Travis Perkins (TPK)
Travis Perkins: Half year results for the six months ended 30 June 2023

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Travis Perkins plc, a leading partner to the construction industry, announces its half year results for the six months ended 30 June 2023

Focused on balancing near-term trading performance with long-term strategic delivery in challenging market conditions

Financial Highlights

- Revenue of £2,472m down (2.5)% and adjusted operating profit of £112m down (31)% reflecting weak market volumes in private domestic RMI and new build housing
- Adjusted earnings per share of 30.5p down (41)% resulting from lower trading profit, phasing of property profits and the increase in the UK corporation tax rate
- Strong cash conversion at 105% driven by tight working capital management
- Lease-adjusted leverage (net debt / EBITDA) of 2.1x due to lower earnings and increased lease commitments. Net debt before leases reduced by £32m during the half.
- Interim dividend maintained at 12.5 pence per share reflecting the Group's robust balance sheet and confidence in the medium term outlook
- As previously guided, full year adjusted operating profit expected to be around £240m

Operational Highlights

- Merchanting saw resilient demand across commercial, industrial, infrastructure and public sector markets. However, performance was impacted by significant weakness in new build housing and private domestic RMI markets with revenue down (4.5)% overall and operating profit (23.5)% lower due to high operational gearing.
- Toolstation delivered market share gains, with revenue up 9.0%, driven by network maturity benefits and focus on enhancing the trade customer proposition. Operating profit was broadly in line with prior year reflecting investment in network and infrastructure to support future growth.
- Toolstation UK's new partly-automated 500,000 ft^2 distribution centre in Pineham, Northamptonshire, which will drive long term operational efficiencies, is on track to open in Q3. The Group will be holding an investor event, focused on Toolstation UK, at Pineham on 28 September 2023.
- Proactive cost actions and continued cost discipline ensured that overhead inflation was mitigated
- Further progress on building a sustainable business with primary focus on decarbonisation

£m *(unless otherwise stated)*	*Note*	**H1 2023**	H1 2022	*Change*
Revenue	*2*	**2,472**	2,535	*(2.5)%*
Adjusted operating profit[1]	*16(a)*	**112**	163	*(31.3)%*
Adjusted earnings per share[1]	*9(b)*	**30.5p**	51.6p	*(40.9)%*
Adjusted ROCE excluding property profits[1]	*16(e)*	**8.1%**	11.8%	*(3.7)ppt*
Net debt before leases[2]	*12*	**274**	306	32
Net debt / adjusted EBITDA[1]	*16(c)*	**2.1x**	1.8x	(0.3)x
Ordinary dividend per share	*10*	**12.5p**	12.5p	-
Operating profit		**107**	157	*(31.8)%*
Total profit after tax		**60**	106	*(43.4)%*
Basic earnings per share	*9(a)*	**28.6p**	49.7p	*(42.5)%*

Nick Roberts, Chief Executive Officer, commented:

"Market conditions have been challenging, which is reflected in both our first half performance and our outlook for the balance of the year. The Group remains focused on striking the appropriate balance between seeking to protect shorter term profitability, delivering our strategic objectives and being well placed to benefit when market conditions improve.

Given the market backdrop, we are relentlessly focused on meeting our customers' needs in core categories and supporting our local branch managers to grow share of wallet, particularly with general builder and professional trade customers, by making it simpler and easier to transact with us through our digital channels and in our branches.

I am pleased with the continued progress we are making on the development of value-added services, as shown in the growth of Managed Services and Hire, and also with the market share gains coming through in Toolstation.

Whilst near-term trading is expected to remain difficult, we continue to work to position the Group to benefit from the long term structural drivers in our end markets. The opportunities presented by the requirement to decarbonise the UK's built environment and address the shortage of both private and social housing remain significant and our unique portfolio of businesses, coupled with the development of innovative solutions for our customers, will enable the Group to deliver long term growth and create value for shareholders."

Analyst Presentation

Management are hosting a results presentation at 8.30am. For details of the event please contact the Travis Perkins Investor Relations team as below. The presentation will also be available via a listen-only webcast – please register at the following link:

https://stream.brrmedia.co.uk/broadcast/64aea0e0cb2b3e5befbad72f

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Past performance of the shares of Travis Perkins plc cannot be relied upon as a guide to the future performance of the shares of Travis Perkins plc.

Summary

It has been a challenging first half for the Group with consumer inflation proving more persistent than anticipated which has resulted in sharply rising interest rates. This has led to a notable reduction in housing transactions, in both the new-build and secondary markets, and homeowners reducing expenditure on renovation projects. In contrast, the Group continues to see a resilient performance across its other end markets – namely commercial, industrial, infrastructure and the public sector. With uncertainty remaining as to how long these challenges will continue, the Group has sought to balance near-term profitability and investment in the long-term drivers of competitive advantage that underpin the Group's ambition to become the leading partner to the construction industry.

Business performance

The Group saw revenues down (2.5)% in the period, driven primarily by the impact of significantly lower volumes in the new build housing and private domestic RMI markets on the Merchanting business. Toolstation delivered a good revenue performance, reflecting continued momentum in the business and maturity benefits from network expansion across both the UK and Europe.

Pricing remained elevated through the first quarter but has moderated since, driven by the roll off of prior year manufacturer increases and deflation in commodity products. Correspondingly, year-on-year volumes have seen an improving trend into the second quarter after a weak start to the year. Overhead inflation has remained high, principally due to rising staff costs, but has been well controlled due to actions taken in late 2022 and ongoing cost discipline. As a result of these factors, and with property profits being weighted towards the first half in the prior year, adjusted operating profit of £112m was down (31)%.

Whilst the Group is focused on continually refining the near-term trading approach to reflect changes in market conditions and competitive dynamics, investment also continues in strategy execution to both deepen and elevate relationships with customers. Long term investments, including new merchant destination branches and the new Toolstation UK distribution centre, continue as planned. The Group also continues to implement digital enhancements to improve efficiency and to develop innovative future solutions for customers such as its well-received WholeHouse offering, launched in March 2023.

Key to elevating relationships with customers is the development of value-added services and the Group has made good progress in this area with strong growth in both Hire and Managed Services, the integration and development of Staircraft and the adaptation of the Benchmarx offer to serve larger customers alongside smaller specialist kitchen fitters.

The Group has balanced supporting colleagues at a difficult time with adjusting the cost base to reflect market conditions. The Group made a "cost of living" payment in January 2023 (at a cost of £8m) to over 17,000 colleagues (c. 95% of the workforce) and in April 2023 awarded a pay rise of around 6% on average with those on lower incomes receiving a larger award, balanced by a lower award for senior executives. With an objective of mitigating cost increases in the current year, the Group took proactive steps to reduce the cost base at the end of 2022, resulting in annualised savings of £25m, and will make additional savings by flexing volume related costs.

A key part of the Group's long term strategy is to invest in technology to create solutions that simplify processes for branch teams and save customers time. Given the current environment, the focus of this strategy is on operational efficiency and the Group has implemented several new initiatives including the introduction of handheld terminals in the General Merchant, which removes the need for paper invoicing and notably speeds up the customer journey.

Capital structure and shareholder returns

The Group's balance sheet remains in good health with net debt before leases reducing to £274m (31 December 2022: £306m). On an IFRS16 basis, operating leverage (rolling 12 month net debt / EBITDA) of 2.1x is slightly above the guided range of 1.5x – 2.0x. This metric has increased by 0.3x compared to 31 December 2022 as a result of the reduction in EBITDA and an increase in lease liabilities driven primarily by the inclusion of the Toolstation distribution centre in Pineham.

The Board has declared an unchanged interim dividend of 12.5 pence per share, reflecting the Group's robust financial position and confidence in the medium term outlook. The dividend will be paid on 10 November 2023 to shareholders on the register at the close of business on 6 October 2023. The Company's shares will go ex-dividend on 5 October 2023. The Company operates a Dividend Reinvestment Plan, elections for which must be received by the Company's registrar by 5.30pm on 20 October 2023.

Outlook

With the outlook for the UK macroeconomic environment remaining challenging, notably with respect to the impact of higher interest rates on the new-build and secondary housing markets, the Group expects demand to remain subdued into the second half in the new build housing and private RMI markets.

