



Half Year Results

For the Six Months Ended 30 June
2020

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

All references to 'Adjusted' mean before amortisation of intangible assets arising on acquisitions (see Appendix 1).

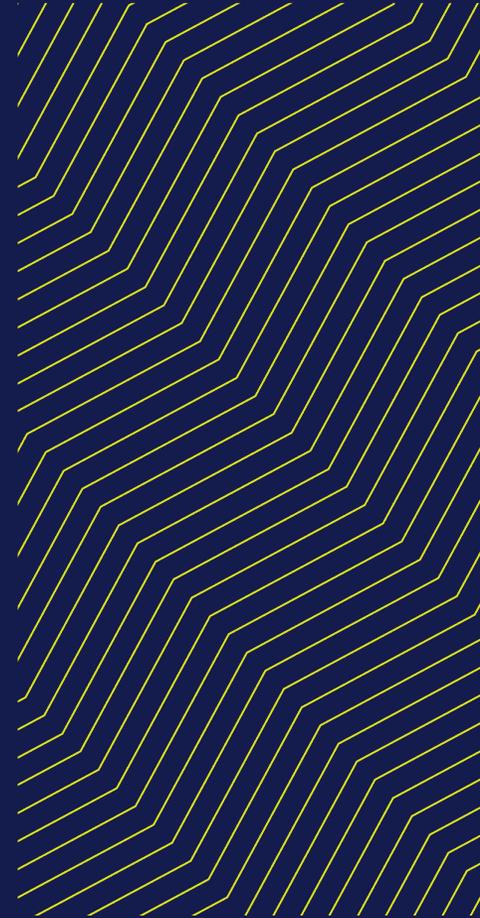
Please refer to Notes and Definitions in Appendix 1 and the bridge of statutory operating profit to adjusted operating profit in Appendix 2. As amounts are reflected in £'m some non-material rounding differences may arise.

Plumbase and the Belgium Distribution business were disposed of in the second half of 2019 and are classified as discontinued operations in accordance with IFRS. The operating result for the first half of 2019 is reflected in the loss after tax from discontinued operations in the Group Condensed Income Statement.

Gavin Slark
Chief Executive
Officer



David Arnold
Chief Financial
Officer



Introduction & Highlights

Gavin Slark, CEO

Half Years Results
For the Six Months Ended
30 June 2020

2020 First Half Overview

- Group emerging from Covid-19 crisis in excellent position
- Strong recovery in the RMI focused business
- Continuous trading through crisis in The Netherlands and Leyland SDM
- Digital capability transformed in Selco and Buildbase
- Strategic and operational progress maintained
- Cash generation and liquidity very robust



Dividend Update

- Dividends remain an important consideration for Grafton
- Suspended payment of second interim dividend for 2019
- Not proposing to pay first interim dividend for 2020
- Will consider scope for payment of both dividends as part of the overall review of the full year results

