



HOWDENS
JOINERY CO.

2017 Half Year Report

20 July 2017



HOWDENS
JOINERY CO.

Matthew Ingle
Chief Executive Officer

A very successful business



Broadening
the appeal of
Howdens

- Solid start to year notwithstanding market conditions
 - Revenue and gross profit growth
 - Strong cash generation
- Continuing investment to support future growth opportunities
 - Manufacturing and distribution
 - Systems, services, organisation
 - New product development
 - New depots and trade accounts



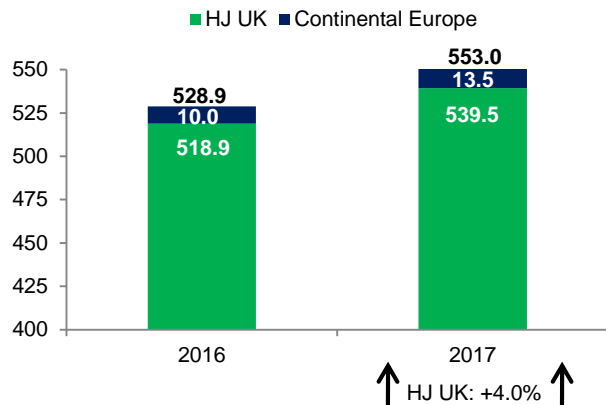
HOWDENS
JOINERY CO.

Mark Robson

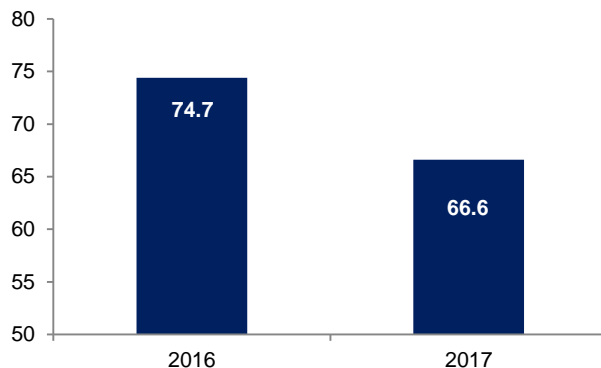
Deputy CEO and Chief Financial Officer

Highlights

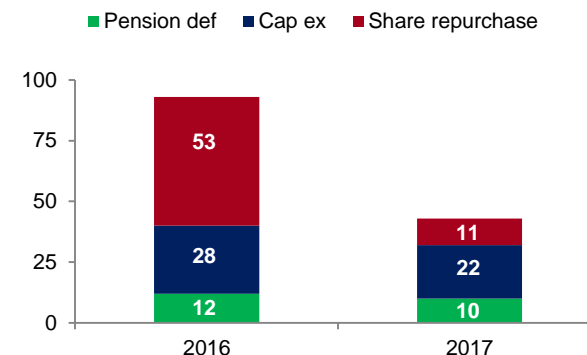
Revenue, £m



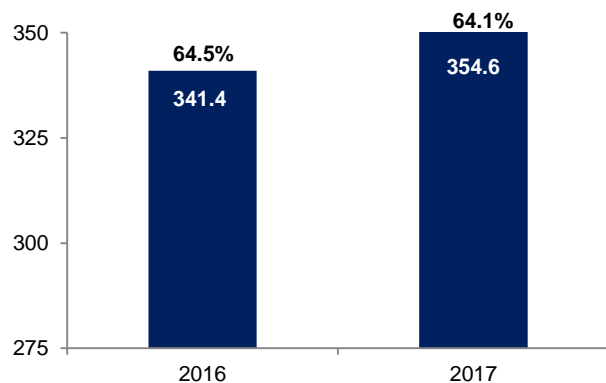
Operating profit, £m



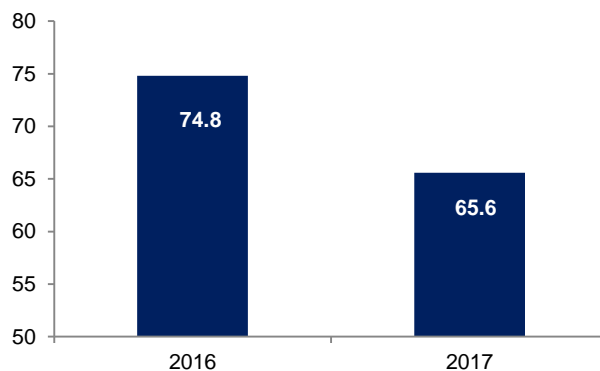
Uses of 'cash', £m



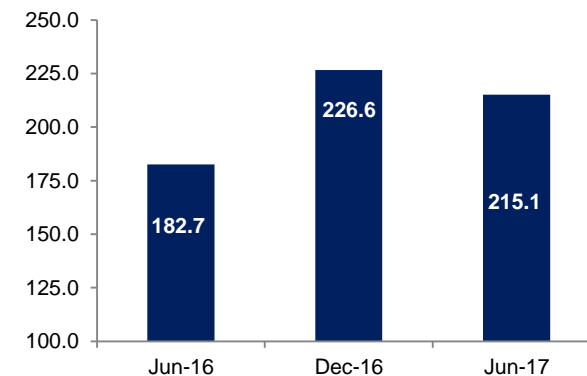
Gross profit, £m, and margin, %



Profit before tax ops, £m



Net cash, £m



Interim dividend of 3.6p per share recommended (2016: 3.3p)

