Wickes Group plc - Interim Results 2022
for the 26 weeks period to 2 July 2022

Record first half sales with further market share gains in a challenging macro backdrop

Financial Highlights

- Revenue growth of 1.3% to £822.3m (H1 2021 £812.0m) against strong prior year comparatives
- Further market share gains in Core[1], and a strong recovery in delivered DIFM sales
- Like for Like ('LFL')[2] sales up 0.8%, and 23.4% on a three-year basis
- Adjusted profit before tax £45.6m (H1 2021 £46.5m)
- Reported profit before tax of £33.5m reflecting primarily IT separation costs (H1 2021 £35.7m)
- Net cash position of £166.5m (H1 2021 £204.2m), improved from the year end position of £123.4m reflecting the normal working capital cycle in the business
- Net debt £558.5m (H1 2021 £564.8m)
- Interim dividend declared of 3.6p (H1 2021 2.1p), reflecting our intention to maintain the same full year cash dividend as FY 2021

Operational Highlights

- Acceleration in membership growth of our TradePro loyalty scheme, with around 10,000 new customers signing up each month and a current base of over 700k
- Overall Core LFL -5.5% against buoyant prior year sales; profit contribution declined although market share was up reflecting the strength of our leading value proposition
- Recovery in DIFM delivered sales, up 29.7% LFL, with strongly improved profitability as we work through the order book which at £136m remains significantly ahead of the prior year
- Acceleration of store refit programme with 11 planned for the full year; returns and sales uplifts against heritage stores remain over 25%
- First new store set to open in Q4 in Bolton, as we look to open 20 new stores over five years
- Launched 30 minute click & collect and increased home delivery capacity by 10%
- Submitting Science-Based Targets for carbon emissions reduction by the end of September

Current Trading & Outlook

As guided in our 26 July trading update, we have seen a recent softening of the DIY market from the very high levels of demand experienced during the pandemic. While the macroeconomic environment remains uncertain, we are confident that we have the right model to continue outperforming the market. We reaffirm our guidance for full year adjusted PBT in the range of £72 - 82m.

David Wood, Chief Executive, commented:

"This was a half in which we achieved record sales, as customers continued to be attracted to our market leading value, choice and availability and I would like to thank all my colleagues for their hard work and support in delivering these results. While market volumes have declined, we have made further market share gains and delivered a particularly strong performance in Trade, with an acceleration in the rate of sign-ups to our TradePro membership scheme.

"In DIY, we continue to cater for an increased number of younger customers who first turned to home improvement during the pandemic, while in DIFM, delivered showroom sales have remained robust as we launched new kitchen and bathroom ranges and worked through the elevated order book.

"As previously stated, we have seen some softening in the DIY market from the very high levels of demand experienced during the pandemic. However, we continue to outperform the wider home improvement market and our confidence in our long term strategy is unchanged, reflected in our continued investment to drive further growth.

"Looking ahead, we remain confident that our uniquely balanced business model, coupled with our market-leading value, leaves us well-positioned within a large and growing home improvement market."

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[1] Source: GfK GB PoS data, sourced from GfK DIY Category Reporting June 2022
[2] For a definition of LFL sales, see note 3 of the interim financial statements

Summary of half year financial results

£m	26 weeks to 2 Jul 22	26 weeks to 26 Jun 21	Change
Revenue *Core* *DIFM*	**822.3** *632.6* *189.7*	**812.0** *666.7* *145.3*	**1.3%** (5.1)% 30.6%
Gross profit *Gross profit %*	**292.6** *35.6%*	**294.8** *36.3%*	**(0.7)%**
Adjusted* operating profit *Adj operating profit %*	**56.3** *6.8%*	**61.9** *7.6%*	**(9.0)%**
Adjusted* profit before tax	**45.6**	**46.5**	**(1.9)%**
Adjusted* basic earnings per share	**14.5p**	**14.6p**	**(0.7)%**
Reported operating profit *Operating profit %*	**44.2** *5.4%*	**51.1** *6.3%*	**(13.5)%**
Reported profit before tax	**33.5**	**35.7**	**(6.2)%**
Basic earnings per share	**10.7p**	**13.5p**	**(20.7)%**
Interim Dividend	**3.6p**	**2.1p**	71.4%

**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, and the effect of changes in corporation tax rates on deferred tax balances (see note 2 of the interim financial statements for a detailed explanation of these items). These measures have been explained, reconciled and calculated in note 14 of the interim financial statements.*

Investor & Analyst meeting

A webcast for investors and analysts will be available today at 9.00am (UK time), followed by a live Q & A with the Wickes management team. The webcast can be accessed at: [Wickes - Interim 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 229 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 the first half, benefitting from its market-leading value proposition and underpinned by its uniquely balanced business model. Despite lower market volumes we maintained our track record of achieving market share gains in our Core business, with the growth of our TradePro customer base a particular feature. DIFM ordered sales were up modestly in the first half, with delivered sales benefitting from working through the elevated order book.

Market

Despite the full lifting of Covid restrictions in the period compared with the first half last year, many market changes brought about by the pandemic have remained. Many businesses have retained hybrid working practices, increasing the dwell time at home, fuelling further desire for homeowners and tenants to invest in their properties. While there are well-documented challenges facing the consumer, home improvement remains an attractive and large market worth £26.5bn.

Market fundamentals remain strong, underpinned by full employment and a healthy property market with the ongoing need for RMI (Repair, Maintenance and Improvement) investment and interest in making properties more energy-efficient, all supporting project work in the home. With high levels of price inflation, driven by global factors including energy inflation and supply chain disruption, market volumes have declined in the first half. Looking forward, our most recent Mood of the Nation survey indicates a moderate slowing of demand for home improvement from its post-Covid levels, order books for the trade remain very strong, with around 25% of those surveyed having order books for 12 months or more.

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 as market conditions become more challenging.

Our value credentials and the strength of our digital offer are reflected in our TradePro customer base, which has increased by 10,000 per month since the start of the year, a much faster pace of growth than in 2021. Sales through TradePro continue to grow strongly, and we are exploring a number of initiatives to drive basket size and frequency over the next six months.

Operational progress

We are pleased to have made strong operational progress since demerger, reflected in continued growth in Core market share.