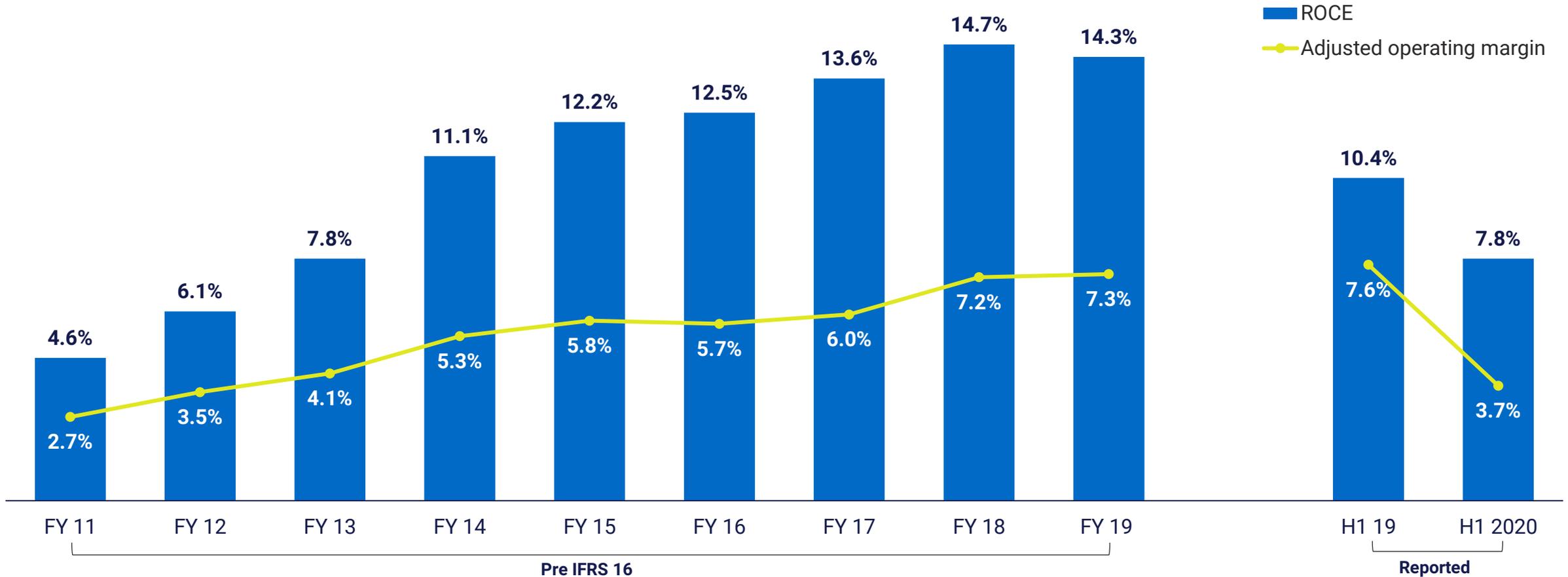


Financial Review

David Arnold, CFO

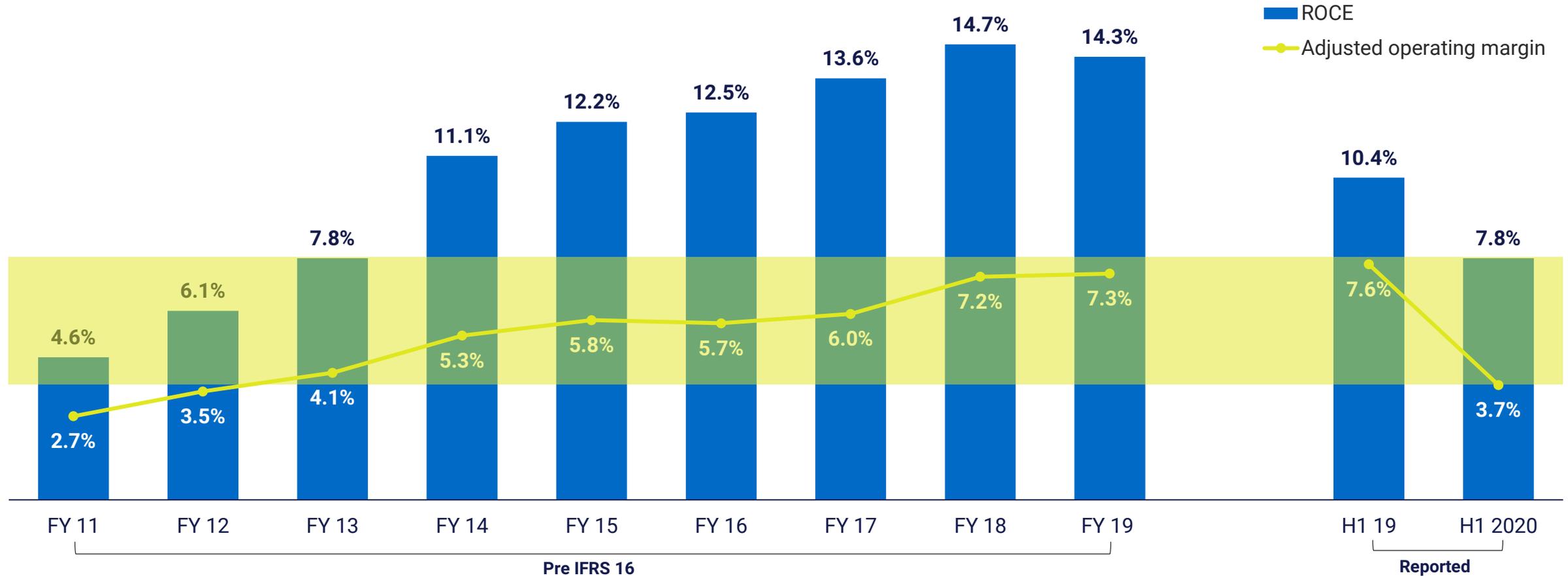
Half Year Results
For the Six months Ended
30 June 2020

Operating Profit Margin and ROCE Progression



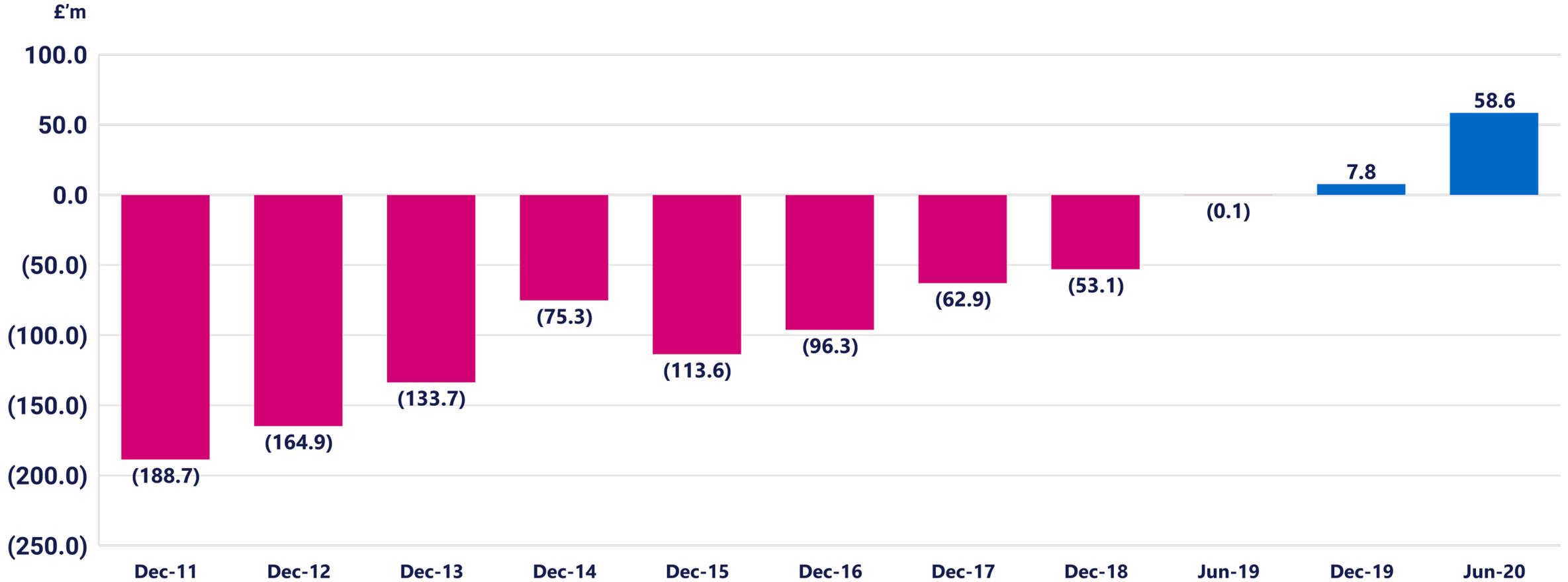
Strategic focus on improving Grafton’s financial performance through targeting higher returning businesses

