Grafton Group plc
Capital Markets Event 2026: Introduction and Strategy

11th June 2026

Transcript

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David Arnold: Good afternoon, everybody and a warm welcome to Grafton's capital market event. Just before I hand over to Eric, just a few formalities for the start of the day. The first thing is that there are no fire alarms tests planned for this afternoon. So, if we do hear the fire alarm, if we can make sure we exit through the exits with the green signs, make your way out of the building and then we'll be directed to the assembly point. So that's the first thing. The second thing is if I could just respectfully remind everybody if you could make sure that your phones are turned to silent and the Claxons are turned off and the big vibrating things are all turned off, that would be marvellous. Excellent. Thank you very much. And at this point I will hand over to Eric Born to start the day.

Eric Born: Thank you, David. Welcome to the Grafton Capital Market Event. I'm delighted to host you today together with many of my colleagues. We will explain our ambitions and why we believe Grafton Group is uniquely positioned to generate significant value over the next five years. You will hopefully also get a sense of the management bench strength we have across the group as you meet many of my colleagues. And just for reference, the Grafton presenters and attendees as well as the glossary you can find in the appendix of today's presentation. A few key points I would like you to take away upfront. Grafton is a European distribution platform of scale with plenty of growth opportunities and leading positions in multiple markets. You will hear more about the different markets from my colleagues later on. We have plenty of ambition, a clear strategy and a powerful federated operating model allowing us to operate customer centric businesses with the benefit of a multinational group.

We generate significant free cashflow, have a strong balance sheet and a track record of being disciplined capital allocators. Our aim is to deliver ambitious financial targets between now and the end of 2030 and of course beyond.

The agenda for today will be kicked off by our CFO, David Arnold and myself, followed by presentations from my colleagues and some breakout sessions. Before the final Q&A and drinks reception, our chairman, Ian Tyler and I will conclude today's session. We are indeed a European platform of scale with approximately 10,000 colleagues and over 600 locations offering extensive product ranges from our 15,000 plus suppliers to our large predominantly SME sized customer base. In 2025, we generated over £2.5 billion of revenue with a strong adjusted EBITDA margin of 12.7% and an operating profit of 7.3% or a good £184 million. In fact, we delivered a strong performance throughout the cycle over the last 10 years. The average ROCE in that period was 13.7%. We had a cumulative cash flow, free cash flow of £1.8 billion improved the operating margins during the time period by 180 basis points and delivered the TSR of 77.8% well above the TSR of our FTSE 250 peer group.

Let me talk about our purpose-led strategy of building progress together, working as a team to provide our customers with construction related products and solutions when and where they need them. Underpinned by our long-established values, being brilliant for our customers, value our people, being entrepreneurial and empowering, have ambition and we will hopefully bring those across today and of course be responsible, trustworthy and sustainable. Our growth agenda builds on three core pillars, long-term growth supported by structural growth drivers in our market, operational excellence and continuous improvement to give our customers an excellent value proposition and of course using our free cashflow and balance sheet to further grow with value enhancing acquisitions. All of that is supported by our federated operating model and ongoing investments in sustainability and technology.

We invest in a diverse and well-trained workforce and have exceptionally high-quality engagement, which is measured across the group. We focus on sustainable supply chains in all of our markets, and our digital and AI enabled solution continue to not only further enhance our existing customer propositions but also drive ongoing operational efficiencies across the businesses of the group. A few words about our market. We operate in the large and relatively fragmented market of distributing construction related products. The market size in Europe is estimated to be greater than €440 billion and the estimated market size in countries where Grafton has operation is estimated larger than 130 billion. So, in other words, the overall market is large, it's fragmented, it has underlying growth factors, and it gives us significant opportunity to grow going forward.

A key long-term growth and value driver is the selection of where in Europe we want to operate and what distribution model do we choose in each market. So let me give you a flavour how we look at that. When it comes to regional country selected, we of course look at what's the expected GDP growth. Does the population grow in the years to come? Is there a structural housing shortage and does the existing housing stock need improvement? Is it easy to do business in the country? In other words, is there some political stability and a strong legal system? Do we have access to the necessary talent pool to execute our ambitions? All of those points and more are points we take into consideration when picking geography. But then when it comes to the selection of the distribution models, the questions are what is the profitability and return potential of distributors in the specific geography?

Are there strong trusted local brands with the ability to drive organic growth beyond market growth? What's the customer profiles of distributors? Do they have few very large customers, or do we have a lot of smaller customers which is something we usually prefer?

Are there consolidation opportunities in addition to organic growth and can we further enhance the business through the systematic application of what we call the Grafton Way? I will talk more about that later. By getting these two points right and applying our federated operating model, we build a portfolio of trade focused, differentiated and customer centric distribution businesses in each geography. Our operating model allows the businesses to remain locally relevant whilst leveraging the benefits of a multinational trade focused distributor. This leads to strong, highly engaged and empowered teams, differentiated models with trusted local brands, local scale and the customer centric approach to business and superior returns a strong ROCE and cash generation. And an outcome of this approach is due to the diversification it creates. There is less volatility and resilient financial performance throughout the cycle. At Grafton, we understand how to serve the trade customer.

