Grafton Group plc

Final Results

Financial Year
Ended 31 December 2023

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 and Definitions

Please refer to Notes and Definitions in Appendix 1

Meet the team

Eric Born
Chief Executive Officer

David Arnold
Chief Financial Officer

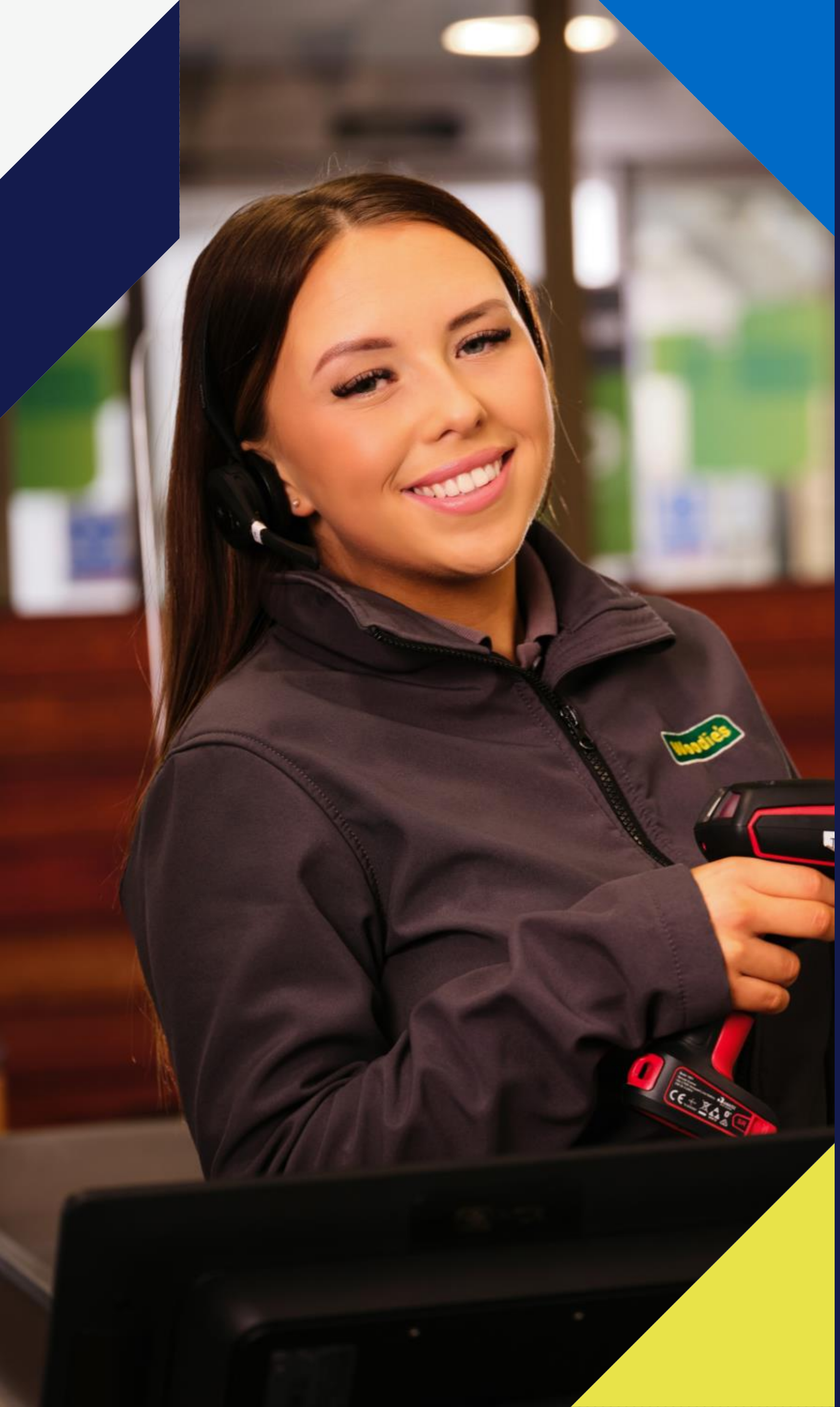
Introduction & highlights

Eric Born - CEO

01

2023 Operational Highlights

- Solid trading performance in challenging market conditions
- Resilient Distribution performance despite lower volumes
- Solid trading in DIY Retail with Woodies as Irish consumer confidence recovered
- Higher operating profit in Manufacturing despite volume decline
- Strengthened market positions through new branch openings and bolt-on acquisitions
- Enhanced pipeline of acquisition opportunities in existing and new markets
- Significant progress advancing our sustainability agenda



2023 Financial Highlights

- Full year adjusted operating profit £205.5m, better than top end of analyst expectations
- Adjusted operating margin before property profit 8.8%
- Adjusted ROCE 11.9%
- Dividend per share increased by 9.1%
- £228.3m returned to shareholders via dividend and share buybacks
- Strong cash position at year end with £380m net cash (before leases)

