29 February 2024

HOWDENS

# Performance in line with expectations, with further market share gains. Investing to drive future growth.

## Results summary

| £ millions (unless stated) | 2023[1] | 2022[1] | Change vs 2022 | Change vs 2019 |
|---|---|---|---|---|
| Group revenue | 2,310.9 | 2,319.0 | -0.3% | +45.9% |
| - UK | 2,241.1 | 2,256.1 | -0.7% | +44.6% |
| - International[2] | 69.8 | 62.9 | +11.0% | |
| Gross profit margin, % | 60.8% | 60.9% | | |
| Operating profit | 340.2 | 415.2 | -18.1% | +30.8% |
| Profit before tax | 327.6 | 405.8 | -19.3% | +25.7% |
| Basic earnings per share, p | 46.5p | 65.8p | -29.3% | |
| Total ordinary dividend per share, p | 21.0p | 20.6p | +1.9% | |
| Cash at end of period | 282.8 | 308.0 | | |

[1] The information presented relates to the 53 weeks to 30 December 2023, the 52 weeks to 24 December 2022 and the 52 weeks to 28 December 2019, unless otherwise stated. The 2023 and 2022 results are presented under IFRS 16, 2019 results have not been restated.
[2] Comprises Howdens' depots in France, Belgium and the Republic of Ireland (ROI)

## Highlights[1]

- Group revenue of £2,310.9m in line with last year's record performance.
  - UK revenue was 0.7% below last year or level after excluding £14.4m of third-party sales associated with the acquisition of Sheridans in 2022, not repeated in 2023.
  - International revenue was 11.0% ahead of last year with continued expansion in France and the Republic of Ireland.
- Gross margins broadly maintained at 60.8% despite higher cost inflation and the dilutive impact of growing the sales of everyday joinery products and solid work surfaces which both performed strongly.
- Operating costs well controlled at prior year levels, with cost inflation of around £50m more than offset through efficiencies. This protected our investment of another £53m in our strategic initiatives.
- Strategic initiatives included 43 new depots across the Group, 89 depot reformats in the UK, 23 new product ranges, further development of digital and upgrades to manufacturing and supply chain.
- Profit before tax was £327.6m and included £17m of additional costs relating to a 53rd week. Before these costs profit before tax was down 15.0%.
- Strong cash generation supported by a robust balance sheet with period end cash at £282.8m.
  - £50m share buy back completed in the first half.
  - Proposed final dividend of 16.2p, bringing the total for the year to 21.0p, up 1.9%.
- The Science-Based Targets initiative recently approved our 2030 carbon emissions reduction target. We have also committed to set long-term targets consistent with our intention to reach net-zero by 2050.
- Encouraging revenue trends since the period end. The Group is on track with its outlook for 2024.

**Commenting on the results Andrew Livingston, Chief Executive said:**

"The combination of a strong product line-up, high stock availability and outstanding customer service, alongside investments to drive future growth, all contributed to further market share gains in 2023.

"Our established markets for kitchens and joinery in the UK are now estimated to be around £12 billion and we continue to seek further opportunities in adjacent markets. The focus remains on executing our strategic initiatives at pace to capitalise on this attractive, long-term growth opportunity, while selectively expanding Howdens' differentiated, trade-only business model internationally.

"Our robust balance sheet underpins our strategy as we invest in growth, including expanding our manufacturing and supply chain capabilities, and returning surplus capital to shareholders. While we are cautious about the macro-economic and geo-political environment, given the encouraging start to the year and the agility of our business model, the Board is confident in the outlook for 2024."

## Operational developments in the year

- Opened 33 new depots, bringing the total in the UK to 840. Revamped 89 older depots during the year, including relocations, having now upgraded 274 of the 670 UK depots opened in the old format.
- Opened 10 international depots with 65 trading in France & Belgium and 10 in the Republic of Ireland.
- Introduced 23 new kitchen ranges predominantly aimed at entry and mid-price ranges.
- Launched a new 'paint-to-order' service for our best timber kitchen ranges and successfully trialled a new fitted bedroom range during peak trading. Both initiatives achieving encouraging results.
- Expanded our joinery ranges, which represented a greater proportion of the sales mix in 2023.
- Invested in upgrading our manufacturing operations. Howdens now manufactures 35% of its cost of goods sold (COGS) in-house compared to 28% in 2021.
- Completed the roll-out of the cross-docking logistics network (XDC) in early 2023, enabling us to deliver even higher levels of service and availability and further differentiating our offer and scale advantages.
- Retained our #1 position in the digital search market with nearly 20m visits to Howdens.com and grew unprompted brand awareness by end-users to around 31%.

## Outlook and summary of planned major strategic initiatives

While it is still early in the new financial year, revenue growth in the new financial year has been encouraging and compared to last year has increased in all the countries in which we operate. We anticipate that market conditions in 2024 will be broadly unchanged and we are well prepared for the challenges and opportunities that this may present. We aim to maintain a profitable balance between margin and volume and we have aligned our operating costs to expected market conditions. We will work with our suppliers to keep product and input costs well controlled.

We will continue to invest in our strategic initiatives to strengthen our differentiated business model and capitalise on the significant growth opportunities in our attractive markets. This is supported by our strong balance sheet and sustained cash generation. Howdens is well placed to continue to outperform its competitors and the Board is confident in its outlook for 2024.

### Summary of major strategic initiatives for 2024 (see pages 6 to 10 for more details)

- We plan to open around 30 new depots, revamp 85 in the UK and open 10 new international depots.
- We are expanding our manufacturing capability and capacity including new kitchen furniture and range expansion in solid work surfaces, alongside more joinery products.
- We will launch nine new product ranges with more looks and styles accessible to all budgets with a continued focus on our premium kitchen ranges where we are under-represented.
- We will continue to develop our competitively priced paint-to-order service launched last year.
- Our new fitted bedroom ranges will feature in all our depots for the first time.
- We are refreshing our joinery offerings including doors, flooring and skirting, which generate more depot footfall. We are also extending these offerings in France where the category is under-represented.
- We are introducing a new 'click and collect' service with an in-depot stock management system alongside initiatives to optimise depot product availability. This time-saving feature will also enable customers to see live-stock information at their local depot through the trade app.

## Technical guidance for 2024

*Income statement*

- Continued operating expense investment to support our strategic initiatives including new depots, manufacturing and supply chain and digital investments.
- Higher freight costs are expected to result in additional costs of around £5m in 2024, at current pricing.
- Foreign exchange sensitivity in COGS of Euro: +/- €0.01 = £1.8m; US Dollar: +/- $0.01 = £0.8m.
- Patent box impact on the Group's effective tax rate around 3% lower to c.23%.

*Cashflow*

- Receivables expected to increase by around £50m due to the later calendar end of our autumn peak trading period, with a higher proportion of customer payments not being due until after the year-end.
- Capital expenditure anticipated at around £125m including investments to support future growth.
- Following the triennial valuation in 2023, cash contribution to the Group pension scheme reduced to £1m per month, should the scheme be in deficit for more than two consecutive months.

