Wickes Group plc - Full Year Results 2022
for the 52 week period to 31 December 2022

Record sales and further market share gains; well-placed to continue to outperform the market

Financial Highlights

- Like for Like ('LFL')[1] sales up 3.5% in FY2022, and 22.8% on a three-year basis
- Total year-on-year revenue growth of 1.8% to a record £1,562.4m
- Further market share gains in Core[2], and a strong recovery in delivered DIFM sales
- Adjusted profit before tax £75.4m, in line with guidance, following a record £85.0m in 2021
- Statutory profit before tax of £40.3m after absorbing non-recurring costs of £35.1m
- Net cash position of £99.5m (2021 £123.4m), reflecting the impact of £24.4m IT separation costs
- IFRS 16 net debt of £591.8m (2021 £618.7m); leverage of 2.9x[3]
- Final dividend of 7.3p, giving a total of 10.9p for the full financial year in line with guidance

Strategic Highlights

- Digital TradePro membership growth rate accelerated to 18% with 112,000 new customers (2021: 81,000), taking the total to 746,000; TradePro sales in 2022 increased by 19%
- Successfully broadened our DIY customer appeal through the introduction of 30 minute click & collect, Klarna payment options, and the launch of the Wickes eBay store
- Further market share gains in Core, following a record year in 2021, with Core LFL down 2.0%; three-year LFL of 33.0%
- Strong recovery in DIFM delivered sales, up 26.1% LFL, as we worked successfully through the order book, which remains ahead of pre Covid levels
- Delivered over £20m of cost savings from productivity gains and efficiencies in 2022
- 12 refits completed in 2022; ROCE and sales uplifts remain strong and in line with expectations
- First new store opened in Q4 in Bolton, with a strong performance in its first Winter season
- Outlined Science-Based Targets for carbon emissions with approval received in December 2022, and launched our Sustainable Home Guide to help customers reduce energy bills and emissions

Capital Allocation Policy

- The Company is reviewing its capital allocation policy and will provide an update along with its Q2 trading update in July

Current Trading & Outlook

In the first 11 weeks of 2023 trading has been in line with our expectations. Core sales are moderately behind the same period last year, with Trade sales in growth and DIY continues to normalise. In DIFM, delivered sales are slightly ahead year on year due to the elevated order book; ordered sales are in line with the same period in 2022.

Whilst we are mindful of the macroeconomic backdrop, we remain confident in our ability to drive further market share gains given the strength of our proposition and improvements we have made to our offer. We have efficiency plans in place which will offset inflationary pressures in 2023, with the exception of energy costs which as previously indicated will be £10m higher than in 2022. We will issue our next trading update after Easter.

David Wood, Chief Executive, commented:

"This was a period in which we achieved record sales and made further market share gains. While profit declined, the outcome is still significantly ahead of the pre-Covid period. Our performance was underpinned by our balanced business model, digital leadership and ability to offer the best value and service across Trade, DIFM and DIY. This has been achieved due to the expertise and dedication of our 8,100 colleagues, and I would like to thank each of them for their support over the last 12 months.

"Like all businesses we remain watchful of the external consumer environment. However, we have the right strategy and a compelling offer for customers, and look to the future with confidence. We will continue to invest across our distinctive growth levers, and are well-placed to achieve further market share gains."

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[1] For a definition of LFL sales, see note 3
[2] Source: GfK GB PoS data, sourced from GfK DIY Category Reporting January 2023
[3] Defined as IFRS16 net debt / LTM adjusted EBITDA

Summary of full year financial results

£m	52 weeks to 31 Dec 2022	53 weeks to 1 Jan 2022	Change
Statutory revenue	**1,562.4**	**1,534.9**	**1.8%**
Adjusted* revenue	**1,559.0**	**1,534.9**	**1.6%**
Core	1,187.9	*1,234.7*	(3.8)%
DIFM	371.1	*300.2*	23.6%
Adjusted* gross profit	**567.1**	**568.5**	**(0.2)%**
Gross profit %	*36.4%*	*37.0%*	
Adjusted* operating profit	**103.9**	**116.3**	**(10.7)%**
Adj operating profit %	*6.7%*	*7.6%*	
Adjusted* profit before tax	**75.4**	**85.0**	**(11.3)%**
Adjusted* basic earnings per share	**23.8p**	**27.2p**	**(12.5)%**
Statutory gross profit	**570.5**	**568.5**	**0.4%**
Gross profit %	*36.5%*	*37.0%*	
Statutory operating profit	**67.1**	**96.7**	**(30.6)%**
Operating profit %	*4.3%*	*6.3%*	
Statutory profit before tax	***40.3***	***65.4***	**(38.4)%**
Basic earnings per share	**12.6p**	**23.3p**	**(45.9)%**
Full Year Dividend	**10.9p**	**10.9p**	n/c

**Adjusted measures represent results on an IFRS basis and exclude adjusting items which comprise significant restructurings, significant write downs or impairments of current and non-current assets, the costs of demerging and listing the business, the associated costs of separating the business from the Travis Perkins Group's IT systems, the impact of unrealised fair value movements on derivatives through the profit and loss statement, VAT reclaim and the effect of changes in corporation tax rates on deferred tax balances. These measures have been explained, reconciled and calculated in note 5. Adjusted revenue excludes the £3.4m VAT reclaim.*

Investor & Analyst meeting

A webcast for investors and analysts will be available today at 8.30am (UK time), followed by a live Q&A with the Wickes management team. The webcast can be accessed at: Wickes - Preliminary Results (brrmedia.co.uk)

A recording of the webcast will be available on the Wickes Group plc website later today: https://wickesplc.co.uk

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About Wickes

Wickes is a digitally-led, service-enabled home improvement retailer, delivering choice, convenience, value and best-in-class service to customers across the United Kingdom making it well placed to outperform its growing markets. In response to gradual structural shifts in its markets over recent years, Wickes has a balanced business focusing on three key customer journeys - Local Trade, DIY (together "Core") and Do-it-for-me ("DIFM").

Wickes operates from its network of 230 right-sized stores, which support nationwide fulfilment from convenient locations throughout the United Kingdom, and through its digital channels including its website, TradePro mobile app for trade members, and Wickes DIY app. These digital channels allow customers to research and order an extended range of Wickes products and services, arrange virtual and in-person design consultations, and organise convenient home delivery or click-and-collect.

Forward looking statements

This announcement may include statements that are, or may be deemed to be, forward-looking statements. By their nature forward-looking statements involve opportunity, risk and uncertainty since they relate to future events and circumstances, and actual results may differ materially. Any forward-looking statements in this announcement reflect management's view with respect to future events as at the date of this announcement.

Business review

Wickes achieved record sales in 2022, benefitting from its market-leading value proposition and underpinned by its uniquely balanced business model. Despite lower market volumes we maintained our long track record of achieving market share gains in our Core business, with the acceleration in the growth rate of our TradePro customer base a particular feature. DIFM ordered sales recovered as the year progressed; delivered sales benefited from the unwind of the order book and came close to matching the level in 2019 on a like-for-like basis.

Market

2022 proved to be a challenging year for the market, driven by well-documented challenges facing the consumer. The need to combat rising inflation has seen UK and global interest rates rise, and, as a result, house price inflation and transaction volumes are now starting to moderate.

