



**HOWDENS**

JOINERY CO.

# 2016 PRELIMINARY RESULTS

23 February 2017



**HOWDENS**

JOINERY CO.

**Matthew Ingle**  
Chief Executive Officer

# A very successful business



**Sales**  
**Cash**  
**Investment**

- ➡ Solid year of progress
  - Increase in revenue and operating profit
  - good cash generation
- ➡ Investment drive
  - factories in Howden and Runcorn
  - distribution centre in Raunds
- ➡ ~8,900 full-time employees
- ➡ 50+ kitchen ranges
- ➡ 450,000+ customer accounts



**HOWDENS**  
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**Mark Robson**

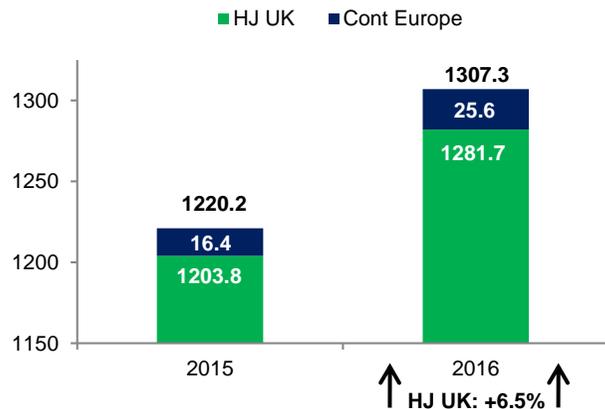
Deputy CEO and Chief Financial Officer

# Business developments

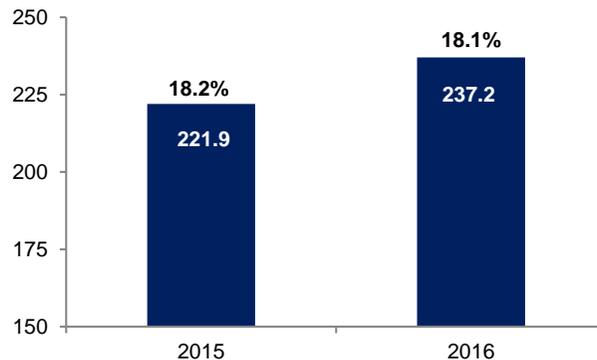
- 23 new UK depots
- Supply
  - investment in resilience and capacity
- 2 depots in northern France and one in south; first depot in Germany
- Investment in product, including 7 new kitchen ranges