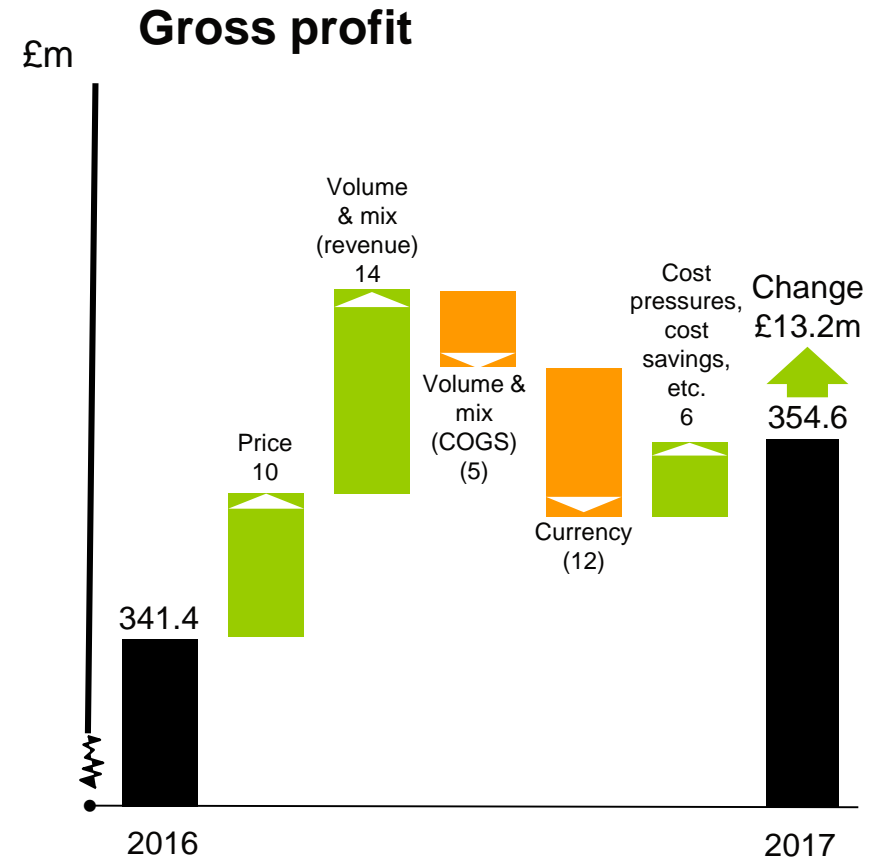
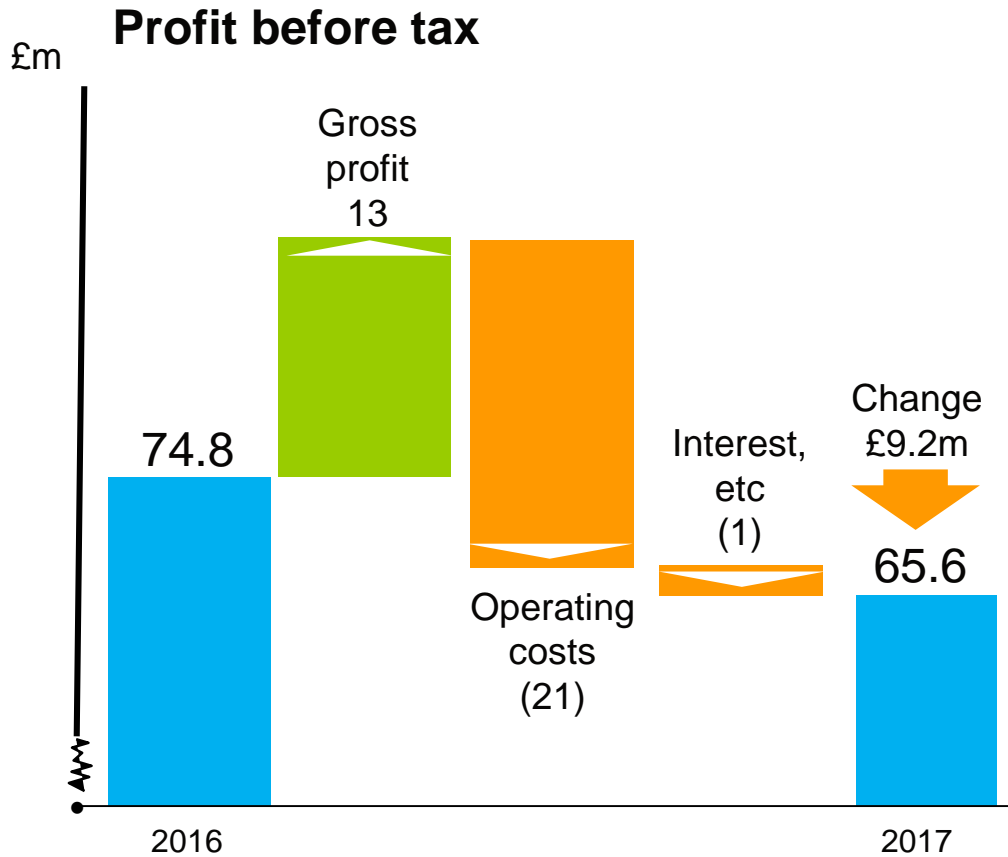
Revenue

