

Travis Perkins plc
Half year results for the six months ended 30 June 2022
Good first half performance driven by operational and strategic delivery

Highlights

- Continued progress towards the Group's ambition to become the leading partner to the construction industry
- Good first half performance with revenue of £2,535m up 10.3% and adjusted operating profit of £163m broadly in line with prior year
- Adjusted earnings per share up 11.7% to 51.6p resulting from reduced share count
- Market outperformance in Merchanting with revenue growth of 13.3% and adjusted operating profit growth of 9.0% against a strong comparative period
- Toolstation revenue (4.6)% lower due to reduced DIY sales post-pandemic. Financial performance also reflects significant recent investment in network rollout.
- Positive early momentum towards achieving SBTi accredited carbon reduction targets
- Lease-adjusted leverage (net debt / EBITDA) of 1.75x, in the middle of the target range
- Interim dividend of 12.5 pence per share (2021: 12.0 pence per share)

£m (unless otherwise stated)	Note	H1 2022	H1 2021*	Change
Revenue	2	2,535	2,299	10.3%
Like-for-like revenue growth ¹	17f	7.9%	44.1%	
Adjusted operating profit ¹	17a	163	164	(0.6)%
Adjusted earnings per share ¹	10b	51.6p	46.2p	11.7%
Adjusted ROCE (12-month rolling) ¹	17e	13.9%	12.1%	1.8ppt
Adjusted ROCE excluding property profits (12 month rolling) ¹		11.8%	10.9%	0.9ppt
Net debt / adjusted EBITDA ¹	17c	1.75x	1.50x	(0.25)x
Ordinary dividend per share	11	12.5p	12.0p	4.2%
Operating profit		157	167	
Total profit after tax		106	100	
Basic earnings per share	10a	49.7p	41.5p	

(1) Alternative performance measures are used to provide a guide to underlying performance. Details of calculations can be found in the notes listed
* The Retail and Plumbing & Heating segments are treated as discontinued operations in the prior year comparatives

Nick Roberts, Chief Executive Officer, commented:

“The Group has delivered a good performance during the first half of the year, once again demonstrating the capability to navigate challenging market conditions.

Our Merchant businesses continue to perform well, taking market share and extending their market leading positions by developing the customer proposition to meet changing requirements within their respective markets.

Toolstation’s customer base returned to its core trade customer in the period following exceptional trading during the pandemic. We have made great progress in enhancing the trade offer in Toolstation and customers have responded positively. We remain as confident as ever in the long term growth potential of the business and in our UK investment programme, whilst also increasing investment in Toolstation Europe to take advantage of the opportunities we see in those markets.

Whilst we are cognisant of the current macroeconomic uncertainty, our diverse end market exposure, broad trade customer base and strong balance sheet provide resilience against changes in market conditions. The strong performance of our Merchant businesses is set to continue into the second half, driven by our agility in managing inflation and by our leading service propositions. This will be offset by a combination of the normalisation of Toolstation's customer base and the increased investment in the Toolstation growth opportunity in the UK and Europe. As a result, we expect the Group overall to deliver a full year performance broadly in line with market expectations."

Analyst Presentation

Management are hosting a results presentation at 8.30am. The presentation will also be available via a webcast - please register at the following link:

<https://stream.brrmedia.co.uk/broadcast/62e113ac86ba30292435c6c1>

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Cautionary Statement:

This announcement contains "forward-looking statements" with respect to Travis Perkins' financial condition, results of operations and business and details of plans and objectives in respect to these items. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "anticipates", "aims", "due", "could", "may", "will", "should", "expects", "believes", "seeks", "intends", "plans", "potential", "reasonably possible", "targets", "goal" or "estimates", and words of similar meaning. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the Principal Risks and Uncertainties disclosed in the Group's Annual Report and as updated in this statement, changes in the economies and markets in which the Group operates; changes in the legislative, regulatory and competition frameworks in which the Group operates; changes in the capital markets from which the Group raises finance; the impact of legal or other proceedings against or which affect the Group; and changes in interest and exchange rates. All forward-looking statements, made in this announcement or made subsequently, which are attributable to Travis Perkins or any other member of the Group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Subject to compliance with applicable law and regulations, Travis Perkins does not intend to update these forward-looking statements and does not undertake any obligation to do so. Nothing in this document should be regarded as a profits forecast.

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This announcement is current as of 2nd August 2022, the date on which it is given. This announcement has not been and will not be updated to reflect any changes since that date.

Past performance of the shares of Travis Perkins plc cannot be relied upon as a guide to the future performance of the shares of Travis Perkins plc.

Summary

The Group has continued to make good progress in the first half of 2022, both in terms of operational performance and strategic development towards the ambition of becoming the leading partner to the construction industry. The focus of the Group's businesses remains on deepening trade customer relationships by delivering convenient service propositions, both physical and digital, and on elevating customer relationships through the provision of solutions and value-added services that take time, cost and carbon out of customers' construction processes.

The Group's share buyback programme to conclude the return of the full proceeds from the Plumbing & Heating (P&H) disposal to shareholders was completed in May 2022. The Group's robust balance sheet provides the flexibility to invest in growth opportunities whilst also delivering attractive returns to shareholders, as part of which the Board has declared an interim dividend of 12.5 pence per share.

Business performance

The Group delivered a good performance in the first half of the year with revenue of £2,535m up 10.3%. Following rapidly increasing inflation throughout the second half of 2021, the Group's businesses have again successfully managed further significant materials cost price increases in H1 2022 as well as inflationary pressures on overheads.

Adjusted operating profit of £163m was (0.6)% behind prior year. This represents a good performance against a strong comparator period which included the impact of both the rapid recovery of the domestic RMI market, from March 2021 onward, and high levels of DIY activity through the first half of 2021.

The Group set out a range of growth opportunities at a Capital Markets Update in September 2021 and focus has been on a combination of rollout for the proven concepts alongside a "test and learn" approach for new strategic initiatives. During H1, a net 42 new branches were added, with six more remodelled or relocated. In line with strategic priorities, the majority were in Toolstation and the General Merchant, including Benchmarx, but capital is also being deployed into TF Solutions to build scale and capability.

The Group also sees further growth potential through the provision of value-added services in addition to the core distribution offer and, alongside the network growth, further investments have been made in developing the tool hire and Managed Services propositions whilst Staircraft represents an exciting opportunity to offer another market leading service to our customers.

The role of technology remains key to the Group's development and the recently implemented delivery management system and customer Apps offer a best-in-class digital experience to our customers alongside providing data that enables it to communicate more effectively with customers and drive internal efficiency benefits.

The Group's balance sheet remains in good health with covenant net debt of £383m (31 December 2021: £87m). The increase in net debt of £296m reflects the completion of the share buyback programme to return the proceeds of the P&H disposal to shareholders (£172m) and seasonal working capital outflow together with the increase in the debtor book driven by inflation-led sales growth. At 1.75x net debt / EBITDA (on a rolling 12 months basis), operating leverage (on an IFRS16 basis) remains comfortably within the guided range of 1.5x - 2.0x providing the Group with a high level of financial flexibility.

Dividend

The Board has declared an interim dividend of 12.5 pence per share.

The dividend will be paid on 11 November 2022 to shareholders on the register at the close of business on 7 October 2022. The Company's shares will go ex-dividend on 6 October 2022. The Company operates a Dividend Reinvestment Plan, elections for which must be received by the Company's registrar by 5.30pm on 21 October 2022.

