FERGUSON

4 December 2018

Interim Management Statement for the 3 months to 31 October 2018

Ongoing businesses[1] US$ millions	Q1 2019	Q1 2018	Change	Organic change[3]
Revenue	5,554	5,117	+8.5%	+6.7%
Trading profit[2]	432	393	+9.9%	
Trading days	65	65	-	
Reported net debt to EBITDA	0.9x	0.5x		

First quarter highlights

- Ongoing revenue 8.5% ahead of last year, including 6.7% organic growth.
- Gross margin of the ongoing business was 29.6%, 0.5% ahead of last year.
- Ongoing trading profit of $432 million was 9.9% ahead of last year.
- Invested $284 million in acquisitions in Q1.

John Martin, Group Chief Executive, commented:

"Ferguson continued to perform well in the first quarter with good organic growth in the US of 9.6 per cent in supportive markets. Growth in the US was widespread across all geographic regions and major business units. Canada continued to grow against tough prior year comparatives and the UK also grew modestly on a like-for-like basis.

"Since the end of the quarter, the US has continued to grow well and the current indications are that growth will continue in the months ahead. As a result, we expect trading profit for the full year to be in line with analysts' expectations.

"We will continue to execute our strategy of delivering excellent customer service to maximise profitable growth opportunities whilst remaining vigilant on costs. Our capital allocation policy is unchanged and we will continue to maintain a strong balance sheet."

Group results

The Group generated revenue of $5,554 million in the first quarter, 9.0% ahead of last year at constant exchange rates and 6.7% ahead on an organic basis. Gross margin continued to improve, up 50 bps to 29.6%, as a result of recent acquisitions and the exit of low margin wholesale business in the UK last year. Operating costs were well controlled and trading profit of $432 million was 10.2% higher than last year at constant exchange rates. Exceptional costs of $6 million were incurred and related to the previously announced UK restructuring programme. There is one fewer trading day this year compared to 2018, which falls in the second quarter.

1) 'Ongoing businesses' excludes businesses that have been closed, disposed of or are classified as held for sale.
2) Before exceptional items and amortisation of acquired intangible assets.
3) The increase or decrease in revenue excluding the effect of currency exchange, acquisitions and disposals and trading days.

Regional analysis

Ongoing businesses US$ millions	Revenue Q1 2019	Revenue Q1 2018	Change (at constant exchange rates)	Trading profit Q1 2019	Trading profit Q1 2018	Change (at constant exchange rates)
US	4,607	4,112	+12.0%	400	363	+10.2%
UK	607	679	(9.5%)	19	21	(7.8%)
Canada	340	326	+8.9%	27	23	+24.8%
Central costs	-	-		(14)	(14)	
Group	5,554	5,117	+9.0%	432	393	+10.2%

Quarterly organic revenue growth

Ongoing businesses	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
US	+8.3%	+9.1%	+10.6%	+11.4%	+9.6%
UK[1]	+3.9%	(1.7%)	+0.7%	(0.1%)	+1.5%
Canada	+7.2%	+9.9%	+4.7%	+6.3%	+3.3%
Group	+7.5%	+7.4%	+7.1%	+8.1%	+6.7%

[1] The UK revenue growth rate is presented on a like-for-like basis to remove the impact of closed branches and the exit of low margin business.

USA

Our US business grew revenue 9.6% on an organic basis, which included price inflation of about 3%, and acquisitions contributed a further 2.4%. All of our business units generated organic growth in the quarter, with continued good demand from residential and commercial customers. Industrial markets also continued to grow very well. The revenue growth rate in the B2C business was lower, as we continue to consolidate pay-per-click advertising spend around fewer trading websites, which resulted in an improvement in trading profit in the period.

Gross margins were ahead principally as a result of recent acquisitions. Operating expense growth included labour cost inflation of about 4% and distribution costs were higher due to inflationary pressures. Trading profit of $400 million was 10.2% ahead of last year.