## For further information please contact


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**Results presentation:**
There will be an in-person analyst and investor presentation at 0830 today hosted by Andrew Livingston, Howdens' CEO, and Paul Hayes, Howdens' CFO at:
Deutsche Numis, 45 Gresham St London EC2V 7BF, with light refreshments served from 0800.

A live video webcast will be available on https://brrmedia.news/HWDN_FY.

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:** | Please 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 840 depots. In 2023, the Group generated revenues of around £2.3 billion and profit before tax of £327.6 million. Around 35% 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 2023, Howdens operated from 65 depots in France and Belgium and 10 depots in the Republic of Ireland.

## 2. Timetable for the final dividend

The timetable for payment of the proposed final dividend is shown below. A Dividend Reinvestment Plan ("DRIP") is provided by Equiniti Financial Services Limited. The DRIP enables the Company's shareholders to elect to have their cash dividend payments used to purchase the Company's shares. More information can be found at www.shareview.co.uk/info/drip

| | |
|---|---|
| Ex-dividend date: | 11 April 2024 |
| Record date: | 12 April 2024 |
| Payment date: | 24 May 2024 |

## 3. Provisional financial calendar for 2024

| | |
|---|---|
| Trading update | 30 April |
| Annual General Meeting | 2 May |
| Half Year Results | 25 July |
| Trading update | 7 November |
| End of financial year | 28 December |

# Financial review

## Financial results for 2023[1]

| Revenue £m (unless stated) | 2023 | 2022 | Change | # of depots 2023 |
|---|---|---|---|---|
| UK depots - same depot basis[2,4] | 2,195.3 | 2,232.8 | -1.7% | 777 |
| UK depots opened in previous two years | 45.8 | 23.3[3] | | 63 |
| Total - UK depots | 2,241.1 | 2,256.1 | -0.7% | 840 |
| Total - International depots | 69.8 | 62.9 | +11.0% | 75 |
| **Total - Group** | **2,310.9** | **2,319.0** | **-0.3%** | **915** |

| Local currency revenue €m (unless stated) | 2023 | 2022[5] | Change | # of depots 2023[5] |
|---|---|---|---|---|
| International – same depot basis[2] | 58.4 | 66.8 | -12.6% | 35 |
| Depots opened in previous two years | 21.9 | 6.9 | | 40 |
| **Total - International depots** | **80.3** | **73.7** | **+8.9%** | **75** |

[1] The information presented relates to the 53 weeks to 30 December 2023 and the 52 weeks to 24 December 2022 unless otherwise stated.
[2] Same depot basis for any year excludes depots opened in that year and the prior year.
[3] 2022 includes additional third party sales generated by the Sheridans solid work surface business acquired in the period.
[4] One depot was closed in the UK at the end of 2023.
[5] During 2022, 25 depots were opened and five depots were closed in France.

Group revenue of £2,310.9m was in line with last year (2022: £2,319.0m) and 45.9% ahead of the same period in 2019. UK depot revenue of £2,241.1m (2022: £2,256.1m) was broadly consistent with last year's record performance and 1.7% lower on a same depot basis. Revenue in the international depots was 11.0% ahead of the prior year at £69.8m (2022: £62.9m) and included sales in the Republic of Ireland, where we opened depots for the first time last year. We continued to expand our international depot network with ten openings in the year, bringing the total to 75.

## Gross profit

We maintained our sector leading margins by appropriately balancing pricing and volumes in a high inflation environment. Gross profit was broadly similar to last year at £1,403.9m (2022: £1,411.2m). The slightly lower gross margin percentage of 60.8% (2022: 60.9%) reflected the dilutive impact of a higher mix of everyday joinery products and growth of our solid work surfaces offering, which performed strongly in its first full year of trading. Solid work surfaces, often associated with sales of higher priced kitchens, make an attractive cash margin contribution but have a lower gross margin percentage than most of Howdens' kitchen products. During the year we also delivered a number of productivity improvements in our manufacturing operations, which partially offset increases in commodities, wage inflation and energy costs.

## Operating profit and profit before tax

Operating profit was below last year at £340.2m (2022: £415.2m) given the continued investment in the strategic initiatives and £17m of additional costs arising from an additional 53rd week. It was, however, 30.8% ahead of pre-COVID profit levels in 2019 of £260.0m.

Operating expenses increased by £67.7m to £1,063.7m (2022: £996.0m) with productivity and efficiency actions taken throughout the year more than offsetting cost increases of around £50m relating to inflation. This tight cost control enabled us to protect our ongoing investments in our strategic initiatives across the business. The £53m of strategic investments this year included £16m on new UK depots opened in 2022 and

2023 and £12m on international depots opened in the period and prior year. We also invested £25m in warehouse and transportation initiatives including the full year impact of our investment in our regional cross docking facilities (XDCs).

The net interest charge was £12.6m (2022: £9.4m). Profit before tax of £327.6m was £78.2m below the prior year (2022: £405.8m) and 25.7% ahead of 2019 (2019: £260.7m).

## Tax, profit after tax and basic earnings per share

The tax charge on profit before tax was £73.0m (2022: £31.6m) and represented an effective tax rate of 22.3% (2022: 7.8%). This includes a higher corporation tax rate for businesses introduced in the UK from April 2023. The lower tax rate in the prior year reflected the previously announced backdated tax credit relating to the patent box claim, which was included in Howdens' financial statements last year. While always subject to review by HMRC, as previously indicated, the Group expects an ongoing reduction of around 3% to Howdens' effective tax rate.

Profit after tax was £254.6m (2022: £374.2m). Reflecting the above and the benefit of the reduced share count following the share buyback, basic earnings per share were lower at 46.5p (2022: 65.8p).

## Cash

The net cash inflow before movements in working capital was £470.8m (2022: £548.5m). Overall working capital increased by £35.0m with stock £9.5m higher as a result of inflation. Debtors at the end of the period were £38.8m lower than at the end of the previous period with ageing in good shape and benefitting from the later timing of the year end. Creditors were £64.3m lower. Capital expenditure cash payments were below the prior year at £118.9m (2022: £140.8m). Corporation tax payments were £63.5m (2022: £101.5m), and dividends amounted to £114.1m (2022: £115.0m). Share buy backs totalled £50.0m (2022: £250.5m). The interest and principal paid on lease liabilities totalled £121.8m (2022: £79.2m).

Reflecting the above, there was a net cash outflow of £23.1m, or £25.2m including foreign exchange movements, (2022: outflow of £207.3m), leaving the Group with cash at the year end of £282.8m (24 December 2022: £308.0m).

## 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 period-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.

Considering the Group's prospects and strong financial position, in July 2023 the Board declared an interim dividend of 4.8p per ordinary share (2022: 4.7p per ordinary share). The Board is recommending a final dividend for 2023 of 16.2p per ordinary share (2022: 15.9p per ordinary share), resulting in a total dividend of 21.0p per ordinary share (2022: 20.6p per ordinary share). The total dividend represents a year-over-year increase of 1.9% and if approved by shareholders at the AGM in May the final dividend will be paid on 24 May 2024 to shareholders on the register on 12 April 2024.

