



2016 PRELIMINARY RESULTS

23 February 2017



HOWDENS
JOINERY CO.

Matthew Ingle
Chief Executive Officer

A very successful business



Sales
Cash
Investment

- ➡ Solid year of progress
 - Increase in revenue and operating profit
 - good cash generation
- ➡ Investment drive
 - factories in Howden and Runcorn
 - distribution centre in Raunds
- ➡ ~8,900 full-time employees
- ➡ 50+ kitchen ranges
- ➡ 450,000+ customer accounts



HOWDENS
JOINERY CO.

Mark Robson

Deputy CEO and Chief Financial Officer

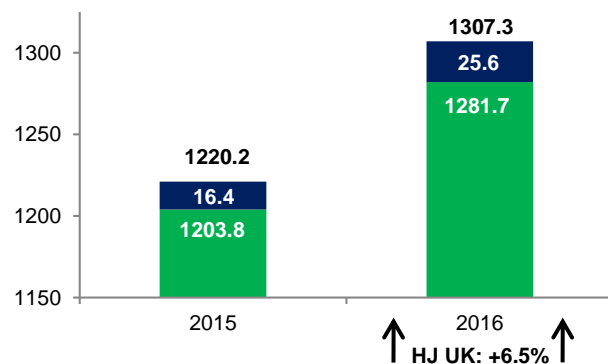
Business developments

- 23 new UK depots
- Supply
 - investment in resilience and capacity
- 2 depots in northern France and one in south; first depot in Germany
- Investment in product, including 7 new kitchen ranges

