

Wolseley plc Final Results Announcement for the Year Ended 31 July 2008

9/22/2008

Financial highlights

	Year to 31 July 2008 £m	Year to 31 July 2007 £m	Reported %	Change in constant currency(1) %
Group revenue	16,549	16,221	2.0	0.0
Group trading profit(2)	683	877	(22.1)	(23.7)
Exceptional restructuring costs	(76)	-		
Amortisation and impairment of acquired intangibles	(306)	(124)		
Group operating profit	301	753	(60.1)	(60.8)
Group profit before tax, before exceptional items and amortisation and impairment of acquired intangibles	527	758	(30.5)	(31.4)
Group profit before tax	145	634	(77.1)	(77.3)
Earnings per share, before exceptional items and amortisation and impairment of acquired intangibles	56.58p	87.80p	(35.6)	(36.6)
Basic earnings per share	11.33p	73.52p	(84.6)	(84.4)
Total dividend per share (interim paid, no final proposed in 2008)	11.25p	32.40p	(65.3)	

A fuller version of this release may be downloaded in PDF format. [Presentation slides](#) are now available in

both PDF and PowerPoint formats. **Interviews** with Chip Hornsby, Group Chief Executive and Steve Webster, Group Finance Director, can be seen **in video/audio and text**

Overview

- Woleseley has continued to increase market share, reduce working capital and increase cash conversion, against a backdrop of significant market deterioration.
- Aggressive cost cutting resulted in £76 million of exceptional restructuring charges, but saved £47 million in the year. Full-year benefits of £176 million are expected from the restructuring and business improvement initiatives being undertaken.
- Closure of 270 branches and headcount reduced by 7,100.
- Actions taken have enabled the Group to improve working capital cash to cash days(3) by 11.4% to 45.9 days and achieve cash conversion(4) of 185% (2007: 148%).
- Capex reduced to £317 million (2007: £396 million) and acquisition spend significantly curtailed, with no acquisitions since March 2008.
- Sale of property and non-core businesses generated cash of £102 million.
- Net debt virtually unchanged at £2,469 million, despite £321 million adverse currency translation effect, due to strong cash flow and other targeted management actions.
- No final dividend to be paid, to conserve £150 million of cash.

Further actions since the year end to reduce costs and net debt, including:

- Headcount further reduced by 600.
- Property and business disposals of £46 million have been realised.
- Target set to reduce working capital cash to cash days by more than 10%, in 2009.
- Significant reduction in anticipated 2009 capex to an estimate of £180 million, compared to £317 million in 2008, as Business Change Programme deployment is slowed and nonessential capex is curtailed.
- Plans being developed to carry out additional restructuring and cost reductions. In particular, a fundamental review being undertaken to reduce Stock's impact on Group results.

Operating highlights Group

- Group revenue up by 2% but trading profit down by 22%.
- Market outperformance by Ferguson and DT Group.
- Gross margin relatively unchanged at 27.7% (2007: 27.9%).
- Trading profit down 22.1%, but down 3.2%, excluding Stock.
- Group headcount reduced by 7,100.

- Impairment charges of £186 million, primarily relating to Stock and Wolseley Ireland, and £22 million in net finance costs, relating to an equity investment.

North America

- Revenue down 7.3% and trading profit down 37.4%.
- Strong performance from Ferguson with a trading margin over 7% and trading profit virtually unchanged at \$794 million (2007: \$800 million).
- Further new housing decline and increased provisions for construction loan and accounts receivable impacted Stock Building Supply.

Europe

- Tougher trading conditions across most countries, particularly in the UK and Ireland.
- Revenue up 12.7% and trading profit down 1.2%.
- Wolseley UK and Ireland increased gross margin, although trading profit was lower. Organic revenue growth, excluding Ireland, of 1.8%.
- DT Group performed well ahead of the market with 2% annual organic revenue growth, higher gross margin and a 7.2% trading margin.
- Improved second half in Wolseley France, following a poor start to the year.
- Significant working capital improvement with spot cash to cash days reduction of 13.6 days.

Outlook

- US commercial and industrial markets are likely to remain stable for the next few months, although a number of markets in which the Group operates are expected to deteriorate in the short term.
- Continue to focus on the necessary cost reduction and cash maximisation actions appropriate in difficult markets, to achieve increased productivity and efficiency, with further restructuring being undertaken.
- Although headcount in Stock has already been reduced by more than 40%, further deterioration in the US new housing market has necessitated a fundamental review of the business, in order to reduce its impact on Group results.
- Board remains confident that it will continue to be compliant with its banking covenants over the year ending 31 July 2009, and beyond.
- No plans to raise equity or renegotiate banking covenants, although these remain options should market conditions deteriorate very dramatically.

