



# **2021 Full Year Results**

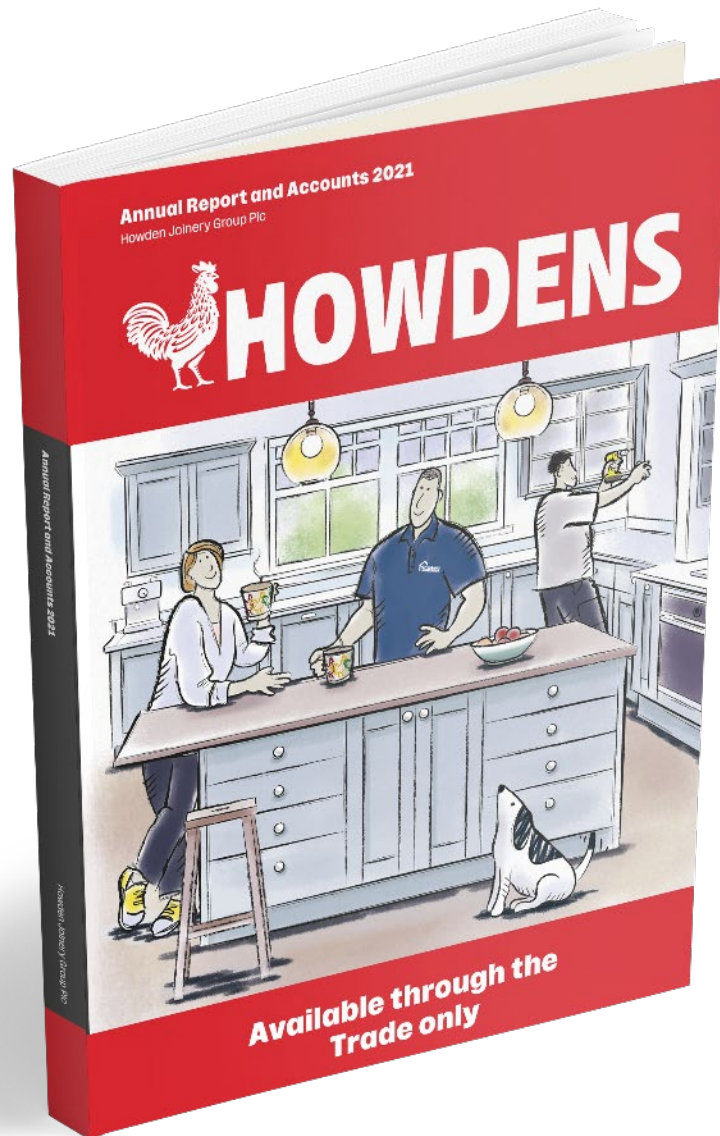
**24 February 2022**



**Andrew Livingston**

**Chief Executive Officer**

# A successful year for Howdens



Annual Report & Accounts 2021

- Record Sales & Profit, exceptional trading conditions
- Sales increase v 2019 trending upwards across year
- Improved profitability
  - Profit increased at a higher rate than revenues
- Progressed our strategic plans for the business and our ESG agenda
- Strong cashflow generation and robust balance sheet
  - Returning more cash to shareholders and increased final dividend

# Strength of our in-stock model founded on local relationships in exceptional market conditions

## Performance reflects:

- Combination of strong product line-up, high stock availability & very engaged team
- Plus strategic investments and 2020 measures to support our customers
- Serviced heightened demand and benefitted from extended delivery times amongst competitors
- Enhanced trust in our stock availability amongst customers & improved service
- Raised prices, helped combat cost increases
- Significant rise in volumes



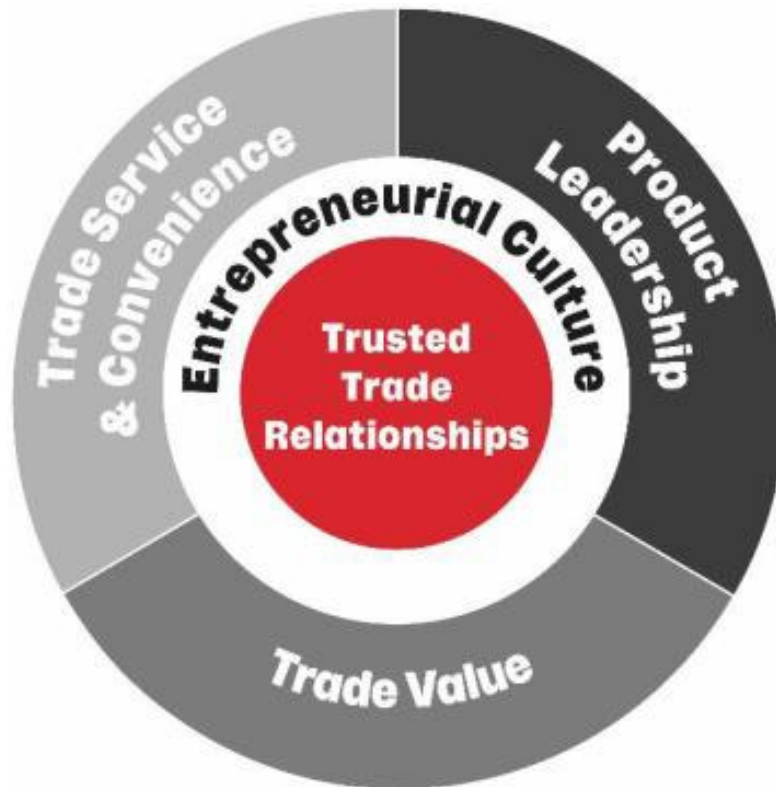
# Strength of in-stock model

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- Repeated 2020 "P21" approach to peak trading
- P21 Sales exceeded initial expectations
- Record results in both periods (P10 and P11)
- Momentum maintained in P12 & P13 versus tough comparators
- Successfully navigated dual challenges of sharp demand rises and stock shortages



# Initiatives to increase volumes & profits



**DEPOT EVOLUTION**



**RANGE AND SUPPLY  
MANAGEMENT**



**DIGITAL  
DEVELOPMENT**



**INTERNATIONAL**



**Paul Hayes**  
**Chief Financial Officer**



# Record growth in revenue and operating profit

£m	2021	2020	2019 <sup>*</sup>
Revenue	<b>2,093.7</b>	1,547.5	1,583.6
Gross profit	<b>1,289.0</b>	930.0	986.2
<i>Gross margin %</i>	<i>61.6%</i>	<i>60.1%</i>	<i>62.3%</i>
Operating costs	<b>(887.3)</b>	(734.3)	(726.2)
Operating profit	<b>401.7</b>	195.7	260.0
<i>Operating Margin %</i>	<i>19.2%</i>	<i>12.6%</i>	<i>16.4%</i>
Net interest	<b>(11.4)</b>	(10.4)	0.7
Profit before tax	<b>390.3</b>	185.3	260.7
Tax	<b>(75.8)</b>	(37.7)	(51.7)
Profit / (loss) for the period	<b>314.5</b>	147.6	209.0

- Differentiated service and industry leading stock availability
- Above market revenue growth:  
+ 35% on 2020  
+ 32% on 2019
- Gross margin progression YOY through disciplined pricing offset cost up pressures
- Operating costs reflect higher variable costs and strategic investments to drive growth

\* 2019 figures are presented on a pre-IFRS16 basis



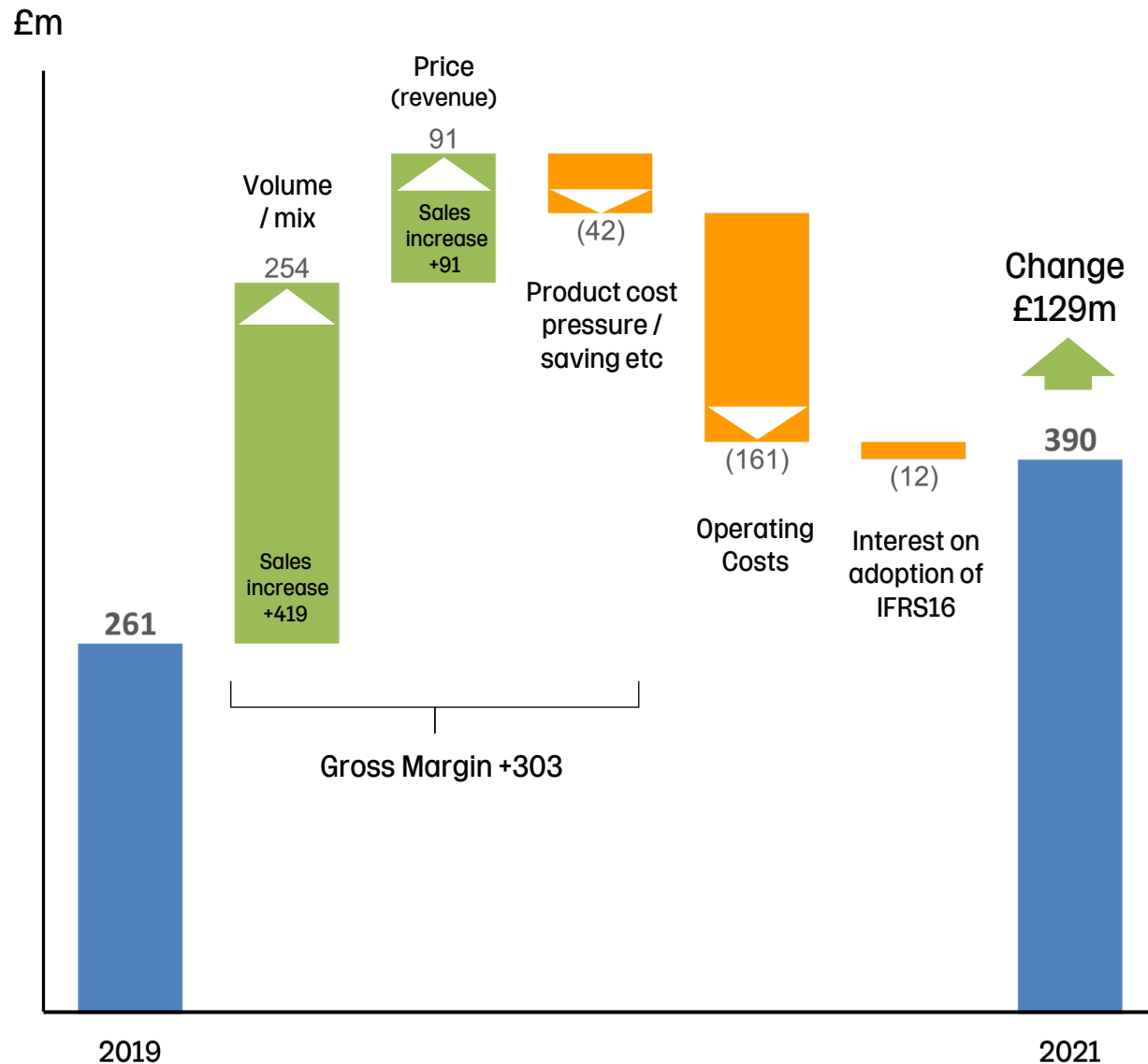
# Revenue growth

	Actual 2021	Growth vs 2020 2019	
UK Revenue	£2,043.3m	35.4%	31.8%
Same depot basis		33.7%	26.8%
Number of depots	778	748	732
International Revenue	€58.4m	37.3%	55.2%
Same depot basis		32.5%	31.5%
Number of depots	40	30	27

- UK very strong underlying growth and benefit of new and revamped depots
- Record P21 performance
- Encouraging sales in higher priced kitchen ranges
- Continued France expansion:
  - Paris and major cities
  - In stock, trade only model gaining traction

