



LEADING SOFA RETAILING IN THE DIGITAL AGE

DFS FURNITURE PLC

Interim Results Presentation

9 March 2021



dwell



AGENDA



Welcome & Introduction

Tim Stacey

Financials

Mike Schmidt

Strategy Update

Tim Stacey

Q&A

Tim Stacey &
Mike Schmidt

We continue to strengthen our market leading position in a resilient 'Home & Furnishings' category

**Strong revenue, profits and cash generation,
despite ongoing mobility restrictions**

**Benefitted from both market growth post lockdown
and market share gains of 2 ppts +**

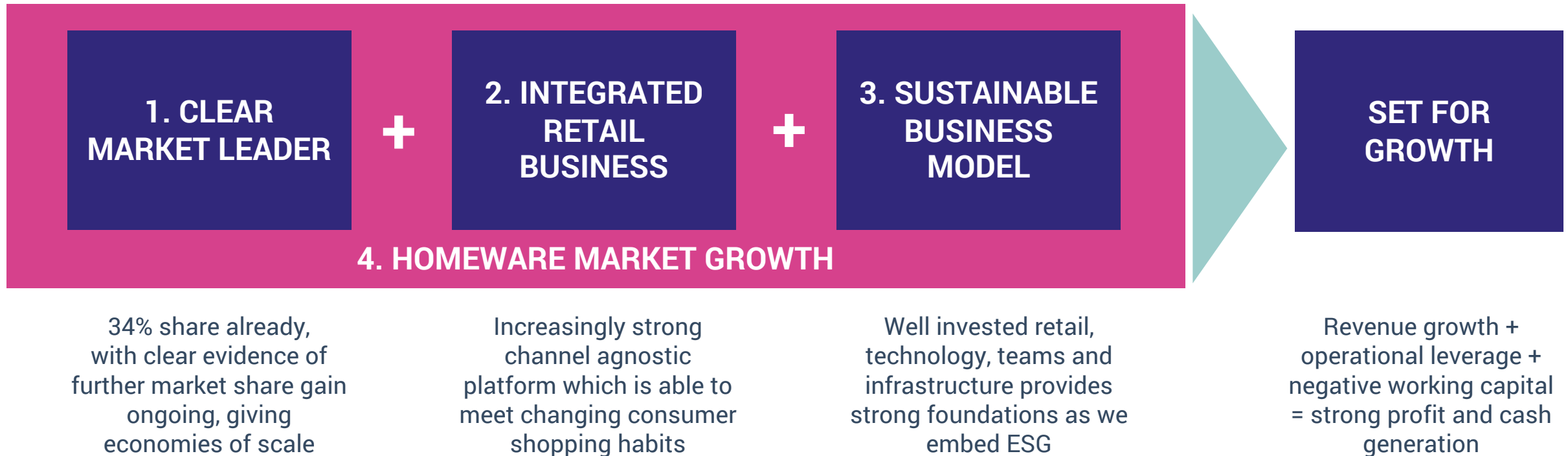
**Exceptional online performance of +68%,
driven by continued investment and innovation**

**Out-turn expected to be in line with consensus PBT
subject to re-opening showrooms on 12 April**



**THANK YOU TO OUR COLLEAGUES,
CUSTOMERS & OUR OTHER STAKEHOLDERS**

DFS GROUP: STRONG & RESILIENT; SET FOR GROWTH



“Homeware” category proven to be resilient through pandemic, despite showroom closures, opportunity for market growth upon re-opening

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IFRS 16 ACCOUNTS SUMMARY (£m)

	H1 2020 26 weeks to 29- Dec-19	H1 2021 26 weeks to 27-Dec-20
Revenue	488.0	572.6
<i>Growth (%)</i>	<i>(5.7%)</i>	<i>17.3%</i>
<i>Comparative growth</i>	<i>n/a</i>	<i>18.7%</i>
Underlying PBT pre brand amortisation	16.6	76.5
<i>Growth (%)</i>	<i>(46%)</i>	<i>361%</i>
Reported PBT	15.9	72.1
Basic Underlying EPS	6.0p	23.5p
<i>Growth (%)</i>	<i>(47%)</i>	<i>291%</i>
Net bank debt	147.8	38.2
<i>Leverage</i>	<i>2.2x</i>	<i>1.1x</i>

OVERVIEW

Strong order intake drives significant revenue and profit growth

Positive trends equally across DFS and Sofology

Financial model supports good cash generation and robust financial position

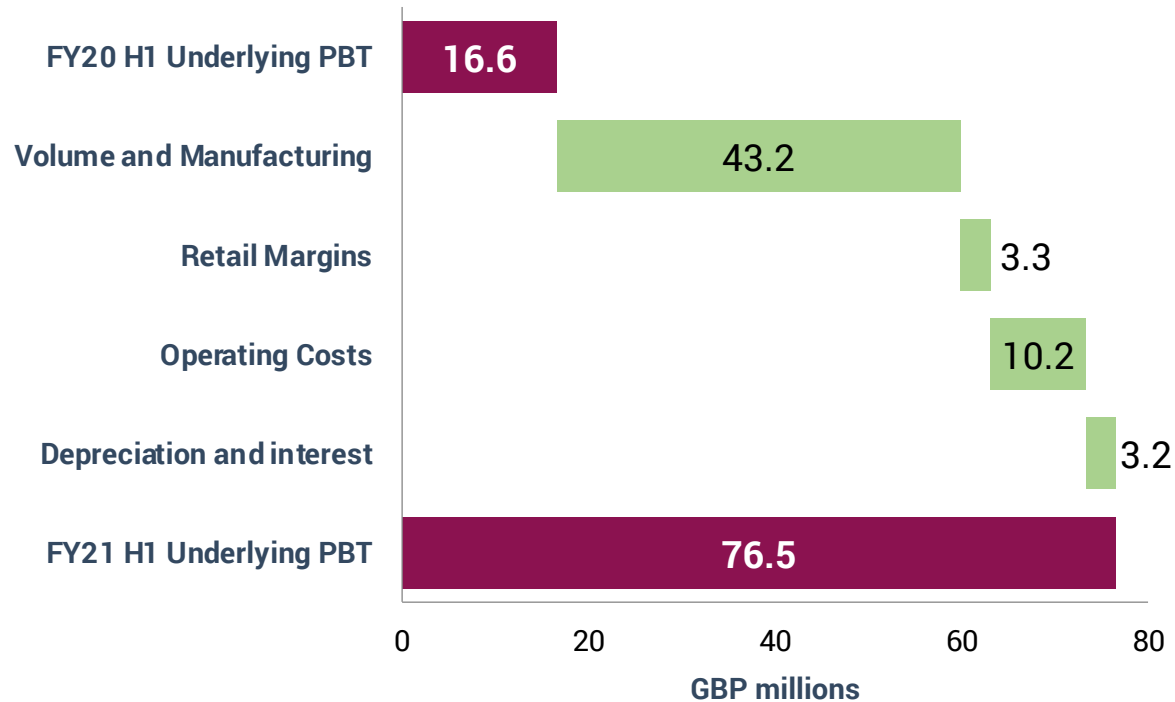
- (1) Comparative growth measured by excluding Sofa Workshop revenues from each period
- (2) Underlying PBT excludes brand amortisation charges of £0.7m in each period, FY20 PBT and EPS growth measured on an IAS 17 basis due to FY20 transition year
- (3) Leverage H1 2020 defined as Net debt / EBITDA (IAS17), H1 FY21 defined as net bank debt / operating cash flows before tax, excluding working capital movements, less lease payments

