



**11 September 2024**  
**Dunelm Group plc**

Preliminary Results for the 52 weeks ended 29 June 2024

**Strong performance and a clear pathway to further market share gains**

Dunelm Group plc ("Dunelm" or "the Group"), the UK's leading homewares retailer, today announces its preliminary results for the 52 weeks to 29 June 2024.

	<b>FY24</b>	<b>FY23</b>	<b>YoY</b>
<b>Total sales</b>	£1,706.5m	£1,638.8m	+4.1%
<b>Digital % total sales<sup>1</sup></b>	37%	36%	+1ppt
<b>Gross margin</b>	51.8%	50.1%	+170bps
<b>Operating costs:sales ratio</b>	39.3%	38.0%	+130bps
<b>Profit before tax (PBT)</b>	£205.4m	£192.7m	+6.6%
<b>Diluted earnings per share</b>	74.4p	75.0p	(0.8%)
<b>Free cash flow<sup>2</sup></b>	£132.2m	£160.4m	(£28.2m)
<b>Net debt<sup>3</sup></b>	£55.6m	£30.7m	+£24.9m
<b>Ordinary dividend per share</b>	43.5p	42.0p	+3.6%
<b>Special dividend per share</b>	35.0p	40.0p	n/a

**Highlights**

- Sales of £1.71bn (FY23: £1.64bn), up 4.1% on FY23 despite the softer market
- Customers responded well to our relevance, value and choice with sales growth driven by volumes (+6.2%)
- Further 60bps market share gain in combined homewares and furniture markets, now at 7.7%<sup>4</sup>
- Increase in active customers of 5.1%<sup>5</sup>, with growth across all age, income and geographic cohorts
- Growth delivered across both stores and online, with digital sales now comprising 37% of total sales (FY23: 36%)
- Six new stores opened (including one relocation) in line with our plans, giving us confidence to extend store rollout plan across different sizes and formats
- Further progress in our *Good and Circular* approach to sustainability<sup>6</sup>, with improvements in Scope 1 carbon intensity reduction, expansion of our community initiatives such as 'Delivering Joy' and greater diversity amongst our leaders

**Financial highlights**

- Strong gross margin of 51.8% (FY23: 50.1%), benefiting from net freight tailwinds and operational grip
- Profit before tax ("PBT") growth ahead of sales, up 6.6% to £205m (FY23: £193m)
- Diluted earnings per share of 74.4p (FY23: 75.0p), with increased PBT offset by 520bps higher effective tax rate, given

changes to the statutory rate

- £132m free cash flow (FY23: £160m)<sup>2</sup>, year-on-year impacted by higher tax rate, working capital outflow and increased capex
- Final ordinary dividend of 27.5p per share (FY23: 27.0p) taking the full year ordinary dividend to 43.5p per share (FY23: 42.0p), an increase of 3.6%
- £158m total dividends paid to shareholders during the year, including special dividend of 35p per share declared with the interim results and paid in April

## Outlook

- We continue to see a challenging consumer environment and the timing of a sector recovery remains uncertain
- Sales growth in FY25 expected to be driven by volume and further market share gains
- Strong plans underpin confidence in FY25 progress with ongoing investment in both growth and productivity drivers, whilst maintaining operational grip
- Evolved focus areas framing our strategic plans: elevating our product offer; connecting to more customers; and harnessing our operational capabilities
- Confident in our plans to reach next milestone of 10% market share in the medium term
- Well-placed to unlock our full potential as The Home of Homes

**Nick Wilkinson, Chief Executive Officer, commented:**

"This strong set of results is testament to the hard work of our adaptable and committed colleagues. In a period when consumers faced inflationary pressures and competing demands for their disposable income, we have continued to raise the bar on the relevance and value we offer at Dunelm. The continued delivery of volume-driven sales growth and further share gains in this softer market underlines this, and the strength and resilience of our business model."

