

# Interim Results for the half year ended 31 January 2007

3/19/2007

Summary of Results

Financial highlights

	Half year to 31 January 2007 £m	Half year to 31 January 2006 £m	Reported %	Change in constant currency %
Group revenue	7,870	6,734	+16.9	+23.7
Group trading profit(1)	390	385	+1.3	+7.8
Group operating profit	345	371	-7.0	-1.0
Group profit before tax, before exceptional items and amortisation and impairment of acquired intangibles	330	360	-8.3	-3.7
Group profit before tax	285	346	-17.6	-13.4
Earnings per share, before exceptional items and amortisation and impairment of acquired intangibles	38.72p	43.91p	-11.8	-3.4
Basic earnings per share	32.97p	41.58p	-20.7	-13.0
Interim dividend per share	10.85p	9.85p	+10.2	

Overview

- Market outperformance in the Group's principal markets

- Strong revenue growth but profits held back by US residential market, commodity price deflation and currency translation
- One off costs of £11 million in the first half giving rise to benefits of £30 million in the second half. Further rationalisation costs of £6 million expected in the UK in the second half
- First half operating cash flow up significantly (73%) reflecting increased focus on cash flow to finance future growth
- Trading margin target of 7% within 4 years
- Continuation of double digit growth target

#### Operating highlights

- North American revenues slightly up reflecting strong growth in Ferguson, including 9% organic growth, offsetting the tougher trading conditions for Stock caused by the slowing US residential market. Trading profit was down 15% due to Stock's lower profitability.
- Revenue growth of 44.5% in Europe included 26% from the acquisition of DT Group and double digit organic growth. Trading profit was up 33%. Trading margin was lower, reflecting lower UK margins due to ongoing investment.
- Good progress in France with 11.1% increase in revenue and 13.1% in trading profit.
- DT Group performing ahead of expectations and Central and Eastern Europe achieved more than 20% increase in revenue and around 50% increase in trading profit.
- Further investment with DCs opened in the UK and Italy. A total of 581 new branches added and expansion into 8 new European countries.
- Bolt on acquisition investment of £325 million for 30 acquisitions completed in the first half, which are expected to add £566 million of revenues in a full year. A further £34 million of investment in the second half so far to bring aggregate investment to £359 million. This is in addition to the £1,339 million acquisition of DT Group completed on 25 September 2006.

#### Outlook

- The US housing market is expected to continue to remain soft for the remainder of the calendar year. The repairs maintenance and improvement ("RMI") and commercial and industrial markets are expected to continue to hold up. Ferguson should increase its market share and achieve good levels of organic growth, albeit at a more modest rate than the first half.
- In Canada, exploration related business is expected to improve but the new residential housing market is likely to slow from recent high levels.
- The UK business is expected to show improved profits and underlying trading margin in the second half against the background of a positive economy and a gradual improvement in the RMI market.

- The recent improved performance of the French operation is expected to continue, although growth in the French RMI market is likely to remain modest.
- The outlook for the markets in which DT Group operates remain positive and its second half contribution will benefit from its seasonal bias in the second half.
- The Central and Eastern European operations are expected to continue to progress well.
- Increasing benefits are expected in the second half from the recent cost reduction initiatives. These actions, together with an increased focus on enhancing trading margins, and working capital efficiency should position the Group well in to the next financial year, to achieve its growth objectives.

## Summary of Results

	2007	2006	Change
Revenue	£7,870m	£6,734m	+16.9%
Operating profit			
- before amortisation of acquired intangibles	£390m	£877m	+1.3%
- amortisation of acquired intangibles	£(45)m	£385m	
Operating profit	£345m	£(14)m	-7.0%
Net finance costs	£(60)m	£371m	
Profit before tax			
- before amortisation of acquired intangibles	£330m	£(25)m	-8.3%
- amortisation of acquired intangibles	£(45)m	£(14)m	
Profit before tax	£285m	£346m	-17.6%
Earnings per share			
- before amortisation of acquired intangibles	38.72p	43.91p	-11.8%
- amortisation of acquired intangibles	(5.75)p	(2.33)p	
Basic earnings per share	32.97p	41.58p	-20.7%
Dividend per share	10.85p	9.85p	-20.7%
Net borrowings	£2,917m	£1,671m	
Gearing(2)	89.6%	68.1%	
Interest cover (times)(3)	7x	15x	
Operating cash flow	£447m	£258m	
Return on gross capital employed(4)	15.9%	18.8%	

Chip Hornsby, Wolseley plc Group Chief Executive said: "The decline in US housing starts has clearly had an impact on our results for the first half, but we have taken swift and decisive action to reduce our cost base and to position the Group to benefit from improving markets. Meanwhile, we are very encouraged with the progress being made in Europe including the acquisitions which have taken us into 8 new countries. We will continue to pursue our double-digit growth targets through a combination of organic and acquisitive growth with a renewed focus on margin, cash flow and working capital improvement."

An interview with Chip Hornsby, Group Chief Executive and Steve Webster, Group Finance Director, in video/audio and text is available [by following this link](#)

**View the archived slidecast** of this event.

Photographs of Chip Hornsby, Group Chief Executive and Steve Webster, Group Finance Director are available at: [www.newscast.co.uk](http://www.newscast.co.uk) and [www.wolseleyimages.com](http://www.wolseleyimages.com)

FULL RESULTS

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