



Preliminary Results Presentation
Year ended 28th June 2014

Geoff Cooper

Chairman

David Stead

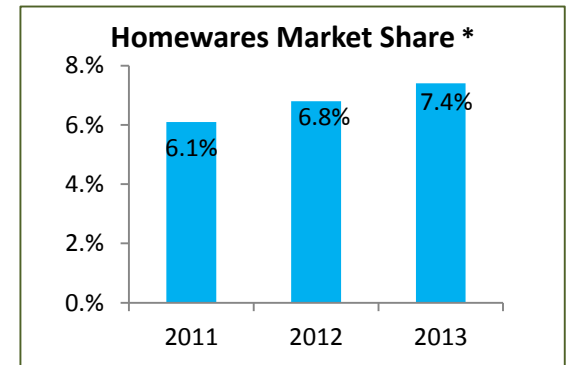
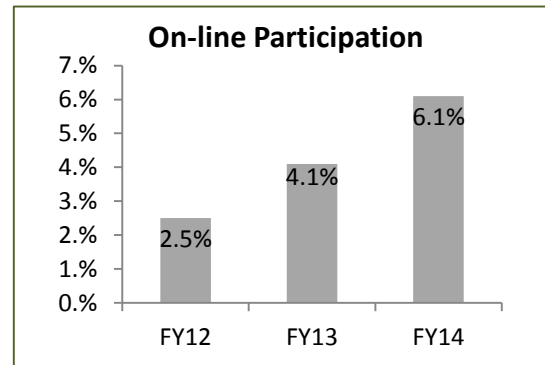
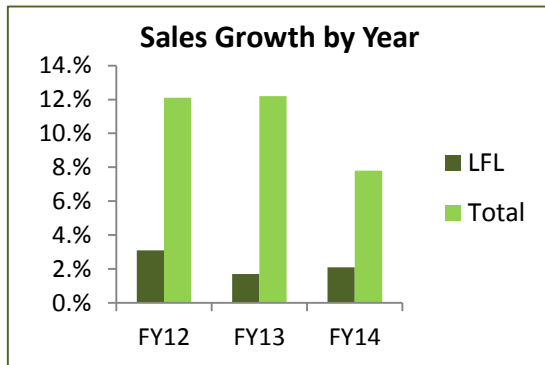
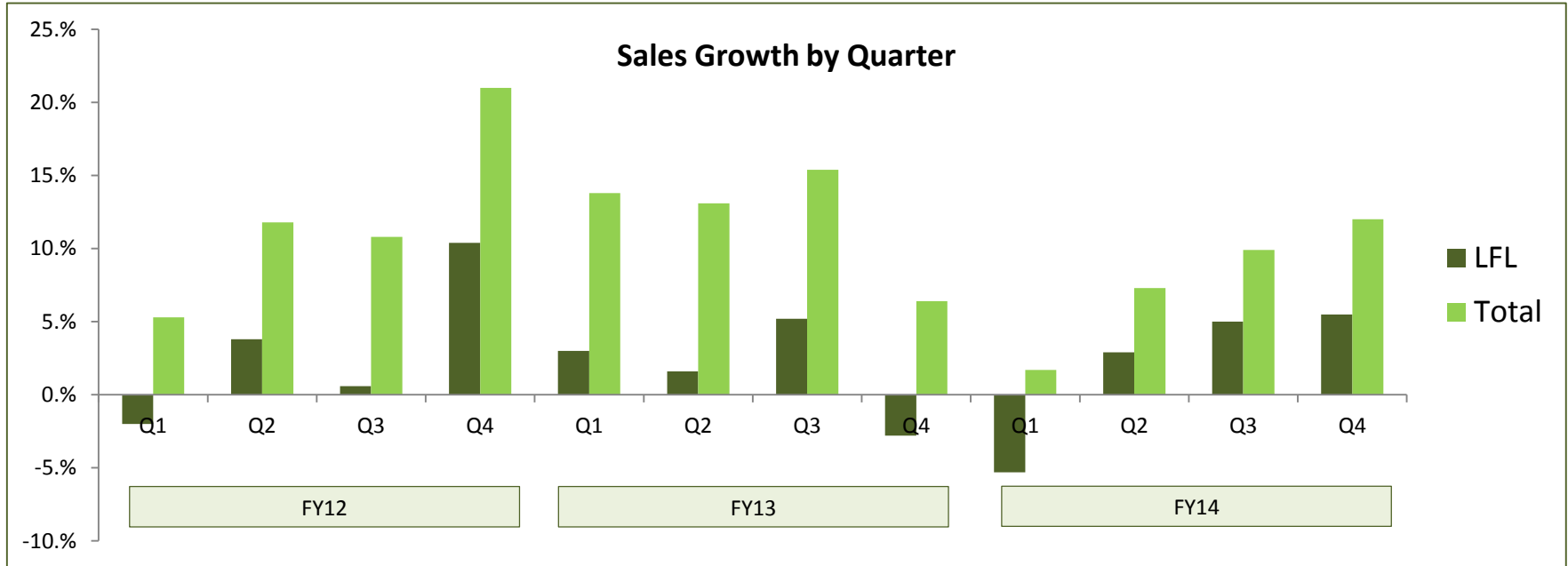
Finance Director

