



The Home of Homes

Annual Results FY21

8 September 2021

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- 1st Choice for Home
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- Q&A



Introduction

Nick Wilkinson - CEO

FY21 highlights



¹ Digital includes home delivery, Click & Collect (or Reserve & Collect before October 2019) and tablet-based sales in store

² Unique active customers who have shopped in the 12 months to June 2021, based on management estimates using Barclays data

³ GlobalData UK homewares market, July 2020 to June 2021. Market share for this period was 9.1%

⁴ Free cash flow is defined as net cash generated from operating activities less capex (net of disposals), net interest paid, interest on lease liabilities and repayment of lease liabilities



Delivering for all our stakeholders

Colleagues



- Created >700 new jobs¹
- Received second 'thank you' bonus
- Focus and progress on inclusion & diversity and mental health goals

Customers



- Improved experience and satisfaction across all digital channels
- Maintained high standards and perception of safety in-store
- Enhanced our product and services proposition

Communities



- £1.3m raised for Macmillan during our partnership
- Launched a new partnership with Mind, chosen by colleagues
- Facebook groups supporting local community causes

Suppliers



- Significant volume growth
- Paid in full
- Worked together through supply chain disruption

Planet



- Committed to Net Zero Pathway
- Stretching Scope 1, 2 and 3 targets in place
- Moved forward significantly on sustainability plans

Shareholders



- Record profitability and continued strong cash flow generation
- Reinstated ordinary dividends
- Announced special dividend

Performance driven by digital investments

- Launched new digital platform in October 2019 and continued to invest in capabilities and proposition
- Platform enabled us to rapidly scale in response to increased customer demand
- Continued to improve customer experience and optimise organic search and paid marketing
- Digital embraced by customers - digital mix of sales 46% in FY21 vs 20% in FY19
- Digital mindset adopted by colleagues

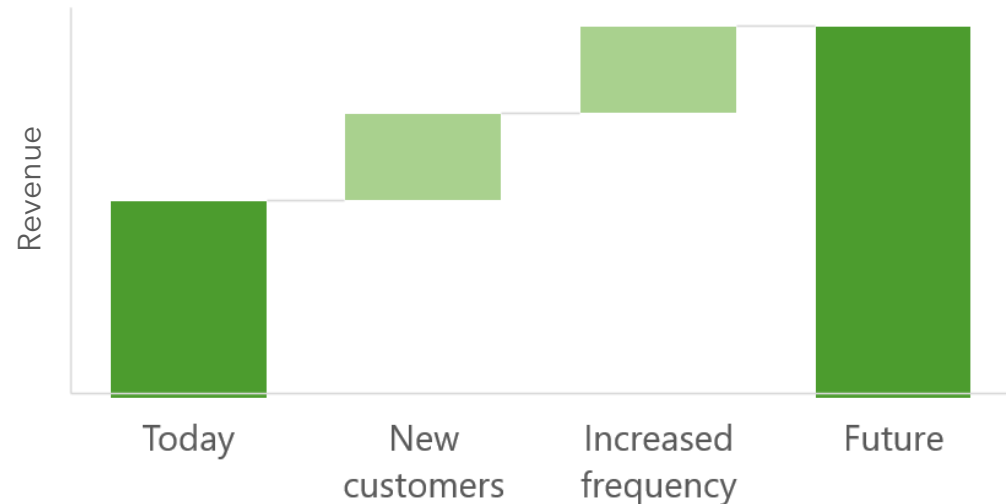


Well positioned with a clear runway for growth

Digital transition has enhanced our market leading position...

- A distinctive and specialist product portfolio - offering quality, value and style - largely own brand and sourced from long-term committed suppliers
- A total retail system that combines the advantages of digital and local shopping experiences to better serve UK homewares shoppers
- A highly cash generative business with agility to invest
- Shared values, strong relationships and a commitment to *doing the right thing* for the long term, for all our stakeholders

... and is enabling us to attract more customers and increase their frequency



- A brand reaching more customers, in a large fragmented market, with a 'challenger brand' mentality
- New digital capabilities open up a second growth runway around customer frequency

Committed to growth that is sustainable

- Net zero commitment integrated into company purpose, ambitions, plans, measures and management incentives
- Science based targets - absolute reduction of 50% in scope 1 and 3 carbon emissions by 2030 and commitment to purchase only renewable electricity (scope 2)¹
- Supporters of *Textiles 2030*² and BRC's Climate Action Roadmap (net zero by 2040)
- Building capabilities and partnerships to accelerate circular sourcing and customer engagement
- Getting on with practical improvements e.g. home delivery mailing bags now made from >95% recycled plastic and are 100% recyclable



¹ Scopes 1 and 2 cover emissions from owned sources as well as emissions associated with purchased electricity. Scope 3 includes all other emissions. The baseline year chosen for comparison is FY19
² Textiles 2030 is a voluntary agreement, backed by government. Signatories will collaborate on carbon, water and circular textile targets

