# Winning HEARTS & HOMES

Dunelm

The **Home** of Homes

Winning HEARTS & HOMES

Dunelm

The **Home** of Homes

# A self-funded growth plan to deliver a bigger, better and bolder Dunelm

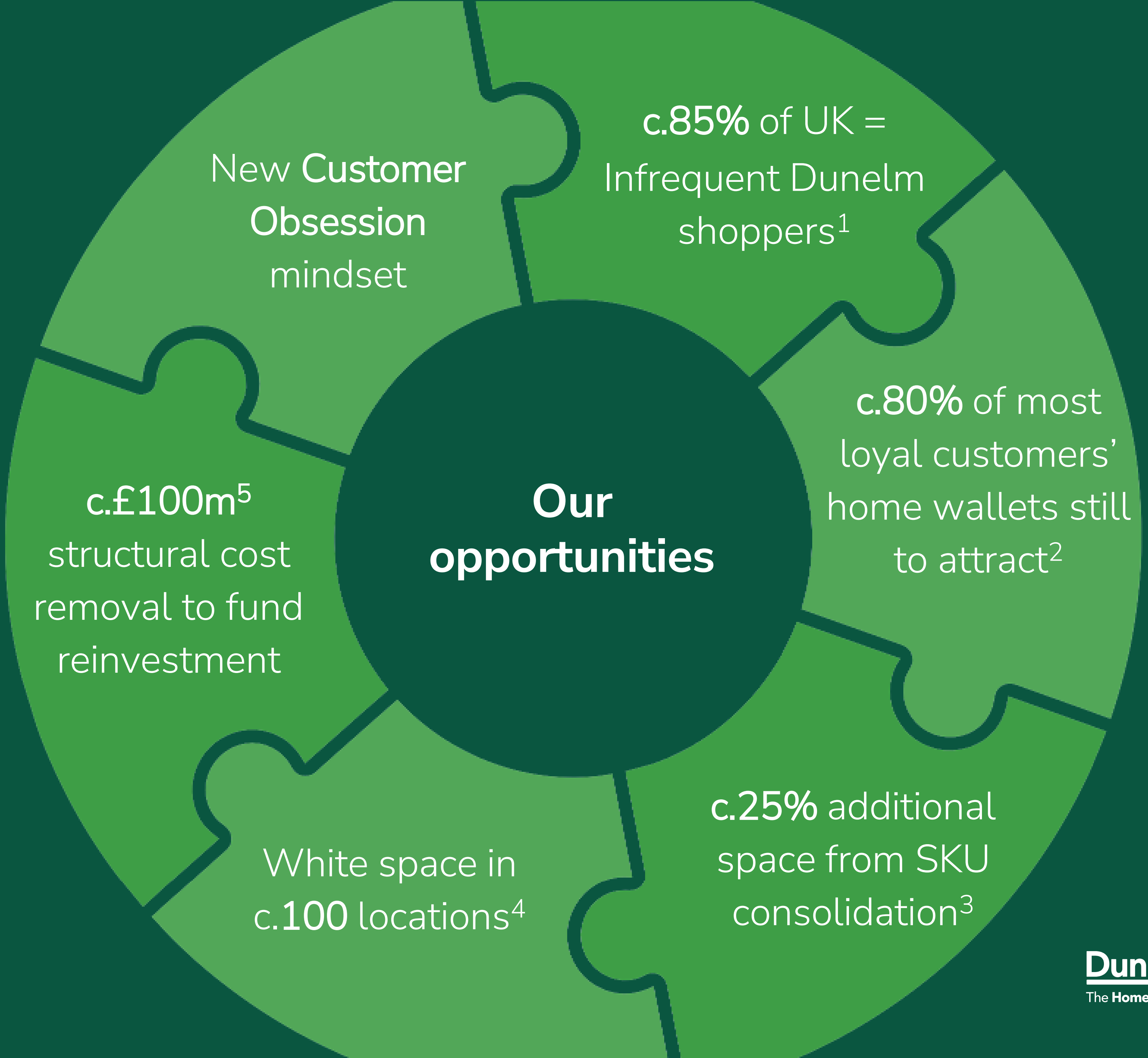
Clo Moriarty

Chief Executive Officer

# Our business has clear strengths...


The Home of Homes

# Our business has clear opportunities…




[1] Management estimates using Barclays UK data
[2] Management estimates using Barclays and Kantar UK data
[3] Management estimates using external benchmarking
[4] Management information using proximity to existing Dunelm and competitor locations
[5] Compared to FY26 base. Before growth in volume-related costs and inflation


Confidence to act now to capture the full potential

# A unique moment to **accelerate**

## Context

- Growth has moderated
- Competition intensifying
- Macroeconomic challenges

## Evolving consumer behaviour

- Digital shapes inspiration
- Data & AI open new possibilities
- Expectations keep evolving

## An opportunity to act with ambition

- Build on market leadership
- Strengths give us resilience
- Sharper customer understanding

Dunelm
The Home of Homes

To achieve our ambition, we need to secure a lasting place in the hearts and homes of our customers