# Highlights

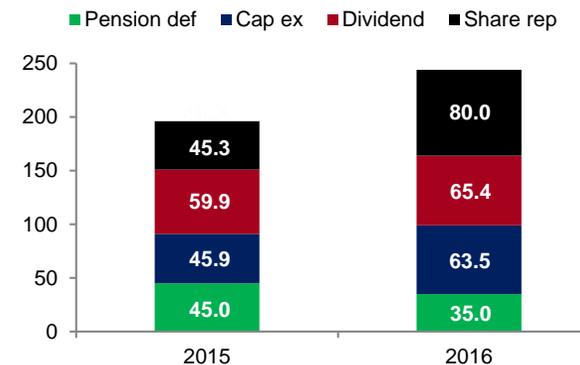
### Revenue, £m



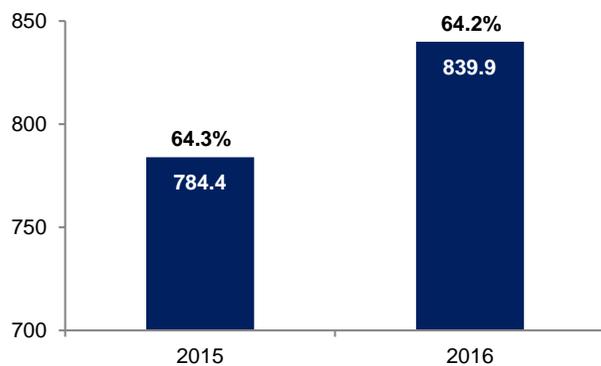
### Operating profit, £m, and margin, %



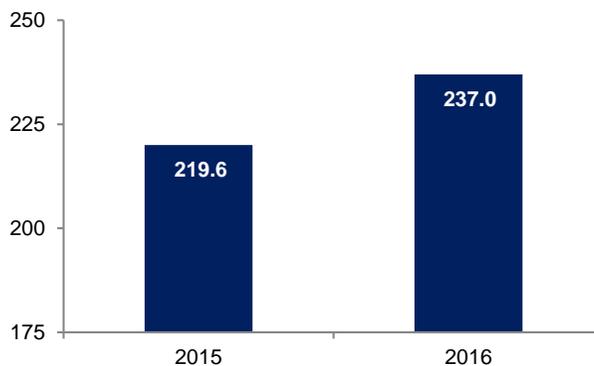
### Uses of 'cash', £m



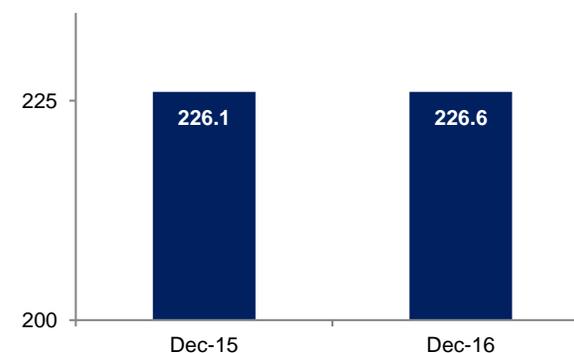
### Gross profit, £m, and margin, %



### Profit before tax, £m



### Net cash, £m



# Revenue

2016 UK depot revenue £1,281.7m

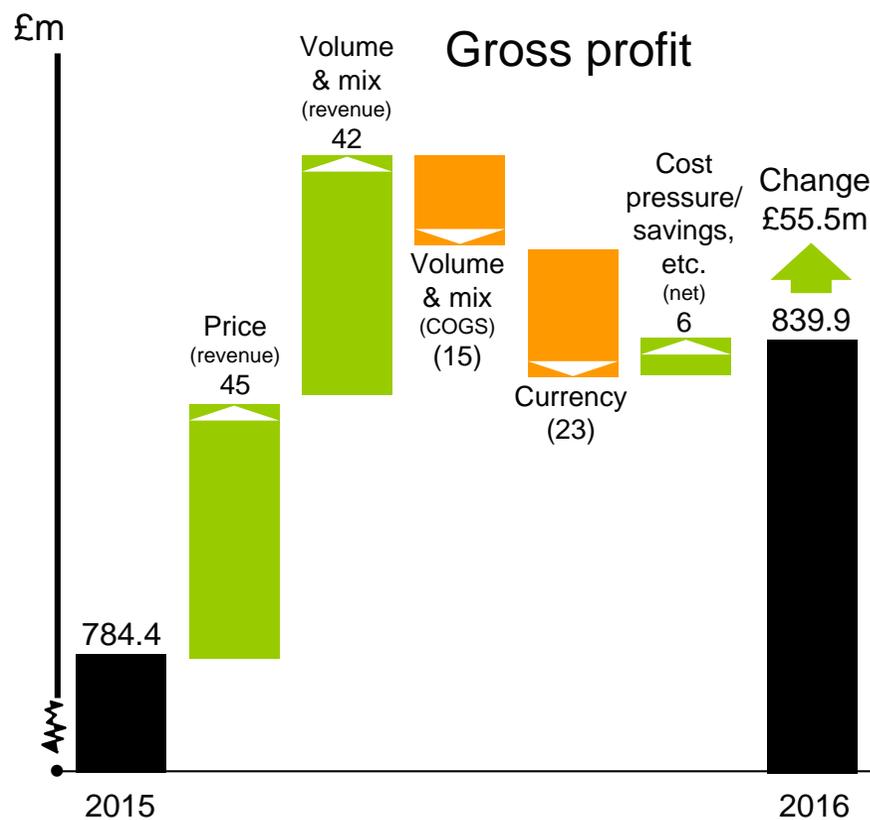
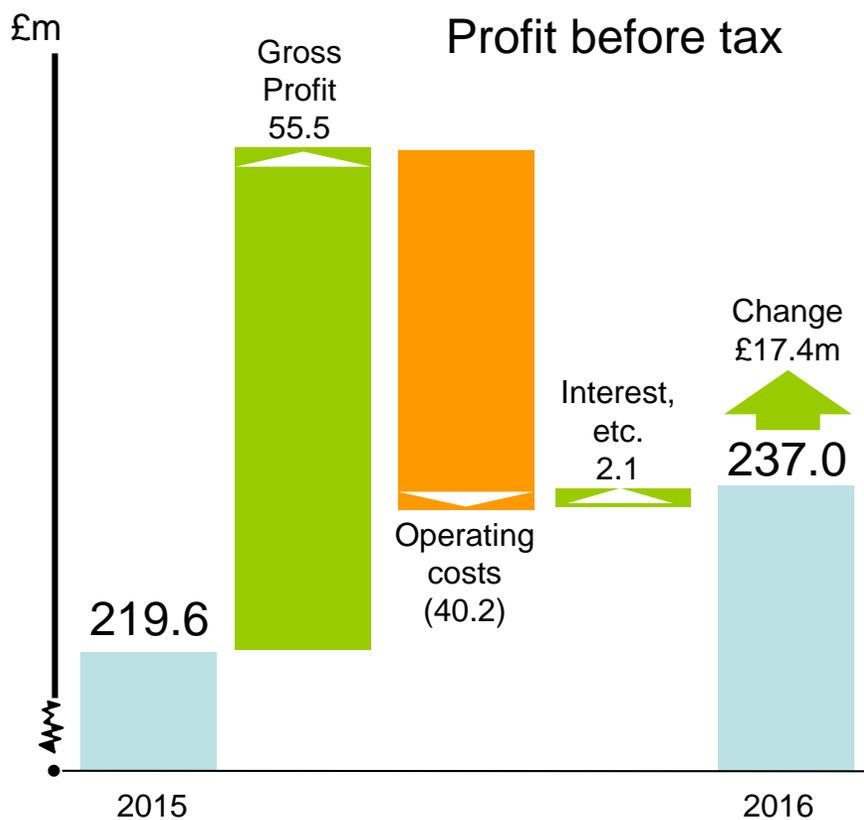
- total +6.5%
- LFL +4.2%

