8 September 2026

Dunelm Group plc

Winning Hearts & Homes

A self-funded growth plan to deliver a bigger, better and bolder Dunelm

Dunelm Group plc ("Dunelm" or "the Group"), the UK's leading homewares retailer, today announces the launch of its three-year strategic growth plan. Separately today, the Group has announced its Preliminary Results for the 52 weeks to 27 June 2026.

Winning Hearts & Homes – highlights:

We are building on the existing strengths in the business to capture a unique opportunity to accelerate Dunelm's growth trajectory and deliver across the next three years:

- Increased customer loyalty and spend, through repeat visits and share of wallet
- A return to sustainable mid-to-high single digit sales growth, supported by increasing LFL sales, digital acceleration and store investment
- Investing whilst delivering consistently strong returns and cash generation; adjusted PBT margin[1] of c.11% and Return on Capital Employed[2] ('ROCE') of c.30%
- Commitment to our disciplined capital allocation policy, remaining within our targeted 0.2x – 0.6x net debt[3] : EBITDA[4] ratio

Capturing the growth opportunity ahead of us requires investment, funded by our cash generative model and structural cost savings. Our plans include:

- Saving to invest through the removal of c.£100m[5] of unproductive costs from the FY26 base by FY29, and fully reinvesting in initiatives that support higher sustainable growth
- Non-recurring expenditure totalling £30m - £40m across the next two years, primarily to strengthen our foundational infrastructure, and to be reported as adjusting items
- Increased capital expenditure, totalling c.£125m above our recent run-rate across the next three years, including expansion and renewal of the store estate.

Our customer-led plan is focused on three strategic growth engines to:

1) **Become *the* homewares specialist** with something for everyone
    - Improving and simplifying our ranges, enabling repurposing of store space
    - Building trust on affordability with optimised pricing architecture
    - Maximising use of the Dunelm brand across products to increase recognition, simplify our offer and support margin discipline
2) **Deliver seamless omnichannel experiences** that customers love
    - Extending our reach, with up to ten new openings per annum for the next three years, across c.100 potential locations[6]

- Optimising our existing platforms and store estate, with 50+ planned renewals by FY28
- Creating connected, engaging experiences to build basket size and frequency

3) **Transform our capabilities** to drive sustainable growth
    - Focusing our resources, by simplifying the business whilst investing in critical growth capabilities
    - Improving end-to-end processes for agility, productivity and speed of execution
    - Unlocking the benefits of technology to improve efficiency and customer outcomes

Clo Moriarty, CEO, commented:

"Dunelm is a special business. We have a strong track record, a market-leading position and, importantly, a significant opportunity ahead of us. We believe we can capture that opportunity through a customer-led, self-funded plan that builds on the many strengths that have made us successful for nearly fifty years.

"We want to reach new customers and deepen our connection with existing ones, earning more loyalty and becoming the specialist they turn to for every mission in the home, whether they are refreshing a room, solving a practical problem, or creating a space they love.

"By making it easier and more inspiring to shop with us, and investing in the capabilities we need for the future, we believe we can accelerate our growth and strengthen our market leadership.

"We are not changing the fundamentals of Dunelm - we are building on them with greater ambition. By winning more of our customers' hearts and homes, we can create a bigger, better and bolder Dunelm for all of our stakeholders."

[1] 52-week statutory PBT excluding adjusting items, expressed as a percentage of total sales
[2] Adjusted net operating profit after tax as a proportion of total assets excluding non-current liabilities and current lease liabilities
[3] Cash and cash equivalents less total borrowings. Excludes IFRS 16 lease liabilities
[4] 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 of right-of-use assets
[5] Compared to FY26 base. Before growth in volume-related costs and inflation
[6] Management information using proximity to existing Dunelm and competitor locations

Strategy Update

Dunelm will host an in-person Strategy Update at Somerset House for analysts and institutional investors this morning at 09:30. A copy of the presentation will be made available at *corporate.dunelm.com*.

Results Presentation

A pre-recorded presentation on its Preliminary Results for the financial year ended 27 June 2026 was also published at 07:00 this morning on the Company's corporate website. Please access this recording at *corporate.dunelm.com*.