Despite this softer economic environment, which we expect to continue in 2023, UK home improvement remains a large and attractive market. The structural drivers remain intact, which will continue to support market growth over the medium term. These include behavioural changes brought about by the pandemic, the need to improve energy efficiency to reduce heating costs and emissions, and the age and composition of the UK housing stock. Importantly, at the same time it is worth noting that most homeowners either remain in work, choose not to be, or are retired. Our exposure to new build, which may be more cyclical, is very limited.

We continue to believe that behavioural changes post Covid remain supportive. Many businesses have retained hybrid working practices, increasing time spent at home, fuelling further desire for homeowners and tenants to invest in their properties. While some DIY activities were brought forward into the early phases of the pandemic, some larger projects - involving our Local Trade and DIFM segments - may have been deferred. The growth of our TradePro customer base showed continued momentum and accelerated in 2022, reflecting strong order books across the trade and the increasing importance of value for money in an inflationary environment.

More recently, the sharp rise in energy prices has seen increased focus on the energy efficiency of UK housing. Wickes is well-placed to help with the drive for energy efficiency through the products and services we sell, such as insulation, lighting and smart meters, and through the advice we offer.

In 2022 we launched our interactive Sustainable House Guide, highlighting the measures that can be taken in each room of the house (or garden), with a click through to the relevant products. This complements our online Energy Saving advice guide, and our work with the Energy Saving Trust (EST) to verify the financial benefits from each product.

The UK also has the oldest housing stock in northern Europe, with an average age of 65 years. One third were built before 1945. This is supportive in itself for structural growth in the RMI (Repair, Maintenance and Improvement) market, but ongoing government measures taken to improve energy efficiency are likely to require a multi-year investment in the UK housing stock. For example, it is estimated that around half of UK housing requires some form of investment to meet an EPC rating of C or better. Under current proposals, all UK homes will need to achieve this by 2030, and rental properties by 2025. Add in an element of likely population growth, and a trend towards more single person dwellings, and the outlook for the home improvement market remains bright.

The homeowning demographic into which our Local Trade and DIFM end propositions face also leave us well placed to continue to take share, as do our credentials for value, quality and convenience. Although as yet we have seen little sign of trading down or rising own label participation, our surveys tell us that customers are becoming more discerning on price and are shopping around more. We believe that our value credentials, the strength of the Wickes brand, our simple and clear pricing policy, alongside our 10% flat rate discount to all TradePro members, stand us in good stead if market conditions become more challenging.

Operational progress

We are pleased to have made strong operational progress since demerger, reflected in continued growth in Core market share and a strong recovery in delivered DIFM sales.

During the year, we demonstrated the flexibility of Wickes' operating model, including a number of actions undertaken to respond to more challenging market conditions, and to drive further efficiencies within the business to offset increases in our cost base. Our balanced model gives us the agility to respond to changes in customer demand, leading to efficiencies across both store and distribution centre fulfilment costs.

We have continued to invest in the customer proposition. We refitted another 12 stores in 2022, showcasing our full offer of kitchens and bathrooms, and taking the number in the new format to 162. We continue to see strong returns and sales uplifts in our refitted stores.

Our store refresh programme also continues, with particular focus on the efficiency of multi-channel order pick and despatch, which drives selling densities and underpins our 30-minute click & collect promise. We have added Klarna to our online payment options, and continue to have a very competitive APR of 4.9% in our DIFM business despite rising base rates. All these initiatives are reflected in our customer satisfaction metrics, which have risen in all areas of the business (in-store, click & collect and home delivery).

LFL sales across the Group were up 3.5% despite very tough comparatives in our Core business. Core LFL revenue declined by 2.0%, with the second half stronger as comparatives eased and as sales of energy-saving products helped our DIY category towards the end of the year. During the year we continued to prioritise our price leadership by working closely with our suppliers. We remained committed to managing supply chain inflation responsibly and our selling price inflation has been significantly less than our cost price inflation.

The estimated level of selling price inflation for the full year was 13% (first half 15%, second half 10%), driven mainly by categories such as timber and cement. Inflationary pressures eased in the second half, with the timber price declining year on year, and we would expect this trend to continue into 2023.

Despite the well documented industry shortages in certain categories in the first half, our strong supplier relationships, curated range and operational agility served us well to continue to provide customers with the products they need. Together with our price leadership and own brand credentials, we believe our strong focus on availability helped to drive increased revenues and awareness of Wickes, as reflected in our Core market share gains and the strong performance of TradePro, where both membership and sales increased by almost 20%.

We entered FY 2022 with an elevated pipeline of DIFM orders due to the impact of Covid on the ability of our installation teams to deliver projects in the final quarter of 2021. Despite moderately lower orders over the course of the year, the successful work through of the order book resulted in LFL delivered sales increasing by 26.1%. Although there was some disruption in the first half relating to Covid and the supply of appliances, these issues faded as the year progressed.

There was another strong performance in bathrooms, where new ranges in sanitaryware and accessories, and a wider range of pricing options, have helped to broaden our appeal. Refitted stores also continue to perform strongly in DIFM due to the welcoming nature of new showroom displays.

We noted in our July trading update that DIFM orders had slowed in early summer, as customers were taking longer to commit to big ticket purchases. However, the pace of order decline moderated into Q4, and in the first 11 weeks of 2023 ordered sales are in line with the same period last year.

At the end of 2022, the order book was below the prior year, although still ahead of pre-Covid levels. Given improvements in product availability and labour scheduling, we would expect the order book to return to more normal levels by the end of 2023. This will result in delivered sales being above ordered sales for the year, although this is expected to stabilise in 2024 and beyond.

Winning for Trade

Our TradePro membership scheme showed increasing momentum in the period. We enrolled 112,000 customers in the year, taking its total membership to 746,000 as we continued to grow the awareness and appeal of the scheme through its compelling proposition. Our local trade customers indicate that they are increasingly conscious of rising material costs and are switching to Wickes for its strong value credentials and simple discount scheme. We also believe the recent addition of 30 minute click-and-collect to our offering has increased the attraction of the scheme during a period where tradespeople are finding ways to most efficiently use their time whilst balancing full order books.

We are encouraged that the TradePro members joining the platform during the year have adopted characteristics in line with previous cohorts using the platform. Sales from TradePro customers in the year increased by 19% compared to 2021. Our TradePro customers continue to represent strong strategic value to Wickes in terms of average order value and frequency of visit, and we have plans to evolve our offering in 2023 to drive further loyalty and engagement.

To this end, we are encouraged that the results of our February Mood of the Nation survey showed that 45% of tradespeople have a pipeline of work for over three months. Although this is moderately down on the prior year, it remains healthy by historical standards.

Accelerating DIFM

Developing our digital expertise and continuous innovation of our product range continues to be a key focus within DIFM. During the year we completed the major refresh of our kitchen ranges initiated in Autumn 2021, introducing a number of new ranges and trending colourways during the period.

Following the introduction of a completely new bathroom range during the second half of 2021, we continued to introduce new products to our showroom displays. We have also further improved our end-to-end bathroom service by driving greater engagement with our design consultants, supported by focused recruitment of installers with bathroom capabilities. Across kitchens and bathrooms our installer network continues to grow and now stands at 3,000 teams of independent contractors (March 2021: 2,600), enabling Wickes to continue to offer market-leading lead times whilst retaining a flexible approach to capacity.

