

Dunelm Group PLC

Analyst and Investor Store Visit

Basingstoke
15 July 2014

Recap of Interim Management Statement

Revenue

Period to 28 th June 2014	52 weeks (FY)	26 weeks (H2)	13 weeks (Q4)
Total sales value	£730.2m	£373.8m	£178.4m
Total sales growth	+7.8%	+10.9%	+12.0%
LFL sales growth	+2.1%	+5.3%	+5.5%

- Multi-channel c.6% of company sales (c.60% growth year on year)
- 14 store opened (11 stores committed for opening in FY15)

Gross margin

- Full year: + 80 bps year on year
- Qtr. 4: + 50 bps year on year

Incremental investment:

- Differentiates customer offer and strengthens infrastructure
- Initial £5m investment: Brand building TV, Dunelm at Home, Multi-Channel
- Positive initial customer response
- On-going re-investment protects long term growth

Solid foundation for future growth

Objectives and Agenda

Objectives

- Bring to life our customer offer development
- Meet senior management
- Visit a latest blueprint store

Agenda

- Presentation
 - Customer offer development - Steve Knights, Commercial Director
 - Differentiation through customer experience – Andy Torrance, Chief Operating Officer
 - Infrastructure development – Chris Shaw, Chief Information Officer
- Q&A
- Store visit



Customer Offer Development: Strategy

Market leading choice and expertise provide strong & long term differentiation

Expertise

- Multi-channel convenience
- Knowledgeable service and services as point of difference
- On going investment in store environment

Expert positioning now established



Choice

- One stop, 20,000 SKU, 22 category offer
- Best value at broadest price / style points in market
- 70% of products exclusive

Choice without value isn't choice

Customer Offer Development

Steve Knights
Commercial Director

Customer Offer Development

Agenda

- Illustration of choice
 - Design
 - Curtain & Cushion categories
- Example range and domain extensions
 - Kids
 - Furniture



What does choice mean?

