



HOWDENS
JOINERY CO.

2017 PRELIMINARY RESULTS

1 March 2018



HOWDENS
JOINERY CO.

Richard Pennycook
Chairman



HOWDENS
JOINERY CO.

Matthew Ingle
Chief Executive Officer

A very successful business



Revenue
Cash
Investment

- Good year for Howdens
 - Pricing initiatives
 - Revenue, gross profit growth and cash
- Product development
 - 26 ranges introduced in 2017
 - Expanding range of kitchen styles
- Investment drive
 - Howden and Runcorn
 - Raunds operational in Period 11



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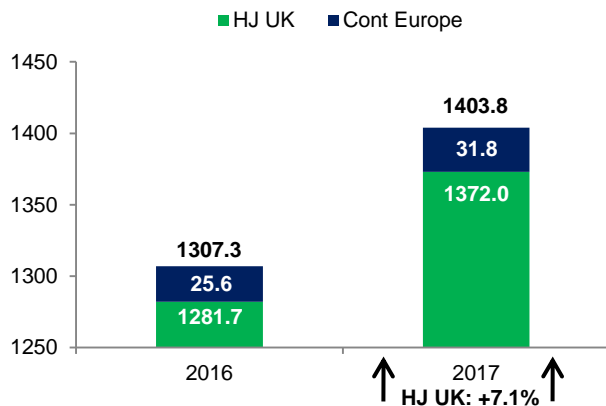
Mark Robson
Deputy CEO and Chief Financial Officer

Business developments

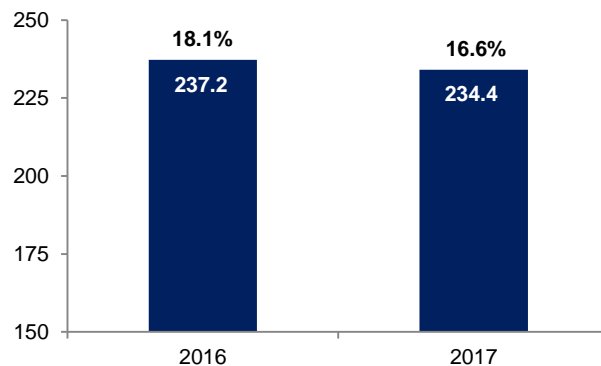
- 19 new UK depots
- Supply
 - Howden and Runcorn new facilities on track
- Raunds utilised for Period 11
Expect to migrate majority of distribution during 2018
- Introduced 26 new kitchen ranges

