

HOWDENS

2021 Half Year Results

22 July 2021

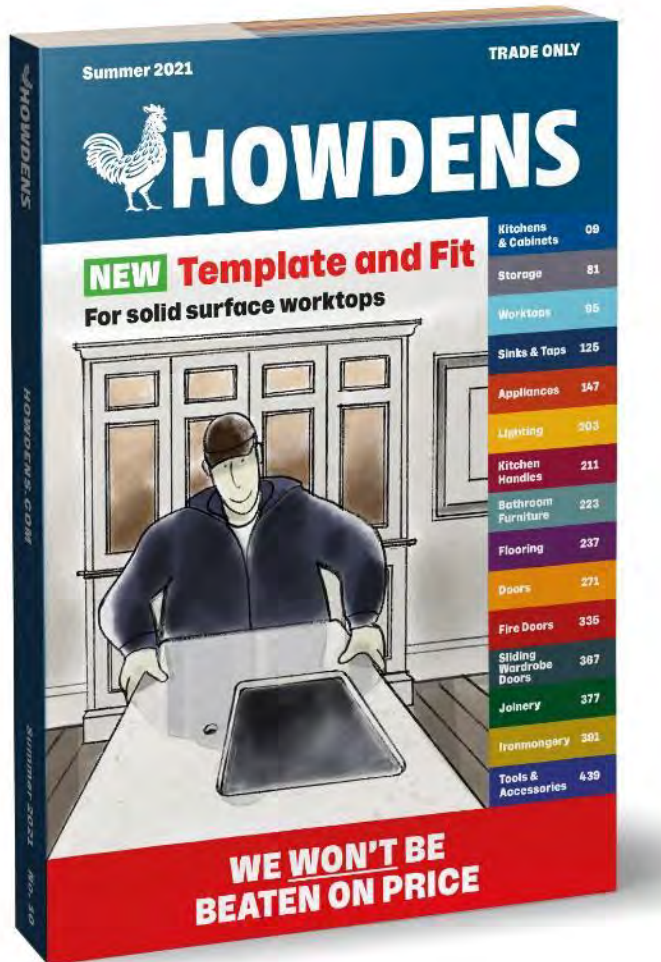


HOWDENS

Andrew Livingston

Chief Executive Officer

Strong 1st Half performance



- Record H1 Sales & Profit
- Sales increase trending upwards across H1 2021
- Sales of everyday & promotional items particularly strong
- Improved profitability
 - Profit increased at a higher rate than revenues
- Progressed our strategic plans for the business
- Value of being worthwhile to all concerned
 - Foundational to our ESG programme

Strength of our in-stock model founded on local relationships

- Result reflects 2020 measures to help staff work safely and support for customers
- Increased spend on the home, some spend brought forward
- Signs of pent-up demand
- Improved awareness of Howdens
- Benefitted from constraints on "retail" trading and extended delivery times amongst competitors
- Enhanced trust in our stock availability amongst customers + improved service
- Raised prices having lowered some during 2020





HOWDENS

Paul Hayes

Chief Financial Officer

A strong start to the year

£m	H1 2021	H1 2020	H1 2019*
Revenue	784.9	465.0	652.6
Gross profit	481.0	276.1	404.2
<i>Gross margin %</i>	61.3%	59.4%	61.9%
Operating costs	(356.7)	(285.9)	(326.5)
Operating profit	124.3	(9.8)	77.7
<i>Operating Margin %</i>	15.8%	-2.1%	11.9%
Net interest	(5.1)	(4.4)	0.4
Profit / (loss) before tax	119.2	(14.2)	78.1
Tax	(22.1)	3.3	(16.4)
Profit / (loss) for the period	97.1	(10.9)	61.7

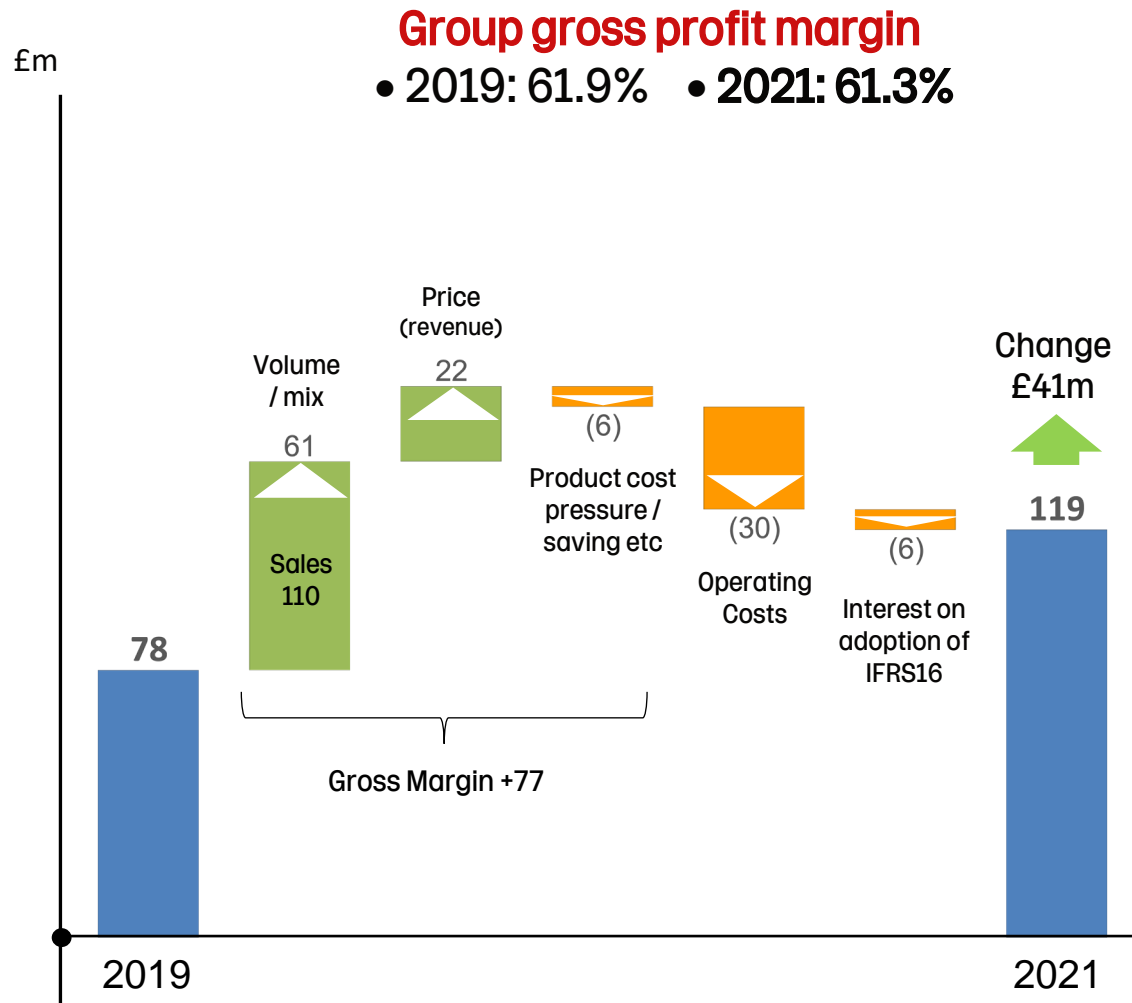
- Strong start to year with sales
 - + 69% on 2020
 - + 20% on 2019
- Gross margin on track, with
 - Higher mix of everyday products & promotions
 - Pricing continues to recover commodity cost increases
- Improvement in profitability after strategic investments to drive growth

* 2019 figures are presented on a pre-IFRS16 basis

	Actual 2021	Growth vs H1	
		2020	2019
UK Sales	£764.1m	68.5%	19.8%
Same depot basis		67.1%	15.3%
Number of depots (at half year)	754	732	708
International Sales	€23.8m	77.3%	44.8%
Same depot basis		74.2%	24.3%
Number of depots	30	27	23

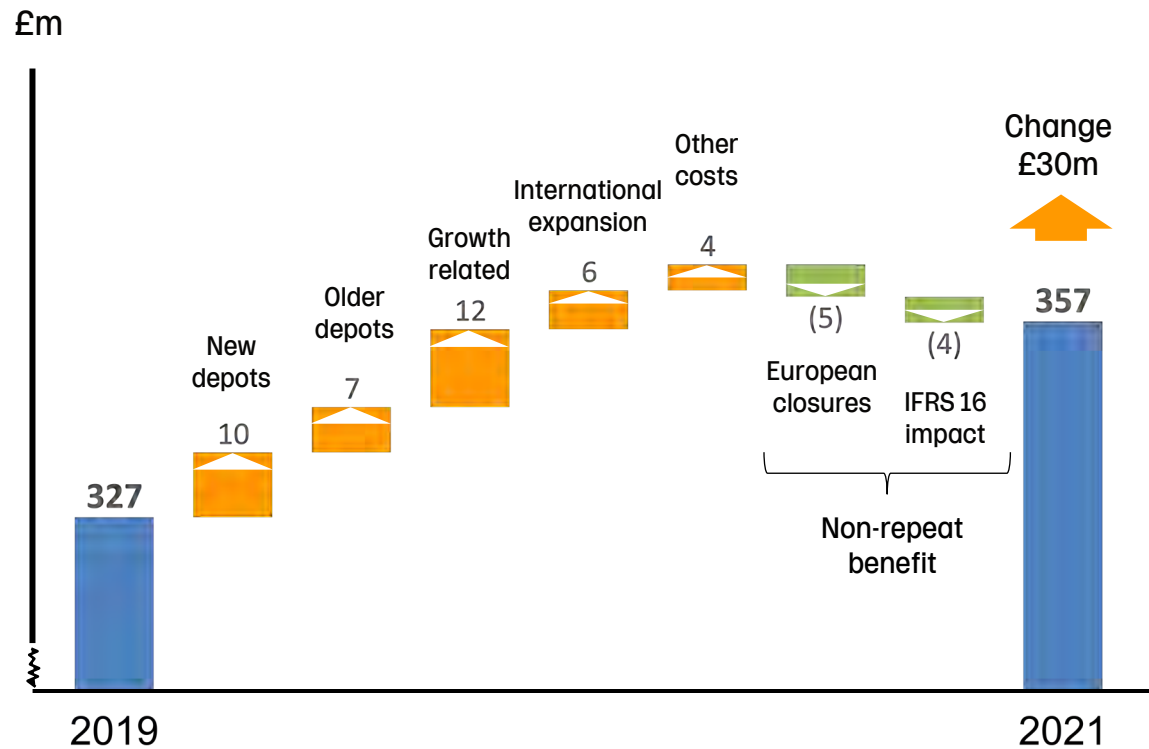
- Strong sales performance
- Good underlying growth and benefit of new and revamped depots
- International business growth with good execution of 'Howdens Model' in France

2 year comparison of profit before tax vs H1 2019



- Higher mix of lower margin everyday products and promotional activity
- Price increases have more than offset cost increases over the last 2 years

