



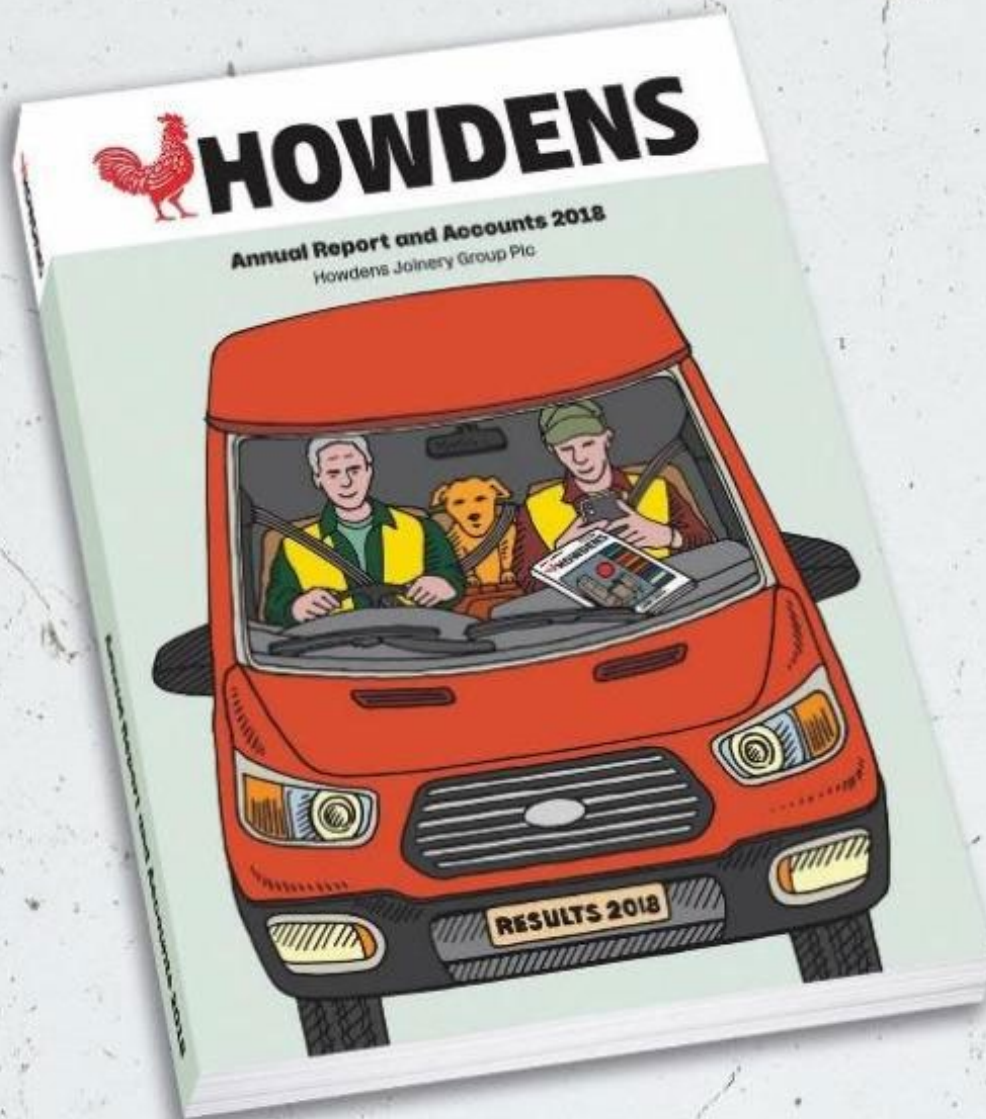
2018 Preliminary Results

28 February 2019



Andrew Livingston
Chief Executive Officer

Sales £1,511m, +7.7%, profit before tax £242.3m*



Gross margin developed in H2 with sales momentum

Period 11 Success

- Incentives and focus
- Lead generation build
- Availability (Raunds' distribution)

33 new depots (2017: 19 depots)

New digital platform launched to raise consumer brand awareness

New format trade book

*(exc. GMP equalisation charge)

