

Travis Perkins ^{plc}

Interim Results

September 2020



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Introduction

Nick Roberts



H1 2020 - progress despite COVID challenges

- Significant pandemic impact on the P&L but outstanding cash performance
- Rapidly adapted business models - ensuring safety while providing an essential service to keep the UK's homes warm, dry and safe
- Accelerated elements of the strategic plan across digital enablement, customer fulfilment, process simplification and branch network
- Significant improvement in digital platforms across Merchant businesses with Wickes and Toolstation leveraging existing capabilities - underpinning market outperformance and supporting future growth

Financial Review

Alan Williams



Basis of results

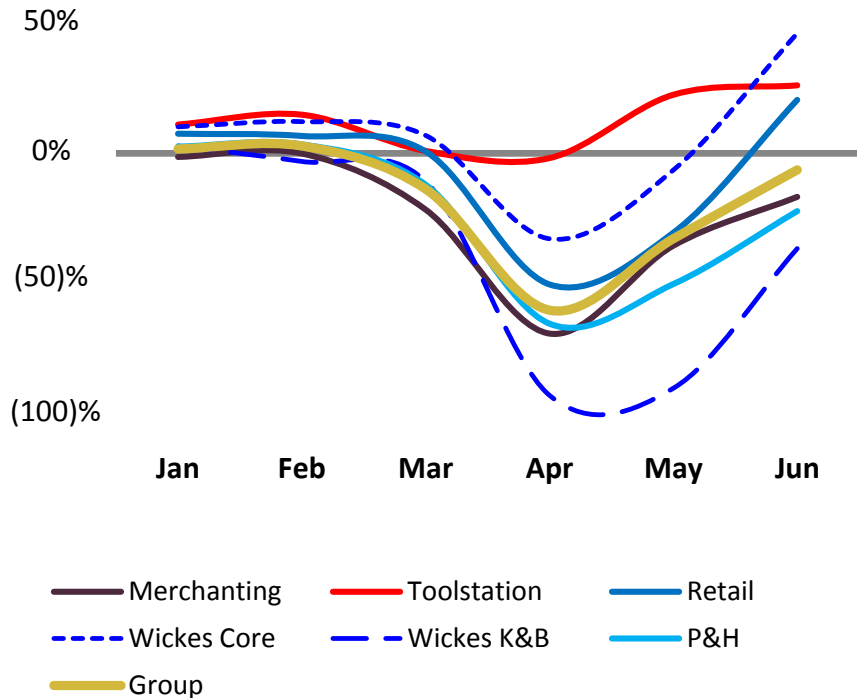
- Toolstation Europe consolidated from 01 October 2019
 - £31m of revenue included in Toolstation total sales (not in LFL)
 - Expectation for £20m annualised losses unchanged
- PF&P wholesale - sold in January 2020
- Wickes demerger paused - numbers remain consolidated
- Impacts of COVID-19 **within adjusted figures**
- Restructuring costs taken as **adjusting items**

Key financial highlights

<i>Six months ended 30 June 2020 (£m unless otherwise stated)</i>	HY 2020	HY 2019	<i>Year-on-year change*</i>
Revenue	2,781	3,484	(20.2)%
Like-for-like sales growth	(19.3)%	5.3%	(24.6)ppts
Adjusted EBITA	42	220	(80.9)%
Adjusted earnings per share (pence)	1.4p	56.5p	(97.5)%
Adjusting operating items	(129)	(154)	
ROCE	6.4%	10.0%	(3.6)ppts
Covenant net debt	22	414	(392)
Dividends per share	-	15.5p	

Like-for-like recovery trends differ by segment

H1 2020 Monthly LFL Sales Growth

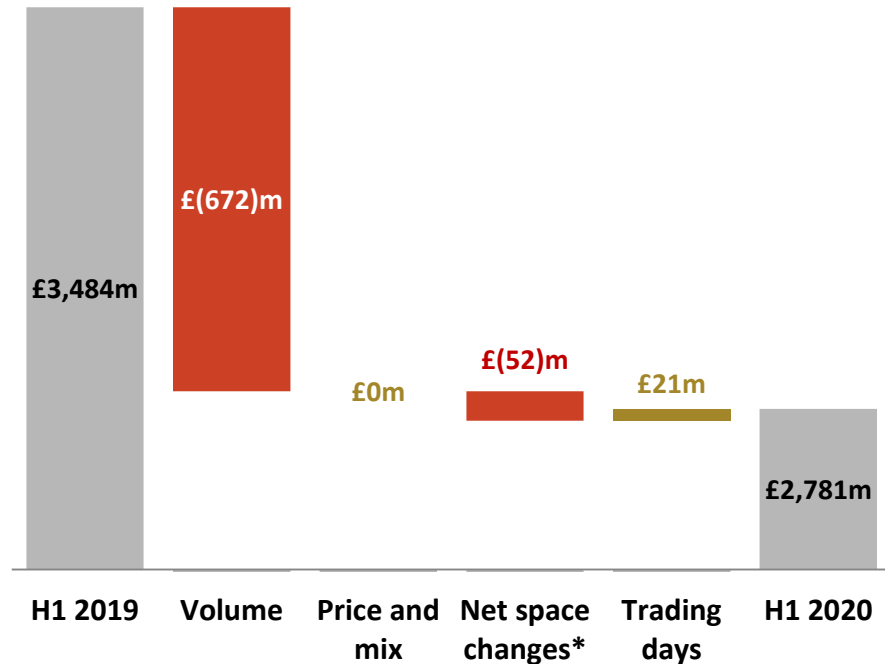


LFL revenue growth	Q1 2020	Q2 2020	H1 2020
Merchandising	(8.7)%	(42.8)%	(25.8)%
Toolstation	9.1%	16.5%	12.9%
Retail	4.5%	(19.8)%	(8.2)%
Plumbing & Heating	(1.9)%	(48.4)%	(22.8)%
Total Group	(3.8)%	(34.8)%	(19.3)%