"We have made good progress with our growth plans, including the expansion of our store estate, building a faster and better digital experience for customers, and advancing our tech and data capabilities. As we evolve our strategic thinking in this changing environment, we are now even clearer on the areas which will help us to unlock our full potential as The Home of Homes."

"Whilst we are gradually seeing improvements to economic indicators, we are yet to see a meaningful change in consumer spending habits in our markets. Against this backdrop, and compared to a strong first quarter last year, we have made a solid start to FY25. Our plans give us a clear pathway to reaching our next milestone of 10% market share in the medium term, and we remain very confident in our ability to deliver long-term sustainable growth as a result."

<sup>1</sup> Digital includes home delivery, Click & Collect and tablet-based sales in store.

<sup>2</sup> Free cash flow is defined as net cash generated from operating activities less capex (net of disposals) and business combinations, net interest paid (including leases) and loan transaction costs, and repayment of principal element of lease liabilities. A reconciliation of operating profit to free cash flow is included in the CFO review.

<sup>3</sup> Excluding lease liabilities. Full definition provided in the table of alternative performance measures.

<sup>4</sup> GlobalData UK combined homewares and furniture markets, excluding kitchen cabinetry and bathroom furniture. Market share for the period July 2023 to June 2024 was 7.7%. Prior year comparative restated.

<sup>5</sup> Growth in unique active customers who have transacted at least once in the 12 months to June 2024. Management estimates using Barclays data.

<sup>6</sup> Described in more detail on our corporate website at <https://corporate.dunelm.com/sustainability>.

## Analyst Presentation:

There will be an in-person presentation for analysts and institutional investors this morning at 9.30am, hosted at Peel Hunt LLP, 100 Liverpool Street, London, EC2M 2AT, as well as a webcast and conference call with a facility for Q&A. For details, please contact [hugo.harris@mhpgroup.com](mailto:hugo.harris@mhpgroup.com). A copy of the presentation will be made available at <https://corporate.dunelm.com>

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**Next scheduled event:**

Dunelm will release its first quarter trading update on 24 October 2024.

**Quarterly analysis:**

	52 weeks to 29 June 2024						
	Q1	Q2	H1	Q3	Q4	H2	FY
Total sales	£389.6m	£482.9m	£872.5m	£434.5m	£399.5m	£834.0m	£1,706.5m
Total sales growth	+9.2%	+1.0%	+4.5%	+2.6%	+5.0%	+3.8%	+4.1%
Digital % total sales	35%	37%	36%	37%	40%	39%	37%

	52 weeks to 1 July 2023						
	Q1	Q2	H1	Q3	Q4	H2	FY
Total sales	£356.7m	£478.3m	£835.0m	£423.3m	£380.5m	£803.8m	£1,638.8m
Total sales growth	(8.3%)	+17.6%	+5.0%	+6.1%	+6.1%	+6.1%	+5.5%
Digital % total sales	33%	35%	34%	36%	39%	37%	36%

**Notes to Editors:**

Dunelm is the UK's market leader in homewares with a purpose 'to help create the joy of truly feeling at home, now and for generations to come'. Its specialist customer proposition offers value, quality, choice and style across an extensive range of c.85,000 products, spanning multiple homewares and furniture categories and including services such as Made to Measure window treatments.

The business was founded in 1979 by the Adderley family, beginning as a curtains stall on Leicester market before expanding its store footprint. The business has grown to 184 stores across the UK and has developed a successful online offer through [dunelm.com](http://dunelm.com) which includes home delivery and Click & Collect options. 155 stores include *Pausa* coffee shops, where customers can enjoy a range of hot and cold food and drinks.

From its textiles heritage in areas such as bedding, curtains, cushions, quilts and pillows, Dunelm has built a comprehensive offer as The Home of Homes including furniture, kitchenware, dining, lighting, outdoor, decoration and DIY. The business predominantly sells specialist own-brand products sourced from long-term, committed suppliers.