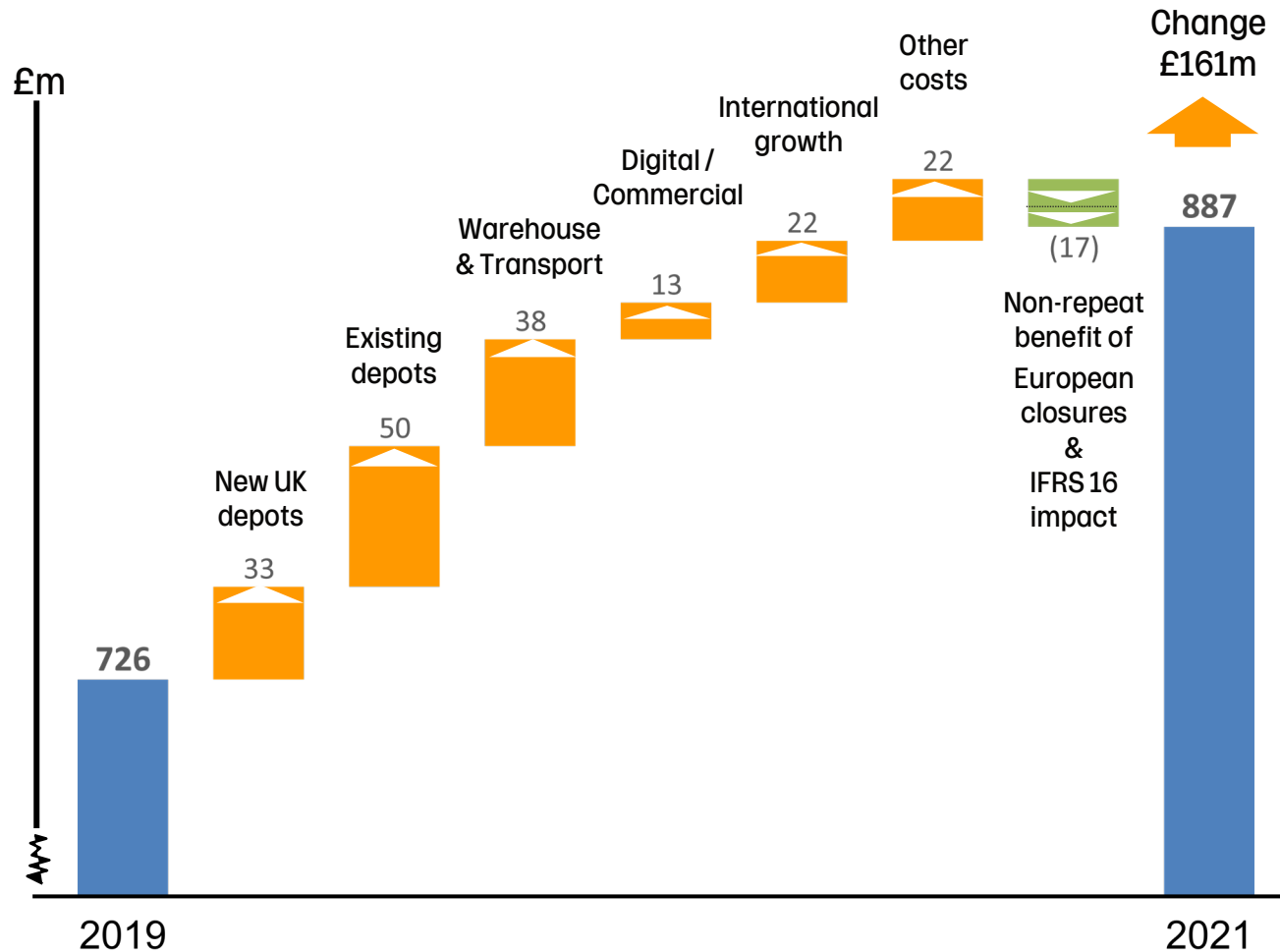
## 2 year comparison of profit before tax 2021 vs 2019

### Group gross profit margin 2019: 62.3% 2021: 61.6%



- Strong volume growth
- Disciplined pricing
- Investment in operating costs to support additional volume and drive growth initiatives

## 2 year comparison of operating costs 2021 vs 2019



Operating costs include:

- New UK depots
- Higher activity levels in existing depot network incl. headcount/ incentives
- Warehousing & transportation
- Investment in digital and promotional / marketing
- France expansion

## Strong cashflow with investments in inventory

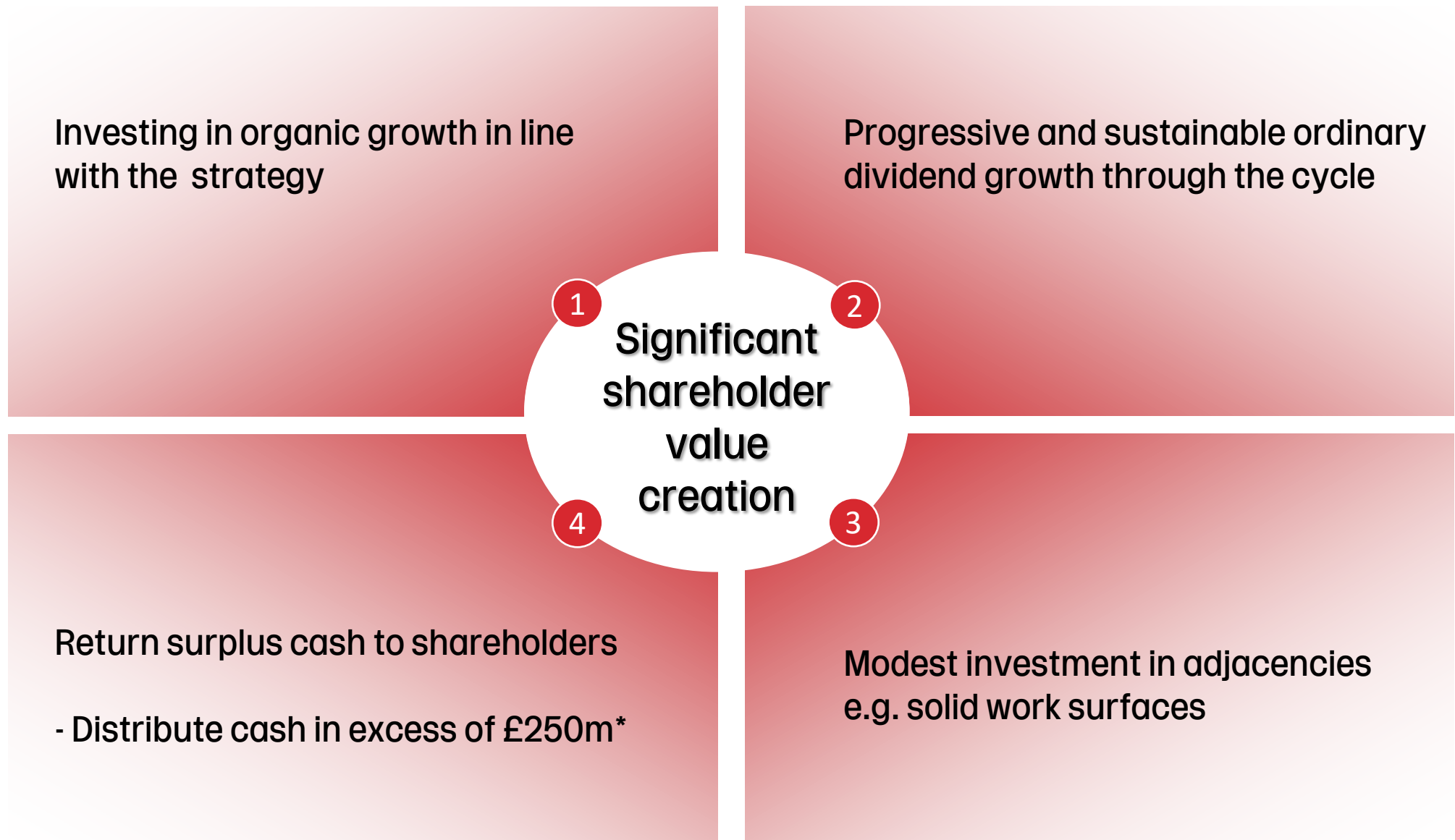
£m	2021	2020
Opening cash	<u>430.7</u>	<u>267.4</u>
Operating cash flows*	530.7	313.6
Working capital	(1.7)	70.3
Capital expenditure	(85.9)	(69.7)
Tax paid	(73.1)	(32.2)
Dividends	(133.6)	-
Share repurchases	(50.0)	(9.8)
Pension contribution (over and above the P&L charge)	(18.5)	(22.2)
IFRS16: Repayments & Interest paid	(85.8)	(87.6)
Other	<u>2.5</u>	<u>0.9</u>
Closing cash	<u>515.3</u>	<u>430.7</u>

- Working capital movements:
 

Stock	£(47)m
Debtors	£(39)m
Creditors	£ 84m
- Investment in stock to support customer service
- Increase in debtors reflects higher levels of business, offset by higher creditors
- Strong returns to shareholders
- Pension scheme currently in surplus
- Capex of c.£100m in 2022 plus additional one-off investment in land of £10m.

\* (before movements in working capital)

# Capital allocation



\*broadly equivalent to gearing of 0.7x Net Debt to EBITDA  
after taking into account total lease liabilities

## Earnings Per Share and Shareholder Returns

	2021	2020	2019
• Earnings per share	53.2p	24.9p	35.0p
• Share buybacks	£50.0m	£9.8m	£55.2m
• Dividend paid	£133.6m	-	£70.6m
• Interim dividend pence per share	4.3p	-	3.9p
• Final dividend pence per share	15.2p	9.1p	-
• Special dividend pence per share	-	9.1p	-
• Total dividend pence per share	19.5p	18.2p	3.9p

- Share buyback of £250m announced today.

# Current Trading and Summary

Revenue growth	Periods 1-2		Periods 1-2 adj*	
	%	LFL%	%	LFL%
UK depots	17.1%	15.6%	19.5%	18.0%
International depots**	21.4%	18.9%		

\* compared with 2021 which had 38.5 trading days, 1 more than 2022 in the UK, trading days are the same in Continental Europe in both 2021 and 2022.

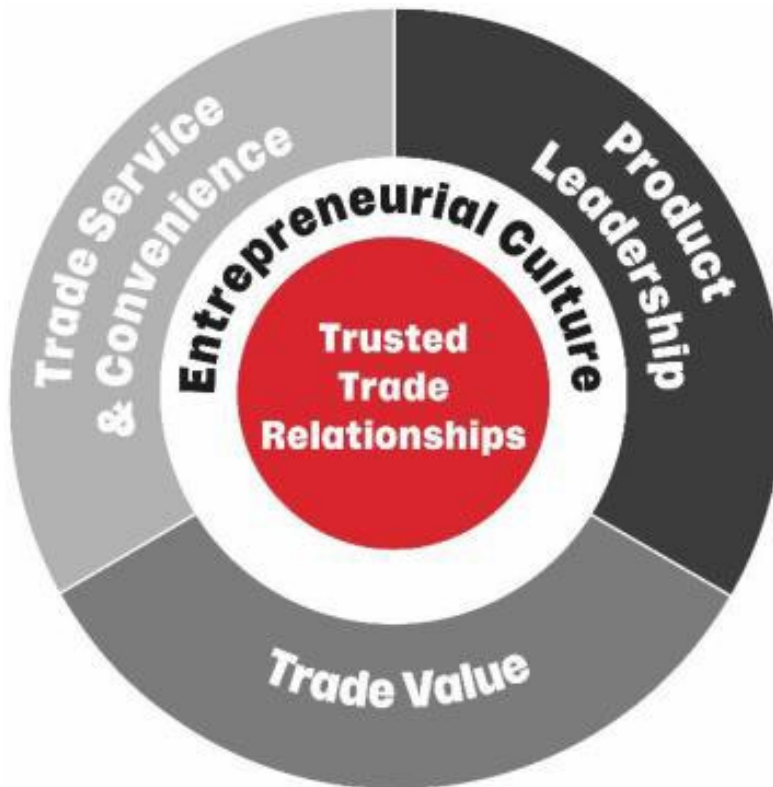
\*\* excludes 5 depots which will be closed in 2022.

## Great progress in 2021:

- Record financial results and good progress on strategic initiatives.
- Our strong balance sheet and cash flow supports continued investment and attractive returns for shareholders.
- Business is in great shape and we remain confident in our business model.