## Pensions

At 30 December 2023, the defined benefit pension scheme was in a deficit position of £12.6m on an IAS 19 basis compared to a deficit of £41.5m on 24 December 2022. The scheme is closed for future accrual.

The triennial actuarial valuation of the scheme was conducted as at 31 March 2023 and the scheme was in a surplus position on a technical provisions basis. The Company and Trustee agreed a new recovery plan in November 2023, should the scheme move into a technical deficit, and this agreement will run until 31 May 2026. This recognises the improvement in the pension scheme funding since it was last set in 2020. Under this agreement deficit contributions of £1m a month will be made if there is a deficit, on a technical provisions basis, for more than two consecutive months. This compares to the previous rate of £2.5m per month. In the year to 30 December 2023 deficit payments totalled £19m.

## Board changes

In May, Andrew Cripps was appointed as the Senior Independent Director in addition to his responsibilities as Audit Committee Chair. He replaced Geoff Drabble who stepped down from the Board during the year.

In May, we announced the appointment of Louis Eperjesi as a Non-Executive Director with effect from 1 June 2023. In July, we announced that Debbie White, Non-Executive Director, had informed the Board of her intention to retire on 30 December 2023 in order to take up a new position as a Non-Executive Director and Chair of the Co-operative Group.

In November, we announced that Karen Caddick, Non-Executive Director and Remuneration Committee Chair, will step down from the Howdens Board at the end of the Annual General Meeting on 2 May 2024. Vanda Murray was recently appointed as a Non-Executive Director with effect from 1 February 2024 and will succeed Karen as Remuneration Committee Chair from 2 May 2024.

The Board thanks all those directors who have stepped down in the year for their valuable contributions and, welcomes the incoming new directors to Howdens.

# 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 third-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 this research the value of the kitchen market was around £6.6bn as at the end of 2023.

The UK joinery market is also large and very fragmented at around £5.4bn across the four segments that Howdens supplies; joinery, doors, flooring, and hardware. During the year the Company entered the fitted bedroom market in the UK with a market value of around £1.2bn.

Consequently, we believe Howdens' established markets for kitchens and joinery (excluding fitted bedrooms) totals around £12bn for the UK which compares with Howdens' UK revenue of £2.2bn last year. We continue to look to expand into adjacent markets which suit our competitive strengths and given the significant market opportunity in the UK 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 choice 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 selectively in kitchen and joinery markets outside the UK.

Progress on each of these initiatives is reviewed below:

## Evolving our depot model

In the UK, since the start of the year we made good progress in finding new depot sites and we opened 33 new depots in 2023. We are opening all new depots in our updated format, which is designed to provide the best environment in which to do business with our customers. At maturity, we expect to operate with around 1,000 depots in the UK, versus the 840 trading at the end of 2023. This will be supported by our newly established network of 12 XDC facilities which enable depots to optimise their stock holdings and provide high levels of availability across the product range.

We have also continued with our reformatting programme for existing depots. Depot reformats have a pay back of around four years. The programme is delivering incremental sales and has received very positive feedback from depot teams and customers. In the year, including relocations, we reformatted 89 depots. By the end of 2023, we had reformatted around 274 of the 670 depots which were opened in the old format. During 2024, we expect to open around 30 new depots and reformat around 85 sites in the UK.

## Improving our product range and supply management

### Range Management

In recent years we have reorganised our range architecture to support growth and improve the balance between new kitchen introductions and timely discontinuations. At a time when many competitors are paring back their range offerings, Howdens has accelerated new product introductions to ensure we are leading the industry and inspiring our customers and end-users with the latest trends. In 2023, we increased the net number of ranges aimed at the entry and the mid-market segments, making more kitchen styles accessible to all budgets. Value for money is a consistent feature of buying decisions, particularly given current pressures on household budgets. We have also continued to develop our offering of higher priced kitchens, a significant segment of the market where we are under-represented.

In 2023 we launched 23 new kitchen ranges including:

- Seven new entry level ranges, where we added more colour options. We introduced new colours to our Greenwich and Witney families to match the new Croft Grey cabinet platform we introduced during the year. We have refreshed the look of our bestselling shaker family, which we have named Halesworth, and we have added a new mid-priced beaded shaker family, Bridgemere.
- The integration of Sheridans is now largely complete and we have overhauled our work surfaces business to align it with our 'customer-first' approach. For example, during the year we re-engineered the template to fit process to improve the service for customers, with typical lead times for jobs reduced from 10 days to 5 days nationally. Our in-house solid surface capacity is now amongst the largest in the UK and the number of solid surface worktop orders taken by depots has increased significantly as we continue to improve our offer and expand our range.
- In the second half we launched a premium paint to order service for our 'Best' timber kitchen ranges in the Chilcomb and Elmbridge families initially in 15 new colours. The offer supports requirements for a bespoke look, which is priced at a premium to the colours available from stock. Dedicated manufacturing ensures a short lead time between order placement and delivery, which is attractive for our trade customers. Initial sales have been encouraging and there is a range of 24 colours available for 2024.
- We continue to invest in our joinery business, for example in doors, where we have introduced more colours and bolder styles at all price points, and in flooring, where we have launched a new in-house brand, "Oake & Gray". We have added to our private label Lamona appliance brand, which is now the leading integrated appliance brand in the UK and extended our range of third-party branded appliances.

- This year, ahead of our peak trading period, we also developed an in-house manufactured fitted bedroom range, testing the concept in 200 depots nationally. Initial uptake has been encouraging and the fitted bedrooms are now available in all UK depots in four styles drawn from our kitchen platform and matched with new internal accessories to suit all tastes and budgets.

### Manufacturing and supply chain

Howdens is an in-stock business, and a high level of stock availability is one of the key reasons our customers buy from us. 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. We keep under review what we believe it is best to make or buy, balancing cost, overall supply chain availability, resilience, and flexibility. Over time we continue to see opportunities to increase the proportion of products we make and during the year we increased this to around 35% of COGS from 28% in 2021.

We have continued to invest in new lines at our Howden site, which are amongst the most advanced of their type in Europe. These give us the ability to make a variety of kitchen furniture, principally doors and panels, for more of our ranges, at the same quality as we can source externally but at a lower cost and at a reduced lead time to delivery. More than 1,000 in-house manufactured SKUs were introduced in the period including bedrooms, a new croft grey cabinet, worktops, and more volumes of skirting and architrave products.

Our “Daily Traders” initiative was rolled out to all UK depots this year. This improves customer service and increases sales by optimising in-depot stock holdings of the bestselling SKUs and associated “range completers” in a depot. Sales of these products outperformed those of non-Daily Trader SKUs in the period and we are seeing improvements to other key metrics including a reduction in customer back-orders and a higher proportion of stock being replenished via a depot’s core weekly delivery order. This gives us efficiencies as it reduces utilisation of our XDC service.

