

Half Year Results Presentation 2023



Contents

3-4

Introduction
Nick Roberts

5-14

Financial
Review
Alan Williams

15-22

Business
Review
Nick Roberts

23

Questions

24-27

Appendices

28

Contacts

Half Year Results Presentation 2023

Introduction

Nick Roberts



➤ Focused on balancing near-term trading actions with long-term strategic delivery in challenging market conditions

- Challenging first half with macroeconomic conditions remaining subdued, notably in new build housing and domestic RMI; other end markets remain resilient
- Maintaining a balanced approach between protecting near term profitability and investing to create longer term competitive advantage
- Remaining close to customers in difficult market conditions
- As previously guided, full year expectations of around £240m operating profit



Half Year Results
Presentation 2023

Financial review

Alan Williams



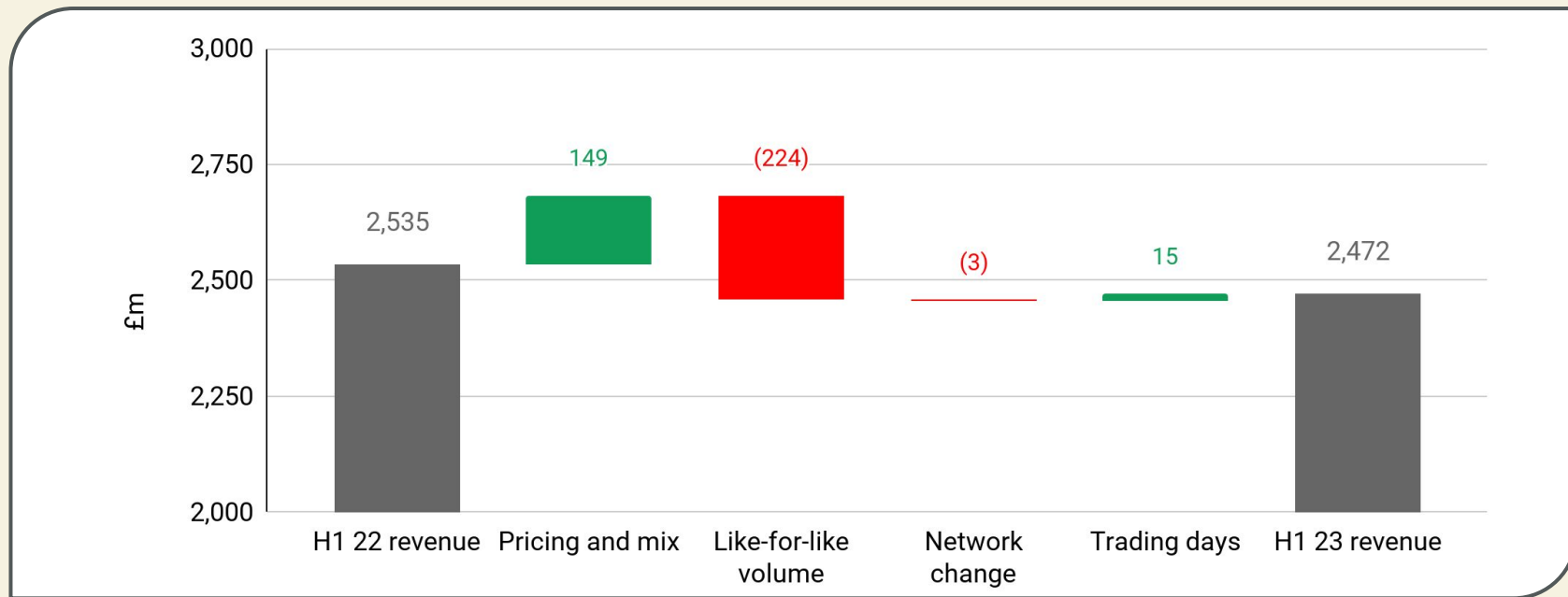
Key financial highlights

6 months ended 30 June 2023

	H1 2023	H1 2022	<i>Change</i>
Revenue (£m)	2,472	2,535	<i>(2.5)%</i>
Adjusted operating profit (£m)	112	163	<i>(31.3)%</i>
Adjusted earnings per share (pence)	30.5p	51.6p	<i>(40.9)%</i>
Adjusted ROCE excluding property profits (12 months rolling)	8.1%	11.8%	<i>(3.7)ppt</i>
Net debt / adjusted EBITDA	2.1x	1.8x	<i>(0.3)x</i>
Cash conversion	105%	13%	<i>91ppt</i>
Ordinary dividend per share	12.5p	12.5p	-

