



INTERIM RESULTS. 2017

Travis Perkins plc

# Agenda

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# Chairman's introduction

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- Executing well against a challenging market backdrop
- Strong cash generation and balance sheet
- History of nurturing, growing and transforming businesses

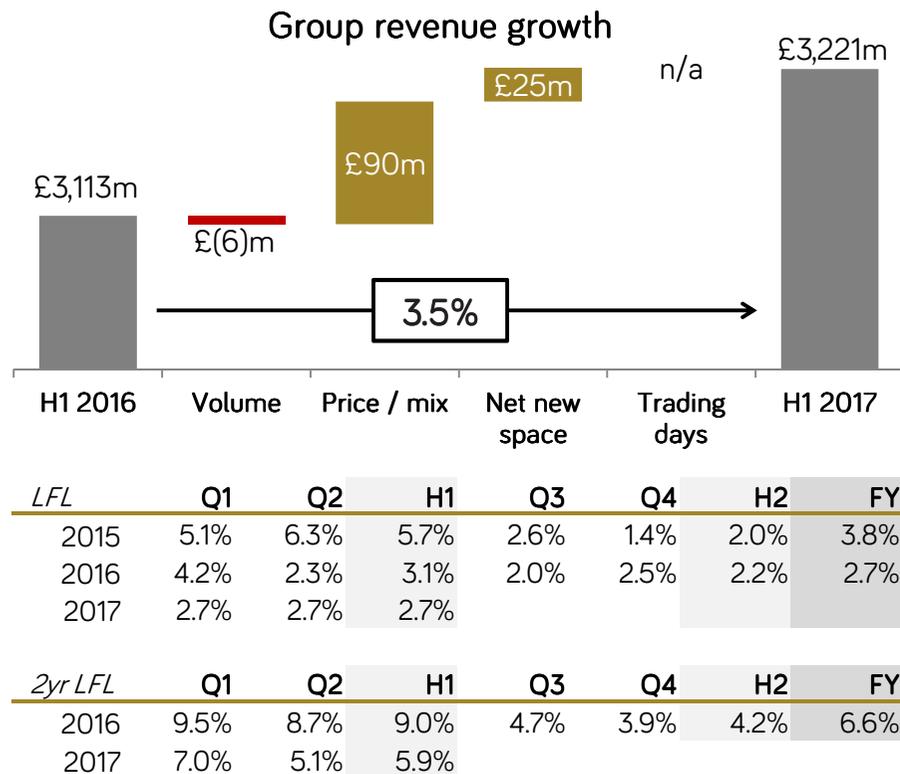


# Key financial highlights

<i>Six months ended 30 June</i>	H1 2017	H1 2016	<i>Year-on-year change</i>
Revenue	£3,221m	£3,113m	3.5%
Like-for-like sales growth	2.7%	3.1%	(0.4)ppt
Adjusted EBITA	£190m	£194m	(2.1)%
Adjusted EBITA excluding property profits	£183m	£191m	(4.2)%
Adjusted earnings per share	55.8p	58.4p	(4.5)%
Underlying free cash flow (excluding exceptional tax payment in 2016)	£188m	£165m	<b>+£23m</b>
Dividends per share	15.5p	15.25p	1.6%
Lease adjusted ROCE	10.6%	10.9%	(30)bps

Solid overall performance with strong cash generation

# Good sales growth despite market conditions



- Like-for-like sales growth of 2.7%
- Stable volumes as business recovered input cost inflation
- Overall sales growth of 3.5%
- Continued investment in new space in advantaged businesses

# Gross margins maintained, investing in propositions

	General Merchandising	Plumbing & Heating	Contracts	Consumer	Group
H1 2016 adjusted operating margin (excluding property profits)	9.6%	2.8%	5.9%	5.7%	6.1%
<b>Change in gross margin</b>	<b>0.0%</b>	<b>(1.0)%</b>	<b>0.3%</b>	<b>0.0%</b>	<b>0.1%</b>
Margin impact of change in operating costs	(0.4)%	0.1%	(0.1)%	(0.2)%	(0.5)%
H1 2017 adjusted operating margin (excluding property profits)	9.2%	1.9%	6.1%	5.5%	5.7%

- GM gross margins flat with operating cost investment to drive growth
- P&H margin decline primarily due to challenging market conditions
- Contracts margins reflect volume growth and recovery of cost inflation
- Consumer margins reflect investment in new stores and refits

# Property investment supports strategic plans

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Investing in property to support future business growth

