



The Home of Homes

Interim results FY23

15 February 2023

Interim Results FY23

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Introduction

Nick Wilkinson
CEO

H1 highlights

+5%	+43%	+160bps	+5.7%
Total YoY sales growth	Total 3YoY sales growth¹	Homewares market share YoY growth²	Active customers YoY growth³
51.1% FY22 H1: 52.8%	£117m FY22 H1: £141m	£102m FY22 H1: £106m	55p Ordinary: 15p Special: 40p
Gross margin	Profit before tax	Free cash flow⁴	Interim and special dividends⁵

¹ Total sales growth vs H1 FY20 (pre-pandemic)

² GlobalData UK homewares market. Market share for the period January 2022 to December 2022 was 10.8%

³ Growth in unique active customers who have transacted at least once in the calendar year. Management estimates using Barclays data

⁴ Free cash flow is defined as net cash generated from operating activities less capex (net of disposals) and business combinations, net interest paid (including leases) and loan transaction costs, and repayment of principal element of lease liabilities

⁵ Interim dividend of 15p per share (FY22: 14p) and special dividend of 40p per share



H1 highlights: Growth

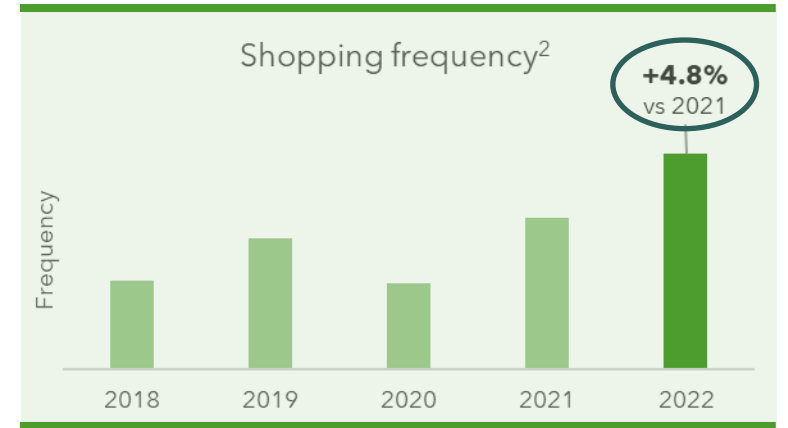
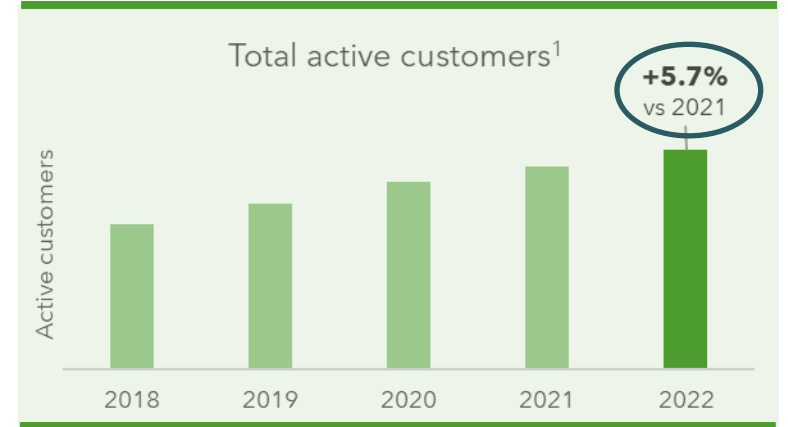
Relevant products and outstanding value



Helping customers feel savvy and manage their budgets



Leading to further growth in customer numbers and frequency



¹ Unique active customers who have transacted at least once in the calendar year. Management estimates using Barclays data

² Number of visits per retained customer in the calendar year. Retained customers defined as those who have shopped with Dunelm in both the reported calendar year and previous calendar year. Source: Barclays

H1 highlights: Resilience

- Strong operational grip:
 - Tight commercial discipline
 - 'Keep It Simple' business principle
 - 'Making Every Pound Count' mindset
- Advantaged business model:
 - Strong brand with broad appeal, addressing an audience of 'home-lovers'
 - A distinctive product offer and long-term supplier relationships
 - A cost-effective total retail system, combining local stores and digital shopping
- Dunelm colleagues x strong shared values

