



HOWDENS

JOINERY CO.

Making kitchens work for you

2014 HALF-YEARLY REPORT

24 July 2014



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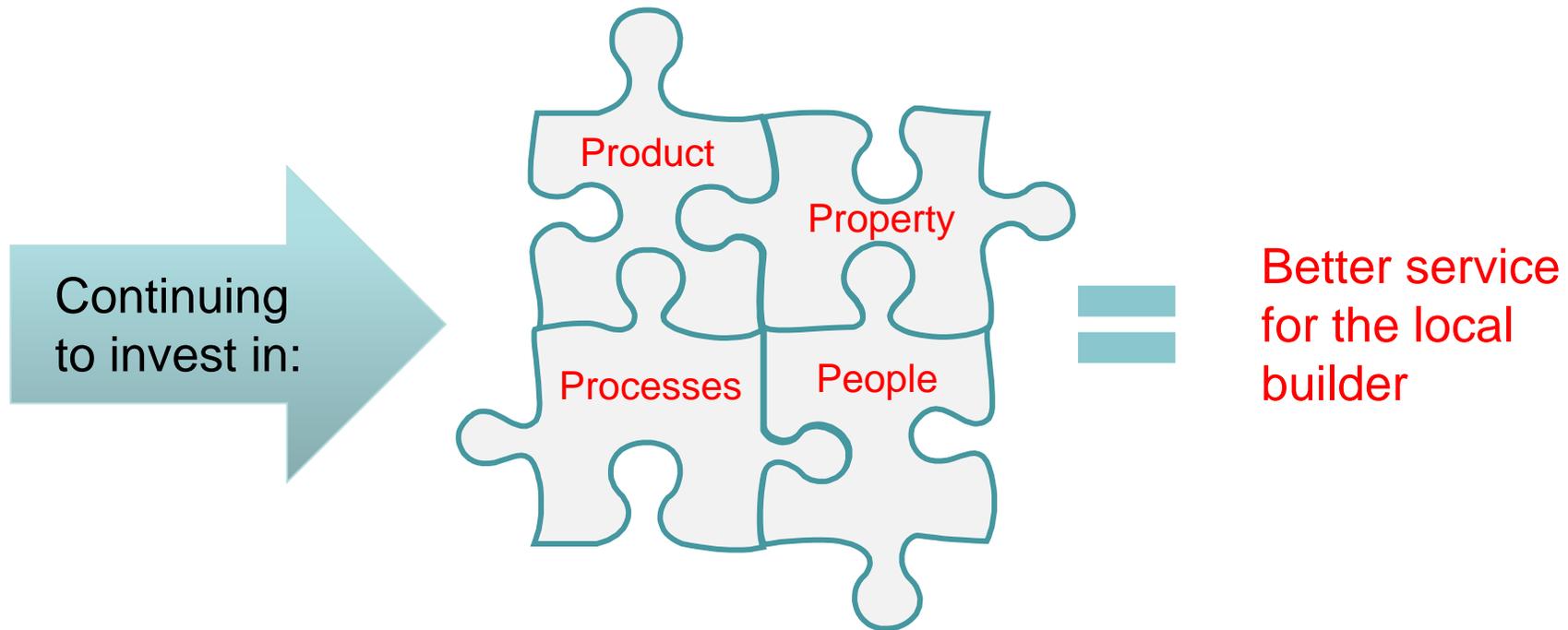
JOINERY CO.

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Matthew Ingle
Chief Executive Officer

A successful business with prospects

- Significant improvement in sales, profits and cash
- Interim dividend increased to 1.9p (H1 2013: 1.0p)





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Mark Robson

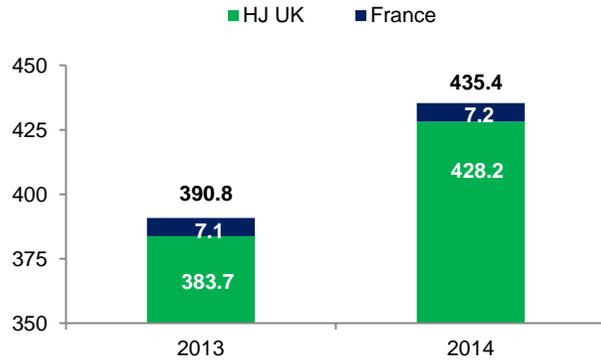
Deputy CEO and Chief Financial Officer

Business developments

- 17 depots opened so far – on track for 30
- Investment in product, including eleven new kitchen ranges
- Existing depots
 - ‘virtual showroom’ project complete
 - A3 printer roll-out
- Supply
 - replacing ‘tractor’ units of lorry fleet
- Central IT hardware refreshed