- Impressive Toolstation LFL performance in UK and Europe
- Wickes core DIY sales strong, K&B installation recovering steadily
- Across the Merchants, RMI recovered quicker, large projects and housebuilding lagging

Robust performance in unprecedented conditions

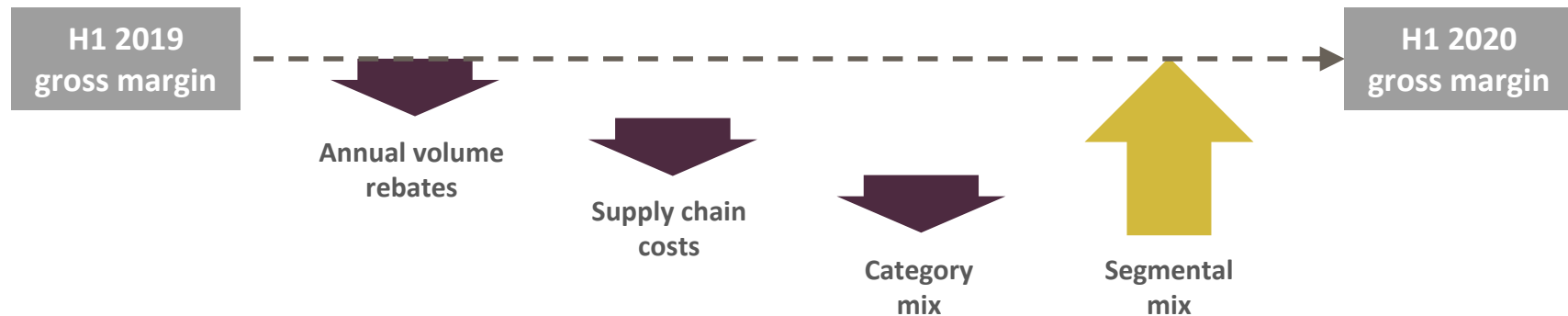
Change in Group revenue



*Net space changes includes acquisitions and disposals

- Volume environment severely impacted by the pandemic
- Impact of sales price and mix changes netted out in the half
- Network change includes PF&P sale and Toolstation Europe acquisition
- Modest impact in the period from branches closed in June
- One additional trading day in all businesses, excluding COVID impact

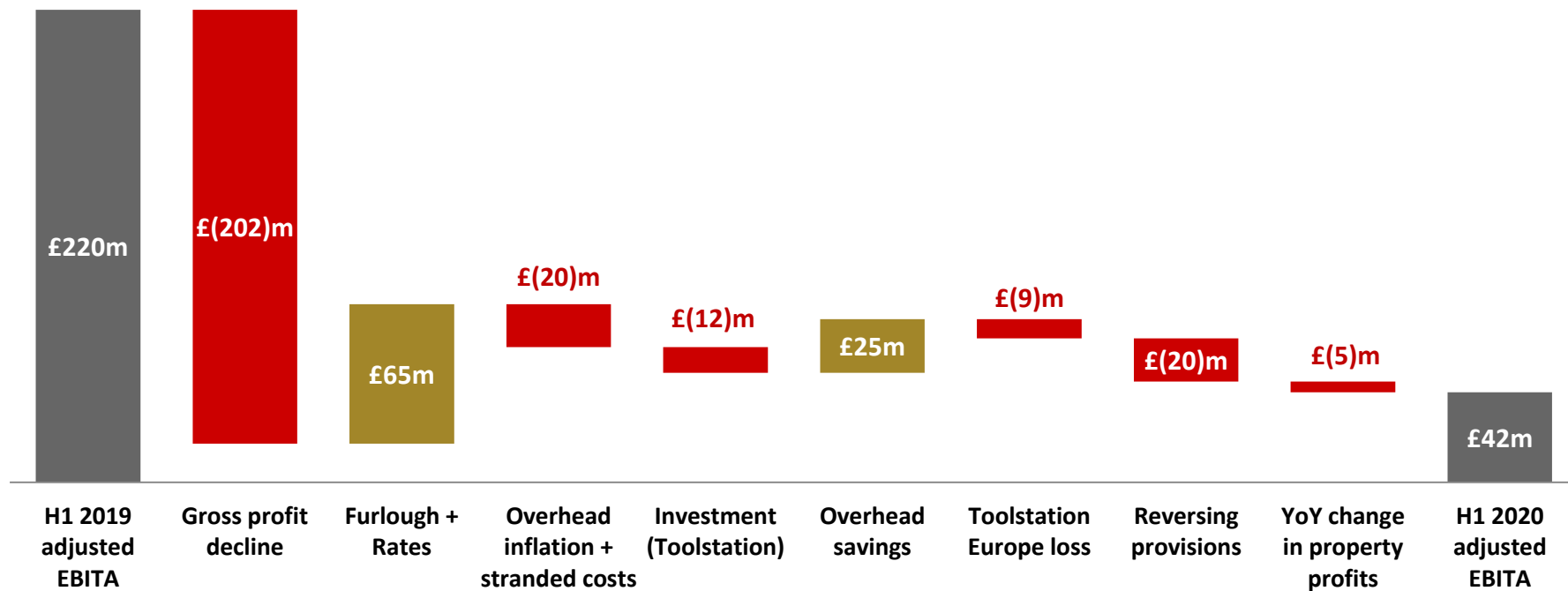
Group gross margins stable year-on-year



*Arrows are demonstrative and are not to scale

- ➔ Overall Group gross margin unchanged on H1 2019 despite COVID related impacts:
 - Positive segmental mix from relative strength of Retail and Toolstation
 - Adverse category mix from greater proportion of heavyside and seasonal DIY sales
 - Higher supply chain costs from warehouse inefficiency and more home delivery
 - Lower expected Annual Volume Rebates from lower purchases
- ➔ Expect same factors but to a lesser extent in H2 - gross margins to remain stable

