

19 March 2024
Immediate release

**DFS Furniture plc ("DFS" and the "Group")
Interim Results Announcement**

RESILIENT PERFORMANCE DESPITE CHALLENGING MARKET ENVIRONMENT

DFS Furniture plc, the market-leading retailer of living room and upholstered furniture in the United Kingdom, today announces its interim results for the 26 week period ended 24 December 2023 (H1 FY24). Prior year comparative period is the 26 weeks ended 25 December 2022 (H1 FY23).

£m	H1 FY24	H1 FY23	Change
Gross sales ^{1,3}	666.2	705.6	(5.6%)
Revenue ¹	505.1	544.5	(7.2%)
Gross margin	56.0%	53.8%	+2.2%pt
Underlying PBT(A) ^{1,2,3}	8.7	7.1	+1.6
Reported PBT	0.9	6.8	(5.9)
Basic underlying EPS ^{1,3}	2.8p	2.2p	+0.6p
Reported basic EPS	0.2p	2.1p	(1.9p)
Interim dividend per share	1.1p	1.5p	(0.4p)
Net bank debt ³	133.9	135.6	(1.7)
Leverage ³	1.6x	1.7x	(0.1x)

¹ Continuing operations excludes the discontinued International operation which ceased trading in FY23

² PBT(A) - Profit before tax, excluding brand amortisation

³ Definitions and reconciliations of KPIs including Alternative Performance Measures ("APMs") are provided at the end of this statement in note 13 to the condensed consolidated financial statements

Strategic and operational highlights:

- Good progress on our Cost to Operate programme. Gross margin improvement from 53.8% in H1 FY23 to 56.0% in the current period and operating costs £11.5m lower (£22m gross savings more than offsetting inflation and interest rate headwinds)
- Despite a more challenging and volatile than expected upholstery market, with order volumes down c-10% year on year versus -5% assumed in formulating our profit guidance in September, the Group has continued its long track record of market share gains reaching a record level of 38.5% driven by the strength of our brands, scale and retail proposition
- Continued improvement in customer NPS measures, with both brands continuing to grow established customer scores significantly

Financial summary:

- Resilient underlying profit performance, PBT(A)^{1,2,3} £8.7m, up £1.6m on H1 FY23 despite weaker than expected market demand
- Reported profit before tax of £0.9m, after deducting expected non-underlying costs of £7.1m (£4.2m cash cost), including costs associated with closure of one of our factories and September's refinancing
- Group order intake down -1.1% year on year, outperforming the wider market
- Gross sales³ down to a greater extent as expected, -5.6% year on year (£39.4m) due to the unwind of an elevated opening order bank at the start of the prior year resulting in a higher level of delivered sales in the comparator period
- Revenue from continuing operations¹ down -7.2% year on year; higher than the gross sales reduction due to Bank of England base rate changes increasing the cost of providing interest free credit (IFC) which we partially mitigated through amending our IFC proposition
- Gross margin rate (+220 bps) and lower operating costs more than mitigated the revenue decline and impact of cost inflation on PBT(A)
- Net bank debt³ reduced from the FY23 year end position of £140.3m to £133.9m and leverage reduced from 1.9x to 1.6x (H1 FY23 £135.6m and 1.7x)
- Interim dividend of 1.1p approved by the Board

Current trading and FY24 outlook:

- After a solid start to January, market demand has weakened significantly over the last two months, with market order volumes down c16% year on year across January and February (H1 -10%)
- The group has not been immune to this and today we provide updated guidance for the year ending 30 June 2024 (53 weeks)
- Revenues expected to be in the range of £1,000m-£1,015m and PBT(A) to be in the range of £20-25m, excluding risk of Red Sea delays which we continue to monitor closely
- This represents a £60-£65m reduction in revenue guidance, partially mitigated to a £10m reduction in PBT(A) guidance, supported by strong progress on costs and gross margins
- The guidance assumes H2 market volumes broadly consistent with H1 year on year, in a range of -8% to -10%,

supported by weaker Q4 comparatives and a level of pent up demand following the weak January and February. We remain cautious about consumer confidence starting to improve and benefit demand until FY25

- H2 group year on year order intake of -2% to -4% (H1 -1.1%) is based on our assumptions for H2 market volumes and our spring trading plans
- If the Red Sea issues continue through to our year end, potential delivery delays could result in up to £4m of profit being deferred into our following financial year

Tim Stacey, Group Chief Executive Officer said:

"I want to thank our colleagues for their dedication toward providing a first class service to our customers. Whilst the current macroeconomic situation has presented many challenges, we are pleased to have extended our market leadership while reporting a resilient profit performance through the first half.

As a result of weaker market demand we have lowered our FY24 profit guidance to £20-£25m, excluding the potential risk of Red Sea delays which we continue to monitor closely. This reflects Revenue guidance reducing by £60-65m, partially mitigated by good progress on our Cost to Operate programme.

We remain confident in both our long-term growth strategy and the capability to deliver on our objectives. We remain well positioned to improve our profit margins without market recovery and remain confident in delivering our 8% PBT target when the market recovers."

Refer to note 13 to the financial statements for definitions and reconciliations of Alternative Performance Measures.

FY24 Interim Results Presentation

A webcast for analysts and investors will be held at 9.00am (UK time) today to announce the H1 FY24 results. Webcast link (Password: DFS2024): <https://vimeo.com/event/4135214>

A copy of the presentation will be made available at: <https://www.dfs.co.uk/corporate>

Enquiries:

DFS (enquiries via Teneo)

Tim Stacey (Group CEO)
John Fallon (Group CFO)
Phil Hutchinson (Investor Relations)
investor.relations@dfs.co.uk

Teneo

James Macey-White
Jessica Reid
Ayo Sangobowale
+44 (0)20 7353 4200
85fs.dfs@teneo.com

About DFS Furniture plc

The Group is the clear market-leading retailer of living room furniture in the United Kingdom. Our Group purpose is to bring great design and comfort into every living room, in an affordable, responsible and sustainable manner. We operate an integrated physical and digital retail network of living room furniture showrooms and websites in the United Kingdom and Republic of Ireland, trading through our leading brands, DFS and Sofology. We attract customers through our targeted and national marketing activities and our reputation for high quality products and service, breadth of product offer and favourable consumer financing options. We fulfil orders for our exclusive product ranges through our own UK finished goods factories, and through manufacturing partners located in the UK, Europe and Far East, and delivered with care through our expert final-mile delivery service "The Sofa Delivery Company Limited".

FY24 Interims CEO statement

Overview

The Group entered the financial year with record market share and operations in good shape but within a very weak upholstery market heavily impacted by the cost of living crisis, a subdued housing market and relatively weak consumer confidence levels. Following a detailed cost review, in September we announced a £50m annualised cost efficiency programme to be delivered over the next three years, whilst continuing to pursue our strategy to profitably grow our market share in the upholstery sector and grow our presence in other furniture categories.

Market demand in the period was weaker than the assumption we had used in preparing our profit guidance at the start of the year and we believe market order volumes are currently at record low levels. The Group has, however, continued to increase market share whilst improving gross margins and reducing operating costs, which has enabled us to report year on year underlying profit growth.

The current macroeconomic situation remains challenging and market demand has weakened into H2. As a result of weaker market demand we have lowered our FY24 PBT(A) guidance to £20-£25m, excluding the potential risk of Red Sea delays which we continue to monitor closely. The updated guidance includes a reduction in Revenues of £60-65m, which we have partially mitigated to a £10m reduction in PBT(A) as a result of good progress on our Cost to Operate programme. If our shipping partners continue to avoid using the Red Sea shipping route, delays to customer deliveries will result in up to £4m of profit being deferred into the following financial year.

The Group is well positioned for the future - customer service NPS scores are strong and continue to improve, costs are well controlled and reducing and we have line of sight to improved profit margins as we deliver our cost efficiency plans. As the market recovers, our market share, well invested asset base and P&L operating leverage puts us in a great shape to deliver our 8% PBT target and, given our negative working capital cycle, generate good levels of free cash flow when market demand recovers.

