



HOWDENS
JOINERY CO.

2015 PRELIMINARY RESULTS

25 February 2016



HOWDENS
JOINERY CO.

Matthew Ingle
Chief Executive Officer

A very successful business



Sales
Profit
Cash

- ➡ 8,000+ full-time employees
- ➡ 8m sq.ft. of space
 - 2 factories
 - 1 national distribution centre
 - 623 depots
- ➡ c.60 kitchen ranges, c.8,000 SKUs
- ➡ 360,000+ nett monthly accounts
- ➡ Supporting local communities
- ➡ Investing in growth opportunities



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Making kitchens work for you

Mark Robson

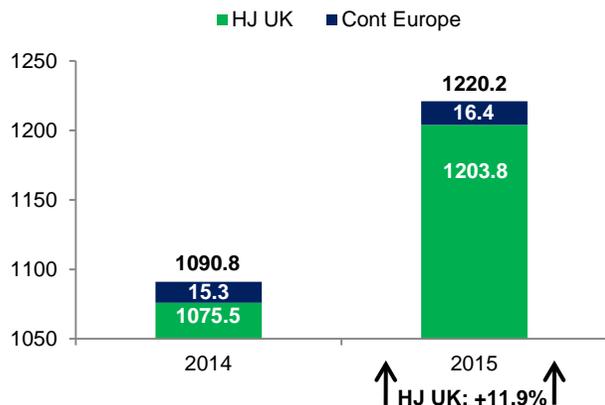
Deputy CEO and Chief Financial Officer

Business developments

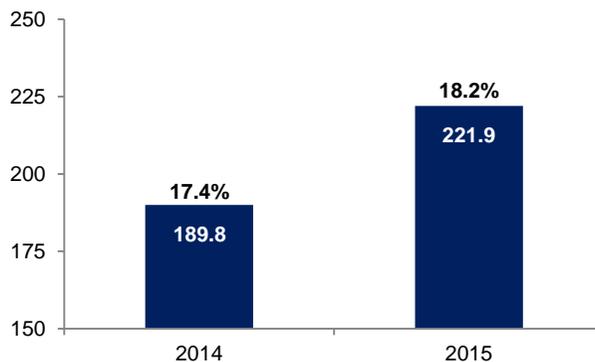
- 30 new depots
- Investment in product, including 20 new kitchen ranges plus granite and branded appliances trials
- Supply
 - investment in resilience and capacity
- 7 depots in northern France, and larger outlets in Holland and southern France opened

