

The Dunelm logo consists of the word "Dunelm" in a bold, green, sans-serif font. Above the letters "n", "e", and "l" is a simple green outline of a house roof. A thin green horizontal line is positioned below the text.

Dunelm Group plc
Interim Results Presentation
26 weeks to 27th December 2014

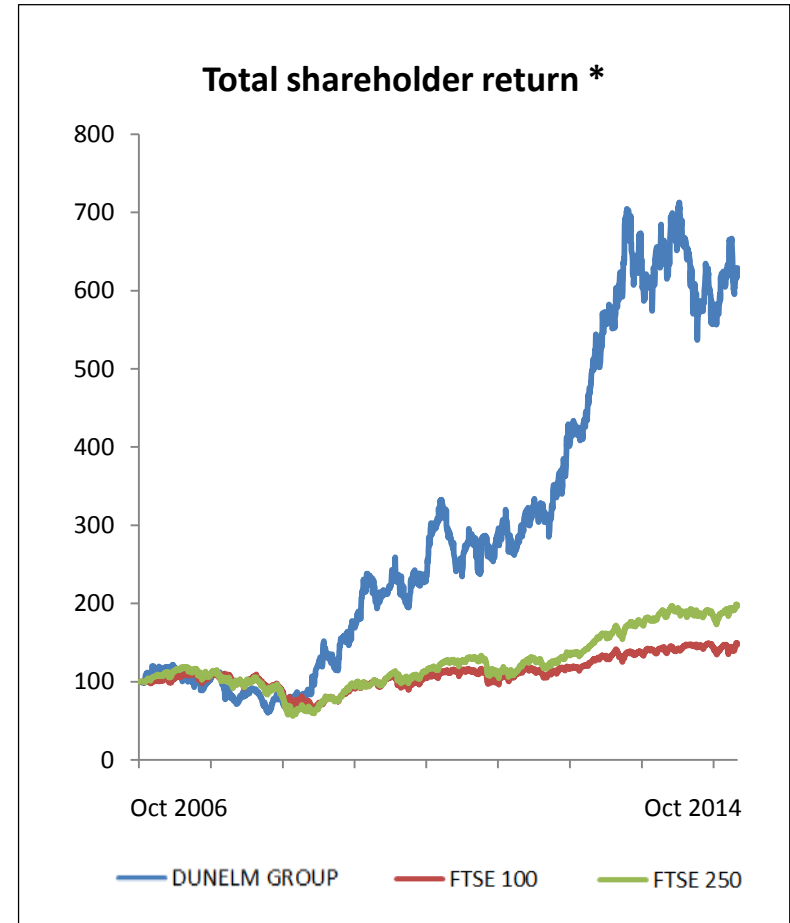
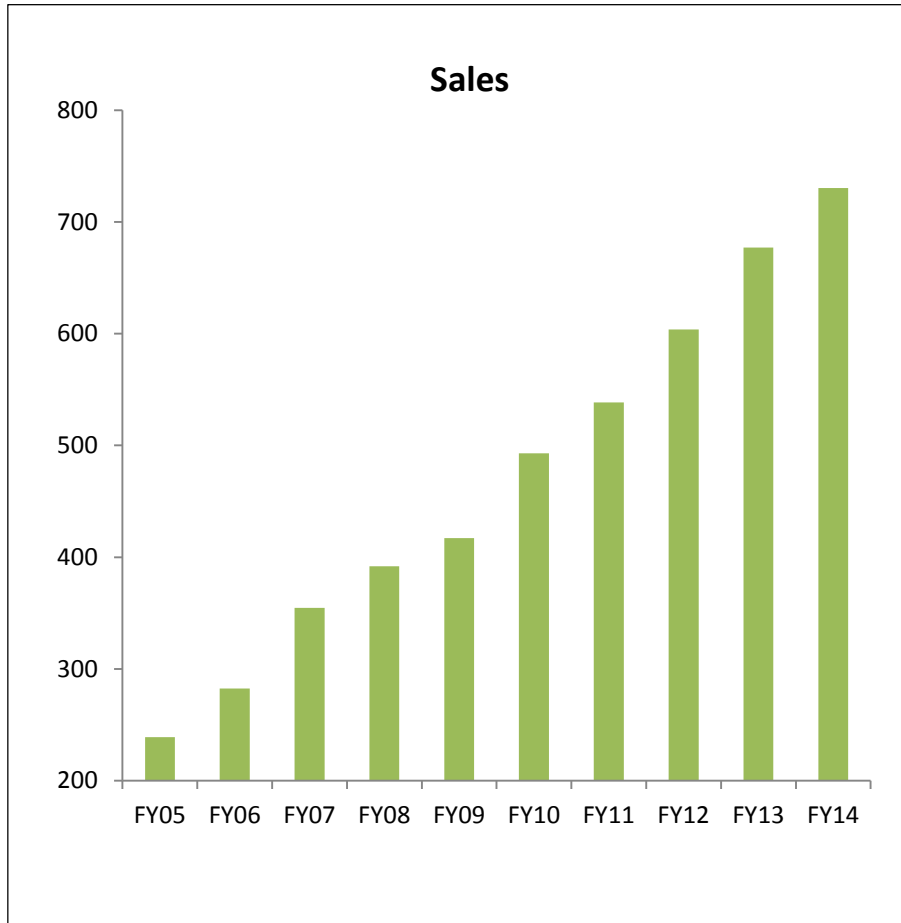
Will Adderley