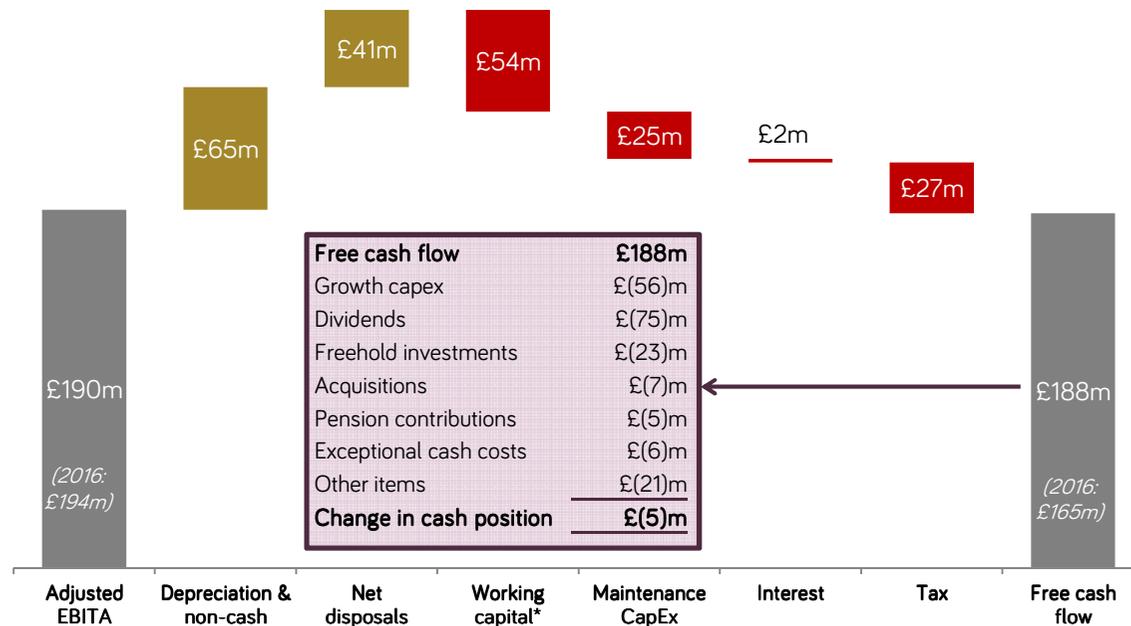
- 10 freehold properties purchased in H1 2017 at cash cost of £19m
- £4m spent on site construction and development
- Property profits of £7m recognised in H1 2017 (£3m H1 2016)

Property transactions generate additional cash

- Disposal of non-strategic sites released £50m for investment in the first half
- Sale & lease back transaction on 8 Wickes stores
- Net cash release of £27m through property recycling activity

**Recycling property to deploy capital efficiently and realise value**

# Strong cash flow generated



- Excellent cash conversion of 99%
- Selective investments in growth capex and freeholds
- Further opportunities to optimise working capital

\*2017 change in net working capital net working capital figure excludes £5m in relation to the development of cloud-based software

# Debt metrics continue to improve

	<i>Mid-term ambition</i>	H1 2017	FY 2016	Δ
Net debt	-	£377m	£378m	£(1)m
Lease debt	-	£1,502m	£1,506m	£(4)m
<b>Lease adjusted debt</b>	-	<b>£1,879m</b>	<b>£1,884m</b>	<b>£(5)m</b>
LA gearing	-	43.4%	45.3%	(190)bps
Fixed charge cover	3.5x	3.3x	3.3x	-
LA Debt : EBITDAR	2.5x	2.6x	2.7x	(0.1)x

- Net debt £133m lower than June 2016 and in line with December 2016
- Continued steady reduction in LA gearing
- Significant liquidity headroom with long term funding in place

Maintaining balance sheet strength

# Financial summary & outlook

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- Solid trading performance based on good execution
- Strong cash generation funding selective investments
- Balance sheet strength provides security and flexibility
- Investments made in recent years leave the Group well positioned for the future

*Technical guidance for 2017 is provided in Appendix I*



# Operational update

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- 1 Long term market opportunity remains compelling, despite near-term macro uncertainty
- 2 Resilient performance by adopting appropriate trading stances
- 3 Continue to invest selectively to drive long-term shareholder value

