

TOOLSTATION

A platform for growth
and profitability



Our agenda for today

Today we will:

- Describe the evolution and quality of the Toolstation UK business
- Demonstrate our confidence in the underlying economic model and the platform for profitable growth in the future
- Showcase the new capabilities being established in Pineham
- Enable a greater understanding of the business and its integral role in the Travis Perkins Group
- Focus on the UK business



Product, price, people..... and lots of potential



Chester store

TOOLSTATION

Solid foundations provide the opportunity to create significant value

Substantial support and investment by the Group

Maintained rollout of new stores

Invested in Pineham capability

Development of customer and colleague proposition

While navigating

Covid disruption

RMI market challenges in 2022/23

Significant inflation in 2022/23

Creating value for customers and shareholders

National network with significant maturity benefits to come

Capable and invested supply chain and digital infrastructure

Built broad customer base and advantaged proposition



Angela Rushforth
Toolstation UK - Managing Director

- 8 years with Travis Perkins Group:
 - BSS MD
 - Benchmarx MD
- 7.5 years MD Ridgeons Ltd
- 3 years Marketing Director Wolseley UK
- 8 years Marketing Director Screwfix



Lakhvir Sanghera
Toolstation UK - Finance, Property & Distribution Director

- 11 years with Travis Perkins Group
- Held senior finance and commercial roles
- Experience in Wickes and Travis Perkins pre Toolstation
- Previous roles in Barclays Bank and Barclaycard

Demonstrate the quality of the Toolstation UK business

- Advantaged proposition
- Addressable market
- Broad customer base
- Leading personal service
- Digital engagement
- National network
- Distribution capability

Reinforce our confidence in future performance

- Further enhancing proposition
- Pathway to £1bn+ revenue
- Margin improvements
- Strong returns on capital



**Together we'll get the job done
better - every time**

Customer insight

Colleague voice



Toolstation is an advantaged business

Toolstation has a significant platform of scale today serving a majority trade customer base with a winning proposition

563*
stores

£672m*
sales

c5,500
colleagues

c31k SKUs

c6.7m
customers

Better for customers

- Trade focused approach
- High quality service
- Value leadership
- Broad range
- Digital first

Better for shareholders

- Repeatable format
- Capex-lite
- Working capital efficient

Winning in the market

- Large customer base
- High Trustpilot scores
- Growing brand awareness
- Increasing market share
- Developing scale
- Attractive returns

Toolstation

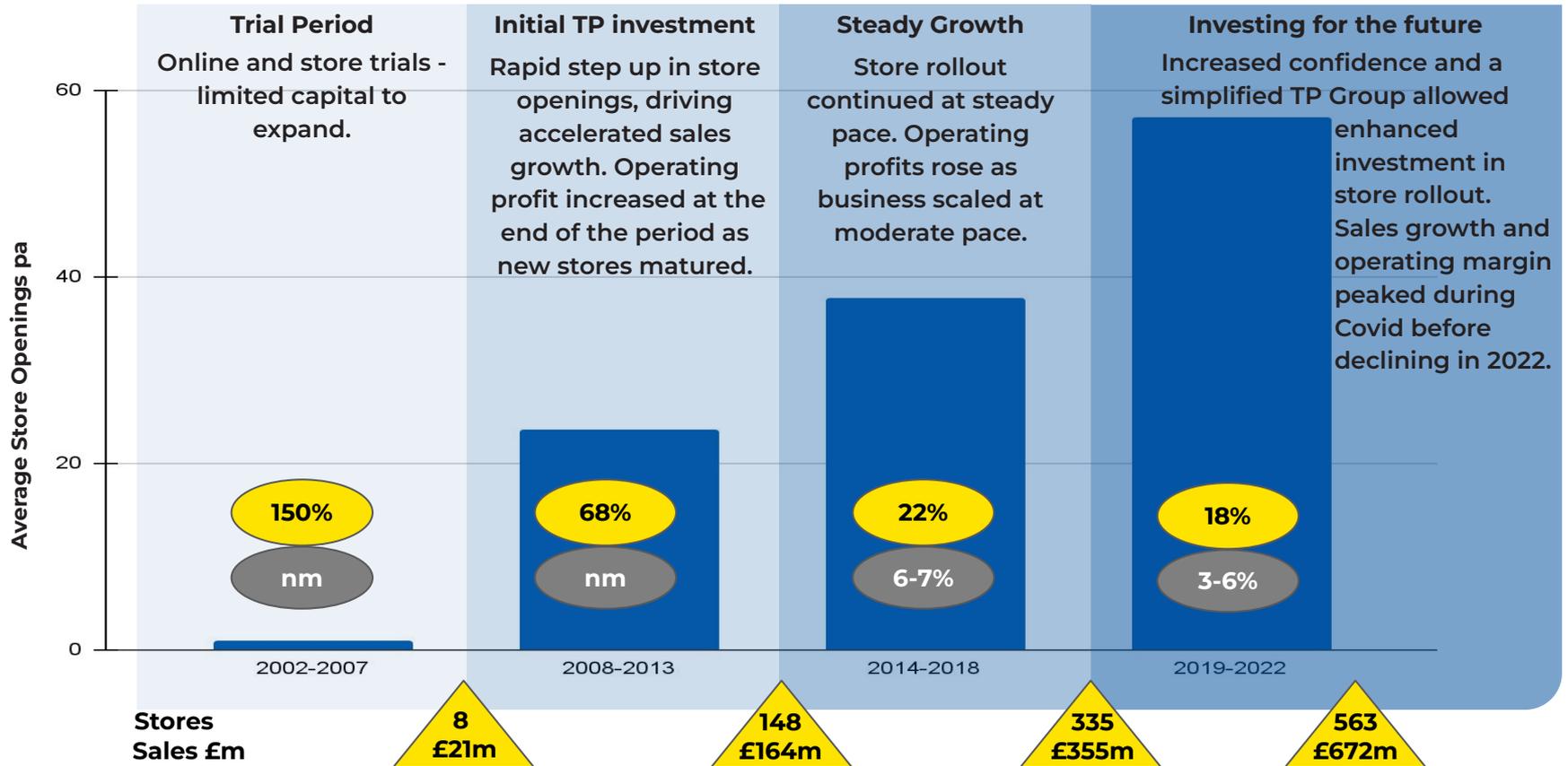
Reviews 423,961 • Excellent



Toolstation growth in phases 2002-2022

Av sales growth pa

Op margin range



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Significant value opportunity as the business moves to the next phase