Highlights

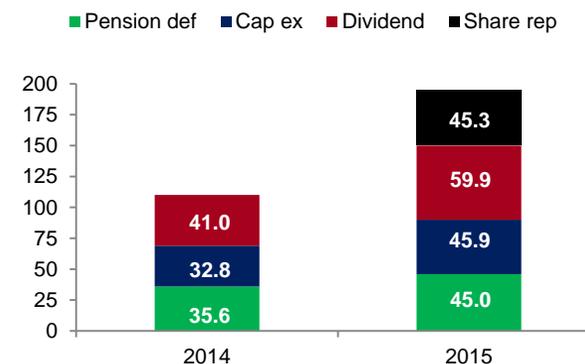
Revenue, £m



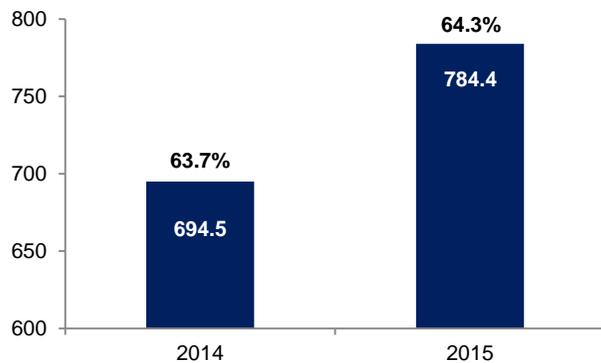
Operating profit, £m, and margin, %



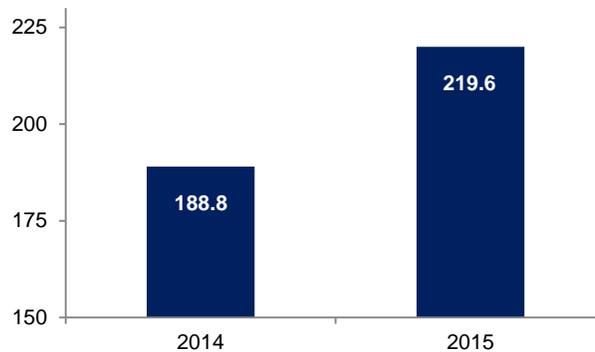
Uses of 'cash', £m



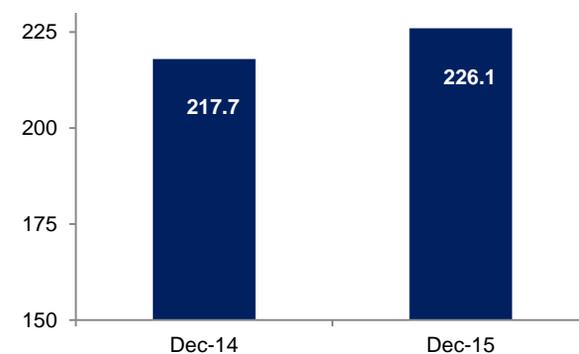
Gross profit, £m, and margin, %