EBITA drivers



Restructuring programme to reset the cost base

Challenging market outlook	Tough but decisive actions taken	Significant P&L benefits
<ul style="list-style-type: none">→ Significant uncertainty in the UK economy from COVID and Brexit→ Cautious outlook for building materials volumes in the short to medium term→ Restructuring programme addresses network capacity and cost base to serve anticipated demand	<ul style="list-style-type: none">→ Targeting 165 branch closures across Merchanting, P&H and Tile Giant→ Focus on small, subscale branches→ Above-branch cost rationalisation across all businesses and support functions→ Targeting overall reduction in number of roles in the Group by 2,500	<ul style="list-style-type: none">→ Expected to deliver £120m of annualised cost savings→ Majority of actions completed by end August giving 4 months of benefit in 2020→ Associated cash costs of around £85m, of which £35m in 2020→ Future costs relate to property - broadly offset by selling closed freeholds sites

Ensuring the right network and cost base for current trading and as a platform for the future

Merchanting - steady recovery from lockdown



BENCHMARKX
Kitchens and Joinery

Keyline

CCF

BSS

	H1 2020	H1 2019	Change
Total revenue	£1,385m	£1,869m	(25.9)%
Like-for-like growth	(25.8)%	6.4%	(32.2)ppt
Adjusted operating profit*	£35m	£140m	(75.0)%
Adjusted operating margin	2.5%	7.5%	(500)bps
ROCE	9%	12%	(3)ppt
Branch network**	848	984	(136)

- One third of branches open during lockdown to support essential services - phased reopening in April and May
- Gradual recovery of construction market - faster recovery in RMI, slower in housebuilding and larger projects
- Despite lower overheads, high fixed costs resulted in reduction in operating profit
- Branch network rationalised to focus operations from right-sized branches in optimised locations

*Divisional adjusted operating profit figures are presented excluding property profits

**2019 branch network figures for comparison are taken at 31 December 2019

Toolstation - outstanding through crisis performance



	H1 2020	H1 2019	Change
Total revenue	£285m	£208m	37.0%
Like-for-like growth	12.9%	17.3%	(4.4)ppt
Adjusted operating profit*	£1m	£13m	(90.8)%
Adjusted operating margin	0.4%	6.3%	(590)bps
ROCE	4%	10%	(6)ppt
Branch network (UK)**	409	400	9
Branch network (Europe)**	74	66	8
Memo:			
Adjusted UK op profit	£10m	£13m	(21.5)%

*Divisional adjusted operating profit figures are presented excluding property profits

**2019 branch network figures for comparison are taken at 31 December 2019

- Double-digit like-for-like UK sales growth despite the disruption of lockdown
- Successful pivot to digital trading with click & collect and direct delivery
- Toolstation Europe consolidated - strong revenue growth (56% LFL growth)
- Operating profit impact by higher cost of trading and impact of TSE losses
- UK Network expansion paused during lockdown - restarted with 19 branches opened in July and August (FY target 60)

Retail - strong recovery driven by Core DIY



Let's do it right



	H1 2020	H1 2019	Change
Total revenue	£636m	£695m	(8.5)%
Like-for-like growth	(8.2)%	9.7%	(17.9)ppt
Adjusted operating profit*	£32m	£52m	(38.5)%
Adjusted operating margin	5.0%	7.5%	(250)bps
ROCE	6%	7%	(1)ppt
Store network - Wickes**	235	235	-
Store network - Tile Giant**	93	94	(1)

- Leveraged integrated digital capabilities during lockdown with stores acting as fulfilment centres
- Strong recovery led by DIY sales and exposure to RMI markets - LFL sales growth since June
- Gross margins flat - mix impact of K&B closure offset by lower promotional activity
- Reduction in operating profit margin as higher operating costs partially offset by rates relief

*Divisional adjusted operating profit figures are presented excluding property profits

**2019 branch network figures for comparison are taken at 31 December 2019

P&H - more gradual recovery in volumes



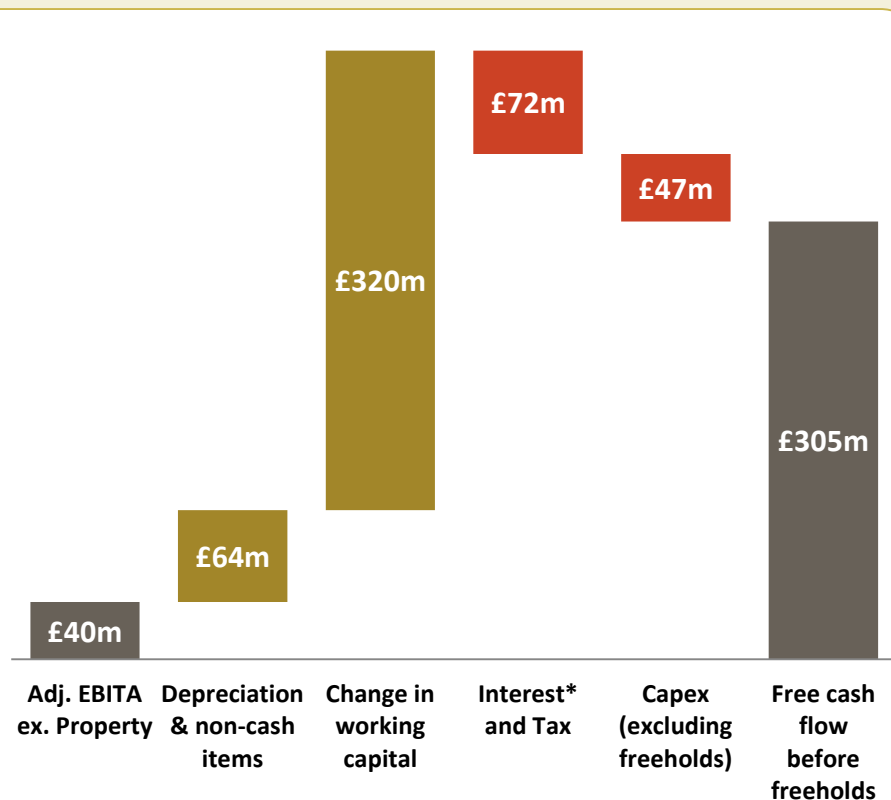
	H1 2020	H1 2019	Change
Total revenue	£475m	£713m	(33.4)%
Like-for-like growth	(22.8)%	(3.9)%	(18.9)ppt
Adjusted operating profit/(loss)*	£(8)m	£24m	(133.3)%
Adjusted operating margin	-1.7%	3.4%	(510)bps
ROCE	4%	12%	(8)ppt
Branch network**	354	375	(21)