Financial Highlights FY14

	FY14	FY13	Year on year change
Sales	£730.2m	£677.2m	+7.8%
LFL Sales growth	+2.1%	+1.7%	
Gross margin	49.5%	48.7%	+80bps
Operating profit	£116.0m	£106.5m	+8.9%
Profit before tax	£116.0m	£108.1m	+7.3%
EPS (fully diluted)	43.7p	40.0p	+9.3%
Free cash flow	£77.1m	£74.6m	
Ordinary dividend	20.0p	16.0p	+25.0%

Sales Trend

Continued growth in sales, on-line participation and market share



* Source: Verdict

Sales Drivers

FY14

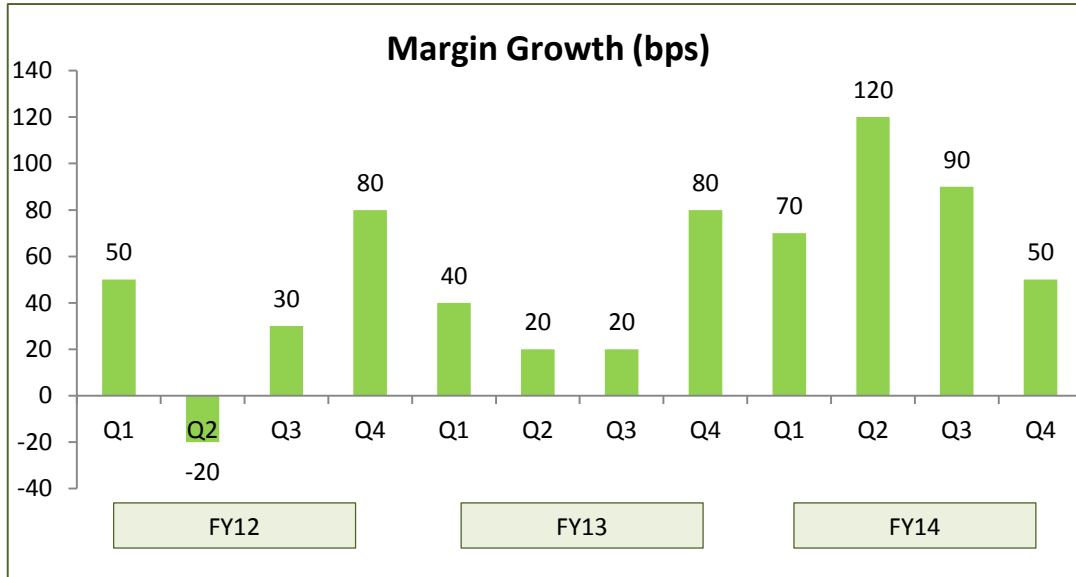
- Market growth modest (2-3%)
- 12 stores opened
- Multi-channel growth (> 60%)
- TV advertising/other A&P
- Dunelm At Home roll-out
- Customer First programme

