20 September 2023
Dunelm Group plc

Preliminary Results for the 52 weeks ended 1 July 2023

Seizing the opportunity, with another record year of sales

Dunelm Group plc ("Dunelm" or "the Group"), the UK's leading homewares retailer, today announces its preliminary results for the 52 weeks to 1 July 2023.

	FY23 (52 weeks)	FY22 (52 weeks)	YoY (52w vs 52w)
Total sales	£1,638.8m	£1,553.1m	+5.5%
Digital % total sales[1]	36%	35%	+1%pt
Gross margin	50.1%	51.2%	-110bps
Operating costs:sales ratio	38.0%	37.5%	+50bps
Profit before tax (PBT)	£192.7m	£209.0m	-7.8%
Diluted earnings per share	75.0p	82.1p	-8.6%

FY22 (53 weeks)	YoY
£1,581.4m	+3.6%
35%	+1%pt
51.2%	-110bps
37.4%	+60bps
£212.8m	-9.4%
83.6p	-10.3%

	FY23 (52 weeks)	FY22 (53 weeks)	YoY
Free cash flow[2]	£160.4m	£153.0m	+£7.4m
Net debt[3]	£30.7m	£23.8m	+£6.9m
Ordinary dividend per share	42p	40p	+5.0%
Special dividend per share	40p	37p	n/a

Highlights

- Continuing strong sales growth of 6%[4], as customers responded well across the breadth of our expanding curated product range (up c.20,000 since FY22)
- Unrelenting focus on offering value at all price points, passing on cost reductions across over 1,000 products in the spring
- Further 40bps market share gain in combined homewares and furniture markets[5]
- Active customers grew by 2.8%[6], with improved customer retention
- Three new stores opened, including one relocation; continuing to see strong payback underpinning confidence to accelerate openings over the next two years

- Progress on our Pathway to Zero commitments[7], with reductions in Scope 1 carbon intensity and plastic packaging use, both ahead of our targets, and increasing use of sustainable materials
- Further community engagement with circular solutions, such as take-back services, a threefold increase in our 'Delivering Joy' gift campaign for local causes, and over £800k raised for charities

Financial highlights

- Record sales of £1.64bn (FY22: £1.55bn[4])
- 50.1% gross margin (FY22: 51.2%[8]), in line with our expectations, demonstrating tight operational grip
- Continued to focus on growth, investing more than £20m in digitalising our end-to-end operations and growing capability to seize multiple future opportunities
- Profit before tax ("PBT") of £193m (FY22: £209m[9]), reflecting tight control of margin amidst inflation in our operating costs and our ongoing commitment to investment for the future
- £160m free cash flow (FY22: £153m)[2], with strong conversion of operating profit to cash of 81% (FY22: 70%)
- Final ordinary dividend of 27p per share (FY22: 26p) taking the full year ordinary dividend to 42p per share (FY22: 40p), an increase of 5%, reflecting confidence in the future growth prospects of the business
- £163m in total returned to shareholders during the year, including special dividend of 40p declared with the interim results and paid in April. Over £1bn returned over the past ten years[10]

Current trading and outlook

- Pleased with trading early in the new financial year
- Consumer behaviour remains unpredictable but value proposition resonating well and expect to see FY24 sales and PBT growth, driven by volume
- Easing freight costs support gross margin
- Tight operational grip to help mitigate ongoing inflation in operating costs
- Continuing to invest in our customer offer, total retail system and marketing ecosystem to support sustainable growth
- Never been more confident in our plans to seize opportunities in the short, medium and long term

Nick Wilkinson, Chief Executive Officer, commented*:*

"In a period of extensive economic uncertainty, we have maintained our focus on enhancing our customer proposition, expanding our offer whilst staying fully committed to value and making every pound count. This has clearly resonated well with our customers, enabling us to continue growing both sales and market share. As ever, our amazing colleagues have been at the heart of this performance and I thank them all for their knowledge, personality, commitment and enthusiasm.

"As we manage the ongoing challenges, it is crucial that we do not lose sight of our longer-term ambitions. We are committed to raising the bar on value and joy for our customers and continuing to invest where we see good returns, so that we can seize the various opportunities ahead.

"We are excited about our future growth opportunity and more confident than ever that our commitment to value and tireless focus on improving the experience for our home-loving customers will leave us well placed to deliver sustainable growth in the future."

[1] Digital includes home delivery, Click & Collect and tablet-based sales in store.
[2] 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. A reconciliation of operating profit to free cash flow is included in the CFO review.
[3] Excluding lease liabilities. Full definition provided in the table of alternative performance measures.
[4] For statutory purposes FY22 included a 53rd week. Sales and sales growth are shown on a comparable 52-week basis. On a 53-week basis FY22 sales were £1,581m and sales growth was 4%.
[5] GlobalData UK combined homewares and furniture markets, excluding kitchen and bathroom furniture. Market share for the period July 2022 to June 2023 was 7.2%.
[6] Growth in unique active customers who have transacted at least once in the 12 months to June 2023. Management estimates using Barclays data.
[7] Our Pathway to Zero commitments are described in more detail in the sustainability section of our corporate website at https://corporate.dunelm.com/sustainability.
[8] For statutory purposes FY22 included a 53rd week. Gross margin is shown on a comparable 52-week basis. On a 53-week basis FY22 gross margin was 51.2%.
[9] For statutory purposes FY22 included a 53rd week. PBT is shown on a comparable 52-week basis. On a 53-week basis FY22 PBT was £213m.
[10] Ordinary dividends plus special dividends plus special distributions.

Analyst Presentation:

There will be an in-person presentation for analysts and institutional investors this morning at 9.30am, hosted at Peel Hunt LLP, 100 Liverpool Street, London, EC2M 2AT, as well as a webcast and conference call with a facility for Q&A. For details, please contact pauline.guenot@mhpgroup.com. A copy of the presentation will be made available at https://corporate.dunelm.com.

For further information please contact:

Dunelm Group plc investorrelations@dunelm.com
Nick Wilkinson, Chief Executive Officer
Karen Witts, Chief Financial Officer

MHP 07595 461 231
Oliver Hughes / Rachel Farrington / Charles Hirst dunelm@mhpgroup.com

Next scheduled event:
Dunelm will release its first quarter trading update on 19 October 2023.

Quarterly analysis:

	52 weeks to 1 July 2023						
	Q1	Q2	H1	Q3	Q4	H2	FY
Total sales	£356.7m	£478.3m	£835.0m	£423.3m	£380.5m	£803.8m	£1,638.8m
Total sales growth	-8.3%	17.6%	5.0%	6.1%	6.1%	6.1%	5.5%
Digital % total sales	33%	35%	34%	36%	39%	37%	36%

	52 weeks to 25 June 2022						
	Q1	Q2	H1	Q3	Q4[11]	H2[11]	FY[11]
Total sales	£388.8m	£406.8m	£795.6m	£399.0m	£358.5m	£757.5m	£1,553.1m
Total sales growth	8.3%	12.9%	10.6%	68.6%	-5.7%	22.8%	16.2%
Digital % total sales	33%	33%	33%	35%	37%	36%	35%

[11] FY22 results shown on a comparable 52-week basis. On a 53-week basis, Q4 sales were £386.7m and full year sales were £1,581.4m.

Notes to Editors:

Dunelm is the UK's market leader in homewares with a purpose 'to help create the joy of truly feeling at home, now and for generations to come'. Its specialist customer proposition offers value, quality, choice and style across an extensive range of c.70,000 products, spanning multiple homewares and furniture categories and including services such as Made to Measure window treatments.

The business was founded in 1979 by the Adderley family, beginning as a curtains stall on Leicester market before expanding its store footprint. The business has grown to 180 stores across the UK and has developed a successful online offer through dunelm.com which includes home delivery and Click & Collect options. 152 stores now include *Pausa* coffee shops, where customers can enjoy a range of hot and cold food and drinks.

From its textiles heritage in areas such as bedding, curtains, cushions, quilts and pillows, Dunelm has built a comprehensive offer as 'The Home of Homes' including furniture, kitchenware, dining, lighting, outdoor, decoration and DIY. The business predominantly sells specialist own-brand products sourced from long-term, committed suppliers.

Dunelm is headquartered in Leicester and employs over 11,000 colleagues. It has been listed on the London Stock Exchange since October 2006 (DNLM.L) and the business has returned over £1bn in distributions to shareholders in the last ten years[12].

[12] Ordinary dividends plus special dividends plus special distributions.

