



Cautionary Statement & Notes

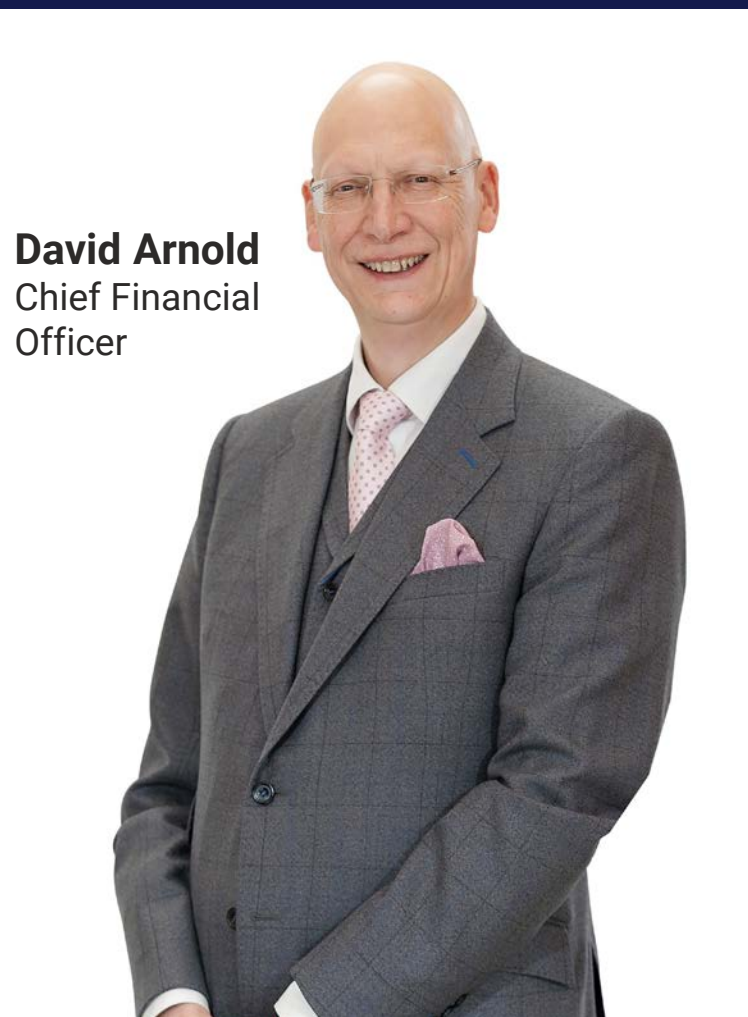
Cautionary Statement

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.

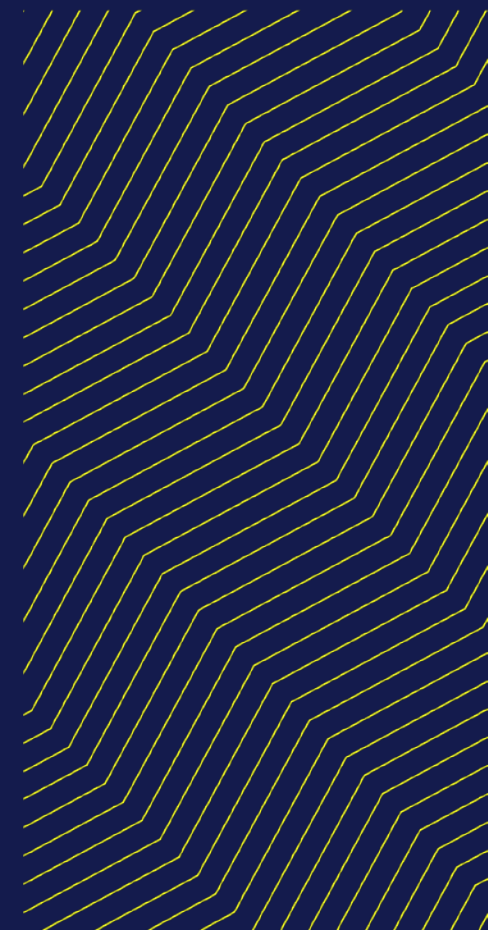
Notes

All references to 'Adjusted' mean before amortisation of intangible assets arising on acquisitions and exceptional items.

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.



