

Travis Perkins ^{plc}

2024 Half Year Results Presentation

August 2024

Leading partner to
the construction
industry



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Introduction

Nick Roberts
Chief Executive Officer



Good progress on business improvement actions...

- Overheads reduced YoY by £19m with cost inflation absorbed
- Enhanced cash generation with net debt before leases reduced by £81m
- Toolstation UK margin expanded by 130bps
- Toolstation France: on track to exit by the end of FY24
- Toolstation Benelux strategic review complete; actions implemented to deliver FY25 break-even

...but challenging market conditions persist

- Weak demand continues across the Group's end markets
- Gross margins squeezed by commodity price deflation and competitive pressures
- Focus on maintaining market position and price discipline
- Political uncertainty removed and greater economic stability forecast
- Recovery will take time to take effect and expect H2 to remain subdued

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Financial review

Duncan Cooper
Chief Financial Officer

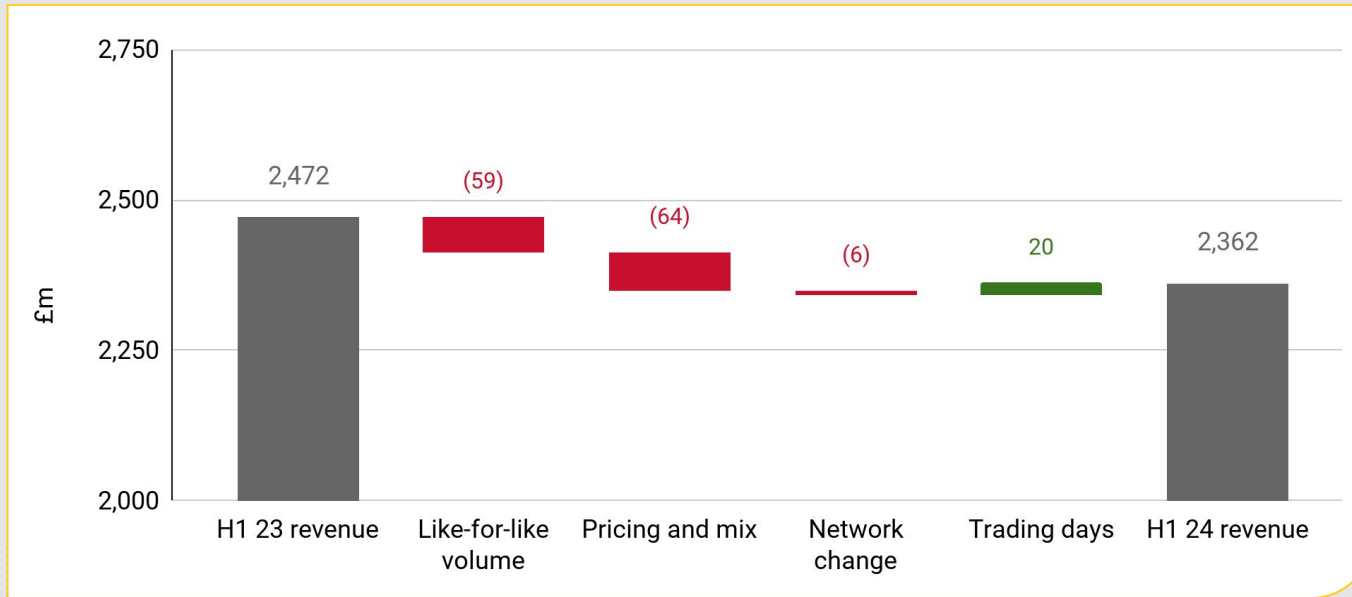


Financial overview

<i>6 months ended 30 June 2024</i>	H1 2024	H1 2023	<i>Change</i>
Revenue (£m)	2,362	2,472	<i>(4.4)%</i>
Adjusted operating profit (£m)	75	112	<i>(33.0)%</i>
Adjusted earnings per share (pence)	15.9p	30.5p	<i>(47.9)%</i>
Net debt / adjusted EBITDA	2.7x	2.1x	<i>(0.6)x</i>
Cash conversion	204%	105%	99ppt
Ordinary dividend per share	5.5p	12.5p	<i>(56.0)%</i>

