



HOWDENS

**The UK's #1 Specialist Kitchen
and Joinery Supplier**

An introduction to Howdens
February 2024

We are the UK's leading specialist trade-only kitchen and joinery supplier



2023 FINANCIAL HIGHLIGHTS

£2.3bn

Revenue

£340m

Operating profit

60.8%

Gross margin

46.5p

EPS

21.0p

Total dividend

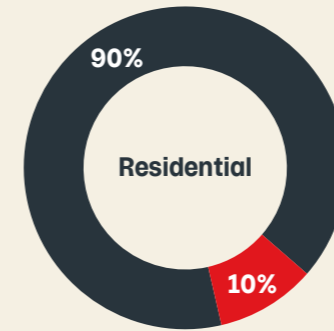
£283m

Cash at end of period

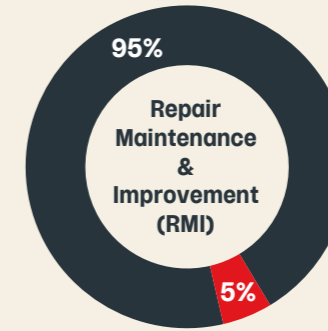


ATTRACTIVE END MARKETS

% Howdens revenue



Non-residential



New Construction



Our business is about helping our trade customers achieve exceptional results



CORE STRENGTHS

- Trade only focus and the best local prices.
- Local delivery model - 85% of customers are less than 5 miles from a Howdens depot.
- Product leadership - always in-stock and easy to fit to get the job done.
- Efficient UK based manufacturing, global sourcing and distribution.

12k

Employees

20k

Kitchen and joinery products

11mft²

UK footprint

99.96

%

Availability from primary distribution to depots

Empowered depot teams support the needs of the local builder

915

Local depots

500k+

Local customers



Backed by UK manufacturing, global sourcing and an efficient distribution network

35%

Volume of products manufactured as % of COGs

+300

Global suppliers



A unique business model focused on long-term customer relationships and exceptional service



Market leading Kitchen and Joinery product ranges



Trade only: focused on our customers' needs



An empowered, depot-led business, close to the trade



Products immediately available locally

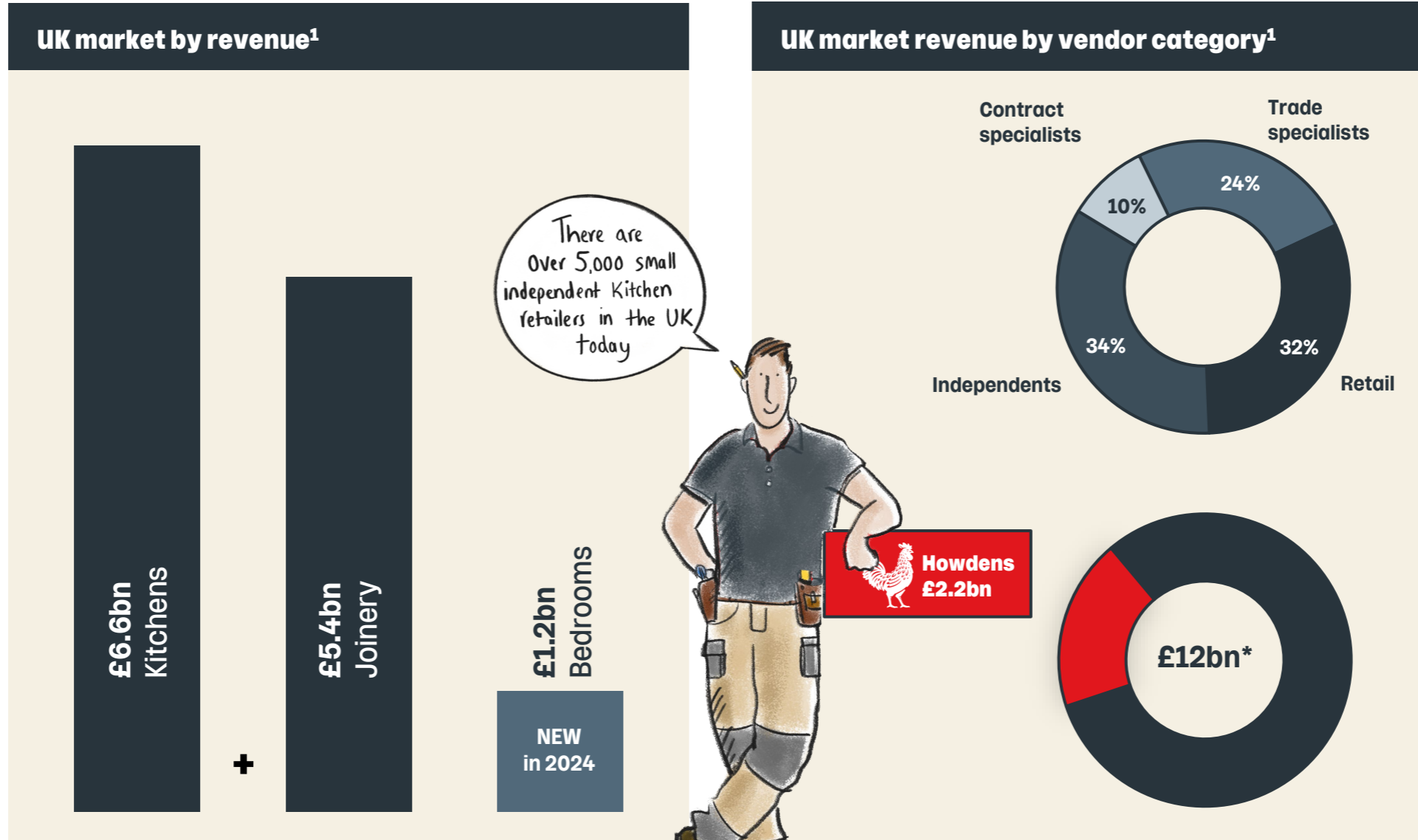


Competitive confidential pricing



Knowledgeable depot teams to support the builder

Our markets are large and attractive with significant future growth potential



¹Howdens' estimates based on proprietary data

* Established Kitchens and joinery markets only (excludes bedrooms)

The long-term drivers of the kitchen and joinery market support continued growth

Structural drivers

- Population growth (by 2030 UK population will grow by 5% and will have 2m new citizens - ONS).
- Ageing UK housing stock will drive renovation - (Ave. age of UK stock is 70 years - ONS).
- Healthy consumer balance sheets and high employment (UK consumer saved over £200 billion during the pandemic - ONS).
- Increased end user interest in sustainable products (44% of households are switching off or moving to more energy efficient appliances - NatWest).
- Entrepreneurial builders are well placed to win kitchens and joinery work as part of wider home refurbishment projects. They are supported by Howdens' in-stock, trade-only business model.