Strong revenue performance drives high profits and deleveraging

PROFIT DRIVERS



PBT MOVEMENTS £m - FY21 vs. FY20



OVERVIEW

Revenues the key driver of profit growth

Retail margins healthy despite cost headwinds

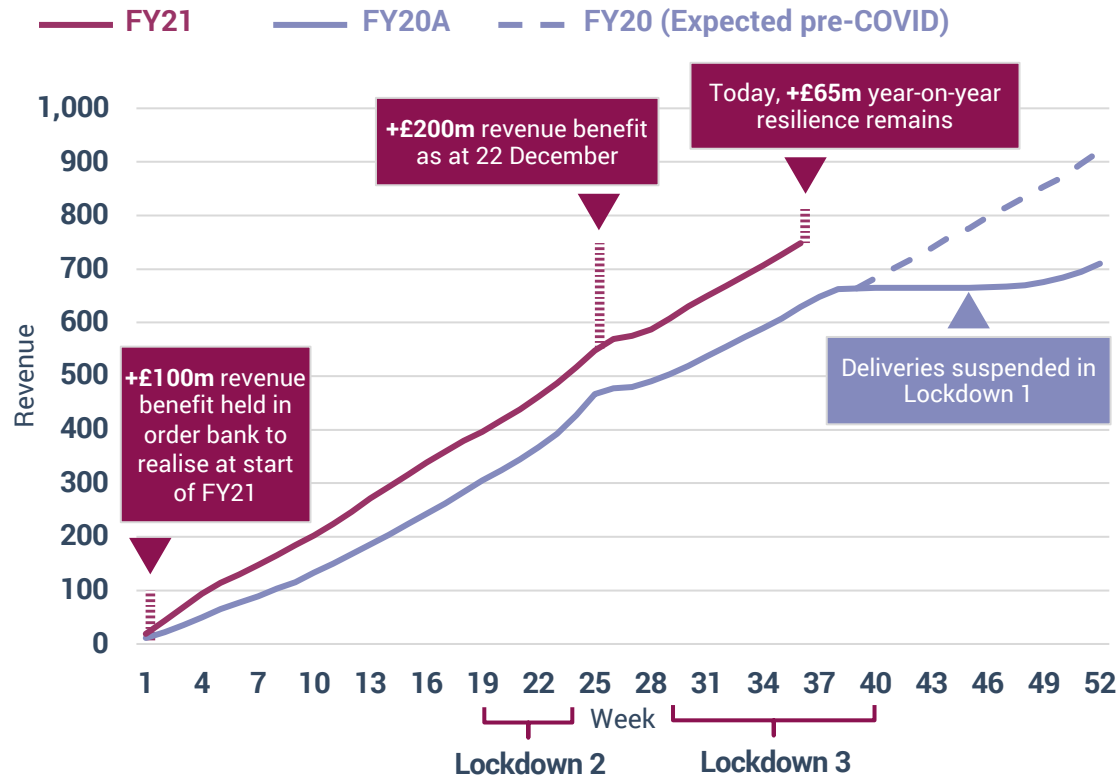
Operating costs well controlled

Significant profit growth driven by revenue growth and also increased marketing effectiveness

OUR POSITION TODAY



CUMULATIVE (DELIVERED) REVENUES £m - FY21 & FY20



OVERVIEW

Deliveries have continued at high rates throughout the financial year

Elevated order bank has provided meaningful resilience through lock-downs

Full-year outturn dependent on maintaining full utilisation of manufacturing and delivery capacity

Strong demand and elevated order bank levels have allowed consistent revenue and profit generation to date despite the effect of lockdowns

LOOKING FORWARD...



POTENTIAL SCENARIOS

(Base cash showroom reopening on 12 April 21)

	LOW	MEDIUM	HIGH
Order Intake vs. FY19 from 12 April 2021*	0%	+30%	+50%
<i>Context: Post 'Lockdown 1', over the first thirteen weeks, we saw average order intake of +64%</i>			
Revenues	£1,050m	£1,070m	£1,085m
FY21 PBTA**	£97m	£105m	£112m
FY22 PBTA Order Bank Benefit	-	+£10m	+£20m
Net Bank Debt	c.£120m	<£100m	<£100m

*Order intake growth measured excluding Sofa Workshop

**Includes retail business rates holiday extension

OVERVIEW

Targeting full year pre-tax profit out-turn of approximately £105m despite fourteen-week national shutdown of showrooms

Potential for FY22 order bank resilience to build, dependent upon level of pent-up demand

Further showroom reopening delay will reduce FY21 profits but increase profit deferral into FY22

We continue to expect good profit growth for the current financial year despite extensive lockdowns, with increasing confidence for FY22 and beyond

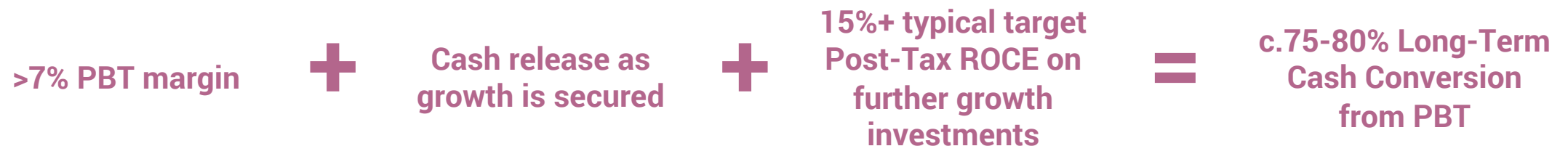
ADVANTAGED CASH GENERATION MODEL



FY21
("mid-case")



Long-term
Outlook



Negative working capital business model and disciplined approach to capital investment leads to superior cash generation

KEY FINANCIAL METRICS



METRIC	TARGET	COMMENTARY
LTM GROSS SALES GROWTH	Above market growth by 1% to 2% plus grow share in homewares market	Preliminary data shows c.2% market share gain through H1 implying >5% sustainable sales growth ahead of market
LTM PBT MARGIN	Growth to at least 7% from increased usage of Group assets	At an elevated 13% over the first six months, however sustainable structural cost improvements being driven
CASH GENERATION / LEVERAGE	Operate at between 0.5-1.0x* in line with Capital Allocation Policy	Strong cash generation has meant leverage has reduced to 1.1x
POST-TAX ROCE (Lease Inclusive)	Growth in ROCE to 'high teens' over the medium term	Capital expenditure on strong growth returning investments is meeting returns expectation

*Calculated as net bank debt / operating cash flows excluding working capital and before tax less lease payments

Good progress being made across all key metrics

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THE FUNDAMENTALS OF THE GROUP

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SPOTLIGHT ON THREE SPECIFIC TOPICS

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dfs dwell sofology THE SOFA DELIVERY CO

DFS GROUP: STRONG & RESILIENT; SET FOR GROWTH

1. CLEAR MARKET LEADER

+

2. INTEGRATED RETAIL BUSINESS

+

3. SUSTAINABLE BUSINESS MODEL

➔

SET FOR GROWTH

4. HOMEWARE MARKET GROWTH

34% share already, with clear evidence of further market share gain ongoing, giving economies of scale

Increasingly strong channel agnostic platform which is able to meet changing consumer shopping habits

Well invested retail, technology, teams and infrastructure provides strong foundations as we embed ESG

Revenue growth + operational leverage + negative working capital = strong profit and cash generation

Homeware category proven to be resilient through pandemic, despite showroom closures, opportunity for market growth upon re-opening

