



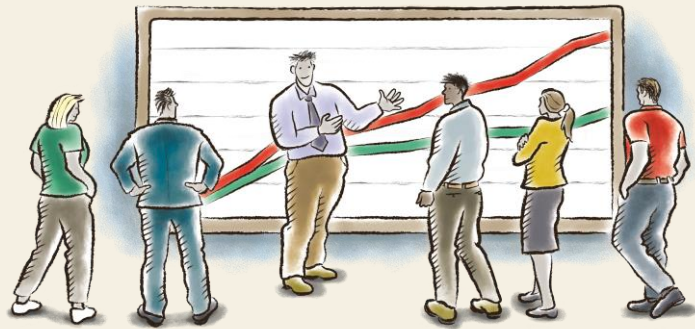
# **The UK's #1 Specialist Kitchen and Joinery Supplier**

**An introduction to Howdens**

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



## 2021 financial highlights:



**£2.1bn**

Revenue

**£402m**

Operating profit

**61.6%**

Gross margin

**53.2p**

EPS

**19.5p**

Total dividend

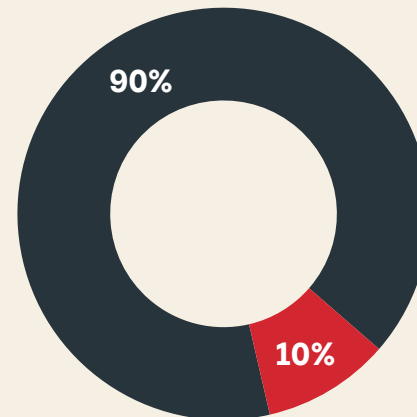
**£515m**

Cash at end of period

## Attractive end markets:



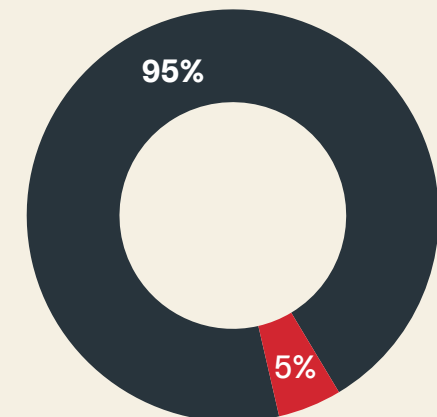
Residential



Non-residential

% Howdens revenue

Repair Maintenance  
and Improvement (RMI)



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.