Feltham new store

Opened December 2022 , 15,000 sq ft sales area



'Delivering Joy' campaign

Customers and colleagues, supporting over 550 local causes





Financial review

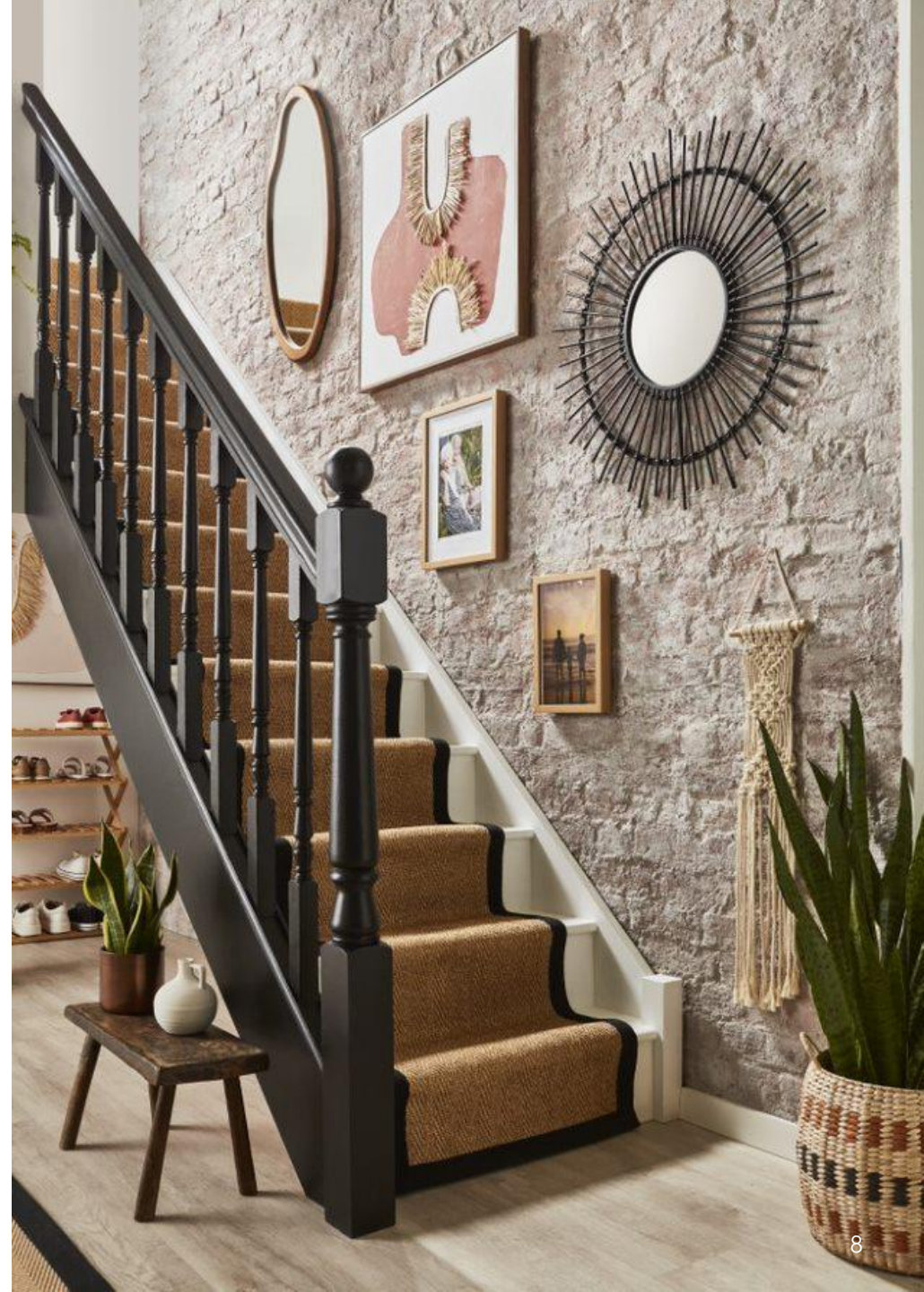
Karen Witts
CFO

Financial summary

	H1 FY23	H1 FY22	YoY
Sales	£835.0m	£795.6m	+5.0%
Gross margin	51.1%	52.8%	-170 bps
Operating cost % sales	36.6%	34.8%	+180 bps
Profit before tax	£117.4m	£140.8m	-16.6%
Diluted earnings per share	45.8p	55.4p	-17.3%
Free cash flow ¹	£102.1m	£106.3m	-£4.2m
Net cash ²	£18.2m	£47.7m	-£29.5m
Ordinary dividend	15p	14p	+7.1%
Special dividend	40p	37p	n/a

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

² Excluding lease liabilities



Sales and market share gains

	H1 FY23	H1 FY22	YoY
Total sales	£835.0m	£795.6m	+5.0%
Digital % total sales ¹	34%	33%	+1ppts
Homewares market share ²	10.8%	9.2%	+1.6ppts
Furniture market share ²	2.1%	1.9%	+0.2ppts

- Strong growth rates during comparable weeks throughout the half³
- Good response to ‘Winter Warm’ and Christmas ranges as well as our Black Friday event
- Digital sales growth was particularly strong in the late Autumn and run-up to Christmas
- Further market share gains in both homewares and furniture

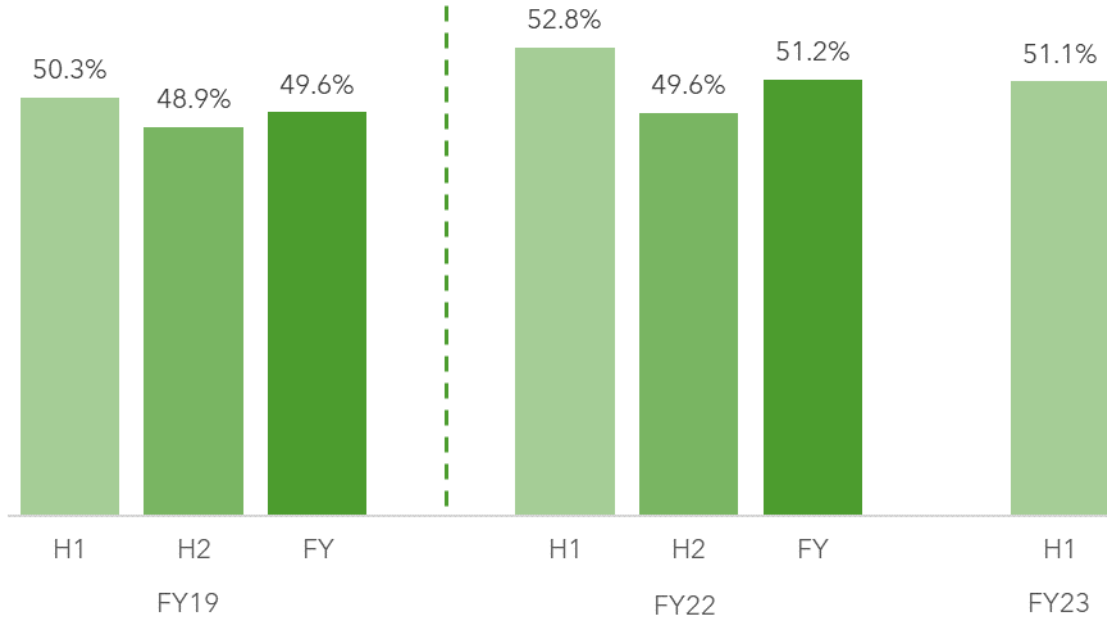
¹ Digital includes home delivery, Click & Collect and tablet-based sales in store

