

Galiform

2009 Preliminary Results

4 March 2010

Galiform

Matthew Ingle
Chief Executive

Overview

- ⇒ The new world = a real test of the Howdens model
 - Margin continued to increase
 - Stock levels reduced
 - Costs decreased across the business
 - Strong cash generation
 - Effective management of legacy commitments
- ⇒ A resilient performance
- ⇒ Positioned for value creation and further growth

Galiform

Mark Robson

Finance Director

Context of financial results

- ⇒ Resilient performance by Howdens business seen in gross margin, operating profit and operating cash flow
- ⇒ Cash flow would have been even stronger except for impact of legacy issues
- ⇒ Legacy property portfolio diminishing and pension funding agreed until April 2012

Highlights

£m * Continuing operations before exceptionals	2009	2008
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Revenue

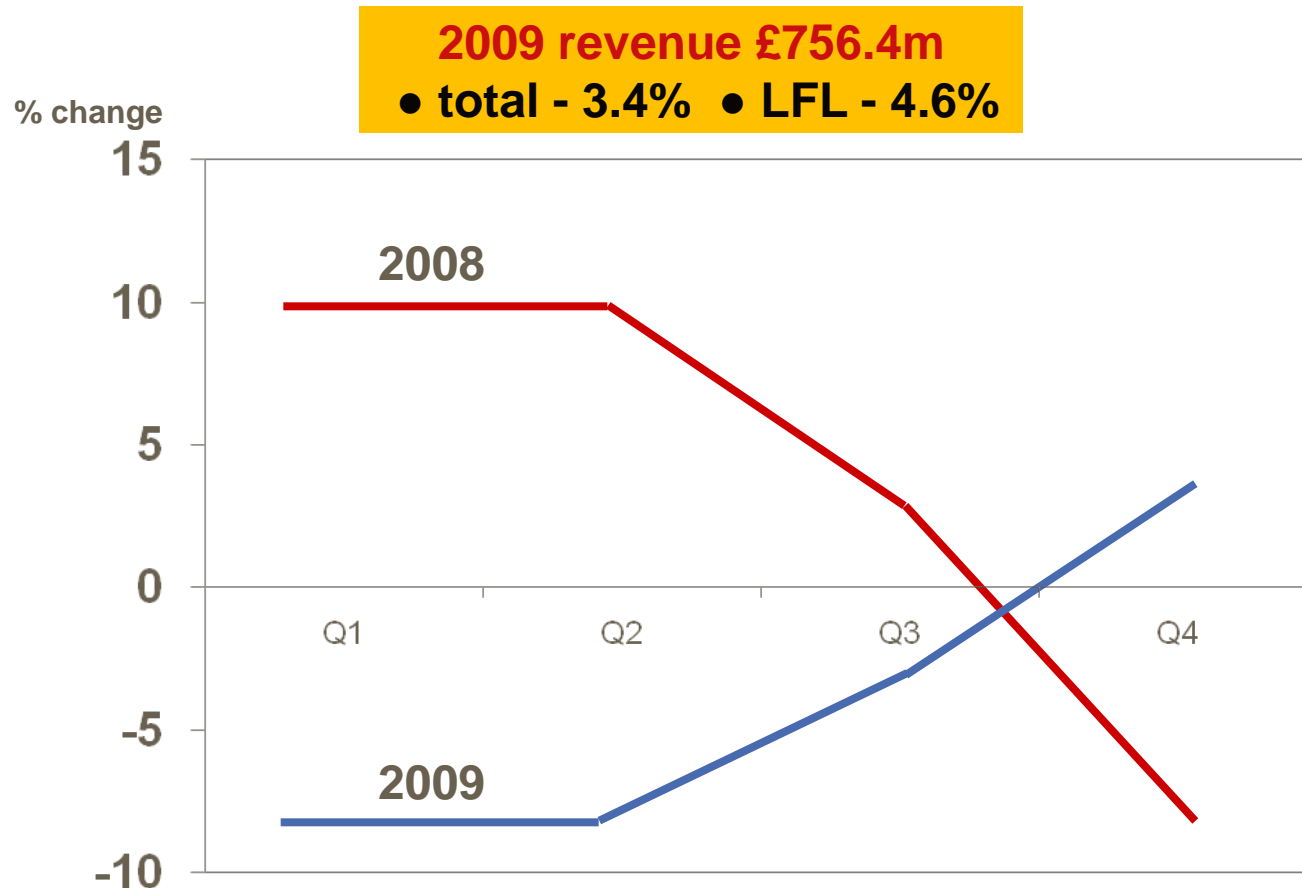
Howden Joinery	756.4	782.9
Group	769.5	805.7
Gross profit margin	56.2%	53.1%
Operating profit*	79.5	75.9
Profit before tax*	68.7	74.3

£m	26 Dec 2009	27 Dec 2008
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Net cash/(borrowings)	2.4	(61.2)
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- net cash inflow of £131m excluding pension deficit (£21m) and legacy properties payments (£46m)

