

The Wickes logo is a blue shield-shaped emblem with the word "Wickes" in white, bold, sans-serif font.

Wickes

A collage of nine photographs showing various Wickes employees in their work environment. The photos include: three staff members in blue uniforms standing in a store aisle; a staff member assisting an elderly customer with a shopping basket; a staff member at a computer terminal with a "Click & collect" sign; two staff members smiling; a staff member in a warehouse; a staff member using a power tool; a staff member operating a forklift; three staff members interacting; and a staff member laughing. The central text "2022 Full Year Results" is overlaid on the collage.

2022 Full Year Results

Record sales and further market share gains

23 March 2023

Strictly Private & Confidential



Chief Executive

David Wood

Agenda for today

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David Wood & Mark George

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Record sales and further market share gains



- **Record full year sales and market share** as we continue to show the benefits of our uniquely balanced model
- **Membership growth of our digital TradePro scheme accelerated by 18% in 2022**, driving good Core sales performance
- **Strong recovery in DIFM delivered sales** as we successfully worked through our elevated order book
- **Flexible operating model and low cost mindset** delivering productivity gains in a challenging cost environment
- **Second highest ever profit** at £75.4m
- **Full year dividend of 10.9p** per share, in line with guidance





Financial Review

Mark George

Sales and profit well ahead of pre-Covid levels

Revenue **£1,559m**,
up **3.5%** LFL

Core LFL **(2.0)%**

DIFM LFL **26.1%**

70bp decline in gross
profit margin reflecting
limited cost price inflation pass
through and strong Trade
performance

Strong balance sheet
with cash of **£99.5m**

IFRS 16 net debt reduced
to **£(591.8)m** from **£(618.7)m** in
FY 2021

LFL sales up **22.8%**
on a three year basis

Core LFL up **33.0%**

DIFM LFL **(1.3)%**

Adjusted PBT £75.4m
(FY 2022 £85.0m)

**Full year dividend of 10.9p per
share**, in line with guidance

Resilient profitability despite inflation and mix effects

£m	FY2022A	FY2021A	Change %
Revenue	1,559.0	1,534.9	+1.6%
LFL (%)	3.5%	13.0%	na
Gross profit	567.1	568.5	(0.2)%
Gross profit %	36.4%	37.0%	-70bp
Selling and admin costs	(463.2)	(452.2)	2.4%
% of sales	29.7%	29.5%	-20bp
Operating profit	103.9	116.3	(10.7)%
Operating profit %	6.7%	7.6%	-90bp
Interest / FX	(28.5)	(31.3)	(8.9)%
Adjusted PBT	75.4	85.0	(11.3)%

Notes:

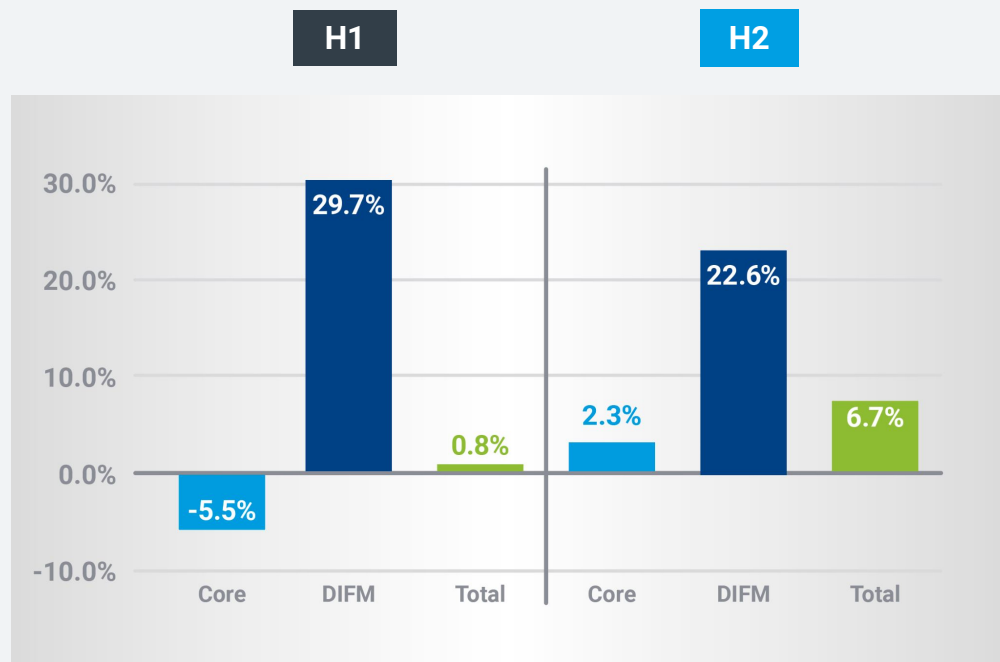
As a result of the 53rd week in FY2021, FY2022 LFL is based on the comparable 52 weeks to 31 December 2021.

