

# Grafton Group plc

## Final Results

FOR THE FINANCIAL YEAR  
ENDED 31 DECEMBER 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

The term “Adjusted” means before exceptional items and acquisition related items (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 Traditional Merchanting Business in Great Britain was disposed of in 2021 and is classified as discontinued operations in accordance with IFRS. The operating result for 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





## 2021 Review

### Record performance and transformational year for business

- Outstanding performance from all our colleagues
- Excellent results that were slightly ahead of expectations from our portfolio of high performing businesses
- Record contributions from Selco and Woodie's
- A year of strategic transformation with the completion of the sale of GB Traditional Merchanting
- New growth platform in the Nordics with the purchase of IKH in Finland for €199 million in July
- Continued progress of sustainability agenda

# 2021

## Financial highlights

	2021	2020 (Restated) **	Change
Revenue	<b>£2,110m</b>	£1,679m	+25.6%
Adjusted operating profit	<b>£288.0m</b>	£170.6m	+68.8%
Adjusted earnings per share	<b>93.0p</b>	50.3p	+84.9%
Dividend	<b>30.5p</b>	14.5p	+110.3%
Net cash (before IFRS 16 Leases)	<b>£588.0m</b>	£181.9m	+£406.1m
Adjusted operating margin pre property profit	<b>12.9%</b>	10.2%	+270bps
Adjusted return on capital employed*	<b>19.4%</b>	11.9%	+750bps

\* ROCE calculated for continuing operations  
 \*\* Restated refers to income statement only

# Sustainability update

Progress since the Capital Markets Event in Nov 2021

- Received a B- assessment from our first Carbon Disclosure Project (CDP) submission which provides a good base to build on
- First TCFD disclosure to be published in the 2021 Annual Report
- Implementation of a sustainability performance monitoring platform and supplier risk and compliance monitoring system
- CO2e intensity ratio (emissions per £m turnover) reduced by 19% since 2019
- Compliance with Board composition recommendations of FTSE Women Leaders and Parker reviews
- Recruitment process commenced for a Group Head of Sustainability



# Financial review

DAVID ARNOLD, CFO



# Income statement

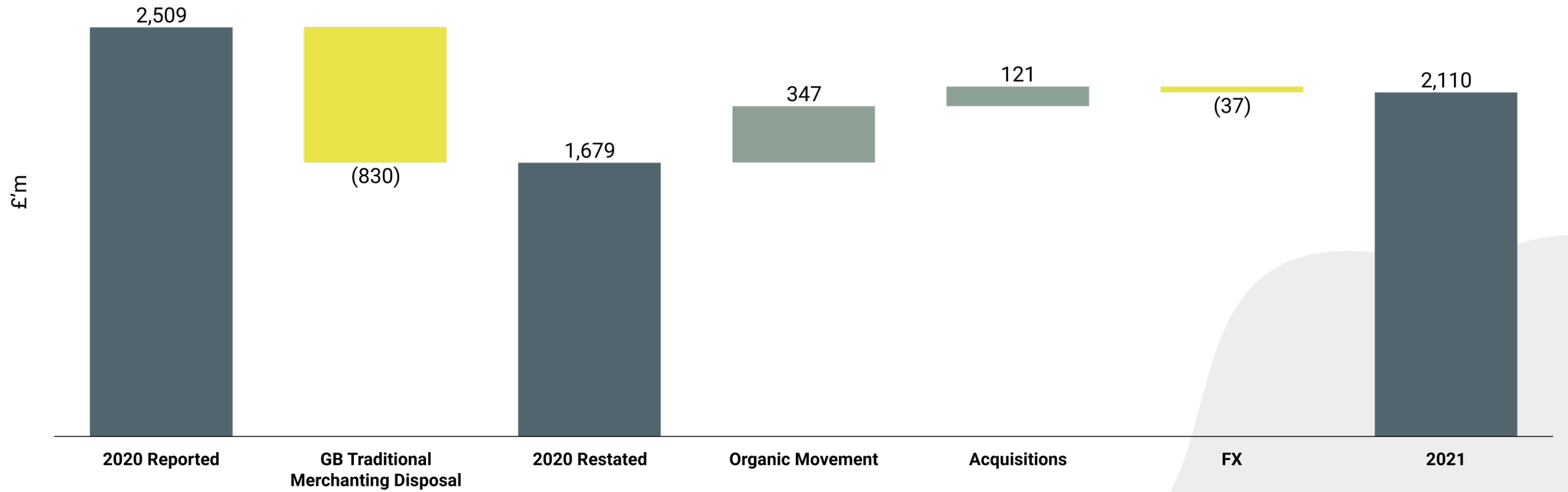
## Continuing operations

£m	2021	2020 Restated	Change	2019 Restated
Revenue	2,109.9	1,679.2	+25.6%	1,643.6
Adjusted operating profit pre property profit	271.2	170.7	+58.9%	173.2
Property profit/(loss)	16.7	(0.1)		4.1
Adjusted operating profit	288.0	170.6	+68.8%	177.3
Amortisation <sup>1</sup> and acquisition expenses	(18.8)	(10.3)		(7.5)
Statutory operating profit pre exceptional items	269.2	160.3	+67.9%	169.8
Exceptional items	-	(2.5)		-
Net finance cost	(19.4)	(24.2)		(22.0)
Statutory profit before tax	249.8	133.6	+87.0%	147.8
Adjusted profit before tax	268.6	146.4	+83.5%	155.3

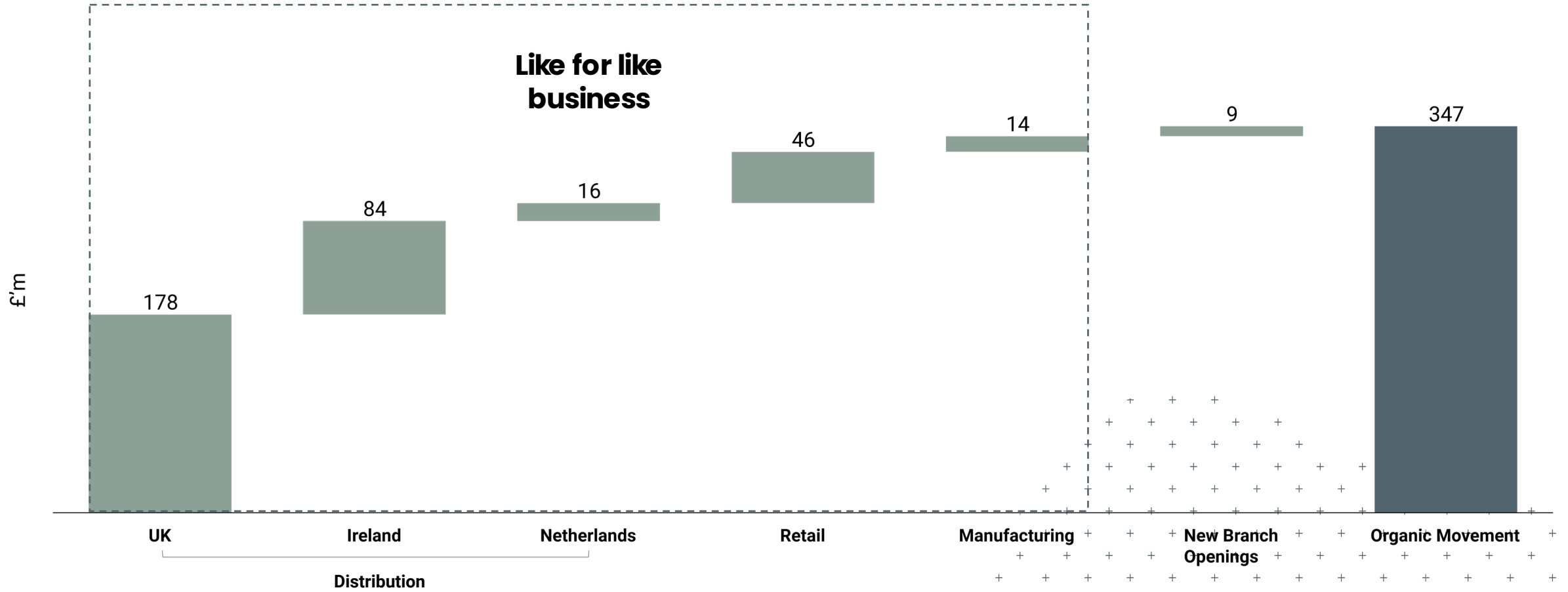
<sup>1</sup>Amortisation of intangible assets arising on acquisitions



