

Grafton Group plc

Trading Update

Positive Trading with Performance in Line with Plan

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 17 April 2022 ahead of the Annual General Meeting of the Company that will be held at 10.30am today in the Radisson Blu St. Helen’s Hotel, Stillorgan Road, Dublin 4, A94 V6W3, Ireland.

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

Highlights

- Start to the year in line with plan with positive trading in favourable end markets
- £100m share buyback reflects strong balance sheet and free cash flow generation
- Proceeds of £24.0 million received from property disposals

Trading Performance

The Group has had a positive start to the year with total revenue up by 17.5 per cent in constant currency and average daily like-for-like revenue growth of 7.2 per cent. The distribution and manufacturing businesses continued to benefit from broadly favourable markets. Revenue in the retailing business in Ireland normalised as expected, relative to the comparative period that saw exceptional gains while trading as an essential retailer during the Covid lockdown. Building materials price inflation continued to be a key driver of revenue growth across the Group.

Group total revenue increased by 15.0 per cent to £645.3 million in the period to 17 April 2022 from £561.1 million in the same period in 2021, excluding the traditional merchanting business in Great Britain that was divested on 31 December 2021.

Trading in the seasonally quieter early months of the year was in line with plan and we continue to actively manage the current inflationary and supply chain backdrop. Although there are uncertainties around the future strength of consumer demand, we see no reason to adjust our full year expectations of operating profit (pre-property profit) at this early stage of the year.

Segment Trading

The table below shows the changes in average daily like-for-like revenue and in total revenue in continuing operations for the period from 1 January 2022 to 17 April 2022 compared to the same period in 2021.

Segment	Average Daily Like-for-Like Revenue Growth*	Total Revenue	
		Constant Currency	Actual (Sterling)
	Period to 17 April 2022 v 2021	Period to 17 April 2022 v 2021	Period to 17 April 2022 v 2021
Merchanting			
- UK	2.1%	6.1%	6.1%
- Ireland	37.5%	39.6%	34.0%
- Netherlands	8.0%	19.5%	14.7%
Retailing	(28.0%)	(28.7%)	(31.4%)
Manufacturing	22.1%	22.0%	21.7%
Group	7.2%	17.5%	15.0%

*Constant currency

UK Distribution

Growth in average daily like-for-like revenue was driven by building materials price inflation across core ranges. Selco continued to make good progress with its differentiated customer offer and it continued to invest in the brand with the recent opening of a branch in Exeter.

Footfall in the Leyland SDM specialist decorators' business in central London began to recover as workers and visitors started to return to the city. The MacBlair distribution business in Northern Ireland continued to perform at record levels of activity.

Ireland Distribution

The performance of Chadwicks was exceptionally strong even adjusting for building materials price inflation and weaker trading in the same period last year when branches remained open albeit with much of the construction sector not operating due to pandemic restrictions. Broadly based revenue growth was driven by increased spending on housing RMI projects, an acceleration in house building and an increase in non-residential private and public sector new build projects.

The Sitetech Building Products Ltd business acquired at the end of February 2022 has provided Chadwicks with a leading position in the specialist construction accessories distribution market and brings valuable exposure to an adjacent market with good growth momentum.

Netherlands Distribution

The market leading Isero and Polvo specialist ironmongery, tools and fixings distribution brands in the Netherlands performed well with good growth in average daily like-for-like revenue. There was strong demand in the residential and commercial new build sectors and a recovery in the public sector residential and non-residential RMI markets.

Revenue growth in the established branch network was complemented by a significant contribution from acquisitions including a good performance by the five branch Regts business in Friesland that was acquired in January 2022.

Finland Distribution

Revenue at IKH, the leading Finnish workwear, personal protective equipment, tools and spare parts wholesaler, was lower than the pre-acquisition level during the same period last year as milder than normal weather conditions impacted demand for a number of markedly sensitive seasonal categories. Given its border with Russia, consumer confidence in Finland was unsurprisingly more affected by the

war in Ukraine than in our other operating geographies. We remain confident in the prospects for the business and the opportunity that it provides for development in the Nordic region.

Retailing

There was a further normalisation of revenue in the Woodie's DIY, Home and Garden business in Ireland as anticipated following exceptional growth in the prior year when the business was classified as an essential retailer and remained open while Ireland was in lockdown. A significant proportion of the prior year revenue gains were retained as the business traded well above the pre-pandemic level of 2019.

Manufacturing

CPI Mortars achieved double digit growth in volumes, in a favourable new housing market, as revenue recovered to pre-pandemic levels. StairBox, the market leading manufacturer of bespoke staircases for the secondary housing market, continued to outperform and grew volumes strongly.

Property

As part of the sale of the traditional merchanting business in Great Britain, Grafton retained the freeholds of a small number of properties. In the first quarter, we completed the disposal of two of these properties which together generated cash proceeds of £24.0 million and realised a profit of £18.2 million. Property profit guidance at the time of the full year results was £3.0 million.

Share Buyback

In line with the Group's disciplined approach to capital allocation and supported by its balance sheet and strong ongoing free cash flow generation, the Board today announces that it intends to introduce a programme to buy back ordinary shares in the Company for an aggregate consideration of up to £100 million.

The launch of any programme is subject to shareholder approval of the general authority to buy back up to 10 per cent of the Company's ordinary shares at the Annual General Meeting that takes place today.

The share buyback programme is expected to complete during 2022, though the actual timing will be based on an ongoing assessment of general market conditions. Further details concerning the proposed share buyback programme will be announced in due course.

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

"We have seen a positive start to the year and generally good underlying demand conditions in the residential RMI and new build markets that we serve. While there is some uncertainty about how the squeeze on disposable incomes will impact demand, we remain agile and responsive to any trading patterns that may emerge over the remainder of the year."

"Our cash generative businesses and disciplined approach to capital allocation provide us with the opportunity to return free cashflow from operations to shareholders through a share buyback programme. This will enable us to increase capital returns to shareholders while maintaining good operational and strategic flexibility. At the same time, we retain significant balance sheet capacity to invest in our businesses and in strategic growth opportunities that meet our investment criteria."

"The Group's portfolio of high performing businesses gives us a resilient platform to outperform our markets and, with a strong balance sheet and continuing investment opportunities, we are confident about making further progress on the delivery of our medium-term 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, 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