



2020 Half Year Results
23rd July 2020



Andrew Livingston
Chief Executive Officer

Overall result reflects “Lockdown” at start of quarter two



- UK Sales -29%, Shortfall V 2019 all in Q2
- “Lockdown” Day 2 of Q2
- All depots initially shut
- Phased re-opening with new ways of working to keep staff & customers safe
- By P6 all depots trading for whole period
 - UK Sales + 74% period 5
 - UK Sales 74% of 2019
- P6 profitable, after losses in P4 & P5 when < 50% of depots on average were trading

2nd Half UK Depot Sales in first period (P7) : **+ 38%** on P6
: **+ 2%** on 2019 (0.3% LfL)

Response to COVID : People first, then be open & in-stock safely



- Took care of our peoples' well being
 - Safety first, consensual approach to re-opening
 - HMG guidance as a minimum
 - Discrete COVID well-being programme
 - Financial support for furloughed colleagues



- Reduced cash spend, protecting essential areas
 - Invested in stock availability &
 - Raunds distribution facility
 - Deferred some depot programmes

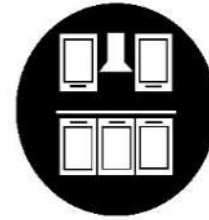


- Supported our customers and local communities
 - Re-opened depots safely with full stock availability
 - Lower prices, new services and ways to trade
- Applied learnings from trading under COVID conditions
 - On-line call & collect and kitchen design services to be permanent feature of offer
 - Potential in-efficiencies in ways of working
 - Contingency planning for further lockdowns

