Travis Perkins plc

Half Year Results Presentation

August 2022

Travis Perkins | Toolstation | BSS | Keyline Civils Specialist | CCF

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Introduction

Nick Roberts

Good H1 performance; Positioned to outperform

- Good H1 performance with revenue up 10.3% and operating profit broadly in line with a strong comparative
- Merchanting outperformed with revenue growth of 13.3% and adjusted operating profit growth of 9.0% against a strong comparative period
- Challenging H1 for Toolstation as pandemic comparatives unwound; focus remains on enhancing trade customer proposition
- Breadth of customer base and end market exposure provides resilience in demand
- Strong balance sheet and focus on organic growth creates flexibility to manage macroeconomic uncertainty

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Financial review

Alan Williams

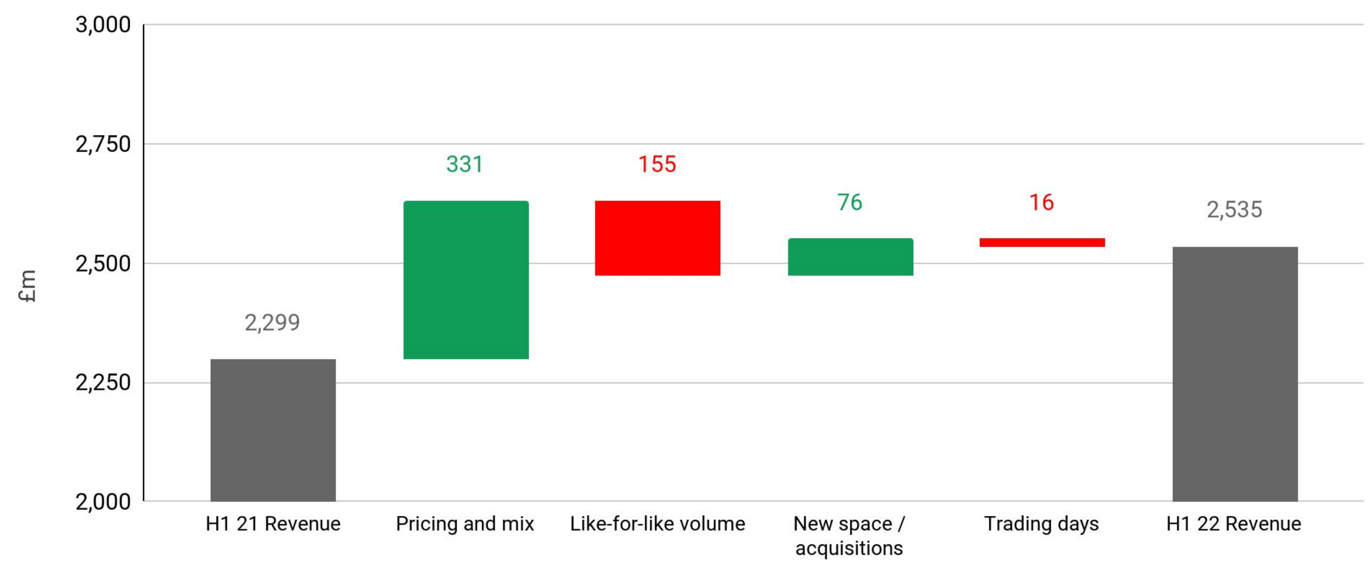
Key financial highlights

6 months ended 30 June 2022 (£m unless otherwise stated)	**H1 2022**	H1 2021*	*Change*
Revenue	**2,535**	2,299	*10.3%*
Adjusted operating profit	**163**	164	*(0.6)%*
Adjusted earnings per share (pence)	**51.6p**	46.2p	*11.7%*
Adjusted ROCE excluding property profits (12 month rolling)	**11.8%**	10.9%	*0.9ppt*
IFRS 16 Net debt / adjusted EBITDA	**1.75x**	1.50x	(0.25)x
Free cash flow	**(45)**	129	
Ordinary dividend per share	**12.5p**	12.0p	4.2%

