Wickes Group plc - Full Year Results 2021

for the 53 week period to 1 January 2022

Excellent full year performance, accelerating investment for growth

Financial Highlights

- Revenue up 14.0% to £1.53bn (2020: £1.35bn) driven by
    - Further market share gains in Core, supported by range development, enhanced service proposition and strong digital performance
    - Strengthened Trade position with over 80,000 new TradePro customers, taking the base to over 630,000
    - Resilient performance in DIFM despite Covid disruption, supported by virtual customer journey and new ranges
- Like-for-like sales* up 13.0% on 2020 and 18.6% on 2019
- Adjusted profit before tax increased to £85.0m** (2020 £49.5m)
- Reported profit before tax increased to £65.4m (2020 £28.9m)
- IFRS net debt of £618.7m; leverage reduced to 2.8x (see Appendix)
- Final dividend declared of 8.8p, a total of 10.9p for the full financial year representing 40% of adjusted profit after tax

Strategic Highlights

- Significant outperformance, growing at over twice the rate of the market
- Strength of our market position and returns give confidence to accelerate investment to drive growth; investing an incremental £15m per year
- Accelerating the store refit programme, now expected to be completed within five years, with 12-15 stores refitted p.a.
- New store opportunities identified with potential for up to 20 new stores over the next 5 years
- Setting out capital allocation policy supporting accelerated investment for growth, enhanced ordinary dividend of 40% of adjusted profit after tax and targeting IFRS net debt leverage consistently less than 2.75x - with excess capital available to be returned to shareholders over time
- Repositioned all of our ESG work under the banner of Responsible Business. Three pillars cover People, Environment, and Homes, supported by strong governance, safety and wellbeing, and responsible sourcing

Current Trading and Outlook

- Trading in the first 11 weeks is in line with last year
- As we annualise strong 2021 comparatives, Core sales are down 6.7% year on year and 26.3% ahead YO2Y, notably driven by buoyant demand from local trade with trade customer order books at record levels
- DIFM has had a positive start to the year and the order pipeline has continued to build strongly through our key winter sale trading period. Together with our significant carried forward order book, double that of a year ago, this gives us confidence that delivered sales will be ahead of 2019
- We expect to make further progress in the year ahead, being mindful of recent geopolitical events and macroeconomic uncertainty

David Wood, Chief Executive, said:

"I am delighted to report a year of excellent growth. Our performance is testament to the resilience and hard work of our colleagues, our strong supplier relationships, uniquely balanced business model and market leading customer proposition."

"Our strategy is delivering strong growth and return on investment. The results we are seeing, plus these strong returns, give us confidence to accelerate our investments to drive further growth."

"Looking ahead, we expect to continue outperforming the market and are well-placed to capitalise on the ongoing requirement for home improvement – namely an ageing housing stock, favourable consumer trends, and the increased focus on insulating and retrofitting homes. While we recognise the pressure that consumers will be facing in 2022, we have the right model, a strong pipeline and order book, and remain confident of making further progress in the current year driven by a material increase in DIFM revenues."

Summary financial results

£m	**53 weeks to 1 Jan 2022**	**52 weeks to 26 Dec 2020**	**Change**
Revenue *Core* *DIFM*	**1534.9** *1234.7* *300.2*	**1346.9** *1072.4* *274.5*	**14.0%** 15.1% 9.4%
Gross profit *Gross profit %*	**568.5** *37.0%*	**509.1** *37.8%*	**11.7%**
Adjusted operating profit** *Adj operating profit %*	**116.3** *7.6%*	**81.6** *6.1%*	**42.5%**
Adjusted profit before tax**	**85.0**	**49.5**	**71.7%**
Adjusted basic earnings per share**	**27.2p**	**16.1p**	**68.9%**
Reported operating profit *Operating profit %*	**96.7** *6.3%*	**61.0** *4.5%*	**58.5%**
Reported profit before tax	***65.4***	**28.9**	**126.3%**
Basic earnings per share	**23.3p**	**10.4p**	**124.0%**
Full Year Dividend	**10.9p**	n/a	

***Branches contribute to LFL sales when they have been open for more than 12 months. See note 4*
***Adjusted measures represent results on an IFRS basis and exclude adjusting items which comprise significant restructuring, 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, and the effect of changes in corporation tax rates on deferred tax balances. These measures have been explained, reconciled and calculated in notes 6 and 8 and presented on the income statement.*

Investor & Analyst meeting

A live webcast for investors and analysts will be held today at 9.00am (UK time), followed by a Q & A with the Wickes management team. The webcast can be accessed at:
https://webcasting.brrmedia.co.uk/broadcast/620bd8c126d01a4c0553db21

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 232 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.

Operational and strategic review

Wickes has performed strongly in 2021 supported by our digitally-led, service-enabled proposition. Two thirds of our sales were driven from digital channels, as we have both retained those customers acquired during the pandemic, and continued to grow the base further.

Our performance in the financial year has been driven by the benefits of having a uniquely balanced business – providing market-leading products and services across Trade, DIFM and DIY. Whichever way customers want to improve their homes, we are there for them with everything they require to complete their project.

Market
The appetite to invest in home improvement played out strongly in 2021 as customers sought to complete projects either through DIY, employing a local tradesman or seeking concept to completion services on projects such as a kitchen or bathroom installation. We believe the market has all the right attributes for long-term sustainable growth, underpinned by the UK's ageing housing stock, rising property prices and transactions, a strong jobs market and the increased focus on climate change and the importance of retrofitting homes. These all support project work and investment in the home.

Despite the easing of Covid restrictions, hybrid working patterns are likely to result in more time spent in the home for the foreseeable future, fuelling further desire to renovate and refurbish. We have also seen increased appetite from rental tenants to invest in their properties, interest from the millennial generation in DIY, combined with a higher level of savings which supports pent up demand. When taken together these factors continue to indicate strong growth opportunities in the home improvement market.

More recently, we believe that any volatility in energy prices and more acute focus on the cost of living may act as a catalyst for many homeowners to prioritise improved insulation for their property, and to examine alternative forms of heating.

