

## How Gavin Slark turned things around at Grafton Group

Gavin Slark skipped university to work his way to the top of the corporate world. Now Grafton is showing the results of his hard work, writes Donal Lynch

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Gavin Slark has been up since 4.30 this morning - he flew in from Birmingham on an early flight - but while lesser men might be propping themselves up with cups of treacly coffee, Slark is instead smiling like the cat who got the cream.

He has, after all, reasons to be cheerful. Grafton's results, which were released on Thursday, show a company in rude health.

Buoyed by cautious recovery in the construction sector, the group's operating profit is up 21pc to stg£61.2m. Revenue is up 7pc to stg£1.08bn and the basic earning per share has increased by 31pc to stg20.2p.

It all seems like the payoff for what Slark told himself when he took the helm at the London-listed Grafton in 2011.

"The industry was decimated but it seemed to me that the only way was up. In terms of big listed builders merchants, we were almost the last man standing. Between 2009 and 2012, it seemed every year was down on the last. But if you go back to the middle of 2013, we had a meeting where we could finally say things weren't getting any worse.

"That was huge. If you manage a downturn well, then when the market does start to recover you are in a great position. Ireland has a history of home ownership and at some point the country had to start building again."

The group, which owns the Woodies DIY chain and more than 550 builders' merchants across Ireland, Britain and Belgium, was helped by its presence in the UK (where even in the worst of times 100,000 new homes a year were still being built), and by refocussing Grafton's business away from behemoth developers and toward smaller 'jobbing builders'.

"We always had a very close eye on the cost line and we made some difficult decisions, reducing the head count and reducing the number of branches."

Grafton put its Atlantic Homecare chain into examinership during the crash, axed about 1,200 jobs and dramatically reduced its debt. Nonetheless, Slark says that the decision was made to maintain a national presence in Ireland.

"There were towns where we consolidated from two stores down to one but there were very few where we left the town entirely."

In terms of credit, Slark says that Grafton's tactic was to spread the risk over a larger pool of smaller players.

"Our long-term core bank partners supported us quite well. We needed to make sure we were careful about credit coming in the opposite direction. There were some bad debts but we had to live with some of those.

"You had to be conscious that the market had gone through so much pain that people needed enough money to complete whatever they were doing - so that they could in turn generate the cash to pay you back."

When Slark first moved to Dublin from the UK, he was aghast at how expensive property was here - and when he remarked on this to people they'd say: 'Well Gavin, it's half the price it was three years ago.'

These days he seems more comfortable with the momentum of the property sector and consequent increase in prices. Since the middle of last year, Slark says, the once Dublin-centred recovery has begun to spread out to the rest of Ireland. "We're seeing good recovery in Dublin, Cork and Galway. Everywhere really except for the Midlands. That's still a bit tougher than the rest."

He thinks the recovery here is sustainable and doesn't see a bubble forming, putting much of the talk of one down to the "fresh memory of the bad times".

"In Ireland I think the conditions are right for continual long-term growth," he continues. "The UK on the other hand is nearly two countries. The housing bubble was in the south east - but there wasn't one in the north. And London, and the London market, is its own thing."

"I think the conditions for growth are great there too. Irrespective of what your political views are, the fact that we have a stable UK government for five years calms the City. There's economic growth. And employment is growing again too. We can plan our own growth around that progress."

Grafton is by some distance the biggest player in the building materials sector in Ireland, with at least a fifth of the market, and that size necessarily limits their potential for acquisitions. In Britain, it is the third biggest in building materials with 11pc, so there is room for growth and Slark says that Britain and mainland Europe will be the focus for acquisitions in coming years.

Since its recent acquisition of MPro, Grafton now runs the largest builders' merchants in Belgium.

Slark tells me that revenues in Belgium will be in excess of €100m this year.

"We will also look at opportunities in the UK and mainland Europe," he says.

Grafton doesn't trade anywhere as Grafton, and in Ireland its public face is very much that of Woodies. Slark says that in terms of DIY, the number of house purchases is important - because, statistically, people tend to make renovations within a short time of moving. However as things stand Woodies is seeing a more gradual recovery than the rest of the group.

"Our numbers are clearly showing that the DIY market is coming back more slowly than the builders' market. Home decoration and gardening are still discretionary spends for people. It's going to take a little while longer for consumer spending to become a bit more deep-rooted."

In anticipation of this the group has invested in its flagship outlets in Bray and Carrickmines.