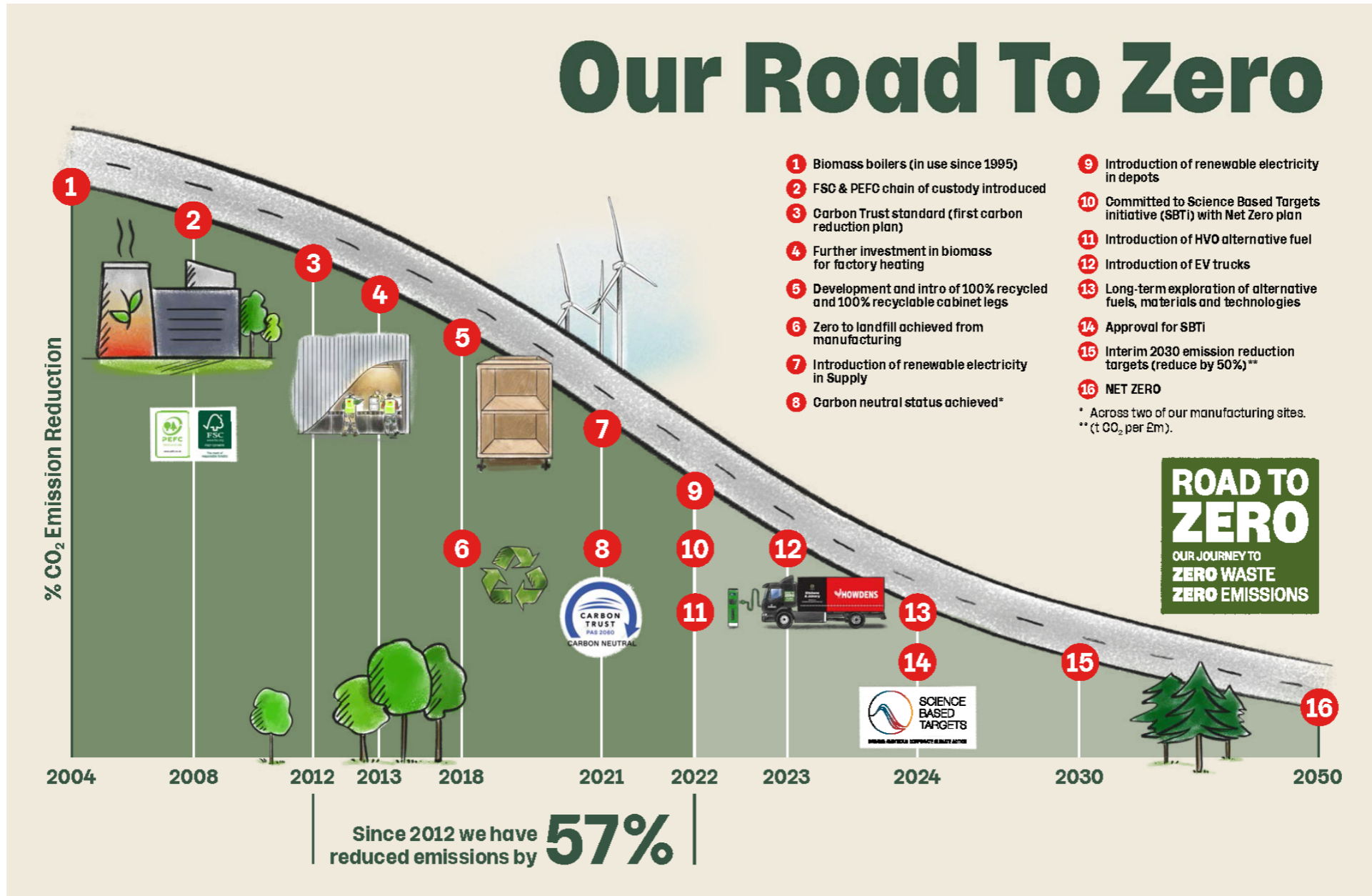


Recent trends

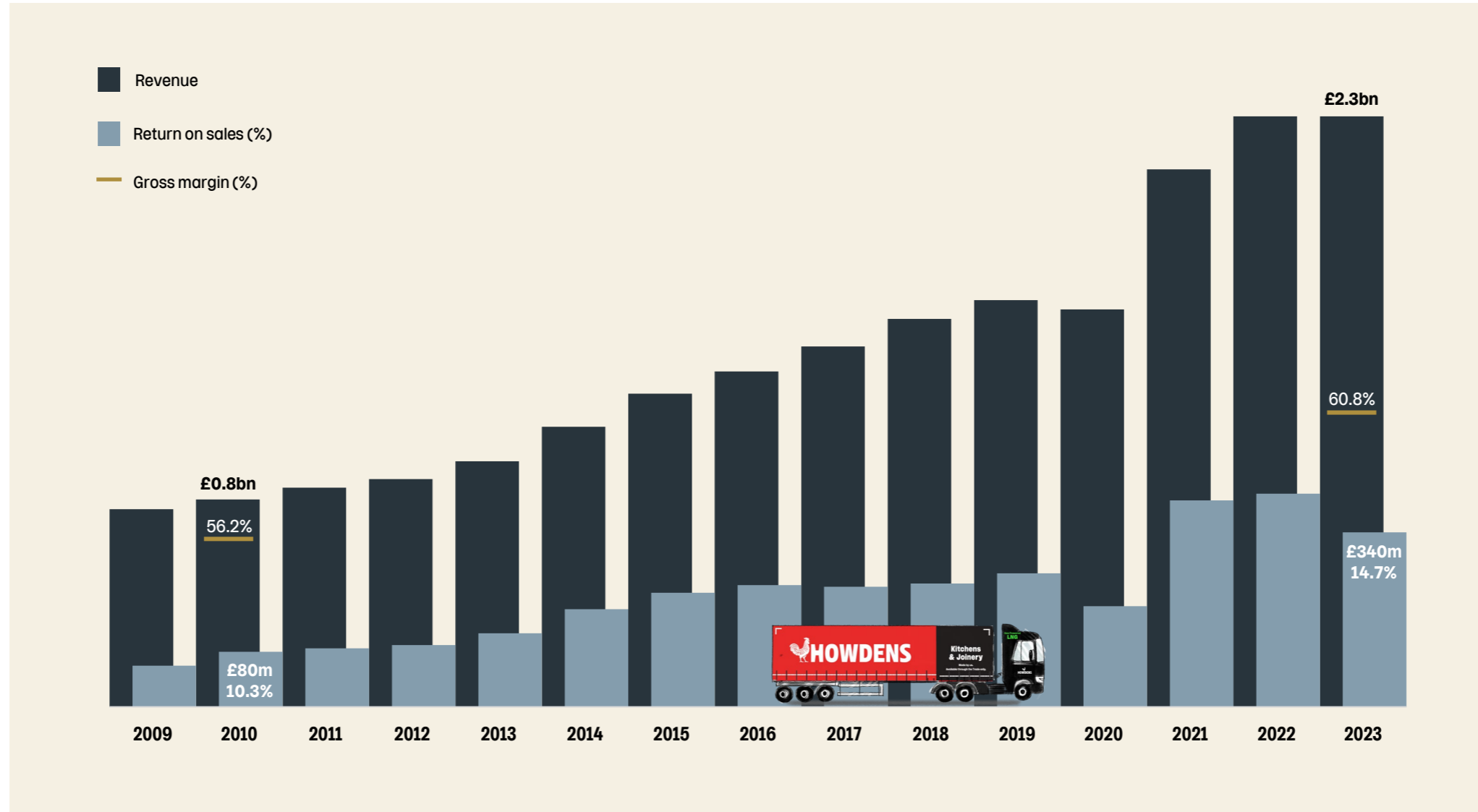
- Post-pandemic UK hybrid working up to 5 times the level pre-pandemic (McKinsey) leads to increased wear and tear in the home.
- Consumer mindset more focused on design and use of kitchen space to maximise flexibility (Howdens' proprietary data).
- An ageing population with significant purchasing power choosing to age in place (baby boomers own nearly half, £2tn, of all British housing equity - FT).
- Accelerated millennial housing formation will drive renovation (in 2020, 16% of all house purchases were by young millennials far outpacing all other age cohorts - HMDA).