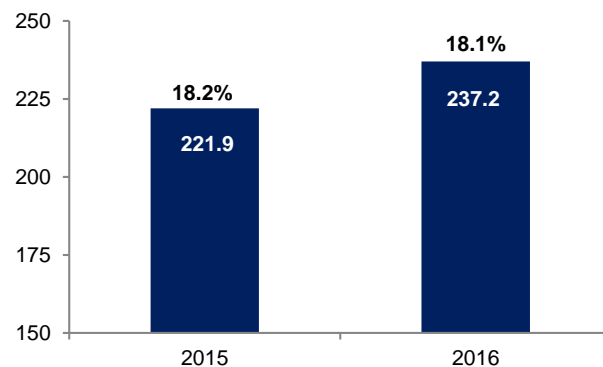
Highlights

Revenue, £m

HJ UK Cont Europe

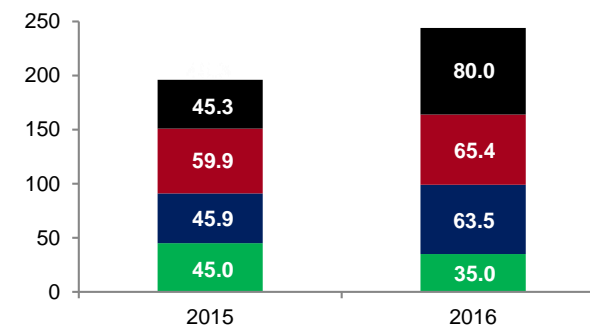


Operating profit, £m, and margin, %

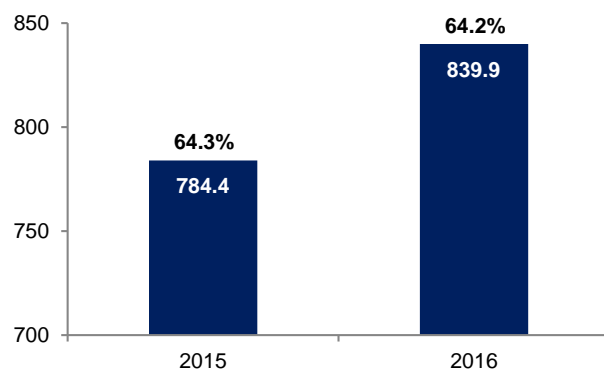


Uses of 'cash', £m

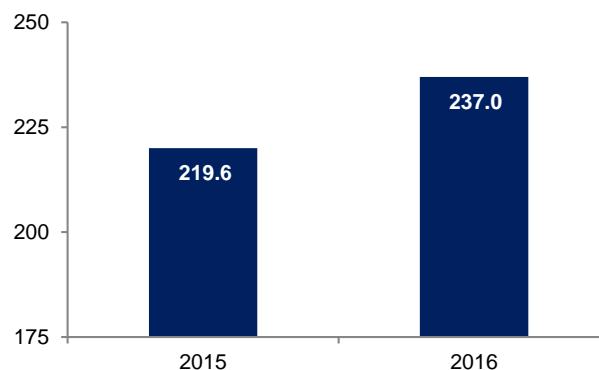
Pension def Cap ex Dividend Share rep



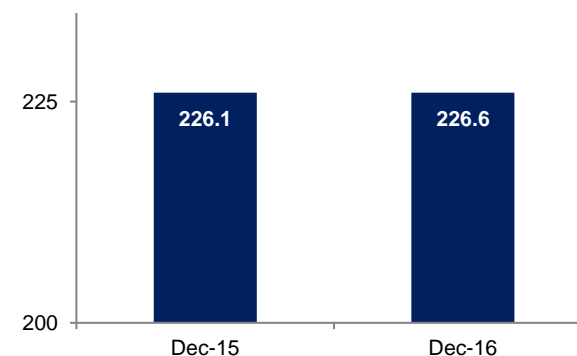
Gross profit, £m, and margin, %



Profit before tax, £m



Net cash, £m



Revenue

2016 UK depot revenue £1,281.7m

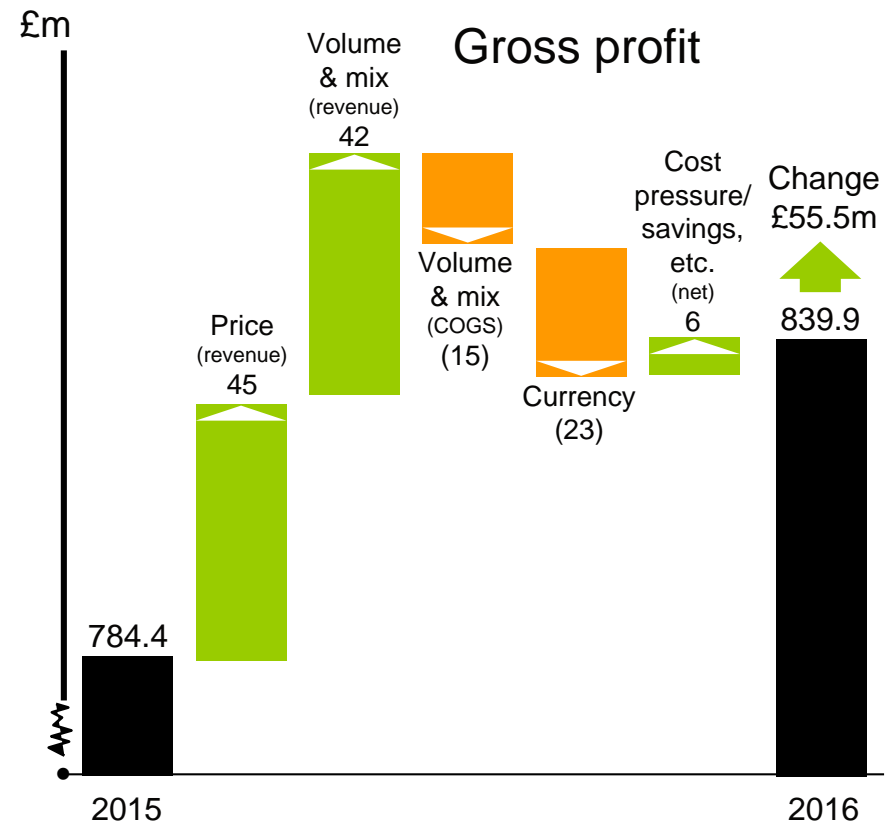
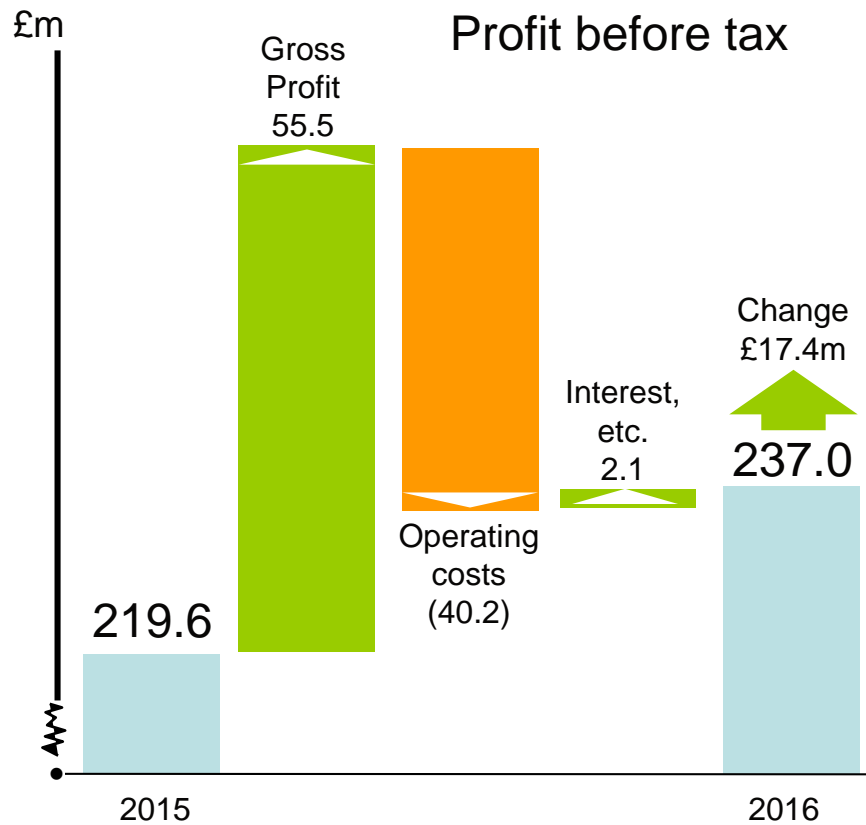
- total +6.5%
- LFL +4.2%