# Market fundamentals strong; near-term uncertain

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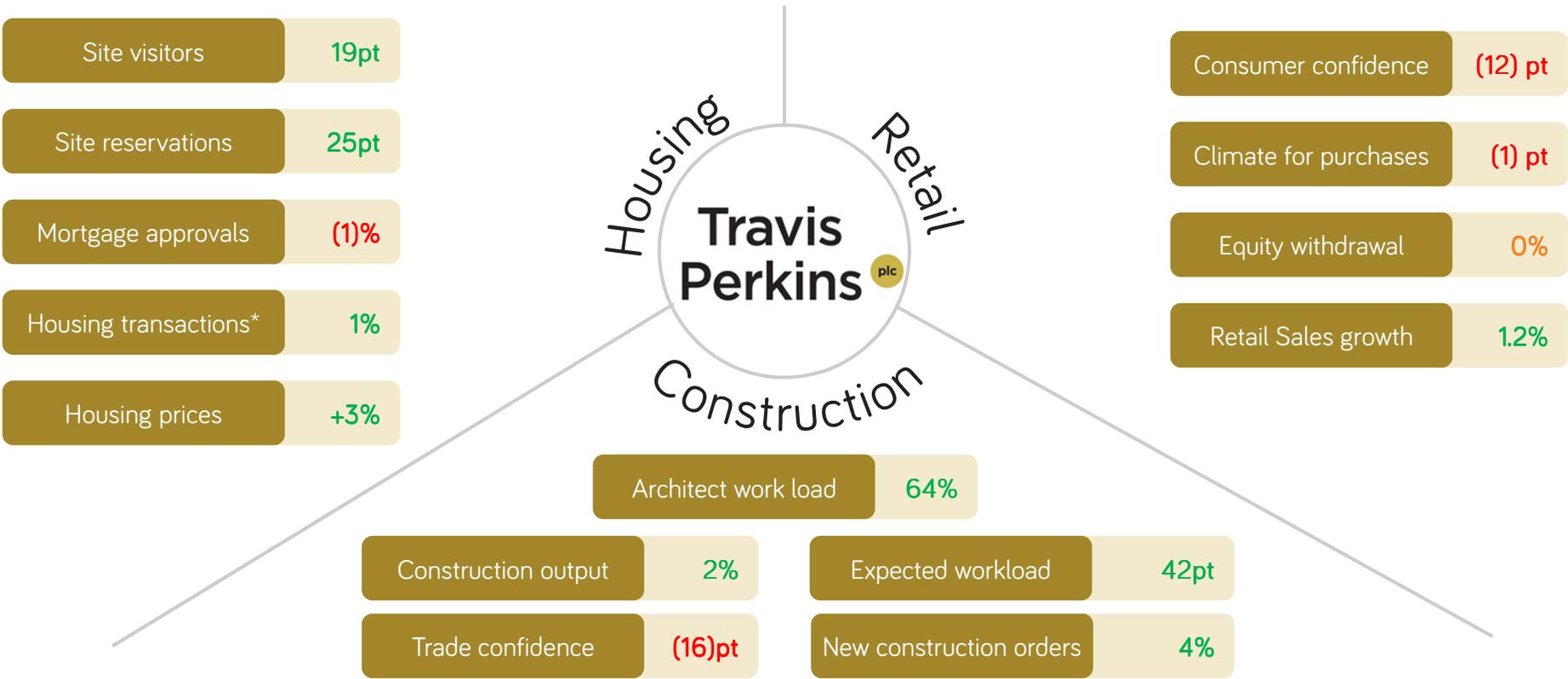
## Long-term market drivers are strong ...

- Annual new household formation remains above 230k
- New house building c.160k p.a.
- Chronic UK housing shortage, over 2.5m over last 20 years
- Structural underinvestment in residential RMI continues

## ... but markets uncertain in the near-term

- Market uncertainty stems from macro events – data mixed
- GDP growth slowing through H1
- Consumer confidence falling: -12 in July – lowest since Brexit vote
- Inflation eroding consumers' real disposable income
- Secondary housing transactions steady but mortgage approvals falling

# Market lead indicators give mixed picture of future



# General Merchandising – gross margins maintained

<i>Six months ended 30 June</i>	H1 2017	H1 2016	Δ
Revenue	£1,055m	£1,045m	1.0%
Like-for-like growth	(0.1)%	2.9%	(3.0)ppt
Adjusted EBITA ex-property profits	£97m	£100m	(3.0)%
<i>Underlying EBITA margin</i>	9.2%	9.6%	(40)bps
Lease adjusted ROCE	15%	15%	-
Branch network	851	833	18

- Deliberate trading stance taken to recover cost price inflation
- Operating cost investment in distribution network and IT
- Further expansion of Benchmarx network with 11 new branches opened