We continue to see encouraging attachment rates of tiling, flooring and joinery sales to kitchen and bathroom projects, confirming the opportunity to increase overall project spend within the home.

DIY Category Wins

As communicated in our July trading update, following the Jubilee weekend in June, we experienced signs of the DIY market softening from the very high levels of demand experienced during the pandemic. DIY sales continued to underperform Local Trade for most of the second half, although towards the end of the fourth quarter DIY sales started to recover with strong growth in sales of energy-related products such as insulation, smart meters, lighting and draught excluders.

We have made it easier for customers to access these products with the launch of our Sustainable House Guide on our website, with advice on sustainable living and energy reduction for all rooms in the house with a click to purchase option for the most important products.

In line with our strategy to capture share in underweight categories, we have grown market share in key segments such as garden and décor following recent range reviews. This has included the roll out of our new Crown colour emulsion paint range to support greater customer choice across different price points. The continued growth of our extended online range continues to support range depth whilst our curated range in store lends itself to high stock turn and limited exposure to highly seasonal lines and markdown activity across the wider sector.

Within our ready-to-fit kitchen offer, we have launched six new ranges as part of a rebranding of this offer to Wickes Lifestyle Kitchens. This range is now offered with an online design option, which enables us to provide an excellent design service for projects with lower price points than our showroom ranges, thus allowing us to operate over a broader section of the market.

Digital developments

Despite the unwinding of Covid influences we have continued to grow the proportion of our digitally-enabled sales on a year-on-year basis. We completed a number of enhancements to our digital capabilities in the year, including greater use of push messaging, personalisation and targeted campaigns across our digital channels. Underpinned by our predictive Missions Motivation Engine, which is generating identifiable incremental sales, we have also stepped up the digital experience for our trade customers, increasing the levels of engagement throughout the project journey. Increased use of social campaigns and display marketing has also grown the awareness of the TradePro mobile app.

We launched our Wickes eBay store during the year with 4,000 lines, extending our customer reach to a younger audience. We are currently looking at opportunities with marketplace platforms, including eBay, to extend our range accessibility to a wider audience of home improvers. We also now offer Klarna as an online payment solution.

Our digital marketing campaigns have been recognised across the industry with Wickes receiving a number of prestigious awards. At the recent Marketing Week Awards Wickes claimed the coveted Grand Prix award, a large part of which was based on the success of the Mission Motivation Engine. Wickes also received the awards for Retail and Ecommerce and Best Use of Segmentation, making it the most decorated brand at the 2022 awards.

Growing our estate of new format stores

12 store refits were completed during the year, including the downsize and refit of our Maidstone store. In addition to a new format showroom, our refitted stores also benefit from an improved order fulfilment layout which increases our home delivery capacity.

Despite the impact of heightened build costs during the year, store investments continue to deliver sales uplifts of 25% and ROCE of over 25%. Sales increases by category are very consistent, with over 50% uplift in DIFM sales and around 10% in Core. We will continue our refit programme in 2023, where possible tied to lease renewals.

Our property team is continuing to review and stress test a number of white space catchments and we remain confident on the opportunity to expand into 20 new locations over the next five years. Our first new store for some time opened in Bolton in October, and further openings are planned in 2023.

IT separation

Following initial mobilisation during the previous financial year, 2022 saw good progress with the transition of technology and processes from our previous parent Travis Perkins plc. The second half of the year saw new Finance and HR systems go live, plus a successful migration of our office collaboration platform. We remain focused on delivery of the separation of the IT infrastructure in 2023 as planned. All aspects of the programme continue to be overseen by the Wickes Executive and PLC Boards who monitor delivery and any operational risk arising.

Responsible Business Strategy update

In 2022, we launched our new Responsible Business Strategy, Built to Last and this has been a year of strategy development, target setting and action planning, with significant progress made across all three pillars of the strategy.

People

Inclusion and Diversity remains central to our people strategy. Our 'Feel at Home' Inclusion & Diversity programme continues to go from strength to strength and receive national recognition and awards. We were recently recognised as the no.1 retailer in Stonewall's Top 100 UK Employers List 2023, ranking no. 11 in the overall list of public, private and third sector employers. We have also been included again within the Financial Times Diversity Leaders report, ranking as a top five retailer.

As our charity partnership comes to an end in March 2023 we're proud to have achieved our £2 million fundraising goal for YoungMinds, thanks to the generosity of our customers, suppliers and colleagues who have been so committed to supporting young people's mental health. In the year we have rolled out the Wickes Community programme to all stores, and to date over 200 stores have supported 800 projects in their local communities.

Environment

We have worked hard over the last year to embed climate change and sustainability across the business. For our first-ever CDP (Carbon Disclosure Project) Climate submission we were pleased to achieve a rating of B-, placing us in the 'Management' category. We also submitted a basic response for the Timber category survey ahead of our full response next year.

Towards the end of last year we launched our near-term Science Based Targets, which are: to reduce absolute scope 1 and 2 emissions by 42% by 2030 (from a 2021 base year); for 45% of our suppliers by emissions covering purchased goods and services to have science-based targets by 2027; and to reduce scope 3 Greenhouse Gas (GHG) emissions from the use of sold products by 42% by 2030 (from a 2021 base year).

Homes

In line with our purpose to make the nation feel house proud, we want to help customers feel proud of their homes for saving energy and protecting the environment. To that end, we are focused on providing customers with a broad range of sustainable and energy efficient products and services to achieve long term decarbonisation targets and short term relief on the cost of living. In FY2022 we introduced our 'Energy Saving Advice' pages on our customer website, in conjunction with the Energy Saving Trust, supported by our interactive Sustainable House Guide. During the year we undertook a comprehensive programme to taxonomise and label our products into a new set of categories in order to understand the environmental performance of those products and assess any gaps in our ranges to support energy efficiency.

Financial review

We are pleased to report another period of sales growth and market share gains in Core (source: GfK). This builds on our long term track record of growth, which reflects the effective business model and the investments we have made in our digital and service propositions. LFL sales for FY2022 were ahead by 3.5%, with a strong finish to the year in DIFM delivered sales, and, within Core, strong Local Trade sales over the year. Adjusted operating profit declined moderately from the record high of 2021, with a lower adjusted gross margin as a result of inflation and mix factors, plus higher P&L investment costs in areas such as distribution, refits and IT.

Adjusted profit before tax also declined, despite reduced interest costs which were primarily a result of lower leasehold debt. Note that from FY2022 onwards we will be excluding unrealised gains and losses from forward currency contracts from adjusted profit before tax, as these can potentially be material, are non-cash and do not reflect underlying business performance.

Statutory profit before tax also declined, reflecting the reduction in adjusted profit before tax, a full year of IT separation costs, and a right-of-use asset impairment charge. The business was broadly cash neutral in the year, other than the expenditure on IT separation.

Adjusted revenue

Adjusted revenue for the 52 weeks to 31 December 2022 was £1,559.0m, an increase of 1.6% on the prior year. In FY2021, the 53rd week added £24.5m of sales, so revenue growth on a 52 week basis was 3.2%. With a small net reduction in floorspace (closure of two stores and a Kitchen and Bathroom standalone unit, and the opening of a new store at Bolton), full year LFL sales growth was 3.5%.

