

23 October 2018

Travis Perkins plc

Third quarter 2018 trading update – “Solid trading performance in line with market expectations”

#### Highlights

- Q3 Group total sales growth of 3.9% and like-for-like sales growth of 4.1%
- Combined Merchant businesses (including the General Merchenting, Contracts and Plumbing & Heating divisions) achieved like-for-like growth of 7.0%
- Challenging UK DIY market environment continues for the Wickes business, although pricing pressure has begun to moderate
- Good progress on cost reduction activities, anticipate full-year performance in line with market expectations

John Carter, Chief Executive, commented:

*“The Group delivered a solid Q3 trading performance, in line with expectations. Our trade-focused businesses delivered good sales growth against a challenging market backdrop, including successful recovery of cost price inflation. The UK DIY market continues to be very challenging for Wickes, where significant price pressure and weak consumer confidence is providing a tough trading backdrop.*

*Across the Group, we are making good progress with the cost reduction activities that were highlighted in July, and these actions are generating positive results and underpin our confidence that our full-year performance is on track and in line with market expectations<sup>(1)</sup>.”*

Q3 2018 sales growth	General Merchenting <sup>(2)</sup>	Plumbing & Heating <sup>(2)</sup>	Contracts <sup>(2)</sup>	Consumer <sup>(3)</sup>	Group
Like-for-like sales	1.3%	14.8%	8.9%	(4.2)%	4.1%
Net new space and acquisitions	(0.4)%	(4.4)%	0.3%	2.4%	(0.2)%
<b>Total sales</b>	<b>0.9%</b>	<b>10.4%</b>	<b>9.2%</b>	<b>(1.8)%</b>	<b>3.9%</b>
Two-year like-for-like	3.7%	21.0%	17.3%	(1.9)%	8.4%

  

YTD 2018 sales growth	General Merchenting <sup>(2)</sup>	Plumbing & Heating <sup>(2)</sup>	Contracts <sup>(2)</sup>	Consumer <sup>(3)</sup>	Group
Like-for-like sales	0.9%	18.2%	6.4%	(4.2)%	4.2%
Net new space and acquisitions	0.1%	(4.5)%	0.9%	2.3%	0.1%
<b>Total sales</b>	<b>1.0%</b>	<b>13.7%</b>	<b>7.3%</b>	<b>(1.9)%</b>	<b>4.3%</b>

Total Group sales grew by 3.9% in the third quarter, with like-for-like sales growth of 4.1%, in line with the first half of the year. Sales price inflation reduced modestly in Q3 to 1.9% and was primarily driven by the successful pass through of commodity-price inflation in the trade-focused businesses, partially offset by Wickes, which as previously highlighted, experienced significant pricing pressure in the UK DIY market. The combined Merchenting businesses (General Merchenting, Plumbing & Heating and Contracts) achieved like-for-like growth of 7.0% (7.1% YTD).

The like-for-like growth rate in General Merchenting softened modestly compared to the second quarter of 2018 as the business cycles strong comparative growth rates from Q3 2017. The two-year like-for-like growth rate increased to 3.7% (Q2 2018: 3.3%). Cost reduction initiatives to streamline above-branch costs were completed as planned by the end of September, with actions to reduce waste and improve efficiency within the business continuing throughout the remainder of the year.

The Plumbing & Heating division maintained its positive sales growth momentum from the first half of 2018, continuing its outperformance of the market. Sales growth was strong across the division, including the wholesale business, branch network and specialist online channels, primarily driven by enhancements to customer propositions. The rate of growth is expected to moderate through Q4 as the division annualises the strong performance improvement achieved in Q4 2017.

In the Contracts division, all three businesses continued to demonstrate good growth and are outperforming their markets. The impact of commodity-price inflation moderated in Q3, with sales price inflation of 3.8%, down from 6.0% in the first half of 2018.

Toolstation continued its strong like-for-like and total sales growth, underpinned by successful range extensions helping to increase sales density, and the continued expansion of the store network. We remain on track to open 40 stores in 2018.

The market environment in UK DIY remains challenging, resulting in continued volume declines in Wickes in both core DIY and Kitchen & Bathroom showroom categories. Significant pricing competition across the sector has prevented the recovery of cost price inflation, albeit pricing pressure has begun to moderate in recent weeks, and K&B order activity has shown some early signs of recovery. Cost reduction activities are progressing as planned, with reduced distribution costs and tight control of overhead costs.

Lead indicators such as secondary housing transactions, house prices and consumer confidence continue to paint a mixed picture, and as such the Group remains cautious on the near-term market outlook. In light of this the Group continues to focus on managing its underlying cost base, which underpins the Group's confidence that full-year performance is on track, and in line with market expectations<sup>(1)</sup>.

## Enquiries

### *Investor / analyst enquiries*

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The Travis Perkins Management Team will be hosting a Capital Markets Day on 04 December 2018.

## Footnotes

1. Company compiled market consensus for FY 2018 Group EBITA, as of 22 October 2018, of £363m (range of £356m to £368m).
2. Like-for-like sales growth for the three month period ended 30 September 2018 compared to the three month period ended 30 September 2017. Total sales growth for the three month period ended 30 September 2018 compared to the three month period ended 30 September 2017.
3. Wickes like-for-like growth for the 13 week period ended 29 September 2018 compared to the 13 week period ended 30 September 2017. Wickes total sales growth for the 91 day period ended 29 September 2018 compared to the 91 day period ended 30 September 2017.