# Initiatives to increase volumes & profits



**DEPOT EVOLUTION**



**RANGE AND SUPPLY  
MANAGEMENT**

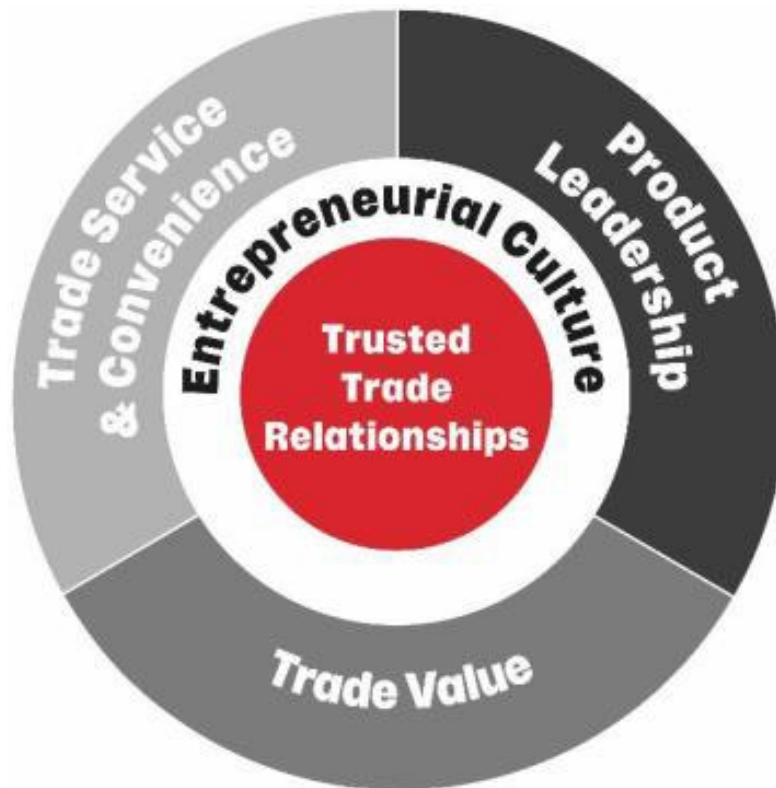


**DIGITAL  
DEVELOPMENT**



**INTERNATIONAL**

# Initiatives to increase volumes & profits



**DEPOT EVOLUTION**



**RANGE AND SUPPLY  
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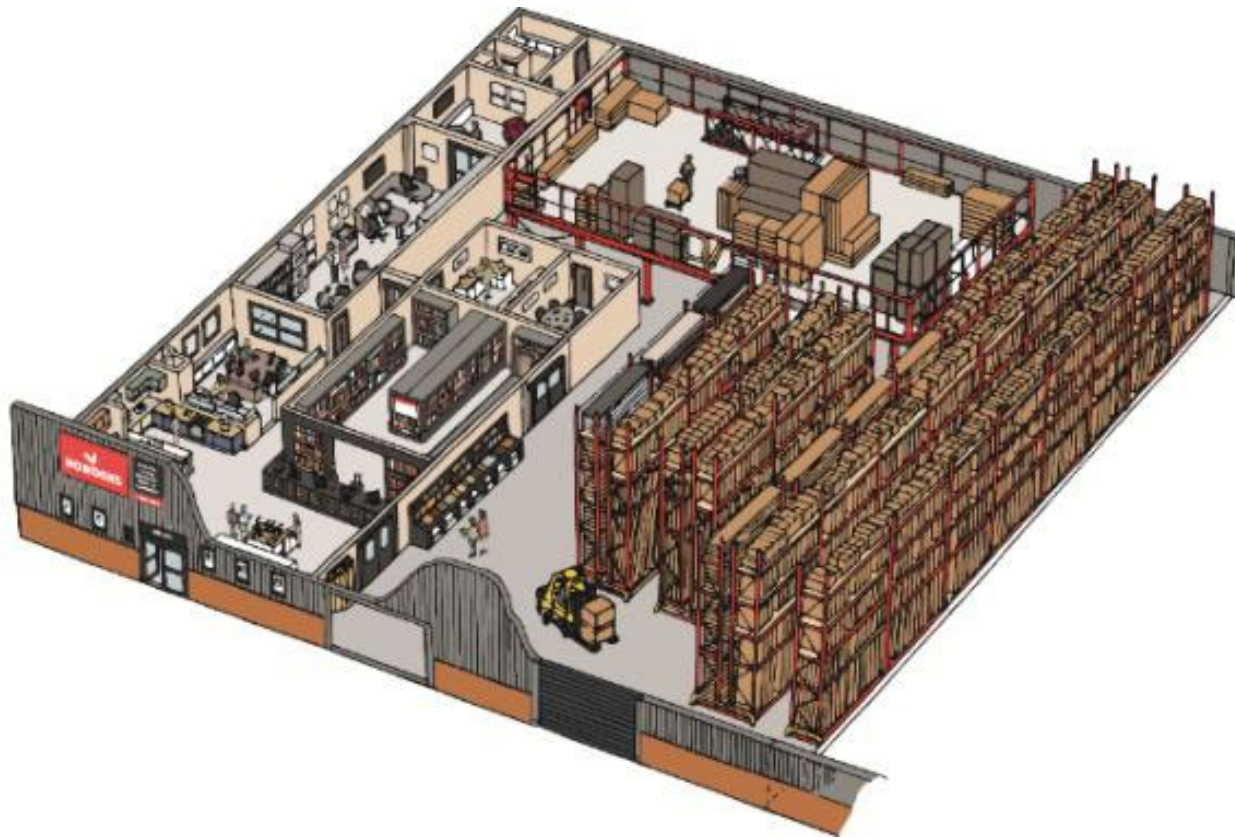


**DIGITAL  
DEVELOPMENT**



**INTERNATIONAL**

# Extending the UK footprint - High service levels valued by customers



- Cost effective updated format
- 31 depots opened in 2021
- Testing new smaller sized format (increase site options & for local infills)
- Potential for at least 950 depots in the UK, plan to open circa 25 in 2022

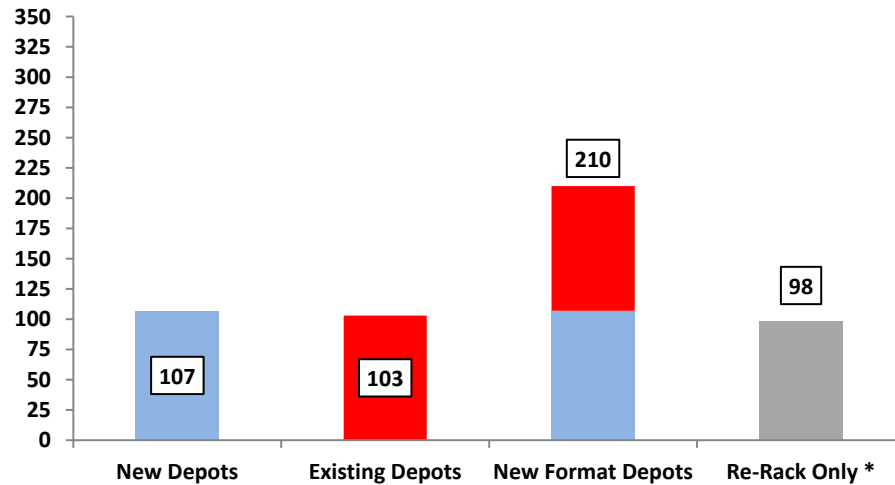
# Converting more existing depots to the updated format

- Focus on older depots with most incremental sales potential
- Positive feedback from depot teams and customers
- 62 Depots revamped in 2021 (103 in total)
- Average cost per depot of £225k going forward
- Investment to be recouped in less than 4 years
- Depots motivated to deliver incremental sales (local P&L charged for revamp costs)
- Plan to convert a further 70 depots in 2022

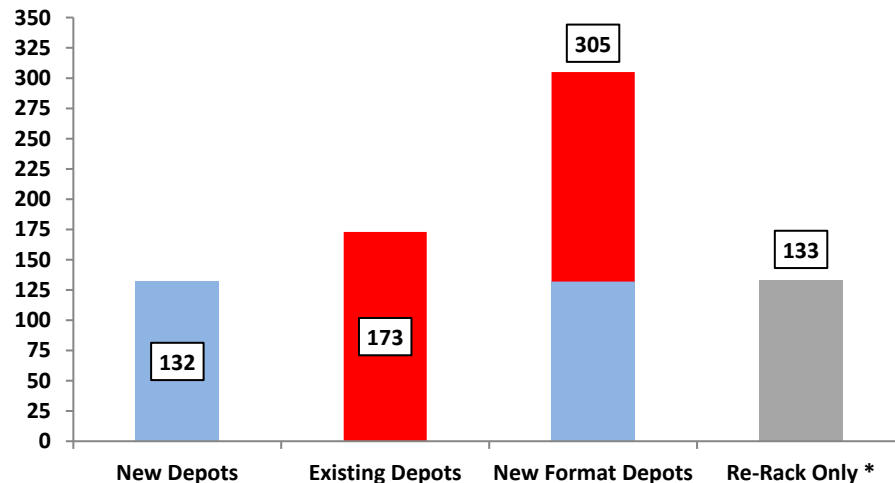


# New format depots and re-racked depots

End 2021 : Total UK Depots in New Format &/or Re-racked



End 2022 : Total UK Depots in New Format &/or Re-racked

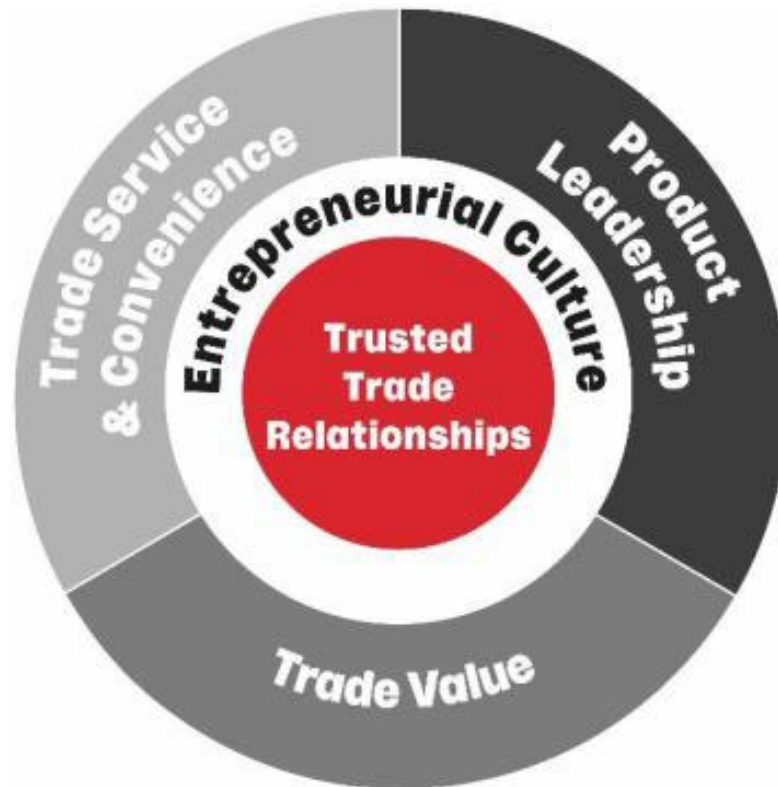


\*Number of re-racked depots excludes such depots subsequently re-formatted

55 %<sup>1</sup> of Depots by Dec 2022

<sup>1</sup> 438 UK depots trading in updated format/re-racked by end of 2022

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# **“NPI” is a significant contributor to our competitive position**



- Product lifecycles shortening
- Customers expect new product from us
- 17 new kitchen ranges in 2021
- More emphasis on higher priced kitchens
- Making most popular styles accessible to all budgets
- New product sales much higher than in 2020 and 2019
- Higher priced kitchens represented higher proportion of mix
- Mix contributed to significant increase in average kitchen invoice value



# Benefitting from alignment of business teams and better planning

- Improved range performance and rhythm of product launches
- Pre-Christmas launch of brochure, trade book and promotional materials
- 2021 Ranges in stock four weeks earlier than 2020
- Similar approach for 2022
- Aligned Rooster promotions



**HOWDENS** **TRADE ONLY**  
4<sup>th</sup> January - 18<sup>th</sup> February 2022

**Rooster DEALS**  
All at the best legal prices

**WE'RE FULLY STOCKED  
TAKE AWAY TODAY!**

**Great Value Smooth Shaker Witney Kitchen Packages**  
4-UNIT PACKAGE FROM ONLY **£315** NET

**NEW**

Available in 3 Colours

**Colonial 6 Panel Grained** **Holdenby Oak Door**

**£22** NET **£65** NET

**Newington Door Handle Pack** **£12** NET

**1000'S MORE PRODUCTS AVAILABLE ONLINE**

Trustpilot **HOWDENS.COM**

# Disciplined range management for best availability and profitability

- Re-organised range architecture and removed duplications in recent years
- Plus improved balance between introductions and discontinuations
- More efficient way of testing new kitchen colours and finishes adopted
- 2022 line-up includes several from these tests
- Managing to around 80 ranges in 2022, organised in nine kitchen families



# New product for 2022 features 20 new kitchens



# New entry priced Shaker family, Witney



## Witney

### Dove Grey Kitchen

- Frontal Type: Shaker style door with a square edge on the stile and rail
- Door Thickness: 16mm
- Door Construction: 5 Piece Shaker

ALSO AVAILABLE IN





# New colours for timber Shaker families



# New colours for timber Shaker families



# New colours for timber Shaker families





# New In-Frame solution



# Refreshed look for our most successful families

## HOCKLEY WALNUT AND MARINE BLUE

INSPIRED BY GERMAN DESIGN

PERSONALISED | MULTI-FUNCTIONAL | HIGH TEXTURES

The rich, warm hues of Marine Blue work beautifully to enhance the walnut timber effect for a confident, modern style. Pair with black accents for added intensity.

Maximise functionality with lifestyle zones to create a true multi-functional kitchen, inspired by German precision.



