



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



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





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)

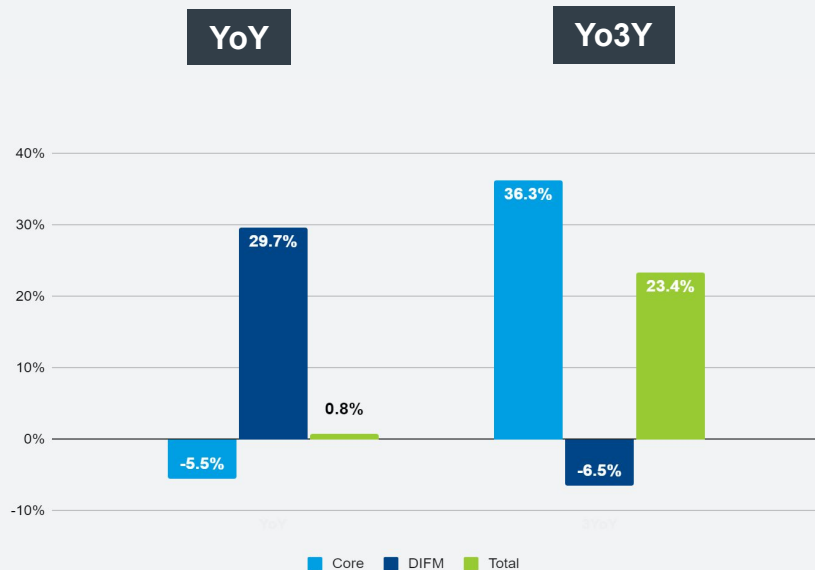
Resilient profitability despite inflation and mix effects

£m	HY2022A	HY2021A	Change %
Revenue	822.3	812.0	+1.3%
LFL (%)	0.8%	33.1%	na
Gross profit	292.6	294.8	(0.7)%
Gross profit %	35.6%	36.3%	-70bp
Selling and admin costs	(236.3)	(232.9)	+1.5%
% of sales	28.7%	28.7%	n/c
Adj Operating profit	56.3	61.9	(9.0)%
Adj Op profit %	6.8%	7.6%	-80bp
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** ⁽¹⁾, driven by market-leading value proposition

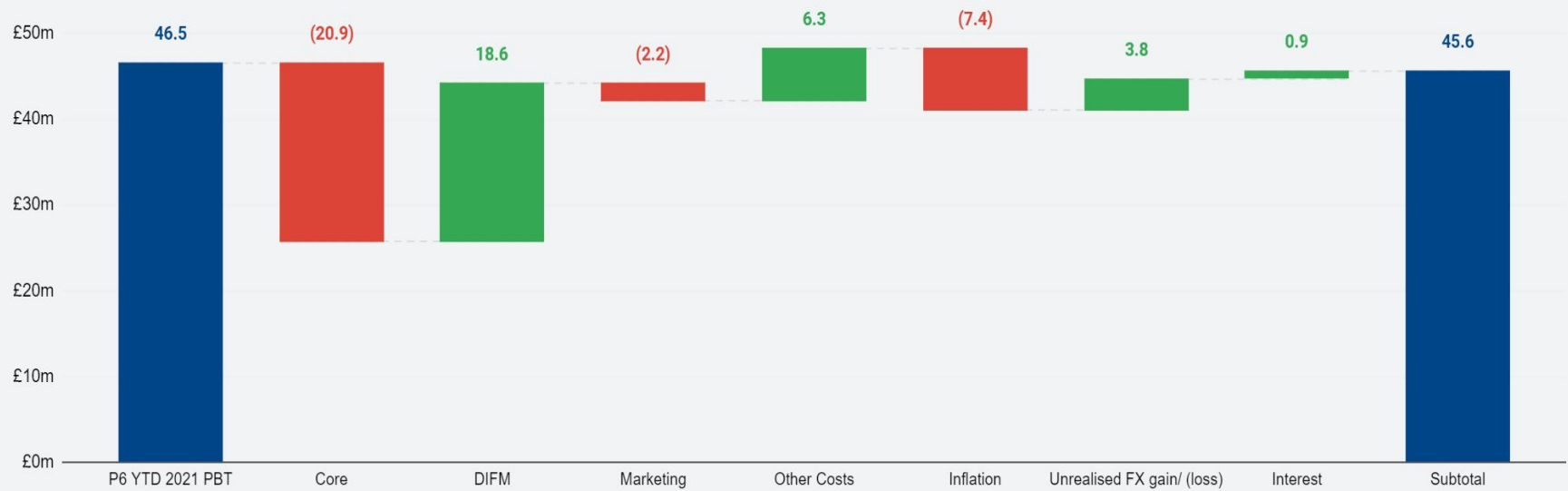
DIFM order book at end of first half stood at £136m, still significantly ahead YoY