Rapid growth and investment

- Expanding Range
- Recruitment
- Growth
- Data
- Investing

Increased customer focus

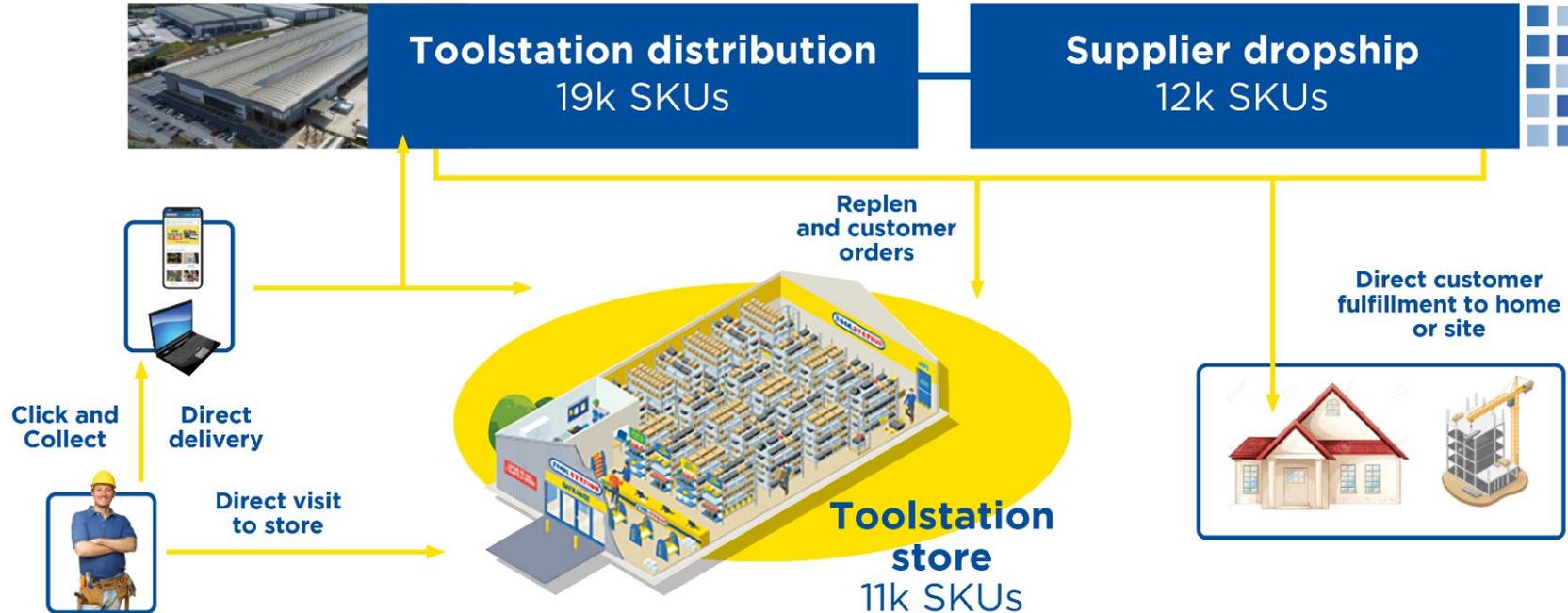
- Fulfilling customer missions
- Customer loyalty
- Maturity
- Insights
- Harvesting

Improved financial outcomes

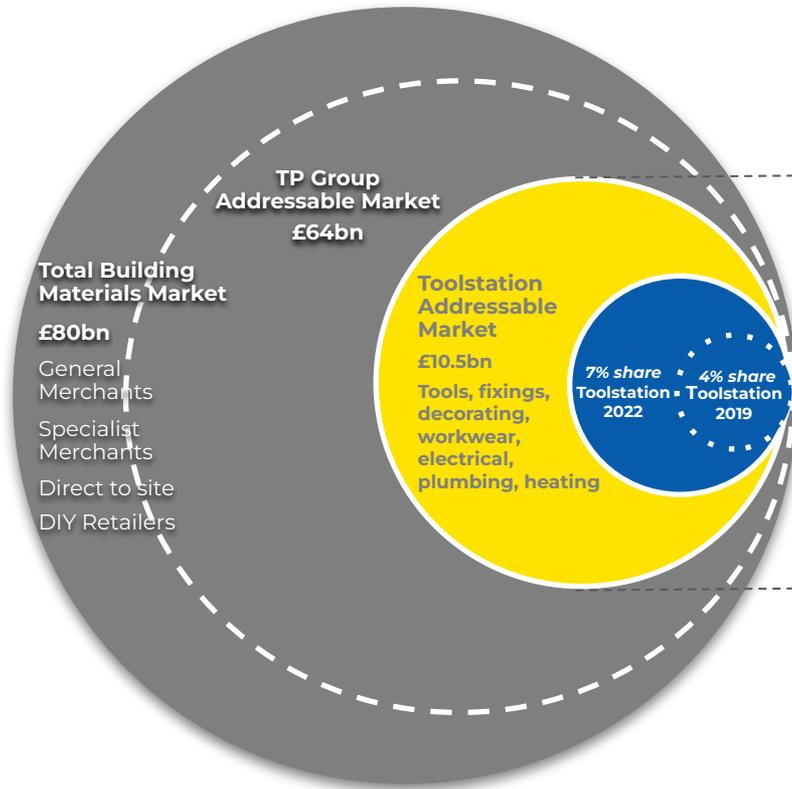
- Sales growth
- Gross margin improvement
- Operating leverage
- Higher returns

Toolstation has a market leading proposition

A fully integrated digital model built around our store network with flexible fulfilment options



Toolstation is taking share in a fragmented and competitive market

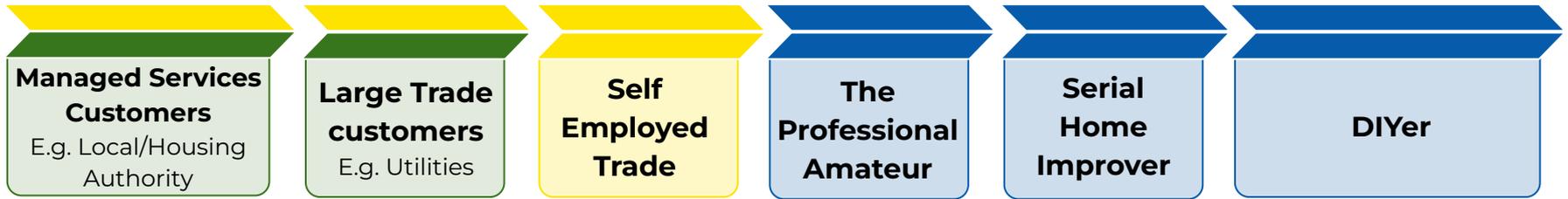


Source: Travis Perkins Group estimates. Market value at 2022



With a balanced and engaged customer base...