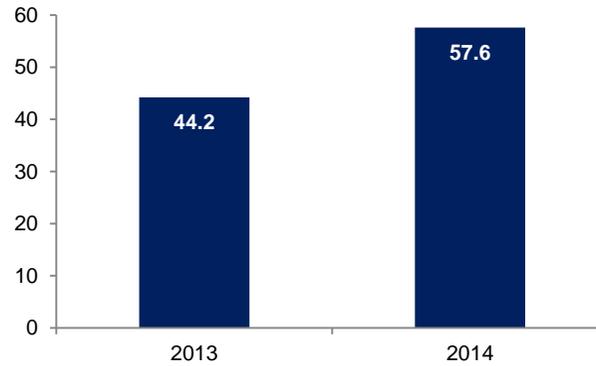
Highlights

Revenue, £m

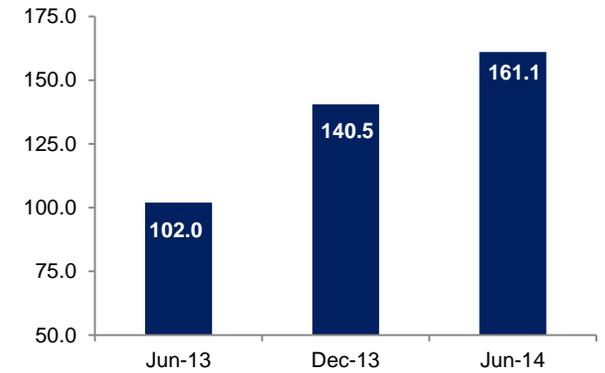


↑ HJ UK: +11.6% ↑

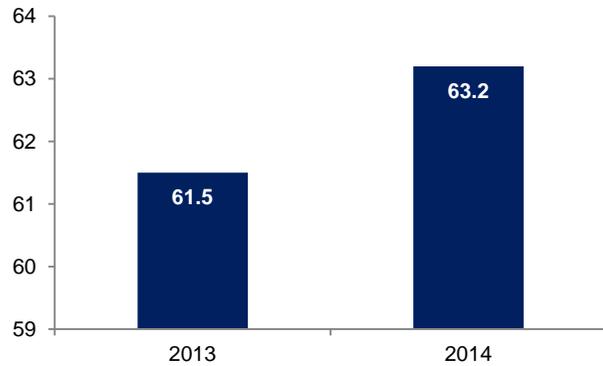
Operating profit pre except'ls, £m



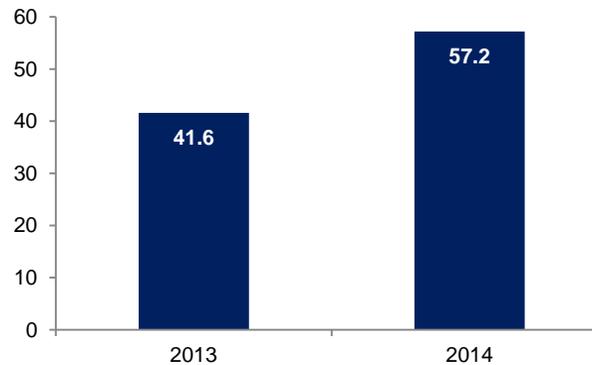
Net cash, £m



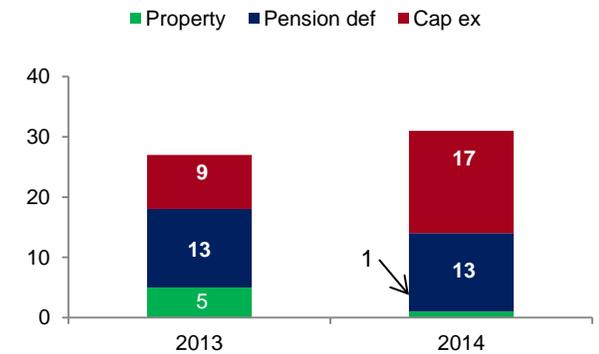
Gross profit margin, %



Profit before tax pre except'ls, £m



Uses of 'cash', £m



Revenue

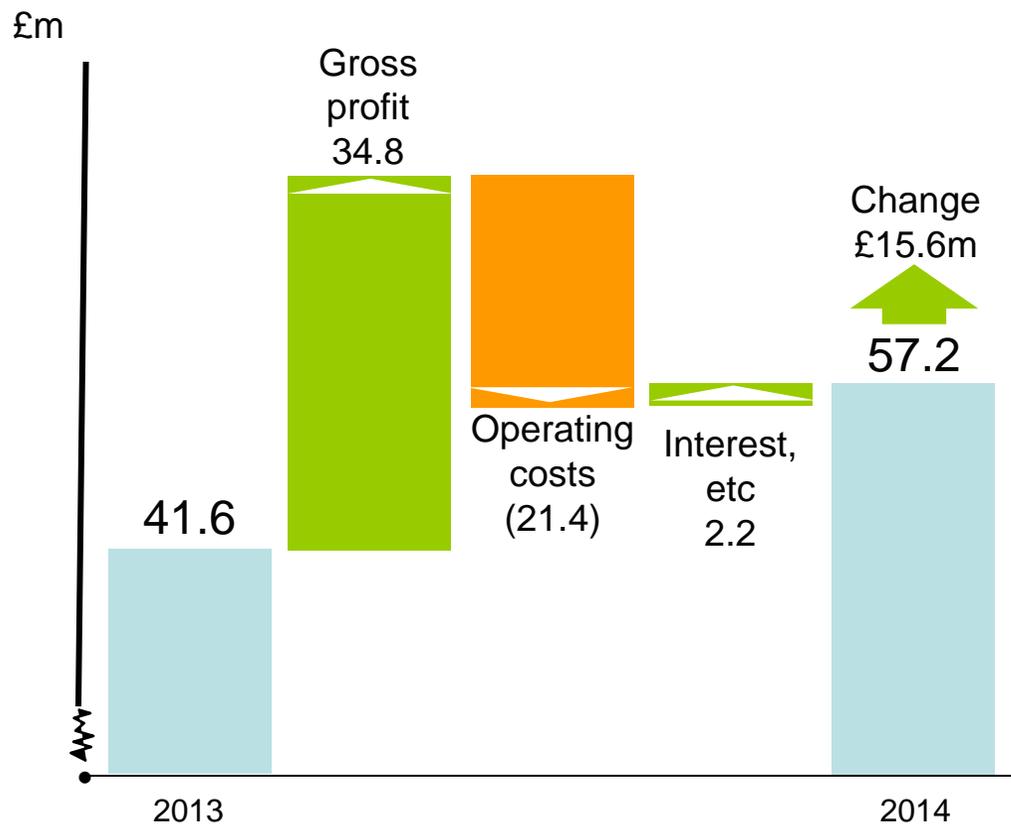
2014 UK depot revenue £428.2m
• total +11.6% • LFL +8.7%