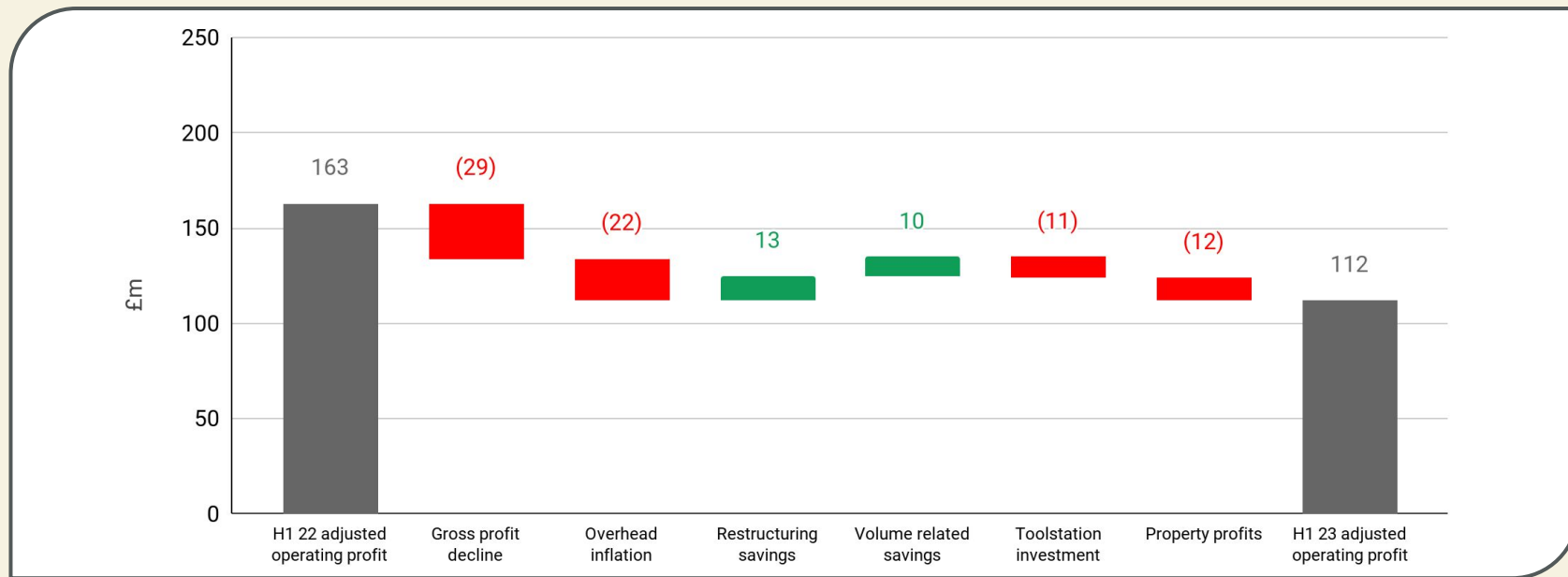
Note - Alternative performance measures are used to provide a guide to underlying performance

Modest revenue decline in challenging market conditions



- Pricing has moderated, notably on commodity products; still a material rollover impact in H1 with pricing c. 6%
- Volumes impacted by weakness in new build housing and domestic RMI
- Limited impact from network with Toolstation rollout slowed and the impact of Q4 2022 branch closures

Operating profit impacted by lower volumes; costs well managed



- Gross profit decline driven by significantly lower volumes in Merchanting; overall gross margin maintained
- Overhead inflation mitigated by cost actions
- Toolstation investment in new UK distribution centre and European expansion
- Property profits lower due to sale of central Cambridge site in prior year

