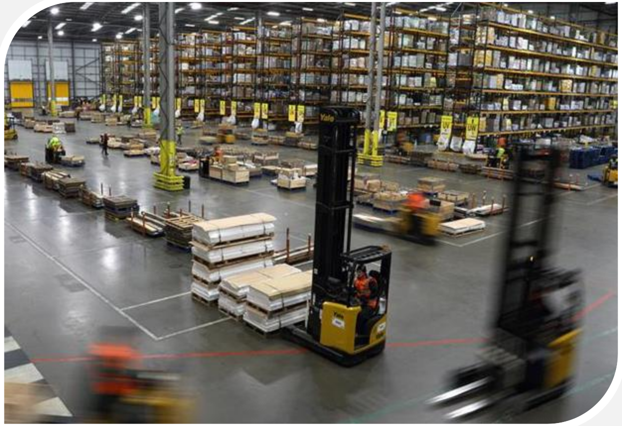
Travis Perkins plc

Full Year Results Presentation

February 2023

Leading partner to the construction industry



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Introduction

Nick Roberts

Chief Executive Officer

A resilient trading performance in rapidly changing market conditions

Robust revenue growth of 9% from diligent pricing management

Solid performance in Merchanting with further share gains and operating profit up 3%*

Good H2 growth in Toolstation after challenging H1 comparatives; investment supports future growth

Strategic delivery continues with value-added services increased to 16% of revenue

Proactive cost actions underpin FY23 delivery

Well prepared for the year ahead and beyond

** Excluding property profits and restructuring charge of £15m*

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Financial review

Alan Williams

Chief Financial Officer

Key financial highlights

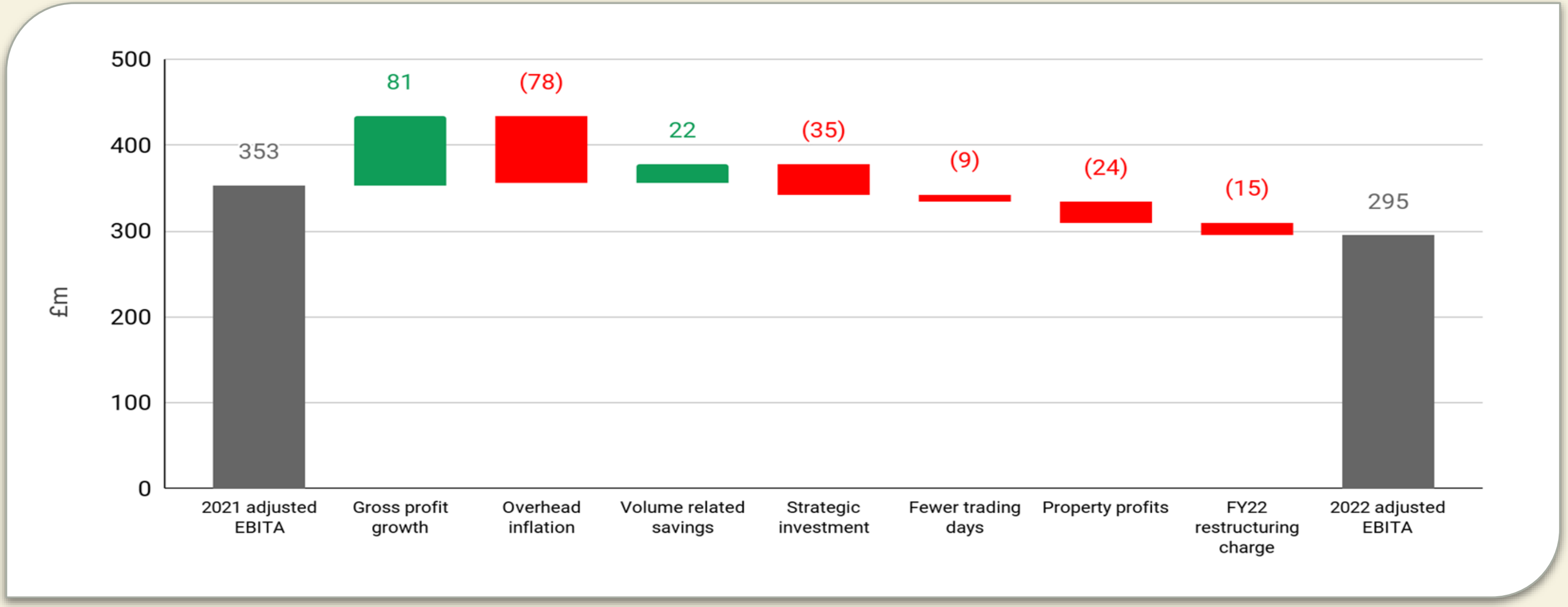
Year ended 31 December 2022 (£m unless otherwise stated)	**2022**	2021	*Change*
Revenue	**4,995**	4,587	*8.9%*
Adjusted operating profit	**295**	353	*(16.4)%*
Adjusted operating profit excluding property profits and restructuring charge	**285**	304	*(6.3)%*
Adjusted earnings per share (pence)	**94.6p**	107.3p	*(11.8)%*
Adjusted ROCE excluding property profits and restructuring charge	**10.5%**	12.1%	*(1.6)ppt*
Net debt / adjusted EBITDA	**1.8x**	1.2x	(0.6)x
Cash conversion	**67%**	51%	16ppt
Ordinary dividend per share	**39.0p**	38.0p	*2.6%*