In summary, we believe that there is much more to go for in 2022 and beyond, and that the Wickes' balanced business model and proposition means that it is well-positioned irrespective of how a customer chooses to complete their home improvement project.

Ukraine
Wickes is greatly saddened by the invasion of Ukraine. Our thoughts continue to be with all of those people impacted by this tragic conflict and we are providing support for all of our affected colleagues in the UK. In addition, we are making a £100,000 donation to Unicef to help children in Ukraine, and offering our customers the opportunity to add a 50p donation to their purchases. From a business perspective, Wickes has no operations in Ukraine or Russia, and minimal supply chain exposure to the region.

Operational progress
In a year which continued to be impacted by the pandemic, we made further operational progress and were pleased to see a further increase in customer numbers and an improvement in our Core market share[1].

Wickes continued to be classed as an 'essential' retailer through Covid restrictions in the first half of the year, although our showrooms were closed until 12 April. Despite this, demand in Core remained very strong over this period, with Wickes teams performing well in ensuring product availability under difficult market conditions.

During this financial year, both our store and distribution environments handled record levels of throughput, driving strong operational leverage in challenging circumstances by continuing to develop and refine working practices whilst delivering improvement in customer satisfaction measures. Investment and innovations in this area included new in-store digital handheld terminal picking capability, and 'park and collect' allowing customers to remain in their vehicles when collecting goods from stores. During the year we also reconfigured 50 of our highest-volume Home Delivery and Click and Collect fulfilment stores to create 50,000 square feet of additional storage space without affecting store ranges or compromising the store format. Many of these initiatives are now being rolled out across the business.

While in the first half we continued to invest in areas such as cleaning, social distancing and marshalling, Covid-related costs started to unwind in the second half of the year.

As the financial year progressed, as expected Core LFL sales declined moderately against very strong comparatives, although still increased by 35.7% on a two year basis. During the second half, we continued to prioritise our price leadership within a highly inflationary environment. Working closely with our suppliers, and with our strategy of maintaining cash gross margin (as opposed to percentage), our relative price position remained strong during the year. In addition to providing customers with the best possible value, it gives us opportunities to drive further market share gains.The estimated level of price inflation for the full year was 7%, compared with 3% in the first half.

Availability challenges in certain categories have been widely discussed. Whilst we are not immune to these challenges, our strong supplier relationships, curated range and operational agility have served us well to continue to provide customers with the products they need through this period.

DIFM orders strengthened over the course of the financial year, especially from Q2 onwards. However, our ability to convert this increase in orders into delivered sales was hampered in the final quarter of the year by the onset of the new Covid variant Omicron, which affected both availability of installation teams and the ability and willingness of customers to have tradesmen in their homes. Together with the elevated pipeline of orders from earlier in the year, our year end order book has more than doubled on a two year basis.

Despite this disruption, we have continued to offer customers excellent service levels, and have retained our 'distinction' level of service from the Institute of Customer Service in challenging circumstances. We continue to grow our installer network with around 700 new installation teams approved in the year, taking

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[1] Source: GfK GB PoS data, sourced from GfK DIY Category Reporting December 2021

the total to over 2,600 and strengthening the capacity and quality of our installation capability. Additionally, we continue to progress our installer apprenticeship programme with the initial cohort completing their training in the first half of the year.

Growth levers

In 2022 and beyond, we see further significant revenue and margin opportunities from our growth levers. The performance of refitted stores has been excellent, and we will be accelerating the pace of refits as well as examining opportunities for stores in new catchments. TradePro is now a substantial business, and we will be looking to drive sales per account through both basket size and frequency, and to increase the range of products and services offered. Our DIFM installer base continues to grow, and this year we plan to test, learn and roll out new installation services such as joinery and landscaping to increase our scale and reach. All these will be supported by our strong digital presence in all areas of the business.

Store Refits and New Openings
During the financial year there were 10 refits completed, and two refreshes. In line with our strategy to continually improve the quality of the estate, there was one relocation (Sunderland) and one closure (Chichester).

We now have 151 stores trading in the new format, with refitted stores continuing to deliver strong sales uplifts and investment returns. For the stores refitted over the last 12 months, the average sales outperformance was over 25%, with DIFM again showing a particularly strong uplift, delivering strong returns on investment. Our refitted stores now generate sales per square foot of £260 versus £198 for heritage stores.

The excellent performance of new format stores has two implications for our store estate. Firstly, we will look to accelerate the pace of refits over the next few years, completing the programme within five years compared with the previous plan of seven years, with 12-15 refits annually and each costing c£1m.

Secondly, our ability to drive higher sales densities and value enhancing returns through new format stores, plus changes in the competitive landscape, creates an opportunity to enter new catchment areas. As such, we now believe there is scope to open up to 20 new stores over the next five years, although this pipeline will take time to build.

Winning for Trade
Our Trade offer is based on creating efficiency and simplicity for our Trade customers, who turn to us knowing that they get market-leading value on the products that matter and a brand which they know their own customers trust. With a 10% discount on all purchases, and an efficient digital journey and fulfilment model, we save our trade customer time *and* money.

We have continued to grow our TradePro membership, enrolling over 80,000 new local trade customers, bringing total membership at the year end to over 630,000. Our local trade customers indicate that they have a strong pipeline of work and this has translated into increased transactions and spend, with demand remaining strong even against tougher second half comparatives.

We continued to evolve our digital capability during the year, with more personalisation introduced in the TradePro app together with the ability to target promotional offers and give early visibility of these offers to drive loyalty. We continue to develop our Mission Motivation Engine (MME), with an initial focus on local trade. The MME incorporates internal and external data to help us identify which missions our customers are on, leading to more relevant personalised communication across all channels. In addition, our new digital picking capability in stores enables prioritisation of the trade customer orders to ensure we can better deliver on the need to ‘save me time, save me money.’

Looking ahead, we see major opportunities to drive our TradePro business. In addition to our target of 1 million customers and measures to drive order frequency, we will be focusing further on how we can improve the offer to drive basket size. This could involve improving personalisation, broadening the proposition and extending TradePro reach.

