



# Grafton Group plc Half Year Results

For the Six Months Ended 30 June 2021

# Cautionary Statement & Notes

## Cautionary Statement

Certain statements made in this presentation are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied by these forward-looking statements. They appear in a number of places throughout this presentation and include statements regarding the intentions, beliefs or current expectations of Directors concerning, amongst other things, the results of the operations, financial condition, liquidity, prospects, growth, strategies and the businesses operated by the Group. The Directors do not undertake any obligation to update or revise any forward-looking statements whether as a result of new information future developments or otherwise.

## Notes

All references to 'Adjusted' relate to continuing operations before exceptional items and amortisation of intangible assets arising on acquisitions (see Appendix 1).

Please refer to Notes and Definitions in Appendix 1 and the bridge of statutory operating profit to adjusted operating profit in Appendix 2. As amounts are reflected in £'m some non-material rounding differences may arise.

The deemed disposal of the Traditional Merchanting Business in Great Britain means that it is now classified as discontinued operations in accordance with IFRS. The operating result for the period ended 30 June 2021 is reflected in the profit after tax from discontinued operations in the Group Condensed Income Statement. The prior period comparatives have been restated to conform to current year presentation.





**Gavin Slark**  
Chief Executive Officer



**David Arnold**  
Chief Financial Officer



# Introduction & Highlights

Gavin Slark, CEO

Half Year Results  
For the Six Months Ended  
30 June 2021

## 2021 First Half Review – Significant Progress Implementing our Strategy

- Outstanding contribution from colleagues across the Group
- Record operating profit in half year
- Double digit operating profit margin in continuing businesses
- Acquisition of IKH in Finland on 1 July 2021
- Agreement to divest GB Traditional Merchanting Business
- Continued investment in digital channels
- Implemented a range of sustainability initiatives



## June 2021 - Financial Highlights

	H1 2021	H1 2020 (Restated)	Change	H1 2019 (Restated)
<b>Revenue</b>	<b>£1,028m</b>	£704m	+46.1%	£792m
<b>Adjusted operating profit pre property profit</b>	<b>£142.4m</b>	£46.9m	+203.9%	£74.8m
<b>Adjusted operating profit</b>	<b>£157.8m</b>	£46.9m	+236.2%	£74.8m
<b>Adjusted operating margin pre property profit</b>	<b>13.90%</b>	6.70%	+7.2ppts	9.40%
<b>Adjusted earnings per share</b>	<b>50.4p</b>	11.1p	+355.2%	24.9p
<b>Dividend</b>	<b>8.5p</b>	-	-	6.5p
<b>Net cash (before IFRS 16 Leases)*</b>	<b>£302.5m</b>	£57.0m	+£245.5m	(£0.1m)
<b>Net (debt) – reported (including IFRS 16 leases)*</b>	<b>(£209.9m)</b>	(£479.2m)	-£269.3m	(£540.5m)
<b>Adjusted return on capital employed</b>	<b>20.50%</b>	9.70%	+10.8ppts	

*\*Includes cash or net debt as appropriate from discontinued operations.*

# Financial Review

David Arnold, CFO

Half Year Results  
For the Six Months Ended  
30 June 2021

## Divestment of GB Traditional Merchanting Business

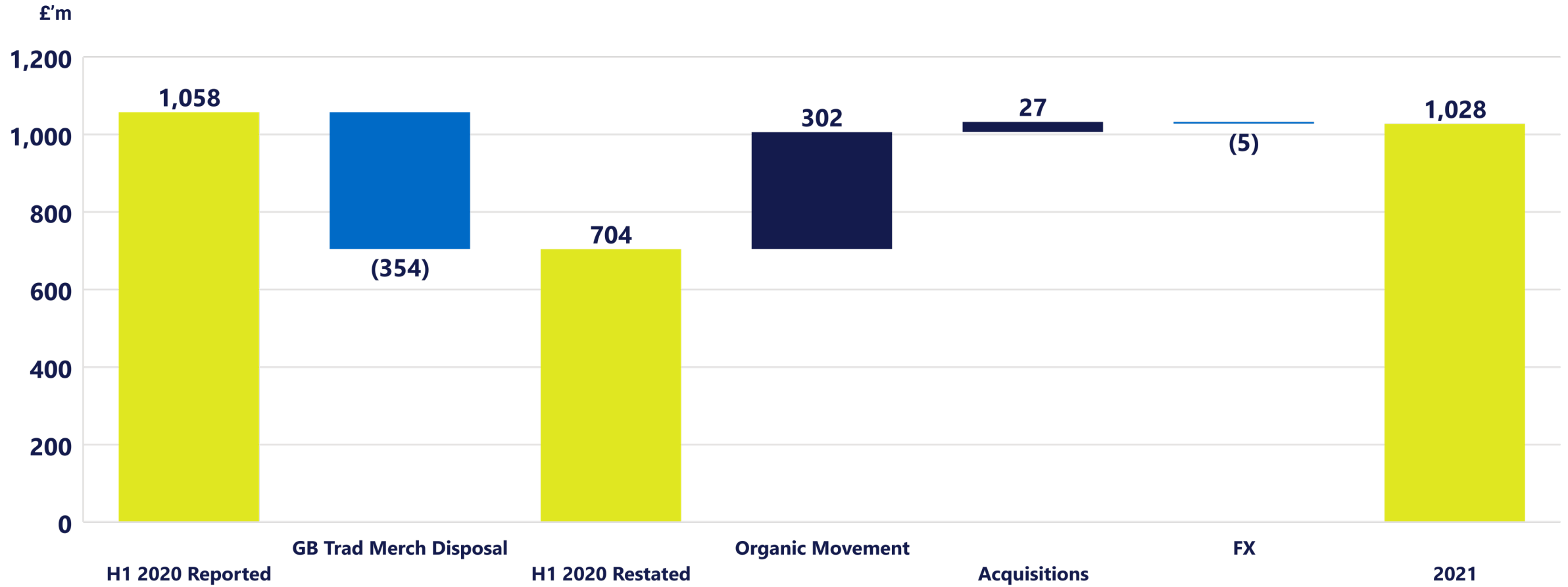
- Enterprise value of £520m plus four freeholds retained with a market value of £25m
- Freeholds shown as investment properties and recognised at fair value – uplift of £10m to book value is shown within property profits
- Retained DB pension scheme and agreed £20m contribution to deficit (paid in July 21)
- Accounted for as a deemed disposal in the first half because economic risk and reward of ownership transfers to purchaser
- Disposal will complete before the end of Q1 2022
- Profit on deemed disposal recognised of £95.3m (net of disposal costs)

