Dunelm

Preliminary Results Presentation
Year ended 4th July 2015
and 52 weeks ended 27th June 2015

David Stead

CFO

Financial Highlights FY15 – 52 weeks basis

	FY15	FY14	Year on year change
Sales	**£822.7m**	**£730.2m**	+12.7%
LFL Sales growth	**+5.8%**	**+2.1%**	
Gross margin	**49.2%**	**49.5%**	-30bps
EBITDA	**£142.6m**	**£137.3m**	+3.9%
Operating profit	**£121.3m**	**£116.0m**	+4.6%
Profit before tax	**£121.4m**	**£116.0m**	+4.7%
EPS (fully diluted)	**46.8p**	**43.7p**	+7.1%

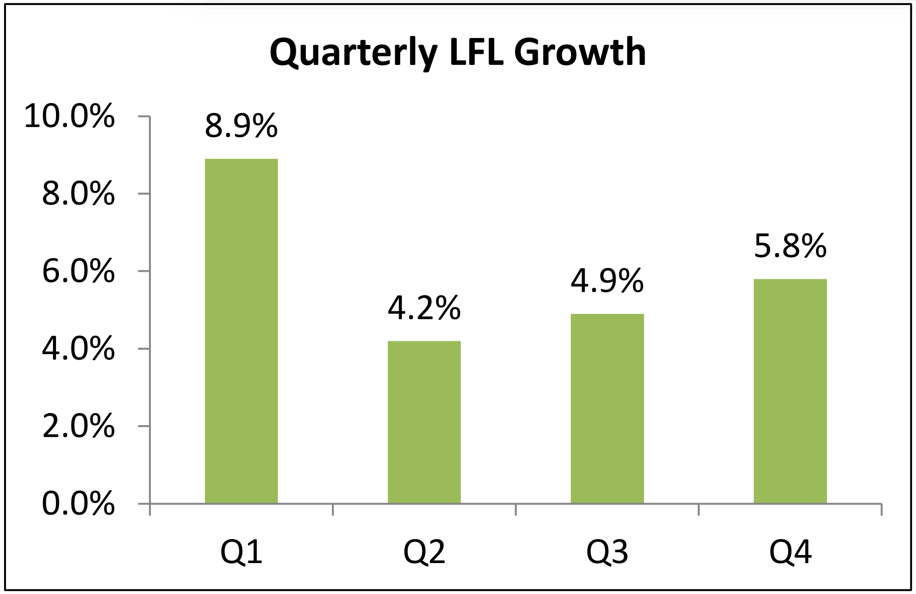
Week 53 impact

	52 weeks	Week 53	Full year
Sales	£822.7m	£13.1m	£835.8m
Operating profit	£121.3m	£1.2m	£122.5m
EPS (fully diluted)	46.8p	0.5p	47.3p

- Week 53 sales adversely impacted by:
  - extremely hot weather
  - website downtime due to launch of new platform

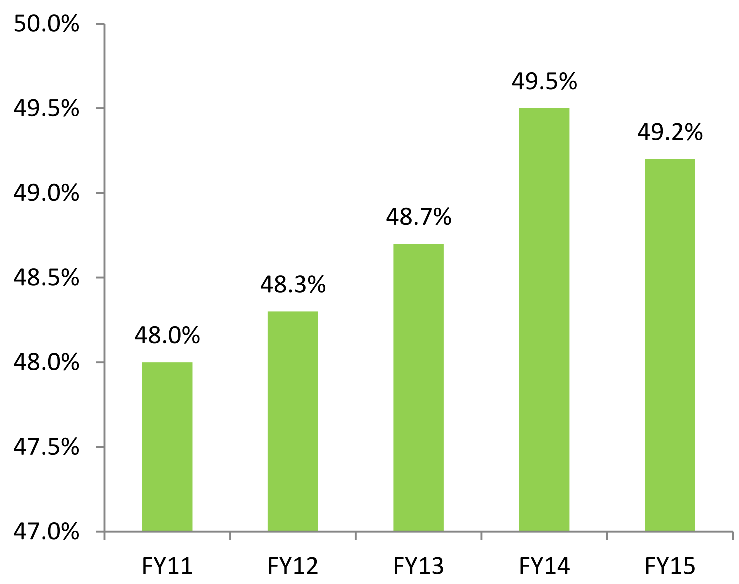
Sales Growth – 52 Weeks

	FY15 Sales £m	Growth £m	Growth %
LFL stores	674.8	21.9	3.4%
Home delivery	50.3	17.8	55.1%
Overall LFL	**725.1**	**39.7**	**5.8%**
Non- LFL stores	97.6	52.9	n/a
Total	**822.7**	**92.6**	**12.7%**



