

Interim Management Statement for the 3 months to 30 April 2017

6/20/2017

	Q3 2017	Q3 2016(2)	Change	Change (at constant exchange rates)	Like-for-like change(3)
£million					
Revenue	4,270	3,658	+16.7%	+4.6%	+6.6%
Trading profit (1)	254	232	+9.5%		
Trading days	63	65	(2)		
Net debt	1,132	1,131			

1. Before exceptional items and the amortisation and impairment of acquired intangibles.

2. Trading profit for the three months to 30 April 2016 has been restated to exclude £2 million of restructuring costs classified as exceptional.

3. The increase or decrease in revenue excluding the effect of currency exchange, acquisitions and disposals, trading days and branch openings and closures.

Third quarter highlights

- Like-for-like revenue growth of 6.6%. Exchange rate movements increased revenue by £423 million.
- Gross margin of 28.5% was 0.1% ahead of last year.

- Trading profit of £254 million. Exchange rate movements increased trading profit by £29 million and two fewer trading days reduced trading profit by £17 million.
- Net debt at 30 April 2017 of £1,132 million, in line with last year.
- Three acquisitions completed in the quarter for total consideration of £21 million.
- Completed merger of Tobler with Walter Meier on 6 April 2017.
- Sold Endries, a small US fasteners business, for net proceeds of £186 million on 1 June 2017.
- Change of Group name to Ferguson plc approved by shareholders and will take effect on 31 July 2017.

Commenting on the results, John Martin, Chief Executive, said:

“Revenue growth in the quarter was good with US residential and commercial markets growing well and industrial markets improving. The Nordics returned to growth and the UK was broadly flat.

“Since the end of the period revenue growth has been broadly in line with the third quarter, gross margins and cost control have been good. The Group expects trading profit for the full year to be in line with current analyst consensus expectations.”

Group results

During the quarter the Group generated revenue of £4,270 million, 4.6% ahead of last year at constant exchange rates and 6.6% ahead on a like-for-like basis. Trading profit of £254 million included a £29 million favourable impact from exchange rate movements. There were two fewer trading days in the period which reduced trading profit by £17 million and there will be one more day in the fourth quarter compared to the same quarter last year. In the third quarter a £30 million exceptional charge was incurred as a result of restructuring in the UK and Nordic regions.

Three months to 30 April by region

£ million	Revenue Q3 2016	Currency exchange impact	Trading days impact	Growth / (Decline)	Revenue Q3 2017
USA	2,414	352	(84)	321	3,003
UK	529	-	(16)	(7)	506
Nordics	457	40	(17)	4	484
Canada and Central Europe	258	31	(9)	(3)	277
Group	3,658	423	(126)	315	4,270

£ million	Trading profit Q3 2016	Currency exchange impact	Trading days impact	Growth / (Decline)	Trading profit Q3 2017
USA	204	29	(12)	6	227
UK	26	-	(3)	-	23
Nordics	7	-	(1)	(1)	5
Canada and Central Europe	7	-	(1)	3	9
Central costs	(12)	-	-	2	(10)
Group	232	29	(17)	10	254

Quarterly like-for-like revenue growth trends

	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
USA	+5.0%	+3.1%	+4.2%	+6.7%	+8.5%
UK	(0.4%)	(2.1%)	(2.9%)	+3.6%	(0.4%)
Nordics	(2.6%)	(2.3%)	(2.9%)	(1.5%)	+4.3%
Canada and Central Europe	-	+0.3%	(2.7%)	+0.3%	+5.1%
Group	+2.8%	+1.5%	+1.8%	+4.8%	+6.6%

USA

Ferguson, our US plumbing and heating business, grew revenue by 8.5% on a like-for-like basis. There was no significant impact from price inflation in the period. Acquisitions contributed another 2.8% of revenue growth. All businesses generated like-for-like revenue growth in the quarter with good growth across residential and commercial markets and industrial markets improving. Gross margins were broadly consistent with last year and operating costs were 12.3% higher at constant exchange rates, including 3.6% from acquisitions. Trading profit of £227 million was £23 million ahead of last year including a £29 million favourable impact from exchange rate movements and a £12 million negative impact from two fewer trading days. Three acquisitions were completed in the quarter, with total annualised revenue of £39 million. During the quarter we sold Endries, a small fasteners business, for £186 million.