Note - Alternative performance measures are used to provide a guide to underlying performance.

Robust revenue growth from diligent pricing management

- Elevated levels of manufacturer inflation passed through in an orderly manner across all businesses
- Volumes reflect Toolstation normalisation in H1 and challenging Merchanting RMI market through H2
- New space growth from Toolstation rollout, new Merchant branches and addition of Staircraft

Resilient profit performance in challenging market conditions



- Overhead inflation recovered through pricing pass-through
- Cost base flexed during H2 to reflect lower volumes
- Significant inflation in people costs, property, fuel and utilities
- Strategic investment primarily in Toolstation branch network and distribution capacity

Solid performance in Merchanting with further share gains

	2022	2021	*Change*
Revenue	**£4,220m**	£3,826m	*10.3%*
Adjusted operating profit*	**£314m**	£320m	*(1.9)%*
Adjusted operating profit excluding restructuring charges*	**£329m**	£320m	*2.8%*
Adjusted operating margin*	**7.4%**	8.4%	*(100)bps*
Adjusted operating margin excluding restructuring charges*	**7.8%**	8.4%	*(60)bps*
ROCE**	**15%**	16%	*(1)ppt*

** Excluding property profits*   *** Excluding restructuring charge of £15m*

- Robust revenue growth resulting from orderly pass-through of elevated levels of materials cost inflation
- Continued outperformance in both General Merchant and Specialists
- Operating profit 3% ahead of prior year**
- Cost to serve ratio unchanged with overheads flexed to reflect market conditions
- Operating margin reduced by (60)bps** driven by customer mix and dilutive effect of inflation on gross margin %
- ROCE reflects post-pandemic working capital rebuild and integration of Staircraft

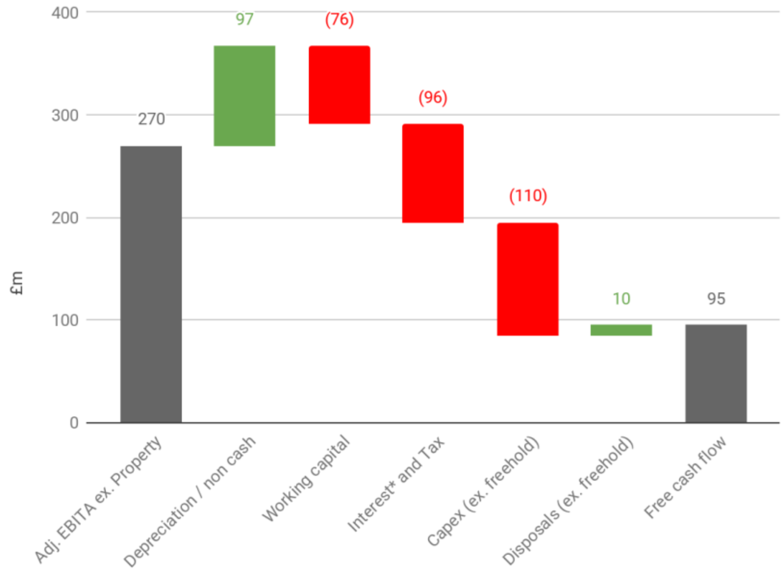
Toolstation - Good H2 growth after challenging H1 comparatives

