23 February 2023

Strong growth, further market share gains, and sector leading margins

Results summary

£ millions (unless stated)	2022[1] (unaudited)	2021[1]	Change vs 2021	Change vs 2019[3]
Group revenue	2,319.0	2,093.7	+10.8%	+46.4%
UK depot revenue	2,256.1	2,043.3	+10.4%	+45.5%
Gross profit	1,411.2	1,289.0	+9.5%	+43.1%
Gross profit margin, %	60.9%	61.6%	-70bps	-140bps
Operating profit	415.2	401.7	+3.4%	+59.7%
Operating profit margin, %	17.9%	19.2%	-130bps	+150bps
Profit before tax	405.8	390.3	+4.0%	+55.7%
Basic earnings per share, p	65.8p	53.2p	+23.7%	+88.0%
Total ordinary dividend per share, p	20.6p	19.5p	+5.6%	
Cash at end of period	308.0	515.3		

[1] The information presented relates to the 52 weeks to 24 December 2022, the 52 weeks to 25 December 2021 and the 52 weeks to 28 December 2019, unless otherwise stated. The 2022 and 2021 results are presented under IFRS 16, 2019 results have not been restated.
[2] Same depot basis for any year excludes depots opened in that year and the prior year. See Financial Review on page 4.
[3] 2019 results included due to the significant impact of COVID-19 on the 2020 results.

Highlights[1]

- Group revenue of £2,319.0m was 10.8% ahead of last year and 46.4% up on 2019 reflecting the strengths of our local, trade only, in-stock business model.
- UK depot revenue was 10.4% ahead of last year and 7.7% ahead on a same depot basis[2].
- Maintained our sector leading gross margins at 60.9%, with disciplined pricing recovering cost increases.
- Profit before tax of £405.8m, was 4.0% ahead of 2021 and 55.7% ahead of 2019.
- Good cash generation and the balance sheet remains strong with cash at end of period of £308.0m.
- Proposed final dividend of 15.9p, bringing the total for the year to 20.6p, 5.6% ahead of last year.
- £50m share buyback announced today.
- Earnings per share of 65.8p was 23.7% ahead of 2021 benefiting from the previously announced patent box claim, which has been included with the 2022 results.
- Further progress on ESG. Howdens is introducing scienced-based targets in 2023 to reduce our emissions and to achieve net-zero carbon by 2050.

Andrew Livingston, Chief Executive said:

"Howdens delivered a strong performance in 2022, with good progress on executing our strategic priorities and further market share gains. During the year our teams have been adept at navigating the challenges of high inflation and supply chain disruption, while supporting our customers with a market leading product range, high stock availability and outstanding customer service.

"Our markets are large and fragmented which gives us a long-term opportunity for growth. In response, we are continuing to expand our depot network, improve our product range, optimise our manufacturing and supply chain, and develop our digital capabilities. We see potential for around 1,000 depots in the UK and we are now selectively expanding our business model internationally in France and the Republic of Ireland.

"Our robust financial position underpins our strategy, funding investment in our growth initiatives, expanding our manufacturing and supply chain capabilities, and supporting ongoing cash returns for shareholders."

Operational developments in the year

- Achieved another record sales performance in our peak trading period in the autumn.
- Opened 30 new depots in the UK, bringing the total to 808 at period end. Revamped 82 older UK depots during the year with around 50% of UK depots now trading in the updated format.
- Opened 25 new depots in France (and closed 5) bringing the total to 60 at the period end. Established 5 new depots in the Republic of Ireland.
- Further progress on new product introductions including 21 new kitchen ranges. Sales of new products introduced in 2021 and 2022 represented 22% of UK product sales in 2022.
- Invested in upgrading our manufacturing capacity and capabilities to support future growth. This included solid work surfaces, architrave and skirting products.
- Largely completed the roll-out of the regional cross-docking network (XDC) serving most of our UK mainland depots, improving product availability.
- Invested in our digital platform which saves our trade customers time and money and supports them in optimising the procurement process for end users.
- Achieved 99.7% of depot waste avoiding landfill at our UK depots and switched substantially all them to renewable energy sources. Our top 27 suppliers comprise around 80% of all of our carbon emissions and we are engaging directly with them to reduce our Scope 3 emissions.

Current trading and outlook for 2023

The following table shows sales in the first two periods of the new financial year to 18 February 2023 in absolute terms, on a same depot (LFL) basis[1].

Revenue growth (%)	**Periods 1-2**	
	%	**LFL%**
UK depots	6.1%	4.7%
International depots[1]	19.4%	7.8%

[1] 5 depots were opened in the Republic of Ireland and 5 French depots were closed in 2022.

We are on track with our plans for 2023 to capitalise on the significant ongoing opportunity to gain further market share. During 2023 we will face strong prior year comparatives and, particularly in the first half, the full year impact of inflationary cost increases and our ongoing investments in our strategic initiatives. This includes 61 new UK depots opened in the past two years, expanding our manufacturing and supply chain capabilities including XDC, ongoing digital development to support our customers and new depot openings in France and the Republic of Ireland. In 2023, capital expenditure will be around £130m, at similar levels to last year.

While it is still early in the new financial year, sales in the first few weeks have been encouraging in the UK. We continue to seek to maintain a profitable balance between pricing and volume and have implemented a price increase from the start of the year to recover rising input costs. We have a strong product line up and will place considerable emphasis on new product introductions with around 23 new kitchen ranges planned. We are increasing the number of ranges we offer at entry-level and mid-priced kitchen ranges and have refreshed our line-up of higher priced kitchens, a segment of the market where we are under-represented.

While mindful of ongoing macro economic uncertainty, we are investing in the business for the long term and the fundamentals of our business model remain robust and attractive. Howdens is in good shape and we are well prepared to address the opportunities and challenges ahead in 2023.[3]

[3] As previously indicated FY 2023 has an additional 53rd week in December representing around £17m of additional operating costs with no incremental sales.

23 February 2023

HOWDENS

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Results presentation:

There will be an in person analyst and investor presentation at 0830 today at **Freshfields**, 100 Bishopsgate London EC2P 2SR, with light refreshments served from 0800. A live video webcast will be available on https://brrmedia.news/Howden_fy22results. For more information see: www.howdenjoinerygroupplc.com. The presentation can also be heard by dialling the phone numbers below:

Location	Phone Number
United Kingdom, Local	+44 (0) 33 0551 0200
United States, Local	+1 786 697 3501
	Confirmation code: Quote 'Howdens Full Year Results'

The webcast will be recorded and available on our website after the event has finished at:
www.howdenjoinerygroupplc.com

Note to editors:

1. About Howden Joinery Group Plc

Howdens is the UK's number one specialist kitchen and joinery supplier. In the UK, the company sells kitchens and joinery products to trade customers, primarily local builders, through 808 depots. In 2022, the business generated revenues of around £2.3 billion and profit before tax of £405.8 million. Around one-third of Howdens' cost of goods sold are products manufactured in house at its two principal factories in Runcorn, Cheshire, and Howden, East Yorkshire both of which have achieved carbon neutral status. At the end of 2022 Howdens operated from 60 depots in France and Belgium and 5 depots in the Republic of Ireland.

2. Timetable for the final dividend

The timetable for payment of the proposed final dividend of 15.9 pence per ordinary share is as follows:

Ex-dividend date:	6 April 2023
Record date:	11 April 2023
Payment date:	19 May 2023

3. Provisional financial calendar for 2023

Trading update	27 April
Annual General Meeting	4 May
Half Year Report	20 July
Trading update	2 November
End of financial year	30 December

Financial review

Financial results for 2022[1]

Revenue £m (unless stated)	2022 (unaudited)	# of depots at period end	2021
Howden Joinery UK depots - same depot basis[2]	2,193.3	747	2,035.8
UK depots opened in previous two years	62.8[3]	61	7.5
Howden Joinery UK depots	2,256.1	808	2,043.3
Howden Joinery International depots	62.9	65	50.4
Group	**2,319.0**	**873**	2,093.7

Local currency revenue €m (unless stated)	2022 (unaudited)	# of depots at period end	2021
France and Belgium – same depot basis[2]	59.5	30	51.8
- Depots opened in previous two years	12.3	35	0.4
- Revenue from closed depots	0.7	(5)	6.2
Republic of Ireland (from April 2022)	1.3	5	-
International depots	**73.8**	**65**	58.4

[1] The information presented relates to the 52 weeks to 24 December 2022 and the 52 weeks to 25 December 2021 unless otherwise stated.
[2] Same depot basis for any year excludes depots opened in that year and the prior year.
[3] 2022 includes additional 3rd party sales generated by the Sheridans solid work surface business acquired in the period.

