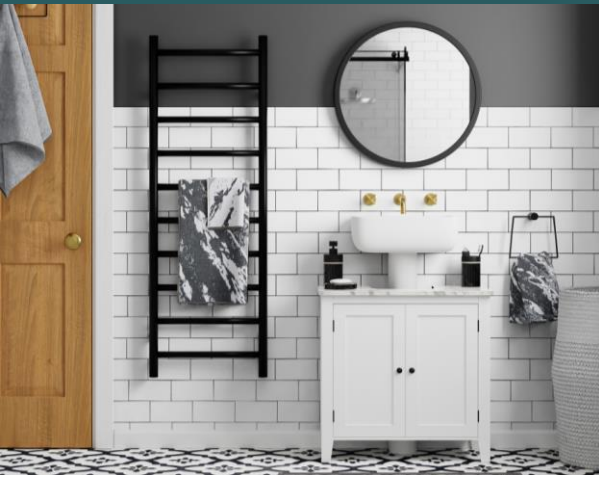




INTERIM RESULTS FY21

10 February 2021





INTERIM RESULTS FY21

- Introduction
- Financial review
- Looking forward
- Q&A





INTRODUCTION

Nick Wilkinson - CEO

H1 HIGHLIGHTS

+23.0%

**Total sales
growth**

+111%

**Digital sales
growth¹**

+50bps

**Gross margin
growth**

£112.4m

**Profit before
tax**

£98.0m

**Free cash
flow²**

12.0p

**Interim
dividend**

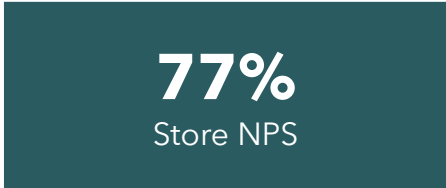
¹ Digital includes home delivery, Click & Collect (or Reserve & Collect before October 2019) and tablet-based sales in store

² 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



STRONGER TOGETHER

- Resilience and commitment shown across the entire Dunelm family
- *Doing the Right Thing* for all stakeholders in challenging circumstances
- Health and wellbeing of colleagues and customers remains our top priority, and the high operational standards in our stores are a core advantage within our total retail system



- Community engagement and activity growing organically at unprecedented levels
- Government JRS monies received in FY20 repaid and no further claims; have now introduced a company-funded colleague furlough scheme

*Response to question "Did you feel that you were able to visit the store in a way that put both you and our store colleagues' health & safety first?" - score reflects stores and C&C customers