Dunelm is headquartered in Leicester and employs c.11,500 colleagues. It has been listed on the London Stock Exchange since October 2006 (DNLM.L) and the business has returned c.£1.5bn in distributions to shareholders since IPO<sup>7</sup>.

<sup>7</sup> Ordinary dividends plus special distributions.

**CHIEF EXECUTIVE OFFICER'S REVIEW**

**Introduction**

I am pleased to report another strong performance, in what remained a tough consumer environment. The homewares and furniture market was still soft and during the year we faced both inflationary pressures and disruption to major shipping routes. Nevertheless, we have again demonstrated the resilience of our business model in achieving growth, stable operating margins and strong cash returns. At the same time, we continue to invest for the long-term as we identify growth and productivity opportunities for the future.

As we assess the changing consumer landscape, we are evolving our focus areas to frame our strategic priorities and

investment choices. Entering this next phase of growth, we are committed to our vision to become the UK's most trusted and valuable homewares and furniture brand, and will achieve this by unlocking our full potential as The Home of Homes.

With a focus on further elevating our product offer, developing and expanding our stores and digital channels to connect with more customers and harnessing our operational capabilities, we are confident in continued market share gains. Indeed, our plans now give us a clear pathway to 10% market share in the medium term.

As ever, our strong performance and excitement for the future is due to the support, adaptability and skills of our committed colleagues and supplier partners. I would like to thank them all for everything they continue to do to grow, adapt and develop. It is due to them that we achieve these results and are well-placed to unlock our full potential.

#### **FY24 Review**

##### ***A strong performance balancing growth and grip***

In FY24 we successfully balanced delivering growth with maintaining our firm operational grip on the business amidst a challenging consumer environment. We made good progress against our objectives, expanding our store estate in different sizes and locations as planned, continuing to improve our digital proposition, and enhancing our multi-channel experience for customers who prefer to shop both online and in store, including through a better Click & Collect proposition.

We grew our sales by 4.1%, in a market which declined, reflecting our ongoing customer appeal and continuing our consistent track record of market share gains. We now have a 7.7%<sup>8</sup> share of a total addressable market (combining homewares and furniture) valued at c.£24bn<sup>8</sup>, up 60bps year-on-year and significantly higher than the 5% we held in FY19, and see significant scope to increase this further.

We were particularly pleased with the quality of our sales growth, with volumes up 6.2% being a positive indicator of our overall appeal. With volume growth ahead of sales, we saw a small reduction in our average item value, reflecting a slightly different product mix to the prior year, with the impact of price changes broadly stable. The strong volume growth was supported by an increase in the number of active customers, up 5.1%<sup>9</sup>. Pleasingly, this growth was seen across all age, income and geographical cohorts.

Gross margin was strong in FY24, expanding by 170bps to 51.8% (FY23: 50.1%), ahead of our expectations at the start of the year. There were various moving parts within our input costs, and we particularly benefited from a net tailwind from lower freight rates which has now largely annualised. We were also able to avoid any significant impact from the disruption in the Red Sea, working closely with our freight providers to manage the impact of surcharges, whilst using the capabilities within our commercial teams to minimise availability issues. Our strong margin was achieved without price increases, as we maintained our commitment to offering outstanding value to our customers. As expected, operating costs as a proportion of sales increased to 39.3%, driven by inflation and the investments we are making to drive future growth. Cost increases were partly offset by productivity improvements across the Group. Overall, PBT grew ahead of sales, up 6.6% to £205m (FY23: £193m), representing a strong PBT margin of 12.0% (FY23: 11.8%). Diluted EPS fell by 0.8% to 74.4p (FY23: 75.0p), with our pre-tax profit growth offset by a higher effective tax rate, largely the result of increased corporation tax.