Gross Margin – 52 Weeks

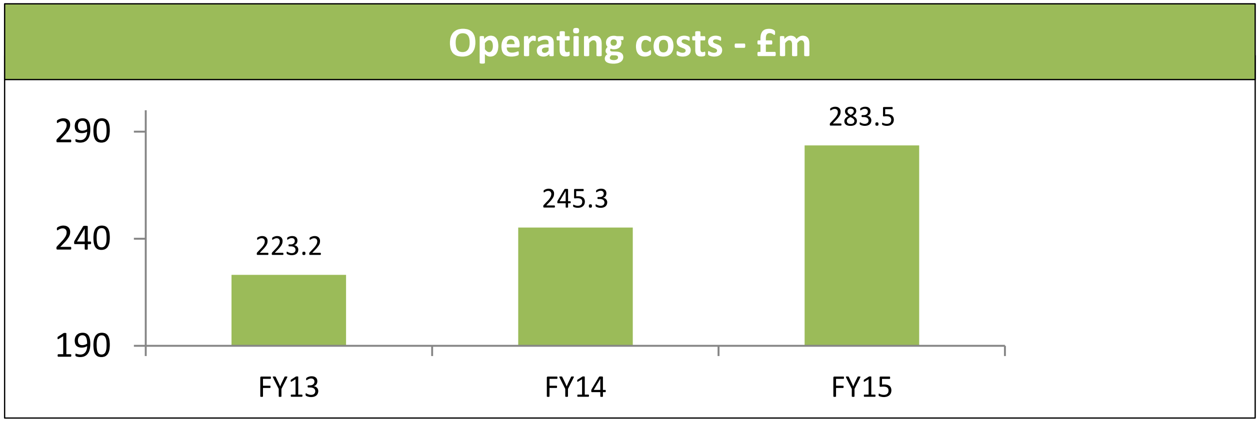
Gross Margin Evolution



Key Factors

- Stable selling prices
- COGS reductions due to
  - increasing scale
  - direct sourcing
- FY15 underlying margin stable
  - headline rate impacted by increased clearance activity (particularly furniture) – largely complete

Operating Costs – FY15 (52 Weeks)



FY15 Key drivers

Stores
- New store openings
- Increased customer service focus
- Roll out of in-home consultation service (DAH)

Logistics
- Additional stores
- Increased direct sourcing
- Major increase in cube (furniture)
- Inefficient stock flow

Home Delivery
- Increased volumes
- Mix of furniture (2 man delivery)/ improved service

IT
- Investment in capability

A&P
- Investment increased – now 1.8% of sales

Administration
- One off costs associated with special distribution

Operating Costs – FY16

FY16 Key drivers

Stores
- New store openings
- Increased refit activity
- Living wage
- Productivity opportunities

Home delivery
- Volume growth

A&P
- Stable investment

Logistics
- Additional stores
- Improved stock flow
- Stoke 2 transition

IT
- Further capability investment
- Amortisation of capital projects (web platform etc.)
- Investment in web enhancements

Administration
- Investment in Board/executive team

Profit after Tax – 53 week basis

(£m)	FY15	FY14	
Operating Profit	122.5	116.0	Operating margin 14.7% (FY14: 15.9%)
Financial items - Net interest and banking charges - Foreign exchange gain/(loss)	 (0.2) 0.3	 0.5 (0.5)	
Profit before tax	122.6	116.0	
Tax	(26.6)	(26.9)	Effective rate 21.7% (FY14: 23.2%)*
Profit after tax	96.0	89.1	
EPS (fully diluted)	47.3p	43.7p	Equivalent figure for 52 weeks is 46.8p
Ordinary dividend	21.5p	20.0p	Dividend cover retained at 2.2x on 52 week basis

*Effective tax rate is expected to run at c.100bps premium to headline corporation tax rate going forward

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Working Capital Movement – 53 week basis

(£m)		Key Drivers
Inventory increase	(17.6)	New stores, furniture investment
Debtors decrease	1.5	
Creditors increase	16.2	Trade payables, VAT (NB – week 53 effect)
Overall movement	**0.1**	

