

Interim Management Statement for the 3 months to 30 April 2018

6/19/2018

Ongoing businesses ¹	Q3 2018	Q3 2017	Change	Organic change ³
US\$ millions				
Revenue	5,080	4,610	+10.2%	+7.1%
Trading profit ²	356	304	+17.1%	
Trading days	63	63	-	
Net debt	260	1,466		

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.

Third quarter highlights

- Ongoing revenue 10.2% ahead of last year, including 7.1% organic growth.

- Gross margin of the ongoing business was 29.3%, 0.4% ahead of last year.
- Ongoing trading profit of \$356 million was 17.1% ahead of last year.
- Sale of Stark Group completed on 29 March 2018 for approximately \$1.2 billion.
- Net debt of \$260 million at 30 April 2018, before special dividend of \$4 per share (\$1 billion) to be paid on 29 June.

John Martin, Chief Executive, commented:

"The US continued to grow strongly with organic revenue growth of 10.6% in the quarter. Growth was broadly based across all US regions, supported by good market conditions. We also continued to manage gross margins effectively, making further progress. We generated good growth in Canada and in the UK we continued to focus on executing the restructuring plan.

The fourth quarter has started well with organic revenue growth in line with the third quarter. Given the third quarter outturn, the Group is well positioned for a successful outcome for the year."

Group results

Revenue in the quarter was \$5,080 million, 8.0% ahead of last year at constant exchange rates and 7.1% ahead on an organic basis. Gross margins continued to improve, up 40 basis points to 29.3% and operating costs were well controlled. Trading profit of \$356 million was 16.3% higher than last year at constant exchange rates. Exceptional costs were \$6 million in the quarter.

Regional analysis

Ongoing businesses	Revenue Q3 2018	Revenue Q3 2017	Change (at constant exchange rates)	Trading profit Q3 2018	Trading profit Q3 2017	Change (at constant exchange rates)
US\$ millions						
US	4,109	3,683	+11.5%	334	277	+20.8%
UK	629	632	(10.9%)	23	29	(29.3%)
Canada and Central Europe	342	295	+8.9%	11	10	+11.6%
Central costs	-	-		(12)	(12)	
Group	5,080	4,610	+8.0%	356	304	+16.3%

Quarterly organic revenue growth trends were as follows:

	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
US	+8.8%	+8.7%	+8.3%	+9.1%	+10.6%
UK1	(0.4%)	+4.2%	+3.9%	(1.7%)	+0.7%
Canada and Central Europe Group	+7.3%	+7.7%	+7.7%	+7.8%	+6.5%
	+7.1%	+8.0%	+7.6%	+7.3%	+7.1%

USA

The US business grew revenue 10.6% on an organic basis, which included price inflation of about 3%, and acquisitions contributed a further 0.8%. US market growth continued to be good with residential demand supporting broadly-based growth across all regions. Commercial markets, whilst lower growth than residential, also remained good and industrial markets continued to recover strongly.

All business units continued to generate good organic growth in the quarter and gain market share. Revenue growth by end market was strong in residential, commercial improved and industrial grew particularly well as it benefited from a small number of larger projects.

Gross margins were ahead due to improvements in purchasing and better pricing controls. Operating expenses continued to be well controlled. Trading profit of \$334 million (2017: \$277 million) was 20.8% ahead of last year.

UK

Like-for-like revenue growth was 0.7% in the quarter including price inflation of about 3%. Organic revenues declined by 10.9% mainly due to the closure of branches and the exit of low margin wholesale business towards the end of the first half as previously announced. Consequently gross margins were ahead though underlying margins remained weak. Operating costs in the core business have been reduced as a result of the restructuring actions. Trading profit of \$23 million was 29.3% lower than last year at constant exchange rates.

Canada and Central Europe

Canada and Central Europe grew organic revenue 6.5% which included inflation of about 2%, acquisitions contributed 2.2% of additional growth. All businesses grew organic revenue with markets growing well. Gross

margins were ahead of last year and trading profit of \$11 million was \$1 million ahead of last year.

Ongoing businesses	Revenue	Revenue	Change	Trading profit	Trading profit	Change
US\$ million	2018	2017 (at constant exchange rates)		2018	2017 (at constant exchange rates)	
9 months to 30 April 2018						
USA	12,020	10,839	+10.9%	982	836	+17.5%
UK	1,984	1,910	(3.3%)	60	73	(22.9%)
Canada and Central Europe	1,103	952	+9.2%	52	40	+23.4%
Central costs	-	-		(40)	(38)	
Group	15,107	13,701	+8.7%	1,054	911	+15.1%

Financial position

Net debt at 30 April 2018 was \$260 million (30 April 2017: \$1,466 million) after receipt of proceeds from the Stark Group disposal of approximately \$1.2 billion. During the quarter we purchased a further 1.9 million shares for \$147 million (£104 million) in accordance with the ongoing \$650 million (£500 million) share buyback programme announced on 3 October 2017. This brought the total amount purchased to 6.7 million shares for \$482 million (£356 million) at 30 April 2018 and since the end of the quarter the share buyback programme has now been completed. In addition, \$100 million of additional funding was paid in to the UK defined benefit pension scheme and the interim dividend of \$142 million was paid.

Following approval by shareholders at the General Meeting on 23 May 2018 a special dividend of \$4 per share, equivalent to about \$1 billion, will be paid on 29 June to all shareholders on the share register at 8 June 2018. The accompanying share consolidation of 18 new ordinary shares for 19 existing ordinary shares was completed on 11 June 2018. Proforma net debt after payment of the special dividend and completion of the share buyback was 0.9x EBITDA.

Since 30 April 2018 we have completed one acquisition for total consideration of \$8 million in the USA. The acquisition pipeline remains strong.

Outlook

The fourth quarter has started well with organic revenue growth in line with the third quarter. Given the third quarter outturn, the Group is well positioned for a successful outcome for the year.

FULL INTERIM MANAGEMENT STATEMENT

Download full announcement (pdf)

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) 7984 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 1104216.