Profit before tax, £m



Net cash, £m



Revenue

2015 UK depot revenue £1,203.8m

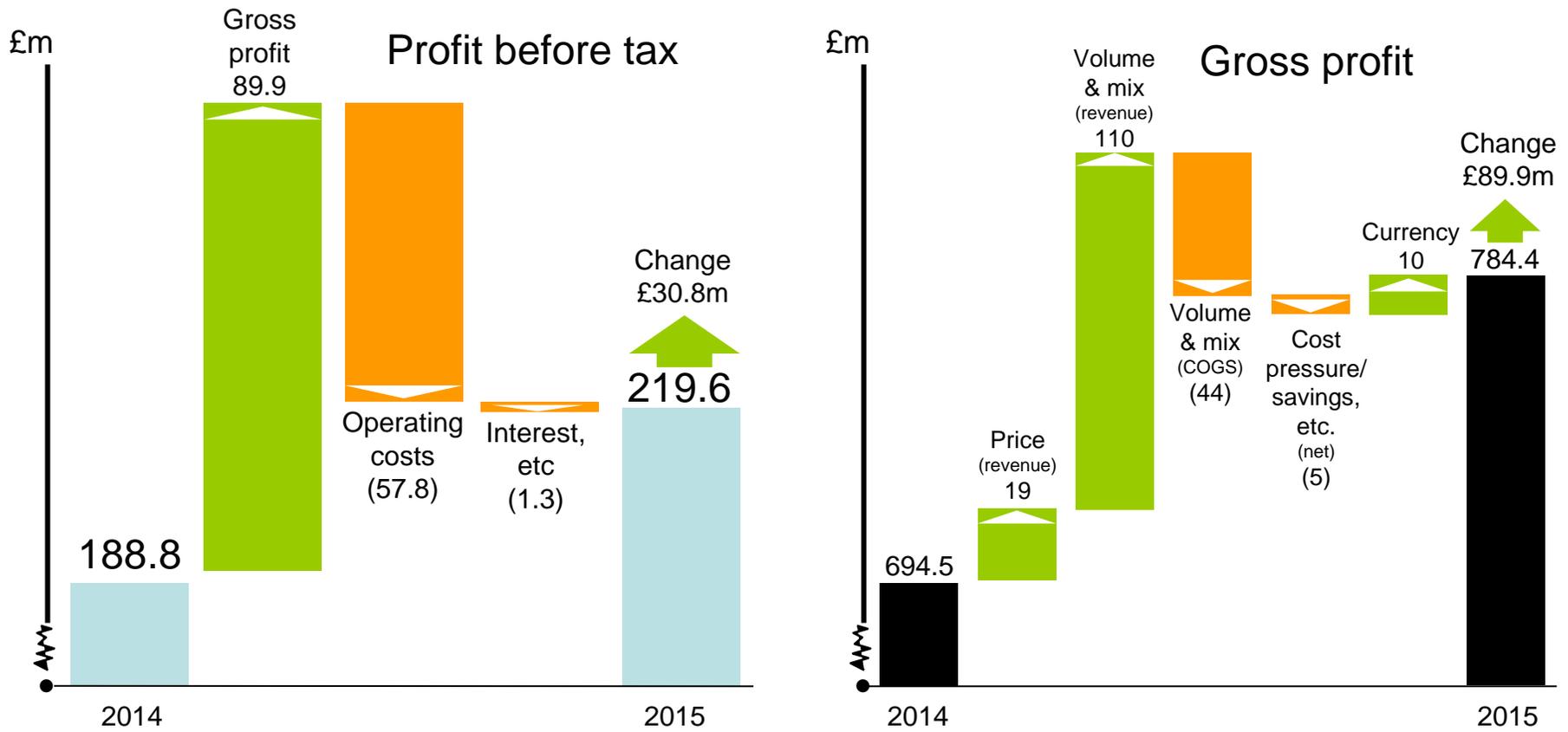
- total +11.9% • LFL +9.2%

2015 Cont'l Europe depot revenue £16.4m

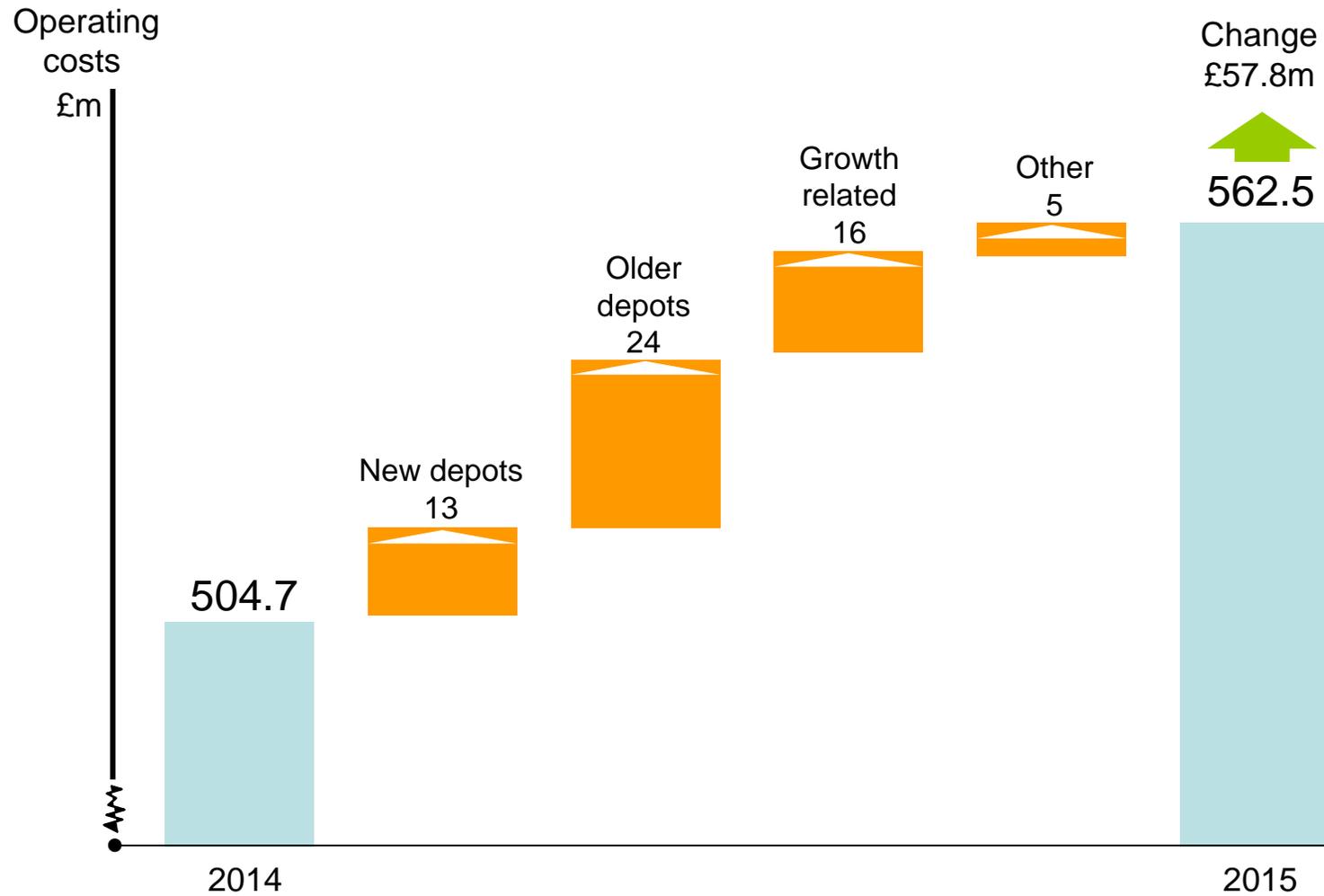
- underlying sales in original French depots up 4%

