

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 year ended 31 December 2020 in advance of the announcement of its Final Results for the year on 25 February 2021.

Highlights

- Revenue and profitability in the two months to 31 December 2020 ahead of expectations
- Adjusted operating profit¹ expected to exceed current consensus² of £174 million by slightly more than five per cent
- Strong year end net cash position and excellent liquidity
- All distribution, retail and manufacturing branches currently remain open as essential suppliers

Covid-19 Update

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 in line with Covid-19 guidance provided locally by Governments and health authorities in the countries where we operate.

Whilst the most recently announced lockdown measures in Ireland have seen the temporary closure of most construction activity from 9 January, our branches remain open to support essential maintenance and those elements of the industry that are permitted to operate.

Trading Performance

Trading in the two months to 31 December 2020 was ahead of expectations with Group average daily like-for-like revenue up by 7.2 per cent and total revenue ahead by 10.8 per cent to £439.4 million (2019: £396.7 million).

This marked a continuation, through to the year end, of the strong recovery evident in the four months to the end of October which followed a sharp decline in second quarter revenue caused by the pandemic. Demand was strongest in the Woodie's and Chadwicks businesses in Ireland and in Selco in the UK. The Group benefitted from its strategy of investing in higher returning businesses and from households spending a greater proportion of disposable income on their homes.

Group revenue for the year from continuing operations declined by 6.1 per cent to £2.51 billion (2019: £2.67 billion) reflecting a sharp decline in trading during the second quarter lockdown that was significantly offset by a strong recovery in the second half of the year.

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

Segment	Average Daily Like-for-Like Revenue Growth in Constant Currency		Total Revenue	
	Two Months to 31 December 2020	Year to 31 December 2020	Constant Currency Year to 31 December 2020	Actual (Sterling) Year to 31 December 2020
Merchandising				
- UK	5.1%	(14.2%)	(14.6%)	(14.6%)
- Ireland	10.3%	(2.9%)	(1.7%)	(0.2%)
- Netherlands	(1.1%)	0.7%	28.8%	30.6%
Retailing	26.5%	17.2%	17.5%	20.0%
Manufacturing	(10.5%)	(25.0%)	(22.8%)	(22.7%)
Group	7.2%	(8.7%)	(6.6%)	(6.1%)

Increase in Operating Profit Guidance

We now expect that adjusted operating profit¹ for the financial year ended 31 December 2020 will be slightly more than five per cent ahead of current consensus² of £174 million as a result of the stronger than expected performance in November and December though the outturn will be lower than 2019 due to the significant impact of Covid-19 in the first half.

UK Distribution

Selco continued to perform strongly with growth in average daily like-for-like revenue accelerating to 18.1 per cent in the final two months of the year from 10.8 per cent in the four months to the end of October.

Average daily like-for-like revenue in the traditional UK merchandising business continued to trend marginally behind the prior year as higher activity in the private housing RMI market was offset by lower spend in the new housing and non-residential construction markets.

Ireland Distribution

Chadwicks continued to sustain double digit growth in average daily like-for-like revenue through the second half driven by strong demand in the residential RMI market and growth in house building as transactions recovered.

Netherlands Distribution

The specialist distribution business in the Netherlands registered growth in average daily like-for-like revenue for the year despite a reduction in construction activity due to the pandemic. The Polvo business, that was acquired on 1 July 2019, traded in line with the pre-acquisition plan for its first full year under Grafton ownership.

Retailing

The Woodie's DIY, Home and Garden business in Ireland ended the year very strongly despite some moderation in the rate of growth as anticipated from the exceptional levels of demand experienced in the months that followed the lifting of restrictions and reopening of the business.

Manufacturing

Volumes were stable relative to previous months in the UK mortar manufacturing business and remained below the prior year level as house building recovers in a market where underlying demand remain strong.

Financial Position

The Group's financial position remains very strong with liquidity of circa £800 million at the year-end.

Exceptional Charges

We expect exceptional charges to be approximately £27 million as a result of the restructuring of activities undertaken during the year and the recent closure of the UK Defined Benefit Pension scheme to future accrual.

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

"I greatly appreciate the way that colleagues across the Group have responded to the pandemic and thank them most sincerely for their exceptional commitment, hard work and support that enables our businesses to trade in a safe environment. We are very encouraged by the strong recovery and performance of the Group in the second half of the year. Despite the uncertainties related to the pandemic, we believe Grafton is well placed for continuing progress in the year ahead supported by our very strong financial and market positions."

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 2020 show adjusted operating profit¹ of £174 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.