David Arnold
Chief Financial
Officer



Introduction & Highlights

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

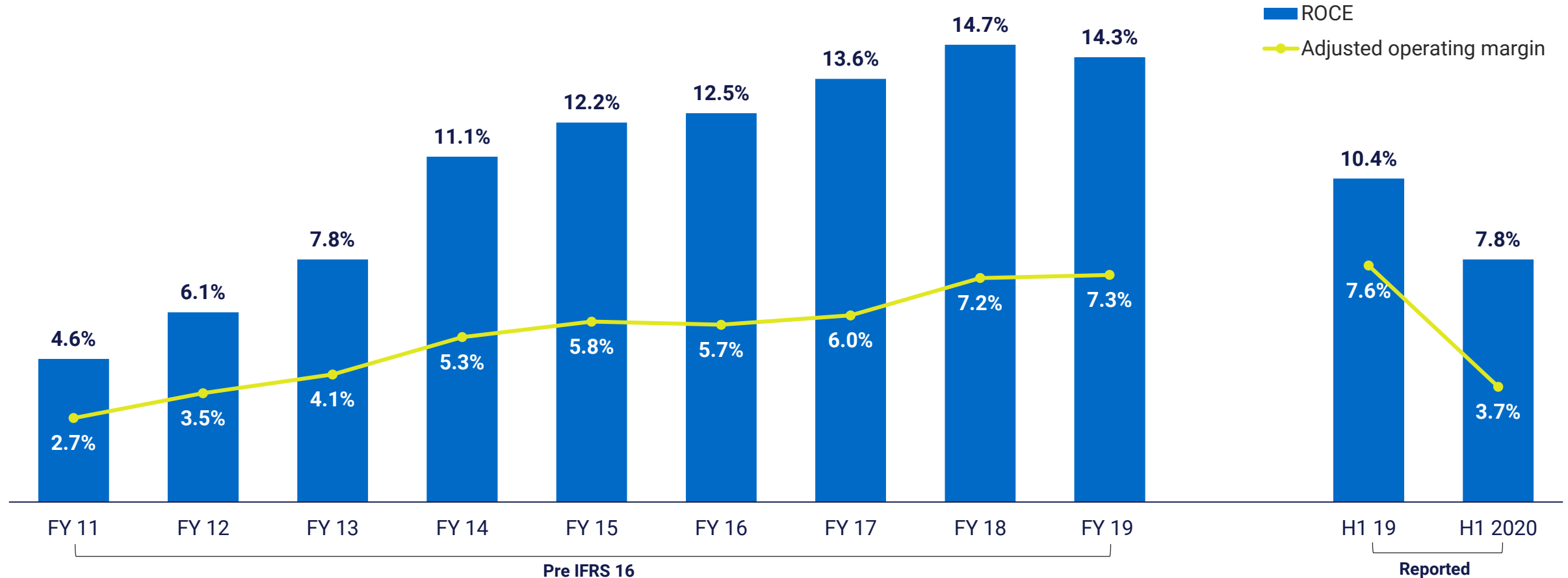
- Dividends remain an important consideration for Grafton
- Suspended payment of second interim dividend for 2019
- Not proposing to pay first interim dividend for 2020
- Will consider scope for payment of both dividends as part of the overall review of the full year results



Financial Review

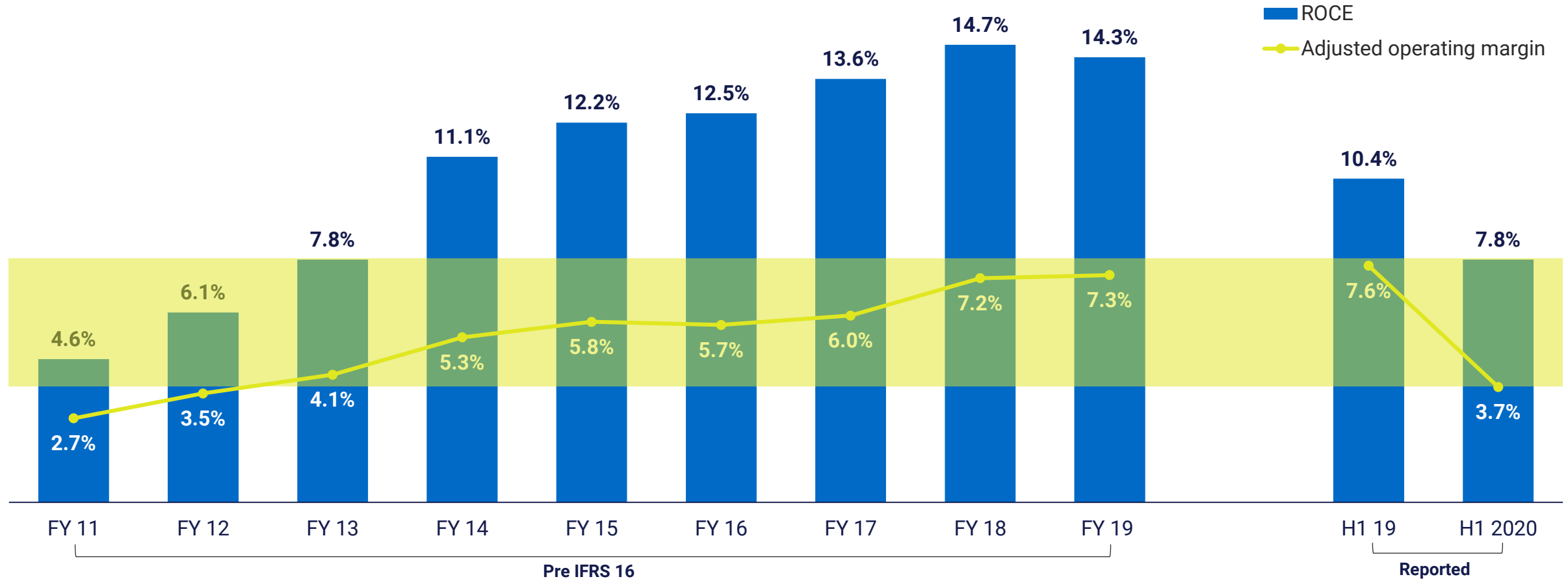
Half Year Results
For the Six months Ended
30 June 2020