During the first half we demonstrated the flexibility of Wickes' operational model, including a number of actions undertaken to both respond to more challenging market conditions and to continue to drive efficiencies within the business to offset increases in our cost base. We have balanced both fixed and flexible resourcing to enable agility to respond to customer demand, leading to efficiencies across both store and distribution centre fulfilment costs. Whilst the first half of 2021 was characterised by high levels of Covid-related costs such as cleaning, social distancing and marshalling, these continued to unwind with the lifting of restrictions during the first half of 2022.

LFL sales across the Group were up 0.8% despite very tough comparatives in our Core business. Core LFL revenue was down by 5.5% during the first half, although on a three-year basis Core LFL revenue increased by 36.3%. On a one year basis, Core LFL sales improved in the second quarter from the first quarter, reflecting easing comparatives and the timing of Easter. During the first half we continued to prioritise our price leadership by working closely with our suppliers. We remained committed to managing supply chain inflation responsibly by passing through cash cost increases while maintaining our leading price position.

The estimated level of price inflation for the first half was 15%, driven mainly by categories such as timber and cement. We expect inflationary pressures to moderate slightly in the second half as we annualise the pressures seen in products such as timber in the second half of FY 2021, although there remain inflationary pressures in areas that are particularly impacted by the rising cost of energy, such as furnaced products. In 2023, we expect some upward pressure from freight and FX against expectations of a further moderation in supply chain inflation.

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 awareness of Wickes, as reflected in our Core market share gains and the strong performance in sales to TradePro members, which increased by 20% during the first half.

We entered the period 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. DIFM LFL delivered sales in the first half were 29.7% ahead on a one year basis. Although this was a strong performance, there was still some disruption in the first half from Covid and also some supply chain issues in areas such as appliances.

Ordered DIFM sales on a year-on-year basis were stronger in the first quarter, against a period in which our showrooms were closed in 2021, then slowed in Q2 against a rebound in orders in the prior year. As mentioned in our 26 July update, orders have slowed towards the end of the period as customers are taking longer to commit to big ticket purchases. Installation participation was broadly in line with the prior year.

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

As expected, given improvements in product availability and labour scheduling, we have been working through our elevated order book, although at the half year end it remained considerably ahead of the prior year. Our current expectation is that there will continue to be an elevated level of order book carry over into FY2023, although this will be dependent on order trends in the second half.

Winning for Trade

Our TradePro membership scheme showed increasing momentum in the period. We enrolled over 60,000 customers in the first half, taking its total membership to 690,000 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 first half of the year have adopted characteristics in line with previous cohorts recruited to the platform. Sales from TradePro customers in the first half increased by 20% compared to the same period in 2021. Our TradePro customers continue to represent strong strategic value to Wickes in terms of average order value and frequency of visit, and we continue to evolve our offering to drive further loyalty and engagement.

Alongside the positive impact of our recent sponsorship of darts coverage on Sky Sports and increasing momentum of TradePro Monday events, we are looking at ways to improve the proposition to leverage the opportunities available within this market as we continue to take market share.

To this end, we are encouraged that the results of our August Mood of the Nation survey showed that 56% of tradespeople have a pipeline of work for over three months, broadly unchanged from the start of the year.

Accelerating DIFM

Developing our digital expertise and continuous innovation of our product range continues to be a key focus within DIFM. 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. This innovation has been carried through to six new ranges of our 'Ready to Fit' offering tailored to the lower budget kitchen market.

Following the introduction of a completely new bathroom range during the second half of 2021, we continued to progressively introduce new products to showroom displays. We have also further improved our end-to-end bathroom service by driving greater engagement and endorsement 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 2,800 teams of independent contractors (FY 2021: 2,600), enabling Wickes to continue to offer the best available lead times in the market 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, and trials for new service propositions are confirming the opportunity to extend our DIFM offering to increase overall project spend within the home.

DIY Category Wins

As communicated in our most recent 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. The outlook remains uncertain, although we continue to outperform the market and expect activity to remain ahead of pre Covid levels.

In line with our strategy to capture share in underweight categories, we have grown market share in key categories such as garden and décor following recent range reviews. Most recently 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.

Digital developments

Despite annualising Covid comparatives 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 first half, including greater use of push messaging, personalisation and targeted campaigns across our digital channels. Underpinned by our predictive Missions Motivation Engine, we have also stepped up the digital experience for our trade customers, increasing the levels of engagement throughout the project journey. Increased usage of social campaigns and display marketing has also grown the awareness of the TradePro mobile app.

During the first half of the year we successfully launched our Wickes eBay store with 4,000 lines, extending our customer reach. We are currently looking at ways to expand our relationship with marketplace platforms including eBay to further grow our range accessibility with a wider audience of home improvers.

Growing our estate of new format stores

Four store refits were completed during the first half of the year in Chadwell Heath, Oxford, Wimbledon and Stirchley. Our refitted stores benefit from an improved order fulfilment space which increases our home delivery capacity by over 10% per store. Implementation of our latest store service proposition allows store managers to better implement more efficient management of volumes and cost. Despite the impact of heightened build costs during the first half, store investments continue to deliver sales uplifts of over 25% and ROCE also of over 25%. Two further refits have been completed in Q3 to date, and we expect to complete 11 during the financial year as a whole.

Our property team is reviewing and stress testing a number of white space opportunities and we remain confident on the opportunity to expand our proven model into 20 new locations over the next five years. We expect to open a new store in Bolton in the second half.

IT separation

Following initial mobilisation during the previous financial year, we continue to see good progress with the transition of technology and processes from our previous parent Travis Perkins plc. Projects completed in the first half of the year were all successful, allowing us to remain on track to complete the separation of the IT infrastructure within two years of the demerger. All aspects of the programme continue to be overseen by the Wickes Executive and PLC Board who monitor delivery and mitigate any operational risk arising.

Responsible Business Strategy

Launched as part of our first Annual Report, our Responsible Business Strategy is now embedding across all aspects of our business, to deliver our goals of *Supporting a diverse and inclusive society, an environment protected for the next generation, and homes fit for a sustainable future for everyone*.

People

Inclusion and Diversity remains central to our people strategy. We have relaunched our I&D networks with a new look and feel as part of our "Feel at home" campaign, and also repositioned our Youth Board as the Forward Focus Network, aimed at supporting sustainability, communication, and development across the business.

Our **Charity** programme which has supported Young Minds, our charity partner, has hosted a series of fundraising events including a Paddle the Thames challenge, and a 50p ask for customers, taking us ever closer to our £2m fundraising target. We have also supported efforts in Ukraine with colleagues collecting donations, and a small team of colleagues driving to Ukraine to deliver them where they are needed most.