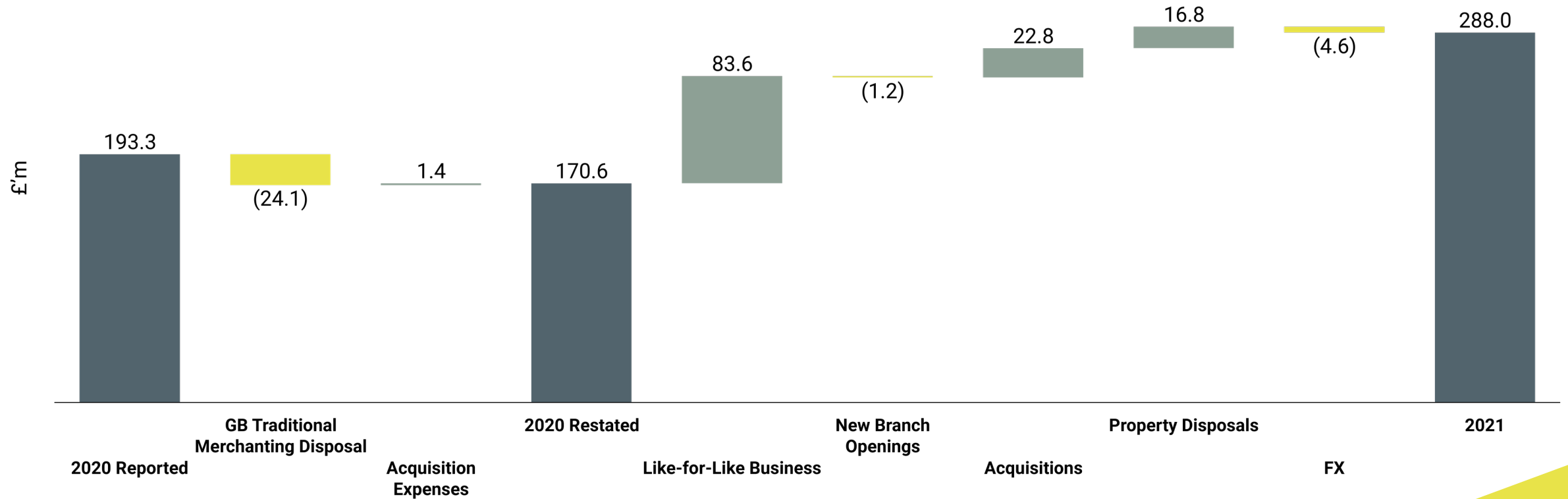
# Revenue bridge



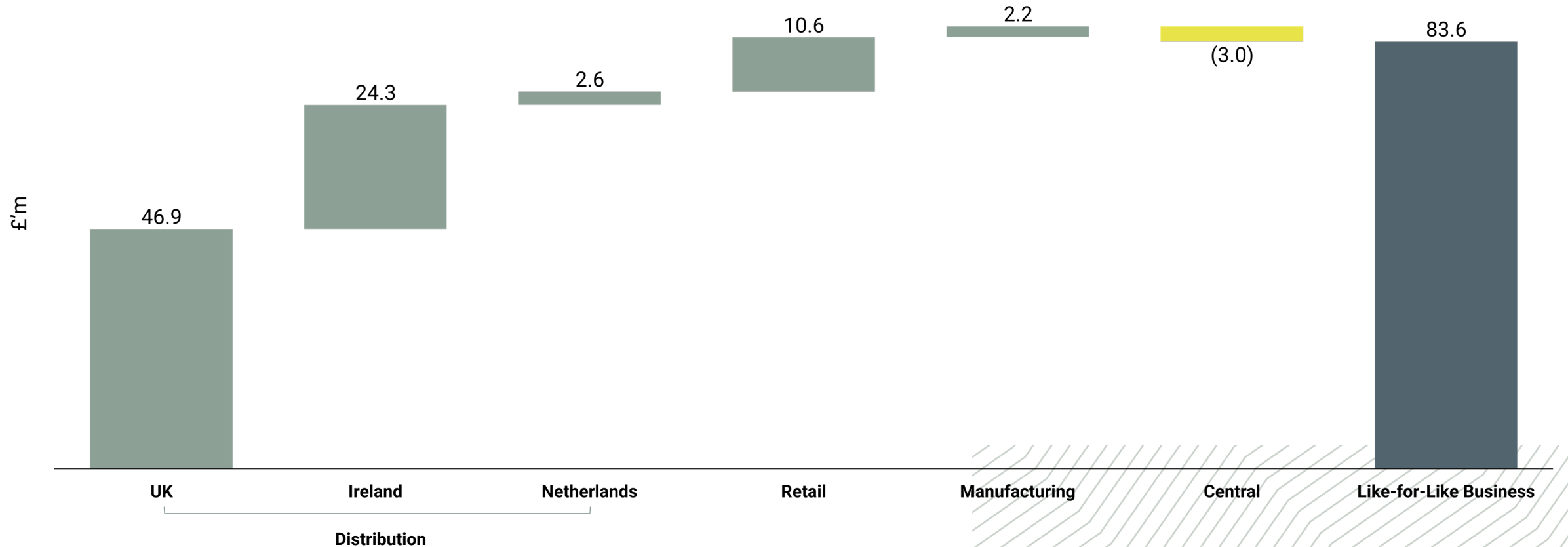
# Analysis of organic movement in revenue (constant currency)