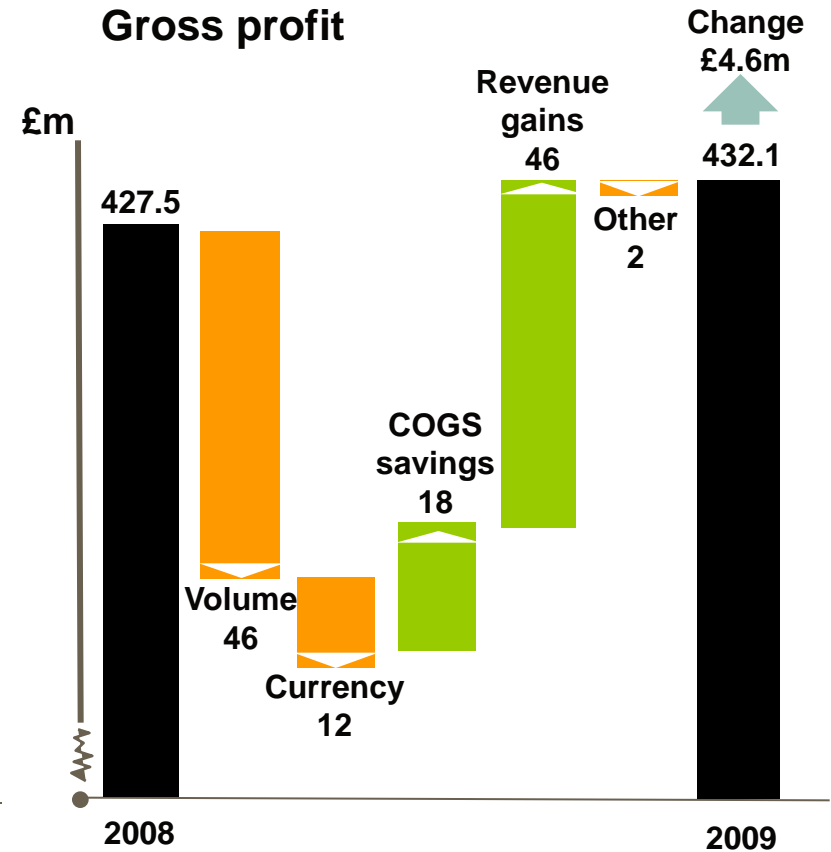
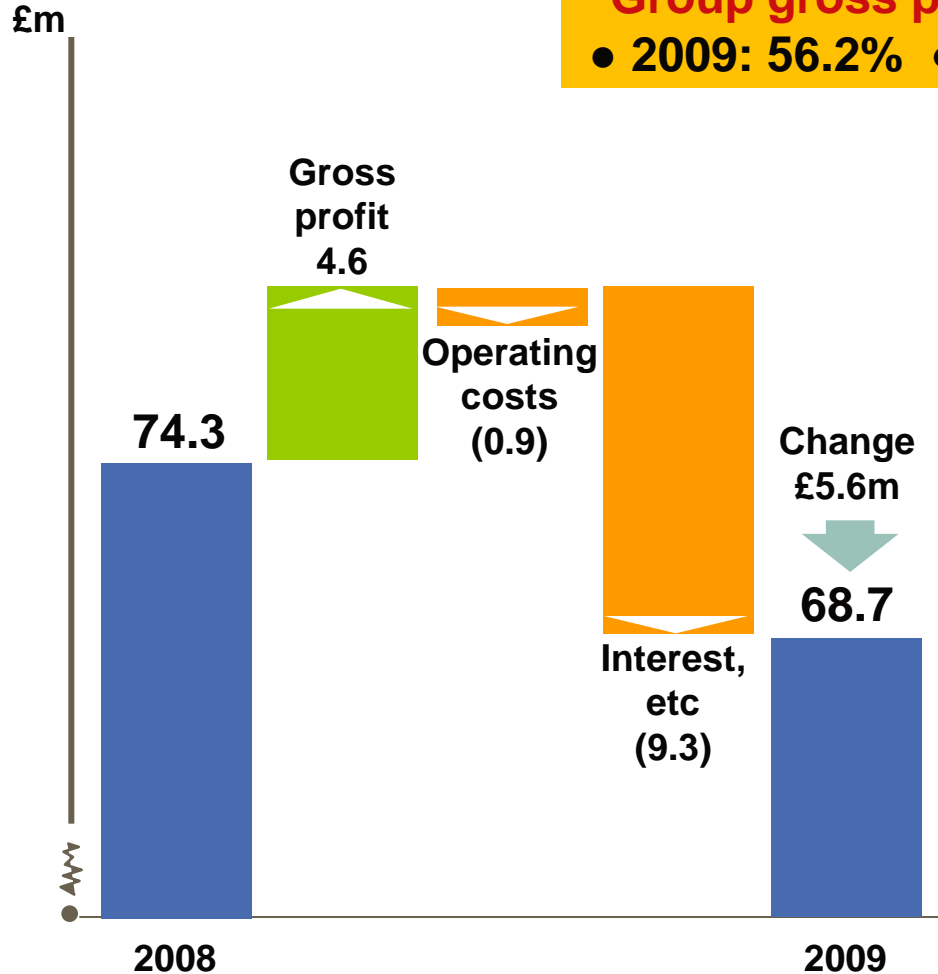
Howdens revenue