Operating Profit Margin and ROCE Progression



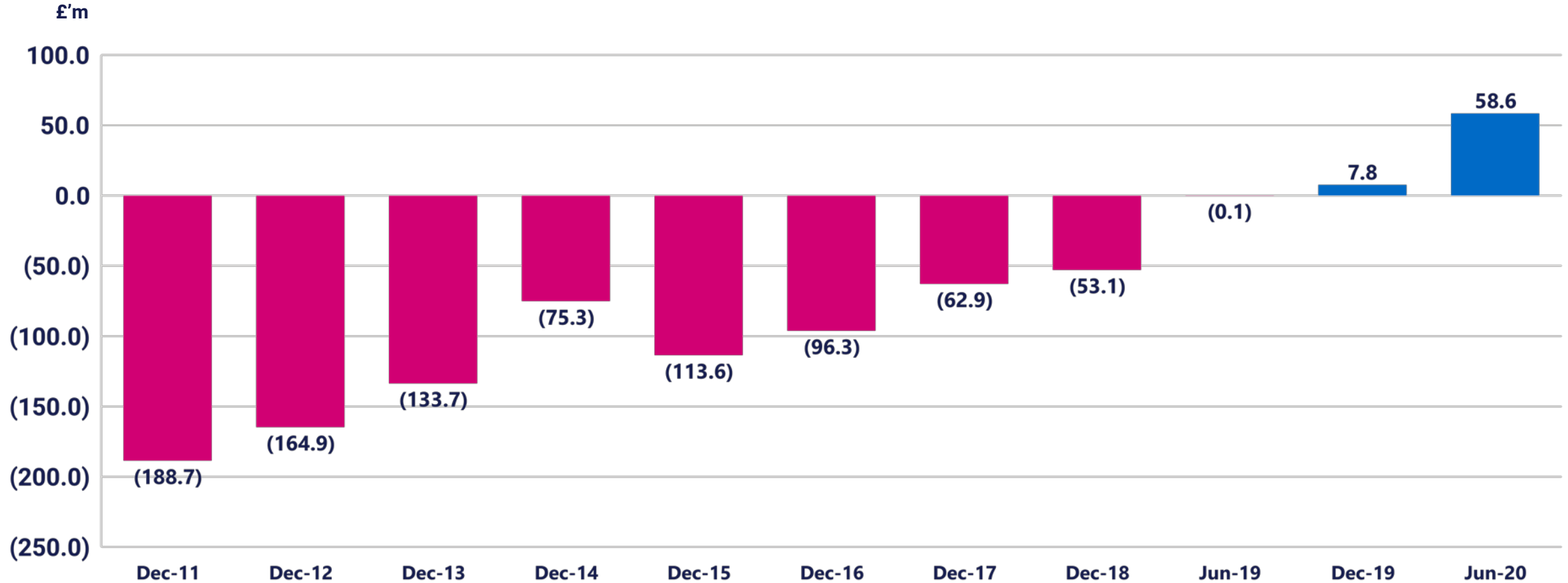
Strategic focus on improving Grafton's financial performance through targeting higher returning businesses