Merchanting impacted by subdued demand in RMI and new build housing



	H1 2023	H1 2022	Change
Revenue	£2,062m	£2,159m	(4.5)%
Adjusted operating profit*	£130m	£170m	(23.5)%
Adjusted operating margin*	6.3%	7.9%	(160)bps
ROCE (12 month rolling)*	12%	16%	(4)ppt
Branch network**	769	767	2

* Excluding property profits

** 2022 branch network figures for comparison are taken at 31 December 2022

- Challenging H1 for the General Merchant, notably in the professional trade and general builder segment
- Value added services delivering good growth
- Keyline and CCF impacted by significant downturn in new housebuilding
- Robust performance in BSS
- Staircraft and TF Solutions performing well

Continued sales momentum in Toolstation

TOOLSTATION

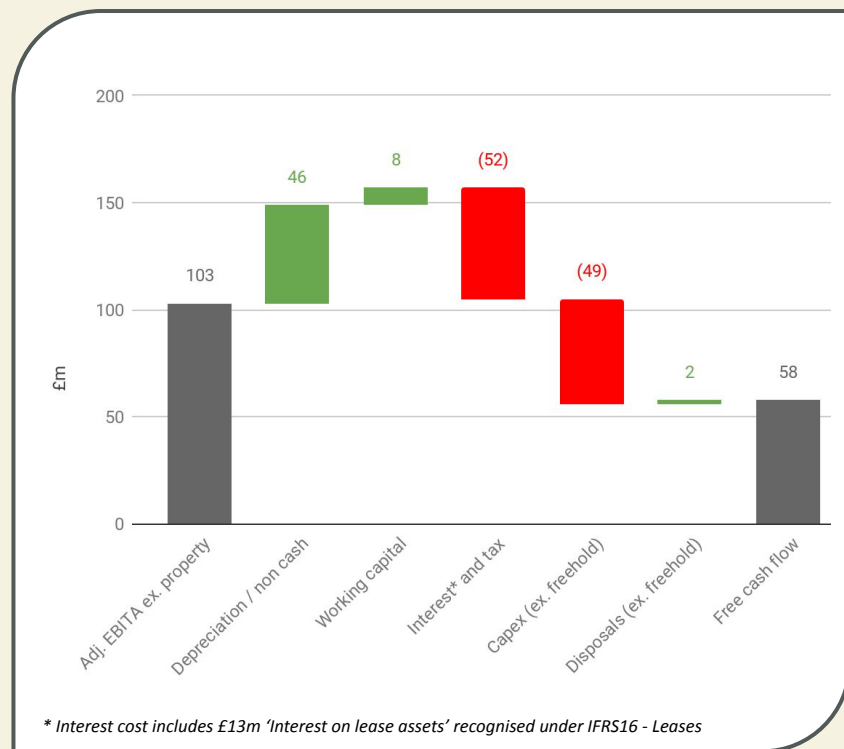
	H1 2023	H1 2022	Change
Revenue	£410m	£376m	9.0%
Like-for-like growth	5.9%	(10.6)%	
Adjusted operating profit*	£(10)m	£(8)m	(25.0)%
Adjusted operating margin*	(2.4)%	(2.2)%	(20)bps
ROCE (12-month rolling)*	(2)%	1%	(3)ppt
Branch network (UK)**	562	563	(1)
Branch network (Europe)**	166	158	8
Memo:			
UK adjusted operating profit	£9m	£7m	28.6%

* Excluding property profits

** 2022 branch network figures for comparison are taken at 31 December 2022

- UK revenue growth of 8% demonstrates maturity benefits
- UK profit impacted by c. £7m of distribution centre dual running / start-up costs and high wage inflation
- New DC at Pineham on track to open Q3
- European performance in line with expectations with 19% revenue growth
- European losses expected to narrow in H2 as Netherlands moves towards break-even