Demand in the Group's other end markets remains resilient with well-funded long-term projects across the commercial and infrastructure sectors, robust demand for industrial RMI and a significant backlog of work being addressed across the public sector, particularly in social housing, education and healthcare.

At a Group level, revenues are expected to remain in low single digit decline through the second half with pricing in low single digit growth and volumes in mid single digit decline. As previously guided, the Group expects to deliver a full year adjusted operating profit of around £240m.

Segmental performance

Merchanting

	H1 2023	H1 2022	*Change*
Revenue	**£2,062m**	£2,159m	*(4.5)%*
Adjusted operating profit*	**£130m**	£170m	*(23.5)%*
Adjusted operating margin*	**6.3%**	7.9%	*(160)bps*
ROCE (12 month rolling)*	**12%**	16%	*(4)ppt*
Branch network**	**769**	767	*2*

** Excluding property profits*

*** 2022 branch network figures for comparison are taken at 31 December 2022*

The Merchanting segment was impacted by reduced demand in the new build housing and private domestic RMI markets with revenue down by (4.5)% and operating profit down (23.5)% to £130m. Price inflation in the half was still elevated compared to the long-run average but has moderated through the period as prior year increases have rolled off and the Merchant businesses have seen deflation on commodity products, primarily on timber.

Merchanting gross margin was solid and cost actions mitigated inflationary overhead increases during the first half. However, operating margin reduced by (160)bps due to the impact of lower volumes on a predominantly fixed cost base.

The Private domestic RMI market (~35% of Merchanting revenue) remained challenging throughout the half with notably fewer secondary housing transactions and homeowners' budgets squeezed by inflation and rising mortgage costs. Whilst the General Merchant experienced resilient demand across larger contractors and developers, the professional trade and general builder segment was weaker.

The General Merchant team are relentlessly focused on demonstrating the value and convenience of the customer proposition for this key segment. This targeted approach, combining data on customer behaviour with local insight, will involve sharper focus on gateway categories, such as timber, and working closely with our suppliers to bring the best deals to our customers through our omni-channel offer.

The private domestic new-build market (~19% of Merchanting revenue) saw substantial volume decline as the impact of rapidly rising mortgage rates quickly reduced new housing starts. This was more pronounced amongst the national housebuilders, with regional housebuilders remaining more active, but the impact was nonetheless significant on CCF, Keyline and Staircraft.

Despite these challenges, CCF was able to deliver a resilient performance with revenue growth driven by disciplined pass through of manufacturer price increases, whilst Staircraft saw good profit growth resulting from improvements in margin management. Staircraft is investing in a new c. 170,000 ft^2 facility in Coventry to enable the business to significantly increase capacity with the first output from the new factory expected in the first half of 2024.

The commercial and industrial market (~22% of Merchanting revenue) saw continued solid demand in the first half which enabled BSS to deliver a robust performance. TF Solutions continues to gain market share with two new branches added and revenue up 28%.

The public sector market (~24% of Merchanting revenue) remains strong with a pipeline of well-funded projects across the infrastructure segment and a large backlog of work on social housing and public assets. This strength is reflected in the performance of the Group's Managed Services business, with revenue increasing by 7% in the first half, and has helped Keyline to partially offset the impact of notably lower new housing starts.

The Group's strategy of developing value-added services, enabled by destination branches in the General Merchant, continues to progress well. Alongside Managed Services, Hire is also performing strongly with revenue growth of 6% in the first half and now 34% ahead of 2019. Since 2020, the Group has invested in seventeen new, expanded or relocated destination branches with these branches delivering a revenue and profit performance ahead of investment appraisal targets and significantly ahead of the 2018-19 cohort. The Group continues to invest in the future pipeline with six more sites due to open in the second half including Tamworth, Cambridge and Epsom.

Toolstation

	H1 2023	H1 2022	*Change*
Revenue	**£410m**	£376m	*9.0%*
Like-for-like growth	**5.9%**	(10.6)%	
Adjusted operating profit*	**£(10)m**	£(8)m	*(25.0)%*
Adjusted operating margin*	**(2.4)%**	(2.2)%	*(20)bps*
ROCE (12-month rolling)*	**(2)%**	1%	*(3)ppt*
Branch network (UK)**	**562**	563	*(1)*

Branch network (Europe)**	**166**	158	*8*

** Excluding property profits*
*** 2022 branch network figures for comparison are taken at 31 December 2022*

Memo:			
UK adjusted operating profit	**£9m**	£7m	*28.6%*

Toolstation delivered a solid performance in the first half with revenue growth of 9.0% as the business continued to gain market share across both the UK and Europe driven by network maturity benefits and further enhancements to the trade customer proposition. UK revenue increased by 7.7%, with like-for-like sales up 5.4%, while the European business increased revenue by 19.2%.

In the UK, operating profit improved to £9m although operating margin remains around 3%, reflecting both the recent significant investment in the network and infrastructure alongside c. £7m of costs in the period related to the dual running and start-up of the new c. 500,000 ft^2 partly-automated Pineham distribution centre alongside existing distribution facilities. With Pineham due to open in Q3, the Bridgwater distribution centre will close in the autumn as part of a longer-term strategy to drive distribution efficiency which, alongside the maturity benefits from the network rollout, will take the business towards a high single-digit operating margin.

Having created substantial new capacity via the opening of 163 new branches in the UK during 2020–22, the focus for 2023 is on driving growth in those immature branches alongside the delivery of the new distribution centre. The rollout of UK branches will resume in 2024.

In Europe, Toolstation also saw market share gains from the maturity of new space. In Benelux, where 5 new branches were added to take the total to 118, sales were up 9%. France saw the addition of 3 new branches, taking the total to 48 and delivered 42% sales growth.

Toolstation Europe overall made a loss of £(19)m in H1, reflecting primarily the immaturity of the branch network, which has doubled in the last 30 months, and the full impact of the second Netherlands distribution centre opened in 2022. Losses are expected to narrow in the second half as the Netherlands progresses towards break-even point.

Toolstation investor update

The Group will be holding an update for investors and sell-side analysts on 28 September 2023 at the new Toolstation distribution centre in Pineham, Northamptonshire. The event will be focused on Toolstation UK and will provide an opportunity to meet with the new UK management team.

Central costs

Central costs were lower year-on-year at £17m reflecting benefits from restructuring actions at the end of 2022.

Property transactions

Property profits in the first half of £9m were primarily generated from the sale of closed or relocated properties. These profits were £12m lower than prior year which included the sale of a substantial General Merchant site in central Cambridge. In addition to these individual site sales, a sale-and-leaseback package of seven sites was completed in April 2023, generating £23m of proceeds at a yield below 6%. Property profits for the full year are expected to be £15–20m.

Financial Performance

Revenue analysis

Volume, price and mix analysis

	Merchanting	Toolstation	Group
Volume	(10.3)%	2.7%	(8.4)%
Price and mix	5.8%	6.3%	5.9%
Total revenue growth	**(4.5)%**	**9.0%**	**(2.5)%**
Network changes and acquisitions / disposals	0.4%	(3.1)%	(0.1)%
Trading days	(0.7)%	0.0%	(0.6)%
Like-for-like revenue growth	**(4.8)%**	**5.9%**	**(3.2)%**

Over the first half as a whole pricing remains above the long-run average but has moderated through the period, particularly in Merchanting. This has been driven by deflation on commodity products, notably on timber. Merchanting volume trend improved as the half progressed.

Toolstation saw good volume growth as network maturity benefits in the UK and new space in Europe delivered market share gains.

Quarterly revenue analysis

		Total Revenue		Like-for-like revenue	
		2023	**2022**	**2023**	**2022**
Merchanting	Q1	(3.2)%	17.9%	(4.2)%	15.3%
	Q2	(5.6)%	9.2%	(5.2)%	8.5%
	H1	**(4.5)%**	**13.3%**	**(4.8)%**	**11.7%**
Toolstation	Q1	8.6%	(6.0)%	4.6%	(11.9)%
	Q2	9.7%	(3.2)%	7.2%	(9.2)%

	H1	**9.0%**	**(4.6)%**	**5.9%**	**(10.6)%**
Total Group	Q1	(1.5)%	13.6%	(2.9)%	10.5%
	Q2	(3.3)%	7.1%	(3.3)%	5.6%
	H1	**(2.5)%**	**10.3%**	**(3.2)%**	**7.9%**

Note - there was one extra trading day in both Q1 and H1 2023 compared to 2022 in the Merchanting segment

At a Group level, like-for-like sales were similar in both the first and second quarters. In the Merchanting business like-for-like sales weakened slightly into Q2 as the moderation in pricing was not fully offset by improving volume trends. Total sales in Merchanting in Q2 were lower than like-for-like sales by (0.4)% due to the impact of branch closures at the end of 2022. This impact was masked in Q1 by the extra trading day.