CHAIR'S STATEMENT

In my first set of full year results with Dunelm, I am delighted to report another year of strong sales growth and market share gains. The last year has undoubtedly been challenging for UK consumers and businesses alike. I have been hugely impressed by the energy and enthusiasm with which our team has approached these challenges, delivering a strong performance for our stakeholders whilst continuing to think long-term and investing for the future in light of the many opportunities we see on the horizon. We have maintained a focus on all our key stakeholders: delighting our loyal customers, and attracting new ones, by delivering quality and value; strengthening relationships with our suppliers and partners; supporting our colleagues and the communities we serve; as well as generating strong shareholder returns. Alongside this, we are also making good progress towards our long-term sustainability goals.

This performance would not have been possible without the individual contributions of our more than 11,000 colleagues, across stores, logistics, manufacturing, customer service and support centres. I would like to thank them all for their ongoing hard work and dedication to the business and our customers, and for their contribution to our unique, inclusive and positive culture which continues to help us thrive.

Performance

FY23 saw record sales of £1.64bn, reflecting a strong performance in an extremely challenging environment. As ever, we believe that the strength and relevance of our product range is a significant advantage, helping us to provide outstanding value to our customers, to grow our sales and win market share.

Our sales grew by 6%[13], and our overall market share increased to 7.2%[14], with gross margin of 50.1%. Profit before tax was robust at £193m (FY22: £209m)[15], which is particularly pleasing given the impact of operating cost inflation and our ongoing investment in the business. Our profit before tax margin of 11.8% (FY22: 13.5%[15]) was robust, demonstrating the underlying resilience of the business and tight operational controls.

[13] For statutory purposes FY22 included a 53rd week. Sales growth shown is on a comparable 52-week basis. On a 53-week basis sales growth was 4%.
[14] GlobalData UK combined homewares and furniture markets, excluding kitchen and bathroom furniture. Market share for the period July 2022 to June 2023 was 7.2%.
[15] For statutory purposes FY22 included a 53rd week. FY22 PBT and PBT margin are shown on a comparable 52-week basis. On a 53-week basis FY22 PBT was £213m and PBT margin was 13.5%.

Dividends

Consistent and strong cash generation remains an impressive quality of Dunelm's business model. This year, the Board has proposed a final ordinary dividend of 27 pence per share, reflecting our strong profitability and ongoing confidence in the business. This brings the full-year ordinary dividend to 42 pence per share, an increase of 5% and within the range of 1.75x to 2.25x dividend cover[16] stated in our capital and dividend policy. We also paid a special dividend of 40 pence per share in April. In all, we returned £163m of cash in dividends during the year.

We have now returned more than £1bn[17] to shareholders in the last ten years, demonstrating our consistent performance and highly cash generative business model.

[16] Dividend cover is calculated as earnings per share divided by the total ordinary dividend relating to the financial year.
[17] Ordinary dividends plus special dividends plus special distributions.

Doing the right thing

We build sustainability into all that we do, embedding a long-term mindset of doing the right thing through our decisions and processes, with a view to delivering for all our stakeholders. You will be able to read more detail in our upcoming 2023 Sustainability Report about our progress, objectives and future plans.

We strive to achieve product mastery across our categories, which increasingly involves innovation to make our products more sustainable. A fantastic example of this is Conscious Choice, a label we introduced in 2022 to showcase own-brand products that are made from at least 50% (by weight) more sustainable materials than their comparable alternatives. Conscious Choice options now account for c.15% of own-brand products across our categories and we have plans to expand this further.

We are also working in our stores and supply chain to reduce carbon emissions, continuing to replace gas fired heating equipment, putting in place energy management systems, and starting to use vehicles powered by more sustainable fuel, including electricity and compressed natural gas, in our distribution fleet. As a result, we have seen a further reduction in Scope 1 carbon intensity, ahead of our targets.

Combining sustainability with customer engagement in our communities is another positive way in which we reduce our impact on the planet, working towards circularity. We now offer a textiles take-back service in the majority of our stores, with over 70 tonnes per month of materials being returned by our customers. As we move towards product circularity, we extended the impact of this scheme by working with one of our suppliers to turn these recycled textiles, along with other recycled fibres, into products for our new 'Remade' range. This year we have also trialled a new Home to Home initiative, which rehouses our customers' pre-loved homewares.

We are still at an early stage in our sustainability journey, and recognise there is much more to do, but we are pleased with the progress being made and the commitment from colleagues across the business in this important area.

Board

I was delighted to join the Board as Chair Designate last September and take on the role of Chair in January. I am very pleased with the diverse experience we have across both our Executive and Non-Executive Directors and how this continues to contribute to our performance.

I would like to thank and congratulate Andy Harrison, who stepped down as Chair in January having joined the Board in 2014. Andy oversaw a period of growth, particularly in organisational capability, which left a very strong base from which we can build going forward.

Seizing the opportunity

I am proud of what the business has achieved in my first year, and also of its aspirations for the future. We are very mindful that the consumer environment remains challenging and uncertain in the near term. With the support of our brilliant colleagues, we believe that we are well positioned to seize the opportunity to bring value and joy to our growing base of customers across our total retail system. As has been the case throughout Dunelm's history, we will continue to invest wisely and to deliver for all our stakeholders, in order to keep growing the business sustainably, for the long term.

Alison Brittain
Chair
20 September 2023

CHIEF EXECUTIVE OFFICER'S REVIEW

Introduction

I am very pleased by what we have achieved in a trading environment which continues to present a variety of challenges. The macro-economic backdrop during the year continued to bring uncertainty for colleagues, customers and suppliers, with high levels of inflation presenting particular headwinds. The adaptable approach we have taken during the last few years continues to serve us well: executing successfully by pulling the levers within our control, and maintaining good operational grip. This has allowed us to deliver strong results for all stakeholders, grow market share, and also given us the ability to keep investing for the future, so that we can seize the multiple opportunities ahead of us.

Whether developing our proposition, strengthening our relationships, improving our operations or serving our customers, it is the work of every colleague in Dunelm and our partners that makes this happen. For contributing their knowledge, personality, commitment and enthusiasm, I would like to sincerely thank all of my colleagues. Together, we are creating an ever more inclusive workplace which, alongside our shared values, is driving performance.

FY23 Review

A strong performance with relevance and value at its core

We delivered another strong performance in FY23. In a difficult environment for our customers, where cost-of-living pressures were front and centre, we sharpened our focus on relevance and value. In the first half of the year we were able to offer customers products such as heated clothes airers and thermal curtains to help them keep warm and manage their budgets when energy costs were at their highest. We continually adapt and evolve our product range, and our offer was just as relevant in the second half of the year, when seasonal items such as garden furniture and decorations proved appealing.

The expansion of our range to approximately 70,000 product lines allows us to meet more of our customers' needs for their homes, and our relentless focus on offering outstanding value has remained as sharp as ever across all price points. A good example of this during the period was quickly reducing prices to pass freight cost savings back to our customers, with over 1,000 product lines dropping in price in the spring.

By keeping relevance and value at the heart of our proposition, total sales grew by 6% against the comparable 52-week period in FY22 (which also included a particularly strong Q1 as Covid restrictions eased). Total sales were 49% higher than FY19 (the last full year uninterrupted by the pandemic). Compared to FY22, we had 2.8% more active customers[18] and our market share in the combined homewares and furniture markets increased by 40bps in challenging market conditions[19].

Gross margin of 50.1% (FY22: 51.2%[20]) was tightly managed through the year and we stayed true to our principle of instilling operational grip across the business. We saw more normalised customer behaviour during our Sale events and carefully balanced the impact of higher cost prices with our commitment to value. This resulted in a robust PBT performance of £193m (FY22: £209m on a comparable 52-week basis), which was pleasing given the tough backdrop and reflected both tight control of margin amidst inflation in our operating costs and our ongoing commitment to investment for the future.

We generated strong free cash flow of £160m (FY22: £153m), allowing us to declare a final dividend of 27p, bringing the total ordinary dividend for the year to 42p, a year-on-year increase of 5%, reflecting our confidence in the future performance of the business. We returned a total of £163m to shareholders during the year, including a special dividend of 40p declared at the interim results. This brings the total returned to shareholders over the last decade to over £1bn[21].

[18] Growth in unique active customers who have transacted at least once in the 12 months to June 2023. Management estimates using Barclays data.
[19] GlobalData UK combined homewares and furniture markets, excluding kitchen and bathroom furniture. Market share for the period July 2022 to June 2023 was 7.2%.
[20] For statutory purposes FY22 included a 53rd week. Gross margin is shown on a comparable 52-week basis. On a 53-week basis FY22 gross margin was 51.2%.
[21] Ordinary dividends plus special dividends plus special distributions.

Delivering for all our stakeholders

We try to make decisions based on the needs and expectations of our key stakeholders and are guided by our shared values.