## Income Statement – Continuing Operations

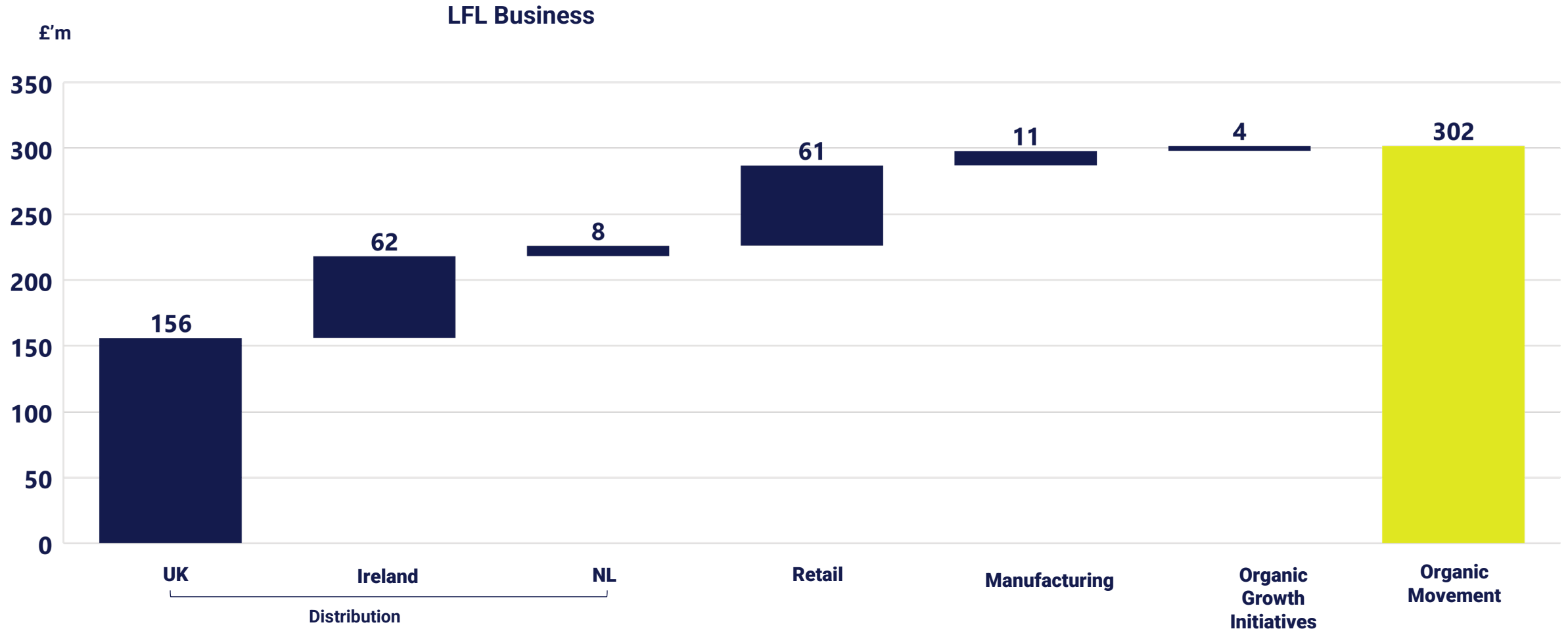
£m	H1 2021	H1 2020 Restated	Change	H1 2019 Restated
Revenue	1,027.8	703.7	+46%	792.2
Adjusted operating profit pre property profit	142.4	46.9	+204%	74.8
Property profit	15.4	0.1		3.8
Adjusted operating profit	157.8	46.9	+236%	78.6
Amortisation*	(5.7)	(4.3)	+33%	(2.7)
Statutory operating profit	152.1	42.7	+257%	75.9
Net finance cost	(9.2)	(13.2)		(11.4)
Statutory profit before tax	142.9	29.5	+385%	64.5
Adjusted profit before tax	148.6	33.8	+340%	67.2