- Sales dropped to a third of prior year levels during lockdown
- Slower recovery than general merchandising
- Lower sales includes £100m y-o-y from disposal of PF&P wholesale
- Gross margins stable as sale of PF&P and recovery in small installer customers offset lower rebates
- Restructuring actions expected to deliver c. £25m of annualised savings

*Divisional adjusted operating profit figures are presented excluding property profits

**2019 branch network figures for comparison are taken at 31 December 2019

Outstanding free cash flow generation



*Interest cost includes £30m 'Interest on Lease assets' recognised under the implementation of IFRS16 - Leases

- Strong free cash flow generation of £305m
- Significant working capital inflow:
 - Inventory reduced by £154m through reduced purchases and sharing stock between businesses
 - Strong customer collections during lockdown period drove significant trade receivables reduction
 - £100m of VAT deferred to 2021

Capital expenditure - focusing on the priorities

(£m)	H1 2020	H1 2019
Maintenance	(22)	(22)
IT	(3)	(12)
Growth capex	(22)	(17)
Base capital expenditure	(47)	(51)
Freehold property	(12)	(9)
Gross capital expenditure	(59)	(60)
Disposals	18	29
Net capital expenditure	(41)	(31)

- Cash capex in H1 includes Wickes and payment of some 2019 investments
- Significant tightening of capex investment since March
- IT developments focused on smaller scale, phased improvements - lower capitalisation, more expensed
- Toolstation network expansion back underway from July, on track to open 60 new branches in 2020
- Capex forecast for 2020 of £70-£80m

Significant reduction in net debt

	H1 2020	H1 2019
Free cash flow (£m)	305	40
Net freehold transactions	6	15
Acquisitions / disposals	50	(20)
Dividends	0	(78)
Cash payments on adjusting items	(26)	(33)
Other	(14)	(41)
Change in cash or cash equivalents	321	(117)

	Target*	H1 2020	H1 2019
Covenant net debt		£22m	£414m
Covenant net debt / adjusted EBITDA	3.5x	0.04x	0.6x
Net debt under IFRS 16		£1,441m	£1,890m
IFRS 16 net debt / adjusted EBITDA	2.5x	2.6x	2.7x

*Leverage covenant for June 2020 was relaxed from 3.0x to 3.5x. It has been waived for December 2020

- Receipt of £50m on the disposal of PF&P wholesale in January
- Wickes demerger paused (£130m)
- Cash costs of adjusting items modestly lower year-on-year
- FY2019 final dividend payment suspended (£82m)
- Stable leverage - reduction in net debt offset drop in earnings
- Agreement with lenders in May to relax covenants for June and December 2020 assessment

Outlook and technical guidance

Outlook:

- Long term fundamentals remain strong, but significant uncertainty in the UK economy
- Positive catalysts from Government stimulus and strong domestic RMI / DIY recovery
- Restructuring actions completed in August - annualised savings from September
- Cautious on near-term volume, but business well placed to outperform the market

Technical guidance:

- Effective tax rate of 22%
- Finance charges expected to be similar to 2019
- Base capital expenditure in 2020, including Wickes, in the range of £70m to £80m
- Property profits likely to be around £10m

Operational Review & Strategic Update

Nick Roberts



Introduction

- COVID - immediate response to the pandemic to safely maintain our essential services
- Accelerated elements of the strategic plan to strengthen the core of the business
- Customer interactions changed during COVID - continue longer term strategic thinking to develop and exploit competitive advantages

What has COVID meant for TP plc?

Actions pre-lockdown

- Focus on security of supply chain - particularly far east sourcing
- Mobilising to move support functions to working from home
- IT functionality to enable mass home working
- Complex functions - e.g. credit control

Essential trading through lockdown

- Essential service for UK Construction - keeping Britain warm, dry and maintained
- Support of critical infrastructure e.g. Nightingale hospitals
- “Service-light” model - contactless with customers
- A third of Merchants open, Wickes and Toolstation digital only
- Focus on cash and liquidity

“Winning the Peace”

- Early planning for “what comes after lockdown”
- Use time and resources to drive improvements - acting at pace
- Advance immediate and future customer propositions
- Accelerated strategic progress towards Strengthening the Core
- Long-lasting advancements, not just focused on short-term

Safety and wellbeing of colleagues, customers and suppliers the first priority throughout

What has this meant for our Group key priorities?