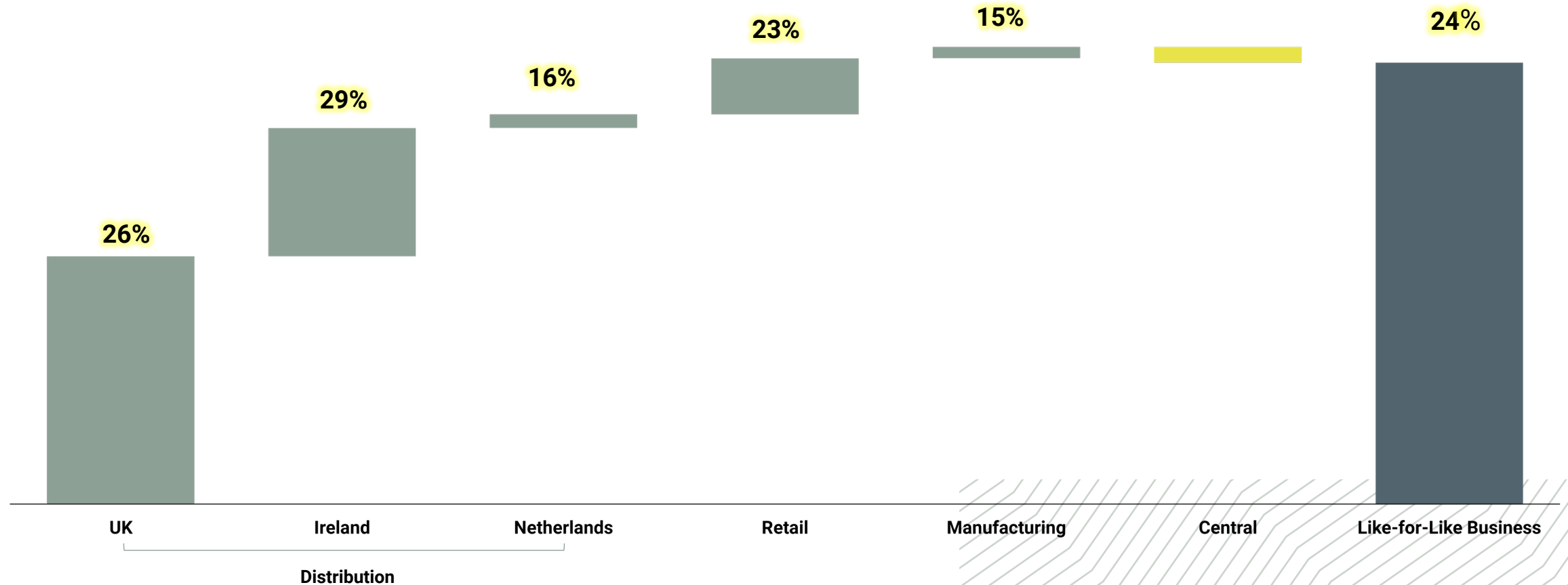
# Adjusted operating profit – bridge 2020 to 2021 (IFRS 16)



# Analysis of movement in operating profit in like-for-like business

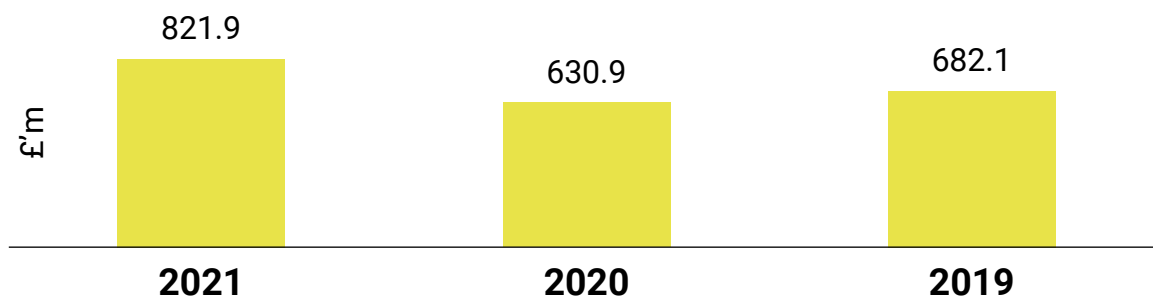


# Drop through analysis of movement in operating profit in like-for-like business

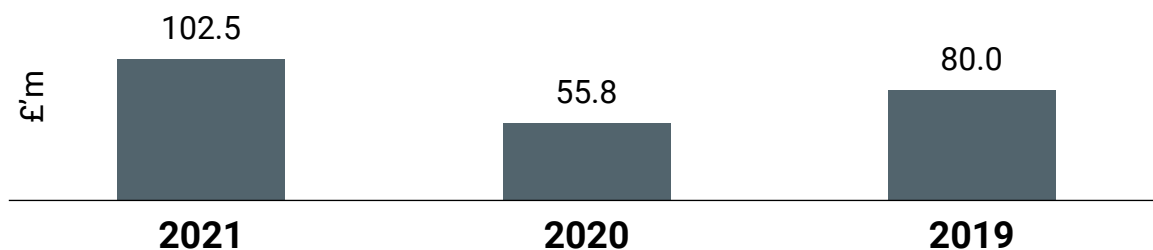


# UK Distribution

## Revenue



## Operating profit before property profit



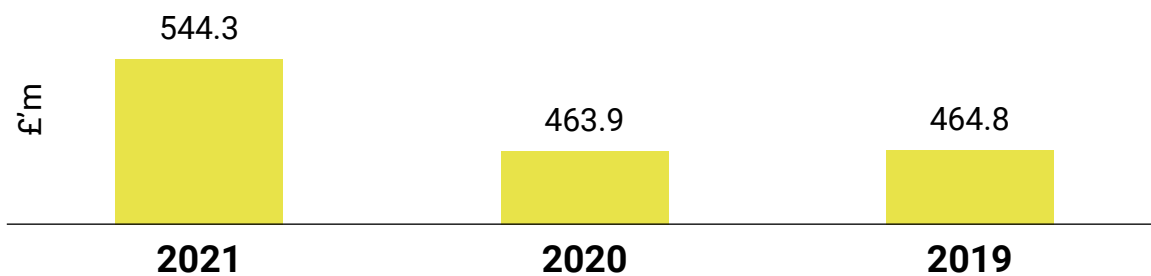
2020 and 2019 restated to show continuing operations only

£m	2021	2020 (restated)	Change
Revenue	821.9	630.9	+30.3%
Operating profit pre property	102.5	55.8	+83.7%
Operating margin pre property	12.5%	8.8%	+370bps

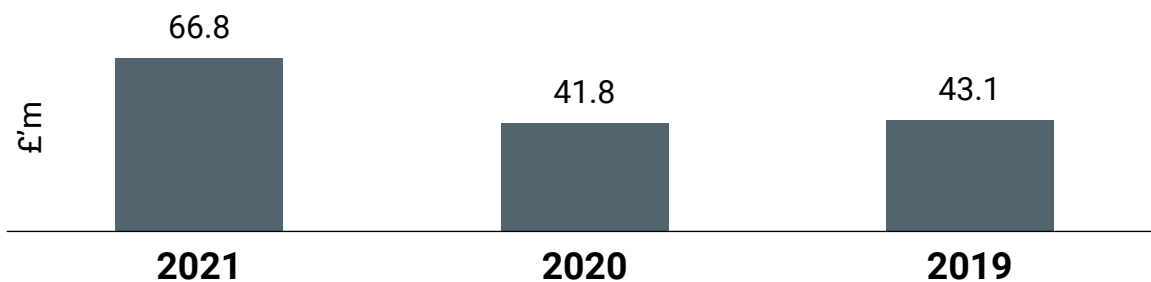
- Very strong operating profit performance for the year
- Record operating margin before property profit of 12.5%
- Like-for-like revenue up 28.8% on 2020 (one fewer trading day)
- Selco revenue of £626m across estate of 72 branches
- MacBlair traded very strongly with revenue exceeding £100m