Operating Profit Margin and ROCE Progression



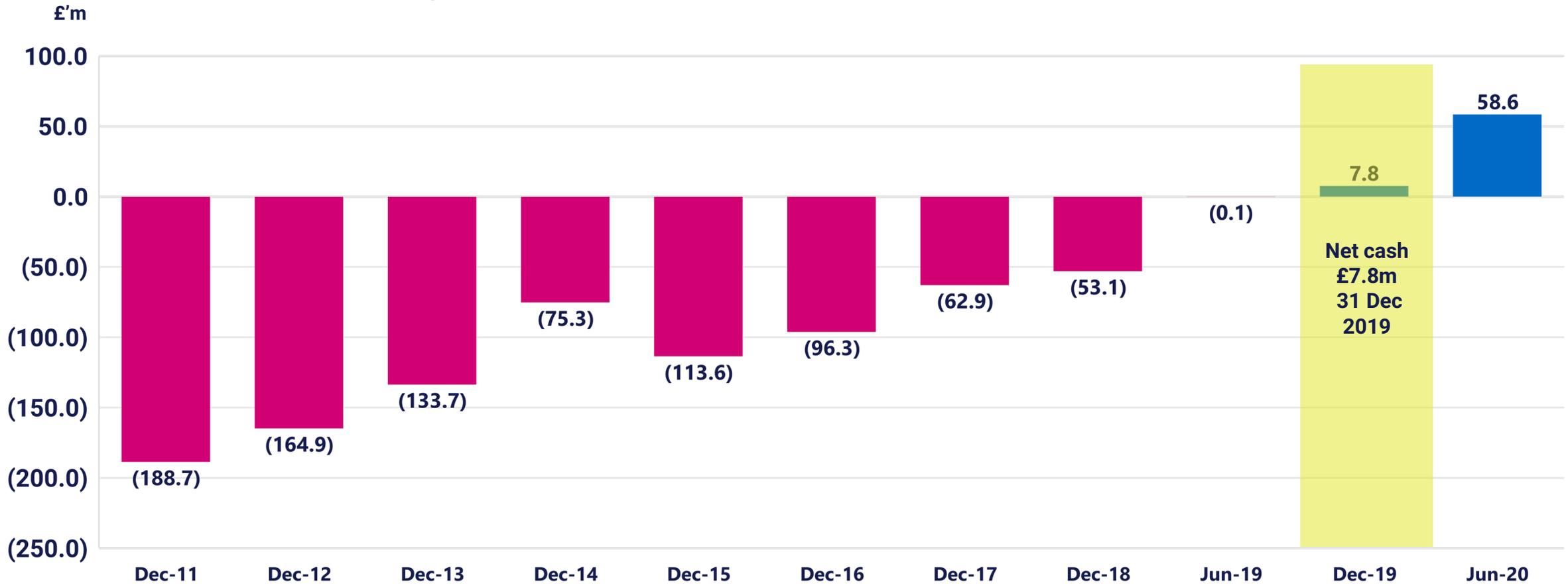
... reaped rewards in Covid-19 crisis as returns remained above 2012 levels and recent acquisitions continued trading through the first half

Net (Debt)/Cash Progression (Pre-IFRS 16)



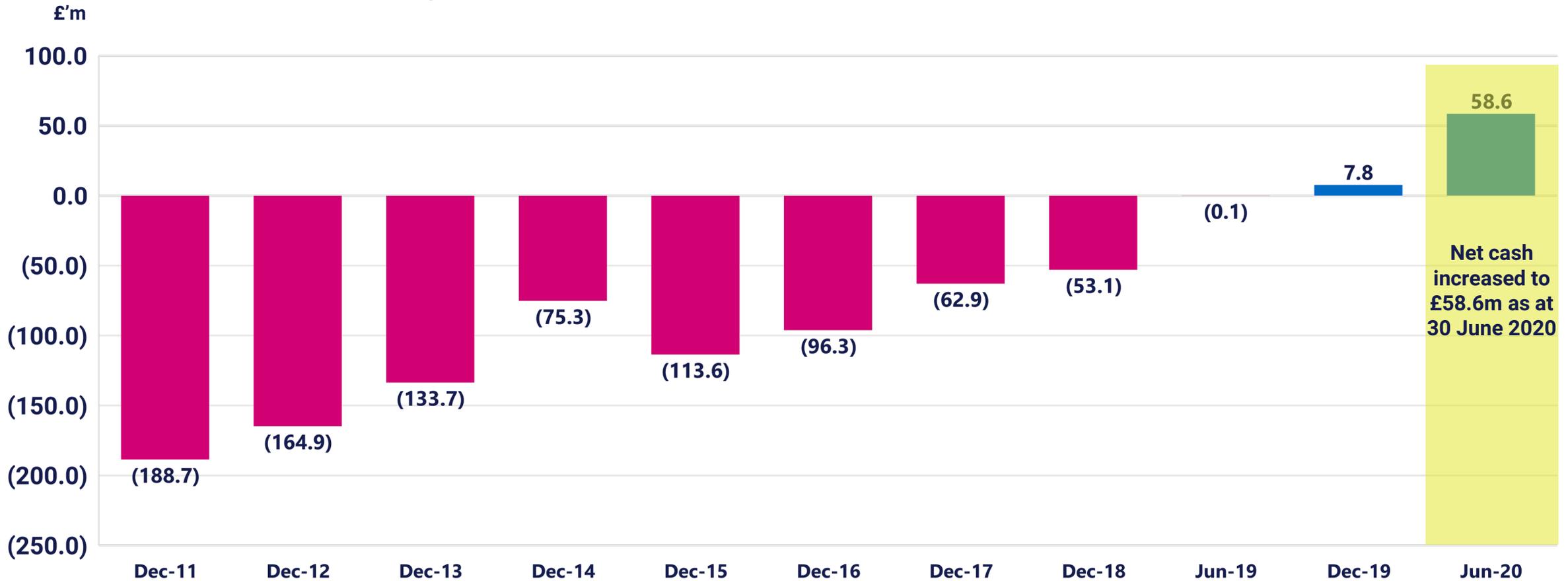
... came into Covid-19 crisis with balance sheet in good shape

Net (Debt)/Cash Progression (Pre-IFRS 16)



... came into Covid-19 crisis with balance sheet in good shape

Net (Debt)/Cash Progression (Pre-IFRS 16)