FY15 Outlook

- Modest market growth forecast (2-3%)
- 11 new stores committed
- Continuing multi-channel growth
- Higher rate of brand investment
- Dunelm At Home national coverage for full year
- Continuing investment in service

Gross Margin Trend/Drivers

Sustained growth in gross margin



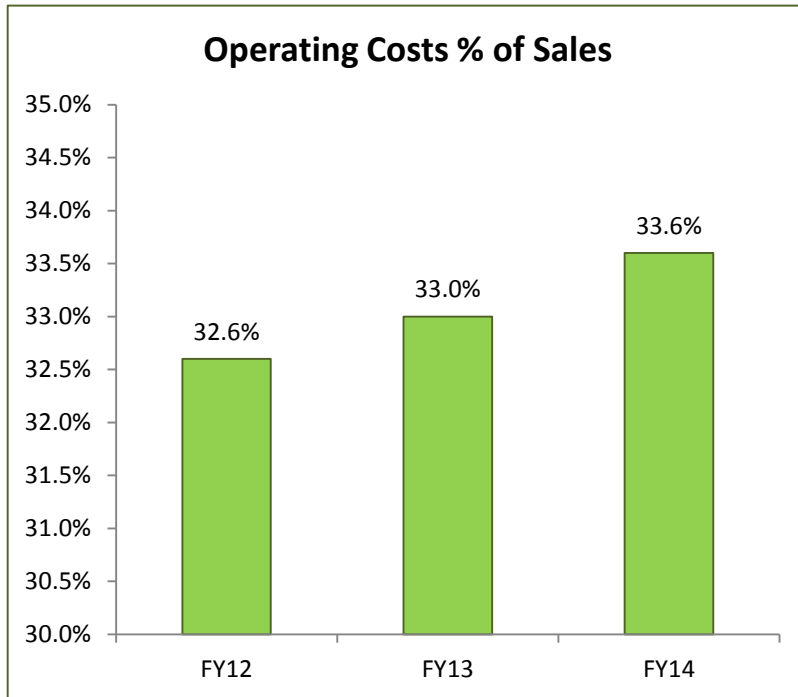
Annual Gross Margin	
FY12	48.3%
FY13	48.7%
FY14	49.5%

Key drivers

- Direct sourcing (accounting for majority of margin gain in FY14)
 - 17.7% of sales in FY14 (up from 16.2% in FY13)
 - Further increase expected
- Uncertainties – exchange rates, input costs, freight rates

Operating Cost Trends

Operating cost trend reflects continuing investment in growth



	FY14	FY13
Wages & salaries	14.4%	14.1%
Rent	4.7%	4.5%
Depreciation	2.8%	3.0%
A&P	1.7%	1.2%
Other	10.7%	10.2%
Total	33.6%	33.0%

Operating Cost Drivers

	FY14	FY15 Outlook
New space	<ul style="list-style-type: none"> 7.7% additional space, impacting all cost lines 	<ul style="list-style-type: none"> 11 new stores committed
On-line home delivery	<ul style="list-style-type: none"> Higher cost to serve drives opex % 	<ul style="list-style-type: none"> Increased scale enables some cost leverage
Direct sourcing	<ul style="list-style-type: none"> 9% increase in activity 	<ul style="list-style-type: none"> Further increases planned
Depreciation	<ul style="list-style-type: none"> £20.3m 	<ul style="list-style-type: none"> c. 15% increase (driven by IT investments)
A&P	<ul style="list-style-type: none"> Increased investment (particularly TV advertising) – 1.7% of sales 	<ul style="list-style-type: none"> Further increase in investment planned towards 1.9% of sales

