11 January 2021

SIG plc: 2020 Full Year Trading Update

SIG plc ("SIG", or "the Group") is a leading supplier of specialist building solutions to trade customers across Europe, with strong positions in its core markets as a market leading supplier of insulation and interiors solutions to the construction industry, and a specialist merchant of roofing materials for small to medium sized construction businesses. The Group today issues a trading update for the year ended 31 December 2020 (“FY20”).

Summary

Revenues in the second half of the year (“H2”) showed a solid recovery, ahead of the Board’s previous expectations, with progress throughout the half resulting in like-for-like (“LFL”)[1] revenues for the fourth quarter up 4% compared to prior year. This reflects the initial impact of the Group’s Return to Growth strategy, which is starting to deliver progress in terms of improved organic sales performance, and has been supported by robust demand in repair, maintenance and improvement (“RMI”) segments in certain markets, notably UK and France.

As a result, the Board expects to report FY20 revenues from underlying operations[2] of c£1,870m, subject to audit. This includes revenues of £52m in the Building Solutions business, whose trading results were previously included in “non-core” but will now be reported as part of underlying operations following the Board’s decision to retain and develop this business.

Subject to audit, the Group will report an underlying[3] operating loss in the range of £57-61m for the full year, which is at the better end of the range of previous expectations. Profitability continued to improve throughout the second half after the underlying operating loss of £43m in H1. Finance costs for the full year are expected to be c£22m.

The Group finished the year with net debt of £5m on a pre IFRS 16 basis, and with gross cash balances of £233m. Reported net debt on an IFRS 16 basis is expected to be c£240m. As previously communicated, the Group discontinued the year-end creditor management that had been practised in prior years.

Trading performance

FY20 LFL revenues declined 13% vs prior year. Reported Group revenues from underlying operations were 12.7% lower in the year, including a 0.6% favourable currency movement.

LFL sales growth 2020	**H1**	**Q3**	**Q4**	**H2**	**FY**	***FY sales £m***
SIG Distribution	(48)%	(25)%	(3)%	(15)%	(33)%	357
SIG Exteriors	(28)%	1%	11%	6%	(11)%	257
Building Solutions	(26)%	0%	7%	3%	(11)%	52
UK	**(40)%**	**(14)%**	**2%**	**(7%)**	**(25)%**	**666**
France Distribution	(21)%	(3)%	4%	1%	(10)%	168
France Exteriors	(11)%	5%	19%	12%	0%	344
Germany	(9)%	(4)%	2%	(1)%	(5)%	371
Benelux	(12)%	(13)%	(16)%	(14)%	(13)%	92
Poland	(0)%	(8)%	(2)%	(5)%	(3)%	149
Ireland	(31)%	(10)%	5%	(3)%	(17)%	80
EU	**(12)%**	**(3)%**	**5%**	**1%**	**(6)%**	**1,204**
Group	**(24)%**	**(8)%**	**4%**	**(2)%**	**(13)%**	**1,870**

H2 LFL sales declined 2% vs prior year, after an H1 that was severely affected by Covid-19 from mid-March, notably in the UK, France and Ireland, and that prior to that point was declining at c11% over prior year. The Group was able to trade safely throughout the year, working closely and flexibly with employees, customers and suppliers to adapt to new Covid-19 norms, and with minimal negative impact on revenues in H2. As of today, all our operations remain open, notwithstanding the latest government restrictions.

The branch and customer-centric restructuring in the UK is progressing to plan. The UK Exteriors business had a strong second half, partly due to strong RMI demand growth. In UK Distribution the new organisation structure was fully in place by the end of November, and the business started to reverse its decline over the prior year in the last weeks of 2020. As previously advised, regaining market share in the UK Distribution business will take time, but the early signs are reassuring, and the plan is on track.

Performance in the EU was solid in the half, with a good increase in Q4 growth. France performed particularly well, partly as a result of RMI demand in the exteriors business, with Germany showing clear early signs of improvement.

Outlook
Whilst the evolving Covid-19 backdrop will continue to create uncertainty in the short term, the fundamentals of the Group's markets remain sound and the strong recovery in demand across territories and sectors through the second half was encouraging.

Providing there is no material disruption to either our business or end markets as a result of the pandemic, the Board expects the near term benefits of the actions taken in 2020 to deliver organic revenue growth in 2021, including market share gains. The benefits of this will become increasingly evident as the year progresses and should enable us to return to underlying operating profitability during the second half.

The numbers in this update remain subject to final close procedures and to audit.

1. Like-for-like is defined as sales per working day in constant currency, excluding completed acquisitions and disposals. LFL sales in H1 differ very slightly from those announced on 24 September 2020 following (i) the reclassification of Building Solutions revenues into underlying operations, and (ii) a refinement of the methodology used. At Group level, the net impact of these adjustments is de minimis at -0.2%.
2. Underlying operations excludes businesses divested or closed, or which the Board has resolved to divest or close.
3. Underlying represents the results before Other items. Other items relate to the amortisation of acquired intangibles, impairment charges, profits and losses on agreed sale or closure of non-core businesses and associated impairment charges, net operating profits and losses attributable to businesses identified as non-core, net restructuring costs, and other non-underlying profits or losses.

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Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group's actual financial condition, performance and results to differ materially from the plans, goals, objectives and expectations set out in the forward-looking statements included in this document.

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