Market size update:

Market order volumes in the prior year were at very low levels, c-15%* below pre-pandemic levels based on our proprietary banking transaction data. At the start of the current period we had planned for market order volumes to be down a further -5% year on year given the weak macro outlook at the time. Actual market demand has been weaker, down -c10%* in volume terms in the first half, with exceptionally low footfall in the September-October period driven by record hot weather conditions proving a significant drag on performance.

**Proprietary Barclaycard and CACI banking data*

Our three areas of focus:

Below is an update on the three areas of focus I announced in September 2023.

Growth

The Group has grown market share in value terms in the period from 38% at the end of FY23 to c38.5%* continuing our long track record of growing market share across the economic cycle due to the strength of our brands, scale and retail proposition. Market share has continued to be taken from independent retailers. Across the remainder of the sector we have seen general retailers pick up share, particularly at low to mid price points.

Gross margins

We have made solid progress increasing our gross margin rate towards our pre-pandemic historical level of 58%. We have now achieved growth in the last three half yearly reporting periods growing margins from a low of 52.7% in FY22 to 56.0% in this period.

Cost to operate efficiencies

During the first six months of our three year Cost to Operate programme we have made good progress as we target c£50m of savings across our cost base. H1 operating costs^ reduced £11.5m year on year, with £22.1m gross savings more than offsetting inflation of c£7.0m and £3.6m of higher interest charges on our debt facilities. These savings have come from improved operational performance as well as starting to realise some savings from our Cost to Operate programme. Further details are provided in the Financial Review.

^Sales, distribution, administration, depreciation, amortisation and interest, excluding brand amortisation

An update on our pillars and platforms strategy:

Pillars:

The market share gains described above have been driven by the DFS brand, the largest in the Group. The brand benefits from a well invested retail estate and digital assets that support the customer across their buying journey and from strong, unique brand partnerships. In the period we have partnered with the Ted Baker brand, launching three ranges and initial sales levels have surpassed expectations.

The Sofology brand, which has a higher average price point, has not been able to match DFS's share gains in this environment but good operational cost control has ensured brand profit contribution levels were maintained year on year. We are in the process of adapting the brand's price proposition to ensure it is best positioned for this market environment.

I'm pleased to say that both brands have achieved growth in their NPS scores to good levels. DFS's NPS established customer scores have improved by +62%, and are now nearly back to pre-pandemic levels. Sofology has also achieved strong levels of improvement with its established customer score improving to record levels over the last few months. Operationally both brands are now in a much better position recovering the ground lost through the pandemic period when customer orders were significantly delayed.

In relation to our non-upholstery 'Home' strategic initiative we have developed a drop ship solution and a new warehouse management system, providing the foundations to support growth. Due to the weak market demand in the upholstery segment we took the decision to defer investing in marketing to build awareness and drive future sales growth and instead focus our resources on optimising the profitability in our core business over the short term. The profitability of our Home offer has, however, increased year on year as we operate with improved gross margins and lower operating costs. We remain committed to driving sales growth in the Home product category in the future.

Platforms:

Our key platforms sourcing & manufacturing, technology & data, logistics and people & culture support our pillar brands and all play a key role in supporting our growth, be it across the top line or through improving the efficiency of our cost base. We are obtaining and making more use of data to drive insight and improved decision making across our business. Our fully integrated two man delivery service is market leading, our sourcing strategy has helped deliver three half year periods of gross margin rate improvement and through our People plan our colleagues remain highly engaged to drive us forward.

Sourcing & Manufacturing: As previously disclosed we entered a consultation process in September for the potential closure of the smallest of our three manufacturing sites and one of our wood mills. We concluded this process and ceased manufacturing at these sites in October. These types of decisions are never easy and we understand the impact it can have on our colleagues. Following a consultation with 215 colleagues, we were able to retain 44 colleagues through providing employment elsewhere in the Group, including at our recently formed sewing hub. We supported the remaining workforce through a comprehensive and meaningful outplacement support service. The ranges that were produced by the manufacturing site that has closed have been redistributed across our existing supplier base and this has contributed to reducing our cost of goods.

Technology & Data: To help mitigate the high interest rate environment on our profit margins we have recently expanded the capabilities of our Intelligent Lending Platform which we initially launched with our DFS brand, and developed it for our Sofology brand. This will enable Sofology to work with a wider Group of lenders, resulting in cost synergies.

These cost savings, in addition to retail price increases that were implemented in the second half of the prior year supported a further improvement in our gross margin rate from 55.0% in the second half of the prior year to 56.0% in the first half of this period.

Operating Costs and Logistics: Despite absorbing significant levels of cost inflation, our operating costs have reduced £11.5m year on year due to improved operational performance and we are starting to see the benefits of some of our 'operate for less' cost initiative projects. Our final mile logistics business, The Sofa Delivery Company, is performing well having completed the integration of the two discrete delivery arms of DFS and Sofology. Sofa orders for both brands are stored and delivered through the same infrastructure and resources and we are seeing consistently higher van fill rates, reduced delivery failure rates and improved post-delivery NPS scores year on year.

ESG: The Group is guided by our purpose to bring great design and comfort into every home in an affordable, responsible and sustainable manner. We have developed policies and targets to help reduce our impact on the environment covering key elements of the materials that make up the sofas we sell, for example leather, textiles and timber along with targets covering inclusivity & diversity and our impact on local communities.

Highlights from the first half of FY24 include meeting our 10% target of an absolute reduction in Scope 1 emissions measured against our 2018/19 baseline. This has been achieved in part due to lower delivered volumes but also through various initiatives, such as moving to gas alternatives across our real estate and the consolidation of our delivery fleets into The Sofa Delivery Company. AI route planning tools as well as the investment in our teams with driver efficiency training have delivered great results and we are incrementally shifting our company cars and service vehicles to hybrid and electric models.

We have also made a significant amount of progress in developing our carbon reduction roadmap and remain on track to submit our net zero strategy to the Science Based Targets Initiative for approval in June. Over the past six months, we have

engaged our manufacturing partners and raw material suppliers in our roadmap planning and many have shared their commitment to our net zero ambition.

Our colleagues remain highly engaged, and we've seen positive results from our colleague engagement survey, with the overall NPS engagement score increasing 14 points from March to September 2023. We've also made good progress in developing our inclusive culture where everyone is welcome, adding further Colleague Networks, bringing our total to five across Gender, Sexuality, Religion, Race and Disability. Finally, our Workforce Disclosure Initiative score has also increased from 73% to 80%, well above the UK average of 71% and the consumer discretionary sector of 60%.

Outlook:

Since our trading update on 19 January, market demand during the winter sale period has weakened by c-6ppt compared to the H1 average and we have experienced a corresponding step back in the Group's order intake performance.

Today we provide some updated guidance for the 53 week period ending 30 June 2024. Order intake and delivery lead times are the two key sensitivities to our FY24 profit performance.

We expect revenues to be in the range of £1,000-1,015m and PBT(A) to be in the range of £20-25m, excluding the potential risk of Red Sea delays which we continue to monitor closely. The £10m reduction in our PBT(A) guidance represents a resilient profit performance given the £60-65m reduction in Revenue, supported by the strong progress on costs and margins.

Full year guidance	September 2023	March 2024
Revenue	£1,060m-£1,080m	£1,000m-£1,015m
PBT(A) ³ excl. Red Sea risk*	£30m-£35m	£20-25m
Cash capex	£25m-£30m	£25m
Non underlying costs (cash)	£4m-£5m	£5m

*If Red Sea delays continue, we expect up to £4m of profit to be deferred into FY25

Whilst forecasting future market demand remains challenging, we expect overall H2 market demand will be broadly consistent with H1, in a range of -8% to -10%. This is partly supported by a relatively weak Q4 in the prior year and some potential for pent up demand following the especially weak market during the winter sale period. We are also confident that our commercial plan will be stronger year on year through Easter and Q4, as we annualise price rises and changes to interest free credit in the prior year. Based on these assumptions, the Group's year on year order intake performance** is forecast to be in the range of -2% to -4% for H2 overall, slightly below the H1 level of -1.1%.

Year end net bank debt is expected to be around £150-155m. As previously guided, this is artificially elevated due to around £15m of temporary working capital outflows that occur in the 53rd week of this financial period.