2017 UK depot revenue £539.5m
• total +4.0% • LFL +2.4%

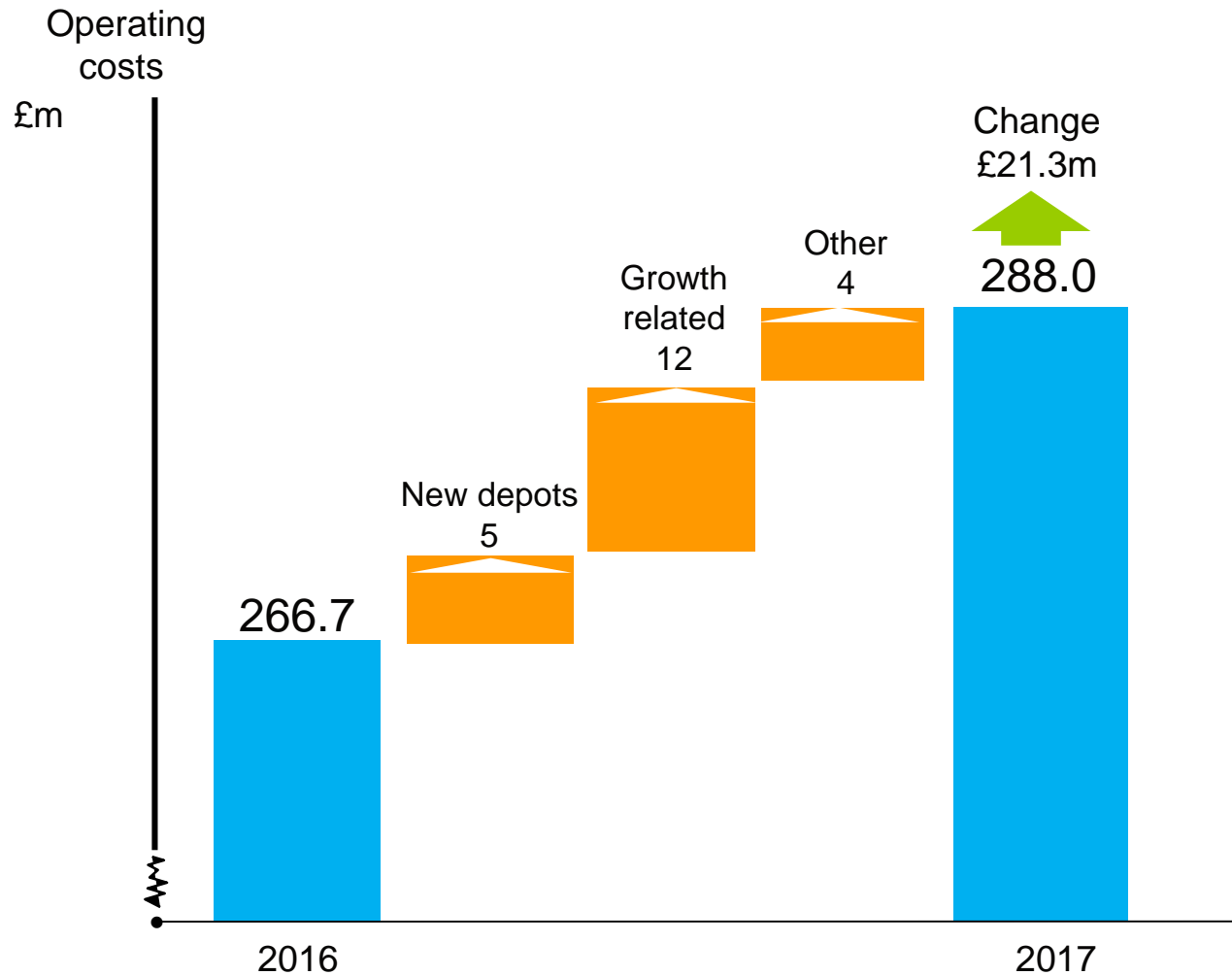
2017 continental Europe revenue £13.5m
• France depots LFL +5.3% in €s

Profit before tax

Group gross profit margin
 • 2017: 64.1% • 2016: 64.5%



Operating costs



Income statement

£m	H1 2017	H1 2016
Revenue	553.0	528.9
Cost of goods sold	(198.4)	(187.5)
Gross profit	354.6	341.4
Operating costs	(288.0)	(266.7)
Operating profit	66.6	74.7
Net interest	(1.0)	0.1
Profit before tax	65.6	74.8
Tax	(13.5)	(17.0)
Profit for the period	52.1	57.8

