



## Grafton Group plc

### Trading Update

9 July 2015

Grafton Group plc, the builders merchanting and DIY Group with operations in the UK, Ireland and Belgium, issues this Trading Update for the six months to 30 June 2015 in advance of the Interim Results which will be released on 27 August 2015.

#### Group Revenue

Group revenue for the six months to 30 June 2015 increased by 6.6 per cent to £1.08 billion (six months to June 2014: £1.015 billion) and by 9.5 per cent in constant currency.

The table below shows the quarterly and half year changes in average daily like-for-like revenue and the increase in total revenue for 2015 on the same periods in the prior year.

Segment	Average Daily Like-for-Like Revenue Growth in Constant Currency			Total Revenue	
				Constant Currency	Sterling
	Three Months to 31 March	Three Months to 30 June	Six Months to 30 June	Six Months to 30 June	Six Months to 30 June
<b>Merchanting</b>					
- UK	3.5%	5.1%	4.3%	9.6%	9.6%
- Ireland	16.4%	11.0%	13.7%	14.7%	2.1%
- Belgium	(2.0%)	2.0%	0.2%	7.2%	(4.4%)
<b>Retailing</b>	3.0%	1.1%	1.8%	2.0%	(9.3%)
<b>Manufacturing</b>	14.1%	16.0%	15.1%	15.1%	14.2%
<b>Group</b>	4.9%	5.5%	5.2%	9.5%	6.6%

#### Merchanting (91% of Group Revenue)

The **UK Merchanting** business benefited from growth in average daily like-for-like revenue although markets remained competitive. Selco Builders Warehouse had an excellent half year as the leverage from increased revenue resulted in a significant improvement in performance. A new branch was opened in Redhill, Surrey in February and Selco's 37<sup>th</sup> branch was recently opened in Coventry. Further store openings of this very successful trading format are scheduled for later this year and during 2016.

The positive impact on trading from higher volumes in the traditional builders merchanting business was partially offset by a lower gross margin due to competition and mix changes. The performance of Plumbase was impacted by flat revenue and weaker pricing in a plumbing and heating market that continued to experience challenging trading conditions.

The **Irish Merchants** business continued to perform ahead of improving trends as strong growth in the residential repair, maintenance and improvement (RMI) market was complemented by a modest recovery in housebuilding from low levels and increased activity in the non-residential and infrastructure markets.

The performance of the **Belgian Merchants** business was affected by weak demand in the residential new build and RMI markets against the backdrop of relatively flat economic activity.

#### **Retailing (7% of Group Revenue)**

The DIY business in Ireland experienced modest revenue growth. Management continued to take actions to build a stronger business and lay the foundations to drive solid growth as the emerging recovery in the retail market extends into the DIY sector.

#### **Manufacturing (2% of Group Revenue)**

The mortar manufacturing market in Britain had an excellent half year supported by strong demand for new homes and an improved mortgage market. The business achieved significant growth in revenue and performed strongly.

#### **Operating Profit Margin**

The Group's Interim Management Statement for the four months to 30 April 2015 highlighted margin pressure due to competitive market conditions in the traditional UK builders merchanting business and weaker pricing in the UK plumbing and heating market. Trading in the seasonally more significant months of May and June reflected a continuation of these trends. The anticipated momentum in growth in the UK has not yet gained the consistent traction expected although the overall trajectory remains favourable. Taking these factors into account, the overall Group operating margin is expected to be modestly ahead of the first half of 2014 before property profits. Property profits of £6.0 million in the half year (H1 2014: £1.6m) were higher than anticipated as a result of a property disposal in London.

#### **Gavin Slark, Chief Executive Officer of Grafton Group plc commented:**

*"The fundamental strengths of the Group's strong brands and market positions together with the operational improvements made in recent years give us confidence that, despite current challenges, we can deliver the Group's medium term targets outlined earlier this year."*

**Ends**

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