Chief Executive



A New Chapter Of Growth

More than 8 years of strong growth and returns since IPO



* source: Datastream

A New Chapter of Growth

- 4 pillar strategy has served us well
- Refreshed 3 point strategy launched today
- Medium term target of 50% sales growth
- Sustainable profitability remains at our core

- **Opportunity 1:** LFL stores sales growth
- **Opportunity 2:** New stores
- **Opportunity 3:** Home delivery

LFL stores sales growth

- Primary area of focus
- Product range obsession
- Genuine deals and special buys



LFL stores sales growth

- Store environment
- Genuine customer service
- Motivated store team
- Whole business focus on growth



National coverage from rolling out new stores

- 200 superstores target remains
- 40% increase from today
- Payback period remains strong at 26 months



Growing sales and profit in the home delivery channel

- 5.5% of sales in H1
- Growing strongly
- Market continuing to grow and now sizeable
- Ambition to accelerate our growth



Growing sales and profit in the home delivery channel

- Furniture could be a real opportunity – still learning
- Web platform go-live this Spring
- Dedicated fulfilment centre commitment
- But, profitability is key



Infrastructure and People

- Home delivery fulfilment centre
- Additional core warehouse commitment
- IT capability
- Senior management team



- Consumer indicators look better
- Election impact unclear
- Real opportunity for further profitable growth
- Real change in momentum

David Stead

Finance Director



Financial Highlights

	FY15 H1	FY14 H1	Year on year change
Sales	£406.4m	£356.4m	+14.0%
LFL Sales growth/(decline)	+6.2%	(-0.9%)	
Gross margin	50.4%	50.4%	level
EBITDA	£77.6m	£72.6m	+7.0%
Profit before tax	£68.2m	£61.6m	+10.7%
EPS (fully diluted)	26.4p	23.1p	+14.3%
Free cash flow	£46.1m	£62.8m	-26.6%

NB FY15 will end on 4th July – a 53 week year.

