

# Grafton Group plc

## Trading Update

### Full Year Operating Profit to Exceed Top End of Analysts' Forecasts

Grafton Group plc ("Grafton," or "the Group"), the international building materials distributor and DIY retailer, issues this trading update for the period from 1 November 2022 to 31 December 2022.

#### Highlights

- Eric Born joined Grafton as CEO on 28 November 2022
- Adjusted operating profit before property profit expected to be slightly ahead of top end of Analysts' forecasts
- Group ended year in very strong financial position
- Second share buyback programme launched

#### Trading Performance

Group average daily like-for-like revenue growth of 2.6 per cent in the final two months of the year was marginally ahead of growth of 1.8 per cent in the four months to the end of October. Group revenue increased by 9.1 per cent to £2.30 billion in 2022 from £2.11 billion in the prior year and by 40.0 per cent from £1.64 billion in 2019.

The Group continued to benefit from the geographic diversity of its markets with over half of revenue generated in Ireland, the Netherlands and Finland.

Revenue trends continued to be favourable in the distribution businesses in Ireland and the Netherlands supported by good underlying demand and building materials price inflation. Trading conditions continued to soften in the UK distribution business although the rate of decline in volumes slowed. The Finnish distribution business ended the year on a strong note. Trading normalised in the DIY, Home and Garden business in Ireland to a level that was marginally down on the prior year and the rate of revenue growth in the UK manufacturing business eased in response to lower activity in the new housing market.

#### Segment Trading – Continuing Operations

The table below shows the changes in average daily like-for-like revenue for the two months to the end of December compared to the same periods in 2021 and 2019 and in total revenue in continuing operations for the year to 31 December 2022 compared to the prior year.

Segment	Average Daily Like-for-Like Constant Currency Revenue Growth		Total Revenue	
			Constant Currency	Sterling
	Period - 1 November to 31 December 2022		Period - 1 January to 31 December 2022	
	2022 vs 2021	2022 vs 2019	2022 vs 2021	2022 vs 2021
<b>Distribution</b>				
- UK (Continuing Operations)	(0.5%)	17.1%	2.0%	2.0%
- Ireland	0.8%	22.6%	14.4%	13.6%
- Netherlands	10.5%	27.9%	16.8%	15.9%
- Finland	8.9%	-	101.7%	102.3%
<b>Retailing</b>	(1.7%)	19.5%	(13.0%)	(13.7%)
<b>Manufacturing</b>	14.2%	13.0%	21.2%	21.1%
<b>Group (Continuing Operations)</b>	<b>2.6%</b>	<b>22.0%</b>	<b>9.5%</b>	<b>9.1%</b>

## **UK Distribution**

Sharp increases in energy costs and inflation contributed to a fall in disposable incomes and consumer confidence and led to a decline in discretionary spending in the housing repair, maintenance and improvement ("RMI") market which accounts for a high proportion of Selco's revenue. The rate of decline in average daily like-for-like revenue in Selco moderated to 2.1 per cent in November and December from 6.1 per cent in the four months to the end of October. Building materials price inflation eased and the decline in volumes moderated.

Average daily like-for-like revenue in the MacBlair distribution business in Northern Ireland was flat in the period as increased revenue from house building offset lower revenue from residential RMI projects. The TG Lynes commercial pipe and fittings distributor in London continued to perform strongly and Leyland SDM experienced double-digit growth in average daily like-for-like revenue driven by inflation and a return to volume growth.

## **Ireland Distribution**

Chadwicks' distribution business in Ireland continued to operate at high levels of activity across the branch network supported by good underlying demand in the residential new build and RMI markets which held up well despite the pressure on volumes from building materials price inflation which remained elevated, tight labour markets and higher interest rates.

## **Netherlands Distribution**

The positive trends that emerged in our ironmongery, tools and fixings business in the Netherlands in the first half continued broadly through to the end of October and gained further momentum in November and December. Increased volumes with larger key account customers engaged in commercial construction and the maintenance of public sector housing more than offset lower demand from smaller customers operating in the private housing RMI market.

## **Finland Distribution**

The recovery in demand in the IKH workwear, tools and spare parts business that developed earlier in the second half gained further momentum in the final months of the year supported by generally resilient activity in end markets.

## **Retailing**

A small decline in revenue in the Woodie's DIY, Home and Garden business in Ireland reflected weaker demand for seasonal categories, as exceptional pandemic related gains fully reversed, and a more cautious approach by consumers to discretionary spending in the run-up to Christmas.

## **Manufacturing**

The improving trend to the end of October in mortar volumes supplied to the new housing market moderated in response to interest rate rises and increased economic uncertainty. StairBox, the market leading staircase manufacturing business, continued to operate at record volumes.

## **Pensions**

A non-recurring curtailment gain of circa £3.5 million arose on closure to future accrual of a defined benefit pension scheme.

## **Property Profit**

Property profit of circa £24.5 million was £6.0 million ahead of guidance and included an unrealised gain of circa £4.5 million on the remeasurement of a number of investment properties to fair value under IFRS.

## **Share Buyback Programme**

In line with the Group's disciplined approach to capital allocation and supported by its strong financial position, the second share buyback programme of 2022 was launched during the period. Between 10 November 2022 and 31 December 2022, 4.4 million shares were repurchased for cancellation at a total cost of £35.0 million.

## Operating Profit Guidance

The Group now expects full year adjusted operating profit<sup>1</sup> before property profit and the non-recurring pension gain to be slightly ahead of the top end of Analysts' forecasts<sup>2</sup>.

### Eric Born, Chief Executive Officer of Grafton Group plc commented today:

"I am delighted to have joined Grafton and in my first six weeks as CEO I have met with the management teams across our businesses and visited branches, stores and manufacturing facilities in the four countries where we operate. I have been deeply impressed by the heritage and quality of our businesses and by the passion, drive and enthusiasm of our people as well as their extensive knowledge of our markets and customers. Together with my team, I look forward to building on these very solid foundations over the coming years.

"It is pleasing to note that despite mixed macroeconomic and market conditions, we expect full year operating profit to be slightly ahead of the top end Analysts' forecasts for 2022. We look to the future with confidence supported by our market leading businesses and very strong financial position."

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

<sup>2</sup> Grafton compiled consensus Analysts' forecasts for 2022 show adjusted operating profit<sup>1</sup> of circa £265 million and a range of £262 million to £268 million. Consensus Analysts' forecasts for adjusted operating profit<sup>1</sup> before property profit of £18.5 million is circa £246.5 million and the range is from £243.5 million to £249.5 million.

## 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 UK, Ireland, the Netherlands and Finland. Grafton is also the market leader in the DIY retailing market in Ireland and is the largest manufacturer of dry mortar in the UK where it also operates a leading staircase manufacturing business.

Grafton trades from circa 350 branches and has circa 8,700 colleagues. The Group's 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](http://www.graftonplc.com).