

9 January 2020

## SIG plc: 2019 Full Year Trading Update

SIG plc ("SIG" or the "Group"), a leading supplier of specialist building materials to trade customers across Europe, today issues a trading update for the year ended 31 December 2019.

### Summary and outlook

The Group has made considerable progress during the year in transforming its business. The previously reported actions in our businesses around pricing continue to deliver improvements in gross margins, and the realignment to a more integrated functional operating model has resulted in a further reduction in operating costs in the year. The announced disposals of the Air Handling division and Building Solutions business will complete the transition to a robust balance sheet.

This progress has been made against a backdrop of challenging market conditions. The Group has been reporting an ongoing deterioration during the year in the level of construction activity in key markets and key indicators continue to point to further weakening, principally in the UK. The Group has also experienced some challenges in sustaining sales rates during a period of considerable and rapid organisational change. This deterioration in sales accelerated during December, with sales per working day in the month around a quarter lower than November.

Management initiated several profit protection measures through the autumn to help offset the impact of the challenging market conditions with most of these delivering financial benefit in 2020, not in 2019 as previously expected. As a result, the Board now anticipates underlying profit before tax for the year ended 31 December 2019 of c.£42m<sup>1</sup>.

The key challenge for the Group in 2020 is to deliver a return to top line growth. Management is taking a number of actions to address sales performance which, coupled with profit protection actions taken in recent months and the annualised benefit of the broader transformation, will leave the Group well placed to capitalise on any recovery in trading conditions.

### Operating performance

The Group saw a 6.1% decline in its like-for-like<sup>2</sup> ("LFL") revenues over the year. Group revenues from continuing operations were 7.4% lower in the period, including an adverse 0.8% currency movement and a 0.5% impact from fewer working days.

Like-for-like sales growth	H1 2019	H2 2019	FY 2019
SIG Distribution	(16.6%)	(26.0%)	(21.1%)
SIG Exteriors	(6.3%)	(10.8%)	(8.6%)
Ireland & Other UK	(6.6%)	0.1%	(3.4%)
<b>UK &amp; Ireland</b>	<b>(12.5%)</b>	<b>(18.6%)</b>	<b>(15.5%)</b>
France	3.3%	1.1%	2.2%
Germany	0.0%	(5.1%)	(2.6%)
Poland	6.3%	(1.5%)	2.1%
Air Handling	7.6%	4.3%	5.6%
Benelux	(1.4%)	(5.2%)	(3.3%)
<b>Mainland Europe</b>	<b>3.2%</b>	<b>(0.7%)</b>	<b>1.2%</b>
<b>Group</b>	<b>(3.8%)</b>	<b>(8.3%)</b>	<b>(6.1%)</b>

1: Underlying profit before tax stated before IFRS 16 adjustments, including profit before tax for the Air Handling Division and the Building Solutions business and excluding impairment and other non-underlying profits and losses.

2: Like-for-like is defined as sales per day in constant currency excluding completed acquisitions and disposals and adjusted for the number of working days. Sales are not adjusted for branch closures or openings. Numbers include sales from the Air Handling Division and the Building Solutions business.

### **Disposals and balance sheet**

Further reductions in levels of working capital have helped the Group to reduce its net debt at 31 December 2019 to c.£162m (2018: £189m), with debt factoring also reduced to c.£26m at the year end (2018: £50m).

The announced disposals of the Group's Air Handling division and its Building Solutions business will generate c.£204m of net proceeds and complete the transition to a robust balance sheet, delivering a net cash position on a pro forma basis and provide flexibility for increased investment and returns to shareholders. Following receipt of shareholder approval, the disposal of the Air Handling Division is now expected to complete later this month, with the disposal of the Group's Building Solutions business also expected to complete during the first quarter, subject to competition clearances.

These disposals enable the Group to focus on its leading positions as a specialist distributor of insulation and interiors products which operates in seven countries across Europe and a merchant of roofing and exteriors products in the UK and France.

Following completion of these disposals, the Group intends to terminate its remaining debt factoring arrangements and to target headline financial leverage, pre IFRS 16, of approximately 0.5x EBITDA (31 December 2018: 1.8x).

A conference call for analysts and investors will be held at 8am on Thursday 9 January, details below:

- Number (toll-free): 0800 358 9473
- Number (toll): +44 333 300 0804
- Pin Code: 58454531#

The numbers in this update remain subject to final close procedures and the full year audit. The Group will announce its full year results for the year ended 31 December 2019 on Friday 6 March 2020.

LEI: 213800VDC1BKJEZ8PV53

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The person responsible for arranging release of this announcement on behalf of SIG is Nick Maddock, Chief Financial Officer.

**Cautionary Statement**

This announcement does not constitute an offer of securities by SIG plc. This announcement may include statements that are, or may be deemed to be, forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Group's ability to control or predict. Forward-looking statements are not guarantees of future performance. You are advised to read the section headed 'Principal risks and uncertainties' in the Group's Annual Report and Accounts for the year ended 31 December 2018 for a further discussion of the factors that could affect its future performance and the industry in which it operates. Other than in accordance with its legal or regulatory obligations, SIG plc does not accept any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.