



Dunelm
The Home of Homes

Interim results FY24

14 February 2024

Interim results FY24

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Introduction

Nick Wilkinson
CEO

H1 highlights

4.5%

Total sales growth

+50bps

Market share growth¹

+4.2%

Active customers growth²

+160bps

Gross margin growth

£123m

FY23 H1: £117m

Profit before tax

£91m

FY23 H1: £102m

Free cash flow³

16p

FY23: 15p

Interim dividend per share

35p

Special dividend per share

¹ GlobalData UK combined homewares and furniture markets, excluding kitchen and bathroom furniture. Market share for the period January 2023 to December 2023 was 7.6%

² Active customers are those who have shopped with us at least once in a 12-month period. Growth in the 12 months to December 2023 compared to the previous 12 months. Management estimates using Barclays data

³ Free cash flow is defined as net cash generated from operating activities less capex (net of disposals), net interest paid (including leases) and loan transaction costs, and repayment of principal element of lease liabilities



Continuing to deliver strongly

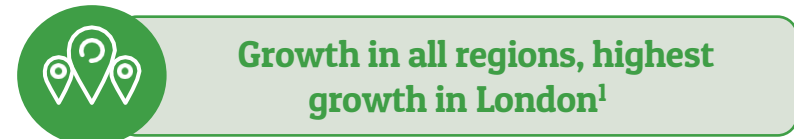
Trading well in a tough environment...

- Outperforming in a challenging market
- Volume and sales growth, through outstanding value
- Broad pricing architecture and promotional discipline
- Strong operational grip on input costs and inventory



...while increasing our broad appeal

- Growing market share across an expanding home offer
- Driving sustainable growth through focused investment in our proposition
- Growing frequency and attracting new customers:



¹ Active customers are those who have shopped with us at least once in a 12-month period. Growth in the 12 months to December 2023 compared to the previous 12 months. Management estimates using Barclays data



Financial review

Karen Witts
CFO

Financial summary

	H1 FY24	H1 FY23	YoY
Sales	£872.5m	£835.0m	+4.5%
Gross margin	52.7%	51.1%	+160 bps
Operating cost % sales	38.1%	36.6%	+150 bps
Profit before tax	£123.0m	£117.4m	+4.8%
Diluted earnings per share	44.6p	45.8p	-2.6%
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Free cash flow ¹	£91.1m	£102.1m	-£11.0m
Net cash ²	£6.2m	£18.2m	-£12.0m
Interim dividend	16p	15p	+6.7%
Special dividend	35p	40p	n/a

¹ Free cash flow is defined as net cash generated from operating activities less capex (net of disposals), net interest paid (including leases) and loan transaction costs, and repayment of principal element of lease liabilities

² Excluding lease liabilities



Strong sales growth in a volatile environment

	H1 FY24	H1 FY23	YoY
Total sales	£872.5m	£835.0m	+4.5%
Digital % total sales ¹	36%	34%	+2ppts

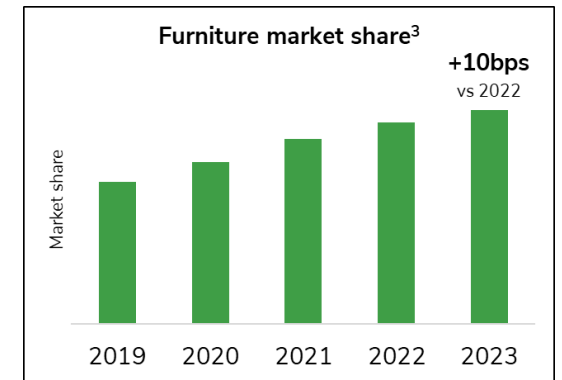
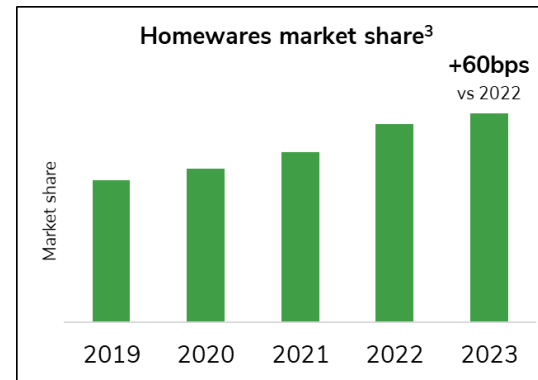
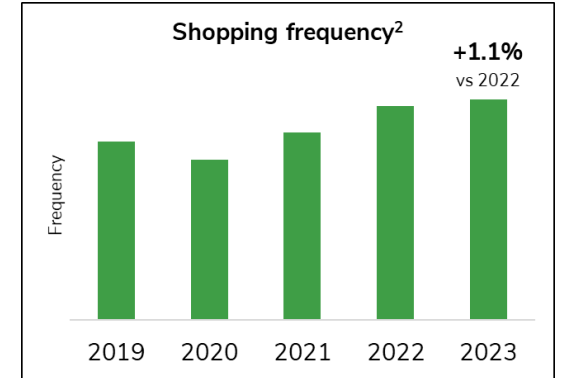
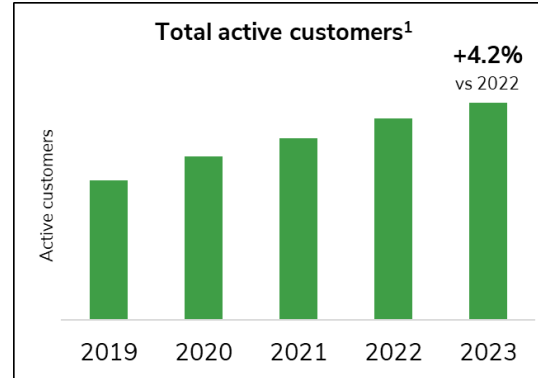
- Strong sales growth, driven by volume
- Broad based growth across our channels and categories:
 - Offered outstanding value and relevant products
 - Continued to develop our product mastery; customers responding well to improved ranges in categories such as cook and dine and furniture
 - Expanded our curated range, particularly through new online SKUs
- 2ppt increase in digital mix driven by continuous enhancements to dunelm.com