# Irish Distribution

## Revenue



## Operating profit before property profit

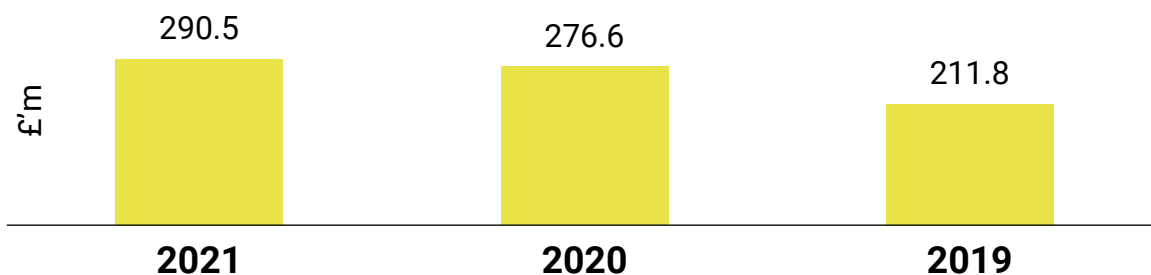


£m	2021	2020	Change
Revenue	544.3	463.9	+17.3%
Operating profit pre property	66.8	41.8	+59.6%
Operating margin pre property	12.3%	9.0%	+330bps

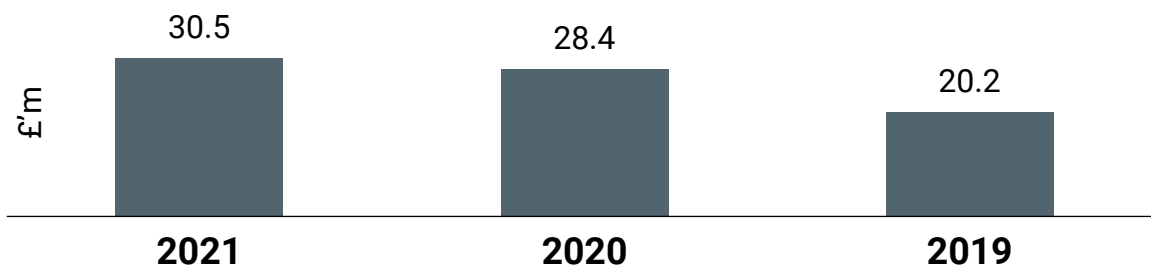
- Two distinct phases of trading in the year:
  - H1 trading impacted by partial lockdown of construction sector
  - Exceptionally strong trading and profitability in H2
- Record full year operating profit margin before property profit
- Proline and Daly Brothers performed ahead of plan
- Five more branches rebranded and third fixing centre opened in Galway

# Netherlands Distribution

## Revenue



## Operating profit before property profit



£m	2021	2020	Change
Revenue	290.5	276.6	+5.1%
Operating profit pre property	30.5	28.4	+7.4%
Operating margin pre property	10.5%	10.3%	+20bps

- Average daily like-for-like revenue up by 5.6%
- Positive results demonstrate the success of our acquisition and growth strategy
- Very positive performance from Polvo which was acquired in 2019
- Increased demand in residential RMI, house building and commercial construction end-markets

# Finland Distribution

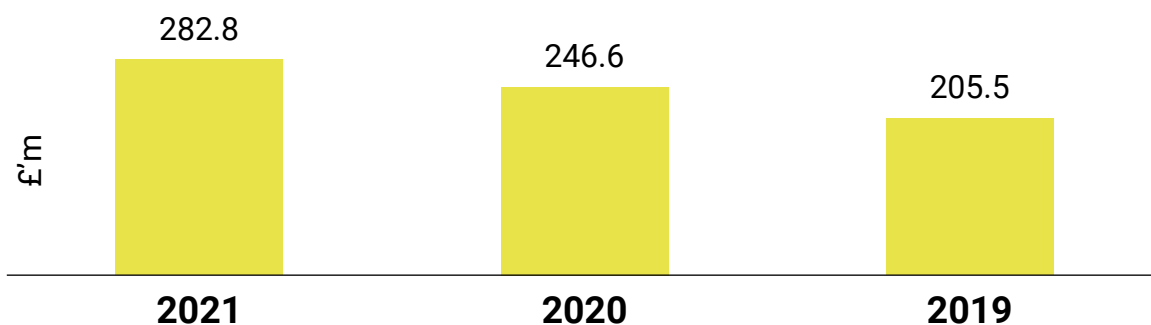
£m	2021
Revenue	70.8
Operating profit pre property	10.0
Operating margin pre property	14.1%

- IKH acquired on 1 July at a cost of €199 million on a cash and debt free basis
- IKH is one of the largest workwear, PPE, tools, spare parts and accessories technical wholesalers and distributors in Finland
- 2021 performance met our pre-acquisition expectations and we see further opportunities for growth
- Good engagement with enthusiastic management - integration progressing well in areas such as IT and sustainability

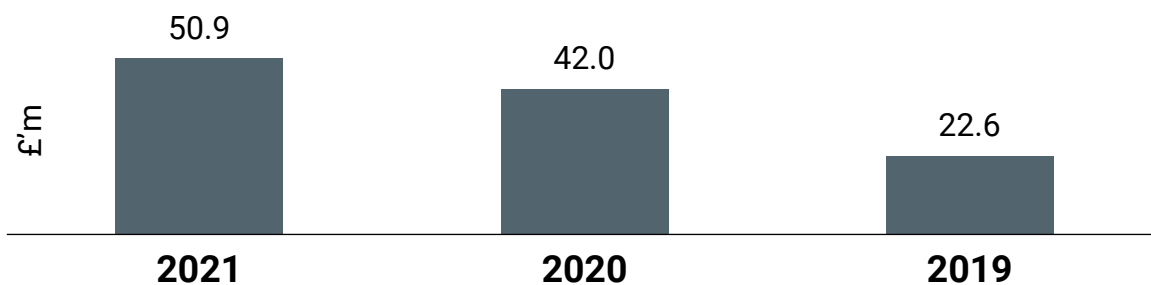


# Retailing

## Revenue



## Operating profit before property profit

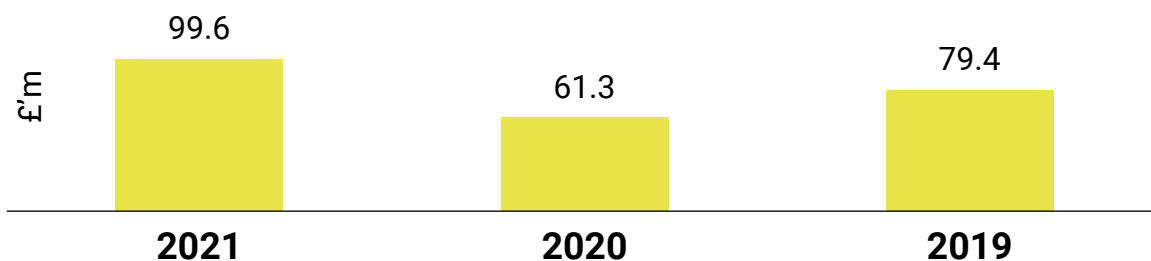


£m	2021	2020	Change
Revenue	282.8	246.6	+14.7%
Operating profit pre property	50.9	42.0	+21.0%
Operating margin pre property	18.0%	17.0%	+100bps

