

22 December 2020
Immediate release

DFS Furniture plc ("DFS" and the "Group")
Pre-Close Interim Trading Update

DFS Furniture plc, the market leading retailer of living room and upholstered furniture in the United Kingdom, today announces a trading update for the first twenty-four weeks of the financial year to date, ending 13 December 2020.

- Following Government guidelines, manufacturing and deliveries are continuing through current 'Tier 4' restrictions, with showroom activities currently closed in Wales, Netherlands and 'Tier 4' areas in England
- Gross sales* over the first twenty-four weeks of the financial period were 19% ahead on the comparative prior year period, and our order book remains strong providing future resilience
- Gross sales* via our market-leading online channels were 76% ahead on the comparative prior year period
- Performance reflects the benefit of a shift in spending to home categories, and also market share gains, leading to particularly strong order intake in Q1 and a resilient Q2 to date despite extensive showroom closures in November
- Subject to the extent of enforced showroom closures and based upon cautious order intake assumptions, we expect full year Profit Before Tax and Brand Amortisation will be within the upper half of the current market forecast range**
- Robust financial position; Closing interim*** pre IFRS 16 net debt expected to be between £40-50m, a reduction over the 26 weeks of over £115m

Trading Overview

We continue to manage the Group in accordance with Government guidelines to restrict the spread of COVID-19. Out of our estate of 212 showrooms, 52 showrooms in 'Tier 4' areas in England, all our 7 showrooms in Wales and the 6 Netherlands showrooms are currently closed in line with Government guidance. Our showrooms in other areas are currently open and our market-leading retail websites, manufacturing sites and delivery operations continue to be operational nationally as has been the case throughout the first half.

Gross sales* have increased by 19% against the comparable twenty-four week period ending 15 December 2019. Gross sales via our online channel increased 76% against the same period. This performance primarily reflects strong order intake growth during the first quarter and has been achieved despite ongoing disruption at The Port of Felixstowe and raw materials supply issues relating principally to foam availability in Europe.

The Group continues to perform resiliently, with Q2 order intake* over the first 11 weeks down approximately 5% year-on-year despite the impact of extensive showroom closures in the period. We believe the Group is achieving market share gains and benefiting from a shift in consumer spending towards the home.

Robust Financial Position

We expect to report a closing interim*** net debt position (pre-IFRS16 basis) of £40-50m, reflecting the strength of first half trading supported by associated working capital inflows.

The Group has also yesterday signed an amendment and extension to its senior revolving credit facility with its existing syndicate of banks. This amended £225m facility has a December 2023 maturity (previously was August 2022) with options in place to extend for a further two years, subject to customary mutual agreement. Banking covenants are equivalent to those of the previous facility. As a result of the refinancing, the temporary restrictions on the ability of the Group to pay dividends and undertake acquisitions will be lifted.

Brexit Update

The Group continues to monitor the status of Brexit discussions, and as previously disclosed, has made preparations in case of a no trade deal between the United Kingdom and European Union.

In considering the impact of the UK exiting the EU on our Group, it is important to note that under 'WTO terms' there are no tariffs applicable to our upholstered finished goods. We also carry exchange rate hedging to cover eighteen months of forecast Far East purchases. We have prudently planned for the risk of an exacerbation of current port congestion and delays and we are grateful for the patience that our customers have shown in the face of currently extended fulfilment lead times.

Outlook

Our expected full year financial out-turn is underpinned by revenue growth in the financial year to date and the current strong order book position, which is currently approximately £200m higher year-on-year on a revenue basis. Therefore, subject to the extent of enforced showroom closures and based upon cautious order intake assumptions of -15% for the second half of the financial year, we would expect that full year Profit Before Tax and Brand Amortisation would be within the upper half of the current market consensus range**.

As manufacturing operations, (both internal and those of certain suppliers) are running close to capacity, port delays appear likely to persist, and lead times are above average, the benefit of any second half order intake outperformance may shift increasingly to H1 FY22.

While short term macro-economic trends are uncertain, we remain focused on accelerating our strategy to lead sofa retailing in the digital age. We continue to roll-out new initiatives to further extend our clear market-leading online proposition in the sector. Evidence suggests that showrooms remain at the heart of the sofa customer journey, however, and we believe our omnichannel approach leaves us well-positioned to maintain our trend of market share gain that is extending our leadership. Although our financial performance will never be immune to the short term market environment, we believe our cash generation across the cycle and our overall growth prospects will drive attractive long-term financial returns for our shareholders.

The Group will announce its interim results for the period ending 27 December 2020 on 9 March 2021.

Comment from Tim Stacey, Group Chief Executive

"I want to thank every colleague in our Group for their resilience, spirit and determination to overcome the many and varied operational challenges that we have faced since reopening our business after the first lockdown.

We are working all hours focusing on what we can control to look after our people and our customers. I want to thank our customers for their patience given the ongoing disruption to our deliveries due to port congestion and raw material shortages, as well as apologise to those that have experienced delays.

While the current environment is clearly unpredictable, our business model is resilient and we are well set for medium term growth."

* Adjusted for the disposal of Sofa Workshop

** Consensus Profit Before Tax and Brand Amortisation median forecast for the 52 weeks to 27 June 2021 of £101.7m on an underlying IFRS16 basis with a range of £81.2m to £118.0m. This is comparable to the -£63.1m underlying pro forma result as reported for the 52 weeks to 28 June 2020.

*** Twenty-six week interim period ending 27 December 2020

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About DFS Furniture plc

DFS is the clear market leading retailer of living room furniture in the United Kingdom. We design, manufacture, sell and deliver to our customers an extensive range of furniture products. The business operates a retail network of living room furniture showrooms in the United Kingdom and Europe, together with an online channel. These have been established and developed gradually over 50 years of operating history. We attract customers to our

showrooms and websites through our substantial and continued investment in nationwide marketing activities and our reputation for high quality products and service, breadth of product ranges and price points and favourable consumer financing options.

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