NEWS RELEASE

Trading update for the 3 months to 31 October 2019

12/3/2019

RNS Number : 4090V
Ferguson PLC
03 December 2019

3 December 2019

Ferguson plc

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CONTINUED MARKET OUTPERFORMANCE, OUTLOOK FOR THE YEAR UNCHANGED

Ongoing businesses1	Q1 2020	Q1 2019	Change	**Organic change2**
US$ millions				
Revenue	5,208	4,947	+5.3%	+2.5%
Trading profit3	451	413		
Less impact of IFRS16	(18)	-		
Underlying trading profit	433	413	+4.8%	
Trading days	65	65	-	
Net debt to EBITDA4	0.8x	0.9x		

First quarter highlights

- Ongoing revenue 5.3% ahead of last year including 6.2% in the USA.
- Continued tight cost control ensured good profit delivery.
- Underlying trading profit of $433 million was $20 million ahead of last year.
- Invested $62 million in acquisitions in Q1, healthy forward deal pipeline.
- UK demerger progressing as planned.
- Completed $400 million of the $500 million share buy back as at 31 October 2019.

Kevin Murphy, Group Chief Executive, commented:

"Ferguson continued to take market share against a backdrop of flat US markets and we remain firmly focused on maximizing organic revenue growth, while tightly managing gross margins and costs. We are pleased that this disciplined approach enabled us to grow US trading profit in line with revenue growth in the quarter. Cash

generation in the quarter was good and our balance sheet remains strong. We will continue to invest organically in our businesses and in selective bolt-on acquisitions which will be integrated into our network.

"We expect to make further good progress in the year ahead. While US market growth is currently broadly flat we remain confident of outperforming our end markets and our order books support continued modest revenue growth in the months ahead. This strong focus on growth with continued cost and margin discipline gives us confidence in our expectations for the full year which remain unchanged."

1) 'Ongoing businesses' excludes businesses that have been closed, disposed of or are classified as held for sale. The UK has been moved to 'Non-ongoing operations'.

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

3) Before exceptional items and amortisation of acquired intangible assets.

4) Ratio of net debt before leases to pre-IFRS16 last twelve months EBITDA.

Group results

The Group generated revenue of $5,208 million in the first quarter, 5.4% ahead of last year at constant exchange rates and 2.5% ahead on an organic basis. While gross margins were slightly lower at 29.7% in the quarter, operating costs were well controlled which led to a good overall trading performance. Underlying trading profit of $433 million was $20 million higher than last year. The impact of IFRS16 added a further $18 million to trading profit. Trading days were the same in Q1 compared to 2019.

Regional analysis

US$ millions	Revenue Q1 2020	Revenue Q1 2019	Change **(at constant exchange rates)**	Trading profit Q1 2020	Less impact of IFRS16 Q1 2020	Underlying Trading profit Q1 2020	Trading profit Q1 2019	**Change (at constant exchange** rates)
US	4,893	4,607	+6.2%	442	(17)	425	400	+6.3%
Canada	315	340	(5.8%)	20	(1)	19	27	(26.3%)
Central costs	-	-		(11)	-	(11)	(14)	
Ongoing Group	5,208	4,947	+5.4%	451	(18)	433	413	+4.9%
UK (Non-ongoing)	541	580	(2.2%)	15	-	15	19	(16.9%)

Quarterly organic revenue growth

Ongoing businesses	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
US	+9.6%	+9.7%	+3.3%	+3.0%	+3.1%
Canada	+3.3%	+0.5%	(2.9%)	(5.2%)	(6.4%)
Group	+9.2%	+9.1%	+3.0%	+2.5%	+2.5%

USA

Our US business continued to outperform with revenue growth of 6.2%, which comprised 3.1% organic growth and 3.1% from acquisitions. Price inflation during the quarter was about 1-2%.

New residential housing starts and permits from the US Census Bureau improved in the quarter. The Architectural Billings Index, more closely linked to commercial markets, was lower in the quarter. Our order books have grown year-on-year consistent with continuing modest revenue growth over the coming months.

The major business units of Blended Branches, Waterworks and HVAC all continued to grow well. Revenue in Industrial was lower against strong comparators arising from two large capital projects last year. Gross margins were slightly lower mainly as a result of strong prior year comparators. Operating expenses were well controlled, up 3.8% compared to last year on a pre-IFRS16 basis. Underlying trading profit of $425 million was 6.3% ahead of last year.

