Dunelm
Strategy Update: Winning Hearts & Homes

08th September 2026

Transcript

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Clo Moriarty: Morning. Thank you all so much for battling the rain and making it here. We really, really appreciate you being here. For those of you who haven't met, my name is Clo Moriarty and I am our CEO here at Dunelm. Now I joined this business almost a year ago and I knew from the outside in there were opportunities, but it's been really encouraging over the last 12 months to really see that not only do those opportunities exist, but actually there's so much more. So we're really excited actually to bring that to life and I'll do that for the first 30 minutes or so before I hand over to Karen Witts, who I know you all know as our CFO. We then have a number of breakouts. So we brought along a number of members of our exec to bring the plan to life. So we'll have Faye Atkins. So Faye is our Chief Commercial Officer and she's been in our business for 17 years, always in product, always in commercial, so no better person to be able to bring that to life. Then we have Laura Harricks. Laura Harricks joined us in February of this year as our Chief Customer Officer, having held that role in number of other UK retailers for the last number of years. And then we have John Gahagan, who is our CTIO. And John joined straight into the Exec five years ago, having played a role across a number of global retailers. So we're collectively really looking forward to sharing the plan.

Let's get going because Dunelm is a special business with a tremendous growth story. It has been, it is, and it will continue to be. Because we are the market leader in a 25 billion UK homewares fragmented market. In spite of that position, we still only capture a fraction of the spend and a fraction of our total customer's share of wallet for our most loyal customers. So we're really ambitious about seizing that opportunity by sharpening our specialist proposition, by improving our omnichannel experience and by simplifying our business. And by doing that, we can see a line of sight to mid to high single digit sustainable growth. We can see how we can take out a hundred million of our least productive cost and reinvest that into capability, into simplification and into automation and doing that while continuing to generate strong cash. Now it is a bounded but self-funded investment and it is all in service of making this business materially larger, materially more productive and more valuable for its customers, its colleagues, its suppliers and of course its shareholders.

Now we're going to go through grow in existing stores. We're going to grow in new stores and we're going to grow in digital, both in and out of our ecosystem. We're going to grow through our amazing product, the design and the quality, and we're going to grow through technology advancements. And as a result, we believe we can be bigger, bolder and better.

Let me jump to here. In February when we last caught up, I talked about the key strengths in our business and the opportunity was clear. We have universal appeal. We have loyal customers. We have outstanding products. We've got physical and digital reach, great colleagues and platforms and strong customer satisfaction. But all of those strengths demonstrate even further opportunities because still 85% of the UK population doesn't shop with us frequently yet. We hold 20% share of our most loyal customer's wallet, which means we still have 80% to go for. And yes, we have amazing products, but our in-depth analysis tells us that we do have a tail. And by unlocking that tail, we can create an additional up to 25% more space in some of our stores. There is white space for us. We've identified a hundred locations where we know Dunelm can thrive without cannibalization. And whilst we have made really strong inroads in the e-commerce space, we have yet to unlock the full opportunity associated with digital experiences. This business is ripe for simplification and much more process orientation. And as a result, we can take a hundred million of unproductive cost out and reinvest that for the growth. We can do all of this while remaining customer obsessed.

But the time to move is now, right? Our growth rate over the last number of years has slowed. We recognise that. Competition continues to be intense, and the macroeconomic challenges continue. At the same time, customer behaviour continues to change and it ever will, but the role of digital is ever more important with inspiration, with conversion, with understanding the role of curation. AI tools and data tools are critically important now for customers and very much will be in the future. And we know that getting the value equation right for our customers so that when they're spending their hard earned money, they're spending it well is key.

But in all of that context, we also need to remember that Dunelm is a brilliant business. It's a resilient business with a strong balance sheet and even stronger proposition. As a result, we believe we are better placed than many of the others to stand up to these type of pressures, and therein lies the opportunity. In addition, our customer insight has never been sharper. Put simply, we know our customers better now, we can target them more effectively and we can move faster. That's why we're choosing to invest now.

This isn't a question about whether Dunelm can continue to perform. Of course it can. This is a question about how much of the ambition we are willing to capture because we believe if we don't move now, we leave the door ajar for others to potentially enter that space and we know we are better placed to serve our customers.

So the fundamental idea behind this plan is winning the hearts and homes of our customers. Mathematically knowing how to grow the business is one thing, but really understanding the emotional connection with customers, understanding their hopes, their dreams, their passions, their designs, that's how we become their specialist. And by winning their hearts and winning the privilege of playing a greater role in their homes, that's how we as a business win.

This is all about layering to deliver this big ambition. It is about more reach digitally and physically. It is about more spend through our amazing product catalogue and enhanced experiences. It's about more missions, we already have breadth and depth in categories, the job of work now is to connect that across journeys and we're going to have more loyal customers. We already have millions of customers in our ecosystem. We simply want to make them more loyal to us. We're going to do that by being more productive so we can move faster and be more efficient.

And as we do this, we believe we can increase our customer loyalty and spend through repeat visits and share of wallet. We believe we can return to mid to high single digit growth, and that's through like for like store enabled growth and through digital acceleration. And we can see how we can deliver strong returns and cash generation, with an adjusted PBT margin of c.11% and a very strong ROCE of c.30%.

But if the idea behind this plan is all about customers, let's just spend a little bit of time understanding our customers, because we really do, and we continue to learn. So what we're looking at here, on the right hand side is our total customer base and the share of customers by segment, the next bar shows our share of sales equally by segment. And I'm going to start from bottom up. Our biggest customer group are our “once and done”. Now this group of customers, they care about relevance and accessibility and we can do that. So when they spear fish, they hook us. They really care about events and campaigns. and we have 12 really strong campaigns every year to be able to address this group.

We then have our “now and thens”. Now our “now and thens” shop with us about three times a year. They totally get who we are, right? But whilst they dabble in categories like cook and dine, what they really cross the threshold for, what they really click through online for, is bedding. And as a business, we know how to do bedding.

We then have our “big debuts”. Our “big debuts” are ripe for conversion and the next best message. Because this is a group that has typically shopped with us for the first time over the last year, but they've shopped big and they've shopped cross category. So the customer relationship management involved here will continue to attract and convert this group.

And that's when it starts to get really interesting, because we've got 20% of our customers that make up 60% of our sales. We start with “our little and oftens”. Our “little and oftens” shop with us nine times a year. They shop with us in store, they shop with us online, they shop cross category, they eat and drink in Pausa. They know how to shop Dunelm. The interesting fact about this cohort is their typical average basket, the items in the basket, is lower than the average customer, but they are very comfortable building baskets and shopping with us frequently. So they're the two metrics that we can address through our walkway, through our flow and through our inspiration.

We then have our “big dippers”. Now they don't shop with us that often, about three times a year, but when they shop, they shop big. They shop quilts, they shop pillows, they shop rugs, they shop furniture, they shop curtains. They really understand the breadth of the opportunity. So the job of work here is to ensure that we are really clear in our product descriptions, in our inspiration, in our curation, because that matters to this group of customers.

And last but definitely not least, we have our “Dunelm devotees”, 3% of our customer base, 20% of our sales. This group of customers shop with us all the time. They shop across category. They love us, we love them. And we are going to make sure that we recognise and reward this cohort to keep them coming back time and time again.

Now, if you were to cut this data across all the regions in the UK, you'd actually get a broadly similar picture. And that makes sense, right? Because we have universal appeal. But when you look at the different behaviours across these segments, that's when you start to understand where you can create the value because we've used this to be able to understand the role of the categories, the role our channels can play and how our data can delight these customers and create value for us.

That's how we get to our three growth drivers. Becoming the homeware specialist with something for everyone, delivering seamless omnichannel experiences that our customers love, and of course transforming our capabilities so we can sustain this growth.

If we start with becoming the homeware specialist with something for everyone. What we are going to do is ensure that we really focus on us as a specialist. We're going to simplify our range, we're going to make it more inspiring, we're going to make it more productive. Our customers already trust us across our product categories, we need to ensure that we build that trust across the entire mission. And we're going to do that in three ways, ranging to win, building trust on affordability and maximising our product brands.