Toolstation has a high quality, loyal, repeat customer base across multiple segments with an NPS* of 75



Trade needs

- **Competitive prices**
- **Click & Collect convenience**
- **Reliable and speedy service**
- Stock depth
- Quality products
- Trade brands
- App to store consistency

DIY needs

- **Deals and offers**
- **Store and Web channels**
- **Value and quality**
- Online research
- Clear product choice
- Convenience
- How-to guides + hints & tips

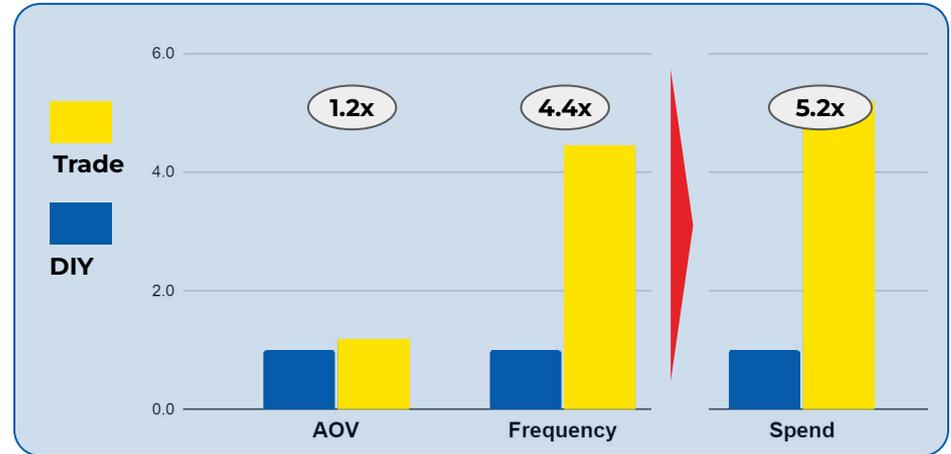
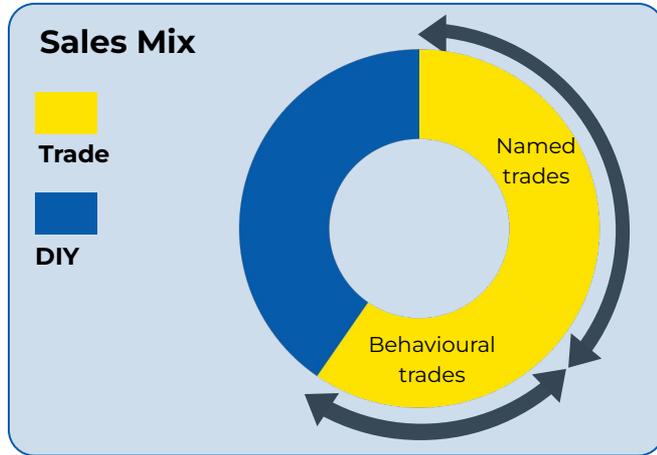
*NPS = Net Promoter Score

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Key reasons to choose Toolstation (proprietary research)

...with a majority of trade sales

Toolstation has high trade engagement and are using data to drive greater customer understanding



- Recent analysis shows that trades comprises c60% of sales
 - Named trade customers comprise c35% of sales
 - c25% of sales are represented by customers who act in the same way as named trade customers
- DIY sales are c40%

- Trade customer Average Order Value is c20% higher than DIY
- Visit frequency is significantly higher - showing the potential to drive ease of shop

Digital is at the heart of Toolstation

Digital capability is core to the success of Toolstation; 80% of journeys start online and almost 50% of sales are transacted digitally

➤ App

- App 25% of all e-commerce spend
- 1.3m downloads
- Unique users +55% YoY
- 11.5% conversion rate (orders/sessions)

➤ Web

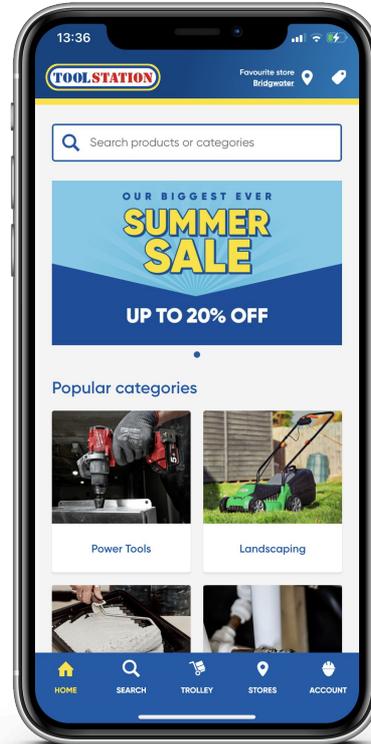
- Over 9m visits a month
- Strong conversion rate (6.5%)

➤ Key partners



bloomreach

ecrebo



➤ Digital

- Enhanced digital experience
- Personalisation
- Loyalty programme
- Search and Merch - 10-15% improvement in category search performance

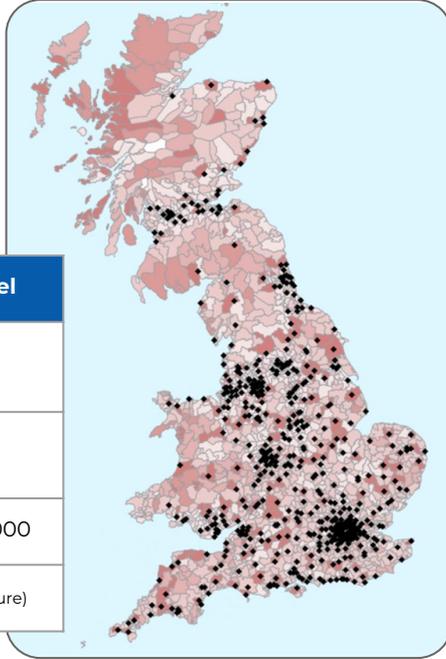
➤ Underpinned by

- Customer profiling, behavioural data and voice of the customer
- New DC capabilities
- Extended drop ship range

