

# 2021 Full Year Results Presentation

March 2022





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## Introduction

Nick Roberts



# A year of great progress

- ✓ Teams re-energised and empowered
- ✓ Merchants refocused and driving growth
- ✓ Toolstation market share gains continue
- ✓ Demerged Wickes
- ✓ Sold Plumbing & Heating
- ✓ Strong balance sheet with excess capital returned

Group  
simplified  
and trade  
focused

# Well positioned for the future

- ✓ Deepening customer relationships through digital enablement, network expansion and collaboration initiatives
- ✓ Elevating customer relationships through value added services and greater capability
- ✓ Acquired Staircraft and expanding TF Solutions to access new / adjacent markets
- ✓ Repeatable model focused on delivering sustainable TSR

Leading  
partner to the  
Construction  
industry

Excellent financial performance with adjusted operating profit 19% ahead of 2019

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## Financial review

Alan Williams



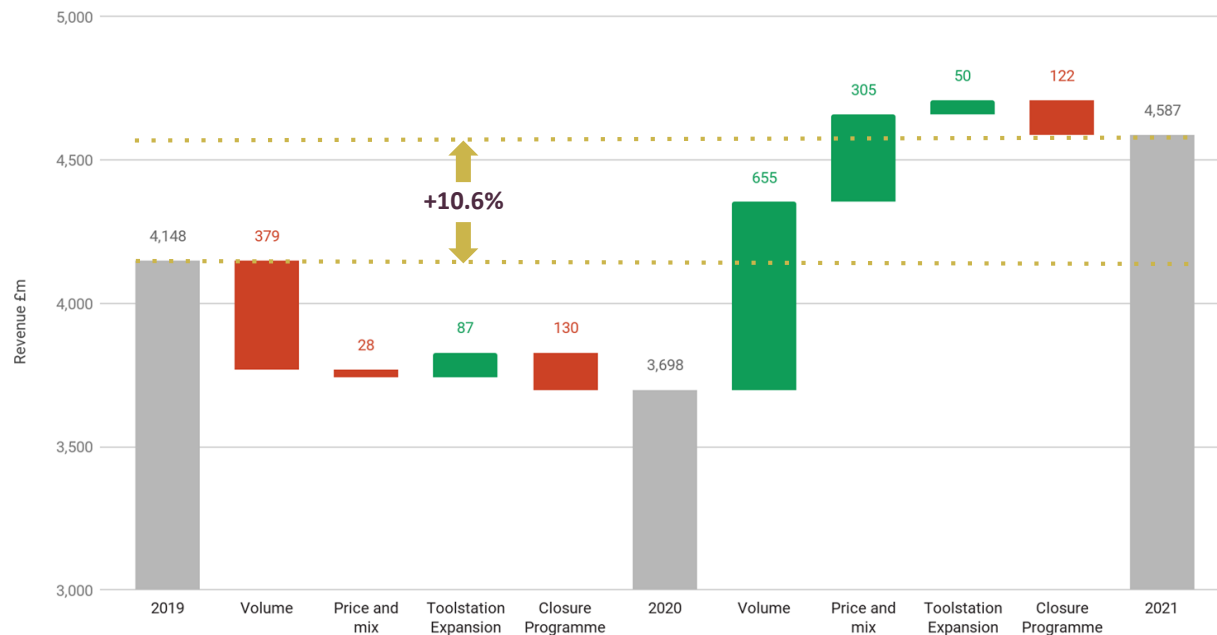
# Key financial highlights

<b><i>Year ended 31 December 2021</i></b> <b><i>(£m unless otherwise stated)</i></b>	<b>2021</b>	<b>2020*</b>	<b><i>Year-on-year change</i></b>
<b>Revenue</b>	<b>4,587</b>	3,698	24.0%
<b>Adjusted EBITA</b>	<b>353</b>	128	175.8%
<b>Adjusted earnings per share (pence)</b>	<b>107.3p</b>	21.0p	411.0%
<b>Adjusted ROCE excluding property profits</b>	<b>12.1%</b>	4.9%	7.2ppt
<b>Net debt / adjusted EBITDA</b>	<b>1.2x</b>	2.0x	0.8x
<b>Cash conversion</b>	<b>51%</b>	263%	
<b>Ordinary dividend per share</b>	<b>38.0p</b>	n/a	

