20 November 2018

SIG plc: Trading update
No change to expectations despite challenging market conditions

SIG plc ("SIG" or "the Group"), a leading European supplier of specialist building products with strong positions in its core markets of insulation & interiors, roofing & exteriors, and air handling, today issues a trading update covering the period from 1 July to 31 October 2018 ("the Period").

While market conditions are challenging, the transformation of SIG's business progresses as planned. As such, management remains confident that the Group will see significant profit improvement in the second half of the year and deliver a result in line with its expectations.

Trading summary

Group revenues from continuing operations decreased by 2.3% in the Period, with increased working days contributing a further 1.6%, offset by 0.3% currency. As a result, Group like-for-like[1] ("LFL") revenues were 3.6% lower.

LFL revenue growth	July to October 2018	H1 2018	YTD 2018
SIG Distribution	(10.3%)	(1.3%)	(5.0%)
SIG Exteriors	(6.1%)	(6.9%)	(6.5%)
Ireland & Other	(7.5%)	9.7%	1.9%
UK & Ireland	**(8.7%)**	**(2.3%)**	**(5.0%)**
France	(1.6%)	1.1%	(0.2%)
Germany	(2.1%)	2.7%	0.5%
Poland	7.8%	10.7%	9.1%
Air Handling	7.7%	1.9%	4.1%
Benelux	7.3%	6.0%	6.3%
Mainland Europe	**0.6%**	**2.8%**	**1.8%**
SIG Group	**(3.6%)**	**0.4%**	**(1.4%)**

[1] *like-for-like is defined as sales per working day in constant currency excluding acquisitions and disposals.*

The UK construction environment has weakened during the autumn. Commercial construction demand remains dampened by macro-economic uncertainty, house price inflation is slowing and secondary housing market transactions have continued to fall. This weaker trading environment impacts demand for SIG's products and is a key factor behind the lower LFL revenues in the UK and Ireland, down 8.7% in the Period. Revenues at SIG Distribution have also fallen due to the focus on improving profitability across the customer portfolio, which continues to deliver increasing gross margins at the expense of lower revenue.

Trading conditions in construction markets across Mainland Europe have also softened since June, notably in France as anticipated, where LFL revenues were down by 1.6% during the Period. LFL revenues were also lower in Germany, down 2.1%, as the business has sought to reduce its exposure to loss-making customers and improve gross margins. In contrast, the Group continues to see robust demand and good top-line growth in Poland, Benelux and its Air Handling business.

Transformation progressing as planned

Twelve months ago, the Group set out the conclusions of its strategic review, which identified the considerable opportunity for significant improvement in the operational and financial performance of each major operating company and across the Group as a whole.

The strategic review identified that improvement would come from focused delivery of three strategic levers around customer service, customer value and operational efficiency. The Group is now seeing evidence of tangible progress. Whilst the planned withdrawal from unprofitable business has reduced revenue, improved management of pricing and customer profitability is increasing gross margins ahead of expectations. In addition operating costs are falling, with reductions in headcount delivered in the Period as anticipated and further planned reductions on track for completion by 31 December 2018.

Leverage

Leverage reduction remains a key medium term priority and the Group continues to focus on structural reductions in levels of working capital, particularly stock, and sustained profit improvement to drive leverage lower. The Group still expects to deliver a material year-on-year reduction in levels of net debt and is on course to report headline financial leverage below 1.5x at 31 December 2018. The Group continues to target leverage below 1.0x over the medium term.

Outlook

While market conditions are challenging, the transformation of SIG's businesses progresses as planned. As such, management remains confident that the Group will see significant profit improvement in the second half of the year and deliver a result in line with its expectations, driven by higher gross margins and lower operating costs.

The Group will issue a post-close trading update for the year ending 31 December 2018 on 8 January 2019.

Enquiries

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