

Grafton Group plc

2021 Trading Update

Positive End to the Financial Year

Grafton Group plc ("Grafton" or "the Group"), the international building materials distributor and DIY retailer, issues this trading update for the year ended 31 December 2021 ahead of announcing its Final Results on 24 February 2022.

Highlights

- Positive second half revenue trends sustained to year end
- Strong performance from the Group's portfolio of high returning businesses with adjusted operating profit¹ for the year now expected to be at the top end of expectations
- Proceeds received at year end on divestment of Traditional Merchandising business in Great Britain enhances Group's strong financial position

Trading Performance

The positive revenue growth trends reported for the four months to the end of October continued through to the year end driven by the Group's strong brands and market positions against the backdrop of generally favourable trading conditions. While supply chain pressures moderated, building materials price inflation continued to be a key component of revenue growth in the distribution businesses particularly in the UK and Ireland.

Group total revenue from continuing operations, which excludes the traditional merchandising business in Great Britain the divestment of which completed on 31 December 2021, increased by 25.7 per cent to £2.11 billion in 2021 from £1.68 billion in 2020 and by 28.4 per cent from £1.64 billion in 2019.

Operating Profit Guidance

The Group had an exceptional performance in 2021 and we now expect to report record full year adjusted operating profit¹ in continuing operations at the top end of expectations. Current consensus Analysts' forecasts² is £270.4 million with a range of £266.7 million to £276.3 million.

Segment Trading

The table below shows both the changes in average daily like-for-like revenue for the two months to the end of December and in total revenue in 2021 compared to 2020 and 2019 for continuing operations.

Segment	Average Daily Like-for-Like Constant Currency Revenue Growth		Total Revenue	
			Sterling	Sterling
	Two Months to 31 December		12 Months to 31 December	
	2021 vs 2020	2021 vs 2019	2021 vs 2020	2021 vs 2019
Distribution				
- UK	3.1%	18.2%	30.3%	20.5%
- Ireland	8.0%	19.7%	17.3%	17.1%
- Netherlands	9.5%	7.7%	5.1%	37.2%
Retailing	(3.9%)	21.6%	14.7%	37.6%
Manufacturing	15.1%	0.6%	62.4%	25.2%
Group	4.6%	16.7%	25.7%	28.4%

UK Distribution

Selco continued to experience good demand in its market with average daily like-for-like revenue growth of 2.2 per cent in the final two months of the year measured against exceptional growth of 18.1 per cent in the same period in the previous year. Selco, opened its 72nd branch in Rochester in December having opened a branch in Canning Town in November.

MacBlair performed strongly and expanded its coverage of the Northern Ireland market with the acquisition in December of P. McDermott & Sons (Omagh) Ltd., a single branch builders distribution business located in Omagh, County Tyrone.

Ireland Distribution

The sharp increase in demand that followed the full reopening of the construction sector in early May continued through to the year end supported by a positive trading backdrop and record levels of activity in the residential RMI and new build markets.

As announced in December, the Group agreed to acquire Sitetech Building Products Ltd, the market leader in the distribution of specialist construction accessories in Ireland with revenue of £15.0 million in 2020. Completion is subject to approval by the Competition and Consumer Protection Commission in Ireland.

Netherlands Distribution

The specialist ironmongery, tools and fixings distribution business in the Netherlands ended the year strongly benefitting from good volume growth in key markets measured against weaker growth in the final months of 2020.

On 11 January 2022, Isero completed the acquisition of Regts B.V., a distributor of tools, ironmongery and fixings with revenue of £21.4 million in 2020. Regts has a strong market position in the province of Friesland where it trades from five branches.

Finland Distribution

IKH, the leading Finnish workwear, personal protective equipment, tools and spare parts wholesaler, acquired on 1 July 2021, continued to integrate well under Grafton ownership reporting revenue for the half year in line with pre-acquisition expectations.

Retailing

The Woodie's DIY, Home and Garden business in Ireland experienced strong demand for seasonal categories as growth moderated from post lockdown highs in 2020 and market conditions continued to normalise while exhibiting exceptional growth compared to 2019.

Manufacturing

The positive growth trend in mortar volumes that developed in the second half continued, supported by good underlying demand in the new housing market. The StairBox staircase manufacturing business acquired in late 2020 has continued to outperform.

Completion of Divestment of Traditional Merchanting Business in Great Britain

As previously announced, the disposal of the traditional merchanting business in Great Britain completed on 31 December 2021 and the proceeds were received in full on that date. As a result, the net cash position at the year end was materially ahead of the prior year which leaves the Group with a strengthened balance sheet and considerable investment capacity.

The divested business was treated as a deemed disposal at 30 June 2021 and classified as discontinued operations in line with International Financial Reporting Standards.

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

"I would like to again express my sincere thanks to colleagues across our Group for their exceptional response throughout the Covid 19 pandemic and for safely supporting the record levels of activity in our branches, stores and manufacturing operations.

"The Group's portfolio of high returning businesses performed strongly leading to a record outcome for the year. 2021 was also a year of significant strategic change for Grafton with the sale of the traditional merchanting

business in Great Britain and the acquisition of IKH in Finland. The overall outlook remains positive and we look to the future with confidence given the strength of our businesses, strong balance sheet and good pipeline of investment opportunities.”

¹ Adjusted operating profit is defined as profit before amortisation of intangible assets arising on acquisitions, exceptional items, net finance expense and income tax charge.

² Grafton compiled Analysts' forecasts for 2021.

Ends

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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, the Netherlands and Finland following the acquisition of IKH in July 2021. Grafton is also the market leader in the DIY, Home and Garden retailing market in Ireland and is the largest manufacturer of dry mortar in the UK where it also operates a market leading staircase manufacturing business.

Grafton trades from circa 335 branches and has circa 8,200 colleagues. Its portfolio of brands includes Selco, Leyland SDM, MacBlair, CPI EuroMix and StairBox in the UK; Chadwicks and Woodie's in Ireland, Isero and Polvo in the Netherlands and IKH in Finland.

For further information visit www.graftonplc.com