FY21 Financial Review

Laura Carr - CFO

Financial summary

	FY21	FY20	YOY
Sales	£1,336.2m	£1,057.9m	+26.3%
Gross margin	51.6%	50.3%	+130 bps
Operating cost % sales	39.1%	39.4%	(30) bps
Profit before tax	£157.8m	£109.1m	+44.6%
Free cash flow ¹	£108.5m	£174.7m	(£66.2m)
Net cash / (debt) ²	£128.8m	£45.4m	+£83.4m
Diluted earnings per share	62.9p	42.9p	+46.6%
Total ordinary dividend ³	35.0p	-	+35.0p
Special dividend	65.0p	-	+65.0p

¹ Free cash flow is defined as net cash generated from operating activities less capex (net of disposals), net interest paid, interest on lease liabilities and repayment of lease liabilities

² Excluding lease liabilities, including unamortised debt issue costs

³ FY21 interim dividend of 12.0p plus final dividend of 23.0p

Sales growth

	FY21	FY20	YOY
Total sales	£1,336.2m	£1,057.9m	+26.3%
Digital % total sales ¹	46%	27%	+19%pts
Homewares market share ²	9.1%	7.5%	+1.6%pts

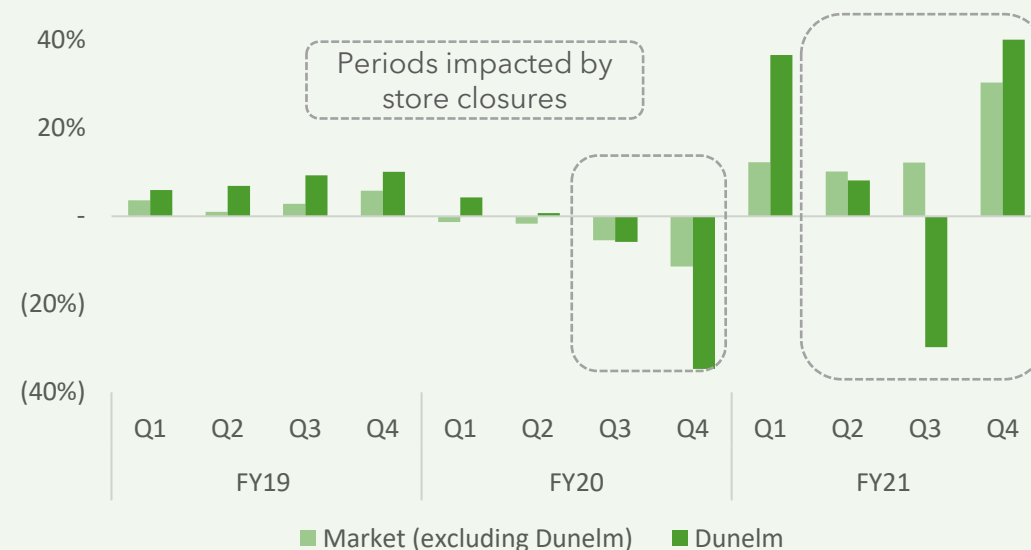
- Digital sales¹ of £616m, +115% YoY
- Strong growth in Q1 and Q4, driven by pent up demand following closure periods
- Stores fully open for only 65% of trading days in the year
- Grew UK homewares market share by 160bps²
- Sales up 21% compared to FY19

¹ Digital includes home delivery, Click & Collect (or Reserve & Collect before October 2019) and tablet-based sales in store

² GlobalData UK homewares market, July 2020 to June 2021

Performance vs. GfK homewares panel³

We significantly outperformed the market when we were fully open



	Fully open	Closure periods	FY21
GfK homewares panel growth ³	+13%	+20%	+15%
Dunelm growth	+40%	(23%)	+22%
Dunelm growth vs GfK ³	+27%pts	(43)%pts	+7%pts

³ GfK weekly homewares panel, including estimates for key retailers and excluding Dunelm. Represents just over half of the market size as reported by GlobalData. Dunelm growth shown for comparable categories.