Gross profit percentage reflects gross margin less the impact of distribution costs.

All figures are on an adjusted basis. FY 2022 adjusted PBT is before an unrealised gain on forward currency contracts of £1.7m

- **LFL sales growth positive** driven by strength of Local Trade and DIFM
- **Core inflation of 13%**, moderating as the year progressed, with timber now in deflation
- Strong Local Trade participation and cash cost recovery of inflation result in a **lower gross profit percentage**
- **Active management of costs limits opex growth to 2.4%** despite inflationary pressures
- Full year adjusted operating profit margin reflects **drop through from gross profit level**
- **Adjusted PBT of £75.4m** (FY 2021 £85.0m)

Strong recovery in DIFM LFL sales, Core comps eased into the second half



Core:

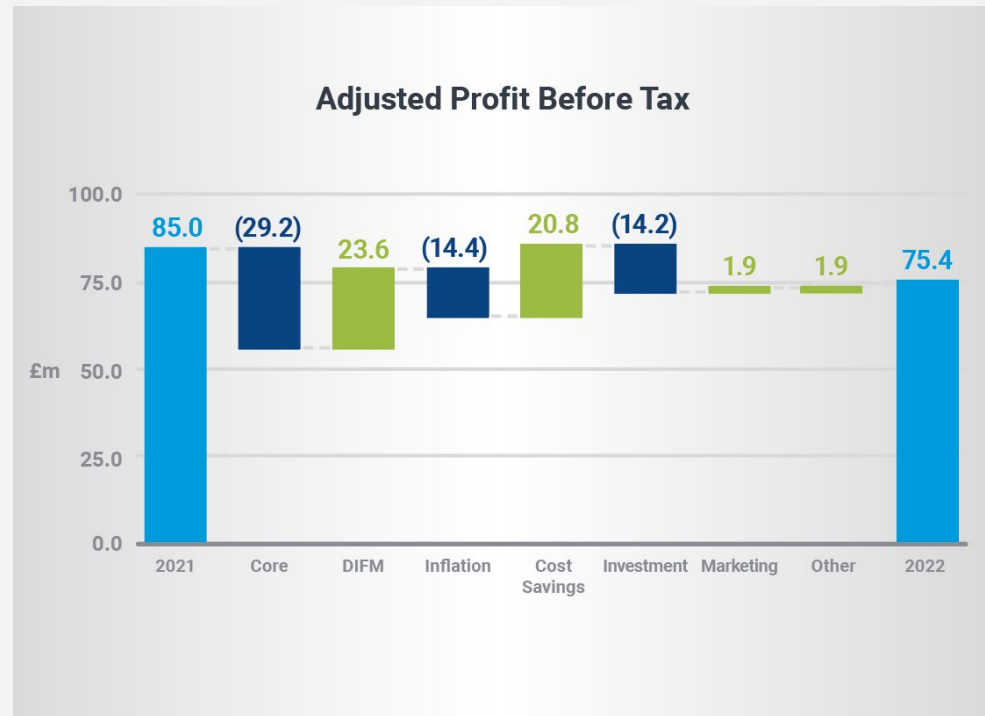
- **LFL declined in H1 against very tough comparatives.** With first half inflation of c15%, volumes were materially lower
- **Core LFL recovered in H2, with another strong performance from Trade** and some stabilisation in DIY in Q4. The volume decline moderated significantly
- **Three-year LFL of 33.0%** reflects volume growth as well as inflation

DIFM:

- Recovery continued with **full year LFL delivered sales in 2022 broadly in line with pre-Covid levels**, albeit helped by an elevated order book at the start of the year
- We achieved our target of 3,000 installer teams at the end of 2022 (March 2022 2,600) and **kitchen installation lead times have now normalised**

Note: As a result of the 53rd week in 2021, FY 2022 LFL is based on the comparable 52 weeks to 31 December 2021.
DIFM represents delivered sales.