2016 continental Europe depot revenue £25.6m

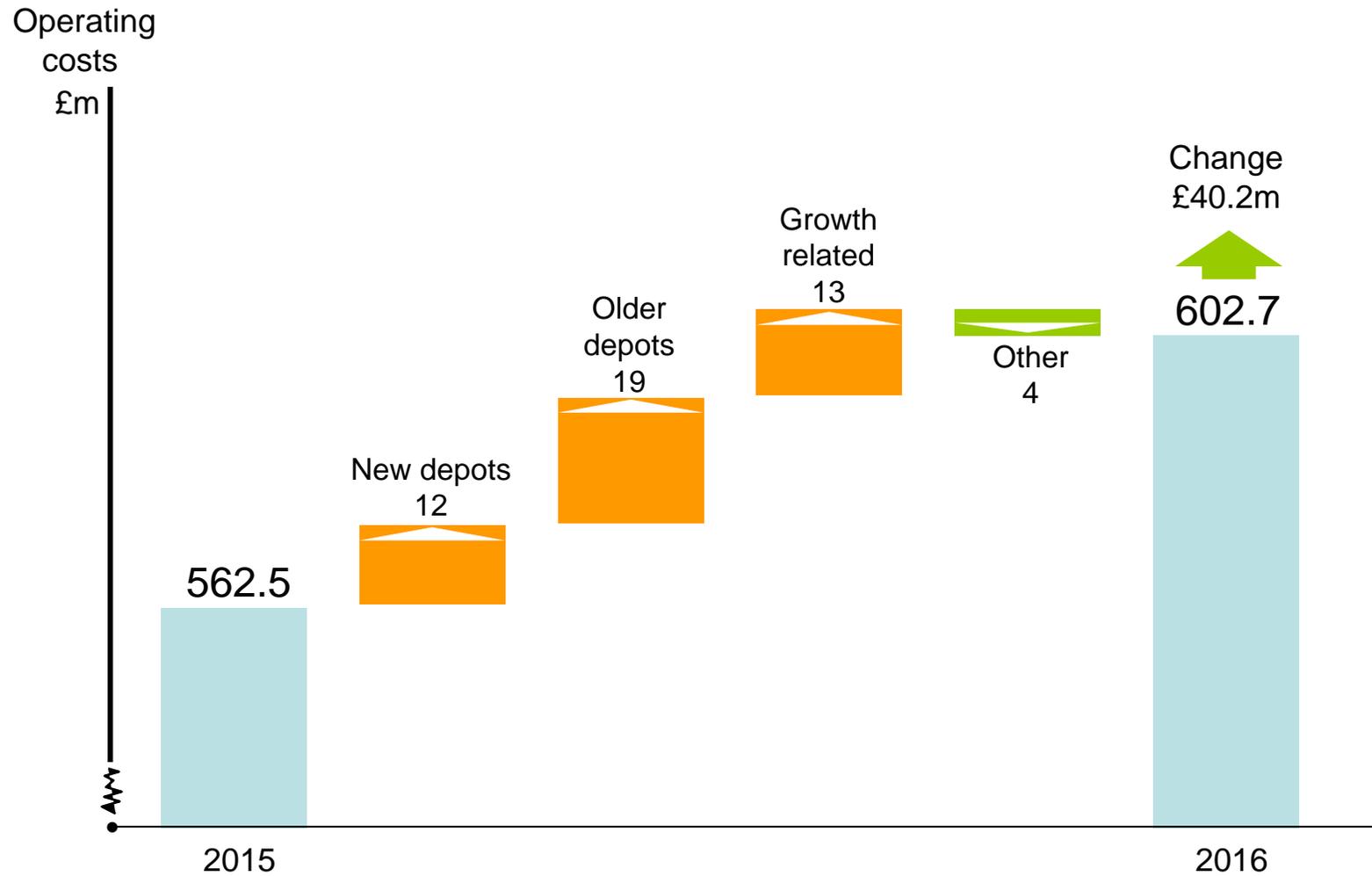
- growth reflects expansion of 'trial'

