

Galiform

2008 Interim Results

23 July 2008

Galiform

Mark Robson

Finance Director

Highlights

£m * Before exceptionals	H1 2008	H1 2007
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Revenue

Howden Joinery	342.6	314.5
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MFI/Hygena Cuisines	7.1	111.1
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Group	354.6	429.0
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Gross profit*	186.8	190.0
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Operating profit*	20.8	29.5
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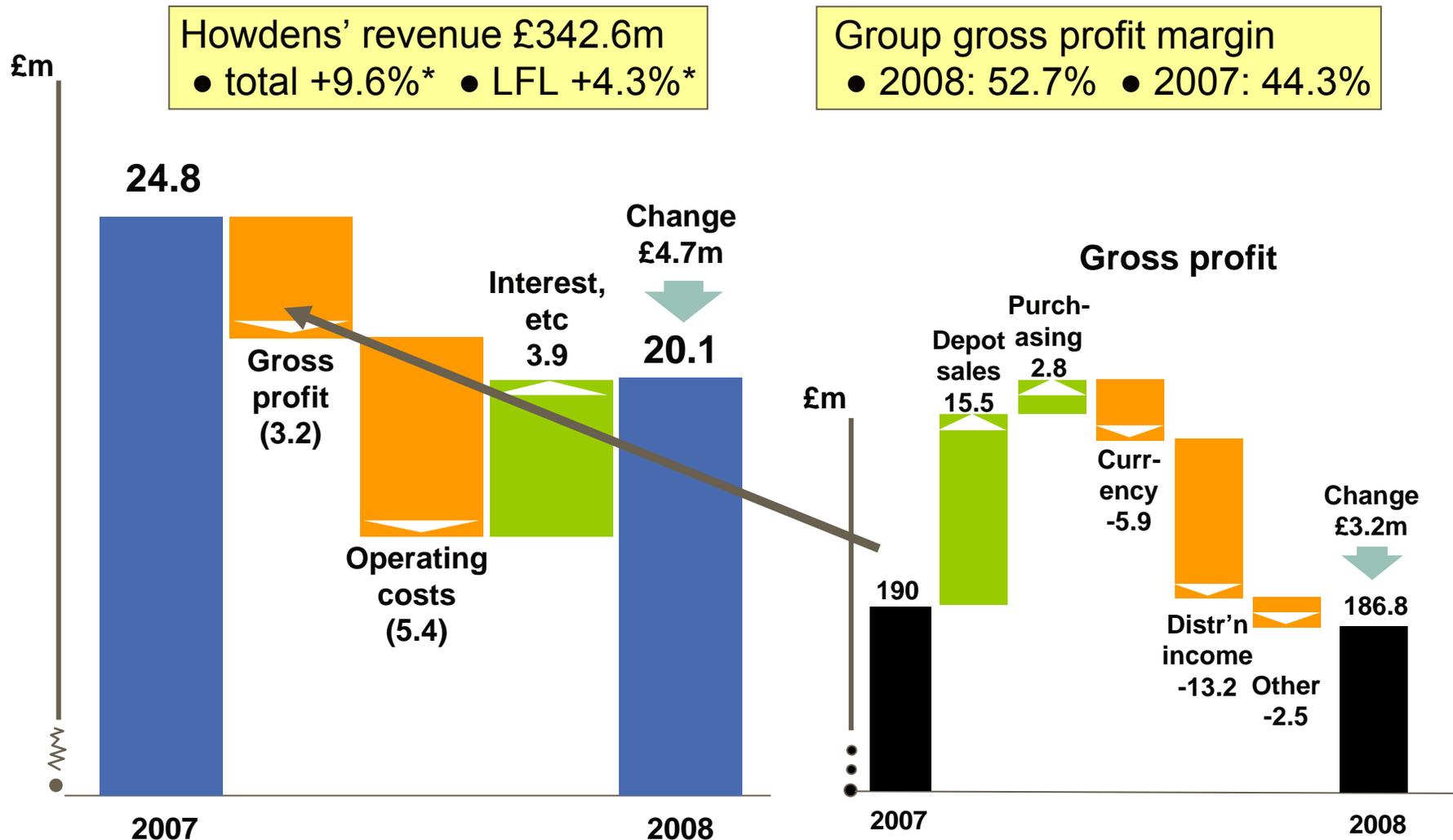
Profit before tax*	20.1	24.8
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£m	14 Jun 2008	29 Dec 2007
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Net borrowings	40.9	3.3
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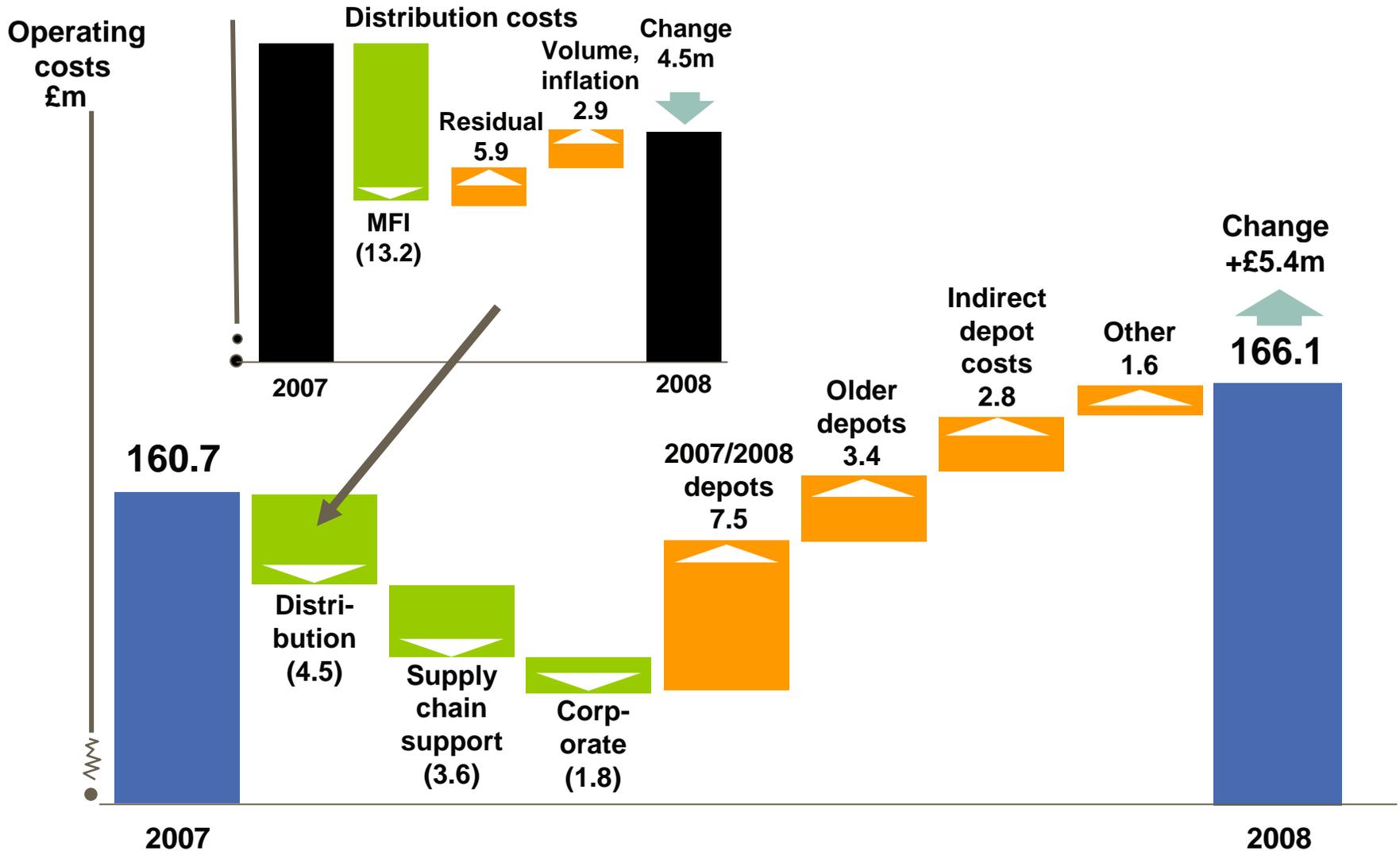
after one-off payments and contribution to pension deficit