Grafton Group plc

Financial review

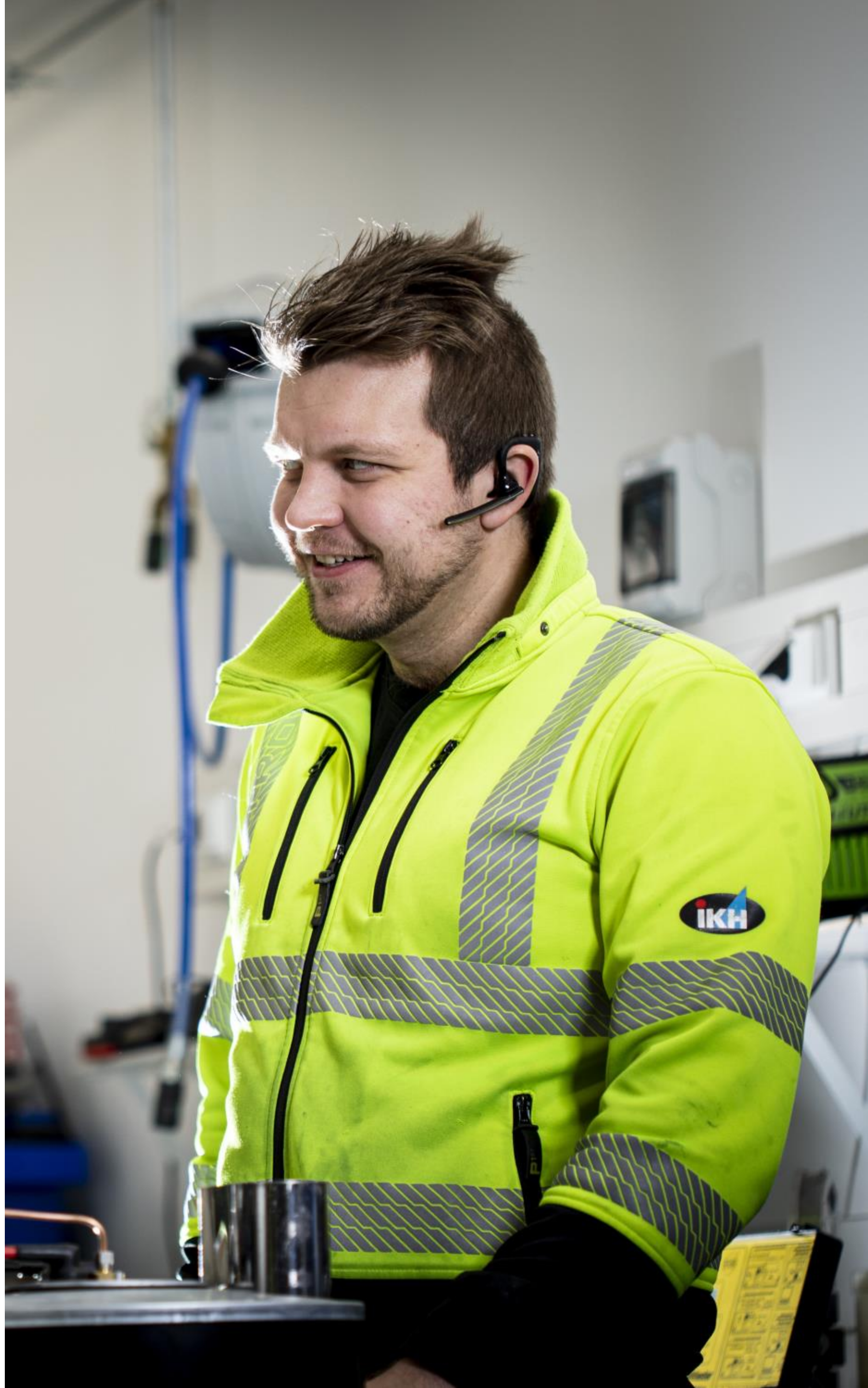
David Arnold - CFO

02

Income statement

£m	2023	2022	Change
Revenue	**2,319.2**	2,301.5	+0.8%
Adjusted operating profit pre property profit	**204.2**	260.5	(21.6%)
Property profit	**1.3**	25.4	
Adjusted operating profit	**205.5**	285.9	(28.1%)
Amortisation[1] and acquisition related items	**(22.4)**	(21.6)	
Statutory operating profit	**183.1**	264.3	(30.7%)
Net finance income/(cost)	**0.4**	(12.6)	
Statutory profit before tax	**183.5**	251.7	(27.1%)
Adjusted profit before tax	**205.9**	273.3	(24.6%)

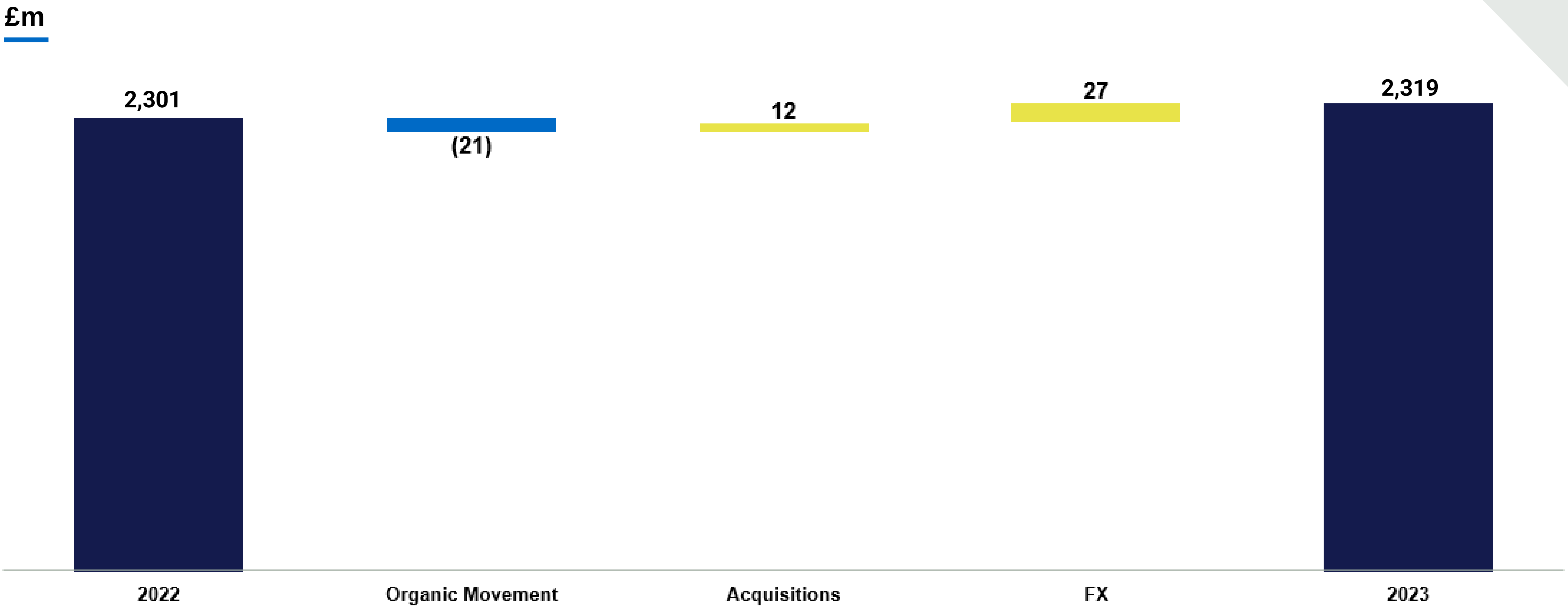
[1]Amortisation of intangible assets arising on acquisitions