2016 continental Europe depot revenue £25.6m

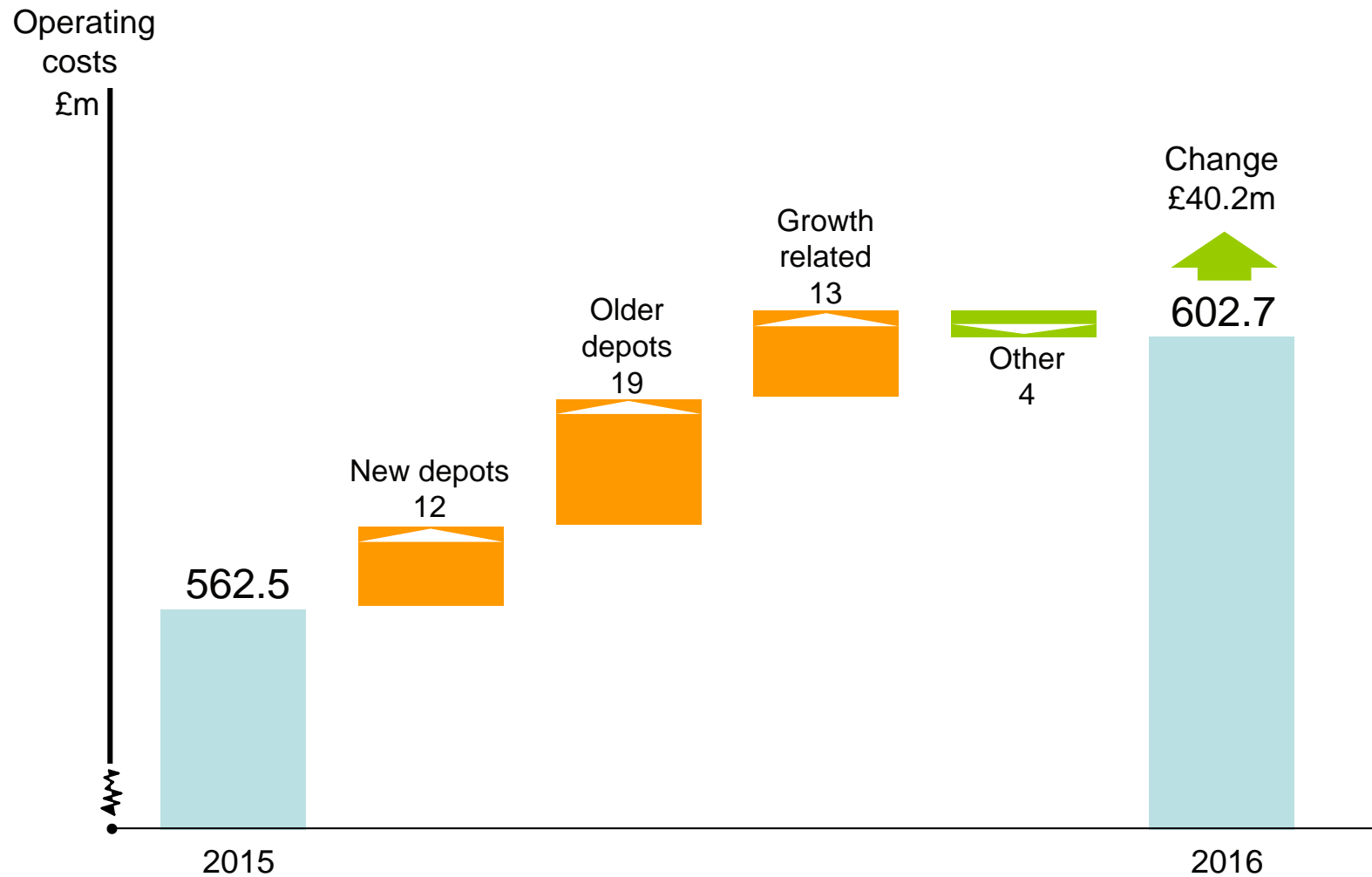
- growth reflects expansion of 'trial'

