

DFS GROUP

FY22 Results Presentation

SEPTEMBER 2022



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THE SOFA DELIVERY CO

FY22 RESULTS PRESENTATION

Overview

Introduction

Tim Stacey

Financials

Mike Schmidt

Strategy Update

Tim Stacey

Outlook & Summary

Tim Stacey

Q&A

Tim Stacey & Mike Schmidt



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FY22 Summary

Strong financial performance

Revenue and profit growth vs FY19, robust financial position

Formally launched new strategy at CMD

Leading to further sector share gains (+c.3%pt's vs FY19)

Successfully navigated operational challenges

Covid disruption to supply chain in H1; cost inflation

Committed to long-term targets

Despite short-term external trading conditions

Revenue

£1,149.8m

+20.1% vs FY19¹

¹ Pre-pandemic comparator from continuing operations excluding Sofa Workshop

Underlying PBTA:

£60.3m

+14.6% vs FY19²

² Pre-pandemic comparator from continuing operations

Net Bank Debt

£90.0m

+49.0% reduction vs FY19

Capital Returns:

>£75m over CY22

CMD March 2022

OUR VISION

To lead **furniture** retailing in the digital age



“PILLARS & PLATFORMS”

GROUP STRATEGY



Sourcing & Manufacturing Platform

Technology & Data Platform

Logistics Platform

People & Culture Platform

ESG

A strong, robust sector leader



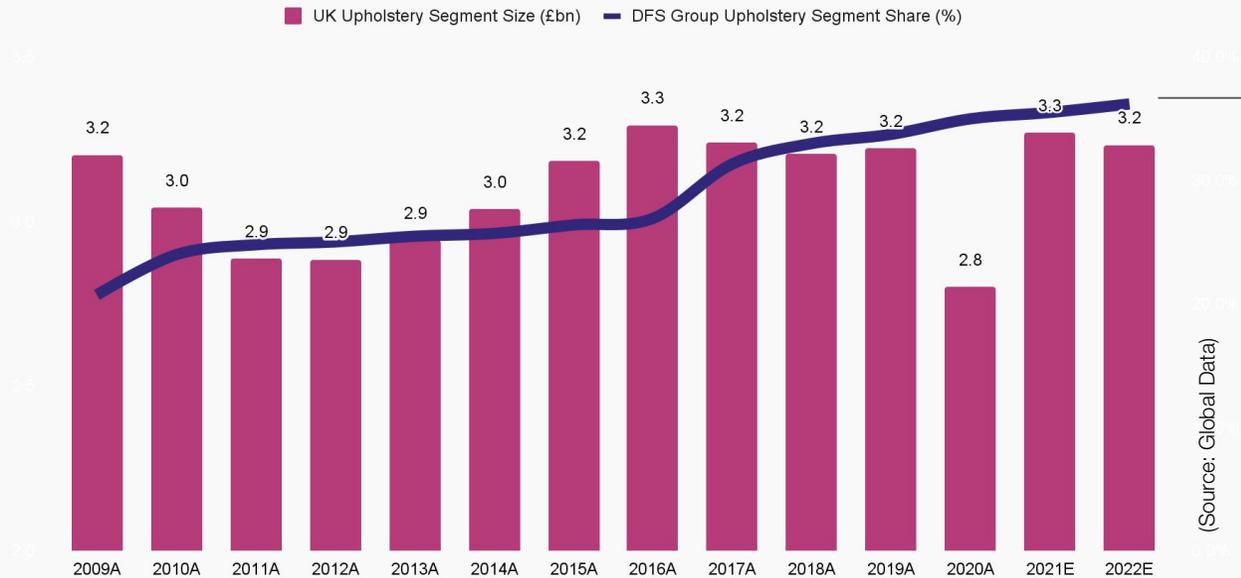
Short-term sector share opportunities

Long-term, underpins financial ambition

On-going strong cash generation

Historically, DFS gains share in tough environments

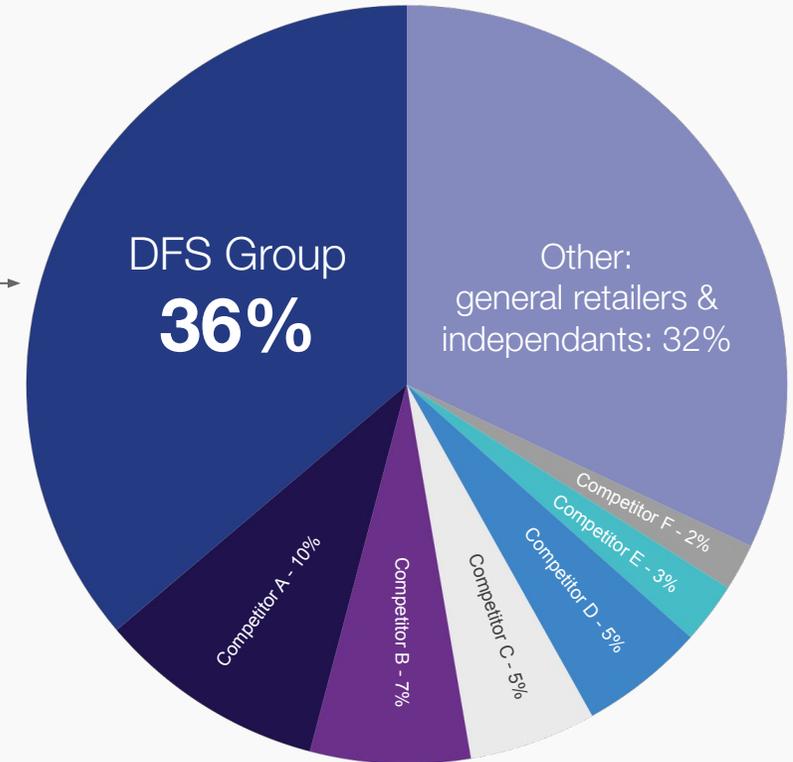
DFS Group Upholstery Sector Share (%)
(& UK upholstery segment size £bn)



(Source: Global Data)

2022 Sector Share:

Fragmented sector; on-going exits present further share gain opportunities



Exit:



Acquired:



Exit:



Exit:



Exit:

100+ Independents 2019-2021

Exit:

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Results overview

<i>(£m) unless stated</i>	FY 2022 LTM to 26-Jun-22 ¹	FY 2021 LTM to 27-Jun-21 ¹	FY 2019 LTM to 30-Jun-19 ²
Revenue - Continuing operations ³	1,149.8	1,055.1	957.4 ⁴
<i>Growth vs FY19</i>	+20.1%	+10.2%	<i>n/a</i>
Reported PBT - Continuing operations	58.5	102.6	46.0 ⁴
Underlying PBTA	60.3	109.2	52.6 ⁴
<i>Growth vs FY19</i>	+14.6%	+107.6%	<i>n/a</i>
Underlying EPS	17.5p	37.3p	19.3p ⁴
Reported net bank debt	90.0	19.0	176.3
<i>Leverage</i>	<i>1.1x</i>	<i>0.2x</i>	<i>2.0x⁵</i>

¹ FY22 and FY21 are continuing operations only

² FY19 is the pro forma unaudited 52 week period presented on an IAS17 basis, FY21 and FY22 presented on an IFRS16 basis.

³ FY21 and FY19 excludes Sofa Workshop, disposed of by the Group in September 2020.

⁴ FY19 figure excludes the discontinued Netherlands and Spain businesses to be consistent with FY21 and FY22.

⁵ FY19 Leverage on an IAS17 basis



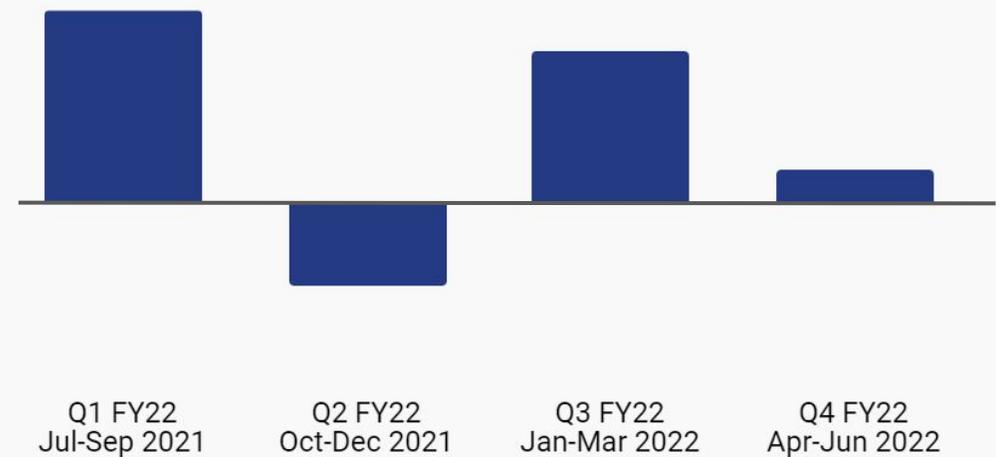
Fluctuating trading pattern

**Strong trading in Q1 and Q3 with weaker trading Q2 and Q4:
Operationally highly challenging**

Volume Growth (vs FY19)



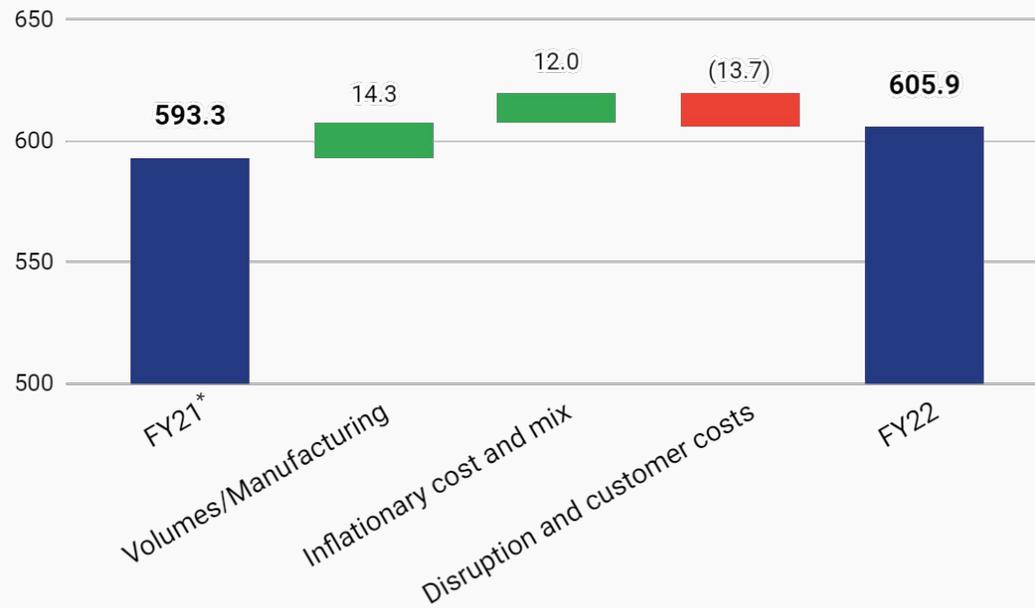
Value Growth (vs FY19)



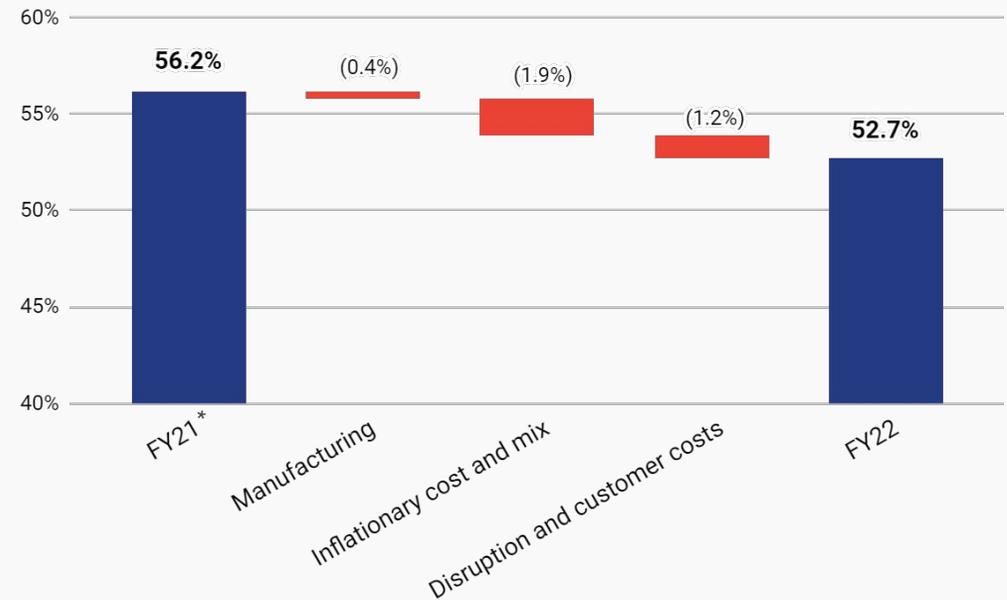
Managing inflationary pressure

Cash gross profit growth coming from higher volumes, but inflation pass through has lowered our reported margins

