

Grafton Group plc Trading Update Group traded in line with expectations for 2024

Grafton Group plc (“Grafton” or “the Group”), the international building materials distributor and DIY retailer, issues this trading update for the period from 1 November 2024 to 31 December 2024, ahead of reporting full year results for the year ended 31 December 2024, on 6 March 2025.

Highlights

- Full year traded in line with expectations¹ despite challenging macro backdrop in certain markets
- Group returned to average daily like-for-like sales growth of 1.0 per cent in final two months of 2024
- Strong performance in Ireland while the rate of decline continues to ease in the UK
- Cost discipline remains a key focus in the face of cost inflation and a muted outlook for near term growth
- Integration of the Salvador Escoda platform acquisition in Spain is on track

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

“We are pleased to have delivered in line with expectations in 2024, despite a challenging market backdrop in several of our markets, particularly the UK and Finland. Our Irish businesses continue to perform strongly with a positive outlook for continuing growth.”

“The integration of Salvador Escoda is progressing well with this platform further extending our geographic diversification and exposure to a new growth market. Grafton will support the existing management team to capitalise on ongoing organic expansion and, in due course, the execution of inorganic opportunities in the attractive and fragmented Iberian marketplace.”

“Whilst the timing of recovery in certain geographies remains uncertain, our medium term outlook is positive, supported by strong demand fundamentals underpinned by housing shortages in many of our key markets.”

Trading and Performance

Group revenue for the year was £2.28 billion (2023: £2.32 billion), down 1.6 per cent from the prior year and broadly in line in constant currency. A weaker euro during the 2024 financial year has slightly reduced the level of reported results as compared to the prior financial year.

Since our last trading update at the end of October 2024, overall conditions improved slightly in the last two months of the year compared with the same period last year. Average daily like-for-like revenue was 1.0 per cent higher, in constant currency, in the period (by comparison with 3.4 per cent lower in October year to date) supported by growth in Ireland, Finland and in our manufacturing segment. As expected, against easier comparators in the second half of last year when sales were more acutely impacted by lower volumes and product deflation, the rate of decline in UK Distribution has continued to moderate approaching year end.

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
	Ten Months to 31 October 2024	Two Months to 31 December 2024	Year to 31 December 2024	Year to 31 December 2024	Year to 31 December 2024
Distribution					
- Ireland	1.0%	5.1%	1.6%	3.0%	0.3%
- UK	(6.4%)	(3.1%)	(5.9%)	(4.6%)	(4.6%)
- Netherlands	(1.6%)	(4.0%)	(2.0%)	(1.3%)	(4.0%)
- Finland	(6.6%)	2.3%	(5.2%)	(3.1%)	(5.7%)
Retailing	2.9%	6.4%	3.6%	3.9%	1.1%
Manufacturing	(18.0%)	4.7%	(15.0%)	(9.8%)	(10.0%)
Group	(3.4%)	1.0%	(2.7%)	0.0%	(1.6%)

Distribution

In Ireland, Chadwicks delivered like-for-like revenue growth of 1.6 per cent during the year, which benefitted from a strong trading performance in the last two months with average daily like-for-like revenue up 5.1 per cent. Materials pricing in the period was broadly flat on the same period last year as timber and steel pricing continued to stabilise. Housing completions in 2024 are now expected to be broadly in line with 2023 after a pick-up in activity in the final months of the year. The outlook for growth in construction remains positive in Ireland with an increase in housing supply being a key priority for the incoming government.

In the UK, like-for-like revenue declined 5.9 per cent during the year although was down by 3.1 per cent in the period as RMI demand continues to be weak. Materials prices in Selco were broadly flat in the period with timber prices trending positively in December for the first time since April 2023. Consumer confidence in the UK has weakened in recent weeks and the outlook for short term growth in the economy remains subdued. The medium term fundamentals are still strong supported by Government plans to increase new housing activity.

In the Netherlands, like-for-like revenue declined by 2.0 per cent during the year although was down by 4.0 per cent in the last two months as early signs of recovery in the third quarter did not continue. Weak demand and a slowdown in project related activity contributed to lower sales in comparison to the prior year. Nevertheless, the outlook for construction in 2025 and beyond is improving with housing transactions and house prices trending strongly ahead of the prior year, constrained by a shortage of houses for sale.

In Finland, IKH's average daily like-for-like revenue declined by 5.2 per cent during the year although was 2.3 per cent higher in the period despite continued weakness in the domestic economy which is slowly emerging from recession. Growth in sales in the final months of the year was largely due to strong seasonal sales of winter related products, sell through of aged inventory and higher online sales.

The integration of Salvador Escoda, the recently acquired leading distributor of air conditioning, ventilation, heating, water and renewable products in Spain, is on track. The existing management team have remained with the business and are being supported under Grafton ownership to drive further growth in the business. On a pro-forma basis, in the last two months of the year, average daily like-for-like revenue was down 5.5 per cent with some disruption related to flooding in the Valencia region in November.

Retailing

Woodie's DIY, Home and Garden business in Ireland had a strong end to the year with average daily like-for-like revenue up 6.4 per cent in the period helped by growth in both the number of transactions and average transaction values.

Manufacturing

In Manufacturing, average daily like-for-like revenue was 4.7 per cent higher in the period with all businesses showing growth against easier comparators. CPI Mortars reported stronger sales supported by a slowly recovering new housing sector.

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 purchased £28.39 million shares by the close of business on 31 December 2024 and the programme completed on 8 January 2025.

Cash of £371.7 million has been returned to shareholders through share buybacks completed between 9 May 2022 and 31 December 2024 reflecting the repurchase of 43.08 million ordinary shares at an average price of £8.63 per share. The number of shares bought back by the end of the year amounted to 17.9 per cent of the shares in issue when the first buyback programme commenced on 9 May 2022.

Outlook

The Group delivered a trading performance in the full year in line with expectations¹, despite weak market conditions outside of Ireland and the pressure of continued cost headwinds experienced across its operations.

Whilst trading in November and December showed modest growth overall, helped by easier comparators and a strong performance in Ireland, we remain cautious in terms of the timing of a broader recovery. Against the backdrop of relatively insipid economic growth across many of our key markets, we are not anticipating a significant pick up in volumes this year. While elements of product deflation affecting 2024 have stabilized, growth in product pricing is likely to be very modest against such a backdrop and likely to be lower than the general level of cost inflation being imposed on the business, particularly as regards labour costs. We continue to manage our business with a tight focus on efficiency and cost control.

Notwithstanding the potential macro economic challenges this year, the medium term fundamentals continue to remain positive with housing shortages across all of our geographies and the natural investment cycle in RMI likely to become increasingly supportive as the over-investment made by consumers in 2020 and 2021 starts to require further upgrading. The Group ends the year in a strong financial position, with a healthy balance sheet, and remains well positioned to continue to invest in organic and inorganic opportunities to support future growth and development.

¹ Grafton compiled consensus Analysts' forecasts for 2024 show operating profit (pre property profits) of circa £169.1 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 distribution markets in the UK, Ireland, the Netherlands, Finland and 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. 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 Salvador Escoda in Spain.

For further information visit www.graftonplc.com

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