



# Wickes



## 2022 Half year results

Record first half sales with further market share gains  
in a challenging macro backdrop

15 September 2022

*Strictly Private & Confidential*

The Wickes logo consists of the word "Wickes" in a bold, white, sans-serif font, centered within a dark blue shield-shaped emblem with a white border.

**Wickes**

# Chief Executive

---

David Wood

# Agenda for today

---

01

## Key Highlights

David Wood

Page 4

---

02

## Financial Review

Mark George

Page 5

---

03

## Business Update

David Wood

Page 14

---

04

## Q&A

David Wood & Mark George

Page 23

---



# A strong first half, delivering on all fronts



- **Record first half sales** with further gains in market share
- **Accelerating TradePro growth** driving a robust Core performance as DIY market moderates
- **Strong DIFM delivered sales** as we work through our large order book
- Confident in our uniquely balanced business model, with **growth levers driving continued outperformance**
- Our flexible operational model **enabling efficiencies** in a more challenging environment
- **Strong balance sheet and cash generation** supports investment in growth levers, further innovation and financial agility
- **Intention to maintain full year cash dividend at 10.9p** per share



The Wickes logo consists of the word "Wickes" in a bold, white, sans-serif font, centered within a dark blue shield-shaped emblem with a white border.

**Wickes**

# Financial Review

---

Mark George

## Strong first half performance

---

Revenue **£822m**,  
up **0.8%** on  
an LFL basis

**70bp decline** in gross  
profit margin reflecting  
recovery of inflation on  
cash cost basis and strong  
Local Trade performance

Strong balance sheet  
with cash of **£166.5m**  
IFRS 16 net debt reduced  
to **£(558.5)m**

LFL sales up **23.4%**  
on a three year basis  
Core LFL up **36.3%**  
DIFM **(6.5)%**

Half year adjusted  
PBT **£45.6m**, down 1.9%  
on last year

Interim dividend of  
**3.6p**; intention to maintain  
full year dividend per share at  
last year's level (10.9p)

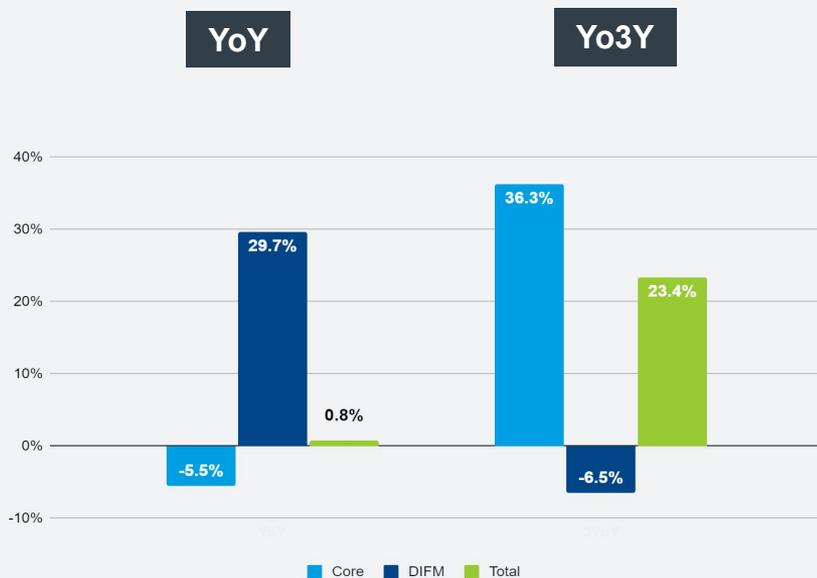
# Resilient profitability despite inflation and mix effects

£m	HY2022A	HY2021A	Change %
Revenue	822.3	812.0	+1.3%
LFL (%)	<b>0.8%</b>	<b>33.1%</b>	<b>na</b>
Gross profit	292.6	294.8	(0.7)%
Gross profit %	<b>35.6%</b>	<b>36.3%</b>	<b>-70bp</b>
Selling and admin costs	(236.3)	(232.9)	+1.5%
% of sales	<b>28.7%</b>	<b>28.7%</b>	<b>n/c</b>
Adj Operating profit	56.3	61.9	(9.0)%
Adj Op profit %	<b>6.8%</b>	<b>7.6%</b>	<b>-80bp</b>
Interest / FX	(10.7)	(15.4)	(30.5)%
Adj PBT	45.6	46.5	(1.9)%