Operating Profit Margin and ROCE Progression



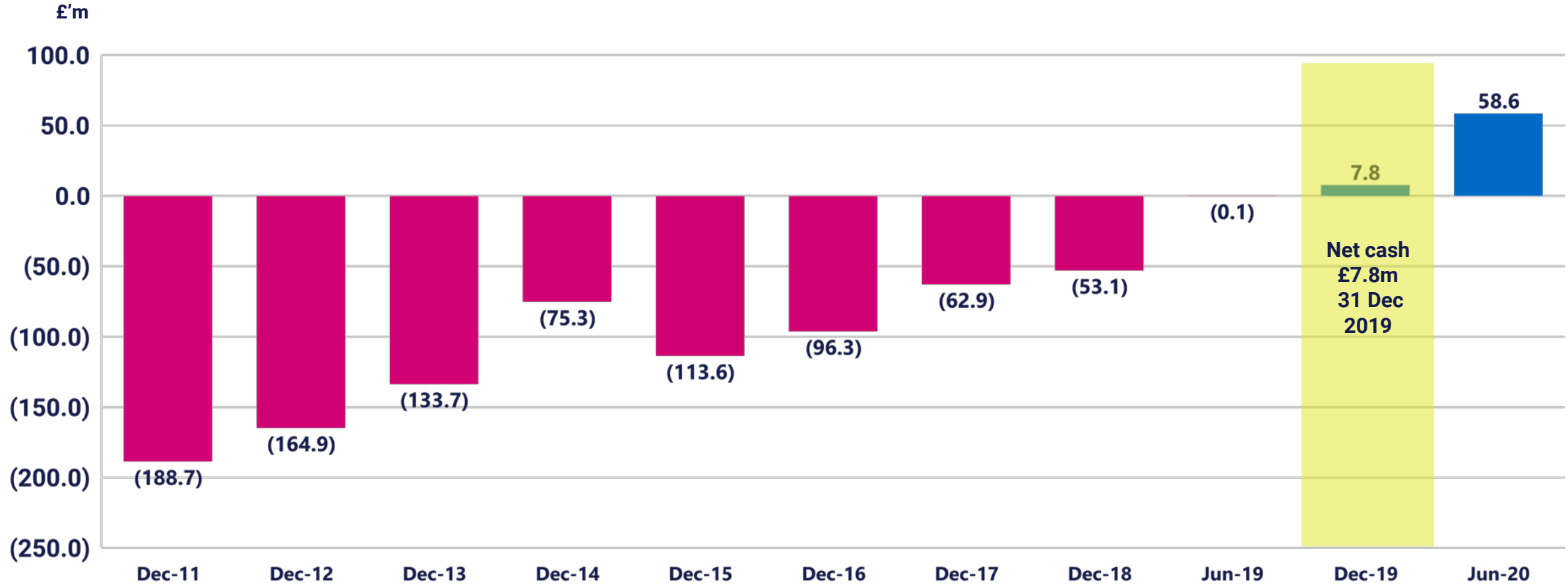
... reaped rewards in Covid-19 crisis as returns remained above 2012 levels and recent acquisitions continued trading through the first half

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



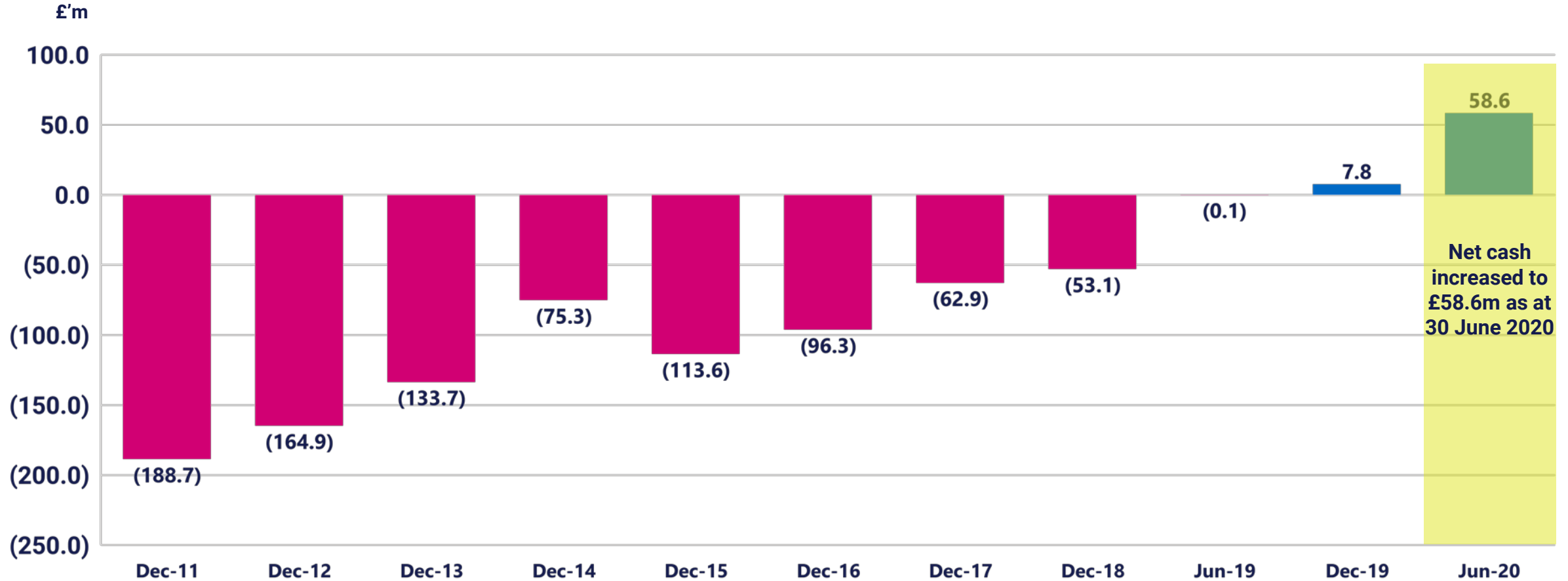
... came into Covid-19 crisis with balance sheet in good shape

