



**HOWDENS**

JOINERY CO.

# 2017 PRELIMINARY RESULTS

1 March 2018



**HOWDENS**  
JOINERY CO.

Richard Pennycook  
Chairman



**HOWDENS**  
JOINERY CO.

**Matthew Ingle**  
Chief Executive Officer

# A very successful business



Revenue  
Cash  
Investment

- Good year for Howdens
  - Pricing initiatives
  - Revenue, gross profit growth and cash
- Product development
  - 26 ranges introduced in 2017
  - Expanding range of kitchen styles
- Investment drive
  - Howden and Runcorn
  - Raunds operational in Period 11



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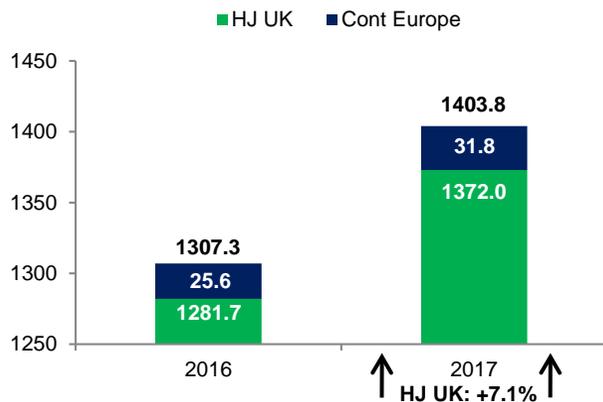
**Mark Robson**  
Deputy CEO and Chief Financial Officer

# Business developments

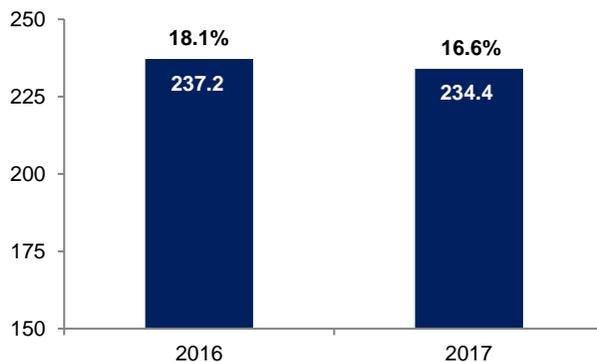
- 19 new UK depots
- Supply
  - Howden and Runcorn new facilities on track
- Raunds utilised for Period 11  
Expect to migrate majority of distribution during 2018
- Introduced 26 new kitchen ranges