Profit before tax and exceptional items*



* 2007 sales adjusted for extra trading day

Operating costs



Income statement

£m	H1 2008	H1 2007
Profit before tax and exceptional items	20.1	24.8
Tax *	(7.5)	(8.4)
Profit after tax before exceptional items	12.6	16.4
Exceptional items before tax	1.5	(0.7)
Exceptional tax credit	-	26.0
Profit for the period	14.1	41.7
Basic eps		
-excluding exceptionals	2.1p	2.7p
-including exceptionals	2.4p	7.0p
* Effective rate of tax (underlying rate 32%)	34.6%	

Borrowings and cash flow

£m	H1 2008	H1 2007
Opening net borrowings	(3.3)	(4.1)
Operating cashflows before movements in working capital	32.3	37.8
MEP creditor	(26.8)	-
Supply restructuring creditor	(7.4)	-
'Underlying' working capital	(6.5)	(20.6)
	(40.7)	(20.6)
Capital expenditure	(10.0)	(6.6)
Asset disposals	3.5	0.1
Pension deficit contribution	(13.3)	(7.1)
Interest	(4.5)	(1.7)
Tax	(5.2)	-
Dividend	(3.0)	-
Other	3.3	5.9
Closing net (borrowings)/cash	(40.9)	3.7

Working capital

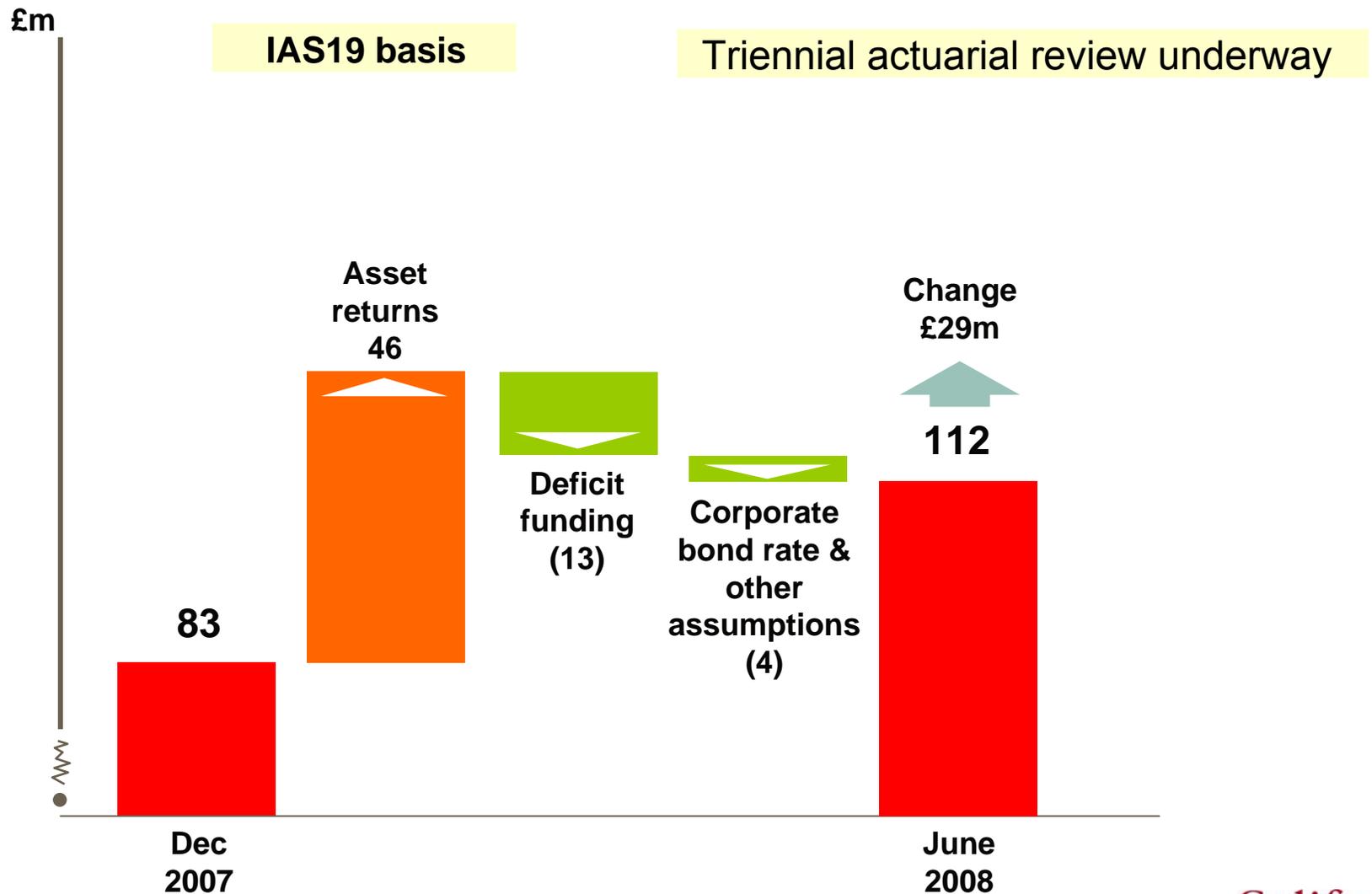
‘Underlying’ working capital up £6.5m

- stock up £15.2m
- debtors down £6.2m
- trade creditors up £2.5m

Reported working capital up £40.7m

incl. MEP and restructuring payments (£34.2m)

Pension scheme deficit



Remainder of 2008

Exchange rate still weak vs. last year

Residual logistics costs

Sales in first period of H2 on a par with last period of H1

- rate of growth (3.3%) reflects strong performance in same period last year

No improvement in market conditions in short term

Continue to manage business in light of prevailing conditions

Cost structure

Cost base in excess of £700m

Major elements:

- Finished products c. 40%
- Payroll >20%
- Manufactured goods >10%
(more than half raw materials)
- Property <10%
- Vehicle fuel and energy < £20m

Residual costs

Initial residual cost almost halved to c. £15m by logistics restructuring

Legacy of unused warehouse space and transport fleet

Traffic sharing agreement - £3m annualised benefit

Significant reduction expected over time:

- Other initiatives
- Howdens growth

Bank facility

Originally arranged in February 2006

- to May 2009
- £150m ceiling increased to £175m

Extended and renegotiated in early 2008

- to May 2011
- available ceiling significantly increased

MEP claim

Unlikely to reach Court until spring / summer 2009

Reduced to £53 million

88 individual items

- each one individually assessed

Some items entirely without merit

Now conceded that offsetting items should be considered

Galiform

Matthew Ingle

Chief Executive

Overview

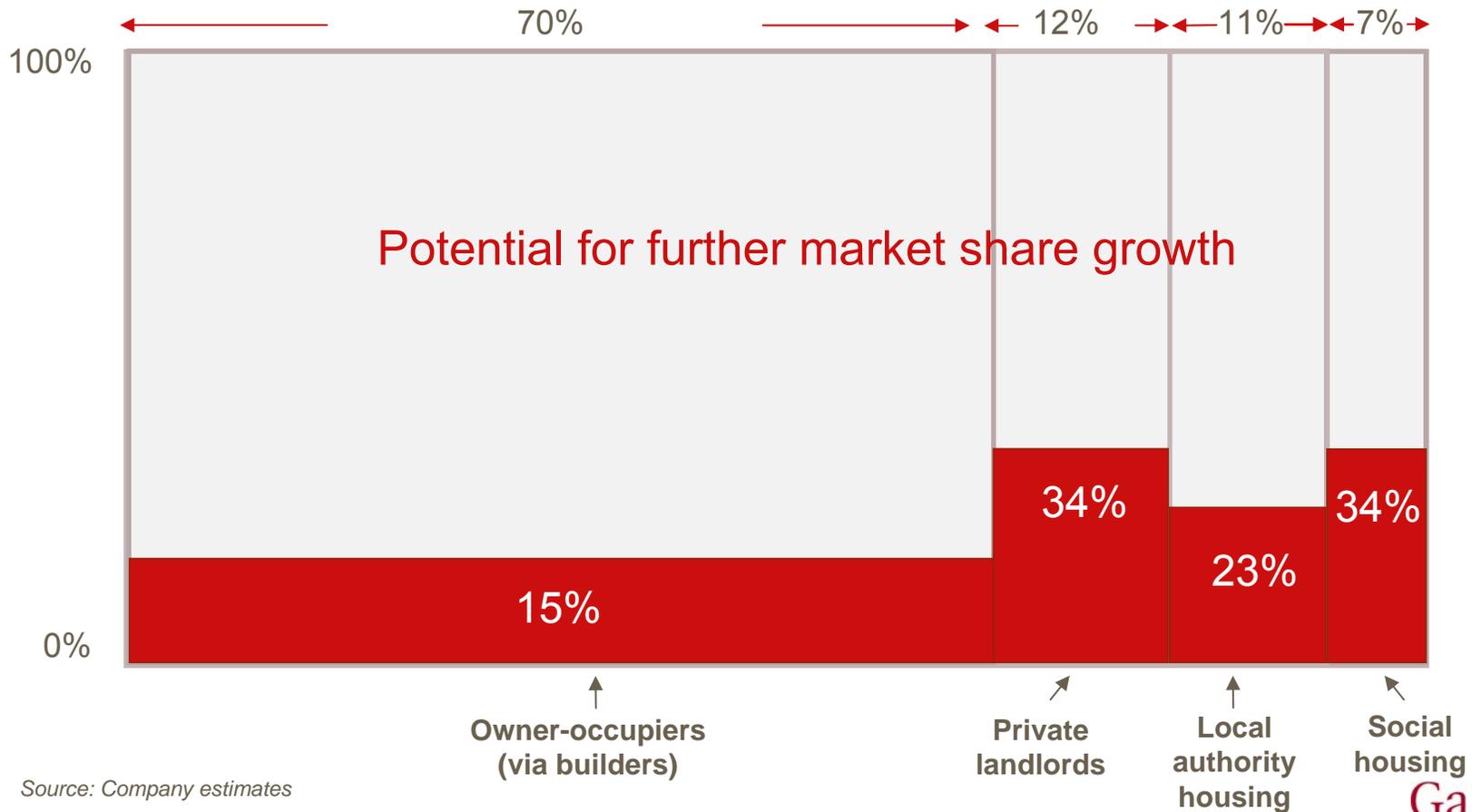
➔ The Howdens business model is delivering results:

- Good performance in difficult economic environment
 - Effective account management
 - Local control enables clear focus on costs
 - New product development opportunities
 - Demographic potential
 - Reliable supply chain
 - Proactive, growing business
- 

Howdens UK market share

Very limited exposure to new build

- Sales to top 10 house builders only £1.4m in 07, £0.7m in H1 08



A clear purpose

Howdens is a
focussed
business
supplying small builders with kitchen & joinery

it's based on
relationships and service

and on a
reliable supply chain

What we're good at...

- ➔ Being entrepreneurial
- ➔ Sophisticated account management
- ➔ Focussed product development
- ➔ Effective credit management

The Howdens business model is an integrated whole,
developed over time and with experience

Being entrepreneurial means... (1)

⇒ Being very important to our customers

- 54% don't buy kitchen cabinetry elsewhere*
- 94% say they would recommend us*
- Most are regular visitors

⇒ Delivering much more than price

- Builders are business people – their time is money
- They value the service we offer even more highly than price*
 - Rigid boxes, available from stock, locally, in a helpful environment