**Portfolio
simplification**

1

Successful demerger of Wickes

PAUSED



**Strengthen
the core**

2

Regeneration of Travis Perkins

Significant progress

3

Accelerate Toolstation expansion

**IT developments
Branch expansion
now H2 weighted**

4

Deliver an organisational platform
fit for the future

**Progress + future
planning underway**

TP general merchant - accelerating the strategy

Adapting quickly to continue to deliver outstanding customer service



Range

- Speeded up range reviews
- Locally tailored product ranges
- Improved stock accuracy vital for click & collect
- Simplified supplier rebates providing clearer product pricing in branch

Service

- Customer demand for digital relationship more immediate
- Developed click & collect service model
- Helping customers be more planned and efficient
- Use technology to enable colleagues

Supply

- Partnerships with suppliers absolutely key
- Managed stock across the network to maintain product availability
- Suppliers paid on time, in full
- Early payment support for SME suppliers

Estate

- Forecast for lower volume demand - reset capacity
- Accelerate subscale branch closures
- 82 TP branches closed in June
- Acceleration of expected network changes

Progress to enhance Merchanting digital capabilities

Digital capability in Merchanting much more than just the transaction

Transaction - strong rise in web sales

- Shift in customer interaction with “in branch” not an option - higher short-term priority
- Click & Collect proposition requires strong online platform
- Better visibility of pricing, availability, delivery timing

Convenient, digitised relationship

- Customer relationship much broader than the transaction
- Simplified account management:
 - Invoice and proof of delivery
 - Credit account settlement
- Customer and colleague specific applications to improve productivity

More to do - challenges around efficiency of customer fulfilment

Specialists extending advantaged propositions



- Toolhire partnership with TP general merchant to offer bespoke customer proposition
- Deployed pricing templates to simplify and clarify customer pricing



- New customer portal for account management
- Reorganisation of tender process
- Significant developments in BIM capabilities



- Leveraged the digital developments across Merchanting
- Click & Collect proposition through a new web portal giving improved customer convenience



- New strategic partnership with TP general merchant
- Greater sharing of systems and processes
- More convenient for customers with single account view

P&H - providing essential support for installers

→ Consistent support for essential maintenance throughout lockdown

→ Improved digital capabilities:

- Upgraded web platform and click & collect service
- Success of pure online businesses e.g. Plumbnation

→ Good RMI recovery inc. Bathroom Showroom volumes



→ Closed 18 branches to optimise branch network and streamlined above-branch activities

→ Disposal of low-margin PF&P wholesale simplifies the business

→ Continue operational improvements to improve returns



- Pause to network expansion plans has not limited business improvements
- Branch openings back underway: 19 since July, on track for 60 in 2020

Significant uplift in digital transactions

- Click & collect orders from 10% to > 90% during the crisis
- Unprecedented pressure on IT architecture
- Rebuilt the web platform over Easter weekend giving greater speed and more capacity
- Replatformed the main IT architecture in weeks

Challenges for customer fulfilment

- Dark stores acting as fulfilment centres
- Timed click & collect slots - “Drive Through” branch set up very successful
- High volume of direct to home delivery created distribution centre constraints
- Repurposed Redditch DC for home delivery

Achieved impressive LFL growth with a stronger platform for the future

- ➔ Earlier impact of COVID in Europe - challenges of differing Government approaches
- ➔ Combination of strong multichannel digital capability, reliable stock levels and low pricing proving attractive to trade and DIY customers
- ➔ Acquired a significant number of trade and retail customers - demonstrating “stickiness”

	Total sales growth	Like-for-like sales growth
Netherlands & Belgium	79%	56%
France	74%	61%

- ➔ Network expansion delayed but back underway with 8 opened in H1
- ➔ Targeting around 20 for 2020 overall



- Agility stems from digitally-led business model - pivoted to 100% digital trading
- Stores acting as fulfilment centres for online trading channels

Unprecedented online demand

- 60,000+ orders per day for C&C or home delivery
- Six months worth of C&C picks every six days
- +400% growth in online customers
- +100% increase in conversion rate
- Over 1 million new customers

Re-invented K&B showroom journey

- Demand for improvements evident before reopening of stores
- Distanced design appointments in-store
- Digitally enabled “home visits”
- Rigorous installer procedures to operate in homes safely

Core DIY sales continuing strongly - local trade coming back to work

Healthy lead generation in K&B showroom since reopening

Important lessons learned

- Decisions led by strong culture and values - maintaining safety, but committed to customers and fulfilling an essential service
- An enormous amount can be achieved when we focus and act at pace
- First attempts aren't perfect
- Model of **trial, analyse and refine**, and importantly - **share**
- Able to adapt to new ways of working quickly
- Much more technologically capable than we thought - including use of data
- Collaboration between teams and businesses generates huge value

Building the future

Inflection point in customer behaviour as a consequence of COVID

Strengthen the Core	Creating a modern merchant	Leading partner for the construction industry
<ul style="list-style-type: none">→ Get the fundamentals right→ Regenerate the Travis Perkins general merchant→ Accelerate growth of Toolstation - UK and Europe→ Organisational platform fit for the future→ Accelerated the plan with lots still to do	<ul style="list-style-type: none">→ Multichannel→ Digitally enabled→ Collaboration between businesses→ Customer intimate - “One customer view”→ Leading, advantaged customer propositions	<ul style="list-style-type: none">→ “How to partner with the breadth of our customer base to enable them to do more, more easily?”→ How do we enable them to grow their businesses in order to grow our business?”

