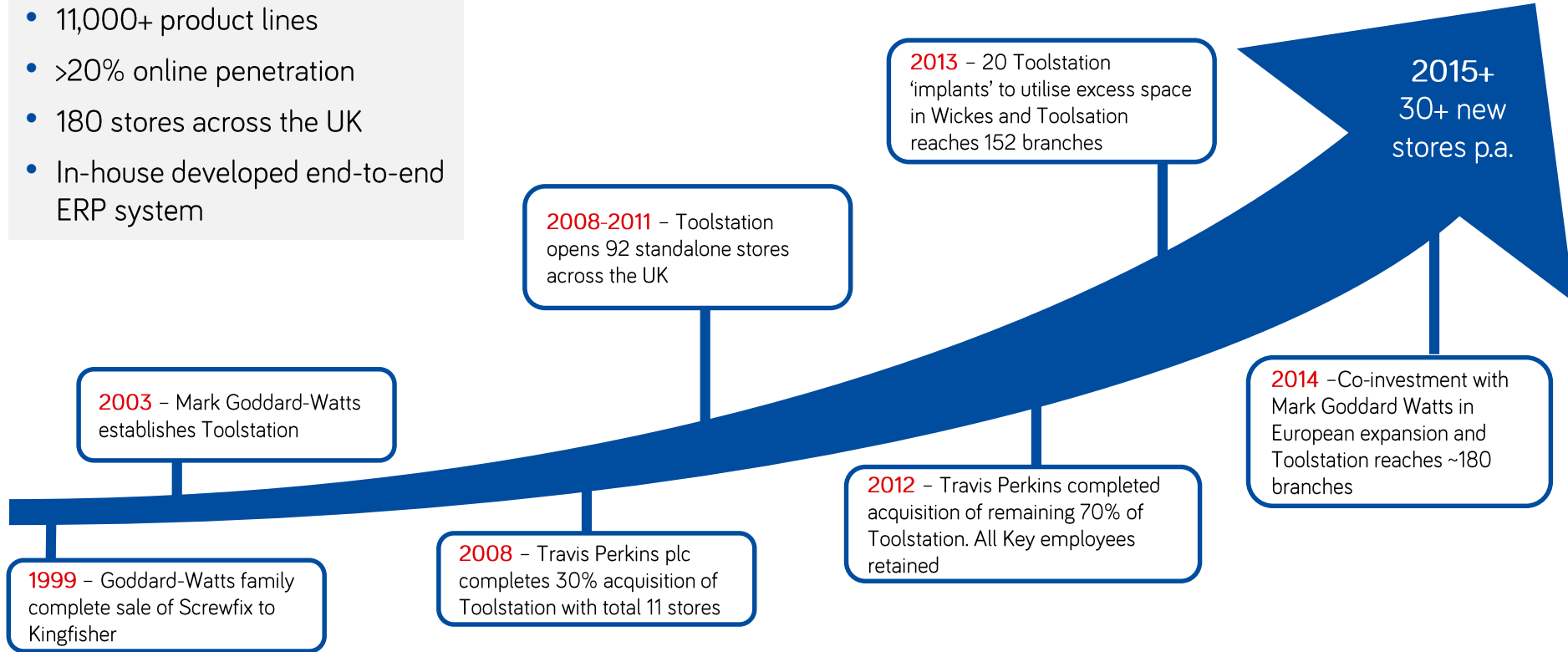
View more >

**TOOLSTATION.**

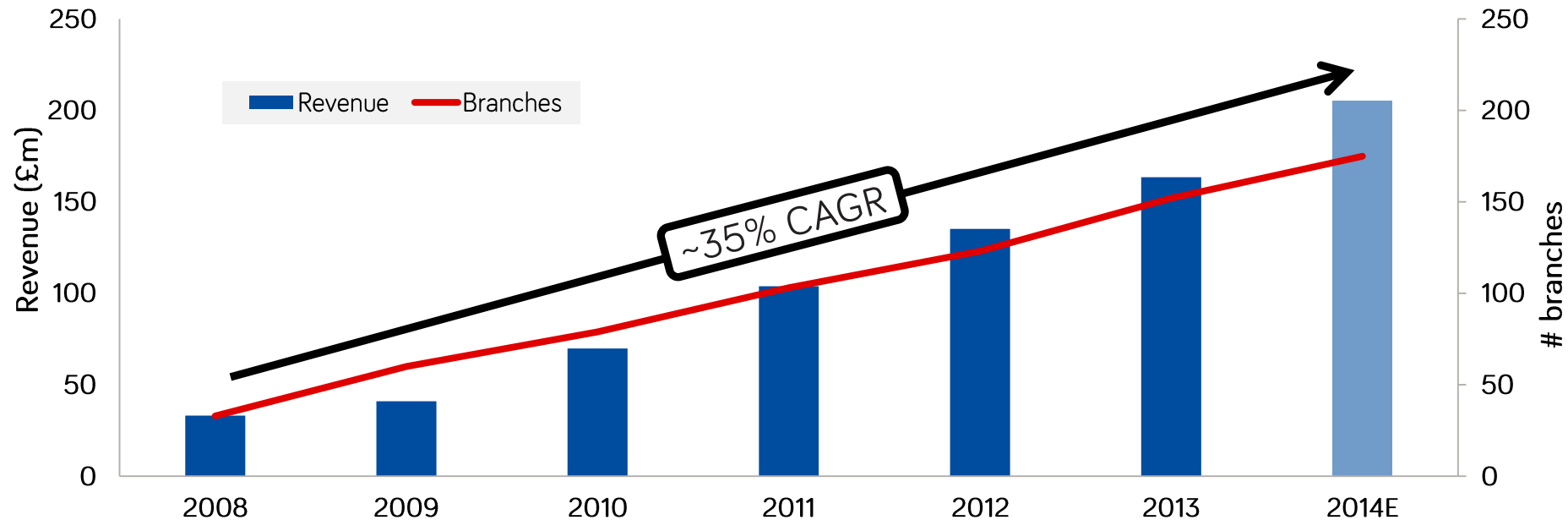
Toolstation history



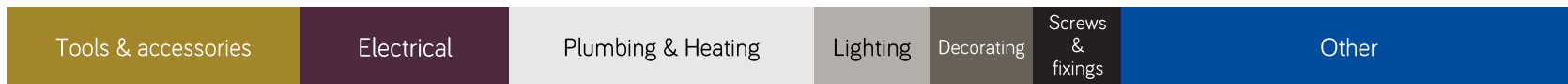
- 11,000+ product lines
- >20% online penetration
- 180 stores across the UK
- In-house developed end-to-end ERP system