# General Merchancing – investments to drive growth

Pricing framework	<ul style="list-style-type: none"><li>• Provides better information for managers to make informed pricing decisions</li><li>• Improved pricing consistency for customers</li></ul>
Cost efficiencies	<ul style="list-style-type: none"><li>• Leveraging scale to drive cost efficiencies and sourcing benefits</li><li>• Optimising delivery vehicle utilisation</li></ul>
Range & availability	<ul style="list-style-type: none"><li>• Extension of range centre service to cover all TP branches in England &amp; Wales</li><li>• Leverage distribution network to extend range breadth and improve availability</li></ul>
Digital & IT capability	<ul style="list-style-type: none"><li>• Online transactional capability supported by the distribution network</li><li>• Significant on-going investment in Merchant IT systems</li></ul>

Proposition underpins sustainable returns and future growth

# Contracts – stand-out performance

<i>Six months ended 30 June</i>	H1 2017	H1 2016	Δ
Revenue	£675m	£623m	8.3%
Like-for-like growth	9.1%	2.7%	6.4ppt
Adjusted EBITA ex-property profits	£41m	£37m	10.8%
<i>Underlying EBITA margin</i>	6.1%	5.9%	20bps
Lease adjusted ROCE	13%	12%	1ppt
Branch network	168	167	1

- 2-year LFL growth of 12%
- Continued momentum and share gains in Keyline & CCF
- Encouraging performance in BSS
- Profitability improving through volume and efficiency
- LAROCCE up to 13%



# Consumer – continuing strong growth

<i>Six months ended 30 June</i>	H1 2017	H1 2016	Δ
Revenue	£822m	£766m	7.3%
Like-for-like growth	4.7%	6.5%	(1.8)ppt
Adjusted EBITA ex-property profits	£45m	£44m	2.3%
<i>Underlying EBITA margin</i>	5.5%	5.7%	(20)bps
Lease adjusted ROCE	8%	8%	-
Store network	642	617	25

- Strong market share gains in both Wickes and Toolstation
- 18 Wickes store refits completed in H1, 82 new format stores now in operation
- Accelerating LFL in Toolstation and 19 new stores opened
- Increasing investment in Toolstation Europe



# Plumbing & Heating – tough market

<i>Six months ended 30 June</i>	H1 2017	H1 2016	Δ
Revenue	£669m	£679m	(1.5)%
Like-for-like growth	(1.2)%	0.4%	(1.6)ppt
Adjusted EBITA ex-property profits	£13m	£19m	(31.6)%
<i>Underlying EBITA margin</i>	1.9%	2.8%	(90)bps
Lease adjusted ROCE	8%	10%	(2)ppt
Branch network	428	439	(11)

- Positive like-for-like growth in City Plumbing and wholesale businesses
- Contract installer revenue decline despite growth in new housing
- Operating profit impacted by volume reduction and competitive market
- Strategic review undertaken in Q2 as planned – actions underway





THE BATHROOM SHOWROOM

PLUMBING &  
HEATING REVIEW.  
TONY BUFFIN

# P&H – challenging market, complex business model

Transformation plan builds on good work completed over the last 3 years:

Branch rationalisation, acquired digital businesses and invested in specialist categories