We will present full year profit information on both a 52 week and 53 week basis

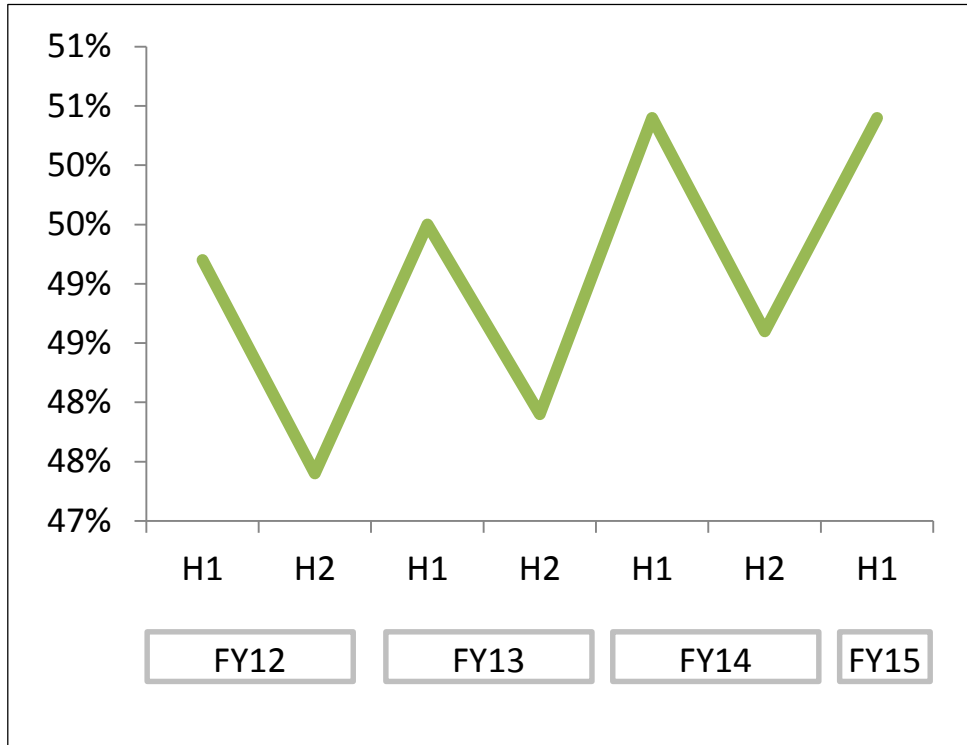
Sales Growth

	FY15 Sales £m	Growth £m	Growth %
LFL stores	341.0	11.7	3.5%
Non- LFL stores	42.9	28.6	n/a
Stores total	383.9	40.3	11.7%
Home delivery	22.5	9.7	75.5%
Total	406.4	50.0	14.0%



- Total LFL growth (stores plus home delivery) = 6.2%
- Two-year LFL growth:
 - Stores only: 1.2%
 - Total: 5.3%
- Fastest growing departments:
 - M2M window treatments
 - Furniture

Gross Margin Trend/Drivers

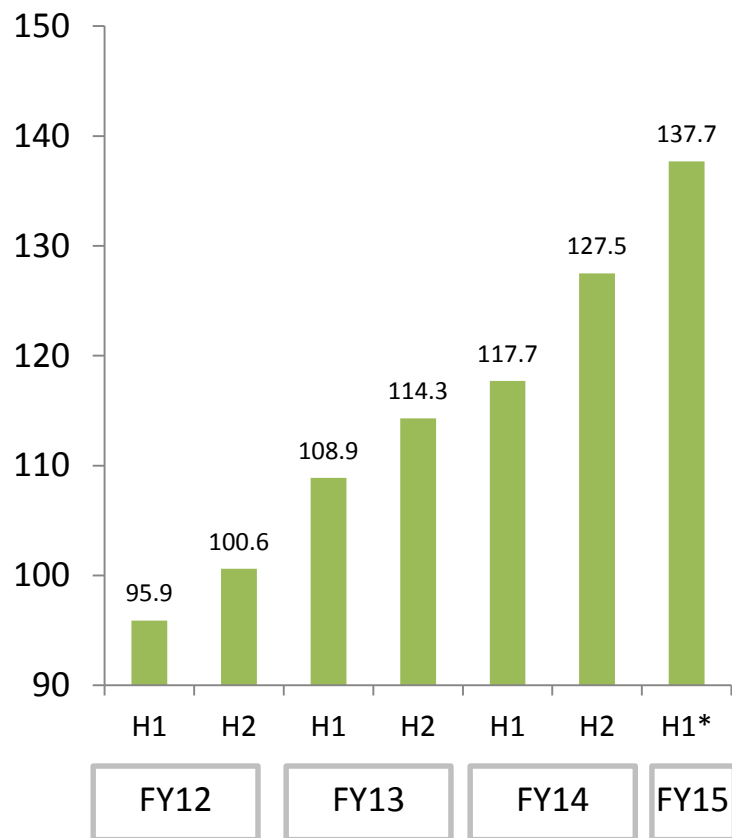


- Direct sourcing – H1
 - FY14: 17.4%
 - FY15: 19.0%
- Clearance of old promo
 - non-recurring benefit in FY14



Operating Costs

Operating costs - £m



* estimated

General cost drivers

Stores

- New store openings
- Increased customer service focus
- In-home consultation service (DAH)
- Increased reserve & collect activity
- Inflation: wage rates, rent, rates, energy
- Productivity

Logistics

- Additional stores
- Increase in direct sourcing
- Increase in furniture mix

Home Delivery

- Increased volumes
- Mix of furniture (2 man delivery)