PROGRESSING OUR *CUSTOMER* 1st PLANS

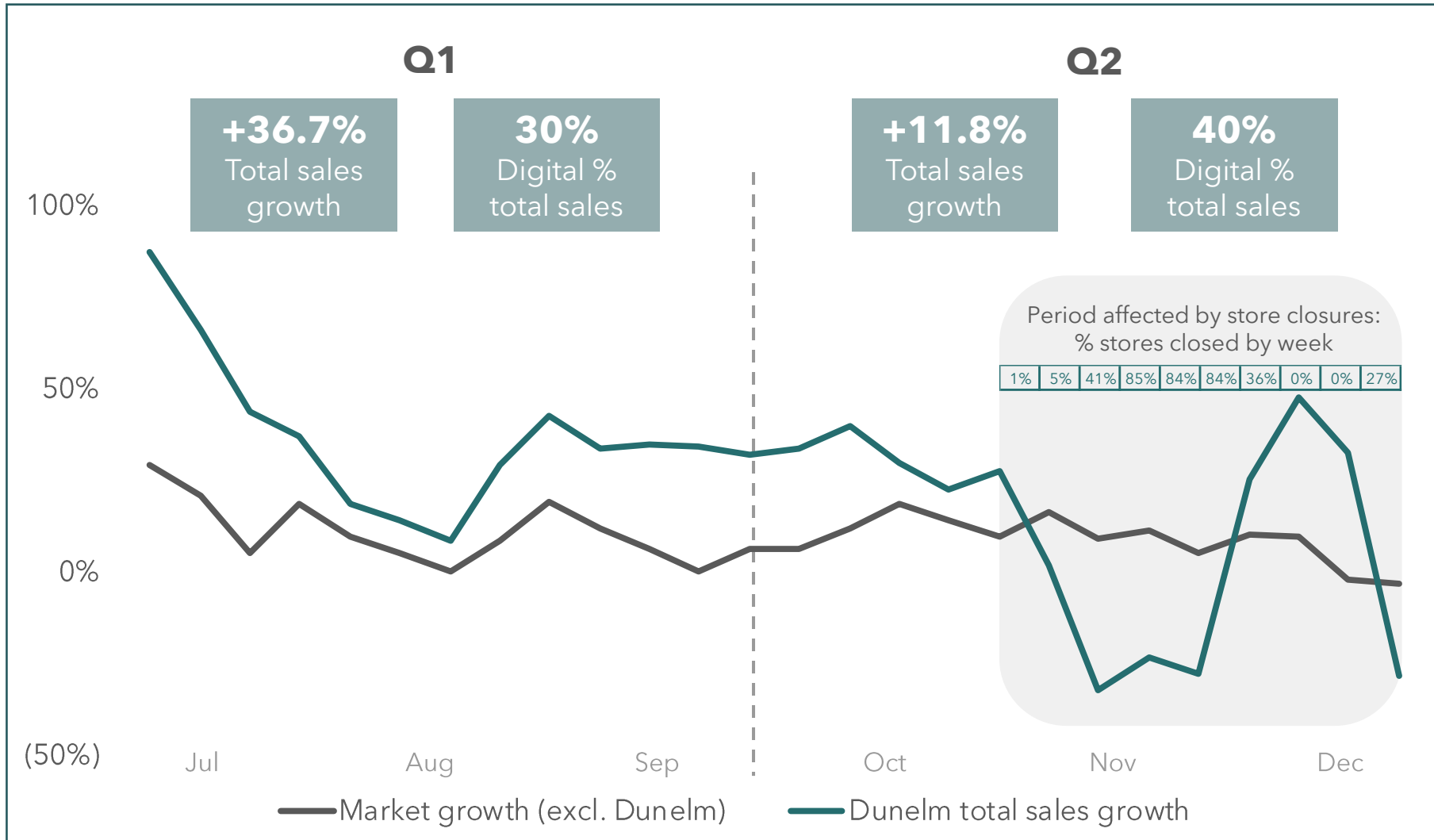
ADVANCED OUR DIGITAL CAPABILITIES

- Completed the re-engineering of all foundational digital micro-services: checkout, product information management, delivery promise
- Scaled significantly based on leading technology - one of AWS's largest serverless partners in Europe
- Doubled (peak run-rate) home delivery network capacity and reduced lead-times
- Improved post sales customer journey communication, self-help services and performance analytics

GREW PRODUCT AND BRAND AUTHORITY

- More newness and choice in core ranges e.g. product from recycled materials, home hygiene and wellbeing at home collections
- Improved affordability with a particularly strong special buy programme and a price drop campaign
- Re-affirmed goals for committed UK & overseas supplier partners to meet our requirements for sustainability, quality, value and style
- *'Home. We get it'* Autumn brand campaign drove increased consideration and engagement

OUTPERFORMING THE HOMEWARES MARKET



H1 homewares market*	
Market growth <i>(excl. Dunelm)</i>	9.7%
Dunelm growth <i>(comparable categories)</i>	21.0%

*Homewares market (excluding Dunelm) calculated using GfK data and management estimates. Excludes furniture and home electricals. Dunelm growth for comparable categories.



FINANCIAL REVIEW

Laura Carr - CFO

FINANCIAL SUMMARY

	H1 FY21	H1 FY20	YOY
Sales	£719.4m	£585.0m	+23.0%
LFL sales growth	+22.0%	+5.6%	
Gross margin	52.0%	51.5%	+50 bps
Profit before tax	£112.4m	£83.6m	+34.4%
Free cash flow ¹	£98.0m	£63.9m	+£34.1m
Net cash / (debt) ²	£140.9m	(£67.7m)	+£208.6m
Diluted earnings per share	44.1p	33.2p	+32.8%
Interim dividend	12.0p	-	+12.0p

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 Excludes lease liabilities

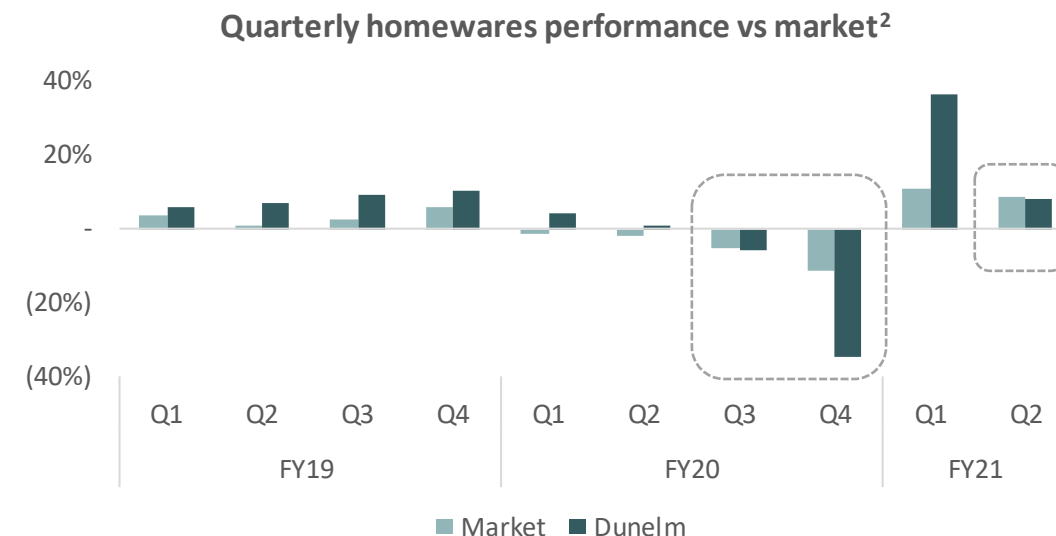
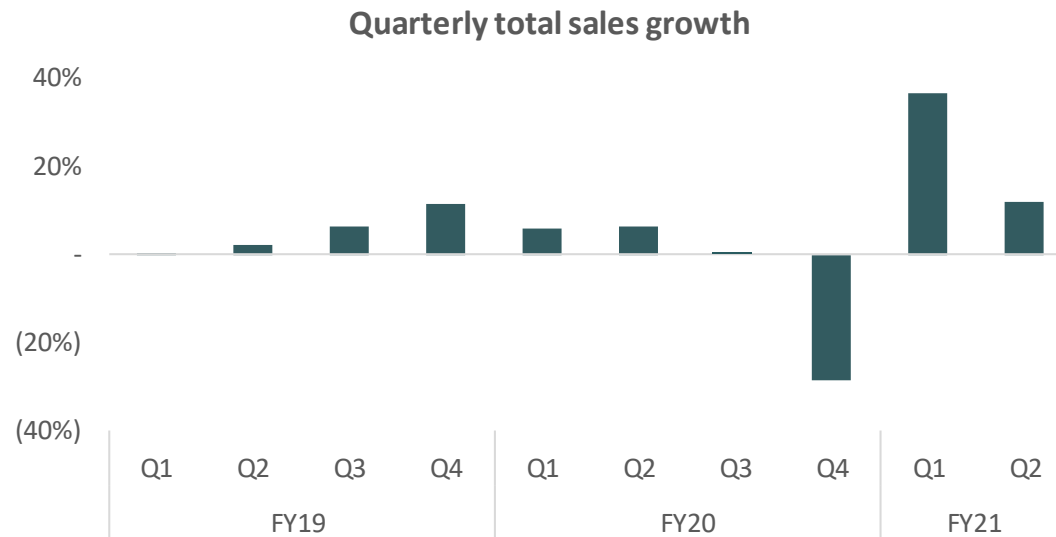
SALES GROWTH