⇒ Having a commercial mindset

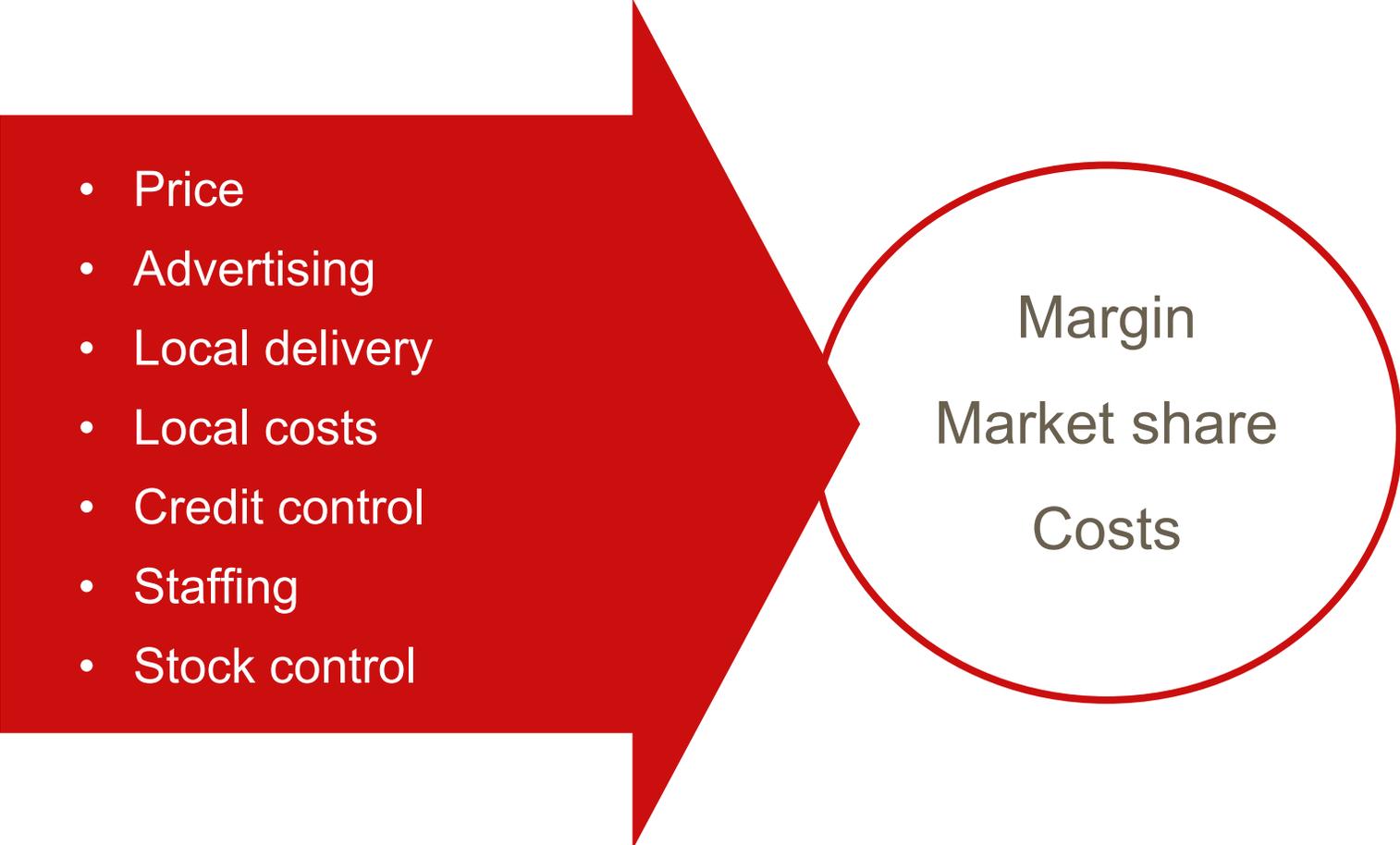
- Profit-based depot incentive model
- Local control of pricing and marketing
- Stock control (depots are c.10,000 sq ft)

* Source: Survey commissioned by Galiform, June 2008

Being entrepreneurial means... (2)

➔ Having powerful margin and market share drivers

- Price
- Advertising
- Local delivery
- Local costs
- Credit control
- Staffing
- Stock control

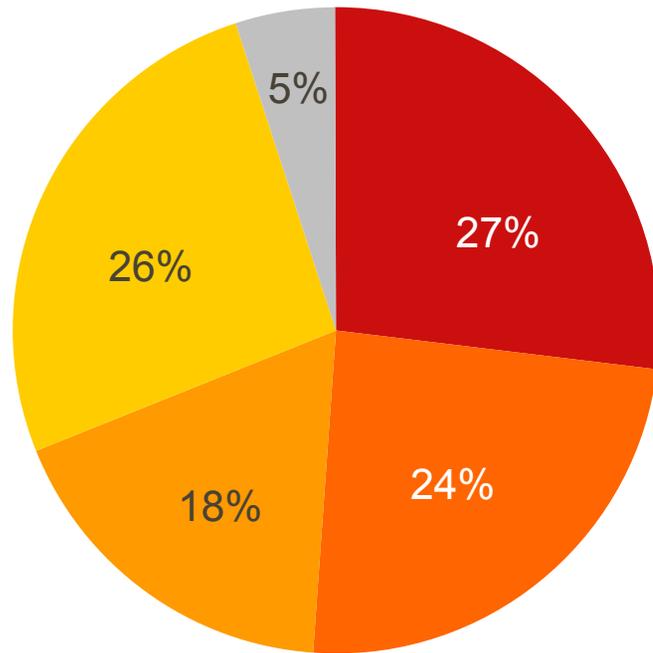


Margin
Market share
Costs

Sophisticated account management...

- ⇒ **234,000 registered account holders**
 - 182,000 credit accounts
- ⇒ **Sustained frequency of spend**
 - 69% traded in H1 08 (H1 07: 69%)
- ⇒ **Average spend per account increasing**
 - H1 08 + 4% vs. H1 07
 - 2008 + 7% (MAT) on kitchens only
- ⇒ **Growth of spend underpinned by model**
 - Good quality products available from local stock
 - Strong customer relationships with motivated staff