ON-GOING STRATEGY IMPLEMENTATION

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1 DRIVE DFS CORE

2 BUILD THE PLATFORMS

3 UNLOCK NEW GROWTH

<p>1. OMNI-CHANNEL: develop seamless customer journey across channels</p>	<p>1. COST EFFECTIVENESS AND PROPERTY COST REDUCTION: reduce our relative cost base</p>	<p>1. SOFOLOGY: develop to a nationwide business</p>
<p>2. PRODUCT INNOVATION: enhance our unique and differentiated product offer</p>	<p>2. SUPPLY CHAIN: best in market 2 person sofa delivery & installation</p>	<p>2. DWELL: broaden reach through digital, wholesale and right space</p>
<p>3. CUSTOMER PROPOSITION AND SERVICE INNOVATION: new services to engage customers</p>	<p>3. MARKETING INVESTMENT: Data & insight driven efficiency and effectiveness across Group</p>	<p>3. INTERNATIONAL - DFS NL: to break even & beyond on current model & develop options for medium-term growth</p>

£40m PBT MEDIUM TERM BENEFIT

21

Manufacturing

Home market

ESG

DFS GROUP: STRONG & RESILIENT; SET FOR GROWTH



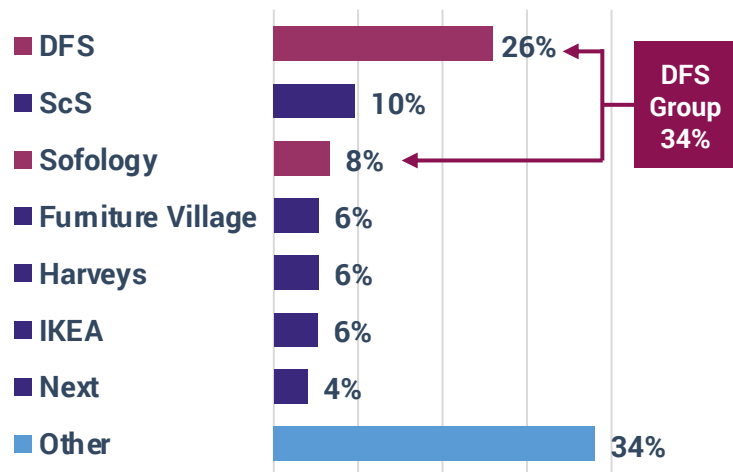
“Homeware” category proven to be resilient through pandemic, despite showroom closures, opportunity for market growth upon re-opening

STRONG & RESILIENT; SET FOR GROWTH



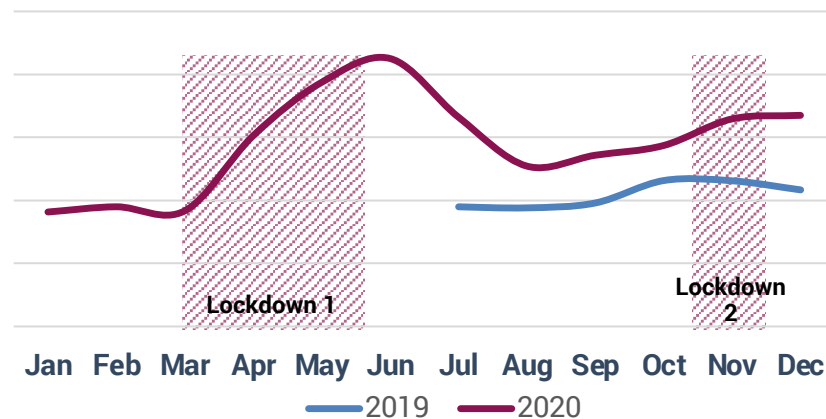
Clear market leadership enables ability to unlock strong economies of scale

Group market share >34% pre pandemic, over 3x nearest competitor



External evidence of market share growth of +2ppts in Half 1

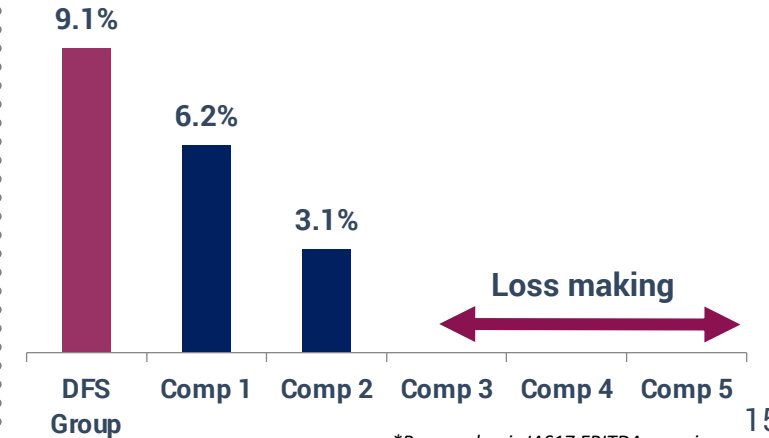
LATEST GROUP MARKET SHARE TRENDS*



*Source: Barclaycard specialist sofa retailer data

Scale enables sector leading operating margins

LEADING EBITDA MARGINS* IN THE SECTOR



*Pre pandemic IAS17 EBITDA margins

STRONG & RESILIENT; SET FOR GROWTH

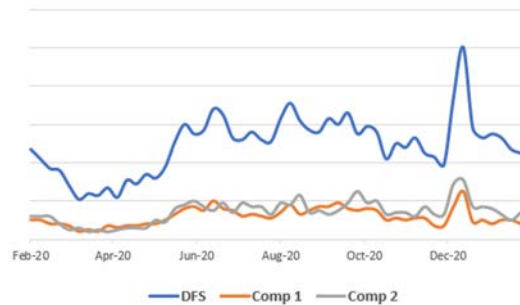


Our integrated retail and operating platforms enable agility and channel agnostic growth

Clear leader in digital search for category

DFS searches c.2.5x nearest competitor

Google search trends



Sector leading website driven by ongoing investment & innovation



Well invested, modern showrooms with leading sales densities

Group upholstery gross sales over £450/sqft, c.60% higher than competitor 1*

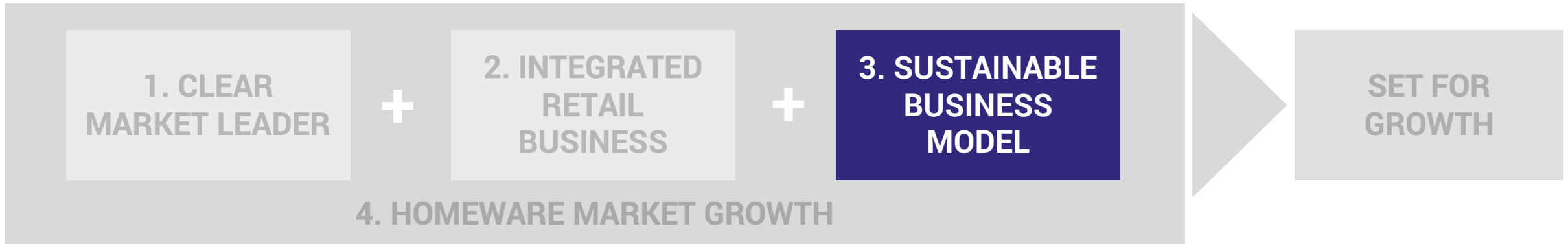


*Calculated including mezzanine level retail space

Integrated channel-agnostic fulfilment platform



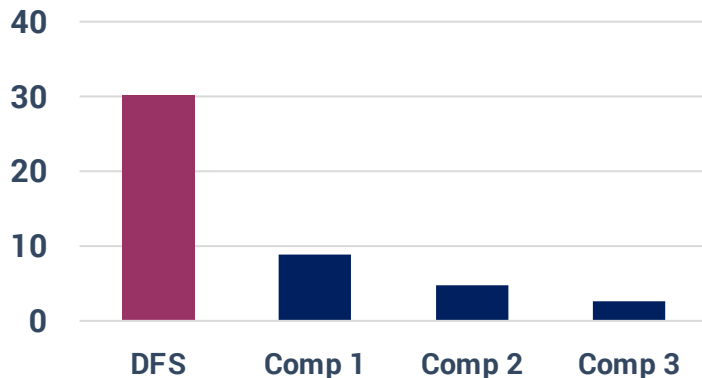
STRONG & RESILIENT; SET FOR GROWTH



Well invested business, resilient through pandemic + sustainability being embedded