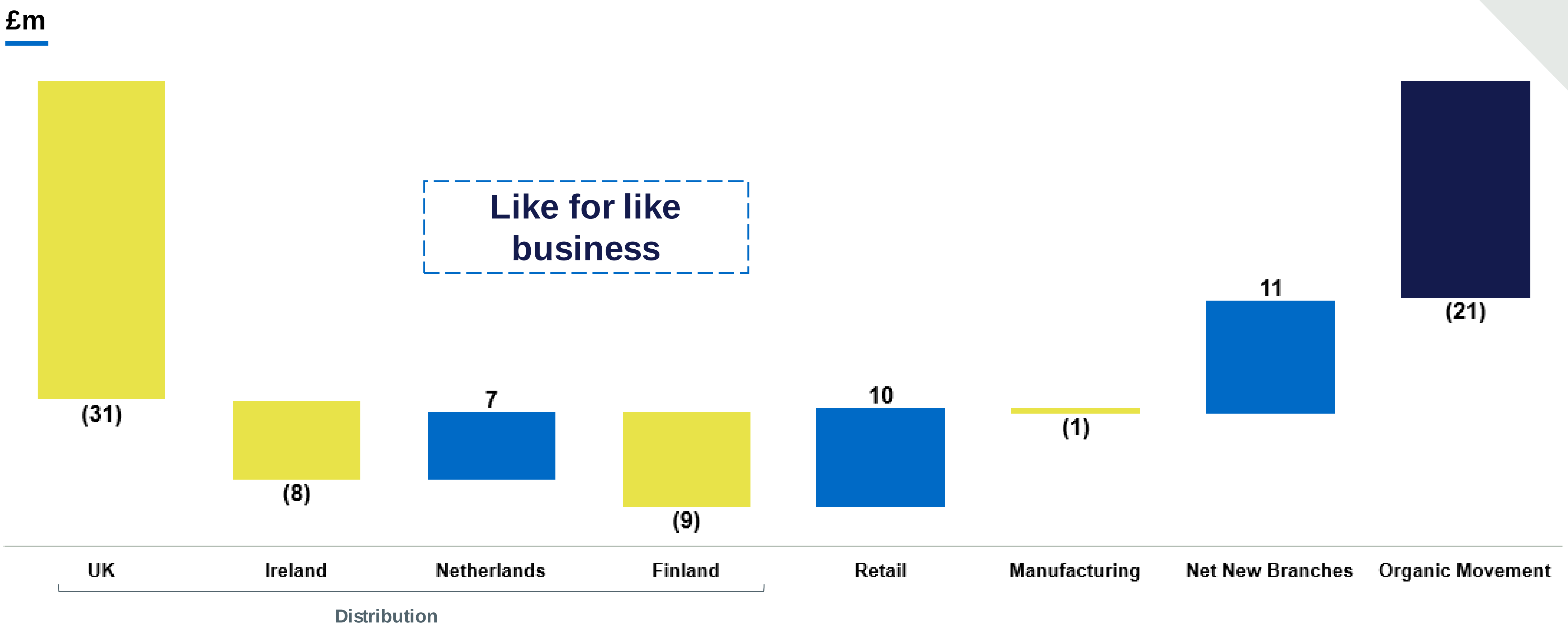
Earnings Per Share

£m	2023		2022		Change
Adjusted operating profit	**205.5**		285.9		(28.1%)
Net finance income/(cost)	**0.4**		(12.6)		
Adjusted profit before tax	**205.9**		273.3		
Tax	**(39.4)**	***19.0%***	(47.7)	*17.1%*	
Adjusted profit after tax	**166.5**		225.6		
Shares in issue (weighted in m's)	**213.8**		233.5		(8.4%)
Shares in issue (year-end in m's)	**205.6**		223.4		(8.0%)
Adjusted EPS	**77.9p**		96.6p		(19.4%)
Dividend per share	**36.0p**		33.0p		+9.1%
Dividend cover (times)	**2.2**		2.9		(0.7)