Winning
HEARTS & HOMES

Dunelm
The Home of Homes

# Our ambition is **BIG**

**More** Reach

**More** Spend

**More** Missions

**More** Loyal Customers

**More** Productivity

# A self-funded plan to accelerate growth

Increased

**Customer loyalty and spend**

Repeat visits and share of wallet

A return to

**Mid-to-high single digit sales growth**

LFL stores growth and digital acceleration

Delivering

**Strong returns and cash generation**

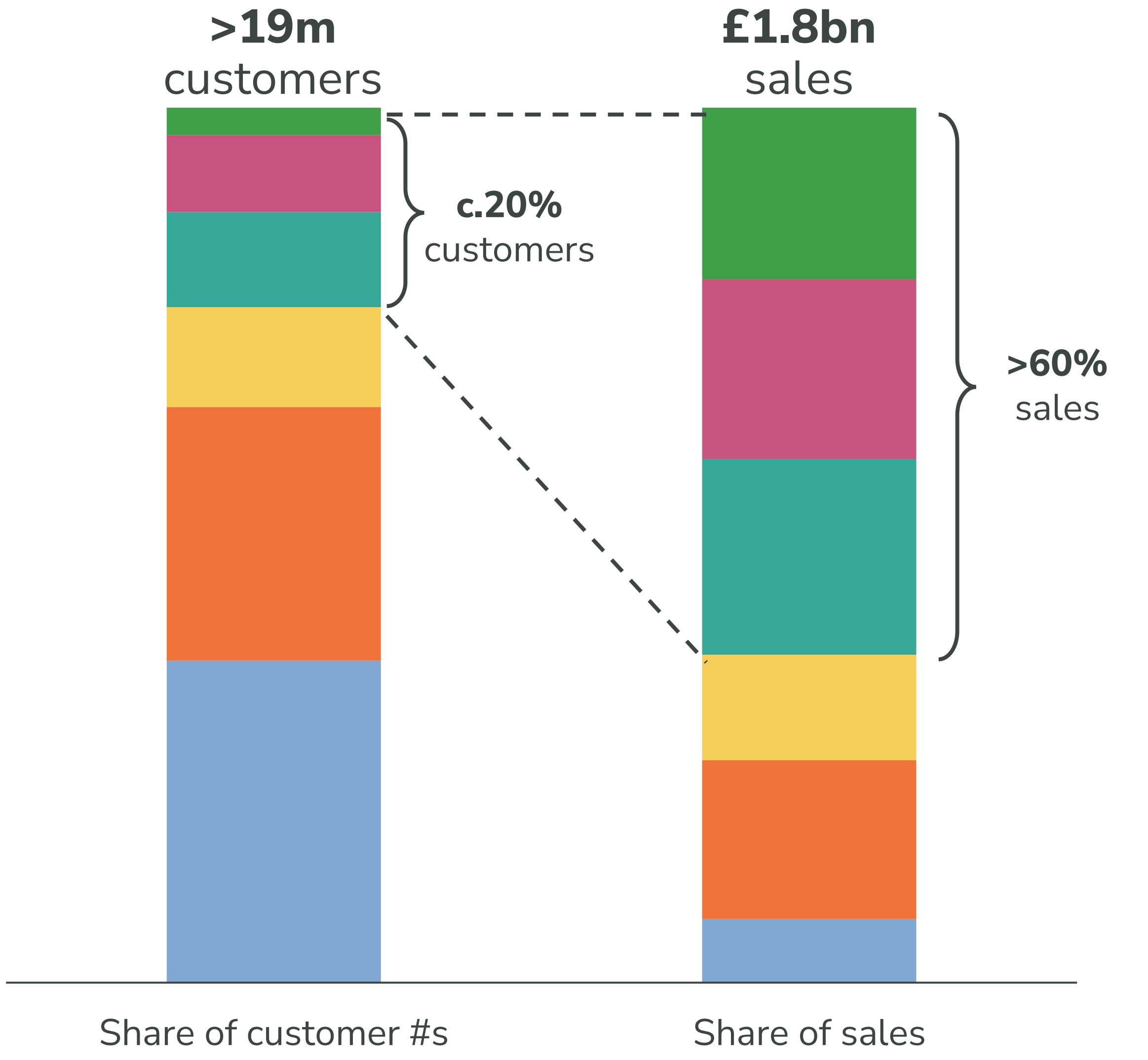
Adjusted PBT margin[1] c.11%
c.30% ROCE[2]

**Capturing the growth opportunity requires investment, funded by our cash generative model and structural cost savings**

[1] 52-week statutory PBT excluding adjusting items, expressed as a percentage of total sales
[2] Adjusted net operating profit after tax as a proportion of total assets excluding non-current liabilities and current lease liabilities

Dunelm
The Home of Homes

# Targeting customer value through insight[1]




**Dunelm devotees:** 8x annual shops; larger ticket items

**Big dippers:** 3x annual shops; curtains, sofas, furniture

**Little and often:** 9x annual shops; smaller missions

**Big debuts:** 1x annual shop; quilts & pillows, curtains, rugs

**Now and then:** 3x annual shops; bedding, cookshop, quilts and pillows

**One and done:** 1x annual shop; campaign-driven

Dunelm
The Home of Homes

[1] Management estimates using Barclays UK data

# ‘Winning Hearts & Homes’

**Become *the* homeware specialist** with something for everyone

**Deliver seamless omnichannel experiences** that customers love

**Transform our capabilities** to drive sustainable growth

## Customer Obsession

Dunelm
The **Home** of Homes

**Become *the* homeware specialist**
with something for everyone

1 **Ranging**
to win

2 **Building**
trust on affordability

3 **Maximising**
our product brands

Dunelm
The **Home** of Homes

Become *the* homeware specialist

# 1 **Ranging** to win

Category management discipline

Better use of store space

Rationalising range and SKUs


**c.25%[1] of space**

Can be repurposed for higher productivity categories and home missions

[1]Management estimates using external benchmarking

Become *the* homeware specialist

# 2 **Building** trust on affordability

Improving value perception

Clearer Good/Better/Best architecture

More focused trading calendar

**c.9ppts outperformance**
from early trials of new pricing architecture

Dunelm
The **Home** of Homes

Become *the* homeware specialist

# 3 **Maximising** our product brands

Strengthening the Dunelm brand

Simplifying product brand hierarchy

Leveraging selected third-party brands

**c.90% of sales**

opportunity for Dunelm owned brands over time

Dunelm

The **Home** of Homes

**Deliver seamless omnichannel experiences** that customers love

1. **Extending** our reach

2. **Optimising** our estate & platforms

3. **Creating** connected, engaging experiences

Dunelm
The **Home** of Homes


**c.100 new locations**[1]

identified in attractive locations

[1] Management information using proximity to existing Dunelm and competitor locations