Cash Gross Profit £m



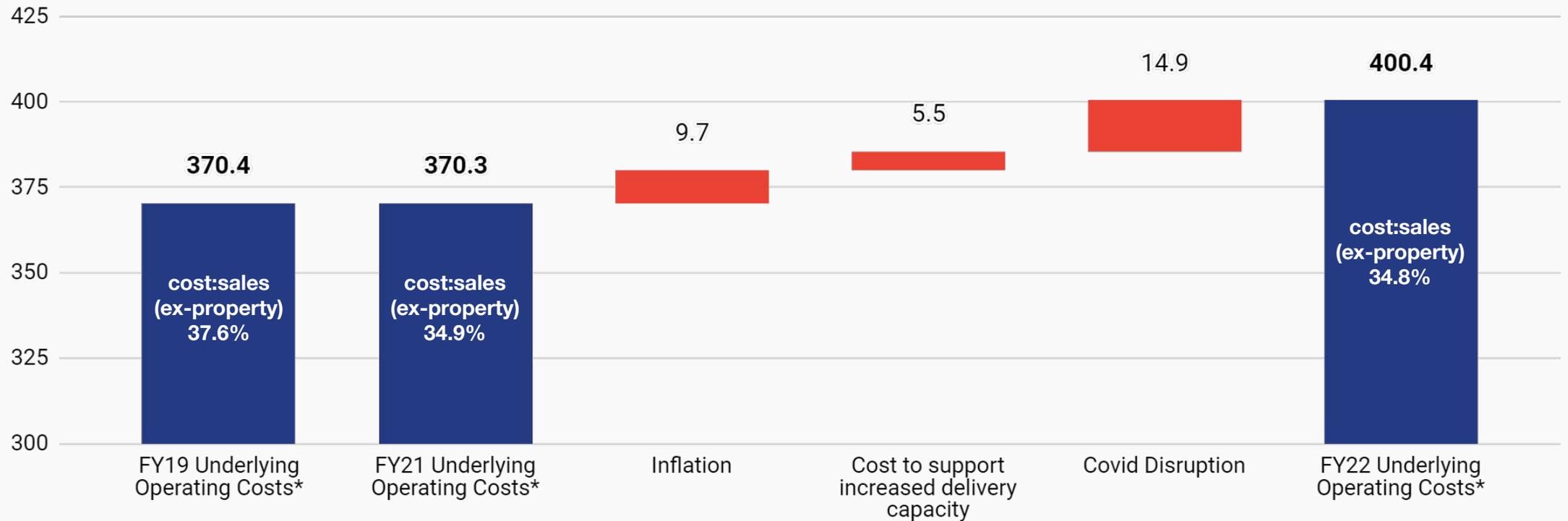
% Gross Profit



*FY21 excludes Sofa Workshop for consistency, sold in September 2020

Growing operating cost efficiency

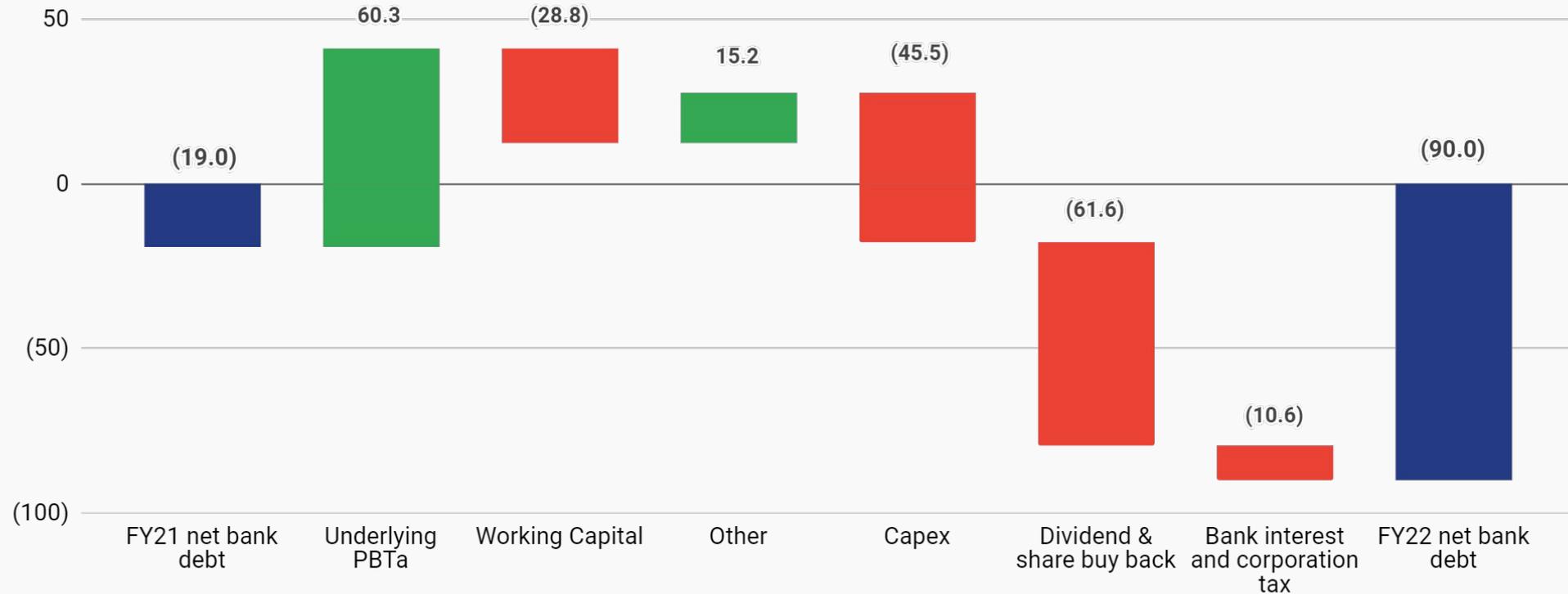
Operating cost:sales ratio reducing relative to pre-pandemic from efficiency of growing revenue base, despite Covid disruption