Highlights

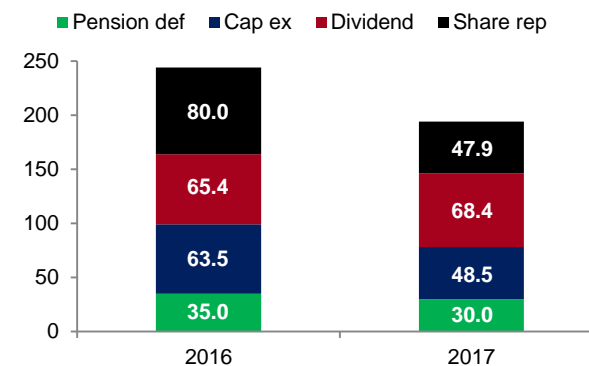
Revenue, £m



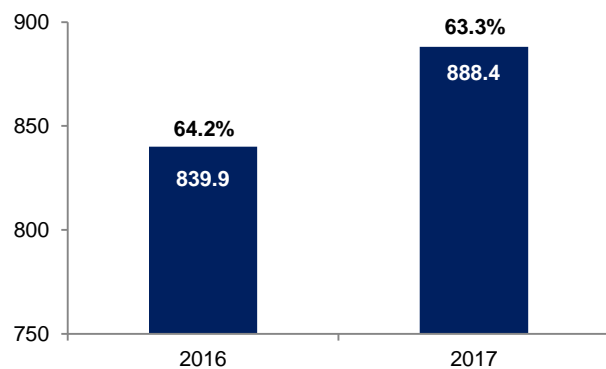
Operating profit, £m, and margin, %



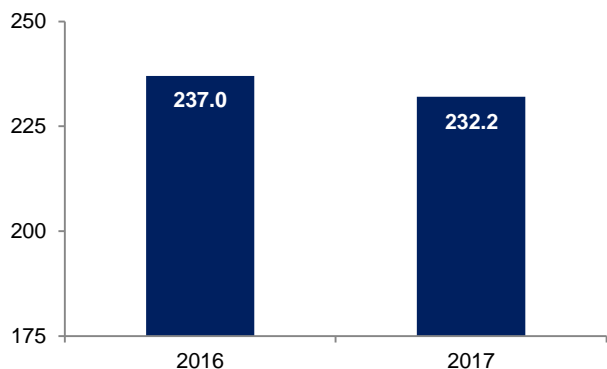
Uses of 'cash', £m



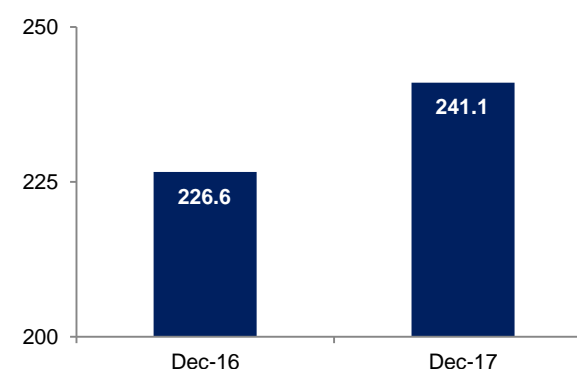
Gross profit, £m, and margin, %



