



HOWDENS
JOINERY CO.

Making kitchens work for you

2012 Preliminary Results

28 February 2013



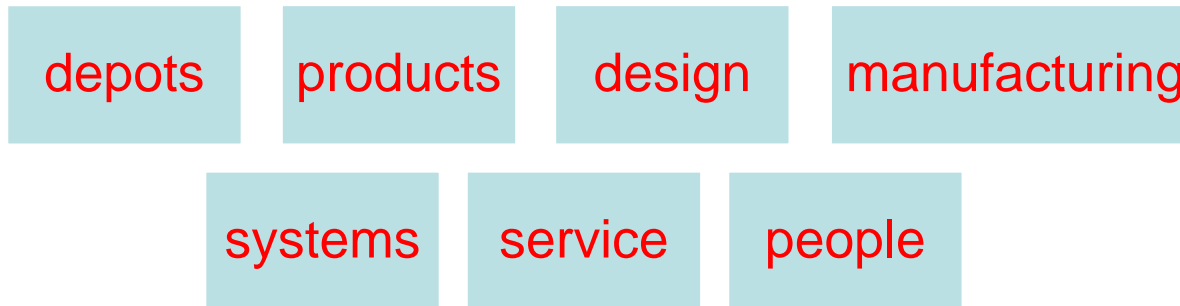
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Matthew Ingle
Chief Executive Officer

A resilient and well-invested business

➡ Over the last five years, we have invested in:



➡ MFI property legacy virtually eliminated

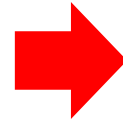
➡ Margin improved by over 8 percentage points since 2008

We have transformed Howdens and its prospects

Howdens continues to outperform

- New product
- Better quality
- Improved availability

} with
less
stock



Increased manager focus on:
cash, profit, costs, margin

- ➡ A cash generative business
- ➡ Continuing to invest in growth opportunities
- ➡ Recommending increased dividend: FY 2012 total of 3p

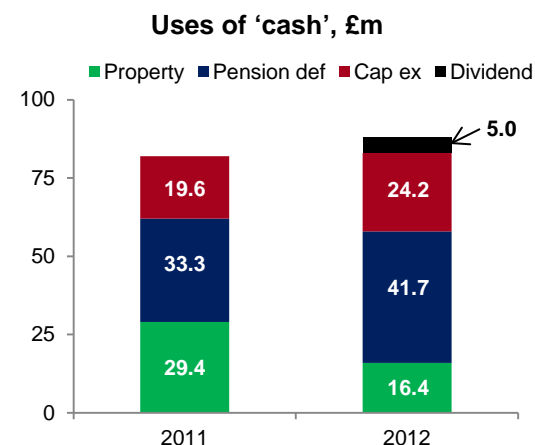
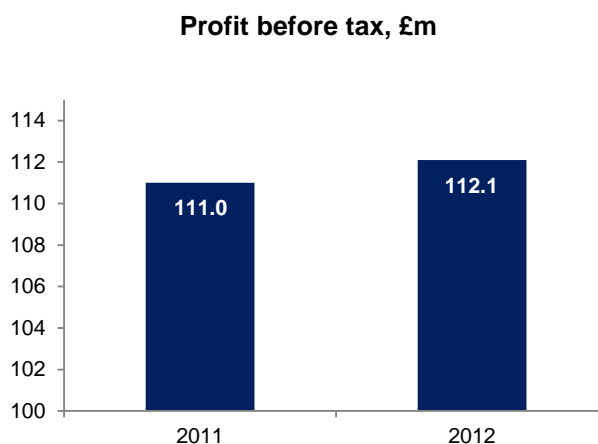
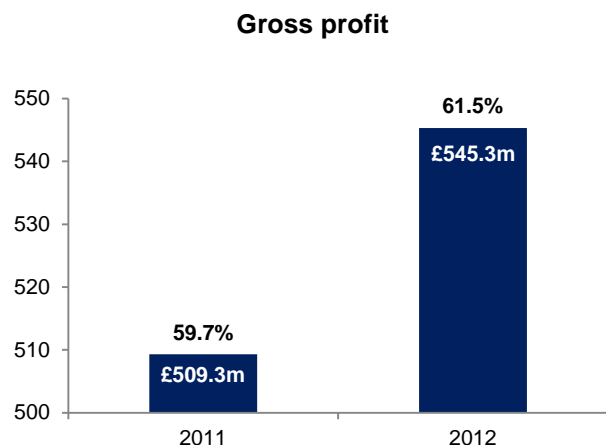
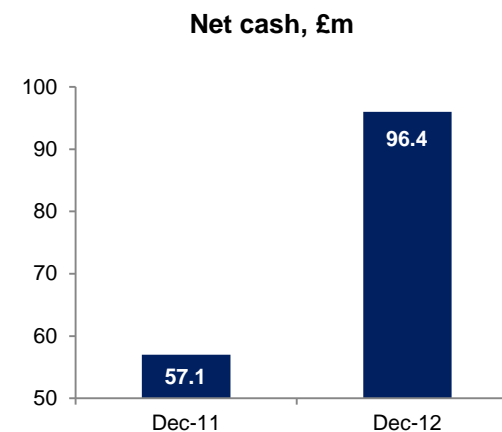
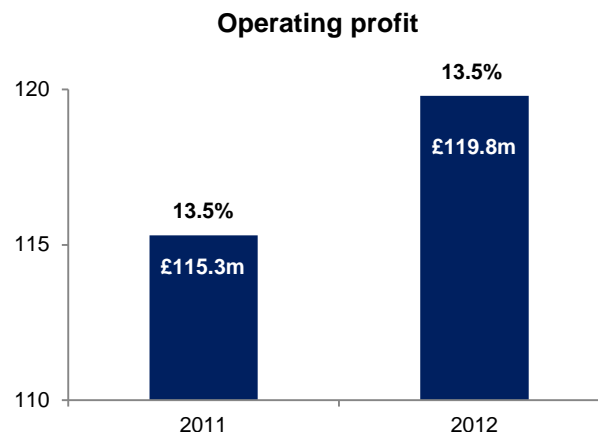
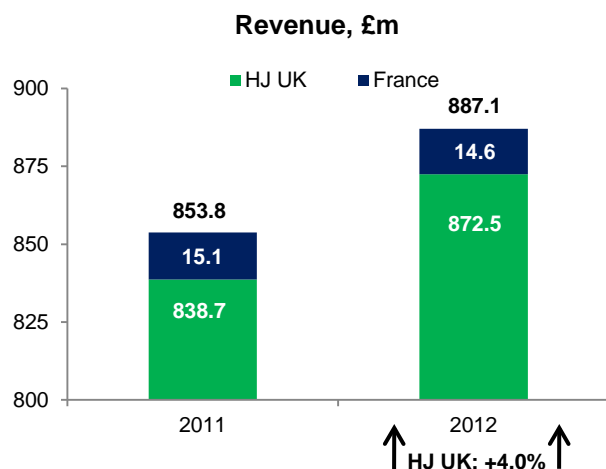