A&P

- Investment strategy

IT

- Investment in capability

Operating Costs FY15 - Specific Drivers

	H1	H2 Expectation
Stores	<ul style="list-style-type: none"> Average selling space increase 8% DAH – 80 stores vs. 46 last year 	<ul style="list-style-type: none"> Average selling space increase 9% DAH – 85 stores vs. 75 last year
Logistics	<ul style="list-style-type: none"> Doubling in volume of pallets held (mainly furniture), leading to: <ul style="list-style-type: none"> external storage costs container detention charges double handling, trunking costs 	<ul style="list-style-type: none"> Pallet volumes likely to remain at approximately same level as H1
Home Delivery	<ul style="list-style-type: none"> Increased volume – 1 man delivery Increased volume – 2 man delivery Improved service – 2 man delivery 	<ul style="list-style-type: none"> Continuing volume increases across both 1 man and 2 man delivery
A&P	<ul style="list-style-type: none"> Fully national TV advertising Increased digital spend 	<ul style="list-style-type: none"> Further national TV advertising Further investment in digital
IT	<ul style="list-style-type: none"> Significant recruitment (>20 new hires) 	<ul style="list-style-type: none"> Team fully staffed (additional 10 people) New web platform live : <ul style="list-style-type: none"> amortisation of investment on-going enhancements (not capitalised)
Other	<ul style="list-style-type: none"> General inflation Increase in central teams (Buying etc) 	<ul style="list-style-type: none"> As H1

Overall H1 cost increase = £20m

Profit After Tax

(£m)	FY15 H1	FY14 H1
Operating Profit	67.1	62.0
<i>Operating margin</i>	16.5%	17.4%
Financial Items	1.1	(0.4)
Profit Before Tax	68.2	61.6
Tax	(14.7)	(14.4)
<i>Effective tax rate</i>	21.5%	23.4%
Profit After Tax	53.5	47.2
EPS (fully diluted)	26.4p	23.1p
Dividend	5.5p	5.0p

Operating Cash Generation

(£m)	FY15 H1	FY14 H1
Operating Profit	67.1	62.0
Depreciation and amortisation	10.5	10.6
Other non-cash movements	(0.4)	1.4
Working capital movement	(5.2)	14.0
Net interest	0.3	0.2
Tax paid	(13.6)	(13.1)
Net cash from operations	58.7	75.1
Cash conversion¹	88%	121%

¹ Net cash from operations as a proportion of operating profit

Working Capital Movement

(£m)	FY15 H1	FY14 H1	Comments
Stock increase	(19.8)	(9.3)	<ul style="list-style-type: none"> • 6 additional superstores • Increased direct sourcing • Investment in furniture • Investment in stock across core departments
Receivables increase	(0.8)	(1.1)	
Payables increase	15.4	24.4	<ul style="list-style-type: none"> • Seasonal increase in trade creditors • Seasonal increase in VAT
Overall movement	(5.2)	14.0	

**Some seasonality in working capital.
However, increased investment in stock unlikely to reverse**

Capital Investment

(£m)	FY15 H1	FY14 H1
New store fit-outs	5.8	5.9
Refits and other store investments	2.5	2.9
IT investment	3.3	3.0
Other	1.0	0.6
Total	12.6	12.4

- 6 new stores fitted out in FY15 H1, 6 in comparable period
- 4 medium refits completed in FY15 H1, 2 major in comparable period



Net Cash Generation

(£m)	FY15 H1	FY14 H1
Net cash from operations	58.7	75.1
Capital expenditure	(12.6)	(12.4)
Free cash flow	46.1	62.8
Dividends paid	(30.3)	(74.0)
Purchase of treasury shares	-	(6.9)
Other	-	0.5
Change in net cash	15.8	(17.7)
Period end net cash	38.3	26.4
Daily average net cleared funds	49.4	37.4*
Free cash flow conversion**	68%	102%

* Period from special dividend to half year end **Free cash flow: PBT

Capital policy: maintain net debt at 0.25 x – 0.75 x EBITDA

Last 12 months EBITDA	£142.3m
Target maximum net debt (0.75 x EBITDA)	£106.7m
Actual daily average cleared funds July – December	£49.4m
“Excess cash”	£156.1m

Special distribution: 70p per share (£141.6m) (B/C share scheme)

