



Final Results

Financial year ended 31 December 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 exceptional items and 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 2019 and were classified as discontinued operations in accordance with IFRS. The operating result for 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

Final Results
Financial Year Ended
31 December 2020

Resilient 2020 Performance – Progressing Strategic Initiatives

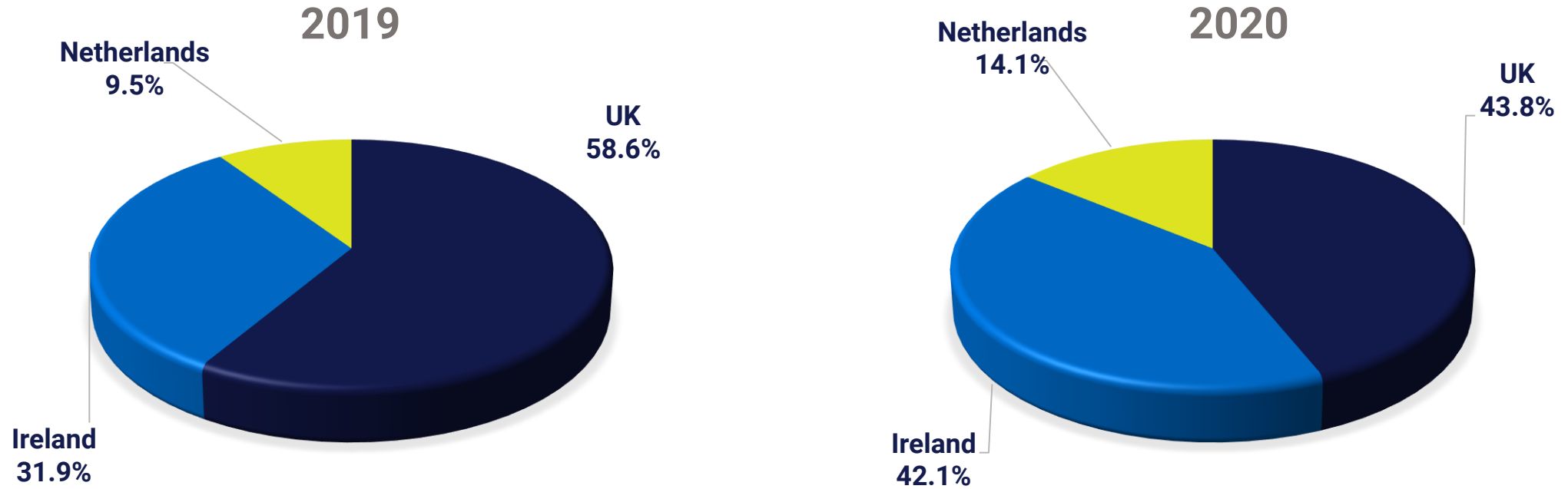
- Outstanding contribution from our 11,000 colleagues
- Strong recovery in profitability in second half with operating profit for the year exceeding our expectations
- Investment strategy driving higher returns
- Three acquisitions completed in 2020 and two to date in the current year
- Accelerated investment into technology
- Progressed our important sustainability agenda



2020 Financial Highlights

	2020	2019	Change
Revenue	£2,509m	£2,672m	(6.1%)
Adjusted operating profit	£193.3m	£204.8m	(5.6%)
Adjusted earnings per share	56.7p	62.8p	(9.8%)
Dividend	14.5p	19.0p	(23.7%)
Net cash (before IFRS 16 Leases)	£181.9m	£7.8m	£174.1m

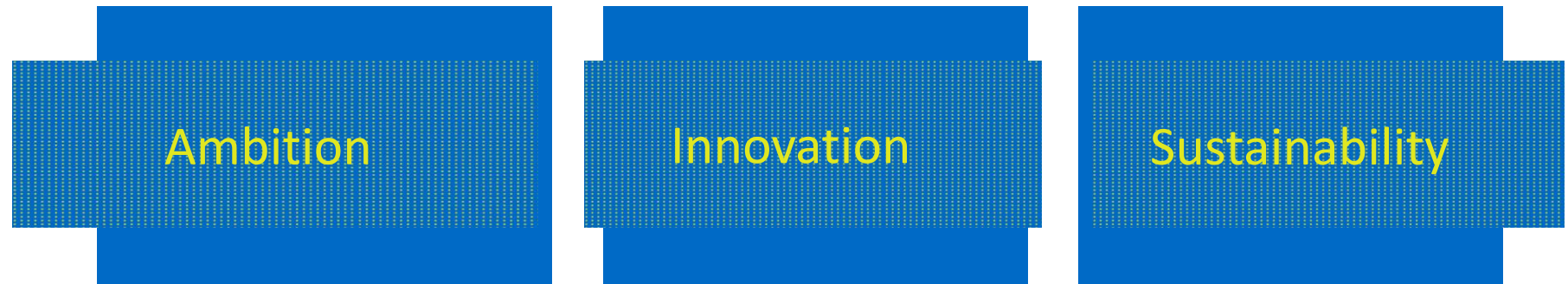
Resilience underpinned by investment and diversification strategy



Split of operating profit before exceptional items, intangible amortisation, central costs and property profits

Our Purpose: Building Progress Together

Supported by Three Pillars:



And Underpinned by our Core Values:



Sustainable, Trustworthy
and Responsible



Value our
People



Be Brilliant for
our
Customers



Entrepreneurial
and Empowering



Ambitious



Ambition

- Ambitious to grow whilst continuing to maintain a very disciplined approach to capital allocation
- Covid travel restrictions an impediment to investments in new territories but optimistic that travel might resume later in the year
- “3 Gs” Strategy for new regions or products: **G**ood businesses in **G**ood markets with **G**ood management teams
- Purchased three businesses in 2020:
 - ✓ StairBox – innovative UK manufacturer and distributor of staircases
 - ✓ GDC Paints – 5 branch decorators’ merchant added to Leyland SDM
 - ✓ Daly’s – Dundalk builders merchant that joins Chadwicks’ network
- Two acquisitions completed to date:
 - ✓ Proline – Dublin based architectural ironmongery solutions business
 - ✓ Van den Anker – Distributor of ironmongery situated on mid-west coast of the Netherlands

Innovation

Accelerated investment into digital solutions, online account management and electronic proof of delivery (EPOD) solutions

E-Commerce



Woodie's

- ✓ Invested in capability to meet increased online demand. Click and collect transactions increased significantly. Nov 2020 50,000 (Nov 19: 6,000)
- ✓ Improved customer website experience with digital revenue increasing to 3.6 per cent (19: 1.6 per cent)

Selco

- ✓ Accelerated investment into its market leading website with H2 online sales 5.3 per cent of revenue
- ✓ Click and deliver sales represented 80 per cent of online sales at better gross margins than comparable in-store transactions

Logistics



Selco

- ✓ Delivery hub scheduled to open in Birmingham later this year

Woodie's

- ✓ E-commerce hub to open

Product and Service



Chadwicks

- ✓ Invested in Product Information Management system to trap comprehensive product data and support customer experience
- ✓ Trialling EPOD with full rollout in current year

