

The Wickes logo is a blue shield-shaped emblem with the word "Wickes" in white, bold, sans-serif font.

# Wickes

A collage of nine photographs showing various Wickes employees in different roles and settings. Top left: Two female staff members in blue uniforms, one wearing a headset, smiling. Top middle: A male staff member in a blue uniform sitting in a wheelchair, interacting with a customer. Top right: A male staff member in a blue uniform with a headset and a female staff member in a blue uniform with a high-visibility vest. Middle left: A male staff member in a blue uniform working on a shelf. Middle right: A male staff member in a blue uniform with a headset. Bottom left: A male staff member in a blue uniform operating a forklift. Bottom middle: A male staff member in a blue uniform using a power tool on a workbench. Bottom right: A group of four staff members in blue uniforms standing together outdoors. Far right: A female staff member in a blue uniform smiling.

## Digitally-led, Service-enabled, Home improvement business

Market update | 26 March 2021

*Strictly Private & Confidential*

# Today's agenda

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**Update on Wickes**  
**David Wood**

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**Operational learnings 2020**  
**Fraser Longden**

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# Update on Wickes

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David Wood

# A compelling investment case

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**Our purpose: to help the nation feel house proud**



Distinctive and hard  
to replicate customer-  
led proposition



Uniquely balanced  
business



Low cost and flexible  
operating model



Proven levers  
for sustainable  
growth



Strong cashflow  
funding investment and  
shareholder returns

**Underpinned by colleagues, a winning culture and growing responsibly**



# Business overview 2020

**£25bn**  
market

**1.9%**  
market CAGR<sup>(a)</sup>

**£1.35bn**  
revenue

**4.8%**  
revenue CAGR<sup>(a)</sup>

Core:	£1.1bn	18.8% LFL
DIFM:	£0.3bn	(27.8)% LFL

**~2/3**  
sales digitally-led









**~550k**  
TradePro members

**>26,000**  
installations

**~8000**  
colleagues

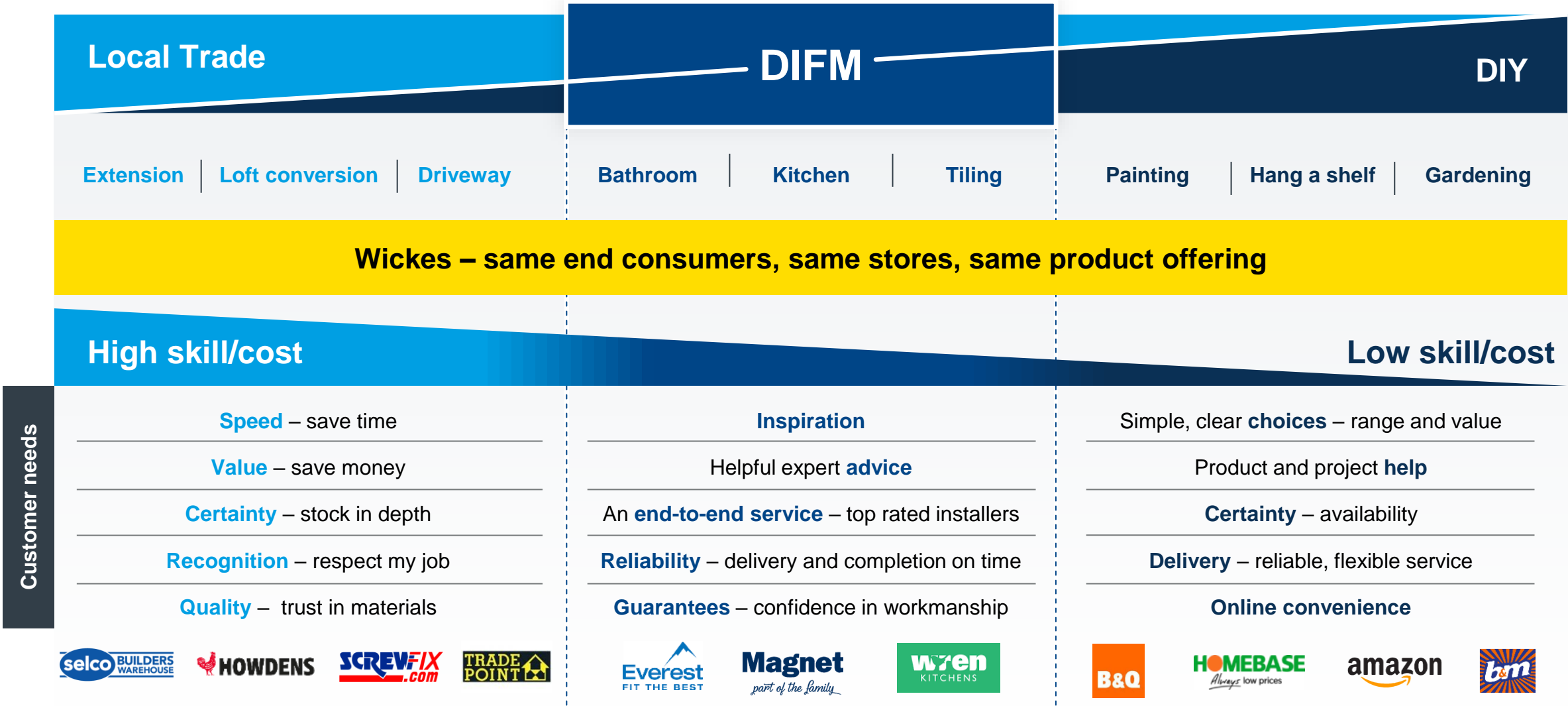
<sup>(a)</sup>7 years CAGR 2013-2020

# Consumer trends have compounded through 2020

Customer trend			
 Convenience / speed 	 Value / quality 	 Digital growth 	 Desire for better homes 

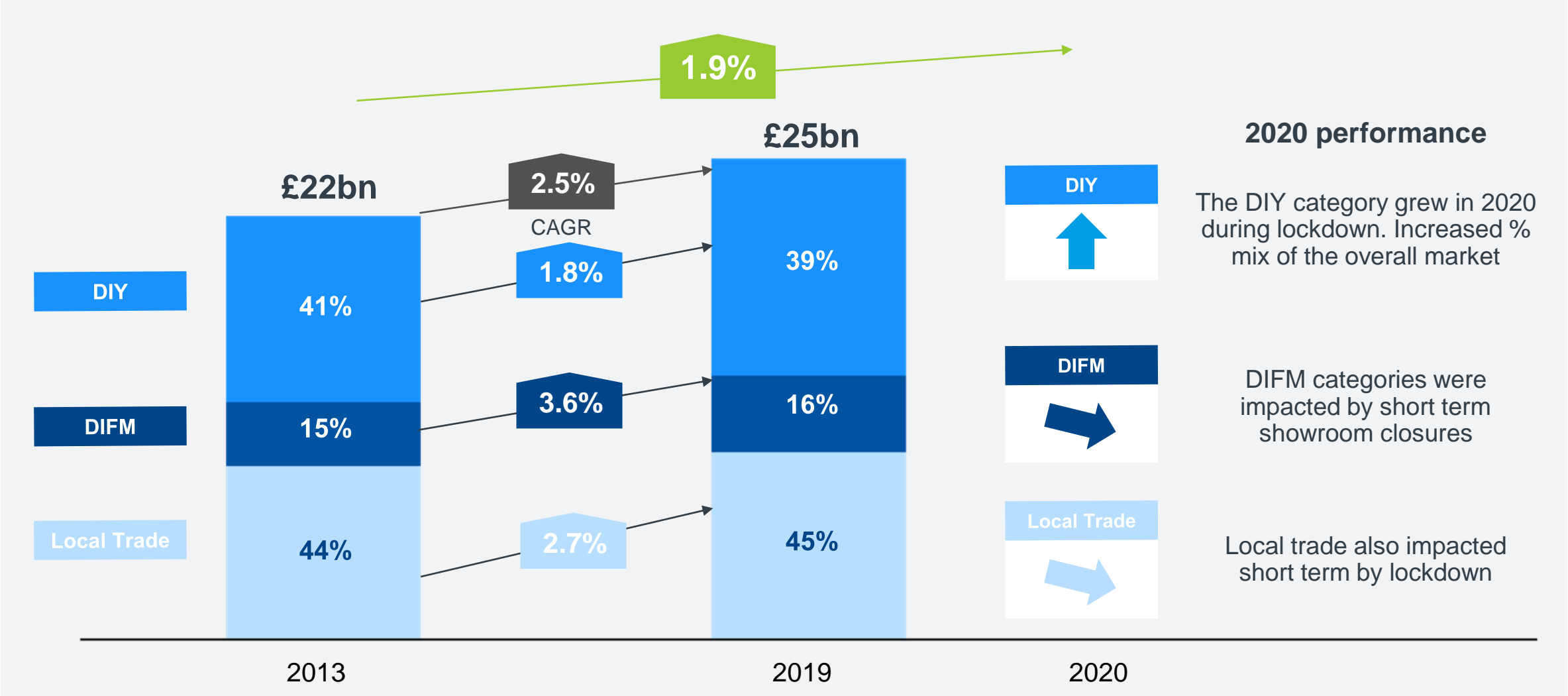
What this means for home improvement?			
Simple ranges / ease of choice <hr/> Small store formats <hr/> Flexible home delivery <hr/> Turnkey solutions for major projects	Clear, simple pricing <hr/> Own brand / known brand <hr/> Guaranteed services <hr/> Technology makes it easy	Transparency, price, stock, range <hr/> Scale / coverage <hr/> Information / inspiration <hr/> Never say no	Growth of 'Do It For Me' <hr/> Growth of quality Local Trade <hr/> Give confidence to try DIY <hr/> Improving energy efficiency