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

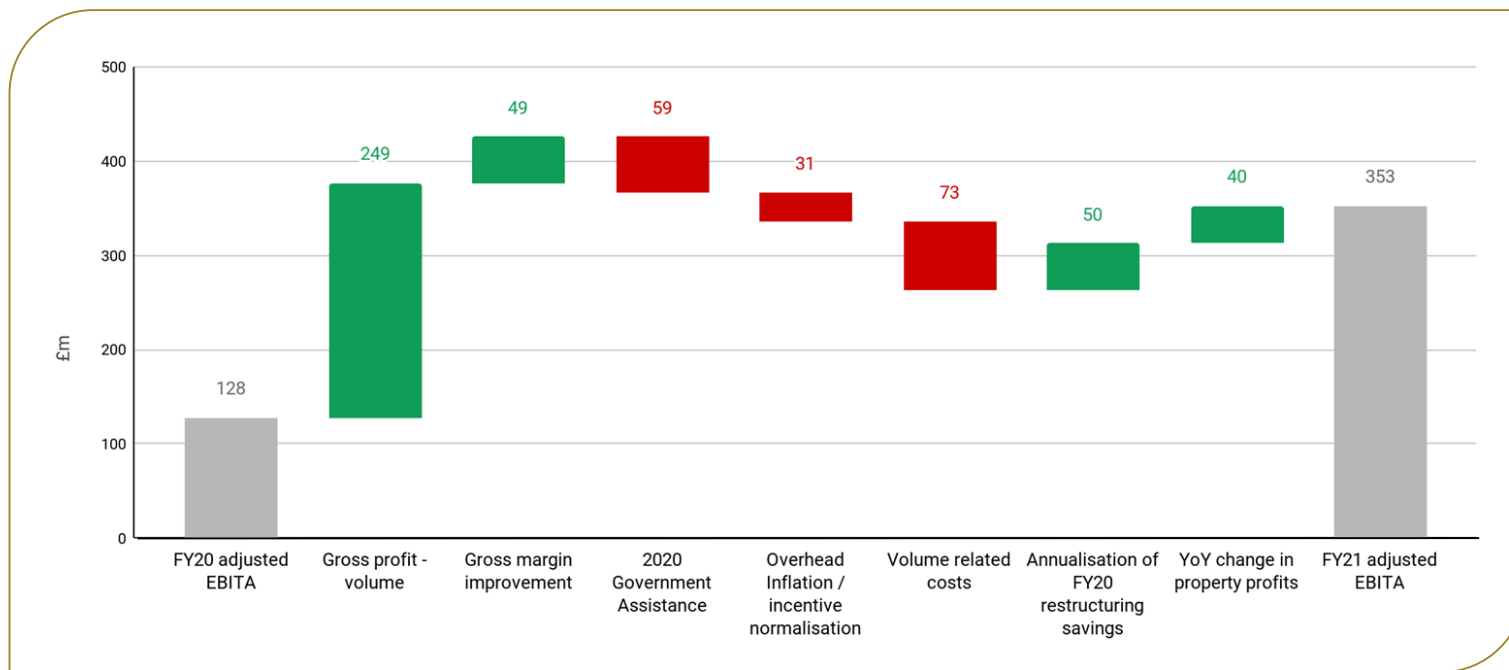
*\* For continuing businesses only. The Retail and Plumbing & Heating segments are treated as discontinued operations.*

# Strong revenue performance; 10.6% ahead of 2019



- Strong revenue performance enabled by management actions and rapid recovery in key markets
- Upside versus 2019 driven by volume (+7%), pricing (+7%) and net space reduction (-3%) from 2020 restructuring

# Volume recovery and cost discipline drive profit growth



- Strong profit recovery with EBITA +19% vs 2019 and operating margin +60bps
- COGS inflation recovered through pricing activity; gross margin improvement of 110bps
- Operating margin improvement driven by disciplined management of overhead base

# Merchanting driving growth and operating leverage



	2021	2020	Change
Total revenue	<b>£3,826m</b>	£3,065m	24.8%
Adjusted operating profit*	<b>£320m</b>	£152m	110.5%
Adjusted operating margin	<b>8.4%</b>	5.0%	340bps
ROCE	<b>15.6%</b>	7.3%	8.3ppt
Branch network	<b>860</b>	846	14

- Excellent performance driven by strong operational delivery underpinned by broad-based, RMI-led recovery
- Inflation and supply chain challenges navigated well
- Improvement of 60bps in operating margin and 3.2ppt in ROCE vs 2019 driven by good volume growth, sustained gross margin and benefits from cost actions
- TP General Merchant benefiting from actions taken to strengthen the business
- Record profit delivery for BSS and Keyline. CCF recovering well despite availability challenges