The widest selection of home merchandise within any store environment



High levels of availability, strong in store stock depth

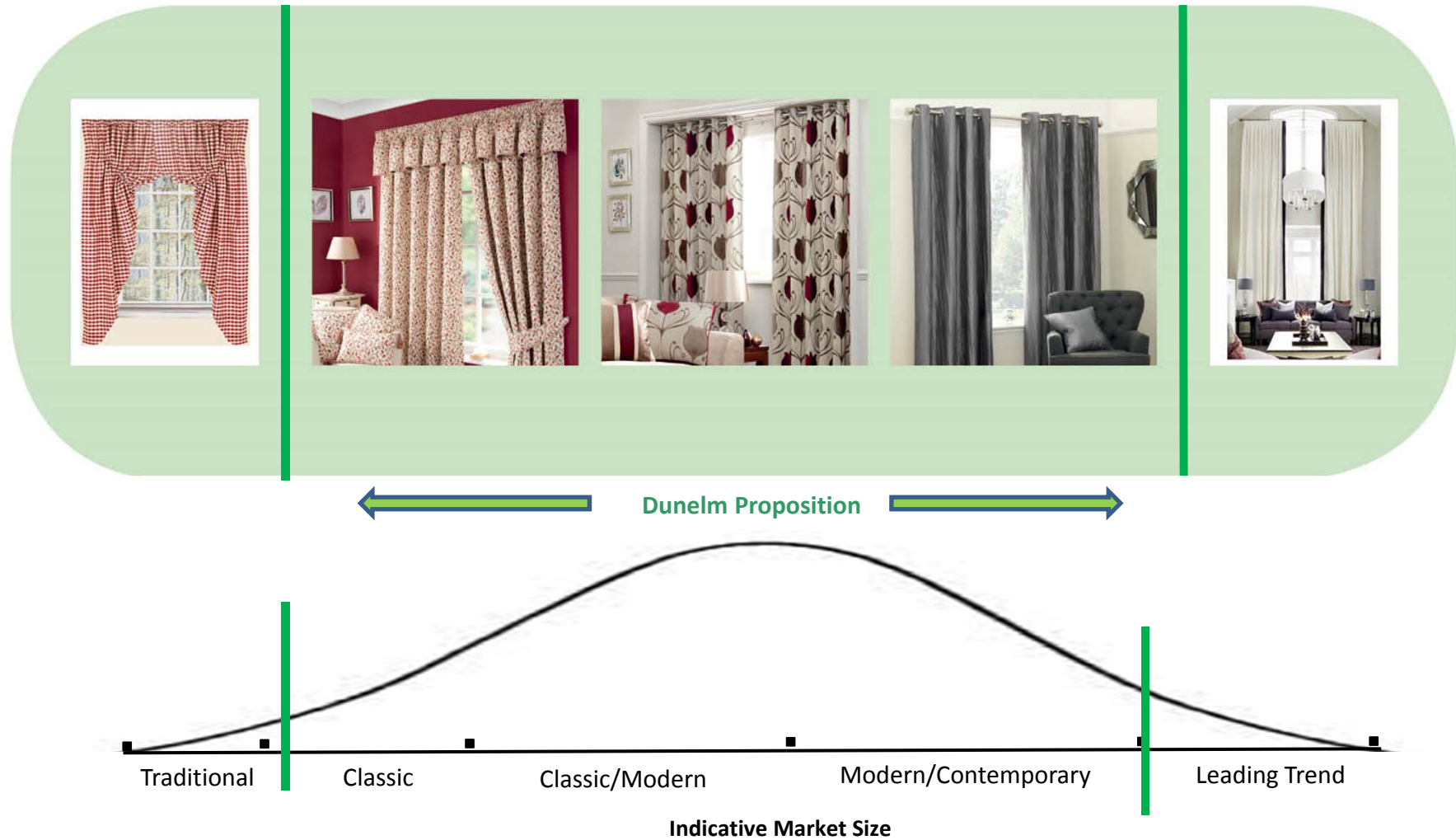


Best value at each price point

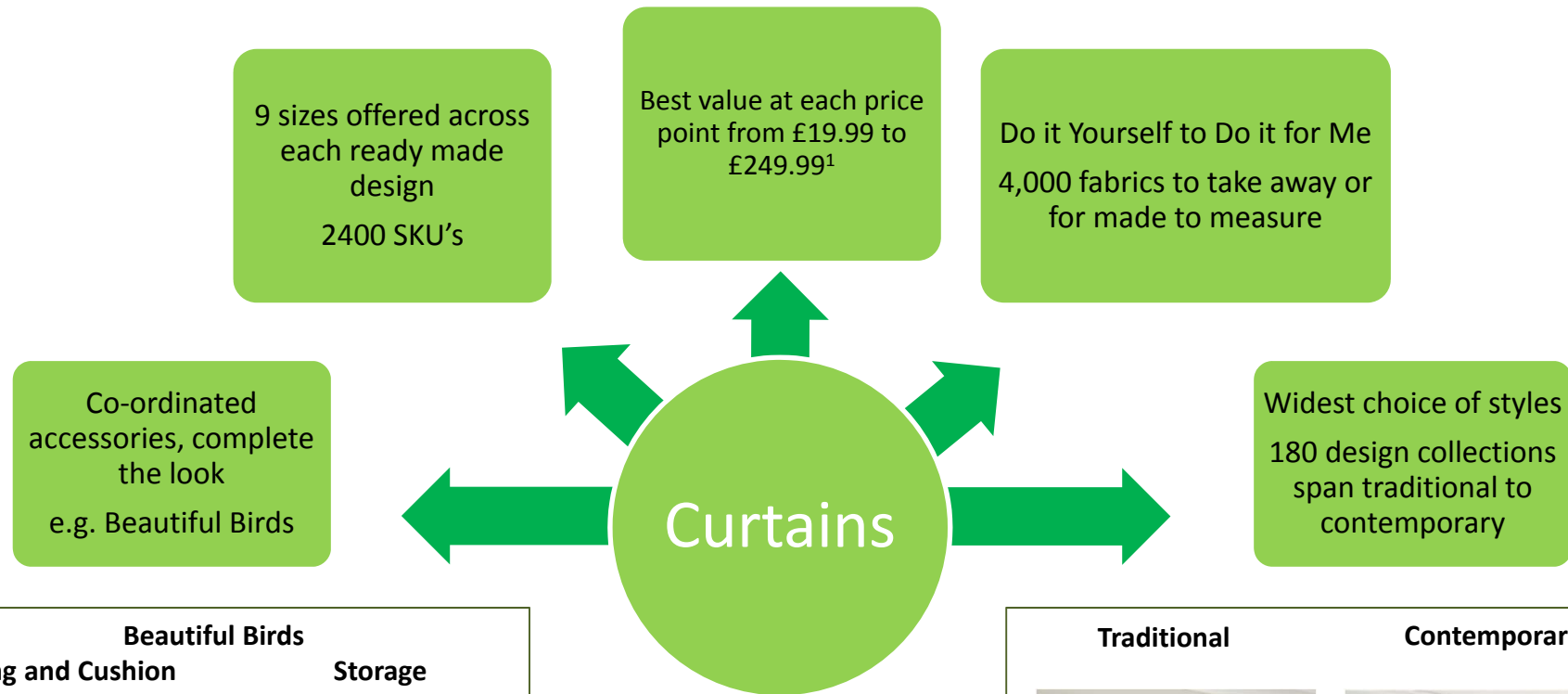


What does choice mean?