# There remain three distinct customer routes to complete projects



Sources: Company accounts, AMA Research 2020, Global Data 2019, Mintel 2020 - Jan 2021 update

# Wickes operates in a large and growing market

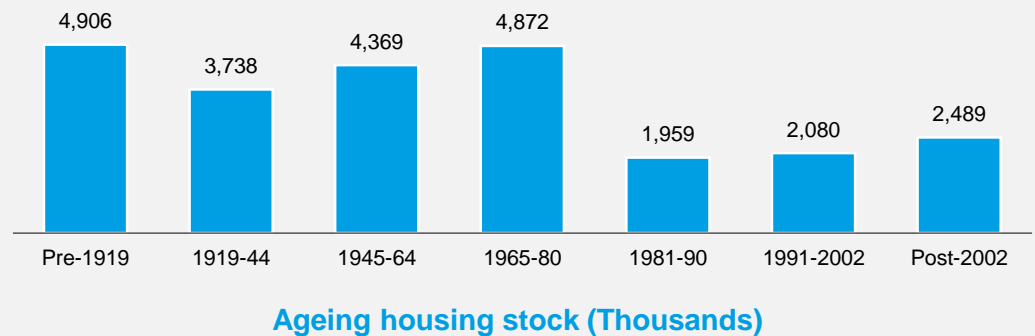


Sources: Company accounts, AMA Research 2020, Global Data 2019, Mintel 2020 - Jan 2021 update

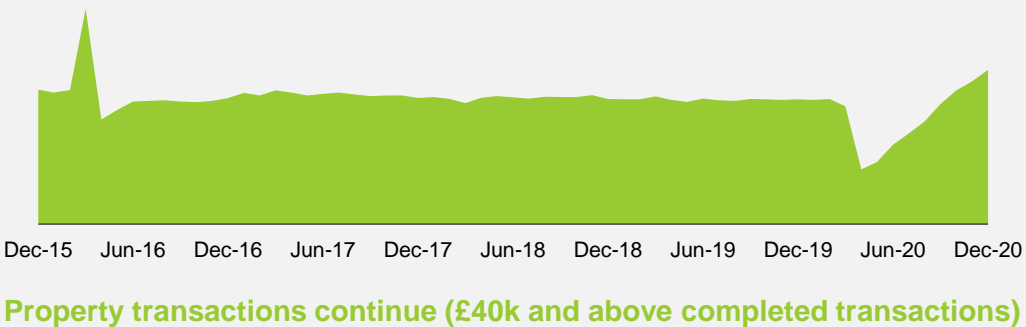


# Market growth is underpinned by robust fundamentals

## Ageing housing stock drives need for home improvement



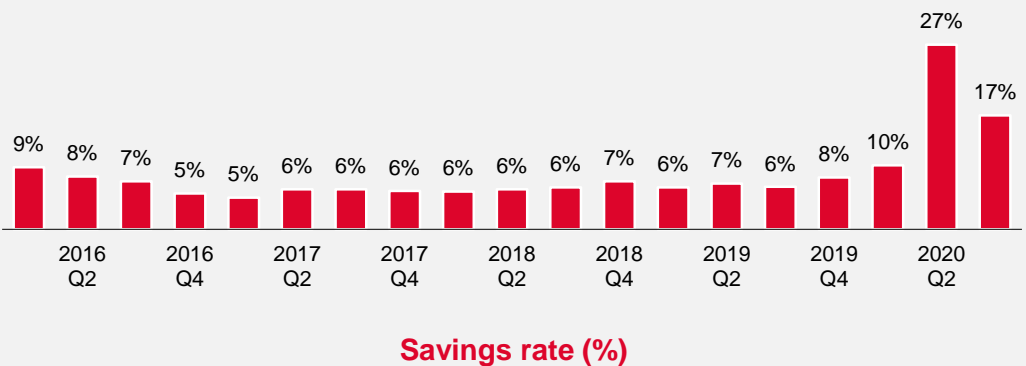
## Property transactions drives higher value projects and boosted by stamp duty incentive