A more demanding market place plays to our “in stock” model **HOWDENS**



DEPOT EVOLUTION



RANGE AND SUPPLY MANAGEMENT



DIGITAL DEVELOPMENT

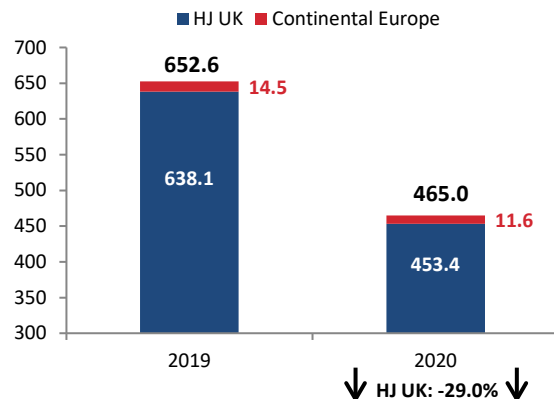


INTERNATIONAL

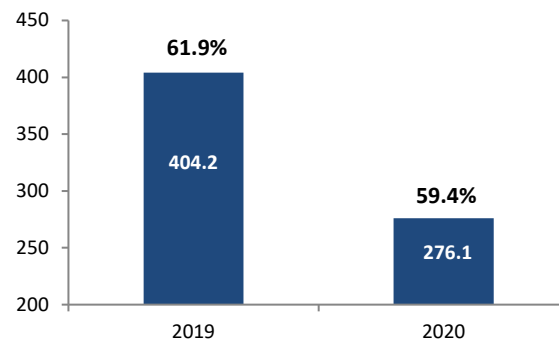


Mark Robson
Deputy CEO and Chief Financial Officer

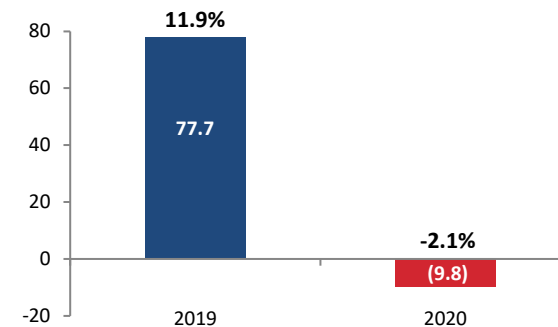
Revenue, £m



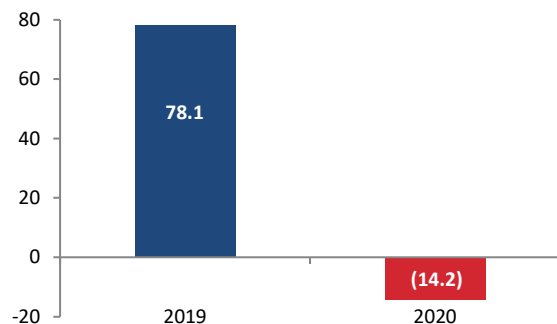
Gross profit, £m, and margin, %



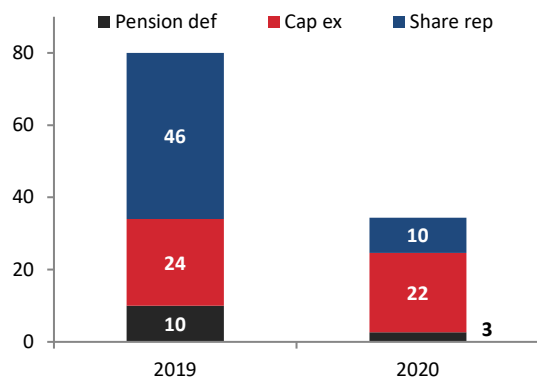
Operating profit, £m, and margin, %



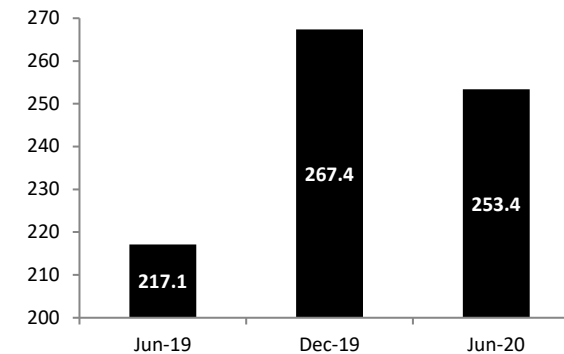
Profit before tax, £m



Uses of 'cash', £m



Net cash, £m



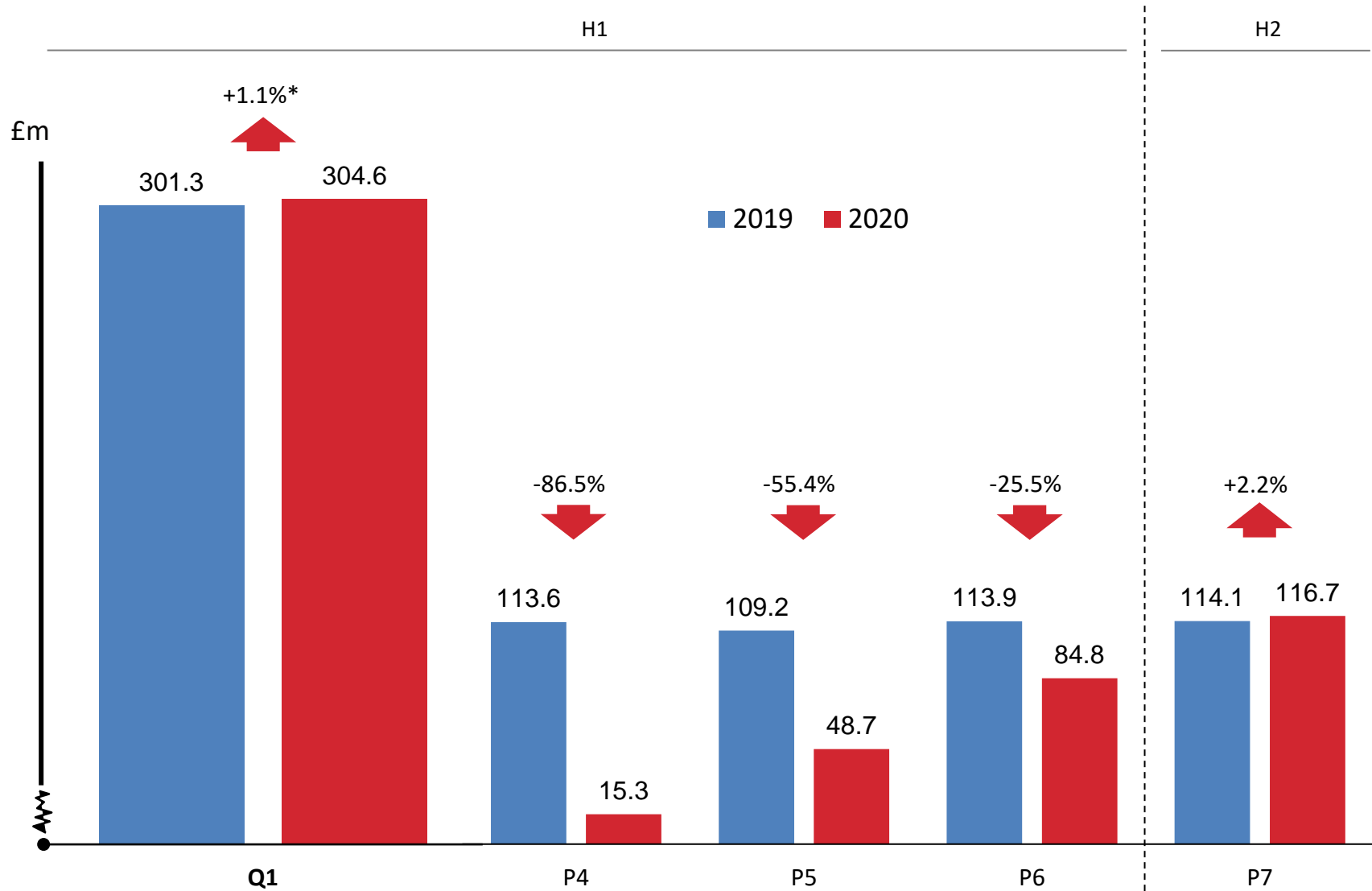
➤ 2020 UK depot revenue £453.4m

	Sales	LFL
Q1	1.1%	-0.8%
Q2	-55.9%	-56.9%
H1 total	-29.0%	-30.3%

➤ 2020 Continental Europe depot revenue £11.6m

- France total (€) -19.2% • LFL -24.5%

UK Revenue Progression

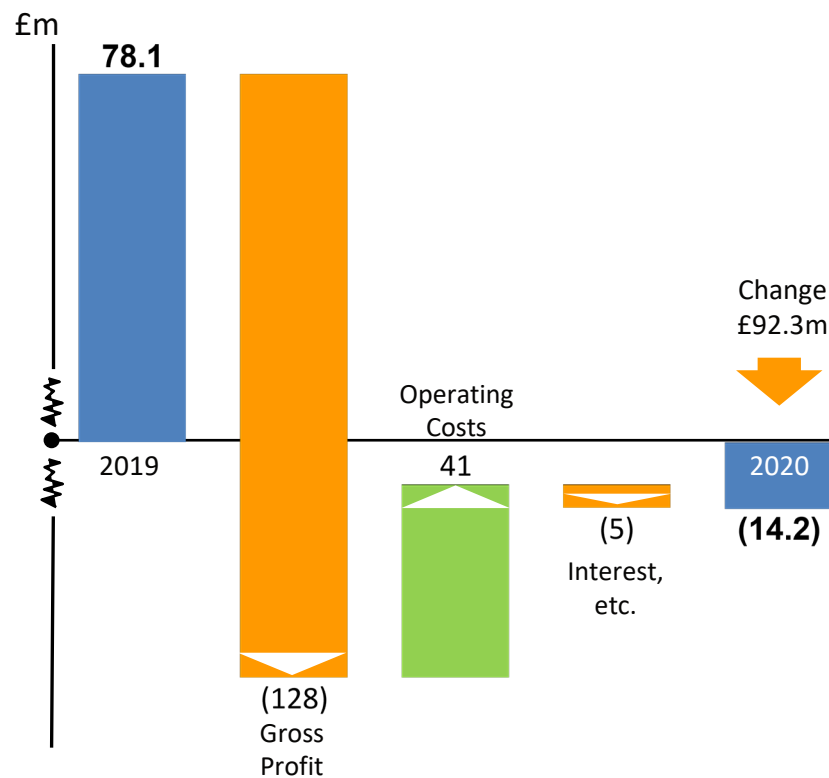


*+2.2% adjusted
for week 1 trading

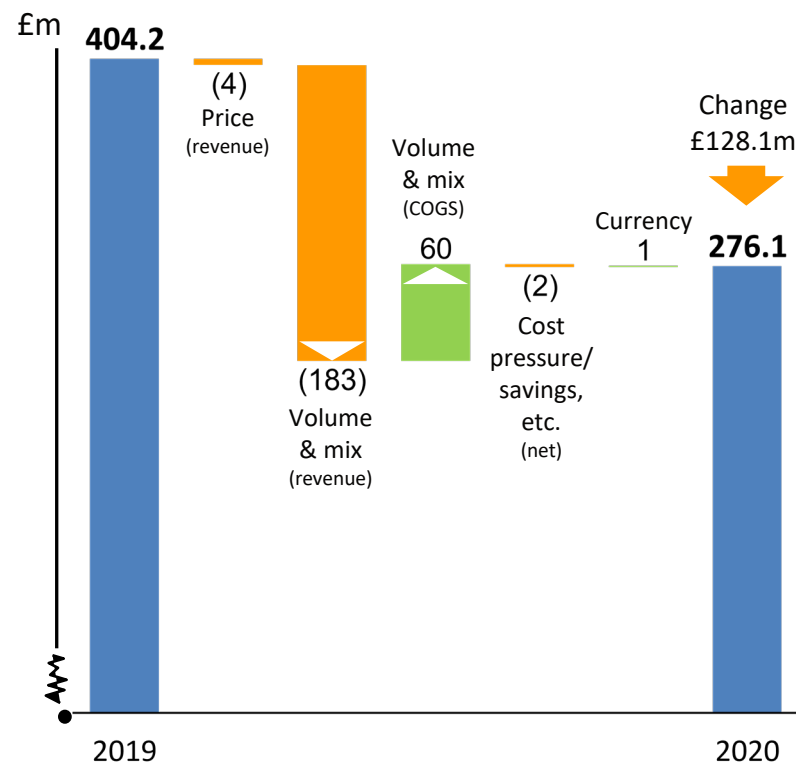
2020 Half Year Results

Group gross profit margin
 • 2019: 61.9% • 2020: 59.4%

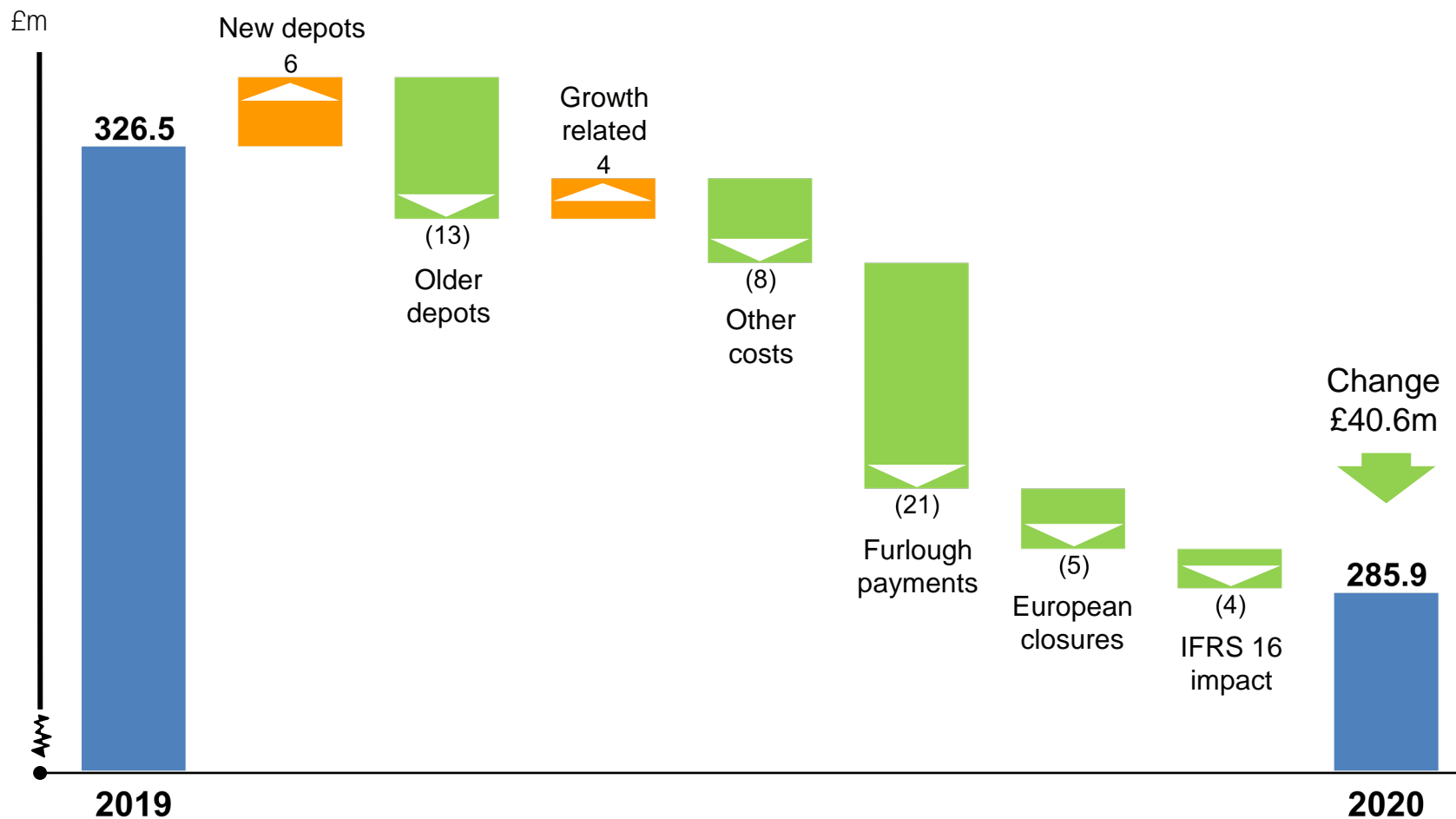
Profit before tax



Gross profit



Operating Costs



Income Statement



£m	H1 2020 pre-IFRS16	Impact of IFRS16	H1 2020	H1 2019
Revenue	465.0	0.0	465.0	652.6
Cost of goods sold	(189.2)	0.3	(188.9)	(248.4)
Gross profit	275.8	0.3	276.1	404.2
Operating costs	(289.5)	3.6	(285.9)	(326.5)
Operating (loss) / profit	(13.7)	3.9	(9.8)	77.7
Net interest	0.2	(4.6)	(4.4)	0.4
(Loss) / profit before tax	(13.5)	(0.7)	(14.2)	78.1
Tax	3.3	0.0	3.3	(16.4)
(Loss) / profit for the period	(10.2)	(0.7)	(10.9)	61.7

Earnings Per Share & Shareholder Returns



£m	H1 2020	H1 2019
➤ Earnings per share	(1.8)p	10.3p
➤ Interim dividend pence per share	-	3.9p
➤ Board to review shareholder returns		
➤ Share buyback suspended (£10m H1)		

Net Cash and Cash Flow



£m	H1 2020	H1 2019
Opening net cash	267.4	231.3
Operating cash flows before movements in working capital	44.5	96.7