**11K**

Employees

**16K**

Kitchen and joinery products

**11M** ft<sup>2</sup>

UK footprint

**80**

Kitchen ranges

## Empowered depot teams support the needs of the local builder

**840**

Local depots

**~500K**

Local customers



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

**~33%**

Volume of products manufactured

**~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**

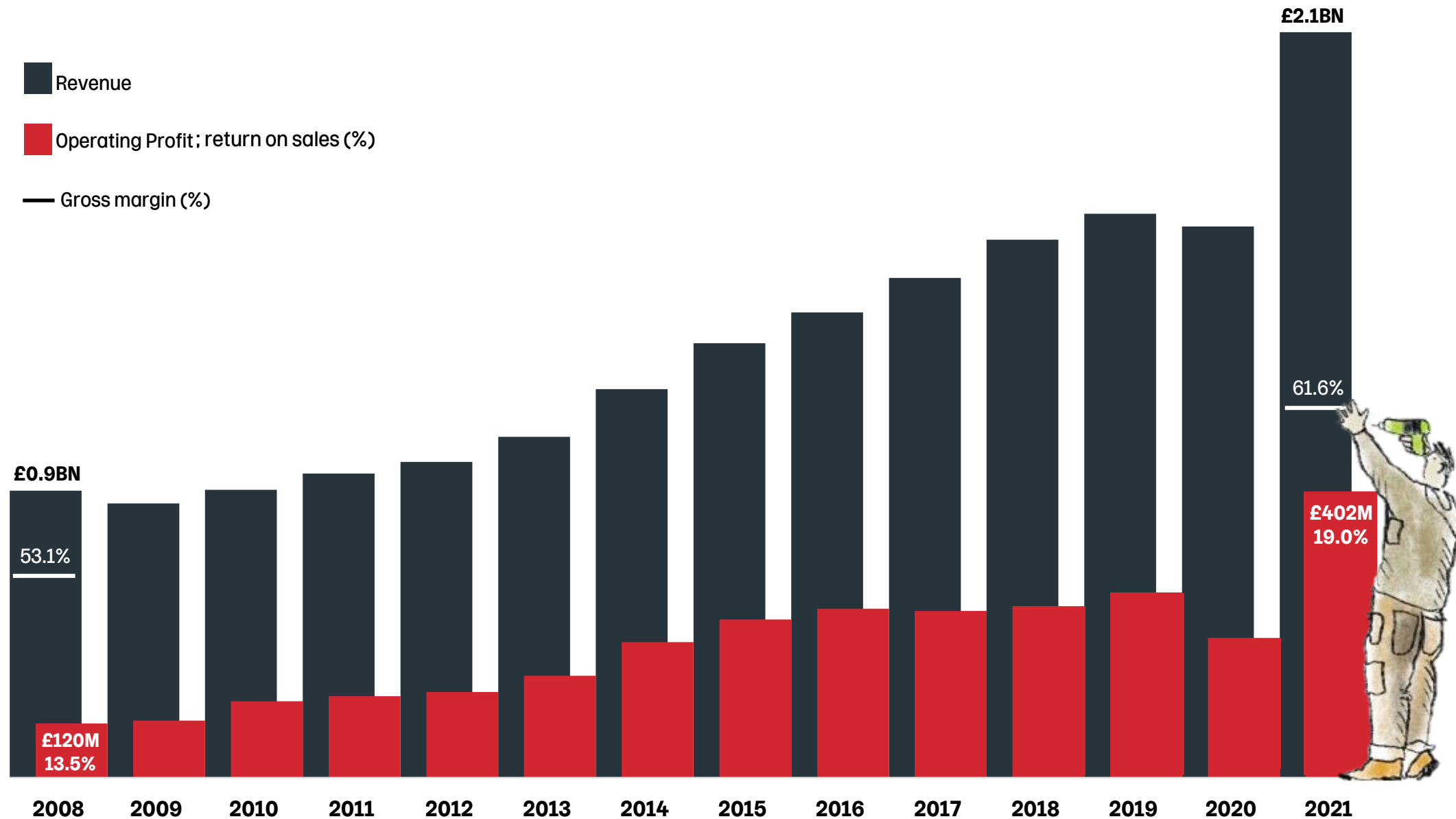


**Competitive confidential pricing**



**Knowledgeable depot teams to support the builder**

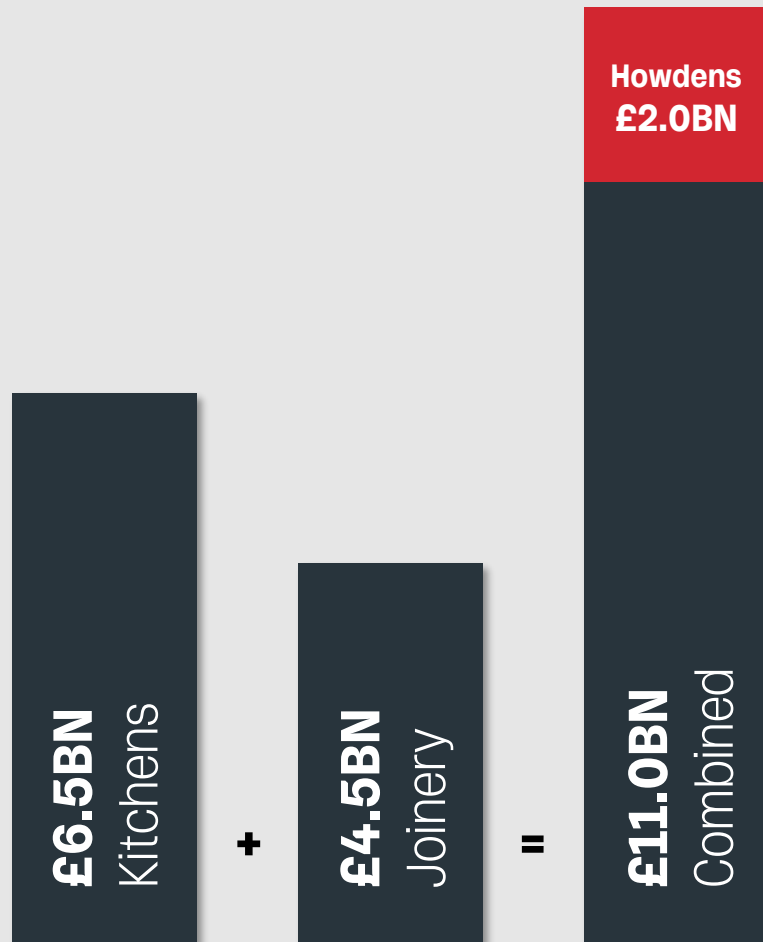
# We've delivered consistent revenue growth and sector leading margins



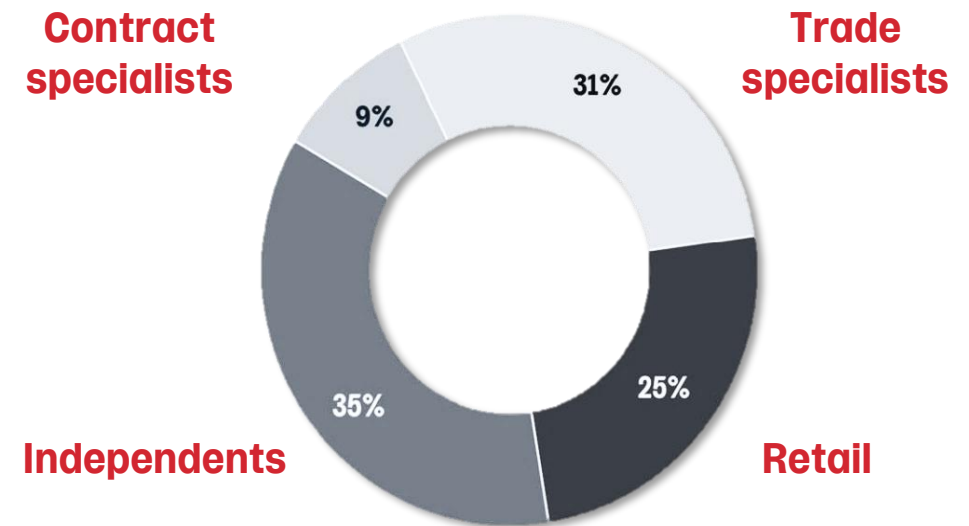
# Our markets are large and attractive with significant future growth potential