Group revenue of £2,319.0m was ahead by 10.8% (2021: £2,093.7m) and 46.4% higher than the same period in 2019, with the growth rate in the second half increasing versus 2019 at a higher rate than the first half. UK depot revenue grew 10.4% to £2,256.1m (2021: £2,043.3m) and increased by 7.7% on a same depot basis[2] to £2,193.3m (2021: £2,035.8m); this excludes the additional revenue from depots opened in 2022 and 2021 of £62.8m (2021: £7.5m). Revenue in the international depots was £62.9m (2021: £50.4m). On a local currency basis, revenue at our depots in France and Belgium increased by 14.8% on a same depot basis[2] (excluding the 35 depots opened in the last two years). In April, we entered the Republic of Ireland market for the first time. In all, we opened 5 new depots in the Dublin area by the end of 2022 with good engagement from local builders.

Gross profit

We continued to maintain sector leading margins by appropriately balancing pricing and volumes in a higher inflationary environment. Gross profit was £122.2m higher at £1,411.2m (2021: £1,289.0m). The lower gross margin percentage of 60.9% (2021: 61.6%) was predominantly due to the dilutive impact of the successful growth of solid work surfaces, following the acquisition of Sheridan last year. These products, which are often associated with sales of higher priced kitchens, make an attractive cash margin contribution but have a lower gross margin percentage than most Howdens kitchen products.

Operating profit and profit before tax

Operating profit was ahead of last year at £415.2m (2021: £401.7m) and 59.7% ahead of pre-COVID levels in 2019 of £260.0m.

Operating expenses increased by 12.3% to £996.0m (2021: £887.3m; 2019: £726.2m). As expected, costs increased due to continued investment in our growth initiatives across the business and input cost and energy price inflation. Compared to 2021 this included £42m on existing depots, £17m on new UK depots opened in 2021 and 2022 and £8m on international depots opened in the period and prior year. We also invested £31m in warehouse and transportation initiatives including in regional cross docking facilities (XDCs).

The net interest charge was £9.4m (2021: £11.4m) and, as a result, profit before tax of £405.8m was 4.0% ahead of the prior year (2021: £390.3m) and 55.7% ahead of 2019 (2019: £260.7m).

Tax, profit after tax and basic earnings per share

In recent years the UK Government has introduced the Patent Box Tax Relief Scheme which allows companies to benefit from investments made in intellectual property including new product innovations. In 2017, Howdens applied for and was granted a patent for the design of a new multi-part, adjustable cabinet leg that is used in many of our cabinet ranges which makes them faster and easier to adjust and fit. Discussions were opened with HMRC late in 2020, and in 2022 after seeking non-statutory clearance on some technical matters, HMRC agreed in principle to Howdens submitting a claim for the product.

The Group has prepared the financial statements for the year ended 24 December 2022 to include the impact of the claim. A prior year current tax credit of £36.1m has also been recognised for the prior financial periods 2017 to 2021. The success of the claim is subject to review and confirmation by HMRC. If successful, the Company expects, assuming prevailing marginal tax rates, a benefit to the underlying effective tax rate of around 3% in subsequent years. The cash benefit will be realised following approval by HMRC.

As a result, the tax charge on profit before tax was £31.6m (2021: £75.8m) and represented an effective tax rate of 7.8% (2021: 19.4%). Excluding the patent box claim the underlying effective tax rate was 16.7% (2021: 19.4%).

Consequently, profit after tax was £374.2m (2021: £314.5m) and, reflecting the above and the reduced share count, following the share buyback, basic earnings per share were ahead by 23.7% at 65.8p (2021: 53.2p).

Cash

The net cash inflow from operating activities was £546.5m (2021: £530.7m). Net working capital increased by £51.7m with stock £70m higher as a result of cost increases and additional safety stock to support our customers. Debtors at the end of the period were £24m higher than at the end of the previous period with ageing in good shape. Creditors were £42m higher. Capital expenditure was £130.4m excluding the Sheridans land acquired (2021: £85.9m) and the total cash outflow for the Sheridans acquisition was £25m which included £10m to acquire the site. Corporation tax payments were £101.5m (2021: £73.1m), and dividends amounted to £115.0m (2021: £133.6m). Share buy backs totalled £250.5m (2021: £50.0m) and the difference between the cash paid and the operating charge for the Group's pension schemes was an inflow of £2.0m (2021: outflow of £18.5m). The interest and principal paid on lease liabilities totalled £79.2m (2021: £85.8m).

Reflecting the above, there was a net cash outflow of £207.3m (2021: cash inflow of £84.6m), leaving the Group with cash at the year end of £308.0m (25 December 2021: £515.3m).

In September, the Company signed a new £150 million, five-year, multi-currency revolving credit facility replacing the previous asset backed lending facility. The new facility remains undrawn.

Capital allocation and returns to shareholders

We have a well-established policy for capital allocation. We focus on achieving sustainable profit growth by investing in and developing our business. We also want to maintain and grow our ordinary dividend in line with earnings to reward shareholders with an attractive ongoing income stream. After allowing for these uses of cash, Howdens remains committed to returning any surplus capital to shareholders.

Within its definition of surplus capital, the Board's objective is for the Group to be able to operate through the annual working capital cycle without incurring bank debt, noting that there is seasonality in working capital balances through the year, particularly in advance of our peak trading period in the second half. We also take into account that the Group has a significant property lease exposure for the depot network, and a large defined benefit pension scheme. Our policy remains that when year end cash is in excess of £250m we expect to return surplus cash to shareholders. This provides sufficient headroom to support organic growth, our seasonal working capital requirements and ongoing investments in our strategic initiatives, while maintaining a strong balance sheet.

On this basis, the Board has decided that the Group will undertake a further £50m share buyback programme. A £250m share buyback programme was announced and completed last year.

Taking into account the Group's prospects and strong financial position, in July 2022 the Board declared an interim dividend of 4.7p per ordinary share (2021: 4.3p per ordinary share). The Board is recommending a final dividend for 2022 of 15.9p per ordinary share (2021: 15.2p per ordinary share), resulting in a total dividend of 20.6p per ordinary share (2021: 19.5p per ordinary share). The total dividend represents a year-over-year increase of 5.6% and the final dividend will be paid on 19 May 2023 to shareholders on the register on 11 April 2023.

Acquisitions

In February 2022, Howdens acquired Sheridan Fabrications Ltd, for a total consideration of £25m including £10m for the purchase of the site. Sheridans is a leading industry specialist for the manufacture, fabrication, laser templating and installation of premium worksurfaces. The acquisition supports our ambition to develop our Howdens Work Surfaces (HWS) operations as the market leading supply and fit business. We are continuing to invest in expanding our capacity and we have now rolled out HWS to all regions and solid surface worktop orders have significantly increased on the prior period.

Pensions

At 24 December 2022, the defined benefit pension scheme was in a deficit position of £42m on an IAS 19 basis compared to a surplus of £141m on 25 December 2021. This movement from a surplus to a deficit was primarily a result of an increase in the net discount rate resulting in a decrease in asset valuations of £754m partially offset by a reduction in the liabilities of £571m. The extreme market volatility in September 2022 led to changes in the Plan's investments to meet collateral requirements. The defined benefit pension scheme is closed for future accrual.

The pension has returned to a small deficit on a technical provisions basis from November 2022 and, as a result, deficit contributions of £2.5m a month re-commenced in January 2023. It is possible that the scheme could return to a surplus position on a technical provisions basis. If this were the case, for more than two consecutive months then deficit contributions would cease. The next full triennial valuation of the scheme will be carried out as at 31 March 2023.

Board changes

Peter Ventress joined the Board on 1 July 2022 as Chairman Designate and a Non-Executive Director prior to assuming the role of Chairman from 17 September 2022. The Company announced earlier in the year that Richard Pennycook had indicated his intention to retire. Peter is Chairman of Bunzl plc and was formerly Chairman of Galliford Try Plc and was previously CEO of Berendsen plc from 2010 to 2016 and prior to that he held several senior executive roles at Staples Inc. the office supplies retailer.

We are announcing today that Geoff Drabble will step down from the Howdens Board at the end of the Annual General Meeting on 4 May 2023. On behalf of the Board, we thank Geoff for his nearly eight years of service, in particular as Senior Independent Director and as the Non-Executive Director Responsible for Workforce Engagement. He has made a significant contribution to Howdens during a very successful period of growth in the Company's history and we wish him well in the future. The Nominations Committee has a comprehensive succession planning process and a further announcement on the handover of Geoff's responsibilities will be made in due course.

Operational Review

Update on the UK kitchen and joinery markets

Howdens conducts its own research analysis into the size and structure of the UK kitchen and joinery markets. The work undertaken is based on existing 3rd party sources supplemented by management estimates. The findings show that the UK kitchen and joinery markets are large and fragmented with a significant opportunity for Howdens to continue to grow its market share. Management believes that based on its recent internal research the value of the kitchen market was around £7bn as at the end of 2022.

The UK joinery market is also large and very fragmented at around £4.5bn across the four segments that Howdens supplies; joinery, doors, flooring and hardware.

Consequently, we believe Howdens' total addressable market in the UK is around £11.5bn compared with Howdens' UK revenue of around £2.3bn last year. We are investing commensurately in our strategic initiatives as outlined below.