2 year comparison of Operating Costs H1 2021 vs H1 2019



- Operating costs include:
 - New UK depots
 - Investment in digital, warehousing & logistics
 - International expansion

Earnings Per Share, Shareholder Returns & Pensions



	H1 2021	H1 2020	H1 2019
Earnings per share	16.4p	(1.8)p	10.3p
The Board have recommended:			
• Interim dividend pence per share	4.3p	-	3.9p
• Recommencing share buyback programme	£50m		

Pension Scheme

- £1.5bn pension scheme now with small surplus
- £30m annual contributions suspended as technical surplus for 2 months
- Contributions would resume if scheme falls back into deficit

Strong cashflow with investments in inventory

£m	H1 2021	H1 2020
Opening net cash	<u>430.7</u>	<u>267.4</u>
Operating cash flows (before movements in working capital)	177.7	44.5
Working capital	(27.5)	14.5
Capital expenditure	(23.8)	(22.3)
Tax paid	(40.1)	(12.3)
Share repurchases	-	(9.8)
Pension contribution (over and above the P&L charge)	(16.4)	(2.6)
IFRS16: Repayments & Interest paid	(27.0)	(26.8)
Other	<u>2.6</u>	<u>0.8</u>
Closing net cash	476.2 *	253.4

- Working capital movements:

Stock	£(29)m
Debtors	£(42)m
Creditors	£ 43 m
- Investment in stock in first half to support customer service and all important peak trading
- Increase in debtors reflects higher levels of business, offset by higher creditors
- £90m capex forecast for full year

* Before the payment of £108m of special and final dividends paid shortly after the period end

Current Trading and Outlook for Full Year 2021

- UK sales in period 7 up 31.0%, LFL up 29.5% v 2020
up 33.8%, LFL up 28.9% v 2019
- International sales up 52.3%, LFL up 48.3% v 2020
up 122.6%, LFL up 98.9% v 2019
- Strong start to year benefitting from some pent up demand and competitors unable to supply product
- Ongoing inflationary cost pressures and investment in costs to more sustainable levels
- Risk of pandemic restrictions on our operations and levels of consumer demand
- Howdens well positioned as move into all important peak trading