\* Excluding property profits

# Toolstation - continued outperformance

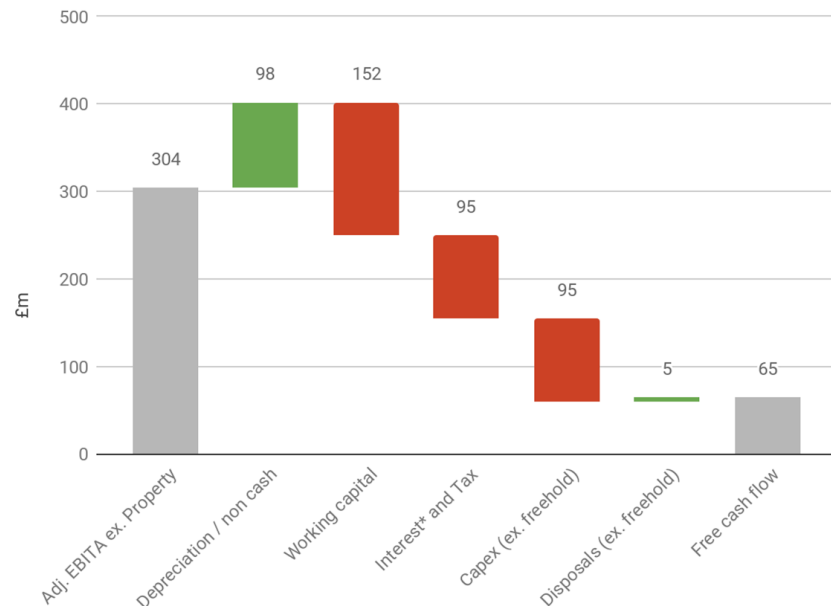
	2021	2020	Change
Total revenue	<b>£761m</b>	£633m	20.2%
Like-for-like growth	<b>12.3%</b>	22.2%	
Adjusted operating profit*	<b>£22m</b>	£8m	175.0%
Adjusted operating margin	<b>2.9%</b>	1.3%	160bps
ROCE	<b>4.5%</b>	1.8%	2.7ppt
Branch network (UK)	<b>530</b>	460	70
Branch network (Europe)	<b>123</b>	83	40
<b>Memo:</b>			
UK adjusted operating profit*	<b>£42m</b>	£24m	75.0%

\* Excluding property profits

- UK revenues up 19% vs PY and 54% ahead of 2019
- UK operating margin progressed to 6.3%, in line with management expectations
- UK sales mix normalised during H2 after big uptick in DIY volumes during pandemic. Regular customers\*\* +22% growth in H2
- Recent UK branches maturing more quickly
- Toolstation Europe revenue up 35% to £92m with Netherlands expected to reach break even point by end 2023
- Accelerated investment in Belgium and France to capitalise on market opportunity

\*\* Customers spending over £1,000 during 2021

# Working capital rebuilt as trading recovered



\* Interest cost includes £21m 'Interest on Lease assets' recognised under IFRS16 - Leases

- Free cash flow generation of £65m as working capital rebuilt to reflect trading recovery
- Working capital increase of £152m driven by increase in debtor book as sales recovered. Credit continues to be well managed with record low overdues as % of credit sales
- Stock rebuild fully offset by increase in creditors
- Cash conversion\* of 111% over 2020 and 2021 combined

\* Cash conversion % =

Adjusted EBITA excl. Property Profits  
+ depreciation & amortisation (excl. IFRS 16)  
+/- change in working capital  
- non-freehold capital expenditure

Adjusted EBITA excl. Property Profits

# Disciplined capital allocation

£m	2021	2020
Strategic	66	42
Maintenance	20	34
IT	9	11
<b>Base capital expenditure</b>	<b>95</b>	<b>87</b>
Freehold property	81	26
<b>Gross capital expenditure</b>	<b>176</b>	<b>113</b>
Disposals	(82)	(55)
<b>Net capital expenditure</b>	<b>94</b>	<b>58</b>

- Strategic capex driven by Toolstation expansion, TPGM branch investment and purchase of tool hire assets
- Maintenance capex lower due to redeployment of vehicles from 2020 restructuring. Expected to normalise in FY22
- Excellent progress on exit of closed sites
- Property disposal proceeds recycled into purchasing strategically valuable freehold sites, including TPGM Battersea and Watford plus Keyline Birmingham