As with our previous guidance, the PBT(A) range of £20-25m assumes that issues in the Red Sea are resolved, with no delays to delivery lead times. If the Red Sea issues are not resolved ahead of our year end, then we expect delays to customer delivery lead times will result in up to £4m of profit being deferred into FY25.

****Calculated on a 26 week vs 26 week basis (i.e. excludes FY24 order intake in the 27th week in the second half of this 53 week financial period)**

Conclusion:

I want to thank our colleagues for their dedication toward providing a first class service to our customers. Whilst the current macroeconomic situation has presented many challenges, we are pleased to have extended our market leadership while reporting a resilient profit performance through the first half.

As a result of weaker market demand we have lowered our FY24 profit guidance to £20-£25m, excluding the potential risk of Red Sea delays which we continue to monitor closely. This reflects Revenue guidance reducing by £60-65m, partially mitigated by good progress on our Cost to Operate programme.

We remain confident in both our long-term growth strategy and the capability to deliver on our objectives. We remain well positioned to improve our profit margins without market recovery and remain confident in delivering our 8% PBT target when the market recovers.

Tim Stacey
CEO

19 March 2024

FINANCIAL REVIEW

H1 FY24 reported profit before tax was £0.9m (H1 FY23: £6.8m), after the deduction of expected non-underlying operating costs of £7.1m (H1 FY23: £0.4m non-underlying profit).

H1 FY24 underlying profit before tax and brand amortisation (PBT(A))¹ was £8.7m, slightly ahead of prior year (H1 FY23: £7.1m). This represents a resilient profit performance despite the tough market conditions, supported by planned improvements in gross margin rate, lower operating costs and market share gains, which offset the profit impact of a year on year decline in revenues.

Non-underlying costs of £7.1m include the costs associated with the planned closure in the period of the smallest of our UK manufacturing facilities and one of our wood mills. The closures have enabled us to consolidate volumes within other UK Group manufacturing sites and further leverage our buying scale with our external supplier partners, lowering operating costs and improving the net profitability of the Group. Cash outflow for the period on non-underlying costs was £4.2m, with the full year expectation remaining in line with the previous guidance of £5m.

Trading conditions proved to be more volatile and weaker than anticipated across the period, with H1 market order volumes down c-10% year on year, versus the -5% reduction assumed in our previous guidance. Although we have not been immune to the weaker demand, the reduction in Group order intake of -1.1% year on year was lower than the reduction across the market, resulting in further market share gains. Proprietary data² for H1 shows we increased market share to 38.5% (38% at FY23 close). We remain in a favourable position for future growth when market volumes begin to recover.

Net bank debt¹ decreased from £140.3m at the end of FY23, to £133.9m at the end of H1 FY24, and leverage¹ decreased from 1.9x at the end of FY23 to 1.6x. Over the medium term we remain committed to managing leverage within our target range of 0.5-1.0x.

Revenue and gross sales

	H1 FY24 £m	YoY	H1 FY23 £m
Gross sales	666.2	-5.6%	705.6
DFS	525.6	-5.7%	557.2
Sofology	140.6	-5.3%	148.4
Revenue	505.1	-7.2%	544.5

Group gross sales¹, which are recognised on delivery of orders to customers, decreased by -5.6% to £666.2m (H1 FY23: £705.6m), with both retail brands reporting a reduction on H1 FY23. As expected, this was a higher rate of decline than order intake over the same period as a result of the higher order bank at the start of the comparative period converting into sales in H1 FY23.

Market demand was volatile within the period, with the Group experiencing year on year order intake growth in July and August, a challenging September and October driven by very low footfall during unseasonably warm weather, followed by an improvement in November and December. A shift in product mix towards models with shorter lead times also meant that we were able to deliver more orders to customers and convert these to gross sales in the period.

Group average order values have increased year on year as a result of range innovation and targeted price increases in March 2023, which fed through to deliveries from May 2023 onwards.

H1 FY24 Group revenue of £505.1m was 7.2% lower than H1 FY23. This is a higher rate of decline than gross sales due to increased interest free credit costs, primarily as a result of the higher Bank of England base rates. This impact was partially mitigated by changing our everyday interest free credit customer proposition to a maximum of 36 months. We note that this cost will start to reduce when reductions in base rates are instigated by the Bank of England.

Gross profit

H1 FY24 Gross profit of £283.0m decreased by £9.9m (3.4%) year on year, driven by lower revenues.

Gross margin rate improved to 56.0% for H1 FY24 (H1 FY23: 53.8%, H2 FY23: 55.0%), an increase of 220bps year on year. The margin improvement has been achieved as a result of the benefits of reduced freight rates, targeted price increases on orders placed from March 2023 onwards, and cost of goods improvements partly as a result of benefits from the closure of our smallest factory and one of our woodmills part way through the period. These benefits were partially offset by adverse hedged foreign exchange movements and the increased cost of interest free credit.

We have now recorded three consecutive half year periods of year on year gross margin rate growth, and we expect this trend to continue through H2 FY24.

Selling, distribution, administration, and property costs

H1 FY24 selling, distribution, administration and property costs totalled £209.5m (H1 FY23: £224.7m), a decrease of £15.2m (6.8%), representing a % cost of revenue of 41.5% (FY23: 39.9%).

The reduction in delivered volumes contributed £4.0m to the decrease in costs. We also took the decision to flex our marketing spend down by £3.9m in response to the tougher market conditions, prioritising spend against our core upholstery business. Other cost reductions of £14.3m were delivered from across retail operations, The Sofa Delivery Company, property costs and central overheads. This was driven by a combination of better service levels and cost management disciplines, alongside good early progress on our cost efficiencies programme, all of which helped to mitigate total inflationary cost increases of c3.1% (£7.0m).

Depreciation, amortisation and interest

H1 FY24 Depreciation of £38.9m decreased by £1.3m year on year, supported by the benefits of retail property lease regears and the rationalisation of our legacy warehouse estate into fewer, larger distribution centres. Amortisation has increased £1.0m year on year due to continued investment in our IT systems.

H1 FY24 Finance costs of £20.3m increased £4.3m year on year, largely due to increased interest rates on the Group's borrowings as a result of the higher Bank of England base rate, and to a lesser extent from a higher average drawn balance during the period. The higher drawn balance on the Group's borrowings is due to working capital balances normalising during FY23, principally as the higher order bank and therefore higher customer deposit levels reduced to be in line with more historical levels.

Profits and earnings per share

H1 FY24 reported profit before tax for the period was £0.9m (H1 FY23: £6.8m). Underlying profit before tax and brand amortisation (PBT(A))¹ was £8.7m compared to £7.1m in H1 FY23, with margin rate improvement and cost savings mitigating the profit impact of the year on year revenue reduction.

£7.1m of non-underlying costs were incurred in the period which related to the closure of the Group's smallest UK manufacturing facility and one of our woodmills (£5.7m), and costs associated with refinancing the Group's borrowing facilities (£1.9m), partially offset by the annual review and release of lease guarantee creditors no longer required in relation to properties leased by a former subsidiary entity (£0.5m).

Underlying basic earnings per share from continuing operations was 2.8 pence (H1 FY23: 2.2p). H1 FY24 basic earnings per share from continuing operations was 0.2 pence (H1 FY23: 2.3p).

The tax charge recognised in the interim financial statements has been calculated using the expected effective tax rate for FY24 of 24.0% (FY23: 21.3%). This is lower than the applicable UK Corporation Tax rate of 25.0% (FY22: 20.5%), primarily due to the availability of the fully expensing rules on capital expenditure.

Cash flow, net debt and dividends

Refinancing of our debt facilities was completed in September 2023, which increased the total amount of funds available from £215m to £250m and diversified the lending group. The new facilities were secured at competitive rates and consist of £200m from existing banking partners which runs to September 2027 (with a 16 month extension option) and £50m from the addition of US private placement notes, with redemption dates split equally between September 2028 and September 2030.

Net bank debt¹ decreased from £140.3m at the end of the prior year to £133.9m at the end of the current period. This

includes a timing benefit of £6.9m in relation to the FY23 final dividend which was paid post period end in H1 FY24 and pre period end in H1 FY23.

H1 FY24 Cash capex was £14.7m (H1 FY23: £19.6m) and included the opening of the new DFS Greenwich store, six store refits, and technology related investments to further strengthen our customer proposition, mid and back office functions. We expect annual cash capex investment for FY24 to be at the lower end of the £25-£30m range previously communicated.