## Market growth despite lower consumer confidence

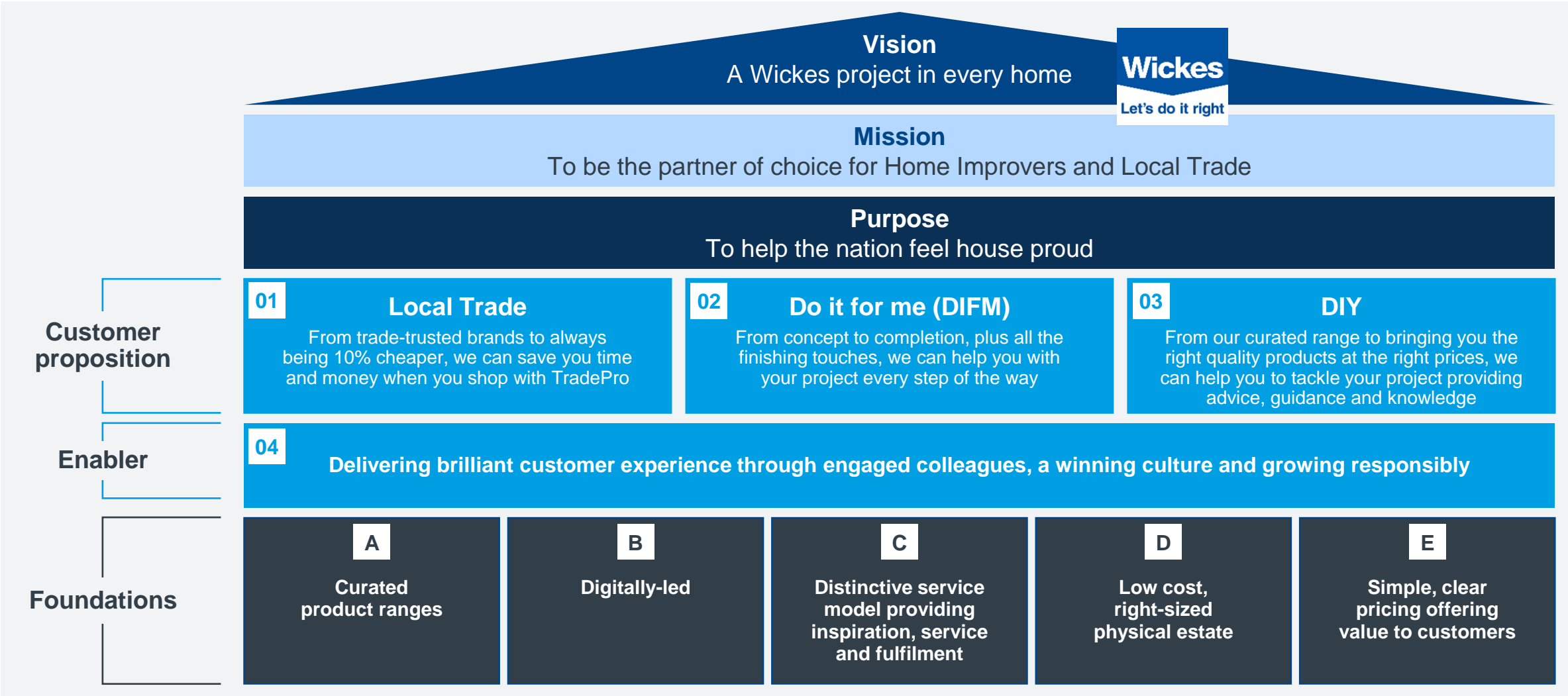


## High savings rate indicates significant pent-up consumer demand

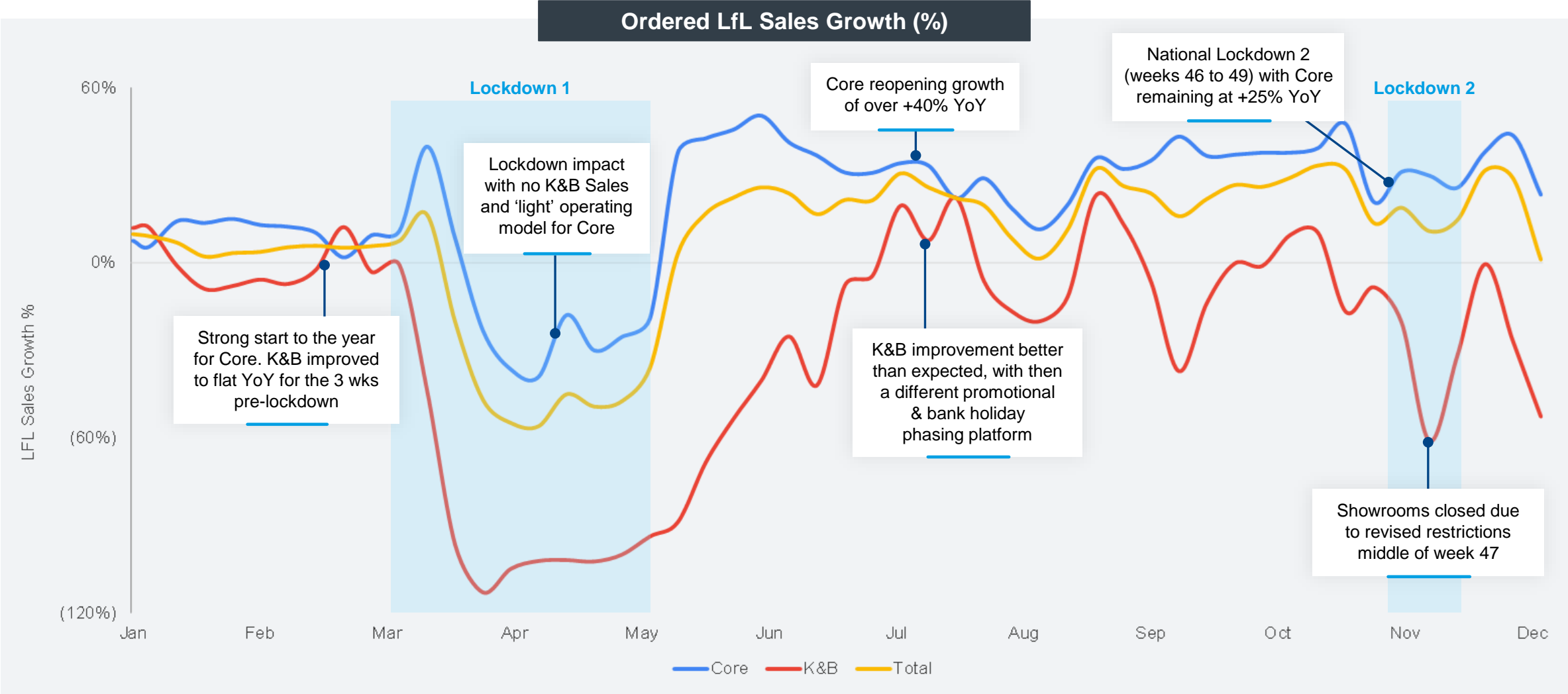


Source: Gfk, Gov.uk.

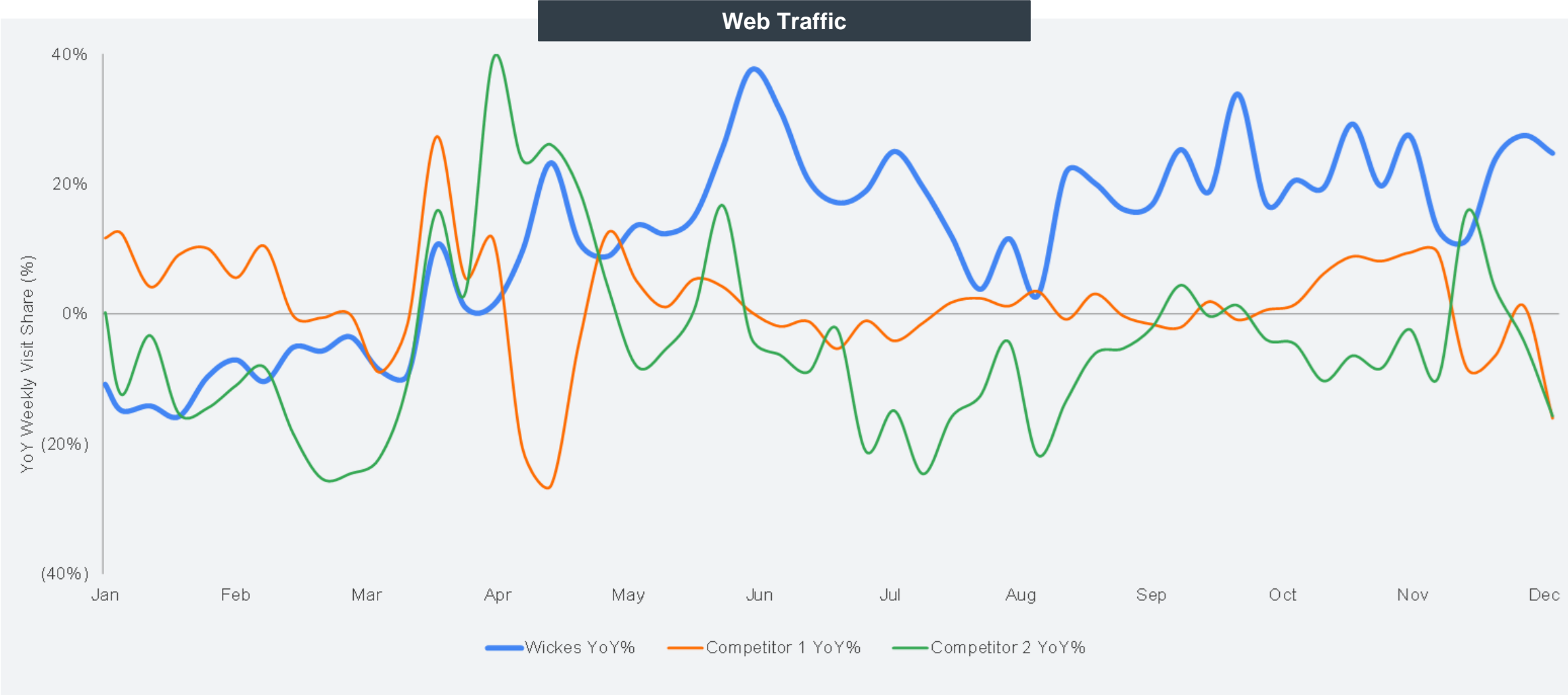
# A clear framework to win



# Our 2020 growth journey



# Wickes has consistently grown digital share ahead of key competitors



Source: SimilarWeb traffic analytics



# Operational learnings 2020

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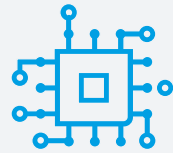
Fraser Longden



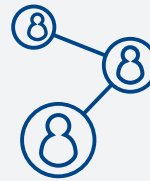
# An efficient and integrated model underpins the value proposition



Curated  
product ranges



Digitally-led



Distinctive service  
model providing  
inspiration, service  
and fulfilment



Low cost, right-sized  
physical estate



Simple, clear pricing  
offering value to  
customers

**Key topic areas today**

# Unprecedented Digital Growth in 2020

## Key observations



Customers are demanding more digitally-led propositions



Approaching two thirds of sales are digitally-led



Digital customers almost doubled in 2020

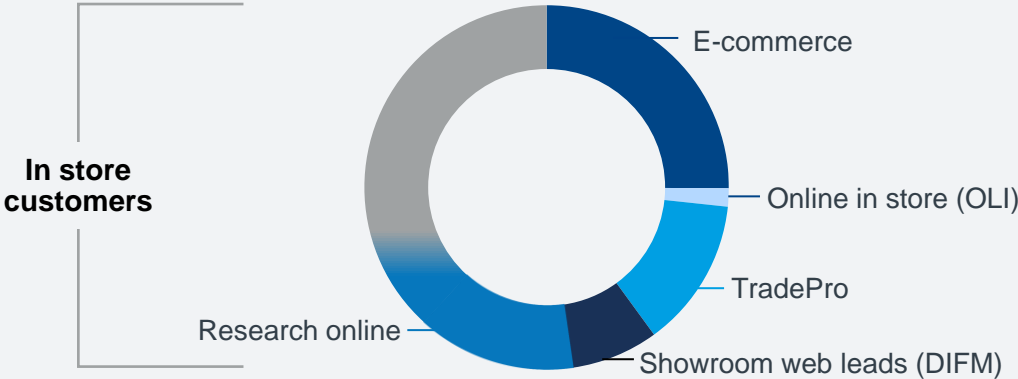


Digital customers acquired in 2020, are behaving consistently (spend, frequency of visit and AOV etc.) with existing customers