Accelerating DIFM

We believe digital development and product innovation has underpinned our success in DIFM and will drive accelerated growth. As such, this remained an area of focus and investment during the year. Throughout the period the virtual showroom journey and virtual tour functionality have enabled us to continue to engage with customers and take them through the design and sales process entirely remotely, supported by our experienced design consultants. The proportion of leads through our digital channels has continued to grow strongly over the year, and we expect further progress here in 2022.

We have made additional investment in product innovation in line with changing customer demands and needs, including a major refresh of the kitchen range, a completely new bathroom range together with a standalone home office proposition, all of which are indicating encouraging levels of interest from customers. The home office proposition notably demonstrates our agility to respond to changing consumer behaviour and leverages our existing design and installation capability. Our new kitchen and bathroom ranges were progressively introduced into our showroom displays, and this was completed in the second half of the year. We also took our new Bathroom range above the line, launching our first ever bathroom TV ad, helping to drive substantial growth in this category.

We continue to see high attachment rates of tiling and flooring sales to kitchen and bathroom projects, confirming the opportunity to grow adjacent categories and increase overall project spend. Digital development has delivered improved imaging, features and pricing illustrations for DIFM projects, together with new video content supporting flooring and tiling.

As outlined above, we continue to make further progress in extending the range of DIFM projects offered. In addition to adjacent categories, we have identified opportunities over the medium term to deepen and broaden our proposition in the overall kitchen market.

Digital developments

We are further developing our digital offer to enhance the customer experience. This is underpinned by our Missions Motivation Engine, identifying opportunities to drive better customer and commercial outcomes by engaging earlier in the customer project planning phase. This helps to ensure that we maximise our share of total project spend.

In DIFM, we have expanded our very successful kitchen digital experience to include bathrooms, and we are leveraging virtual / augmented reality to improve the showroom journey online and in store. Additional content is being added to support the growth in DIFM service categories.

We are increasing the appeal of the TradePro scheme by creating a loyalty proposition stronger than a simple discount scheme. There is more personalisation, targeted events, and additional services for our most loyal customers.

Our DIY app launched successfully in the fourth quarter of 2021, and conversion rates are already double that of other devices. We continue to develop the app features, for example adding different payment options and improving the accessibility of our extended range.

DIY Category Wins

Our highly curated range continues to work well, supporting strong levels of Core sales growth and market share improvement through the year, with extended ranges available through our in-store online terminals (OLI), our website and our new consumer app.

As part of our strategy to capture market share in underweight categories, range reviews were completed in garden maintenance and decorating areas, as well as flooring, timber & sheet materials and doors, delivering strong sales growth and improved stock turn, with an in-store SKU range reduction supported by an extended range online. We also introduced innovative new products such as water-resistant laminate flooring, Wickes branded peat-free compost and a Samsung range of connected smart appliances.

Responsible Business Strategy

At the point of demerger, we laid out our ambition to grow a responsible, sustainable business. We have now repositioned all of our ESG work under the banner of Responsible Business, and the three pillars of People, Environment, and Homes, supported by strong governance, safety and wellbeing, and responsible sourcing. This strategy is the framework on which all of our ESG targets and disclosures will be built. Our Responsible Business Committee is chaired by Non-executive Director Sonita Alleyne, who oversees and guides the work of the strategy, supported by the newly formed Responsible Business Working Group.

People - In the year, we continued to strengthen our inclusion and diversity colleague networks. We have grown our LGBT+ allies, delivered disability smart training, extended our mental health first aiders, and seen over 380 managers taking part in our Race, Ethnicity and Identity programme. Store management diversity continues to improve, with over 67% of stores having at least one female in the leadership team. We also launched a partnership with Peppy Health, supporting our colleagues with menopause and fertility services. Wickes continues to focus on supporting young people across our communities. We have launched our first to market ‘Installer Apprenticeship’ scheme, as well as supporting the government's Kick Start programme. We have now raised over £1m for Young Minds, our charity partner and, following a trial of our new Store Community Programme, which supported over 50 charity partners and schools across four regions, this programme is now being rolled out across our store estate.

Environment - This year we have been working hard to understand our environmental impact. We have completed our first carbon footprinting exercise for our Scope 1, 2, and 3 emissions, as well as successfully assuring the data to be used in future carbon reduction targets. We have started testing new low-carbon technologies for future use in our estate, including electric air source heat pumps for our stores, and electric vans for our distribution centres. We have also invested in a new energy analytics platform to improve our energy efficiency, and are working on new low-carbon guidance for refit and new stores.

Homes - We continue to improve our products and packaging, developing a packaging portal for launch this year, that will consolidate all of our packaging data into a single database to allow for improved visibility and management. In order to better understand our customers needs when it comes to sustainable products, we have hosted several customer closeness sessions to understand how we can support customers with sustainable home improvement. We have also started a review of our ranges to improve our offering of responsibly sourced and energy efficient products.

We have been working hard to integrate environmental and social considerations into our supply chain and partnerships, completing our first supply chain scope 3 carbon emissions assessment. We continue our Sedex membership (Supplier Ethical Data Exchange), one of the world’s leading ethical trade membership organisations, and will continue to ensure all factories supplying Wickes branded products undergo a periodic ethical audit using the SMETA format (Sedex Members Ethical Trade Audit). All of our imported timber supply chains have been mapped to ensure products continue to come from legal, verified sources, we have introduced a Wickes branded Peat-free multipurpose compost and have been working on the removal of chromium VI (Cr6) from all Wickes branded products.

Summary

We operate in a growing market with strong fundamentals and our uniquely balanced business, with revenues split between our three customer propositions of Local Trade, Do-it-for-me and DIY, offers the best exposure to the fastest growing sectors in the market. Throughout 2021, we have continued to capitalise on our distinctive proposition, while at the same time adapting, transforming and innovating and critically, accelerating the key strategic growth levers that underpin and ensure the exciting future ahead of us.