Buildbase

- ✓ Buildbase EPOD rolled out for all ex-yard deliveries

Isero

- ✓ Isero e-locks



Sustainability

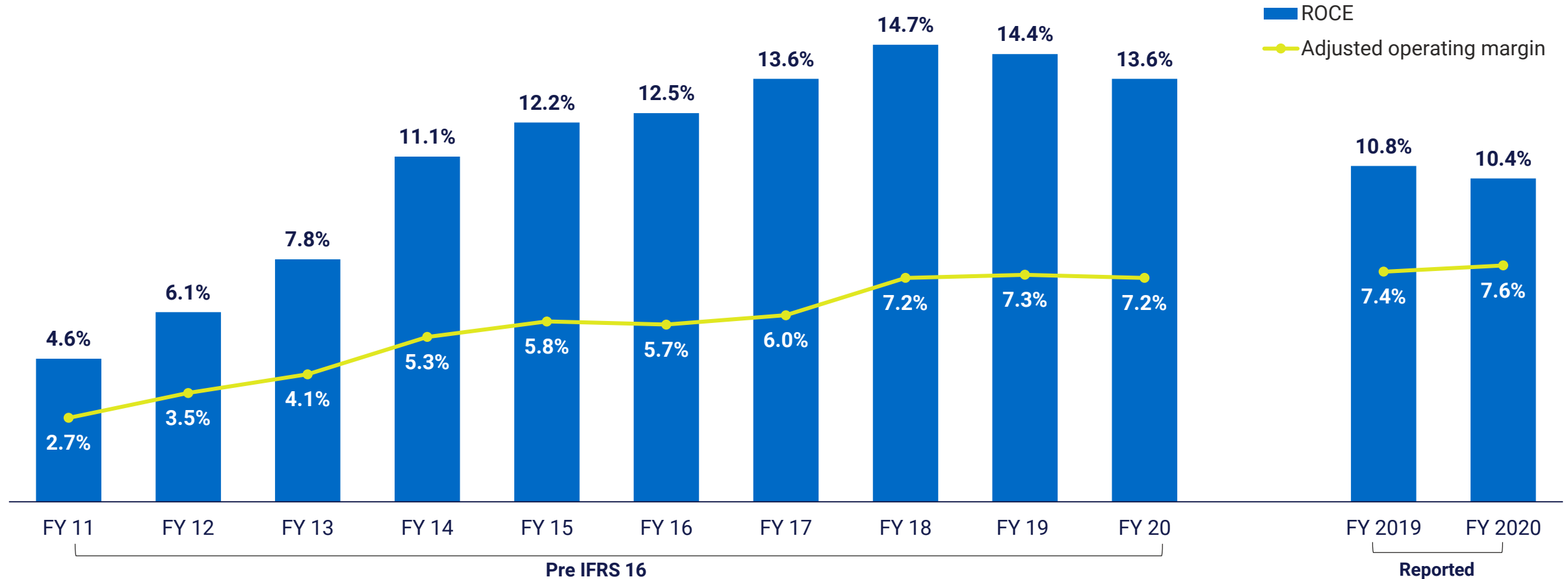
- Committed to building a sustainable future for everyone where Grafton's businesses play a leading role
- Five key focus areas under our strategy:
 - Customer and product
 - People
 - Resources
 - Community
 - Ethics
- Some good achievements in the year:
 - ✓ £3.2m investment into Selco LED lighting
 - ✓ Piloting CNG trucks and electric commercial vehicles
 - ✓ Overall waste diverted away from landfill improved by 6 per cent to 90 per cent
 - ✓ Many great charity initiatives in a year e.g. Woodie's colleagues raised over €400,000, Selco colleagues raised over £100,000

Financial Review

David Arnold, CFO

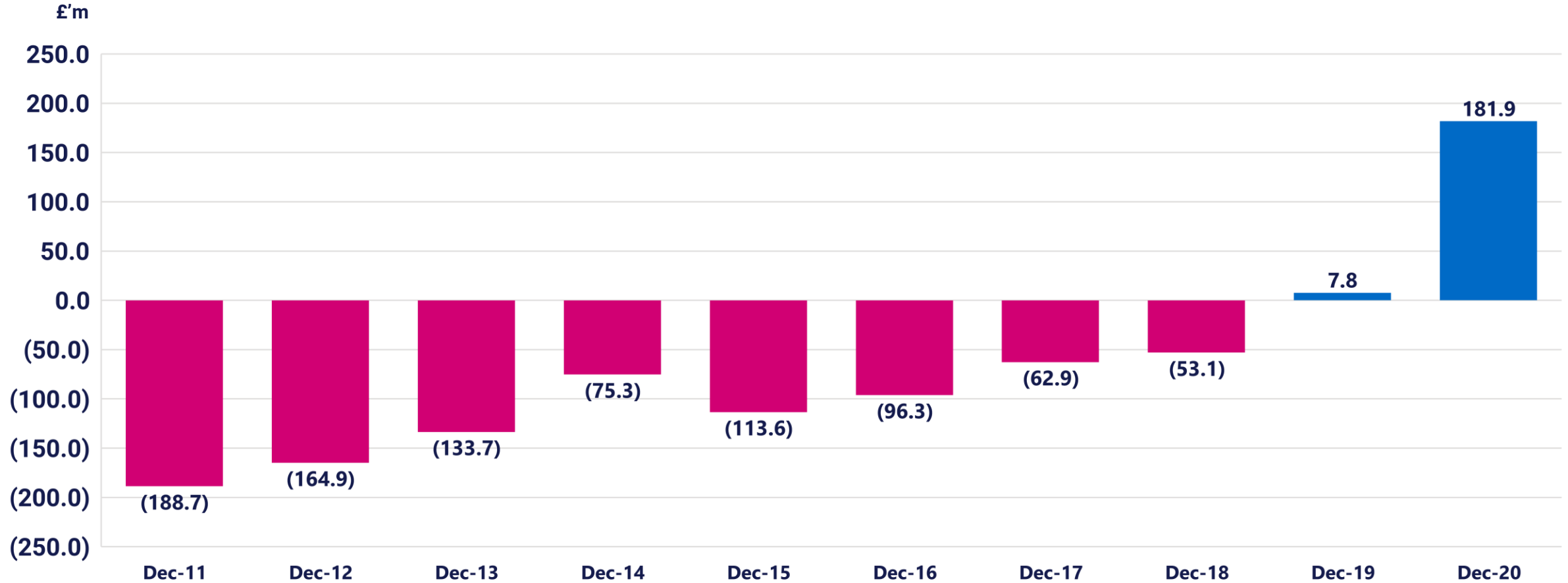
Final Results
Financial Year Ended
31 December 2020

Operating Profit Margin and ROCE Progression



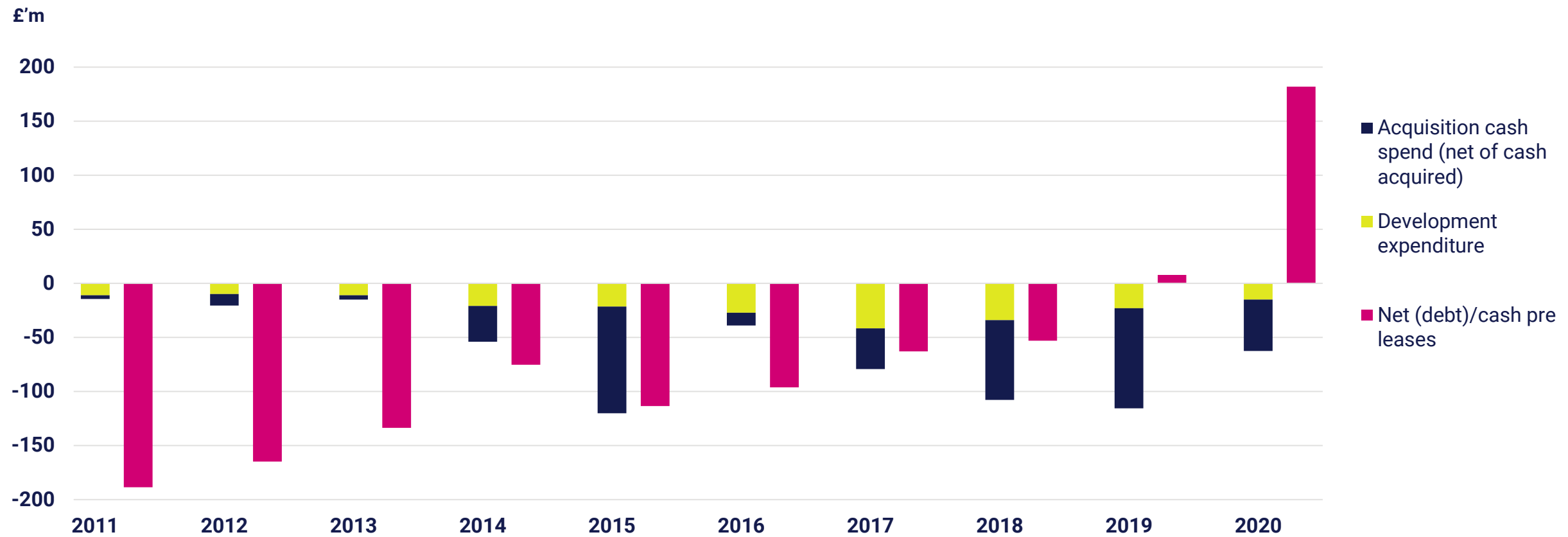
Operating margins remained over 7% although ROCE down slightly reflecting first half impact

