



# **2022 Full Year Results**

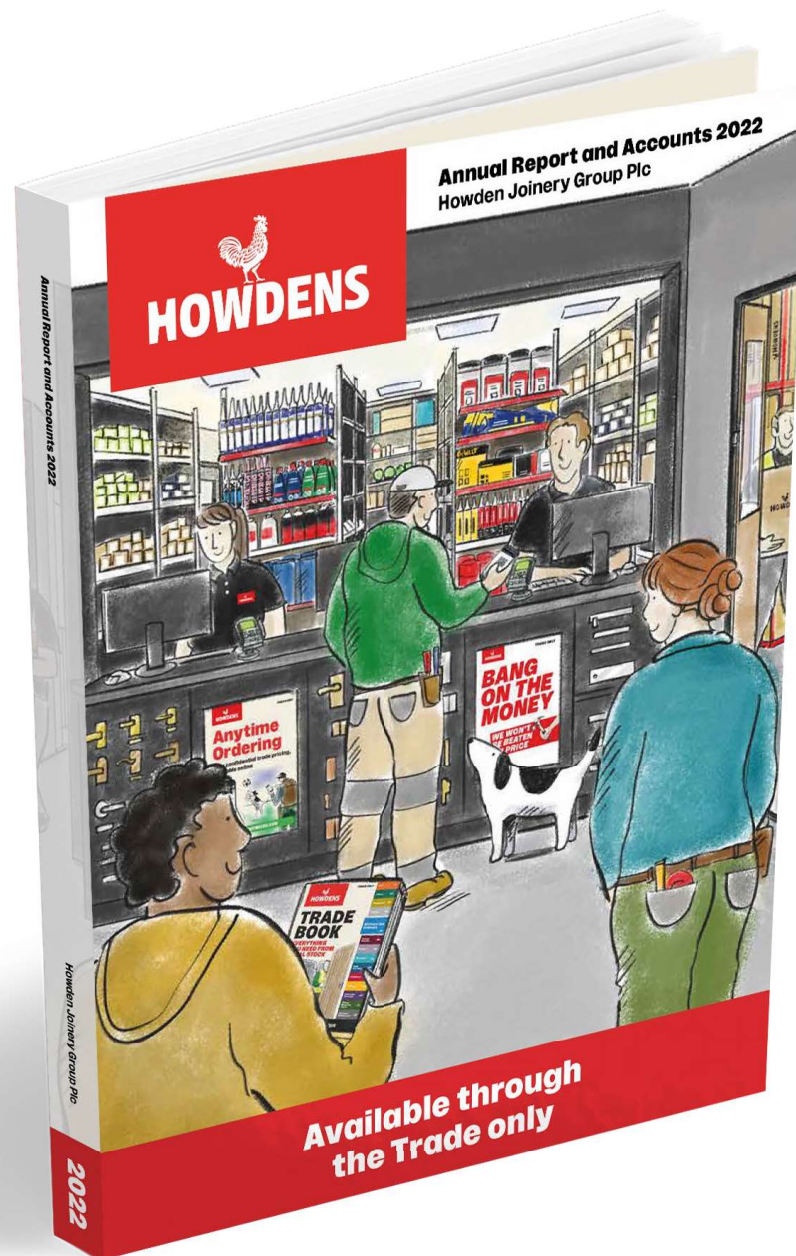
23<sup>rd</sup> February 2023



**Andrew Livingston**

Chief Executive Officer

# A successful year across the board



## Record Sales and Profit for the 52 weeks

- Group Sales **c.+11%** on 2021 and **c.+46%** on 2019
- Gained more market share
- Consolidated last year's step change in profits
- Gross profit margin similar to last year

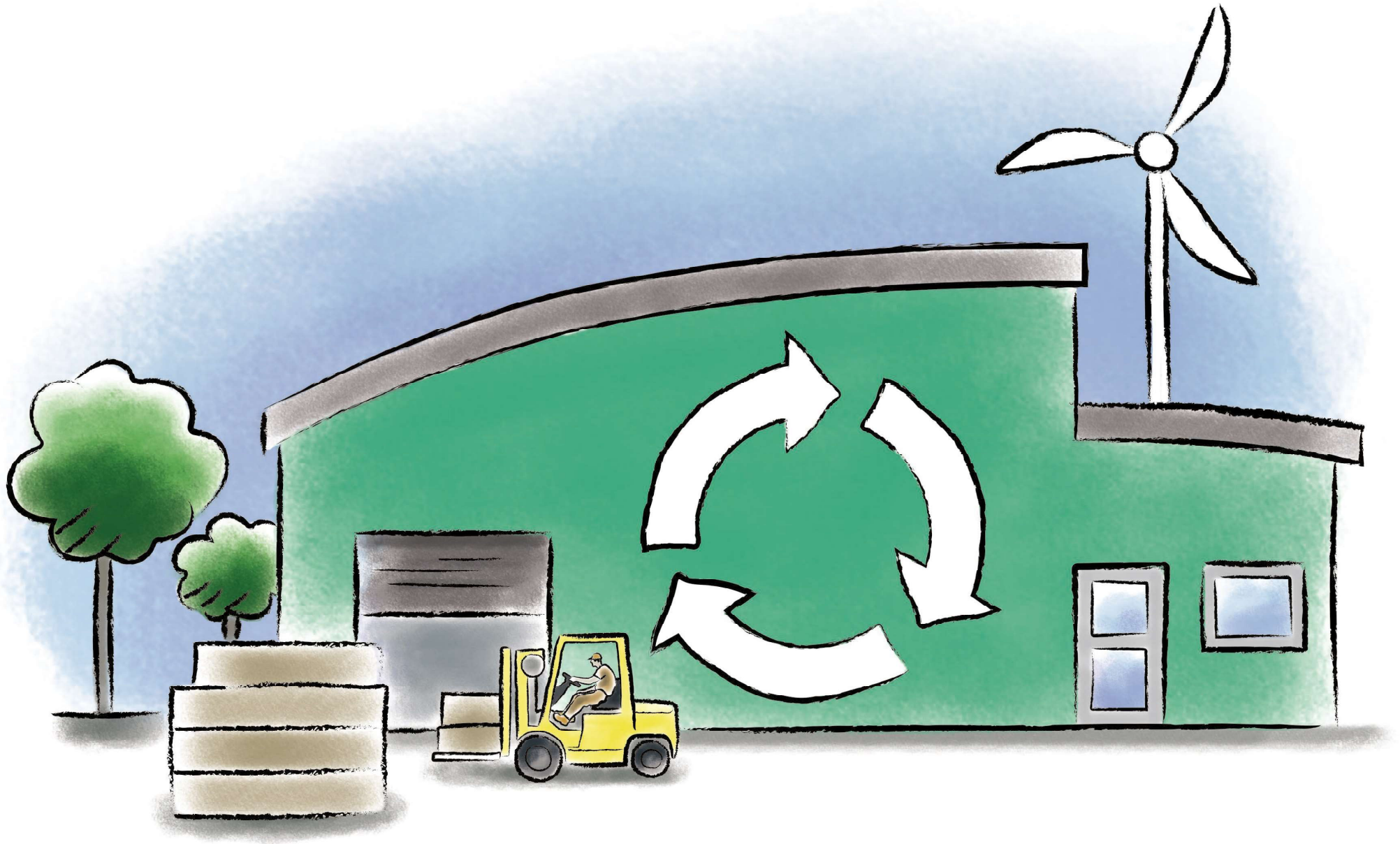
## Progressed our strategic plans for the business

## Strong cashflow generation and robust balance sheet

- Increased dividends and £250m buy-back programme completed



**Carbon neutral manufacturing with  
zero waste to landfill (UK depots 99.7%)  
UK depots switched to renewable energy**





# Committed to SBTi targets

Direct emissions halved by 2030 and  
net zero by 2050

## ROAD TO ZERO

OUR JOURNEY TO  
**ZERO WASTE**  
**ZERO EMISSIONS**



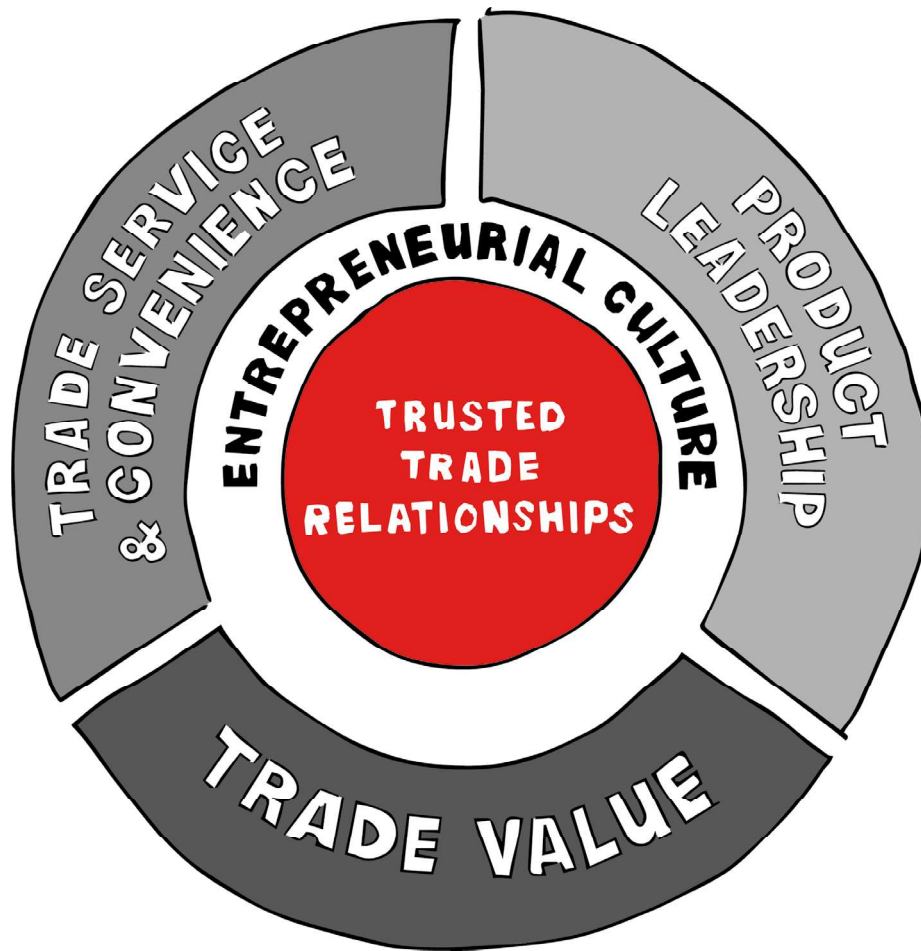


# Performance demonstrates strength of our in-stock model founded on local relationships



- Combination of strong product line-up, high stock availability, industry leading service levels and very engaged team
- Benefits of ongoing investment in customer focused strategic initiatives
- Record number of customers as at year end
- Raised prices helped combat cost increases
- Annual volumes well ahead of pre-COVID times
- Record peak trading (P10 & P11) with exemplary stock availability

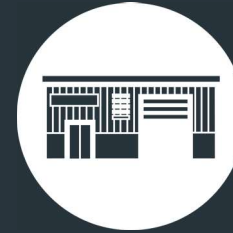
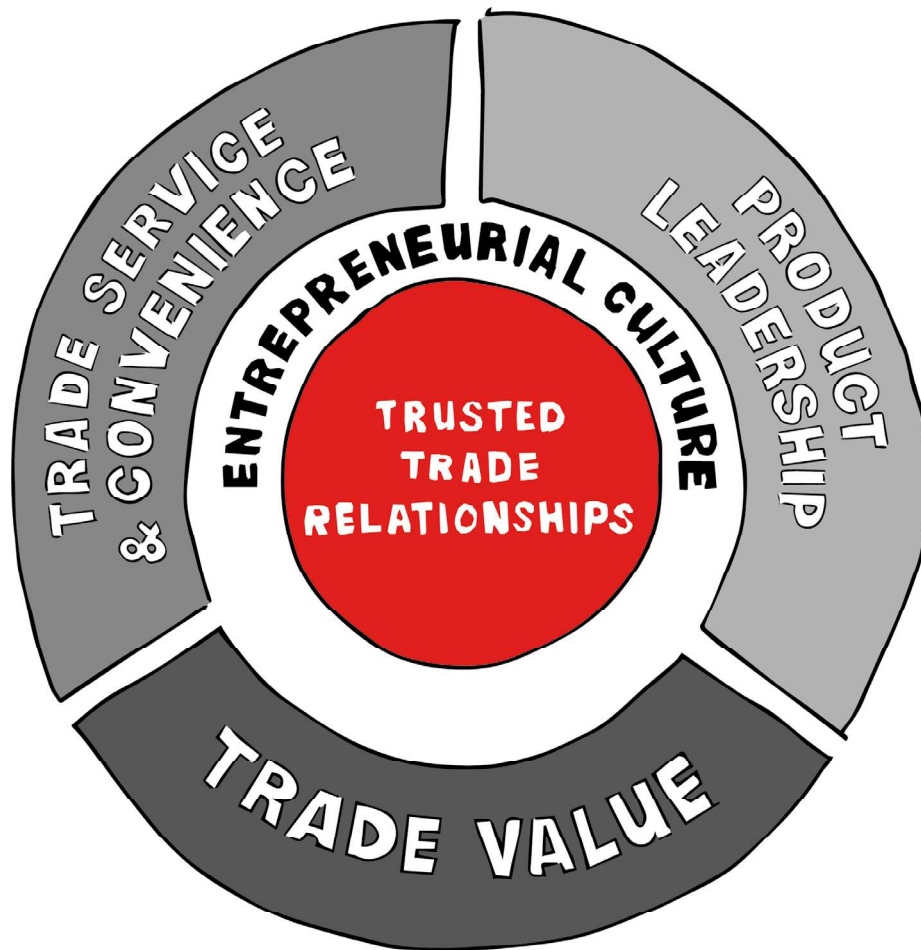
# Robust business model across changing market conditions