Profit before tax and exceptional items

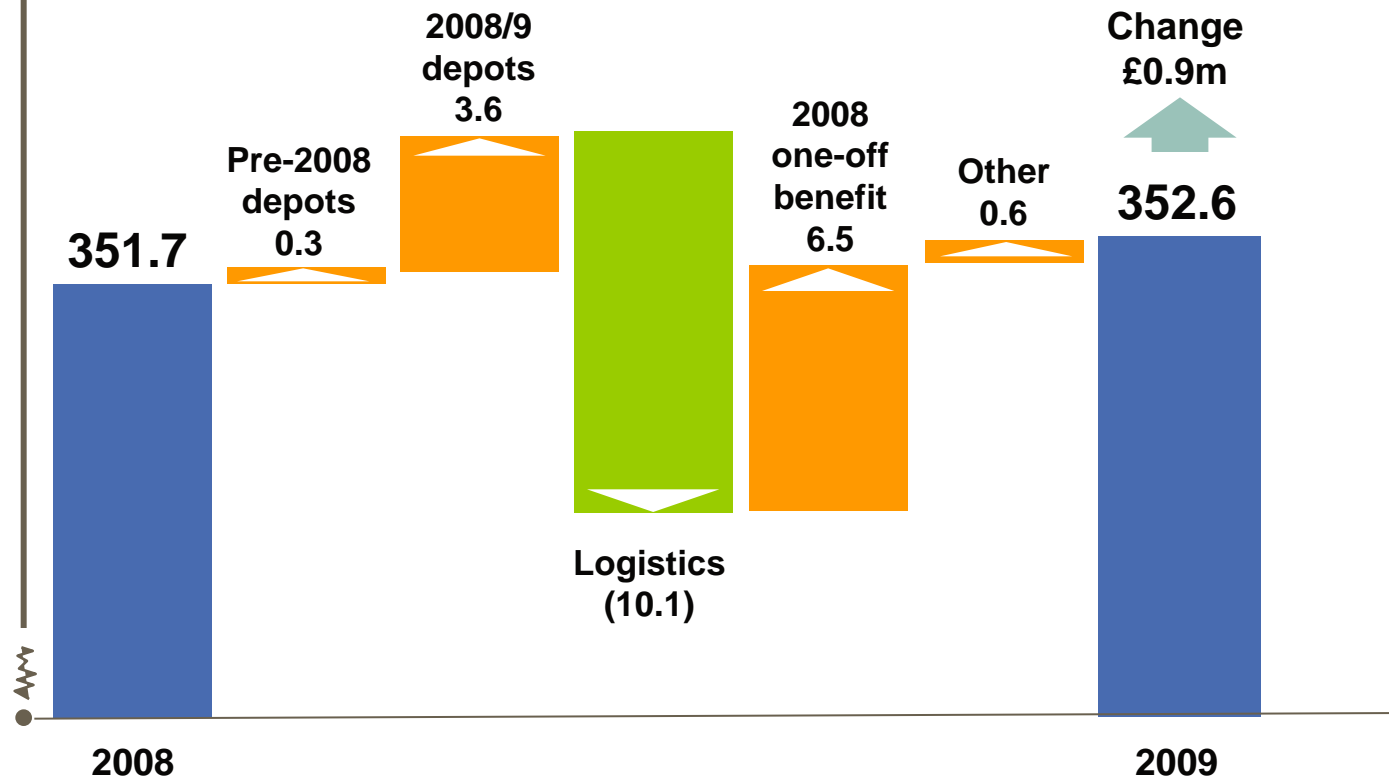
Group gross profit margin

• 2009: 56.2% • 2008: 53.1%



Operating costs

Operating
costs
£m



Income statement

£m	2009	2008
Continuing operations:		
Profit before tax and exceptional items	68.7	74.3
Tax	(18.5)	(23.3)
Profit after tax before exceptional items	50.2	51.0
Exceptional items before tax	(0.1)	4.8
Tax	-	(0.8)
Profit from continuing operations	50.1	55.0
Discontinued operations:		
Exceptional items before tax	(4.4)	(108.8)
Tax	-	2.6
Loss from discontinued operations	(4.4)	(106.2)
Profit/(loss) for the year	45.7	(51.2)

Net cash/borrowings and cash flow

£m	2009	2008
Opening net borrowings	(61.2)	(3.3)
Operating cash flows before movements in working capital	97.2	98.5
Working capital	46.8	(43.9)
Other 'exceptional' creditors	-	(10.8)
Other exceptional items	(0.4)	(11.7)
Capital expenditure	(8.1)	(19.4)
Asset disposals	1.2	3.5
Interest	(2.9)	(7.0)
Tax paid	(5.0)	(10.8)
Dividend	-	(3.0)
Legacy properties	(46.3)	(34.8)
Pension deficit contribution	(20.9)	(24.3)
Other	2.0	5.8
Closing net cash/(borrowings)	2.4	(61.2)

**Net cash inflow excluding legacy property
and pension deficit costs: £130.8m**

Working capital

⇒ Working capital down £47m

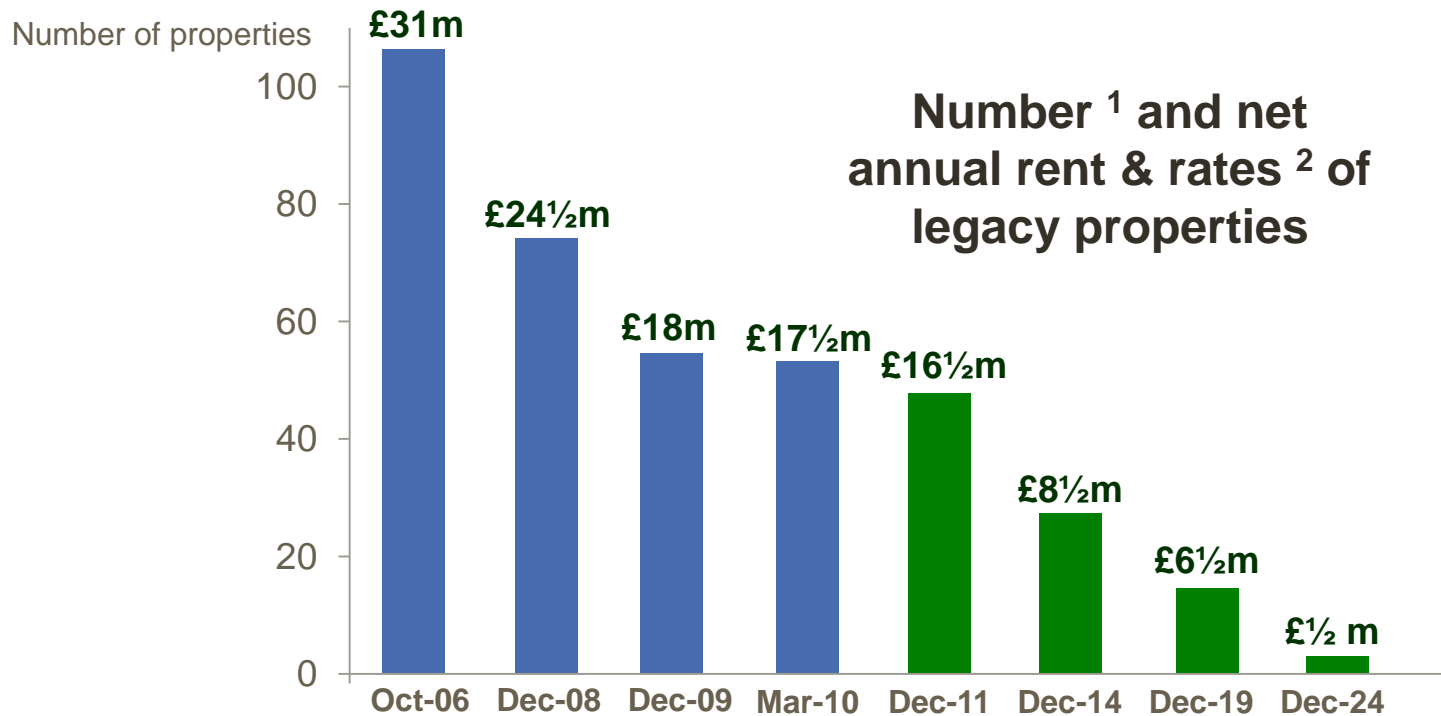
- stock down £35m
- debtors down £4m
- trade/other creditors up £8m