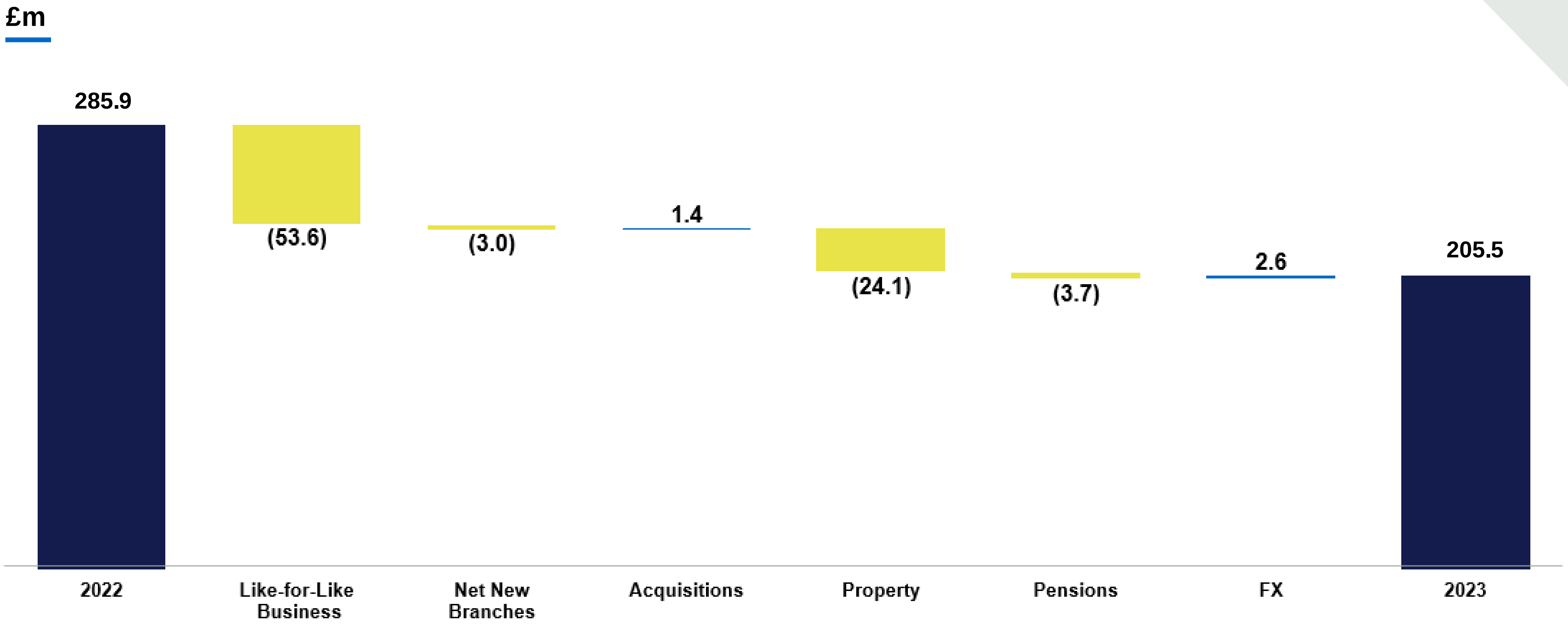
Revenue bridge



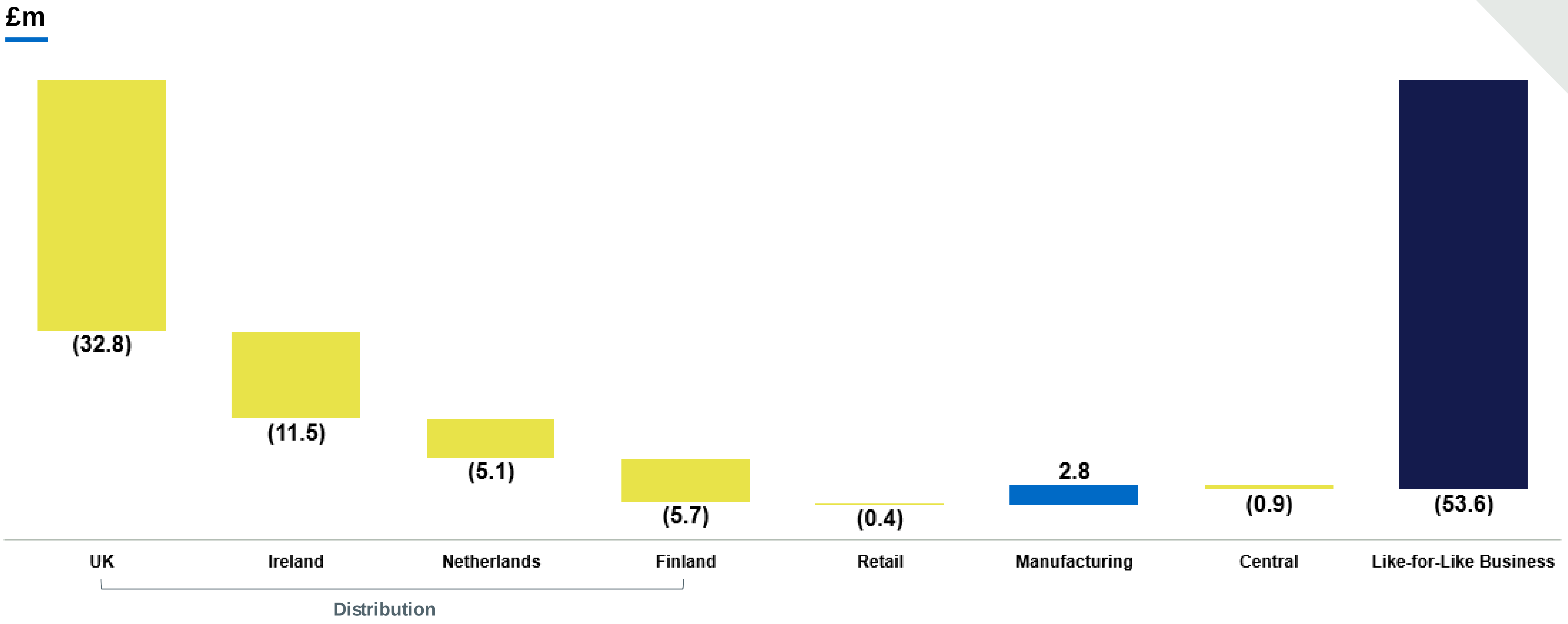
Analysis of organic movement in revenue
(constant currency)



Adjusted operating profit
2022 to 2023 bridge

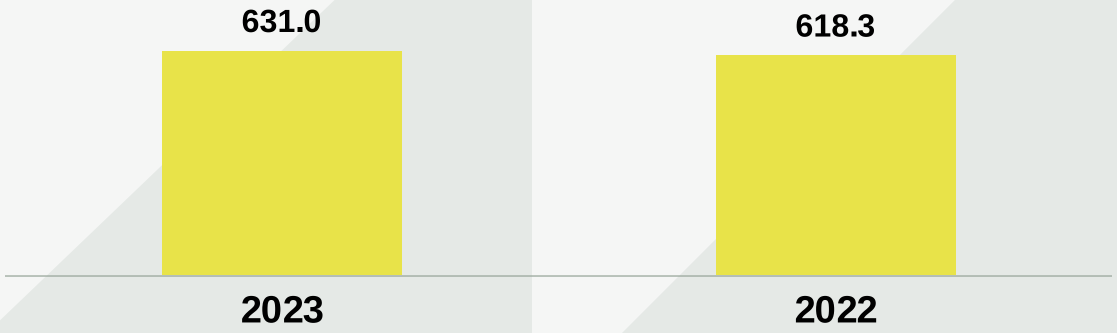


Analysis of movement in operating profit
in like-for-like business



Irish Distribution

Revenue (£m)



Adjusted operating profit before property profit (£m)

£m	2023	2022	Change
Revenue	631.0	618.3	+2.1%
Adjusted operating profit pre property	60.9	70.5	(13.5%)
Adjusted operating margin pre property	9.7%	11.4%	(170bps)

- Underlying housing demand remained strong
- H2 stronger with adjusted operating margin increasing to 10.2 per cent (H1 23: 9.1 per cent)
- Profitability adversely affected by price deflation in timber and steel
- New branch opened in Dublin (East Wall Road)
- Online platform upgraded to improve service offering and continued roll-out of YourRetrofit.ie and eco-centres