\*Amortisation of intangible assets arising on acquisitions

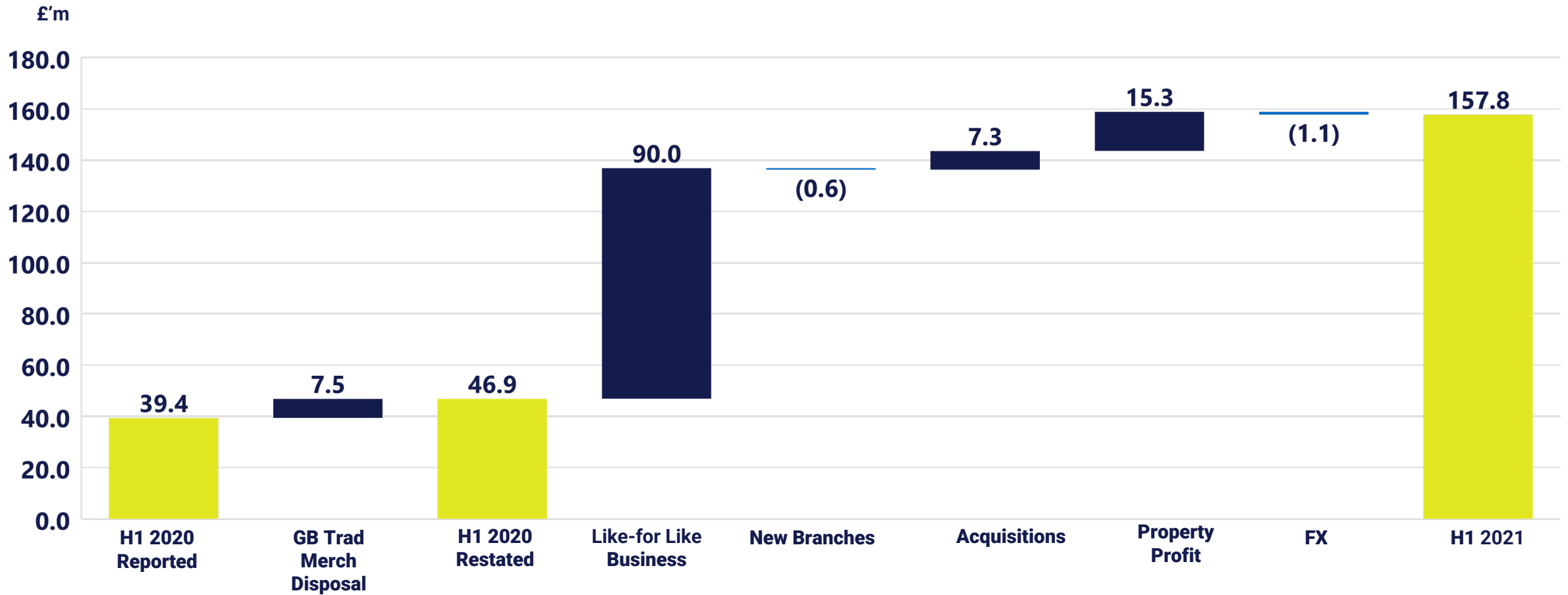
# Revenue Bridge



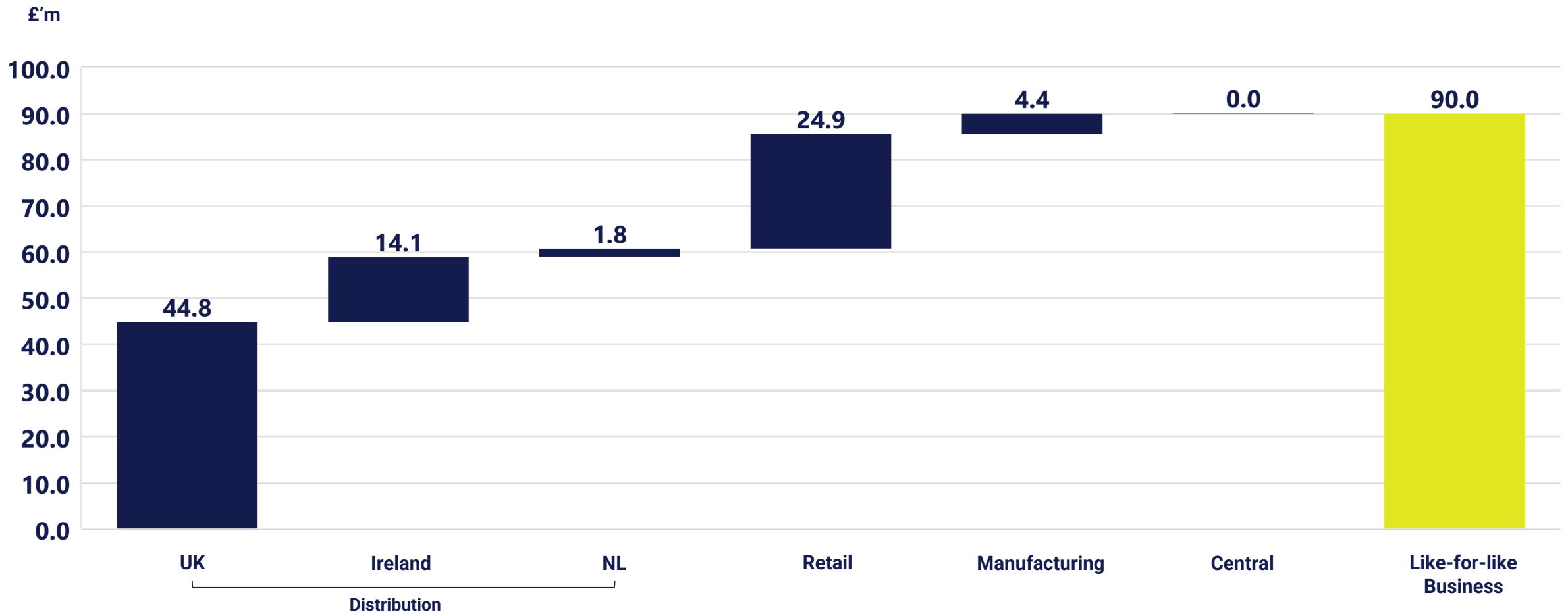
# Analysis of Organic Movement in Revenue (Constant Currency)



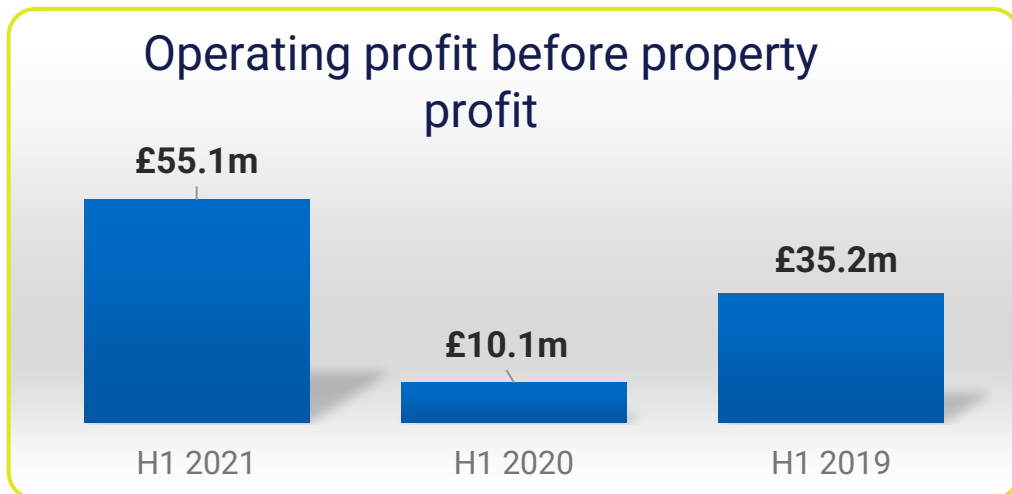
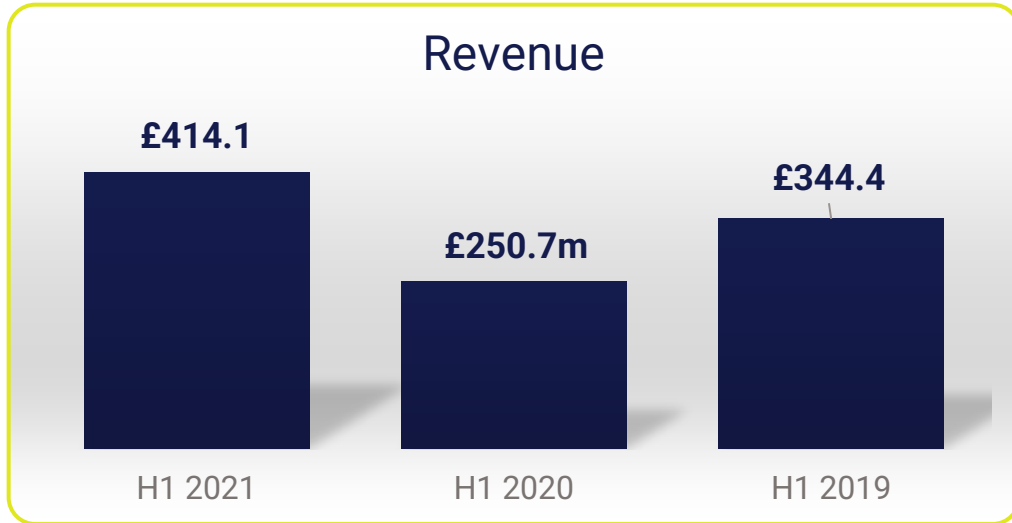
# Adjusted Operating Profit – Bridge H1 20 to H1 21 (IFRS 16)