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



Strong operating cash flow with year end cash figure reflecting no dividend payment in 2020 and lower acquisition spend than planned

Continuing investment in the business



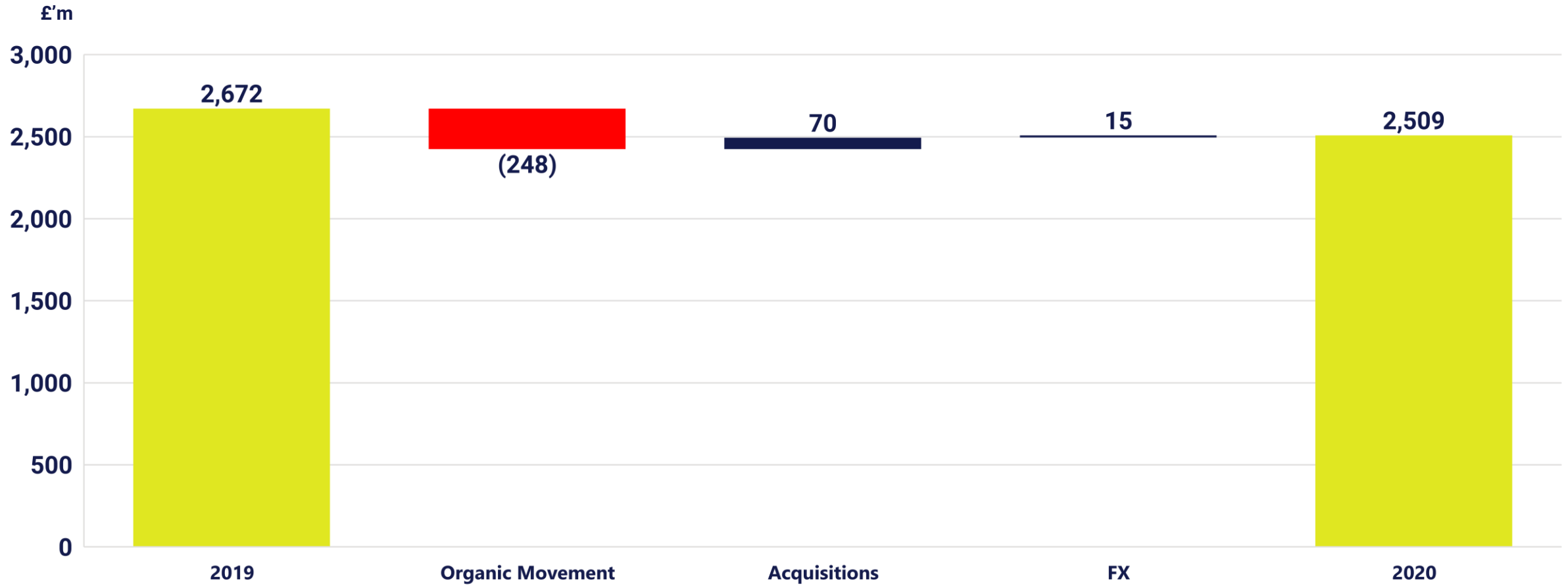
Over the last ten years we have invested over £400m on new acquisitions and in excess of £200m on development initiatives

Income Statement – Continuing Operations

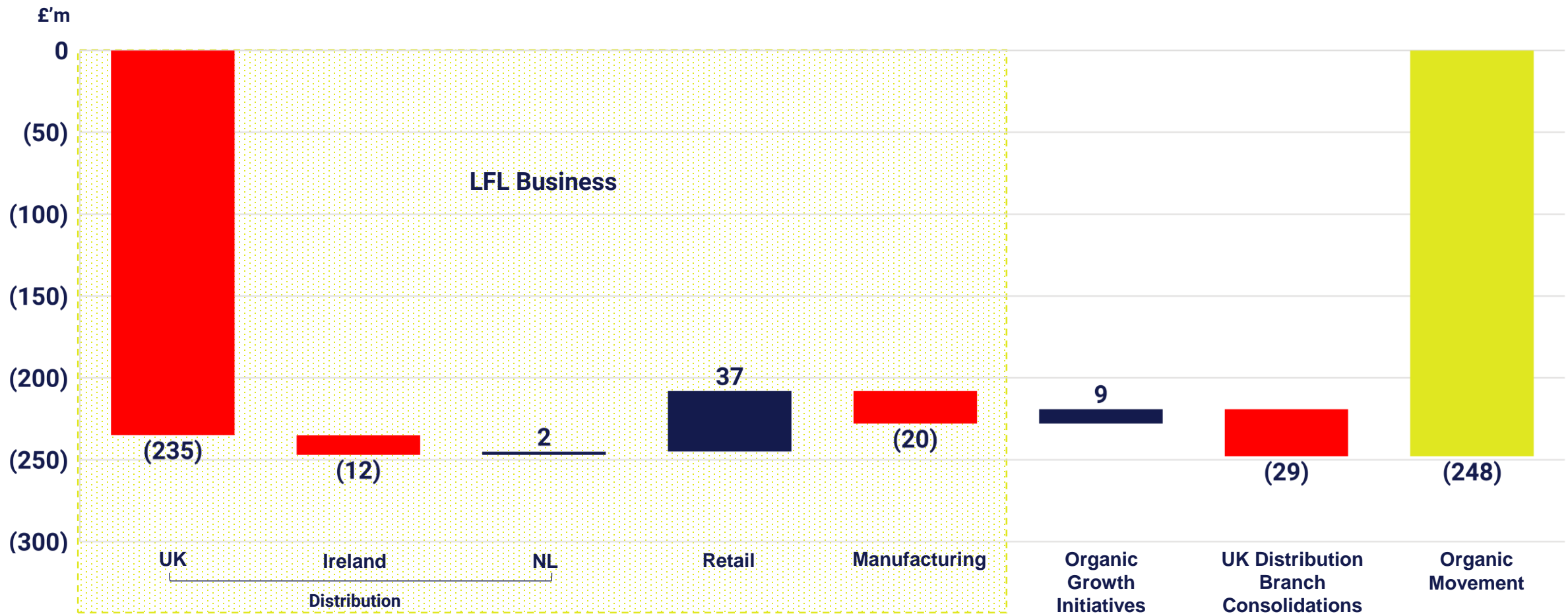
£m	H1 2020	H2 2020	2020	2019	Change
Revenue	1,058.4	1,450.7	2,509.1	2,672.3	(6%)
Adjusted operating profit pre property profit	39.1	151.6	190.7	197.9	(4%)
Property profit	0.3	2.3	2.6	6.9	(62%)
Adjusted operating profit	39.4	153.9	193.3	204.8	(6%)
Amortisation*	(4.3)	(4.6)	(8.9)	(7.0)	+27%
Exceptional Items	-	(24.7)	(24.7)	-	
Statutory operating profit	35.1	124.6	159.7	197.8	(19%)
Net finance cost	(14.6)	(12.3)	(26.9)	(25.1)	+7%
Statutory profit before tax	20.5	112.2	132.7	172.6	(23%)
Adjusted profit before tax	24.8	141.6	166.4	179.6	(7%)

