



2022 Interim Results

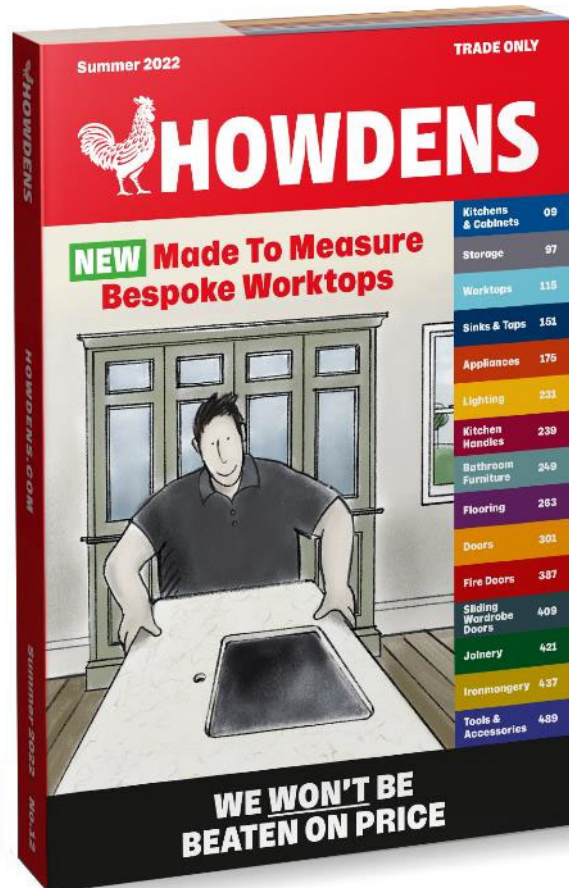
21 July 2022



Andrew Livingston

Chief Executive Officer

A strong first half performance



Record Sales & Profit for the 24 weeks

- Group Sales c.+16% on 2021 and c.+40% on 2019
- Profit increased at a higher rate than revenues
- Gross profit margin ahead of 2021

Progressed our strategic plans for the business and our ESG agenda

Strong cashflow generation and robust balance sheet

- Increased interim dividend and accelerated execution of £250m share buy-back programme

Strength of our in-stock model founded on local relationships

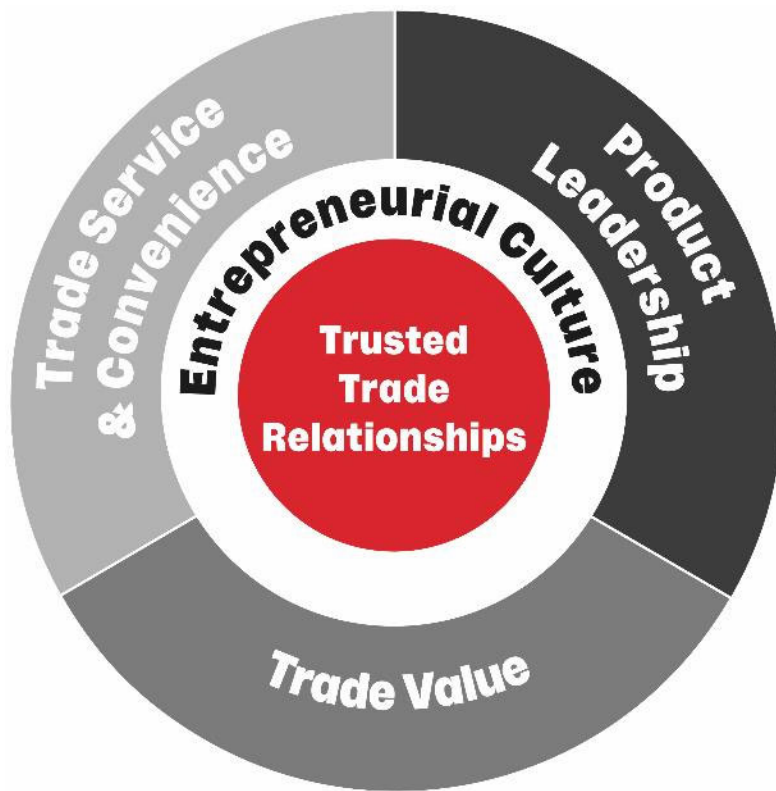
Performance reflects:

- Combination of strong product line-up, high stock availability & very engaged team
- Plus ongoing investment in customer focussed strategic initiatives
- Raised prices helped combat cost increases
- Increased volumes, following the record volumes delivered last year
- Enhanced trust in our stock availability amongst customers & improved service



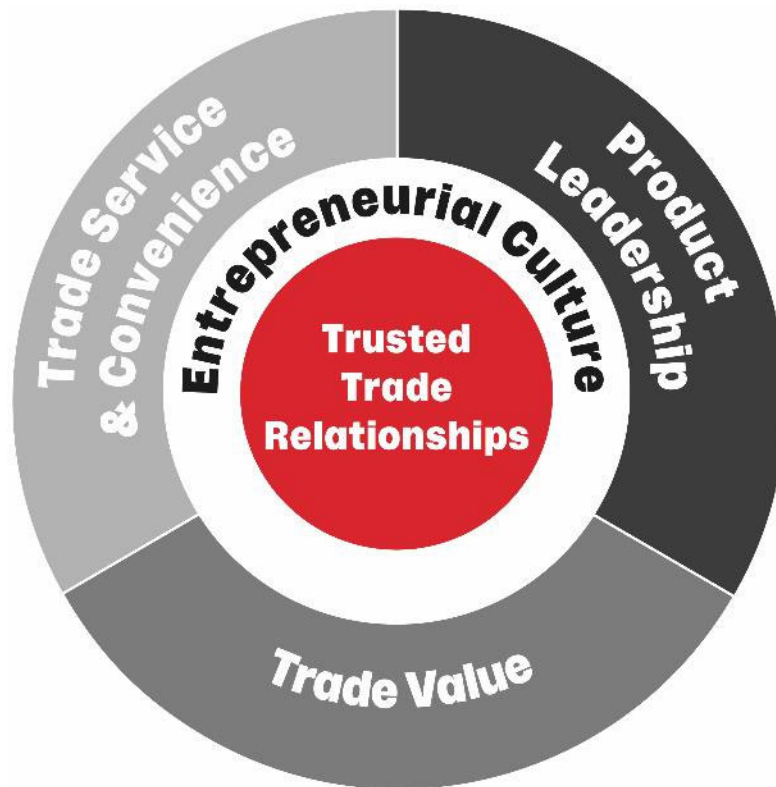
Robust business model across changing market conditions

- UK sales in P7 +8% on 2021, +44% on 2019
- Prevailing macro economic conditions may mean more demanding trading conditions overall than in 2nd Half of 2021 (H2 2021 sales +21%)



- Model capable of delivering sustainable market share gains across changing conditions
- Opportunity is larger than we thought
- Investing in business commensurately

Initiatives to increase volumes & profits



DEPOT EVOLUTION



**RANGE AND SUPPLY
MANAGEMENT**



**DIGITAL
DEVELOPMENT**



INTERNATIONAL



Paul Hayes
Chief Financial Officer

Strong performance in the first half

£m	HY 2022	HY 2021	HY 2019
Revenue	913.1	784.9	652.6
Gross Profit	565.0	481.0	404.2
<i>Gross margin %</i>	61.9%	61.3%	61.9%
Operating costs	(415.9)	(356.7)	(326.9)
Operating profit	149.1	124.3	77.7
<i>Operating margin</i>	16.3%	15.8%	11.9%
Net interest	(4.1)	(5.1)	0.4
Profit before tax	145.0	119.2	78.1
Tax	(30.7)	(22.1)	(16.4)
Profit for the period	114.3	97.1	61.7

- Strong financial performance ahead of pre-COVID levels
- Continued market share gains
- Gross margin reflects pricing increases offsetting higher input costs due to inflation
- Operating costs support higher volumes and strategic investment to drive growth

Revenue growth

UK (£m)	H1 2022	H1 2021	Growth
Revenue	889.3	764.1	+16.4%
Same depot basis	866.9	763.5	+13.5%
Number of depots	788	754	

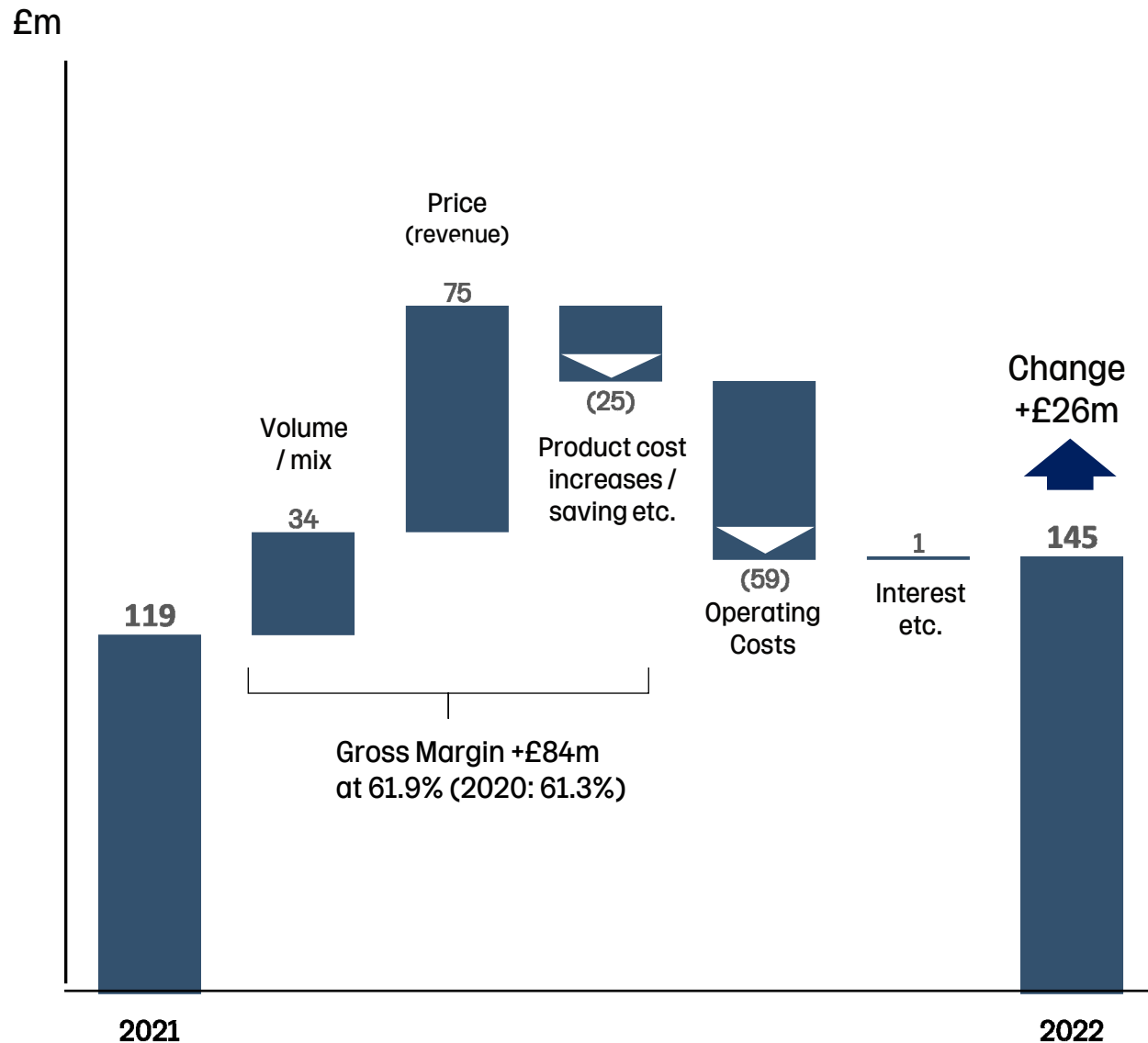
- UK underlying volume growth, benefit of new and revamped depots
- Sales growth includes Howdens Work Surfaces and further progress on higher priced ranges

International (€m)	H1 2022	H1 2021	Growth
Revenue	28.2	23.8	+18.5%
- excluding closed depots	27.5	21.1	+30.3%
Same depot basis	25.0	21.1	+18.5%
Number of depots	43*	30	

- Continued France development with 7 new depots
- First depot in the Republic of Ireland opened in April