# Analysis of Movement in Operating Profit in Like-for-Like Business



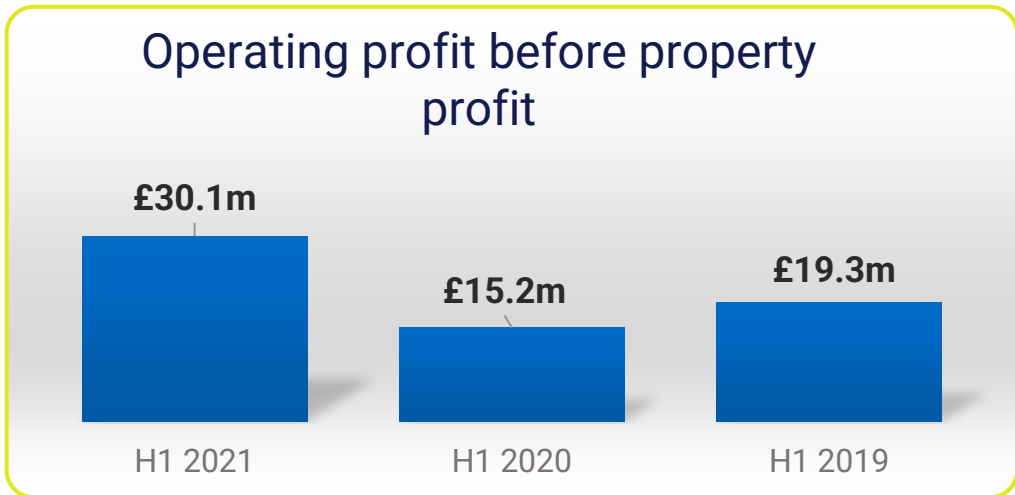
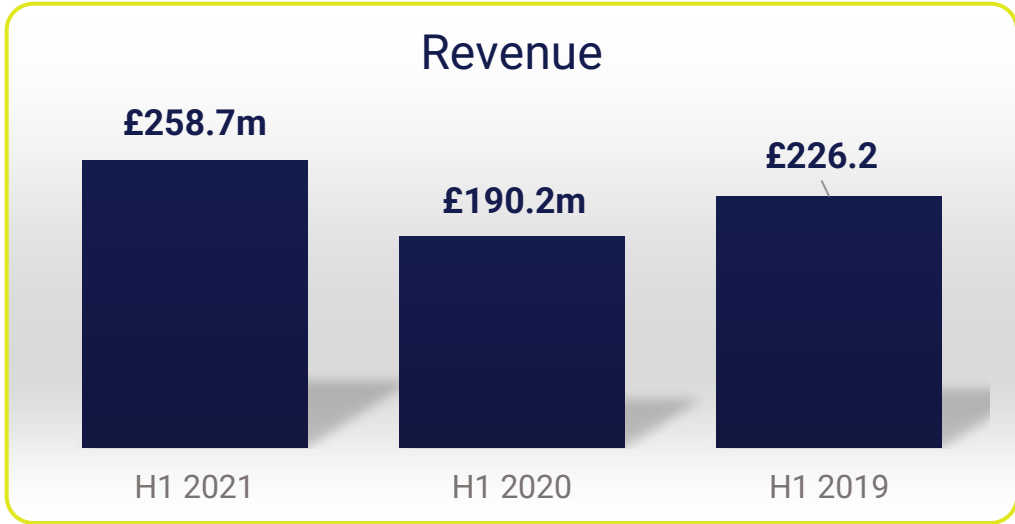
## UK Distribution



£m	H1 2021	H1 2020 (restated)	Change
Revenue	414.1	250.7	+65.2%
Operating profit pre property	55.1	10.1	+445.5%
Operating margin pre property	13.3%	4.0%	+930bps

- Strong demand in housing RMI market
- Average daily like-for-like revenue up 16.7% on H1 2019 (Selco + 18.4%)
- Revenue growth gained strong momentum from March – some impact from supply chain shortages
- Operational leverage from higher volumes and increased gross margin
- Selco and MacBlair traded very strongly
- Leyland SDM performed well in weaker central London market

# Irish Distribution



£m	H1 2021	H1 2020	Change
Revenue	258.7	190.2	+36.1%
Operating profit pre property	30.1	15.2	+97.6%
Operating margin pre property	11.6%	8.0%	+360bps

- H1 trading impacted by partial lockdown of construction sector
- Demand driven primarily by housing RMI market which lifted gross margin
- House building recovered quickly following lifting of restrictions in April
- Proline Architectural Ironmongery business acquired in February
- Integrated Daly's branch in Dundalk acquired in H2 of 2020
- Ongoing investment in digital development and systems

## Netherlands Distribution

### Revenue



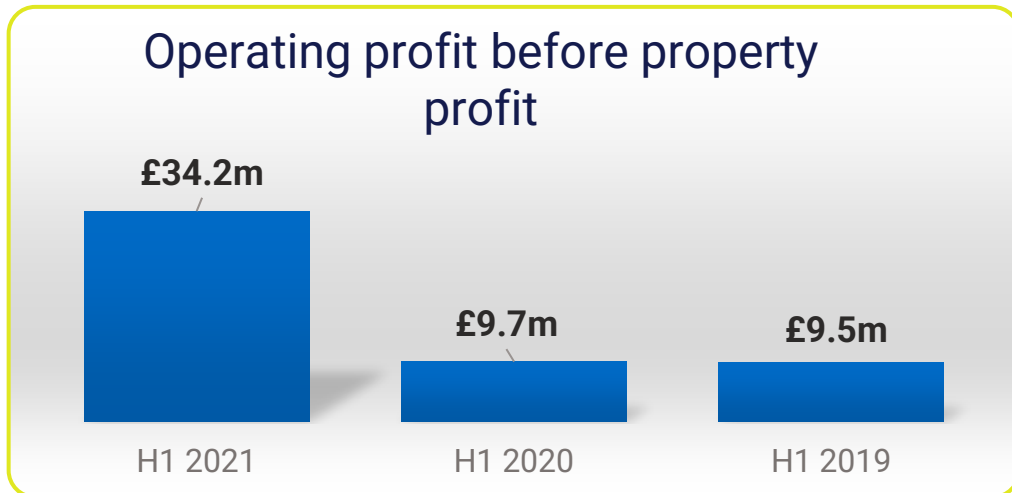
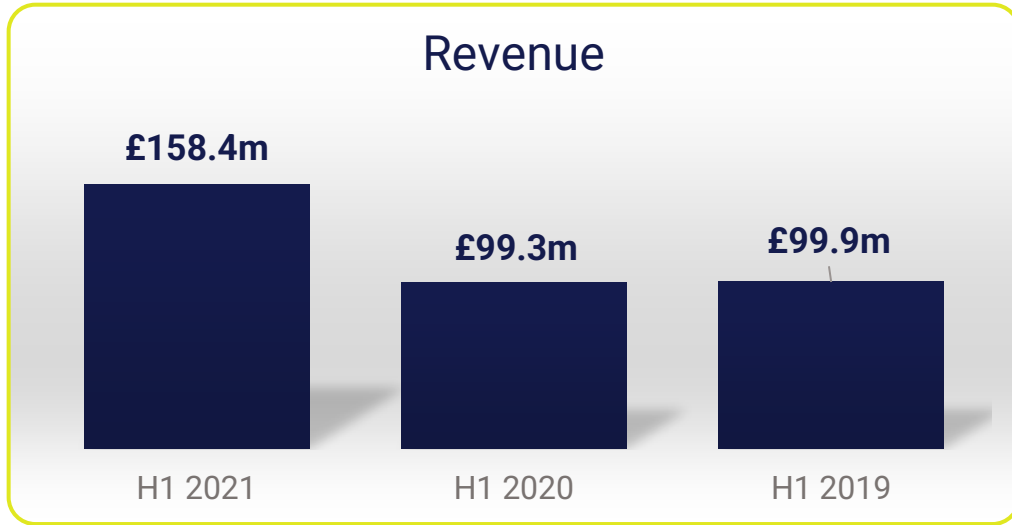
### Operating profit before property profit