# Strong balance sheet provides capacity for both future investment and returns

£m	31 Dec 2019		31 Dec 2021
Covenant Net Debt	344	→	87
IFRS16 Lease liabilities	1,413	→	489
Other	31		29
<b>IFRS16 Net debt</b>	<b>1,788</b>	<b>→</b>	<b>605</b>
Covenant Net Debt / EBITDA	0.6x	→	0.2x
<b>IFRS16 Net Debt / EBITDA</b>	<b>2.5x</b>	<b>→</b>	<b>1.2x</b>

- Demerger of Wickes and disposal of P&H has transformed the balance sheet
- Medium term leverage target of 1.5 - 2.0x
- Year end leverage of 1.2x (c. 1.5x pro-forma adjusting for completion of buyback programme)
- Buyback programme extended to £240m on 1 March to complete return of P&H proceeds
- Balance sheet strength enables investment in growth opportunities and creates scope for additional shareholder returns

# Guidance for 2022

## Outlook

- Lead indicators support continued strength in RMI and housebuilding
- Commercial recovering well; infrastructure outlook positive
- Adept at recovering input cost inflation and managing availability
- Positive start to the new year; confident of making further progress in 2022

## Technical Guidance

- Base capital expenditure in 2022 expected to be around £140m. Includes £15m additional investment in new UK lightside direct fulfilment centre to provide best-in-class digital fulfilment service. £(5)m operating profit impact in 2022
- Property profits around £25m
- Effective tax rate of 20%