Strategic initiatives

Howdens has made further progress on its strategic initiatives, and we expect to deliver profitable growth and market share gains over the medium term. The four strategic initiatives are:

1. Evolving our depot model by using space more efficiently to provide the best environment in which to do business.
2. Improving our range and supply management to help customers' buying decisions, to improve service and to enhance productivity in our manufacturing, sourcing and supply chain activities.
3. Developing our digital platforms to raise brand awareness, support the business model and to deliver productivity gains and leads for depots and customers.
4. Expanding our presence in attractive kitchen and joinery markets outside the UK.

Progress on each of these initiatives is reviewed below:

1. Evolving our depot model

High service levels, including local depot proximity and immediate availability are very important to our customers and we have continued to extend our UK depot footprint in 2022. We are opening all new depots in our updated format which is designed to provide the best environment in which to do business. We are also improving space utilisation and making productivity gains in a cost-effective way, by using vertical racking in the warehouse section of the depot.

In 2022 we opened 30 new depots in the UK and we believe there is potential for around 1,000 depots, including c.25 in Northern Ireland. We plan to open around 30 new depots in 2023. We have also continued with our revamp programme for existing depots, and the programme is delivering additional sales and has received very positive feedback from depots and customers.

During the year, including relocations, we reformatted 82 depots, taking the total number of revamped depots to 185 at the year-end. The scale and scope of the revamps has been refined and, in 2023 we will shorten the reformatting timetable in some cases, reducing disruption to the refit and lowering, where appropriate, costs by modifying the scope and scale of some revamps to maintain incremental returns. Overall, we will continue to target a payback of up to 4 years for these projects. Including relocations, we plan to revamp around 80 more depots in 2023.

2. Improving our product range and supply management

Range management

As product lifecycles shorten, managing the number of kitchen ranges efficiently is crucial for both our customers, who want best availability, and for profitability. We are managing range introductions and clearances so that our 2023 current range count is around 90, organised in 10 families. New products for 2022 featured 21 new kitchen ranges with total sales ahead of 2021 and 2019 with more emphasis on higher priced kitchens and on ensuring more of our most popular styles were accessible to all budgets.

Total sales of all product introduced in 2021 and 2022 represented around 22% of our UK product sales. During 2022, we focused on building out our ranges of higher priced kitchens, where we are under-represented. Sales in this category grew strongly in the period and contributed to the percentage increase in average kitchen invoice value. We also grew our market share significantly in the solid work surface category. These products are often associated with sales of higher priced kitchens, and the acquisition of the Sheridans business along with additional investments has expanded our range and manufacturing capacity to support this significant opportunity.

Value for money consistently drives consumer buying decisions and is likely to be more of a feature in 2023 given mounting pressures on household budgets. We also expect some consumers to reallocate how they spend their budget for example, between cabinetry, worktops and appliances. As a result, in 2023 we will increase the number of ranges aimed at entry and the mid-market segments, making more kitchen looks and styles accessible to all budgets. This is also important as kitchens from these segments are a major contributor to keeping our unit costs of manufacture low. New product introductions of around 23 new kitchen ranges are planned this year and include:

- Extending our entry ranges with more colour options including Greenwich in Reed Green, Witney in Pebble and Navy and Allendale in Dusk Blue plus new frontals for Greenwich and Witney to match the new 'Croft Grey' kitchen cabinet we are introducing this year.
- Refreshing the look of our bestselling shaker family, which we have named Halesworth and adding a new mid-priced beaded shaker family called Bridgemere, initially available in three colours.
- Maintaining a similar range count to last year in higher price kitchens, with the same number of families but introducing additional new colours for 2023. We are also adding more decors to our solid surface offering and refining the template to fit service to ensure the best service to our customers.
- Introducing more new products in other categories both for everyday lines and kitchen products. This includes more colours and bolder styles at all price points in doors, expanding our flooring ranges and further additions to our Lamona brand, which is the leading integrated appliance brand in the UK. We are also adding more styles, colours and finishes in sinks and taps.

Manufacturing and supply chain

Our dedicated manufacturing and supply chain is critical to the success of our in-stock offer. We supply all product, whether manufactured or sourced, to all depots. Since the COVID-19 pandemic we have continued to hold enhanced safety stock as a contingency against unexpected demand patterns and interruptions to supply to support our customers.

We also keep under review what we believe it is best to make or buy, balancing cost and overall supply chain availability, resilience and flexibility. In 2022 we made about one-third of our products as a percentage of our cost of goods sold and we believe there is value in extending this further in the coming years.

In 2019, we invested in manufacturing technology to enable us to make the doors for our popular Hockley kitchen ranges. Since then, we have invested in new lines which will enable us to make doors for more of our kitchen ranges, at the same quality as we can source externally but at a lower cost and at a reduced lead time. The new lines, located at our Howden site, are now in-situ and we will be moving up to full scale production during the course of 2023. Our second architrave and skirting line is also now operational, enabling us to service in-house more of the substantial increase in demand we have seen for these products.

Last year we announced our plans to expand, over the next few years, our kitchen manufacturing capacity and capabilities and to reconfigure some of the supporting infrastructure at our Howden factory and we are continuing to progress the investments required to achieve this.

Regional cross docking centre ('XDCs')

The roll out of our XDC programme was completed early in the new financial year and the service is now available to nearly all UK mainland depots. This approach improves stock replenishment through regional hubs that supplement the depots' core weekly replenishment with a next day service. XDCs also optimise the service levels our depots can deliver to customers by rebalancing inventory and freeing up more time and resources to focus on sales and service while reducing the need for inter-depot stock transfers. This year we will continue to optimise the service balancing cost and availability with providing the best service to support our trade customers' daily needs. By rebalancing where we hold stock and changing the delivery pattern of some lines to depots, depots can allocate more warehouse space to faster selling lines and can reduce stocks of slower moving lines while providing a high level of service across the product range. XDC is now seen as a key point of differentiation by both customers and our depot teams versus the best competitor offerings.

3. Developing our digital platform

Our digital strategy reinforces our model of strong local relationships between depots and their customers by raising brand awareness, supporting the business model with new services and ways to trade with us and delivering productivity benefits for depot employees and customers.

In 2022 we added to our capabilities for the builder, including new functions which improves our digital offerings. The Trade App, which puts more aspects of the local depot in the hands of our customers, was launched in February last year. This replicated core features of the online trade platform including customers' account details and credit status making them readily accessible on the move. Customers can also view their open orders and new features include rapid check in at any depot, order status updates and an easy order collection function.

We continue to see high levels of engagement with our web platforms and growth in our social media presence which also stimulates interest in viewing our products and services on Howdens.com. New registrations totalled nearly 80,000 and around 45% of our customers had an online account by the end of 2022. "Impressions" were present in 15% more organic search results a month with site visits at 21 million. The time users spent looking at pages increased by 51% and the number of pages viewed per session also increased. Across our social media sites our follower base was c.455,000, up 14%, with 1.6 million users actively engaging monthly.

In 2023 we will be adding new services and capabilities which collectively improve lead quality, stock and account knowledge, promote frequency of trading and reduce time consuming manual tasks in depots including stock allocation.

4. Expanding our international operations

Our international operations, predominantly based in France, continue to make good progress. The business model for France is similar to the UK with a market size in kitchens of around €4.3bn (excluding appliances). The French market has low penetration rates of integrated kitchens and most are purchased through DIY outlets and specialist small independent businesses.

Since 2019, we have been opening depots in small clusters within cities which benefit from word of mouth between customers and our ability to build a local and trusted brand. Clustering also helps to build the Howdens culture within our business teams. By the end of 2022 we increased the number of depots trading in France and Belgium to 60 with a significant proportion in the Paris metro area. We are continuing to selectively invest in expanding the business and expect to open around 30 depots in the next two years with around 10 new depots in 2023.

We believe appreciation of the advantages of our trade-only in-stock model, our service levels and competitive pricing is growing, and with around 90% of product common to our UK ranges this helps us realise scale benefits.

During 2022 we opened our first 5 depots clustered around Dublin in the Republic of Ireland. Our arrival in the Irish market has attracted much attention locally and we are encouraged by depot sales to date. In 2023, we plan to have at least 10 depots trading by the end of the year. This city-based approach fits with Irish population distribution and the depots can be supported by the UK.

Environment, social and governance (ESG)

We actively manage risks and identify opportunities across the business to minimise our impact on the environment. We want to create an inclusive workplace with a positive contribution to the communities we serve as well as all our stakeholders, including our customers, staff, communities, suppliers and shareholders.

In 2020 the Board conducted an ESG strategic review which resulted in a new approach to improve our performance and inject pace into our activities. Improvements were focused around four main commitments, which are outlined below. It also resulted in a number of additional targets and research projects in each of our material areas, which we now report on in the Annual Report. Building on our progress, in 2022 Howdens committed to the Science Based Targets Initiative (SBTi) to set near and long-term company-wide emission reductions. We are now working towards SBTi approval of our roadmap, which will get us to net zero by 2050.