Visits per customer

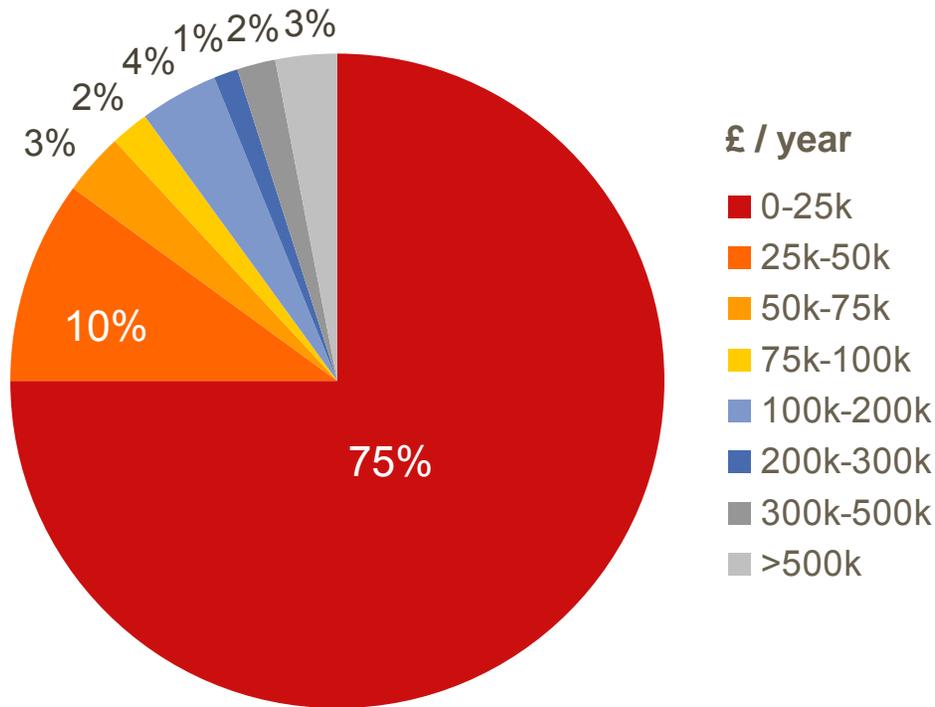


- At least once a week
- A couple of times a month
- Once a month
- Every couple of months or less
- Don't know / not sure

- 70% of customers visit a depot at least once a month
- Over a quarter of them visit a depot at least once a week

A good opportunity to grow sales to existing customers

Spend per customer

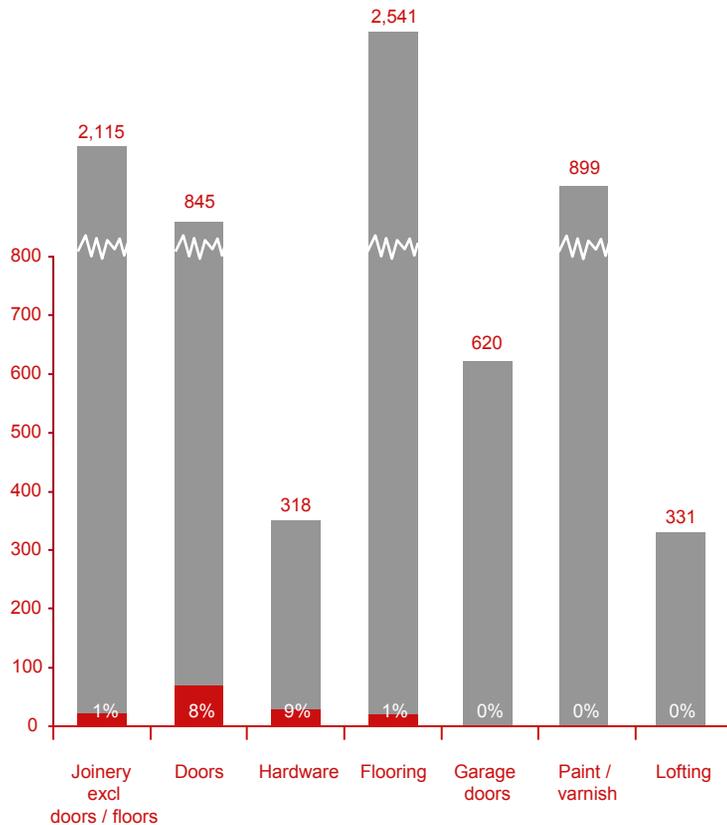


- Many customers buy joinery and hardware from us before they buy complete kitchens
- Only 10% spend more than £100k p.a.

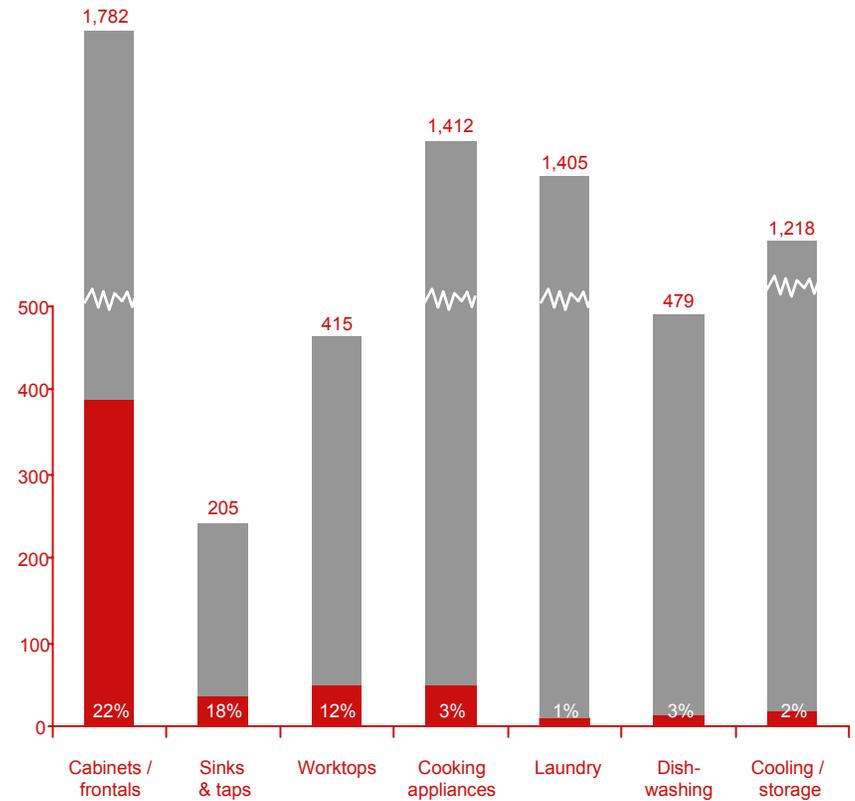
Strong potential for further growth in average spend