Consistent historical investment has created relatively well invested and advantaged platforms

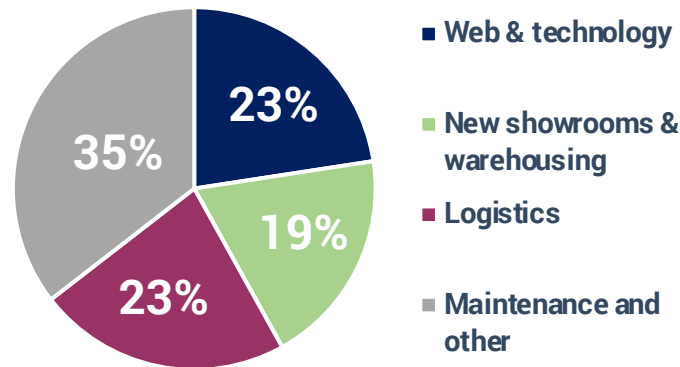
Capital Investment (£m)*



*Average of last two financial years

Increasing focus of capital investment in digital capabilities and technology

Capital Investment Mix



Sector leading ESG strategy embedded



STRONG & RESILIENT; SET FOR GROWTH

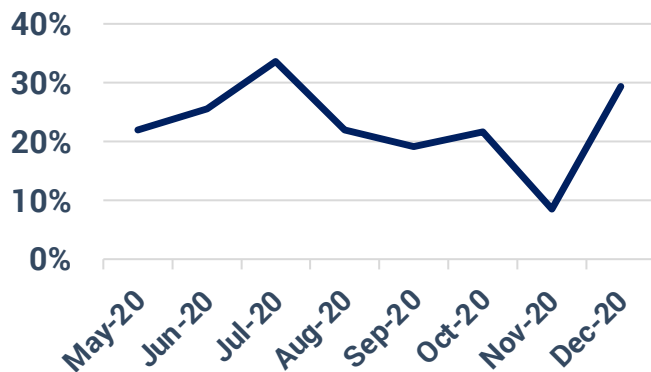


Resilient market demand: "home" remains key focus of discretionary consumer spending

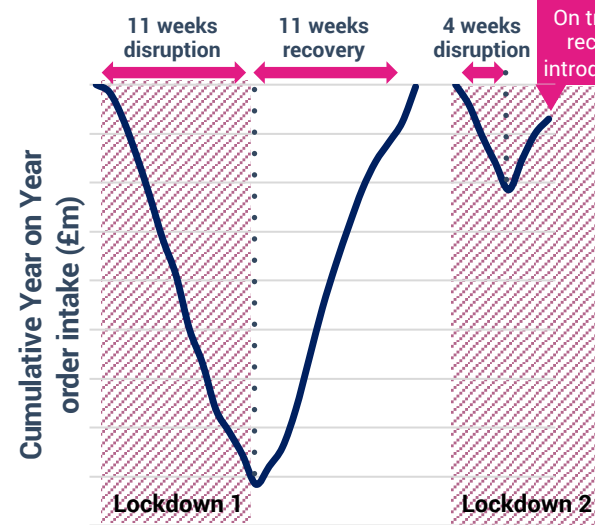
Homewares market bounced back to >20% growth post lockdown 1 & 2

DFS Group recovered vast majority of lost sales on showroom re-openings

BDO sales tracker - Homewares
Year on year growth

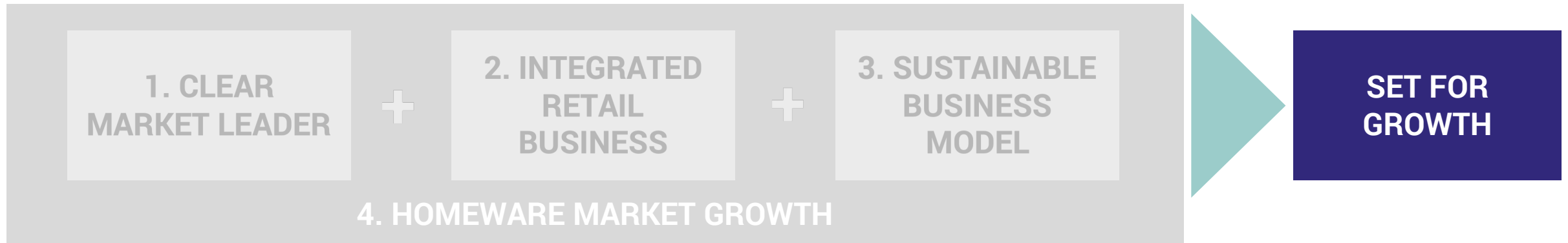


- Shift of consumer spending to home versus travel, leisure & fashion
- Greater time spent at home
- Evidence of trade up; AOV +6% in H1 across DFS and Sofology
- Potential short term boost from housing market



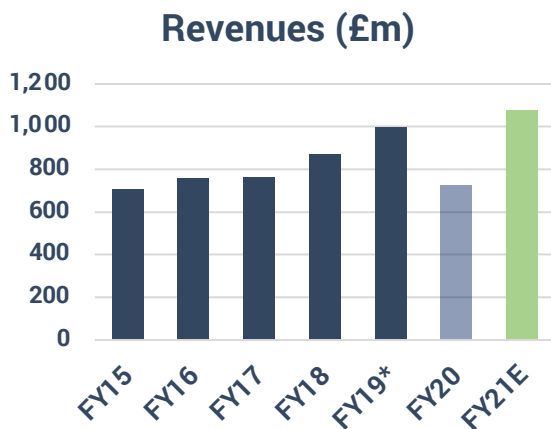
- Customers demand recovers as showrooms reopen (based on experience from lockdowns 1 & 2)
- Retail park locations advantaged versus high street / shopping centres

STRONG & RESILIENT; SET FOR GROWTH



Resilient market demand: "home" remains key focus of discretionary consumer spending

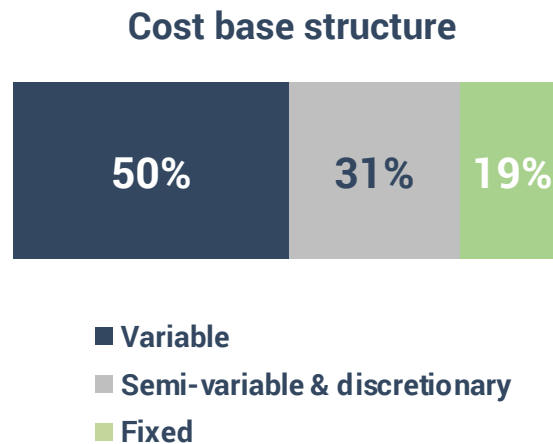
Strong revenue growth post IPO in FY15 to >£1bn