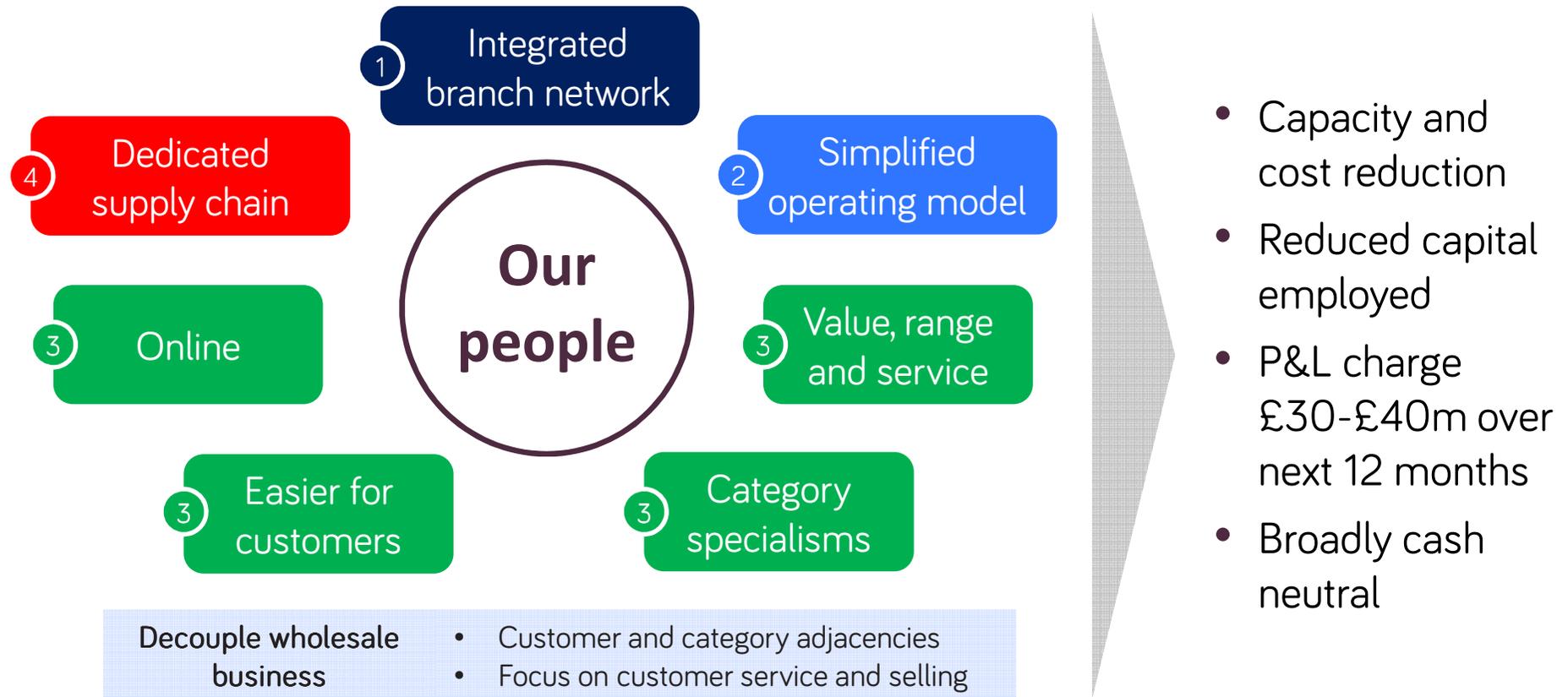
## Traditional merchant channel challenged

- Overcapacity from Government incentives
- Supplier strength
- Aggressive price competition
- Fixed price generalists targeting higher margin consumable categories
- Rapid growth of online specialists

## Areas requiring focus

- Discrete contract & installer businesses has created customer confusion
- Fragmented supply chain with high fixed costs and variable service
- Multiple specialist businesses not integrated - complex organisation
- Faster evolution of proposition needed

# P&H – stabilising profit, creating options to grow



# P&H – early changes show encouraging signs

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- Simplified operating, sales and commercial team structures
- Branch manager incentives restructured to reward outperformance
- Extended bathroom showroom opening hours to meet end-consumer needs
- Rolling out over 1,100 best- selling lines to all City Plumbing branches
- An enhanced promotional programme, doubling customer participation in Q2
- Improved digital capabilities - launch of a transactional City Plumbing website, upgrade of specialist channel websites
- Improved customer service and upselling in the wholesale business

H2 trading expected to continue to soften before stabilising in 2018

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# Disciplined investment to drive shareholder value

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## Merchanting

- Investments in freehold property:
  - Pipeline of high quality operating sites
  - Increase in multi-fascia trade parks
  - Long-term ownership of strategic sites
- Selective network investment in Benchmark and Contracts
- Investment in IT platforms and digital capability to improve customer service
- Continue to use Group scale to gain sourcing benefits

## Consumer

- Maintain Wickes outperformance:
  - Store refit programme
  - Selective store openings
  - Further enhance digital capabilities
- Increased investment in advantaged Toolstation model:
  - Accelerated UK investment
  - Ramp up of Dutch branch openings
  - Next test market is France – first physical branches opening in H2 2017