Note: As a result of the 53rd week in FY2021, H1 2022 LFL is based on the comparable 26 weeks to 3 July last year.  
Gross profit percentage reflects gross margin less the impact of distribution costs  
Some figures affected by rounding

- **LFL sales growth positive** despite strong second quarter comparatives, driven by Local Trade and DIFM
- **H1 Core inflation of c15%**, consistent through the half
- **Gross profit percentage reduction** reflects strong Local Trade participation and cash cost recovery of inflation
- Stable cost ratio despite fall in volumes reflects **flexibility** in our business model and action to reduce costs
- Half year adjusted operating profit margin reflects **drop through from gross profit level**
- H1 2022 PBT includes **unrealised FX gains of £4.3m** (HY 2021: £0.5m)

# LFL trends show the benefits of our balanced business model



Core three-year LFL sales **significantly ahead, with our Local Trade** business continuing to perform well. DIY activity slowed at period end

**DIFM three-year LFL improved through the half** as we successfully worked through the elevated order book, despite ongoing Covid and supply chain challenges

Continued **outperformance in Core market share** <sup>(1)</sup>, driven by market-leading value proposition

**DIFM order book at end of first half stood at £136m**, still significantly ahead YoY

Note: As a result of the 53rd week in 2021, H1 2022 LFL is based on the comparable 26 weeks to 3 July last year. DIFM represents delivered sales. (1) Source: GfK GB PoS data

# Profit performance reflects impact of divisional sales mix



All figures in £m

# Moderate operational cost base inflation

## Operating cost breakdown, including distribution

		<u>Current inflation by cost area</u>
Fixed	Rent	None
	Rates	None (temporarily)
	D&A	Function of capex spend
Semi variable	Store wages	2022 pay increase: - Managers: 2.5% - Other: 6.6% based on NMW
	Distribution	c4%
	Support centre and marketing	2022 pay award: 2.5% Marketing flat as % of sales
	Other / utilities	

**Overall cost base inflation c3%**

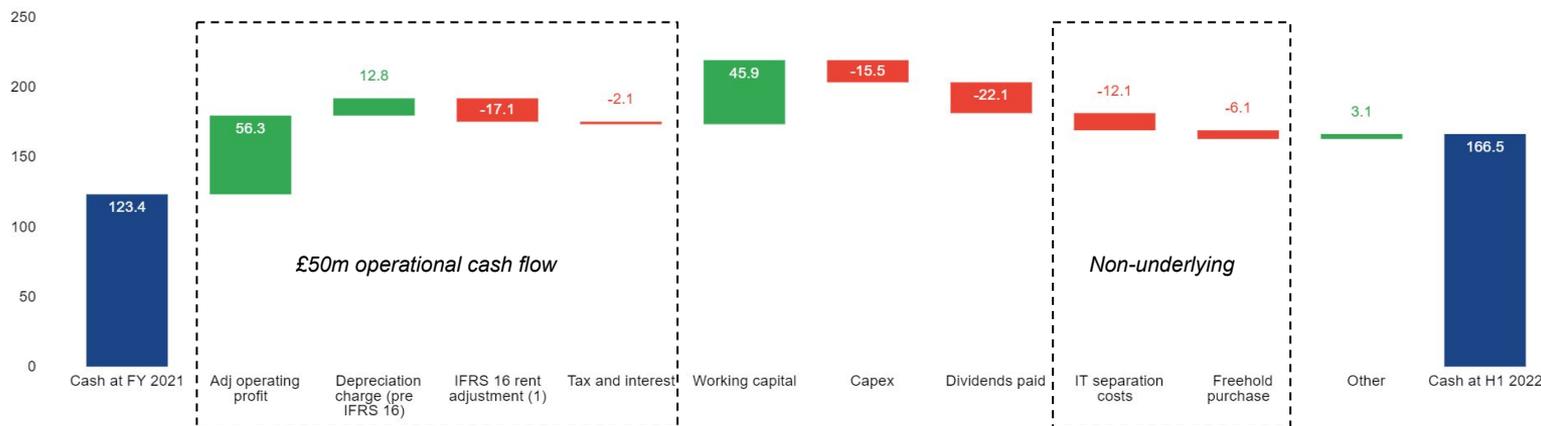
**‘Fixed’ costs currently subject to minimal inflation. In variable costs there is moderate inflation and ability to lower costs with volume:**

