



HOWDENS
JOINERY CO.

Making kitchens work for you

2010 Preliminary Results

3 March 2011



HOWDENS
JOINERY CO.

Making kitchens work for you

Matthew Ingle
Chief Executive Officer

2010: Howdens moves forward

- ➡ Sales up by 5%
- ➡ Gross profit margin up by 3.6 percentage points
- ➡ 27 new depots opened
 - ➡ 20,000 net new accounts
- ➡ 12 new kitchen ranges
 - ➡ Increased range of appliances
 - ➡ Improved product quality
- ➡ Continued to invest in manufacturing and systems
- ➡ Created 350 new jobs



HOWDENS
JOINERY CO.

Making kitchens work for you

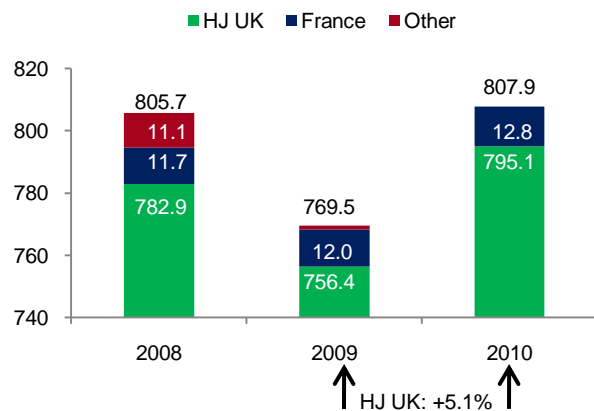
Mark Robson
Chief Financial Officer

Context of financial results

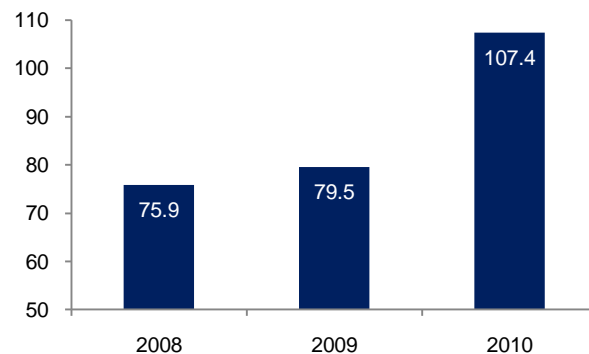
- Good performance in gross margin, operating profit and operating cash flow
- Cash flow finances legacy issues
- Legacy property portfolio continues to diminish
- No exceptional items or discontinued operations

