

# Grafton Group plc

## Trading Update

### Resilient First Half Performance in Line with Expectations

Grafton Group plc (“Grafton” or “the Group”), the international building materials distributor and DIY retailer, issues this trading update for the period from 1 January 2023 to 30 June 2023 ahead of the release of Interim Results on 31 August 2023.

#### Highlights

- Resilient first half performance in line with expectations
- Full year operating profit<sup>1</sup> guidance<sup>2</sup> maintained
- Third share buyback programme for up to £50 million launched in May 2023
- Group remains well positioned due to the strength of its market leading brands, geographic diversity and exceptionally strong balance sheet

#### Performance and Trading

The Group’s overall first half performance was in line with expectations with revenue up by 3.2 per cent in the period to £1.19 billion from £1.15 billion in the prior year.

Average daily Group like-for-like revenue in the second quarter was slightly stronger against the prior year than the performance in the first quarter. Grafton continued to benefit from the geographic diversity of its markets with 60 per cent of revenue generated in Ireland, the Netherlands and Finland.

First half volumes were lower in the distribution businesses in Ireland, the UK and Finland albeit broadly unchanged in the Netherlands. This reflected the impact of the cost-of-living increases and rising interest rates. Lower volumes and sharp falls in timber and steel prices also contributed to more competitive markets and margin pressure in the distribution businesses in Ireland and the UK.

In Ireland, Chadwicks saw lower demand for materials supplied for housing RMI projects and the construction of single homes. In the UK, Selco continued to experience challenging trading conditions in the residential RMI market as households reduced investment on home improvements and discretionary spending on repairs and maintenance. Revenue growth in the Netherlands was driven by product price inflation, increased sales to collect customers operating in the RMI market and key account customers engaged on large commercial construction projects. In Finland, average daily like-for-like revenue was marginally down due to a softening in demand across the Partner network driven by a decline in residential and non-residential construction.

The Woodie’s DIY, Home and Garden business in Ireland performed strongly driven by good levels of demand for seasonal products in the second quarter. CPI Mortars continued to demonstrate resilience as dry mortar volumes held up well and StairBox continued to make gains increasing the volume of bespoke staircases.

The MacBlair business in Northern Ireland completed two single branch bolt-on acquisitions, Selco opened a new branch in Peterborough and Leyland SDM opened a new store in Hammersmith.

While closely monitoring the heightened macroeconomic uncertainty and the attendant risks to the downside in the residential RMI and new build markets from cost-of-living pressures and successive interest rises, we continue to anticipate delivering full year operating profit in line with expectations based on current trading conditions.

## Segmental Trading

The table below shows the changes in average daily like-for-like revenue and in total revenue for the period from 1 January 2023 to 30 June 2023 compared to the same period in the prior year.

Segment	Average Daily Like-for-Like Revenue Growth*			Total Revenue	
				Constant Currency	Actual (Sterling)
	Quarter 1 to 31 March 2023 v 2022	Quarter 2 to 30 June 2023 v 2022	Half Year to 30 June 2023 v 2022	Half Year to 30 June 2023 v 2022	Half Year to 30 June 2023 v 2022
<b>Merchanting</b>					
- Ireland	(0.5%)	(4.5%)	(2.6%)	(1.0%)	2.9%
- UK	(3.8%)	(0.9%)	(2.3%)	(2.3%)	(2.3%)
- Netherlands	4.8%	2.6%	3.7%	5.2%	9.4%
- Finland	(1.6%)	(0.1%)	(0.8%)	0.1%	4.2%
<b>Retailing</b>	(4.0%)	14.1%	6.3%	6.3%	10.4%
<b>Manufacturing</b>	12.0%	9.9%	10.9%	10.1%	10.4%
<b>Group</b>	(0.7%)	0.8%	0.1%	0.8%	3.2%

\*Constant currency

## Share Buyback

In May 2023 a third programme was launched to buy back ordinary shares in the Company for an aggregate consideration of up to £50 million, reflecting confidence in the Group's trading prospects, strong balance sheet and cash generative operations, while retaining significant capacity to invest in strategic growth opportunities. By 30 June 2023, the Group had completed £22.8 million of the buyback programme.

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

"Grafton achieved a resilient first half trading performance against the backdrop of challenging market conditions and a strong prior year comparator. We are maintaining our guidance for the year while mindful of the potential impact of the macro-economic environment on trading. Our management teams' focus in the second half will be on supporting customers in our market leading businesses, tightly managing the cost base and responding quickly to evolving trading conditions.

"Grafton has a portfolio of high-quality cash generative businesses operating in diverse markets that have attractive demand fundamentals. We remain committed to growing both organically and through acquisitions and are maintaining our momentum in evaluating and engaging with potential vendors. We are focused in particular on potential platform acquisition opportunities in fragmented segments of the building materials distribution market in Europe. Grafton has the balance sheet strength and resources to invest in organic and acquisitive growth opportunities that will increase shareholder value over the medium term."

<sup>1</sup> 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.

<sup>2</sup> Grafton compiled consensus Analysts' forecasts for 2023 show operating profit<sup>1</sup> of circa £205 million and a range of £194.6 million to £223.0 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](http://www.graftonplc.com)