Our financial strength, including a healthy balance sheet and a capital-light growth model, is one of our core business advantages. This was reflected in another good year of cash generation, with free cash flow of £132m (FY23: £160m) representing 62% of operating profit. This enabled us to increase our ordinary dividend once again, and we are proposing a final dividend of 27.5p per share, bringing the full year ordinary dividend to 43.5p per share, up 3.6% year-on-year. In total, we returned £158m to shareholders during the year, including a special dividend of 35p announced at the interim results. This reflects our confidence in the business and ongoing commitment to our capital allocation policy and wider principle of delivering strong cash returns for our shareholders. Since our IPO in 2006, we have now returned c£1.5bn<sup>10</sup> to shareholders.

<sup>8</sup> GlobalData UK combined homewares and furniture markets, excluding kitchen cabinetry and bathroom furniture, including VAT. Prior year comparative restated.

<sup>9</sup> Growth in unique active customers who have transacted at least once in the 12 months to June 2024. Management estimates using Barclays data.

<sup>10</sup> Ordinary dividends plus special distributions.

As well as a strong financial performance, we have delivered positive outcomes across our broad group of key stakeholders. We strive to make good decisions and ensure what we do is increasingly sustainable. During the year we reiterated our good and circular approach to sustainable growth, and continue to ensure it is embedded into our strategy and ways of working so that we are delivering for all of our stakeholders and focussing on our planet, communities and people.

In FY24 we were proud to become the first homewares specialist to have validated SBTi targets across Scope 1,2 and 3 carbon emissions<sup>11</sup>, which sees us align to the latest climate science from the Intergovernmental Panel on Climate Change (IPCC). We have also made further progress in extending our good and circular approach into our customer proposition, increasing the proportion of own-brand products which have our more sustainable 'Conscious Choice' label, and introducing the 'Too Good to Go' initiative to our Pausa cafes to help reduce food waste.

Our committed supplier partners are also helping us to limit our impact on the planet. Having grown together over several decades, we see these enduring relationships as a key strength of our unique operating model. On sustainability matters, we work together with our suppliers and continue to learn. Where necessary, we have been encouraging suppliers to adopt a data monitoring standard and action planning tool (the Higg Index) to underpin their improved manufacturing programmes.

We continue to place importance on and build momentum in the work our stores and sites do in their local communities. Originating during the pandemic and expanding since, all our stores now support important local organisations including selected schools, care homes, women's refuges and more. Our annual Delivering Joy campaign is an example of this work in practice. Last year, I am immensely proud to say that we delivered 125,000 gifts to these local causes. Communities also form the backbone of some of our circularity initiatives, including our expanding takeback schemes and 'Home to Home', through which customers can donate pre-loved homewares items to those in need.

We place great importance on the development and engagement of our committed colleagues. Developing our talent improves retention, enables internal succession, and increases our productivity and business resilience. Encouragingly, we saw colleague retention increase to 89%<sup>12</sup> during the year (FY23: 87%). Whilst our colleague engagement score fell in FY24<sup>13</sup>, although high by industry standards, we are actively listening to our colleagues. We see very strong response rates to our colleague engagement surveys throughout the year, which give us detailed and extensive feedback, from which we are building positive action plans across the business.

As technology changes the nature of all roles across our business, we are as committed to lifetime learning as we are to early careers recruitment and development. Our data academy and apprenticeships are good examples of this. We are also excited about our 'Reach' development programme which launched during the year and is focused on increasing the number of ethnically diverse colleagues in senior positions. We have much more to do in this area but are encouraged that the proportion of our 'role model' leaders<sup>14</sup> from ethnically diverse backgrounds increased to 5.8% in FY24 (FY23: 3.8%).

<sup>11</sup> Our targets approved by the SBTi are as follows. Overall Net-Zero Target: Dunelm Group PLC commits to reach net-zero greenhouse gas emissions across the value chain by FY40 from a FY19 base year. Near-Term Targets: Dunelm Group PLC commits to reduce absolute Scopes 1 and 2 GHG emissions by 50% by FY30 from a FY19 base year. Dunelm Group PLC also commits to reduce absolute Scope 3 GHG emissions by 50% within the same timeframe. Long-Term Targets: Dunelm commits to reduce absolute Scope 1, 2 and 3 GHG emissions by 90% by FY40 from a FY19 base year.