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National coverage with 563 stores

Toolstation has national coverage with 563 stores and a well invested, proven model



Proven Toolstation model	
Capital employed	~£300k
Opex (p/a)	~£300k (mature)
Size (sq ft)	~4000-5,000
Contribution*	20%+ (mature)

- Well invested modern network
- ~50% of stores less than 5 years old
- Size optimised to support sales and profit

Colleagues make a difference to customer experience

- Expertise and service in store enhance omnichannel experience
- Investment in skills builds colleague retention and expertise
- Colleague interactions drive high Trustpilot scores



* Store contribution defined as revenue, less COGS, store operating costs and costs of delivering stock to store

Pineham Investment brings capacity and efficiency

Modern 500,000 sq ft Pineham distribution centre provides capacity in the network to support future growth plans

- Provides capacity to beyond the end of current plan
- Automation driving efficiency throughout the journey - c33% reduction in labour requirements
- Incremental net distribution costs of £13m in the 2023 P&L including impacts of dual running and one off closure costs
- Expected to deliver net benefit by 2027



Demonstrate the quality of the Toolstation UK business

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Reinforce our confidence in future performance

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Driving increased trade customer focus is key

A sequenced and prioritised programme of propositional improvements will increase sales density and share of wallet

Trade Focus

- Dedicated Business Development Managers
- Push benefits of trade account
- Drive collaboration with TP Group

- Increase trade customer base

Trade Range

- Selective expansion and increased curation based on customer missions
- Further improve availability
- Increase depth in key trade lines

- Increase in share of wallet

Loyalty

- Expand personalised incentives
- Ongoing benefits to loyal customers
- Service led approach

- Increase customer frequency

Trade focussed digital

- Optimise individualised digital experience
- Targeted communications and personalised offers

- Acceleration of app usage
- Higher conversion

Service

- Attract & retain diverse talent
- Target 850 Apprenticeships by 2025
- Deliver consistent service

- Increase in NPS scores
- Reduction in LTO

Tailored trade proposition - examples

Customer Type / Examples



Ben Santos
Owner of Santos

**Sole Traders and
Small Businesses**



Peter Cobham
Building Manager

Mid sized businesses
Self service



Julia Edwards
Senior Procurement Manager

Mid to larger businesses
Key accounts

Relationship Type

More transactional

Service & Experience

Annual Spend per customer

X

15X

150X

% of Trade Spend

c55%

c40%

c5%

Acquisition

Local marketing

BDM Intro

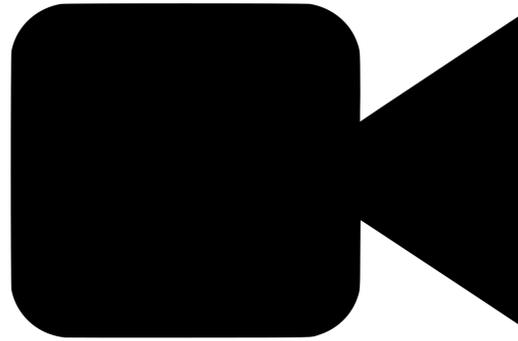
TP Group referral

Offering

Loyalty Programme + Trade Credit
Account

Trade Credit Account +
enhanced service

BDMs + B2B
proposition



Video

Improved financial outcomes from increased customer focus

Rapid growth and investment

- Expanding Range
- Recruitment
- Growth
- Data
- Investing

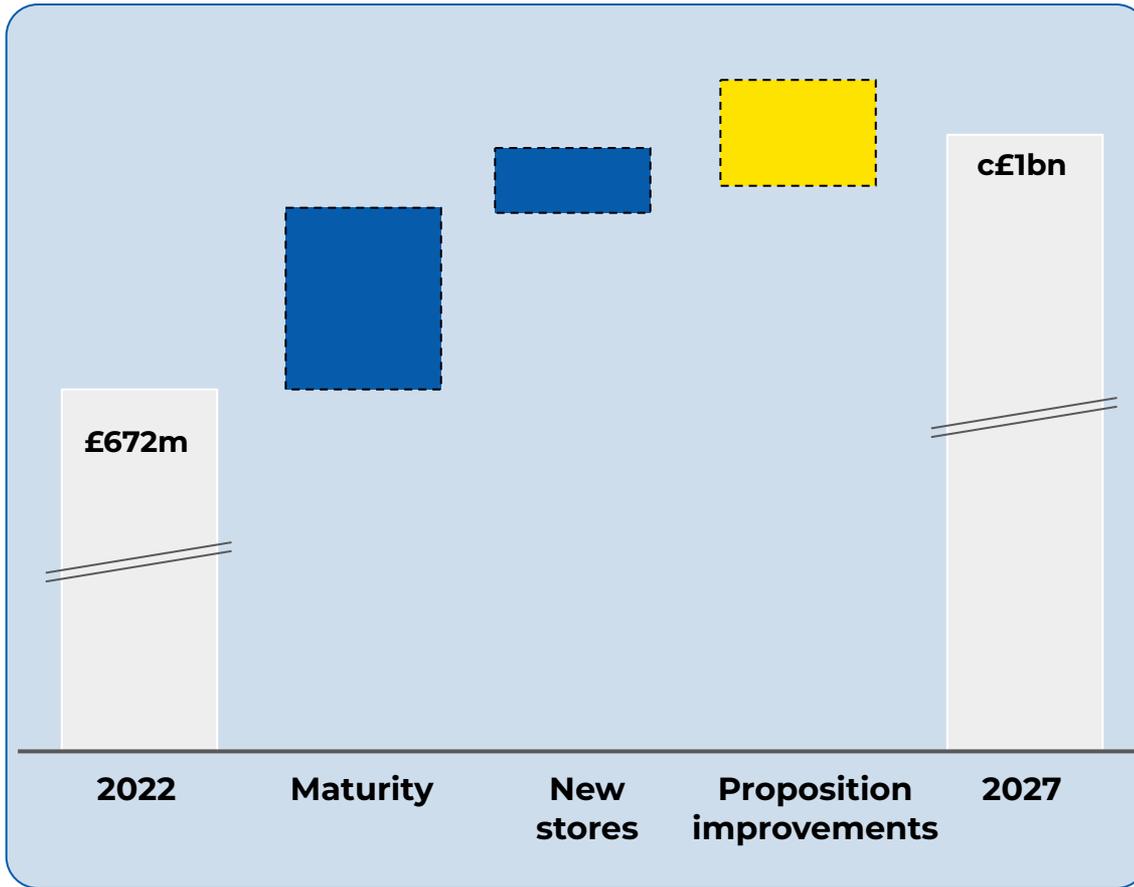
Increased customer focus

- Fulfilling customer missions
- Customer loyalty
- Refinement
- Insights
- Harvesting