¹ Digital includes home delivery, Click & Collect and tablet-based sales in store



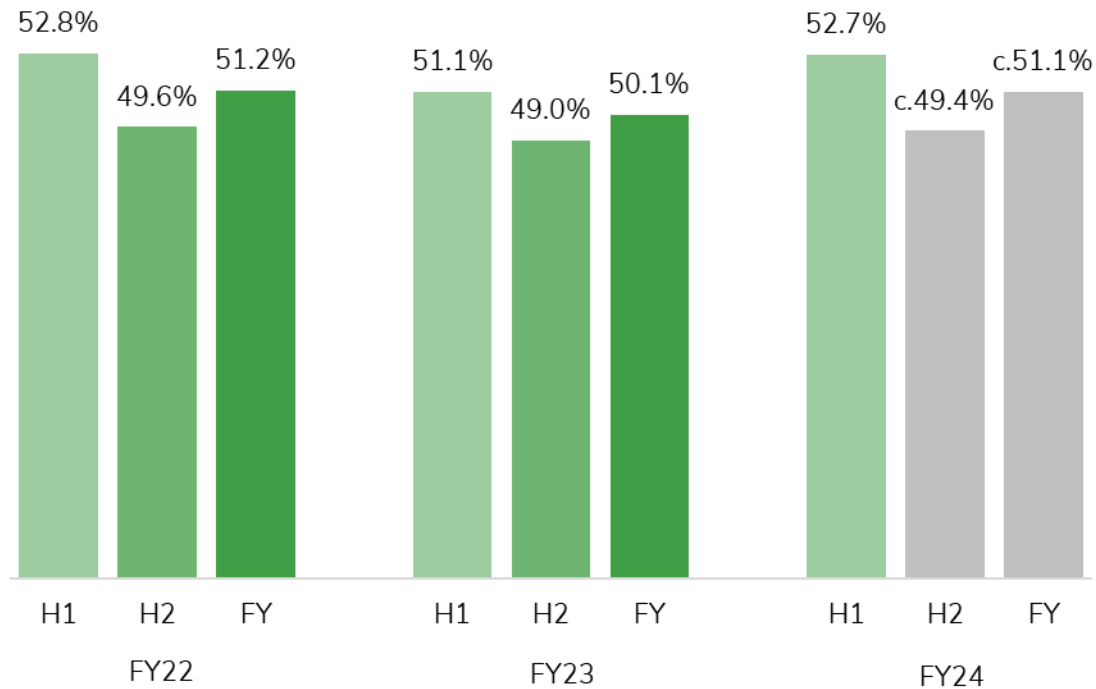
Active customer growth and market share gains

- Continued good growth in active customer numbers¹
- Growth in all locations, age groups and incomes <£100k¹
- Shopping frequency increased by a further 1.1%²
- Further market share gains in a broadly flat market³:
 - Share in the combined homewares and furniture markets increased by 50bps
 - Increased share in both homewares and furniture
- Disclosure of combined market share only from September



¹ Active customers are those who have shopped with us at least once in a 12-month period. Growth in the 12 months to December 2023 compared to the previous 12 months. Management estimates using Barclays data
² Growth in number of visits per retained customer in the 12 months to December 2023. Retained customers defined as those who have shopped with Dunelm in both the reported calendar year and previous calendar year.
Source: Barclays
³ GlobalData UK homewares and furniture markets, January 2023 to December 2023. Furniture excludes kitchen and bathroom furniture