Broad offer from classic to contemporary delivers wide mass market appeal.

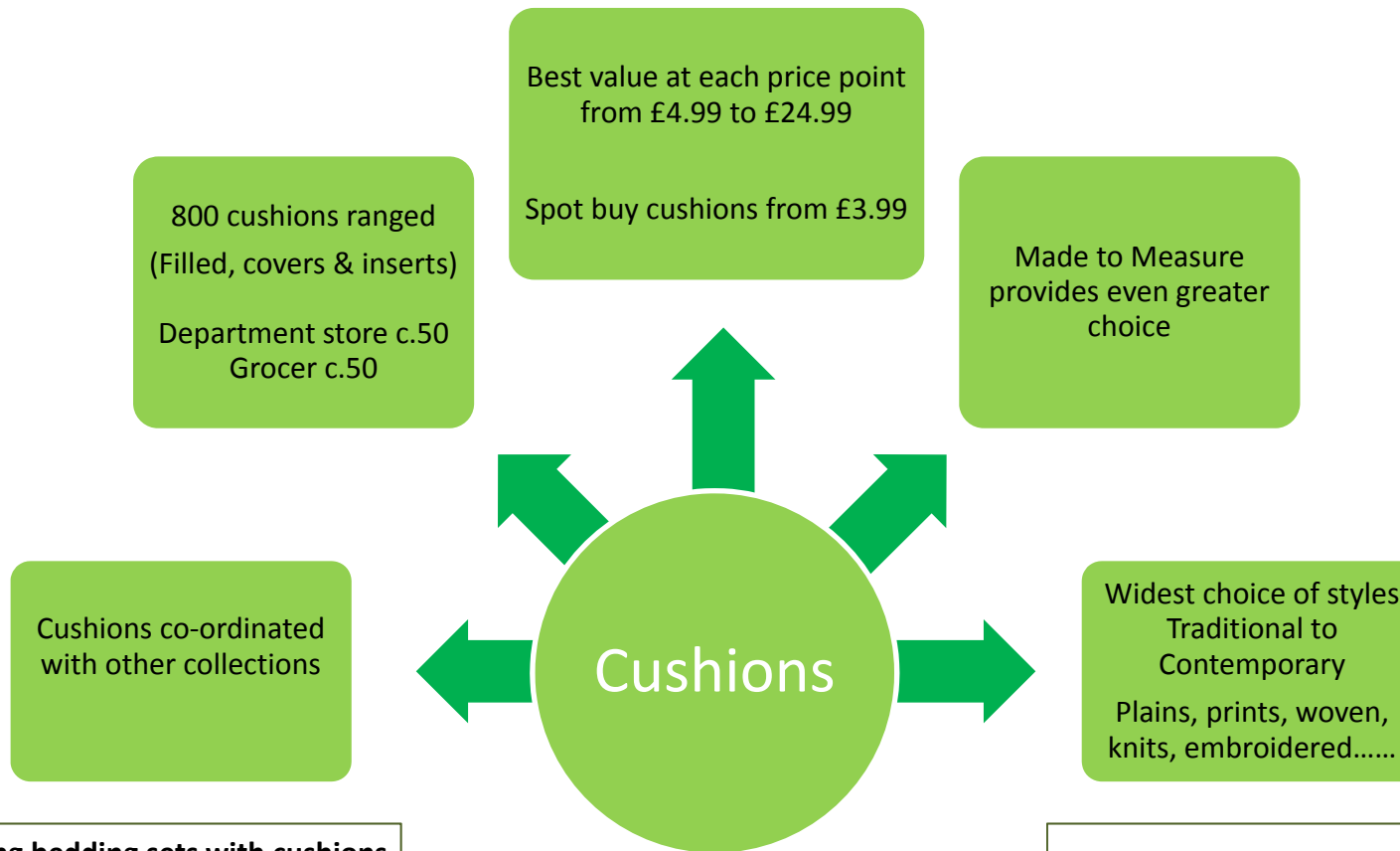


What does choice mean?



1. Price of 228cmx228cm curtain

What does choice mean?