*LTM period to June-19, not 48 week reported period



Scaleable platform, with operating leverage



c.50% drop through on marginal revenue growth



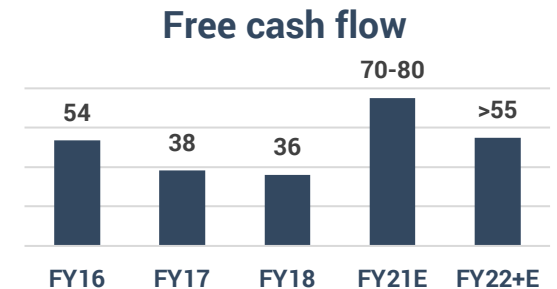
Negative working capital

-44 days
of revenue on average⁽¹⁾

(1) Average month end balances in FY19



Strong post-tax, post interest annual free cash flow of >£55m⁽²⁾



(2) Operating cash flow post interest, capex and taxation and pre acquisition consideration. FY21E based on analyst consensus. FY22+ based on sustainable target 7% PBT margin, 75% cash conversion from PBT and revenue growth from FY21 levels. FY19 excluded due to short 48 week period, FY20 excluded due to COVID disruption.

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2. BUILD THE PLATFORMS

- 1. COST EFFECTIVENESS AND PROPERTY COST REDUCTION:** reduce our relative cost base
- 2. SUPPLY CHAIN:** best in market 2 person sofa delivery & installation
- 3. MARKETING INVESTMENT:** Data & insight driven efficiency and effectiveness across Group

3. UNLOCK NEW GROWTH

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- 3. INTERNATIONAL - DFS NL:** to break even & beyond on current model & develop options for medium-term growth

£40m PBT MEDIUM TERM BENEFIT

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THE SOFA CYCLE

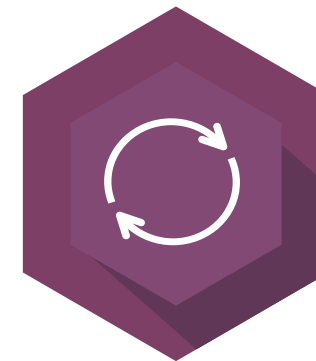
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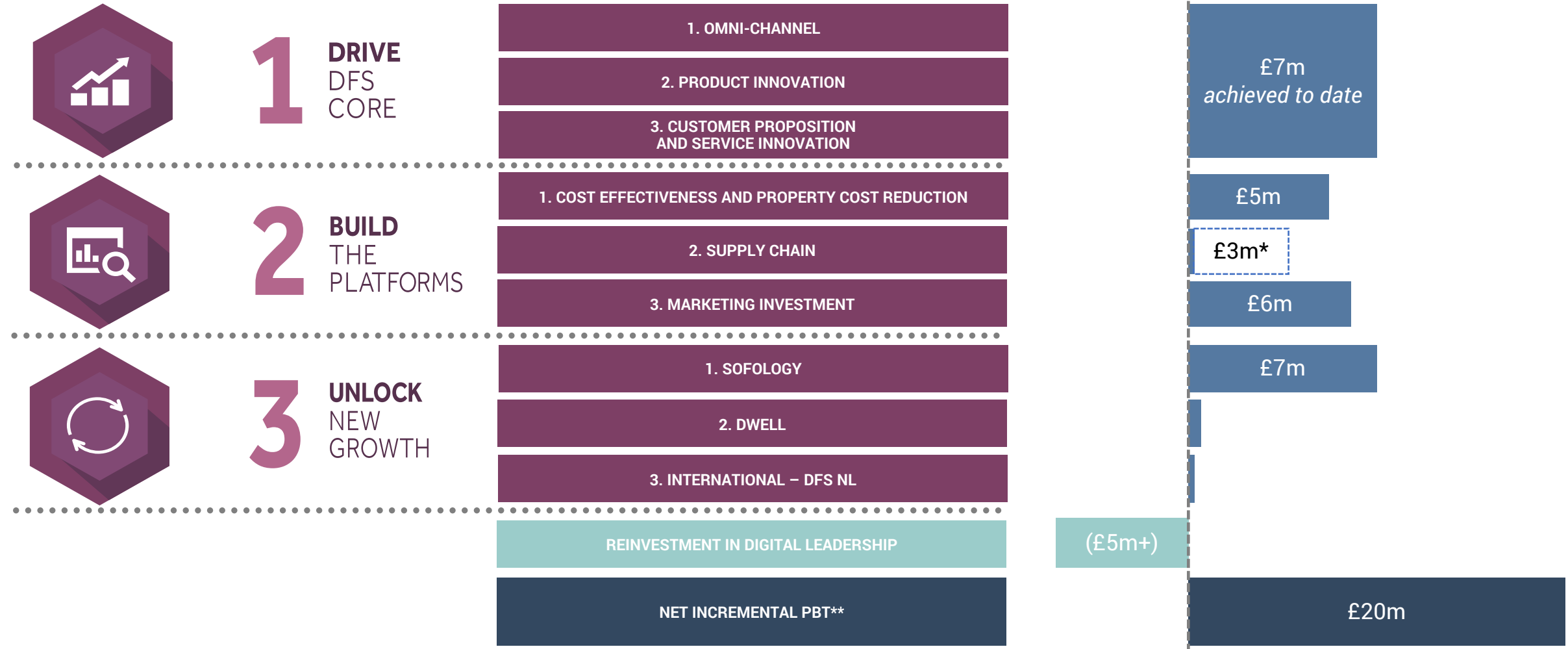
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£40m PBT MEDIUM TERM BENEFIT*

**per capital markets day May 2018.*

STRATEGY IMPLEMENTATION UPDATE



*Saving run rate at end FY22

**Excluding market growth / decline

On track to achieve £40m incremental profit target in medium term

Driving continuous incremental gains from wide-ranging omnichannel initiatives



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1 Continuous online investment, driving engagement & conversion

DFS Retweeted
Clive Castillo @clivecastillo_

This AR feature on the @DFS site is actually really cool! You can use your phone to align your order in your own home space. Practical, so useful and easy to manoeuvre. Makes me even more excited for my sofa to arrive 😍

Tweet your reply

2 Data led product innovation, driving new customers and AOV

Convenient · Style · Fast

Ready to assemble sofas. Delivered in a box. In just 21 days.

Assembles easily. No tools required.

See the styles

Unbox the range.

Showroom modernisation improving conversion & AOV



3 Customer service tools, supporting NPS & productivity

dfs Live Assistance

Connect to our LIVE CHAT

Find out More

Would you like to talk to our DFS Virtual Assistant?