Profit before tax, £m



Net cash, £m



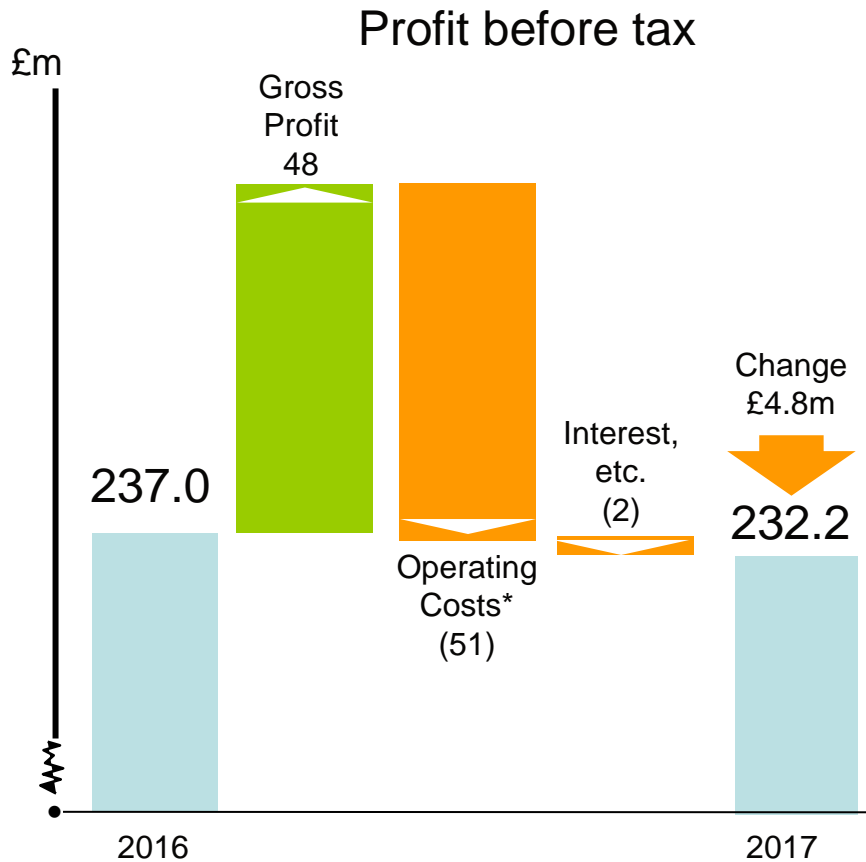
Revenue

2017 UK depot revenue £1,372.0m
• total +7.1% • LFL +5.2%

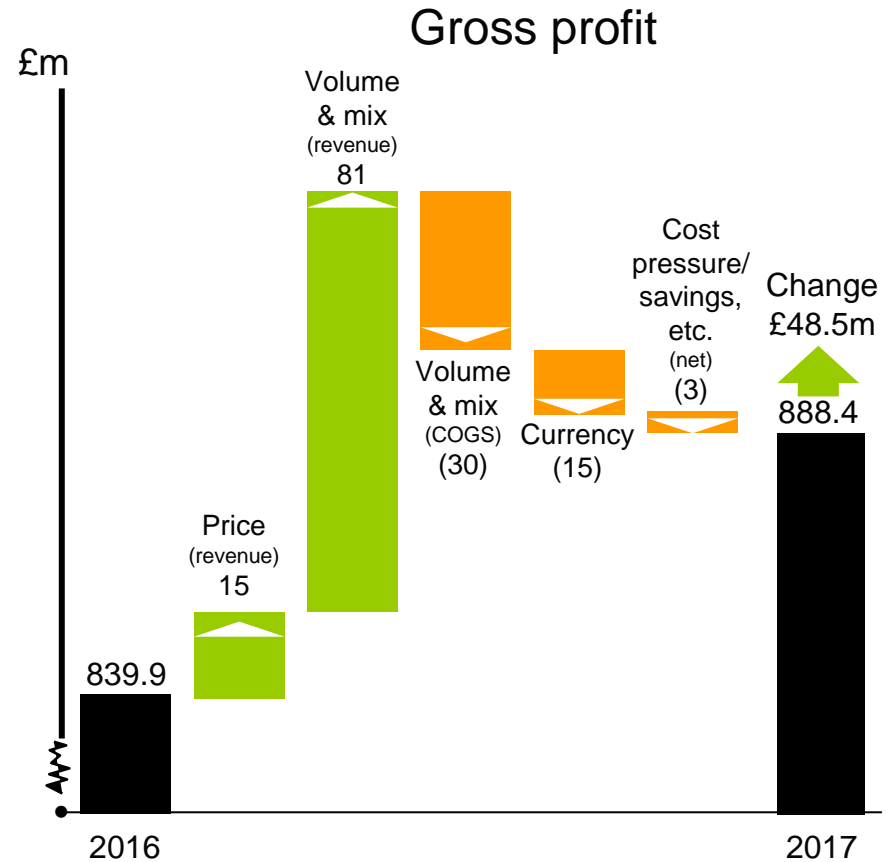
2017 Cont'l Europe depot revenue £31.8m
• France total +11.1% • LFL +6.4%