Working capital	14.5	(9.8)
Capital expenditure	(22.3)	(24.1)
Tax paid	(12.3)	(20.8)
Share repurchases	(9.8)	(46.3)
Pension contribution	(2.6)	(9.8)
IFRS16: Interest paid including on lease liabilities	(4.6)	-
Repayment of principal on lease liabilities	(22.2)	-
Other	0.8	(0.1)
Closing net cash	253.4	217.1

Our actions

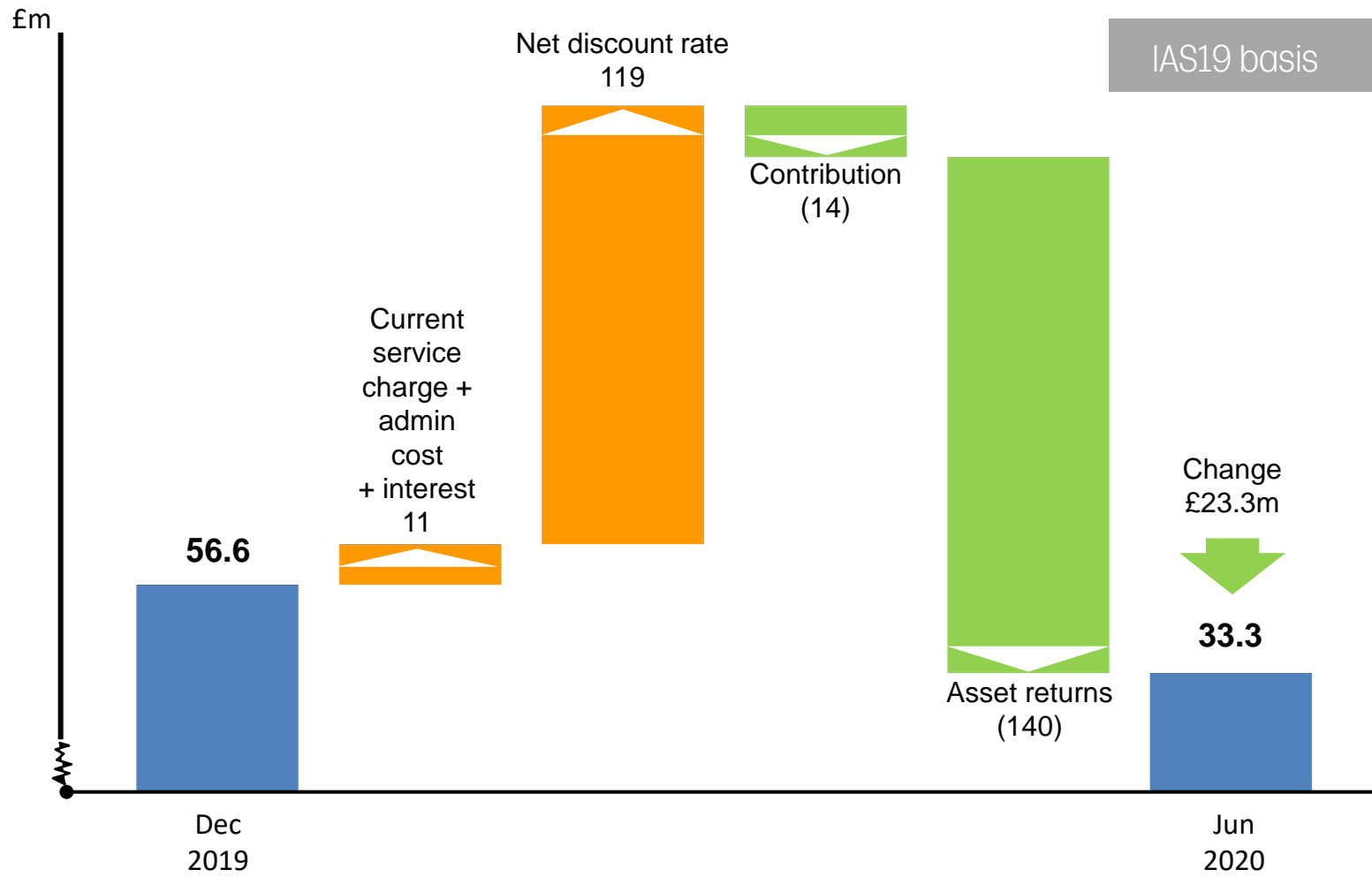
- Depot openings & cap ex
- Operating costs
- Shareholder returns
- Pension deficit contributions

Government support

- Furlough receipts (£15m)
- HMRC payment deferral (£61m)

- Working capital decreased £14.5m
 - stock up £34m
 - debtors down £39m
 - creditors up £9m

Pension Scheme Deficit



2020 Half Year Results

- UK sales in period 7 up 2.2%, LFL up 0.3%
- Operating expenditure
 - Cost benefit £6m
 - Europe
 - Cost investment £20m (£6m in H1)
 - phase 2 Raunds transfer (dual running)
 - pension increases
 - depreciation
 - Cost pressures
 - growth & inflation
 - additional depots inc. France
- Capital expenditure c.£60m



Andrew Livingston
Chief Executive Officer



DEPOT EVOLUTION



RANGE AND SUPPLY
MANAGEMENT



DIGITAL DEVELOPMENT



INTERNATIONAL



- Stable total account base at end of Q1
 - Core credit account holders spent more
 - Total transactions and number of customers trading both increased at a higher rate
- Onset of Lockdown curtailed builders' ability to work in peoples' homes from beginning of Q2
 - Activity (total transactions with us) for Q2 as a whole reduced at similar rate to sales
- Q2 Engagement level improved from a low base period by period, particularly in P6
 - All depots trading once more
 - P6 transactions >50% higher P4 & P5 combined
 - Number of Customers trading and spend also up significantly on P4 & P5 levels
 - Remained below 2019 comparatives

Supporting trusted relationships during a difficult time



- Help with lower promotional prices
- Opened for business as soon as practicable
- Remained in-stock
- Provided a safe place to trade