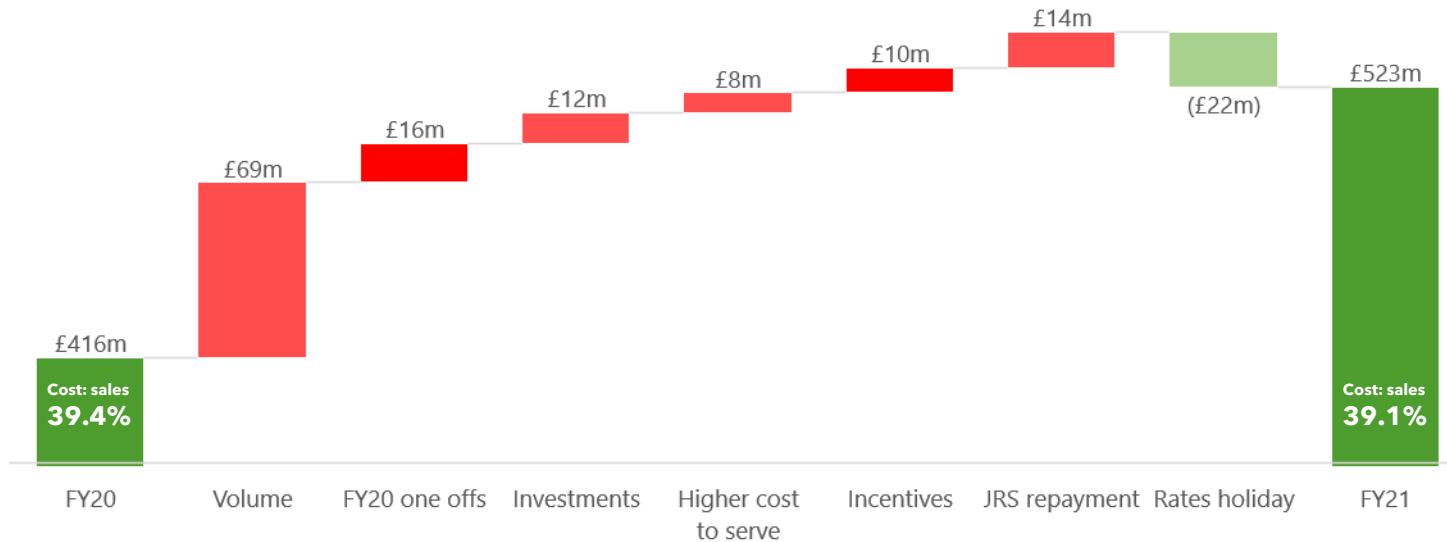
Gross margin



- Gross margin +130bps compared to FY20
- Lower levels of promotional activity throughout the year
 - Smaller Winter Sale due to store closures
 - Summer Sale delayed into FY22
- In FY22 expect margin to decrease c.50-75bps as trading calendar normalises
- Significant raw material and freight price inflation, expect to mostly mitigate through ongoing focus on sourcing and pricing where appropriate



Operating costs



	FY21	FY20	YOY
Selling & distribution costs	£423.9m	£330.6m	+28.2%
Administration costs	£98.6m	£85.8m	+14.9%
Total operating costs	£522.5m	£416.4m	+25.5%
Total sales	£1,336.2m	£1,057.9m	+26.3%
<i>Operating costs % sales</i>	<i>39.1%</i>	<i>39.4%</i>	<i>(30) bps</i>

- FY21 operating cost to sales ratio 30bps better than FY20, both periods impacted by Covid-19:
 - Higher costs to serve (mainly stores) to ensure colleague and customer safety
 - FY20 one off benefits included JRS monies and other lockdown savings
- Investment in digital¹ and data capability as well as supply chain capacity

¹ Investment includes £3m impact from the change in treatment of digital development costs (capex to opex)

Cash generation

	FY21	FY20
Operating profit	£166.4m	£116.0m
Depreciation & amortisation	£80.8m	£80.2m
Working capital (outflow) / inflow	(£35.0m)	£80.1m
Share-based payments	£7.5m	£2.1m
Tax paid	(£35.5m)	(£34.3m)
Net cash generated from operating activities	£184.2m	£244.1m
Capex (net of disposals)	(£15.7m)	(£24.9m)
Net interest	(£0.7m)	(£1.3m)
Interest on lease liabilities	(£5.3m)	(£5.5m)
Repayment of lease liabilities	(£54.0m)	(£37.7m)
Free cash flow	£108.5m	£174.7m
Net cash / (debt)	£128.8m	£45.4m

- Strong cash generation despite £35m working capital outflow as stockholding returned to more normal levels
- Total outflow lower than anticipated due to build in VAT payable and accruals reflecting higher trading activity in Q4
- Capital investment lower than planned due to reduced store refit activity as a result of Covid-19
- Repayment of lease liabilities higher than FY20 due to deferral of payment from June FY20 and full year of payments in FY21

Shareholder returns

- Returning to our published capital and dividend policies but maintaining a prudent approach to leverage given the macro-outlook
- Final dividend proposed of 23.0 pence per share, total ordinary dividend of 35.0 pence per share reflecting strong performance and confidence in the future
- Special dividend of 65.0 pence per share, returning to the bottom of our target leverage range (0.2×)
- We expect to remain highly cash generative and are committed to our published policies

Capital and dividend policy

- Target average net debt between 0.2× and 0.6× of the last 12 months' EBITDA (post IFRS 16 basis)
- Ordinary dividend cover of between 1.75× and 2.25× earnings per share during the year to which the dividend relates
- Return surplus cash if net debt consistently falls below the minimum target of 0.2× EBITDA

Becoming the 1st choice for home

Nick Wilkinson - CEO



Moving forward with purpose

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

- A renewed purpose as we emerge from the pandemic
- Aspirational about the 'comfort & security' of home *and* the 'respect & inclusion' needed to feel at home
- Guides us to be a progressive, values-led organisation embracing change and learning
- Investing in our proposition and capabilities in six focus areas

OUR PROPOSITION AND FOCUS AREAS



Products

Products
that are great value, with choice,
style, quality & sustainability

Services
that help from inspiration to
delivery, fitting and take-back

Experiences
that are seamless physical &
digital, helpful and friendly

Today

- Comprehensive range of c.50,000 mainly exclusive SKUs
- Choice across price tiers and styles
- Strong value and quality credentials
- Specialist brands and labels
- Innovative products driven by close supplier relationships
- Own UK factory for Made to Measure curtains and roman blinds

How we will develop further

- Range development with more choice, better value, new collections and new product brands e.g. Churchgate
- Extending range in new and developing categories
- Introducing new materials and circular design, and broadening our sustainable *'The Edited Life'* ranges
- Investing in commercial systems to accelerate these developments