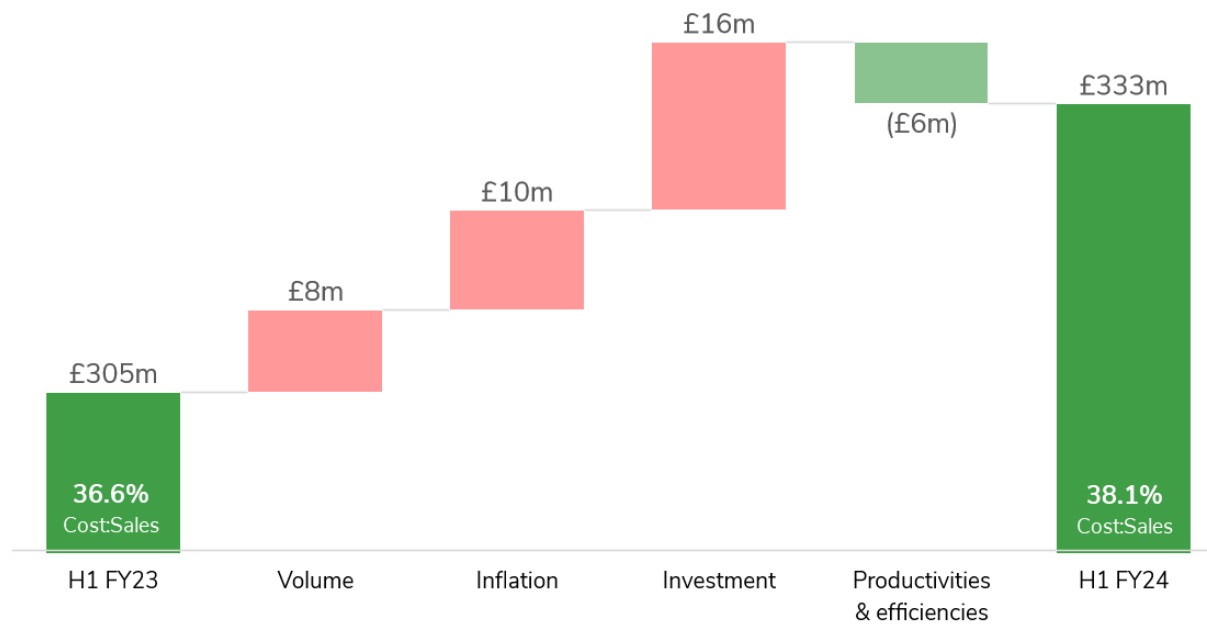
Strong gross margin



- Strong gross margin of 52.7%
- 160bps higher than H1 FY23, benefitting from lower freight rates
- Maintained tight commercial grip and promotional discipline while offering outstanding value to customers
- Expect freight and fx headwinds in the second half, with unchanged full year gross margin guidance of +100bps YoY



Tight grip on operating costs, continuing to invest



- We continued to maintain tight control over operating costs
- Higher sales volumes increased costs by £8m
- Costs were £10m higher due to inflation, mainly in wages
- We invested a further £16m to improve our customer proposition
- Increases were partially offset by productivity benefits e.g. optimising performance marketing spend and reducing storage costs
- We reiterate guidance for full year operating costs:sales to be c.39%

	H1 FY24	H1 FY23	YoY
Sales, marketing & distribution costs	£261.0m	£241.6m	+8.0%
Tech and support costs	£71.6m	£63.6m	+12.6%
Total operating costs	£332.6m	£305.2m	+9.0%
Total sales	£872.5m	£835.0m	+4.5%
Operating costs % sales	38.1%	36.6%	+150 bps

PBT, interest, tax and EPS

	H1 FY24	H1 FY23
Financial income and expenses	(£3.9m)	(£4.4m)
Profit before tax	£123.0m	£117.4m
Tax	(£32.3m)	(£24.4m)
Effective tax rate	26.3%	20.8%
Profit after tax	£90.7m	£93.0m
Basic earnings per share	44.9p	46.1p
Diluted earnings per share	44.6p	45.8p

- PBT of £123m increased by 5%, in line with sales
- Effective tax rate of 26.3% was 5.5ppts higher than H1 FY23 due to:
 - The increase in the headline rate of corporation tax to 25% (FY23: 20.5%)
 - Higher disallowed expenditure due to our accelerated rate of store openings
 - A one-off adjustment to deferred tax which will not recur
- Diluted EPS decreased by 3%, reflecting the higher effective tax rate



Strong cash generation

	H1 FY24	H1 FY23
Operating profit	£126.9m	£121.8m
Depreciation & amortisation ¹	£40.4m	£38.9m
Working capital outflow	(£3.0m)	(£1.9m)
Share-based payments expense	£2.6m	£2.0m
Tax paid	(£24.7m)	(£17.9m)
Net cash generated from operating activities	£142.2m	£142.9m
Capex	(£19.8m)	(£12.5m)
Net interest and loan transaction costs ²	(£2.6m)	(£0.9m)
Interest on lease liabilities	(£3.0m)	(£2.6m)
Repayment of principal element of lease liabilities	(£25.7m)	(£24.8m)
Free cash flow	£91.1m	£102.1m
Net cash³	£6.2m	£18.2m
Memo: dividends paid	(£54.5m)	(£52.4m)