Howdens' four main ESG commitments are:

Zero Waste to Landfill	Carbon Neutral Manufacturing	Behavioural Health and Safety Leader	Reporting and Disclosure
Maintain zero waste to landfill in manufacturing and distribution. Zero waste to landfill in depots over time, with target of less than 5% by end of 2022.	Carbon neutral manufacturing by the end of 2021 and maintain that status as the business grows.	Maintain international safety standard ISO45001 in our manufacturing and distribution operations. Achieve ISO45001 in our depot network.	Progressive, phased implementation of high quality reporting.

The review also confirmed five material focus areas which underpin our strategic commitments. These are:

1. People: Keeping our employees safe and well. Supporting their growth, offering them great rewards for success, and opportunities to grow with us;
2. Sustainable supply chain: Certified raw materials from sustainable sources. Responsible purchasing, working with our international network of over 250 main suppliers;
3. Sustainable product: Continuous research and evolution of our products and packaging. Refining our efficient manufacturing processes and working with our suppliers on bought-in product;
4. Environment and operations: Reducing waste, lowering emissions, working with the Carbon Trust to achieve continuing improvements; and
5. Communities: Being a responsible member of over 850 local communities in the UK and internationally. Supporting a range of local and national charities.

Summary of 2022 performance

People

Howden's key asset is its workforce and we want to attract, train and retain great people from the widest possible pool of talent as well as keep them safe and healthy while at work. Howdens is committed to embedding safety as a core value in everything we do and we have worked hard to drive better performance. The Company's reportable injuries per 100,000 employees under RIDDOR (Reporting of Injuries Diseases and Dangerous Occurrences Regulation), decreased in 2022 to 140 reportable injuries (2021: 196). This is significantly below the 2021/2022 HSE All-Industry rate in 2022. In addition, our injury severity rate also decreased in 2022 to 26.2 hours lost per 100,000 employees (2021: 33.4).

We also remained focused on creating an engaging place to work with fulfilling jobs and a strong culture that supports everyone to do their best. Listening to our employees is key and over 7,000 completed our Best Companies engagement survey in March 2022 and Howdens was proud to receive a 'two-star' accreditation as a company 'with an outstanding commitment to workplace engagement'. The Company was ranked 10th in the top 100 UK's Best Big Companies to Work For last year up from 14th in 2020.

Howdens recently agreed a partnership with the Football Association for their Game Changer programme supporting and enabling local communities to improve club kitchens. This new initiative involves Howdens donating £1m of kitchens each year for 3 years to grass roots football clubs. The programme will have nationwide reach and will benefit local clubs which are so often at the heart of their communities.

Environment

We have made further progress this year to reduce our Scope 1 and 2 emissions. In 2021 we were proud to achieve carbon neutral manufacturing in our two major UK factory sites and this year we have commenced the process to include our two recently acquired solid surface worktop factories. Our ongoing focus on waste reduction continues and we maintained our target of zero waste to landfill in our manufacturing and distribution facilities last year. We are now committed to reducing waste in our depot network and during 2022 we achieved 99.7% depot waste avoiding landfill across all 808 UK depots, which was achieved from a baseline performance of 60% in 2019. In addition, this year we have switched substantially all of our UK depots to a renewable energy tariff using wind, solar and hydro-electric sources. On an annualised basis this is expected to avoid around 10,000 tonnes of indirect carbon emissions.

We also achieved our objective to ensure that 100% of our kitchen door frontals are FSC or PEFC certified by the end of 2022. This independently certifies that the wood comes from responsibly managed forests. We have recently commenced a trial of Hydrotreated Vegetable Oil (HVO) in our vehicle fleet as an alternative to diesel which is a major contributor to our Scope 1 greenhouse gas emissions. If successful, replacing diesel with HVO has the potential to reduce our own fleet emissions significantly with no negative impact on fuel efficiency or maintenance costs.

Scope 3 emissions from our suppliers are a major area of focus for the business as they represent the majority of Howdens overall carbon emissions. We recently held our first sustainability conference to engage directly with our suppliers to work with them to improve our ESG performance and set joint targets to reduce our impact on the environment. Initially we are focusing on our major suppliers, with our top 27 suppliers comprising around 80% of all of our carbon emissions.

With respect to Howdens' carbon emissions, overall Scope 1 and 2 absolute emissions decreased by 3.5% in 2022 and our carbon intensity ratio improved by 12.8% to 23.8 tCO_2e per £m of revenue (2021: 27.3 tCO_2e per £m of revenue).

Further details of the Group's ESG strategy and performance can be found in the 2022 Annual Report and Accounts which will be available shortly on the Group's website www.howdenjoinerygroupplc.com.

Going Concern

The Directors have adopted the going concern basis in preparing the financial statements and have concluded that there are no material uncertainties leading to significant doubt about the Group's going concern status. The reasons for this are explained below.

Going concern review period

This going concern review period covers the period of 12 months after the date of approval of these financial statements. The Directors consider that this period continues to be suitable for the Group.

Assessment of principal risks

The Directors have reached their conclusion on going concern after assessing the Group's principal risks, as set out in detail in the "Principal risks and uncertainties" section, starting on page 14.

While all the principal risks could have an impact on the Group's performance, the specific risks which could most directly affect going concern are the risks relating to continuity of supply, changes in market conditions, and product relevance. The Group is currently holding additional amounts of faster-moving inventory as a specific mitigation against supply chain disruption, and the Directors consider that the effects of the other risks could result in lower sales and/or lower margins, both of which are built into the financial scenario modelling described below.

Review of trading results, future trading forecasts and financial scenario modelling

The Directors have reviewed trading results and financial performance in 2022, as well as early weeks' trading in 2023. They have reviewed the Group balance sheet at 24 December 2022, noting that the Group is debt-free, has cash and cash equivalents of £308m, and appropriate levels of working capital.

They have also considered three financial modelling scenarios prepared by management:

1. A "base case" scenario. This is based on the final 2022 Group forecast, prepared in November 2022 and including the actual results of the 2022 peak sales period.

   This scenario assumes future revenue and profit in line with management and market expectations as well as investments in capital expenditure and cash outflows for dividends and share buybacks in accordance with our capital allocation model.

2. A "severe but plausible" downside scenario based on the worst 12-month trading period experienced in the Group's history. This is more significant than the combined effect of COVID and Brexit on 2020 turnover.

   This scenario models a reduction in most of the variable cost base proportionate to the reduction in turnover. It includes capital expenditure at a lower level than in the base case, but which is still in line with our announced strategic priorities for growth, namely: new depot openings and refurbishments; investment in our manufacturing sites, investment in digital and expanding our international operations. It also includes dividends and share buybacks in line with the Group's stated capital allocation model.

   In this scenario the Board considered the current economic conditions that the company and its customers are facing, and noted that the downside scenario included allowances for reduced demand and increased costs to reflect such adverse conditions.

3. A "reverse stress-test" scenario. This scenario starts with the severe but plausible downside model and reduces sales even further, to find the maximum reduction in sales that could occur with the Group still having headroom over the whole going concern period, without the need to take further mitigating actions.

Capital expenditure in this scenario has been reduced to a “maintenance” level. Variable costs have been reduced in proportion to the reduction in turnover on the same basis as described in the severe but plausible downside scenario. It assumes no dividends or share buybacks.

Borrowing facility and covenants

The Group has a five-year, committed, multi-currency revolving credit facility of up to £150m which expires in September 2027 and which was not drawn at the period end.

As part of the scenario modelling described above, we have tested the borrowing facility covenants and the facility remains available under all of the scenarios. We have therefore included the credit available under the facility in our assessment of headroom.

Results of scenario modelling

In the base case and the severe but plausible downside scenarios, the Group has significant headroom throughout the going concern period after meeting its commitments.

In the reverse stress-test scenario, the results show that sales would have to fall by a significant amount over and above the fall modelled in the severe but plausible downside scenario before the Group would have to take further mitigating actions. The likelihood of this level of fall in sales is considered to be remote.

Conclusion on going concern

Taking all the factors above into account, the directors believe that the Group is well placed to manage its financing and other business risks satisfactorily and have a reasonable expectation that the Group will have adequate resources to remain in operational existence for the going concern review period set out above. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

LONG-TERM PROSPECTS AND VIABILITY

Assessment of long-term prospects

The Directors have assessed the Group’s long-term prospects, solvency and liquidity, with particular reference to the factors below:

Current position

- History of profitable trading, with strong net profit margins.
- Cash and cash equivalents balance at 24 December 2022 of £308m.
- Debt-free. Consistently cash-generative. Proven ability to maintain strong cash balances whilst also investing for growth and returning cash to shareholders.
- £150m committed borrowing facility, due to expire in September 2027. Unused, but available if needed.
- Strong relationships with suppliers and customers.
- Proven ability to flex the operating cost base in a severe economic downturn.
- Robust disaster recovery and business continuity framework.