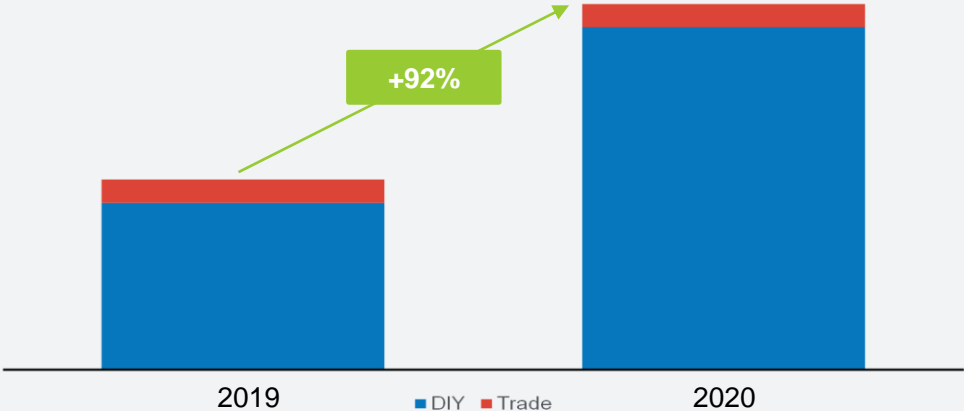


Additional database creates rich source of data and customer insight

## Digitally-led sales approached two thirds



## Digital customers almost doubled in 2020



# Significant growth in Click and Collect and Home Deliveries in 2020

## Key observations

Activity spiked during lockdowns

During the 4th period:

Nearly 1m C&C  
>350K Home Deliveries

Average week:

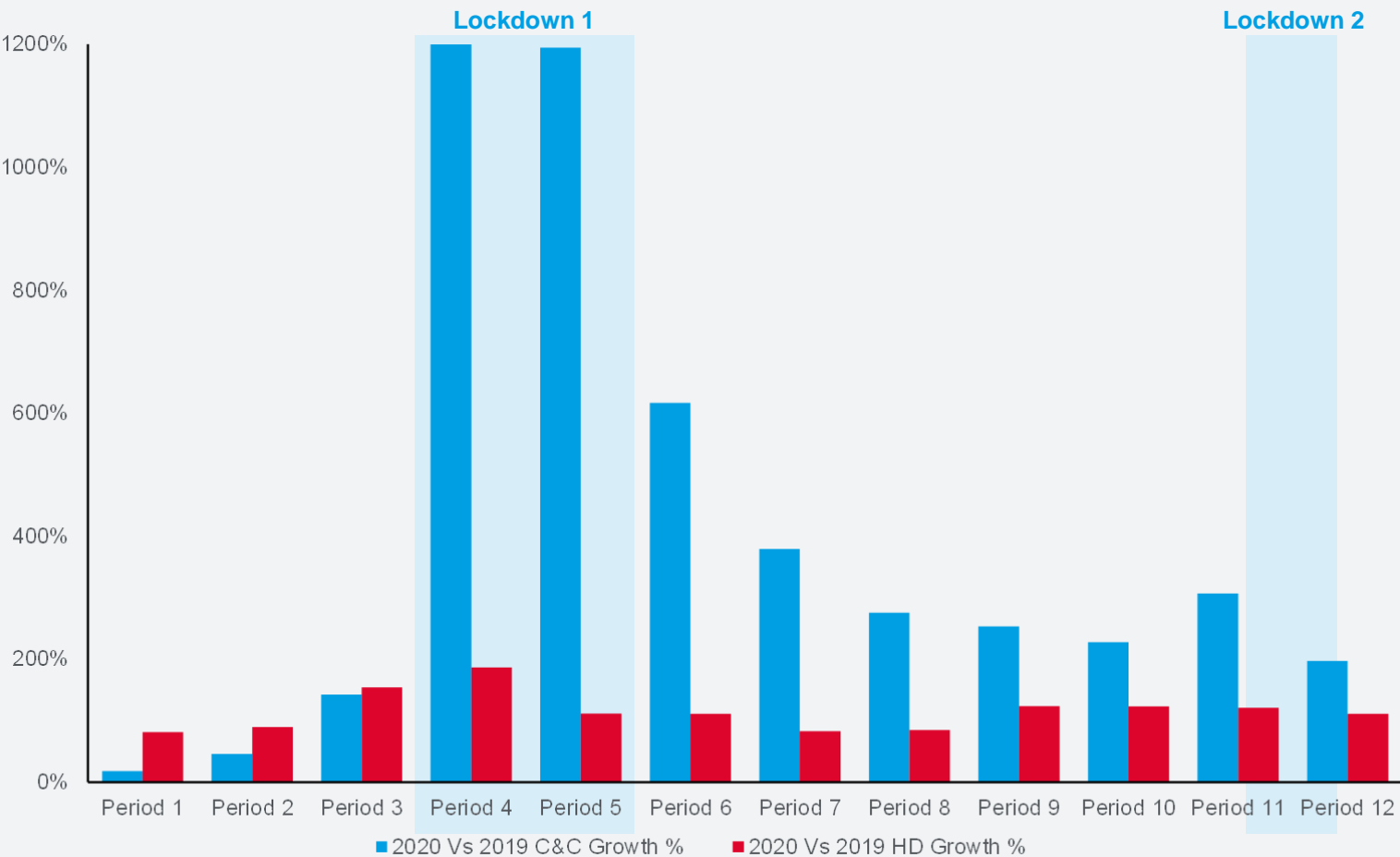
73,000 C&C, 450% growth  
45,000 HD, 120% growth

Outside of lockdown growth:

260% C&C  
89% HD



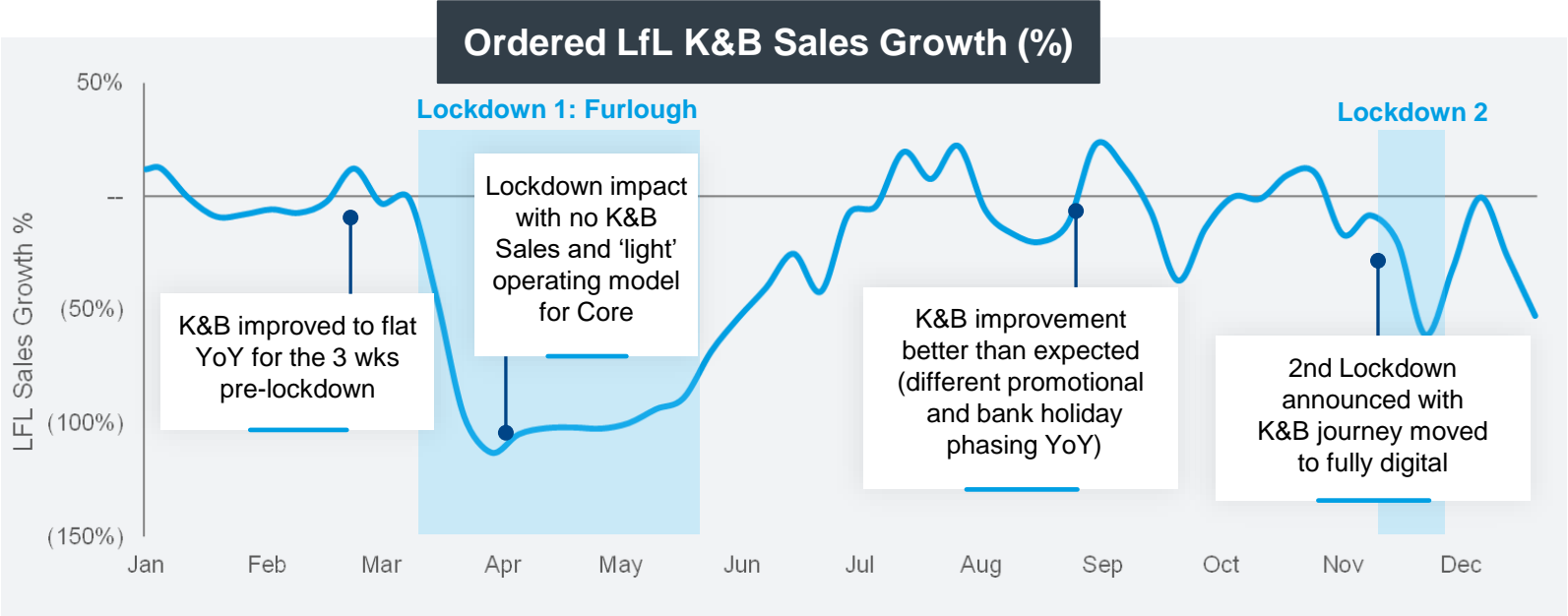
## YoY % growth across Click and Collect and Home Deliveries



# The 4C Service Model flexed to enable digital growth



# Innovation with DIFM during a difficult year



## Key observations

Full Year 96% growth in web enquiries creating 86% growth in web leads

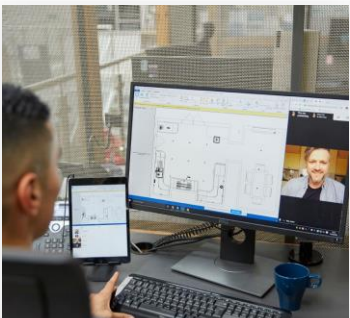
New virtual journey developed towards the end of lockdown one - rolled out to all Design Consultants