Autonomy / IT separation progress
Following the decision by the Board of Travis Perkins plc to progress the demerger of Wickes, a TSA (transitional service agreement) was established to manage an effective and successful separation of the two businesses. The IT separation programme was fully re-mobilised during the year, having been considerably reduced in scope in 2020. We are currently on track to complete separation of the IT infrastructure away from Travis Perkins within two years of the demerger, with a remaining associated 'one off' separation cost of around £30m in 2022-23. All aspects of the programme will continue to be overseen by the Wickes Executive and PLC Board who monitor delivery and mitigate any operational risk arising.

Financial review

The period ending 1 January 2022 reflects an excellent financial performance with sales and profit growing strongly year on year, despite ongoing disruption from the COVID pandemic. This is a reflection of a balanced and resilient business model which is underpinned by a digitally enabled and service based proposition, ensuring the business can meet the changing needs of customers in an agile and responsive way.

Revenue
Revenue for the 53 weeks to 1 January 2022 was £1534.9m, an increase of 14.0% on the prior year. Core sales increased by 15.1% to £1234.7m, with DIFM up by 9.4% to £300.2m. Excluding the impact of the 53rd week and a modest reduction in space, comparable period like for like (LFL) sales increased by 13.0%.

Core LFL revenue grew by 14.2% for the full year and 35.7% on a two-year basis, with growth delivered across a broad range of categories supported by both DIY and local trade customers. Commodity cost inflation accelerated into the second half, and cash cost increases were successfully passed on to customers over the period, whilst maintaining our competitive price position. Retail price inflation for the full year was around 7%.

In the first half, LFL of 36.2% was driven by strong DIY and local trade transaction growth where we continued to build share in a buoyant home improvement market. In the second half, LFL declined by -4.4% against tougher comparatives from the prior year, with the two-year growth remaining strong at 26.7% and holding up well into the fourth quarter. Second half performance was notably supported by buoyant local trade activity with our trade customers continuing to see a healthy pipeline of work.

Within DIFM both the ordered and delivered sales profile was variable, reflecting the impact of Covid lockdown and supply chain disruption on the current and prior years. Orders were affected in the first part of 2021, with showrooms closed through to mid April which included our key winter sale trading period. Customer interaction was supported by our newly developed virtual showroom journey, however, this could not fully compensate for showroom closures. Orders then recovered well in Q2 against weak comparatives and the year finished strongly.

Delivered DIFM LFL revenue grew by 8.5% for the full year. Bathroom sales were particularly buoyant following a full range change towards the end of 2020 and installation participation continues to expand. Growth was notably strong in Q2 as we annualised the first period of full lockdown in 2020. Performance in the second half was impacted by supply chain challenges, including shortages of materials and project completion delays. Much of this was linked to self-isolation among supplier workforces, installers and customers. Lead times extended from an average of 6-8 weeks to more than double in certain periods and locations, although we remained in a strong competitive position across the market. As a result of these extended lead times, our carry forward order book was more than double that of two years ago at well over £100m and this will support delivered DIFM sales in 2022.

Gross Profit

Gross profit for the full year was £568.5m (37.0% of revenue), up 11.7% on last year at £509.1m (37.8% of revenue), an 80 basis point decline in gross profit rate. As anticipated, the gross profit margin reduction was impacted primarily by inflation, a return to more normalised trading activity, product and customer mix.

Our strategy to pass inflationary cost price increases through to customers on a cash recovery basis whilst maintaining a competitive price position, negatively impacted the gross profit margin %, accelerating into the second half. TradePro participation continued to grow, driving sales at a proportionately lower level of margin and within DIFM, bathrooms and installations performed strongly. From a fulfilment perspective, distribution supported the recovery of stock in the second half with less opportunity to generate operational leverage compared to the first half of the financial year. Home delivery participation remains broadly consistent year on year - with self service growing and click & collect reducing.

Adjusted Operating Profit

Adjusted operating profit was £116.3m, up from £81.6m in 2020. The figures for both financial years do not include any government support, as the benefit initially taken in the first half of 2020 was repaid in the second half. Our adjusted operating profit margin was 7.6%, ahead of the 6.1% reported in 2020 and 7.4% in 2019. This strong underlying profit performance is driven by Core sales growth together with operational cost leverage, partially offset by the reduction in gross profit margin.

The cost to sales ratio improved by 230bp, with selling costs benefiting from operational cost leverage and reduced Covid-related costs through our store portfolio, partially offset by higher administrative costs. Administration costs include £6m of incremental PLC costs as anticipated at demerger, additional marketing costs of £8m which returned to more normalised activity following a temporary reduction in 2020, and bonus of £7m which reflects recognition across the business linked to the strong profit performance. As expected, the 53rd week had minimal impact on profitability.

Net finance costs

Full year finance costs were £31.3m, reduced from £32.1m in 2020 principally reflecting lower interest on lease liabilities.

Adjusted profit before tax

After finance costs adjusted profit before tax for 2021 was £85.0m, a 71.7% increase on the £49.5m reported for the prior year.

Adjusting Items

Pre-tax adjusting item charges for the full year were £19.6m, broadly in line with 2020 and primarily relate to demerger and IT separation costs. Demerger costs were £5.3m, slightly lower than anticipated at the half year and predominantly relate to professional fees. IT separation costs to migrate systems away from the Travis Perkins infrastructure were £14.2m in the year, slightly lower than anticipated due to later mobilisation of activity. We estimate remaining investment of c£30m over 2022/23 which will enable the business to step away from the transitional services agreement in place with Travis Perkins.

Tax on adjusting items of £9.9m includes an adjusting credit of £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 in H1 2021. The rate change recognised at 26 December 2020

(£2.4m) represents the increase in the rate of UK corporation tax effective from 1 April 2020 from 17% to 19%.

Profit before tax
Profit before tax was £65.4m compared with £28.9m in the prior year. This improvement in performance was primarily driven by the strong trading results outlined above.

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 53 weeks ended 1 January 2022 is 19.4% (52 weeks ended 26 December 2020 18.0%).