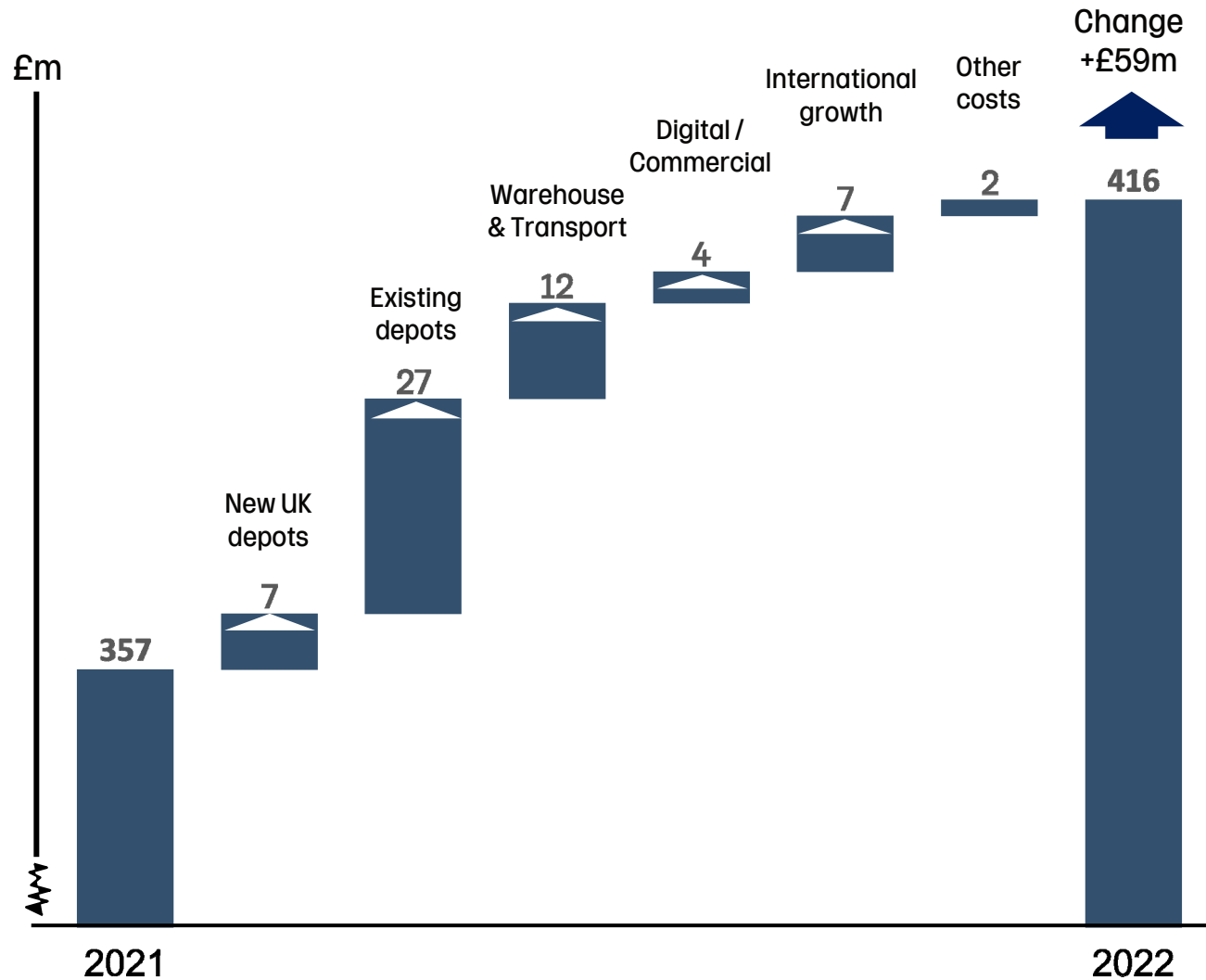
*the Group closed 5 depots in France and opened one depot in the Republic of Ireland in the period

Profit before tax



- Continued volume growth
- Early implementation of price increases benefited H1 performance
- Higher input costs include commodities, freight, transport and energy
- Ongoing investment in operating costs to support additional volume and drive ongoing growth initiatives

Operating costs



Operating costs include:

- 10 new depots in the UK
- Higher activity levels in existing depot network
- Additional warehousing and transportation investment for future growth
- Ongoing investment in digital and promotional / marketing
- New depots in France and Republic of Ireland

Cashflow

£m	H1 2022	H1 2021
Opening net cash	515.3	430.7
Operating cash flows*	209.2	177.8
Working capital	(104.0)	(27.5)
Capital expenditure	(46.0)	(23.8)
Acquisition**	(24.6)	-
Tax paid	(42.4)	(40.1)
Dividends	(88.9)	-
Share repurchases	(139.5)	-
Pension deficit contribution	-	(16.4)
IFRS16: Repayments & Interest paid	(30.9)	(27.0)
Other	1.5	2.5
Closing net cash	249.7	476.2

- Working capital movements:

Inventory	£(112)m
Receivables	£(14)m
Payables	£23m
- Investment in stock to de-risk our in-stock model ahead of H2 peak trading period
- Sheridan solid worksurface business acquired in February
- Strong returns of £228m to shareholders

* Before movements in working capital

** £14.6m for the acquisition of the Sheridan's business (net of cash acquired), £10m for the site

Other financial matters

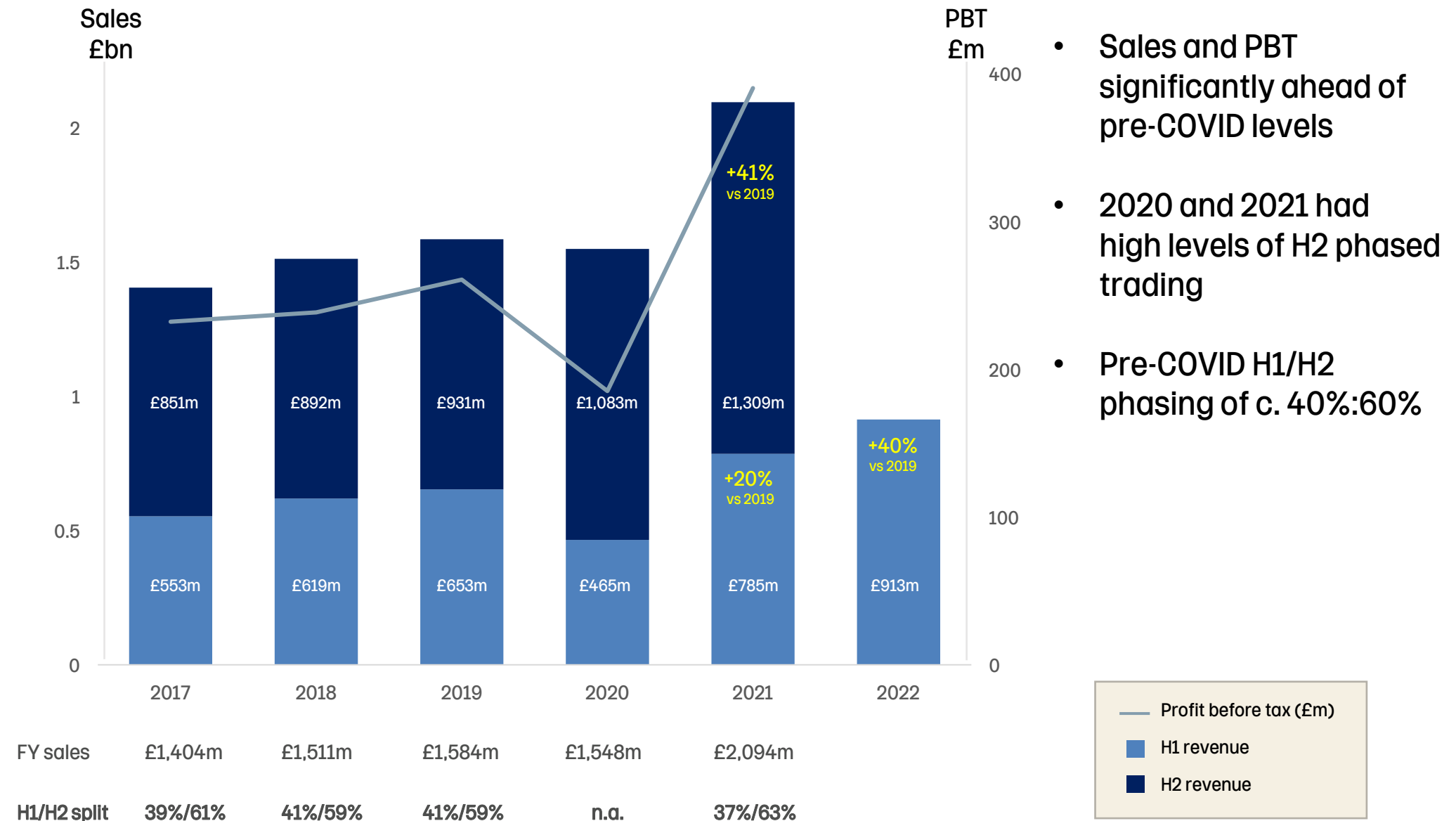
	H1 2022	H1 2021	Change
Basic earnings per share	19.6p	16.4p	+19.5%
Interim dividend per share	4.7p	4.3p	+9.3%

Pension scheme:

- £1.2bn pension scheme with £144m surplus (IAS 19)
- No contributions to date as scheme is in a small technical surplus
- £2.5m per month scheme contributions would resume if scheme moves into deficit position for > 2 months

Capex guidance for 2022 of £130m

Sales and PBT over last 5 years



Summary

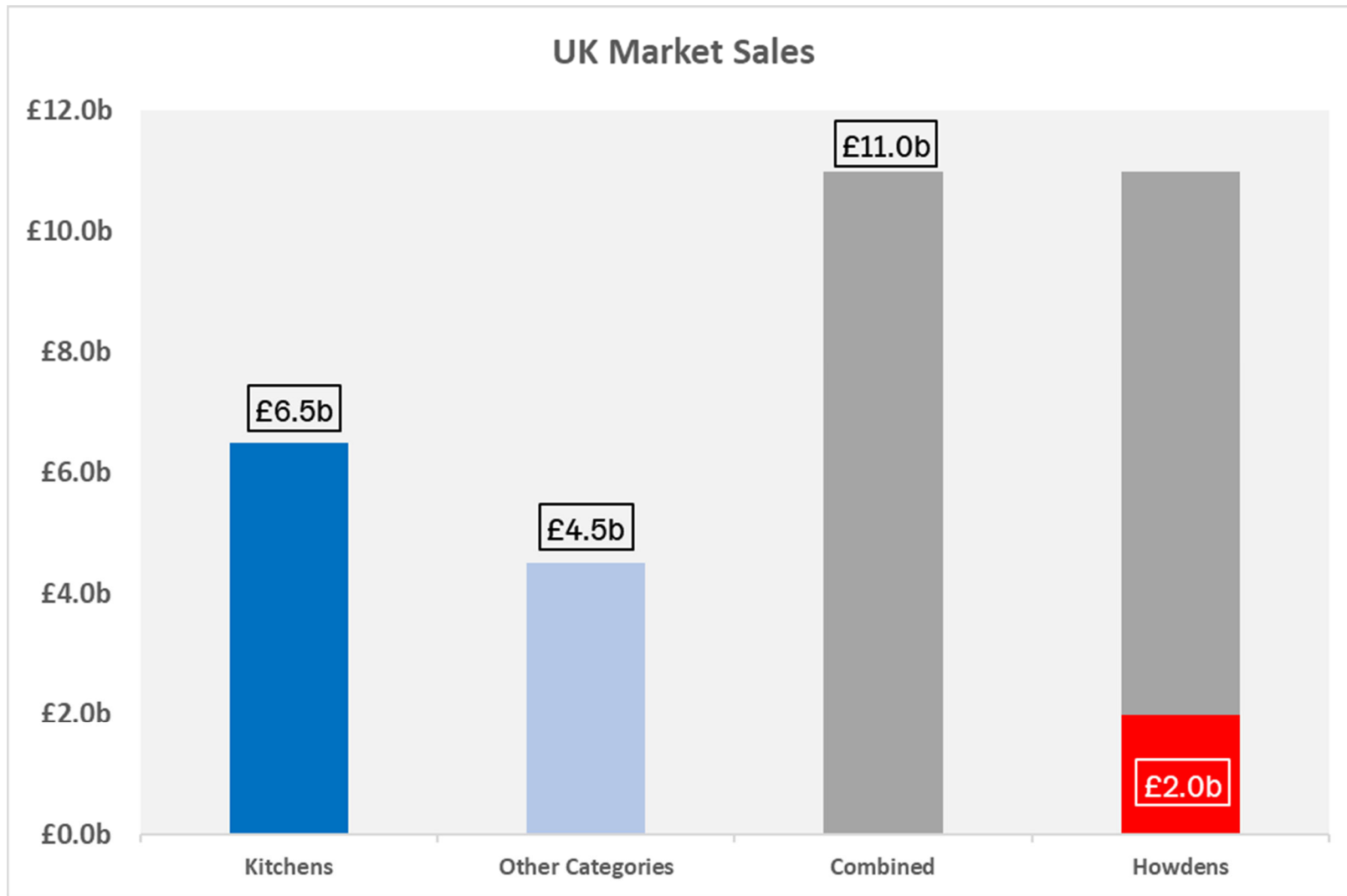
- Strong financial results
- Continued investment in our strategic initiatives
- Good momentum into H2 and confident in our business model for the future



