9 January 2024

SIG plc: 2023 Full Year Trading Update

SIG plc ("SIG", or "the Group"), a leading supplier of specialist insulation and building products across Europe, today issues a trading update for the year ended 31 December 2023 (“FY23”).

Highlights

- FY23 results reflect continued strong execution, against a challenging market backdrop
- Full year like-for-like[1] (“LFL”) sales down 2% on the prior year, with revenues of £2.76bn
- Underlying operating profit[2] expected to be in the upper half of the guidance range of £50m to £55m provided previously
- Positive free cash flow[3] of c£4m expected for the year
- Restructuring and productivity initiatives completed in H2 2023 will deliver approximately £10m of annualised cost savings, the majority of which will benefit FY24
- Increased strategic focus on specialist businesses and operational execution across the Group

Summary

The Group has managed effectively the impact of increasingly challenging market conditions through the year, delivering robust trading results relative to the market. As anticipated and reported in our October 2023 trading update, demand softened in most of our geographic markets in the second half. Despite this, we continued to benefit from execution of our commercial strategy, retaining a strong focus on customer service across our branch network and ensuring we maintained strong momentum.

Subject to audit, the Board expects to report FY23 revenues of £2.76bn, and underlying operating profit in the upper half of the guidance range of £50m to £55m provided in October.

The Group expects to report a modest free cash inflow for the year of c£4m, helped by solid working capital management, with year-end gross cash balances of around £132m (2022: £130m). The movement in cash balances in the year reflects the free cash flow, partially offset by small currency movements and deferred acquisition costs. The Group’s revolving credit facility (“RCF”) of £90m remained undrawn as at 31 December 2023.

The Group expects to report net debt as at 31 December 2023 of c£457m on a post IFRS 16 basis (2022: £444m), and c£154m on a pre IFRS 16 basis (2022: £160m). The movement in post IFRS 16 net debt is due mainly to an increase in lease liabilities of c£19m, mostly a result of market driven inflation, combined with some investments in new branches. This was partially offset by the cash movement and a favourable currency movement on bond debt. Leverage at 31 December 2023 is expected to be around 3.4x and 2.7x on post and pre IFRS 16 bases respectively.

Trading performance

Reported Group revenues were 1% higher in the year, including c1% from acquisitions and a c1% positive impact from exchange rates. LFL revenues declined 2% compared to prior year. Pass through of input cost inflation added an estimated 5% to revenues in the full year, 9% in H1 and flat in H2.

LFL growth rates across most geographies dropped in H2, compared to H1, due to the declining impact of input cost inflation noted above. Year over year volume declines moderated in H2 as expected, reflecting weaker comparators in H2 2022. Absolute volumes softened through the year due to continued weakening in market demand, reflecting conditions across the building and construction sector.

LFL sales growth 2023 vs 2022	H1	H2	FY	*FY 2023 sales £m*
UK Interiors	5%	(7)%	(1)%	557
UK Exteriors	1%	2%	1%	369
UK Specialist Markets	(7)%	(5)%	(6)%	248
UK	**1%**	**(4)%**	**(1)%**	**1,174**
France Interiors	1%	(3)%	(1)%	219
France Exteriors	2%	(8)%	(3)%	458
Germany	0%	(2)%	(1)%	462
Poland	(9)%	5%	(2)%	238
Benelux	7%	(8)%	0%	117
Ireland	(18)%	(10)%	(15)%	94
EU	**(1)%**	**(4)%**	**(3)%**	**1,588**
Group	**0%**	**(4)%**	**(2)%**	**2,762**

As announced at our Capital Markets Event on 23 November 2023, and as shown above, we will now report the UK Specialist Markets business as a separate reporting unit, in line with the new management structure in place.

In the UK Interiors business, the strategic and operational changes made since mid-2020 continue to enable the business to return towards its previous market position, reflected in a robust performance against the market in FY23. In UK Exteriors, the performance was also strong relative to the market, driven by renewed commercial focus and execution under the new structure. The Specialist Markets business experienced continuing good demand for its high specification and innovative building solutions, but revenue was affected by weaker demand in the agricultural and commercial warehousing and residential new build segments, and by lower year over year input pricing on steel.

In France, market conditions affected demand, in the Exteriors business in H2 in particular, but both businesses continue to execute very effectively on their strategic plans. The German business continued its robust recovery of the last two years, performing well in what is currently a very challenging market. Poland's growth rebounded in the second half, with increased volumes as well as the impact of some softer H2 comparators. Benelux has had new management in place since October to address and improve performance, and Ireland's results reflect an especially tough market environment in 2023, as previously reported.

Operating efficiency is a key plank of our medium and long term margin ambitions. To that end, during the latter part of 2023 we executed a number of restructuring and productivity initiatives that will benefit the business in 2024 and beyond. These include a streamlining of central costs, and a review of operating company cost structures, most notably in the UK and Ireland. As well as generating permanent cost reductions of around £10m on an annualised basis, these initiatives will facilitate improved operational agility and execution.

Gavin Slark, CEO, commented:
"Despite challenging market conditions across the European building and construction sector, the Group has delivered a robust trading performance, through a strong focus on our customers and the great efforts of all our people.

"In my first year as CEO, I have been impressed by the opportunities that exist within SIG's portfolio for strengthening our operating performance and accelerating our specialist businesses, and for delivering

more profitable growth over the medium term. Whilst we expect continued softness in market conditions in 2024, we are confident in our ability to manage through this current phase of the cycle and to continue to strengthen our operations, ready to take advantage of the significant long-term opportunities for the Group as markets recover."

FY23 Results date, and Outlook

We will publish our full FY23 results on 5 March 2024, and will hold a presentation and conference call for analysts and investors at 10.00am (GMT) on that date. We will provide a more detailed outlook on 2024 at that time.

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*
2. *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.*
3. *Free cash flow is defined as all cash flows excluding M&A transactions, dividend payments, and financing transactions.*

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