

17 October 2014

Travis Perkins plc

Third quarter 2014 interim management statement – encouraging momentum continues

Third quarter highlights

- Total sales growth of 6.9%
- Like-for-like sales growth of 5.7%
- Two-year like-for-like sales growth of 12.4%, building on strong first half
- Trading consistent with expectations at the start of the year

John Carter, Chief Executive, commented:

“Trading has remained strong for most of our businesses and the Group’s continued good performance is underpinned by the successful introduction of a number of self-help initiatives. We have outperformed our markets whilst making strategic investments that we are confident will support continued market share gains.

General Merchancing performed well with work to modernise the business progressing. The strengthened management team at Wickes has continued to build on the early progress seen in the second quarter. The Plumbing & Heating team are working hard on reconfiguring our branch network, but against the backdrop of a very challenging market. The Contracts business continues to grow and is focused on improving its customer proposition.

I am confident that our plans to improve each of our businesses, resulting in profitable organic growth, combined with our strong focus on returns, will create substantial further shareholder value.”

Third Quarter 2014 Sales Growth

	General Merchancing ⁽¹⁾	Consumer ⁽²⁾	Plumbing & Heating ⁽¹⁾	Contracts ⁽¹⁾	Group
Like-for-like	10.9%	6.4%	(5.1)%	9.6%	5.7%
Total sales growth ⁽⁵⁾	11.9%	8.5%	(3.2)%	9.0%	6.9%

Year-to-date 2014 sales growth

	General Merchancing ⁽³⁾	Consumer ⁽⁴⁾	Plumbing & Heating ⁽³⁾	Contracts ⁽³⁾	Group
Like-for-like	13.3%	6.7%	3.0%	10.6%	8.6%
Total sales growth ⁽⁵⁾	14.1%	8.7%	4.4%	11.1%	9.8%

The strong sales momentum from the first half of 2014 continued through the third quarter. Total sales growth of 6.9%, and like-for-like sales growth of 5.7%, demonstrate encouraging early progress in the implementation of the Group’s strategy. Despite a weaker than expected plumbing and heating market in the quarter, two-year like-for-like sales growth was strong at 12.4%.

The General Merchandising business performed particularly well with like-for-like sales up 10.9%, resulting in two-year like-for-like sales growth of over 20%. The new management team in Wickes has developed a clear plan to transform and grow the business. Although it is very early in the delivery of this plan the Consumer businesses performed well with 6.4% like-for-like sales growth in a weak market and two-year like-for-like sales growth of more than 6%. Like-for-like sales growth in the Contracts Division was up 9.6% resulting in two-year like-for-like growth of almost 20%. This was achieved despite commercial construction being slower to respond to the wider economic recovery.

The branch network reconfiguration accelerated in Plumbing & Heating during the quarter and the early performance of the converted branches has been encouraging. However, the reconfiguration has led to some short-term sales disruption. The Government-led incentive schemes pulled forward significant boiler installations in the second half of 2013 and first quarter of 2014. This, combined with a later start to the plumbing and heating season, has resulted in market volume declines. Heating categories across the Group have been affected by these temporary market factors, although the Plumbing & Heating businesses have clearly experienced the most significant impact. It is expected that market conditions will remain challenging for the next six to nine months before the market cycles these temporary effects and strong comparators.

There was modest price inflation during the quarter for the Group as a whole, which was slightly lower than management's expectations. Both the General Merchandising and Contracts businesses saw inflation at broadly the same levels as the second quarter. The Plumbing & Heating Division experienced further price deflation owing to the competitive market and weak volumes. Wickes price investment continued at similar levels to the first half of the year.

There has been no significant change in the Group's financial position.

Strategic plan update

Work continues at pace to deliver the strategy set out in December last year:

Accelerate innovation of our customer propositions

Modernised branch formats within the Travis Perkins business trialled in the first half of 2014 have continued to perform well. These branches utilise enhanced stocking and fulfilment routines for heavyside products in addition to improved merchandising and layouts in the lightside offer.

Building on Wickes' structural advantages of smaller stores, focused in-store ranges, online range extension and the best value national DIY retailer, a number of programmes of work were commenced or completed during the quarter. Click & Collect was rolled out nationally, a broader seasonal offer was introduced and the communication of the kitchen and bathroom offer was strengthened.

Expand the network and intensify use of space

Good progress has been made with network expansion and intensifying the use of the existing property estate during the quarter. So far this year the Group has opened 75 new stores and branches, including 45 implants where Benchmarx and Toolstation businesses were opened inside existing Travis Perkins branches and Wickes stores. In addition 20 Toolhire operations were opened inside existing Travis Perkins, BSS and Keyline branches.

In the Plumbing & Heating business 21 PTS branches have been successfully converted to City Plumbing branches. Around 50 branches will have been converted by the end of the year, at which point a further 50 branches will be undergoing conversion. As part of the programme more than 20 branches have been closed.

Exploit our scale advantage

The Warrington heavyside range centre, which was relocated at the start of the year, has continued to perform well. Sales growth at the branches supported by Warrington has further accelerated. The second heavyside range centre in Cardiff is on track to be completed before the end of the year and will serve

around 130 branches. A third range centre will be developed in Tilbury to serve London and a fourth site has now been secured in Coventry.

Group priorities

Although it remains very early in the execution of the Group's strategy, management are pleased with the progress to date. Modernising Travis Perkins, transforming Wickes and reconfiguring the Plumbing & Heating branch network remain the key priorities to underpin continued market outperformance, deliver double-digit growth in EBITA, improve lease adjusted ROCE and provide consistent growth in total returns for shareholders. Management is confident in retaining the Group's strong record of financial discipline, agility in executing strategy and adapting to changing market circumstances.

Enquiries

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Footnotes

1. *Total sales growth for the three month period ended 30 September 2014 compared to the three month period ended 30 September 2013.*
2. *Total sales and like-for like sales growth for the 13 week period ended 27 September 2014 compared to the 13 week period ended 28 September 2013.*
3. *Total sales growth for the nine month period ended 30 September 2014 compared to the nine month period ended 30 September 2013.*
4. *Total sales and like-for like sales growth for the 39 week period ended 27 September 2014 compared to the 39 week period ended 28 September 2013.*
5. *No adjustment for non-comparable trading days is required for the third quarter or year-to-date sales growth.*