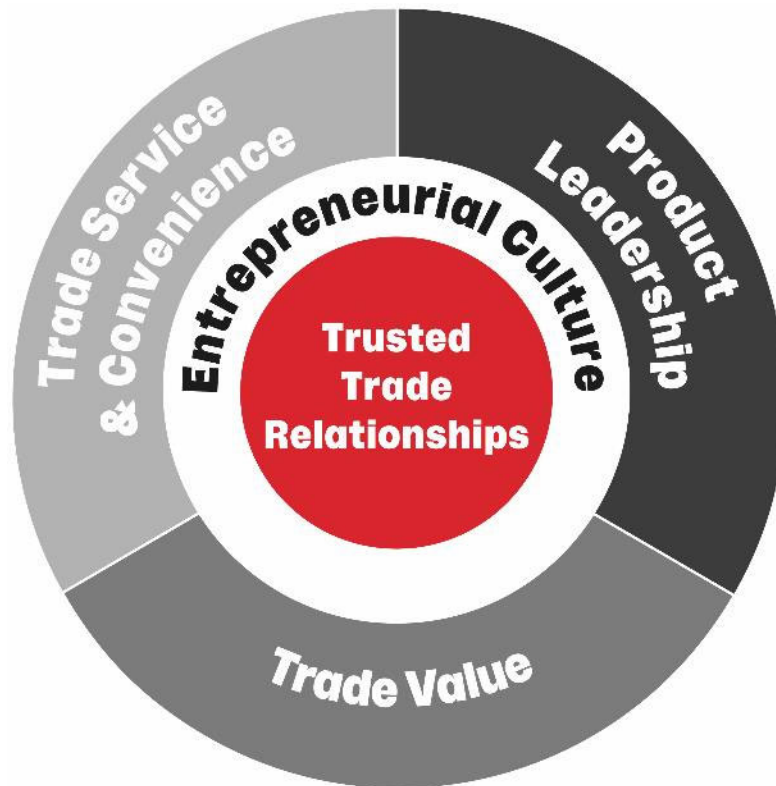
Andrew Livingston

Chief Executive Officer

Significant opportunity in large markets



Initiatives to increase volumes & profits



DEPOT EVOLUTION



**RANGE AND SUPPLY
MANAGEMENT**

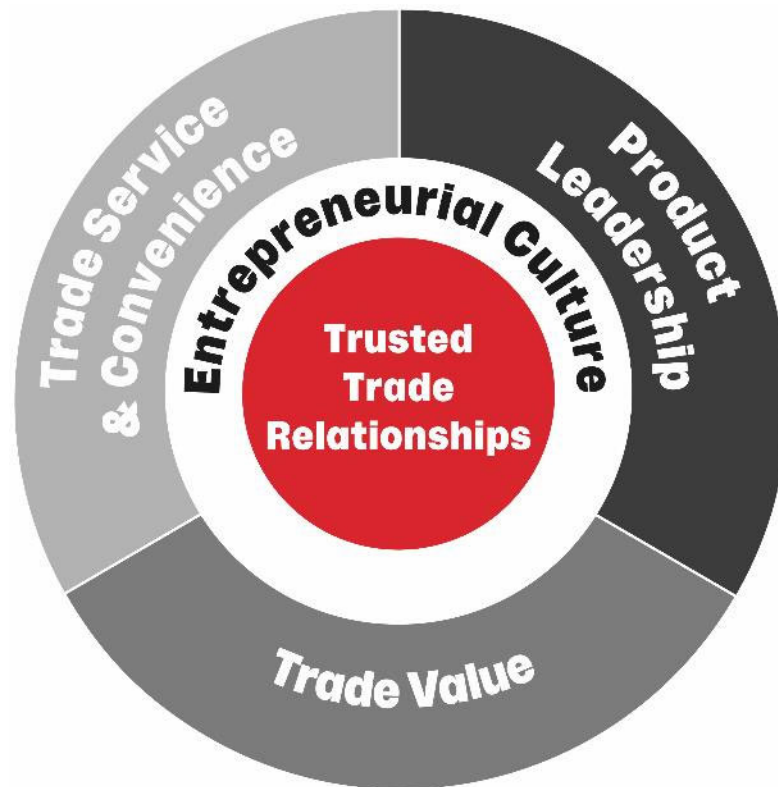


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Initiatives to increase volumes & profits



DEPOT EVOLUTION



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MANAGEMENT**

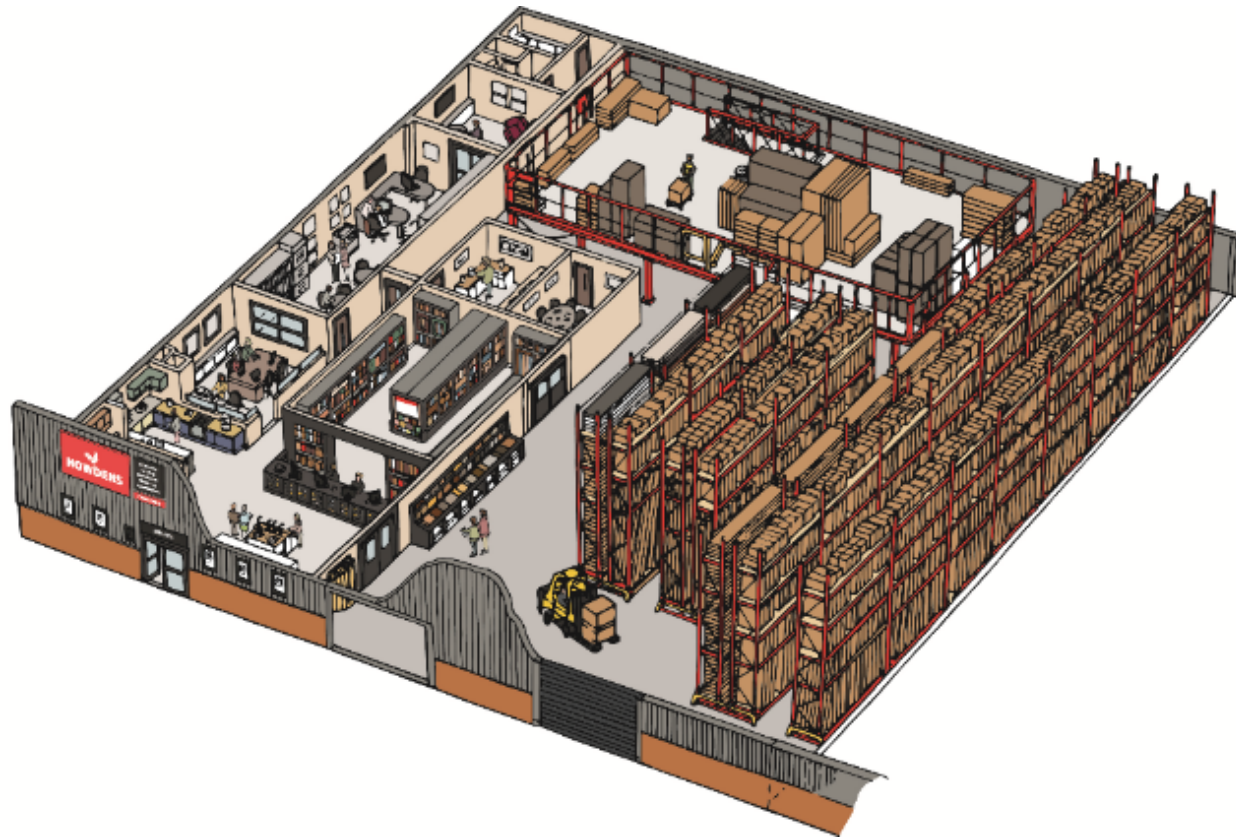


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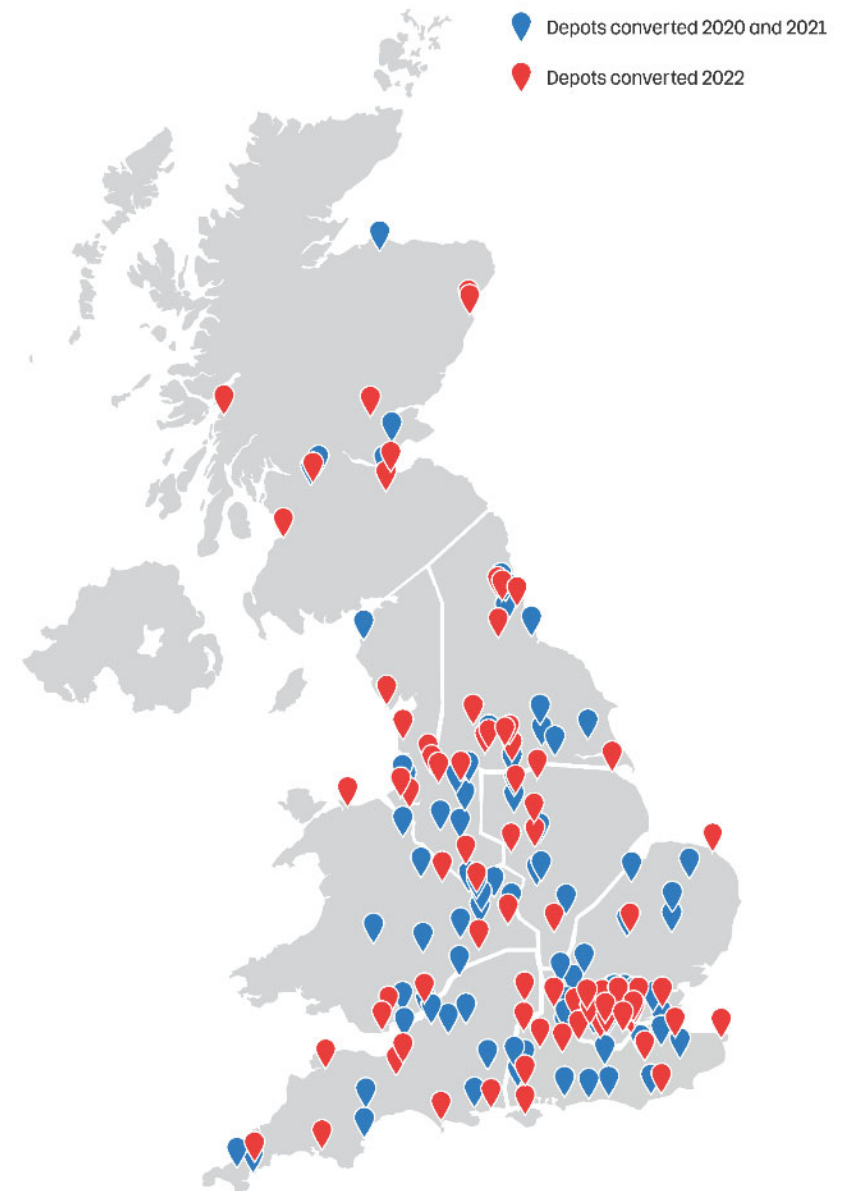
Extending the UK footprint - High service levels valued by customers



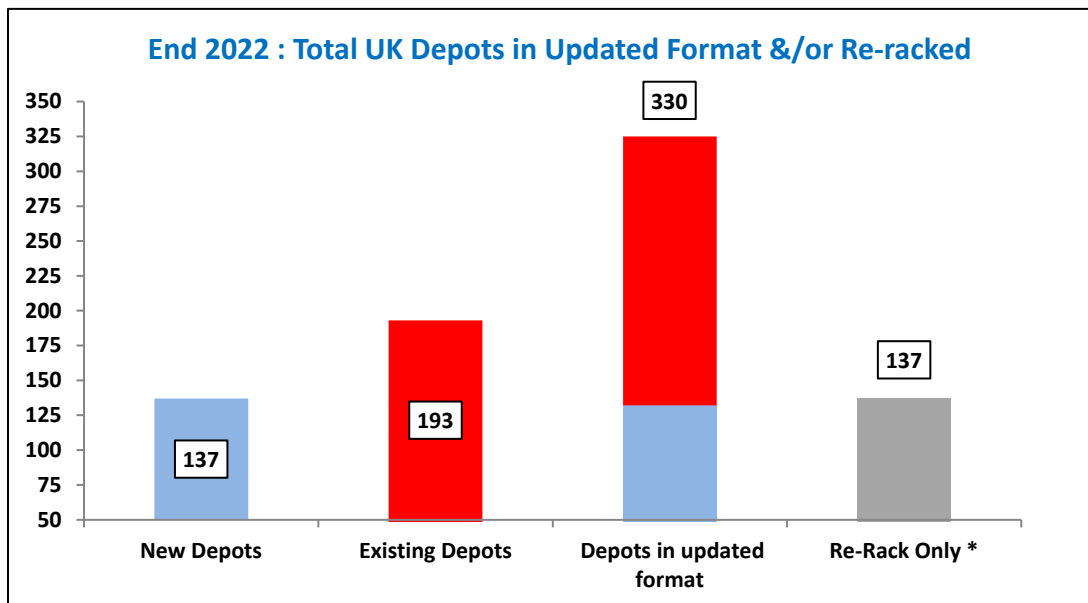
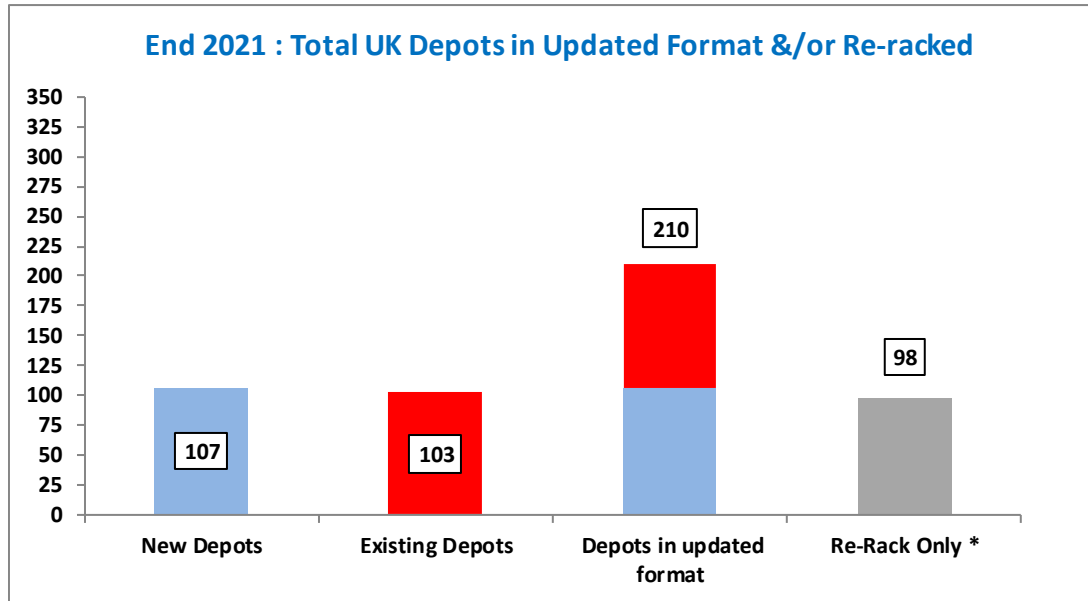
- Cost effective updated format
- Testing new smaller sized format (increase site options & for local infills)
- Scope for c.1,000 depots in the UK, plan to open c.30 in 2022