Capital Investment
Capital investment in the financial year totalled £26.5m, comprising £13.0m of investment in our store estate, £5.4m supporting DIFM range review activity, £6.1m of investment in our IT/Digital capability together with £2.0m of maintenance capital. Overall, capital investment was slightly lower than expected due to later timing of projects. For FY2022, we expect capex to be around £45m, reflecting a step up in refit and new store activity.

Cash / Net debt
Year end net cash was £123.4m, this compares with the prior financial year at £6.5m and the prospectus pro-forma position of £125.0m. As indicated at the interim results, the cash position moderated from the half year at £204.2m. This reflects normal working capital cycles in the business including the impact of week 53, second half weighting of investment and IT separation costs, dividend payments together with a significant rebuild of inventory.

The inventory position strengthened to £188.2m compared with the prior year at £138.3m and 2019 at £150.4m. This reflects a combination of stock re-build following Covid supply chain disruption and inflation, together with investment to assure strong availability as we move into our key Spring 2022 trading season.

Lease liabilities were £742.1m compared to £790.0m in the prior year primarily reflecting the profile of property leases with fewer renewals in the near term.

Net debt reduced to £618.7m compared to the prior year of £783.5m and the prospectus pro-forma position of £665.0m. Our IFRS net debt leverage (measured by the ratio of net debt to EBITDA) was 2.8x in 2021.

Dividend
In line with an enhanced payout ratio of 40%, a final dividend of 8.8p is proposed in respect of the 53 weeks ending 1 January 2022, taking the full year dividend to 10.9p. The final dividend will be paid on 8 June 2022 to shareholders on the register at the close of business on 22 April 2022 (the Record Date). The shares will be quoted ex-dividend on 21 April 2022.

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 2022.

Capital Structure review
Wickes is a cash generative business with modest ongoing maintenance capital expenditure requirements. With strong market fundamentals and a number of proven levers to deliver growth, our strong cash flow allows the flexibility to support growth through disciplined investment including store refits, new stores, digital development and range reviews, alongside providing an attractive return for shareholders. Investment also continues in the short term to support the IT separation from Travis Perkins.

Wickes remains committed to retaining a strong balance sheet, and this includes an acknowledgement that we carry a significant level of leasehold debt and the need to fund seasonal working capital. Having reviewed our capital requirements over the medium term, we intend to operate with lease adjusted net debt / EBITDA of consistently less than 2.75x and to maintain cash balances to fund our working capital.

Alongside maintaining a strong balance sheet, we intend to invest our cash flow behind our high returning growth levers to support our continued market outperformance. We will balance that investment with an enhanced dividend payout ratio of 40% of adjusted profit after tax, with approximately one third typically paid as an interim dividend.

Where the business generates cash in excess of that needed to maintain a strong balance sheet, fund investment for growth and once the ordinary dividend has been met, the Board may conclude that it has surplus cash. Were this to arise, there is currently a preference to return this surplus cash to shareholders via share buybacks or special dividends.

Updated technical guidance

The following represents full year guidance for FY2022:

- FYE of plc costs expected to offset further reduction in Covid costs
- Full year interest charge of £29m;
- Full year adjusted tax rate c20%;
- Capex of around £45m;
- IT separation costs expected to be c£30m over 2022/23 (within adjusting items).

Appendix

Quarterly like-for-like sales growth

	1 Year Like for Like Sales Growth %			2 Year Like for Like Sales Growth %		
	Core	**DIFM**	**Total**	**Core**	**DIFM**	**Total**
Quarter 1 (13 weeks to 27 Mar)	38.5%	(25.0)%	19.7%	51.5%	(28.3)%	25.6%
Quarter 2 (13 weeks to 26 Jun)	34.2%	185.7%	47.6%	38.4%	(27.5)%	19.7%
Quarter 3 (13 weeks to 25 Sep)	(2.3)%	0.7%	(1.6)%	27.4%	(12.4)%	16.3%
Quarter 4 (13 weeks to 25 Dec)	(6.8)%	(2.7)%	(5.9)%	25.9%	(17.2)%	12.9%
Full year (52 weeks to 25 Dec)	14.2%	8.5%	13.0%	35.7%	(21.7)%	18.6%

Notes: FY21 total sales growth will comprise the 53 weeks to 1 January 2022. LFL figures are based on the comparative 52 weeks to 25 December (FY20 was 52 weeks to 26 December). DIFM represents delivered sales. A change in the timing of revenue recognition at year end has resulted in a lower level of Q4 DIFM LFL than reported on 20 January

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 6. Removal of such adjusting items allows the reader to understand the impact of the separation and demerger project separately from the performance of the underlying business.

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

Consolidated income statement and other comprehensive income

		53 weeks ended 1 January 2022			52 weeks ended 26 December 2020		
(£m)	**Notes**	**Adjusted**	**Adjusting items (note 6)**	**Total**	**Adjusted**	**Adjusting items (note 6)**	**Total**
Revenue	4	1,534.9	—	1,534.9	1,346.9	—	1,346.9
Cost of sales		(966.4)	—	(966.4)	(837.8)	—	(837.8)
Gross profit		**568.5**	**—**	**568.5**	**509.1**	**—**	**509.1**
Selling costs		(330.9)	—	(330.9)	(323.5)	—	(323.5)
Administrative expenses		(121.3)	(19.6)	(140.9)	(104.0)	(20.6)	(124.6)
Operating profit		**116.3**	**(19.6)**	**96.7**	**81.6**	**(20.6)**	**61.0**
Finance costs	5	(31.3)	—	(31.3)	(32.1)	—	(32.1)
Profit before tax		**85.0**	**(19.6)**	**65.4**	**49.5**	**(20.6)**	**28.9**
Tax	7	(16.5)	9.9	(6.6)	(8.9)	6.3	(2.6)
Profit for the period and total comprehensive income		**68.5**	**(9.7)**	**58.8**	**40.6**	**(14.3)**	**26.3**
Profit for the period attributable to owners of the parent company		**68.5**	**(9.7)**	**58.8**	**40.6**	**(14.3)**	**26.3**
Earnings per share							
Basic and diluted	**8**			**23.3p**			**10.4p**
Adjusted earnings per share							
Basic				**27.2p**			**16.1p**
Diluted	**8**			**27.1p**			**16.1p**

There are no recognised gains and losses other than those included in the Income Statement above and therefore no separate Statement of Other Comprehensive Income has been presented.