Services

Products
that are great value, with choice,
style, quality & sustainability

Services
that help from inspiration to
delivery, fitting and take-back

Experiences
that are seamless physical &
digital, helpful and friendly

Today

- Standard and express home delivery
- Own high-quality home delivery service for 'heavy & bulky' items
- Click & Collect service for local store stock, with 3-hour promise
- Consultations and fitting for Made to Measure window treatments
- Seamless returns through stores or via home delivery channels

How we will develop further

- Increasing delivery capacity and perfect order rates
- Increasing range of furniture available through own network with convenient delivery
- Increasing breadth of products on C&C service
- Piloting take back schemes for textiles, quilts & pillows



Experiences

Products

that are great value, with choice,
style, quality & sustainability

Services

that help from inspiration to
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Experiences

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digital, helpful and friendly

Today

- Good online experience for speed, simple search, checkout and basic account features
- 175 stores offering personal, friendly and helpful advice
- Engaged local community followers linked to local and national charity partners
- Pausa cafes in 152 stores offering own range of food and drinks in a friendly environment

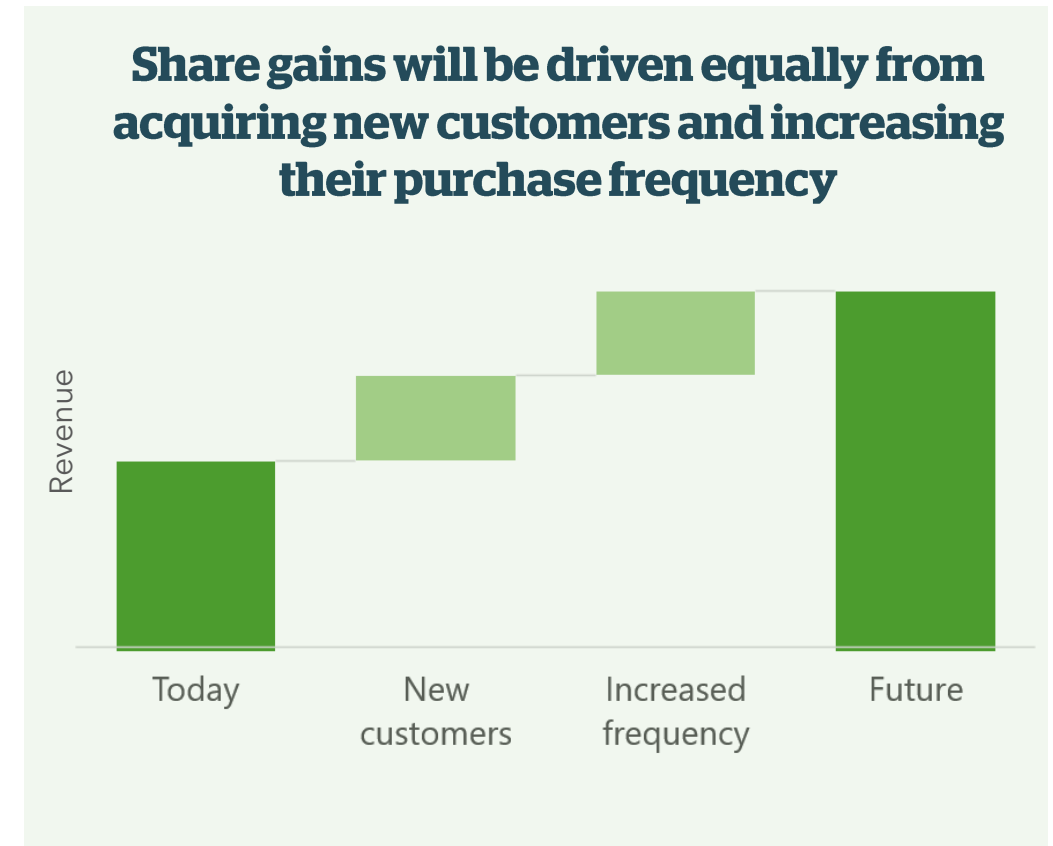
How we will develop further

- Releasing insight-driven online enhancements powered by digital and data capabilities
- Building a single view of our customers across channels to power 'next best action'
- Rolling out stores to our target catchments, testing smaller formats (reaching 65% of UK within 20 min drive time)
- Accelerating store refits to improve layout & experience



Significant headroom in a large market

- UK homewares and furniture combined market size >£25bn¹
 - Market recovered back to FY19 levels in FY21
 - Potential inflationary tailwind in short to medium term
 - Market predicted to grow low single digits over coming years
- Increasing customer focus on home - from functional needs to 'wholesome' home-making and more sustainable living
- 'Home lovers' make up over 50% of UK households²
- Significant headroom to grow with only 9.1% share of homewares and 1.3% of furniture markets