Outlook

The strategic changes made in the last two years have reshaped the Group to be a portfolio of trade-focused market-leading businesses with broad exposure across all sectors of UK construction. Whilst management is mindful of the macroeconomic uncertainty, this end market diversification, coupled with long term structural drivers, provides the Group with a resilient demand outlook. With a strong core proposition complemented by a clearly defined strategy to add value to customer relationships, management remains confident in the Group's ability to outperform its markets.

The long term fundamental drivers of our end markets remain robust. The UK faces a shortage of new and affordable housing, alongside a significant backlog of maintenance and improvement work on public sector assets post the pandemic. The need to decarbonise an ageing housing stock is growing in urgency given the sharp increase in energy costs and government policy is supportive of significant investment in road, rail and green power generation infrastructure. The Group's unique portfolio of businesses is ideally placed to partner with the construction industry to deliver on this agenda.

Supported by resilient end markets, agility in responding to market conditions and strong execution, the Group's Merchant businesses' strong first half performance is set to continue through the second half. This strong Merchanting performance will be offset by the impact of both the normalisation of Toolstation's customer base and the continued investment in growth in Toolstation UK and Europe. As a result, the Group overall is expected to deliver a full year performance broadly in line with market expectations.

Technical guidance

The Group's technical guidance for 2022 is as follows:

- Effective tax rate of 22%
- Base capital expenditure of around £140m
- Property profits of around £25m

Segmental performance

Merchandising

	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

The Merchandising segment delivered a strong first half performance across all businesses with revenue growth of 13.3% and adjusted operating profit of £170m, up 9% against a strong H1 2021 comparator. Operating margin of 7.9% was down (30)bps primarily due to a shift in sales mix towards larger customers, which impacted on gross margin, and increased cost inflation, notably on fuel and utilities.

Price inflation has remained consistently high throughout the first half at 15.3% and has been a larger component of sales growth than originally forecast. Whilst in the first half of 2021 inflation was driven by product shortages, supply chains and stock levels have largely normalised and the current wave of inflation is predominantly driven by rising energy costs being passed through from manufacturers.

Travis Perkins General Merchant outperformed the market during the first half with revenue growth of 12.2%. The actions taken by the management team to create a leaner and more agile business have enabled colleagues to respond quickly and effectively to rapidly changing market dynamics and meet customer needs. Three new branches were added in the first half with six more remodelled or relocated and early performance is encouraging. Complementing the core offer, six Benchmarx showrooms were also added alongside the first Managed Services fulfilment centre in Widnes, a purpose-built hub dedicated to serving multiple customers across the north of England.

The specialist businesses, which represent almost 40% of segmental revenue, continue to trade well with total sales growth of 15.1% across the combined businesses.

Keyline continues to make excellent progress in its core civils, groundworks and infrastructure markets. The competitive advantage created by nationwide coverage, an extensive product range and a leading fulfilment capability is being enhanced by investment in technical and sustainability services that will further differentiate the customer proposition. A new branch was opened in Birmingham during the first half to support the growing number of major rail and infrastructure projects in the region over the coming years including HS2 and the Midland Metro extension.

The strength of BSS's service proposition and depth of customer relationships was once again demonstrated by a good first half performance. Work continues on the development of the "Design to use" service to build digitally led planned maintenance partnerships with customers. Working closely alongside BSS, TF Solutions sales grew by 39% in H1 with a further branch added in Exeter taking the total to 13. Alongside the network expansion, growth has been driven through focus on the refrigeration, spares and heat pump categories.

CCF delivered a strong start to the year, building well following supply chain challenges in 2021. High levels of inflation, notably on plasterboard and insulation, were managed adeptly, supported by healthy demand across the commercial and housebuilding sectors. The business continues to extend its network with the recent relocation and expansion of the Edinburgh branch, and to develop its service proposition, most notably through an enhanced technical proposition and focus on carbon usage data to support reduced emissions in both CCF's and customers' fleets.

The integration of the Group's Staircraft business is going well with the potential to deliver these services to existing major customers being explored.

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

* Excluding property profits

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

Memo:

UK adjusted operating profit	£7m	£20m	(65.0)%
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As anticipated, Toolstation's customer base has normalised back to its core trade customers during the period since the lifting of key pandemic restrictions in May 2021. As a result, the UK business saw sales down (6)% in H1 with like-for-like sales down (11)%.

Toolstation's leading value and digital customer proposition appeals to a wide range of customers across both the trade and DIY markets and the "open to all" philosophy remains important to the business. As outlined at the Group's Capital Markets Update, the focus for Toolstation is on building the trade customer proposition to deepen relationships through the convenience of our offer across ordering, fulfilment, payment and stock availability.

With the cost base reflecting investment in the long term growth plan, specifically with 140 net new branches opened in the UK in the last 24 months, and significant increases in salary and utility costs, adjusted operating profit in H1 reduced to £7m. Whilst this financial performance was below management's expectations, the long term growth potential for Toolstation remains exciting, underpinning continued investment in the business. In the UK, 20 branches were opened in the first half, with one "implant" closed. A similar number of new branch openings is expected in the second half of the year with the medium-term rollout plan to reach a network of 650 branches remaining on track.

Good progress has been made on the customer proposition with the number of trade credit accounts having more than doubled during the half and now around 250,000 active App users with the App having a 4.8 star rating on the Apple Store. The experience with Toolstation remains best-in-class with the business achieving a 4.6 star rating on Trustpilot and a net promoter score of 78.

The European business saw overall sales up 7% as Toolstation continues to capture market share. Like for like sales were (6)% lower as DIY sales declined following the lifting of lockdown restrictions, particularly in the Dutch market. In Benelux, where sales were up 2%, 14 more branches were opened, taking the total to 100 (86 in the Netherlands, 14 in Belgium). In France, sales grew by an encouraging 37% with 6 new branches opened, taking the total to 43. The European businesses are working more closely with the UK business to accelerate adoption of digital and business process improvements developed in the UK.

Toolstation Europe overall made a loss of £(15)m in H1, reflecting primarily the immaturity of the branch network which has almost doubled in the last 24 months. With the opening of a second distribution centre in the Netherlands to support future growth in Benelux, the ongoing branch expansion programme and an increase in digital and marketing costs to drive future growth, management now expects losses in Toolstation Europe of around £(30)m. The Dutch business remains on track to break even by the end of 2023.

Central costs

Central costs were broadly unchanged year-on-year at £20m.

Property transactions

The key property transaction in the first half of the year was the sale of the Group's General Merchant site in central Cambridge leading to overall property profits of £21m being recognised. With no major transactions expected to complete in the second half, guidance of £25m property profits for the full year is maintained.

Financial Performance

Revenue analysis

In the Merchanting businesses there were significant monthly fluctuations in the growth trend across the first half, driven by the prior year comparators as the UK went through the extremes of the pandemic. High levels of inflation from H2 2021 persisted into the first half with growth coming from pricing as the businesses continued to pass through manufacturer price increases in an orderly manner.

As noted above, Toolstation volumes were significantly impacted by the unwind of transient DIY customers who shopped with Toolstation during the phase of the national lockdown which covered the majority of the first half of 2021.

Volume, price and mix analysis

	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%

Quarterly revenue analysis

		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%

Operating profit and margin

£m	H1 2022	H1 2021	Change
Merchanting	170	156	9.0%
Toolstation	(8)	10	n/m
Property	21	17	23.5%
Unallocated costs	(20)	(19)	(5.3)%
Adjusted operating profit	163	164	(0.6)%
<i>Amortisation of acquired intangible assets</i>	(6)	(6)	
<i>Adjusting items</i>	-	9	
Operating profit	157	167	

Group adjusted operating profit of £163m was £(1)m lower than H1 2021 where the Group experienced a very strong recovery from the pandemic. Adjusted operating profit for continuing businesses was £19m higher than H1 2019, the year immediately preceding the pandemic.

