



Dunelm Group

INTERIM RESULTS

26 weeks to 29 December 2007

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Geoff Cooper – Chairman

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Continued progress

- Strong results in a difficult market
- Focused management
- A fitting tribute to Bill Adderley

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David Stead – Finance Director

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Financial Highlights – FY08 H1

	26 weeks to 29 December 2007	26 weeks to 30 December 2006	Change vs previous year
Sales	£197.4m	£178.4m	+ 10.6%
LFL Sales growth	+4.9%	+5.0%	
Product Gross Margin	44.9%	44.1%	+ 80bps
Underlying operating profit*	£27.6m	£23.7m	+ 16.3%
Underlying profit before tax*	£27.2m	£21.9m	+24.4%
Underlying EPS* (fully diluted)	9.2p	7.6p	+ 21.1%
Cash flow from operations	£39.7m	£15.9m	+150%
Interim dividend	2.0p	0.8p	+150%

- Excludes non-recurring costs in the period to December 2006

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Excellent profit delivery

(£m)	FY08 H1	FY07 H1	Change
Reported operating profit	27.6	19.7	+40.0%
<i>Add back non-recurring costs</i>			
- IPO costs	-	3.0	
- Warehouse transition	-	1.0	
Underlying operating profit	27.6	23.7	+ 16.3%
<i>Underlying operating profit margin</i>	<i>14.0%</i>	<i>13.3%</i>	

- Strong gross margin performance
- Productivity gains and tight control of LFL store costs
- Minor dilution of profitability from new stores

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Profit After Tax

(£m)	FY08 H1	FY07 H1
Underlying Operating Profit	27.6	23.7
Financial Income		
- interest receivable	0.6	0.1
Financial Expense		
- loan and other interest payable	(0.9)	(0.9)
- foreign exchange loss	(0.1)	(1.0)
Underlying Profit Before Tax	27.2	21.9
Non-recurring operating costs	-	(4.0)
Profit Before Tax	27.2	17.9
Tax	(8.6)	(6.1)
Profit After Tax	18.6	11.8

- Net financing charge reduced due to strong cash generation and stable dollar rate
- Projected full year effective tax rate 31.5% (underlying 31.8% in FY07)

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Strong Cash Flow From Operations

(£m)	FY08 H1	FY07 H1
Underlying operating profit	27.6	23.7
Non-recurring operating costs	-	(4.0)
Reported operating profit	27.6	19.7
Depreciation and amortisation	4.8	4.9
Working capital movement	14.7	(3.2)
Net interest paid	(0.5)	-
Tax paid	(6.9)	(5.5)
Net cash from operations	39.7	15.9

- Net stock reduction of £0.9m shows benefits of improved infrastructure:
 - SAP enables seasonal peak in existing stores to be lower than last year
 - central stock reduced following completion of warehouse transfer
 - partially offset by stock for new stores
- Creditors increase of £17.3m reflects various timing differences, eg payroll cycle, capital creditors – no change in supplier payment terms

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Continuing Investment in Growth

Capital Expenditure (£m)	FY08 H1	FY07 H1
Freehold investment	5.4	6.5
New store fit-outs	6.6	2.8
Other store investment	1.0	1.0
Non-store investment	0.1	0.8
Total	13.1	11.1

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Net Cash Flow

(£m)	FY08 H1	FY07 H1
Net cash from operations	39.7	15.9
Capital expenditure	(13.1)	(11.1)
Proceeds on fixed asset disposal	0.3	-
Proceeds from issue of shares	0.1	0.3
Drawdown/(repayment) of revolving loan	(20.0)	50.0
Repayment of finance leases	-	(0.1)
Foreign exchange differences	(0.1)	(0.4)
Dividend paid	(6.0)	(50.0)
Net cash flow	0.9	4.6

- Net debt at period end was £1.8m
- Interim dividend 2.0p per share

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Will Adderley – Chief Executive