Hockley | Hockley Walnut and Super Short Marine Blue with finished glass doors



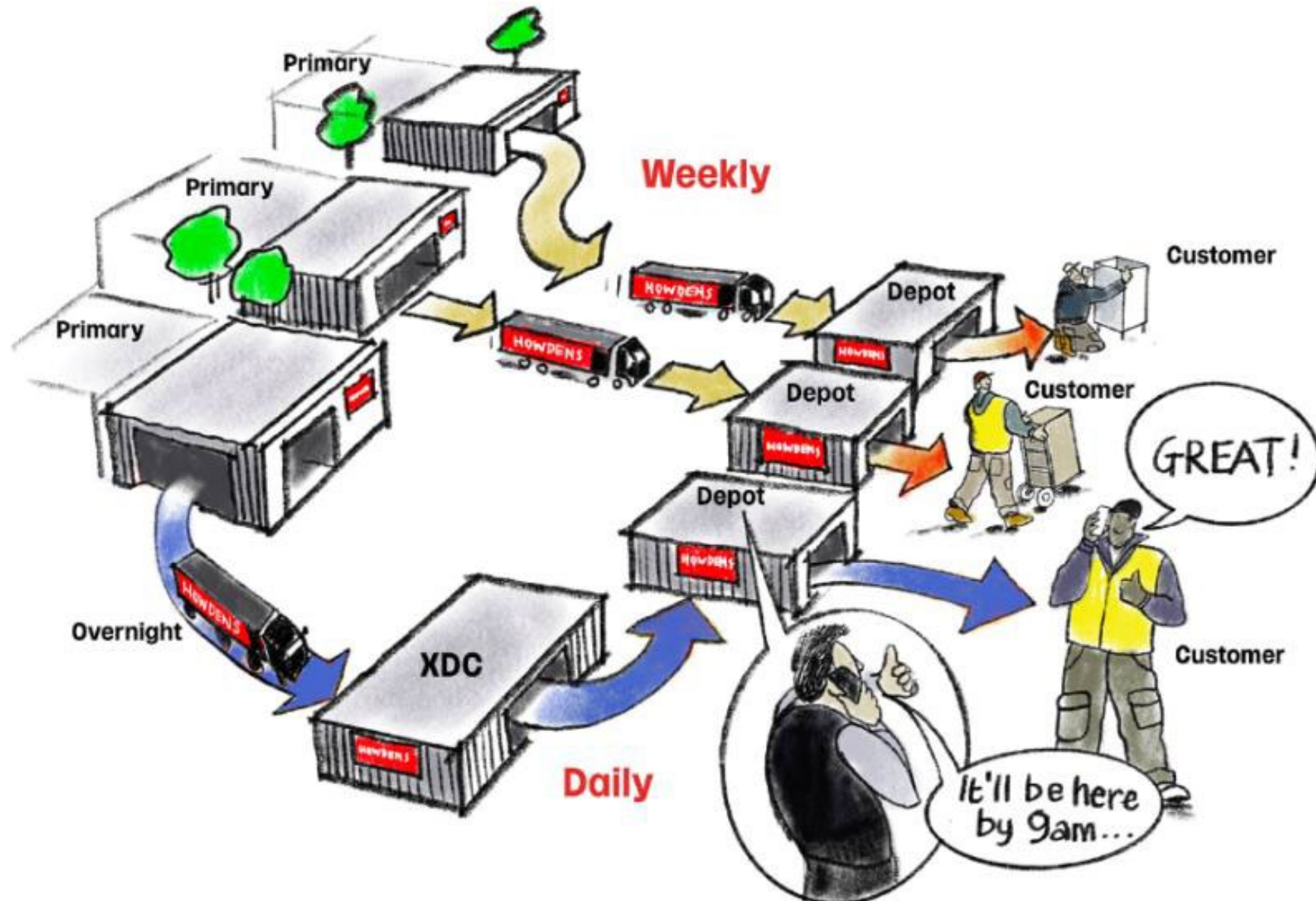
Hockley | Hockley Walnut and Super Short Marine Blue with glass handles

# Market-leading product introductions in other categories



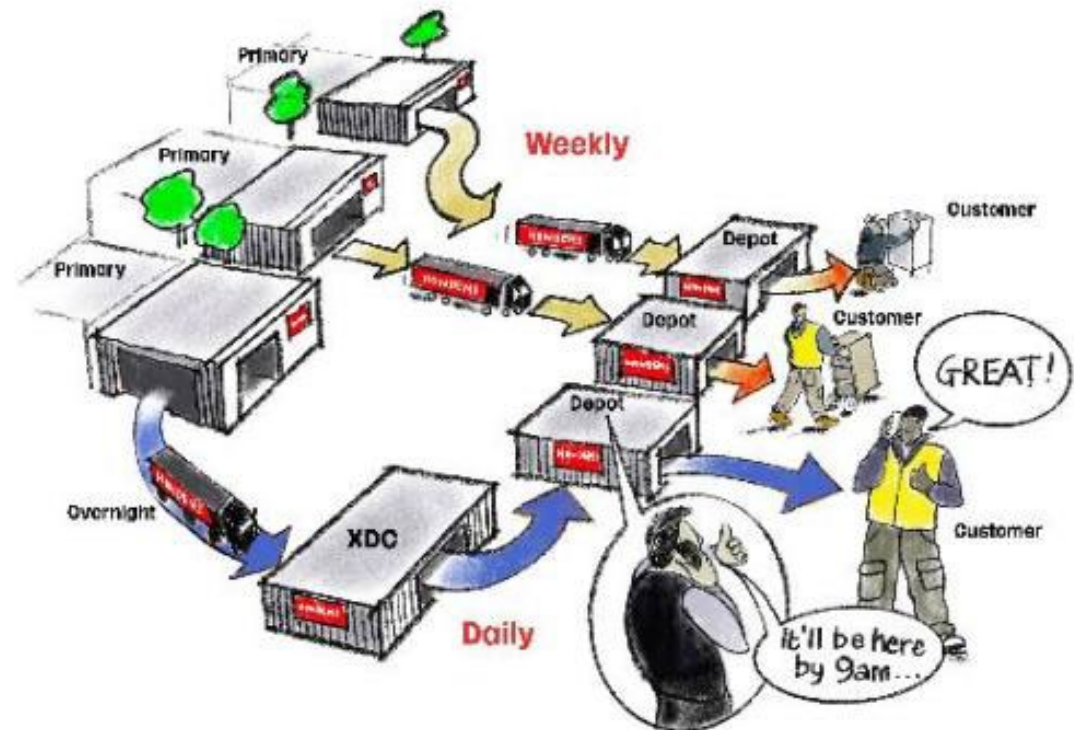


# Using XDCs to facilitate high stock availability



# XDC: Rebalancing stock levels and delivery pattern of some lines

- More warehouse space to faster selling lines
- Simpler and more efficient for depots to:
  - deliver superior service
  - improve product availability
- Frees up time and resources spent on stock management
- Using third party logistics partners and their infrastructure
- Service available to 400 depots by year end via 6 XDCs (c.300 depots added in year)
- To depots in all regions during 2022 (12 XDCs), subject to finding right sites





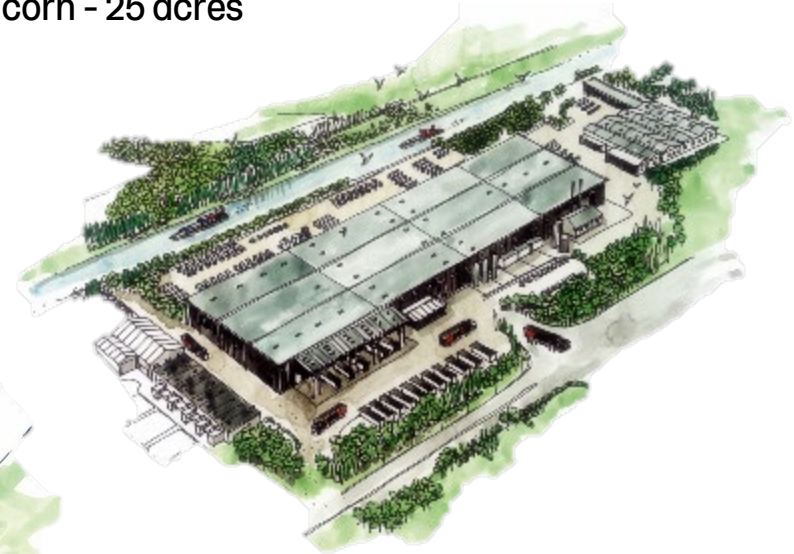
# Protecting our in-stock offer against supply chain disruption

- Increased levels of safety stock and back-up sources of supply
- Policy retained for 2022
- “DR” manufacturing capacity utilised for peak trading
- Significant engagement with Supply base

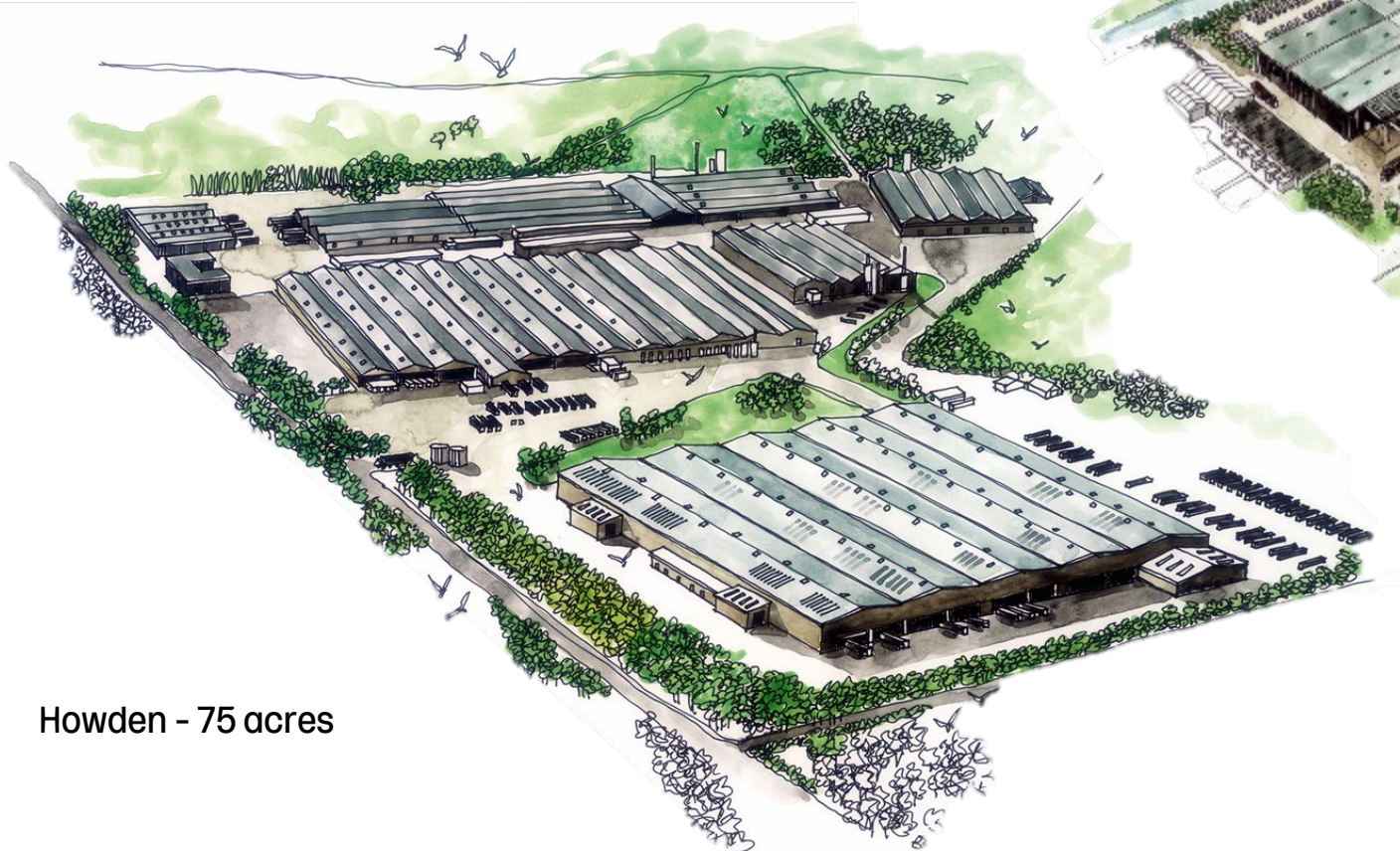


# Make or buy to improve cost, supply chain resilience and flexibility

Runcorn - 25 acres



Howden - 75 acres





# Making more doors for our kitchen ranges

- Investment to make Hockley kitchen doors in 2019
- Frontal capability broadened with investment in a new facility at Howden site
- Operational in 2nd Half 2022



# Increased architrave & skirting capability ready July 2022

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# New solid surface capabilities, a growing market segment



- Acquired assets of a UK fabricator to create Howdens Work Surfaces
- Factory operational in April 2021, original capacity now fully utilised



# Capacity increased, leading solid surface provider acquired



- Acquired Sheridan a leading solid surface provider in February 2022
- As an HWS partner, Sheridan is well known to the business
- More of our solid surface capability in-house, with associated margin benefits
- Supports roll-out of HWS to all regions



# Dedicated manufacturing : A key part of our in-stock offer





# 3 year plan to increase scale & scope of manufacturing at Howdens site



- Acquiring land adjacent to Howdens site
- Space to increase cabinet making capacity
- Capability to make more kitchen door styles
- Ability to make doors for majority of kitchen ranges
- Benefits of external sourcing retained (c. 50% of doors by volume)
- New lines operational early 2025