Core revenue, encompassing Local Trade and DIY segments, declined by 3.8% to £1,187.9m, down 2.2% on a 52 week basis. LFL sales declined by 2.0%, although this improved over the course of the year. This was partly as a result of weaker one-year sales comparatives as Covid comparatives eased, but also from some stabilisation in DIY sales, which had softened from June onwards as a result of the cost of living crisis. Stronger sales of energy-saving products were a notable feature here. There was also some impact from very hot weather in late summer, which may have shifted some activity from Q3 into Q4.

On a three-year basis, Core LFL sales growth was 33.0%, driven by growth in Trade sales as our TradePro business goes from strength to strength. Looking ahead, the three-year comparatives become less meaningful as the base year will include the first Covid lockdown, so this measure will no longer be provided.

Core sales performance was strongest in a number of areas which have seen specific range reviews and product development, such as garden, decorative and SNAF (screws, nails and fittings). The building category also performed well. Other categories, such as outdoor decking, were affected by a strong Covid-related performance in 2021.

Selling price inflation for the full year was 13%, moderating as the year progressed. In the first half, inflation was 15% (H1 2021 3%), as we experienced the full impact of Covid recovery and the war in Ukraine. Inflation then moderated in the second half to 10% (H2 2021 11%) as we started to see some price increases moderate and, in some categories reverse (e.g.timber). We would expect a lower level of inflation overall in 2023, although some price inflation remains in energy-intensive categories such as cement.

Our trading strategy remains to be very competitive on price (even before the 10% TradePro discount), and in 2022 our selling price inflation was significantly less than cost price inflation. Historically this strategy has helped to drive market share gains.

This unprecedented level of price inflation had several implications. Firstly, industry volumes came under pressure, as consumer spending could not grow in cash terms as fast as inflation. Our own volume performance, excluding mix effects, declined by 15% in 2022, although this improved sharply as the year progressed and in the fourth quarter was down by less than 5%.

Secondly, our customer surveys show an increasing focus on value for money and shopping around, especially using digital channels. Projects that have been priced to a budget may be at risk unless inflation can be managed out of raw materials inputs. TradePro gives the trade the opportunity to lower the cost of their materials, and we believe this is one reason why our TradePro customer growth has accelerated in 2022. As yet, however, we have not seen a marked increase in the proportion of Wickes branded products within the mix, although we are well placed to benefit if this does materialise. Finally, as outlined below, inflation affects both gross margin and cost ratio measures.

DIFM delivered sales were £371.1m, an increase of 23.6%, as we successfully worked through the elevated order book. LFL sales increased by 26.1%. The performance was particularly strong in the fourth quarter, where we benefited from reaching our target of 3,000 installer teams (March 2022 2,600), as well as some impact in the prior year from Omicron. On a three-year basis, delivered sales were close to the level reported in 2019, with LFL sales down 1.3% versus this pre Covid period.

DIFM orders in value terms were slightly down year-on-year, although the trend improved over the course of the second half. Orders have been particularly strong in new designs, both in kitchens and bathrooms, and the attachment rate (flooring, tiling, doors) continues to rise. Our credit offer, currently at 4.9% APR, remains very attractive. Cancellations remain at low levels.

At the end of 2022, the order book was below December 2021, but still higher than 2019. With our installer base now at the optimum level, we see the order book returning to more normal levels by the end of 2023, which will provide some benefit to delivered sales in the current year.

Taken together, our growth levers have contributed to a 27% improvement in sales per square foot since FY2019. For FY2022, this metric improved from £238 to £247.

Adjusted gross profit

Adjusted gross profit for the full year was £567.1m, in line with the prior year. Adjusted gross profit margin declined 70bp for the full year (H1 2022 -70bp) as a result of mix effects in Core and selling price inflation below cost price inflation. Mix effects included the consistent growth of TradePro (lower percentage margin in trade products, plus the 10% TradePro discount), and, in the second half, the softening of DIY sales.

Mix effects between Core and DIFM had a limited impact on gross margin. Inclusive of installation revenue, DIFM overall gross margin percentage is similar to that within Core.

Distribution costs, taken within gross profit, were flat as a percentage of sales. Despite inflation in related cost areas, some of these costs are volume, not value linked, allowing some improvement in ratios. The proportion of in-store sales also increased, with online sales falling back slightly as trading patterns normalised post pandemic.

Adjusted operating profit

Adjusted operating profit was £103.9m, down 10.7% on the £116.3m reported in FY2021. Incremental profit from the strong recovery in DIFM sales was more than offset by a lower contribution from Core as a result of lower LFL sales and the reduction in adjusted gross profit margin percentage. The impact of cost inflation and investment in growth initiatives were also not fully offset by cost savings of over £20m.

The adjusted operating profit margin was 6.7%, down from 7.6% last year. The majority of the reduction was driven by the decline in the adjusted gross margin, as noted above.

The cost to sales ratio[4] deteriorated by 20bps. Selling costs were broadly flat, with cost inflation offset by lower transaction numbers and elimination of the final portion of Covid costs. Adjusted administration costs were up moderately, with increases in IT, Support Centre salaries, and annualisation of PLC costs more than offsetting a lower bonus pool.

[4] *cost to sales ratio is the total of Selling costs and Administrative expenses as a proportion of Revenue*

Net finance costs

Adjusted net finance costs were £28.5m, down from £31.3m last year. There was a £2m reduction in IFRS16 lease interest as a result of a lower average lease term, and a £1.8m increase in interest receivable as a result of higher rates on cash deposits. 2021 net finance costs included an unrealised gain of £0.7m on forward currency contracts. The corresponding figure for 2022 was £1.7m, but this, and any unrealised gains and losses in future years, will be taken as adjusting items as explained above. 2021 results have not been restated as the impact was immaterial.

Adjusted profit before tax

After finance costs adjusted profit before tax for the full year was £75.4m, a decline of 11.3% on the £85.0m reported in 2021. Excluding unrealised foreign exchange gains in both years, the decline would have been 10.6%.

Adjusting items

Adjusting items within revenue represent the £3.4m VAT reclaim. Statutory revenue in FY 2022 was £1,562.4m, compared with adjusted revenue of £1,559.0m.

Pre-tax adjusting item charges for full year 2022 were £35.1m (FY2021 £19.6m). IT separation costs were in line with expectations at £24.4m, and there was a non-cash impairment charge of £15.8m. These were partially offset by the unrealised foreign exchange gain of £1.7m referred to above, a reclaim of VAT overpaid in previous years of £3.4m and a tax credit of £6.8m.

Profit before tax

Profit before tax in full year 2022 was £40.3m, compared with £65.4m in the prior year. The decline reflects the reduction in adjusted profit before tax and higher adjusting items.

Tax

Tax for the period is charged on profit before tax, based on the forecast effective tax rate for the full financial year. The underlying effective tax rate (before adjusting items) for the 52 weeks ended 31 December 2022 is 20.1% (53 weeks ending 1 January 2022 19.4%). In FY2021 the underlying effective tax rate was lower primarily reflecting a significant deferred tax credit (£6.7m) arising from changes to the UK corporation tax effective from 1 April 2023 from 19% to 25%.