Future strategic aims will be built on the foundations of a strong core

Summing up

Navigated COVID



- Maintained an essential service throughout - helping keep the UK dry, warm and safe
- Actions prioritised safety of colleagues, customers and suppliers
- Outstanding focus on cash flow and protecting liquidity
- Enforced, structural changes in customer behaviours - businesses rose to the challenge

COMING OUT STRONGER



- Rapidly adapted business models to continue to deliver service
- Accelerated elements of the plan to Strengthen the Core
- Early restructuring of the business to right-size the cost base and build resilience for the future
- Although significant economic uncertainty remains, the Group well placed to use its advantages to outperform its markets

Questions



Appendices

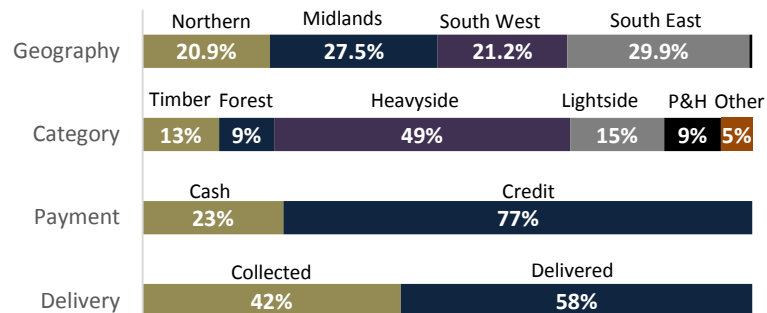


I - Sales drivers by division

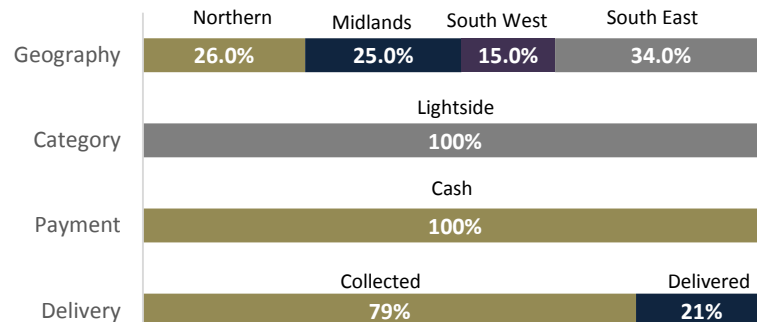
Total revenue	Merchanting	Toolstation	Retail	Plumbing & Heating	Group
Volume	(25.5)%	14.4%	(7.0)%	(26.5)%	(19.3)%
Price and mix	(0.3)%	(1.4)%	(1.1)%	3.7%	-
Like-for-like revenue growth	(25.8)%	12.9%	(8.2)%	(22.8)%	(19.3)%
Network expansion and acquisitions / disposals	(0.7)%	23.5%	(0.8)%	(11.2)%	(1.5)%
Trading days	0.6%	0.6%	0.5%	0.6%	0.6%
Total revenue growth	(25.9)%	37.0%	(8.5)%	(33.4)%	(20.2)%