Banking Facility

Facility	£150m RCF
Expiry	February 2020
Covenants	Leverage < 2.5x Fixed charge cover > 1.75x

Summary

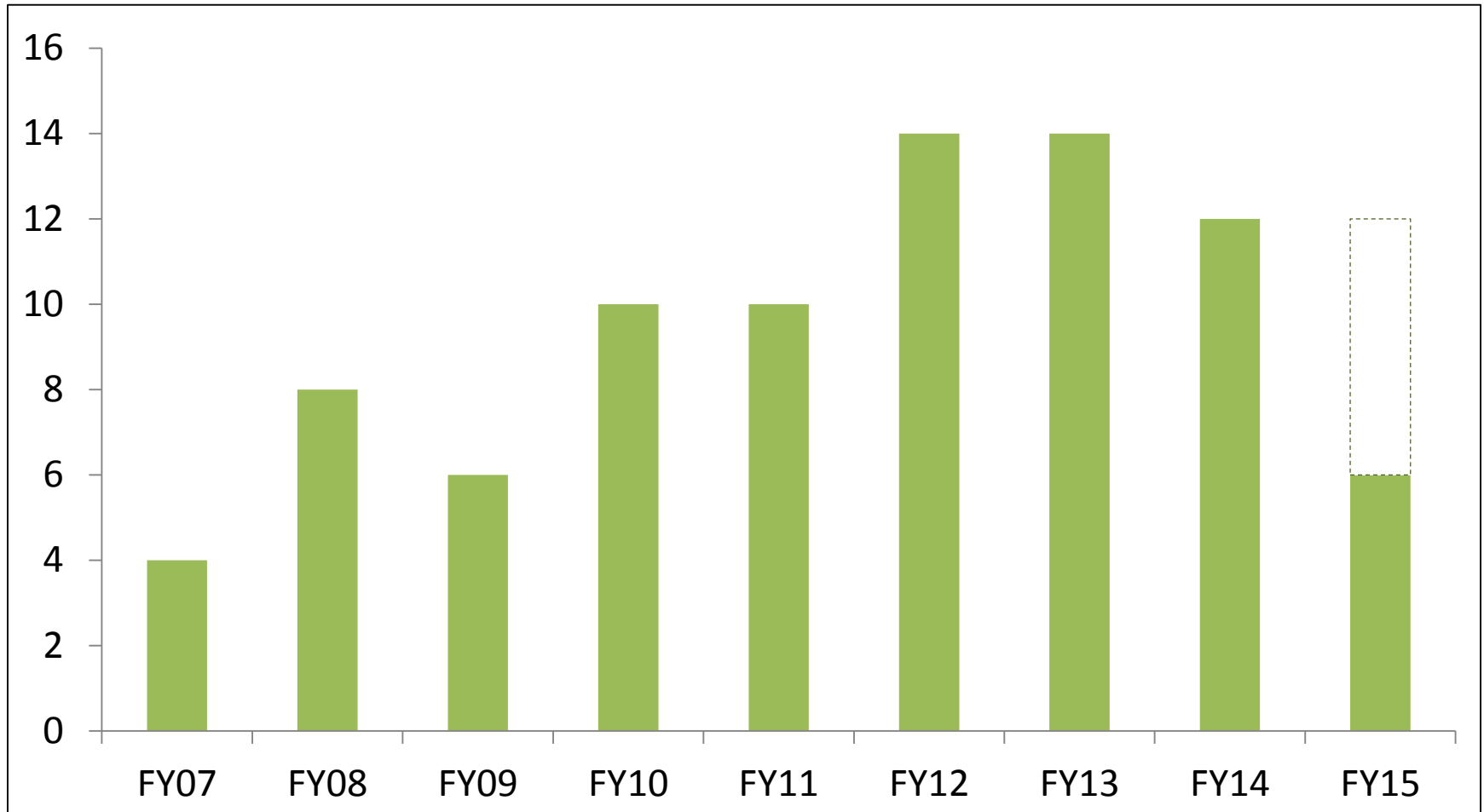
- New dynamics of the business
 - Focus on growth
 - Limited opportunity to grow gross margin
 - Continuing revenue and capital investment
- Cash generation remains very strong
- New capital policy
 - More efficient balance sheet
 - More predictable cash distributions
- Real change in momentum