Profit before tax

Group gross profit margin
 • 2016: 64.2% • 2015: 64.3%



Operating costs



Income statement

£m	2016	2015
Revenue	1307.3	1220.2
Cost of goods sold	(467.4)	(435.8)
Gross profit	839.9	784.4
Operating costs	(602.7)	(562.5)
Operating profit	237.2	221.9
Net interest	(0.2)	(2.3)
Profit before tax	237.0	219.6
Tax	(51.4)	(44.2)
Profit for the period	185.6	175.4

Earnings per share and dividend

£m	2016	2015
Earnings per share	29.5p	27.3p
Dividend		
• final (recommended)	7.4p	7.1p
full year	10.7p	9.9p
• 2016 final dividend costing £46m		

Net cash and cash flow

£m	2016	2015
Opening net cash	226.1	217.7
Operating cash flows before movements in working capital	265.1	251.9
Working capital	1.5	(19.2)
Capital expenditure	(63.5)	(45.9)
Tax paid	(28.8)	(35.3)
Dividends	(65.4)	(59.9)
Share repurchases	(80.0)	(45.3)
Pension contribution	(30.6)	(39.1)
Other	2.2	1.2
Closing net cash	226.6	226.1

Working capital

- Working capital down £1.5m
 - stock up £6.6m
 - debtors up £6.4m
 - creditors up £14.5m