Capital Investment – 53 week basis

Continuing investment in growth

(£m)	FY15	FY14
New store fit-outs[1]	14.1	13.8
Refits / other store investments	5.2	5.0
Freehold investment	4.3	-
IT	6.2	7.2
Other (Logistics, Manufacturing, Central)	1.5	2.0
Total	**31.3**	**28.0**

[1] 12 new stores in FY15 and FY14

Capital Investment – FY16 Drivers

- New stores – average fit out cost **£1.2m per store**
- Refits - estimated investment **£8m** in total (includes major works in 3 stores)
- IT investments – various developments planned, estimated **£6m** in total
- Logistics infrastructure – fit-out of new warehouse and distribution centre – estimated **£12m**
- Potential freehold opportunities – one site committed, **£3m** investment

Cash Generation – 53 week basis

(£m)	FY15	FY14
Operating Profit	122.5	116.0
Depreciation and amortisation	21.4	20.3
Other non-cash movements	0.5	3.4
Working capital movement	0.1	(9.3)
Interest received	0.5	0.5
Tax paid	(26.9)	(27.1)
Net cash from operations	**118.2**	**103.8**
Capital expenditure	(31.3)	(28.0)
Other	-	1.3
Free cash flow	**86.9**	**77.1**

Free cash flow*: PBT	**71%**	**66%**
Net cash from operations: operating profit	**96%**	**89%**

* Free cash flow is defined as net cash from operations less capital investment

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Net Cash Movement – 53 week basis

(£m)	FY15	FY14
Free cash flow	**86.9**	**77.1**
Ordinary dividends paid	(41.5)	(33.4)
Cash flow before special distribution	**45.4**	**43.7**
Special dividend paid/return of capital	(141.7)	(50.7)
Purchase of treasury shares	-	(15.4)
Other	(0.2)	-
Change in net cash	**(96.5)**	**(22.4)**
Year end net (debt)/cash	(74.8)	21.7
Daily average net funds	(75.4)*	48.3

* Over period from special distribution (20 March 2015) to 4 July 2015

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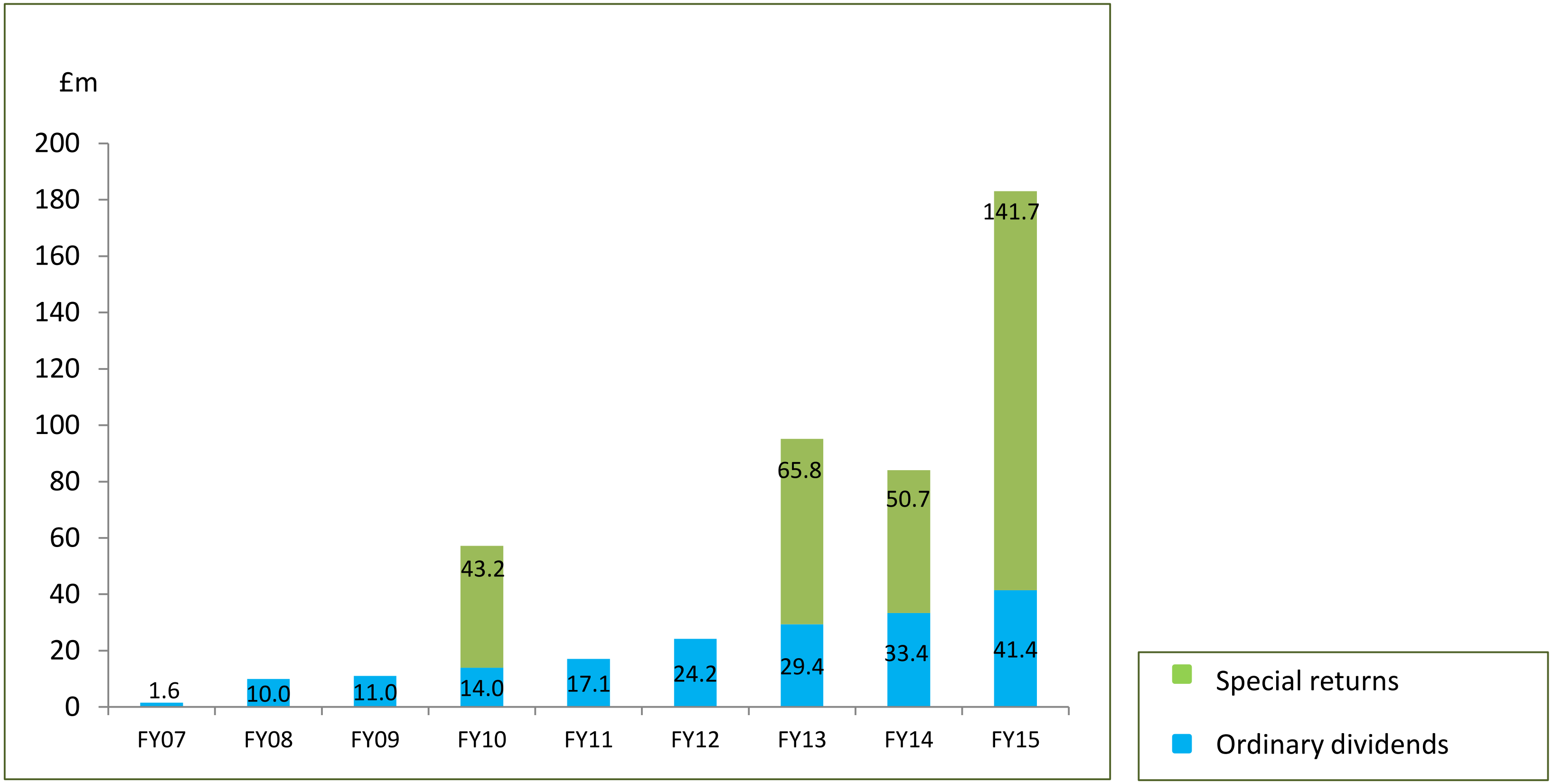
Cash Returns to Shareholders since IPO