Toolstation growth



Sales mix
by category



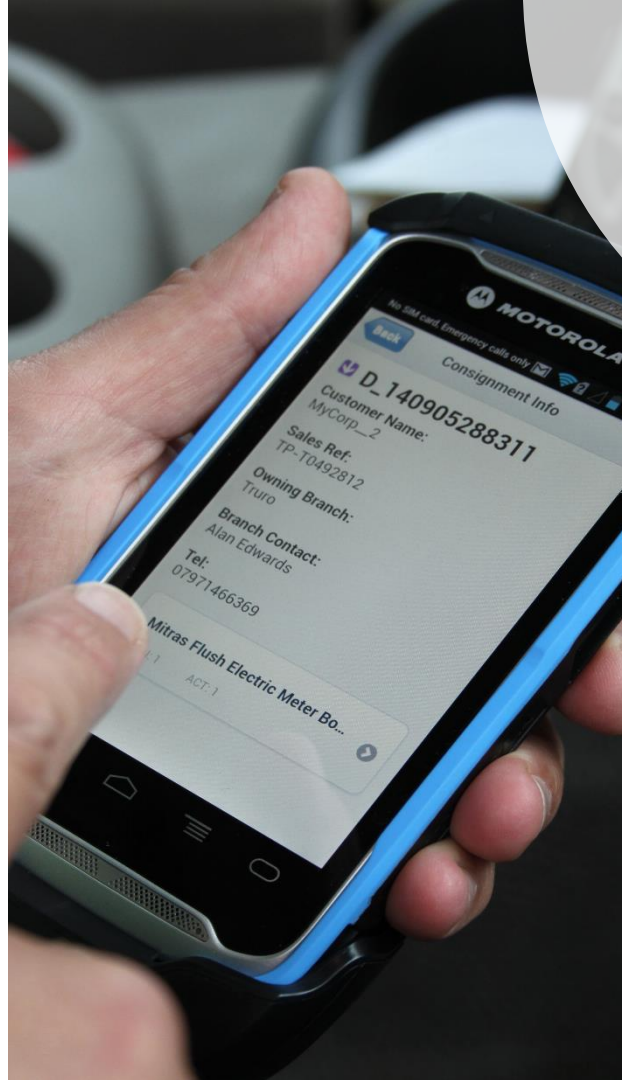
Consumer ambition

Measure	Current	Medium-term ambition
Network expansion	227 Wickes 108 TileGiant 175 Toolstation	~10-15 Wickes p.a. 30+ Toolstation p.a.
Like-for-like sales outperformance	Above market	Above market
Operating margin improvement prospects	6%	Good
Capital expenditure	£20m	~£40m p.a.
LAROCCE	6%	Add 150-250bps

- Toolstation expansion continues at pace
- Wickes transformation driving outperformance
