Wickes

2023 Half Year Results

12 September 2023

Strictly Private & Confidential

Chief Executive

David Wood

Agenda for today

Strategy continues to deliver and we remain on track for the full year

- **Positive LFL sales in a challenging environment** due to our uniquely balanced model
- **TradePro membership up 17% year-on-year** driving good Core sales performance
- **DIFM LFL delivered sales up 5.8%,** ordered sales +1.8%
- Profit performance as expected with **productivity gains in line with plan**
- **Adjusted PBT of £34.8m before SaaS IT costs*** (HY2022 £41.3m)
- **Capital allocation policy announced in July:**
    - Interim dividend maintained at 3.6p,
    - £25m share buyback programme underway
- **We remain on track to deliver the full year in line with consensus expectations**

* £31.1m after £3.7m of IAS38 charges

Financial Review

Mark George

First half revenue up, profit in line with expectations

Revenue £827.7m, up 0.7% LFL

30bp improvement in gross profit margin reflecting lower distribution costs

Strong balance sheet with cash of £190.0m (HY2022 £167m)

Core LFL (0.8)%

DIFM LFL 5.8%

Adjusted PBT £34.8m before £3.7m SaaS IT costs (HY 2022 £41.3m)

Interim dividend of 3.6p per share, £25m share buyback underway

Resilient profitability despite inflation and energy costs

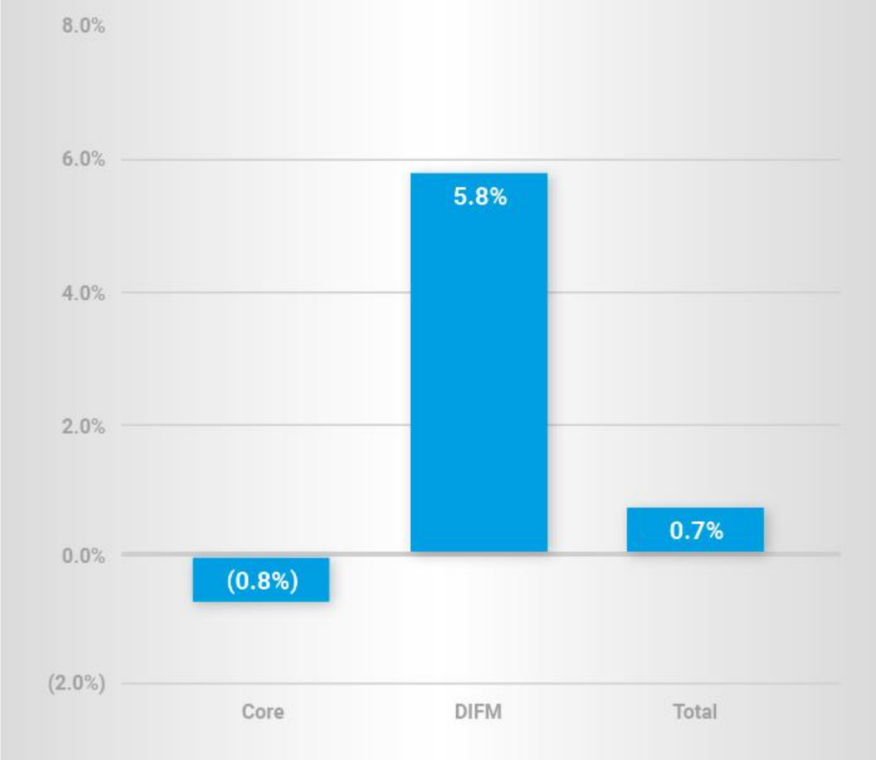
£m	HY2023A	HY2022A	Change %
Revenue	**827.7**	**822.3**	**+0.7%**
LFL (%)	0.7%	0.8%	na
Gross profit %	35.9%	35.6%	+30bp
SG&A % of sales (pre SaaS IT costs)	30.4%	28.7%	+170bp
Operating profit (pre SaaS IT costs)	**45.7**	**56.3**	**-25.4%**
Operating profit %	5.5%	6.8%	-130bp
Interest / FX	(10.9)	(15.0)	-27.3%
Adjusted PBT (pre SaaS IT costs)	**34.8**	**41.3**	**-15.7%**
IAS38 SaaS IT costs	(3.7)	0.0	na
Adjusted PBT (post SaaS IT costs)	31.1	41.3	-24.7%

Notes:
Gross profit percentage reflects gross margin less the impact of distribution costs. Some figures affected by rounding. All figures are on an adjusted basis. HY 2022 PBT has been represented with unrealised gains / losses on derivatives taken as an adjusting item.