- **Rent** is fixed in short term; predominantly contractual increases on a 5-year review at open market value, with recent deals suggesting no inflation
- **Business rates** currently benefiting from temporary removal of inflation uplift
- **D&A** costs are relatively small and fixed (in the short term), based on previous capital investments (although some inflation in capital project costs)
- **Store wages** are driven by minimum wage for most staff; number of hours can be flexed with volumes, and bonuses also flex with performance
- **Distribution costs** rise with wages and fuel costs, but are partially volume-linked (particularly outsourced last-mile delivery) so volume declines can offset inflationary pressures
- **Support centre** costs increase with pay awards and are generally fixed in the short term but can be flexed through efficiency and bonuses
- **Marketing** typically remains flat as % of sales
- **Utilities** are ‘fixed’ while a hedged position is in place but then can change when a new position is locked (current hedge in place until April 2023)

# Operational cash flow supporting strong balance sheet with £167m cash

	HY 2022	FY 2021	HY 2021
Cash on Balance Sheet	£167m	£123m	£204m
Lease Debt	£725m	£742m	£769m
<b>IFRS 16 Net Debt</b>	<b>£559m</b>	<b>£619m</b>	<b>£565m</b>
<b>IFRS 16 Net Debt : LTM EBITDA</b>	<b>2.6x</b>	<b>2.8x</b>	<b>2.6x</b>

- **Cash position higher at half year** than full year, from strong operational cash flow as well as the working capital cycle
- IFRS 16 lease debt reflects **profile of lease renewals**; expect a higher level of lease renewals from 2026
- **Lease adjusted debt / LTM EBITDA is 2.6x**, reflecting seasonally high net cash
- **Cash position to moderate by year end** reflecting a normal working capital cycle and IT separation costs



1. IFRS16 interest and cash rent difference

# Intention to maintain same cash dividend in FY 2022



## Strong cash generation



Strong balance sheet  
Net Debt / EBITDA  
consistently < 2.75x

Cash for working  
capital purposes



Investment in our  
growth levers increased  
to c£45m p.a.

IT separation  
concludes 2023



Dividend policy  
40%\* of adjusted  
PAT



Surplus capital may be  
returned to investors –  
via share buybacks  
or special dividend

**\*Assuming FY 2022 PBT is in the range of £72-82m, our intention is to maintain the same cash dividend as FY 2021, which would result in a payout ratio higher than 40% of adj. PAT**

---

## Outlook

As guided in our recent 27 July trading update, second half trading in DIY has slowed, reflecting a more challenging economic backdrop. While the trading outlook remains uncertain we are confident that we have the right model to continue outperforming the market. We reaffirm our guidance for full year adjusted PBT in the range of £72 - 82m, and, on this basis, intend to maintain the same full year cash dividend as FY2021.

---

## Technical guidance

- Full year interest of c£29m
- Full year adjusted tax rate c20%
- Capex £40-45m
- Separation costs c£25m (adjusting item)

The Wickes logo consists of the word "Wickes" in a bold, white, sans-serif font, centered within a dark blue shield-shaped emblem with a white border.

**Wickes**

# Business update

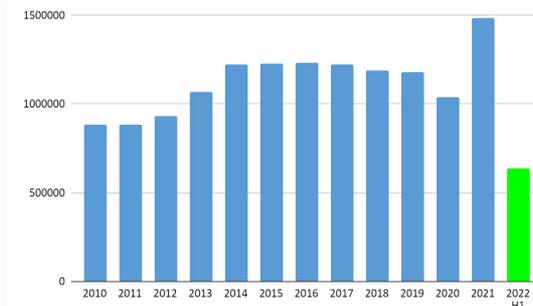
---

David Wood

# A large £26.5bn market underpinned by strong fundamentals

- 65% of UK housing stock is owner occupied with an average **house age of over 50 years**
- Housing transactions and prices are at record levels - encouraging **equity withdrawal**
- We are **spending more time at home** and want our homes and gardens to better reflect the way we're living
- Home improvement spend rises strongly with customer age, **benefitting DIFM and Local Trade**
- Increasing imperative to address **rising energy costs** and **climate change**