XDC provides market-leading product availability to our depots and with mainland XDC coverage now completed, our focus has been on using these assets most efficiently. The improved depot stock mix following the introduction of a new re-ordering system and the Daily Traders initiative have enabled us to reduce annualised XDC capacity, leading to lower operating costs.

## 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 2023, usage of our online account facilities, which benefits customers and depots, has continued to increase and we now have around 48% of our customers with an on-line account.

In 2023, we added new services and capabilities to our trade platform which collectively improve stock and account knowledge, promote frequency, and ease of trading and reduce time-consuming manual tasks in depots, including stock allocation. These include a new “multi-list” feature, which gives visibility of dates saved for future projects enabling depots to prioritise leads daily and customers to manage all their jobs efficiently in one place. We have commenced the roll out of a digitised in-depot stock management system to record and pick deliveries, check allocations, and determine depot stock levels. We expect the new system to be rolled out to all our UK depot network in 2024. ‘Live-stock’ will enable a better service to our customers which will save them time as they will see real time stock availability live on the trade app.

We are also continuing to focus on helping end-users interact with Howdens online at each stage of their buying decision, creating higher quality leads for our designers and customers. In June, we added more prominent ‘Book a Design Appointment’ signposting on our website which since launch has generated over 60,000 depot contacts. Our market-leading search functionality enables users, including our teams, to find what they are looking for much more efficiently.

As our digital presence has grown, awareness of Howdens amongst end-consumers has increased. According to our in-house research, our unprompted brand awareness amongst end-consumers is now at around 31%, which has nearly tripled since 2019, and we see the potential to raise awareness to higher levels. We ended the year with 554,000 followers across the major social media platforms.

### Developing our international operations

Our international operations, predominantly based in France, continued to make good progress. The business model for France is similar to the UK with a market size in kitchens of c.€4.0bn, excluding appliances. The French market has low penetration rates of integrated kitchens, and most are purchased through DIY outlets and specialist small independent businesses. We believe appreciation of the advantages of our trade-only in-stock model, our service levels and competitive pricing is growing. In addition, most of the product range is common versus our UK ranges, which helps us realise scale benefits.

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, and we now have 65 depots in France and Belgium and expect to open around five this year. During 2024 after significant depot expansion in recent years, including 35 new depots in the past 24 months we are focusing on developing our existing depot teams and we are investing behind our joinery offerings to drive greater footfall into the depot network.

We continue to invest in establishing our presence in the Republic of Ireland adding a further 5 depots in 2023 to bring the total in the region to 10. The reaction from local trade customers has been very positive and we expect to have 15 or so trading by the end of the year.

## Environment, social and governance (ESG)

We want to create an inclusive environment and make a positive contribution to all our stakeholders, including our customers, staff, communities, suppliers, and shareholders. We believe that our business needs to be worthwhile for all concerned and Howdens' ambition remains to be the UK's leading responsible kitchen and joinery business. We actively manage risks and identify opportunities across the business to improve our environmental, social and governance performance to minimise our impact on the environment.

### Summary of 2023 performance

#### People

Howdens' 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 ensuring that safety is embedded as a core value in everything we do. Our safety KPI has remained low at 153 RIDDOR (Reporting of Injuries Diseases and Dangerous Occurrences Regulation) reportable injuries per 100,000 employees in 2023. This is 29% below the 2022/2023 HSE All-Industry rate of 215. Our accident severity rate has also remained low at 33.4 hours lost to accidents per 100,000 hours worked.

We are particularly proud of our longstanding commitment to apprenticeships and the development of homegrown talent, which is essential to our entrepreneurial model. In 2023, we recruited 362 apprentices, and we ended the year with 492 on various programmes across the business. We are particularly proud of the fact that today over one-in-ten of our current workforce started their career with Howdens as an apprentice.

Howdens is committed to maintaining a corporate culture that respects the principles aimed at promoting, protecting, and supporting all internationally recognised human rights. We recognise the Company's responsibility to respect human rights and avoid complicity in human rights abuses. During 2023, we have developed and introduced a new Human Rights policy for the Company, which supports all of our locations, staff, suppliers, customers and key stakeholders in achieving this aim. This programme will be rolled out fully throughout 2024 to all relevant stakeholders.

In 2023, we have also partnered with specialist organisations including Wellbeing for Women and 'ANDY'SMANCLUB' to provide workplace support and webinars for mental health and women's health issues. So far, we have 31 trained wellbeing reps and have plans to increase this further to widen the reach across the business. We have a calendar of wellbeing events throughout the year to ensure we give these issues appropriate focus amongst our employees.

### Environment

Our focus remains on:
- reducing direct emissions in our own manufacturing and logistics operations.
- working closely with suppliers to reduce emissions throughout our external supply chain.
- accelerating our product and packaging sustainability programme.

We remain well-placed to achieve this given our UK manufacturing focus, our trusted supplier partnerships and Science Based Net Zero targets commitment. We submitted our Net Zero Plan to Science Based Targets Initiative (SBTi) in April 2023 and received approval early in 2024. This commits us to reducing our Scope 1 and 2 emissions by 42% and our Scope 3 supply chain emissions by 25% by 2030 and targeting a 90% reduction by 2050 against a baseline year of 2021.

In 2023, we made further progress to reduce our Scope 1 and 2 emissions. Over the past decade we have driven continuous improvements to reducing emissions in manufacturing, including achieving carbon neutral status in our two major factories in Howden and Runcorn two years ago. We are now transitioning from Carbon Neutral Status to the Route to Net Zero Standard Certification with the Carbon Trust. This moves us from site-based accreditation to whole organisation certification and is aligned to SBTi.

We have also continued our focus on eliminating waste, including again achieving zero to landfill in our manufacturing operations, and 99.7% avoiding landfill in our depot network. Some of our waste timber is now recycled back to our major supplier for chipboard helping with the recycled content which stands at c.35%. Most waste material is now being recycled into more plastic, cardboard, or metal and our waste sawdust is used for biomass and heating our own factories and warehouses. We are also using quartz offcuts from our solid surface factories as hardcore for building roads.

Following the move to purchasing renewable energy for all our UK sites, we are planning the first phase installation of solar panels on our Primary Distribution Centre at our Howden factory site. Solar panels will cover 350k $ft^2$ and reduce our carbon emissions by c.1,000 tonnes/year once the installation is completed at the end of 2024. We are now using 100% renewable energy in manufacturing and 96% in our depots.

With respect to fleet management, we have also recently committed to expanding our 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. We now have around 5% of the fleet running on HVO and replacing diesel in this way will significantly reduce our own fleet emissions. This will have no negative impact on fuel efficiency or maintenance costs. We continue to trial electric vehicles (EVs) within the overall fleet and are operating our first two EVs as part of a trial in our XDC network. XDC deliveries tend to be within a region and therefore more suited to the range limitations of current battery technology.