Converting more existing depots to the updated format

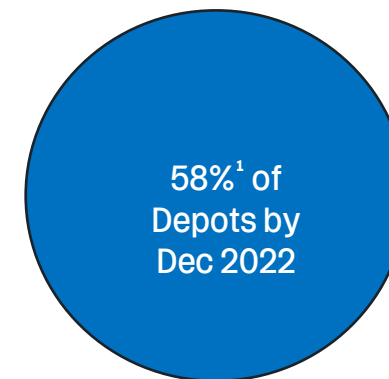
- Focus on older depots with most incremental sales potential
- Positive feedback from depot teams and customers
- 103 depots reformatted by end of 2021
- Average cost per depot of £275k going forward
- Investment to be recouped in less than 4 years
- Depots motivated to deliver incremental sales (local P&L charged for revamp costs)
- Plan to convert a total of 90 depots in 2022 (34 completed in H1)



Depots trading in updated format and re-racked depots

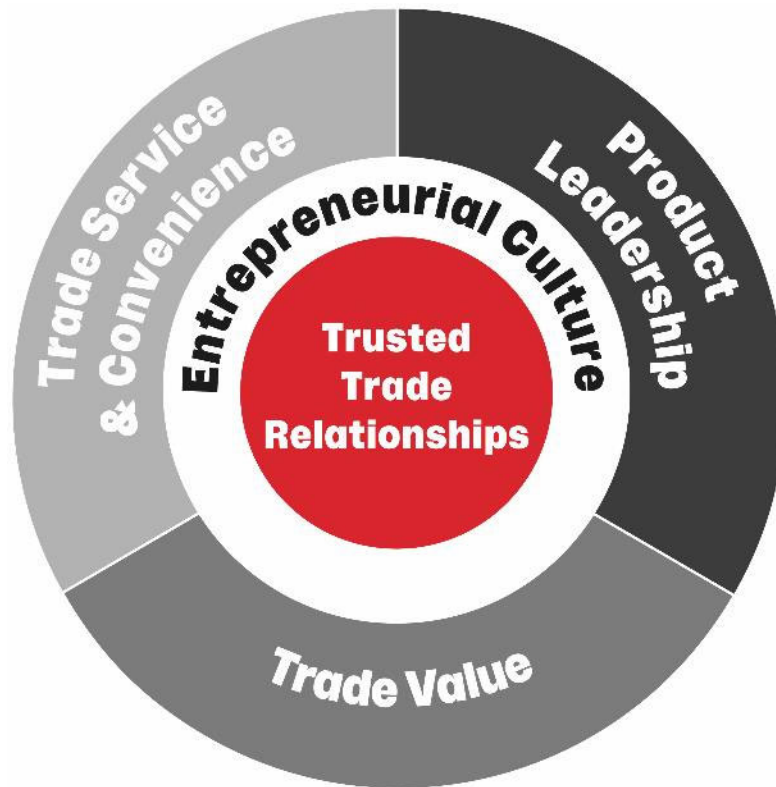


**Number of re-racked depots excludes such depots subsequently re-formatted*



¹ 467 UK depots trading in updated format/re-racked by end of 2022 out of 808 depots

Initiatives to increase volumes & profits



DEPOT EVOLUTION



**RANGE AND SUPPLY
MANAGEMENT**



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Disciplined range management for best availability and profitability

- Re-organised range architecture and removed duplications in recent years
- Plus improved balance between introductions and discontinuations
- More efficient way of testing new kitchen colours and finishes adopted
- 2022 line-up includes several from these tests
- Managing to around 80 ranges in 2022, organised in nine kitchen families



"NPI" is a significant contributor to our competitive position



- Customers value and expect new product from us
- 19 new kitchen ranges in 2022 to date
- More emphasis on higher priced kitchens
- Making most popular styles accessible to all budgets
- Innovative product for other categories

New entry priced Shaker family, Witney



Witney

Dove Grey Kitchen

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

ALSO AVAILABLE IN



New colours for timber Shaker families



New colours for timber Shaker families



New colours for timber Shaker families



New In-Frame solution



Refreshed look for our most successful families

HOCKLEY WALNUT AND MARINE BLUE

INSPIRED BY GERMAN DESIGN

PERSONALISED | MULTI-FUNCTIONAL | RICH TEXTURES

The rich, warm hues of Marine Blue work beautifully to enhance the walnut timber effect for a confident, modern style. Pair with black accents for added intensity.

Maximise functionality with lifestyle zones to create a true multi-functional kitchen, inspired by German precision.



Hockley Textures Walnut and Super Matt Marine Blue with Reeded Base Units



Hockley Textures Walnut and Super Matt Marine Blue with Brass Handles

Acquired Sheridan, a leading provider of solid surface worktops



- Helps develop Howdens Work Surfaces as market leading supply and fit business
- Growing market segment in which Howdens was under-represented
- Supports plan to sell more higher priced kitchens

Developing a market leading solid surface capability



- More of solid surface capability in-house, with associated margin benefits
- HWS now available in all regions
- Orders increased significantly period on period in 1st Half

Market-leading product introductions in other categories



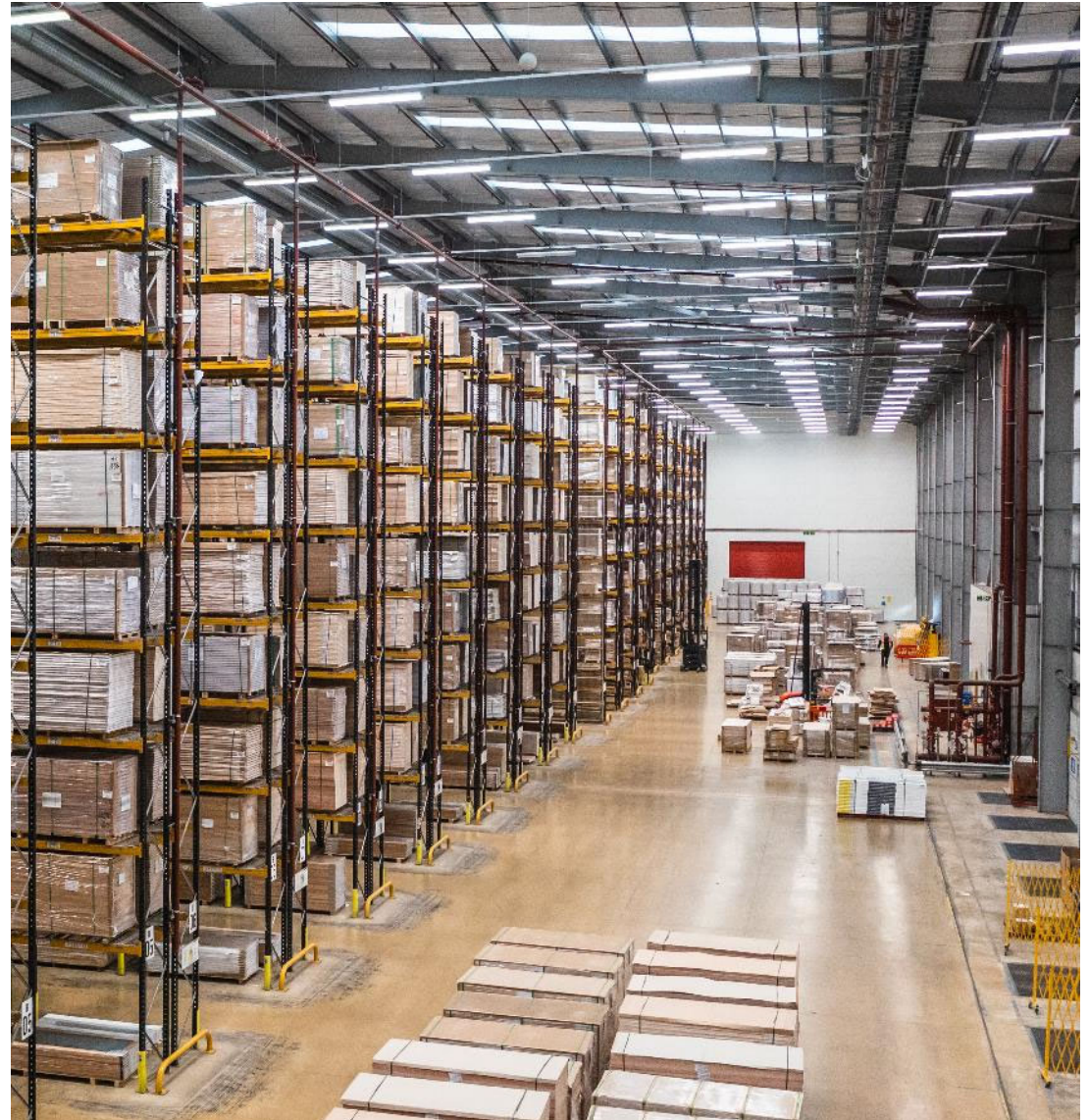
Sales of new product (“NPI”) a significant contributor to H1 Sales



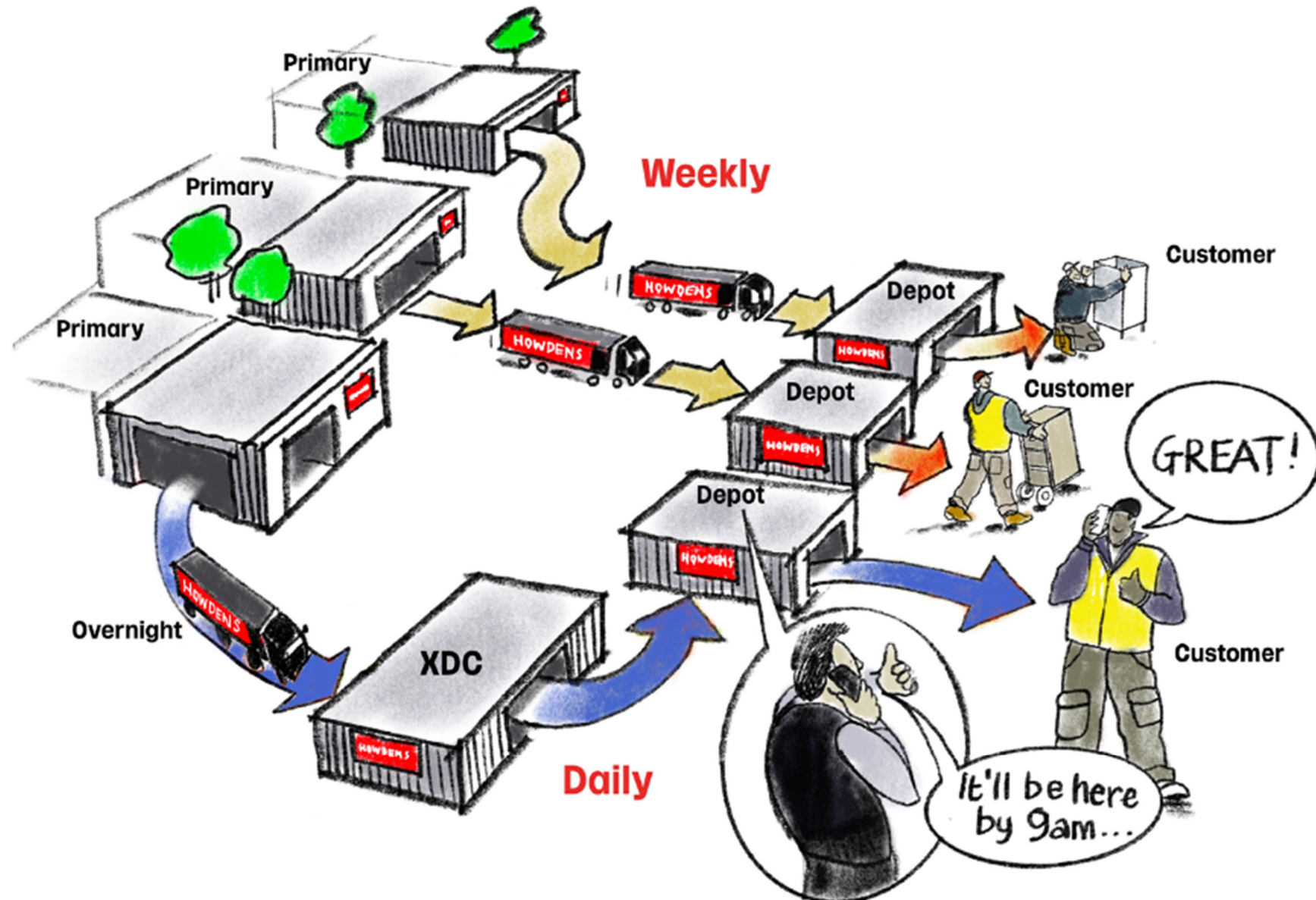
- Total sales of new product introduced in 2021/2022 represented around c.17% of UK sales in the 1st Half
- Sales of product launched in H1 2021 c.+200%
- Sales of 2022 NPI alone up some 48% on NPI for the same period in 2021
- Higher priced kitchens contributed more to our kitchen mix by volume than in H1 2021
- The mix change contributed to a significant percentage increase in average kitchen invoice value