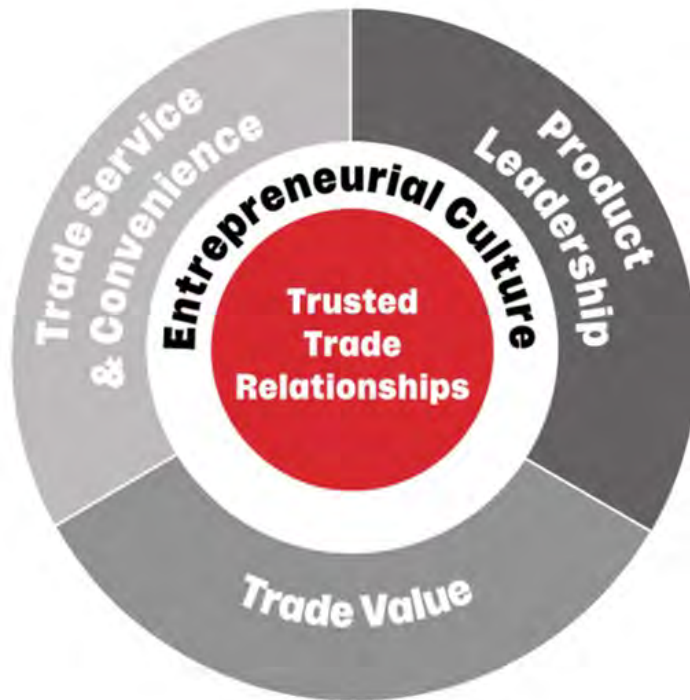


HOWDENS

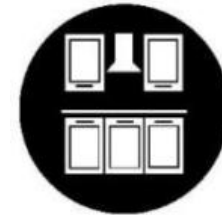
Andrew Livingston

Chief Executive Officer

Initiatives to increase volumes & profits



DEPOT EVOLUTION



**RANGE AND SUPPLY
MANAGEMENT**

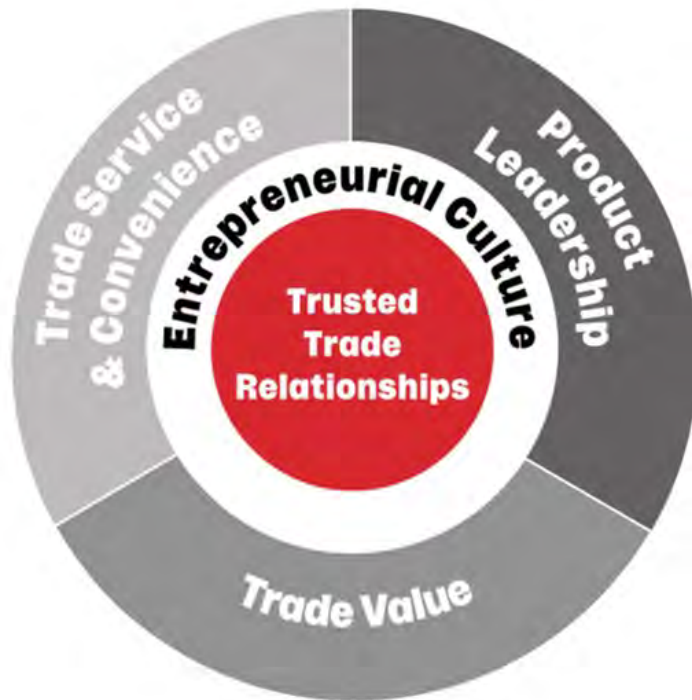


**DIGITAL
DEVELOPMENT**



INTERNATIONAL

Initiatives to increase volumes & profits



DEPOT EVOLUTION



**RANGE AND SUPPLY
MANAGEMENT**

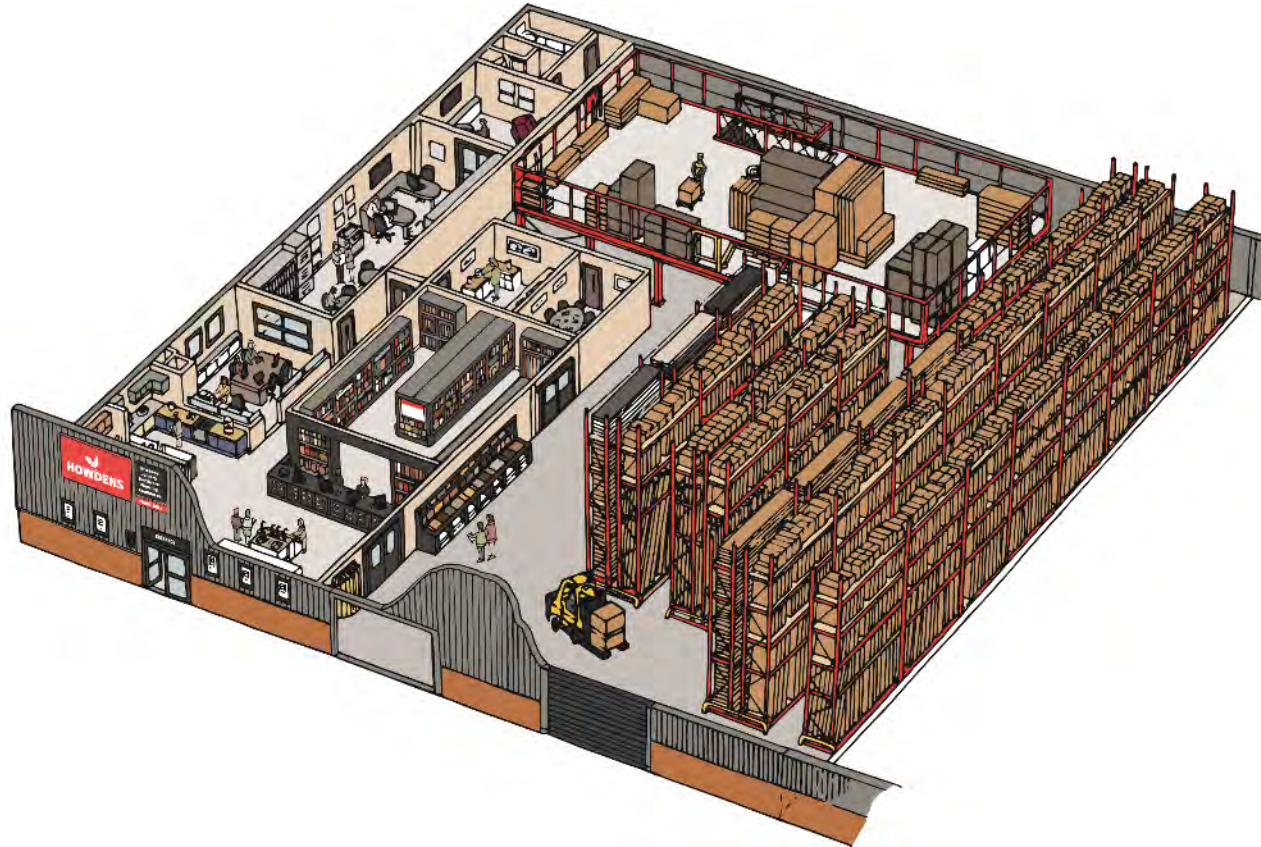


**DIGITAL
DEVELOPMENT**



INTERNATIONAL

Extending the UK footprint - High service levels valued by customers



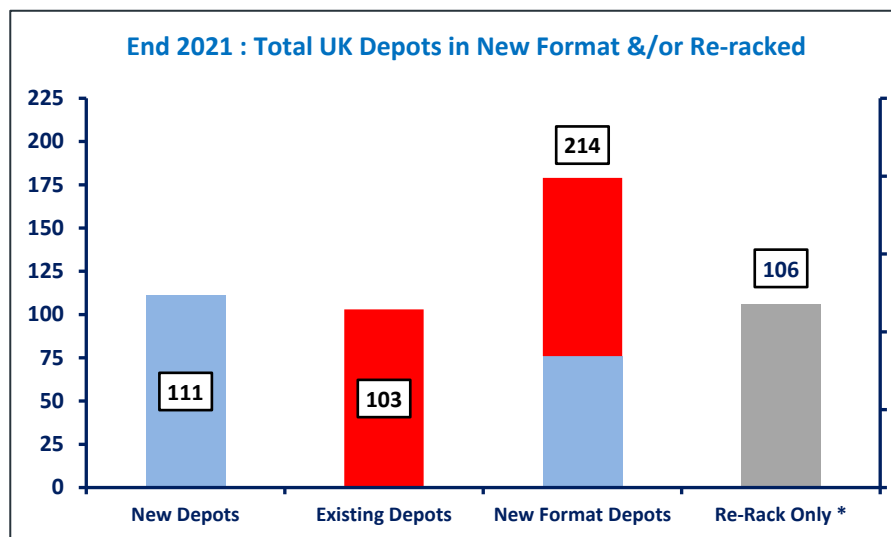
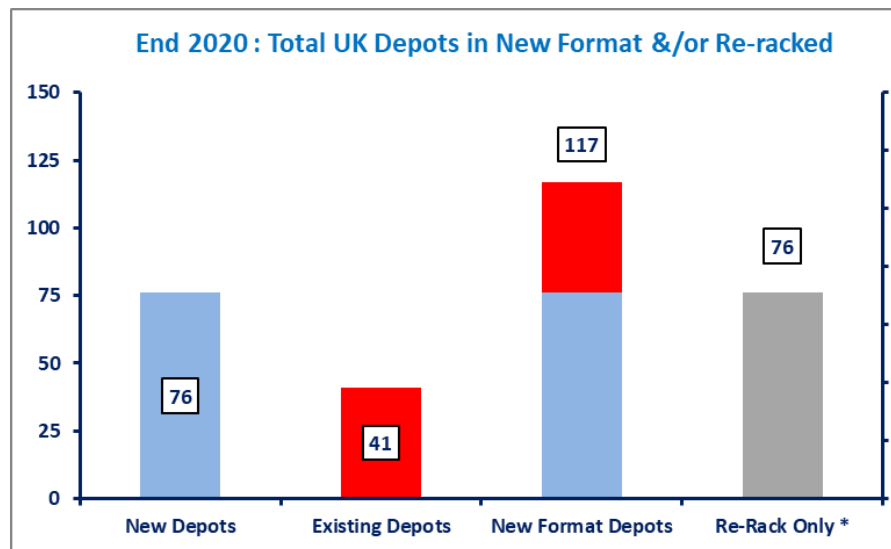
- Cost effective updated format
- In all, c.35 openings planned for 2021
- Opened 7 depots in 1st Half 2021
- Potential for at least 900 in the UK

Converting more existing depots to the updated format

- Focus on older depots with most incremental sales potential
- 41 Depots revamped by end 2020
- Positive feedback from depot teams and customers
- Average cost per depot of £225k going forward
- Investment to be recouped in less than 4 years
- Depots motivated to deliver incremental sales (local P&L charged for revamp costs)
- Plan to convert a total of 62 depots in 2021 (28 revamped in 1st Half)

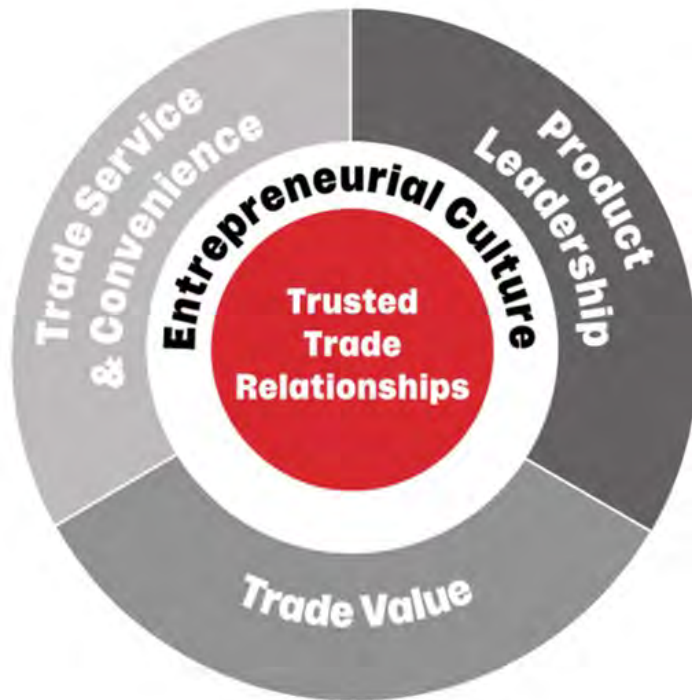


New format depots and re-racked depots



**Number of re-racked depots excludes such depots subsequently re-formatted*

Initiatives to increase volumes & profits



DEPOT EVOLUTION



**RANGE AND SUPPLY
MANAGEMENT**



**DIGITAL
DEVELOPMENT**



INTERNATIONAL

“NPI” is a significant contributor to our competitive position



- Product lifecycles shortening
- Customers want new product from us
- 17 new kitchen ranges in 2021

New traditional shaker range



Elmbridge Dusk Blue

New added value decorative accessories



Contemporary shaker range



Chilcomb Porcelain

New in-frame solution



Elmbridge

Pebble In-Frame

- Frontal Type: Shaker style door with a square edge stile and rail, no tram lines
- Door Thickness: 20mm
- Door Construction: Constructed 5 Piece Shaker

ALSO AVAILABLE IN



New slate grey cabinet for Handleless kitchens



Greenwich

Slate Grey Handleless

- Frontal Type: Slab Door
- Door Thickness: 15mm
- Door Construction: Slab

ALSO AVAILABLE IN



New colourways in mid-priced families



Chelford Dusk Blue handleless

New colourways to entry price points



Allendale

Navy

- Frontal Type: Shaker style door with square edge on stile and rail
- Door Thickness: 16mm
- Door Construction: 5 piece Shaker

ALSO AVAILABLE IN



New value-based Shaker family



2021: New product on sale earlier than previous years

- Pre-Christmas launch of brochure, trade book and promotional materials
- "NPI" Sales above 2019 in H1
- All new kitchens in-stock
- Four weeks earlier than 2020, with 3 more in H2 (brought forward from 2022)
- Aligned Rooster promotions in 2nd half



Disciplined range management for best availability & profitability



- Improved balance between introductions and discontinuations in recent years
- Further investment in our traditional strength, entry-level kitchens
- NPI of higher-priced kitchens have proved popular
 - Upscaling our offer in these segments
- Managing ranges to around 75 ranges in 2021 (2020, 65)
- More efficient way of testing new kitchen colours and finishes adopted