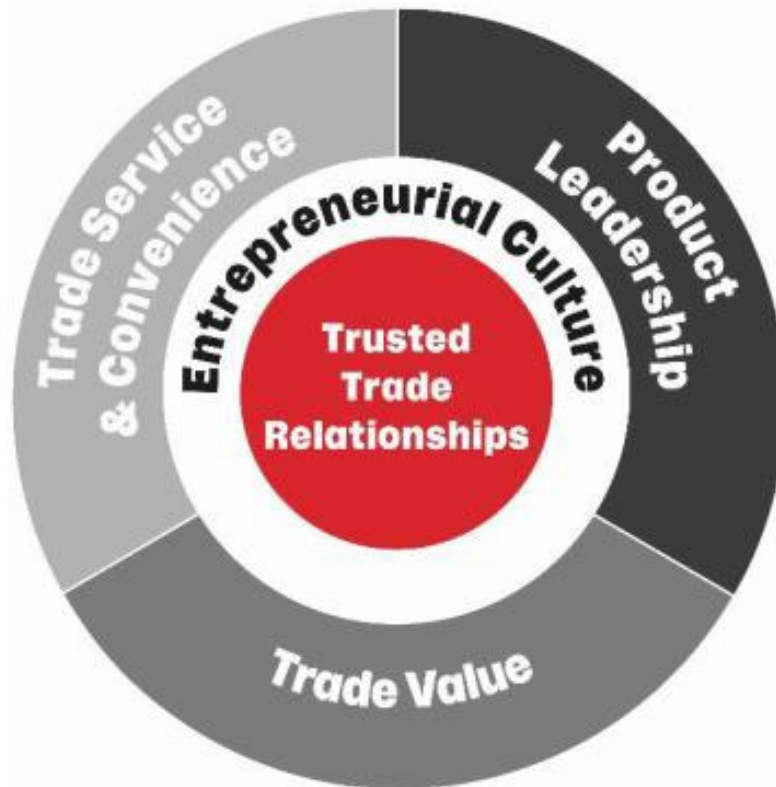


# Investing in new warehouse & distribution centre at Capitol Park near Howden



- Capitol Park will be PDC for Howden Manufactured product
- Howden site dedicated to manufacturing (some bulk storage retained)
  - Site efficiencies and room to expand further
- Efficient, purpose built facility (storage + 80%, space + 30%)
- Two year build programme

# Initiatives to increase volumes & profits



DEPOT EVOLUTION



RANGE AND SUPPLY  
MANAGEMENT



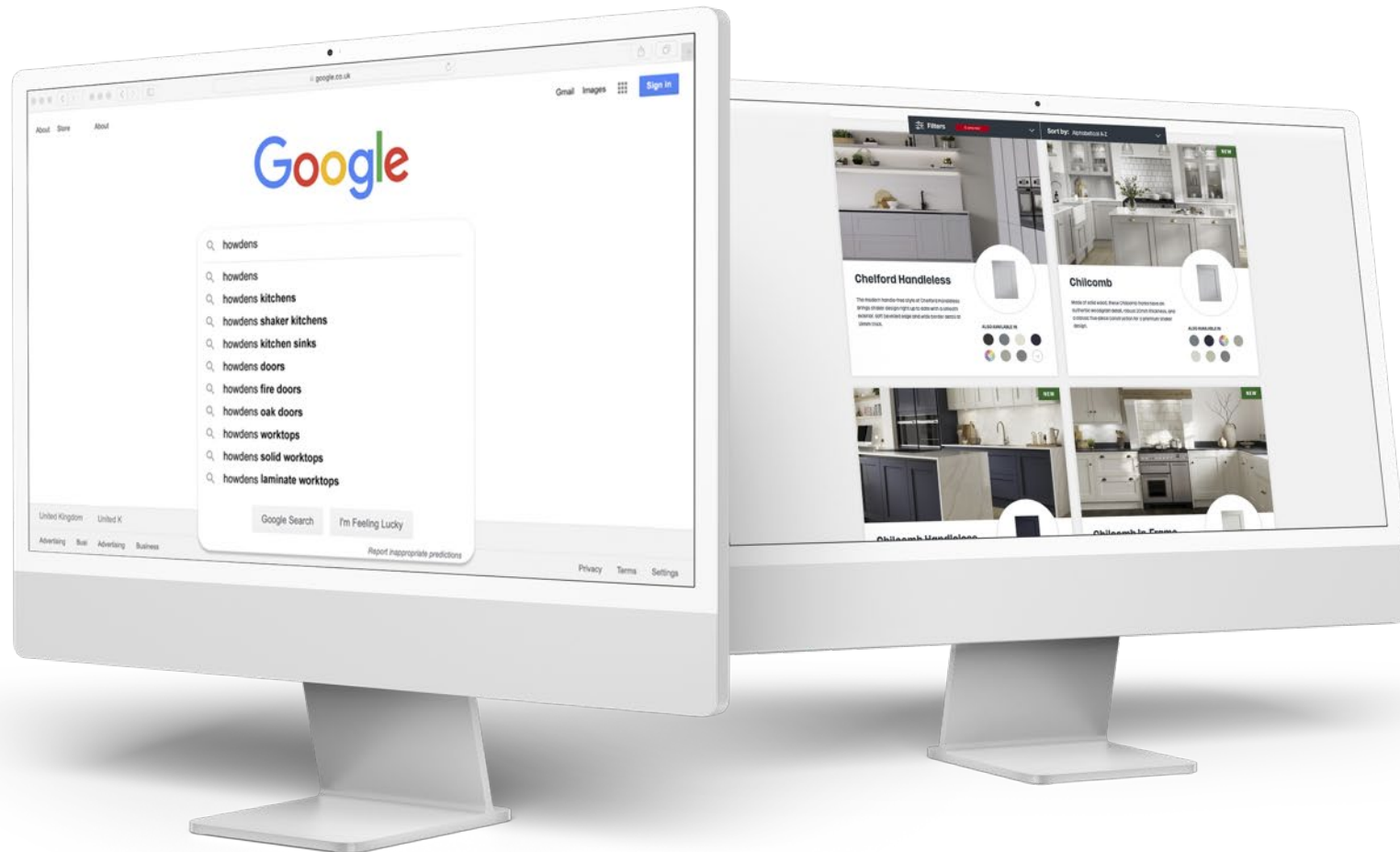
DIGITAL  
DEVELOPMENT



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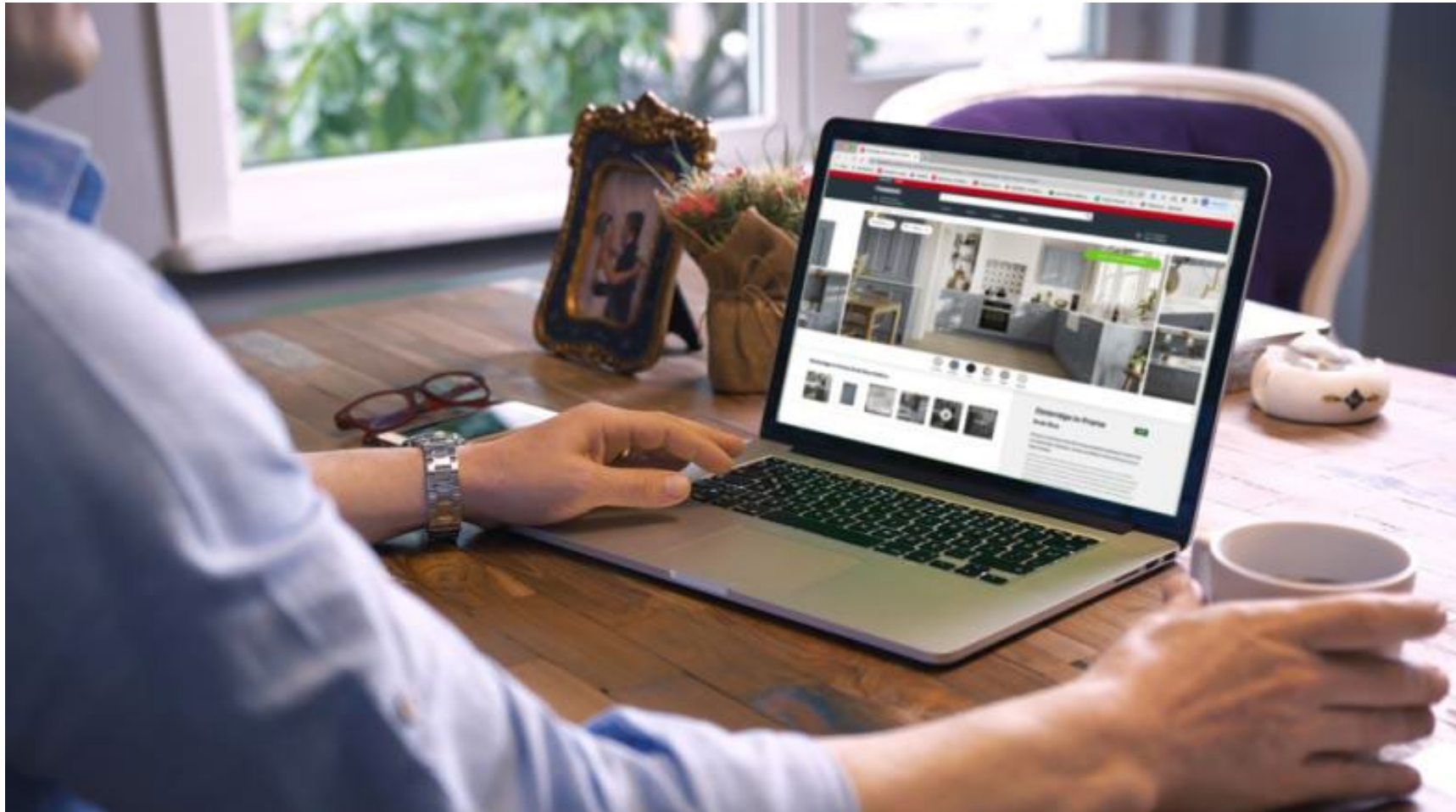


# 28% more search impressions a month, site visits up 11%

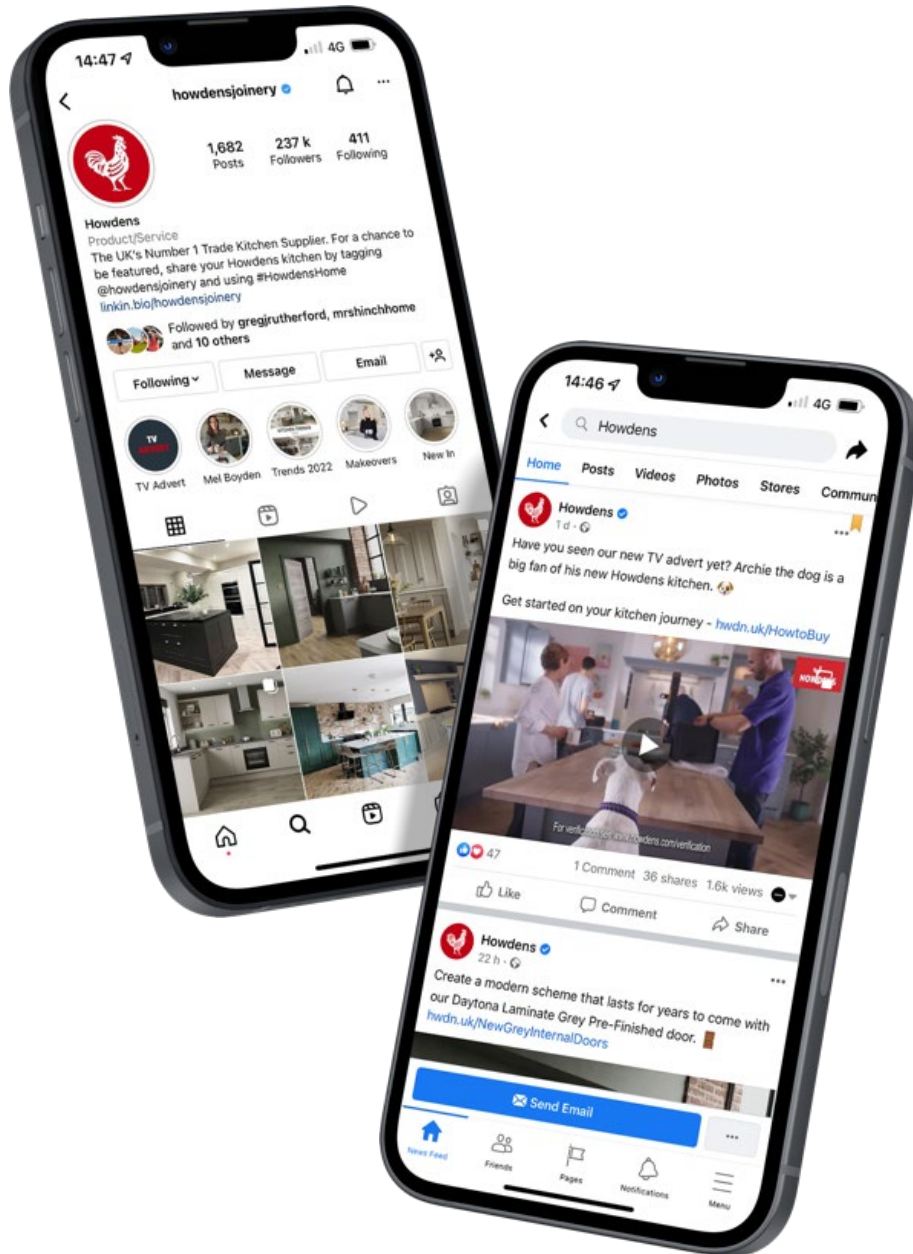


**Time spent on page +20%, pages viewed / session +11%**

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# Increasing social media presence



