8 January 2019

SIG plc: Trading update

SIG plc ("SIG" or "the Group"), 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 & interiors products, a merchant of roofing & exteriors products, and a provider of air handling solutions, today issues a trading update for the year ended 31 December 2018.

Trading summary and outlook

Despite challenging market conditions and lower trading revenues in the second half of the year, particularly in December, the transformation of SIG continues to progress at pace. The Board believes that the Group will report adjusted profit before tax of c.£75m, including the benefit of £2-3m of property profits in the year. The Group expects the benefits of the ongoing transformation to drive a further significant increase in profitability in 2019.

Group revenues from continuing operations decreased by 1.4% in the year, with a further 0.7% decrease from currency and 0.2% from more working days. As a result, Group like-for-like[1] ("LFL") revenues were 2.3% lower.

LFL revenue growth	H1 2018	H2 2018	FY 2018
SIG Distribution	(2.2)%	(9.9)%	(6.0)%
SIG Exteriors	(6.6)%	(6.8)%	(6.7)%
Ireland & Other	9.7%	(8.9)%	(0.1)%
UK & Ireland	**(2.7)%**	**(8.8)%**	**(5.7)%**
France	1.1%	(3.2)%	(1.0)%
Germany	2.7%	(4.6)%	(1.1)%
Poland	10.7%	6.7%	8.5%
Air Handling	1.9%	3.4%	2.7%
Benelux	6.0%	5.4%	5.7%
Mainland Europe	**2.8%**	**(1.4)%**	**0.7%**
SIG Group	**0.2%**	**(4.7)%**	**(2.3)%**

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

As previously reported, the UK construction environment became increasingly challenging in the second half of 2018. Commercial construction demand remained dampened by macro-economic uncertainty, house price inflation slowed and secondary housing market transactions continued to fall. This weaker trading environment impacted on demand for SIG's products and is a key factor behind the lower LFL revenues in the UK and Ireland, down 8.8% in the second half. Revenues at SIG Distribution also continued to reflect the focus on improving profitability, which has delivered higher gross margins at the expense of lower revenue.

Trading conditions in construction markets across Mainland Europe also slowed materially in the second half, particularly in France and Germany, where LFL revenues were down by 3.2% and 4.6% respectively. Revenues in Germany were also affected by ongoing actions to reduce the Group's exposure to unprofitable business. In contrast, the Group currently continues to see robust demand and good top-line growth in Poland, Air Handling and Benelux.

Continuing progress with transformation

The Group has delivered significant improvement in its operational and financial performance during the second half of 2018, in line with its strategy. The focus on better pricing management and the planned withdrawal from unprofitable business has reduced revenue in the second half of 2018, but increased gross margins above our expectations. Falling headcount has contributed to reduced operating costs as planned. Following leadership changes and the restructuring of the business model across the Group's major operating companies, the foundations are in place for further strong progress in 2019, focused on our strategic levers linked to customer service, customer value and operational efficiency.

Further portfolio management

As part of the ongoing management of the Group's portfolio, during December 2018 SIG sold its shareholding in its remaining UK offsite manufacturing business, RoofSpace, and the trade and assets of Proteus, a small UK-based façade panel systems manufacturing business. The businesses exited or divested in the past two years represented c.11% of 2016 revenue.

Leverage

Leverage reduction remains a key 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. Whilst headline financial leverage has fallen significantly during 2018 from a 2017 year end level of 2.3x, the Group did not see as large a working capital reduction around the year end as usual and is expecting 2018 closing headline financial leverage of c.1.7x. The Group remains confident of delivering headline financial leverage below 1.0x over the medium term.

The Group will announce its full year results on Friday 8 March 2019.

Enquiries

SIG plc	
Meinie Oldersma, Chief Executive Officer	+44 (0) 114 285 6300
Nick Maddock, Chief Financial Officer	+44 (0) 114 285 6300
Katharine Baxter, Group Communications	+44 (0) 114 285 6300
FTI Consulting	
Richard Mountain	+44 (0) 20 3727 1340
Jefferies Hoare Govett	
Chris Dickinson / Paul Nicholls	+44 (0) 20 7029 8000
Peel Hunt LLP	
Justin Jones / Charles Batten	+44 (0) 20 7418 8900