Protecting our in-stock offer against supply chain disruption

- Continued with 2021 policy of holding enhanced levels of safety stock
- Heightened emphasis on stock manufactured in-house
- Significant engagement with Supply base
- Inbound logistics for 75% of bought-in SKUs managed in-house - high visibility on stock flow
- Multi-modal freight routes used to minimise disruption and optimise delivery times

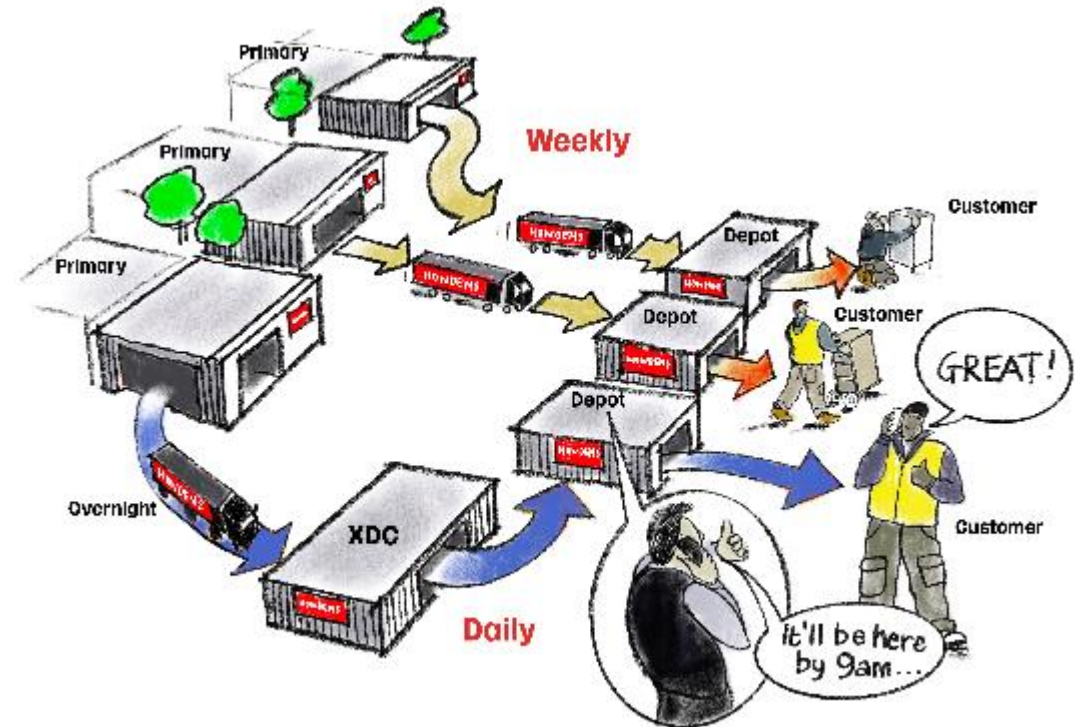


Using XDCs to facilitate high stock availability



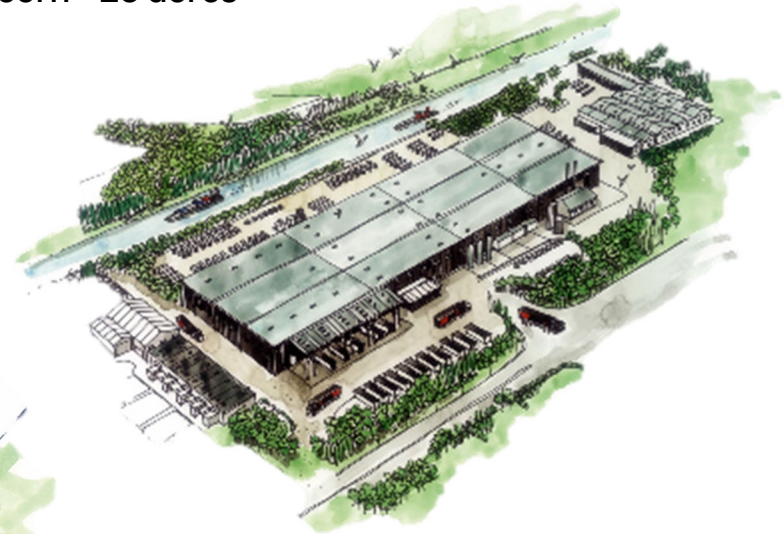
XDC: Rebalancing stock levels and delivery pattern of some lines for best availability

- Depots can hold deeper stocks of 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 c.530 depots by end of 1st Half
- Available to at least 725 depots by year-end (325 added in the year)



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

Runcorn - 25 acres



Howden - 75 acres



Making more doors for our kitchen ranges in 2022

- Investment to make Hockley kitchen doors in 2019
- Frontal capability broadened with investment in a new facility at Howden site
- Operational by end of 2022



Increased architrave & skirting capability in 2022



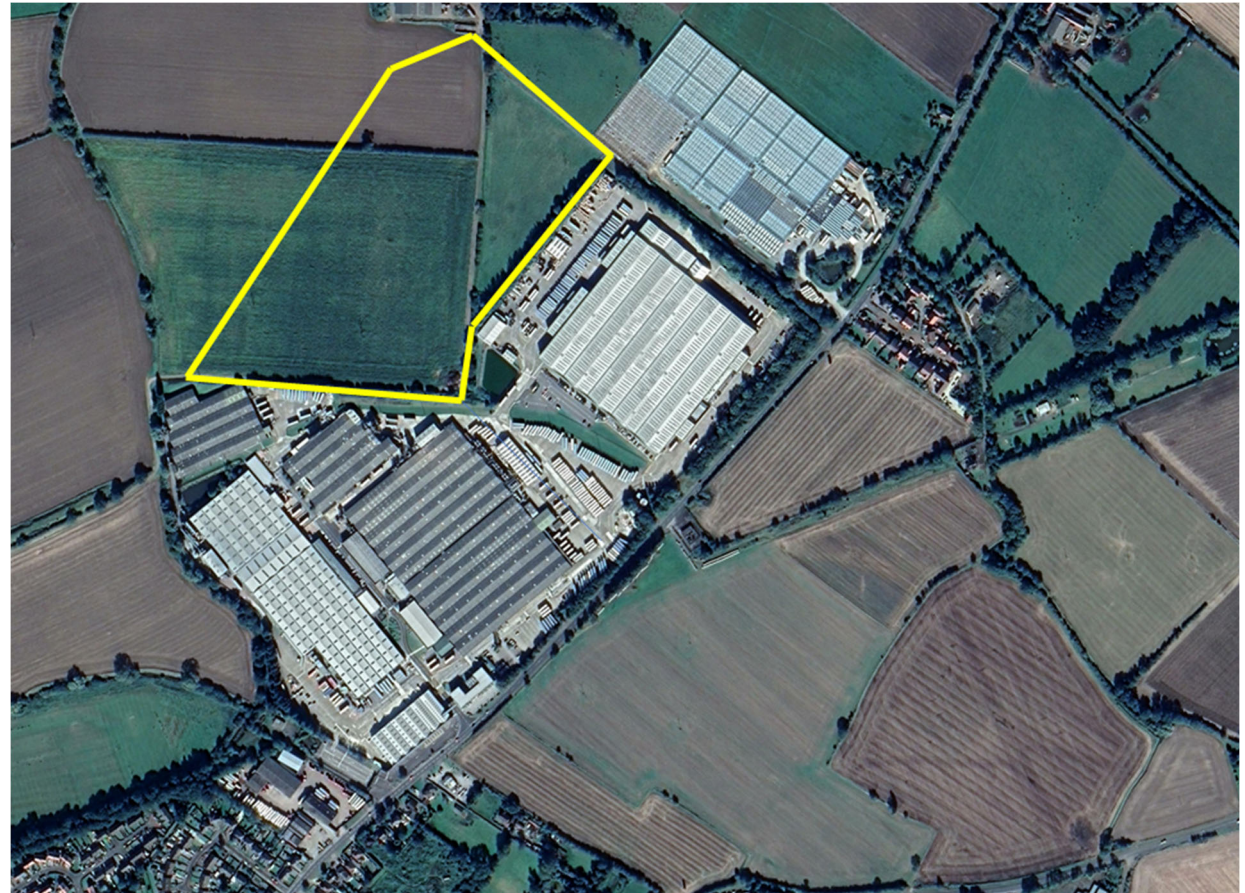
Dedicated manufacturing: A key part of our in-stock offer



3 year plan to increase scale & scope of manufacturing at Howden site



- Acquiring land adjacent to Howdens' site
- Space to increase cabinet making capacity
- Capability to make more kitchen door styles
- Ability to make doors for majority of kitchen ranges
- Benefits of external sourcing retained (c.50% of doors by volume)
- Manufacture of some externally sourced door styles commencing early 2025

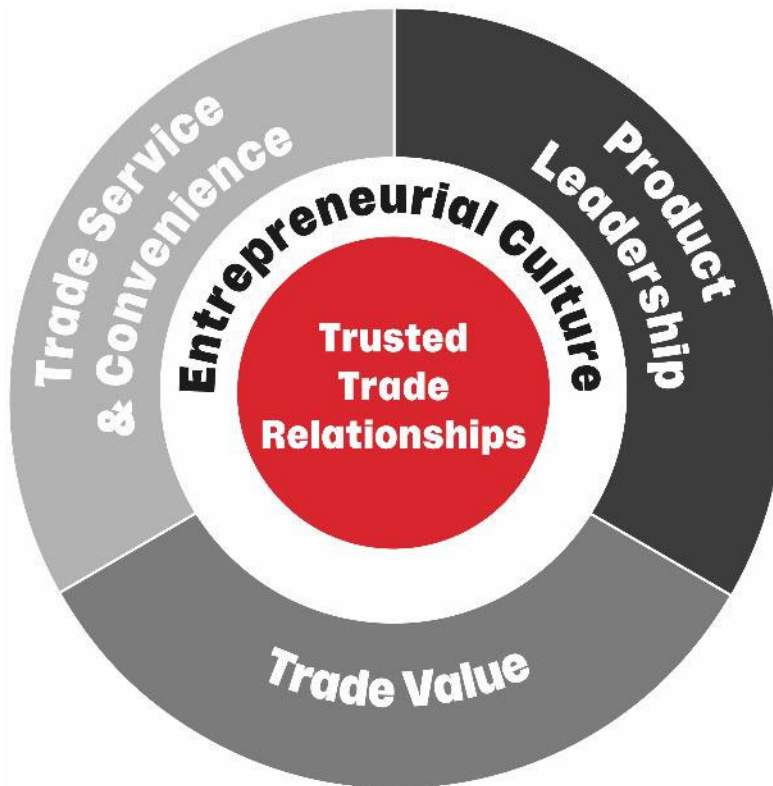


Investing in new warehouse & distribution centre at Capitol Park near Howden



- Capitol Park will be PDC for Howden Manufactured product
- Howden site to become primarily dedicated to manufacturing
 - Site efficiencies and room to expand further
- More efficient use of space, reduced exposure to third party warehousing
- Two year build programme