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

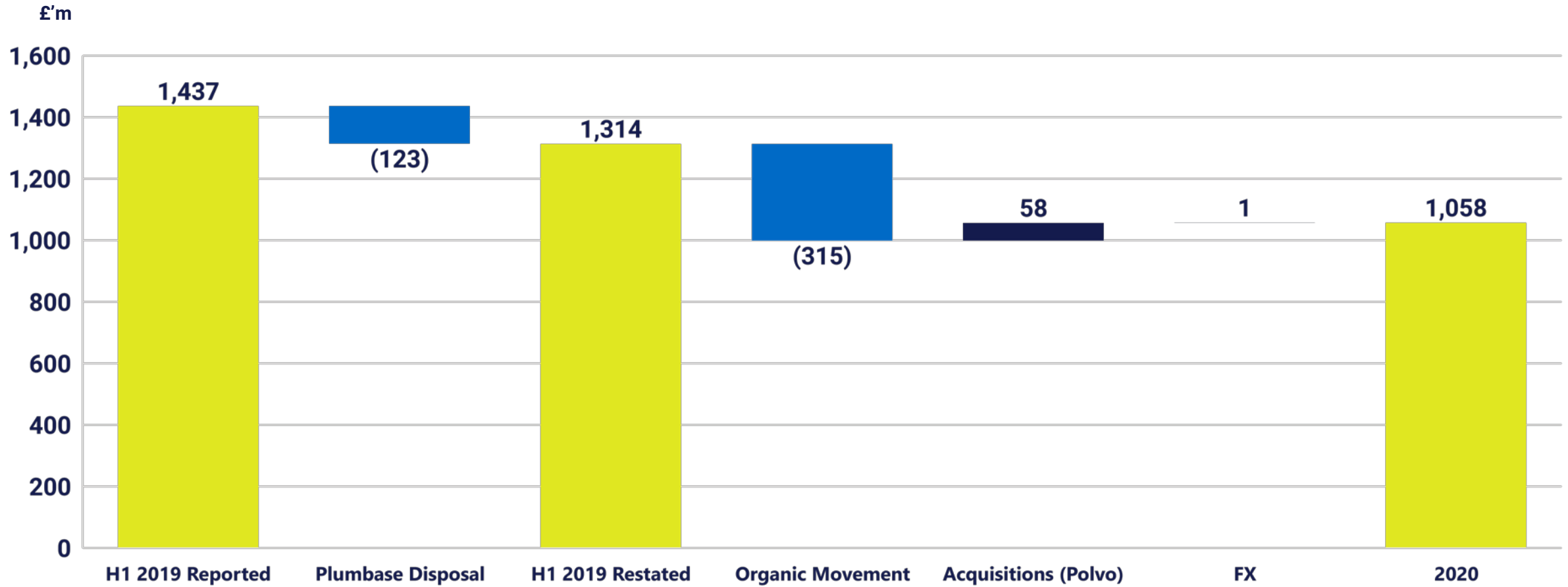


Income Statement – Continuing Operations

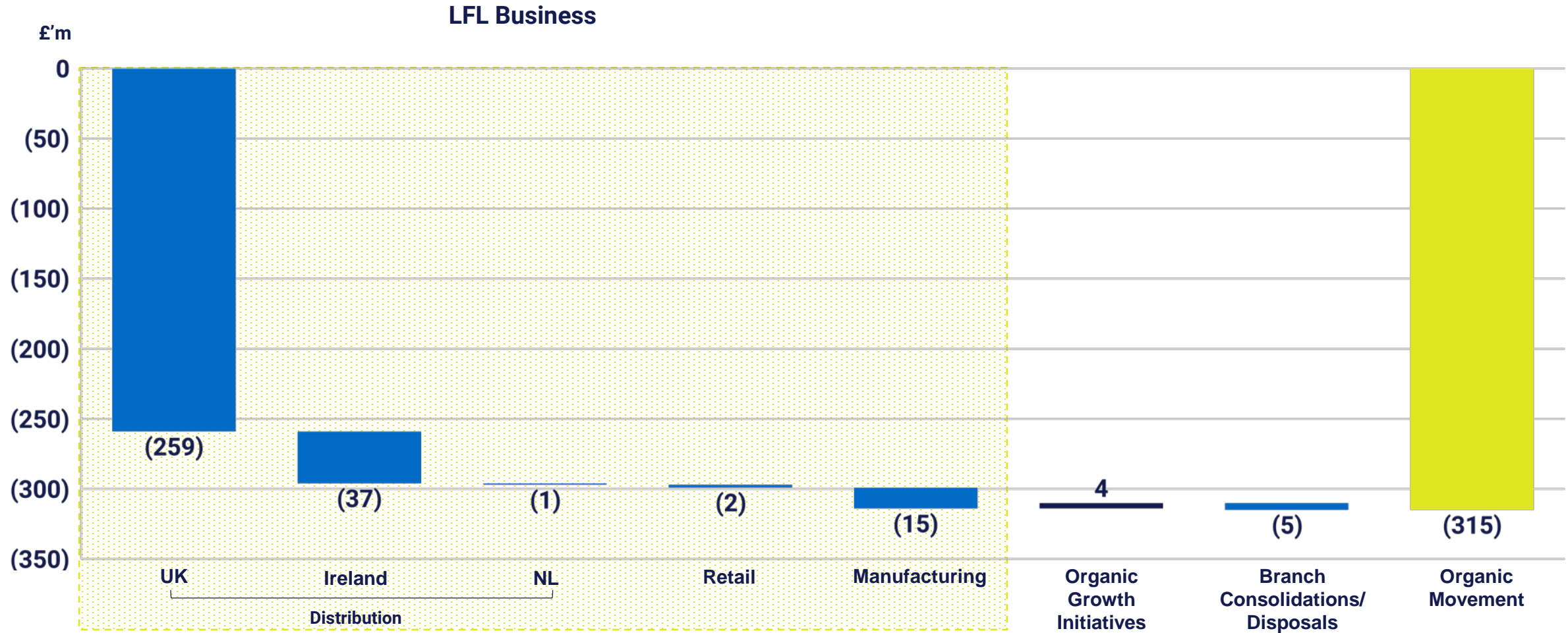
£m	H1 2020	H1 2019 Restated	Change
Revenue	1,058	1,314	(19%)
Adjusted operating profit pre property profit	39.1	95.1	(59%)
Property profit	0.3	4.7	(93%)
Adjusted operating profit	39.4	99.8	(61%)
Amortisation*	(4.3)	(2.7)	(61%)
Statutory operating profit	35.1	97.2	(64%)
Net finance cost	(14.6)	(12.8)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

