

31 July 2023

**Marshalls plc
(‘Marshalls’ or ‘Group’)**

Trading Update

Marshalls plc, a leading manufacturer of products for the built environment, provides the following trading update for the six months to 30 June 2023, ahead of the release of its interim results on 16 August 2023.

The Board expects to report Group revenue for the six months ended 30 June 2023 of £354 million (H1 2022: £348 million), which is two per cent higher than the corresponding period in 2022 and includes the contribution of four additional months of revenue from Marley. On a like-for-like basis, Group revenue contracted by 13 per cent. Adjusted profit before taxation for the half year is expected to be around £33 million (H1 2022: £45 million), subject to auditor review.

This result has been delivered against the backdrop of challenging market conditions with persistent weakness in new build housing and private housing RMI, which are key end markets for the Group. The sustained high levels of inflation, increasing interest rates and weak consumer confidence means that the Board anticipates the Group's performance in the second half will be below its previous expectations.

Divisional trading performance

Marshalls Landscape Products has continued to experience tough market conditions due to its exposure to new build housing and the more discretionary elements of private housing RMI. Revenue for the period was £174 million (H1 2022: £217 million), which represents a reduction of 20 per cent compared to 2022. On a like-for-like basis, after adjusting for the disposal of Marshalls NV in April 2023, revenues contracted by 18 per cent.

Marshalls Building Products delivered a more resilient performance, supported by demand for bricks, masonry and mortars, offset by weaker volumes in drainage and aggregates, which are correlated to the lower number of new housing starts. Revenue for the period was £87 million (H1 2022: £96 million), which represents a contraction of nine per cent compared to 2022.

Marley Roofing Products saw mixed demand across its product offering. Viridian delivered further growth in integrated solar revenues supported by changes in building regulations, which was offset by a weaker performance in roofing, due to lower volumes of new build housing. Revenue for the period was £93 million, which represents a contraction of seven per cent compared to 2022 on a like-for-like basis.

Management actions

The Board has taken decisive action in responding to the challenging trading conditions, by implementing a number of measures to align capacity and costs with demand, with a strong focus on managing cash. This has resulted in the closure of the Group's factory in Carlisle, a reduction in shifts and capacity in other facilities, and a restructuring of the Marshalls commercial team. Regrettably, these changes are expected to result in a reduction of approximately 250 roles in addition to around 150 roles that were removed in the second half of 2022. These actions are expected to deliver annualised savings of approximately £9 million, with around 40 per cent of this benefit being realised in 2023. The Board has reduced its capital expenditure plans without impacting critical projects, is executing a programme of surplus land disposals, and has continued to focus on efficient working capital management in order to reduce the Group's net debt.

We have balanced the need to reduce our capacity and cost base in the short term while retaining the flexibility to increase production when demand recovers. The Group has latent capacity across all its businesses that can satisfy materially higher demand than that being experienced in 2023.

Balance sheet and liquidity

The Group's balance sheet remains robust, with pre-IFRS16 net debt of approximately £185 million at the end of June (June 2022: £208 million; December 2022: £191 million) reflecting the cash generative nature of the business and management's focus on working capital. The Board's ongoing priority is to reduce leverage utilising free cash flow generated by the Group.

Outlook

The Board remains confident that the Group is well placed to deliver profitable long-term growth when market conditions improve and continues to focus on executing its key strategic initiatives.

Whilst previously anticipating a recovery in market conditions in the second half of the year, the Board is now of the view that an improvement in the second half performance is unlikely given the macro-economic backdrop. In addition, the Board has chosen to reduce production volumes with a negative impact on operational efficiency in order to manage working capital. Taking these factors together, and in the absence of a recovery in demand in the Group's end markets, the Board believes that the result in the second half will be markedly weaker than the first half, and consequently expects to deliver a result for the full year that is lower than its previous expectations.

Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014), as it forms part of domestic law by virtue of the European Union (Withdrawal) Act

2018) ("MAR") prior to its release as part of this announcement and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations.

Enquiries:

Martyn Coffey	Chief Executive	Marshalls plc	+44 (0)1422 314777
Justin Lockwood	Chief Financial Officer		
Tim Rowntree		MHP Communications	+44 (0)20 3128 8540
Charlie Barker			+44 (0)20 3128 8147

Note to the Editor:

About Marshalls plc:

Established in the late 1880s, Marshalls plc is a leading UK manufacturer of products for the built environment. It operates through three trading divisions: Marshalls Landscape Products; Marshalls Building Products; and Marley Roofing Products. Marshalls Landscape Products is the UK's leading manufacturer of superior natural stone and innovative concrete hard landscaping products, supplying the construction, home improvement and landscape markets. Marshalls Building Products is a supplier of concrete drainage products, concrete bricks, ready-to-use mortars and aggregates. Marley Roofing Products is a leader in the manufacture and supply of pitched roofing systems, including clay and concrete tiles, timber battens, roof integrated solar solutions and roofing accessories.

The Group operates a national network of manufacturing and distribution sites throughout the UK. Marshalls is committed to quality in everything it does, including the achievement of high environmental and ethical standards and continual improvement in health and safety performance. Its strategic goal is to become the UK's leading manufacturer of products for the built environment.

Forward-Looking Statements:

Any statements in this release, to the extent that they are forward-looking, are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the markets in which Marshalls operates. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a wide range of variables, which could cause actual results to differ materially from those currently anticipated. More information about the factors that may affect Marshalls' performance is contained in the Annual Report to shareholders for the year ended 31 December 2022.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@seg.com or visit www.ms.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

TSTRMMBTMTJJTMJ