*Amortisation of intangible assets arising on acquisitions

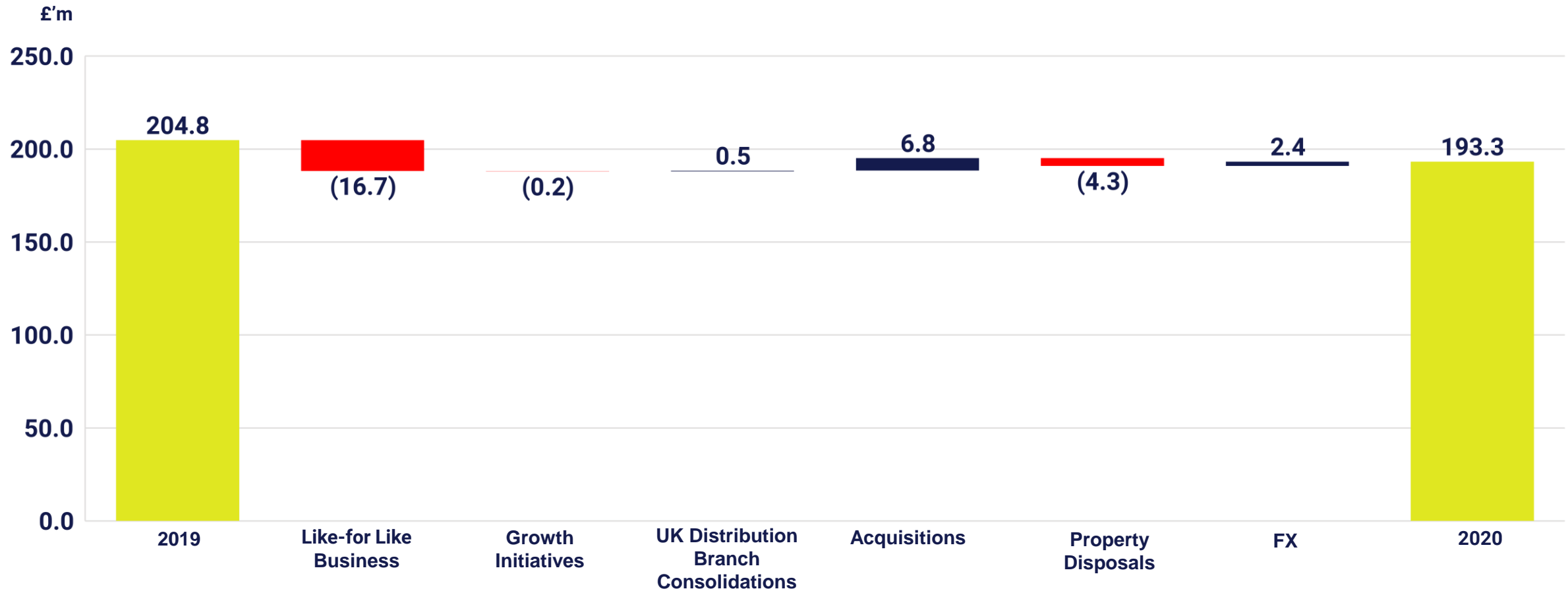
Revenue Bridge



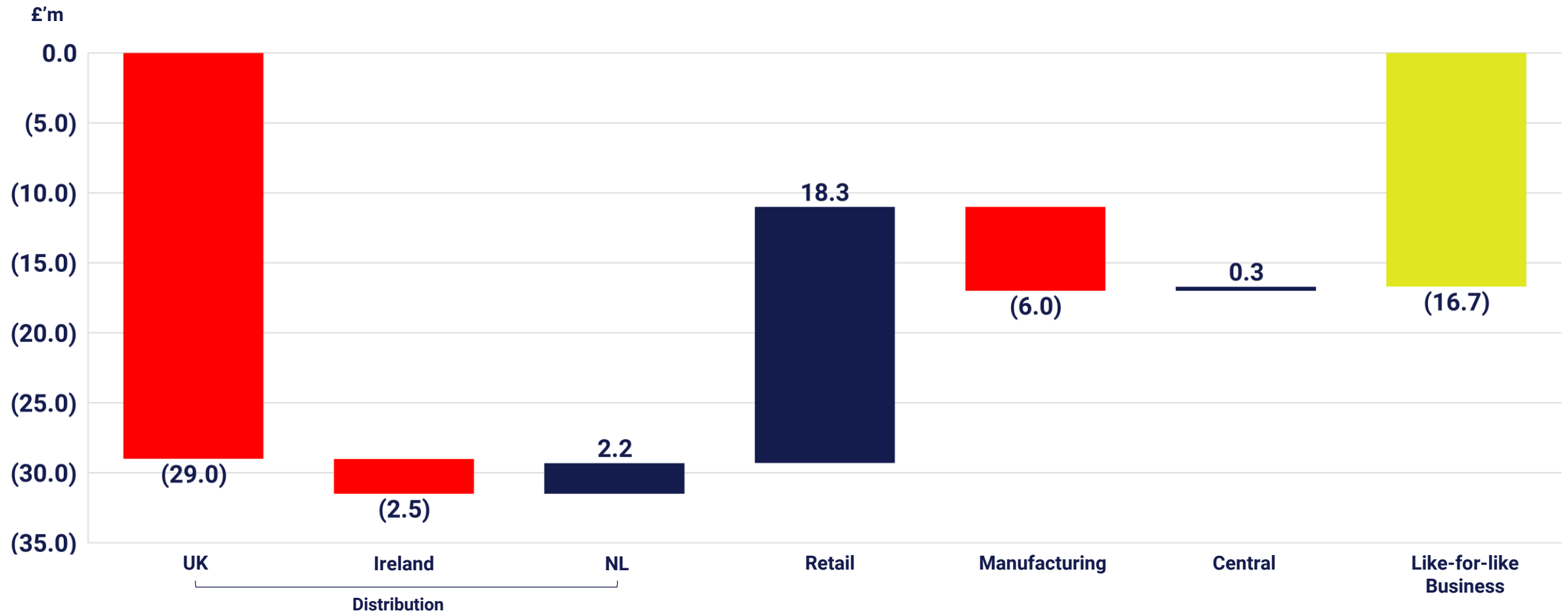
Analysis of Organic Movement in Revenue (Constant Currency)