# Profit before tax

**Group gross profit margin**  
 • 2016: 64.2% • 2015: 64.3%



# Operating costs



# Income statement

£m	2016	2015
Revenue	<b>1307.3</b>	1220.2
Cost of goods sold	<b>(467.4)</b>	(435.8)
Gross profit	<b>839.9</b>	784.4
Operating costs	<b>(602.7)</b>	(562.5)
Operating profit	<b>237.2</b>	221.9
Net interest	<b>(0.2)</b>	(2.3)
Profit before tax	<b>237.0</b>	219.6
Tax	<b>(51.4)</b>	(44.2)
Profit for the period	<b>185.6</b>	175.4

# Earnings per share and dividend

£m	2016	2015
Earnings per share	<b>29.5p</b>	27.3p
Dividend		
• final (recommended)	<b>7.4p</b>	7.1p
full year	<b>10.7p</b>	9.9p
• 2016 final dividend costing £46m		

# Net cash and cash flow

£m	2016	2015
Opening net cash	<b>226.1</b>	217.7
Operating cash flows before movements in working capital	<b>265.1</b>	251.9
Working capital	<b>1.5</b>	(19.2)
Capital expenditure	<b>(63.5)</b>	(45.9)
Tax paid	<b>(28.8)</b>	(35.3)
Dividends	<b>(65.4)</b>	(59.9)
Share repurchases	<b>(80.0)</b>	(45.3)
Pension contribution	<b>(30.6)</b>	(39.1)
Other	<b>2.2</b>	1.2
Closing net cash	<b>226.6</b>	226.1

# Working capital

- Working capital down £1.5m
  - stock up £6.6m
  - debtors up £6.4m
  - creditors up £14.5m