# Highlights

Revenue, £m

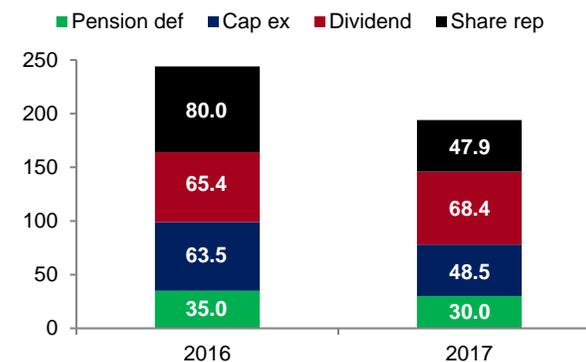


Operating profit, £m, and margin, %

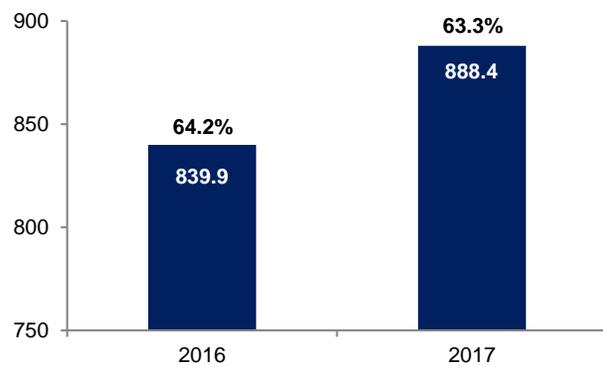


45.3

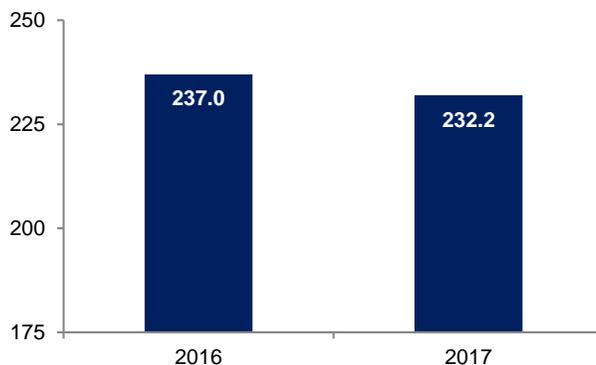
Uses of 'cash', £m



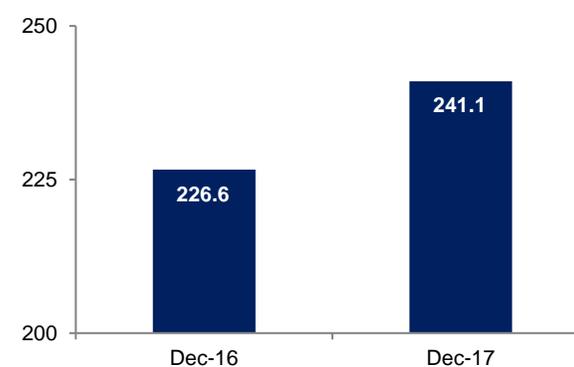
Gross profit, £m, and margin, %