YES PLEASE

Privacy & Legal powered by DFS

Progress in development of our multi-brand retail platform



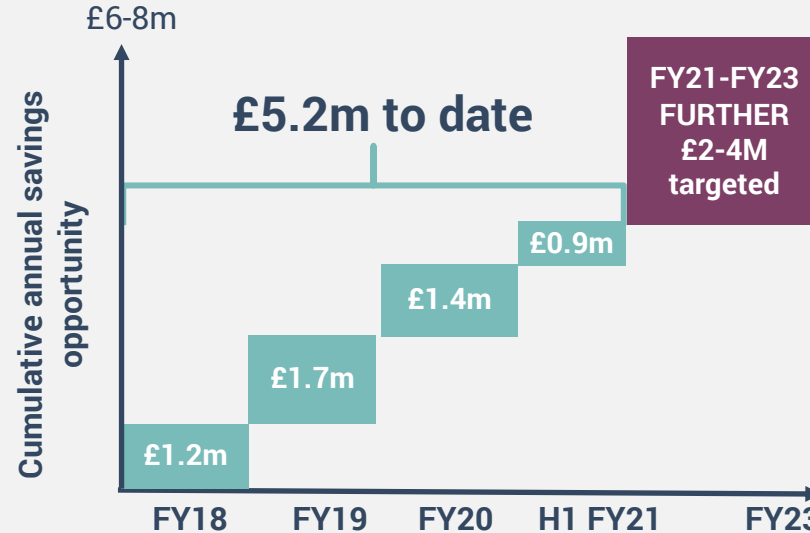
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1 Property savings on track, latest lease re-gear savings >30%



2 Sofa Delivery Company rolling out, targeting £3m+ savings p.a. by end FY22

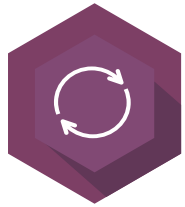


3 Marketing & cost efficiencies - data driven digital first efficiencies



£6m net savings vs FY20

Focus on driving revenue & profit growth in Sofology



**3 UNLOCK
NEW
GROWTH**

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**New showroom
openings, 3 so far
in H1, targeting
6-8 in next 12
months**



**New product
innovation,
including eco
sofas, driving AOV**



**Omni-channel
innovation, live
video sales driving
engagement &
sales**



**Cut through brand
advertising, raising
brand awareness &
consideration**

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Home market

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THE SOFA CYCLE

We plan to invest further in vertical integration to increase capacity, reduce lead times, improve ESG oversight & control and capture additional margin

Own manufacturing today



- c. 20% of Group, primarily for DFS
- 5 UK factories, 1,000 colleagues
- Operating at full capacity
- Manufacturing profit included in DFS gross margin

Benefits of own manufacturing

For customers

- Differentiated in house designed product (e.g. exclusive brands)
- Faster lead times
- Credibility of “UK handmade”

For the environment

- End to end control of supply chain
- Greater ESG oversight
- Lower carbon footprint

For shareholders

- Capture full margin of retail activity
- Raw material cost insights
- Good ROCE

Future plans

Short term - invest in UK existing manufacturing base

- Increase capacity, including support of Sofology growth
- Capture more of value chain
- Incremental capital investment of £12-£15m over FY22 & FY23
- Benefits FY24 onwards well above required rate of return

Short to medium term - explore external near-shore opportunities

- To increase capacity and flexibility
- Reduce lead times to customers
- Improve ESG oversight

Clear opportunity to extend into the **Living Room Furniture** and **Bedroom** market increasing our Total Addressable Market (TAM)

Living Room Furniture



Attachment opportunity across channels

- Living room furniture including coffee tables, rugs etc represent attachment opportunity for DFS & Sofology
- Current attachment rates <5%
- Using of Dwell supply chain, infrastructure and supplier relationships

Home market



Bedroom £3.7bn

Living Room £1.2bn

Upholstery £3.2bn

Home category extension

- We plan to use our existing assets to increase our TAM beyond upholstery
- The bedroom market was worth £3.7bn in 2019, with living room furniture (excluding sofas) c £1.2bn.

Bedroom



Online bedroom opportunity

- Utilising our existing assets to drive online penetration
 - High levels of unique web visitors
 - Well invested web platforms
 - Brand partnerships (eg Joules)
 - Manufacturing relationships
 - Market leading Interest Free Credit offer

We have a long-term commitment to a building a **sustainable** business model and embed ESG

Environment



- Launched ESG strategy in Sept 20, focused on 'E'
- Clear targets outlined (see appendix)
- Sustainability embedded into way we do business
- "Rescued" over 65,000 sofas from landfill through our sofa rescue initiative

Social & Governance



Inclusion and diversity

- We aim to make "Everyone Welcome" - our colleagues will reflect the communities we work in and the customers we serve

Our values

- Guide our behaviour and are at heart of our culture

Governance

- Focus on Senior Manager Certification Scheme, ISO 9001 and Modern Slavery

Commitments

- Signed up to BRC climate action roadmap to reach net zero
 - Scope 1 by 2035
 - Scope 2 by 2030
 - Scope 3 by 2040
- FSC accreditation by 2025
- Leather working Group certification by 2024
- Social inclusion targets set by FY22
- Audit and certification framework in place for all cotton and fabric by 2024

- **Strong and resilient business model;** set for growth
- **Positive first half performance,** and full-year profit outlook
- Reopening on the front foot, building on **market share gains**
- **Strategic agenda is on-track**
- **Further opportunities are emerging,** especially in manufacturing and adjacent furniture markets
- **ESG embedded throughout business** and represents a great opportunity

Thank you once again to our colleagues, our customers and our other stakeholders

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Q&A



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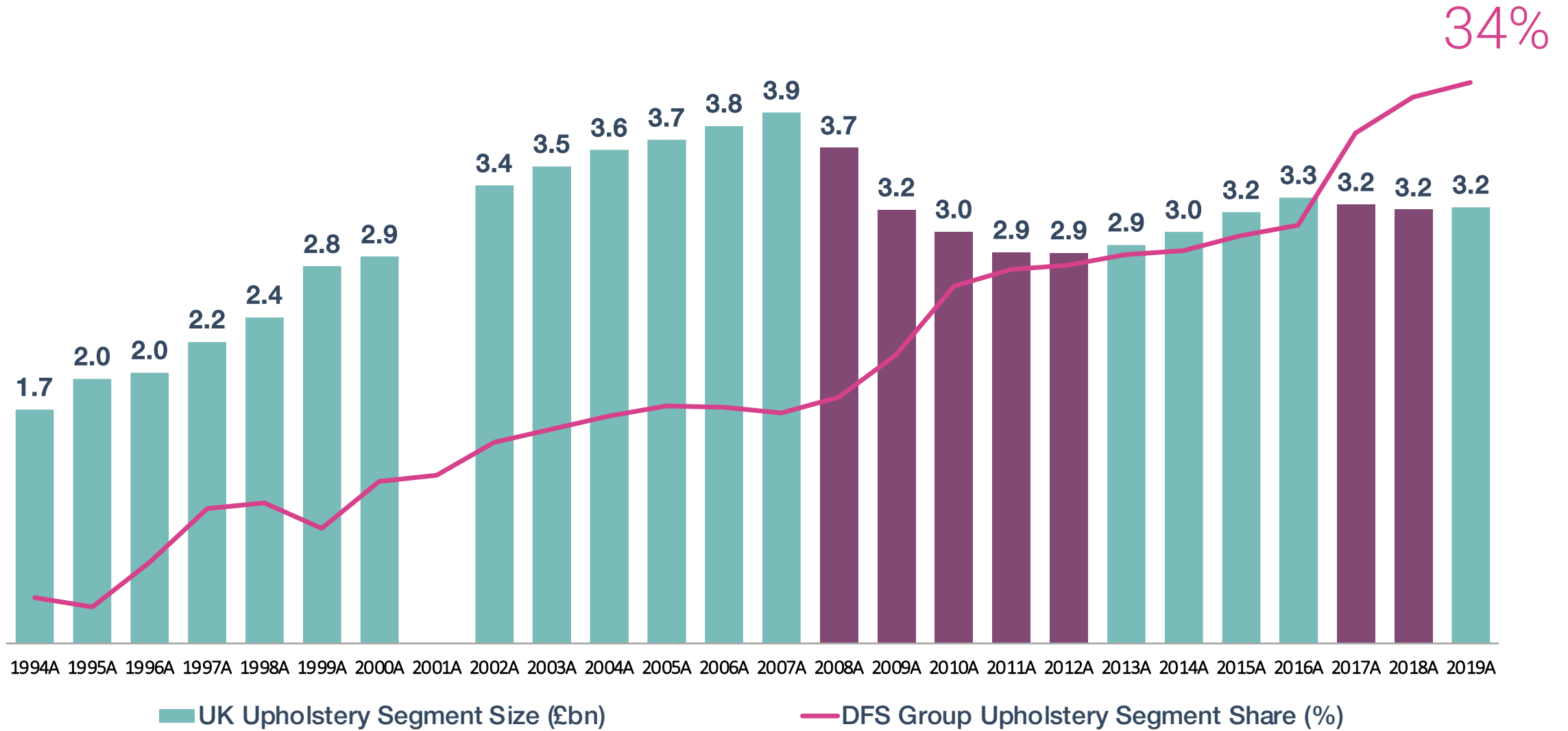
APPENDICES



