

Grafton Group plc Trading Update

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 2024 to 20 October 2024. This update is issued in advance of the timetabled announcement on 12 November 2024 because of today’s completion of the acquisition of Salvador Escoda, S.A. in Spain.

Highlights

- Completed platform acquisition of Salvador Escoda, S.A. in Spain (maximum consideration of €132.0 million) on 30 October 2024
- Full year adjusted operating profit¹ anticipated to be broadly in line with expectations²
- Ireland continues to see good performance and growth
- Trading in UK and Finland remains challenging with little discernible seasonal improvement in volumes
- Costs continue to be very tightly controlled

Eric Born, Chief Executive Officer of Grafton Group plc commented:

“We continue to be pleased with the performance of our Irish businesses where the outlook for growth remains positive. Elsewhere, market conditions remain challenging, particularly in the UK and Finland. The Group remains well positioned to capitalise as markets turn and we retain a tight focus on costs and efficiencies.”

“We are delighted to welcome our new colleagues from Salvador Escoda to the Group. This acquisition is consistent with Grafton’s strategy of acquiring platform businesses in new markets which possess strong and unique propositions with the opportunity to drive further growth and scale. The fragmented nature of distribution markets in Spain, in addition to the expected long term structural growth in the Spanish economy, provides a unique value creation opportunity for Grafton.”

“Whilst the recovery in certain markets, particularly the UK & Finland, remains slow, we are confident that our medium term outlook remains positive, supported by strong demand fundamentals, not least in the demand for new housing as markets normalise and consumer confidence improves. In spite of a slower seasonal pick up in the important Autumn trading months and foreign exchange headwinds from our euro denominated businesses, we anticipate delivering adjusted operating profit for 2024 broadly in line with analysts’ expectations.”

Trading and Performance

Group revenue in the period from 1 January 2024 to 20 October 2024 was £1.82 billion (H1 2023: £1.90 billion), down 3.7 per cent from the prior year and 2.3 per cent lower in constant currency. A weaker euro in the current financial year has slightly reduced the level of reported results as compared to the same period last year.

Average daily like-for-like revenue was 1.6 per cent lower, in constant currency, in the four month³ period ended 20 October 2024. As expected, against easier comparators in the second half of last year, the rate of decline has moderated in comparison with the first half where average daily like-for-like revenue was down 4.5 per cent on the prior year.

The following table shows the changes in average daily like-for-like revenue and in total revenue compared to the same periods in the prior year.

Segment	Average Daily Like-for-Like Revenue Change in Constant Currency			Total Revenue Change	
				Constant Currency	Sterling
	Six Months to 30 June 2024	1 July to 20 October 2024	YTD to 20 October 2024	YTD to 20 October 2024	YTD to 20 October 2024
Distribution					
- Ireland	0.5%	1.4%	0.8%	2.5%	0.1%
- UK	(7.7%)	(4.4%)	(6.5%)	(5.6%)	(5.6%)
- Netherlands	(2.7%)	(0.3%)	(1.8%)	(1.9%)	(4.3%)
- Finland	(7.7%)	(2.4%)	(5.8%)	(3.8%)	(6.1%)
Retailing	1.4%	5.8%	3.0%	2.7%	0.3%
Manufacturing	(21.8%)	(13.4%)	(18.8%)	(13.3%)	(13.5%)
Group	(4.5%)	(1.6%)	(3.4%)	(2.3%)	(3.7%)

Distribution

In Ireland, Chadwicks continued to deliver a positive trading performance in the four month³ period with overall average daily like-for-like revenue up 1.4 per cent. Materials price deflation continued to moderate and is estimated at circa 2.2 per cent in the period compared to circa 4.9 per cent in the first half, as timber and steel pricing continued to stabilise. The outlook for growth in construction remains positive in Ireland, supported by strong government investment to increase housing supply. Whilst residential commencement notices for the 12 months to September 2024 increased to a record 61,500, housing completions in the first nine months of 2024 were lower compared to the same period last year.

