



FULL YEAR RESULTS. 2017

Travis Perkins plc

Agenda

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INTRODUCTION.

STUART CHAMBERS



Introduction

Challenging market

- Secondary housing transactions broadly unchanged from 2016 levels
- Input cost inflation elevated – driven by FX and commodity prices
- Consumer confidence declined steadily through the course of 2017

2017 performance

- Input cost inflation largely offset through price activity
- Investment in customer propositions, IT and digital
- Cash generation remained strong

2018 outlook

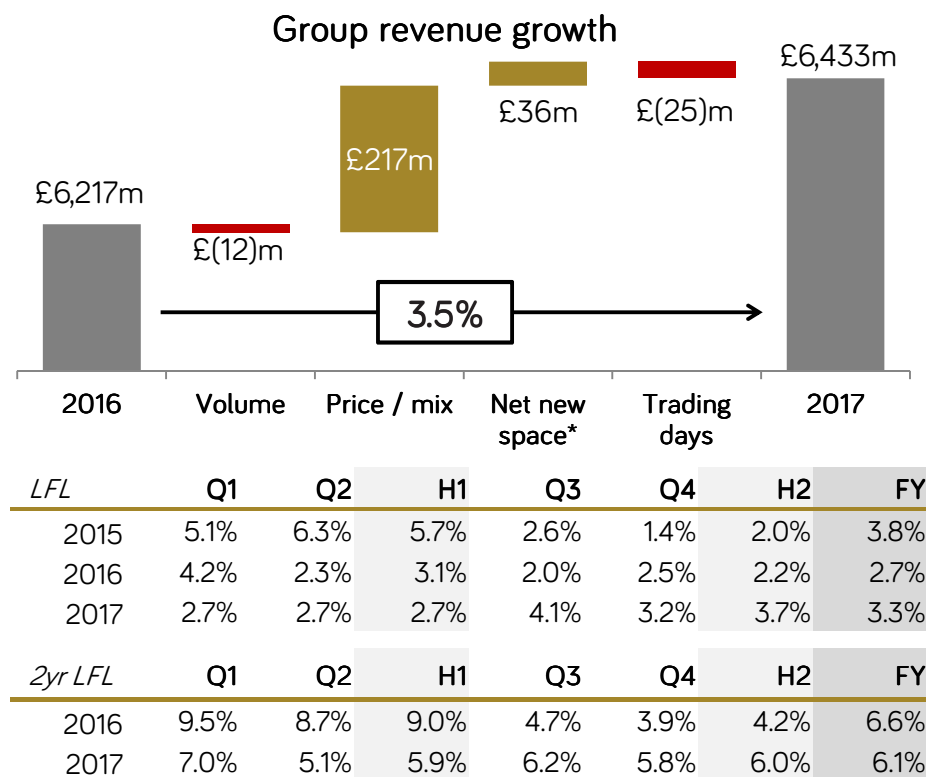
- Anticipate market conditions will remain mixed
- Focus on trading execution and actions to drive efficiency and control cost
- Selective capital investment aligned to key priorities - reducing year-on-year

Key financial highlights

<i>Year ended 31 December</i>	FY 2017	FY 2016	<i>Year-on-year change</i>
Revenue	£6,433m	£6,217m	3.5%
Like-for-like sales growth	3.3%	2.7%	0.6ppt
Adjusted EBITA	£380m	£409m	(7.1)%
Adjusted EBITA excluding property profits	£351m	£392m	(10.5)%
Adjusted earnings per share	110.4p	120.4p	(8.3)%
Net debt	£(342)m	£(378)m	£36m
Dividends per share	46.0p	45.0p	2.2%
Lease adjusted ROCE	10.1%	10.9%	(80)bps