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## Strategy in action

Nick Roberts

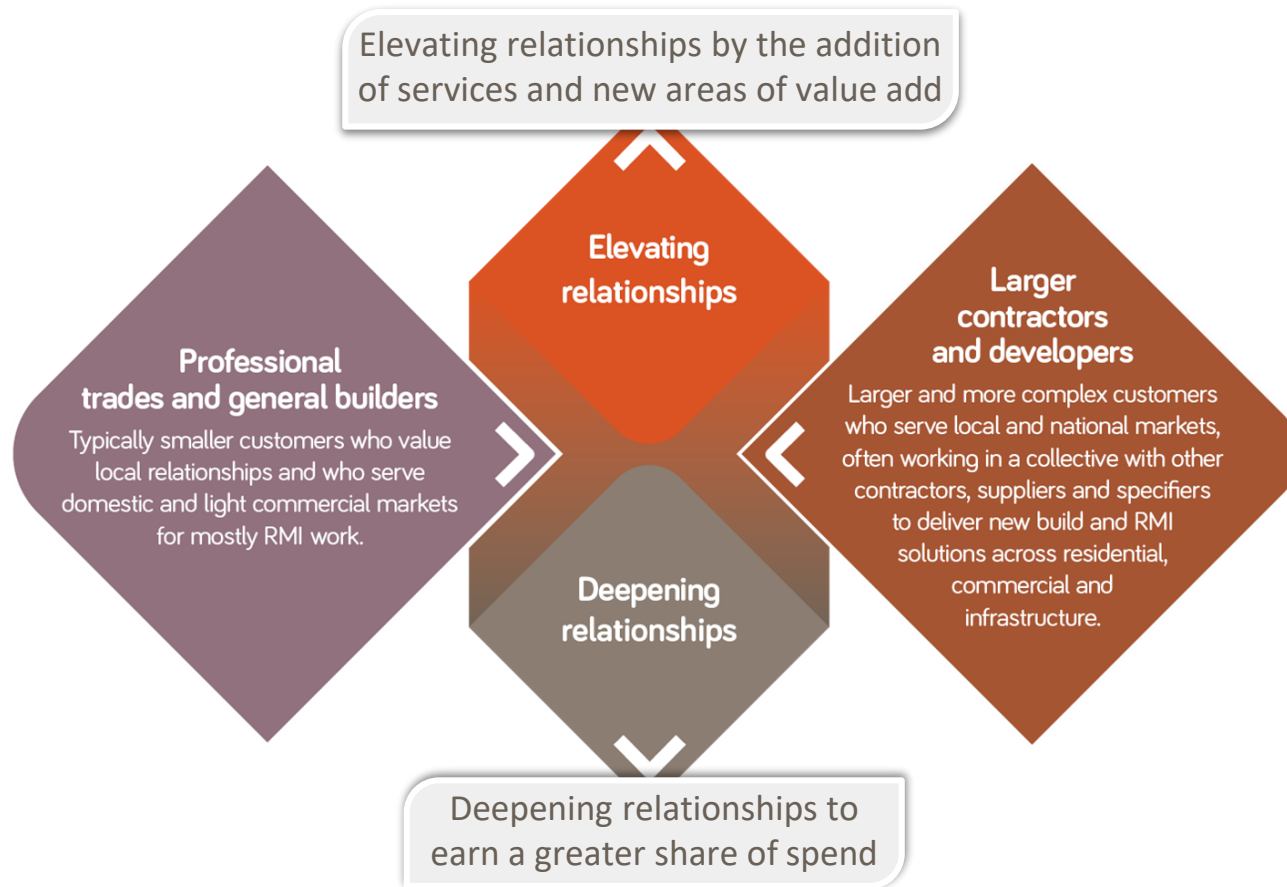


# The Group is well positioned for the future

- Requirement to decarbonise UK built environment creates end market opportunities
  - Need for new and affordable housing
  - Investment required in retrofitting existing residential and commercial buildings
  - Need to modernise public sector assets
- Policy environment for both carbon reduction and infrastructure is supportive
- Construction methods and customer needs are changing

The Group is uniquely placed to respond due to its combination of market leading businesses and new capabilities

# Focus is on customer relationships



# Enhancing our branch experiences

Deepening  
relationships



- Opening “destination” Merchant branches
- Offering integrated services with tool hire, Benchmarx and TF Solutions
- Toolstation rollout continues at pace with 117 new branches. Now 653 branches across UK and Europe
- Stronger Toolstation proposition with “trade essentials” merchandising, extended range and trade credit offering
- First Toolstation implant in TP



“More convenient to do business with”

# Best in class digital experience

- Improved digital channels gaining share of wallet; AOV +25%
- Digital onboarding for Toolstation trade credit
- 1 hour heavyside Click & Collect offer through TP App / website
- Digitising the branch experience for both customers and colleagues
- Optimising channels for larger customers

Deepening relationships



Reviews 307,658 • Excellent

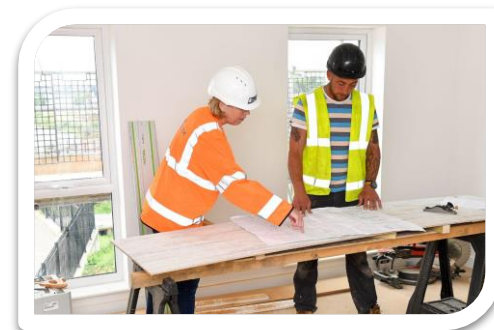


“Gaining share of wallet”

# Building long term partnerships with added value services

- Combining leading branch network and technology to create local fulfilment hubs
- Providing training on low carbon materials and alternative heating systems to support decarbonisation
- Optimising use of mobile technology and equipment hire to improve customers' fleet and maintenance efficiency
- Delivering waste management solutions for customers

“Margin accretive growth opportunities”