Acquisitions completed during the quarter had total annualised revenue of $216 million. The most significant of these was Jones Stephens, a master distributor of own brand plumbing products, as disclosed with the Full Year results. Since the end of the quarter we acquired Robertson Supply a residential and commercial wholesaler with 8 branches in Idaho and Oregon with annualised revenue of $50 million.

UK

Like-for-like revenue growth was 1.5% in the quarter which included about 2.5% of price inflation. This reflected weak repair, maintenance and improvement markets. Total revenue was down 9.5% on a constant currency basis due to closed branches and the exit of low margin business. Underlying gross margins were slightly ahead. Trading profit of $19 million was $2 million lower than last year at constant exchange rates mainly as a result of investment in the B2C platform. The previously announced restructuring actions are on track for completion this year.

Canada

Organic revenue in Canada grew by 3.3% against tough prior year comparatives with acquisitions contributing a further 5.6%. Ontario, Atlantic and Quebec regions grew well though our business in Western Canada was slightly lower. Gross margins were ahead of last year and trading profit of $27 million was 24.8% ahead of last year at constant exchange rates. One small acquisition was completed in the quarter with total annualised revenue of $11 million.

Non-ongoing operations

The disposal process for Wasco is on track and the business continued to trade well in the quarter generating revenue of $81 million (2018: $74 million) and trading profit of $3 million (2018: $2 million).

Financial position

Net debt at 31 October 2018 was $1,599 million after a cash outflow of $266 million relating to acquisitions, capital expenditure of $163 million and normal seasonal working capital outflows. In October we raised $750 million of public bonds at 4.5% with a ten year maturity. The final dividend of 131.9 cents per share will be paid to shareholders on 5 December 2018. There have been no other significant changes to the financial position of the Group.

Outlook

Since the end of the quarter, the US has continued to grow well and the current indications are that growth will continue in the months ahead. As a result, we expect trading profit for the full year to be in line with analysts' expectations.

For further information please contact

Ferguson plc

Mike Powell, Group Chief Financial Officer	Tel:	+41 (0) 41 723 2230
Mark Fearon, Director of Corporate Communications and IR	Mobile:	+44 (0) 7711 875070

Media Enquiries

Mike Ward, Head of Corporate Communications	Mobile:	+44 (0) 7894 417060
Nina Coad (Brunswick)	Tel:	+44 (0) 20 7404 5959

Investor conference call

A conference call with Mike Powell, Chief Financial Officer will commence at 08.00 UK time today. The call will be recorded and available on our website after the event www.fergusonplc.com.

Dial in number	UK:	+44 (0)330 336 9105
	Switzerland:	+41 (0)44 580 7206

Ask for the Ferguson call quoting 5447186.

Ferguson plc is the world's largest specialist trade distributor of plumbing and heating products to professional contractors principally operating in North America and the UK. Revenue for the year ended 31 July 2018 was $20.8 billion and ongoing trading profit was $1.5 billion. Ferguson plc is listed on the London Stock Exchange (LSE: FERG) and is in the FTSE 100 index of listed companies. For more information, please visit www.fergusonplc.com or follow us on Twitter https://twitter.com/Ferguson_plc.

Financial calendar

H1 Results for period ending 31 January 2019	26 March 2019
Q3 results for the period ending 30 April 2019	18 June 2019
Full Year Results for year ended 31 July 2019	1 October 2019

Legal disclaimer

Certain information included in this announcement is forward-looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward-looking statements. Forward-looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of expected future revenues, financing plans, expected expenditures and divestments, risks associated with changes in economic conditions, the strength of the plumbing and heating in North America and Europe, fluctuations in product prices and changes in exchange and interest rates. Forward-looking statements can be identified by the use of forward-looking terminology, including terms such as "believes", "estimates", "anticipates", "expects", "forecasts", "intends", "plans", "projects", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. All forward-looking statements in this announcement are based upon information known to the Company on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward-looking statements, which speak only at their respective dates. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules, the Prospectus Rules, the Disclosure Guidance and the Transparency Rules of the Financial Conduct Authority), the Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

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