



Trading and Liquidity Update

11 June 2020

Grafton Group plc, the building materials distributor and DIY retailer with operations in the UK, Ireland and the Netherlands, is today providing a trading and liquidity update for the five months to the end of May 2020 including an early indication of trading following the gradual reopening during May of the majority of Group locations in the UK and Ireland that were closed in the last week of March.

Health and Safety

The health and safety of our colleagues, customers and business partners was the highest priority influencing our preparations for the reopening of branches and stores. Operating procedures and protocols were designed and implemented across our businesses, in line with the guidance provided by Governments and health authorities, to ensure that the Group's locations have the highest health and safety safeguards in place.

Trading Performance

Group revenue in continuing operations was down 26 per cent to £810.9 million in the five months to 31 May 2020 from £1.09 billion in the same period last year due to the impact of the Covid-19 pandemic.

The Group had a solid start to the year before experiencing a decline in activity in the second half of March resulting in an overall decline in Group revenue of two per cent in the first quarter compared to the same period last year.

The national shutdown measures remained in place throughout April in the UK and Ireland and had a material impact on trading leading to a decline in Group revenue of 80 per cent in the month compared to April 2019.

The easing of trading restrictions during May permitted the majority of Group locations that were closed in March to either fully or partially reopen through the month. Although Group revenue in May was down 38 per cent on the prior year, this marked a significant recovery in activity and also reflected the high proportion of branches in the UK and Ireland that traded for only the latter part of the month.

The overall level of trading during the short period since reopening, while encouraging, was influenced by a range of factors including pent-up demand and may not be indicative of ongoing activity levels. The Group remains focused on appropriately managing its cost base as restrictions ease and trading returns to a more sustainable level.

UK Distribution

The UK distribution business traded at approximately half the prior year level in May on an improving trend as the month progressed.

Selco reopened 42 branches initially on 6 May for Click & Collect and Click & Deliver trading only with the remaining 26 reopened on 18 May. In a gradual return to a more normalised operating environment, trading in the 42 branches that were initially reopened was extended to a full in-branch self-select service by the month end and the remainder of the branch estate will be fully operational by 22 June 2020. Selco was well positioned on reopening to support a higher proportion of orders and revenue through its on-line channel following a major upgrade to its website in February of this year that provided enhanced functionality and an improved user experience for customers.

The traditional UK merchanting businesses supported customers with branch collections and on-site deliveries of materials used mainly for outdoor residential RMI projects. The return of house builders to construction sites and the re-starting of commercial projects has been slower and, as a consequence, this segment of the market has seen a more gradual increase in activity. Buildbase experienced an increase in on-line orders following an upgrade to its website during the lockdown.

Both Leyland SDM, the specialist decorators' merchant in London and TG Lynes, a distributor of commercial pipes and fittings in London, remained open and traded well during the lockdown.

Irish Distribution

Half of the Chadwicks distribution branch network in Ireland remained open during the lockdown for essential deliveries only typically to support health and public sector projects and to provide emergency supplies to businesses and homes. The business fully reopened on 18 May in the first phase of the Irish Government's roadmap for reopening the country and operated at two thirds of prior year revenue for the month. Demand has been largely driven by residential RMI projects with new home build activity expected to remain subdued.

Netherlands Distribution

The Netherlands distribution business was not impacted by the Covid-19 restrictions imposed by the Dutch Government and health authorities as the construction sector was deemed an essential activity and permitted to continue operating subject to implementing health and safety and social distancing measures. Both Isero and Polvo, the business acquired by the Group in July 2019, have proven very resilient delivering operating profit during the year to May that was in line with our original expectations going into 2020.

Retailing

The Woodie's DIY, Home and Garden business in Ireland reopened on 18 May to a surge in demand that saw revenue for the two-week period to the month end comfortably exceed the level achieved for the full month of May 2019. Sales of garden furniture, barbeques, shrubs and plants and exterior paint and woodcare products were exceptional, supported by pent up demand and very favorable weather conditions.

Manufacturing

The UK mortar manufacturing business traded at one-third of the prior year level in May with all plants reopening except for one in Scotland where the lockdown continues. Capacity was reintroduced on a

phased basis during the month in response to customer demand as existing house building sites reopened and construction work resumed.

Liquidity

The Group's portfolio of cash generative businesses combined with prudent financial management and a strong balance sheet left it well positioned to respond to the adverse impact on trading of Covid-19. Pre-IFRS 16 net debt was estimated at £38 million at the end of May and liquidity of £578 million was almost entirely held in accessible cash deposits and bank balances.

In view of the Group's excess liquidity, we anticipate repaying an element of drawn revolving bank facilities during June. The Group has approval from the Bank of England to issue commercial paper under the Covid Corporate Finance Facility which provides an additional source of liquidity though it is not anticipated that this facility will be utilised. No refinancing of debt is due until March 2023, the Group does not have a leverage (net debt/EBITDA) covenant in its financing arrangements and its assets are unsecured.

Outlook

The businesses in the UK and Ireland were successfully reopened following the lifting of restrictions during May and, in the absence of a reintroduction of measures to control the spread of the virus, we expect to build on this progress over the coming months as trading returns. In view of the continued uncertainty over the impact of Covid-19 on economic and construction activity generally, financial guidance for the year ending 31 December 2020 will remain suspended at this stage.

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

"I would like to thank our colleagues for their outstanding effort, commitment and success in seamlessly restarting our businesses with exceptional Covid-19 protocols in place to safeguard our customers and colleagues. The restrictions introduced to contain the spread of Covid-19 had a significant effect on trading since the second half of March and while there are many challenges to be overcome in the months ahead, we are encouraged by the early trading indications following the reopening of our businesses in the UK and Ireland. Grafton is in a strong financial position and, with a resilient portfolio of businesses, will emerge from this crisis well positioned for future growth."

Ends

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