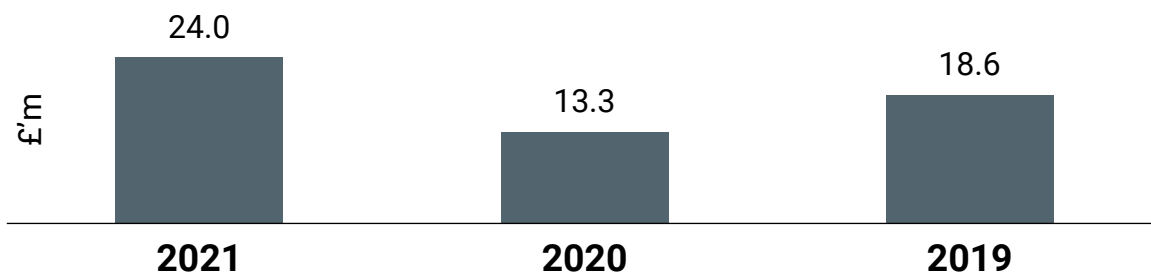
- Woodie's is a unique DIY, Home and Garden proposition in Ireland with 98% brand recognition
- Record breaking revenue and profitability
- Operating margin up 100bps to 18.0%
- Ranked a Great Place To Work in Ireland for sixth consecutive year
- Strategic investment continued in digital platform and stores

# Manufacturing

## Revenue



## Operating profit before property profit



£m	2021	2020	Change
Revenue	99.6	61.3	+62.4%
Operating profit pre property	24.0	13.3	+80.8%
Operating margin pre property	24.1%	21.7%	+240bps

### CPI EuroMix

- Good growth in revenue and profitability
- Excellent operating margin performance of 20.0%
- Strong underlying demand in new housing market

### StairBox

- Excellent first full year under Grafton ownership
- Profitability and cash generation ahead of plan
- Operating margin of 34.2% - a new record for a Grafton business

# Balance Sheet

	31 Dec 2021	31 Dec 2020
Goodwill and intangible assets	744.1	820.0
Right-of-use assets	421.3	505.9
Tangible assets	351.9	523.9
Working capital	158.5	112.6
Other assets/(liabilities)	(83.8)	(89.8)
Pension deficit	(11.5)	(50.6)
	1,580.6	1,822.0
Net cash/(debt) including IFRS 16 leases	139.0	(355.0)
Equity	1,719.6	1,467.0
Adjusted ROCE*	19.4%	11.9%

- Movement reflects disposal of GB Traditional Merchanting
- Increase in working capital a function of:
  - Revenue growth (incl. inflation)
  - Tactical investment in stock
  - Normalisation of business mix in H2 towards trade based businesses
- Reduction in pension deficit – UK DB scheme retained by Grafton and £20m special contribution made in H2

\* ROCE calculated for continuing operations

# Cash from operations

<b>£m</b>	<b>2021</b>	<b>2020</b> Restated
Profit before taxation from continuing operations	<b>249.8</b>	133.6
Profit/(loss) before taxation from discontinued operations	<b>143.8</b>	(0.8)
Finance costs	<b>20.6</b>	26.9
Operating profit	<b>414.3</b>	159.7
Depreciation & amortisation of intangible assets	<b>115.1</b>	121.4
Property profits (total)	<b>(17.1)</b>	(2.6)
Other movements	<b>(19.9)</b>	18.0
Profit on disposal of Group businesses	<b>(125.1)</b>	-
(Increase)/decrease in working capital	<b>(64.1)</b>	81.2
Cash generated from operations	<b>303.2</b>	377.7

# Cash flow

£m	2021	2020
Cash from operations	303.2	377.7
Interest and tax	(64.0)	(60.7)
Replacement capex net of asset disposals	(2.3)	(12.9)
Free cash flow	237.0	304.1
Development capex	(19.9)	(17.0)
Dividends	(84.9)	0.0
Share issue/(repurchase)	3.0	2.8
Acquisitions & business disposals (incl. debt acquired)	423.4	(47.5)
Net cash inflow before FX translation	558.5	242.5
Net cash disposed with Group Business	(36.7)	-
FX translation/other	(27.7)	(63.7)
Movement in net debt	494.0	178.8
Opening net (debt)	(355.0)	(533.8)
Closing net cash/(debt) – total operations	139.0	(355.0)



# 2022 Technical guidance

FY22 year property profit c.£3m - potential opportunity for upside

Depreciation and amortisation c.£85m - £90m in total  
(c.£40m on a pre IFRS 16 basis)

2022 gross capex spend (ex acquisitions and asset disposals) –  
replacement spend anticipated of c.£35m and development of c.£40m

Net finance charge of c.£21m (c.£13m relates to IFRS 16 leases) but  
acquisition timing dependent

Tax rate for full year c.18% with medium term direction likely to head  
towards c.22% given increase in UK corporation tax rate and likely increase  
in Ireland for multinational groups from 12.5% to 15% at some stage