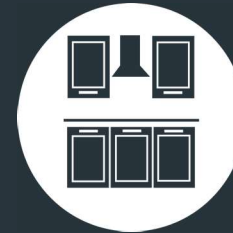
- Prepared for a more challenging market 2023
- Model capable of delivering sustainable market share gains across changing conditions
- Market opportunity is larger than we thought
- Investing in business commensurately



# Initiatives to increase volumes and profits



**Depot Evolution**



**Range and Supply Management**



**Digital Development**



**International**

## FINANCIAL REVIEW



**Paul Hayes**

Chief Financial Officer



# Financial highlights

Another strong year that positions Howdens for continued success

£m	2022	2021	Change vs 2021	Change vs 2019
Revenue	<b>2,319.0</b>	2,093.7	+10.8%	+46.4%
Gross profit	<b>1,411.2</b>	1,289.0	+9.5%	+43.1%
Gross margin %	<b>60.9%</b>	61.6%	-70bps	-140bps
Operating costs	<b>(996.0)</b>	(887.3)		
Operating profit	<b>415.2</b>	401.7	+3.4%	+59.7%
Operating margin %	<b>17.9%</b>	19.2%	-130bps	+150bps
Net interest	<b>(9.4)</b>	(11.4)		
Profit before tax	<b>405.8</b>	390.3	+4.0%	+55.7%
Tax	<b>(31.6)</b>	(75.8)		
Profit for the period	<b>374.2</b>	314.5	+19.0%	+79.0%

- Further market share gains highlights attractive business model
- Maintained sector leading margins in more inflationary market
- Gross margin % reflects dilutive impact of successful growth of solid work surfaces
- Higher operating costs includes inflation and strategic investments to drive long term growth
- Profit before tax c.56% ahead of pre-pandemic levels in 2019
- Lower ongoing tax rate from patent box claim submitted in FY 2022



# Revenue growth

**Balanced approach to pricing and volume generated strong growth**

UK (£m)	2022	2021	Growth
Revenue	<b>2,256.1</b>	2,043.3	+10.4%
Same depot basis <sup>1</sup>	<b>2,193.3</b>	2,035.8	+7.7%
Number of depots	<b>808</b>	778	+30

International (€m)	2022	2021	Growth
Revenue	<b>73.8</b>	58.4	26.3%
- excluding closed depots	<b>73.0</b>	52.2	40.0%
Same depot basis <sup>1</sup>	<b>59.5</b>	51.8	14.8%
Number of depots <sup>2</sup>	<b>65</b>	40	+25

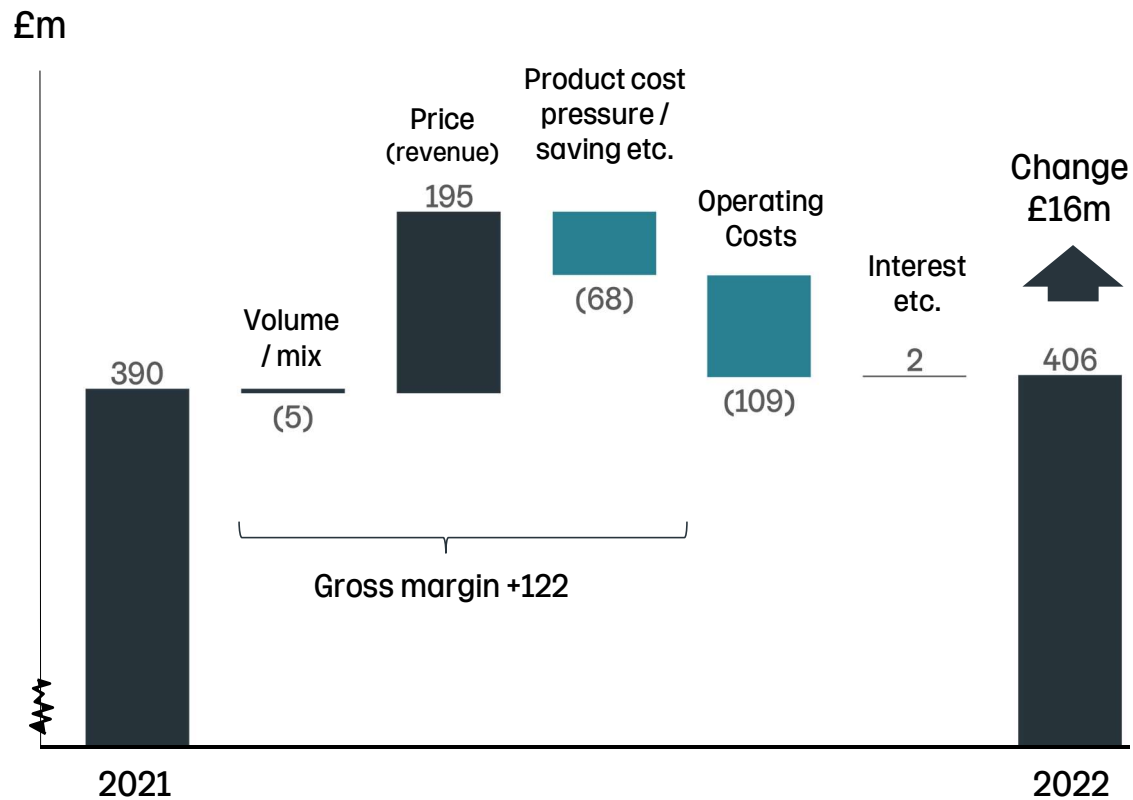
- Delivered another record peak trading performance in H2
- Disciplined approach to pricing
- UK volumes ahead of the market with strong sales from new product introductions
- Further sales growth of higher priced kitchens supplemented by new solid work surfaces business
- International expansion, including 20 more depots trading in France and 5 in the Republic of Ireland

<sup>1</sup> Same depot basis for any year excludes depots opened in that year and the prior year.

<sup>2</sup> During 2022, 25 depots were opened and 5 were closed in France and 5 depots were opened in the Republic of Ireland.

# Profit before tax

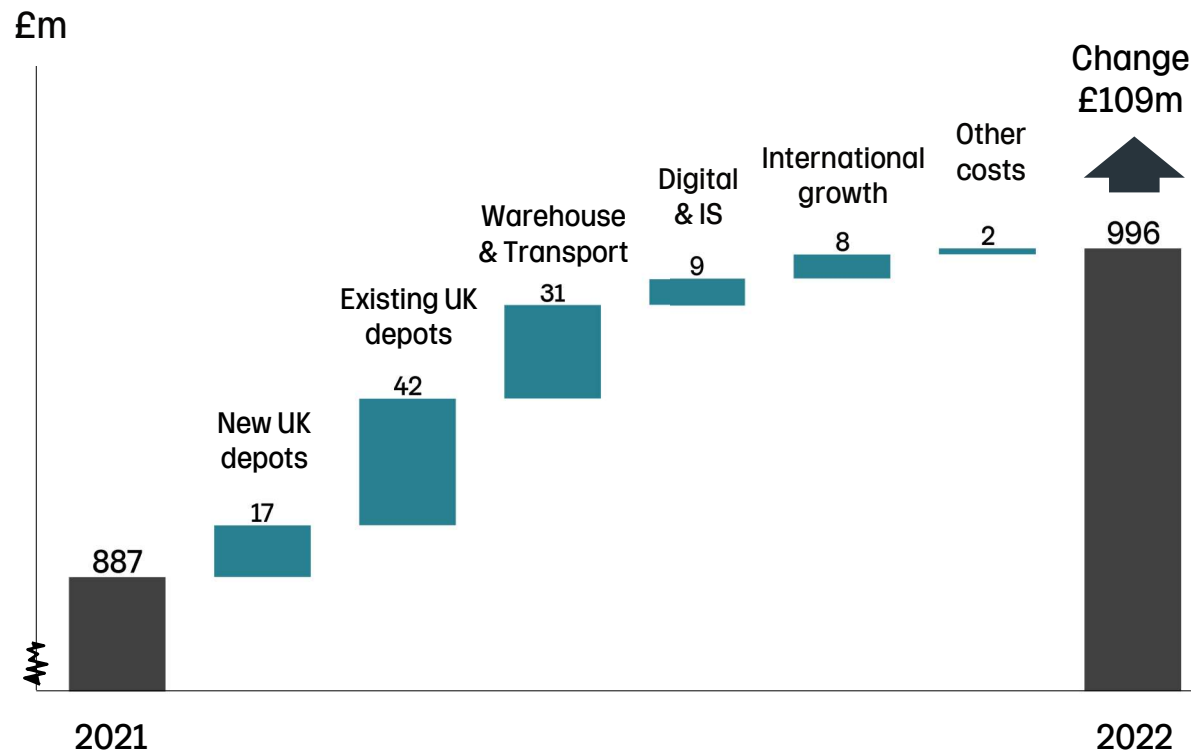
Profit growth despite higher inflation and investments for growth



- Volumes broadly similar to record prior year comparators
- Price rises more than recovered input cost and energy price increases
- Consistent long-term focus with ongoing investment in operating costs to drive strategic initiatives

# Operating expenses

Continued long-term investment in our strategic initiatives



Investment includes:

- 61 new UK depots since start of FY 2020
- Warehousing and transportation includes part year impact of full roll out of XDC network and fuel cost increases
- Investment in digital to support customers and improve consumer access
- International: France and ROI depot expansion



# Tax - patent box claim

Investment in innovation drives lower effective tax rate



Patented cabinet leg is unique to the market and meets builders' needs in three ways:

- **Strength:** will withstand a lifetime fully laden and cabinet can be moved around across uneven flooring on legs
- **Speed:** quick to install and adjust tool free
- **Ease:** back legs adjustable from inside the cabinet

Patent box tax relief scheme reduces tax rate on profits earned from patented intellectual property

Tax includes £36m of catch-up benefits (2017 to 2021) in FY22

Ongoing reduction in effective tax rate of c.3%

Cash benefit realised once approval received from HMRC

# Cashflow

## Strong cash generation supports investments and capital returns

£m	2022	2021
Opening cash	515.3	430.7
Operating cash flows <sup>1</sup>	546.5	530.7
Working capital (increase)	(51.7)	(1.7)
Capital expenditure	(130.4)	(85.9)
Acquisition <sup>2</sup>	(25.0)	-
Tax paid	(101.5)	(73.1)
Dividends	(115.0)	(133.6)
Share buy back	(250.5)	(50.0)
Pension contribution (difference between cash paid and operating charge)	2.0	(18.5)
IFRS16: Repayments and interest paid	(79.2)	(85.8)
Other	(2.5)	2.5
Closing cash	308.0	515.3

<sup>1</sup> (before movements in working capital)

<sup>2</sup> £15m for the acquisition of the Sheridan business, £10m for the site.

- £365m returned to shareholders in dividends and buy-backs
- Working capital movements including inflationary increases:
  - Stock £(70)m
  - Debtors £(24)m
  - Creditors £42m
- Additional stock to support customers
- Ageing of debtors remains good
- Capital expenditure in depots, revamps and manufacturing
- Successful acquisition and integration of Sheridan's solid work surface business

# Earnings per share and dividends

Delivering sustainable dividend growth and returning surplus capital

	2022	2021	Change
Basic earnings per share (p per share)	65.8p	53.2p	+23.7%
Share buybacks (£m)	£250m	£50m	
Ordinary dividend paid (£m)	£115.0m	£79.5m	
Special dividend paid (£m)	-	£54.1m	
	£115.0m	£133.6 <sup>1</sup>	
Interim dividend (p per share)	4.7p	4.3p	
Recommended final dividend (p per share)	15.9p	15.2p	
Total dividend (p per share)	20.6p	19.5p	+5.6%

- Earnings per share up 23.7% includes impact of patent box claim and lower share count from buy-back
- £250m share buy-back competed in the year
- Proposed final dividend of 15.9p will be paid on 19 May to shareholders on the register on 11 April 2023
- Total dividend of 20.6p up 5.6%

<sup>1</sup> During 2020, due to COVID-19 no interim dividend was paid, but a final dividend of 9.1p per ordinary share (£54.2m) and a special dividend of 9.1p per ordinary share (£54.1m) was paid in June 2021 in respect of 2020.