Superior returns are generated by leveraging our combined knowledge across the group, building local scale and operating strong distribution brands in different geography. It is not generated by having one homogeneous distribution model.

What do I mean when I talk about local scale? Strong coverage across the relevant areas within each operating country with the appropriate logistics setup that underpins the specific value proposition. So, if you look at Ireland, the island of Ireland, we have more than 120 locations. The same is true in Great Britain. In Northern Europe, including our partner stores, we sell products from over 260 locations, and we already have 110 locations 20 months after entering the highly fragmented Iberian market. But the secret sauce of Grafton Group, what sets us apart from other businesses is our federated operating model. The way we do business is the Grafton Way.

Our lean support centre ensures strong controls, governance, common standards, clear policies, and enables consistent performance management and talent development across the group. We of course make sure that best practises are shared and implemented in our businesses and expert knowledge from within the group is used to support the businesses in their geographies. Capital allocation is strictly controlled by the group, making sure we invest where we believe we will get the best possible returns. My colleagues will bring this to life later today with some specific examples during the breakout sessions focusing on technology, M&A and talent. But of course, we apply this in every common area of the business. Another example would be procurement and ESG, two functions to support the business. Our businesses in geography have full sourcing autonomy, which ensures speed, customer relevance, and accountability. We want them to sell to their customers what the customers want.

At the same time, we have full central transparency across the groups over 15,000 suppliers and millions of SKUs. The transparency is enabled through our AI enabled central platform, giving our teams insights to make the right decisions and ensure best prices across the group. In terms of ESG, 98% of our emissions sit in Scope 3, hence ESG is fully embedded in our procurement processes to translate Scope 3 and regulatory realities into data-driven decisions that strengthen the supply chain resilience. Feel free to talk to my colleagues, Remco and Rosie, who cover group procurement and ESG during the breaks, should you wish to know more about how we endure local agility with central insights in the areas of procurement and ESG.

The way we work allows our geographies and businesses to take advantage of the Group's combined learnings, knowledge and processes whilst being locally accountable and empowered to execute for their customers. We passionately believe that the Grafton Way provides strong controls and governance whilst enabling local accountability, agility, and empowerment to best deliver for our customers and achieve superior returns. The ongoing interaction between group functions and the businesses as well as between geographies is why we define our purpose as building progress together. It's an internal loop of continuous improvement. All of this is enabled by an ongoing performance management process where each geography and business is reviewed on a monthly basis with a quarterly deep dive review with the management teams to track progress and align beyond the financial performance. Let me now share a short video with you, which is about Salvador Escoda and how the Grafton Way helped to acquire the business, but also to drive value post-acquisition.

Video: *VIDEO PLAYS*

Eric Born: I hope that gave you a little bit of a flavour, how important and how helpful our way of doing business is when we actually acquire businesses and that we have a very clear plan what we do with those businesses once acquired. So, looking at our existing businesses in geography, we believe there is good long-term growth potential in all markets, but also significant recovery potential in Great Britain and Northern Europe where volumes are currently depressed. In Ireland, we expect continued growth with an operating margin of around 10%. If I look at the businesses, our current portfolio in Great Britain and Northern Europe, we currently operate at the margin of between 6% and 6.5% in terms of operating profit. In a recovered market, we would expect the profitability of our portfolio to be at least 9%, which means 250 to 300 bps higher than in the current climate.

In Iberia, we expect to get accelerated growth through the extension of our existing branch network and as Stephen mentioned in the video before, additional M&A. The ambition is to generate, and again, this is an ambition, a billion revenue in Iberia by the end of 2030. The ambition is here, but obviously it depends on the ability to execute transaction at reasonable multiples. In the end, we are disciplined in the way how we allocate capital, but that's the ambition. In terms of operating profit margins, I would expect us to deliver an operating profit margin corridor somewhere between 8% and 10% as we build out the Iberian business.

To make it simple, we believe our key value levers to deliver superior returns until the end of 2030 are drive organic growth by winning new customers, increase our share of wallet, optimise our branch network and open more branches, leverage digital solutions and our product offering, including own brands, drive operational excellence through productivity and efficiency improvements and the implementation of digital and AI enabled solutions, how we allocate capital growth and maintenance CapEx, M&A, and capital returns to shareholders and of course our market assumptions. We assume, as I mentioned before, ongoing growth over the period in Ireland and Iberia, and I'm talking about underlying market growth assumptions, and a gradual improvement over the period in Great Britain and Northern Europe. By applying our levers and given the market assumptions taken, we would expect to deliver over £850 million free cash flow and EPS CAGR over the period of greater than 10% and a ROCE by 2030 of 13%.

I would like you to note that whilst we assume a gradual recovery in Great Britain and Northern Europe, we do not yet expect to operate at the normalised margin levels I mentioned in the previous slides in those geographies by the end of 2030. Let me now hand over to our CFO, David Arnold, to talk in detail about capital allocation and finance.