Profit before tax (continuing operations)

Group gross profit margin
 • 2015: 64.3% • 2014: 63.7%



Operating costs



Income statement *

Continuing operations, £m	2015	2014
Revenue	1220.2	1090.8
Cost of goods sold	(435.8)	(396.3)
Gross profit	784.4	694.5
Operating costs	(562.6)	(504.7)
Operating profit	221.9	189.8
Net interest	(2.3)	(1.0)
Profit before tax	219.6	188.8
Tax	(44.2)	(40.1)
Profit for the period	175.4	148.7

* There was a profit after tax on discontinued operations of £9.1m in 2014.

Earnings per share and dividend

£m

2015

2014

Earnings per share before exceptional items

- from continuing operations **27.3p** 23.2p

Dividend

- final (recommended) **7.1p** 6.5p
- full year **9.9p** 8.4p
- 2015 final dividend costing £45m

Net cash and cash flow

£m	2015	2014
Opening net cash	217.7	140.5
Operating cash flows before movements in working capital	251.9	217.4
Working capital	(19.2)	(1.2)
Capital expenditure	(45.9)	(32.8)
Tax paid	(35.3)	(30.3)
Dividends	(59.9)	(41.0)
Share repurchases	(45.3)	-
Pension contribution	(39.1)	(32.8)
Other	1.2	3.2
Closing net cash	226.1	217.7