# Return of excess cash to shareholders

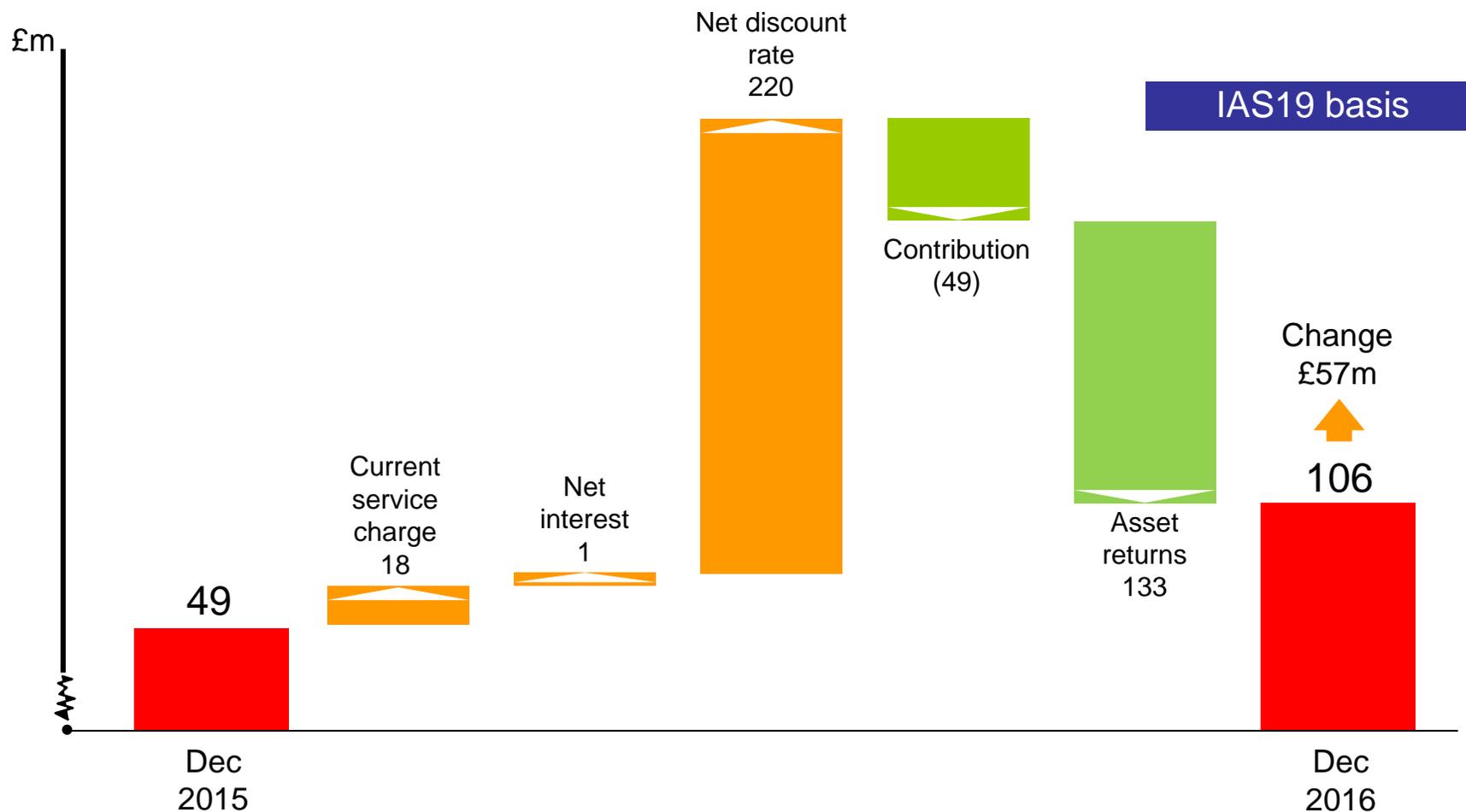
- February 2016:
  - £55m 'new' excess cash
  - £25m still to be returned from 2015 programme

- £80m returned in 2016
  - along with ordinary dividend payments, 2016 shareholder payments totalled £145m\*

\* Dividend of £65m, £55m from February 2016 announcement, remainder of February 2015 share repurchase announcement of £25m

- February 2017
  - up to £80m to be returned via new share repurchase programme during next two years

# Pension scheme deficit



£30m deficit contribution scheduled for 2017

# Current trading and outlook for 2017\*

- Sales in first two periods up 3.6% (UK depots excluding 1<sup>st</sup> trading week)
  - softer trading conditions seen in H2 '16 continue
  - prices increased: early signs encouraging
- 30 new depots in UK
- Cost pressures (biased towards H1):
  - additional costs: warehousing, depreciation, new product introduction, pension charge (£20m)
  - exchange rate risk (impact currently assessed to be around £20m)
  - growth and inflation
- Capital expenditure: £65m
- Mindful of risks to UK economy – well positioned to respond

\* Note: 2017 will include a 53<sup>rd</sup> week, which will increase operating costs by around £10m



