



Agreement to Divest Traditional Merchanding Business in Great Britain

1 July 2021

Grafton Group plc (“Grafton or the Group”), the building materials distributor and DIY retailer with operations in the UK, Ireland and the Netherlands, announces that it has entered into an agreement to divest its Traditional Merchanding Business in Great Britain (“the Business”) for an enterprise value of £520 million to Huws Gray, one of the UK’s largest independent builders’ merchants, that is controlled by equity funds managed by Blackstone. Grafton will retain freehold properties with development potential that have a market value of circa £25 million. This agreement follows the announcement in April 2021 of a strategic review of the business.

The Business comprises the Buildbase, Civils & Lintels, PDM Buildbase, The Timber Group, Bathroom Distribution Group, Frontline and NDI brands. In the year to 31 December 2020, the Business reported revenue of £828.2 million (2019: £1.02 billion) and adjusted operating profit of £18.8 million (2019: £33.3 million). Gross assets at 31 December 2020 were £497.2 million. Grafton will retain responsibility for the UK defined benefit pension scheme which was closed to future accrual at the end of 2020 when alternative arrangements were put in place.

Huws Gray will be notifying the transaction to the Competition and Markets Authority (“CMA”). The divestment is expected to close by the end of the first quarter of 2022 and completion is not conditional on the outcome of the CMA process.

Following completion in 2022, the Group will in the normal course of events update shareholders and the market on the use of the proceeds from the divestment which will be receivable in full in cash on completion.

The decision to divest followed a comprehensive strategic review of the Business which concluded that exiting this segment of the building materials distribution market in Great Britain would enable the Group to optimise shareholder value. Grafton will continue to develop its very successful Selco Builders Warehouse branch network and its other specialist distribution and manufacturing businesses in Great Britain that have been the focus of significant investment and value creation over recent years. Completion of this transaction will also enable the Group to focus on its international development strategy which will be a key priority over the coming years.

Rothschild & Co conducted the strategic review and acted as financial advisor on the divestment. HSBC acted as financial advisor to Huws Gray on the transaction.

Commenting on the divestment, Gavin Slark, Chief Executive Officer of Grafton said today:

“The divestment secures future opportunities for all stakeholders as part of an enlarged general merchanding business. I would like to thank all our colleagues in the Business for their longstanding contribution to Grafton and wish them every success in the future. This is an attractive outcome for Grafton and is in line with our strategy of deploying our capital resources towards higher growth potential businesses offering superior returns.”

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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 merchandising markets in the UK, Ireland and the Netherlands. Grafton is also the market leader in the DIY retailing market in Ireland and the largest manufacturer of dry mortar in the UK where it also operates a market leading staircase manufacturing business.

For further information visit www.graftonplc.com