Bank facility

⇒ Terms renegotiated

- extended to May 2014
- £160m maximum amount available
- modest increase in interest rate

Reducing our legacy property liabilities

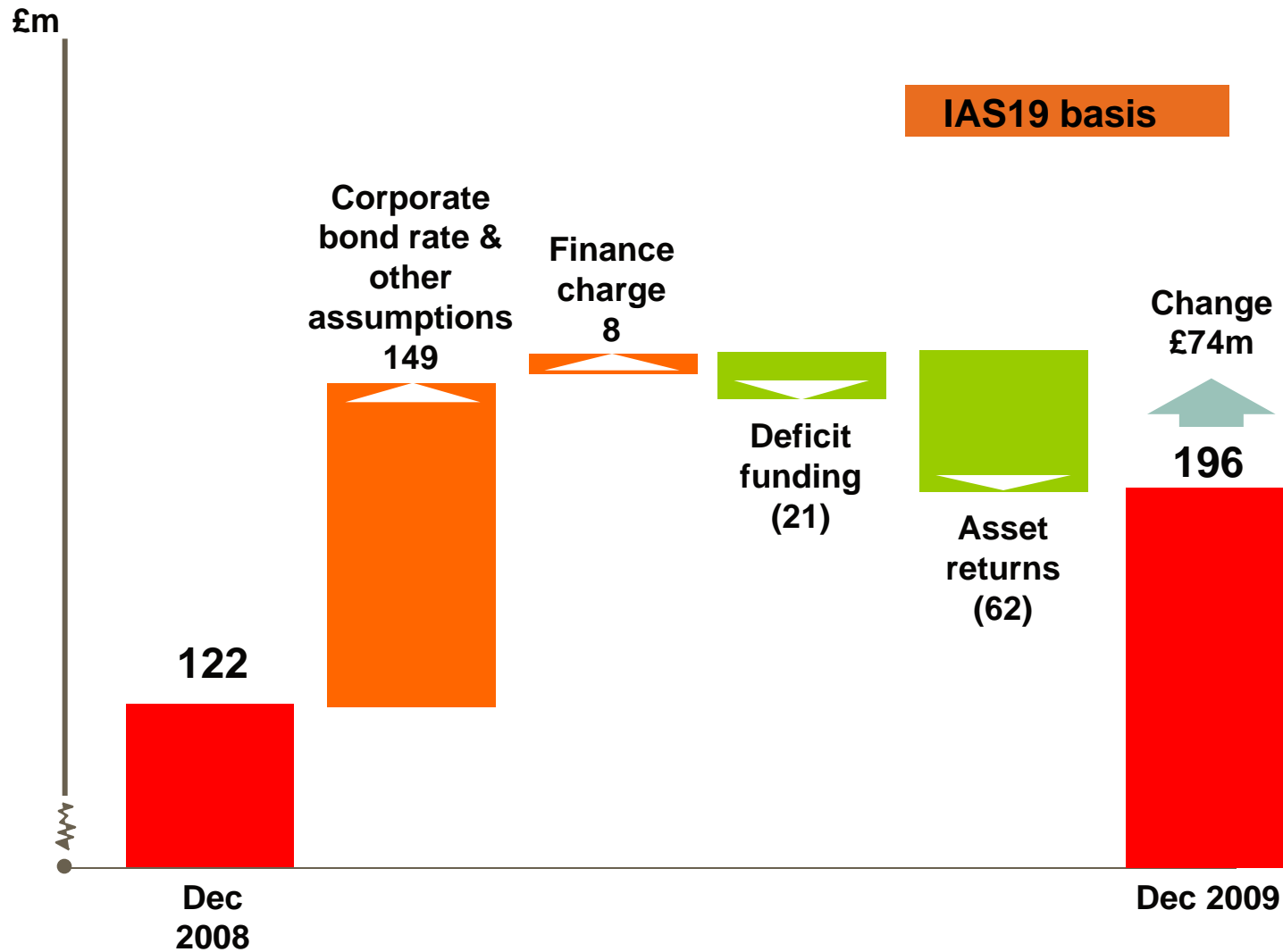


- ⇒ £46.3m cash payments in 2009
 - £16.5m lease exit cost – 21 leases ended, around £70m liability extinguished
- ⇒ 1 legacy property deal since end of 2009
 - £3m exit cost - £12m liability extinguished

¹ Guaranteed, residual, HDC and Sofa Workshop – vacant and tenanted.