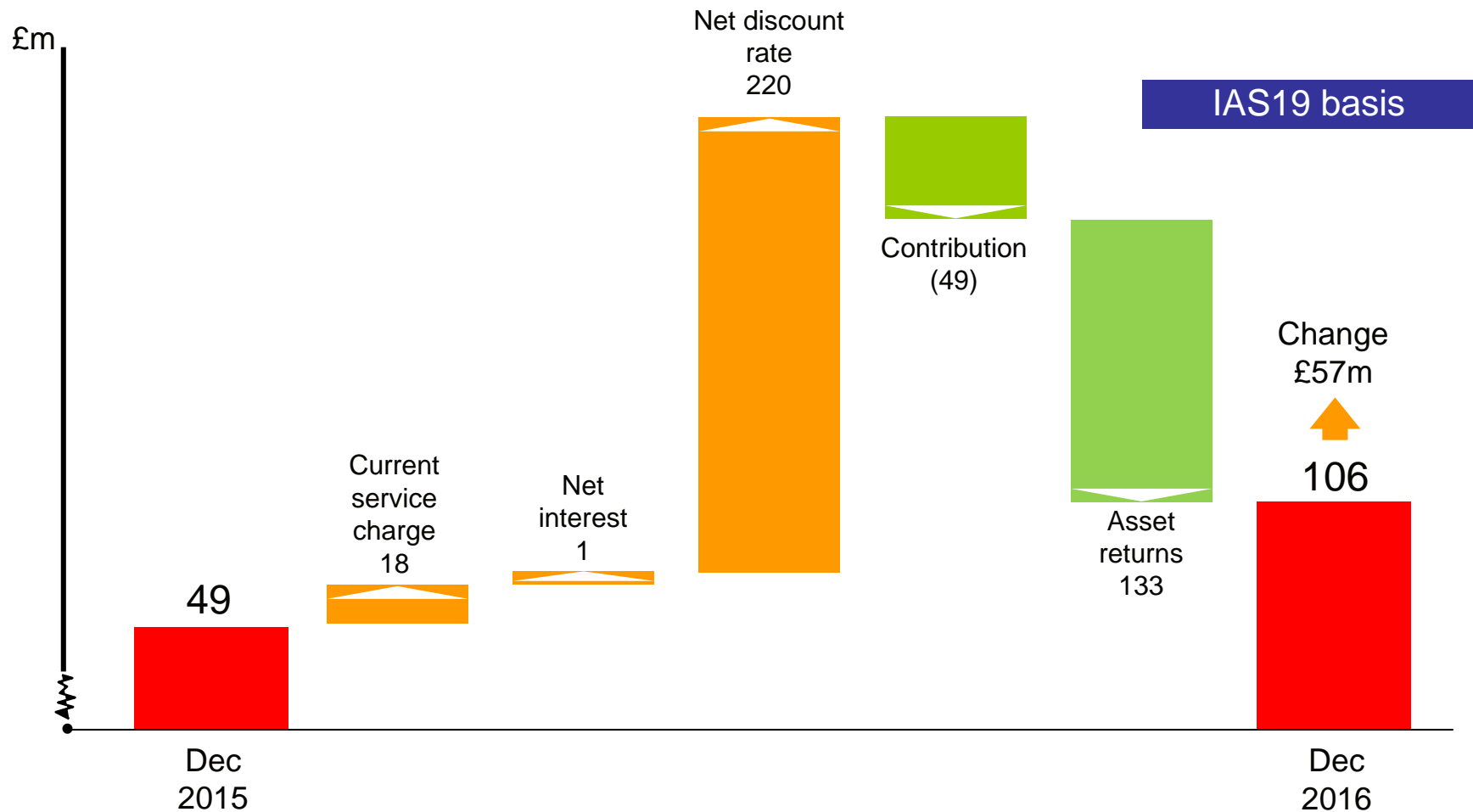
Return of excess cash to shareholders

- February 2016:
 - £55m 'new' excess cash
 - £25m still to be returned from 2015 programme
- £80m returned in 2016
 - along with ordinary dividend payments, 2016 shareholder payments totalled £145m*

* Dividend of £65m, £55m from February 2016 announcement, remainder of February 2015 share repurchase announcement of £25m

- February 2017
 - up to £80m to be returned via new share repurchase programme during next two years

Pension scheme deficit



£30m deficit contribution scheduled for 2017

Current trading and outlook for 2017*

- Sales in first two periods up 3.6% (UK depots excluding 1st trading week)
 - softer trading conditions seen in H2 '16 continue
 - prices increased: early signs encouraging
- 30 new depots in UK
- Cost pressures (biased towards H1):
 - additional costs: warehousing, depreciation, new product introduction, pension charge (£20m)
 - exchange rate risk (impact currently assessed to be around £20m)
 - growth and inflation
- Capital expenditure: £65m
- Mindful of risks to UK economy – well positioned to respond

* Note: 2017 will include a 53rd week, which will increase operating costs by around £10m



HOWDENS
JOINERY CO.