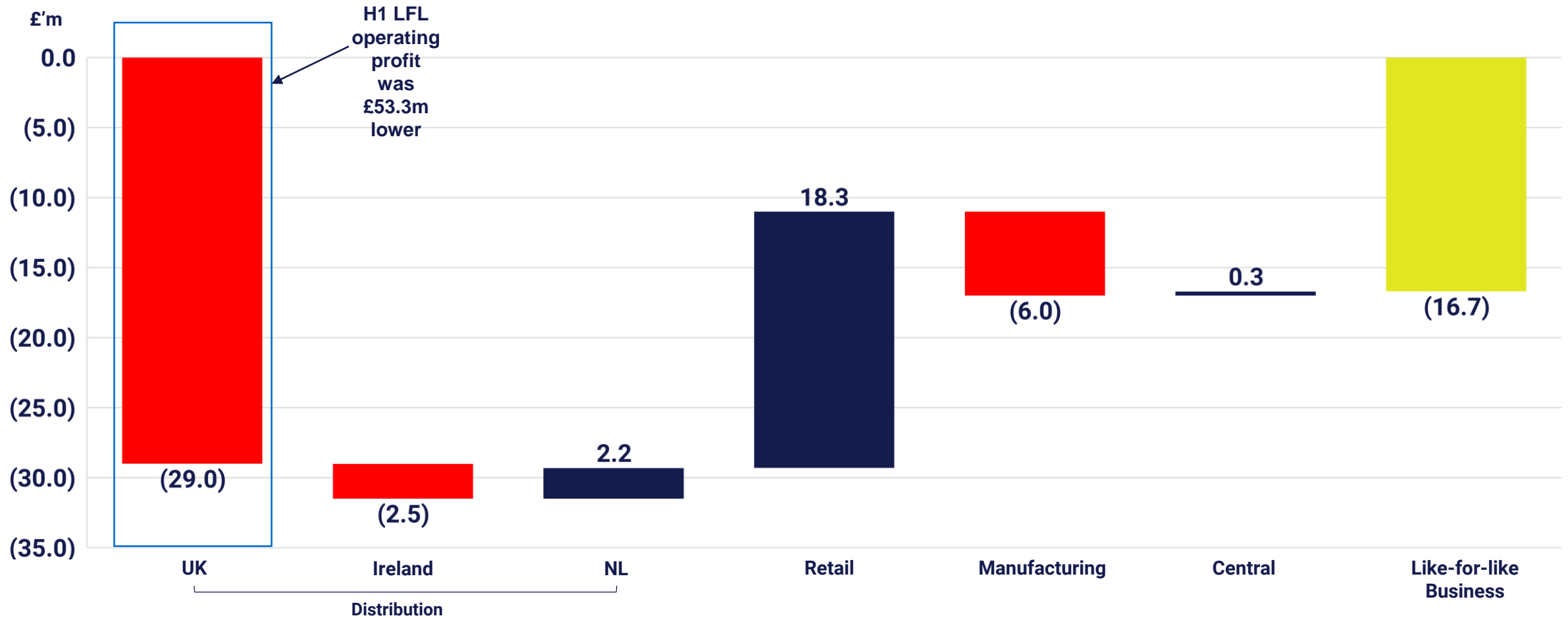
Adjusted Operating Profit – Bridge 2019 to 2020



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

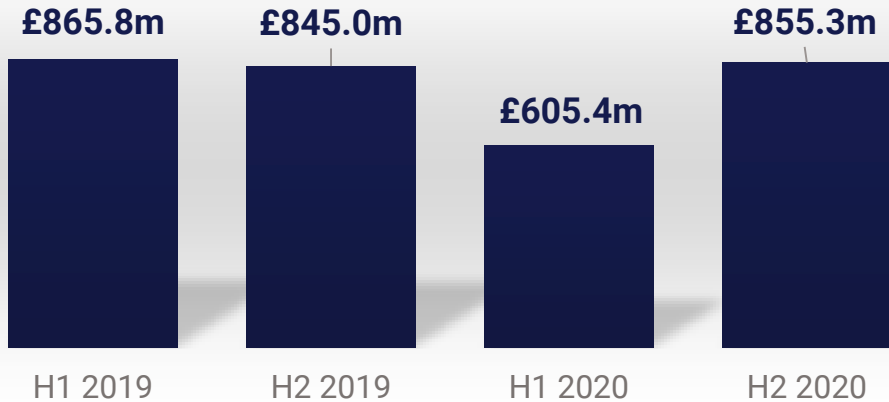


Analysis of Movement in Operating Profit in Like-for-Like Business

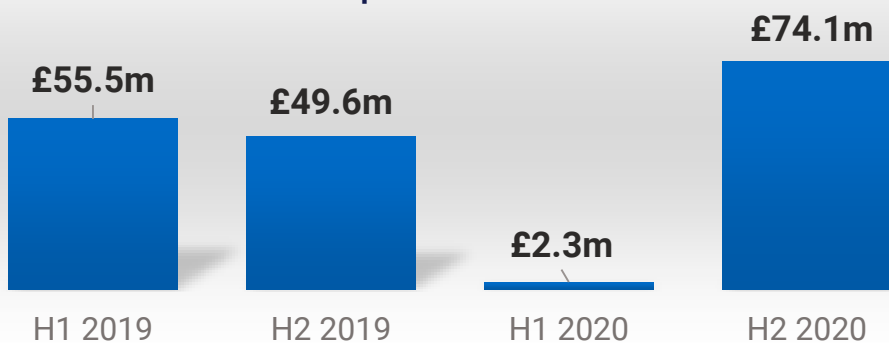


UK Distribution

Revenue



Operating profit before property profit

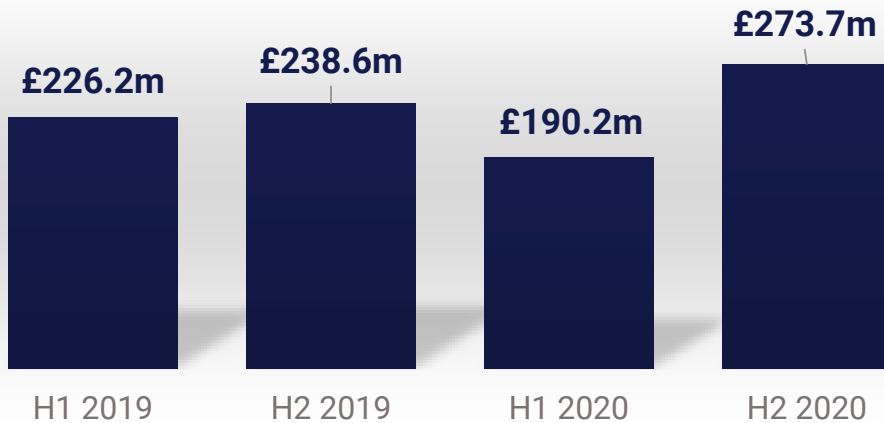


£m	2020	2019	Change
Revenue	1,461	1,711	-15%
Operating profit pre property	76	105	-27%
Operating margin pre property	5.2%	6.1%	-90bps

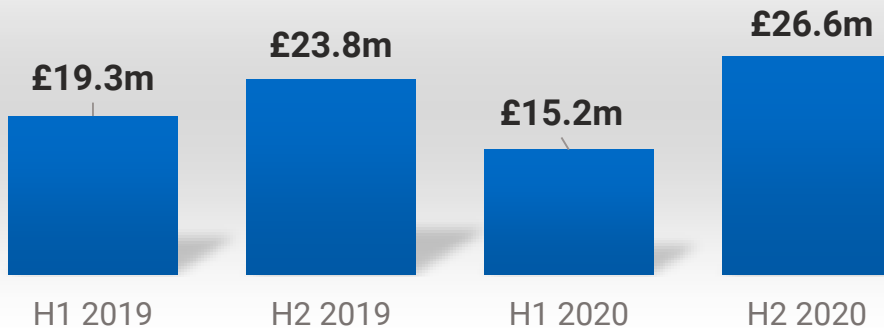
- Most branches temporarily closed on 24 March with reopening on a phased basis from beginning of May. Full service by end June.
- Return to growth in UK during H2 with strong pick up in profit – H2 gross margin +170bps
- H2 operating margin increased to 8.7% (H2 19: 5.9%)
 - ✓ Selco was a strong contributor with H2 operating margin of 11.3%
 - ✓ Buildbase H2 operating profit substantially ahead of prior year through a combination of gross margin improvement and good cost control
 - ✓ Leyland SDM performed well and GDC added five complementary locations