- Continued strong free cash flow generation of £91m
- Modest working capital outflow, with good quality and quantity of stock
- Tax paid reflects higher rate of corporation tax
- Capital investment driven by spend on 4 new store openings and 12 refits
- Free cash flow:operating profit ratio of 72% (FY23: 84%) impacted by higher tax rate and investment in new stores

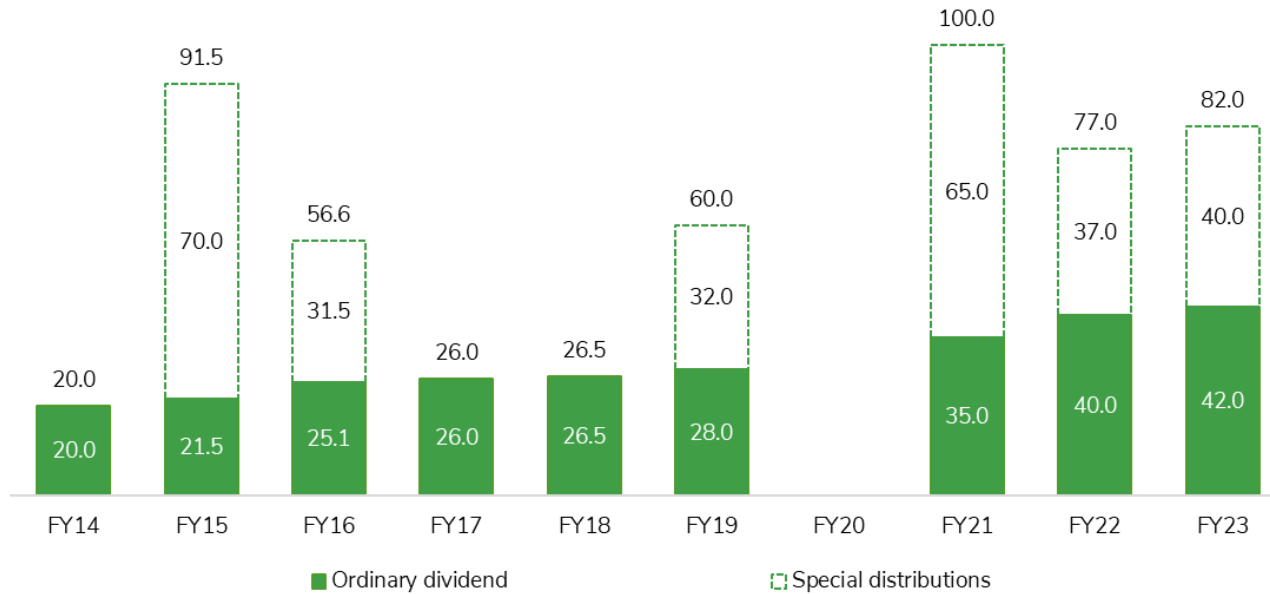
¹ Including impairment and loss on disposal

² Excluding interest on lease liabilities

³ Excluding lease liabilities

Capital allocation policy supports attractive shareholder returns

Dividend history (pence per share)



- Interim dividend of 16p, an increase of 7% (FY23: 15p)
- Special dividend of 35p, reflecting continued strong cash generation
- At the end of H1 and after dividend commitments, net debt of 0.3x is within target leverage range
- Significant returns to shareholders over last 10 years:
 - Total returns over £1bn¹
 - Ordinary dividend CAGR of 10%

Capital and dividend policies

- Target average net debt between 0.2x and 0.6x the last 12 months' EBITDA²
- Ordinary dividend cover of between 1.75x and 2.25x earnings per share during the financial year to which the dividend relates
- Return surplus cash if net debt consistently falls below the minimum target of 0.2x

¹ Ordinary dividends plus special dividends plus special distributions

² Operating profit plus depreciation and amortisation of property, plant and equipment and intangible assets plus loss on disposal and impairment of property, plant and equipment and intangible assets plus depreciation on right-of-use assets

FY24 guidance

- Customers have been resilient, but the consumer outlook remains uncertain
- Full year gross margin c.100bps higher than FY23
- Operating costs:sales ratio c.39%
- 5-10 new store openings, with total capex of c.£30-40m
- Expect working capital to remain broadly stable
- Full year effective tax rate broadly in line with the H1 rate
- Expectations for full year PBT are unchanged and in line with the market¹

¹ Company compiled average of analysts' expectations for FY24 PBT is £202m, with a range of £199m to £207m





Building the Home of Homes

Nick Wilkinson
CEO

Customer focused in a changing world

- It has never been more important to focus on customers, with attitudes evolving faster than ever
- Being a specialist is helping us navigate changing customer habits
- More capability in consumer insight is increasing knowledge and focus on the most meaningful changes for customers
- We are building trust in our offer and identity as the Home of Homes



The Home of Homes

Building the UK's most trusted and valuable brand for homewares and furniture

1. Strengthening our customer offer



2. Extending and digitalising our total retail system



3. Evolving our marketing ecosystem



1. Strengthening our customer offer: Value & choice



Evolving our pricing hierarchy

- Maintaining meaningful differentiation across our price tiers including innovating in better and best
- In bedding we are introducing our Edited Life ranges to our best tier, still offering great value