While gross profit grew through the recovery of the monetary value of product cost inflation through pricing, gross margin in percentage terms was lower. Overhead inflation was more pronounced than in the prior year with higher energy costs and salary inflation albeit, in percentage terms, revenue grew more quickly than overheads.

Reported operating profit was £(10)m lower than H1 2021 which saw a credit of £9m in adjusting items primarily related to the successful exit of the leases on a number of branches for less than the contractual lease liability booked as part of the business reorganisation in June 2020.

Finance charge

Net finance charges, shown in note 6, were £20.8m (2021: £21.6m) with £2.5m of accelerated interest in respect of the £120m bond repurchase completed in April 2022 offset by favourable movements in foreign exchange.

Taxation

The tax charge for the period to 30 June 2022 is £30.5m (2021: £45.9m) giving an adjusted effective tax rate of 22.4% (standard rate 19.0%, 2021 actual 19.7%). The adjusted ETR is higher than the standard rate due to the impact of unrecognised tax losses in Toolstation Europe, expenses not deductible for tax purposes (such as depreciation of property) and deferred tax movements associated with the share-based payments charge.

Earnings per share

The Group reported a statutory profit after tax of £106m (2021: £100m from continuing operations) resulting in basic earnings per share of 49.7 pence (2021: 41.5 pence from continuing operations). Diluted earnings per share were 49.2 pence (2021: 41.0 pence for continuing operations).

Adjusted profit after tax was £110m (2021: £111m) resulting in adjusted earnings per share (note 10(b)) of 51.6 pence (2021: 46.2 pence). Diluted adjusted earnings per share were 51.1 pence (2021: 45.7 pence).

Cash flow and balance sheet

Free cash flow

£m	H1 2022	H1 2021	Change
Group adjusted operating profit excluding property profits	142	147	(5)
Depreciation of PPE and other non-cash movements	44	46	(2)
Change in working capital	(115)	22	(137)
Net interest paid (excluding lease interest)	(18)	(1)	(17)
Interest on lease liabilities	(11)	(10)	(1)
Tax paid	(37)	(32)	(5)
Adjusted operating cash flow	5	172	(167)
Capital investments			
Capex excluding freehold transactions	(52)	(44)	(8)
Proceeds from disposals excluding freehold transactions	2	1	1
Free cash flow before freehold transactions	(45)	129	(174)

The first half saw a free cash outflow driven by an increase in the debtor book resulting from inflation led sales growth with debtor days largely unchanged.

Capital investment

£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

Base capex was £8m higher than prior year as a result of an increase in growth investment to support delivery of the Group's strategy, principally Toolstation branches and distribution assets and investment in general merchant branches, and a normalisation of maintenance capex following lower spend in 2021 when assets from closed branches were redeployed in the place of planned replacements.

Disposal proceeds were significantly lower than prior year due to the sale of a number of branches in H1 2021 that had been closed as part of the 2020 restructuring programme and deferred consideration for the sale of the General Merchant site in Cambridge.

Uses of free cash flow

	H1 2022	H1 2021	Change
Free cash flow (£m)	(45)	129	(174)
Investments in freehold property	(17)	(27)	10
Disposal proceeds from freehold transactions	4	24	(20)
Acquisitions / disposals	-	-	-
Dividends paid	(56)	-	(56)
Pension payments	(4)	(4)	-
Net purchase / sale of own shares	(168)	4	(172)
Cash payments on adjusting items	(5)	(28)	23
Other	(124)	(163)	39
Change in cash / cash equivalents	(415)	(65)	(350)

There was a cash outflow of £415m in the first half, primarily driven by £172m of share buybacks completed with the balance of the P&H sales proceeds remaining at year end and also £120m relating to the early repurchase of part of the 2023 bond via a tender offer (shown above in "Other"). The prior year included £130m provided to capitalise Wickes upon demerger (also shown above in "Other").

Net debt and funding

	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

*All covenant metrics measured pre IFRS16

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

Covenant net debt increased by £296m from 31 December 2021 to £383m. This movement was principally a result of cash outflows related to the share buyback programme announced in September 2021 following the disposal of the P&H business (£172m) and the movement in working capital described above. The movement in net debt under IFRS16 is in line with the movement in covenant net debt.

Funding

As at 30 June 2022, the Group's committed funding of £830m comprised:

- £180m guaranteed notes due September 2023, listed on the London Stock Exchange
- £250m guaranteed notes due February 2026, listed on the London Stock Exchange
- A revolving credit facility of £400m, refinanced in January 2019, of which £54m matures in 2024 and the remaining £346m matures in 2025

As at 30 June 2022, the Group had undrawn committed facilities of £400m (2021: £400m) and deposited cash of £10m (2020: £378m), giving overall liquidity headroom of £410m.

In April 2022, the Group completed a tender offer on the 2023 guaranteed notes, repurchasing £120m principal amount of notes which were subsequently cancelled.

The Group's credit rating from Fitch Ratings was affirmed at BBB- with stable outlook following a review in October 2021. The Group's credit rating, issued by Standard and Poor's, was affirmed at BB+ following a review in August 2021, with the outlook revised to stable from negative.

Building a sustainable business

The Group continues to make good progress against the ambitious Science Based Targets initiative ('SBTi') accredited carbon reduction targets announced last year.

The implementation of carbon data reporting, introduction of alternative fuel technologies and electric charging points, and the roll out of a more efficient fleet management system are driving the first phase of carbon reduction for our fleet. Combined with a driver incentive scheme to get more miles to the gallon, these measures have helped reduce the carbon emissions associated with the Group's vehicle deliveries to customers by 5% over a 24-month period.¹

Moving to a 100% renewable electricity tariff in November 2021 is now generating 1,000 tonnes less carbon emissions per month across the Group's UK based operations, and to mitigate emissions of the company's estate further, the installation of energy saving solutions, such as utilising LED lighting and solar panels is well under way.

The business is also working closely with colleagues, customers and suppliers to help reduce the carbon footprint of its supply chain, in particular in-use emissions from products sold and the embodied carbon in products, as part of the broader Scope 3 emissions commitment. This includes the upskilling of colleagues, sales and commercial in particular, as well as supplier forums to educate, engage and work with them on the collation of carbon data and the development of targets for their own businesses.

A number of fleet initiatives are also underway that will significantly reduce carbon emissions for the future, including the continued rollout of electric fork lift trucks and sustainably sourced Hydrotreated Vegetable Oil (HVO) as a replacement fuel for diesel in vehicles. HVO, which can reduce carbon dioxide by up to 90% compared to diesel, is now available across 30 branches and will soon support over 200 vehicles. The Group sees this as a stepping stone in the implementation of its net zero carbon plan.

A key element of the Group's plans to address scope 3 carbon emissions is engagement right throughout the supply chain. To drive this, the Group has run sustainability workshops with key suppliers, reaching out to over 700 suppliers in the first half of the year. The Group also hosted an ESG forum with major housebuilders in early July.

¹ The fleet carbon reduction improvement has been based on the average across multiple weight ranges and vehicle types over a reference period of 2019 - 2021

With the provision of apprenticeship opportunities a key part of the Group's strategy to develop skills and attract new talent, the Group is pleased to have been recognised as the 33rd best apprenticeship employer in the country in the recent Department of Education's top apprentice employers list. The Group also achieved an even better result in the recent 'Rate my apprenticeship' top employers list, with a rating of 8.7 out of 10 ranking Travis Perkins Group 11th in the country based on direct feedback from the apprentices themselves.