UK housing transactions



Source: gov.uk

2022 YTD reflects provisional data to July

% of total spend on trade and Installer Services by age group (2021)



Source: TGI

# Current market trends vary across our customer propositions

## Trade

- Trade pipelines remain healthy – **1 in 4 tradespeople have a pipeline of over 12 months**, with close to 60% having a pipeline of over 3 months, both broadly unchanged since early 2022
- **Two thirds of tradespeople have not seen any jobs being cancelled or postponed.** When postponed, the majority re-book work within the next month

## DIFM

- No significant change in **leads, conversion or Average Order Value.** No change in cancellations
- As outlined in July, **customers are taking longer to commit to projects** due to a more uncertain economic environment

## DIY

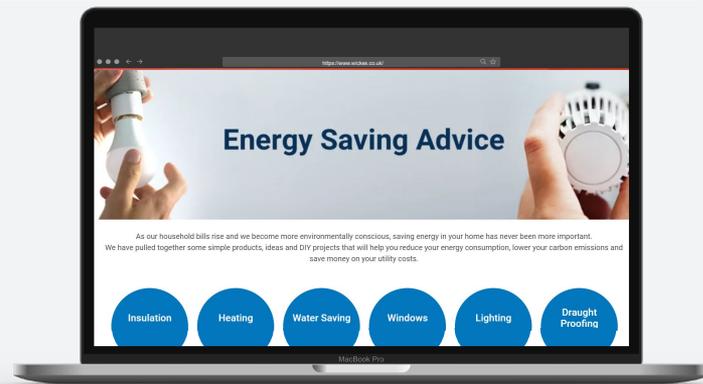
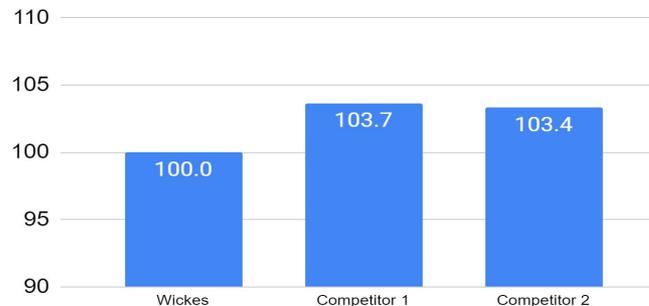
- Engagement in DIY remains high - **90% of households are engaged in a DIY project**, with indoor projects most popular at present
- Some evidence of scaling back of projects as a result of the cost of living crisis, although our survey suggests **only 1 in 10 projects are being cancelled**

(Source - Wickes Mood of the Nation survey, August 2022)

# Our customer proposition helps drive market share gains

- Our **balanced business model** leaves us well positioned with greater resilience to consumer trends
- Local Trade **increasingly seeking value**, with half doing more online research than normal and **using Wickes more frequently** as a result
- **Our highly curated product range** allows us to be focused on both price and availability
- Two-thirds of sales come from our **market leading own brand range**, with strong brand recognition through its 50 year heritage
- **Innovation in new products and services** is helping drive customer demand
- Well placed to support customers with **energy saving plans**, with stronger ranges and an easier online journey

Price Index Position Q2: Weeks 14-26



# We are continuing to invest into our proven growth levers



# Investing in growth levers to drive innovation and market share

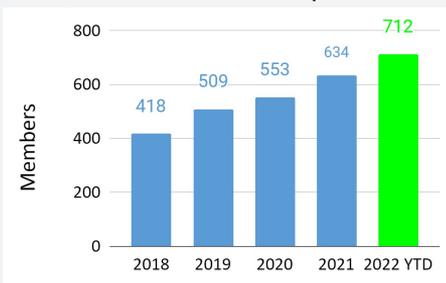


## Winning for Trade

TradePro sales up 20% in H1

18% growth in total Trade Pro customer base to >710,000

c.10,000 new members per month



## Accelerating DIFM

New bathroom and kitchen ranges launched in H1 now account for 15% of showroom sales