£m	H1 2021	H1 2020	Change
Revenue	147.5	138.1	+6.8%
Operating profit pre property	16.0	14.1	+13.9%
Operating margin pre property	10.8%	10.2%	+60bps

- Netherlands distribution business continued to trade as an essential business during 2020 although demand was weaker in some segments
- Increased demand in residential RMI, house building and commercial construction end-markets in H1
- Average daily like-for-like revenue up by 5.6% on H1 2020
- Very positive performance from Polvo - improved market position
- Five branches acquired in two deals and one new branch opened

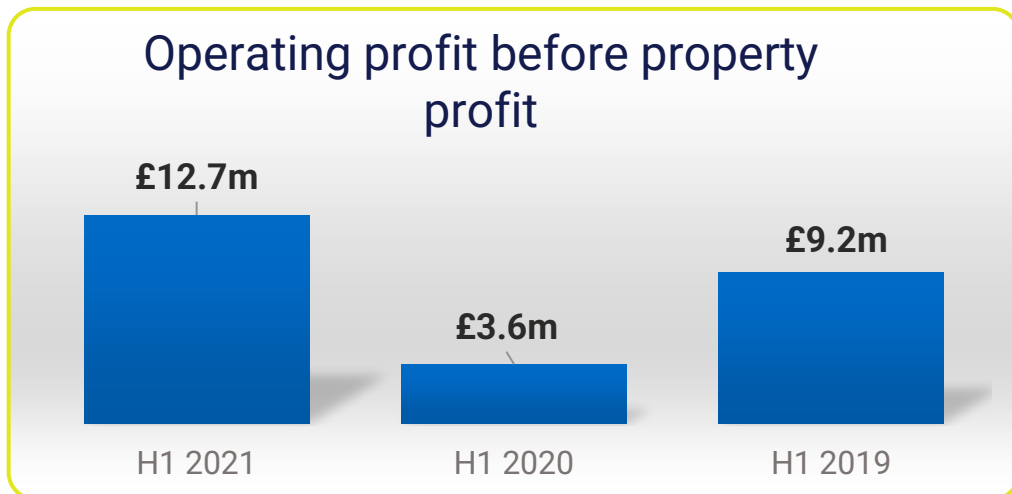
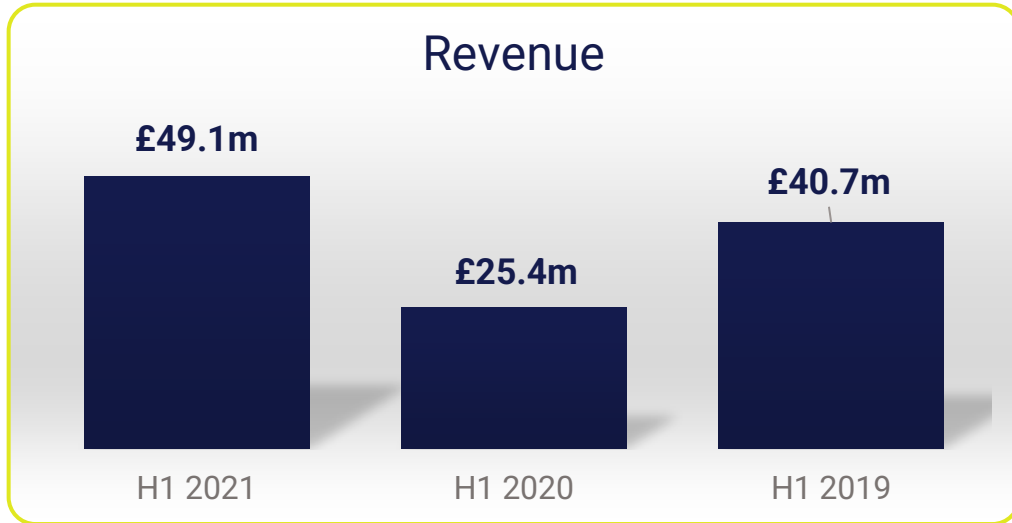
# Retailing



£m	H1 2021	H1 2020	Change
Revenue	158.4	99.3	+59.4%
Operating profit pre property	34.2	9.7	+252.4%
Operating margin pre property	21.6%	9.8%	+1,180bps

- Woodie’s is a unique DIY, Home and Garden proposition in Ireland
- Surge in demand in H2 2020 continued in H1 2021 as Woodie’s was an essential retailer
- Exceptional demand across all categories
- Growth broadly split between increase in transaction numbers and average basket value
- Record revenue, operating profit and operating profit margin
- Strategic investment continued in digital platform and stores

# Manufacturing



£m	H1 2021	H1 2020	Change
Revenue	49.1	25.4	+93.5%
Operating profit pre property	12.7	3.6	+256.4%
Operating margin pre property	25.9%	14.1%	+1,180bps

## CPI EuroMix

- Mortar volumes recovered gradually in line with house building – 13.1% below H1 2019
- Excellent operating margin performance of 21.7%
- Strong underlying demand in new housing market

## StairBox

- Very successful first half year under Grafton ownership
- Contributed revenue of £12.8m and operating profit of £4.7m, operating margin of 36.7%
- Launched new version of on-line staircase designer software