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

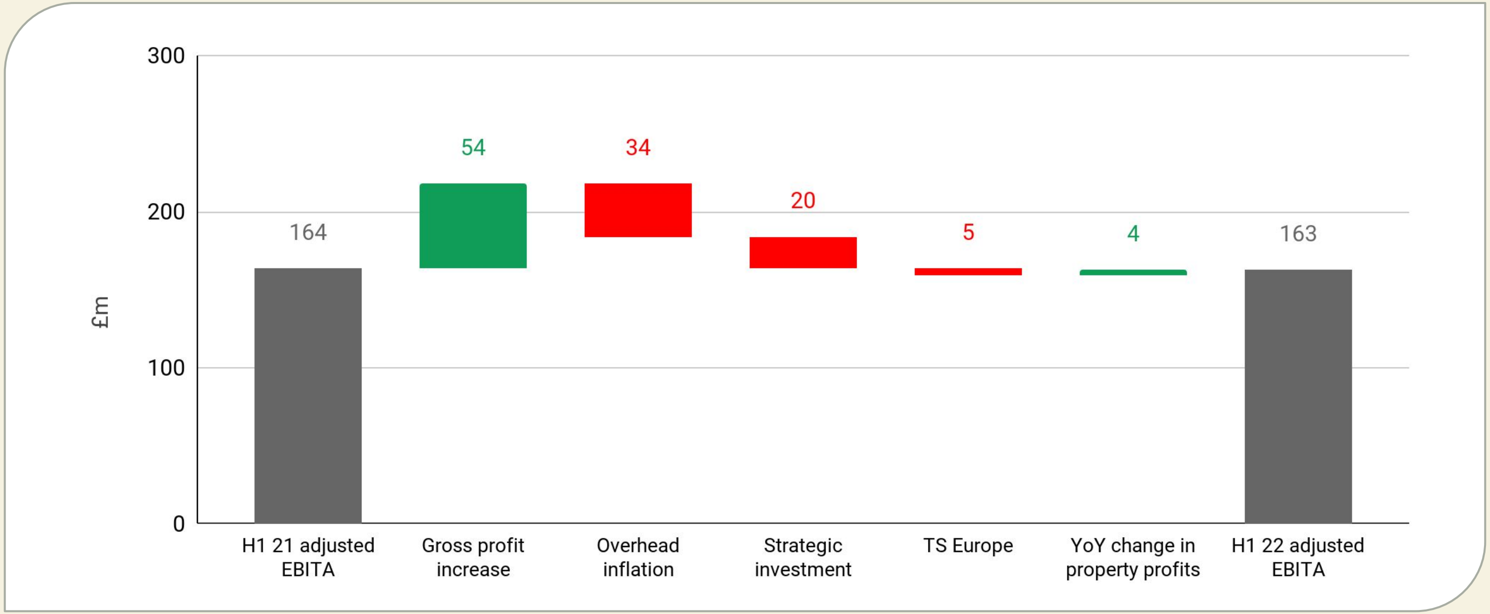
* The Retail and Plumbing & Heating segments are treated as discontinued operations in the prior year comparatives

Good revenue performance driven by materials inflation recovery



- All businesses focused on orderly pass-through of elevated levels of manufacturer inflation
- Volumes impacted primarily by normalisation in Toolstation following exceptional H1 2021
- New space growth from Toolstation rollout, new Merchant branches and addition of Staircraft

Operating profit maintained against a strong comparative



- Gross profit growth from pass through of materials cost inflation and recovery of increased distribution costs
- Cost base well controlled despite significant inflation in salaries, fuel and utilities
- Strategic investment represents spend on network, IT modernisation and growth initiatives

Strong H1 Merchanting performance

	H1 2022	H1 2021	*Change*
Total revenue	**£2,159m**	£1,905m	*13.3%*
Like-for-like growth	**11.7%**	47.3%	
Adjusted operating profit*	**£170m**	£156m	*9.0%*
Adjusted operating margin*	**7.9%**	8.2%	*(30)bps*
ROCE (12 month rolling)*	**16%**	14%	*2ppt*
Branch network**	**784**	781	*3*

