FERGUSON

NEWS RELEASE

Q3 Interim Management Statement for the three months to 30 April 2014

6/3/2014

£ million	Q3 2014	Q3 2013	Change	Change (at constant exchange rates)	Like-for-like change(3)
Revenue	Ongoing businesses (1)	3,048	3,074	(0.8%)	+6.0%
	Closed, disposed of or held for sale	67	155		
		3,115	3,229		
Trading profit (2)	Ongoing businesses (1)	155	154	+0.6%	+9.1%
	Closed, disposed of or held for sale	(2)	(4)		
		153	150		
Net debt		914	694		

(1) 'Ongoing businesses' excludes businesses that have been closed, disposed of or are held for sale.

(2) Before exceptional items and amortisation of acquired intangibles.

(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

- Revenue of the ongoing businesses 6.0% ahead of last year at constant exchange rates, including like-for-like growth of 5.1%.

- Gross margin for the ongoing businesses of 28.1%, 10 basis points ahead of last year.
- Trading profit for the ongoing businesses £155 million, 9.1% ahead of last year at constant exchange rates.
- Foreign exchange movements adversely impacted trading profit by £12 million.
- Five bolt-on acquisitions for total consideration of approximately £119 million.
- Good cash generation with net debt of £914 million (30 April 2013: £694 million), after £90 million cash out-flow for acquisitions in the quarter.

Commenting on the results, Ian Meakins, Chief Executive, said:

"We continued to make good progress in the third quarter with strong growth in the USA and the Nordics offsetting more challenging conditions elsewhere. Like-for-like revenue growth in the UK was lower as we continued to focus on protecting gross margins. The Group grew its gross margin and controlled operating expenses to generate good conversion into trading profit, though reported results were affected by significant unfavourable foreign exchange rate movements. Cash generation was good and we are continuing to invest in technology and new business models to deliver better customer service and gain profitable market share."

Group results

During the quarter the Group generated revenue in the ongoing businesses of £3,048 million, 6.0% ahead of last year at constant exchange rates and 5.1% ahead on a like-for-like basis. The impact of inflation on Group revenue was negligible. The gross margin of 28.1% for the ongoing businesses was 10 basis points ahead of last year. Operating costs, which increased by 6% at constant exchange rates, included £2 million of acquisition costs and planned technology and process investment of £7 million. Exchange rate movements were unfavourable in the quarter and reduced trading profit by £12 million. The number of trading days was the same as in the third quarter last year. Trading profit for the ongoing businesses of £155 million was 0.6% higher than last year, 9.1% higher at constant exchange rates. The trading margin improved by 10 basis points to 5.1% for the ongoing businesses. Businesses closed, disposed of or classified as held for sale incurred a loss of £2 million (2013: loss of £4 million).

Regional analysis

£ million	Q3 2014 Revenue	Q3 2013 Revenue	Change	Like-for-like change	Q3 2014 Trading profit	Q3 2013 Trading profit
USA	1,697	1,689	+0.5%	+9.0%	122	115
Canada	156	190	(17.9%)	(1.6%)	3	7
UK	451	464	(2.8%)	(3.5%)	24	24
Nordic	444	421	+5.5%	+7.5%	10	7
France	148	155	(4.5%)	(1.6%)	3	5
Central Europe	152	155	(1.9%)	(1.8%)	3	5
Central and other costs	-	-			(10)	(9)
Ongoing businesses	3,048	3,074	(0.8%)	+5.1%	155	154
Closed, disposed of or held for sale	67	155			(2)	(4)
Group	3,115	3,229			153	150

Quarterly like-for-like revenue growth

	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014
USA	+8.3%	+7.7%	+7.4%	+5.0%	+9.0%
Canada	+0.0%	+3.0%	(0.6%)	(3.5%)	(1.6%)
UK	+5.2%	+5.1%	+4.3%	+2.0%	(3.5%)
Nordic	(7.1%)	(3.1%)	(2.5%)	+0.5%	+7.5%
France	(9.6%)	(4.8%)	(2.7%)	+3.6%	(1.6%)
Central Europe	(3.9%)	(2.4%)	+0.1%	(0.9%)	(1.8%)
Ongoing businesses	+3.2%	+4.0%	+3.9%	+3.0%	+5.1%

USA

In the USA, like-for-like revenue growth was 9.0% including 0.7% price deflation principally due to movements in commodity prices. The Blended Branches, Waterworks, Fire and Fabrication and B2C businesses all generated good like-for-like revenue growth and improved returns whilst the Industrial segment remained comparatively weaker. Acquisitions contributed 0.6% of additional revenue growth. Gross margins were ahead of last year and operating costs were 8% higher at constant exchange rates including the continuing planned investment in technology and processes. Exchange rate movements were unfavourable in the quarter and reduced trading profit by £9 million. Trading profit of £122 million was £7 million ahead of last year.

