

Grafton Group plc

Trading Update

Strong Trading and Increased Operating Profit Guidance

Grafton Group plc, the international building materials distributor and DIY retailer, issues this trading update for the period from 1 January 2021 to 18 April 2021 in advance of its Annual General Meeting which will be held as a virtual meeting at 10.30am today in the Group's Offices in Heron House, Corrig Road, Sandyford Business Park, Dublin 18, D18 Y2X6.

Shareholder participation is important to us and full details of how to attend the AGM virtually and ask questions via the Lumi facility can be found within the AGM Circular and the Lumi User Guide, both of which can be accessed at <https://www.graftonplc.com/investors/shareholder-services/shareholder-meetings/>

Highlights

- Revenue growth ahead of expectations in March and April
- Adjusted operating profit¹ for year expected to exceed current consensus² by approximately 15 to 20 per cent due to forecast outperformance in the first half and higher property profit
- All distribution, retail and manufacturing branches continue to trade as essential suppliers

Covid-19 Update

Whilst progress on the rollout of the Covid-19 vaccines is encouraging, we remain focused on the health and safety of our colleagues and customers and continue to operate in line with guidance provided locally by Governments and health authorities in the countries where we operate.

Trading Performance

Group revenue in the period to 18 April 2021 was £846.8 million, an increase of 32.9 per cent on the same period last year which was impacted by the closure of branches, stores and manufacturing plants with effect from 24 March 2020 in the UK and from 28 March 2020 in Ireland, except for essential services. Group revenue was up by 8.3 per cent compared to the same period in 2019.

Despite the partial lockdown of the construction sector in Ireland, the overall Group had a good start to the year with revenue growth gaining good momentum in March and April. Woodie's in Ireland and Selco in the UK made the strongest gains, continuing the trend from the second half of last year. Strong demand and supply side constraints contributed to longer lead times, an increase in product price inflation and shortages of a number of key categories of building materials in the UK and Ireland.

The table below shows the changes in average daily like-for-like revenue and in total revenue for continuing operations compared to the same period in 2020 and 2019.

Segment	Average Daily Like-for-Like Constant Currency Revenue Growth		Total Revenue	
			Sterling	Sterling
	Period from 1 January to 18 April		Period from 1 January to 18 April	
	2021 vs 2020	2021 vs 2019	2021 vs 2020	2021 vs 2019
Merchandising				
- UK	41.3%	7.5%	35.2%	(0.5%)
- Ireland	12.0%	(2.0%)	13.0%	(5.5%)
- Netherlands	4.1%	1.1%	3.9%	70.5%
Retailing	112.5%	69.7%	111.5%	69.6%
Manufacturing	17.2%	(14.0%)	57.4%	11.3%
Group	35.1%	9.0%	32.9%	8.3%

Increase in Operating Profit Guidance

We now expect that adjusted operating profit¹ for the current financial year will be circa fifteen to twenty per cent ahead of consensus² forecasts of £206 million for 2021 as a result of the stronger than anticipated growth in revenue in March and April, an improved first half outlook for the overall Group as we move into the seasonally important trading months of May and June and higher property profit. At this relatively early stage of the year, we take a cautious view of the second half financial performance which is likely to be influenced by the pace of normalisation of consumer spending patterns.

UK Distribution

Selco continued to perform strongly with average daily like-for-like revenue up 66.0 per cent on the same period last year, which was impacted by the closure of the branch estate for a period, and by 18.5 per cent compared to the same period in 2019 reflecting the strong momentum in March and April. Investment in Selco continued with the recent opening of a new branch in Liverpool which increased the branch footprint to 70.

Trading in the traditional merchanting business in Great Britain was softer in January and February due to the lockdown in the wider economy but then benefitted from a solid recovery in residential RMI and new build activity in March and April. Average daily like-for-like revenue in this business was ahead of the same period in 2019 by 3.1 per cent.

Ireland Distribution

The Chadwicks branches remained open and operating at lower levels of activity to support those parts of the construction industry that were permitted to trade between 9 January 2021 and 12 April 2021 when a phased reopening of the sector was permitted including new residential construction. Activity in the residential new build and RMI markets has been underpinned by strong underlying demand.

Netherlands Distribution

Trading in the specialist ironmongery, tools and fixings distribution business in the Netherlands, that was permitted to continue operating through 2020, gathered pace in March and April. The Polvo branch network benefitted from its exposure to the new housing market which saw increased levels of demand. Geographic coverage was extended into the North West Netherlands region with the recent acquisition of Govers, a four branch ironmongery, tools and fixings business.

Retailing

The Woodie's DIY, Home and Garden business in Ireland was classified as an essential retailer and remained open during the current lockdown and continued to experience exceptional growth over the period supported by good demand across all categories including an early start to seasonal trading in outdoor products.

Manufacturing

Mortar volumes recovered well in March and April, following softer trading conditions in January and February as house builders increased construction activity in response to good underlying demand for new houses.

StairBox, the staircase manufacturing business acquired on 30 November 2020, experienced very good demand for staircase solutions from trade customers in the residential RMI market and used its innovative design and manufacturing technology to support record monthly levels of activity.

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

"Over a year has now passed since the first lockdown and I wish to again acknowledge the exceptional commitment of colleagues across the Group and to thank them for enabling our businesses to trade in a safe environment.

"We have made a very positive start to the year and are encouraged by the improving trends and momentum in trading in the period which we expect to continue through the remainder of the half year. Despite some ongoing uncertainty related to the pandemic, Grafton is well placed for continued progress in the current year supported by our market leading businesses and strong financial position."

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

² Grafton compiled analyst consensus forecasts for 2021 show adjusted operating profit¹ of £206 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 merchandising markets in the UK, Ireland and the Netherlands. Grafton is also the market leader in the DIY retailing market in Ireland and is the largest manufacturer of dry mortar in the UK.

Grafton trades from circa 550 branches and has circa 11,000 colleagues. Its portfolio of brands includes Selco, Buildbase, Leyland SDM, MacBlair, CPI EuroMix and StairBox in the UK; Chadwicks and Woodie's in Ireland and Isero and Polvo in the Netherlands.