² GlobalData UK homewares and furniture markets, January 2022 to December 2022. Furniture excludes kitchen and bathroom furniture

³ The first half of Q1 FY22 benefitted from the rescheduled Summer Sale in 2021. Due to the 53rd week in FY22, the Winter Sale began in the final week of Q2 this year (the Sale began in Q3 in FY22)



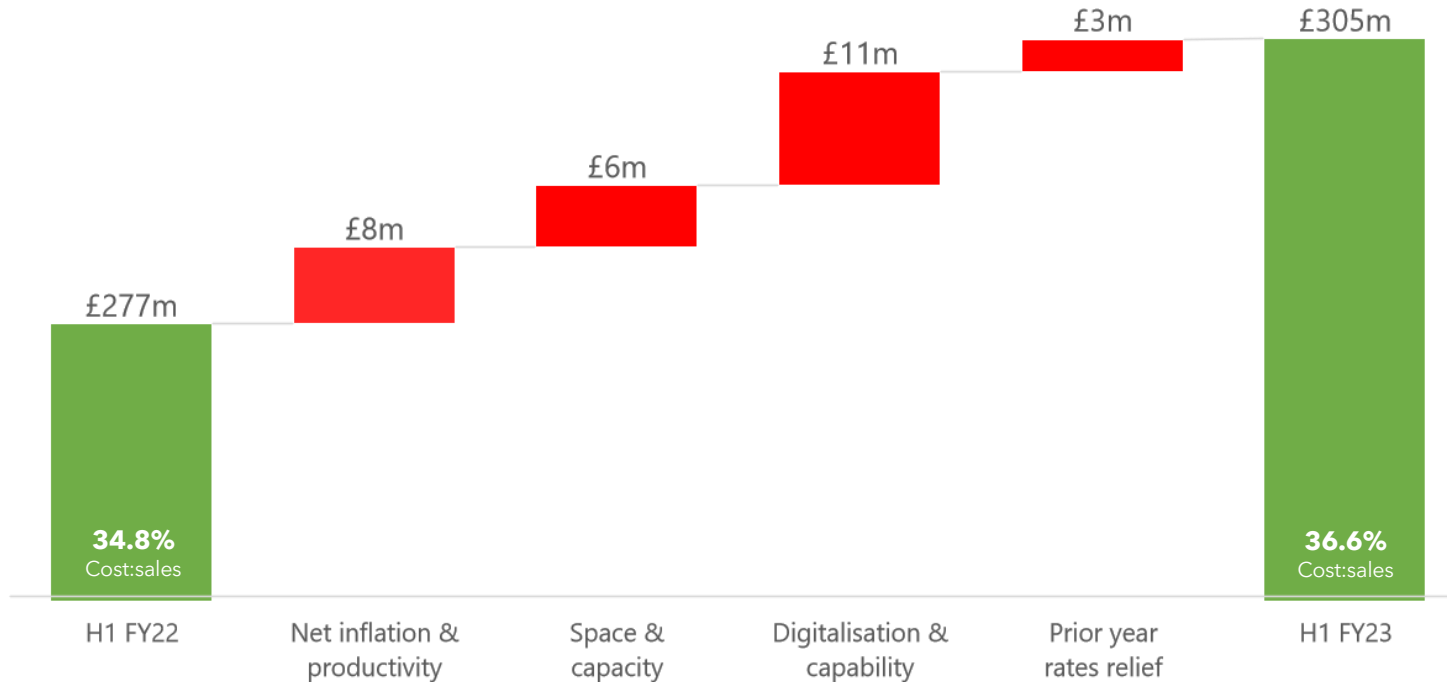
Gross margin in line with expectations



- Healthy gross margin of 51.1%
- 30bps headwind from the timing of the Winter Sale
- Expect lower gross margin in H2 as usual due to two Sale events
- Good visibility of H2 costs; full year margin still expected to be c.50%



Operating costs supporting long-term growth



- Operating cost:sales of 36.6%:
 - FY23 benefits from Winter Sale timing
 - FY22 unusually low due to strong store sales
- Inflation mainly driven by pay increases (energy a small proportion of operating costs)
- New stores and annualised impact of FY22 supply chain capacity investment
- Continue to invest in digitalising our total retail system and building capability in our focus areas
- Non-recurring benefit in prior year from business rates relief

	H1 FY23	H1 FY22	YoY
Sales, marketing & distribution costs	£241.6m	£220.3m	+9.7%
Tech and support costs	£63.6m	£56.7m	+12.2%
Total operating costs	£305.2m	£277.0m	+10.2%
Total sales	£835.0m	£795.6m	+5.0%
<i>Operating costs % sales</i>	<i>36.6%</i>	<i>34.8%</i>	<i>+180 bps</i>

Interest, tax and EPS

	H1 FY23	H1 FY22
Financial income and expenses	(£4.4m)	(£1.9m)
Profit before tax	£117.4m	£140.8m
Tax	(£24.4m)	(£27.4m)
<i>Effective tax rate</i>	20.8%	19.5%
Profit after tax	£93.0m	£113.4m
Basic earnings per share	46.1p	55.9p
Diluted earnings per share	45.8p	55.4p

- Financial income and expenses included a benefit in FY22 from revaluation of USD balances
- Effective tax rate of 20.8% was 1.3ppts higher than FY22 mainly due to the increase in the headline rate
- Diluted EPS decreased by 17% to 45.8p



Strong cash generation

	H1 FY23	H1 FY22
Operating profit	£121.8m	£142.7m
Depreciation & amortisation ¹	£38.9m	£38.1m
Share-based payments expense	£2.0m	£3.2m
Net movement in working capital	(£1.9m)	(£21.0m)
Tax paid	(£17.9m)	(£15.0m)
Net cash generated from operating activities	£142.9m	£148.0m
Capex and business combination	(£12.5m)	(£14.2m)
Net interest and loan transaction costs ²	(£0.9m)	(£1.6m)
Interest paid on lease liabilities	(£2.6m)	(£2.4m)
Repayment of principal element of lease liabilities	(£24.8m)	(£23.5m)
Free cash flow	£102.1m	£106.3m
Net cash	£18.2m	£47.7m
Memo: dividends paid	(£52.4m)	(£178.7m)