Strong cash flow leading to continued reduction in net debt

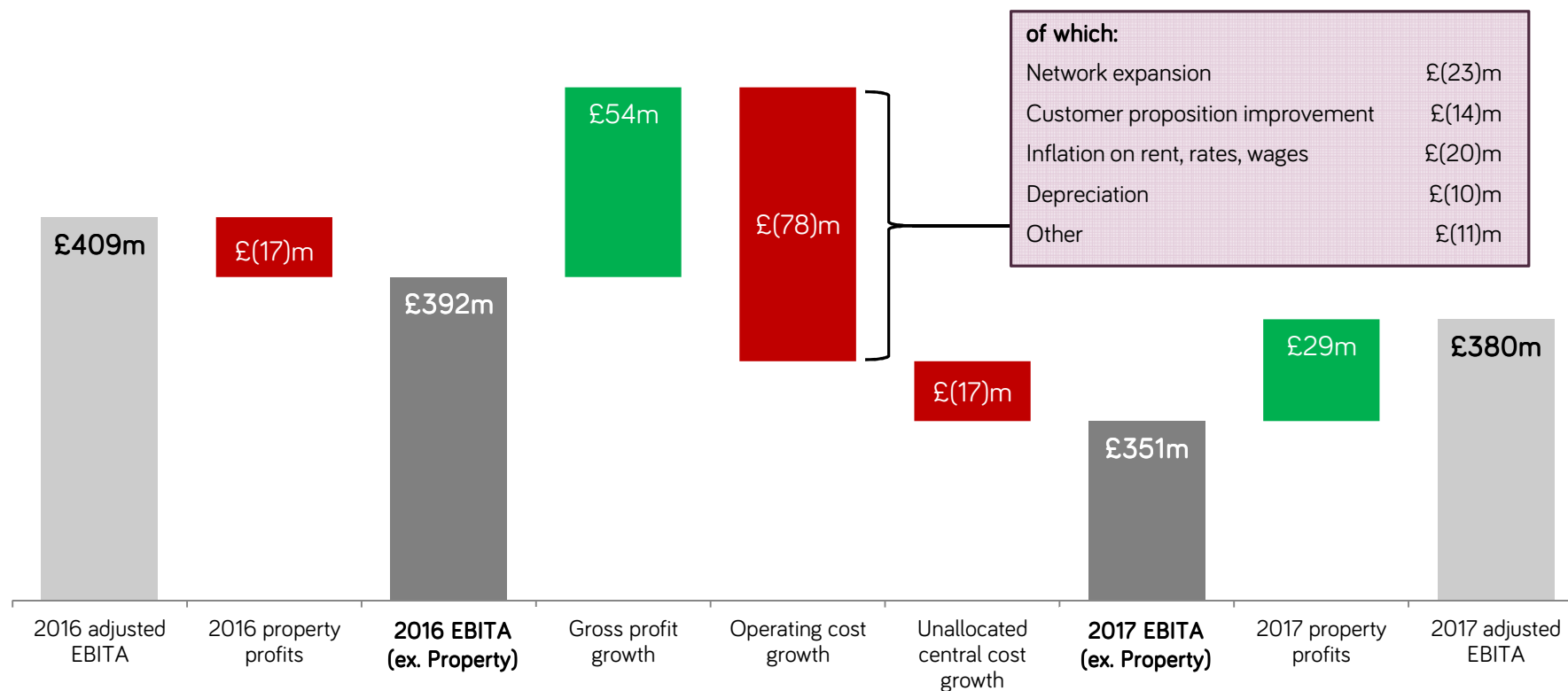
Successful recovery of input cost inflation



*Net new space includes acquisitions

- Like-for-like sales growth of 3.3%
- Volume flat, price up 3.5% as input cost inflation was recovered
- Toolstation and Benchmarx network expansion continued
- Improving like-for-like trend in H2, also reflected in 2-year like-for-likes

EBITA reflects investment in future growth



Group investments impacting EBITA margins

	General Merchanting	Plumbing & Heating	Contracts	Consumer	Group
FY 2016 adjusted operating margin (excluding property profits)	9.3%	2.6%	6.0%	6.7%	6.3%
Change in gross margin	(0.2)%	(0.8)%	0.6%	(0.3)%	(0.2)%
Margin impact of change in operating costs	(0.4)%	0.5%	(0.3)%	(1.2)%	(0.6)%
FY 2017 adjusted operating margin (excluding property profits)	8.7%	2.3%	6.3%	5.2%	5.5%

- Gross margins 40bps lower in H2 (H1 flat)
 - Weak K&B Q4 performance in Wickes
 - Selective price investment in GM
 - Mix of sales in Plumbing & Heating
- Operating cost increase includes:
 - Extension of range centre coverage
 - Increased digital investment
 - Higher payroll, rent, rates and depreciation

General Merchancing – inflation recovered

<i>Year ended 31 December</i>	2017	2016	Δ
Revenue	£2,109m	£2,073m	1.7%
Like-for-like growth	1.2%	1.7%	(0.5)ppt
Adjusted EBITA ex-property profits	£183m	£193m	(5.2)%
Underlying EBITA margin	8.7%	9.3%	(60)bps
Lease adjusted ROCE	14%	15%	(1)ppt
Branch network	850	833	17

- Improving trend on like-for-like growth through 2017
- Gross margin reduced by 20bps:
 - H1 – recovery of cost inflation (flat)
 - H2 – selective category investments (down 50bps)
- Making investments to drive growth, including extending range centre coverage and digital capability
- Actions taken to reduce cost and set up 2018 performance



BENCHMARKX
Kitchens and Joinery

Plumbing & Heating – growing confidence

<i>Year ended 31 December</i>	2017	2016	Δ
Revenue	£1,366m	£1,359m	0.5%
Like-for-like growth	2.1%	(1.6)%	3.7ppt
Adjusted EBITA ex-property profits	£31m	£36m	(13.9)%
Underlying EBITA margin	2.3%	2.6%	(30)pps
Lease adjusted ROCE	11%	10%	1ppt
Branch network	391	436	(45)

- Significant step up in like-for-like sales growth to 5.8% in H2
- Profit returned to growth in H2
- Rapid execution of transformation plan:
 - Proposition improvements
 - 46 branches closed
 - Substantial cost reductions
- Strong momentum into 2018



Contracts – stand-out performance

<i>Year ended 31 December</i>	2017	2016	Δ
Revenue	£1,369m	£1,267m	8.1%
Like-for-like growth	8.4%	5.0%	3.4ppt
Adjusted EBITA ex-property profits	£86m	£76m	13.2%
Underlying EBITA margin	6.3%	6.0%	30bps
Lease adjusted ROCE	14%	12%	2ppt
Branch network	169	167	2

- Strong revenue and profit performance across all three businesses
- Successful pass through of significant input price inflation
- Operating leverage driven by investments in prior years
- Trading momentum remains strong in 2018