95% of our total emissions are Scope 3, with 76% of these relating to goods purchased from our suppliers and the use of products that we source from our suppliers. As a result, aligning the supply base with our emissions reduction targets is a key priority, and during the year we have focused engagement on the top 6 suppliers who represent 25% of overall emissions. All suppliers are actively engaging, and a programme of work continues to secure real (rather than estimated) supplier emissions data and reduction targets with commitments. In addition to our suppliers Code of Conduct, we have now updated our purchased goods trading terms and conditions to make Net Zero targets a contractual obligation.

Finally, we are incorporating sustainability as a key part of the design process and building it into our product ranges. This year, an important step was achieved to improve our bestselling Greenwich Matt Kitchen frontals so that they are now 100% recyclable. We have launched a Plastic Pledge initiative looking across all products to remove, reduce, or replace plastic packaging where possible. For example, we continue to remove polystyrene packaging from our drawer boxes and look to more recyclable alternatives such as carboard. We have also removed it from cooker hoods and set targets to remove all polystyrene from our Lamona appliance range by the end of 2025. We are also reviewing alternatives to plastic materials such as in our cabinet leg, which will reduce energy consumption therefore saving $CO_2$ emissions.

# 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 at least 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 2023, as well as early weeks' trading in 2024. They have reviewed the Group balance sheet at 30 December 2023, noting that the Group is debt-free, has cash and cash equivalents of £283m, 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 2023 Group forecast, prepared in December 2023, and including the actual results of the 2023 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 year-on-year actual fall ever experienced in the Group's history. For additional context, this is more significant than the combined effect of COVID and Brexit on 2020 actual performance. 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 capital allocation model. In this scenario, the Board considered the current economic conditions that the Group 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 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 30 December 2023 of £283m.
- 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 13 to 17, 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 2026. 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 on pages 11 to 12. 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 on pages 11 to 12 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 on page 5.
2) The severe but plausible downside scenario takes the same decline over the going concern period as described in the discussion of going concern on pages 11 to 12, 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 2026.

# 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

### Risk and impact

We sell our products to small builders who install them in different types of housing. Our sales depend on the demand for repair, maintenance, and improvement services. If activity falls in these areas, it can affect our sales.

### Mitigating factors

- We have proven expertise in managing both selling prices and costs. This continues to be a major focus.
- We are good at adapting to market changes. We keep a close eye on our supply chain and depots and use our good relationships to alert us of any changes. This helps us to act quickly to reduce market risks.
- We manage this risk through market analysis, competitor review, price, and cost optimisation, and close relationships with the small builder.

### Risk appetite

We have a low appetite for market condition risks and leverage our relationships to identify movements early to enable appropriate action to be taken.

## 2. Maximising Growth

### Risk and impact

Failure to recognise, innovate and exploit opportunities could impact on growth, we must align our business model, risk appetite, structures, and skills with opportunities to maximise our growth potential.

### Mitigating factors

- 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.

### Risk appetite

We have a balanced appetite for risk when it comes to growth, and we are willing to accept some risk where we see opportunity but carefully balance that risk with the potential reward presented.

## 3. People

### Risk and impact

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

### Mitigating factors

- We invest in our employee value proposition, 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.
- Our Remuneration Committee ensures 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.

### Risk appetite

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.

## 4. Supply Chain

Over 2023, the scoring of this risk has decreased as our supply base continues to improve and return to a more pre-pandemic environment. While further escalation of the conflict in the Middle East could have a knock-on impact for shipping transit times and freight costs, the direct impact for Howdens is currently limited. As a precaution we are holding additional safety stocks to manage any extended lead times and support market leading product availability.

### Risk and impact

Disruption to our supply chain, relationship with key suppliers, or manufacturing and distribution operations could affect our ability to service our customers' needs. If this happened, we could lose customers and sales.

### Mitigating factors

- We maintain strong supplier relationships which are focussed on being worthwhile for all concerned.
- We adopt secure supply chain strategies such as long-term contracts and multiple sourcing to safeguard the supply of key products.
- We invest in our supply chain and distribution to secure capacity and agility when it is required.
- We optimise our stock levels to reduce impact of supply chain constraints.

### Risk appetite

We have a very low appetite for supply chain risk and will put effort in identifying them early to enable us to prevent stock issues at our depots.

## 5. Health & Safety

### Risk and impact

We have a large estate which employ various activities that could cause harm to our staff, our customers, their customers, and the communities around us.

### Mitigating factors

- 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.
- We make sure we keep talking about health and safety at every level of the business, led by the Executive Committee.

### Risk appetite

We put a great deal of effort into identifying and managing health and safety issues before they occur and have a very low appetite for health and safety risks.

## 6. Cyber Security

### Risk and impact

A major cyber security breach could result in systems being unavailable, causing operational difficulties, and/or sensitive data to be unavailable or compromised.

### Mitigating factors

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

### Risk appetite

We have a very low appetite for cyber security risk and manage IT security closely to secure the confidentiality, integrity, and availability of our systems.

## 7. Business 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.
- Regular 'Town Hall' meetings, Regional Board meetings and Staff Forums are held to bring together teams and discuss our successes and challenges ahead.

### Risk appetite

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

If we do not support the builder with products that they, and their customers, want we could lose their loyalty and sales could diminish.

### Mitigating Factors

- Our product team regularly refresh our offerings to meet builders' and end-users' expectations for design, price, quality, availability, and sustainability.
- We work with our suppliers, external design and 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.

### Risk appetite

We have a balanced appetite for product risk and are willing to take some calculated risks when selecting new products to continue to meet the needs of our customers.

## 9. Business Continuity & Resilience

### Risk and impact

We have some key business operations and locations in our infrastructure that are critical to the continuity of our business operations.

### 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 to support peak trading.

### Risk appetite

We have a very low appetite for business continuity risk, ensuring that critical functions are resilient and appropriate plans are in place to protect them.

# 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 2023 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 and Accounts the Directors confirm to the best of their knowledge:

- the 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;
- 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; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced, and understandable and provides the information necessary for shareholders to assess the Group’s position and performance, business model and strategy.

Thie responsibility statement was approved by the Board of Directors and is signed on its behalf by:

| | |
|---|---|
| Andrew Livingston | Paul Hayes |
| Chief Executive Officer | Chief Financial Officer |

28 February 2024

# Consolidated income statement

| | Notes | 53 weeks to 30 December 2023 £m | 52 weeks to 24 December 2022 £m |
|---|---|---|---|
| **Continuing operations:** | | | |
| Revenue | 2 | 2,310.9 | 2,319.0 |
| Cost of sales | | (907.0) | (907.8) |
| **Gross profit** | | 1,403.9 | 1,411.2 |
| Operating expenses | | (1,063.7) | (996.0) |
| **Operating profit** | 3 | 340.2 | 415.2 |
| Finance income | | 5.5 | 3.8 |
| Finance costs | | (18.1) | (13.2) |
| **Profit before tax** | | 327.6 | 405.8 |
| Tax on profit | 4 | (73.0) | (31.6) |
| **Profit for the period attributable to the equity holders of the parent** | | 254.6 | 374.2 |
| **Earnings per share:** | | | |
| Basic earnings per 10p share | 5 | 46.5p | 65.8p |
| Diluted earnings per 10p share | 5 | 46.3p | 65.6p |

