



PROPERTY
BRIEFING.
July 2015

Agenda

Introduction

John Carter

Property at Travis Perkins

Martin Meech

Q&A

John, Tony & Martin

Refreshment break

All

Branch tours

All

Wrap up

All

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, strong covenant, flexibility to optimise, development value
- IT: selective sharing of software platforms and volume hardware purchasing

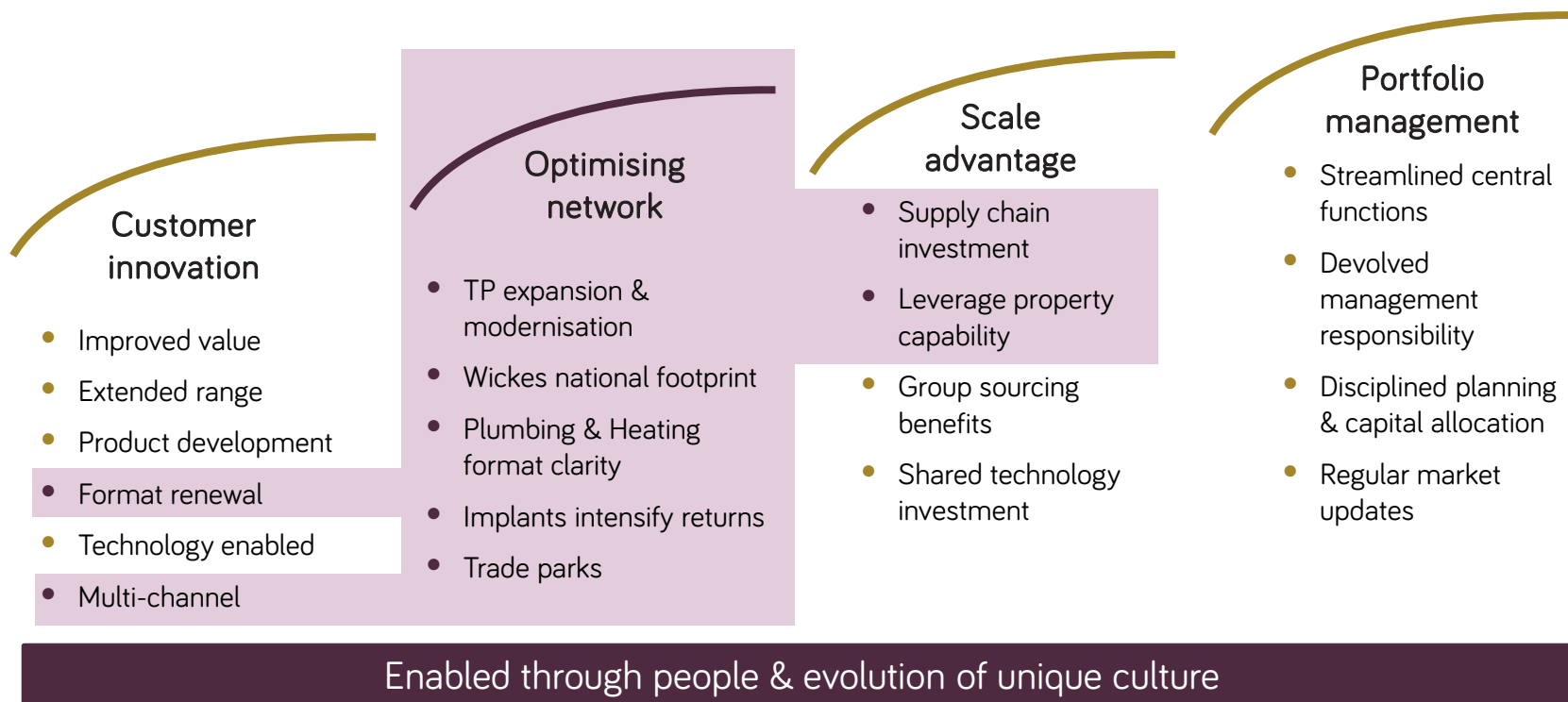
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Superior propositions

- Range & value: strong 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

Levers of value creation



PROPERTY.