Consumer – challenging market conditions

<i>Year ended 31 December</i>	2017	2016	Δ
Revenue	£1,589m	£1,518m	4.7%
Like-for-like growth	3.0%	6.4%	(3.4)ppt
Adjusted EBITA ex-property profits	£82m	£101m	(18.8)%
<i>Underlying EBITA margin</i>	5.2%	6.7%	(150)bps
Lease adjusted ROCE	7%	8%	(1)ppt
Branch network	666	617	49

Wickes

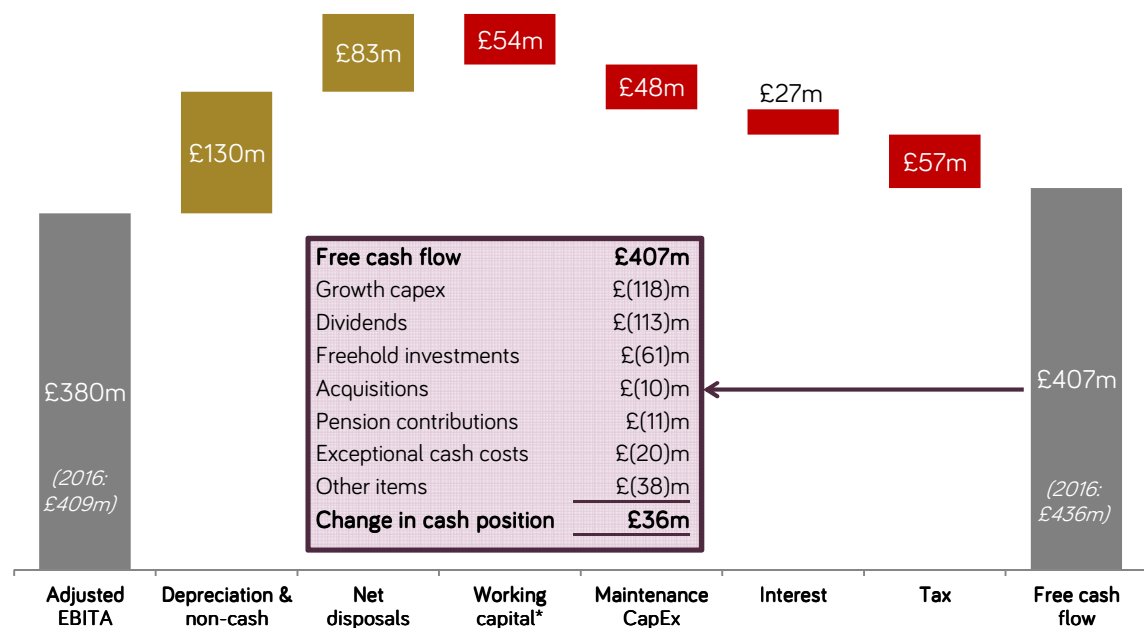
- Challenging DIY market
- Profit performance impacted by poor Q4 K&B showroom execution and cost investment
- Cost base challenges addressed ahead of 2018

Toolstation

- Accelerating double-digit like-for-like revenue growth through 2017



Strong cash flow generation



- Strong cash conversion of 107%
- Working capital outflow reflects input cost inflation
- Net property disposal includes sale of fourth range centre site
- Continued strong cash generation expected

*2017 change in net working capital figure excludes £22m in relation to the development of cloud-based software (2016: £8m)

Strong balance sheet supports the businesses

	<i>Mid-term ambition</i>	FY 2017	FY 2016	Δ
Net debt	-	£342m	£378m	£(36)m
Lease debt	-	£1,525m	£1,506m	£19m
Lease adjusted debt	-	<u>£1,867m</u>	<u>£1,884m</u>	<u>£(17)m</u>
LA gearing	-	42.6%	45.3%	(270)bps
Fixed charge cover	3.5x	3.1x	3.3x	(0.2)x
LA Debt : EBITDAR	2.5x	2.7x	2.7x	-

- Modest reduction in LA debt driven by cash generation
- Debt metrics impacted by reduction in earnings
- Significant liquidity headroom with long term funding in place

Liquidity position and balance sheet strong in uncertain markets

Capital expenditure – disciplined approach

	2017	2016
Maintenance (including vehicles)	(48)	(50)
IT - Merchant ERP / digital capabilities*	(49)	(40)
Growth capex - new stores/store refits	(69)	(71)
Base capital expenditure	(166)	(161)
Freehold property - new sites/existing leases	(61)	(68)
Gross capital expenditure	(227)	(229)
Property disposals	113	43
Net capital expenditure	(114)	(186)

- Base capital expenditure similar to 2016
- Net freehold property inflow of £28m over 2 years
- On-going need to invest in IT – ERP deployment due to complete in 2020
- Lower spend on growth investments forecast in 2018

*IT investments exclude payments in relation to the development of cloud-based software (2017: £22m, 2016: £8m)

Property investment underpins sustainable growth

Usage of freehold investments made in last 4 years

Property in use but not yet mature	£193m
2018 completions	<div> <i>£75m property not yet in use</i> </div>
2019 completions	
2020+ completions	
Total	£268m

