

Simply value for money



PRELIMINARY RESULTS

52 weeks to 03 July 2010

David Stead

A decorative green wavy line that spans across the width of the text below it, starting with a slight dip on the left and ending with a slight rise on the right.

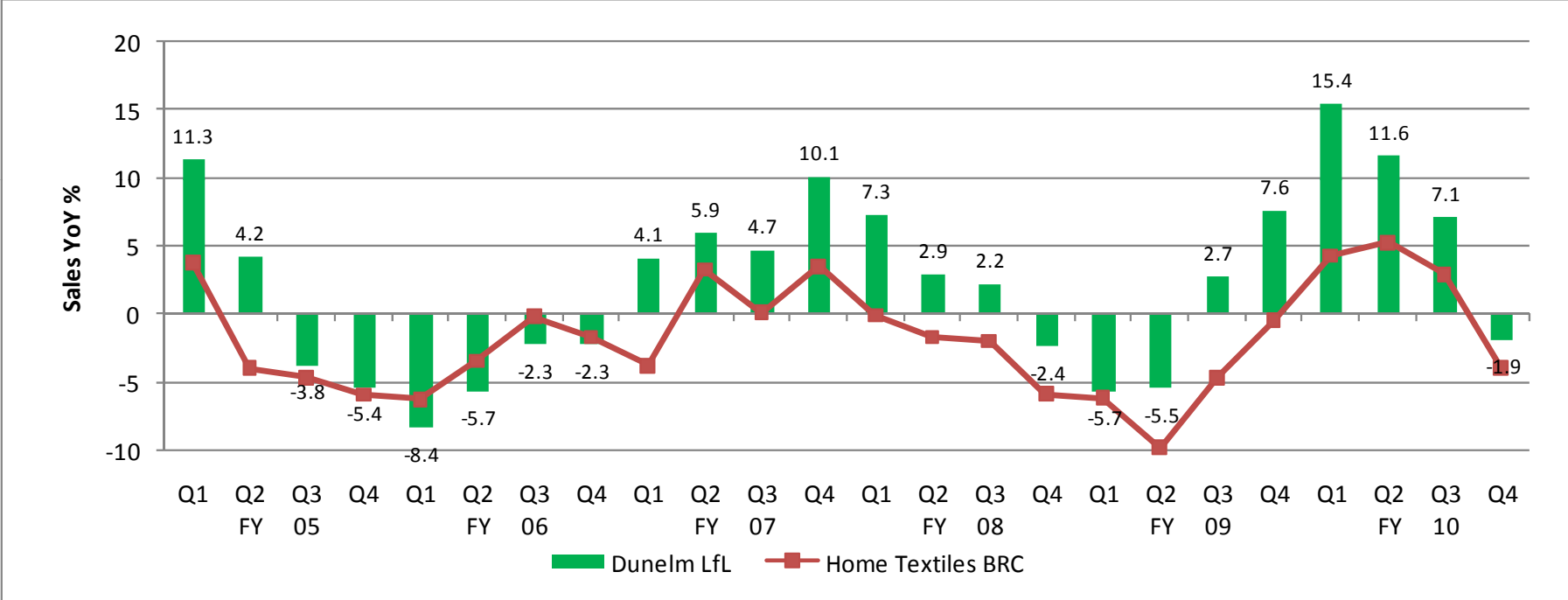
Finance Director

Financial highlights FY10

	FY10 (52 wks)	FY09* (52 wks)	Year on year change
Sales	£492.8m	£417.0m	+18.2%
LFL Sales growth	+8.0%	-0.5%	
Gross margin	46.8%	44.9%	+190bps
Operating profit	£75.5m	£51.6m	+46.3%
Profit before tax	£76.8m	£52.5m	+46.3%
EPS (fully diluted)	26.9p	18.3p	+47.0%

*FY09 figures are based on 52 weeks (statutory reporting period was 53 weeks)

Like-for-like sales trend



FY10 Q2/3 figures adjusted for calendar effect

Margin analysis

	FY10 (52 wks)	FY09 (53 wks)
Gross margin	46.8%	44.9%
Staff costs	(13.8%)	(13.4%)
Property rents	(4.6%)	(5.1%)
Depreciation / amortisation	(2.3%)	(2.5%)
Other costs	(10.8%)	(11.5%)
Operating margin	15.3%	12.4%