We have identified the major steps to achieve net zero emissions



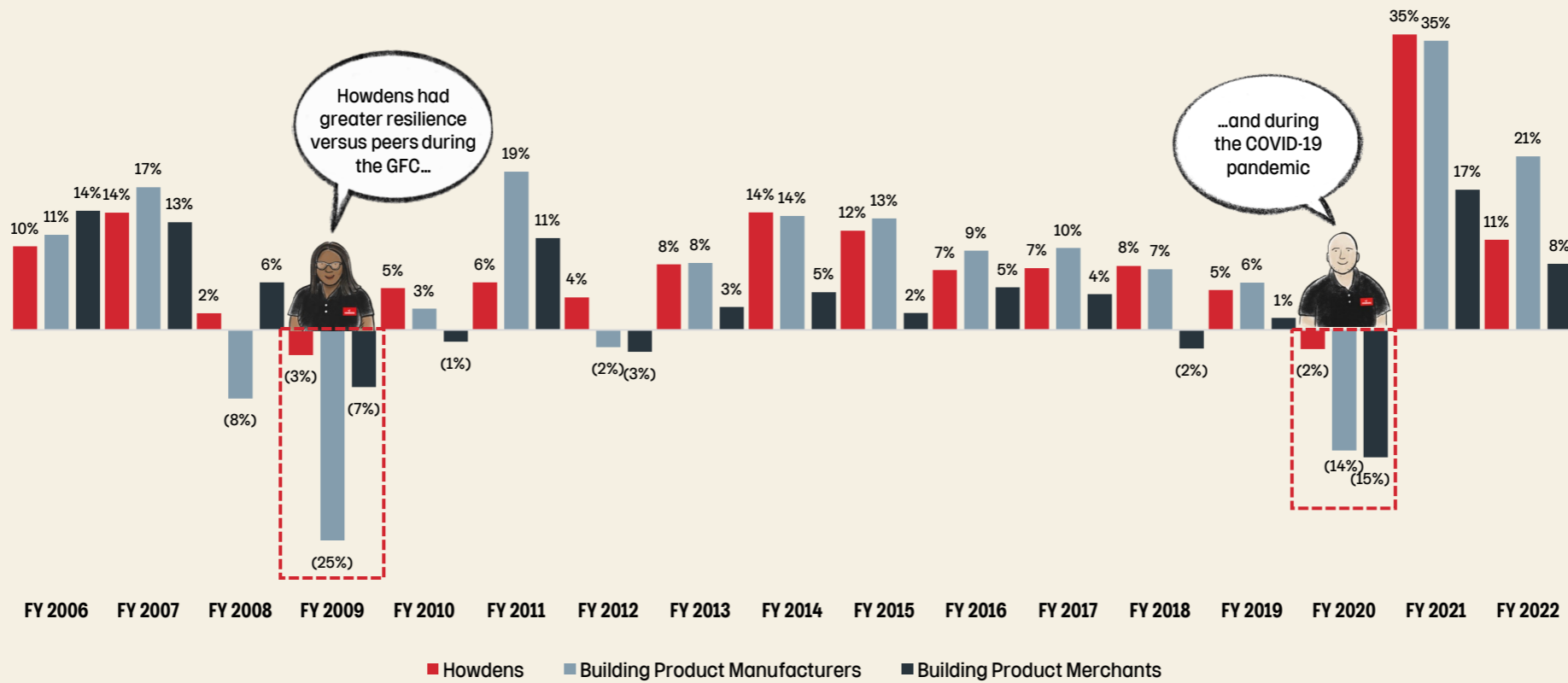
We've delivered consistent revenue growth and sector leading margins



Sales performance has been robust in downturns



Year over year revenue growth (%)



Source: FactSet as of 12 July 2023

We have a strong track record of cash generation, investment, and capital returns

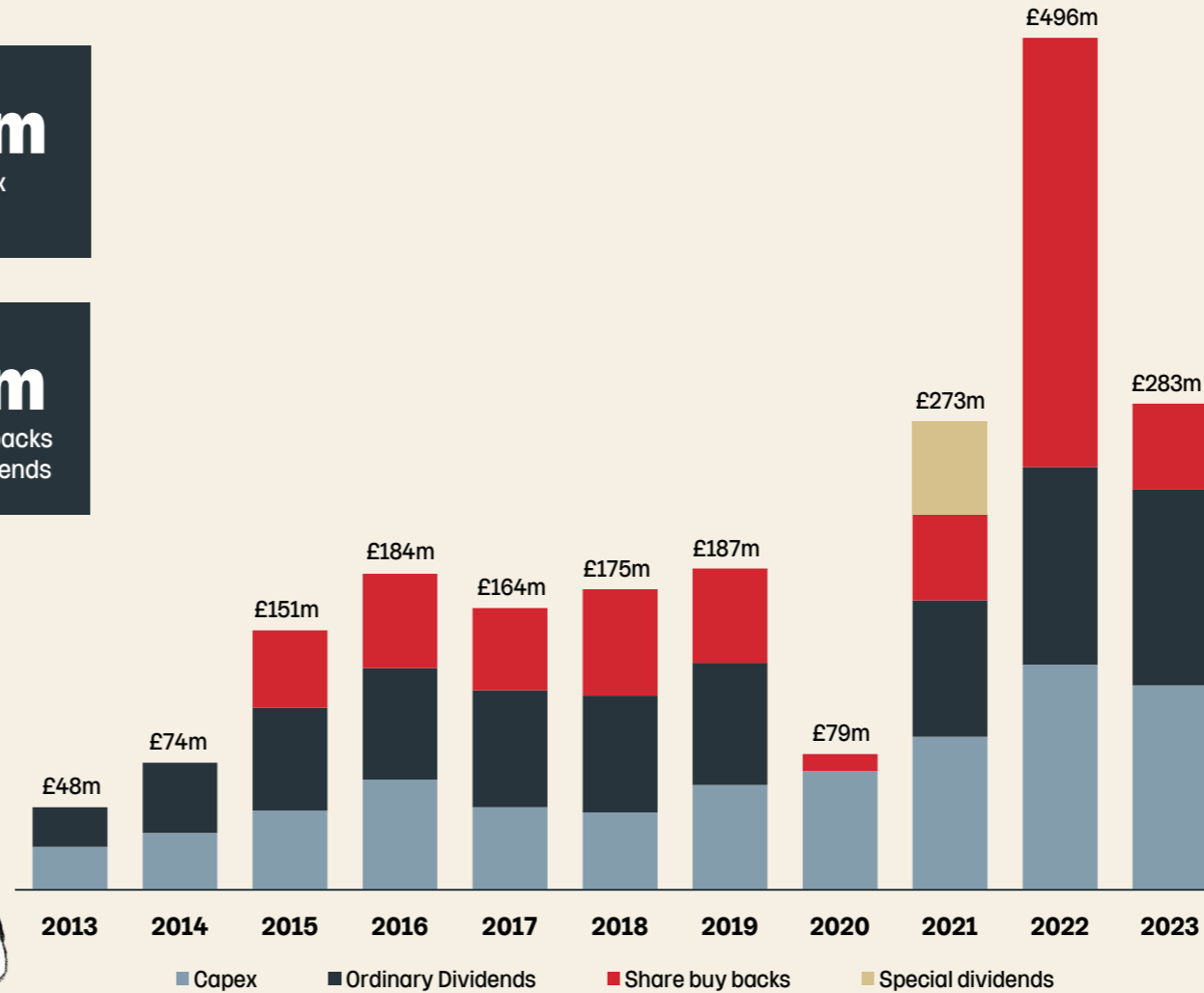
Over the past 10 years:

£3bn
Generated in operating cashflow

£730m
Invested in capex

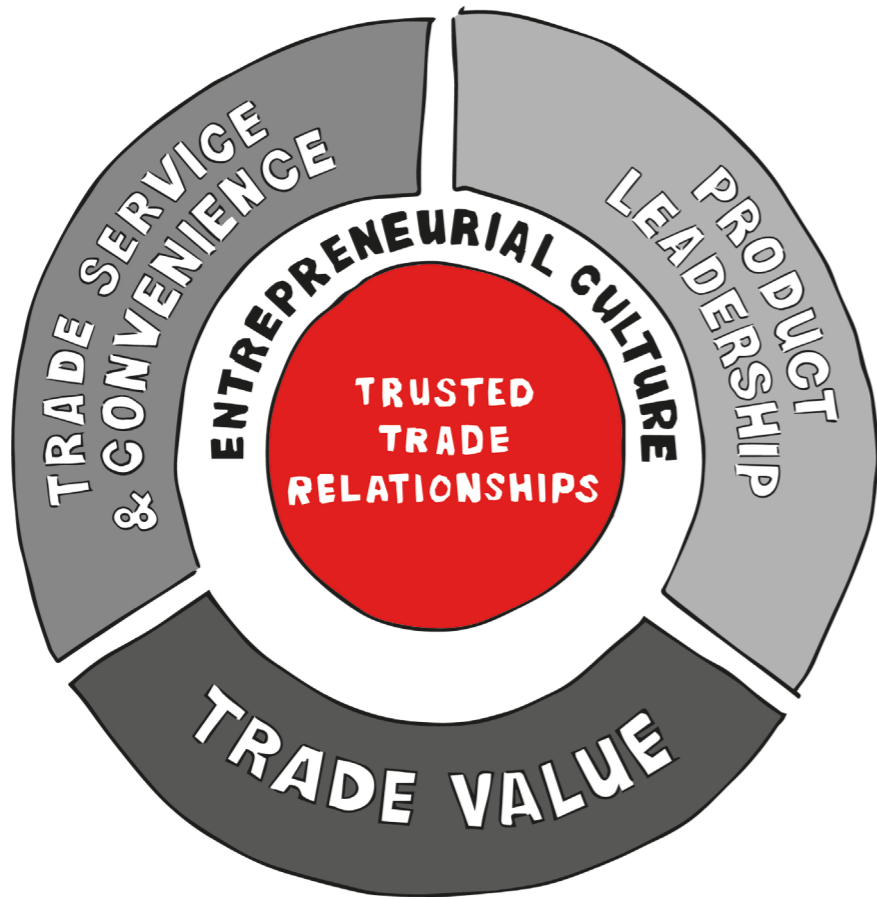
£704m
Returned in ordinary dividends

£674m
Returned in buybacks and special dividends



*The special dividend paid in 2021 was a catch up given the suspension of dividends in 2020 due to COVID-19.

Initiatives to increase market share and profits



Depot Evolution



Range and Supply Management



Digital Development



International

Extending the UK footprint



- Modern working and trading environment
- Cost effective updated format
- Scope for around **1,000** depots in the UK
- versus the **840** trading at year-end
- Plan to open around **30** new depots in 2024
- Including some more in new smaller sized format

Converting more depots to the updated format

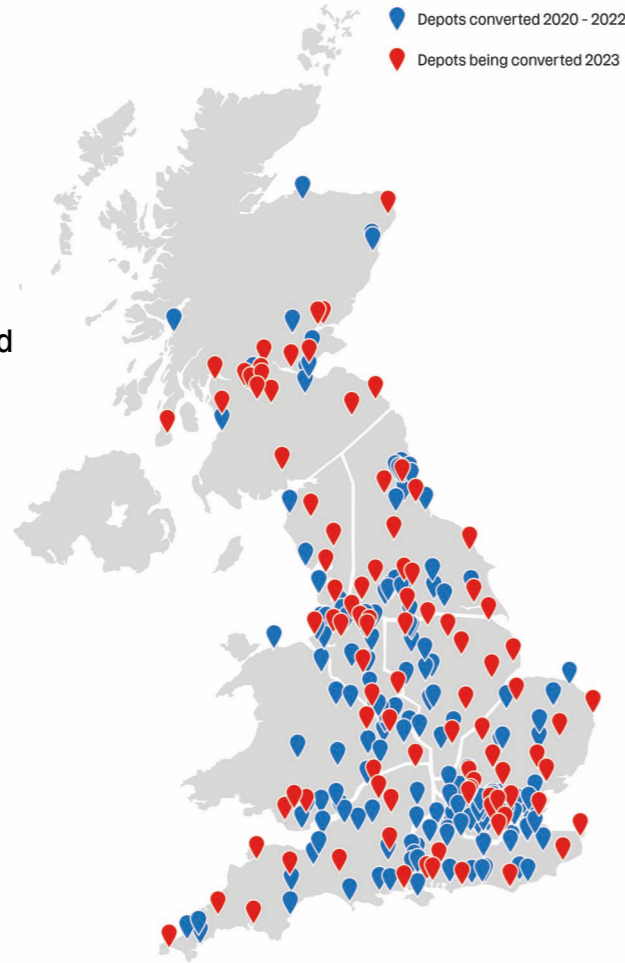


54%

of depots opened in the old format revamped by end of 2024

64%

of all depots trading in the updated format by end of 2024



- Positive feedback from depot teams and customers

274 depots reformatted by end of 2023

- Investment to be recouped in less than four years
- Depots motivated to deliver incremental sales (local P&L charged for revamp costs)
- Now varying "standard re-format" when relatively smaller or less mature depots are re-vamped

- Around **85** revamps planned in 2024

A significant opportunity to win market share in kitchens



Howdens Relative Market Share in Kitchens by Price Band

'Good' Entry level (0-£4k)

'Better' Mid-ranges (£4-8k)

'Best' Higher price £8k+



GOOD (£0-4k)

New colours for our entry level ranges



Witney
Pebble

BETTER (£4k - £8k)