Consolidated balance sheet

(£m)	As at 1 January 2022	As at 26 December 2020
Assets		
Non-current assets		
Goodwill	8.4	8.4
Other intangible assets	12.5	12.3
Property, plant and equipment	105.0	103.1
Right-of-use assets	604.6	654.2
Deferred tax asset	30.1	24.0
Total non-current assets	**760.6**	**802.0**
Current assets		
Inventories	188.2	138.3
Trade and other receivables	84.0	261.6
Derivative financial instruments	0.7	–
Cash and cash equivalents	123.4	6.5
Total current assets	**396.3**	**406.4**
Total assets	**1,156.9**	**1,208.4**

Equity and Liabilities		
Capital and reserves		
Issued share capital	26.0	25.2
EBT share reserve	(0.8)	–
Other reserve	(785.7)	(785.7)
Retained earnings	921.3	890.3
Total equity	**160.8**	**129.8**
Non-current liabilities		
Lease liabilities	660.7	712.8
Long-term provisions	1.2	0.3
Total non-current liabilities	**661.9**	**713.1**
Current liabilities		
Lease liabilities	81.4	77.2
Trade and other payables	241.8	277.9
Short-term provisions	11.0	10.4
Total current liabilities	**334.2**	**365.5**
Total liabilities	**996.1**	**1,078.6**
Total equity and liabilities	**1,156.9**	**1,208.4**

Consolidated statement of changes in equity

(£m)	Notes	Issued share capital	Share premium account	EBT Share reserves	Other reserves	Retained earnings	Total equity
At 28 December 2019		**25.2**	**862.3**	**–**	**(785.7)**	**176.8**	**278.6**
Profit for the period and other comprehensive income		–	–	–	–	26.3	26.3
Share capital reduction		–	(862.3)	–	–	862.3	–
Dividends paid	10	–	–	–	–	(176.8)	(176.8)
Equity-settled share-based payments		–	–	–	–	1.7	1.7
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	10	–	–	–	–	(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**

Consolidated cash flow statement

£m	Notes	53 weeks ended 1 January 2022	Restated 52 weeks ended 26 December 2020 (see note 3)
Cash flows from operating activities			
Operating profit		96.7	61.0
Adjustments for:			
Amortisation of internally-generated intangibles		5.2	4.5
Depreciation of property, plant and equipment		19.1	21.3
Depreciation of right-of-use assets		78.1	77.3
Impairment of property, plant and equipment		0.2	–
Impairment of right-of-use assets		5.1	12.1
Reversal of impairment of right-of-use assets		(1.0)	–
Gains on terminations of leases		(1.6)	(1.9)
Losses on disposal of property, plant and equipment		0.6	1.6
Foreign exchange		(2.0)	-
Share-based payments		3.8	1.7
Operating cash flows		**204.2**	**177.6**
Movements in working capital:			
(Increase)/decrease in inventories		(49.9)	12.1
(Increase)/decrease in trade and other receivables		(7.4)	27.1
(Decrease)/increase in trade and other payables		(0.7)	46.7
Increase/(decrease) in provisions		1.8	(2.9)
Cash generated from operations		**148.0**	**260.6**
Interest paid		(0.7)	(0.1)
Interest on lease liabilities		(31.3)	(32.0)
Income taxes paid		(14.6)	(17.3)
Net cash inflow from operating activities		**101.4**	**211.2**
Cash flows from investing activities			
Purchases of property, plant and equipment		(20.4)	(17.2)
Development costs of computer software		(6.1)	(2.9)
Proceeds on disposal of property, plant and equipment		1.2	0.2
Interest received		0.1	–
Net repayments from/(cash advances to) Travis Perkins group		123.5	(134.4)
Net cash inflow/(outflow) from investing activities		**98.3**	**(154.3)**

Cash flows from financing activities			
Payment of lease liabilities		(77.5)	(75.8)
Dividends paid to equity holders of the Parent		(5.3)	–
Net cash outflow from financing activities		**(82.8)**	**(75.8)**
Net increase/(decrease) in cash and cash equivalents		**116.9**	**(18.9)**
Cash and cash equivalents at the beginning of the period		**6.5**	**25.4**
Cash and cash equivalents at the end of the period		**123.4**	**6.5**

Notes

1. Accounting policies

The Group's principal accounting policies are set out in the Annual Report and Accounts, which is available from 25 March 2022 on the Company's website www.wickes.co.uk

2. Statutory accounts

The financial information set out in this statement does not constitute the Company's statutory accounts for the financial year ended 1 January 2022, but is derived from those accounts.

The comparative figures for the 52 weeks ended 26 December 2020 are not derived from the statutory accounts for that financial year. The Company statutory accounts were prepared in accordance with Financial Reporting Standard ("FRS 102") issued by the Financial Reporting Council and the Companies Act 2006 and were reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor on those accounts (i) was unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report, and (iii) did not contain statements under section 498 (2) or (3) of the Companies Act 2006. The Company was exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements.

The Company prepared non-statutory consolidated financial statements for the 52 weeks ended 26 December 2020, in accordance with international reporting standards in conformity with the requirements of the Companies Act 2006, which has been presented in the Wickes Group Plc Prospectus in March 2021. The Group first adopted IFRS in its preparation of the non-statutory consolidated financial statements which have been presented in the Wickes Group Plc Prospectus in March 2021. The comparative figures in this financial information is derived from those non-statutory financial statements.

The 2020 full year non-statutory financial statements as disclosed in the Company's prospectus are available on the Company's website.