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Mark Robson
Chief Financial Officer

Highlights



The information presented here relates to the 53 weeks to 29 December 2012 and the 52 weeks to 24 December 2011. The inclusion of a 53rd week in 2012 (23-29 December) had no impact on revenue, as the business did not trade that week. It is estimated to have increased operating costs by around £5m, reducing 2012 operating profit and profit before tax by the same amount, and reducing profit after tax by around £4m.

Revenue

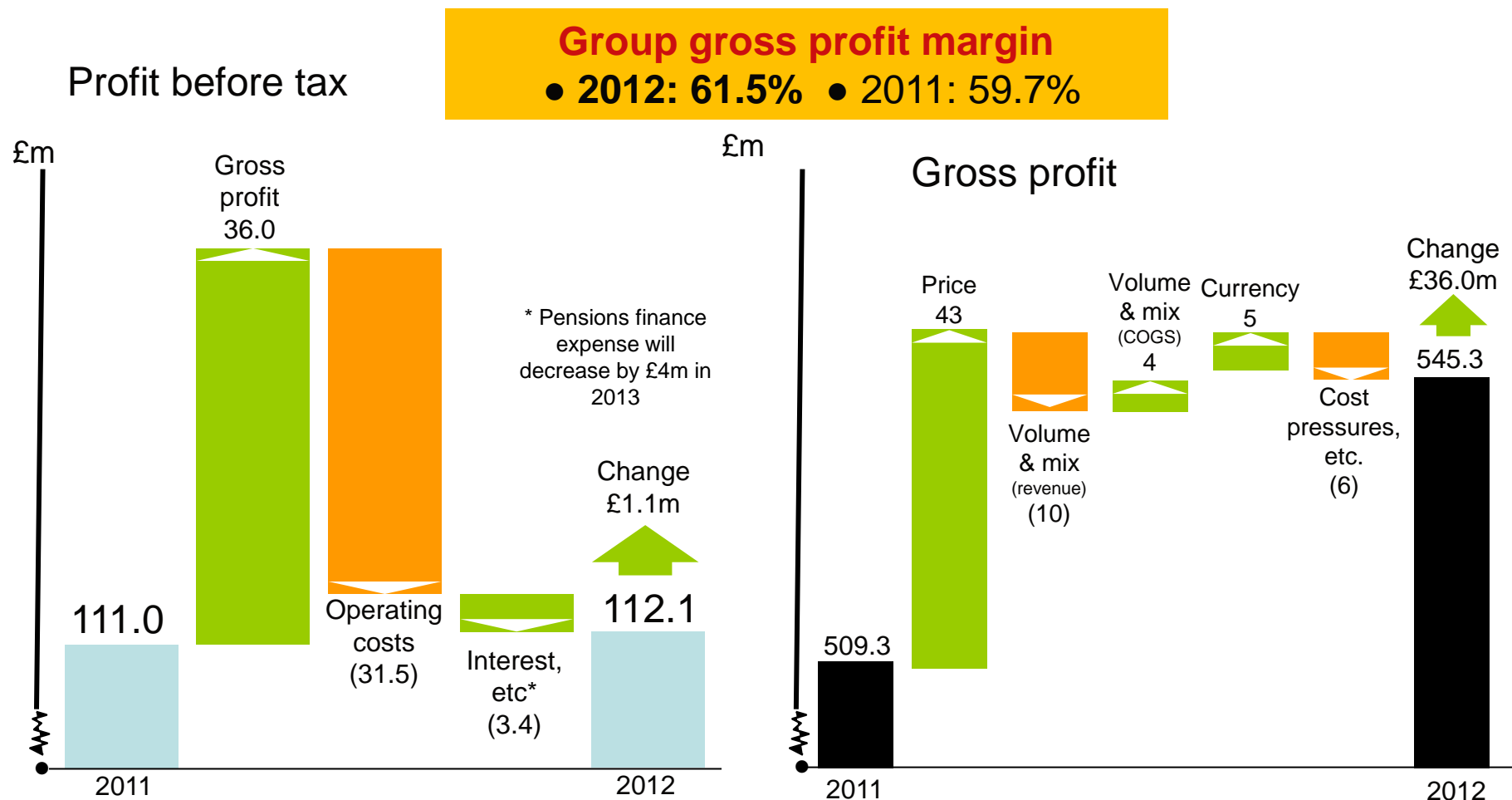
2012 UK depot revenue £872.5m

• total +4.0% • LFL +1.9%

2012 French depot revenue £14.6m

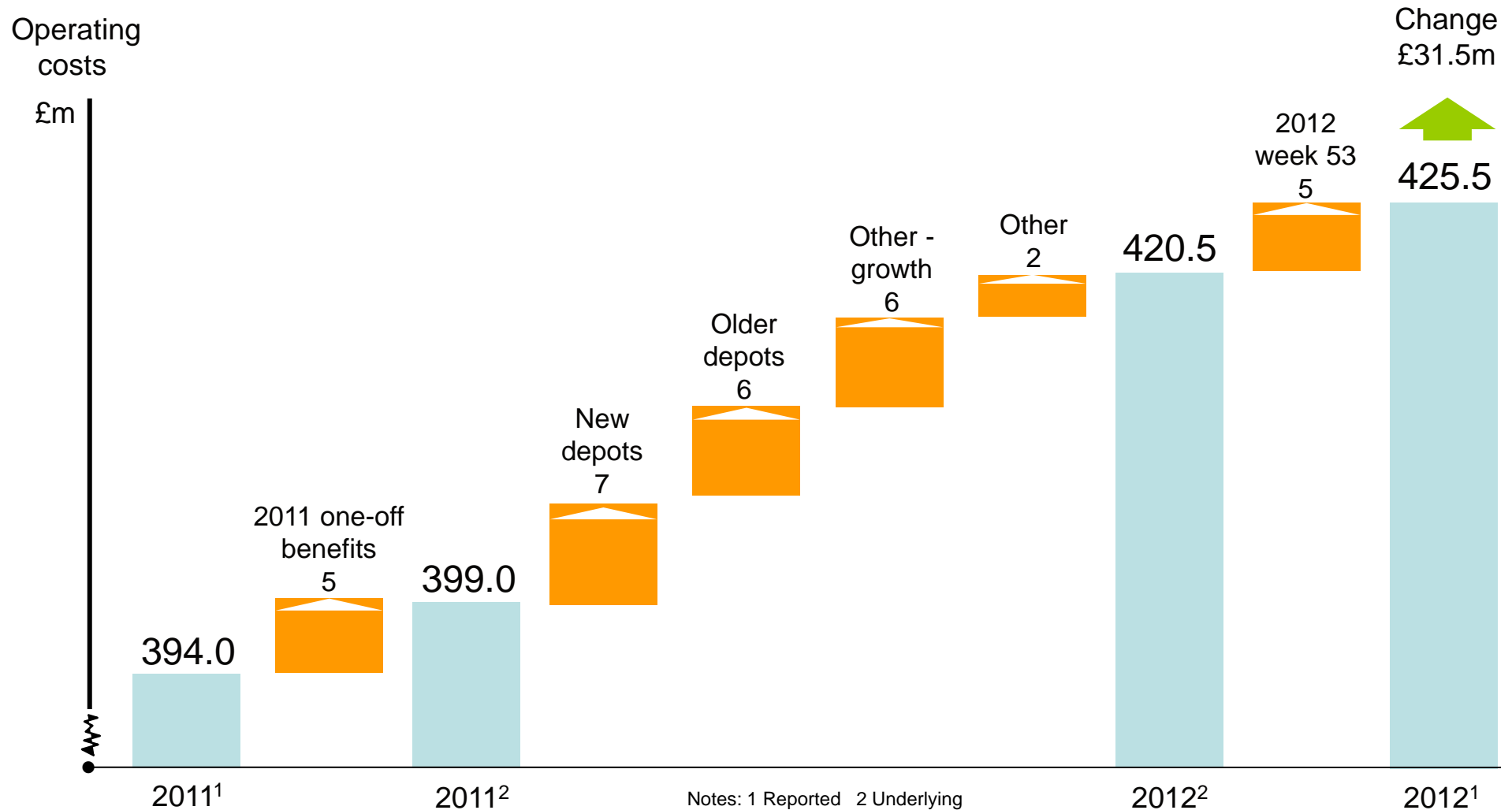
+5.4% LFL in €s

Profit before tax (continuing operations)



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Operating costs



Income statement (continuing operations except *)

£m	2012	2011
Revenue	887.1	853.8
Cost of goods sold	(341.8)	(344.5)
Gross profit	545.3	509.3
Operating costs	(425.5)	(394.0)
Operating profit	119.8	115.3
Net interest	(7.7)	(4.3)
Profit before tax	112.1	111.0
Tax	(24.1)	(29.2)
Profit for the period	88.0	81.8
Loss from discontinued operations after tax *	(3.8)	(8.5)

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Earnings per share and dividend

£m

2012

2011

Earnings per share

- from continuing operations **14.0p** 13.5p
- from continuing and discontinued op's **13.4p** 12.1p

Dividend

- Full year dividend of 3p per share recommended (2011: 0.5p) – total payment of £19m

Net cash and cash flow

£m	2012	2011
Opening net cash	57.1	35.0
Operating cash flows before movements in working capital	138.3	134.8
Working capital	2.1	(9.4)
Capital expenditure	(24.2)	(19.6)
Interest (net)	(0.4)	(1.0)
Tax paid	(16.9)	(22.5)
Dividends	(5.0)	-
Legacy properties	(16.4)	(29.4)
Pension deficit contribution	(41.7)	(33.3)
Other	3.5	2.5
Closing net cash	96.4	57.1

Investing in growth and performance

- **Capital expenditure: £24m**
 - depots and related areas: £9m
 - supply operations: £11m
 - IS and other: £4m
- **Operating costs: £16m**
 - new depots: £7m
 - existing depots: £3m
 - other (marketing, regional/area management): £6m