Working capital

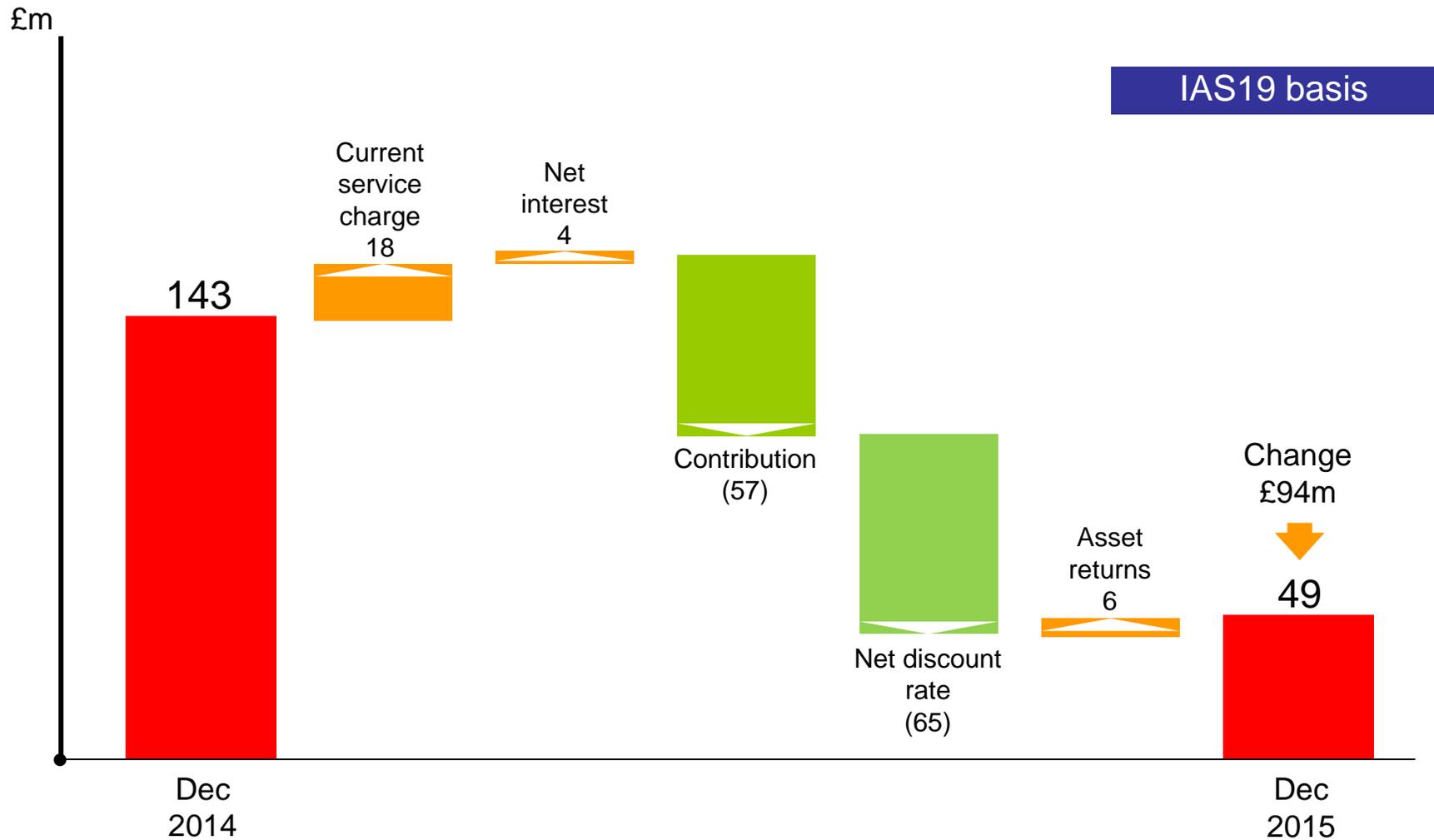
- Working capital up £19m
 - stock up £34m
 - debtors down £4m
 - creditors up £11m

Return of excess cash to shareholders

- February 2015: £70m share repurchase programme announced
 - £45m returned in 2015
 - along with ordinary dividend payments, 2015 shareholder payments totalled £105m
- £25m still to be returned in 2016 ('old' excess cash)
- £55m 'new' excess cash – to be returned via share repurchase programme over course of next two years
 - along with ordinary dividend payments and 'old' excess cash, 2016 shareholder payments expected to total around £120m¹

¹ Assumes half of 'new' excess cash returned in 2016 and interim dividend being 1/3rd of 2015 dividend

Pension scheme deficit



Current trading and outlook for 2016

- Sales in first period two periods up 7.1%*
- Expectations unchanged
- Things to note:
 - additional operating costs: continental Europe, warehousing, depreciation (£15m)
 - increased capital expenditure (£75m)
 - currently weaker exchange rate
- Will take timely actions

* Excludes first week, which had two fewer trading days in 2015.