Cognisant of cost of living concerns, the Group has oriented its colleague wellbeing approach accordingly providing cost of living webinars, wellbeing pauses in branches and other engagement activities to highlight the comprehensive benefits package and support available to colleagues. These include substantial discounts and cashback on everyday goods and services alongside financial wellbeing education and advice. In addition to competitively priced loans, the Group has also introduced "Wagestream" across the business, a platform which enables all colleagues to access interest-free salary advances.

Principal risks and uncertainties

The Group's risk environment continues to evolve, influenced particularly by a backdrop of economic and geopolitical change and uncertainty. The Group's risks are regularly reviewed and reassessed through a process that considers both internal and external factors. In their latest review of the principal risks, the Directors have considered factors currently influencing the risk set and their assessment of risk levels and trends.

Macroeconomic volatility was added as a principal risk at the year end and the first half of the year has seen increasing inflationary pressure, sterling underperforming against a broad range of currencies and the start of the war in Ukraine that has in turn led to rising commodity prices and supply disruption. As a result, the Directors now consider macroeconomic volatility to present an increasing risk trend with a high level of inherent risk. The Group is not alone in facing these unprecedented levels of volatility and uncertainty and has taken steps to successfully navigate the associated challenges in the first half. The Group continues to include a Covid-related risk in its principal risk set, which has been broadened in the latest review to consider wider public health matters alongside the impact of further Covid variants. In assessing the effectiveness of measures taken to date and the Group's ongoing ability to respond to new or variant diseases, the Directors do not consider the risk profile to have materially changed since year-end.

Based on the latest review, with the exception of the changes outlined above, the Directors consider that the principal risks and uncertainties faced by the Group have been, and are expected to remain, broadly consistent with those described on pages 40 to 46 of the 2021 Annual Report and Accounts. Details are provided for inherent risks relating to long-term market trends, the pandemic, macroeconomic volatility, supply chain resilience, managing change, climate change & carbon reduction, cyber threat & data security, health, safety & wellbeing, legal compliance and critical asset failure. Emerging risks, which are known risks that are currently difficult to fully assess and/or quantify, are also regularly considered and monitored by the Directors. The Group is monitoring the war in Ukraine and has taken steps to ensure compliance with sanctions and, particularly, that its timber purchases are from certified sources and do not include timber sourced from Russia or Belarus. The Group will continue to monitor the situation and the potential for any escalation in conflict, review the possible impacts on the business and refine contingency plans as necessary. There are no other emerging risks considered significant enough to report at this time.

Condensed consolidated income statement

£m	Notes	Six months ended 30 June 2022 (unaudited)	Six months ended 30 June 2021 (unaudited)	Year ended 31 December 2021 (audited)
Revenue	2	2,534.5	2,298.9	4,586.7
Adjusted operating profit	17(a)	162.7	163.8	352.8
Adjusting items – operating	3	–	8.6	6.8
Amortisation of acquired intangible assets		(5.3)	(5.1)	(11.1)
Operating profit		157.4	167.3	348.5
Net finance costs	6	(20.8)	(21.6)	(42.9)
Profit before tax		136.6	145.7	305.6
Adjusting items – deferred tax		–	(14.4)	(4.7)
Tax on adjusting items		–	(1.6)	(1.6)
Other tax		(30.5)	(29.9)	(58.5)
Total tax	7	(30.5)	(45.9)	(64.8)
Profit from continuing operations		106.1	99.8	240.8
(Loss) / profit from discontinued operations	13	–	(47.3)	38.1
Profit for the period		106.1	52.5	278.9

Earnings per share

Adjusted basic earnings per share	10(b)	51.6p	46.2p	107.3p
Basic earnings per share	10(a)			
- from continuing operations		49.7p	41.5p	103.9p
- total		49.7p	21.8p	120.3p
Diluted earnings	10(a)			
- from continuing operations		49.2p	41.0p	102.6p
- total		49.2p	21.3p	118.8p
Total dividend declared per share	11	12.5p	12.0p	38.0p

Condensed consolidated statement of comprehensive income

£m	Six months ended 30 June 2022 (unaudited)	Six months ended 30 June 2021 (unaudited)	Year ended 31 December 2021 (audited)
Profit for the period	106.1	52.5	278.9
Items that will not be reclassified subsequently to profit and loss:			
Actuarial gains / (losses) on defined benefit pension schemes (note 8)	4.2	(0.5)	94.9
Income taxes relating to other comprehensive income	(0.8)	(1.7)	(34.3)
Items that may be reclassified subsequently to profit and loss:			
Foreign exchange differences on retranslation of foreign operations	–	0.6	2.9
Other comprehensive income / (loss) for the period net of tax	3.4	(1.6)	63.5
Total comprehensive income for the period	109.5	50.9	342.4

Total comprehensive income / (loss) for the period attributable to the owners of the Company arises from:

Continuing operations	109.5	98.2	304.3
Discontinued operations	–	(47.3)	38.1
	109.5	50.9	342.4

Condensed consolidated balance sheet

£m	As at 30 June 2022 (unaudited)	As at 30 June 2021 (unaudited)	As at 31 December 2021 (audited)
ASSETS			
Non-current assets			
Goodwill	855.2	835.9	853.0
Other intangible assets	122.7	131.1	125.7
Property, plant and equipment	819.6	747.6	800.1
Right-of-use assets	433.1	438.5	439.8
Investments	–	9.2	–
Other receivables	24.0	–	0.7
Deferred tax asset	15.8	–	13.9
Retirement benefit asset (note 8)	282.5	179.0	275.8
Total non-current assets	2,552.9	2,341.3	2,509.0
Current assets			
Inventories	763.0	568.8	724.4
Derivative financial instruments (note 15)	1.3	–	0.2
Trade and other receivables	847.4	750.1	706.7
Tax assets	7.4	–	–
Cash and cash equivalents	44.5	440.8	459.8
Total current assets	1,663.6	1,759.7	1,891.1
Assets classified as held for sale (note 13)	–	579.3	–
Total assets	4,216.5	4,680.3	4,400.1
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital (note 9)	23.8	25.2	25.2
Share premium account	545.6	545.6	545.6
Merger reserve	326.5	326.5	326.5
Other reserves	11.9	14.3	10.5
Own shares	(44.3)	(22.3)	(61.4)
Foreign exchange reserve	4.1	1.8	4.1
Retained earnings	1,262.2	1,209.3	1,387.3
Total equity	2,129.8	2,100.4	2,237.8
Non-current liabilities			
Interest bearing loans and borrowings	453.2	573.7	575.2
Lease liabilities	421.3	416.2	414.7
Deferred tax liabilities	146.2	96.1	140.4
Long-term provisions	–	18.0	6.8
Total non-current liabilities	1,020.7	1,104.0	1,137.1
Current liabilities			
Lease liabilities	71.6	68.1	74.5
Derivative financial instruments (note 15)	–	0.4	–
Trade and other payables	960.5	1,035.3	921.1
Tax liabilities	–	2.4	0.4
Short-term provisions	33.9	40.7	29.2
Total current liabilities	1,066.0	1,146.9	1,025.2
Liabilities classified as held for sale (note 13)	–	329.0	–
Total liabilities	2,086.7	2,579.9	2,162.3
Total equity and liabilities	4,216.5	4,680.3	4,400.1

The interim condensed financial statements of Travis Perkins plc, registered number 824821, were approved by the Board of Directors on 1 August 2022 and signed on its behalf by:

Nick Roberts
Chief Executive Officer

Alan Williams
Chief Financial Officer

Condensed consolidated statement of changes in equity

£m	Share capital	Share premium	Merger reserve	Other reserves	Own shares – treasury	Own shares – ESOT	Foreign exchange	Retained earnings	Total equity
At 1 January 2022 (audited)	25.2	545.6	326.5	10.5	(53.8)	(7.6)	4.1	1,387.3	2,237.8
Profit for the period	–	–	–	–	–	–	–	106.1	106.1
Other comprehensive income for the period	–	–	–	–	–	–	–	3.4	3.4
Total comprehensive income for the period	–	–	–	–	–	–	–	109.5	109.5
Dividends paid	–	–	–	–	–	–	–	(55.5)	(55.5)
Shares purchased and held as treasury shares	–	–	–	–	(125.2)	–	–	–	(125.2)
Shares purchased and held as own shares by ESOT	–	–	–	–	–	(46.6)	–	–	(46.6)
Sale of own shares	–	–	–	–	–	3.7	–	–	3.7
Own shares movement	–	–	–	–	–	6.2	–	(6.2)	–
Cancelled shares	(1.4)	–	–	1.4	179.0	–	–	(179.0)	–
Equity-settled share-based payments	–	–	–	–	–	–	–	7.7	7.7
Tax on equity-settled share-based payments	–	–	–	–	–	–	–	(1.6)	(1.6)
At 30 June 2022 (unaudited)	23.8	545.6	326.5	11.9	–	(44.3)	4.1	1,262.2	2,129.8

£m	Share capital	Share premium	Merger reserve	Other reserve	Own shares – treasury	Own shares – ESOT	Foreign exchange	Retained earnings	Total equity
At 1 January 2021 (audited)	25.2	545.6	326.5	14.3	–	(39.5)	1.2	1,840.5	2,713.8
Income for the period	–	–	–	–	–	–	–	52.5	52.5
Other comprehensive loss for the period	–	–	–	–	–	–	0.6	(2.2)	(1.6)
Total comprehensive income for the period	–	–	–	–	–	–	0.6	50.3	50.9
Purchase of own shares	–	–	–	–	–	12.7	–	(12.7)	–
Demerger dividend	–	–	–	–	–	–	–	(679.7)	(679.7)
Own shares movement	–	–	–	–	–	4.5	–	–	4.5
Equity-settled share-based payments, net of tax	–	–	–	–	–	–	–	10.9	10.9
At 30 June 2021 (unaudited)	25.2	545.6	326.5	14.3	–	(22.3)	1.8	1,209.3	2,100.4

£m	Share capital	Share premium	Merger reserve	Other reserve	Own shares – treasury	Own shares – ESOT	Foreign exchange	Retained earnings	Total equity
At 1 January 2021 (audited)	25.2	545.6	326.5	14.3	–	(39.5)	1.2	1,840.5	2,713.8
Profit for the year	–	–	–	–	–	–	–	278.9	278.9
Other comprehensive income for the year	–	–	–	–	–	–	2.9	60.6	63.5
Total comprehensive income for the year	–	–	–	–	–	–	2.9	339.5	342.4
Demerger dividend	–	–	–	–	–	–	–	(679.7)	(679.7)
Other dividends	–	–	–	–	–	–	–	(105.4)	(105.4)
Adjustments in respect of revalued fixed assets	–	–	–	(1.1)	–	–	–	1.1	–
Shares purchased in share buyback and held as treasury shares	–	–	–	–	(53.8)	–	–	–	(53.8)
Shares purchased in share buyback and held as own shares by ESOT	–	–	–	–	–	(16.7)	–	–	(16.7)
Sale of own shares	–	–	–	–	–	17.4	–	–	17.4
Own shares movement	–	–	–	–	–	31.2	–	(31.2)	–
Equity-settled share-based payments	–	–	–	–	–	–	–	23.2	23.2
Tax on equity-settled share-based payments	–	–	–	–	–	–	–	(0.7)	(0.7)
Tax on revalued assets	–	–	–	(2.7)	–	–	–	–	(2.7)
At 31 December 2021 (audited)	25.2	545.6	326.5	10.5	(53.8)	(7.6)	4.1	1,387.3	2,237.8

Condensed consolidated cash flow statement

£m	Six months ended 30 June 2022 (unaudited)	Six months ended 30 June 2021 (unaudited)	Year ended 31 December 2021 (audited)
Cash flows from operating activities			
Operating profit	157.4	167.3	348.5
Adjustments for:			
Depreciation of property, plant and equipment	32.8	31.5	69.2
Depreciation of right-of-use assets	43.8	40.0	80.0
Amortisation of intangible assets	8.5	11.1	20.8
Share-based payments	7.7	8.9	19.1
Foreign exchange	–	(0.6)	(0.2)
Gains on disposal of property, plant and equipment	(20.8)	(17.3)	(48.9)
Purchase of tool hire assets	(4.4)	(2.8)	(11.2)
Operating cash flow before movements in working capital	225.0	238.1	477.3
Increase in inventories	(38.6)	(75.7)	(204.5)
Increase in receivables	(140.7)	(110.1)	(171.5)
Increase in payables	63.8	207.0	224.2
Adjusting item payments in excess of income statement charge	(5.0)	(36.2)	(27.4)
Pension payments in excess of income statement charge	–	(1.0)	–
Cash generated from operations	104.5	222.1	298.1
Interest paid and debt arrangement fees	(18.5)	(1.0)	(15.1)
Interest on lease liabilities	(10.7)	(10.1)	(21.1)
Income taxes paid	(36.6)	(31.8)	(59.9)
Net cash inflow from continuing operating activities	38.7	179.2	202.0
Net cash inflow from discontinued operating activities	–	113.9	127.3
Net cash inflow from operating activities	38.7	293.1	329.3
Cash flows from investing activities			
Interest received	0.5	0.4	1.4
Proceeds on disposal of property, plant and equipment	5.7	24.9	82.2
Development of software	(3.0)	(3.2)	(2.2)
Acquisition of subsidiary, net of cash	–	–	(32.3)
Purchases of freehold land and buildings	(16.7)	(27.3)	(80.9)
Purchases of property, plant and equipment	(44.9)	(40.5)	(81.6)
Disposal of subsidiaries and other investments	–	–	269.5
Net cash (outflow) / inflow from continuing investing activities	(58.4)	(45.7)	156.1
Net cash outflow from discontinued investing activities	–	(10.6)	(13.3)
Net cash (outflow) / inflow from investing activities	(58.4)	(56.3)	142.8
Cash flows from financing activities			
Shares purchased in share buyback	(171.8)	–	(70.5)
Repayment of lease liabilities	(48.3)	(37.9)	(75.5)
Payments to pension scheme	(3.7)	(3.4)	(3.6)
Sale of own shares	3.7	4.5	17.4
Dividends paid	(55.5)	–	(105.4)
Cash received from discontinued operations	–	21.4	–
Financing transactions with discontinued operations	–	(156.1)	(127.4)
Bank facility fee	–	(0.4)	(0.5)
Repayment of bonds	(120.0)	–	–
Repayment of debt	–	–	(12.0)
Net cash outflow from continuing financing activities	(395.6)	(171.9)	(377.5)
Net cash outflow from discontinued financing activities	–	(129.7)	(140.4)
Net cash outflow from financing activities	(395.6)	(301.6)	(517.9)
Net decrease in cash and cash equivalents	(415.3)	(64.8)	(45.8)
Cash and cash equivalents at the beginning of the period	459.8	505.6	505.6
Cash and cash equivalents at the end of the period	44.5	440.8	459.8

Notes to the interim financial statements

1. General information and accounting policies

The interim financial statements have been prepared on the historical cost basis, except that certain financial instruments including derivative instruments and plan assets of defined benefit pension schemes are stated at their fair value. The condensed interim financial statements include the accounts of the Company and all its subsidiaries (“the Group”).