H1 FY24 return on capital employed (ROCE)¹ was 14.8% (H1 FY23: 13.5%) as a result of slightly higher profit on a last twelve months basis, with capital employed remaining stable. We expect returns to grow over time given i) our anticipated improved profitability as our product, property and operating cost reductions continue to be delivered and market volumes recover and ii) our negative working capital model.

Leverage¹ decreased from 1.9x at the end of FY23 to 1.6x for H1 FY24. Based on the revised FY24 profit guidance described in the CEO's report, our year end net bank debt is expected to be in the range of £150m-£155m and leverage in the range of 2.0x to 2.1x. This includes the impact of a temporary £15m working capital outflow in the final week of this extended 53 week financial period. Excluding the temporary working capital outflow, leverage will be in the range of 1.8x-1.9x. Over the medium term we remain committed to returning leverage to within our target range of 0.5-1.0x.

Aligned to our capital distribution policy, the Board has declared an interim dividend for FY24 of 1.1 pence per share, at a total cost of £2.5m. This dividend will be paid on 30 May 2024 to shareholders on the register on 19 April 2024.

John Fallon
Chief Financial Officer

19 March 2024

¹ Definitions and reconciliations of KPIs including Alternative Performance Measures ("APMs") are provided at the end of this statement in note 13 to the condensed consolidated financial statements

² Proprietary Barclaycard banking data

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks that could threaten the Group's business model, future performance, solvency or liquidity remain consistent with those described in the 2023 Annual Report. A summary is provided below:

Risk	Impact
Financial risk and liquidity	The geopolitical and macroeconomic environment or other events (such as a future pandemic or expansion of the Ukraine war into other territories) may impact the Group's working capital requirements, its ability to access debt or equity financing, the cost of that financing, or the price of purchases in foreign currencies.
Regulatory	The Group is subject to increasing levels of compliance requirements in many of its activities from regulatory and other authorities, including the Financial Conduct Authority for its consumer finance offering, the Information Commissioner's Office in relation to data protection and Health and Safety Executive and local authorities for the health and safety of its colleagues and customers. The Group also generates revenue from the sale of product aftercare insurance, a form of general insurance add-on product.
Cyber	A cyber-attack, ransomware or data breach could result in business disruption, and loss or corruption of customer data, which could adversely impact our reputation and customer confidence. Our website and IT infrastructure are key elements of our strategy. A failure to review and innovate in this competitive area could impact achievement of the Group's growth plans.
Supply chain and manufacturing resilience	Disruption across our supply chain, including shortages of critical materials, reliance on key manufacturing sites and logistics constraints could result in supply shortages or delays.
Macro economic uncertainty	The Group's products represent a significant discretionary spend for customers and demand is heavily influenced by factors affecting the economic environment in which the Group operates including (but not limited to): consumer confidence, employment levels, real income, the availability of credit and the level of housing market activity.
Environmental, social and governance	Key stakeholders, including customers, colleagues, investors and regulators, as well as the media, are increasingly focused on the Group's policies and management regarding Environmental, Social and Governance ('ESG') risks. The Group is also required to meet increasing non-financial reporting and disclosure requirements.
Retention of skilled workers due to labour	There has been increased pressure within the UK labour market in general with low levels of unemployment, high levels of vacancies and shortages of skilled workers

Shortage	across all sectors. The Group needs to attract, retain and develop the right talent and required capabilities to achieve targeted business performance and delivery of our strategy.
Consumer Proposition and industry competition	The reputation of, and value associated with, the Group's brands and product offering is central to the success of the business. Failure to maintain a well-designed, high-quality product range that is priced attractively could compromise the success of the Group.
Transformation	The Group undertakes a number of significant investment or business change projects that are key to successfully executing its strategy.

RESPONSIBILITY 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 Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year 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

Tim Stacey
Chief Executive Officer

John Fallon
Chief Financial Officer

19 March 2024

INDEPENDENT REVIEW REPORT TO DFS FURNITURE PLC

Conclusion

We have been engaged by DFS Furniture plc ("the Company") to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 24 December 2023 which comprises Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Equity, 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 half-yearly financial report for the 26 weeks ended 24 December 2023 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 half-yearly financial report 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 for 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 half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial

The directors are responsible for preparing the condensed set of financial statements included in this half-yearly financial report 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 half-yearly financial report 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.

Gill Hopwood-Bell for and on behalf of KPMG LLP

Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

19 March 2024

Unaudited condensed consolidated income statement

	Note	26 weeks to 24 December 2023			26 weeks to 25 December 2022	
		Underlying £m	Non- underlying £m	Total £m	Underlying £m	Non- underlying £m
Continuing operations						
Gross sales	3	666.2	-	666.2	705.6	-
Revenue	3	505.1	-	505.1	544.5	-
Cost of sales		(222.1)	-	(222.1)	(251.6)	-
Gross profit		283.0	-	283.0	292.9	-
Selling and distribution costs		(175.2)	-	(175.2)	(187.3)	-
Administrative expenses		(34.3)	(5.2)	(39.5)	(37.4)	0.4
Operating profit before depreciation and amortisation		73.5	(5.2)	68.3	68.2	0.4
Depreciation		(38.9)	-	(38.9)	(40.2)	-
Amortisation		(6.6)	-	(6.6)	(5.6)	-
Impairment		-	-	-	-	-
Operating profit	4	28.0	(5.2)	22.8	22.4	0.4
Finance income		0.3	-	0.3	-	-
Finance expenses	5	(20.3)	(1.9)	(22.2)	(16.0)	-
Profit before tax		8.0	(7.1)	0.9	6.4	0.4
Taxation	6	(1.5)	1.2	(0.3)	(1.0)	(0.1)
Profit for the period from continuing operations		6.5	(5.9)	0.6	5.4	0.3
(Loss)/profit for the period from discontinued operations		-	-	-	(0.6)	-
Profit for the period		6.5	(5.9)	0.6	4.8	0.3
Statutory earnings per share						
Basic	7					
- from continuing operations		2.8p	(2.6)p	0.2p	2.2p	0.1p
- from discontinued operations		-	-	-	(0.2)p	-
Total		2.8p	(2.6)p	0.2p	2.0p	0.1p
Diluted	7					
- from continuing operations		2.8p	(2.6)p	0.2p	2.2p	0.1p
- from discontinued operations		-	-	-	(0.2)p	-
Total		2.8p	(2.6)p	0.2p	2.0p	0.1p

Unaudited condensed consolidated statement of comprehensive income

Unaudited condensed consolidated statement of comprehensive income

	26 weeks 24 December 2023 £
Profit for the period	0
Other comprehensive income	
<i>Items that are or may be reclassified subsequently to profit or loss:</i>	
Effective portion of changes in fair value of cash flow hedges	1
Net change in fair value of cash flow hedges reclassified to profit or loss	
Recognised in cost of sales	(0.
Income tax on items that are or may be reclassified subsequently to profit or loss	(0.
Other comprehensive income/(expense) for the period, net of income tax	1
Total comprehensive income for the period	1
Total comprehensive income for the period attributable to the owners of the parent	
- from continuing operations	1
- from discontinued operations	
	1