Record number of installer teams at over 2,800 (LY 2,600) on track for 3,000 by Year End

Six new ranges of our 'Ready to Fit' offering tailored to the lower budget kitchen market



## DIY Category Wins

Range development across Garden Maintenance and Buildings; sales now > 75% vs 2019

Strong share gains in Decorative, with further ranges landing in H2, including new Crown Branded range

Successful broadening of DIY appeal to younger and female audiences

# Investing in growth levers to drive innovation and market share



Completed 6 to date of 11 refits expected for the full year. Refits see sales & ROCE uplifts of over 25%

New store in Bolton opening in Q4 2022

Plans to open on average 4-5 new stores per annum over the next 5 years



Increased square footage of order fulfilment in a further 30 stores, increasing our home delivery capacity by over 10%

Continued roll out of digital technology with colleague 'picking' handsets

Launched 30 minute click and collect window



Strong growth in digitally led sales, despite lapping Covid comparatives

Successfully launched machine learning to cover all three propositions

Launched eBay marketplace to grow customer base and sales. Option to launch on additional marketplaces

# Positive progress across all pillars of Responsible Business strategy



- 131 local organisations supported by new Wickes Community Programme
- Four of our I&D leaders recognised with national awards
- Industry-leading employee engagement at 80%
- £1.8m raised for YoungMinds (target £2m by year end)



- Completed business-wide carbon footprint of scope 1,2, and 3 emissions
- Energy management platform implemented across estate
- New company car policy placing electric vehicles at heart of fleet strategy

## Setting Science Based Targets in September



- Full review of sustainable products and services to develop new sustainable products taxonomy
- Development of customer support for cost of living crisis
- Product by product carbon footprint analysis completed, product focus areas identified

# A strong first half performance, confident in our ability to continue to outperform

---

- Record levels of sales and good progress across our growth levers.
- Market outperformance driven by uniquely balanced business model
- Confident in our ability to outperform despite challenging environment
- Well placed to capitalise on the long term structural trends in the UK's large home improvement market
- Strong balance sheet and cash generation supports continued investment in growth levers