Our product sales in the UK marketplace

Joinery (£m)

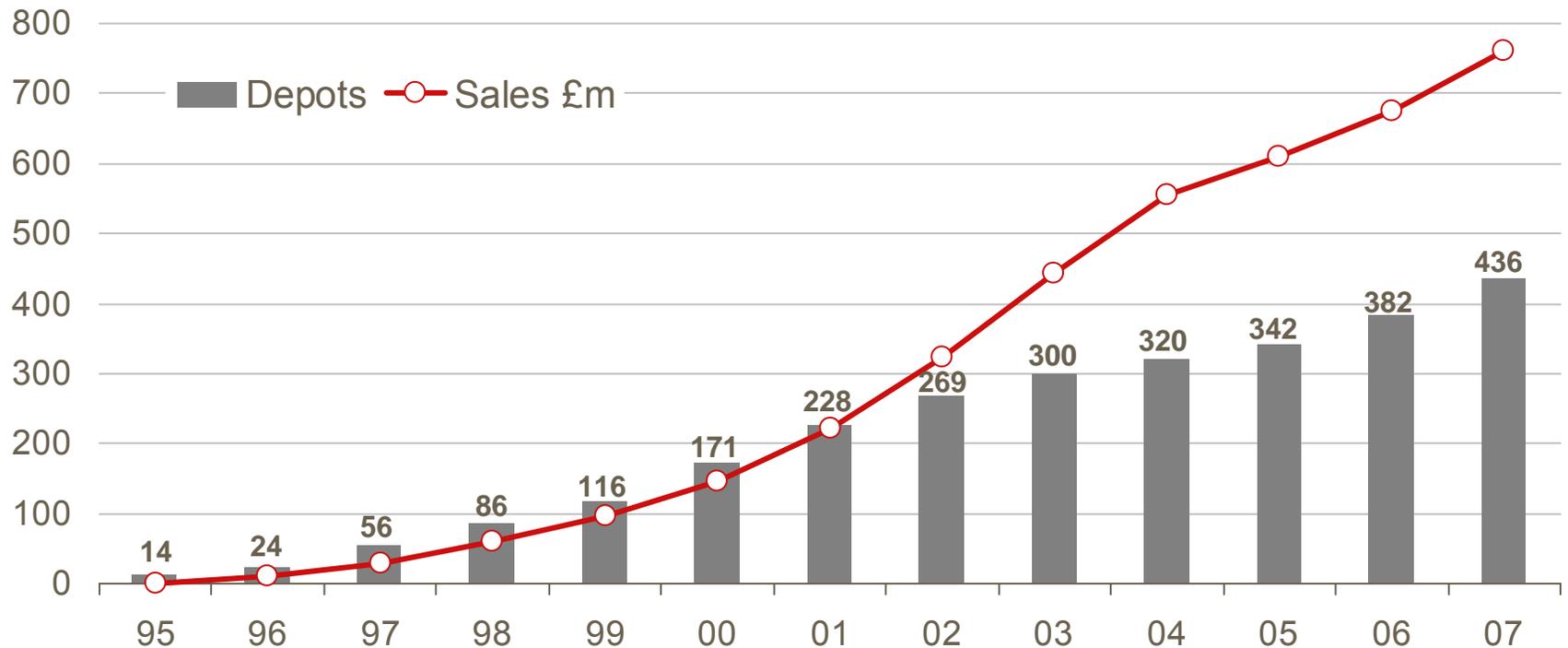


Kitchens (£m)