Depot network
In stock
Trade focussed
Planning support
Trade account facility



Design
Quality products
UK manufacturing base
Range leadership

Local prices **Rigid cabinets**
Empowered teams **Dedicated supply chain**




Ensure high local stock availability - a key part of our service

Provide online accessibility

Speed up our picking times

Improve our display environment for their customers



**Interactive
Input on new product
Operational priorities
Sales and margin tracking**



DEPOT EVOLUTION



RANGE MANAGEMENT



DIGITAL DEVELOPMENT



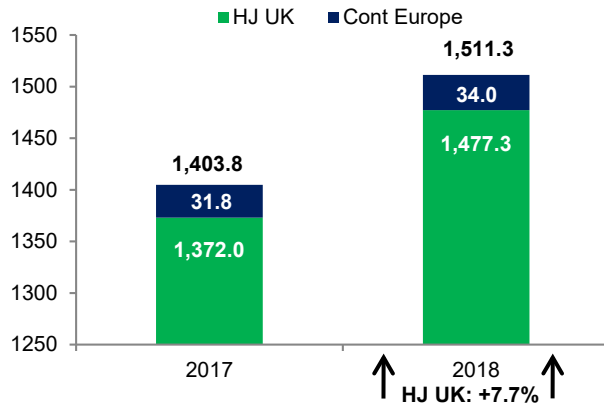
INTERNATIONAL



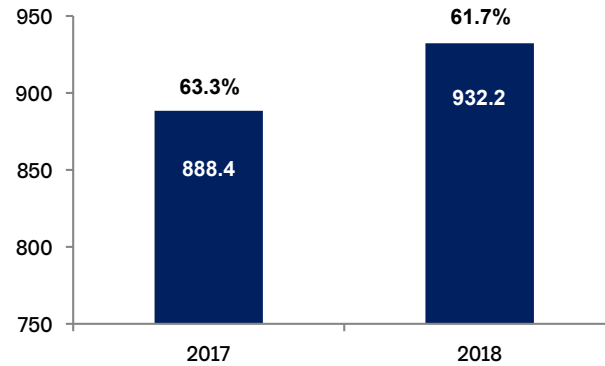
Mark Robson

Deputy CEO and Chief Financial Officer

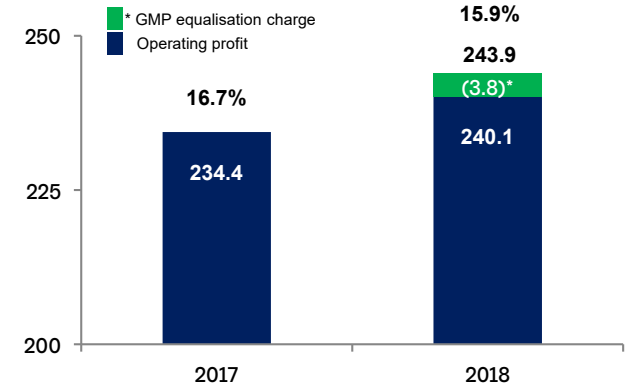
Revenue, £m



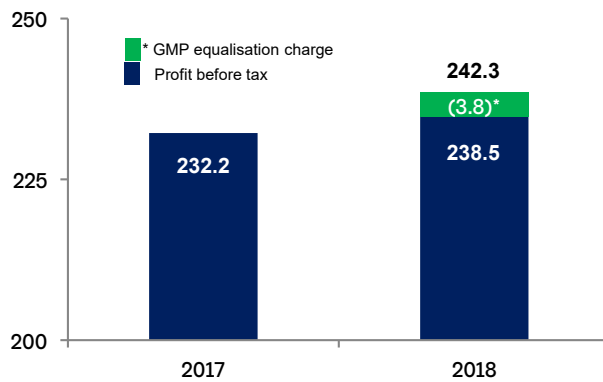
Gross profit, £m, and margin, %



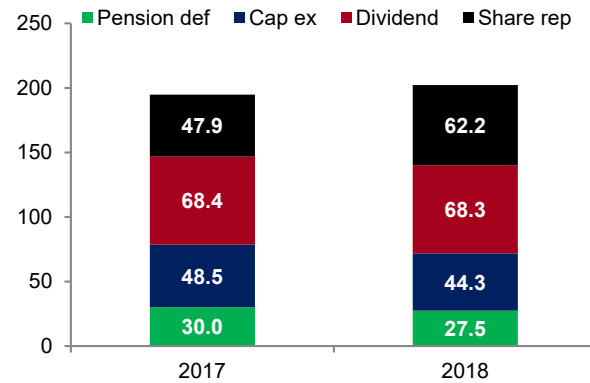
Operating profit, £m, and margin, %



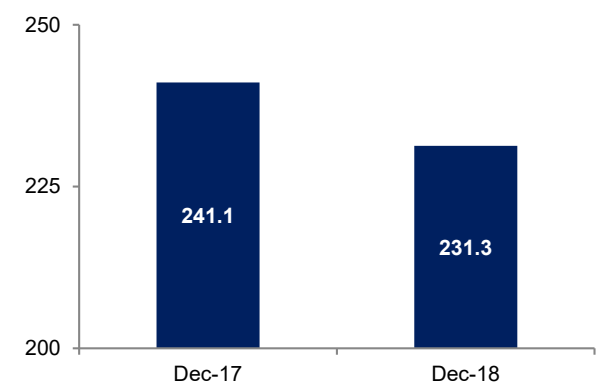
Profit before tax, £m



Uses of 'cash', £m



Net cash, £m



2018 UK depot revenue £1,477.3m

- total +7.7% • LFL +6.3%

2018 Continental Europe depot revenue £34.0m

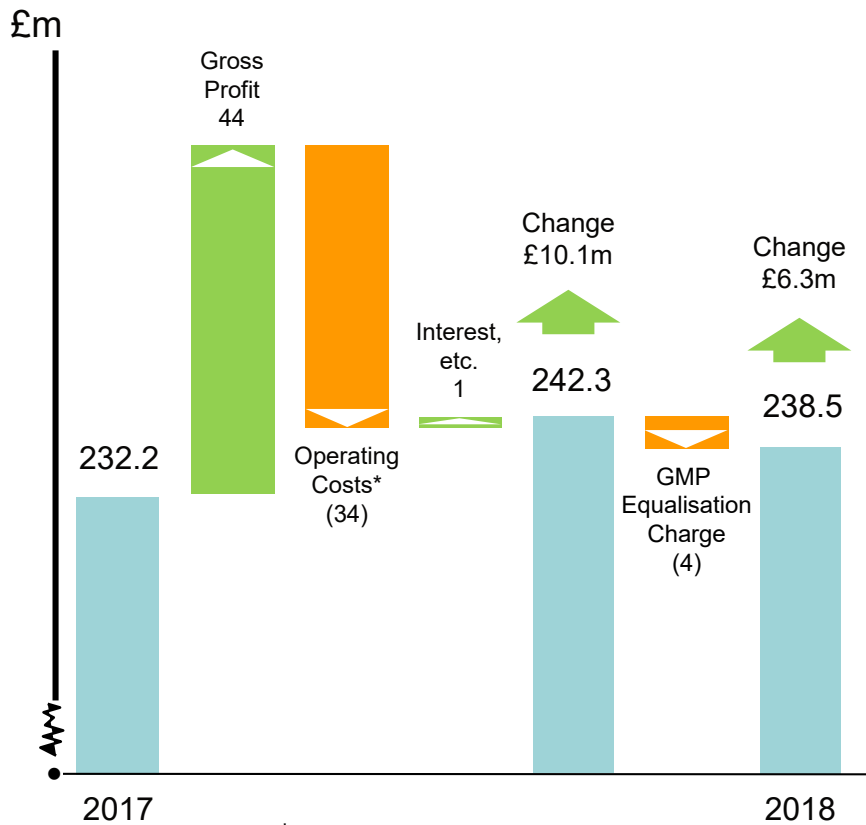
- France total (€) +4.4% • LFL +4.4%

Profit before tax



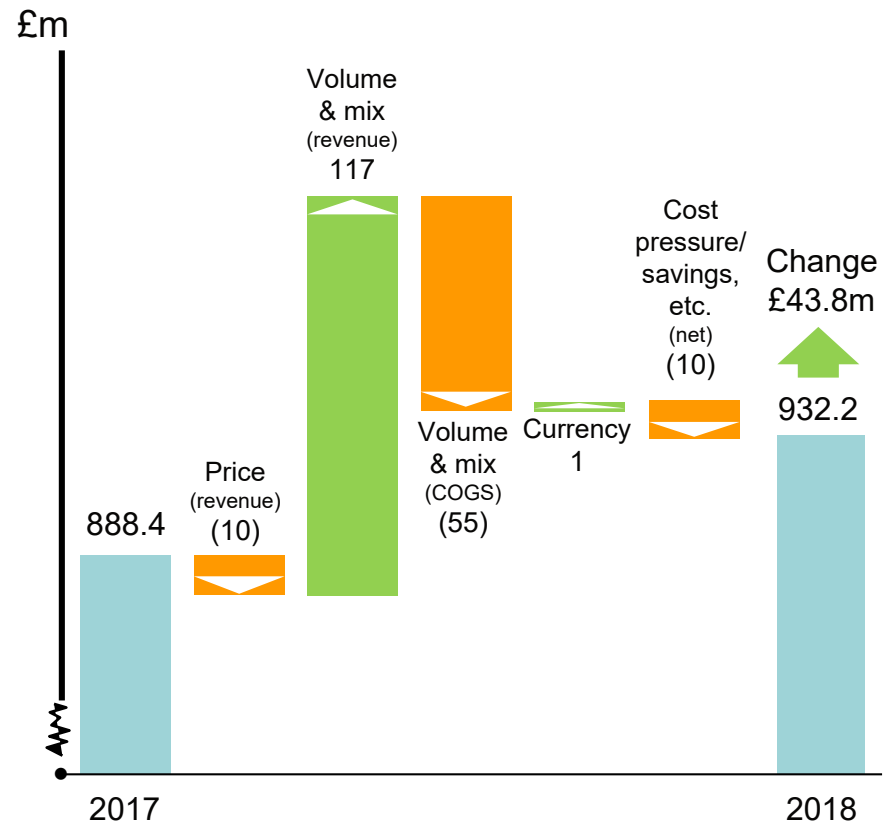
Group gross profit margin
 • 2017: 63.3% • 2018: 61.7%