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Our growth strategy

Open more superstores

Further develop specialist position

Exploit strengthened infrastructure

Develop longer term opportunities
(including transactional website)

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Open more superstores

- 5 new superstores opened in H1
 - Aberdeen, Shoreham
 - Peterborough (high street relocation)
 - Dumfries, Eastbourne
- 2 further openings in January
 - Leeds, Bournemouth
- 1 further opening committed in H2
- Strong pipeline for FY09
 - 4 locations legally committed
- Property market remains in our favour



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New stores – customer response

- “Lovely shop great range of products”
- “About time!”
- “Will be back!”
- “Well worth the trip”
- “Excellent!”
- “Lovely things, nicely displayed”
- “Brilliant! Great Store, Great staff”



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Further develop specialist position

- “Simply value for money”
- Advertising
- Continued product improvement
- Better availability

High Grade Luxury
brabantia
saalid company
• Over 20 bits to choose from

Brabantia Stainless Steel Matt Finish in Alternative Finishes Available

A TEN YEAR GUARANTEE FROM ONLY £12.99 ~~was £20.14~~

18 Litre Super-Touch™ Electric Kettle, 2.5Litre Jug, 1.8 Litre Jug
RRP £119.44 - Our Price £55.81

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Gold Flower

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• Delicate Embellished Detailing
• Easy-care Non-Iron Cotton/Tencel Fabric

Gold Flower Duvet Pillowcase **£5.99 each**
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Exploit infrastructure

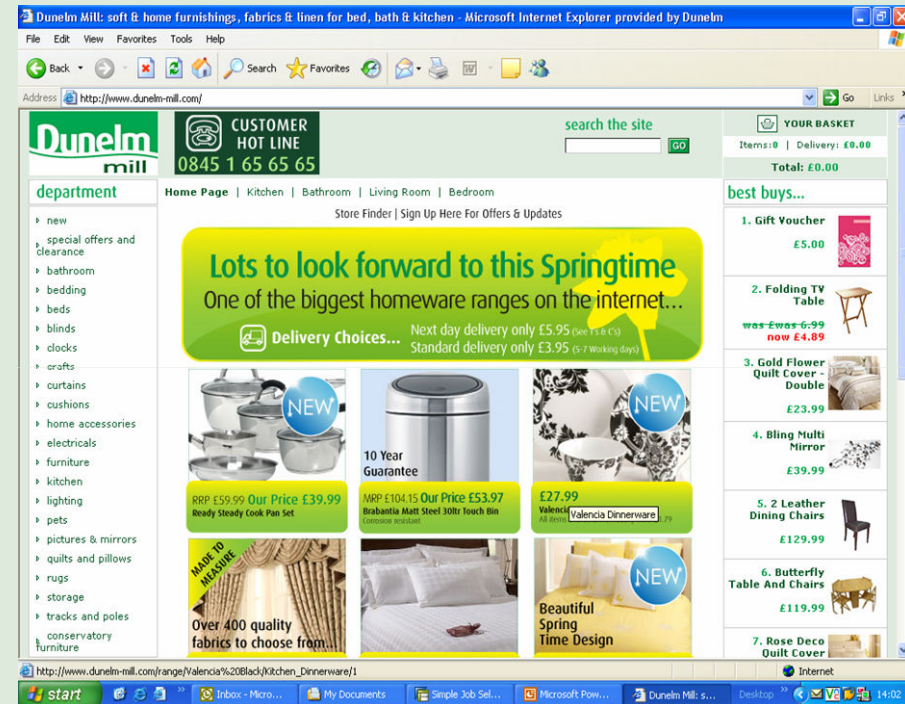
- Stoke warehouse operating well
- Stock management benefits from SAP
- SAP Financials implementation on track.



