

Grafton Group plc

Trading Update Full Year Operating Profit in Line with Expectations

Grafton Group plc (“Grafton,” “the Group” or “the Company”), the international building materials distributor and DIY retailer, issues this trading update for the period from 1 July 2022 to 31 October 2022.

Highlights

- Eric Born to succeed Gavin Slark as CEO on 28 November 2022
- No change to full year operating profit expectations
- Group in very strong financial position
- Further share buyback programme announced today for a maximum consideration of up to £100 million

Trading Performance

Overall average daily like-for-like revenue in the period was slightly stronger against the prior year than the performance in the second quarter of 2022. The Group continued to benefit from the geographic diversity of its markets with over half of revenue derived in Ireland, the Netherlands and Finland.

The favourable first half revenue trends in the Distribution businesses in Ireland and the Netherlands continued against the backdrop of solid underlying demand and building materials price inflation. Trading conditions continued to be softer in the UK distribution business as households reduced discretionary spending on home improvements. Revenue in the Finnish distribution business was ahead of a strong prior year comparator. Trading normalised in line with the prior year in the DIY, Home and Garden business in Ireland and the UK Manufacturing business continued to perform strongly.

Group revenue from continuing operations, which excludes the traditional merchanting business in Great Britain divested at the end of last year, increased by 9.5 per cent to £1.93 billion in the ten months to 31 October 2022 from £1.76 billion in the prior year and by 39.2 per cent from £1.39 billion in the same period in 2019.

Operating Profit Guidance

The Group remains on track to deliver full year adjusted operating profit¹ consistent with current consensus Analysts’ forecasts² of circa £266 million.

Segment Trading – Continuing Operations

The table below shows the changes in average daily like-for-like revenue for the four months to the end of October compared to the same periods in 2021 and 2019 and in total revenue in continuing operations for the ten months to October 2022 compared to the prior year.

Segment	Average Daily Like-for-Like Constant Currency Revenue Growth		Total Revenue	
			Constant Currency	Sterling
	Period - 1 July to 31 October		Period – 1 January to 31 October	
	2022 vs 2021	2022 vs 2019	2022 vs 2021	2022 vs 2021
Distribution				
- UK (Continuing Operations)	(3.4%)	11.6%	2.1%	2.1%
- Ireland	2.7%	22.0%	16.2%	14.7%
- Netherlands	7.7%	21.0%	17.0%	15.4%
- Finland	3.5%	-	150.7%	149.8%
Retailing	(0.2%)	21.5%	(15.4%)	(16.6%)
Manufacturing	25.5%	19.8%	23.0%	22.9%
Group (Continuing Operations)	1.8%	17.3%	10.3%	9.5%

UK Distribution

Selco Builders Warehouse average daily like-for-like revenue declined by 6.1% and building materials sales price inflation moderated from the high double-digit level experienced in the first half. Households reduced discretionary and non-essential spending on their homes in response to the significant decline in real disposable incomes, interest rate increases and a fall in consumer confidence.

The MacBlair distribution business in Northern Ireland traded at close to last year's record level with increased revenue from house building offsetting an anticipated decline in housing RMI. The TG Lynes commercial pipe and fittings distributor in London performed strongly benefitting from good demand in the public sector, house building and apartment construction segments of its market. Leyland SDM, the specialist decorators' merchant in London, continued to benefit from a post pandemic recovery in activity in the city.

Ireland Distribution

Chadwicks' market leading distribution business in Ireland operated at high activity levels in a market that continued to experience significant price inflation. House building held up well despite the sharp increase in construction costs which has reduced affordability and put volumes under pressure in the one-off housing and apartment markets. There was good demand in the residential RMI market although the availability of skilled labour was a limiting factor on growth.

Netherlands Distribution

The positive first half revenue trends in the Netherlands continued at a similar pace in the period driven by price inflation. Volumes were broadly flat as good growth across key account customers engaged in commercial construction and the maintenance of public sector housing offset lower volumes supplied to smaller customers operating in the housing RMI market.

Finland Distribution

Average daily like-for-like revenue in IKH was ahead of the prior year aided by broadly resilient activity in end markets, demand from construction projects carried into this year and the recovery of materials price inflation.

Retailing

Revenue in the Woodie's DIY, Home and Garden business in Ireland continued to normalise in the period following the exceptional pandemic related gains made in the prior year. Demand was robust in the gardening and homewares categories as Woodie's maintained its strong market leadership position supported by a differentiated customer experience.

Manufacturing

There was good growth in dry mortar volumes supplied to the new housing market while demand was down for bagged ready-to-use mortars supplied to the housing RMI market. StairBox, the market leading staircase manufacturing business, operated at record volumes in the period

Share Buy Programme

In line with the Group's disciplined approach to capital allocation and supported by its strong balance sheet, Grafton today announced that it has entered into agreements with Goodbody and Numis to conduct a further buyback of ordinary shares on its behalf, and to make trading decisions independently of the Company within pre-agreed parameters, for a maximum consideration of up to £100.0 million. The buyback is subject to the limitations of the shareholder authority granted at the AGM of the Company on 28 April 2022.

Appointment of CEO

As previously announced, Mr. Eric Born succeeds Mr. Gavin Slark as Group CEO on 28 November 2022.

Gavin Slark, Chief Executive Officer of Grafton Group plc commented today:

"Grafton delivered a solid performance in the period demonstrating the benefit of its balanced spread of operations across geographic markets and sectors. Notwithstanding macro-economic challenges particularly in the UK, the Group is confident that it will deliver its expectations for the year. Grafton is in a very strong financial position enabling the Group to increase returns to shareholders through a new share buyback programme announced today,

About Grafton

Grafton Group plc is an international distributor of building materials to trade customers and has leading regional or national positions in the UK, Ireland, the Netherlands and Finland. Grafton is also the market leader in the DIY retailing market in Ireland and is the largest manufacturer of dry mortar in the UK where it also operates a leading staircase manufacturing business.

Grafton trades from circa 350 branches and has circa 8,700 colleagues. The Group's portfolio of brands includes Selco, Leyland SDM, MacBlair, CPI 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.