Profit before tax

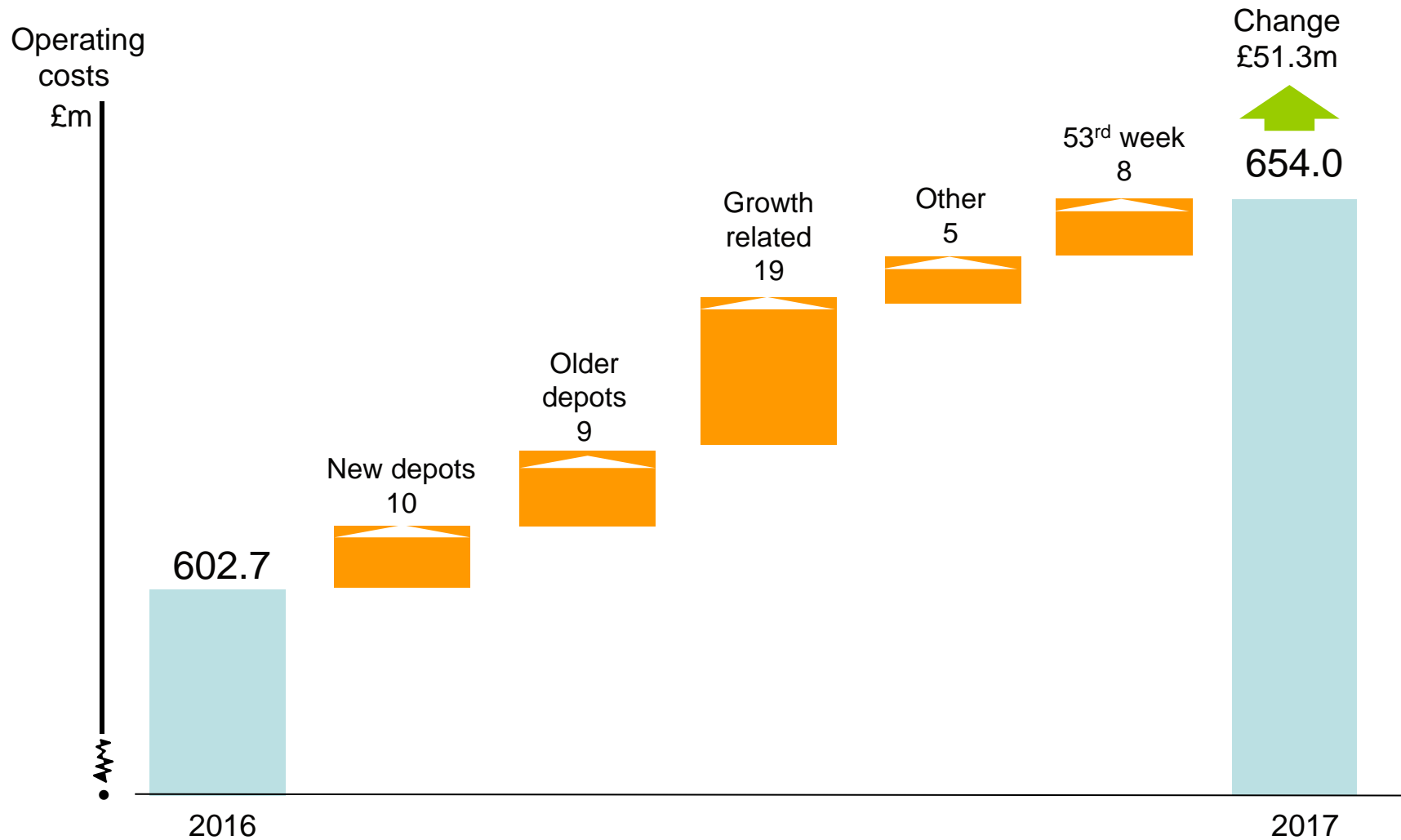
Group gross profit margin
 • 2017: 63.3% • 2016: 64.2%



*includes £8m for 53rd week



Operating costs



Income statement

£m	2017	2016
Revenue	1403.8	1307.3
Cost of goods sold	(515.4)	(467.4)
Gross profit	888.4	839.9
Operating costs	(654.0)	(602.7)
Operating profit	234.4	237.2
Net interest	(2.2)	(0.2)
Profit before tax	232.2	237.0
Tax	(47.2)	(51.4)
Profit for the period	185.0	185.6

Earnings per share, dividends and repurchases

£m	2017	2016
Earnings per share	29.9p	29.5p
Dividend		
• final (recommended)	7.5p	7.4p
full year	11.1p	10.7p
• 2017 final dividend costing £46.0m		
• Repurchased £48m of shares during 2017		

Net cash and cash flow

£m	2017	2016
Opening net cash	226.6	226.1
Operating cash flows before movements in working capital	266.6	265.1
Working capital	(26.9)	1.5
Capital expenditure	(48.5)	(63.5)
Tax paid	(41.8)	(28.8)
Dividends	(68.4)	(65.4)
Share repurchases	(47.9)	(80.0)
Pension contribution	(21.2)	(30.6)
Other	2.6	2.2
Closing net cash	241.1	226.6