*Amortisation of intangible assets arising on acquisitions

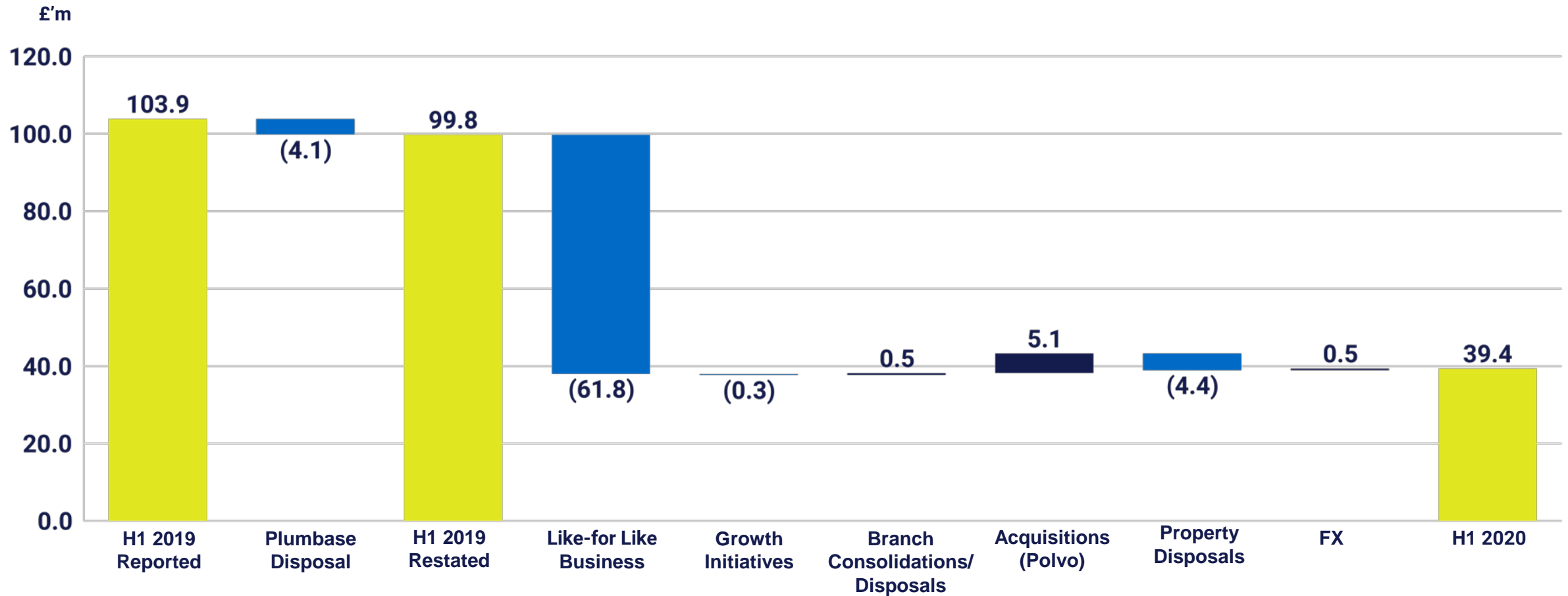
Revenue Bridge



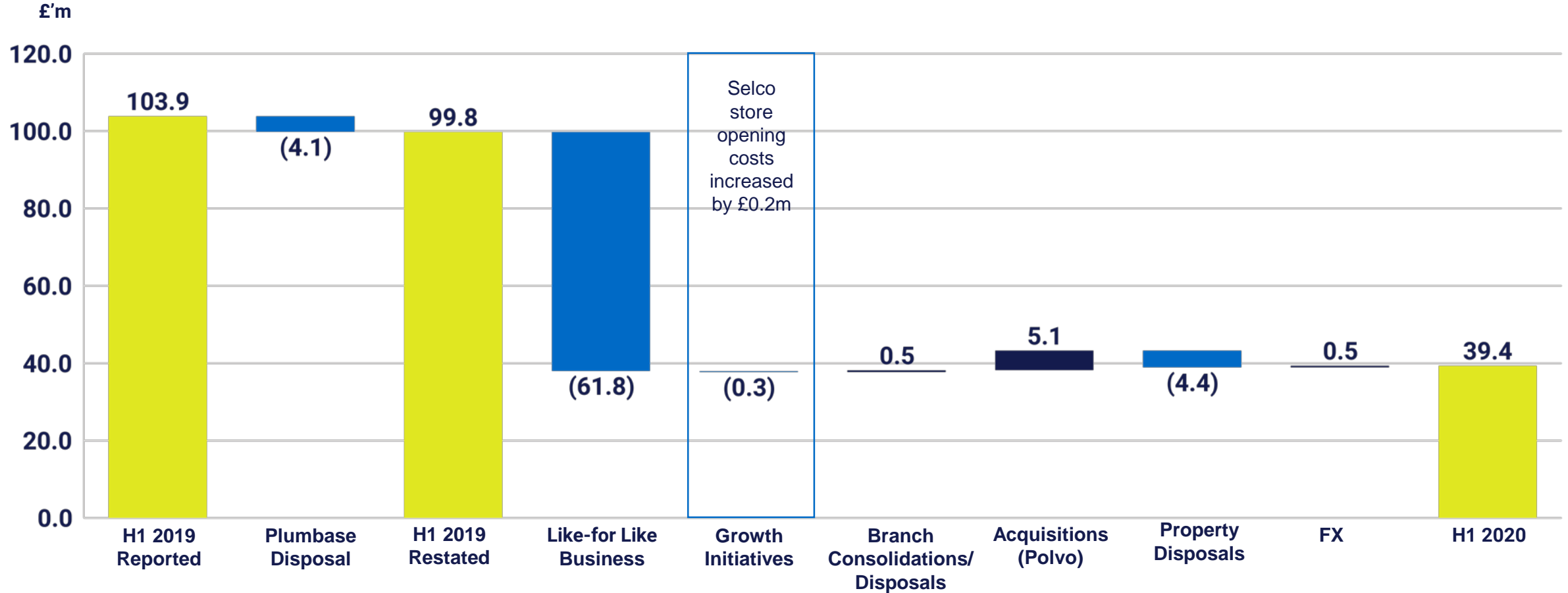
Analysis of Organic Movement in Revenue (Constant Currency)