# Technical guidance for the year ending 30 December 2023

## Income statement

Impact of additional 53rd week on operating expenses £(17)m

Patent box impact on Group effective tax rate (ETR) 3% lower

Opex: Full year impact of inflation and investment in strategic initiatives

Foreign exchange sensitivity: +/- €0.01 = £2.0m  
+/- \$0.01 = £0.8m

## Cashflow

Capital investment £130m

Cash contribution to Group pension scheme<sup>1</sup> Up to £30m

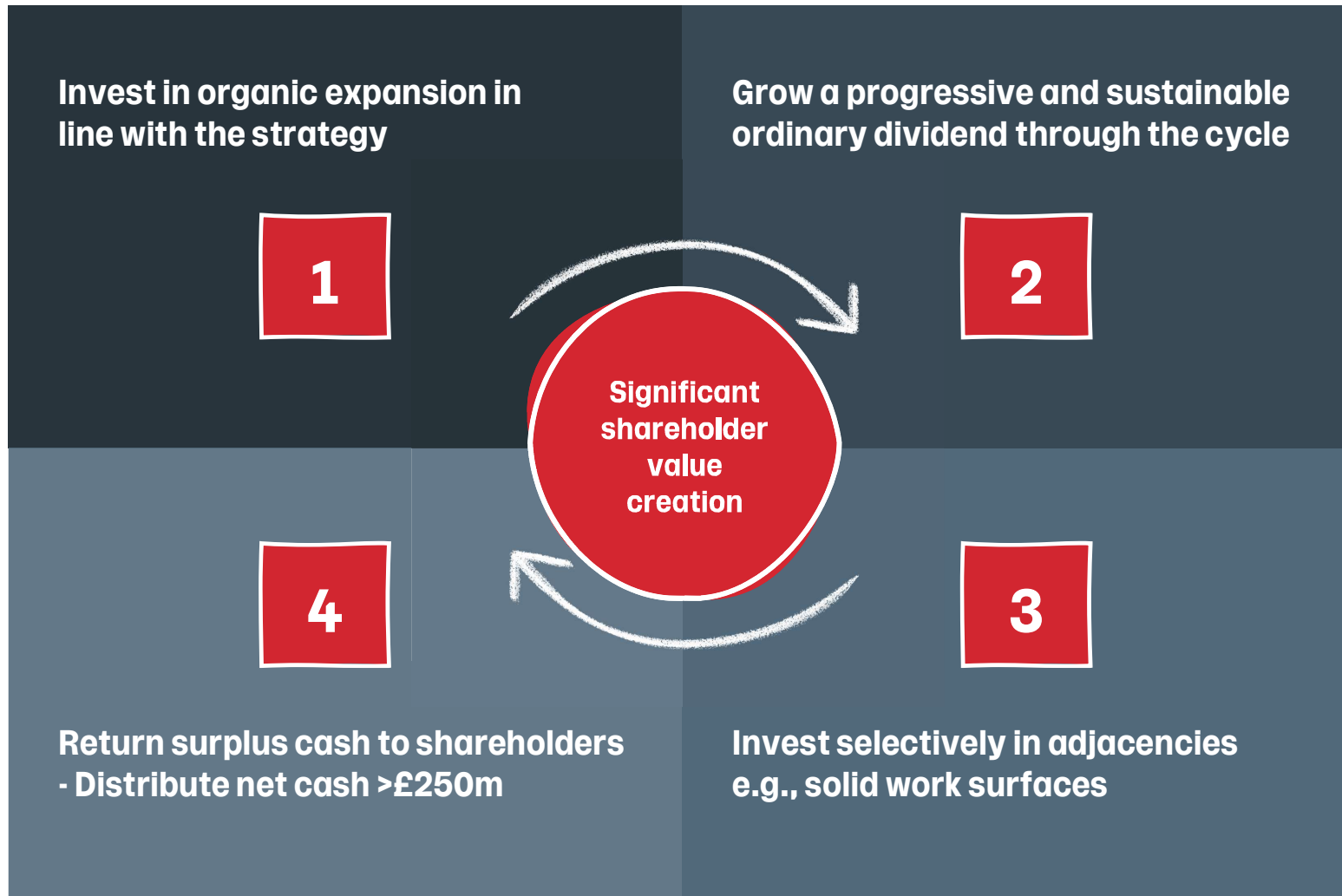
Share buy back £50m

- 53rd week in December when depot network is closed
- Expect 2023 ETR of around 22% including 3% patent box benefit
- Operating expenses will include full year impact of inflation and continued investment to drive future growth (including XDCs)
- Capex investment in line with last year with continued investment in strategic initiatives
- Pensions: £2.5m cash outflow per month in 2023 while there is a deficit on a technical provisions basis
- £50m share buy-back announced today

1. Assumes 12 months' contribution of £2.5m a month. If current deficit (on a technical provisions basis) moves to a surplus for more than two consecutive months then monthly contributions will cease.

# Capital allocation

We have a strong balance sheet and clear capital allocation priorities



# Summary



- Strong financial results and good progress on our strategic initiatives
- Balance sheet and cash flow supports our investment in future growth and providing attractive shareholder returns
- Business is in great shape. We are confident in our business model and our ability to make good progress in 2023



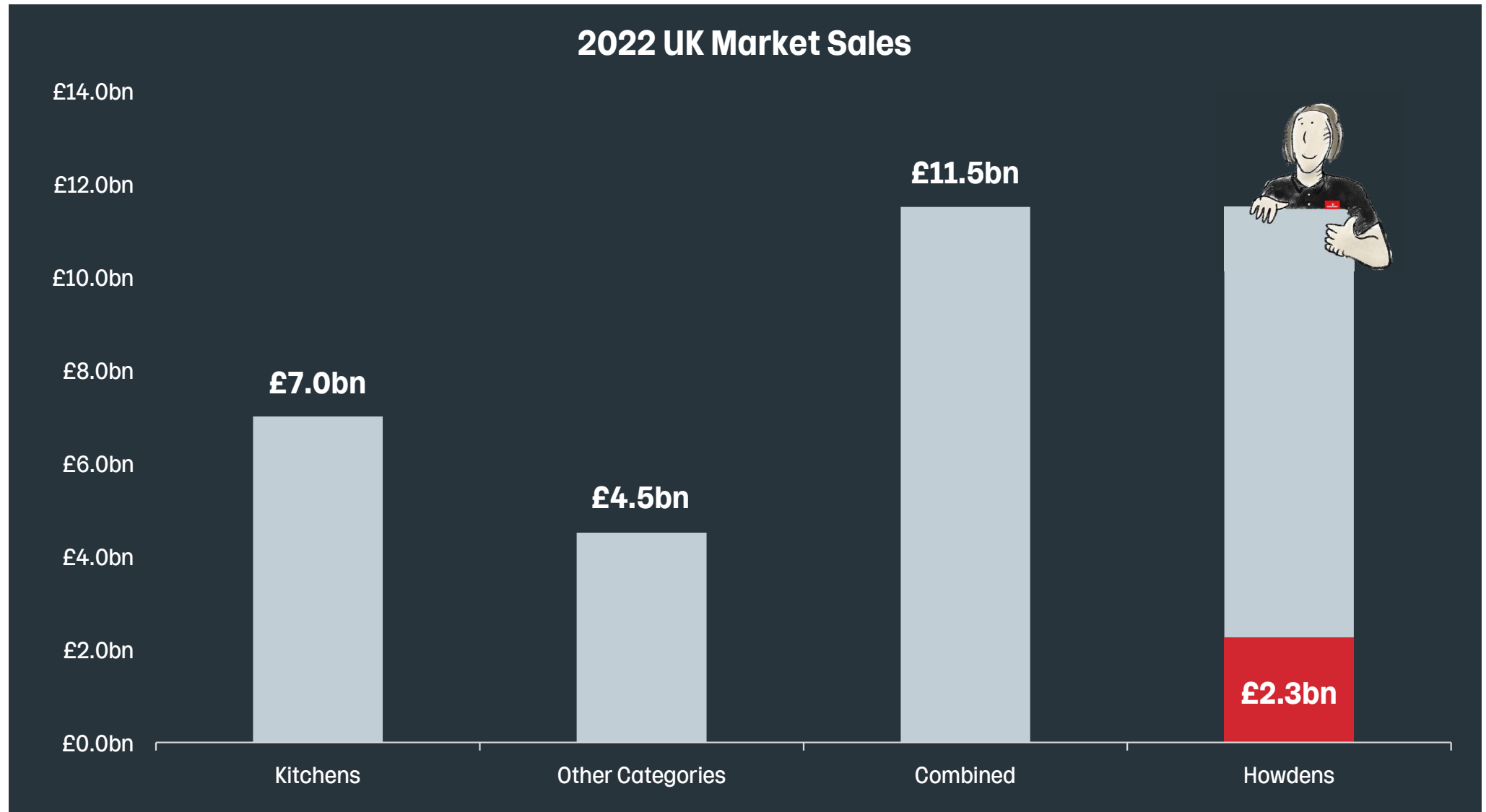


**Andrew Livingston**

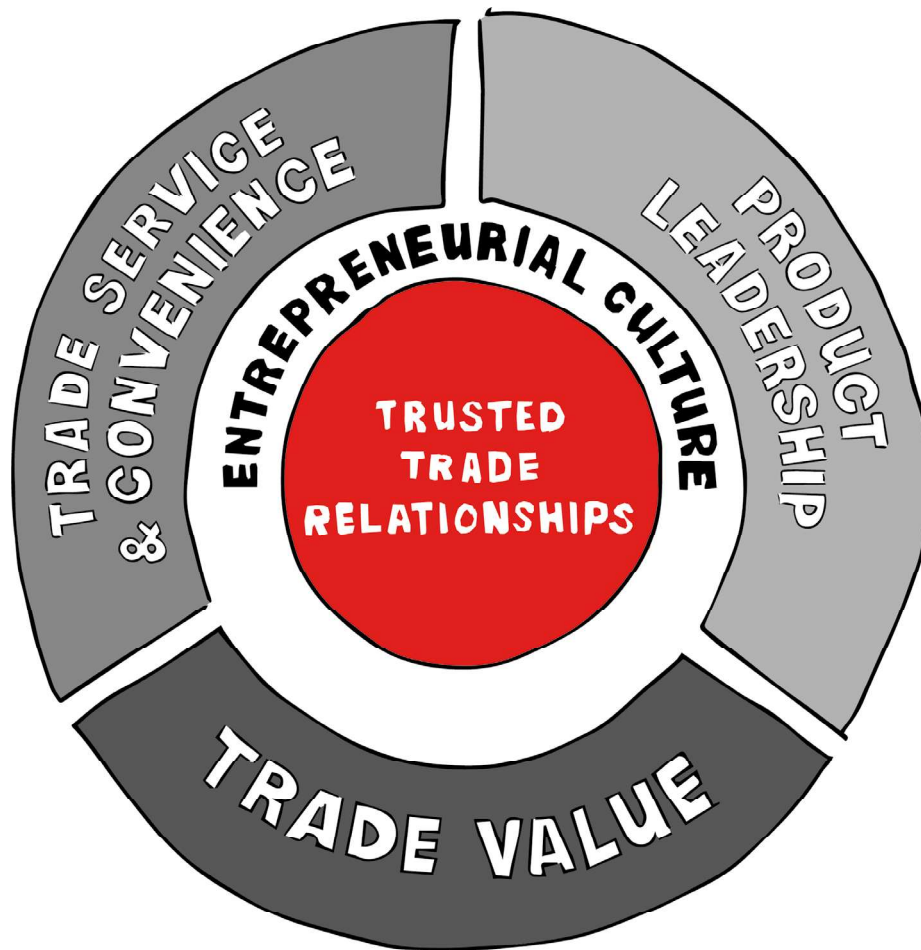
Chief Executive Officer



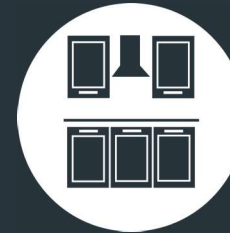
# Significant opportunity in large markets



# Initiatives to increase volumes and profits



**Depot Evolution**



**Range and Supply Management**

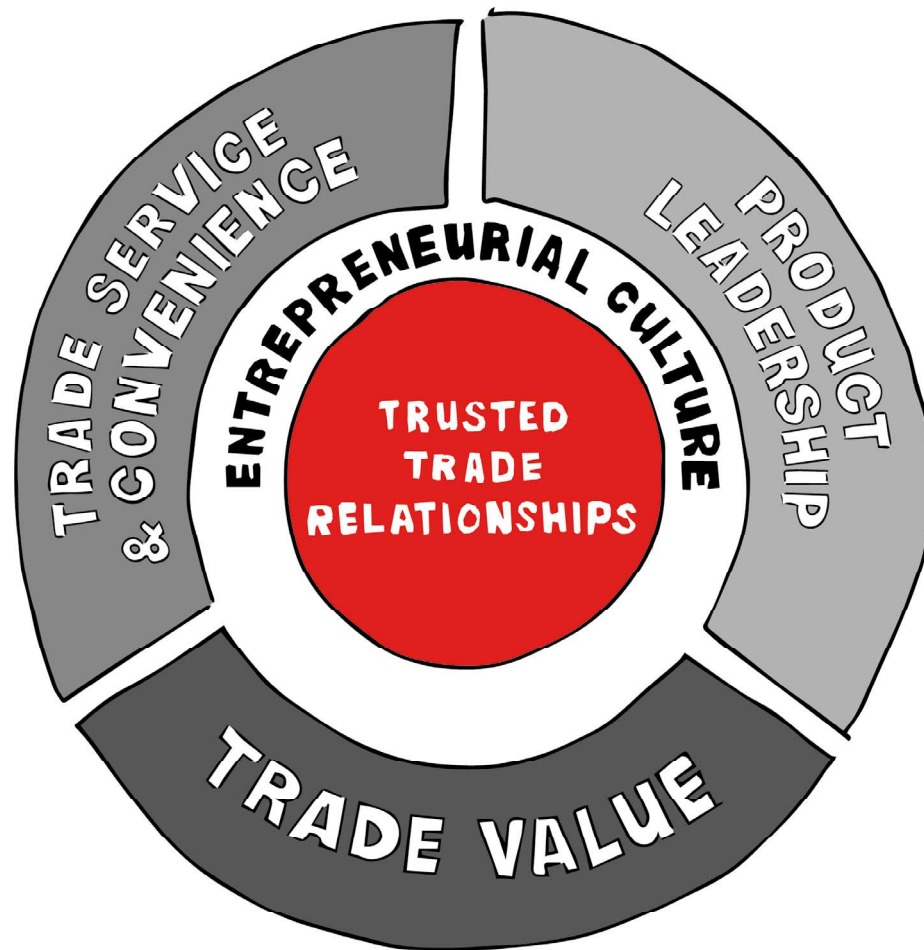


**Digital Development**



**International**

# Initiatives to increase volumes and profits



**Depot Evolution**



**Range and Supply Management**



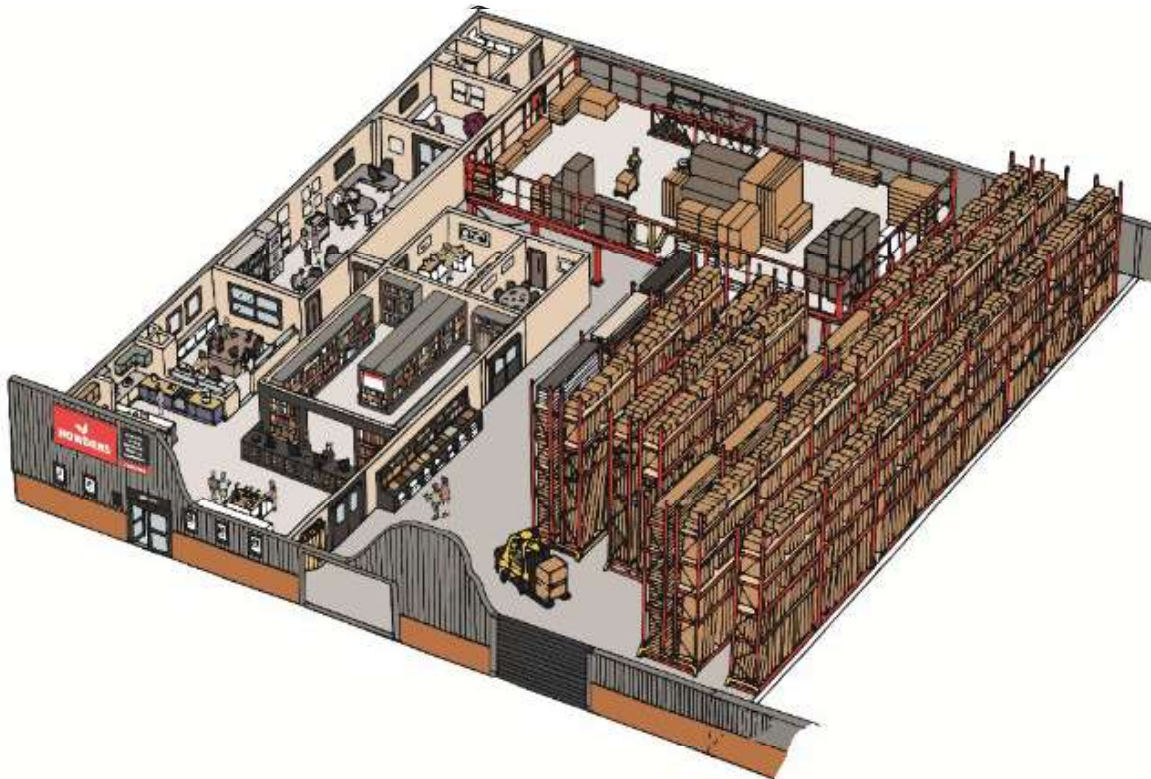
**Digital Development**



**International**

# Extending the UK footprint

High service levels valued by customers



- Modern working and trading environment
- Cost effective updated format
- **30** depots opened in 2022:

## 808

Total at year-end

- Scope for

## c.1,000

depots in the UK,  
plan to open c.30 in 2023

- Including some in new smaller sized format (increase site options and for local infills)



# Converting more existing depots to the updated format

Depots converted 2020 - 2022  
Depots converted 2023

# 185

depots reformatted  
by end of 2022

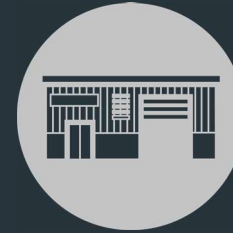
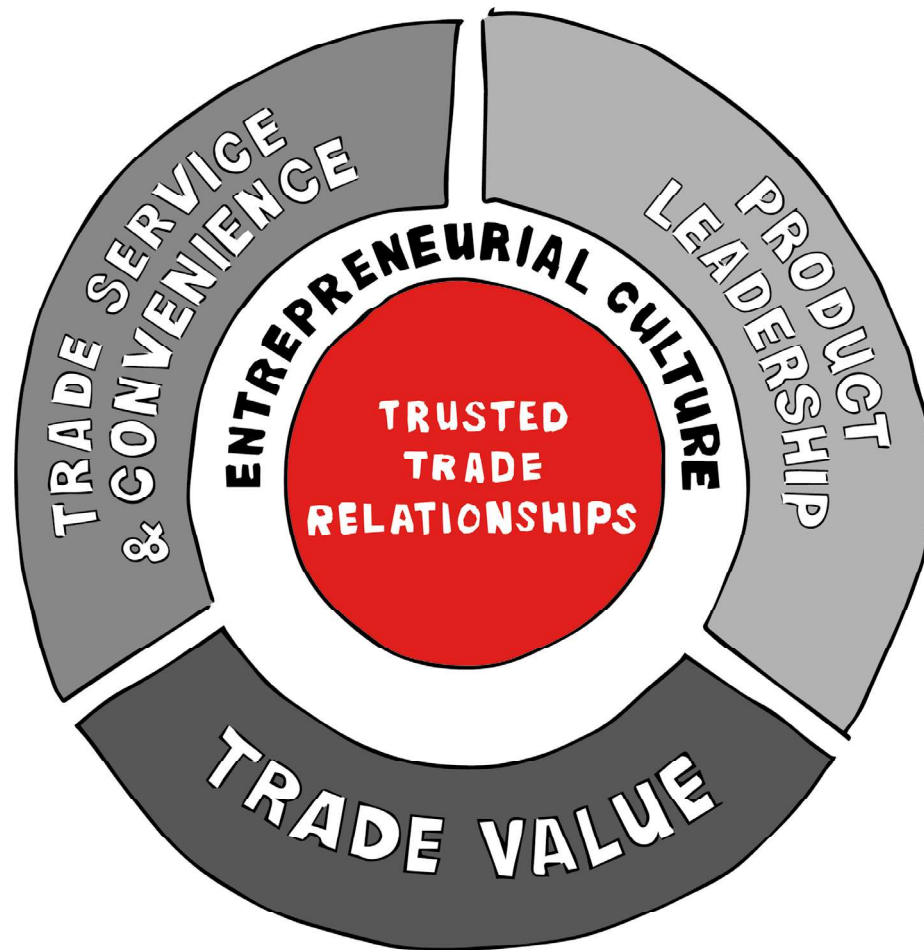
# ~50%

of all depots opened in  
or revamped to updated  
format by end of 2023

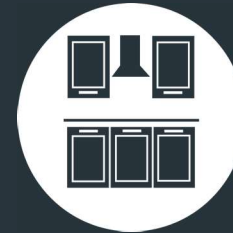


- Positive feedback from depot teams and customers
- Investment to be recouped in less than four years
- Depots motivated to deliver incremental sales (local P&L charged for revamp costs)
- Now varying "standard re-format" when relatively smaller or less mature depots are re-vamped
- Plan to complete full revamps of c.80 depots in 2023 plus some more warehouse re-racks

# Initiatives to increase volumes and profits



Depot Evolution



Range and Supply Management



Digital Development



International

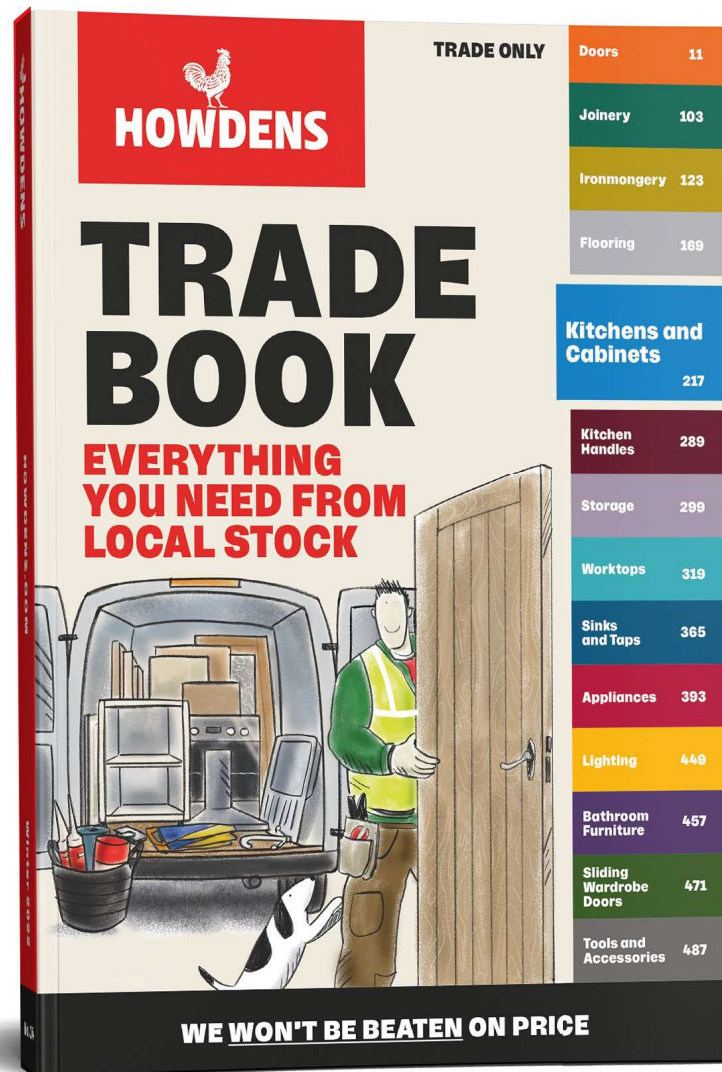
# Market leading and competitively priced product is a key feature of our model



**21** new kitchen ranges in 2022

- **Emphasis** on higher priced kitchens
- **More popular** styles accessible to all budgets
- **Innovative product** for other categories

# Sales of new product (“NPI”) make a significant contribution to our performance



c. **22%**

Total sales of new product introduced in 2021/2022 represented around c.22% of UK sales

+ **69%**

Sales of product launched in 2021, +69% in 2022

**11%**

Sales of 2022 NPI alone up 11% on 2021 NPI sales last year

Higher priced kitchens contributed more to our kitchen mix by volume than 2021

Mix change contributed to the percentage increase in average kitchen invoice value



# Disciplined range management for best availability and profitability



- **Re-organised range architecture** and removed duplications in recent years
- **Improved balance** between introductions and discontinuations
- **More efficient NPI testing** enables us to bring more proven colours and styles to market more quickly
- 2023 line-up includes **more entry and mid price kitchen ranges**

90

ranges in 2023  
organised in...

...ten

kitchen  
families

2023:

# **NEW** colours for our entry level ranges

**Greenwich**  
Reed Green



2023:

# **NEW** colours for our entry level ranges

  
**HOWDENS**

**Witney**  
Pebble

2023:

# **NEW** colours for our entry level ranges



**Witney**  
Navy



2023:

# **NEW** colours for our entry level ranges

  
**HOWDENS**



**Allendale**  
Dusk Blue



2023:

# **NEW** frontals for our entry level ranges

**Greenwich**  
Grey Croft Cabinet



2023:

# **NEW** frontals for our entry level ranges



**Witney**  
Grey Croft Cabinet



2023:

# Refreshed look for best selling shaker family



**Halesworth**  
Charcoal



2023:

**NEW** mid-priced  
beaded shaker  
family, Bridgemere



**Bridgemere**  
Porcelain

2023:

# **NEW** market leading colours for premium kitchens



**Hockley**  
Black



2023:

# **NEW** market leading colours for premium kitchens



**Hockley**  
Fir Green

2023:

**NEW** market leading  
colours for premium  
kitchens

**Chilcomb**  
Marine Blue



2022:

# Acquired Sheridan, a leading provider of solid surface worktops

- Accelerated plan to develop Howdens Work Surfaces as market leading supply and fit business
- Growing market segment in which Howdens is under-represented
- More of solid surface capability in-house, with associated cost benefits





2023:

# A market leading solid surface capability

- Our total solid surface manufacturing capacity is amongst the largest in UK
- Orders increased significantly across 2022
- **Six** more solid surface decors for 2023



2023:

# Reinvigorated line-up in other categories



**Howdens Lennox Glazed Door**  
Black/Clear Glaze



**HOWDENS**



**Granite Composite Sink**  
Dark Grey

**OAKE & GRAY**  
BEAUTIFUL FLOORING IN A SINGLE CLICK

Herringbone Timeless Oak



**Lamona Built In Single Fan Oven and Grill**  
Black



2023:

**Reinforced focus on price and promotions which demonstrate the value we offer and promote footfall**

  
**HOWDENS**

**ENTRANCE**

**HOWDENS** TRADE ONLY

# BANG ON THE MONEY

**WE WON'T BE BEATEN ON PRICE**



Howdens.com

**HOWDENS** TRADE ONLY

## Rooster DEALS

3<sup>rd</sup> January - 30<sup>th</sup> February 2023

### NEW YEAR TRADE DEALS

HOLDENBY DOOR DEALS		NEW LOW PRICES	
PrimedSolid	Oak	NEW £8.90/m	NEW £9.90/m
NEW £49	NEW £62	NEW £8.90	NEW £9.90

### VAN ESSENTIALS

NEW £12	NEW £39
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**WE'RE FULLY STOCKED. TAKE AWAY TODAY!**