Cost base – key drivers

	FY10	Outlook
Gross Margin	<ul style="list-style-type: none"> • Improved clearance 	<ul style="list-style-type: none"> • Further stock management opportunities • Increases in raw materials & freight • Currency • VAT change
Staff Costs	<ul style="list-style-type: none"> • Agency staff brought in-house 	<ul style="list-style-type: none"> • Wage inflation • Investment in services
Rents	<ul style="list-style-type: none"> • Low increases 	<ul style="list-style-type: none"> • No major upward pressure
Depreciation	<ul style="list-style-type: none"> • IT investments fully amortised • New stores/refits 	<ul style="list-style-type: none"> • New stores/refits
Other	<ul style="list-style-type: none"> • Increased marketing • Fixed cost leverage 	<ul style="list-style-type: none"> • Continuing investment

Profit after tax

(£m)	FY10 (52 wks)	FY09 (53 wks)	
Operating Profit	75.5	52.6	+43.5%
Financial Items			
- Interest receivable	0.6	0.5	
- Loan and other interest payable	(0.1)	(0.6)	
- Foreign exchange gain	0.8	1.0	
Profit Before Tax	76.8	53.5	+43.5%
Tax	(22.4)	(15.9)	Effective rate 29.2% in FY10
Profit After Tax	54.4	37.6	+44.5%
EPS (fully diluted)	26.9p	18.6p	+44.6%
Dividend	8.0p	6.0p	Dividend cover 3.4x
Return of Capital	43.2		

Working capital movement

(£m)		Key Drivers
Inventory increase	(4.7)	8% reduction in LFL stores
Debtors decrease	0.3	
Creditors increase	6.1	Increase in deferred rent creditor
Overall reduction	1.7	

Operating cash generation

(£m)	FY10 (52 wks)	FY09 (53 wks)
Operating Profit	75.5	52.6
Depreciation and amortisation	11.4	10.6
Other non-cash movements	1.8	0.9
Working capital movement	1.7	14.8
Net interest received/(paid)	0.5	(0.3)
Tax paid	(18.9)	(11.2)
Net cash from operations	72.0	67.4
Cash conversion*	120%	150%

*Cash conversion is defined as net cash from operations before interest and tax as a percentage of operating profit

Capital investment

(£m)	FY10 (52 wks)	FY09 (53 wks)
Freehold store acquisitions	2.0	6.9
New store fit-outs	10.9	8.5
Refits and other store investments	7.0	3.8
Total store investment	19.9	19.2
Stoke warehouse fit-out	1.0	-
New Head Office	2.1	-
IT investment (including Web)	1.2	1.6
Dorma brand acquisition	-	5.0
Other	0.4	0.1
Total	24.6	25.9

Capex – FY11 Key drivers

- New stores – average fit out cost £1.2m
- Major refits – average investment £0.7m
- Stoke warehouse fit out – further £1.0m
- New Head Office £10.0m (over FY11 and FY12 combined)
- Freehold opportunities

Net cash generation

(£m)	FY10 (52 wks)	FY09 (53 wks)
Net cash from operations	72.0	67.4
Capital expenditure	(24.6)	(25.9)
Dividends paid	(14.0)	(11.0)
Return of capital	(43.2)	-
Other	1.2	0.7
Change in net cash	(8.6)	31.2
Year end net cash	15.4	24.0
Daily average net cash	18.2*	12.2

Revolving loan facility of £40m in place until September 2011

*FY10 average net cash is for Q4 only (following the return of capital)