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. Prior year restatement

Following reconsideration in the current period, the cash flow statement for the period ended 26 December 2020 presented in the Wickes Group Plc Prospectus has been restated to reclassify certain cash flows within the cash flow statement as follows:

Cash advanced to Travis Perkins Plc group entities had previously been presented as operating cash flows (included in the movement in receivables). In accordance with the requirements of IAS 7, these cash flows have been re-presented as investing cash flows. The effect of this adjustment is that the net cash inflow from operating activities and net cash outflow from investing activities have increased by £134.4 million.

There has been no change in the net increase/ (decrease) in cash and cash equivalents as a result of this restatement. The restatement has no effect on reported profit or net assets for any period presented.

4. 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 activities 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.

Revenue (£m)	**53 weeks ended 1 January 2022**	**52 weeks ended 26 December 2020**
Core (product sales)	1,234.7	1,072.4
“Do It For Me” (project sales)	300.2	274.5
	1,534.9	**1,346.9**

Revenue reconciliation and like-for-like sales (£m)	**53 weeks ended 1 January 2022**	**52 weeks ended 26 December 2020**
2020 / 2019 revenue	1,346.9	1,292.4
Network change	(4.8)	(10.1)
2020 / 2019 like-for-like revenue	1,342.1	1,282.3
Like-for-like revenue	174.8	64.6
2021 / 2020 like-for-like revenue	1,516.9	1,346.9
Network change	0.4	–
Other movements	17.6	–
2021/ 2020 revenue	1,534.9	1,346.9
Like-for-like revenue (%)	13.0%	5.0%

Calculating like-for-like sales 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 sales are a measure of sales performance for two successive periods. Stores contribute to like-for-like sales once they have been trading for more than twelve months. Revenue included in like-for-like sales is for the equivalent times in both periods being compared. When branches close, revenue is excluded from the prior period figures for the months equivalent to the post closure period in the current period.

Other movements represent the impact of the fact that the financial year ended 1 January 2022 is a 53 week period, whereas the financial year ended 26 December 2020 was 52 weeks; the extra week is presented separately to enable direct comparison.

5. Net finance costs

(£m)	**53 weeks ended 1 January 2022**	**52 weeks ended 26 December 2020**
Finance income		

Net gains on remeasurement of derivatives at fair value	0.7	–
Interest receivable	0.1	–
	0.8	**–**
Finance costs		
Interest on lease liabilities	(31.3)	(32.0)
Amortisation of loan arrangement fees	(0.1)	–
Commitment fee on revolving credit facilities	(0.6)	–
Other interest	(0.1)	(0.1)
	(32.1)	(32.1)
Net finance costs	**(31.3)**	**(32.1)**

The net 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 is recognised in the income statement as net finance costs. There were no derivative financial instruments in the comparative periods presented.

6. 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 an understanding of the Group's underlying trading performance and the separate impact of one off or unusual events in the financial year, 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 the Travis Perkins Group's IT systems, and the effect of changes in corporation tax rates on deferred tax balances.

To enable a reader of the financial statements to obtain a fuller understanding of the underlying trading and to allow comparability between periods and give a better indication of potential future periods, the Directors have presented the items below separately in the income statement.

(£m)	**53 weeks ended 1 January 2022**	**52 weeks ended 26 December 2020**
Adjusting items – operating		
Demerger related costs	5.3	0.6
Right-of-use asset impairment charge	1.1	10.2
Reversal of impairment of right-of-use assets recognised in prior financial years	(1.0)	–
IT separation project costs	14.2	7.6
Restructuring costs	–	2.2
Total pre-tax Adjusting items	**19.6**	**20.6**
Adjusting items – tax		
Tax on adjusting items	(3.2)	(3.9)
Adjusting items – deferred tax rate change	(6.7)	(2.4)
Total tax on Adjusting items	**(9.9)**	**(6.3)**

Total post-tax Adjusting items	9.7	14.3

Demerger related costs

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

Right-of-use asset impairment charges and reversals

In the period ended 1 January 2022, a further impairment charge of £1.1m has been recognised on stores that had previously been identified as impaired in 2020. £1.0m of impairment charges identified in 2020 was reversed due to the improved performance of the store.

In the period ended 26 December 2020, the pandemic and related government restrictions implemented on 23 March 2020 was considered an impairment trigger and as a result all stores were tested for impairment. These impairment reviews resulted in a £12.1m impairment charge in respect of right-of-use assets, which were the only material assets of these stores in the prior period. This charge is stated net of £1.9m of gains on the termination of leases where the right-of-use asset had previously been impaired and presented as an adjusting item in the 52 weeks ended 26 December 2020.

The nature of the original impairments, given that they arose due to the pandemic, was considered to arise from a one-off or unusual event, and the impairment in the financial year ended 26 December 2020 was therefore recognised within adjusting items. In order to be consistent, revisions to these previous impairment charges have been recognised within adjusting items.

In a portfolio of stores there will be, from time to time, impairments rising on certain specific stores that do not arise from such a one off event, but arise from underlying trading performance. These impairments are therefore included within adjusted profit. In the current financial year, impairment charges totalling £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 entirely standalone IT environment from the Travis Perkins Group. These costs have included the costs of creating standalone versions of already existing systems, of transferring data from Travis Perkins systems onto these standalone systems, of upgrading some older legacy systems to newer “software as a service” solutions, and of managing the project. Costs related to maintenance and licence of existing systems are included in underlying trading 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 underlying trading.

Restructuring costs

There were no restructuring costs in the 53 weeks ended 1 January 2022.

The restructuring charge of £2.2m in the 52 weeks ended 26 December 2020 relates to the cost-reduction programmes announced for the Wickes business in May 2020 and consist of redundancy and reorganisation costs in the business.

Deferred tax rate change

The tax charge includes an adjusting credit of £6.7m (52 weeks ended 26 December 2020: £2.4m) 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 deferred tax credit of £2.4m in the 52 weeks ended 26 December 2020 arises from the increase in the rate of UK corporation tax effective on 1 April 2020 from 17% to 19%.