Profit before tax

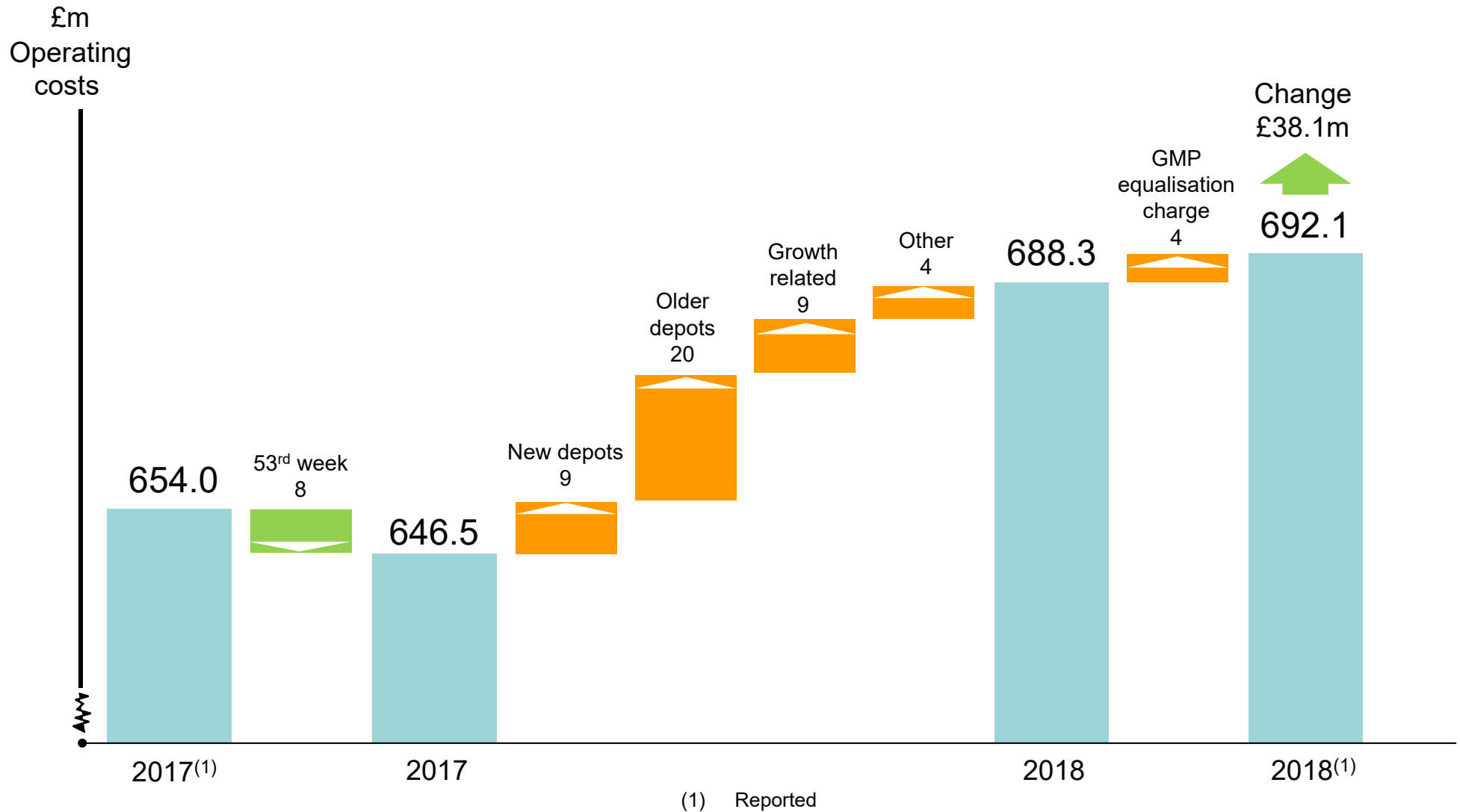


*includes £8m impact of 53rd week

Gross profit



Operating costs



Income statement



£m	2018	2017
Revenue	1,511.3	1,403.8
Cost of goods sold	(579.1)	(515.4)
Gross profit	932.2	888.4
Operating costs (before GMP equalisation charge)	(688.3)	(654.0)
GMP equalisation charge	(3.8)	-
Operating profit	240.1	234.4
Net interest	(1.6)	(2.2)
Profit before tax	238.5	232.2
Tax	(48.1)	(47.2)
Profit for the period	190.4	185.0

Earnings per share and dividends



£m	2018	2017
• Earnings per share	31.3p	29.9p
• Dividend		
- Final (recommended)	7.9p	7.5p
- Full year	11.6p	11.1p

2018 final dividend costing £47.6m

Net cash and cash flow



£m	2018	2017
Opening net cash	241.1	226.6
Operating cash flows before movements in working capital	274.6	266.6
Working capital	(49.7)	(26.9)
Capital expenditure	(44.3)	(48.5)
Tax paid	(45.4)	(41.8)
Dividends	(68.3)	(68.4)
Share repurchases	(62.2)	(47.9)
Pension contribution	(16.3)	(21.2)
Other	1.8	2.6
Closing net cash	231.3	241.1

- Working capital increased £49.7m
 - stock up £18m
 - debtors up £48m
 - creditors up £16m

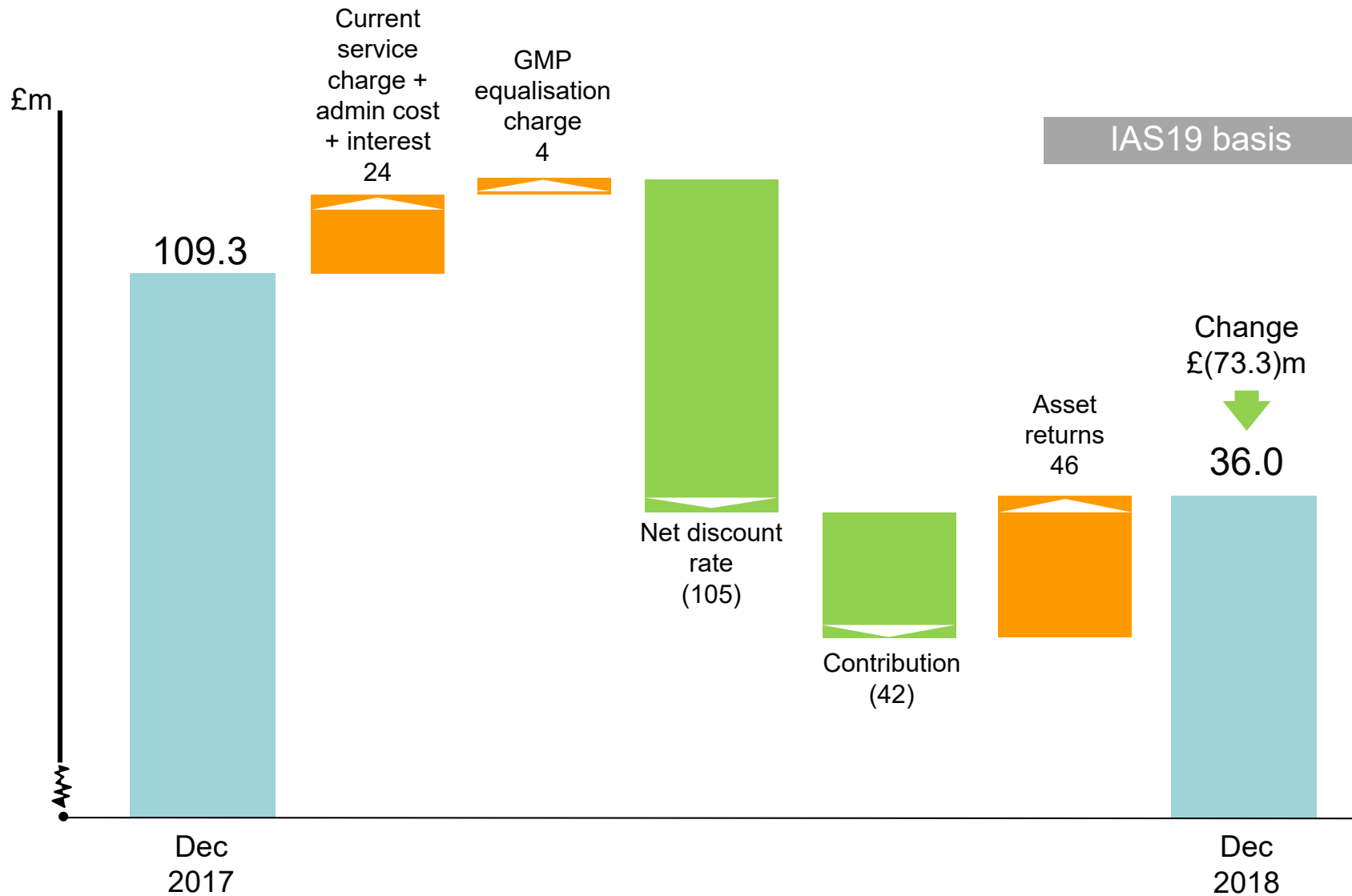
Return of excess cash to shareholders



- Two year share repurchase programmes:
 - February 2017: £80m
 - March 2018: £60m
 - February 2019: £50m