COVID-secure delivery & installations service developed

Efficiencies developed through hybrid of virtual and physical journey optimises DC headcount



New Virtual Showroom Tour



Completely Virtual Design and Sales Journey



Full DIFM Home Office Proposition Launched



# Commitment to building a sustainable business is at the heart of what we do

## Foundations to our Culture

### Inclusion and Diversity



Let's have fairness through transparency



Let's plan for the future



Let's make Wickes accessible to all



Let's create a place of wellbeing



Let's do it with pride



Let's balance the gender gap

## Engaged Colleagues



**70%**

Strong levels of engagement across the business



**75%**

Retention rates across the business

## Growing Responsibly

Everyone is welcome at Wickes

Developing skills in our communities

Protecting our environment

Responsibly sourced, quality, sustainable products helping customers to create more sustainable homes

## Strong Governance

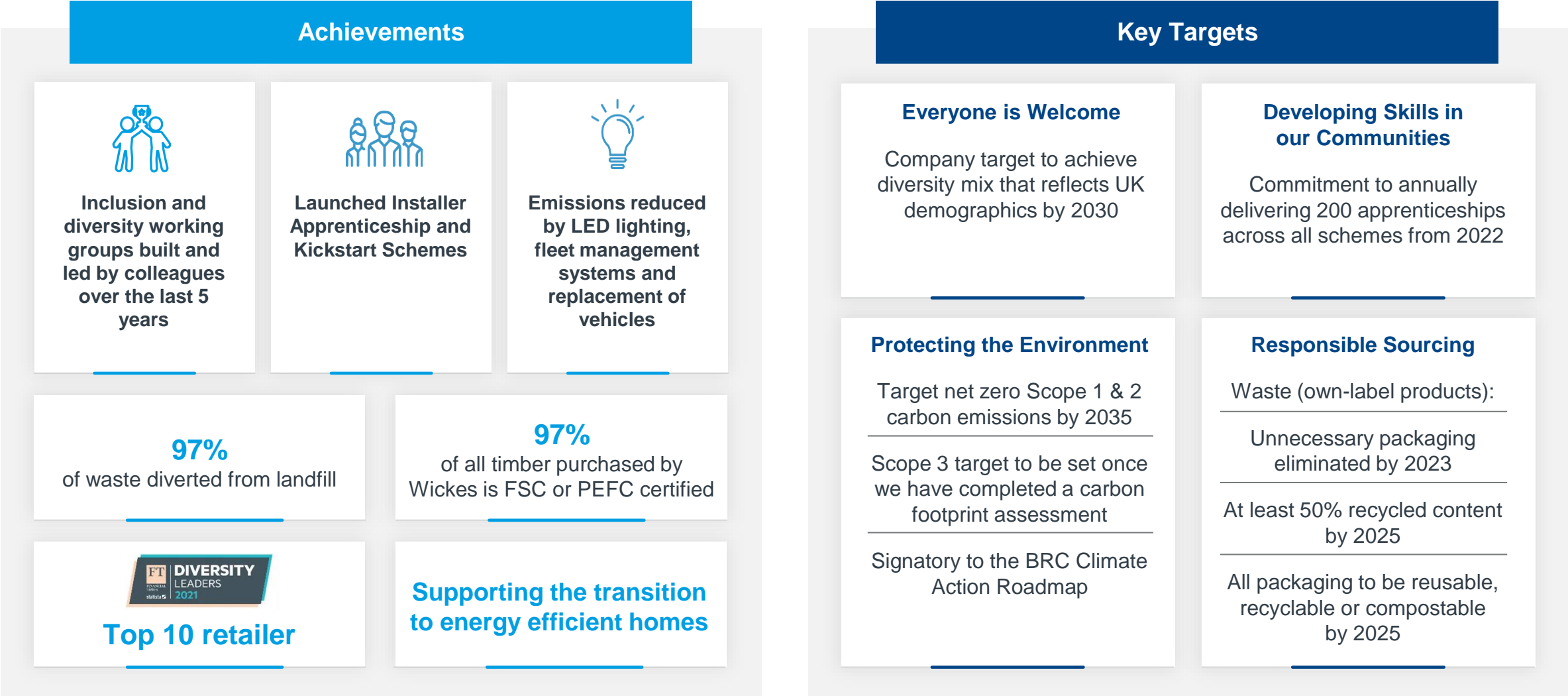


Board level ESG Committee will be established



UK Corporate Governance Code compliant upon demerger

# We have achieved a lot on ESG – and further opportunities remain



# Model proven and significant learnings from 2020



Our balanced, low cost and flexible model has helped us to adapt to lockdowns



Digital growth delivered through 4C service model



We have adapted well and ahead of our competitors to the changing landscape



We have learnt new capabilities in DIFM which will improve efficiencies and service in the future



The team's "Can Do" spirit is alive and well

**Underpinning Wickes' purpose of helping the nation to feel house proud**



# Financial framework

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Julie Wirth

# Strong financial framework

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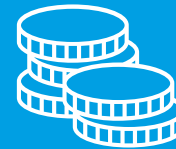
**Wickes**



**Revenue CAGR of 4.8%  
over the last 7 years**



**'Right sized' flexible  
cost base**



**Strong returns on  
capital investment**



**Cash generative**

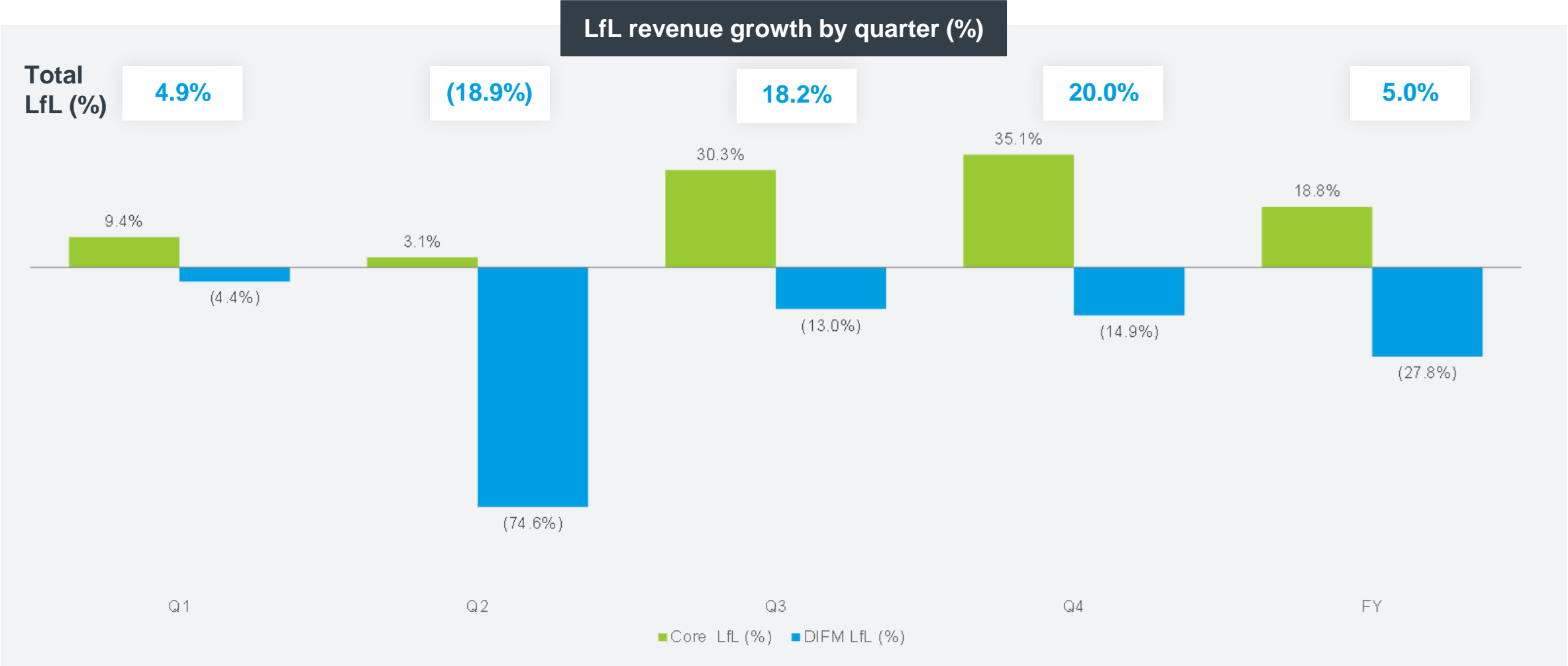


# Adjusted headline financial results

	2018A	2019A	2020A
<b>Revenue</b>	<b>£1,200m</b>	<b>£1,292m</b>	<b>£1,347m</b>
LfL Revenue (%)	(4.1)%	8.7%	5.0%
<b>Gross profit</b>	<b>£470m</b>	<b>£501m</b>	<b>£509m</b>
Gross profit (%)	39.2%	38.8%	37.8%
<b>Selling and administration costs</b>	<b>£(394)m</b>	<b>£(405)m</b>	<b>£(427)m</b>
% of sales	32.9%	31.4%	31.7%
<b>Operating profit</b>	<b>£76m</b>	<b>£96m</b>	<b>£82m</b>
Operating profit margin (%)	6.3%	7.4%	6.1%
<b>EBITDA (IFRS16)</b>	<b>£184m</b>	<b>£202m</b>	<b>£185m</b>

Note: Wickes Calendar year-end, reflecting 52 weeks.