Earnings per share, dividends and share repurchase

	H1 2017	H1 2016
Earnings per share	8.4p	9.1p
Interim dividend per share	3.6p	3.3p

- Share repurchase expenditure of £11.3m

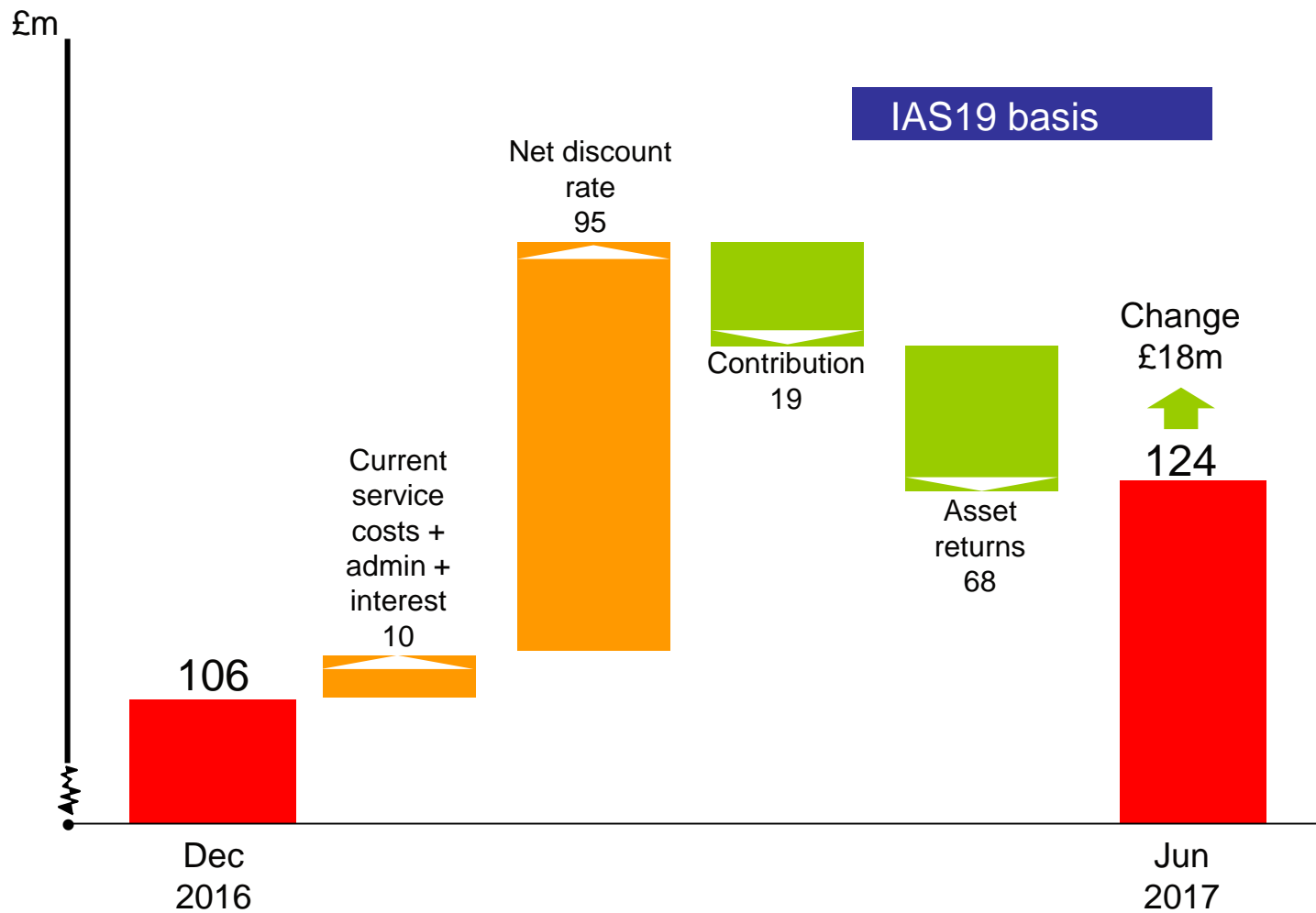
Net cash and cash flow

£m	H1 2017	H1 2016
Opening net cash	226.6	226.1
Operating cash flows before movements in working capital	81.0	88.3
Working capital	(31.2)	(30.6)
Capital expenditure	(22.0)	(28.0)
Interest (net)	0.1	0.6
Tax paid	(20.0)	(10.2)
Share repurchases	(11.3)	(52.8)
Pension contribution	(9.5)	(11.6)
Other	1.4	0.9
Closing net cash	215.1	182.7

Working capital

- Working capital increased £31.2m
 - stock up £29.6m
 - debtors up £37.1m
 - creditors up £35.5m

Pension scheme deficit



Recent trading and outlook for 2017

- UK depot sales in period 7 increased 6.5%
- 2017 outlook unchanged



HOWDENS
JOINERY CO.