Ranging to win is not about more for the sake of more. It is about the right products, the right prices through the right channels to enable our customers to complete their overall mission. When we've started to look at the analysis behind the use of our space and our SKU paretos, I don't know if any of you have spent a lot of time walking around our make and mend department. Anyone? Anyone? But if you do walk around our make and mend department, you'll see that it's really high density when it comes to our SKUs, and they are really unproductive. Or equally, if you walk one of our sub cats, take cushions for example, it's a phenomenal range, but the complexity in a very small space within our shops does oftentimes make it more difficult to shop, more difficult to create those coordinated solutions or to generate the depth of fill.

Now you can see that when you walk our shops, you can see it when you shop online, but you can also see it in all of the in-depth analysis. And as a result, we will do this carefully, but we can see a route in a number of our stores of freeing up to 25% of space, still ensuring you have the endless aisle experience online supported by home delivery and click and collect, but using that space for more productive categories, more destination categories, and to showcase more of our home spaces that you can kind of see here in the room.

We believe we have a very strong value equation. We don't always get recognised for such, and that's why we're building trust on affordability because this plan doesn't involve a huge investment across the board in price points. Instead, it is about ensuring we've got the best, good, better and best architecture, the appropriate packaging, the right pricing and affordability tools, and critically, ensuring that we always have our products available, whether it's in store or online. No homeware specialist can sell fresh air and we're not going to try starting that.

Now, we have got going on this. So you can see the pans towards the back of the room or here on the screen, but when we looked at that category, we looked at the total range and what products should be in that range. We looked at the price points, we changed the packaging and we changed the flow. As a result, over the course of the year, we have seen a nine percentage point outperformance in that category versus our other categories. If we take another example, take plain dye bedding in our St. Albans refit. We changed the flow and merchandising associated with our good, better, best and colour ways. And as a result, we're seeing double digit outperformance in that category.

So we're using all of these examples to understand, what is it that we need to change in our proposition, and what we can scale. And Faye, when she stands on the stage a little bit later on, is definitely going to bring this, and more of these examples to life. Now, before I move off this slide, I just wanted to draw your attention to our more focused trading calendar. Our biannual sales have worked really effectively for us for a number of years, but our customers no longer consistently shop in that way. So we are going to adapt our trading calendar slightly to ensure we are showing up and eventing, with relevance and full price products, when our customers are expecting it. As you would expect, we will manage our margin over the course of the year so we don't see dilution here.

And lastly, we have maximising our brand. And while this says product brand, we see a real route to maximising our retail brand as Dunelm, which Laura can touch on, and maximising our product brand. Currently, 75% of our products are sold through our own brand. We can see a route to driving that to 90%, to simplify the offer, to improve our credentials and to really establish ourselves as that homewares specialist. As you connect all of these things together, it is a sales and margin play, right? But in the spirit of our more, more, more, this is more spend, more missions delivered more productively.

Okay. So number two is delivering seamless omnichannel experiences. Our customers already shop with us in store and online. Our “Dunelm devotees”, that most loyal group, they have the highest propensity to be an omnichannel shopper. And that's great because our omnichannel shoppers have our highest retention rate at 72%. That is 15 percentage points higher than a store only customer, and c.30 percentage points higher than a web customer. So the opportunity here is to connect those omnichannel experiences so we design as one and we'll do it by extending our reach physically and digitally. We will do it by optimising our existing estates, that's our stores and our platforms, and obviously creating those connected experiences. The design principle though behind this is designed first for omnichannel and then for individual channels thereafter.

Let's start with extending our reach. We have identified those a hundred locations where we know Dunelm can thrive and we can see a route to opening up to 10 of those each year over the course of the plan. Now each of those stores, when they're running, contribute to about 0.2 percentage points of our growth. Clearly that is subject to the location, the maturity, the format, but broadly that's what we're looking at. As we open stores, we will continue to maintain our discipline. If you look here, this is our Kingston store, which we opened early in the summer. Now that was at the height of one of the heat waves, one of the many heat waves that we had. It was greater than 30 degree heat in the morning, and we still had a long line outside that shop. That shop is already our top performing transaction shop across the estate, so we know how to pick these locations.

At the same time as getting the physical locations right, we are really focused on the next channel for growth through digital, for generative engine optimization. We as a business have performed very well in the SEO space because of our strong data quality, but the need for data in a GEO world is immense, and that is why we are investing in product information. It is why we're investing in our digital assets, in our order management system and our overall customer relationship management. Because this is a space that we do expect will grow. Now Laura is going to talk a lot more about that in her breakout, so do feel to ask her all of the very, very technical questions she'd be delighted to answer, but she'll also touch on our advent into the social space because we are not active enough in social as a business. Whether that is TikTok or whether that is YouTube, we are truly committed to showing up where our customers are.

But we've also got to optimise our existing estate. For those of you who know me, you know that I like to be out and about. I love to be in our shops, in our operation, connecting the data that we see centrally with the reality of what customers and colleagues experience. I've been to well over 150 of our shops, some 80% of our estate, and candidly, some of our stores simply aren't good enough. 25% of our stores are more tired than they should be, and as a result, there is value leakage when we should be generating strong sales. We have a programme to be able to conduct these renewals, so we are adapting it and accelerating it. And in FY27, we expect to renew 30 of our stores and to complete the programme the following 12 months with a further 20 stores.

At the same time, we will continue to conduct a number of full refits, just like our St. Albans store where we bring some of the latest concepts and thinking to accelerate our journey, and St. Albans in particular is already seeing, in spite of any opening in the summer, high single digit growth.

At the same time of investing in our physical, it's the same logic we will invest in our digital, ensuring that we have the right inspiration, the right basket build, the correct bundles, and using the best of all of the data led and AI technology. And again, Laura can bring this to life in about an hour's time.

Finally on this, we are creating connected customer experiences. Those “Dunelm devotees” that I talk about, they understand how to complete missions. They already get it. As a result, they spend six times more with us versus an average customer. But we need to work harder to be able to create these home spaces so a customer, when they come into our physical environment, knows how to complete their mission. So moving from a single item pick, to completing a full journey, and a full mission.

We also believe that it is our role as a specialist to help our customers along this way and herein enters our app. It is a little known fact, but we were one of the first retailers in the UK to embed AI search within our digital ecosystem. We were also, earlier this summer, one of the first retailers in Europe, again, working with Google, to embed conversational commerce inside our ecosystem, specifically in the app, and the app is working really well for us. On average, a customer who shops with the app spends 40% more with us on checkout versus a non-app customer. They are more frequent, and they have higher conversion.

The value equation in this space is really clear. More visits and eyeballs, stronger conversion, bigger basket build and more repeat customers. Or, in the spirit of our more, more, more, you have more physical and digital reach, you have more spend, you have more missions, and we've got more loyal customers as a result.

Our third driver is all about transforming our capabilities because we need to be nimble, we need to be faster in order to be able to capture this opportunity. As a result, we have to right size our organisation. We need to ensure we've got the right people, process, systems, and data to be able to fuel our future growth. So, we have looked at our organisational structure, we've launched a new process and productivity initiative, and we are advancing our tech and ensuring that we eke every ounce of value out of that technology.

Over the summer, we announced some restructuring, that resulted in a net c.8% out of central salaried headcount. And while cost was definitely a factor here, the main focus was on the productivity and efficiency of our most critical resource, our people. We also took this opportunity to invest in transformation and change, to drive the pace, and to invest in a new division for data and analytics to ensure we move away from data review to data decisioning, and critically, automated data decisioning, and to consolidate our customer function, bringing together our journeys, our digital, our brand, and of course our marketing. Because again, if we are going to be customer first, we have to show up in a customer first way.

This, together with optimising our process and productivity, does contribute significantly to our hundred million of unproductive cost out. And Karen, when she steps onto the stage momentarily is going to go into a lot more detail.

While cost is a really important element of this, there are other facets of value. Again, when I've done this before, you look at taking a revamped store operating model, you then combine it with the best of tech, which in our business is our self-checkout, our rescheduling, our camera technology and RFID. Not only do you take cost out of the business as a result, you improve the customer experience and you improve the colleague experience. Or in the example here where we have our made to measure, we re-looked at the overall process of how we deliver made to measure, and then we layered in the Salesforce technology, which resulted in a 30% reduction in lead times. Which, of course, translates to an availability opportunity, which translates to a sales opportunity and repeat customers.