Strategy and business model

- Proven, successful business model.
- Demonstrated agility and resilience of the business model to adverse economic conditions.
- Clear strategic direction.

Robust assessment of principal risks

- The Directors’ role in the risk identification, management, and assessment process is outlined on pages 14 to 19, together with details of the principal risks and mitigations.
- The Directors are satisfied that they have carried out a robust assessment of the Group’s principal risks over the viability period on the basis already described in the going concern disclosure directly above.

Assessment of Viability

Time period and scenario modelling

The Directors' review of the Group's long-term viability used a three-year period to December 2025. This was considered to be the most suitable period as it aligns with the Group's strategic planning process.

The financial modelling to support the assessment of viability was based on the three scenarios used for the going concern assessment and detailed above. We have tested the borrowing facility covenants and the facility remains available under all of the viability scenarios. We have therefore included the credit available under the facility in our assessment of headroom.

1. The base case scenario takes the base case described in the discussion of going concern above and extends it over the viability assessment period. It assumes future revenue and profit in line with management expectations, investments in capital expenditure and cash outflows for dividends and share buybacks in accordance with our capital allocation model.
2. The severe but plausible downside scenario takes the same decline over the going concern period as described in the discussion of going concern above, and then assumes a phased recovery over the rest of the three-year period. It assumes capex at a lower level than in the base case but which is still in line with our announced strategic priorities for growth, and dividends and share buybacks in line with our capital allocation model.
3. In the reverse stress-test scenario, the model assumes a phased recovery of margin and profit on the same bases as for the severe but plausible downturn scenario. This is then stress-tested to find the maximum amount by which sales in the first year would have to fall before the Group would no longer have headroom at any point in the viability assessment period, without taking further mitigating actions. It assumes capex at a maintenance level and no dividends or share buybacks.

The Directors consider that the reasonably foreseeable financial effects of any reasonably likely combination of the Group's principal risks are unlikely to be greater than those effects which were modelled in the severe but plausible downside and reverse stress-test scenarios.

Results of scenario modelling

The results of the base case and plausible downside scenario modelling showed that the Group would have sufficient headroom over the viability assessment period.

The reverse stress-test showed that the level of fall in sales required in the first year of the viability assessment period was significantly more than the fall modelled in the severe but plausible downturn scenario before the Group would have to take further mitigating actions. The likelihood of this level of fall in sales is considered to be remote.

Conclusion on long-term prospects and viability

Having considered the Group's current position, strategy, business model and principal risks in their evaluation of the prospects of the business, and having reviewed the outputs of the scenario modelling, the Directors concluded that they have a reasonable expectation that the Group will continue to operate and to meet its liabilities in full and as they fall due during the three-year period to December 2025.

Principal Risks and Uncertainties

When we look at risks, we specifically think about internal and external drivers of operational, hazard, financial and strategic risk areas over short, medium, and long-term timescales.

Our principal risks

The following describes our principal risks, the possible impact arising from them, what we do to mitigate them and our risk appetite.

1. Market conditions

Over 2022 the scoring of this risk has increased because of continuing economic uncertainty.

Risk and impact
Our products are mostly sold to small builders and installed in owner-occupied and private and public sector rented housing, mainly in the repair, maintenance and improvement markets. If activity falls in these markets, it can affect our sales.

Mitigating factors
- We have proven expertise in managing both selling prices and costs. This continues to be a main area of focus.
- We have a good record of dealing with changes in market conditions. We monitor activity across our supply chain and depots closely, using the strong relationships we have to give us early warnings of changing conditions. This enables us to take swift mitigating action to emerging market risk factors.

Additional Actions in 2022
- Closely monitored the UK and global geopolitical environments, the impact on the cost of living and the operation of our business.
- Frequent scenario planning based on latest information to ensure our plans were appropriate to changing market conditions, including swift price action where required.

Risk Appetite
We have a low appetite for market conditions risks and maintain close relationship with the small builder to identify movements early to enable appropriate action to be taken.

2. Supply chain

Risk and impact
Any disruption to our relationship with key suppliers or interruption to manufacturing and distribution operations could affect our ability to deliver the in-stock business model and to service our customer's needs. If this happened, we could lose customers and sales.
We build strong relationships with our suppliers, focused on integrity, fairness and respect, and which are worthwhile for all concerned.

Mitigating factors
- Where appropriate we enter long-term contracts to secure supply of key products, services and raw materials.
- Wherever possible we have multiple-sourcing strategies for our key products, to reduce the effect of a supply failure.
- We have invested in our manufacturing operations and this investment gives us an enhanced disaster recovery capability.
- We are also investing in new warehouse space to support our distribution capabilities and equip them for growth.
- We closely monitor the UK and global geopolitical environments and the impacts on our supply chain.
- We maintained our Authorised Economic Operator 'AEO' preferred importer/exporter status to reduce potential customs delays.

Additional Actions in 2022
- Optimised our safety stocks levels, to reduce the potential risk of global supply constraints.
- Improved manufacturing planning and scheduling to ensure stock availability ahead of demand, supporting our in-stock business model.

Risk Appetite
Howdens is an in-stock business. Our customers expect this and rely on it.
Because of this we have a very low appetite for Supply Chain risks and will put extra effort in identifying them early and putting in place appropriate mitigation to prevent stock issues at our depots.

3. Maximising growth

Risk and impact

If we do not innovate, recognise and exploit our growth opportunities in line with our business model and risk appetite, or if we do not align structures and skills to meet the challenges of growth, we won't get maximum benefit from our growth potential.

Mitigating factors

- The opportunities and challenges related to growth are a major area of focus throughout the business, at all levels.
- We continue to invest in our depot environment, people, services, and systems, and our manufacturing and distribution capabilities to equip them for growth.
- Growth activities are reviewed in the light of our risk appetite, values, business model and culture.

Additional Actions in 2022

- Converted a further 82 older UK depots to the new depot environment.
- Opened a further 30 depots in the UK.
- Opened a further 25 depots in France.
- Opened 5 depots in the Republic of Ireland.
- Further strengthening of our solid worksurface offering with the acquisition and integration of Sheridan Fabrications into the Howden Worksurfaces team.

Risk Appetite

We see a significant potential for growth which brings with it both opportunities and challenges.
We have a medium appetite for risk when it comes to growth, we are willing to accept some risk where we see a growth opportunity, carefully balancing the risk we are taking with the potential reward that the opportunity presents.

4. People

Risk and impact

Our operations could be adversely affected if we were unable to attract, retain and develop our colleagues; or, if we lost a key member of our team.

Mitigating factors

- We invested heavily in our employee value proposition, always striving to provide the best possible working environment and growth opportunities for all our colleagues.
- We support our colleagues with a wide variety of apprenticeships, accreditations and development programmes across all areas of our business.
- We use the Remuneration Committee to ensure that key team members are appropriately compensated for their contributions and incentivised to continue their careers with us.
- We work continuously to ensure that appropriate continuity and succession plans are in place. We will continue to focus on leadership development and succession planning.
- Equality, diversity & inclusion (EDI) Programme in place with specific goals established.

Additional Actions in 2022

- Wellbeing programme continued, with further training made available for all our people.
- Continued to expand our Apprenticeship offerings.

Risk Appetite

The success of our business is fundamentally driven by our people and their unwavering customer focus. We have a low appetite for People risk and work hard in ensuring that they feel valued, rewarded appropriately, and have opportunities to develop and progress in their Howdens career.

5. Health and safety

Risk and impact

Howdens is about people and relationships. We have over 850 depots, 11,000 employees, hundreds of suppliers and hundreds of thousands of customers. If we do not ensure safe ways of working across the business, this could compromise the safety and wellbeing of individuals and the reputation and viability of the business.

Mitigating factors

- Since the beginning of our business, we have invested in safe ways of working. We have developed dedicated health and safety teams and formalised systems that help us stay safe.
- We monitor, review and update our practices to take account of changes in our environment or operations and in line with best practice and changing legislation.
- Most importantly, we make sure we keep talking about health and safety at every level of the business, led by the Executive Committee.

Additional Actions in 2022

- Transitioned to ISO45001 standards across all Trade Operations.
- Maintained COVID-19 safe practises in line with government advice.

Risk Appetite

Care for the health and safety of employees, customers, suppliers and everyone who comes into contact with Howdens is integral to our values and to our behaviours. We put a great deal of effort into identifying and managing health & safety issues before they occur and have a very low appetite for Health & Safety risks.

6. Cyber security

Risk and impact

If we experienced a major security breach, this could result in a key system being unavailable causing operational difficulties, and/or sensitive data to be unavailable or compromised. This could also lead to breach of customer data.

Mitigating factors

- We place focus on training our people in cyber security, as we recognise that these risks are not always technical, and awareness is our first point of control.
- We employ complex technical IT security controls to protect our information and our key systems. We regularly engage external specialists to validate the effectiveness of our controls against industry best practice.
- We have robust disaster recovery and business continuity plans, and we test them regularly.
- We adopt a continuous improvement approach to IT security and continue to invest in the security of our systems.