HOWDENS.COM

**HOWDENS**

MONDAY - FRIDAY  
7.30 AM - 5.00 PM

SATURDAY  
8.00AM - 12.00PM

SUNDAY  
CLOSED





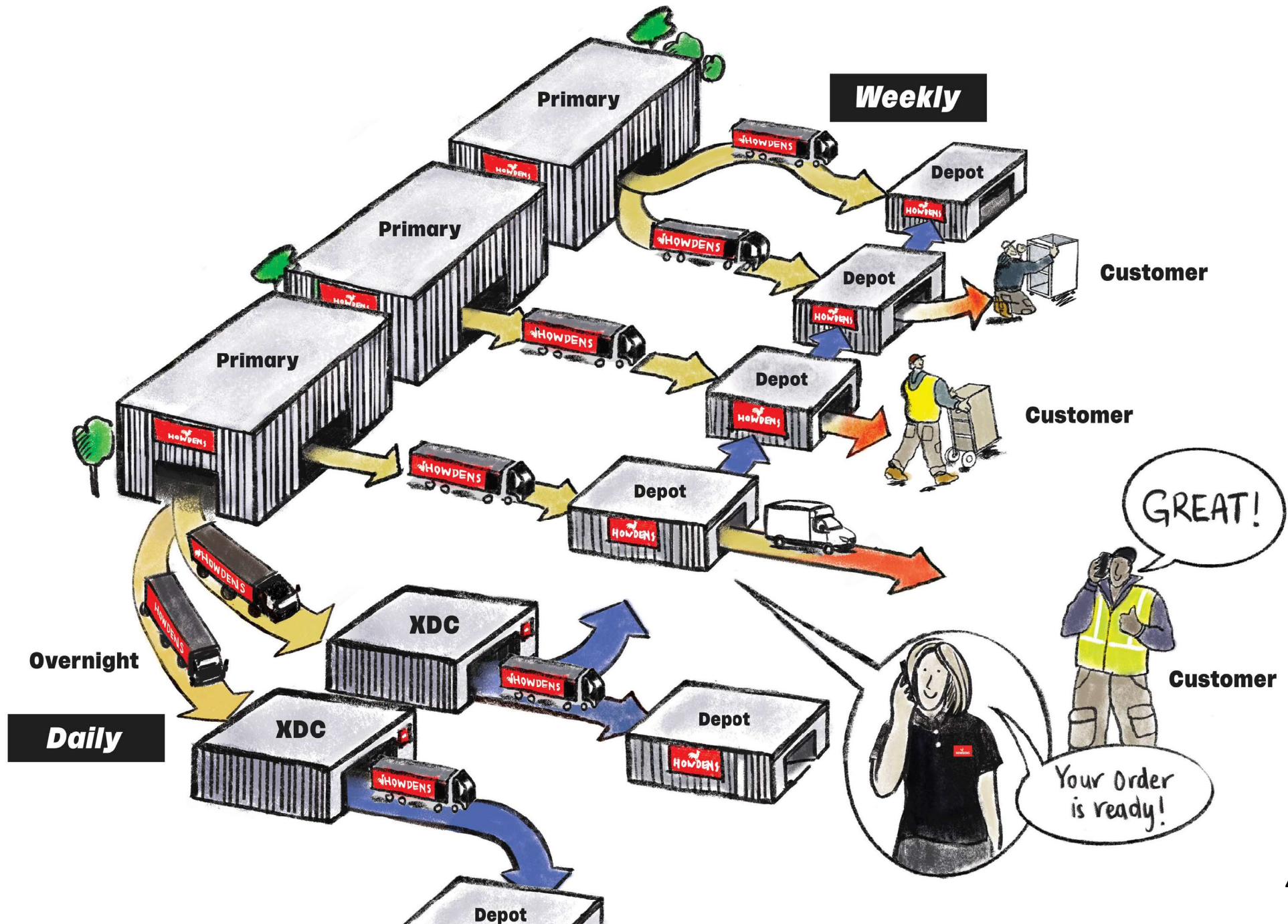
# Protecting our in-stock offer



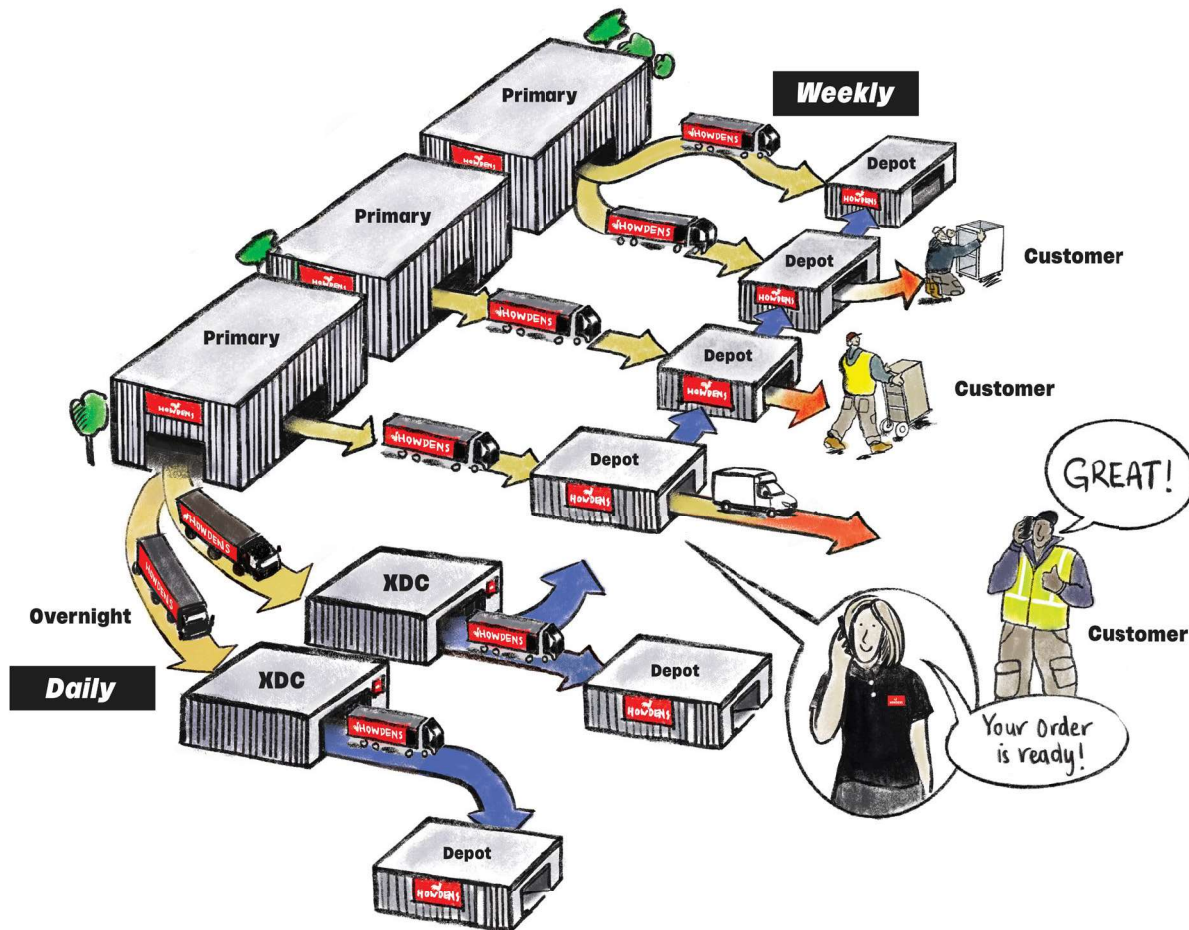
- Significant engagement with Supply base
- Inbound logistics for **75%** of bought-in SKUs managed in-house - high visibility on stock flow
- Multi-modal freight routes used to minimise disruption and optimise delivery times
- In 2022, continued with 2021 policy of holding enhanced levels of safety stock
- With improved supply chain stability, 2023 safety stocks are at more normalised levels



# Using XDCs to facilitate high stock availability



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



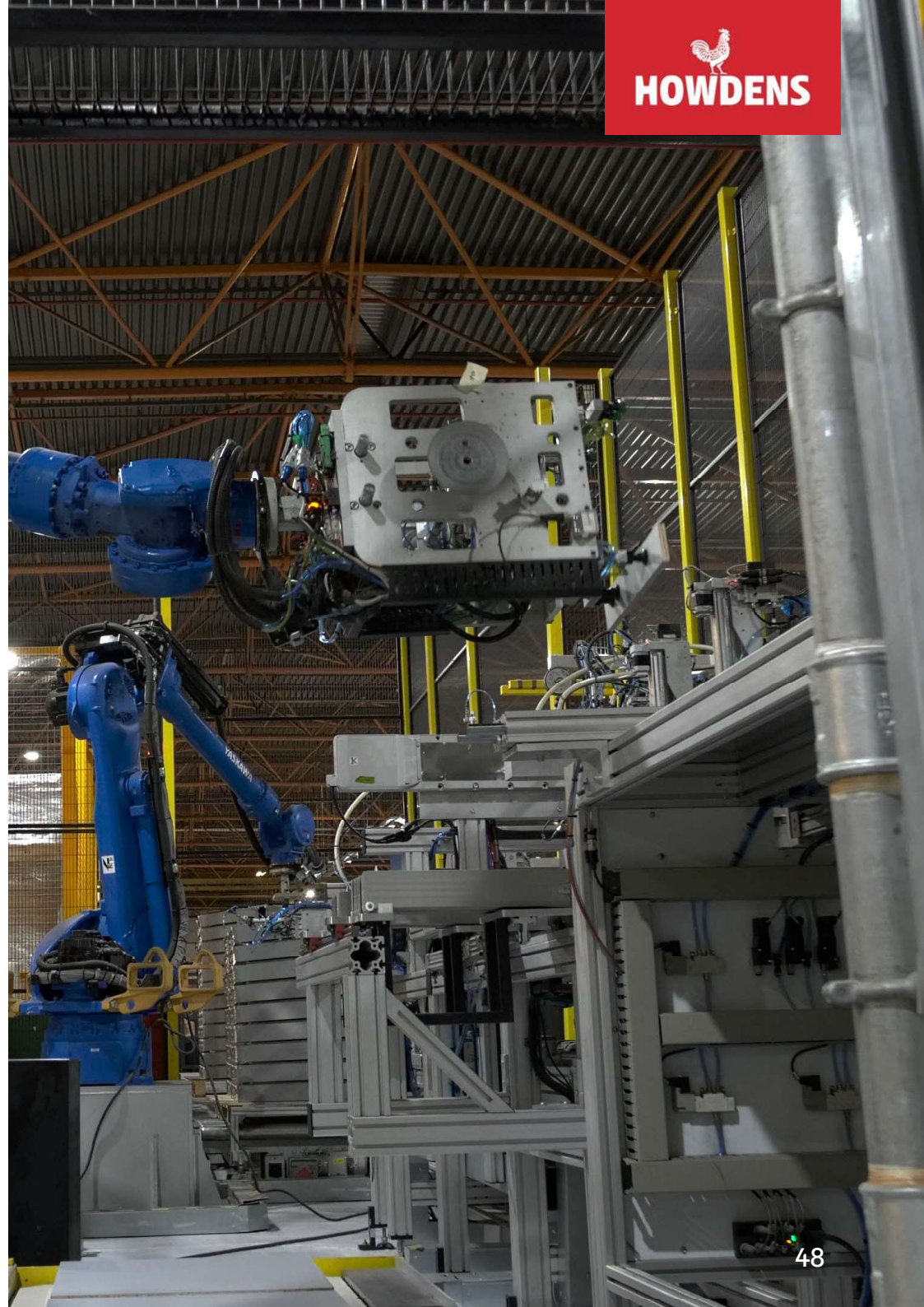
- Depots can hold deeper stocks of faster selling lines
- Simpler and more efficient for depots to:
  - deliver superior service
  - improve product availability
- Frees up time and resources spent on stock management
- Using third party logistics partners and their infrastructure
- Service available to **711** depots by year-end (2021: 400)
- Now operating across all UK mainland regions (supplied by 12 XDCs)



2023:

# Making more frontals for more of our kitchen ranges

- Initial investment to make Hockley kitchen doors in 2019
- Frontal capability then broadened with investment in new lines at the Howden site
- Same quality as externally sourced product
- Lower cost and reduced lead time to delivery
- Ramping up towards fuller scale production during 2023





2023:

# Increased architrave and skirting capability





# Intention to extend our kitchen manufacturing facilities over the next few years (announced last year)

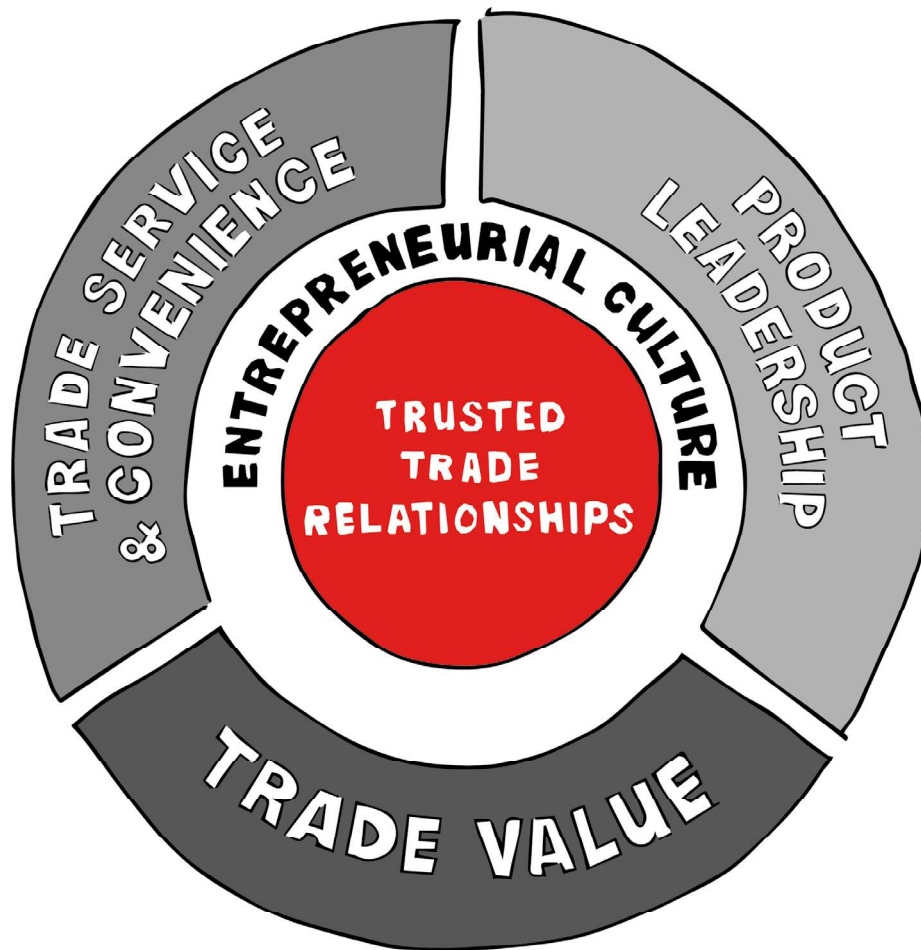
Progressing investment plans to:

- Increase the kitchen manufacturing capacity at Howden site
- Make more kitchen furniture, including doors in more finishes
- Reconfigure some of the associated infrastructure





# Initiatives to increase volumes and profits



Depot Evolution



Range and Supply Management

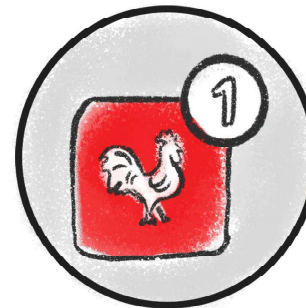
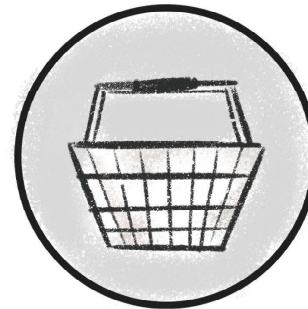
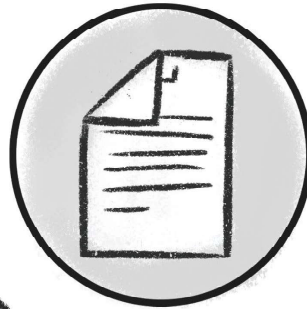