2014 French depot revenue £7.2m
> +5% in €s

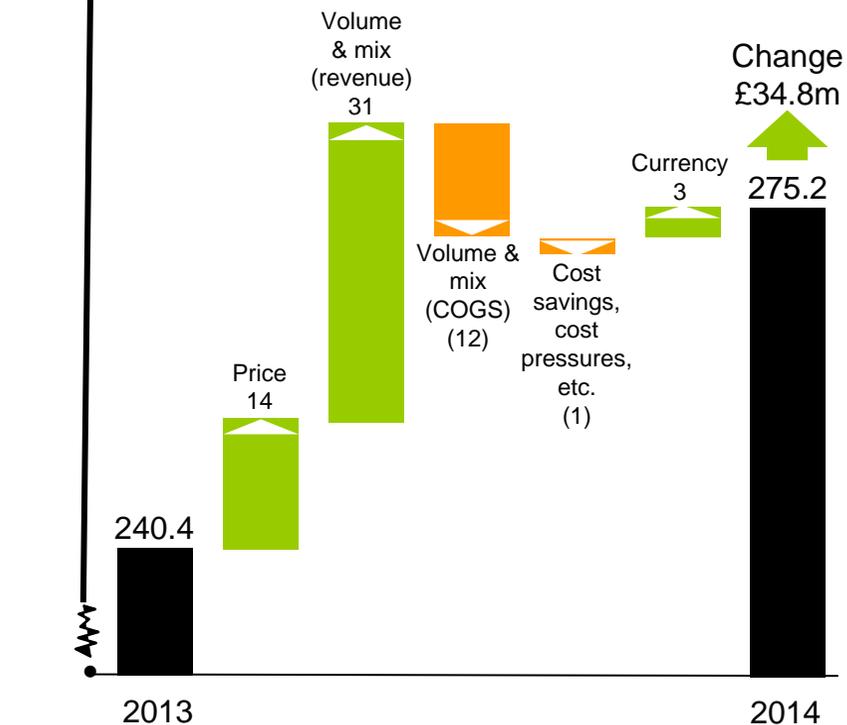
Profit before tax

Group gross profit margin
 • 2014: 63.2% • 2013: 61.5%

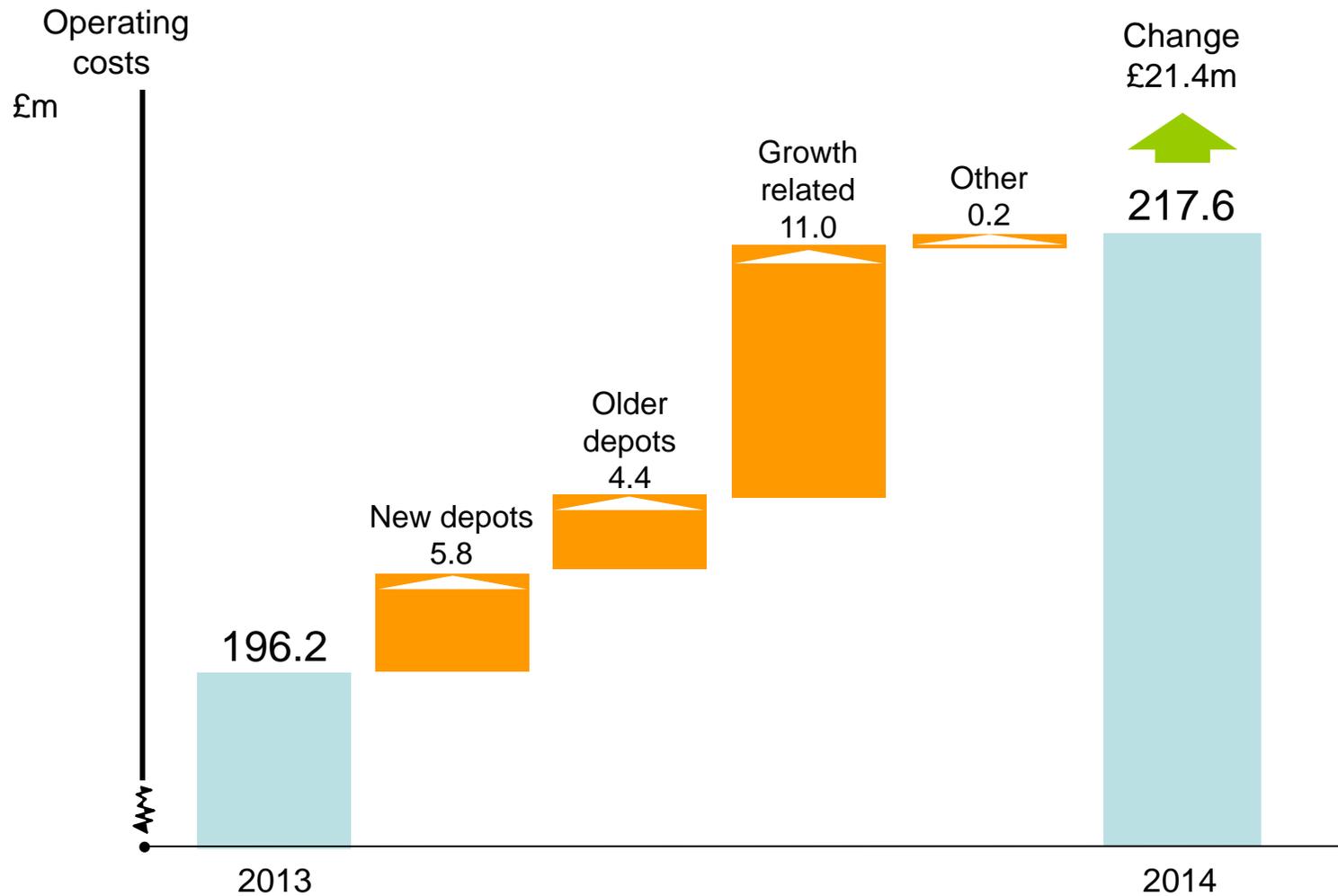
Profit before tax



Gross profit



Operating costs



Income statement – pre exceptionals *

Continuing operations unless stated, £m	H1 2014	H1 2013
Revenue	435.4	390.8
Cost of goods sold	<u>(160.2)</u>	<u>(150.4)</u>
Gross profit	275.2	240.4
Operating costs	<u>(217.6)</u>	<u>(196.2)</u>
Operating profit	57.6	44.2
Net interest	<u>(0.4)</u>	<u>(2.6)</u>
Profit before tax	57.2	41.6
Tax	<u>(14.9)</u>	<u>(10.8)</u>
Profit for the period	42.3	30.8
Profit after tax on discontinued operations	9.8	

* An exceptional pre tax operating cost of £4.5m was incurred in 2013. There were no exceptional items in 2014.

Earnings per share, continuing operations, and dividend

	H1 2014	H1 2013
Earnings per share	6.6p	4.8p
Interim dividend per share	1.9p	1.0p