- **LFL sales growth positive** driven by DIFM and second quarter momentum in Core
- **Gross profit percentage up 30bp:** lower distribution costs (taken within gross margin) more than offset mix effects, including TradePro
  - **Lower distribution costs** from efficiency plans and positive channel shift to click & collect
- SG&A growth from **wages and energy and investment costs as guided at the beginning of the year**
- **Adjusted PBT of £34.8m before SaaS charges**, down 15.7% in line with expectations

Further growth in DIFM LFL sales, Core improved in Q2

H1 LFL



Core

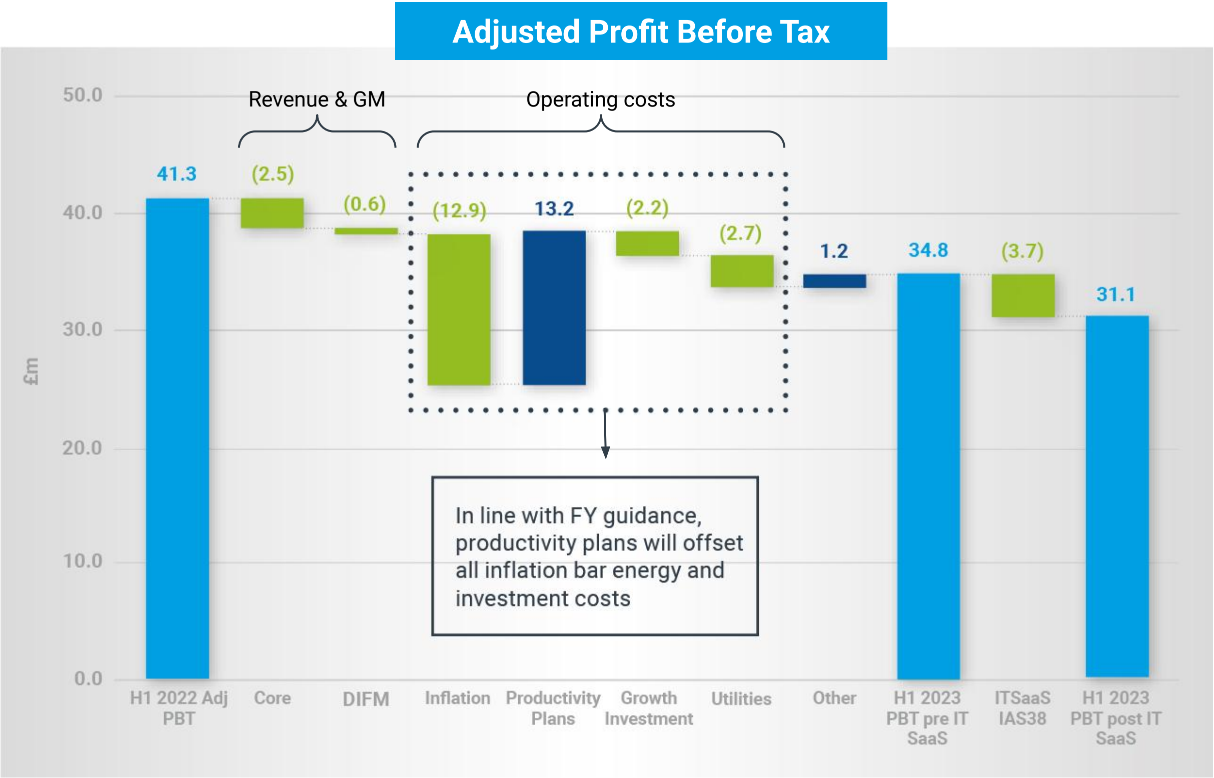
- **Local trade continued to perform well** with the TradePro scheme remaining very popular; **DIY sales trends improved** but remained down yoy
- Inflation continues to trend lower with **volume performance improving**