	H1 FY21	H1 FY20	YOY %
Total Group	£719.4m	£585.0m	+23.0%
Digital % total sales ¹	35.0%	20.4%	+14.6%pts

- Exceptional Q1 +36.7% including pent-up demand
- Q2 +11.8% very strong but impacted by further periods of store closures
- Performance well ahead of the market for the half - particularly strong in Q1 with no store closure impacts
- Digital sales¹ +111% for H1

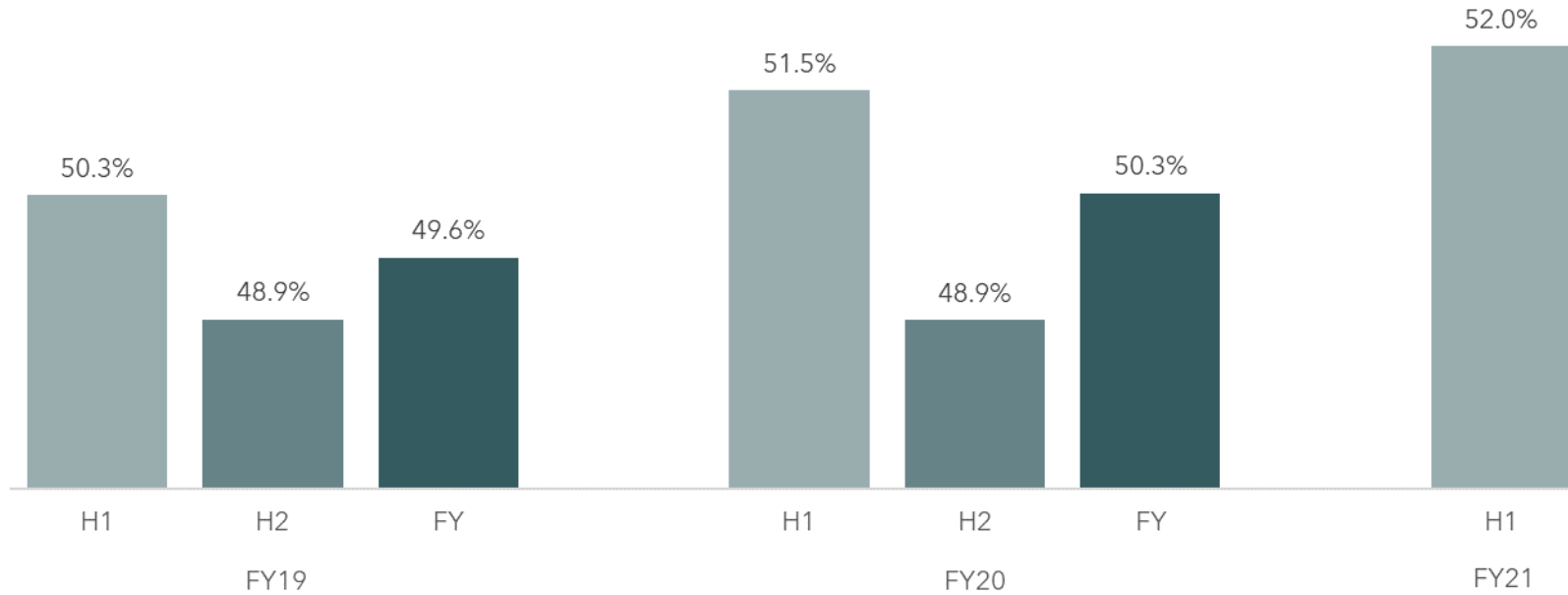
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² Homewares market (excluding Dunelm) calculated using GfK data and management estimates. Excludes furniture and home electricals. Dunelm growth for comparable categories.