Irish Distribution

Revenue



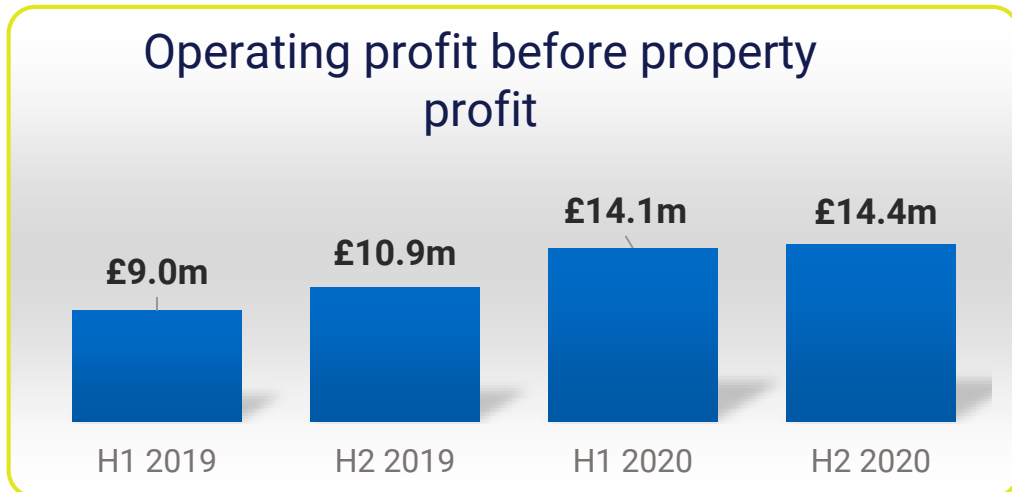
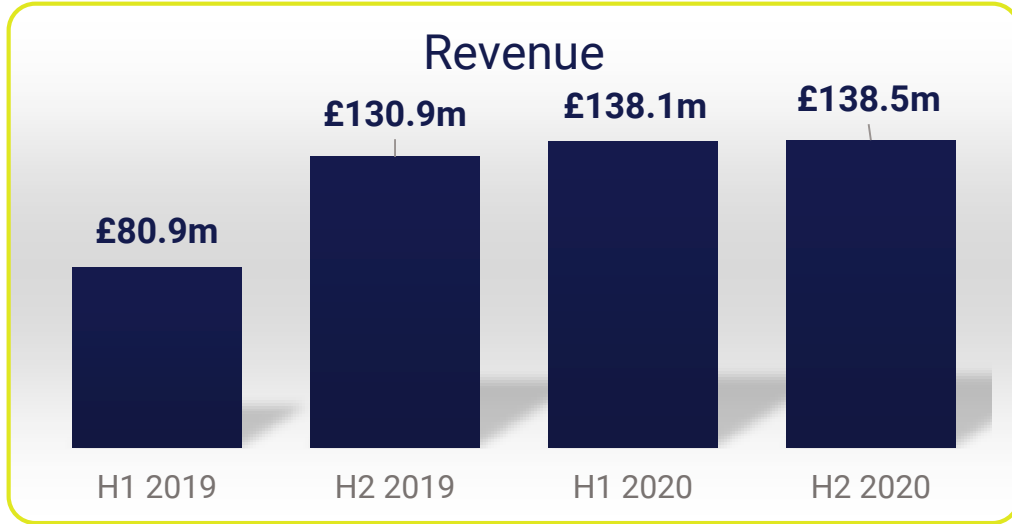
Operating profit before property profit



£m	2020	2019	Change
Revenue	464	465	-0%
Operating profit pre property	42	43	-3%
Operating margin pre property	9.0%	9.3%	-30bps

- Branches temporarily closed from 28 March except for emergency supplies and only fully reopened on 18 May
- Strong market position captured H2 revenue increase of 12% with strength in RMI and recovering housing market
- Six more branches rebranded and new fixings centre opened in Cork
- New branch acquired in Dundalk
- Ongoing investment into digital development and systems

Netherlands Distribution

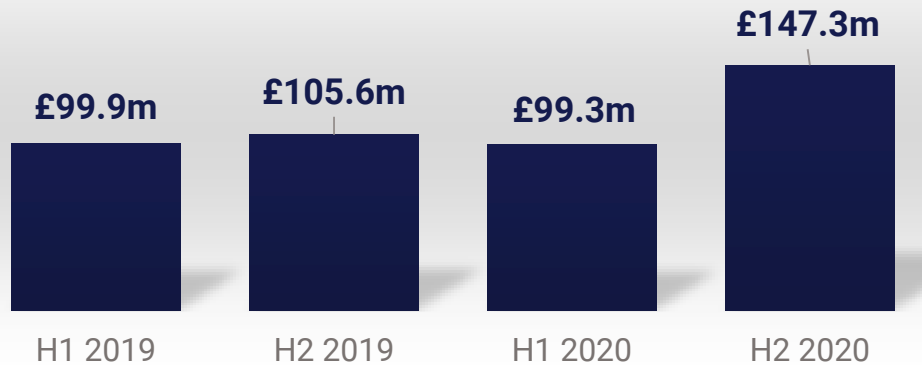


£m	2020	2019	Change
Revenue	277	212	+31%
Operating profit pre property	29	20	+43%
Operating margin pre property	10.3%	9.4%	+90bps

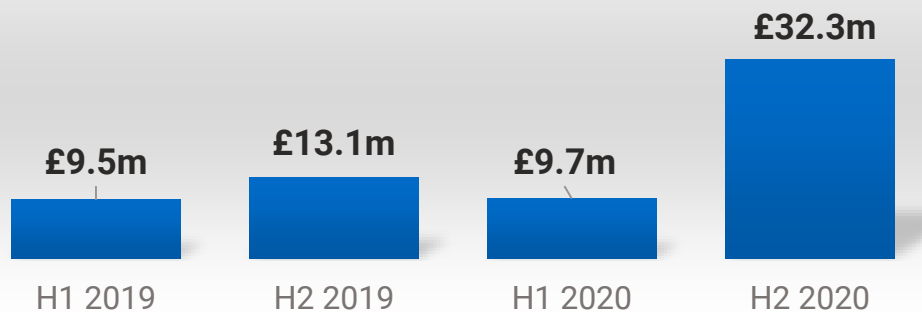
- Operations in The Netherlands continued to trade as classified as an essential business
- H2 LFL revenue increased by 1.8% despite 3% fall in residential new build/renovation volumes
- Good demand from core customers operating in RMI and new build
- Excellent performance from Polvo which delivered in line with plan and buying gains were secured
- Ongoing branch upgrade programme and migration of acquired businesses to common platform