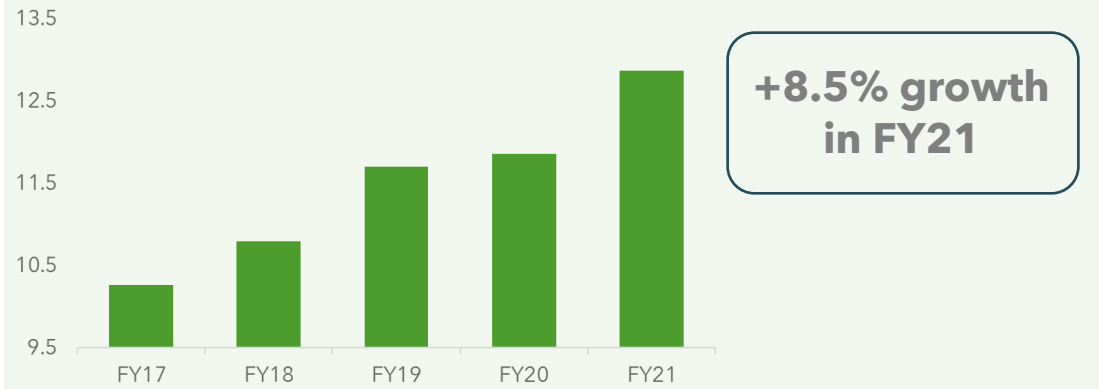


¹ Source: GlobalData, market size quoted includes VAT

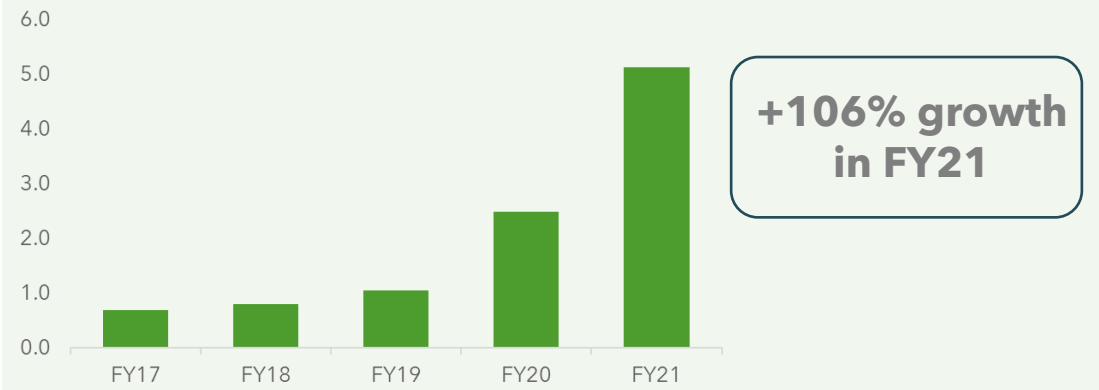
² Internal analysis based on Dunelm household segmentation, February 2019 and August 2020. Home lovers are highly engaged with improving, styling and shopping for their homes

Growing customer base and frequency

Growth in total customers¹



Growth in digital and multichannel customers²

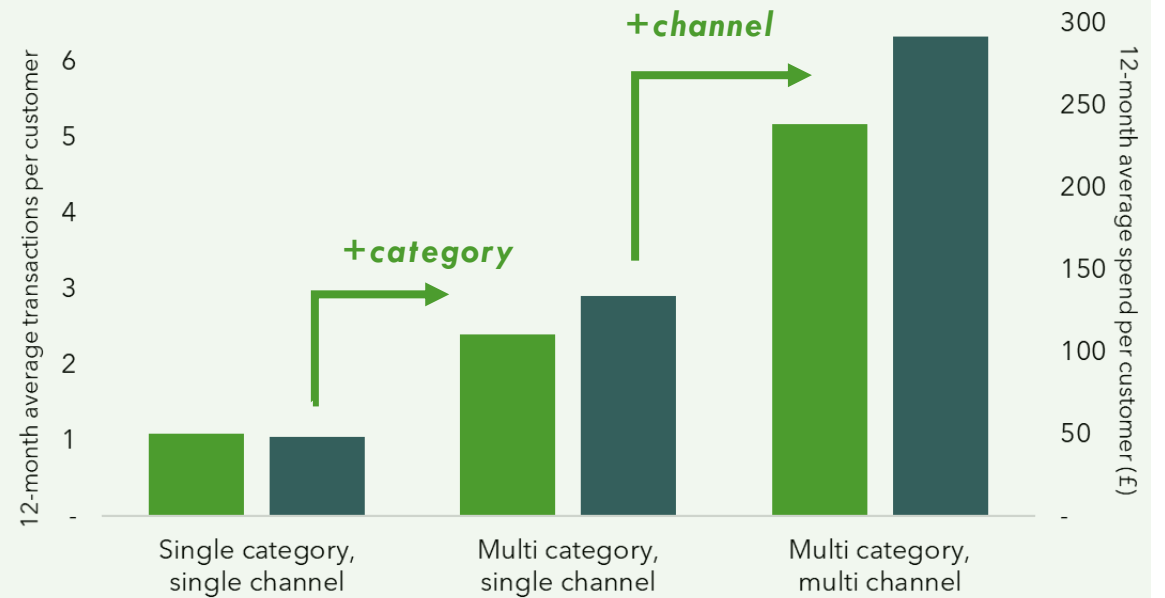


¹ Unique active customers who have shopped in the 12 months to June 2021, based on management estimates using Barclays data