Periods impacted by store closures

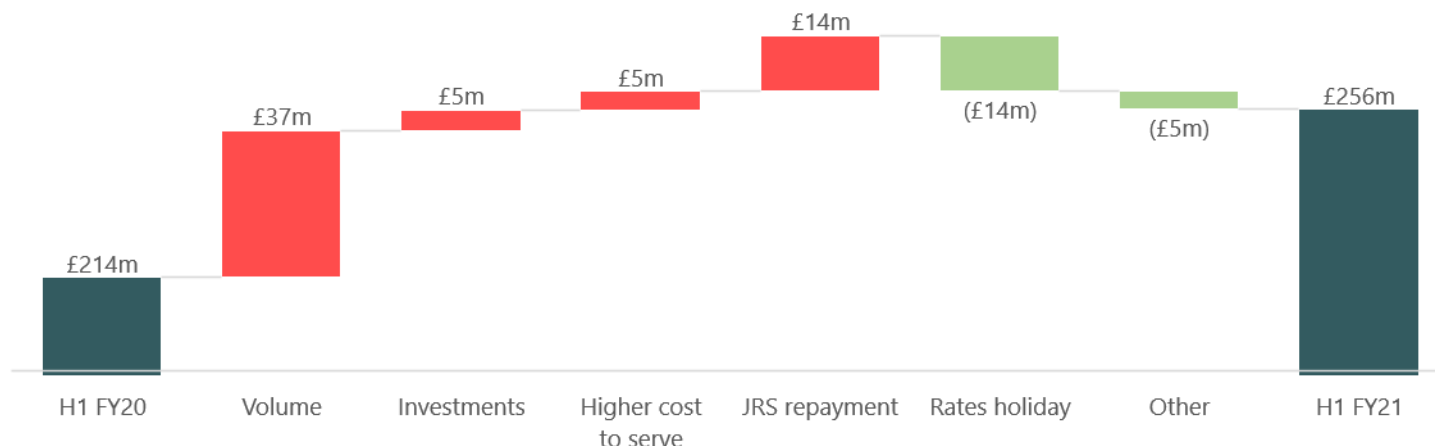
GROSS MARGIN



- H1 gross margin +50bps compared to H1 FY20
- Lower levels of discounted sales earlier in the half and continued sourcing gains were partially offset by provisions for reduced end of season sell through at the end of the period due to store closures
- Expect H2 margin to be broadly flat to slightly positive vs H2 FY20
- H2 margin is historically lower than H1 due to timing of Winter and Summer sales



OPERATING COSTS



	H1 FY21	H1 FY20	YOY
Selling & distribution costs	£211.8m	£172.0m	+23.1%
Administration costs	£43.8m	£41.5m	+5.5%
Total operating costs	£255.6m	£213.5m	+19.7%
Total sales	£719.4m	£585.0m	+23.0%
<i>Operating costs % sales</i>	<i>35.5%</i>	<i>36.5%</i>	<i>+100 bps</i>

- Operating cost to sales ratio 100bps better than H1 FY20
- Volume leverage as a result of strong sales growth across all channels
- Investments include £3m tech annualisation and tactical supply chain capacity for doubling of peak volumes
- Covid-19 and social distancing requirements increased costs by £5m across stores and supply chain
- JRS repayment offset by benefit from business rates holiday
- Other includes benefits from the support centre reorganisation

CASH GENERATION

	H1 FY21	H1 FY20
Operating profit	£118.3m	£87.6m
Depreciation & amortisation	£38.8m	£38.9m
Working capital (outflow) / inflow	(£1.3m)	£8.7m
Share-based payments	£1.1m	£0.9m
Tax paid	(£19.4m)	(£28.0m)
Net cash generated from operating activities	£137.5m	£108.1m
Capex (net of disposals)	(£6.4m)	(£17.1m)
Net interest	(£0.4m)	(£0.5m)
Interest on lease liabilities	(£2.8m)	(£2.6m)
Repayment of lease liabilities	(£29.9m)	(£24.0m)
Free cash flow	£98.0m	£63.9m
Net cash / (debt)	£140.9m	(£67.7m)

- Very strong cash generation of £98m
- Working capital broadly neutral but expect c.£80m of working capital inflow from FY20 to reverse in H2:
 - Rebuilding of stock levels
 - Deferred VAT
- Capital investment of £6m was lower than last year:
 - FY21 H1 includes £4m new stores & refits (3 new stores inc. 2 relocations)
 - FY20 H1 included £6m freehold acquisition and new digital platform
 - Capital spend weighted towards second half this year - c.£20m for full year
- Repayment of lease liabilities £6m higher - deferred rent from FY20