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Develop longer term opportunities

- www.dunelm-mill.com
- Available product lines increased to over 9,000
- Significant year on year growth
- New platform to be developed
- Continued learning and improvement



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Outlook

- Total sales up 11.2% in 8 weeks to 23 February
- Strong contribution from new store openings
- LFL sales up 0.9%
- LFL comparables are relatively demanding for remainder of H2
- New store pipeline stronger than a year ago

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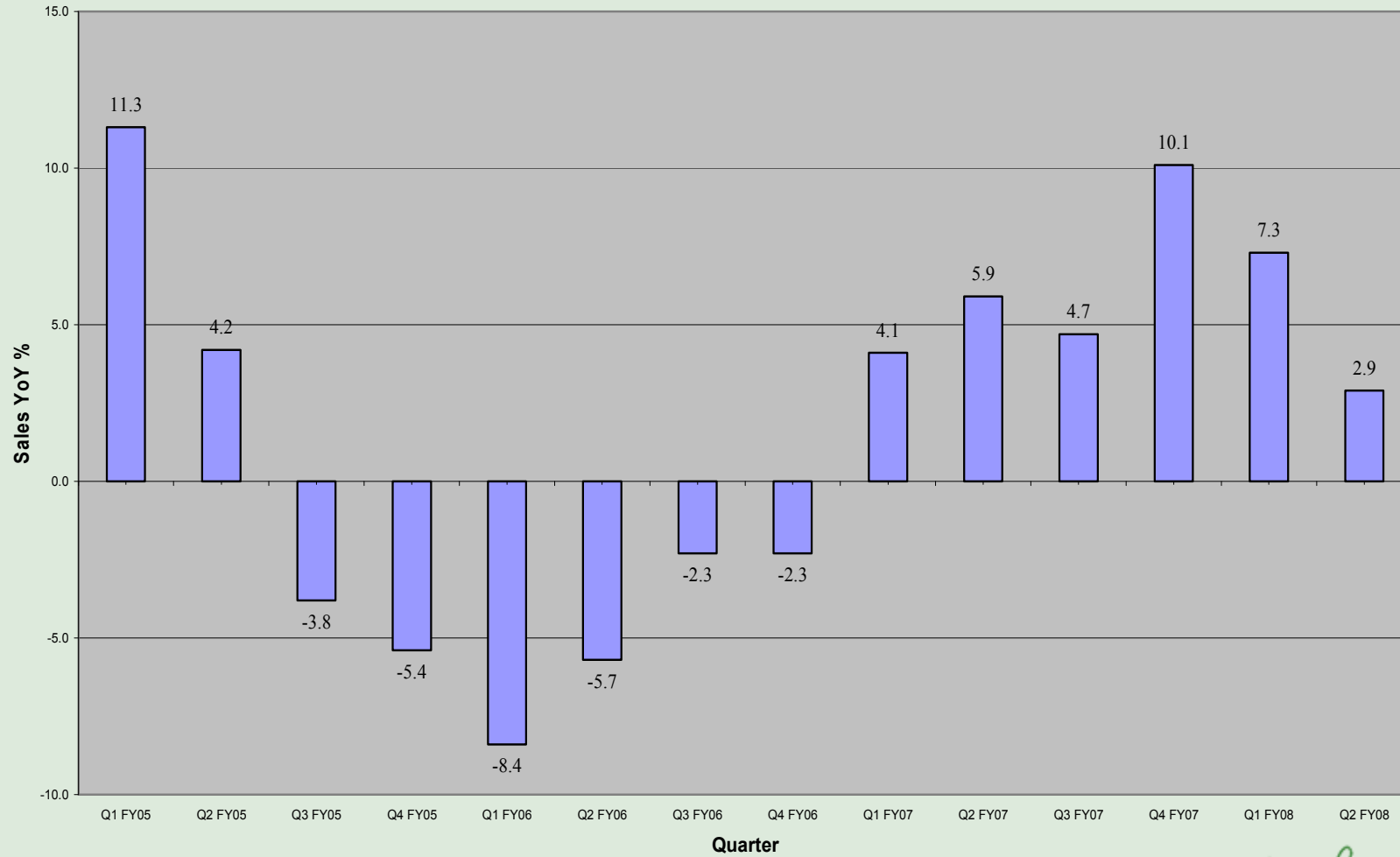
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Appendices