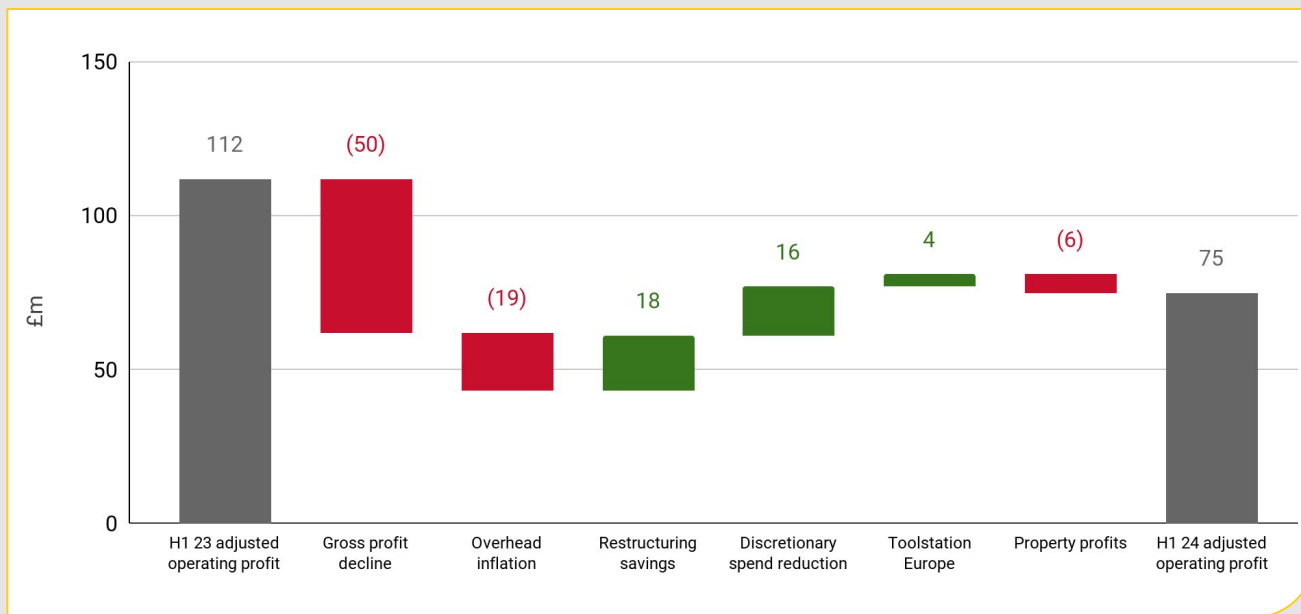
Note - Alternative performance measures are used to provide a guide to underlying performance.

Revenue impacted by price deflation and weak volumes



- ▶ Trading volumes lower due to continued RMI weakness, reduced housebuilding and public sector projects
- ▶ Pricing impacted by commodity product deflation and focus on maintaining market position
- ▶ Network impact broadly neutral as Benchmarx closures offset Toolstation store openings

Further overhead reductions partially mitigate weak market dynamics



- Gross profit decline driven by impact of commodity deflation and competitive pressures
- Good progress on cost reduction both from restructuring and lower discretionary spend
- Ongoing discipline with continuing review of the operating model in H2

Adjusting items

	£m
Supply chain consolidation	15.0
Group restructuring / procurement centralisation	8.9
Benchmarkx closures	5.7
Toolstation France exit	2.6
Total	32.2

- Closure of five supply chain assets
- Further Group restructuring actions and centralisation of procurement
- Closed 39 standalone Benchmarkx sites in Feb 24
- Further charges expected in FY24 as review of operating model progresses

Gross margin pressure impacting on Merchanting margins



	H1 2024	H1 2023	Change
Revenue	£1,942m	£2,062m	(5.8)%
Adjusted operating profit	£91m	£130m	(30.0)%
Adjusted operating margin	4.7%	6.3%	(160)bps
ROCE (12 month rolling)	8%	12%	(4)ppt
Branch network*	725	769	(44)

Notes:

* 2023 branch network figures for comparison are taken at 31 December 2023
All figures above exclude property profits

- Gross margin pressure from commodity deflation and competitive environment
- Reduced housebuilding activity
- Public sector project uncertainty
- Continued good sales growth in Hire (+3%) and Managed Services (+9%) businesses
- Consolidation of CCF and Keyline management teams to realise further efficiencies

Good profitability progression in Toolstation UK



	H1 2024	H1 2023	Change
Revenue	£420m	£410m	2.4%
Like-for-like growth	0.7%	5.9%	
Adjusted operating profit - UK	£14m	£9m	55.6%
Adjusted operating profit - Europe	£(15)m	£(19)m	21.1%
Adjusted operating profit - Total	£(1)m	£(10)m	90.0%
Adjusted operating margin	(0.3)%	(2.4)%	210bps
ROCE (12-month rolling)	(1)%	(2)%	1ppt
Branch network (UK)*	578	570	8
Branch network (Europe)*	164	170	(6)