Matthew Ingle
Chief Executive Officer

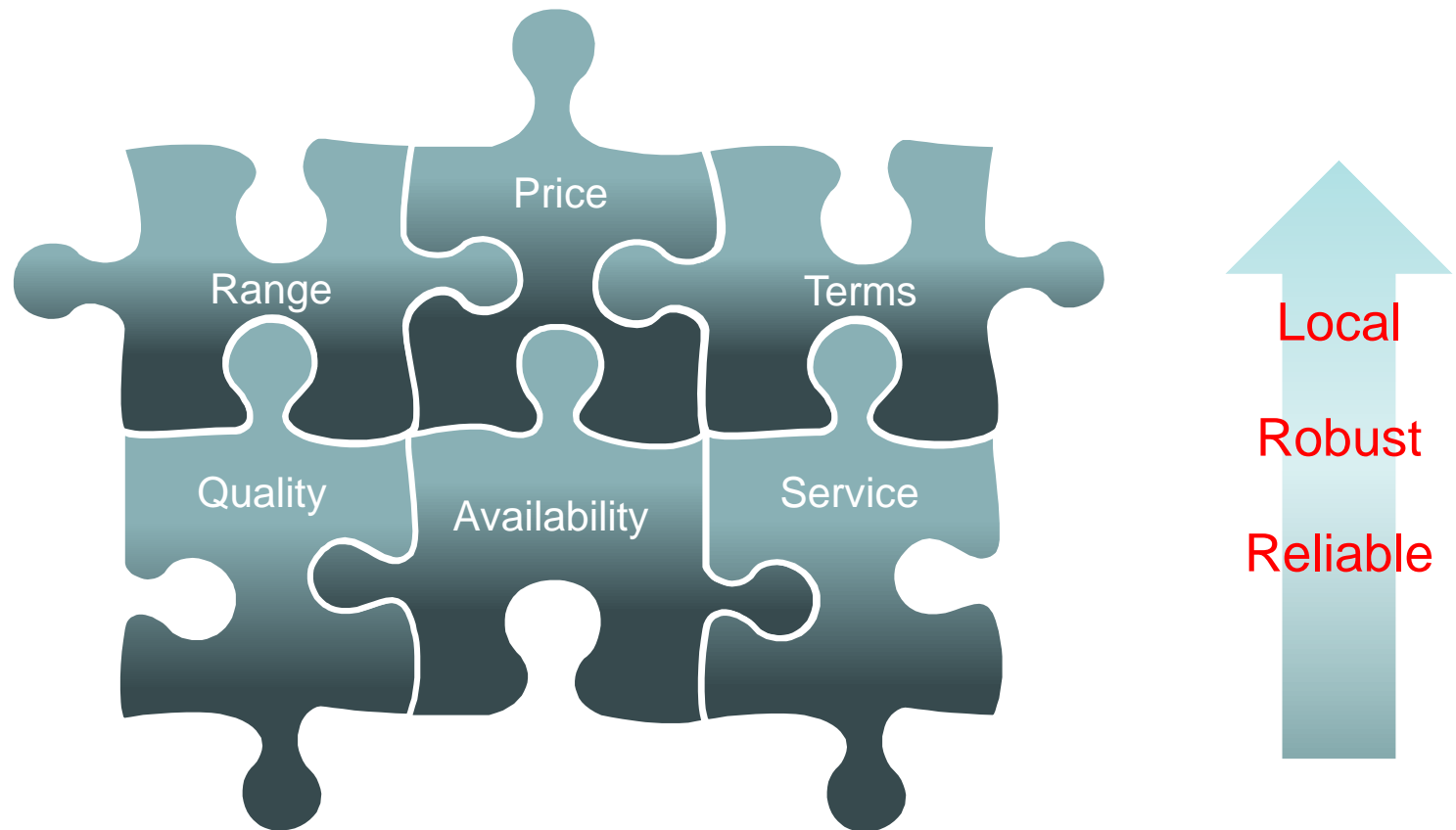
Focused on the trade

- ➔ Professionals doing a complex job in a sophisticating market
- ➔ Dependent on reliable products and services available locally
- ➔ Managing unpredictable events and customer demands



The builder depends on Howdens

A superior, integrated offer to suit the builder's needs



The builder's reputation is our reputation

Our changing world



Managing complexity

1995

- 14 depots
- 2 staff / depot
- 7 kitchen ranges
- No sales reps
- No CAD
- No delivery
- No hot water!



Making complexity
as simple as
possible

2017

- 653 depots
- 10 staff / depot (average)
- 68 kitchen ranges
- 680 sales reps
- 1,500 kitchen planners
- CAD planning and A3 printers in all depots
- Local delivery
- 6 appliance categories
- Own-brand Lamona appliances

Investing to deliver more choice and service

➤ Infrastructure

- £180m manufacturing capex programme announced 2015
- New distribution facility
- IT and systems