So again, for those of you who know me well, you will know I feel really passionately about combining the power of people and tech and how if you combine them in the right way, you can generate significant value. John is going to bring a lot more of that to life in the breakout.

In a nutshell, we see some investment required in some of our tech foundations. Of course, we are going to leverage the best of AI. We will go to fewer and bigger suppliers to make ourselves more efficient and to ensure we're benefitting the most. As our systems and as our platforms reach end of life, we will gracefully transition to fewer, more connected platforms. That's where we see the value.

Let's be very honest. We aren't always at the forefront of tech. Now, I know my predecessor used to mention that the Church of England got to contactless before we did, true. And we're not massively proud that it took us until February 2026 to have a fully functioning app for the market. But the benefit is you are then operating on the latest tech. You are then operating on modern platforms, which makes it fundamentally easier to develop from. That means that we can spend more of our time on looking at how we reimagine ERP, how we unlock automated fulfilment and what we need to do in our customer architecture and our merchandising and ranging. It's never tech for the sake of tech. It is always tech to drive better decisions, faster decisions, more cost-effective execution and more personalised journeys.

So there's a lot going on. We recognise that. We also recognise that in strategy, it's so important to be focused. So the way we are thinking about focus is the sequencing of this plan. In FY27, I'll bring that to life. We are looking at what are the areas we will have laid the foundations and groundwork for, where will we have piloted, tested and learned, and where will we have delivered in year value.

So, for this year, we'll have made significant progress in understanding our end state personalization and loyalty journey. We will have landed and completed the discovery for a number of our key tech enablers, specifically across the towers of customer, commercial, and digital, alongside the next generation of our app. when we think about how you connect customers and colleagues. We'll have completed all of our discovery work on the distribution automation opportunities, required for all of the growth that is to come in the future. And of course, we'll invested in our team's capabilities to ensure that we collectively are future fit.

In terms of test and learn, we will have tested in rigour our home spaces proposition, starting with bedroom and then moving through across all channels. We'll have tested our new store formats, whether that is our smaller stores or our larger stores to identify which of the elements we should be rolling back and what we should be scaling forward. We'll have tested our affordability and tracking tools, and of course we will have rigorous testing in social commerce, in conversational commerce and GEO-led customer acquisition.

In terms of delivery, we will have delivered our customer targeting for our key segments. We'll have landed up to 10 new stores and 30 renewals, moving from value leakage to value creation. We'll have improved our supply chain resilience so over the next number of years, we are really set to be able to deliver all of that volume. And critically, we have made huge inroads into our productivity and process improvements so that we can take that unproductive cost out and we can refuel it in the growth for our business.

So the fundamentals of this plan are centred all around our strengths. Our market leadership position, our highly cash generative business, our disciplined returns, and our clear capital allocations model. We have a self-funded plan. It is deliberately bounded and it is deliberately concentrated in two years, linked to specific initiatives and outcomes. Over the course of this period, we feel we'll be well on our way to winning the hearts and homes of our customers, and starting to see increased customer loyalty and spend, a return to mid to high single digit growth, and we will be delivering strong returns and cash generation. This is not about us changing the fundamentals of Dunelm. It's us strengthening them and ensuring that we can accelerate this growth even further. This is not about us changing the discipline in our business. It is though about us moving our ambition. So when I shared in February that our customers said to me, "Oh, Dunelm, it's actually very good." We now believe that we have a plan which over time for our customers, our colleagues, our suppliers, and our shareholders, we will be really confident saying “Dunelm, it's always very good”, because we will be bigger, we will be better and we will be bolder. And I promise you, we're already going.

So thank you for listening. I'm going to hand over to Karen now who's going to take us through the financial rigour of the plan. Karen, over to you.

Karen Witts: Good morning everyone. I'm Karen and I've been CFO at Dunelm for more than four years now. Now that you've heard the strategic detail of our plan, I'd like to take you through what this means from a financial perspective. Clo has set out the reasons for acting now.

We are a financially robust company. We are highly profitable. We have a consistent track record of growth and returns, and a great set of assets to leverage. However, we also recognise that our growth is slowing. Our sales are still growing in a challenging market, but the growth has recently been less than mid single digit, and with less growth coming from market share gains than we are happy with. Operating in a cost inflationary environment is now the norm. Labour cost inflation has been a particular headwind with total employee costs increasing by about £85m between FY22 and FY26. That's a CAGR of around 8%.

Whilst wage inflation may be moderating, and whilst we consistently deliver efficiency improvements and productivity gains, the combination of inflation and net investment after those productivity gains has meant that operating leverage has been used as an offset, leading to limited profit growth. Now, we have the plans in place to address this, to take advantage of the significant opportunity that Clo has described to reach and engage more customers and to create sustainable operating leverage from a new phase of higher top line growth.

So, the financial fundamentals of our business are good. A very strong return on capital employed is one of our relatively uncelebrated assets. A ROCE of more than 30% sits high for our sector, where we believe the average is more like 10%. And whilst not always linear in its progress, it has remained consistently strong through investment cycles. For example, when we've increased distribution capacity, and when we've invested in freehold stores. This resilience has been helped by our disciplined approach to cost and investment management.

Our PBT margin is similarly strong. Much of our investment runs through our P&L and we use our operating leverage to help to cover it. We are still relatively CapEx light in a highly cash generative business model, which allows us to invest in attractive opportunities to grow our business.

We have a strong and efficient balance sheet and a track record of returning cash to shareholders and we've returned £1.7bn over the last 20 years.

We have now built a three year plan to accelerate growth. We're executing on a plan that capitalises on our strong fundamentals and the great assets that we already have in our business. Over the next three years, and with further to come beyond, we will deliver a self-funded growth plan to build a bigger, better, and bolder Dunelm.

The investment required to deliver this plan will be a combination of recurring spend, non-recurring spend, which we will show as adjusting items and incremental CapEx. All funded from cash flow generation and a save to invest plan.

So that means, in terms of sales, moving from lower than mid single digit sales growth to mid to high single digit sales growth. We will grow like for like store enabled sales, and will continue to grow digital sales by reaching more customers, who will spend more with us through more shopping missions, and who will become and remain more loyal customers. We intend to open up to 10 new stores per year, and we can see about a hundred attractive locations which would fill white space with limited cannibalization risk. In terms of profit, to support our plan, we will save to invest. By FY29, we will have removed about £100m of our least productive costs from our current base and we will have reinvested a similar amount over that same timeframe.

Reinvestment will be in our store estate, in capability, in technology and in simplification and automation to improve effectiveness at a lower cost to serve with better customer satisfaction. We also expect to fund some activity that will not be recurring. In particular, we need to invest in some foundational systems to provide better platforms for future growth. And John will talk about this in more detail. We expect this non-recurring spend to total around £30m to £40m, invested over the next two years.

Over the next three years, as we take cost out and the returns on our reinvestment start to build, we will still deliver an attractive adjusted operating margin of around 11%, with expansion after that.

In terms of capital allocation, over the next three years, we will use our existing policy to prioritise investment for growth. Funded through free cash flow, we will generate the means to invest an incremental £125m of CapEx, that means above our historic run rate in new stores, in refreshing tired stores and in continued investment in technology to modernise, to simplify and to automate.

Whilst our approach to capital allocation will focus on investment for growth, we will continue to pay a growing ordinary dividend. We will maintain our target net debt to EBITDA ratio at 0.2 to 0.6 times, operating with low levels of debt, and any surplus remaining cash will be distributed to shareholders.

And finally, in terms of returns, we will grow EPS over the plan period. We will maintain an efficient balance sheet and we will approach investments with discipline, applying a rigorous approach to returns, which will keep our ROCE high at around 30% through this investment phase.

We intend to return to mid to high single digit sales growth by FY29. Increased sales over the next three years will come from an improved and omnichannel experience and from optimising our homeware specialist credentials, and Faye and Laura will help to bring our plans to life.