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Chief Executive Officer

Helping others to do well



Focused on the needs of the small builder



- ➡ Trade counter
- ➡ Everything in stock
- ➡ Familiar faces
- ➡ Experienced staff
 - Knowledge
 - Advice
 - Authority

A physical hub that offers practical help

An in-stock, manager-driven business



- ➡ Manager is in charge:
- Customer relationships
 - Staff
 - Stock levels
 - Display
 - Storage
 - Local marketing
 - Local P&L

Incentivised to deliver better service

The value of an account with Howdens



➡ Security for the builder

- Cash flow
- Margin
- Can get paid before he needs to pay us
- Product is robust
- Can swap items
- Everything is local

We support the builder's livelihood

A proven model that allows reliable service



Success at scale
More choices
More opportunities
More challenges

Investing in four main areas

1 Things that become old or need to be retired

2 New ways of doing things

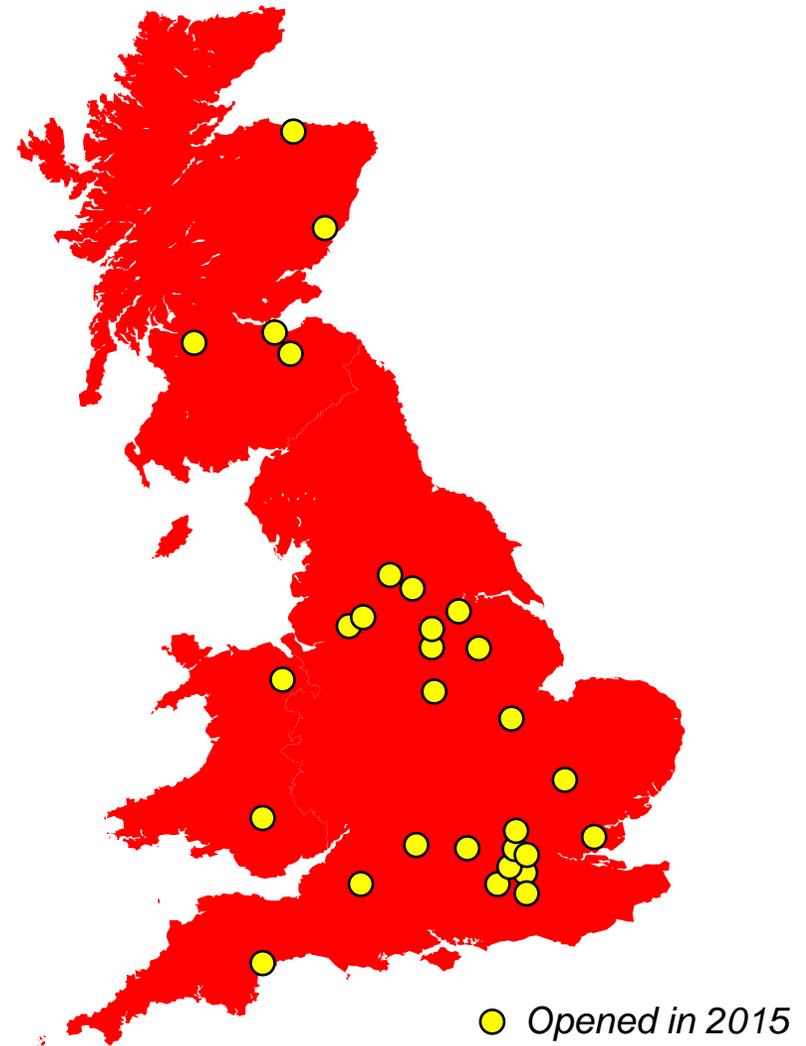
3 Disaster recovery at scale to ensure availability