# Delivering new capabilities with Staircraft

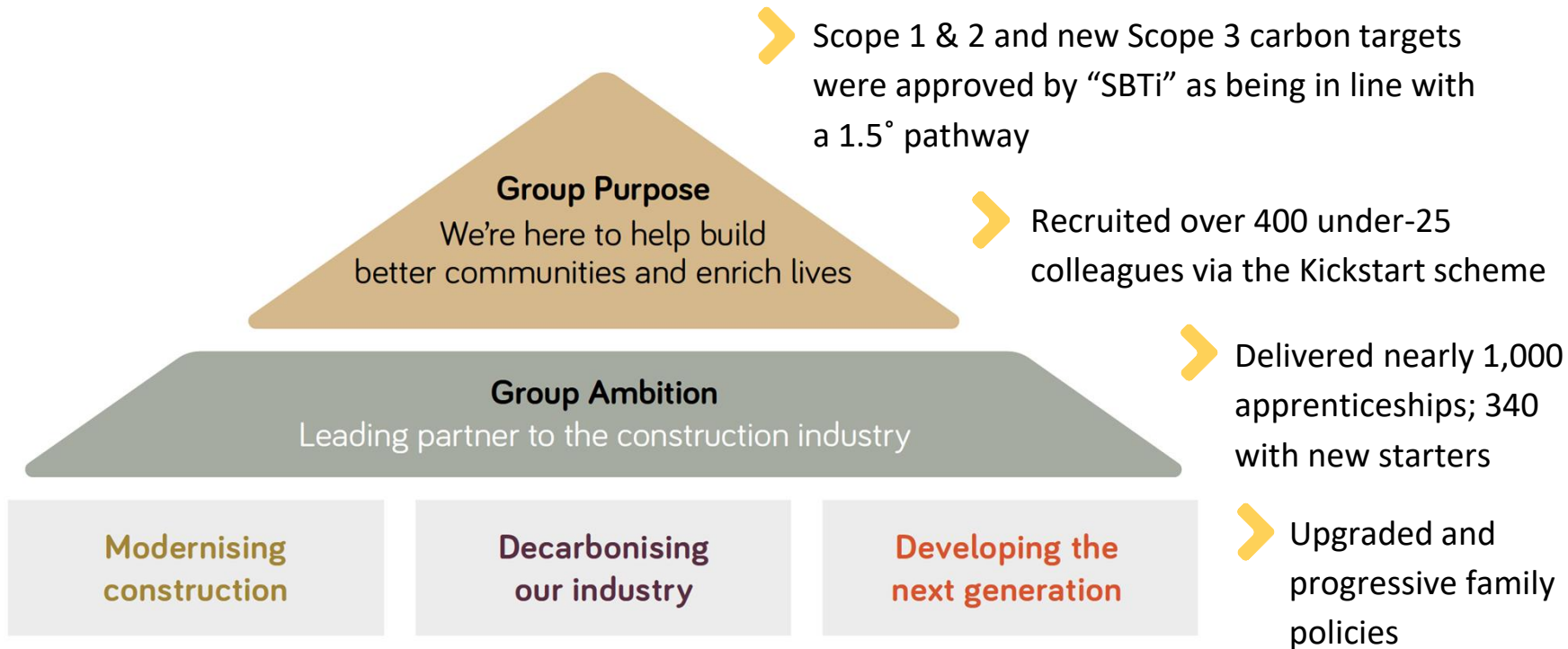
Elevating  
relationships

- Acquisition completed Q4
- Design led timber engineering capability for complex / structural elements
- Applying AI to new builds
- Supplying five major housebuilders
- Reducing cost, waste and complexity