Highlights

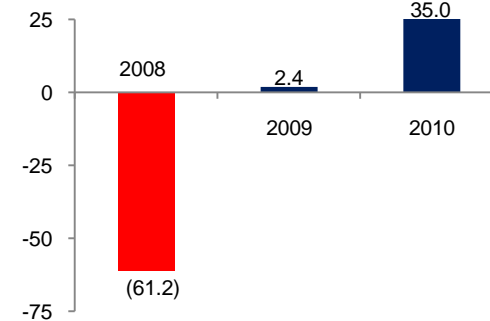
Revenue, £m



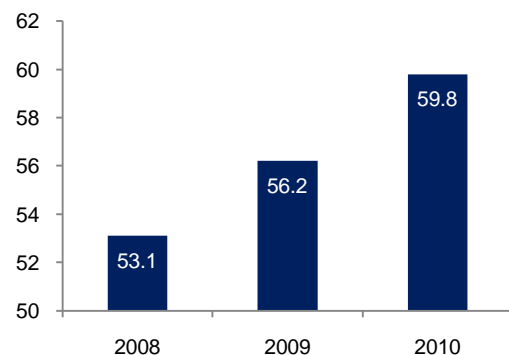
Operating profit, £m



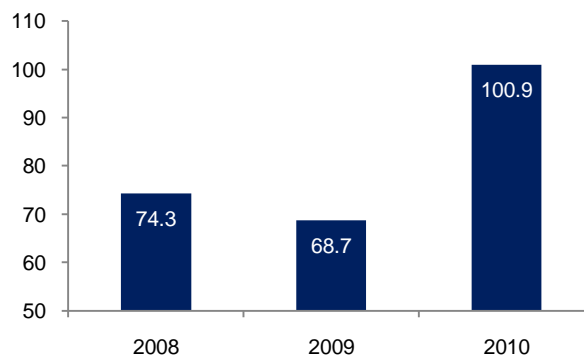
Net cash/(debt), £m



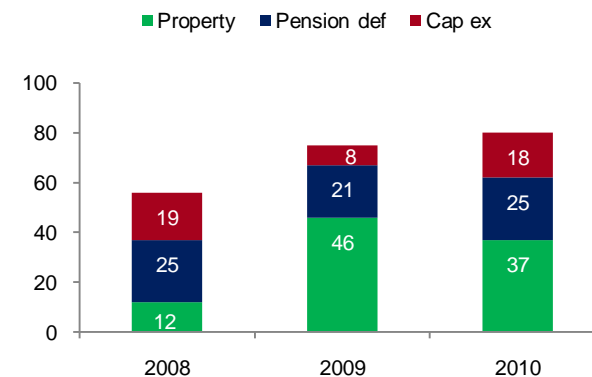
Gross profit margin, %



Profit before tax, £m



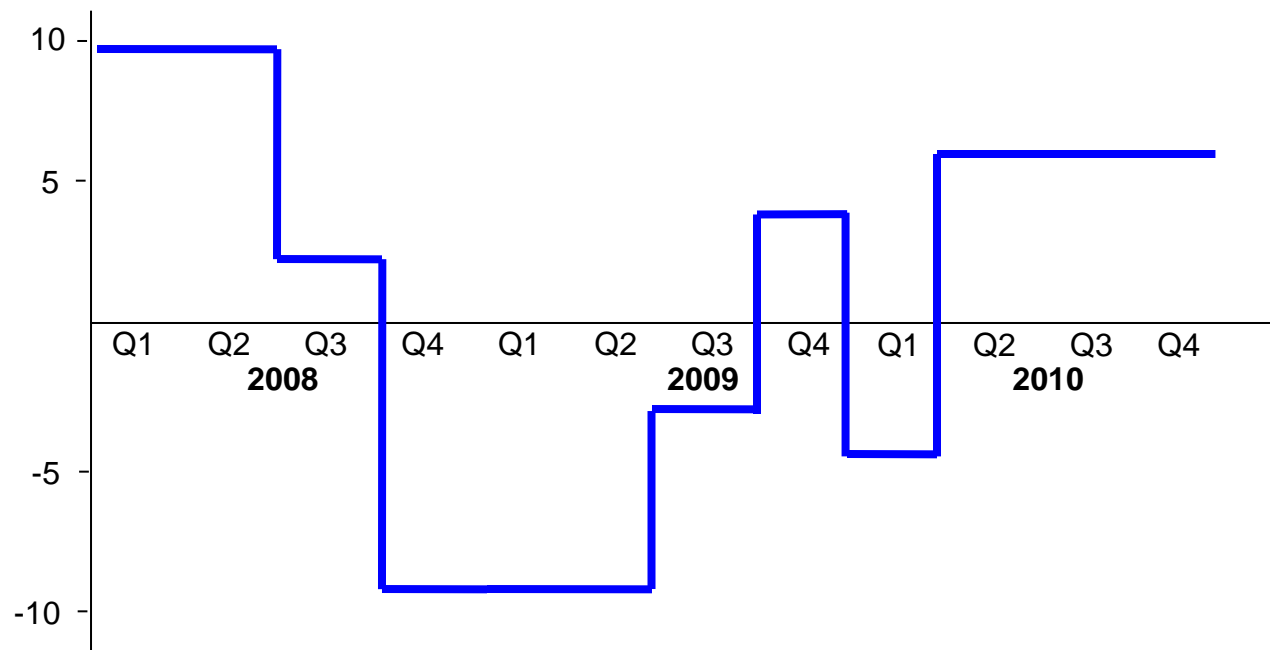
Uses of 'cash', £m



Howdens revenue

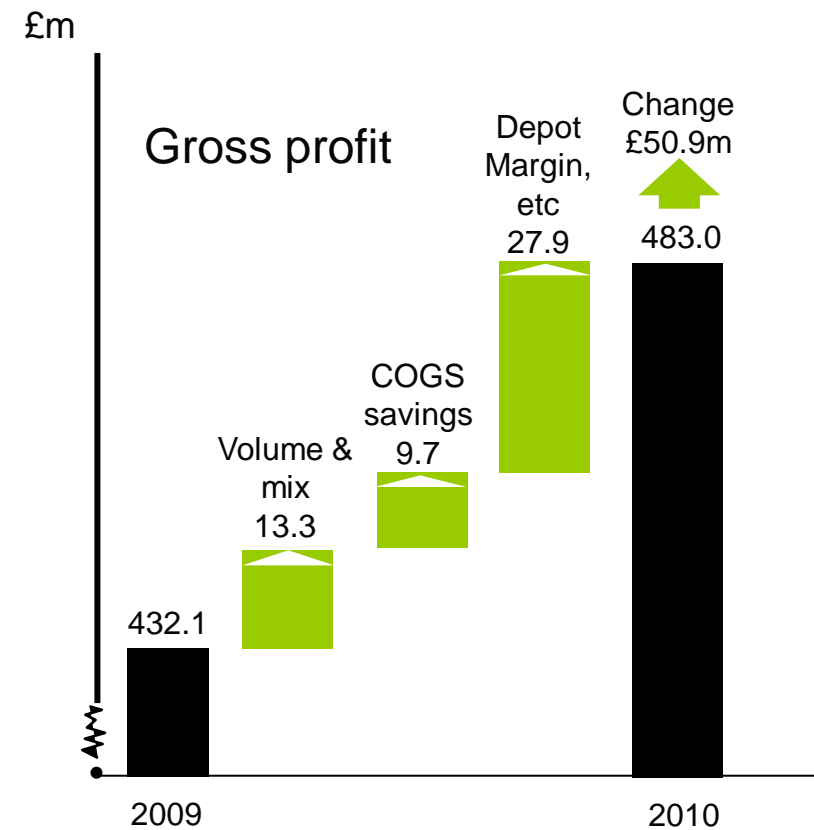
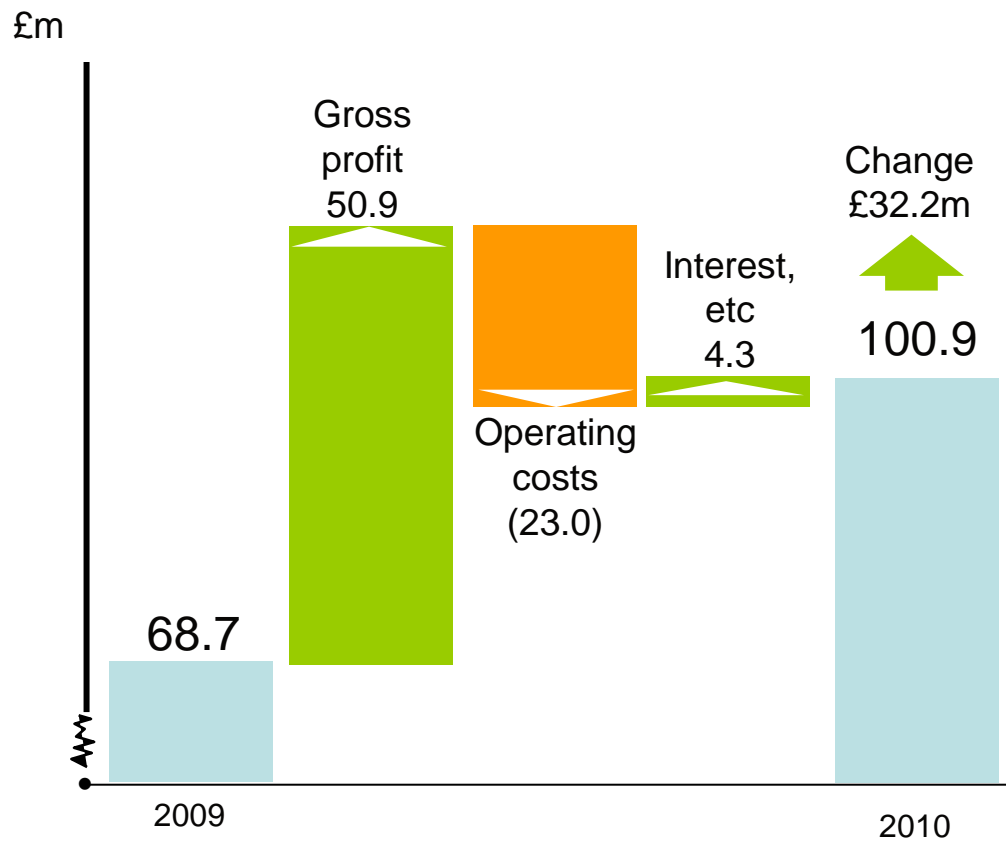
2010 revenue £795.1m
• total +5.1% • LFL +3.6%