**Wickes**

**Q&A**

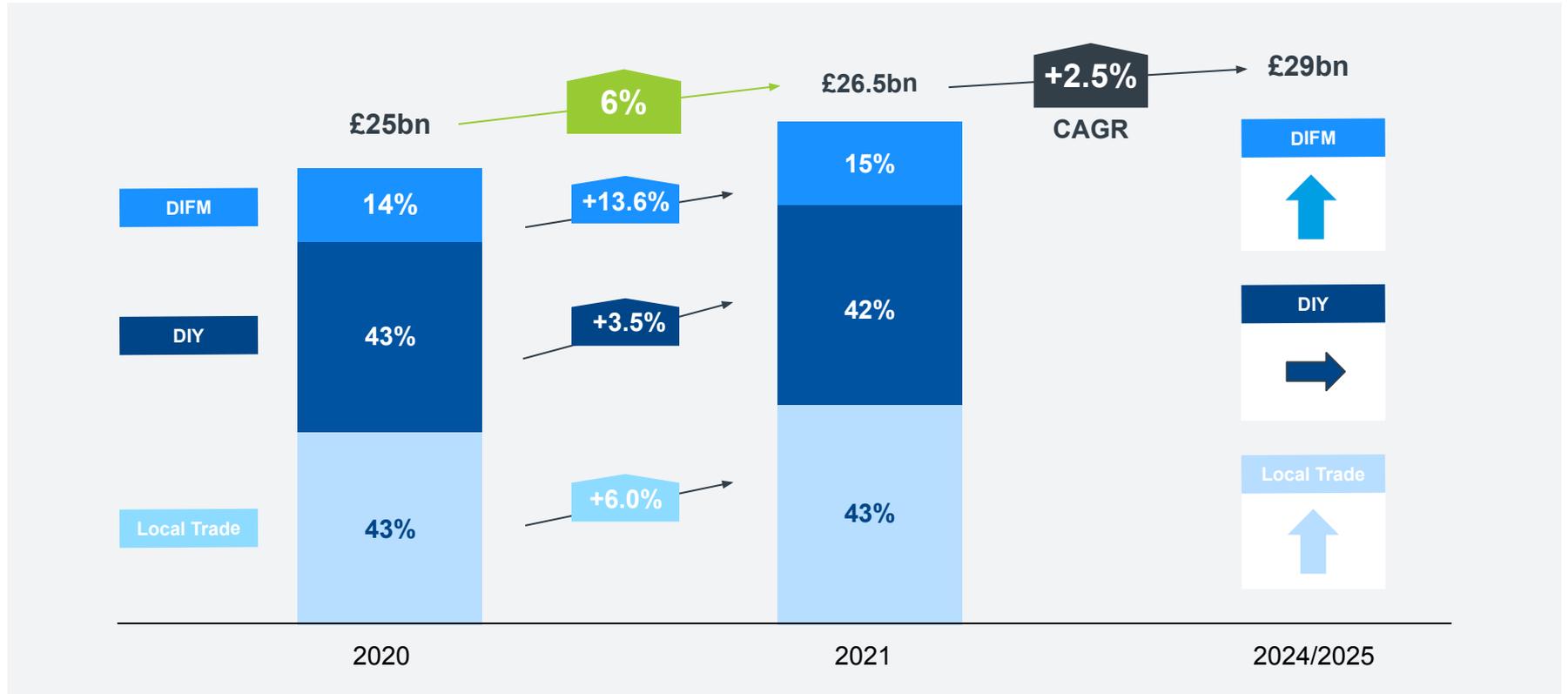
---

**Wickes**

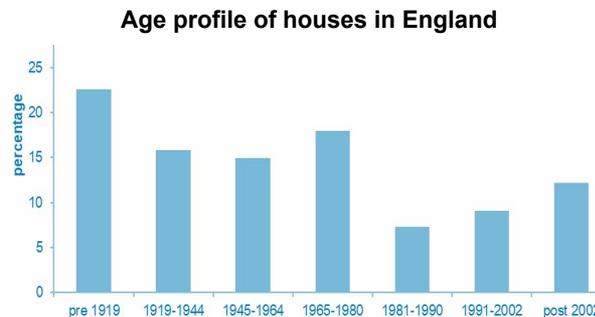
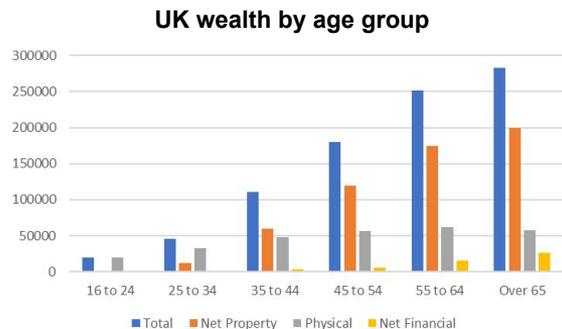
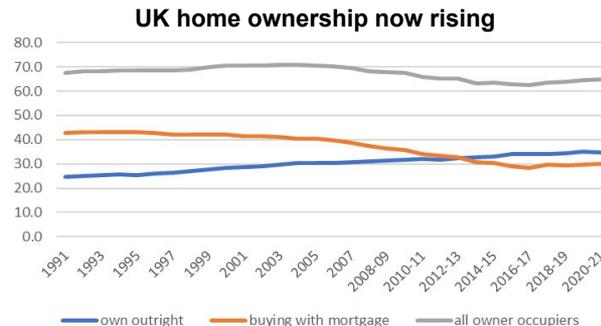
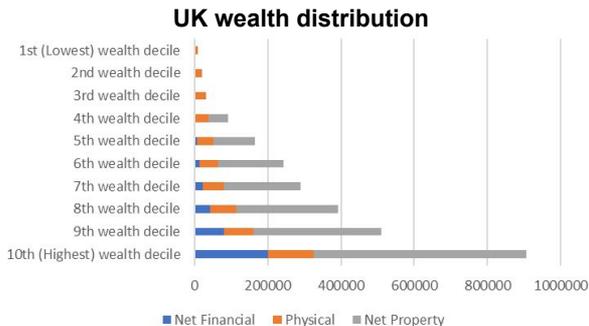
# Appendix

---

# A large and growing market



# Homeowners are older and wealthier



Source: ONS

Source: English Housing Survey

# Our unique business model gives us sustainable competitive advantage



# Disclaimer

NOT FOR RELEASE, PRESENTATION, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART IN, DIRECTLY OR INDIRECTLY, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF SUCH JURISDICTION.