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**Matthew Ingle**  
Chief Executive Officer

# Looking after the builder

- ➡ Our business
  - The builder is the centre of what we do
  - We supply directly from depots
  - Our depots have ‘no worries’ about our product
  - Worthwhile for all concerned
  - Sustainable for long-term

The builder's reputation is our reputation

# Helping others to do well



# Consistent business model

- ➡ Local depots
  - Run by experienced managers
  - Supplying 50+ ranges of kitchen
  - Understand builders requirements
  - A real place with face-to-face service

A physical hub providing real service

# In-stock and manager-driven

## ➡ Manager is in charge:

- Pricing
- Discounts
- Staff
- Stock levels
- Storage
- Local marketing
- Local P&L



Incentivised to grow their business

# Focussed on small builder

## ➤ Security for the builder:

- Cash flow
- Margin
- Robust products
- Can swap items
- Everything is local
- Finish job on time



We support the builder

# Design and sales

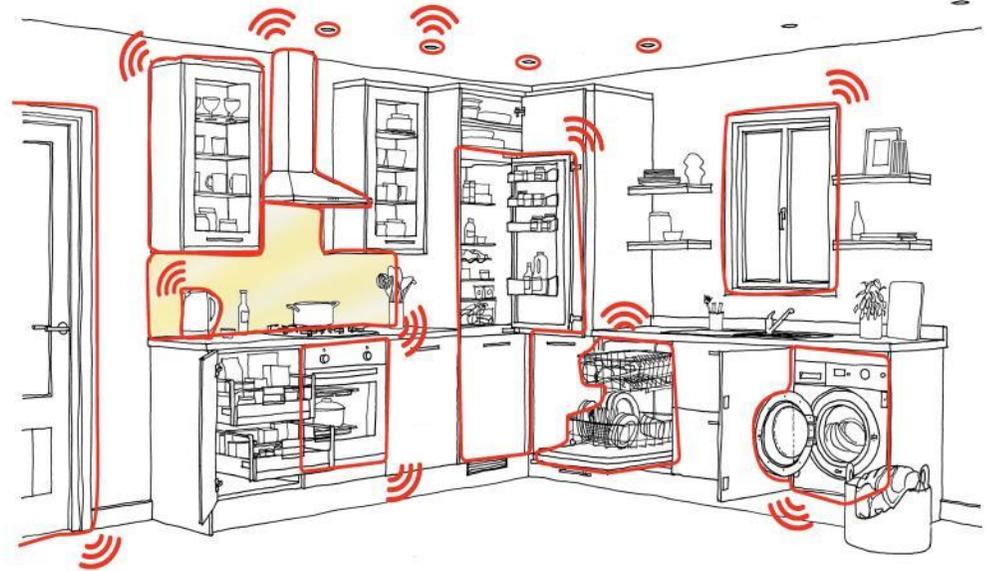
- ➡ Designers go to the home
- ➡ CAD displays in depot
- ➡ All local stock
- ➡ Job started when ready
- ➡ No time lost



An efficient sales and design process

# Today's lifestyles

- ▶ Screen-based
- ▶ Interaction with devices in kitchen
- ▶ New fashions
- ▶ Increasing complexity
- ▶ More aftercare



Technology will change the kitchen

# Product introductions

## ➡ Seven new ranges



New ranges in 2016 and tested new products

# Product introductions

- ➡ Seven new ranges
- ➡ Three Burford ranges



New ranges in 2016 and tested new products

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- Seven new ranges
- Three Burford ranges
- **Clerkenwell and Greenwich**



New ranges in 2016 and tested new products

# Product introductions

- Seven new ranges
- Three Burford ranges
- Clerkenwell and Greenwich
- **New greys**



New ranges in 2016 and tested new products

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- Seven new ranges
- Three Burford ranges
- Clerkenwell and Greenwich
- New greys
- **Greenwich Shaker**



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- Seven new ranges
- Three Burford ranges
- Clerkenwell and Greenwich
- New greys
- Greenwich Shaker
- **Granite worktops**



New ranges in 2016 and tested new products

# Product introductions

- Seven new ranges
- Three Burford ranges
- Clerkenwell and Greenwich
- New greys
- Greenwich Shaker
- Granite worktops
- **Pre-finished doors**