II - Segmental revenue analysis

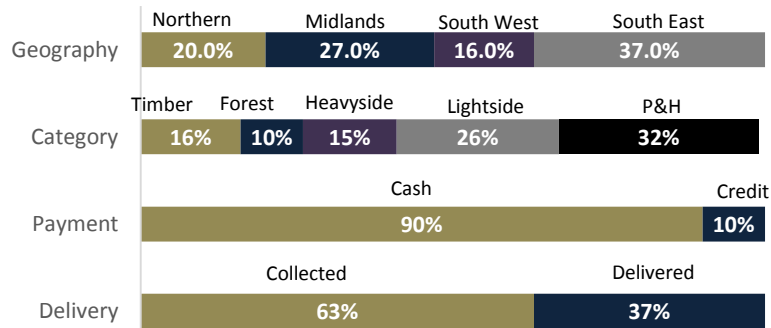
Merchandising



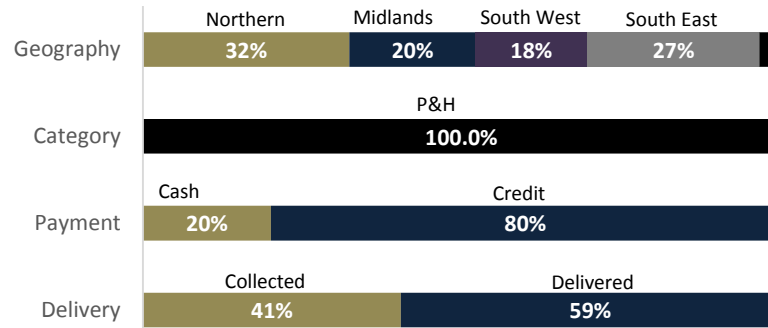
Toolstation



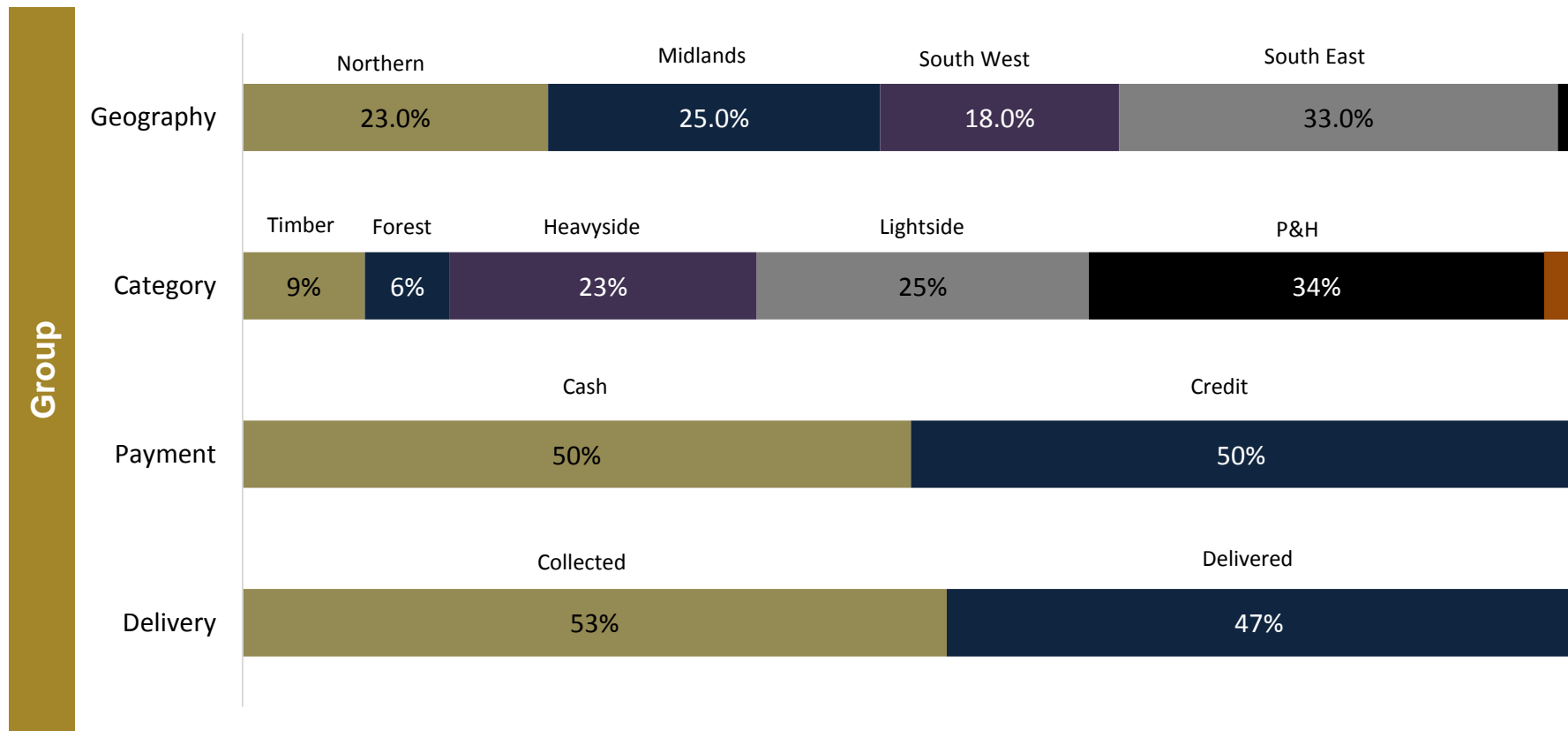
Retail



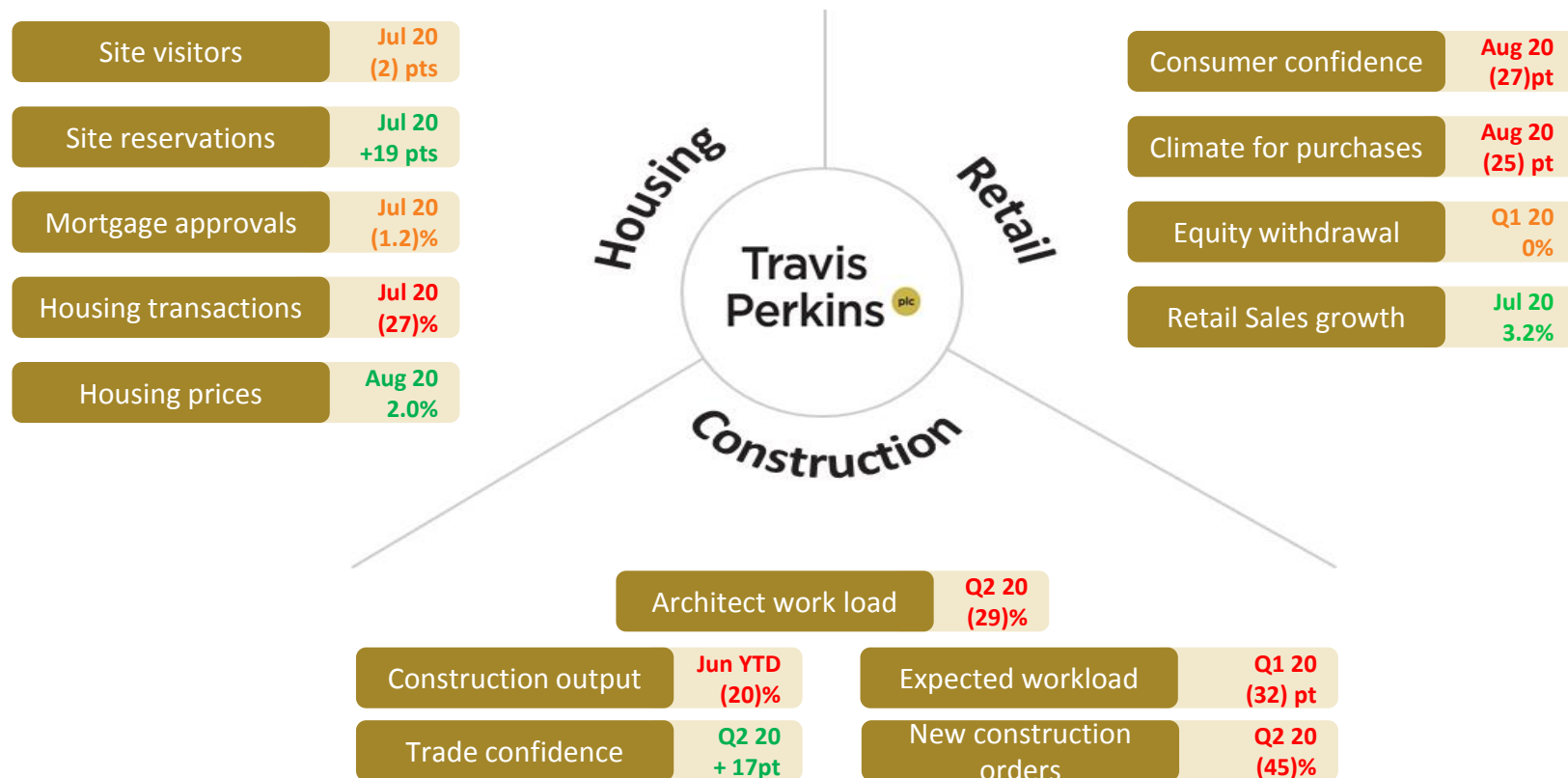
P&H



III - Group revenue analysis



IV - Market Lead Indicators



V - Branch numbers

	31-Dec-19	New	Closures	Acquisitions	31-Jun-20
Travis Perkins	642	2	(84)	-	560
Benchmark	181	2	(35)	-	148
Keyline	56		(10)	-	46
CCF	42		(7)	-	35
BSS & TF Solutions	64		(5)	-	59
Merchandising	985	4	(141)	-	848
Toolstation UK	400	10	(1)	-	409
Toolstation Europe	66	8		-	74
Toolstation	466	18	(1)	-	483
PTS	64		(8)	-	56
City Plumbing	296		(8)	-	288
Other	15		(5)	-	10
P&H	375	-	(21)	-	354
Wickes	235			-	235
Tile Giant	94		(1)	-	93
Retail	329	-	(1)	-	328
Group	2155	22	(164)	-	2013

	2013	2014	2015	2016	2017	2018	2019	2020 HY
Opening	1,896	1,939	1,975	2,028	2,053	2,076	2,087	2,154
New	58	101	124	82	86	75	117	22
Closures	(15)	(65)	(71)	(57)	(63)	(64)	(50)	(163)
Closing	1,939	1,975	2,028	2,053	2,076	2,087	2,154	2,013

VI - Like for Like sales growth

Like-for-like sales by quarter:

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Merchanting	(0.5)%	5.5%	4.3%	5.2%	10.6%	2.7%	1.6%	(1.4)%	(8.7)%	(42.9)%
Toolstation	10.6%	10.4%	8.4%	13.3%	19.1%	15.7%	15.4%	15.3%	9.1%	16.5%
Retail	(7.9)%	(6.0)%	(7.2)%	3.5%	10.0%	9.4%	9.7%	4.6%	4.5%	(19.8)%
P&H	19.7%	20.1%	14.8%	12.0%	(4.0)%	(3.9)%	-	0.9%	(1.9)%	(48.4)%
Group	3.0%	5.9%	4.1%	6.9%	7.3%	3.4%	3.4%	1.2%	(3.8)%	(34.8)%

Like-for-like sales by half:

	H1 2018	H2 2018	FY 2018	H1 2019	H2 2019	FY 2019	H1 2020
Merchanting	2.4%	4.7%	3.6%	6.4%	0.2%	3.3%	(25.8)%
Toolstation	10.7%	12.0%	11.4%	17.3%	15.4%	16.3%	12.9%
Retail	(7.4)%	(1.8)%	(4.3)%	9.7%	7.2%	8.6%	(8.2)%
P&H	19.8%	12.9%	16.1%	(3.9)%	0.4%	(1.7)%	(22.8)%
Group	4.2%	5.5%	4.9%	5.3%	2.3%	3.8%	(19.3)%

VII - Definitions

Metric	Definition
Site visitors	House Builders Federation Survey / monthly / July 2020 / Balance score compared to a year ago
Site reservations	House Builders Federation Survey / monthly / July 2020 / Balance score compared to a year ago
Mortgage approvals	Bank of England / monthly / July 20 / number of approvals % change year on year
Housing transactions	HM Revenue & Customs / monthly / July 2020 / number of houses sold above £40k % change year on year