Unaudited condensed consolidated balance sheet

	Note	24 December 2023 £m	25 December 2022 £m	25 June 2023 £m
Non-current assets				
Property, plant and equipment	10	92.5	107.9	97.4
Right of use assets	10	318.8	314.8	312.6
Intangible assets	10	536.4	534.8	536.7
Other financial assets		-	0.1	-
Deferred tax assets		16.6	14.1	15.5
		964.3	971.7	962.2
Current assets				
Inventories		52.1	56.5	55.8
Other financial assets		-	8.2	0.7
Trade and other receivables		10.5	21.2	11.1
Current tax assets		2.2	5.7	2.7
Cash and cash equivalents (excluding bank overdrafts)		13.7	34.4	26.7
		78.5	126.0	97.0
Total assets		1,042.8	1,097.7	1,059.2
Current liabilities				
Bank overdraft		(3.6)	-	-
Trade payables and other liabilities		(232.0)	(260.7)	(224.9)
Lease liabilities		(88.3)	(83.3)	(84.1)
Provisions	11	(6.7)	(12.3)	(6.2)
Other financial liabilities		(4.1)	(2.5)	(6.7)
		(334.7)	(358.8)	(321.9)
Non-current liabilities				
Interest bearing loans and borrowings		(142.1)	(168.8)	(165.8)
Lease liabilities		(325.4)	(333.5)	(327.3)
Provisions	11	(6.6)	(6.0)	(6.9)
Other financial liabilities		(0.4)	(0.6)	(0.2)
		(474.5)	(508.9)	(500.2)
Total liabilities		(809.2)	(867.7)	(822.1)
Net assets		233.6	230.0	237.1
Equity attributable to equity holders of the parent				
Share capital		24.1	24.1	24.1
Share premium		40.4	40.4	40.4
Merger reserve		18.6	18.6	18.6
Capital redemption reserve		359.6	359.6	359.6
Treasury shares		(10.1)	(6.1)	(10.1)
Shares held by employee benefit trust		(6.0)	(6.6)	(6.6)

Cash flow hedging reserve	(3.2)	5.2	(4.9)
Retained earnings	(189.8)	(205.2)	(184.0)
Total equity	233.6	230.0	237.1

Unaudited condensed consolidated statement of changes in equity

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Treasury shares £m	Employee Benefit Trust shares £m	C
Balance at 26 June 2022	25.9	40.4	18.6	357.8	(4.9)	(6.9)	
Profit for the period	-	-	-	-	-	-	
Other comprehensive income/(expense)	-	-	-	-	-	-	
Total comprehensive income for the period	-	-	-	-	-	-	
Dividends	-	-	-	-	-	-	
Purchase of own shares	-	-	-	-	(26.9)	-	
Employee benefit trust shares issued	-	-	-	-	-	0.3	
Settlement of share based payments	-	-	-	-	-	-	
Share based payments	-	-	-	-	-	-	
Shares purchased for cancellation	(1.8)	-	-	1.8	25.7	-	
Balance at 25 December 2022	24.1	40.4	18.6	359.6	(6.1)	(6.6)	
Balance at 25 June 2023	24.1	40.4	18.6	359.6	(10.1)	(6.6)	
Profit for the period	-	-	-	-	-	-	
Other comprehensive income/(expense)	-	-	-	-	-	-	
Total comprehensive income for the period	-	-	-	-	-	-	
Dividends	-	-	-	-	-	-	
Employee benefit trust shares issued	-	-	-	-	-	0.6	
Share based payments	-	-	-	-	-	-	
Balance at 24 December 2023	24.1	40.4	18.6	359.6	(10.1)	(6.0)	

Unaudited condensed consolidated cash flow statement

	26 weeks to 24 December 2023 £m	26 weeks to 25 December 2022 £m	52 weeks to 25 June 2023 £m
Profit for the period	0.6	5.1	26.2
<i>Adjustments for:</i>			
Income tax expense	0.3	1.2	7.1
Finance income	(0.3)	-	(0.2)
Finance expenses	20.3	16.1	34.3
Non-underlying financing costs	1.9	-	-
Depreciation of property, plant and equipment	11.3	10.8	22.1
Depreciation of right of use assets	27.6	29.4	58.4
Amortisation of intangible assets	6.6	5.6	11.6
Impairment of assets	-	-	2.0
Gain on sale of property, plant and equipment	(0.9)	(0.7)	(0.8)
(Gain)/loss on disposal of right of use assets	(0.7)	0.7	(1.2)
Settlement of share based payments	-	(0.2)	(0.3)
Share based payment expense	1.7	1.1	1.8
Foreign exchange impact on cash flow hedges	-	-	1.4
Decrease in trade and other receivables	0.6	3.1	13.2
Decrease in inventories	3.7	7.9	8.6
Increase/(decrease) in trade and other payables	0.2	(20.1)	(55.8)

Increase/(decrease) in provisions	0.2	(0.8)	(6.0)
Net cash from operating activities before tax	73.1	59.2	122.4
Tax paid	(1.5)	0.7	(0.7)
Net cash from operating activities	71.6	59.9	121.7
Investing activities			
Proceeds from sale of property, plant and equipment	2.9	0.7	1.3
Interest received	0.3	-	0.2
Acquisition of property, plant and equipment	(8.3)	(13.0)	(20.4)
Acquisition of other intangible assets	(6.4)	(6.6)	(14.5)
Net cash used in investing activities	(11.5)	(18.9)	(33.4)
Financing activities			
Interest paid	(10.2)	(3.8)	(10.5)
Interest paid on lease liabilities	(12.4)	(11.8)	(23.5)
Payment of lease liabilities	(31.1)	(35.4)	(61.6)
(Repayment)/drawdown of borrowings	(23.0)	75.0	72.0
Purchase of treasury shares	-	(26.9)	(30.9)
Ordinary dividends paid	-	(8.7)	(12.1)
Net cash used in financing activities	(76.7)	(11.6)	(66.6)
Net (decrease)/increase in cash and cash equivalents	(16.6)	29.4	21.7
Cash and cash equivalents at beginning of period	26.7	5.0	5.0
Cash and cash equivalents (including bank overdraft) at end of period	10.1	34.4	26.7

1. Basis of preparation

These unaudited condensed consolidated interim financial statements for DFS Furniture plc ("the Company") and its subsidiaries (together, "the Group") were approved for release on 19 March 2024.

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK, and comprise the results for the 26 weeks ended 24 December 2023, the 26 weeks ended 25 December 2022, and the 52 weeks ended 25 June 2023.

The condensed consolidated interim financial statements do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed consolidated interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 25 June 2023 which were prepared in accordance with international accounting standards ('UK-adopted IFRS').

The statutory accounts for the 52 weeks ended 25 June 2023 have been reported on by the Company's auditor and delivered to the Registrar of Companies. The auditor's report for those accounts was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. The auditor's review report for the 26 weeks ended 24 December 2023 is attached.

Going concern

The condensed consolidated interim financial statements are prepared on a going concern basis, which the directors believe to be appropriate for the following reasons.

The Group has a £200.0m revolving credit facility and £50.0m of senior secured notes. The £200.0m revolving credit facility is held with a syndicate of banks and matures in September 2027, with the option of a 16 month extension. The senior secured notes comprise two tranches: £25.0m maturing in September 2028 and £25.0m maturing in September 2030. At 13 March 2024, £72.0m of the revolving credit facility remained undrawn, and £2.2m of the Group's overdraft facility was utilised.

Covenants applicable to the revolving credit facility are: 3.0x net debt / EBITDA and 1.5x fixed charge cover, and are assessed on a six-monthly basis at June and December.

The Directors have prepared cash flow forecasts for the Group covering a period of at least twelve months from the date of approval of these interim condensed consolidated financial statements (the 'going concern assessment period'), which indicate that the Group will be in compliance with these covenants. These forecasts include a number of assumptions in relation to: market size and the Group's order intake volumes; inflationary impacts on gross margin and other costs; sector-wide manufacturing and supply chain capacities; and achievement of cost savings in line with the Group's strategic plans.

The Directors have also prepared severe but plausible downside sensitivity scenarios which cover the same going concern assessment period as the base case. These scenarios include significantly reduced customer spending, impacts on gross margin and other costs from inflationary cost pressures, and a combination of these scenarios. The Directors have also performed reverse stress-testing analysis to confirm that circumstances resulting in a covenant breach were beyond those considered plausible.

1. Basis of preparation (continued)

As part of this analysis, the Directors have considered mitigating actions within the Group's control which could reduce the impact of these severe but plausible downside scenarios. These mitigating actions include reducing discretionary operating expenditure, a pause on expansionary capital investment, a reduction or pause in dividend payments, and other measures to protect cash balances. These forecast cash flows, considering the ability and intention of the Directors to implement mitigating actions should they need to, indicate that there remains sufficient headroom in the forecast period for the Group to operate within the committed facilities and to comply with all relevant banking covenants during the going concern assessment period.

The Directors have considered all of the factors noted above, including the inherent uncertainty in forecasting the impact of the current economic and political environment, and are confident that the Group has adequate resources to continue to meet all liabilities as and when they fall due for the foreseeable future and at least twelve months from the date of approval of these condensed consolidated interim financial statements. Accordingly, the condensed consolidated interim financial statements are prepared on a going concern basis.