Modern Kitchens

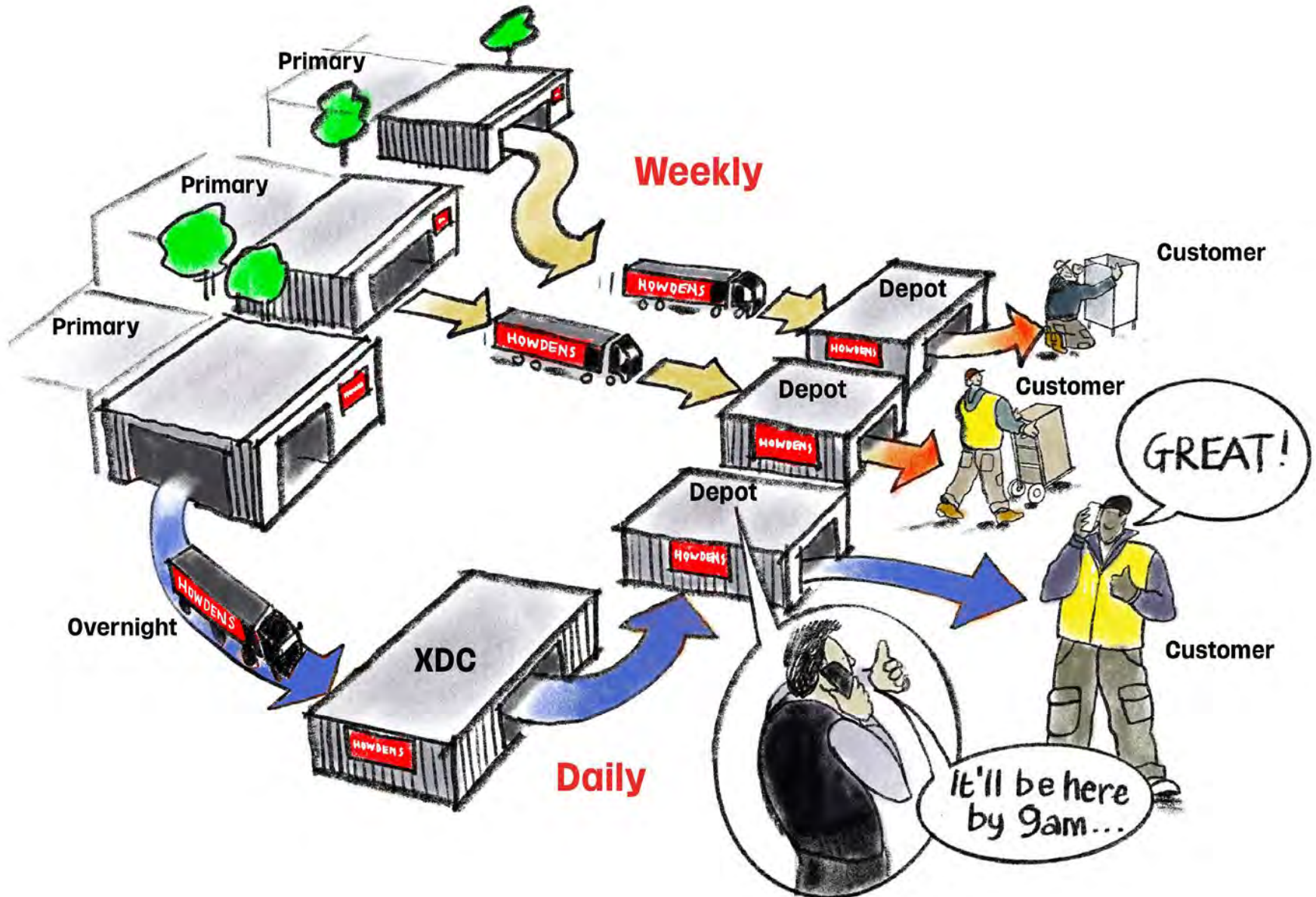


Handleless Kitchens



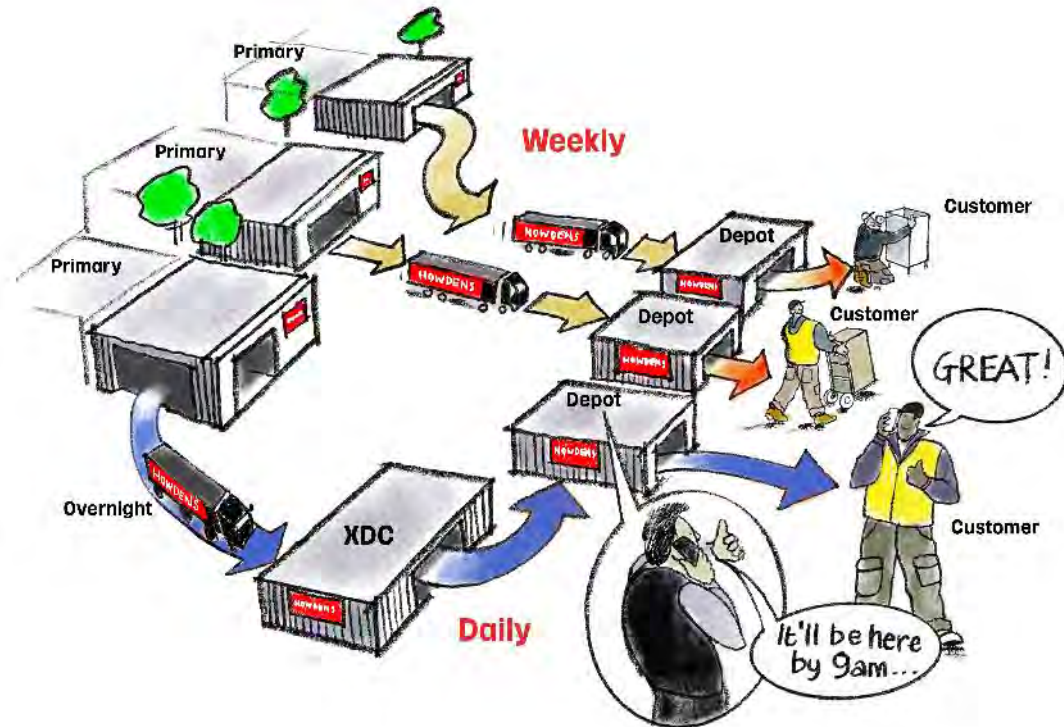
Shaker Kitchens

"XDC": Improving service and availability



"XDC": Rebalancing stock levels and delivery pattern of some lines

- More warehouse space to faster selling lines
- Simpler and more efficient for depots to
 - deliver superior service
 - improve product availability
- Frees up time and resources spent on stock management
- Using third party logistics partners and their infrastructure
- Service available to 250 UK depots at present (4 XDCs)
- c.400 depots by year end (6 XDCs)
- All UK depots during 2022 (13 XDCs), subject to finding right sites



Dedicated manufacturing and supply: A key part of our in-stock offer



Protecting our in-stock offer against supply chain disruption

- Increased levels of safety stock and back-up sources of supply
- No immediate stock issues following grounding of "Ever Given" in Suez Canal
- Using multi-modal freight route out of China to help mitigate risk of delays
- Peak manufacturing capacity available in case of need
- Using all space at Raunds earlier than originally planned
- Significant engagement with Supply base

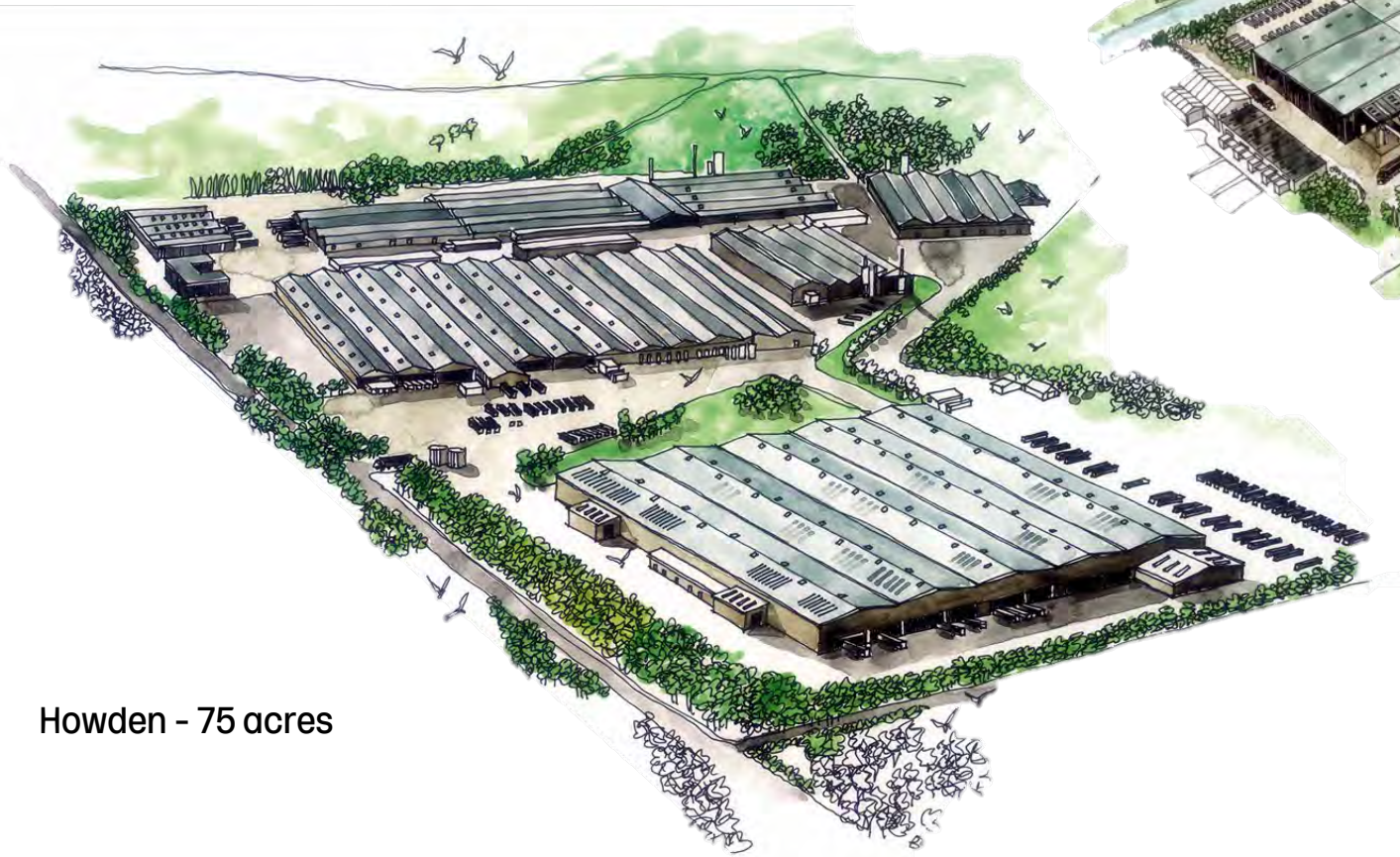


Make or buy to improve cost, supply chain resilience and flexibility

Runcorn - 25 acres



Howden - 75 acres



Making more doors for our kitchen ranges

- Investment to make Hockley kitchen doors in 2019
- Upscaling frontal manufacturing with new line at Howden site
- Operational in 2nd Half 2022



Increasing capacity for architrave & skirting during H1 2022

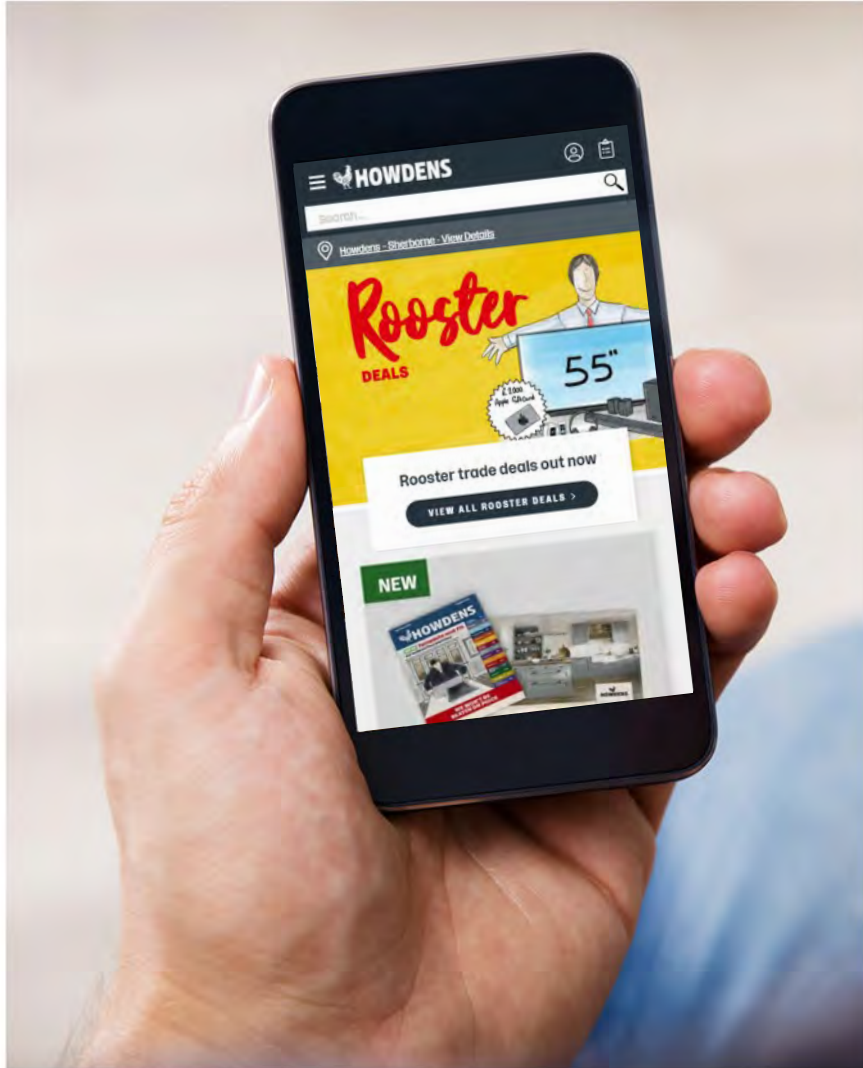


New solid surface capabilities



- Acquired assets of a leading UK fabricator to create Howdens Work Surfaces
- Competitive price vs building new facilities
- Factory now operational with volumes increasing