Martin Meech

Group Property Director



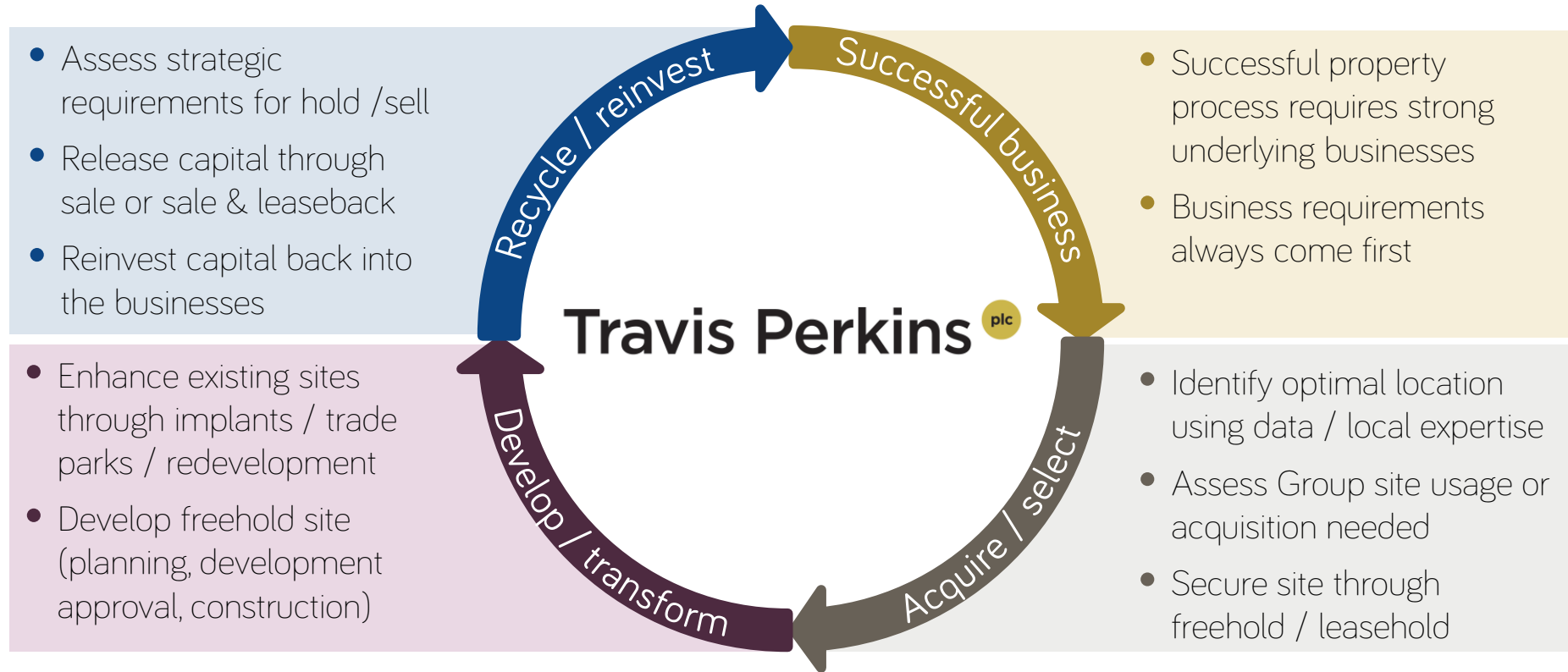
Agenda

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| 2. Current estate | p14 |
| 3. How we operate | p24 |
| 4. Creating value in the future | p32 |

PROPERTY STRATEGY.



Creating value from property



Property strategy follows Group business strategy

Group strategy

Property strategy

Extend the portfolio

- Select required catchments
- Select best property to fulfil business requirements
- Acquire and develop property on behalf of business

Efficient allocation of capital

- Assess capital allocation of property
- Re-balance the portfolio to best returning businesses

Maximise return on capital

- Optimise the property portfolio
- Continually assess business performance
- Move or close sites; extract value where possible

An experienced & innovative team

Martin Meech

Group Property Director

36 years property experience

(inc. 30 years as corporate property director)

Dixons Group

Gateway Supermarkets

Halfords and Comet



- Recently strengthened team
- Broad & relevant experience
- Decision making devolved to the businesses

Nick Pinney

Contracts

South West



20 years experience

Strutt & Parker

Morgan Stanley

Joined in 2014

Philip Joyce

P&H

Mid & North



28 years experience

Home Retail Group

Mercian Developments

Joined in 2007

Jo Lord

Consumer

London



25 years experience

CBRE, Homebase,

Capital & Regional plc

Joined in 2015

Steve Bennett

G Merchant

South East



15 years experience

Dixons Carphone

Kingfisher

Joined in 2015

Darren Screen

Property
Finance
Director



12 years experience

South Street AM

DSG Retail Ltd

Joined in 2014

Business responsibility

Geographic responsibility

Material value from being a group of companies

Travis Perkins plc



Negotiating terms

Scale = competitive advantage:

- Local, regional and national levels
- Attracts high quality people into team
- Strong covenant

Flexibility of use

Decision making held by Travis Perkins:

- Opportunity to switch sites between brands given # of fascias
- Spread risk exposure through the cycle

Strong balance sheet

Combined Group balance sheet:

- Access to funding
- Funding at better financing terms

Freehold vs. Leasehold – strategic benefits

Freehold

- Long term site security
- Flexibility to optimise use
- Future asset appreciation and alternative use
- Greater flexibility to tailor to specific customer needs

Leasehold

- Lower up-front cash cost
- Balance sheet efficiency
- Greater availability of leasehold properties
- Suitable for small generic sites

Aim to increase freehold proportion to drive superior operating returns

Freehold vs. Leasehold – financial implications

Freehold

- Current existing use property estate value ~£500m
- Financed using on balance sheet debt
- Large immediate capital investment
- Lower on-going property costs
- Direct capital employed – included in both ROCE and LAROC

Leasehold

- Current leasehold debt value of ~£1,469m (based on 8x rental costs)
- Shortening business lifecycles
- Small immediate capital investment with on-going lease commitment
- Off balance sheet debt – added back to assess LAROC

Minimal LAROC compression (20-30 bps over 5 years) through investment in freehold property

CURRENT ESTATE.