Refreshed look for best-selling shaker family



Halesworth
Charcoal

BEST (£8k+)

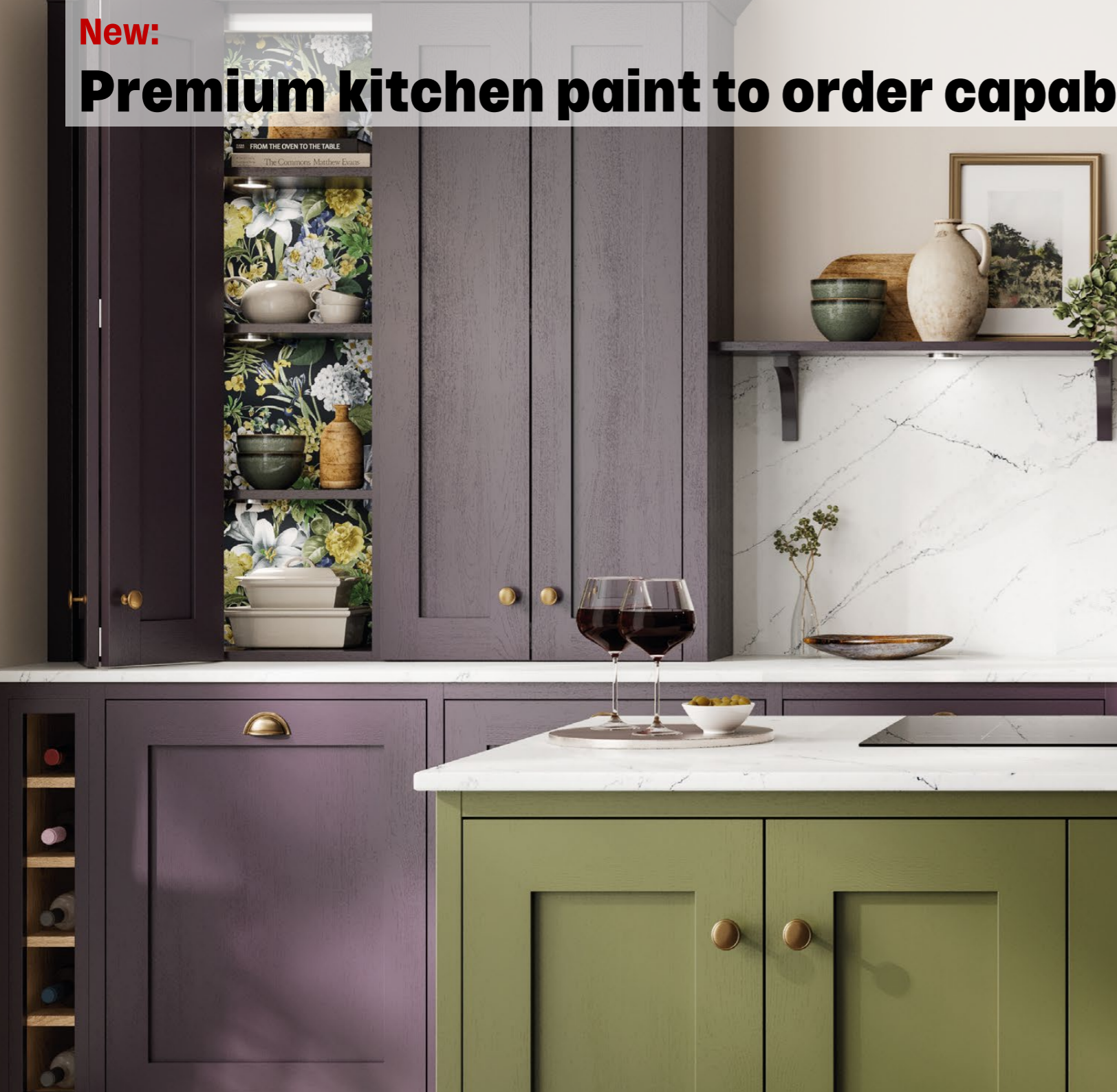
New market-leading colours for premium kitchens



Chilcomb
Marine Blue

New:

Premium kitchen paint to order capability



- Investment in two new lines, now operational
- Facilitates our paint to order initiative for our premium kitchens
- Located in purpose-built facility
- Industry leading capability for these products
- Range of **15** colour choices with a short delivery lead time

New:

Bedroom ranges now stocked in all UK depots

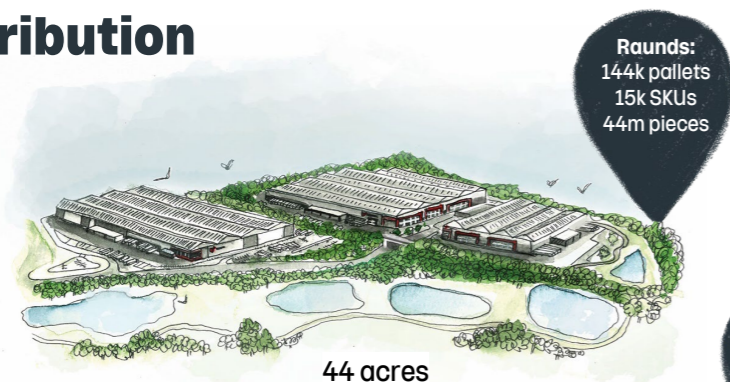

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Bridgemere
Navy

We are investing in manufacturing and more vertical integration

Distribution

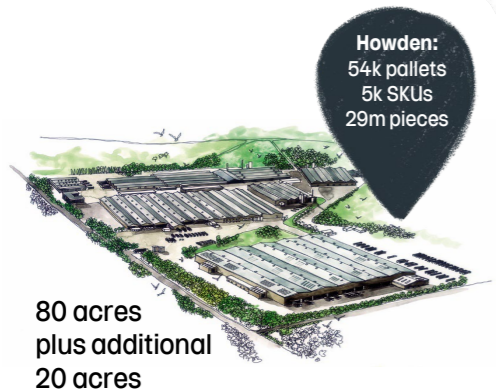


Runcorn:
144k pallets
15k SKUs
44m pieces

44 acres

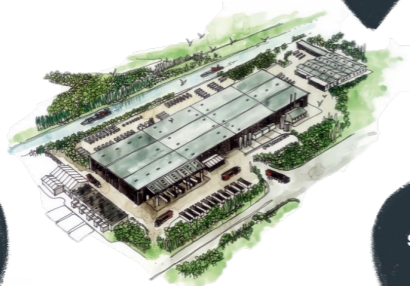
Runcorn:
6.2k pallets
120 SKUs
3.2m pieces