FY2022 profit performance reflects segmental movements and cost actions



All figures in £m

- **Core contribution declined** as a result of lower LFL and margin rate (TradePro mix and limited inflation pass through)
- **DIFM contribution increased** as a result of strong delivered sales recovery
- **Cost savings exceeded inflation**; savings in fulfilment, Covid costs, bonus, and flex from lower volumes
- **Opex investment** includes distribution capacity, IT and property
- “Other” includes **interest and PLC costs**

Operational cost base inflation in 2023

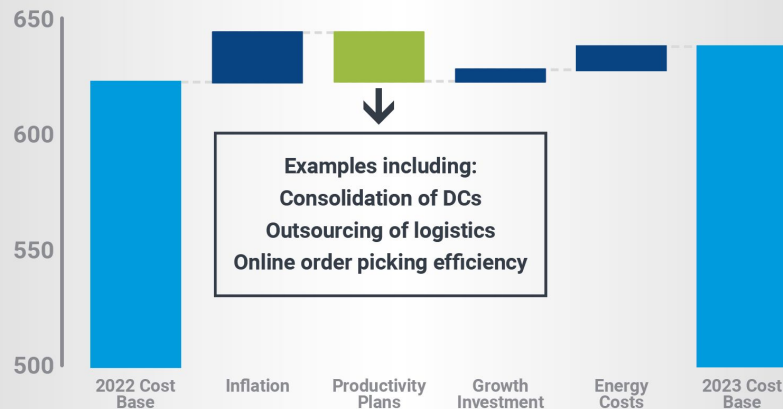
2023 operating cost breakdown and inflation

		2023 inflation by cost area
Fixed	Rent	None
	Rates	Multiplier frozen (next 2 yrs)
	D&A	Function of capex spend
Semi Variable	Store Wages	2023 pay increase - Managers: 4-5% - Other: 9.7% based on NMW
	Distribution	5%
	Support Centre Marketing	2023 pay award: 4-5% Marketing flat as % of sales
	Utilities	+100%
	Other	

Overall 2023 cost base inflation c5%

- **Minimal inflation in fixed costs** expected in 2023
- **Productivity gains** will offset all cost inflation except energy
- **Energy costs will rise** in 2023 by c£10m
- **Continued investment in initiatives** to drive sales and market share