SHAREHOLDER RETURNS

- Reflecting strong first half performance and our confidence in the medium-term outlook, Board has decided to resume dividends
- Interim dividend of 12.0 pence per share, to be paid on 9th April to shareholders on the register on 19th March 2021
- Final dividend will be decided in due course, considering the external environment at the time
- Remain committed to our published capital and dividend policies, including returning any surplus cash to shareholders

Capital and dividend policy

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

FY21 OUTLOOK

- FY outturn dependent on when stores can re-open
- Stores currently closed and combined C&C/home delivery sales cover c.70% of prior year total sales
- At this level of sales making a modest weekly loss
- Confident we will return to strong growth upon re-opening
- H2 gross margin expected to be broadly flat to slightly positive vs LY
- Increased investments in tech, data and supply chain
- Year over year timing impact of £22m in Q4: business rates and cycling over prior year JRS claims
- H2 capex c.£15m and expect working capital outflow





LOOKING FORWARD

Nick Wilkinson - CEO

GROWING RELEVANCE IN A CHANGING WORLD

CHANGING HABITS



Creating more 'home lovers' and new needs for existing 'home lovers'



Turbo-charging adoption of digital in existing and new customers



Increasing preference for out-of-town shopping



Increasing engagement with friendly digital content

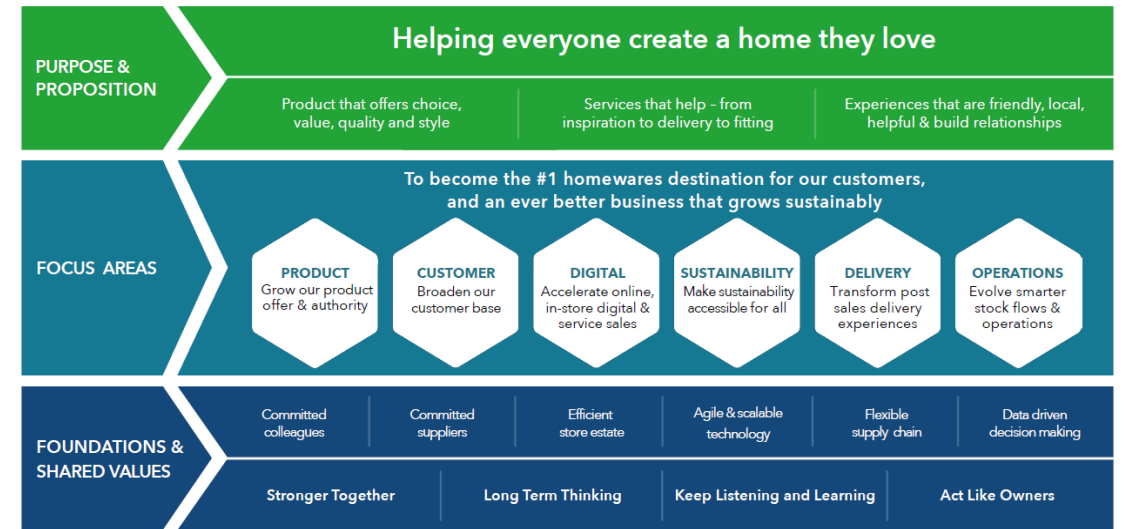


Growth of community connections and support for local action



Increasing desire for sustainable products and services

OUR CUSTOMER 1ST PLAN



An intense period of innovation, capability building and learning

OUR AMBITIONS & WHY WE ARE BEST PLACED TO WIN

AMBITIOUS ABOUT PROFITABLE GROWTH

Grow our business for the long term, at pace but always sustainably with an efficient use of resources to optimise profitability and value creation

AMBITIOUS ABOUT OUR BRAND

Be the #1 homewares destination, brilliant at service and experience as well as product

AMBITIOUS ABOUT BEING A GOOD COMPANY

Be a company that operates responsibly in all our communities, is leading on sustainability in homewares, and is a great place to work for everyone

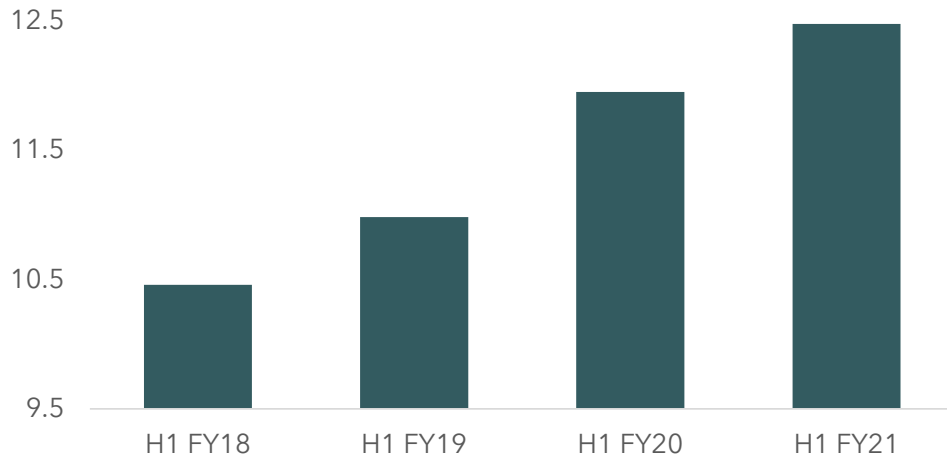
- A brand appealing to a wide range of customers, market leader in a large fragmented market, with a *challenger* brand mentality
- A distinctive and specialist product portfolio - offering quality, value and style - that is largely own brand and sourced from long-term committed suppliers
- A total retail system that combines the advantages of digital and local shopping experiences to better serve UK homewares shoppers, and benefits from our well-invested, low cost store portfolio
- 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 a clear runway for attracting more customers and growing their frequency as our data and insight capability matures

