

TRADE PROFILE



Overview

Toolstation Ltd is one of Britain's fastest growing suppliers of tools, accessories and building supplies to the trade, home improvers and self-builders.

With its head office and main distribution centre based in Bridgwater, Somerset, Toolstation offers a lot more than tools; electrical, plumbing, screws, fixings, trade essentials and top brands make up just some of the 11,000+ products stocked in branches and a further 4,000+ available online.



The company's growth has been impressive and is focused on efficiency – keeping costs low and providing reliable trade products at unbeatable prices. Toolstation has, over recent years, invested heavily

Contact Information:

Toolstation
Express Park
Bridgwater
TA6 4RN

Tel: 0808 100 7211

Email: info@toolstation.com

Twitter: [@ToolstationUK](https://twitter.com/ToolstationUK)

Web: www.toolstation.com
www.travisperkinsplc.co.uk



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in customer, warehousing and supply systems to help maintain its rapid growth.

In 2003, just four years after the Goddard-Watts family sold Screwfix to the Kingfisher plc group, Mark Goddard-Watts founded Toolstation.

In April 2008 Travis Perkins plc bought a 30% share in Toolstation and invested significantly in its new business, rolling-out a number of new Toolstation branches. In less than 5 years the Toolstation property portfolio grew rapidly from 12 to 123 branches.

In January 2012, Mark Goddard-Watts and family sold their remaining 70% stake in the business, making Toolstation a wholly owned subsidiary of Travis Perkins plc.

In 2018 an additional 4,000 products were added to the Toolstation range, with a key focus on trade relevant ranges, an extra 58 trade brands were added, contributing over £25m of additional sales. The product range available for next-day delivery or dropship was also extended - categories included bathrooms, garden sheds and radiators. Six years after its acquisition and Toolstation is continuing its rapid growth in line with Travis Perkins' investment-in-acquisition strategy.

The Travis Perkins Group is the UK's largest product supplier to the building, construction, and home improvement markets and, having grown primarily through acquisitions in the last decade, is now focussed on extracting value from these acquisitions by growing organically though investing in more compelling customer propositions, optimising its network and using its scale advantage to improve returns for shareholders. With revenue of £6.741m, over 20 distinct businesses, 2,091 stores and over 30,000 employees, Travis Perkins plc is very much focussed on its mission to become the first choice distributor of building materials in the UK.

Together with the major acquisitions of both Wickes and Tile Giant, Toolstation has, until now, been one of three retail companies which made up the Consumer Division of Travis Perkins plc with total revenue in 2017 of £1.6bn operating across 712 branches, 666 in the UK - the remainder being Toolstation Europe branches in the Netherlands and France.



Overview Continued...

In line with the revised Group strategy (see Trading Strategy, page 4), there has, more recently, been a change in the overall structure of Travis Perkins plc in terms of how the businesses are managed and reported. From 2019, the Group now manages and reports under the following segments: Merchanting, Toolstation, Retail and Plumbing & Heating.

Toolstation remains an autonomous business within the Group. It reports separately from the Retail segment to reflect that it is predominantly a fixed price, trade customer business.

Wickes and Tile Giant now report as the Retail segment, with a different operating model, with fixed ranges, and a fixed, national price framework. The retail businesses primarily target retail consumers, both through traditional methods and increasingly by providing end-to-end Do-It-For-Me services from design to installation, particularly in Kitchens and Bathrooms.

In December 2018, the Group announced its intention to divest the Plumbing & Heating division during the course of 2019, and significant work has been undertaken to separate the Plumbing & Heating businesses from the remainder of the Group.

According to Toolstation's filings at Companies House and Travis Perkins annual report and for the year ended December 2018, Toolstation's revenue is estimated at £354,473,000. It employs over 2,890 people, and owns over 330 branches nationwide, from Barking to Aberdeen, Great Yarmouth to Swansea and from Turo to Hull. Toolstation is also operating in Europe with branches in the Netherlands with direct-mail facilities as well as a growing customer base in France.