## Balance Sheet

£m	30 June 2021	30 June 2020
<b>Intangible assets</b>	<b>651.6</b>	776.2
<b>Right-of-use assets</b>	<b>419.7</b>	504.0
<b>Tangible assets</b>	<b>332.8</b>	530.9
<b>Lease receivable</b>	<b>0.3</b>	2.4
<b>Working capital</b>	<b>6.1</b>	173.5
<b>Other assets/(liabilities)</b>	<b>(75.1)</b>	(86.4)
<b>Amounts receivable re disposal of GB Trad Merchanting</b>	<b>581.7</b>	0.0
<b>Pension deficit</b>	<b>(33.3)</b>	(44.7)
	<b>1,883.8</b>	1,855.9
<b>Net cash movement on deemed disposal</b>	<b>(36.7)</b>	-
<b>Net (debt) including IFRS 16 leases</b>	<b>(209.9)</b>	(479.2)
<b>Equity</b>	<b>1,637.2</b>	1,376.7
<b>Adjusted ROCE</b>	<b>20.5%</b>	9.7%
<b>Net debt/EBITDA</b>	<b>0.7x</b>	2.2x

- Working capital reduction reflects disposal of GB Trad Merchanting and strong trading in cash businesses
- Reduction in pension deficit – UK DB scheme retained by Grafton

## Cash from Operations

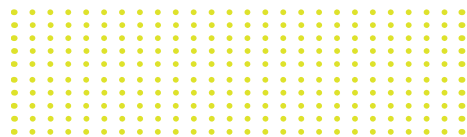
£m	H1 2021	H1 2020 Restated
<b>Profit before taxation from continuing operations</b>	<b>142.9</b>	29.6
<b>Profit/(loss) before taxation from discontinued operations</b>	<b>124.8</b>	(9.1)
<b>Finance costs</b>	<b>10.5</b>	14.6
<b>Operating profit</b>	<b>278.2</b>	35.1
<b>Depreciation &amp; amortisation of intangible assets</b>	<b>61.7</b>	60.1
<b>Property profits (total)</b>	<b>(15.8)</b>	(0.3)
<b>Other movements incl. property and provisions</b>	<b>0.7</b>	1.5
<b>Profit on disposal of Group businesses</b>	<b>(107.2)</b>	-
<b>Decrease in working capital</b>	<b>37.7</b>	25.1
<b>Cash generated from operations</b>	<b>255.3</b>	121.5

# Cash Flow

£m	H1 2021	H1 2020
<b>Cash from operations</b>	<b>255.3</b>	121.5
<b>Interest and tax</b>	<b>(35.1)</b>	(24.5)
<b>Replacement capex net of asset disposals</b>	<b>5.1</b>	(5.4)
<b>Free cash flow</b>	<b>225.4</b>	91.6
<b>Development capex</b>	<b>(5.7)</b>	(6.8)
<b>Dividends</b>	<b>(64.6)</b>	(0.0)
<b>Share issue/(repurchase)</b>	<b>1.5</b>	0.1
<b>Acquisitions &amp; business disposals (incl. debt acquired)</b>	<b>(12.3)</b>	0.0
<b>Net cash flow before FX translation</b>	<b>144.2</b>	84.9
<b>FX translation/other</b>	<b>0.9</b>	(30.3)
<b>Movement in net debt</b>	<b>145.1</b>	54.6
<b>Opening net (debt)</b>	<b>(355.0)</b>	(533.8)
<b>Closing net (debt) – total operations</b>	<b>(209.9)</b>	(479.2)

# 2021 Technical Guidance

- Full year property profit expected to be c.£17m
- Depreciation currently forecast at c.£80m - £85m in total (c.£30m on a pre IFRS 16 basis – continuing only)
- Working capital expected to increase in H2 2021 as trading normalises
- 2021 gross capex spend (ex acquisitions) – replacement spend anticipated of c.£25m and development of c.£25m-£30m
- Net finance charge of c.£23m (c.£16m relates to IFRS 16 leases)
- Tax rate for full year c.19%



# Strategic Update & Outlook

Gavin Slark, CEO

Half Year Results  
For the Six Months Ended  
30 June 2021

## Continued Growth Agenda

- Selco will open three new stores in 2021: Liverpool (open), Canning Town (October) and Rochester (December)
- StairBox is delivering ahead of plan: purchase consideration was £44m and H1 operating profit was £4.7m
- Proline in Ireland has expanded our architectural ironmongery capabilities in Chadwicks
- Netherlands' acquisitions have expanded our footprint by five branches
- Progressing further European opportunities

## Completed Acquisition of IKH

- One of Finland's largest workwear, PPE, tools, spare parts and accessories wholesalers and distributors
- Experienced management team led by Matti Vainionpää
- Consideration paid on 1 July was €199.3m on a cash and debt free basis
- Year ended Feb 2021 revenue €158.8m and adjusted operating profit €21.0m
- Impressive track record of over twenty years of uninterrupted revenue growth
- Ambitious to deliver future growth in Nordics and Estonia

## Continued Progress on Sustainability Agenda

- Sustainability agenda aligned with UN goals
- Focus areas are Customers and Products, People, Resources, Communities and Ethics
- Targets set in each of our businesses
- Good examples of progress in measures designed to reduce carbon impact:
  - Selco Sustainability Pledge launched including first 'Selco Forest'
  - TG Lynes installed over 300 solar panels on its roof
  - Chadwicks has opened its first ECO Centre

# Capital Markets Event

- Intend to hold a Capital Markets event in November 2021
- Agenda will address:
  - Progress of the Group and our future ambitions
  - Strategy for growth
  - Capital allocation model
  - Sustainability strategy

## Current Trading v 2020 & 2019

### Average Daily Like-for-Like Revenue Growth – Continuing v 2020

	H1 2021	1 July 2021 – 15 August 2021
<b>Distribution</b>		
UK – continuing	63.5%	6.9%
Ireland	33.8%	9.4%
Netherlands	5.6%	9.7%
<b>Retailing</b>	62.9%	(16.7%)
<b>Manufacturing</b>	44.3%	7.4%
<b>Total Group - continuing</b>	<b>43.3%</b>	<b>4.4%</b>


### Average Daily Like-for-Like Revenue Growth – Continuing v 2019

	H1 2021	1 July 2021 – 15 August 2021
<b>Distribution</b>		
UK – continuing	16.7%	16.2%
Ireland	11.7%	21.7%
Netherlands	3.0%	12.8%
<b>Retailing</b>	59.7%	12.4%
<b>Manufacturing</b>	(10.6%)	(8.6%)
<b>Total Group - continuing</b>	<b>17.8%</b>	<b>15.6%</b>

# Outlook

- Confident of delivering a 2021 trading performance in line with previous guidance
- Overall outlook is positive following vaccine rollout and we are hopeful that new restrictions won't be imposed
- Continuation in ongoing supply chain pressures expected over coming months
- In the UK, recent demand trends in the RMI and house building markets expected to continue – measured against strong H2 of 2020
- In Ireland, Chadwicks should benefit from strong RMI and house building markets.
- Revenue growth trends in Woodie's expected to continue to ease from the exceptional levels of growth in the last 12 months
- In the Netherlands, we expect first half trends to be sustained in H2
- Benefit from H2 contribution from IKH

## Summary



“2021 marks a key phase of a very considered strategic transformation we have executed at Grafton over recent years, which today comprises a portfolio of high returning, differentiated businesses with the capacity to grow and outperform in our chosen markets”

# Questions

Half Year Results  
For the Six Months Ended  
30 June 2021

# Appendices

Half Year Results  
For the Six Months Ended  
30 June 2021

# Appendix 1 - Notes & Definitions

## Notes

As amounts are reflected in £'m some non-material rounding differences may arise.