Toolstation saw an acceleration of like-for-like sales growth into the second quarter, demonstrating the momentum in the business. Total revenue was 3.1% higher than like-for-like revenue in the half, reflecting the impact of new space in both the UK and Europe.

Operating profit and margin

£m	H1 2023	H1 2022	Change
Merchanting	130	170	*(23.5)%*
Toolstation	(10)	(8)	*(25.0)%*
Property	9	21	*(57.1)%*
Unallocated costs	(17)	(20)	*15.0%*
Adjusted operating profit	**112**	**163**	***(31.3)%***
Amortisation of acquired intangible assets	*(5)*	*(6)*	
Operating profit	**107**	**157**	

Group adjusted operating profit of £112m was £(51)m lower than H1 2022 driven by the weaker trading performance in the Merchant business and the phasing of property profits in the prior year.

There were no adjusting items in either current or prior year.

Finance charge

Net finance charges, shown in note 5, were in line with prior year at £21.2m (2022: £20.8m).

Taxation

The tax charge for the period to 30 June 2023 is £25.5m (2022: £30.5m) giving an adjusted effective tax rate of 29.8% (statutory rate 23.5%, 2022 actual 21.6%). The adjusted ETR is higher than the statutory rate due to the impact of unrecognised tax losses in Toolstation Europe, expenses not deductible for tax purposes (such as depreciation of property) and deferred tax movements associated with the share-based payments charge.

Earnings per share

The Group reported a statutory profit after tax of £60m (2022: £106m) resulting in basic earnings per share of 28.6 pence (2022: 49.7 pence). Diluted earnings per share were 28.2 pence (2022: 49.2 pence).

Adjusted profit after tax was £64m (2022: £110m) resulting in adjusted earnings per share (note 9(b)) of 30.5 pence (2022: 51.6 pence).

Cash flow and balance sheet

Free cash flow

£m	**H1 2023**	H1 2022	Change
Group adjusted operating profit excluding property profits	**103**	**142**	**(39)**
Depreciation of PPE and other non-cash movements	46	44	2
Change in working capital	8	(115)	123
Net interest paid (excluding lease interest)	(10)	(18)	8
Interest on lease liabilities	(13)	(11)	(2)
Tax paid	(29)	(37)	8
Adjusted operating cash flow	**105**	**5**	**100**
Capital investments			
Capex excluding freehold transactions	(49)	(52)	3
Proceeds from disposals excluding freehold transactions	2	2	-
Free cash flow before freehold transactions	**58**	**(45)**	**103**

The first half saw a significant free cash inflow as cash was well managed during a difficult trading period with working capital being tightly controlled. In the prior year, the working capital outflow was predominantly a result of exceptionally high levels of inflation on the debtor book with customer credit limits extended to reflect the sharply rising cost of materials.

Capital investment

£m	H1 2023	H1 2022
Strategic	29	34
Maintenance	19	15
IT	1	3
Base capital expenditure	**49**	**52**
Freehold property	7	17
Gross capital expenditure	**56**	**69**
Disposals	(35)	(4)
Net capital expenditure	**21**	**65**

Base capex overall was around 20% below the medium-term plan as strategic investment was tailored to reflect market conditions. Toolstation expansion in the UK has been paused with the management team focused on the delivery of the new UK distribution centre, while European expansion also slowed. Strategic capex was therefore focused on the Toolstation distribution centre, new Staircraft facility and upgrading the network in the General Merchant including a new branch in Witney, Oxfordshire and preliminary works on six new branches due to open in the second half.

Maintenance capex was in line with prior year and remains focused on the upgrade of the fleet to support achievement of the Group's decarbonisation objectives and drive efficiencies whilst the majority of software and digital development is now expensed directly through the profit and loss account. Guidance for full year base capex is maintained at £100m.

Uses of free cash flow

	H1 2023	H1 2022	Change
Free cash flow (£m)	**58**	**(45)**	**103**
Investments in freehold property	(7)	(17)	10
Disposal proceeds from freehold transactions	33	4	29
Dividends paid	(56)	(56)	-
Net purchase / sale of own shares	-	(168)	168
Cash payments on adjusting items	(2)	(5)	3
Repayment of bonds	-	(120)	120
Other	4	(8)	12
Change in cash / cash equivalents	**30**	**(415)**	**445**

There was a net cash inflow of £30m in the first half. The prior year included the completion of the share buyback programme using the proceeds from the sale of the Plumbing & Heating businesses and also the early redemption of £120m of bonds maturing in 2023.

Net debt and funding

	30 Jun 2023	31 Dec 2022	Change	Covenant*
Net debt	**£874m**	£819m	£(55)m	
Net debt / adjusted EBITDA	**2.1x**	1.8x	(0.3)x	<4.0x
Net debt before leases	**£274m**	£306m	£32m	
Net debt before leases / adjusted EBITDA**	**0.8x**	0.6x	(0.2)x	

** The Group has economically-equivalent covenants on a current GAAP basis and on a pre-IFRS 16 – Leases basis*

*** Ratio calculated using adjusted EBITDA excluding right-of-use asset depreciation.*

Net debt before leases reduced by £32m from 31 December 2022 to £274m due to a net cash inflow in the first half driven by a strong working capital performance. Overall net debt increased by £55m due to an increase of £87m in lease debt resulting primarily from the long-term leases for the new Toolstation distribution centre and Staircraft's new manufacturing facility, as well as the sale-and-leaseback transaction in April 2023. With EBITDA (rolling 12 months) falling from £454m to £410m this increased the leverage ratio to 2.1x, slightly above the guided range (1.5x to 2.0x).

Funding

As at 30 June 2023, the Group's committed funding of £905m comprised:

- £180m guaranteed notes due September 2023, listed on the London Stock Exchange
- £250m guaranteed notes due February 2026, listed on the London Stock Exchange
- £75m bilateral bank loan due August 2027
- A revolving credit facility of £400m, refinanced in January 2019, of which £54m matures in January 2024 and the remaining £346m matures in April 2025

As at 30 June 2023, the Group had undrawn committed facilities of £400m (31 December 2022: £400m) and deposited cash of £221m (31 December 2022: £194m), giving overall liquidity headroom of £621m.

On 15 June 2023, the Group signed an agreement to issue £100m of US private placement notes to a group of five investors. The funding date for

these notes is 23 August 2023, with the intention of using the proceeds to repay upcoming debt maturities. The notes are denominated in sterling and are split over three tranches, with £34m maturing in August 2029, £33m maturing in August 2030, and £33m maturing in August 2031.

The Group's credit rating from Fitch Ratings was affirmed at BBB- with stable outlook following a review in October 2022.

Building a sustainable business

The Group has continued to make good progress against its Science Based Targets initiative ('SBTi') accredited, 1.5 degree-aligned carbon reduction targets. Earlier this year, the Group confirmed that decarbonisation of the industry was the main strategic sustainability priority in response to its most recent stakeholder materiality assessment. As a result, efforts are focused on ensuring the Group is upskilling its workforce and at the forefront of driving sustainability in its operations and supply chain to optimise its product and service offering for customers.

Set out below are more details of the Group's progress in its key focus areas:

Accelerated decarbonisation of the Group's fleet

The Group has continued to expand the use of HVO (Hydrotreated Vegetable Oil) as a low carbon fuel in its fleet. Following last year's successful trial, which resulted in higher carbon savings than anticipated (92% vs target of 90%) in the Group's Travis Perkins, Keyline, BSS and CCF businesses, HVO has now been expanded to 40 sites to supply over 240 vehicles, saving more than 1.3m litres of diesel per annum.

In July the Group also started to take delivery of its new electric forklift trucks as part of Project Switch – the largest programme of its kind – which will see up to 1,100 diesel powered forklift trucks across the Group being replaced with electric alternatives by mid-2024 (eight years ahead of schedule), saving 6,600 tonnes of carbon a year.