# Summary

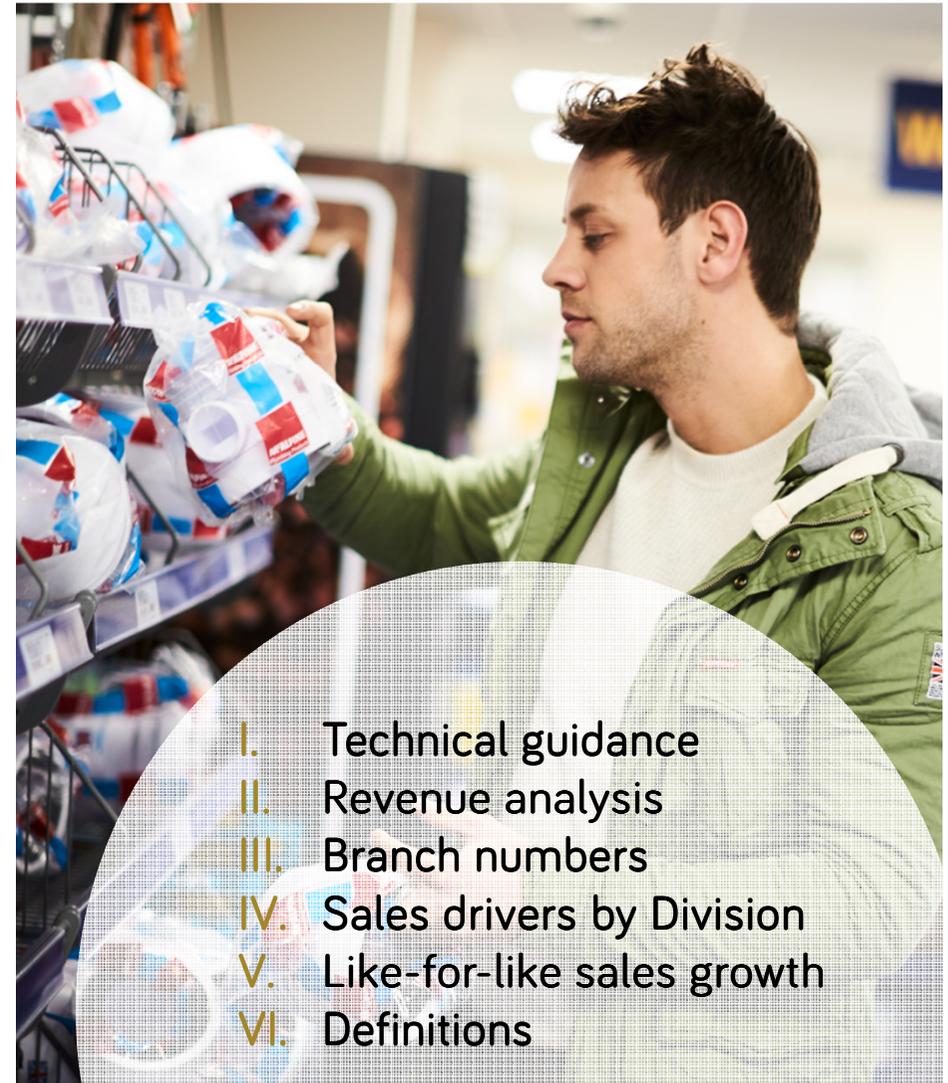
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- 3 Continue to invest selectively to drive long-term shareholder value



QUESTIONS.