Freehold property activity in last 4 years

Cumulative cash invested	£(268)m
Cumulative cash from disposals	£239m
Net cash invested	£(30)m
Cumulative change in net book value	£150m
Cumulative property profits	£96m

- Property strategy driven by needs of operating businesses
- Recycling of portfolio continued:
 - Retail sites sold back into the market
 - Industrial sites in higher demand
- Approximately £20m p.a. of property profits expected to continue
- Value of property assets significantly above £450m NBV

2018 outlook

- Volume outlook remains mixed given subdued RMI activity and reduced consumer confidence
- Focus on pass through of cost price inflation and gross margin realisation
- Determined action on cost to improve productivity and efficiency
- Selective capital investment, with focus on key Group priorities – Toolstation, Wickes refits and digital capability
- The Group expects performance in 2018 to be similar to 2017

Technical guidance for 2018 is provided in Appendix I



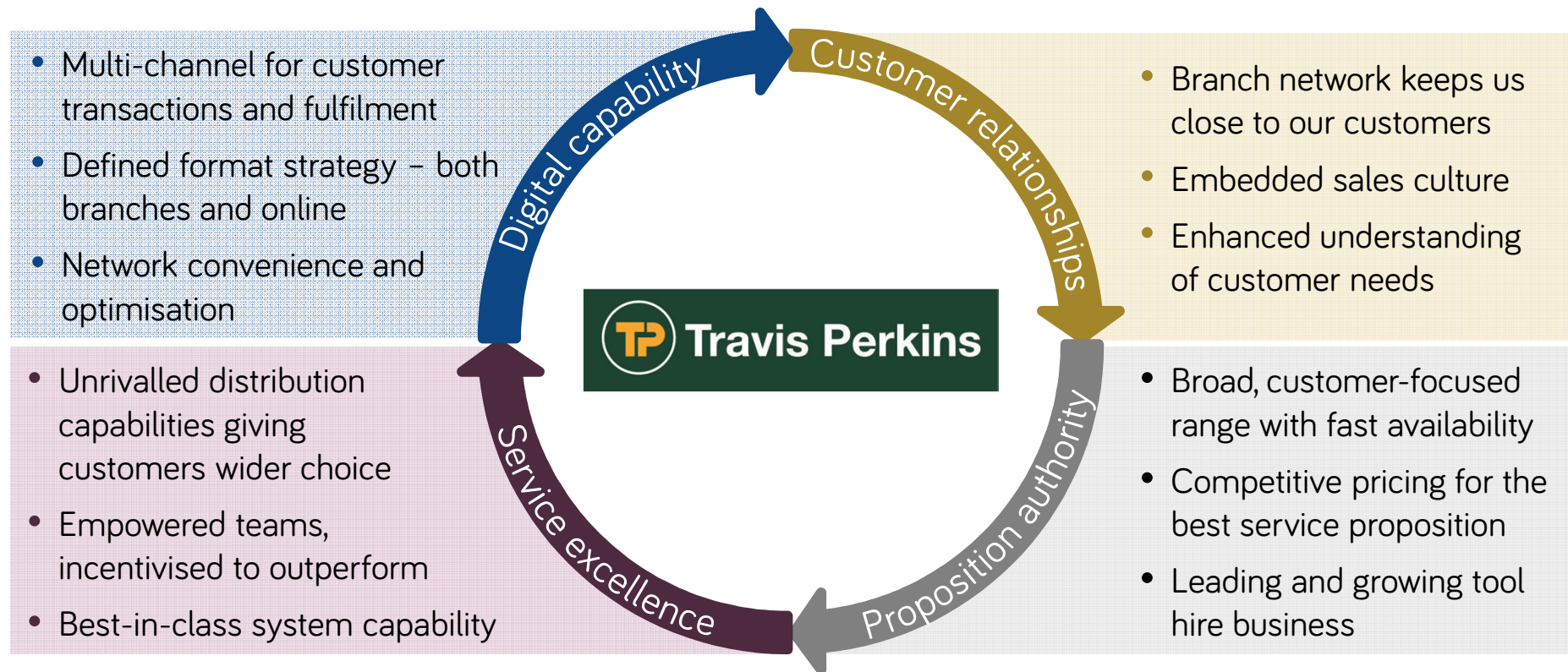
State of the Nation

- 1 The fundamental drivers of our markets remain strong, despite near-term uncertainty
- 2 Creating a portfolio of market-leading businesses with sustainable competitive advantage for the long-term
- 3 Managing the business in a less certain environment – taking deliberate cost action, maintaining gross margins and staying disciplined on capital investment

General Merchancing – adapting to the market

	Actions in 2017	Plans for 2018
Trading & pricing strategy	<ul style="list-style-type: none"> • Price framework – improves control and consistency • H1 – focus on recovery of cost price inflation to maintain gross margin • H2 – modest reduction in gross margin – business mix and price investment trials in selected categories 	<ul style="list-style-type: none"> • Recover commodity-led input cost inflation • Manage margin mix • Further embed pricing framework tool: <ul style="list-style-type: none"> • Improve pricing consistency for customers • Refine price architecture in selected product categories
Costs & investments	<ul style="list-style-type: none"> • Range centre network coverage extended to all branches in England & Wales • Further development of digital channels • Selected actions to reduce cost and set the business up for 2018 • Continued Benchmarx network expansion 	<ul style="list-style-type: none"> • Retain flexibility to adapt to uncertain market conditions • Work even harder to improve productivity and efficiency across all cost drivers • On-going optimisation of the branch estate