... and we continued to generate cash over the last six months

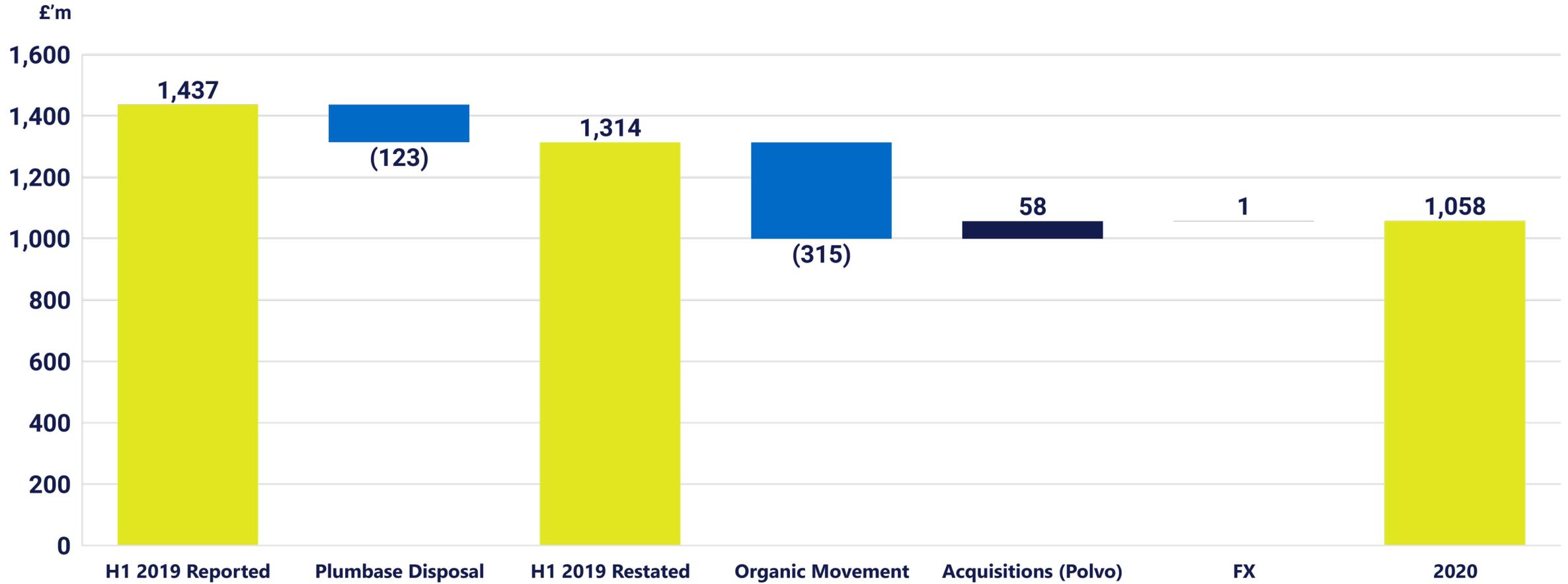


Income Statement – Continuing Operations

£m	H1 2020	H1 2019 Restated	Change
Revenue	1,058	1,314	(19%)
Adjusted operating profit pre property profit	39.1	95.1	(59%)
Property profit	0.3	4.7	(93%)
Adjusted operating profit	39.4	99.8	(61%)
<i>Amortisation*</i>	(4.3)	(2.7)	(61%)
<i>Statutory operating profit</i>	35.1	97.2	(64%)
Net finance cost	(14.6)	(12.8)	+15%
<i>Statutory profit before tax</i>	20.5	84.4	(76%)
Adjusted profit before tax	24.8	87.1	(72%)

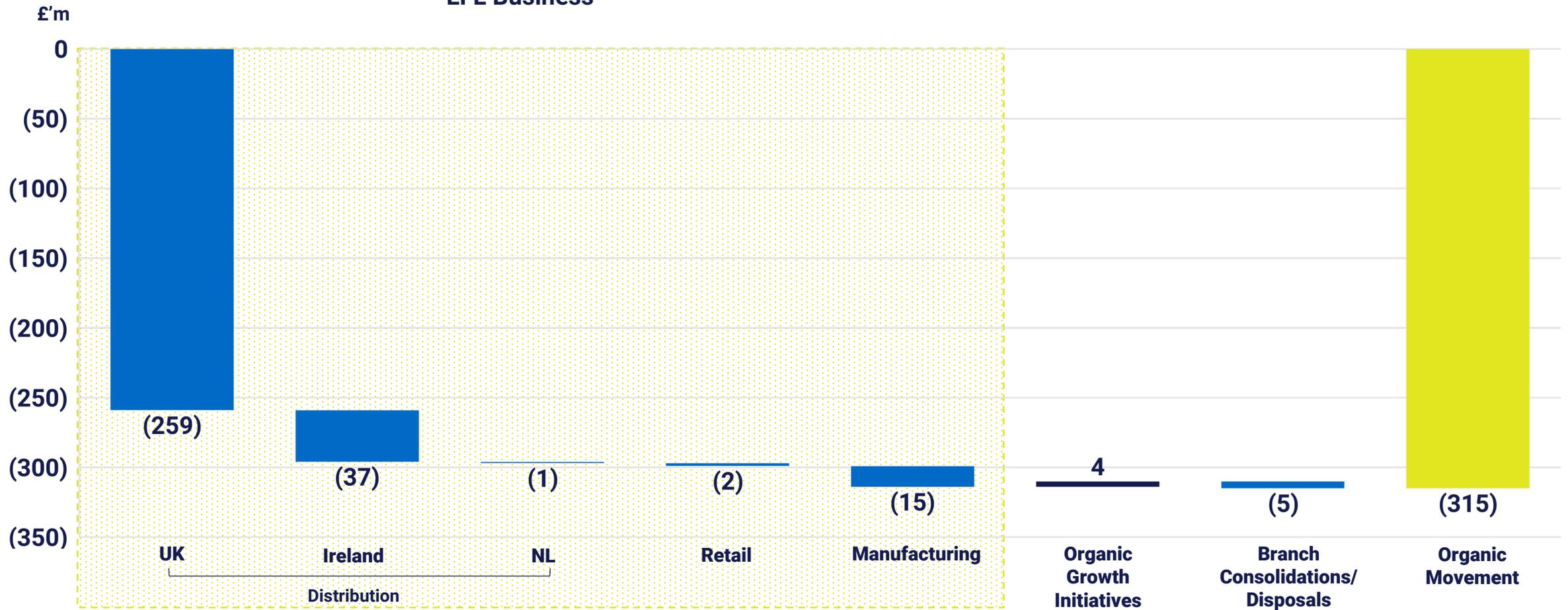
*Amortisation of intangible assets arising on acquisitions