In FY26, we were disappointed by our low number of store openings. So over the next three years, we will focus on opening up to 10 new stores per annum in attractive white space locations. Our store enabled like-for-like sales will be revitalised to a sustainable position of growth. Store enabled sales include store fulfilled click and collect and store assisted tablet-based sales. These grew modestly in FY26, but sales through store checkouts alone, declined. So we have plans to invest in renewing underperforming stores that don't currently provide the environment or the experience that our customers deserve. And by removing our least efficient SKUs, we can create more space in store for our most popular lines and far more inspiration.

We will continue to deliver our historic high levels of digital growth, the definition of which is unchanged, and includes home delivery sales, click and collect, and in-store tablet sales. We will continue to get to know our customers more deeply and we will use technology to make shopping with us easier, more relevant and more repeatable. As we engage more customers online and on app, and attract a higher share of wallet from customers, we will retain our customary gross margin discipline.

Capturing this growth opportunity does require investment. This investment will be funded by the cash generated from our operations and from structural cost savings. The top left arrow in the diagram shows that by the end of FY29, we will have invested around £100m in capability, process and automation fully funded by £100m save to invest programme, that's shown in the arrow below. We will also invest around £30m to £40m in total over the next two years in non-recurring areas, including foundational infrastructure and we will refer to this spend as adjusting items. Our CapEx will step up over the next three years when we expect to invest an incremental £125m, primarily in stores and distribution. The non-recurring investment and the incremental CapEx will be funded through our ongoing cash generative model, focusing capital allocation on investing in the business for growth.

Our save to invest plan is a productivity and simplification programme designed to make Dunelm more efficient, more scalable, and therefore better positioned for future growth. So let's first look at how we will take cost out. We will remove about £100m of our least productive cost from the business over the next three years, so that we can reinvest a similar amount in capability and process improvements to make us more effective.

We're approaching this work through four interconnected and phased streams of work. So moving from the top down, our areas of focus are, organisational design and cost removal, end-to-end process engineering, operating model optimization, and range efficiency and rationalisation. Together, these initiatives will help us remove structural cost. We will then reinvest in the areas that will create a more effective organisation and deliver most to our customers.

So starting with the green block, we've already started to simplify elements of our organisation and reduce costs across the business. We recently announced plans which removed about 8% of our gross salaried headcount, with of course an associated cost, which we're including as an adjusted item. Changes to our organisational design and other targeted third party cost removal will deliver annualised savings of around £40m by FY29.

We will also remove cost by reviewing processes end to end and designing them to be more effective. Traditionally, in a functionally designed organisation, we've solved for functional problems and made functional improvements, and now we're redesigning how workflows across the entire business. We're establishing a common end-to-end process architecture for Dunelm covering product lifecycle management, inventory management, stock flow, merchandising, trade operations, fulfilment and returns. We see opportunities to remove manual activity, to reduce process complexity, improve data quality, simplify and speed up decision making, and increase automation. And we expect this work to deliver annualised benefits of around £35m by FY29.

The blue blocks are focused on where we already have a strong track record of continuous improvement, particularly across our stores and supply chain. We will build on this and we will deploy targeted technology to unlock efficiency. This will include the deployment of RFID, which is currently in early rollout, to streamline store and logistics processes and improve stock accuracy and availability. We will also introduce better workforce management tools to improve labour deployment and scheduling. These initiatives are expected to deliver about £15m of annualised operating model benefits by the end of FY29.

And moving on to the bottom layer, customers expect choice from Dunelm, but complexity comes at a cost. And as you'll hear from Faye, our focus is not on reducing that feeling of choice, it's on ensuring that every product earns its place in the range, and that so-called complexity exists only where it creates genuine customer value. By rationalising SKU count in stores and removing a long tail of our least productive SKUs, we will free up to 25% of space, which we will then devote to more productive SKUs and to create more in-store inspiration. When we combine this with the opportunity to improve our stock disciplines, including processes around churn and clearance, we believe that we can deliver around £10m from these initiatives.

Our goal is straightforward, eliminate waste, improve productivity and create a better experience both for customers and colleagues. The results will be simpler, faster and a more productive organisation capable of supporting future growth without a proportional increase in cost. These plans will allow us to reinvest to create a sustainable capability, growth and efficiency over the next three years.

Over the years, we've always found productivity initiatives to help fund our investments, but this plan is bolder and we will save more and we will fully reinvest the savings over the next three years to support profitable and sustainable growth. As I've said, we are a highly cash generative business and we can fund the investment we need for our step up in growth through a combination of these save to invest plans and through prioritising investment for growth through capital allocation.

Over the period of the plan, and as we've always done, we will invest in incremental activity that will be recurring in nature. As John will describe in more detail, we will invest in deploying more strategic relationships across the business with fewer partners. As Laura will describe, we will reach more customers with a bigger, better stores estate, and we will invest in developing and improving organisational capability. For instance, in data and analytics. We would expect the incremental P&L cost of this to be in the region of £100m over the next three years. That is higher than our recent per annum run rate, which has been closer to £20m per annum, but funded by an equivalent amount from our cost out programme.

And over the next two years, deliberately focused within a bounded timeframe, we will also reinvest a total of £30m to £40m on non-recurring items. Because of their non-recurring characteristics, we will refer to these as adjusting items and we'll highlight their impact by excluding them from the adjusted performance of the business. We've developed clear guidelines and governance on how to identify costs of this nature. Adjusting items will include the restructuring costs associated with optimising our operating model, the temporary costs of delivering a clearly defined change programme, an investment in foundational technology to ensure we have a good platform from which to deliver our growth plans.

Our CapEx has varied over recent years depending on opportunities to invest. Our historic average investment has been just over £40m per annum and incremental CapEx over the three year plan period is expected to be around £125m. We will invest in store expansion plans to reach more customers, still with a disciplined approach to payback. And over the next two years, we have a plan to renew around 50 stores in our portfolio that are underperforming, and that we do not think provide our customers with the right retail experience nor do justice to our brand. And we are also working on plans to improve our supply chain infrastructure as we recognise that we will need more automation to improve operational efficiency and to deliver a better customer experience.

So this picture shows how we expect the shape and nature of CapEx deployed over the period, to evolve. You can see our planned investment in new stores, alongside a focus on renewals, and continued investment in technology. And in FY28 and 29, we would expect to invest in our supply chain infrastructure. We don't have detailed plans for the supply chain investment at this stage as we're still in discovery, but we are assuming investment after FY27. We will always be disciplined in our approach to investment, recognising that capital needs to be allocated to initiatives with different return characteristics. So for instance, we have strong new stores paybacks of around four years. We expect our renewals programme to reverse the decline of the targeted stores, and we currently estimate a payback of around three years on these stores.

So just to revert to a reminder of the returns picture, we're investing for long-term value whilst maintaining attractive returns. We're building a sustainably leaner, more effective business. Our investments are aimed at driving growth in returns, albeit with a slight moderation during a period of transition. In both PBT margin and ROCE, our returns compare very favourably in our sector. We expect an adjusted PBT margin of around 11% over the plan period with improved operating leverage, increasing PBT after year one. ROCE will remain strong over our investment phase at about 30%. These returns are expected to improve beyond the plan period.

I've spoken about capital allocation and I've set out our approach and priorities in more detail here. First, we will invest in the business for growth to capture the opportunity that Clo has described. Our investment plans are disciplined and developed with a focus both on operational outcomes and financial returns. We remain committed to distributing a growing ordinary annual dividend, given our strong cash flow generation, and our confidence in our business and its prospects. Our target net debt to EBITDA range will remain consistent at 0.2 to 0.6 times, and we will return any surplus cash to shareholders.