ATTRACTING MORE CUSTOMERS

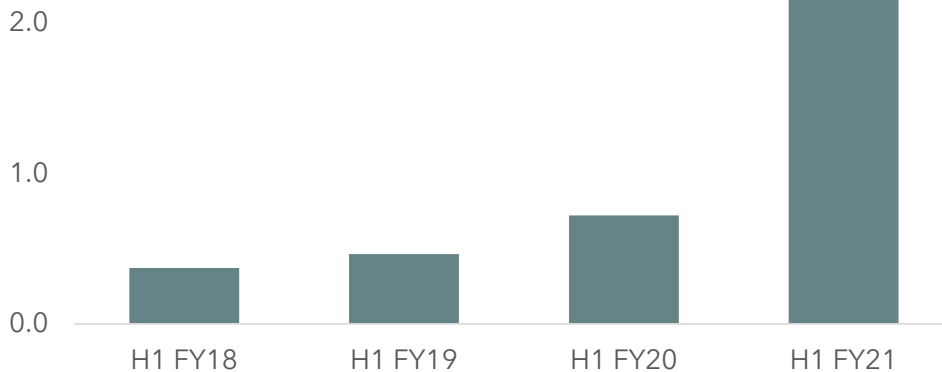
Growth in total customers¹

+2.0m customers over 3 years



12 months to Dec-20 +4.4% despite two periods of store closures

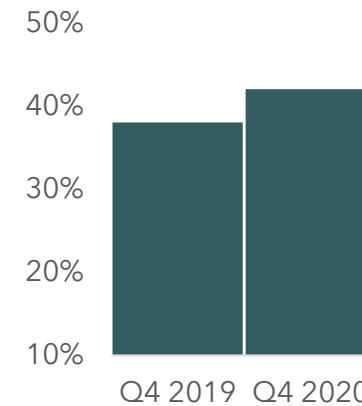
Growth in online customers¹



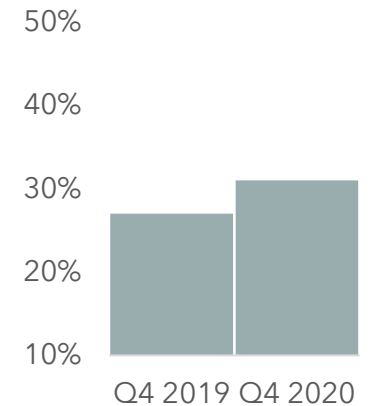
Online customer growth accelerating H1 FY21 +200%

Cohort acquired in Q4 FY20 at least as valuable as previous customers

Repeat value²



Repeat rate³



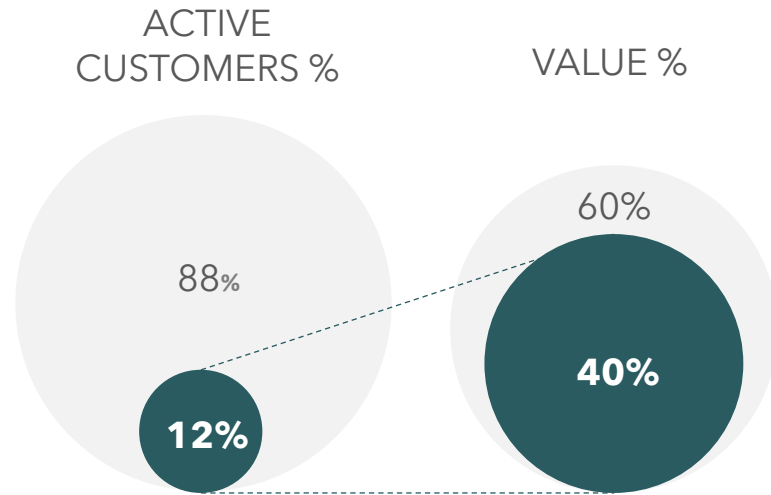
¹ 12 months: growth in unique active customers who have shopped with us in the last 12 months, based on management estimates using Barclays data

² Cumulative repeat purchase value after 6 months for cohort acquired Q4 FY20 vs. cohort acquired Q4 FY19

³ Cumulative repeat purchase rate after 6 months for cohort acquired Q4 FY20 vs. cohort acquired Q4 FY19

GROWING FREQUENCY

Our highest value customer segments make up 12% of our base but c.40% of sales



Frequency drives customer value, and is characterised by cross category and cross channel shopping behaviour

	Baseline	High Value
FREQUENCY		4.5x
CATEGORIES SHOPPED		2.7x
MULTI-CHANNEL %	↔	↔↔ 7.9x
AVERAGE ORDER VALUE	£	£