DEPOT EVOLUTION



RANGE AND SUPPLY MANAGEMENT



DIGITAL DEVELOPMENT

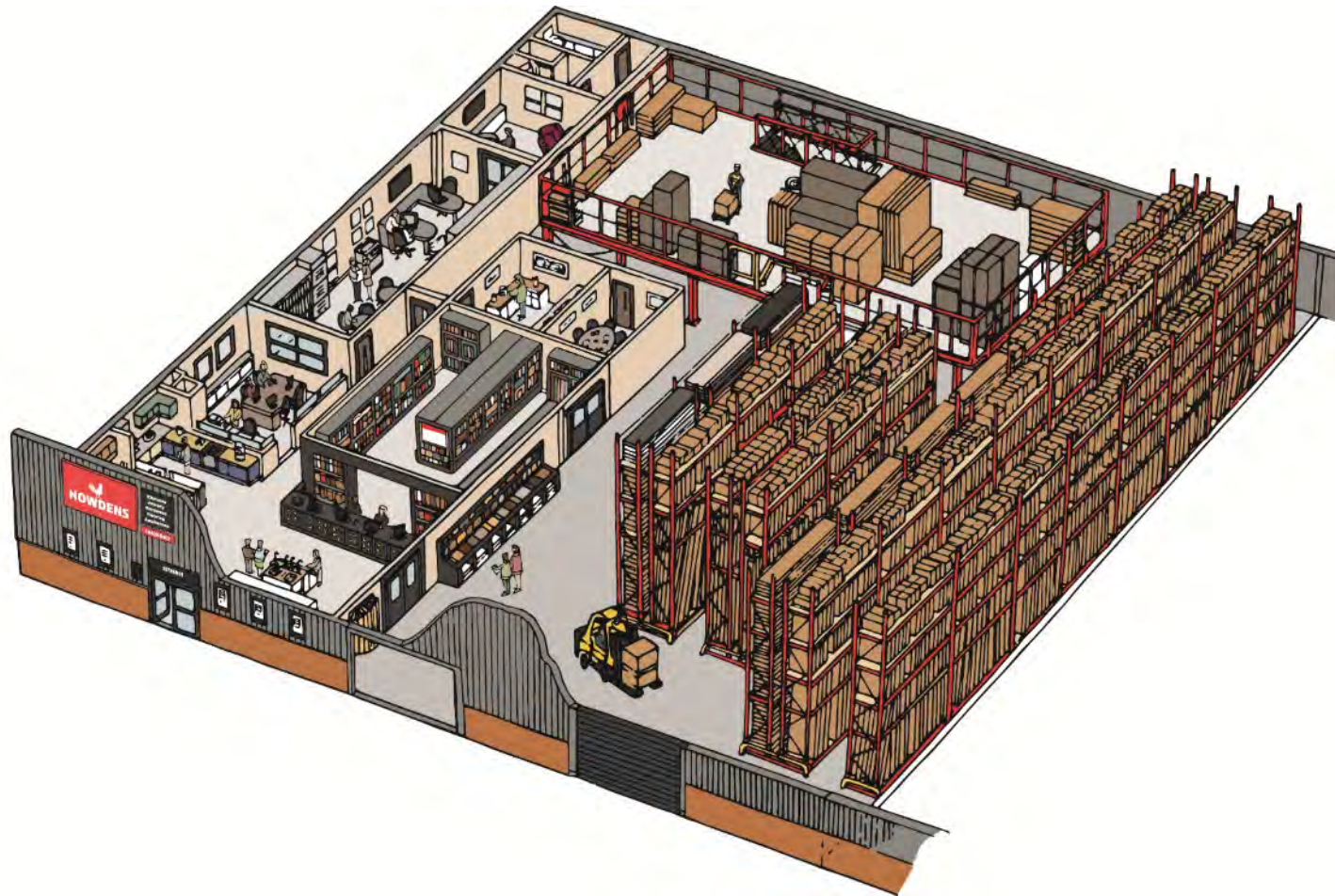


INTERNATIONAL



- Emergency provision to NHS, care providers and vulnerable people throughout
- Changing number of depots trading and ways of trading
 - “Locked down” call & collect service, limited number of depots
 - Phased increase in depots operating in this way
 - “Re-opened” depots with additional safety measures
 - All Depots trading by P6
- Procedures, measures and local accountability & responsibility
 - Trade safely through the period
 - Deal with further lockdowns

New depot format to create best business environment



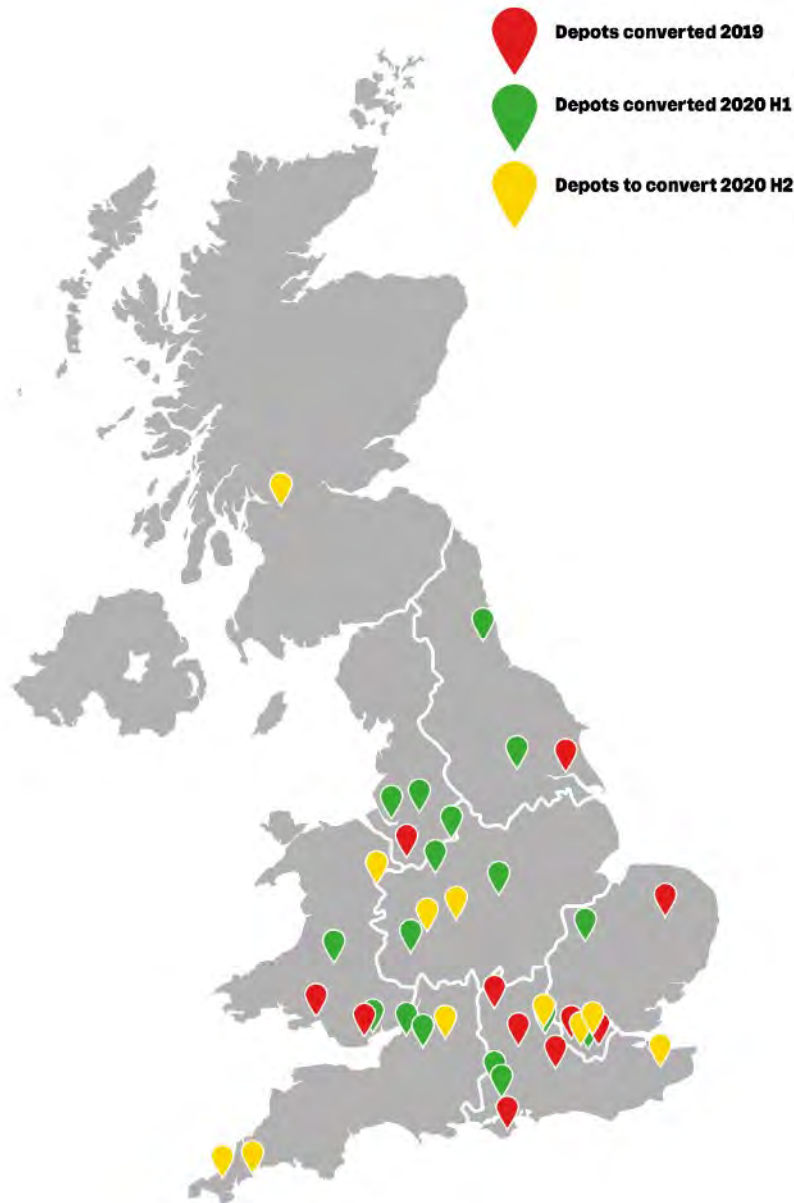
- 60 new format depots by end of 2019
- Vertical racking of product in the warehouse
 - Space utilisation improvements
 - Potential for productivity gains
- Improved format at no extra cost
- Option to open smaller sized depots

Plan to open all new depots in updated format



- Planned to open 30 UK depots this year, prior to lockdown
- Opening programme on hold in 1st Half
 - Prioritised cashflow
 - Finding safe ways for depots to trade
- Circa 15 now planned for 2nd Half