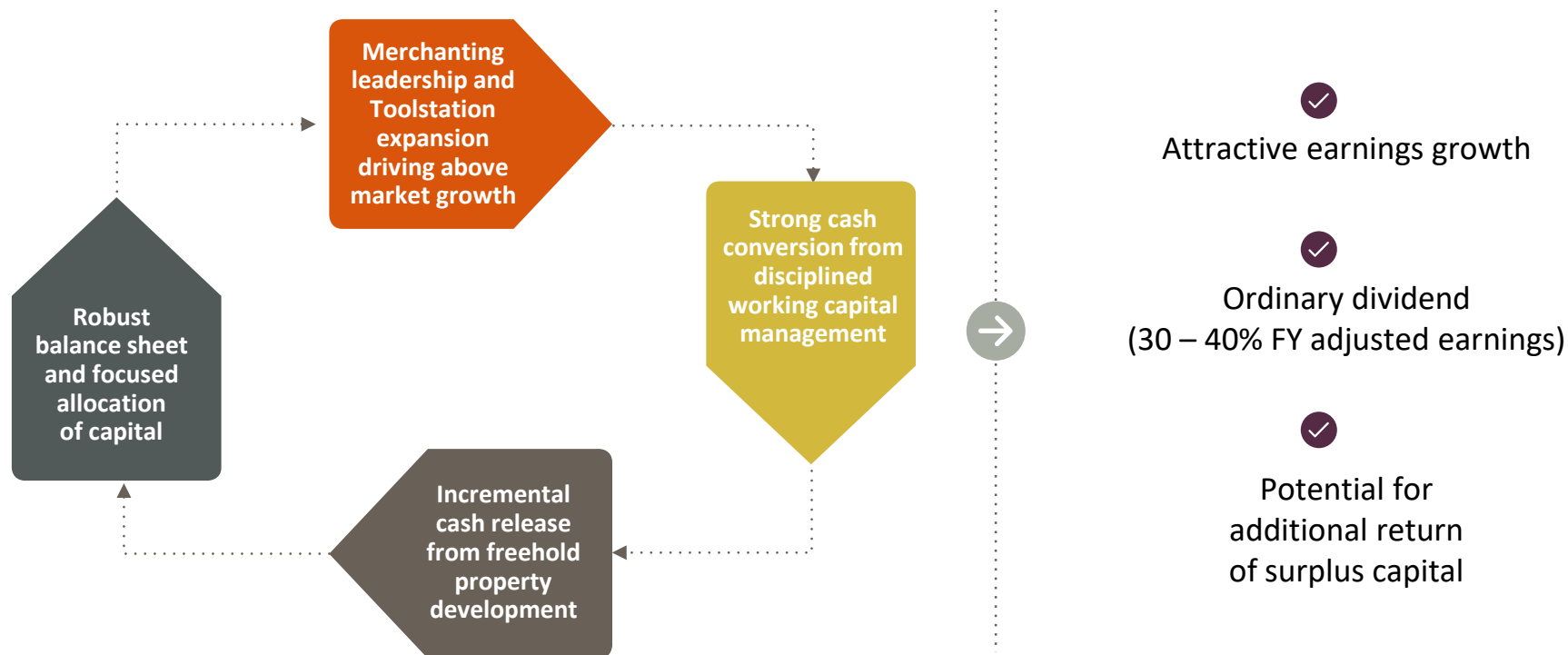


“Modernising construction through design”

# Excellent progress on achieving our purpose



# Repeatable model focused on delivering sustainable TSR



# We're here to help build better communities and enrich lives



We have a differentiated and clear purpose with a stretching ambition

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Our combination of market-leading business adds value to customers and society

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With a business built on sound foundations for future growth

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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 adjusted for minority interests 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
Covenant net debt	On-balance sheet debt excluding lease liabilities and pension SPV liability
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.

## II - Sales drivers by reporting segment

		Like for like revenue		Total revenue		Total revenue	Merchanting	Toolstation	Group
		2021 vs 2020	2021 vs 2019	2021 vs 2020	2021 vs 2019				
Merchanting	Q1	15.7%	5.8%	5.7%	(2.6)%	Volume	18.9%	9.2%	17.2%
	Q2	94.1%	16.1%	87.8%	6.4%				
	H1	47.3%	11.0%	37.5%	1.9%	Price and mix	9.3%	3.1%	8.2%
	Q3	15.2%	11.7%	15.1%	3.0%				
	Q4	11.9%	14.0%	13.6%	6.7%				
	H2	13.7%	12.8%	14.4%	4.7%				
	FY	28.2%	11.9%	24.8%	3.3%	Like-for-like revenue growth	28.2%	12.3%	25.4%
Toolstation*	Q1	42.1%	47.6%	49.8%	96.4%				
	Q2	19.7%	38.7%	29.0%	83.9%	Network changes and acquisitions / disposals	(3.0)%	7.9%	(1.1)%
	H1	29.8%	42.9%	38.7%	89.9%				
	Q3	1.4%	25.2%	9.1%	63.6%				
	Q4	(5.1)%	26.4%	1.7%	45.9%				
	H2	(2.0)%	25.8%	5.3%	54.2%	Trading days	(0.4)%	0.0%	(0.3)%
	FY	12.3%	33.8%	20.2%	70.8%				
Total Group	Q1	19.5%	10.2%	11.5%	7.00%	Total revenue growth	24.8%	20.2%	24.0%
	Q2	76.9%	18.6%	74.6%	14.3%				
	H1	44.1%	14.5%	37.7%	10.7%				
	Q3	13.1%	13.3%	14.1%	9.2%				
	Q4	8.8%	26.4%	11.4%	11.8%				
	H2	11.0%	14.4%	12.8%	10.4%				
	FY	25.4%	14.4%	24.0%	10.6%				

# III - Branch Numbers

	1 Jan 21	Openings	Closures	31 Dec 21
Travis Perkins	556	7	(6)	557
Benchmarkx	150	5	(4)	151
Keyline	44		(1)	43
CCF	35	3	(1)	37
BSS & TF Solutions	61	5		66
<b>Merchanting</b>	<b>846</b>	<b>20</b>	<b>(12)</b>	<b>854</b>
Toolstation	460	77	(7)	530
Toolstation Europe	83	40		123
<b>Toolstation</b>	<b>543</b>	<b>117</b>	<b>(7)</b>	<b>653</b>
<b>Group</b>	<b>1,389</b>	<b>137</b>	<b>(19)</b>	<b>1,507</b>

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