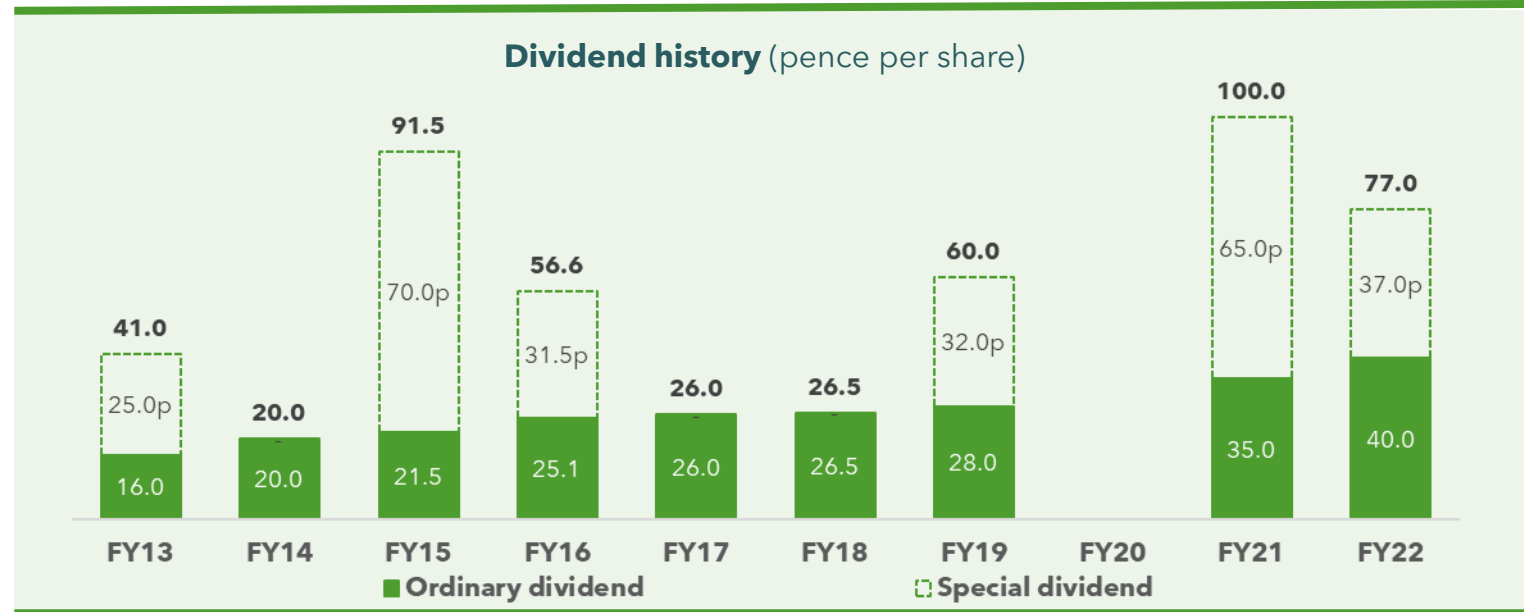
- Strong cash generation with free cash flow: operating profit ratio of 84% (H1 FY22: 74%)
- Stable working capital (H1 FY22 outflow due to stock build)
- Higher cash tax paid as FY22 included cash receipts in relation to R&D claims made at the end of FY21
- Capital investment includes spend on 3 new stores and 7 refits
- Dividends payments in FY22 include special dividends of £132m. FY23 represents the FY22 final dividend payment

¹ Including impairment and loss on disposal

² Excluding interest on lease liabilities

Capital allocation framework delivers attractive returns

- Significant returns to shareholders over last 10 years
 - Total dividends paid of c.£1bn
 - Ordinary dividend CAGR of 11%
- Interim dividend of 15p, an increase of 7.1% compared to FY22
- Special dividend of 40p to return to target net debt range and reflecting underlying strength of the business



- Capital and dividend policies**
- Target average net debt between 0.2× and 0.6× the last 12 months' EBITDA¹
 - Ordinary dividend cover of between 1.75× and 2.25× 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 0.2× EBITDA¹

¹ 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

FY23 guidance

- Whilst customers have been resilient to date, the consumer outlook remains unpredictable
- Continue to expect FY gross margin of c.50%
- Further inflationary pressures and investment in capability in H2 partially offset by lower stockholding costs
- FY capex c.£20-25m, depending on timing of new store openings
- Modest working capital benefit as inventory normalises
- Effective tax rate slightly above headline rate of Corporation Tax of 20.5% for FY23
- Our expectations for FY23 PBT remain unchanged¹

¹ At our Preliminary results in September 2022, we confirmed that we were on track to deliver FY23 PBT in line with analysts' expectations. In September 2022, the company compiled consensus average of analysts' expectations for FY23 PBT was £178m, with a range of £130m to £193m. The current company compiled consensus average of analysts' expectations for FY23 PBT is £176m, with a range of £131m to £188m





