

12 July 2018

**Dunelm Group plc
Year-end Trading Update**

Dunelm Group plc ("Dunelm" or "the Group"), the UK's leading homewares retailer, reports the following trading update for the 13-week period, and financial year, ended 30 June 2018.

Revenue

Total like-for-like (LFL) revenues in the quarter were broadly flat year on year (0.1% increase). This includes a continuing strong performance in our on-line channel (Dunelm.com) which achieved growth of 41.8%. As previously indicated in our announcement on 25 May 2018, footfall in physical shops was weak in the quarter, leading to a 4.6% decline in sales in LFL stores.

Overall revenue for the quarter showed a 1.4% decline year on year. Whilst we benefited from the strong store opening programme earlier in the financial year, this was offset by decisions to rationalise the offer in our acquired businesses of Worldstores.co.uk and Kiddicare.com - having divested Achica.com during the previous quarter.

For the year as a whole, the Group delivered LFL revenue growth of 4.2% and overall growth of 9.9%.

	13 weeks to 30 June 2018			52 weeks to 30 June 2018		
	Revenue (£m)	YoY Growth (£m)	YoY Growth (%)	Revenue (£m)	YoY Growth (£m)	YoY Growth (%)
LFL Stores ¹	179.0	-8.7	-4.6%	805.0	+8.2	+1.0%
LFL Online ²	30.0	+8.9	+41.8%	105.4	+28.9	+37.9%
Total LFL	209.0	+0.2	+0.1%	910.4	+37.1	+4.2%
Non-LFL Stores ³	17.5	+8.0		73.7	+43.7	
Non-LFL Online ⁴	10.0	-11.6		66.0	+13.7	
Total Dunelm Group	236.5	-3.4	-1.4%	1050.1	+94.5	+9.9%

1. **LFL Stores** - stores trading for at least one full financial year prior to 2 July 2017 without any significant change of space
2. **LFL Online** - Dunelm.com
3. **Non-LFL Stores** - new stores opened within the current financial year or prior financial year
4. **Non-LFL Online** - Worldstores.co.uk, Kiddicare.com and Achica.com. (Note, the Group acquired these businesses in November 2016; it disposed of the Achica business in February 2018)

Gross Margin

Underlying gross margin for the quarter was 40bps higher year on year. However, due to the disappointing footfall experienced during the quarter (including during the key weeks of Summer Sale

when we look to clear through discontinued lines), the volume of clearance merchandise remaining at year-end was greater than normal. As a result, we will be increasing our level of provision for future losses on clearance merchandise by approximately £3m. After allowing for this provision increase, reported gross margin for the quarter will show a year on year decrease of approximately 50bps.

For the full year, after allowing for the provision increase described above, Group gross margin is expected to be 48.0%. This would represent a decline of 90bps over the year, a substantial recovery from the 180bps decline recorded in the first half.

Customers and Market

Our customer reach continues to grow. As at the year-end, the number of active customers for Dunelm.com was up by 18% over the previous year. Despite the footfall challenge of the final quarter, the total number of visits to physical stores in the year (including the benefit of new openings) increased by 5% over the prior year. Pleasingly, we have seen strong performance in satisfaction scores across all channels.

Our data shows that we have continued to outperform the homewares market over the quarter.

Business Development

We continue to refine our plans for the Worldstores businesses acquired in FY17. Specifically:

- a) We are completing development of the Worldstores technology platform prior to migrating the Dunelm.com website onto this platform in the course of FY19. This will enable rapid improvements in our on-line proposition (such as the implementation of click & collect functionality) and we will retain the ability for continuous development of the website.
- b) We have used the Kiddicare brand to grow our participation in the baby and kids market, which we expect to remain a core category for us going forward. Having tested Kiddicare as both an in-store and on-line brand, we have concluded that the best way for us to develop this category profitably is under the Dunelm brand. Accordingly, we plan to retire the Kiddicare website in the first quarter of FY19.
- c) We continue to transfer Worldstores and Kiddicare lines to Dunelm.com and expect to complete this process in the coming weeks with around 5,000 further lines transferring (making 20,000 transferred in total, and bringing our total on-line assortment to over 60,000 lines).

There were no new store openings in the latest quarter, leaving our superstore footprint at 169 stores. We will open two new stores (one of which is a relocation) early in the new financial year.

Overall Financial Performance

We expect full year PBT, before exceptional items, to be approximately £102m (FY17: £109.3m). Included within this are trading losses related to the Worldstores businesses, which we estimate at £8.5m (FY17: £10.7m); these losses will reduce significantly (and will no longer be reported separately) in FY19 as Worldstores trading is absorbed fully into the core Dunelm business.