Basis of preparation

The financial information for the six months ended 30 June 2022 and 30 June 2021 is unaudited. The June 2022 information has been reviewed by KPMG LLP, the Group’s auditor, and a copy of their review report appears on pages 33 and 34 of this interim report. The June 2021 information was also reviewed by KPMG LLP.

The financial information for the year ended 31 December 2021 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2021, as prepared in accordance with UK-adopted international accounting standards, has been delivered to the Registrar of Companies. The auditor’s report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The unaudited interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted for use in the UK, and have been prepared on the basis of IFRS.

The annual financial statements of the Group are prepared in accordance with UK adopted international accounting standards. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company’s published consolidated financial statements for the year ended 31 December 2021. The 2021 full-year financial statements are available on the Travis Perkins website (www.travisperkinsplc.co.uk).

The Directors are currently of the opinion that the Group’s forecasts and projections show that the Group should be able to operate within its current facilities and comply with its banking covenants. The Group is however exposed to a number of significant risks and uncertainties, which could affect the Group’s ability to meet management’s projections.

The Directors believe that the Group has the flexibility to react to changing market conditions and is adequately placed to manage its business risks successfully. The Group has undertaken a detailed going concern assessment, reviewing its current and projected financial performance and position, including current assets and liabilities, debt maturity profile including the £180m bond due in September 2023, future commitments and forecast cash flows. The downside scenarios tested, outlining the impact of severe but plausible adverse scenarios based on a severe recession and housing market weakness, show that there is sufficient headroom for liquidity and covenant compliance purposes for at least the next 12 months from the date of approval of these financial statements. For this reason the interim financial statements have been prepared on a going concern basis.

New and amended standards adopted by the Group

There are no new or amended standards applicable for the current reporting period.

Notes to the interim financial statements

2. Revenue

£m	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Sale of goods	2,457.1	2,230.6	4,443.2
Sale of services	77.4	68.3	143.5
	2,534.5	2,298.9	4,586.7

3. Adjusting items

To enable a reader of the interim financial statements to obtain a clear understanding of the underlying trading, the Directors have presented the items below separately in the income statement.

£m	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Adjusting items – operating			
Branch closures and restructuring	–	(8.6)	(6.8)
Adjusting items – tax			
Recognition of deferred tax asset	–	–	(9.7)
Deferred tax rate change	–	14.4	14.4
	–	5.8	(2.1)

In 2021 the Group was able to exit the leases of a number of branches closed in 2020 for less than the contractual lease liability and revised other estimates in respect of the closed branches, generating a credit of £6.8m (six months ended 30 June 2021: credit of £8.6m). The 2021 tax charge includes an adjusting charge of £14.4m arising from the increase in the rate of UK corporation tax and an adjusting credit of £9.7m arising from the recognition of a deferred tax asset in respect of losses in the Toolstation Netherlands business.

Notes to the interim financial statements

4. Business segments

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker (“CODM”), which is considered to be the Board, to assess performance and allocate capital.

Both operating segments sell building materials to a wide range of customers, none of which are dominant, and operate predominantly in the United Kingdom.

Segment result represents the result of each segment without allocation of certain central costs, finance costs and tax. Adjusted segment result is the result of each segment before adjusting items and property profits. Unallocated segment assets and liabilities comprise financial instruments, current and deferred tax, cash, borrowings and pension scheme assets and liabilities.

a) Segment results

Six months ended 30 June 2022

£m	Merchanting	Toolstation	Unallocated	Consolidated
Revenue	2,158.6	375.9	–	2,534.5
Segment profit before tax	180.0	(13.1)	(30.3)	136.6
Net finance costs	6.6	3.3	10.9	20.8
Segment result	186.6	(9.8)	(19.4)	157.4
Amortisation of acquired intangible assets	3.8	1.5	–	5.3
Adjusting items	–	–	–	–
Adjusted segment result	190.4	(8.3)	(19.4)	162.7
Less property profits	(20.8)	–	–	(20.8)
Adjusted segment result excluding property profits	169.6	(8.3)	(19.4)	141.9
Adjusted segment margin	8.8%	(2.2%)	–	6.4%
Adjusted segment margin excluding property profits	7.9%	(2.2%)	–	5.6%

Six months ended 30 June 2021

£m	Merchanting	Toolstation	Unallocated	Consolidated
Revenue	1,904.9	394.0	–	2,298.9
Segment profit before tax	170.9	5.6	(30.8)	145.7
Net finance costs	6.9	2.9	11.8	21.6
Segment result	177.8	8.5	(19.0)	167.3
Amortisation of acquired intangible assets	3.4	1.7	–	5.1
Adjusting items	(8.6)	–	–	(8.6)
Adjusted segment result	172.6	10.2	(19.0)	163.8
Less property profits	(17.3)	–	–	(17.3)
Adjusted segment result excluding property profits	155.3	10.2	(19.0)	146.5
Adjusted segment margin	9.1%	2.6%	–	7.1%
Adjusted segment margin excluding property profits	8.2%	2.6%	–	6.4%

Notes to the interim financial statements

4. Business segments (continued)

Year ended 31 December 2021

£m	Merchanting	Toolstation	Unallocated	Consolidated
Revenue	3,826.1	760.6	–	4,586.7
Segment profit before tax	355.3	10.8	(60.5)	305.6
Net finance costs	14.5	6.1	22.3	42.9
Segment result	369.8	16.9	(38.2)	348.5
Amortisation of acquired intangible assets	6.1	5.0	–	11.1
Adjusting items	(6.8)	–	–	(6.8)
Adjusted segment result	369.1	21.9	(38.2)	352.8
Less property profits	(48.9)	–	–	(48.9)
Adjusted segment result excluding property profits	320.2	21.9	(38.2)	303.9
Adjusted segment margin	9.6%	2.9%	–	7.7%
Adjusted segment margin excluding property profits	8.4%	2.9%	–	6.6%

b) Segment assets and liabilities

£m	30 June 2022
Segment assets	
Merchanting	3,082.9
Toolstation	744.5
Unallocated	389.1
Total assets	4,216.5
Segment liabilities	
Merchanting	(1,169.5)
Toolstation	(314.6)
Unallocated	(602.6)
Total liabilities	(2,086.7)

5. Seasonality

The Group's trading operations are not normally significantly affected by seasonal factors when assessed on a half-yearly basis. Over the period 2018 to 2021, excluding 2020 due to the impact of Covid-19, the Group's continuing businesses delivered on average 48.0% of annual adjusted operating profit before property profits in the first-half of the year. Property profits, by their nature, are more unpredictable in terms of their timing.

Notes to the interim financial statements

6. Finance costs

£m	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Finance income			
Fair value gains on currency forward contracts	1.1	–	–
Net gains on remeasurement of foreign exchange	0.7	–	–
Interest receivable	0.7	0.5	1.5
Other finance income – pension scheme	2.6	1.2	2.4
	5.1	1.7	3.9
Finance costs			
Interest on lease liabilities	(10.7)	(10.1)	(21.1)
Interest on bank loans and overdrafts	(0.4)	(0.1)	(0.6)
Interest on sterling bonds	(12.7)	(9.9)	(20.0)
Amortisation of issue costs of bank loans	(0.6)	(0.6)	(1.2)
Other interest	(0.4)	–	–
Pension scheme SPV interest	(1.0)	(1.0)	(2.0)
Unwinding of discounts – property provisions	(0.1)	(0.1)	(0.1)
Fair value losses on currency forward contracts	–	(1.1)	(0.5)
Net loss on remeasurement of foreign exchange	–	(0.4)	(1.3)
	(25.9)	(23.3)	(46.8)
Net finance costs	(20.8)	(21.6)	(42.9)

Interest on sterling bonds includes accelerated interest of £2.5m in respect of the £120m bond repurchase completed in April 2022.