New ranges in 2016 and tested new products

# Product introductions in 2017

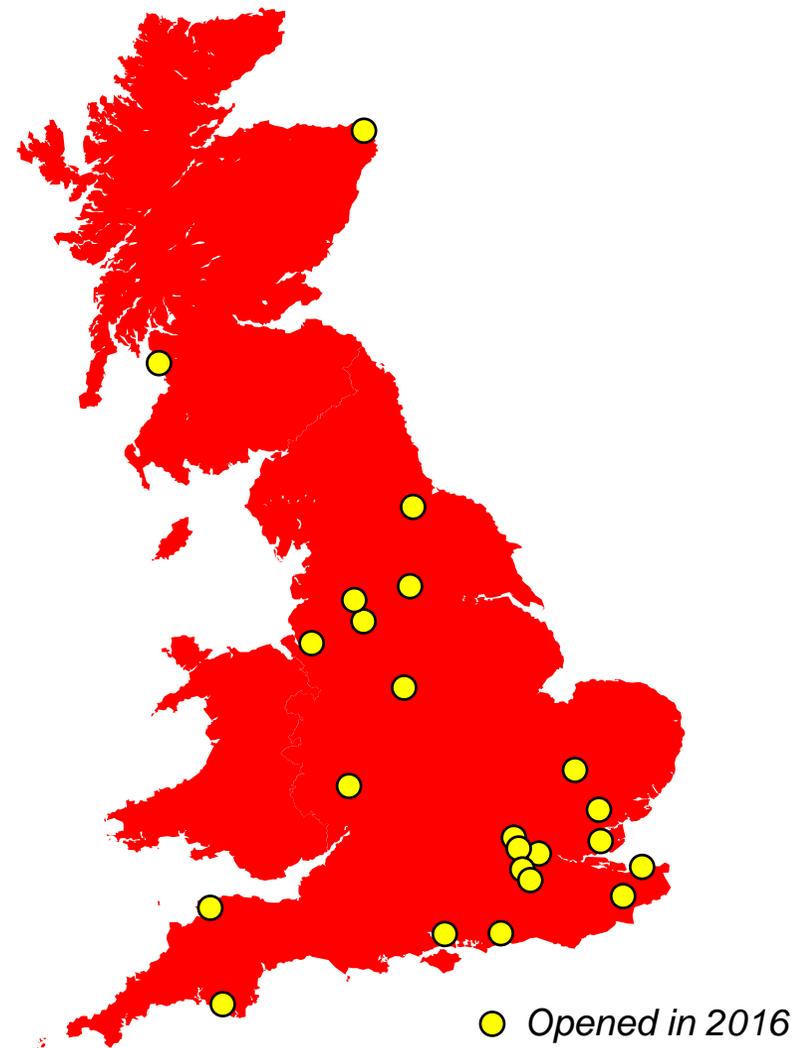
- ▶ Twenty one new ranges
- ▶ New colours
- ▶ New designs
- ▶ New cabinet platform
- ▶ Increasing range of accessories



Accelerating product introductions

# Plenty of room for more depots

- 642 depots at year end
- 23 depots opened in 2016
- Scope for up to 800 depots
- Plan to open ~30 depots in 2017

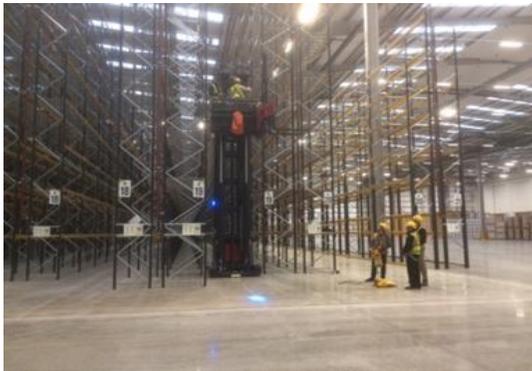


# Investing in the future of supply

- ▶ Three year programme started in 2015
- ▶ Investing in Howden and Runcorn
- ▶ Additional capacity and disaster recovery
- ▶ New warehouse in Raunds
- ▶ Second warehouse early stage

Building for the future

# Investing in the future of supply



First stage 650,000 sq ft at Raunds coming on-stream

# Key trends in 2016

- ➡ Property tax changes in H1
- ➡ Consumer sentiment changed in H2 especially in London
- ➡ Weaker exchange rate vs. Euro and dollar
  - Price increases at end of 2016
  - Encouraging response at start of 2017