Different business demands on property team

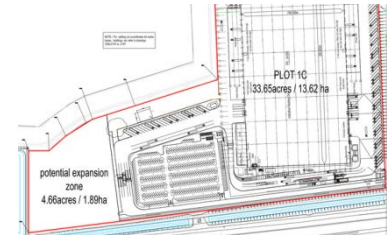
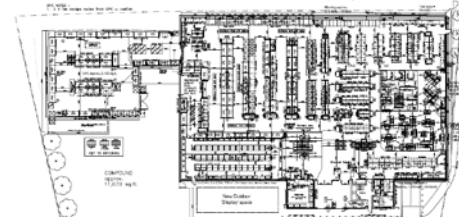
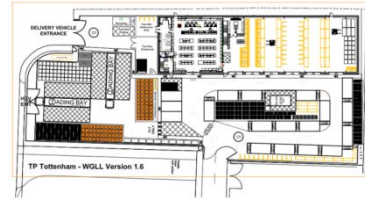
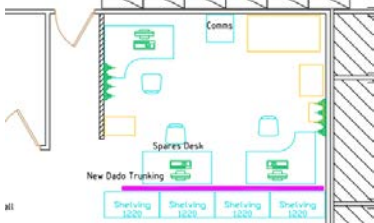


Implant / small format
~500 – 5,000ft²

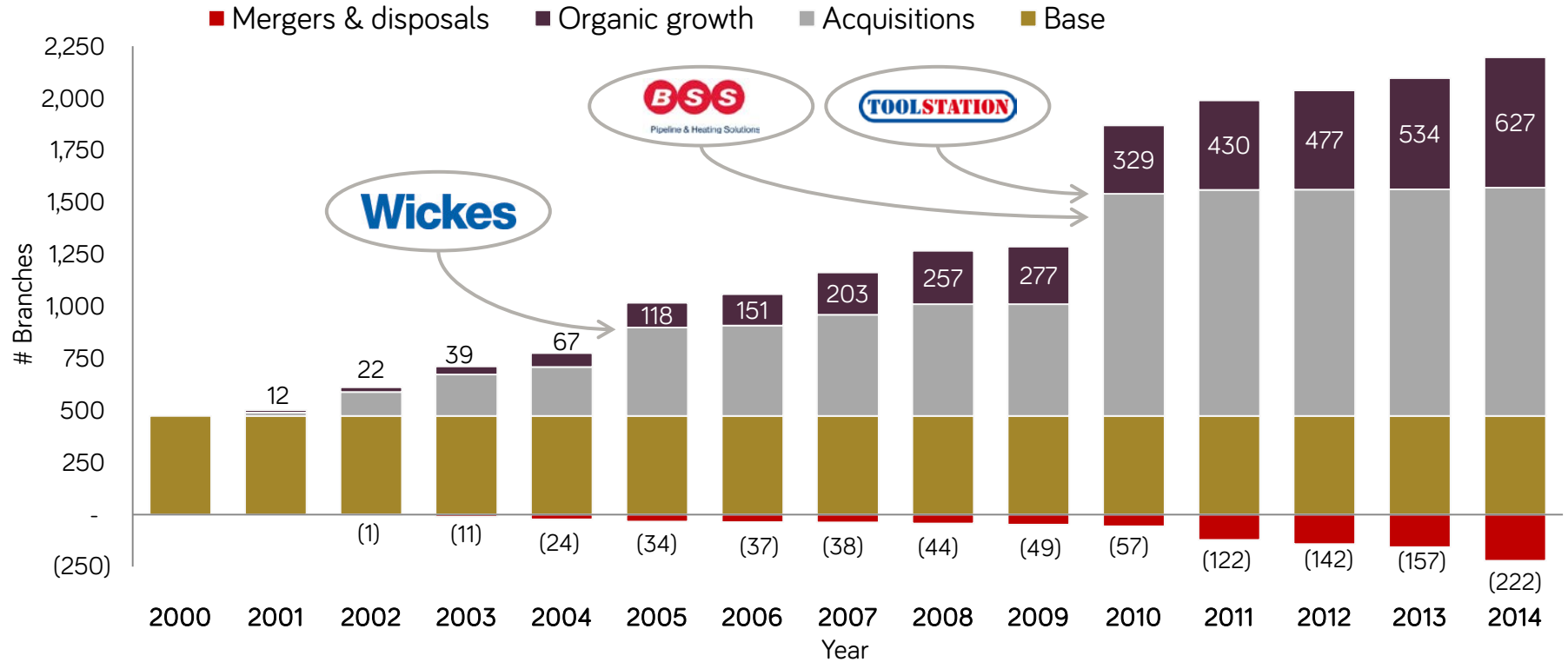
Small / medium trade
~15,000ft² + Yard

Larger trade / retail
~25-30,000ft²

Distribution centre
~600,000ft²



Track record of strong organic network growth



What does the current portfolio look like?