<u>Shareholder Returns</u>	2017	2018	2019	Total
Feb 2017 programme	48	32	-	80
March 2018 programme	-	30	30	60
Feb 2019 programme	-	-	50*	50
Total share repurchases	48	62		
Dividends	68	68	*£50m over two years	
Total shareholder returns	116	131		

Pension scheme deficit



- UK sales in first two periods up 4.0%, LFL +2.4%
 - Adjusted for one fewer trading day up 5.1%, LFL +3.5%
- Cost pressures
 - exit of Dutch & German businesses
 - digital development
 - depreciation
 - growth & inflation
 - additional depots
- Capital expenditure: c.£60m 2019
- Banking arrangements
- Brexit planning





DEPOT EVOLUTION



RANGE MANAGEMENT



DIGITAL DEVELOPMENT



INTERNATIONAL



Depot format and layout broadly unchanged since 1995



Responding to changing requirements

Space maximisation

18 depot test





Responding to different requirements

Space maximisation

18 depot test



Creating the best environment

Space maximisation

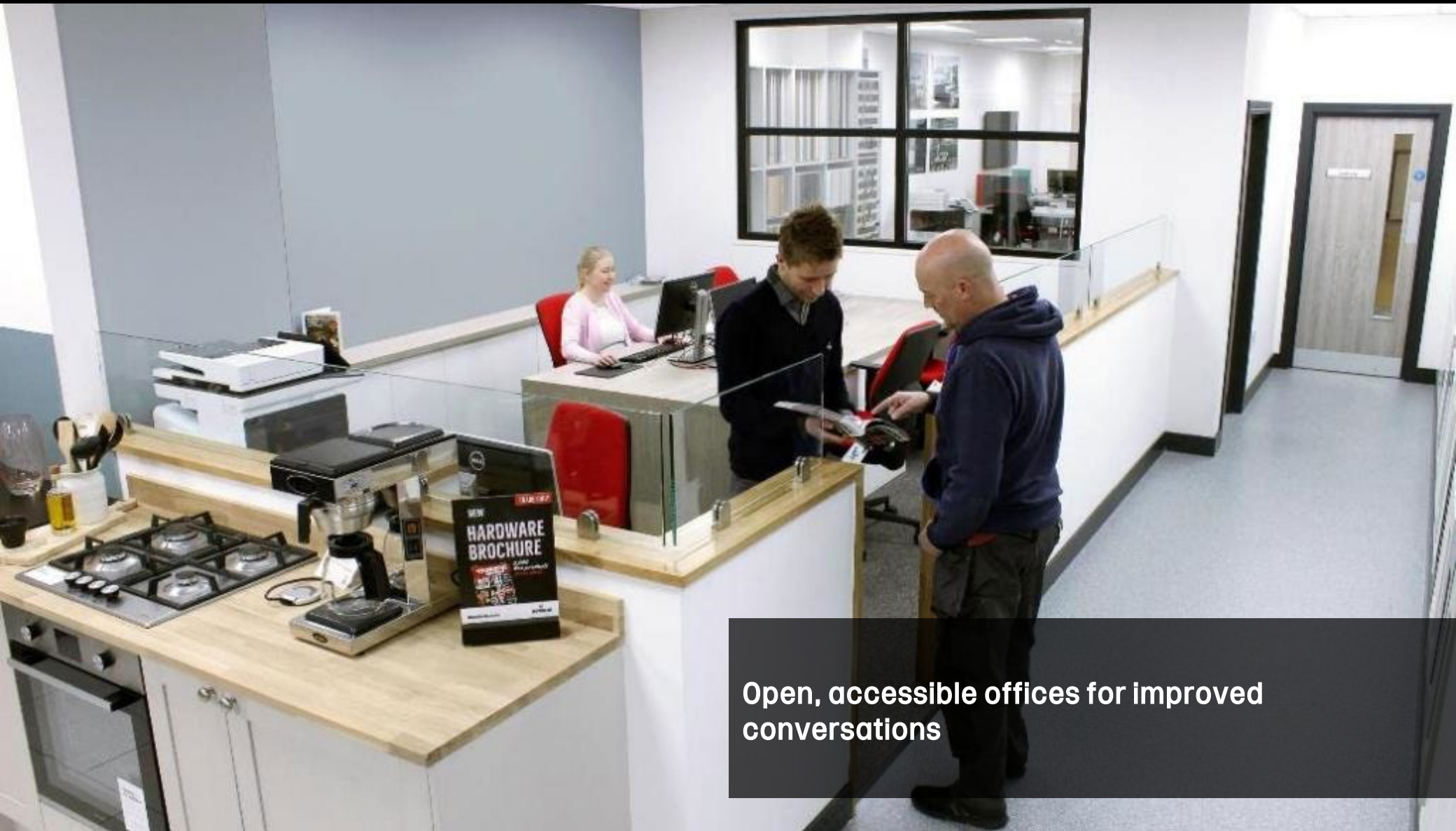
18 depot test



Two model formats



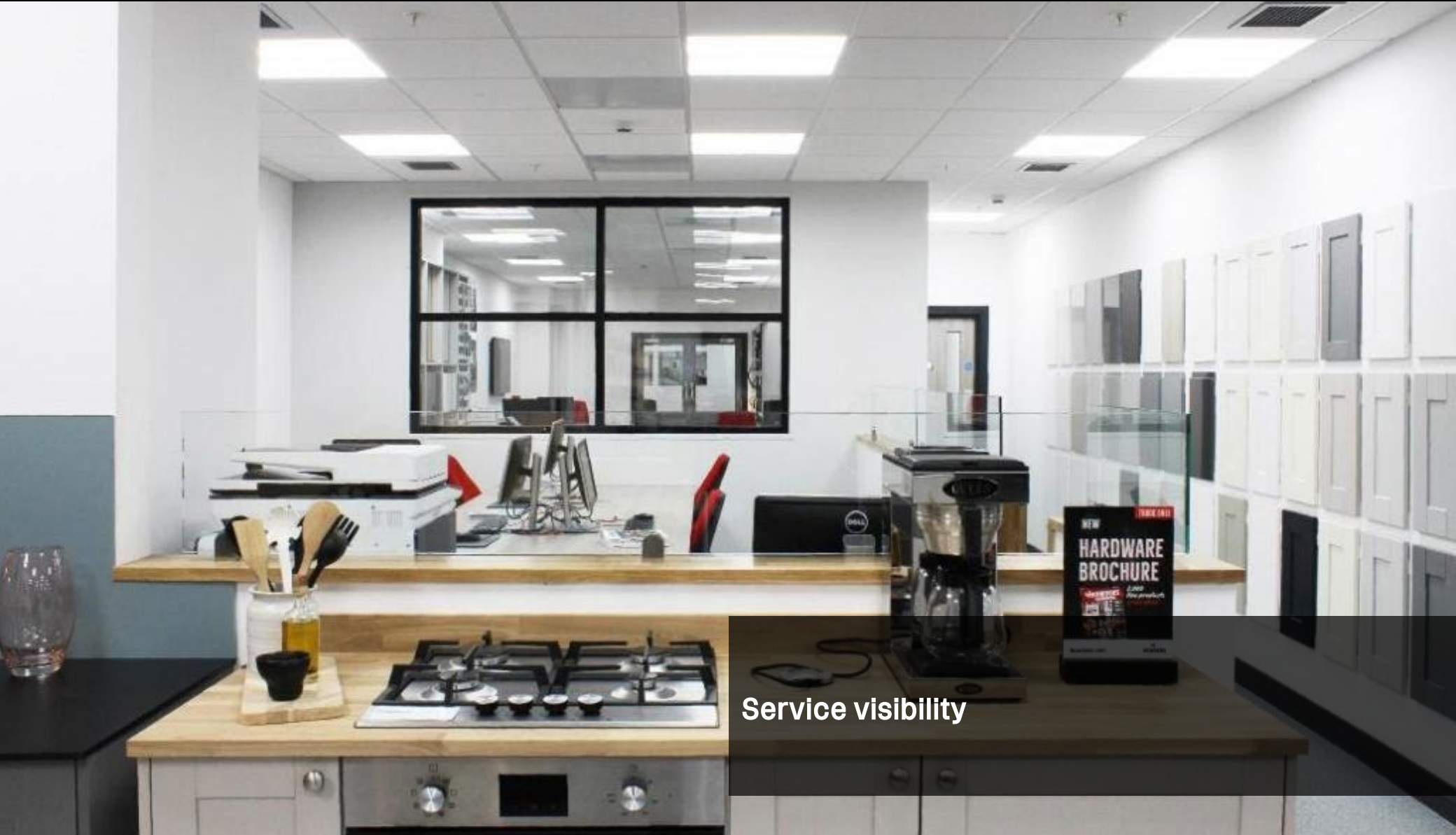
Improved display environment



Open, accessible offices for improved conversations

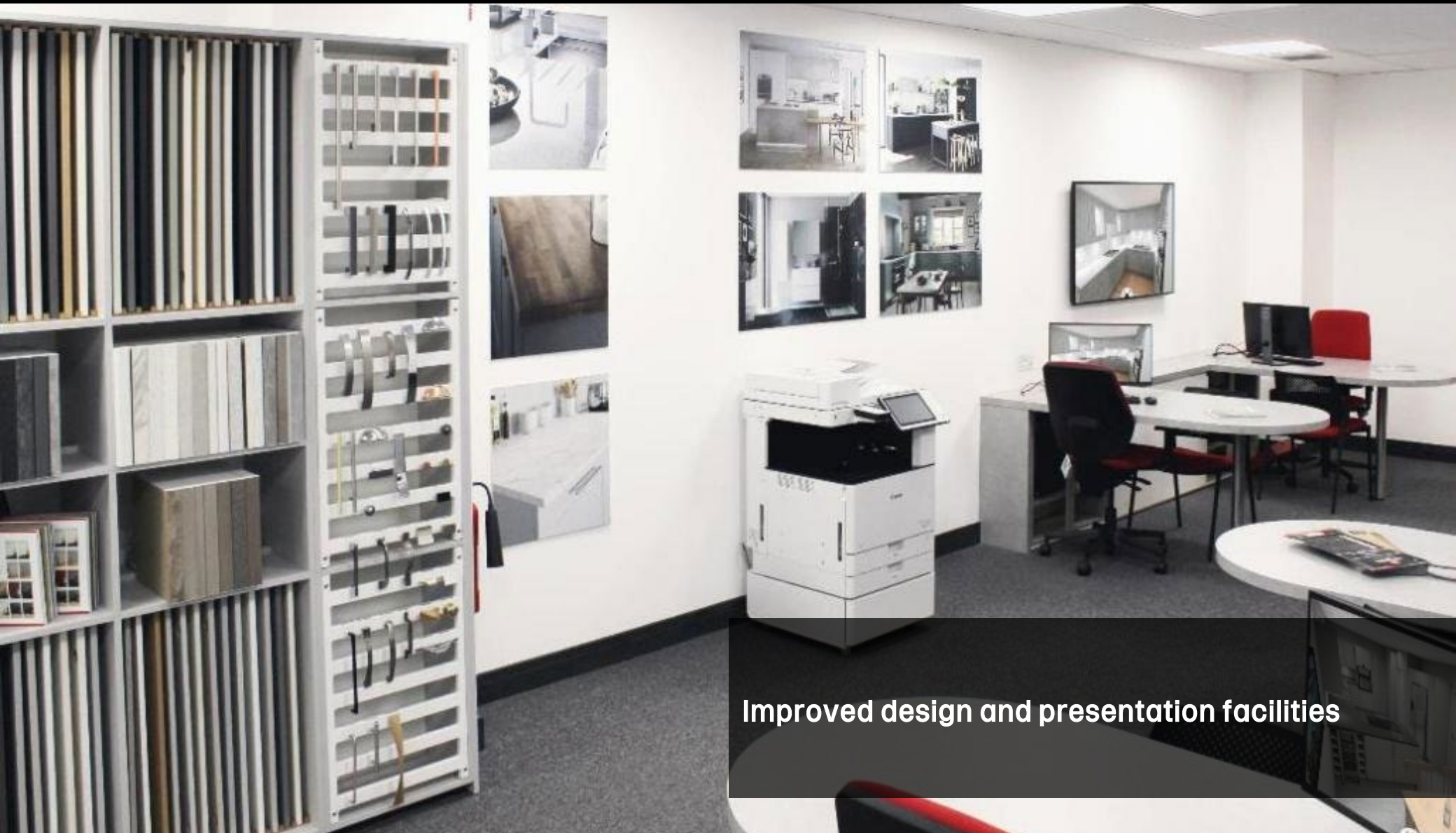


Testing a broader hardware offer



Service visibility





Improved design and presentation facilities



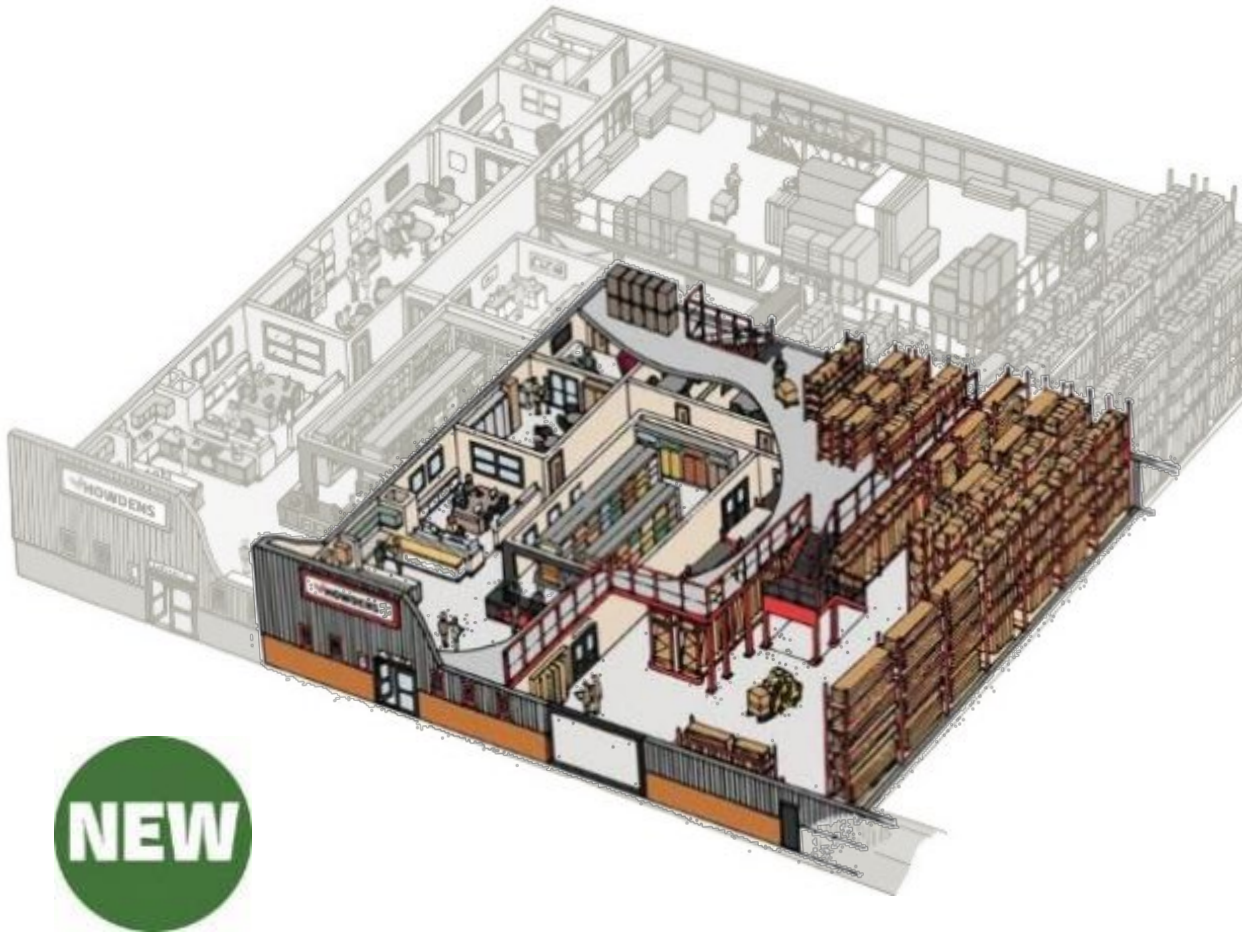
Warehouse - restructured the space, improved picking times





