

# Grafton Group plc

## Trading Update

### Strong Trading and Increased Full Year Operating Profit Guidance

Grafton Group plc (“Grafton” or “the Group”), the international building materials distributor and DIY retailer, issues this trading update for the period from 1 July 2021 to 31 October 2021.

#### Trading Performance

The positive revenue trends experienced in the first half were sustained in the period, supported by good underlying demand in the Group’s markets and further normalisation of trading conditions as Covid-19 restrictions were lifted. The strength of the Group’s brands and trading formats together with generally favorable conditions in its markets contributed to an encouraging outcome for the period despite supply chain pressures and heightened price inflation for building materials that was the key driver of revenue growth in the distribution businesses in the UK and Ireland.

Group total revenue from continuing operations, which excludes the traditional merchanting business in Great Britain that is being divested, increased by 28.3 per cent to £1.76 billion in the ten months to 31 October 2021 from £1.37 billion in the same period in 2020 and by 27.1 per cent from £1.39 billion in the same period in 2019.

#### Increase in Operating Profit Guidance

Trading in the period was stronger than anticipated and we now expect that full year Group adjusted operating profit<sup>1</sup> in continuing operations will be in the range of £265 million to £270 million. This compares to current consensus<sup>2</sup> Analysts’ forecasts of £256 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 and in total revenue for the ten months in continuing operations compared to the same periods in 2020 and 2019.

Segment	Average Daily Like-for-Like Constant Currency Revenue Growth		Total Revenue	
			Sterling	Sterling
	Period - 1 July to 31 October		Period – 1 January to 31 October	
	2021 vs 2020	2021 vs 2019	2021 vs 2020	2021 vs 2019
<b>Distribution</b>				
- UK (Continuing Operations)	7.0%	16.6%	35.4%	19.8%
- Ireland	8.7%	20.2%	19.6%	14.9%
- Netherlands	3.6%	7.4%	3.8%	41.2%
<b>Retailing</b>	(13.9%)	21.7%	21.3%	41.6%
<b>Manufacturing</b>	5.7%	(6.2%)	67.5%	21.8%
<b>Group (Continuing Operations)</b>	4.1%	15.7%	28.3%	27.1%

#### UK Distribution

Selco performed strongly with average daily like-for-like growth of 7.1 per cent in the four months to October 2021 measured against a demanding growth rate of 10.8 per cent in the same period last year. The Selco trade-only, self-select, fixed price model was well placed to support increased spending by its customers on residential RMI projects. We recently opened our 71<sup>st</sup> Selco branch in Canning Town following the successful opening of a branch in Liverpool earlier this year.

## **Ireland Distribution**

We saw strong trading momentum in Chadwicks following the phased reopening of the sector in mid-April and this trend continued in the period supported by an improved economic backdrop and buoyant levels of activity in the residential RMI and new build markets.

## **Netherlands Distribution**

The positive volume and revenue growth trends that developed in the first half in the specialist ironmongery, tools and fixings distribution business in the Netherlands, that remained open in 2020, continued in the period. The return to a steady growth path was sustained by increased spending across all customer segments on renovation projects, house building and commercial construction.

## **Finland Distribution**

IKH, the recently acquired leading workwear, personal protective equipment, tools and spare parts wholesaler in Finland, is integrating well under Grafton ownership and we are very pleased with the way the management team have responded to becoming part of a larger Group.

## **Retailing**

The exceptional revenue growth trends in the Woodie's DIY, Home and Garden business in Ireland moderated as anticipated, following the reopening in May of non-essential retail and leisure activities, while continuing to achieve a step change in performance compared to 2019, supported by a strong performance in seasonal categories.

## **Manufacturing**

The improving trend in mortar volumes in the first half continued, supported by good demand fundamentals in the house building market. StairBox, the staircase manufacturing business acquired in late 2020, traded strongly and materially outperformed pre-acquisition expectations as it approaches the end of its first year under Grafton ownership.

## **Discontinued Operations**

The disposal of the traditional merchanting business in Great Britain has been notified by the purchaser to the Competition and Markets Authority and its review is ongoing at this time. International Financial Reporting Standards require this business to be treated as discontinued operations and as a deemed disposal at 30 June 2021.

## **Outlook**

2021 has been an exceptional year for Grafton as the strength of DIY activity and an inflationary surge in building materials prices had a very positive impact on volumes, revenue and gross margins. However, supply chain disruption and pricing pressure remain a challenging backdrop for many of our suppliers and customers. We expect to exit 2021 in good shape and well placed to outperform in our markets.

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

"I would like to again thank colleagues across our Group for their untiring commitment to safely supporting high levels of activity in our branches, stores and manufacturing operations.

The overall Group delivered a good performance in the period, against strong comparatives, leading to an increase in current year operating profit guidance supported by the strength of our market positions, geographic diversity and strong financial position."

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<sup>1</sup> Adjusted operating profit is defined as profit before amortisation of intangible assets arising on acquisitions, exceptional items, net finance expense and income tax charge.

<sup>2</sup> Grafton compiled consensus Analysts' forecasts for 2021 show adjusted operating profit<sup>1</sup> in continuing operations of £256 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 building markets in the UK, Ireland, the Netherlands and Finland following the acquisition of IKH on 1 July 2021 which also trades in Scandinavia and the Baltics. 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.