Cost base will continue to reflect investment in growth

Profit after Tax

(£m)	FY14	FY13	
Operating Profit	116.0	106.5	Operating margin 15.9% (FY13: 15.7%)
Financial items			
- Interest receivable	0.5	0.9	
- Foreign exchange (loss)/gain	(0.5)	0.6	
Profit before tax	116.0	108.1	
Tax	(26.9)	(26.6)	Effective rate 23.2% (FY13: 24.6%)*
Profit after tax	89.1	81.5	
EPS (fully diluted)	43.7p	40.0p	
Ordinary dividend	20.0p	16.0p	Dividend cover reduced to 2.2x

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

Working Capital Movement

(£m)		Key Drivers
Inventory increase	(22.6)	New stores, direct sourcing, furniture, dedicated web fulfilment centre
Debtors increase	(1.2)	
Creditors increase	14.4	Trade payables, VAT
Overall movement	(9.3)	

Similar drivers are expected to lead to a further increase in net working capital in FY15

Cash Generation

Cash conversion remains strong

(£m)	FY14	FY13
Operating Profit	116.0	106.5
Depreciation and amortisation	20.3	20.5
Other non-cash movements	3.4	2.7
Working capital movement	(9.3)	(3.4)
Net interest	0.5	0.9
Tax paid	(27.1)	(26.8)
Net cash from operations	103.8	100.4
<i>Cash conversion</i>		
<i>Free cash flow*: PBT</i>	66%	69%
<i>Net cash from operations: operating profit</i>	89%	94%

* Free cash flow is defined as net cash from operations less capital investment and certain other items on the cash flow statement.

Capital Investment

Continuing investment in growth

(£m)	FY14	FY13
New store fit-outs	13.8	15.4
Refits / other store investments	5.0	5.5
IT	7.2	4.0
Other (Logistics, Manufacturing, Central)	2.0	1.5
Total	28.0	26.4

Capital Investment – FY15 Drivers

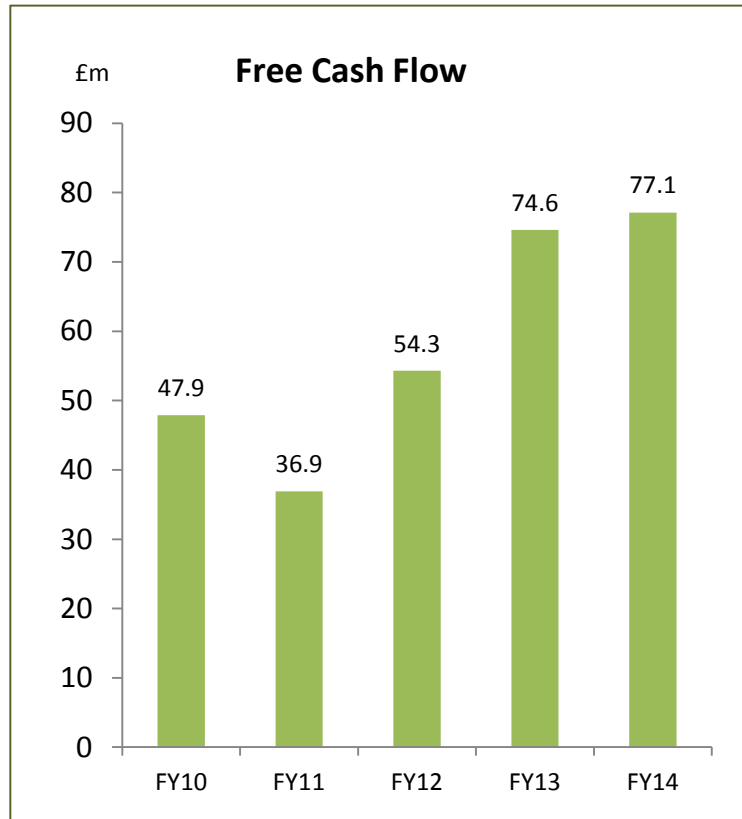
- New stores – average fit out cost £1.2m per store
- Refits – overall investment estimated at c. £5m
- IT investments, including new web platform – estimated c. £8m
- Logistics infrastructure – plan being developed
- Potential freehold opportunities