Digital reinforces our local relationship-based model



DEPOT EVOLUTION



RANGE AND SUPPLY
MANAGEMENT

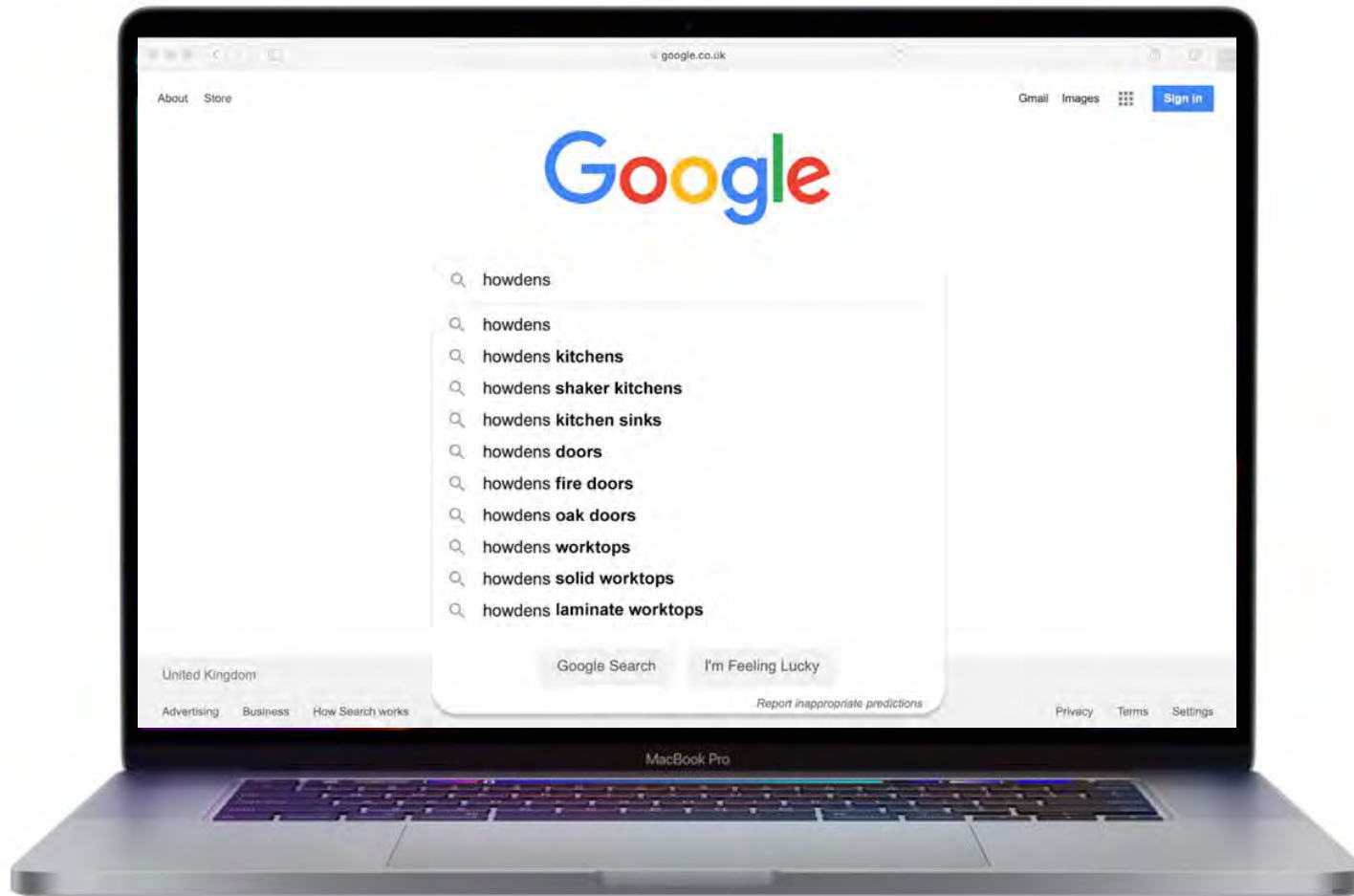


DIGITAL
DEVELOPMENT

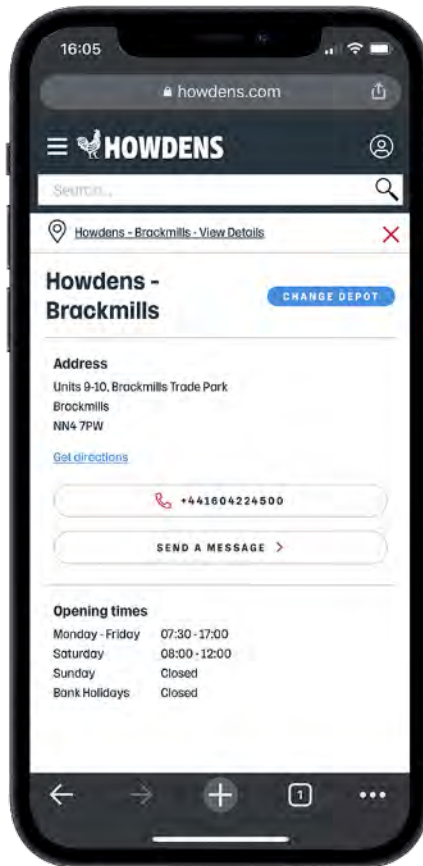


INTERNATIONAL

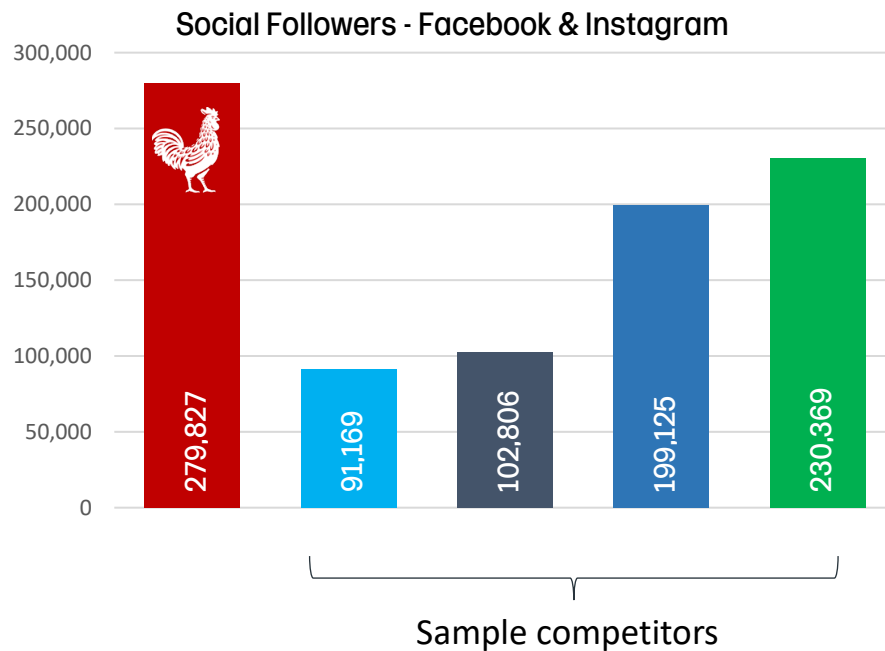
51% more search impressions a month, site visits up 52%