**UK market by revenue<sup>1</sup>**



**UK market by vendor category<sup>1</sup>**



<sup>1</sup> Howdens' estimates based on proprietary data

# 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 \$250 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.

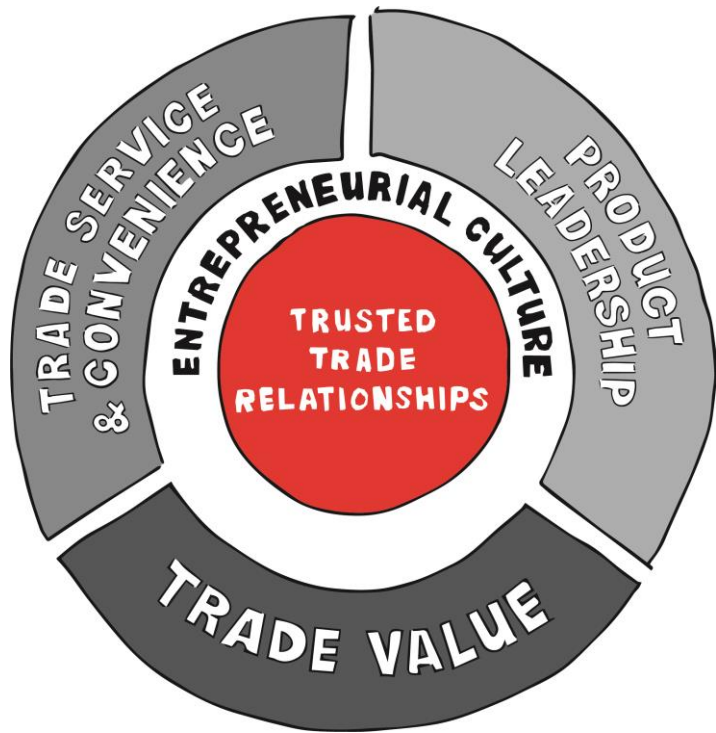
## Recent trends

- 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).

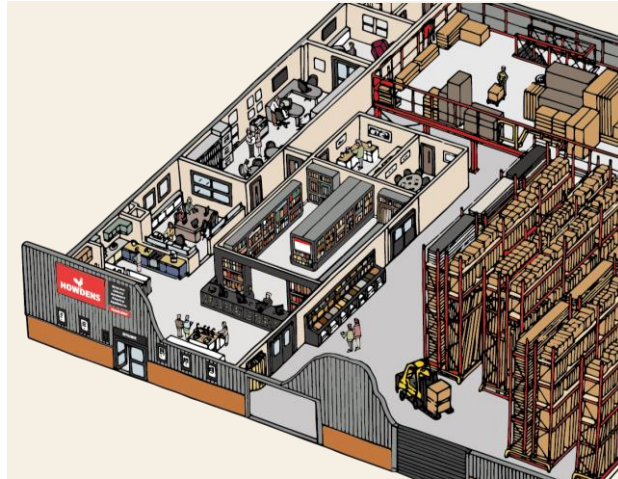




# We have a well established and ambitious strategy to achieve growth



Worthwhile



**Depot Evolution**



**Range & Supply Management**



**Digital Development**



**International**



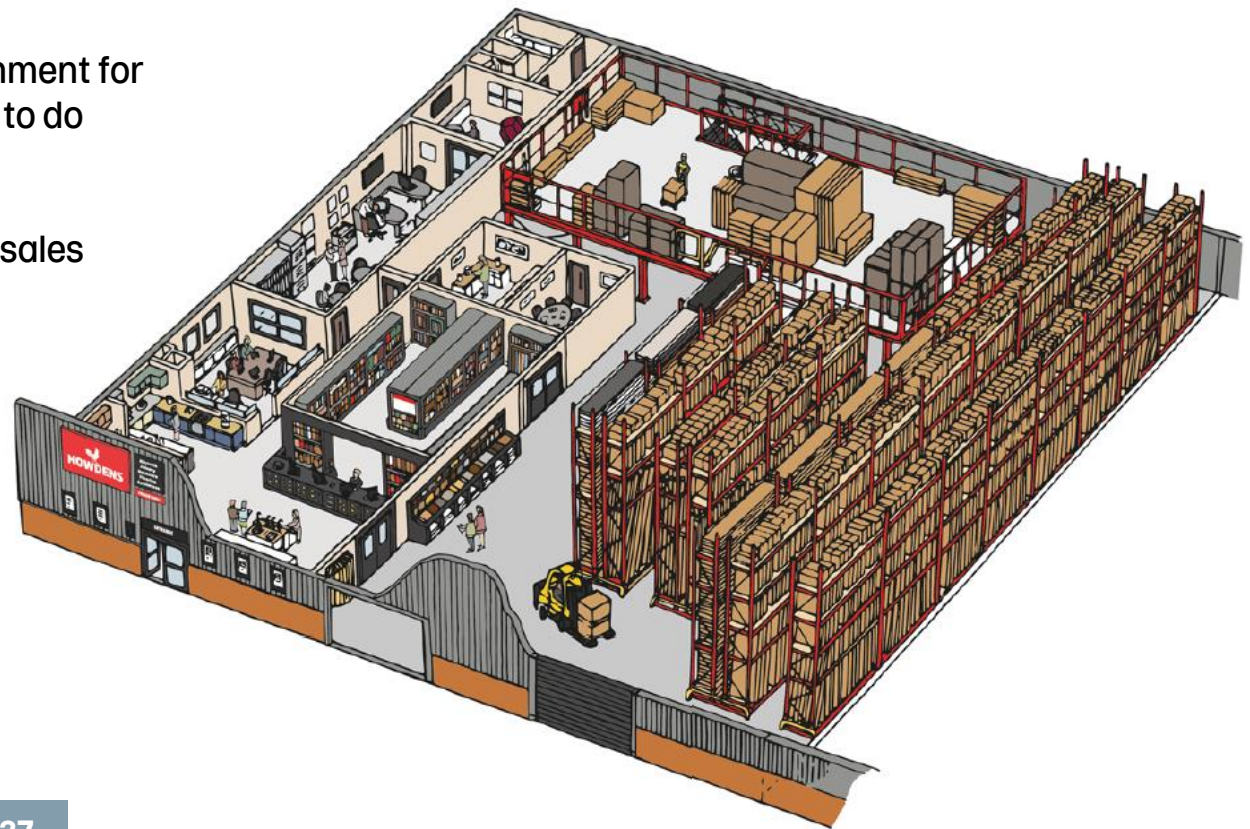
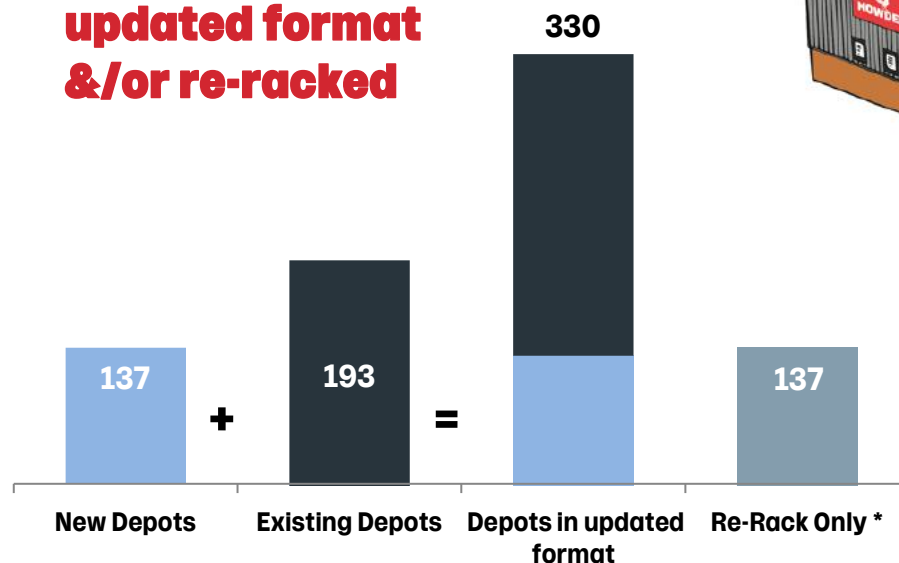
# We are expanding and re-formatting our UK depot network to increase sales and productivity