*Underlying operating costs exclude property costs due to the impact of IFRS16 in property costs (FY19 prepared on IAS17 basis)

Cash generation & leverage

Robust balance sheet position at year end: increase in debt driven by expected working capital normalisation and shareholder returns



Developing our asset base: Capex

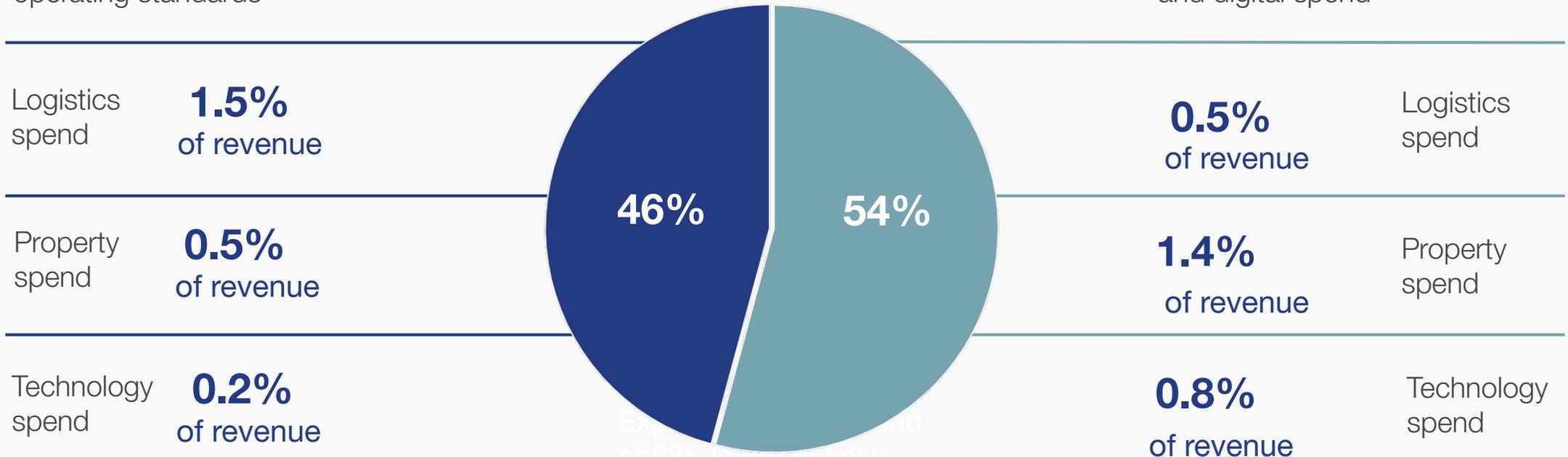
Re-investment

Ongoing investment in our physical and digital asset base to maintain high operating standards

Expected annual spend of £35-£40m of cash capex plus £10m of leased asset spend

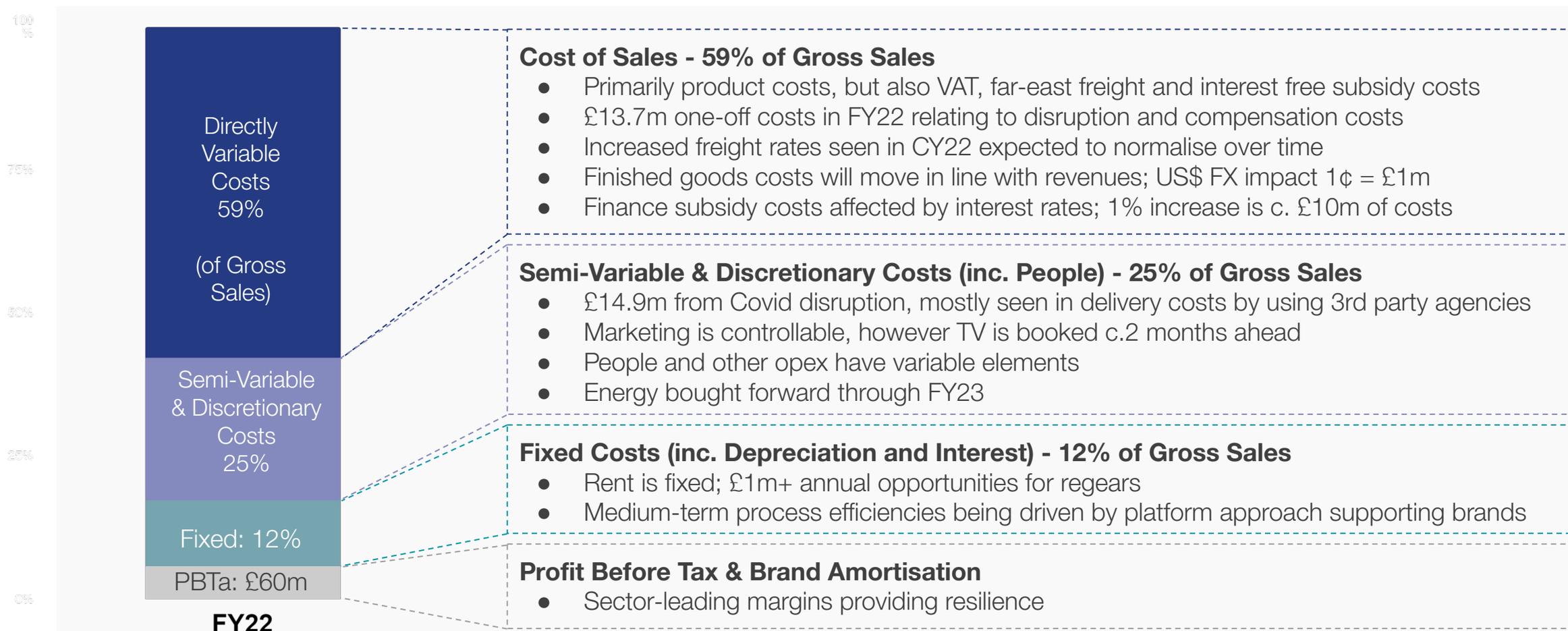
Growth

Projects with strong value creation business cases- most commonly refits/new stores and digital spend