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Like-for-like sales development

LfL Sales growth
by Quarter



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Homewares Market 2007

Household Hardware & Lighting

- Glassware, crockery, cutlery, silverware
- Non-electrical kitchen utensils
- Miscellaneous household items
- Lighting

£6.1bn

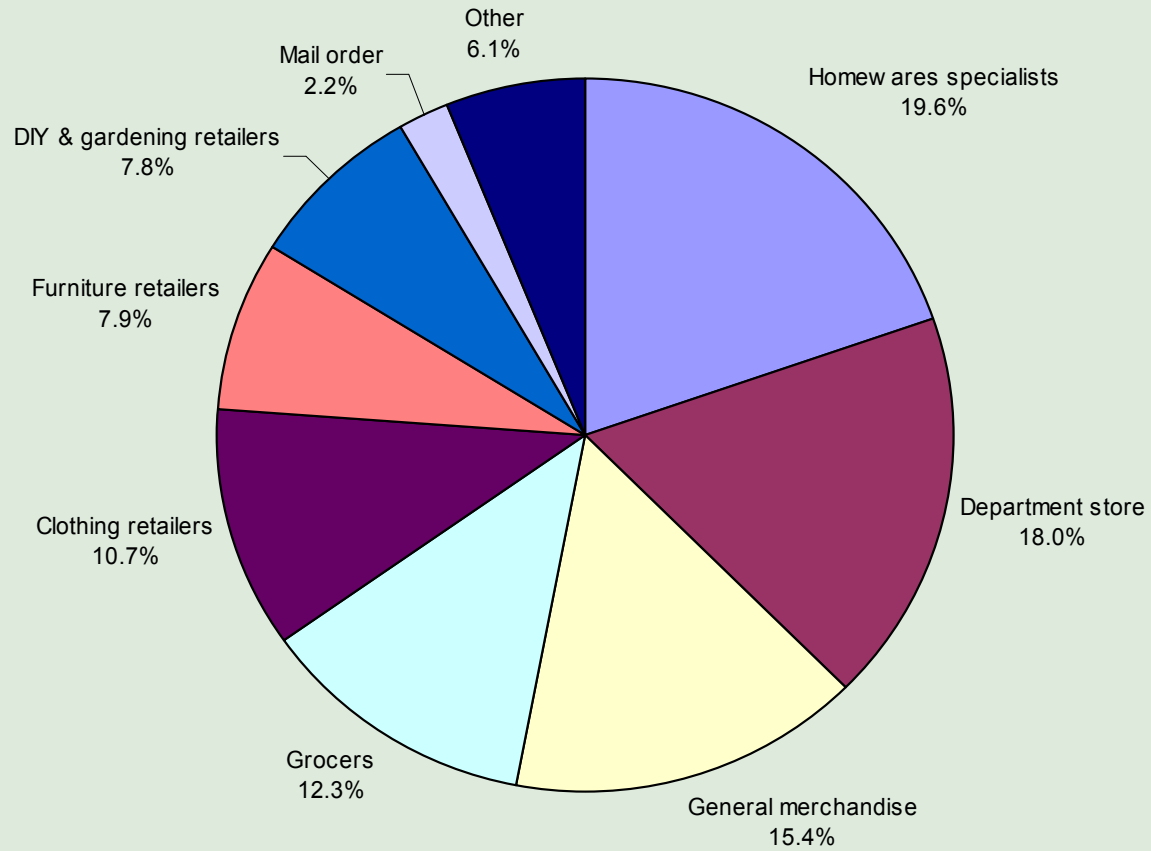
Textiles & Soft Furnishings

- Fabrics and curtains
- Bedding and bed linen
- Table & bathroom linen
- Other household textiles