Separately, FY18 exceptional charges (defined as non-recurring costs related to the acquisition, integration and closure or divestment of Worldstores businesses) amounted to £8.9m.

The group remains strongly cash generative. After dividend payments totalling £53.5m in the last year and capital expenditure approaching £50m, our net debt is expected to be at a similar level to FY17 (£122.1m).

Comment from Nick Wilkinson, Dunelm's Chief Executive:

"I am delighted to have joined Dunelm as it gathers pace on the journey to becoming a truly multi-channel business. I firmly believe that our homewares authority, combined with our increasing ability to adapt to evolving consumer trends, means that there is very significant potential for growth of the Dunelm brand. We have expanded our customer reach and digital capabilities significantly over the last twelve months and will continue to do so as we exploit the technology assets which we acquired with Worldstores.

I am excited about the opportunity at Dunelm and look forward to expanding on my plans for the future of this great brand when we announce our full year results in September."

Ends

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Next scheduled events:

Dunelm will make its preliminary results announcement on 12 September 2018 and there will be a presentation for analysts in the offices of UBS, 5 Broadgate, London EC2M 2QS. Those analysts who wish to attend are requested to contact Pete Lambie of MHP on 020 3128 8100 or peter.lambie@mhpc.com. A copy of the presentation will be made available on the Dunelm website.

Notes

1. Quarterly sales and margin analysis (prior year figures include Worldstores):

	52 weeks to 30 June 2018						
	Q1	Q2	H1	Q3	Q4	H2	FY
Total sales	£247.9m	£297.5m	£545.4m	£268.2m	£236.5m	£504.7m	£1,050.1m
LFL Stores growth	6.5%	1.1%	3.5%	1.2%	-4.6%	-1.6%	1.0%
LFL Online growth	46.2%	30.5%	36.8%	35.7%	41.8%	38.7%	37.9%
Total LFL growth	9.3%	3.4%	6.0%	4.6%	0.1%	2.4%	4.2%
Total sales growth	24.8%	13.6%	18.4%	5.1%	-1.4%	1.9%	9.9%

Gross margin growth*	-220bps	-155bps	-180bps	-15bps	-50bps	-20bps	-90bps
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	52 weeks to 1 July 2017						
	Q1	Q2	H1	Q3	Q4	H2	FY
Total sales	£198.7m	£261.9m	£460.5m	£255.1m	£240.0m	£495.1m	£955.6m
LFL Stores growth	-5.1%	-1.4%	-3.1%	-4.3%	1.3%	-1.8%	-2.4%
LFL Online growth	17.9%	21.7%	20.1%	21.0%	32.1%	26.2%	23.5%
Total LFL growth	-3.8%	0.2%	-1.6%	-2.2%	3.8%	0.6%	-0.5%
Total sales growth	-1.8%	6.6%	2.8%	11.4%	17.7%	14.4%	8.5%
Gross margin growth*	0bps	-60ps	-35bps	-75bps	-195bps	-130bps	-90bps

*estimated group margin growth

Notes to Editors

Dunelm was founded in 1979 as a market stall business, selling ready-made curtains. The first shop was opened in Leicester in 1984 and over the following years the business developed into a successful chain of high street shops before expanding, following the opening of the first Dunelm superstore in 1991, into broader homewares categories. Dunelm is now a multi-channel retailer, with Dunelm.com being launched in 2005 and the acquisition of the Worldstores Group in 2016 accelerating this further.

Dunelm is market leader in the £13bn UK homewares market and active in the £11bn UK furniture market. It currently operates 172 stores, of which 169 are out-of-town superstores and 3 are located on high streets, and online stores, the largest of which can be found at www.dunelm.com. Dunelm employs approximately 10,000 colleagues and sells around 30,000 product lines in store, increasing to around 60,000 online.

Dunelm, "The Home of Homes", offers a customer proposition of style, value, quality and ease of shopping. From its textiles heritage, in areas such as bedding, curtains, cushions, quilts and pillows, Dunelm has rapidly broadened its product offering to a complete homewares offer including the likes of kitchenware, dining, lighting, seasonal, wall art and rugs. Dunelm is one of the few national retailers to offer an authoritative selection of curtain fabrics on the roll, and owns a specialist UK facility dedicated to producing made-to-measure curtains.

The product range includes many exclusive, own brand designs and premium brands such as Dorma and Fogarty. This is augmented by a range of other well-known brands and license agreements.

Dunelm has been listed on the London Stock Exchange since October 2006 (DNLM.L) and has a current market capitalisation of approximately £1.0bn.

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