Improved financial outcomes

- Sales growth
- Gross margin improvement
- Operating leverage
- Higher returns

Growth underpinned by proposition improvements



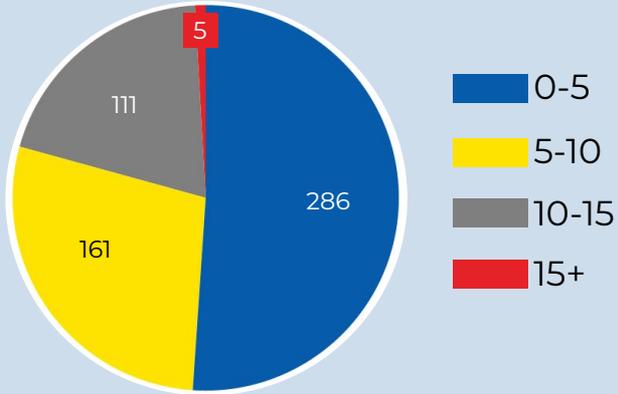
- Increasing maturity of the existing estate brings significant growth
- New stores (from 563* to 650) contribute in line with early maturity curve
- Trade focused proposition improvements reinforce competitive position

*Current store numbers as at 31/12/2022

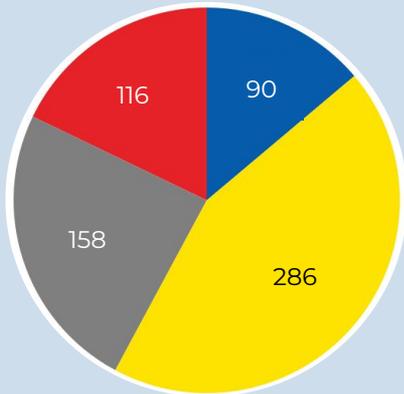
Maturity and network growth delivers £1bn revenue

Store Age Profile

31 December 2022



31 December 2027



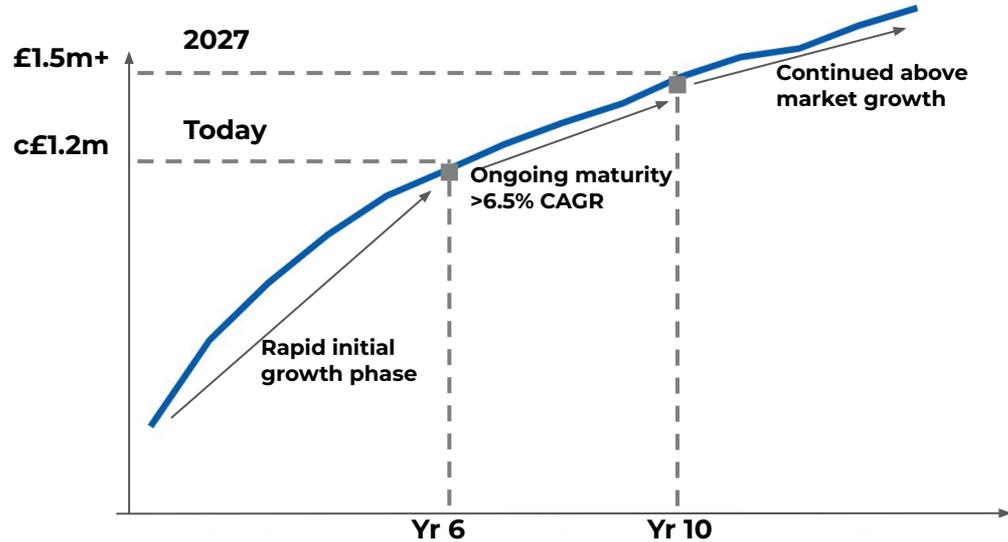
End 2022

563 branches
 ~ 6 years old
 ~ £1.2m average revenue

Future

650 branches
 ~10 years old
 ~£1.5m average revenue

Store Performance Progression (actual data)



Sales evolution demonstrated across the country

Examples of maturing stores

	Guildford	Blackpool	Epsom	Hull St Andrews	Colchester Severalls
Age*	12	10	8	6	4
Sales	£1.8m	£1.6m	£1.4m	£1.3m	£1.2m
Sq Ft	4,500	4,100	4,200	4,700	4,600
Contribution**	>25%	>23%	>20%	>20%	~20%

- Store sales and volumes continue to grow over years 5-10 and beyond
- Stores reach full staff complement and discrete costs stabilise to c£300k pa
- Contribution increases as sales grow - averaging over 20% at year 6 and increasing from there