Notes:

* 2023 branch network figures for comparison are taken at 31 December 2023
All figures above exclude property profits

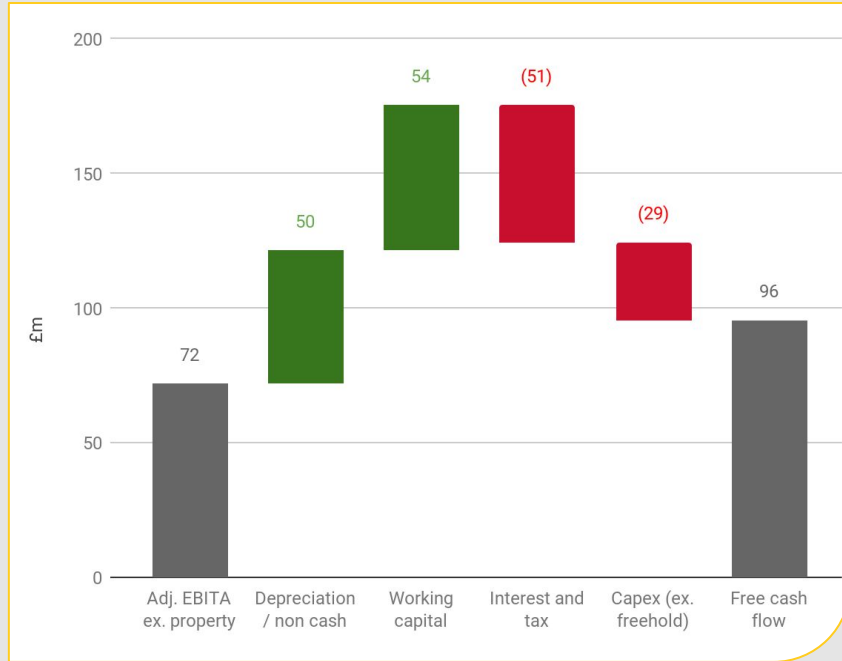
- Solid sales performance driven by further market share gains and maturity benefits
- 130bps expansion in Toolstation UK operating margin from gross margin and cost-to-serve enhancements
- TS Europe losses remain in line with forecast but with plans to address
- 8 new UK branches (FY forecast ~20)
- 8 branch closures in Benelux as part of plan to accelerate path to profitability

Disciplined approach to capital expenditure

£m	H1 2024	H1 2023
Strategic	10	29
Maintenance	15	19
IT	4	1
Base capital expenditure	29	49
Freehold property	10	7
Gross capital expenditure	39	56
Disposals	(18)	(35)
Net capital expenditure	21	21

- Tighter controls on capital expenditure
- Maintenance capex broadly held to protect asset quality
- Strategic capex reduced by £(19)m reflecting market conditions and investment levels in previous years
- On track for guidance of £80m FY base capex spend

Strong cashflow conversion driven by working capital actions



Cashflow conversion of 204% driven by working capital benefit and reduced capex

Stock reduction of £58m from increased focus on working capital and supply chain consolidation

Targeting further working capital improvement in H2

Good progress on net debt reduction

	30 Jun 2024	31 Dec 2023	Change	Covenant
Net debt	£868m	£922m	£54m	
Net debt / adjusted EBITDA	2.7x	2.6x	(0.1)x	<4.0x
Net debt before leases	£233m	£314m	£81m	
Net debt before leases / adjusted EBITDA	0.7x	0.8x	0.1x	

- Net debt before leases reduced by £81m driven by capex discipline, lower dividend and working capital focus
- Toolstation France becoming a discontinued operation will reduce leverage by c. 0.2x
- Further Toolstation France cash outflows of £20-25m expected to be incurred in H2 2024 / FY 2025
- Remains a key focus for the Group to return leverage to target range (1.5 - 2.0x)

Outlook and guidance

Outlook

- **Focus remains on what the Group can control**
 - Ongoing overhead discipline
 - Positioned for a strong recovery
- **Market to remain challenging in H2**
 - Commodity deflation receding but demand remains weak
 - Positive government action for construction sector but will take time to take effect

FY24 Guidance

- **Base capital expenditure of £80m**
- **Expect ETR of around 29% on UK generated profits**
- **Expect adjusted operating profit to be around £150m including:**
 - Property profits of £5-10m
 - Forecast loss of £(16)m in Toolstation France

