Recommended acquisition of The BSS Group plc

5 July 2010

Travis Perkins plc

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Agenda

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Acquisition overview

- **Recommended proposal by Travis Perkins to acquire The BSS Group plc for up to £554m (enterprise value of £658m)[(1)]**
  - Part shares / part cash offer, with mix and match facility
  - Transaction currently expected to close mid Q4 2010
- **Significant benefits for Travis Perkins shareholders**
  - Strong strategic rationale, creating the sector leader
  - At least £25m of synergies from combining the operations of these two complementary businesses
  - Strongly value enhancing in the first full year after acquisition
- **Attractive value for BSS shareholders**
  - Immediate premium of 33% to close on 27 May 2010[(2)]
  - Allows BSS shareholders to participate in synergy upside (BSS shareholders will own up to 13.8% of the enlarged group)

(1) Based on closing share price of 745 pence per Travis Perkins share on 27 May 2010, the last trading day before announcement of the indicative offer under Rule 2.4 of the Takeover Code. Includes BSS final dividend. Enterprise value calculated using equity value of £554m, net debt of £85m and pensions of £19m.

(2) The last trading day before announcement of the indicative offer under Rule 2.4 of the Takeover Code.

Overview of The BSS Group

Geoff Cooper - Chief Executive

Overview of BSS

- **The BSS Group is a leading distributor to industrial and domestic plumbing and heating contractors and engineers in the UK**
- **BSS is split into 3 core divisions**
  - **Domestic**
    - Domestic heating, plumbing and sanitaryware markets serviced by 322 PTS Plumbing Trade Supplies branches nationwide
    - F&P Wholesaling business serving independent merchants
  - **Industrial**
    - Wide range of customers in both public sector (est. 10% of BSS Group revenue) and private sector markets served by BSS Industrial
    - Operates from 64 branches in UK and Ireland
  - **Specialist**
    - Distributes power and hand tools, accessories, consumables, cleaning and maintenance equipment to a range of customers including major end users, industrial customers, engineers and wholesalers

BSS operations

The BSS Group plc (1)

Domestic division

Sales: £916.4m, 67.8%

Operating profit: £32.6m, 54.6%

- PTS Plumbing Trade Supplies
- F & P Wholesale
- DHS Direct Heating Spares Ltd.
- Spendlove C.Jebb

Specialist division

Sales: £103.6m, 7.7%

Operating profit: £2.0m, 3.4%

- Buck & Hickman
- bpt birchwood price tools
- Recently launched ventures

Industrial division

Sales: £332.4m, 24.6%

Operating profit: £25.1m, 42.0%

- BSS Pipeline & Heating Solutions
- BSS (Ireland) Ltd.
- UGS

(1) The BSS Group Annual Report & Accounts for the year ended 31 March 2010.

Note: Operating profit based on adjusted segment result prior to amortisation of acquired intangibles. Excludes unallocated charges of £4.8m.

BSS financial performance

(£m) Y/E 31 March	2008	2009	2010
Revenue	1,289.0	1,340.6	1,352.4
EBITDA	70.1	72.7	58.8
EBIT	63.4	64.4	49.6
Profit before tax	58.3	57.8	44.2
Profit after tax	40.8	41.0	31.4
EPS	33.3p	33.3p	25.4p
Net assets	211.5	231.6	255.9
EBIT			49.6
Exceptional items			3.1
Intangible amortisation			2.3
Adjusted EBIT			55.0

Travis Perkins plc

Strategic rationale

Geoff Cooper - Chief Executive

Industry context

- **Consolidation in the builders' merchanting market**
  - Ongoing consolidation in builders' merchanting market likely to continue, offering benefits to those who proactively participate
- **Uneven recovery set to continue**
  - Customers looking to use an alternative and more diverse set of delivery channels
  - A challenging public sector outlook offset by 'lumpy' private sector recovery
- **Attractive market**
  - Shorter plumbing and heating refurbishment cycles than other sectors and backlog of required upgrading work
  - Rising demand for products with higher environmental performance – heating, water attenuation
- **Global and direct sourcing, particularly in the P&H market**

A compelling acquisition

- **Creates the market leader in P&H to add to our No.1 position in heavy side**
  - Total Travis Perkins sales increase on a pro forma basis from £2,931m to £4,283m
  - Pro forma adjusted EBIT increases from £225m to £280m(1)
- **Creates value through at least £25m of synergies**
  - Delivers central cost savings and purchasing efficiencies
- **Two complementary businesses**
  - Complementary strengths across the segments of the P&H market – installers, plumbers, plumbing contractors, H&V engineers
  - Combines Travis Perkins' scale and strengths, including margin management, with BSS's expertise in sales & marketing

(1) Pre-synergies.

Note: Combined sales and EBIT sourced from Travis Perkins' 2009 Annual Report & Accounts and BSS's 2010 Annual Report & Accounts.