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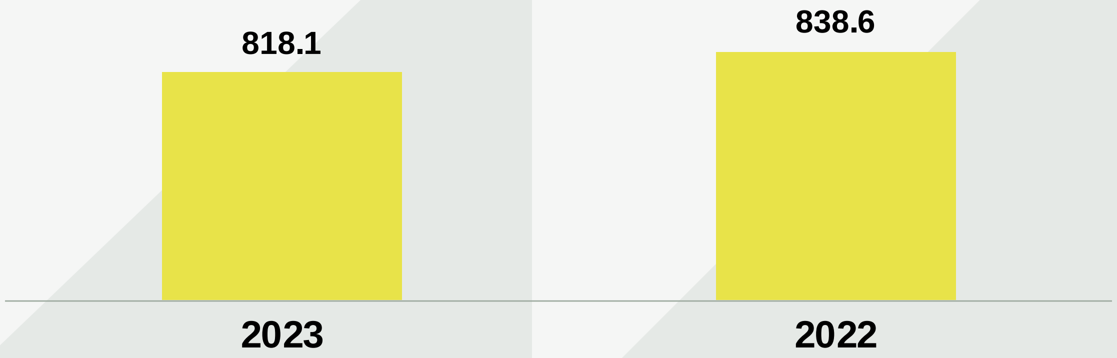
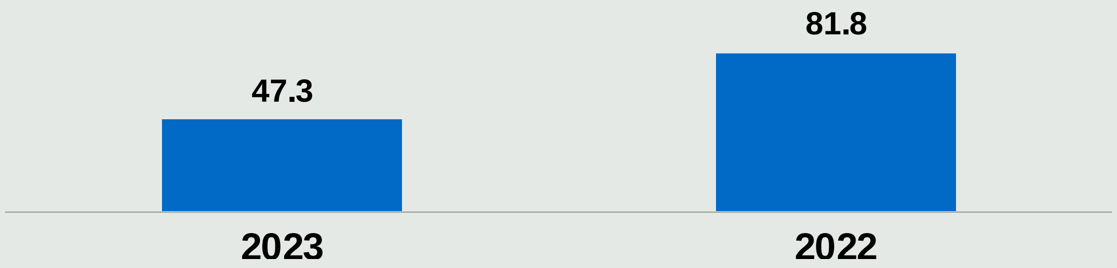
UK Distribution

Revenue (£m)



Adjusted operating profit before property profit (£m)



£m	2023	2022	Change
Revenue	818.1	838.6	(2.4%)
Adjusted operating profit pre property	47.3	81.8	(42.3%)
Adjusted operating margin pre property	5.8%	9.8%	(400bps)

- Volumes in UK RMI continued to trend downwards but moderated in H2
- Building materials price deflation in H2, mostly in timber and sheet materials
- Gross margin was 160bps lower – function of competitive market and investment in pricing to deliver better value to customers
- Selco's H1 cost actions contributed material savings in cost base to mitigate impact of inflationary pressure
- New branches in Selco and LSDM and acquisitions in MacBlair contributed revenue of £10.3m

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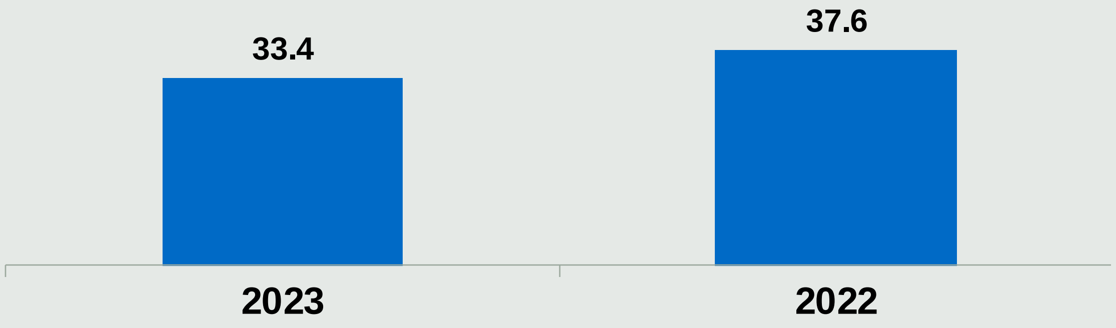
Netherlands Distribution

Revenue (£m)

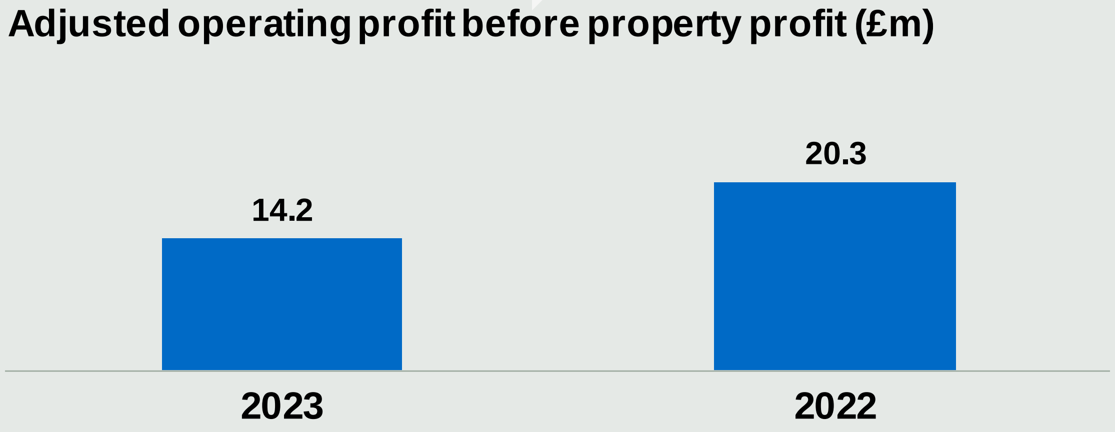
Adjusted operating profit before property profit (£m)



£m	2023	2022	Change
Revenue	351.5	336.7	+4.4%
Adjusted operating profit pre property	33.4	37.6	(11.2%)
Adjusted operating margin pre property	9.5%	11.2%	(170bps)

- Solid performance in market which softened during the year
- Revenue growth benefitting from increased volumes with new and established key account customers
- Gross margin for H1 in line with prior year but slightly down for full year 2023
- New branches opened in 2022 and 2023 performed well
- Trading from a total of 124 branches