Profit before tax, £m



Net cash, £m



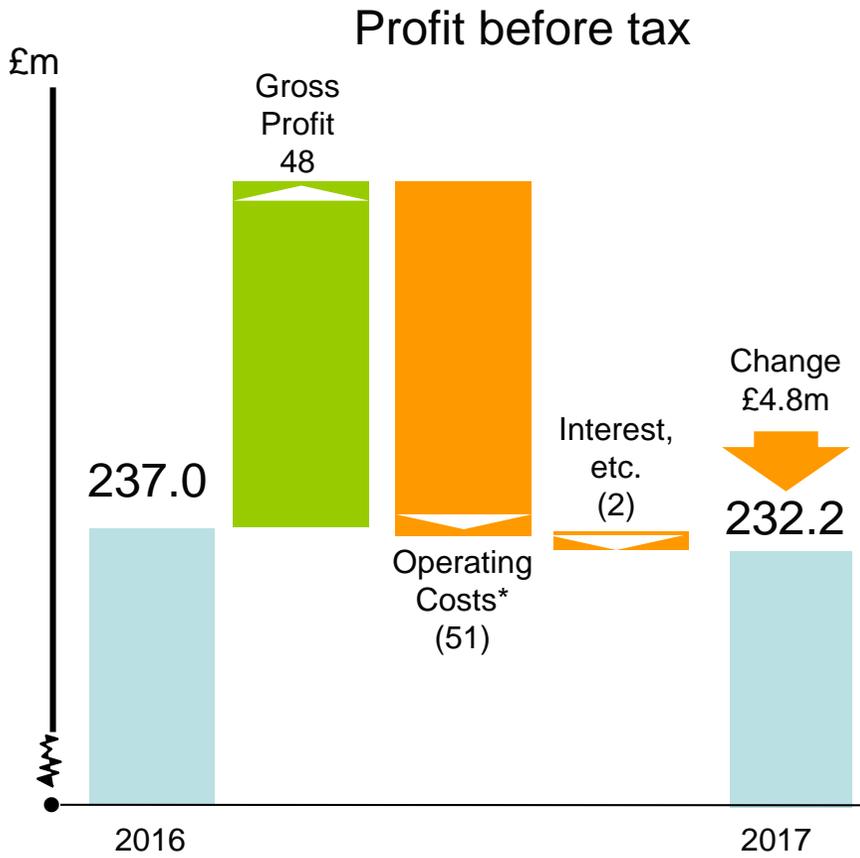
# Revenue

2017 UK depot revenue £1,372.0m  
• total +7.1% • LFL +5.2%

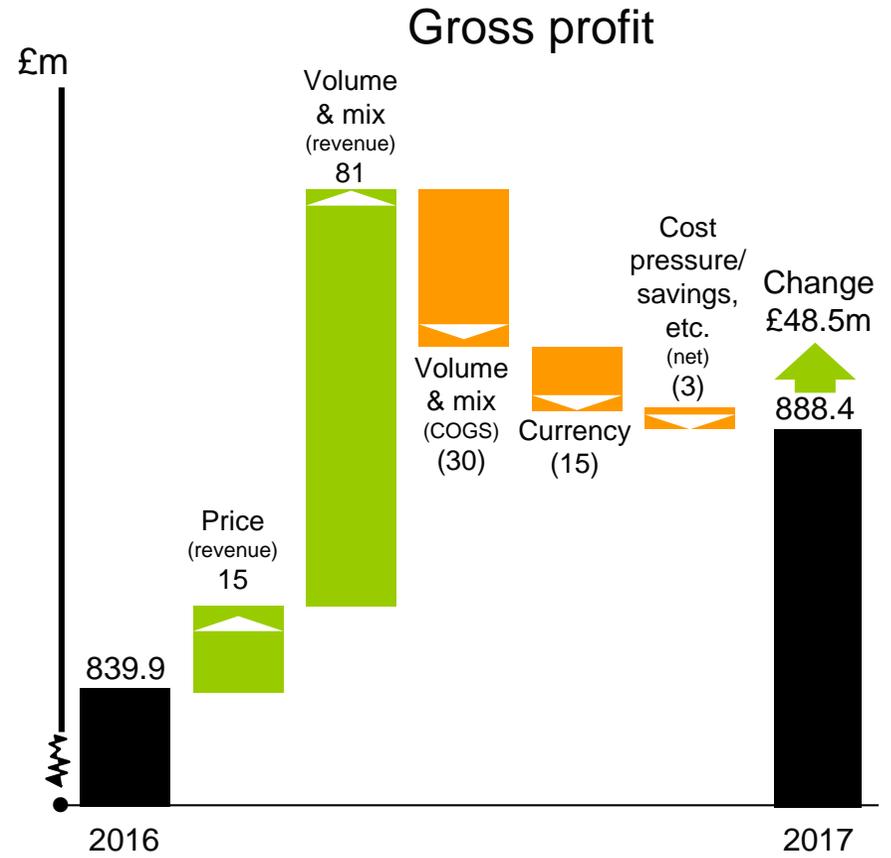
2017 Cont'l Europe depot revenue £31.8m  
• France total +11.1% • LFL +6.4%