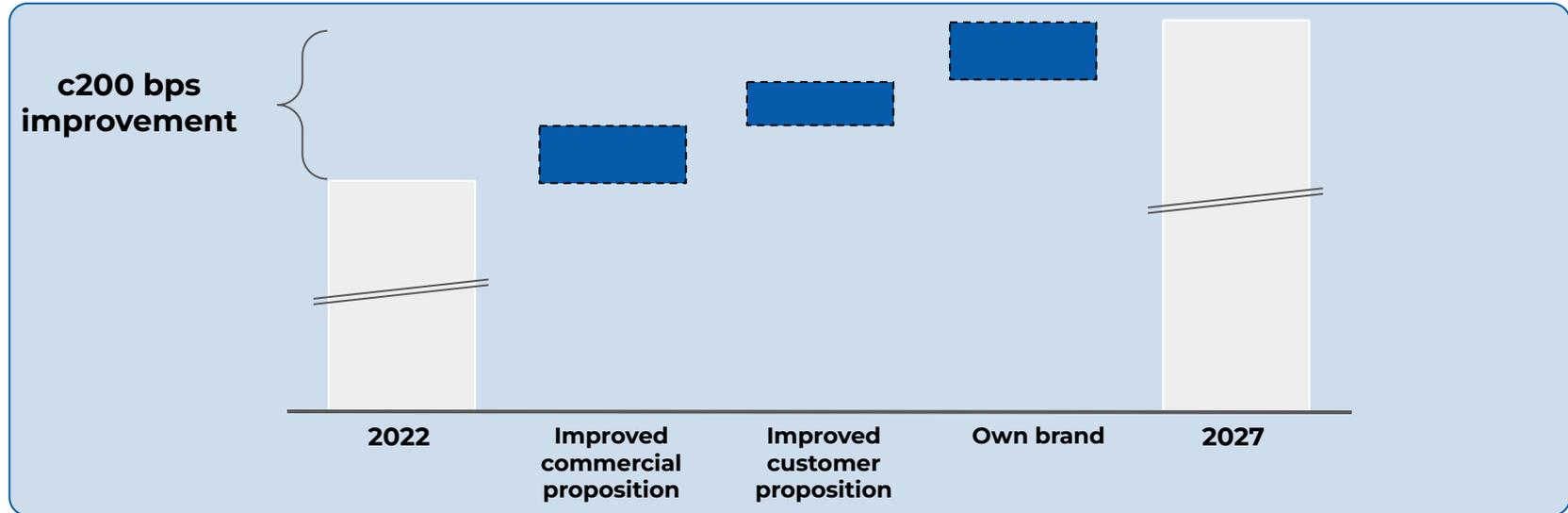


* At 31 December 2022

** Store contribution defined as revenue, less COGS, store operating costs and costs of delivering stock to store

Commercial improvements benefit Gross Margin

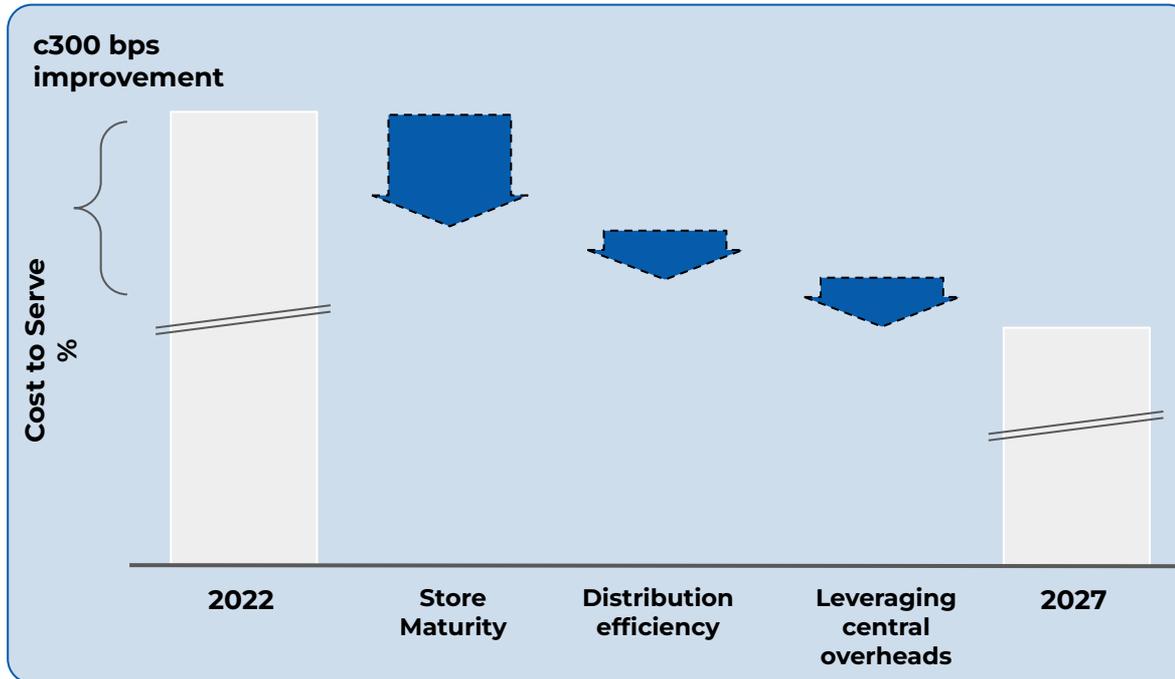
Gross margin improvements are underway and will continue to improve by c200 bps by 2027



- Improved commercial proposition delivers benefit through negotiation, data, scale and category strategies
- Customer proposition brings commercial benefit through improved mix and project selling
- Doubling of own-brand penetration from sub 10% by improved ranging and sourcing to deliver trade credible quality and value

Operational leverage brings CTS improvement

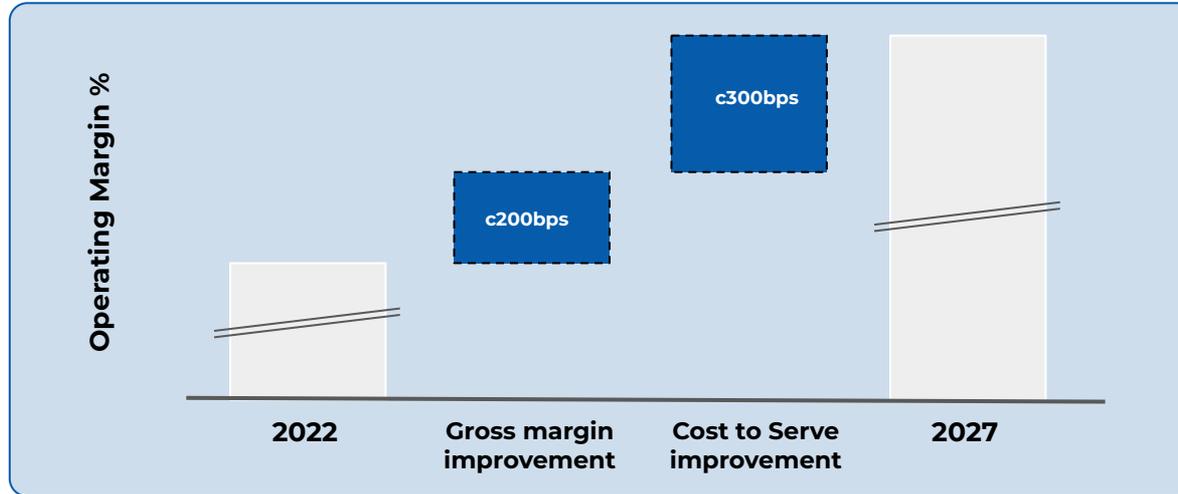
The efficient operating model allows volume increases without significant cost rises. Opex will remain tightly controlled to deliver improvements in cost-to-serve (CTS) of c300 bps



