

# Grafton Group plc

## Trading Update

### Strong Trading Performance and Increase in Operating Profit Guidance

Grafton Group plc, the building materials distributor and DIY retailer with operations in the UK, Ireland and the Netherlands, is today providing a trading update for the four months to 31 October 2020.

#### Highlights

- Revenue and profitability in the four months to 31 October 2020 ahead of expectations
- Adjusted operating profit<sup>1</sup> guidance for second half increased to £130 - £140 million range
- Net cash position before lease liabilities increased to £150.0 million at 31 October 2020 (30 June 2020: £58.6 million)

#### Health and Safety

Health and safety is our number one priority and we remain very focused on the safety of our colleagues and customers. Our branches, stores and manufacturing locations operate to the highest health and safety standards and remain open in all geographies in line with the Covid-19 guidance provided locally by Governments and health authorities.

#### Trading Performance

Trading in the four months to 31 October 2020 was ahead of expectations. Group like-for-like revenue was up by 6.3 per cent and total revenue was up by 5.1 per cent to £1.0 billion (2019: £962.0 million).

There was a strong recovery in the period following the significant disruption to trading in the second quarter caused by the pandemic. Demand was strongest in the Woodie's DIY, Home and Garden business in Ireland and in the residential repair, maintenance and improvement ("RMI") segment of the distribution markets in the UK, Ireland and the Netherlands. The Group leveraged its well established trading positions in these markets and benefited from investments made in recent years in its higher margin businesses, including the accelerated rollout of its digital strategy.

The Group also benefitted from pent-up demand that developed during the lockdown and, in management's view, from households investing part of the savings from reduced spending on travel, leisure and hospitality in their homes. The increase in the number of people working from home due to the pandemic also contributed to higher demand in our stores and branches.

The table below shows changes in average daily like-for-like revenue and in total revenue for continuing operations for the four months to 31 October 2020 compared to the same period in 2019.

Segment	Average Daily Like-for-Like Revenue in Constant Currency	Total Revenue	
		Constant Currency	Sterling
	Four Months to 31 October 2020	Four Months to 31 October 2020	Four Months to 31 October 2020
<b>Distribution</b>			
- UK	2.3%	0.0%	0.0%
- Ireland	11.0%	10.8%	12.2%
- Netherlands	2.9%	2.9%	4.4%
<b>Retailing</b>	41.4%	41.4%	42.9%
<b>Manufacturing</b>	(11.0%)	(12.1%)	(12.0%)
<b>Group</b>	6.3%	4.7%	5.1%

Group revenue for the ten months to 31 October 2020 in continuing operations declined by 9.0 per cent to £2.07 billion (ten months to 31 October 2019: £2.28 billion) and by 9.3 per cent in constant currency. Group like-for-like revenue was down by 11.4 per cent in the ten months due to the impact of the pandemic on trading in the second quarter that was partly offset by a marked improvement in trading in the four months to the end of October.

#### UK Distribution

The UK distribution business continued to recover following the reopening of branches on a full-service basis by the end of June. The overall business returned to growth with average daily like-for-like revenue up 2.3 per cent in the four months to the end of October.

Selco performed strongly with average daily like-for-like growth of 10.8 per cent over the four months. The Selco trade-only, self-select, fixed price model that operates from large, well-stocked branches was well placed to benefit from pent-up demand following the easing of restrictions and increased spending by households on RMI projects.

Average daily like-for-like revenue was marginally down in the traditional UK merchandising business as growth in residential RMI revenue was offset by softer housebuilding and commercial markets.

#### Irish Distribution

The Chadwicks branch network increased average daily like-for-like revenue by 11.0 per cent over the four months supported by very strong demand in the residential RMI market in Ireland and a recovery in house completions. This was partly offset by lower volumes in the commercial construction and civils segments of the market.

#### Netherlands Distribution

The Group achieved steady growth in average daily like-for-like revenue in the Netherlands business, including the Polvo acquisition that completed on 1 July 2019, reflecting good demand from core customers operating in the domestic RMI market and from national key account customers engaged in house building, commercial construction and renovation projects.

## Retailing

The Woodie's DIY, Home and Garden business in Ireland experienced exceptional growth in the period driven by very high demand for home maintenance and improvement products.

## Manufacturing

Volumes continued to slowly recover in the UK mortar manufacturing business over the last four months but, as anticipated, remained below the prior year as housebuilders focused initially on completing houses that were already under construction following the reopening of sites before gradually starting new developments on a phased basis.

## Operating Profit Guidance

The Group is on course to deliver a strong performance for the second half following a higher than expected level of operating profit for the four months to the end of October.

The mix of revenue had a positive impact on gross margin in the period. Retailing and RMI activity generally commands higher gross margins than revenue focused on housebuilding and commercial construction and the higher relative growth rate in these segments contributed to an improvement in the Group's gross margin over the four months. The result for the period also benefitted from tight control of operating costs.

We anticipate delivering adjusted operating profit<sup>1</sup> in the second half in the range of £130 - £140 million on the basis that trends in trading to the end of the year remain consistent with those experienced in October and are not materially affected by the recently introduced Covid-19 restrictions. This is approximately 24 to 33 per cent higher than the second half of 2019 and is significantly ahead of guidance given in August that adjusted operating profit in the second half would be at a similar level to the same period in 2019.

## Cash Flow and Liquidity

The Group's net cash position before (IFRS 16) lease liabilities increased to £150.0 million at 31 October 2020, up from £58.6 million at 30 June 2020 June reflecting the strong cash flow from operations in the period.

The Group had liquidity of £783.2 million at 31 October 2020 of which £423.2 million was held in accessible cash and £360.0 million in undrawn revolving bank facilities.

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

"I am very grateful for the way that colleagues across the Group have continued to respond to the ongoing pandemic and thank them sincerely for their dedication, commitment and hard work which has enabled our businesses to continue to trade and to support our customers in a safe environment. Despite all the current uncertainties, we are very encouraged by the trading and financial performance of the Group over recent months. Grafton is in a very strong financial position and has a diversified portfolio of market leading businesses with exposure to residential RMI leaving it well placed to benefit from current market trends."

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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.

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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 merchanting 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 and CPI EuroMix in the UK; Chadwicks and Woodie's in Ireland and Isero and Polvo in the Netherlands.

For further information visit [www.graftonplc.com](http://www.graftonplc.com)