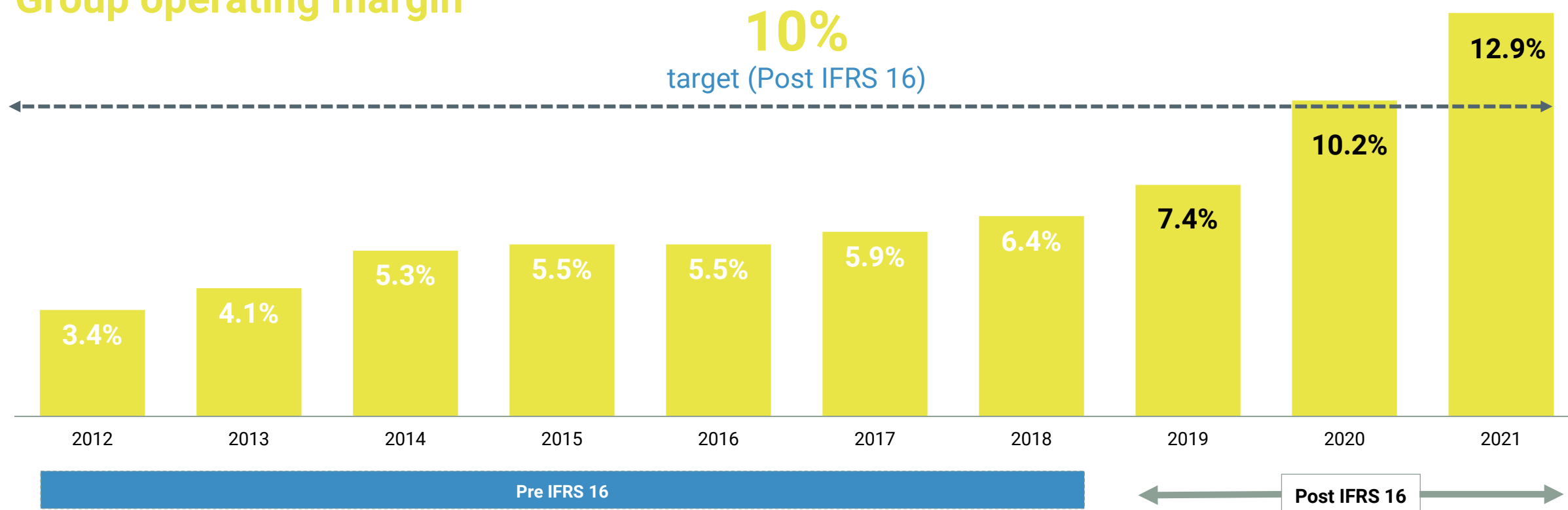
# Strategic Update & Outlook

GAVIN SLARK, CEO



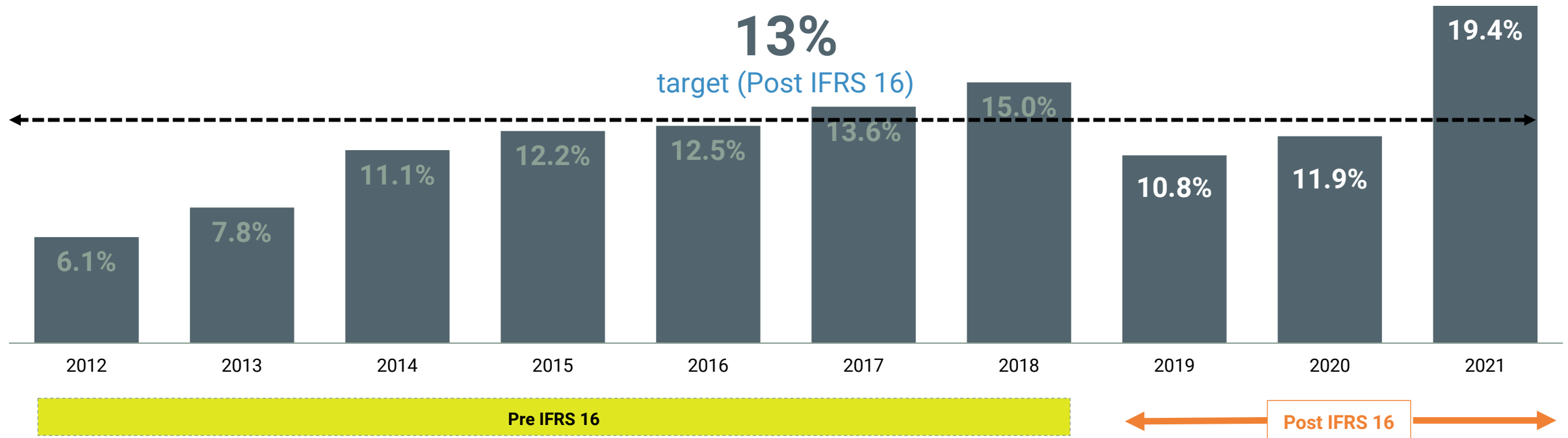
# Structural shift in operating margin following disposal of GB Traditional Merchanting business in December 2021

## Group operating margin



# Return on capital employed targets reflect expectation of further acquisitions in new geographies

## Group ROCE



# Our investment criteria

Good market



Good business



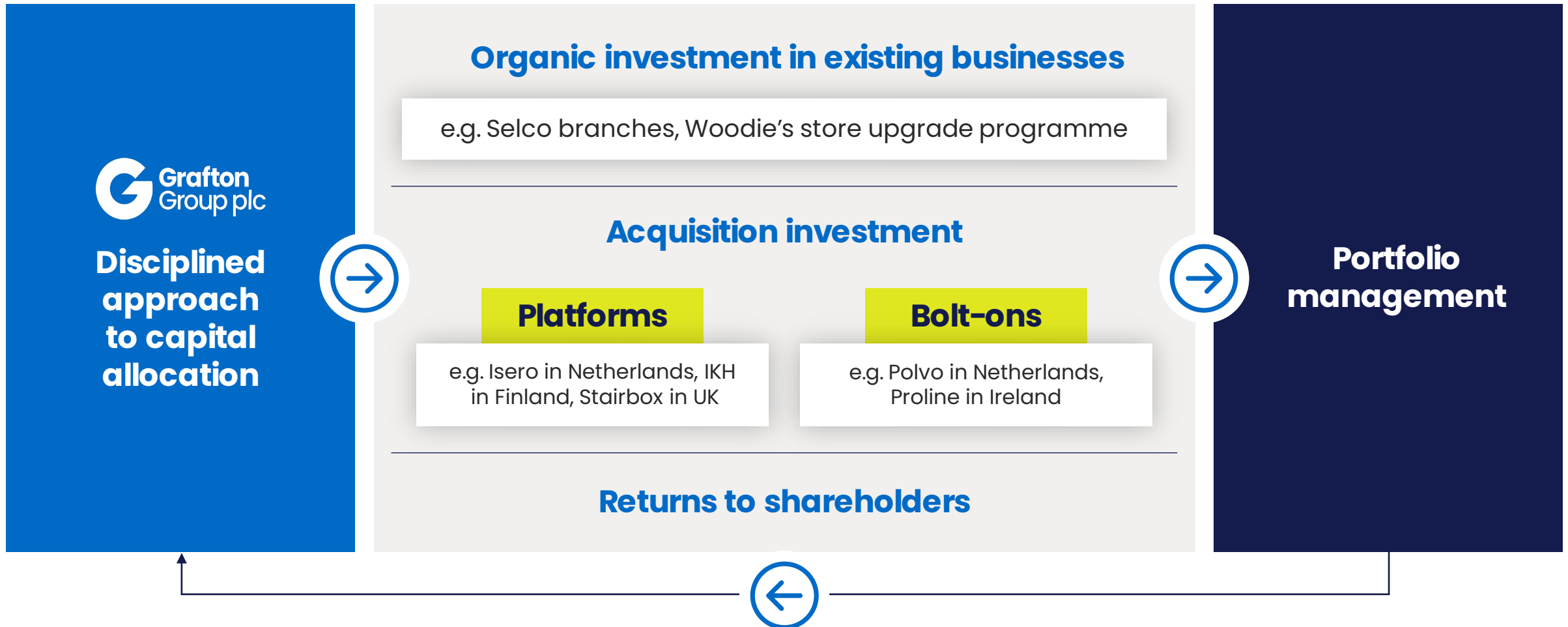
Good management team



Type of investment	Operating margin	ROCE
Organic investment	>8%	>13%
Platform acquisitions	>8%	>10%
Bolt-on acquisitions	>8%	>12%