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This announcement includes inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014 (as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018) and is being released on behalf of Dunelm Group plc by Luisa Wright, Group General Counsel & Company Secretary.

Notes to Editors:

Dunelm is the UK's leading homewares retailer, with a purpose of helping to create the joy of truly feeling at home, now and for generations to come.

Serving millions of customers each year, Dunelm offers a specialist homewares proposition built on value, quality, choice and style. Its extensive range of predominantly own-brand products spans furniture, bedding, curtains, blinds, kitchenware, dining, lighting, outdoor living, decoration and DIY, alongside specialist services including Made-to-Measure window treatments.

Founded in 1979 as a market stall in Leicester, Dunelm has grown into a FTSE-250 business with 204 stores across the UK and Ireland. Customers can shop seamlessly through its omnichannel offer, which includes stores, home delivery, Click & Collect and the Dunelm App.

Today, Dunelm's ambition is to build a deeper connection with customers through its long-term growth strategy, *Winning Hearts & Homes*, building on its strengths as a homewares specialist while creating seamless customer experiences and investing in the capabilities needed to support sustainable long-term growth.

The business is headquartered in Leicester and employs approximately 12,000 colleagues. It has been listed on the London Stock Exchange since 2006 (DNLM.L).

CHIEF EXECUTIVE'S UPDATE: WINNING HEARTS & HOMES

Dunelm is a special business with a long and impressive track record of growth. It has delivered sustained success over many years, continues to perform solidly today, and is well positioned for the future.

As the market leader in the UK's combined £25bn[7] homewares and furniture market, we operate from a position of strength. Yet despite our scale and leadership, we still only capture a small proportion of the total market opportunity and of our customers' overall spend on their homes. Therefore, significant headroom for growth remains.

Today, we are setting out our customer-led strategy designed to capture that opportunity. By sharpening our specialist proposition, enhancing the omnichannel customer experience and simplifying how we operate, we believe we can return the business to sustainable mid-to-high single digit sales growth; and continue to generate strong cash returns, all whilst delighting our customers.

Importantly, the investment required to deliver this strategy is disciplined, bounded and self-funded. It is focused on creating a materially larger, more productive and more valuable Dunelm for our customers, colleagues, suppliers and shareholders.

We see multiple avenues for growth: through product innovation, design and quality; through new stores and existing stores; through digital channels, both within and beyond our current ecosystem; and through the intelligent application of technology across the business.

The result will be a Dunelm that is bigger, better, bolder, and well positioned to create long-term value for all stakeholders.

[7] GlobalData UK combined homewares and furniture markers, excluding kitchen cabinetry and bathroom furniture, for the 12 months to June 2026. Market size includes VAT

THE OPPORTUNITY

At our Interim Results in February, I shared my initial assessment of the opportunity ahead for Dunelm. This assessment reinforced the inherent strengths of this business: we have universal appeal, loyal customers, fantastic products, extensive physical and digital reach, great people and platforms and a highly cash-generative business model.

It also confirmed that, despite our market-leading position, we are not yet capturing the full opportunity available to us. Around 85%[8] of the UK population does not yet shop with Dunelm frequently, while even our most loyal customers continue to direct approximately 80%[9] of their spend on the home elsewhere.

There is also significant potential within our product ranges. Simplifying the long tail of less productive SKUs will improve the shopping experience for customers, strengthen ranging and support larger baskets.

We can also build on our strengths as an omnichannel retailer. We see clear, attractive white space to bring Dunelm to more locations, and our digital opportunity is similarly compelling. While ecommerce transactions have grown strongly, we have yet to realise the full potential of digital engagement to inspire customers, increase frequency and build basket sizes across our omnichannel proposition.

Finally, by becoming more end-to-end process-led, whilst continuing to focus on productivities across the business, we can create a leaner and more effective business. This will support the permanent removal of our least productive costs to fund reinvestment into the areas which matter most.

Taken together, these opportunities provide a clear pathway to accelerate sustainable growth and returns, underpinned by a more consistent and disciplined focus on the customer.