**c.400,000**

Follow base by year end

**49%**

Increase on previous year

**+34%**

User reach

**1.3m**

Active users engaging monthly

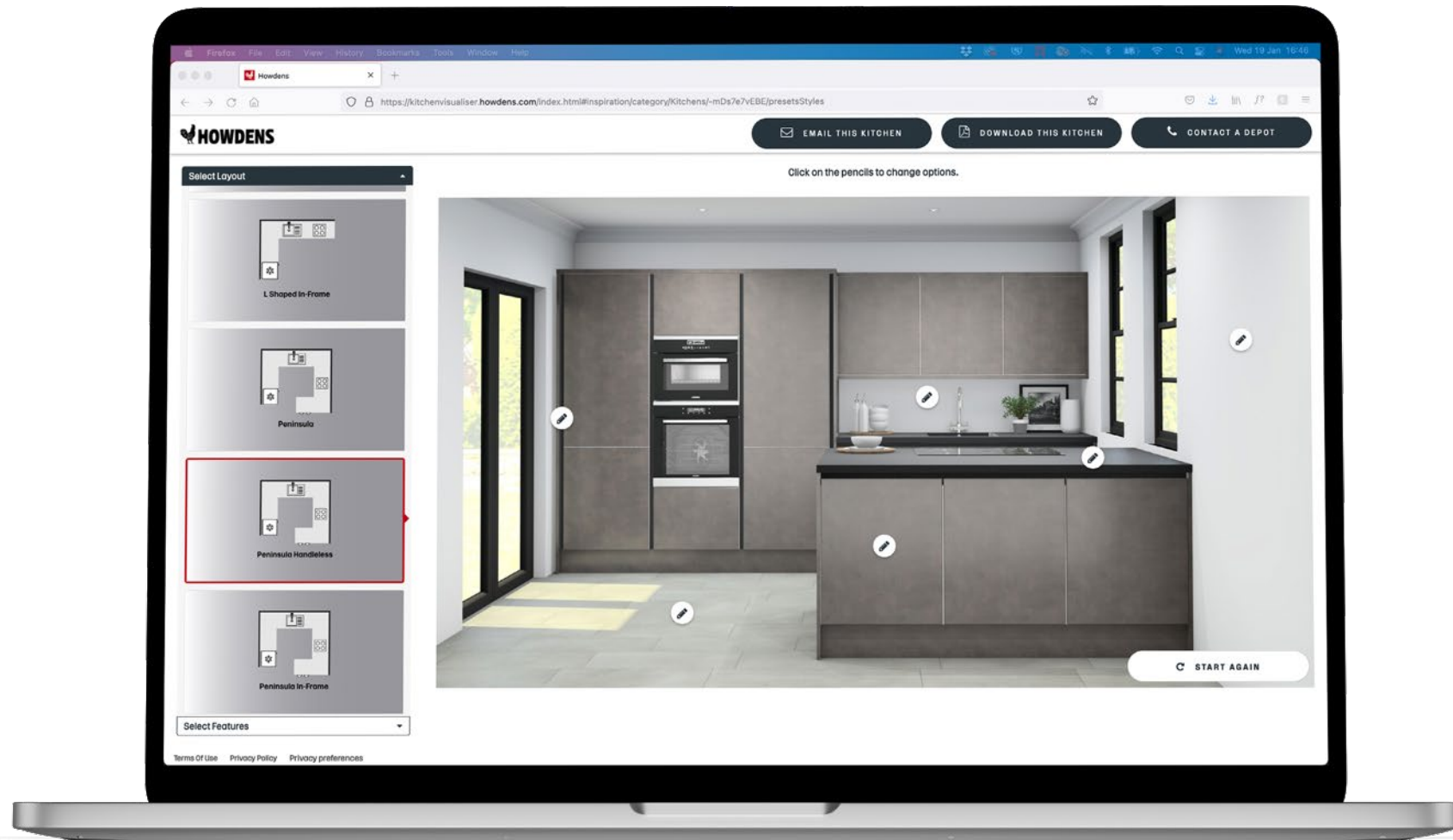


# Showcasing our kitchens in people's homes

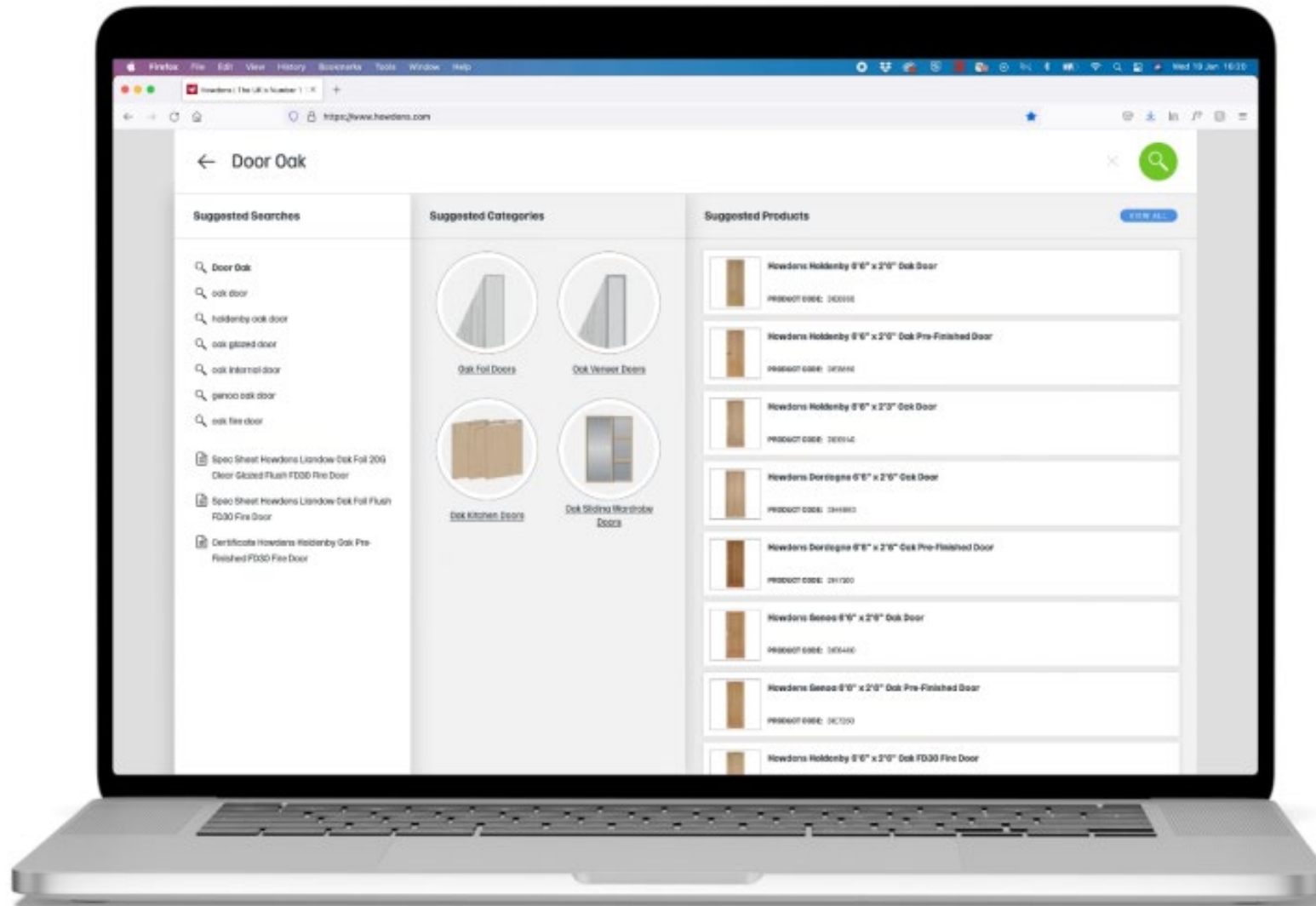


17.2m image views

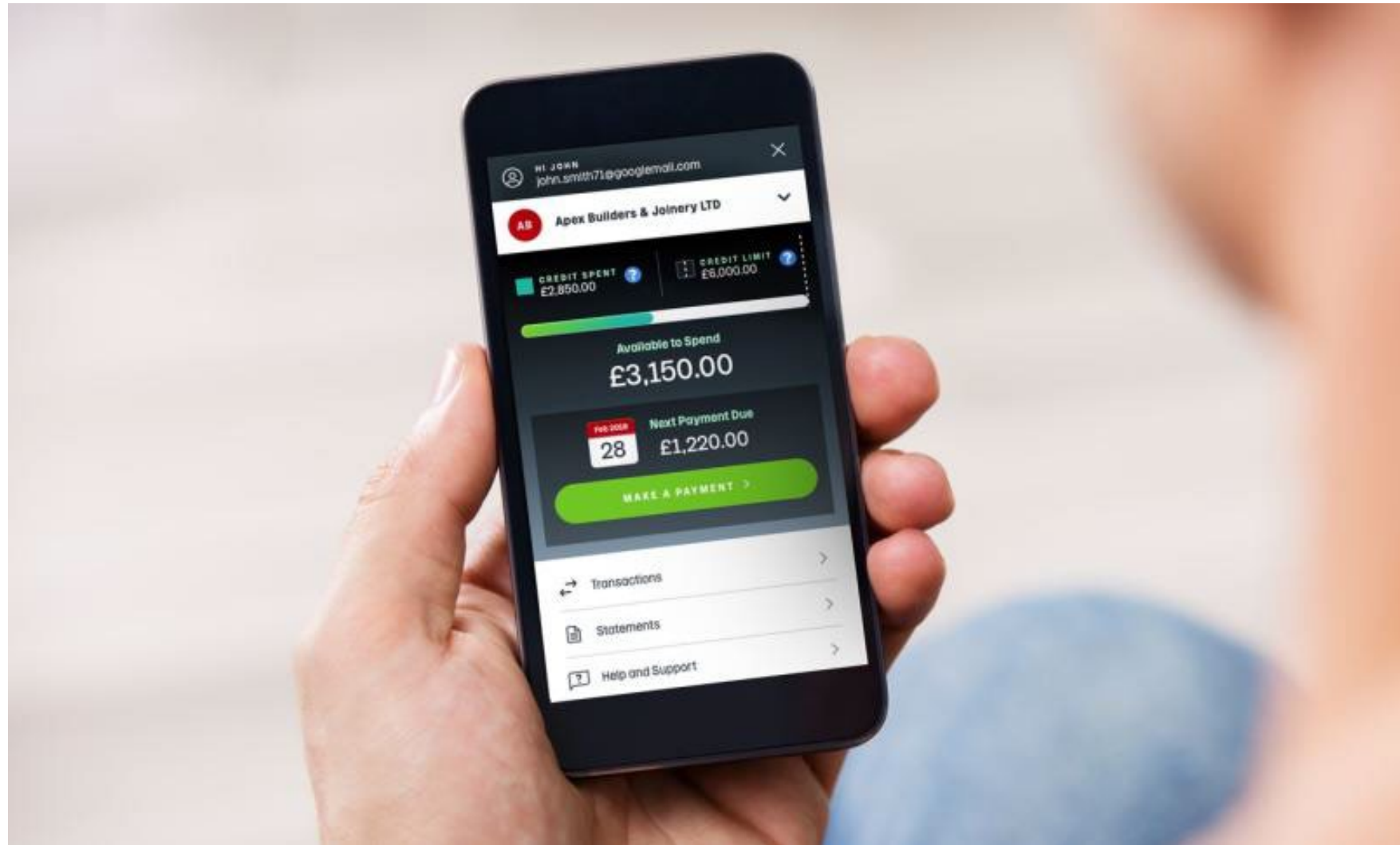
# Kitchen Visualiser introduced



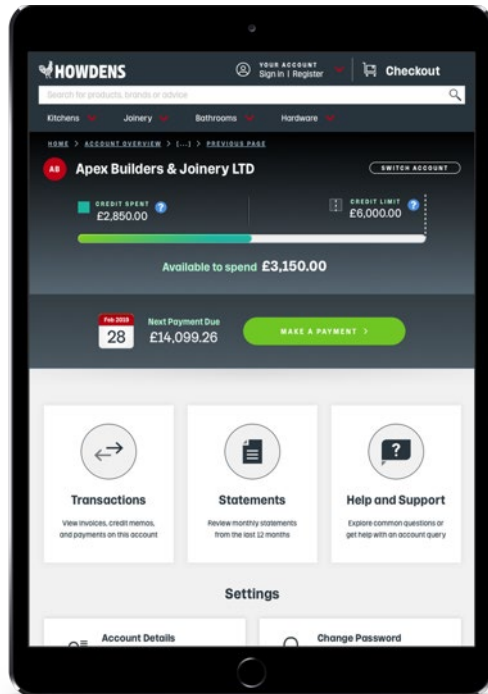
# New search functionality on-line in Autumn 2021