# Profit before tax

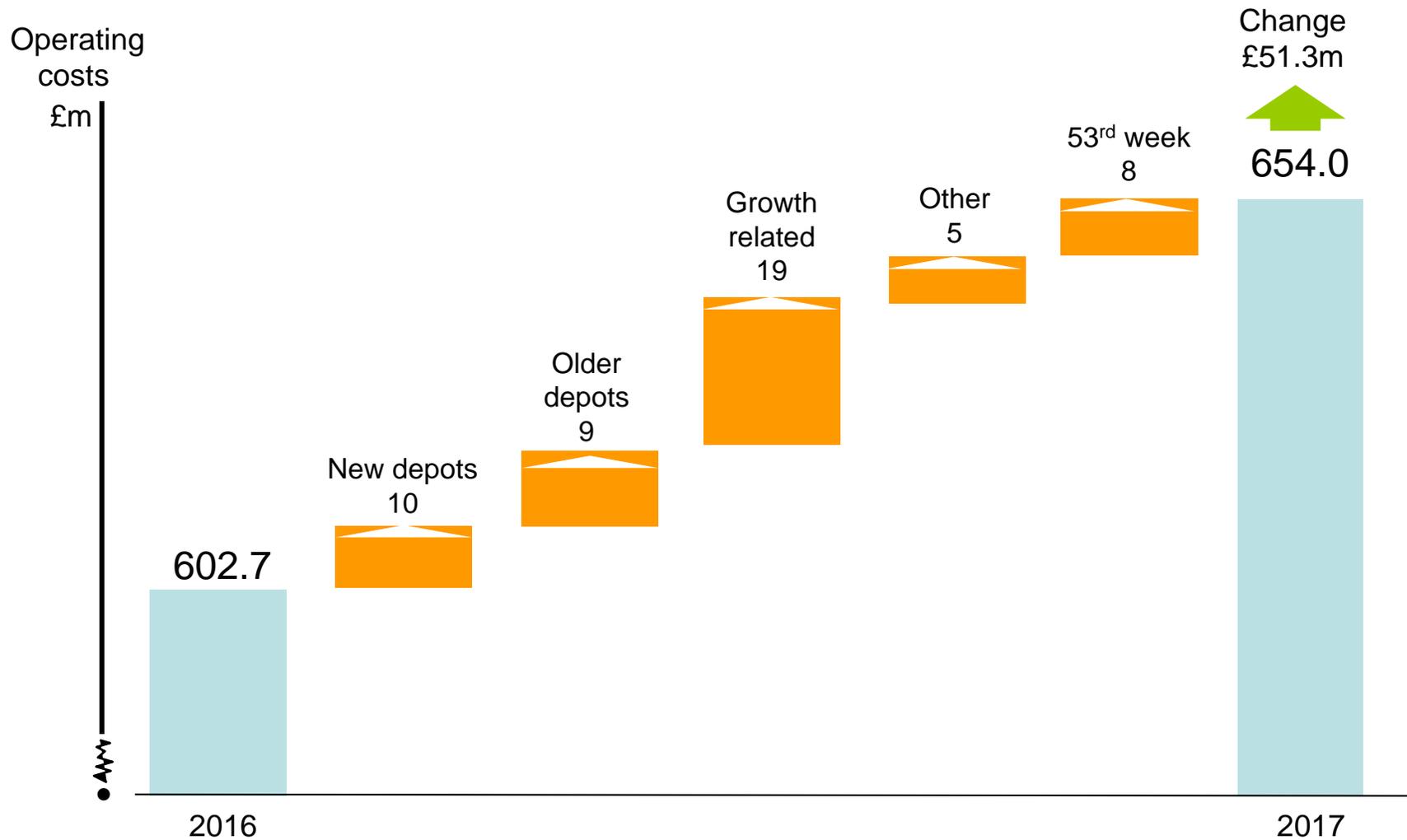
**Group gross profit margin**  
 • 2017: 63.3% • 2016: 64.2%



\*includes £8m for 53rd week



# Operating costs



# Income statement

| £m                    | 2017           | 2016    |
|-----------------------|----------------|---------|
| Revenue               | <b>1403.8</b>  | 1307.3  |
| Cost of goods sold    | <b>(515.4)</b> | (467.4) |
| Gross profit          | <b>888.4</b>   | 839.9   |
| Operating costs       | <b>(654.0)</b> | (602.7) |
| Operating profit      | <b>234.4</b>   | 237.2   |
| Net interest          | <b>(2.2)</b>   | (0.2)   |
| Profit before tax     | <b>232.2</b>   | 237.0   |
| Tax                   | <b>(47.2)</b>  | (51.4)  |
| Profit for the period | <b>185.0</b>   | 185.6   |

# Earnings per share, dividends and repurchases

| £m                                       | 2017         | 2016  |
|--|--------------|-------|
| Earnings per share                       | <b>29.9p</b> | 29.5p |
| Dividend                                 |              |       |
| • final (recommended)                    | <b>7.5p</b>  | 7.4p  |
| full year                                | <b>11.1p</b> | 10.7p |
| • 2017 final dividend costing £46.0m     |              |       |
| • Repurchased £48m of shares during 2017 |              |       |

# Net cash and cash flow

| £m   | 2017          | 2016   |
|--|---------------|--------|
| Opening net cash   | <b>226.6</b>  | 226.1  |
| Operating cash flows before movements in working capital | <b>266.6</b>  | 265.1  |
| Working capital  | <b>(26.9)</b> | 1.5    |
| Capital expenditure                                      | <b>(48.5)</b> | (63.5) |
| Tax paid   | <b>(41.8)</b> | (28.8) |
| Dividends  | <b>(68.4)</b> | (65.4) |
| Share repurchases  | <b>(47.9)</b> | (80.0) |
| Pension contribution                                     | <b>(21.2)</b> | (30.6) |
| Other  | <b>2.6</b>    | 2.2    |
| Closing net cash   | <b>241.1</b>  | 226.6  |