£5.2bn

£11.3bn

Homewares market – distribution channels 2007

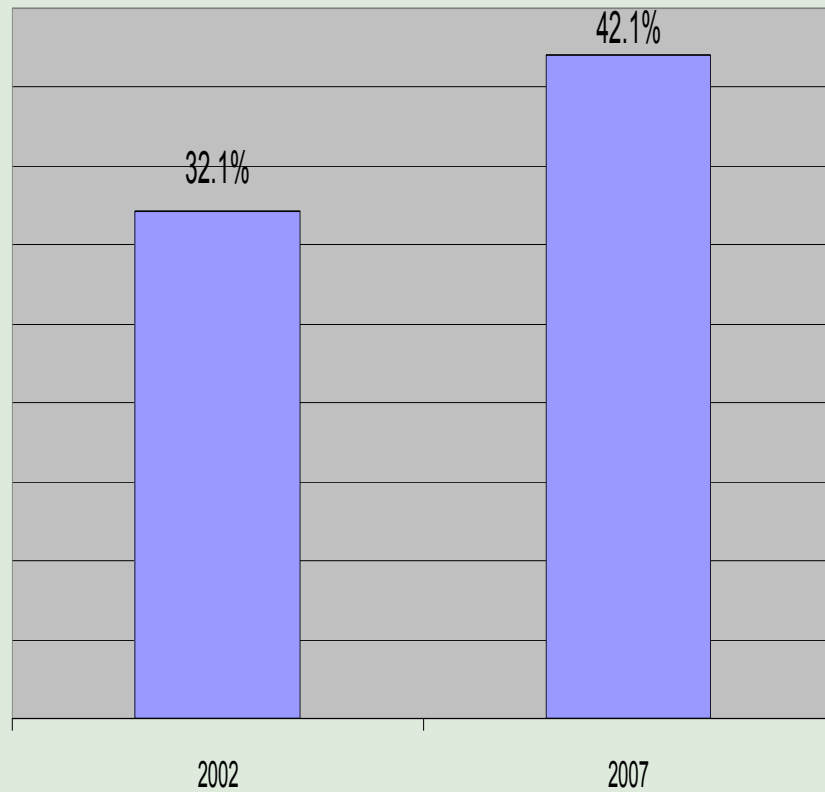


Source: Verdict

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Homewares market analysis

Concentration
(combined share of top 10 retailers)



Source: Verdict

Leading players 2007		
	Share	Growth
Argos	5.7%	+
John Lewis	5.3%	+
Ikea	4.9%	++
Debenhams	4.2%	+
Tesco	3.8%	++
Dunelm	3.8%	+++
M&S	3.7%	++
Asda	3.2%	+
Next	3.2%	+
Wilkinson	3.2%	+

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Summary balance sheet

(£m)	29 Dec 07	30 Dec 06	30 Jun 07
Total non-current assets	80.4	73.5	74.0
Inventories	59.8	66.5	60.6
Receivables	12.5	11.3	9.0
Cash	18.2	7.6	17.4
Other current assets	-	6.0	-
Total assets	170.9	164.9	161.0
Current liabilities	(74.7)	(63.7)	(57.8)
Non-current liabilities	(20.0)	(50.0)	(40.0)
Total liabilities	(94.7)	(113.7)	(97.8)
Share capital	2.0	2.0	2.0
Share premium	0.4	0.2	0.2
Retained earnings	73.8	48.9	61.0
Total equity	76.2	51.1	63.2

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Phasing of business performance – FY07

(£m)	H1	H2	Full Year
Sales			
- LFL Stores	171.0	166.9	337.9
<i>percentage of full year</i>	<i>51%</i>	<i>49%</i>	
- Non – LFL stores	7.4	9.4	16.8
- Total	<u>178.4</u>	<u>176.3</u>	<u>354.7</u>
Product Gross Profit	78.9	77.3	156.2
Operating Costs	(55.2)	(57.0)	(112.2)
Underlying Operating Profit	23.7	20.3	44.0
<i>percentage of full year</i>	<i>54%</i>	<i>46%</i>	

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