UK

Like-for-like revenue in the UK was 0.4% lower than last year including inflation of 3%. Repairs, maintenance and improvement markets remained weak. Gross margins were slightly ahead of last year and trading profit of £23 million was £3 million behind last year due to two fewer trading days. We continued to make good progress with the transformation strategy announced in September 2016.

Nordics

Like-for-like revenue in the Nordics was 4.3% ahead of last year. Gross margins were weaker and operating costs

were in line. Trading profit of £5 million was £2 million behind last year including a £1 million negative impact from fewer trading days.

Canada and Central Europe

Like-for-like revenue in Canada and Central Europe was 5.1% ahead of last year. Gross margins were in line and operating costs were 7.9% lower at constant exchange rates. Trading profit of £9 million was £2 million ahead of last year including a £1 million impact from fewer trading days. As previously announced the merger of Tobler with Walter Meier in Switzerland was completed on 6 April 2017 and Wolsley now owns 39.2% of the combined business.

Nine months trading performance

£ million	Revenue 2017	Revenue 2016	Change (at constant exchange rates)(1)	Trading profit 2017	Trading profit 2016(2)	Change (at constant exchange rates)(1)
9 months to 30 April 2017						
USA	8,763	6,795	+9.4%	678	549	+4.8%
UK	1,517	1,525	(0.5%)	58	63	(7.9%)
Nordics	1,520	1,342	(1.4%)	21	30	(40.4%)
Canada and Central Europe (CCE)	931	791	(0.2%)	43	37	(3.0%)
Central costs				(31)	(34)	
Group	12,731	10,453	+6.0%	769	645	+2.1%

1. Trading days were consistent in 2016 and 2017.

2. Trading profit for the nine months to 30 April 2016 has been restated to exclude £5 million of restructuring costs classified as exceptional.

These results above include the following businesses being sold or merged that will not be included in the ongoing results at 31 July 2017:

£ million	Revenue 2017	Revenue 2016	Trading profit 2017	Trading profit 2016
9 months to 30 April 2017				
Nordics (being sold)	1,520	1,342	21	30
USA - Endries (sold on 1 June 2017)	151	122	14	9
CCE - Tobler (merged on 6 April 2017)	175	174	11	12

Financial position

Net debt at 30 April 2017 was in line with our expectations at £1,132 million (30 April 2016: £1,131 million). The interim dividend of £92 million was paid to shareholders on 28 April 2017. Total acquisition consideration in the quarter was £21 million and £94 million was received on the merger of Tobler with Walter Meier. Since the period

end we have received net proceeds of £186 million relating to the disposal of Endries, our small US fasteners business. There have been no other significant changes in the financial position of the Group.

Group name change

On 23 May 2017 shareholders approved a resolution to change the name of the Group to Ferguson plc which will become effective on 31 July 2017. The Group will continue to maintain the Wolseley trading name in the UK and Canada where it has strong local recognition. As previously announced, we will also change the presentational currency of the Group to US dollars from 1 August 2017.

Board changes

As previously announced Mike Powell joined the Group as Chief Financial Officer on 1 June 2017. Mike joined from BBA Aviation plc where he served as the Group Finance Director.

As announced on 8 June 2017 Nadia Shouraboura has been appointed to the Board as a Non-Executive Director effective from 1 July 2017. Nadia, a US Citizen, was formally a Vice President at Amazon.com, Inc. After eight years at Amazon, she founded Hointer Inc., a Seattle based consultancy that helps retailers create innovative in-store experiences. She is also a Non-Executive Director of Cimpress NV, which provides physical and digital marketing products for small businesses.

Outlook

Since the end of the period revenue growth has been broadly in line with the third quarter, gross margins and cost control have been good. The Group expects trading profit for the full year to be in line with current analyst consensus expectations.

FULL INTERIM MANAGEMENT STATEMENT

[Download full announcement \(pdf\)](#)

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Investor conference call

A conference call with John Martin, Chief Executive will commence at 08.00 UK time today.

The call will be recorded and available on our website after the event www.wolseley.com.

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Please ask for the Wolseley call quoting 6464604.