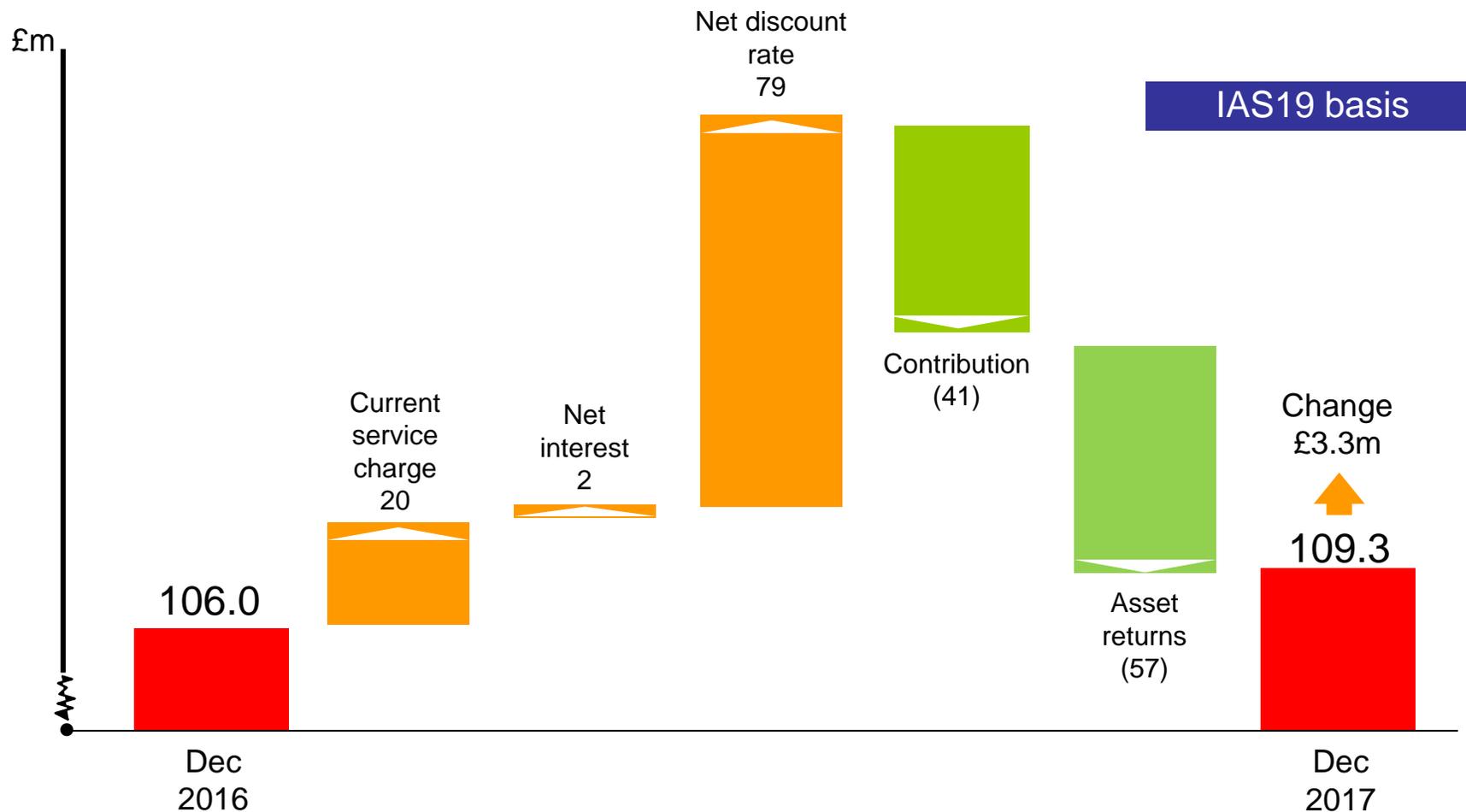
# Working capital

- Working capital increased £26.9m
  - stock up £25m
  - debtors up £2m
  - creditors flat