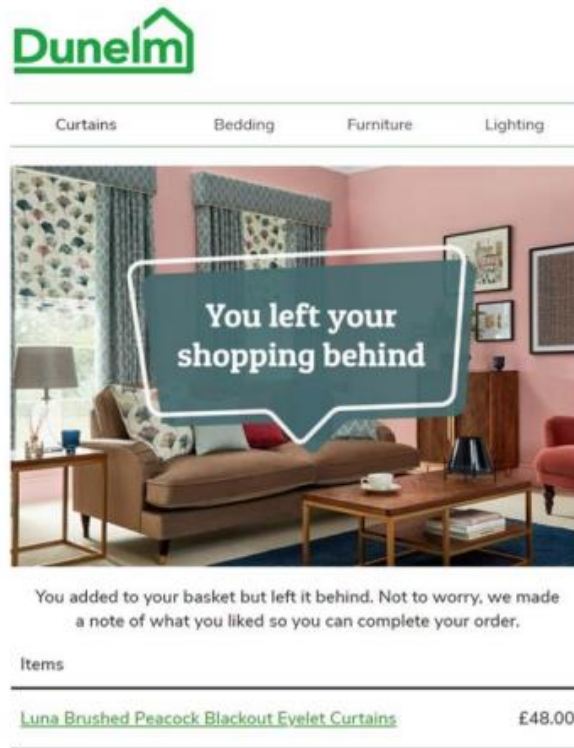
24 month profiles, data indexed to the baseline

As our customer data and insight matures, growing customer frequency across our categories and channels has emerged as a clear opportunity

OUR PLANS – CUSTOMER

CUSTOMER

Broaden our customer base



Abandoned shopping emails powered by our new customer data platform are driving a 300% improvement in the effectiveness of behavioural campaigns

What's next:

- Develop our customer proposition at pace, especially where 'digital' meets 'local & friendly' in stores
- Use our new customer data platform to scale our CRM programmes - both behavioural and lifecycle campaigns
- Grow our contactable base, continuing the strong momentum in our local community groups on Facebook
- Introduce My Account services to offer order history, wish lists and stored details for frequent customers

OUR PLANS – PRODUCT

PRODUCT

Grow our product offer and authority



What's next:

- Offer customers '*value they can believe in*' as affordability and sustainability become ever more important
- Help our customers '*live well*' from home, with new desks & chairs, dinnerware, storage & more
- Grow our furniture collections, evolve our sourcing capabilities, fulfilment capacity and in-store selling focus
- Grow our presence in adjacent categories including home decorating, outdoor living and 'make & mend' crafting

OUR PLANS – EXPERIENCE AND SERVICES



What's next:

- Develop Click & Collect services beyond 'contact-free' and 'to car' with wider assortment (including centrally fulfilled stock) and one hour promise
- Invest in new store and refit programmes (incl. 2 new stores, 2 major refits and 50 home decorating upgrades)
- Improve the home delivery experience with better order tracking (new carrier management micro-service), shorter lead times, and assess 'store to door' pilots
- Step up capacity for site experimentation and improve site content to optimise experience now that foundational tech fully in place

OUR PLANS – SUSTAINABILITY



OUR COMMITMENTS ON ENVIRONMENT

- Set greenhouse gas reduction targets, aligned to the 1.5°C pathway
- Scope 1 - reduce emissions by 50% in absolute terms by 2030, compared to a 2019 base
- Scope 2 - continue to purchase renewable electricity from now until 2030
- Proud supporters of the British Retail Consortium's roadmap to achieve 'net zero' by 2040

What's next:

- Committed to making sustainability accessible for all
- Set Scope 3 greenhouse gas emission target to 2030
- New transparency and assurance programmes for key materials* with goal of 100% sourced from these programmes by 2025
- Aim for 50% of AW21 bedding to meet stringent 'most responsibly sourced cotton' standard
- Continue to reduce packaging
- Expand and develop re-use, repair, circular, recycling and take-back solutions for textiles, furniture & more

* cotton, timber, sheepskin, feathers and palm oil



Adopting stringent 'most responsibly sourced cotton' standard, based on industry best practice, communicated via a logo we're proud of

SUMMARY

- Excellent progress, with strong performance significantly ahead of the market, despite our total retail offer being unavailable during lockdowns
- Covid-19 effect has been to accelerate existing consumer trends and reinforce our existing strategic focus areas
- Increasingly well-positioned to win in a large and fragmented market
- Clear runway to realise long term ambitions, including the insight and levers to profitably add more customers and grow frequency
- Looking forward we've never been more confident, despite short-term uncertainty on re-opening timing
- Hugely appreciative of the commitment of our colleagues and all of our other stakeholders