7. Taxation

(£m)	53 weeks ended	52 weeks ended

	1 January 2022	26 December 2020
Current tax		
UK corporation tax expense	12.4	7.3
UK corporation tax adjustment to prior periods	(0.1)	0.1
Total current tax charge	**12.3**	**7.4**
Deferred tax		
Deferred tax movement in financial year	0.7	(2.0)
Effect of change in tax rate	(6.7)	(2.4)
Adjustments in respect of prior periods	0.3	(0.4)
Total deferred tax credit	**(5.7)**	**(4.8)**
Total tax charge	**6.6**	**2.6**

The differences between the total tax charge and the amount calculated by applying the standard rate of UK corporation tax of 19.0% (2020: 19.0%) to the profit before tax for the Group are as follows:

(£m)	**53 weeks ended 1 January 2022**	**52 weeks ended 26 December 2020**
Profit before taxation	**65.4**	**28.9**
Tax at the standard corporation tax rate	12.4	5.5
Effects of:		
Depreciation of non-qualifying property	0.9	0.6
Tax effect of expenses that are not deductible	0.4	0.2
Adjustment to prior period	0.2	(0.3)
Effect of share based payments	(0.2)	–
Change in tax rate	(6.7)	(2.4)
Other differences	(0.4)	(1.0)
Total tax charge	**6.6**	**2.6**

The tax charge includes an adjusting credit of £6.7m. (52 weeks ended 26 December 2020: £2.4m) 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 deferred tax credit of £2.4m in the 52 weeks ended 26 December 2020 arises from the increase in the rate of UK corporation tax effective on 1 April 2020 from 17% to 19%.

The effective tax rate for the period is 10.1% (2020: 9.0%). The 2021 and 2020 effective tax rates are affected by the impact of the change in tax rate on the Group's deferred tax asset and the loss on legal entity restructuring. 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 53 weeks ended 1 January 2022 is 19.4% (52 weeks ended 26 December 2020: 18.0%). The underlying effective tax rate can be calculated directly from the income statement.

8. 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 53 weeks period ended 1 January 2022.

(£m)	53 weeks ended 1 January 2022	52 weeks ended 26 December 2020
Profit attributable to the owners of the Parent	58.8	26.3
(No.)		
Weighted average number of ordinary shares	256,163,656	252,143,923
Adjustment for weighted average number of shares held in EBT	(4,019,733)	–
Weighted average number of ordinary shares in issue	252,143,923	252,143,923
Basic earnings per share (in pence per share)	23.3p	10.4p

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)	**53 weeks ended 1 January 2022**	**52 weeks ended 26 December 2020**
Profit attributable to the owners of the Parent	58.8	26.3
(No.)		
Weighted average number of shares in issue	252,143,923	252,143,923
Diluted effect of share options on potential ordinary shares	259,182	–
Diluted weighted average number of ordinary shares in issue	252,403,105	252,143,923
Diluted earnings per share (in pence per share)	**23.3p**	**10.4p**

The Directors believe that EPS excluding Adjusted 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 view of the trading performance of the Group.

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

(£m)	**53 weeks ended 1 January 2022**	**52 weeks ended 26 December 2020**
Profit attributable to the owners of the parent from continuing operations	58.8	26.3
Adjusting items before tax	19.6	20.6
Tax on adjusting items	(3.2)	(3.9)
Adjusting items – deferred tax	(6.7)	(2.4)
Adjusting items after tax (note 6)	9.7	14.3
Adjusted profit	68.5	40.6
Weighted average number of ordinary shares in issue	**252,143,923**	**252,143,923**
Weighted average number of dilutive ordinary shares in issue	**252,403,105**	**252,143,923**
Adjusted basic earnings per share (in pence per share)	**27.2p**	**16.1p**
Adjusted diluted earnings per share (in pence per share)	**27.1p**	**16.1p**

9. Movement in net debt

(£m)	Cash and cash equivalents	Lease liability	Total
At 28 December 2019	**(25.4)**	**855.0**	**829.6**
Cashflow			
Net cash advances to Travis Perkins group	134.4	–	134.4
Increase in cash and cash equivalents – other	(115.5)	–	(115.5)
Repayment of lease liabilities	–	(107.8)	(107.8)
Discount unwind on lease liability	–	32.0	32.0
Lease additions	–	15.0	15.0
Lease terminations	–	(4.2)	(4.2)
At 26 December 2020	**(6.5)**	**790.0**	**783.5**
Cashflow			
Net repayments from Travis Perkins group	(123.5)	–	(123.5)
Increase in cash and cash equivalents – other	6.6	–	6.6
Repayment of lease liabilities	–	(108.8)	(108.8)
Discount unwind on lease liability	–	31.3	31.3
Lease additions	–	35.5	35.5
Lease terminations	–	(5.9)	(5.9)
At 1 January 2022	**(123.4)**	**742.1**	**618.7**

Balances (£m)	**As at 1 January 2022**	**As at 26 December 2020**
Cash and cash equivalents	(123.4)	(6.5)
Current lease liabilities	81.4	77.2
Non-current lease liabilities	660.7	712.8
Net debt	**618.7**	**783.5**

During the 53 weeks ended 1 January 2022, the Group received £123.5m cash settlement of certain intercompany balances owed by the Travis Perkins Group 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 the Travis Perkins Group.

10. Dividends

(£m)	As at 1 January 2022	As at 26 December 2020
Amounts recognised in the financial statements as distributions to equity shareholders are shown below:		
final dividend for the 52 weeks ended 26 December 2020 of nil pence (2019: nil pence)	–	–
interim dividend for the 53 weeks ended 1 January 2022 of 2.1 pence (2020: nil pence)	5.3	–

In the periods before the demerger date, dividend payment of £30.0m was recognised in the financial statements as distributions to the former sole shareholder, Travis Perkins Plc, in the 53 weeks ended 1 January 2022 (52 weeks ended 26 December 2020: £176.8m).

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

A final dividend of 8.8p is proposed in respect of the 53 weeks ending 1 January 2022. It will be paid on 8 June 2022 to shareholders on the register at the close of business on 22 April 2022 (the Record Date). The shares will be quoted ex-dividend on 21 April 2022.

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 2022.