Grafton Group plc

Interim Management Statement

12 November 2015

Grafton Group plc, the builders merchanting and DIY Group with operations in the UK, Ireland and Belgium, issues the following Interim Management Statement for the period from 1 July 2015 to 31 October 2015.

Group Revenue

Overall Group trading was positive against a competitive backdrop in the four months to the end of October driven by broadly favourable economic and market conditions in the UK and Ireland which supported increasing spending in the residential repair, maintenance and improvement (RMI) market. The rate of growth in Group average daily like-for-like revenue eased as anticipated to 4.8 per cent in the four months to the end of October from 5.3 per cent in the first half. Revenue for the ten months to 31 October 2015 was £1.87 billion, an increase of 6.0 per cent and 8.7 per cent in constant currency.

The table below shows the change in average daily like-for-like revenue by segment and the change in total revenue by segment compared with the same periods in 2014.

Segment	Average Daily Like-for-Like Revenue Growth – 2015 *			Total Revenue	
				Constant Currency	Actual (Sterling)
	Three Months to 31 March 2015	Three Months to 30 June 2015	Four Months to 31 October 2015	Ten Months to 31 October 2015	Ten Months to 31 October 2015
Merchanting					
- UK	3.5%	5.1%	4.7%	9.0%	9.0%
- Ireland	16.4%	11.1%	7.7%	11.4%	0.2%
- Belgium	(2.0%)	3.1%	(2.5%)	2.4%	(7.9%)
Retailing	3.0%	1.1%	6.9%	3.9%	(6.7%)
Manufacturing	14.1%	16.1%	(1.7%)	10.1%	9.3%
Group	4.9%	5.6%	4.8%	8.7%	6.0%

*Constant currency

Merchanting (91% of Group Revenue)
The **UK merchanting** business, which accounted for three quarters of Group revenue, reported solid growth in average daily like-for-like revenue. Gross margin pressure continued to be a feature of trading in the traditional merchanting businesses due to competitive market conditions.

Selco improved market coverage with the opening of branches in Coventry in July and New Southgate in October. The planned opening of branches in Southampton and Weybridge will increase the Selco branch network to 40 by the year end.

The **Irish Merchanting** business continued to benefit from the ongoing recovery in the Irish economy which gathered pace during the year. Increased spending on housing RMI projects was the key driver of demand. House building continued to pick-up from a low base and there are signs of a revival in activity in the commercial property and civils markets.

Difficult trading conditions in the **Belgian Merchanting** market resulted in lower volumes and weaker gross margins.

Retailing (7% of Group Revenue)
The recovery in Irish consumer spending became more broadly based supported by increased employment and disposable incomes and an improvement in consumer confidence. Woodie's generated good like-for-like growth partly as a consequence of destocking seasonal products which had some effect on gross margins.

Manufacturing (2% of Group Revenue)
The UK mortar manufacturing business experienced a small decline in volumes reflecting lower activity in the new housing market following strong growth in the first half and in the comparable period last year. The fundamentals of the market continued to be positive supported by measures to increase housing supply in response to strong underlying demand.

Acquisitions
On 6 November 2015, the Group acquired Wollens, a general merchanting business trading from two branches in Glastonbury and Cannington. Wollens, which had revenue of £11.2 million in the financial year to the end of June 2015, improves the market positon of Buildbase in the South West of England and complements the existing branch network in the region.

The recently announced agreement to acquire Isero BV, the leading specialist distributor of tools and fixings in the Netherlands, for €91.5 million is expected to complete by the end of November.

Profitability and Financial Position
Whilst we have seen positive like-for-like growth in the UK, the market remains competitive and this, together with ongoing weakness in Belgium, reduces our full year expectations for operating profit by 3% - 4% against market consensus[1].

The Group's financial position remains strong supported by good cash flow from operations. In October DBRS, the international credit rating agency, restored the Group's investment grade credit rating. This recognises the significant improvement in operating performance and credit metrics achieved by the Group in recent years.

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

"With the continued progress of our organic initiatives including the development of Selco, bolt on acquisitions in the UK and the creation of a new platform for growth with the purchase of Isero in the Netherlands, we remain confident in the Group's ability to deliver continuing growth in profitability".

Note

[1] Analyst consensus for operating profit for Grafton Group plc is viewed by the Company as currently being £130.9m

Ends

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