Q&A





APPENDICES



INCOME STATEMENT

	H1 FY21	H1 FY20	Change
Revenue	£719.4m	£585.0m	£134.4m
Cost of Sales	(£345.5m)	(£283.9m)	(£61.6m)
Gross Profit	£373.9m	£301.1m	£72.8m
<i>Gross Margin %</i>	52.0%	51.5%	+50 bps
Operating costs	(£255.6m)	(£213.5m)	(£42.1m)
Operating profit	£118.3m	£87.6m	£30.7m
Financial income	£0.1m	-	£0.1m
Financial expenses	(£6.0m)	(£4.0m)	(£2.0m)
Profit before tax	£112.4m	£83.6m	£28.8m
<i>PBT margin %</i>	15.6%	14.3%	+130 bps
Taxation	(£22.2m)	(£16.0m)	(£6.2m)
Profit after tax	£90.2m	£67.6m	£22.6m
<i>Effective tax rate</i>	19.7%	19.1%	+60 bps
Basic earnings per share	44.6p	33.5p	11.1p
Diluted earnings per share	44.1p	33.2p	10.9p

BALANCE SHEET

	H1 FY21	H1 FY20
Non-current assets	£196.5m	£212.1m
Right-of-use assets	£291.5m	£281.7m
Inventories	£166.9m	£157.4m
Receivables	£15.3m	£11.6m
Cash	£140.6m	-
Financial instruments	-	£1.3m
Total assets	£810.8m	£664.1m
Current liabilities	(£226.7m)	(£164.6m)
Non-current liabilities	(£5.5m)	(£44.2m)
Lease liabilities	(£322.6m)	(£311.0m)
Net assets	£256.0m	£144.3m
Share capital	£2.0m	£2.0m
Share premium/other reserves	£39.3m	£43.9m
Retained earnings	£214.7m	£98.4m
Total equity	£256.0m	£144.3m

LIQUIDITY

- Net cash of £141m at H1
- £175m of approved facilities undrawn
- Eligible for the CCFF scheme until March 2021 but unlikely to use

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

5 YEAR FINANCIAL SUMMARY

	FY16	FY17	FY18	FY19	FY20¹	FY20 H1	FY21 H1
Total sales	£880.9m	£955.6m	£1,050.1m	£1,100.4m	£1,057.9m	£585.0m	£719.4m
Total sales growth	7.1%	8.5%	9.9%	4.8%	(3.9%)	6.0%	23.0%
Gross margin %	49.8%	48.9%	48.0%	49.6%	50.3%	51.5%	52.0%
Profit before tax ²	£128.9m	£109.3m	£102.0m	£125.9m	£109.1m	£83.6m	£112.4m
Free cash flow ³	£108.8m	£12.8m	£51.0m	£152.8m	£174.7m	£63.9m	£98.0m
Net cash / (debt)	(£79.3m)	(£122.1m)	(£124.0m)	(£25.3m)	£45.4m	(£67.7m)	£140.9m
Diluted EPS ²	50.3p	42.8p	40.0p	49.9p	42.9p	33.2p	44.1p
Dividends paid	£108.4m	£51.6m	£53.4m	£54.6m	£106.0m	£106.0m	-

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

<i>Guided by our shared values</i>			
Long term thinking	Keep listening and learning	Stronger together	Act like owners
Colleagues <ul style="list-style-type: none"> One or more NEDs attend monthly National Colleague Voice forum meetings and report back to the Board Increased engagement score in November survey Diversity programme launched - first steps include audit of policies / processes and Board / Exec awareness training 21% of colleagues in our sharesave scheme Company-wide pay award and £250 thank you payment in 2020; company funded furlough scheme during lockdown 		Suppliers and sourcing <ul style="list-style-type: none"> Maintained and strengthened key supplier relationships - mutual support through Covid crisis and Brexit Annual supplier seminar Apply Prompt Payment Code Maintained robust ethical trading, anti-slavery, anti-bribery policies and audits, including unannounced visits Continual increase in responsibly sourced materials e.g. timber and cotton, with greater supply chain transparency Assessment of supplier environmental practices 	
Community <ul style="list-style-type: none"> Charity partnership with Macmillan, over £1.2m raised since February 2019. Also supported NHS Charities Together, Loros and others Employee volunteering days (and matched funding) "Delivering Joy" campaign - donated 18,000 Christmas gifts to care homes, primary schools and women's refuges 		Environment <ul style="list-style-type: none"> Partnering with Carbon Trust to set Paris Agreement - aligned long-term carbon reduction targets and conduct climate risk assessment Working with peers at BRC on ways to "green" our buildings and vehicles, and reduce waste Report against TCFD pillars in FY21, fuller report in FY22 	
Governance <ul style="list-style-type: none"> Code compliant Board with diverse background and experience - Chair, 5 independent and 4 non-independent, 40% female, including new NED Arja Taaveniku 		<ul style="list-style-type: none"> Independent internal audit function (outsourced to KPMG) New Remuneration Policy approved in 2020 - executive and senior management variable pay linked to financial / non-financial KPIs and sustainable long-term value creation 	

INVESTMENT PROPOSITION: WELL POSITIONED FOR SUSTAINABLE GROWTH

Brand purpose	A brand appealing to a wide range of customers, market leader in a large fragmented market, with a challenger brand mentality
Customer offer	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
Future growth	A clear runway for attracting more customers and growing frequency
Financial position	A highly cash generative business with agility to invest
Shared values	Shared values and a commitment to doing the right thing for the long term



THANK YOU