We've looked out over the next three years, so I'd now like to provide some near term guidance for FY27. Firstly, to note, FY27 will be a 53 week year, the last one was in FY22. We expect that we will continue to operate in an inflationary environment and we're assuming inflation of about 3% on our operating cost base. We're guiding to £25m to £30m of cost removal in the year contributing to our £100m three year target, and this cost removal will fund a similar amount of reinvestment for growth. We expect £30m to £40m of adjusting P&L items across the next two years. These are primarily cash investments that support our growth plan and are non-recurring after that two year period. The investments in FY27 relate mainly to restructuring costs, the cost of running a change programme, and foundational systems investment. We expect adjusted PBT to be broadly in line with FY26. As usual, we expect our effective tax rate to be 50 to 100 basis points above the headline rate of corporation tax, and we expect working capital to be broadly neutral. We're guiding to CapEx and FY27 of £60m to £70m, reflecting the plans we've set out for investment primarily in our store state. We have significant store activity planned for FY27, up to 10 new store openings, and we will deliver up to 30 store renewals focused on underperforming stores. We will also continue with our regular programme of maintenance and refits, and we expect our net debt to EBITDA ratio to be within our target range of 0.2 to 0.6 times.

So before I hand over, I will recap on the key elements of our financial plan. This is a plan to grow our top line at a rate of mid to high single digit by FY29. Our profitability will remain at attractive levels even through this period of investment. We expect an adjusted PBT margin of around 11%. We will prioritise investment for growth, and our plan will be funded through savings initiatives and for cash generated by the business. We will retain our target leverage of 0.2 to 0.6 times net debt to EBITDA. Our ROCE will be around 30% over the plan period, and we are very confident that this is the right plan for Dunelm.

Q&A

Clo Moriarty: Thank you for storing up all of your questions for this session. In the background, we are going to leave the key summary of what I hope you've really got to understand over the last couple of hours. Which is about our ambition to return to mid to high level growth across our business, to deliver that adjusted PBT margin of around 11%, to stay within our range for our capital allocation, where we have a very clear policy, And to deliver those returns, we do believe that a 30% ROCE in retail is a very strong set of returns. But we are passionate about winning hearts and homes, the three growth engines and of course, we really hope it has come through, but our desire to be customer first, and to lead with customer obsession is how we think we're going to be able to unlock this.

So with that in mind, we are very happy to take your questions.

John Stevenson: John Stevenson at a Peel Hunt. I'll go with two to kick us off. So you've given a few hints of the numbers around thinking about the refits and talked about the uplift, for around 40% of the CapEx, I think, in terms of renewal versus a refit. Can you finish that off for us? So what does a renewal CapEx look like versus a full refit?

And in your experience today, and I appreciate it's really early, but what sort of uplift have you seen on St. Albans and how does that compare to the two or three renewals you've done already? I appreciate we're not going to extrapolate this, but just to get a sense of the detail behind it.

And then second question just on the store space allocations. I think there's about 30,000 SKUs in a store now. Is that coming down? Are you creating more space? What does a store look like in terms of its stock density and how do you think about what the store is going to look like?

Clo Moriarty: All right, thanks a million, John. So why don't I start with just the renewals and refits and I'll hand over then to Karen before maybe Faye, you can pick up the in-store range changes that we're anticipating.

So firstly, there are two parts when we're looking at our existing estate. The first are refits. There's a handful of refits that we'll continue to have over the course of the plan. And that's an example like St. Albans. And what we're seeing in St. Albans is that high single digit growth. That's as a result of the flow, the navigation, the change in what the offering experience is.

The wider group of stores are what we're calling renewals, and there are 30 of those renewals in FY27 and then further 20 in FY28. Those are the stores where we believe there's value leakage. And you're talking about a couple of hundred thousand of investment in those stores to ensure they move from what we would say is brand diminishing to brand enhancing. That is all about fabric, flow, fittings, any other F words you can add in there. But that's what we're doing in those stores. So you'll get quite different returns, where one is looking to enhance an already strongly performing store, and the other is to bring a value leakage store to a level that we feel really proud of.

Karen Witts: I think you've actually answered the numbers question as well. I mean, the refits come in many shapes and sizes from something which is more akin to a bit of maintenance right up to something much, much fuller like a St. Albans. And those full ones can actually be quite expensive in terms of CapEx, but confident in a quick return. I think what's keeping the cost down relatively on the renewals, is as Clo and Laura said earlier, we're not trying to move space. We're not taking something from a downstairs up to an upstairs. We're focused on the fittings, the flow and fabric off the walls.

Faye Atkins: Yeah. So regarding the SKU question, we are expecting to reduce some level of SKUs within some of our stores, but we are testing that over the course of the first year of the plan, because we want to make sure that what we see on the spreadsheets is then what happens in real life, as a result of that.

The other thing to say is obviously it links a lot with our end-to-end stock flow and our store operating model as well, because what we want is the stock flow in turn to be faster. And then also it links to the digital experience. So we might be taking SKUs out, but we'll be then enhancing how the customer sees our digital touch points and understands our home delivery proposition, our click and collect propositions as part of that. And then regarding stock density, we're always trying to optimise inventory and that is part of the plan.

Richard Taylor: Richard Taylor from Barclays. Two questions please. Firstly, on the CapEx slide, there's the green bar, which is a pretty big one. And I know you say it's sort of discovery, I believe in relation to automation. But can you outline some of your thoughts on potential efficiencies there please?

And I appreciate this is a three year plan, but if we were to put this on one year forward, will that investment and supply chain fall out, or do you think it would sort of continue beyond this three year plan?

And then secondly, just a question on the distribution to shareholders. You're very clear that you want to stay in the capital allocation range of 0.2 to 0.6 time, but in recent years you have been towards the lower end of that range. So how do you think about potentially rewarding shareholders through the investment phase? Would you be willing to move more to the middle end of that range during investment, or would that depend on how the revenue performance was delivering over that period? Thank you.

Clo Moriarty: Thanks Richard. Karen.

Karen Witts: Yeah, sure. So in terms of the CapEx, I do think we have spoken previously about the fact that we are not very automated at all in our distribution centres. A few of you will actually have walked around them and we are still using some very manual processes, and partly that's a function of the kind of shape of the products that we are sending through the distribution centres, we're not sending out nice neat little boxes. But more and more we see that there are automation solutions, and we feel ready to invest in that automation, not least of all because we're going to be a bigger business, we'll have much more throughput. And we also know that as you automate, you get efficiency improvements and the efficiency improvements are not just good for our P&L, but they're really good for the end-to-end customer experience. So that is kind of the rationale for the network automation.

We've done a lot of research into it. We know what others have done. We know what probably will suit us best, but we are in discovery phase because this would be a significant amount of CapEx. It will be bounded though, because once the automation is in place, of course there will be ongoing running costs of the new machinery that we've got in place, but automation can take out some labour costs. So I would expect that green bar, if not to disappear completely, but to be very significantly reduced after the end of FY29.

And if I just also pick up on the net debt to EBITDA range, the 0.2 to 0.6 times. We've ended FY26 at 0.3 times. So absolutely to your point, close to the bottom of that range. But the fact that we've got a range gives us optionality. It does mean that where we see good opportunities for investment than we can invest. It does mean that we can be thoughtful about distributions to shareholders. Now, we believe that we have put all the investment that we need into the plans that we have presented today over the next three years. And we've also set out that we are still thinking about shareholders' ongoing requirements and that's why we're very committed to an attractive ongoing annual ordinary dividend.

David Hughes: Hi, David Hughes from Shore Capital. Couple of questions from me, please. First of all, on the space in store, you talk about reducing the space by about 25% or freeing that up. What would be the plans to use that? Is that a case of merchandising and insets like you see at the Kingston store to bring to life or are there any other plans for use of the excess space?

And then secondly, in terms of the targets of mid to high single digit growth and a profit margin of around 11%, in a world where you're seeing kind of tougher consumer environment or things aren't going as well as perhaps we all hope, what's the tension between those two, and that £100m saved? Is there a world where some of that goes to support the margin at the expense of growth or is growth the most important thing and you'd be more willing to take a hit on the margin side?

Clo Moriarty: Great. Thanks David. So if we start with the use of space in store, I think Faye, I will come to you in a moment, but what we're thinking about is ensuring that our spaces become much more shoppable. So if you spend time in our Kingston store or if you spend time in our St. Albans store, you will see that it is much easier to see the breadth and depth of our products and much easier to shop by mission. So much more of these home spaces curated in this way, which are working exceptionally well for us. That is one of the priority elements. The other element though, it comes back to the role of categories and understanding what are those destination categories, where we need to extend those, and where are those high value categories. So Faye, anything else you wanted to pick up on specific role of category within stores?