Our variable and controllable cost base

Ability to influence our cost base as the environment changes



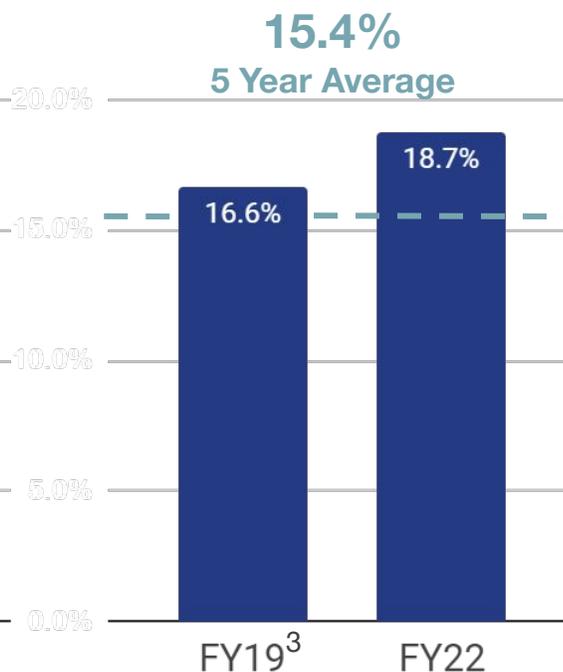
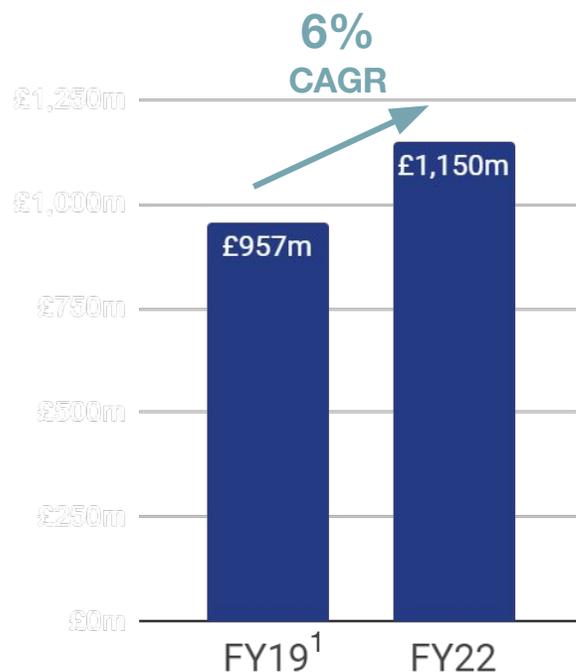
Delivering on our financial principles

1. Revenue Growth

2. Growing Profit Base

3. High-teens ROCE

4. Return of Capital



£10m

Buyback extension

3.7p

Final dividend

¹ FY19 Revenue excludes discontinued operations and Sofa Workshop

² FY19 Profit excludes discontinued operations

³ FY19 ROCE calculation prepared on pre-IFRS16, lease adjusted basis, on the unaudited pro-forma 52 week period

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CMD March 2022

OUR VISION

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DFS Highlights:

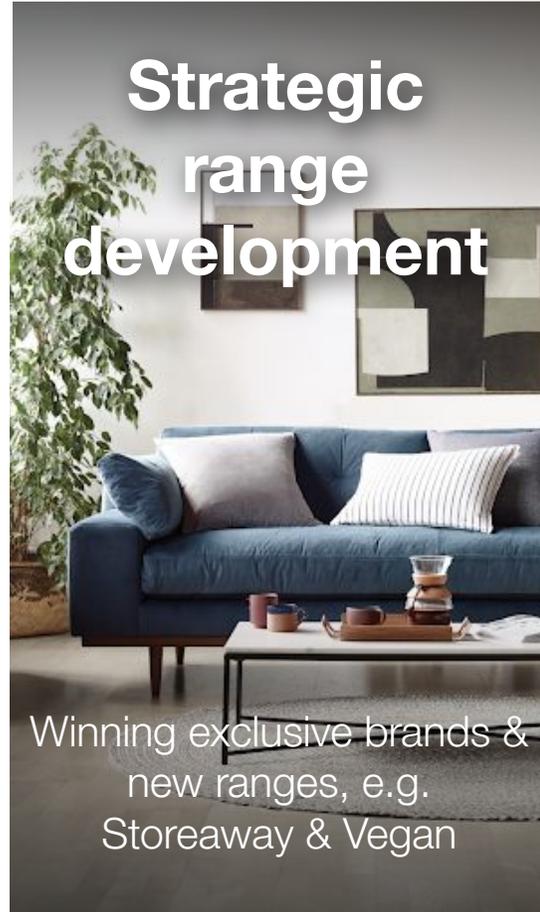
Strong on-going performance

New brand marketing

WHAT'S YOUR THING?

Resulting in positive shift in Brand Connection Score: +8% (Hall & Partners)

Strategic range development



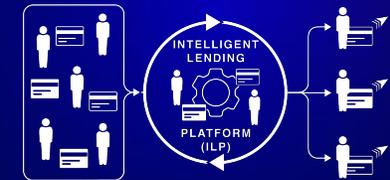
Winning exclusive brands & new ranges, e.g. Storeaway & Vegan