Reducing our legacy property liabilities

- **Five leases terminated in 2012**

- £11.7m cost
- £27m of future costs mitigated

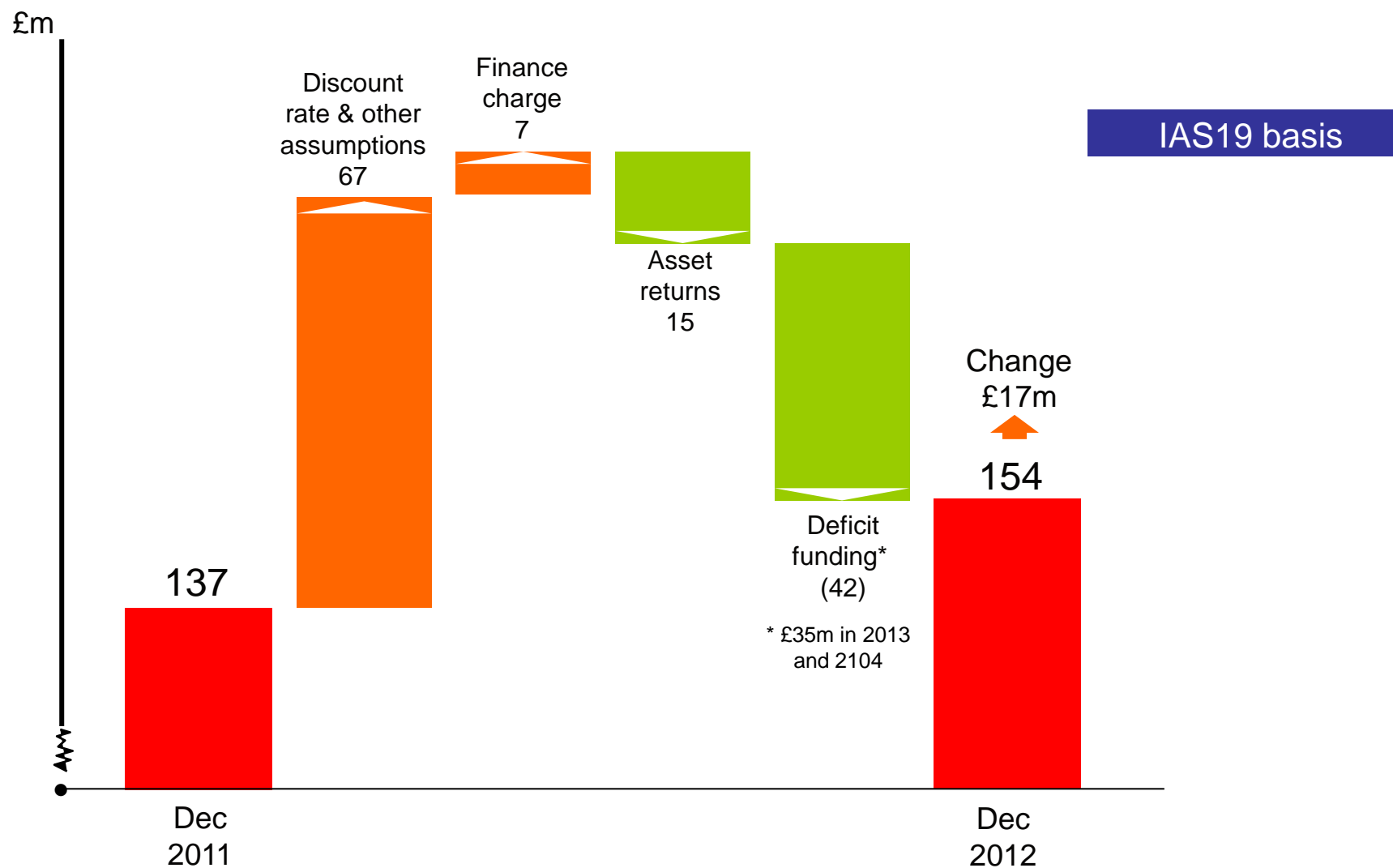
- **Two 'early' exits in 2013**

- £1.4m cost

- **Fourteen properties remain**

- <£4m net annual rent and rates
- halved by end of 2014

Pension scheme deficit



Current trading and outlook for 2013

- Sales in first period two periods up 17%
 - additional trading week in P1
 - earlier implementation of price increase
- No indication of any change in market conditions
- Outlook for rest of year:
 - market to remain challenging, so cautious about outlook at this early stage of year
 - continue to invest in growth
- Will take timely actions