Faye Atkins: Yeah, I think that point's really important. So yes, whilst the inspiration will be a key element of it, it's not only going to be used for that. There are some categories where we feel like we've got opportunity to increase the range more in some categories into the stores as well. So what we've learned from our digital sales, for example, how we can then apply that differently and where we really want to deliver destination status in authority categories, we know that the store experience as part of that is really important.

Clo Moriarty: And then I guess specifically coming back to your mid to high single digit, and probably Karen and I will tag team and Laura, feel free to jump in with the customer lens. What we are sharing today are some of the early evidence points of how you can get that mid to high single digit growth by changing either the flow in store, like our example of plain dye bedding or by changing the good, better, best architecture per the pans example. So on both of those, you're seeing mid to high in the pans, and already double digit in the plain dye. And then when you couple that with increasingly more and more customers shopping using our app, and the 40% uplift that we see in that space, we've already got almost three quarters of a million of our customers on the app and we expect that to continue to grow.

So it's clear from those data points that the demand and the appetite is there. Our job of work is to scale that quickly so we can capture maximum demand.

Karen Witts: I don't actually see that there necessarily has to be a tension between those two things, David, because this is a customer first plan and we've tried to demonstrate just how much of that customer we are leaving on the table at the moment, that's 80% of the wallet that they're not spending with us. So by executing on the plans that we've laid out, we feel confident that we will get the growth and efficiency is also good for the customer. So some of the things that we have talked about actually, they take out the friction points in our processes. We are really focusing on end-to-end processes because that's where you see those friction points. So if we give better customer service, that's self-reinforcing, which also is kind of looping back into the top line. And I also think it is important to say that we do think that we have put into this plan with the assumption that we will deliver around about 11% PBT margin over the plan period. That does include the stuff that we need to spend and what we need to save.

Clo Moriarty: Before we move on, is there anything else, Laura, that you'd want to add from the fact that we're specialist with universal appeal and hence operating across all the tiers?

Laura Harricks: Yeah. I think the thing that gives me encouragement on this one is the fact that we're such a fragmented market. And when I look at the customer base, just under half of our customers only come in once a year. It's not beyond the wit of man to say, actually by improving our customer proposition, how it shows up that you can actually do that better. So I look at it and I think that there's bits of value growth across the full chain. Yeah.

Georgina Johanan: Hi, it's Georgina Johanan from JP Morgan. Just two questions and then two very quick ones if that's all right please.

The first one was just with regards to the renewals. Obviously it's meaningful, I think it's 15% of the store portfolio this year, and also what you're going to be doing around the freeing up of the 25% space, just in terms of any disruption to sales that we should be building into our models near term for that please.

And then sort of thinking about the sales uplifts that you're hoping to drive more broadly, if you have any multi-year examples that you could share so we can have confidence that it's not just like a one year step up and done.

And then just the two quick ones was at the end of the plan, assuming all goes well and the consumer environment is benign, let's say, fingers crossed, where would you see the FY30 CapEx level and where would you expect the FY30 PBT margin to land in round numbers please?

Thank you.

Clo Moriarty: Right. So let me take the renewals question and Karen, then we'll tag team on both what we've seen from an experience point of view and then equally a longer term outlook. On those renewals, we've already got three under our belt and we've now got a very tried and tested route of being able to get in and out very effectively, whether that is whilst the store is closed, early doors or overnight or making some key changes during the day. And we are not seeing any levels of disruption, where there is maybe over the course of the week, it rebounds very, very fast. So very comfortable when you're looking at 15% of our state or overall kind of the 25% that we can do this effectively whilst engaging our customers sharing it's going to be a better end state without disrupting their trading patterns.

Karen?

Karen Witts: Yeah. And any disruption that we might assume is already built into our appraisal. So we've got that included in our payback model. Just in terms of the CapEx, I think it's the same answer to Richard's question, which is we do expect after FY29 that we will have completed the network automation programme. So the green block will largely go away.

What happens to the blocks associated with tech, new stores and refits? I think we will continue with a regular drumbeat of those and we will look for opportunities. I mean, I think if we saw some great opportunities to spend a bit more and we're confident in the return on investment, then I think that would be viewed as a good idea.

On the page after the CapEx graphs, we've actually shown a schematic. This is not a forecast, it's just a schematic of what could happen at the end of the plan period in terms of the PBT margin.

You might have noticed that threaded through our presentations, we are talking about sustainability and leverage. And when we get to a consistent level of mid to high single digit top line growth, that provides a lot of operating leverage. If you put that in the context of some of our investment is likely to moderate, then you can see how that picture could emerge.

Ben Hunt: Hi there. Ben Hunt from Panmure Liberum. Over the years, you've grown digital, your penetration up to quite a high level in the 40s. Some would say that's quite high generally. You're asking for or you're expecting more online growth and you're also expecting more store growth. But I wonder in those building blocks to get to that sort of mid to high single digit, how much contingency you've actually built in for the potential for store cannibalisation.

Clo Moriarty: Okay. Well, let's maybe talk about the full benefit of both in-store and physical with Laura. But in terms of cannibalisation, when we looked at those physical sites and we see a hundred of those sites that we can go after, we've also looked. I mean, that list would have been significantly longer, Ben, if we weren't accounting for cannibalisation. So that list is a post-cannibalisation review. So I think we've considered that as we think about our target areas to go after. And in the spirit of, is there more growth to be had, I guess following from your breakout?

Laura Harricks: Yes. I mean, I hope it's clear in the breakout that we consider that there's both growth through the store and also connecting them. I think it's really interesting the interdependency that they play. So if you think about a click and collect order, it's taken online but fulfilled in store. So the more that you can actually drive your store network, you grow your click and collect business. The opposite is also true, which is our MPOS, which is our colleagues in store who are selling some of those higher ticket item products on the tablet. So as we build those destination status, they're taking those orders in store and then they're being filled by a home delivery network. So there's such synchronicity between having this omnichannel experience that actually gives us confidence that the sum of the parts is greater than the whole. And I think the really interesting thing from some of our new store openings is we're not seeing cannibalisation. Actually, we are seeing that there's a halo in online sales because actually you're getting more of that awareness in that catchment area. You're getting the physical and mental availability in someone's head that's on their radar and that's leading to a bit more of a digital halo across them.

Ben Hunt: Renewals. I think you actually said that there was a difference of 8% from the top to the bottom of like for like performance over a number of years. Is there any way you can maybe frame it in terms of what's the actual difference in sales densities between the top performing stores and those 50 renewals or just some form of qualitative view of it?

Karen Witts: We haven't really disclosed any of that before, but I think that eight percentage point range is really what we are focused on, actually moving the bottom up to the top. The step one of that though is to actually make sure that we don't have what everyone's referring to as the value leakage. So stop the value leakage and then move up the scale.

Anne Critchlow: Thanks. It's Anne Critchlow from Berenberg. I've got two questions please. The first one's on the white space, and I think historically

Dunelm had an idea that 220 superstores might be capacity in the UK, and I think you've got about 190 locations now. So I'm just wondering where the incremental 70 come from and whether some of them might be small urban concept stores. And if not, where do you see the small urban concept stores fitting into your strategy now?

And then the second question is really just on the £100m of cost-out. I'm just wondering how much of that might have happened anyway, for example, with self-checkout.

Clo Moriarty: Okay. Well, let me take the first one and then I'll pass to Karen for the other. So in terms of where do we see it coming from, we've researched where our customers are telling us they need a Dunelm, and equally where we see unmet demand. And as a result of that, there are three main parts of the UK that we can see we're under penetrated on, and that is Northern Ireland, Scotland, and London and the Southeast. But you're absolutely spot on. This is not a game of rolling out up to 10 new superstores every year. We will look at some of the London infills. We will have more of those local stores, which are closer to the 15 to 20,000 square foot, as well as peppering it with the larger superstores. And the way we're really comfortable with that now is because we're connecting more of the physical and the digital.

So if you take our Kingston store or the St. Albans store, both of those, one is slightly above 10% in the store enabled sales, one is slightly below 10%. That's a very high proportion where our store is acting as another shop window for digital sales. So that's how we're balancing it, changing the formats, understanding where we're under penetrated and then maintaining our discipline.