<sup>12</sup> Retention is the percentage of colleagues from the start of the financial year (July 2023) who remained employed until the end of the financial year (June 2024), excluding any planned leavers.

<sup>13</sup> Colleague engagement score (eNPS) is based on responses to the question 'How likely are you to recommend Dunelm as a place to work' from our May colleague survey. Our eNPS score fell 10%pts year-on-year.

<sup>14</sup> Regional and store coaches plus all colleagues at 'Head of' level and above, of which we currently have around 300 across the organisation.

#### **Unlocking our full potential as The Home of Homes**

Looking forward, we have three broad focus areas which frame our priorities and investments. These are an evolution of the strategy we have followed over many years, and in combination will allow us to achieve our full potential as the Home of Homes, and to be the UK's most trusted and valuable brand for homewares and furniture.

Firstly, in the area of product: we see opportunity to redouble our focus on product development, increasing our curated ranges, bolder design differentiation, enhancing cross-category coordination in our collections and innovation in

sustainable materials. In recent times we have been acutely aware of the importance in having the right product offer, at the right time, to ensure we remain relevant and appealing to customers. In the year we saw this demonstrated with stronger upholstered furniture collections, combined with 5-day delivery lead-times.

Secondly, we are building further confidence in opening more stores and developing our digital channels to deliver an outstanding and connected multi-channel shopping experience for our customers. We know that multi-channel shopping is the preference for most when it comes to homewares and furniture, so joining up our channels as much as possible is a priority.

Thirdly, after building up our skills and operational capabilities in recent years, we see significant opportunity to harness them to achieve both productivity improvements and further strengthen our customer offer. In light of elevated wage inflation, and with growing technology and data capabilities, where foundational investment has been made over recent years, there are increasing opportunities to introduce more automation and productivity tools throughout the business. These are already driving efficiencies in parts of our operations (such as reducing volumes in the Customer Contact Centre) and our capacity to successfully implement more of these initiatives will increase going forward.

Our three focus areas are therefore as follows:

1. Elevate our product offer
2. Connect with more customers
3. Harness our operational capabilities

These focus areas are an evolution of the strategy that we have followed over many years and, in combination, will allow us to unlock our full potential as The Home of Homes. They support broad-based and long-term sustainable market share growth which can be delivered alongside stable operating margins and strong cash generation. In the medium term they shape our clear pathway to reaching our next milestone of 10% market share.

There are various examples which bring to life the initiatives which sit under each of our focus areas:

#### ***1. Elevate our product offer***

Product has always been at the heart of Dunelm, and we have well-established capabilities across a broad range of categories, particularly in textiles and soft furnishings where our specialism dates back 45 years. The scope for product elevation is very exciting, not just through broadening our ranges, but also by increasing relevance with more coordination and style. We are taking our existing product strengths and elevating them further through design and innovation across all price and quality tiers.

Lighting is a good example of the level of further opportunity we see ahead. We have consistently grown market share in the last five years and see headroom for more growth and innovation. Our in-house design capability allows us to coordinate across the wider Dunelm range, including our core textiles collections and cross-category labels such as Elements and our National History Museum collaboration. We are also working to accelerate our product development cycles to allow us to respond faster to trends and increase the choice we offer at all price and quality tiers. Our growing knowledge of more sustainable materials will also allow us to offer better choice to customers, as well as introduce more circular product design that uses more sustainable materials and facilitates repair and recycling.

The made-to-measure window treatments category is another example of our product elevation opportunity, where taking greater end-to-end control of the supply chain will enable accelerated growth and returns. Alongside our well-established manufacturing centre for made-to-measure curtains and Roman blinds, we have chosen to invest in more vertical integration. In FY24 we brought the manufacture of custom hard blinds in-house and started manufacturing roller blinds and Venetian blinds in the Sunflex business we acquired two years ago. Looking ahead, we are bringing shutters into our own manufacturing facility, with a plan to launch our new offer to customers in FY25. This will give us differentiated and advantaged product, the ability to specify materials and design, shorten UK lead times relative to competitors, and improve factory utilisation by aligning demand and supply capacity.