% change

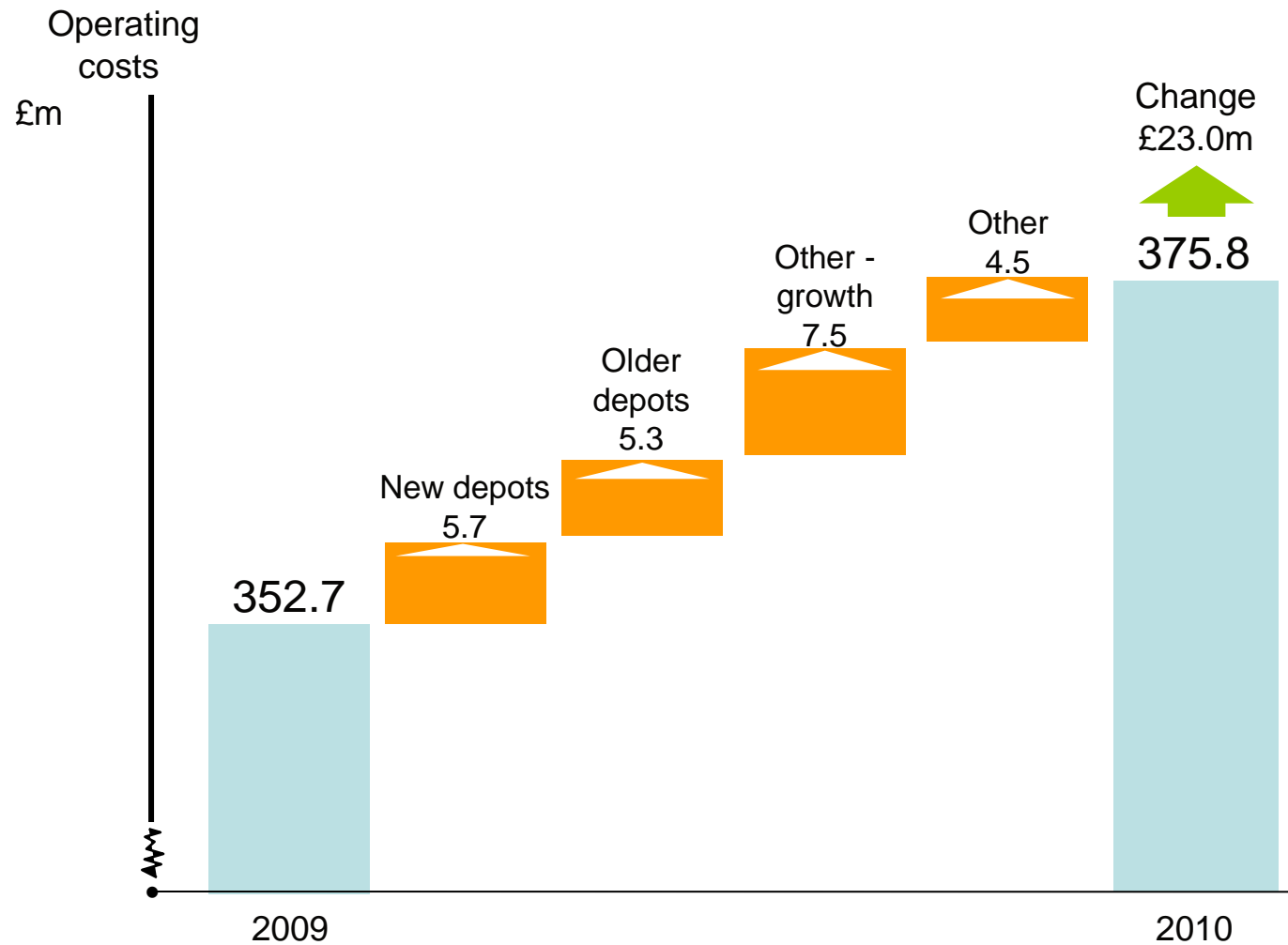


Profit before tax

Group gross profit margin
• 2010: 59.8% • 2009: 56.2%



Operating costs



Income statement

£m	2010	2009
Continuing operations:		
Profit before tax	100.9	68.7
Tax	(34.0)	(18.5)
Profit after tax before exceptional items	66.9	50.2
Exceptional items before tax	-	(0.1)
Tax	-	-
Profit from continuing operations	66.9	50.1
Discontinued operations:		
Exceptional items before tax	-	(4.4)
Tax	-	-
Loss from discontinued operations	-	(4.4)
Profit for the year	66.9	45.7