Deliver seamless omnichannel experiences

# 1 **Extending** our reach

Up to 10 new stores per year

Maintaining discipline on returns

GEO and social commerce readiness


**c.25% stores**

planned for renewals in next two years; opportunity to raise standards

Deliver seamless omnichannel experiences

# 2 **Optimising** our estate & platforms

Improving our stores to drive LFL sales

Avoiding value leakage

Developing existing digital assets

Dunelm
The **Home** of Homes


**c.40% more spend**[1]

from customers shopping through the App vs ecommerce

[1] Sales since the full launch of our App in February 2026

Deliver seamless omnichannel experiences

## 3 **Creating** connected, engaging experiences

More shoppable ranges in stores

Inspiration-based shopping online

Connecting experiences via the App

Dunelm
The **Home** of Homes

**Transform our capabilities** to drive sustainable growth

1 **Focusing** our resources

2 **Optimising** process and productivity

3 **Advancing** our Tech

Dunelm
The **Home** of Homes

Transform our capabilities

# 1 **Focusing** our resources

Reducing organisational complexity

Transformation and change focus

Upweighting Data & Analytics

**c.8%[1]**

reduction in central headcount actioned in Q1

[1] Salaried colleagues across support functions and distribution

Dunelm
The Home of Homes

Transform our capabilities

# 2 **Optimising** process and productivity

Simplifying end-to-end processes

Driving store and Supply Chain productivity

Harnessing technology e.g. RFID

**c.£100m[1]**

removal of unproductive costs by FY29; fully reinvested in growth initiatives

[1] Compared to FY26 base. Before growth in volume-related costs and inflation

Dunelm
The **Home** of Homes

Transform our capabilities

# 3 **Advancing** our Tech

Investing in core systems

Simplifying our architecture

Leveraging strategic partnerships