² Unique active customers (as defined above) who have shopped either online only or online and in a store

Frequency runway from cross category and cross channel shopping

Multi-category, multichannel customers shop ~5x as often and spend ~6x as much



Source: Internal analysis based on Barclays Analytics. Represents FY21 data - transactions and spend (inc. VAT) per customer over 12 months



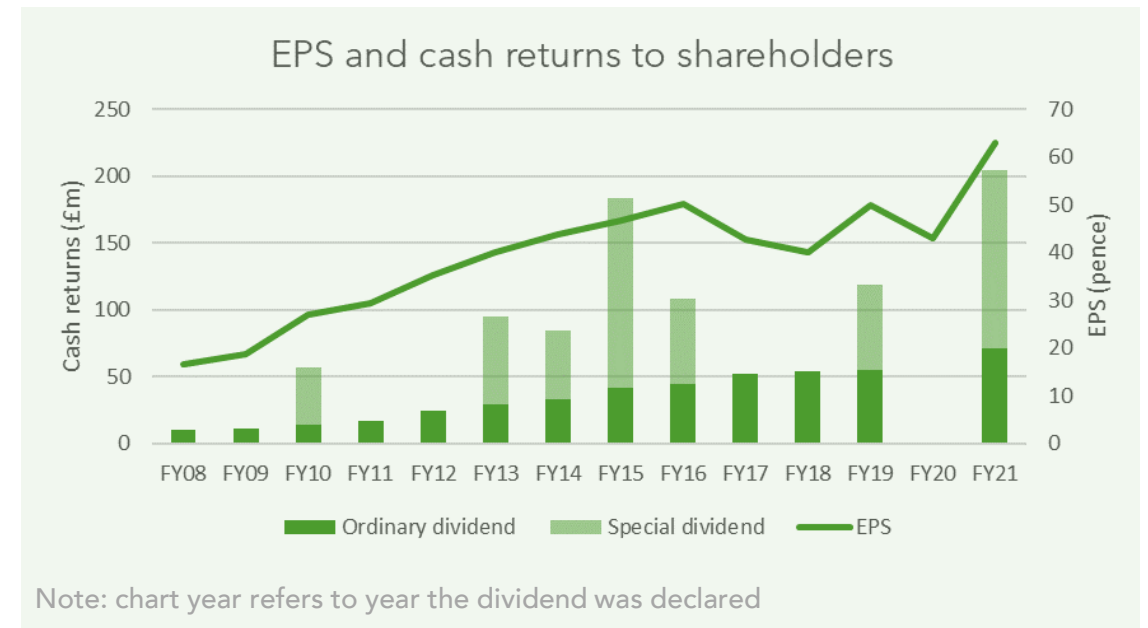
Investing for growth

Laura Carr - CFO

Strong track record and continuing to invest

- Long-term track record of profitable growth, strong cash generation and shareholder returns
- Since IPO in 2006, sales have grown by 10% CAGR and returned £1.1bn cash to shareholders
- Recent digital investments have driven profitable growth and market share outperformance
- As business model continues to evolve, our focus remains on profitable growth and strong cash generation:

- Investing in the business to drive organic growth
- Disciplined approach to return on investment
- Ongoing operational grip and productivity improvements to optimise cost base and offset inflation



Key areas of investment

- Capex levels of ~£30-40m p.a. in the medium term (excluding any freehold acquisition opportunities)
- Expect to maintain operating cost:sales ratio at pre-pandemic levels

Supply chain

- New e-commerce and furniture warehousing and fulfilment capacity
- Optimisation of existing facilities



Technology

- Expanding teams in Digital and Data engineering (opex)
- Upgrading back end systems and infrastructure to enable long term growth (capex)



Stores

- 3-5 new stores per year
- Ongoing refit programme
- Decarbonisation initiatives



People

- Building new capabilities e.g. product management, insight & analytics and sustainability
- Investing to attract, develop and retain talent



How we think about our financial model

Sales

Strong revenue growth and market share gains from multichannel approach, acquiring more customers and increasing their frequency

Gross margin

Maintain c.50% gross margin through leveraging supplier relationships, relentless focus on sourcing and disciplined approach to promotions

Operating costs

Invest in the proposition to drive growth and focus on productivity improvements to offset inflation, c.38% ratio with higher digital mix

PBT margin

Aim to maintain c.12% margin over the medium term with absolute returns growing as the business scales

Cash

High cash generation to allow investment for future growth and to deliver strong shareholder returns

FY22 guidance

- Sales: expect another year of good growth; noting quarterly volatility due to strong comparatives in Q1 and Q4 and closures in Q2 and Q3
- Gross margin: decrease of 50-75bps as trading calendar normalises; sourcing benefits and pricing increases expected to mostly offset freight and raw materials pressures
- Operating costs:sales maintained at c.38%:
 - Continue to monitor operating cost pressures and labour shortages but expect to mitigate through productivity benefits
 - Business rates reinstated, although anticipate c.£5m of relief up to March 2022
- Capex £30m-£40m (partly reflecting reduced spend in FY21); includes increased number of store refits and supply chain capacity investment
- Working capital outflow c.£15-25m as year end payables reverse