² Before mitigating action – gross rent & rates less payments by tenants

Pension scheme deficit



Outlook for 2010

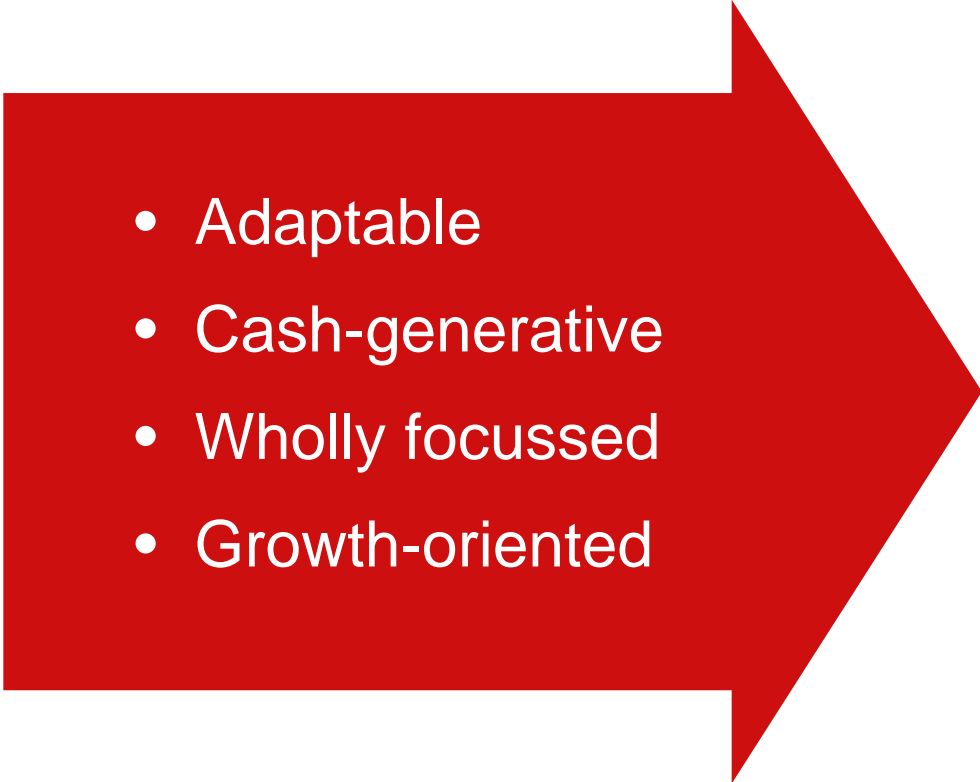
- ➡ Sales in first two periods¹ of 2010 affected by weather (total: -3.7%, LFL: -4.1%)
- ➡ Expect market to remain challenging
- ➡ Plan to open 20 – 30 new depots
- ➡ Will manage business prudently and take necessary actions

1. To 20 February 2010

Galiform

Matthew Ingle
Chief Executive

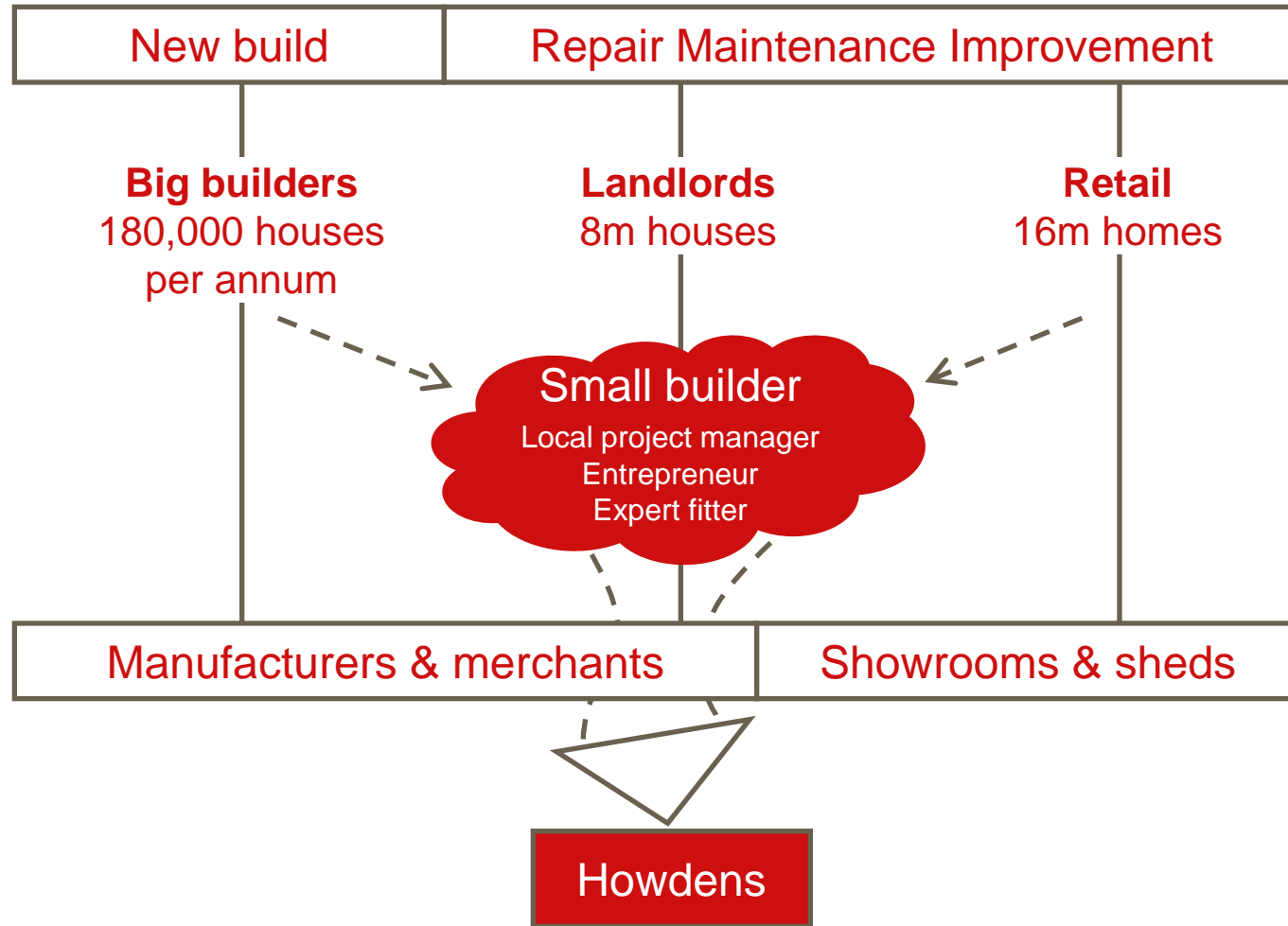
A resilient business with a proven model

- 
- Adaptable
 - Cash-generative
 - Wholly focussed
 - Growth-oriented

“To supply from local stock, nationwide,
the small builder’s routine joinery/kitchen
requirements, assuring no call back quality
and best local price”

A business built on recommendation

Adaptable



Simple but good and very well done

Diverse customer base focused on RMI

Adaptable

- ⇒ 185,000 credit accounts
 - 250,000 registered customers including cash accounts
- ⇒ Average spend per credit account = £3,500
- ⇒ Very few large accounts
 - Top 25 represent only 4% of credit account sales
 - Top customer spent £3.5m with us in 2009