** Excluding property profits*
*** 2021 branch network figures for comparison are taken at 31 December 2021*

- Strong first half performance with adjusted operating profit up 9% against a strong H1 2021 comparator
- Travis Perkins General Merchant outperformed the market with revenue growth of 12.2%
- Continued excellent performance from specialist merchants with growth of 15.1%
- Revenue growth driven by pricing as materials cost inflation remained at elevated levels
- Operating margin reduction of (30)bps due to high inflationary environment and customer mix

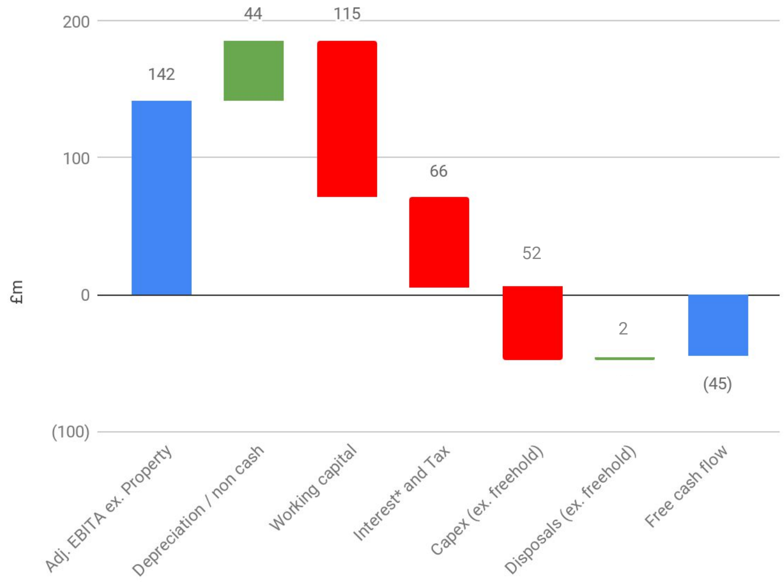
Toolstation - customer base normalising during H1

TOOLSTATION	**H1 2022**	H1 2021	*Change*
Total revenue	**£376m**	£394m	*(4.6)%*
Like-for-like growth	**(10.6)%**	29.8%	
Adjusted operating profit*	**£(8)m**	£10m	*(180.0)%*
Adjusted operating margin*	**(2.2)%**	2.6%	*(480)bps*
ROCE (12 month rolling)*	**1%**	4%	*(3)ppt*
Branch network (UK)**	**549**	530	*19*
Branch network (Europe)**	**143**	123	*20*
Memo:			
UK adjusted operating profit	**£7m**	£20m	*(65.0)%*

** Excluding property profits*
*** 2021 branch network figures for comparison are taken at 31 December 2021*

- UK revenues down (6)% as DIY related sales declined following an exceptional H1 2021
- UK operating profit performance also reflects acceleration of rollout over the last 24 months. Rollout to 650 branches on track.
- Toolstation Europe revenue of £50m, up 7%. 20 new branches added in H1.
- European losses now expected to be around £(30)m for the full year primarily due to increased investment in growth drivers
- Netherlands remains on track to break-even by the end of 2023

Working capital outflow driven by inflation led sales growth



** Interest cost includes £11m 'Interest on Lease assets' recognised under IFRS16 - Leases*

	30 Jun 2022	31 Dec 2021	Change £m	Change %
Stock	763	724	39	5.4%
Receivables	847	707	140	19.8%
Trade Payables	(693)	(629)	(64)	(10.2)%
Trade Working Capital	917	802	115	14.3%

- Free cash outflow of £(45)m resulting from working capital outflow
- Working capital increase of £115m driven mainly by increase in debtor book due to high levels of inflation. Credit continues to be well managed with debtor days largely unchanged.
- Modest increase in stock fully offset by increase in creditors