# Return of excess cash to shareholders

- February 2017
  - up to £80m to be returned via new share repurchase programme during next two years
  - £48m returned in 2017 remaining £32m due in 2018
- Along with ordinary dividend payments, 2017 shareholder payments totalled £116m
- March 2018
  - Further share repurchase of £60m during next two years

# Pension scheme deficit



# Current trading and outlook for 2018

- Sales in first two periods up 12.5% (excluding week 1 & 2)
  - extra week trading in 2018 compared to 2017
  - up 7.9% in same period 2016-2018
- Up to 30 new depots in UK
- Cost pressures
  - ongoing and inflation
  - continued investment including digital upgrades
  - moving to Raunds
  - additional depreciation
- Capital expenditure: £60m 2018
- Mindful of risks to UK economy – well positioned to respond



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**Matthew Ingle**  
Chief Executive Officer

# Focused on the trade

- ➔ Professionals doing a complex job
- ➔ The builder is the centre of what we do
- ➔ Depot managers feel confident with the right product
- ➔ Designed with the builder in mind
- ➔ Supplied from local stock



The builder depends on Howdens

# The changing market

- ➔ Fashion cycles are faster
- ➔ The right design at the right price
- ➔ Increasing demand for choice
- ➔ More documentation
- ➔ New technologies

Kitchen SKUs

700 → 6,000  
(2008) (2017)

Technology allows for more affordability

# Accelerating product introductions in 2017

- ➔ 26 new ranges in 2017
- ➔ 11 new grey options
- ➔ More accessories
- ➔ New oak cabinet



*Greenwich  
Super Matt Grey*

Managing complexity in a sophisticating market

# Making design affordable

- ➔ Howdens now installs 30% of all solid surface worktops sold
  - Up from 10% in 2016
  - Solid surface worktops now account for 50% of total market
  - Increasing solid surface fitters
- ➔ Introduced linear style of kitchen
- ➔ Developing online presence



*White Mirror Chip Quartz worktop  
and Clerkenwell kitchen*

Continuing to invest in the Howdens proposition

# Increasing complexity

- ➔ The demand for more choice
- ➔ Make complex as simple as possible
- ➔ Expect to introduce around 20 new ranges
- ➔ New styles and finishes



*Grey Oak cabinet*

Investing to benefit from change

# Investing in the future of supply

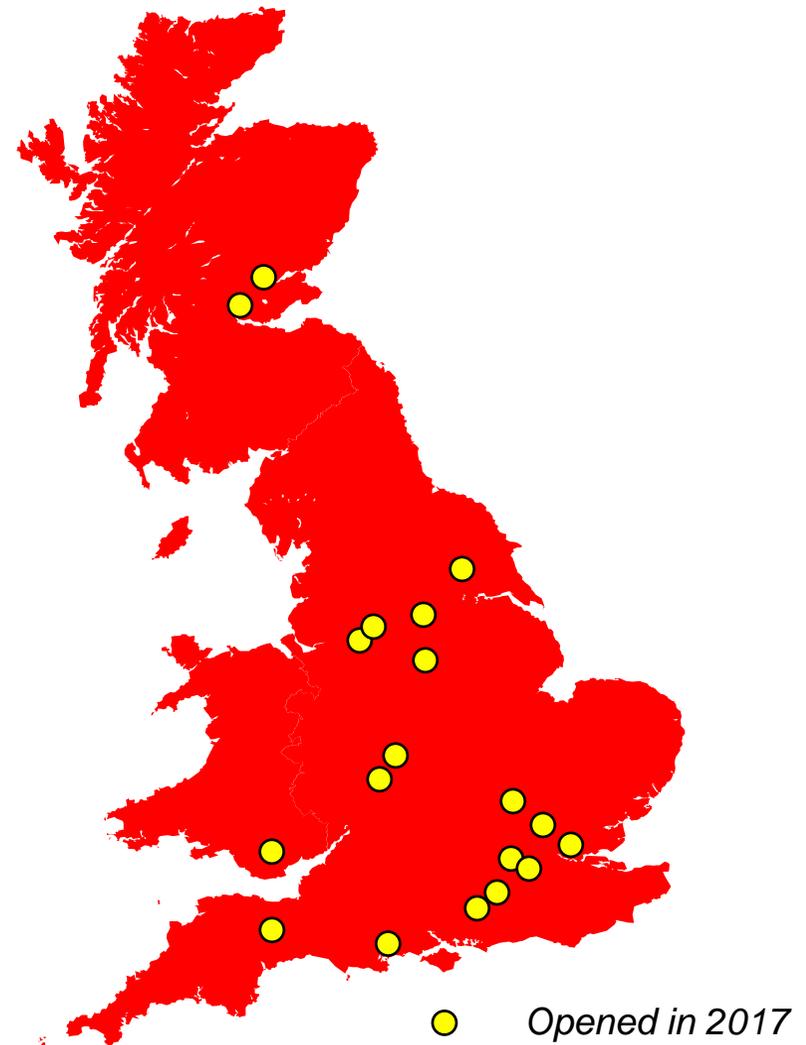
- ➔ Raunds used for bulk storage during Period 11
- ➔ 650,000 sq.ft. with double the height
- ➔ Fully operational for Period 11
- ➔ Upgraded to SAP Hana



