19 January 2024

Immediate release

DFS Furniture plc (“DFS” and the “Group”)

Trading Update

Market share gains and cost base improvements mitigate challenging trading conditions
Full year profit guidance unchanged

DFS Furniture plc, the market leading retailer of living room and upholstered furniture in the United Kingdom, today announces a trading update for the twenty six week financial reporting period to 24 December 2023, together with an update on recent trading.

Summary:

- Group order intake down -1.1% on last year, outperforming a challenging market
- First half underlying profit before tax and brand amortisation (PBTu) expected to be up slightly year on year, supported by continued progress on gross margin and cost base improvements
- Full year guidance unchanged at £30-35m PBTu

Trading overview:

Overall market demand has been weaker than anticipated, down approximately -9%[1] year on year in volume terms. We believe this performance was particularly impacted by record hot weather in September and early October when footfall and demand proved to be especially weak. We have since seen demand recover and our profit guidance assumes market volumes are down -5% year on year through the remainder of the second half.

Although we have not been immune to the market volatility and weaker demand, Group Order Intake for the period of -1.1% year on year was ahead of the market[1].

Gross sales, recognised on delivery of orders to customers were down -5.6% / -£39m year on year. As expected, this was a greater decline than order intake as a result of the unwind of an elevated opening order bank at the start of the prior year resulting in a higher level of delivered sales in the comparator period.

Despite the tougher than expected market conditions, we expect to report PBTu for the first half slightly ahead of the prior year (FY23 £7.1m). This has been supported by improved operational performance, manufacturing & sourcing and cost to operate efficiency programmes.

Non underlying charges for the period are expected to be c£6m, with a c£4m cash cost. These relate to completing the planned closure of part of our manufacturing operations and implementation costs associated with our cost to operate efficiency programmes. Our full year expectation for non underlying charges of £7m (with a £5m cash cost) remains in line with previous guidance.

We expect to report closing net bank debt at the end of the period (excluding capitalised leases) of c£134m (FY23 year end £140m, facility size £250m) and leverage of c1.7x (FY23 year end 1.9x)[2]

Outlook:

Full year guidance	**September 2023**	**January 2024**
Revenue	£1,060m-£1,080m	£1,020m-£1,040m
PBTu	£30m-£35m	£30m-35m
Cash capex	£25m-£30m	£25-£30m
Non underlying costs (cash)	£4m-£5m	£5m

We have reduced our revenue guidance to reflect the weaker than expected demand. The impact of this reduction on PBT is expected to be offset by progress lowering our operating costs and our full year profit guidance remains unchanged at £30-35m PBTu (FY23 £30.6m).

Order intake for the winter sale campaign to date is consistent with our first half run rate. Our full year guidance assumes that Group order intake grows at low single digit levels across the second half partially supported by growth in the final quarter as we anniversary softer comparatives. In addition, we assume that events in the Red Sea are resolved such that customer orders are delivered in line with typical lead times close to our year end.

Looking beyond FY24 we believe the Group is well positioned to deliver strong shareholder returns. Our scale and trusted brands provide us a relative advantage and should allow us to maintain our trend of market share gains. This, together with our strategies to continue improving gross margin rate and the efficiency of our cost base, should drive improvement in profit levels. Given market volumes are over 20% below pre-pandemic levels, market recovery and our planned growth in the Home segment provide us with confidence in our 8% PBT target over the medium term.

The Group will announce its interim results for the period ending 24 December 2023 on 19 March 2024.

Comment from Tim Stacey, Group Chief Executive
"The Group has performed well in tough trading conditions. Despite the weaker than expected market, good operational performance and progress on gross margins and lowering our cost base have enabled us to deliver a profit for the first half that is slightly ahead of the prior year and we remain on track to deliver our full year profit target.

Looking forward, the Group has good growth prospects and is well positioned to drive attractive returns for shareholders, capitalising on market recovery as well as growing our Home offering and delivering our 8% PBT target."

[1] *Market value share growth based on proprietary Barclaycard data. Market volume covers July-November period (source: CACI banking data) and an estimate for December*
[2] *Leverage: Ratio of period end net bank debt to cash EBITDA for the previous twelve months*

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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 and Republic of Ireland, trading through our leading brands, DFS and Sofology. 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 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 Limited".