**The deemed disposal of the Traditional Merchanting Business in the UK means that it is now classified as discontinued operations in accordance with IFRS. The operating result for the period ended 30 June 2021 is reflected in the profit after tax from discontinued operations in the Group Condensed Income Statement. The prior period comparatives have been restated to conform to current year presentation.**

## Definitions

- Adjusted earnings per share is earnings before exceptional items, intangible asset amortisation arising on acquisitions and before profit/loss on disposal of Group businesses
- Adjusted operating profit is earnings before exceptional items, amortisation of intangible assets arising on acquisitions, profit/loss on disposal of Group businesses, net finance expense and income tax expense
- Adjusted operating profit margin is adjusted operating profit as a percentage of revenue
- Adjusted operating profit (pre property profit) is earnings before exceptional items, profit on disposal of Group properties, amortisation of intangible assets arising on acquisitions, profit/loss on disposal of Group businesses, net finance expense and income tax expense
- Adjusted operating profit (pre property profit) margin is adjusted operating profit (pre property profit) as a percentage of revenue

## Appendix 2 - Operating Margin Analysis\*

	H1 2021	H2 2020	H1 2019
UK Distribution	13.3%	4.0%	10.2%
Irish Distribution	11.6%	8.0%	8.5%
Netherlands Distribution	10.8%	10.2%	11.1%
Total Distribution	12.3%	6.8%	9.7%
Retailing	21.6%	9.8%	9.5%
Manufacturing	25.9%	14.1%	22.5%
	14.5%	7.3%	10.3%
Central Activities	(0.6%)	(0.6%)	(0.9%)
<b>Total</b>	<b>13.9%</b>	<b>6.7%</b>	<b>9.4%</b>
Property Profit	1.5%	0.0%	0.5%
<b>Group Operating Margin</b>	<b>15.4%</b>	<b>6.7%</b>	<b>9.9%</b>

\* Excludes property profit by geography (shown separately) and before amortisation of intangible assets arising on acquisitions and exceptional items

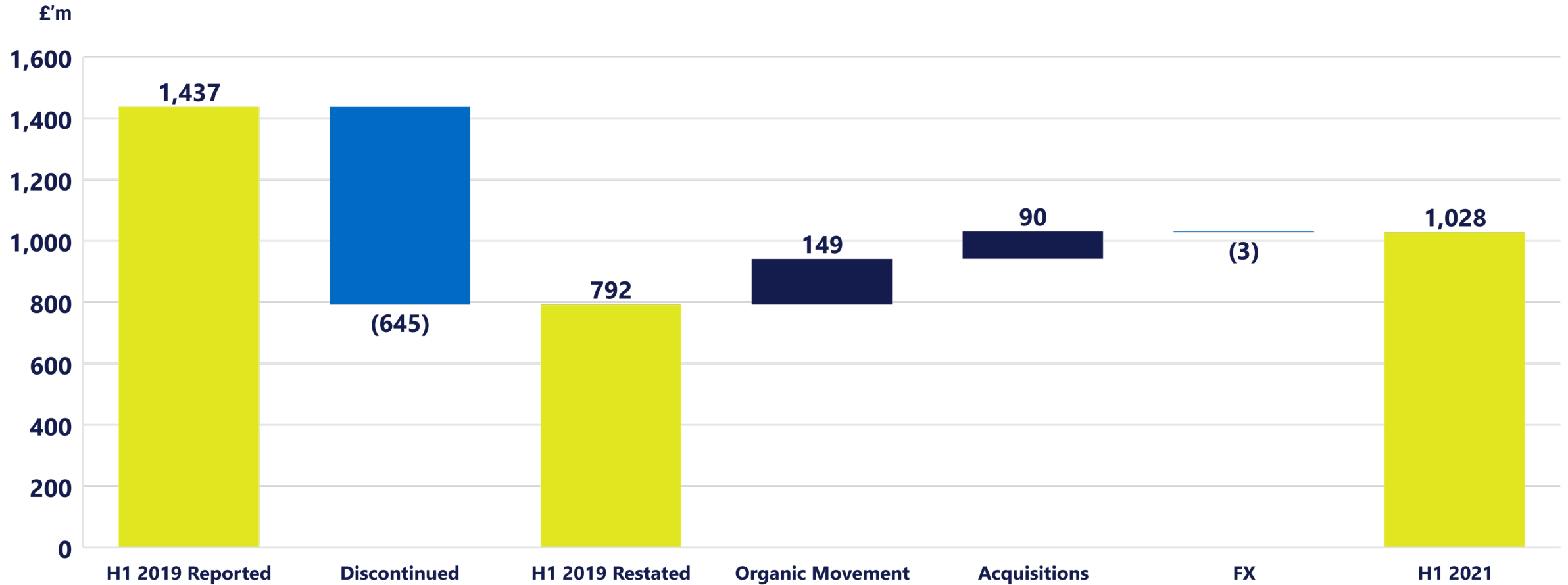
## Appendix 3 - Revenue Growth – H1 2021 v H1 2020

	Average Daily Like-for-Like Revenue Growth - Continuing			Total Revenue 1 Jan – 30 June 2021
	Qtr 1	Qtr 2	Year to 30 June 2021	
<b>Distribution</b>				<b>Actual (Sterling)</b>
UK – continuing	21.3%	114.3%	63.5%	64.9%
Ireland	(7.9%)	95.2%	33.8%	36.0%
Netherlands	3.5%	7.9%	5.6%	6.8%
<b>Retailing</b>	<b>64.7%</b>	<b>61.6%</b>	<b>62.9%</b>	<b>59.4%</b>
<b>Manufacturing</b>	<b>(4.7%)</b>	<b>152.7%</b>	<b>44.3%</b>	<b>93.2%</b>
<b>Total Group – continuing</b>	<b>15.2%</b>	<b>78.6%</b>	<b>43.3%</b>	<b>45.9%</b>