Ordinary Dividend Cover								
n/a	3.0x	3.1x	3.4x	2.5x	2.5x	2.5x	2.2x	2.2x

Total cash return since IPO = £482m (239p per share)

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Net Debt

- Board is targeting net debt in the range of 0.25 – 0.75x net debt/LTM EBITDA
- FY15 EBITDA: £142.6m
- Period end net debt of £74.8m
- Daily average cleared funds in Q4 of £75.4m, equates to 0.5 x EBITDA
- We will regularly review the net debt position and return surplus capital as appropriate

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

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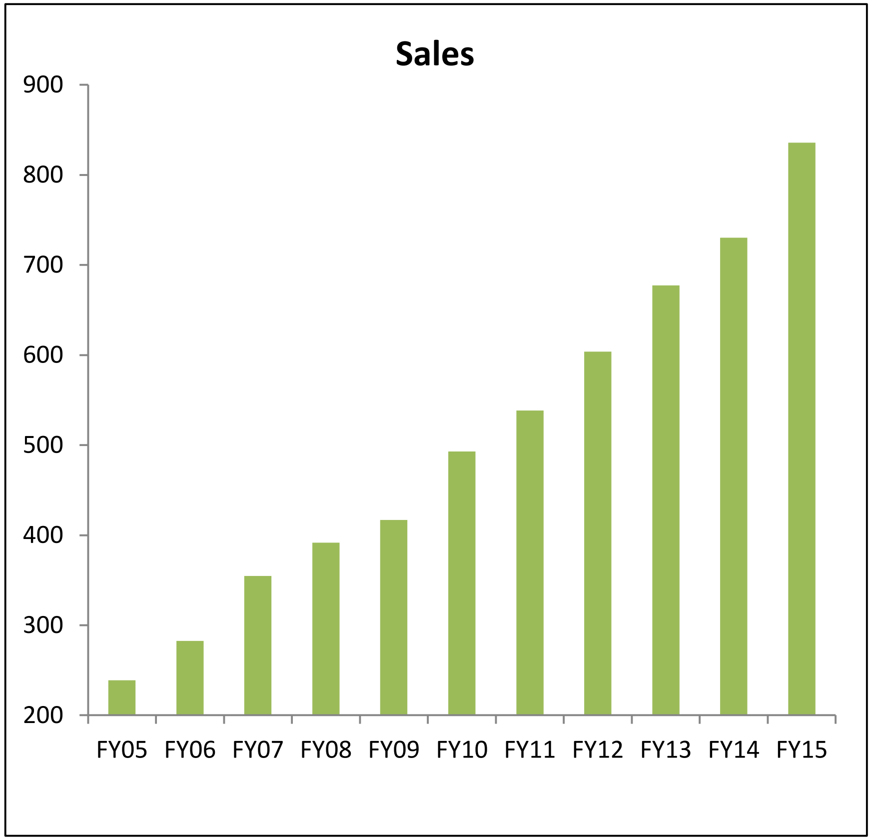
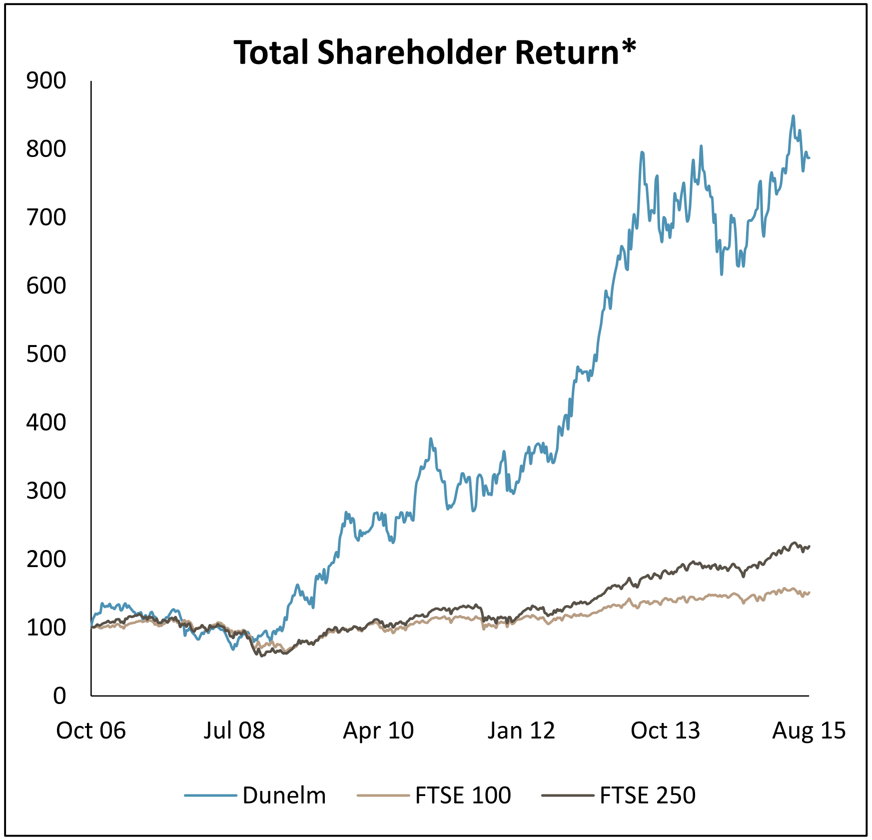
Will Adderley

CEO

Continued Sustainable Growth and Returns

9 years of consistent growth and returns since IPO

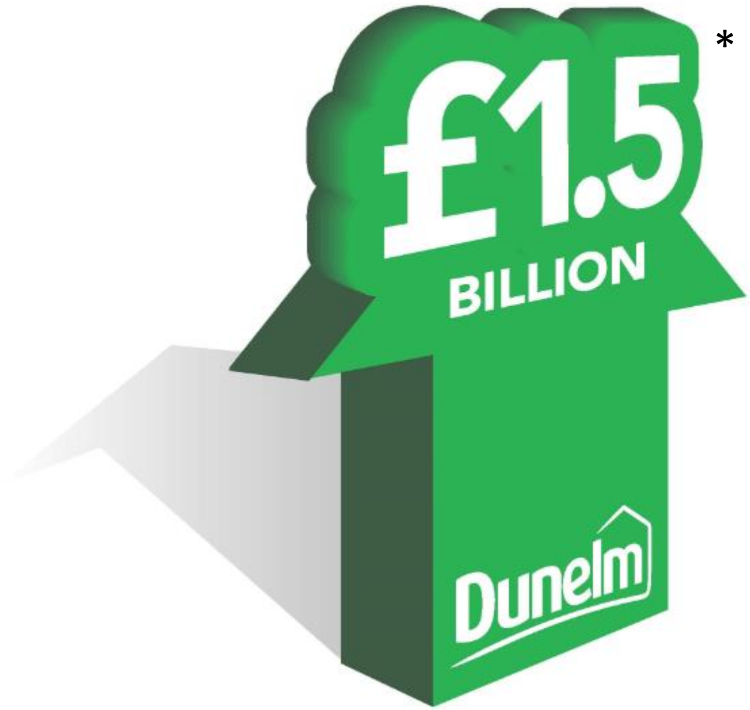




* Source: DataStream

Growth

- Medium term 50% sales growth target
- Opportunity 1 – **LFL store sales growth**
- Opportunity 2 – **New stores**
- Opportunity 3 – **Home delivery**