Retailing

Revenue



Operating profit before property profit

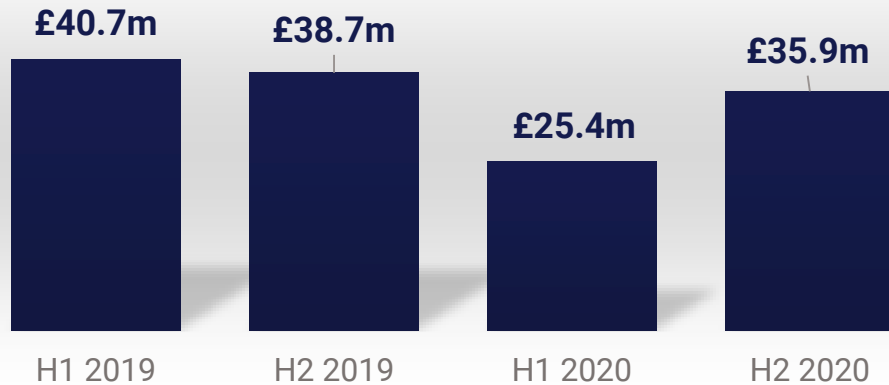


£m	2020	2019	Change
Revenue	247	206	+20%
Operating profit pre property	42	23	+86%
Operating margin pre property	17.0%	11.0%	+600bps

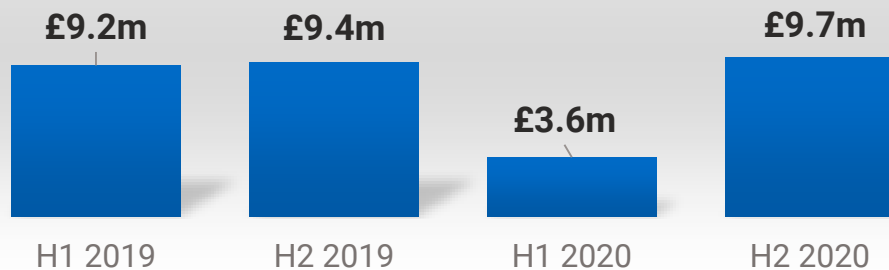
- Woodie's temporarily closed from 28 March to 18 May except for online sales
- Surge of demand seen on re-opening which saw H1 revenue only down by 1.5%
- H2 revenue increased by 39% leading to a record year for sales, operating profit and operating margin
- Exceptional levels of demand for decorative products, outdoor and Christmas categories
- Digital revenue increased to 3.6% of revenue (2019: 1.6%)

Manufacturing

Revenue



Operating profit before property profit



£m	2020	2019	Change
Revenue	61	79	-23%
Operating profit pre property	13	19	-29%
Operating margin pre property	21.7%	23.4%	-170bps

- All mortar plants temporarily closed from 24 March with phased reopening late April/early May – Scotland at end June
- Good recovery in demand in new housing market saw recovery in volumes although production lower than prior year
- Excellent operating margin performance despite revenue reduction
- Underlying demand remains strong in new housing supported by stamp duty holiday and Help to Buy
- StairBox acquired on 30 November

Balance Sheet

£m	31 December 2020	31 December 2019
Intangible assets	820.0	761.1
Right-of-use assets	505.9	522.2
Tangible assets	523.9	529.7
Lease receivable	2.3	2.7
Working capital	112.6	196.5
Other assets/(liabilities)	(92.1)	(94.6)
Pension deficit	(50.6)	(21.2)
	1,822.0	1,896.5
Net (debt)	(355.0)	(533.8)
Equity	1,467.0	1,362.7
ROCE	10.4%	10.8%
Net debt/EBITDA	1.3x	1.7x

- Resilience of business model demonstrated by net working capital reduction
- Increase in pension deficit – impact of lower discount rates and UK scheme closure to accrual

Cash from Operations

£m	2020	2019
Profit before taxation	132.7	149.1
Finance costs	26.9	25.1
Operating profit	159.7	174.2
Depreciation & amortisation of intangible assets	121.4	114.8
Property profits	(2.6)	(6.9)
Loss on disposal of Group businesses	0.0	19.8
Other movements incl. property and provisions	18.1	12.5
Decrease/(increase) in working capital	81.2	(23.3)
Cash generated from operations	377.7	291.1

Cash Flow

£m	2020	2019
Cash from operations	377.7	291.1
Interest and tax	(60.7)	(56.6)
Replacement capex net of asset disposals	(12.9)	(9.9)
Free cash flow	304.1	224.6
Development capex	(17.0)	(25.2)
Dividends	0.0	(44.0)
Share issue/(repurchase)	2.8	(5.8)
Acquisitions & business disposals (incl. debt acquired)	(47.5)	(52.3)
Net cash flow before FX translation	242.5	97.4
FX translation/Other (incl. IFRS16 opening Jan 19)	(63.7)	(578.1)
Movement in net debt	178.8	(480.7)
Opening net (debt)	(533.8)	(53.1)
Closing net (debt)	(355.0)	(533.8)
Free cash flow as % of adjusted operating profit	157%	110%

2021 Technical Guidance

- Full year property profits expected to be c.£2-3m
- Depreciation currently forecast at c.£100m - £110m in total (£50m on a pre IFRS 16 basis)
- Working capital expected to increase in 2021 as trading normalises –dependent on sales growth but c.£30m-£40m increase a reasonable assumption at this stage
- 2021 gross capex spend (ex acquisitions) – replacement spend anticipated of c.£45m and development of c.£25m
- Net finance charge of c.£27m (c.£18m relates to IFRS 16 leases)
- Tax rate for full year c.19%



Strategic Update & Outlook

Gavin Slark, CEO

Final Results
Financial Year Ended
31 December 2020

Current Trading


	Average Daily Like-for-Like Revenue Growth	
	Qtr 4 2020	1 Jan 2021 – 21 Feb 2021
Distribution		
UK	4.4%	(0.9%)
Ireland	13.2%	(12.7%)
Netherlands	0.0%	1.1%
Retailing	34.9%	40.8%
Manufacturing	(8.3%)	(29.8%)
Total Group	7.9%	(1.0%)

- UK: Covid restrictions have dampened demand with no offsetting growth in decorating or landscaping sales given seasonal conditions. New housebuild activity still not back to levels of same period last year
- Ireland: Start to the year for Chadwicks has been influenced by Covid restrictions on construction. Woodie's commenced the year strongly
- NL: Good start to the year despite ongoing Covid restrictions that are tighter than at the start of the pandemic

Outlook

- Optimistic that vaccine rollout will mean economic and construction activity will increase in the coming months across our geographies
- Beneficial to now have clarity and certainty following Brexit
- In the UK, underlying demand in RMI and new build markets expected to remain favourable
- In Ireland, we expect Chadwicks to return to pre-lockdown levels of activity once construction allowed to resume in full. Near term outlook for Woodie's positive but will run up against very tough comparators in H2
- In The Netherlands, subdued growth expected over coming months and a gradual recovery later in the year
- Balance sheet strength provides excellent platform for future growth

Summary

- 
- Proud of our achievements last year – remarkable support from our colleagues
 - We endeavoured to do the right things by our colleagues, customers and suppliers throughout
 - We emerge as a better business at the end of 2020
 - Business model demonstrated its resilience, benefitting from our strategic investment focus
 - We are driven by ambition, innovation and sustainability
 - Enter 2021 with stretching targets and confidence

Questions

Final Results
Financial Year Ended
31 December 2020

Appendices

Final Results
Financial Year Ended
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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 were 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 exceptional items, intangible asset amortisation arising on acquisitions and before profit/loss on disposal of Group businesses
- Adjusted operating profit is earnings before exceptional items, 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 exceptional items, 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 - Operating Margin Analysis*