Ongoing investment in format



Transformation roll out across 47 stores. 5%↑ LFL sales; payback <24mths

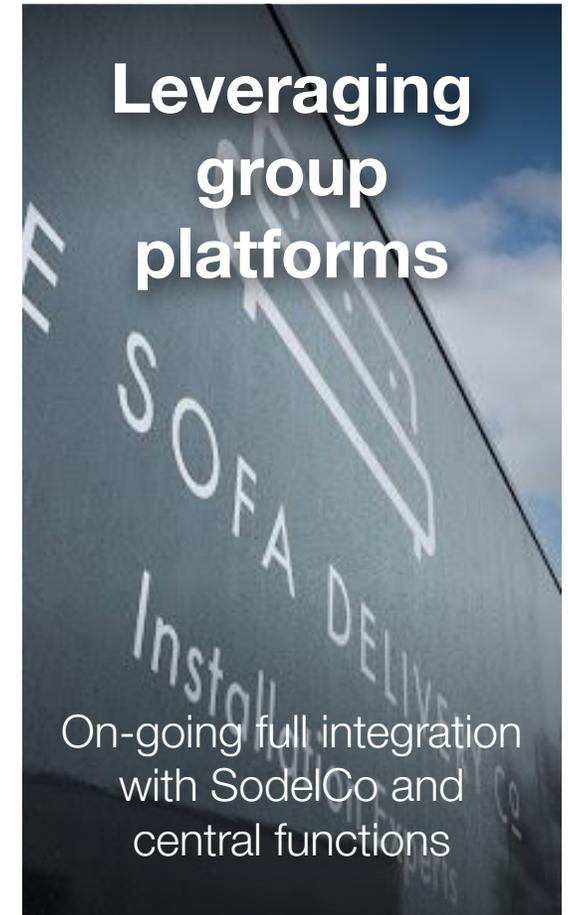
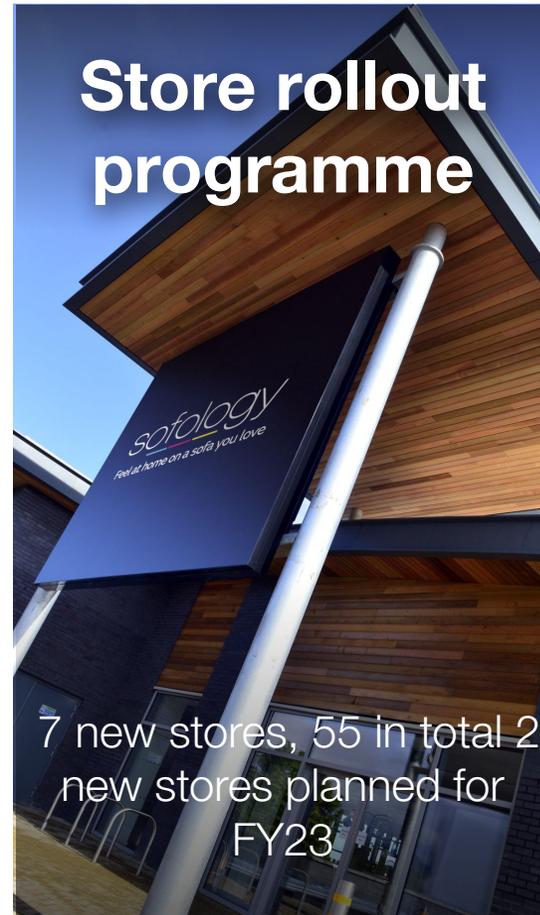
Intelligent lending platform



New features (e.g. soft search) + reduces transaction time by c.15 minutes

Sofology Highlights:

Continued growth & development



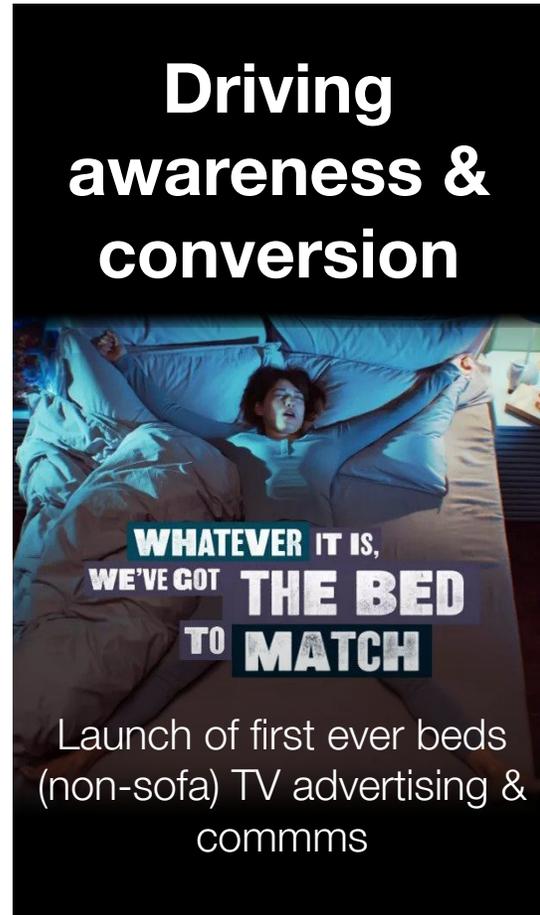
Home Highlights:

Sustained investment in building the foundations



Unlocking Beds & Mattresses opportunity

Focusing on £3bn addressable market and aim to secure 4% share



Driving awareness & conversion

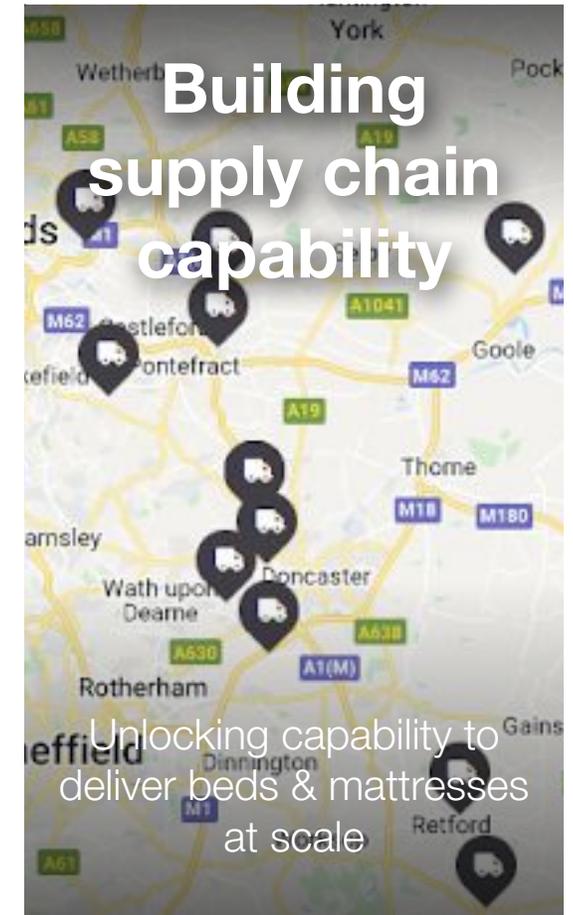
WHATEVER IT IS, WE'VE GOT THE BED TO MATCH

