5 July 2019

SIG plc: Half Year Trading Update
Further transformation progress in challenging trading environment

SIG plc ("SIG" or "the Group") is a leading supplier of specialist building materials to trade customers across Europe, with strong positions in its core markets as a specialist distributor of insulation and interiors products, a merchant of roofing and exteriors products, and a provider of air handling solutions. The Group today issues a trading update for the six months ended 30 June 2019 ("the period").

Summary and outlook

The Group has made further progress during the period in transforming the business. The previously reported actions in our UK businesses around pricing, costs and the transition to a more integrated functional operating model are delivering a sustained improvement in margins, and we continue to pursue similar initiatives in our operations across Mainland Europe.

Trading conditions remain challenging in many of the Group's end markets and there has been a marked deterioration in the level of construction activity in the UK as the year has progressed. However, the continuing transformation of the Group's businesses, coupled with the Group's normal seasonality, should enable delivery of a stronger second half to the year. As such, the Board continues to believe that underlying profitability for the full year will be delivered in line with its expectations, but will continue to monitor how trading conditions develop.

Operating performance

The Group saw a 3.8% decline in its like-for-like[1] ("LFL") revenues over the period. Group revenues from continuing operations were 5.7% lower in the period, including an adverse 1.3% currency movement and a 0.6% impact from fewer working days.

Like-for-like sales growth	**H1 2019**	**H2 2018**	**H1 2018**
SIG Distribution	(17.0%)	(8.7%)	(3.2%)
SIG Exteriors	(6.3%)	(6.6%)	(6.6%)
Ireland & Other UK	(6.3%)	(8.9%)	+8.5%
UK & Ireland	**(12.7%)**	**(8.0%)**	**(3.4%)**
France	+3.3%	(3.9%)	(0.3%)
Germany	+0.1%	(4.4%)	+1.1%
Poland	+6.3%	+6.7%	+10.7%
Air Handling	+7.7%	+0.8%	(2.7%)
Benelux	(1.3%)	+5.4%	+6.0%
Mainland Europe	**+3.3%**	**(1.4%)**	**+1.0%**
Group	**(3.8%)**	**(4.3%)**	**(1.0%)**

1: Like-for-like is defined as sales per day in constant currency excluding acquisitions and disposals and adjusted for the number of working days. Sales are not adjusted for branch closures or openings.

The LFL sales declines in the UK & Ireland reflect a falling level of construction activity as the second quarter progressed. Revenues at SIG Distribution have also been affected, as anticipated, by the radical actions taken to focus on better pricing management and a planned withdrawal from unprofitable business, as previously reported. The business has now completed its transition to a smaller and more focused base, with resulting higher gross margins and lower costs.

The Group's businesses in Mainland Europe reported a positive performance in the period, with LFL revenues up +3.3%. The French business has recovered strongly to +3.3% following the previously reported ransomware attack. Core systems are now fully operational, with no ongoing impact anticipated, enabling the business to recommence key initiatives around pricing and costs.

The Air Handling division continues to report strong LFL revenue growth (+7.7%), with good progress in integrating the French and UK air handling operations into the broader division, and ongoing initiatives around margin and costs that will deliver significant profit improvement.

Leverage and portfolio management
The Group continues to prioritise structural reductions in the level of its working capital and sustained profit improvement to drive headline financial leverage lower. Net debt has fallen further in the period and the Group expects this to result in further progress in headline financial leverage at 30 June 2019.

Management continues its review of remaining peripheral businesses within the Group's portfolio and today announces the sale to Kingspan Group of WeGo FloorTec GmbH, a German manufacturer of raised access flooring. The business contributed c.£2m operating profit in Germany in 2018. The transaction is expected to complete shortly and the resulting proceeds of c.£12m should reduce headline financial leverage by a further c.0.1x. There remains one further peripheral business under review.

After two years of sustained debt reduction, the Group remains on course to deliver its medium term target of headline financial leverage below 1.0x. The review of strategic options for the Air Handling division announced in March is ongoing, with a disposal being explored as one of the possible options. A further update will be provided in due course.

The Group will announce its interim results for the half year ended 30 June 2019 on Friday 6 September 2019.

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