Our committed colleagues are at the heart of our business. We understand that the current environment is difficult for many of them, so during the year we increased our support on financial wellbeing, with progressive pay increases, additional support funds and advice on a range of financial matters. We have also invested in learning and development opportunities to promote a 'learning for life' mindset to help colleagues to develop their careers. This continued focus on colleague development saw us retain 87% of our colleagues through the year[22]. Listening and learning is one of our shared values and we undertake a twice-yearly colleague survey. In FY23, we upgraded our colleague engagement platform, making it two-way and encouraging colleagues to give direct feedback to their line managers. We achieved a participation rate of 82%, making it our most comprehensive survey to date and enabling us to achieve a deeper level of understanding of our colleagues and to take more targeted action.

We relentlessly strive to improve our customer proposition. Product mastery across our broad range of categories ensures that our offer remains relevant throughout the year, and that we are offering quality and value at every price tier. We also continued to develop our digital channels, giving customers even more choice by adding c.20,000 lines to our website, and by enabling a more convenient experience with new payment options such as Apple Pay and Klarna.

We deepened our relationships with customers in our store communities with membership of our local Facebook groups increasing to over 1.1 million. Our Christmas 'Delivering Joy' campaign was our most successful ever, with a threefold increase in the number of gifts donated compared to FY22. We significantly increased our charity fundraising with our customers and colleagues helping to raise over £800k, of which over £700k was donated to our charity partner, Mind.

We have always built long-term relationships with our suppliers and are committed to offering them a strong partnership based on mutual growth and respect. Together we are growing our shared knowledge on topics like supply chain technology and sustainability, including the use of sustainably sourced cotton.

As we learn more about how to reduce our impact on the planet, progress on our Pathway to Zero[23] plan continues. We are making good progress on reducing our carbon emissions, with our decarbonisation programme in stores contributing to a further reduction in Scope 1 carbon intensity this year. We are also transitioning our company car fleet to hybrid or electric vehicles. We extended our Conscious Choice ranges, which are made from more sustainable materials, to c.15% of our own brand range. We launched our first 'Remade' products, using materials including those from our take-back schemes, our first step towards product circularity. During FY23 we moved our environmental accreditation to Better Cotton, who are industry leaders in this area. As a result this was a year of transition during which we did not achieve our target. We expect to see a significant improvement in FY24 as we complete our transition and remain committed to sourcing c.100% more responsible cotton by 2025. Finally, we have now reduced our use of virgin plastic packaging by 36% compared to FY20 by both reducing the amount of packaging we are using and increasing the recycled content.

During the year, we submitted our targets to the Science Based Targets initiative (SBTi) and were pleased to receive confirmation, after the year end, that our near-term and net-zero targets have been approved by the SBTi[24]. This will see Dunelm align to the latest climate science from the Intergovernmental Panel on Climate Change (IPCC) by limiting the global temperature rise to 1.5°C.

[22] Retention is the percentage of colleagues from the start of the financial year (July 2022) who remained employed until the end of the financial year (June 2023), excluding any planned leavers.
[23] Our Pathway to Zero commitments are described in more detail in the sustainability section of our corporate website at https://corporate.dunelm.com/sustainability.
[24] Our targets approved by the SBTi are as follows. Overall Net-Zero Target: Dunelm Group PLC commits to reach net-zero greenhouse gas emissions across the value chain by FY40 from a FY19 base year. Near-Term Targets: Dunelm Group PLC commits to reduce absolute Scopes 1 and 2 GHG emissions by 50% by FY30 from a FY19 base year. Dunelm Group PLC also commits to reduce absolute Scope 3 GHG emissions by 50% within the same timeframe. Long-Term Targets: Dunelm commits to reduce absolute Scope 1, 2 and 3 GHG emissions by 90% by FY40 from a FY19 base year.

Seizing the opportunity

We are excited and ambitious about seizing the opportunity ahead of us to continue to grow sustainably. Throughout our history, we have had a strong track record of growing sales and market share, both in buoyant markets and in more challenging conditions. Since our IPO in 2006, our sales have increased by a compound annual growth rate of 10%, and in the last ten years more than 85% of this growth has been through market share gains. In the last year, despite consumers being under considerable pressure, we continued to grow our sales while the overall homewares market remained broadly flat, reflecting the gains we made in market share.

Whilst we are the homewares market leader, we still hold only a c.7% share of the UK homewares and furniture market that is worth a total of c.£24bn[25]. This significant market is highly fragmented, giving us the opportunity to serve many different product categories and multiple customer missions. Our most established categories have higher market shares, which we are confident of growing further still; at the same time we have an opportunity to increase our share in those more nascent categories where we are currently less well established.

We are developing and implementing our plans at a time when consumer interest in the home remains high despite cost-of-living pressures. Customers are seeking propositions that meet their ever-evolving emotional and functional needs. Multi-channel shopping is now fully established in homewares, and those businesses that have an effective total retail system with seamless integration between their online and store channels, as we do, have a clear advantage. We have a strategic plan which will enable us to capitalise on all of these themes and seize the opportunity for sustainable growth. I give an update below on some of our key priorities.

[25] GlobalData UK combined homewares and furniture markets, excluding kitchen and bathroom furniture. Market share for the period July 2022 to June 2023 was 7.2%.

A plan for sustainable growth

With our significant market share runway and deep understanding of our customers and product categories, I have never been more excited about our plans for the future as we seize the opportunity to:

1. Strengthen our customer offer
2. Extend and digitalise our total retail system
3. Evolve our marketing ecosystem

1. Strengthening our customer offer

We are constantly striving to improve all parts of our customer offer; however we are focusing our efforts in two particular areas: offering outstanding value and helping to deliver joy to our customers, through our products, services and customer experience.

Value

We work tirelessly on our range architecture to offer customers value at all price points. A good example of this is in our range of Egyptian cotton towels, where we held prices a year ago despite cost prices increasing. At the same time, we introduced a new 'Super Soft' range in our lowest priced 'good' quality tier. These initiatives resulted in gains in our volume share of the bathroom textiles category. We also demonstrate value across the range by reducing prices as input costs fall. During the year we reduced prices on a number of our furniture lines and lowered prices on many products across other categories in the spring.

For us, and for our customers, value is equally important at higher price tiers. We can see this in attitudes towards product quality and also towards sustainability. Where we have introduced more sustainable materials into many of our ranges we have typically maintained, or even reduced, retail prices. For example, we reduced the price of our Dorma 300 thread count fitted sheet whilst re-sourcing to a more sustainable cotton, and our Teddy throws are now made from recycled polyester at no extra cost to our customers. We also extended the higher quality tiers in our cushions category, with new compositions using beading, sequin embroidery and wool blends, all hand-crafted in India. These new and innovative designs enabled us to stretch our price points while continuing to offer outstanding value for money.

As we grow our offer into new areas, we remain highly focused on ensuring value at all price points, even within more nascent categories. We have increased our curated range by approximately 20,000 products in the last year with the same product quality and price focus. We will continue to grow our ranges in this way, with further additions in categories such as nursery furniture and live plants.

Joy

Alongside outstanding value, we are equally focused on delivering joy for our customers. While shoppers will work hard to be savvy, looking for ways to save and balancing price and quality to meet their budget, they are also looking for their experiences and purchases to bring them joy.

Our efforts to deliver this are reflected in how we talk to customers in store (we track 'fast' and 'friendly' feedback scores for every shop), how our marketing content does not take itself too seriously, and by the selection of food and offers in our Pausa cafes (for example the giant coronation jammy dodgers). However, we also offer joy in our product development, in a way that few other product companies would do. One way to bring joy is through colour, which we have embraced in our new 'pride and joy' collections for autumn/winter 2023. We have also extended our collaboration with the Natural History Museum to bring customers products with personality, and grown our Disney ranges, introducing Mickey Mouse designs across a number of categories.

The joy of products also requires us to ensure our customers have a high-quality shopping experience, so reducing disappointment when something goes wrong is also a focus. We are growing our home delivery perfect order rates, shortening lead-times, and resolving problems efficiently when things do not go as planned.

2. Extending and digitalising our total retail system

One of the key advantages of our business model is what we call our total retail system, which combines the benefits of physical stores with the convenience of online shopping, and the reach of our marketing ecosystem. Whilst digital sales have increased in recent years (now accounting for 36% of total sales) our stores remain fundamental to our success, not least by fulfilling an increasingly important role in marketing to, and being a part of, their local communities.

We have continued to expand our store estate, with three new openings last year and our 180th store in Greenwich, south-east London, opening after the year end. The ongoing programme to refit our older stores to the latest standards for store environment and layout also continues with good paybacks. The success of our recent openings and attractive return on investment is encouraging, and we see opportunity to double the run rate of new (or relocated) stores in the next two years.