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* Including VAT (FY15 sales £1billion inc VAT)

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LFL stores sales growth – FY15 performance

- Decent LFL stores sales growth of +3.4%
- LFL market share growth in homewares
- LFL market share growth in furniture
- Sales momentum strong

LFL stores sales growth

Focus - Product

- Kids
- Dorma
- Core textiles

LFL stores sales growth

Focus - Product

- Made to Measure / Dunelm at Home
- Furniture
- Design

LFL stores sales growth

Focus - Product

- Seasonal

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LFL stores sales growth

Focus - Stores

- Refits
- Visual merchandising
- Standards

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LFL stores sales growth

Focus - People

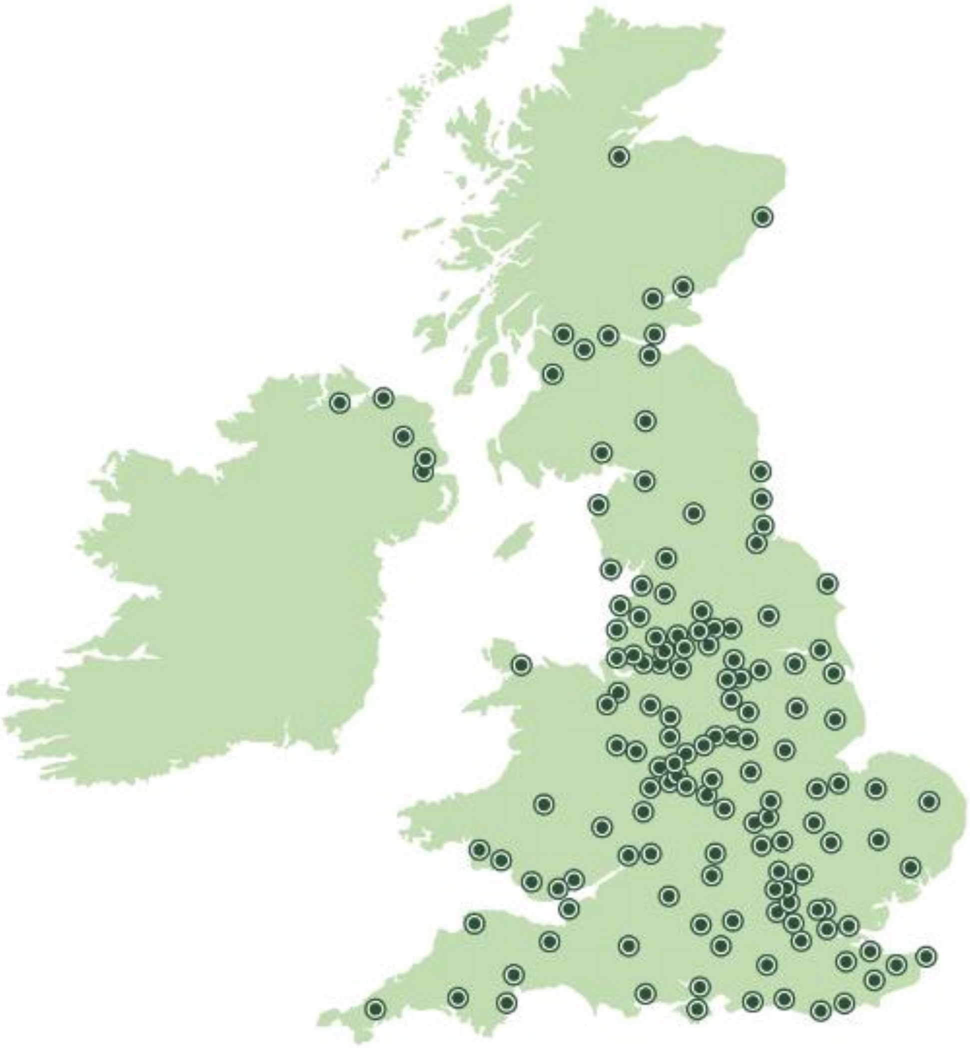
- People department strengthened
- Customer service training
- National Living Wage