# APPENDICES.

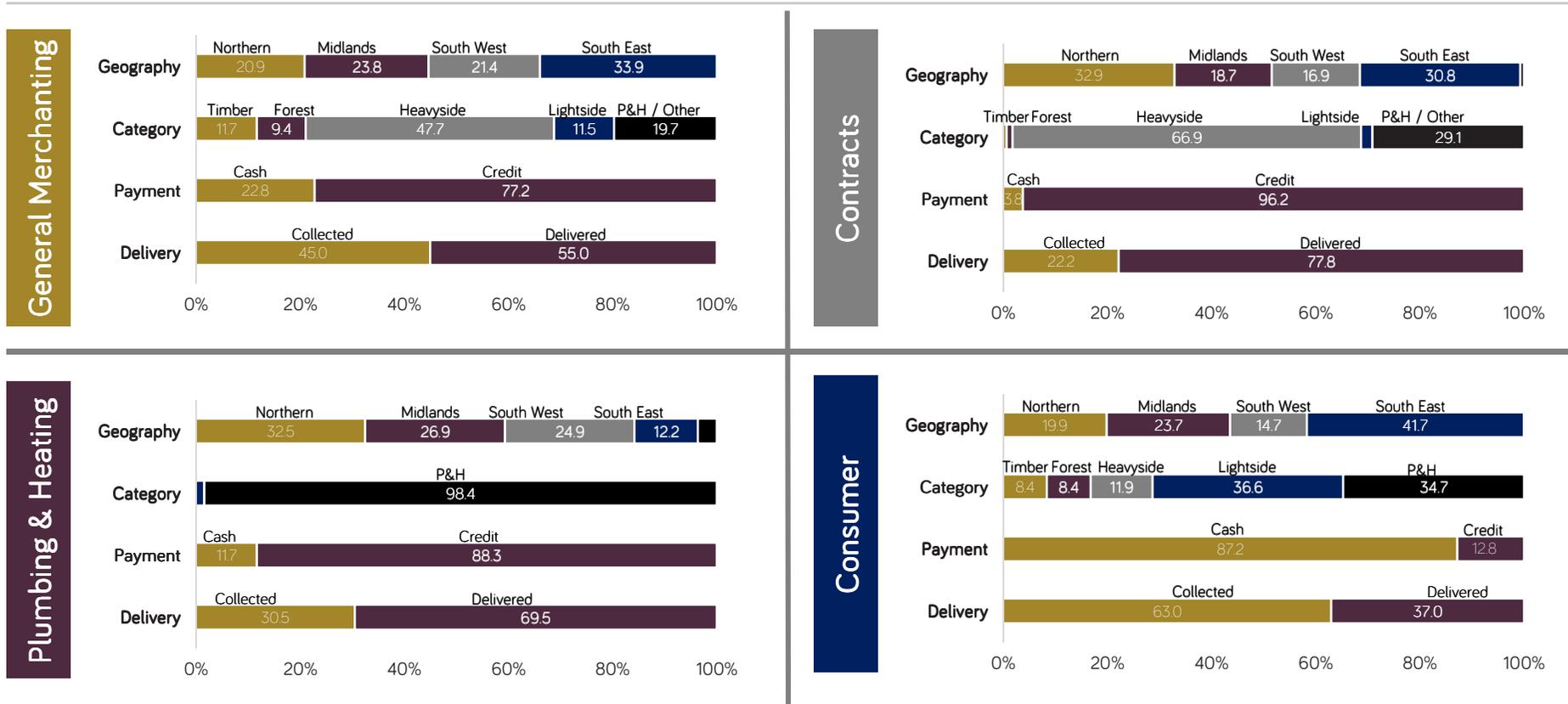


# I. Technical guidance

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- Tax consistent at ~20%
- Interest similar to 2016
- Capex of £170-190m excluding freehold purchases
- Property profits of ~£20m
- Progressive dividend policy underpinned by strong cash flows

## II. Revenue analysis – 30 June 2017



# III. Branch numbers

	31 December 2016	New	Closures	Acquisitions	30 June 2017
Travis Perkins	661	9	(2)	-	668
Benchmark	172	11	-	-	183
<b>General Merchandising</b>	<b>833</b>	<b>20</b>	<b>(2)</b>	<b>-</b>	<b>851</b>
City Plumbing	336	1	(2)	-	335
PTS	84	-	(6)	-	78
Other	19	-	(4)	-	15
<b>Plumbing &amp; Heating</b>	<b>439</b>	<b>1</b>	<b>(12)</b>	<b>-</b>	<b>428</b>
Keyline & Rudridge	65	-	-	-	65
BSS & TF Solutions	61	-	(2)	3	62
CCF	41	-	-	-	41
<b>Contracts</b>	<b>167</b>	<b>-</b>	<b>(2)</b>	<b>3</b>	<b>168</b>
Wickes	241	2	-	-	243
Toolstation	267	24	-	-	291
Tile Giant	109	1	(2)	-	108
<b>Consumer</b>	<b>617</b>	<b>27</b>	<b>(2)</b>	<b>-</b>	<b>642</b>
<b>Group</b>	<b>2,056</b>	<b>48</b>	<b>(18)</b>	<b>3</b>	<b>2,089</b>

## Historical network growth

	2009	2010	2011	2012	2013	2014	2015	2016	2017 H1
Opening	1,262	1,303	1,813	1,868	1,896	1,939	1,975	2,028	2,056
New	46	519	120	48	58	101	124	85	48
Closures	(5)	(9)	(65)	(20)	(15)	(65)	(71)	(57)	(18)
<b>Closing</b>	<b>1,303</b>	<b>1,813</b>	<b>1,868</b>	<b>1,896</b>	<b>1,939</b>	<b>1,975</b>	<b>2,028</b>	<b>2,056</b>	<b>2,089</b>

Branch numbers exclude City Heating Spares and Toolhire implants

## IV. Sales drivers by Division

<i>6 months ended 30 June 2017</i>	General Merchandising	P&H	Contracts	Consumer	Group
Volume	(2.5)%	(4.4)%	4.2%	3.0%	(0.2)%
Price / mix	2.4%	3.2%	4.9%	1.7%	2.9%
<b>Like-for-like sales</b>	<b>(0.1)%</b>	<b>(1.2)%</b>	<b>9.1%</b>	<b>4.7%</b>	<b>2.7%</b>
Expansion	1.1%	(0.3)%	(1.2)%	2.6%	0.7%
Acquisitions	-	-	0.4%	-	0.1%
<b>Total sales growth</b>	<b>1.0%</b>	<b>(1.5)%</b>	<b>8.3%</b>	<b>7.3%</b>	<b>3.5%</b>

