

Grafton Group plc

Trading Update

Good Half Year Trading Performance

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 2022 to 30 June 2022 ahead of half year results to be released on 25 August 2022.

Highlights

- No change to full year operating profit expectations
- Good trading performance in the half year
- £100m share buyback programme commenced in May
- Group in very strong financial position with resources available to create value

Trading Performance

Overall Group trading was good in the half year with total revenue up by 13.9 per cent in constant currency. Average daily like-for-like revenue growth of 3.4 per cent was complemented by a significant contribution from acquisitions in Finland, the UK, Ireland and the Netherlands. The distribution businesses in Ireland and the Netherlands performed strongly in good markets with performance in the UK Distribution business more subdued, against strong comparators in 2021. There was some unwinding of higher margin revenue from retail customers in the distribution businesses in the UK and Ireland in the first half of last year that was driven by exceptional demand for home and outdoor space improvements. Revenue normalised in the retailing business in Ireland as the exceptional gains during the Covid-19 lockdown reversed as anticipated and the UK Manufacturing business performed strongly.

Group revenue increased by 12.1 per cent to £1.15 billion in the half year from £1.03 billion in first half of 2021, excluding the traditional merchanting business in Great Britain that was divested on 31 December 2021.

The table below shows changes in average daily like-for-like revenue and in total revenue in continuing operations compared to the same periods in 2021.

Segment	Change in Average Daily Like-for-Like Revenue in Constant Currency			Change in Total Revenue	
				Constant Currency	Sterling
	Three Months to 31 March 2022	Three Months to 30 June 2022	Six Months to 30 June 2022	Six Months to 30 June 2022	Six Months to 30 June 2022
Merchanting					
- UK	4.6%	(4.0%)	(0.2%)	3.6%	3.6%
- Ireland	41.9%	4.3%	19.5%	22.8%	19.4%
- Netherlands	8.2%	7.0%	7.5%	17.8%	14.4%
Retailing	(23.8%)	(22.1%)	(22.8%)	(22.8%)	(24.9%)
Manufacturing	24.7%	20.4%	22.3%	21.3%	21.1%
Group	10.4%	(2.0%)	3.4%	13.9%	12.1%

Overall trading across the Group was in line with plan for the half year. While the international macro-economic outlook has weakened in recent months and created increased uncertainty, we see no reason to adjust our full year operating profit expectations at this stage.

In line with 2021, well over half of the Group's operating profit for the six months was generated outside of the UK reflecting the Group's strategy of diversifying its earnings base geographically and divestment of the traditional merchanting business in Great Britain.

UK Distribution

In Selco, revenue trends in quarter one and quarter two of this year developed against the backdrop of Covid-19 restrictions in the first quarter of 2021 and a surge in activity in the second quarter of 2021 leading to record demand for building materials as households increased spending on the home. In the first half of the current financial year, the UK trading environment saw significant double digit product price inflation for building materials. In response, Selco focused on maintaining a strong offering for its customers and operational excellence. A new branch was opened in Exeter in April and a new branch in Cheltenham is scheduled to open before the year end which will take the estate to 74. We continue to progress a good pipeline of new branch opportunities that are at various stages of development.

The MacBlair distribution business in Northern Ireland performed well with an increase in house building offsetting reduced spending on outdoor projects compared with last year's record levels. The TG Lynes commercial pipe and fittings distributor in London grew revenue strongly and Leyland SDM, the specialist decorators' merchant in London, benefitted from a gradual return of workers to their offices and investment in the leisure sector.

Ireland Distribution

Trading in the first quarter was measured against a weaker comparative period last year that saw a sharp contraction in construction activity due to pandemic related restrictions. Trading in the second quarter was against a very strong comparator that benefitted from a rapid recovery in house building following the reopening of sites, the release of pent-up demand and increased spending on home maintenance and improvement projects. The overall performance of Chadwicks' market leading distribution business in Ireland was exceptionally strong in a market that experienced a return to more normal trading conditions and significant building materials price inflation particularly for steel and timber products. Strong demand was driven by increased spending on materials used in a wide range of housing RMI projects, an acceleration in the construction of scheme and one-off houses and an increase in non-residential private and public sector construction.

The Sitetech business acquired at the end of February 2022 traded ahead of expectations and provides Chadwicks with exposure to the specialist construction accessories market where Sitetech has a leading position.

Netherlands Distribution

The positive first quarter revenue growth trends in the Isero and Polvo specialist ironmongery, tools and fixings distribution business in the Netherlands continued at a similar pace in the second quarter. Improved demand was driven by key account customers engaged on large construction projects including apartment blocks and warehousing, growth in value added solutions and increased spending by housing corporations on social housing RMI.

Organic revenue growth was complemented by a significant contribution from acquisitions that increased total revenue for the half year by 17.8 per cent in constant currency. The five branch Regts business in Friesland that was acquired in January 2022 performed strongly and growth in the North East region was further enhanced by the four branch Govers business acquired in April 2021.

Finland Distribution

Half year revenue in IKH, the leading workwear, personal protective equipment, and tools wholesaler in Finland, was lower than the pre-acquisition comparative period in 2021. This was mainly due to lower demand for a number of weather sensitive seasonal categories in the early months of the year. Trading has been affected by weaker consumer confidence in light of the conflict in Ukraine but improved in May and June and we are confident that this high-quality business provides a sound growth platform in the Nordic region.

Retailing

As anticipated, there was a significant normalisation of revenue in the Woodie's DIY, Home and Garden business in Ireland particularly in the four months to the end of April following the exceptional gains made in the prior year when Woodie's traded as an essential retailer while Ireland was in lockdown.

Customers continued to be strongly engaged in DIY, home and garden projects and revenue for the half year was ahead of the pre-pandemic level in 2019 by 25.6 per cent. This is a more meaningful indicator of performance and a measure of the significant progress made in recent years from a relentless focus on improving the customer experience.

Manufacturing

CPI Mortars grew revenue strongly in a market that continued to see demand for new homes surpass supply.

StairBox, a manufacturer of bespoke staircases for the secondary housing market, sustained good volume growth through the first half.

Property Profit

Proceeds from previously announced property disposals were £24.0 million in the half year and the profit on disposal was £18.2 million.

Share Buyback

Reflecting the Group's disciplined approach to capital allocation and supported by its strong financial position, in May we commenced a buyback programme of up to £100 million to be completed by the end of the year. As at 30 June 2022, the Group had completed £43.8 million of the buyback programme.

Succession

A process to appoint a new Group Chief Executive Officer has commenced with the support of an executive search firm. As previously announced Mr. Gavin Slark will continue in his roles as CEO and Board Director until 31 December 2022.

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

"The Group's overall trading performance was good against a very strong comparator in the first half of last year and our operating profit expectations for the full year are unchanged. Notwithstanding current macro-economic risks, our portfolio of resilient high performing businesses has the flexibility to adapt to changing circumstances and is well positioned to outperform."

"Grafton is in a very strong financial position and, with a pipeline of acquisition opportunities, the Group is well positioned to make continued progress on the delivery of its strategy."

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 350 branches and has circa 8,700 colleagues. The Group's portfolio of brands includes Selco Builders Warehouse, Leyland SDM, MacBlair, TG Lynes, 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