#### ***2. Connect with more customers***

As we elevate our product offer, we will further improve how we connect our products to more customers through our total retail system. We have known for many years that the combination of stores and digital is the winning formula for our existing and target customers, and we are continuing to optimise our cross-channel offer, making the customer experience both easier and more personalised.

We have continued to open new superstores, with six new openings (including one relocation) in FY24, split evenly between our traditional c.30,000 sq ft size and newer smaller stores of c.15,000 sq ft. We are pleased with the returns of our new stores, typically paying back within three years, giving us confidence to open more stores in a range of sizes and locations.

We will continue to open 30,000 sq ft superstores in large catchments given their very strong returns, however supply of appropriate sites has become more limited, so we are being agile in our approach. In the early part of the new financial year, we completed the freehold purchase of a tenanted retail site, which we will look to convert to a Dunelm format in the future.

We will also open more smaller superstores, in smaller catchments and in the white space between stores in densely populated areas. Although this footprint is less developed for us, we are excited by what we have seen in our new smaller stores and by the opportunity to optimise sales densities and productivity as we continue to learn. Overall, having previously guided on 5 - 10 new openings in FY24 and FY25, we now see a runway for this rate of growth continuing into the medium term (expected to be evenly split between larger and smaller sizes).

In addition, and to better serve our target customers in inner London boroughs, we are testing some smaller stores in London. Our first inner London store, at c.5,000 sq ft, will open in the first half of FY25, and we are exploring other locations to unlock the opportunity with this significant segment of the UK population where we know we are under-represented.

Complementing our stores, we have made continued progress in our digital channels, building strong foundations in our front-end architecture and customer data platform. As we move forward, we are advancing through optimisation and experimentation, with meaningful opportunities for improving our proposition. Offering a more personalised experience to our customers takes many forms, and using our improved data and technology will be key to improving our proposition.

One example of this is a change to product discovery on [dunelm.com](https://dunelm.com), where we are implementing new AI search functionality in the first half of this year, having carried out testing in FY24. This will improve the quality, relevance and presentation of results when searching on our website, with test results showing fewer 'zero results' searches and more personalised results. This change moves us from earlier generation functionality towards an advanced AI solution. This will increase the appeal of searching on our site - a significant opportunity given customers who use search are four times more likely to complete a purchase than those who do not.

### ***3. Harness our operational capabilities***

Though operational grip has been a characteristic of the Dunelm business for some time, we recognise an increased opportunity to harness our operational skills and scale. An ongoing focus on continuous improvement will remain, driving annual productivity savings, and with elevated wage inflation, there is now more scope for attractive returns from productivity tools and automation. Here we will test and learn to ensure we adopt the most appropriate technologies for our products and business model.

We are making good progress in scaling our commercial operations, improving demand forecasting and replenishment across our stores and own distribution centres. Having carried out testing in FY24, we are in the process of rolling out new technology and ways of working in the first half of this year, introducing machine learning, automating low value tasks and reducing our reliance on manual processes and spreadsheets.

Going forward, there is more work to do in relation to our smaller store footprints, specifically developing our processes and tools for optimising space, grading and range planning. This level of commercial transformation will facilitate our expanding product ranges, the efficiency of stock management in our distribution centres and our different store locations and sizes, and the speed of product development. These are complicated developments, but we expect these new capabilities to help us grow our market share profitably, while serving more customers and increasing the advantages of our business model.

Downstream from demand forecasting, we have an ongoing programme of continuous improvement to maximise the utilisation of our network capacity and improve labour productivity in our supply chain. In FY24 we focused on a series of tactical initiatives, including the optimisation of shift patterns for our colleagues; reducing our rate of returned products; and diversifying our carrier network to improve variable costs.