Testing the roll-back opportunity in existing estate



11 depots converted to new format in 2019

Planned to convert circa 30 more in 2020 prior to lockdown

Total unchanged for this year

- Having reduced the number of depot openings and re-racks

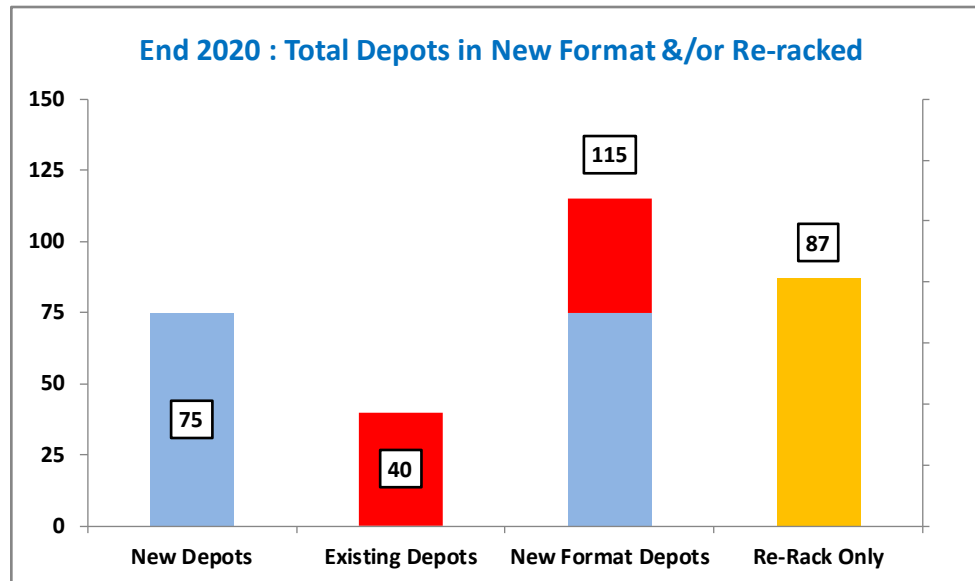
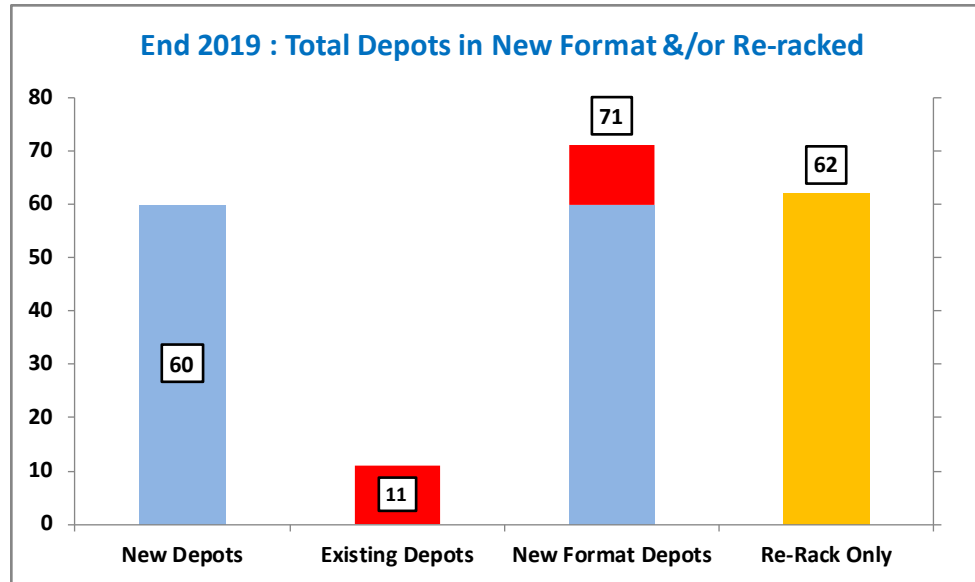
18 conversions started prior to lockdown completed in 1st Half

Plan to convert a further 11 in 2nd Half

Budgeting for an average re-format cost of £225k

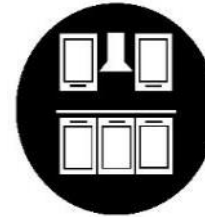
Now plan to re-rack a further 25 depots without other modifications v pre lockdown target of 50

New format depots and re-racked depots





DEPOT EVOLUTION



**RANGE AND SUPPLY
MANAGEMENT**



DIGITAL DEVELOPMENT



INTERNATIONAL

"NPI" sales significant contributor to total sales each year



- 1st Half "NPI" Kitchens launched and in-stock prior earlier this year & synchronised with Rooster promotional offers
 - 11 of 13 ranges in place prior to lockdown
 - NPI sales ahead of last year
 - Well positioned with product as depots re-opened
- Remaining 5 new ranges for the year launched by end of P7
- All 2020 Kitchen "NPI" on sale well ahead of peak P11 trading period



- End of 2019, 67 current ranges, including some 2020 pre-launch stock
- Targeting 16 range clearances in 2020
- By end of 2020, 66 current ranges, including some 2021 “NPI” pre-launch stock
- Around 65 current ranges is appropriate for our market at present
 - Aim to remove at least the number of ranges added



New “COVID safe” ways to manufacture and supply

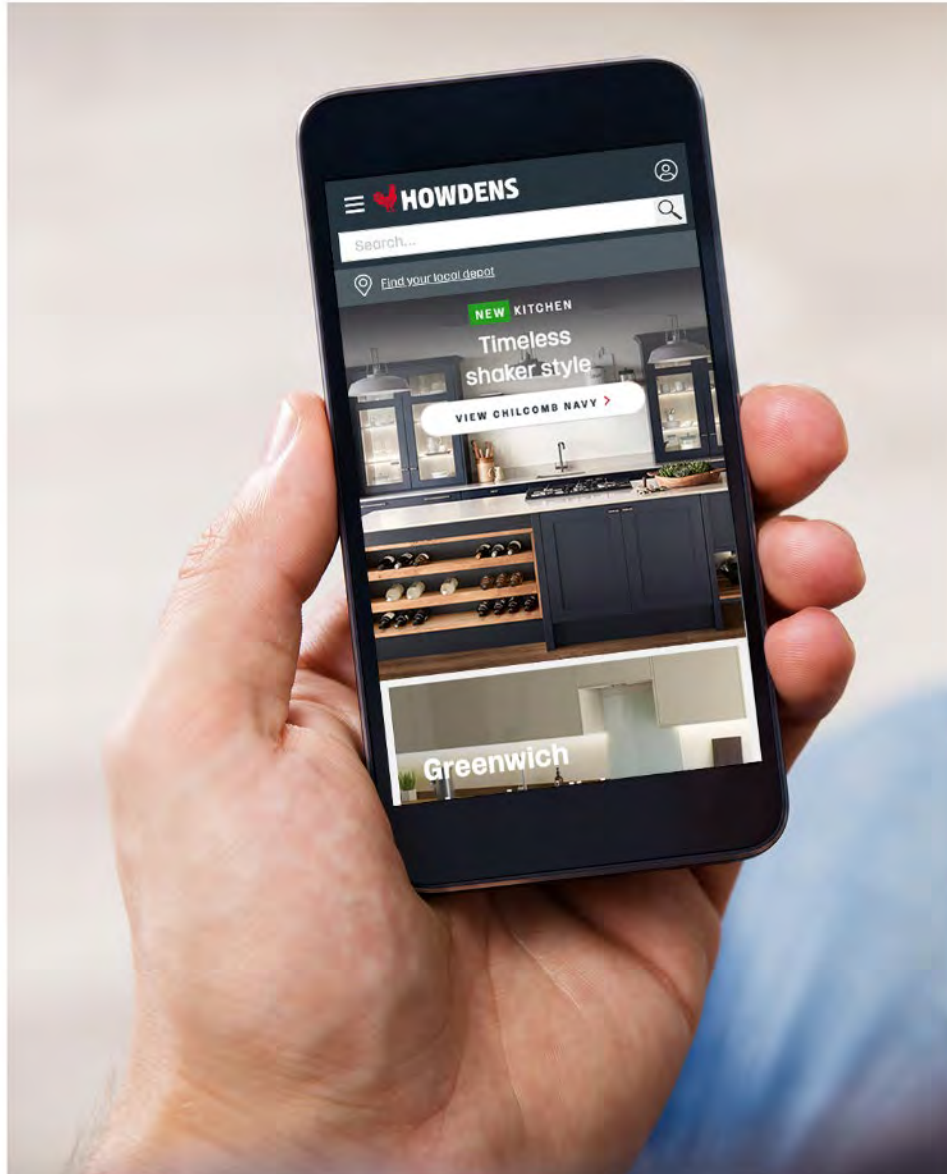


- Initially closed substantially all of manufacturing & supply
- Partial operational teams on-hand to receive in bound shipments
 - Stock available when depots started trading again
- Prepared for a phased return to work
 - Developed series of social distancing measures work processes and practises, in consultation with employees
- Re-opened manufacturing and distribution in April
 - With additional safety measures and support of Employees
 - Maintained stock availability as demand changed
- Continued to work on “COVID bottlenecks”
 - Can manufacture all products whilst maintaining social distancing
 - Efficiency now much improved