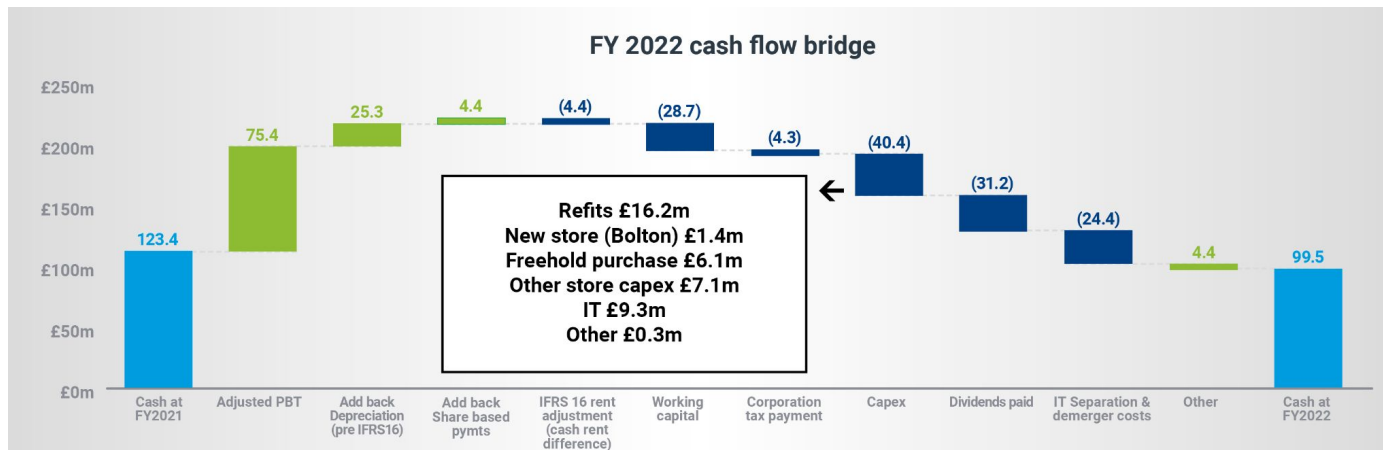
FY 2023 estimated cost bridge



Net cash declines due to IT separation plan

	FY 2022	FY 2021
Cash on Balance Sheet	£99.5m	£123.4m
Lease Debt	£691.3m	£742.1m
IFRS 16 Net Debt	£591.8m	£618.7m
LTM Adjusted EBITDA	£206.3m	£218.7m
IFRS 16 Net Debt:LTM Adj EBITDA	2.9x	2.8x

- Strong **cash generation from operating profit funds capex and dividends**
- **Lower cash position vs last year** primarily as a result of planned IT separation costs (non-recurring) and working capital movements:
 - **inventory inflation of c10%** more than offsetting volume decline
 - **reduced deferred income** with decline in the DIFM debtor book
- **Falling IFRS 16 lease debt** reflects profile of lease renewals; expect a higher level of lease renewals from 2026
- **Lease adjusted debt / LTM EBITDA is 2.9x**, reflecting lower EBITDA



Outlook

- In the first 11 weeks, trading has been in line with our expectations
- Core sales are moderately behind the same period last year; Trade sales in growth and DIY continues to normalise
- DIFM delivered sales are slightly ahead year on year due to the elevated order book; ordered sales are in line with the same period in 2022
- Consumer sentiment improving but remains low; overall market in 2023 likely to be more challenging than in 2022
- Our growth drivers and balanced business model will enable us to outperform the market
- Strong productivity savings of c£20m will offset all cost inflation except energy

Technical guidance for 2023

- Full year interest of c£26m
- Full year adjusted tax rate 24-25%
- Capex £40-45m
- Final separation costs c£5m (adjusting item)

Capital Allocation Policy

- Our capital allocation policy is being reviewed and we will provide an update at the time of the Q2 trading statement in July