**30%**

reduction in lead times from new fitter platform in Made-to-Measure

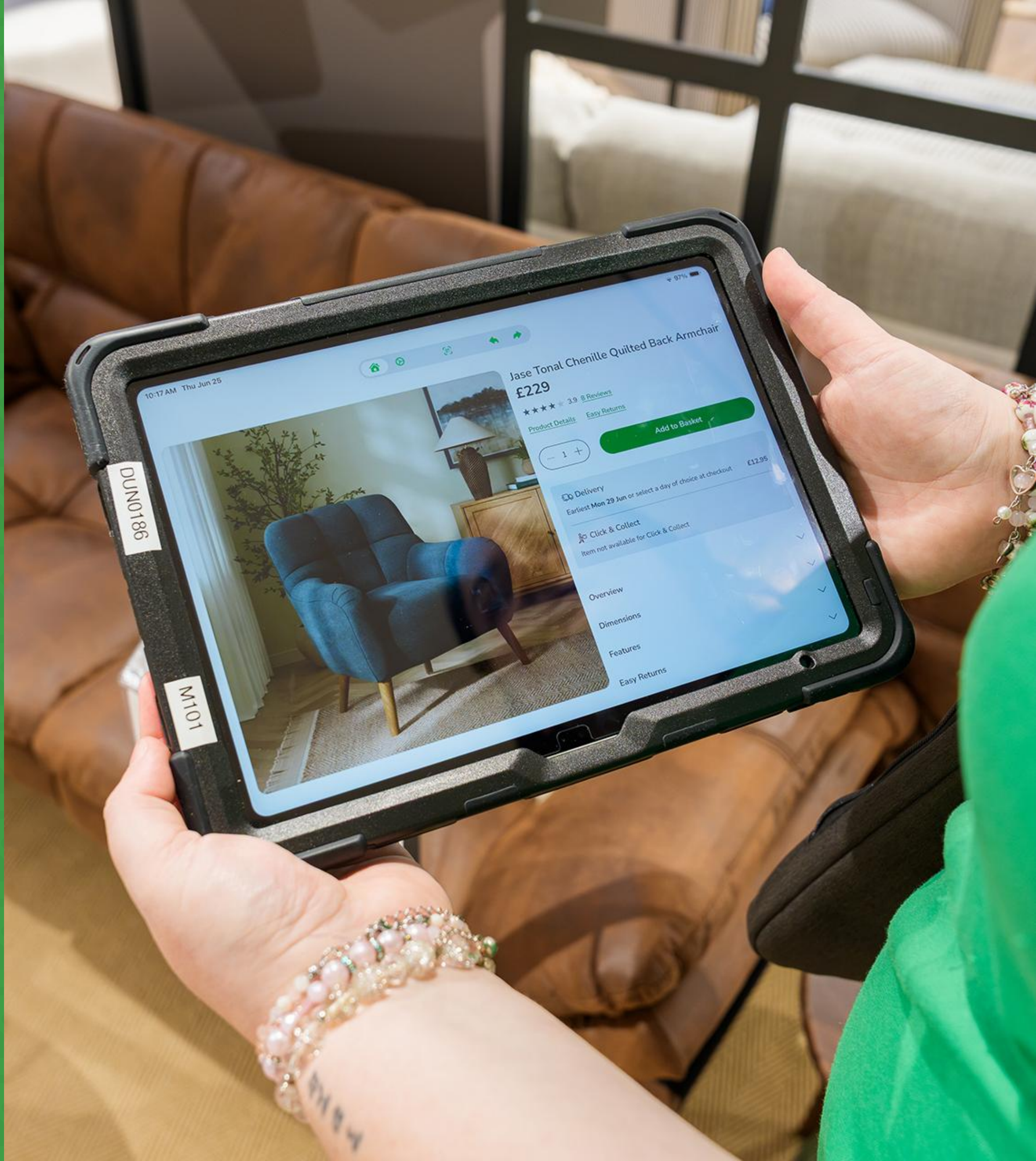
Dunelm
The **Home** of Homes

Dunelm

The Home of Homes

# Phasing our plan: year one

Winning HEARTS & HOMES



# In year one...
# Groundwork

**Personalisation & Loyalty Journey**

**Key Tech Enablers & App Enhancements**

**Distribution Automation Opportunities**

**Leadership & Workforce Development**

Dunelm
The **Home** of Homes

# In year one...
## Pilots

**Home Spaces Inspiration**

**Further New Store Format Development**

**Affordability Tracking Tools**

**Social Commerce & GEO Development**

Dunelm
The Home of Homes

# In year one...
# Deliverables

**Customer Targeting & Optimised Digital Experience**

**Up to 10 new stores and up to 30 renewals**

**Improved Supply Chain Resilience**

**Productivity and Process Improvements**

# A self-funded plan to accelerate growth

Increased

**Customer loyalty and spend**

Repeat visits and share of wallet

A return to

**Mid-to-high single digit sales growth**

LFL stores growth and digital acceleration

Delivering

**Strong returns and cash generation**

Adjusted PBT margin[1] c.11%
c.30% ROCE[2]

**Capturing the growth opportunity requires investment, funded by our cash generative model and structural cost savings**

[1] 52-week statutory PBT excluding adjusting items, expressed as a percentage of total sales
[2] Adjusted net operating profit after tax as a proportion of total assets excluding non-current liabilities and current lease liabilities

Winning HEARTS & HOMES

Dunelm

The **Home** of Homes

# Financial Plan

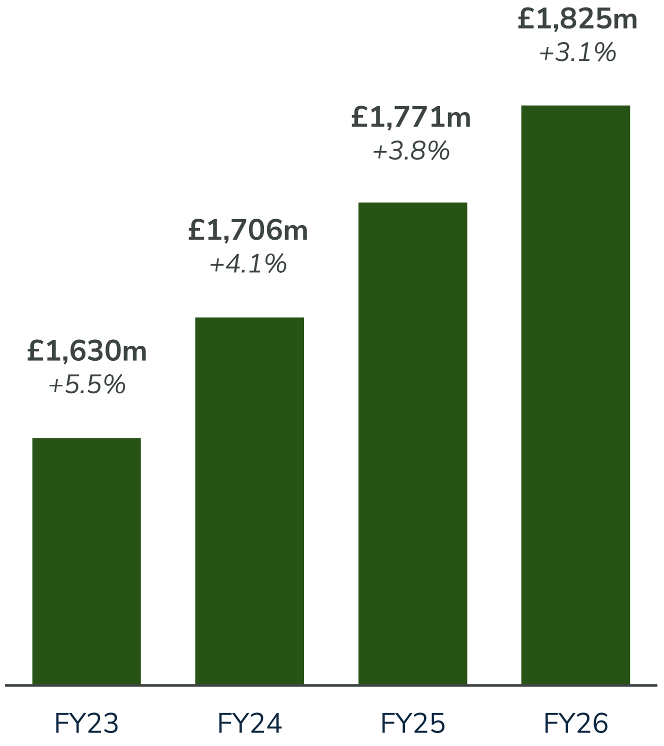
Karen Witts

Chief Financial Officer

# Strong fundamentals continuing to drive growth, but at a slowing rate

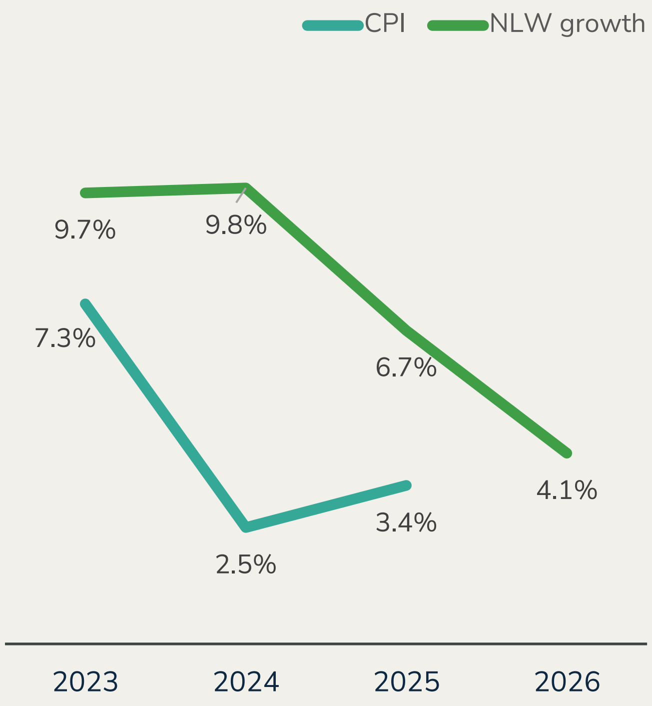
## Total sales growing at low / mid single digits