Net cash/borrowings and cash flow

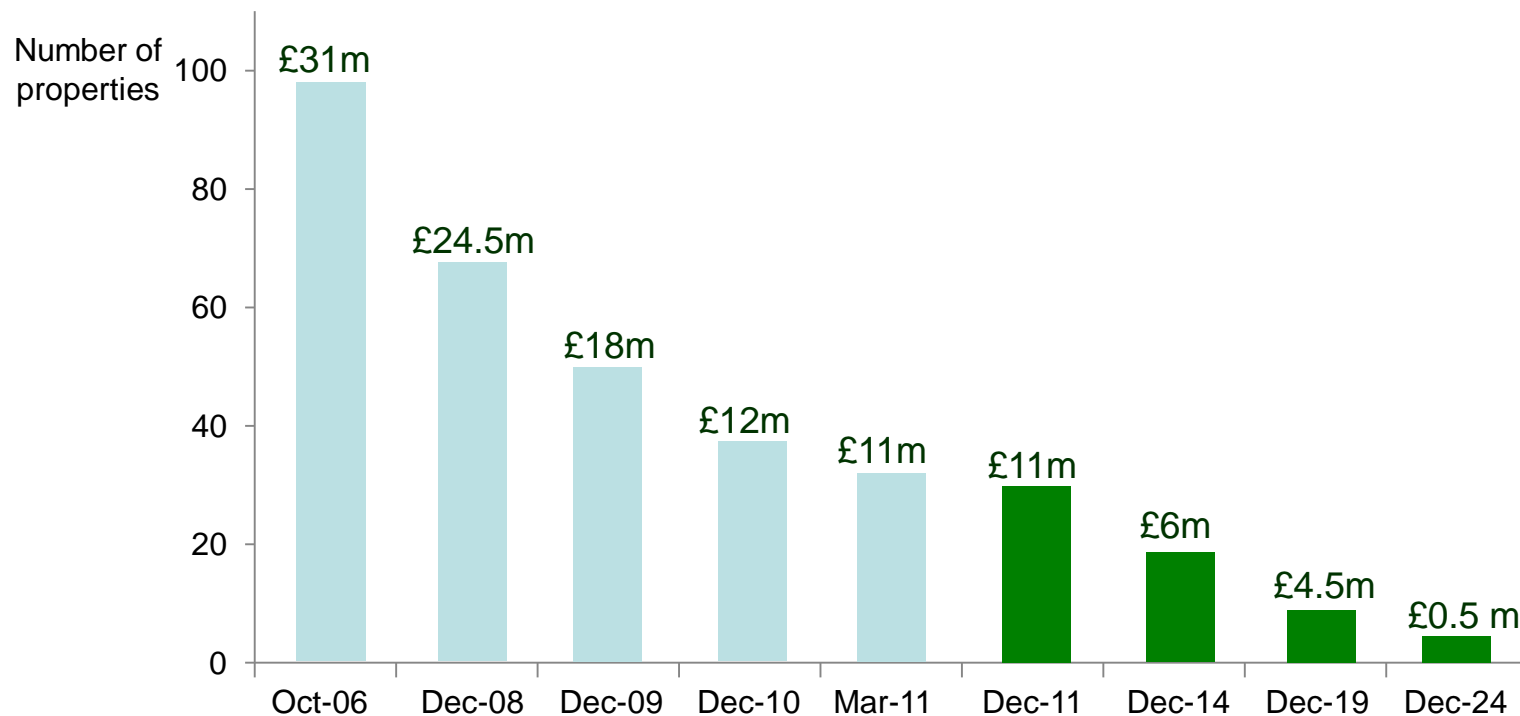
£m	2010	2009
Opening net cash/(borrowings)	2.4	(61.2)
Operating cash flows before movements in working capital	127.0	97.2
Working capital	3.4	46.8
Capital expenditure	(18.2)	(8.1)
Asset disposals	0.3	1.2
Interest (net)	(1.0)	(2.9)
Tax paid	(16.0)	(5.0)
Legacy properties	(37.5)	(46.3)
Pension deficit contribution	(25.4)	(20.9)
Other	-	1.6
Closing net cash	35.0	2.4

Net cash inflow excluding legacy property and pension deficit costs: £95.5m

Working capital

- Working capital down £3.4 m
 - stock up £19.2m
 - debtors down £0.4m
 - creditors up £22.2 m

Reducing our legacy property liabilities



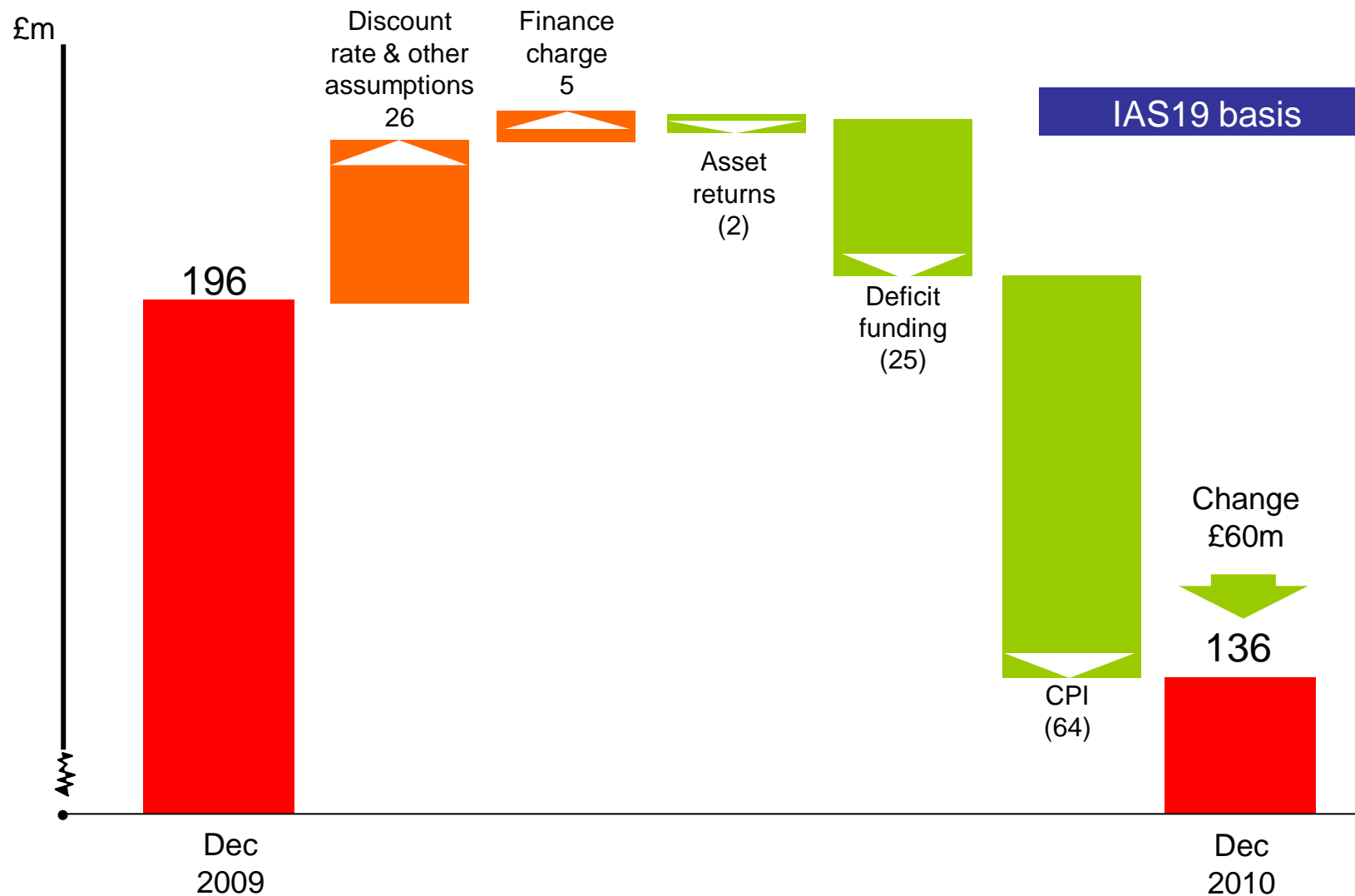
- 12 legacy property deals in 2010: £19.4m exit cost - £75m liability extinguished
- 3 legacy property deals so far in 2011: £3.9m exit cost - £12m liability extinguished