Digital Development



International

# Increasing use of Online Trade Account Management



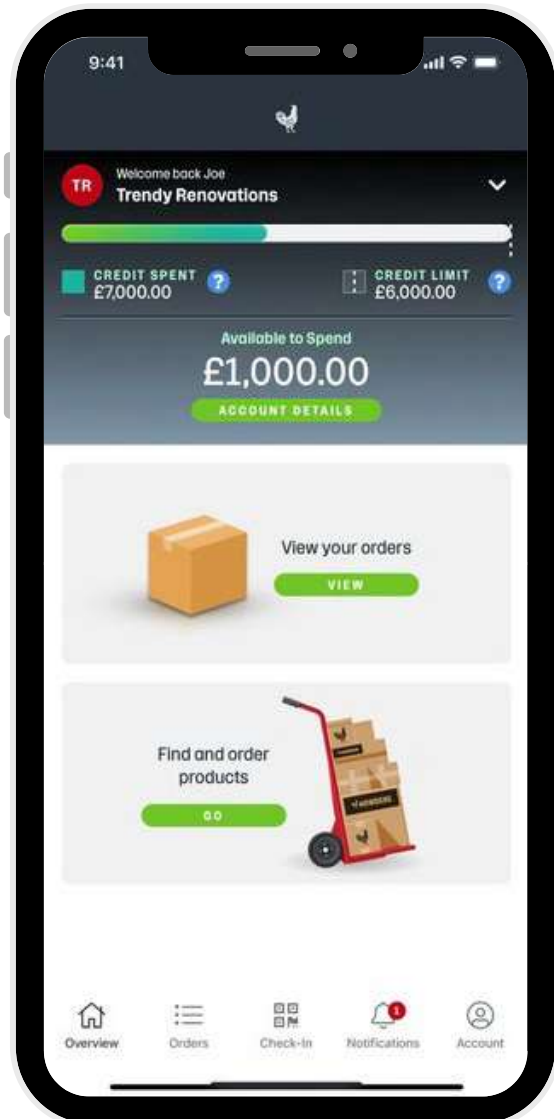


## Online services valued by customers and depots



- **80,000** new account registrations in 2022
- **45%** of customers have an online account
- Weekly trade platform logins **+49%**
- **c.75%** of users looking at price
- Online account holders trade more frequently
- Spend more across more categories

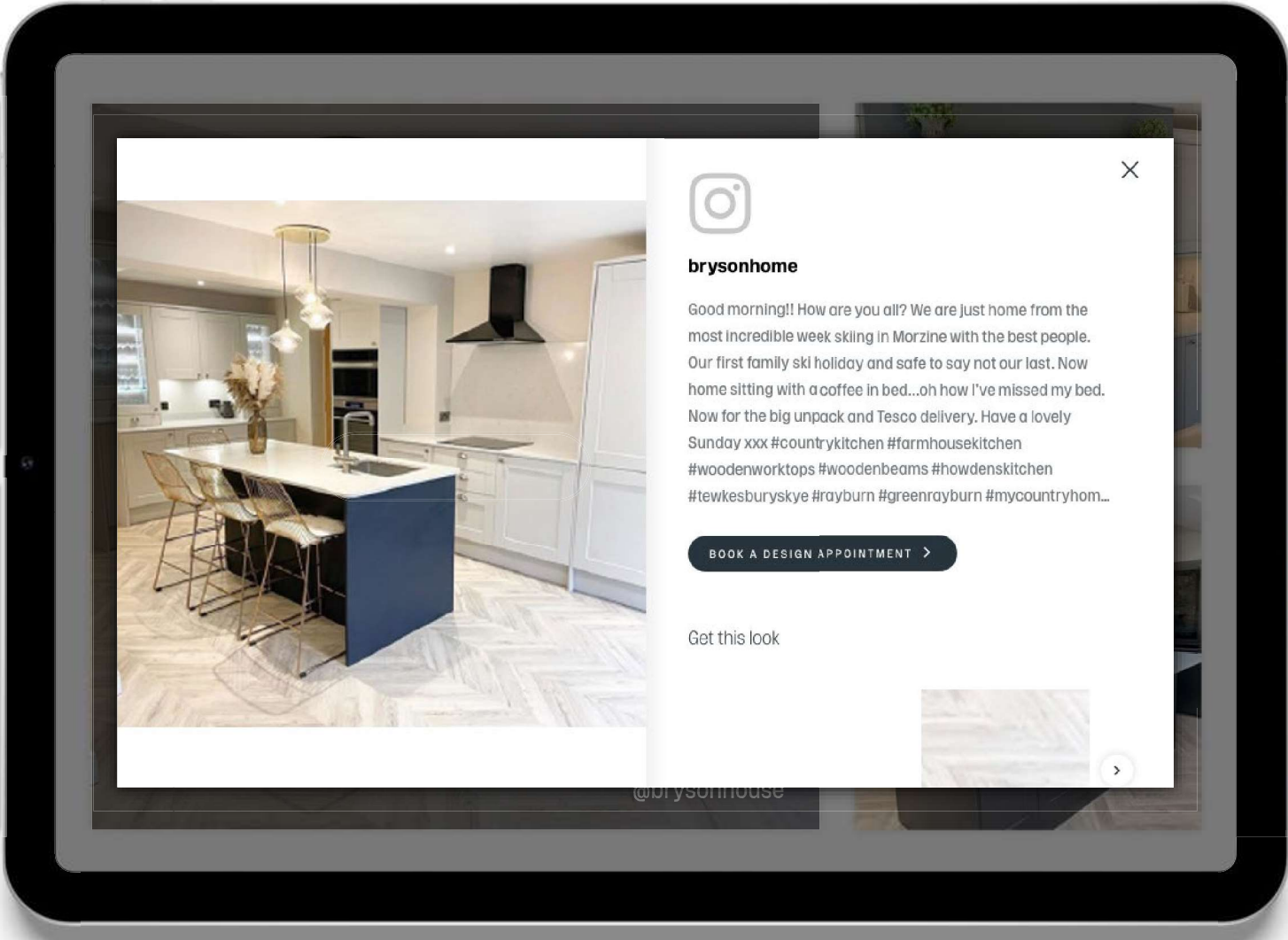
## 2022: New capabilities added including app-based functionality



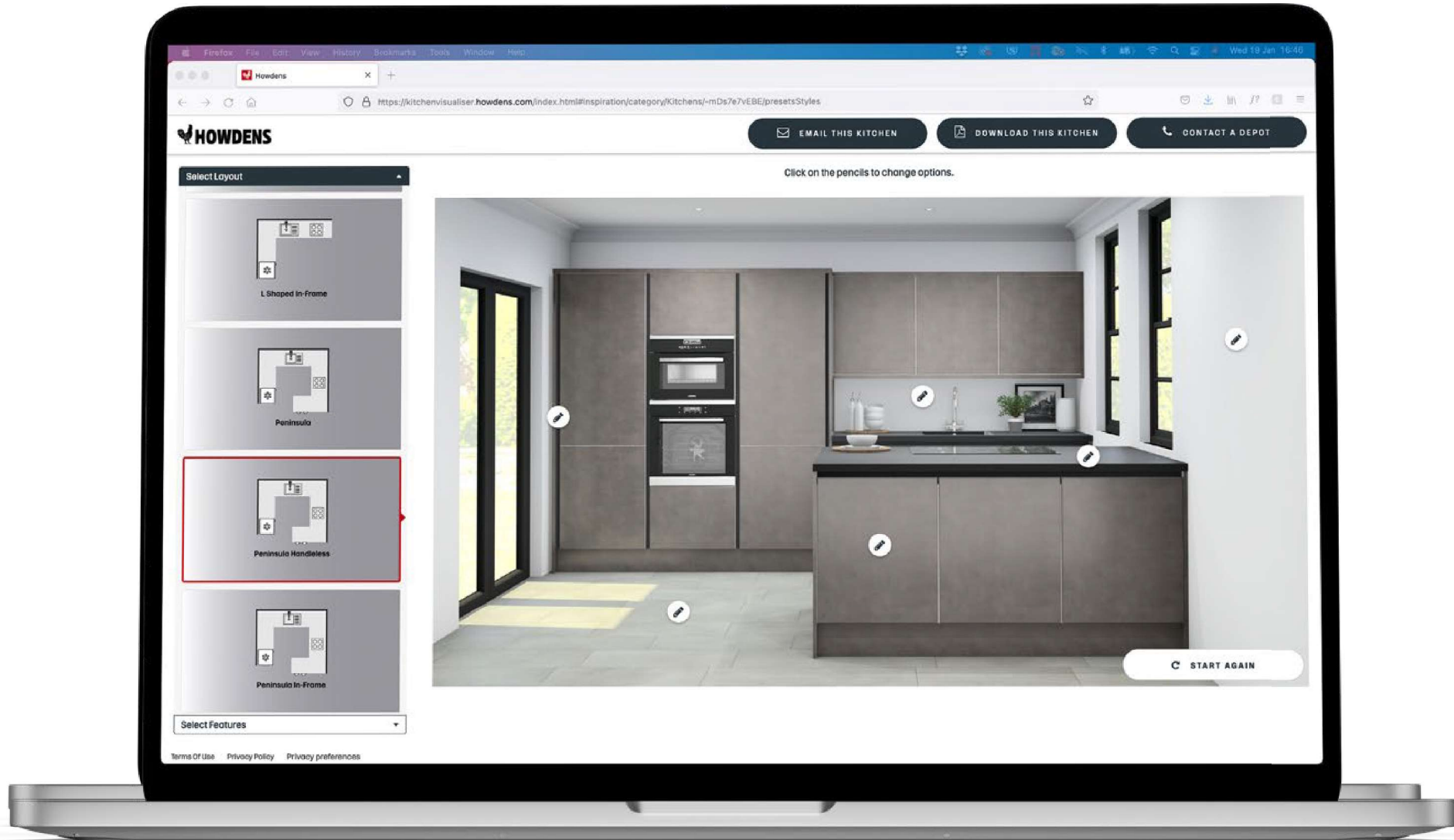
- Manage account details and see credit status
- View open order summaries
- Rapid check-in at all depots
- Immediate notification of order updates
- Easy collection using QR codes
- 20% of regular traders using the app