*Total sales (£m), Total sales YoY (%)*




## Ongoing inflationary pressures, particularly in labour costs[1]

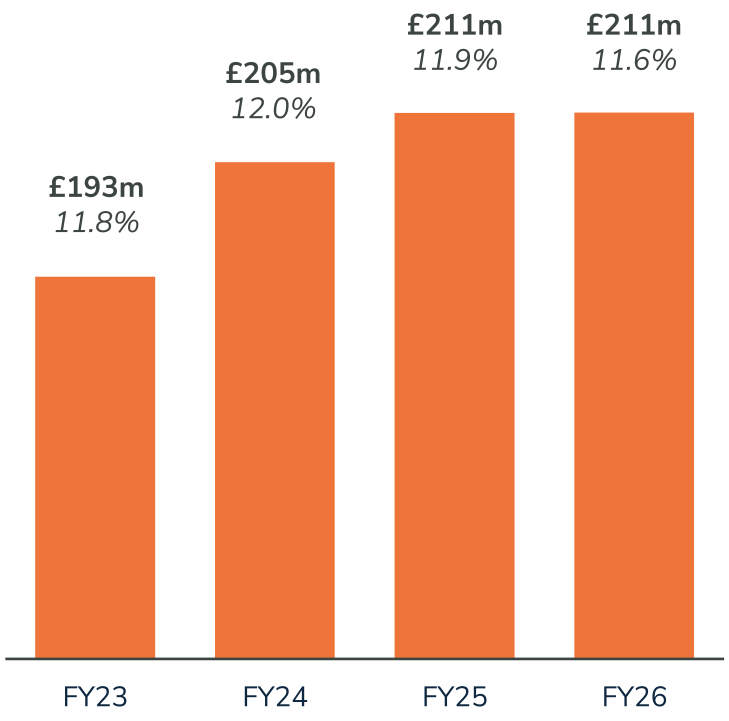
*CPI (%), YoY NLW (%)*




[1] Office for National Statistics

## Operating leverage offset by inflation and net investment

*PBT (£m), PBT margin (%)*

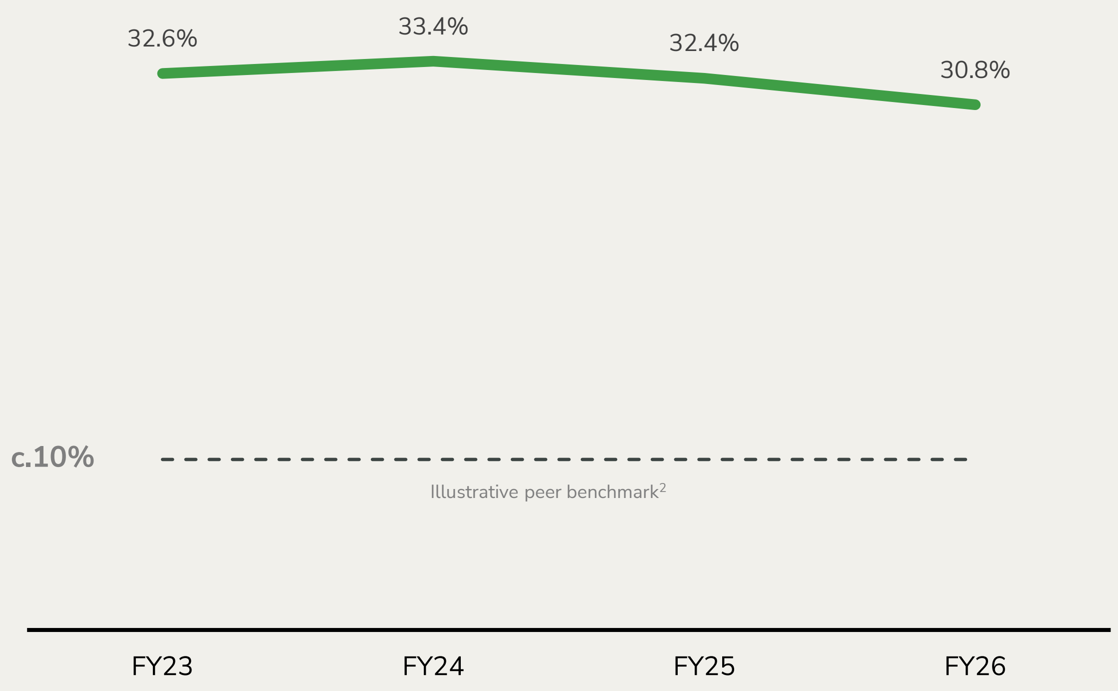



Dunelm
The Home of Homes

# Consistently strong returns on capital

## Return On Capital Employed (ROCE)

*%, FY23-FY26*




**Despite limited operating leverage in recent years, ROCE[1] has remained consistently strong:**

- PBT margin 11 - 12%; disciplined approach to investment returns
- Relatively capex-light leading to strong cash generation
- Efficient balance sheet with distribution of surplus cash; £1.7bn[3] returned over the last 20 years

**ROCE[1] of c.30% well above peer comparisons[2] of c.10%**

[1] Adjusted net operating profit after tax as a proportion of total assets excluding non-current liabilities and current lease liabilities
[2] Subset of comparable retailers for their most recent financial reporting period
[3] Ordinary dividends plus special distributions