Capital allocation aligned to strategic priorities

£m	H1 2022	H1 2021
Maintenance	15	9
IT	3	8
Growth Capex	34	27
Base capital expenditure	**52**	**44**
Freehold property	17	27
Gross capital expenditure	**69**	**71**
Disposals	(4)	(25)
Net capital expenditure	**65**	**46**

- Growth Capex remains focused on Toolstation and the Travis Perkins General Merchant
- Maintenance Capex normalised following reallocation of assets from closed branches
- Growing proportion of IT spend expensed directly through the P&L
- Freehold purchases reflect buy in of strong trading sites
- Disposals include central Cambridge site (proceeds receivable in 2023/24)

Robust balance sheet provides flexibility

	30 Jun 2022	31 Dec 2021**	Change	Covenant
Net debt under IFRS16	**£902m**	£605m	£(297)m	
IFRS16 net debt / adjusted EBITDA	**1.75x**	1.20x	(0.55)x	
Covenant metrics*				
Covenant net debt	**£383m**	£87m	£(296)m	
Covenant net debt / EBITDA	**0.9x**	0.2x	(0.7)x	<3.0x
Covenant interest cover	**13.8x**	14.6x	(0.8)x	>3.5x

- Increase in net debt driven by completion of share buyback programme and working capital outflow
- £172m of buybacks in H1 22 to complete return of proceeds from P&H disposal
- 30 June 2022 lease adjusted leverage position of 1.75x, in the middle of the guided range of 1.5x to 2.0x – year end position expected to be in lower half of range

**All metrics measured pre IFRS16*

**The Retail and Plumbing & Heating segments are treated as discontinued operations in the prior year comparatives

Guidance for 2022

Outlook

- Good first half performance against a strong comparative
- Fundamental drivers robust - decarbonisation, new housebuilding, infrastructure
- Diverse end market exposure and broad trade customer base provide resilience
- Strong performance in Merchanting expected to continue into second half
- Continued investment in Toolstation to realise long term potential
- Full year operating profit broadly in line with market expectations

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Operational and strategic update

Nick Roberts

Being a leading partner by staying close to our customers

- Diverse and broad trade customer base
- Deeply established customer relationships
- Agility to respond to changing market dynamics
- Flexibility in deployment of strategic capital

Ability to outperform regardless of market conditions

The dynamics of our end markets and customer base remain robust

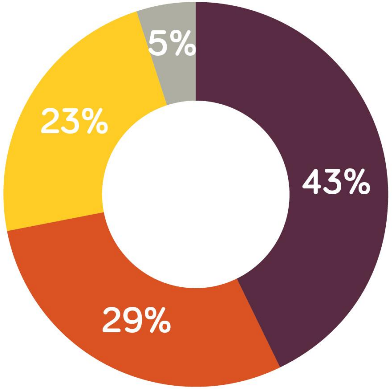
The structural drivers of our end markets remain intact with an urgent need for infrastructure, housing and retrofit

- Repair and Maintenance less discretionary than Improvement (RMI)
- Strength, balance and diversity in end markets and customers

Diverse end market exposure

Percentage of Revenue

- Domestic RMI 43%
- Commercial & Industrial 29%
- New build housing 23%
- Infrastructure 5%



Our market leading merchants are winning

Leaders in their markets

- General Merchant gaining share through refocused proposition and urban expansion targeting underweight geographies
- Consistently strong performance in specialists: BSS, Keyline and CCF
- Long standing customer relationships provide resilient demand and market intelligence

Driving our strategy

Deepening relationships

- Expanding digital offer
- Larger destination branches
- Convenience and choice
- High satisfaction scores

Elevating relationships

- Valued added services
- Opportunities in new / adjacent markets
- ESG benefits

Our Hire services go from strength to strength

- Growing hire services within 250 branches with a focus on TPGM and BSS
- Increasing penetration and sales
- Broadening range and categories to address customer needs
- Expanding the service through Keyline and CCF
- Margin and ROCE accretive