➤ Addressing the market

- New product development
- Broadening entry-level appeal

Kitchen SKUs
2008: 700
2017: 6,000

Addressing Howdens' many opportunities

New distribution facility at Raunds on stream

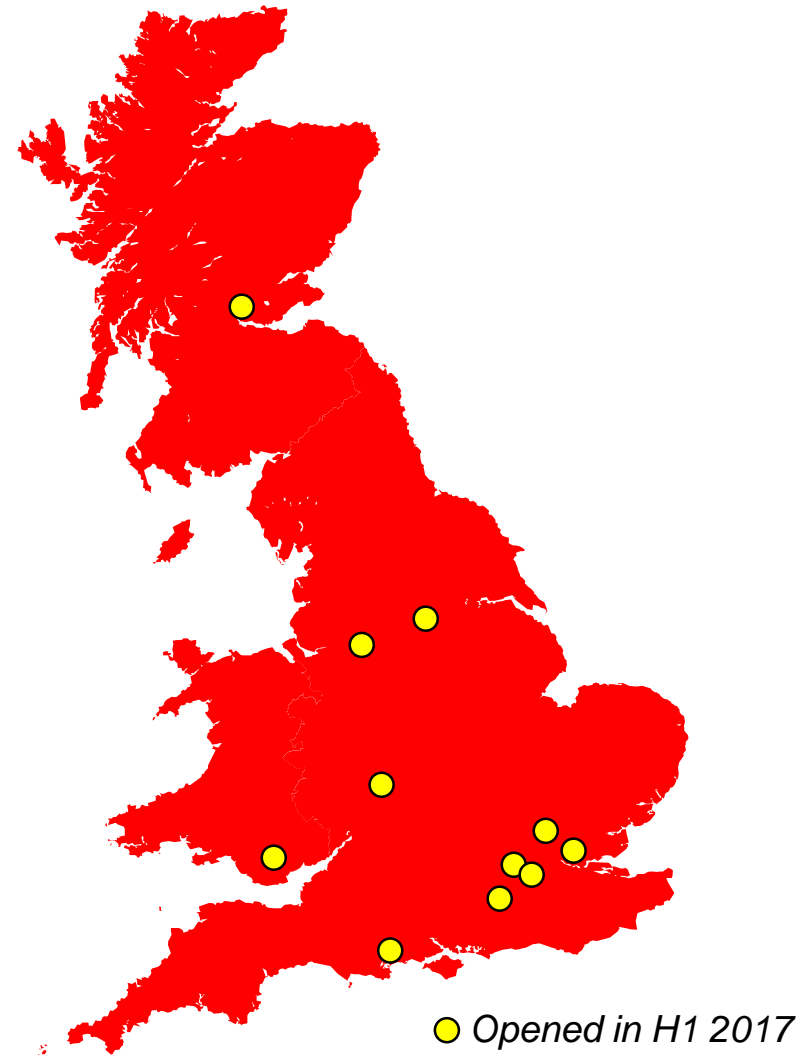
- ▶ 650,000 square feet
- Enables significant operational improvement
- IT systems integration completed



Gearing up for Period 11

Ongoing depot opening programme

- ➔ Currently 653 depots
 - 11 depots opened in H1 2017
 - Plan to open up to 30 depots in FY 2017
 - Scope for up to 800 depots
- ➔ Low cost
 - c.10,000 sq.ft
 - Rent c.£5.50 / sq.ft
 - Fit out c.£300,000
 - Breakeven point c.£650,000



Accelerating product introductions in 2017

- ➡ 22 new ranges in H1
- ➡ 8 new grey options
- ➡ New designs
- ➡ More accessories