Group total: 2,012 fascias (at 31 May 2015)

General Merchancing

Travis Perkins	660
Benchmark	133

Consumer

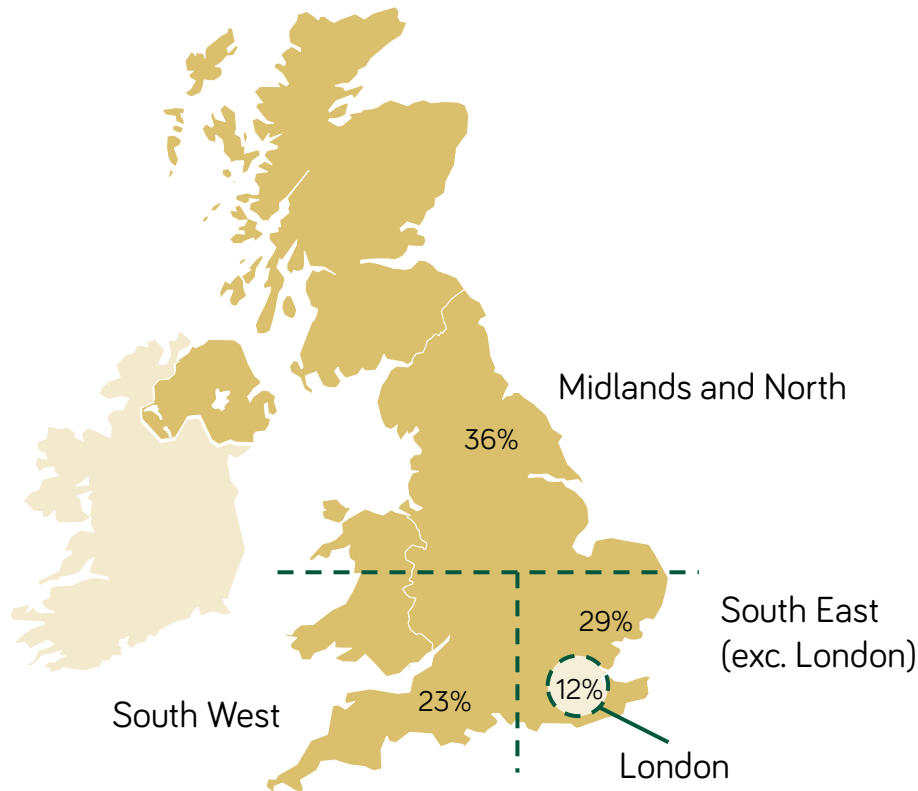
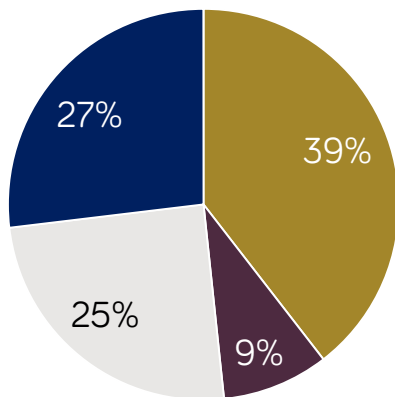
Wickes	232
Toolstation	200
Tile Giant	110

P&H

CPS	275
PTS	202
Other	23

Contracts

Keyline	80
BSS	63
CCF	34



Current portfolio – freehold vs. leasehold

(by value)

	Freehold*	Leasehold**
Group	17%	83%
General Merchanting	47%	53%
Contracts	27%	73%
P&H	3%	97%
Consumer	1%	99%

- Group predominantly leasehold
- Freehold concentrated in merchant yards & South East
- Weighting of freehold driven by:
 - acquisitions
 - business requirements

0% Freehold

50% Freehold



* Calculated using estimated current-use freehold market value

** Value of Leasehold portfolio calculated at 7% yield

Freehold portfolio

- Freeholds concentrated in Travis Perkins and Keyline
- NBV of freehold property is £326m (2014 AR)
- Current existing use property estate value ~£500m
- Value realisation from Freehold
 - Third party rental savings
 - Asset appreciation
 - Profit realised through property transactions
- Consistent property returns despite market volatility
- Value creation ahead of the market

* Calculated using estimated current-use freehold market value

Freehold* mix

Group	17%
General Merchanting	47%
Contracts	27%
P&H	3%
Consumer	1%



Leasehold portfolio matched to business needs

- Leaseholds concentrated in Wickes, Toolstation & PTS
- Rental uplifts cap / collar
- Selective re-gears to reduce rent where tenure attractive
- Ability to rotate fascias