	Q1 2023A	Q2 2023A
Inflation	9%	4%
Volume	(13%)	(2%)
LFL sales	**(4%)**	**2%**

DIFM

- **LFL ordered sales were up by 1.8% in the half**, with bathrooms again performing well
- **Installation attachment at higher levels,** highlighting the unique nature of the proposition
- **Delivered sales performed well across the half** as we successfully work through the order book

HY2023 profit performance as expected; productivity offsetting cost inflation

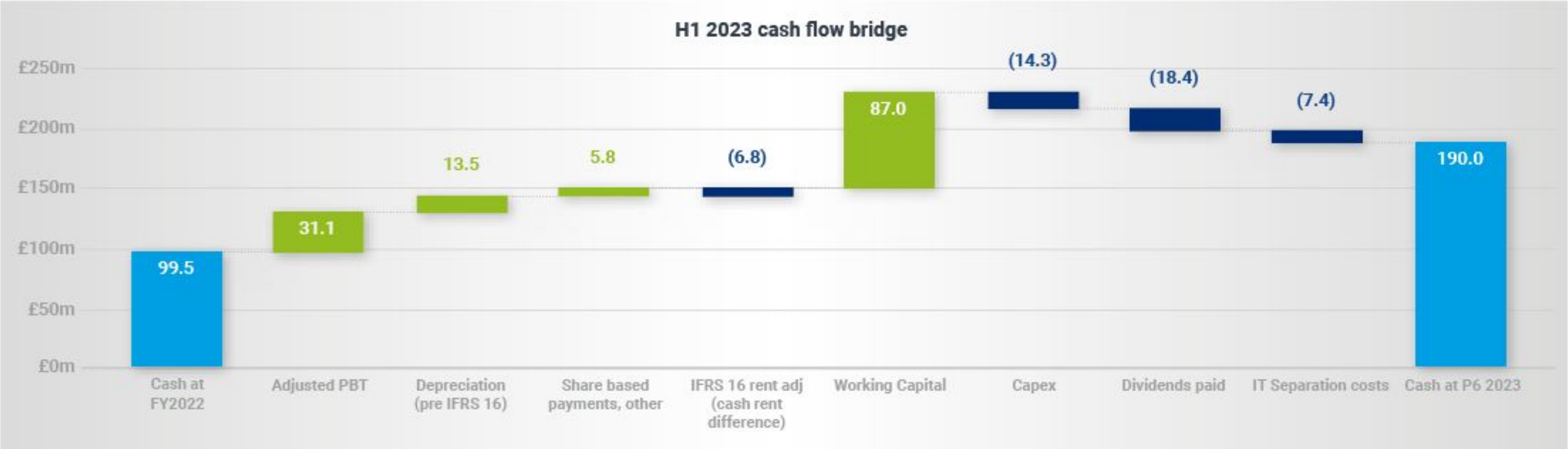


- Core and DIFM contribution decline reflects **lower gross margin before distribution savings** (shown here within productivity plans)
  - Lower % margin reflects mix effects (TradePro in Core, installation in DIFM)
- As guided at the beginning of the year, **productivity plans offset operating cost inflation such as wages**
- Year-on-year cost growth from **higher energy costs and growth investment**
- **First time SaaS impact of £3.7m**, in line with FY guidance of £8-10m

All figures in £m. H1 2022 restated with gains / loss on FX derivatives now taken as an adjusting item

£190m net cash reflects seasonal high point

- **£190m net cash at half year** (HY 2022 £167m) reflecting operational cash flow and the working capital cycle
- **First half working capital movement higher than H1 2022** due to improved stock position, higher accruals and more favourable payment terms with a few key suppliers
- **Normal seasonal cash outflow expected in the second half**, plus the effect of the share buyback programme
- **Year end cash is expected to be slightly higher than the £99.5m reported in FY2022,** before share buybacks



Our updated capital allocation priorities

Strong balance sheet supports growth and capital returns

	Strong balance sheet	Investing in the business	Ordinary dividend	Return of surplus cash
Policy	Operate with net cash at all times Net cash of at least £50m at year end RCF as back-up support only	Capex c.2%[1] of sales, (c.3% on a pre-IAS38 basis) Focus on refits, new stores and IT Target blended ROIC >15% across all investment	Dividend policy reset to 1.5 - 2.5x cover in normal trading Cover builds in future years as profits recover	Seek to return excess cash to shareholders
2023	Slight increase expected on 2022 year end figure of £99.5m; average during year significantly higher	£30-35m[1] projected capex spend for FY2023	Plan to maintain FY23 dividend at 10.9p per share	£25m share buyback underway

1. Lower capex numbers than previous guidance as a result of accounting treatment of SaaS projects - see slide 10. Pre IAS38 capex for FY2023 would be £40-45m and c3% of sales.