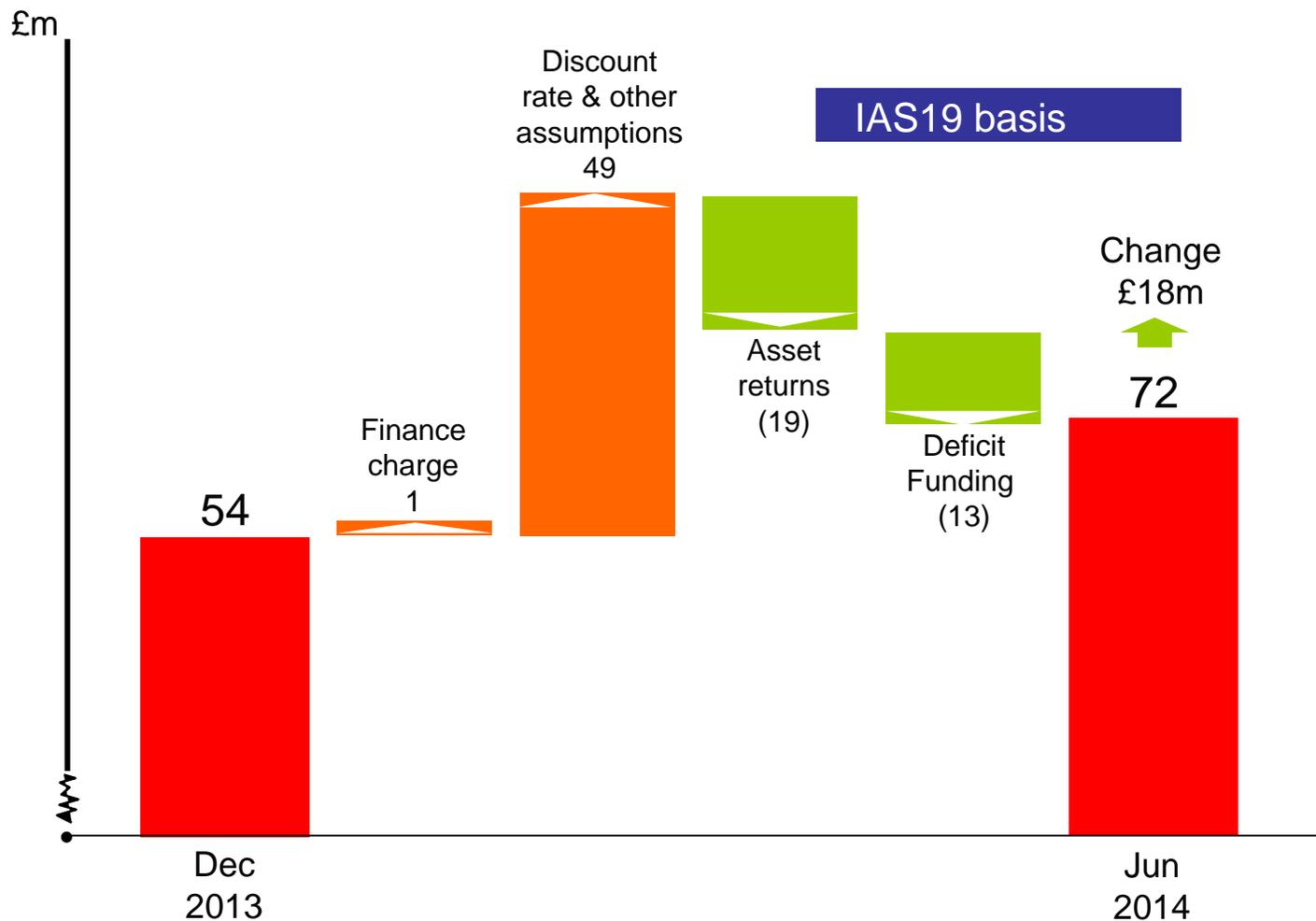
Net cash and cash flow

£m	H1 2014	H1 2013
Opening net cash	140.5	96.4
Operating cash flows before movements in working capital	70.2	54.7
Working capital	(6.9)	(11.3)
Capital expenditure	(17.2)	(8.8)
Interest (net)	0.2	0.1
Tax paid	(13.9)	(11.3)
Legacy properties	(1.2)	(5.3)
Pension deficit contribution	(12.6)	(12.7)
Exceptional items	-	(3.9)
Other	2.0	4.1
Closing net cash	161.1	102.0

Working capital

- Working capital up £6.9m
 - stock up £11.4m
 - debtors up £17.1m
 - creditors up £21.6m

Pension scheme deficit



Triennial review of scheme underway – will set deficit payments for three years from April 2015

Recent trading and outlook for remainder of 2014

- Sales in first four week period of H2 up 14.0%
 - feedback from depot remains positive
- Well placed to achieve our expectations
 - tougher comps
 - important period 11 still to come
- Continue to invest in growth – 30 new depots this year



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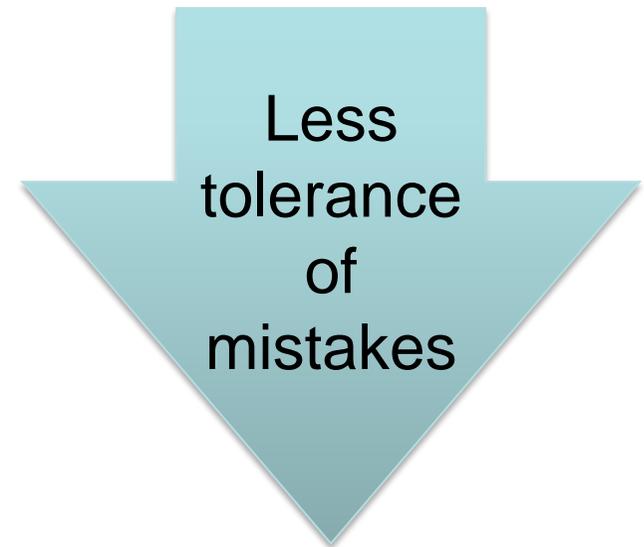
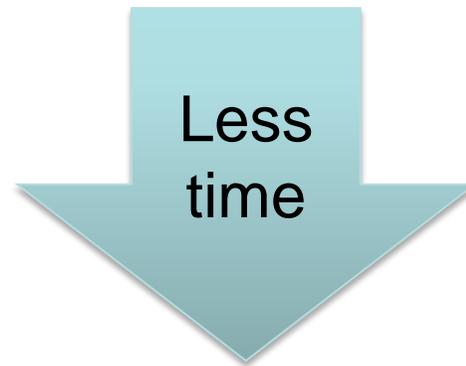
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Matthew Ingle
Chief Executive Officer