Revenue Bridge

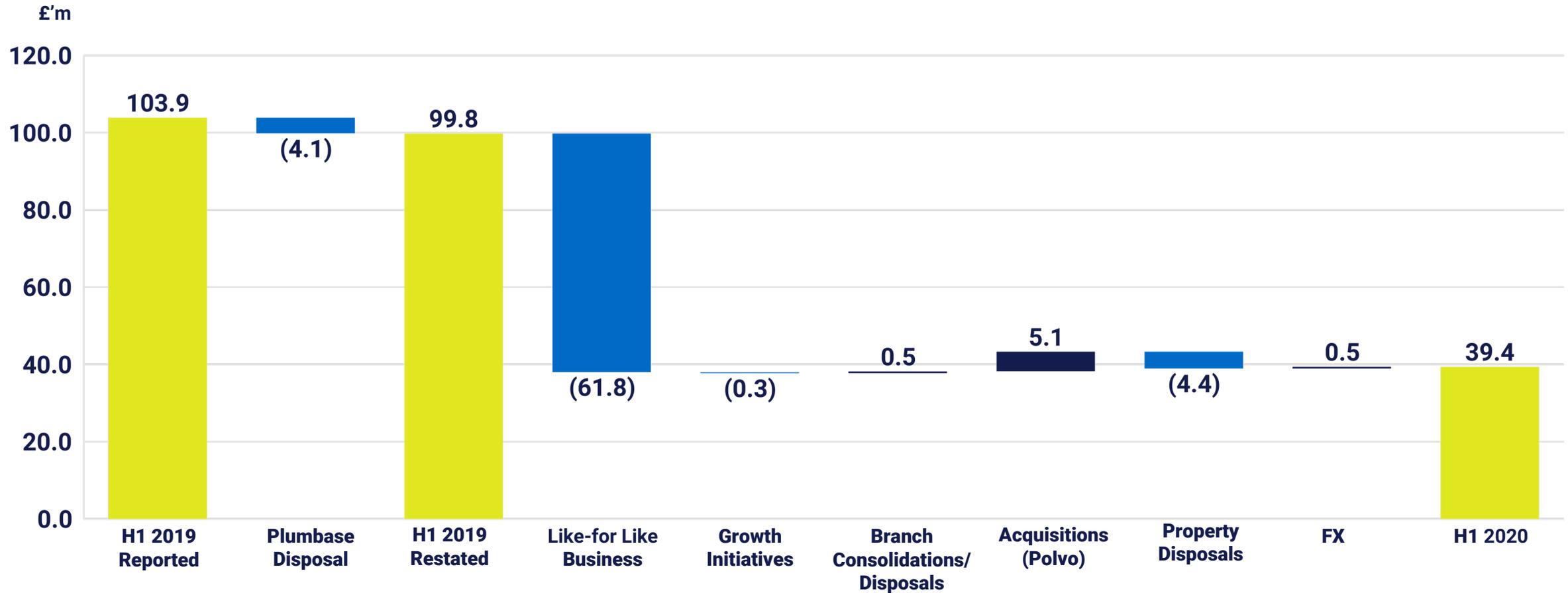


Analysis of Organic Movement in Revenue (Constant Currency)

