



10 June 2021

THIS STATEMENT CONTAINS INSIDE INFORMATION

DFS Furniture plc

Strong trading performance and outlook, with fourth quarter order intake to date up 92.1% on FY19, demonstrating the strength of our 'Integrated Retail' operating model

Ahead of its financial year end on 27 June 2021, DFS Furniture plc ("DFS" or "the Group"), the UK's leading retailer of living room furniture, provides the following update on recent trading through to 6 June 2021.

Highlights

- Fourth quarter to date (10 weeks) total order intake up +92.1%*** on FY19 (the most recent pre-lockdown comparable period), driven by customers waiting for showrooms to reopen post lockdown and increased consumer spending on home categories
- Online order intake over the third quarter (with almost all showrooms closed) was up 222.5%*** on the prior year
- Second half to date (23 weeks), total order intake of +14.0%*** on FY19 demonstrates the strength and resilience of our 'Integrated Retail' model
- Continuing group market share gain of 2%+, in a growing upholstery market, with further progress on our strategy to lead sofa retailing in the digital age
- On course to achieve FY21 underlying profit before tax**** of at least £105m
- Revenues and profits from recent strong order intake will be recognised in FY22: profit before tax**** scenarios of £66m-£96m are materially ahead of analyst consensus*
- Intention to recommend a final dividend of 7.5p, underpinned by robust cash generation and underlying FY21 leverage within our 0.5x - 1.0x target range

Trading Overview

- Strong recent order intake level reflects our leading online and physical presence that has driven overall market share gains together with significant consumer spending in 'home' categories driving market growth
- Revenue growth over the first 49 weeks of +10.4%*** on FY19, with output in our made-to-order business model ramping up to meet demand despite disruptions
- FY21 full year underlying profit before tax**** expected to be at least £105m, despite c. 21 weeks of showroom closures across lockdowns 2 and 3, sector-wide supply chain disruption and raw material availability limitations

Online order intake over the third quarter was up 222.5%*** compared to the same period in the prior year, with gross online order intake totalling £178.5m. This online order intake growth was inevitably increased by the forced closure of the vast majority of retail showrooms, but also through our continued strategic investment and progress in driving our position as the clear market leader in online upholstery retail in the UK and ROI. Over the

last five years we have seen a compound annual growth rate in order intake of 28.4%** in our online channels.

Total order intake over the first 10 weeks of the fourth quarter was up 92.1%*** compared to the same period in the 2019 financial year (this is the most recent pre-lockdown fourth quarter period, and hence the most relevant comparable given significant disruption to trading in 2020). The significant growth reflects the majority of consumers choosing to defer purchases until retail showrooms reopened early in the fourth quarter.

Total order intake over the twenty-three weeks of the second half to date was up 14.0%*** compared to the same period in the 2019 financial year. We continue to observe a 2%+ group market share gain as disclosed in our interim results. We also believe that there has also been growth in the upholstery market size driven by a sustained increase in consumer interest in spending in home categories, reflecting both growth in remote working and also reduced leisure and travel spend.

We recognise revenues and profits upon delivery to our customers through our made-to-order operating model, using our own three factories and also our partner suppliers located in the UK, Eastern Europe and the Far East. In order to maintain manufacturing efficiency, we manage our lead times to keep output broadly consistent across a year, and minimise idle capacity. In response to the exceptional demand that we have seen, we have already increased capacity significantly sufficient to support revenue growth over the first 49 weeks of 10.4%*** relative to the same period in the 2019 financial year.

Our revenue growth in FY21 has however been constrained by sector-wide pressures on supply chains from raw materials availability, container shipping delays (including the effects of disruption in the Suez Canal), and Covid-19 disruption of factory production. Therefore the majority of the revenues and profits from our strong final quarter of trading will be recognised in our FY22 financial year. In FY21 we remain on track to deliver underlying profit before tax**** of at least £105m.

Our leading 'Integrated Retail' model

- The investment in our 'Integrated Retail' model over the last 3 years is increasingly enabling us to extend our market leading position, and create sustainable value
- Our retail estate underpins our clear long-term upholstery market leadership, with our network of destination showrooms creating a distinctive customer experience for well over 80% of market-wide consumers that visit a showroom prior to purchase
- We believe our online channels match our physical retail leadership, through inspirational and easy-to-transact channels that support in-depth research and generates more upholstery sales than the next four online competitors combined
- Together we believe our channels create a powerful market-leading and channel-agnostic customer proposition, that is set for growth

Our third quarter online order intake performance demonstrates the Group's market leading presence online in upholstery, that complements our proven showroom network. While some customers will choose the convenience of an online checkout, we firmly believe that upholstery will remain a well-researched category and that a significant majority of customers, across all demographics, remain enthusiastic to visit our showrooms to select the

right product for their home. The strength of our fourth quarter total order intake performance is evidence of this, and since reopening our showrooms we have seen online penetration settle 1-2 percentage points above pre Covid-19 levels at c.19%.

Our long term approach of investing in our product offering, showrooms, digital assets and infrastructure aims to create an overall proposition for our customers that is channel agnostic and stands out in terms of product design, comfort, quality, service and value. We believe it is easier to influence a customer that our exclusive range of sofas and other products are 'right for them' once they have seen, touched and, importantly, sat on them. Physical retail and personal service can also create a distinctive representation of a brand and service proposition for consumers, and we have invested heavily to create an engaging experience but one that is augmented by online technology and seamless channel integration. We believe the strength of performance demonstrated in recent trading validates our view that the combination of the physical and digital channels, an integrated retail approach, is the right business model for the upholstery market.