Business update

David Wood

Consistent strategy based on proven growth levers



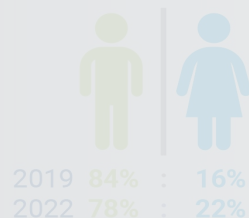
Growth levers consistently delivering

Significant growth in trade customers signing up to TradePro

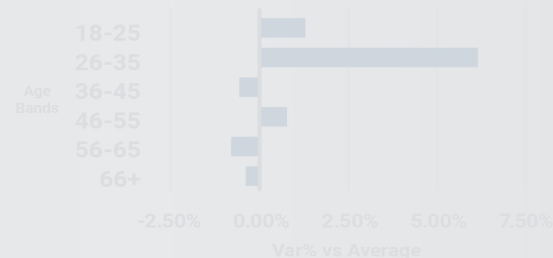


Digital offer and a 'warmer' brand have broadened our appeal

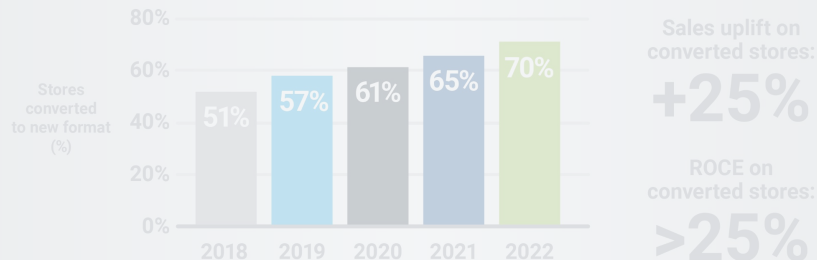
Customer split by gender



Customer change by age group since 2019

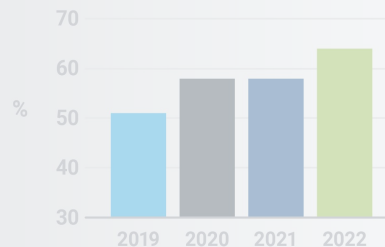


Store re-fits driving strong sales growth with healthy ROCE

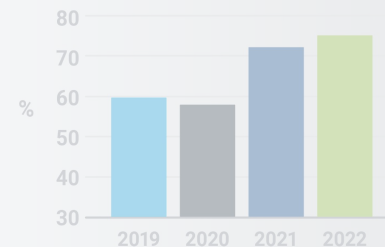


Customer satisfaction improving strongly with our 4C service model

Click & Collect



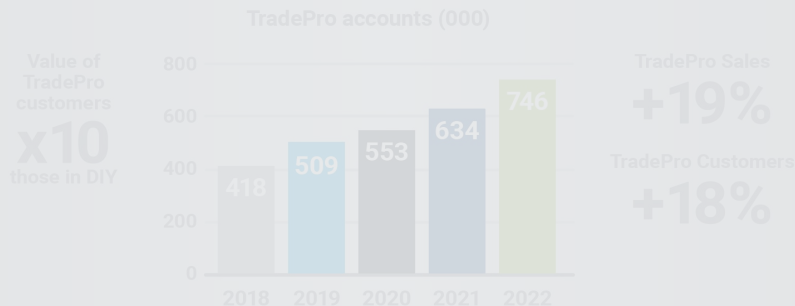
Home delivery



Note: percentage of customers giving 5 out of 5

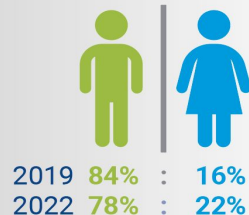
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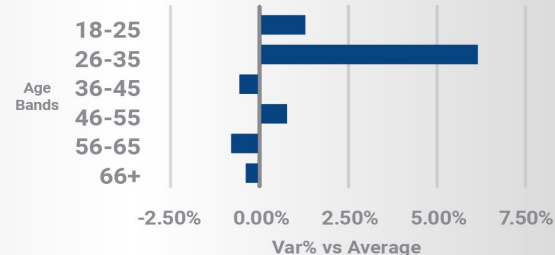


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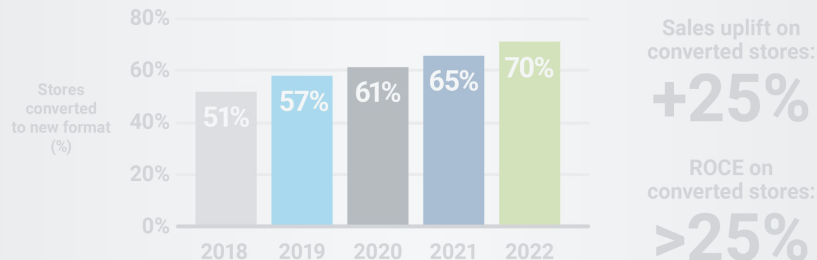
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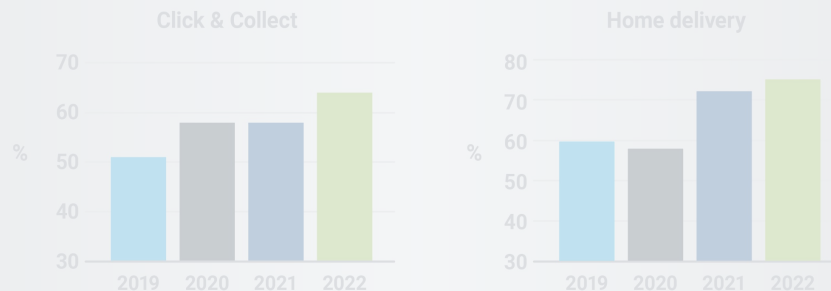
Customer change by age group since 2019