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SEGMENT SHARES - SOFAS

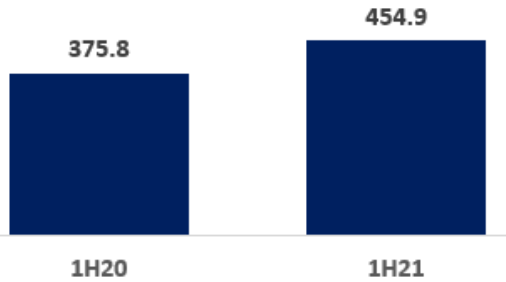


BRAND PERFORMANCE



DFS

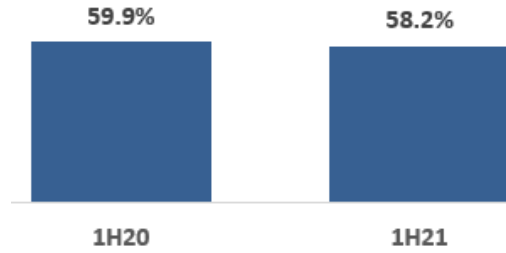
Revenues (£m)



- Strong showroom and web order intake
- Revenue growth lower than order intake due to manufacturing capacity constraints

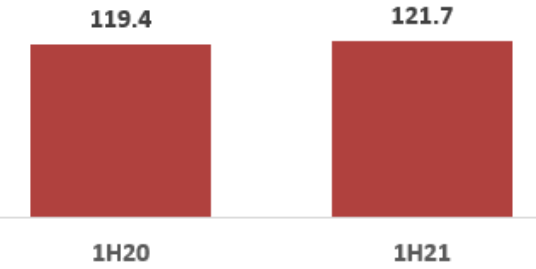
Note DFS segment now incorporates Dwell following summer reorganisation

Gross margin



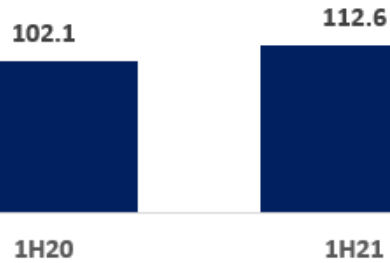
- Mix effect from high margin internal manufacturing already operating at capacity
- Retail margins marginally increase with average order value growth more than offsetting cost headwinds (FX, foam and shipping)

Operating costs (£m)

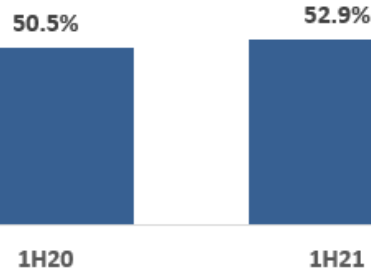


- Cost increase expected given higher sales volumes
- COVID related costs of c.£1.5m incurred
- Significant increase in the effectiveness of our marketing spend driven by improved targeting

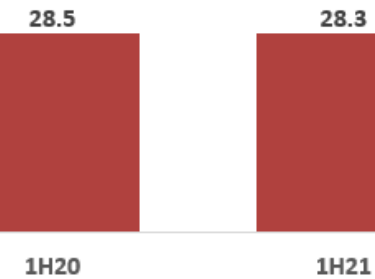
Sofology



- Similar order intake performance to DFS brand
- Revenue growth relatively lower than DFS due to greater levels of disruption in inbound supply chain (now normalising)



- Gross margin continues to grow, driven by AOV
- Same cost headwinds faced into as DFS



- Cost reduction driven by improved effectiveness of marketing more than offsets variable cost increases