Our **Community** programme has grown from strength to strength, supporting over 34830 organisations to date, with 168 of our stores taking part in the programme. We have donated over £75,000 worth of products and supported over 28,000 people through these initiatives.

Environment

With our continued focus on **Carbon and Climate**, we have refined our Greenhouse Gas Inventory as part of our work to submit Science Based Targets in September, providing us with a more detailed and precise understanding of the emissions within our business. We have also conducted climate risk and resilience workshops, to build on our TCFD work in 2021, with a focus on building climate resilience within our operations and supply chain, as well as new focus areas for our next TCFD report.

Addressing our **operational sustainability** needs has been another key focus area, with new Energy and Environment networks and learning pages established for colleagues to upskill, as well as launching an energy efficiency drive, with a focus on store electricity and gas consumption across the estate. We have been engaging with landlords to understand their own ESG agendas, and working to identify areas of improvement in our stores, including sites suitable for solar panels, and new air source heat pumps.

We are also addressing our **transportation** emissions, by launching a new corporate car policy which looks to deliver a hybrid and then electric fleet over the next three years, as well as continuing to explore low carbon opportunities within our store and home delivery networks.

Homes

As one of our growth pillars, **sustainable products and services** will be central to our business strategy over the coming years. We have spent the first half of the year mapping out the sustainability credentials of all of our products, and are working on a taxonomy and labelling strategy that will enable customers to make more informed decisions about the products they purchase, and their environmental impact.

We are also looking to support customers in the challenges around the **cost of living crisis**, with a focus on energy efficiency in the Home. This will include improving the information and guidance available to customers in store and online, and being a partner for home decarbonisation.

We will continue to deliver on our **packaging** commitments, to increase the recycled content in our packing, make it easier to recycle, and reduce its quantities.

Financial review

We are pleased to report another period of sales growth and market share gains (source: GfK), building on our long term track record. LFL sales for the period were ahead by 0.8% against very tough comparatives in our Core business. Adjusted operating profit declined moderately with another strong focus on costs partially offsetting a lower gross margin as a result of inflation and mix factors. Adjusted pre-tax profit was only marginally down, reflecting higher FX hedging gains. Profit before tax in the first half also declined, reflecting the modest reduction in adjusted pre-tax profit, and slightly higher adjusting items year on year relating to IT separation.The business continued to generate cash with period end net cash of £166.5m, also reflecting seasonal working capital movements.

Revenue

Revenue for the 26 weeks to 2 July 2022 was £822.3m, an increase of 1.3% on the prior year. Against tough comparatives, Core sales declined by 5.1% to £632.6m, with DIFM delivered sales increasing by 30.6% to £189.7m, reflecting a disrupted H1 2021 in which showrooms were closed for several weeks. The shift in the first half calendar this year following the 53rd week last year added £5.4m to reported sales, and there was a modest reduction in the contribution from space from the closure of three stores. Comparable period LFL sales (weeks 1-26 this year versus weeks 2-27 last year) increased by 0.8%.

Core LFL revenue declined by 5.5% over the period, although was 36.3% ahead on a three-year basis. Our long term trend of market share gains continued in the first half (source: GfK), with particularly strong performances in hardware, decorative and garden. Our performance strengthened from Q1 into Q2 both on a one-year and three-year basis, although, as mentioned in our trading update of 26 May 2022, some of the one-year improvement was the result of a later Easter in 2022.

Commodity cost inflation continued to accelerate during the period, with pressure in heat-sensitive categories such as tiling, cement and insulation more than offsetting some moderation in the rate of inflation in timber. We continue to pass through cash cost increases to customers, while maintaining our competitive price position. Retail price inflation for the period was 15%, compared with 3% in the first half of 2021. The pricing outlook for the second half remains uncertain, although at this stage we would expect some moderation in the rate of retail price inflation against the second half of last year when inflation first moved into double digits (H1 2021 3%, H2 11%).

Within Core, local trade sales remained strong in the first half, with our TradePro customer base increasing by 60,000 to 690,000 during the period. As of early September, this was over 710,000. Feedback from our monthly Mood of the Nation survey suggests that order books remain buoyant. As a measure of this, 24% of our trade customers have order books of over 12 months or longer, slightly higher than the January reading.

The same survey shows trade customers are seeking to offset the impact of higher prices wherever possible. This includes using digital channels to seek better value, and this may also be a key driver of the acceleration in TradePro sign ups during the period. We have yet to see any significant change in the proportion of sales from Wickes' excellent value own label products, although, given our strong Wickes brand heritage, we are well placed to benefit here if inflation remains at high levels.

As mentioned in our trading update of 26 July 2022, sales in DIY categories weakened towards the end of the period. Our survey data also showed a modest increase in the proportion of customers planning to delay or cancel projects. Although there may be seasonal factors here, such as weather and holiday patterns, some may be a result of the current pressures on disposable income and are therefore expected to continue into the second half of the year.

Delivered DIFM LFL revenue increased by 29.7% in the first half, driven by an increase in ordered sales and the build-out of the elevated order book carried over from 2021. We continue to make good progress in working through the order book, although there was slightly more disruption than expected from Covid infection rates and also supply chain issues. The latter revolves predominantly around the computer chips used in appliances, with installation times now falling towards more normal levels. Cancellation rates remain low as many projects and peers are affected by the same issues.

The order book has now started to decline in absolute terms, although at period end remains ahead year-on-year and roughly double pre-Covid levels. Our current expectation is that there will be some order book carry over into 2023, although the extent of this will depend on order trends in the second half.

We have continued to see a strong performance in the bathroom category, as we build on our position as the only national retailer and installer. Product ranges have been extended to offer more choice, both in terms of sanitaryware and accessories. Kitchen sales were more affected by the slower conversion issues referred to above. Installation participation was broadly in line with the prior year.

Gross profit

Gross profit for the first half was £292.6m, down from £294.8m last year. Gross profit % declined by 70bp to 35.6%, a similar rate of decline to that seen in FY2021. The key drivers were again inflation and product mix, the latter reflecting a higher mix of TradePro sales.

We have a consistent strategy of passing inflationary cost price increases through to customers on a cash recovery basis, whilst maintaining a competitive price position. This negatively affects the percentage gross margin. Mix effects continue to be adverse for margin percentage, with rising trade sales offered at a 10% trade discount. Mix effects within Core were in part offset by growth of DIFM within total sales.