Accelerated decarbonisation of the Group's buildings

As part of a new initiative, the Group has installed electric vehicle (EV) chargers for colleagues and visitors, and continued its LED roll out programme across its branch network. The Group has also identified key locations to test a range of low carbon technologies to gain insight into the most efficient renewable energy technologies, such as air source heat pumps and solar panels, suited to decarbonise our estate of over 1,400 buildings.

This new technology is then rolled out to all new branches, such as the recently opened Travis Perkins branch in Witney, Oxfordshire, where solar panels, electric forklift trucks, EV charging points and a heat pump are helping to keep the carbon footprint of the branch to a minimum.

Growing a skilled and future ready workforce

The Group is constantly evolving its award winning apprenticeship offering to ensure the next generation of workers have the skills required to meet the demands of the future – across a wide spectrum of topics including supporting customers to achieve net zero and enhancing digital capabilities. To date 1,341 apprentices have graduated and in May the Office for Standards in Education, Children's Services and Skills (Ofsted) awarded the Group a 'good' Ofsted rating in all aspects of its apprenticeship programme offering. The regulator noted the benefit learners received from a curriculum "covering topics such as energy efficiency in new-build homes and plans to retrofit existing housing stock" in order to meet the skills shortage and decarbonisation challenges faced by the business and the industry more widely.

To further support the revolution that is needed to retrofit the existing built environment with lower carbon solutions, the Group is also working with The Retrofit Academy, a not for profit organisation, to develop the expertise required to deliver high-quality retrofit at scale. Customer teams from Travis Perkins Managed Services, CCF and support functions have completed their level 2 "Understanding Retrofit" qualification.

Improved carbon data for customer deliveries

The Group's specialist insulation, drywall and suspended ceiling product distributor, CCF, has launched a new carbon reporting trial service for customers. This provides information on the carbon emissions relating to the delivery of products to site, and is part of the Group's commitment to help customers decarbonise and operate more sustainably.

Once trials are completed and data accuracy verified, this reporting solution will also incorporate the embodied carbon of products in order to give insight and transparency to customers, and enable customers and end users to make better informed decarbonisation choices.

Development of more sustainable products and services for customers

The Travis Perkins General Merchant business has launched WholeHouse; a new digital platform, which simplifies the traditionally complex process of planning, costing and building new homes to the click of a button. This service aims to help customers navigate an increasingly complex construction landscape with new legislation and decarbonisation targets, and to build better, more sustainable homes quickly and safely, but still keep control over the creative design elements, saving time and money.

To support the retrofitting of homes, which is vital to achieve the UK's climate change goals, the Group is supporting The National Retrofit Hub, to amplify industry collaboration and enable best practice sharing.

The Group is further convening the industry to drive change through a National House Builders Forum, where customers and suppliers are working collaboratively to address the shared challenges associated with decarbonisation.

Principal risks and uncertainties

As the Group continues to navigate heightened uncertainty in the external environment, regular consideration of the risk landscape and the effectiveness of monitoring and mitigating activities is undertaken, to build the Group's resilience and support delivery of its strategic objectives.

In their latest review of the principal risks and uncertainties facing the Group, the Directors have considered internal and external factors that are currently influencing the risk set and the extent to which these change their assessment of the scale of the risk, and the expected risk trend for the remainder of the financial year. The key risks facing the Group, and the underlying drivers of those risks, remain broadly consistent with those described on pages 75 to 81 of the 2022 Annual Report and Accounts. Details are provided for inherent risks relating to long-term market trends, macroeconomic volatility, supply chain resilience, managing change, climate change & carbon reduction, cyber threat & data security, health, safety & wellbeing, legal compliance and critical asset failure.

The Group is actively managing the challenges already presented by macroeconomic volatility. This remains in the principal risk set, with an increasing risk trend, given that the ongoing impact and duration of macroeconomic factors remains highly uncertain.

Following the latest review, the Directors no longer consider the risk trend in relation to supply chain resilience to be increasing albeit the inherent risk remains high. The Group has a good track record of navigating through supply challenges and its well established programme of stock monitoring, supplier engagement and independent testing helps to ensure a continuous supply of quality materials. Sourcing options for key materials are regularly evaluated and, where possible, the Group seeks to engage with more than one supplier where materials are sourced from more complex supply chains outside of the UK.

In terms of emerging risks, the potential for an escalation of the war in Ukraine continues to be monitored. The Group continues to ensure compliance with sanctions and that timber purchases are from certified sources and do not include timber from Russia or Belarus. In the event that hostilities escalate in Europe, sourcing and supply could be impacted, so the situation is closely monitored. There are no other emerging risks considered significant enough to report at this time.

Condensed consolidated income statement

£m	Notes	**Six months ended 30 June 2023 (unaudited)**	**Six months ended 30 June 2022 (unaudited)**	Year ended 31 December 2022 (audited)
Revenue	2	**2,472.1**	2,534.5	4,994.8
Adjusted operating profit	16(a)	**112.1**	162.7	295.3
Amortisation of acquired intangible assets		**(5.2)**	(5.3)	(10.5)
Operating profit		**106.9**	157.4	284.8
Net finance costs	5	**(21.2)**	(20.8)	(39.8)
Profit before tax		**85.7**	136.6	245.0
Tax	6	**(25.5)**	(30.5)	(52.8)
Profit for the period		**60.2**	106.1	192.2
Earnings per share				
Adjusted basic earnings per share	9(b)	**30.5**	51.6p	94.6p
Basic earnings per share	9(a)	**28.6**	49.7p	90.8p
Diluted earnings per share	9(a)	**28.2**	49.2p	89.2p
Total dividend declared per share	10	**12.5p**	12.5p	39.0p

Condensed consolidated statement of comprehensive income

£m	**Six months ended 30 June 2023 (unaudited)**	Six months ended 30 June 2022 (unaudited)	Year ended 31 December 2022 (audited)
Profit for the period	**60.2**	106.1	192.2
Items that will not be reclassified subsequently to profit and loss:			
Actuarial (losses) / gains on defined benefit pension schemes (note 7)	**(5.4)**	4.2	(145.3)
Income taxes relating to other comprehensive income	**1.4**	(0.8)	36.3
Items that may be reclassified subsequently to profit and loss:			
Foreign exchange differences on retranslation of foreign operations	**(2.5)**	–	5.5
Fair value gains on cash flow hedges	**3.2**	–	4.3
Deferred tax on cash flow hedges	**(0.8)**	–	(1.1)
Other comprehensive (loss) / gain for the period net of tax	**(4.1)**	3.4	(100.3)
Total comprehensive income for the period	**56.1**	109.5	91.9

All other comprehensive income is attributable to the owners of the Company.

Condensed consolidated balance sheet

£m	**As at 30 June 2023 (unaudited)**	As at 30 June 2022 (unaudited)	As at 31 December 2022 (audited)
ASSETS			
Non-current assets			
Goodwill	**856.8**	855.2	859.0
Other intangible assets	**109.5**	122.7	115.9
Property, plant and equipment	**831.1**	819.6	847.3
Right-of-use assets	**540.2**	433.1	451.7
Other receivables	**18.5**	24.0	17.2
Deferred tax asset	**16.9**	15.8	15.0