Launch of first ever beds (non-sofa) TV advertising & comms



Online performance

Beds online sales: +94% vs FY19 (Gross Ecomm Revenue)



Building supply chain capability

Unlocking capability to deliver beds & mattresses at scale

Platform Highlights

1. Sourcing & Manufacturing

Commenced refurbishment of Doncaster site. Focus on optimising mix of Europe & Asia to support UK manufacturing

2. Technology & Data

Launch IRIS (integrating 35+ data sources, providing 360 degree view across Group); ILP rollout; Workforce optimisation

3. Logistics

Despite challenging year, implemented 2 super warehouses & 2 super Hubs; new '4On/4Off' shift programme

4. People & Culture

Integrated Group Teams in Finance, HR & Technology
Underpinned with new EVP to help drive retention



“PILLARS & PLATFORMS”

GROUP STRATEGY

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HOME

Sourcing & Manufacturing Platform

Technology & Data Platform

Logistics Platform

People & Culture Platform

ESG

ESG Highlights

First year of reporting under the TCFD reporting requirements
Positive progress made in the year, including:

E: 4-year Carbon Footprint model

Leveraging extensive primary data to enable broad/deep planning & decision making, incl S1 & 2 external assurance

S: Inclusion & Wellbeing programmes

Launched and expanded Inclusion and Wellbeing initiatives across the Group

G: Established board-level RSC

To ensure clear governance and to continue to help review progress on all fronts



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Our winning Integrated Retail model

We believe the winning combination is both physical & digital...



...with sector leading brands leveraging data, marketing, finance, manufacturing and logistics platforms to drive future growth and optimise further efficiencies

This is what we mean by **Integrated Retail**

In tough trading conditions, we gain share (e.g. +3% during pandemic)

Long-term ambition remains

Growing Revenues

£1.4bn

FY26/FY27 Target



5% Compound Annual Growth Over the Long-Term Cycle

£1.15bn

FY22 Actuals

Growing Margins

8%+

Medium-Term PBTa Margin

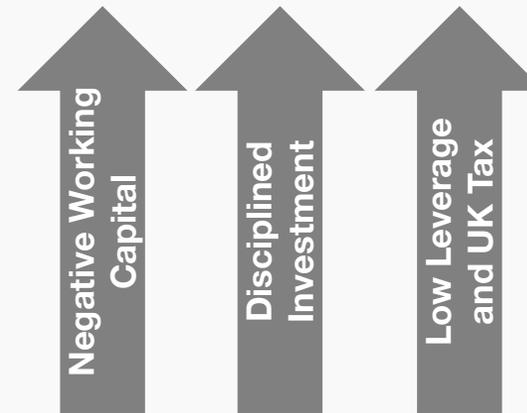


c.7%

Historical uPBTa Margin

Growing Free Cash

Well-Underpinned 75%+ Post-Tax Free Cash Conversion



FY23 Full Year Outlook Scenarios

Profit expectations influenced by sector volume decline

	LOW	MEDIUM	HIGH
LFL SECTOR VOLUME (vs. FY19)	-15%	-10%	-5%
DFS REVENUE GROWTH (vs. FY19)	c. 10%	c. 16%	c. 23%
DFS REVENUES	c.£1,060m	c.£1,120m	c.£1,175m
PBT	c.£20m	c.£36m	c.£54m

Current trading:

- Too short a period to extrapolate
- September towards high-end as some Q1 consumer demand constraints lessen in the autumn
- July/August trading is near the low case

DFS Revenue Outperformance From:

- £30m higher opening order bank
- 3% sector share gain vs. FY19
- 14 new DFS & Sofology showrooms
- Double-digit percentage AOV growth

Summary



Short-term sector share opportunities

Long-term, underpins financial ambition

On-going strong cash generation

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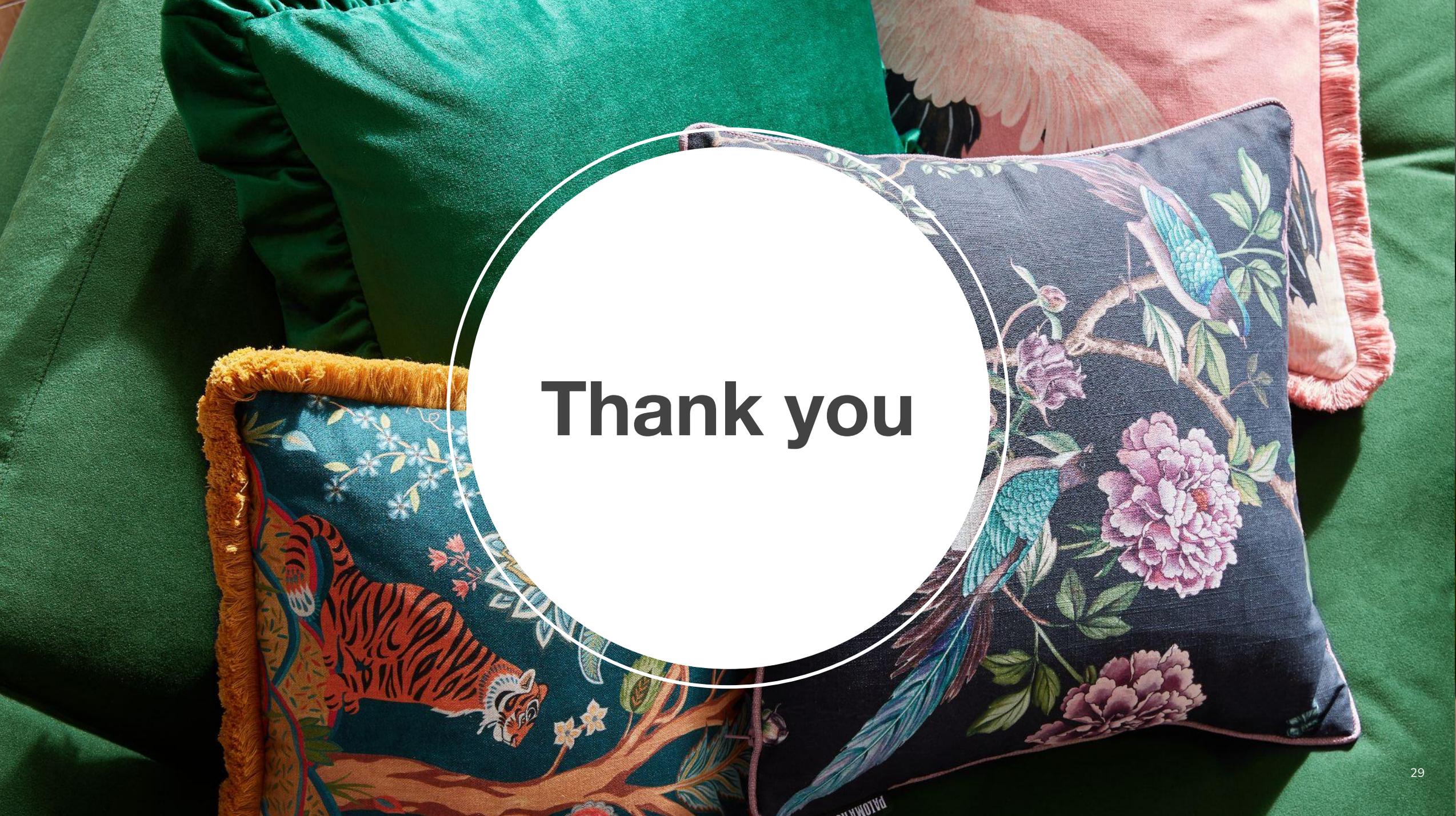
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Thank you