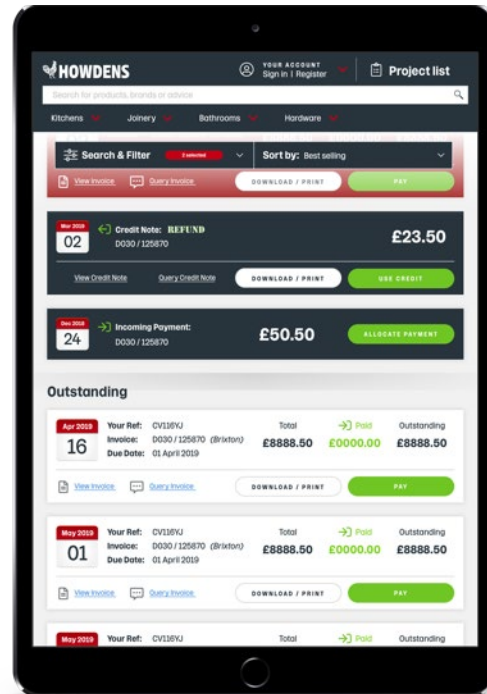
# Online Trade Account Management



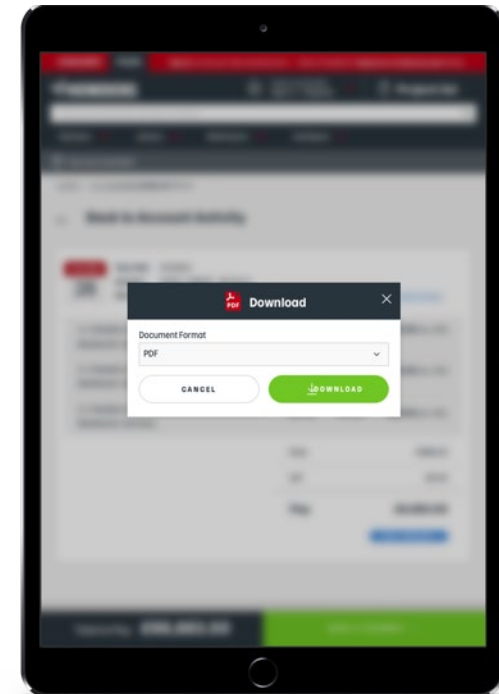
# Over 100,000 new account registrations in 2021



Manage accounts and relationship with depot



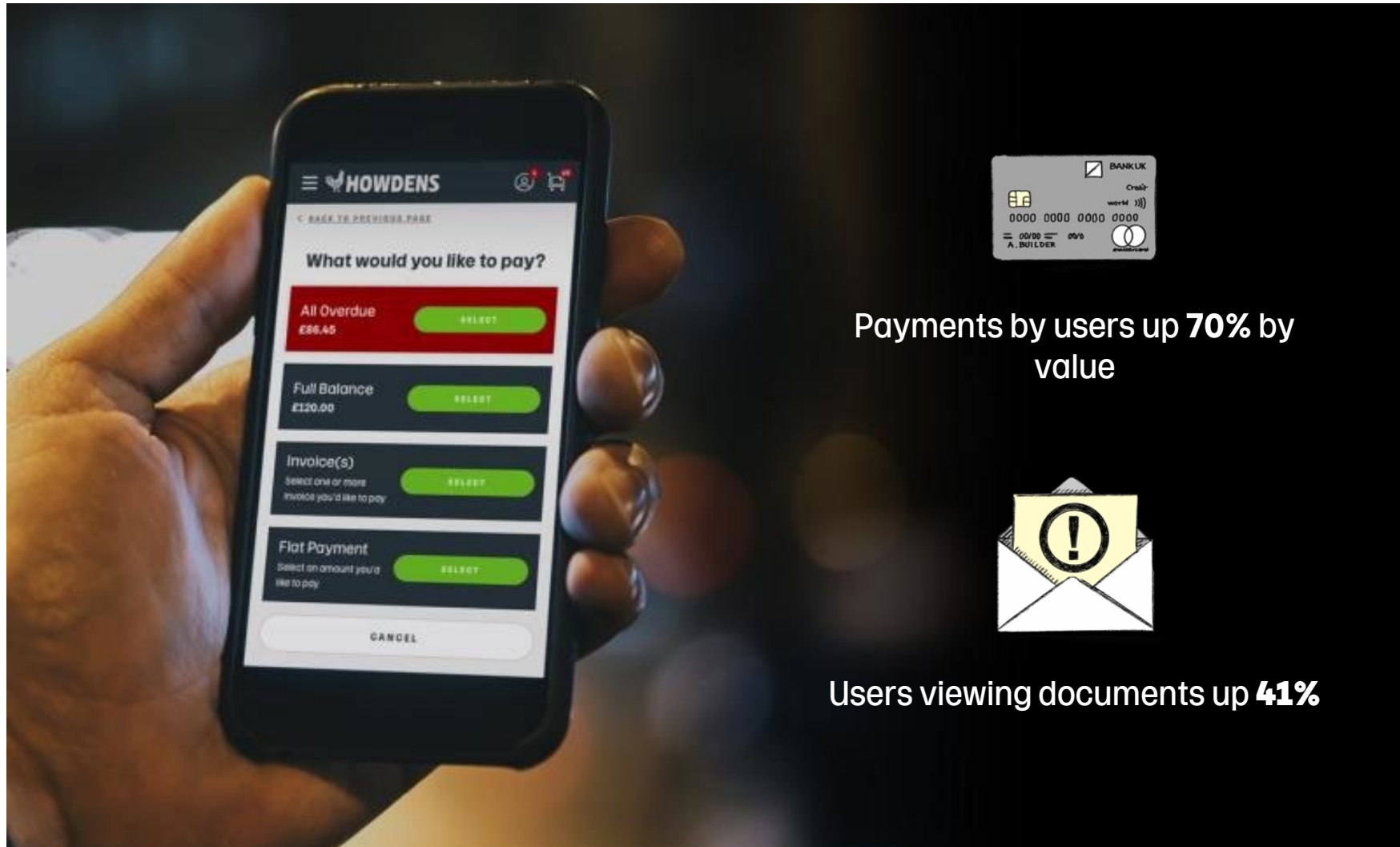
View credit details and make payments



Download invoices and information



# Usage across the week and both in and out of hours



# Anytime Ordering launched

A promotional graphic for "Anytime Ordering" by Howdens. At the top left is the Howdens logo (a rooster icon and the word "HOWDENS" in white on a red background). To its right, the text "TRADE ONLY" is written in black. Below this, the words "Anytime Ordering" are written in large, bold, red font. Underneath, the text "Your confidential trade pricing, available online" is written in black. The central illustration shows a man in a green shirt and blue cap sitting at a desk, working on a laptop. A desk lamp is on the left, and a small dog is on the right. To the left of the man is a large smartphone displaying the Howdens mobile app interface, which shows a list of products with prices and a total of £902.88. At the bottom of the graphic is a green rounded rectangle with the text "ORDER AT HOWDENS.COM" in white capital letters.

- "Anytime Ordering" launched February 2021
- Efficiencies for Depots & Customers
- Bespoke pricing for each customer
- Account holders can see their prices, order product and quote for jobs out of hours
- Select a depot collection point and delivery time

# Anytime Ordering valued by customers & depots

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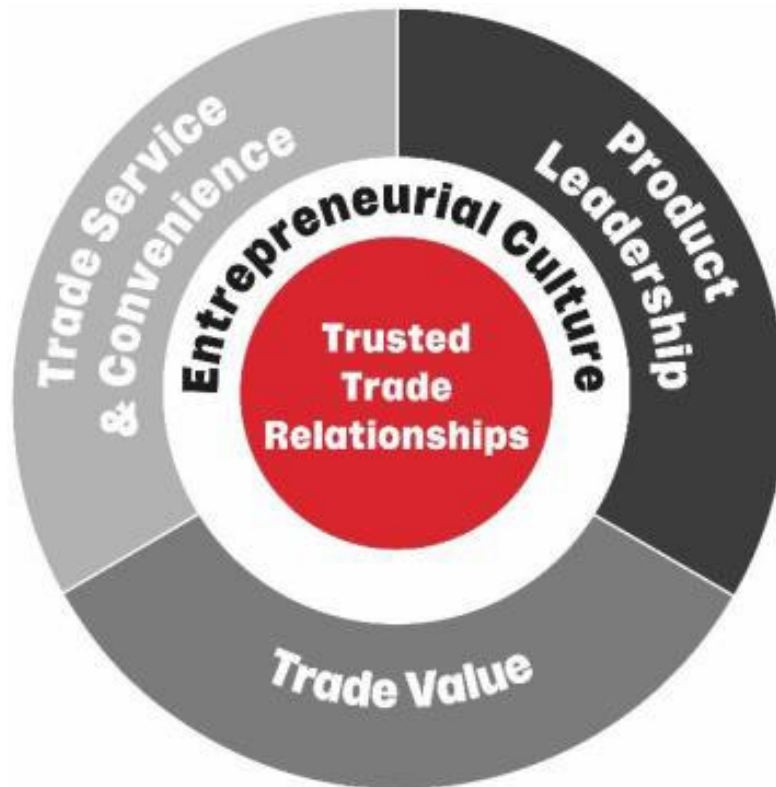
- Weekly trade platform logins + 160% year on year
- C.70% of users looking at price
- On line account holders trade more frequently
- Spend more across more categories
- Service integrated with Lead Management System

# New app-based functionality for 2022

- Trade app live February 2022
- Manage account details and see credit status
- View open order summaries
- Rapid check-in at all depots
- Immediate notification of order updates
- Easy collection using QR codes



# Initiatives to increase volumes & profits



**DEPOT EVOLUTION**



**RANGE AND SUPPLY  
MANAGEMENT**



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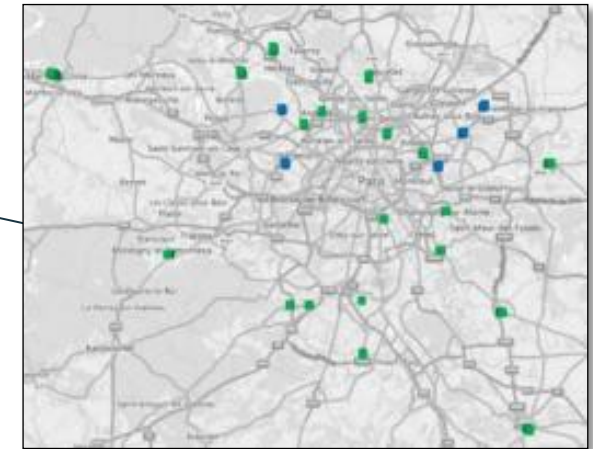
**INTERNATIONAL**



# 2021 performance gives us confidence to open more depots in France



- Sales up 37% on 2020, 55% on 2019
- Increased recognition of the advantages of our model
- Number of accounts +37%
- 10 depot openings in 2021
- C.60 depots trading by end 2022 (2021:40)



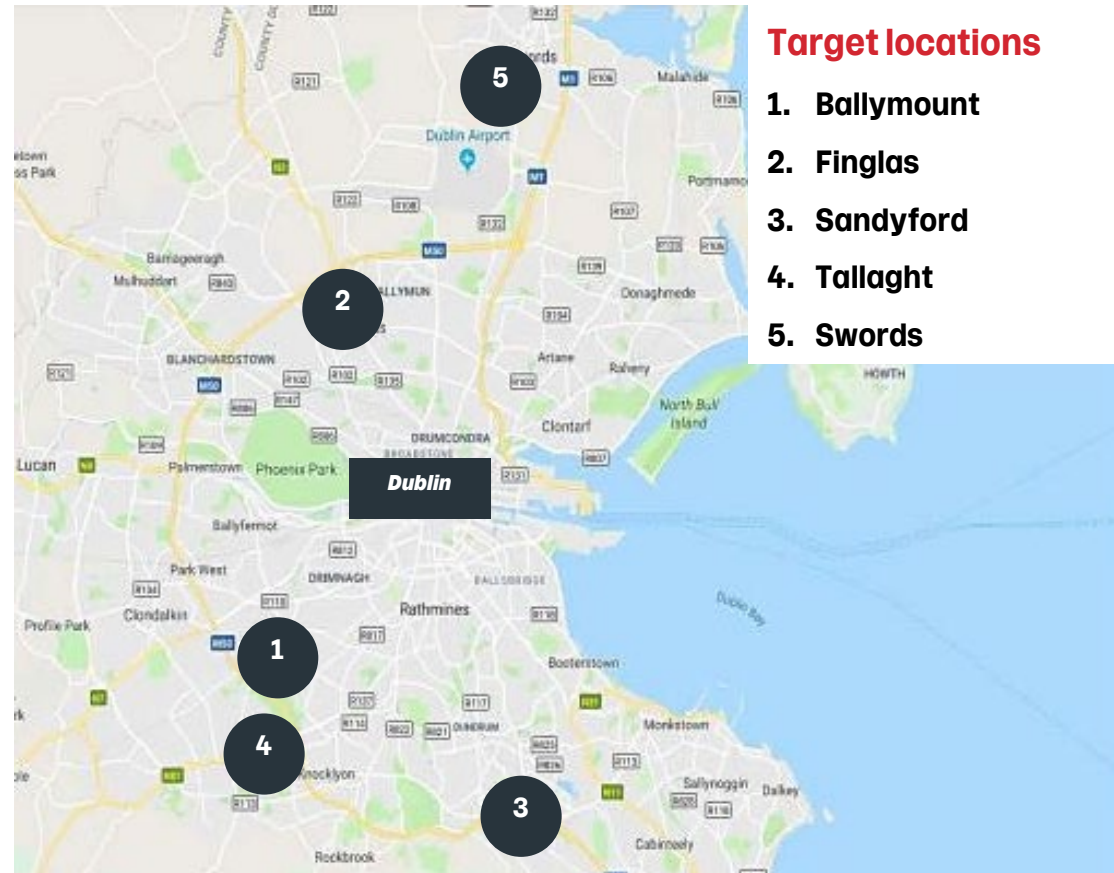
- Existing depots
- New depots in 2022





# Opening for business in the Republic of Ireland

- "City Based" approach as in France
- Initially c.5 depots around Dublin
- All open by June 2022
- Supported by UK infrastructure and Group digital platform



