

Grafton Group plc

Trading Update

On Track to Deliver Full Year Expectations

Grafton Group plc (“Grafton” or “the Group”), the international building materials distributor and DIY retailer, issues this trading update for the period from 1 July 2023 to 31 October 2023.

Highlights

- Resilient trading despite more challenging markets
- Grafton remains on track to deliver full year operating profit¹ in line with expectations²
- Fourth share buyback programme for up to £50 million launched on 31 August 2023
- Market leading brands, geographic diversity and exceptionally strong balance sheet leaves Grafton well positioned to perform

Trading and Performance

Grafton continued to deliver a resilient performance in this latest trading period despite slightly softer than anticipated market conditions in September and October. Group revenue in the ten months to 31 October 2023 was up by 1.7 per cent to £1.96 billion (2022: £1.93 billion). The Group remains on track to deliver full year operating profit in line with expectations supported by cost reduction measures implemented earlier this year and ongoing cost discipline.

Overall Group demand was more subdued in the four months to the end of October leading to a marginal decline in year-on-year average daily like-for-like revenue with modest price deflation experienced in the Distribution businesses in Ireland and the UK. This outcome compared to slight growth in average daily like-for-like revenue reported for the first half. Grafton continued to benefit from the breadth of its customer relationships in multiple end-markets and geographic spread of operations with 60 per cent of revenue generated from operations outside the UK in Ireland, the Netherlands and Finland.

In Ireland, Chadwicks saw a resumption of growth in average daily like-for-like revenue in the four months to the end of October against the backdrop of firmer demand in the residential repair, maintenance and improvement (“RMI”) and new build markets. The Competition and Consumer Protection Commission approved the acquisition of Rooney’s single branch building materials distribution business and this deal completed at the end of October.

The trading environment in the UK RMI market remained challenging for Selco as discretionary spending on the home continued to be under pressure from high inflation and higher interest rates. In the Netherlands, revenue growth with key account customers engaged on large commercial construction projects more than offset lower sales to smaller customers and timber factories. In Finland, the slowdown in economic and construction activity reduced demand in IKH.

In Retailing, revenue increased in recent months in Woodie’s DIY, Home and Garden business in Ireland following weaker demand for seasonal products at the start of the second half. In Manufacturing, CPI Mortars experienced a decline in volumes as housebuilders reduced housing starts in response to lower reservation rates for new homes. Revenue was also lower in StairBox, the bespoke staircase manufacturing business that supplies the RMI market, following a prolonged period of uninterrupted growth.

Segmental Trading

The table below shows the changes in average daily like-for-like revenue and in total revenue compared to the same periods in the prior year.

Segment	Average Daily Like-for-Like Revenue Growth in Constant Currency			Total Revenue Growth	
				Constant Currency	Sterling
	Six Months to 30 June 2023	Four Months to 31 October 2023	Ten Months to 31 October 2023	Ten Months to 31 October 2023	Ten Months to 31 October 2023
Merchanting					
- Ireland	(3.4%)	0.8%	(1.7%)	(0.1%)	2.3%
- UK	(2.3%)	(3.2%)	(2.8%)	(1.8%)	(1.8%)
- Netherlands	3.7	1.7%	2.9%	3.8%	6.4%
- Finland	(0.8%)	(7.6%)	(3.8%)	(1.6%)	0.7%
Retailing	6.3%	0.8%	4.2%	4.2%	6.7%
Manufacturing	10.9%	(8.2%)	1.9%	2.8%	3.0%
Group	0.1%	(1.5%)	(0.8%)	0.3%	1.7%

Share Buyback

A fourth programme was launched on 31 August 2023 to buy back ordinary shares in the Company for an aggregate consideration of up to £50 million, reflecting continuing confidence in the Group's trading prospects, strong balance sheet and cash generative operations. The Group had undertaken £36.65 million of the buyback programme by the close of business on 10 November 2023.

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

“Despite more challenging markets in recent months, we expect Group operating profit for the year to be in line with expectations. Our strong focus on cost management mitigated some of the impacts of weaker trading and we continue to support our customers with excellent value propositions across our portfolio of businesses.

“Our strong balance sheet and cash generative operations provide us with the resources to develop our businesses organically and to take advantage of acquisition opportunities as they arise. We continue to be actively engaged with potential vendors to build a deeper pool of opportunities in our targeted European markets.”

¹ 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.

² Grafton compiled consensus Analysts' forecasts for 2023 show operating profit¹ of circa £198.1 million and a range of £190.5 million to £205.0 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 distribution markets in the UK, Ireland, the Netherlands and Finland. Grafton is also the market leader in the DIY, Home and Garden retailing market in Ireland and is the largest manufacturer of dry mortar and bespoke timber staircases in the UK.

Grafton trades from circa 360 branches and has circa 9,000 colleagues. The Group's portfolio of brands includes Selco Builders Warehouse, Leyland SDM, MacBlair, TG Lynes, 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