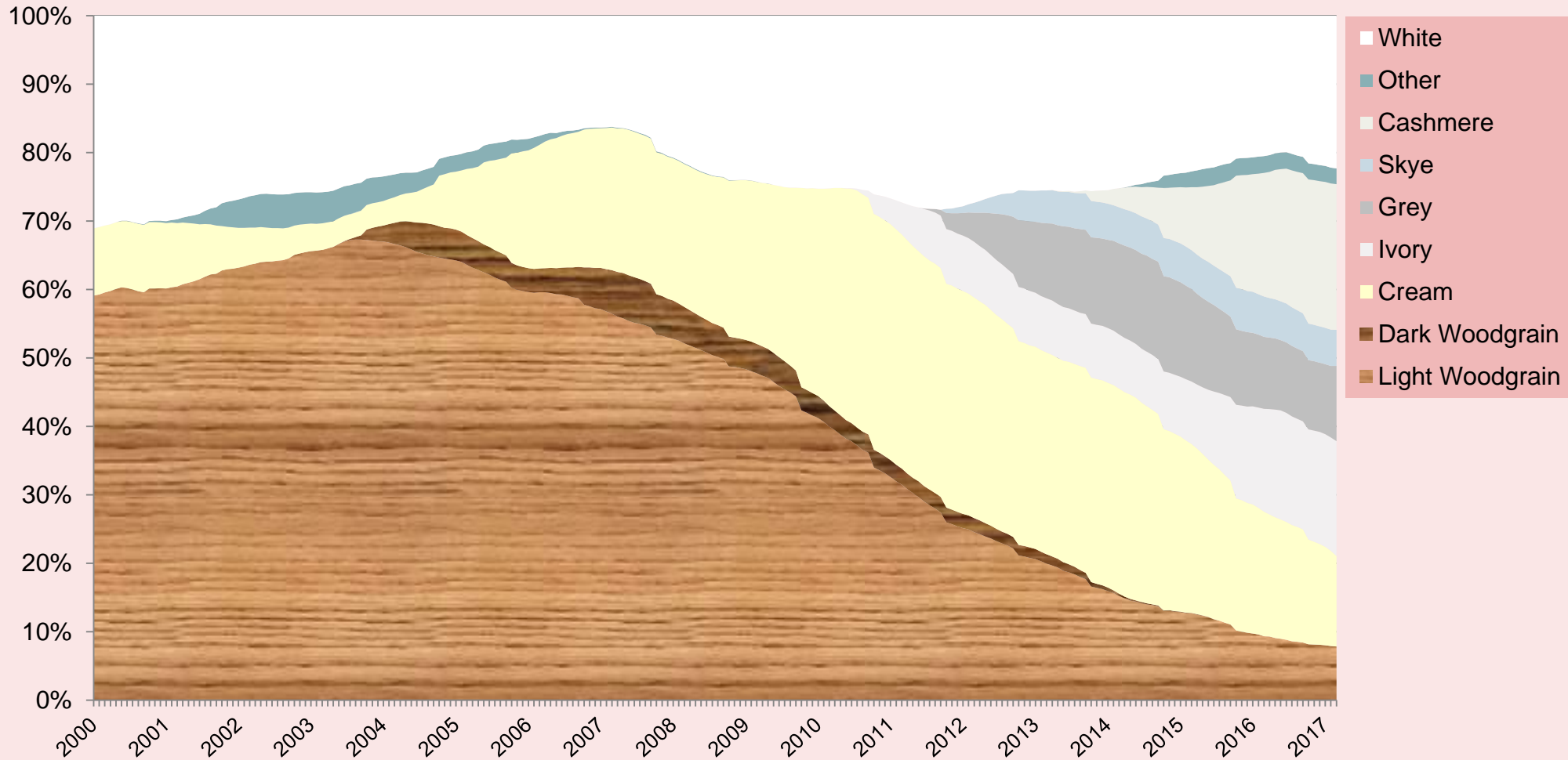


*Fairford
Slate Grey*

Managing complexity in a sophisticating market

Woodgrains eclipsed by shades of grey

Sales value participation



Broadening the entry-level appeal of Howdens



*Allendale
Antique White,
introduced in
H1 2017*

More choice and availability

- Technology at an accessible price (e.g pyrolitic ovens)
- Design update for Lamona brand

LAMONA



*Lamona
touch-control
pyrolitic oven*

Broadening appeal to builders and their customers

New flooring, joinery and cabinets

- 11 new flooring options
- 20 new sinks and taps
- 3 new pre-finished door styles
 - Reflecting builders' demand for time-saving products
- New cabinet sizes
 - Deeper wall cabinets



*Linear Smooth
internal door*

Helping the builder to do a better job

New worktops and services

- Howdens now installs 25% of all solid surface worktops sold
 - Up from 10% in 2016
 - Solid surface worktops now account for 50% of total market
-
- Developing online presence
 - Including social media



White Mirror Chip Quartz worktop

Continuing to develop the Howdens proposition

Howdens is a local business

- ➔ Each depot has its own customers and cost base
- ➔ Local P&L accountability
- ➔ Local manager autonomy
- ➔ Differing styles of manager and rhythm of customers = different balance, depot by depot
- ➔ Offer tailored to local requirements = local development opportunities

Local accountability = inherent flexibility

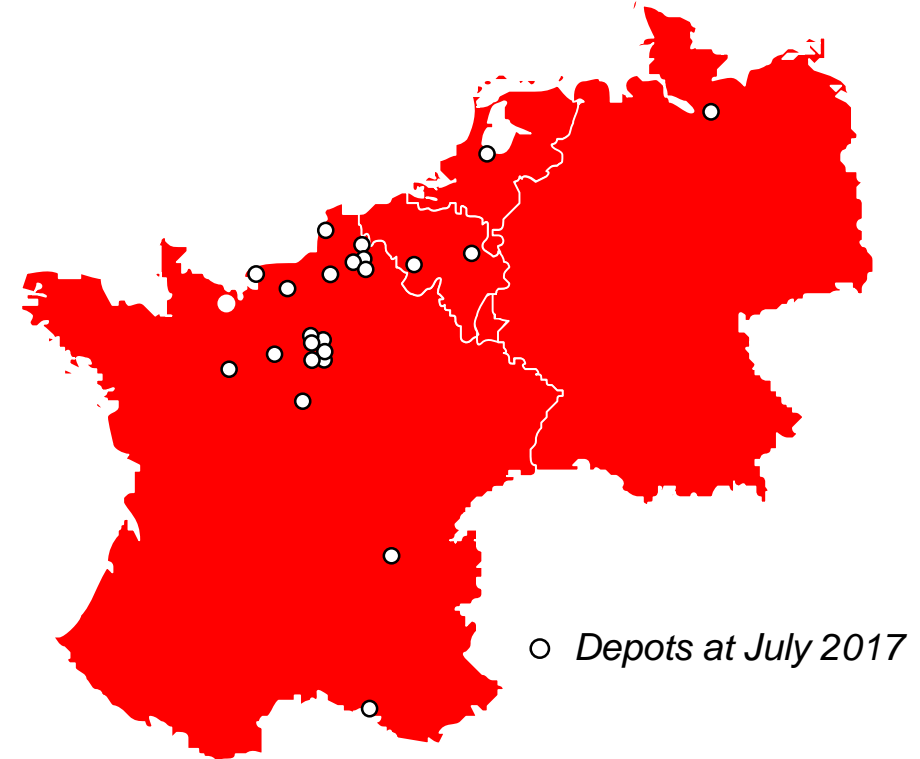
Continental Europe

➤ 24 depots

- 20 depots in France
- 2 depots in Belgium
- 1 depot in Netherlands
- 1 depot in Germany