Strong cashflow conversion driven by tight working capital management



- Free cash flow of £58m with strong operating cash flow conversion of 105%
- Stock tightly managed to reflect market conditions
- Debtors well managed with debtor days reduced
- Cash interest reduced by £6m

Capital spend flexed to reflect market conditions

£m	H1 2023	H1 2022
Strategic	29	34
Maintenance	19	15
IT	1	3
Base capital expenditure	49	52
Freehold property	7	17
Gross capital expenditure	56	69
Disposals	(35)	(4)
Net capital expenditure	21	65

- Strategic investment focused on new Toolstation UK DC, upgrading Merchant branches and new Staircraft manufacturing facility
- Maintenance spend reflects investment in fleet to deliver efficiencies and support decarbonisation goals
- Majority of software development now expensed directly through the profit and loss account
- Guidance for full year base capex maintained at £100m, 20% below medium term plan to reflect market conditions

Leverage reflects weaker earnings; 2023 bonds now fully refinanced

	30 Jun 2023	31 Dec 2022	Change	Covenant*
Net debt	£874m	£819m	£(55)m	
Net debt / adjusted EBITDA	2.1x	1.8x	(0.3)x	<4.0x
Net debt before leases	£274m	£306m	£32m	
Net debt before leases / adjusted EBITDA**	0.8x	0.6x	(0.2)x	

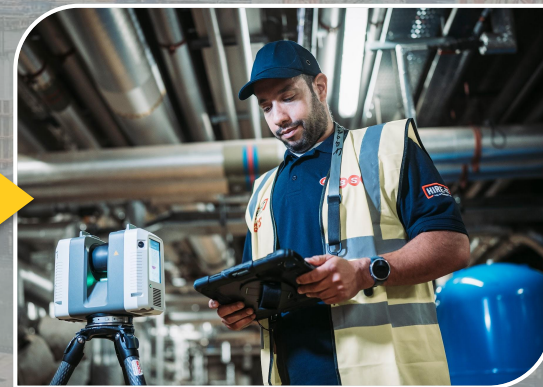
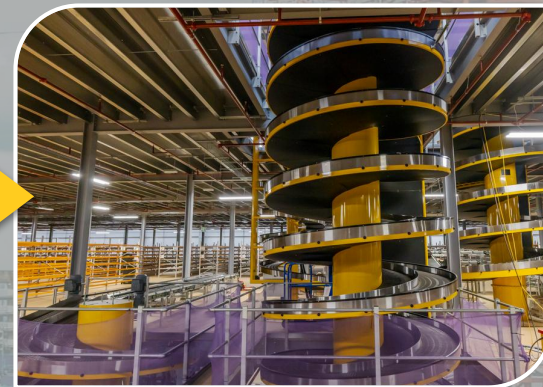
- Net debt before leases reduced through strong cash management actions
- Leverage at the top of the range driven by lower EBITDA and £87m increase in lease commitments from Toolstation UK DC, new Staircraft manufacturing facility and sale-and-leaseback transaction
- £100m bonds issued through private placement; 2023 bond now fully refinanced

* The Group has economically-equivalent covenants on a current GAAP basis and on a pre-IFRS 16 – Leases basis

** Ratio calculated using adjusted EBITDA excluding right-of-use asset depreciation

➤ Outlook and technical guidance

- H2 expected to remain challenging; pricing moderating to low single digit growth with volume trend improving to mid single digit decline
- As previously guided, full year adjusted operating profit expected to be around £240m
- Property profits expected to be £15-20m
- Base capital expenditure expected to be around £100m



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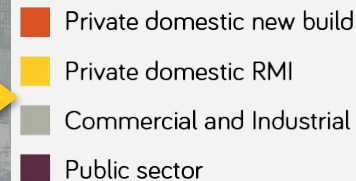
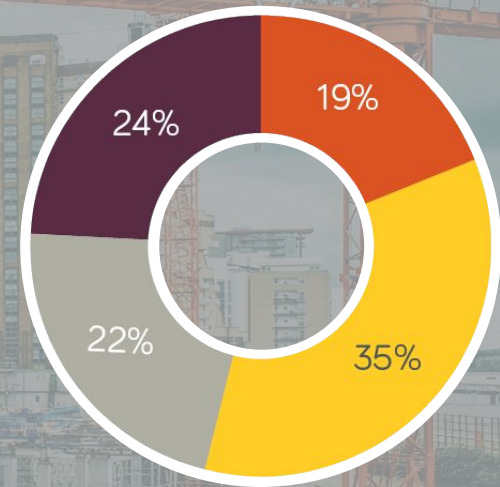
Business review