Protecting our in stock offer against supply chain disruption



- Increased levels of safety stock and back-up sources of supply
 - Accommodate COVID outbreaks and irregular demand patterns
- Utilised disaster recovery capacity
- Took extra temporary warehouse capacity pending availability at Raunds
- Keeping under review make v buy policy
 - Cost, supply chain resilience and flexibility
- Significant engagement with Supply base
 - Long term relationships
 - Insight on potential risks by being a manufacturer and
 - Working on Ex Works terms



Increase awareness



Improve communications



Streamline processes

1.4m more search impressions per month



Site visits +31% year on year ; In Q2 visits 350,000+ a week

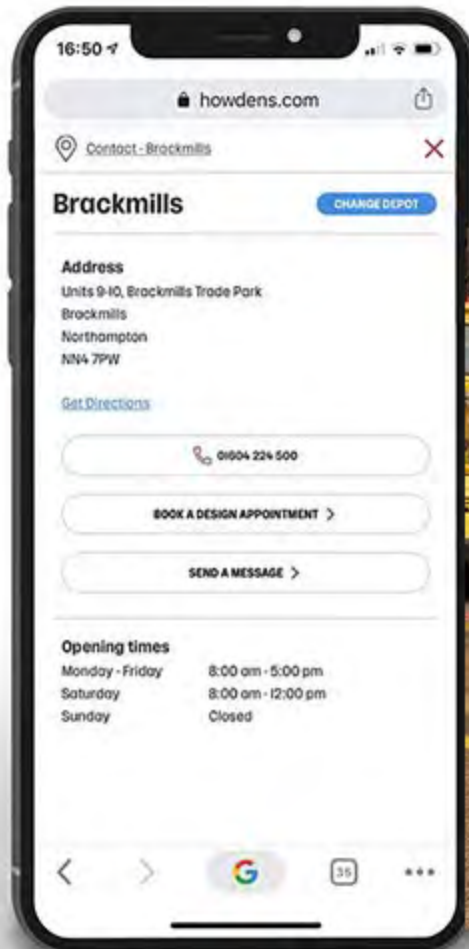
Website Sessions by Week



More of our total range being browsed, kitchen views up 61%



Depot leads via the website up 58% year on year

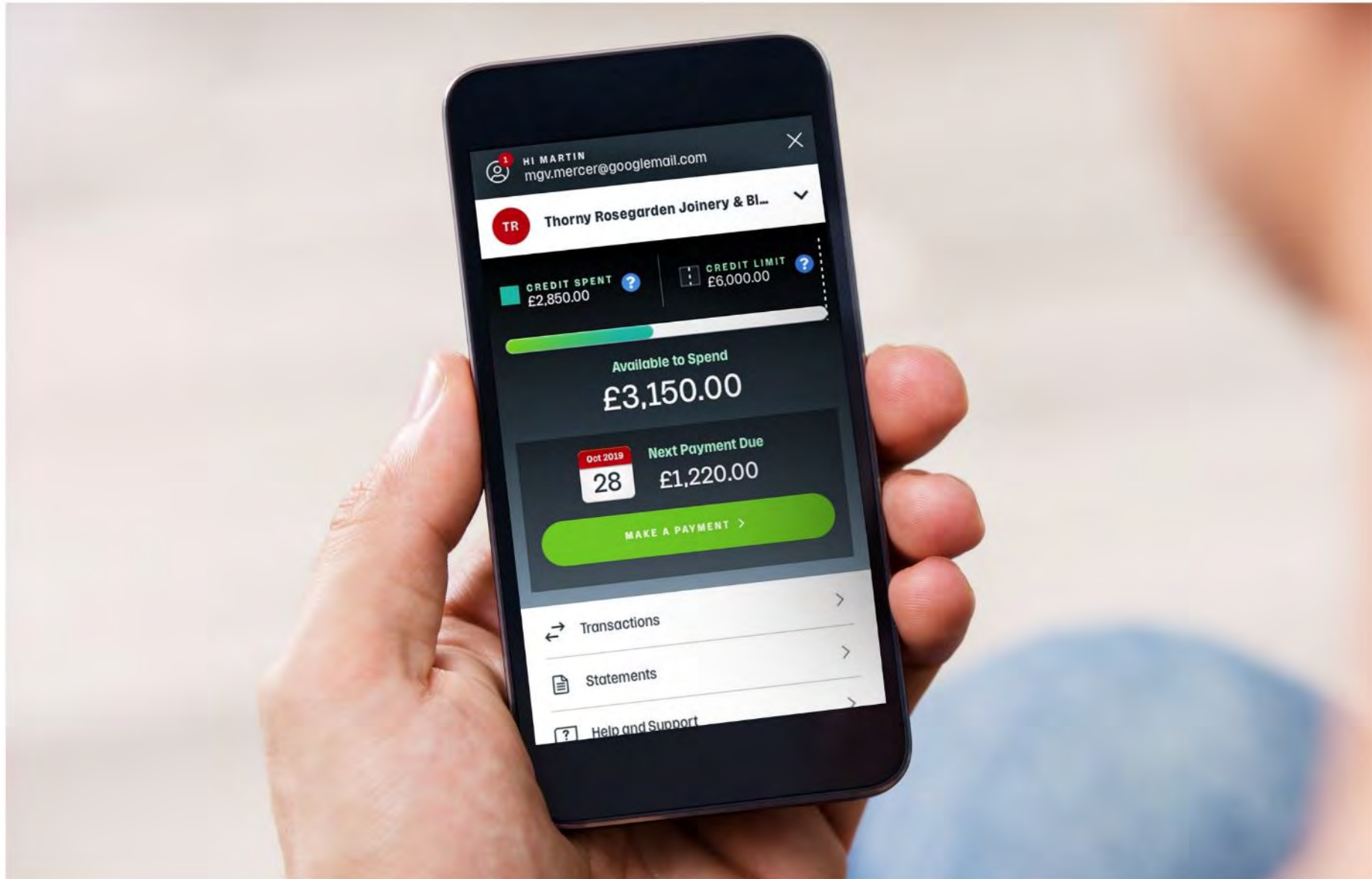


Growing social media presence

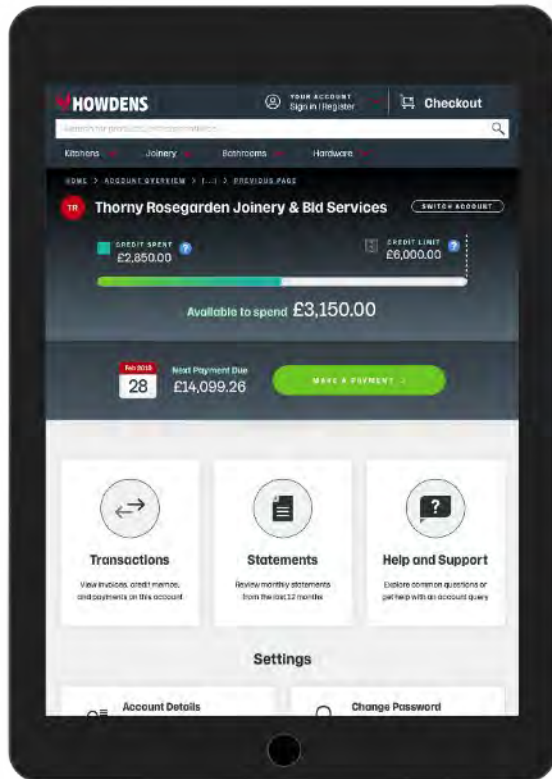


- ✓ Follower base at 153,000, up 136% by end of 1st Half
- ✓ Reaching nearly 9 million users a month
- ✓ With active engagement up 255% year on year