# Consolidated statement of comprehensive income

| | Notes | 53 weeks to 30 December 2023 £m | 52 weeks to 24 December 2022 £m |
|---|---|---|---|
| Profit for the period | | 254.6 | 374.2 |
| **Items of other comprehensive income:** | | | |
| **Items that will not be reclassified subsequently to profit or loss:** | | | |
| Actuarial gains /(losses) on defined benefit pension scheme | | 13.3 | (183.0) |
| Deferred tax on actuarial gains and losses on defined benefit pension scheme | | (2.9) | 34.8 |
| Change of tax rate on deferred tax | | (0.4) | 11.0 |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Currency translation differences | | (0.5) | 2.1 |
| **Other comprehensive income for the period** | | 9.5 | (135.1) |
| **Total comprehensive income for the period attributable to equity holders of the parent** | | 264.1 | 239.1 |

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# Consolidated balance sheet

| | Notes | 30 December 2023 £m | 24 December 2022 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | | 43.5 | 35.9 |
| Property, plant and equipment | | 456.9 | 398.7 |
| Lease right-of-use assets | | 647.9 | 614.3 |
| Deferred tax asset | | 15.6 | 35.9 |
| Prepaid credit facility fees | | 0.8 | 1.0 |
| | | 1,164.7 | 1,085.8 |
| **Current assets** | | | |
| Inventories | | 382.8 | 373.3 |
| Corporation tax | 4 | 39.7 | 32.3 |
| Trade and other receivables | | 194.5 | 233.3 |
| Cash and cash equivalents | | 282.8 | 308.0 |
| | | 899.8 | 946.9 |
| **Total assets** | | 2,064.5 | 2,032.7 |
| **Current liabilities** | | | |
| Lease liabilities | | (85.3) | (95.3) |
| Trade and other payables | | (373.2) | (433.9) |
| Provisions | | (9.5) | (12.0) |
| | | (468.0) | (541.2) |
| **Non-current liabilities** | | | |
| Pension liability | 7 | (12.6) | (41.5) |
| Lease liabilities | | (599.2) | (570.0) |
| Deferred tax liability | | (3.3) | (3.8) |
| Provisions | | (3.0) | (4.5) |
| | | (618.1) | (619.8) |
| **Total liabilities** | | (1,086.1) | (1,161.0) |
| **Net assets** | | 978.4 | 871.7 |
| **Equity** | | | |
| Share capital | | 55.4 | 56.1 |
| Capital redemption reserve | | 9.8 | 9.1 |
| Share premium | | 87.5 | 87.5 |
| ESOP and share-based payments | | 16.6 | 11.7 |
| Treasury shares | | (24.0) | (25.5) |
| Retained earnings | | 833.1 | 732.8 |
| **Total equity** | | 978.4 | 871.7 |

The financial statements were approved by the Board and authorised for issue on 28 February 2024 and were signed on its behalf by

Paul Hayes
Chief Financial Officer

# 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 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** | **56.1** | **9.1** | **87.5** | **11.7** | **(25.5)** | **732.8** | **871.7** |
| Accumulated profit for the period | | - | - | - | - | 254.6 | 254.6 |
| Other comprehensive income for the period | - | - | - | - | - | 9.5 | 9.5 |
| Total comprehensive income for the period | - | - | - | - | - | 264.1 | 264.1 |
| Current tax on share schemes | - | - | - | - | - | 0.3 | 0.3 |
| Deferred tax on share schemes | - | - | - | - | - | - | - |
| Movement in ESOP | - | - | - | 6.4 | - | - | 6.4 |
| Buyback and cancellation of shares | (0.7) | 0.7 | - | - | - | (50.0) | (50.0) |
| Transfer of shares from treasury into share trust | - | - | - | (1.5) | 1.5 | - | - |
| Dividends | - | - | - | - | - | (114.1) | (114.1) |
| **At 30 December 2023** | **55.4** | **9.8** | **87.5** | **16.6** | **(24.0)** | **833.1** | **978.4** |

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 4,918,375 ordinary shares held in treasury, each with a nominal value of 10p (2022: 5,237,907 shares of 10p each).

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# Consolidated cash flow statement

| | Notes | 53 weeks to 30 December 2023 £m | 52 weeks to 24 December 2022 £m[1] |
|---|---|---|---|
| **Profit before tax** | | 327.6 | 405.8 |
| Adjustments for: | | | |
| Finance income | | (5.5) | (3.8) |
| Finance costs | | 18.1 | 13.2 |
| Depreciation and amortisation of owned assets | | 50.8 | 44.0 |
| Depreciation, impairment and loss on termination of leased assets | | 90.1 | 80.8 |
| Share-based payments charge | | 6.0 | 7.3 |
| Decrease/(increase) in prepaid credit facility fees | | 0.3 | (0.7) |
| Difference between pensions operating charge and cash paid | | (16.9) | 2.0 |
| Loss/(profit) on disposal of property, plant and equipment and intangible assets | | 0.3 | (0.1) |
| **Operating cash flows before movements in working capital** | | 470.8 | 548.5 |
| **Movements in working capital** | | | |
| Increase in inventories | | (9.5) | (69.8) |
| Decrease/(increase) in trade and other receivables | | 38.8 | (23.7) |
| (Decrease)/increase in trade and other payables and provisions | | (64.3) | 41.8 |
| | | (35.0) | (51.7) |
| **Cash generated from operations** | | 435.8 | 496.8 |
| Tax paid | | (63.5) | (101.5) |
| **Net cash flow from operating activities** | | 372.3 | 395.3 |
| **Cash flows used in investing activities** | | | |
| Payments to acquire property, plant and equipment and intangible assets | | (118.9) | (140.8) |
| Receipts from sale of property, plant and equipment and intangible assets | | - | 0.7 |
| Acquisition of subsidiary – net of cash acquired | | - | (14.6) |
| Interest received | | 4.7 | 1.1 |
| **Net cash used in investing activities** | | (114.2) | (153.6) |
| **Cash flows used in financing activities** | | | |
| Payments to acquire own shares | | (50.0) | (250.5) |
| Receipts from release of shares from share trust | | 0.5 | 0.1 |
| Dividends paid to Group shareholders | 6 | (114.1) | (115.0) |
| Interest paid – including on lease liabilities | | (16.8) | (13.1) |
| Repayment of capital on lease liabilities | | (105.0) | (66.1) |
| **Net cash used in financing activities** | | (285.4) | (444.6) |
| **Net decrease in cash and cash equivalents** | | (27.3) | (202.9) |
| **Cash and cash equivalents at beginning of period** | | 308.0 | 515.3 |
| Effect of movements in exchange rates on cash held | | 2.1 | (4.4) |
| **Cash and cash equivalents at end of period** | | 282.8 | 308.0 |

[1] In 2023 the Directors have determined that is appropriate for the consolidated cash flow statement to start from profit before tax and to present 'Difference between pension operating charge and cash paid' as an adjustment to profit before tax. 2022 has been represented on this basis.