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

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%		

Current inflation by cost area

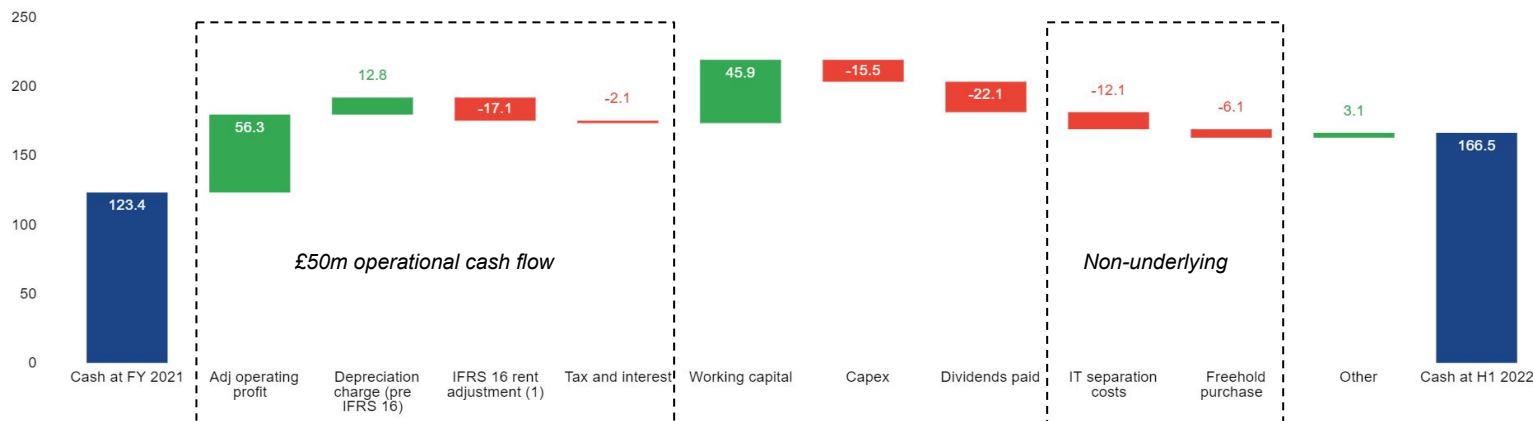
'Fixed' costs currently subject to minimal inflation. In variable costs there is moderate inflation and ability to lower costs with volume:

- **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
IFRS 16 Net Debt	£559m	£619m	£565m
IFRS 16 Net Debt : LTM EBITDA	2.6x	2.8x	2.6x

- **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)