Trading Outlook & Scenarios

- FY21: Despite Covid-19 and related supply chain challenges, on track to report at least £105m underlying profit before tax****
- FY22: Underlying profit before tax**** range of £66m-£96m, with a medium-case scenario of £85m PBT**** (+70% relative to FY19)
- Following robust underlying cash generation and significantly reduced leverage we expect to be able to recommend a final dividend of 7.5p in September 2021

We are on track to report at least £105m of FY21 underlying profit before tax****, slightly above the 'medium' scenario discussed in our interim results, despite sector-wide pressures on supply chains from Covid-19 disruption of factory production, raw materials availability and container shipping delays.

Given made-to-order lead times, our recent strong trading will underpin the Group's revenues and profits in financial year FY22. The macroeconomic environment however remains unpredictable and we therefore present three alternative scenarios:

Scenario:	Low	Medium	High
Like-for-like order intake vs FY19	2%	7%	7%
Order intake vs FY19 (excl Sofa Workshop)	6%	11%	11%
Revenue	1,083	1,130	1,155
Revenue growth vs FY19 (excl Sofa Workshop)	12%	17%	19%
PBT	66	85	96

Our medium scenario is based upon a like-for-like order intake level of 7%. This growth primarily reflects continuation of the c.2% points of market share that we have captured

since FY19. Total order intake growth of 11% is higher than the like-for-like growth due to the expected addition of 16 showrooms by the end of FY22 relative to FY19. The outturn in the medium scenario is constrained by the level of throughput in our made-to-order supply chain (that is expected to operate at 17% (excluding Sofa Workshop) above FY19 output levels), and not due to order intake performance.

In the high scenario, we therefore do not assume additional order intake growth, but we assume that we either secure further additional manufacturing capacity, or deliver increased levels of non-sofa home category orders - which drive higher revenues in the FY22 period. These are strategic initiatives that we are actively progressing, as described in previous results announcements. Any additional order intake growth achieved in FY22 would likely bolster FY23 performance unless further capacity can be secured.

Our retail margins and indirect cost base are assumed to be similar in all scenarios. Retail margins are expected to be lower in FY22, given manufacturing cost inflation under constrained output capacities and rising raw material prices, and changes to our aftercare proposition to support a simpler omnichannel sales approach. Indirect cost increases relative to FY21 reflect (i) a significant expected increase in rates taxes levied by the UK government following the end of the retail business rates holiday, (ii) operating costs for the larger showroom network, and (iii) investment in our central capability to support our digital channels, supply chain development programme and higher operating volumes.

Each scenario is dependent on there being no prolonged disruption to manufacturing production or deliveries in the period, for example due to Covid-19 related factory and warehouse closures.

Dividend

Excluding favourable one-off working capital benefits, the Group has returned to operate within its targeted leverage range of 0.5x-1.0x, and is delivering strong levels of underlying cash generation. In line with our published Capital and Distribution Policy we therefore expect to be able to recommend a final FY21 dividend of 7.5p/share when we announce our full year results on 23 September 2021.

Comment from Tim Stacey, Group Chief Executive

"This performance once again reflects both the underlying resilience of the Group and the tremendous support from our colleagues who have worked with huge dedication and commitment throughout the pandemic.

Our aim is to lead sofa retailing in the digital age by building a truly Integrated Retail model that allows us to drive market share gains ahead of the competition. Looking ahead, we will continue to invest in key strategic initiatives such as our digital channels, our showrooms and our Sofa Delivery Company final mile logistics capability, along with new investment in UK manufacturing and capacity and expansion into other home categories.

Despite short-term supply chain challenges and a macro environment that's hard to read, we believe the business is well set for growth, to be delivered in both a responsible and

sustainable manner. Given our overall financial position and outlook it is our intention to recommend a full year dividend of 7.5p in September.”

**Consensus Underlying Profit Before Tax and Brand Amortisation median forecast for FY22 of £61.4m with a range of £47.0m to £80.0m*

***Online order intake for the 52 weeks to 6 June 2021 relative to (ex-Sofa Workshop) group order intake for FY16*

****Excludes Sofa Workshop from the prior year comparator period*

*****Underlying profit before tax and brand amortisation*

Analyst Conference Call:

There will be a conference call for analysts and institutional investors this morning at 8.30am.

Dial in: +44 330 606 1118

Room number: 666271

Pin: 1394

A copy of the transcript of the call will be available at www.dfscorporate.co.uk in due course.

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This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014. The person responsible for this announcement is Mike Schmidt, Group CFO.

About DFS Furniture plc

The Group is the clear market-leading retailer of living room furniture in the United Kingdom. Our Group purpose is to bring great design and comfort into every living room, in an affordable, responsible and sustainable manner. We operate an integrated physical and digital retail network of living room furniture showrooms and web sites in the United Kingdom, Republic of Ireland, Netherlands and Spain, trading through our leading brands, DFS, Sofology and Dwell. We attract customers through our targeted and national marketing

activities and our reputation for high quality products and service, breadth of product offer and favourable consumer financing options. We fulfil orders for our exclusive product ranges through our own three UK finished goods factories, and through manufacturing partners located in the UK, Europe and Far East, and delivered with care through our expert final-mile delivery service “The Sofa Delivery Company”.