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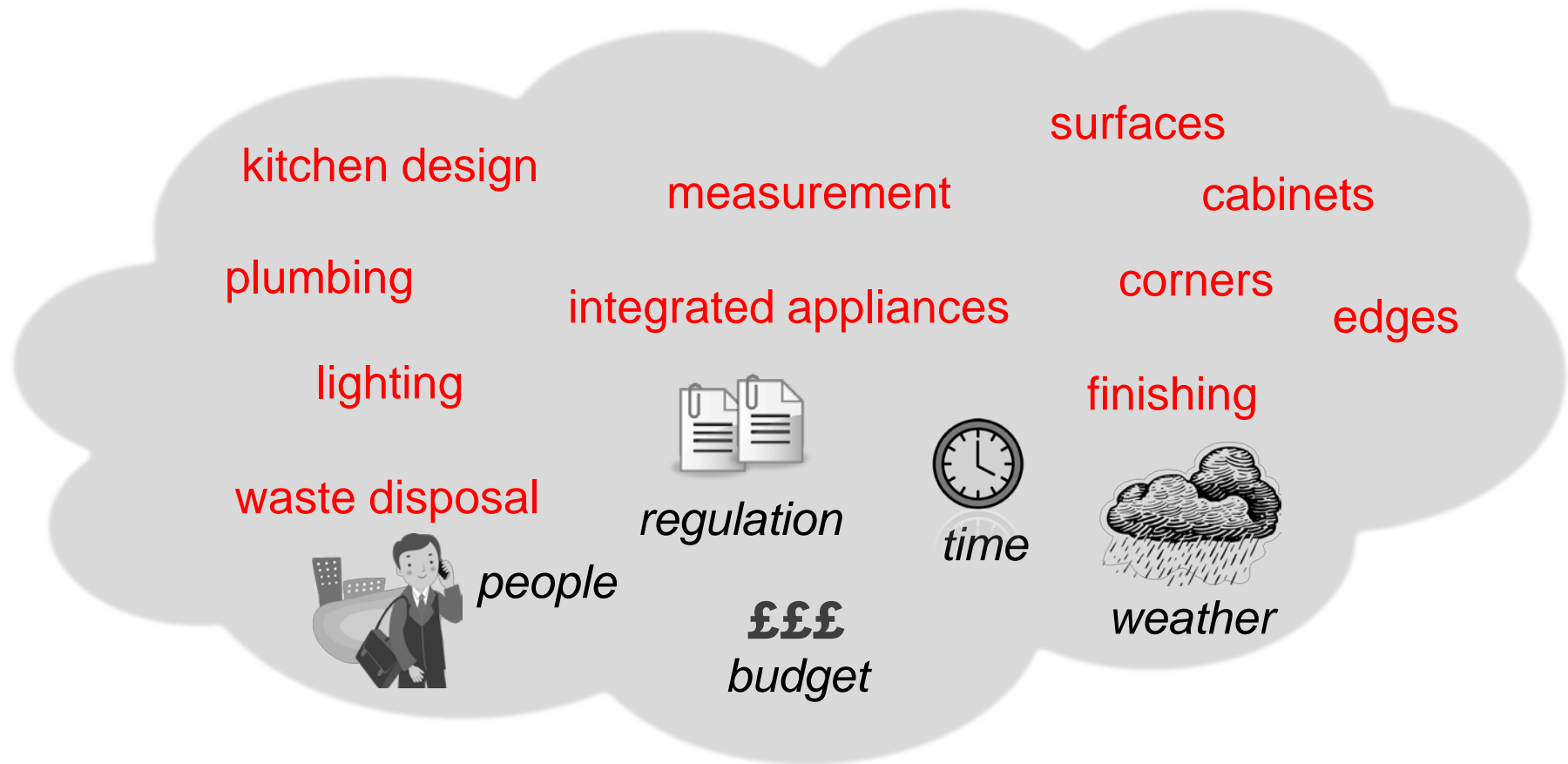
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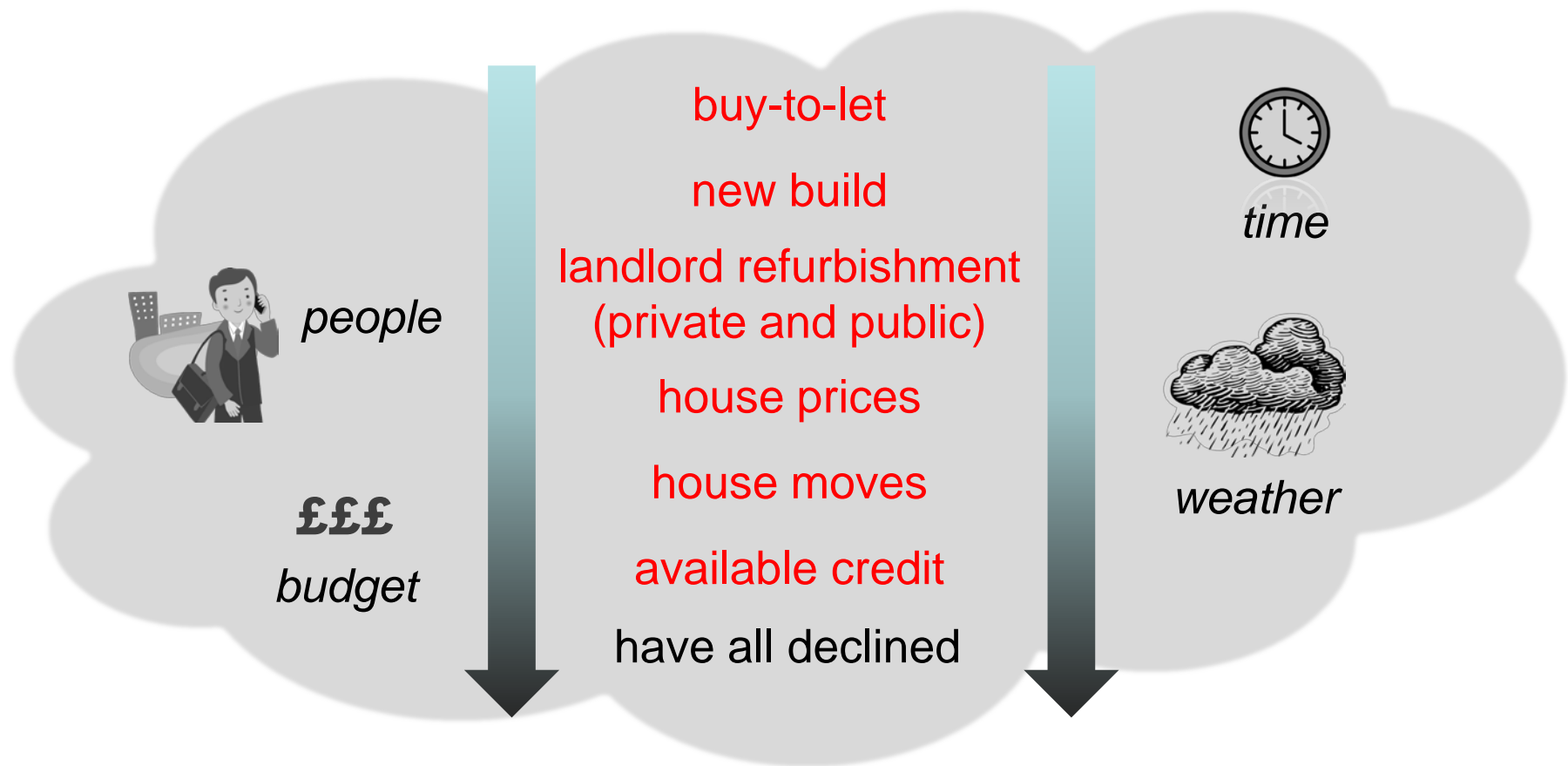
Proven business model focused on one customer