Depot leads via the website up 61% year on year, brochure requests +44%

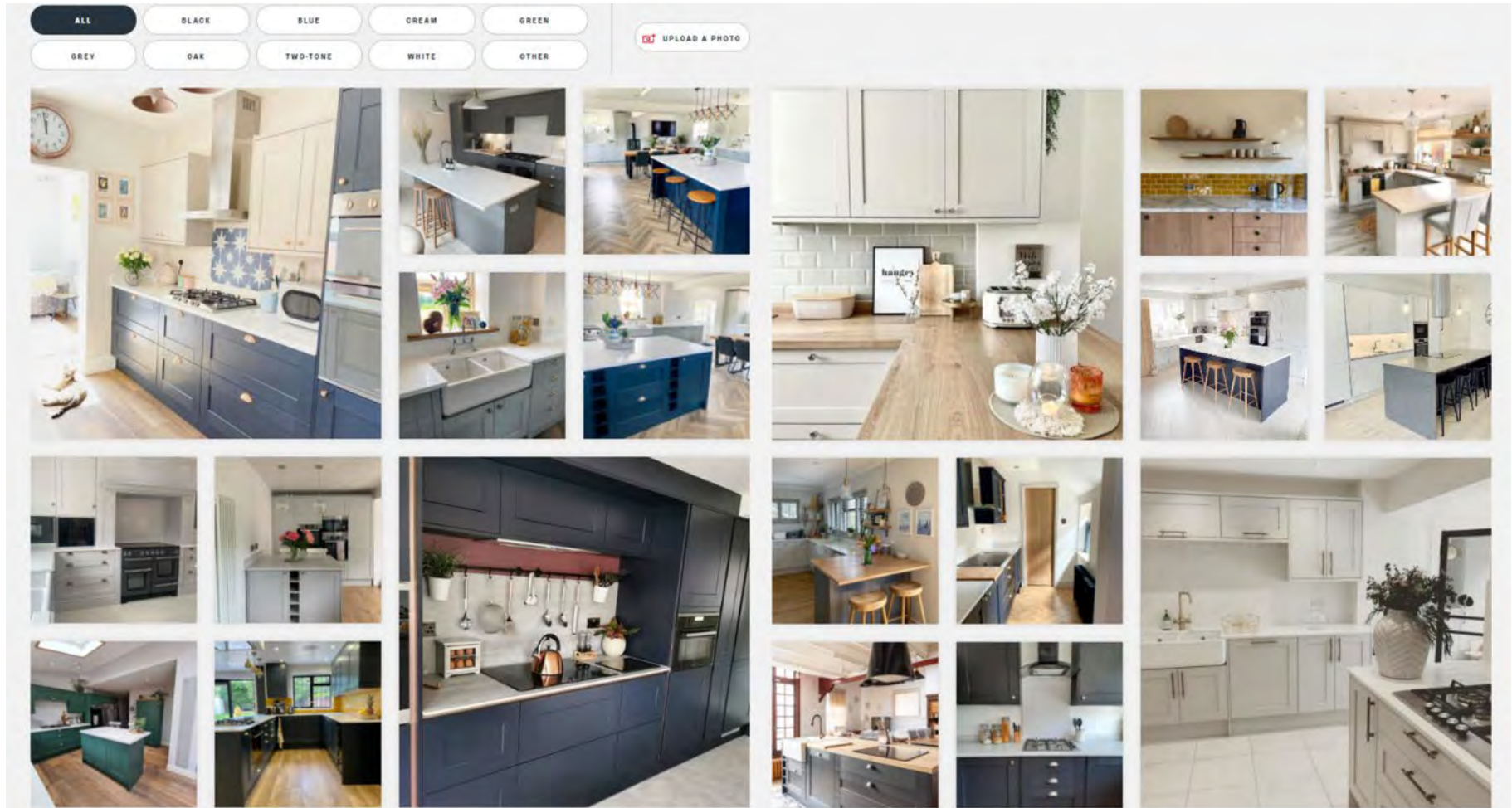


Increasing social media presence

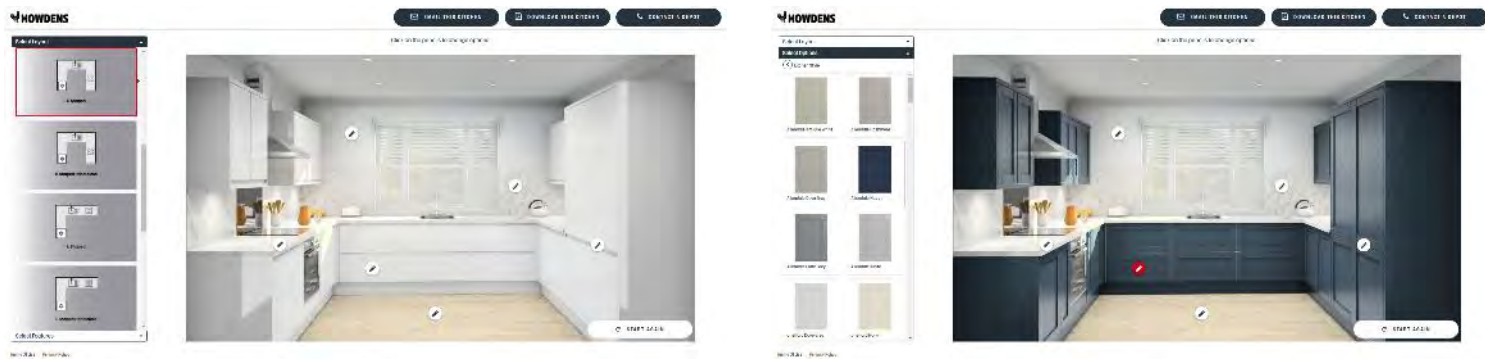
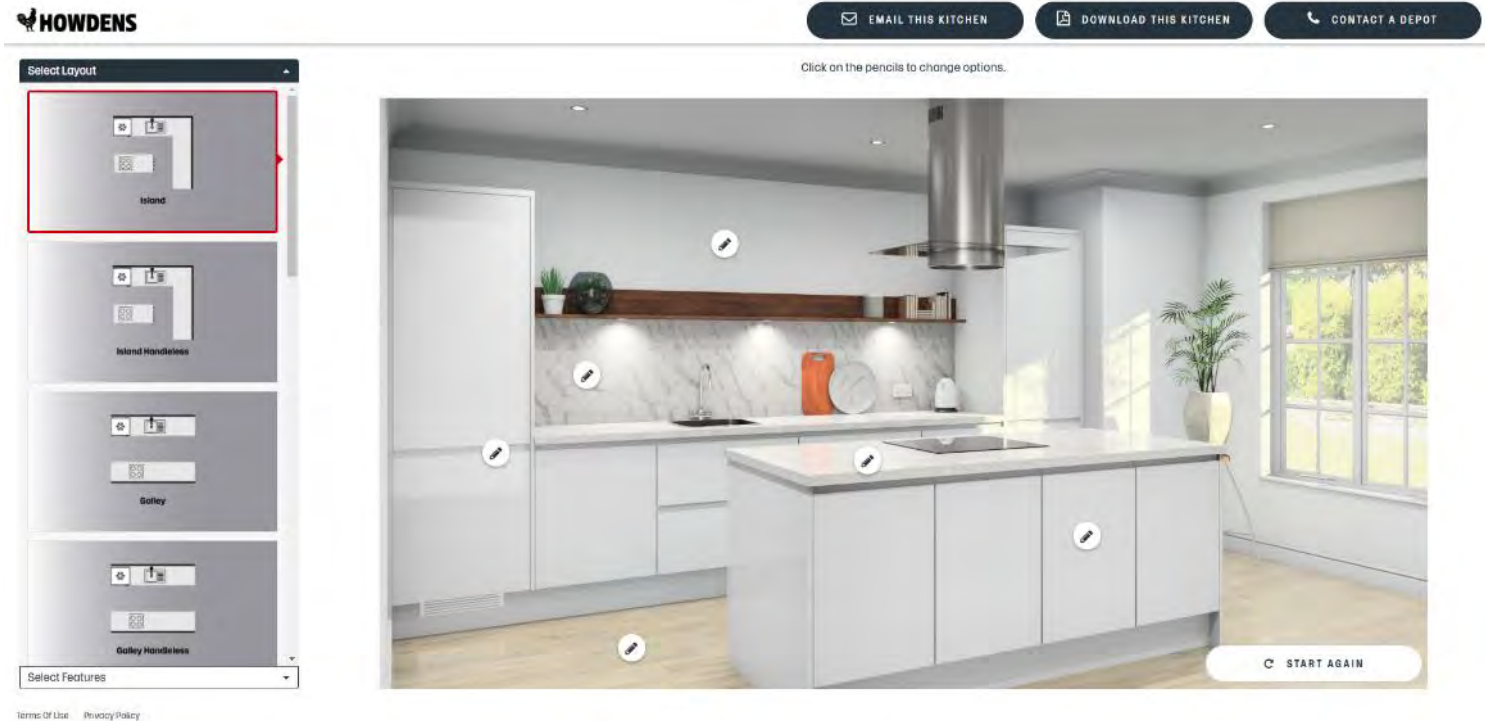


- Follower base 282,000 by end of 1st Half, up 89%
- Reaching over 10.4 million users a month
- With active engagement up 65% year on year

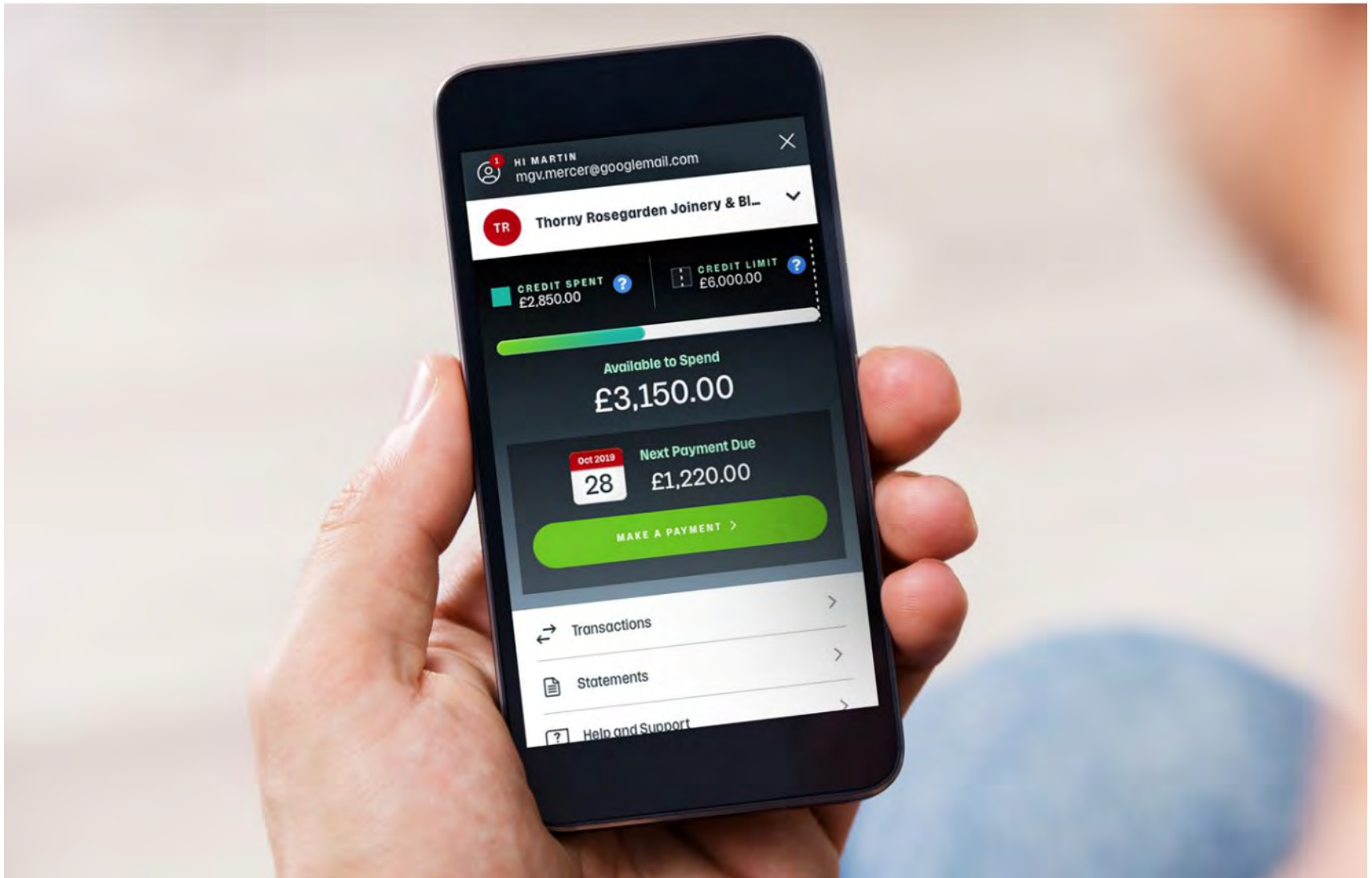
Showcasing our kitchens in people's homes



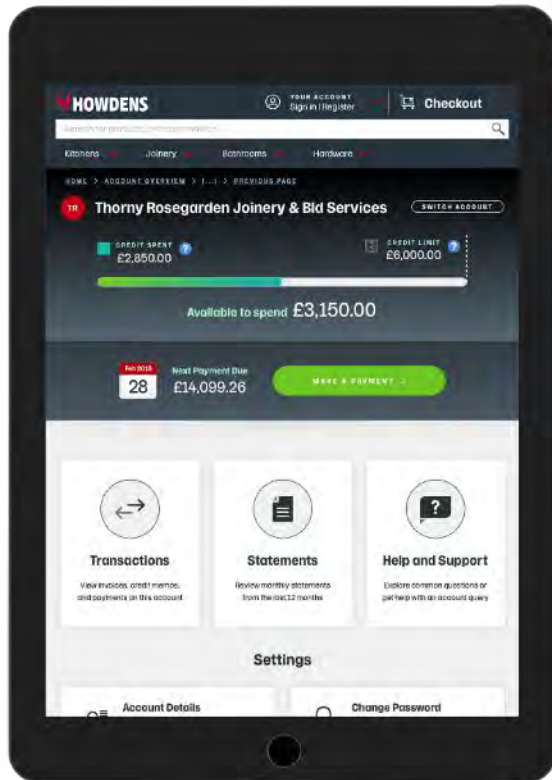
Kitchen visualiser introduced



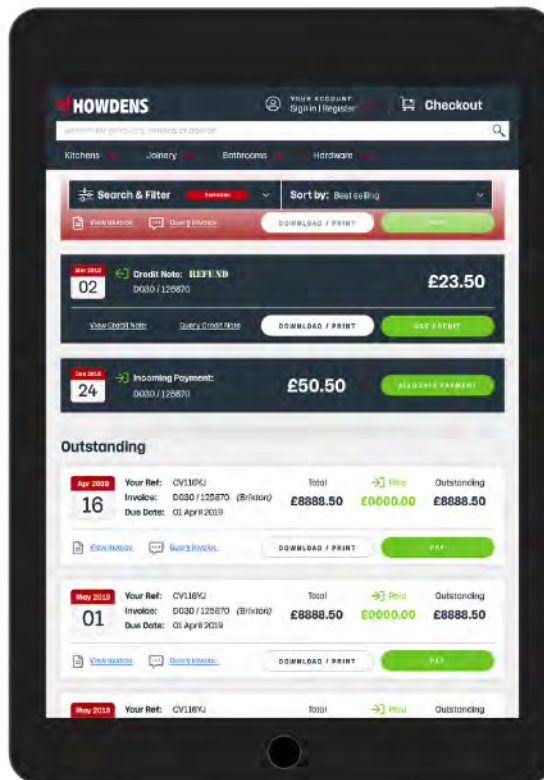
Online Trade account management



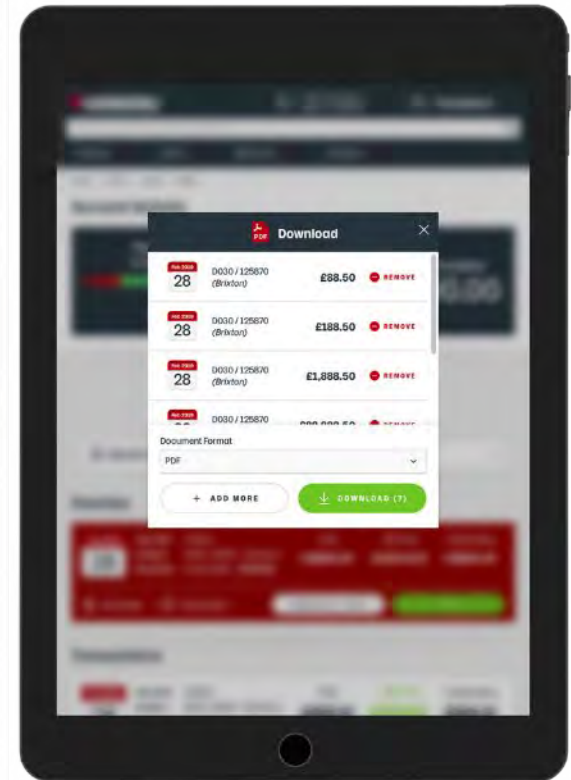
c.40% of credit account holders now on-boarded