## Depot Evolution

- We see scope for around 1,000 depots in total (788 in H1 2022) in the UK. We will have opened c.30 during 2022.
- Our updated format provides the best environment for depot teams, customers and their customers to do business.
- Our revamp programme promotes increased sales volumes at 'mature' UK depots.

### Total UK Depots in updated format &/or re-racked



\*Number of re-racked depots excludes such depots subsequently re-formatted

# We have a significant opportunity to win market share in kitchens

## Product range

Howdens has a healthy market share of the entry level 'Good' price band with an opportunity to grow market share in the 'Better' and 'Best' segments where the market value is higher.

### 2021 Kitchen Price Band Market Share

#### 'Good' Entry level

Howdens  
**HIGH  
RMS\***



Greenwich



Witney



Allendale


~£1.5bn market value

#### 'Better' Mid-ranges


Howdens  
**MED  
RMS\***



Clerkenwell



Chelford



Fairford

~£3bn market value

#### 'Best' Higher price £8k+

Howdens  
**LOW  
RMS\***



Hockley



Chilcomb



Elmbridge

~£2bn market value

\* RMS - relative market share (source: company estimates)



# We are investing in manufacturing and further expanding our degree of vertical integration



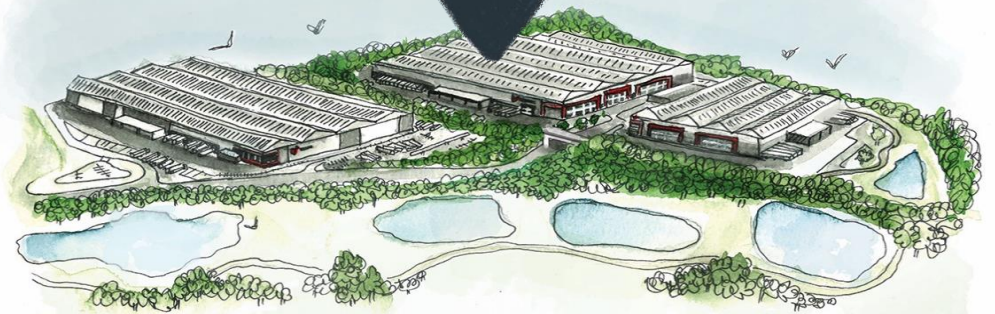
## Supply Management

- Increase volume of what we make from c.33% to 50%.
- Investment in additional capacity including door frontals, laminated worktops, skirting and architraves.
- New off-site warehousing at Howden (Capitol Park 650k sqft<sup>2</sup>).
- Expand new solid surface capacity to support growth in higher priced kitchen volumes.
- Efficient distribution: On-time-in-full delivery in P21 2022 to UK depots was 99.97%.