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

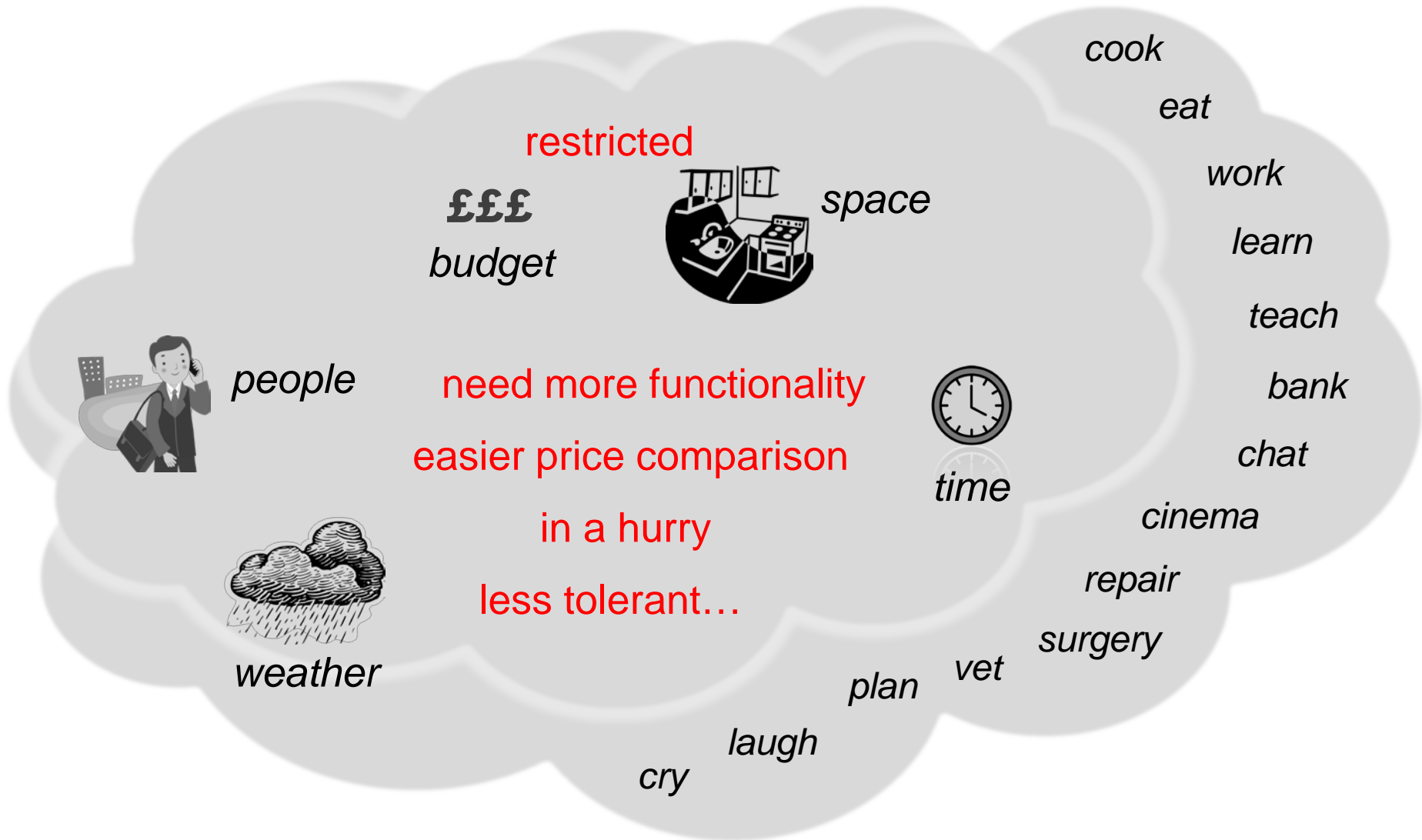
Understanding the builder's world



Understanding the builder's world



Understanding the end-user's world



Making the builder more competitive

- ➡ Finish the job on time and on budget
 - Everything in stock all the time
 - Truly local depot
 - Good design and quality at all price points
 - Rigid cabinets
 - Confidential discount – builder's margin
 - Good credit terms with nett monthly account – builder's cash flow

Starting with a good plan

- ➡ Professional kitchen planning service
 - Over 1,000 experienced designers
 - Industry-leading CAD planning software
 - Detailed visualisation of kitchen
 - Accessible to builder and end-user



Howdens' reputation



A brand built on reliability and service

Continuity in a changing world

➡ Howdens promise to 270,000 credit account holders:

- Service
- Design
 - Quality
 - Availability
 - Price
 - Convenience
 - Reliability
 - Essential business support



None of this happened by accident

What makes a depot work well

- ➡ 10,000 square feet
 - Trade only
 - In stock
 - Easy for the builder
- ➡ Low cost
 - Fit-out c.£170,000
 - Rent < £5.50 per sq ft
- ➡ Entrepreneurial team
 - Responsible for depot P&L
 - Incentivised on local profit
 - Aligned with business objectives



The Swansea depot team, September 2012

What makes a depot work well

➡ Depots must be supported by:

➡ A stable, focussed supply chain

- Dedicated factories
- Continuous flow of new product
- Robust yet flexible infrastructure