Improving our sofa offer

- Five-day delivery offer and interest free credit helping to drive strong sales growth and share gains
- Focusing on exclusivity, availability and value across our range of sofas and sofa beds, while introducing new fabrics and sizes



Developing product mastery

- Focusing on categories where our share is lower, such as cook and dine
- Improving ranges in areas like kitchen storage, glassware and world gourmet, and introducing popular brands



Growing our curated range

- Increased our range to c.80,000 lines, including the launch of ottoman beds and headboards
- Enables rapid reaction to new trends and braver product selection, with approach underpinned by careful curation and high quality standards



Innovating in design across our categories

- Increasing coordination across our curtain and cushion ranges
- Introducing washable options and using multi-techniques and scalloped edge shapes in our rugs

1. Strengthening our customer offer: Good & circular



Increasing customer choices

- Expanded our own brand range of more sustainable products carrying our Conscious Choice label
- New Rockfish collaboration offers durable stoneware, FSC wood, recycled ceramics and fabrics¹



Introducing lower impact materials

- Elements bedding will be made from 100% cotton rather than polycotton
- Increasing the use of FSC-Certified timber in our furniture, including throughout our Churchgate range



Expanding circular initiatives

- Took back over 500 tonnes of pre-loved textiles in the first half, over 40% more than last year
- Internal competition for colleagues to pitch new circular product ideas, which are being considered for future ranges



Embedding in our communities

- Supporting our communities remains at the heart of Dunelm
- Recent 'Delivering Joy' campaign was our biggest ever, donating 125,000 gifts to local good causes during the Christmas period, double the year before



Welcoming a new charity partner

- Raised over £1.8m for Mind over the last 2.5 years
- Age UK chosen by colleagues as our new national charity partner - committing to raise at least £2m over 3 years

2. Extending our total retail system

On track with our store opening plans

- Stores underpin our total retail system, amplifying our digital channels and marketing
- Opening a broader range of store sizes and locations
- Strong payback periods for both smaller and superstore formats

Innovating in format development

- Test and learn approach to leverage data capabilities:
 - Geospatial and location analysis
 - Layout and range optimisation
 - Customer and behaviour analytics
- Continued in-store department innovation

Store openings since the start of FY21

	Superstore	Smaller format
Recent store openings ¹	9	5
Average size (sqft)	33,000	15,000
Average capex (£m)	1.5	0.7
Payback ¹	<2 years	<3 years

¹ Total store openings FY21 to date. Payback calculation excludes stores opened in FY24 due to inadequate time period to reliably measure performance

Comparison of store formats

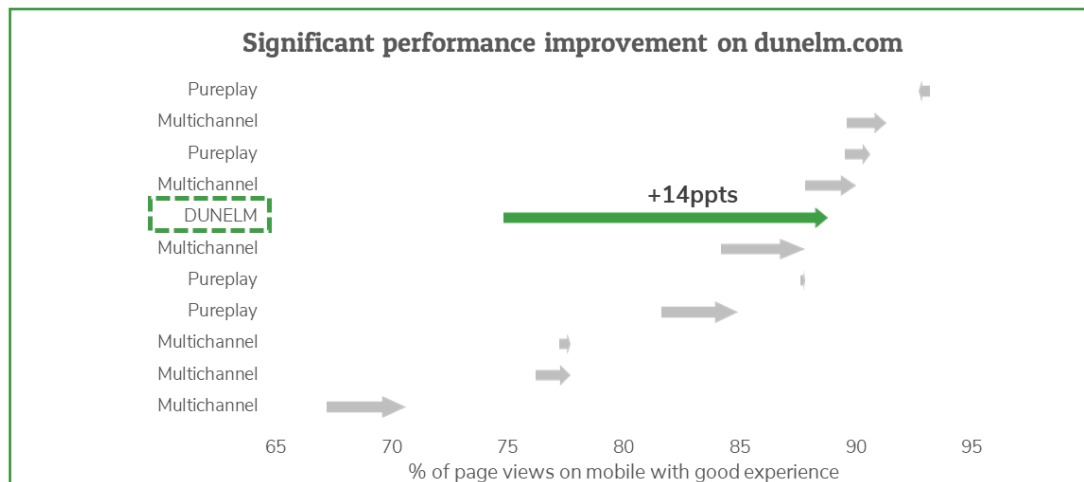
Store	Weymouth	Feltham
Open date	November 2022	December 2022
Size (sqft)	30,000	14,000
Catchment ²	100,000	430,000

² Population now living within a 20-minute drive time of a Dunelm store

2. Digitalising our total retail system

Improving dunelm.com performance...