Seizing the opportunity

Nick Wilkinson
CEO

Market share runway

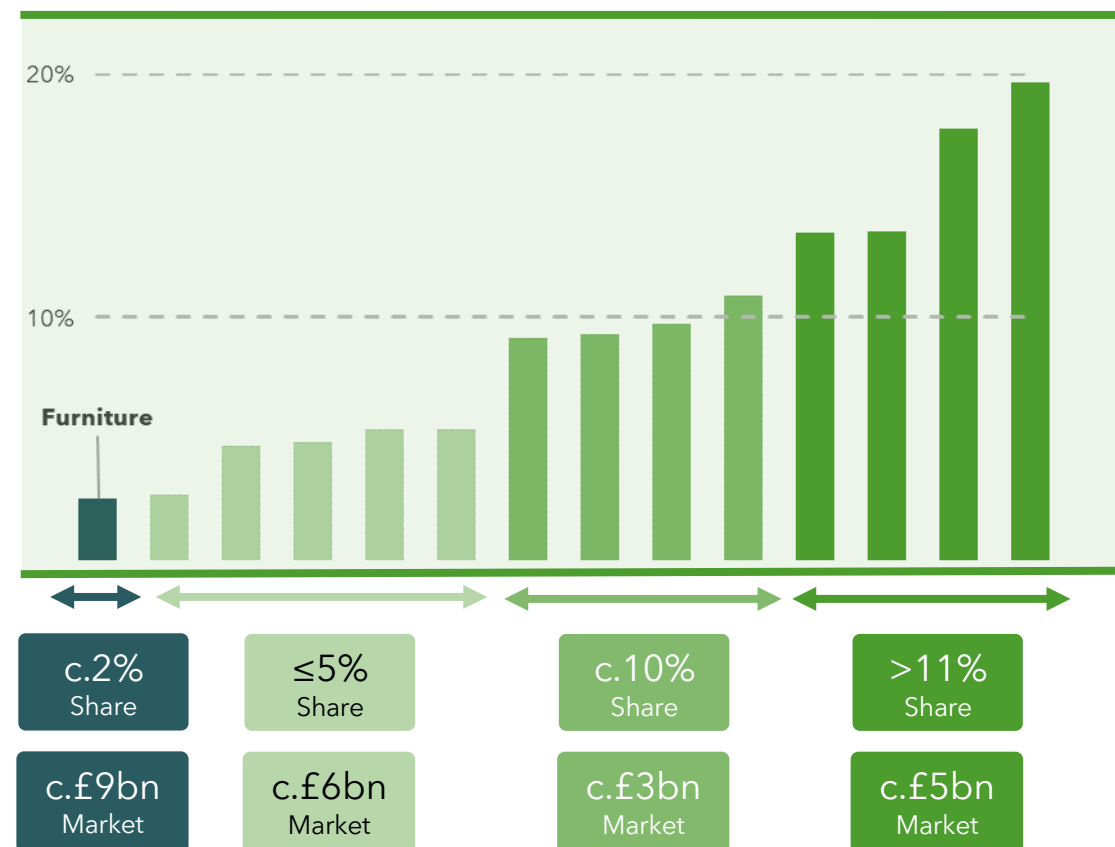
Where we are today

- Combined homewares and furniture market of c.£23bn
- Current combined market share c.7%

The opportunity

- Significant runway to increase market share
- Growth opportunities in all of these c.15 categories
- Ambitious, confident and disciplined about seizing the opportunity

Dunelm market share by category¹



¹ Each bar represents a Dunelm homewares or furniture category which in total represent c.80% of total sales, mapped to GlobalData market sizes for the period January 2022 to December 2022. Excludes certain Dunelm categories which are not part of the GlobalData homewares and furniture markets e.g. rugs. The furniture market excludes kitchen and bathroom furniture

Customer 1st plan for growth

Our plan is to become our customers' **1st choice for home**

Our purpose

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

Our ambitions

AMBITIOUS ABOUT
OUR BRAND

AMBITIOUS ABOUT
BEING A GOOD COMPANY

AMBITIOUS ABOUT
PROFITABLE GROWTH

Our shared values



ACT LIKE
OWNERS



KEEP LISTENING
& LEARNING



LONG-TERM
THINKING



STRONGER
TOGETHER

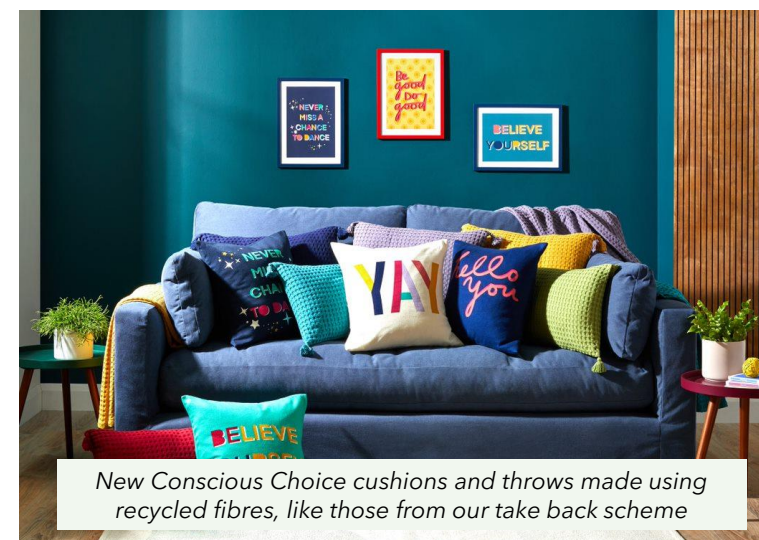
Three priorities to drive profitable and sustainable growth

1. Strengthening our customer offer, especially in choice and value
2. Digitalising the total business
3. Evolving our marketing into a cost-effective ecosystem