Manage accounts and relationship with depot



View credit details and make payments

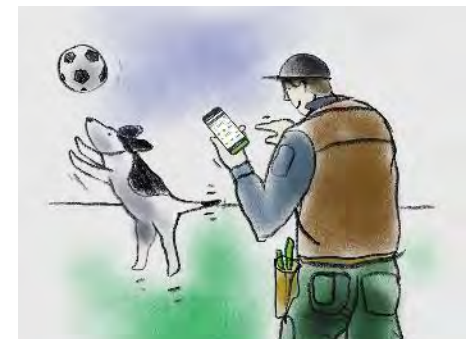
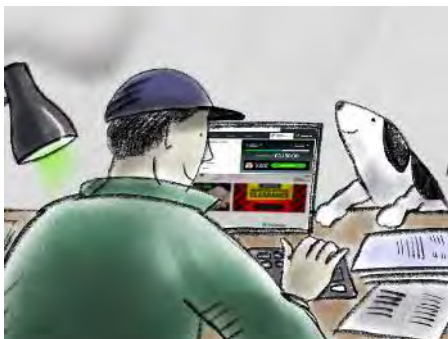


Download invoices and information

Usage across the week and both in and out of hours



- Account holders making payments up 57%
- Users viewing documents up 62%





HOWDENS **TRADE ONLY**

Anytime Ordering

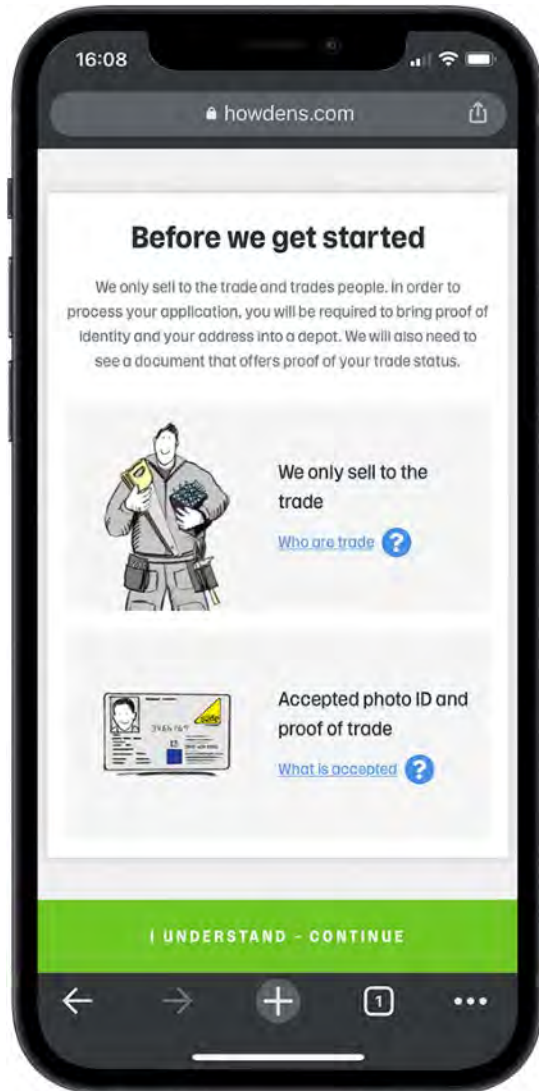
Your confidential trade pricing, available online

The advertisement features a smartphone displaying the Howdens trade pricing app. The app shows a shopping cart for 'Mr and Mrs Jones' with two items: 'Howdens Dull Stone 3" x 3" PRODUCT CODE: 100000' at £69.99 and 'Multi Stock Bricks' at £139.98. The total is £502.95. A green button at the bottom of the app says 'REQUEST QUOTE'. To the right of the phone is a cartoon illustration of a dog jumping to catch a soccer ball, with a tradesman in a hard hat and safety vest looking at his phone. A green banner at the bottom of the ad reads 'ORDER AT HOWDENS.COM'.

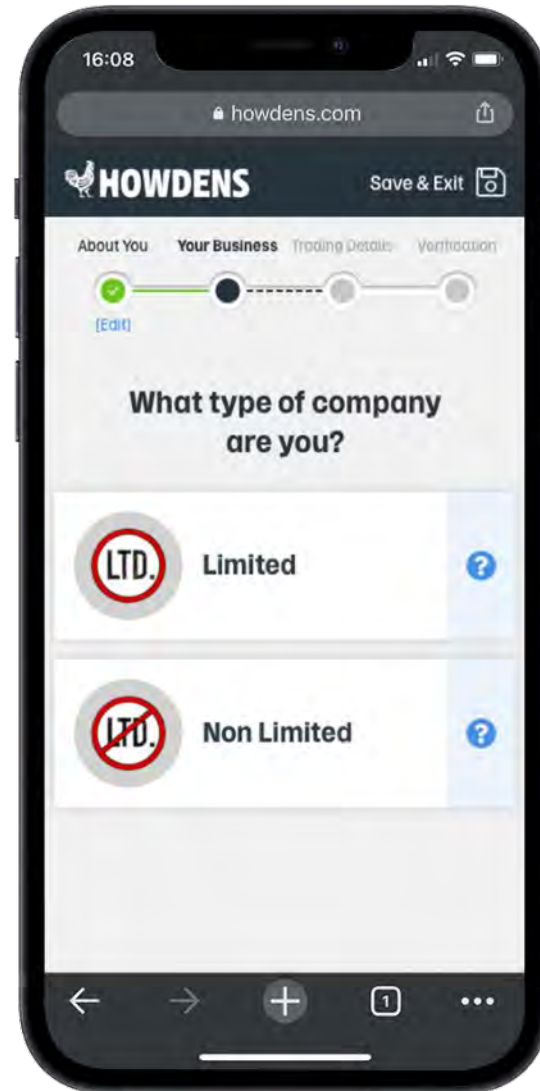
ORDER AT HOWDENS.COM

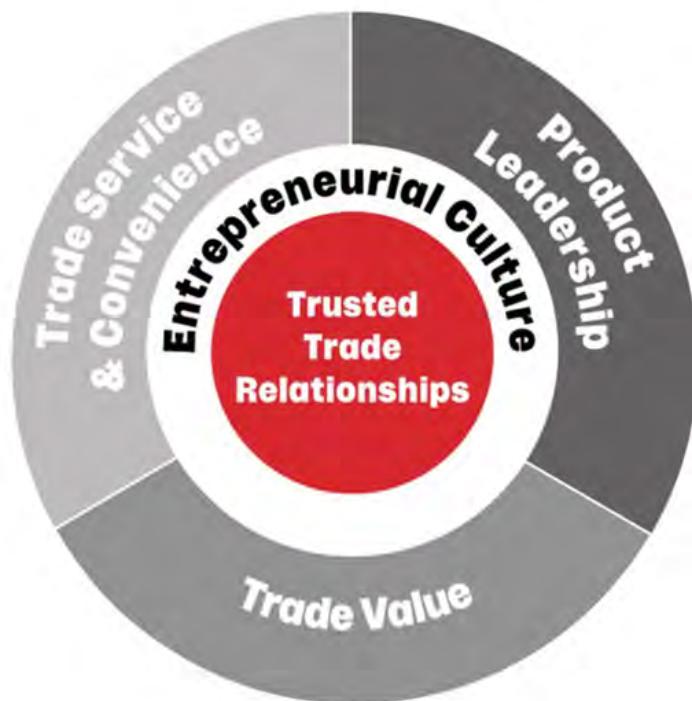
- "Anytime Ordering" launched February
- Major upgrade on "Call & Collect" Service
- Efficiencies for Depots & Customers
 - Bespoke pricing for each customer
 - Account holders can see their prices, order product and quote for jobs out of hours
 - Select a depot collection point and delivery time
- Service integrated with Lead Management System