Matthew Ingle
Chief Executive Officer

Looking after the builder

- ➡ Our business
 - The builder is the centre of what we do
 - We supply directly from depots
 - Our depots have 'no worries' about our product
 - Worthwhile for all concerned
 - Sustainable for long-term

The builder's reputation is our reputation

Helping others to do well



Consistent business model

- ➡ Local depots
 - Run by experienced managers
 - Supplying 50+ ranges of kitchen
 - Understand builders requirements
 - A real place with face-to-face service

A physical hub providing real service

In-stock and manager-driven

➡ Manager is in charge:

- Pricing
- Discounts
- Staff
- Stock levels
- Storage
- Local marketing
- Local P&L



Incentivised to grow their business

Focussed on small builder

➡ Security for the builder:

- Cash flow
- Margin
- Robust products
- Can swap items
- Everything is local
- Finish job on time



We support the builder

Design and sales

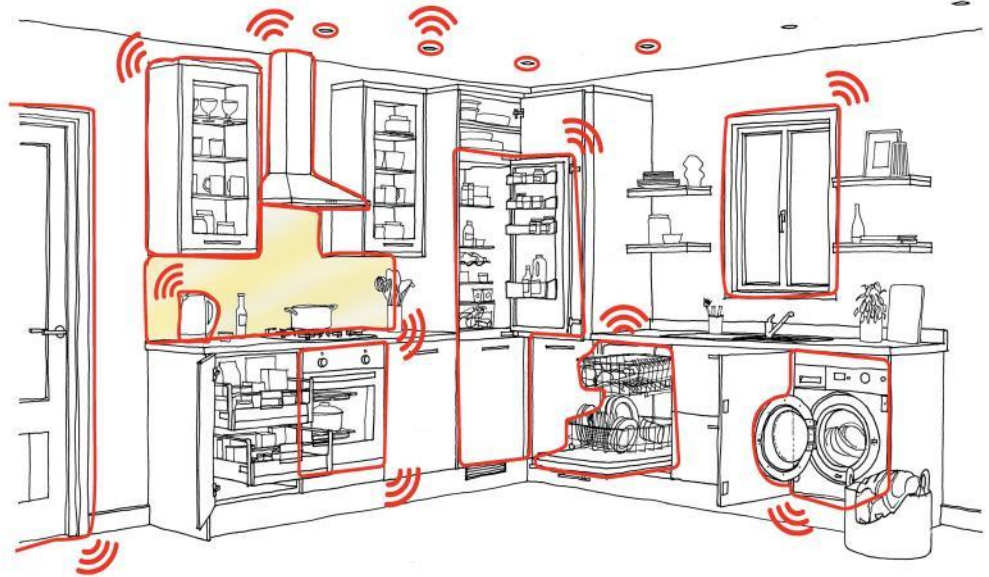
- ➡ Designers go to the home
- ➡ CAD displays in depot
- ➡ All local stock
- ➡ Job started when ready
- ➡ No time lost



An efficient sales and design process

Today's lifestyles

- ➡ Screen-based
- ➡ Interaction with devices in kitchen
- ➡ New fashions
- ➡ Increasing complexity
- ➡ More aftercare



Technology will change the kitchen

Product introductions

➡ Seven new ranges



New ranges in 2016 and tested new products

Product introductions

- ➡ Seven new ranges
- ➡ Three Burford ranges



New ranges in 2016 and tested new products

Product introductions

- ➡ Seven new ranges
- ➡ Three Burford ranges
- ➡ Clerkenwell and Greenwich



New ranges in 2016 and tested new products

Product introductions

- Seven new ranges
- Three Burford ranges
- Clerkenwell and Greenwich
- New greys



New ranges in 2016 and tested new products

Product introductions

- Seven new ranges
- Three Burford ranges
- Clerkenwell and Greenwich
- New greys
- **Greenwich Shaker**



New ranges in 2016 and tested new products

Product introductions

- Seven new ranges
- Three Burford ranges
- Clerkenwell and Greenwich
- New greys
- Greenwich Shaker
- **Granite worktops**