➤ France

- Trading under one banner
- H1 LFL sales + 5.3%



Investing in our IT infrastructure

- Dedicated support for manufacturing, distribution and depots
- Robust security measures
- Ongoing projects to improve performance and efficiency
 - EPOS systems upgrade
 - SAP HANA upgrade
- Focus on in-house capability to ensure control

Supporting Howdens' growth prospects



HOWDENS
JOINERY CO.

Rob Fenwick

Chief Operating Officer, Supply

Supply underpins Howdens' competitive advantage

➤ Prerequisites

- Uninterrupted supply
- Lowest cost
- Capacity and capability to match complexity

➤ Investing in Howdens' future

- Asset replacement
- Capacity for growth



Howden West Side

2016

**60m pieces delivered to depots
(7.4 million pieces in P11 alone)**

Ensuring Supply can meet future needs

- Greatly increased capacity and flexibility
 - Supports growing SKU count
- Dual running manufacturing capability
 - Business continuity planning
 - Due to come on stream in 2018



Raunds

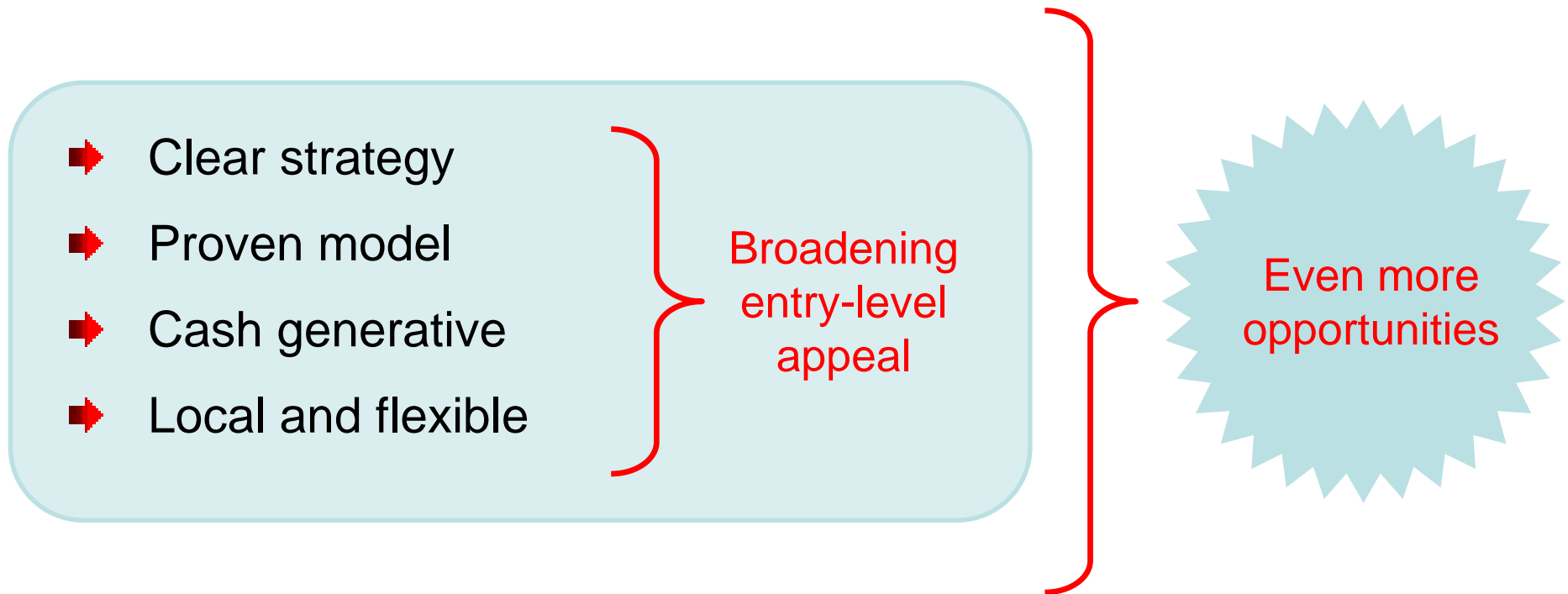
Supporting exceptional levels of service



HOWDENS
JOINERY CO.

Matthew Ingle
Chief Executive Officer

Continuing to grow Howdens business



A robust business suited to a changing environment



HOWDENS
JOINERY CO.

2017 Half Year Report

20 July 2017