## Target locations

1. Ballymount
2. Finglas
3. Sandyford
4. Tallaght
5. Swords

# Well planned on our strategic initiatives

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- Increased stock cover in place to protect high availability
- 20 new kitchen ranges on sale by end June
- Howdens Work Surfaces available to all depots, backed by further investment
- Improvements to service & availability by utilising XDCs
- Increased range of services and functionality provided on-line
- Manufacturing more in the UK, with new door and skirting lines operational
- Around c.25 UK depot openings and c.70 revamps
- C.60 depots trading in France by end 2022
- Opening for business in Republic of Ireland

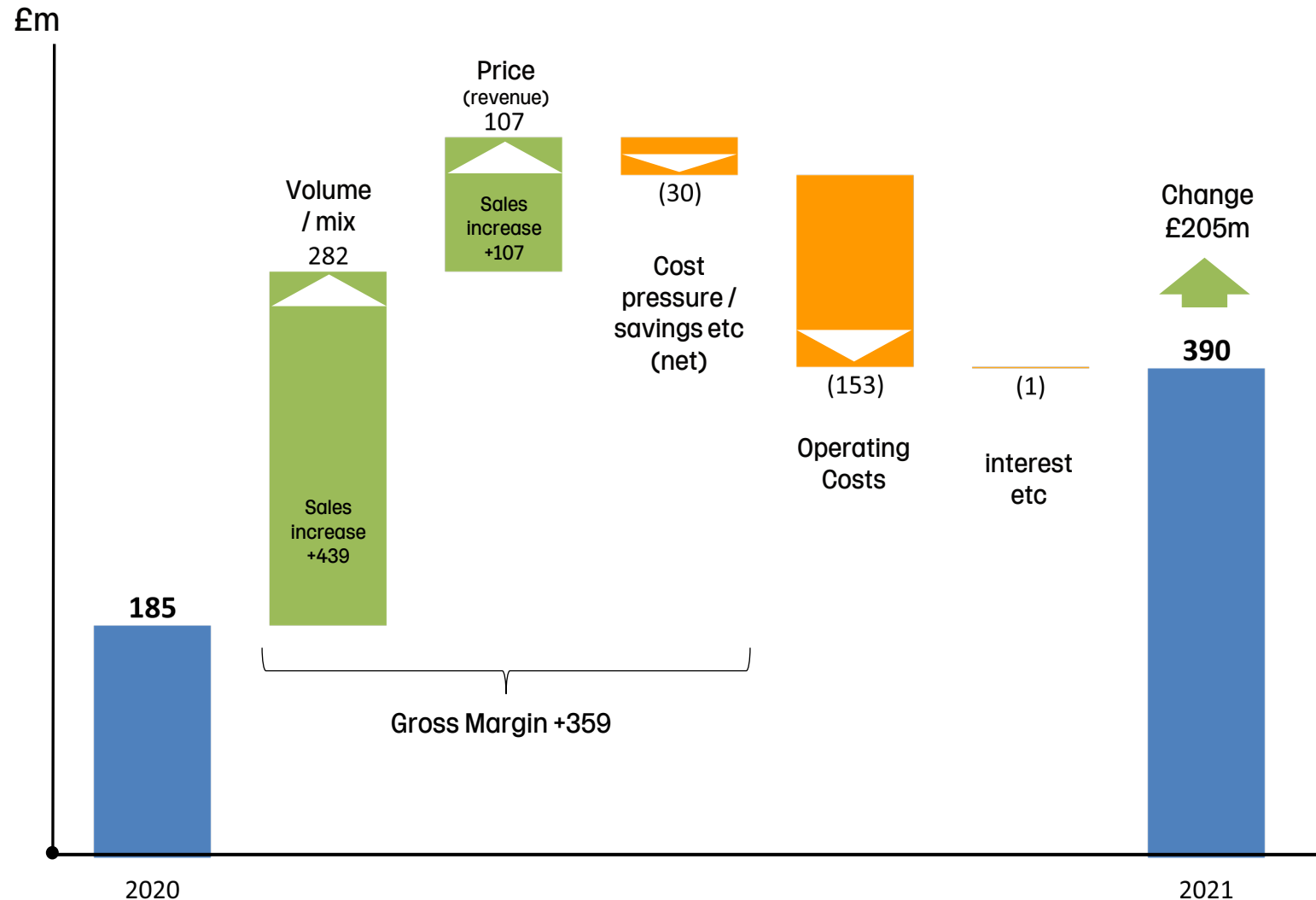
- Encouraging start to 2022
- Price rises implemented at end 2021
- Continuance of sales gains v comparable periods in P1 & P2
- Surveys and Lead Bank suggest customers remain busy
- Macro economic and other uncertainties may impact performance as year progresses
- Trading against record comparators following a year of heightened demand
- Momentum, at present, for a successful 2022



## **Appendix**

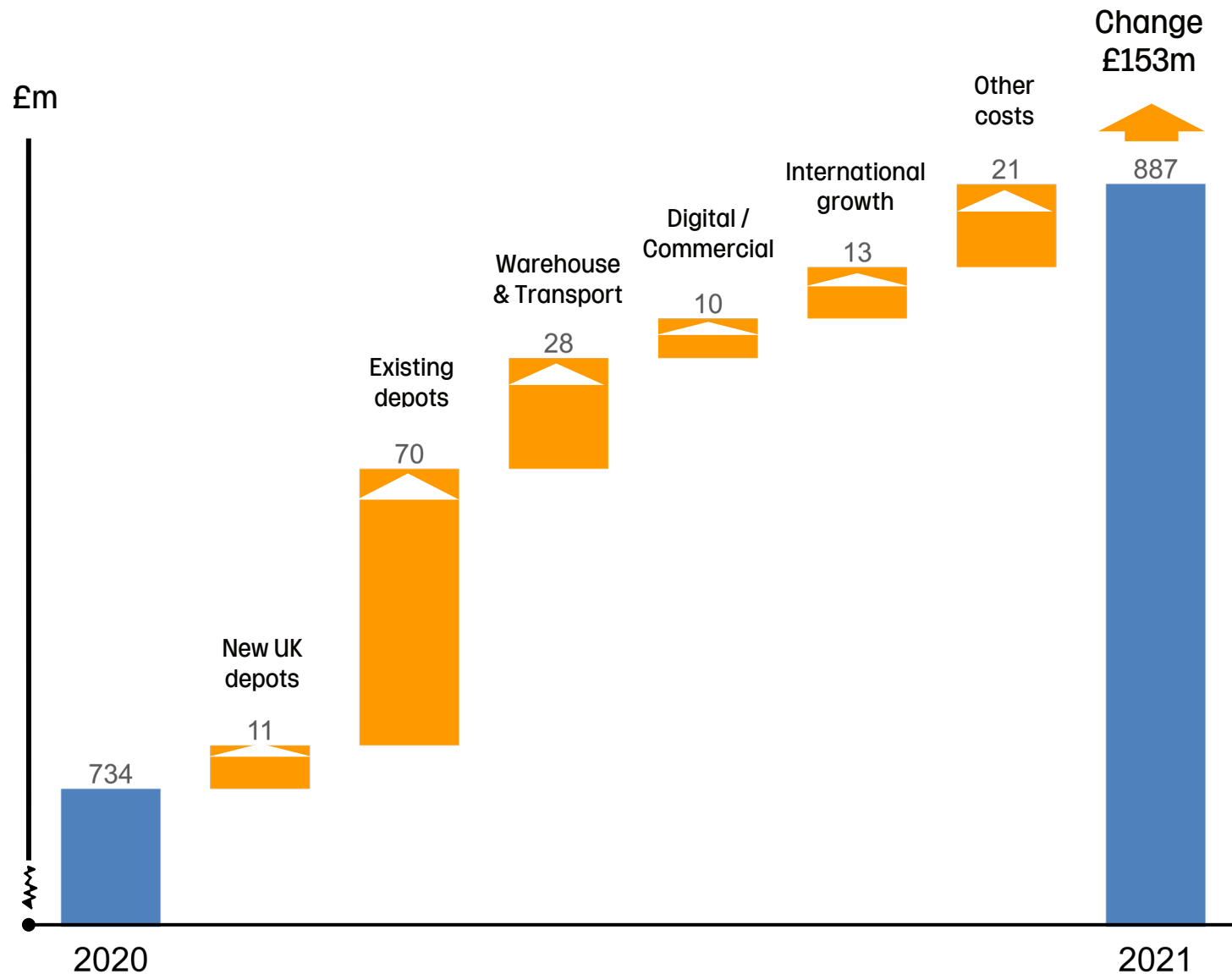
# 1 year comparison of profit before tax for 2021 vs 2020

**Group gross profit margin**  
 • 2020: 60.1% • 2021: 61.6%

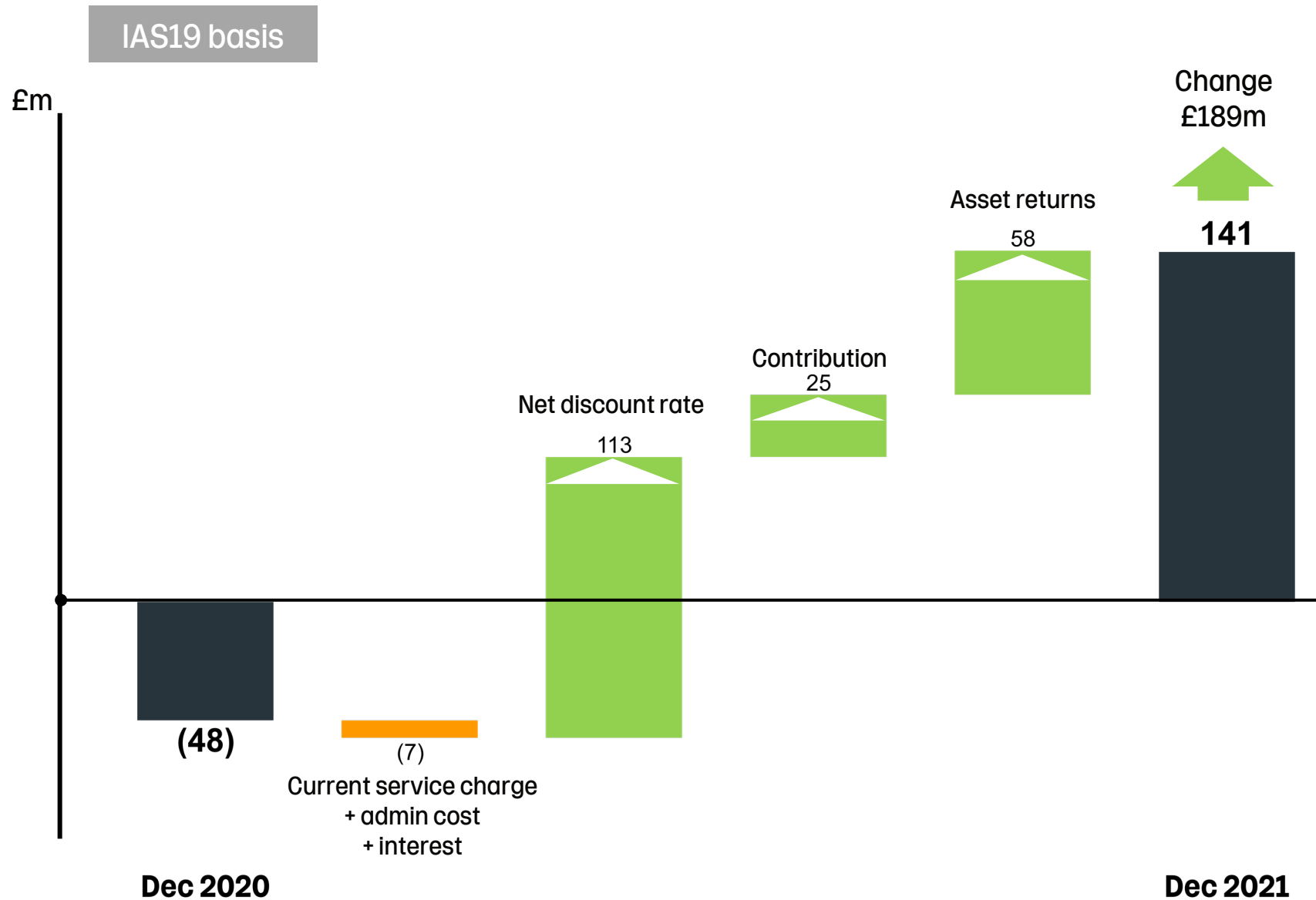




# 1 year comparison of Operating Costs of 2021 vs 2020



# Pension Scheme moves into surplus





# **2021 Full Year Results**

**24 February 2022**