Grafton Group plc
Trading Update
Full Year Operating Profit to Slightly Exceed Top End of Analysts' Forecasts

Grafton Group plc ("Grafton" or "the Group"), the international building materials distributor and DIY retailer, issues this trading update for the period from 1 November 2023 to 31 December 2023.

Highlights

- Resilient performance in subdued markets
- Adjusted operating profit[1] to be slightly ahead of top end of Analysts' forecasts[2]
- Fourth share buyback programme increased in December from £50 million to £100 million
- Group ended year in strong financial position

Trading and Performance

Grafton delivered a resilient performance in this latest trading period despite a continuation of the softer market conditions experienced in September and October. Group revenue for the year was up by 0.8 per cent to £2.32 billion (2022: £2.30 billion). The geographic spread of our operations and exposure to multiple end-markets are core strengths with 60 per cent of Group revenue for the year generated outside the UK from operations in Ireland, the Netherlands and Finland.

Full year adjusted operating profit[1] is expected to be slightly ahead of the top end of Analysts' forecasts[2] supported by stronger trading by our businesses in Ireland alongside the timely implementation of previously announced cost reduction measures and ongoing Group-wide cost discipline.

Overall activity in the Group's businesses remained subdued in November and December with average daily like-for-like revenue down by 2.9 per cent which was slightly less than the outturn for September and October. The decline was partly driven by modest product price deflation experienced in the distribution businesses in Ireland and the UK.

In Ireland, Chadwicks performed well in the run up to the year end and continued to benefit from an improving trend in daily like-for-like revenue. Demand was firmer in the residential repair, maintenance and improvement ("RMI") and new build markets and in segments served by Chadwicks specialist brands. Our UK markets remained weak and RMI volumes continued to be under pressure due to lower discretionary spending by households on their homes, the decline in housing transactions and a fall-off in larger home improvement projects.

In the Netherlands, the rate of materials price inflation eased considerably in the period. Lower revenue from smaller customers and timber factories was mainly offset by growth from customers engaged on large commercial construction projects. In our Finnish business, the slowdown in economic and construction activity continued to weigh on volumes in IKH.

In Retailing, the Woodie's DIY, Home and Garden business in Ireland delivered a strong performance in the final months of the year. In Manufacturing, CPI Mortars experienced a sharp decline in volumes as its house building customer base reduced output in response to lower demand from buyers. Volumes were also lower in the StairBox staircase manufacturing business that supplies the RMI market.

Segmental Trading

The table below shows the year-on-year changes in average daily like-for-like revenue and in total revenue.

Segment	Average Daily Like-for-Like Revenue Growth in Constant Currency			Total Revenue Growth	
				Constant Currency	Sterling
	Ten Months to 31 October 2023	Two Months to 31 December 2023	Year to 31 December 2023	Year to 31 December 2023	Year to 31 December 2023
Merchanting					
- Ireland	(1.7%)	1.5%	(1.2%)	0.1%	2.1%
- UK	(2.8%)	(5.2%)	(3.2%)	(2.4%)	(2.4%)
- Netherlands	2.9%	(0.2%)	2.3%	2.3%	4.4%
- Finland	(3.8%)	(13.0%)	(5.6%)	(4.2%)	(2.4%)
Retailing	4.2%	2.4%	3.8%	3.9%	5.8%
Manufacturing	1.9%	(16.2%)	(0.8%)	(0.1%)	0.0%
Group	(0.8%)	(2.9%)	(1.1%)	(0.4%)	0.8%

Share Buybacks

As previously announced, the fourth share buyback programme launched on 31 August 2023 was extended to 31 May 2024 and the maximum aggregate consideration increased from £50 million to £100 million. The Group had completed £47.5 million of the buyback programme by 31 December 2023.

A total of £290.8 million was returned to shareholders through share buybacks between 9 May 2022 and 31 December 2023 reflecting confidence in the Group's trading prospects and its strong balance sheet and cash generative operations while also retaining significant capacity to invest in strategic growth opportunities.

Eric Born, Chief Executive Officer of Grafton Group plc commented:

"While the trading environment in the final months of the year continued to be subdued across most of our markets, we are pleased that adjusted operating profit for 2023 is now expected to be slightly ahead of the top end of analysts' forecasts. We made good progress during the year developing and executing our strategy and in starting to build a deeper pool of acquisition opportunities in targeted European markets. We remain confident in the medium-term drivers of demand in our markets and, underpinned by a strong balance sheet, Grafton is well positioned for growth as trading conditions improve."

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[1] Operating profit is defined as profit before amortisation of intangible assets arising on acquisitions, acquisition related items, exceptional items, net finance expense and income tax charge.

[2] Grafton compiled consensus Analysts' forecasts for 2023 show operating profit[1] of circa £197.3 million and a range of £194.0 million to £201.0 million.

Ends

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About Grafton

Grafton Group plc is an international distributor of building materials to trade customers and has leading regional or national positions in the distribution markets in the UK, Ireland, the Netherlands and Finland. Grafton is also the market leader in the DIY, Home and Garden retailing market in Ireland and is the largest manufacturer of dry mortar and bespoke timber staircases in the UK.

Grafton trades from circa 360 branches and has circa 9,000 colleagues. The Group's portfolio of brands includes Selco Builders Warehouse, Leyland SDM, MacBlair, TG Lynes, EuroMix and StairBox in the UK; Chadwicks and Woodie's in Ireland; Isero and Polvo in the Netherlands; and IKH in Finland.

For further information visit www.graftonplc.com