No significant exposure to one customer

An adaptable local depot model

⇒ Low cost

- 10,000 sq ft (90% of which is stock storage)
- Rent £5 per sq ft
- Typical fit-out capex £180,000

⇒ Local management responsible for:

- Stock levels
- Pricing
- Staffing
- Margin and profit

⇒ Local accountability and incentivisation

- Staff bonus based on equal share of local profit less stock loss

An adaptable sourcing model

- ➔ Make vs. buy: a commercial decision
- ➔ Significant purchasing savings across all product categories
- ➔ Re-sourcing for lowest cost *and* security of supply
- ➔ In 2009, our UK factories produced:
 - 3.5m cabinets
 - 800k worktops
 - 2.1m frontals

Anticipating the need for cash

Cash-generative

**May
08**

Paused depot opening programme

**July
08**

Renewed banking arrangements

**Q3 08
onwards**

Improved logistics, reduced stock levels

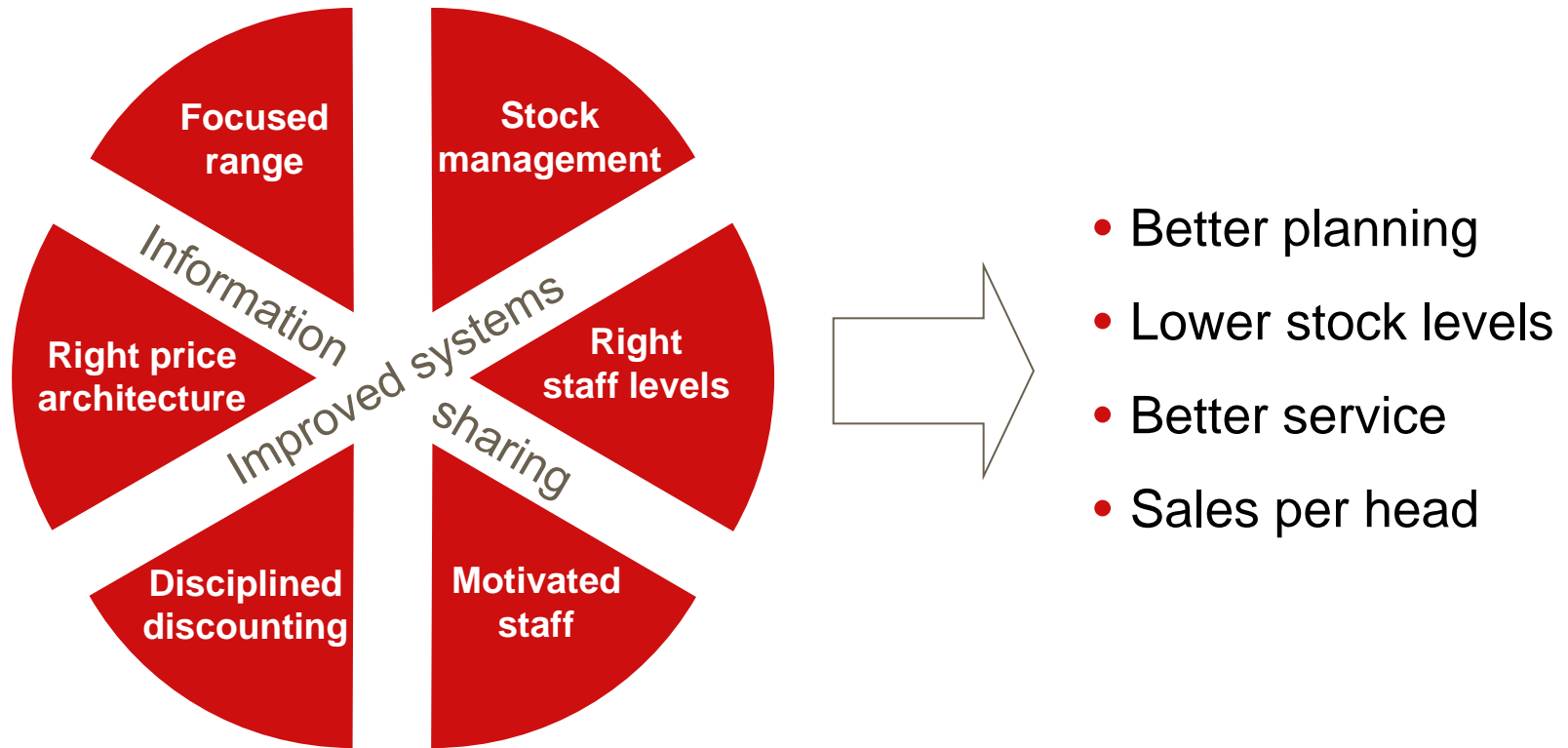
**Q4 08
onwards**

Higher margin, less stock, better service

The power of BDP*

Cash-generative

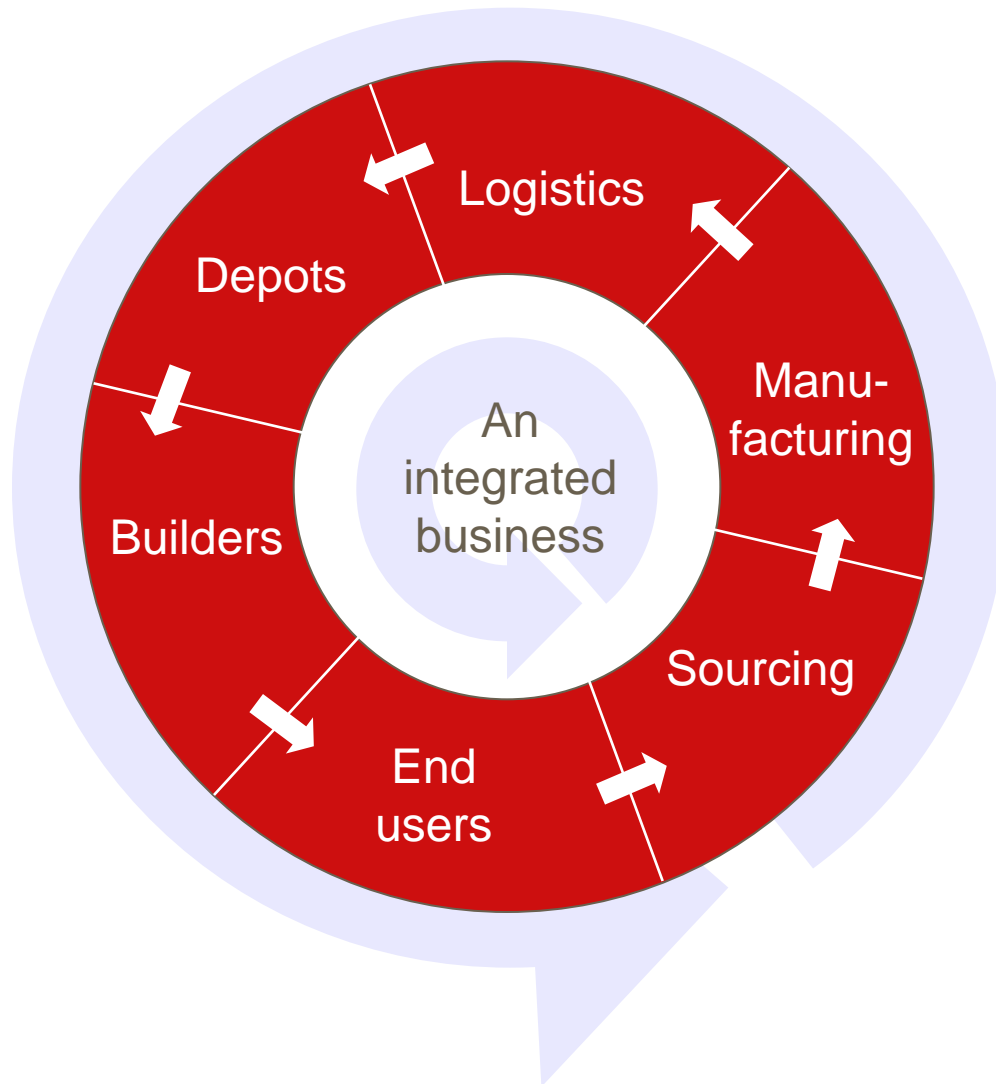
- ➔ Sustained margin growth has many interlocking drivers



* Best Demonstrated Practice

A wholly focussed business

Wholly focussed



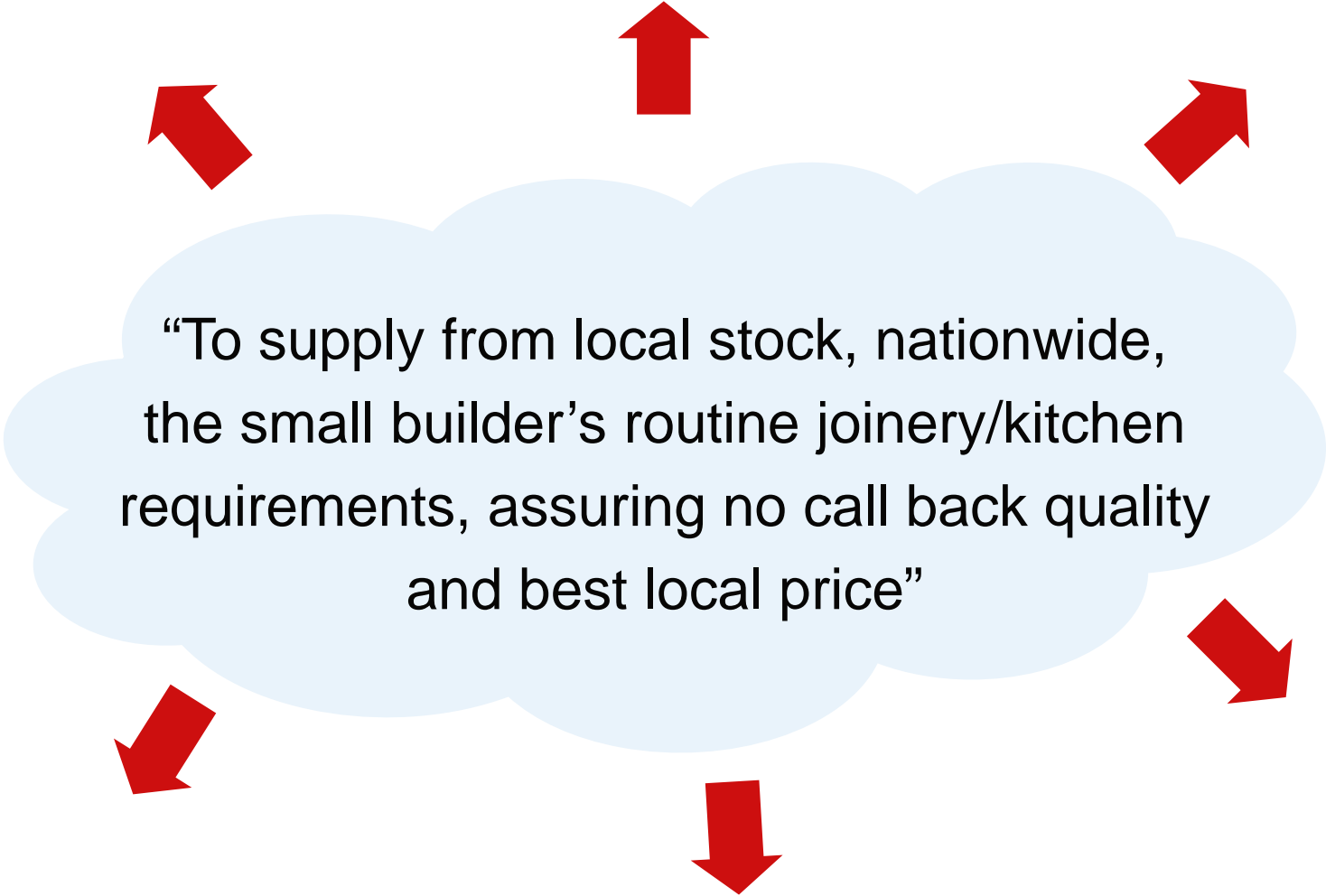
The virtuous circle:

- One route to market
- Accurate forecasting of trends and volumes
- Full range always available from stock
- No call-back quality
- Credit control