Notes to the interim financial statements

7. Tax

£m	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Current tax			
- current year	29.2	34.8	62.1
- prior year	–	–	0.6
Total current tax	29.2	34.8	62.7
Deferred tax			
- current year	1.3	11.1	1.9
- prior year	–	–	0.2
Total deferred tax	1.3	11.1	2.1
Total tax charge	30.5	45.9	64.8

Tax for the interim period is charged on profit before tax, based on the best estimate of the corporate tax rate for the full financial year on a country-by-country basis.

8. Retirement benefit obligations

(a) Defined benefit pension schemes

The Group has a number of historical defined benefit pension schemes, all of which are closed to new members and future accruals. The Group operates four final salary schemes being The Travis Perkins Pensions and Dependents' Benefit Scheme ("the TP DB scheme"), the BSS Defined Benefit Scheme ("the BSS DB Scheme"), the immaterial Platinum pension scheme and the immaterial BSS Ireland Defined Benefit Scheme.

(b) Balance sheet position and movements during the year

£m	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
At 1 January gross pension asset	275.8	178.4	178.4
<i>Amounts recognised in income:</i>			
Current service costs and administration expenses	(0.5)	(1.1)	(1.9)
Net interest income	2.6	1.2	2.5
<i>Other movements:</i>			
Contributions from sponsoring companies	0.4	1.0	1.9
<i>Amounts recognised in other comprehensive income:</i>			
Return on plan assets (excluding amounts in net interest)	(399.0)	(91.0)	(2.2)
Actuarial loss arising from changes in demographic assumptions	–	–	(15.5)
Actuarial gains arising from changes in financial assumptions	403.2	90.5	93.5
Actuarial gain arising from experience adjustments	–	–	19.1
Gross pension asset	282.5	179.0	275.8
Deferred tax	(70.7)	(34.0)	(68.8)
Net pension asset	211.8	145.0	207.0

Notes to the interim financial statements

9. Share capital

	Allotted	
	No.	£m
Ordinary shares:		
At 1 January 2022	225,025,926	25.2
Share cancellation	(12,516,592)	(1.4)
At 30 June 2022	212,509,334	23.8

10. Earnings per share

a) Basic and diluted earnings per share

£m	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Profit / (loss) attributable to the owners of the parent			
- from continuing operations	106.1	99.8	240.8
- from discontinued operations	-	(47.3)	38.2
No.			
Weighted average number of shares in issue	213,513,168	240,649,202	231,766,613
Dilutive effect of share options	2,098,812	3,015,066	2,967,694
Weighted average number of shares for diluted earnings per share	215,611,980	243,664,268	234,734,307
Earnings / (loss) per share			
- from continuing operations	49.7p	41.5p	103.9p
- from discontinued operations	-	(19.7)p	16.4p
Diluted earnings / (loss) per share			
- from continuing operations	49.2p	41.0p	102.6p
- from discontinued operations	-	(19.7)p	16.2p

Notes to the interim financial statements

10. Earnings per share (continued)

b) Adjusted earnings per share

Adjusted earnings per share are calculated by excluding the effects of the amortisation of acquired intangible assets, adjusting items and discontinued operations from earnings.

£m	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Profit attributable to the owners of the parent from continuing operations	106.1	99.8	240.8
Adjusting items	–	(8.6)	(6.8)
Tax on adjusting items	–	1.6	1.6
Amortisation of acquired intangible assets	5.3	5.1	11.1
Tax on amortisation of acquired intangible assets	(1.3)	(1.0)	(2.7)
Adjusting items – deferred tax	–	14.4	4.7
Earnings for adjusted earnings per share	110.1	111.3	248.7
Adjusted earnings per share	51.6p	46.2p	107.3p
Adjusted diluted earnings per share	51.1p	45.7p	105.9p

11. Dividends

£55.5m has been recognised in the financial statements as distributions to equity shareholders in the period (2021: no amounts). An interim dividend of 12.5p is proposed in respect of the year ending 31 December 2022. It will be paid on 11 November 2022 to shareholders on the register at the close of business on 7 October 2022. The shares will be quoted ex-dividend on 6 October 2022.

12. Borrowings

At the period end, the Group had the following borrowing facilities available:

£m	As at 30 June 2022	As at 30 June 2021	As at 31 December 2021
Drawn facilities:			
£250m sterling bond (due February 2026)	250.0	250.0	250.0
£300m sterling bond (due September 2023)	180.0	300.0	300.0
	430.0	550.0	550.0
Undrawn facilities:			
5-year committed revolving credit facility (expires April 2025)	346.0	346.0	346.0
5-year committed revolving credit facility (expires January 2024)	54.0	54.0	54.0
Bank overdraft	15.0	30.0	15.0
	415.0	430.0	415.0

On 14 April 2022, the Group repurchased £120m of the £300m sterling bond due in September 2023 at a price of 102.038p per cent, leaving a principal amount outstanding of £180m.

Notes to the interim financial statements

13. Discontinued operations

During the year ended 31 December 2021, the Group completed the demerger of the Wickes business and the disposal of the Plumbing & Heating business and accordingly these segments are presented as discontinued operations in the comparative figures.

The Wickes business was demerged on 27 April 2021. The Group recognised the distribution at fair value of £679.7m and recognised the difference of £69.4m between the fair value of the Wickes business and the carrying amount of the assets distributed as an expense. The Plumbing & Heating business was sold to H.I.G. Capital on 30 September 2021 for cash consideration of £303.4m, resulting in a profit on disposal of £81.0m.

The discontinued operations generated revenue in the period ended 30 June 2021 of £1,177.1m (year ended 31 December 2021: £1,469.2m) and a loss after tax of £47.3m (year ended 31 December 2021: profit of £38.1m). The Plumbing and Heating business was classified as held for sale as at 30 June 2021.

14. Net debt

£m	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Net debt at 1 January	(604.6)	(1,397.2)	(1,397.2)
<i>Lease-related movements:</i>			
Lease additions	(47.6)	(58.8)	(92.4)
Disposals of leases	6.3	6.0	13.6
Cash flows from repayment of lease liabilities	48.3	95.4	96.7
Discount unwind on lease liability	(10.7)	(27.5)	(21.1)
<i>Movements related to discontinued operations:</i>			
Cash derecognised on demerger	–	(238.0)	–
Lease liabilities derecognised on demerger	–	738.7	841.1
Transferred to liabilities classified as held for sale	–	89.0	–
<i>Other net debt movements:</i>			
(Decrease) / increase in cash (before the impact of the demerger)	(415.3)	173.2	(45.8)
Debt taken on following acquisition	–	–	(12.0)
Cash flows from debt	0.6	0.1	12.5
Cash flows from pension liability	3.7	3.6	3.6
Finance charges movement	(1.2)	(0.6)	(1.6)
Bond repurchase	120.0	–	–
Discount unwind on liability to pension scheme	(1.0)	(1.0)	(2.0)
Net debt at 30 June / 31 December	(901.5)	(617.1)	(604.6)
Less: pension SPV liability	25.8	27.5	28.5
Less: lease liability	492.9	484.2	489.2
Covenant net debt	(382.8)	(105.4)	(86.9)

Notes to the interim financial statements

15. Financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- Foreign currency forward contracts are measured using quoted forward exchange rates
- Deferred consideration liabilities are calculated using forecasts of future performance of acquisitions discounted to present value

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

There were no transfers between levels during the year. There are no non-recurring fair value measurements.