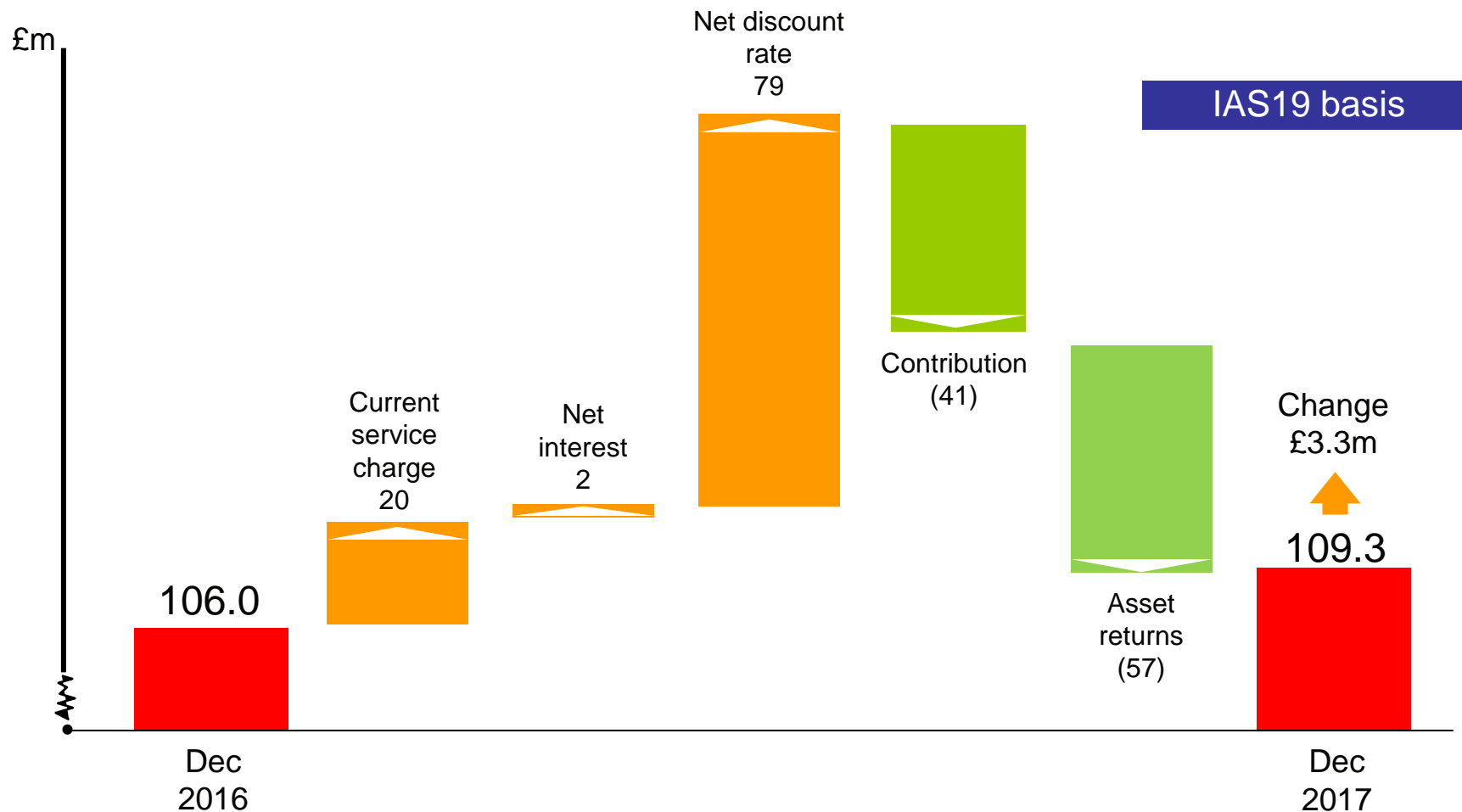
Working capital

- Working capital increased £26.9m
 - stock up £25m
 - debtors up £2m
 - creditors flat

Return of excess cash to shareholders

- February 2017
 - up to £80m to be returned via new share repurchase programme during next two years
 - £48m returned in 2017 remaining £32m due in 2018
- Along with ordinary dividend payments, 2017 shareholder payments totalled £116m
- March 2018
 - Further share repurchase of £60m during next two years