Initiatives to increase volumes & profits



DEPOT EVOLUTION



**RANGE AND SUPPLY
MANAGEMENT**

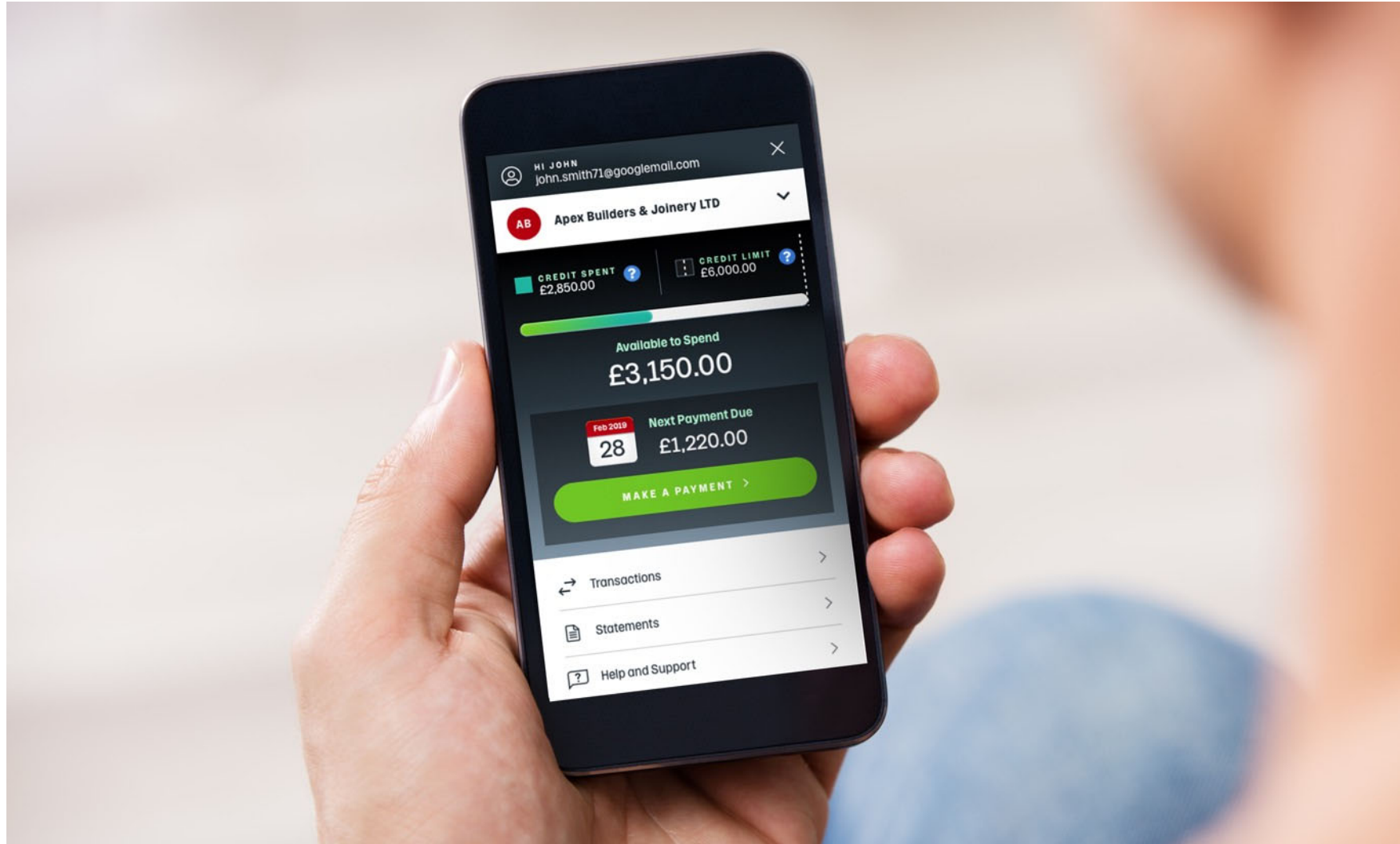


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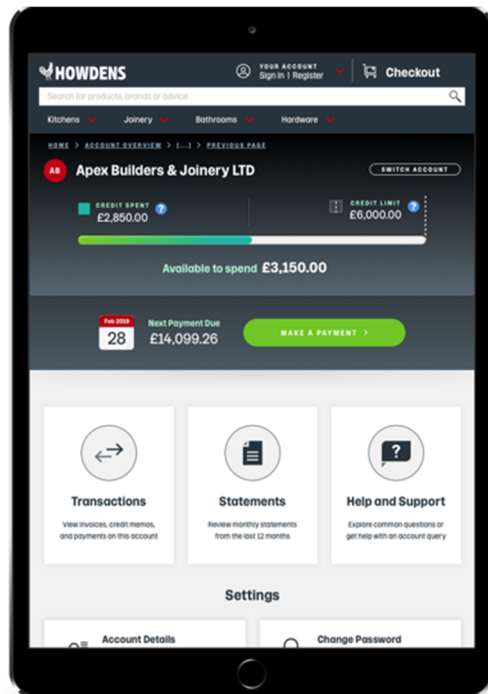


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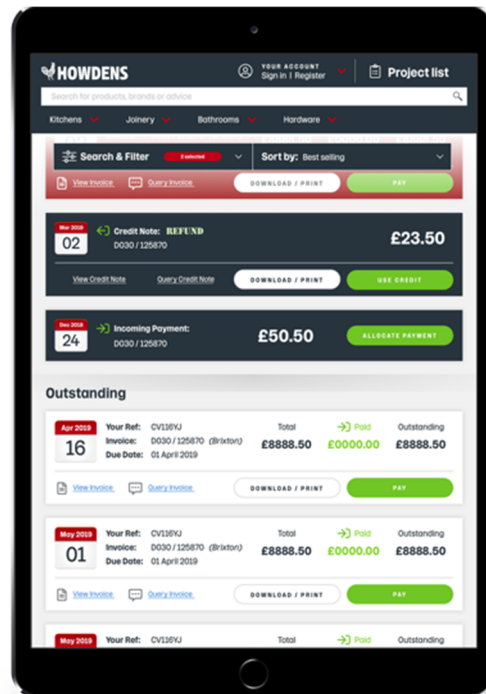
Online Trade Account Management



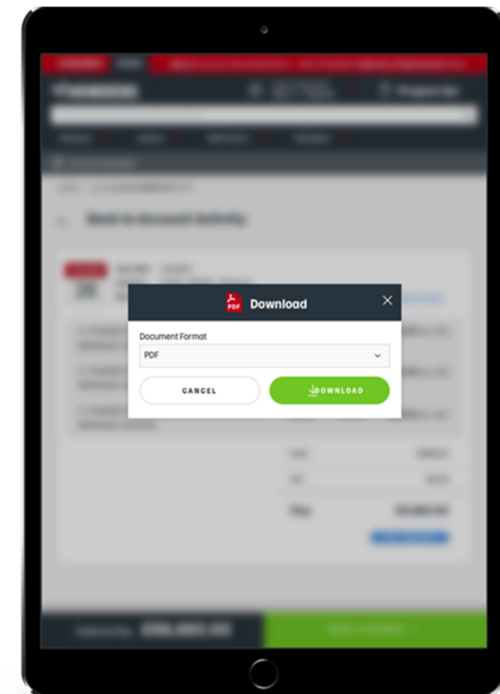
40,000+ new account registrations so far in 2022



Manage accounts and relationship with depot



View credit details and make payments



Download invoices and information

Online services valued by customers & depots



- 40% of customers trading logged onto trade platform
- Weekly trade platform logins +88% vs H1 2021
- C.69% of users looking at price
- Online account holders trade more frequently
- Spend more across more categories

New app-based functionality for 2022

- Trade app live February 2022
- Manage account details and see credit status
- View open order summaries
- Rapid check-in at all depots
- Immediate notification of order updates
- Easy collection using QR codes

