



Grafton Group plc

Trading Update

14 January 2020

Grafton Group plc, the international builders merchandising and DIY Group, issues this trading update for the year ended 31 December 2019 in advance of the announcement of its Final Results for the year on 27 February 2020.

Group Operating Profit and Revenue

Trading in November and December was better than anticipated and while end markets remain subdued the Group now expects to report full year Adjusted Operating Profit¹ of circa £202 million² and circa £190 million on a pre-IFRS 16 basis for its continuing operations.

2019 Group revenue from continuing operations increased by 2.7 per cent to £2.67 billion. Growth in constant currency was 2.9 per cent and average daily like-for-like revenue increased by 1.9 per cent for the year.

The table below shows changes in average daily like-for-like revenue and in total revenue for continuing operations compared to the same periods in 2018.

Segment	Average Daily Like-for-Like Revenue Growth in Constant Currency		Total Revenue	
			Constant Currency	Actual (in Sterling)
	Three Months to 31 December 2019	Year to 31 December 2019	Year to 31 December 2019	Year to 31 December 2019
Merchandising				
- UK	(4.0%)	0.6%	(1.1%)	(1.1%)
- Ireland	2.7%	6.2%	6.2%	5.4%
- Netherlands	(1.4%)	0.6%	37.3%	36.2%
Retailing	5.6%	4.6%	4.7%	3.7%
Manufacturing	(1.9%)	0.8%	0.8%	0.7%
Group	(1.8%)	1.9%	2.9%	2.7%

In the UK, households continued to be very cautious about discretionary spending as uncertainty persisted during the fourth quarter and sentiment continued to weigh on demand in the merchandising market. The weak markets of September and October continued into November and December but did not deteriorate further. The Group's focus in the UK remains on tight control of costs, driving efficiency and delivering productivity gains.

The Merchanting business in Ireland saw volumes recover in the seasonally important month of November and the Group's market leading Chadwicks business finished the year on a firmer note.

The impact of softer fourth quarter trading in the Netherlands merchanting market was largely offset by positive gross margin trends supported by procurement gains and integration benefits.

The Woodie's DIY, Home and Garden business in Ireland delivered a strong trading performance in the key fourth quarter and for the full year overall.

Fourth quarter revenue in the CPI EuroMix mortar manufacturing business was marginally down measured against exceptional growth in the same period last year. The business benefited from good demand in the new housing market where market fundamentals remain robust.

Reported property profit for 2019 is expected to be circa £7 million, slightly higher than anticipated.

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

"2019 was a year of significant strategic progress with the acquisition of Polvo in July which increased our scale and consolidated our market leading position in the Netherlands. We also reshaped our portfolio of businesses with the successful disposal of Plumbase and the Belgian Merchanting business in October.

While we remain cautious about the timing of any recovery in the UK merchanting market at this very early stage in the New Year, our expectations for 2020 are positive for the overall Group and we are optimistic about growth opportunities. We are well placed to continue to successfully implement our development strategy supported by very cash generative businesses and a strong balance sheet."

Ends

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Notes

¹ Adjusted Operating Profit is defined as profit for continuing operations before amortisation of intangible assets arising on acquisitions, net finance expense and income tax expense

² Analysts' Forecasts compiled internally by Grafton show consensus Adjusted Operating Profit of £193 million (post IFRS 16)

About Grafton

Grafton Group plc is an international distributor of building materials to trade customers and has leading regional or national positions in the merchandising markets in the UK, Ireland and the Netherlands. Grafton is also the market leader in the DIY retailing market in Ireland and is the largest manufacturer of dry mortar in the UK.

Grafton trades from circa 550 branches and has circa 12,300 colleagues. Its portfolio of brands includes Selco, Buildbase, Leyland SDM, MacBlair and CPI EuroMix in the UK; Chadwicks, Heiton Buckley and Woodie's in Ireland and Isero, Polvo and Gunters en Meuser in the Netherlands.

For further information visit www.graftonplc.com