Karen Witts: Yeah. So just in terms of the £100m of cost out, and if we would have done it anyway. I think we would have done some of this undoubtedly because we've always been looking for productivities to help to offset inflation and our investment requirements. But I think what is really neat about this plan that we've got is how interconnected it is and how it has moved from being functionally driven to being end to end. So we've been very successful being a very functionally organised organisation, but now as we're looking even more deeply into our cost base and how we show up for customers and where the pain points are, we see that we have to actually look end to end. And so I think there are some opportunities that we wouldn't have picked up in the same way as we're picking up now.

So I think we would have picked up self-serve checkouts. Would we then have linked the self-serve checkouts, with, actually, maybe we could do with a labour scheduling tool, and a labour scheduling tool which helps to take advantage of the labour we're releasing from tills, actually, we could put that into our supply chain and logistics operations as well. We might not have thought about that. And as we are taking hours out of our activities, then we need to be thinking about how those hours flow through from the operation, for instance, in our distribution centres, to the way that delivery is turned up at a store. So sorry, that's a bit granular and detailed, but by thinking about end to end, I think that we wouldn't have got to all of this, without thinking.

Clo Moriarty: If you're really seeing it in the tech space, moving away from the point solutions to the connected.

John Gahagan : That's really what sits behind the move we've made into more of a platform based architecture. So some of the examples Karen's provided, we can scale solutions across more than one function. And secondly, by bringing in a platform, you cover more of the process. So we're actually thinking end-to-end process and not just about that individual opportunity.

Tim Ramskill: Thank you. It's Tim Ramskill from Bank of America. I'll tackle a couple of areas, please. One, just in terms of your thoughts around the acceleration and growth to the mid to high single digit. Obviously you said you've been disappointed with the growth rates recently, so how quickly do you think some of the actions you're taking can start to bear the fruit?

And then sort of related to that, I guess you have certainly enjoyed over the company's history, a point where others have conceded share, others have exited the market, and perhaps just your thoughts on what needs to happen in the marketplace to achieve what you're looking to do.

And then around margins, I'll make I guess a few observations I've picked up from this morning, but you're pretty clear that thinking about the trading calendar is kind of broadly margin neutral, I would kind of say, but obviously you did have gross margins down in the second half of the year just reported.

Then you've got the kind of focus on own brand, which I would imagine is gross margin positive. And then you've got the CapEx spend, so I'm imagining that D&A is going to go up. So just some thoughts, maybe Karen can help us here just a little bit just to sort of think about the moving parts within the profit bridge going forwards. Thanks.

Clo Moriarty: Okay. There's a lot nested in there, Tim. Thanks very much. So let's maybe start in the middle. What needs to happen in this environment for us to feel really confident that we can deliver against it? So we are a specialist with universal appeal, and that means whilst many parts of this fragmented business or fragmented market are focused on certain customers, we believe we're well placed to be able to deliver for all. So whether that is at the discounted range where we've got a very strong entry price point solution and value equation, or at the higher end of the tiers where we're looking at full premium end state solutions, equally when you're looking at our pure play players who are definitely active in the market, but the one thing we know about homeware's customers is they do want to see, touch, feel, and smell and therefore that's a critical advantage that we play.

And whilst of course the grocers do have the footfall, what they don't have is the range and offer that we have. So even though we have got different players playing in different quadrants, we are well placed to be able to serve all our customers. And it's why the chart that I shared is so important when we look at the customer landscape, because we're able to understand what our different segments want and ensure we can dial up or dial down those experience depending on what's going to create the most value. If I hand over to Karen, do you want to share the profit bridge and the building blocks?

Karen Witts: Yes. So I think the profit bridge simplistically really relates to what we said in the presentation about removing our least productive costs and putting in investment, which we think will benefit both our sales line and our operating efficiency. On the gross margin specifically, we actually stopped guiding to gross margin. That doesn't mean we don't think that we will have an ongoing very strong gross margin. I think we do, but we like to have some optionality in that gross margin. And what this plan isn't, it is not a whole scale investment in price, which would take that gross margin down. You're right, there are moving parts within that around the leverage that we can get from one brand. So we will continue to be really disciplined around our gross margin. It has moved in corridors over time, but always very strong. And we want to be able to give the customers what they need as well as managing the input costs that go into that gross margin.

And then the things that we are doing from a productivity perspective will be seen both in the top line and through the various elements of our cost line, which we are likely to continue to show in terms of volume, inflation, investment and productivity, but pulling out some of the specific lines that we've talked about.

Clo Moriarty: And then specifically on your point around the acceleration through the plan. Yes, this is a three-year plan, but it doesn't all happen in FY29. So we are expecting to be dropping that value through the course of the plan. And if we think very specifically about this year, of the up to 10 stores that we're looking to open, we've already got 4 that are legally committed and a further 4 that are very close to that. When we look at moving from value leakage stores to value creating stores, we've got 30 in the plan to do this year. And as we noted, as we move those, there's minimal disruption, and we have gone from a place where we didn't have a customer facing app for iOS and Android until February of this year, and we now have almost 750,000 customers active on that. So we can see those building blocks starting to come into place.

And I don't know, Faye, if you want to just note on the trading calendar without divulging anything that might be competitively disadvantaged to us.

Faye Atkins: Yeah. So I think the trading calendar's a really interesting one because as I said, it's not just about discounting, it's about showing up for all of the moments in which a customer needs homewares or furniture in their lives over the course of the calendar year. And I think we can be much more relevant across that calendar year to drive more volume and frequency into full price as well as supporting with discounts. So I do think that the trading calendar represents a great opportunity for us and isn't margin dilutive.

Yashraj Rajani: Thank you. Yashraj Rajani, UBS. So two questions please. The first one is on your supplier base. How concentrated is it at this point in time? And along with the SKU reduction, going deeper into SKUs that do well and rationalising the supplier base, like the combination of all of those three, what is the gross margin uplift that you're expecting? So that's the first one.

The second one is just to follow up on the trading calendar, please. So can you give us an idea of what the full price sales are at the moment and what range would you like it to go to and how are you going to balance teaching customers to trade on discounts versus also making sure that they buy on full price? Thank you.

Clo Moriarty: Okay. So we won't be sharing the balance of full price sales versus discount sales, but very happy to talk about how we're addressing that with our customer base. But first and foremost, can I just talk to the supplier point? We have a number of very dedicated suppliers that work with us across product. And those suppliers have actually co-created much of this product plan with us. We work really closely together. So when we talk about reducing our supply base, that is very much in the tech space where we have a proliferation of suppliers and partners right now and we see an opportunity to work with fewer bigger partners to accelerate our outcomes. So just point of clarity there, our dedicated suppliers that we work with day in, day out from a product standpoint will remain hand in glove. But did you want to pick up on there for how they're feeling about this plan and how rationalisation for them is not a concern, it's an opportunity?

Faye Atkins: As Clo mentioned, we work in close partnership with our product suppliers and they have been through all of these plans. We've been through that together. And they are equally excited about the sort of benefits this creates both from the omnichannel space, but also the productivity of SKU rationalisation because actually they can see the benefit of really elevating the quality, elevating the value perception, and then making sure that what's efficient for customers is efficient for us and also efficient for them. So we see that as win-win across us and our supplier partners.

Clo Moriarty: And anything else you wanted to add on trading calendar? No is okay.

Faye Atkins: No, I don't think so.

Clo Moriarty: Thank you.

Kate Calvert: Morning. Kate Calvert from Investec. Just a couple from me. How long do you think it will take you to get around your categories and remove the duplication product? Is that something you could complete within a year with the natural sort of buying schedule that you go through?

Second question is, as part of your product plan, because I'm slightly interested in that one, are you looking to do more innovation drops throughout the year to create more excitement within the store as that calendar changes?

And the final question is just on what is the opportunity to take working capital out of the business, particularly as you're reducing the drop and what's your thoughts on improving stock turn? How much can you improve it by?