In the UK, average daily like-for-like revenue was down by 4.4 per cent in the four month³ period as Repair, Maintenance and Improvement (“RMI”) demand remains weak, together with some ongoing but moderating effects of price deflation. Price deflation in Selco has eased from circa 4.0 per cent in the first half to circa 1.7 per cent in the third quarter as timber prices stabilised. Consumer confidence remains relatively weak and the usual seasonal pick up of activity in September did not materialise as expected. There are signs of an improving housing market, which in due course, should support a recovery in the RMI sector with the typical lag in timing of 8-12 months. In the meantime, we continue to tightly control operating expenses.

In the Netherlands, average daily like-for-like revenue was down by 0.3 per cent in the four month³ period showing some improvement in comparison with the first half against easier comparators. Revenue growth from customers engaged on larger construction projects and access control projects continued to partially offset the weakness in other segments, particularly RMI. There are signs of an improving housing market backdrop as transactions and house prices pick up.

In Finland, IKH’s average daily like-for-like revenue was 2.4 per cent lower in the four month³ period as a result of the continued weakness in the domestic economy. The business has not seen a pick up in activity since the summer and markets in Finland remain very competitive.

Retailing

In the Woodie’s DIY, Home and Garden business in Ireland, average daily like-for-like revenue was up 5.8 per cent in the four month³ period helped by strong promotional activity, growth in

number of transactions and more favourable weather conditions in comparison with the first half.

Manufacturing

In Manufacturing, average daily like-for-like revenue was 13.4 per cent lower in the four month³ period showing a moderation in the rate of decline in comparison to the first half against easier comparators. Both CPI Mortars and Stairbox continued to experience lower volumes compared to the prior year on the back of lower housebuilding volumes and a weaker RMI market respectively in Great Britain.

Acquisition of Salvador Escoda SA

In a separate announcement made today, Grafton has acquired the entire issued share capital of Salvador Escoda, S.A. one of the leading distributors of air conditioning, ventilation, heating, water and renewable products in Spain. Spain is anticipated to be one of the fastest growing economies in Western Europe over the medium term and the distribution segment remains highly fragmented. Within the distribution segment, Heating, Ventilation and Air Conditioning has been identified as one of the strongest growth sectors.

Share Buyback

A fifth programme was launched on 29 August 2024 to buy back ordinary shares in the Company for an aggregate consideration of up to £30 million. The Group had completed £15.35 million of the buyback programme by the close of business on 25 October 2024.

Outlook

The Group delivered a resilient financial performance in the year to date despite a continuation of challenging market conditions and little discernible seasonal pick up in the UK and Finland during September and October. We anticipate delivering full year adjusted operating profit¹ broadly in line with market expectations².

Whilst a number of leading indicators across our markets are turning more positive, we are yet to see any pronounced improvement in volumes outside Ireland and the timing of a broader recovery remains uncertain. In the meantime, we continue to retain a tight focus on costs and efficiencies while continuing to benefit from the geographic diversification of the Group.

The Group's balance sheet remains strong and, as evidenced by today's announcement of the acquisition of Salvador Escoda, S.A., we are well positioned to continue to invest in Grafton's future growth and development.

¹ Operating profit is defined as profit before amortisation of intangible assets arising on acquisitions, acquisition related items, exceptional items, net finance expense and income tax expense.

² Grafton compiled consensus Analysts' forecasts for 2024 show operating profit¹ of circa £170.4 million and a range of £165.0 million to £174.0 million.

³ Four month period being 1 July 2024 to 20 October 2024.

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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, Finland and now Spain. 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 450 branches and has circa 10,000 colleagues (including Salvador Escoda). The Group's portfolio of brands includes Selco Builders Warehouse, Leyland SDM, MacBlair, TG Lynes, CPI EuroMix and StairBox in the UK; Chadwicks and Woodie's in Ireland; Isero and Polvo in the Netherlands; IKH in Finland and now Salvador Escoda in Spain.

For further information visit www.graftonplc.com

Forward-looking statements

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