} Control of quality,
quantity,
availability
and cost

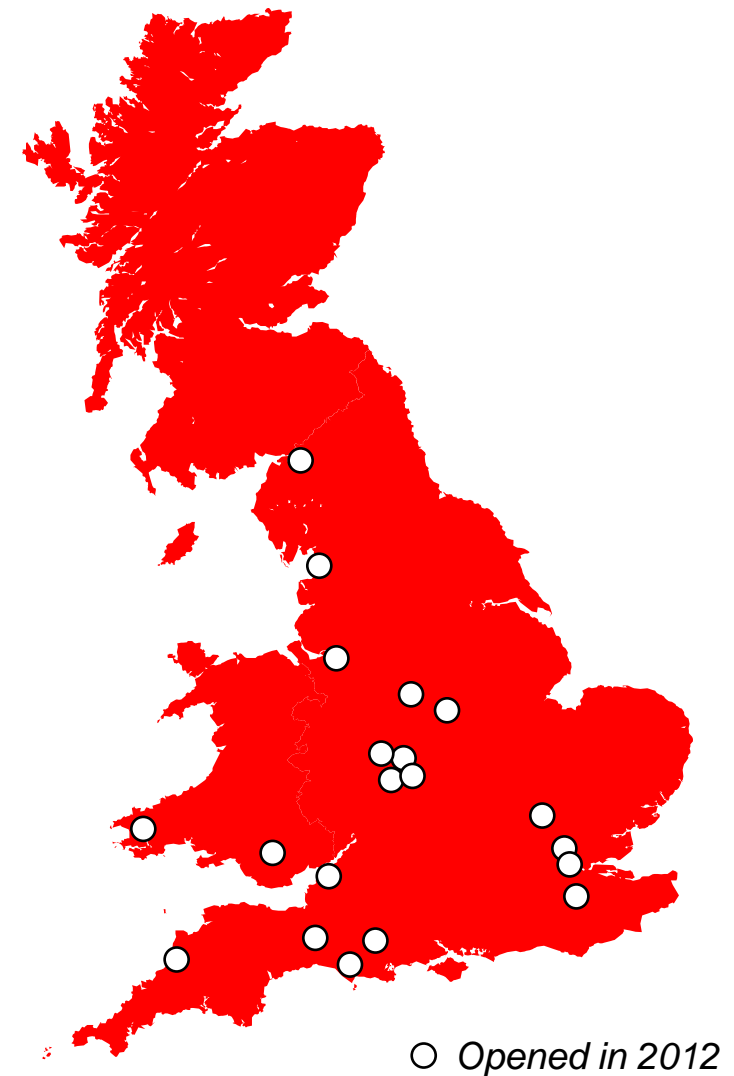
➡ Effective credit management

- Over 20,000 net new accounts in 2012 = 270,000 total accounts
- Total cost of credit control including bad debts: 1.2% of sales*
- Customers are prepared to pay promptly for the Howdens offer

**2011: 1.3% of sales*

Our growing network of local depots

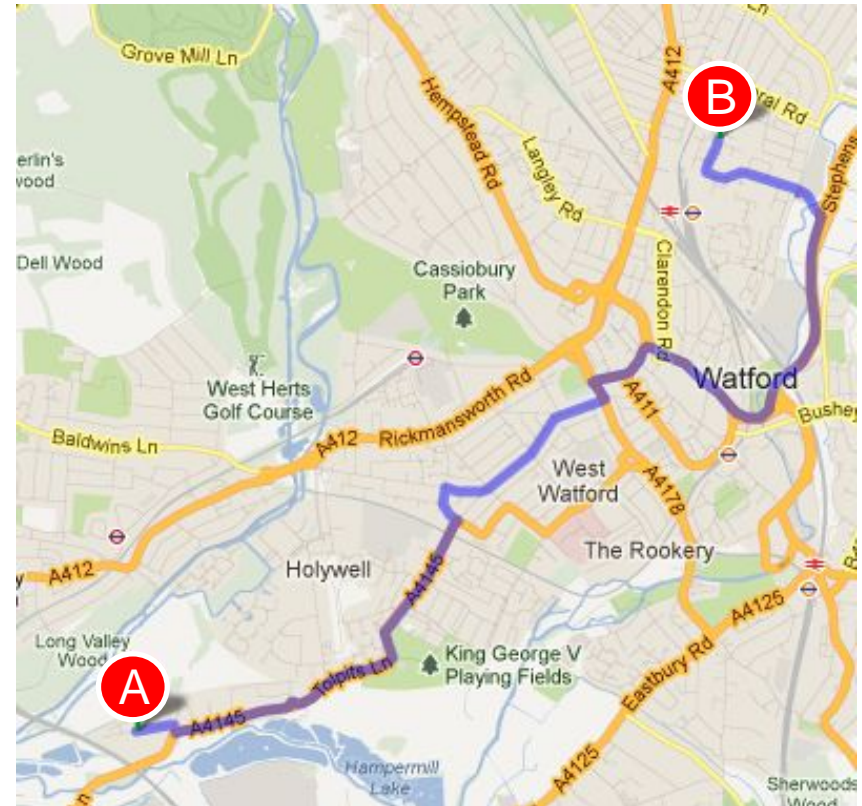
- ➡ 529 depots
 - 20 opened in 2012
- ➡ The value of “local” is increasing
 - Less time
 - More traffic
- ➡ Scope for at least 700 depots in the UK
- ➡ French pilot continues



New depots tap into local sales potential

- ➡ New depots performing well
- ➡ New depots in towns where we are already present are growing our *total* sales, profit & accounts
- ➡ Watford (1995) + North Watford (2011)
 - Sales +44%
 - Trading profit +26%
- ➡ Investing in service

2012
vs.
2010



A: Howdens Watford
B: Howdens North Watford

The value of best demonstrated practice (BDP)

- ➡ Regular scrutiny of individual depot performance
- ➡ Opportunities for growth within each depot's P&L account
 - Sales
 - Profit
 - Sales per head
 - Sales per account
 - Appliance penetration
 - Cost recovery
 - Stock management
 - etc....

New product is critical to Howdens' growth

➡ More product with less stock

- Successful **product design**
- Efficient **sales monitoring**
- Increased **focus on margin**
- Active **product discontinuation**
- Fast **decision-making**
- Flexible **supply chain**
- Shorter **lead times**
- Guaranteed **availability**



15% of 2012 sales were from new product introduced since January 2011

Moving fast to maximise new product potential

➡ Greenwich Gloss

- New gloss technologies
- Competitively priced
- Launched for P11
- Strengthen entry-level offer
- Grow market share
- Sustain margin growth



Greenwich Gloss White

Moving fast to maximise new product potential

➡ Integrated Handle

- Fastest growing range of 2012
- No.5 seller after only 18 months



Integrated Handle Gloss White

Moving fast to maximise new product potential

➡ Trend to solid colours

- White, cream, grey = >70% of sales
- Grey = 9% of sales (vs. 3% in 2011)



Tewkesbury Skye

Extending our range of joinery doors

- ➡ Full range of sizes in best-selling styles
 - Making Howdens an essential supplier of the builder's routine needs



6-panel grained glazed door

Addressing new trends in worktops

➡ 20 new worktops in 2012

- New materials and technologies
- New, narrow-radius matt laminate
- New upstands and backboards
- 14 new square-edged models
- **More in development**



Black mirror-chip square-edged worktop

Growing share of appliance market

➡ Building the Lamona brand

- 1m units sold in 2012

➡ No.1 UK sellers:

- Single oven
- Dishwasher
- Fridge-freezer
- Built-under fridge

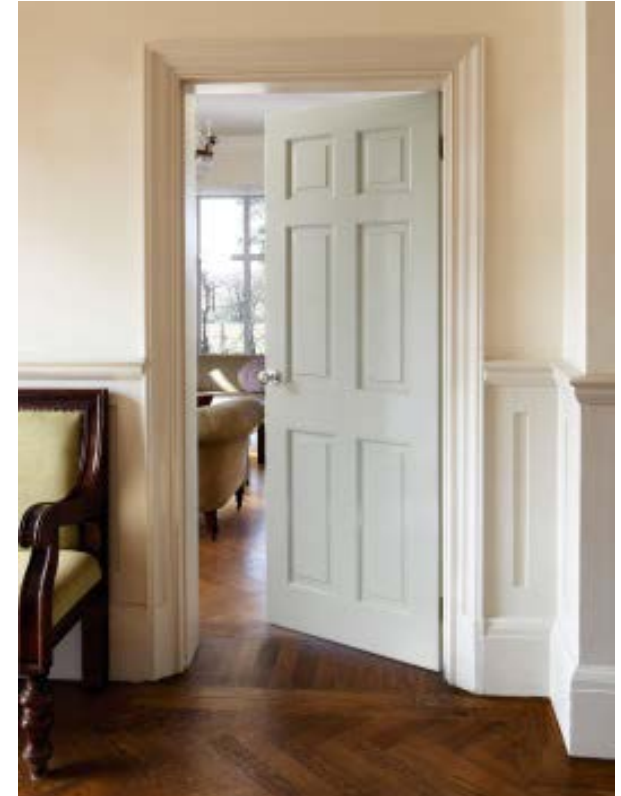
➡ New black and white glass finishes for 2013



Our best-selling Lamona single oven

Ensuring security of supply

- ➡ Moulded-skin joinery doors are very important to our business
 - Supply secured for next 5 years
 - Continuous access to key product
 - Price visibility
 - Doors are a judgement point for price, quality and availability
- ➡ Chipboard supply also guaranteed for next 5 years



Our best-selling 6-panel grained door

Investing in an efficient, responsive supply chain

➡ Howden & Runcorn

- £20m investment
- Installation on schedule
- New lines in production in 2013
- Full disaster recovery capability

➡ Control of our own manufacturing at significant scale

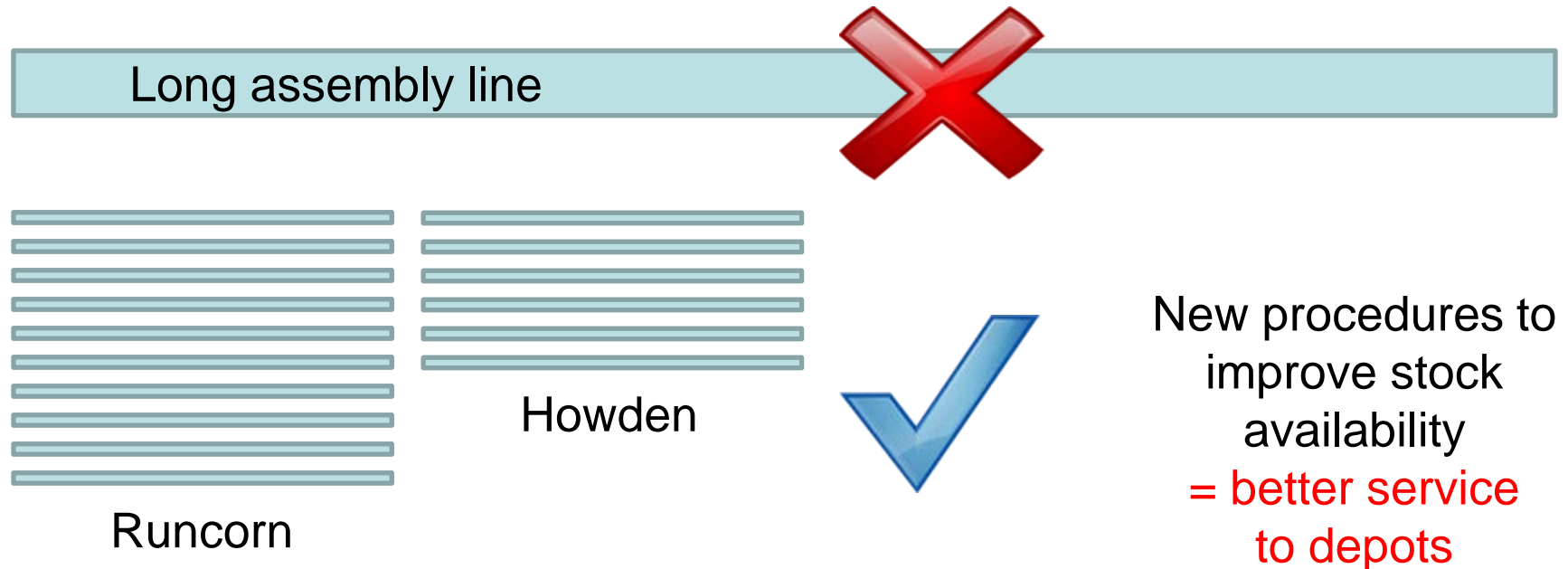


New edgebanding equipment

Manufacturing designed for flexibility

➡ Short assembly lines and flexible working arrangements

- Minimising cost and risk



Manufacturing underpinned by robust systems

➡ No limits on our systems capacity in respect of:

- Manufacturing processes
- Number of depots requiring support
- Stock management
- Warehousing
- Logistics
- Point of sale
- Management information

➡ Improving productivity and increasing efficiency help to support margin



“Rough Diamond” has worked

➡ The project has delivered:

- sales
- profit
- cash
- jobs
- growth opportunities
- despite recession

The Howdens concept



Rough Diamond



A resilient business



Time to polish the diamond...

More opportunities ahead

➡ More depot openings

- Target 20 – 30 new depots in 2013
- Infill opportunities identified

➡ More new product

- Continuous testing
- Over 60 new introductions in H1 alone

➡ More performance improvement

- Continuing focus on BDP

➡ Adapting quickly to changing circumstances

Clear strategy for growth

- ➡ Clear strategy
- ➡ Proven model
- ➡ Cash generative
- ➡ Many opportunities

**The true
value of
Howdens
offer**

Wholly focussed on
growing trade
customer base

A robust business suited to an uncertain environment



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Q&A



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