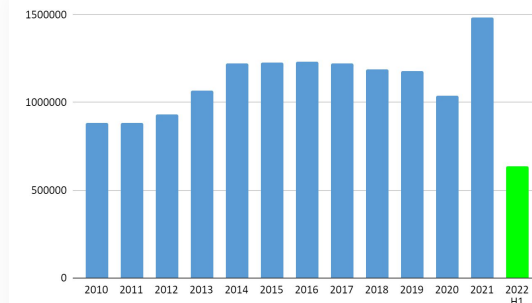
Business update

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**

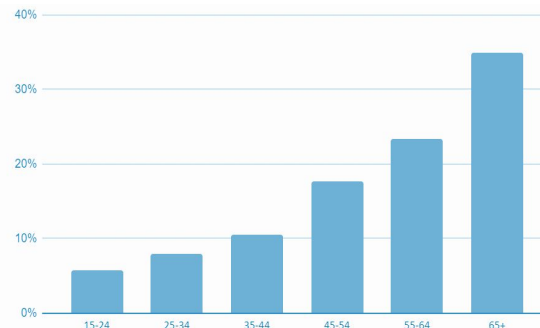
UK housing transactions



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

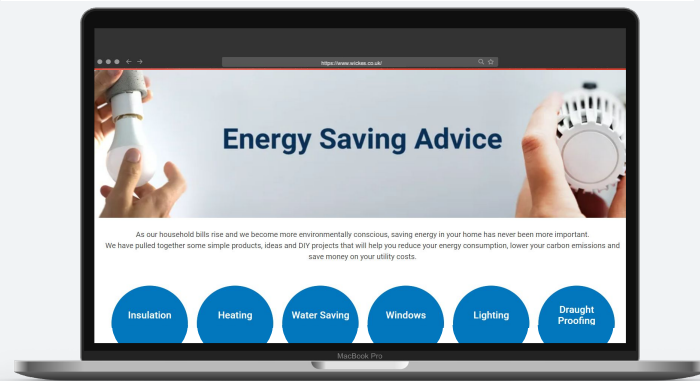
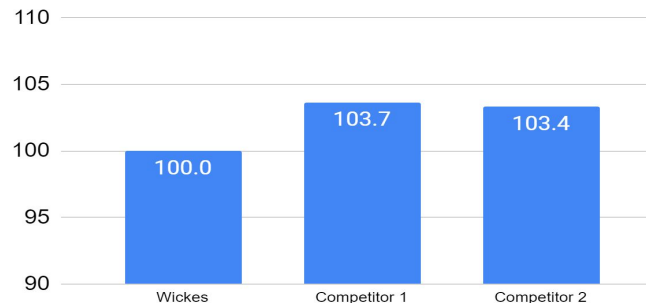
- Engagement in DIY remains high - **90% of households are engaged in a DIY project**, with indoor projects most popular at present
- Some evidence of scaling back of projects as a result of the cost of living crisis, although our survey suggests **only 1 in 10 projects are being cancelled**