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Operational update

Nick Roberts
Chief Executive Officer



Near-term challenges remain but outlook improving

Market expected to remain weak in 2024



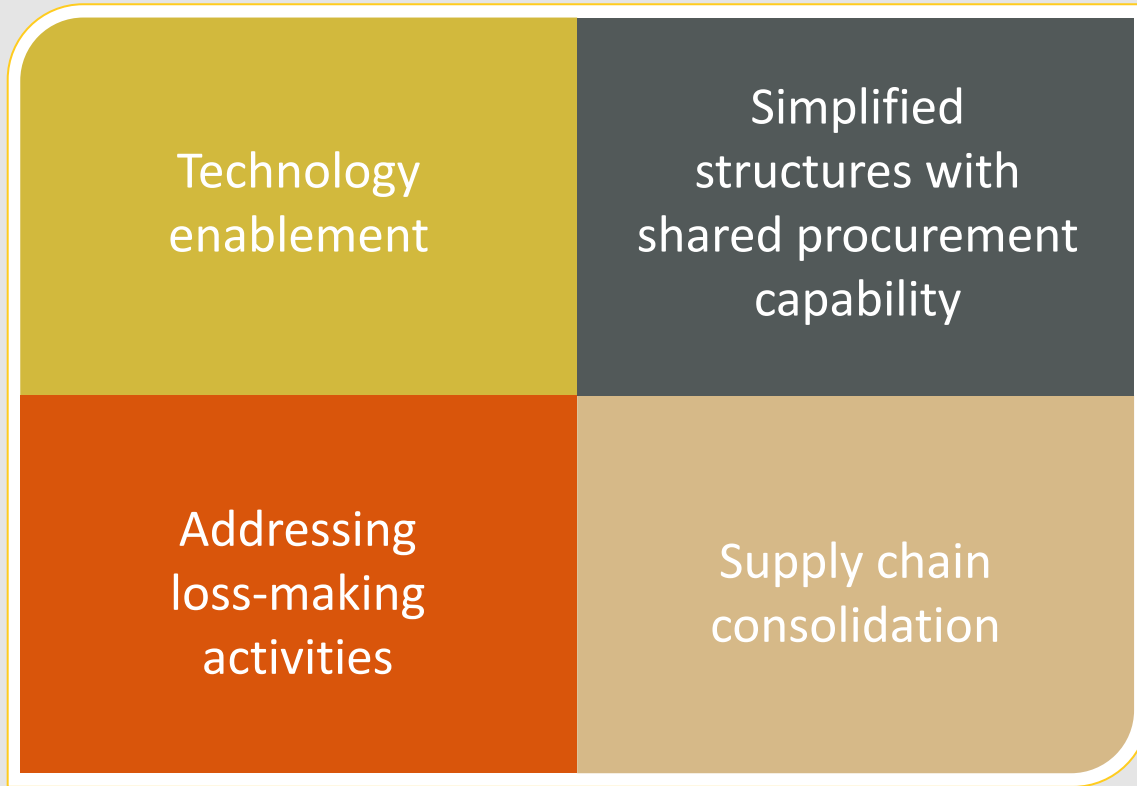
- Conditions set for a pick up in housebuilding activity but RMI demand remains weak
- Election has delayed both public and private sector projects
- Pricing to remain under pressure in weak volume environment

Improving outlook into 2025



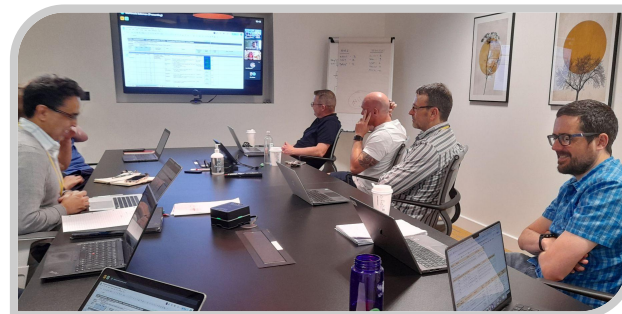
- Inflation stabilised and interest rate cuts underway
- Consumer confidence to undertake RMI will start to improve
- Decisive early action by new Government on housing and construction
- Receding political and economic uncertainty makes UK more attractive place to invest

Initial actions focused on four key areas



Technology enablement

- New ERP system implemented - Oracle Financials
- Cloud-based technology with future Oracle upgrade roadmap
- Standardised processes and new financial controls
- Enhanced stock visibility and reporting
- Capability and experience being developed for further technology change