Nick Roberts



End markets challenging in near-term but structural drivers remain

- Market conditions expected to remain difficult in H2 with new build housing and private domestic RMI facing extended weakness
- Other end markets remain resilient with longer-term, well-funded projects in place
- Large contractors and developers relatively robust, key area of focus is general builder and professional trade
- Structural drivers remain intact: decarbonisation, shortage of housing, energy efficiency with retrofit emerging as an opportunity



Note - end market segmentation based on 2022 data

➤ Remaining focused on clear priorities



Our priorities

Maintaining operational agility and discipline in capital allocation

Leading the evolution of the Merchanting model

Maximising Toolstation growth potential in UK and Europe

Operating and leading in attractive markets

► Focused actions on general builder and professional trade segment

- Using our data to effectively target and engage specific cohorts
- Sharper focus on gateway categories
- Working with our suppliers to bring the best deals to our customers
- Creating more time for colleagues to spend time with customers in branch through process improvements
- Toolstation winning share through value leadership and convenience of customer journey

TP Travis Perkins

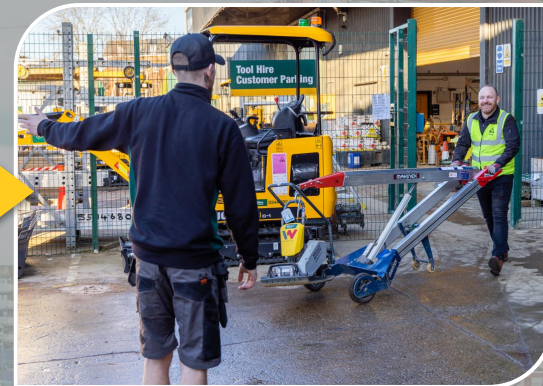


TOOLSTATION



Merchanting - good progress on strategic delivery

- Managed services growing strongly with H1 revenue up 7%
- Hire performing well with revenue up 6% in H1 and 34% ahead of 2019
- Innovation continues with WholeHouse initiative launched
- Digital solutions driving efficiency and removing customer friction points



Merchanting - Destination branches delivering good results

- Revenue and profit performance of new destination branches ahead of investment appraisal targets and comfortably ahead of pre-2020 cohort
- 17 new, expanded or relocated branches since 2020; majority freehold giving long term security of tenure
- Good pipeline with 6 new branches due to open H2
- Continuing to focus on new sites and relocations in major conurbations



Travis Perkins Bristol branch

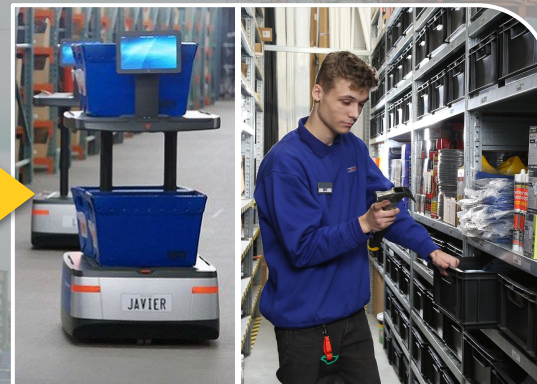
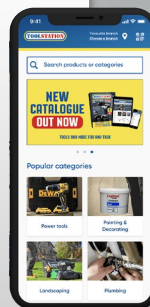


Travis Perkins Cheltenham branch

Toolstation share gains reaffirm growth potential

TOOLSTATION

- Toolstation UK on track with maturity benefits and trade focus driving market share gains
- UK infrastructure now in place; emphasis on driving operating margin
- European network doubled in last 30 months; gaining share with good trade participation