# 3-year plan to build a bigger, better and bolder Dunelm

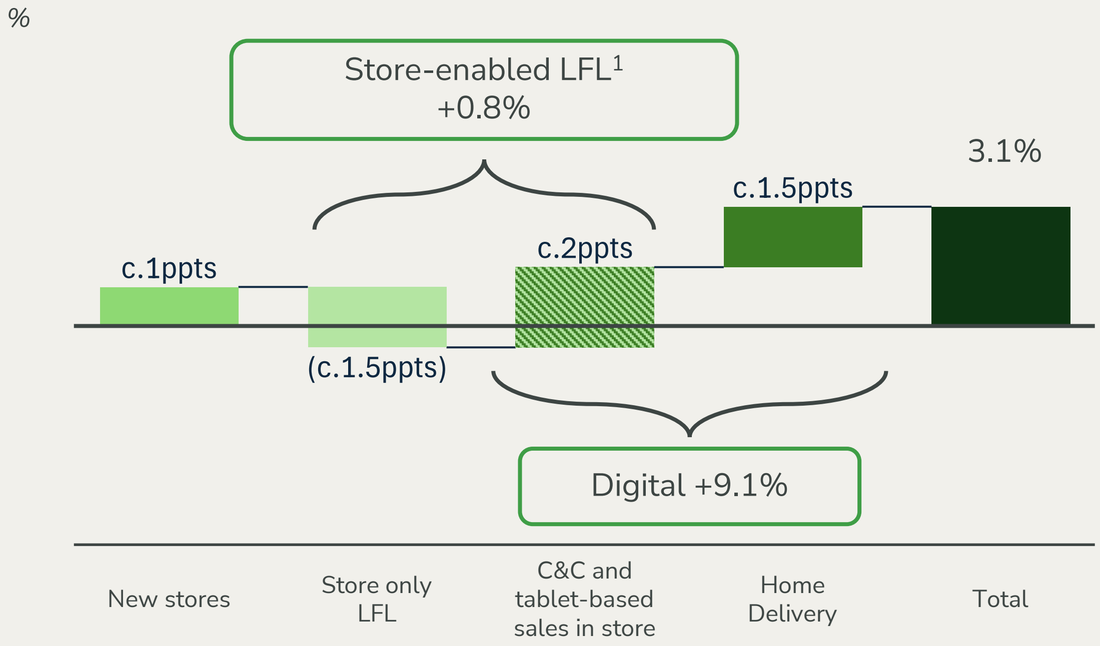
| | | | |
|---|---|---|---|
| **Sales** | Stores LFL + Digital<br>**YoY growth**<br>More reach, loyal customers, more missions | New space<br>**Up to 10 new stores p/a**<br>c.100 identified locations | Total sales growth<br>**Mid-to-high single digit** |
| **Profit** | Save to invest<br>**c.£100m[1]**<br>Cost removal fully reinvested for growth | Non-recurring<br>**£30 - £40m**<br>Opex in next two years, reported as adjusting | Adjusted PBT margin[2]<br>**c.11%** |
| **Capital Allocation** | Prioritise investment<br>**c.£125m**<br>Incremental capex: new and existing stores, supply chain | Increasing<br>**Ordinary dividend**<br>Targeting return to 1.75x – 2.25x cover | Net debt[3] : EBITDA[4]<br>**Within 0.2x – 0.6x** |
| **Returns** | Growing<br>**Adjusted EPS** | Efficient<br>**Balance sheet** | ROCE[5]<br>**c.30%** |

[1] Compared to FY26 base. Before growth in volume-related costs and inflation
[2] 52-week statutory profit excluding adjusting items, expressed as a percentage of total sales
[3] Cash and cash equivalents less total borrowings. Excludes IFRS 16 lease liabilities
[4] 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 of right-of-use assets
[5] Adjusted net operating profit after tax as a proportion of total assets excluding non-current liabilities and current lease liabilities

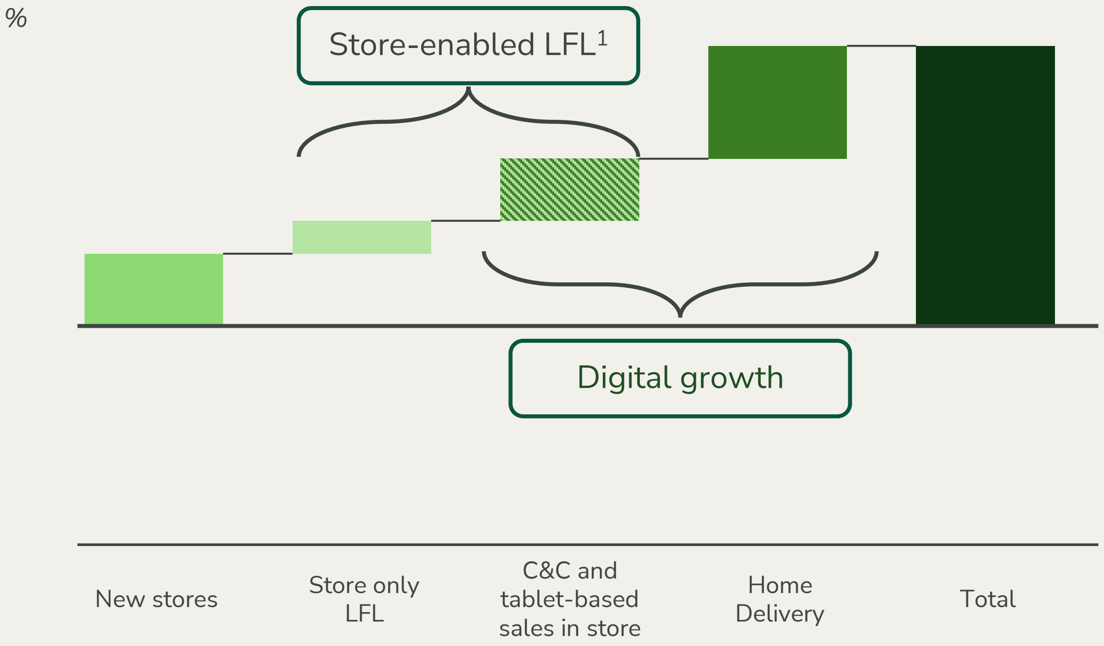
Dunelm
The Home of Homes

# A return to mid-high single digit sales growth

## Sales growth FY26




## Pathway to mid-high single digits




**New Stores**
**more openings**
Up to 10 openings per annum in attractive locations

**Store LFLs**
**growing**
Investment in renewals of underperforming stores

**Digital**
**accelerating**
Using technology to make shopping Dunelm easier, more relevant and more repeatable

[1] Year-on-year sales for all stores trading in comparable periods in the reported year and the preceding year. Includes completed in-store transactions, sales transacted through in-store tablets and Click & Collect orders.

Dunelm
The Home of Homes

# Self-funded investment to deliver growth

Capturing the growth opportunity requires investment,
funded by our cash generative model and structural cost savings

**c.£100m**[1]
Operating investment

**£30 - £40m**
Non-recurring investment

**c.£125m**
Incremental capex

**c.£100m**[1]
Structural cost removal

**Self-funding**
cash generation

[1] Compared to FY26 base. Before growth in volume-related costs and inflation.