TOOLSTATION

	2022	2021	*Change*
Revenue	**£775m**	£761m	*1.9%*
Like-for-like growth	**(3.7)%**	12.3%	
Adjusted operating profit	**£(9)m**	£22m	(140.9)%
Adjusted operating margin	**(1.1)%**	2.9%	*(400)bps*
ROCE	**(2)%**	5%	*(7)ppt*
Branch network (UK)	**563**	530	*33*
Branch network (Europe)	**158**	123	*35*
Memo:			
UK adjusted operating profit	**£21m**	£42m	(50.0)%

- UK Revenue up 7% in H2 following challenging pandemic comparatives in H1. FY revenue 55% ahead of 2019.
- UK operating profit reflects pace of network investment with around half of branches yet to reach maturity
- Significant investment in distribution capability - new 500,000 sq ft UK site to open 2023; 200,000 sq ft site opened in Netherlands during the year
- Toolstation Europe revenue of £104m, up 13%. 35 new branches added in the year.
- Ongoing investment into expanding European businesses increased losses to £(30)m. FY23 expected to be similar overall.

Good cashflow conversion



** Interest cost includes £22m 'Interest on Lease assets' recognised under IFRS16 - Leases*

£m	**31 Dec 2022**	31 Dec 2021	Change £m	Change %
Stock	**728**	724	4	0.6%
Receivables	**726**	707	19	2.7%
Trade payables and other	**(852)**	(905)	53	5.9%
Working capital	**602**	**526**	**76**	

- Free cash flow of £95m with good operating cash flow conversion of 67%
- Working capital inflow of £39m in H2. Full year increase of £(76)m driven by lower creditors.
- Stock and debtors managed well given high levels of inflation

Continuing to invest in growth drivers

£m	2022	2021
Strategic	75	66
Maintenance	28	20
IT	7	9
Base capital expenditure	**110**	**95**
Freehold property	38	81
Gross capital expenditure	**148**	**176**
Disposals	(23)	(82)
Net capital expenditure	**125**	**94**

- Strategic investment focused behind Toolstation capacity and distribution capability together with larger, more capable Merchanting branches
- Maintenance expenditure returning to normalised level with investment in fleet modernisation
- Disposals normalised - 2021 included numerous sites closed during 2020 restructuring
- Freehold purchases focused on protecting key General Merchant assets, notably in South-East England
- FY23 plans reflect market outlook with around £100m base capital spend

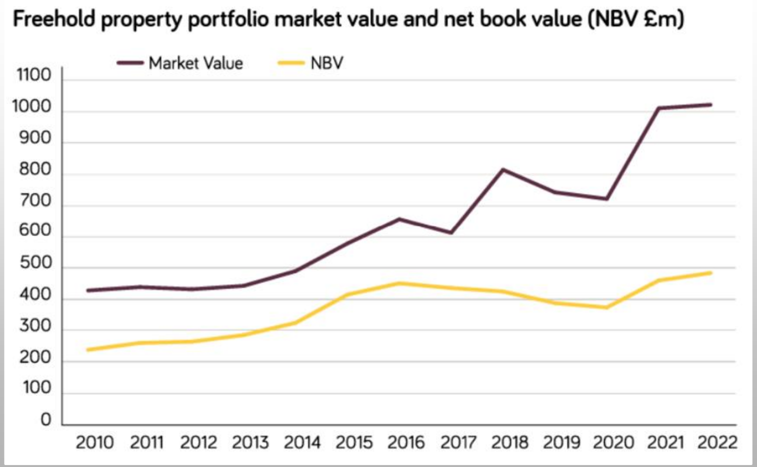
Property portfolio management underpins strategic delivery

Network strategy enhances both earnings and balance sheet;

- Net cash inflow of c. £100m*
- Market value of properties increased by c. £600m*
- Average property profits of £23m p.a.*
- Reduced Merchant branches by c. 15%; driven operational efficiency with sales per branch up 6%**

Freehold ownership provides flexibility and security of tenure on key trading assets