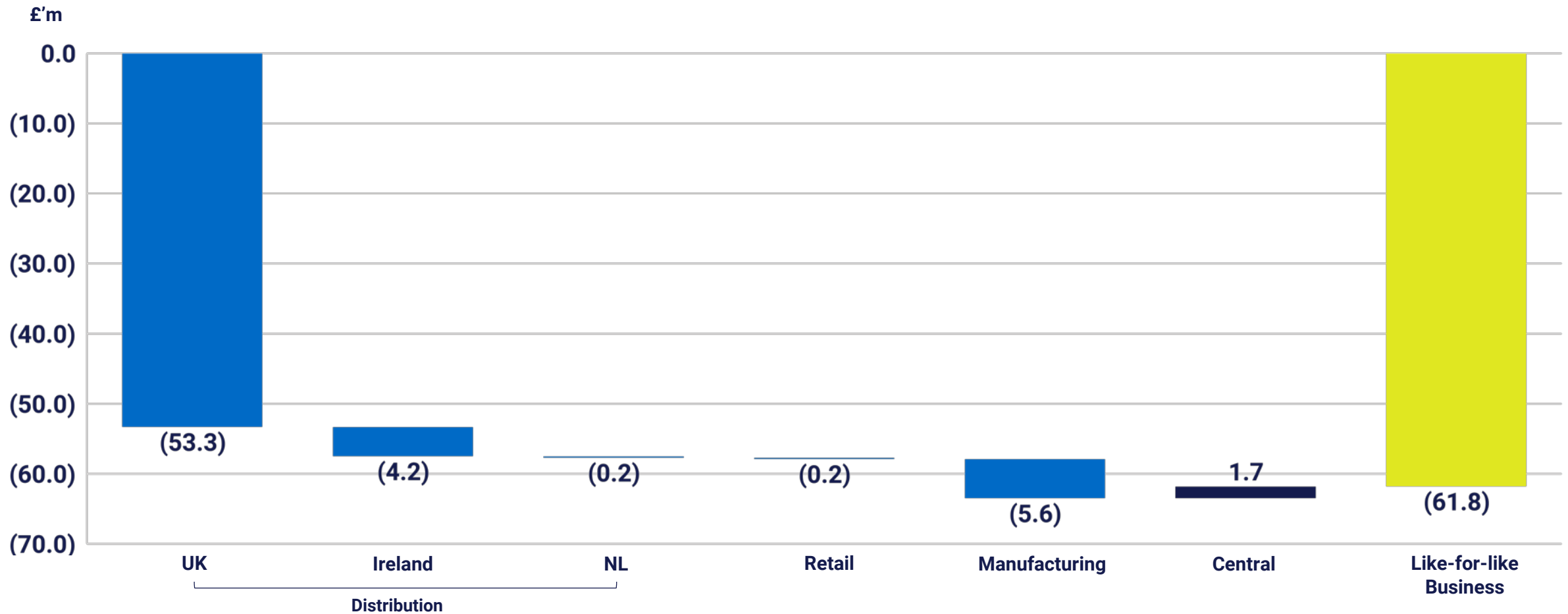
Adjusted Operating Profit – Bridge H1 19 to H1 20



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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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

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

Trading Update & Outlook

Trading Update
For Four Months to 31 October 2020

Trading Update for Four Months to 31 Oct 2020 (Published 12 November)

- Revenue and profitability ahead of expectations
- Adjusted operating profit guidance for second half increased to £130m - £140m range
- Net cash position before lease liabilities increased to £150m at 31 Oct 2020 (30 June 2020: £58.6m)
- Demand strongest in Woodie's DIY in Ireland and in the RMI segments in UK, Ireland and NL
- Group leveraged its well established trading positions and benefitted from investments made in recent years, including the accelerated rollout of digital strategy

Trading Update for Four Months to 31 Oct 2020 (Published 12 November)

The table below shows changes in average daily like-for-like revenue and in total revenue for continuing operations for the four months to 31 October 2020 compared to the same period in 2019

Segment	Average Daily Like-for-Like Revenue in Constant Currency	Total Revenue	
		Constant Currency	Sterling
	Four Months to 31 October 2020	Four Months to 31 October 2020	Four Months to 31 October 2020
Distribution			
- UK	2.3%	0.0%	0.0%
- Ireland	11.0%	10.8%	12.2%
- Netherlands	2.9%	2.9%	4.4%
Retailing	41.4%	41.4%	42.9%
Manufacturing	(11.0%)	(12.1%)	(12.0%)
Group	6.3%	4.7%	5.1%

Summary

- Weathered Covid-19 well and emerging strongly - testament to the commitment and quality of our colleagues
- Despite all the current uncertainties, we are very encouraged by the trading and financial performance of the Group over recent months
- Diversified portfolio of market leading businesses with exposure to residential RMI leaves Grafton well placed to benefit from current market trends
- 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