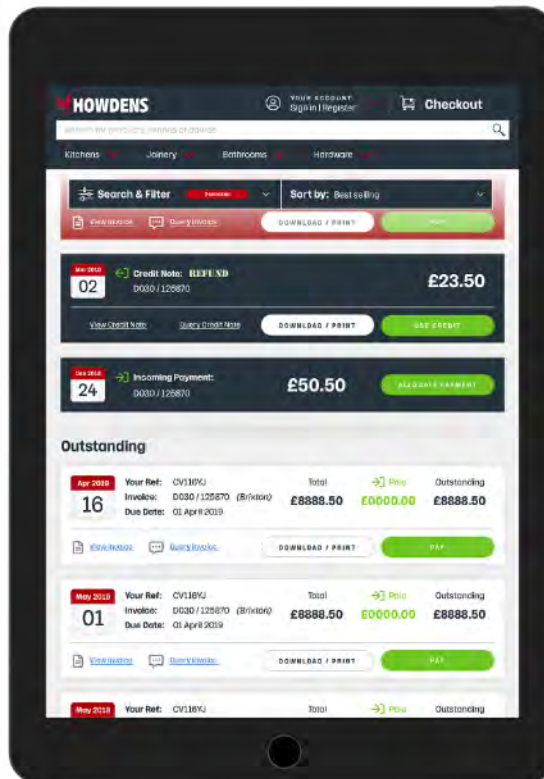




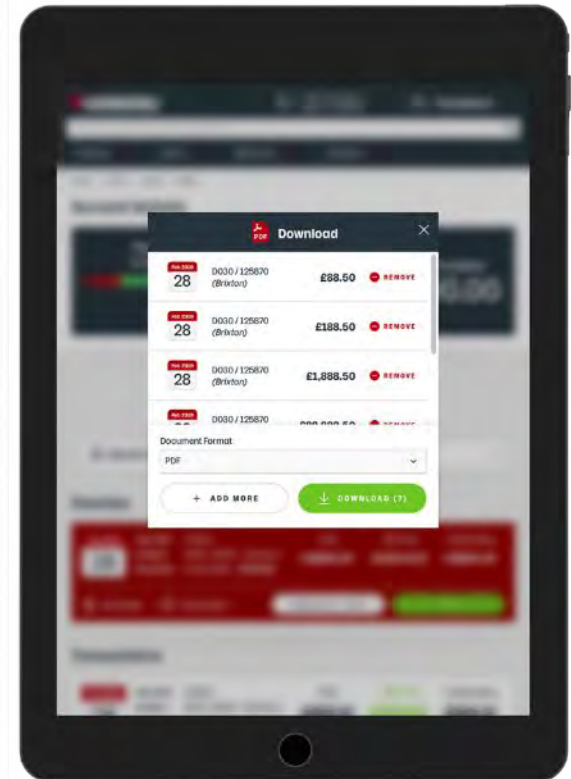
Roll-out of on-line account facilities



Manage accounts and relationship with depot

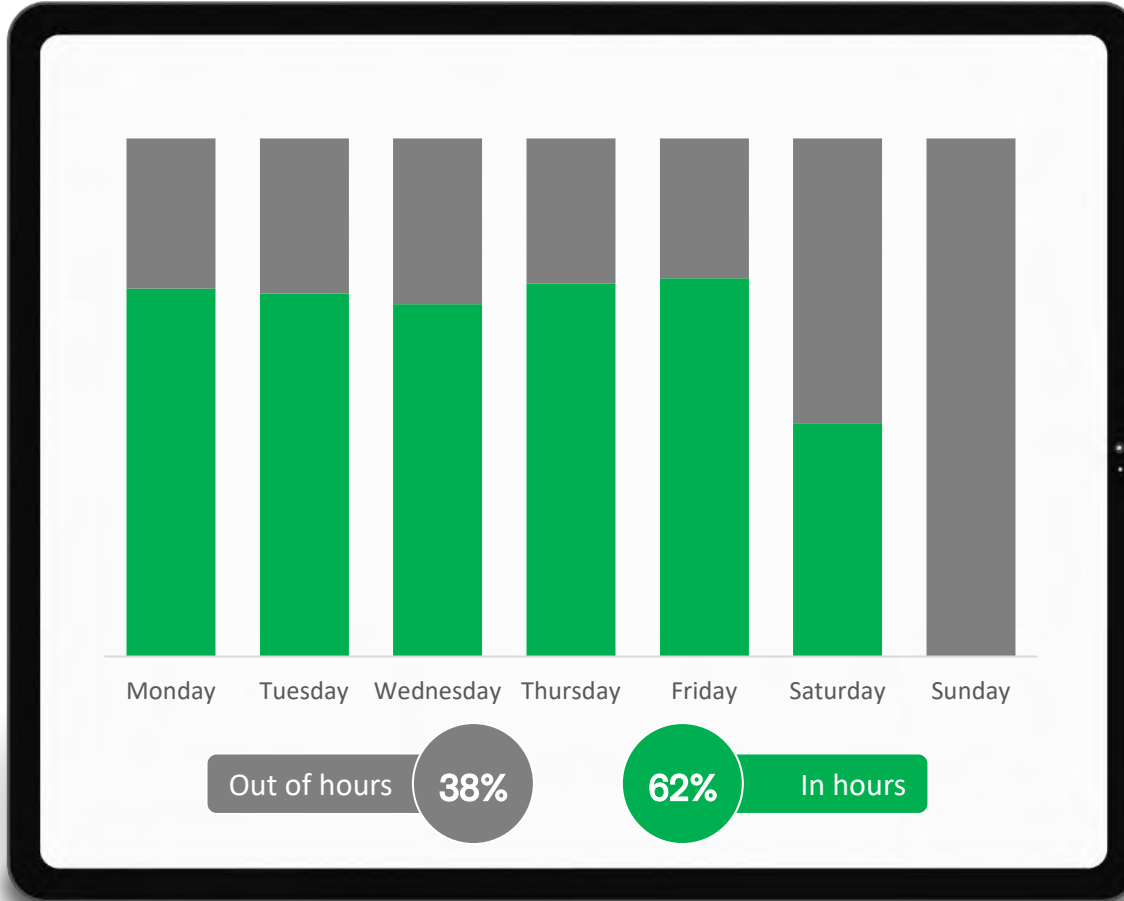


View credit details and make payments



Download invoices and information

19% of credit account holders on-boarded in 1st Half



Significant out of hours use



40% of users made a payment

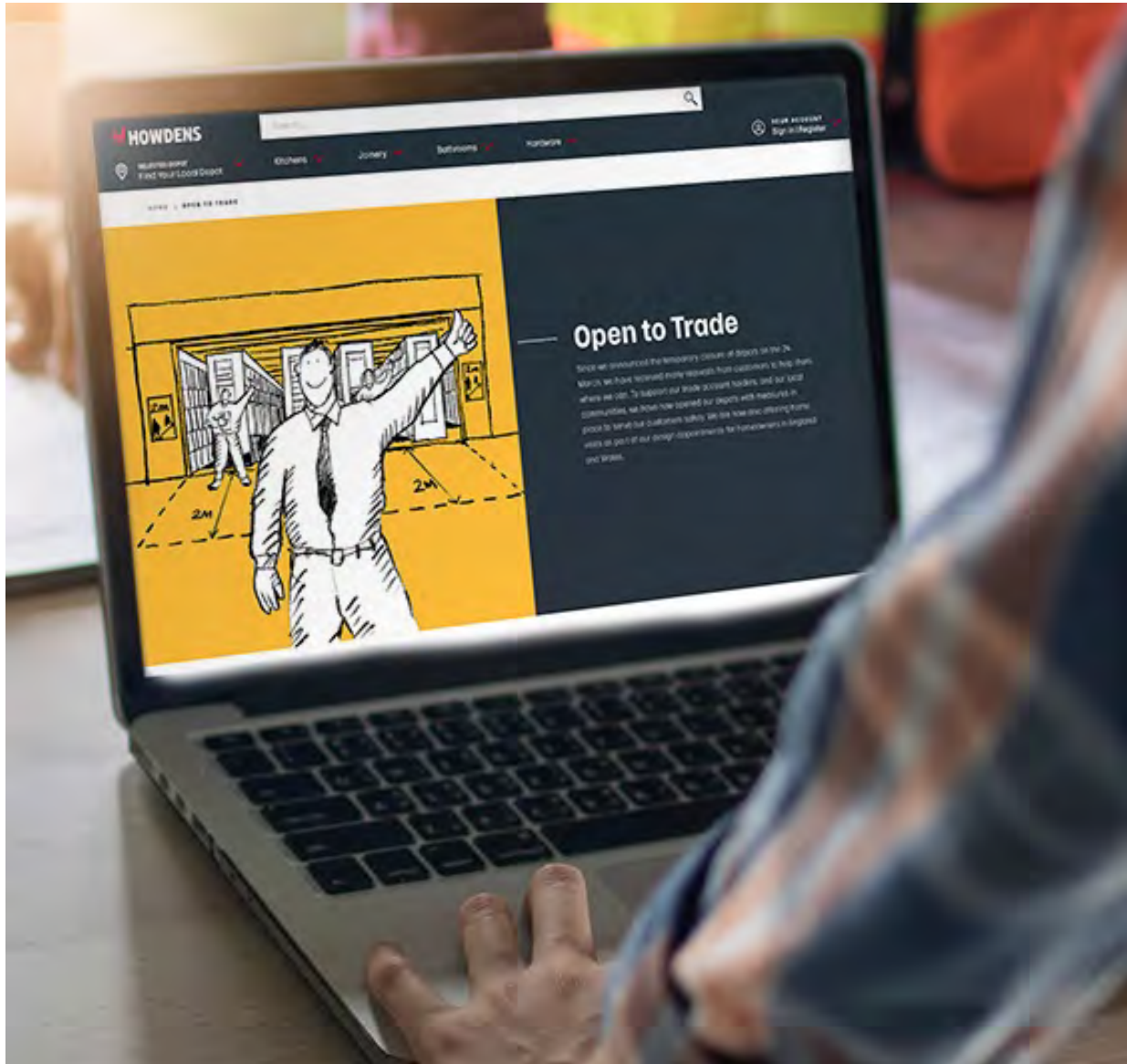


39% of users downloaded documents



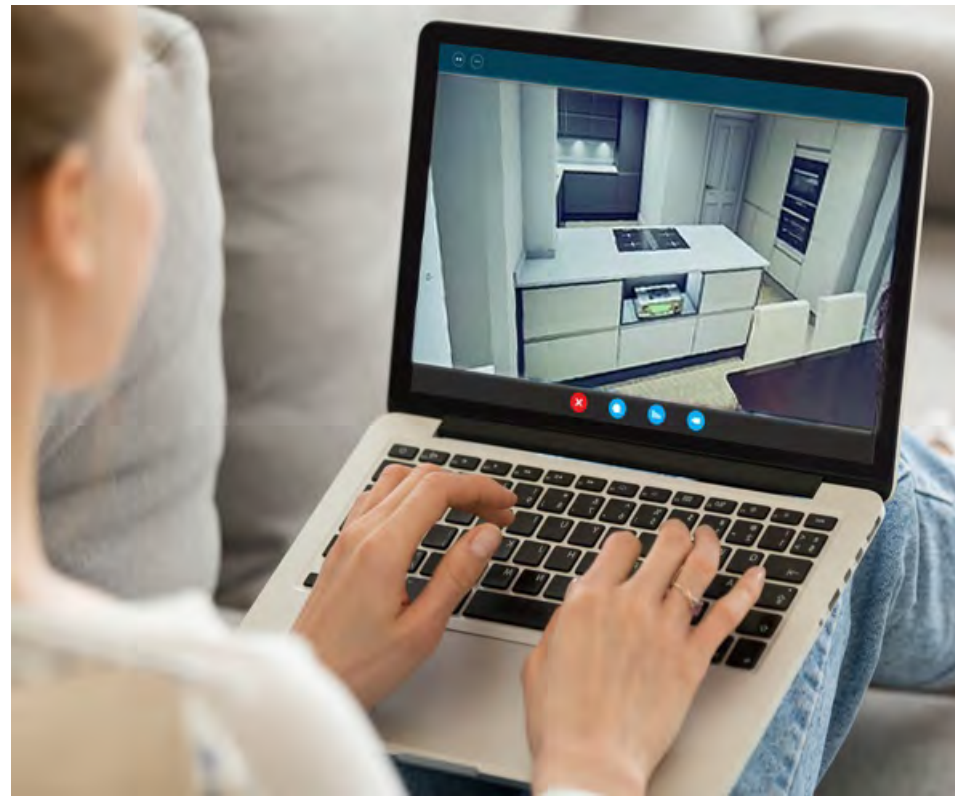
Above average payments

1st generation call and collect service introduced

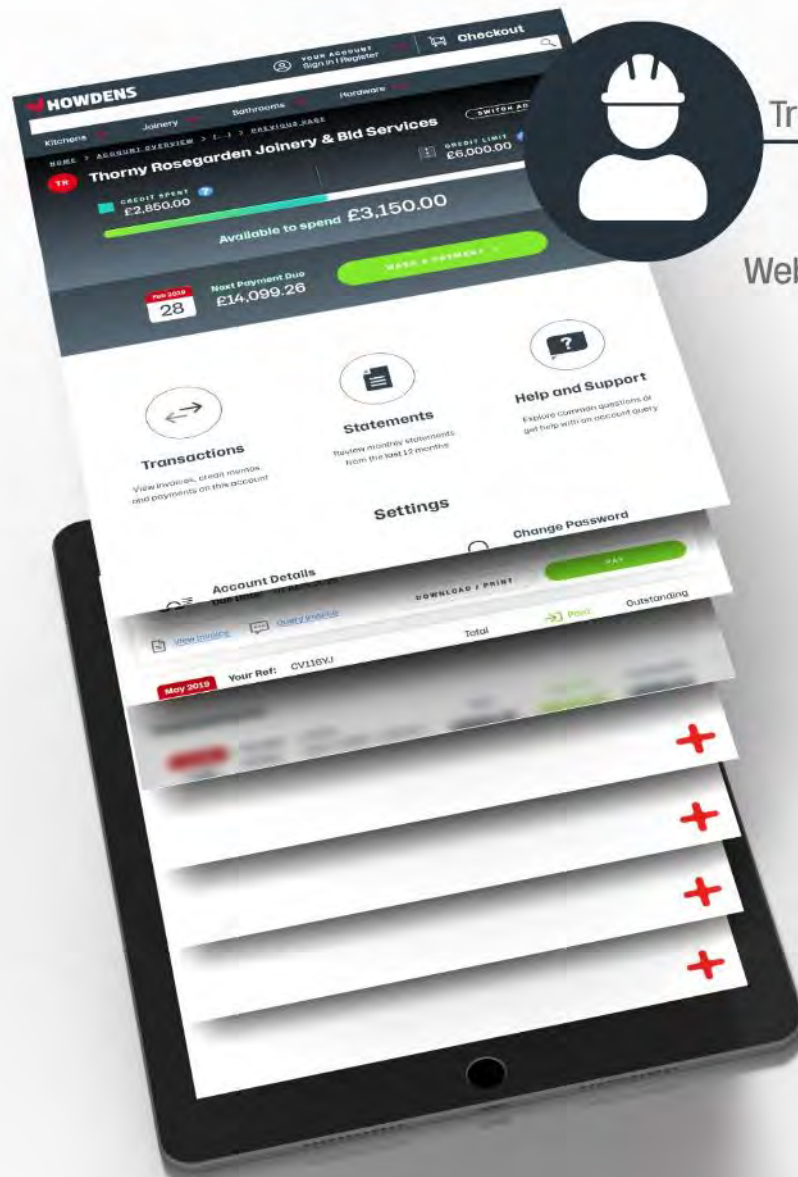


- Curated on our website
- Safe way to trade post lockdown
- Regular updates on depot openings

On-line kitchen design service added



We will continue to improve content and add more capabilities to our platform



Trade Account Login

Web Content





DEPOT EVOLUTION



RANGE MANAGEMENT



DIGITAL DEVELOPMENT



INTERNATIONAL

In 2019, we re-focussed International



- City based approach based in France
- Operations in Germany and Netherlands closed
- Business Leader appointed
- 5 depots opened in 2019

Performance encouraging given lockdown



- Sales up circa 3% prior to lockdown
- Similar approach to re-opening as UK
- 1st Half Sales down circa 19% overall
- Sales increased year on year in final two periods
- Sales of depots opened 2019 in line with expectations