 - New store openings
 - Range extension
 - Maintain value advantage
 - Extend multi-channel leadership



QUESTIONS.



INVESTING.
IN IT

Key messages

1

Infrastructure improvements

The network is key for the branches, supply chain & central functions
Telephony remains integral to the customer experience

2

Multi-channel development

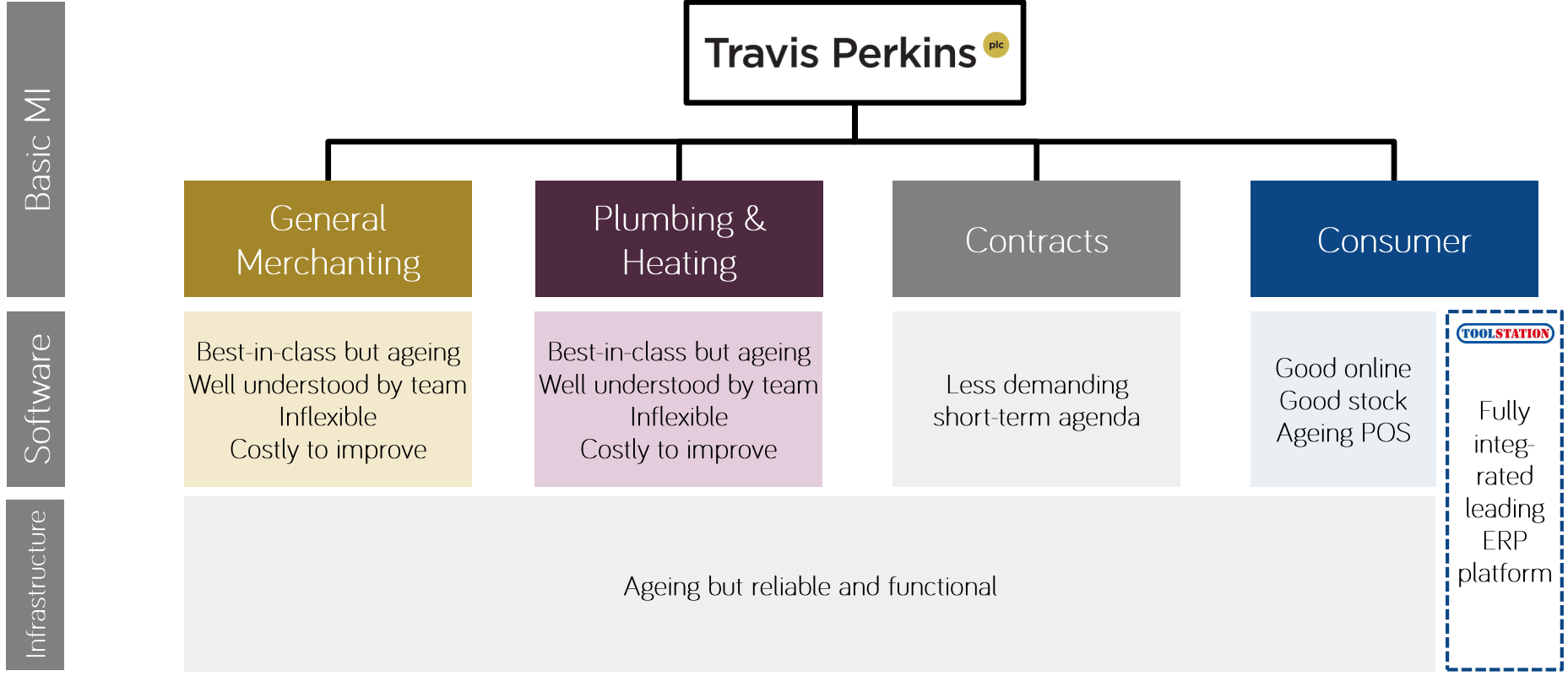
Enabling mobile customer interaction with our businesses
Integrated supply chain solutions
More efficient stores, branches and support