£m	As at 30 June 2022	As at 30 June 2021	As at 31 December 2021
Included in current assets			
Level 1 – Loan notes at fair value through profit and loss	–	–	0.2
Level 2 – Foreign currency forward contracts at fair value through profit and loss	1.3	–	–
	1.3	–	0.2
Included in current liabilities			
Level 2 – Foreign currency forward contracts at fair value through profit and loss	–	0.4	–
	–	0.4	–

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different from their carrying amounts. Significant differences were identified for the Group's £430m of bonds as at 30 June 2022, where the assessed fair value based on quoted mid-market prices was £390.7m.

16. Related party transactions

The Group has related party relationships with its subsidiaries and with its Directors. Transactions between group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note. There have been no related party transactions with directors other than in respect of remuneration.

Notes to the interim financial statements

17. Non-statutory information

a) Adjusted operating profit

Adjusted operating profit is calculated by excluding the effects of amortisation of acquired intangible assets and adjusting items from operating profit.

£m	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Operating profit	157.4	167.3	348.5
Adjusting items	–	(8.6)	(6.8)
Amortisation of acquired intangible assets	5.3	5.1	11.1
Adjusted operating profit	162.7	163.8	352.8

b) Adjusted profit before tax

Adjusted profit before tax is calculated by excluding the effects of amortisation of acquired intangible assets and adjusting items from profit before tax.

£m	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Profit before tax	136.6	145.7	305.6
Adjusting items	–	(8.6)	(6.8)
Amortisation of acquired intangible assets	5.3	5.1	11.1
Adjusted profit before tax	141.9	142.2	309.9

c) Ratio of net debt to adjusted EBITDA (rolling 12 months)

£m	30 June 2022	30 June 2021	31 December 2021
Operating profit	338.6	272.8	348.5
Depreciation and amortisation	172.5	158.6	170.0
EBITDA	511.1	431.4	518.5
Adjusting items	1.8	(6.5)	(6.8)
Share of associates' results	–	0.2	–
Adjusted EBITDA	512.9	425.1	511.7
Net debt (note 14)	901.5	617.1	604.6
Net debt to adjusted EBITDA (rolling 12 months)	1.8x	1.5x	1.2x
Impact of lease liabilities and pension SPV debt	(1.0)x	(1.2)x	(1.0)x
Impact of frozen GAAP on adjusted EBITDA	0.1x	–	–
Covenant net debt to EBITDA per debt covenants	0.9x	0.3x	0.2x

The 'impact of frozen GAAP' adjustment, made in accordance with the Group's debt arrangements, includes the impact of IFRS 16 — Leases.

Notes to the interim financial statements

17. Non-statutory information (continued)

d) Free cash flow

£m	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Adjusted operating profit	162.7	163.8	352.8
Less: profit on disposal of properties	(20.8)	(17.3)	(48.9)
Adjusted operating profit excluding property profit	141.9	146.5	303.9
Depreciation of property, plant and equipment	32.8	31.5	69.2
Amortisation of internally-generated intangibles	3.2	6.0	9.7
Share-based payments	7.7	8.9	19.1
Movement on working capital	(115.5)	21.6	(151.8)
Other net interest paid	(18.0)	(0.6)	(13.7)
Interest on lease liabilities	(10.7)	(10.1)	(21.1)
Income tax paid	(36.6)	(31.8)	(59.9)
Capital expenditure excluding freehold purchases	(52.3)	(43.7)	(95.0)
Disposal of plant and equipment	2.2	1.1	4.4
Free cash flow	(45.3)	129.4	64.8

e) Capital ratios

(i) Average capital employed in continuing operations (rolling 12 months)

£m	30 June 2022	30 June 2021	31 December 2021
Opening net assets	2,100.4	2,480.5	2,713.8
Net pension asset	(145.0)	(53.4)	(144.5)
Net borrowings	617.1	1,440.9	1,397.2
Less: net assets of discontinued operations	(250.3)	(661.8)	(747.7)
Less: net borrowings of discontinued operations	(89.0)	(889.7)	(842.1)
Opening capital employed in continuing operations	2,233.2	2,316.5	2,376.7
Closing net assets	2,129.8	2,100.4	2,237.8
Net pension asset	(211.8)	(145.0)	(207.0)
Net borrowings	901.5	617.1	604.6
Less: net assets of discontinued operations	–	(250.3)	–
Less: net borrowings of discontinued operations	–	(89.0)	–
Closing capital employed in continuing operations	2,819.5	2,233.2	2,635.4
Average capital employed in continuing operations	2,526.4	2,274.9	2,506.1

Notes to the interim financial statements

17. Non-statutory information (continued)

(ii) Return on capital employed (rolling 12 months)

£m	30 June 2022	30 June 2021	31 December 2021
Adjusted operating profit (rolling 12 months)	351.7	275.3	352.8
Average capital employed in continuing operations	2,526.4	2,274.9	2,506.1
Return on capital employed	13.9%	12.1%	14.1%

f) Like-for-like sales

£m	Merchanting	Toolstation	Total
2021 H1 revenue	1,904.9	394.0	2,298.9
Network change	(2.0)	(6.8)	(8.8)
Trading days	(15.9)	–	(15.9)
2021 H1 like-for-like revenue	1,887.0	387.2	2,274.2
Like-for-like change	271.6	(11.3)	260.3
2022 H1 revenue	2,158.6	375.9	2,534.5
Network change	(50.3)	(29.5)	(79.8)
Like-for-like revenue	2,108.3	346.4	2,454.7
Like-for-like revenue %	11.7%	(10.6%)	7.9%

Like-for-like sales are a measure of underlying sales performance for two successive periods. Branches contribute to like-for-like sales once they have been trading for more than 12 months. Revenue included in like-for-like sales is for the equivalent times in both years. When branches close, revenue is excluded from the prior year figures for the months equivalent to the post closure period in the current year.

g) Covenant interest cover (rolling 12 months)

£m	30 June 2022	30 June 2021	31 December 2021
Adjusted operating profit (rolling 12 months)	351.7	275.3	352.8
Net finance costs	42.1	53.1	42.9
<i>Less charges not in the nature of interest</i>			
Fair value gains and losses on currency derivatives	1.7	(0.6)	(0.5)
Remeasurement of foreign exchange balances	(0.2)	(0.9)	(1.3)
Amortisation of debt arrangement fees	(1.2)	(2.2)	(1.2)
Other finance income – pension scheme	3.8	1.8	2.4
Unwinding of discount on provisions	(0.1)	(0.2)	(0.1)
Adjusted net finance costs	46.1	51.0	42.2
Adjusted interest cover (rolling 12 months)	7.6x	5.4x	8.4x
Impact of frozen GAAP	6.2x	6.1x	6.2x
Covenant interest cover (rolling 12 months)	13.8x	11.5x	14.6x

The 'impact of frozen GAAP' adjustment includes IFRS 16 — Leases.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted for use in the UK;
- The Interim Management Report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Nick Roberts
Chief Executive Officer
1 August 2022

Alan Williams
Chief Financial Officer
1 August 2022

INDEPENDENT REVIEW REPORT TO TRAVIS PERKINS PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed statement of changes in equity, condensed cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* (“ISRE (UK) 2410”) issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Anthony Sykes

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

1 August 2022