# Showcasing our kitchens in people's homes

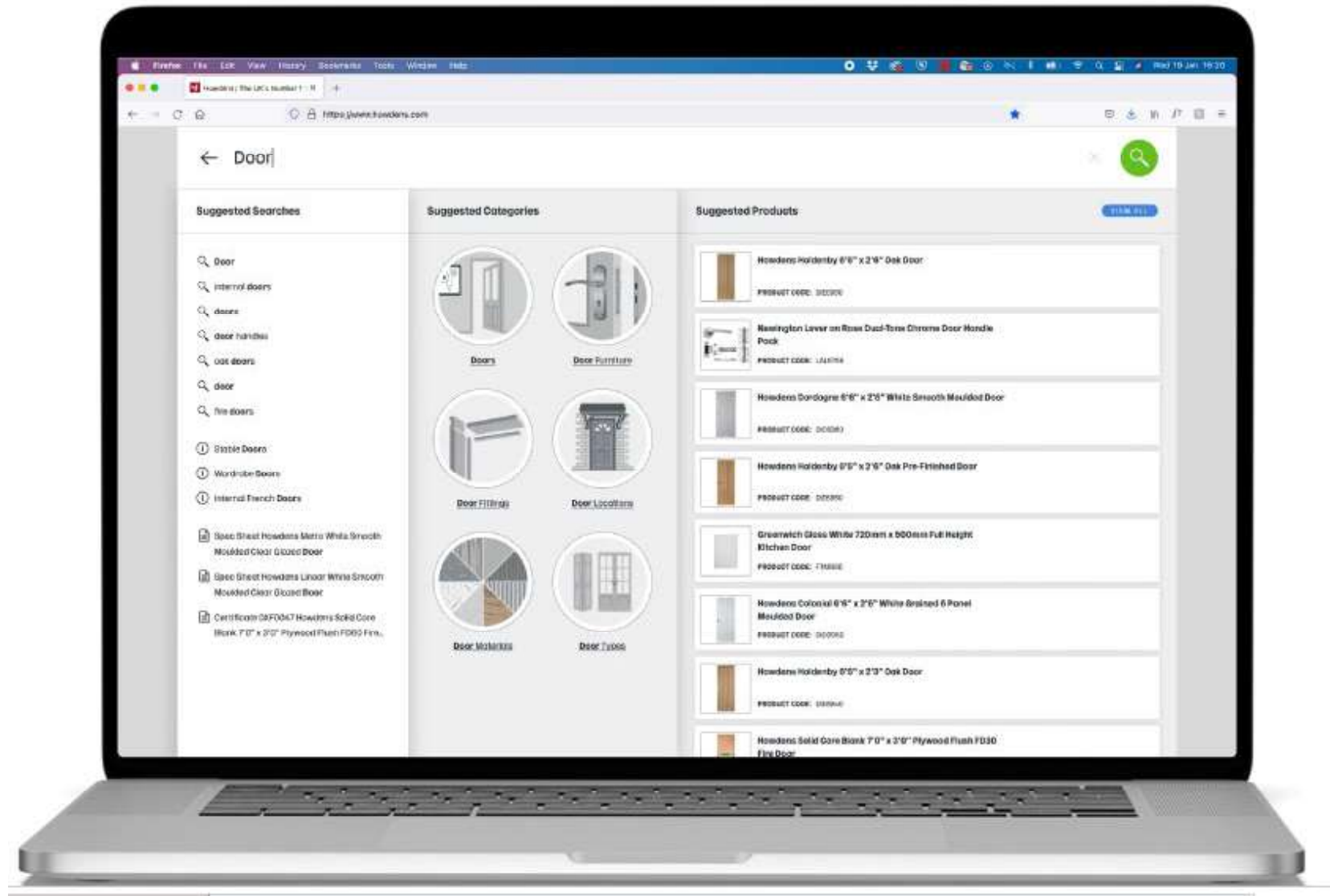


# Kitchen Visualiser helps end-users' familiarity and our understanding of their priorities

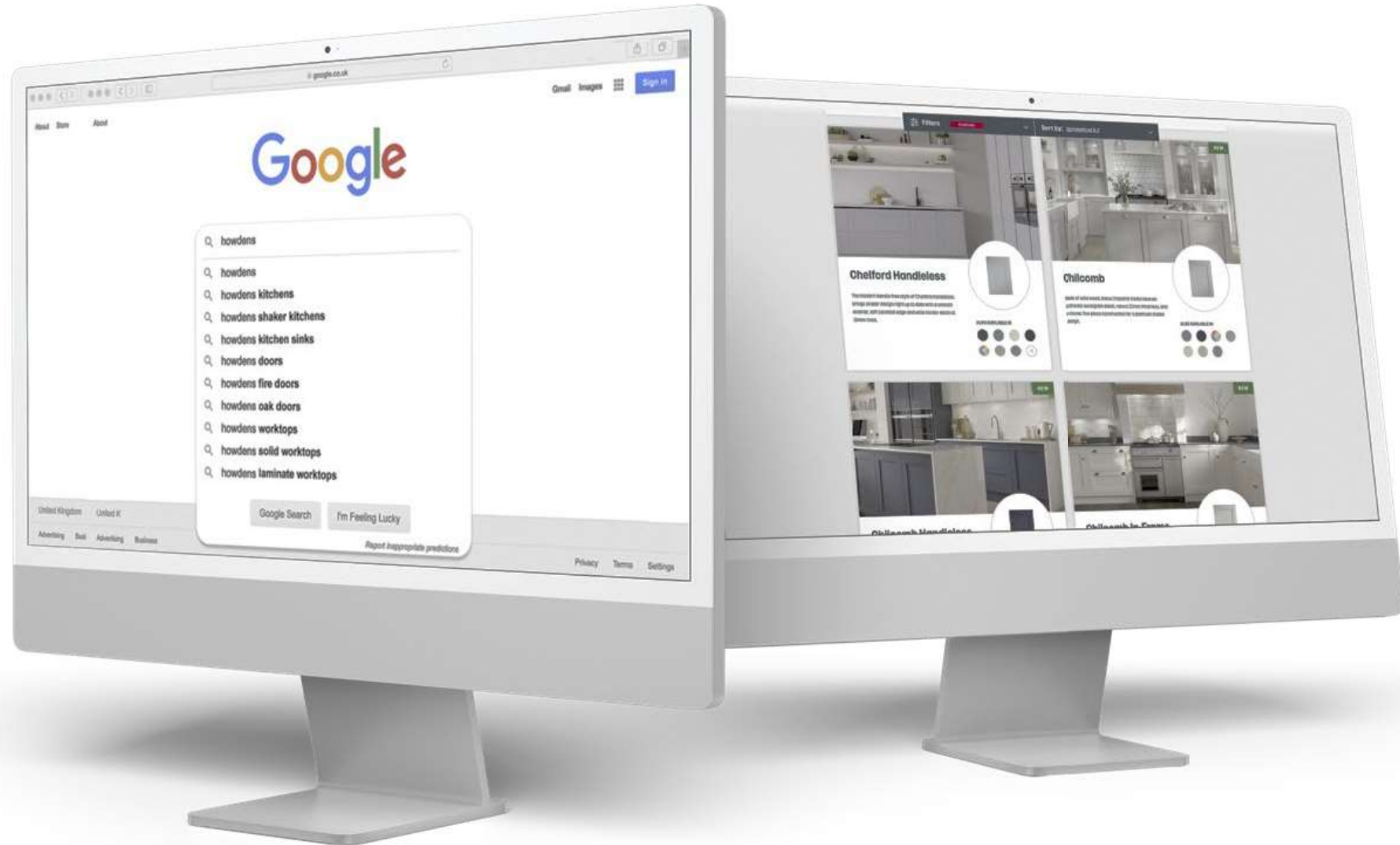




# Extended and more efficient search functionality



**15% more search impressions a month,  
21m site visits**

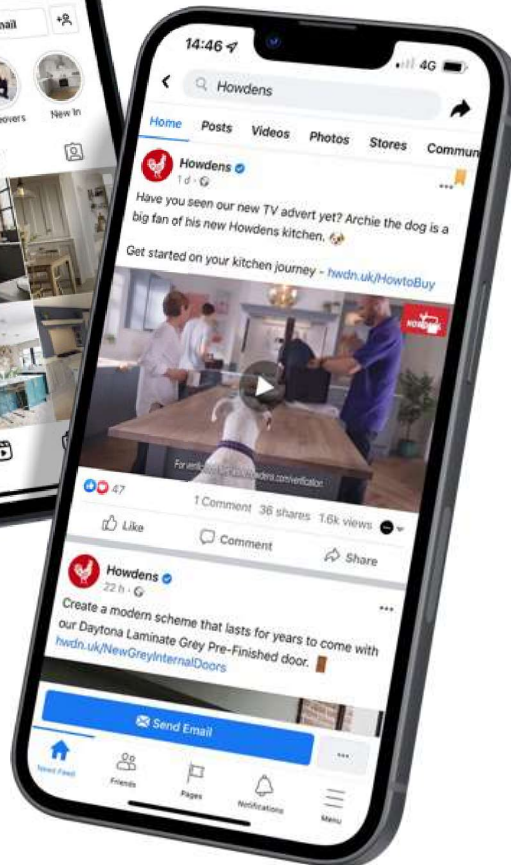




**Page views/session up;  
time spent looking at  
pages +51%**



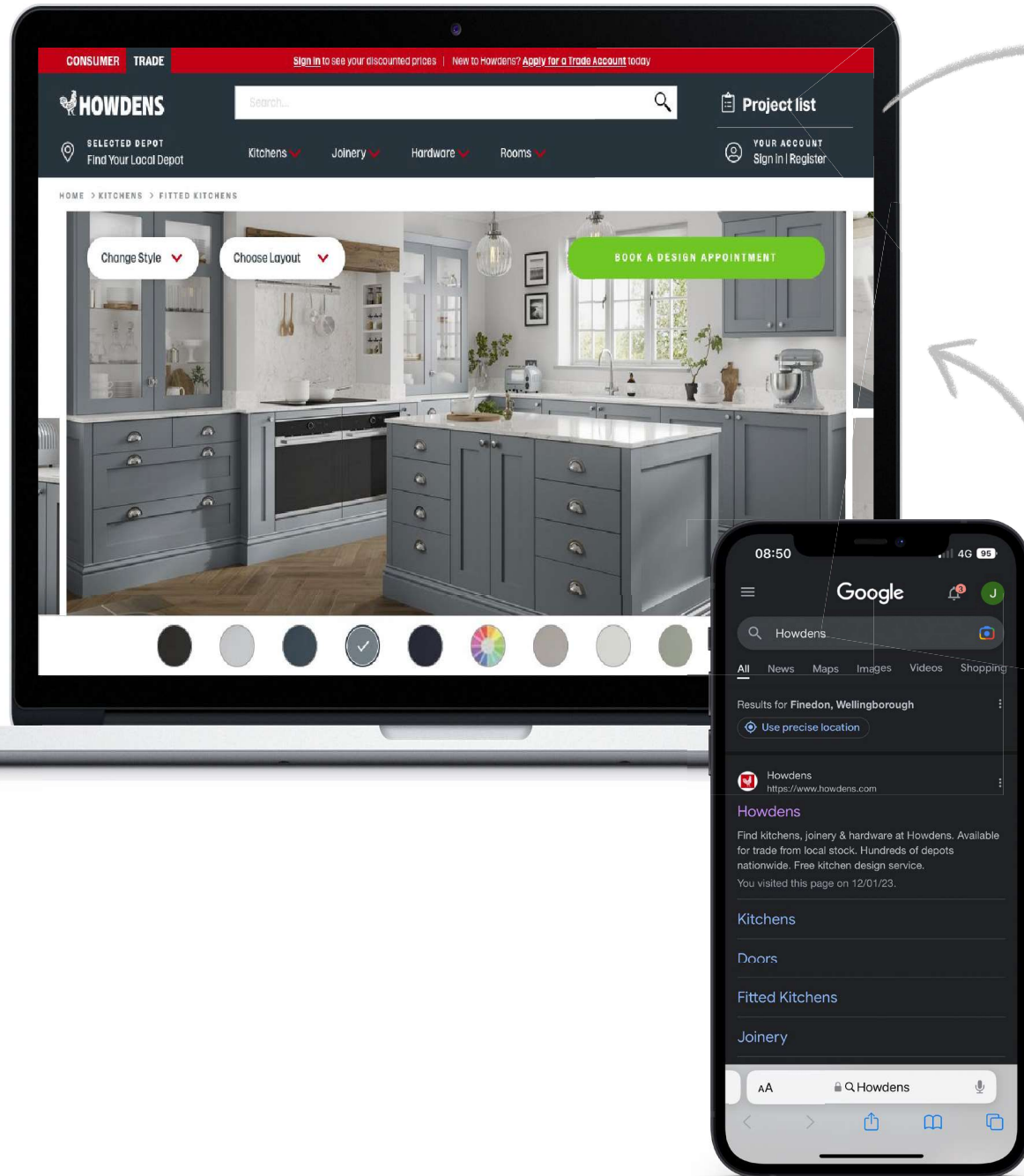
# Increasing social media presence



- c.455,000 follower base by end of 2022
- 14% increase on 2021
- 1.6m active users engaging monthly

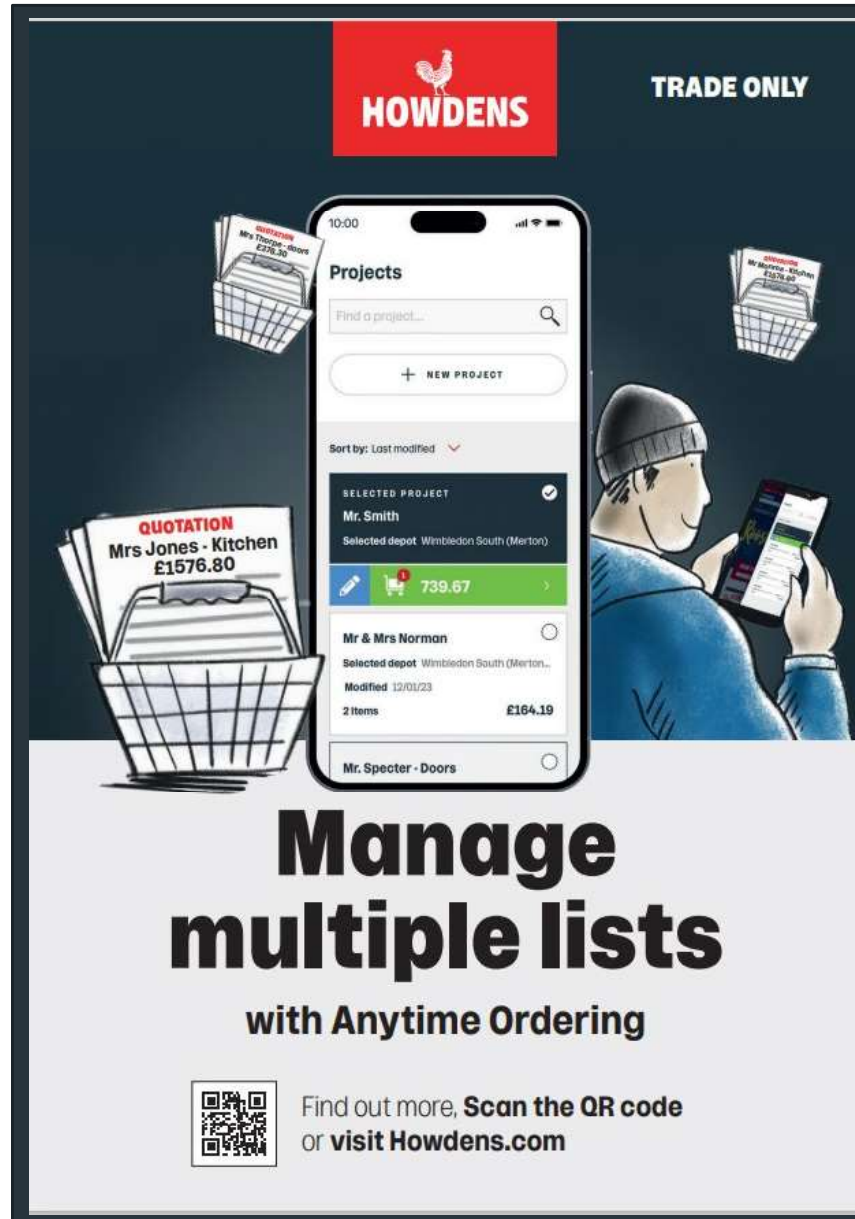


# Growing brand awareness amongst end-users



2023:

# Range of new services and capabilities for customers and depots



**HOWDENS** TRADE ONLY

**Projects**

Find a project...