During the quarter we acquired Factory Direct Appliances, a small appliance showroom business with annualised revenue of £36 million, and Waterworks Industries, a water meter business with annualised revenue of £5 million.

Canada

In Canada, like-for-like revenue declined by 1.6% with negligible price inflation. Market conditions in Quebec remained weak but this was largely offset by continued growth in the West. Gross margins were lower than last year principally as a result of more expensive US$ denominated imports. Operating costs were well controlled. Exchange rate movements were unfavourable in the quarter and reduced trading profit by £2 million. Trading profit of £3 million was £4 million behind last year.

UK

In the UK, like-for-like revenue declined by 3.5% including price inflation of less than 1%. New residential construction, which represents approximately 5% of UK revenue, continued to grow strongly but growth in residential RMI markets, which represents approximately 60% of UK revenue, remained modest and Industrial markets remained weak. Like-for-like revenue growth was impacted as we declined some very low margin sales to protect our gross margins, which improved in all businesses. Operating costs were tightly controlled and included £2 million of acquisition costs. Trading profit for the period was £24 million, in line with last year.

During the quarter we agreed to acquire Fusion Provida and Utility Power Systems, two suppliers of utility infrastructure products. The acquisitions have annualised revenue of £55 million and are being held separately until clearance is received from the Competition and Markets Authority.

Nordics

In the Nordic region, the ongoing businesses generated like-for-like revenue growth of 7.5% including 1% price inflation. Market conditions improved in Denmark and Sweden although the year-on-year growth rate was flattered by very weak comparative figures for the same period last year. Gross margins were slightly lower due to pricing pressure. Exchange rate movements were unfavourable in the quarter and reduced trading profit by £1 million. Trading profit of the ongoing businesses of £10 million was £3 million ahead of last year.

The previously announced acquisition of Puukeskus was completed in the quarter.

France

In France, like-for-like revenue of the ongoing businesses declined by 1.6% including 1% price inflation, as the new residential market weakened. Gross margins were ahead of last year and operating costs were again tightly controlled. Trading profit of the ongoing businesses of £3 million was £2 million behind last year.

Central Europe

In Central Europe, like-for-like revenue of the ongoing businesses declined by 1.8% including 1% price inflation. Gross margins were lower than last year as markets remained challenging and operating costs were reduced. Trading profit of the ongoing businesses of £3 million was £2 million behind last year.

In May we agreed to dispose of the ÖAG plumbing and heating business in Austria, subject to competition clearance, and the business has been classified as held for sale. In the year ended 31 July 2013 ÖAG generated revenue of £239 million and trading profit of £2 million.

Nine months trading performance

£ million	Yth 2014 Revenue	Yth 2013Change Revenue	Like-for-like change	Yth 2014 Trading profit	Yth 2013 Trading profit

USA	5,123	4,877	+5.0%	+7.2%	378	338
Canada	562	630	(10.8%)	(1.8%)	26	35
UK	1,394	1,313	+6.2%	+0.8%	71	70
Nordic	1,360	1,339	+1.6%	+1.4%	42	47
France	433	429	+0.9%	(0.3%)	8	2
Central Europe	474	461	+2.8%	(0.8%)	20	22
Central and other costs	-	-			(31)	(30)
Ongoing businesses	9,346	9,049	+3.3%	+4.0%	514	484
Closed, disposed of or held for sale	290	456			(9)	(10)
Group	9,636	9,505			505	474

Other matters

In May the Group acquired Capstone, a sourcing agent based in Taiwan.

Foreign exchange movements in the third quarter reduced revenue by £200 million and trading profit by £12 million. At current exchange rates Q4 2013 revenue would have been £236 million lower and trading profit £16 million lower.

Net debt at 30 April 2014 was £914 million (30 April 2013: £694 million). There has been no other significant change in the financial position of the Group since 31 January 2014.

Board changes

On 1 May 2014 Darren Shapland joined the Board as a Non Executive Director and on 21 May 2014 John Daly and Jacky Simmonds joined the Board as Non Executive Directors. They will also become members of the Audit, Remuneration and Nominations Committees of the Board. From July 2014 Jacky will also chair the Remuneration Committee at which point Alan Murray will step down as its chairman. Alan will continue to be Wolseley's Senior Independent Director.

Outlook

The overall like-for-like revenue growth rate in May has been broadly in line with the year to date. The USA has continued to grow well, whilst market conditions remain more challenging in Continental Europe. We expect the Group's like-for-like revenue growth rate for the next 6 months to be about 4%.

FULL ANNOUNCEMENT

Download the full Interim management Statement (pdf)