Strategic rationale

- **Leverages Travis Perkins' low cost shared services**
  - Integration of BSS businesses into Travis Perkins' IT platform to drive operational efficiencies
  - Enables efficient customer service locally and nationally using Travis Perkins' low cost layered "route to market" supply chain
  - Travis Perkins' property strategy gives both businesses access, at lower cost, to highly attractive trading locations
- **Gains access to new market segments – specialist markets not currently served by Travis Perkins**
- **Further benefits from the combination potentially available from revenue expansion – but not included in synergy targets**

Strong brand portfolio

Travis Perkins

Keyline
Builders Merchants

City Plumbing Supplies

CCF

Toolstation

Wickes

Benchmarx
Kitchens and Joinery

Tile Giant

PTS Renewable energybranch

BSS Drainage
Special

UGS

DHS
Direct Heating Spares Ltd.

fresssh Bathrooms

F & P Wholesale

Buck & Hickman

bpt birchwood price tools

BSS
Pipeline & Heating Solutions

Integration

- Significant integration experience within senior management team
- Track record of successful acquisitions and delivery of combination benefits
- Travis Perkins believes similar success can be achieved with the BSS acquisition and that it should be well placed to realise synergies arising from purchasing efficiencies and the removal of overhead costs

Integration process

- **Approach developed from previous successful projects**
  - Programme to be directed by our COO, John Carter
  - Creation of new P&H Division, using best aspects of both businesses
  - Focus positioning of PTS and CPS to cover all segments of the P&H market
  - Specialist businesses added to our Specialist Division
  - Four-phase integration mapped out which prioritises securing synergies

Key financials

Paul Hampden Smith - Finance Director

Transaction structure

- **Recommended cash and shares offer valuing each BSS share at 433 pence[(1)] as at 27 May 2010**
  - 0.2608 of a new Travis Perkins share per BSS share
  - 232.91 pence in cash
  - BSS dividend of 6.09 pence per share
- **Offer represents a 33% premium to the BSS close one day before 2.4 announcement[(2)] and exit EBITDA multiple of 10.6x[(3)]**
- **Mix and match facility and Loan Notes available**
- **Friday night's closing Travis Perkins share price values each BSS share at 435.8 pence[(4)]**
- **Offer to be effected by way of scheme of arrangement**
- **Shareholders representing 35% of BSS shares have signed letters of intent regarding voting in favour of the scheme of arrangement**

(1) Based on closing share price of 745 pence per Travis Perkins share on 27 May 2010, the last trading day before announcement of the indicative offer under Rule 2.4 of the Takeover Code.

(2) Includes dividend.

(3) Based on BSS EBITDA of £62m for the year ended 31 March 2010 and an enterprise value of £658m.

(4) Based on Travis Perkins closing share price of 754.5 pence on 2 July 2010.

Synergies

- **Anticipated synergy benefits of at least £25m per annum in 2013 financial year (pre-tax)**
  - Phased over 3 years
- **Sources of cost savings include**
  - Purchasing synergies - £19m
  - Overhead synergies - £6m
- **Total one-off cost of delivering savings of c.£5m, the majority of which will be incurred in 2010**
- **Integration costs of £6m incurred over 2010 and 2011**

Pro forma capital structure

- **BSS shareholders will own up to 13.8% of the Enlarged Group**
- **33.4m new Travis Perkins shares to be issued to BSS shareholders**
- **Enlarged Group pro forma 2009Y/E net debt post acquisition of £858m[(1)]**
- **Attractive cash flow profile of Enlarged Group**
- **Marginal cost of new debt around 3.5%**

(1) Based on Travis Perkins net debt of £467m as at 31 December 2009, BSS net debt of £85m as at 31 March 2010 and £306m in total cash consideration including the BSS dividend.

Dividend policy

- Travis Perkins has agreed BSS shareholders will be entitled to receive and retain the BSS final dividend of 6.09 pence per share announced in BSS's preliminary results on 25 May 2010
- Travis Perkins intends to recommence the payment of dividends with a proposed interim dividend of 5 pence per share in respect of the 6 month period to 30 June 2010
- Travis Perkins anticipates recommencing dividends based off a conservative level of cover with the objective of reducing cover over the medium term
- The New Shares issued pursuant to the Transaction will be eligible to receive the Travis Perkins interim dividend save in certain circumstances

Indicative timetable of events

- Rule 2.5 announcement – 5 July 2010
- Travis Perkins interim results – 29 July 2010
- Documents posted to shareholders – by 2 August 2010
- Expected completion mid Q4 2010

Current trading and summary

Geoff Cooper - Chief Executive

Travis Perkins plc

Current trading

- **Strong trading rebound in merchanting has continued, with LFL of 10.3% for two months following last IMS**
- **Retail trading has also improved despite poor economic newsflow, with LFL of 1.6% in the 9 weeks to 30 June 2010**
- **Both divisions outgrowing their respective markets on a LFL basis, and retaining superior operating margins**
- **Although lead indicators suggest housing and consumer worries persist, the revenue outlook is ahead of management's previous expectations**

Summary

- Clear and compelling strategic logic
- Creates significant value for shareholders through capture of attractive synergies
- Strengthens our positioning and prospects