1 Vacant and tenanted.

2 Gross rent & rates less payments by tenants.

3 Figures for Dec 2011 and beyond are before any further mitigating action that may be taken.

Pension scheme deficit



Current trading and outlook for 2011

- Sales in first two periods¹ of 2011 up 14.2% (LFL +11.6%)
 - material impact of cold weather at start of 2010
 - benefit from initiative to capitalise on busy post-Xmas non-trade kitchen market
 - estimate underlying growth of around 5%
- Plan to open 30 new depots
- Hope to be able to offset input price pressures
- Cash flow guidance:
 - capital expenditure, pension deficit contribution and tax expected to increase
- Expect market to remain challenging
- Will manage business prudently and take necessary actions to do

1. To 19 February 2011



HOWDENS
JOINERY CO.

Making kitchens work for you

Matthew Ingle
Chief Executive Officer

Howdens' mission

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

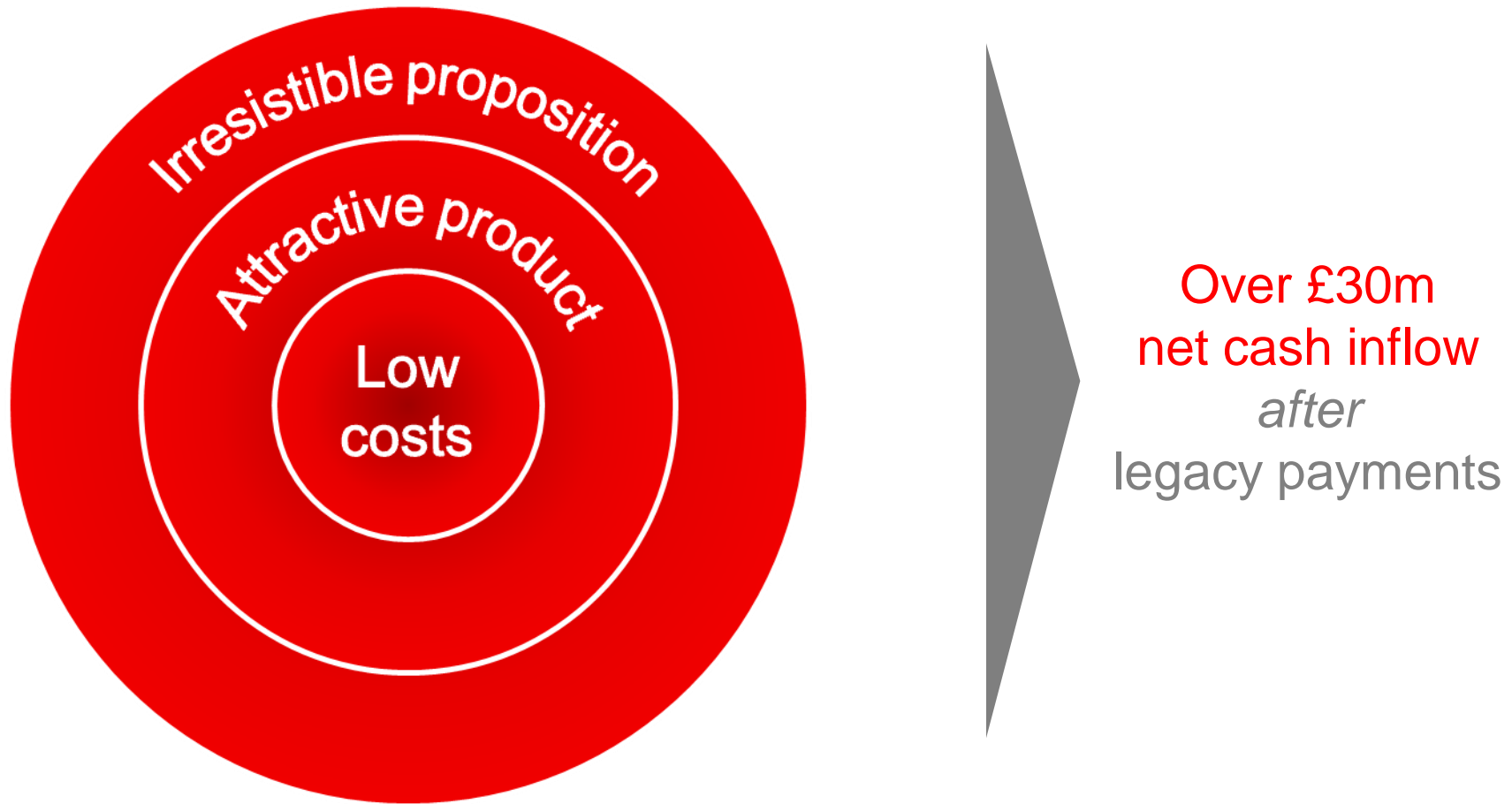
The key features of Howdens

Focused
entirely
on the
small
builder

Cash-generative
Market-beating
Vertically functioning
Low-cost
Growth prospects

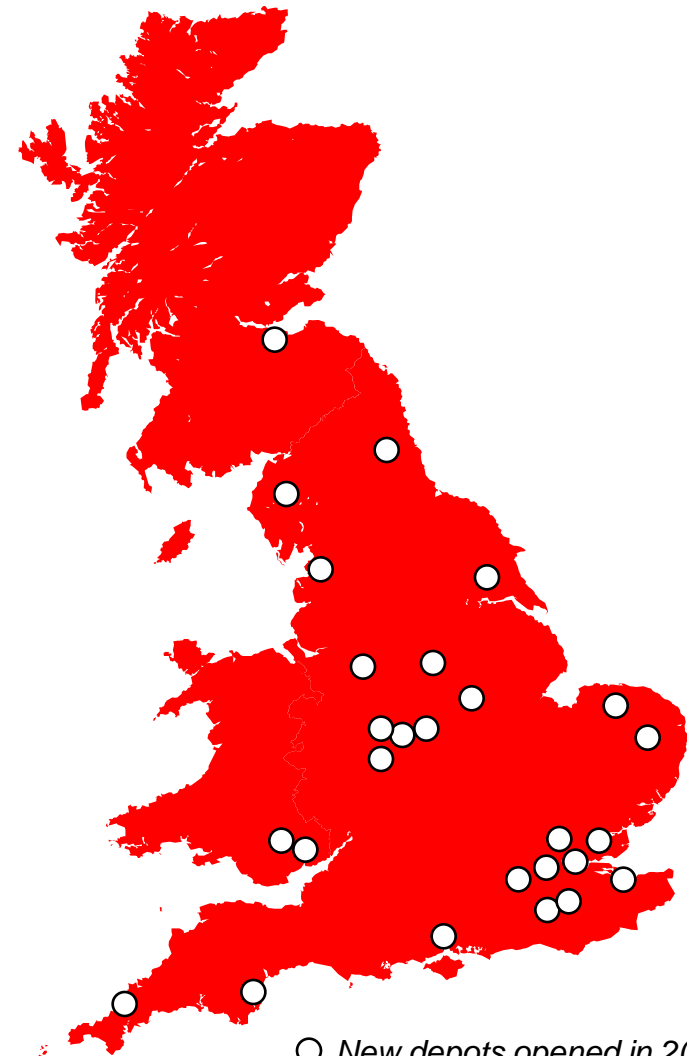
A defining
culture

The importance of cash generation



Successful depot openings

- ➡ 27 new depots opened in 2010
- ➡ 489 total depots
- ➡ Locally managed
- ➡ Locally staffed
- ➡ Locally incentivised



○ New depots opened in 2010

Active management of trade accounts



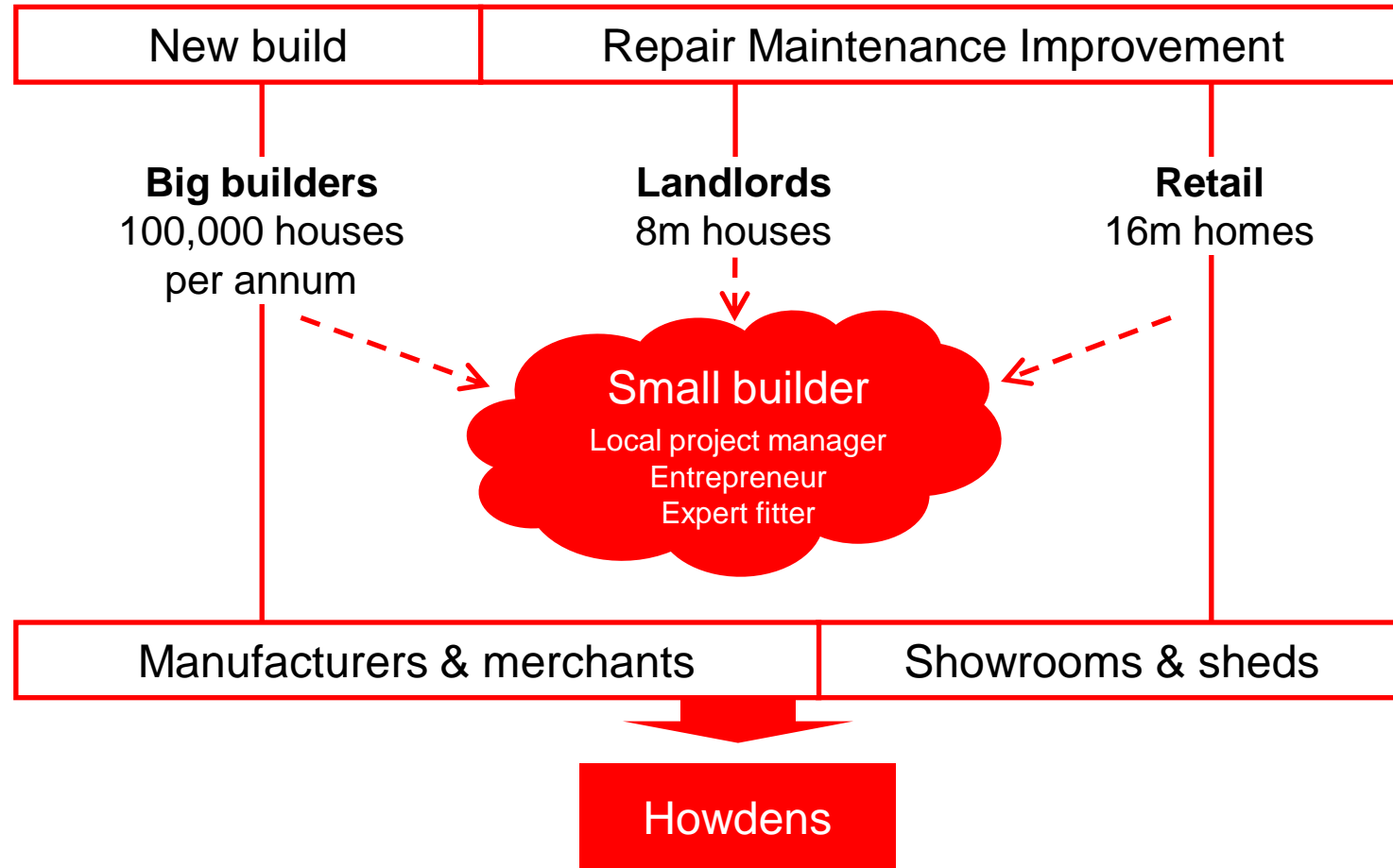
- ➡ Focus on opening trade accounts
- ➡ 20,000 net new accounts
- ➡ 200,000 active credit accounts
- ➡ Accounts closed after 15 months of inactivity
- ➡ Limited exposure to any one customer
- ➡ Cost of managing accounts, including bad debts = 1.5% of sales