Building for the future

# Ongoing depot opening programme

- Currently 662 depots
  - 19 depots opened in 2017
  - Scope for up to 800 depots
- Low cost
  - c.10,000 sq.ft
  - Rent c.£5.50 / sq.ft
  - Fit out c.£300,000
  - Breakeven point c.£650,000



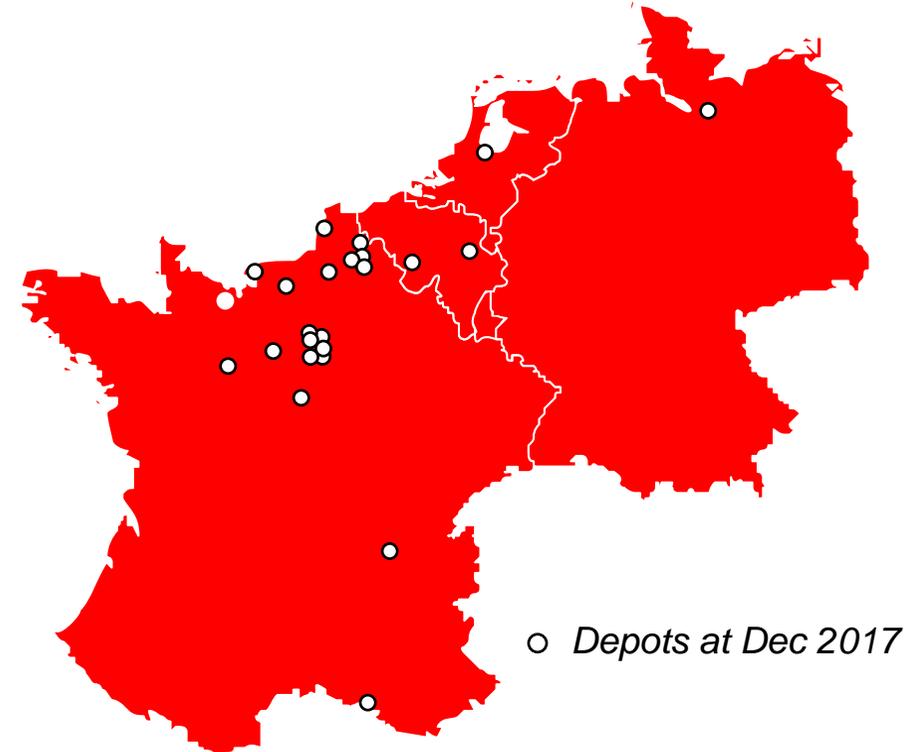
# Flexibility – a local business

- Each depot has its own customers and cost base
- Differing styles of manager and rhythm of customers = different balance, depot by depot
- Addressing complexity generates margin

Local accountability = inherent flexibility

# Continental Europe

- 24 depots
  - 20 depots in France
  - 2 depots in Belgium
  - 1 depot in Netherlands
  - 1 depot in Germany
- France
  - FY LFL sales + 6.4%





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**Rob Fenwick**  
Chief Operating Officer, Supply

# Investment to meet a complex market

## ➡ Distribution

- Good progress at Raunds
- Will be used for Period 11
- Permission for two new facilities