Update for sell side analysts and investors on 28th September focused on Toolstation UK. To be held at new UK distribution centre in Pineham, Northamptonshire



Balancing near-term challenges with long-term opportunities

A balanced approach in challenging market conditions

- Relentless focus on local general builder and professional trade customers
- Investing to create long-term competitive advantage
- Maintaining cost discipline

Competitive advantage from strategic sustainability focus

- Accelerated decarbonisation of the Group's assets
- Growing a skilled and future ready workforce
- Development of more sustainable products and services

Long term investment thesis intact

- Robust balance sheet and focused allocation of capital
- Strong cash conversion from disciplined working capital management
- Attractive long term returns for shareholders



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Questions



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Appendices



I - Definitions

Metric	Definition
Operating profit	Profit before tax, financing charges and income
Earning per share ("EPS")	Ratio of net profit after taxation to weighted number of ordinary shares outstanding
Adjusted operating profit / Adjusted EPS	Operating profit / EPS before adjusting items and amortisation of acquisition-related intangible assets
ROCE	Adjusted operating profit divided by the combined value of balance sheet debt and equity
Net debt before leases	On-balance sheet debt excluding lease liabilities
Net debt	On-balance sheet debt including lease liabilities
Net Debt / EBITDA	The ratio of net debt to earnings before tax, interest, depreciation, amortization and adjusting items ("EBITDA")
Free cash flow ("FCF")	Net cash flow before dividends, freehold property purchases and disposal proceeds, pension deficit repair contributions, adjusting cash flows and financing cash flows
Like-for-like sales growth	Revenue growth adjusted for new branches, branch closures, business acquisitions and disposals and trading day differences. Revenue included in like-for-like is for the equivalent periods in both years under comparison. Branches are included once they have traded for more than 12 months.
Cash conversion %	$\text{Cash conversion \%} = \frac{\begin{array}{l} \text{Adjusted EBITA excl. Property Profits} \\ + \text{ depreciation \& amortisation (excl. IFRS 16)} \\ +/- \text{ change in working capital} \\ - \text{ non-freehold capital expenditure} \end{array}}{\text{Adjusted EBITA excl. Property Profits}}$

II - Sales drivers by reporting segment

		Total Revenue		Like-for-like revenue					
		2023	2022	2023	2022		Merchanting	Toolstation	Group
Merchanting	Q1	(3.2)%	17.9%	(4.2)%	15.3%	Volume	(10.3)%	2.7%	(8.4)%
	Q2	(5.6)%	9.2%	(5.2)%	8.5%	Price and mix	5.8%	6.3%	5.9%
	H1	(4.5)%	13.3%	(4.8)%	11.7%	Total revenue growth	(4.5)%	9.0%	(2.5)%
Toolstation	Q1	8.6%	(6.0)%	4.6%	(11.9)%	Network changes and acquisitions / disposals	0.4%	(3.1)%	(0.1)%
	Q2	9.7%	(3.2)%	7.2%	(9.2)%	Trading days	(0.7)%	0.0%	(0.6)%
	H1	9.0%	(4.6)%	5.9%	(10.6)%	Like-for-like revenue growth	(4.8)%	5.9%	(3.2)%
Total Group	Q1	(1.5)%	13.6%	(2.9)%	10.5%				
	Q2	(3.3)%	7.1%	(3.3)%	5.6%				
	H1	(2.5)%	10.3%	(3.2)%	7.9%				

III - Branch Numbers

	31 Dec 22	Openings	Closures	30 Jun 23
Travis Perkins General Merchant	547	3		550
Benchmarx*	72		(1)	71
Keyline	44		(1)	43
CCF	37		(1)	36
BSS & TF Solutions	67	2		69
Merchanting	767	5	(3)	769
Toolstation	563	1	(2)	562
Toolstation Europe	158	8		166
Toolstation	721	9	(2)	728
Group	1,488	14	(5)	1,497

* Standalone Benchmarx branches only. The group also has 86 Benchmarx showrooms or implants within Travis Perkins General Merchant branches

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Contacts

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