Finland Distribution



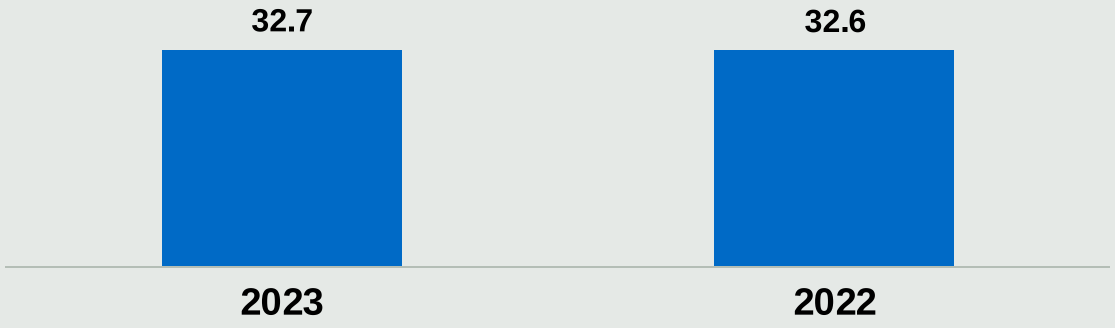
£m	2023	2022	Change
Revenue	139.8	143.2	(2.4%)
Adjusted operating profit pre property	14.2	20.3	(30.1%)
Adjusted operating margin pre property	10.2%	14.2%	(400bps)

- Softening in demand in H1 and more challenging trading conditions into H2 with LFL revenue down 5.6 per cent for the year
- Finnish economy in a mild recession in 2023 with rising interest rates and weaker exports impacting activity
- Sales softened in Partner network and owned stores in Finland but higher revenue in Estonia and Sweden
- Rovaniemi (Lapland) owned store growing market share
- New branch opened in Lielahti and partner store acquired in Kouvolan in 2023

Retailing

Revenue (£m)

Operating profit before property profit (£m)

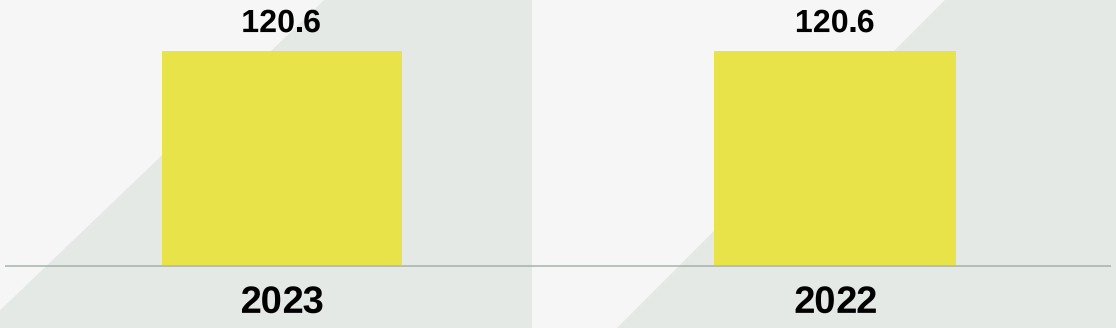


£m	2023	2022	Change
Revenue	258.2	244.0	+5.8%
Adjusted operating profit pre property	32.7	32.6	+0.5%
Adjusted operating margin pre property	12.7%	13.3%	(60bps)

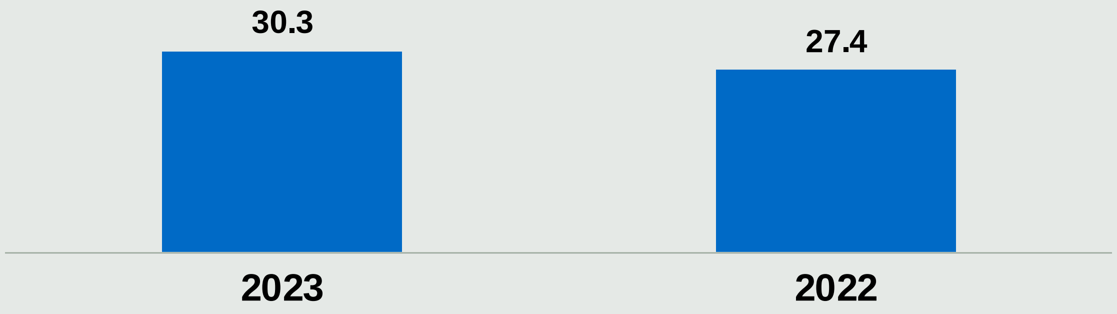
- Solid trading performance with revenue growth of 5.8 per cent (3.9 per cent in constant currency)
- Transactions up 1.3 per cent with average transaction value increasing by 2.6 per cent
- Operating profit in line with 2022 as overheads remain tightly controlled
- Improvement in customer sentiment prompted by easing of cost-of-living pressures and expectation of lower inflation and interest rates
- Great Place to Work for eighth consecutive year and ranked 37th among Best Workplaces in Europe

Manufacturing

Revenue (£m)



Operating profit before property profit (£m)



£m	2023	2022	Change
Revenue	120.6	120.6	+0.0%
Adjusted operating profit pre property	30.3	27.4	+10.5%
Adjusted operating margin pre property	25.1%	22.7%	+240bps

CPI EuroMix

- Very good performance in a challenging market
- Revenue decline of 1.9 per cent
- Improved margins following impact of sharp rise in cost of materials, labour, energy and fuel
- Weaker volume outlook – fewer silos on site
- ERP system successfully rolled out

StairBox

- Full year volume decline of 4 per cent (H2 down 11 per cent)
- Revenue unchanged with increase in operating profit, supported by improvement in gross margin
- Acquisition of Wooden Windows – opportunity to realise significant synergies

Balance Sheet

£m	31 December 2023	31 December 2022
Goodwill and intangible assets	**784.0**	789.5
Right-of-use assets	**401.3**	420.1
Tangible assets	**396.2**	384.8
Working capital	**219.2**	246.6
Other assets/(liabilities)	**(89.8)**	(93.9)
Pension (deficit)	**(5.8)**	(10.5)
Capital Employed	**1,705.1**	1,736.7
Net (debt)/cash including IFRS 16 leases	**(49.3)**	8.9
Equity	**1,655.8**	1,745.6
Adjusted ROCE	**11.9%**	17.2%