## ➡ Capacity

- Runcorn and Howden on track
- Capacity and complexity
- Site visit in 2018 to Howden

2017  
10k deliveries and 8 million pieces  
in P11 alone



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**Andy Witts**

Chief Operating Officer, Supply

# Andy Witts, COO Trade

## ➡ Product ranges

- Rapid introduction of kitchen ranges in 2017
- ~20 new ranges for 2018

## ➡ Gearing up the depots

- New catalogue with aspirational photography
- Technology brings high-end looks mainstream

## ➡ Autonomy of local managers

- Price flexibility worked well for us in 2017
- We give our builders what they need



**Right product**  
**Right price**



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Theresa Keating  
Finance Director

# Theresa Keating, Finance Director

- ➔ Week 53 impact in 2017
- ➔ P11 impact in FY 2018
- ➔ Debt collection remains robust with bad debt <1% of revenue
- ➔ Pension review process ongoing
- ➔ Planning for growth



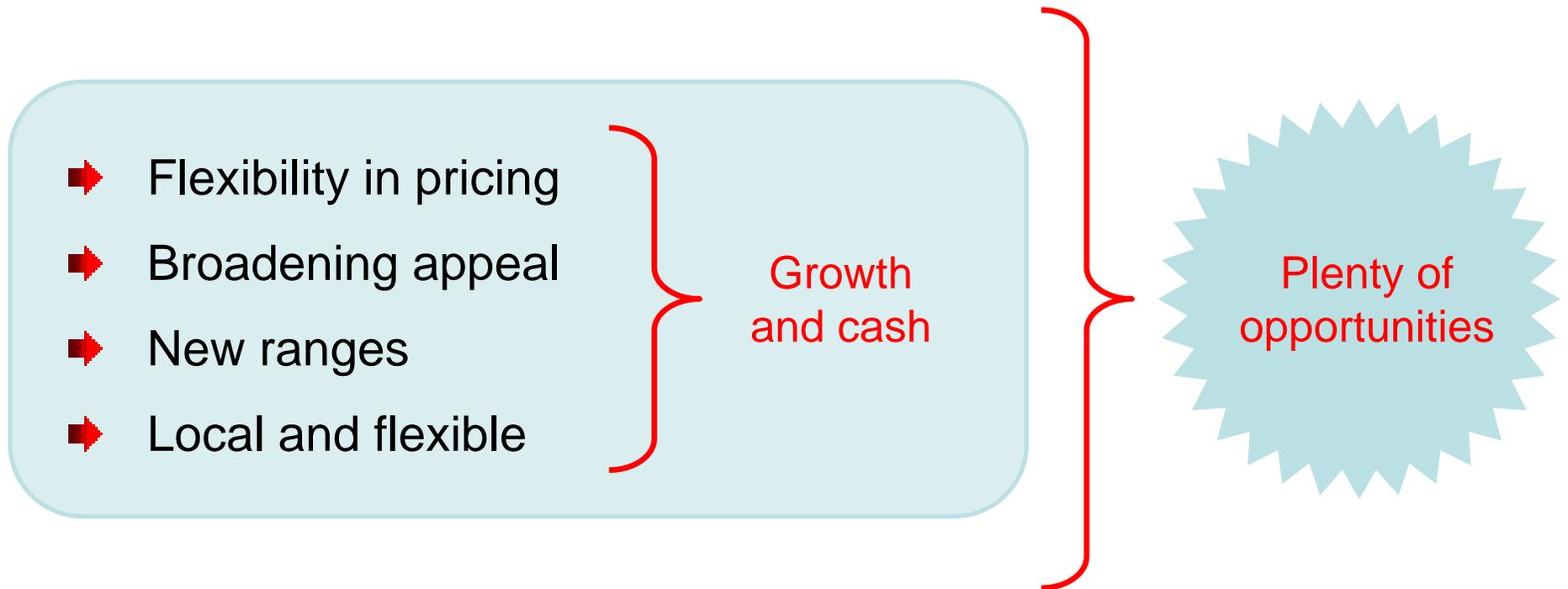
**Strong financial  
structure**



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**Matthew Ingle**  
Chief Executive Officer

# A good year for Howdens



The capability to make our own future



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**HOWDENS**  
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Q&A



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