Quick to respond to market conditions

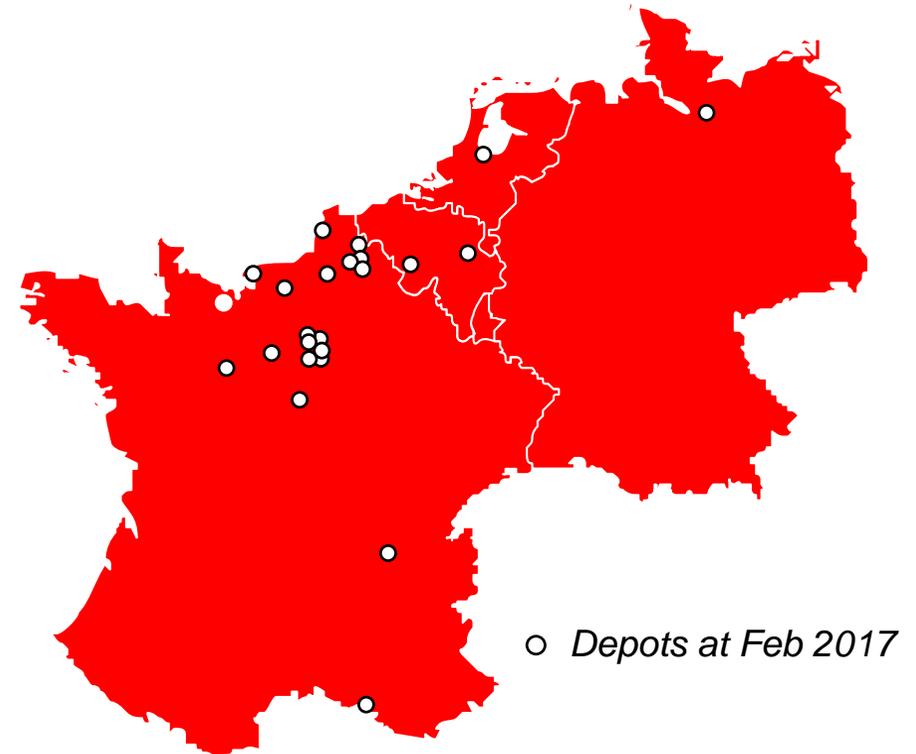
# Continental Europe

## ➤ Twenty four depots

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

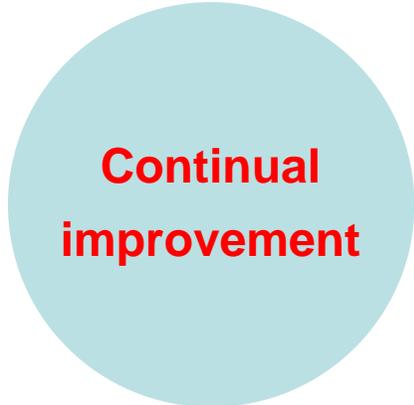
## ➤ In France

- Continue to make progress
- Moving to one format and pricing structure



# Andy Witts, COO Trade

- **Product ranges**
  - Rapid introduction of kitchen ranges in 2017
  - New depth of cabinets
- **Continual improvement**
  - New screw ranges to meet builders needs
  - New adjustable legs
- **Autonomy of local managers**
  - Ability to set local pricing and depot margin
  - Highly motivating for managers and staff



**Continual  
improvement**

# Rob Fenwick, COO Supply

- **Competitive advantage**
  - Supply to meet peak demands
  - Lowest cost of supply
  - Capacity and capability to match complexity
- **Building for the future**
  - Replacing national distribution centre
  - Improving manufacturing assets
- **Strategic planning**
  - Dual running
  - Make vs. buy



# Theresa Keating, Finance Director

- ➡ Week 53 in 2017
- ➡ Debt collection means bad debt <1% of revenue
- ➡ Pension review process
- ➡ Strong and flexible balance sheet
  - £227m cash at year end
  - £140m asset-backed lending facility



**Strong financial  
structure**

# The builder is our brand

Resource  
the builder

Resource  
our staff

450,000+ accounts

Help the builder





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