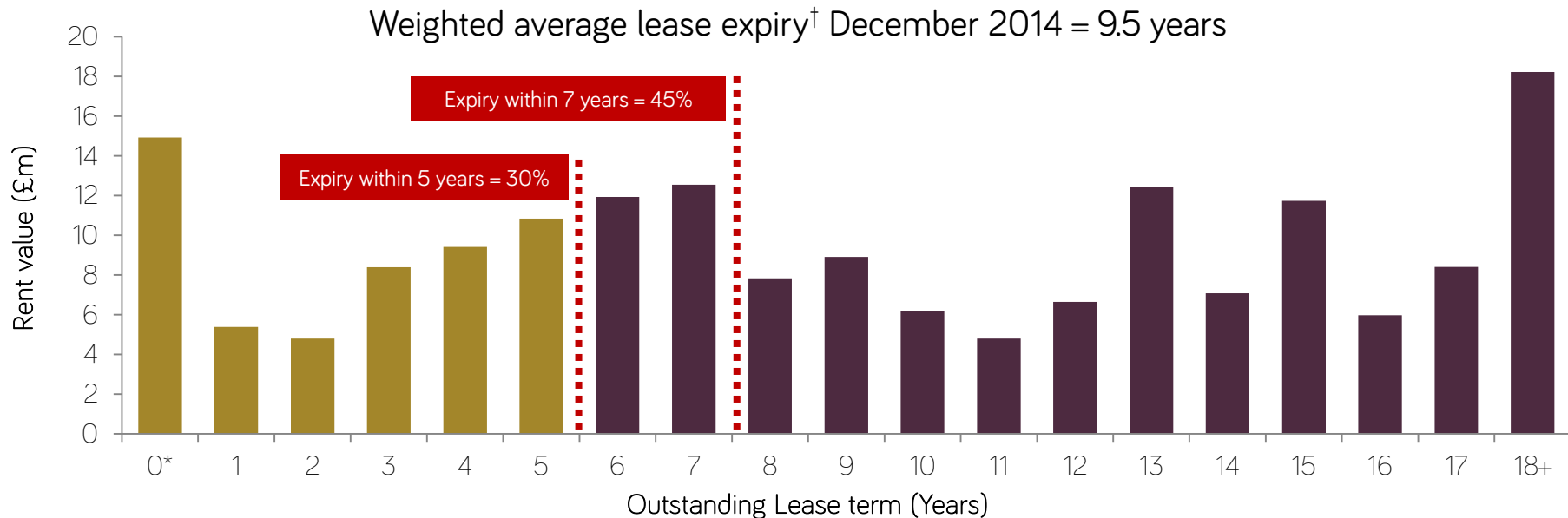
Leasehold* mix	
Group	83%
General Merchandising	53%
Contracts	73%
P&H	97%
Consumer	99%

	Small format (Tile Giant / Toolstation / City Plumbing)	Medium format (Wickes)
Size	3,000 to 7,000 ft ²	25,000 to 30,000 ft ²
Location	Trade locations 2 nd or 3 rd tier retail	High grade commercial 2 nd tier retail
Initial lease term	Average ~5-10 years	Average ~15 years
WALE [†]	~7 years	~10 years
Average rent / ft ²	£6 to £10 / ft ²	£14 to £16 / ft ²
Property costs	Low	Low

* Value of Leasehold portfolio calculated at 7% yield

[†] Weighted Average Lease Expiry excluding break clauses

Actively shortening WALE[†] over time

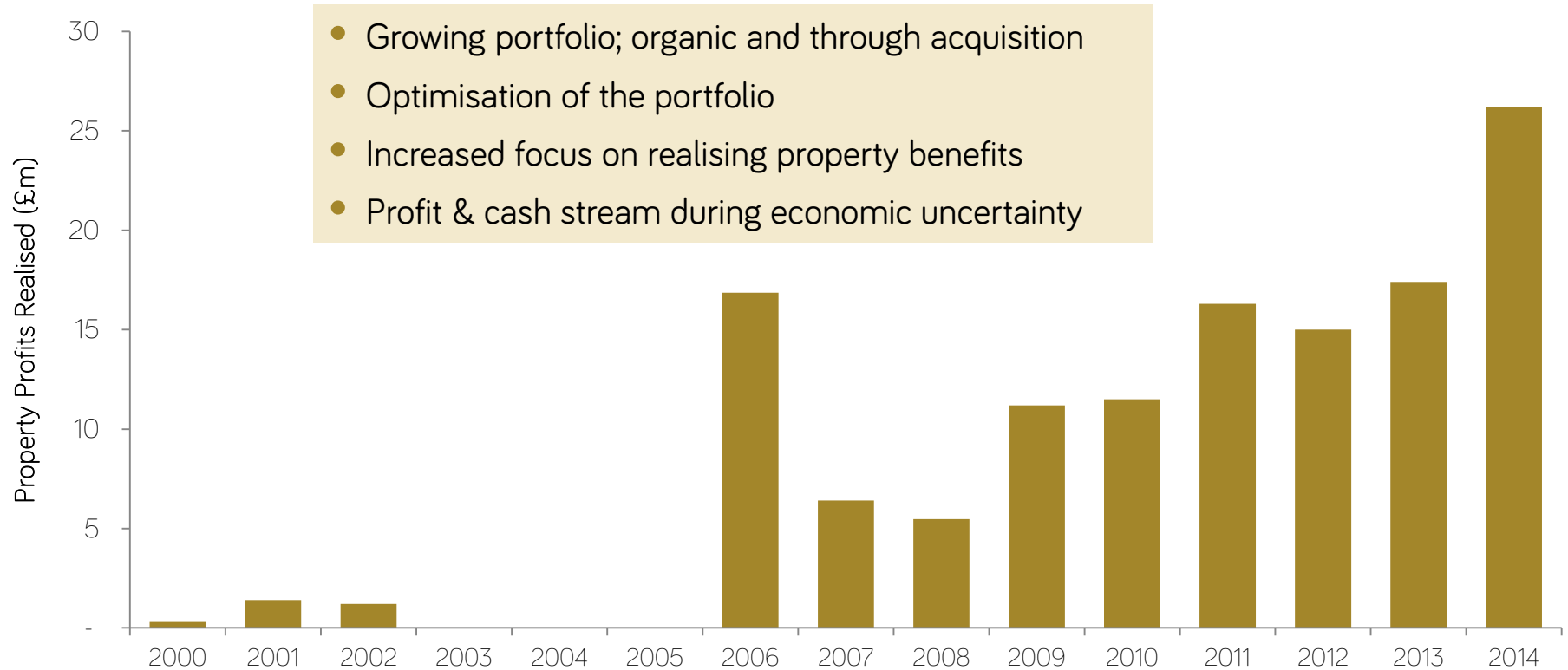


- 30% of rental expense expires within the next 5 years (~45% < 7 years expiry)
- Opportunity to optimise the portfolio to achieve the Group strategy