Will Adderley

Chief Executive

Our growth strategy

Open more superstores

Further develop specialist position

Grow Dunelm Direct

Develop and exploit infrastructure

More superstores

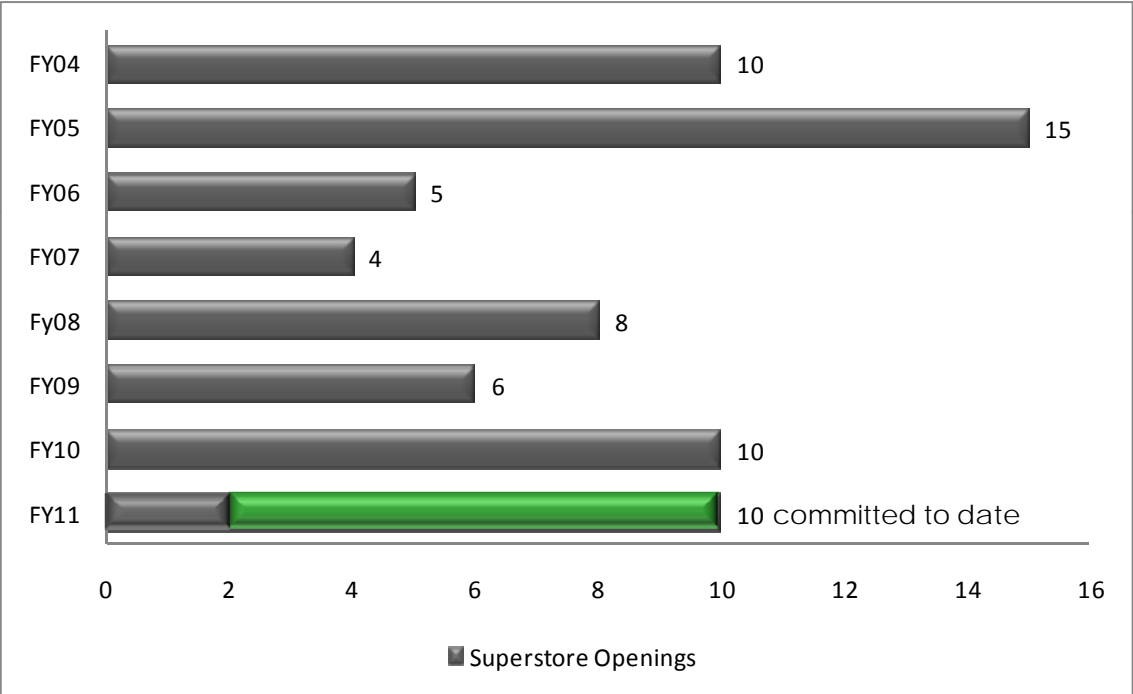
- 10 new superstores opened in FY10
 - strong trading in all stores

	Superstores	High Streets
Start of FY10	82	12
Openings	10	-
Reclassified	2	(2)
End of FY10	94	10



- Milton Keynes, Torquay opened since year end
- 5 further openings anticipated by December 2010 (plus one relocation)
- 3 more stores legally committed for H2