The typical Dunelm superstore has approximately 30,000 sq ft of trading space (including a 10,000 sq ft mezzanine floor) in an out-of-town location. We are delighted with the returns we generate on stores like these, Weymouth being a recent example. In recent years we have opened four smaller stores, averaging c.15,000 sq ft, and two town-centre locations of around 30,000 sq ft. We are seeing the same good returns across all these openings, with payback periods averaging under three years.

With better data and insights to support location planning for new store selection, we now expect to open five to ten new stores (including relocations) in each of the next two years. These are full-service Dunelm stores, amplifying our online offer and driving local customer awareness to enable us to benefit fully from our total retail system. We will continue to apply our usual discipline and tight operational grip to these investments.

At the same time, we continue to digitalise our total retail system to improve our customer offer and increase the efficiency of our operations. In the last six months we have been able to offer customers more convenient payment options such as Klarna, shortened lead times through weekend deliveries and improved our communications with customers. In addition to these improvements to our customer offer, we have begun to roll out new product master data management tools which will deliver benefits across our operations, and our suppliers. Our new ChatBot has automated some post-sale service communications, enabling more customers to self-serve.

Over the next 12 months we will further improve our website experience by using new search tools, introducing faster site architecture and increasing the options for delivery of furniture items. We will continue to expand our product offer, with new ranges and made-to-measure categories as well as launching further convenient payment options such as long-term credit. To improve the efficiency of our operations, we will launch new tools for forecasting and replenishment and improve the management of stock in our warehouses, with both of these initiatives also increasing availability for our customers. We will also increase our personalised communication with customers, which we describe in more detail below.

3. Evolving our marketing ecosystem

During the year we deepened our understanding of consumer attitudes to the home and home shopping, giving us greater insight into the customer opportunity for our next phase of growth. Comprehensive research has allowed us to better understand the attitudes of existing and target customers. For example, whilst home continues be a strong focus for many households, motivators can be very different, with home variously an expression of personal style, a place of sanctuary, an opportunity to socialise, and a place to spend time with family. The opportunity is to reach target customers with more tailored and personalised messages which appeal to these motivators. At the same time, growing awareness of the breadth of our category offer will attract both new customers and increase the shopping frequency of existing ones. At present, Dunelm is typically only top of mind (1^{st}, 2^{nd} or 3^{rd} mention) for around half of the product categories we offer, demonstrating the breadth of the opportunity.

We can reach these target audiences more effectively through our ever-evolving marketing ecosystem. We continue to make progress towards a single combined view of our store and online customers, with our online payments system to be rolled out to stores in the first half of this financial year. In the meantime we have a significant database of online customers and those store customers who have provided an email address. We are combining data from multiple sources, including demographics and previous purchasing behaviour, to begin a more targeted and personalised level of marketing, including optimising the timing of customer communications and customer-specific product recommendations within marketing emails. We are also testing a more customised website, where paid search will lead to a personalised dunelm.com landing page with a greater range of options beyond the specifically searched-for product. This activity is at an early stage and being approached with our usual test and learn mindset, but we believe it provides exciting opportunities for a better customer experience and future growth.

At the same time we continue to develop the effectiveness of our paid marketing channels and have now performed testing on the effectiveness of most of our brand and performance marketing spend. Tests conducted in the year have given us the confidence to increase our brand marketing investment. Our new brand campaign is launching this autumn and is our most ambitious ever.

Summary and Outlook

We delivered another strong performance in FY23 in a challenging environment. We continued to think long term and invest for the future while delivering a strong performance for our stakeholders. Record sales, continued growth in market share and customer numbers, and good strategic progress were underpinned by our tight operational grip on gross margin and costs.

Consumers are still responding to their own cost-of-living pressures and there remains uncertainty as to what this means for discretionary spend. Against this backdrop we remain focused on our proposition and ensuring our customer offer is as relevant as ever. In that context, we are pleased with trading early in the new financial year.

We have a clear plan for sustainable growth and the work we are doing to strengthen our customer offer, extend and digitalise our total retail system and evolve our marketing ecosystem leave us well positioned to capitalise on the opportunities available for our business. We have never been more confident about our short, medium and long-term prospects and will therefore continue to invest where we see good returns, including in accelerating our store estate growth.

We are excited to continue to deliver our strong performance record in the year ahead.

Nick Wilkinson
Chief Executive Officer
20 September 2023

CHIEF FINANCIAL OFFICER'S REVIEW

Revenue

Total sales for the period to 1 July 2023 increased by 5.5% to £1,639m on a comparable 52-week basis (FY22 52w: £1,553m, FY22 53w: £1,581m). Compared to FY19 (the last fully comparable year before the pandemic), total sales grew by 49% (FY19: £1,100m).

	FY23 (52 weeks)	**YoY *(52w v 52w)***	***YoY (52w v 53w)***
Total Group sales	£1,638.8m	+5.5%	*+3.6%*
Digital % total sales	36%	+1ppt	*+1ppt*

	FY23	**YoY**
Active customer growth[26]	N/A	+2.8%
Homewares market share[27]	11.0%	+70bps
Furniture market share[27]	2.0%	+0bps

We saw strong sales growth for the year despite the challenging market conditions and particularly strong comparative in Q1 (due to our rescheduled Summer Sale and pent-up demand following the final Covid related lockdown). We were pleased to see growth increasingly from volume as we progressed through the year. Sales increased both in stores and online, with digital sales now making up 36% of total sales, up 16ppts since FY19.

Growth was broad based across categories as we focused on relevance and value throughout the year. Customers enjoyed shopping our Winter Warm ranges as they looked for ways to mitigate rising heating costs. Similarly, our Summer Living collections, in particular garden furniture and decorations, performed well in the warmer weather towards the end of the financial year. Our two main Sale events also resonated with our home-loving customers. We continued to improve and expand our offering, adding 20,000 carefully curated products online while extending our Conscious Choice range of sustainability-focused lines.

We continued to focus on offering outstanding value to our customers across all our categories and price points. As a result of our relentless focus on value we were pleased to be able to pass on cost savings from lower freight rates and reduce prices on over 1,000 lines in the final quarter of the year.

Our broad product offer continues to resonate well with our customers and the number of active customers increased by 2.8%[26] in FY23, with an increase in customer retention. We were pleased to see higher growth in the younger (16 to 24 years) and lower income (<£20k) groups, reflecting our growing appeal and focus on value.

We continued to gain market share, with our sales growing year-on-year and our share increasing by 40bps to 7.2%[27] against a combined market for furniture and homewares which was broadly flat. We were pleased to grow share in homewares by a further 70bps to 11.0%[27]. Our market share in furniture, where we have been building a stronger customer offer and operating model, was broadly flat. Sales across our furniture categories increased by 4% year-on-year, with a particularly strong performance in upholstery ranges being partly offset by lower sales in cabinet categories.

[26] Growth in unique active customers who have transacted at least once in the 12 months to June 2023. Management estimates using Barclays data.
[27] GlobalData UK homewares and furniture markets, July 2022 to June 2023. Furniture excludes kitchen and bathroom furniture. FY22 has been restated.

Gross margin

Gross margin of 50.1% was in line with expectations and 110bps lower than last year (FY22 52w: 51.2%, FY22 53w: 51.2%), reflecting both a return to more normal patterns of customer behaviour in our Sale events as well as the impact of higher input cost prices.

We have good visibility of FY24 input costs. We plan our purchasing for each season, which helps us manage changes in raw material prices, freight costs and foreign exchange within our margin rates. Looking ahead, we will continue to balance the impact of these with our commitment to offering outstanding value to our customers. We expect a net tailwind from these factors this year, as well as the sustainable benefit from the operational actions we have taken in recent years, and therefore expect gross margin in FY24 to be c.100bps higher than FY23.

Operating costs

Total operating costs were £622m (FY22 52w: £582m, FY22 53w: £592m), representing an operating cost:sales ratio of 38.0% (FY22 52w: 37.5%, FY22 53w: 37.4%).

We maintain a tight operational grip on costs and have worked hard to offset inflationary impacts of c.£20m, mainly relating to wages, through operational efficiencies. Efficiencies in stores and the supply chain, as well as the removal of excess storage costs, and other small one-off impacts generated savings of £18m.

Volume growth added £8m of costs to our distribution network and performance marketing spend. The annualisation of investments during FY22 and new store openings added £7m to operating costs in the period. Our investments in recent years have delivered strong sales growth and so we continued to invest, increasing spend by £22m on digitalisation and building new capability in data, technology and insight and analytics.

We are focused on seizing opportunities for growth and will continue to deploy resources thoughtfully in digitalisation, capability, and accelerating our store roll out plans. We have been gaining new insight into the effectiveness of our marketing spend and our data-led approach is giving us confidence to invest more in areas such as brand marketing in order to expand our reach. We will continue to invest in digitalising our total retail system as well as expanding our store portfolio. We also expect inflationary pressures to continue in FY24, which we will partially mitigate through productivity improvements. While our focus remains on tight operational grip and making every pound count, we expect our operating cost:sales ratio to increase to c.39% in FY24.