2. Principal accounting policies

As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the accounting policies adopted in preparing the condensed consolidated interim financial statements are consistent with the policies in the Group's financial statements for the 52 weeks ended 25 June 2023. These are consistent with IFRS, as issued by the International Accounting Standards Board and adopted by the UK Endorsement Board for use in the United Kingdom. There are no new standards, amendments to existing standards or interpretations that are effective for the first time in the period ended 24 December 2023 that have a material impact on the Group's results.

3. Segmental Analysis

The Group's operating segments under IFRS 8 have been determined based on management accounts reports reviewed by the Group Leadership Team. Segment performance is assessed based upon brand contribution. Brand contribution is defined as underlying EBITDA (being earnings before interest, tax, depreciation, amortisation and non-underlying items) excluding property costs and central administration costs.

The Group reviews and manages the performance of its operations on a retail brand basis, and the identified reportable segments and the nature of their business activities are as follows:

DFS:	the retailing of upholstered furniture and related products through DFS branded stores and websites.
Sofology:	the retailing of upholstered furniture and related products through Sofology branded stores and website.
Other:	the manufacture of upholstered furniture and the supply of contract logistics.

3. Segmental analysis (continued)

Segment revenue - continuing operations

	External gross sales			Internal sales			Total gross sales		
	26 weeks to 24 December 2023 £m	26 weeks to 25 December 2022 £m	52 weeks to 25 June 2023 £m	26 weeks to 24 December 2023 £m	26 weeks to 25 December 2022 £m	52 weeks to 25 June 2023 £m	26 weeks to 24 December 2023 £m	26 weeks to 25 December 2022 £m	52 weeks to 25 June 2023 £m
DFS	525.6	557.2	1,125.5	-	-	-	525.6	557.2	1,125.5
Sofology	140.6	148.4	298.1	-	-	-	140.6	148.4	298.1
Other segments	-	-	-	102.0	105.6	215.6	102.0	105.6	215.6
Eliminations	-	-	-	(102.0)	(105.6)	(215.6)	(102.0)	(105.6)	(215.6)
Gross sales	666.2	705.6	1,423.6	-	-	-	666.2	705.6	1,423.6

	26 weeks to 24 December 2023 £m	26 weeks to 25 December 2022 £m	52 weeks to 25 June 2023 £m
Total segments gross sales	666.2	705.6	1,423.6
Less: value added and other sales taxes	(105.3)	(112.1)	(226.2)
Less: costs of interest free credit and aftercare services	(55.8)	(49.0)	(108.5)
Revenue	505.1	544.5	1,088.9
Of which:			
Furniture sales	466.6	518.1	1,033.3
Sales of aftercare products	38.5	26.4	55.6
Revenue	505.1	544.5	1,088.9

Segment profit - continuing operations

26 weeks to 24 December 2023 - continuing operations	DFS £m	Sofology £m	Other £m	Eliminations £m	Total £m
Revenue	397.0	108.1	102.0	(102.0)	505.1
Cost of sales	(190.2)	(49.3)	(27.4)	44.8	(222.1)
Gross profit	206.8	58.8	74.6	(57.2)	283.0
Selling and distribution costs (excluding property costs)	(113.1)	(29.9)	(59.0)	41.9	(160.1)
Brand contribution (segment profit)	93.7	28.9	15.6	(15.3)	122.9
Property costs					(15.1)
Underlying administrative expenses					(34.3)
Underlying EBITDA					73.5

26 weeks to 25 December 2022 - continuing operations	DFS £m	Sofology £m	Other £m	Eliminations £m	Total £m
Revenue	428.4	116.1	105.6	(105.6)	544.5
Cost of sales	(213.7)	(54.8)	(29.7)	46.6	(251.6)
Gross profit	214.7	61.3	75.9	(59.0)	292.9
Selling and distribution costs (excluding property costs)	(116.3)	(32.7)	(64.2)	44.0	(169.2)

Brand contribution (segment profit)	98.4	28.6	11.7	(15.0)	123.7
Property costs					(18.1)
Underlying administrative expenses					(37.4)
Underlying EBITDA					68.2

3. Segmental analysis (continued)

52 weeks to 25 June 2023 - continuing operations	DFS £m	Sofology £m	Other £m	Eliminations £m	Total £m
Revenue	858.5	230.4	215.6	(215.6)	1,088.9
Cost of sales	(424.8)	(106.8)	(61.6)	96.5	(496.7)
Gross profit	433.7	123.6	154.0	(119.1)	592.2
Selling and distribution costs (excluding property costs)	(229.0)	(64.5)	(129.3)	88.4	(334.4)
Brand contribution (segment profit)	204.7	59.1	24.7	(30.7)	257.8
Property costs					(30.2)
Underlying administrative expenses					(70.2)
Underlying EBITDA					157.4

	26 weeks to 24 December 2023 £m	26 weeks to 25 December 2022 £m	52 weeks to 25 June 2023 £m
Underlying EBITDA	73.5	68.2	157.4
Non-underlying operating profit items	(5.2)	0.4	0.5
Depreciation & amortisation	(45.5)	(45.8)	(94.1)
Operating profit	22.8	22.8	63.8
Net finance expense	(20.0)	(16.0)	(34.1)
Non-underlying finance expense	(1.9)	-	-
Profit before tax	0.9	6.8	29.7

4. Operating profit - continuing operations

Group operating profit is stated after charging/(crediting):

	26 weeks to 24 December 2023 £m	26 weeks to 25 December 2022 £m	52 weeks to 25 June 2023 £m
Depreciation on tangible assets (including depreciation on right of use assets)	38.9	40.2	80.5
Amortisation of intangible assets	6.6	5.6	11.6
Impairments	-	-	2.0
Net gain on disposal of property, plant and equipment	(0.9)	(0.7)	(0.8)
Net (gain)/loss on disposal of right of use assets	(0.7)	0.7	(1.2)
Cost of inventories recognised as an expense	220.2	264.1	509.1
Write down of inventories to net realisable value	0.4	(1.8)	2.0
Other costs of sales	1.5	(10.7)	(14.4)
Release of provisions	(1.8)	-	(0.9)
Government grants received (business rates relief)	-	(0.2)	(0.2)
Operating lease rentals	1.5	0.2	0.2
Non-underlying items:			
Restructuring costs	5.7	-	-
Release of lease guarantee provision	(0.5)	(0.4)	(0.5)
	5.2	(0.4)	(0.5)

Restructuring costs of £5.7m includes redundancy and operational costs associated with the closure of the Group's smallest UK factory. The release of the lease guarantee provision relates to the property provisions detailed in note 11.

5. Finance expense - continuing operations

	26 weeks to 24 December 2023 £m	26 weeks to 25 December 2022 £m	52 weeks to 25 June 2023 £m
Interest payable on senior revolving credit facility	6.3	4.0	10.4
Interest payable on senior secured notes	1.3	-	-
Bank fees	0.3	0.3	0.4
Unwind of discount on provisions	0.1	-	0.1
Interest on lease liabilities	12.3	11.7	23.4
Total finance expense	20.3	16.0	34.3

Non-underlying finance costs of £1.9m relate to the refinancing of the Group's borrowing facilities in September 2023. This includes the write off of unamortised underwriting fees associated with the old revolving credit facility and professional fees incurred in relation to the arrangement of the new facilities.

6. Taxation

The tax charge recognised in the interim financial statements has been calculated on the basis of the expected effective tax rate for the 53 weeks to 30 June 2024 of 24.0% (52 weeks to 25 June 2023: 19.1%).