Lower distribution costs reflect the fact that some costs are volume, not value linked, allowing some improvement in ratios despite inflation in related costs.

Adjusted operating profit

Adjusted operating profit was £56.3m, down 9.0% on the £61.9m reported in the first half last year. Incremental profit from the strong recovery in DIFM sales was broadly offset by a lower contribution from Core as a result of lower LFL sales, with cost inflation and investment costs driving the reduction in profitability.

Our adjusted operating profit margin was 6.8%, down from 7.6% last year. The majority of the 80bp decline was from the 70bp decline in the gross margin as noted above. The cost to sales ratio[3] was broadly flat, with a number of influences here. Underlying cost inflation in areas such as minimum wage and transport costs were higher than headline LFL of 0.8%. Against this, some costs are volume rather than value related, providing opportunities to reduce cost ratios. In addition, there was an additional £3.5m of plc costs compared with only a part-period charge last year.

Selling costs increased by £2.1m year on year, driven by the recovery in DIFM revenues and associated commissions. Administrative expenses were up £1.3m, with increases in Support Centre costs (inflation

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

and plc costs), IT and Marketing in part offset by a reduction in bonus accrual after the increase experienced last year.

Net finance costs

Net finance costs were £10.7m, down from £15.4m last year. The main driver here was a £3.8m increase in unrealised FX gains as a result of the appreciation of the USD during the period, which will either be realised or reversed in due course depending on exchange rate movements. IFRS16 lease interest was £14.9m, down from £15.7m in the prior year.

Adjusted profit before tax

After finance costs adjusted profit before tax for the first half was £45.6m, a decline of 1.9%. Excluding unrealised FX gains, the decline was 10.2%.

Adjusting items

Pre-tax adjusting item charges for the first half were £12.1m, up from £10.8m in the prior year. Costs associated with IT separation were £12.1m, up from £5.4m in the prior year as the programme was stepped up after separation from Travis Perkins. The first half last year also included £5.4m of demerger costs.

Tax on adjusting items in the 26 weeks ended 26 June 2021 and the 53 weeks ended 1 January 2021 includes a credit of £6.8m 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 prior to 26 June 2021.

Profit before tax

Profit before tax in the first half was £33.5m, compared with £35.7m in the prior year. The decline reflects the modest reduction in adjusted pre-tax profit, and slightly higher adjusting items year on year relating to IT separation.

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 26 weeks ended 2 July 2022 is 19.5% (26 weeks ended 26 June 2021: 21.1%, 53 weeks ended 1 January 2021: 19.4%).

Capital investment

Capital investment in the first half totalled £21.6m. The main components were £9.6m investment in the store estate, of which refits were £5.5m. Separately, there was a £6.1m investment in one freehold at Braintree. There was also £5.1m of investment in our digital IT capability. In the second half, we expect to further accelerate capital investment into our IT capabilities and refit activity. We continue to expect FY 2022 capex to be £40-45m.

Cash / net debt

Net cash in the first half was £166.5m, reflecting strong operating cash flow and the favourable impact of the normal working capital cycles in the business. Investment in IT separation projects and our growth levers is weighted to the second half, and, together with the normal seasonal working capital unwind, there will be a cash outflow in the second half.

The inventory position of £205.5m compared with £162.4m in the prior year, due to the impact of product inflation and build up of stock in the second half of 2021 to mitigate against supply issues. Despite lower Core sales, stock turn remained strong at 4.3x, reflecting efficient management of stockholding.

IFRS 16 net debt reduced to £558.5m, driven by a fall in lease liabilities to £725.0m due to the low level of lease renewals during the period.

On a last twelve month basis, IFRS16 leverage was 2.6x compared with our target of consistently below 2.75x. However, as noted, we expect cash balances to moderate by the year end, while in addition there will be some impact from lower full year profitability reflected in our current guidance. As such, we expect year end leverage to be somewhat higher than the half year figure.

Dividend
The Board has declared an interim dividend of 3.6p, which will be paid on 4 November 2022 to shareholders on the register at the close of business on 30 September 2022.

The shares will be quoted ex-dividend on 29 September 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 14 October 2022.

We recognise the importance of cash returns to our shareholders, and, at our FY 2021 results, we announced an enhanced payout ratio of 40% of adjusted profit after tax, with approximately one third to typically be paid as an interim dividend. While there are well-documented headwinds for the sector to navigate, given the cash generative nature of our business and the strength of our balance sheet, and on the basis that adjusted profit before tax falls within the current guidance range, we intend to maintain the full year dividend per share at last year's level.

In the current year the payout ratio will thus rise above 40%, but over time we would look to return to this level.

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%
First half (26 weeks to 2 July)	(5.5)%	29.7%	0.8%	36.3%	(6.5)%	23.4%

Notes: As a result of the 53rd week in 2021, H1 2022 LFL is based on the comparable 26 weeks to 3 July last year. DIFM represents delivered sales.

Condensed consolidated income statement

£m	26 weeks ended 2 July 2022 Adjusted	Adjusting items (note 2)	**Total**	26 weeks ended 26 June 2021 Adjusted	Adjusting items (note 2)	**Total**	53 weeks ended 1 January 2022 Adjusted	Adjusting items (note 2)	**Total**
Revenue (note 3)	822.3	-	**822.3**	812.0	-	**812.0**	1,534.9	-	**1,534.9**
Cost of sales	(529.7)	-	**(529.7)**	(517.2)	-	**(517.2)**	(966.4)	-	**(966.4)**
Gross profit	292.6	-	**292.6**	294.8	-	**294.8**	568.5	-	**568.5**
Selling costs	(167.1)	-	**(167.1)**	(165.0)	-	**(165.0)**	(330.9)	-	**(330.9)**
Administrative expenses	(69.2)	(12.1)	**(81.3)**	(67.9)	(10.8)	**(78.7)**	(121.3)	(19.6)	**(140.9)**
Operating profit (note 14)	56.3	(12.1)	**44.2**	61.9	(10.8)	**51.1**	116.3	(19.6)	**96.7**
Net finance costs (note 4)	(10.7)	-	**(10.7)**	(15.4)	-	**(15.4)**	(31.3)	-	**(31.3)**
Profit / (loss) before tax	45.6	(12.1)	**33.5**	46.5	(10.8)	**35.7**	85.0	(19.6)	**65.4**
Tax (note 5)	(8.9)	2.3	**(6.6)**	(9.8)	8.1	**(1.7)**	(16.5)	9.9	**(6.6)**
Profit / (loss) for the period	36.7	(9.8)	**26.9**	36.7	(2.7)	**34.0**	68.5	(9.7)	**58.8**

Earnings per ordinary share (note 8)	**26 weeks ended 2 July 2022**	26 weeks ended 26 June 2021	53 weeks ended 1 January 2022
Basic	**10.7p**	13.5p	23.3p
Diluted	**10.6p**	13.5p	23.3p
Adjusted basic	**14.5p**	14.6p	27.2p
Adjusted diluted	**14.5p**	14.6p	27.1p
Total dividend declared per share (note 9)*	**3.6p**	2.1p	10.9p

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.