Enhancing our long-term structural advantage



Contracts – sustained outperformance



- Balanced exposure across Commercial, new residential, industrial and infrastructure markets
- Specialist merchants focused on deep category knowledge, high-quality service at competitive prices
- Disciplined approach to pricing to recover cost price inflation and maintain gross margin
- Improving efficiency across the businesses:
 - Consolidation of BSS administration tasks
 - Keyline low-cost branch model
- National branch network well developed - limited capital investment required

Wickes – 2017 challenges addressed

- Sustained industry outperformance in recent years underpinned by a structurally advantaged customer proposition
- Disappointing H2 2017 performance driven by weak Q4 K&B showroom sales
- Actions to eliminate £8m of cost in Q4 2017 with further initiatives planned
- Better start to 2018 - K&B showroom proposition successfully addressed

Wickes progression since 2013

Revenue increase between 2013 - 2017	£273m
Compound annual revenue growth rate	6.4%
Change to Wickes store network	+15 stores
Increase in sales per sq. ft.	+19%

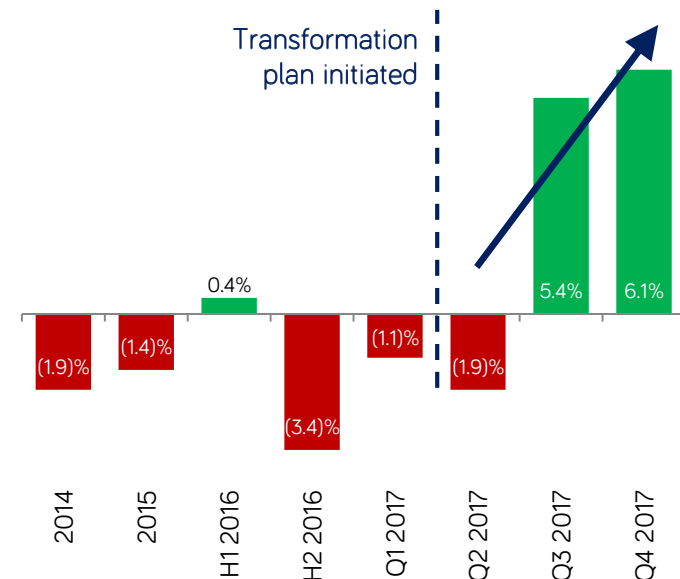




P&H – transformation plan delivering at pace

- Change of leadership team, cultural reset and updated branch incentives to reward outperformance
- Unified branch network simplifies organisational structure, customer convenience and the branch estate
- Significant proposition improvements, including:
 - 1,400 best-selling lines stocked in all branches
 - Trebled customer promotional participation
 - Improving digital capability – City Plumbing online, extended range, credible pricing, spares and UFHS
 - Significant improvement in wholesaling operations
- Dedicated supply chain improving availability by 10ppts

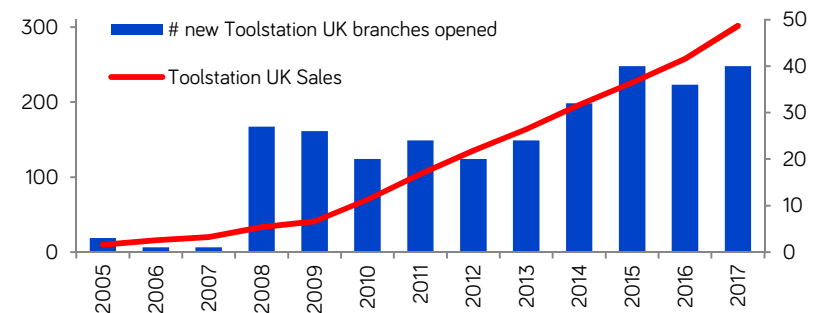
Encouraging early acceleration in growth
– but still much to do



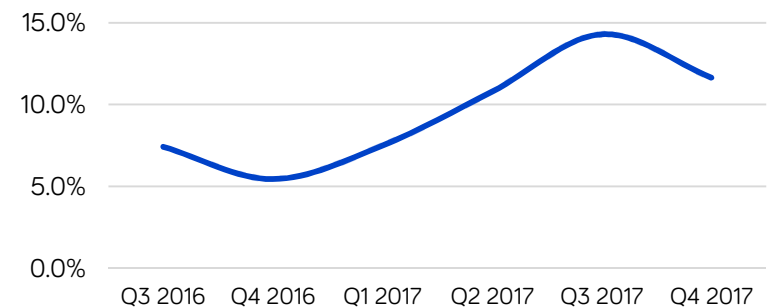
Toolstation UK – accelerating growth

- Value leadership established and accelerated shop opening over last three years
- More recent focus to drive like-for-like growth through proposition improvements:
 - Trade focused range
 - Online and catalogue range extensions
 - Enhanced promotions and counter sales
- Mature stores (> 5yrs) continue to deliver good like-for-like growth
- New distribution infrastructure opening in 2018 to support 500 stores
- Confident of adding a further 40+ stores p.a.