ORACLE®

Simplified structures with shared procurement capability



Building category expertise and relationships across the Group



Leveraging purchasing scale to drive the best commercial outcomes



Developing Group-wide digital & marketing capability and customer proposition



Eliminating tasks and duplication, enabling headcount reduction



Management consolidation in CCF & Keyline

Supply chain consolidation



Pineham benefits driven by closure of Bridgwater and Daventry DCs



Three Merchandising supply chain assets closed to deliver efficiencies



Further opportunities through lightside collaboration

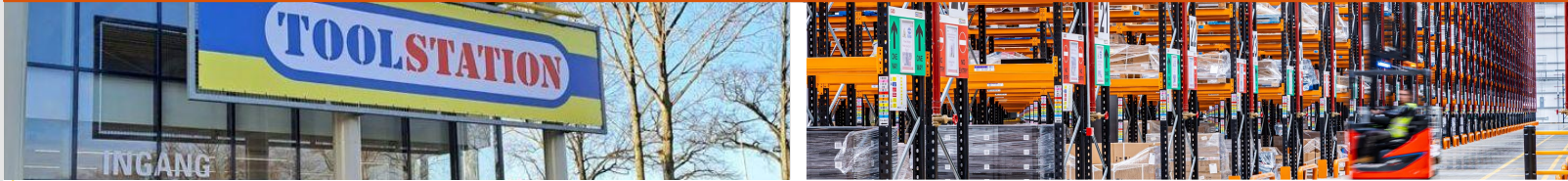
Addressing loss-making activities: Toolstation France

Expectation that the Group will exit Toolstation France by the end of 2024

- ▶ Consultation process with the works council in France has concluded
- ▶ Planning for a solvent exit in the event a buyer for all / part of the business is not found
- ▶ Expected cash exit costs of £20-25m across H2 2024 / FY 2025

Addressing loss-making activities: Toolstation Benelux

Benelux strategic review concluded - focus on accelerated path to profitability



- Strategic review re-affirmed the long-term potential of the business
- Benelux shorter maturity curve than France; customer habits more aligned to the UK
- Actions to drive profitability include:
 - Closure of branches deemed unlikely to achieve desired returns
 - Reduction in non-branch headcount of around 15%
 - Purchasing synergies from membership of Dutch buying group
- Now expecting break-even performance for FY 2025

Summary



- Challenging H1 market conditions expected to persist into H2
- Good progress being made on overheads, working capital and cash generation
- Decisive policy action and economic stability create positive outlook
- Management actions positioning Group for strong recovery

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Questions



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Appendices



I - Definitions

Metric	Definition
Operating profit	Profit before tax, financing charges and income
Earning per share ("EPS")	Ratio of net profit after taxation 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 %	$\text{Cash conversion \%} = \frac{\text{Adjusted operating profit excl. Property Profits} + \text{depreciation \& amortisation (excl. IFRS 16)} + \text{+/- change in working capital} - \text{non-freehold capital expenditure}}{\text{Adjusted operating profit excl. Property Profits}}$

II - Sales drivers by reporting segment

		Total revenue		Like-for-like revenue	
		2024	2023	2024	2023
Merchanting	Q1	(6.0)%	(3.2)%	(4.2)%	(4.2)%
	Q2	(5.7)%	(5.6)%	(7.9)%	(5.2)%
	H1	(5.8)%	(4.5)%	(6.1)%	(4.8)%
Toolstation	Q1	1.2%	8.6%	(0.9)%	4.6%
	Q2	3.4%	9.7%	2.2%	7.2%
	H1	2.4%	9.0%	0.7%	5.9%
Total Group	Q1	(4.9)%	(1.5)%	(3.7)%	(2.9)%
	Q2	(4.2)%	(3.3)%	(6.1)%	(3.3)%
	H1	(4.4)%	(2.5)%	(5.0)%	(3.2)%

	Merchanting	Toolstation	Group
Price and mix	(3.6)%	2.1%	(2.6)%
Like-for-like volume	(2.5)%	(1.4)%	(2.4)%
Like-for-like revenue growth / (decline)	(6.1)%	0.7%	(5.0)%
Network changes and acquisitions / disposals	(0.6)%	1.2%	(0.2)%
Trading days	0.9%	0.5%	0.8%
Total revenue growth / (decline)	(5.8)%	2.4%	(4.4)%

III - Branch Numbers

	31 Dec 23	Openings	Closures	30 Jun 24
Travis Perkins General Merchant	552	2	(8)	546
Benchmark*	70		(39)	31
Keyline	42			42
CCF	36	1		37
BSS & TF Solutions	69			69
Merchanting	769	3	(47)	725
Toolstation	570	8		578
Toolstation Europe	170	2	(8)	164
Toolstation	740	10	(8)	742
Group	1,509	13	(55)	1,467

* Standalone Benchmark branches only. The Group also has 95 Benchmark showrooms or implants within Travis Perkins General Merchant branches

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