Manufacturing



Howden:
54k pallets
5k SKUs
29m pieces

80 acres
plus additional
20 acres



20 acres

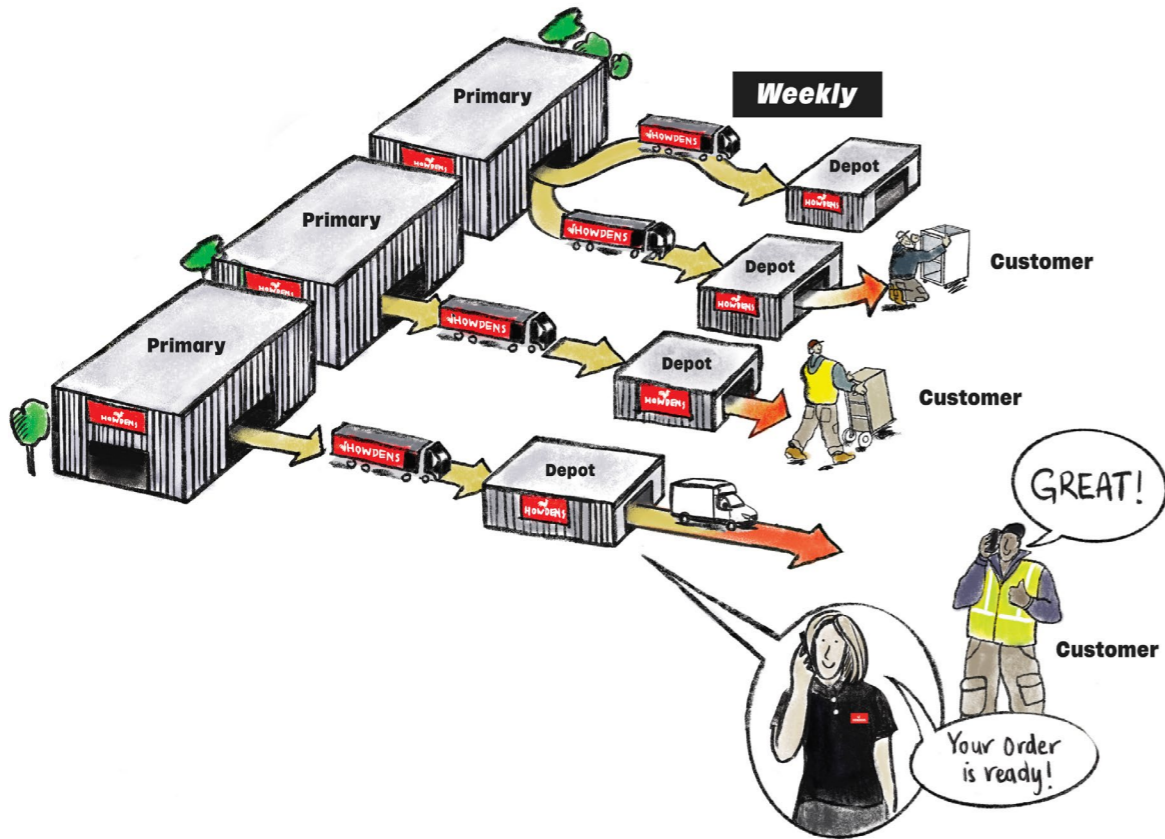
Work surfaces
(2 sites)



25 acres

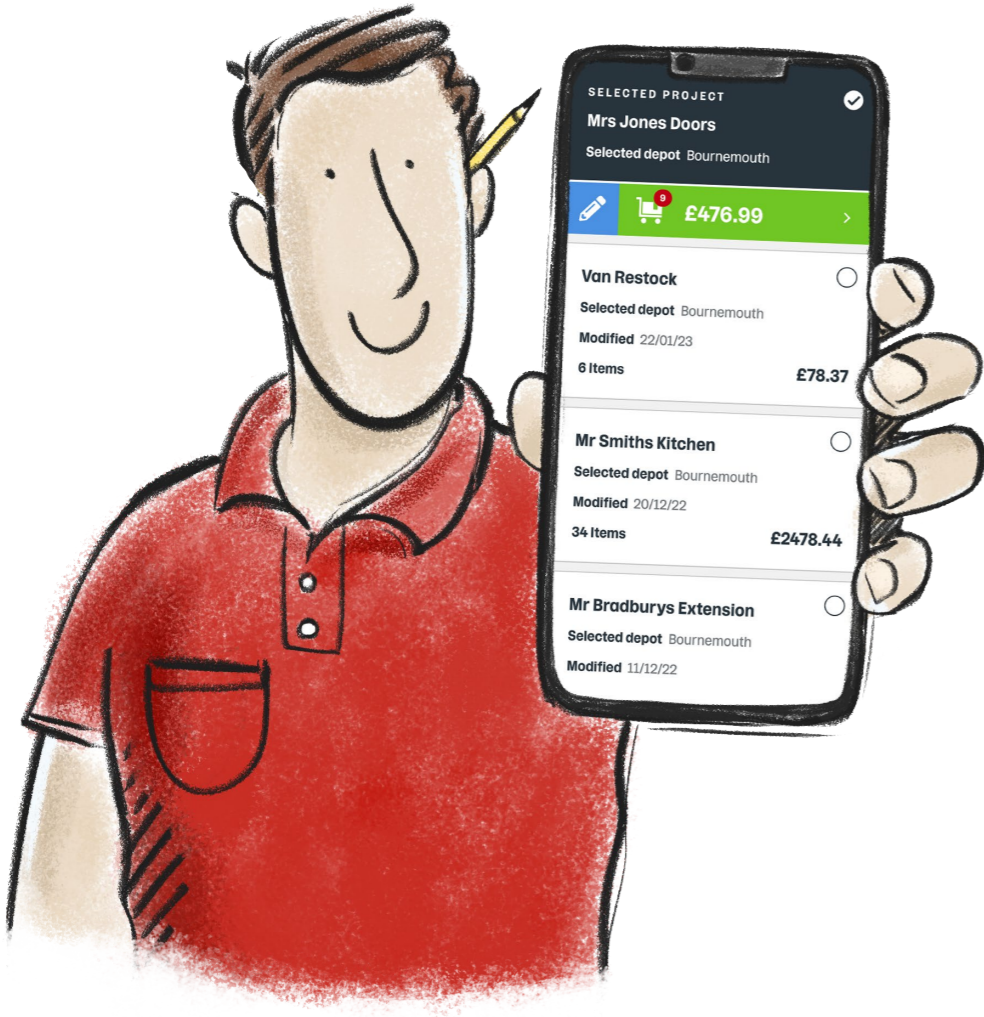
- Increased manufacturing volume (as % COGS) from **35%** in 2023
- Investment in additional capacity including door frontals, laminated worktops, skirting and architraves
- Expand new solid surface capacity to support growth in higher priced kitchen volumes
- Efficient distribution: On-time-in-full delivery in 2023 to UK depots was **99.96%**
- Total: 203K pallets, 2.6m SQFT, 20k SKUs and 76m outbound pieces

Rebalancing stock levels and the delivery pattern of some lines for best availability



- Depots can hold deeper stocks of faster selling lines
- Simpler and more efficient for depots to:
 - deliver superior service
 - improve availability of all products
- Frees up time and resources spent on stock management
- Using third party logistics partners and in the main their infrastructure
- Now operating across all UK mainland regions (supplied by 12 XDCs)
- Focus is now on using these assets most efficiently
- Annualised capacity reduced (enabled by adoption of new re-ordering system and Daily Traders initiative)