# Removal of least productive costs

**c.£100m[1] vs FY26 base by FY29**

| | | |
| --- | --- | --- |
| **Organisational design & cost removal** | • Simplification<br>• Headcount reduction actioned in Q1<br>• Further targeted cost reduction | **c.£40m** |
| **End-to-end process re-engineering** | • Key processes identified for cross-functional solutions<br>• Removal of manual activity and complexity<br>• Increased use of data and automation | **c.£35m** |
| **Operating model optimisation** | • Technology targeted on efficiencies<br>• RFID early roll-out underway<br>• Improving workforce management systems | **c.£15m** |
| **Range efficiency & rationalisation** | • Reducing range complexity<br>• Improving inventory discipline | **c.£10m** |

Dunelm
The Home of Homes

[1] Compared to FY26 base. Before growth in volume-related costs and inflation

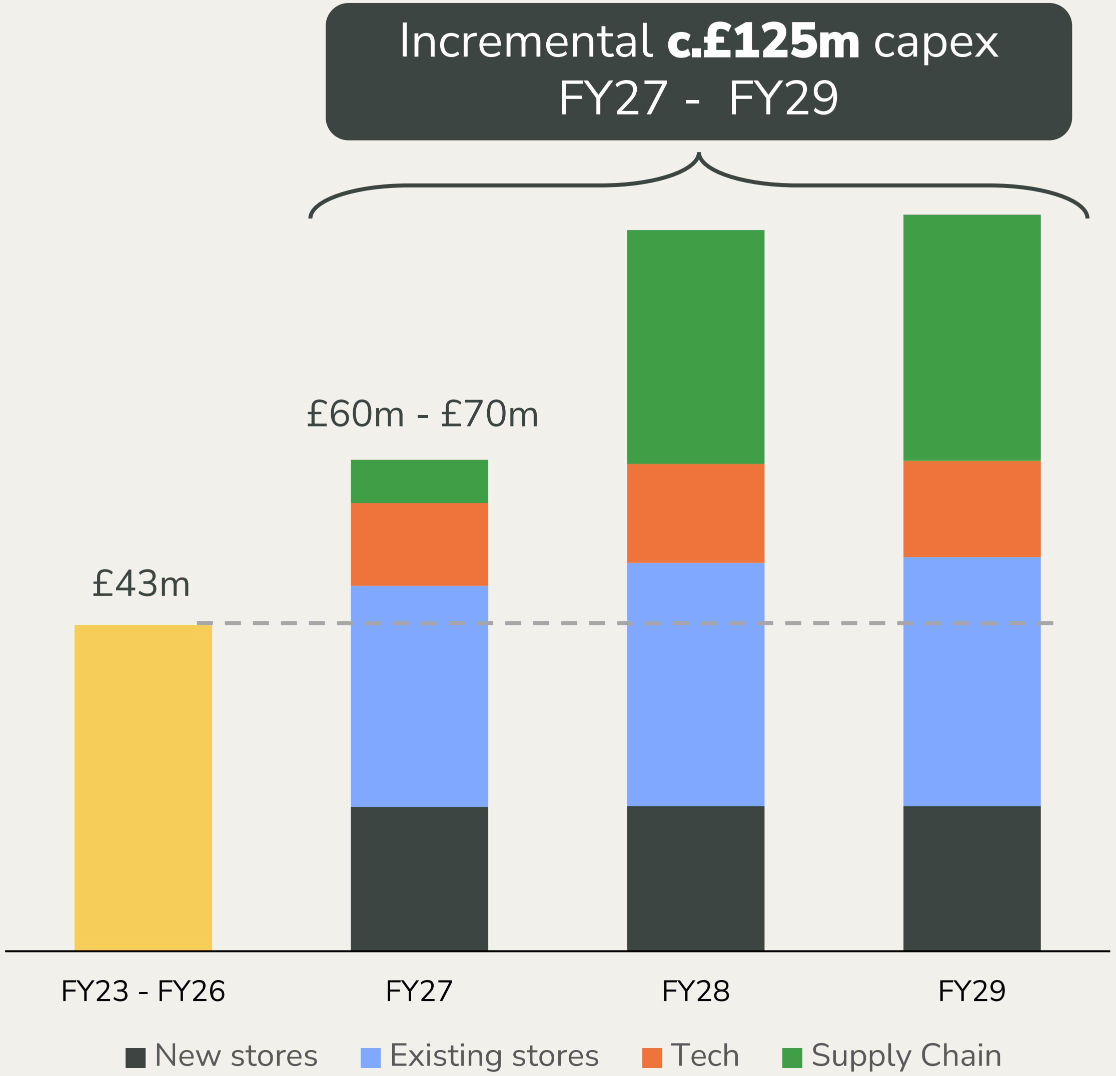
# Investment for profitable and sustainable growth

| | | |
|---|---|---|
| **P&L**<br>Incremental and recurring | • Technology – SaaS partnerships<br>• Larger store estate<br>• Capability | **c.£100m[1] vs FY26 base**<br>Opex by FY29 |
| **P&L**<br>non-recurring / adjusting items | • Restructuring costs<br>• Foundational technology<br>• Change programme delivery | **£30m - £40m**<br>Total adjusting items FY27 – FY28 |
| **Capex** | • New store expansion<br>• Underperforming stores<br>• Stores of the future<br>• Supply chain infrastructure | **c.£125m**<br>Incremental capex FY27 – FY29 |