Balance Sheet

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Equity	**1,655.8**	1,745.6
Adjusted ROCE	**11.9%**	17.2%

	31 December 2023	31 December 2022
Inventories	361.6	399.6
Trade debtors	262.7	267.7
Trade payables	(405.1)	(420.7)
	219.2	**246.6**

Cash from operations

£m	2023	2022
Profit before taxation	**183.5**	251.7
Net finance (income)/expense	**(0.4)**	12.6
Operating profit	**183.1**	264.3
Depreciation & amortisation of intangible assets	**126.0**	114.6
Property profits (total)	**(0.9)**	(25.4)
Other movements	**(3.5)**	(3.4)
Decrease/(increase) in working capital	**29.5**	(71.3)
Cash generated from operations	**334.3**	278.8

Cash flow

£m	2023	2022
Cash from operations	**334.3**	278.8
Interest and tax	**(37.3)**	(52.7)
Payment of lease liabilities	**(67.7)**	(58.1)
Replacement capex net of asset disposals	**(23.7)**	(4.6)
Free cash flow	**205.6**	163.3
Development capex	**(25.4)**	(24.7)
Dividends	**(72.6)**	(73.9)
Share repurchase (net of costs & SAYE/LTIP)	**(157.5)**	(140.4)
Acquisitions (incl. debt acquired)	**(27.9)**	(46.0)
Net cash outflow before FX translation	**(77.8)**	(121.6)
FX translation/other	**19.6**	(8.6)
Movement in net debt	**(58.2)**	(130.1)
Opening net cash	**8.9**	139.0
Closing net (debt)/cash	**(49.3)**	8.9
Free cash flow as a % of adjusted operating profit	**100%**	57%

2024
Technical guidance

- No significant contribution from property profits expected
- Depreciation and amortisation c.£115m - £120m in total (c.£45m PPE/Intangible Assets and c.£70m-£75m Right-of-Use Assets)
- 2024 gross capex spend (ex acquisitions and asset disposals) - replacement spend anticipated of c.£30m and development of c.£35m
- Net finance charge of c.£3m (c.£15m relates to IFRS 16 leases) but acquisition timing dependent
- At this stage, estimated 2024 tax rate of c. 21.0% and in the medium term, based on expectations of the balance of profitability across the Group and tax rates, is anticipated to increase slightly to c. 21.6%

Sustainability, current trading, summary and focus

Eric Born - CEO

03

Sustainability update
Implementing our sustainability agenda

- Strong progress demonstrated across five priority areas of sustainability strategy: Planet, Customer & Product, People, Community & Ethics
  - ✓ 2023 Sustainability Performance and Reporting integrated into Annual Report and Accounts
  - ✓ New Executive Sustainability Committee established chaired by Group CEO
  - ✓ Sustainability scorecard embedded in quarterly business unit review meetings, capex assessment and budget setting process
- Double Materiality Exercise completed involving extensive stakeholder engagement in preparation for the new Corporate Sustainability Reporting Directive
- Scope 3 emissions calculated for the first time and targets submitted to SBTi for validation committing to net zero by 2050. Good progress in 2023 with 12.2% reduction tCO2e relative to revenue in Scope 1 & 2 GHG emissions
- Slight decline in gender diversity (2023: 28.5% of colleagues female 2022: 29.2%) but five businesses improved and external recognition for Woodie’s, Chadwicks and CPI for diversity commitments
- 21 ECO Centres operating in Chadwicks to help customers improve energy efficiency

Current trading

Average daily like-for-like revenue growth

	Q4 2023	1 Jan 2024 – 29 Feb 2024
Distribution		
UK	(5.4%)	(9.0%)
Ireland	(2.3%)	(1.0%)
Netherlands	0.0%	(2.2%)
Finland	(10.2%)	(10.7%)
Retailing	+2.2%	+4.2%
Manufacturing	(17.0%)	(22.6%)
Total Group	(3.8%)	(5.3%)

Deflation and wet weather, particularly in UK, has meant weaker than anticipated revenue in Jan and Feb but important trading months still to come

Good performance in Woodie's with Irish consumer spending showing resilience

Profitability in first two months in line with our expectations as we maintained a tight focus on costs

Outlook

Ireland	RMI and DIY demand expected to be resilient. Housing completions anticipated to increase on the back of Government support
UK	Cautious on near term outlook for RMI demand with housing volumes expected to be lower than 2023
Netherlands	Real income growth expected to support household spending. Early indications that housing market starting to recover
Finland	Economy currently in mild recession and construction expected to decline further in near term

Group LFL revenue expected to be relatively flat in 2024. More reasons for optimism we could see signs of improvement emerging in H2. We remain focused on driving efficiencies as operating cost inflation headwinds continue

Summary

- Very solid operating performance in 2023
- Leading brands with strong, defendable market positions
- Opened new stores at Selco, Chadwicks, Isero, Leyland and IKH to continue organic development
- Executed 5 bolt-on acquisitions in UK, Ireland and Finland
- All our existing geographic markets are attractive from a structural perspective
- Strong management teams focused on customers, market, operational delivery and continuous improvement
- Excellent cash generation and strong balance sheet
- Disciplined cash allocation
  - Acquisitions £27.9m
  - Dividend £72.6m
  - Share buyback £155.7m
- Good progress in further enhancing the M&A pipeline during 2023

Focus going forward

- Continue the proven operating model of lean support centre, working closely with our operating businesses
- Tight management of cost base to mitigate inflationary pressures
- Allocate capital through the cycle to our existing brands that have headroom to grow
- Build on our historical track record of organic and acquisitive growth
- Focus on enhancing market positions in existing markets, exploiting adjacencies, and developing growth platforms in new geographies
- Build on our encouraging progress in developing our pipeline of M&A opportunities

Questions

04

Appendices

05

Appendix 1
Notes & Definitions

Notes and Definitions

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

Definitions

01 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

02 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 (income)/expense and income tax expense

03 Adjusted operating profit margin is adjusted operating profit as a percentage of revenue

04 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 (income)/expense and income tax expense

05 Adjusted operating profit (pre property profit) margin is adjusted operating profit (pre property profit) as a percentage of revenue