150 co-ordinating bedding sets with cushions



Traditional



Contemporary



Choice without value isn't true choice

Dunelm delivers best value at each price point and widest number of price points

Audrey Hepburn Tapestry Cushion



Dunelm, **£9.99**
Grocers equivalent, **£16.77**

Stag Tapestry Cushion



Dunelm, **£9.99**
Department store equivalent, **£25.00**

Pleated Faux Silk Cushion



Dunelm, **£5.99**
Discounters equivalent, **£6.99 - £7.99**

Home Applique Cushion



Dunelm, **£14.99**
Premium department store equivalent, **£35.00**

Cushions

What does choice mean?

Plus....

Over 400 rugs
£16.99 to £269.99
80cm x 150cm to
240cm x 340cm



Over 350 lights
£24.99 to £99.99



Over 70 knives/knife sets



Over 3,400 bedding products



Over 1,250 blinds
Exclusive *Twistsafe*
mechanism



Something for everyone, everything for someone, there's no place like Dunelm

Range and Domain Extension

Customer permission to expand product offer further into 'Home'

Kids



- Co-ordinated room solutions
 - Bedding, accessories, storage & lighting
- Expanded Dunelm and Dorma propositions
- Increased prominence in store and online

Furniture



Made to Order Upholstery
Grosvenor Sofa collection from £399.99



Skandi Furniture From £199.99



79 Accent Chairs £99.99 -£349.99

- Significant market opportunity
- Leverages current customer base and brand equity
- Offer:
 - 150k sq. ft. – retail footprint, showcase with take-away
 - 1,100 sku's – cabinetry, upholstery, beds and dining
 - C.40 stores laid out as per Basingstoke

Expertise: Differentiation Through Customer Experience

Andy Torrance
Chief Operating Officer

Expertise as a Point of Difference

Agenda

- Expert experience at each key contact point
- In-Store Expertise
 - Foundation
 - Re-investment
 - Strong and improving net promoter score
- Services as a point of difference
 - Dunelm at Home
- Continually evolving in-store environment



Expertise as a Point of Difference

Expert positioning through knowledgeable customer service, services and experience excellence

Multi strand approach

1. On going efficiency programme through workload planning, creates service time in store
2. Organisation-wide Customer First mindset
 - colleague empathy
 - service capability
 - product knowledge
3. Complementary value added services
4. IT investment targeted at key customer touch points:
 - High service categories, made to measure, in-store ordering
 - Delivery to home
 - Customer contact centre



In Store: Customer service and colleague expertise

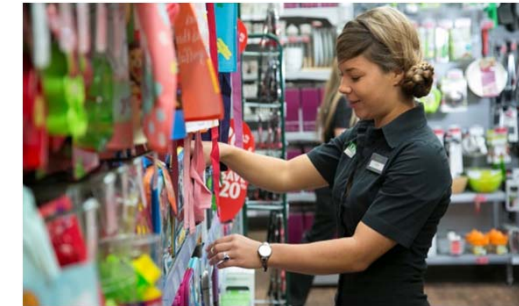
Customer service investment delivering tangible improvements

Foundation

- Efficiency:
 - Automated ordering for 98% inventory,
 - Centralised delivery checking
 - Direct to shelf replenishment – single picked via Totes
- Colleague Stability
 - Customer focused store management structure
 - Development programmes stabilise turnover
- Out of hours store merchandising and deliveries

Reinvestment

- 30,000 hours S.A.L.E.S active service training to all colleagues
- Overhauled customer policies & procedures, streamlines journey
- Improved customer contact: Q&A



Material customer Net Promoter Score & colleague engagement progression

Service Extensions – Dunelm at Home

Builds on our existing successful made to measure business adding the convenience of in-home design and fitting.

- Natural offer extension
- Key strategic differentiation vs. mainstream competition
- Access to deeper customer relationship
- Extended to national coverage: 75 stores
- In-house manufacturing - high quality
- UK's lowest price guarantee



Customer Offer: Store Environment Projects Expertise

Crisper store environment, more focused on projecting choice, expertise and inspiration.



