

press release

1 June 2011

Wolseley reports increase in profits due to US demand

- Wolseley reports a 30% increase in trading profits for the period
- US demand offsets weaker UK trends
- The Share Centre continues to recommend investors 'hold' Wolseley

As the world's largest plumbers' and builders' merchant reports trading figures in line with expectations, Graham Spooner, investment adviser at The Share Centre, explains what this means for investors.

"Wolseley has been restructuring to aid recovery for some time and is continuing to cut costs, improve margins and exit weaker businesses. Due to this strategy we have seen the share price stabilise and trading profits increase by 30% for the period, from £101m last year to £131m.

"As the company is geared towards the US residential housing market it is positive to see that demand in the region held up well with the strongest growth in like-for-like revenues came from the US, increasing by 10%. This growth was boosted by the weakening of the US dollar helping to offset the weaker trends in the UK.

"There were rumours that Wolseley was planning to sell off three of its UK businesses, Build Center, Electric Center and Encon, which could be worth £300m. However, this update provided no news of this which may be slightly disappointing for investors.

"Around 20% of the group's revenue are made up by new residential construction which has remained slow, and research shows the number of construction firms in the UK that became insolvent in Q1 increased by 19%. This, along with the economic downturn which continues to impact the housing market, is raising concerns over the sector and causing investors to be wary.

“For those who believe the housing market is through the worst Wolseley may be worth looking at. We continue to recommend investors ‘hold’ for now as the restructuring has had the desired effect and the shares have had a fantastic run over the last year. However, we still remain cautious of the instability in the sector.”

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For further information please contact:

The Share Centre

Rebecca Kempzell

PR Executive

01296 439 426

Rebecca.kempzell@share.co.uk

Stephanie Reynolds

PR Manager

01296 439 256

Stephanie.reynolds@share.co.uk

Lansons Communications

Inez de Koning / Lisa Grando / Sarah Waterson

0207 294 3623 / 0207 294 3669 / 0207 294 3649

inezd@lansons.com / Lisag@lansons.com / SarahW@lansons.com

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The Share Centre was established in 1990 to provide value-for-money share services for private investors. Its range of services includes buying and selling shares (by Internet, telephone and post) and a comprehensive share administration and safe custody service. Tax-efficient investment ‘wrappers’ including ISAs, CTFs and SIPPs are also available.

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