# Strong Core growth with DIFM constrained by COVID restrictions



Note: Wickes Calendar year-end, reflecting 52 weeks.

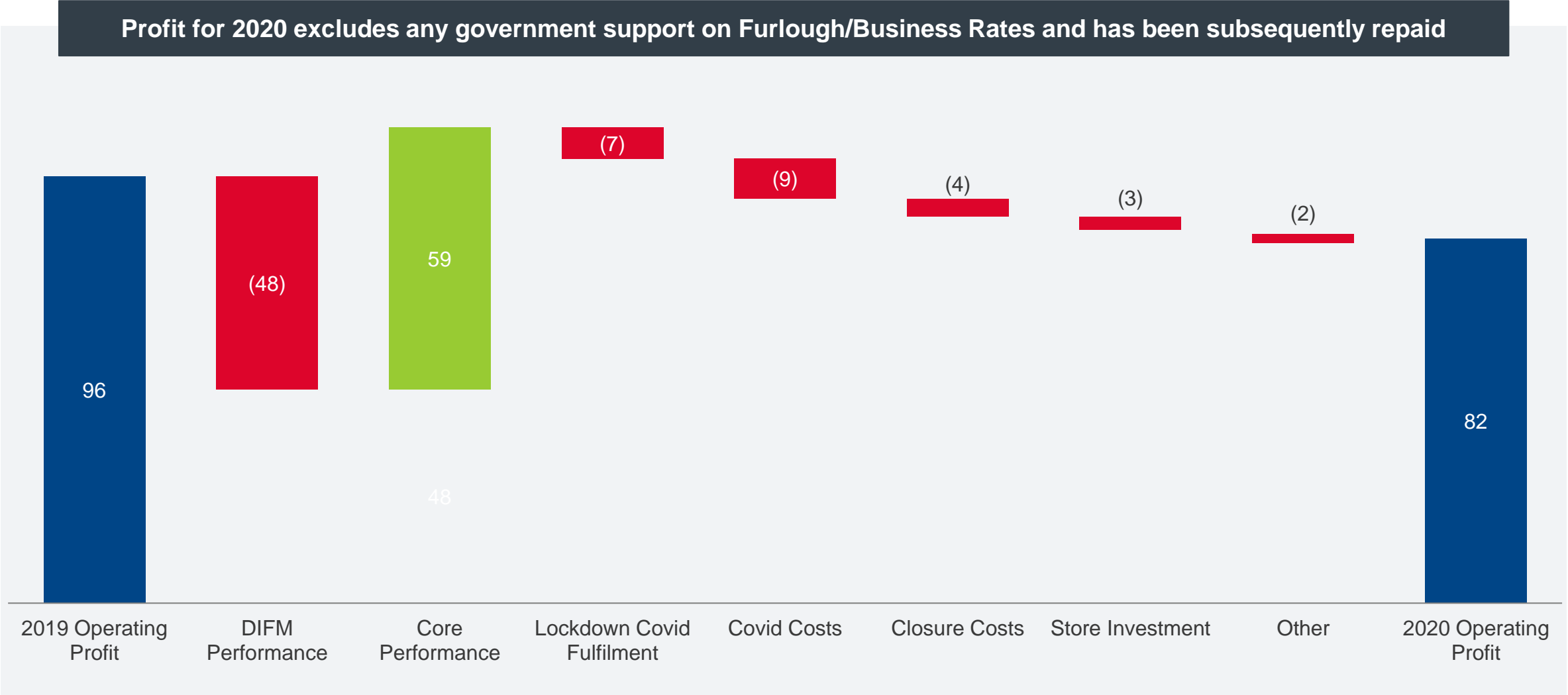
# Gross profit margin - down 100bps in 2020 influenced by COVID

	2020 Influences	'Normalised'
<div>⤴ Positive</div>	<div>Distribution operational leverage</div> <div>Lower promotional participation</div> <div>Lower local trade participation</div>	<div>Ongoing benefit</div> <div>Reverses</div> <div>Reverses</div>
<div>⊖ Neutral</div>	<div>Change in DIFM participation</div>	<div>Increasing services mix at lower margin</div>
<div>⤵ Negative</div>	<div>Higher customer delivery participation</div> <div>COVID secure operations</div>	<div>Partial unwind</div> <div>Partial unwind</div>

# Cost / sales ratio - up 40bps in 2020

	2020 Influences	'Normalised'
<div>⬆️ Positive</div>	<div>In-store operational leverage</div> <div>Lower costs</div>	<div>Ongoing benefit</div> <div>Ongoing benefit</div>
<div>⬇️ Negative</div>	<div>COVID secure operations</div> <div>Unproductive workforce (DIFM)</div>	<div>Partial unwind</div> <div>Reverses</div>

# Drivers of operating profit in 2020



## Capital investment (excluding leases) constrained through 2019 and 2020

(£m)	2018A <sup>(1)</sup>	2019A	2020A	Future capex
New space	3.9	0.8	-	Minimal
Refit	19.7	12.7	11.0	Increasing Refit investment
IT / Digital	4.5	4.5	2.9	Continue
Range development	2.3	0.2	3.4	Increasing DIFM investment
Other	6.8	5.9	1.0	Minimal
<b>Capital investment</b>	<b>37.2</b>	<b>24.1</b>	<b>18.3</b>	<b>~£30m per annum</b>

Capex initially expected to be broadly in line with ~£27m depreciation (ex IFRS-16)

Note: (1) Excludes some asset transfers from Travis Perkins.

# Our capital allocation priorities

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**Strong cash generation**



**Investment in organic growth  
and innovation**



**Maintaining a strong  
balance sheet**



**Progressive dividend policy**

**Starting with a  
30% payout ratio of  
adjusted post-tax profit**



# Technical guidance

## Balance Sheet & Cash

Net cash from Travis Perkins of £130m

Committed RCF of £80m

Opening IFRS 16 lease debt of £790m

Capex investment of £30m per annum

Neutral working capital

## Income Statement

Demerger costs of £5m

IT separation cash costs of c.£40m over 2 years (adjusting item)

Incremental PLC and share-based costs of £7m on FY basis

Finance costs of c.£31m

Adjusted tax rate of c.23%

Wickes 2021 Calendar is a 53 week year – estimated profit impact of c.£2m.

# Outlook

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## Current Trading

**Performance trends in second half of 2020 have continued into the current financial year**

Strong Core sales seen in the second half of 2020 continue

DIFM orders were c. 50% lower year-on-year through the key winter sale period, as showrooms remain closed

**Whilst sales remain robust, the benefit has been offset by associated costs**

High participation of customer delivery

Assuring a COVID-19 safe operating environment

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## Outlook

**Although the economic outlook and trading environment remains uncertain, Wickes expects to deliver sales growth ahead of its markets for the full year**

Core growth is expected to moderate against tougher comparatives through the year

Confident in a recovery of DIFM sales with pent up demand, evidenced through a high level of enquiries, likely to come through as lockdown restrictions ease