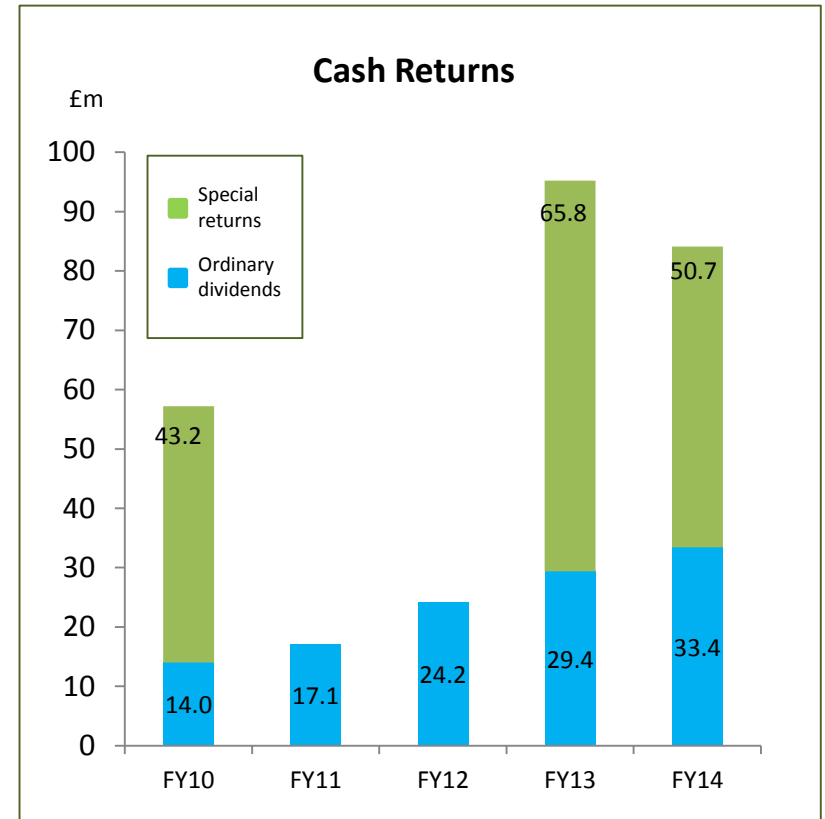
Net Cash Generation

(£m)	FY14	FY13
Net cash from operations	103.8	100.4
Capital expenditure	(28.0)	(26.4)
Other	1.3	0.6
Free cash flow	77.1	74.6
Ordinary dividends paid	(33.4)	(29.4)
Special dividend paid/return of capital	(50.7)	(65.8)
Purchase of treasury shares	(15.4)	-
Change in net cash	(22.4)	(20.6)
Year end net cash	21.7	44.7
Daily average net funds	48.3	66.2

Free Cash Flow and Cash Returns to Shareholders



Free Cash Flow Conversion				
62%	44%	57%	69%	66%



Ordinary Dividend Cover				
3.4x	2.5x	2.5x	2.5x	2.2x

Total cash returns of £278m over the last 5 years

Will Adderley

Chief Executive



Overview

- Robust trading
- Continued market share gain
- Senior management team in place and delivering
- Strong multi-channel growth and investment
- Continued successful superstore roll out
- Further development of industry leading product offer
- Genuine traction on in store customer service
- Industry leading financial metrics