Appendix 2
Revenue Growth – 2023 v 2022

Average daily like-for-like revenue growth

	Q1	Q2	Q3	Q4	FY	Total Revenue 2023	
Distribution						**Constant Currency**	**Sterling**
UK	(3.8%)	(0.9%)	(3.0%)	(5.4%)	(3.2%)	(2.4%)	(2.4%)
Ireland	(0.5%)	(4.5%)	2.6%	(2.3%)	(1.2%)	0.1%	2.1%
Netherlands	4.8%	2.6%	1.6%	0.1%	2.3%	2.3%	4.4%
Finland	(1.6%)	(0.1%)	(8.8%)	(10.2%)	(5.6%)	(4.2%)	(2.4%)
Retailing	**(4.0%)**	**14.1%**	**0.5%**	**2.2%**	**3.8%**	**3.9%**	**5.8%**
Manufacturing	**12.0%**	**9.9%**	**(8.0%)**	**(17.0%)**	**(0.8%)**	**(0.1%)**	**0.0%**
Total Group	**(0.7%)**	**0.8%**	**(1.0%)**	**(3.8%)**	**(1.1%)[1]**	**(0.4%)**	**0.8%**

[1] Actual revenue decline in like for like business was 1.4% due to difference in trading days

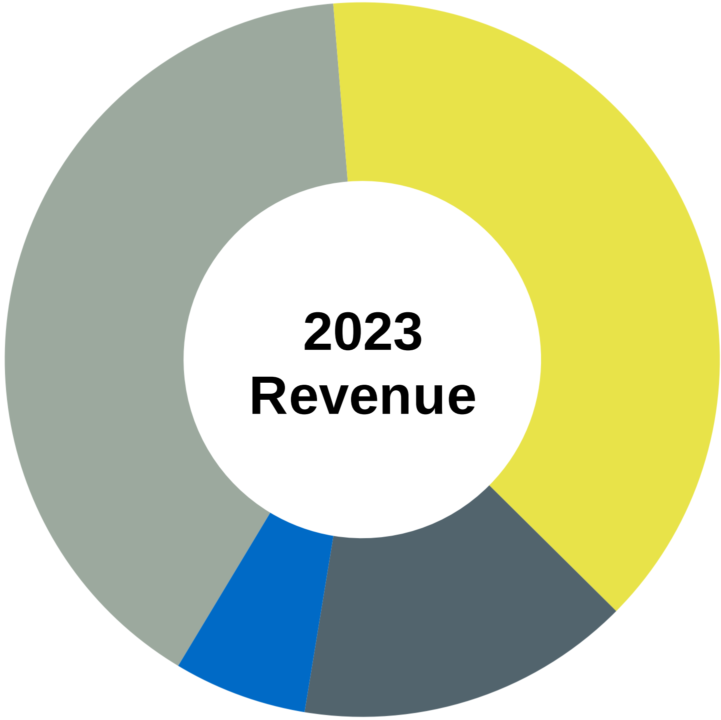
Appendix 3
Operating Margin Analysis*

Operating Margin 2023 & 2022 H1 & H2

	H2 2023	H1 2023	H2 2022	H1 2022
UK Distribution	5.9%	5.7%	8.5%	11.0%
Irish Distribution	10.2%	9.1%	11.5%	12.4%
Netherlands Distribution	7.8%	11.1%	9.8%	12.5%
Finland Distribution	10.3%	10.0%	15.1%	13.2%
Total Distribution	**8.0%**	**8.1%**	**10.2%**	**11.9%**
Retailing	**13.2%**	**12.2%**	**15.0%**	**11.7%**
Manufacturing	**27.2%**	**23.3%**	**24.9%**	**20.4%**
	9.5%	9.4%	11.5%	12.3%
Central Activities	**(0.6%)**	**(0.6%)**	**(0.4%)**	**(0.8%)**
Total	**8.9%**	**8.7%**	**11.1%**	**11.5%**
Property Profit	**0.0%**	**0.1%**	**0.6%**	**1.6%**
Group Operating Margin	**8.9%**	**8.8%**	**11.7%**	**13.1%**

* Excludes property profit by geography (shown separately). Margin analysis is also shown before amortisation of intangible assets arising on acquisitions but includes the curtailment gain of £3.7 million in Irish distribution in H2 2022.

Appendix 4
2023 revenue & operating profit by geography

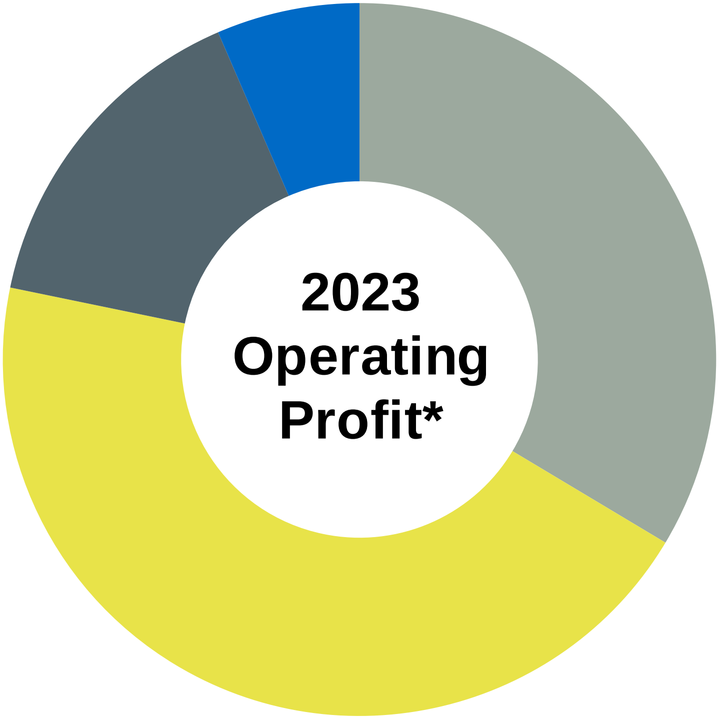


Ireland
39%

Netherlands
15%

Finland
6%

UK
40%



Ireland
45%

Netherlands
15%

Finland
6%

UK
34%

* Segmental operating profit before intangible amortisation arising on acquisitions (£19.7m), acquisition related items (£2.7m), central activity costs (£14.5m) and profit property profits (£1.3m).

Thank you