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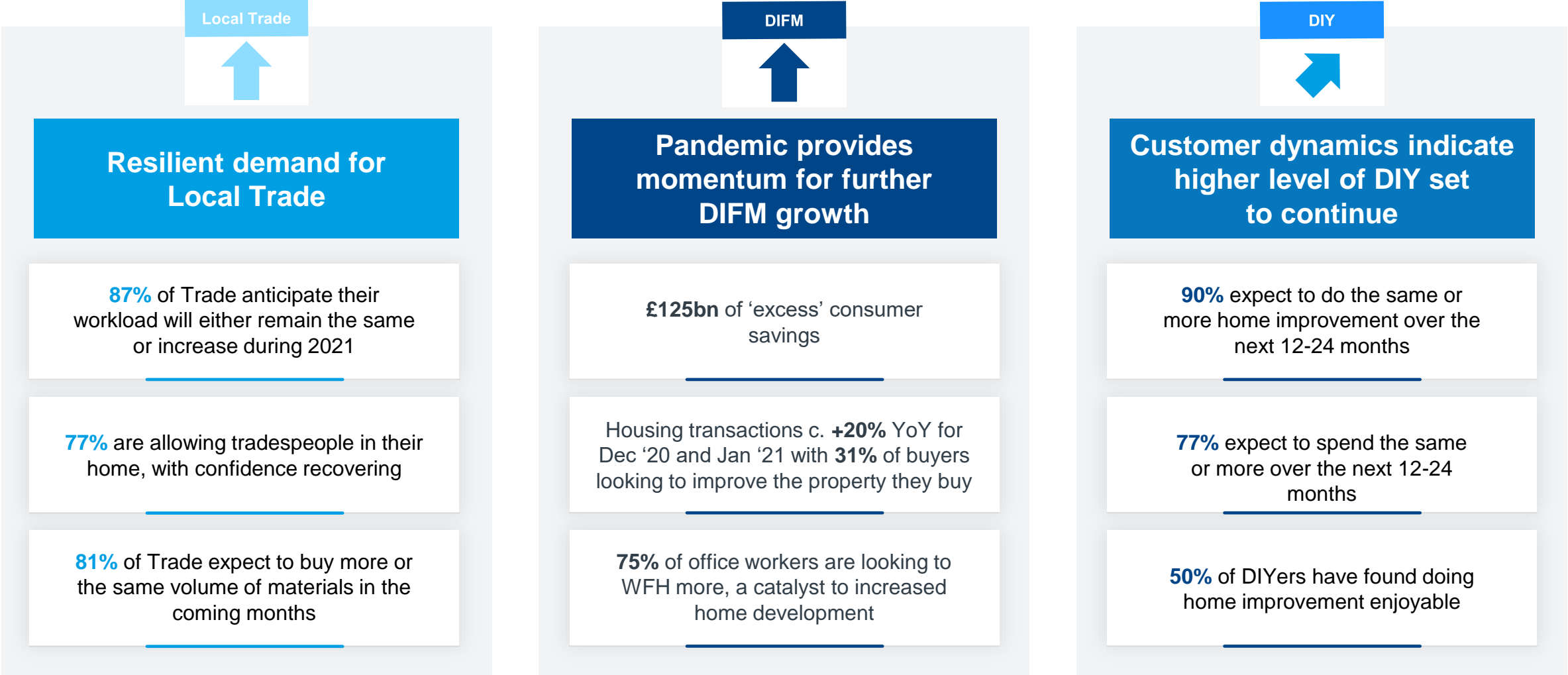


# Levers for growth

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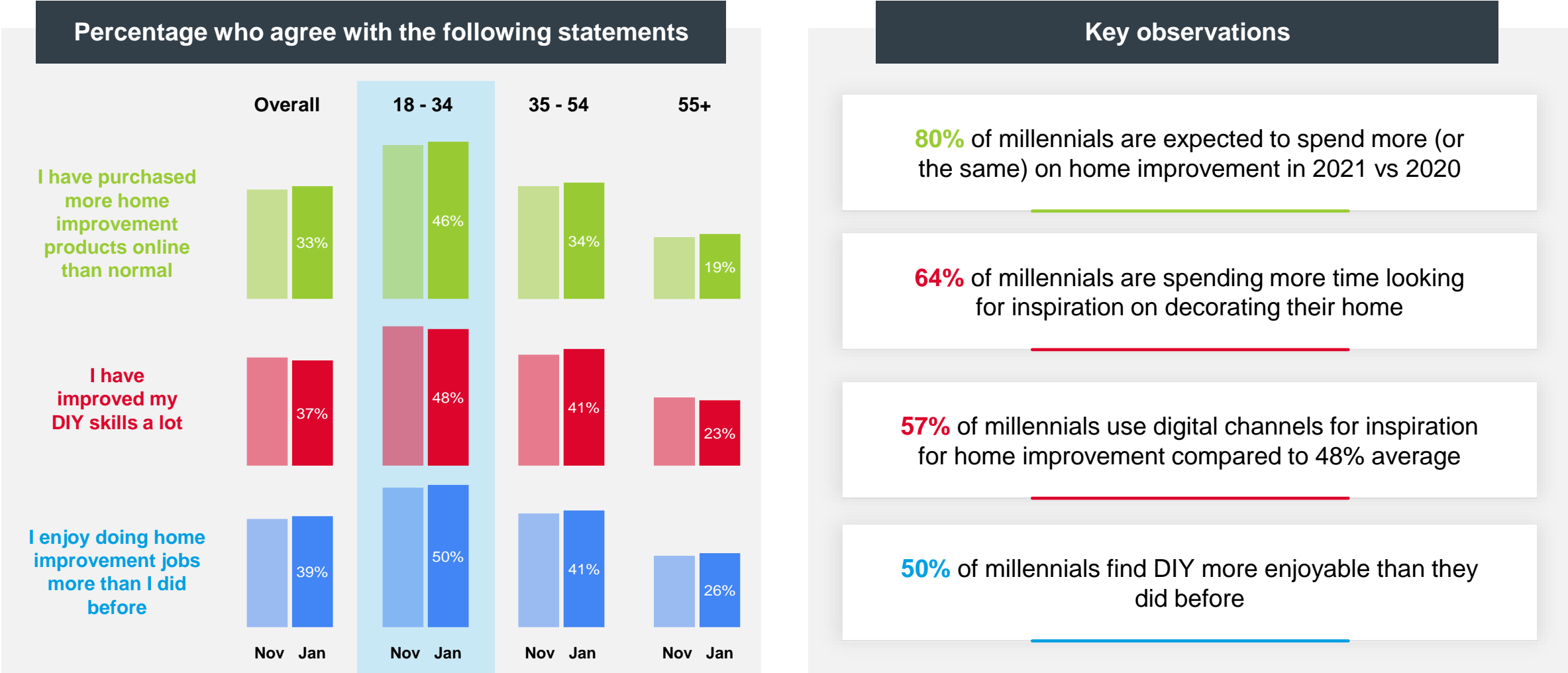
David Wood

# Research confirms underlying growth in all sectors



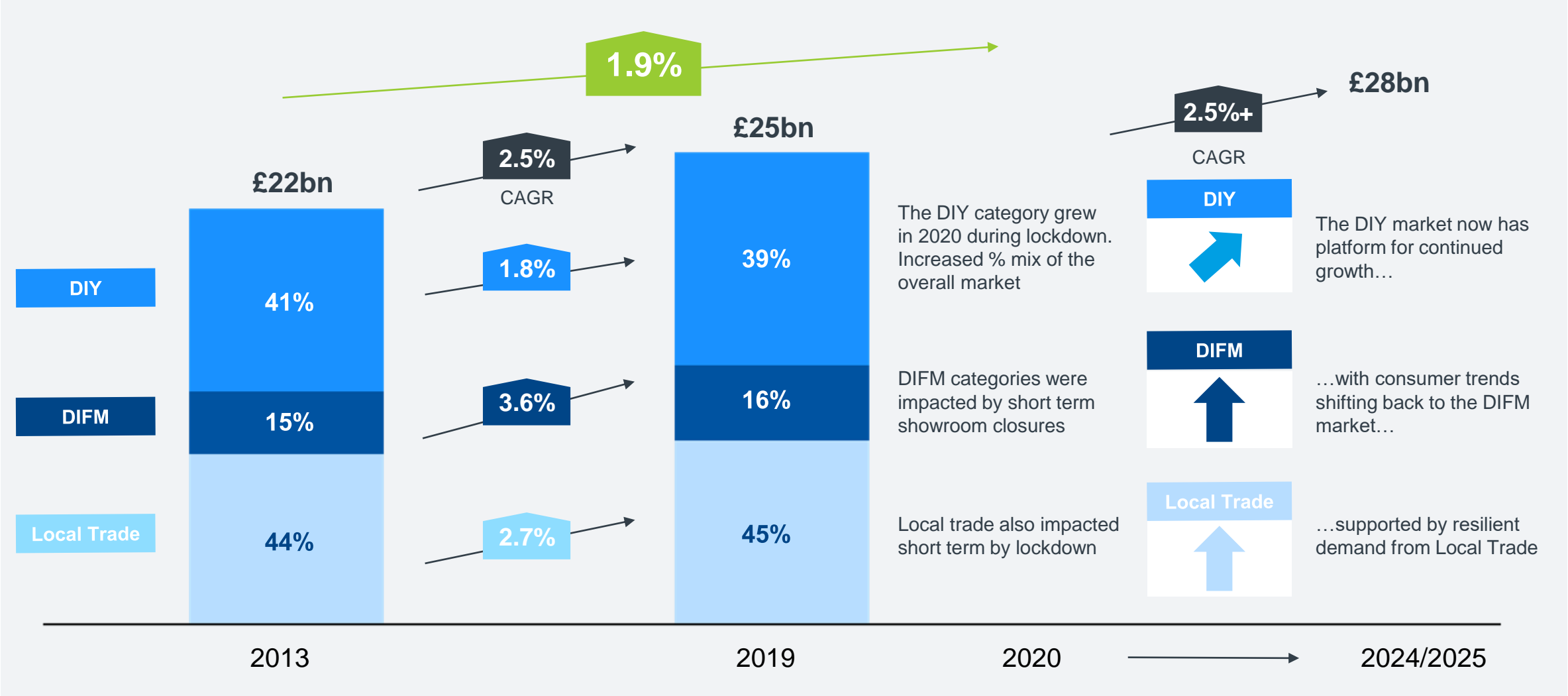
Note: For sources see appendix.