1. Strengthening our customer offer: Choice and value

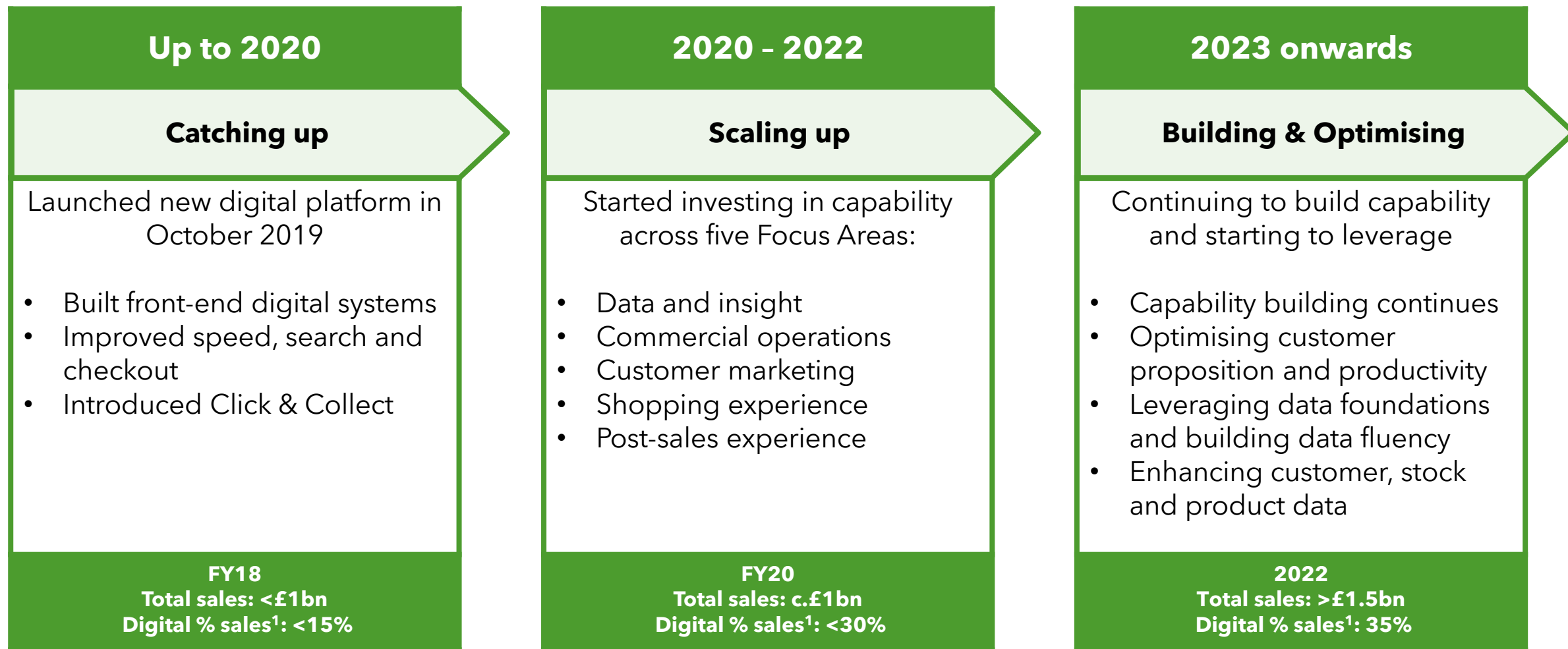
Great value and quality for every style, space and budget

- Customers are looking to be 'savvy' and are seeking value across all price / quality tiers
- 'Product mastery' capabilities continue to be built across our supplier base, and in our design, sourcing, and sustainability teams
- Conscious Choice collection with c.7k SKUs offering lower impact materials, at affordable prices
- More *curated* choice with c.10k new SKUs added to our offer successfully during H1



2. Digitalising the total business: Progress

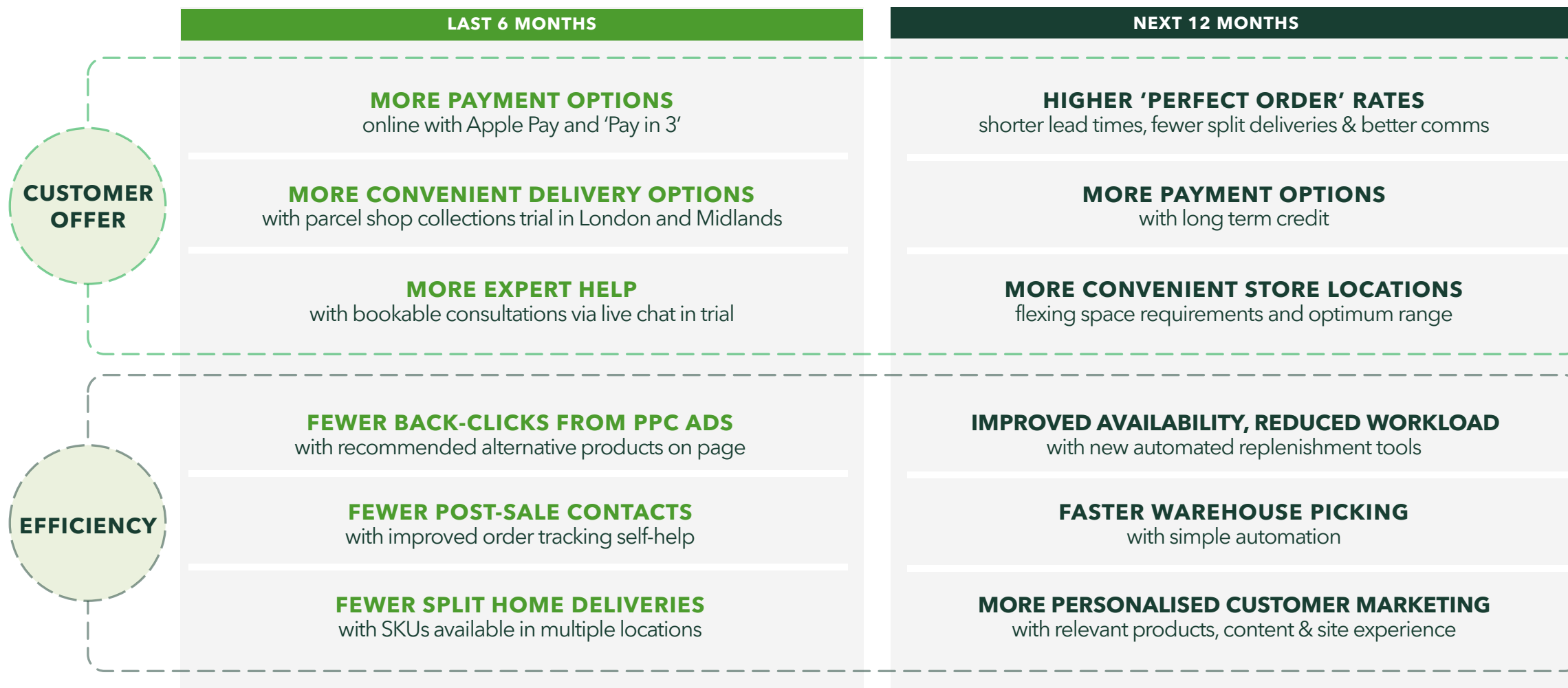
We have been building data capability and digitalising our business