Like many others in the sector, Toolstation realises the need to concentrate on continuing to offer a multi-channel service to suit the needs of the tradesmen who are continuously on the go. Customers can buy online, in person across the counter the length and breadth of the UK, place orders through a dedicated call centre or purchase via a mobile website.



Key Personnel:

John Carter - Travis Perkins Chief Executive (*stepping down 5th August 2019, remaining in the business until end 2019*)

Nick Roberts - Travis Perkins Chief Executive (*successor to John Carter*)

Alan Williams - Travis Perkins Chief Financial Officer

Frank Elkins - Travis Perkins Chief Operating Officer

James Mackenzie - Managing Director, Toolstation

Simon Robinson - Retail Director, Toolstation

John Meaden - Marketing Director, Toolstation

Matt Nourse - Commercial Director, Toolstation

Stephen Kay - Buying Director – EU, Toolstation

Richard Lavin - Finance Director, Toolstation

Trading Strategy

In December 2013 the Travis Perkins Group outlined a five-year strategic plan, setting out its ambition to deliver long-term sustainable value to shareholders through four levers of value creation:

- Accelerate innovation of customer propositions
- Expand network and intensify use of space
- Exploit scale advantage
- Prioritise investments throughout the portfolio

Recognising that, while the long-term fundamental drivers remain favourable, the current macro-economic climate is altering, the Travis Perkins Group became even more focussed on where best to invest in order to deliver growing returns.

In December 2018, the Group outlined its trading strategy for the foreseeable future. With the Group growing at such a rapid pace, business complexity also had to be taken into account. As a result the two key areas highlighted in order to grow value were:

- Renewing focus on the trade
- Simplifying the group

...achievable predominantly by driving market outperformance, working towards a lean cost structure and being disciplined in terms of capital allocation.

While the UK DIY market continues to be challenging and consumer confidence is believed to be on the decline, Toolstation has continued, however, to go from strength to strength with like-for-like growth rate accelerating and branch expansions growing at a pace – celebrating the opening of Toolstation's 300th branch in Eastleigh, Hampshire in February 2018.

As for Toolstation's own trading strategy, the company continues to pride itself as being "Britain's fastest growing low-cost trade supplier" offering a straightforward and transparently-priced retail experience that enables busy tradesmen, and DIYers, to shop thousands of products in the most convenient way possible, at a time that is most convenient to them.

Toolstation's trading strategy focuses fundamentally on harnessing both in branch and online experiences whilst continuously developing its branch base, extending its customer service offering as well as delivering excellent customer service.

Developments that have taken place over the last 15 years since the company was founded clearly demonstrate Toolstation's consistent approach:

- 2003:** Mark Goddard-Watts establishes Toolstation
- 2008:** Travis Perkins buys 30% share of Toolstation with 12 branches in its portfolio
- 2012:** Travis Perkins buys the remaining 70% share of the company, now with 123 branches to its name
- 2013:** Toolstation opens four "implant" stores within Wickes
- 2014:** Expansion programme continues with over 50 branches added between Jan'14-Aug'15.
- 2015:** 200th branch opens in Newton Abbot, Devon as well as a further two more branches – Sydenham and Isleworth - which are added to the Greater London portfolio.
- 2017:** Sales grow to over £300m opening a further 40 branches in the UK and 3 more trial stores in France
- 2018:** Toolstation's 300th store opens in Eastleigh, Hampshire and its 3rd distribution centre opens with capability to service 500+ stores.

Over the last three years its superior value proposition to customers has remained strong. In 2017 Toolstation supported stronger promotional and marketing programmes, introduced front-of-counter ranges, introduced further online range extensions including the roll-out of "drop-ship" delivery direct from suppliers as well as reducing click and collect times to 10 minutes.