# Millennials have the potential to drive future DIY sector growth



Source: USP, European Home Improvement Monitor January 2021.

# Wickes operates in a large and growing market



Sources: Company accounts, AMA Research 2020, Global Data 2019, Mintel 2020 - Jan 2021 update

# Wickes has the right growth levers to win





# Accelerating DIFM through extending our services



Home Office - Stage 2



Flooring and Tiling  
In Store Trial



Doors and Windows  
(and Associated Carpentry)

## Extension opportunities

Loft conversion

Patios

Landscaping

Driveways

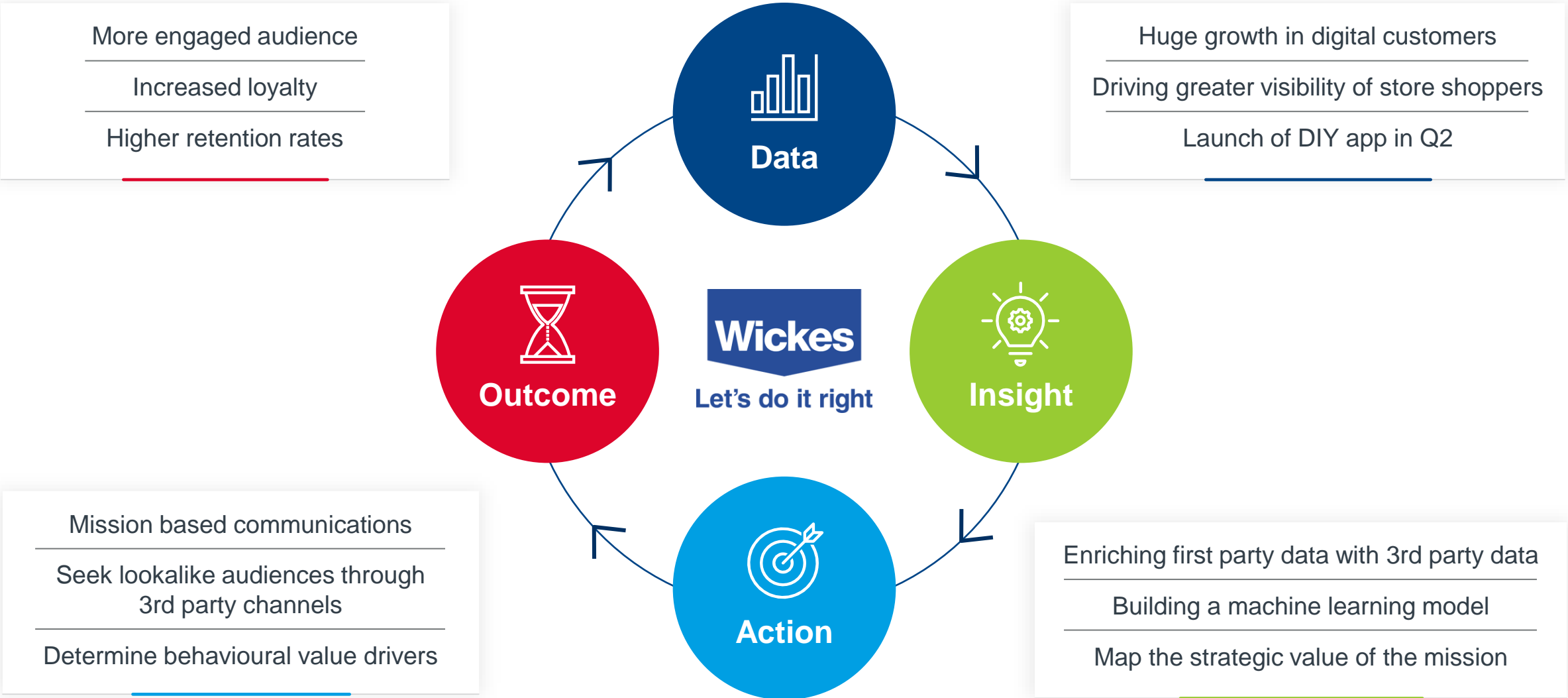
Launched in Q1

Launched in Q1

Launching H2

‘From concept to completion, plus all the finishing touches, we can help you with your project every step of the way’

# Leveraging digital capability & data to drive growth



# Store refits will continue to enhance returns

## Stores today

>100 refits



60% uplift in DIFM sales

15% uplift in Core sales

>25% returns

142 new format stores

## Key initiatives

Potential 35-40 refits to go

5-7 relocations

15-20 downsizes

10 new stores

10 closures

## Stores tomorrow

Fully modernised estate

Right sized format

Fulfilment

5 year refresh cycles



# A compelling investment case

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Distinctive and hard  
to replicate customer-  
led proposition



Uniquely balanced  
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Low cost and flexible  
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Proven levers  
for sustainable  
growth



Strong cashflow  
funding investment and  
shareholder returns

**Underpinned by colleagues, a winning culture and growing responsibly**



## Next Steps / Q&A

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# Next Steps and Key Dates

01	15 April 2021	Q1 Trading Update
02	27 April 2021	Travis Perkins plc AGM
03	28 April 2021	Targeted demerger for Wickes
04	Mid July 2021	H1 Trading Update
05	Mid September	Interim Results

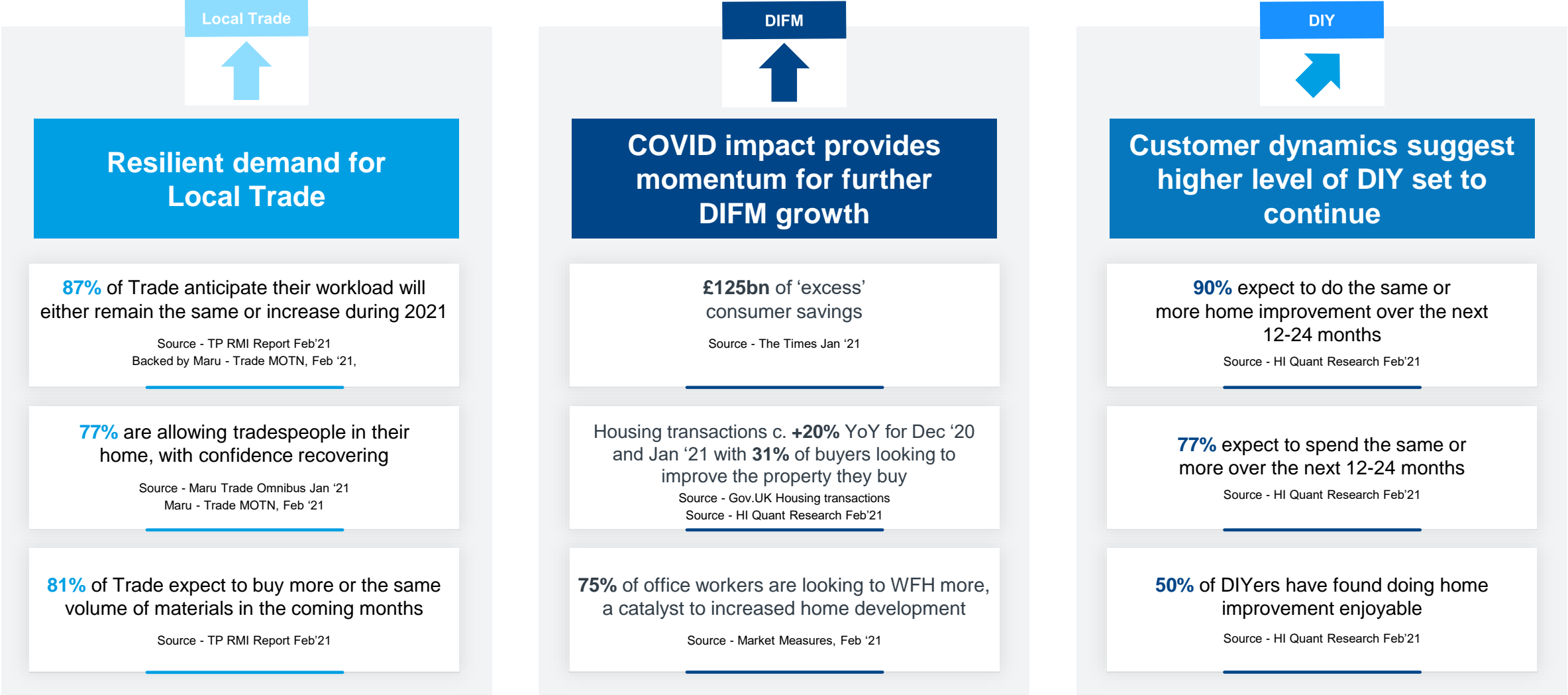


# Appendix

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# Research indicates underlying growth in all sectors



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