Focus on SaaS applications for future IT spend - accounting implications

- Following completion of the IT separation programme and assessment of future plans, it is now expected that a high proportion of future IT investment will be in SaaS-based systems. As a result, and in accordance with IAS38 clarification on accounting for SaaS, **we anticipate 50-75% of IT investment will be expensed going forwards, rather than capitalised**
- Impact of this switch from capex to opex for some of the costs will have **no effect on future cash flow**
- **For four years, Profit Before Tax (PBT) will be reduced until the higher IT opex is offset by lower IT amortisation**. The estimated impact on PBT is shown in the table below
- In FY2023 only, we will also report Pre-IAS38 Adjusted PBT (ie the profit that would have been delivered if all of the IT investment had been capitalised), in order to align with analysts' original forecasts for the year

Impact of shift in focus to SaaS projects		**2023**	**2024**	**2025**	**2026**
		£m	**£m**	**£m**	**£m**
Cash	Increase in IT Opex from shift to SaaS	(9-11)	(11-17)	(13-19)	(13-20)
	Reduction in IT Capex from shift to SaaS	9-11	11-17	13-19	13-20
	Total impact on cash flow	**-**	**-**	**-**	**-**
P&L	Additional IT Opex from shift to SaaS	(9-11)	(11-17)	(13-19)	(13-20)
	Lower IT Amortisation from shift to SaaS	1	5-6	9-12	12-17
	Total impact on PBT	**(8-10)**	**(6-11)**	**(4-7)**	**(1-3)**

Maintaining FY2023 guidance

Outlook

- Trading in July and August in line with our expectations
- Comfortable with FY consensus expectations (adjusted PBT £45-48m after the impact of SaaS IT investment costs)
- Continue to expect productivity gains to offset inflation (excluding energy) in the second half, although there will be a full six months of higher energy costs versus three months in the first half

Technical guidance for 2023

- Full year interest of c£20m
- Full year adjusted tax rate 24-25%
- Plan to maintain the full year dividend at 10.9p per share
- Capex £30-35m plus IAS38 SaaS project expense of £9-11m
- Year end cash is expected to be slightly higher than the £99.5m reported in FY2022, before share buybacks