Online services valued by customers and depots

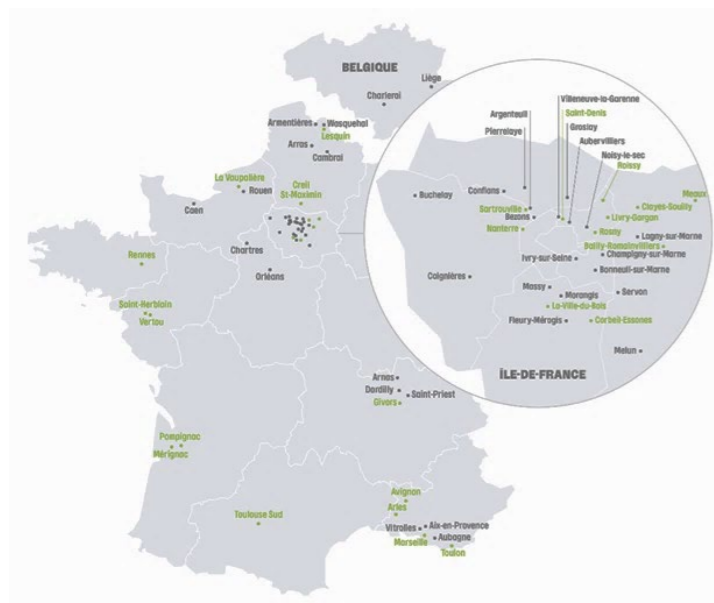


- 75,000 new account registrations in 2023
- 48% of customers have an online account
- Weekly trade platform logins **+7%**
- **c.75%** of users looking at their confidential prices
- Online account holders trade more frequently
- And spend more across more categories

International continues to make progress

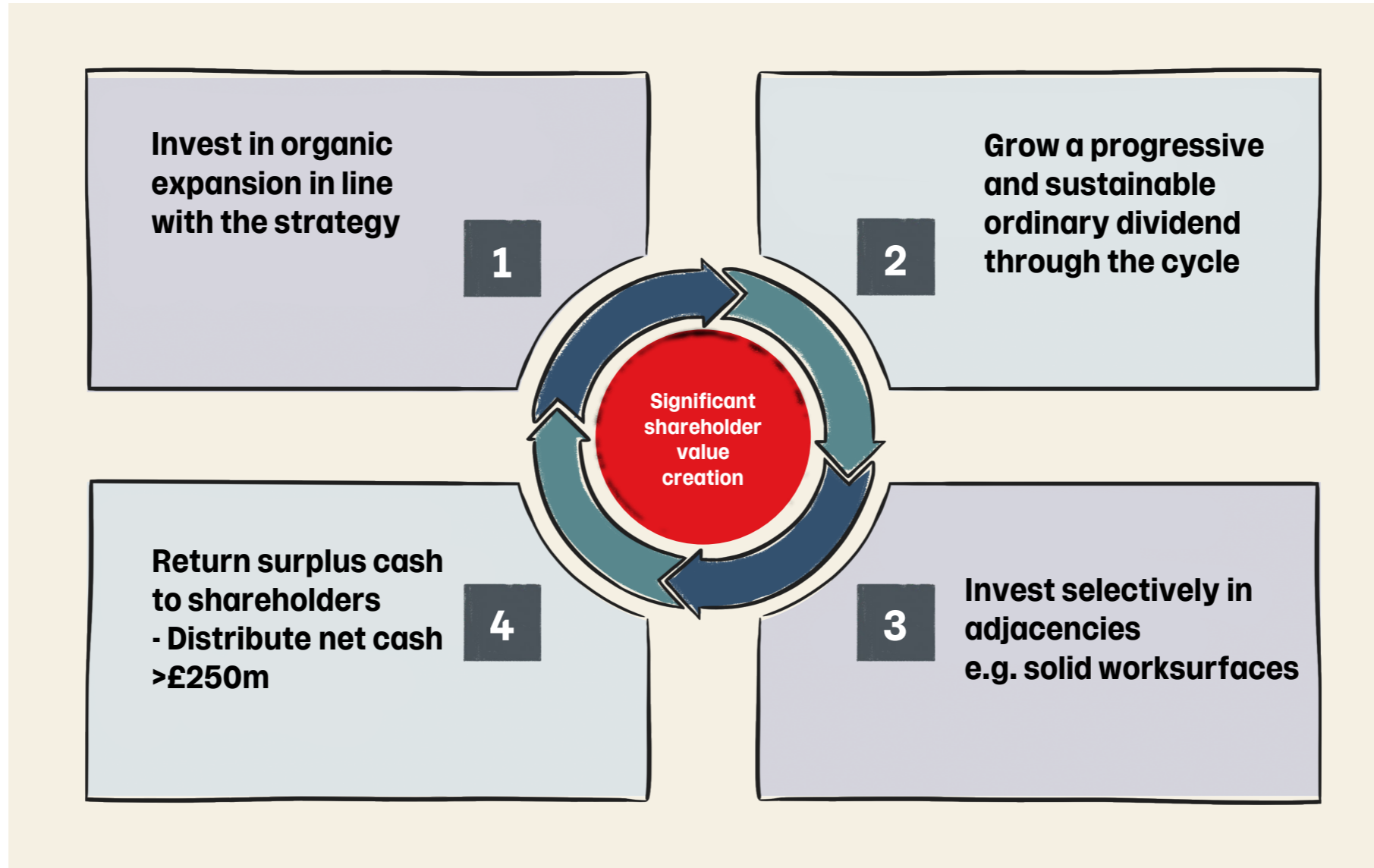


- France: **€3.9bn** kitchen market*
- City-based approach adopted from 2019
- Rapid expansion: **65** depots trading
- Increased recognition of our model's advantages
- Scale benefits as **90%** of range common to UK
- Focusing on trading existing depots and expanding footfall promoting products
- Opened in the Republic of Ireland in 2022, with **10** depots now operating