Derivative financial instruments (note 14)	**7.5**	–	4.3
Retirement benefit asset (note 7)	**132.9**	282.5	135.9
Total non-current assets	**2,513.4**	2,552.9	2,446.3
Current assets			
Inventories	**733.4**	763.0	727.8
Derivative financial instruments (note 14)	–	1.3	–
Trade and other receivables	**816.6**	847.4	725.9
Tax assets	**2.8**	7.4	0.7
Cash and cash equivalents	**334.5**	44.5	235.7
Total current assets	**1,887.3**	1,663.6	1,690.1
Total assets	**4,400.7**	4,216.5	4,136.4
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital (note 8)	**23.8**	23.8	23.8
Share premium account	**545.6**	545.6	545.6
Cash flow hedge reserve	**7.5**	–	4.3
Merger reserve	**326.5**	326.5	326.5
Revaluation reserve	**11.0**	10.5	12.1
Other reserves	**1.4**	1.4	1.4
Own shares	**(16.5)**	(44.3)	(34.3)
Foreign exchange reserve	**7.1**	4.1	9.6
Retained earnings	**1,202.7**	1,262.2	1,213.2
Total equity	**2,109.1**	2,129.8	2,102.2
Non-current liabilities			
Interest-bearing loans and borrowings	**346.7**	453.2	349.1
Lease liabilities	**520.0**	421.3	438.3
Deferred tax liabilities	**95.4**	146.2	96.0
Long-term provisions	**5.2**	–	4.9
Total non-current liabilities	**967.3**	1,020.7	888.3
Current liabilities			
Interest-bearing loans and borrowings	**261.6**	–	192.5
Lease liabilities	**80.3**	71.6	74.3
Derivative financial instruments (note 14)	**0.6**	–	0.2
Trade and other payables	**956.5**	960.5	852.4
Short-term provisions	**25.3**	33.9	26.5
Total current liabilities	**1,324.3**	1,066.0	1,145.9
Total liabilities	**2,291.6**	2,086.7	2,034.2
Total equity and liabilities	**4,400.7**	4,216.5	4,136.4

The interim condensed financial statements of Travis Perkins plc, registered number 824821, were approved by the Board of Directors on 31 July 2023 and signed on its behalf by:

Nick Roberts	Alan Williams
Chief Executive Officer	Chief Financial Officer

Condensed consolidated statement of changes in equity

£m	Share capital	Share premium	Cash flow hedge reserve	Merger reserve	Revaluation reserve	Other reserves	Own shares – treasury	Own shares – ESOT	Foreign exchange	Retained earnings	**Total equity**
At 1 January 2023 (audited)	23.8	545.6	4.3	326.5	12.1	1.4	–	(34.3)	9.6	1,213.2	**2,102.2**
Profit for the period	–	–	–	–	–	–	–	–	–	60.2	**60.2**
Other comprehensive income for the period	–	–	3.2	–	–	–	–	–	(2.5)	(4.8)	**(4.1)**
Total comprehensive income for the period	–	–	3.2	–	–	–	–	–	(2.5)	55.4	**56.1**
Dividends paid	–	–	–	–	–	–	–	–	–	(55.8)	**(55.8)**
Adjustments in respect of revalued fixed assets	–	–	–	–	(1.1)	–	–	–	–	1.1	–
Own shares movement	–	–	–	–	–	–	–	17.8	–	(17.8)	–
Equity-settled share-based payments	–	–	–	–	–	–	–	–	–	6.1	**6.1**
Tax on equity-settled share-based payments	–	–	–	–	–	–	–	–	–	0.2	**0.2**
Tax on revalued assets	–	–	–	–	–	–	–	–	–	0.3	**0.3**
At 30 June 2023 (unaudited)	**23.8**	**545.6**	**7.5**	**326.5**	**11.0**	**1.4**	–	**(16.5)**	**7.1**	**1,202.7**	**2,109.1**

£m	Share capital	Share premium	Cash flow hedge reserve	Merger reserve	Revaluation reserve	Other reserves	Own shares – treasury	Own shares – ESOT	Foreign exchange	Retained earnings	Total equity
At 1 January 2022	25.2	545.6	–	326.5	10.5	–	(53.8)	(7.6)	4.1	1,387.3	2,237.8

(audited)											
Income for the period	–	–	–	–	–	–	–	–	–	106.1	106.1
Other comprehensive loss for the period	–	–	–	–	–	–	–	–	–	3.4	3.4
Total comprehensive income for the period	–	–	–	–	–	–	–	–	–	109.5	109.5
Dividends paid	–	–	–	–	–	–	–	–	–	(55.5)	(55.5)
Shares purchased in share buyback and held as treasury shares	–	–	–	–	–	–	(125.2)	–	–	–	(125.2)
Shares purchased in share buyback and held as own shares by ESOT	–	–	–	–	–	–	–	(46.6)	–	–	(46.6)
Sale of own shares	–	–	–	–	–	–	–	3.7	–	–	3.7
Own shares movement	–	–	–	–	–	–	–	6.2	–	(6.2)	–
Cancelled shares	(1.4)	–	–	–	–	1.4	179.0	–	–	(179.0)	–
Equity-settled share-based payments, net of tax	–	–	–	–	–	–	–	–	–	7.7	7.7
Tax on equity-settled share-based payments	–	–	–	–	–	–	–	–	–	(1.6)	(1.6)
At 30 June 2022 (unaudited)	23.8	545.6	–	326.5	10.5	1.4	–	(44.3)	4.1	1,262.2	2,129.8

Condensed consolidated statement of changes in equity (continued)

£m	Share capital	Share premium	Cash flow hedge reserve	Merger reserve	Revaluation reserve	Own shares – treasury	Own shares – ESOT	Foreign exchange	Other reserves	Retained earnings	Total equity
At 1 January 2022 (audited)	25.2	545.6	–	326.5	10.5	(53.8)	(7.6)	4.1	–	1,387.3	2,237.8
Profit for the year	–	–	–	–	–	–	–	–	–	192.2	192.2
Other comprehensive income for the year	–	–	4.3	–	–	–	–	5.5	–	(110.1)	(100.3)
Total comprehensive income for the year	–	–	4.3	–	–	–	–	5.5	–	82.1	91.9
Dividends paid	–	–	–	–	–	–	–	–	–	(81.7)	(81.7)
Adjustments in respect of revalued fixed assets	–	–	–	–	(1.1)	–	–	–	–	1.1	–
Shares purchased in share buyback and held as treasury shares	–	–	–	–	–	(125.5)	–	–	–	–	(125.5)
Shares purchased in share buyback and held as own shares by ESOT	–	–	–	–	–	–	(46.6)	–	–	–	(46.6)
Sale of own shares	–	–	–	–	–	–	3.8	–	–	–	3.8
Own shares movement	–	–	–	–	–	–	16.1	–	–	(16.1)	–
Cancelled shares	(1.4)	–	–	–	–	179.3	–	–	1.4	(179.3)	–
Equity-settled share-based payments	–	–	–	–	–	–	–	–	–	17.0	17.0
Tax on equity-settled share-based payments	–	–	–	–	–	–	–	–	–	(2.3)	(2.3)
Tax on revalued assets	–	–	–	–	2.7	–	–	–	–	5.1	7.8
At 31 December 2022 (audited)	23.8	546.5	4.3	326.5	12.1	–	(34.3)	9.6	1.4	1,213.2	2,102.2

Condensed consolidated cash flow statement

£m	**Six months ended 30 June 2023 (unaudited)**	Six months ended 30 June 2022 (unaudited)	Year ended 31 December 2022 (audited)
Cash flows from operating activities			
Operating profit	**106.9**	157.4	284.8
Adjustments for:			
Depreciation of property, plant and equipment	38.2	32.8	73.6
Depreciation of right-of-use assets – property	41.3	38.6	70.3
Depreciation of right-of-use assets – equipment	4.6	5.2	8.7
Amortisation of other intangibles	1.9	3.2	6.5
Amortisation of acquisition-related intangibles	5.2	5.3	10.5
Share-based payments	6.1	7.7	17.0
Gains on disposal of property, plant and equipment	(9.3)	(20.8)	(25.3)
Purchase of tool hire assets	(4.1)	(4.4)	(8.9)

Increase in inventories	(5.6)	(38.6)	(3.4)
Increase in receivables	(90.4)	(140.7)	(19.2)
Increase / (decrease) in payables	104.3	63.8	(53.9)
Adjusting item payments in excess of charge	(1.5)	(5.0)	(7.2)
Cash generated from operations	**197.6**	104.5	353.5
Interest paid and debt arrangement fees	(12.8)	(18.5)	(18.3)
Interest on lease liabilities	(12.5)	(10.7)	(21.5)
Income taxes paid	(29.3)	(36.6)	(57.6)
Net cash inflow from operating activities	**143.0**	38.7	256.1
Cash flows from investing activities			
Interest received	2.7	0.5	1.4
Proceeds on disposal of property, plant and equipment	34.8	5.7	22.5
Purchase and development of software	(0.7)	(3.0)	(7.0)
Purchases of freehold land and buildings	(6.4)	(16.7)	(38.0)
Purchases of property, plant and equipment	(44.7)	(44.9)	(94.1)
Net cash outflow from investing activities	**(14.3)**	(58.4)	(115.2)
Cash flows from financing activities			
Shares purchased in share buyback	–	(171.8)	(172.1)
Repayment of lease liabilities	(39.4)	(48.3)	(78.8)
Payments to pension SPV	(3.8)	(3.7)	(3.7)
Sale of own shares	–	3.7	3.8
Dividends paid	(55.8)	(55.5)	(81.7)
Proceeds from borrowings	–	–	75.0
Repayment of bonds	–	(120.0)	(120.0)
Net cash outflow from financing activities	**(99.0)**	(395.6)	(377.5)
Net increase / (decrease) in cash and cash equivalents	**29.7**	(415.3)	(236.6)
Cash and cash equivalents at the beginning of the period	223.2	459.8	459.8
Cash and cash equivalents at the end of the period	252.9	44.5	223.2

Notes to the interim financial statements

1. General information and accounting policies

The interim financial statements have been prepared on the historical cost basis, except that certain financial instruments including derivative instruments and plan assets of defined benefit pension schemes are stated at their fair value. The condensed interim financial statements include the accounts of the Company and all its subsidiaries (“the Group”).