Deepening relationships

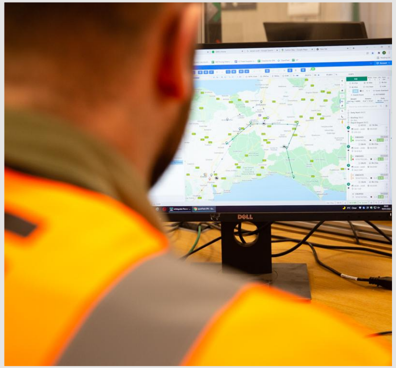
- Integrated seamless service
- Convenience
- Increased range

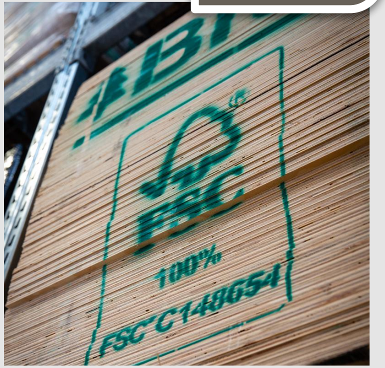
CCF and Carbon reporting: ESG as a competitive advantage

Decarbonising our industry

- Providing valuable and timely scope 1 carbon data to contractors and developers
- Integrating operations with data through use of technology
- Creating efficiency and helping decarbonise our industry

Elevating relationships





Focused capital allocation driving benefit

- New destination branches in fast growing urban areas: Liverpool and Birmingham with Manchester and Leeds to come
- Strong early results in smaller conurbations
- Nimble property action to enlarge footprint and reach
- Sales and customer feedback surpass expectations
- Flexibility in use of fleet and colleague resources

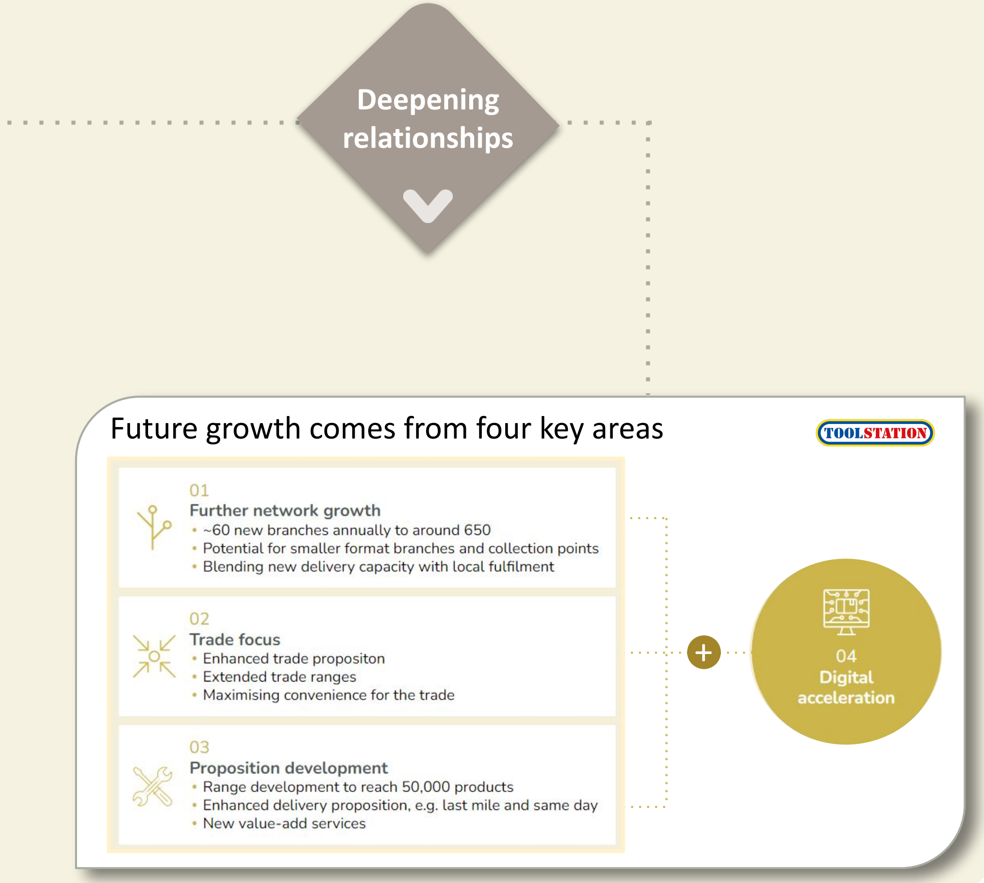
Enabling attractive returns on investment