Digital account application process launched



15% of
new
accounts





DEPOT EVOLUTION



**RANGE AND SUPPLY
MANAGEMENT**



**DIGITAL
DEVELOPMENT**

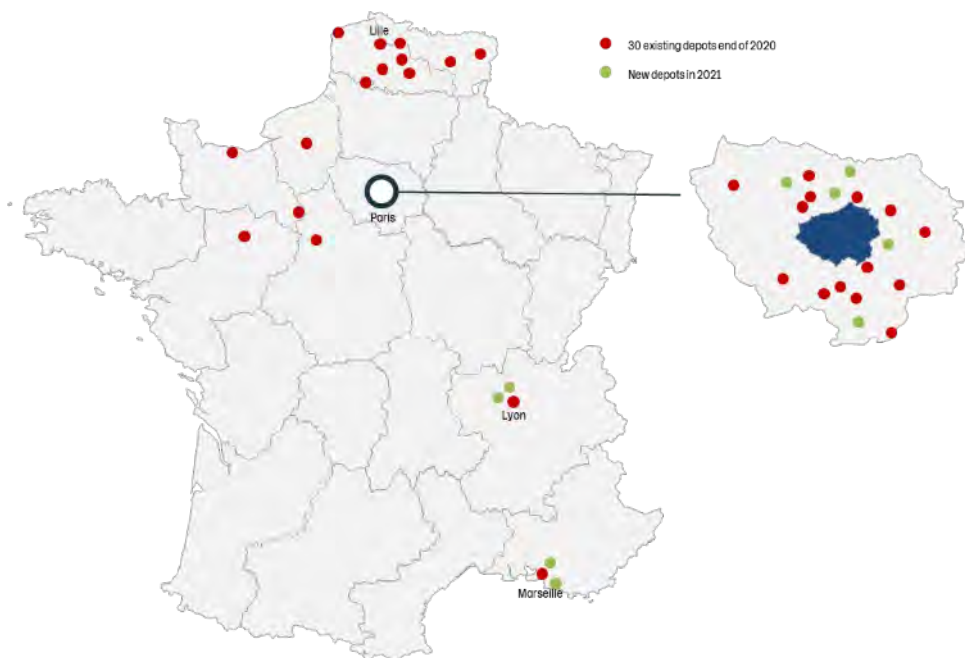


INTERNATIONAL

2020/21 performance gives us confidence to open more depots in France

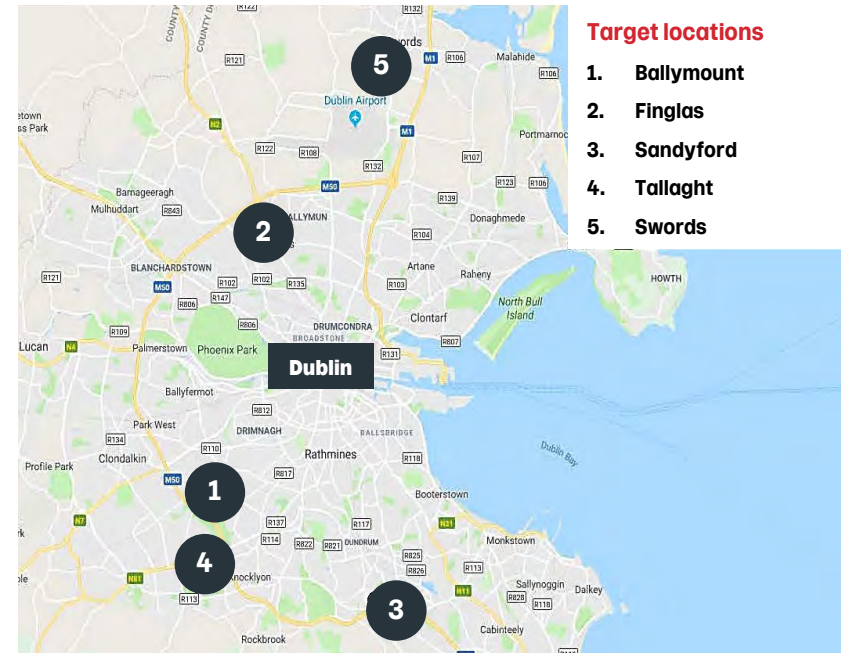


- 1st Half 2021 Sales up 45% on 2019, 77% on 2020
- Customers recognising the advantages of our model
- 4 depot openings last year, taking total to 30 at year end
- 11 depot openings in 2021 planned
- Expect to open more in 2022



Opening for business in the Republic of Ireland

- “City Based” approach as in France
- Initially c.5 depots around Dublin
- All open by end of Q1 2022
- Supported by UK infrastructure and digital platform



- Safety of staff and customers first priority, COVID contingency measures in place
- Operational focus on delivering our plans and peak Autumn trading
- Increased prices, profitable balance between margin and volume with costs aligned
- Stock cover increased
- 2021 ranges on sale earlier than 2020

- Improvements to service & availability by utilising XDCs
- Investments in door, solid surface, and skirting capabilities
- New Digital platform capabilities, with “Anytime Ordering” the centre piece
- Around 35 UK depot openings and 62 revamps
- 11 depot openings in France
- Preparing to open in Republic of Ireland

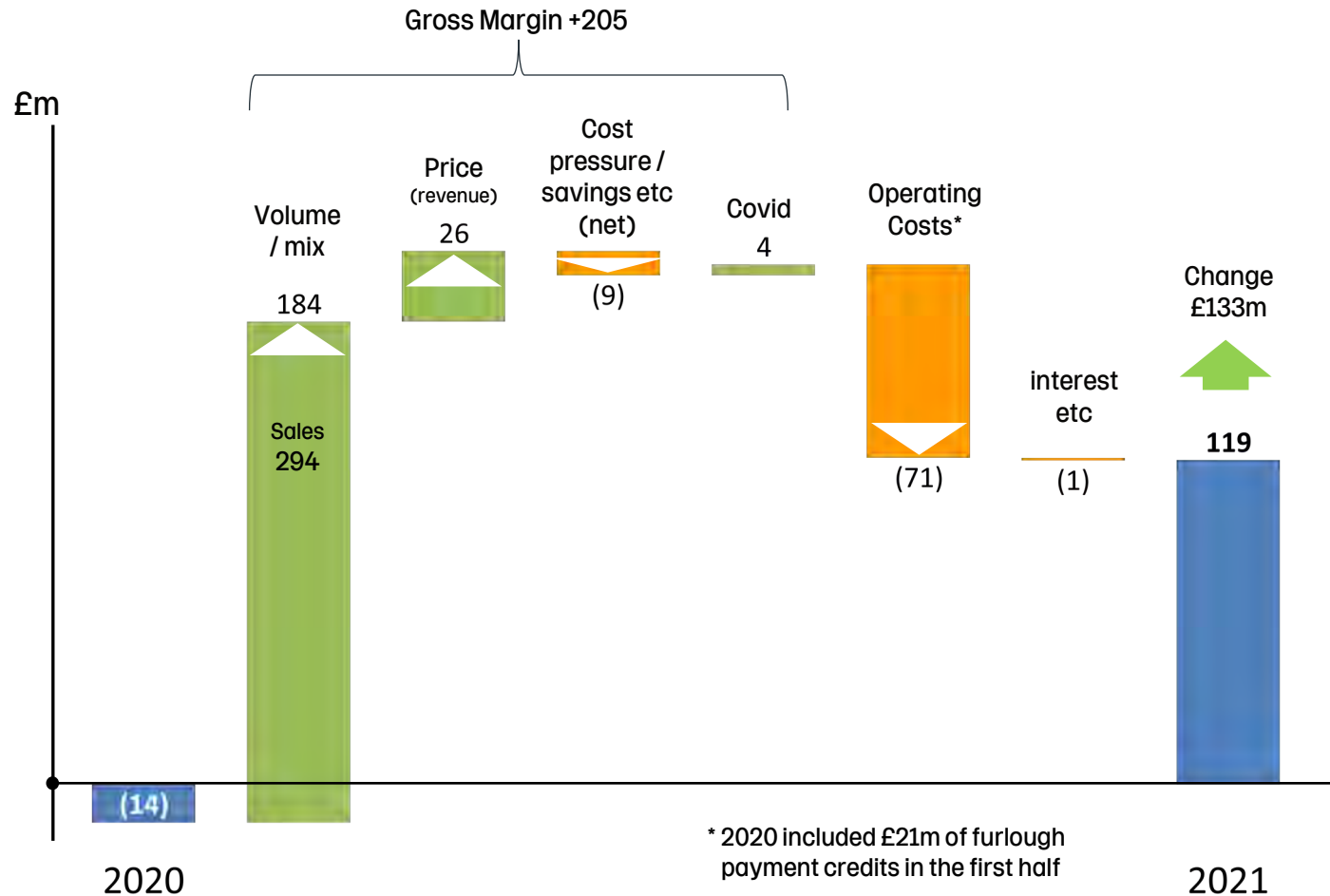


Appendix

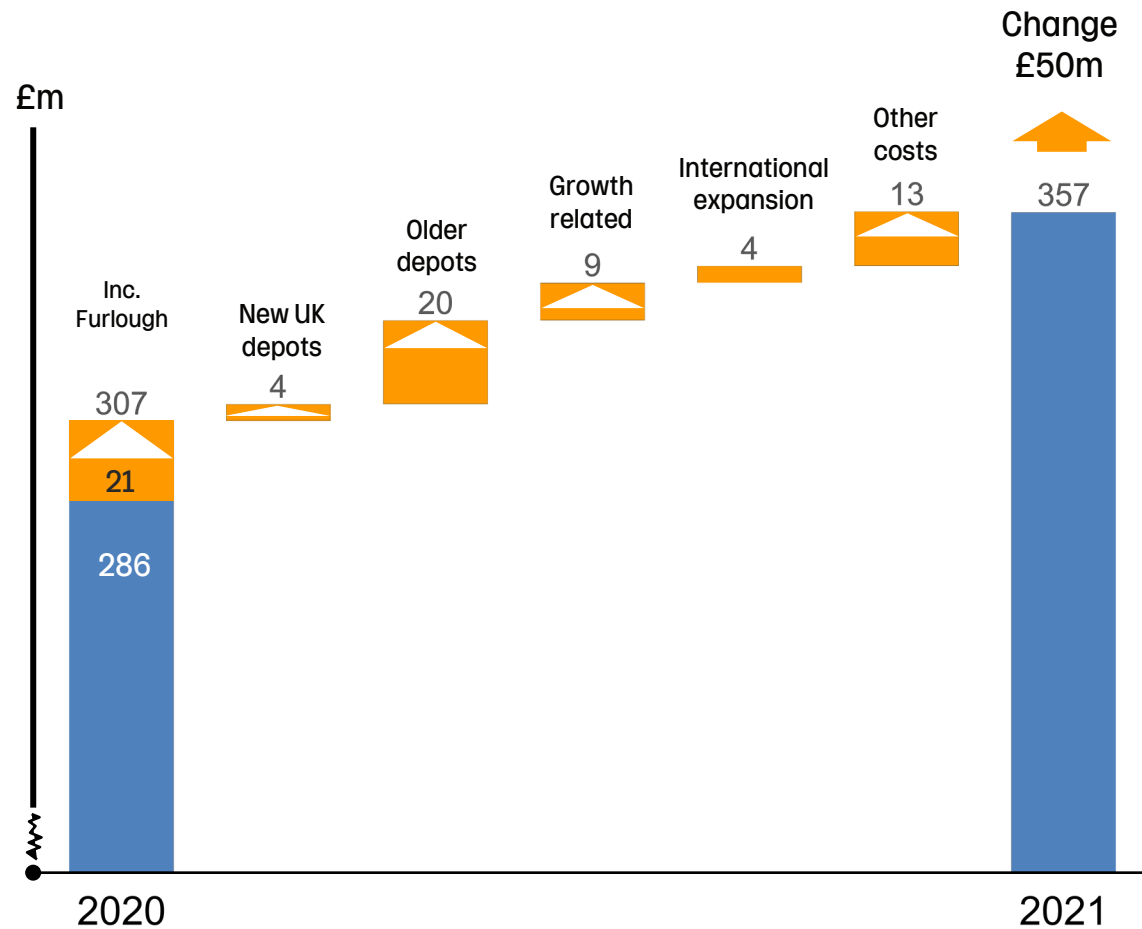
1 year comparison of profit before tax for H1 2021 vs H1 2020

Group gross profit margin

• 2020: 59.4% • 2021: 61.3%

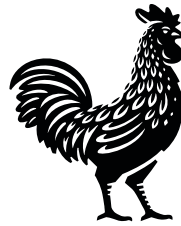


1 year comparison of Operating Costs of H1 2021 vs H1 2020



Pension Scheme moves into surplus





HOWDENS

2021 Half Year Results

22 July 2021