

## Chief Executive's statement



I am extremely proud of the way that our colleagues have responded to a challenging year – one characterised by increasing macroeconomic uncertainty and volatile market conditions. The dedication of our team and uniqueness of our business has enabled us to outperform our markets and deliver a resilient performance.

**Nick Roberts**  
Chief Executive Officer

### Our year in review

- Solid performance in the Travis Perkins General Merchant, driven by focus on digital capability and value-added services, including Hire, Benchmarx kitchens and Managed Services
- Continued strong performances from the Group's specialist distributors, BSS, Keyline and CCF. Staircraft now integrated and enhancing the Group's housebuilder proposition
- Toolstation returned to good growth after a tough prior year comparatives in H1, as we look to maximise Toolstation's growth potential in the UK and Europe
- Good progress towards purpose goals, notably a 34% reduction in Scope 1 & 2 carbon emissions
- Expansion of our apprenticeship offering to the wider industry with the 1,000<sup>th</sup> graduate in 2022, a major milestone as we develop the next generation of the UK construction workforce

### Overview

Reflecting on the year as a whole, 2022 will ultimately be remembered as a challenging period during which the increased operational agility resulting from the recent simplification of the Group was once again tested. After a strong start to the year, with elevated levels of activity in the residential sector, both consumer and business confidence were eroded by the impact of rapidly rising energy and commodity prices driven by the war in Ukraine and the rise in interest rate expectations following September's "mini-budget". Alongside a weakening demand outlook, our teams have had to carefully manage unprecedented levels of materials cost inflation and steeply rising overhead costs.

Our team remains one of our greatest strengths. I would like to take this opportunity to thank each of our colleagues for their continued diligence, hard work and exceptional focus on delivering for our customers despite many intense pressures. We recognise the impact that the sharply increasing cost of living is having on our colleagues and have offered financial wellbeing support and additional benefits where we can as well as maintaining a strong focus on building a culture where everyone returns home safe and well everyday.

Towards the end of the year, as it became apparent that 2023 is likely to see reduced activity levels in the construction sector, we made some tough decisions to ensure that our cost base is aligned to expected market conditions. As always, we have sought to manage this difficult process in a way that is fair for all concerned.

It is through the combination of the market leading service provided by our colleagues and our ability to flex our approach to respond quickly to changing market dynamics that the Group has been able to deliver a resilient financial performance in 2022. Despite the uncertainty ahead, we remain well placed to continue to outperform our markets and deliver long term value for all our stakeholders.

### Operational review

The Group's merchant businesses delivered a robust performance and continue to outperform their end markets. This outperformance is driven by a focus on further enhancing our market leading propositions through our strategy of both deepening and elevating our customer relationships. To provide our customers with simple and convenient ways of doing business with us, we continue to invest in larger destination branches and develop our digital channels.

## Revenue

# £5.0bn

2021: £4.6bn

## Adjusted operating profit

# £295m

2021: £353m

Furthermore, our value-added services, such as Hire and Managed Services, reduce the time, complexity, cost and carbon associated with customers' projects.

Toolstation had a challenging year as the elevated levels of DIY volume during the pandemic unwound. The business encouragingly returned to growth in the second half of the year and the focus on developing the proposition for our trade customers remains unchanged. Our European business continues to expand, with revenues having more than doubled in the last three years, seeking to build on the first-mover advantage in Benelux and France.

### Strategic progress

The Group has made good progress during the year to both deepen and elevate relationships with customers. In the challenging trading environment we have had to prioritise activity but it is encouraging to see the development of some truly differentiating propositions as well as the ongoing growth in our more established service oriented platforms. In this Annual Report we highlight the growth in our Hire business which is performing exceptionally well and helping customers to remove cost and complexity from their projects. In addition we highlight the differentiation that comes from the addition of Staircraft to the Group, a market leading innovator in environmental and safety performance, that brings significant benefits to our customers.

### Building a sustainable business

To further inform the Group's focus on building a sustainable business, the Group conducted a thorough sustainability materiality assessment with qualitative and quantitative input from all key stakeholder groups. The assessment identified that carbon is the principal area of focus for stakeholders and as a result decarbonisation will be the Group's sustainability priority. This assessment will inform governance, investment, communication and engagement decisions in the coming years. In 2022 we made positive progress against existing carbon reduction targets and the Group continues to engage in decarbonisation by setting science-based interim targets for our buildings, fleet and Scope 3 emissions engagement for 2027. I have personally had the pleasure of leading engaging Scope 3 discussions with both some of our national housebuilder customers and largest product suppliers. I am optimistic about the shared purpose, creativity and desire for collaboration that exists across our value chain, which we will build on in the years to come.

### Developing the next generation

A key enabler of a more sustainable construction industry in the UK will be the development of future skills. The Group has continued to expand its apprenticeship offering, creating new jobs and new pathways for career progression guided by a strategic focus to attract and retain more diverse talent and to address the challenges faced by both the Group and sector around digital skills, data, carbon reduction and changes to construction methods. The Group has opened its sector-leading Apprenticeship infrastructure to supply chain partners in the construction sector and is now the Early Careers and Apprenticeship provider to the Builders Merchant Federation. We currently have 340 Apprentices from outside the Group enrolled on a Travis Perkins delivered apprenticeship, through organisations like the Builders Merchant Federation. By the end of 2022 we reached the milestone of our 1000th graduated apprentice. To mobilise the Group and industry partners on the role of apprenticeships and skills as a key driver of diversity and key enabler of the UK's green transition, the Group has set a long-term target of 10,000 completed apprenticeships by 2030.

### Outlook

The outlook across our end markets remains uncertain and, in our planning for 2023, it has been necessary for us to adopt a balanced approach, maintaining the focus on executing our strategy to lead in our markets but also recognising that it will be necessary to manage our cost base and capital spend plans appropriately in the shorter term to reflect the expectations of a weaker volume environment.

The long-term structural drivers in our end markets remain robust with the need to decarbonise the UK's built environment becoming ever more pressing due to rising energy costs and the impacts of climate change. The shortage of both public and private housing in the UK also remains a significant growth opportunity. We continue to position our businesses to support the delivery of these key objectives and, in doing so, create sustainable long-term value for our shareholders.