	New branches	Relocation / Redevelopment
Capital requirement per branch	~£1.5m	~£0.7m
Incremental revenue per branch at maturity	~£7.0m	~£2.6m
Target ROI	30%+	30%+
Potential number of projects	Up to 50 in next 5 years	Up to 50 in next 5 years

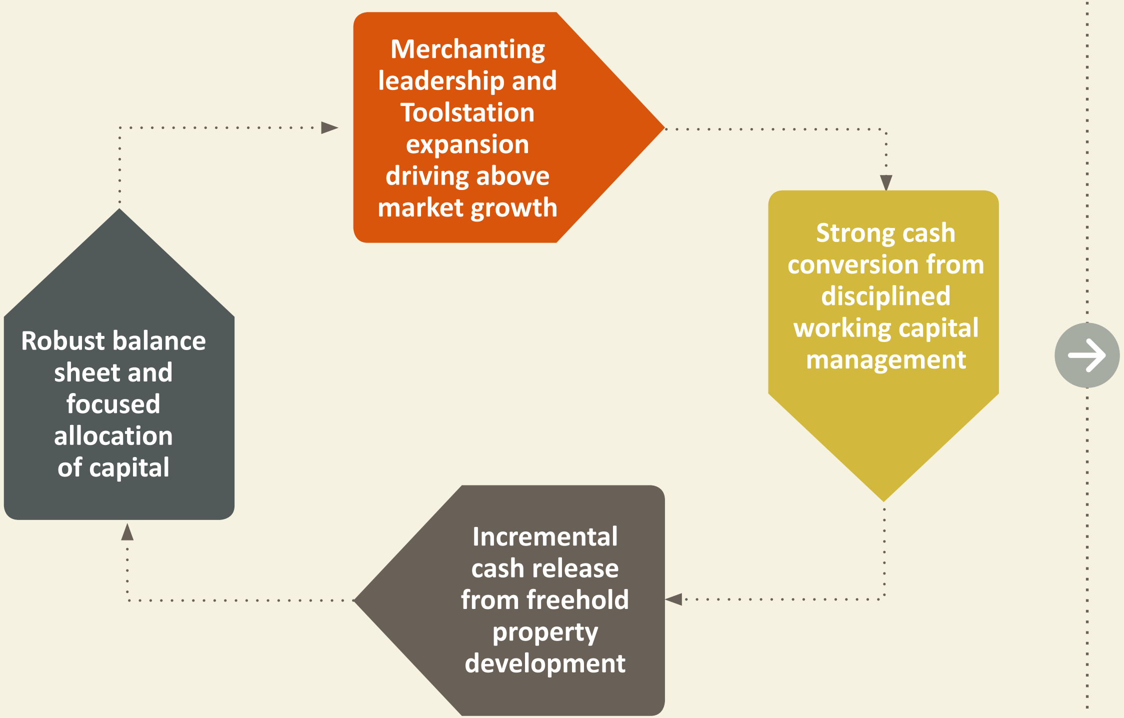
Building the future of Toolstation

Trade proposition development and customer acquisition accelerating in both the UK and Europe

- Winning new trade customers
- Trade account customers AOV >50% and more frequent purchasing
- Collaboration with TP to enlist trade customers
- Best-in-class digital proposition provides enhanced incentives and rewards for the trade
- Exceptional net promoter score