Recycling capital from smaller, less efficient sites to large destination branches - focus on major conurbations



* Over the period 2010 - 2022

** Over the period 2019 - 2022 including Benchmarx showrooms; adjusted for inflation

Robust balance sheet provides flexibility

	31 Dec 2022	31 Dec 2021	Change	Covenant
Net debt under IFRS 16	£819m	£605m	£(214)m	
IFRS 16 net debt / adjusted EBITDA	1.8x	1.2x	(0.6)x	
Covenant metrics*				
Covenant net debt	£279m	£87m	£(192)m	
Covenant net debt / EBITDA	0.8x	0.2x	(0.6)x	<3.0x

- Increase in net debt driven by completion of share buyback programme and modest working capital outflow
- £172m of buybacks in 2022 to complete return of proceeds from P&H disposal
- Year end lease adjusted leverage position of 1.8x, around the middle of the target range of 1.5x to 2.0x – provides continued flexibility for capital allocation

**All metrics measured pre IFRS16*

2023 outlook

Planning for mid to high single digit market volume declines

Product inflation expected to moderate into H2; mid to high single digit for the full year

Overhead inflation of 5-7% driven by wage and property / utility costs

Cost actions already taken to reflect market conditions

Cautious approach to overhead and capital investment but strategic priorities protected

Anticipating performance in line with market expectations

Travis Perkins plc

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Strategic and operational update

Nick Roberts

Chief Executive Officer

Remaining focused on clear priorities

Our priorities

Maintaining operational agility and discipline in capital allocation

Leading the evolution of the Merchanting model

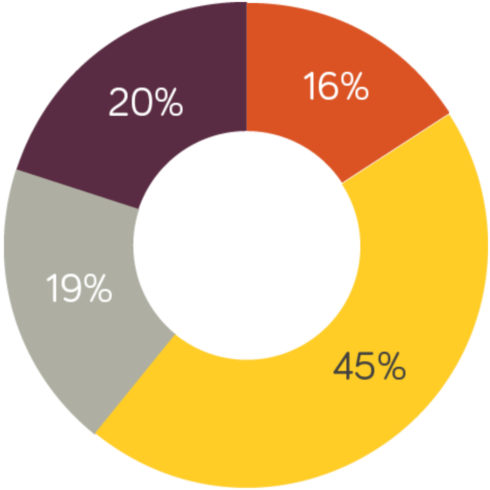
Maximising Toolstation growth potential in UK and Europe

In order to operate and lead in attractive markets

Operating and leading in attractive markets

Balanced exposure provides resilience

Group revenue:



Market segment:

- Private domestic new build
- Private domestic RMI
- Public sector
- Commercial and Industrial

Long term drivers:

- Long term housing shortage
- Demand for more sustainable homes

- Drive for carbon and energy efficiency
- Ageing and underinvested stock

- Infrastructure and social housing investment
- Retrofit and legislative change

- Ongoing requirement for new space
- Upgrade existing assets

Leading the evolution of the Merchanting model

UK's largest distributor of building materials → Leading value added distributor → Leading partner to the construction industry

Operating profit **+18%***

Capital employed reduced **by £95m***

ROCE improved **by 280bps***

Value-added services **to 16% of revenue**

2018

Specialists enhanced leading positions

Merchant overhaul focused on customers and colleagues

Rationalised network

2022

Value-added services

Selective Network investment

Digital capabilities

FUTURE

Growth from deepening and elevating relationships

* 2022 vs 2018; excludes £15m of restructuring charges in 2022

Merchanting:
Delivering on our strategy

Travis Perkins

BSS

Keyline CIVILS SPECIALIST

CCF

Maximising Toolstation growth potential

Rapidly growing lightside distributor → Investing for the future → Leading lightside distributor