Things have changed since 1995 ...

- ➡ Materials
- ➡ Technologies
- ➡ Trends
- ➡ Expectations
- ➡ Internet
- ➡ Regulation
- ➡ Housing market



... but some things don't change

- ➔ Howdens is a trade-only business
- ➔ Offering good, personal service in an increasingly complex world

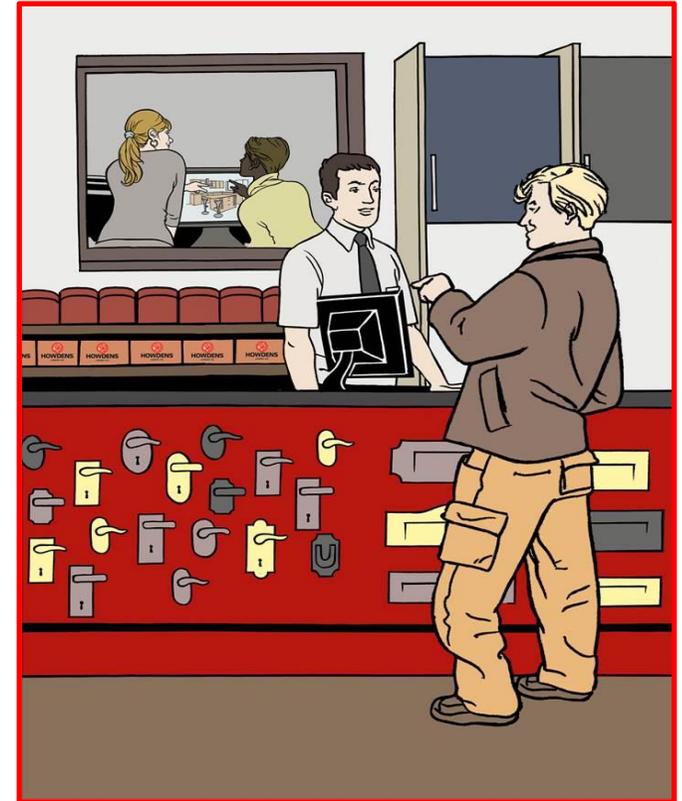


Our mission is our model

“To supply from local stock, nationwide, the small builder’s ever-changing, routine, integrated joinery/kitchen requirements, assuring no call back quality and best local price”

Offering a complete service to the small builder

- ➔ Very local depots
 - Free planning service
 - Relevant product range
 - Everything in stock, always
 - Best local price
 - Won't break
 - Easy to fit
 - Can swap any item



Confidential discount, nett monthly credit account

Uniquely able to deliver value to the builder

- ➔ Successfully combining all the critical elements
- ➔ Based on personal relationships and solid values