Pension scheme deficit



Current trading and outlook for 2018

- Sales in first two periods up 12.5% (excluding week 1 & 2)
 - extra week trading in 2018 compared to 2017
 - up 7.9% in same period 2016-2018
- Up to 30 new depots in UK
- Cost pressures
 - ongoing and inflation
 - continued investment including digital upgrades
 - moving to Raunds
 - additional depreciation
- Capital expenditure: £60m 2018
- Mindful of risks to UK economy – well positioned to respond



HOWDENS

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Matthew Ingle
Chief Executive Officer

Focused on the trade

- ➔ Professionals doing a complex job
- ➔ The builder is the centre of what we do
- ➔ Depot managers feel confident with the right product
- ➔ Designed with the builder in mind
- ➔ Supplied from local stock



The builder depends on Howdens

The changing market

- ➔ Fashion cycles are faster
- ➔ The right design at the right price
- ➔ Increasing demand for choice
- ➔ More documentation
- ➔ New technologies

Kitchen SKUs

700 → 6,000
(2008) (2017)

Technology allows for more affordability

Accelerating product introductions in 2017

- 26 new ranges in 2017
- 11 new grey options
- More accessories
- New oak cabinet



*Greenwich
Super Matt Grey*

Managing complexity in a sophisticating market

Making design affordable

- ➔ Howdens now installs 30% of all solid surface worktops sold
 - Up from 10% in 2016
 - Solid surface worktops now account for 50% of total market
 - Increasing solid surface fitters
- ➔ Introduced linear style of kitchen
- ➔ Developing online presence



*White Mirror Chip Quartz worktop
and Clerkenwell kitchen*

Continuing to invest in the Howdens proposition

Increasing complexity

- ➔ The demand for more choice
- ➔ Make complex as simple as possible
- ➔ Expect to introduce around 20 new ranges
- ➔ New styles and finishes



Grey Oak cabinet

Investing to benefit from change

Investing in the future of supply

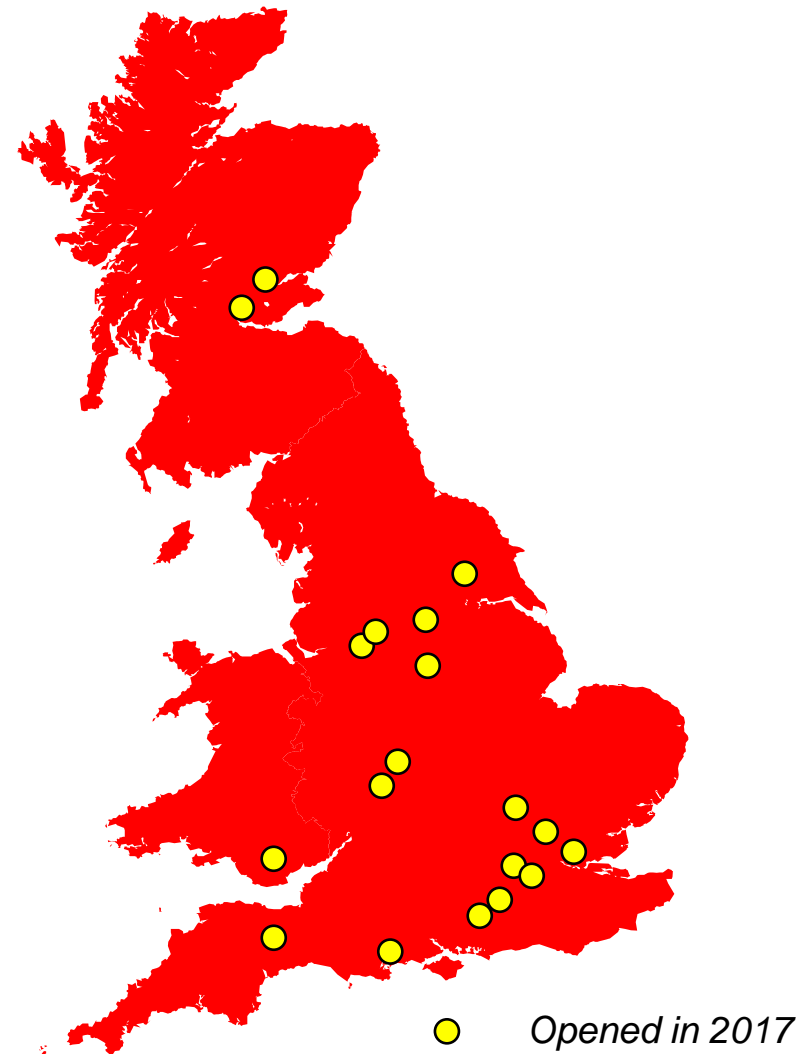
- ➔ Raunds used for bulk storage during Period 11
- ➔ 650,000 sq.ft. with double the height
- ➔ Fully operational for Period 11
- ➔ Upgraded to SAP Hana