# Notes to the consolidated financial statements

## 1 General Information

### Accounting period

The Group's accounting period covers the 53 weeks to 30 December 2023. The comparative period covered the 52 weeks to 24 December 2022.

### 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. Further details of all subsidiaries are given in the "Additional Information" section at the back of the Annual Report and Accounts. All subsidiaries are 100% owned and the Group considers that it has control over them all.

## 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 smaller presence in France, Belgium and the Republic of Ireland. The Group has depots in each of these locations. 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 the Annual Report and Accounts. 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*

| | **53 weeks to 30 December 2023 £m** | **52 weeks to 24 December 2022 £m** |
|---|---|---|
| UK | **2,241.1** | 2,256.1 |
| France, Belgium and the Republic of Ireland | **69.8** | 62.9 |
| | **2,310.9** | 2,319.0 |

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*

| | 30 December 2023 £m | 24 December 2022 £m |
|---|---|---|
| UK | 1,935.6 | 1,903.1 |
| France, Belgium and Ireland | 128.9 | 129.6 |
| | 2,064.5 | 2,032.7 |

*Non-current assets (excluding deferred tax)*

| | 30 December 2023 £m | 24 December 2022 £m |
|---|---|---|
| UK | 1,068.3 | 975.4 |
| France, Belgium and Ireland | 80.8 | 74.5 |
| | 1,149.1 | 1,049.9 |

*Additions to property plant and equipment and intangible assets*

| | 53 weeks to 30 December 2023 £m | 52 weeks to 24 December 2022 £m |
|---|---|---|
| UK | 108.3 | 122.7 |
| France, Belgium and Ireland | 9.1 | 24.5 |
| | 117.4 | 147.2 |

## 3 Operating profit

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

| | 53 weeks to 30 December 2023 £m | 52 weeks to 24 December 2022 £m |
|---|---|---|
| Net foreign exchange (loss)/gain | (8.2) | (0.7) |
| Cost of inventories recognised as an expense | (892.8) | (893.1) |
| Write down of inventories | (6.1) | (14.0) |
| (Loss)/profit on disposal of fixed assets | (0.3) | 0.1 |
| Auditor's remuneration for audit services | (1.4) | (1.1) |

All of the items above relate to continuing operations.

## 4 Current tax

### (a) Tax in the income statement

| | 53 weeks to 30 December 2023 £m | 52 weeks to 24 December 2022 £m |
|---|---|---|
| **Current tax:** | | |
| Current year | 64.7 | 77.2 |
| Adjustments in respect of previous periods | (8.2) | (33.6) |
| **Total current tax** | 56.5 | 43.6 |
| **Deferred tax:** | | |
| Current year | 14.9 | 2.1 |
| Adjustments in respect of previous periods | 0.9 | (14.7) |
| Effect of changes in tax rate | 0.7 | 0.6 |
| **Total deferred tax** | 16.5 | (12.0) |
| **Total tax charged in the income statement** | 73.0 | 31.6 |

UK Corporation tax is calculated at 23.5% (2022: 19%) of the estimated assessable profit for the period. Tax for other countries is calculated at the rates prevailing in the respective jurisdictions.

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

| | 53 weeks to 30 December 2023 £m | 52 weeks to 24 December 2022 £m |
|---|---|---|
| Deferred tax charge/(credit) to other comprehensive income on actuarial difference on pension scheme | 2.9 | (34.8) |
| Change of rate effect on deferred tax | 0.4 | (11.0) |
| Deferred tax (credit)/charge to equity on share schemes | - | 1.3 |
| Current tax (credit) to equity on share schemes | (0.3) | (0.4) |
| **Total charge/(credit) to other comprehensive income or changes in equity** | 2.9 | (44.9) |

### (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:

| | 53 weeks to 30 December 2023 £m | 52 weeks to 24 December 2022 £m |
|---|---|---|
| Profit before tax | 327.6 | 405.8 |
| Tax at the UK corporation tax rate of 23.5% (2022: 19%) | 77.0 | 77.1 |
| IFRS2 share scheme charge | 0.5 | 0.3 |
| Expenses not deductible for tax purposes | 2.9 | 1.0 |
| Overseas losses not utilised | 6.2 | 2.7 |
| Non-qualifying depreciation | 1.0 | 1.6 |
| Super deduction - capital allowances | - | (2.4) |
| Rate change | 0.7 | 0.6 |
| Patent box claim | (8.0) | (9.0) |
| Other tax adjustments in respect of previous years | (7.3) | (40.3) |
| **Total tax charged in the income statement** | 73.0 | 31.6 |

The Group's effective rate of tax is 22.3% (2022: 7.8%). The difference in the effective tax rate from prior year is driven by the effect of the Patent Box deduction claims for 2017-2021, which were realised during 2022 as a prior year adjustment along with the increase in headline corporation tax as of 1 April 2023.

## 5 Earnings per share

| | 53 weeks to 30 December 2023 | | | 52 weeks to 24 December 2022 | | |
|---|---|---|---|---|---|---|
| **From continuing operations** | Earnings £m | Weighted average number of shares m | Earnings per share p | Earnings £m | Weighted average number of shares m | Earnings per share p |
| Basic earnings per share | 254.6 | 548.1 | 46.5 | 374.2 | 568.6 | 65.8 |
| Effect of dilutive share options | - | 2.1 | (0.2) | - | 2.1 | (0.2) |
| Diluted earnings per share | 254.6 | 550.2 | 46.3 | 374.2 | 570.7 | 65.6 |

The difference between the weighted average number of shares used in the calculation of basic earnings per share and the total number of shares in issue at the period end is due to the net effect of time-apportioned adjustments for shares held in treasury, shares held in trust which are not unconditionally vested, and shares bought back and cancelled in the period.

## 6 Dividends

| Amounts recognised as distributions to equity holders in the period: | 53 weeks to 30 December 2023 £m | 52 weeks to 24 December 2022 £m |
|---|---|---|
| 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 |
| Final dividend for the 52 weeks to 24 December 2022 - 15.9p/share | 87.8 | - |
| Interim dividend for the 53 weeks to 30 December 2023 - 4.8p/share | 26.3 | - |
| | 114.1 | 115.0 |

| Dividends proposed at the end of the period (but not recognised in the period): | 53 weeks to 30 December 2023 £m |
|---|---|
| Proposed final dividend for the 53 weeks to 30 December 2023 - (16.2p/share) | 88.4 |
| | 88.4 |

The Directors propose a final dividend in respect of the 53 weeks to 30 December 2023 of 16.2p per share, payable to ordinary shareholders who are on the register of shareholders at 12 April 2024, and payable on 24 May 2024.