Supplying what the small builder wants

- ➡ Well designed
- ➡ Easy to sell
- ➡ Attractive
- ➡ Good quality
- ➡ Robust
- ➡ Relevant
- ➡ Available
- ➡ Credit terms
- ➡ Well-priced



The builder serves all parts of the market



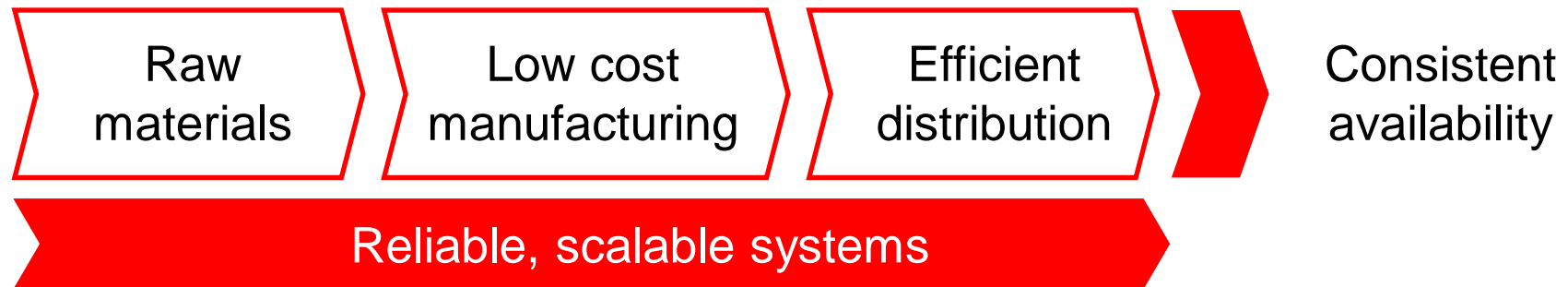
Simple but good and very well done

New product introduced in 2010

- ➡ 12 new kitchens
- ➡ Product families
- ➡ Standardised range content
- ➡ Improved cabinetry
- ➡ Waste solutions
- ➡ Worktops
- ➡ Appliances
- ➡ Joinery & hardware
- ➡ Flooring
- ➡ Leading and influencing the market



An effective operation



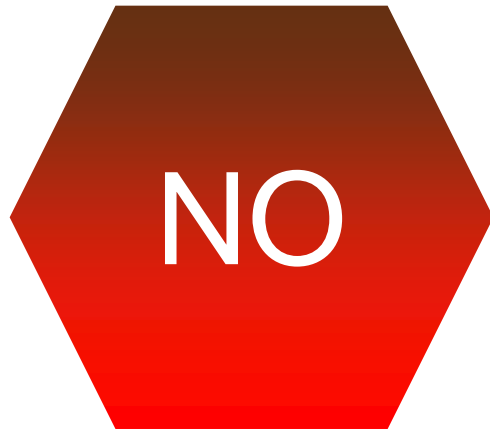
- ➡ New manufacturing & warehouse management systems
- ➡ Improved stock accuracy
- ➡ Market-leading kitchen design software
- ➡ Sophisticated information systems

A vertically functioning business



- Continuing to benefit from ownership of manufacturing
 - Source of competitive advantage
- Monitoring further opportunities to improve access to LCP
 - Enhanced margin opportunities
- Ensuring low cost and availability
 - Underpins value to builder

Howdens is not a retail business



- ➡ High Street rents
- ➡ National advertising
- ➡ Delivery costs
- ➡ Fitters
- ➡ 7-day working
- ➡ Showrooms
- ➡ Stock write-off
- ➡ Stock loss

The Howdens road to growth

- ➡ More of the same
 - ➡ More trade accounts
 - ➡ More depots
 - ➡ Scope for at least 650 depots in all areas
- ➡ Long maturity profile offers further opportunities
 - ➡ Sales per head
 - ➡ Margin
 - ➡ Accounts