Additional Actions in 2022

- We reviewed and tested our cyber security posture with engagement of 3rd party expertise to provide insight, assurance and guidance.
- We improved our 24/7 monitoring with the introduction of additional robust controls.

Risk Appetite

We depend on a core set of critical IT systems which are fundamental to the day-to-day running of the business. These systems are at risk from increasingly sophisticated security threats. We have a very low appetite for cyber security risk and manage IT security closely to secure the confidentiality, integrity and availability of these systems.

7. Business model and culture

Over 2022 the likelihood of this risk has reduced because of on-going focus of the management teams on our unique model and culture.

Risk and impact

If we lose sight of our values, model, or culture we will not successfully service the needs of the local small builder and their customers, and our long-term profitability may suffer.

Mitigating factors

- Our values, business model and culture are at the centre of our activities and decision-making processes, and they are led by the actions of the Board, Executive Committee and senior management.
- The Board and Executive Committee regularly visit our depots and factories, our logistics and support locations and hold events to reinforce the importance of our values, model and culture.
- We hold regular meetings to bring together our teams and discuss the successes and challenges ahead.
- Worthwhile foundation in place to further develop our charitable efforts.

Additional Actions in 2022

- Continued our ESG programme enhancement, focussing on re-enforcing our core values and further embedding our equality, diversity and inclusion standards.
- Invested in key events for our employees and stakeholders providing the opportunity to reinforce our core values and recognise desired behaviours.

Risk Appetite

Our future success depends on continuing to maintain our values, our unique business model and our locally enabled, entrepreneurial culture. To secure this we have a very low appetite for risks that can adversely impact on our business model and culture and put great emphasis on identifying issues and addressing them early.

8. Product

Risk and impact

Kitchen technology and design do not stand still, and our products must reflect that. If we do not support the builder with new products that their customers want, we could lose their loyalty and sales could diminish.

Mitigating factors

- Our dedicated product team regularly refresh our offerings to meet builders' and end users' expectations for design, price, quality, availability and sustainability.
- We work with external design & brand specialists and attend product design fairs to monitor likely future trends.
- Our local depot staff have close relationships with their customers' and end-users,' and we actively gather feedback from them about changes in trends.
- We work with our suppliers, to develop new and improved products for the future, some of which are unique to Howdens. Several new products were introduced during the year across all product categories.

Additional Actions in 2022

- 21 new kitchen ranges launched.
- Sheridan Fabrications solid worksurface offering acquired and integrated into Howden Worksurfaces.
- Restructured our Product and Marketing teams, providing greater insight and resilience.
- Continued to develop our website and marketing offering to builders' and end-users' to provide new tools to make their lives easier.

Risk Appetite

Ensuring that we have products that meet the design, price and quality needs of the small builder and their customer, is a key focus of the business model and is a critical element of our future success and growth aspirations. In meeting this, we accept that a measured amount of risk must be taken when selecting new products and we have a medium appetite for product risk.

9. Business Continuity and Resilience

Risk and impact

We have key business operations and locations in our infrastructure that are critical to business continuity. They include areas such as, our Credit Control Department, our Manufacturing & Logistics operations and key IT systems.

Mitigating Factors

- We maintain and regularly review our understanding of what our critical operations are.
- We ensure resilience by design, building high levels of protection into key operations and spreading risk across multiple sites where possible.
- We ensure appropriate business continuity plans are in place for these and have a Group wide incident management team and procedures established.
- We regularly review our continuity plans covering our sourcing and logistics approaches to support peak trading.

Additional actions in 2022

- Closely monitored the UK and global geopolitical environments and the impacts to the continuity of our operations.

Risk Appetite

Our key operations are essential for ensuring our customers can get the product and services they want when they need them. To secure this we maintain a very low appetite for Business Continuity risk, ensuring that critical functions are resilient and appropriate business continuity plans are in place to protect them.

Other Areas

Brexit risks

Any breakdown of the UK's relationship with the European Union (EU) has the potential to bring with it some risk for all companies operating in these territories. The main areas of potential risk for Howdens include:

- Free Trade & Customs Risks including loss of free trade status, exit from the customs arrangements and little or no regulatory co-operation.
- Strategy & Business Plan Risks including consumer/Investor uncertainty and currency and stock market volatility.

We continue to actively monitor the ongoing relationship between the EU and UK and reconsider our mitigation plans and potential impacts as part of our risk process.

Covid risks

Whilst the impact of COVID-19 was lower in 2022 than in previous years we remained vigilant and promptly dealt with any issues that arose during the year. Our learnings of what risks to expect and how to deal with them gained over 2020–21 helped us effectively manage these issues over 2022 and will continue to help us be prepared going forward.

Cautionary Statement

Certain statements in this Full Year results announcement are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements contain risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Directors' Responsibility Statement

The 2022 Annual Report and Accounts which will be issued in March 2023, will contain a responsibility statement in compliance with DTR 4.1.12 of the Listing Rules which sets out that as at the date of approval of the Annual Report the directors confirm to the best of their knowledge:

- the Group and unconsolidated Company financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company, and the undertakings included in the consolidation taken as a whole; and
- the performance review contained in the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Group and the undertakings including the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board

Andrew Livingston	Paul Hayes
Chief Executive Officer	Chief Financial Officer

22 February 2023

Consolidated income statement

	Notes	52 weeks to 24 December 2022 £m (unaudited)	52 weeks to 25 December 2021 £m
Continuing operations:			
Revenue	2	2,319.0	2,093.7
Cost of sales		(907.8)	(804.7)
Gross profit		1,411.2	1,289.0
Selling & distribution costs		(870.7)	(756.5)
Administrative expenses		(125.3)	(130.8)
Operating profit	3	415.2	401.7
Finance income		3.8	–
Finance costs		(13.2)	(11.4)
Profit before tax		405.8	390.3
Tax on profit	4	(31.6)	(75.8)
Profit for the period attributable to the equity holders of the parent		374.2	314.5
Earnings per share:			
Basic earnings per 10p share	5	65.8p	53.2p
Diluted earnings per 10p share	5	65.6p	53.0p

Consolidated statement of comprehensive income

	Notes	52 weeks to 24 December 2022 £m (unaudited)	52 weeks to 24 December 2021 £m
Profit for the period		374.2	314.5
Items of other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (losses)/gains on defined benefit pension scheme	7	(183.0)	170.4
Deferred tax on actuarial gains and losses on defined benefit pension scheme	4	34.8	(33.5)
Change of tax rate on deferred tax	4	11.0	(8.5)
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		2.1	(2.3)
Other comprehensive income for the period		(135.1)	126.1
Total comprehensive income for the period attributable to equity holders of the parent		239.1	440.6

Consolidated balance sheet

	Notes	24 December 2022 £m (unaudited)	25 December 2021 £m
Non-current assets			
Intangible assets		35.9	22.6
Property, plant and equipment		398.7	295.8
Lease right-of-use assets		614.3	555.8
Pension asset	7	–	140.8
Deferred tax asset		35.9	13.4
Prepaid credit facility fees		1.0	0.3
		1,085.8	1,028.7
Current assets			
Inventories		373.3	301.6
Corporation tax		32.3	-
Trade and other receivables		233.3	205.8
Cash and cash equivalents		308.0	515.3
		946.9	1,022.7
Total assets		2,032.7	2,051.4
Current liabilities			
Lease liabilities		(95.3)	(57.5)
Trade and other payables		(433.9)	(384.7)
Current tax liability		–	(25.9)
Provisions		(12.0)	-
		(541.2)	(468.1)
Non-current liabilities			
Pension liability	7	(41.5)	–
Lease liabilities		(570.0)	(533.7)
Deferred tax liability		(3.8)	(37.7)
Provisions		(4.5)	(20.4)
		(619.8)	(591.8)
Total liabilities		(1,161.0)	(1,059.9)
Net assets		871.7	991.5
Equity			
Share capital		56.1	59.8
Capital redemption reserve		9.1	5.4
Share premium		87.5	87.5
ESOP and share-based payments		11.7	5.9
Treasury shares		(25.5)	(27.1)
Retained earnings		732.8	860.0
Total equity		871.7	991.5