Housing prices	Nationwide / monthly / August 2020 / house price inflation % change year on year
Consumer confidence	GFK / monthly / August 2020 / index score
Climate for purchases	GFK / monthly / August 2020 / index score
Equity withdrawal	Bank of England / quarterly / Q1 2020 / Change in Equity withdrawal as % of net earnings compared to previous quarter
Retail sales growth	British Retail Consortium / monthly / July 2020 / LFL % change year on year
Architect work load	Mirza and Nacey Survey / quarterly / Q2 2020 / Index - balance score
Construction output	Construction output YTD ONS / monthly / June 2020 / % change year on year
Trade confidence	Travis Perkins survey materials spend / quarterly movement / Q2 2020 view of Q3 2020
Expected workload	Federation of Master Builders / quarterly movement / Q1 2020 view of Q2 2020 / Balance score (publish later than TP survey, smaller sample of ~400)
New construction orders	Office for National Statistics / quarterly SA / Q2 2020 / % change year on year

VIII - Definitions (continued)

Metric	Definition
Operating profit	Earnings before results of associates, interest, tax and amortisation of acquisition-related intangible assets
Earning per share ("EPS")	Ratio of net profit after taxation adjusted for minority interests to weighted number of ordinary shares outstanding
Adjusted operating profit / Adjusted EPS	Operating profit / EPS before adjusting items and amortisation of acquisition-related intangible assets
ROCE	Ratio of adjusted operating profit to debt plus equity
Covenant net debt	On-balance sheet debt excluding lease liabilities and pension SPV liability
Net debt	On-balance sheet debt including lease liabilities
Gearing	Ratio of debt to equity plus debt
Fixed charge cover	Ratio of adjusted operating profit before depreciation to interest plus lease right-of-use asset depreciation
Net Debt : EBITDA	Ratio of Net debt to earnings before adjusting items, interest, tax, depreciation and amortisation
Free cash flow ("FCF")	Net cash flow before dividends, capital expenditure, freehold acquisitions and disposals, pension deficit 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

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