*Excludes appliances - sources: IPEA, Ecomaison, Insee

We have a strong balance sheet and clear capital allocation priorities

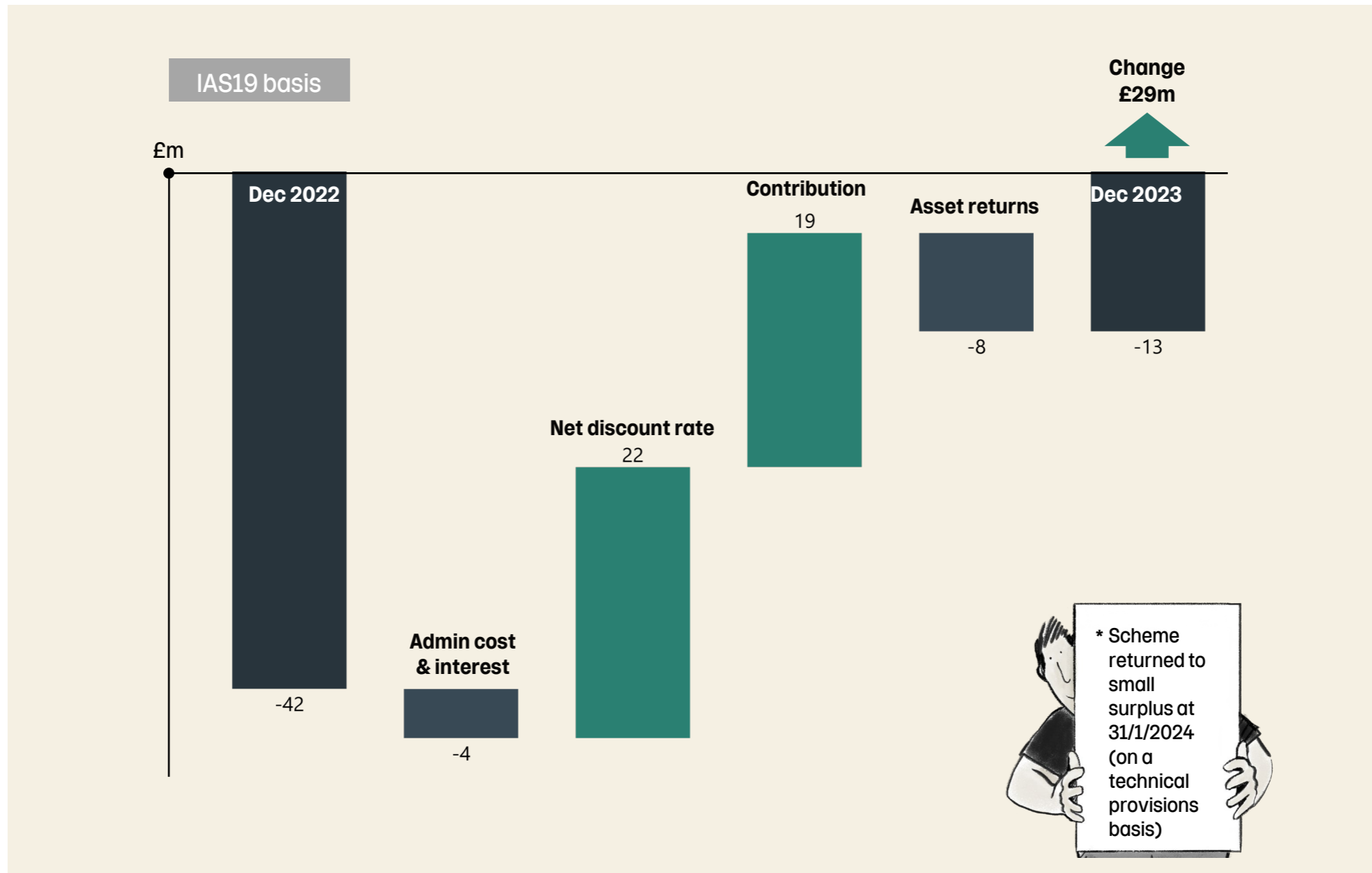


Tax - patent box claim

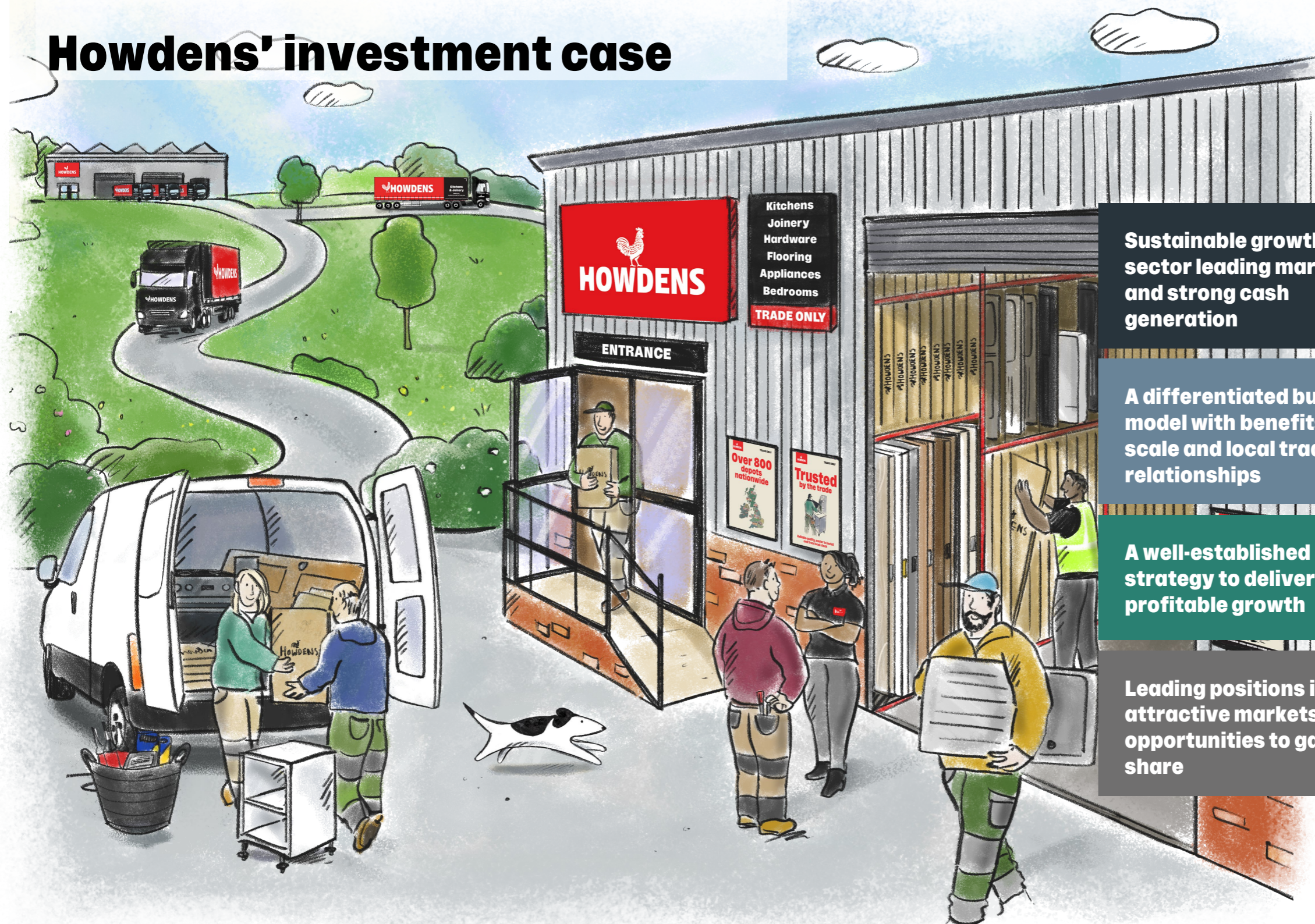


- Patented cabinet leg is unique to the market and meets builders' needs in three ways:
 - Strength: will withstand a lifetime fully laden and cabinet can be moved around across uneven flooring on legs
 - Speed: quick to install and adjust tool free
 - Ease: back legs adjustable from inside the cabinet
- Patent box tax relief scheme reduces tax rate on profits earned from patented intellectual property
- Ongoing reduction in effective tax rate of around **3%**
- Cash benefit of **£27m** expected in 2024 from settlement of prior years (2017-2020)

Group pension scheme in deficit at 30 December 2023*



Howdens' investment case



Sustainable growth, sector leading margins and strong cash generation

A differentiated business model with benefits of scale and local trade relationships

A well-established strategy to deliver profitable growth

Leading positions in attractive markets with opportunities to gain share