Customers can call the Customer Services department 7 days a week (including bank holidays). The company operates both an Express and Turbo delivery service. Express delivery orders placed before 8pm (Sunday 4pm) can be delivered to a UK address usually on the next

Trading Strategy Continued...

business day, with free express delivery on orders over £10 or £5 for those under £10. The Turbo delivery service promises customers delivery before 12noon next business day, £5 for orders over £10 or £10 for those under £10.

Alternatively customers can visit Toolstation branches 7 days a week from 7am to 8pm Monday to Friday, until 7pm on Saturdays and from 9am to 4pm on Sundays, or order online or via smartphone where they can take advantage of Toolstation's Click & Collect service which enables them to order and collect 10 minutes later from their local branch.

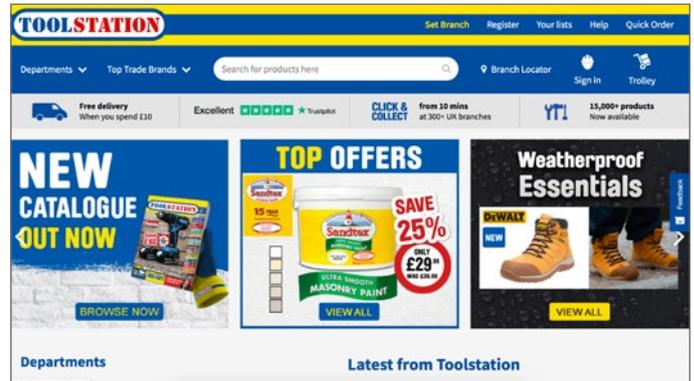


Technology/Online presence

In order to deliver the company's trading strategy further significant investment has, over recent years, gone into developing technology to ensure that any online presence is meaningful and useable for the trade.

Toolstation's new website was launched in December 2018 which is already showing a >1% increase in conversion rates. Paypal is also readily available online making purchasing easier for all customers.

Multichannel transactions have increased by over 30%, with strong growth demonstrated in Toolstation's online Click and Collect or Call and Collect offer. Development of IT systems continued in 2018 with a new EPOS system implemented in branch, and a trade credit card was also launched providing small trade customers with access to up to 116 days of credit on purchases in Toolstation and on other Travis Perkins brands.



Toolstation has an encouraging presence across social media using varying platforms to engage with its customer base. With over 24,000 Facebook fans, 3,000 followers on Twitter and nearly 12 million views of Toolstation's adverts on YouTube to date, social media will without a doubt continue to play a significant role in engaging with tradesmen.

Marketing/Advertising

One of the biggest investments for Toolstation is their catalogue. Stocked full of new lines as well as standard products, the catalogue is regularly refreshed and highlights features and selected offers too.



Trading Strategy Continued...



Toolstation continues to invest in TV advertising with its latest commercial, Helping Hand, aired in 2018. The company has also published a series of how to/product highlight videos which are available through YouTube.

Since the 2005/6 season, Toolstation has supported “grass roots” football through sponsorship of the Toolstation Western Football League – one of the most vibrant and well-supported football leagues in the UK. Since the 2013/14 season, Toolstation has also sponsored the Toolstation Northern Counties East Football League. This too is a league with a very large following and fascinating history. Clubs within these leagues play an important role in their local communities, by providing social and recreational facilities that might otherwise not exist, especially for young people and results feature regularly in local and national newspapers generating significant PR for the company. Due to such strong associations and ties with the sport, Toolstation even has its very own football league website www.toolstationleague.com



The company has also won many awards including Best Online Retailer in DIY products by Which? in 2013, 2014 and 2015. It was also named Retailer of the Year in 2016 and 2017 and topped the High Street shops survey in 2016 and 2017. Most recently it has won Which? Recommended Provider 2018 for DIY High Street Shops



Toolstation also came sixth overall in the survey's total list of UK companies, scoring heavily for its competitive prices and fast and reliable delivery. Customers credited Toolstation with a higher level of online service and excellence ahead of many top names such as Amazon, Argos and Marks and Spencer.