Conversion of 3 older depots

6 more depots converted by August



New 10,000 sq.ft. and 6,000 sq.ft. formats

Both can support full Howdens offer

Opens up access to new locations to create opportunity for around c. 850 depots

NEW



DEPOT EVOLUTION



RANGE MANAGEMENT



DIGITAL DEVELOPMENT



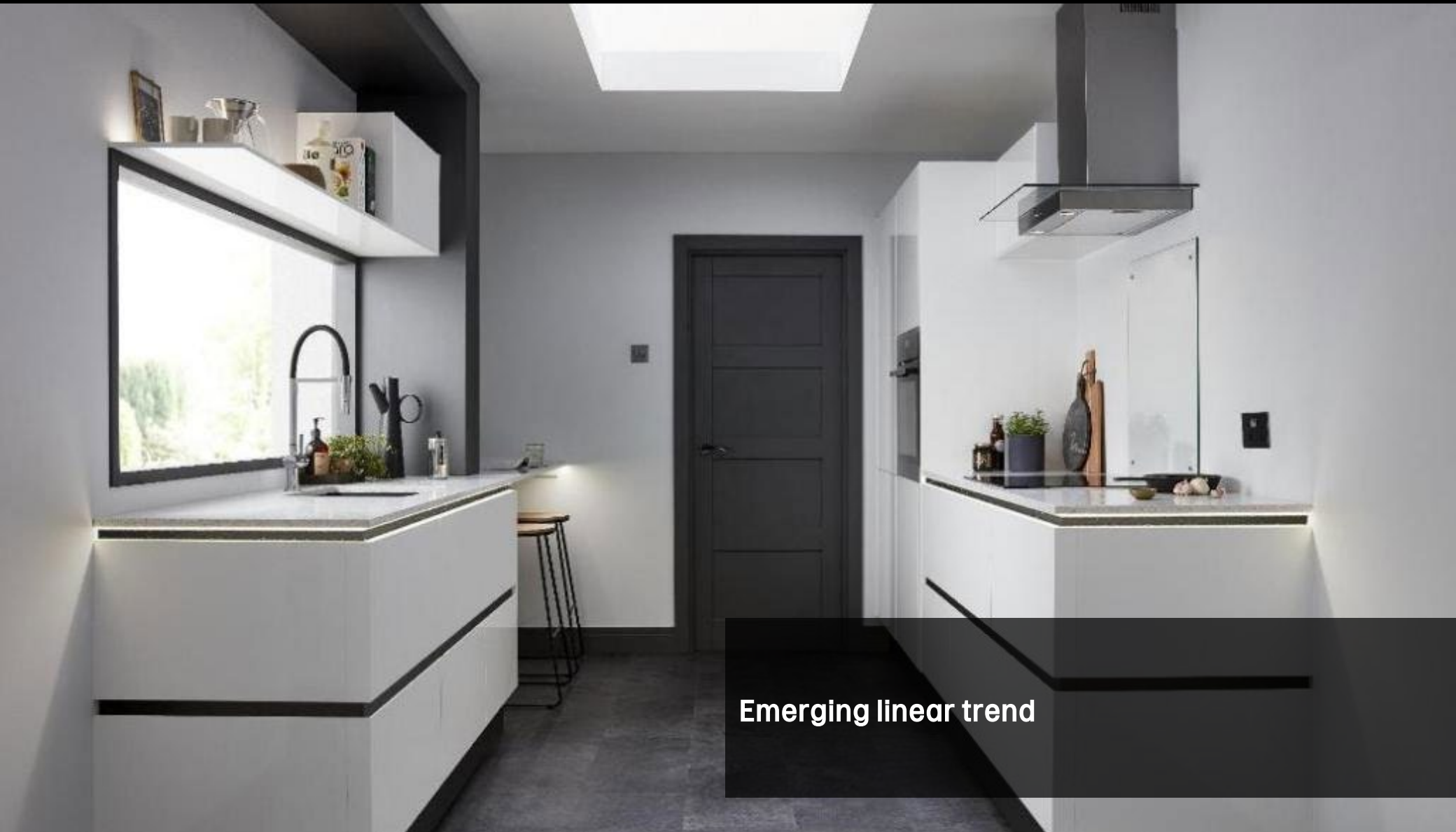
INTERNATIONAL



Howdens design centre



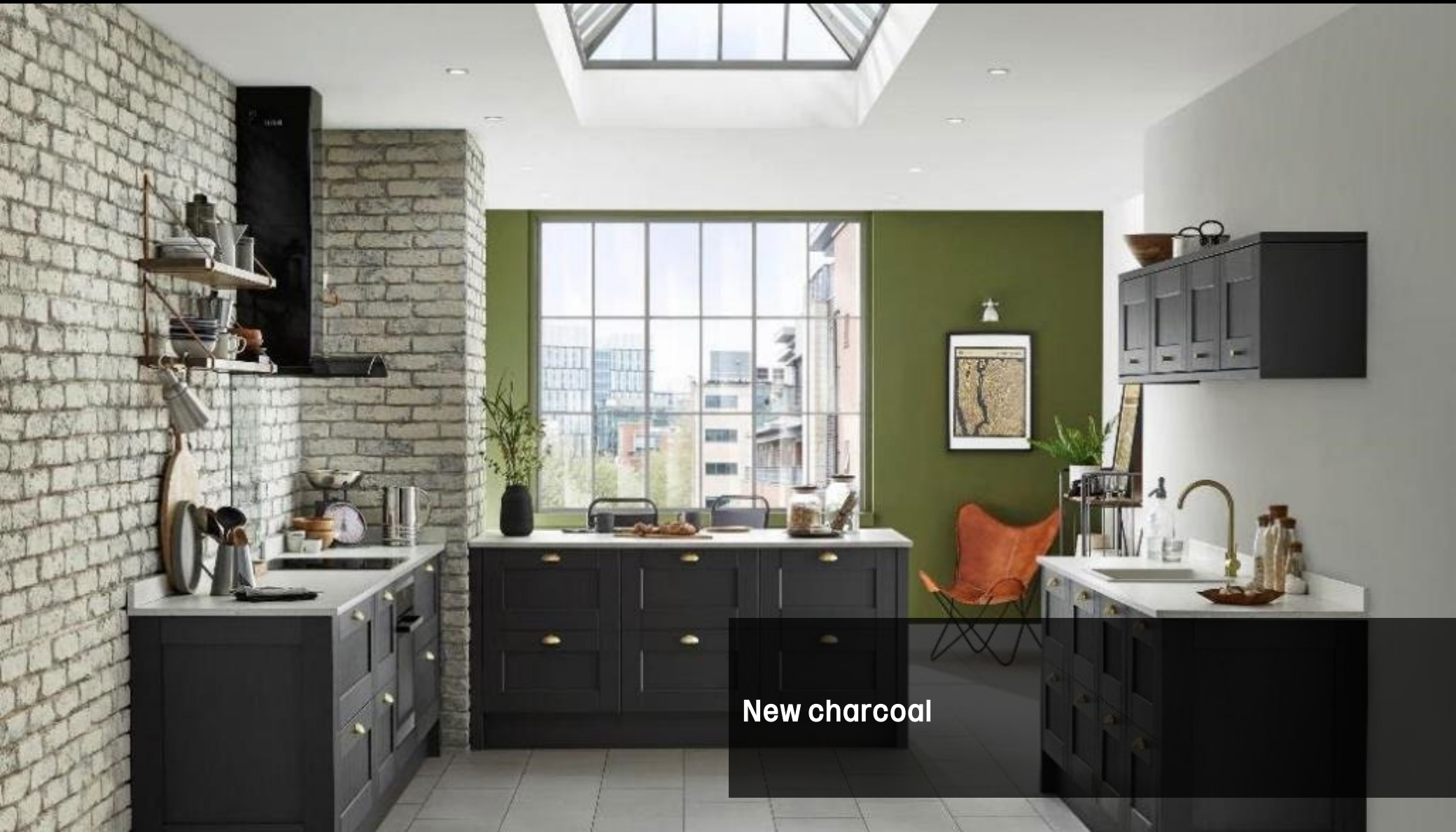
Industrial influences



Emerging linear trend