# V. Like-for-like sales growth

## Like-for-like by quarter

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
General	8.1%	5.3%	1.7%	1.0%	4.7%	1.1%	0.6%	0.3%	(0.3)%	0.3%
P&H	(6.1)%	1.0%	1.7%	(1.9)%	2.2%	(1.4)%	(4.1)%	(2.7)%	(1.1)%	(1.9)%
Contracts	15.1%	12.9%	5.5%	1.5%	2.1%	3.1%	5.7%	9.2%	12.1%	6.4%
Consumer	6.0%	6.9%	2.3%	6.1%	7.3%	6.4%	6.3%	5.8%	2.9%	6.5%
<b>Group</b>	<b>5.1%</b>	<b>6.3%</b>	<b>2.6%</b>	<b>1.4%</b>	<b>4.2%</b>	<b>2.3%</b>	<b>2.0%</b>	<b>2.5%</b>	<b>2.7%</b>	<b>2.7%</b>

## Like-for-like by half year

	H1 2014	H2 2014	H1 2015	H2 2015	H1 2016	H2 2016	H1 2017
General	14.6%	11.3%	6.7%	1.4%	2.9%	0.5%	(0.1)%
P&H	7.4%	(9.7)%	(2.9)%	(0.3)%	0.4%	(3.4)%	(1.2)%
Contracts	11.1%	12.4%	13.9%	3.6%	2.7%	7.3%	9.1%
Consumer	6.8%	6.4%	6.5%	4.2%	6.5%	6.2%	4.7%
<b>Group</b>	<b>10.2%</b>	<b>4.6%</b>	<b>5.7%</b>	<b>2.0%</b>	<b>3.1%</b>	<b>2.2%</b>	<b>2.7%</b>

## VI. Definitions

Metric	Definition
EBITA	Earnings before interest, tax and amortisation
Earning per share ("EPS")	Ratio of net profit after taxation to weighted number of ordinary shares outstanding
Adjusted EBITA / Adjusted EPS	EBITA or EPS adjusted for exceptional items and amortisation (see Appendix II for reconciliation)
Lease adjusted ROCE	Ratio of earnings before interest, tax, amortisation and 50% of annual property rental expense to debt plus equity plus eight times annual property rental expense
Lease adjusted debt	On-balance sheet debt (excluding derivative fair valuation adjustments) plus eight times annual property rental expense
LA Gearing	Ratio of lease adjusted debt to equity plus lease adjusted debt
Fixed charge cover	Ratio of earnings before interest, tax, depreciation, amortisation and property rentals to interest plus property rentals
LA Debt : EBITDAR	Ratio of lease adjusted debt to earnings before interest, tax, depreciation, amortisation and property rentals
Dividend cover	Ratio of earnings per share to dividends per share
Free cash flow ("FCF")	Net cash flow before dividends, growth capital expenditure, pension 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

## VI. Definitions (continued)

Metric	Definition
Site visitors	House Builders Federation Survey / monthly / May 2017 / Balance score compared to a year ago
Site reservations	House Builders Federation Survey / monthly / May 2017 / Balance score compared to a year ago
Mortgage approvals	Bank of England / monthly / June 2017 / number of approvals % change year on year
Housing transactions	HM Revenue & Customers / monthly / June 2017 / number of houses sold above £40k % change year on year
Housing prices	Nationwide / monthly / June 2017/ house price inflation % change year on year
Consumer confidence	GFK / monthly / July 2017 / index score
Climate for purchases	GFK / monthly / July 2017 / index score
Equity withdrawal	Bank of England / quarterly / Q1 2017 / Change in Equity withdrawal as % of net earnings compared to previous quarter
Retail sales growth	British Retail Consortium / monthly / June 2017 / LFL % change year on year
Architect work load	Mirza and Nacey Survey / quarterly / Q1 2017 / Index
Construction output	Construction output YTD ONS / monthly / May 2017 / % change year on year
Trade confidence	Travis Perkins survey materials spend / quarterly / Q2 2017 view of Q3 2017 / Balance score
Expected workload	Federation of Master Builders / quarterly / Q1 2017 view of Q2 2017 / Balance score
New construction orders	Office for National Statistics / quarterly / Q1 2017 / % change year on year



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