[8] Management estimates using Barclays UK data
[9] Management estimates using Barclays and Kantar UK data

A UNIQUE MOMENT TO ACCELERATE

The case for acting now is compelling. Our rate of growth has slowed in recent years, while competition has intensified and the external environment has become more challenging. Inflation and interest rates remain elevated, global uncertainty persists and consumers are understandably more cautious in their spending.

At the same time, the way customers discover, consider and shop for products for the home is changing rapidly. Digital channels are playing an increasingly important role in inspiration and engagement, while advances in data and AI are creating new opportunities to understand customers, personalise experiences and operate more effectively.

Against this backdrop, our strengths enable us to withstand external pressures and invest with confidence. Crucially, our understanding of the customer is sharper than it has ever been, giving us both the confidence and the imperative to accelerate now.

The choice before us is therefore not whether Dunelm can continue to perform, but whether we act with sufficient ambition to capture the full potential available. A lesser ambition would risk leaving value unrealised and allow competitors to gain ground in areas where we believe Dunelm is best placed to serve customers.

A CUSTOMER-LED STRATEGY

Our strategy is centred on one simple ambition: to win more customers' hearts and homes. Realising this opportunity depends on building a deeper emotional connection with customers: understanding their tastes, aspirations and the role their homes play in their lives, and earning the right to become their homewares specialist.

Our improved customer insight[10] has identified distinct patterns of frequency, spend, category participation and channel behaviour, giving us a clearer view of how different cohorts engage with Dunelm. This enables us to personalise how we inspire, serve and communicate with customers according to the frequency, value and purpose of their visits.

Three of our customer cohorts, each contributing c.20% of sales, show very different types of customer behaviour. The “Little and often” cohort, representing c.10% of customers, visits frequently and values the experience of shopping and discovery in our stores. While individual item values are typically lower than average, these customers build baskets regularly, creating an opportunity to deepen engagement through a more inspiring and convenient experience.

“Big dippers” account for a similar proportion of customers, who shop less frequently, but undertake purposeful, higher-value missions. Improving discovery and inspiration, particularly in higher-ticket categories, should enable us to serve this valuable cohort more effectively.

Our “Dunelm devotees” represent only c.3% of customers but also contribute c.20% of sales. They shop frequently across categories and have an established relationship with the brand. We will recognise and reward this highly valued group more consistently, while continuing to give them more reasons to return.

The customer segments are broadly consistent across geographies, reinforcing the universal appeal of our proposition, but their purchasing behaviours differ materially by category, frequency and channel. We will use these insights to shape the role of categories and channels, target investment more precisely and tailor how we inspire, engage and serve each group.

[10] Management estimates using Barclays UK data

OUR GROWTH ENGINES

To unlock this opportunity, our plan is built around three growth engines:

1. **Become *the* homewares specialist**, with something for everyone
2. **Deliver seamless omnichannel experiences** that customers love
3. **Transform our capabilities** to drive sustainable growth

Become *the* homewares specialist

To establish Dunelm as *the* homewares specialist for more customers, we will sharpen our authority by making our ranges simpler, more inspiring and more productive, helping customers complete more missions around the home.

Central to this will be a more disciplined approach to category management, store space and range complexity. Our in-depth analysis shows that, in selected areas, we can remove up to 40%[11] of the store range, with limited impact on sales, releasing c.25%[11] of space for higher-productivity categories, destination ranges and more compelling home missions.

We will also strengthen customers' trust in our affordability. This will not require a broad-based investment in price; however, we must step-change our value perception. Most fundamentally we will introduce a clearer Good, Better, Best architecture, communicate our price-quality equation more effectively and use sharper price-matching tools where they matter most. This will be supported by stronger range and supply execution to improve relevance, availability and efficiency.

Early trials of revised pricing architecture have delivered a 9ppt outperformance in category sales. We have also tested merchandising and flow changes in plain-dye bedding, with year-on-year sales up double-digits in our St Albans refit. These tests are helping us determine what to scale across the estate and where the proposition requires further refinement.