Profit and earnings per share

Operating profit of £199m was £15m lower than the comparable period in FY22 (FY22 52w: £214m, FY22 53w: £218m), against a tough backdrop and reflected both tight control of margin amidst inflation in our operating costs and our ongoing commitment to investment for the future.

Net finance costs of £6m (FY22 52w: £5m, FY22 53w: £5m) included interest on IFRS 16 lease liabilities of £5m (FY22 52w: £5m, FY22 53w: £5m).

Profit before tax in the period was £193m (FY22 52w: £209m, FY22 53w: £213m), a reduction of £16m year-on-year on a comparable 52-week basis. Profit after tax of £152m (FY22 52w: £168m, FY22 53w: £171m) reflected an effective tax rate of 21.2% (FY22: 19.5%). The increase in the effective tax rate is broadly in line with the increase to the UK headline rate of corporation tax, which moved from 19% to 25% for the final three months of the year.

The effective tax rate was 70bps higher than the UK headline rate, due to our usual items of disallowable expenditures.

In FY24 we expect PBT to be higher than FY23, and the effective tax rate to continue to trend slightly above the headline rate of 25% from FY24.

Basic earnings per share (EPS) for the period was 75.2 pence (FY22 52w: 83.0 pence, FY22 53w: 84.5 pence). Diluted earnings per share was 75.0 pence (FY22 52w: 82.1 pence, FY22 53w: 83.6 pence).

Cash generation and net debt

In the period, the Group generated £160m of free cash flow (FY22: £153m), with strong conversion of operating profit to free cash flow of 81% (FY22: 70%).

	FY23 (52 weeks) £m	**FY22 (53 weeks) £m**
Operating profit	198.8	217.7
Depreciation and amortisation[28]	79.4	79.3
Net movement in working capital	(4.2)	(14.8)
Share-based payments	4.8	4.8
Tax paid	(38.2)	(35.2)
Net cash generated from operating activities	**240.6**	**251.8**
Capex and business combinations	(21.8)	(41.7)
Net interest and loan transaction costs[29]	(1.1)	(2.1)
Interest paid on lease liabilities	(5.3)	(4.8)
Repayment of principal element of lease liabilities	(52.0)	(50.2)
Free cash flow	**160.4**	**153.0**

[28] Including impairment and loss on disposal.
[29] Excluding interest on lease liabilities.

There was a small working capital outflow of £4m in the period (FY22: £15m outflow). The prior year outflow reflected the decision to build inventory in order to mitigate the risk of further supply chain disruption. Whilst inventories at the end of FY23 of £211m (FY22: £223m) were lower than FY22, the resulting working capital inflow was broadly offset by a reduction in payables due to lower accruals, including freight accruals. We expect working capital in FY24 to be broadly stable.

Total capital investment of £22m (FY22: £42m) primarily related to £19m spent on the three new stores opened in the period, refits of ten existing stores, and our decarbonisation initiatives. FY22 included £18m paid to acquire the trade and assets of Sunflex, a division of Hunter Douglas (UK) Limited. We expect to increase the rate of new store openings to five to ten (including relocations) in FY24, therefore capital expenditure will increase to c.£30-40m.

Cash tax paid was £38m (FY22: £35m) reflecting the higher effective tax rate. FY22 also included cash receipts in relation to research and development claims made at the end of FY21.

In the period, the Group spent £7m (FY22: £28m) purchasing shares to be held in treasury to satisfy future obligations under its employee share schemes. The Group held 1.7m shares in treasury as at 1 July 2023.

After total dividend payments in the period of £163m (FY22: £282m), the Group ended the year with net debt[30] of £31m (FY22: £24m).

[30] Excluding lease liabilities. Full definition provided in the table of alternative performance measures.

Banking agreements

At the year end date, the Group had in place a £185m sustainability-linked unsecured revolving credit facility ("RCF"). The terms of the RCF included covenants in respect of leverage (net debt[31] to be no greater than 2.5× adjusted EBITDA[32]) and fixed charge cover (EBITDAR[33] to be no less than 1.75× fixed charges[34]), both of which were met comfortably as at 1 July 2023.

Since the year end the Group has renegotiated its RCF, extending the limit to £250m to reflect the growth in the business in recent years. The maturity date is September 2027 with an option to extend by a further two years at Dunelm's request, subject to lender consent. The terms are consistent with normal business practice and the covenants are unchanged. In addition, the Group maintains £10m of uncommitted overdraft facilities.

[31] Excluding lease liabilities. Full definition provided in the table of alternative performance measures.
[32] Adjusted EBITDA defined as EBITDA less depreciation on right-of-use assets.
[33] EBITDAR defined as EBITDA plus rent.
[34] Fixed charges are defined as net interest costs plus right-of-use asset depreciation plus rent.

Going concern

At the time of approving the financial statements, the Board of Directors is required to formally assess that the business has adequate resources to continue in operational existence and as such can continue to adopt the 'going concern' basis of accounting. To support this assessment, the Board is required to consider the Group's current financial position, its strategy, the market outlook, and its principal risks.

The key judgement that the Directors have considered in forming their conclusion is the potential impact on future revenue, profits and cash flows of a downturn in consumer spending, away from homewares, due to the current economic environment. This scenario might result in no growth in Year 1, and lower sales and margin across all channels throughout the five-year review period. They have also considered a deeper downturn in consumer spending away from homewares, resulting in negative growth in Year 1 and lower sales and margin across all channels throughout the review period.

In both downside scenarios Dunelm has sufficient liquidity to continue trading, including maintaining the payment of dividends in line with its dividend policy, and to comfortably meet its financial covenants. The Directors continue to assess the risks that climate change poses to the business and climate change is not expected to have a significant impact on the Group's going concern assessment or on the viability of the Group over the next five years.

Reverse stress modelling has demonstrated that a prolonged sales reduction of 23% in FY24 and 28% in FY25 is required to breach covenants by the end of FY25 and a reduction of 47% in both FY24 and FY25 is required to breach the RCF limit by the end of FY25, assuming reasonable mitigating actions have been implemented. The Directors do not believe the reverse stress tests represent plausible scenarios. Even in such an event, management would follow a similar course of action to that initially undertaken during the recent Covid-19 pandemic. Such actions could include further reductions in discretionary spend (e.g. marketing and travel) and capital investment in new stores and refits, and reducing headcount.

As a result, the Board believes that the Group is well placed to manage its financing and other significant risks satisfactorily and that the Group will be able to operate within the level of its facilities and meet its liabilities as they fall due, for at least the next five years. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

Capital and dividend policies

The Board policy on capital structure targets an average net debt level (excluding lease obligations and short-term fluctuations in working capital) of between 0.2× and 0.6× the last 12 months' EBITDA[35]. The Group's dividend policy targets ordinary dividend cover of between 1.75× and 2.25× earnings per share during the financial year to which the dividend relates.

The Board will continue to consider returning surplus cash to shareholders if average net debt, excluding lease liabilities, over a period, consistently falls below the minimum target of 0.2× EBITDA[35], subject to known and anticipated investment and expenditure plans at the time.

The Group's full capital and dividend policies are available on our website at corporate.dunelm.com.

[35] EBITDA defined as 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.

Dividends

The Board has proposed a final ordinary dividend of 27 pence per share, recognising our strong performance in the year and our ongoing confidence in the business. This takes the full year ordinary dividend to 42 pence per share, 5% ahead of the 40 pence per share paid in FY22, with dividend cover[36] of 1.8×, which is within the range of our stated policy. The final dividend will be paid on 20 November 2023 to shareholders on the register on 27 October 2023, subject to it being approved by shareholders at the AGM.

We paid total dividends of £163m in the year, including a special dividend of £81m.

[36] Dividend cover is calculated as earnings per share divided by the total ordinary dividend relating to the financial year.

Principal risks and uncertainties

The Board regularly reviews and monitors the risks and uncertainties which could have a material effect on the Group's results.

This year we separated 'business change risk' from the 'IT systems, data, and cyber risk' to reflect our ongoing investment in change programmes that are key to our strategy and the delivery of further growth and efficiencies. We consider this an increasing risk in the short-term as we take on larger and more complex projects. However, it is anticipated that the risk will stabilise as we continue to deliver.

We removed 'catastrophic business events' as a standalone principal risk. The impact of, and approach that we would take, to large disruptive events has been considered as part of our review and ongoing management of each of the other principal risks. Our approach is supported, amongst other things, by learnings from our response to the pandemic and our business continuity plans.