Consolidated statement of changes in equity

	Share capital £m	Capital redemption reserve £m	Share premium account £m	ESOP and share-based payments £m	Treasury shares £m	Retained earnings £m	Total £m
At 26 December 2020	60.3	4.9	87.5	(3.5)	(28.2)	599.8	720.8
Accumulated profit for the period	–	–	–	–	–	314.5	314.5
Other comprehensive income for the period	–	–	–	–	–	126.1	126.1
Total comprehensive income for the period	–	–	–	–	–	440.6	440.6
Current tax on share schemes	–	–	–	–	–	(0.1)	(0.1)
Deferred tax on share schemes	–	–	–	–	–	1.3	1.3
Movement in ESOP	–	–	–	10.5	–	–	10.5
Reclaim of forfeited dividends	–	–	–	–	–	0.2	0.2
Proceeds from sale of forfeited shares	–	–	–	–	–	1.8	1.8
Buyback and cancellation of shares	(0.5)	0.5	–	–	–	(50.0)	(50.0)
Transfer of shares from treasury into share trust	–	–	–	(1.1)	1.1	–	–
Dividends	–	–	–	–	–	(133.6)	(133.6)
At 25 December 2021	59.8	5.4	87.5	5.9	(27.1)	860.0	991.5
Accumulated profit for the period		–	–	–	–	374.2	374.2
Other comprehensive income for the period	–	–	–	–	–	(135.1)	(135.1)
Total comprehensive income for the period	–	–	–	–	–	239.1	239.1
Current tax on share schemes	–	–	–	–	–	0.4	0.4
Deferred tax on share schemes	–	–	–	–	–	(1.3)	(1.3)
Movement in ESOP	–	–	–	7.4	–	–	7.4
Buyback and cancellation of shares	(3.7)	3.7	–	–	–	(250.5)	(250.5)
Transfer of shares from treasury into share trust	–	–	–	(1.6)	1.6	–	–
Dividends	–	–	–	-	-	(115.0)	(115.0)
At 24 December 2022 (unaudited)	56.1	9.1	87.5	11.7	(25.5)	732.8	871.7

The item "Movement in ESOP" consists of the share-based payment charge in the year, together with any receipts of cash from employees on exercise of share options.
At the current period end there were 5,237,907 ordinary shares held in treasury, each with a nominal value of 10p (2021: 5,567,555 shares of 10p each).

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Consolidated cash flow statement

	Notes	52 weeks to 24 December 2022 £m (unaudited)	52 weeks to 25 December 2021 £m
Operating profit		415.2	401.7
Adjustments for:			
Depreciation and amortisation of owned assets		44.0	40.6
Depreciation, impairment and loss on termination of leased assets		80.8	74.8
Share-based payments charge		7.3	10.1
(Increase)/ decrease in prepaid credit facility fees		(0.7)	0.3
(Profit)/loss on disposal of property, plant and equipment and intangible assets		(0.1)	3.2
Operating cash flows before movements in working capital		546.5	530.7
Movements in working capital			
Increase in inventories		(69.8)	(46.6)
Increase in trade and other receivables		(23.7)	(39.2)
Increase in trade and other payables and provisions		41.8	84.1
Difference between pensions operating charge and cash paid		2.0	(18.5)
		(49.7)	(20.2)
Cash generated from operations		496.8	510.5
Tax paid		(101.5)	(73.1)
Net cash flow from operating activities		395.3	437.4
Cash flows used in investing activities			
Payments to acquire property, plant and equipment and intangible assets		(140.8)	(85.9)
Receipts from sale of property, plant and equipment and intangible assets		0.7	0.1
Acquisition of subsidiary - net of cash acquired		(14.6)	–
Interest received		1.1	–
Net cash used in investing activities		(153.6)	(85.8)
Cash flows used in financing activities			
Payments to acquire own shares		(250.5)	(50.0)
Receipts from release of shares from share trust		0.1	0.4
Inflow from receipt of forfeited dividends		–	0.2
Inflow from sale of forfeited shares		–	1.8
Dividends paid to Group shareholders	6	(115.0)	(133.6)
Interest paid - including on lease liabilities		(13.1)	(11.0)
Repayment of principal on lease liabilities		(66.1)	(74.8)
Net cash used in financing activities		(444.6)	(267.0)
Net (decrease)/increase in cash and cash equivalents		(202.9)	84.6
Cash and cash equivalents at beginning of period		515.3	430.7
Effect of movements in exchange rates on cash held		(4.4)	–
Cash and cash equivalents at end of period		308.0	515.3

Notes to the consolidated financial statements

1 Basis of presentation and preparation

Accounting period

The Group's accounting period covers the 52 weeks to 24 December 2022. The comparative period covered the 52 weeks to 25 December 2021.

Statement of compliance and basis of preparation

The Group financial statements have been prepared in accordance with UK-adopted international accounting standards.

The financial statements have been prepared on the historical cost basis, modified for certain items carried at fair value, as stated in the accounting policies.

These consolidated financial statements include the accounts of the Company and all entities controlled by the Company (its subsidiaries, together referred to as "the Group") from the date control commences until the date that control ceases.

"Control" is defined as the Group having power over the subsidiary, exposure or rights to variable returns from the subsidiary, and the ability to use its power to affect the amount of returns from the subsidiary. All subsidiaries are 100% owned and the Group considers that it has control over them all.

The accounting policies, presentation methods and methods of computation followed are the same as those detailed within the 2021 Annual Report and Accounts, which is available on the Group's website (www.howdenjoinerygroupplc.com).

Whilst the financial information included in this preliminary announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

The financial information set out above does not constitute the company's statutory accounts for the period ended 24 December 2022. The financial information for the period ended 25 December 2021 is derived from the statutory accounts for 2021 which have been delivered to the registrar of companies. The auditor has reported on the 2021 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The statutory accounts for 2022 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the registrar of companies in due course.

2 Segmental reporting

(a) Basis of segmentation, and other general information

Information reported to the Group's Executive Committee, which is regarded as the chief operating decision maker, is focused on one operating segment, Howden Joinery. Thus, the information required in respect of profit or loss, assets and liabilities, can all be found in the relevant primary statements and notes of these consolidated financial statements.

The Howden Joinery business derives its revenue from the sale of kitchens and joinery products, and related services.

(b) Geographical information

The Group's operations are mainly located in the UK, with a small presence in France, Belgium and the Republic of Ireland. The Group has depots in each of these locations, with the first depot in the Republic of Ireland opening in 2022. The number of depots in each location at the current and prior period ends is shown in the five year record which is located towards the back of this Annual Report. The Group's manufacturing and sourcing operations are located in the UK.

The following table analyses the Group's revenues from external customers by geographical market, irrespective of the origin of the goods:

Revenues from external customers

	52 weeks to 24 December 2022 £m (unaudited)	52 weeks to 25 December 2021 £m
UK	2,256.1	2,043.3
France, Belgium and Republic of Ireland	62.9	50.4
	2,319.0	2,093.7

The following is an analysis of the carrying amount of assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

Carrying amount of assets

	24 December 2022 £m (unaudited)	25 December 2021 £m
UK	1,903.1	1,991.9
France, Belgium and Republic of Ireland	129.6	59.5
	2,032.7	2,051.4

Non-current assets

	24 December 2022 £m (unaudited)	25 December 2021 £m
UK	975.4	982.8
France, Belgium and Republic of Ireland	74.5	32.5
	1,049.9	1,015.3

Additions to property plant and equipment and intangible assets

	52 weeks to 24 December 2022 £m (unaudited)	52 weeks to 25 December 2021 £m
UK	124.4	82.8
France, Belgium and Republic of Ireland	22.8	7.0
	147.2	89.8

3 Operating profit

Operating profit has been arrived at after (charging)/crediting:

	52 weeks to 24 December 2022 £m (unaudited)	52 weeks to 25 December 2021 £m
Net foreign exchange (loss)/gain	(0.7)	5.2
Depreciation of property plant and equipment	(36.5)	(31.5)
Amortisation of intangible assets	(7.5)	(9.1)
Depreciation and impairment of lease right-of-use assets	(80.8)	(74.8)
Cost of inventories recognised as an expense	(893.1)	(789.9)
Write down of inventories	(14.0)	(20.0)
Profit/(loss) on disposal of fixed assets	0.1	(3.2)
Increase in allowance for expected credit losses on trade debts	(2.0)	(2.9)
Staff costs	(624.1)	(553.3)

All of the items above relate to continuing operations.

4 Current tax

(a) Tax in the income statement

	52 weeks to 24 December 2022 £m (unaudited)	52 weeks to 25 December 2021 £m
Current tax:		
Current year	77.2	77.3
Adjustments in respect of previous periods*	(33.6)	(0.5)
Total current tax	43.6	76.8
Deferred tax:		
Current year	2.1	0.4
Adjustments in respect of previous periods*	(14.7)	(1.7)
Effect of changes in tax rate	0.6	0.3
Total deferred tax	(12.0)	(1.0)
Total tax charged in the income statement	31.6	75.8

UK Corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profit for the period. Tax for other countries is calculated at the rates prevailing in the respective jurisdictions.

*The adjustments in respect of previous periods are primarily driven by two items:

As a result of a patent granted in 2021, a tax deduction was taken in relation to the Patent Box legislation for the periods from 2017 to 2021 by resubmitting the relevant tax computations accordingly. This legislation allows the income directly attributable to patented items to be taxed at 10% instead of 19% and the resubmission resulted in a prior year current tax credit of £36.1m.

As a result of the change of the tax rate from 19% to 25%, it was decided that the group would not claim capital allowances other than the deductions available under the capital allowance super deduction regime. This was to preserve the tax benefit available to be realised at a higher tax rate. This adjustment gave rise to a £10.4m debit to current tax and a corresponding £10.4m credit to deferred tax.