Slark's ascent to the top job at Grafton was the culmination of more than three decades of hard work. He was born and brought up in Sunderland, a football-obsessed northern city that has been in slow decline since the heyday of coal-mining and ship-building.

He moved a little south with his family to Leamington Spa while still at school.

His parents and his sisters were accountants but Slark was sure that school was not where he wanted to be.

"I always wanted to go out into the world of work. I thought it would suit me more than a pure desk job. When I was 16, I told my parents I wanted to leave school and work. When I see the guys in our branches loading a truck at five in the morning I can empathise with what they're going through."

"It was a different route - and not the route that the majority of CEOs would take -but it probably helped me to develop the person I am."

There is still an accountant somewhere inside of him, he concedes, "although I've spent 30 years trying to keep him in".

He had teenage aspirations to become a drummer in a band - but in hindsight is relieved that he instead started with East Midlands Electricity in 1982 when he was 17, getting paid £12 a week through a youth scheme in Leamington Spa. After six months, he was offered a manager trainee scheme and he says that the experience of hauling himself up from that lowly position has coloured his view of the working world to this day.

"Possibly because of that background, I might look a little bit more into someone's personality and work ethic than I do into their qualifications."

When two of his bosses at East Midlands moved to Blockbuster video, Slark decided to follow them. The video rental market was booming in the early 1990s - there were over 800 outlets of Blockbuster in the UK - and Slark had his place on the rocket.

"For me, it was primarily about loyalty to the guys I was working for," he recalls. "It was a very fast-paced retail, something quite different from what I was used to."

"It was a great time to be in that sector. Sky and Netflix were still on the horizon, so we didn't have that kind of competition."

He then ran Dulux Decorator Centres for three years before joining BSS - a publicly listed plumbing and builders supplies group, in 2002. By 2005, he had become chief executive. By the time he sold BSS five years later, he had doubled the FTSE-listed company's turnover to £1.4bn.

"That made me feel good," he admits. "As a society, we sometimes forget there's nothing wrong with being really good at something."

Hard work has always been part of his MO and, during his days with BSS, driving 60,000 miles a year was par for the course.

"You can't rely on good fortune. You have to have an attention to detail. When you're organised and you can pass that on to the team around you, that's a big part of the battle."

He lives in a 200-year-old house in Leamington Spa, having moved three times within the village. He says the cornerstone of his success in ascending the corporate ladder was getting married young.  
"I was very fortunate that right the way through building that career, I've had someone alongside me who understood exactly what needed to be done.

"We had a short honeymoon in Ibiza - we were both working full-time and broke. Every penny we had went into the mortgage."

He says he's on his phone a lot during his free time, but it causes no issues at home "because that's how it's always been".

On the day their results were released, Grafton also announced the appointment of Paul Hampden Smith, a former finance director of Travis Perkins, as a non-executive director. Slark says that the appointment as well as the strong showing in 2015 sets the group up for further success.

"The first half of 2015 has seen the group deliver a strong performance across key financial metrics as it continues to execute its strategic plans," he commented on the day of the results.

"The overall outlook for Grafton is positive and our medium-term targets are a 7pc operating margin and 15pc return on capital employed."

He says that in some ways the pain of the last few years has been worth it - and not just because Grafton emerged as the last man standing. "In a strange way, we now have a healthier business - because instead of a small number of customers working on huge projects, we have a lot of smaller customers working on smaller projects.

"The risk is spread. Each individual risk is smaller. We have a better, more sustainable business. That alone is something to be proud of."

'I have a bit of the control freak in me'

**The most broke I've ever been was...** "right after I got married. We were scraping money together. When your oil tank runs dry and it's 10 days to payday and its freezing outside, that's tough. That happened more than once."

**The best advice I've ever been given was...** "work for what you want and be proud of how far you go. If you want to take the path of not going to university, then work hard and enjoy what you achieve. My Dad told me that."

**My favourite investments are...** "in property and in Grafton. I have a reasonable portfolio of property in the UK. There is a bit of control freak about me and with Grafton shares I feel like I have some sort of control of how the shares do and that's important to me. You feel you're contributing toward all of the shareholders' wealth."

**My management style is...** "relaxed in a neurotic kind of way. I like to pick good people for the jobs we need to fill and give them the space to be themselves. The worst would be a management team made up of clones of me. I like to give people with different talents the space to operate."

Link: [www.independent.ie/business/irish/northern-soul-how-gavin-slark-turned-things-around-at-grafton-group-31487247.html](http://www.independent.ie/business/irish/northern-soul-how-gavin-slark-turned-things-around-at-grafton-group-31487247.html)