PRESS RELEASE
FOR RELEASE 07.00 **7 November 2014**

Brammer plc
Interim Management Statement

Brammer plc, Europe's leading distributor of quality industrial maintenance, repair and overhaul products ("MRO"), today issues its Interim Management Statement for the period from 1 July 2014 to date.

Key Highlights

- Sales growth continues on the continent. UK sales affected by reduced spend amongst a small number of large customers.
- Significant investment in growth drivers continues, recognising self-help is necessary in weak markets.
- Focus on Key Accounts, Insites[TM], cross-selling and vending has underpinned major market share gains over this period.
- Gross margin up 20 basis points year to date to 31.7%.
- 9 pan-European Key Accounts won, making 13 in the year to date with total potential revenues in excess of €50 million per annum.
- Acquisition pipeline remains strong; five acquisitions completed in the period from July to October with annualised revenues of €23 million.
- As a consequence of weaker than predicted UK trading combined with a deterioration in market conditions in Europe it is expected that underlying profit before tax* will be approximately £35 to £36 million for the full year.

*before amortisation of acquired intangibles, acquisition related costs and exceptional costs

Trading (4 months to 31 October)

Growth at constant currency	% SPWD growth including bolt-on acquisitions	% SPWD growth excluding bolt-on acquisitions
UK	-3.1%	-3.1%
Germany	9.4%	2.9%
France	14.6%	2.6%
Spain	14.8%	8.8%
Benelux	1.3%	1.3%
Eastern Europe & Other	44.2%	39.8%
Total (exc. Scandinavia)	**8.0%**	**4.6%**
Total (inc Scandinavia and bolt-ons)	15.5%	

Despite challenging market conditions we have gained market share across our continental European markets. During the four-month period total sales per working day ("SPWD"), at constant currency rates were up 15.5% versus the same period last year and up 8.0% excluding Lönne. Including several small bolt-on acquisitions (see table below), SPWD were up 9.4% in Germany, 14.6% in France, 14.8% in Spain, 1.3% in Benelux, and 44.2% in our Eastern Europe and Other segment. SPWD in our UK segment, which represents 39.5% of total sales, were down by 3.1%. Six large customers with annualised revenues of £58 million in 2013 have reduced spend by over 20%, giving a year on year decline in 2014 of around £14 million. This has an adverse 5% effect on UK SPWD, and a concomitant effect on gross profit and trading profit.

Growth drivers

Key Accounts and Insites

Key Account SPWD in constant currency terms, representing 52.9% of revenues, were up 7.9% overall during the four-month period, despite the declines with the UK customers. A further 9 pan-European Key Accounts were won in the period making 13 in the year to date, with total potential incremental revenues exceeding €50 million per annum. In addition, a further 24 new Insites were won during the period bringing the total number of Insites to 420. Insites now represent 26.6% of total revenues.

Cross-selling

We estimate that our continental base of 90,000 customers spends in excess of £10 billion on tools and general maintenance, health and safety and personal protective equipment products. Our investment to gain a share of this spend has produced pleasing results. The growth rate of these products on the continent continues to accelerate, 47.0% in quarter one, 54.4% in quarter two, and 89.8% in the four-month period to 31 October. Bearing sales overall were broadly flat reflecting the difficult market conditions, whilst overall non-bearing sales were up 19.8%.

Vending

Our vending programme is gaining traction. The annualised run rate of revenues to customers with a vending machine (both revenues directly through the machines and indirectly outside the machines – the "halo" effect), based on September and October sales was €27 million, up 50% on the same period last year. Gross margins are in line with average margins across the group. Our annualised business development spend on vending operations (based on October) is running at over £6 million; this is at optimum level and we expect no further increase. We now have 118 employees supporting the vending initiative and, as at 31 October, had 412 machines installed at 178 customer locations in 10 countries with a pipeline of a further 92 machines. We are confident in our capability to execute further growth in vending and that this initiative will be a significant growth driver for many years to come. Clearly, in the short term, our vending investment represents a drag on profitability, but we believe it is essential to invest in growth drivers such as this against the backdrop of continuing weakness in the European economy.

Gross profit margins are up 20 basis points year to date against the prior year to 31.7%.

There has been some increase in stock days in the four month period, reflecting investment to support the Tools & General Maintenance, and vending growth drivers; the other cash to cash cycle days are in line with expectations.

Progress with the integration of Lönne continues to be satisfactory, and the integration of all the bolt-on businesses acquired is in line with expectations. We continue to identify opportunities to acquire businesses which will complement and enhance our strategy, and the pipeline remains strong.

Outlook

Whilst trading conditions have been less favourable than expected, our Key Account, Insite™, cross-selling and vending growth driver initiatives, together with a number of small bolt-on acquisitions have underpinned our growth momentum, providing profitable market share gains for the medium and longer term. However, the reduced demand from a small number of large customers in our UK business, combined with deteriorating market conditions in continental Europe and foreign exchange headwinds, will result in full year underlying profit before tax being approximately £35 to £36 million, somewhat below current expectations. Nevertheless, we are confident that our UK customer spend will recover and that our vending programme will contribute significant market share gains in the years to come.

Appendix: Bolt-on acquisitions completed in 2014

Country	Month acquired	Annualised revenues (€ million)	Product group
Germany	March	8.7	Tools & General Maintenance
France	April	11.0	Fluid Power
Spain	July	3.4	Personal Protective Equipment
Italy	July	4.5	Mechanical Power Transmission (“MPT”)
Netherlands	October	2.4	Bearings & MPT
Poland	October	2.1	Hydraulics & MPT
Czech Republic	October	10.6	Bearings & MPT
Total		42.7	

The cash outflow, including net debt acquired, on the above acquisitions was £15.5 million.

Enquiries: Brammer plc 01565 756801
Bill Whiteley, Chairman
Ian R Fraser, Chief Executive
Paul Thwaite, Group Finance Director

Issued: Hudson Sandler 020 7796 4133
Andrew Hayes
Katie Matthews