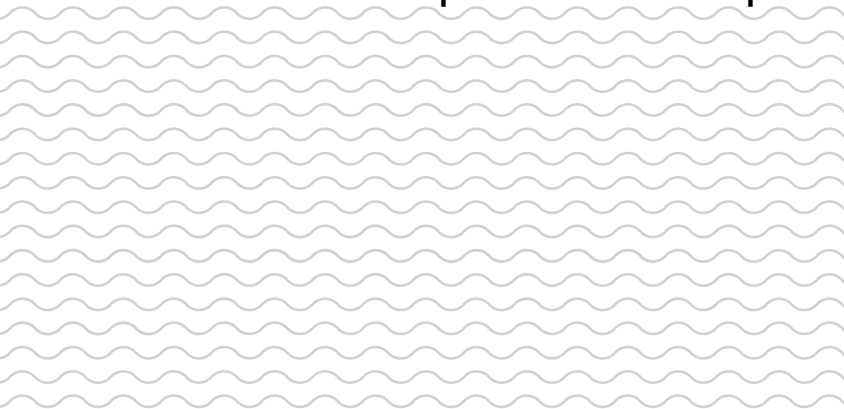
# Disciplined approach to capital allocation



## Growth investment update

Balance sheet strength means we have the firepower to invest and grow

- At least seven new Selco stores between now and the end of 2023 – target of 100 stores by end 2026
- Isero acquired Regts BV on 11 Jan 2022 (2021 revenue €26m)
- MacBlair acquired Woodfloor Warehouse on 14 Feb 2022 (2021 revenue £8m)
- Chadwicks expected to complete the acquisition of Sitetech at the end of February 2022 (2021 revenue €17m)



# Current trading

## Average daily like-for-like revenue growth

	Qtr 4 2021	1 Jan 2022 – 13 Feb 2022	
<b>Distribution</b>			
UK	+4.9%	+13.2%	• Positive start in UK
Ireland	+6.6%	+47.2%	• Irish construction had significant restrictions in Q1 last year
Netherlands	+7.7%	+6.7%	• Consistent growth in the Netherlands
<b>Retailing</b>	(8.6%)	(4.4%)	• Retail LFL movement anticipated and reflects favourable impact of Woodie's being essential retailer in H1 21
<b>Manufacturing</b>	+8.6%	+36.4%	• Strong start in Manufacturing with good growth in volumes
<b>Total Group</b>	<b>+3.8%</b>	<b>+18.9%</b>	

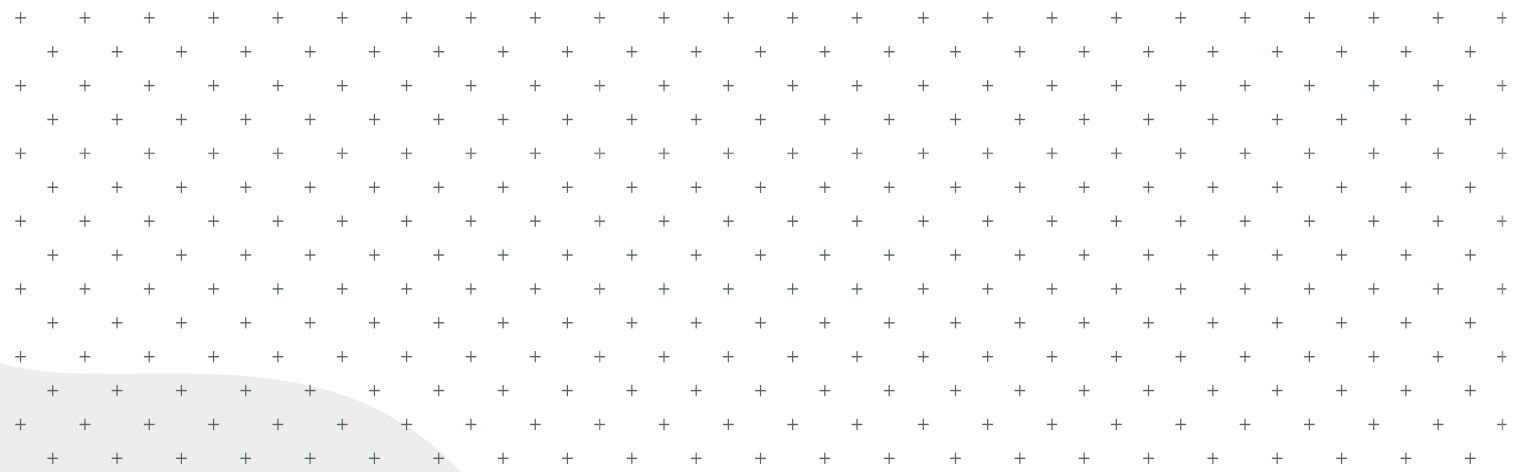
# Outlook



- 2022 has started well and in line with our expectations
- Underlying fundamentals of our markets remain positive
- Gross margin moving as flagged – 2021 benefited from customer/product mix and significant price inflation
- Inflation, labour market and supply chain pressures could be headwinds
- Financial strength of the Group leaves us well placed to take advantage of organic and acquisitive growth opportunities

“ 2021 saw **record profits**, a step change to **higher returning businesses** following the divestment of our GB Traditional Merchanting business, exposure to a **new growth platform** in the Nordics and increased focus on **digital and sustainability opportunities**. 😊