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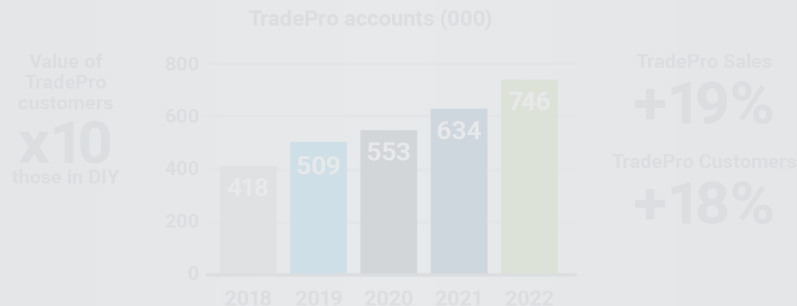
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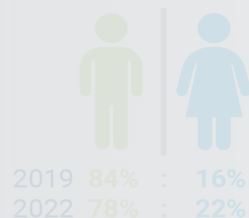
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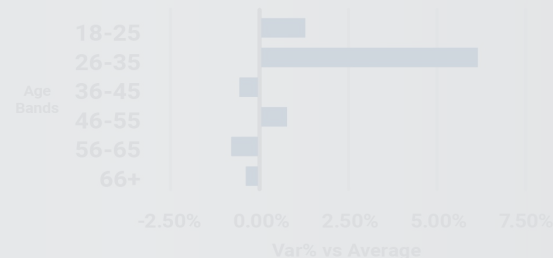


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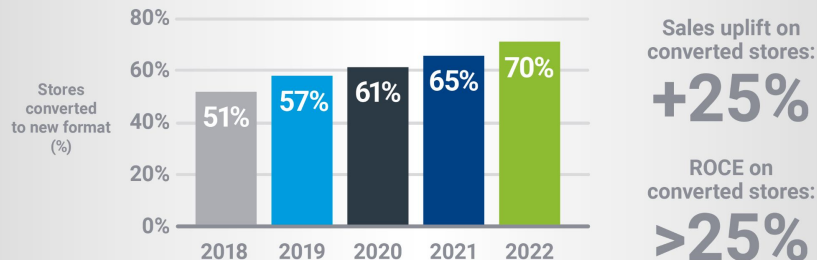
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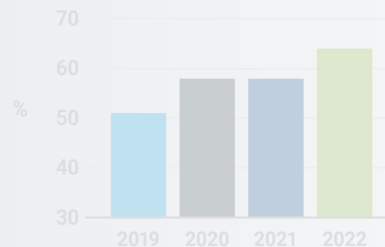


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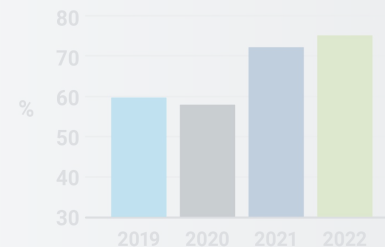


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Click & Collect



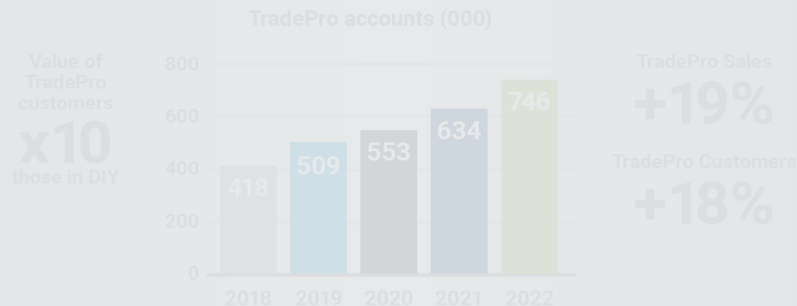
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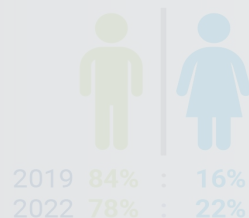
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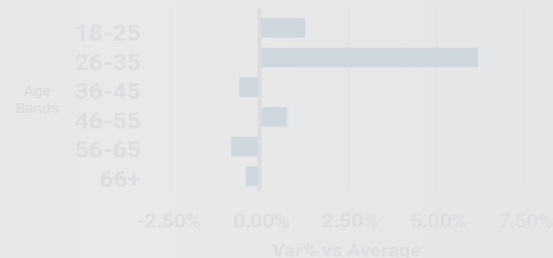


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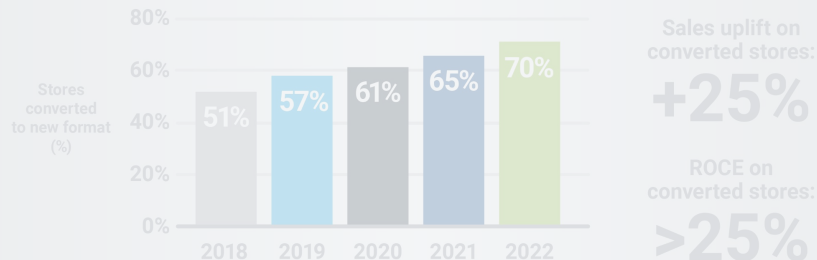
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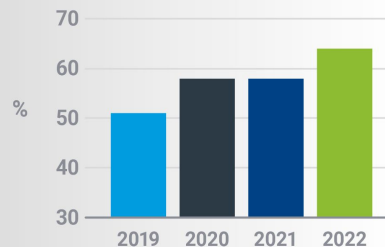