* Dividend payments before the demerger date from Wickes Building Supplies Ltd to Travis Perkins plc are not included in the calculation of the Earnings Per Share

Condensed consolidated balance sheet

£m	As at 2 July 2022	As at 26 June 2021	As at 1 January 2022
ASSETS			
Non-current assets			
Total non-current assets	**754.1**	782.4	760.6
Current assets			
Inventories	**205.5**	162.4	188.2
Trade and other receivables (note 6)	**79.7**	81.9	77.5
Tax assets	**1.9**	1.6	6.5
Derivative financial instruments	**5.8**	0.5	1.0
Cash and cash equivalents	**166.5**	204.2	123.4
Total current assets	**459.4**	450.6	396.6
Total assets	**1,213.5**	1,233.0	1,157.2
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital (note 7)	**26.0**	26.0	26.0
EBT share reserve	**(0.7)**	(0.8)	(0.8)
Other reserves	**(785.7)**	(785.7)	(785.7)
Retained earnings	**929.3**	895.4	921.3
Total equity	**168.9**	134.9	160.8
Non-current liabilities			
Lease liabilities	**642.5**	691.7	660.7
Long-term provisions	**1.0**	-	1.2
Total non-current liabilities	**643.5**	691.7	661.9
Current liabilities			
Lease liabilities	**82.5**	77.3	81.4
Derivative financial instruments	**0.9**	-	0.3
Trade and other payables	**306.2**	317.0	241.8
Short-term provisions	**11.5**	12.1	11.0
Total current liabilities	**401.1**	406.4	334.5
Total liabilities	**1,044.6**	1,098.1	996.4
Total equity and liabilities	**1,213.5**	1,233.0	1,157.2

The interim condensed consolidated financial statements of Wickes Group plc, registered number 12189061 were approved by the Board of Directors on 14 September 2022 and signed on its behalf by:

David Wood
Chief Executive Officer

Mark George
Chief Financial Officer

Condensed consolidated statement of changes in equity

£m	Issued share capital	EBT share reserves	Other reserves	Retained earnings	Total equity
At 1 January 2022	26.0	(0.8)	(785.7)	921.3	160.8
Total comprehensive profit for the period	-	-	-	26.9	26.9
Dividend	-	-	-	(22.1)	(22.1)
Equity-settled share-based payments	-	0.1	-	3.2	3.3
At 2 July 2022	**26.0**	**(0.7)**	**(785.7)**	**929.3**	**168.9**

£m	Issued share capital	EBT share reserves	Other reserves	Retained earnings	Total equity
At 26 December 2020	25.2	-	(785.7)	890.3	129.8
Total comprehensive profit for the period	-	-	-	34.0	34.0
Issue of share capital	0.8	(0.8)	-	-	-
Dividend	-	-	-	(30.0)	(30.0)
Equity-settled share-based payments	-	-	-	1.1	1.1
At 26 June 2021	**26.0**	**(0.8)**	**(785.7)**	**895.4**	**134.9**

£m	Issued share capital	EBT share reserves	Other reserves	Retained earnings	Total equity
At 26 December 2020	25.2	-	(785.7)	890.3	129.8
Total comprehensive profit for the period	-	-	-	58.8	58.8
Issue of share capital	0.8	(0.8)	-	-	-
Dividend	-	-	-	(35.3)	(35.3)
IFRS16 adoption adjustments	-	-	-	3.1	3.1
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

Condensed consolidated cash flow statement

£m	**26 weeks ended 2 July 2022**	26 weeks ended 26 June 2021	53 weeks ended 1 January 2022
Cash flows from operating activities			
Operating profit	**44.2**	51.1	96.7
Adjustments for:			
Depreciation of property, plant and equipment	**10.4**	9.7	19.1
Depreciation of right-of-use assets	**38.1**	37.3	78.1
Amortisation and impairment of intangible assets	**2.4**	2.5	5.2
Impairment of tangible assets	**-**	-	4.3
Gains on termination of leases	**(0.7)**	(0.9)	(1.6)
Share-based payments	**3.2**	1.1	3.8
Foreign exchange	**(0.9)**	(0.2)	(2.0)
Losses on disposal of property, plant and equipment	**0.3**	0.4	0.6
Operating cash flows	**97.0**	101.0	204.2
Increase in inventories	**(17.3)**	(24.1)	(49.9)
Increase in receivables	**(2.3)**	(10.8)	(7.4)
Increase / (decrease) in payables	**65.2**	75.7	(0.7)
Increase in provisions	**0.3**	1.7	1.8
Cash generated from operations	**142.9**	143.5	148.0
Interest paid	**(0.5)**	(0.2)	(0.7)
Interest on lease liabilities	**(14.9)**	(15.7)	(31.3)
Income taxes paid	**(2.0)**	(6.5)	(14.6)
Net cash inflow from operating activities	**125.5**	121.1	101.4
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment	**0.4**	-	1.2
Development of computer software	**(5.1)**	(2.8)	(6.1)
Purchases of property, plant and equipment	**(16.5)**	(5.9)	(20.4)
Interest received	**0.4**	-	0.1
Net repayments from Travis Perkins group	**-**	123.5	123.5
Net cash (outflow) / inflow from investing activities	**(20.8)**	114.8	98.3
Cash flows from financing activities			
Repayment of lease liabilities	**(39.6)**	(38.2)	(77.5)
Dividends paid to equity holders of the Parent	**(22.1)**	-	(5.3)
Net cash outflow from financing activities	**(61.7)**	(38.2)	(82.8)
Net increase / in cash and cash equivalents	**43.0**	197.7	116.9
Cash and cash equivalents at the beginning of the period	**123.4**	6.5	6.5
Effect of foreign exchange rate changes	**0.1**	-	-
Cash and cash equivalents at the end of the period	**166.5**	204.2	123.4

*see Note 1 to the interim financial statements

1. General information and accounting policies

The condensed consolidated interim financial statements ('interim financial statements') have been prepared on the historical cost basis, except that certain financial instruments including derivative instruments are stated at their fair value. The interim financial statements include the accounts of the Company and all its subsidiaries ("the Group").