3

Data authority

Data remains core to all multi-channel processes
Broad and rich data enhancements

IT historically low cost & functional, but inflexible



Multi-channel development

- Strategic focus
 - Mobile first
 - Easy customer access to information
 - Make colleagues more effective
 - Deliver authority in content
- Network improvements required
- 'Best of Breed' solutions
 - Balance 'Build' and 'Buy' to achieve pace
 - Accelerates competitive advantage

Mobile critical in our sector

Our customers
are mobile



Customers historically
over-indexed on mobile



Customers transitioning
away from voice to data

Our colleagues
are mobile



Colleagues historically
tied to branch counter



Mobile enables more
time with customers

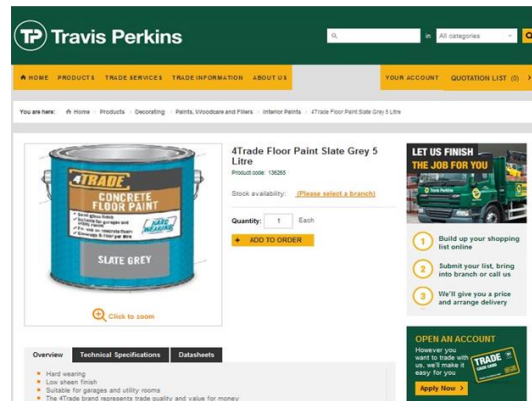
Data provides authority for competing online

- Customers demand a reliable source of content
- Our industry has been slower to evolve
- Opportunity to be leader in online information



In a store environment a customer:

- **Can** pick up a product
- **Can** easily feel the weight / size
- **Can** read the packaging



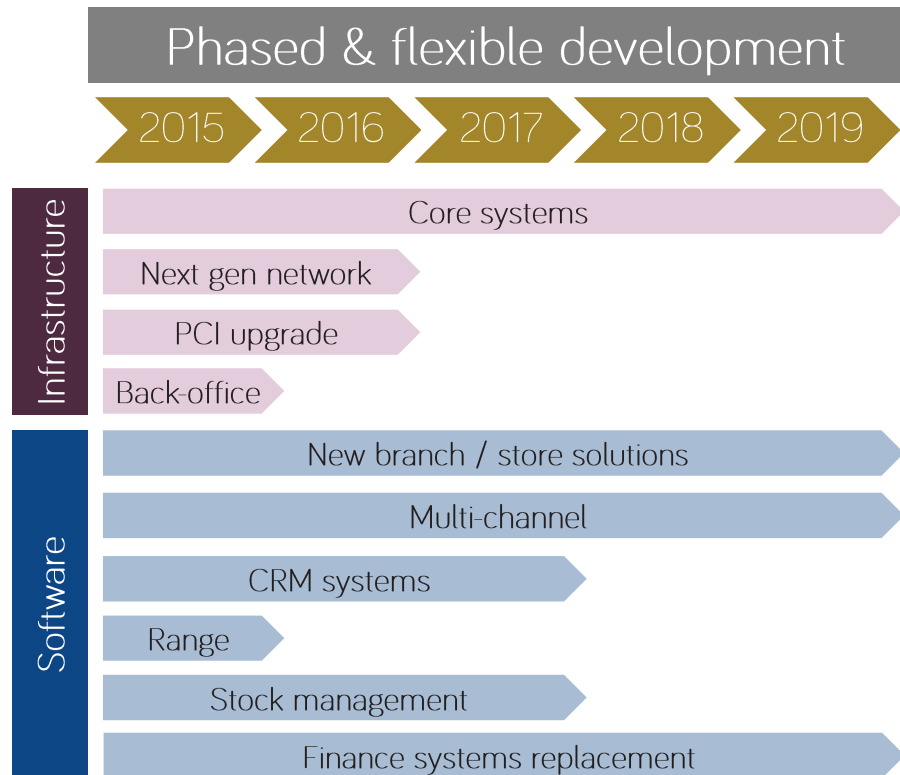
In a digital environment a customer:

- **Can't** pick up a product
- **Can't** feel the weight / size
- **Can't** easily read the packaging (yet!)