## Distribution

**Raunds:**  
125k pallets  
11k SKUs  
44m pieces

44 acres



**Runcorn:**  
6.2k pallets  
300 SKUs  
3.5m pieces

**Work surfaces (2 sites)**

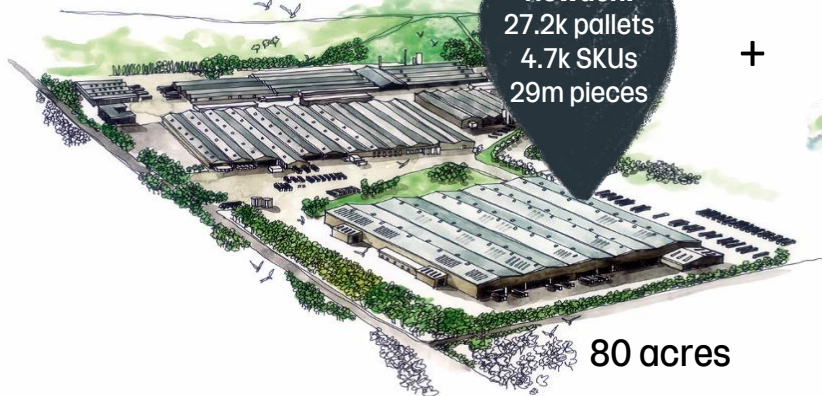
20 acres



## Manufacturing

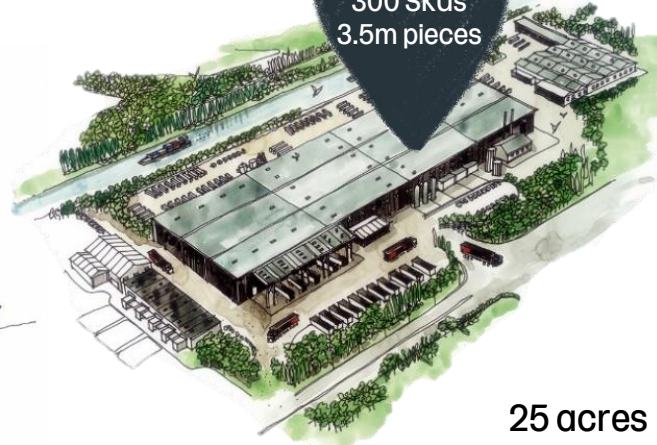
**Howden:**  
27.2k pallets  
4.7k SKUs  
29m pieces

+



80 acres

+



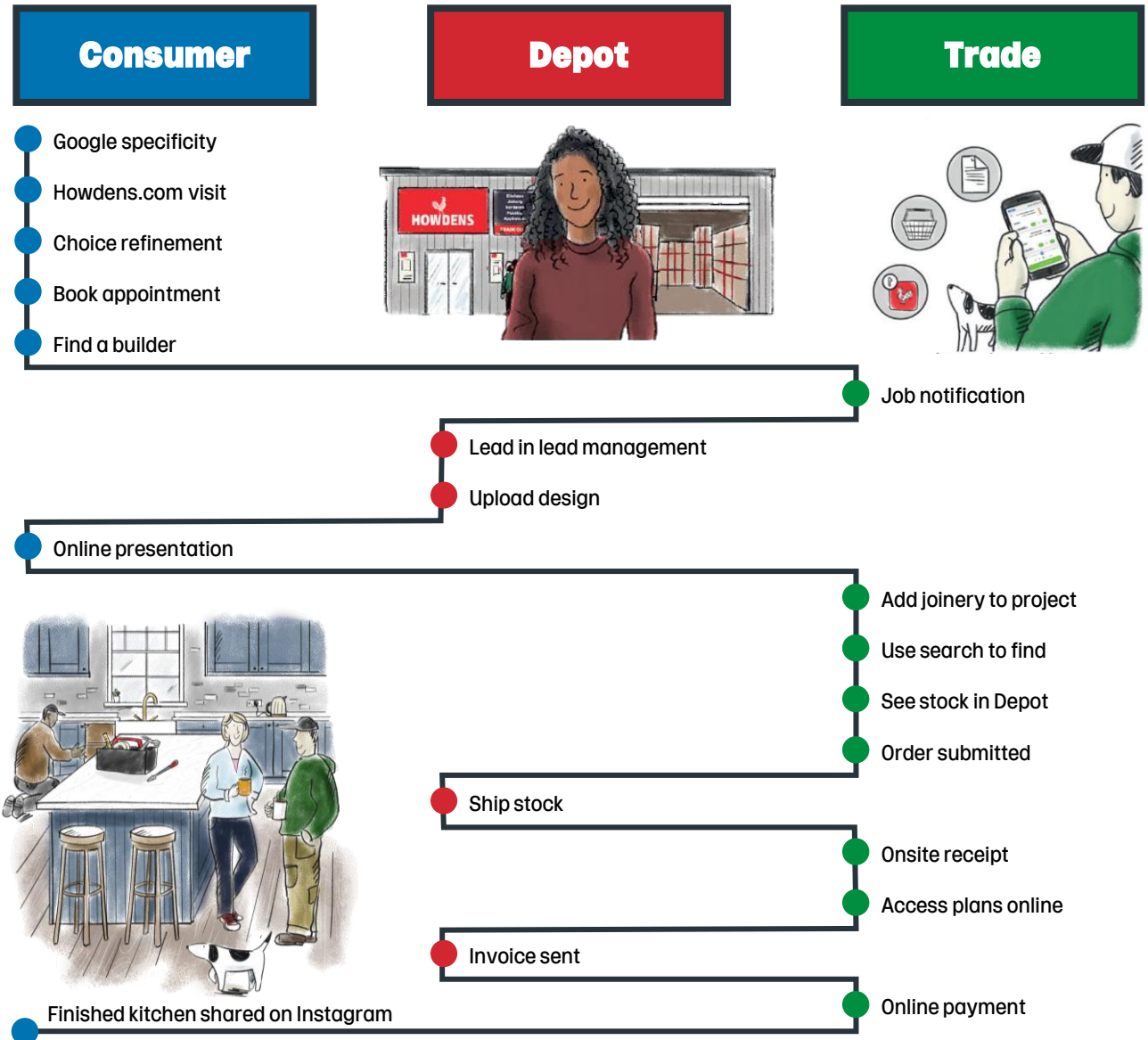
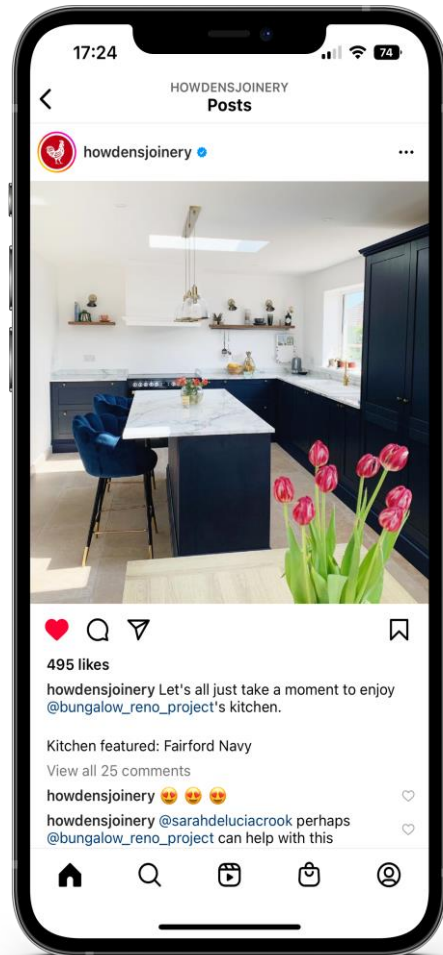
25 acres