We will also evolve our trading model to reflect how customers now shop, whilst maintaining strong margin discipline. Our two established Winter and Summer Sale events will remain, but will be complemented by clearer, more focused activity through the year, enabling us to engage customers at the moments and on the missions that matter most.

Finally, we see an opportunity to strengthen Dunelm as both a retail brand and a product brand. Over time, we believe products under our owned brands could represent approximately 90% of sales, increasing customer recognition and consistency while supporting margin discipline. We will continue to leverage our owned and third-party brands where they can play a role in individual products or categories and add to our position as a homewares authority.

Together, these actions will create a clearer, more distinctive and more productive specialist proposition, supporting both sales growth and disciplined margins.

[11] Management estimates using external benchmarking

Deliver seamless omnichannel experiences

Our best customers already shop across both stores and digital channels; our opportunity is to make that experience more joined-up, easier and more inspiring.

We will extend our reach by expanding the store portfolio and increasing our digital presence. At the same time, we will optimise our existing estate and platforms, and create more connected experiences through inspirational formats, personalised and assisted selling. Everything will be designed with omnichannel customers and their missions for the home in mind.

Stores remain a major competitive advantage for Dunelm: they extend our reach, showcase our offer and reinforce customer trust. We have already identified c.100 locations[12] for potential new stores and have confidence that we can open up to ten each year over the next three years, while maintaining disciplined returns. Each new store contributes on average approximately 0.2ppts to annual sales growth, subject to location, format and maturity. Our new Kingston store, which opened in June, has started very strongly, trading with the highest volume of transactions across the estate.

We will also accelerate investment in the existing estate. Around 25% of stores are not at the standard they should be and are not delivering their full potential. We therefore plan to invest a moderate level of capex over the next two years, intending to reverse longer term sales decline. Alongside this, we will continue to undertake a small number of larger refits, incorporating our latest developments in store format, merchandising and customer experience. St Albans is an early example of this approach, and its post-refit high-single digit sales growth demonstrates the potential of these targeted investments.

Across digital channels, we will invest to improve both reach and engagement. This includes preparing for the stronger emergence of generative engine optimisation (GEO) and increasing our presence on the platforms where customers spend their time, including social commerce, with further developments launching shortly.

Within our own digital ecosystem, the focus will shift from presence to deeper engagement and better basket-building through improved search, recommendations and bundles. Having fully launched in February 2026, customers shopping through our App already spend approximately 40%[13] more per transaction and shop more frequently. We have also led the UK market in AI-enabled search and, in partnership with Google, introduced conversational commerce through our 'Ask Dunelm' shopping assistant in the App.

Across stores and digital, we will make complete home missions easier and more inspiring. By showcasing real home spaces and complete solutions for customers, there is an opportunity to make our ranges much more shoppable. Being more inspiration-led, we can move customers from single-item purchases towards mission-based shopping that drives higher spend.

By connecting stores, digital platforms and customer data more effectively, we aim to deliver more visits, better conversion, larger baskets and higher repeat purchase.

[12] Management information using proximity to existing Dunelm and competitor locations
[13] Sales since the full launch of our App in February 2026

Transform our capabilities

To deliver faster, sustainable growth, we need a business that is simpler, more agile and more productive. Dunelm has always operated with financial discipline, and that will not change. As we scale, however, our cost base, processes, systems and ways of working must be fit for the next phase of growth.

We are therefore taking action to remove organisational complexity and redirect resources towards the areas that matter most for long-term performance. This includes upweighting capabilities in data and analytics, change delivery, and bringing together functions to strengthen our customer focus. Since the year end, we have taken initial action to reduce our central teams by c.8%[14], whilst maintaining our focus on the productivity and efficiency of our most critical resource: our people.

We have also launched a programme focused on end-to-end process reengineering to deliver productivity across the business, targeting a reduction in our overall cost to serve whilst improving experiences for customers and colleagues. In combination with restructuring activity, this programme is expected to remove c.£100m[15] of our least productive costs from the FY26 base over the next three years, to be reinvested in the business over the same timeframe.

Technology will be a critical enabler of this transformation. We will invest in a focused set of foundational systems, make greater use of AI and automation, work with a smaller number of strategic suppliers and partners, and transition towards fewer, better-connected platforms.