7. Earnings per share

	26 weeks to 24 December 2023 pence	26 weeks to 25 December 2022 pence	52 weeks to 25 June 2023 pence
Basic earnings/(loss) per share			
- from continuing operations	0.2	2.3	9.8
- from discontinued operations	-	(0.2)	1.3
Total basic earnings per share	0.2	2.1	11.1
Diluted earnings/(loss) per share			
- from continuing operations	0.2	2.3	9.7
- from discontinued operations	-	(0.2)	1.3
Total diluted earnings per share	0.2	2.1	11.0
	26 weeks to 24 December 2023 £m	26 weeks to 25 December 2022 £m	52 weeks to 25 June 2023 £m
Profit attributable to equity holders of the parent company			
- from continuing operations	0.6	5.7	23.0
- from discontinued operations	-	(0.6)	3.1
	0.6	5.1	26.1
	26 weeks to 24 December 2023 No.	26 weeks to 25 December 2022 No.	52 weeks to 25 June 2023 No.
Weighted average number of shares for basic earnings per share	230,565,203	244,862,812	235,470,857
Dilutive effect of employee share based payment awards	823,593	1,200,789	1,783,365
Weighted average number of shares for diluted earnings per share	231,388,796	246,063,601	237,254,222

7. Earnings per share (continued)

Underlying earnings per share

Underlying basic earnings per share and underlying diluted earnings per share are calculated by dividing the profit for the period attributable to ordinary equity holders of the parent company, as adjusted to exclude the effect of non-underlying items, by the same weighted average numbers of ordinary shares above used for basic and diluted earnings per share respectively.

	26 weeks to 24 December 2023 £m	26 weeks to 25 December 2022 £m	52 weeks to 25 June 2023 £m
Continuing operations			
Profit attributable to equity holders of the parent company	0.6	5.7	23.0
Non-underlying items loss/(profit) after tax	5.9	(0.3)	(0.4)
Underlying profit attributable to equity holders of the parent company	6.5	5.4	22.6
Discontinued operations			
Profit attributable to equity holders of the parent company	-	(0.6)	3.1
Non-underlying items loss/(profit) after tax	-	-	(3.5)
Underlying profit attributable to equity holders of the parent company	-	(0.6)	(0.4)
	26 weeks to 24 December 2023 pence	26 weeks to 25 December 2022 pence	52 weeks to 25 June 2023 pence
Underlying basic earnings per share			
- from continuing operations	2.8	2.2	9.6
- from discontinued operations	-	(0.2)	(0.2)
Total underlying basic earnings per share	2.8	2.0	9.4
Underlying diluted earnings per share			
- from continuing operations	2.8	2.2	9.5
- from discontinued operations	-	(0.2)	(0.2)
Total underlying diluted earnings per share	2.8	2.0	9.3

8. Dividends

	Pence per ordinary share	26 weeks to 24 December 2023 £m	26 weeks to 25 December 2022 £m	52 weeks to 25 June 2023 £m
Final ordinary dividend for FY22	3.7p	-	8.7	8.7
Interim ordinary dividend for FY23	1.5p	-	-	3.5
Final ordinary dividend for FY23	3.0p	6.9	-	-

The directors have declared an interim dividend for the period ending 30 June 2024 of 1.1p per ordinary share to be paid on 30 May 2024. DFS Furniture plc shares will trade ex-dividend from 18 April 2024 and the record date will be 19 April 2024.

9. Financial instruments

All derivatives are categorised as Level 2 under the requirements of IFRS 7 as they are valued using techniques based significantly on observed market data.

The directors consider that the fair values of each category of the Group's financial instruments are the same as their carrying values in the Group's balance sheet.

10. Capital expenditure

	Property, plant and equipment £m	Right of use asset £m	Intangible assets £m
Net book value as at 25 June 2023	97.4	312.6	536.7
Additions	8.3	20.7	6.4
Remeasurements	-	13.5	-
Disposals	(1.9)	(0.4)	(0.1)
Depreciation, amortisation and impairment	(11.3)	(27.6)	(6.6)
Net book value as at 24 December 2023	92.5	318.8	536.4

	Property, plant and equipment £m	Right of use asset £m	Intangible assets £m
Net book value as at 26 June 2022	105.9	338.0	533.8
Additions	13.0	9.2	6.6
Remeasurements	-	(1.7)	-
Disposals	(0.2)	(1.3)	-
Depreciation, amortisation and impairment	(10.8)	(29.4)	(5.6)
Net book value as at 25 December 2022	107.9	314.8	534.8

11. Provisions

	Guarantee provision £m	Property provisions £m	Other provisions £m	Total £m
Balance at 25 June 2023	7.5	4.6	1.0	13.1
Provisions made during the period	1.2	0.4	3.6	5.2
Provisions used during the period	-	(0.1)	(3.1)	(3.2)
Released during the period	(1.4)	(0.4)	-	(1.8)
Balance at 24 December 2023	7.3	4.5	1.5	13.3
Current	5.0	0.5	1.2	6.7
Non-current	2.3	4.0	0.3	6.6
	7.3	4.5	1.5	13.3

	Guarantee provision £m	Property provisions £m	Other provisions £m	Total £m
Balance at 26 June 2022	8.7	4.0	6.4	19.1
Provisions made during the period	5.2	1.2	-	6.4
Provisions used during the period	(5.1)	(0.1)	(1.6)	(6.8)
Released during the period	-	(0.4)	-	(0.4)
Balance at 25 December 2022	8.8	4.7	4.8	18.3
Current	6.2	1.7	4.4	12.3
Non-current	2.6	3.0	0.4	6.0
	8.8	4.7	4.8	18.3

The Group offers a long-term guarantee on its upholstery products and in accordance with accounting standards a provision is maintained for the expected future cost of fulfilling these guarantees on products which have been delivered before the reporting date. In calculating this provision the key areas of estimation are the number of future claims, average cost per claim and the expected period over which claims will arise (nearly all claims arise within two years of delivery).

Property provisions relate to potential obligations under lease guarantees offered to former subsidiary companies, the majority of which expire in 2025, and wear and tear costs for Group properties based on anticipated lease expiries and renewals, which will predominantly be utilised more than five years from the reporting date.

Other provisions relate to payment of refunds to customers for payment protection insurance policies and other regulatory costs, costs associated with the Group's exit from the Netherlands and Spain and costs associated with the closure of the Group's smallest factory and woodmill.

12. Net debt

	25 June 2023 £m	Cash flow £m	Other non-cash changes £m	24 December 2023 £m
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Cash in hand, at bank	26.7	(13.0)	-	13.7
Bank overdraft	-	(3.6)	-	(3.6)
Cash and cash equivalents	26.7	(16.6)	-	10.1
Senior revolving credit facility	(165.8)	23.0	50.7	(92.1)
Senior secured notes	-	-	(50.0)	(50.0)
Lease liabilities	(411.4)	31.1	(33.4)	(413.7)
Total net debt	(550.5)	37.5	(32.7)	(545.7)

	26 June 2022 £m	Cash flow £m	Other non-cash changes £m	25 December 2022 £m
Cash in hand, at bank	17.3	17.1	-	34.4
Bank overdraft	(12.3)	12.3	-	-
Cash and cash equivalents	5.0	29.4	-	34.4
Senior revolving credit facility	(93.5)	(75.0)	(0.3)	(168.8)
Lease liabilities	(445.4)	35.4	(6.8)	(416.8)
Total net debt	(533.9)	(10.2)	(7.1)	(551.2)

13. Alternative performance measures

In reporting the Group's financial performance, the Directors make use of a number of alternative performance measures ("APMs") in addition to those defined or specified under UK adopted International Financial Reporting Standards ("IFRS").

The Directors consider that these APMs provide useful additional information to support understanding of underlying trends and business performance. In particular, APMs enhance the comparability of information between reporting periods by adjusting for non-underlying items. APMs are therefore used by the Group's Directors and management for internal performance analysis, planning and incentive setting purposes in addition to external communication of the Group's financial results.

In order to facilitate understanding of the APMs used by the Group, and their relationship to reported IFRS measures, definitions and numerical reconciliations are set out below.

Definitions of APMs may vary from business to business and accordingly the Group's APMs may not be directly comparable to similar APMs reported by other entities.