Basis of preparation

The financial information for the six months ended 30 June 2023 and 30 June 2022 is unaudited. The June 2023 information has been reviewed by KPMG LLP, the Group's auditor, and a copy of their review report appears on pages 36 and 37 of this interim report. The June 2022 information was also reviewed by KPMG LLP.

The financial information for the year ended 31 December 2022 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2022, as prepared in accordance with UK-adopted international accounting standards, has been delivered to the Registrar of Companies. The auditor’s report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The unaudited interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted for use in the UK, and have been prepared on the basis of IFRS.

The annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2022. The 2022 full-year financial statements are available on the Travis Perkins website (www.travisperkinsplc.co.uk).

The Directors are currently of the opinion that the Group’s forecasts and projections show that the Group should be able to operate within its current facilities and comply with its banking covenants. The Group is however exposed to a number of significant risks and uncertainties, which could affect the Group’s ability to meet management’s projections.

The Directors believe that the Group has the flexibility to react to changing market conditions and is adequately placed to manage its business risks successfully. The Group has undertaken a detailed going concern assessment, reviewing its current and projected financial performance and position, including current assets and liabilities, debt maturity profile including the £180m bond due in September 2023, future commitments and forecast cash flows. The downside scenarios tested, outlining the impact of severe but plausible adverse scenarios based on a severe recession and housing market weakness, show that there is sufficient headroom for liquidity and covenant compliance purposes for at least the next 12 months from the date of approval of these financial statements. For this reason the interim financial statements have been prepared on a going concern basis. The going concern assessment is not sensitive to estimates on inflation.

New and amended standards adopted by the Group

There are no new or amended standards applicable for the current reporting period, except for International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12) which was endorsed by the UK Endorsement Board on 19 July 2023. The impact of this amendment is discussed in note 6.

Notes to the interim financial statements

2. Revenue

£m	**Six months ended 30 June 2023**	Six months ended 30 June 2022	Year ended 31 December 2022
Sale of goods	**2,389.7**	2,457.1	4,836.0
Sale of services	**82.4**	77.4	158.8
	2,472.1	2,534.5	4,994.8

3. Business segments

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ("CODM"), which is considered to be the Board, to assess performance and allocate capital.

Both operating segments sell building materials to a wide range of customers, none of which are dominant, and operate predominantly in the United Kingdom.

Segment result represents the result of each segment without allocation of certain central costs, finance costs and tax. Adjusted segment result is the result of each segment before adjusting items and property profits. Unallocated segment assets and liabilities comprise financial instruments, current and deferred tax, cash, borrowings and pension scheme assets and liabilities.

a) Segment results

Six months ended 30 June 2023

£m	Merchanting	Toolstation	Unallocated	Consolidated
Revenue	2,061.7	410.4	–	**2,472.1**
Segment result	135.2	(11.4)	(16.9)	**106.9**
Amortisation of acquired intangible assets	3.8	1.4	–	**5.2**
Adjusted segment result	139.0	(10.0)	(16.9)	**112.1**
Less property profits	(9.3)	–	–	**(9.3)**
Adjusted segment result excluding property profits	129.7	(10.0)	(16.9)	**102.8**
Adjusted segment margin	6.7%	(2.4)%	–	**4.5%**
Adjusted segment margin excluding property profits	6.3%	(2.4)%	–	**4.2%**

Notes to the interim financial statements

3. Business segments (continued)

a) Segment results (continued)

Six months ended 30 June 2022

£m	Merchanting	Toolstation	Unallocated	Consolidated
Revenue	2,158.6	375.9	–	**2,534.5**
Segment result	186.6	(9.8)	(19.4)	**157.4**
Amortisation of acquired intangible assets	3.8	1.5	–	**5.3**
Adjusted segment result	190.4	(8.3)	(19.4)	**162.7**
Less property profits	(20.8)	–	–	**(20.8)**
Adjusted segment result excluding property profits	169.6	(8.3)	(19.4)	**141.9**
Adjusted segment margin	8.8%	(2.2%)	–	**6.4%**
Adjusted segment margin excluding property profits	7.9%	(2.2%)	–	**5.6%**

Year ended 31 December 2022

£m	Merchanting	Toolstation	Unallocated	Consolidated
Revenue	4,219.8	775.0	–	**4,994.8**
Segment result	331.3	(11.8)	(34.7)	**284.8**
Amortisation of acquired intangible assets	7.6	2.9	–	**10.5**
Adjusted segment result	338.9	(8.9)	(34.7)	**295.3**

Less property profits	(25.3)	–	–	**(25.3)**
Adjusted segment result excluding property profits	313.6	(8.9)	(34.7)	**270.0**
Adjusted segment margin	8.0%	(1.1%)	–	**5.9%**
Adjusted segment margin excluding property profits	7.4%	(1.1%)	–	**5.4%**

b) Segment assets and liabilities

£m	**30 June 2023**
Segment assets	
Merchanting	3,063.7
Toolstation	785.9
Unallocated	551.1
Total assets	**4,400.7**
Segment liabilities	
Merchanting	(1,230.7)
Toolstation	(360.8)
Unallocated	(700.1)
Total liabilities	**(2,291.6)**

Notes to the interim financial statements

4. Seasonality

The Group's trading operations when assessed on a half yearly basis are mainly unaffected by seasonal factors. In 2022 the period to 30 June accounted for 50.8% of the Group's annual revenue.

5. Net finance costs

£m	**Six months ended 30 June 2023**	Six months ended 30 June 2022	Year ended 31 December 2022
Finance income			
Items in the nature of interest:			
Interest receivable	**2.7**	0.7	1.8
Other finance income – pension scheme	**3.0**	2.6	5.3
Remeasurement:			
Net gain on remeasurement of foreign exchange	–	0.7	2.1
Net gain on remeasurement of derivatives at fair value	–	1.1	–
	5.7	5.1	9.2
Finance costs			
Items in the nature of interest:			
Interest on lease liabilities – property	**(12.2)**	(10.6)	(21.2)
Interest on lease liabilities – equipment	**(0.3)**	(0.1)	(0.3)
Interest on sterling bonds	**(8.7)**	(12.7)	(21.5)
Interest on other loans and overdrafts	**(2.3)**	(0.4)	(2.1)
Pension SPV and other interest	**(1.6)**	(1.4)	(1.7)
Other finance costs:			
Amortisation of issue costs of bank loans	**(0.5)**	(0.6)	(1.5)
Unwinding of discounts – property provisions	–	(0.1)	(0.4)
Remeasurement:			
Net loss on remeasurement of foreign exchange	**(0.8)**	–	–
Net loss on remeasurement of derivatives at fair value	**(0.5)**	–	(0.3)
	(26.9)	(25.9)	(49.0)
Net finance costs	**(21.2)**	(20.8)	(39.8)

Notes to the interim financial statements

6. Tax

£m	**Six months ended 30 June 2023**	Six months ended 30 June 2022	Year ended 31 December 2022
Current tax			
– current year	**27.1**	29.2	56.2

– prior year	–	–	1.4
Total current tax	**27.1**	29.2	57.6
Deferred tax			
– current year	**(1.6)**	1.3	(2.5)
– prior year	–	–	(2.3)
Total deferred tax	**(1.6)**	1.3	(4.8)
Total tax charge	**25.5**	30.5	52.8

Tax for the interim period is charged on profit before tax, based on the best estimate of the corporate tax rate for the full financial year on a country-by-country basis.