Robust investment thesis



- Attractive earnings growth
- Ordinary dividend (30 – 40% FY adjusted earnings)
- Potential for additional return of surplus capital

Positioned to outperform

Resilient end market demand

Diverse exposure across UK construction with market leading positions

Broad, trade-focused customer base

Long standing customer relationships

Strategic and financial flexibility

Strong balance sheet enables flexibility in capital allocation

Simplified portfolio with enhanced operational agility

Organic growth strategy based around proven concepts

Structural growth drivers unchanged

Requirement to decarbonise UK built environment

Need for new / affordable housing

Significant planned investment in infrastructure / public sector assets

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Questions

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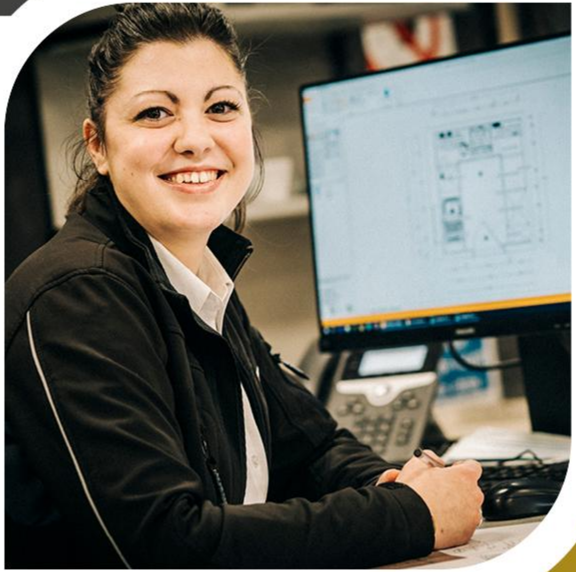
Appendices



I - Technical guidance

- Base capital expenditure in 2022 expected to be around £140m
- Property profits around £25m
- Effective tax rate of 22%

II - 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.
Cash conversion %	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

III - Sales drivers by reporting segment

		Total Revenue		Like-for-like revenue	
		2022	**2021**	**2022**	**2021**
Merchanting	Q1	17.9%	5.7%	15.3%	15.7%
	Q2	9.2%	87.8%	8.5%	94.1%
	H1	**13.3%**	**37.5%**	**11.7%**	**47.3%**
Toolstation	Q1	(6.0)%	49.8%	(11.9)%	42.1%
	Q2	(3.2)%	29.0%	(9.2)%	19.7%
	H1	**(4.6)%**	**38.7%**	**(10.6)%**	**29.8%**
Total Group	Q1	13.6%	11.5%	10.5%	19.5%
	Q2	7.1%	74.6%	5.6%	76.9%
	H1	**10.3%**	**37.7%**	**7.9%**	**44.1%**

	Merchanting	**Toolstation**	**Group**
Volume	(2.0)%	(13.9)%	(4.1)%
Price and mix	15.3%	9.3%	14.4%
Total revenue growth	**13.3%**	**(4.6)%**	**10.3%**
Network changes and acquisitions / disposals	(2.4)%	(6.0)%	(3.1)%
Trading days	0.8%	0.0%	0.7%
Like-for-like revenue growth	**11.7%**	**(10.6)%**	**7.9%**

IV - Branch Numbers

	31 Dec 21	Openings	Closures	30 Jun 22
Travis Perkins	557	3	(2)	558
Benchmarx*	78			78
Keyline	43	1		44
CCF	37			37
BSS & TF Solutions	66	1		67
Merchanting	**781**	**5**	**(2)**	**784**
Toolstation	530	20	(1)	549
Toolstation Europe	123	20		143
Toolstation	**653**	**40**	**(1)**	**692**
Group	**1,434**	**45**	**(3)**	**1,476**

* Standalone Benchmarx branches only. The group also has 79 Benchmarx showrooms or implants within Travis Perkins General Merchant branches

Travis Perkins plc

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