(b) Tax relating to items of other comprehensive income or changes in equity

	52 weeks to 24 December 2022 £m (unaudited)	52 weeks to 25 December 2021 £m
Deferred tax (credit)/charge to other comprehensive income on actuarial difference on pension scheme	(34.8)	33.5
Change of rate effect on deferred tax	(11.0)	8.5
Deferred tax charge/(credit) to equity on share schemes	1.3	(1.3)
Current tax (credit)/charge to equity on share schemes	(0.4)	0.1
Total(credit)/charge to other comprehensive income or changes in equity	(44.9)	40.8

(c) Reconciliation of the total tax charge

The total tax charge for the period can be reconciled to the result per the income statement as follows:

	52 weeks to 24 December 2022 £m (unaudited)	52 weeks to 25 December 2021 £m
Profit before tax	405.8	390.3
Tax at the UK corporation tax rate of 19% (2021: 19%)	77.1	74.1
IFRS2 share scheme charge	0.3	(0.3)
Expenses not deductible for tax purposes	1.0	1.7
Overseas losses not utilised	2.7	2.2
Non-qualifying depreciation	1.6	0.6
Super deduction - capital allowances	(2.4)	(0.6)
Rate change	0.6	(1.7)
Patent box claim (note 4(a) above)	(9.0)	
Other tax adjustments in respect of previous years	(40.3)	(0.2)
Total tax charged in the income statement	31.6	75.8

The Group's effective rate of tax is 7.7% (2021: 19.4%). The lower effective tax rate is largely driven by the effect of the Patent Box deduction which was realised during the period as discussed in section 4a.

5 Earnings per share

From continuing operations	52 weeks to 24 December 2022 (unaudited) Earnings £m	Weighted average number of shares m	Earnings per share p	52 weeks to 25 December 2021 Earnings £m	Weighted average number of shares m	Earnings per share p
Basic earnings per share	374.2	568.6	65.8	314.5	591.2	53.2
Effect of dilutive share options	–	2.1	(0.2)	–	2.1	(0.2)
Diluted earnings per share	374.2	570.7	65.6	314.5	593.3	53.0

6 Dividends

	52 weeks to 24 December 2022 £m (unaudited)	52 weeks to 25 December 2021 £m
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the 52 weeks to 25 December 2021 - 4.3p/share	–	25.3
Final dividend for the 52 weeks to 26 December 2020 - 9.1p/share	–	54.2
Special dividend for the 52 weeks to 26 December 2020 - 9.1p/share	–	54.1
Final dividend for the 52 weeks to 25 December 2021 - 15.2p/share	88.9	
Interim dividend for the 52 weeks to 24 December 2022 - 4.7p/share	26.1	
	115.0	133.6

	52 weeks to 24 December 2022 £m
Dividends proposed at the end of the period (but not recognised in the period):	
Proposed final dividend for the 52 weeks to 24 December 2022 - (15.9p per share)	87.9
	87.9

The Directors propose a final dividend in respect of the 52 weeks to 24 December 2022 of 15.9p per share, payable to ordinary shareholders who are on the register of shareholders at 11 April 2023, and payable on 19 May 2023. The proposed final dividend for the current period is subject to the approval of the shareholders at the 2023 Annual General Meeting, and have not been included as a liability in these financial statements. Dividends have been waived indefinitely on all shares held by the Group's employee share trusts which have not yet been awarded to employees.

7 Retirement benefit obligations

The Group operates a funded pension plan which provides benefits based on the career average pensionable pay of participating employees. This plan was closed to new entrants from April 2013, and closed to future accrual on 31 March 2021.

(a) Total amounts charged in respect of pensions in the period

	52 weeks to 24 December 2022 £m (unaudited)	52 weeks to 24 December 2021 £m
Charged to the income statement:		
Defined benefit plan - current service cost	–	4.8
Defined benefit plan - administration cost	2.4	2.0
Defined benefit plan - total service cost	2.4	6.8
Defined benefit plan - net finance (credit)/charge	(2.7)	0.4
Defined contribution plans - total operating charge	37.6	27.2
Total net amount charged to profit before tax	37.3	34.4
Charged to equity:		
Defined benefit plan - actuarial losses/(gains)	183.0	(170.4)
Total charge/(credit)	220.3	(136.0)

(b) Other information – defined benefit pension plan

Key assumptions used in the valuation of the plan	52 weeks to 24 December 2022 (unaudited)	52 weeks to 25 December 2021
Rate of increase of pensions in deferment capped at lower of CPI and 5%	2.70%	2.85%
Rate of CARE revaluation capped at lower of RPI and 3%	2.45%	2.55%
Rate of increase of pensions in payment:		
– pensions with increases capped at lower of CPI and 5%	2.65%	2.80%
– pensions with increases capped at lower of CPI and 5%, with a 3% minimum	3.45%	3.50%
– pensions with increases capped at the lower of LPI and 2.5%	2.15%	2.20%
Inflation assumption - RPI	3.15%	3.30%
Inflation assumption - CPI	2.70%	2.85%
Discount rate	4.70%	1.90%
Life expectancy (yrs): pensioner aged 65		
– male	86.6	86.6
– female	88.4	88.4
Life expectancy (yrs): non-pensioner aged 45		
– male	87.6	87.6
– female	90.2	90.3

Sensitivities

	Present value of scheme liabilities at 24 December 2022 (unaudited)	Projected 2023 pension cost		
		Total service cost £m	Net interest (credit)/cost £m	Net pension (credit)/ expense £m
Assumption				
Current valuation, using the assumptions above	931	2.6	1.3	3.9
0.5% decrease in discount rate	1,007	2.6	4.4	7.0
0.5% increase in inflation	968	2.6	3.1	5.7
1 year increase in longevity	963	2.6	2.8	5.4

The sensitivities above are applied to the defined benefit obligation at the end of the reporting period, and the projected total service cost for 2023. Whilst the analysis does not take account of the full distribution of cash flows expected under the scheme, it does provide a reasonable approximation. The same amount of movement in the opposite direction would produce a broadly equal and opposite effect. To address the requirements of both IAS 1 and IAS 19, we note that the effect on the discount rate and inflation sensitivities of flexing them down to 0.25% or up to 1% in a linear manner would give materially correct results.

Balance sheet

The amount included in the balance sheet arising from the Group's obligations in respect of defined benefit retirement benefit plan is as follows:

	24 December 2022 £m (unaudited)	25 December 2021 £m
Present value of defined benefit obligations	(930.5)	(1,512.5)
Fair value of scheme assets	889.0	1,653.3
(Deficit)/ surplus in the scheme, recognised in the balance sheet	(41.5)	140.8

Movements in the present value of defined benefit obligations were as follows:

	52 weeks to 25 December 2022 £m (unaudited)	52 weeks to 26 December 2021 £m
Present value at start of period	1,512.5	1,641.0
Current service cost	–	4.8
Administration cost	2.4	2.0
Interest on obligation	28.3	21.1
Actuarial losses/(gains):		
- changes in financial assumptions	(622.8)	(127.7)
- changes in demographic assumptions	(3.5)	(5.2)
- experience	55.8	20.5
Benefits paid, including expenses	(42.2)	(44.0)
Present value at end of period	930.5	1,512.5

Movements in the fair value of the plan's assets is as follows:

	52 weeks to 24 December 2022 £m (unaudited)	52 weeks to 25 December 2021 £m
Fair value at start of period	1,653.3	1,593.3
Interest income on plan assets	31.0	20.7
Contributions from the Group	0.4	25.3
(Loss)/return on assets excluding amounts included in net interest	(753.5)	58.0
Benefits paid, including expenses	(42.2)	(44.0)
Fair value at end of period	889.0	1,653.3

Movements in the deficit during the period are as follows:

	52 weeks to 24 December 2022 £m (unaudited)	52 weeks to 25 December 2021 £m
Deficit at start of period	140.8	(47.7)
Current service cost	–	(4.8)
Administration cost	(2.4)	(2.0)
Employer contributions	0.4	25.3
Other finance income/(charge)	2.7	(0.4)
Total remeasurements recognised in other comprehensive income	(183.0)	170.4
Deficit at end of period	(41.5)	140.8

Income statement

Amounts recognised in the income statement arising from the Group's obligations in respect of the defined benefit plan are shown below.

Amount charged to operating profit:

	52 weeks to 24 December 2022 £m (unaudited)	52 weeks to 25 December 2021 £m
Current service cost	–	4.8
Administration cost	2.4	2.0
Total service cost	2.4	6.8

The total service cost is included in the financial statement heading Staff Costs.

Amount credited to other finance charges:

	52 weeks to 24 December 2022 £m (unaudited)	**52 weeks to 25 December 2021 £m**
Interest income on plan assets	(31.0)	(20.7)
Interest cost on defined benefit obligation	28.3	21.1
Net charge	(2.7)	0.4

The actual return on plan assets was a loss of £(722.5)m (52 weeks to 25 December 2021: increase of £78.7m).