

**Grafton Group plc**  
**Capital Markets Event 2026: Capital**  
**Allocation and Finance**

**11<sup>th</sup> June 2026**

**Transcript**



## Disclaimer

This transcript is derived from a recording of the event. Every possible effort has been made to transcribe accurately. However, neither **Grafton Group Plc** nor BRR Media Limited shall be liable for any inaccuracies, errors, or omissions

David Arnold:

Thank you, Eric. In this next section, I wanted to provide a framework on how we think about capital allocation, how the group has evolved and applied that framework over the last 10 years and then to paint a picture of how the group will evolve over the next five years and what we expect its financial profile to look like in 2030. So how does the Board and the team at Grafton think about capital allocation? How do we prioritise the use of both our free cash flow and the balance sheet? As we will see shortly, one of Grafton's defining characteristics is its free cash flow generation and so capital allocation is a critical part of our day-to-day thinking and thinking about prioritisation and the hierarchy of that allocation, first and foremost, we use our cash flow to fund organic development and to develop our existing businesses. Expanding and cementing our brand positions and strengthening our operations and existing markets is our number one priority for free cash flow.

Secondly, we recognise the importance of returning capital to shareholders and we have an explicit dividend cover ratio of two to three times earnings. Next, we allocate capital to M&A to inorganic growth because fundamentally the board believes that well executed acquisitions at sensible multiples will deliver long-term growth as well as generating free cashflow for shareholders. And finally, where we have surplus capital, we will use this to undertake share buybacks or if appropriate and depending upon relative equity valuation, also look at special dividends.

So, on these next few slides, we'll look at the financial evolution of the Group over the last 10 years. Now, 10 years is a long time, you may say, but our business is a long-term one and we run it as such. Interestingly, if you look at our revenue over the last 10 years, it's remained pretty constant at £2.5 billion. Profitability has improved markedly with EBITDA increasing from 137 million to 184 million and the operating margin has grown by 180 basis points. But as you can see from the pie charts on the right-hand side, the composition of our Group has changed markedly. Back in 2016, GB represented almost 70% of our sales and a similar level of profit. With the disposal of our traditional merchanting businesses in 2019 and in 2021, together with the acquisitions which we've made since on the island of Ireland, Northern Europe and Iberia, the geographic shape of Grafton has shifted markedly.

GB represented only 30% of sales in 2025 and under a quarter of our profit and in 2026 its relative share will be lower still. You can also see how the growth and strengthening of our position in our home market has created a real powerhouse for Grafton with just over half of our profit derived from the Island of Ireland in 2025.

Our Irish powerhouse is an important contributor to our free cashflow. Here you can see our free cash flow per share and how it's increased from 57 pence in 2016 to 87 pence in 2025. Over the last 10 years, Grafton has generated an average of £177 million per annum in free cash flow or just under 1.8 billion. That's 7% more than our current equity market capitalisation. Our balance sheet has also been strengthened, and you can see from the chart on the bottom right that we've moved from a net debt position to net cash with the disposal of our traditional merchanting businesses in 2021 being transformational for the balance sheet.

And you can see on this slide the totality of free cash flow and disposal proceeds over the last 10 years and how this capital has been used in each component of the allocation hierarchy. You can see from the table that we've returned just over £950 million to shareholders over that period. And here you see the impact in a little bit more detail with just over £0.5 billion returned back to shareholders in dividends and you can see how we've increased the dividend over the last 10 years from 13.8 pence in 2016 to 37.75 pence per share and deliberately reduced our dividend cover over that period from three and a half times to two times in more recent years. The Board's explicit dividend payout ratio target is two to three times earnings. And as we move forwards over the next few years, we do intend to move cover back more towards the middle of the range rather than keeping it at its current level of two times.

And for any income seeking investors out there, I would note that our current dividend yield is a very rich 4.5%.

With our buyback programme, which commenced in 2022, we've also bought back £430 million in shares in the period up to the end of 2025 and that reduced our shares in issue by over a fifth. In the current year, we've completed a further share buyback of £25 million. We do think that the real benefits of this programme will be felt by shareholders once the recovery in our weaker markets takes hold. Now it's important to think when we're thinking about cash generation and our balance sheet to also consider what the Board thinks about financial leverage. We're a cyclical business and we need to manage the business accordingly with one eye firmly on the long term. For that reason, we hold an investment grade credit rating and maintaining this rating is a core priority for us. Our target range for net debt is one to two times lease suggested net debt to EBITDA, but we will manage

our financial leverage depending upon where we sit in the overall market cycle.

If markets are in a firm upswing, then financial leverage at the top of the range would be something that the board would be comfortable with, but in an average or weaker markets, we'd look to be more in the bottom or middle of the range. And as of today, I'd say we sit more in the middle of that range as regards a target and comfort levels and that would translate into a theoretical net debt ceiling of about £600 million if we were to deploy that incremental borrowing to acquisitions. That compares to our net debt at the end of last year of 123 million and analyst forecast for the current year of between £300 and £350 million taking into account the acquisitions which we've made in the current year in Mercaluz and Cygnum.

And so, one of our target investment returns. Now, as you'd expect, we'd look at any development investment, whether that's organic or inorganic acquisitions through a number of different financial lenses and strategic criteria, of course, are important. But first and foremost, our priority financial metric is return on capital employed. For organic and inorganic development investment, we're essentially looking to deliver long-term return on capital employed exceeding 13%. Well ahead of a weighted average cost of capital, which we judge on a pre-tax basis is currently around 9%. When we make platform acquisitions, in general, we're looking for a double digit return on capital employed where together with additional growth capital from Grafton by way of organic investment and bolt-on acquisitions, we would expect in time to build the business to exceed our target rate of return of 13%. Naturally, whether we're making organic or inorganic investment, we have to consider how these investment decisions line up against our strategic priorities, some of which I've set out here.

One of the key points which we also consider as part of our investment process is how these decisions line up against the alternative of returning capital to shareholders. And equally, when the board does take the view that we have surplus capital, we judge a share buyback against the alternative returns from acquisitions or indeed whether we should consider a special dividend as being more appropriate.

So finally, in my section, if we pull together our strategic vision and financial parameters, what do we think Grafton looks like in 2030? We will be geographically diversified with leading positions across multiple European geographies. Our target is to deliver over £850 million in free cash flow over the five years 2026 to 2030. Our intention is to retain an investment grade credit rating and at the end of 2030, we would expect our financial leverage to lie in the range of one to two times lease adjusted net debt to EBITDA. We will drive the business to deliver a minimum 10% compound average growth rate and adjusted earnings per share before property profit from 2025 to

2030 through the application of the Grafton Way and using all the levers at our disposal. In 2030, we are targeting to deliver a return on capital employed of approximately 13%.

And finally, we expect dividend cover to lie within the board's target range of two to three times and we do expect to supplement ordinary dividends with incremental capital returns to shareholders when appropriate. And having set the scene for the group's overall ambitions, I would now like to hand you over to Patrick Atkinson, Damien Dwyer, and Pippa Casey, who will introduce our Island of Ireland powerhouse. Thank you.