The TP Product Data task is to bring products to life for customers in the virtual world of online shopping

Phased & flexible approach to IT development

- Phased multi-year program to create clear competitive advantage
- IT enables group strategy
 - Mobile first
 - Deliver authority through data
- IT can drive process improvements across the group
 - Enhance the customer experience
 - Efficient branches / stores and offices





INVESTING.
IN SUPPLY
CHAIN

Key messages

1

Customer first approach

Supply chain improvements principally aimed at meeting customers increasing demands for range & availability

2

First phase complete by 2016

Primary Lightside Hub network nearing completion and heavyside Range Centre Network complete by early 2016 (90% of UK)

3

Structural advantage

Supply chain investments deliver next-day availability on a broader range, which is hard to replicate rapidly

Service to customers is paramount

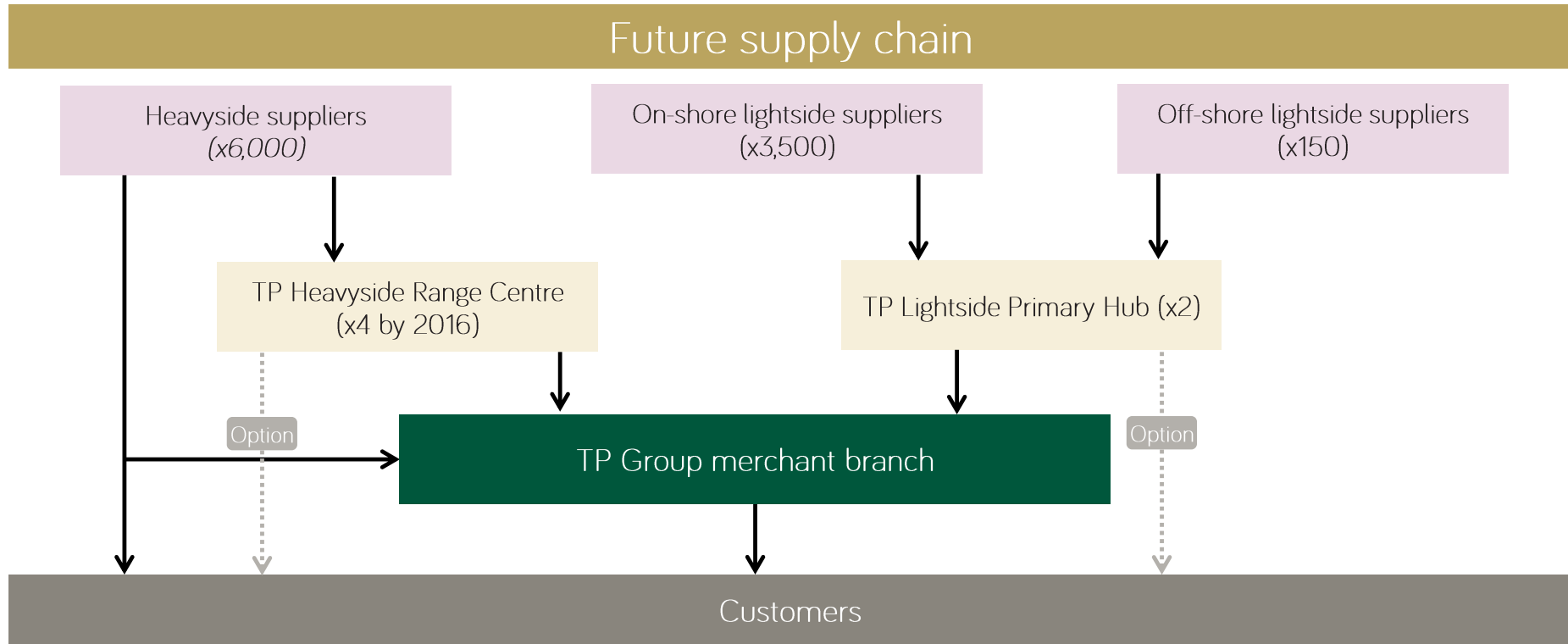
Customer expectations

1. Our customers want to be on-site working, not shopping
2. Certainty of product availability is more critical now than ever before
3. Access to broader ranges is increasingly important