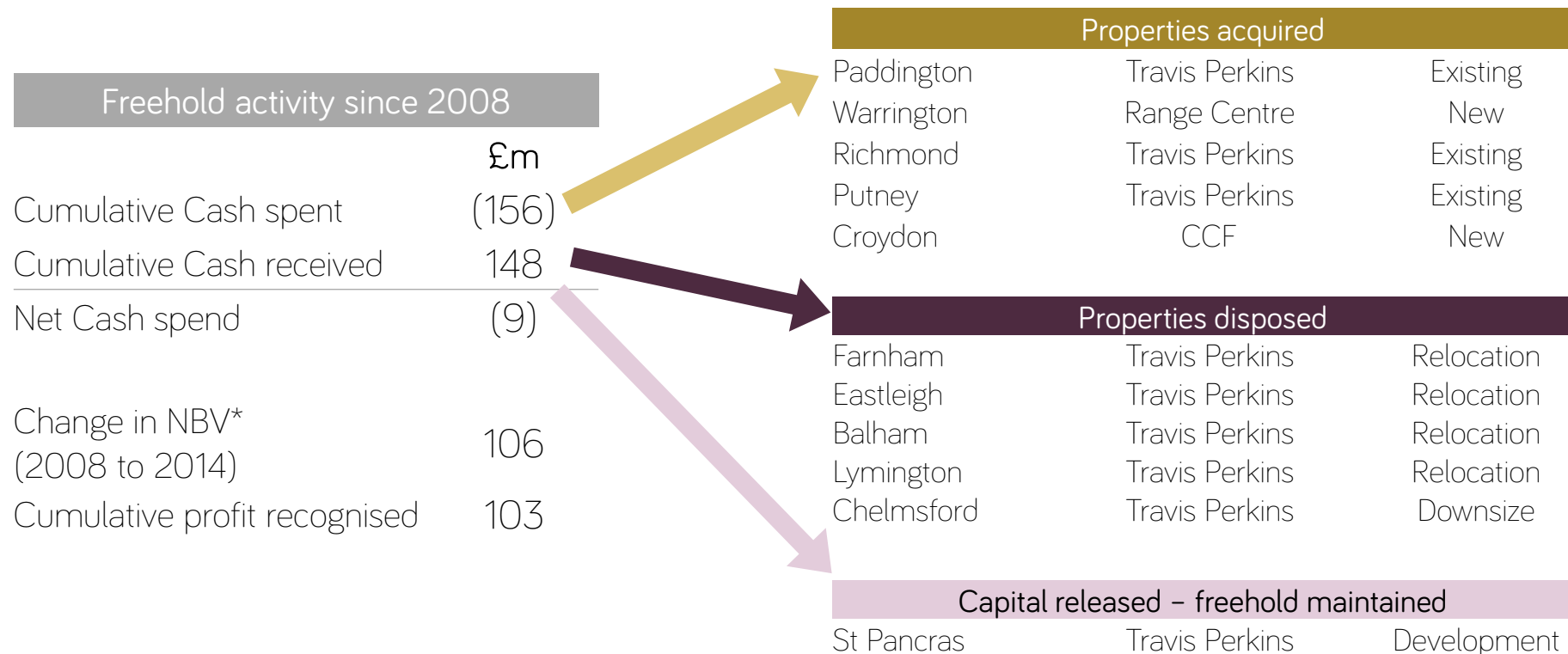
[†] Weighted Average Lease Expiry excluding break clauses

* Leases in an on-going rolling period

Property is creating an ongoing profit stream



Recycling capital through portfolio management



*Excludes capital appreciation on held properties

HOW WE OPERATE.



Site needs to be optimal for the business

- Business appraisal – site selection is based on optimal site for the business
- Optimise existing sites: Trade parks & implants
 - Additional sales without increasing capital employed through property
- Conduct in-depth local property searches
- Comprehensive list of potential sites



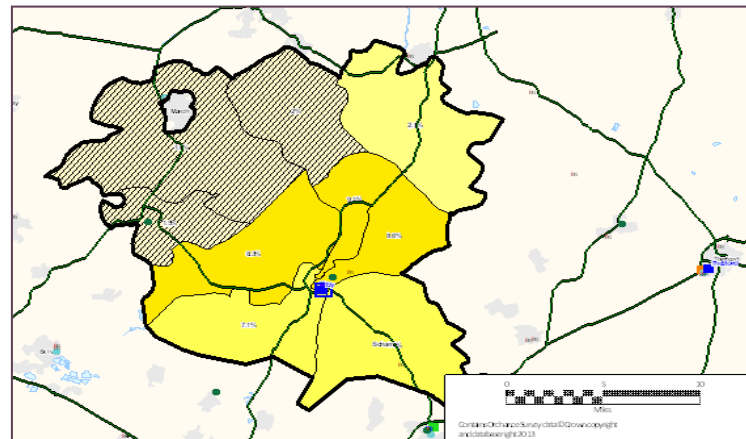
Gravity modelling drives catchment analysis