The objective of this growth engine is not technology or cost reduction for its own sake. It is to enable better decisions, faster execution, a lower cost to serve and a more personalised customer experience, creating the capacity, pace and efficiency required to grow profitably.

[14] Salaried colleagues across support functions and distribution
[15] Compared to FY26 base. Before growth in volume-related costs and inflation

WINNING HEARTS & HOMES

We recognise the ambition and breadth of this plan. Focus, sequencing and disciplined execution will therefore be critical. Activity will be phased carefully, balancing initiatives that deliver near-term value with pilots that can be tested and scaled, alongside building longer-term capabilities required to support sustainable growth.

We are not changing the fundamentals of our business - we are strengthening them to unlock a real opportunity to accelerate our growth trajectory. We will retain the financial discipline that has always characterised Dunelm. But we are also increasing our ambition: we will be bigger, better and bolder.

CHIEF FINANCIAL OFFICER'S UPDATE: GROWTH PLAN TO BUILD A BIGGER, BETTER AND BOLDER DUNELM

Dunelm enters this next phase from a position of financial strength. We have a strong track record of sustained growth, attractive profitability, robust cash generation and consistently high shareholder returns.

In recent years, however, our rate of growth has moderated. Sales have continued to increase despite a challenging market, but at a low to mid-single-digit rate, with slowing market share gains. This growth in itself generates operating leverage, however throughout the same period, cost inflation has become a structural feature of the operating environment. Wage inflation has been a particular headwind, and in total employee costs increased by £85m between FY22 and FY26, equivalent to a CAGR of c.8%. Whilst we have continued to invest, generate productivity savings, and deliver PBT margins above 11%, we have seen limited absolute profit growth.

Our growth plan is designed to reverse this trajectory. By accelerating top-line growth, structurally reducing the cost base and maintaining disciplined investment, we expect to restore sustainable operating leverage and drive profit growth over time, supported by robust cash generation and balance sheet capacity.

Across the next three years, we will:

- Return to mid-to-high single digit year-on-year sales growth;
- Remove c.£100m[16] of unproductive costs from the FY26 base, to be fully reinvested in initiatives that drive sustainable growth;
- Deliver adjusted PBT margins[17] of c.11%;
- Maintain our strong cash generation and ROCE[18] of c.30%;
- Continue our track record of paying an increasing ordinary dividend;
- Retain our disciplined approach to capital allocation, by holding net debt[19] : EBITDA[20] within our targeted 0.2x – 0.6x range.

Our plan will deliver a materially bigger, better and bolder Dunelm in the next three years, with scope for further sales growth, profits and cash returns beyond the plan period.

[16] Compared to FY26 base. Before growth in volume-related costs and inflation
[17] 52-week statutory PBT excluding adjusting items, expressed as a percentage of total sales
[18] Adjusted net operating profit after tax as a proportion of total assets excluding non-current liabilities and current lease liabilities
[19] Cash and cash equivalents less total borrowings. Excludes IFRS 16 lease liabilities
[20] 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 of right-of-use assets

DRIVING STRONGER SALES GROWTH

Our plan is to increase the current rate of sales growth from c.3% to mid-to-high single digits within three years, bringing performance closer to Dunelm's long-term historical average. The business has evolved through two broad phases: initially through the expansion of the store estate and, more recently, through the development of our digital proposition. The next phase will bring these strengths together, combining a seamless omnichannel proposition with the authority, scale and trust of the UK's leading homewares specialist.

We will accelerate the expansion of our store estate. Following only two openings in FY26, we expect to open up to ten stores each year. We have identified c.100 potentially attractive locations[21], providing a substantial pipeline for disciplined expansion over time.

Within the existing estate, store-enabled[22] like-for-like sales (including Click & Collect and assisted sales through in-store tablets) grew by 0.8% in FY26; however, store-only sales declined. We are addressing stores' performance through a combination of targeted investment in stores which do not currently meet our standards, alongside initiatives to strengthen category authority, including range simplification and enhancing customers' perception of value. Together, these actions are expected to return the existing estate to growth.