New ranges in 2016 and tested new products

Product introductions

- Seven new ranges
- Three Burford ranges
- Clerkenwell and Greenwich
- New greys
- Greenwich Shaker
- Granite worktops
- **Pre-finished doors**



New ranges in 2016 and tested new products

Product introductions in 2017

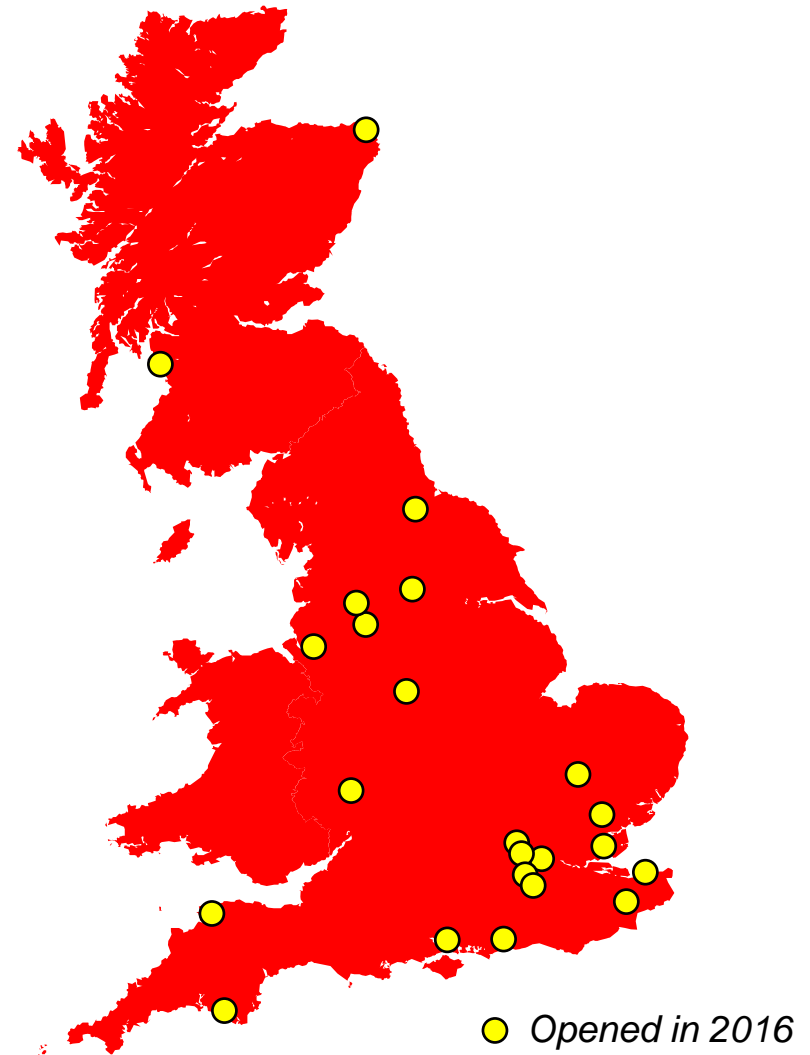
- Twenty one new ranges
- New colours
- New designs
- New cabinet platform
- Increasing range of accessories



Accelerating product introductions

Plenty of room for more depots

- ➡ 642 depots at year end
- ➡ 23 depots opened in 2016
- ➡ Scope for up to 800 depots
- ➡ Plan to open ~30 depots in 2017

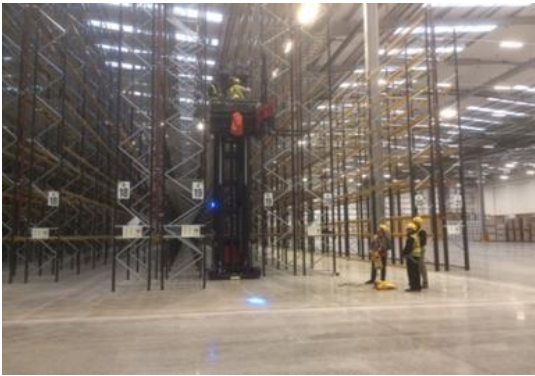


Investing in the future of supply

- ➡ Three year programme started in 2015
- ➡ Investing in Howden and Runcorn
- ➡ Additional capacity and disaster recovery
- ➡ New warehouse in Raunds
- ➡ Second warehouse early stage