Chip Hornsby, Wolseley plc Group Chief Executive said: "We have continued to take action to reduce costs and drive working capital improvements in response to challenging market conditions. While these conditions have impacted

many of our businesses significantly during the year, our employees have done a good job at responding to the tough markets and we are seeing the benefits of our actions with market outperformance in many areas. Financial discipline in terms of cost reduction and cash flow enhancement remains our primary focus to ensure the Group remains compliant with our banking covenants and is well positioned for any market recovery."

As at, and for the year ended 31 July

	2008	2007	Change
Revenue	£16,549m	£16,221m	+2.0%
Operating profit			
- before exceptional items and amortisation and impairment of acquired intangibles	£683m	£877m	-22.1%
- exceptional restructuring costs	£(76)m	-	
- amortisation and impairment of acquired intangibles	£(306)m	£(124)m	
Operating profit	£301m	£753m	-60.1%
Net finance costs	£(156)m	£(119)m	
Profit before tax			
- before exceptional items and amortisation and impairment of acquired intangibles	£527m	£758m	-30.5%
- exceptional restructuring costs	£(76)m	-	
- amortisation and impairment of acquired intangibles	£(306)m	£(124)m	
Profit before tax	£145m	£634m	-77.1%
Earnings per share			
- before exceptional items and amortisation and impairment of acquired intangibles	56.58p	87.80p	-35.6%
- exceptional restructuring costs	(7.62)p	-	
- amortisation and impairment of acquired intangibles	(37.63)p	(14.28)p	
Basic earnings per share	11.33p	73.52p	-84.6%
Dividend per share	11.25p	32.40p	-65.3%
Net debt	£2,469m	£2,467m	
Gearing (6)	73.5%	71.5%	
Interest cover (2) (Times)	5x	7x	
Operating cash flow	£1,262m	£1,299m	

Constant currency percentage changes are calculated by retranslating prior year amounts at the exchange rates used in the preparation of the financial statements for the year ended 31 July 2008.

Trading profit, a term used throughout this announcement, is defined as operating profit before exceptional items and the amortisation and impairment of acquired intangibles. Trading margin is the ratio of trading profit to revenues expressed as a percentage. Organic change is the total increase or decrease in the year adjusted for the impact of exchange rates, new acquisitions in 2008 and the incremental impact of acquisitions in 2007.

Spot cash to cash days is the net of spot inventory days plus spot receivables days less spot payables days.

Cash conversion is the ratio of opening cash flow to trading profit.

Net debt: EBITDA is the ratio of net debt to trading profit plus depreciation and amortization of software and full year trading profit of subsidiaries acquired in the period less the trading profit of subsidiaries disposed of in the period.

Gearing ratio is the ratio of net debt, excluding construction loan borrowings, to shareholders' funds.

Interest cover is trading profit divided by net finance costs, excluding net pension related finance costs and the impairment of available for sale investments.

Notes to Editors

Wolseley plc is the world's largest specialist trade distributor of plumbing and heating products to professional contractors and a leading supplier of building materials in North America, the UK and Continental Europe. Group revenue for the year ended 31 July 2008 was approximately £16.5 billion and operating profit, before exceptional items and the amortisation and impairment of acquired intangibles, was £683 million. Wolseley has around 74,000 employees operating in 27 countries namely: UK, USA, France, Canada, Ireland, Italy, The Netherlands, Switzerland, Austria, Czech Republic, Hungary, Belgium, Luxembourg, Denmark, Sweden, Finland, Norway, Slovak Republic, Poland, Romania, San Marino, Panama, Puerto Rico, Trinidad & Tobago, Mexico, Barbados and Greenland. Wolseley is listed on the London Stock Exchange (LSE: WOS) and is in the FTSE 100 index of listed companies.

Certain information included in this release is forward-looking and involves risks and uncertainties that could cause actual results to differ materially from those expressed or implied by forward-looking statements. Forward-looking statements 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 and expected expenditures and divestments. All forward-looking statements in this release are based upon information known to the Company on the date of this report. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

It is not reasonably possible to itemise all of the many factors and specific events that could cause the Company's forward-looking statements to be incorrect or that could otherwise have a material adverse effect on the future operations or results of an international Group such as Wolseley. Information on some factors which could result in material difference to the results is available in the Company's Annual Report to shareholders for the year ended 31 July 2007.

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Photographs of Chip and Steve are available at: www.newscast.co.uk and www.wolseleyimages.com

FULL ANNOUNCEMENT

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