Our digital channels also provide a significant opportunity to extend our reach and deepen customer engagement. As product discovery evolves, we will adapt our content and product data for generative engine optimisation, ensuring Dunelm remains visible and relevant across both established and emerging digital channels, including social commerce.

We will complement this with a broad programme of innovation focused on discovery, inspiration and personalisation. It will be easier for customers to discover more of our range and complete larger missions as we strengthen recommendations and make curated collections discoverable. We will also continue to develop the Dunelm App, creating stronger connections between customers and colleagues and a more seamless omnichannel experience.

Collectively, these initiatives will create a stronger, more connected proposition for customers and position Dunelm to capture a greater share of a large and fragmented market.

[21] Management information using proximity to existing Dunelm and competitor locations
[22] Year-on-year sales for all stores trading in comparable periods in the reported year and the preceding year. Includes completed in-store transactions, sales transacted through in-store tablets and Click & Collect orders

SELF-FUNDED INVESTMENT TO DELIVER GROWTH

Realising our growth ambitions will require an increase in investment across the business, funded through a combination of business-generated cash flows and structural cost savings. Our plans include:

- A programme to remove c.£100m[23] unproductive costs from the FY26 base by FY29, which will be fully reinvested in growth initiatives;
- Non-recurring expenditure totalling around £30m - £40m across FY27 and FY28, primarily to strengthen our foundational infrastructure, and to be reported as adjusting items; and
- Elevated capital expenditure, totalling c.£125m above our recent run-rate across the next three years, as we expand and renew the store estate and invest in our supply chain and technology infrastructure.

Over the next three years, our plans will deliver an adjusted PBT margin[24] of c.11% and ROCE[25] of c.30%.

[23] Compared to FY26 base. Before growth in volume-related costs and inflation
[24] 52-week statutory PBT excluding adjusting items, expressed as a percentage of total sales

[25] Adjusted net operating profit after tax as a proportion of total assets excluding non-current liabilities and current lease liabilities

Removal of least productive costs

Through a programme of productivity and simplification, we will remove c.£100m[21] of our least productive costs from the FY26 base over the next three years, to reinvest in building a more efficient and scalable operating model.

The programme is built around four interconnected levers: organisational design and cost reduction; end-to-end process re-engineering; operating model optimisation; and range efficiency. Together, these initiatives will reduce structural cost, improve productivity, and create capacity to reinvest in the areas that deliver the greatest value for customers.

Execution is already underway and beginning to deliver cost savings to fund investment in our growth engines. In the first quarter of the year, we have taken action to simplify the organisation and reduce central costs, through the removal of c.8%[27] of central roles, with an associated one-off charge. We estimate that these changes, in addition to further targeted cost removal over the next three years, will deliver annualised savings of c.£40m.

We see significant opportunity to simplify and improve end-to-end processes across the business, including product lifecycle management, inventory and stock flow, merchandising, trading, fulfilment and returns. FY27 delivery is focused on the areas expected to deliver the greatest and fastest productivity benefits, with an estimated cost saving of c.£35m by FY29. This is complex work, which will see us redesign processes across functional boundaries, remove manual activity, reduce complexity, improve data quality, simplify decision-making and increase automation.

Continuous improvement has long been embedded within our operating model, particularly across stores and supply chain. Building on this foundation, we will deploy targeted technology investments to unlock a step-change in efficiency. This includes the rollout of RFID, following encouraging early trials, which will streamline store and logistics processes, improve stock accuracy and availability, and enhance the customer experience. We will also introduce more advanced workforce management capabilities to optimise scheduling and labour deployment. These initiatives are expected to deliver c.£15m of annualised benefits by FY29.

Simplifying and rationalising our product ranges creates benefits for both customers and the business. As well as improving navigation and ease of shopping for customers, range simplification will reduce operational complexity, with an estimated c.£10m annual benefit by the end of the plan period. Reducing the long tail of less efficient SKUs helps us further improve our stock disciplines and be purposeful about clearance and product churn, enabling a more efficient and considered approach to managing stock throughout its lifecycle.