UK total revenue
+90% to £671m*

UK revenue per branch
+13% to £1.2m*

Europe revenue
doubled to £104m**

2018

Market leading digital model

Local UK branch network

Trade relevant range

European network quadrupled

2022

Upgraded distribution capability

Best-in-class digital offering

Leading trade proposition

European first mover advantage

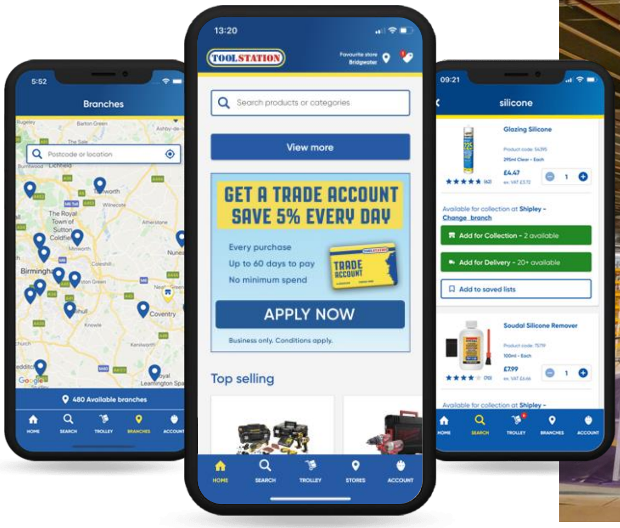
FUTURE

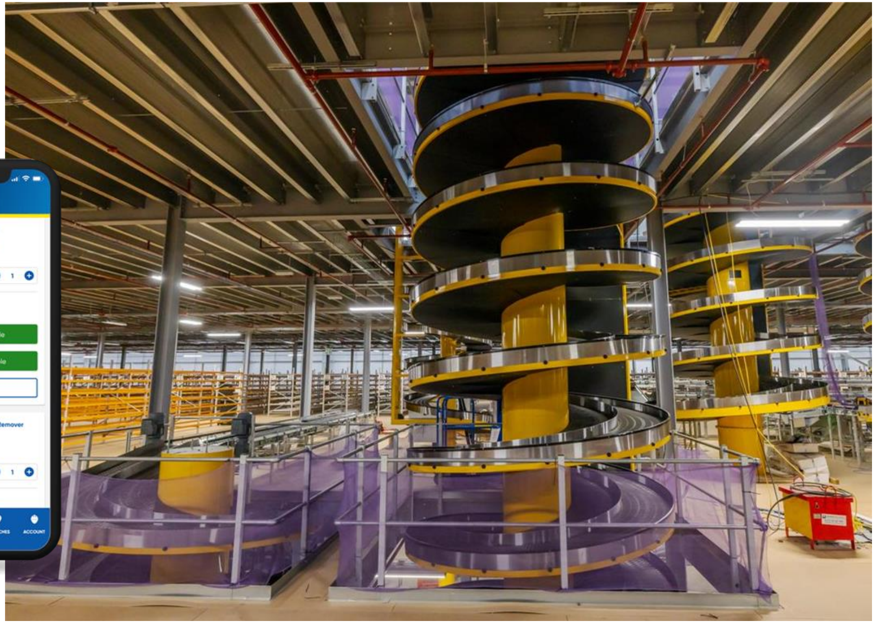
Strong sales growth with operating margin improvement

* 2022 vs 2018 **2022 vs 2019

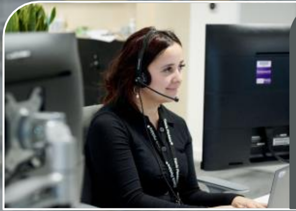
TOOLSTATION

Delivering on our strategy





Maintaining operational agility and discipline in capital allocation



Operational agility

- Early action taken to address cost base; £25m savings underpin expectations for 2023
- Cost base managed tightly in line with volume environment

Capital discipline

- Continued investment in strategic priorities
- Capital spend flexed to reflect market conditions

Cash conversion

- Focus remains on strong cash conversion
- Careful working capital management through the cycle

Competitive advantage from strategic sustainability focus

Decarbonising our industry

- 34% YoY reduction in Scope 1&2 emissions
- Interim carbon targets launched for 2027;
  - Property 40% reduction
  - Fleet 27% reduction
- Provision of embodied carbon data to customers

Developing the next generation

- Over 1,000 apprentices now graduated
- Supporting the wider industry

Winning work by helping customers reduce carbon and demonstrate social value

Robust investment thesis

Merchanting leadership and Toolstation expansion driving above market growth

Strong cash conversion from disciplined working capital management

Incremental cash release from freehold property development

Robust balance sheet and focused allocation of capital

- Attractive earnings growth
- Ordinary dividend (30 – 40% FY adjusted earnings)
- Potential for additional return of surplus capital