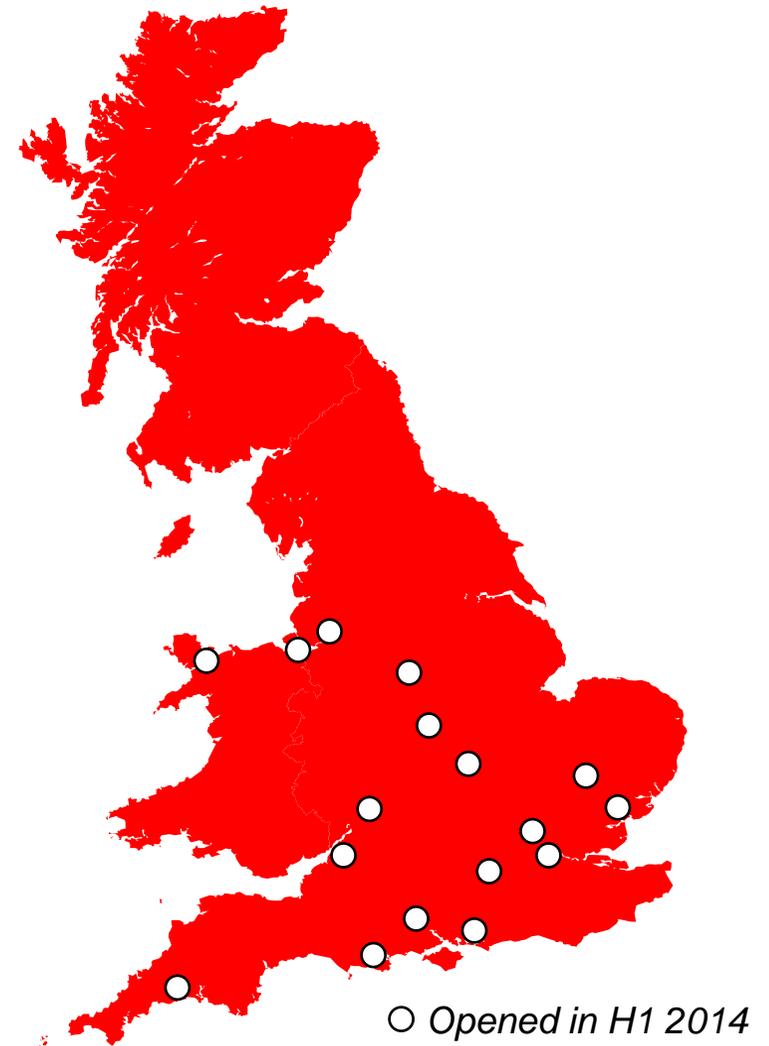
More local accounts, more local depots

➔ 317,000 active credit accounts

- 58,600 accounts opened in H1 2014
- Total credit accounts up from 278,000 at end of H1 2013

➔ 576 depots

- 17 opened in H1 2014
- A further 13 planned in H2



The typical Howdens depot

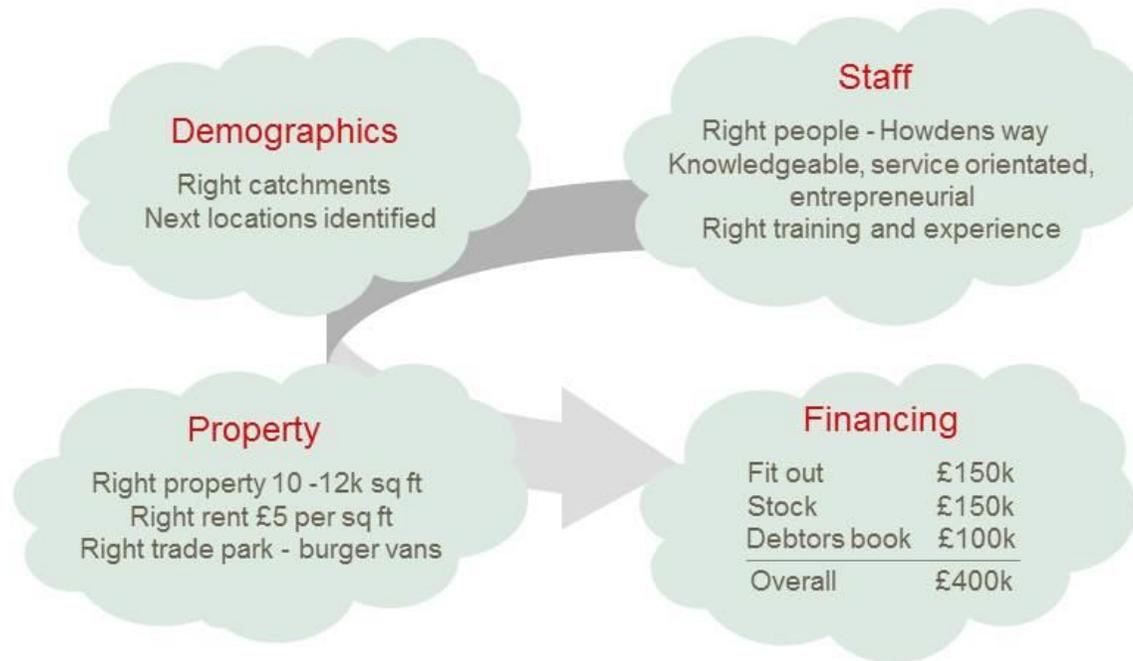
- ➔ 10,000 sq.ft
- ➔ Trade parks
 - Average rent c. £5.50 per sq.ft
- ➔ Low fit-out costs
 - One-off, c. £180k - £300k
- ➔ Low breakeven point
 - At sales of c.£650,000 p.a.
- ➔ 6 – 10 staff
- ➔ Open 5½ days a week



Repeating what works

From our interim results, July 2009

Depot expansion



All the critical elements are in place

Galiform

The builder is prepared to pay for Howdens' offer

- ➔ c.£130m of stock in the business at any one time...
- ➔ c.£200m of debt to collect at peak...