For accounting periods beginning after 31 December 2023 the Group will be required to comply with the OECD Pillar Two model rules which will require the Group to pay a minimal level of tax on income arising in the jurisdictions in which it operates. The Group's current analysis of these rules and their application in jurisdictions relevant to the Group indicate that no material additional tax liability will arise. The Group has applied the mandatory temporary exception to the accounting for deferred taxes arising from the implementation of the Pillar Two model rules.

Notes to the interim financial statements

7. Retirement benefit obligations

(a) Defined benefit pension schemes

The Group has a number of historical defined benefit pension schemes, all of which are closed to new members and future accruals. The Group operates four final salary schemes being The Travis Perkins Pensions and Dependants' Benefit Scheme ("the TP DB scheme"), the BSS Defined Benefit Scheme ("the BSS DB Scheme"), the immaterial Platinum pension scheme and the immaterial BSS Ireland Defined Benefit Scheme.

(b) Balance sheet position and movements during the year

£m	**Six months ended 30 June 2023**	Six months ended 30 June 2022	Year ended 31 December 2022
At 1 January gross pension asset	**135.9**	275.8	275.8
Amounts recognised in income:			
Current service costs and administration expenses	**(1.0)**	(0.5)	(1.7)
Net interest income	**3.0**	2.6	5.3
Other movements:			
Contributions from sponsoring companies	**0.4**	0.4	1.5
Amounts recognised in other comprehensive income:			
Foreign exchange	–	–	0.3
Return on plan assets (excluding amounts in net interest)	**(49.1)**	(399.0)	(628.6)
Actuarial gain arising from changes in demographic assumptions	**–**	–	7.5
Actuarial gains arising from changes in financial assumptions	**43.7**	403.2	550.6
Actuarial gain arising from experience adjustments	–	–	(74.8)
Gross pension asset	**132.9**	282.5	135.9
Deferred tax	**(33.2)**	(70.7)	(33.9)
Net pension asset	**99.7**	211.8	102.0

Notes to the interim financial statements

8. Share capital

	Allotted	
	No.	£m
Ordinary shares:		
At 1 January 2022	225,025,926	25.2
Cancellation of share capital	(12,516,592)	(1.4)
At 1 January 2023 and 30 June 2023	**212,509,334**	**23.8**

9. Earnings per share

a) Basic and diluted earnings per share

Six months ended	Six months ended	Year ended

	30 June 2023	30 June 2022	31 December 2022
Profit attributable to the owners of the parent (£m)	**60.2**	106.1	192.2
Weighted average number of shares in issue	**210,293,714**	213,513,168	211,630,413
Dilutive effect of share options	**3,469,107**	2,098,812	3,789,212
Weighted average number of shares for diluted earnings per share	**213,762,821**	215,611,980	215,419,625
Earnings per share	**28.6p**	49.7p	90.8p
Diluted earnings per share	**28.2p**	49.2p	89.2p

b) Adjusted earnings per share

Adjusted earnings per share are calculated by excluding the effects of the amortisation of acquired intangible assets, adjusting items and discontinued operations from earnings.

£m	**Six months ended 30 June 2023**	Six months ended 30 June 2022	Year ended 31 December 2022
Profit attributable to the owners of the parent	**60.2**	106.1	192.2
Amortisation of acquired intangible assets	**5.2**	5.3	10.5
Tax on amortisation of acquired intangible assets	**(1.3)**	(1.3)	(2.6)
Earnings for adjusted earnings per share	**64.1**	110.1	200.1
Adjusted earnings per share	**30.5p**	51.6p	94.6p
Adjusted diluted earnings per share	**30.0p**	51.1p	92.9p

Notes to the interim financial statements

10. Dividends

£55.8m has been recognised in the financial statements as distributions to equity shareholders in the period (2022: £55.5m). An interim dividend of 12.5p is proposed in respect of the year ending 31 December 2023. It will be paid on 10 November 2023 to shareholders on the register at the close of business on 6 October 2023. The shares will be quoted ex-dividend on 5 October 2023.

11. Borrowings

At the period end, the Group had the following borrowing facilities available:

£m	**30 June 2023**	30 June 2022	31 December 2022
Drawn facilities:			
£250m sterling bond (due February 2026)	**250.0**	250.0	250.0
£300m sterling bond (due September 2023)	**180.0**	180.0	180.0
Term loan	**75.0**	–	75.0
Overdraft	**81.6**	–	12.5
	586.6	430.0	517.5
Undrawn facilities:			
5-year committed revolving credit facility	**400.0**	400.0	400.0
Bank overdraft	**15.0**	15.0	15.0
	415.0	415.0	415.0

The overdraft balance of £81.6m forms part of the Group's notional cash pool and its aggregate cash position of £252.9m. The Group's £15.0m overdraft facility and the Group's £400.0m revolving credit facility were undrawn as at 30 June 2023.

On 15 June 2023, the Group signed an agreement to issue £100m of US private placement notes to a group of five investors. The funding date for these notes is 23 August 2023 and the proceeds will be used to repay upcoming debt maturities. The notes are denominated in sterling and are split over three tranches, with £34m maturing in August 2029, £33m maturing in August 2030 and £33m maturing in August 2031.

The Group's £400m banking facility with a syndicate of banks was extended in 2020, with £54m maturing in January 2024 and the remaining £346m maturing in April 2025.

Notes to the interim financial statements

12. Net debt

£m	**Six months ended 30 June 2023**	Six months ended 30 June 2022	Year ended 31 December 2022
Net debt at 1 January	**(818.5)**	(604.6)	(604.6)
Lease-related movements:			
Lease additions	**(128.8)**	(47.6)	(114.7)
Disposals of leases	**1.7**	6.3	12.5
Repayment of lease liabilities – property	**47.1**	41.7	86.9
Repayment of lease liabilities – equipment	**4.8**	6.6	13.4
Discount unwind on lease liability	**(12.5)**	(10.7)	(21.5)
Other net debt movements:			
Increase / (decrease) in cash	**29.7**	(415.3)	(236.6)
Cash flows from debt	**(0.1)**	0.6	(75.0)
Finance charges movement	**(0.5)**	(1.2)	(0.6)
Amortisation of swap receipt	**–**	–	(0.1)
Bond repurchase	**–**	120.0	120.0
Payments to pension SPV liability	**3.8**	3.7	3.7
Discount unwind on pension SPV liability	**(0.8)**	(1.0)	(1.9)
Net debt at 30 June / 31 December	**(874.1)**	(901.5)	(818.5)
Less: lease liability	**600.3**	492.9	512.6
Net debt before leases	**(273.8)**	(408.6)	(305.9)

Notes to the interim financial statements

13. Financial risk management

The overall aim of the Group's financial risk management policies is to minimise potential adverse effects on financial performance and net assets. The Group manages the principal financial and treasury risks within a framework of policies and operating parameters reviewed and approved annually by the Board of Directors. The Group does not enter into speculative transactions.

Derivatives

In August 2022 the Group obtained a 5-year term loan facility for £75m and at the same time entered into an equal interest rate swap arrangement to hedge the interest rate. For 2022 through to 2025, the Board of Directors has decided to maintain a ratio of fixed and floating rate net debt at 1:1. The risk management objective is to hedge against the fair value of the variable interest rate element of the loan facility. The interest rate swap is a derivative measured at fair value and is designated in the hedging relationship in its entirety, therefore the hedging instrument is eligible for hedge accounting.

The Group's hedging reserve relates to its interest rate swaps:

£m	Cash flow hedge reserve
At 1 January and 30 June 2022	–
Change in fair value of hedging instrument recognised in OCI	4.3
Deferred tax	(1.1)
At 31 December 2022	3.2
Change in fair value of hedging instrument recognised in OCI	**3.2**
Deferred tax	**(0.8)**
At 30 June 2023	**5.6**

Notes to the interim financial statements

13. Financial risk management (continued)

Hedge effectiveness for the interest rate swap was determined at the inception of the swap arrangement and through prospective effectiveness assessments, to ensure that an economic relationship exists between the loan facility and the interest rate swap. As both the loan and interest rate swap have the same critical terms, with the value, term and payment timings aligned, there is no portion of the hedge which is considered to be ineffective.