+ NEW PROJECT

Sort by: Last modified

**SELECTED PROJECT**

Mr. Smith

Selected depot: Wimbledon South (Merton)

739.67

Mr & Mrs Norman

Selected depot: Wimbledon South (Merton)

Modified: 12/01/23

2 Items £164.19

Mr. Specter - Doors

**Manage multiple lists**

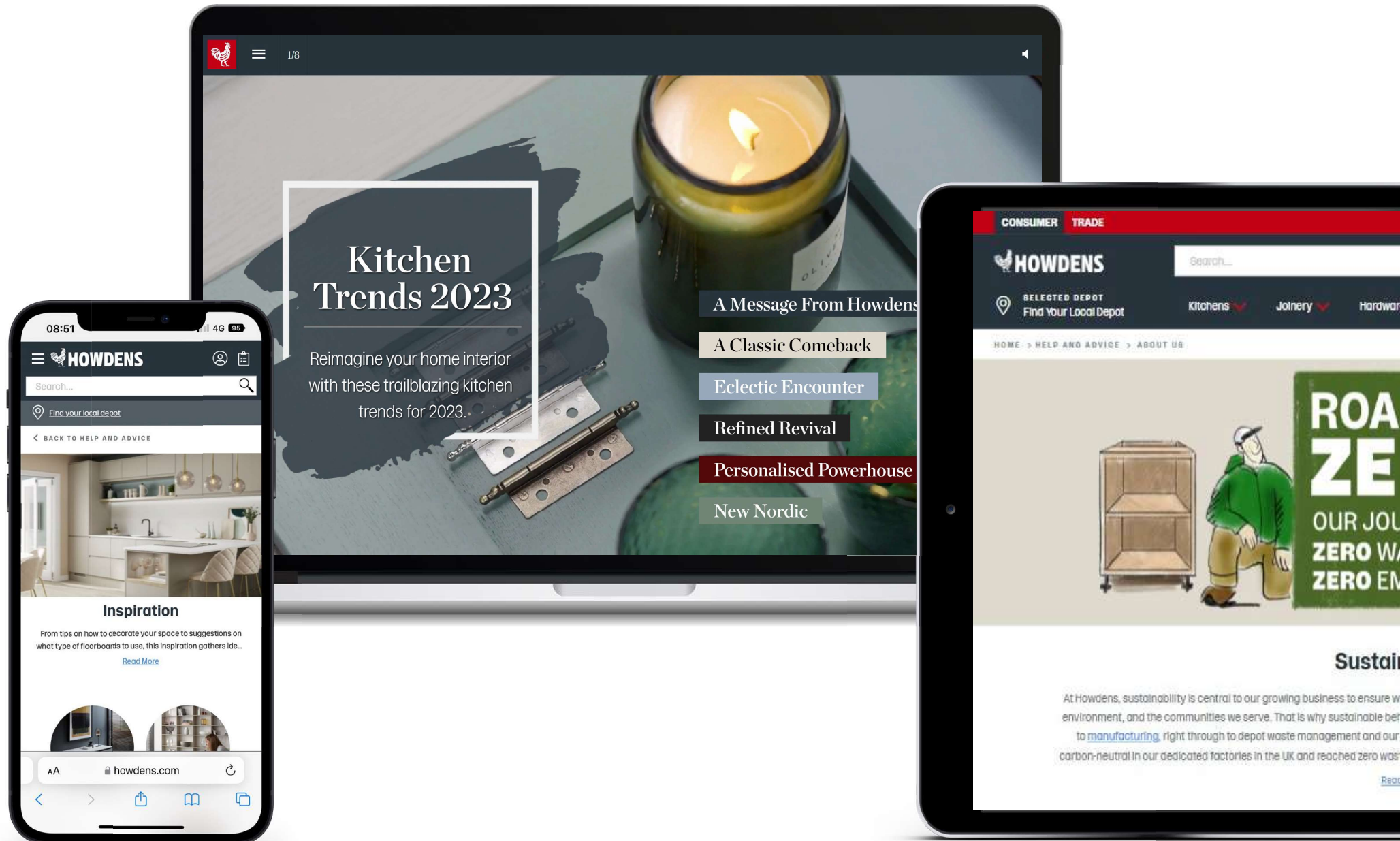
with Anytime Ordering

Find out more, Scan the QR code or visit [Howdens.com](https://www.howdens.com)

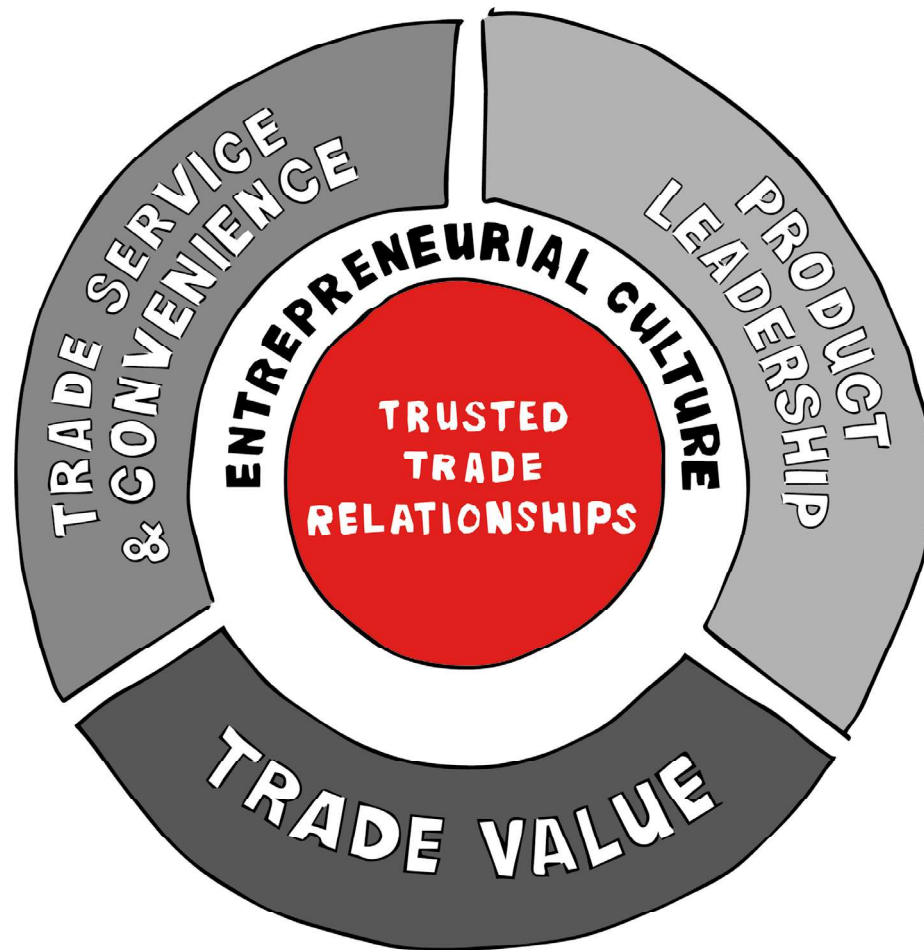


2023:

# More digital content for end-users



# Initiatives to increase volumes and profits



Depot Evolution



Range and Supply Management



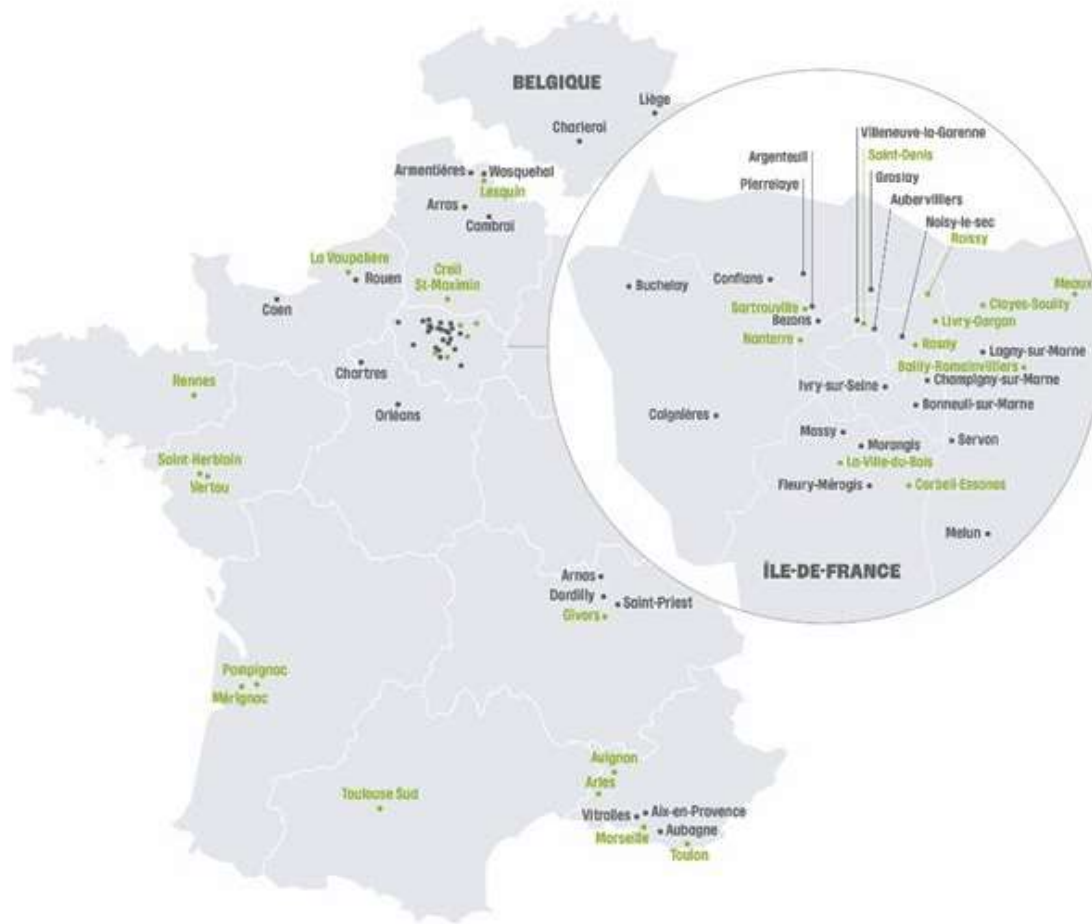
Digital Development



International



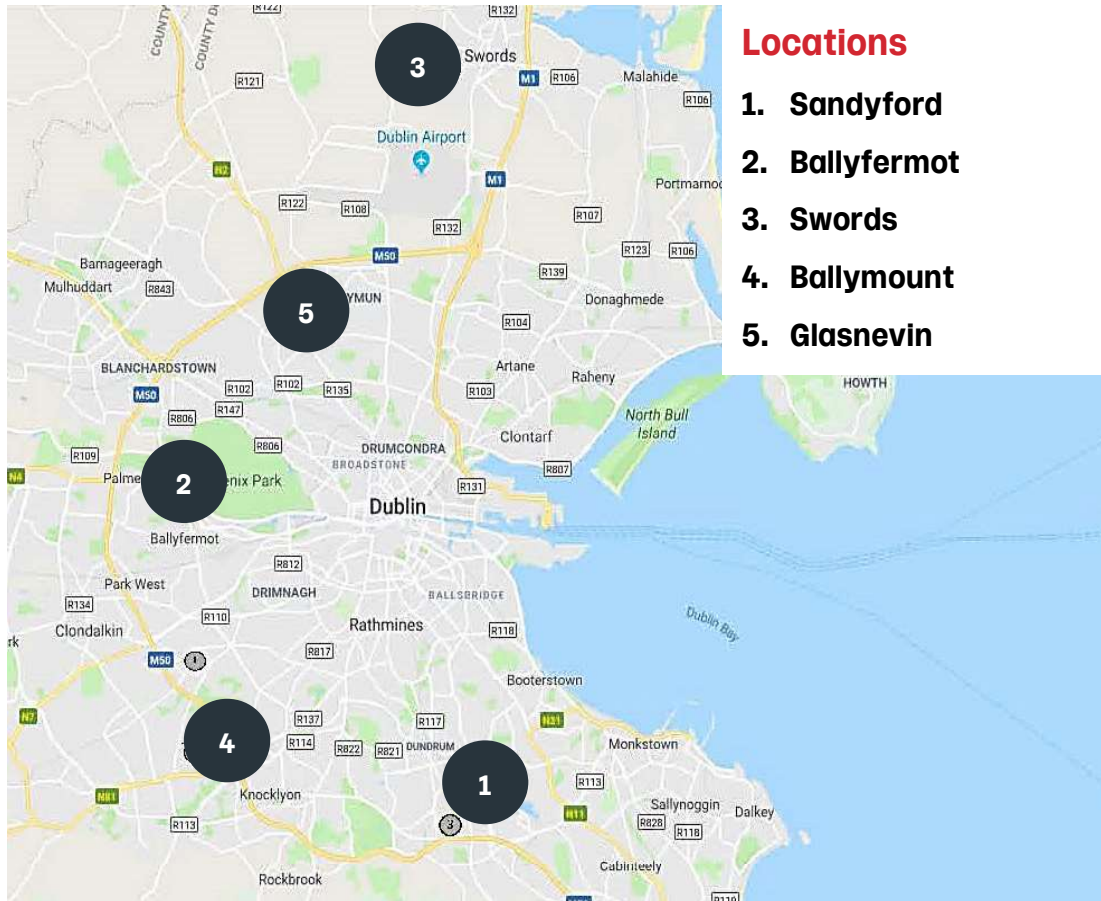
# Operations based in France continued to make progress



- €4.3bn kitchen market\*
- City-based approach adopted from 2019
- 60 depots trading at end of 2022 (twice the 2020 total)
- Increased recognition of our model's advantages
- Sales up c.24% on 2021 (+c.90% on 2019)
- Scale benefits as 90% of range is common to the UK
- Plan to open around 30 depots over the next two years

\*Excludes appliances

# Open for business in the Republic of Ireland



## Locations

1. Sandyford
2. Ballyfermot
3. Swords
4. Ballymount
5. Glasnevin

- Similar location strategy to France
- Supported by UK infrastructure and group digital platform
- Opened five depots around Dublin
- Plan to have c.10 depots trading by end of 2023



## Well planned on our strategic initiatives

- Continued use of stock policies to protect high availability
- Most new kitchen ranges, weighted towards entry and mid price points, on sale by end June
- Increased Rooster promotional activity and “Bang on the Money” price initiative
- Improvements to service and availability by utilising XDCs
- Increased range of services and functionality provided online
- Manufacturing more in the UK, as new door and skirting lines ramp up to fuller scale production and solid surface business grows
- Around c.**30** UK depot openings and c.**80** revamps
- c.**70** depots trading in France by end 2023
- And c.**10** trading in Republic of Ireland



2023:

## **Confident of our business model across changing market conditions**

- Encouraging start to 2023
- Aim to retain a profitable balance between price and volume
- Continuance of sales gains v comparable periods in each period
- Prepared for more challenging market conditions
- Trading against record comparators
- Momentum, at present, for a successful 2023
- Continued investment in our key capabilities and growth opportunities







**HOWDENS**