# We are digitally connecting people, experiences and services



## Digital Development

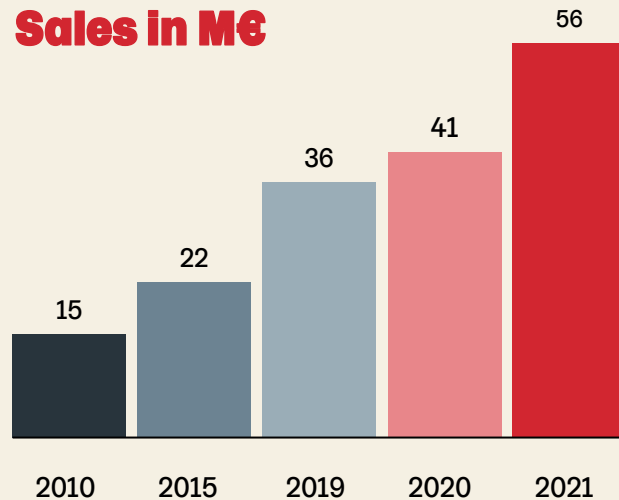


# France's business model is similar to the UK with a c.€4bn market opportunity

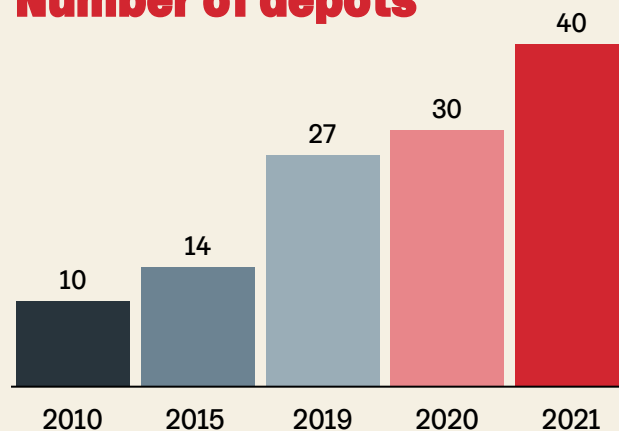