Grey and Navy remain popular



New charcoal









LAMONA

NEW





Increased new product sales on fewer new kitchen ranges

Rebalancing our stocking points over time

Timely discontinuation of under performing ranges



DEPOT EVOLUTION



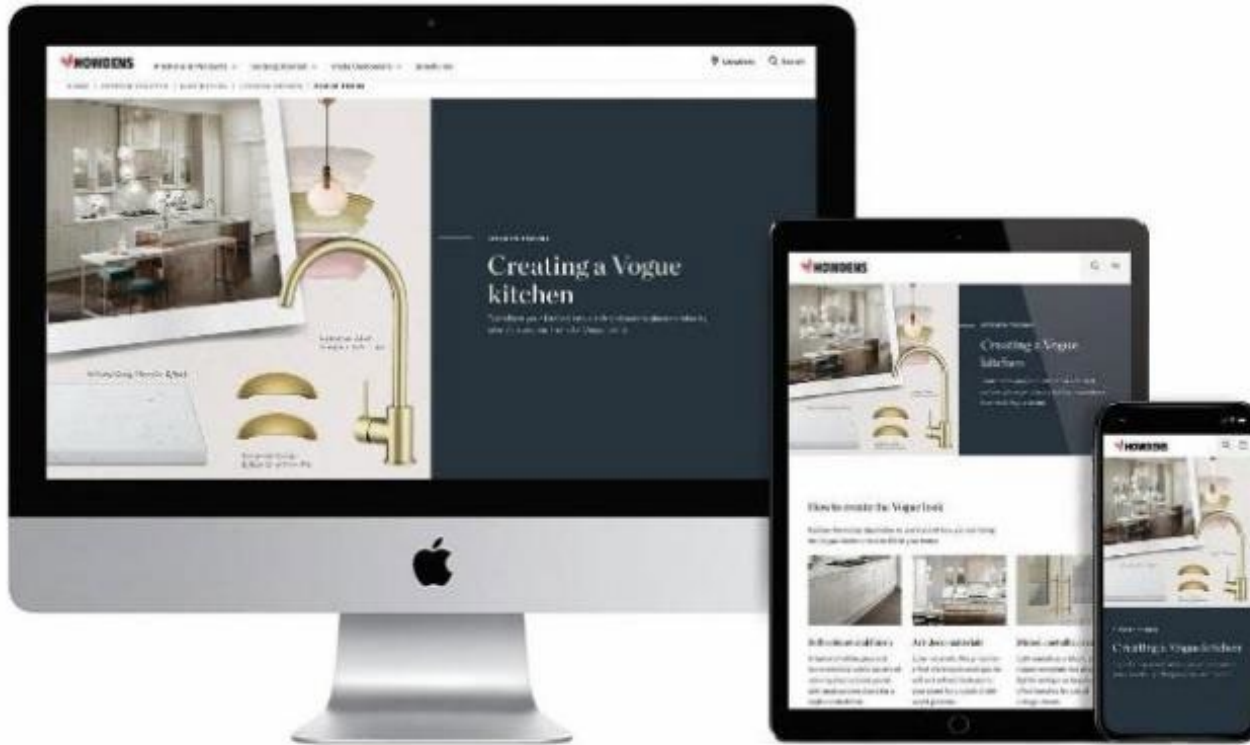
RANGE MANAGEMENT



DIGITAL DEVELOPMENT



INTERNATIONAL



Building digital capability

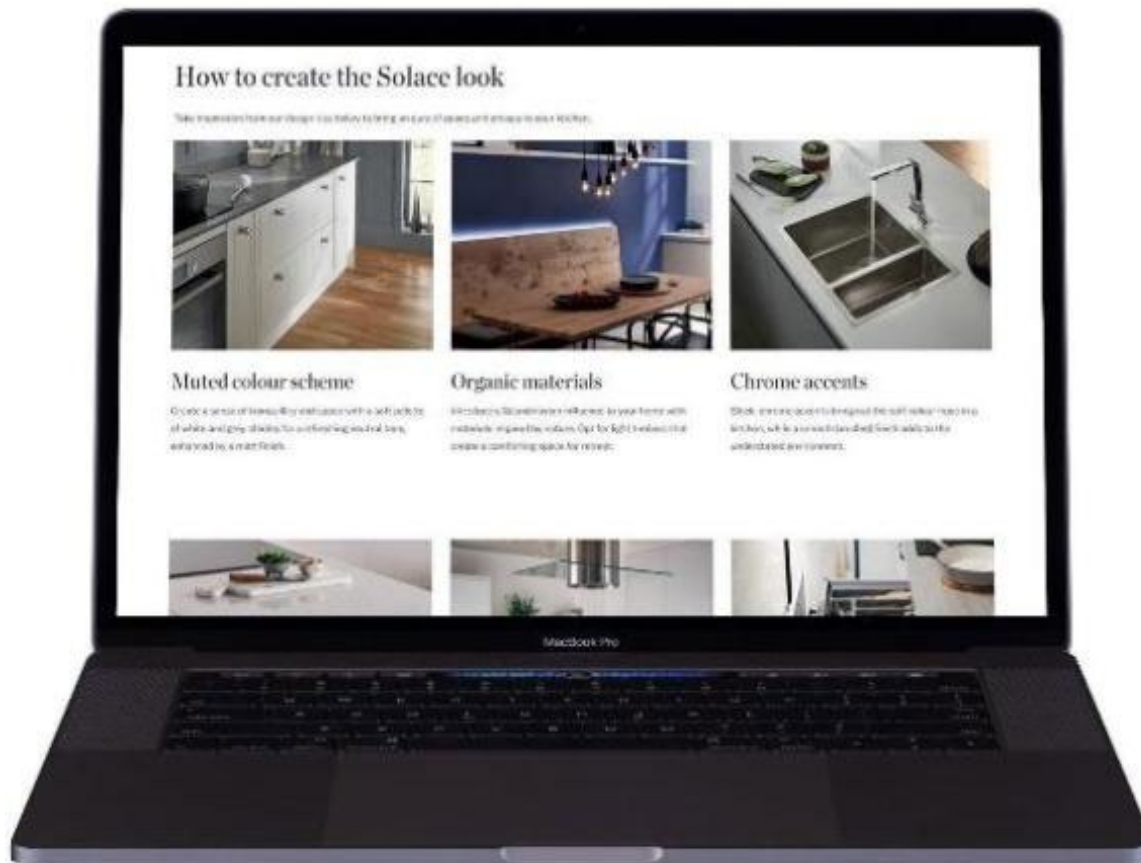
- Improve interface for customers
- Increase awareness
- Streamlined operating processes