Building for the future

Ongoing depot opening programme

- Currently 662 depots
 - 19 depots opened in 2017
 - Scope for up to 800 depots
- Low cost
 - c.10,000 sq.ft
 - Rent c.£5.50 / sq.ft
 - Fit out c.£300,000
 - Breakeven point c.£650,000



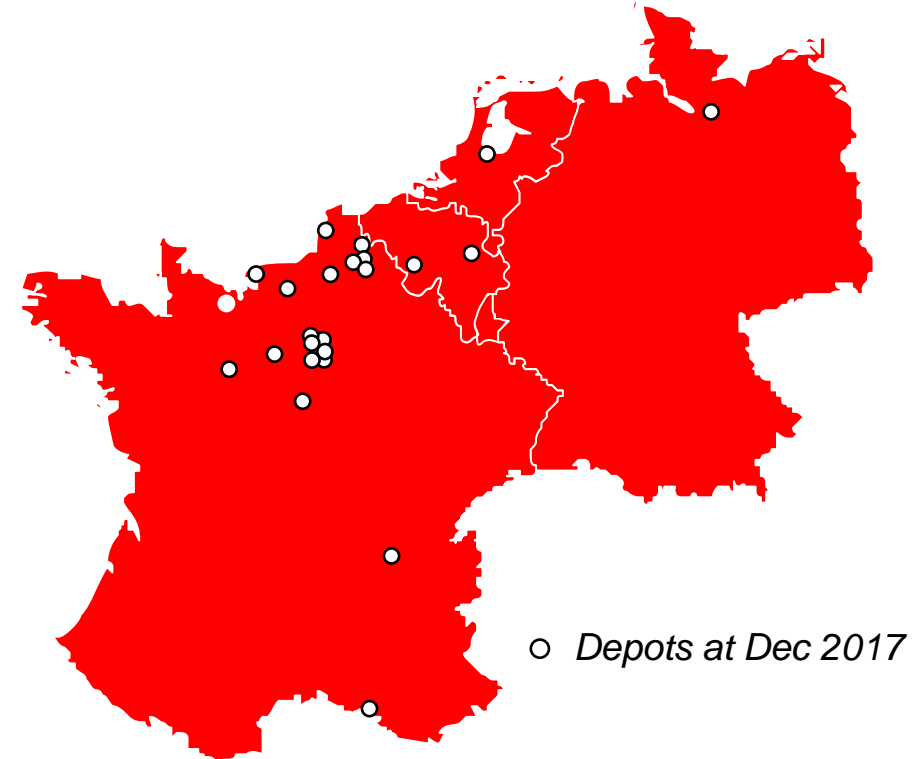
Flexibility – a local business

- Each depot has its own customers and cost base
- Differing styles of manager and rhythm of customers = different balance, depot by depot
- Addressing complexity generates margin

Local accountability = inherent flexibility

Continental Europe

- 24 depots
 - 20 depots in France
 - 2 depots in Belgium
 - 1 depot in Netherlands
 - 1 depot in Germany
- France
 - FY LFL sales + 6.4%





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Rob Fenwick

Chief Operating Officer, Supply

Investment to meet a complex market

➡ Distribution

- Good progress at Raunds
- Will be used for Period 11
- Permission for two new facilities