This presentation has been prepared by Wickes and contains confidential information regarding Wickes. This presentation, and any ancillary documents relating to it, any oral presentation and any question or answer session at which this presentation is made (collectively, the "presentation") have been prepared and issued by and are the sole responsibility of Wickes and are being made available for your information only and are delivered by Wickes in connection with the proposed demerger by Travis Perkins of Wickes and the admission of the entire issued and to be issued share capital of Wickes on the premium listing segment of the Official List of the Financial Conduct Authority ("FCA") and to trading on the main market for listed securities of the London Stock Exchange plc.

This presentation does not purport to contain all the information that may be necessary or desirable to fully and accurately evaluate Wickes and its business prospects. The information set out in this presentation is not intended to form (and should therefore not be relied upon as forming) the basis of any contract and does not constitute an agreement to provide investment services. By attending (whether in person, by telephone or webcast) this presentation or by reading the presentation slides, you agree to the conditions set out below.

This presentation is not a prospectus and investors should not subscribe for any securities referred to in the presentation except on the basis of information in the prospectus expected to be published by Wickes in the first half of 2020. This presentation (including any oral briefing and any question-and-answer in connection with it) is not intended to, and does not constitute, represent or form part of any offer, invitation, inducement, recommendation or solicitation of any offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or the solicitation of any vote or approval in any jurisdiction. You should conduct your own independent analysis of Wickes, including consulting your own independent advisers in order to make an independent determination of the suitability, merits and consequences of considering any investment. You should not base any behaviour in relation to financial instruments related to Wickes' securities or any other securities and investments on information contained in this presentation until after such information is made publicly available by Travis Perkins or Wickes or any of their advisers. Any dealing or encouraging others to deal on the basis of such information may amount to insider dealing under the Criminal Justice Act 1993 and/or market abuse under the Market Abuse Regulation (and/or, as applicable, such regulation as it forms part of the domestic UK law by virtue of section 3 of the European Union (Withdrawal) Act 2018 as amended from time to time). This presentation is being furnished to you solely for your own information on a confidential basis and may not be disclosed, reproduced, stored in a retrieval system, disclosed or redistributed, directly or indirectly, in whole or in part, by any medium or in any form to any other person for any purpose without Wickes' prior written consent. You shall treat and safeguard as strictly private and confidential all information contained in this document and take all reasonable steps to preserve such confidentiality.

None of Wickes, Travis Perkins, Citigroup Global Markets Limited ("Cit"), Deutsche Bank AG, London Branch ("Deutsche Bank", and together with Cit, the "Joint Sponsors") or any of their respective shareholders, subsidiaries, affiliates, associates, or their respective directors, officers, partners, employees, representatives and advisers (the "Associates" and together with Wickes, Travis Perkins and the Joint Sponsors, the "Relevant Parties") makes any representation or warranty, express or implied, as to the fairness, truth, fullness, accuracy or completeness of the information contained in this presentation, or otherwise made available, nor as to the reasonableness of any assumption contained herein, and any liability therefore (including in respect of direct, indirect, consequential loss or damage) is expressly disclaimed. Nothing contained herein is, or shall be relied upon as, a promise or representation, whether as to the past or the future and no reliance, in whole or in part, should be placed on the fairness, accuracy, completeness or correctness of the information contained herein. Further, nothing in this presentation should be construed as constituting legal, business, tax, actuarial, financial or other specialist advice. Neither receipt of the presentation by any person, nor any information contained in them, supplied with them or subsequently communicated to any person, by, or on behalf of Wickes, the Joint Sponsors or any other Relevant Party constitutes or is to be taken as constituting the giving of investment advice by Wickes or any other Relevant Party.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Joint Sponsors by the FSMA or the regulatory regime established thereunder or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, each of the Joint Sponsors and their respective Associates disclaim, to the maximum extent permitted by applicable law and regulation, all and any indirect or direct responsibility and liability whether express or implied, arising in tort, contract or otherwise, which they might otherwise have in respect of: (i) the presentation or any information contained therein; and (ii) any errors, omissions or misstatements contained in the presentation.