4 Capacity to meet growth aspirations

Managing scale AND complexity

Plenty of room for more depots

- Currently 623 depots
 - 30 depots opened in 2015
 - Plan to open c.30 depots in 2016
 - Scope for up to 800 depots
- Low cost
 - c.10,000 sq.ft
 - Rent c.£5.50 / sq.ft
 - Fit out c.£280,000
 - Breakeven point c.£650,000



Improving service and depot performance



- ➔ More planners, sales reps, managers, etc.
- ➔ Better products
- ➔ More tools
- ➔ More training
- ➔ Better systems

Highly incentivised and looking after the builder

Investing in new product development



- ➡ Granite worktops
- ➡ Premium cabinet
- ➡ Branded appliances
- ➡ Joinery
- ➡ Connected kitchens

Continuous testing

Investing in new product development



- ➡ Granite worktops
- ➡ Premium cabinet
- ➡ Branded appliances
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Continuous testing

Investing in new product development



- ➔ Granite worktops
- ➔ Premium cabinet
- ➔ **Branded appliances**
- ➔ Joinery
- ➔ Connected kitchens

Continuous testing

Investing in new product development



Fast Fit V-Groove flooring

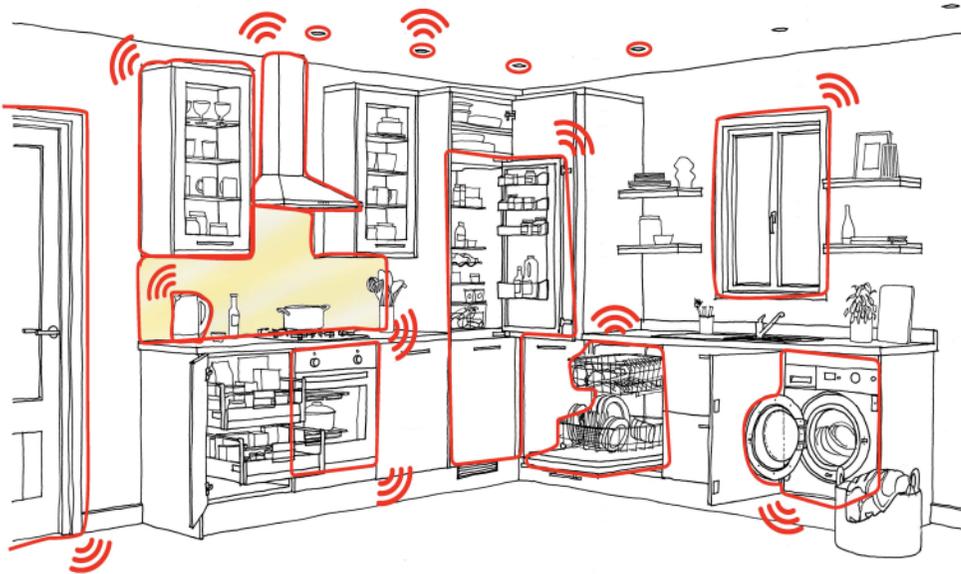


Linear Oak glazed door

- ➡ Granite worktops
- ➡ Premium cabinet
- ➡ Branded appliances
- ➡ **Joinery**
- ➡ Connected kitchens

Continuous testing

Investing in new product development



- Granite worktops
- Premium cabinet
- Branded appliances
- Joinery
- **Connected kitchens**