The outcome of all of the above will be a simpler, faster and more productive organisation, built for the future and capable of supporting the scale required to deliver our ambition.

[26] Compared to FY26 base. Before growth in volume-related costs and inflation
[27] Salaried colleagues across support functions and distribution

Investment for profitable and sustainable growth

Throughout our history, we have consistently invested in our business to capture opportunities. Reflecting the scale of the opportunity ahead, we expect incremental P&L investment of c.£100m[28] compared to the FY26 base by FY29. This investment will sustain innovation and support the expansion of our growth engines, including marketing and customer engagement, the continued development of our technology platforms, including a future update to our ERP system, and investment in organisational effectiveness.

In addition, over the next two years we expect to incur approximately £30m to £40m of non-recurring costs. These are clearly defined in scope and relate principally to restructuring activities, delivering our change programme and the implementation of foundational systems. Given their one-off, time-bound nature, they will be reported as adjusting items to our statutory profit, which we believe will provide a clearer view of the underlying performance of the business. We have established clear criteria and approval processes to identify, monitor and control expenditure of this nature.

Overall incremental capital expenditure over the three-year plan period is expected to be c.£125m, over and above our recent average of c.£40m per annum. This will support investment in our stores through an accelerated programme of up to ten new openings per annum and the renewal of more than 50 underperforming stores in the first two years, where we believe the customer experience does not fully reflect the strength of the Dunelm brand. We will also continue to develop our supply chain infrastructure, including exploring opportunities to deploy automation at greater scale to enhance the customer experience, improve service levels and drive operational efficiency.

As we have always done, we will invest with discipline, maintaining a strong ROCE[29] of c.30% throughout the plan period.

[28] Compared to FY26 base. Before growth in volume-related costs and inflation
[29] Adjusted net operating profit after tax as a proportion of total assets excluding non-current liabilities and current lease liabilities

CLEAR CAPITAL ALLOCATION PRIORITIES

Our capital allocation policy remains unchanged and our priorities are clear: first, to invest in the business to drive growth; second, to deliver sustainable long-term shareholder distributions through a growing ordinary dividend; and finally, to return surplus cash to shareholders.

We invest in the business where we see attractive opportunities to drive long-term value creation. This plan includes higher investment than in recent years, reflecting our bolder ambition for growth, with increased recurring operating expenditure, time-bound non-recurring costs reported as adjusting items, and additional capital expenditure across the store estate and supply chain.

Our second priority is to continue growing our ordinary dividend. Our policy targets ordinary dividend cover of between 1.75x and 2.25x earnings per share. During the plan period, we expect cover to be slightly below the lower end of this range, which the Board considers appropriate given its confidence in the opportunities ahead and our ongoing strong cash generation.

Finally, where we have surplus cash on the balance sheet, we will return it to shareholders through share buybacks or special dividends.

FY27 GUIDANCE

FY27 will be a 53-week year. To enable comparison with prior and future years we will report relevant metrics on a 52-week basis. The Group last reported a 53-week financial year in FY22. Any income statement guidance is given on a 52-week basis.

In pursuit of our plans, we expect the following for FY27:

- Inflation of c.3% on FY26 operating cost base
- Cost removal of £25–30m, funding a similar amount of reinvestment for growth
- Total adjusting items of £30–40m through the income statement, combined across FY27 and FY28. These costs are primarily cash investments that support the growth plan and are expected to be non-recurring beyond its first two years
- Adjusted profit before tax broadly in line with FY26
- Effective tax rate 50–100bps above the headline rate of UK corporation tax
- Working capital broadly neutral across the year, with a timing benefit of c.£90m expected at the half year due to a cash payment in transit at the period end
- Capital expenditure of c.£60–70m:
    - Up to ten new store openings during the year
    - Within the existing estate, up to 30 renewals focused on stores that don't meet our standards, in addition to our continued programme of refits
- Net debt[30] to remain within targeted range of 0.2x – 0.6x EBITDA[31]

[30] Cash and cash equivalents less total borrowings. Excludes IFRS 16 lease liabilities

[31] 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 of right-of-use assets