Tax on adjusting items in full year 2022 was £6.8m (FY 2021 £9.9m).

Capital expenditure

Capital expenditure in FY2022 totalled £40.4m, slightly below our expectations at the start of the year but ahead of the £26.5m in 2021.

The main components were £24.7m investment in the store estate (2021 £13.0m), of which refits were £16.2m, the new store in Bolton £1.4m and other store capex across the estate of £7.1m. Separately, there was a £6.1m investment in one freehold at Braintree. There was £9.3m investment in our digital IT capability (2021 £6.1m), as we continue to develop our multi-channel offer.

We expect FY2023 capital expenditure once again to be £40-45m. Although we are not expecting to acquire further freeholds in FY2023, IT capital expenditure will step up further during the year as we continue to enhance our customer experience and operating systems.

Cash / net debt

Net cash as at 31 December 2022 was £99.5m, down from £123.4m in the prior year. Operating profit was broadly equal to the capex investment, working capital movement and dividend outflows, and the net movement in cash overall was therefore driven by the £24.4m of IT separation costs. As expected, net cash has also moderated from the £166.5m reported at the half year stage, as the latter is a seasonally high figure benefitting from the sell through of seasonal stock, the build up of deferred income from the DIFM Winter Sale, and is also struck before payment of the second half dividend.

The inventory position of £201.6m compared with £188.2m in the prior year. The increase resulted from the impact of product inflation, which more than offset the reduction in stock volumes. Despite lower Core sales and the stock rebuild at the end of 2021, which has seen an improvement in availability, stock turn remained healthy at 4.5x.

IFRS 16 net debt reduced to £591.8m (FY2021 £618.7m), driven by a fall in lease liabilities to £691.3m (FY2021 £742.1m) due to the low level of lease renewals during the period, partly offset by the lower cash balance.

On a last twelve month basis, IFRS 16 leverage was 2.90x compared with our target of being consistently below 2.75x.

Dividend

The Board has declared a final dividend of 7.3p per share, in line with prior guidance, which will be paid on 7 June 2023 to shareholders on the register at the close of business on 21 April 2023. This will bring the full year dividend for FY2022 to 10.9p.The proposed final dividend is subject to the approval of shareholders at this year's Annual General Meeting.

The shares will be quoted ex-dividend on 20 April 2023. Shareholders in the UK may elect to reinvest their dividend in the Dividend Reinvestment Plan (DRIP). The last date for receipt of DRIP elections and revocations will be 16 May 2023.

Capital allocation policy

The company plans to announce a revised capital allocation policy at the time of its Q2 trading update in July.

Updated technical guidance

The following represents full year guidance for FY2023:

- Full year interest charge of c£26m;
- Full year adjusted tax rate 24-25%;
- Capex of around £40-45m;
- IT separation costs expected to be c£5m (within adjusting items).

Appendix

2022	1 Year Like for Like Sales Growth %			3 Year Like for Like Sales Growth %		
	Core	DIFM	Total	Core	DIFM	Total
Quarter 1 (13 weeks to 2 Apr)	(11.0)%	28.4%	(4.0)%	34.8%	(7.9)%	20.6%
Quarter 2 (13 weeks to 2 July)	(0.2)%	30.9%	5.4%	38.2%	(5.1)%	26.2%
Quarter 3 (13 weeks to 1 Oct)	0.0%	12.2%	2.6%	27.3%	(1.7)%	19.2%
Quarter 4 (13 weeks to 31 Dec)	5.2%	34.9%	11.5%	32.4%	11.7%	25.9%
Full year (52 weeks to 31 Dec)	(2.0)%	26.1%	3.5%	33.0%	(1.3)%	22.8%

Note: DIFM represents delivered sales

Adjusted EBITDA

Adjusted EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation and before adjusting items. Adjusting items are defined as those items of income and expenditure that are material in size or unusual in nature or incidence, and in the current year such items relate to separation and demerger costs and certain store impairments, as set out in more detail in note 5. Removal of such adjusting items allows the reader to understand the impact of these non-recurring items separately from the performance of the underlying business.

Adjusted EBITDA is calculated as follows:	**2022**	**2021**
Adjusted operating profit	103.9	116.3
Add back depreciation of property, plant and equipment	20.1	19.1
Add back depreciation of right of use assets	77.7	78.1
Add back amortisation	5.2	5.2
Adjusted EBITDA	**206.9**	**218.7**
Net debt / adjusted EBITDA	***2.9x***	***2.8x***

Consolidated income statement and other comprehensive income

		52 weeks ended 31 December 2022			53 weeks ended 1 January 2022		
(£m)	Notes	**Adjusted**	**Adjusting items (note 5)**	**Total**	Adjusted	Adjusting items (note 5)	Total
Revenue	3	**1,559.0**	**3.4**	**1,562.4**	1,534.9	—	1,534.9
Cost of sales		**(991.9)**	**–**	**(991.9)**	(966.4)	—	(966.4)
Gross profit		**567.1**	**3.4**	**570.5**	568.5	—	568.5
Selling costs (*)		**(332.1)**	**(15.8)**	**(347.9)**	(334.9)	(0.1)	(335.0)
Administrative expenses		**(131.1)**	**(24.4)**	**(155.5)**	(117.3)	(19.5)	(136.8)
Operating profit		**103.9**	**(36.8)**	**67.1**	116.3	(19.6)	96.7
Net finance costs	4	**(28.5)**	**1.7**	**(26.8)**	(31.3)	—	(31.3)
Profit before tax		**75.4**	**(35.1)**	**40.3**	85.0	(19.6)	65.4
Tax	6	**(15.2)**	**6.8**	**(8.4)**	(16.5)	9.9	(6.6)
Profit for the period and total comprehensive income		**60.2**	**(28.3)**	**31.9**	68.5	(9.7)	58.8
Profit for the period attributable to owners of the parent company		**60.2**	**(28.3)**	**31.9**	68.5	(9.7)	58.8
Earnings per share							
Basic	7			**12.6p**			23.3p
Diluted	7			**12.5p**			23.3p
Adjusted earnings per share							
Basic	7			**23.8p**			27.2p
Diluted	7			**23.7p**			27.1p

* Impairment charges in 2022 have been presented within Selling Costs. Impairment charges recorded in 2021 were originally presented within administrative expenses but have now been reclassified accordingly

Consolidated balance sheet

(£m)	As at 31 December 2022	As at 1 January 2022 (Restated*)
Assets		
Non-current assets		
Goodwill	**8.4**	8.4
Other intangible assets	**16.6**	12.5
Property, plant and equipment	**114.9**	105.0
Right-of-use assets	**542.4**	604.6
Deferred tax asset	**22.7**	30.1
Total non-current assets	**705.0**	760.6
Current assets		
Inventories	**201.6**	188.2
Trade and other receivables	**87.4**	77.5
Corporation tax	**8.4**	6.5
Derivative financial instruments	**2.6**	0.7
Cash and cash equivalents	**99.5**	123.4
Total current assets	**399.5**	396.3
Total assets	**1,104.5**	1,156.9
Equity and Liabilities		
Capital and reserves		
Issued share capital	**26.0**	26.0
EBT share reserve	**(0.7)**	(0.8)
Other reserve	**(785.7)**	(785.7)
Retained earnings	**924.8**	921.3
Total equity	**164.4**	160.8
Non-current liabilities		
Lease liabilities	**610.4**	660.7
Long-term provisions	**1.8**	1.2
Total non-current liabilities	**612.2**	661.9
Current liabilities		
Lease liabilities	**80.9**	81.4
Trade and other payables	**237.7**	241.8
Derivative financial instruments	**0.2**	-
Short-term provisions	**9.1**	11.0
Total current liabilities	**327.9**	334.2
Total liabilities	**940.1**	996.1
Total equity and liabilities	**1,104.5**	1,156.9