Underpinned by resilient systems

- ➔ Trade-specific K8 depot system = reduced lead times + better customer service
- ➔ New Warehouse Management System (WMS) in Howden, Runcorn and Northampton
- ➔ Implementation of SAP manufacturing applications
- ➔ Faster, more user-friendly depot information portal
- ➔ Significantly improved kitchen planning software

All major IT projects on schedule and on budget



“To supply from local stock, nationwide,
the small builder’s routine joinery/kitchen
requirements, assuring no call back quality
and best local price”

Depot development

Growth-oriented

- ➔ Over 40% of 462-strong depot portfolio is less than 7 years old
- ➔ 8 new depots opened in December 09
- ➔ Between 20 and 30 planned for 2010
- ➔ 600+ depots in prospect



New product development

Growth-oriented

- ➔ Better quality cabinets and joinery doors
- ➔ Improved accessories
- ➔ Wider range of Lamona branded appliances
- ➔ Developing relevant solutions, e.g. waste management





Haworth Oak. One of over 40 kitchen ranges featured in our catalogue

Seven reasons to install a kitchen from Howdens Joinery.

1. We only sell to trade professionals because we believe that you are best placed to manage the complexities of kitchen installation.
2. We are a UK manufacturer and have over 460 depots nationwide, which means local convenience, support and knowledge.
3. Our CAD design experts will plan the kitchen with your customers.
4. We offer confidential discount and payment terms.
5. We combine local service with scale; we supply over 400,000 kitchens each year to UK homes and work in partnership with over 300 local authorities and housing associations.
6. Our range is the UK's largest from stock. We have over 40 designs to choose from, available when you need it.
7. All our cabinets are manufactured in the UK with a five year guarantee. In the unlikely event of a defect, we will happily replace any cabinet, promptly and without charge at any time.

To find your nearest depot and to request a brochure call 0800 6888 167 or visit www.howdens.com

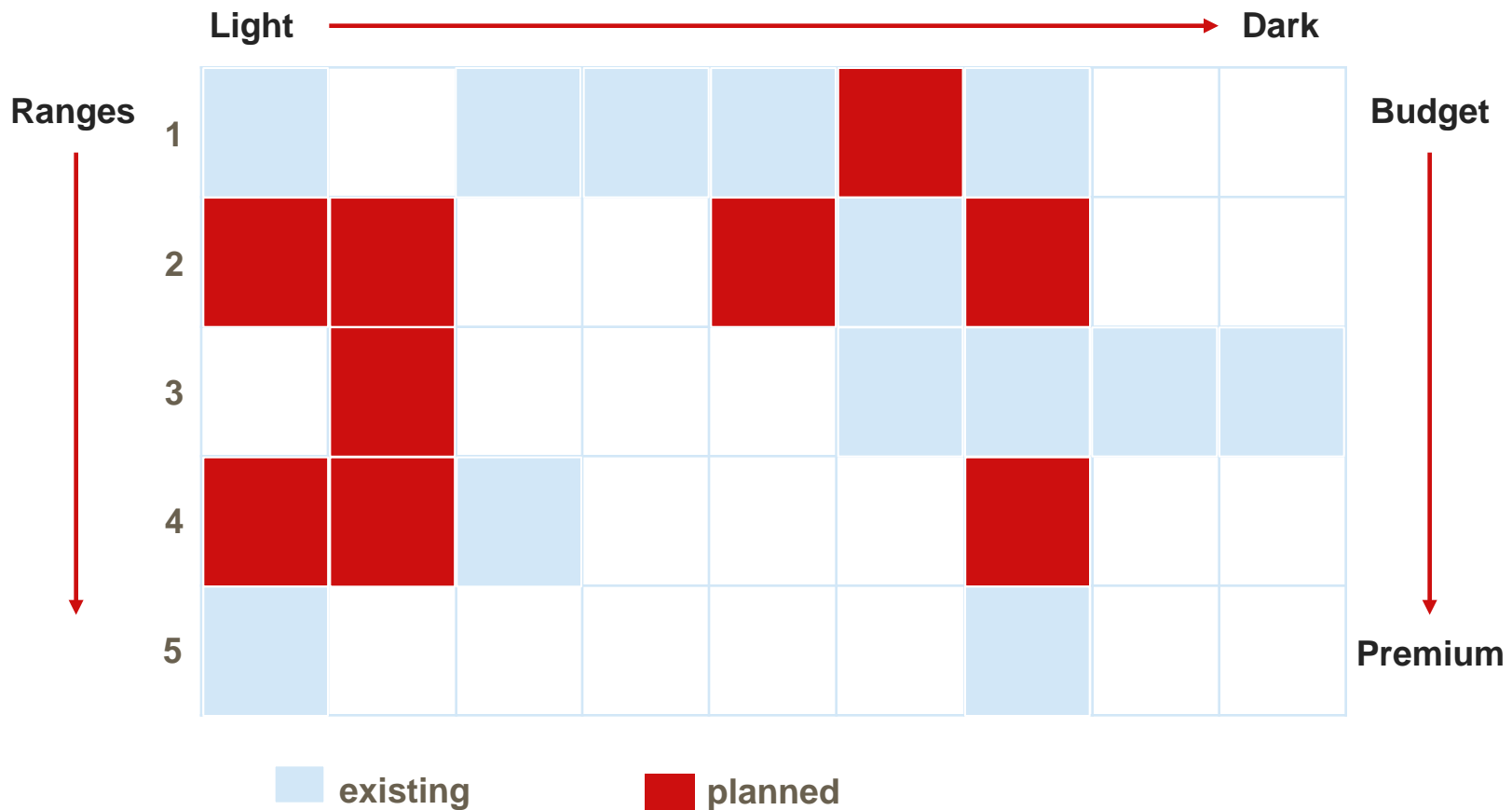
Depot opening hours: Monday-Friday 8am-5pm, Saturday 8am-12 noon.



Range development

Growth-oriented

- ➔ New ranges to be introduced in H1











A consistent past, present and future

- Adaptable
- Cash-generative
- Wholly focussed
- Growth-oriented

Substantial
growth
prospects



Galiform

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