Growth Strategy

Develop our specialist position

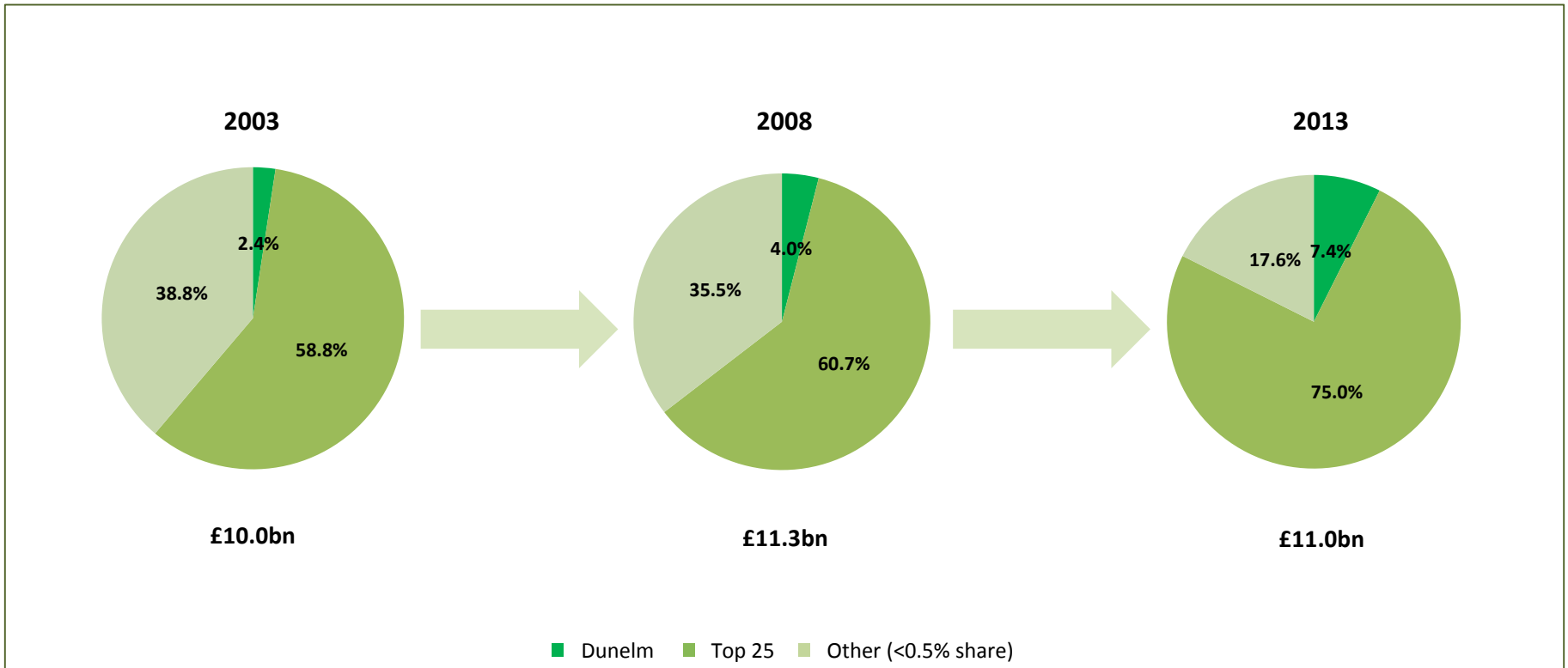
Develop the store portfolio

Grow multi-channel

Develop and exploit our infrastructure

Market overview

- Homeware market stable at c.£11bn.
- Recently returned to pre-recession level
- Continued consolidation and more to come



Develop our specialist position



Develop the store portfolio

- Target still remains 200 UK superstores
- 136 superstores at June '14
- 12 successful openings in FY14
- Payback still very strong, last 3 years at 24 months
- 1 open, 10 more contractually committed for FY15
- Continued refit programme across the estate

Summary

- Well invested platform
- Investment will continue where needed
- Opportunity to focus on our real strengths
- Opportunity to focus on growth



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