FERGUSON

19 June 2018

Third quarter results for the 3 months to 30 April 2018

Ongoing businesses[1] **US$ millions**	**Q3 2018**	**Q3 2017**	**Change**	**Organic change[3]**
Revenue	5,080	4,610	+10.2%	+7.1%
Trading profit[2]	356	304	+17.1%	
Trading days	63	63	-	
Net debt	260	1,466		

Third quarter highlights

- Ongoing revenue 10.2% ahead of last year, including 7.1% organic growth.
- Gross margin of the ongoing business was 29.3%, 0.4% ahead of last year.
- Ongoing trading profit of $356 million was 17.1% ahead of last year.
- Sale of Stark Group completed on 29 March 2018 for approximately $1.2 billion.
- Net debt of $260 million at 30 April 2018, before special dividend of $4 per share ($1 billion) to be paid on 29 June.

John Martin, Group Chief Executive, commented:

"The US continued to grow strongly with organic revenue growth of 10.6% in the quarter. Growth was broadly based across all US regions, supported by good market conditions. We also continued to manage gross margins effectively, making further progress. We generated good growth in Canada and in the UK we continued to focus on executing the restructuring plan.

The fourth quarter has started well with organic revenue growth in line with the third quarter. Given the third quarter outturn, the Group is well positioned for a successful outcome for the year."

Group results

Revenue in the quarter was $5,080 million, 8.0% ahead of last year at constant exchange rates and 7.1% ahead on an organic basis. Gross margins continued to improve, up 40 basis points to 29.3% and operating costs were well controlled. Trading profit of $356 million was 16.3% higher than last year at constant exchange rates. Exceptional costs were $6 million in the quarter.

1) 'Ongoing businesses' excludes businesses that have been closed, disposed of, or are classified as held for sale.
2) Before exceptional items and amortisation of acquired intangible assets.
3) The increase or decrease in revenue excluding the effect of currency exchange, acquisitions and disposals and trading days.

Three months to 30 April by region

Ongoing businesses US$ millions	Revenue Q3 2018	Revenue Q3 2017	Change (at constant exchange rates)	Trading profit Q3 2018	Trading profit Q3 2017	Change (at constant exchange rates)
US	4,109	3,683	+11.5%	334	277	+20.8%
UK	629	632	(10.9%)	23	29	(29.3%)
Canada and Central Europe	342	295	+8.9%	11	10	+11.6%
Central costs	-	-		(12)	(12)	
Group	5,080	4,610	+8.0%	356	304	+16.3%

Quarterly organic revenue growth trends were as follows:

	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
US	+8.8%	+8.7%	+8.3%	+9.1%	+10.6%
UK[1]	(0.4%)	+4.2%	+3.9%	(1.7%)	+0.7%
Canada and Central Europe	+7.3%	+7.7%	+7.7%	+7.8%	+6.5%
Group	+7.1%	+8.0%	+7.6%	+7.3%	+7.1%

[1] The UK revenue growth rate is on a like-for-like basis to remove the impact of closed branches and the exit of low margin business. Like-for-like is organic revenue growth excluding the effect of branch openings and closures and the exit of low margin business.

USA

The US business grew revenue 10.6% on an organic basis, which included price inflation of about 3%, and acquisitions contributed a further 0.8%. US market growth continued to be good with residential demand supporting broadly-based growth across all regions. Commercial markets, whilst lower growth than residential, also remained good and industrial markets continued to recover strongly.

All business units continued to generate good organic growth in the quarter and gain market share. Revenue growth by end market was strong in residential, commercial improved and industrial grew particularly well as it benefited from a small number of larger projects.

Gross margins were ahead due to improvements in purchasing and better pricing controls. Operating expenses continued to be well controlled. Trading profit of $334 million (2017: $277 million) was 20.8% ahead of last year.

