

Half Year Review – June 2022

Overview

The commentary provided is based on proforma results of the Huws Gray and the acquired businesses from Grafton Group plc (project “Fleming”).

The first half of 2022 saw resilient business performance amid an increasingly challenging macroeconomic backdrop, with revenue in line with expectations (LfL growth of 3.2%) driven by price inflation, despite tough comparative period given the COVID re-opening activity seen in April and May 2021.

The Business has exhibited resilience at gross margin level while adjusted EBITDA margin decreased from 12% to 11% YoY as a result of two fewer working days in the year to date period as well as cost inflation seen in utilities, energy, repairs, and personnel costs.

Strategic Developments

The main strategic project the combined business is undergoing is the integration of Fleming. The most significant milestones of this project are to:

- Remove reliance on Grafton Group plc for the provision of IT networks and central services;
- Bring the employees, trade and assets of the principal businesses together within Huws Gray Limited;
- Roll out a change in systems and processes within the principal businesses acquired to the Huws Gray trading and control systems; and
- Centralise and merge back-office teams of both businesses

There has been a positive reception of Huws Gray-Fleming combination across combined business, including staff and customers.

The business is navigating an uncertain macro backdrop, continued supply chain and product cost inflation. We are monitoring the underlying market environment as consumer confidence deteriorates. Cost inflation continues to be seen across both product and overheads bringing challenges to margin.

No further acquisitions have been made in the quarter, with management’s focus being on Integration, the implementation of the combined operating model and roll out of systems.

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