Desirable market characteristics

- Not currently served by TP
- Limited competition
- Favourable demographics
- Low cannibalisation

Gravity model inputs

- Mortgaged/owner occupied housing stock
- Size and type of housing
- Type & age of occupants
- Household income
- Local area demographics



- Model gives market expectations
- Priority list of catchments

Analysis drives catchment selection for new locations and informs closure decisions

Site acquisition and development



Success to-date in Consumer

Optimising the Wickes store in Folkestone

- Move store location
- Downsized from 40,000ft² to 25,000ft²
- Reduced property costs but increased turnover and returns



Fast expansion of the Toolstation network

- Good availability of < 5,000ft² units
- Large number of appropriate catchments

Rebalancing the portfolio

Switching sites between brands

Three examples:

- 14 sites converted from Keyline to TP
- P&H re-segmentation programme
- Tile Giant small box conversions



Implants into existing branches

- Develop new businesses without increasing overall property costs
 - Tool Hire
 - Heating spares
 - Managed Services
- Utilise excess space in existing branches
 - Benchmarx - implants in TP
 - Toolstation - 21 implants in Wickes

Business decisions drive property activity

Optimising the portfolio – Trade Parks

- Maximise returns from a single site by co-location
- Driving shared footfall
- Planning for the future – maximise flexibility

Comparison of Trade park versus standalone TP

	Travis Perkins	Trade Park
Typical site freehold value	£2m to £5m	£5m to £8m
Typical LAROCCE at maturity	25%	25%+
Typical site size	1 to 1.5 acres	up to 5 acres



Freehold optimisation opportunities

Freehold optimisation – transformation of Travis Perkins – St Pancras



- Original freehold purchased in 1982
- Positive outcomes of property development:
 - New format, high-performing branch
 - Benchmarkx implant
 - Freehold ownership maintained
 - £24m of capital released over 3 years through facilitating student accommodation development
 - No net cost incurred
- Further opportunities to extract capital for redeployment
- Sales uplift from implants in TP branches

CREATING VALUE IN THE FUTURE.



Expanding the TP / Benchmarx estate

BENCHMARX
Kitchens and Joinery



- Expand the branch network
- Centralised distribution enables smaller branches
- ~150 sites would benefit from relocation
- Replenish property pipeline

Guidance

5 - 15 branches p.a.

- Expand the branch network
- Utilise excess TP space – increase sales density and intensify returns

30+ branches p.a.

BENCHMARX
Kitchens and Joinery

Growing the Consumer business



- Expand the network
- Planning consents
- Branch relocations
- Average store size ~25,000 ft²
- Freehold development increases ability to access optimal sites at pace



- Significantly expand the branch network
- Conforming leasehold sites (avg. store < 5,000ft²)

Guidance

10 - 15 branches p.a.

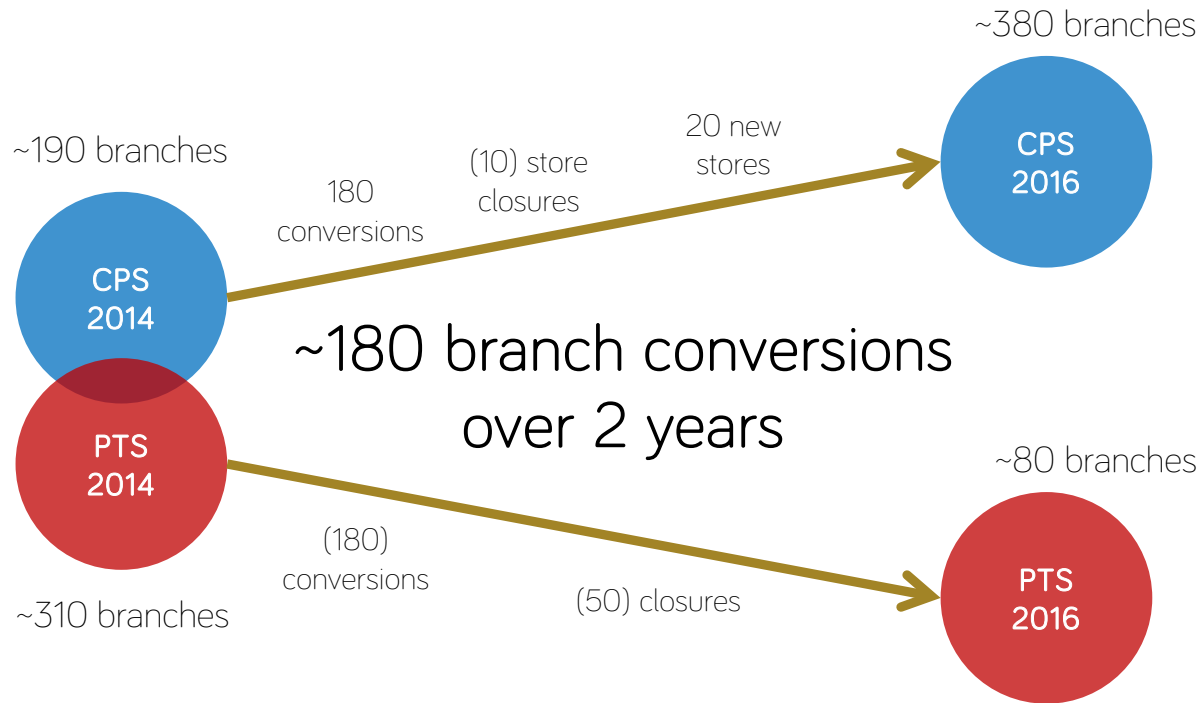
30+ branches p.a.