- Sales in 2nd Half up 46% in P7
- Four depot openings planned, taking total to 31



1st Half Performance

- Performance reflects onset of lockdown at start of Q2
- Profitably restored in P6, following losses in P4 & P5 when <50% of depots trading
- Took care of our people with a safety first approach
- Reduced cash expenditure but supported essential areas
- Supported our customers with lower prices, new services and safe ways to trade
- Re-opened for business safely and quickly
- All depots trading by start of P6, with full complement of stock

In 2nd Half

- Safety of staff & customers first priority
- Aim to retain a profitable balance between price and volume
- Protect availability by actively managing stock levels
- Covid contingency plans in place
- All new 2020 Kitchen Ranges on sale well ahead of P11
- Further content and capabilities to be added to digital platform
- Circa 15 Depot openings in UK, 4 France and reformat 11 more existing depots (18 in 1st Half)

Current Trading

- 2nd Half UK Depot Sales £116.7m in first period (P7)
 - +38% on p6
 - +2% on 2019 (+0.3 % LfL)
 - Surveys and builders trading trending upwards
 - Some signs of pent-up demand
 - Sales of “everyday” items higher proportion of mix
 - Lead bank above pre Lockdown level
- We remain cautious on underlying market conditions
- On-going COVID related uncertainties
- Brexit trade negotiations



Q&A



2020 Half Year Results
23rd July 2020