Basis of preparation

The financial information for the 26 weeks ended 2 July 2022 and 26 June 2021 is unaudited. The 2 July 2022 information has been reviewed by KPMG LLP, the Group's auditor, and a copy of their review report appears on pages 26 and 27 of this interim report. The June 2021 information was also reviewed by KPMG LLP.

The comparative figures for the 53 weeks ended 1 January 2022 do not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for the year ended 1 January 2022, as prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, has been 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.

This condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK.

The latest annual financial statements of the group were prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the next annual financial statements will be prepared in accordance with UK-adopted international accounting standards. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the 53 weeks ended 1 January 2022.

Going concern

The interim financial statements have been prepared on the going concern basis which the Directors consider appropriate for the following reasons.

Although the Group saw some weakening of sales and cost pressures at the end of the period due to the ongoing cost of living crisis, the Group continues to demonstrate the flexibility of Wickes' operational model, including a number of actions undertaken to both respond to more challenging market conditions and to continue to drive efficiencies within the business

The Group manages its day-to-day working capital requirements through cash generated from its operating activities and its existing cash reserves. In March 2021 the Group negotiated a three year revolving credit facility of £80m with associated covenants, with a one year further extension of this facility negotiated in March 2022. As at the date of approval of these interim financial statements the revolving credit facility remains undrawn.

The Directors have prepared cash flow forecasts, including a severe but plausible downside scenario, for a period of at least 12 months from the date of approval of these interim financial statements. These forecasts indicate that the Group is able to continue to operate and remain undrawn on its Revolving Credit Facility. The Directors however remain watchful of ongoing pressures on customers and suppliers given the current economic environment, and are aware that the Group is exposed to a number of risks and uncertainties, which could affect the Group's ability to meet its forecasts.

The Directors believe that the Group has the flexibility to react to changing market conditions and is adequately placed to manage its business risks successfully. The Directors have undertaken a detailed going concern assessment which entails assessing the Group's current and projected financial performance and position, including current assets and liabilities, debt maturity profile, future commitments and forecast cash flows. The downside scenario tested, outlining the impact of a severe but plausible adverse scenario based on a severe recession and housing market weakness, shows that there

1. General information and accounting policies *(continued)*

is sufficient liquidity headroom and the Revolving Credit Facility remains undrawn for at least the next 12 months from the date of approval of these interim financial statements.

Consequently, the directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the interim financial statements and therefore have prepared the interim financial statements on a going concern basis.

New and amended standards adopted by the Group

There are no new or amended standards applicable for the current reporting period.

2. 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 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 interim 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	**26 weeks ended 2 July 2022**	26 weeks ended 26 June 2021	53 weeks ended 1 January 2022
Adjusting items – operating			
IT separation project costs	**12.1**	5.4	14.2
Demerger related costs	**-**	5.4	5.3
Right-of-use asset impairment charge	**-**	-	1.1
Reversal of impairment of right-of-use assets recognised in prior financial years	**-**	-	(1.0)
Total pre-tax Adjusting items	**12.1**	10.8	19.6
Adjusting items – tax			
Tax on adjusting items	**(2.3)**	(1.3)	(3.2)
Adjusting items – deferred tax rate change	**-**	(6.8)	(6.7)
Total tax on Adjusting items	**(2.3)**	(8.1)	(9.9)
Total post-tax Adjusting items	**9.8**	2.7	9.7

2. Adjusting items *(continued)*

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.

Demerger related costs

Demerger related costs are the costs incurred during the process of demerging the Wickes business from the Travis Perkins plc group, excluding IT related costs which are shown separately due to their significance. Costs predominantly relate to professional services fees and all costs were incurred in 2021.

Store impairment charge

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

In the period ended 26 December 2020, the Covid-19 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 at that time.

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, including both reversals of impairment and further impairments, 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 26 week period ended 2 July 2022, no impairment charge has been recognised either within adjusted profit or adjusting items.

Deferred tax rate change

The tax charge includes an adjusting credit of £nil (26 weeks ended 26 June 2021: £6.8m, 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 prior to 26 June 2021.

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 Board of Directors of Wickes Group plc. 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 almost exclusively 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.

3. Revenue (continued)

Revenue reconciliation and like-for-like sales

£m	**26 weeks ended 2 July 2022**	26 weeks ended 26 June 2021	53 weeks ended 1 January 2022
Revenue	**822.3**	812.0	1,534.9
Core (product sales)	***632.6***	*666.7*	*1,234.7*
Do-it-for-me (project sales)	***189.7***	*145.3*	*300.2*
Network change	**(0.3)**	(0.3)	(0.4)
Other movements	**-**	-	(17.6)
Revenue (like-for-like basis)	**822.0**	811.7	1,516.9
Prior period revenue	**812.0**	612.7	1,346.9
Prior period network change	**(2.2)**	(2.7)	(4.8)
Prior period other movements	**5.4**	-	-
Prior period revenue (like-for-like basis)	**(815.2)**	(610.0)	(1,342.1)
Increase / (decrease) arising on a like-for-like basis	**6.8**	201.7	174.8
Like-for-like Sales Growth (%)	**0.8%**	33.1%	13.0%
Core (product sales) Like-for-like Sales Growth	**(5.5)%**	36.2%	14.2%
Do-it-for-me (project sales) Like-for-like Sales Growth	**29.7%**	20.5%	8.5%

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. Branches 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 years being compared. When branches close revenue is excluded from the prior year figures for the months equivalent to the post closure period in the current year.

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. The Prior period other movements represent the impact of the fact that the 26 weeks ended 2 July 2022 is not aligned to the 26 weeks ended 26 June 2021; the sum disclosed separately reflects the removal of the week 1 revenue and addition of the week 27 revenue to enable direct comparison.