- ➔ The builder is more likely to pay us promptly

Time is money

Continuing to invest in our supply chain

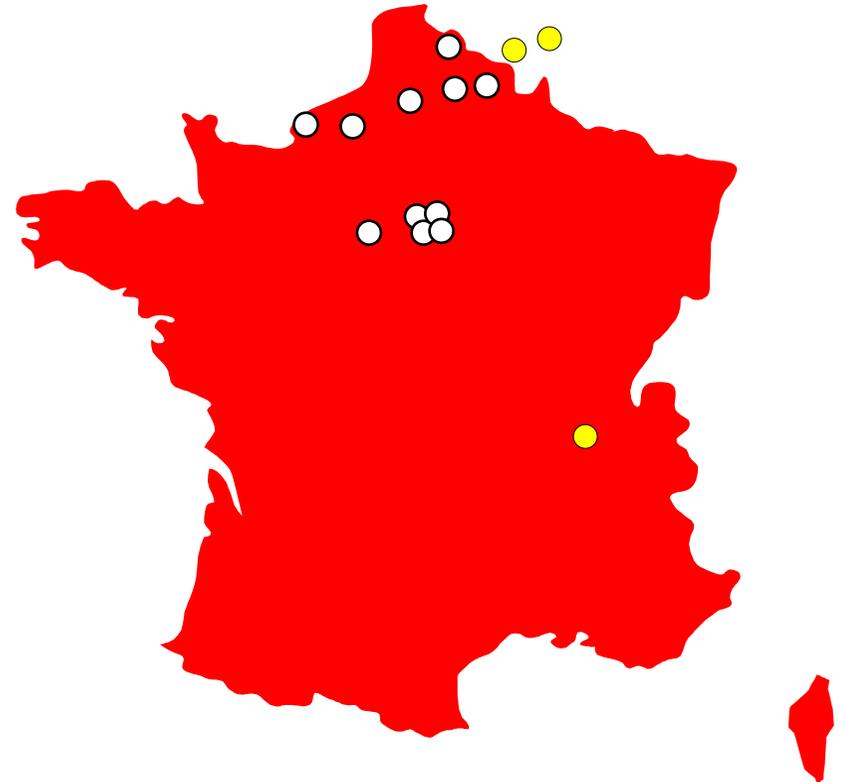
- ➔ Manufacturing capacity
 - High volumes, long runs, no waste
- ➔ External suppliers
- ➔ Efficient warehousing
- ➔ Industrial product design and development
- ➔ Reliable systems to support growth



New equipment installed at Howden in 2013

Progress with our French pilot

- ➔ Improvements in depot margin and profitability
 - More understanding required
 - A very different market
- ➔ Ongoing testing
 - 2 depots in southern Belgium, close to our Lille HQ
 - 1 test format near Lyon



Organisational development

- ➡ Mark Robson, Deputy CEO and CFO
- ➡ Andy Witts, COO Trade
- ➡ Rob Fenwick, COO Supply
- ➡ Theresa Keating, FD

Positioning ourselves to take advantage
of further growth opportunities

New depot performance

- ➔ Local means **really** local
- ➔ Builders don't like travelling
- ➔ New depots continue to perform well
 - Adding locations helps us increase sales in specific areas, e.g. Lincoln + North Lincoln = 100% improvement
 - Some customer movement based on convenience and relationships, as expected, but no cannibalisation

Plenty of opportunity to continue to grow sales

Supply chain flexibility

- ➡ Bringing it all together
 - 576 depots, 5,700 SKUs, 200+ suppliers
- ➡ Control of our own cabinet manufacturing, supported by:
 - 5-year chipboard supply agreements
 - Two sites, flexible working arrangements
- ➡ Flexibility built in to agreements with suppliers
 - Multiple sourcing, shorter lead times, close to home
- ➡ Capability and knowledge constantly improving

Effective account management

- ➔ 385,000 total accounts
 - 317,000 credit accounts: allowing 4 - 8 weeks' credit
- ➔ Peak trade debt c.£200m
- ➔ Centrally managed credit control, c.150 people
- ➔ Total cost of credit control (including bad debts) less than 1% of sales
 - In-stock model
 - Rigorous procedures, consistently applied

A young and successful business with prospects



- Relevant, imaginative, strong
- Clear business proposition
- Unique, proven model
- Delivers profit and cash

Continued
growth and
development

Doing what we do well, and doing it even better



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Appendix

New product introductions, H1 2014

11 new kitchens

- Including 8 new options in Greenwich, our successful entry-level range
- New worktop and backboard designs



Greenwich Gloss Navy & White

New product introductions, H1 2014

Lamona is the UK's No. 1 integrated appliance brand, and continues to grow

- Domino hobs & compact ovens for smaller kitchens
- New range of contemporary sinks and taps



Lamona Ceramic Domino Hob



Lamona Dorney 1.5 bowl sink

New product introductions, H1 2014

New external doors

- Including pre-glazed versions of successful designs

New hardware

- Focus on handle development

New flooring options

- Fast fit, easier for the builder



*External Dordogne
Oak Glazed Door*



*Professional Fast Fit
V Groove Light Grey
Oak Laminate Flooring*



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