(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

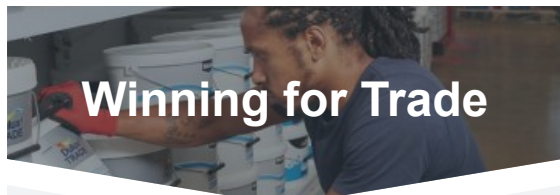
Price Index Position Q2: Weeks 14-26



We are continuing to invest into our proven growth levers



Investing in growth levers to drive innovation and market share

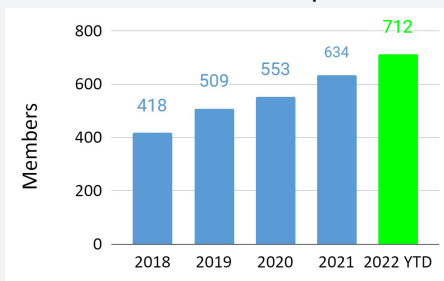


Winning for Trade

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



Store Investment

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



Enhanced Store Service Model

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



Digital Capability

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



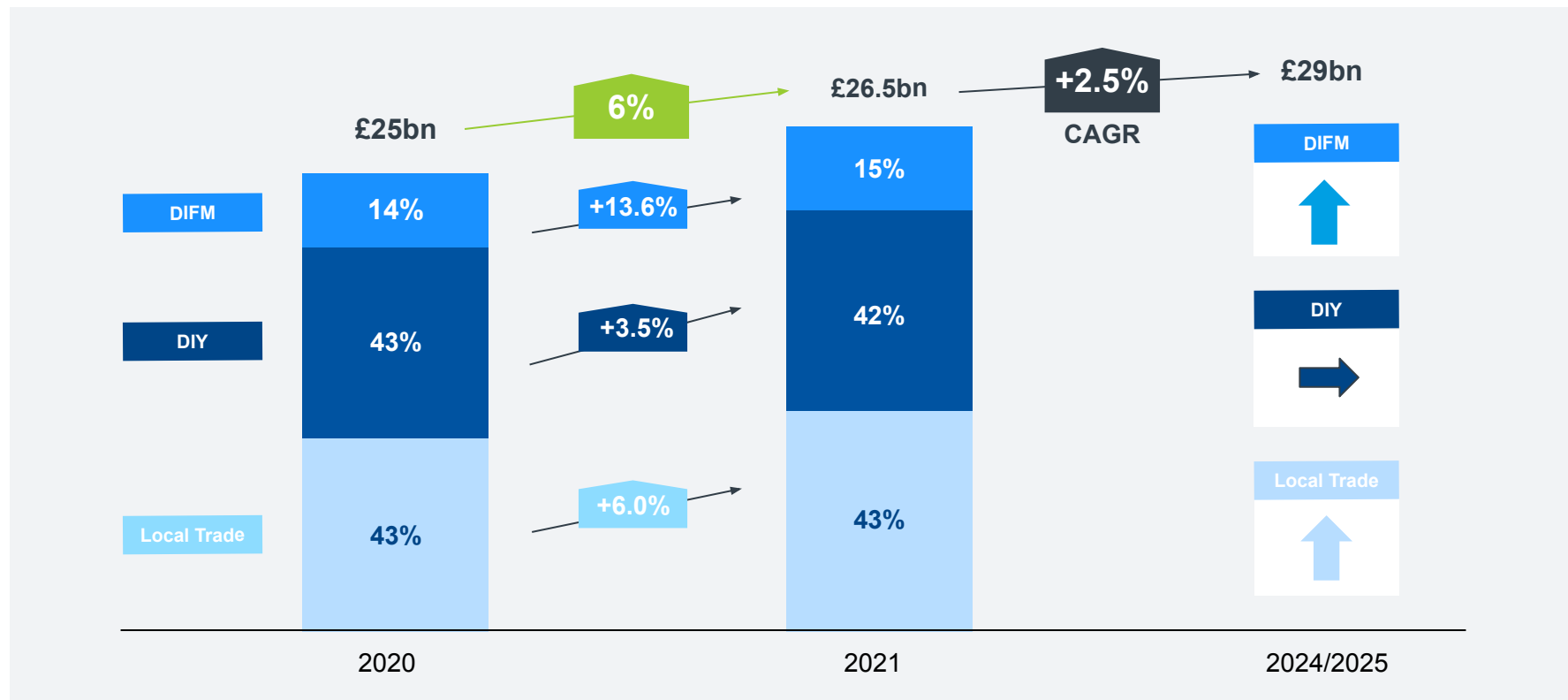


Q&A

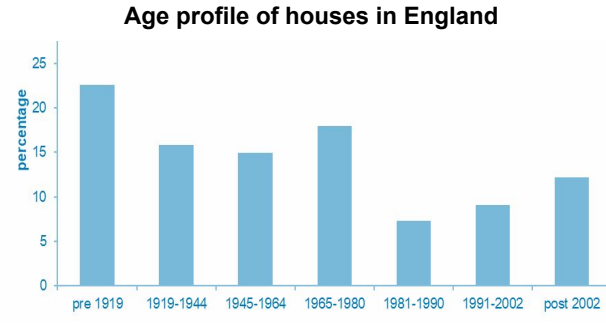
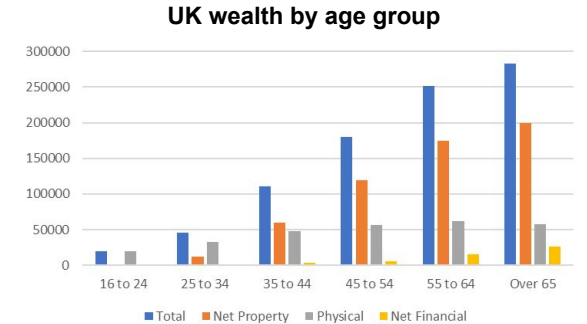
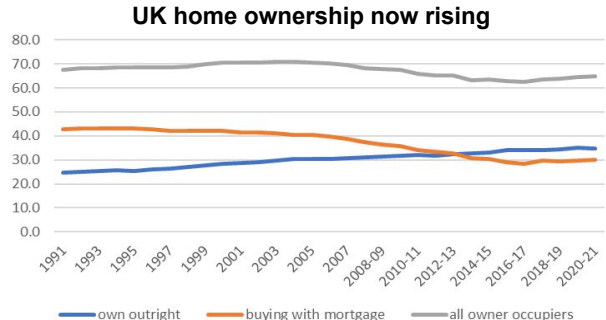
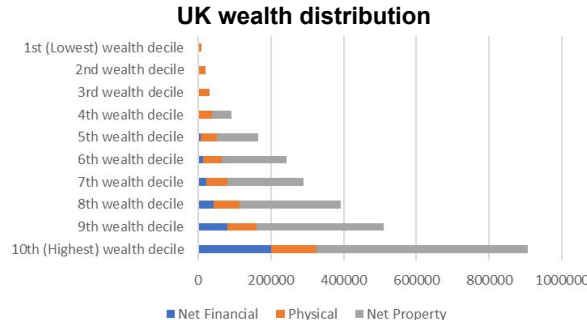


Appendix

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



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