## International Growth

### Sales in M€



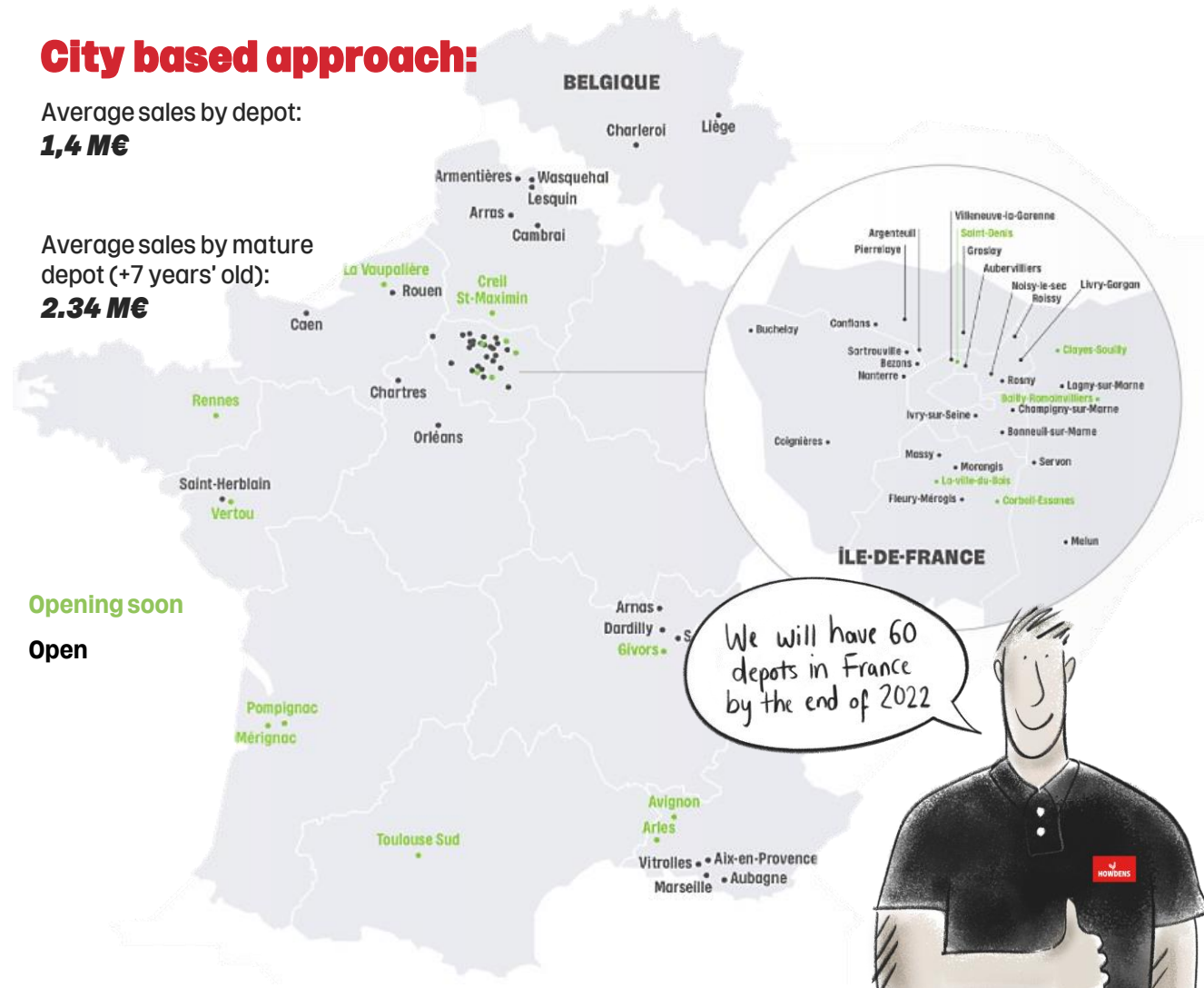
### Number of depots



### City based approach:

Average sales by depot:  
**1,4 M€**

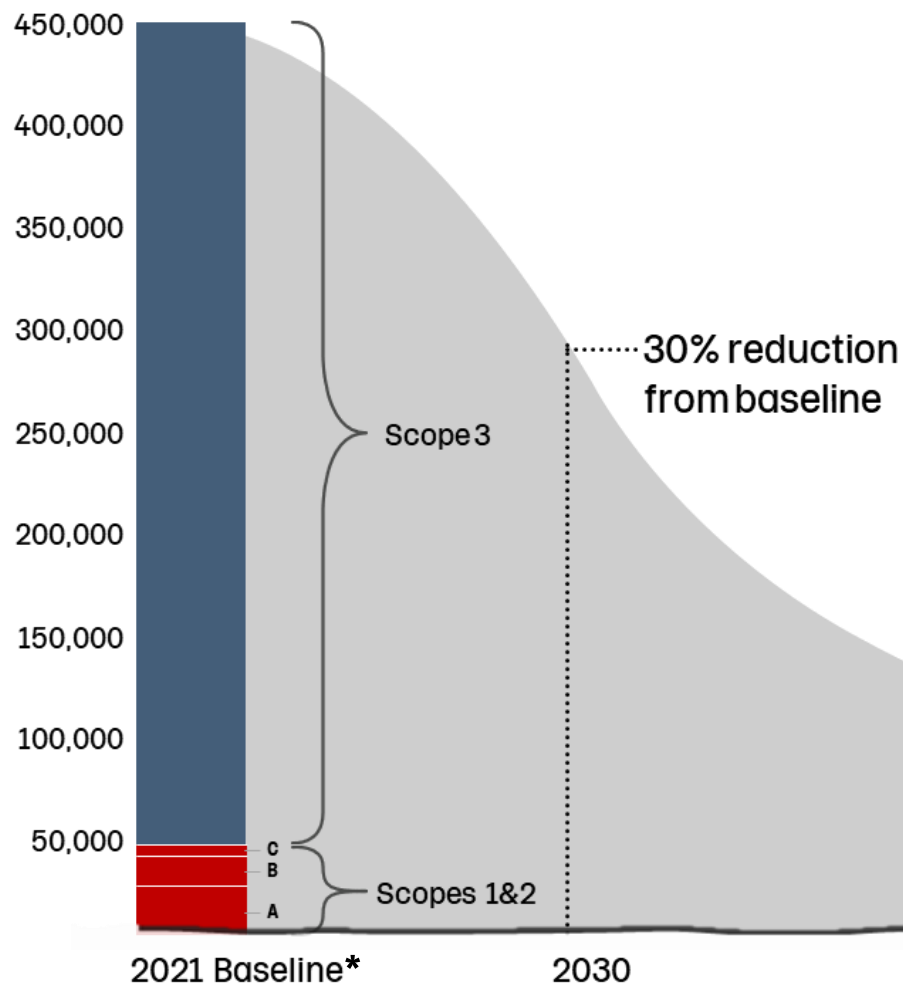
Average sales by mature depot (+7 years' old):  
**2.34 M€**