Summary and outlook

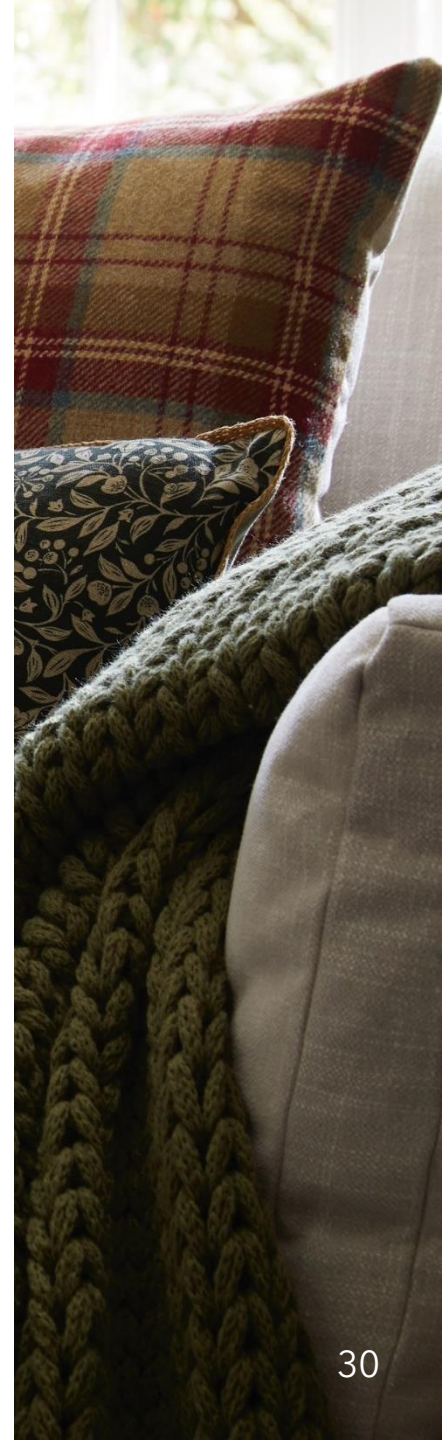
- Strong performance across all key metrics in FY21
- Macro-economic environment remains uncertain and dynamic, although we are well placed to manage these challenges
- Encouraging current trading: growth against strong comparative and continued market share outperformance
- Our latest FY22 expectations (in the absence of further Covid-19 restrictions) are modestly ahead of the top of the range of analysts' forecasts¹
- Emerging from the pandemic as a stronger and better business: a proven digital first, multichannel retailer
- Clear runway for growth to win more customers and increase their frequency by further developing our market leading proposition
- Investing for growth and committed to maintaining our strong track record of excellent shareholder returns

¹ Management understands the latest range of analysts' estimates for FY22 Profit Before Tax is £153m -£175m





Q&A





Appendices



Income statement

	FY21	FY20	Change
Revenue	£1,336.2m	£1,057.9m	£278.3m
Cost of Sales	(£647.3m)	(£525.5m)	(£121.8m)
Gross Profit	£688.9m	£532.4m	£156.5m
<i>Gross Margin %</i>	51.6%	50.3%	+130 bps
Operating costs	(£522.5m)	(£416.4m)	(£106.1m)
Operating profit	£166.4m	£116.0m	£50.4m
Financial income	£0.1m	£0.4m	(£0.3m)
Financial expenses	(£8.7m)	(£7.3m)	(£1.4m)
Profit before tax	£157.8m	£109.1m	£48.7m
<i>PBT margin %</i>	11.8%	10.3%	+150 bps
Taxation	(£28.9m)	(£21.4m)	(£7.5m)
Profit after tax	£128.9m	£87.7m	£41.2m
<i>Effective tax rate</i>	18.3%	19.6%	(130) bps
Basic earnings per share	63.7p	43.4p	20.3p
Diluted earnings per share	62.9p	42.9p	20.0p



Balance sheet

	FY21	FY20
Right-of-use assets	£262.0m	£283.3m
Other non-current assets	£189.1m	£203.9m
Inventories	£172.4m	£118.2m
Cash	£128.6m	£90.0m
Other current assets	£14.6m	£20.6m
Total assets	£766.7m	£716.0m
Lease liabilities	(£293.3m)	(£314.4m)
Bank loans	-	(£44.6m)
Other current liabilities	(£186.9m)	(£179.8m)
Other non-current liabilities	(£5.3m)	(£3.8m)
Total liabilities	(£485.5m)	(£542.6m)
Net assets	£281.2m	£173.4m
Hedging reserve	(£4.3m)	£5.3m
Share capital/share premium/other reserves	£46.8m	£46.8m
Retained earnings	£238.7m	£121.3m
Total equity	£281.2m	£173.4m



Liquidity

- Net cash of £128.8m
- £175m of approved but undrawn facilities

Facility	Limit	Expiry	Covenants
Revolving credit facility (RCF)	£165m	March 2023	Leverage: <math><2.5\times</math> Fixed charge cover: >math>>1.75\times</math>
Overdraft (uncommitted)	£10m		