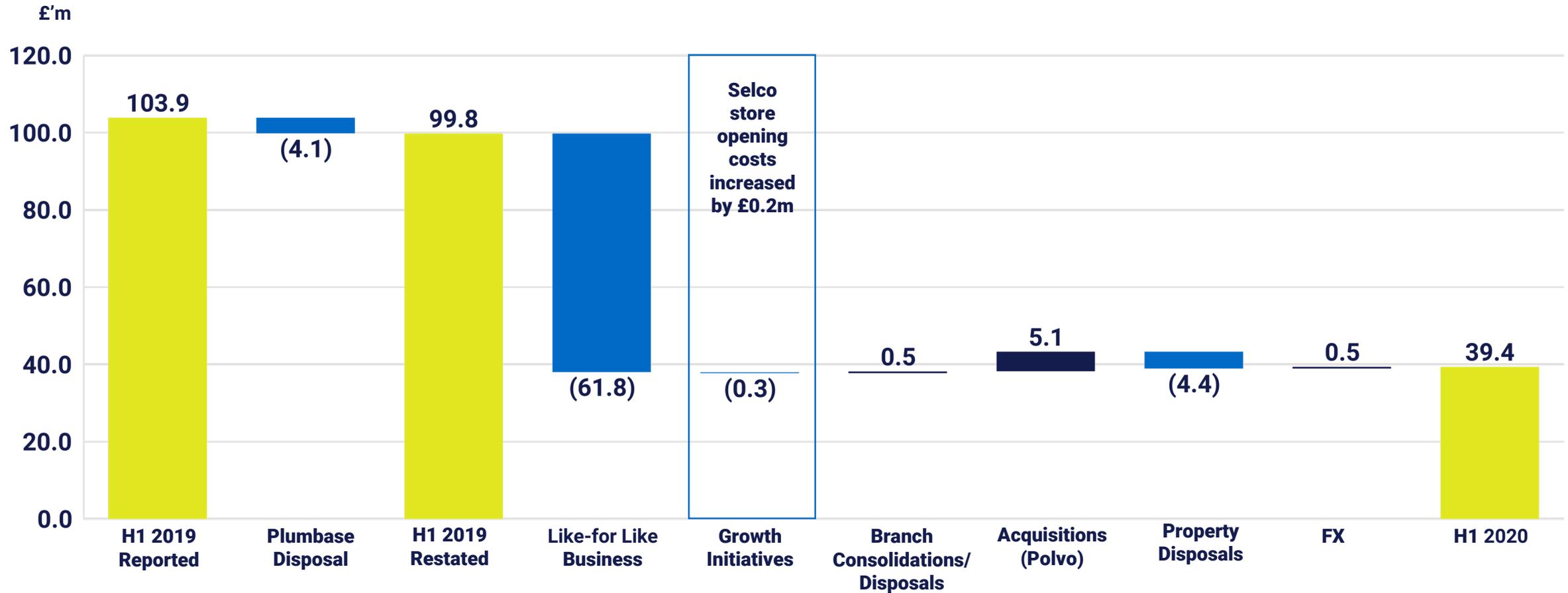
LFL Business



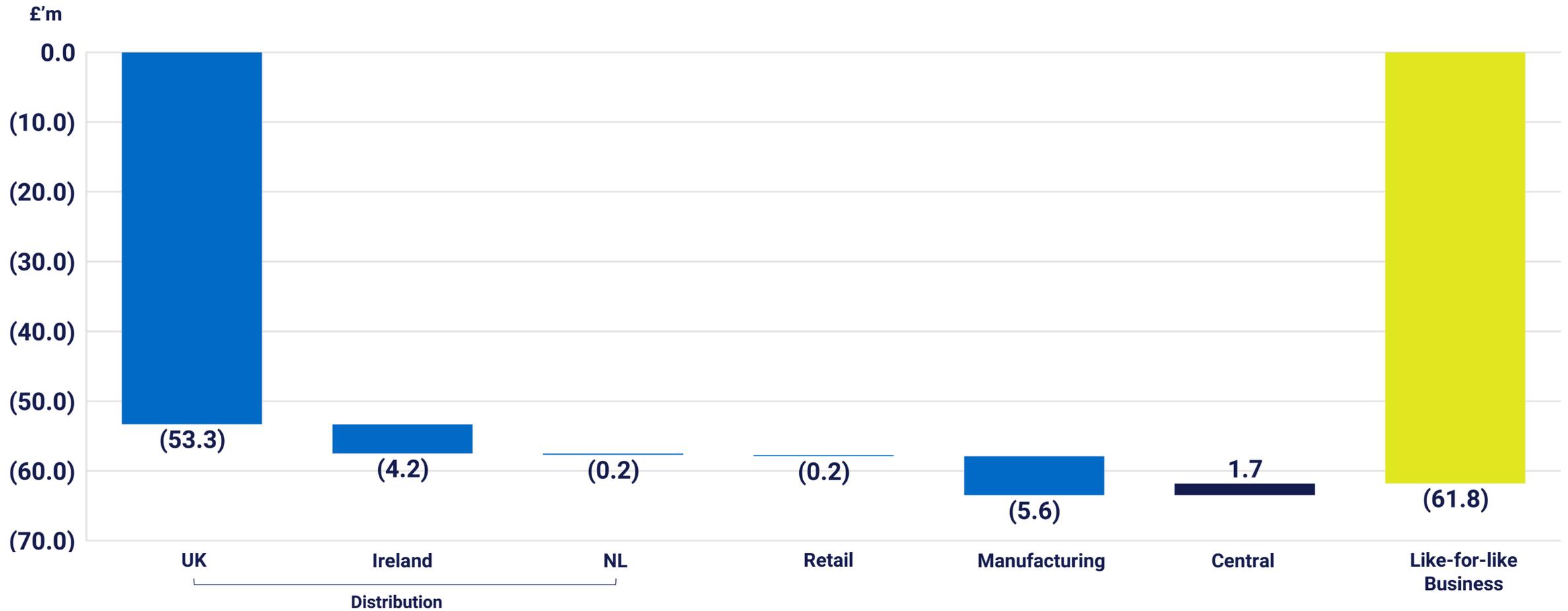
Adjusted Operating Profit – Bridge H1 19 to H1 20



Adjusted Operating Profit – Bridge H1 19 to H1 20



Analysis of Movement in Operating Profit in Like-for-Like Business



UK Distribution

£m	H1 2020	H1 2019	Change
Revenue	605.4	865.8	(30.1%)
Operating profit pre property profit	2.3	55.5	(95.9%)
Operating margin pre property profit	0.4%	6.4%	(600bps)

- Majority of UK branches temporarily closed on 24 March and were not fully operational until 22 June
- Good recovery in housing RMI market with Selco reporting strong revenue and gross margin growth in June
- Slower recovery in house building and commercial activity
- UK average daily like-for-like revenue recovers to -10.8% in June

Irish Distribution

£m	H1 2020	H1 2019	Change	
			Reported	Constant Currency
Revenue	190.2	226.2	(15.9%)	(16.0%)
Operating profit pre property profit	15.2	19.3	(21.2%)	(22.0%)
Operating margin pre property profit	8.0%	8.5%	(50bps)	

- Chadwicks branches temporarily closed from 28 March to 18 May
- Deliveries to support public sector projects and emergency supplies for homes
- Daily like-for-like revenue increased by 7.3% in June
- Recovery driven by housing RMI market and slower recovery in house building

Netherlands Distribution

£m	H1 2020	H1 2019	Change	
			Reported	Constant Currency
Revenue	138.1	80.9	+70.6%	+70.4%
Adjusted operating profit	14.1	9.0	+56.9%	+56.1%
Adjusted operating margin	10.2%	11.1%	(90bps)	

- Operations in The Netherlands continued to trade as categorised as an essential business
- Marginal decline in average daily like-for-like revenue in Isero
- Integration of Polvo acquisition (1 July 2019) on track
- Mix of business changed slightly with stronger demand from housing RMI offsetting weakness in social housing and major projects

Retailing

£m	H1 2020	H1 2019	Change	
			Reported	Constant Currency
Revenue	99.3	99.9	(0.6%)	(1.5%)
Operating profit	9.7	9.5	+1.8%	(1.6%)
Operating margin	9.8%	9.5%	+30bps	

- Woodie's temporarily closed from 28 March to 18 May except for online sales
- Impact of closure largely offset by growth in like-for-like revenue by 153% in 14 trading days in May and 62% in June
- Exceptional demand for decorating and outdoor products
- Similar profit to last year despite closure of stores for 51 days

Manufacturing

£m	H1 2020	H1 2019	Change	
			Reported	Constant Currency
Revenue	25.4	40.7	(37.7%)	(37.7%)
Operating profit	3.6	9.2	(61.0%)	(61.0%)
Operating margin	14.1%	22.5%	(840bps)	

- All mortar plants temporarily closed from 24 March with phased reopening late April/early May – Scotland late June
- Gradual reopening of sites by house builders with their early focus on house completions
- Volumes recovered to one-third of prior year level in May and 70% in June
- Strong underlying demand for housing

Balance Sheet

£m	30 June 2020	30 June 2019
Intangible assets	776.2	714.8
Right-of-use assets	504.0	525.5
Tangible assets	530.9	534.9
Lease receivable	2.4	2.7
Working capital	173.5	186.6
Other assets/(liabilities)	(86.4)	(92.5)
Assets/liabilities – discontinued operations	0.0	2.5
Pension deficit	(44.7)	(20.5)
	1,855.9	1,854.0
Net (debt)/cash	(479.2)	(540.5)
Equity	1,376.7	1,313.5
ROCE	7.8%	10.4%
Net debt/EBITDA	1.9x	2.0x

- Investment grade credit rating confirmed in June 2020
- £300m Covid-19 facility quickly granted by Bank of England

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Polvo acquisition July 2019

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H1 reduction of £24m in stock

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UK discount rate -60bps

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Cash from Operations

£m	H1 2020	H1 2019
Profit before taxation	20.5	62.6
Finance costs	14.6	12.8
Operating profit	35.1	75.4
Depreciation & amortisation of intangible assets	60.1	57.9
Fair value adjustments	0.0	16.8
Goodwill impairment	0.0	9.2
Other movements*	1.2	0.5
Decrease/(increase) in working capital	25.1	(2.6)
Cash generated from operations	121.5	157.2

*Share-based payments charge, movement in provisions and property profits

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Reduced stock as a result of lower sales