# We have identified the major steps to achieve net zero emissions



Tonnes of CO<sub>2</sub>



\*Howdens signed up to the Science Based Targets Initiative (SBTi) Net-Zero Initiative in 2022

## Scope 1 & 2

### A - Distribution

LPG and HVO Trials underway

Electric vehicles where feasible - test and develop business case

Engaging logistics providers for solutions

### B - Renewable energy

Switch all operations sites and depots to 100% renewable

### C - Electric fleet

Company car transition to 100% electric

## Scope 3

### D - Supply Chain

Focus on top 27 suppliers - c.80% of all emissions

Roll out ESG 360 system:

- Capture emissions data
- Establish reduction plans /metrics
- Identify risks and opportunities



# We have a strong balance sheet and clear capital allocation priorities



**Invest in organic expansion in line with the strategy**

**1**

**Grow a progressive and sustainable ordinary dividend through the cycle**

**2**

**Significant shareholder value creation**

**4**

**Return surplus cash to shareholders  
- Distribute net cash >£250m\***

**3**

**Invest selectively in adjacencies  
eg, solid work surfaces**

\*broadly equivalent to gearing of 0.7x Net Debt to EBITDA after taking into account total lease liabilities.

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



**Over the past 10 years:**

**£2.6bn**

Generated in operating cashflow

**£504m**

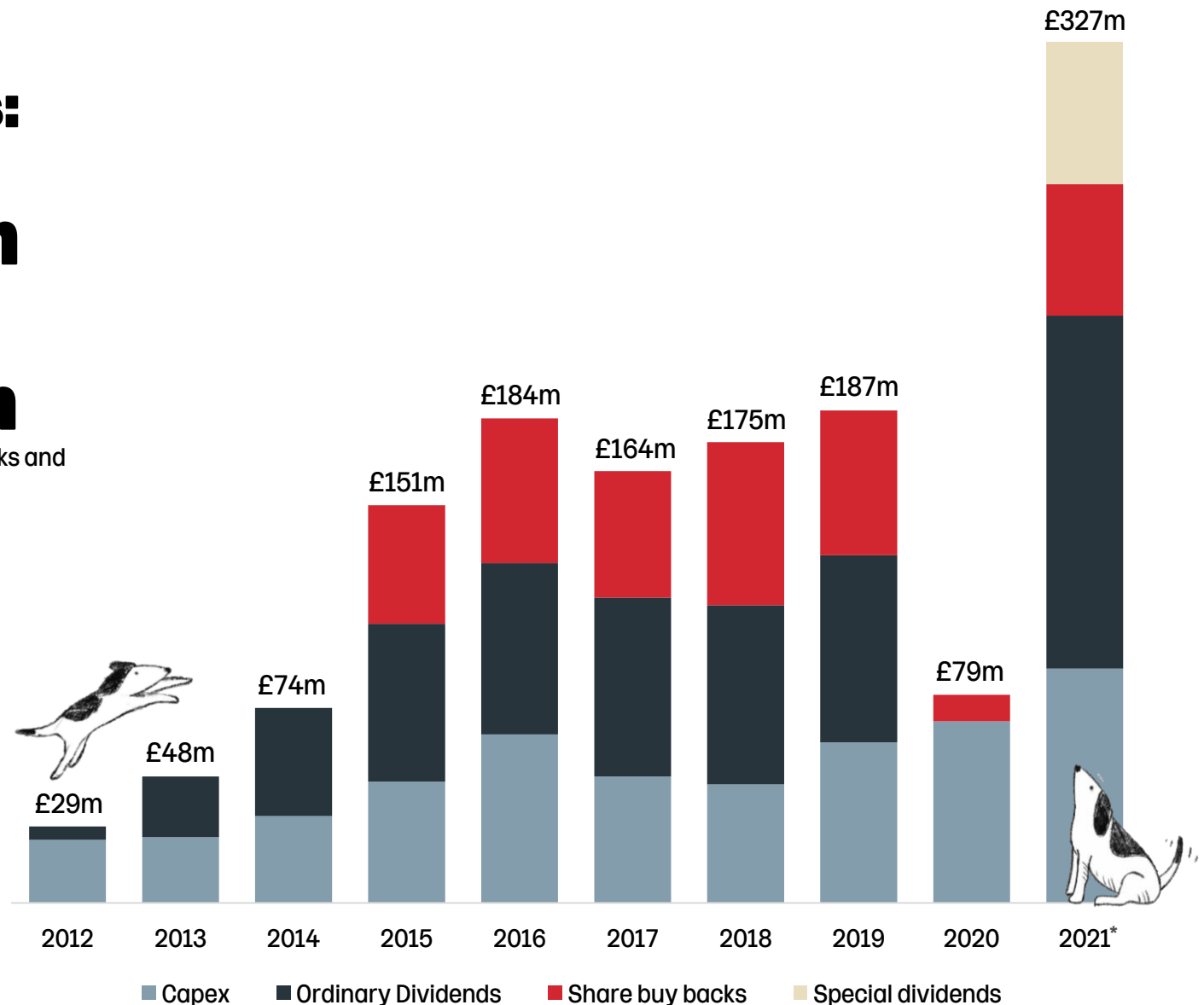
Invested in capex

**£535m**

Returned in ordinary dividends

**£379m**

Returned in buy backs and special dividends



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

# Howdens' investment case



**Sustainable growth, sector leading margins and strong cash generation**

**A differentiated business model with benefits of scale and local customer relationships**

**A well-established strategy to deliver profitable growth**

**Leading positions in attractive markets with opportunities to gain share**

**and...  
Great returns for shareholders**