Summary

Well prepared for the year ahead

Attractive long term fundamentals

Positioned to **outperform**

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Questions

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Appendices

I - Technical guidance

- Base capital expenditure in 2023 expected to be around £100m
- Property profits around £20m
- Effective tax rate of 25%

II - Definitions

Metric	Definition
Operating profit	Profit before tax, financing charges and income
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	Adjusted operating profit divided by the combined value of balance sheet debt and equity
Covenant net debt	On-balance sheet debt excluding lease liabilities and pension SPV liability
Net debt	On-balance sheet debt including lease liabilities
Net Debt : EBITDA	The ratio of net debt to earnings before tax, interest, depreciation, amortization and adjusting items (“EBITDA”)
Free cash flow (“FCF”)	Net cash flow before dividends, freehold property purchases and disposal proceeds, pension deficit repair contributions, adjusting cash flows and financing cash flows
Like-for-like sales growth	Revenue growth adjusted for new branches, branch closures, business acquisitions and disposals and trading day differences. Revenue included in like-for-like is for the equivalent periods in both years under comparison. Branches are included once they have traded for more than 12 months.
Cash conversion %	Cash conversion % = (Adjusted EBITA excl. Property Profits + depreciation & amortisation (excl. IFRS 16) +/- change in working capital - non-freehold capital expenditure) / Adjusted EBITA excl. Property Profits

III - Sales drivers by reporting segment

		Total Revenue		Like-for-like revenue	
		2022	**2021**	**2022**	**2021**
Merchanting	Q1	17.9%	5.7%	15.3%	15.7%
	Q2	9.2%	87.8%	8.5%	94.1%
	H1	**13.3%**	**37.5%**	**11.7%**	**47.3%**
	Q3	11.5%	15.1%	8.7%	15.2%
	Q4	4.7%	13.6%	2.3%	11.9%
	H2	**7.3%**	**14.4%**	**5.6%**	**13.7%**
	FY	**10.3%**	**24.8%**	**8.7%**	**28.2%**
Toolstation	Q1	(6.0)%	49.8%	(11.9)%	42.1%
	Q2	(3.2)%	29.0%	(9.2)%	19.7%
	H1	**(4.6)%**	**38.7%**	**(10.6)%**	**29.8%**
	Q3	6.1%	9.1%	0.2%	1.4%
	Q4	12.7%	1.7%	7.2%	(5.1)%
	H2	**8.9%**	**5.3%**	**3.7%**	**(2.0)%**
	FY	**1.9%**	**20.2%**	**(3.7)%**	**12.3%**
Total Group	Q1	13.6%	11.5%	10.5%	19.5%
	Q2	7.1%	74.6%	5.6%	76.9%
	H1	**10.3%**	**37.7%**	**7.9%**	**44.1%**
	Q3	10.7%	14.1%	7.4%	13.1%
	Q4	6.0%	11.4%	3.1%	8.8%
	H2	**7.5%**	**12.8%**	**5.3%**	**11.0%**
	FY	**8.9%**	**24.0%**	**6.6%**	**25.4%**

	Merchanting	**Toolstation**	**Group**
Volume	(5.8)%	(7.1)%	**(6.0)%**
Price and mix	16.1%	9.0%	14.9%
Total revenue growth	**10.3%**	**1.9%**	**8.9%**
Network changes and acquisitions / disposals	(2.4)%	(5.9)%	(3.0)%
Trading days	0.8%	0.3%	0.7%
Like-for-like revenue growth	**8.7%**	**(3.7)%**	**6.6%**

IV - Branch Numbers

	31 Dec 21	Openings	Closures	31 Dec 22
Travis Perkins General Merchant	557	4	(14)	547
Benchmarx*	78		(6)	72
Keyline	43	1		44
CCF	37			37
BSS & TF Solutions	66	1		67
Merchanting	**781**	**6**	**(20)**	**767**
Toolstation	530	35	(2)	563
Toolstation Europe	123	35		158
Toolstation	**653**	**70**	**(2)**	**721**
Group	**1,434**	**76**	**(22)**	**1,488**

* Standalone Benchmarx branches only. The group also has 83 Benchmarx showrooms or implants within Travis Perkins General Merchant branches

Travis Perkins plc

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