	H2	H1	H2	H1
	2020	2020	2019	2019
UK Distribution	8.7%	0.4%	5.9%	6.4%
Irish Distribution	9.7%	8.0%	9.9%	8.5%
Netherlands Distribution	10.5%	10.2%	8.4%	11.1%
Total Distribution	9.1%	3.4%	6.9%	7.1%
Retailing	22.0%	9.8%	12.4%	9.5%
Manufacturing	27.1%	14.1%	24.5%	22.5%
	10.8%	4.2%	7.9%	7.8%
Central Activities	(0.4%)	(0.5%)	(0.3%)	(0.6%)
Total	10.4%	3.7%	7.6%	7.2%
Property Profit	0.2%	0.0%	0.2%	0.4%
Group Operating Margin	10.6%	3.7%	7.8%	7.6%

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

Appendix 3 - Revenue Growth

	Average Daily Like-for-Like Revenue Growth						
	2020					Year to 31 December 2020	
	Q1	Q2	Q3	Q4	Year to 31 December 2020	Total Revenue	
Distribution						Constant Currency	Actual (Sterling)
UK	(11.0%)	(49.6%)	1.5%	4.4%	(14.2%)	(14.6%)	(14.6%)
Ireland	1.3%	(35.2%)	8.1%	13.2%	(2.9%)	(1.7%)	(0.2%)
Netherlands	(1.0%)	(0.6%)	3.3%	0.0%	0.7%	28.8%	30.6%
Retailing	2.9%	(5.3%)	36.5%	34.9%	17.2%	17.5%	20.0%
Manufacturing	(13.0%)	(63.0%)	(13.1%)	(8.3%)	(25.0%)	(22.8%)	(22.7%)
Total Group	(7.3%)	(40.7%)	5.0%	7.9%	(8.7%)	(6.6%)	(6.1%)

Appendix 4 - Income Statement – Pre IFRS 16

£m	2020	2019	Change
Revenue - total	2,509.1	2,672.3	(6%)
Adjusted operating profit pre property profit	177.9	187.4	(5%)
Property profit	2.6	6.9	
Adjusted operating profit before exceptional items	180.5	194.3	(7%)
Exceptional items	(24.9)	0.0	
Adjusted operating profit	155.6	194.3	(20%)
Amortisation	(8.9)	(7.0)	
Statutory operating profit	146.7	187.3	
Net finance cost	(8.8)	(5.6)	
Statutory profit before tax	137.9	181.8	
Adjusted profit before tax	171.7	188.8	(9%)

Appendix 5 – 2020 Adjusted Operating Profit - Impact of IFRS 16

£m	Pre IFRS 16	IFRS 16 Impact	Reported
Revenue - total	2,509.1	0.0	2,509.1
Adjusted operating profit pre property profit	177.9	12.8	190.7
Property profit	2.6	0.0	2.6
Adjusted operating profit before exceptional items	180.5	12.8	193.3
Exceptional items	(24.9)	0.2	(24.7)
Adjusted operating profit	155.6	13.0	168.6
Amortisation	(8.9)	0.0	(8.9)
Statutory operating profit	146.7	13.0	159.7
Net finance cost	(8.8)	(18.1)	(26.9)
Statutory profit before tax	137.9	(5.1)	132.7
Adjusted profit before tax	171.7	(5.3)	166.4

Appendix 6 – 2020 IFRS 16 Income Statement Bridge

£m	Pre IFRS 16	IFRS 16 Impact	Reported
Revenue	2,509.1	0.0	2,509.1
Operating costs	(2,340.1)	12.8	(2,327.3)
Operating profit before property profits	169.0	12.8	181.8
Property profits	2.6	0.0	2.6
Operating profit before exceptional items	171.6	12.8	184.4
Exceptional items	(24.9)	0.2	(24.7)
Operating Profit	146.7	13.0	159.7
Finance expense	(9.5)	(18.1)	(27.6)
Finance income	0.7	0.0	0.7
Profit before tax	137.9	(5.1)	132.7
Income tax expense	(26.1)	0.9	(25.2)
Profit after tax for the financial period from continuing operations	111.8	(4.3)	107.5
Result from discontinued operations	0.0	0.0	0.0
Profit after tax for the financial year	111.8	(4.3)	107.5

Appendix 7 – 2020 IFRS 16 Cash Flow Bridge

£m	2020		
	Pre IFRS 16	IFRS 16 Impact	Incl IFRS 16
Cash from operations	303.5	74.2	377.7
Interest and tax	(42.5)	(18.1)	(60.7)
Replacement capex net of asset disposals	(12.9)	0.0	(12.9)
Free cash flow	248.1	56.1	304.1
Development capex	(17.0)	0.0	(17.0)
Dividends	0.0	0.0	0.0
Share issue	2.8	0.0	2.8
Acquisitions & business disposals (incl. debt acquired)	(47.5)	0.0	(47.5)
Net cash flow before FX translation	186.4	56.1	242.5
FX translation/Other	(13.7)	(50.0)	(63.7)
Movement in net debt	172.7	6.1	178.8
Opening net cash/(debt)	7.8	(541.7)	(533.8)
Closing net debt	180.6	(535.6)	(355.0)
Free cash flow as % of adjusted operating profit	137%		157%

Appendix 8 – 2020 IFRS 16 Balance Sheet Bridge

£m	December 2020		
	Pre IFRS 16	IFRS 16 Impact	Reported
Intangible Assets	820.0	0.0	820.0
Tangible Assets	525.9	(2.0)	523.9
Right of Use Asset	0.0	505.9	505.9
Lease Receivable	0.0	2.3	2.3
Working Capital	107.9	4.7	112.6
Other Assets / (liabilities)	(105.0)	12.9	(92.1)
Pension deficit	(50.6)	0.0	(50.6)
	1,298.2	523.8	1,822.0
Net Cash/(Debt)	180.6	(535.6)	(355.0)
Equity	1,478.7	(11.7)	1,467.0

Appendix 9 – 2020 IFRS 16 Segmental Bridge

£m	2020		
	Pre IFRS 16	IFRS 16 Impact	Reported
Segmental operating profit before exceptional items and intangible amortisation arising on acquisitions			
UK Distribution	68.4	8.0	76.4
Ireland Distribution	41.7	0.2	41.8
Netherlands Distribution	27.5	1.1	28.5
Total Distribution	137.6	9.2	146.8
Retailing	38.5	3.5	42.0
Manufacturing	13.3	(0.0)	13.3
Reconciliation to consolidated operating profit	189.4	12.7	202.1
Central activities	(11.5)	0.1	(11.4)
	177.9	12.8	190.7
Property profits	2.6	0.0	2.6
Operating profit before exceptional items and intangible amortisation arising on acquisitions	180.5	12.8	193.3
Exceptional items	(24.9)	0.2	(24.7)
Adjusted operating profit	155.6	13.0	168.6
Amortisation of intangible assets arising on acquisitions	(8.9)	0.0	(8.9)
Operating profit	146.7	13.0	159.7

Appendix 10 – 2020 IFRS 16 EPS Bridge

£m	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	111.8	(4.3)	107.5
(Loss) after tax for the financial period from discontinuing operations	0.0	0.0	0.0
Numerator for basic, adjusted and diluted EPS	111.8	(4.3)	107.5
Profit after tax for the financial period from continuing operations	111.8	(4.3)	107.5
Exceptional items	24.9	(0.2)	24.7
Tax relating to exceptional items	(4.0)	0.0	(4.0)
Amortisation of intangible assets arising on acquisitions	8.9	0.0	8.9
Tax relating to amortisation of intangibles assets arising on acquisitions	(2.0)	0.0	(2.0)
	139.6	(4.4)	135.2
	Number of Grafton Units	Number of Grafton Units	Number of Grafton Units
Weighted average number of Grafton Units in issue	238,379,488	238,379,488	238,379,488
Earnings per share (pence) - from continuing operations	46.9p	(1.8p)	45.1p