FERGUSON

NEWS RELEASE

Results for the year ended 31 July 2016

9/27/2016

£m	2016	2015	Change	Change (at constant exchange rates)	Like-for-like change (2)
Revenue	14,430	13,300	+8.5%	+4.2%	+2.4%
Trading profit (1)	917	857	+7.0%	+1.6%	
Profit before tax	727	508			
Impairment and exceptional items	96	264			
Headline earnings per share (1)	247.7p	230.2p	+7.6%		
Net debt	936	805			
Ordinary dividend per share	100p	90.75p	+10.2%		

(1) Before exceptional items, the amortisation and impairment of acquired intangibles and with respect to headline earnings per share before non-recurring tax items.

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

Financial highlights

- Revenue 4.2% ahead of last year at constant exchange rates, including like-for-like growth of 2.4%.
- Commodity price deflation reduced revenue by 1.5%. Changes in foreign exchange rates increased revenue

by £552 million, trading profit by £46 million and net debt by £149 million.

- Gross margin of 28.3%, 0.3% ahead of last year.
- Record trading profit of £917 million.
- Net debt of £936 million (2015: £805 million) after £538 million of dividends and share buybacks.
- Proposed final dividend of 66.72p, bringing the total for the year to 100p, 10.2% ahead of last year.

Operating highlights

- Ferguson revenue growth of 6.2% at constant exchange rates and market share gains in all major segments.
- Good US residential and commercial markets, whilst industrial remained weak. US revenue growth at constant exchange rates by end market was:
    - Residential +10%
    - Commercial +7%
    - Municipal +6%
    - Industrial (10%)
- Accelerated investment in e-commerce, now 14% of Group revenue at £2.1 billion.
- Invested £113 million in 16 bolt-on acquisitions with annualised revenue of £197 million. Since the year end a further £300 million has been either invested or approved.
- UK turnaround and repositioning strategy announced today. Expect the closure of around 80 branches, one distribution centre and up to 800 job losses. Restructuring charges of about £100 million, the cash element funded by working capital efficiencies and disposal proceeds. Impairment charge of £94 million incurred in the year.
- Review of Nordics operating strategy underway.

John Martin, Group Chief Executive, commented:

“Ferguson, our core US business which generates over 80 per cent of the Group’s trading profit, performed well and achieved good growth in residential and commercial markets, partly offset by weakness in industrial markets. Commodity deflation, principally in the US, reduced the Group’s growth rate by 1.5%. Ferguson continues to be the main priority for organic expansion and bolt-on acquisitions.

“Our review of UK operational strategy has identified opportunities to transform our customer propositions whilst simplifying our branch network and supporting logistics facilities to greatly improve service levels, drive availability and choice for customers and generate better returns for shareholders. Regrettably this will result in job losses which we will handle sensitively and minimise through redeployment and attrition as far as possible.

“Like-for-like revenue growth in the new financial year has been 1.5 per cent for the Group and 4.5 per cent in the US. Demand across our markets remains mixed, with some uncertainty in the economic outlook. We will remain vigilant in controlling our costs to protect profitability while investing in attractive opportunities for profitable growth. We are confident that Wolseley will make further progress in the year ahead.”

FULL STATEMENT

Download the Results for the year (pdf)