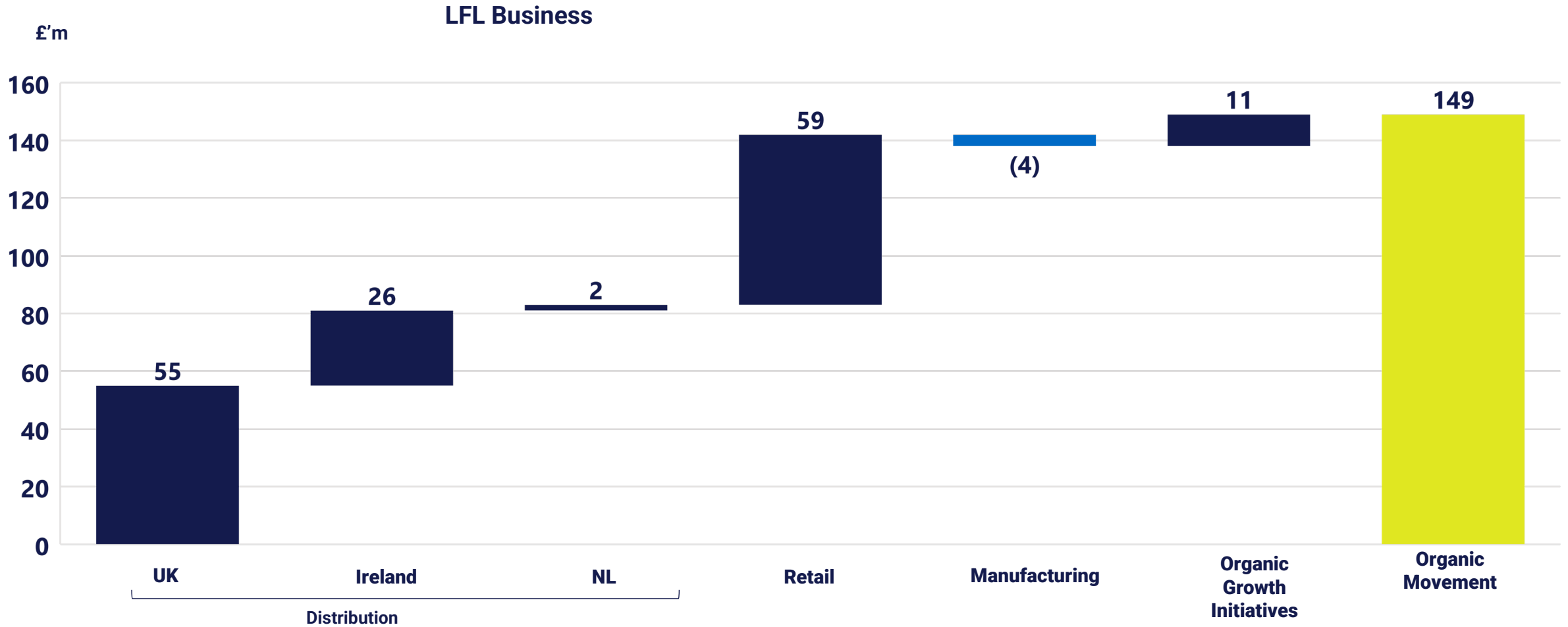
## Appendix 4 - Revenue Growth – H1 2021 v H1 2019

Average Daily Like-for-Like Revenue Growth - Continuing				
	Qtr 1	Qtr 2	Year to 30 June 2021	Total Revenue 1 Jan – 30 June 2021
				Actual (Sterling)
<b>Distribution</b>				
UK – continuing	12.3%	20.5%	16.7%	20.0%
Ireland	(6.7%)	29.1%	11.7%	14.3%
Netherlands	0.5%	5.8%	3.0%	82.2%
<b>Retailing</b>	69.5%	53.0%	59.7%	58.4%
<b>Manufacturing</b>	(17.1%)	(4.3%)	(10.6%)	20.5%
<b>Total Group – continuing</b>	<b>10.1%</b>	<b>24.8%</b>	<b>17.8%</b>	<b>29.6%</b>

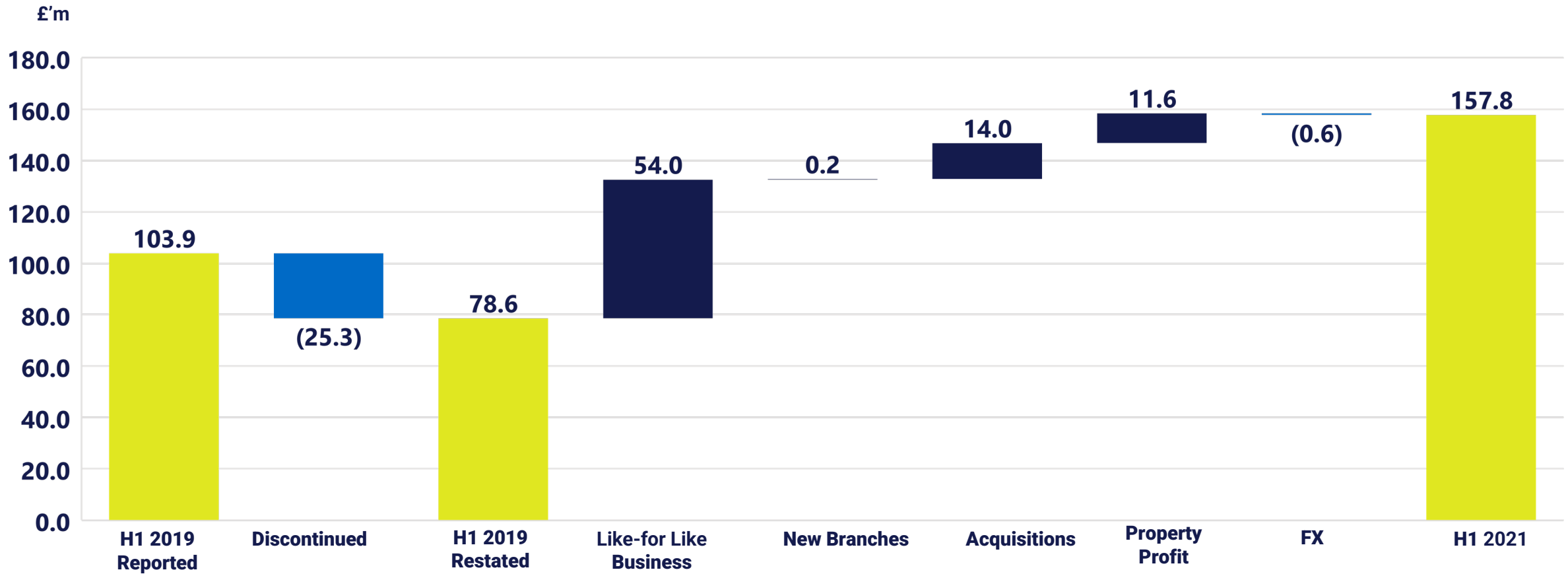
## Appendix 5 - Revenue Bridge (v H1 2019)



## Appendix 6 - Analysis of Organic Movement in Revenue (v H1 2019) (Constant Currency)



## Appendix 7 - Adjusted Operating Profit – Bridge H1 19 to H1 21 (including IFRS 16)



## Appendix 8 - Analysis of Movement in Operating Profit in Like-for-Like Business (v H1 2019)