None of the Relevant Parties shall have any liability whatsoever (in negligence or otherwise) for any direct, indirect or consequential loss, damages, costs or prejudices arising from the use of this presentation or otherwise arising in connection with this presentation. No duty of care is owed or will be deemed to be owed to you or any other person by the Relevant Parties in respect of the presentation.

No statement in this presentation is intended as a profit forecast or estimate for any period and no statement in this presentation should be interpreted to mean that cash flow from operations, free cash flow, earnings, earnings per share or income on a clean current cost of supplies basis for Wickes for the current or future financial years would necessarily match or exceed such historical published amounts.

Certain industry and market data used in this presentation has been obtained from publications and studies conducted by third parties and estimates prepared on certain assumptions. While the industry and market data from external sources is believed to be accurate and correct, none of the Relevant Parties have independently verified such data or sought to verify that the information remains accurate as of the date of this presentation and the Relevant Parties do not make any representation as to the accuracy of such information. Similarly, Wickes believes that its internal estimates are reliable, but these estimates have not been verified by any independent sources. This presentation contains statements about Wickes that are or may be forward-looking statements. These forward-looking statements, which sometimes use words such as "aim", "anticipate", "believe", "intend", "plan", "estimate", "expect" and words of similar meaning, include all matters that are not historical facts and reflect beliefs and expectations and involve a number of risks, uncertainties and assumptions that could cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. Many factors could cause actual results to differ materially from those projected or implied in any forward-looking statements, as by their nature forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. Such factors include, but are not limited to, general business and economic conditions globally, industry trends, competition, changes in government and other regulation, changes in political and economic stability, disruptions in business operations due to reorganisation activities, and interest rate and currency fluctuations. Each of the Relevant Parties disclaims any obligation to update, review or revise any forward-looking or other statements contained in this presentation, whether as a result of new information, future events or otherwise.

Citi is authorised in the United Kingdom by the Prudential Regulatory Authority ("PRA") and regulated in the United Kingdom by the PRA and FCA. Deutsche Bank AG is authorised under German Banking law (competent authority: European Central Bank and BaFin, German's Federal Financial Supervisory Authority) and by the PRA in the United Kingdom, and is subject to supervision by the European Central Bank and by BaFin, and to limited regulation in the United Kingdom by the FCA and PRA. Each of the Joint Sponsors will not regard any other person (whether or not a recipient of this presentation) as a client and will not be responsible to anyone other than Wickes and Travis Perkins for providing the protections afforded to its respective clients nor for the giving of advice in relation to any transaction, matter or arrangement of securities of Wickes referred to in this presentation.

The release, presentation, publication or distribution of this presentation in jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about and observe any applicable requirements. Any failure to comply with applicable requirements may constitute a violation of the laws and/or regulations of any such jurisdiction.

Any securities referred to in this presentation have not been, and will not be, registered under the US Securities Act of 1933 (the "US Securities Act") or with any securities regulatory authority of any state of the United States, and may not be offered or sold in the United States absent registration under the US Securities Act except pursuant to an exemption from, or in transactions not subject to, the registration requirements of the US Securities Act, and in compliance with any applicable State or local securities laws. Any securities referred to in this presentation have not been and will not be registered under the applicable securities laws of Canada, Australia or Japan and, subject to certain exceptions, they may not be offered or sold within Canada, Australia or Japan or to any national, resident or citizen of Canada, Australia or Japan. Any failure to comply with the foregoing restrictions may constitute a violation of securities laws.

This presentation is being distributed only to and is directed at: (a) persons in member states of the European Economic Area who are qualified investors (within the meaning of article 2(e) of the Prospectus Regulation ("Qualified Investors"); and (b) persons in the United Kingdom who are Qualified Investors and (i) who have professional experience in matters relating to investments falling within the definition of "investment professionals" in article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"); (ii) are persons falling within article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc") of the Order; or (iii) are persons to whom it may otherwise be lawfully communicated. This presentation is not intended to be available to, and must not be relied upon, by any other person.

By attending this presentation and/or by accepting any copy of this document, you agree to be bound by the foregoing limitations and conditions and, in particular, you will be taken to have represented, warranted and undertaken that you have read and agree to comply with the contents of this notice.