*Share-based payments charge, movement in provisions and property profits

Cash Flow

£m	H1 2020	H1 2019
Cash from operations	121.5	157.2
Interest and tax	(24.5)	(26.9)
Replacement capex net of asset disposals	(5.4)	(2.8)
Free cash flow	91.6	127.5
Development capex	(6.8)	(8.6)
Dividends	0.0	(28.5)
Share issue/(repurchase)	0.1	(6.1)
Acquisitions & business disposals (incl. debt acquired)	0.0	0.0
Net cash flow before FX translation	84.9	84.3
FX translation/Other (incl. IFRS16 opening Jan 19)	(30.3)	(571.8)
Movement in net debt	54.6	(487.5)
Opening net (debt)	(533.8)	(53.1)
Closing net (debt)	(479.2)	(540.6)
Free cash flow as % of adjusted operating profit	232%	128%

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Free cash flow as % of adjusted operating profit	232%	128%

2nd Interim dividend in respect of 2019 suspended

2020 Technical Guidance

- Full year property profits expected to be c.£3m
- Depreciation currently forecast at c.£100m - £110m in total - £50m on a pre IFRS 16 basis
- Guidance on 2020 gross capex spend (ex acquisitions) – replacement spend of c.£25m and development of c.£15m
- Net finance charge of c.£28m (c.£19m relates to IFRS 16 leases)
- Tax rate for full year – c.22% (previous guidance 19.5%)



Strategic Update & Outlook

Gavin Slark, CEO

Interim Results
Six months ended
30 June 2020



Strategic Focus

- Focus remains on investing in higher margin, growth businesses with strong market positions and development potential
- Acquisitions pipeline remains encouraging and continue to progress small bolt on acquisitions
- Retain our disciplined approach to allocation of capital
- Strong balance sheet and excellent liquidity a virtue through lockdown and provides a strong platform for growth initiatives



Rightsizing the Cost Base

- No major restructuring necessary
- Reviewed cost base of UK businesses in the light of potential downside risk, particularly in new build markets
- Closing a small number of unprofitable branches (c.15) in traditional merchanting
- Overall H2 restructuring cost estimated at c.£16m
- Cash impact of c.£6m after releasing working capital and property disposal
- Cash payback period on restructuring less than one year



Operational Milestones Achieved in Current Year



Selco

- Upgrade to website strengthened digital capability and increased digital revenue
- Opened 68th branch in Orpington
- Salford branch and new Bristol branch will open in H2
- New Distribution Centre in Oxford that opened in January provides branch fulfilment service for lightside products

Buildbase

- Continuing focus on business improvement
- Rollout of Microsoft AX system commenced to branches – 9 branches now live
- Upgrade to website strengthened digital capability and increased digital revenue

Leyland SDM

- GDC Paints, a five-branch paint & decorating products distributor in London, acquired in July
- Combined business now totals 28 branches
- Ongoing opportunities for organic and acquisitive growth



Operational Milestones Achieved in Current Year



Chadwicks

- Acquisition of new branch in Dundalk
- Second Fixing Centre opened in Cork
- Three branches upgraded and rebranded



Woodie's

- All branches upgraded to new version of Microsoft Navision ERP system
- Commenced next phase of digital development with investment in expert resources and transition to Magento 2 in train



Isero

- Gunters en Meuser branches successfully migrated to Isero Microsoft AX ERP system
- Polvo transitioned to Isero buying Group to maximise purchasing synergies
- Closer alignment of Polvo & Isero private label brands



Current Trading and Outlook

	Average Daily Like-for-Like Revenue Growth	
	H1 2020	1 July 2020 – 16 August 2020
Distribution		
UK	(30.5%)	(0.7%)
Ireland	(16.7%)	11.6%
Netherlands	(0.7%)	(1.3%)
Retailing	(2.0%)	35.6%
Manufacturing	(38.2%)	(12.3%)
Total Group	(24.3%)	3.8%

- Performance in any of our geographies will be influenced by our capacity to continue to trade and avoid Covid-19 related lockdowns
- We are pleased with the strength of RMI in all our markets
- Based on current trends we should deliver a similar level of adjusted operating profit in the second half to the comparative period last year

Summary

- Weathered Covid-19 well and emerging strongly - testament to the commitment and quality of our colleagues
- Core businesses have built on strong market positions and emerge in an excellent position to support RMI markets
- Continuing to progress strategic and operational initiatives and enhance digital capability
- Balance sheet in great shape
- Opportunities for organic and acquisitive development

Questions

Interim Results
Six months ended
30 June 2020

Appendices

Interim Results
Six months ended
30 June 2020

Appendix 1 – Notes & Definitions

Notes

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

Plumbase and the Belgium Distribution business were disposed of in 2019 and are classified as discontinued operations. The revenue of both businesses is excluded from Group revenue for 2019 and the operating result is reflected in the (loss) after tax from discontinued operations in the Group Condensed Income Statement.

Definitions

- Adjusted earnings per share is earnings before intangible asset amortisation arising on acquisitions and before profit/loss on disposal of Group businesses
- Adjusted operating profit is earnings before 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 profit on disposal of Group properties, 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 – Income Statement – Pre IFRS 16

£m	Total Operations* H1 2020	Continuing Operations H1 2019	Change
Revenue - total	1,058.4	1,313.6	(19%)
Adjusted operating profit pre property profit	32.8	89.5	(63%)
Property profit	0.3	4.7	
Adjusted operating profit	33.1	94.2	(65%)
<i>Amortisation</i>	(4.3)	(2.7)	
<i>Statutory operating profit</i>	28.8	91.6	
Net finance cost	(5.4)	(3.5)	
<i>Statutory profit before tax</i>	23.4	88.1	
Adjusted profit before tax	27.7	90.7	(69%)

*No discontinued operations in H1 2020

Appendix 3 – Income Statement – Impact of IFRS 16

£m	Total Operations H1 2020	IFRS 16 H1 2020	Reported H1 2020
Revenue - total	1,058.4	0.0	1,058.4
Adjusted operating profit pre property profit	32.8	6.3	39.1
Property profit	0.3	0.0	0.3
Adjusted operating profit - all operations	33.1	6.3	39.4
Amortisation	(4.3)	0.0	(4.3)
Statutory operating profit	28.8	6.3	35.1
Net finance cost	(5.4)	(9.2)	(14.6)
Statutory profit before tax	23.4	(3.0)	20.5
Adjusted profit before tax	27.7	(3.0)	24.8