¹ In FY18, digital sales included home delivery and Reserve and Collect. In FY20 and 2022, digital sales included home delivery, Click & Collect and tablet-based sales in store

2. Digitalising the total business: Continuous improvement

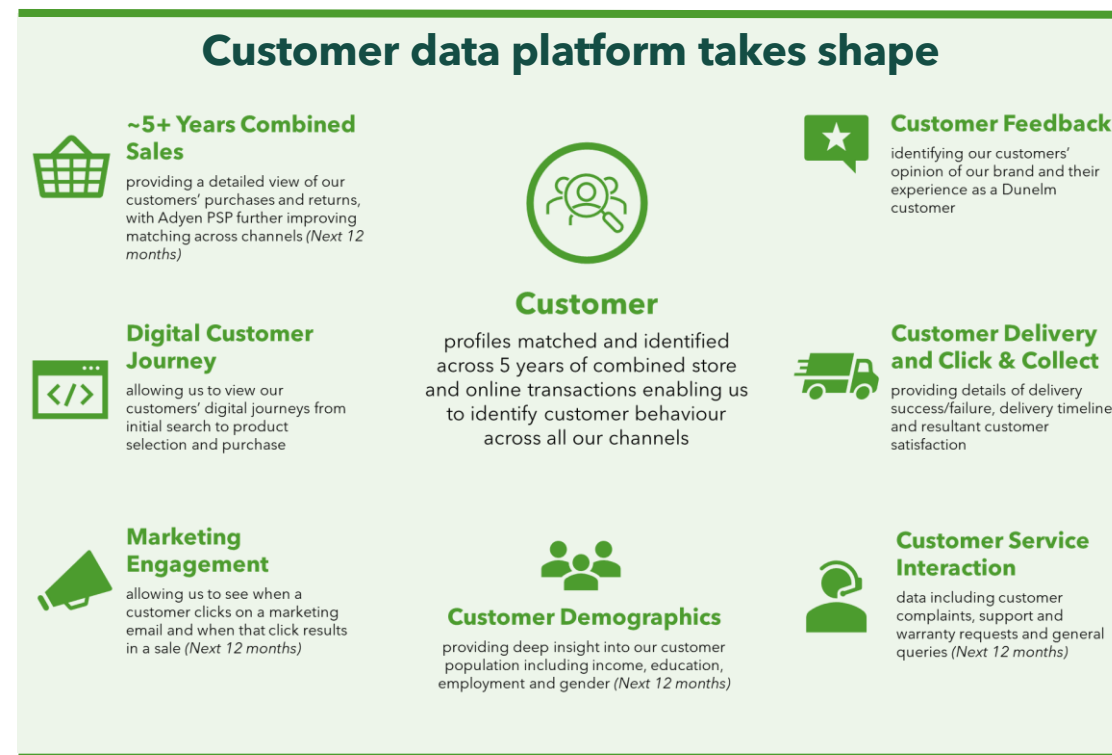
Digitalisation is helping us improve proposition and productivity



3. Marketing ecosystem evolution

Continuing to evolve our marketing ecosystem

- We have evolved our brand, digital, and local marketing capabilities over recent years
- Customer data platform in place
- Improving cross-channel profile matching and enriching our single customer view
- Starting to leverage this data to enable more personalised marketing activations and content
- Our marketing ecosystem is cost effective and our customer runway is clear: more active customers and higher frequency
- Remember multi-channel, multi-category shoppers shop 5x as often and spend 7x as much¹



¹ Internal analysis based on active customers for the 12 months to December 2022

Summary and Outlook

- Further growth in customer numbers, frequency and market share
- Strong performance in the first half and a strong Winter Sale
- Whilst customers have been resilient to date, the consumer outlook remains unpredictable
- Our expectations for FY23 PBT remain unchanged¹
- Significant and exciting market share runway
- A customer 1st plan to seize the opportunities for profitable and sustainable growth

¹ At our Preliminary results in September 2022, we confirmed that we were on track to deliver FY23 PBT in line with analysts' expectations. In September 2022, the company compiled consensus average of analysts' expectations for FY23 PBT was £178m, with a range of £130m to £193m. The current company compiled consensus average of analysts' expectations for FY23 PBT is £176m, with a range of £131m to £188m



Q&A



Appendix



Income statement

	H1 FY23	H1 FY22	YoY
Revenue	£835.0m	£795.6m	£39.4m
Cost of Sales	(£408.0m)	(£375.9m)	(£32.1m)
Gross Profit	£427.0m	£419.7m	£7.3m
<i>Gross margin %</i>	51.1%	52.8%	(170) bps
Operating costs	(£305.2m)	(£277.0m)	(£28.2m)
Operating profit	£121.8m	£142.7m	(£20.9m)
Financial income	£0.2m	£0.9m	(£0.7m)
Financial expenses	(£4.6m)	(£2.8m)	(£1.8m)
Profit before tax	£117.4m	£140.8m	(£23.4m)
<i>PBT margin %</i>	14.1%	17.7%	(360) bps
Taxation	(£24.4m)	(£27.4m)	£3.0m
Profit after tax	£93.0m	£113.4m	(£20.4m)
<i>Effective tax rate</i>	20.8%	19.5%	+130 bps
Basic earnings per share	46.1p	55.9p	(9.8p)
Diluted earnings per share	45.8p	55.4p	(9.6p)