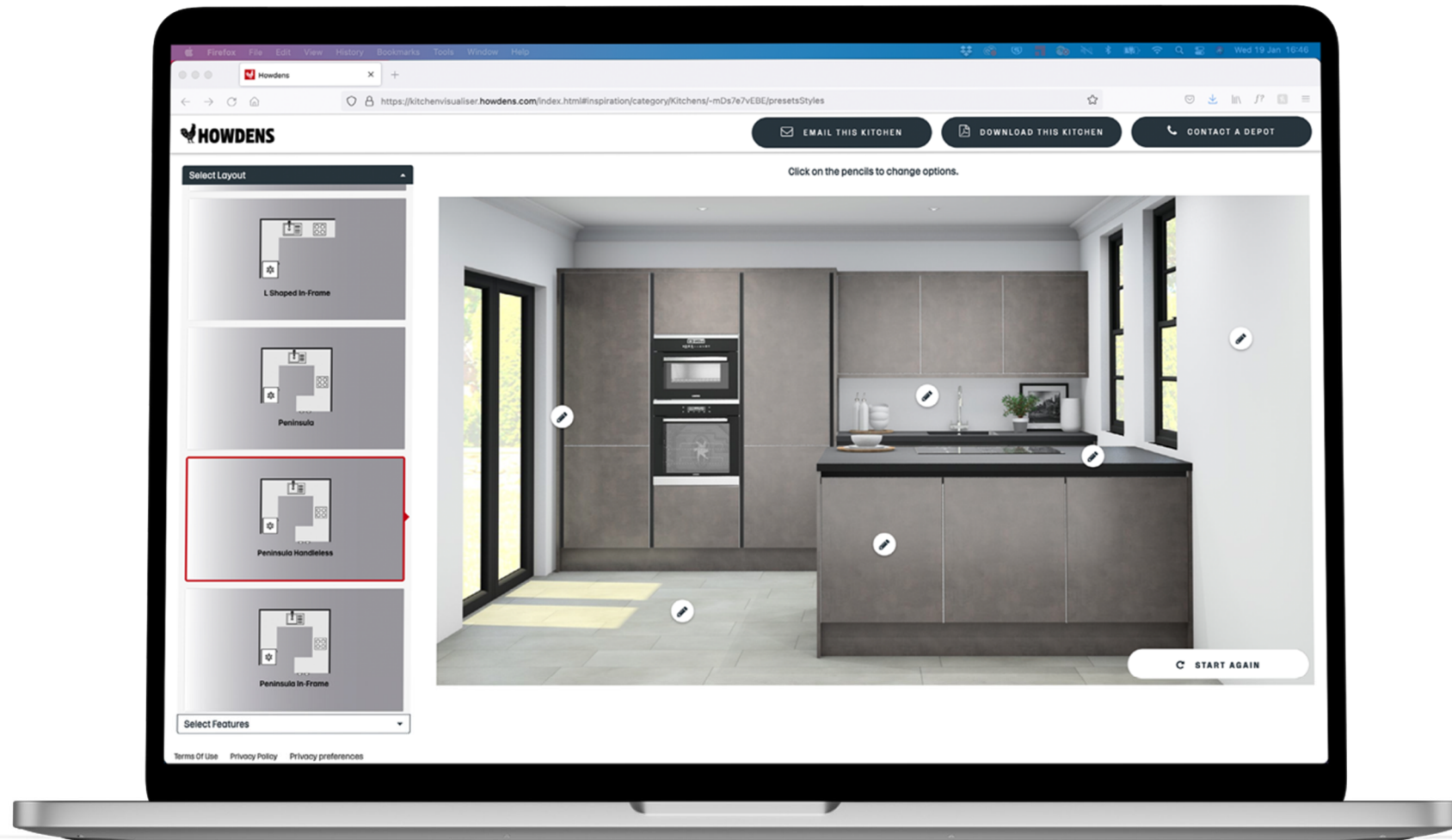


Showcasing our kitchens in people's homes

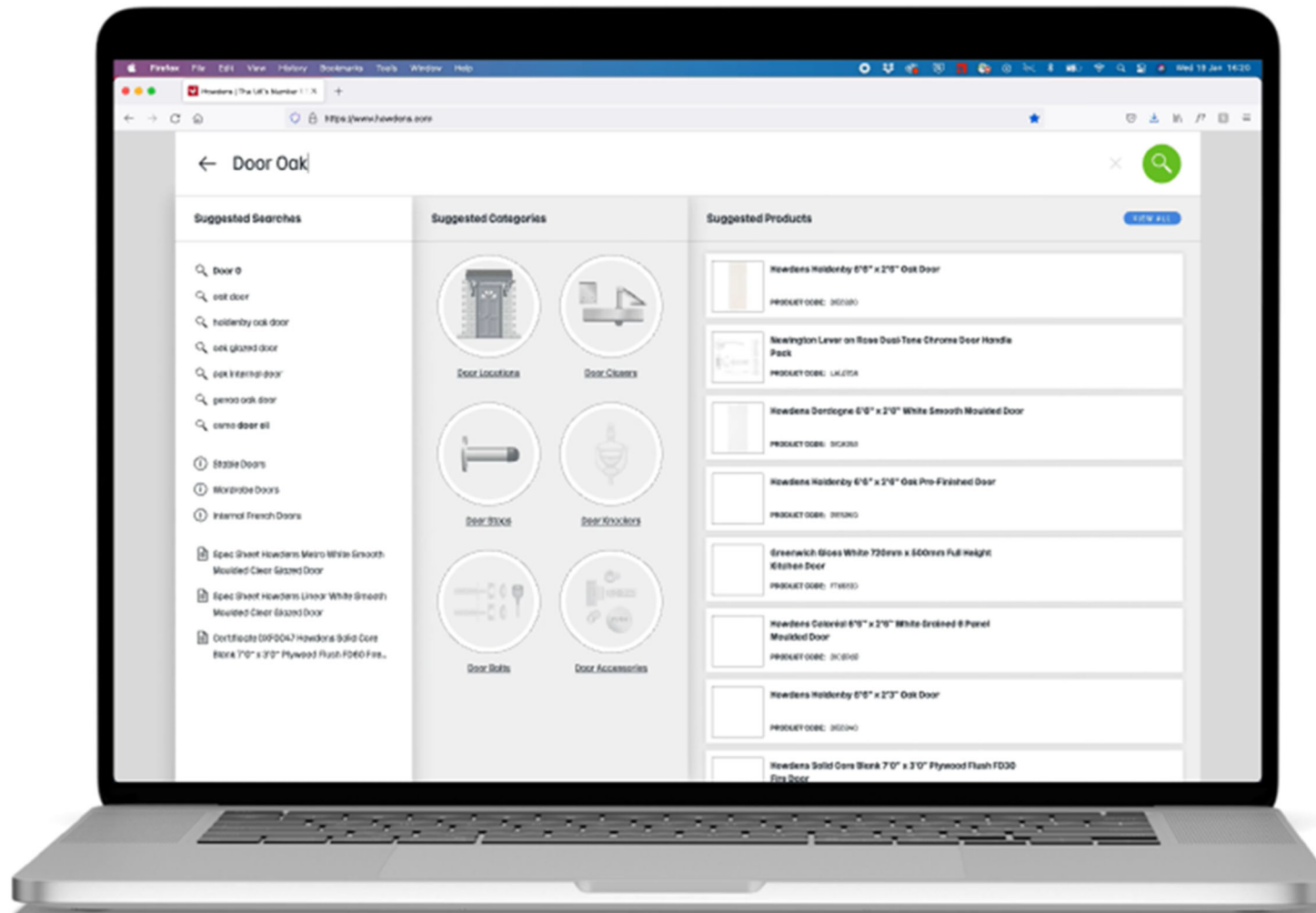


10m image views in 1st Half

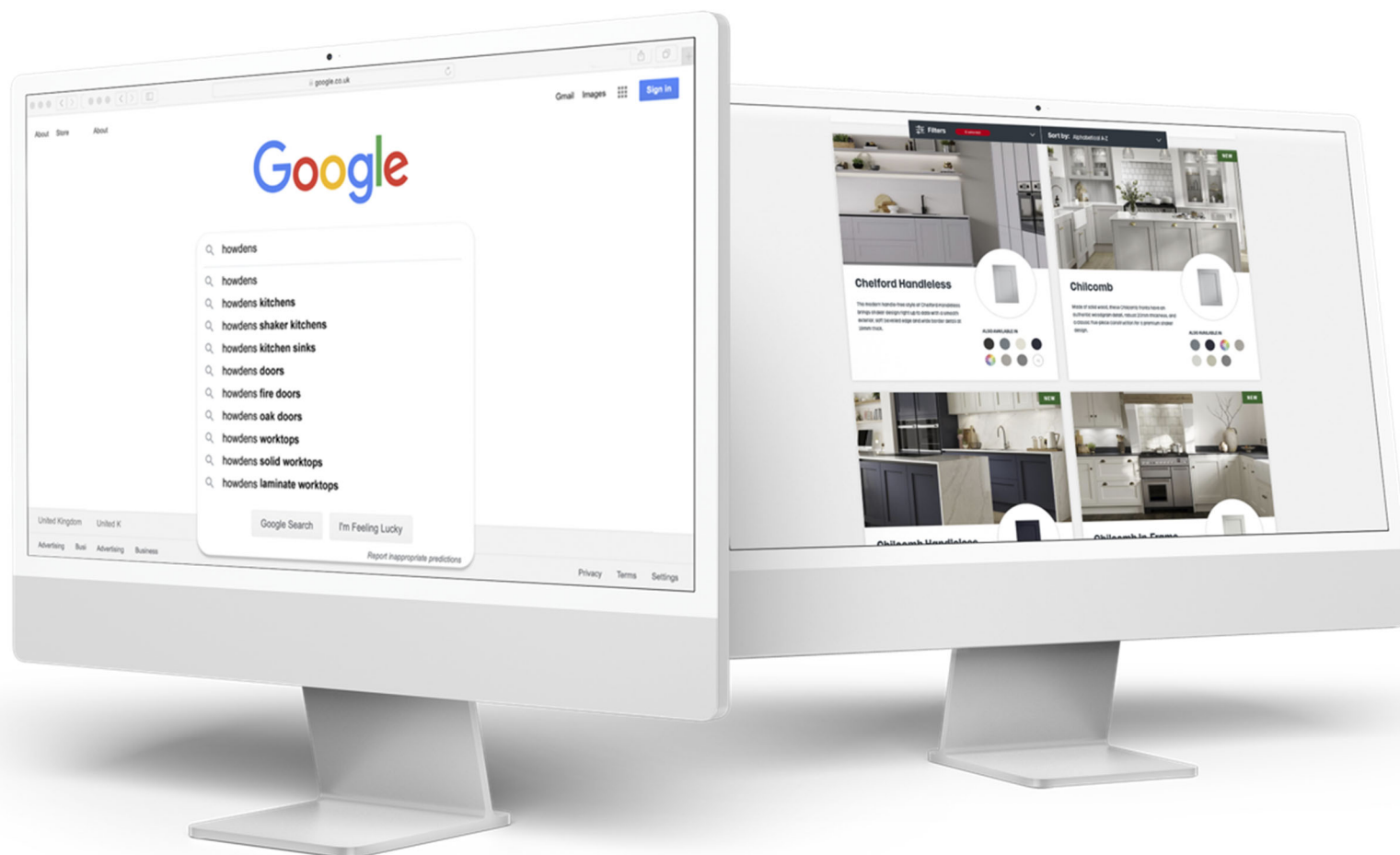
Kitchen Visualiser helps end-users familiarity and our understanding of their priorities



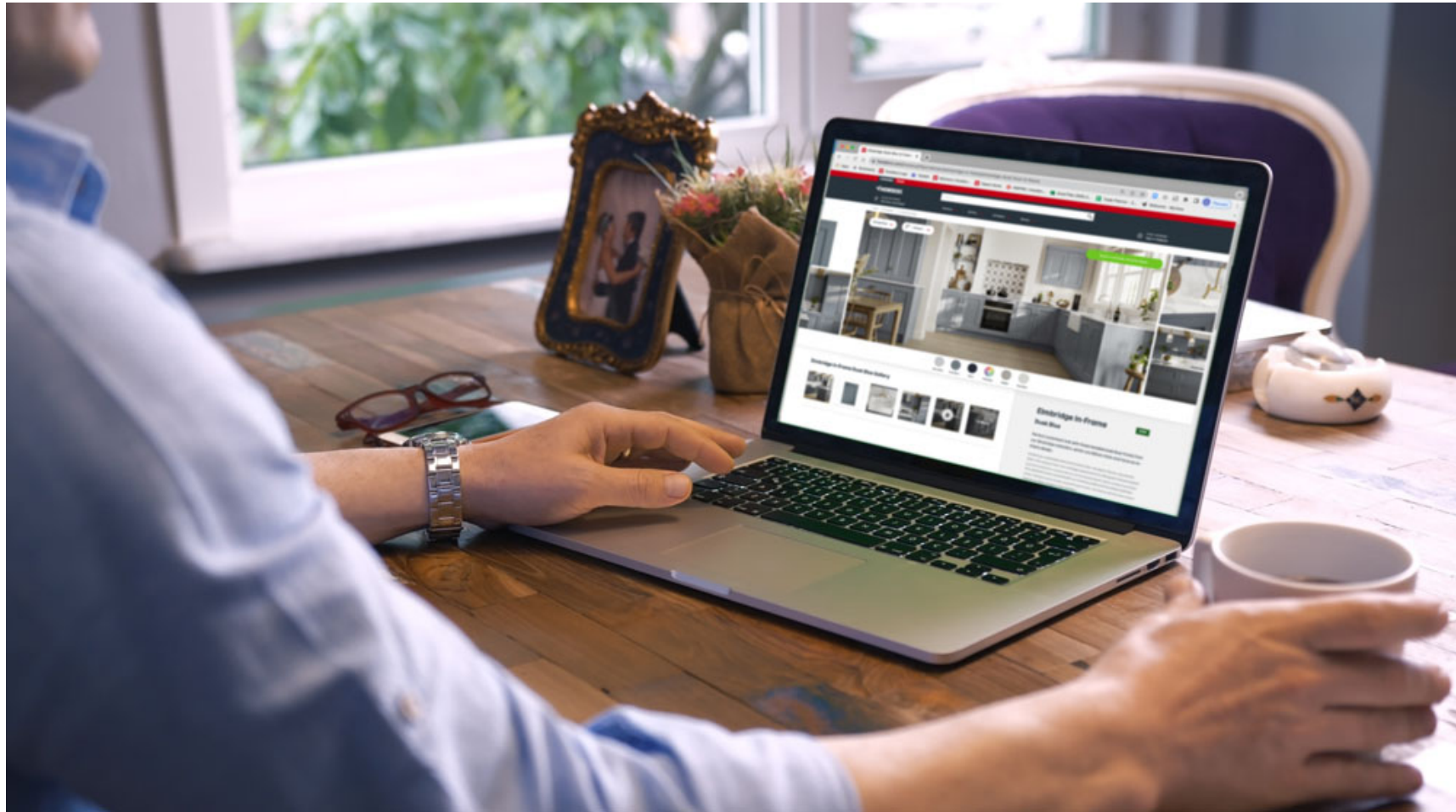
Extended and more efficient search functionality



19% more search impressions a month, 10.1m site visits

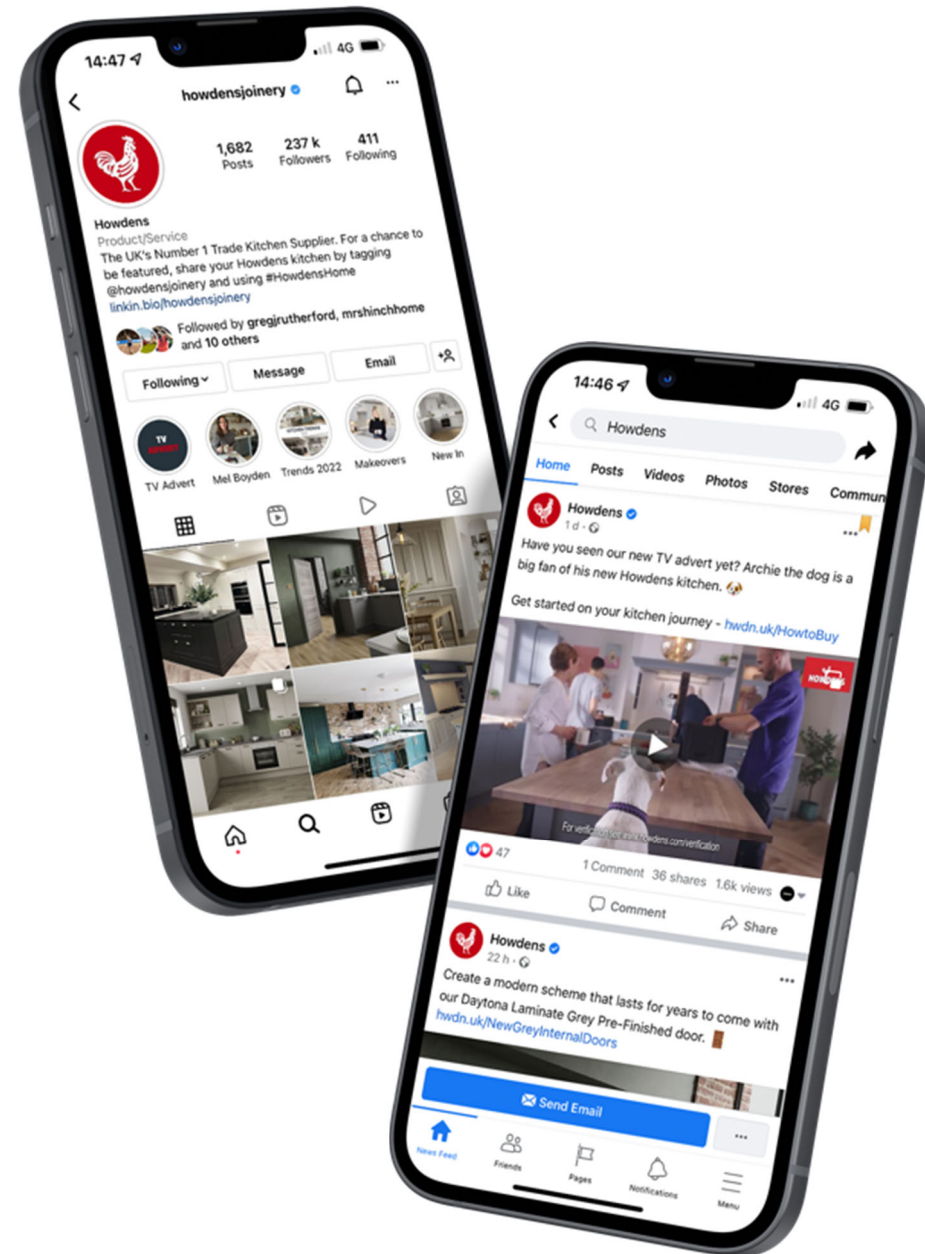


Page views/session up; time spent looking at pages +84%

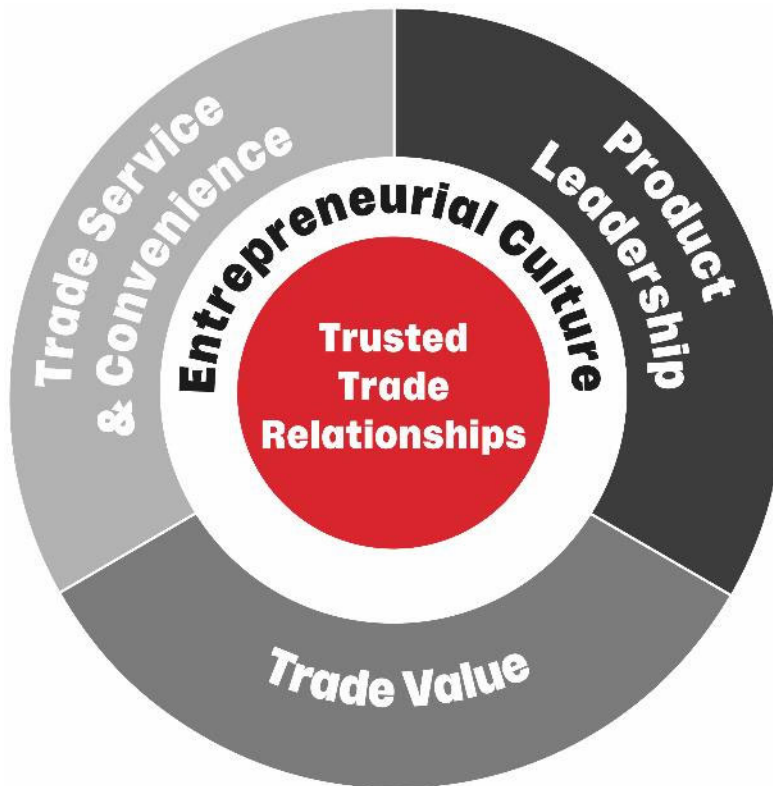


Increasing social media presence

- C.432,000 follow base by end June 2022
- 24% increase on previous year
- 1.3m active users engaging monthly