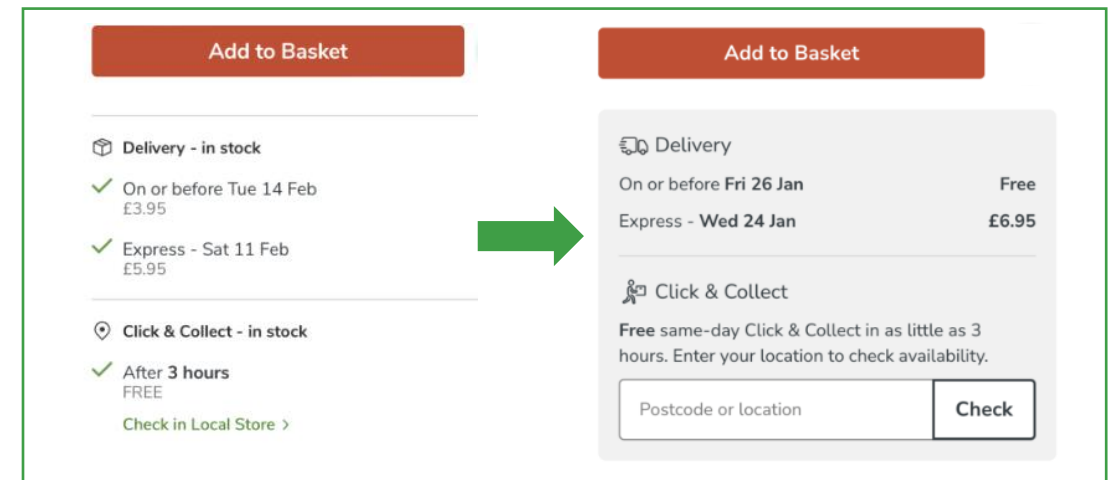
- Micro front-end updates completed for highest traffic pages
- Enhanced site performance giving customers a faster experience
- Further opportunity across remaining pages



Significant absolute and relative improvement in 'good' experience on mobile pages on dunelm.com (based on average Google scores for loading, responsiveness and visual stability). June 2023 vs December 2023

...and optimising customer experience

- More efficient site development and releases
- Better presentation of availability information has improved conversion
- Improving user interface, accessibility and SEO
- Further improvements planned in search and checkout



Improved presentation of product availability information on product detail pages enabling customers to check for local stock more intuitively

3. Evolving our marketing ecosystem



3. Evolving our marketing ecosystem

Building personalisation

- Delivering increasingly relevant content and experiences
- Extensive testing e.g. product recommendations
- Scaling personalised emails e.g. newsletter product content

Optimising performance marketing

- Testing new types of campaigns and customer landing pages
- Incrementality testing on paid social media marketing
- Improved SEO rankings by increasing site speed

Harnessing local marketing

- Stores create a cost-effective platform for local marketing
- Local Facebook groups continue to grow
- Store openings build new platforms, e.g. Cwmbran store had 5,000 followers at opening



Summary and outlook

- Outperformed in a volatile market
- Delivered sales growth driven by volume, with increased customer numbers and frequency
- Tight operational grip of gross margin and costs
- Continuing to invest to increase our broad appeal as we build the Home of Homes
- Pleased with trading so far in the second half
- Expectations for full year PBT are unchanged and in line with the market¹

¹ Company compiled average of analysts' expectations for FY24 PBT is £202m, with a range of £199m to £207m





Q&A

Appendix



Income statement

	H1 FY24	H1 FY23	YoY
Revenue	£872.5m	£835.0m	£37.5m
Cost of Sales	(£413.0m)	(£408.0m)	(£5.0m)
Gross Profit	£459.5m	£427.0m	£32.5m
Gross margin %	52.7%	51.1%	+160 bps
Operating costs	(£332.6m)	(£305.2m)	(£27.4m)
Operating profit	£126.9m	£121.8m	£5.1m
Financial income	£1.2m	£0.2m	£1.0m
Financial expenses	(£5.1m)	(£4.6m)	(£0.5m)
Profit before tax	£123.0m	£117.4m	£5.6m
PBT margin %	14.1%	14.1%	+0 bps
Taxation	(£32.3m)	(£24.4m)	(£7.9m)
Profit after tax	£90.7m	£93.0m	(£2.3m)
Effective tax rate	26.3%	20.8%	+550 bps
Basic earnings per share	44.9p	46.1p	(1.2p)
Diluted earnings per share	44.6p	45.8p	(1.2p)