- Leverage of existing store investments (only modest cost increases with additional volume)
- Minimal further investment required

Operating margin will improve to ~8%

8% return delivered through maturity of sites, improving gross margins and overhead efficiencies



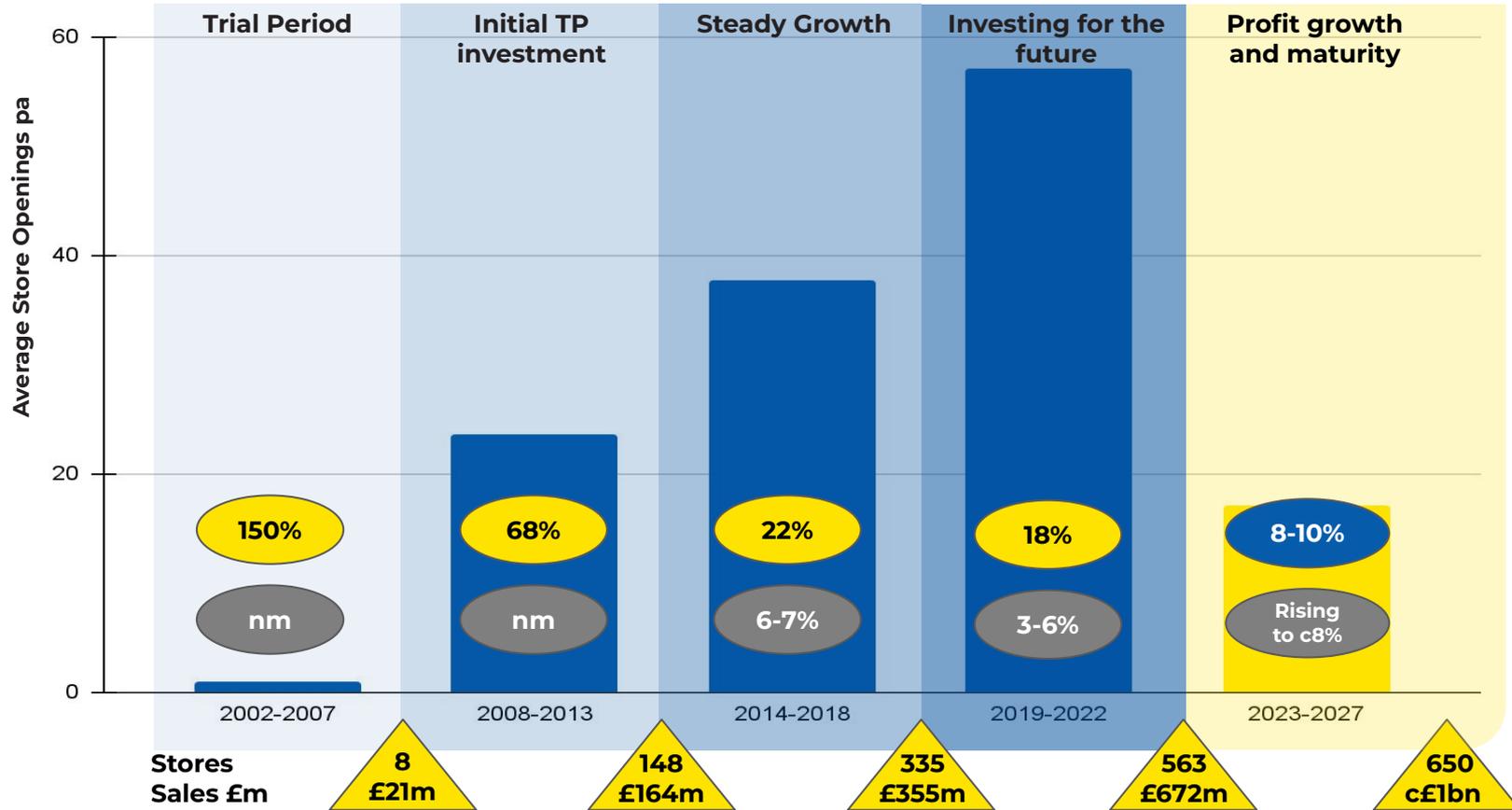
- Clear roadmap to operating margins of c8% by 2027
- Increasing maturity of c50% of store base brings revenue progression
- Gross margin improvements through commercial initiatives and leveraging scale
- Cost to serve improved through tight cost control, distribution efficiencies and fully operational, automated new DC