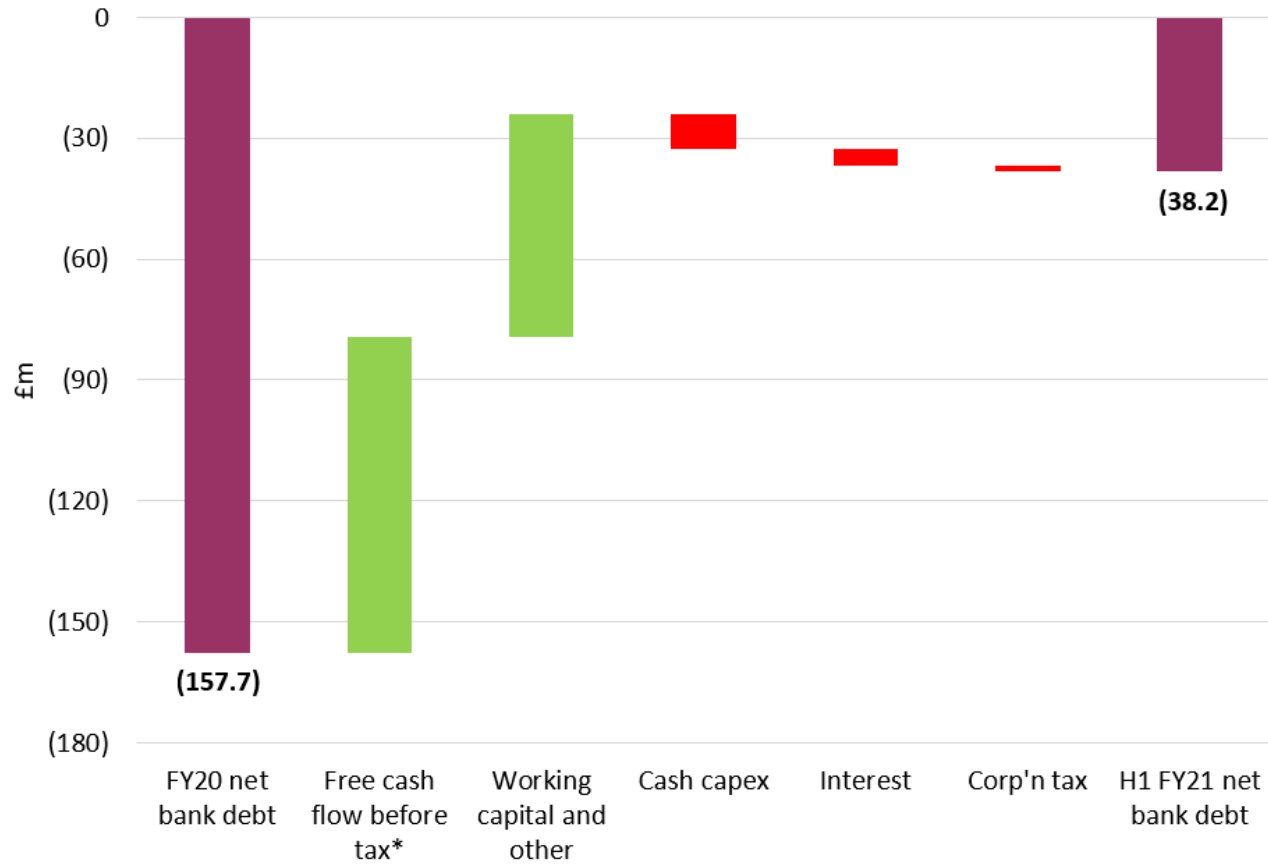
PERFORMANCE FOR THE 26 WEEKS



26 weeks ended 27 December 2020	DFS	Sofology	Subtotal	Sofa Workshop	Total before non - underlying charges	Non underlying	Total
Gross Sales	587.1	141.4	728.5	6.3	734.8	-	734.8
Revenue	454.9	112.6	567.5	5.1	572.6	-	572.6
Cost of Sales	(190.0)	(53.0)	(243.0)	(1.3)	(244.3)	-	(244.3)
Gross Profit	264.9	59.6	324.5	3.8	328.3	-	328.3
Selling & Distribution costs	(121.7)	(28.3)	(150.0)	(0.5)	(150.5)	-	(150.5)
Brand Contribution	143.2	31.3	174.5	3.3	177.8	-	177.8
Property Costs					(2.0)	-	(2.0)
Administrative Expenses					(40.1)	(1.1)	(41.2)
EBITDA					135.7	(1.1)	134.6
Depreciation & Amortisation excl brand amortisation					(41.8)	-	(41.8)
Operating Profit					93.9	(1.1)	92.8
Interest					(17.4)	(2.6)	(20.0)
PBT pre brand amortisation					76.5	(3.7)	72.8
Brand amortisation					(0.7)	-	(0.7)
PBT					75.8	(3.7)	72.1
26 weeks ended 29 December 2019	DFS	Sofology	Subtotal	Sofa Workshop	Total before non - underlying charges	Non underlying	Total
Gross Sales	488.1	129.0	617.1	12.6	629.7	-	629.7
Revenue	375.8	102.1	477.9	10.1	488.0	-	488.0
Cost of Sales	(150.7)	(50.5)	(201.2)	(5.0)	(206.2)	-	(206.2)
Gross Profit	225.1	51.6	276.7	5.1	281.8	-	281.8
Selling & Distribution costs	(119.4)	(28.5)	(147.9)	(4.1)	(152.0)	-	(152.0)
Brand Contribution	105.7	23.1	128.8	1.0	129.8	-	129.8
Property Costs					(16.4)	-	(16.4)
Administrative Expenses					(34.0)	-	(34.0)
EBITDA					79.4	-	79.4
Depreciation & Amortisation excl brand amortisation					(44.1)	-	(44.1)
Operating Profit					35.3	-	35.3
Interest					(18.7)	-	(18.7)
PBT pre brand amortisation					16.6	-	16.6
Brand amortisation					(0.7)	-	(0.7)
PBT					15.9	-	15.9

CASH FLOW AND NET DEBT

H1 FY21 CASH FLOW



*net of payment of lease liabilities

Significant reduction in net bank debt

Working capital inflow driven by trends in trading activity

Low tax payments made due to part utilisation of FY20 losses

Working capital outflow of c.£60m within next 6-12 months (order bank and residual rent deferrals)

GROUP SHOWROOM PROFILE



As at 27 December 2020 (vs. 29 December 2019 excluding sofa workshop)

	UK	ROI	Holland	Spain	TOTAL
Large Format (c. 15,000sq.ft.+)	91	3	2	1	97
Medium Format (c. 10,000sq.ft.)	18 (+1)	2	4 (+1)	-	24 (+2)
Small Format (c. 5,000sq.ft.)	4	-	(-1)	1	5 (-1)
Dwell standalone	2 (-1)	-	-	-	2 (-1)
DFS TOTAL	115	5	6	2	128

Large format (c. 15,000sq.ft.+)	47 (+3)	-	-	-	47 (+3)
Medium format (c.10,000-15,000 sq.ft)	1	-	-	-	1
Sofology TOTAL	48 (+3)				48 (+3)

ESG - PROGRESS AND TARGETS



SECTION	KPI	TARGET	DFS	SOFOLGY	DWELL
Environmental Wood Sourcing	All aspects Of Timber Sourcing for sofa manufacture from FSC certified sources. Publish timber sourcing policy for sofa by brands.	100% ESC certified Wood by 2025	Dec - 2025	Dec - 2025	Dec - 2025
Environmental Leather Sourcing	Leather sourcing does not cause deforestation in Amazon or elsewhere. Publish leather sourcing policy by brand	Leather sourcing does not cause deforestation in Amazon or elsewhere by 2021	Dec - 2021	Dec - 2021	Dec - 2021
Environmental Packaging	100% sofa packaging recyclable by Dec 2020. Policy Statement published	100% sofa plastic packaging recyclable by Dec 2020	Dec - 2020	Dec - 2020	Dec - 2020
Environmental Sofa packaging	Sofa packaging collected by delivery teams recycled by Dec 2022	85% Sofa packaging recycled by Dec 2020, 100% by 2022	Dec - 2022	Dec - 2022	Dec - 2022
Environmental C02 Reduction	Agree staged carbon reduction target from Jan 2021 , publish review Of transport options for SDC* annually	Targets set Scope 1 - 2035 / Scope 2 - 2030 / Scope 3 - 2040 – annual reduction plan by Sept 2021	TBD	TBD	TBD
Environmental C02 Reduction	SOC - fuel saving contribution to C02 reduction	10% C02 reduction from SOC by 2023	Dec - 2023	Dec - 2023	Dec - 2023
Environmental C02 Offset	100% carbon offset Scope 1 & 2 emissions	100% carbon offset Scope 1 & 2 emissions by Dec 2020	2020	2020	2020
Environmental Water and waste management	Measure. monitor & conserve, agree improvement targets	Measurement methodology in place - targets to be agreed Sept 2021	TBD	TBD	TBD
Social Gender Mix	Diversity. gender mix	All Group Apprenticeship programs 50% minimum female intake by Dec 19	Dec - 2019	Dec - 2019	Dec - 2019
Social Gender Mix	Diversity. gender mix	All internal development program 50% minimum female intake from January 2020	2020	2020	2020
Social Diversity	Diversity, gender mix	Minimum 50% female Store managers by Dec 2024	Dec - 2024	Jul - 2023	Jul - 2021
Social Modern Slavery	Ethical audit to cover modern slavery	All product suppliers audited annually independent company by Dec 2021	Dec - 2021	Dec - 2021	Dec - 2021
Social Charity Community	Volunteering No Of Days	All colleagues entitled to paid time off to give back to the community	500 colleague days from 2021	500 colleague days per year from 2020	150 colleague days per year from 2020
Governance ISO	1045001 – H&S	By end 2021	Dec - 2020	Apr - 2019	Dec - 2021
Governance ISO	ISO14001 - Environmental Management	By end 2021	Dec - 2020	Dec - 2019	Dec - 2020

DISCLAIMER



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LEADING SOFA RETAILING IN THE DIGITAL AGE

DFS FURNITURE PLC

Interim Results Presentation

9 March 2021



dwell