Building for the future

Investing in the future of supply



First stage 650,000 sq ft at Raunds coming on-stream

Key trends in 2016

- ➡ Property tax changes in H1
- ➡ Consumer sentiment changed in H2 especially in London
- ➡ Weaker exchange rate vs. Euro and dollar
 - Price increases at end of 2016
 - Encouraging response at start of 2017

Quick to respond to market conditions

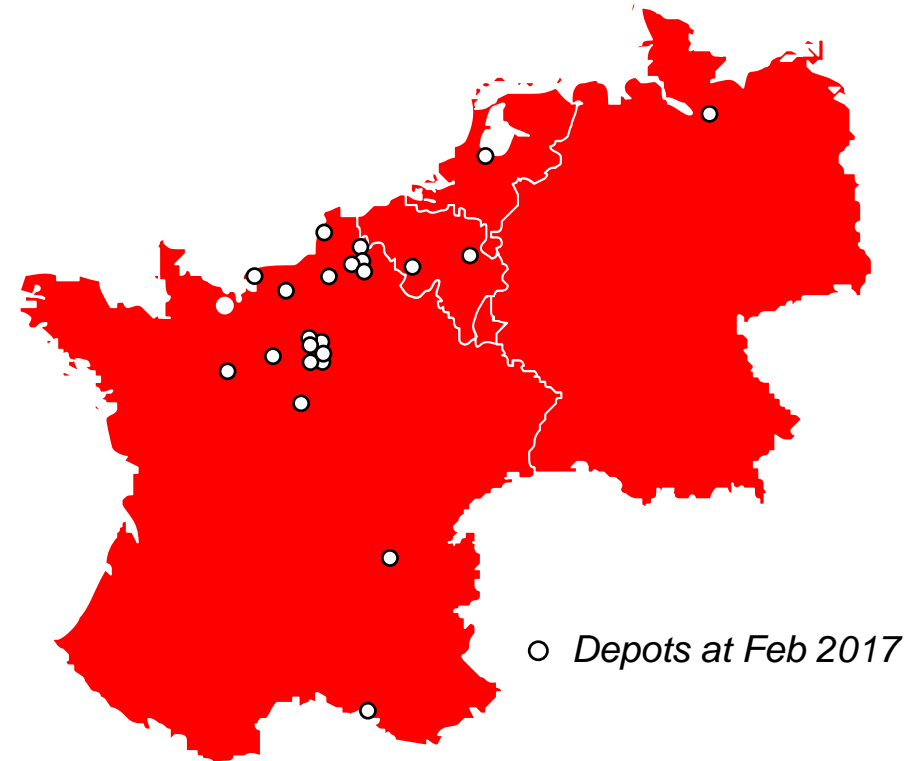
Continental Europe

► Twenty four depots

- 20 depots in France
- 2 depots in Belgium
- 1 depot in Netherlands
- 1 depot in Germany

► In France

- Continue to make progress
- Moving to one format and pricing structure



Andy Witts, COO Trade

➡ Product ranges


- Rapid introduction of kitchen ranges in 2017
- New depth of cabinets

➡ Continual improvement

- New screw ranges to meet builders needs
- New adjustable legs

➡ Autonomy of local managers

- Ability to set local pricing and depot margin
- Highly motivating for managers and staff



**Continual
improvement**

Rob Fenwick, COO Supply

- ➡ Competitive advantage
 - Supply to meet peak demands
 - Lowest cost of supply
 - Capacity and capability to match complexity
- ➡ Building for the future
 - Replacing national distribution centre
 - Improving manufacturing assets
- ➡ Strategic planning
 - Dual running
 - Make vs. buy

**Competitive,
planning for the
future**

Theresa Keating, Finance Director

- ➡ Week 53 in 2017
- ➡ Debt collection means bad debt <1% of revenue
- ➡ Pension review process
- ➡ Strong and flexible balance sheet
 - £227m cash at year end
 - £140m asset-backed lending facility



**Strong financial
structure**

The builder is our brand

Resource
the builder

Resource
our staff

450,000+ accounts

Help the builder





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