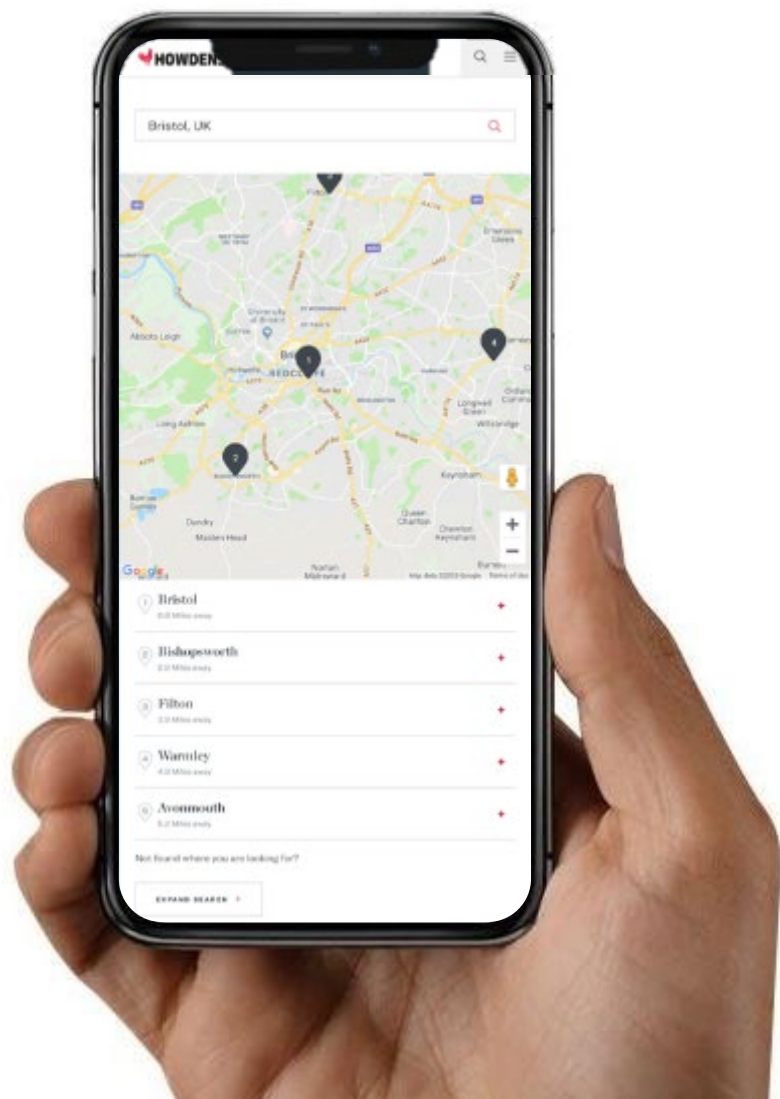
New platform

- Mobile friendly
- Traffic growth
- Improved lead quality

Increasing consumer awareness

- Greater visibility in search
- Easier access to products, styles and colours
- Stronger social media presence





Better connectivity and operating processes

- Mobile first
- Depot in pocket
- Trade login area
- Account management
- Information access



DEPOT EVOLUTION



RANGE MANAGEMENT



DIGITAL DEVELOPMENT



INTERNATIONAL

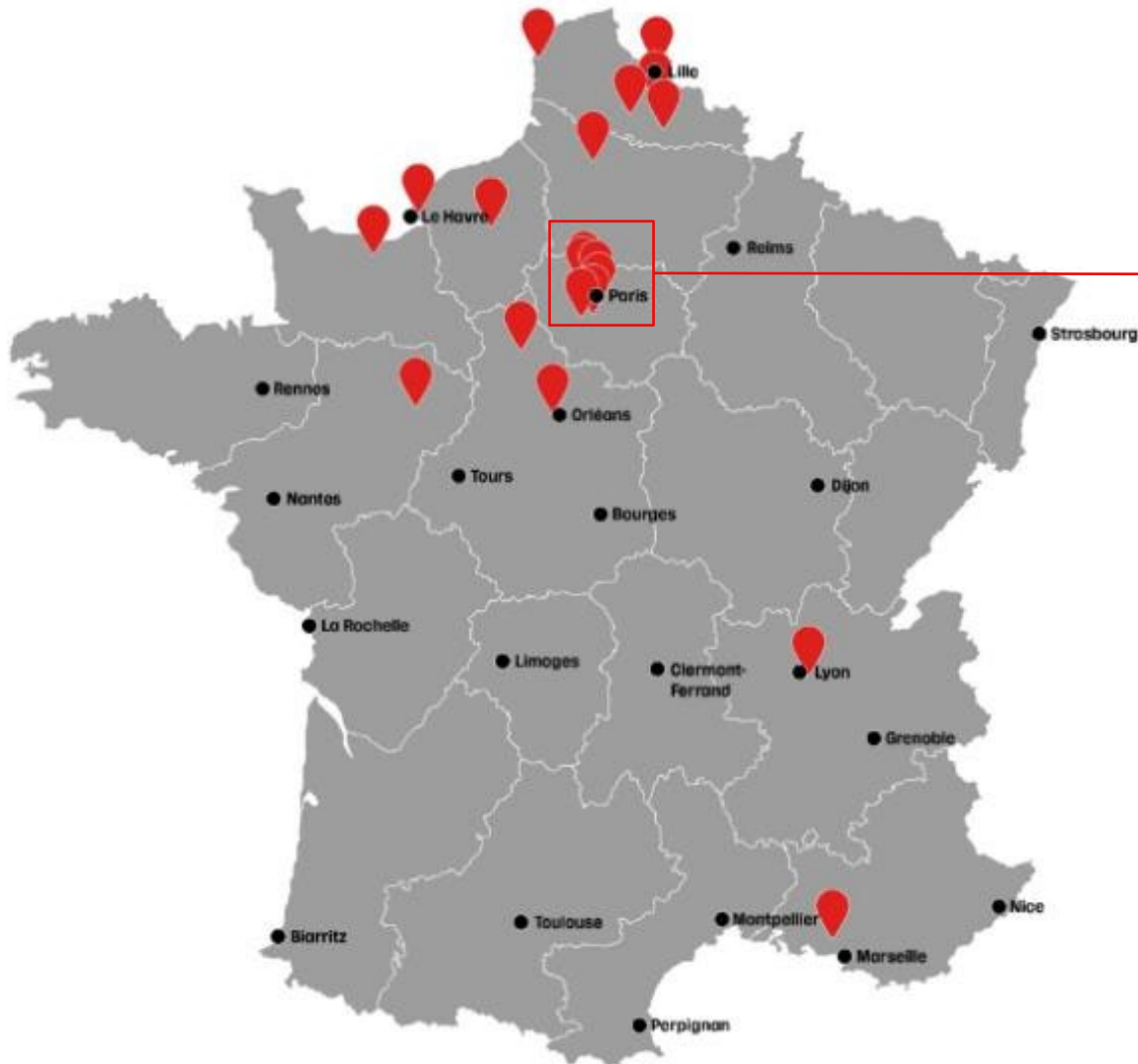


2018: 24 depots in 4 countries

Freestanding market estimate
FR €1.6bn v UK €2.1bn

DIY kitchen sales - FR 91% v UK 50%

Mature French depots sales - €2.1m
(similar to comparable UK depots)



 Target Areas

Local cluster benefits

City based :

- Reach local scale
- Establish accounts
- Build Howdens ' know-how and culture



Rebranding to gain advantages from :

- UK brand equity
- Online search reputation
- Business efficiencies

2019



Price increase in January

Open 40 UK depots

Brexit planning

5.1% Sales growth on a same day basis - P1 & P2





2018 Preliminary Results

28 February 2019