4. Net finance costs

Net finance costs

£m	**26 weeks ended 2 July 2022**	26 weeks ended 26 June 2021	53 weeks ended 1 January 2022
Finance income			
Net gains on remeasurement of foreign currency derivatives	**4.3**	0.5	0.7
Interest receivable	**0.4**	-	0.1
	4.7	0.5	0.8
Finance costs			
Interest on lease liabilities	**(14.9)**	(15.7)	(31.3)
Amortisation of loan arrangement fees	**(0.1)**	-	(0.1)
Commitment fee on revolving credit facilities	**(0.4)**	(0.2)	(0.6)
Other interest	**-**	-	(0.1)
	(15.4)	(15.9)	(32.1)
Net finance costs	**(10.7)**	(15.4)	(31.3)

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 are recognised in the income statement as finance income or costs.

5. Tax

£m	**26 weeks ended 2 July 2022**	26 weeks ended 26 June 2021	53 weeks ended 1 January 2022
Current tax			
- current year	**6.6**	8.9	12.4
- prior year	**-**	-	(0.1)
Total current tax charge	**6.6**	8.9	12.3
Deferred tax			
- current year	**-**	(7.2)	(6.0)
- prior year	**-**	-	0.3
Total deferred tax credit	**-**	(7.2)	(5.7)
Total tax charge	**6.6**	1.7	6.6

Tax for the interim period is charged on profit before tax, based on the best estimate of the corporate tax rate for the full financial year. The underlying effective tax rate (before adjusting items) for the 26 weeks ended 2 July 2022 is 19.5% (26 weeks ended 26 June 2021: 21.1%, 53 weeks ended 1 January 2022: 19.4%).

6. Trade and other receivables

£m	**As at 2 July 2022**	As at 26 June 2021	As at 1 January 2022
Trade receivables	**44.5**	51.7	33.3
Allowance for doubtful debts	**(1.1)**	(1.3)	(1.6)
	43.4	50.4	31.7
Other receivables	**21.0**	23.7	32.2
Prepayments	**15.3**	7.8	13.6
Total current trade and other receivables	**79.7**	81.9	77.5

Trade receivables include amounts due from third parties providing finance to the Group's customers. These amounts are payable to the Group by the financing providers following the delivery of the financed goods or the completion of DIFM project installation. Cash received from third parties providing finance to the Group's customers is recognised in the Cash Flow Statement as an operating cash flow.

The Group does not retain consumer credit risk in respect of these financed sales and does not provide credit services directly to customers.

Other receivables primarily represent amounts due from suppliers for rebates of £15.9m (26 weeks ended 26 June 2021: £20.1m, 53 weeks ended 1 January 2022: £28.9m) to the Group.

7. Share capital

	Allotted No.	£m
Ordinary shares of 10p:		
At 2 July 2022 / 26 June 2021 / 1 January 2022	**259,637,998**	**26.0**

Further to a prospectus of the Group dated 24 March 2021, the Group issued and allotted 6,557,475 ordinary shares at 10 pence each on the 17 June 2021 to the trustee of the Group's employee benefit trust. In addition and on the same date, the Group issued and allotted a further 936,600 ordinary shares of 10 pence each to the trustee of the Group's Share Incentive Plan. These shares were issued to support the employee share schemes put in place at the point of demerger.

EBT share reserves

(number of shares)	**As at 2 July 2022**	As at 26 June 2021	As at 1 January 2022
At beginning of the period	**7,489,514**	-	-
Issued and allotted shares	**-**	7,494,075	7,494,075
Shares released to participants	**(325,218)**	-	(4,561)
At end of the period	**7,164,296**	7,494,075	7,489,514

8. Earnings per share

a) Basic and diluted earnings per share

£m	**26 weeks ended 2 July 2022**	26 weeks ended 26 June 2021	53 weeks ended 1 January 2022
Profit attributable to the owners of the parent from continuing operations	**26.9**	34.0	58.8
No.			
Weighted average number of shares in issue (excluding treasury shares)	**252,443,289**	252,143,923	252,143,923
Dilutive effect of share options	**808,503**	-	259,182
Weighted average number of shares for diluted earnings per share (excluding treasury shares)	**253,251,792**	252,143,923	252,403,105
Earnings per share	**10.7p**	13.5p	23.3p
Diluted earnings per share	**10.6p**	13.5p	23.3p

b) Adjusted earnings per share

Adjusted earnings per share are calculated by excluding the effects of the adjusting items from earnings.

£m	**26 weeks ended 2 July 2022**	26 weeks ended 26 June 2021	53 weeks ended 1 January 2022
Profit attributable to the owners of the parent from continuing operations	**26.9**	34.0	58.8
Adjusting items	**12.1**	10.8	19.6
Tax on adjusting items	**(2.3)**	(1.3)	(3.2)
Adjusting items – deferred tax	**-**	(6.8)	(6.7)
Earnings for adjusted earnings per share	**36.7**	36.7	68.5
Adjusted earnings per share	**14.5p**	14.6p	27.2p
Adjusted diluted earnings per share	**14.5p**	14.6p	27.1p

9. Dividends

Amounts were recognised in the financial statements as distributions to equity shareholders in the following periods:

£m	**As at 2 July 2022**	As at 26 June 2021	As at 1 January 2022
Interim dividend for the 53 weeks ended 1 January 2022 of 2.1 pence (2020: nil pence)	**-**	-	5.3
Final dividend for the 53 weeks ended 1 January 2022 of 8.8p (2020: nil pence)	**22.1**	-	-

In the period before the demerger date, a dividend payment of £30.0m was recognised in the financial statements as distributions to the former sole shareholder, Travis Perkins plc, in the 26 week period ended 26 June 2021 and in the 53 weeks ending 1 January 2022.

An interim dividend of 3.6p is proposed in respect of the 52 weeks ending 31 December 2022. It will be paid on 4 November 2022 to shareholders on the register at the close of business on 30 September 2022 (the Record Date). The shares will be quoted ex-dividend on 29 September 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 14 October 2022.

10. Borrowings

At the period end, the Group had the following borrowing facilities available:

£m	**As at 2 July 2022**	As at 26 June 2021	As at 1 January 2022
Undrawn facilities:			
3-year committed revolving credit facility (expires March 2025)	**80.0**	80.0	80.0
	80.0	80.0	80.0

On 23 March 2021, the Group entered into a three-year £80.0m Revolving Credit Facility (RCF) with a syndicate of banks. The Revolving Credit Facility is intended to be used for general corporate purposes and was undrawn as at 2 July 2022. In March 2022, a one year extension was obtained on the revolving credit facility, extending the expiry date to March 2025.