Continuous testing

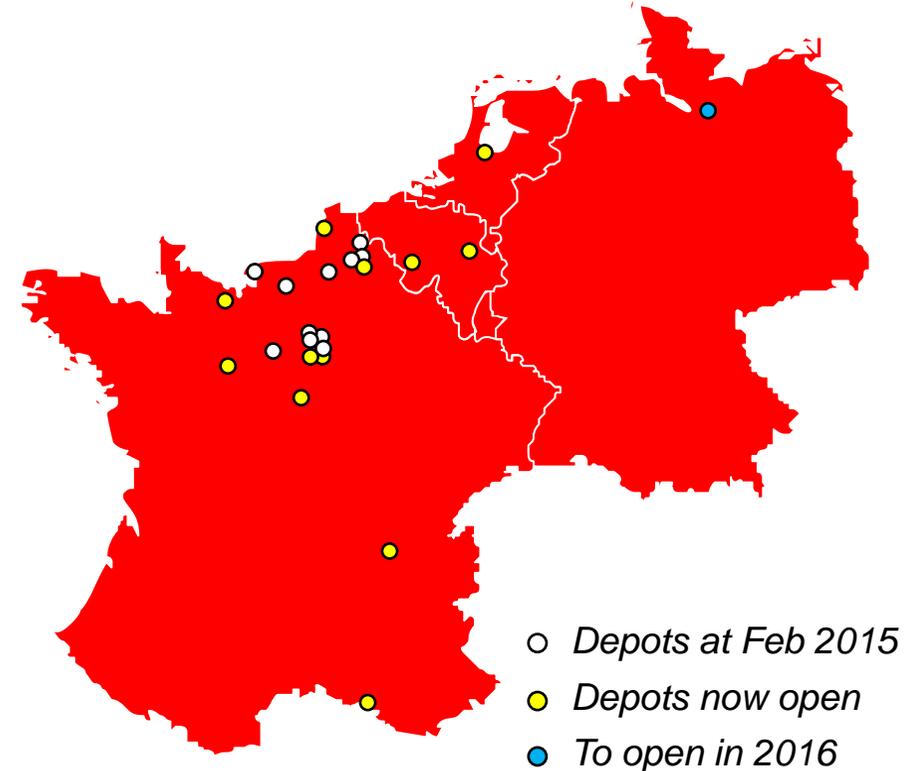
Ongoing tests in continental Europe

➤ Continuing progress in France

- Depot profitability improved
- 20 depots now open, including two large-format test depots in Lyon and Marseille

➤ Further trials under way

- 2 depots opened in Belgium
- 1 depot opened in Holland
- 1 depot to open in Germany



Looking after the builder

- ➔ Understanding the builder's lifestyle
 - In stock means **never** letting the builder down
 - The importance of no-call-back quality
 - Howdens culture and values = service
 - Profit share and incentives
 - Speed of recovery

The builder's reputation is our reputation

Investing in the future of supply

- ➡ Guarantee an uninterrupted supply of product to depots
- ➡ Flex up for peak October trading period
- ➡ A special business with a special supply chain
 - Only one customer
 - Manufacture our own cabinets
 - Value our people
- ➡ Planning our capacity and capability for the future
 - NDC, new facilities at Howden, disaster recovery, new technology

Supporting the growth and resilience of Howdens

Investing in the future of supply

- The first stage of development at Raunds: our 650,000 sq. ft. warehouse under construction
- Complete for Q4 2016



Investing in the future of service

- ➔ Exceptional service is the cost of being Howdens
 - **Property** – increasingly local depots
 - **People** – new staff, Howdens culture
 - **Stock** – right stock at right price
 - **Debtors** – bad debt <1% of sales
 - **Capex** – supply and infrastructure



NO
bottlenecks

Investing for a significantly bigger future

The builder is our brand

Resource
the builder

Resource
our staff

Help the builder



Howdens is a successful, balanced business...

- ... investing in sensible things and prepared for opportunities as well as threats
 - Lowest cost of production
 - Flexible production
 - Low depot breakeven point
 - Focused on RMI market
 - Growing trade account base

Our mission is our model

To supply from local stock nationwide
the small builder's ever-changing, routine,
integrated kitchen and joinery requirements,
assuring best local price, no-call-back quality,
and confidential trade terms



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