* For the year ended 1 January 2022, the tax receivable of £6.5m was disclosed within current trade and other receivables. In accordance with paragraph 54(n) of IAS 1, 'Presentation of Financial Statements', the tax receivable should have been presented separately on the face of the consolidated balance sheet. The consolidated balance sheet for the year ended 1 January 2022 has been restated to separately present the tax receivable. This adjustment has no impact on the prior year reported profit or net assets

The consolidated financial statements of Wickes Group Plc, registered number 12189061, were approved by the Board of Directors on 22 March 2023 and signed on its behalf by:

David Wood - Chief Executive Officer **Mark George - Chief Financial Officer**

Consolidated statement of changes in equity

(£m)	Notes	Issued share capital	EBT Share reserves	Other reserves	Retained earnings	Total equity
At 26 December 2020		25.2	–	(785.7)	890.3	129.8
Profit for the period and other comprehensive income		–	–	–	58.8	58.8
Issue of share capital		0.8	(0.8)	–	–	–
IFRS 16 adoption adjustments		–	–	–	3.1	3.1
Dividends paid	9	–	–	–	(35.3)	(35.3)
Equity-settled share-based payments		–	–	–	3.8	3.8
Tax on equity-settled share-based payments		–	–	–	0.6	0.6
At 1 January 2022		26.0	(0.8)	(785.7)	921.3	160.8
Profit for the period and other comprehensive income		**–**	**–**	**–**	**31.9**	**31.9**
Dividends paid	9	**–**	**–**	**–**	**(31.2)**	**(31.2)**
Equity-settled share-based payments		**–**	**0.1**	**–**	**4.3**	**4.4**
Tax on equity-settled share-based payments		**–**	**–**	**–**	**(1.5)**	**(1.5)**
At 31 December 2022		**26.0**	**(0.7)**	**(785.7)**	**924.8**	**164.4**

Consolidated cash flow statement

(£m)	52 weeks ended 31 December 2022	53 weeks ended 1 January 2022
Cash flows from operating activities		
Operating profit	**67.1**	96.7
Adjustments for:		
Amortisation of other intangible assets	**5.2**	5.2
Depreciation of property, plant and equipment	**20.1**	19.1
Depreciation of right-of-use assets	**77.7**	78.1
Impairment of property, plant and equipment	**0.4**	0.2
Impairment of right-of-use assets	**15.4**	5.1
Reversal of impairment of right-of-use assets	**–**	(1.0)
Gains on terminations of leases	**(1.8)**	(1.6)
Losses on disposal of property, plant and equipment	**0.6**	0.6
Foreign exchange	**–**	(2.0)
Share-based payments	**4.4**	3.8
Operating cash flows	**189.1**	204.2
Movements in working capital:		
(Increase) in inventories	**(13.4)**	(49.9)
(Increase) in trade and other receivables	**(9.9)**	(7.4)
(Decrease) in trade and other payables	**(4.1)**	(0.7)
(Decrease)/increase in provisions	**(1.3)**	1.8
Cash generated from operations	**160.4**	148.0
Interest paid	**(1.0)**	(0.7)
Interest on lease liabilities	**(29.4)**	(31.3)
Income taxes paid	**(4.3)**	(14.6)
Net cash inflow from operating activities	**125.7**	101.4
Cash flows from investing activities		
Purchases of property, plant and equipment	**(31.1)**	(20.4)
Development costs of computer software	**(9.3)**	(6.1)
Proceeds on disposal of property, plant and equipment	**0.4**	1.2
Interest received	**1.9**	0.1
Net repayments from Travis Perkins Plc	**–**	123.5
Net cash (outflow)/inflow from investing activities	**(38.1)**	98.3
Cash flows from financing activities		
Payment of lease liabilities	**(82.4)**	(77.8)
Lease incentives received	**2.1**	0.3
Dividends paid to equity holders of the Parent	**(31.2)**	(5.3)
Net cash outflow from financing activities	**(111.5)**	(82.8)
Net (decrease)/increase in cash and cash equivalents	**(23.9)**	116.9
Cash and cash equivalents at the beginning of the period	**123.4**	6.5
Cash and cash equivalents at the end of the period	**99.5**	123.4
Adjusting items		
Adjusting items paid included in the cash flow	**21.7**	17.9
Total pre-tax Adjusting items	**35.1**	19.6

Notes

1 General information and accounting policies

The Group’s principal accounting policies are set out in the Annual Report and Accounts, which is available from 23 March 2023 on the Company’s website www.wickes.co.uk

2 Statutory accounts

The financial information set out above does not constitute the company's statutory accounts for the financial years ended 31 December 2022 or 1 January 2022 but is derived from those accounts. Statutory accounts for 1 January 2022 have been delivered to the registrar of companies, and those for 31 December 2022 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Whilst the financial information included in this announcement has been computed in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 this announcement does not itself contain sufficient information to comply with international accounting standards.

3 Revenue

The Group has one operating segment in accordance with IFRS 8 ‘Operating Segments’, which is the retail of home improvement products and services, both in stores and online.

The Chief Operating Decision Maker is the Executive Board of Directors. Internal management reports are reviewed by them on a regular basis. Performance of the segment is assessed based on a number of financial and non-financial KPIs as well as on profit before taxation.

The Group identifies two distinct revenue streams within its operating segment which are analysed below.

Both revenue streams operate entirely in the United Kingdom. The Group’s revenue is driven by a large number of individual small value transactions and as a result, Group revenue is not reliant on a major customer or group of customers.

Adjusted Revenue (£m)	**52 weeks ended 31 December 2022**	53 weeks ended 1 January 2022
Core (product revenue)	**1,187.9**	1,234.7
“Do It For Me” (project revenue)	**371.1**	300.2
	1,559.0	1,534.9

Revenue reconciliation and like-for-like adjusted revenue (£m)	**52 weeks ended 31 December 2022**	53 weeks ended 1 January 2022
Adjusted revenue	**1,559.0**	1,534.9
Network change	**(1.0)**	(0.4)
Other movements (week 53)	**-**	(17.6)
Adjusted revenue (like-for-like basis)	**1,558.0**	1,516.9
Prior period revenue	**1,534.9**	1,346.9
Prior period network change	**(5.1)**	(4.8)
Prior period other movements	**(24.5)**	–
Prior period revenue (like-for-like basis)	**1,505.3**	1,342.1
Increase arising on a like-for-like basis	**52.7**	174.8
Like-for-like adjusted revenue (%)	**3.5%**	13.0%

Calculating like-for-like revenue enables management to monitor the performance trend of the business period-on-period. It also gives management a good indication of the health of the business compared to competitors.