Network growth a critical foundation to accelerate growth



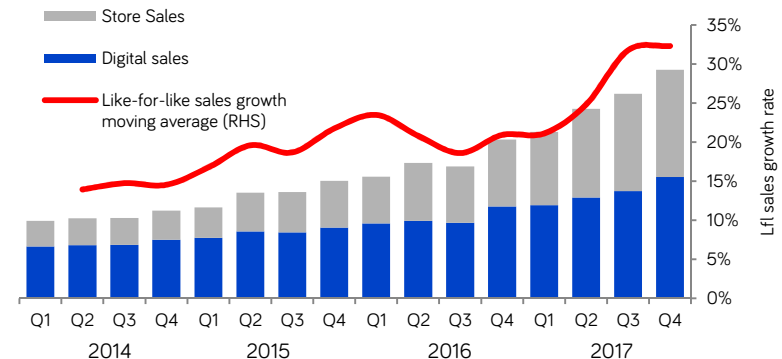
Significant progression in LFL growth rates over 18 months



Toolstation Europe – building momentum

- Toolstation stores in the Netherlands delivering like-for-like growth of around 30%
 - Strong online foundation – sales per capita already higher than the UK
 - Network of 20 stores now open – expected to double in 2018
 - Store profitability trend similar to UK
 - New distribution centre opening in 2018 to support over 100 stores
- French distribution centre and three shops opened H2 2017, early signs are encouraging

Accelerating like-for-like growth since 2014



Schematic of the new distribution centre in Bleiswijk, The Netherlands



Summary

- Executing our strategic plans to develop the best customer propositions to drive long-term growth
- Our end-markets remain subdued
- Adapting to market conditions – flexible trading strategy underpinned by strong cost discipline

Investments position the business well for future growth



APPENDICES.



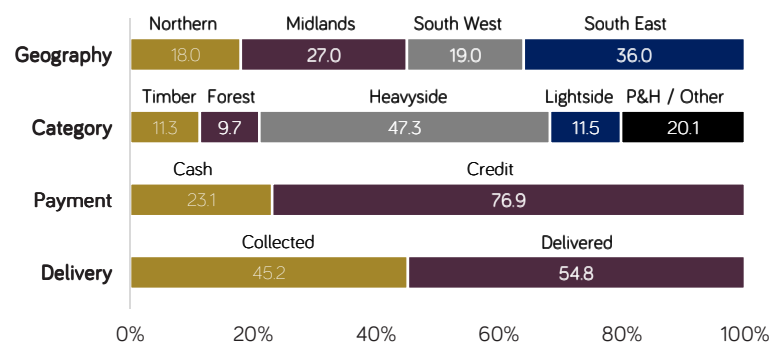
- I. Technical guidance
- II. Revenue analysis
- III. Market lead indicators
- IV. Branch numbers
- V. Sales drivers by Division
- VI. Like-for-like sales growth
- VII. H1 vs. H2 margin drivers
- VIII. Definitions

I. Technical guidance

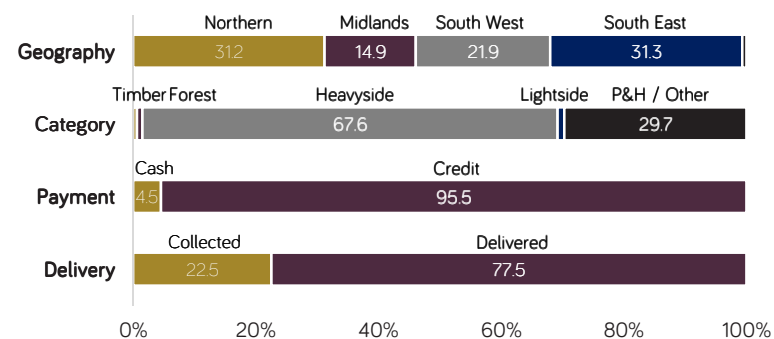
- Effective tax rate of ~ 19%
- Finance charges similar to 2017
- Capex of £140-160m, excluding freehold purchases
- Property profits of ~ £20m
- Progressive dividend policy underpinned by strong cash flows