John Meadon, Marketing Director comments,

“This is a brilliant result for Toolstation. The Which? survey carries serious recognition and standing and to win our section and be so high overall is a stunning endorsement of the services we offer. It is also a real credit to everyone at Toolstation and the efforts we have put in to achieve the very best possible in terms of stock control, pricing and delivery,”

Financials

Toolstation Ltd

Year	Turnover £000s	Operating Profit £000s	Operating Margin %	Pre-Tax Profit £000s	Turnover Growth %	Notes Op prof/rev
2018	354,473(est)	N/A	N/A	N/A	18%	Year ended 31st December 2018
2017	300,401	27,355	9.1	21,511	16.5%	Year ended 31st December 2017
2016	257,907	24,513	9.5	18,815	14.2%	Year ended 31st December 2016
2015	225,818	22,576	10.0	17,198	15%	Year ended 31st December 2015
2014	196,457	20,086	10.2	15,090	20%	Year ended 31st December 2014

NB - 2018 turnover figure estimated, based on 18% turnover growth figure as reported by Travis Perkins. 2,890 people, and owns over 300 branches nationwide.

In the 2018 financial year, Tile Giant, Toolstation and Wickes were all part of the Consumer division of Travis Perkins PLC, which reports on financial data by division rather than individual company. Travis Perkins PLC confirmed in its 2018 annual report that it intends to simplify and focus on its trade business. The report referred to the fact that while Toolstation is currently in the Consumer division, approximately 70% of its sales are to trade customers. There may, therefore, be a different reporting situation in upcoming results.

Financial data has been taken from accounts filed at Companies House for Toolstation Ltd, which has yet to file accounts for the 2018 financial year.

Toolstation Limited's next set of accounts, made up to 31 December 2018, are due to be filed at Companies House by 31st September 2019.

Travis Perkins plc - Highlights

- Strong Group revenue growth of 4.8%, and 4.9% on a like-for-like basis primarily driven by the strong growth in the Plumbing & Heating and Contracts divisions and the Toolstation business, partially offset by the challenges faced by Wickes in the first nine months of the year
- Adjusted operating profit declined by 1.3% while adjusted EPS grew by 3.7%
- H2 adjusted operating profit, excluding property profits, grew by 10.7% underpinned by successful cost reduction activities

In Travis Perkin's company report published December 2018, John Carter, Chief Executive Officer comments,

"The Group delivered a solid performance overall in 2018 despite a challenging market backdrop. We took concerted self-help actions during the year, and the benefits of this cost reduction, together with improved trading, drove an improved profit performance in

the second half of the year. In December 2018, we set out our intention to focus on delivering best-in-class service to trade customers and to simplify the Group. To that end, removing the divisional structure within Merchanting will enable an increased focus on customers at a business unit level, speed up decision making and, at the same time, reduce costs.

In the longer term, the Group remains focused on generating sustainable profitable growth for shareholders and we will achieve this by allocating capital and resources to our most advantaged businesses. Whilst we remain positive about the long-term outlook for our end markets, we are planning for uncertain market conditions to continue in the near term. The Group remains focused on self-help actions to underpin performance in the near term, whilst continuing to invest for the future."

Financials Continued...

Toolstation UK – Highlights

- Toolstation revenue grew by 18% in 2018 from £300m PY to £354m FY, and by 11.4% on a LFL basis.
- Sales growth driven by the continued expansion of the branch network, existing branches continuing to mature, and through the extended ranges available to customers on a next-day basis.
- Adjusted operating profit broadly flat year on year as additional volume growth offset by investment in the higher operating costs associated with the 40 additional branches and a new distribution centre which will support further Toolstation network expansion.
- Gross margin unchanged, despite maintaining Toolstation's value leadership position.

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Insight Retail Group Limited, 4, Claridge Court, Lower Kings Road, Berkhamsted, Herts, HP4 2AF

Company Registration: 3285833 VAT No: 317 5252 14

Insightdiy Trade Profile - Published April 2019

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