The next phase in context

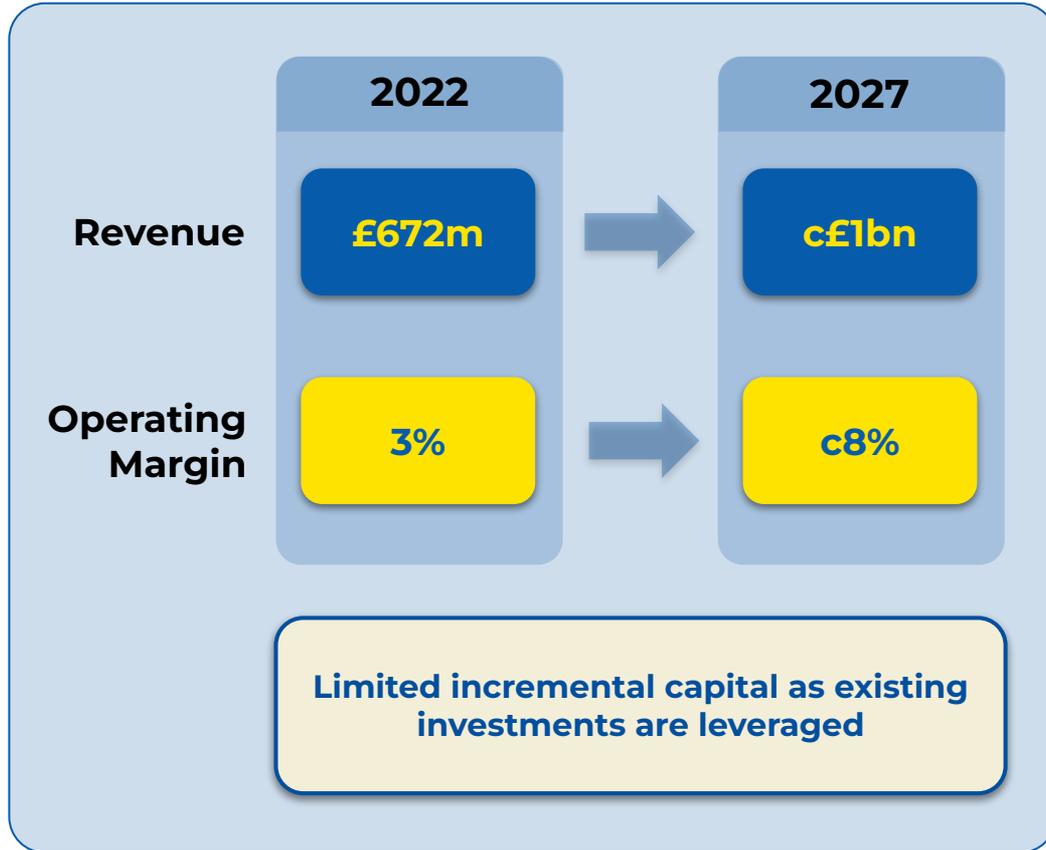
Av sales growth pa

Op margin range

The fifth phase for Toolstation is underway



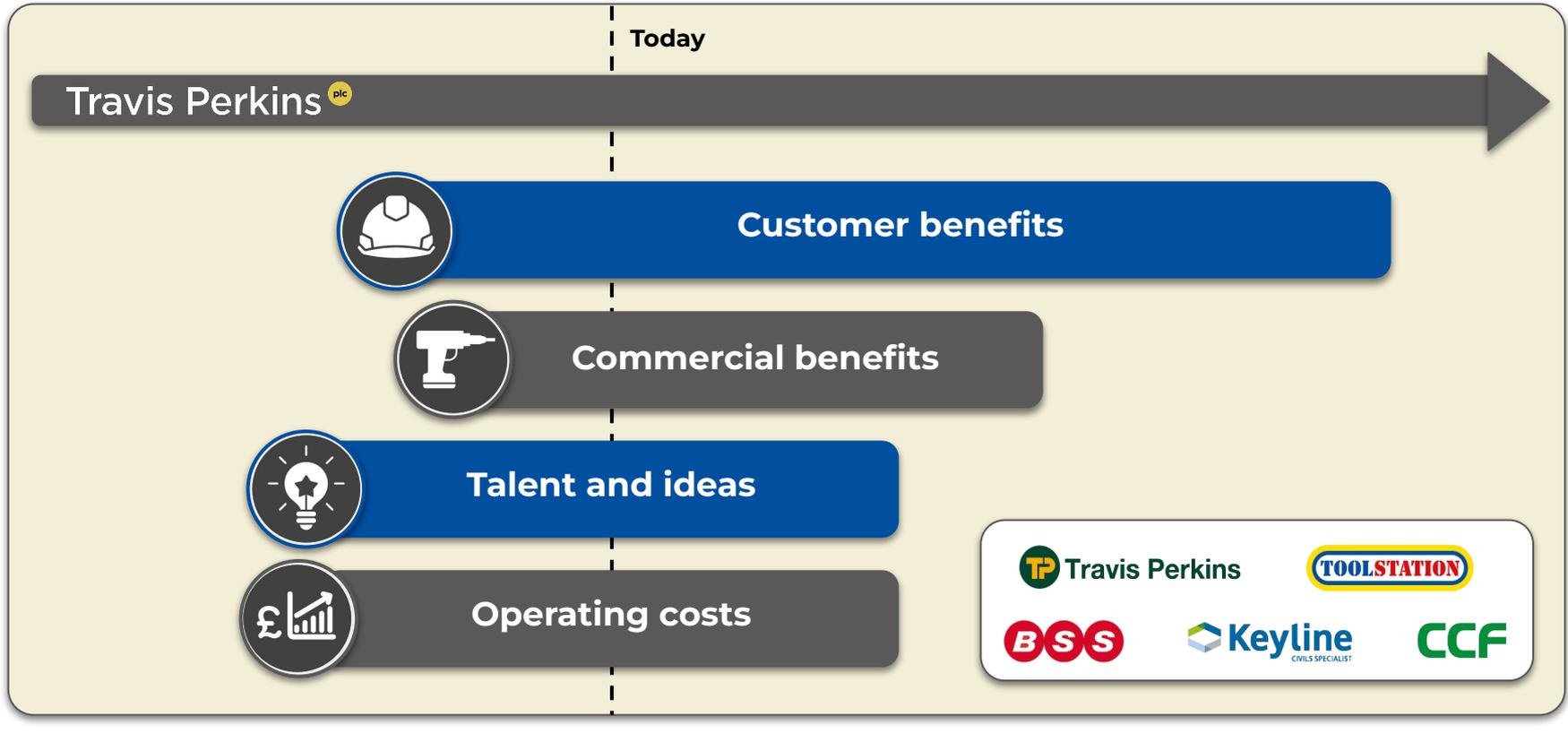
Significant value upside



- c4x Operating Profit growth to c£80m
- Increase to 15% ROCE as capital increases limited to new stores post y/e 2023
- Substantial incremental returns from invested capital

Toolstation is an integral component of the Group

Toolstation already both contributes and receives significant benefits to and from the Group - with much more to come



Toolstation is well positioned to win

Solid foundations

- UK and European businesses taking share in their markets
- Significant investments made

Integral to the Travis Perkins Group

- Provides more choice to SME trade customers
- Complements merchant proposition for larger customers

Confident in the future

- High performing team
- Granular plans to sustain and enhance competitive advantage
- Maturity and benefit of previous investments to come

Q&A

TOOLSTATION