Like-for-like revenue is a measure of sales performance for two successive periods. Stores contribute to like-for-like revenue once they have been trading for more than twelve months. Revenue included in like-for-like revenue is for the equivalent times in both periods being compared. When stores close, revenue is excluded from the prior period figures for the months equivalent to the post closure period in the current period. These movements are explained by the Network change amounts. The Network change number varies year on year as it represents a different number of stores.

Other movements (week 53) reflects that the period ended 1 January 2022 was a 53 week period, whereas the periods ended 31 December 2022 and 26 December 2020 were 52 week periods. The extra week is presented separately to enable direct comparison.

4 Net finance costs

Finance income and expense recognised within adjusted profit (£m)	**52 weeks ended 31 December 2022**	53 weeks ended 1 January 2022
Finance income		
Net unrealised gains on remeasurement of derivatives at fair value	**–**	0.7
Interest receivable	**1.9**	0.1
	1.9	0.8
Finance costs		
Interest on lease liabilities	**(29.4)**	(31.3)
Amortisation of loan arrangement fees	**(0.3)**	(0.1)
Commitment fee on revolving credit facilities	**(0.7)**	(0.6)
Other interest	**–**	(0.1)
	(30.4)	(32.1)
Net finance costs within adjusted profit	**(28.5)**	(31.3)
Adjusting items (£m)		
Finance income		
Net unrealised gains on remeasurement of derivatives at fair value	**1.7**	–
Net finance income within adjusting items	**1.7**	–
Total net finance costs	**(26.8)**	(31.3)

The net unrealised gains on remeasurement of foreign currency derivatives relate to the movement in the fair value of foreign currency forward contracts. No hedge accounting is applied and all movements in the fair value of derivatives are recognised in the income statement as net finance costs.

5 Adjusting items

Adjusting items are those items of income and expenditure that, by reference to the Group, are material in size or unusual in nature or incidence and that in the judgement of the Directors should be disclosed separately on the face of the financial statements to ensure both that the reader has a proper understanding of the Group's financial performance and that there is comparability of financial performance between periods.

Items of income or expense that are considered by the Directors for designation as adjusting items include, but are not limited to, significant restructurings, significant write downs or impairments of current and non-current assets, the costs of demerging and listing the business, the associated costs of separating the business from Travis Perkins Plc's IT systems, the effect of changes in corporation tax rates on deferred tax balances, net gains on remeasurement of derivatives at fair value, and in the current period a VAT reclaim relating to overpaid output VAT in prior periods.

(£m)	**52 weeks ended 31 December 2022**	53 weeks ended 1 January 2022
Adjusting items – operating		
Demerger related costs	**–**	5.3
Property, plant and equipment impairment charge	**0.4**	–
Right-of-use asset impairment charge	**15.4**	1.1
Reversal of impairment of right-of-use assets recognised in prior periods	**–**	(1.0)
IT separation project costs	**24.4**	14.2
Net unrealised gains on remeasurement of derivatives at fair value	**(1.7)**	–
Output VAT reclaim	**(3.4)**	–
Total pre-tax Adjusting items	**35.1**	19.6
Adjusting items – tax		
Tax on adjusting items	**(6.8)**	(3.2)
Adjusting items – deferred tax rate change	**–**	(6.7)
Total tax on Adjusting items	**(6.8)**	(9.9)
Total post-tax Adjusting items	**28.3**	9.7

Demerger related costs

Demerger related costs are the costs incurred during the process of demerging the Wickes business from Travis Perkins Plc. Costs predominantly relate to professional services fees.

Right-of-use asset and property, plant and equipment impairment charges and reversals

In the period ended 31 December 2022, 20 stores were identified as impaired with a resulting impairment charge of £15.4m to right of use assets and £0.4m to property, plant and equipment. Given the size of the total store impairment charge, and that fact a key contributory to the existence of the charge is the broader UK macro-economic events impacting many retail businesses, and not solely the underlying performance of the Group's individual stores, this impairment charge is included within adjusting items. Future revisions to these impairments will also be recognised within adjusting items.

In the period ended 1 January 2022, an impairment charge of £1.1m was recognised on stores that had been identified as impaired in previous periods with the impairment charge included in adjusting items. Additionally, £1.0m of previously identified impairment charge was reversed due to the improved performance of the store.

In a portfolio of stores there will be, from time to time, impairments rising on certain specific stores that do not arise from a broader macro economic condition but arise from underlying trading performance. Such impairments are therefore included within adjusted profit. In the current period, no impairment charges (53 weeks ended 1 January 2022: £4.0m) due to such impairments are included within adjusted profit.

IT separation project costs

IT separation project costs are the costs incurred to enable the Wickes Group to operate an IT environment independent of Travis Perkins Plc. These include the following; the cost of creating standalone versions of existing systems, the cost of transferring data from Travis Perkins Plc to standalone systems, the cost of upgrading legacy systems including moving to "software as a service solutions" and the costs of transitioning the IT and support function into the Wickes environment including the project management costs of all the above. Costs related to the maintenance and licencing of existing systems are included in Adjusted profit as these costs will continue after the separation project is concluded. Where costs meet the definition of an intangible asset they have been capitalised, and future amortisation will be included in Adjusted profit.

Net unrealised gains on remeasurement of derivatives at fair value

During the period, the high level of foreign exchange rate volatility created significant fluctuations in the gains and losses relating to derivatives at fair value. Recognising that these movements would have distorted the trading result due to factors outside of management's control, and that they may reverse in future periods, a decision was made to treat these unrealised gains and losses as adjusting on an ongoing basis.

An unrealised gain of £1.7m was recognised in relation to the remeasurement of derivatives at fair value through the profit and loss account. As such movements can be significant due to major currency fluctuations and the timing of the Group's purchases, it has been classified as an adjusting item, which was not the case in the prior year period. As the prior period movement was not considered material to the financial statements, the comparatives have not been represented.

Output VAT reclaim

A claim for output VAT overpaid during the period from Q3 2018 to Q4 2021 was lodged with HMRC in August 2022. The claim arose due to output VAT being paid in error on zero and reduced rate products. Given the claim related to the three years prior to the current year, the £3.4m credit has been reflected in adjusting items. There were no such claims in the 53 weeks ended 1 January 2022.

Deferred tax rate change

The tax charge includes an adjusting credit of £nil (53 weeks ended 1 January 2022: £6.7m) arising from the increase in the rate of UK corporation tax effective from 1 April 2023 from 19% to 25%. The legislation enacting this rate increase was substantively enacted on 24 May 2021.