We completed one small acquisition in the quarter, Process Instruments & Controls, a California based industrial business with annualised revenue of approximately $8 million. After the quarter end we acquired S.W. Anderson which provides HVAC equipment and supplies to residential and commercial contractors, retailers and commercial property owners. The company operates in the New York metro area, which is one of the largest and most attractive construction markets in the USA. In the year ended 31 December 2018 it generated revenue of approximately $90 million.

Canada

Organic revenue in Canada was 6.4% lower. Residential markets remained weak as a result of government measures to restrict mortgage credit and the impact of foreign buyer taxes. Underlying trading profit of $19 million was $7 million below last year at constant exchange rates.

Non-ongoing operations

The demerger process for Wolseley UK is on track and we expect to complete the transaction in 2020. Organic revenue declined 4.2% in the quarter against a backdrop of uncertainty in repair, maintenance and improvement markets where the majority of our revenue is generated. Trading profit of $15 million was $3 million lower than last year at constant exchange rates. We continue to actively manage the cost base in the UK given the challenging market environment and exceptional costs of $5 million were incurred, principally relating to the announced closure of a further distribution center in Worcester and headcount reductions. We completed one acquisition in the quarter, Continental Power Equipment, a high quality infrastructure business which has annualised revenue of around $60 million and contributed 2.0% of revenue growth in the quarter.

Financial position

Net debt excluding leases at 31 October 2019 was $1,381 million after a cash outflow of $62 million relating to acquisitions, capital expenditure of $83 million and a better than expected working capital performance which is expected to unwind in the second quarter. The IFRS 16 lease liability recognised on the balance sheet as at 31 October 2019 was $1,439 million.

Following shareholder approval at the AGM, the final dividend of 145.1 cents per share, amounting to approximately $328 million, was paid to shareholders on 28 November 2019. On 10 June 2019 we announced our intention to buy back $500 million of our shares; this program is ongoing and at 31 October we had completed $400 million. We expect the buy back will be completed before the end of the calendar year.

Our capital allocation policy is unchanged and the Group aims to operate with investment grade credit metrics and within a through cycle range of net debt of one to two times EBITDA on a pre-IFRS16 basis. Our investment priorities remain focused on investing in organic growth, maintaining and growing the ordinary dividend in line with earnings through the cycle and investing in bolt-on acquisitions that meet our investment criteria. Any surplus cash after meeting these investment needs will be returned to shareholders promptly and Ferguson has returned $3.5 billion of surplus cash to shareholders over the last 6 years.

Given the cash outflows for the final dividend, acquisitions and normal seasonal working capital movements the

Group expects to be operating within its stated net debt to EBITDA range by the half year.

There have been no other significant changes to the financial position of the Group.

Outlook

We expect to make further good progress in the year ahead. While US market growth is currently broadly flat we remain confident of outperforming our end markets and our order books support continued modest revenue growth in the months ahead. This strong focus on growth with continued cost and margin discipline gives us confidence in our expectations for the full year which remain unchanged.

For further information please contact Ferguson plc

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Investor conference call and webcast

A 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

Ask for the Ferguson call quoting 1749027.

To access the call via your laptop, tablet or mobile device please click **here**. If you have technical difficulties, please click the "Listen by Phone" button on the webcast player and dial the number provided.

Ferguson plc is the world's largest specialist trade distributor of plumbing and heating products to professional contractors principally operating in North America. Ongoing revenue for the year ended 31 July 2019 was $21.8 billion and ongoing trading profit was $1.6 billion. Ferguson plc is listed on the London Stock Exchange (LSE: FERG) and is in the FTSE 100 index of listed companies. For more information, please visit www.fergusonplc.com or follow us on Twitter https://twitter.com/Ferguson_plc.

Provisional financial calendar

Q3 results for the period ending 30 April 2020	9 June 2020
Full Year Results for year ended 31 July 2020	29 September 2020

Legal disclaimer

Certain information included in this announcement is forward-looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward-looking statements. Forward-looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of expected future revenues, financing plans, expected expenditures and divestments, risks associated with changes in economic conditions, the strength of the plumbing and heating markets in North America and Europe, fluctuations in product prices and changes in exchange and interest rates. Forward-looking statements can be identified by the use of forward-looking terminology, including terms such as "believes", "estimates", "anticipates", "expects", "forecasts", "intends", "plans", "projects", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. All forward-looking statements in this announcement are based upon information known to the Company on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward-looking statements, which speak only at their respective dates. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules, the Prospectus Rules, the Disclosure Guidance and the Transparency Rules of the Financial Conduct Authority), the Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

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