APM glossary and definitions

APM	Definition	Rationale
Gross sales	Amounts payable by external customers for goods and services supplied by the Group, including the cost of interest free credit and aftercare services (for which the Group acts as an agent), delivery charges and value added and other sales taxes.	Key measure of overall sales performance which unlike IFRS revenue is not affected by the extent to which customers take up the Group's interest free credit offering.
Brand contribution	Gross profit less selling and distribution costs, excluding property and administration costs.	Measure of brand-controllable profit as it excludes shared Group costs.
Adjusted EBITDA	Earnings before interest, taxation, depreciation and amortisation adjusted to exclude impairments.	A commonly used profit measure.
Non-underlying items	Items that are material in size, unusual or non-recurring in nature which the directors believe are not indicative of the Group's underlying performance.	Clear and separate identification of such items facilitates understanding of underlying trading performance.
Underlying EBITDA	Earnings before interest, taxation, depreciation and amortisation from continuing operations, adjusted to exclude impairments and non-underlying items.	Profit measure reflecting underlying trading performance.

13. Alternative performance measures (continued)

Underlying profit before tax and brand amortisation PBT(A)	Profit before tax from continuing operations adjusted for non-underlying items and amortisation associated with the acquired brands of Sofology and Dwell.	Profit measure widely used by investors and analysts.
Underlying earnings per share	Post-tax earnings per share from continuing operations as adjusted for non-underlying items.	Exclusion of non-underlying items facilitates year on year comparisons of the key investor measure of earnings per share.
Net bank debt	Balance drawn down on interest-	Measure of the Group's cash

	bearing loans, with unamortised issue costs added back, less cash and cash equivalents (including bank overdrafts).	indebtedness which supports assessment of available liquidity and cash flow generation in the reporting period.
Cash EBITDA	Net cash from operating activities before tax, less movements on working capital and provisions balances and payments made under lease obligations, adding back non-underlying items before tax.	Measure of the non-underlying operating cash generation of the business, normalised to reflect timing differences in working capital movements.
Underlying free cash flow to equity holders	The change in net bank debt for the period after adding back dividends, acquisition related consideration, shared based transactions and non-underlying cash flows.	Measure of the underlying cash return generated for shareholders in the period and a key financial target for Executive Director remuneration.
Leverage (gearing)	The ratio of period end net bank debt to cash EBITDA for the previous twelve months.	Key measure which indicates the relative level of borrowing to operating cash generation, widely used by investors and analysts.
Underlying return on capital employed (underlying ROCE)	Underlying post-tax operating profit from continuing activities, expressed as a percentage of the sum of: property, plant & equipment, computer software, right of use assets and working capital.	Represents the post-tax return the Group achieves on the investment it has made in its business.
LTM Dec-22	Last twelve months/52 weeks ended 25 December 2022 (unaudited, pro forma period).	Certain KPIs (e.g. Leverage) are only meaningful when assessed on a full year basis.
LTM Dec-23	Last twelve months/52 weeks ended 24 December 2023 (unaudited, pro forma period).	Certain KPIs (e.g. Leverage) are only meaningful when assessed on a full year basis.

13. Alternative performance measures (continued)

Reconciliations to IFRS measures

EBITDA	H1 FY24 £m	H1 FY23 £m	FY23 £m
Operating profit from continuing operations	22.8	22.8	63.8
Depreciation	38.9	40.2	80.5
Amortisation	6.6	5.6	11.6
Impairments	-	-	2.0
EBITDA from continuing operations	68.3	68.6	157.9
Underlying EBITDA	H1 FY24 £m	H1 FY23 £m	FY23 £m
EBITDA from continuing operations	68.3	68.6	157.9
Non-underlying operating items	5.2	(0.4)	(0.5)
Underlying EBITDA from continuing operations	73.5	68.2	157.4
Underlying profit before tax and brand amortisation - PBT(A)	H1 FY24 £m	H1 FY23 £m	FY23 £m
Profit before tax from continuing operations	0.9	6.8	29.7
Non-underlying items	7.1	(0.4)	(0.5)
Amortisation of brand names	0.7	0.7	1.4
Underlying profit before tax and brand amortisation	8.7	7.1	30.6
Net bank debt	H1 FY24 £m	H1 FY23 £m	FY23 £m
Interest bearing loans and borrowings	142.1	168.8	165.8
Unamortised issue costs	1.9	1.2	1.2
Cash and cash equivalents (including bank overdraft)	(10.1)	(34.4)	(26.7)
Net bank debt	133.9	135.6	140.3
Movement in net bank debt	H1 FY24 £m	H1 FY23 £m	FY23 £m
Closing net bank debt	(133.9)	(135.6)	(140.3)
Less: Opening net bank debt	140.3	90.0	90.0
Movement in net bank debt	6.4	(45.6)	(50.3)

13. Alternative performance measures (continued)

Underlying free cash flow to equity holders	LTM Dec-23 £m	LTM Dec-22 £m	FY23 £m
Movement in net bank debt	6.4	(45.6)	(50.3)
Dividends	-	8.7	12.1
Purchase of own shares	-	26.9	30.9
Non-underlying cash items included in cash flow statement	4.2	-	0.3
Underlying free cash flow to equity holders	10.6	(10.0)	(7.0)
Exclude:			
Working capital outflow	(4.7)	9.9	40.0
Operating result from discontinued operations	-	0.4	(3.6)
Underlying free cash flow to equity holders excluding operating result from discontinued operations and working capital outflow	5.9	0.3	29.4

Leverage	LTM Dec-23 £m	LTM Dec-22 £m	FY23 £m
Net bank debt (A)	133.9	135.6	140.3
Net cash from operating activities before tax	136.3	140.4	121.7
Add back:			
Pre-tax non-underlying items	3.2	11.5	(4.3)
Less:			
Movement in trade and other receivables	(10.7)	7.9	(13.2)
Movement in inventories	(4.4)	(7.0)	(8.6)
Movement in trade and other payables	35.5	19.5	55.8
Movement in provisions	5.0	(2.7)	6.0
Payment of lease liabilities	(57.3)	(63.3)	(23.5)
Payment of interest on leases	(24.1)	(24.3)	(61.6)
Cash EBITDA (B)	83.5	82.0	72.3
Leverage (A/B)	1.6x	1.7x	1.9x

Underlying return on capital employed from continuing operations	LTM Dec-23 £m	LTM Dec-22 £m	FY23 £m
Operating profit from continuing operations	63.8	73.2	63.8
Non-underlying operating items	5.1	0.2	(0.5)
Pre-tax return	68.9	73.4	63.3
Effective tax rate	23.1%	19.1%	22.6%
Tax adjusted return (A)	53.0	59.4	49.0
Property, plant and equipment	92.5	107.9	97.4
ROU assets	318.8	314.8	312.6
Computer software	22.4	19.4	22.0
	433.7	442.1	432.0
Inventories	52.1	56.5	55.8
Trade receivables	5.6	9.7	7.7
Prepayments	4.4	11.2	3.0
Accrued income	0.2	0.3	0.1
Other receivables	0.3	-	0.3
Payments received on account	(28.4)	(49.5)	(39.1)
Trade payables	(109.4)	(110.8)	(97.6)
Working capital	(75.2)	(82.6)	(69.8)
Total capital employed (B)	358.5	359.5	362.2
Underlying ROCE from continuing operations (A/B)	14.8%	16.5%	13.5%

This interim report, the full text of the Stock Exchange announcement and the results presentation can be found on the Company's website at www.dfscorporate.co.uk

This interim report contains statements that constitute forward-looking statements relating to the business, financial performance and results of the Company and the industry in which the Company operates. These statements may be identified by words such as "may", "will", "shall", "anticipate", "believe", "intend", "project", "goal", "expectation", "belief", "estimate", "plan", "target", or "forecast" and similar expressions for the negative thereof; or by forward-looking nature of discussions of strategy, plans or intentions; or by their context. No representation is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. All statements regarding the future are subject to inherent risks and uncertainties and various factors that would cause actual future results, performance or events to differ materially from those described or implied in these statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. Further, certain forward-looking statements are based upon assumptions of future events which may not prove to be accurate and neither the Company nor any other person accepts any responsibility for the accuracy of the opinions expressed in this interim report or the underlying assumptions. Past performance is not an indication of future results and past performance should not be taken as a representation that trends or activities underlying past performance will continue in the future. The forward-looking statements in this interim report speak only as at the date of this interim report and the Company expressly disclaims any obligation or undertaking to release any updates or revisions to these forward-looking statements to reflect any change in the Company's expectations in regard thereto or any change in events, conditions or circumstances on which any statement is based after the date of this interim report or to update or to keep current any other information contained in this interim report or to provide any

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