➡ Capacity

- Runcorn and Howden on track
- Capacity and complexity
- Site visit in 2018 to Howden

2017
10k deliveries and 8 million pieces
in P11 alone



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Andy Witts

Chief Operating Officer, Trade

Andy Witts, COO Trade

➡ Product ranges

- Rapid introduction of kitchen ranges in 2017
- ~20 new ranges for 2018

➡ Gearing up the depots

- New catalogue with aspirational photography
- Technology brings high-end looks mainstream

➡ Autonomy of local managers

- Price flexibility worked well for us in 2017
- We give our builders what they need



Right product
Right price



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Theresa Keating
Finance Director

Theresa Keating, Finance Director

- ➡ Week 53 impact in 2017
- ➡ P11 impact in FY 2018
- ➡ Debt collection remains robust with bad debt <1% of revenue
- ➡ Pension review process ongoing
- ➡ Planning for growth

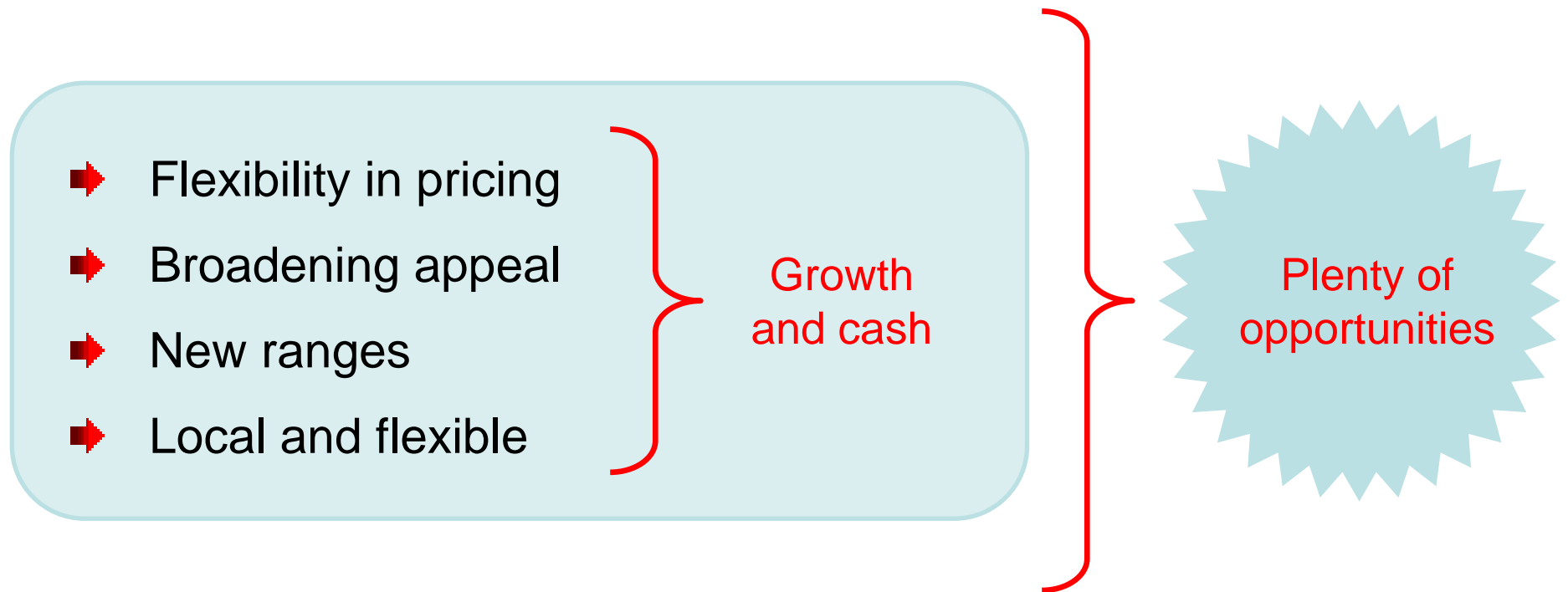




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Matthew Ingle
Chief Executive Officer

A good year for Howdens



The capability to make our own future



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Q&A



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