Portfolio progression



Medium term target
150-200
superstores

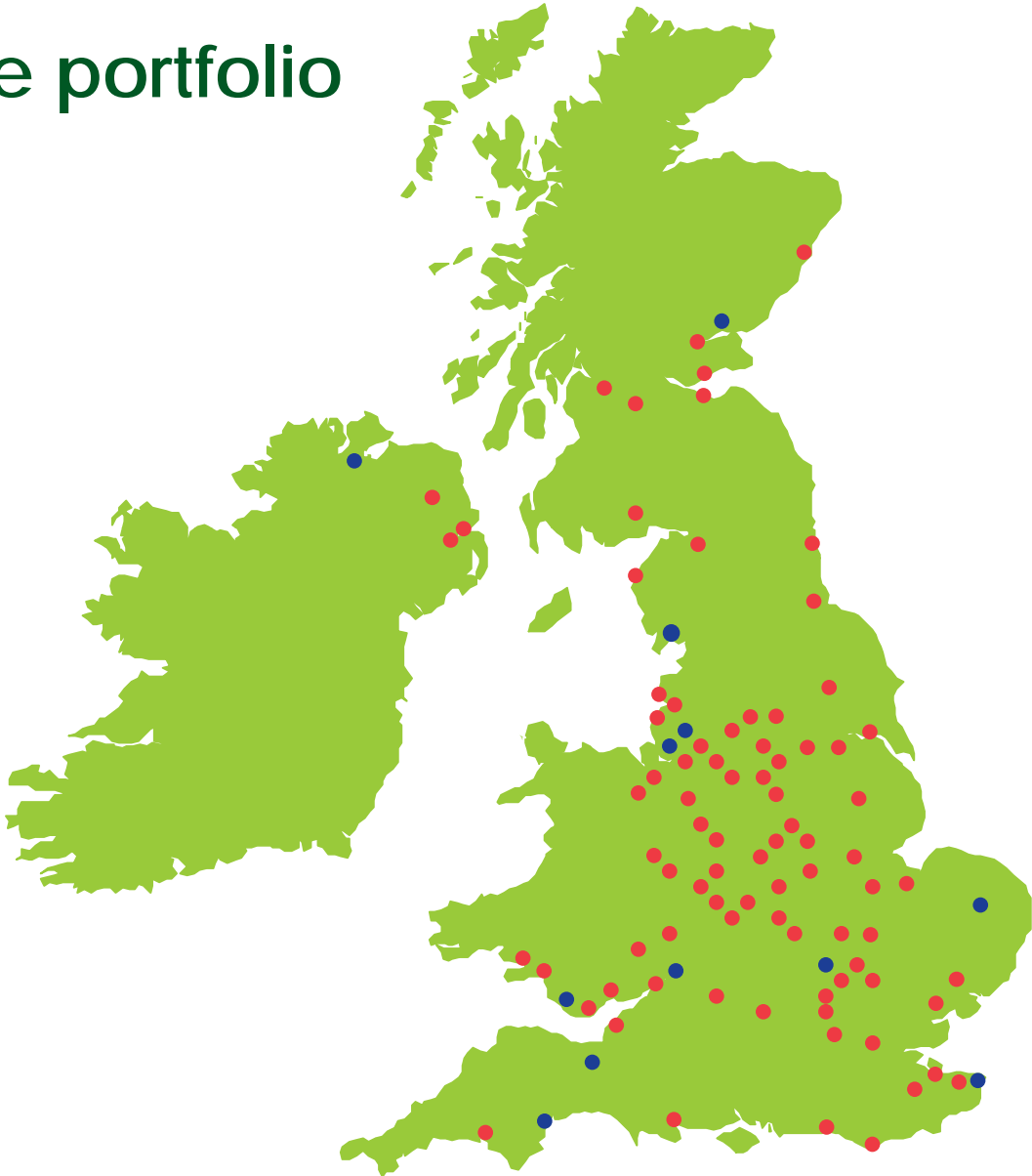
New store economics

Investment	
Fit-out	£1.2m
Working capital	£0.5m
Pre-opening costs	£0.2m
	£1.9m

DCF payback
26 months
on average on last
30 openings

Payback performance is particularly strong for more recent openings
Payback profile is similar throughout the UK

Superstore portfolio



- Superstore locations as at 4 July 2009
- Openings since 4 July 2009

Specialist position – offer development

- Dorma
- Window treatments
- Dunelm At Home
- Furniture
- Kitchen
- Miss It Miss Out



Simply Value...
...for money



Dedicated Dorma centres in 32 stores
Brand extensions: Bathroom, Gifts, Tableware



New window treatments format in 26 stores
Integrated offer, increased space efficiency

FREE 
HOME CONSULTATION
 Choose Custom Made curtains, blinds & accessories in the comfort of your own home.



Not sure what curtains or blinds are right for your home?
 Book a free appointment with one of our trained consultants

FREE
HOME CONSULTATION
 Choose Custom Made curtains,
 blinds & accessories in the comfort
 of your own home.



To book and find out more:
0800 093 0928
 or ask a member of staff for details.



Free in home consultation service
 Available from 30 stores



Full range review completed
Extended offer in larger stores

New kitchen concept



Implemented in 18 stores









New execution for discontinuations
Creates added colour and interest in store

Specialist position – offer development

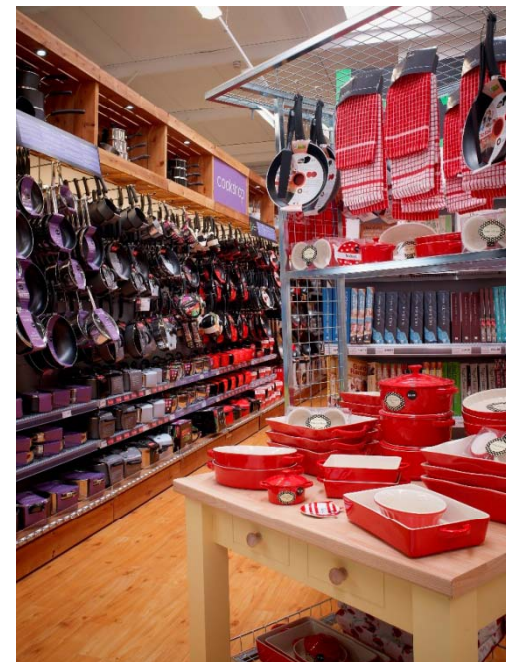
- Dorma
- Window treatments
- Dunelm At Home
- Furniture
- Kitchen
- Miss It Miss Out