II. Revenue analysis – 31 December 2017

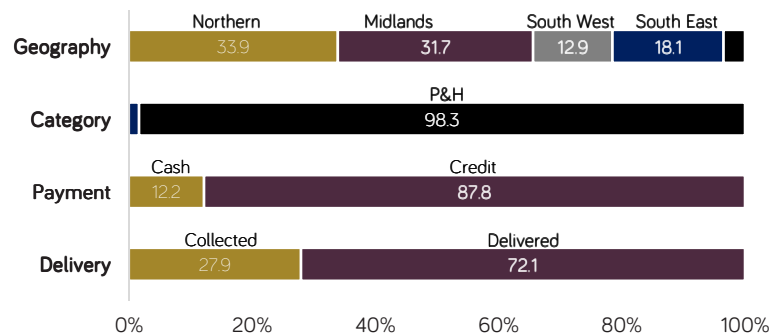
General Merchancing



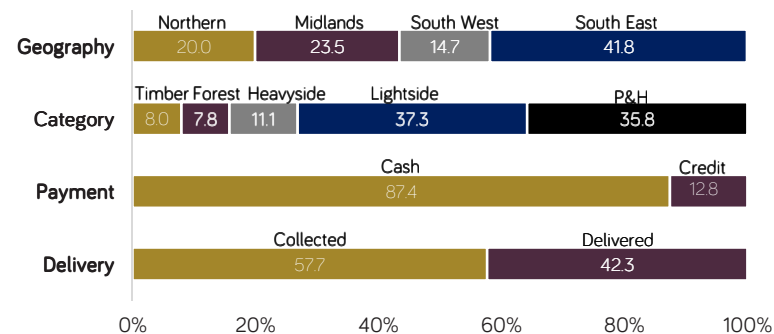
Contracts



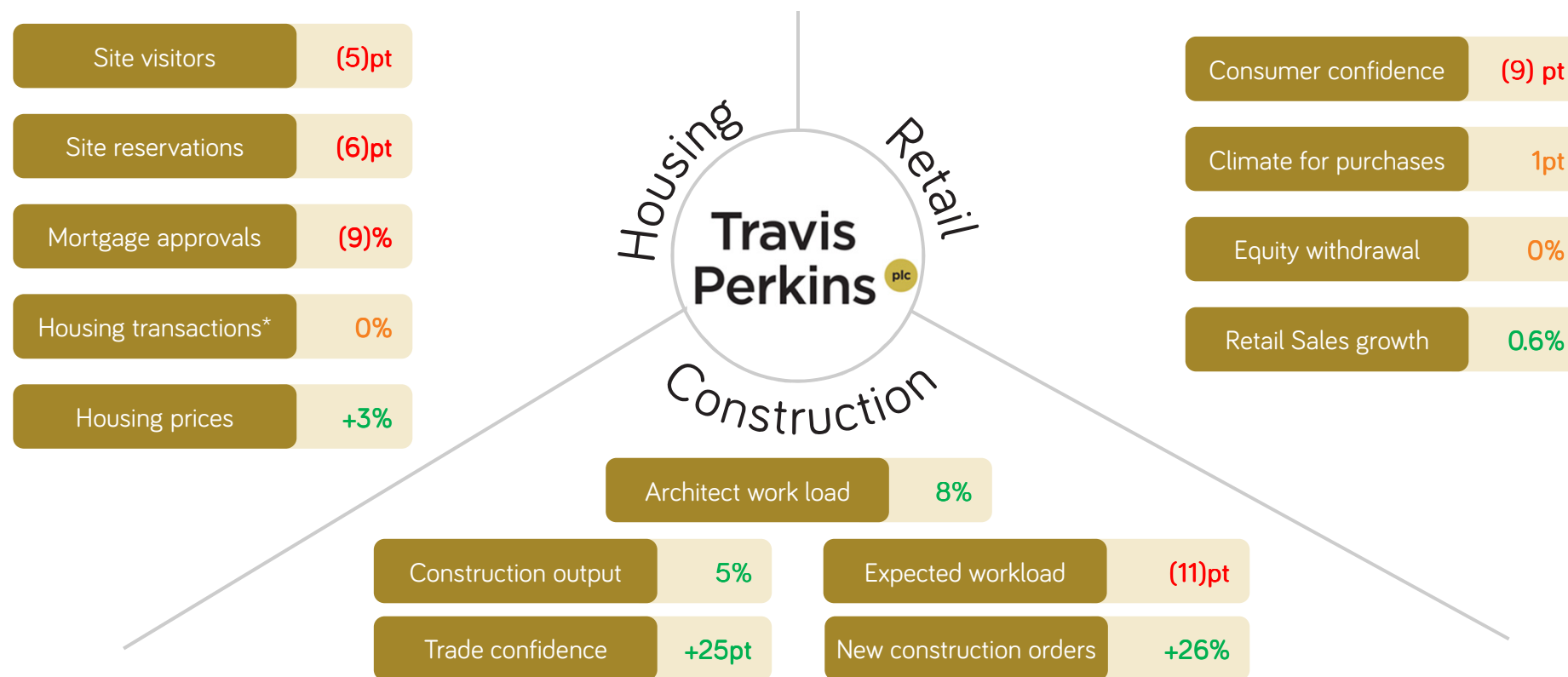
Plumbing & Heating



Consumer



III. Market lead indicators



IV. Branch numbers

	31-Dec-16	New	Closures	Acquisitions	30-Dec-17
Travis Perkins	661	11	(5)	-	667
Benchmark	172	15	(4)	-	183
General Merchandising	833	26	(9)	-	850
City Plumbing	336	1	(32)	-	305
PTS	81	-	(11)	-	70
Other	19	-	(4)	1	16
Plumbing & Heating	436	1	(47)	1	391
Keyline & Rudridge	65	1	-	-	66
BSS & TF Solutions	61	-	(2)	3	62
CCF	41	-	-	-	41
Contracts	167	1	(2)	3	169
Wickes	241	5	(2)	-	244
Toolstation UK	255	41	(1)	-	295
Toolstation Europe	12	11	-	-	23
Tile Giant	109	1	(6)	-	104
Consumer	617	58	(9)	-	666
Group	2,053	82	(63)	4	2,076

Historical network growth

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Opening	1,262	1,303	1,813	1,868	1,896	1,939	1,975	2,028	2,053
New	46	519	120	48	58	101	124	82	86
Closures	(5)	(9)	(65)	(20)	(15)	(65)	(71)	(57)	(63)
Closing	1,303	1,813	1,868	1,896	1,939	1,975	2,028	2,053	2,076