A summary of the principal risks has been provided below:

Risk	Impact
Customer offer	Ongoing external uncertainty and inflationary pressure on consumers has led to significant change in consumer behaviour. Failure to respond to changing consumer needs and to maintain a competitive offer (value & choice, friendly & expert, fast & convenient and good & circular) will undermine our ambition to increase market share and drive profitable and sustainable growth.
Product reputation and trust	Our stakeholders expect us to deliver products that are safe, compliant with legal and regulatory requirements, and fit for purpose. Our customers are increasingly aware of the environmental and social impact of their purchases and want to know that our products have been responsibly sourced and that their environmental impact is minimised. Nonconformance by our suppliers to uphold our approach to business ethics, human rights (including safety and modern slavery) and the environment may undermine our reputation as a responsible retailer. Failure to meet these expectations could result in reputational damage and loss of confidence in Dunelm.
People and culture	Our business could be adversely impacted if we fail to attract, retain, and develop colleagues with the appropriate skills, capabilities and diverse background. Failing to embed and live our values could impact business performance, the delivery of our purpose and the long-term sustainability of our business.
IT systems, data and cyber security	Our IT systems and infrastructure are critical to managing our operations, interacting with customers, and trading successfully. A key system being unavailable or suffering a security breach could lead to operational difficulties, loss of sales and productivity, legal and regulatory penalties due to loss of personal data, reputational damage, and loss of stakeholder trust.
Business change	Dunelm recognises that there is a huge opportunity in digitalising the business and has invested and will continue to invest in system improvements to drive growth and efficiency. Failing to successfully introduce and deliver wider technology and new systems across the business and leverage the data generated to further improve our proposition and operations could result in reduced operational efficiency, competitiveness, relevance and growth. Furthermore, failure to deliver the expected objectives on time and on budget, could impact the delivery of the planned business benefits.
Regulatory and compliance	We operate in an increasingly regulated environment and must comply with a wide range of laws, regulations, and standards. Failure to comply with or to take appropriate steps to prevent a breach of these requirements could result in formal investigations, legal and financial penalties, reputational damage and loss of business.

Supply chain resilience	We are dependent on complex global supply chains and fulfilment solutions to deliver products to our customers. Instability in the global supply chain or failure of a key supplier may impact our ability to effectively manage stock and satisfy customer demand.
Finance and treasury	Progress against business objectives may be constrained by a lack of short-term funding or access to long-term capital.
Climate change and environment	Failure to positively change our impact on the environment would fall short of the expectations of our customers, colleagues, shareholders, and other stakeholders which could lead to reputational damage and financial loss. In addition, an inability to anticipate and mitigate against climate change and other environmental risks could cause disruption in the availability and quality of raw materials such as cotton and timber, affecting production capacity, product quality, and overall supply chain resilience. This, and potential transition risks related to environmental taxation, could result in higher costs, delays, and potential loss of customers.

Alternative performance measures (APMs)

APM	Definition, purpose and reconciliation to statutory measure
Unique active customers growth	Growth in unique active customers who have shopped in a 12-month period compared to the prior 12-month period, based on Barclays transactional data. Note that Barclays data represents approximately 10% of total Dunelm transactions. To measure whether we are continuing to grow our active customer base – from both new customers and retention of existing customers.
Total sales	Equivalent to revenue (from all channels). This is net of customer returns.
Digital sales	Digital sales include home delivery, Click & Collect and tablet-based sales in store.
Digital % total sales	Digital sales (as defined above) expressed as a percentage of revenue. This is not a measure that we seek to maximise in itself, but we measure it to track our adaptability to changing customer behaviours.
Ordinary dividend cover	Ordinary dividend cover is calculated as earnings per share divided by the total ordinary dividend relating to the financial year. This measure is used in our capital and dividend policy.
Gross margin %	Gross profit expressed as a percentage of revenue. Measures the profitability of product sales prior to operating costs.
Operating costs to sales ratio	Operating costs expressed as a percentage of revenue. To measure the growth of costs relative to sales growth.
EBITDA	Earnings before interest, tax, depreciation, amortisation and impairment. Operating profit plus depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets plus loss on disposal and impairment of property, plant and equipment and intangible assets. Used in our capital and dividend policy.
Adjusted EBITDA	EBITDA less depreciation on right-of-use assets. To measure compliance with bank covenants
EBITDAR	EBITDAR is calculated as EBITDA plus rent. To measure compliance with bank covenants
Effective tax rate	Taxation expressed as a percentage of profit before taxation. To measure how close we are to the UK corporation tax rate and understand the reasons for any differences.
Capex (net of disposals)	Acquisition of intangible assets and acquisition of property, plant and equipment less proceeds on disposal of property, plant and equipment and intangibles.
Free cash flow	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. Measures the cash generated that is available for disbursement to shareholders.
Net cash/(debt)	Cash and cash equivalents less total borrowings (as shown in note 12). Excludes IFRS 16 lease liabilities.
Cash conversion	Free cash flow expressed as a percentage of operating profit.

Karen Witts
Chief Financial Officer
20 September 2023

Consolidated Income Statement

For the 52 weeks ended 1 July 2023

	Note	2023 52 weeks £'m	2022 53 weeks £'m
Revenue		**1,638.8**	**1,581.4**
Cost of sales		(817.9)	(772.0)
Gross profit		**820.9**	**809.4**
Operating costs	2	(622.1)	(591.7)
Operating profit	3	**198.8**	**217.7**
Financial income	5	1.7	1.2
Financial expenses	5	(7.8)	(6.1)
Profit before taxation		**192.7**	**212.8**
Taxation	6	(40.8)	(41.6)
Profit for the period		**151.9**	**171.2**
Earnings per Ordinary Share - basic	8	75.2p	84.5p
Earnings per Ordinary Share - diluted	8	75.0p	83.6p

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 1 July 2023

	Note	2023 52 weeks £'m	2022 53 weeks £'m
Profit for the period		151.9	171.2
Other comprehensive (expense)/income:			
Items that may be subsequently reclassified to profit or loss:			
Movement in fair value of cash flow hedges		(14.0)	32.4
Deferred tax on hedging movements		6.6	(5.3)
Other comprehensive (expense)/income for the period, net of tax		(7.4)	27.1
Total comprehensive income for the period		**144.5**	**198.3**

Consolidated Statement of Financial Position

As at 1 July 2023

	Note	1 July 2023 £'m	2 July 2022 £'m
Non–current assets			
Intangible assets	9	5.3	9.9
Property, plant and equipment	10	169.9	173.7
Right-of-use assets	11	231.3	248.5
Deferred tax assets		6.9	4.1
Derivative financial instruments		-	4.6
Total non-current assets		**413.4**	**440.8**
Current assets			
Inventories		211.0	223.0
Trade and other receivables		24.3	22.9
Current tax asset		-	1.1
Derivative financial instruments		1.8	19.9
Cash and cash equivalents		46.3	30.2
Total current assets		**283.4**	**297.1**
Total assets		**696.8**	**737.9**
Current liabilities			
Trade and other payables		(208.1)	(223.2)
Lease liabilities	11	(53.4)	(52.8)
Current tax liability		(0.2)	-
Derivative financial instruments		(7.9)	-
Total current liabilities		**(269.6)**	**(276.0)**
Non-current liabilities			
Bank loans	12	(75.9)	(52.8)
Lease liabilities	11	(204.8)	(225.3)
Provisions		(5.9)	(5.5)
Derivative financial instruments		(3.1)	-
Total non-current liabilities		**(289.7)**	**(283.6)**
Total liabilities		**(559.3)**	**(559.6)**
Net assets		**137.5**	**178.3**
Equity			
Issued share capital		2.0	2.0
Share premium account		1.7	1.7
Capital redemption reserve		43.2	43.2
Hedging reserve		(6.9)	20.2
Retained earnings		97.5	111.2
Total equity attributable to equity holders of the Parent		**137.5**	**178.3**