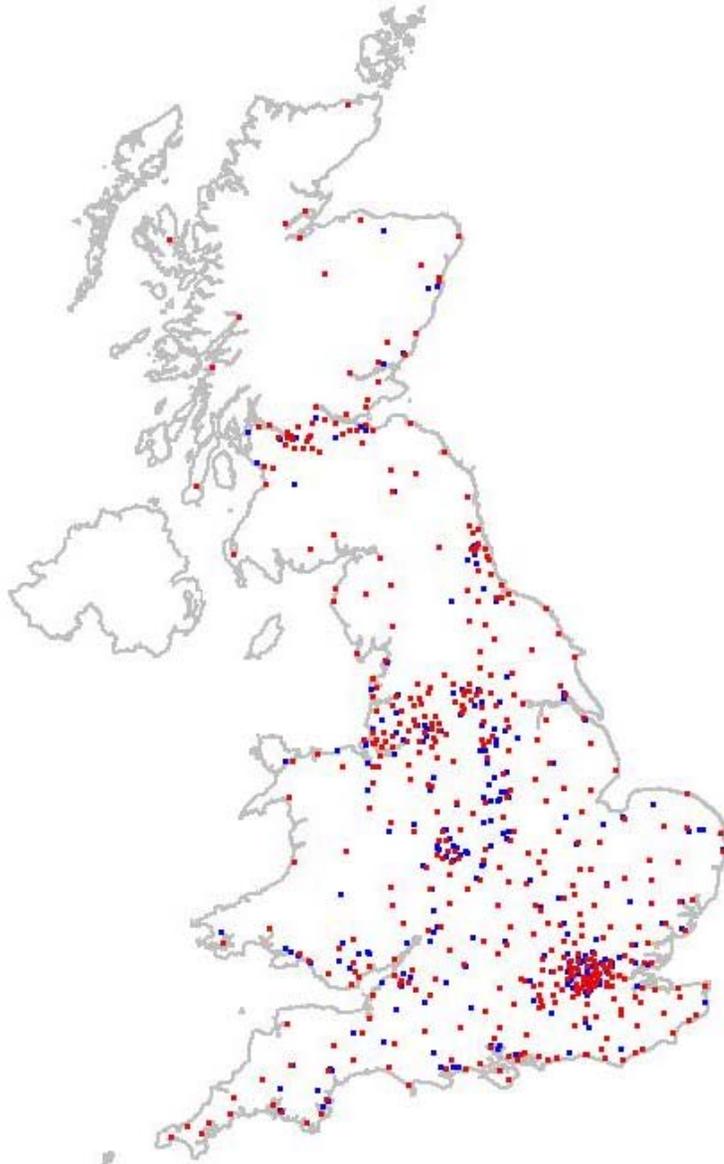
Source: Company accounts and industry estimates. Total market size based on retail selling price

Continuing depot growth



- Sales per mature depot c.£2m p.a.
- 7-year depot maturity curve

A local business with further market opportunities



- Scope for at least 600 depots
- Easy to find and fit out
- Rollout programme adapted to market conditions
 - Limiting 08 openings to c.20
 - Increasing benefits of 109 depots opened since Jan 06

■ current
■ projected

Effective credit management means...

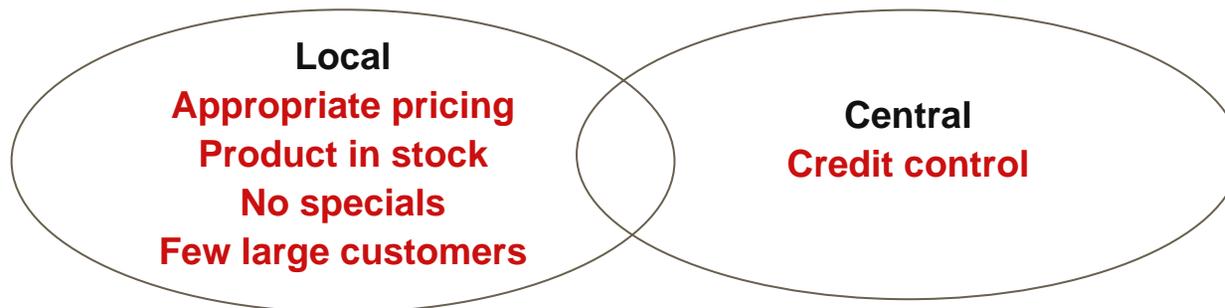
⇒ More scope for growth

- Over 180,000 credit accounts
- Combined credit availability £1.6bn

⇒ Monthly terms, tightly enforced

- *Total* cost of credit control, including write-offs and bad debts = 1% of sales
- Debt profile as % of sales unchanged since 07

⇒ Our local model – a key differentiating factor



Managing the legacy of restructuring

- ⇒ Restructuring allowed a clearly focused business to emerge
- ⇒ Successfully managing reduction of MFI residual costs
- ⇒ Opportunity to transform spare capacity
- ⇒ Strong logistics and property management skills

.....

- ⇒ Legal claim:
 - 88 separate items (originally 94)
 - One cash claim (originally £24m) determined at £8.4m after 18 months
 - Substantial counter-claims by Galiform
 - Earliest Court date spring / summer 09

In summary...

- ➔ Good performance driven by sound business model
- ➔ Operating successfully at scale
- ➔ Well-financed and cash-generative
- ➔ Successfully managing legacy of restructuring
- ➔ Taking appropriate actions in economic environment
- ➔ Significant further opportunities ahead

A focussed business built on relationships and service

Appendix

23 July 2008

Our product sales in the UK marketplace

	Category	Sales 2007, £m	As a % of total market	Total market 2007, £m (e)
Kitchens	Cabinets and frontals	390	22	1,782
	Worktops	51	12	415
	Cooking appliances	48	3	1,412
	Sinks & taps	37	18	205
	Cooling / storage	18	2	1,218
	Dishwashing	14	3	479
	Laundry	11	1	1,405
	Lighting	3	0	1,540
	Total	572	-	8,456

	Category	Sales 2007, £m	As a % of total market	Total market 2007, £m (e)
Joinery	Doors	68	8	845
	Hardware	30	9	318
	Flooring	24	1	2,541
	Joinery excl. doors & floors	18	1	2,115
	Garage doors	1	0	620
	Paint/varnish	0	0	899
	Lofting	0	0	331
		Total	141	-

Source: Company accounts and industry estimates. Total market size based on retail selling price

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