Initiatives to increase volumes & profits



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**RANGE AND SUPPLY
MANAGEMENT**



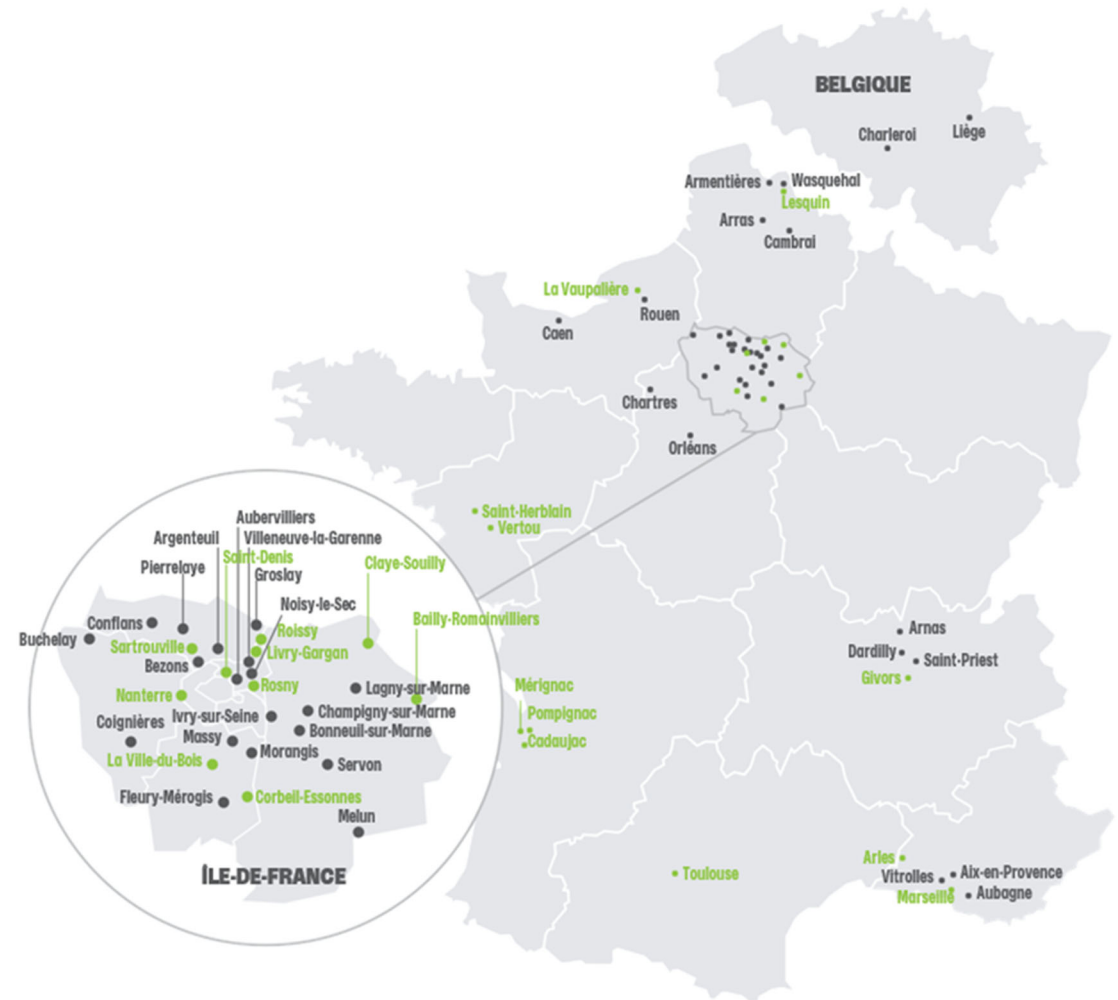
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Continental European operations continue to make progress

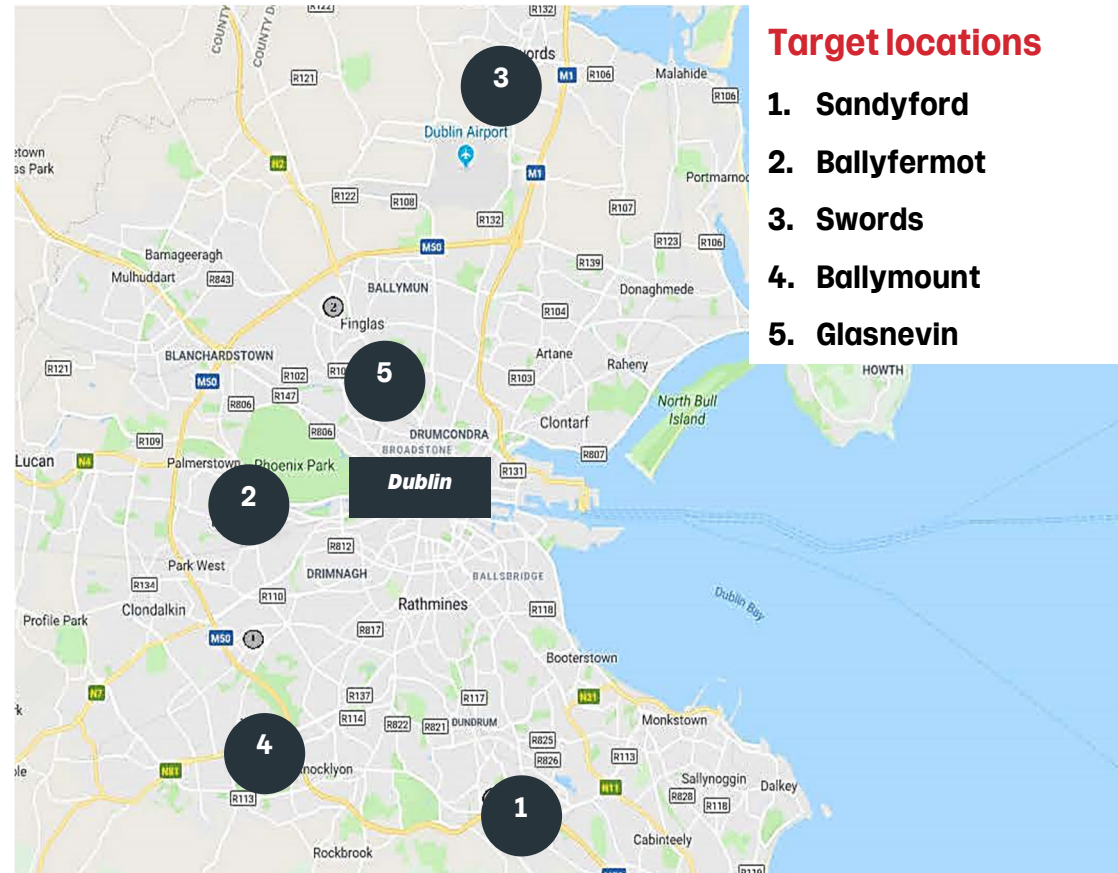
- €4bn kitchen market* (France)
- City-based approach adopted from 2019
- 40 depots at end of 2021
- Increased recognition of our model's advantages
- Number of accounts +31%
- H1 sales up c.19% on 2021
- C.60 depots trading by end 2022
- 7 opened so far this year (5 closed)



*Excludes appliances

Opening for business in the Republic of Ireland

- Similar location strategy to France
- Supported by UK infrastructure and Group digital platform
- Initially c.5 depots around Dublin
- One opened in April, targeting four in 2nd Half



Well planned on our strategic initiatives

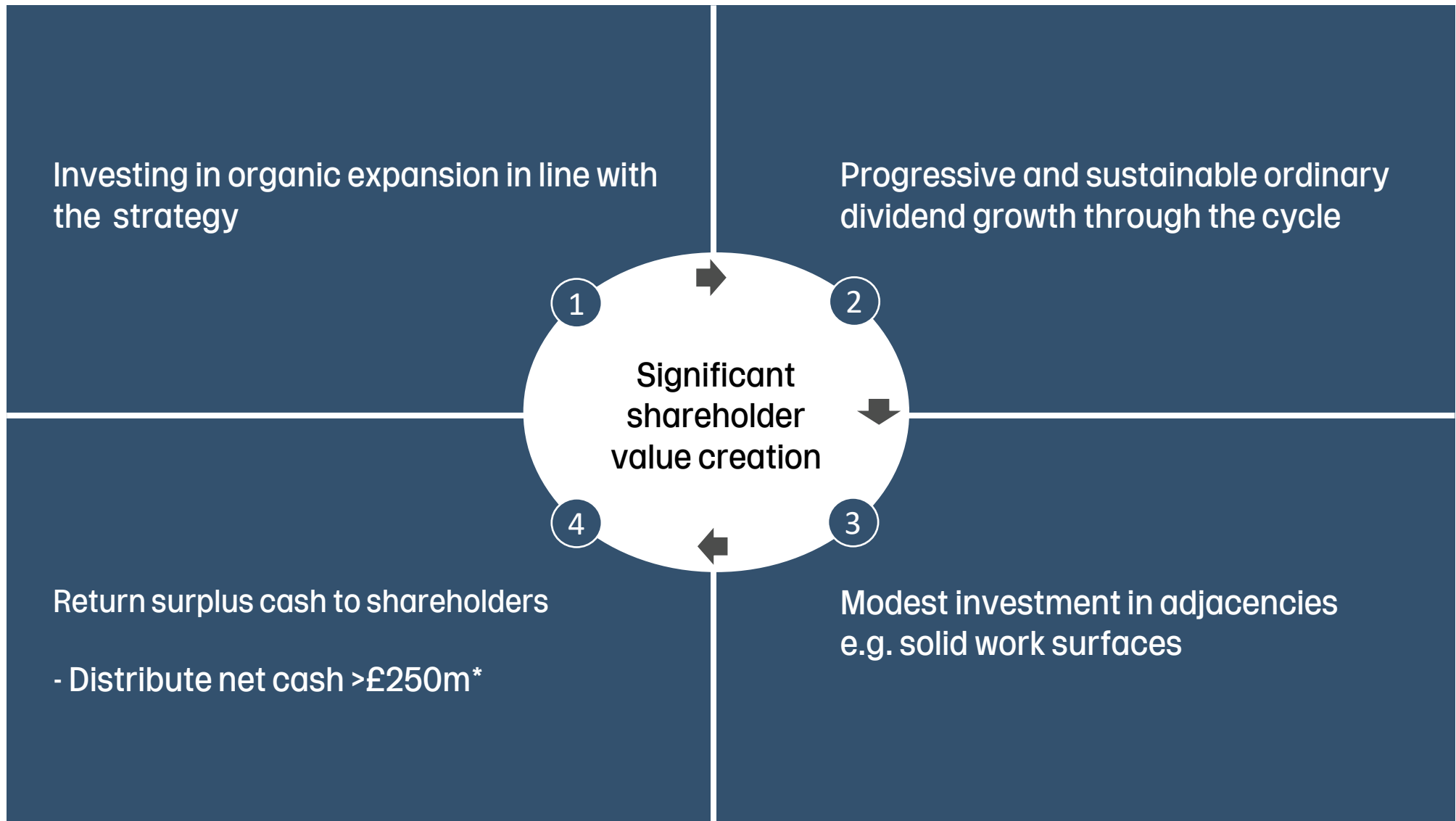
- Enhanced stock cover retained to protect high availability
- 19 new kitchen ranges on sale by end June
- Howdens Work Surfaces available to all depots, backed by further investment
- Improvements to service & availability by utilising XDCs
- Increased range of services and functionality provided online
- Manufacturing more in the UK, with new door and skirting lines operational
- Around c.30 UK depot openings and c.90 revamps
- C.60 depots trading in France by end 2022
- Opening for business in Republic of Ireland

- Strong 1st Half performance
- Aim to retain a profitable balance between price and volume
- Implemented price rises, underpinned by our differentiated and service orientated offer
- Continuance of sales gains v comparable periods in each period
- Trading against record comparators
- Momentum, at present, for a successful 2022



Appendix

Capital allocation



*broadly equivalent to gearing of 0.7x Net Debt to EBITDA after taking into account total lease liabilities

Pension Scheme

