



14 July 2021

SIG plc: Continued Strong Trading Momentum and Return to Profitability

SIG plc ("SIG" or "the Group") today issues a trading update for the six months to 30 June 2021 ("H1" or "the period"), in advance of the release of its H1 results on 21 September 2021.

Highlights

- Strong revenue growth, and an underlying¹ operating profit of c£13.5m, better than previous expectations.
- Strategy of re-connecting with Customers, Suppliers and Employees is positioning the Group well, enabling it to take advantage of both strong near-term demand and healthy long-term fundamentals.
- Full year profit outlook raised.

Overview

Revenues in H1 were strong, with like-for-like ("LFL")² growth of 33% compared to the Covid-affected prior year and up 1% against 2019, a more meaningful comparator. This reflects the ongoing positive impact of the Group's Return to Growth strategy, which is delivering improved organic sales performance, and has been supported by continuing robust demand in the repair, maintenance and improvement ("RMI") segments in most markets. Profitability improved throughout the period, a result of the normal seasonality in the business and the improving trading across the Group.

As a result, the Board expects to report H1 revenues from underlying operations³ of c£1.11bn, and an underlying operating profit of c£13.5m. Both include good progress in the UK, and we expect the UK business as a whole to be just over break-even at the underlying operating profit level for H1, ahead of plan.

The Group finished the period with net debt of £58m, on a pre IFRS 16 basis, and with gross cash balances of £174m. Reported net debt on an IFRS 16 basis is expected to be £284m. The cash outflow in H1 is largely as expected, driven by the seasonal increase in working capital, which was more pronounced than usual due to the strong trading. In addition, where possible and appropriate, we have built up modest increases in our inventory holding levels in light of likely supply challenges in the coming months.

Trading performance

The Group has remained able to trade safely throughout the period, working closely and flexibly with employees, customers and suppliers under the now well established Covid-19 norms.

Prior year comparative growth rates from late March are distorted by the impact of Covid-19, notably in the UK, Ireland and France, and hence the table below includes comparisons with both 2020 and 2019.

1 January to 30 June	2021 vs	2021 vs	2021
LFL Sales Growth	2020	2019	Jan-June
			£'m
UK Distribution	54%	(19)%	244
UK Exteriors ⁴	58%	14%	194

UK	56%	(7)%	439
France Distribution	38%	8%	101
France Exteriors	34%	19%	206
Germany	11%	1%	194
Benelux	2%	(10)%	47
Poland	22%	20%	84
Ireland	14%	(21)%	37
EU	22%	7%	669
Group	33%	1%	1,108

As reported in May, the UK Distribution turnaround, focused on delivering distinctive expertise and superior local service, is ahead of plan and shows continued momentum. We remain very encouraged by the enthusiasm and energy with which our teams have embraced and driven the new strategy. The business's sales were on a declining trend throughout 2019 and most of 2020, and hence the 19% drop versus 2019 shown above. We expect the monthly growth figures vs 2019 to turn positive early in the second half ("H2"). The UK Exteriors business is trading very well, benefiting from the strong demand environment, growing 14% over 2019.

The French businesses are continuing to perform strongly, benefiting in particular from strong RMI demand in Exteriors, as well as the strong foundations built in the business in recent years. Germany's performance was encouraging, with good growth throughout the half. We remain confident the Benelux performance will pick up over coming months following the recent changes made in its commercial leadership. Our Ireland business was affected by the significant Government restrictions imposed on construction from 1 January 2021 to the end of April, and we expect to see improved growth in the second half.

We are continuing to see shortages of materials in certain areas, as reported previously, and input price inflation remains significant in some categories. We have navigated these challenges with minimal impact to date, despite some longer delivery times.

Outlook

The return to profitability in H1 was faster and more significant than previously expected and we exited the first half with strong demand conditions and the benefits of the Return to Growth strategy coming through clearly.

The effectiveness of our supply chain management and commercial agility give us confidence entering the second half, albeit we are mindful that the potential impact of material shortages could be more significant should the situation persist for an extended period. As such, we retain a cautious view of H2 at this stage. However, providing there is no significant disruption in coming months, we continue to expect H2 to be both profitable and cash generative, with full year underlying operating profit now expected to be ahead of previous forecasts.

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

1. *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.*

2. *Like-for-like ("LFL") is defined as sales per working day in constant currency, excluding completed acquisitions and disposals.*
3. *Underlying operations excludes businesses divested or closed, or which the Board has resolved to divest or close.*
4. *UK Exteriors includes the Building Solutions business, as in the Group's 2020 Annual Report and Accounts.*

Contacts

SIG plc	+44 (0) 114 285 6300
Steve Francis	Chief Executive Officer
Ian Ashton	Chief Financial Officer
FTI Consulting	+44 (0) 20 3727 1340
Richard Mountain	
Peel Hunt LLP – Joint broker to SIG	+44 (0) 20 7418 8900
Mike Bell / Charles Batten	
Jefferies International Limited – Joint broker to SIG	+44 (0) 20 7029 8000
Ed Matthews / Will Soutar	

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 2020 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.