6 Taxation

(£m)	**52 weeks ended 31 December 2022**	53 weeks ended 1 January 2022
Current tax		
UK corporation tax expense	**6.2**	12.4
UK corporation tax adjustment to prior periods	**(3.7)**	(0.1)
Total current tax charge	**2.5**	**12.3**
Deferred tax		
Deferred tax movement in period	**0.6**	0.7
Other	**0.2**	-
Effect of change in tax rate	**-**	(6.7)
Adjustments in respect of prior periods	**5.1**	0.3
Total deferred tax credit	**5.9**	**(5.7)**
Total tax charge	**8.4**	**6.6**

The differences between the total tax charge and the amount calculated by applying the standard rate of UK corporation tax of 19.0% (53 weeks ended 1 January 2021: 19.0%) to the profit before tax for the Group are as follows:

(£m)	**52 weeks ended 31 December 2022**	53 weeks ended 1 January 2022
Profit before taxation	**40.3**	65.4
Tax at the standard corporation tax rate	**7.7**	12.4
Effects of:		
Depreciation of non-qualifying property	**1.0**	0.9
Tax effect of non taxable income and non deductible expenses	**(0.3)**	0.4
Adjustment to prior period	**1.4**	0.2
Effect of share based payments	**(0.2)**	(0.2)
Change in tax rate	**-**	(6.7)
Other	**0.2**	-
Impact of superdeduction	**(1.4)**	(0.4)
Total tax charge	**8.4**	**6.6**

The tax charge includes an adjusting credit of £nil (53 weeks ended 1 January 2022: £6.7m) arising from the increase in the rate of UK corporation tax effective from 1 April 2023 from 19% to 25%. The legislation enacting this rate increase was substantively enacted on 24 May 2021.

The effective tax rate for the period is 20.8% (53 weeks ended 1 January 2022: 10.1%). The effective tax rate for the period was higher than the standard rate primarily due to enhanced capital allowance claims made in the 2021 submitted tax computations, which whilst reducing the current tax charge at 19%, resulted in a deferred tax charge at the future enacted rate of 25%. The effective tax rate for the 53 weeks ended 1 January 2022 was affected by the impact of the change in tax rate on the Group's deferred tax asset. These events and their tax effect do not provide a guide to the Group's future tax charge.

The underlying effective tax rate (before adjusting items) for the 52 weeks ended 31 December 2022 is 20.2% (53 weeks ended 1 January 2021: 19.4%). The underlying effective tax rate can be calculated directly from the income statement.

7 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the 52 week period ended 31 December 2022.

(£m)	**52 weeks ended 31 December 2022**	53 weeks ended 1 January 2022
Profit attributable to the owners of the Parent	**31.9**	58.8
(No.)		
Weighted average number of ordinary shares	**259,637,998**	256,163,656
Adjustment for weighted average number of shares held in EBT	**(6,941,807)**	(4,019,733)
Weighted average number of ordinary shares in issue	**252,696,191**	252,143,923
Basic earnings per share (in pence per share)	**12.6p**	23.3p

For dilutive earnings per share, the weighted average number of ordinary shares in issue is adjusted to include all dilutive potential ordinary shares arising from share options.

(£m)	**52 weeks ended 31 December 2022**	53 weeks ended 1 January 2022
Profit attributable to the owners of the Parent	**31.9**	58.8
(No.)		
Weighted average number of shares in issue	**252,696,191**	252,143,923
Diluted effect of share options on potential ordinary shares	**1,698,226**	259,182
Diluted weighted average number of ordinary shares in issue	**254,394,417**	252,403,105
Diluted earnings per share (in pence per share)	**12.5p**	23.3p

The Directors believe that EPS excluding Adjusting items (“Adjusted EPS”) reflects the underlying performance of the business before the impact of unusual or one off events and assists in providing the reader with a consistent view of the trading performance of the Group.

Reconciliation of profit after taxation to profit after taxation excluding Adjusting items (“Adjusted profit”):

(£m)	**52 weeks ended 31 December 2022**	53 weeks ended 1 January 2022
Profit attributable to the owners of the parent from continuing operations	**31.9**	58.8
Adjusting items before tax	**35.1**	19.6
Tax on adjusting items	**(6.8)**	(3.2)
Adjusting items – deferred tax	**–**	(6.7)
Adjusting items after tax (note 5)	**28.3**	9.7
Adjusted profit	**60.2**	68.5
Weighted average number of ordinary shares in issue	**252,696,191**	252,143,923
Weighted average number of dilutive ordinary shares in issue	**254,394,417**	252,403,105
Adjusted basic earnings per share (in pence per share)	**23.8p**	27.2p
Adjusted diluted earnings per share (in pence per share)	**23.7p**	27.1p

8 Movement in net debt

(£m)	Cash and cash equivalents	Lease liability	Total
At 26 December 2020	**6.5**	**(790.0)**	**(783.5)**
Cashflow			
Net repayments from Travis Perkins Plc	123.5	–	123.5
Decrease in cash and cash equivalents – other	(6.6)	–	(6.6)
Repayment of lease liabilities	–	109.1	109.1
Discount unwind on lease liability	–	(31.3)	(31.3)
Lease modifications	–	(32.5)	(32.5)
Lease additions	–	(3.0)	(3.0)
Lease incentives received	–	(0.3)	(0.3)
Lease terminations	–	5.9	5.9
At 1 January 2022	**123.4**	**(742.1)**	**(618.7)**
Cashflow			
Decrease in cash and cash equivalents – other	**(23.9)**	**–**	**(23.9)**
Repayment of lease liabilities	**–**	**111.8**	**111.8**
Discount unwind on lease liability	**–**	**(29.4)**	**(29.4)**
Lease additions	**–**	**(34.8)**	**(34.8)**
Lease modifications	**-**	**(8.2)**	**(8.2)**
Lease incentives received	**-**	**(2.1)**	**(2.1)**
Lease terminations	**–**	**13.5**	**13.5**
At 31 December 2022	**99.5**	**(691.3)**	**(591.8)**

Balances (£m)	**As at 31 December 2022**	As at 1 January 2022
Cash and cash equivalents	**99.5**	123.4
Current lease liabilities	**(80.9)**	(81.4)
Non-current lease liabilities	**(610.4)**	(660.7)
Net debt	**(591.8)**	(618.7)

During the 53 weeks ended 1 January 2022, the Group received a £123.5m cash settlement of certain intercompany balances owed by Travis Perkins Plc as part of the pre-Demerger Reorganisation. On settlement of these intercompany balances the Group derecognised an equivalent amount of the intercompany receivables due from Travis Perkins Plc.

9 Dividends

(£m)	As at 31 December 2022	As at 1 January 2022
Amounts recognised in the financial statements as distributions to equity shareholders are shown below:		
- final dividend for the 53 weeks ended 1 January 2022 of 8.8 pence (52 weeks ended 26 December 2020: nil pence)	**22.1**	–
- interim dividend for the 52 weeks ended 31 December 2022 of 3.6 pence (53 weeks ended 1 January 2022: 2.1 pence)	**9.1**	5.3
- pre demerger dividend paid to Travis Perkins Plc	**-**	30.0
Total dividend	**31.2**	35.3

In the period prior to demerger, a dividend payment of £30.0m was recognised in the financial statements as a distribution to the former sole shareholder, Travis Perkins Plc, in the 53 weeks ended 1 January 2022.

The dividend paid to Travis Perkins Plc was as a result of the reorganisation of the legal structure of the Wickes entities in preparation for the demerger. The dividend paid was in the form of an intercompany transfer, as a result no cash payment was made.

A final dividend of 7.3p is proposed in respect of the 52 weeks ending 31 December 2022. It will be paid on 7 June 2023 to shareholders on the register at the close of business on 21 April 2023 (the Record Date). The shares will be quoted ex-dividend on 20 April 2023.

Shareholders may elect to reinvest their dividend in the Dividend Reinvestment Plan (DRIP). The last date for receipt of DRIP elections and revocations will be 16 May 2023.