In the coming years we will be working across our own distribution centres and with our supplier partners to increasingly automate our processes. Automation investment is becoming more attractive and we will find ways to optimise this for the

specific product characteristics of homewares and furniture. For example, we will introduce simple automation of parcel packing and dispatch in our small-parcel home delivery operation in conjunction with our supply chain partner.

Technology is moving rapidly but cannot provide the solution in isolation. It is the combination of technology and well-executed business change that leads to improvement. As we continue to test and learn, we are increasingly confident in our capabilities and capacity to do this successfully, in ways that deliver both growth and returns, in balance.

#### **Summary and outlook**

We delivered another strong performance in FY24, successfully balancing growth and operational grip in a soft market. We achieved high-quality sales and volume growth, and increased our PBT ahead of sales, whilst continuing to make progress against our strategic objectives.

We are gradually seeing improvements to economic indicators, however we are yet to see a meaningful change in consumer spending habits in our markets. In this context, we have made a solid start to the new financial year, against a strong prior year comparator.

We have refined our thinking on the key opportunities ahead of us, with three clear focus areas framing our investments and strategic priorities for the coming years, and we are confident we can accelerate into a consumer environment which presents a significant opportunity for market share growth.

We now have good line of sight to continued market share gains and expect to reach our next milestone of a 10% total share in the medium term. We are very confident in our business model and clear plans that will continue to deliver sustainable growth and unlock our full potential as The Home of Homes.

**Nick Wilkinson**

Chief Executive Officer

11 September 2024

#### **CHIEF FINANCIAL OFFICER'S REVIEW**

##### **Revenue**

	<b>FY24</b>	<b>YoY</b>
Total Group sales	£1,706.5m	+4.1%
Digital % total sales	37%	+1ppt
Market share <sup>15</sup>	7.7%	+60bps
Active customer growth <sup>16</sup>	N/A	+5.1%

Total sales for the period to 29 June 2024 grew by 4.1% to £1,706m (FY23: £1,639m), with growth in all quarters of the year, despite ongoing uncertainty in our market. We are pleased that our sales progression was again driven by volume, which was up 6.2% supported by the strength and relevance of our proposition. The impact of pricing was broadly stable, and we saw an overall reduction in average item values driven by the product mix of sales. Both store and digital channels grew year-on-year, and digital participation increased again, up 1ppt to 37%.

Customers continue to respond well to the breadth of our ranges, which we expanded throughout the year, ensuring that it remained curated and relevant. Overall growth was broad-based across categories, demonstrating our customer appeal and the resilience of our proposition. We continue to benefit from elevating our product offer, with our 'Cook & Dine' and upholstered furniture categories maintaining their strong performance from the first half of the year. We also saw significant growth in our made-to-measure window treatments, where we have continued to expand our capability, bringing more of the manufacturing in-house and introducing new ranges such as Venetian blinds. Towards the end of the year, whilst seasonal ranges saw softer sales during a cooler spring and summer period, the Summer Sale performed particularly well, with customers taking advantage of both the discounted offers available, and shopping for full-priced products and new ranges.

In a challenging market which declined year-on-year, our combined homewares and furniture market share increased by 60bps to 7.7%<sup>15</sup>. This continues our strong track record of share gains, and we remain confident in our ability to keep growing our share of this large and fragmented market.

Total active customers increased by 5.1%<sup>16</sup>, an acceleration on the previous year (FY23: +2.8%), with growth across all customer age, income and geographical cohorts. In a year where we invested in brand awareness, we saw particularly strong growth rates in London and in younger (16-24 years) demographics. We were also pleased to see expansion in both multi-channel shoppers and those who shop only in-store or online, demonstrating the strength of our total retail system.

<sup>15</sup> GlobalData UK combined homewares and furniture markets, excluding kitchen cabinetry and bathroom furniture, for the period July 2023 to June 2024. Prior year comparative restated.