Clo Moriarty: Okay. Thanks Kate. So I think just starting, when we were sharing some of our early insights in February, we already talked about the opportunity to rationalise some of the sub-brands. So that is already well underway when we think about things like Churchgate or Elements. But in terms of the specifics of rolling through, Faye, do you want to just give confidence over the speed that we can do that at?

Faye Atkins: Yeah, sure. And obviously we do a lot of our product development in-house, so we can target categories through our seasonal cycles. The reality is the product life cycle is 6 to 9 months of development. So it will take us the course of this plan to be able to touch every single category. And obviously it will be iterative. So even though we do one category, it won't be finished because there'll be learnings from that and then we'll be feeding that back into the product cycle. So were we ever going to be completely done? No, but we expect by the end of this plan to have made great progress through many of our categories.

Clo Moriarty: And we're not holding back on innovation, right?

Faye Atkins: No. And I think that's a really critical component because actually we want to be able to show new innovations more regularly to customers and be able to use our customer calendar, our trading calendar to be able to do that.

Karen Witts: On working capital, I think this is, as I've said, a very interconnected plan. There is nothing that we'll be trying to do to not optimise the working capital. And there's quite a few areas that we are going to be focusing on that should have working capital benefit. I mean, just thinking about automation in the network, SKU rationalisation, RFID, bringing process to systems and the teams having new tools. So once we've got all those into our system, then we'll start to see what happens on the working capital front. I am sure there is improvement to be made there.

Manjari Dhar: Thank you. It's Manjari Dhar, RBC. I also had two questions if I may. My first question is on the white space plans. How much visibility do you have on the pipeline for stores over the next three years? And I guess if you were to do the maximum 10 a year, you'd still have 70 stores in that opportunity. What's the timeline for those 70 opportunities?

And then my second question was around marketing. I guess you've outlined a number of customer facing changes. How do you ensure that those infrequent shoppers that you talked about, how do you ensure they see it and they come in? Is there a marketing cost element of this part?

Clo Moriarty: Okay. Do you want to start with the marketing, Laura?

Laura Harricks: Yes, definitely. So what we are looking at is understanding a couple of elements, which is what in the customers who love us, what do they love about us? What do our infrequent customers think about us and what do the consumers who don't shop with us think about us? And by looking at those barriers to consideration, you start then actually thinking about how Dunelm needs to show up in order to tackle them. And we consider our social channels in to be one of the best channels that we can do this. So when I look at some of the stats on us, we are known, so we've got really good high awareness where we tend to fall down a little bit versus benchmark is in consideration. And so this is really key for us. We need to take those barriers to consideration and actually be more targeted at how we do that.

And when we look across some of the perceptions, it's about how do we tell the special story of Dunelm, that you can get this magic trio together, which it's the destination for really good value products, that are really stylish with good quality, and you stitch that. So oftentimes in markets you see kind of a high low behaviour and we are proudly in the middle and that's the value equation we need to be telling to customers. And so we're very, yes, you're absolutely right. There's a marketing focus here on addressing barriers to consideration and how do we tell this story of what Dunelm is.

Clo Moriarty: And on the second point, we broadly have a 12 month rolling view of likelihood, but very often we are in the hands of planners. So therefore that is why we look at a hundred locations rather than focusing on 30 locations to ensure that we're keeping our eyes open for anywhere where we know that we can open without cannibalisation, but also ensure that if something gets in the way because of scarcity or because of planning, that we have alternatives. Thank you.

Georgina Johanan: Hi, this is Georgina from JP Morgan again. Just while we have the broader team here, just take the opportunity to ask a question on agentic commerce and GEO, if that's all right, please. And just interested to know what proportion of your traffic is coming from that at the moment, how that's evolved. And then also, obviously we're all sort of in a learning phase or I should speak for myself, I'm in a learning phase at the moment. When we think about say the two or three key things and competencies that you need to have in place to ensure that you are getting that traffic from GEO, what's the switch from SEO? What do you need to change from SEO to GEO, please?

Clo Moriarty: Well, Laura.

Laura Harricks: Yeah. So I think when it comes to agentic and GEO, you need to think about it in two ways because you need to think about how often the bots from the LLMs are actually indexing your site versus then there's another element which is how much direct traffic. So you're looking at two things when it comes to GEO. We track how often LLM bots actually are indexing Dunelm because that for us is a visibility element, so we're looking at which sites are tracking us on which pages and how they're crawling us. So that's kind of like how are you showing up and how frequently and what volume are you showing up in those.

When it then comes to what's the direct traffic that's coming to you, it's still within the industry quite small, but you have to take an account that actually you're being involved in an upper funnel research phase as well. So most retailers will be having low single digit traffic that's coming from LLMs, but I think that's the thing that we know is that this is the forefront of change and you have to adapt right now or be left behind.

And then we're pretty clear on the three things that we need to be enabled for optimising for GEO, the first one is your data. It has to be accurate, rich, structured, and in a way that is really easily consumable by LLMs. So you don't want anything blocking your ability to be indexed and you can actually also build in integrations with LLMs as they're now taking product feeds. So getting closer to LLMs for your product feed and making sure that that quality information is problem number one, or the thing you've got to go after first.

The next bit is the nature of search has changed and you will have heard this broader within the market, you're no longer at the lower funnel, you are more in the broader funnel, upper funnel. So, you need to move from content that is optimised around how to sell a sofa into actually, I want to update my living room. So you need to move as a retailer, we need to move from optimising for just alone for how to measure up curtains or how to choose your curtains. We need to be like, “where do I even start? I want to change something in my living room”. So you need the onus is on us to actually change to be mission based content generation so that we are being consumed earlier on by LLMs within this purchasing journey.

And then the third one is our focus on LLMs not being transaction able now, but you can see a pathway into the future. So as you're starting to think about everything on your business being API driven and integrable with other LLMs, we need to be thinking about how we can transact out of our own ecosystem.

And so those are the kind of, I would say, three pillars that you need to enable to move from SEO into GEO, but happy to have further conversations. I think that was it.

Clo Moriarty: Did we have any other questions in the room?

Benjamin Yokyong-Zoega: Okay. Thanks. Benjamin Yokyong-Zoega from Deutsche Bank. Just one on the white space opportunity. I noticed on the map it was mainly focused on London and Ireland wasn't included. I'm just wondering what kind of opportunities you see there post acquisition of Home Focus.

And a second small one, if I may, just on marketing, does the uptake of the app change how you can approach promotional periods now? And just any update on what you're thinking would be helpful.

Clo Moriarty: Thanks. Okay. So I guess thanks very much. So two rapid fire answers on those. Yes, absolutely. We continue to see a very strong opportunity in London and the Southeast. You see it on the map, you see it in what we've done in Wandsworth last year and with Kingston, and we're going to continue to keep pushing there. So that is kind of asked and answered. And then in terms of Ireland, the reason actually we didn't have it on there is because a lot of what we've shared today is about the opportunity that's in the UK, right? It's still early days in Ireland, but we are spending a significant amount of time, there really understanding the proposition. The really neat thing about the Irish proposition, because bearing in mind, it's still a £1 billion homewares market, and we definitely want more of that. But most of our stores there, as they transition from Hickeys to Home Focus and now Dunelm, they're smaller format stores. So that's an amazing test bed for us to be able to really learn how we get effective small stores with our proposition. And as we improve them there, we'll equally be able to roll those back across the UK. Specifically on the marketing point?

Laura Harricks: Sure. App is fantastic because it opens up an entirely new marketing channel for us with push notifications. And from a customer perspective, you're more likely to open and engage and click through with a push notification than say you are with SMS or email. So the app and scaling our monthly average users on the app is really key, because it opens up a new communication channel. And I think you're right. It also then enables us to think about how can we use it effectively throughout the year in terms of capabilities. So we definitely have on the capability pipeline, thinking about things like early access and things like that. What can we do to build capabilities into app that gives a value exchange for our customers to build up that base? And then once you've got them, you can have that more direct relationship with them.

Clo Moriarty: Okay. So if you will bear with me, we'll happily take any of the other questions you may have offline, but just out of respect for everyone who has given so much of their time, we really, really appreciate it. Thank you for joining us. Thank you for your interest and we look forward to following up with you all in due course. Thanks a million.