The proposed final dividend for the current period is subject to the approval of the shareholders at the 2024 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

| | 53 weeks to 30 December 2023 £m | 52 weeks to 24 December 2022 £m |
|---|---|---|
| **Charged to the income statement:** | | |
| Defined benefit plan - administration cost | 2.3 | 2.4 |
| Defined benefit plan - total service cost | 2.3 | 2.4 |
| Defined benefit plan - net finance charge/(credit) | 1.3 | (2.7) |
| Defined contribution plans - total operating charge | 42.5 | 37.6 |
| **Total net amount charged to profit before tax** | 46.1 | 37.3 |
| **Charged to equity:** | | |
| Defined benefit plan - actuarial (gains)/losses | (13.3) | 183.0 |
| **Total charge/(credit)** | 32.8 | 220.3 |

## (b) Other information – defined benefit pension plan

| Key assumptions used in the valuation of the plan | 53 weeks to 30 December 2023 | 52 weeks to 24 December 2022 |
|---|---|---|
| Discount rate | 4.55% | 4.70% |
| Inflation assumption - RPI | 3.05% | 3.15% |
| Inflation assumption - CPI | 2.60% | 2.70% |
| Rate of increase of pensions in deferment capped at lower of CPI and 5% | 2.60% | 2.70% |
| Rate of CARE revaluation capped at lower of RPI and 3% | 2.40% | 2.45% |
| Rate of increase of pensions in payment: | | |
| - pensions with increases capped at lower of CPI and 5% | 2.60% | 2.65% |
| - pensions with increases capped at lower of CPI and 5%, with a 3% minimum | 3.40% | 3.45% |
| - pensions with increases capped at the lower of LPI and 2.5% | 2.15% | 2.15% |
| - pensions with increases capped at the lower of CPI and 3% | 2.20% | 2.25% |
| Life expectancy (yrs): pensioner aged 65 | | |
| - male | 85.7 | 86.6 |
| - female | 88.0 | 88.4 |
| Life expectancy (yrs): non-pensioner aged 45 | | |
| - male | 86.7 | 87.6 |
| - female | 89.6 | 90.2 |

## Sensitivities

| | | Projected 2024 pension cost | | |
|---|---|---|---|---|
| | Present value of scheme liabilities at 30 December 2023 | Total service cost £m | Net interest (credit)/cost £m | Net pension (credit)/ expense £m |
| **Assumption** | | | | |
| Current valuation, using the assumptions above | 914 | 2.1 | 0.3 | 2.4 |
| 0.5% decrease in discount rate | 979 | 2.1 | 2.9 | 5.0 |
| 0.5% increase in inflation | 945 | 2.1 | 1.7 | 3.8 |
| 1 year increase in longevity | 946 | 2.1 | 1.7 | 3.8 |

The sensitivities above are applied to the defined benefit obligation at the end of the reporting period, and the projected total service cost for 2024. While 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 by 0.25% or up by 1% in a linear manner would give materially correct results.

| | 30 December 2023 | | 24 December 2022 | |
|---|---|---|---|---|
| **Analysis of plan assets** | **Quoted market price in an active market £m** | **No quoted market price in an active market £m** | **Quoted market price in an active market £m** | **No quoted market price in an active market £m** |
| LDI* | | - | | - |
| - fixed income | 282.9 | | 270.0 | |
| - derivatives | 20.5 | | (268.7) | |
| - cash | 12.7 | | 172.8 | |
| Equities | | | | |
| - passive equities | | 49.8 | - | - |
| Private equity | - | - | - | 0.6 |
| Alternative growth assets | | | | |
| - fund of hedge funds | - | - | - | 152.4 |
| - absolute return fund | - | - | 1.0 | - |
| Insurance-linked securities | - | 70.8 | - | 105.2 |
| Corporate bonds | 0.1 | - | 1.8 | - |
| Commercial property funds | - | 233.4 | 7.7 | 239.9 |
| Other secure income | 60.0 | 161.9 | 1.2 | 179.3 |
| Asset-backed securities | 0.5 | - | 0.5 | - |
| Cash and cash equivalents | 8.3 | - | 25.3 | - |
| **Total** | 385.1 | 515.9 | 211.6 | 677.4 |

The plan assets do not include any of the Group's own financial instruments nor any property occupied by, or other assets used by, the Group.

*LDI – Liability Driven Investments – is a portfolio of investments chosen with the aim that its value is expected to move in line with movements in the value of the underlying liabilities. The LDI portfolio can include a variety of investments, the simplest being conventional and index-linked gilts with appropriate maturities. LDI portfolios often use a degree of leverage to achieve the same aim but to allow more return-seeking assets to be invested in at the same time. Derivatives and repurchase agreements are the main tools used to employ leverage.

## 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:

| | 30 December 2023 £m | 24 December 2022 £m |
|---|---|---|
| Present value of defined benefit obligations | (913.6) | (930.5) |
| Fair value of scheme assets | 901.0 | 889.0 |
| Deficit in the scheme, recognised in the balance sheet | (12.6) | (41.5) |

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

| | 53 weeks to 30 December 2023 £m | 52 weeks to 24 December 2022 £m |
|---|---|---|
| Present value at start of period | 930.5 | 1,512.5 |
| Administration cost | 2.3 | 2.4 |
| Interest on obligation | 42.8 | 28.3 |
| Actuarial losses/(gains): | | |
| - changes in financial assumptions | 14.2 | (622.8) |
| - changes in demographic assumptions | (26.5) | (3.5) |
| - experience | (9.2) | 55.8 |
| Benefits paid, including expenses | (40.5) | (42.2) |
| **Present value at end of period** | 913.6 | 930.5 |

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

| | 53 weeks to 30 December 2023 £m | 52 weeks to 24 December 2022 £m |
|---|---|---|
| Fair value at start of period | 889.0 | 1,653.3 |
| Interest income on plan assets | 41.5 | 31.0 |
| Employer contributions | 19.2 | 0.4 |
| (Loss)/return on assets excluding amounts included in net interest | (8.2) | (753.5) |
| Benefits paid, including expenses | (40.5) | (42.2) |
| **Fair value at end of period** | 901.0 | 889.0 |

Movements in the deficit during the period are as follows:

| | 53 weeks to 30 December 2023 £m | 52 weeks to 24 December 2022 £m |
|---|---|---|
| Deficit at start of period | (41.5) | 140.8 |
| Administration cost | (2.3) | (2.4) |
| Employer contributions | 19.2 | 0.4 |
| Other finance (charge)/income | (1.3) | 2.7 |
| Total remeasurements recognised in other comprehensive income | 13.3 | (183.0) |
| **Deficit at end of period** | (12.6) | (41.5) |

## 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: | 53 weeks to 30 December 2023 £m | 52 weeks to 24 December 2022 £m |
|---|---|---|
| Current service cost | - | – |
| Administration cost | 2.3 | 2.4 |
| **Total pensions cost** | 2.3 | 2.4 |

The total pensions cost is included in Staff Costs.

| Amount credited to other finance income or expense: | 53 weeks to 30 December 2023 £m | 52 weeks to 24 December 2022 £m |
|---|---|---|
| Interest income on plan assets | (41.5) | (31.0) |
| Interest cost on defined benefit obligation | 42.8 | 28.3 |
| **Net finance expense/(income)** | 1.3 | (2.7) |

The actual return on plan assets was a gain of £33.5m (52 weeks to 24 December 2022: loss of £722.5m).