Balance sheet

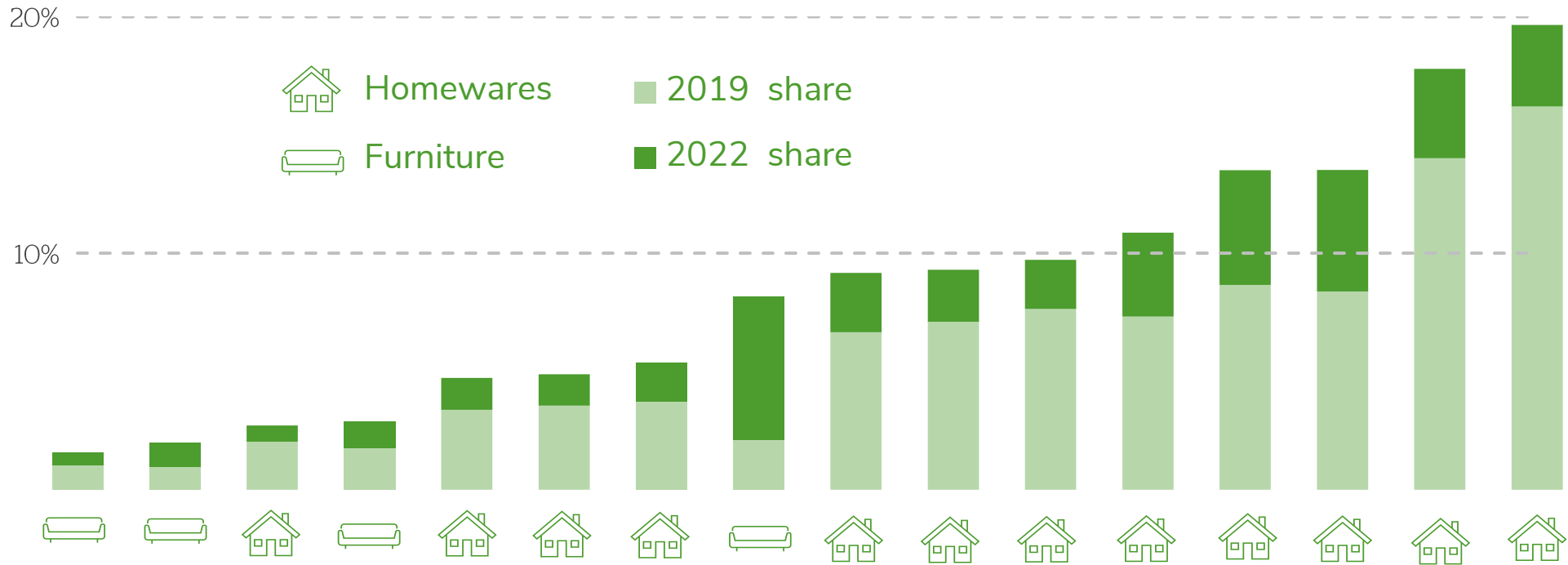
	H1 FY24 30 December 2023	H1 FY23 31 December 2022	FY23 1 July 2023
Right-of-use assets	£222.7m	£241.9m	£231.3m
Other non-current assets	£185.1m	£188.4m	£182.1m
Inventories	£231.5m	£233.4m	£211.0m
Cash	£56.2m	£40.2m	£46.3m
Other current assets	£25.6m	£34.6m	£26.1m
Total assets	£721.1m	£738.5m	£696.8m
Lease liabilities	(£248.9m)	(£270.9m)	(£258.2m)
Bank loans	(£47.7m)	(£20.7m)	(£75.9m)
Other current liabilities	(£241.7m)	(£237.8m)	(£216.2m)
Other non-current liabilities	(£7.8m)	(£7.8m)	(£9.0m)
Total liabilities	(£546.1m)	(£537.2m)	(£559.3m)
Net assets	£175.0m	£201.3m	£137.5m
Hedging reserve	(£7.9m)	£7.8m	(£6.9m)
Share capital/share premium/other reserves	£46.9m	£46.9m	£46.9m
Retained earnings	£136.0m	£146.6m	£97.5m
Total equity	£175.0m	£201.3m	£137.5m



Net cash reconciliation



Market share growth by category (as presented at our 'At Home with Dunelm' event in November 2023)



Combined homewares and furniture market: c.£24bn
 Dunelm market share: c.7%

Each bar represents a Dunelm homewares or furniture category which in total represent c.80% of total sales, mapped to GlobalData market sizes for calendar years 2019 and 2022. Excludes certain categories which are not part of the GlobalData homewares and furniture markets e.g. rugs and Pausa sales. The furniture market excludes kitchen and bathroom furniture. Excludes a category where we have withdrawn space.

5-year financial summary

	FY19	FY20 ¹	FY21	FY22	FY23	H1 FY23	H1 FY24
	(52 weeks)	(52 weeks)	(52 weeks)	(53 weeks)	(52 weeks)		
Total sales	£1,100.4m	£1,057.9m	£1,336.2m	£1,581.4m	£1,638.8m	£835.0m	£872.5m
Total sales growth	4.8%	(3.9%)	26.3%	18.4%	3.6%	5.0%	4.5%
Gross margin %	49.6%	50.3%	51.6%	51.2%	50.1%	51.1%	52.7%
Profit before tax	£125.9m	£109.1m	£157.8m	£212.8m	£192.7m	£117.4m	£123.0m
Free cash flow ²	£152.8m	£174.7m	£108.5m	£153.0m	£160.4m	£102.1m	£91.1m
Net cash / (debt) ³	(£25.3m)	£45.4m	£128.6m	(£23.8m)	(£30.7m)	£18.2m	£6.2m
Diluted EPS	49.9p	42.9p	62.9p	83.6p	75.0p	45.8p	44.6p
Dividends paid	£54.6m	£106.0m	£24.3m	£282.1m	£163.3m	£52.4m	£54.5m