Swaps currently in place cover approximately 100% of the variable term loan principal outstanding. The fixed interest rate of the swap is 2.673%. The interest rate of the term loan consists of a variable element based on the Sterling Overnight Index Average ("SONIA") and a margin of 1.8% – 2.4%. The swap contracts require settlement of the net interest receivable or payable every 6 months and coincides with the dates on which payment is due on the underlying term loan.

The effects of the interest rate swaps of the Group's financial position and performance are as follows:

£m	**Six months ended 30 June 2023**	Six months ended 30 June 2022	Year ended 31 December 2022
Carrying amount (non-current assets)	7.5	–	4.3
Notional amount	75.0	–	75.0
Maturity date	15 August 2027	–	15 August 2027
Hedge ratio	1:1	–	1:1
Change in fair value of hedging instruments	3.2	–	4.3
Weighted average hedged rate for the year	4.07%	–	2.43%

The following amounts were recognised in the Group's profit and loss:

£m	**Six months ended 30 June 2023**	Six months ended 30 June 2022	Year ended 31 December 2022
Net loss on foreign currency forwards not qualifying as hedges included in other gains/(losses)	(0.5)	–	(0.3)

Notes to the interim financial statements

14. Financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- Foreign currency forward contracts are measured using quoted forward exchange rates.
- Interest rate swaps are measured at the present value of future cash flows, estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

There were no transfers between levels during the year. There are no non-recurring fair value measurements.

£m	**30 June 2023**	30 June 2022	31 December 2022
Included in non-current assets			
Level 2 – Interest rate swap	**7.5**	–	4.3
Included in current assets			
Level 2 – Foreign currency forward contracts at fair value through profit and loss	**–**	1.3	–
	7.5	1.3	4.3
Included in current liabilities			
Level 2 – Foreign currency forward contracts at fair value through profit and loss	**(0.6)**	(0.4)	(0.2)
	(0.6)	(0.4)	(0.2)

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different from their carrying amounts. Significant differences were identified for the Group's £430m of bonds as at 30 June 2023, where the assessed fair value based on quoted mid-market prices was £403.4m (31 December 2022: fair value of £399.6m for £430m of bonds).

15. Related party transactions

The Group has related party relationships with its subsidiaries and with its Directors. Transactions between Group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note. There have been no related party transactions with Directors other than in respect of remuneration.

Notes to the interim financial statements

16. Non-statutory information

Alternative performance measures ("APMs") are used to describe the Group's performance. These are not recognised under IFRS or other generally accepted accounting principles. The Board focuses on these measures when assessing ongoing trading and they facilitate meaningful year-on-year comparisons and hence provide useful information to shareholders. APMs are defined in this note and reconciled to the closest GAAP measure.

a) Adjusted operating profit

Adjusted operating profit is calculated by excluding the effects of amortisation of acquired intangible assets and adjusting items from operating profit.

£m	**Six months ended 30 June 2023**	Six months ended 30 June 2022	Year ended 31 December 2022
Operating profit	**106.9**	157.4	284.8
Amortisation of acquired intangible assets	**5.2**	5.3	10.5
Adjusted operating profit	**112.1**	162.7	295.3

b) Adjusted profit before tax

Adjusted profit before tax is calculated by excluding the effects of amortisation of acquired intangible assets and adjusting items from profit before tax.

£m	**Six months ended 30 June 2023**	Six months ended 30 June 2022	Year ended 31 December 2022
Profit before tax	**85.7**	136.6	245.0
Amortisation of acquired intangible assets	**5.2**	5.3	10.5
Adjusted profit before tax	**90.9**	141.9	255.5

c) Net debt to adjusted EBITDA (rolling 12 months)

£m	**30 June 2023**	30 June 2022	31 December 2022
Operating profit	**234.3**	338.6	284.8
Depreciation and amortisation	**175.7**	172.5	169.6
EBITDA	**410.0**	511.1	454.4
Adjusting items	**–**	1.8	–
Adjusted EBITDA	**410.0**	512.9	454.4
Net debt (note 12)	**874.1**	901.5	818.5
Net debt to adjusted EBITDA (rolling 12 months)	**2.1x**	1.8x	1.8x

Notes to the interim financial statements

16. Non-statutory information (continued)

d) Free cash flow

£m	**Six months ended 30 June 2023**	Six months ended 30 June 2022	Year ended 31 December 2022
Adjusted operating profit	**112.1**	162.7	295.3
Less: profit on disposal of properties	**(9.3)**	(20.8)	(25.3)
Adjusted operating profit excluding property profit	**102.8**	141.9	270.0
Depreciation of property, plant and equipment	**38.2**	32.8	73.6
Amortisation of internally-generated intangibles	**1.9**	3.2	6.5
Share-based payments	**6.1**	7.7	17.0
Movement on working capital	**8.3**	(115.5)	(76.5)
Other net interest paid	**(10.1)**	(18.0)	(16.9)
Interest on lease liabilities	**(12.5)**	(10.7)	(21.5)
Income tax paid	**(29.3)**	(36.6)	(57.6)
Capital expenditure excluding freehold purchases	**(49.5)**	(52.3)	(110.0)
Disposal of plant and equipment	**1.6**	2.2	10.1
Free cash flow	**57.5**	(45.3)	94.7

e) Capital ratios

i) Average capital employed in continuing operations (rolling 12 months)

£m	**30 June 2023**	30 June 2022	31 December 2022
Opening net assets	**2,129.8**	2,100.4	2,237.8
Net pension asset	**(211.8)**	(145.0)	(207.0)
Net borrowings	**901.5**	617.1	604.6

Less: net assets of discontinued operations	–	(250.3)	–
Less: net borrowings of discontinued operations	–	(89.0)	–
Opening capital employed	**2,819.5**	2,233.2	2,635.4
Closing net assets	**2,109.1**	2,129.8	2,102.2
Net pension asset	**(99.7)**	(211.8)	(102.0)
Net borrowings	**874.1**	901.5	818.5
Closing capital employed	**2,883.5**	2,819.5	2,818.7
Average capital employed	**2,851.5**	2,526.4	2,727.1

Notes to the interim financial statements

16. Non-statutory information (continued)

e) Capital ratios (continued)

ii) Return on capital employed (rolling 12 months)

£m	**30 June 2023**	30 June 2022	31 December 2022
Adjusted operating profit (rolling 12 months)	**244.7**	351.7	295.3
Average capital employed	**2,851.5**	2,526.4	2,727.1
Return on capital employed	**8.6%**	13.9%	10.8%

f) Like-for-like sales

£m	Merchanting	Toolstation	**Total**
2022 H1 revenue	2,158.6	375.9	**2,534.5**
Network change	(22.5)	(1.8)	**(24.3)**
Trading days	15.9	–	**15.9**
2022 H1 like-for-like revenue	2,152.0	374.1	**2,526.1**
Like-for-like change	(103.0)	22.2	**(80.8)**
Network change	12.7	14.1	**26.8**
2023 H1 revenue	**2,061.7**	**410.4**	**2,472.1**
Like-for-like revenue %	**(4.8%)**	**5.9%**	**(3.2%)**

Like-for-like sales are a measure of underlying sales performance for two successive periods. Branches contribute to like-for-like sales once they have been trading for more than 12 months. Revenue included in like-for-like sales is for the equivalent times in both years. When branches close, revenue is excluded from the prior year figures for the months equivalent to the post closure period in the current year.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted for use in the UK;
- The Interim Management Report includes a fair review of the information required by:
  a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Nick Roberts	Alan Williams
Chief Executive Officer	Chief Financial Officer
31 July 2023	31 July 2023

INDEPENDENT REVIEW REPORT TO TRAVIS PERKINS PLC

Conclusion

We have been engaged by Travis Perkins plc "the Company" to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("ISRE (UK) 2410") issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

James Tracey
for and on behalf of KPMG LLP
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

31 July 2023

[1] Alternative performance measures are used to provide a guide to underlying performance. Details of calculations can be found in the notes listed.
[2] Comparative figure as at 31 December 2022.

Dissemination of a Regulatory Announcement, transmitted by EQS Group.
The issuer is solely responsible for the content of this announcement.

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