The Group does not have an overdraft facility as at 2 July 2022 (26 weeks ended 26 June 2021 and 53 weeks ended 1 January 2022: no facility)

11. Net debt

Movement in the period

£m	**26 weeks ended 2 July 2022**	26 weeks ended 26 June 2021	53 weeks ended 1 January 2022
Cash and cash equivalent at beginning of the period	**123.4**	6.5	6.5
Net (repayments from) / cash advances to Travis Perkins group	**-**	123.5	123.5
Increase in cash and cash equivalents - other	**43.1**	74.2	(6.6)
Cash and cash equivalents at end of the period	**166.5**	204.2	123.4
Debt at beginning of the period	**(742.1)**	(790.0)	(790.0)
Cash flows from repayment of lease liabilities	**54.5**	53.9	108.8
Discount unwind on lease liability	**(14.9)**	(15.7)	(31.3)
Lease additions	**(27.1)**	(18.1)	(35.5)
Lease terminations	**4.6**	0.9	5.9
Debt at end of the period	**(725.0)**	(769.0)	(742.1)
Net debt at beginning of the period	**(618.7)**	(783.5)	(783.5)
Net debt at end of the period	**(558.5)**	(564.8)	(618.7)

During the 26 weeks period ended 26 June 2021 and 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. The debt relates solely to IFRS16 lease liabilities.

Balances at period end

£m	**As at 2 July 2022**	As at 26 June 2021	As at 1 January 2022
Cash and cash equivalents	**(166.5)**	(204.2)	(123.4)
Non-current lease liabilities	**642.5**	691.7	660.7
Current lease liabilities	**82.5**	77.3	81.4
Net debt	**558.5**	564.8	618.7

12. Contingent assets

A claim for overpaid output VAT was lodged with HMRC in August 2022, subsequent to the balance sheet date. The claim arose due to output VAT being paid in error on zero and reduced rate products and relates to the period from Q3 2018 to Q1 2022. This matter is subject to review by HMRC, and whilst the directors believe that a favourable outcome is probable, with management's current best estimate of the amount to be recovered being £3.6m, the receipt of the amount is contingent on the outcome of HMRC's review and their subsequent agreement to reimburse the company, which at this stage is not virtually certain.

As a result this amount has not been recognised in these interim financial statements.

13. Related party transactions

The Group has a related party relationship with its subsidiaries, with its Directors and up to the date of the demerger had related party relationships with Travis Perkins Group companies. There have been no related party transactions with Directors other than in respect of remuneration. Transactions with the Travis Perkins Group companies relate to the purchase of goods and lease arrangements before the demerger date of 28 April 2021 and are detailed below. The Travis Perkins Group companies ceased to be related parties after the demerger date and therefore there are no further related party transactions after that date, although payments continue to be made under the Transitional Services Agreement with Travis Perkins on an arms' length basis.

Related party purchases of £nil (26 weeks to June 2021 and 53 weeks to January 2022: £0.9m) were made from other entities in the Travis Perkins group, of which £nil (26 weeks to June 2021:£0.4m, 53 weeks to January 2022: £nil) remained due at the period-end. Related party rental payments of £nil (26 weeks to June 2021 and 53 weeks to January 2022: £0.9m) were made to other entities in the Travis Perkins group, of which £nil (26 weeks to June 2021 and 53 weeks to January 2022: £nil) remained due at the period-end. Related party rental income of £nil (26 weeks to June 2021 and 53 weeks to January 2022: £0.4m) was received, of which £nil (26 weeks to June 2021 and 53 weeks to January 2022: £nil) remained due at the period-end.

14. Non-statutory information

a) Adjusted operating profit

Adjusted operating profit is calculated by excluding the effects of adjusting items from operating profit.

£m	**26 weeks ended 2 July 2022**	26 weeks ended 26 June 2021	53 weeks ended 1 January 2022
Operating profit	**44.2**	51.1	96.7
Adjusting items (note 2)	**12.1**	10.8	19.6
Adjusted operating profit	**56.3**	61.9	116.3

b) Adjusted profit before tax

Adjusted profit before tax is calculated by excluding the effects of adjusting items from profit before tax.

£m	**26 weeks ended 2 July 2022**	26 weeks ended 26 June 2021	53 weeks ended 1 January 2022
Profit before tax	**33.5**	35.7	65.4
Adjusting items (note 2)	**12.1**	10.8	19.6
Adjusted profit before tax	**45.6**	46.5	85.0

c) Adjusted EBITDA

Adjusted EBITDA is calculated by excluding depreciation, amortisation and adjusting items from operating profit.

£m	**26 weeks ended 2 July 2022**	26 weeks ended 26 June 2021	53 weeks ended 1 January 2022
Operating profit	**44.2**	51.1	96.7
Depreciation and amortisation	**50.9**	49.5	102.4
EBITDA	**95.1**	100.6	199.1
Adjusting items (note 2)	**12.1**	10.8	19.6

Adjusted EBITDA	**107.2**	111.4	218.7

DIRECTORS' RESPONSIBILITIES STATEMENT

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK;

- The Interim Management Report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first 26 weeks of the financial period and their impact on the condensed set of interim financial statements; and a description of the principal risks and uncertainties for the remaining 27 weeks of the reporting period; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first 26 weeks of the current financial period and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

David Wood	Mark George
Chief Executive Officer	Chief Financial Officer
14 September 2022	14 September 2022

Independent Review Report to Wickes Group Plc

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the Interim Results 2022 for the 26 weeks ended 2 July 2022 which comprises the Condensed consolidated income statement, the Condensed consolidated balance sheet, the Condensed consolidated statement of changes in equity, the Condensed consolidated cash flow statement, and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Results 2022 for the 26 weeks ended 2 July 2022 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("ISRE (UK) 2410") issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the Interim Results 2022 and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern, and the above conclusions are not a guarantee that the group will continue in operation.

Directors' responsibilities

The Interim Results 2022 is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Results 2022 in accordance with the DTR of the UK FCA.

As disclosed in note 1, the latest annual financial statements of the group were prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the next annual financial statements will be prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the Interim Results 2022 in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the Interim Results 2022 based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Andrew Cawthray

for and on behalf of KPMG LLP

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

14 September 2022