Lifestyle Bed Displays on walkway



'Whole room' Inspirational Curtain Displays



After



After

Customer Offer: Store Environment Projects Expertise



Fresher Primary Store Colourway – Black to White



High level lifestyle graphics communicate choice



Customer Offer: Store Environment Projects Expertise



Before

Revitalised Made to Measure Display



After



Before

Pausa: Personality injected, encourages dwell time



After

Infrastructure Development

Chris Shaw
Chief Information Officer

Infrastructure Development: Background

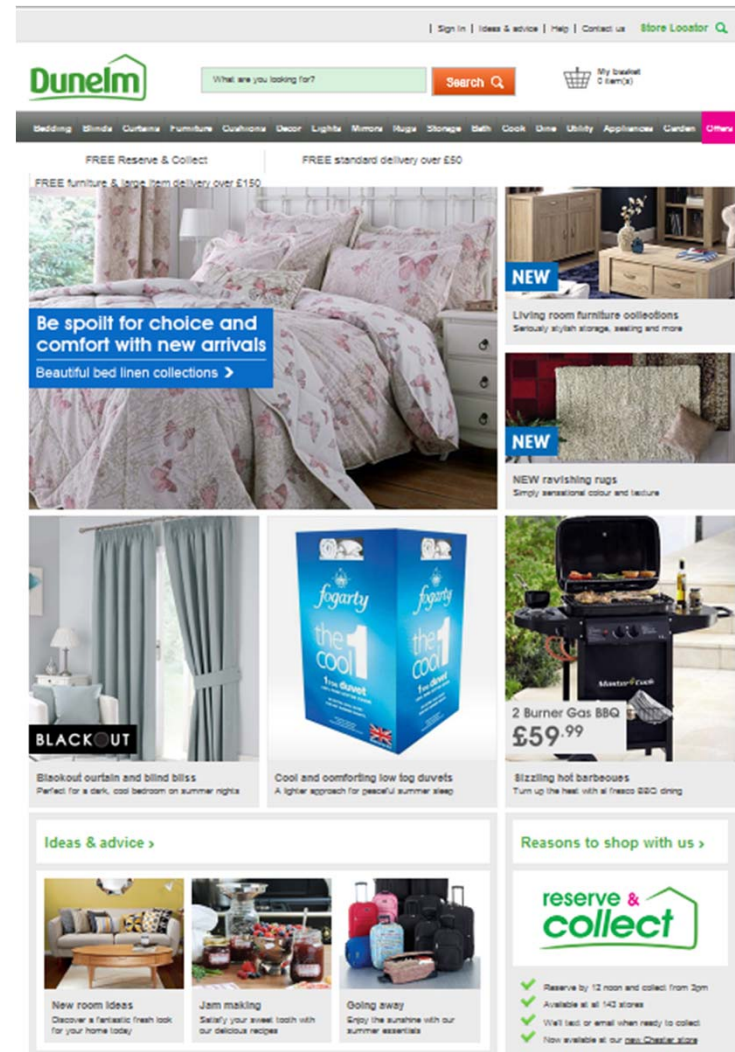
High quality core infrastructure provides strong foundation for future development

Why is infrastructure a priority?

- Enhances customer offer
- Enables growth
- Underpins operating efficiency

Quality infrastructure stack

- Modern core systems, little legacy
 - SAP – core ERP, warehouse management
 - Retail J – store backbone
 - IBM websphere
- Established distribution capability
 - Central cross dock (80% of volume)
 - National distribution centre
 - Dedicated web fulfilment centre
- People capability strengthened
 - Buying & merchandise
 - IT



Infrastructure Development: IT

Infrastructure development remains central to delivering business strategy

Three phase development journey

1. Upgrade core systems
 - Retail J/SAP completed
 - Websphere – Summer 2014
 - Business warehouse – Spring 2015
2. Leverage for quick wins
 - “Lite” agenda
 - Ensures continual development stream
3. Introduce best in breed functionality
 - Customer order management
 - Forecasting and replenishment

IT Physical Infrastructure

- Server and data centre consolidation
- Virtualisation of estate
- Enhanced availability and resilience
- Cloud based web hosting



Infrastructure Development: Multi-Channel & Distribution

Infrastructure development will remain central to delivery of business strategy

Multi-Channel

- Profitable web channel established
 - Window on Dunelm: higher weekly visits than stores
 - FY14: 6% of revenues, 60% annual growth
 - Benefit from enhanced one-man delivery
- New platform will deliver:
 - Enhanced useability: checkout, 'my account', navigation
 - More and better delivery options
 - Better tablet and mobile experience (responsive design)
- New platform will enable:
 - Faster pace of development
 - Virtual inventory/drop ship
 - International delivery

Warehousing & Distribution

- New two man home delivery carrier – Summer 2014
 - Increased scale
 - Improved delivery proposition
- Enlarged NDC – Summer 2016
 - Supports store growth, direct sourcing and single pick