Branch numbers exclude City Heating Spares and Toolhire implants

V. Sales drivers by Division

Total revenue	General Merchanting	Plumbing & Heating	Contracts	Consumer	Group
Volume	(1.4)%	(1.6)%	2.7%	0.3%	(0.2)%
Price and mix	2.6%	3.7%	5.7%	2.7%	3.5%
Like-for-like revenue growth	1.2%	2.1%	8.4%	3.0%	3.3%
Network expansion and acquisitions	0.9%	(1.2)%	0.1%	2.3%	0.6%
Trading days	(0.4)%	(0.4)%	(0.4)%	(0.6)%	(0.4)%
Total revenue growth	1.7%	0.5%	8.1%	4.7%	3.5%

VI. Like-for-like sales growth

Like-for-like by quarter

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
General	8.1%	5.3%	1.7%	1.0%	4.7%	1.1%	0.6%	0.3%	(0.3)%	0.3%	2.4%	2.6%
P&H	(6.1)%	1.0%	1.7%	(1.9)%	2.2%	(1.4)%	(4.1)%	(2.7)%	(1.1)%	(1.9)%	5.4%	6.1%
Contracts	15.1%	12.9%	5.5%	1.5%	2.1%	3.1%	5.7%	9.2%	12.1%	6.4%	7.7%	7.9%
Consumer	6.0%	6.9%	2.3%	6.1%	7.3%	6.4%	6.3%	5.8%	2.9%	6.5%	2.4%	(2.6)%
Group	5.1%	6.3%	2.6%	1.4%	4.2%	2.3%	2.0%	2.5%	2.7%	2.7%	4.1%	3.2%

Like-for-like by half

	H1 2015	H2 2015	H1 2016	H2 2016	H1 2017	H2 2017
General	6.7%	1.4%	2.9%	0.5%	(0.1)%	2.5%
P&H	(2.9)%	(0.3)%	0.4%	(3.4)%	(1.2)%	5.8%
Contracts	13.9%	3.6%	2.7%	7.3%	9.1%	7.7%
Consumer	6.5%	4.2%	6.5%	6.2%	4.7%	0.1%
Group	5.7%	2.0%	3.1%	2.2%	2.7%	3.7%

VII. H1 and H2 margin drivers by division

		General Merchandising	Plumbing & Heating	Contracts	Consumer	Group
H1 2017	H1 2016 adjusted operating margin (excluding property profits)	9.6%	2.8%	5.9%	5.7%	6.1%
	Change in gross margin	(0.0)%	(1.0)%	0.6%	(0.0)%	0.1%
	Margin impact of change in operating costs	(0.4)%	0.1%	(0.5)%	(0.2)%	(0.5)%
	H1 2017 adjusted operating margin (excluding property profits)	9.2%	1.9%	6.31%	5.5%	5.7%
		General Merchandising	Plumbing & Heating	Contracts	Consumer	Group
H2 2017	H2 2016 adjusted operating margin (excluding property profits)	9.0%	2.5%	6.1%	7.6%	6.5%
	Change in gross margin	(0.5)%	(0.6)%	0.6%	(0.6)%	(0.4)%
	Margin impact of change in operating costs	(0.3)%	0.7%	(0.2)%	(2.2)%	(0.9)%
	H2 2017 adjusted operating margin (excluding property profits)	8.2%	2.6%	6.5%	4.8%	5.2%

VIII. 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 items and amortisation (see Appendix II for reconciliation)
Lease adjusted 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
Lease adjusted debt	On-balance sheet debt (excluding derivative fair valuation adjustments) 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
WALE	Weighted average expiry of property leases

VIII. Definitions (continued)

Metric	Definition
Site visitors	House Builders Federation Survey / monthly / December 2017 / Balance score compared to a year ago
Site reservations	House Builders Federation Survey / monthly / December 2017 / Balance score compared to a year ago
Mortgage approvals	Bank of England / monthly / December 2017 / number of approvals % change year on year
Housing transactions	HM Revenue & Customs / monthly / December 2017 / number of houses sold above £40k % change year on year
Housing prices	Nationwide / monthly / January 2017 / house price inflation % change year on year
Consumer confidence	GFK / monthly / January 2017 / index score
Climate for purchases	GFK / monthly / January 2017 / index score
Equity withdrawal	Bank of England / quarterly / Q3 2017 / Change in Equity withdrawal as % of net earnings compared to previous quarter
Retail sales growth	British Retail Consortium / monthly / December 2017 / LFL % change year on year
Architect work load	Mirza and Nacey Survey / quarterly / Q3 2017 / Index
Construction output	Construction output YTD ONS / monthly / December 2017 / % change year on year
Trade confidence	Travis Perkins survey materials spend / quarterly / Q4 2017 view of Q1 2018 / Balance score
Expected workload	Federation of Master Builders / quarterly / Q4 2017 view of Q1 2018 / Balance score
New construction orders	Office for National Statistics / quarterly / Q3 2017 / % change year on year



CONTACT.

investor.relations@travisperkins.co.uk

Graeme Barnes | +44 7469 401 819

Graeme.barnes@travisperkins.co.uk

Zak Newmark | +44 7384 432 560

Zak.newmark@travisperkins.co.uk

Travis Perkins 