- See
- Approach
- Listen
- Explain
- Sell

CUSTOMER 1ST

National coverage from rolling out new stores

- 200 superstore target
- Decent pipeline
- London opportunity
- Payback period remains strong at 30 months



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Growing sales and profit in the home delivery channel

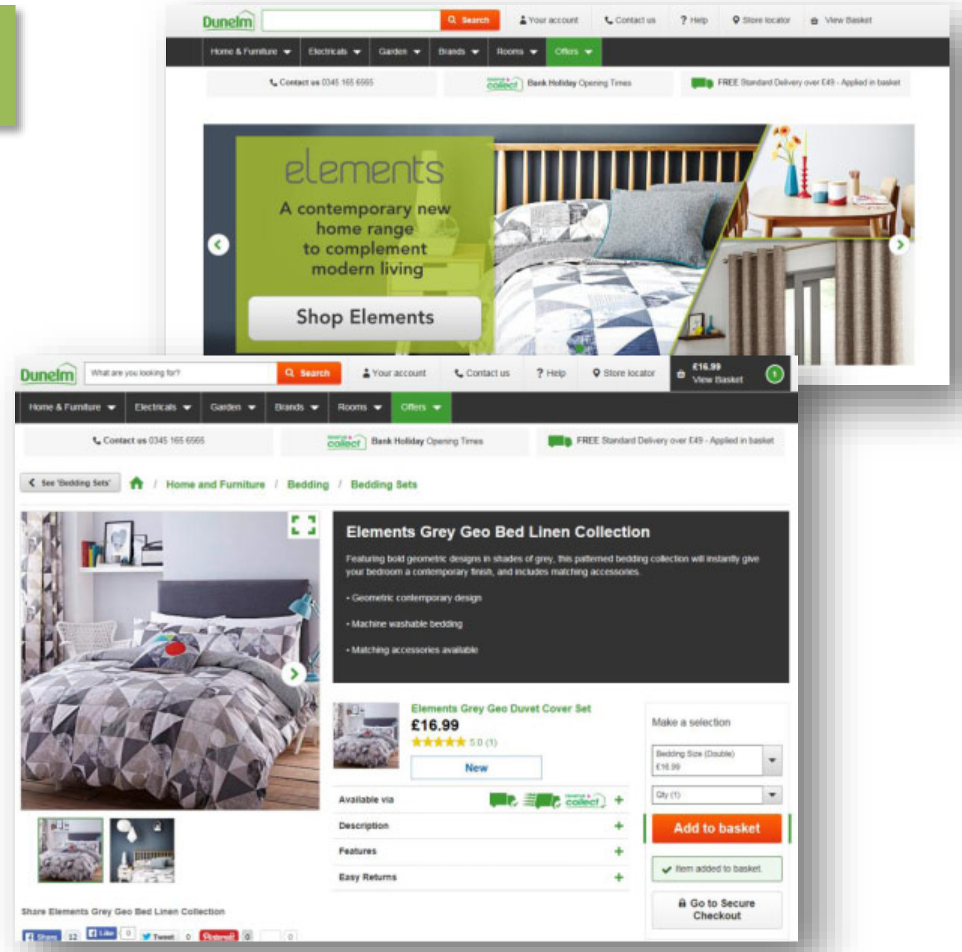
- Market continues to grow
- 55% growth year on year in FY15
- 6.1% of total sales in FY15
- New platform now live
- Pick up in store is still important

Growth Opportunity 3

Growing sales and profit in the home delivery channel

1-man (homewares)

- Good profitable growth
- Improved delivery options
- Ready for peak



Growing sales and profit in the home delivery channel

2-man (furniture)

- Good growth
- Profitability still tough but improving
- Delivery partners strong and ready for peak

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Infrastructure

- Development of senior team
- New customer contact centre
- New DC (Stoke 2) on track
- IT investment

Outlook

- Consumer indicators continue to improve
- Key infrastructure projects in place
- Right team recruited
- Ready for Chapter 3

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and 52 weeks ended 27th June 2015