

Travis Perkins plc - 22 October 2015

Third quarter 2015 trading update

Continued market outperformance against a weaker third quarter RMI market

- Continued market outperformance against weaker than expected RMI market through the summer
- Total sales growth of 5.5%, like-for-like growth of 2.6%, two-year like-for-like growth of 8.4%
- Full-year EBITA now expected to be at the lower end of market expectations

John Carter, Chief Executive, commented: "Our strategy continues to deliver outperformance of the markets in which we operate. Whilst we planned for a modest reduction in RMI markets through the summer given the slowdown in secondary housing transactions towards the end of 2014 and early part of 2015, we saw weaker market demand than anticipated. This was in both housing and non-housing RMI spend as evidenced by the recent construction output data, leading to dampened growth across all of our businesses. We indicated earlier in the year that we expected volumes to pick-up during the second half and October trading so far has seen a recovery in volumes.

Given the recent market weakness we now expect to deliver EBITA growth at the lower end of market expectations.

Importantly, our strategy remains firmly on track and we have continued to significantly outperform our key markets. We have made a number of investments over the last 18 months to improve our general merchant proposition, begin the transformation of Wickes, re-segment our plumbing and heating businesses, modernise our IT and supply chain infrastructure and expand the geographic footprint of Benchmarx, Toolstation and CCF. These investments have been made to improve our customer propositions, optimise our network and exploit our scale advantage, and underpin our confidence that we will continue to drive sustainable growth and improving returns."

Third quarter 2015 sales growth

	General Merchanding ⁽¹⁾	Consumer ⁽²⁾	Plumbing & Heating ⁽¹⁾	Contracts ⁽¹⁾	Group
Total sales ⁽⁵⁾	3.3%	4.9%	4.5%	11.1%	5.5%
Like-for-like	1.7%	2.3%	1.7%	5.5%	2.6%
Two-year like-for-like	12.8%	8.8%	(3.5)%	15.6%	8.4%

Year-to-date 2015 sales growth

	General Merchanding ⁽³⁾	Consumer ⁽⁴⁾	Plumbing & Heating ⁽³⁾	Contracts ⁽³⁾	Group
Total sales ⁽⁵⁾	6.2%	7.3%	1.0%	15.3%	7.0%
Like-for-like	4.9%	5.1%	(1.2)%	10.8%	4.7%
Two-year like-for-like	18.9%	12.1%	1.8%	22.5%	13.7%

Group sales grew by 5.5% during the third quarter (2.6% like-for-like) and 7.0% for the year to date (4.7% like-for-like). On a two-year basis like-for-like sales grew by 8.4% during the third quarter and are up 13.7% year to date. Following a strong performance at the end of the second quarter, like-for-like volumes across all of our businesses were noticeably weaker during July and August, with a gradual improvement towards the end of September. This trend has continued with further improvement during the first half of October.

General Merchanding sales grew by 3.3% in the third quarter, 1.7% on a like-for-like basis. Travis Perkins in particular experienced lower market demand throughout the quarter. Given the weaker than expected volume in the market, pricing also proved to be challenging. Trading performance has gathered momentum through October.

Consumer sales grew by 4.9% in the third quarter, 2.3% on a like-for-like basis. The DIY market declined year-on-year in July and remained weak in August. Wickes sales recovered in September and have improved further in the early part of October.

Plumbing & Heating sales grew by 4.5% in the third quarter, 1.7% on a like-for-like basis. Market conditions in plumbing and heating remained tough, consistent with the last 18 months. However, due to weaker comparatives, the benefits of the Primaflow and The Underfloor Heating Store acquisitions and early benefits of the re-segmentation programme, the Division returned to growth, with a gradual improvement throughout the quarter. The Plumbing & Heating conversion programme has been accelerated through the second and third quarters and will now be substantially complete by the end of the year, ahead of plan, but resulting in slightly more sales disruption.

Contracts' sales grew by 11.1% in the third quarter, 5.5% on a like-for-like basis. Volume growth slowed in all contract businesses during July, with further softening in August and September. Market conditions have returned to more normal levels in October.

Strategic plan update

The Group is now just over 18 months into the five-year plan outlined in December 2013 and remains focused on investing to create and extend structural advantages. These are expected to underpin continued market outperformance over the long term, driving sustainable growth and improving returns. Investments made to date are generating consistently strong returns and have been central to the Group's ability to outperform markets in which it operates.

Accelerate innovation of customer propositions

The trial of new format branches and stores continues in Travis Perkins, Wickes and Keyline. The modernised Travis Perkins format has now been extended to a total of 17 branches. Wickes now have five stores operating in the new format and early customer feedback and financial performance has been encouraging. Toolstation extended one hour click & collect to all stores with an immediate uplift in online orders for store collection, rather than home delivery. Range reviews have been completed in 30 Wickes categories and the new Kitchen ranges have performed well with a strong order book into 2016.

Expand the network and intensify use of space

During the third quarter new stores and branches were opened across the Group; including 12 Toolstation stores, one new Wickes store, two new Tile Giant stores, three new Travis Perkins branches and nine new Benchmark showrooms, five of which were converted from closed PTS and City Plumbing branches. The branch conversion programme in Plumbing & Heating was accelerated with the conversion of a further 45 PTS branches into the City Plumbing format. Only 27 branch conversions, of the original 180 scheduled remain to be completed, the majority of which will be operational ahead of plan and before the end of 2015.

Exploit our scale advantage

During the quarter work was completed on the Group's third Heavyside Range Centre in Tilbury. The Tilbury RC will provide next day availability on 3,000 products and 48-hour availability on a further 3,000 products to more than 125 branches in London and the South East. Management will be holding an investor event at this facility in Tilbury on 6 November 2015.

Outlook

As outlined above, 2015 EBITA growth is now expected to be at the lower end of market expectations. Fourth quarter trading has started more encouragingly, with all businesses impacted by the weaker summer demand showing a pick-up in growth. Additionally, the lead indicators monitored by the Group suggest a continued recovery in the fourth quarter with RMI markets growing further through the first half of 2016.

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Footnotes

1. Total sales growth for the three month period ended 30 September 2015 compared to the three month period ended 30 September 2014.
2. Total sales and like-for-like sales growth for the 13 week period ended 26 September 2015 compared to the 13 week period ended 27 September 2014.
3. Total sales growth for the nine month period ended 30 September 2015 compared to the nine month period ended 30 September 2014.
4. Total sales and like-for-like sales growth for the 39 week period ended 26 September 2015 compared to the 39 week period ended 27 September 2014.
5. No adjustment for non-comparable trading days is required for the third quarter or year-to-date sales growth.