5 year financial summary

	FY17	FY18	FY19	FY20 ¹	FY21
Total sales	£955.6m	£1,050.1m	£1,100.4m	£1,057.9m	£1,336.2m
Total sales growth	8.5%	9.9%	4.8%	(3.9%)	26.3%
Gross margin %	48.9%	48.0%	49.6%	50.3%	51.6%
Profit before tax ²	£109.3m	£102.0m	£125.9m	£109.1m	£157.8m
Free cash flow ³	£12.8m	£51.0m	£152.8m	£174.7m	£108.5m
Net cash / (debt)	(£122.1m)	(£124.0m)	(£25.3m)	£45.4m	£128.8m
Diluted EPS ²	42.8p	40.0p	49.9p	42.9p	62.9p
Dividends paid	£51.6m	£53.4m	£54.6m	£106.0m	£24.3m

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

² FY17 and FY18 presented before exceptional items

³ To ensure the measure is comparable after the implementation of IFRS 16, free cash flow is defined as net cash generated from operating activities less capex (net of disposals), net interest paid, interest on lease liabilities and repayment of lease liabilities



Dunelm ESG highlights

Guided by our purpose, ambitions and shared values

Act like owners	Keep listening and learning	Long term thinking	Stronger together
<p>Colleagues</p> <ul style="list-style-type: none"> Over 700 new roles created in FY21 Committed to 6 BRC pledges on inclusion & diversity 'This is me' inclusion & diversity programme launched, including colleague network groups to support specific communities Mental health training for all colleagues in stores 'Thank You' bonus paid to colleagues in FY20 and FY21 Thoughtful in response to returning to work after pandemic, 'feeling at home wherever you work' One or more NEDs engage with National Colleague Voice 6x p.a. 		<p>Suppliers</p> <ul style="list-style-type: none"> Maintained and strengthened key supplier relationships, delivering significant volume growth Paid all suppliers in full Worked together through supply chain disruption Maintained robust ethical trading, anti-slavery, anti-bribery policies and audits, including unannounced visits Continued increase in responsibly sourced materials e.g. timber and cotton, with greater supply chain transparency 	
<p>Communities</p> <ul style="list-style-type: none"> Charity partnership with Macmillan, over £1.3m raised since February 2019 through fundraising New charity partnership with Mind, chosen by colleagues, positive impact broader than fundraising Facebook groups supporting local community causes e.g. 'delivering joy' to local care homes 		<p>Planet</p> <ul style="list-style-type: none"> Commitment to Net Zero Pathway integrated into company purpose, ambitions, plans and measures Set stretching science-based scope 1, 2 and 3 targets Supporters of Textiles 2030 and BRC's Climate Action Roadmap Building sustainability capabilities and partnerships Practical improvements e.g. to packaging 	
<p>Governance</p> <ul style="list-style-type: none"> Code compliant Board with diverse background and experience - Chair plus 4 independent and 4 non-independent, 33% female Re-articulated our corporate purpose, supported by stakeholder-focused 'ambitions' and shared values 		<ul style="list-style-type: none"> New Remuneration Policy approved in 2020 - executive and senior management variable pay linked to financial / non-financial KPIs and sustainable long-term value creation Continuing to strengthen stakeholder engagement, talent and succession, and risk management 	

Investment proposition

Well positioned with a clear runway for growth

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 <i>doing the right thing</i> for the long term, for all our stakeholders
Future growth	A clear runway for attracting more customers and increasing their frequency

Plan on a Page

Our plan to become our Customers' 1st choice for home

OUR PURPOSE



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



Truly feeling at home is one of the greatest joys in life. We want to help find ways to make every day home life better for our customers. To bring more contentment, comfort, belonging, fun and laugh out loud joy to people's homes. And to do it in a way where everyone feels included, and we make good long-term decisions which value our environment and future relationships

OUR AMBITIONS



Ambitious about our brand

Grow as the #1 destination for home, loved by more customers shopping more frequently. Measures include: active customers, frequency, NPS, fast & friendly, perfect order rate.

Ambitious about being a good company

A great place to work - making a positive social impact and operating sustainably in all of our communities. Measures include: carbon reduction, less throwaway, colleague engagement.

Ambitious about profitable growth

Focusing on quality of growth and long-term value creation by using our resources wisely and efficiently. Measures include: long term profit growth, cost efficiency.

Plan on a Page

OUR PROPOSITION AND FOCUS AREAS

Products

that are great value, with choice, style, quality & sustainability

Services

that help from inspiration to delivery, fitting and take-back

Experiences

that are seamless physical & digital, helpful and friendly

0 Sustainability Our pathway to zero, building sustainability into all that we do and making it easy for our customers	1 Product Development Develop our market leading product offer, supported by brilliant commercial processes	2 Customer Understanding Deeply understand attitudes & behaviours to optimise our acquisition and retention	3 Shopping Experience Offer the best, seamless online & in-store digital CX in the market	4 Data and Insight Build foundational capabilities in data and accelerate customer insight	5 Post Sales Experience Provide personal, high quality & efficient delivery, service & support
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OUR FOUNDATIONS

Continuously improving				Building		
Talented colleagues	Committed suppliers	Brilliant stores	Agile and flexible technology	Expert supply chain	Sustainable in everything we do	Data capability

OUR SHARED VALUES

Act Like Owners	Keep Listening & Learning	Long Term Thinking	Stronger Together
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Dunelm

The **Home** of Homes

Thank you