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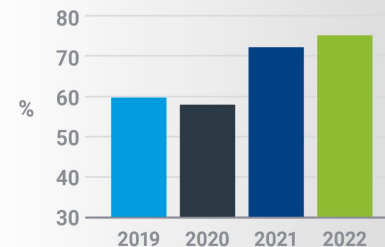


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Home delivery



Note: percentage of customers giving 5 out of 5

Our business model and strategy is delivering strong outperformance

Sales densities up strongly since 2019



+3%

transactions per
store since 2019

+9%

items per basket
since 2019

Core market share has grown significantly



+10%

market share
index

-2%

store numbers

Source: Wickes

Source: GfK

Further investment in growth levers to drive innovation and market share

- Created an **additional 25,000 sq ft** of fulfilment capacity across 28 stores, supporting **5k more digital customer orders per week**
- New handheld technology driving **faster pick speed and record service levels** for click & collect and home deliveries
- New store in Bolton** opened in October 2022 with excellent orders over the Winter sale. Plans to open around **20 new stores over the next five years**
- Continuing to **strengthen Wickes own brand** with launch of new ranges, including light bulbs and garden power tools
- Supporting customers to be more energy efficient with **energy saving products and advice**



Further investment in growth levers to drive innovation and market share

- **Launched Ebay marketplace and Klarna** to appeal to younger and more female customers
- Our machine-learning **Missions Motivation Engine** is generating identifiable revenue gains
- Achieved target of **3,000 installer teams** (2021: 2,600)
- **More than 1 in 2 customers** now use a Wickes installer to fit their new kitchen or bathroom
- Repositioned, rebranded and relaunched our ready-to-fit range as **Wickes Lifestyle Kitchens**, now including a **virtual design service**



WICKES LIFESTYLE KITCHENS VT TO RUN HERE

Positive progress across all pillars of Responsible Business strategy



- **No. 1 UK retailer in Stonewall Workplace Equality Index**
- 200 local organisations supported by new Wickes Community Programme and over £2m raised for charity partner, YoungMinds
- Brought forward annual pay awards with £3.5m cost of living support for colleagues



- **Near-term Science Based Targets approved by the SBTi**
- 2022 CDP Climate Response awarded B-rating for our first assessment (range A-D)
- Introduced new EV policy for all leadership to transition to electric vehicles and all corporate cars to be electric by 2025



- **Launched online Sustainable House guide for interactive shopping experience**
- Partnered with the Energy Saving Trust to provide customers with advice and guidance
- Developing new sustainability labelling and packaging for our own brand products

Market trends point to...

Trade

- Trade pipelines remain healthy: **45% of tradespeople have a pipeline of over 3 months**, albeit this is slightly softer than six months ago
- 20-25% still have **work lined up for over 12 months**
- 35% of trade have seen an **increase in installation of energy saving solutions** over the last 12 months (vs 13% in April 2022)

DIFM

- **Delivered LFL sales in 2022 recovered** to 2019 levels, aided by the elevated order book
- **Order trends have been on a moderately improving trend since Q3 2022**, recovering from a low point in consumer sentiment in the summer
- **Winter Sale 2023** shows a higher conversion rate offsetting moderately lower lead volumes

DIY

- **28% of respondents listed undertaking home improvement as their top priority** for spending over the next 12 months, the highest for any category
- 35% are **shopping around for deals** and 26% are **switching to cheaper retailers** to reduce costs
- There is a **slight increase in jobs being either cancelled or postponed**

Investing for further outperformance

- **Record levels of sales in 2022** and good progress across our growth levers
- 2023 year to date trading **in line with expectations**
- **Strong productivity programme** in place to mitigate cost base inflation
- Confident in our business model and **investment in growth levers** to drive further outperformance



New Bolton store



Q&A

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