Business update

David Wood

Our unique business model gives us sustainable competitive advantage

Purpose

To help the nation feel house proud

Broad customer base

Local Trade	Do-It-For-Me	DIY

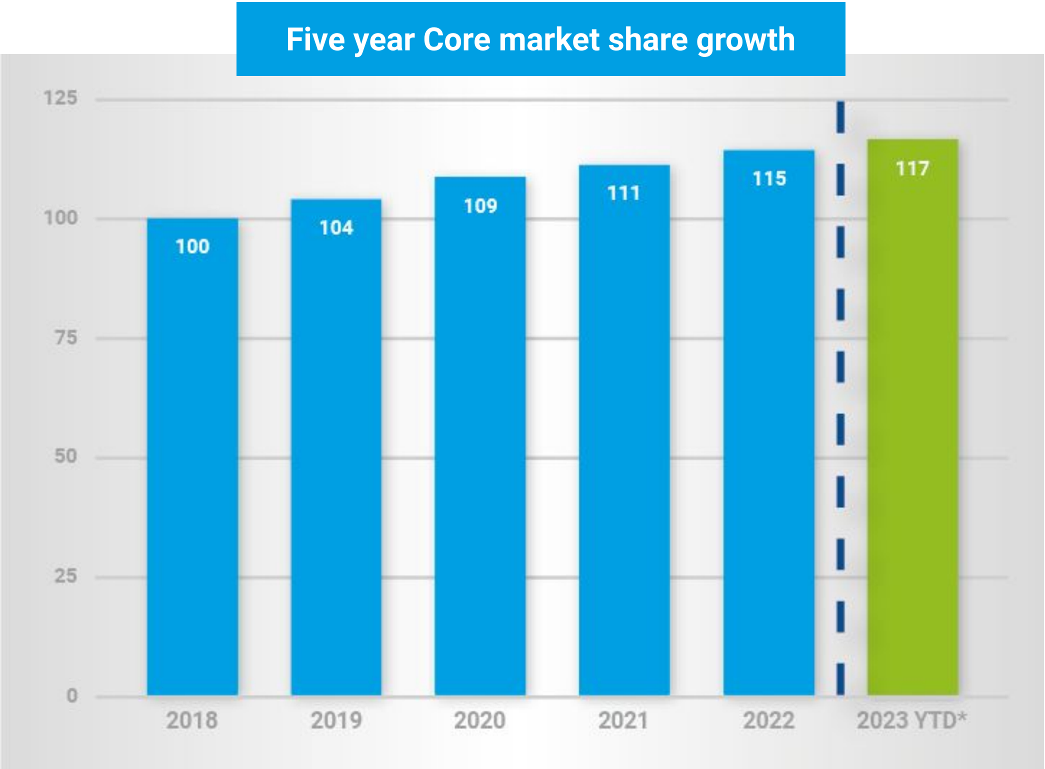
Simple, efficient proposition

Curated product ranges	Digitally-led: ⅔ sales digitally enabled 98% fulfilled by stores	Distinctive service model providing inspiration, service and fulfilment	Low cost, right-sized stores	Simple, clear value pricing

Industry-leading performance

- Price leadership through focused procurement
- Operational & fulfillment efficiencies
- High levels of customer and colleague satisfaction
- Market leading sales per square foot
- Industry leading stock turn
- Strong returns and cash conversion

Industry-leading performance driving sustained market share growth



- **Sustained growth in Core market share over the last five years**, despite a 5% decline in store numbers over the period
- **Doubled TradePro membership** over the period and continued to broaden our DIY customer base
- **Sales density continues to rise** as we use our space more efficiently
- All four **customer satisfaction measures up YoY** driven by unique 4C service model
- **Confident about further share gains** with opportunity for future investment in our distinctive growth levers

Source: GfK GB Point of Sales: DIY Total Store (Leader Panel) Reporting, July YTD

Core - TradePro underpins Core performance

Local Trade pipelines remain healthy. 20-25% still have work lined up for 12 months +

- TradePro membership now over **810,000 driving double digit growth in TradePro sales**
- Transforming TradePro from a discount scheme to a **loyalty scheme**

DIYers are shifting their focus to smaller projects such as decorative and energy-saving quick wins

- Responding with **new in-store categories** and broadening **own brand ranges**
- More affordable DIY **'Wickes Lifestyle Kitchens'** range has seen **16% sales increase** since relaunch

DIFM - Innovation in product and services driving growth in a softer market

- Resilient customer base driving higher levels of conversion offsetting fewer leads in the market
- Grown our **digital visits market share by 12%** YTD
- Investment in product and technology driving innovation
  - Rebranded showroom kitchens as **'Wickes Bespoke Kitchens'**, introduced 8 new ranges
  - Strong growth in bathrooms, with 300 new product launches. Wickes now the **most prominent bathroom brand in the UK***
  - **New tech platform** to improve customer experience
- Our **installation service awarded Distinction** by the Institute of Customer Service for third successive year

* Source: Salience Search Marketing survey of search and social media rankings

Store investment programme progressing well; delivering good sales and returns

- **Six refits in the first half**, and a further five planned by the end of the year
- **Over 70% of the estate now in the new format**, driving sales densities
- The programme continues to yield strong returns with **average ROIC of over 25%**
- **New store in Chelmsford opened in July**, with plans to open a further two new stores in the second half
- On track to open around **20 new stores over five years**

New Chelmsford store

Torquay construction

A good first half, strategy continues to deliver

- **Positive like for like sales** and profit performance in line with expectations
- **Productivity programme** successfully mitigating cost inflation
- Confident in our business model and **investment in proven growth levers** to drive further outperformance
- **Store investment** and **new opening programme** on track
- New **capital allocation framework** to deliver efficient capital structure and strong shareholder returns

Q&A

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