Extending the “families” concept

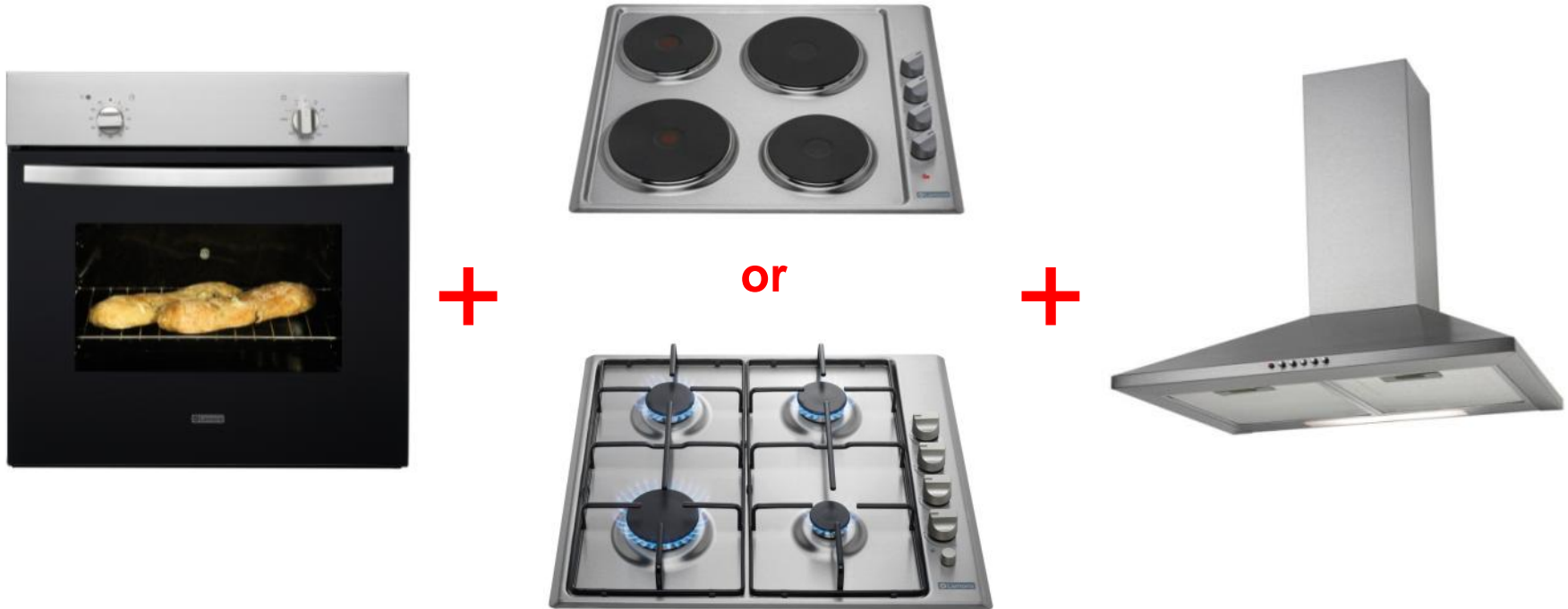
➡ Matching product

- ➡ Joinery doors
- ➡ Architrave
- ➡ Skirting
- ➡ Hardware



Developing Lamona, our own brand

➡ Encouraging results from new appliance packs



The Lamona roadshows

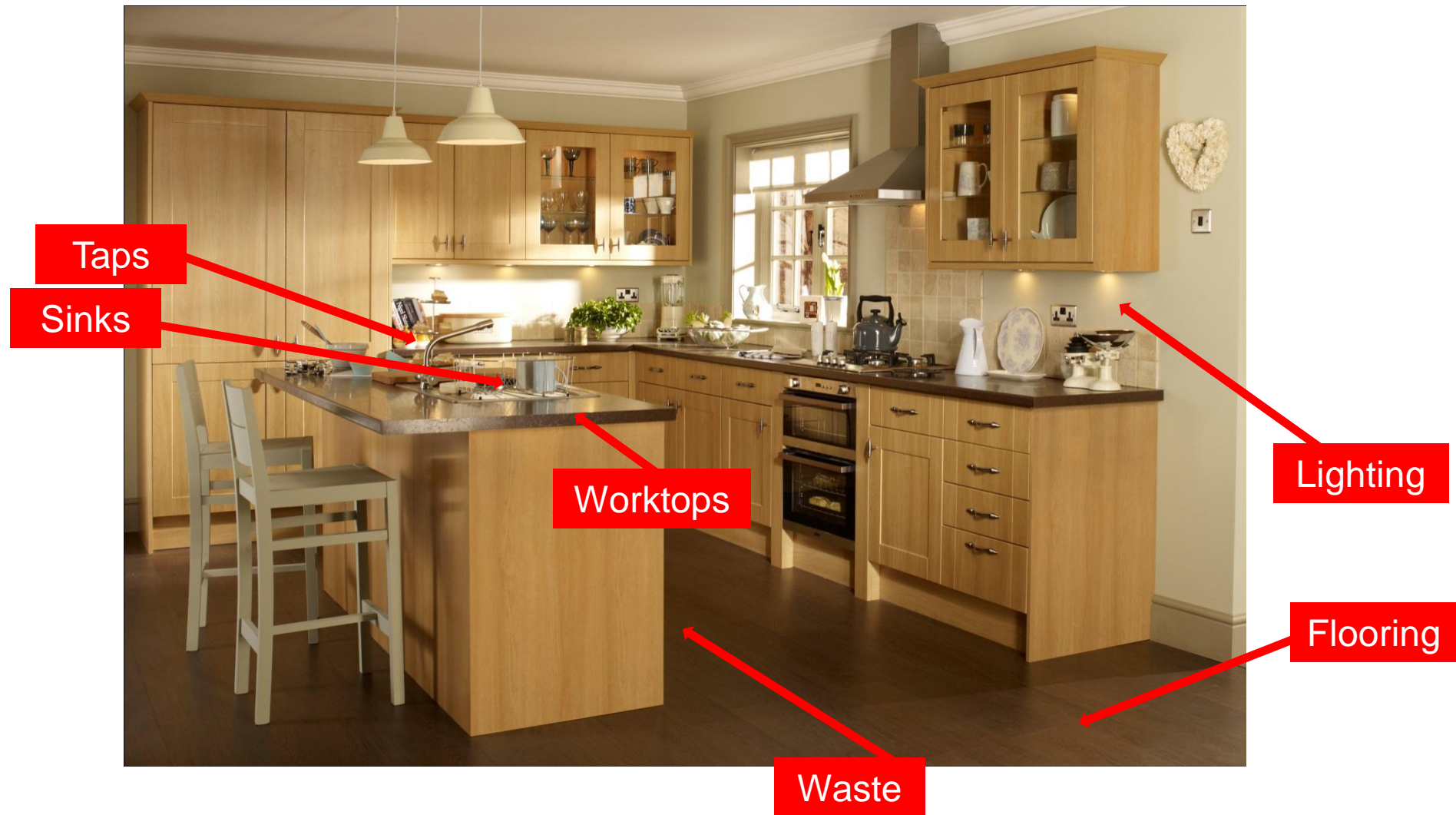


Chef John Topham with the basic Lamona oven



- ➡ Selling a competitive product with confidence
- ➡ Margin opportunity for the builder

Extending our appliance ranges in 2011



Principles of new product introduction

- ➡ Is it wanted and needed in the home?
- ➡ How does it help the builder?
 - ➡ Is it easy for him to sell and fit?
 - ➡ Does it help him make money?
- ➡ How does it complement our existing product?
- ➡ Can we guarantee consistent:
 - ➡ Quality?
 - ➡ Availability?
 - ➡ Value?
- ➡ Can we make and sell it in volume?

Price

Availability

Quality

Choice

Knowledge

Innovation

Further opportunities to enhance value

- ➡ Use cash to eliminate legacy
- ➡ Strengthen position of business as it emerges from restructuring
- ➡ Continuing to invest to secure growth
- ➡ Understand why focus on builder has proved so successful
 - ➡ Any other areas must possess similar margin and cash characteristics

Howdens' culture is the key to continuing growth

- ➡ Each **individual** is important
- ➡ Everyone must be **clear** about the objective
- ➡ Everyone is **motivated** to achieve it
- ➡ Everyone is **allowed** to work out the best way of doing so
- ➡ Networks of partnerships harnessed to drive growth



Summary



Design
Quality
Service
Availability



Supply efficiencies
Margin development



HOWDENS
JOINERY CO.

Making kitchens work for you

2010 Preliminary Results

3 March 2011