UK

Like-for-like revenue growth was 0.7% in the quarter including price inflation of about 3%. Organic revenues declined by 10.9% mainly due to the closure of branches and the exit of low margin wholesale business towards the end of the first half as previously announced. Consequently gross margins were ahead though underlying margins remained weak. Operating costs in the core business have been reduced as a result of the restructuring actions. Trading profit of $23 million was 29.3% lower than last year at constant exchange rates.

Canada and Central Europe

Canada and Central Europe grew organic revenue 6.5% which included inflation of about 2%, acquisitions contributed 2.2% of additional growth. All businesses grew organic revenue with markets growing well. Gross margins were ahead of last year and trading profit of $11 million was $1 million ahead of last year.

Nine months trading performance

Ongoing businesses US$ million 9 months to 30 April 2018	Revenue 2018	Revenue 2017	Change (at constant exchange rates)	Trading profit 2018	Trading profit 2017	Change (at constant exchange rates)
USA	12,020	10,839	+10.9%	982	836	+17.5%
UK	1,984	1,910	(3.3%)	60	73	(22.9%)
Canada and Central Europe	1,103	952	+9.2%	52	40	+23.4%
Central costs	-	-		(40)	(38)	
Group	15,107	13,701	+8.7%	1,054	911	+15.1%

Financial position

Net debt at 30 April 2018 was $260 million (30 April 2017: $1,466 million) after receipt of proceeds from the Stark Group disposal of approximately $1.2 billion. During the quarter we purchased a further 1.9 million shares for $147 million (£104 million) in accordance with the ongoing $650 million (£500 million) share buyback programme announced on 3 October 2017. This brought the total amount purchased to 6.7 million shares for $482 million (£356 million) at 30 April 2018 and since the end of the quarter the share buyback programme has now been completed. In addition, $100 million of additional funding was paid in to the UK defined benefit pension scheme and the interim dividend of $142 million was paid.

Following approval by shareholders at the General Meeting on 23 May 2018 a special dividend of $4 per share, equivalent to about $1 billion, will be paid on 29 June to all shareholders on the share register at 8 June 2018. The accompanying share consolidation of 18 new ordinary shares for 19 existing ordinary shares was completed on 11 June 2018. Proforma net debt after payment of the special dividend and completion of the share buyback was 0.9x EBITDA.

Since 30 April 2018 we have completed one acquisition for total consideration of $8 million in the USA. The acquisition pipeline remains strong.

Outlook

The fourth quarter has started well with organic revenue growth in line with the third quarter. Given the third quarter outturn, the Group is well positioned for a successful outcome for the year.

For further information please contact

Ferguson plc

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Investor conference call

A conference 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
	Switzerland:	+41 (0)44 580 7206

Ask for the Ferguson call quoting 1104216.

Ferguson plc is the world's largest specialist trade distributor of plumbing and heating products to professional contractors principally operating in North America and the UK. Ongoing revenue for the year ended 31 July 2017 was $18.8 billion and ongoing trading profit was $1.3 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.

Financial calendar

	2018
Full Year Results for year ended 31 July 2018	2 October
Annual General Meeting	29 November
Q1 IMS for the period ending 31 October 2018	4 December

Legal disclaimer

Certain information included in this announcement is forward-looking and involves known and unknown risks, assumptions and uncertainties that could cause actual results or outcomes to differ from those expressed or implied in any forward-looking statement. There forward-looking statements are based on the Company's current belief and expectations about future events and 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, prospects, growth, strategies, expected expenditures and divestments, risks associated with changes in economic conditions, the strength of the plumbing and heating and building materials market in North America and Europe, fluctuations in product prices and changes in exchange and interest rates. Forward-looking statements are sometimes identified by the use of forward-looking terminology, including terms such as "believes", "estimates", "continues", "anticipates", "expects", "forecasts", "intends", "plans", "projects", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations thereon or comparable terminology. Forward-looking statements are not guarantees of future performance and actual events or results may differ materially from any estimates or forecasts indicated, expressed or implied in such forward looking statements. 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 these forward-looking statements, which speak only as at the date of this announcement. 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 applicable law, (including under the UK Listing Rules, the Prospectus Rules, the Disclosure Rules 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, change in 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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