Appendix



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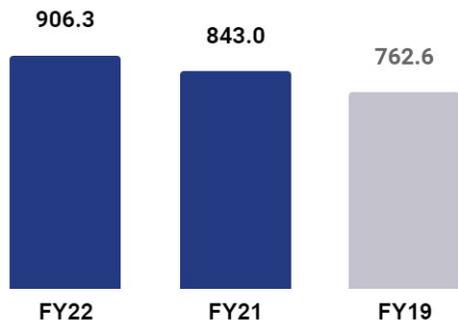
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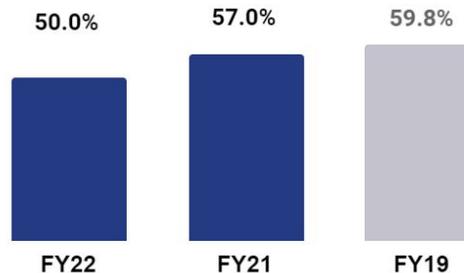
Brand Performance

Revenues (£m)



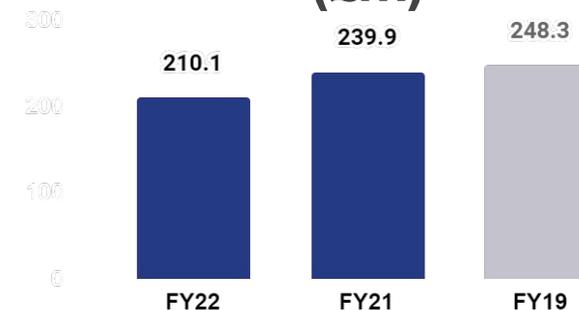
- Strong showroom and web order intake
- Driven by double digit order intake growth and strong order bank entering year
- Order intake growth driven by sector share gains

Gross Margin

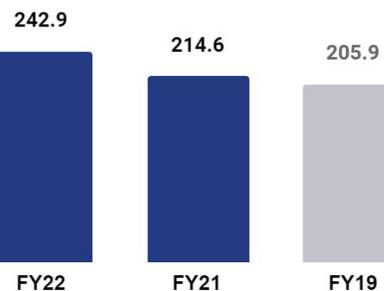


- Reduction largely due to the movement of manufacturing to its own segment
- Further impacted by pass through of inflationary cost increases on pound for if basis, diluting % margin
- Also impacted by one-off covid disruption costs

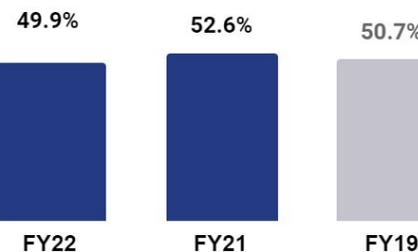
Selling and Distribution (£m)



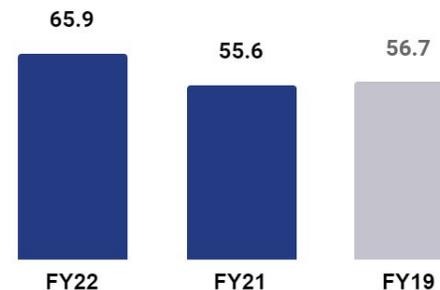
- Decrease largely due to movement of Group Central Costs to own segment
- increase in the effectiveness of our marketing spend driven by improved targeting
- Partially offset by inflationary wage increases, end of retail rates holiday and one-off covid disruption costs



- Similar order intake performance to DFS brand
- Order intake performance driven by new showroom openings



- Same cost headwinds faced into as DFS



- Same costs headwinds faced into as DFS

FY19 is the pro forma unaudited 52 week period to 30 June 2019

Group Showroom Profile

AS AT 26 JUNE 2022 (VS. 27 JUNE 2021 EXCLUDING SOFA WORKSHOP)

	UK	ROI	Holland	Spain	TOTAL
Large Format (c. 15,000sq.ft.+)	91	3	- (-2)	- (-1)	94 (-3)
Medium Format (c. 10,000sq.ft.)	18	2	- (-4)	-	20 (-4)
Small Format (c. 5,000sq.ft.)	3 (-1)	-	-	- (-1)	3 (-2)
Dwell standalone	1 (-1)	-	-	-	1 (-1)
DFS TOTAL	113 (-2)	5	- (-6)	- (-2)	118 (-10)
Large format (c. 15,000sq.ft.+)	53 (+4)	-	-	-	53 (+4)
Medium format (c.10,000-15,000 sq.ft)	2 (+1)	-	-	-	2 (+1)
Sofology TOTAL	55 (+5)	-	-	-	55 (+5)

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