Appendix 4 – Operating Margin Analysis*

	H1 2020	H2 2019	H1 2019	H2** 2018	H1** 2018
UK Distribution	0.4%	5.9%	6.4%	6.0%	6.0%
Irish Distribution	8.0%	9.9%	8.5%	10.6%	8.1%
Netherlands Distribution	10.2%	8.4%	11.1%	10.0%	10.5%
Total Distribution	3.4%	6.9%	7.1%	7.2%	6.7%
Retailing	9.8%	12.4%	9.5%	9.4%	7.5%
Manufacturing	14.1%	24.5%	22.5%	25.4%	23.5%
	4.2%	7.9%	7.8%	7.9%	7.3%
Central Activities	(0.5%)	(0.3%)	(0.6%)	(0.5%)	(0.5%)
Total	3.7%	7.6%	7.2%	7.3%	6.7%
Property Profit	0.0%	0.2%	0.4%	0.0%	0.3%
Group Operating Margin	3.7%	7.8%	7.6%	7.3%	7.0%

* Excludes property profit by geography (shown separately) and before amortisation of intangible assets arising on acquisitions and restructuring costs

** Pre IFRS16

Appendix 5 – Revenue Growth

	Average Daily Like-for-Like Revenue Growth*					H1 2020	
	2019		2020			Total Revenue*	
	Q3	Q4	Q1	Q2	H1		
Distribution						Constant Currency	Reported
UK	(0.8%)	(4.0%)	(11.0%)	(49.6%)	(30.5%)	(30.1%)	(30.1%)
Ireland	5.9%	2.7%	1.3%	(35.2%)	(16.7%)	(16.0%)	(15.9%)
Netherlands	(2.89%)	(1.4%)	(1.0%)	(0.6%)	(0.7%)	70.4%	70.6%
Retailing	7.4%	5.6%	2.9%	(5.3%)	(2.0%)	(1.5%)	(0.6%)
Manufacturing	(0.7%)	(1.9%)	(13.0%)	(63.0%)	(38.2%)	(37.7%)	(37.7%)
Total Group	0.9%	(1.89%)	(7.3%)	(40.7%)	(24.3%)	(19.5%)	(19.4%)

*Continuing operations

Appendix 6 – H1 2020 IFRS 16 Income Statement Bridge

£m	Pre IFRS 16	IFRS 16 Impact	Reported
Revenue	1,058.4	0.0	1,058.4
Operating costs	(1,029.9)	6.3	(1,023.6)
Operating profit before property profits	28.5	6.3	34.8
Property profits	0.3	0.0	0.3
Operating profit	28.8	6.3	35.1
Finance expense	(5.9)	(9.2)	(15.2)
Finance income	0.5	0.0	0.5
Profit before tax	23.4	(3.0)	20.5
Income tax expense	(5.0)	0.5	(4.5)
Profit after tax for the financial period from continuing operations	18.4	(2.4)	16.0
Result from discontinued operations	0.0	0.0	0.0
Profit after tax for the financial year	18.4	(2.4)	16.0

Appendix 7 – H1 2020 IFRS 16 Cash Flow Bridge

£m	June 2020		
	Pre IFRS 16	IFRS 16 Impact	Incl IFRS 16
Cash from operations	93.3	28.2	121.5
Interest and tax	(15.3)	(9.2)	(24.5)
Replacement capex net of asset disposals	(5.4)	0.0	(5.4)
Free cash flow	72.6	19.0	91.6
Development capex	(6.8)	0.0	(6.8)
Dividends	0.0	0.0	0.0
Share issue	0.1	0.0	0.1
Acquisitions & business disposals (incl. debt acquired)	0.0	0.0	0.0
Net cash flow before FX translation	65.9	19.0	84.9
FX translation/Other	(16.7)	(13.5)	(30.3)
Movement in net debt	49.2	5.4	54.6
Opening net cash/(debt)	7.8	(541.6)	(533.8)
Closing net debt	57.0	(536.2)	(479.2)
Free cash flow as % of adjusted operating profit	219%		232%

Appendix 8 – H1 2020 IFRS 16 Balance Sheet Bridge

£m	June 2020		
	Pre IFRS 16	IFRS 16 Impact	Reported
Intangible Assets	776.2	0.0	776.2
Tangible Assets	533.0	(2.2)	530.9
Right of Use Asset	0.0	504.0	504.0
Lease Receivable	0.0	2.4	2.4
Working Capital	160.8	12.7	173.5
Other Assets / (liabilities)	(95.7)	9.2	(86.4)
Pension deficit	(44.7)	0.0	(44.7)
	1,329.7	526.2	1,855.9
Net Cash/(Debt)	57.0	(536.2)	(479.2)
Equity	1,386.7	(10.0)	1,376.7

Appendix 9 – H1 2020 IFRS 16 Segmental Bridge

£m	June 2020		
	Pre IFRS 16	IFRS 16 Impact	Reported
Segmental operating profit before exceptional items and intangible amortisation arising on acquisitions			
UK Distribution	(1.6)	3.9	2.3
Ireland Distribution	15.1	0.1	15.2
Netherlands Distribution	13.6	0.5	14.1
Total Distribution	27.1	4.5	31.6
Retailing	8.0	1.7	9.7
Manufacturing	3.5	0.1	3.6
Reconciliation to consolidated operating profit	38.6	6.3	44.9
Central activities	(5.8)	0.1	(5.7)
	32.8	6.3	39.1
Property profits	0.3	0.0	0.3
Operating profit before exceptional items and intangible amortisation arising on acquisitions	33.1	6.3	39.4
Amortisation of intangible assets arising on acquisitions	(4.3)	0.0	(4.3)
Operating profit	28.8	6.3	35.1

Appendix 10 – H1 2020 IFRS 16 EPS Bridge

£m	June 2020		
	Pre IFRS 16	IFRS 16 Impact	Reported
Numerator for basic, adjusted and diluted EPS:			
Profit after tax for the financial period from continuing operations	18.4	(2.4)	16.0
(Loss) after tax for the financial period from discontinuing operations	0.0	0.0	0.0
Numerator for basic, adjusted and diluted EPS	18.4	(2.4)	16.0
Profit after tax for the financial period from continuing operations	18.4	(2.4)	16.0
Amortisation of intangible assets arising on acquisitions	4.3	0.0	4.3
Tax relating to amortisation of intangibles assets arising on acquisitions	(0.9)	0.0	(0.9)
	21.8	(2.4)	19.4
	Number of Grafton Units	Number of Grafton Units	Number of Grafton Units
Weighted average number of Grafton Units in issue	283,352,174	283,352,174	283,352,174
Earnings per share (pence) - from continuing operations	7.7p	(1.0p)	6.7p