Karen Witts
Chief Financial Officer
20 September 2023

Consolidated Statement of Cash Flows
For the 52 weeks ended 1 July 2023

	Note	2023 52 weeks £'m	2022 53 weeks £'m
Cash flows from operating activities			
Profit before taxation		**192.7**	**212.8**
Net financial expense	5	6.1	4.9
Operating profit		**198.8**	**217.7**
Depreciation and amortisation of property, plant and equipment and intangible assets	3	29.8	30.5
Depreciation of right-of-use assets	3	49.3	48.6
Loss on disposal and impairment of property, plant and equipment and intangible assets	3	0.3	0.3
Gain on disposal and impairment of right-of-use assets	3	-	(0.1)
Share-based payments expense		4.8	4.8
Operating cash flows before movements in working capital		**283.0**	**301.8**
Decrease/(increase) in inventories		12.0	(40.3)
Increase in trade and other receivables		(1.6)	(7.7)
(Decrease)/increase in trade and other payables		(14.6)	33.2
Net movement in working capital		**(4.2)**	**(14.8)**
Tax paid		(38.2)	(35.2)
Net cash generated from operating activities		**240.6**	**251.8**
Cash flows from investing activities			
Acquisition of intangible assets		(0.4)	(0.7)
Acquisition of property, plant and equipment		(21.4)	(23.3)
Acquisition of business combination		-	(17.7)
Interest received		1.1	0.1
Net cash used in investing activities		**(20.7)**	**(41.6)**
Cash flows from financing activities			
Proceeds from issue of treasury shares and Ordinary Shares		2.4	3.9
Purchase of treasury shares		(7.0)	(28.3)
Drawdowns on Revolving Credit Facility		139.0	85.0
Repayments of Revolving Credit Facility		(116.0)	(31.0)
Interest paid and loan transaction costs		(2.2)	(2.2)
Interest paid on lease liabilities	11	(5.3)	(4.8)
Repayment of principal element of lease liabilities		(52.0)	(50.2)
Ordinary dividends paid	7	(163.3)	(282.1)
Net cash used in financing activities		**(204.4)**	**(309.7)**
Net increase/(decrease) in cash and cash equivalents		**15.5**	**(99.5)**
Foreign exchange revaluations	5	0.6	1.1
Cash and cash equivalents at the beginning of the period		30.2	128.6
Cash and cash equivalents at the end of the period		**46.3**	**30.2**

Consolidated Statement of Changes in Equity

For the 52 weeks ended 1 July 2023

	Note	Issued share capital £'m	Share premium account £'m	Capital redemption reserve £'m	Hedging reserve £'m	Retained earnings £'m	Total equity attributable to equity holders of the Parent £'m
As at 27 June 2021		**2.0**	**1.6**	**43.2**	**(4.3)**	**238.7**	**281.2**
Profit for the period		-	-	-	-	171.2	171.2
Movement in fair value of cash flow hedges		-	-	-	32.4	-	32.4
Deferred tax on hedging movements		-	-	-	(5.3)	-	(5.3)
Total comprehensive income for the period		-	-	-	27.1	171.2	198.3
Proceeds from issue of shares		-	0.1	-	-	-	0.1
Proceeds from issue of treasury shares		-	-	-	-	3.9	3.9
Purchase of treasury shares		-	-	-	-	(28.3)	(28.3)
Share-based payments		-	-	-	-	4.8	4.8
Deferred tax on share-based payments		-	-	-	-	0.8	0.8
Current tax on share options exercised		-	-	-	-	2.2	2.2
Movement on cash flow hedges transferred to inventory		-	-	-	(2.6)	-	(2.6)
Ordinary dividends paid	7	-	-	-	-	(282.1)	(282.1)
Total transactions with owners, recorded directly in equity		-	0.1	-	(2.6)	(298.7)	(301.2)
As at 2 July 2022		**2.0**	**1.7**	**43.2**	**20.2**	**111.2**	**178.3**
Profit for the period		-	-	-	-	151.9	151.9
Movement in fair value of cash flow hedges		-	-	-	(14.0)	-	(14.0)
Deferred tax on hedging movements		-	-	-	6.6	-	6.6
Total comprehensive income for the period		-	-	-	(7.4)	151.9	144.5
Proceeds from issue of treasury shares		-	-	-	-	2.4	2.4
Purchase of treasury shares		-	-	-	-	(7.0)	(7.0)
Share-based payments		-	-	-	-	4.8	4.8
Deferred tax on share-based payments		-	-	-	-	(3.1)	(3.1)
Current tax on share options exercised		-	-	-	-	0.6	0.6
Movement on cash flow hedges transferred to inventory		-	-	-	(19.7)	-	(19.7)
Ordinary dividends paid	7	-	-	-	-	(163.3)	(163.3)
Total transactions with owners, recorded directly in equity		-	-	-	(19.7)	(165.6)	(185.3)
As at 1 July 2023		**2.0**	**1.7**	**43.2**	**(6.9)**	**97.5**	**137.5**

Accounting Policies

For the 52 weeks ended 1 July 2023

Basis of preparation

The financial statements presented cover a 52 week trading period for the financial period ended 1 July 2023 (2022: 53 week period ended 2 July 2022).

The annual report and financial statements for the period ended 1 July 2023 were approved by the Board of Directors on 20 September 2023 along with this preliminary announcement, but have not yet been delivered to the Registrar of Companies. The financial information contained in this preliminary announcement does not constitute the Group's statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The auditor's report on the statutory accounts for the period ended 1 July 2023 was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

The statutory accounts of Dunelm Group plc for the period ended 2 July 2022 have been delivered to the Registrar of Companies. The auditor's report on the statutory accounts for the period ended 2 July 2022 was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

1. Revenue

The Group has one reportable segment, in accordance with IFRS 8 'Operating Segments', which is the retail of homewares in the UK.

Customers access the Group's offer across multiple channels and their journey often involves more than one channel. Therefore, internal reporting focuses on the Group as a whole and does not identify individual segments.

The Chief Operating Decision-maker is the Executive Board of Directors of Dunelm Group plc. The Executive Board reviews internal management reports on a monthly basis and performance is assessed based on a number of financial and non-financial KPIs as well as on profit before taxation.

Management believes that these measures are the most relevant in evaluating the performance of the Group and for making resource allocation decisions.

All material operations of the Group are carried out in the UK. The Group's revenue is driven by the consolidation of individual small value transactions and as a result, Group revenue is not reliant on a major customer or group of customers.

At the year end the Group had £13.8m (2022: £12.2m) of sales orders placed that will be recognised in the Consolidated Income Statement when the goods are despatched in the following financial year.

2. Operating costs

	2023 52 weeks £'m	2022 53 weeks £'m
Selling and distribution costs	489.7	469.4
Administrative expenses	132.4	122.3
	622.1	591.7

3. Operating profit

Operating profit is stated after charging / (crediting) the following items:

	2023 52 weeks £'m	2022 53 weeks £'m
Cost of inventories included in cost of sales	803.4	765.3
Amortisation of intangible assets	4.6	6.2
Depreciation of owned property, plant and equipment	25.2	24.3
Depreciation of right-of-use assets	49.3	48.6
Loss on disposal and impairment of property, plant and equipment and intangible assets	0.3	0.3
Gain on disposal and impairment of right-of-use assets	-	(0.1)
Expense related to short-term leases	1.6	0.6

The cost of inventories included in cost of sales includes the impact of a net decrease in the provision for obsolete inventory of £0.8m (2022: £4.2m increase) of which £0.7m decrease relates to Sunflex which was acquired in May 2022 (2022: £2.6m increase).

The analysis of the auditor’s remuneration is as follows:

	2023 52 weeks £'000	2022 53 weeks £'000
Fees payable to the Group’s auditor for the audit of the Parent and consolidated annual financial statements	34	46
Fees payable to the Group’s auditor and its associates for other services to the Group		
- Audit of the Company’s subsidiaries pursuant to legislation	293	256
- Other assurance services	46	42

4. Employee numbers and costs

The average monthly number of people employed by the Group (including Directors) was:

	2023 52 weeks Number of heads	2023 52 weeks Full time equivalents	2022 53 weeks Number of heads	2022 53 weeks Full time equivalents
Selling	9,446	5,252	9,544	5,437
Distribution	1,057	1,026	963	930
Administration	1,099	1,082	925	906
	11,602	7,360	11,432	7,273

The aggregate remuneration of all employees (including Directors) comprises:

	2023 52 weeks £'m	2022 53 weeks £'m
Wages and salaries (including termination benefits)	224.8	211.1
Social security costs	16.1	14.4
Share-based payment expense	4.8	4.8
Pension costs - defined contribution plans	6.2	5.2
	251.9	235.5

5. Financial income and expenses

	2023 52 weeks £'m	2022 53 weeks £'m
Financial income		
Interest on bank deposits	1.1	0.1
Net foreign exchange gains	0.6	1.1
	1.7	1.2
Financial expenses		
Interest on bank borrowings	(2.2)	(0.9)
Amortisation of issue costs of bank loans	(0.3)	(0.4)
Interest on lease liabilities	(5.3)	(4.8)
	(7.8)	(6.1)
Net financial expense	(6.1)	(4.9)

6. Taxation

	2023 52 weeks £'m	2022 53 weeks £'m
Current taxation		
UK corporation tax charge for the period	40.0	39.0
Adjustments in respect of prior periods	0.1	(0.2)
	40.1	38.8
Deferred taxation		
Origination of temporary differences	0.7	3.0
Adjustments in respect of prior periods	0.1	(0.2)
Impact of change in tax rate	(0.1)	-
	0.7	2.8
Total tax expense	40.8	41.6

The tax expense is reconciled with the standard rate of UK corporation tax as follows:

	2023 52 weeks £'m	2022 53 weeks £'m
Profit before taxation	192.7	212.8
UK corporation tax at standard rate of 20.5% (2022: 19.0%)	39.5	40.4
Factors affecting the charge in the period:		
Non-deductible expenses	1.2	1.6
Adjustments in respect of prior periods	0.2	(0.4)
Impact of change in tax rate	(0.1)	-
Tax expense	40.8	41.6

The taxation expense for the period as a percentage of profit before tax is 21.2% (2022: 19.5%).