¹ FY20 and subsequent periods reported on an IFRS 16 basis. All prior years reported under IAS 17

² Free cash flow is defined as net cash generated from operating activities less capex (net of disposals), net interest paid (including leases) and loan transaction costs, and repayment of principal element of lease liabilities

³ Excluding lease liabilities. Definition updated in December 2021 to exclude unamortised debt issue costs. The new definition has been applied prospectively from FY21

10-year dividend history

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Ordinary dividend <small>per share</small>										
Interim	5.5p	6.0p	6.5p	7.0p	7.5p	-	12.0p	14.0p	15.0p	16.0p
Final	16.0p	19.1p	19.5p	19.5p	20.5p	-	23.0p	26.0p	27.0p	n/a
Total	21.5p	25.1p	26.0p	26.5p	28.0p	-	35.0p	40.0p	42.0p	n/a
Special distributions <small>per share</small>	70.0p	31.5p	-	-	32.0p	-	65.0p	37.0p	40.0p	35.0p
Total <small>per share</small>	91.5p	56.6p	26.0p	26.5p	60.0p	-	100.0p	77.0p	82.0p	n/a
Ordinary dividend cover	2.2x	2.0x	1.4x	1.4x	1.8x	-	1.8x	2.1x	1.8x	n/a

Investment proposition

Brand purpose	A brand appealing to a wide range of customers, market leader in a large fragmented market, with a challenger brand mentality
Product proposition	A distinctive and specialist product portfolio - offering quality, value and style - largely own brand and sourced from long-term committed suppliers
Total retail system	A total retail system that combines the advantages of digital and local shopping experiences to better serve UK homewares shoppers, and benefits from our convenient, low-cost store portfolio
Financial position	A highly cash generative business with agility to invest
Shared values	Shared values, strong relationships and a commitment to doing the right thing for the long term, for all our stakeholders
Future growth	A clear runway for attracting more customers and increasing their frequency

ESG highlights

Colleagues	<ul style="list-style-type: none"> Continued to invest in learning and development opportunities to strengthen our leadership capabilities and promote a learning for life mindset Maintained focus on financial wellbeing given the cost-of-living pressures Offered new support packages for pregnancy loss, menopause and parenthood Made commitments to driving inclusion - signed the Race at Work Charter, implemented mandatory training for role model leaders, launched ethnicity talent programme Implemented cameras with AI technology to our forklift trucks to help reduce the risk of accidents
Communities	<ul style="list-style-type: none"> Exceeded fundraising target for outgoing charity partner Mind, raising a total of £1.8m Successfully launched new charity partnership with Age UK, committing to raising at least £2m over the next 3 years Strengthened our 'Delivering Joy' campaign, with over 125,000 Christmas gifts donated to local good causes, twice as many as last year
Planet	<ul style="list-style-type: none"> Continued to reduce Scope 1 carbon intensity, benefitting from the use of compressed natural gas vehicles in our home delivery network Installed more than 1,800 solar (PV) panels across five locations, with more planned before the end of the year Expanded our own brand range of more sustainable products carrying our Conscious Choice label Held internal circular product design competition, with winning products being considered for future ranges Continued to progress data and process improvements for GHG Reporting
Suppliers	<ul style="list-style-type: none"> Maintained strong supplier relationships, fair trading terms built on mutual trust Increased the number of unannounced ethical trading audits, as part of our robust ethical trading, anti-slavery and anti-bribery policies Continued our 'Better Manufacturing' programme, improving supplier engagement and collection of data
Governance	<ul style="list-style-type: none"> Code compliant Board, comprising Chair plus 5 independent and 4 non-independent Directors Diverse gender, nationality, background and experience – 50% female including Chair and CFO The Board continued to receive regular updates on ESG matters and is responsible for Pathway to Zero climate change strategy

Plan on a page

Our Vision is to build the UK's most trusted and valuable brand for homewares & furniture

Our Purpose:

To help create the joy of truly feeling at home, now and for generations to come

We will deliver our purpose by being Customer 1st, striving to improve our offer for savvy home-lover customers

Value & Choice

Great product quality & style for every budget

Friendly & expert

Service that is non-judgmental & knowledgeable

Fast & convenient

Everything easy to find, buy & use

Good & circular

Positive choices for people & the environment



We remain ambitious about being a good company and building sustainability into all that we do.

Product mastery in own brand design & curation, and responsible sourcing from committed suppliers

A thriving **total retail system**, people-led, tech-powered and efficient

Brilliant stores serving their local communities

Digital channels optimised for our customers

A marketing ecosystem to grow & serve our audience

Strong culture and identity as an ambitious, brave and inclusive brand and organisation

We continue to invest in digitalising and developing our foundations to improve our customer offer & make our operations more efficient.

Our Shared Values:

Stronger together
A sense of belonging that fosters engagement & resilience

Keep listening & learning
Curious and adaptable, to meet the changing needs of our customers

Act like owners
A bias to action, and being resourceful with costs & cash

Long-term thinking
To ensure we think big, and are guided by our purpose and values



Thank you