Distribution requirements

1. Big branches, with high stockholding lowers returns
2. Easy supply of product enables better & faster availability at a lower cost
3. Centralised distribution enables broader ranges at central stocking points

Part-way through a network transformation



Nationwide lightside next-day availability – now!

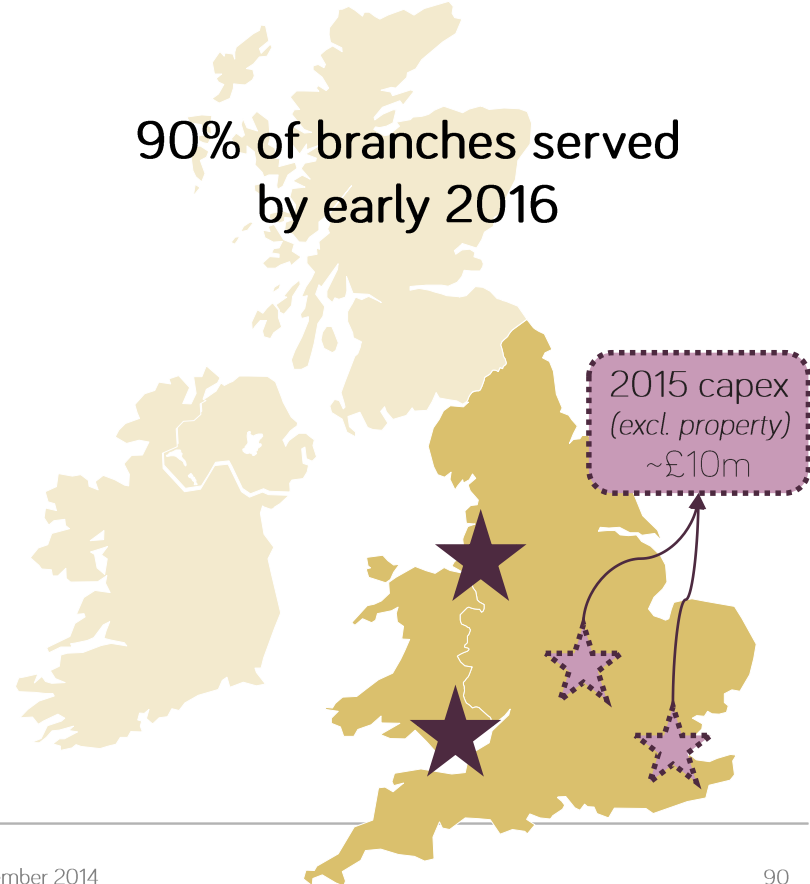
- Primary Hubs providing 25,000 SKUs to merchanting businesses – next day
- Second Primary Hub opening in Warrington imminently – lower capex beyond 2014
- Only possible through shared volume from multiple businesses
- Enabler of direct sourcing

Warrington Primary Hub opening soon!



Nationwide heavyside next-day availability – 2016!

- Heavyside Range Centres providing 3,000 SKUs next day in branch
- Further 3,000 SKUs available for next week delivery
- Reducing need for inefficient branch-to-branch transfers
- Lower in-branch stockholding requirements



Creating a sustainable structural advantage

- Unique breadth and scale in UK distribution enables investment
- Fragmented market structures limit replication of network & capabilities
- Customers value range & availability as much as price
- Key enabler of Group's multi-channel plans

Supply chain of 2016

1. Next-day availability on 24,000 lightside SKUs – nationwide
2. Next-day availability on 3,000 heavyside SKUs – 90% of country
3. Next-week availability on further 3,000 heavyside SKUs – 90% of country
4. Lower in-branch stockholding
5. Reduced inter-branch transfers
6. Fuller trucks, travelling fewer miles, more frequently



QUESTIONS.