[1] Compared to FY26 base. Before growth in volume-related costs and inflation

Dunelm
The Home of Homes

# Investment to enhance the customer experience across stores & supply chain



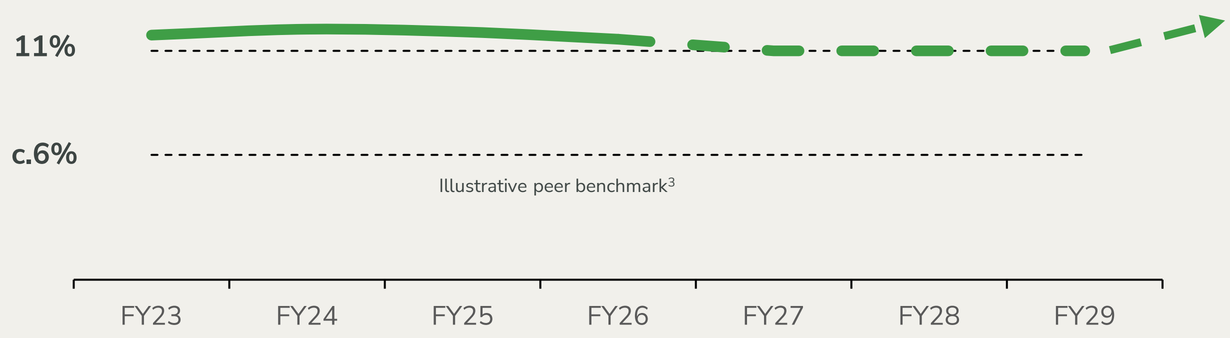

**Disciplined approach to returns:**

- New store paybacks c.4 years
- Renewals targeted to pay back within c.3 years
- Supply Chain investment subject to ongoing discovery

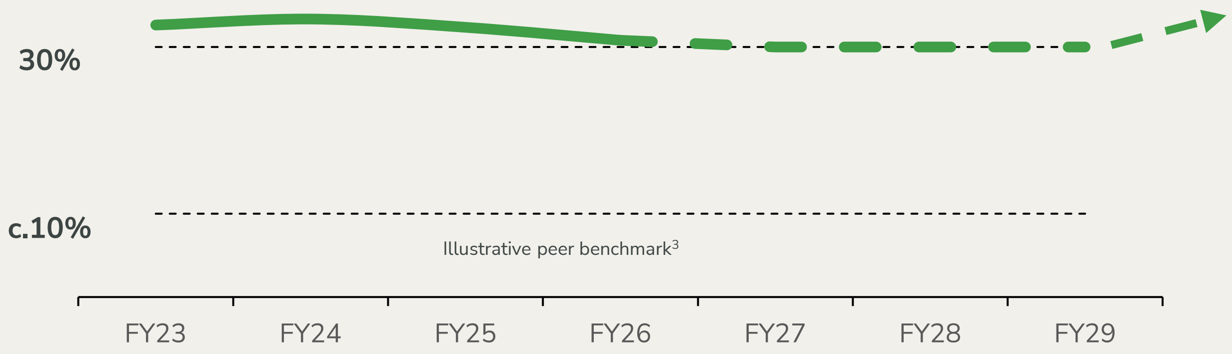
Dunelm
The **Home** of Homes

# Sustained strong returns

### Adjusted PBT Margin[1]




### Return On Capital Employed (ROCE) [2]




**Investing for long-term value whilst maintaining attractive returns**

- Building a leaner and more effective business for the long-term
- Favourable returns vs sector comparatives
- Slight moderation during period of transition
- **Adjusted PBT margin[1]** c.11%
- Strong **ROCE[2]** continues at c.30%
- Expansion expected beyond the plan period

[1] 52-week statutory PBT excluding adjusting items, expressed as a percentage of total sales
[2] Adjusted net operating profit after tax as a proportion of total assets excluding non-current liabilities and current lease liabilities
[3] Subset of comparable retailers for their most recent financial reporting period

Dunelm
The Home of Homes

# Clear priorities for capital allocation

| | |
|---|---|
| **1** Investment in the business for growth | **Increasing** in this plan to capture growth opportunity |
| **2** Growing Ordinary Dividend | **Continues** given strong cash generation and confidence in the business |
| **3** Surplus cash returned to shareholders | **Surplus cash** returned to shareholders via buybacks or special dividends |

# FY27 guidance

## FY27 will be a 53-week year. Income statement guidance is provided on a 52-week basis

**For FY27 we expect:**

- Inflation of c.3% on FY26 operating cost base
- Cost removal of £25m - £30m to fund a similar amount of reinvestment for growth
- Adjusting items £30 - £40m in total across the next two years; relating to restructuring and systems investment. Largely non-recurring cash items
- Adjusted PBT[1] broadly in line with the prior year
- Effective tax rate 50 – 100bps above headline rate
- Working capital broadly neutral across the year; HY timing benefit of c.£90m
- Capex of £60m - £70m:
  - Up to 10 new store openings
  - Up to 30 renewals focused on underperforming stores; plus continued programme of refits
- Net debt[2] to remain within targeted range of 0.2x – 0.6x EBITDA[3]

[1] 52-week statutory PBT excluding adjusting items
[2] Cash and cash equivalents less total borrowings. Excludes IFRS 16 lease liabilities
[3] 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 of right-of-use assets

# 3-year plan to build a bigger, better and bolder Dunelm

| | |
|---|---|
| **Sales** | Total sales growth<br>**Mid-to-high single digit** |
| **Profit** | Adjusted PBT margin[1]<br>**c.11%** |
| **Capital Allocation** | Net debt : EBITDA<br>**Within 0.2x – 0.6x** |
| **Returns** | ROCE[2]<br>**c.30%** |

## ‘Winning Hearts & Homes’

**Become *the* homeware specialist**

**Deliver seamless omnichannel experiences**

**Transform our capabilities**

**Customer Obsession**

[1]52-week statutory profit excluding adjusting items, expressed as a percentage of total sales
[2]Adjusted net operating profit after tax as a proportion of total assets excluding non-current liabilities and current lease liabilities

Dunelm
The Home of Homes