Filling out the Contracts network

- ‘Mini warehouses’
- Capacity is critical
 - Use new racking to increase stock intensity
- Keyline – optimise branch locations with TP
 - Site switching between Keyline and TP
 - Open new capital efficient branches
- CCF – additional branches needed to achieve national coverage
- BSS – maintain leading network

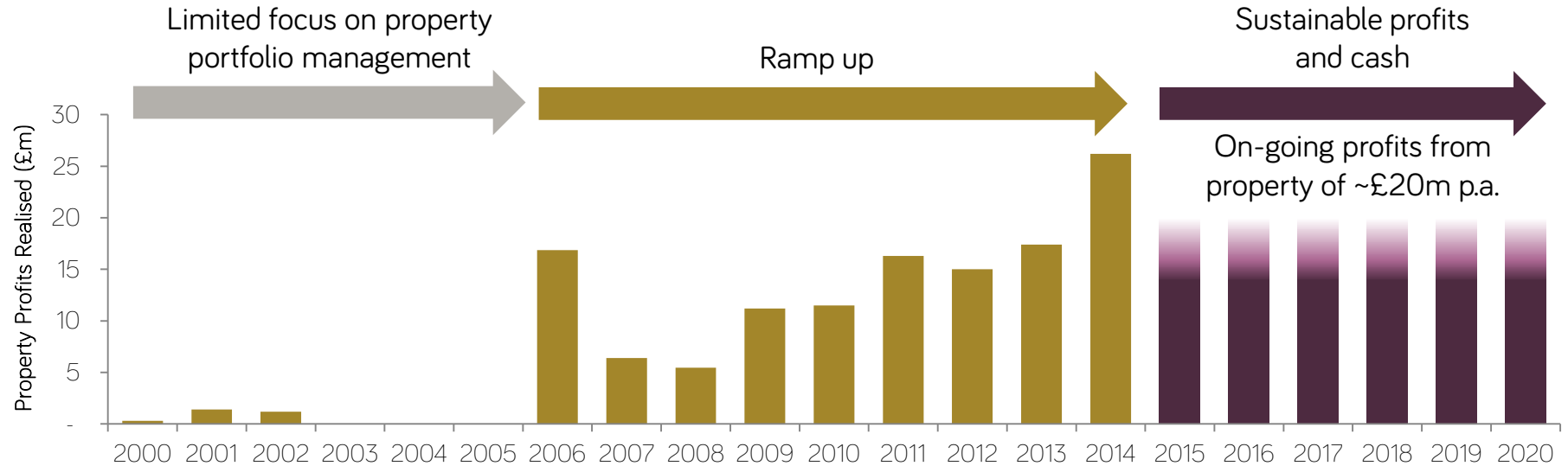


Re-segmenting the P&H brands



- Assessment of existing locations
- PTS moving to depot / logistics model
- CPS sites placed to attract tradesmen (trade desk) and end-customer (showroom)
- 14 week end-to-end branch conversion process

Creating a sustainable property profit stream



- Overall goals of the property team are
 - To provide the business with the best located sites – secured for the long term
 - Add value through freehold development
 - Recycle cash to re-invest in the business

Key messages

1

Market fragmentation

- Hundreds of catchment opportunities exist across our business
- Opening new branches and optimising existing sites are fundamental enablers for our businesses to take market share

2

Structural advantages

- Group size and balance sheet strength allows us to access more sites at a lower ultimate cost
- Ability to develop freehold sites is an additional source of value generation
- Flexibility between brands allows us to optimise sites and provides flexibility during an economic downturn

3

Superior propositions

- We can create superior propositions through co-location of multiple businesses on a single site
- Co-location provides a cost advantage and creates a customer destination giving improved maturity profiles, a larger customer pool, and generates overall higher returns

Property strategy supports Group business strategy + earns a sustainable profit stream



QUESTIONS.



APPENDIX.



- I. Historical property value creation

I. Historical property value creation

<i>(£m)</i>	2008	2009	2010	2011	2012	2013	2014	<i>Cumulative change</i>
Freehold NBV (opening)	220.4	235.6	226.5	239.5	262.3	265.5	287.3	
- Additions	18.0	2.5	10.5	29.7	10.9	32.3	42.9	146.8
- Acquisitions	1.8	-	7.1	-	-	0.3	0.4	9.6
- Disposals	(0.4)	(7.6)	(0.6)	(2.4)	(3.1)	(5.6)	(0.2)	(19.9)
- Depreciation	(4.2)	(4.0)	(4.0)	(4.5)	(4.6)	(5.2)	(4.3)	(30.8)
Freehold NBV (closing)	235.6	226.5	239.5	262.3	265.5	287.3	326.1	105.7
Cash received from disposals	14.9	20.8	17.2	15.0	32.3	16.9	30.8	147.9
Property profits recognised	5.5	11.2	11.5	16.3	15.0	17.4	26.2	103.1



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