The UK Government substantively enacted an increase in the corporation tax rate to 25.0% effective from 1 April 2023. The deferred tax asset as at 1 July 2023 has been calculated based on the rate of 25.0%.

7. Dividends

The dividends set out in the table below relate to the 1 pence Ordinary Shares:

		2023 52 weeks £'m	2022 53 weeks £'m
Special dividend for the period ended 26 June 2021	- paid 65.0 pence	-	131.9
Final dividend for the period ended 26 June 2021	- paid 23.0 pence	-	46.8
Interim dividend for the period ended 2 July 2022	- paid 14.0 pence	-	28.3
Special dividend for the period ended 2 July 2022	- paid 37.0 pence	-	75.1
Final dividend for the period ended 2 July 2022	- paid 26.0 pence	52.4	-
Interim dividend for the period ended 1 July 2023	- paid 15.0 pence	30.2	-
Special dividend for the period ended 1 July 2023	- paid 40.0 pence	80.7	-
		163.3	282.1

The Board is proposing a final dividend of 27 pence per Ordinary Share for the period ended 1 July 2023 which equates to £54.5m. Subject to shareholder approval at the AGM this will be paid on 20 November 2023 to shareholders on the register at the close of business on 27 October 2023.

8. Earnings per Ordinary Share

Basic earnings per share is calculated by dividing the profit for the period attributable to equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period, excluding Ordinary Shares purchased by the Company and held as treasury shares.

For diluted earnings per share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all dilutive potential Ordinary Shares. These represent share options granted to employees where the exercise price is less than the average market price of the Group's Ordinary Shares during the period.

Weighted average numbers of shares:

	2023 52 weeks '000	2022 53 weeks '000
Weighted average number of shares in issue during the period	201,917	202,722
Impact of share options	746	2,135
Number of shares for diluted earnings per share	202,663	204,857

	2023 52 weeks £'m	2022 53 weeks £'m
Profit for the period	151.9	171.2
Earnings per Ordinary Share - basic	75.2p	84.5p
Earnings per Ordinary Share - diluted	75.0p	83.6p

9. Intangible assets

	Software development and licences £'m	Rights to brands and customer lists £'m	Total £'m
Cost			
At 27 June 2021	52.0	11.0	63.0
Additions	0.9	-	0.9
Acquisition through business combination	-	0.5	0.5
Disposals	(0.3)	-	(0.3)
At 2 **July 2022**	**52.6**	**11.5**	**64.1**
Additions	0.1	-	0.1
Disposals	(0.7)	-	(0.7)
At 1 July 2023	**52.0**	**11.5**	**63.5**
Accumulated amortisation			
At 27 June 2021	37.2	11.0	48.2
Charge for the financial period	6.2	-	6.2
Disposals	(0.2)	-	(0.2)
At 2 July 2022	**43.2**	**11.0**	**54.2**
Charge for the financial period	4.5	0.1	4.6
Disposals	(0.6)	-	(0.6)
At 1 July 2023	**47.1**	**11.1**	**58.2**
Net book value			
At 27 June 2021	14.8	-	14.8
At 2 July 2022	**9.4**	**0.5**	**9.9**
At 1 July 2023	**4.9**	**0.4**	**5.3**

All amortisation is included within operating costs in the Consolidated Income Statement.

There was no trigger for impairment in the period.

Within software development and licences there were no additions (2022: nil) related to internally generated assets.

10. Property, plant and equipment

	Freehold land and buildings	Leasehold improvements	Fixtures, fittings and equipment	Total
	£'m	£'m	£'m	£'m
Cost				
At 27 June 2021	97.7	157.7	124.2	379.6
Transfer	-	1.2	(1.2)	-
Additions	0.1	13.3	12.6	26.0
Acquisition through business combination	9.2	0.1	0.3	9.6
Disposals	-	(8.3)	(3.7)	(12.0)
At 2 July 2022	**107.0**	**164.0**	**132.2**	**403.2**
Transfer	-	0.2	(0.2)	-
Additions	-	10.2	11.4	21.6
Disposals	-	(7.2)	(3.1)	(10.3)
At 1 July 2023	**107.0**	**167.2**	**140.3**	**414.5**
Accumulated depreciation				
At 27 June 2021	18.1	91.9	107.0	217.0
Transfer	-	(0.5)	0.5	-
Charge for the financial period	1.8	14.4	8.1	24.3
Disposals	-	(8.1)	(3.7)	(11.8)
At 2 July 2022	**19.9**	**97.7**	**111.9**	**229.5**
Transfer	0.1	0.1	(0.2)	-
Charge for the financial period	1.8	14.3	9.1	25.2
Disposals	-	(7.0)	(3.1)	(10.1)
At 1 July 2023	**21.8**	**105.1**	**117.7**	**244.6**
Net book value				
At 27 June 2021	79.6	65.8	17.2	162.6
At 2 July 2022	87.1	66.3	20.3	173.7
At 1 July 2023	**85.2**	**62.1**	**22.6**	**169.9**

All depreciation charges have been included within operating costs in the Consolidated Income Statement.

There was no trigger for impairment in the period.

11. Leases

Right-of-use assets included in the Consolidated Statement of Financial Position at 1 July 2023 were as follows:

	2023 Land and buildings £'m	2023 Motor vehicles, plant and equipment £'m	2023 Total £'m	2022 Total £'m
At the beginning of the period	240.4	8.1	248.5	262.0
Additions	20.3	12.0	32.3	35.3
Disposals	(0.1)	(0.1)	(0.2)	(0.2)
Depreciation	(45.1)	(4.2)	(49.3)	(48.6)
At the end of the period	**215.5**	**15.8**	**231.3**	**248.5**

Right-of-use additions did not include any lease modifications in the period (2022: £3.1m).

Lease liabilities included in the Consolidated Statement of Financial Position at 1 July 2023 were as follows:

	2023 Land and buildings £'m	2023 Motor vehicles, plant and equipment £'m	2023 Total £'m	2022 Total £'m
At the beginning of the period	(270.1)	(8.0)	(278.1)	(293.3)
Additions	(21.2)	(12.0)	(33.2)	(35.9)
Disposals	0.1	0.1	0.2	0.1
Interest	(4.9)	(0.4)	(5.3)	(4.8)
Repayment of lease liabilities	53.6	4.6	58.2	55.8
At the end of the period	**(242.5)**	**(15.7)**	**(258.2)**	**(278.1)**

The discount rate applied across all lease liabilities ranged between 0.9% and 5.85% (2022: 0.9% and 2.8%). The discount rate reflects our incremental borrowing rate which we assess by considering the marginal rate on the Group's Revolving Credit Facility ('RCF'), the Bank of England base rate, the yield on Government bonds and the term of the lease.

The maturity analysis of the lease liabilities is as follows:

	2023 £'m	2022 £'m
Current	(53.4)	(52.8)
Non-current	(204.8)	(225.3)
	(258.2)	**(278.1)**

The remaining contractual maturities of the lease liabilities, which are gross and undiscounted, are as follows:

	2023 £'m	2022 £'m
Less than one year	(65.8)	(57.1)
One to two years	(61.4)	(53.2)
Two to five years	(123.0)	(111.9)
Five to ten years	(78.9)	(68.3)
More than ten years	(3.7)	(5.0)
Total undiscounted lease liability	**(332.8)**	**(295.5)**

The average remaining lease term of our leasehold land and buildings is 5.0 years (2022: 5.2 years).

The following amounts have been recognised in the Consolidated Income Statement:

	2023 52 weeks	2023 52 weeks	2023 52 weeks	2022 53 weeks
	Land and buildings £'m	Motor vehicles, plant and equipment £'m	Total £'m	Total £'m
Depreciation of right-of-use assets	45.1	4.2	49.3	48.6
Gain on disposal of right-of-use assets	-	-	-	(0.1)
Interest expenses (included in financial expenses)	4.9	0.4	5.3	4.8
Expense relating to short-term leases	0.4	1.2	1.6	0.6

There was no trigger for impairment in the current year.

The total cash outflow for leases during the financial period was £57.3m (2022: £55.0m).

12. Bank loans

	2023 £'m	2022 £'m
Total borrowings	77.0	54.0
Less: unamortised debt issue costs	(1.1)	(1.2)
Net borrowings	75.9	52.8