WRAP UP. JOHN CARTER



Levers of value creation

Customer innovation

- Improved value
- Extended range
- Product development
- Format renewal
- Technology enabled
- Multi-channel

Optimising network

- TP expansion & modernisation
- Wickes national footprint
- Plumbing & Heating format clarity
- Implants intensify returns
- Trade parks

Scale advantage

- Supply chain investment
- Leverage property capability
- Group sourcing benefits
- Shared technology investment

Portfolio management

- Streamlined central functions
- Devolved management responsibility
- Disciplined planning & capital allocation
- Regular market updates

Enabled through people & evolution of unique culture

Controllable measures driving outperformance

- Encouraging performance in majority of businesses during first year
- Immediate priorities:
 - Modernise Travis Perkins
 - Transform Wickes
 - Reconfigure Plumbing & Heating branch network
- Structural advantages enabling sustainable market outperformance
- Reinvesting in superior customer propositions accelerate share gain
- Disciplined capital deployment proving to be key to value creation



QUESTIONS.





I. Plumbing & Heating branch reconciliation

<i>Estimated number of branches</i>	31 December 2013	Branch conversions	Branch closures	New branches	31 December 2016
Plumbing Trade Supplies	311	(182)	(46)	-	83
City Plumbing	193	182	(12)	19	382
Direct Heating Spares	1	-	-	-	1
F&P Wholesale	9	-	-	-	9
Connections	1	-	-	-	1
PTS Ireland	7	-	-	-	7
Birchwood Price Tools	3	-	-	-	3
Solfex	1	-	-	-	1
Total	526	-	(58)	19	487

II. Definitions

Metric	Definition
EBITA	Earnings before interest, tax and amortisation
Earning per share (“EPS”)	Ratio of net profit after taxation to weighted number of ordinary shares outstanding
Adjusted EBITA / Adjusted EPS	EBITA or EPS adjusted for exceptional income items and amortisation (see Appendix III for reconciliation)
Lease adjusted (“LA”) ROCE	Ratio of earnings before interest, tax, amortisation and 50% of annual property rental expense to debt plus equity plus eight times annual property rental expense
LA debt	On-balance sheet debt plus eight times annual property rental expense
LA gearing	Ratio of lease adjusted debt to equity plus lease adjusted debt
Fixed charge cover	Ratio of earnings before interest, tax, depreciation, amortisation and property rentals to interest plus property rentals
LA debt : EBITDAR	Ratio of lease adjusted debt to earnings before interest, tax, depreciation, amortisation and property rentals
Dividend cover	Ratio of earnings per share to dividends per share
Free cash flow (“FCF”)	Net cash flow before dividends, growth capital expenditure, pension contributions & financing cash flows
Total Shareholder Return (“TSR”)	Ratio of opening market price per share to closing market price per share less opening market price per share plus dividends per share during the period

II. Definitions (continued)

Metric	Definition
Site visitors	House Builders Federation Survey / monthly / September 2014 / Balance score compared to a year ago
Site reservations	House Builders Federation Survey / monthly / September 2014 / Balance score compared to a year ago
Mortgage approvals	Bank of England & British Bankers Association / monthly / September 2014 / number of approvals % change year on year
Housing transactions	HM Revenue & Customs / monthly / September 2014 / number of houses sold above £40k % change year on year
Housing prices	Nationwide & Halifax / monthly / October 2014/ house price inflation % change year on year
Consumer confidence	GFK / monthly / Oct 2014/ index score – movement on previous year
Climate for purchases	GFK / monthly / Oct 2014 / index score – movement on previous year
Equity withdrawal	Bank of England / quarterly / Q2 2014 / Change in Equity withdrawal as % of net earnings
Retail sales growth	British Retail Consortium / monthly / October 2014 / LFL % change year on year
Architect work load	Mirza and Nacey Survey / quarterly / Q2 2014 / Index
Construction output	Construction output YTD ONS / monthly / Sept 2014 / % change year on year
Trade confidence	Travis Perkins survey/ quarterly / Q3 2014 view of Q4 2014 / Balance score
Expected workload	Federation of Master Builders / quarterly / Q3 2014 view of Q4 2014 / Balance score % increase year on year
New construction orders	Office for National Statistics / quarterly / Q2 2014 / % change year on year



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