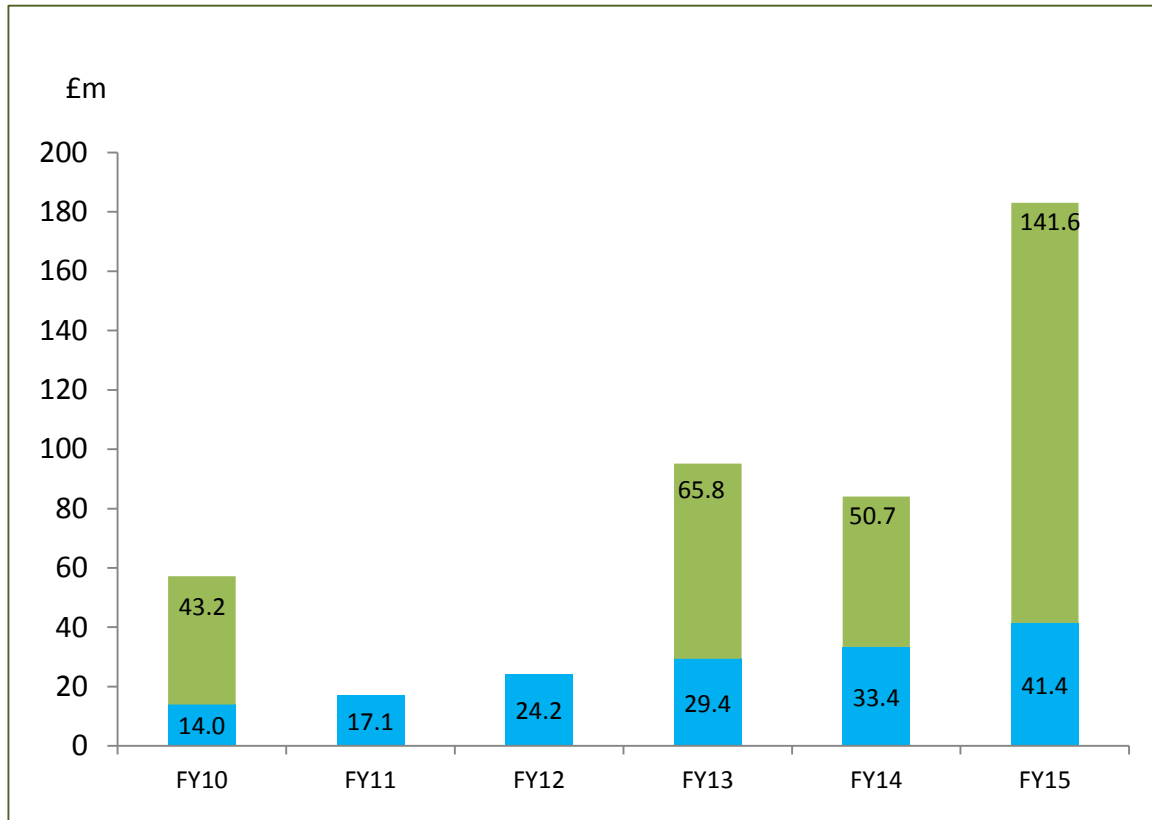
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Appendices

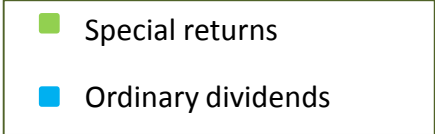
Store Openings By Year



Cash Returns to Shareholders FY10 to FY15



- Chart shows actual cash payments in each year
- FY15 includes 70p special distribution and 5.5p interim dividend, both to be paid in H2



Ordinary Dividend Cover					
3.4x	2.5x	2.5x	2.5x	2.2x	2-2.5x

Total cash return from FY10 to FY15 = £461m (228p per share)

Summary Balance Sheet

(£m)	27 th December 2014	28 th December 2013
Total non-current assets	165.8	160.0
Inventories	135.3	102.2
Receivables	20.3	19.5
Cash	38.3	26.4
Financial instruments	2.2	-
Total assets	361.9	308.1
Current liabilities	(102.1)	(104.1)
Non-current liabilities	(43.5)	(39.6)
Net assets	216.2	164.4
Share capital	2.0	2.0
Share premium/other reserves	46.5	42.8
Retained earnings	167.7	119.6
Total equity	216.2	164.4