Balance sheet

	H1 FY23 31 December 2022	H1 FY22 25 December 2021	FY22 2 July 2022
Right-of-use assets	£241.9m	£264.4m	£248.5m
Other non-current assets	£188.4m	£190.0m	£192.3m
Inventories	£233.4m	£204.4m	£223.0m
Cash	£40.2m	£47.7m	£30.2m
Other current assets	£34.6m	£22.5m	£43.9m
Total assets	£738.5m	£729.0m	£737.9m
Lease liabilities	(£270.9m)	(£295.5m)	(£278.1m)
Bank loans	(£20.7m)	-	(£52.8m)
Other current liabilities	(£237.8m)	(£214.3m)	(£223.2m)
Other non-current liabilities	(£7.8m)	(£4.4m)	(£5.5m)
Total liabilities	(£537.2m)	(£514.2m)	(£559.6m)
Net assets	£201.3m	£214.8m	£178.3m
Hedging reserve	£7.8m	£1.5m	£20.2m
Share capital/share premium/other reserves	£46.9m	£46.8m	£46.9m
Retained earnings	£146.6m	£166.5m	£111.2m
Total equity	£201.3m	£214.8m	£178.3m

5-year financial summary

	FY18	FY19	FY20¹	FY21	FY22	FY22 H1	FY23 H1
	(52 weeks)	(52 weeks)	(52 weeks)	(52 weeks)	(53 weeks)		
Total sales	£1,050.1m	£1,100.4m	£1,057.9m	£1,336.2m	£1,581.4m	£795.6m	£835.0m
Total sales growth	9.9%	4.8%	(3.9%)	26.3%	18.4%	10.6%	5.0%
Gross margin %	48.0%	49.6%	50.3%	51.6%	51.2%	52.8%	51.1%
Profit before tax ²	£102.0m	£125.9m	£109.1m	£157.8m	£212.8m	£140.8m	£117.4m
Free cash flow ³	£51.0m	£152.8m	£174.7m	£108.5m	£153.0m	£106.3m	£102.1m
Net cash / (debt) ⁴	(£124.0m)	(£25.3m)	£45.4m	£128.6m	(£23.8m)	£47.7m	£18.2m
Diluted EPS ²	40.0p	49.9p	42.9p	62.9p	83.6p	55.4p	45.8p
Dividends paid	£53.4m	£54.6m	£106.0m	£24.3m	£282.1m	£178.7m	£52.4m

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

² FY18 presented before exceptional items

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

⁴ Excluding lease liabilities. Definition updated in December 2021 to exclude unamortised debt issue costs. The new definition has been applied prospectively to FY21 and FY22 comparative information only

10-year dividend history

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Ordinary dividend _{per share}											
Interim	4.5p	5.0p	5.5p	6.0p	6.5p	7.0p	7.5p	-	12.0p	14.0p	15.0p
Final	11.5p	15.0p	16.0p	19.1p	19.5p	19.5p	20.5p	-	23.0p	26.0p	n/a
Total	16.0p	20.0p	21.5p	25.1p	26.0p	26.5p	28.0p	-	35.0p	40.0p	n/a
Special dividend _{per share}	25.0p	-	70.0p	31.5p	-	-	32.0p	-	65.0p	37.0p	40.0p
Total dividend_{per share}	41.0p	20.0p	91.5p	56.6p	26.0p	26.5p	60.0p	-	100.0p	77.0p	n/a
Ordinary dividend cover	2.5x	2.2x	2.2x	2.0x	1.4x	1.4x	1.8x	-	1.8x	2.1x	n/a

Net cash / (debt) reconciliation



¹ Purchase of treasury shares is shown net of proceeds from exercise of share options

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

Dunelm ESG highlights

Colleagues	<ul style="list-style-type: none"> • Enhanced financial wellbeing support, including 1-1 meetings with manager and education via a Cost of Living hub on our intranet site. We offer interest free salary advance and a well-resourced colleague support fund • Thriving community of mental health first aiders covering every site • New support packages for pregnancy loss, menopause and parenthood • Winner of the 'Employer of People with a Disability Award' at the National Learning Disabilities and Autism Awards
Communities	<ul style="list-style-type: none"> • Continued to work with charity partner Mind, raising awareness, and linking to the charity's resources and fundraising • Stores and support sites helping local communities via Facebook groups and campaigns with the support of our customers. For example, through our 'Delivering Joy' campaign over 60,000 gifts were donated to help over 550 local causes, more than 3x the volume of our 2021 campaign. • Space provided in Pausa cafes for community groups free of charge and for small businesses to hold a stall from which to sell their products and promote their business with just a £10 donation to Mind. • Running in-store workshops with Airtasker.com, making it easy for local people to earn extra income by helping Dunelm customers with tasks such as furniture assembly • Home to Home scheme trial in one region, where pre-loved homewares have been passed on to charities.
Climate change and environment	<ul style="list-style-type: none"> • Achieved three out of four ESG targets that are linked to our sustainability-linked RCF and extended the facility for an additional year • Increased membership to partner level for Textiles 2030 - industry approach to reduce carbon emissions & water usage and increase circularity in textile production • Expanded 'Conscious Choice' product range, continues to increase more responsibly sourced materials in our products • Textile Take Back scheme in more than 90% of our stores, giving a second life to unwanted consumer textiles • Included in the Sustainalytics annual list of Top-Rated ESG Companies 2023 for retailers in Europe
Suppliers	<ul style="list-style-type: none"> • Strong supplier relationships, fair trading terms built on mutual trust • Working closely to manage supply chain disruption and inflation • Robust ethical trading, anti-slavery, anti-bribery policies and audits, including unannounced visits
Governance	<ul style="list-style-type: none"> • Code compliant Board, Chair plus 6 independent, 4 non-independent • Successful handover to new Chair • Diverse gender, nationality, background and experience - 45% female including Chair and CFO • The Board receives regular updates on ESG matters and is responsible for pathway to zero climate change strategy

Thank you