# Questions



# Appendices



# Appendix 1

## Notes & Definitions

### Notes

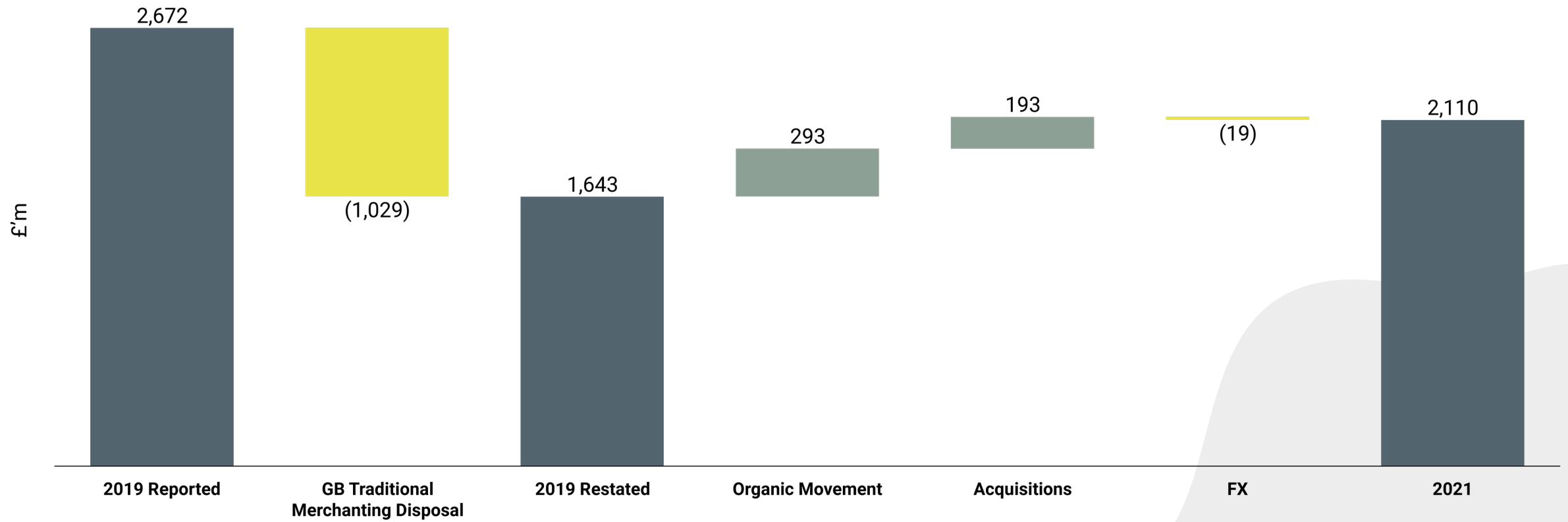
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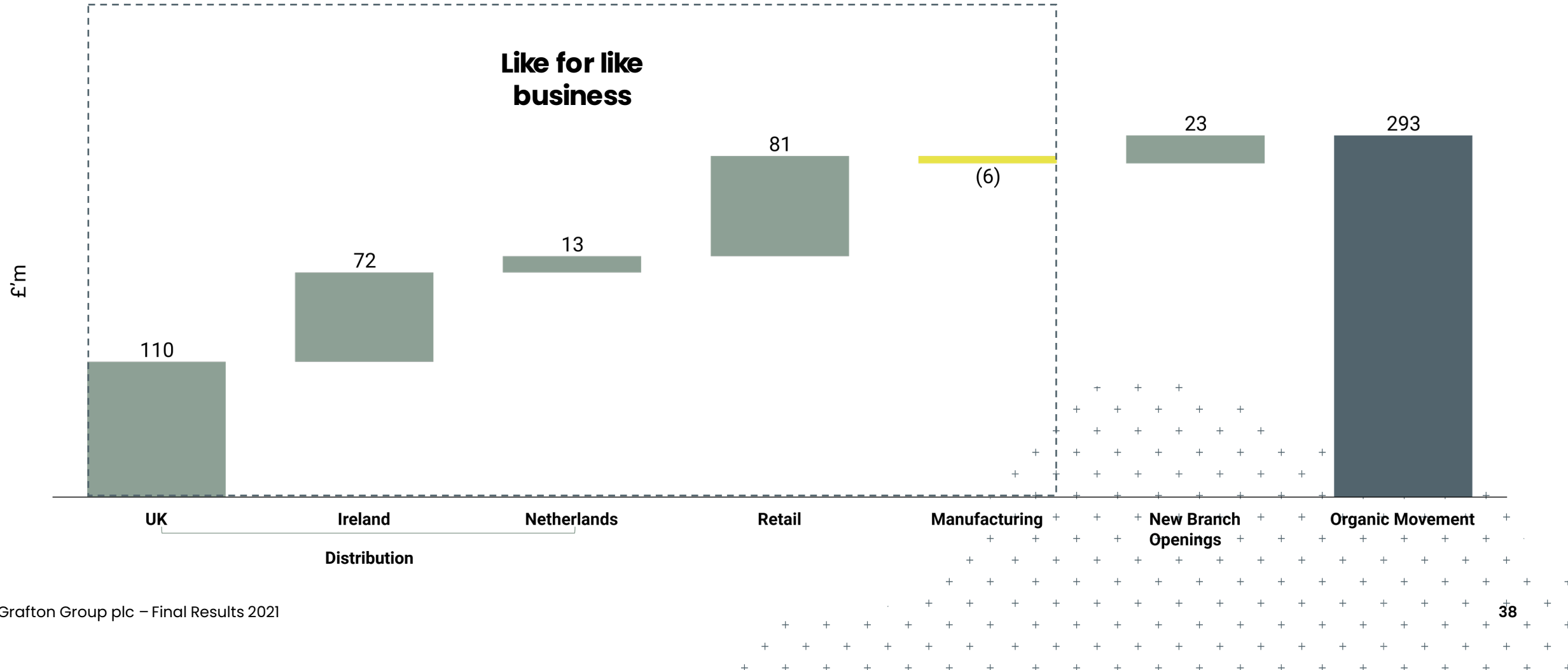
### Definitions

- Adjusted earnings per share is earnings before exceptional items, acquisition related items, intangible asset amortisation arising on acquisitions and before profit/loss on disposal of Group businesses
- Adjusted operating profit is earnings before exceptional items, acquisition related 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, acquisition related 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 (pre property profit) margin is adjusted operating profit (pre property profit) as a percentage of revenue

# Appendix 2 Revenue bridge 2 Year (2019-2021)



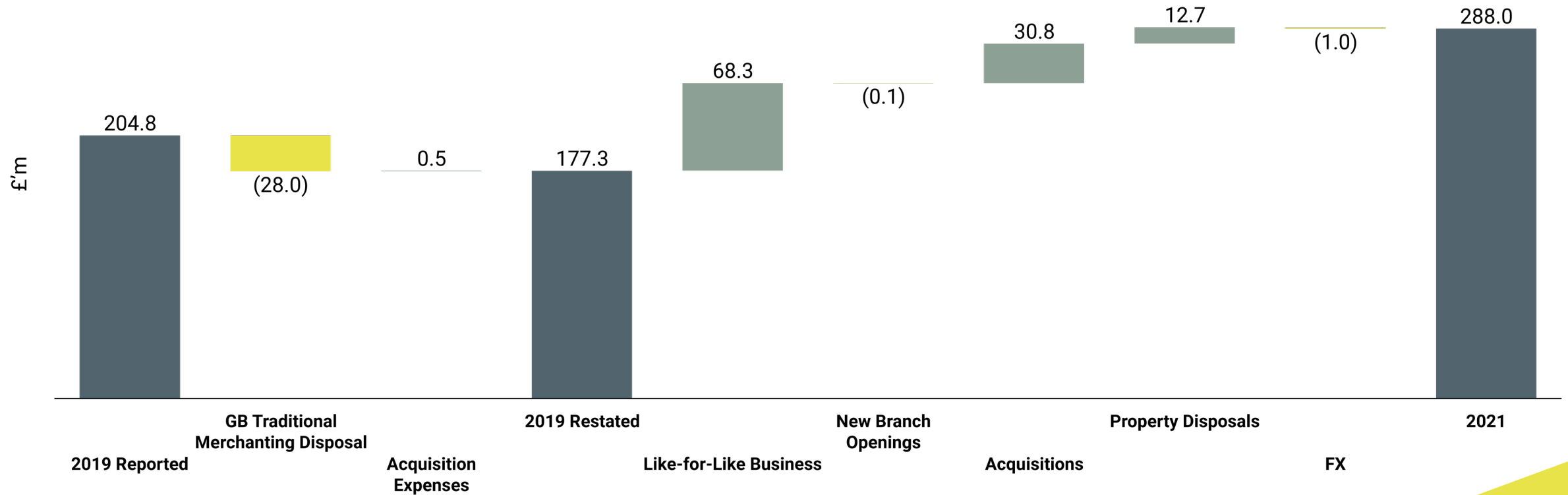
# Appendix 3 Analysis of organic movement in revenue 2 Year (constant currency)



# Appendix 4

## Adjusted operating profit – bridge 2019 to 2021

(IFRS 16)



# Appendix 5

## Analysis of movement in operating profit in like-for-like Business (2 Year)