Simply Value...
...for money

Specialist position – store refits

- 9 major refits completed in FY10
- Average 4% increase in selling space
- Step-change in internal and external appearance
- Approximate total cost £0.8m per store
- Sales uplifts approximately 10%
- Continuing investment in major refits and smaller “quick wins”



Dunelm Direct

- New platform live from September 2009
- 14,000 products featured
- Collect in store service
- Active marketing of site
- Rapid growth
- Continuing enhancements

Dunelm mill *Simply value for money* Sign In | My Account | Contact Us | Wish List

Call Us 0845 1 65 65 65 Store Locator Find your local store Basket and Checkout 0 item(s) £0.00 Search

New Dorma Arts and Crafts Bathroom Bedding Beds and Mattresses Blinds Curtains Cushions and Throws Duvets and Pillows Fabric and Sewing
Furniture Home Decor Kitchen Laundry Lighting Made to Measure Pictures and Mirrors Rugs and Doormats Storage Offers

FREE returns on all orders Order online and collect instore for FREE*

Collect Instore

Get the look

Collect In Store for Free!

This look just: £253.89

Delivery Options

Standard Delivery	£3.95
Next Day Delivery	£5.95
Order before 2pm Mon - Thurs	
Made to Measure	£5.95
Large Items*	£24.95

*See delivery page

Store Locator With over 100 stores in the UK find the store nearest to you **Torquay now open!**

Charity Partner New Charity Partner of the Year **Rays of Sunshine** children's charity

SHOP BY BRAND

DORMA fogarty brabantia morphy richards Russell Hobbs hotel Prestige

Develop and exploit our infrastructure

- **Continuing IT developments**
 - improving stock management
 - simplifying store operations
- **Warehouse expansion**
 - Stoke warehouse footprint doubled – now operational
- **New head office**
 - Land acquired near to existing HO, building under construction
 - Move anticipated in late summer 2011
 - Existing HO will be retained for ancillary uses
- **Management**
 - Further strengthening of Senior Management team





Current trading

- Challenging economic conditions, expected to continue
- Pleasing trading since year-end
- Q1 IMS on 6th October

Summary

- Strong performance in FY10
- Continuing development:
 - Offer
 - Infrastructure
- Further space growth assured
- **2010 has seen a step change in the Dunelm business**

Simply value for money



PRELIMINARY RESULTS

52 weeks to 03 July 2010

Appendices



Key facts

- Leading UK out-of-town specialist homewares retailer
- Philosophy of “Simply value for money”
- 106 stores*, of which 96 are OOT superstores
- Average superstore selling area of 29,000 sq ft
- Approximately 20,000 regular lines in a superstore – unrivalled choice
- Experienced management team, entrepreneurial culture

* As at September 2010

Two types of merchandise

Core ranges	Special buys
<ul style="list-style-type: none">• Extensive range of homewares• Depth and choice• Strong availability• Specialist knowledge	<ul style="list-style-type: none">• Frequently changing (“when it’s gone it’s gone”)• Powerful displays• Core homewares and other products• “Treasure-hunt” atmosphere
80% of sales	20% of sales



“Simply value for money”
<ul style="list-style-type: none">• Strength of price/quality equation at all levels
100% of sales



Balance sheet

(£m)	3 rd July 10	4 th July 09
Total non-current assets	107.8	94.7
Inventories	62.6	57.9
Receivables	10.5	10.7
Cash	15.4	24.0
Total assets	196.3	187.3
Current liabilities	(83.4)	(74.4)
Non-current liabilities	(0.2)	(0.1)
Net assets	112.7	112.8
Share capital	2.0	2.0
Share premium	0.6	0.3
Retained earnings and reserves	110.1	110.5
Total equity	112.7	112.8