<sup>16</sup> Growth in unique active customers who have transacted at least once in the 12 months to June 2024. Management estimates using Barclays data.

### **Gross margin**

Gross margin was strong at 51.8%, 170bps ahead of FY23 (FY23: 50.1%). Throughout the year we benefitted from a freight tailwind (partly offset by a foreign exchange headwind), despite Red Sea volatility and resulting surcharges. We are pleased that sales volumes grew alongside this strengthened margin, as we worked with our suppliers and applied operational grip to maintain our outstanding value proposition for customers.

In FY25 we will continue to tightly manage our input costs to deliver a continued strong gross margin, alongside outstanding value to customers. With year-on-year freight benefits now largely annualised and Red Sea disruption ongoing, we currently expect FY25 gross margins to be within a range of 51% - 52%.

### **Operating costs**

Total operating costs were £670m (FY23: £622m) representing an operating costs:sales ratio of 39.3% (FY23: 38.0%). The year-on-year increase in the costs:sales ratio reflects ongoing inflationary pressures, and although we have partially offset these with productivity gains across our operations, our commitment to long-term investment in the business and the volume-driven nature of our sales growth means that as expected, there has been an increase in operating costs relative to sales. We focus on managing operating costs whilst optimising our overall operating margin to deliver long-term profitable growth.

The volume-driven nature of our sales growth resulted in an incremental £14m of variable costs, primarily across performance marketing and in our supply chain. Looking ahead, we expect our sales growth to continue to be volume driven.

We have seen another year of inflationary headwinds, which increased costs by £20m for the year, consistent with the impact we saw in FY23. The main driver of this was wages, with the largest element of our cost base being the cost of hourly-paid colleagues. This cost has been impacted by the National Living Wage increasing by close to 10% in each of the last two years. Whilst we do not have visibility of the National Living Wage increases going forward, we expect this inflationary headwind to persist for some time. Therefore, we expect inflation in our operating cost base to continue at 3%-4% in FY25.

Despite the ongoing challenging consumer environment, we have continued to invest in the business for the long-term, investing £25m in the year on new store openings, continuing to improve our digital proposition, and strengthening brand awareness and customer reach with our 'Home of Homes' campaigns. Our new store opening programme accelerated to six new store openings (including one relocation) in the year, and we now plan for 5 - 10 new stores per year over the medium term.

We continue to apply tight operational grip to cost management, and in the year we generated productivities and efficiencies of £11m, including savings from the optimisation of performance marketing costs, distribution cost savings from exiting external storage facilities, and continued process improvements in stores. As we move forward, as well as focussing on further continuous improvement initiatives, we will be investing in programmatic activities to help mitigate the impact of a wage inflationary environment. Alongside this, we remain committed to investment for long-term profitable growth from our strategic priorities.

### **Profit and earnings per share**

Operating profit of £213m was £14m higher than the prior year (FY23: £199m), reflecting sales growth and gross margin expansion coupled with tight operational cost control in an environment where wage inflation continues to be a headwind.

In a year of higher base rates, net finance costs of £8m (FY23: £6m) included interest on IFRS 16 lease liabilities of £6m (FY23: £5m). Our strong cash flows and low levels of debt meant other financing costs did not put pressure on the business.

Profit before tax in the period was £205m (FY23: £193m) with PBT margin of 12.0% (FY23: 11.8%). In FY25, we expect PBT

margin to remain broadly stable, reflecting the balance of volume-driven sales growth, strong gross margin and grip on operating costs in an inflationary environment, alongside a commitment to continued investment.

Profit after tax of £151m (FY23: £152m) reflected an effective tax rate of 26.4% (FY23: 21.2%), the 5.2ppt increase largely due to the annualisation of the higher UK headline rate of corporation tax introduced in April 2023. The effective tax rate was 140bps higher than the 25% headline rate, as we had slightly more disallowable expenditures in FY24 due to higher new store spend, and also included the impact of a non-recurring deferred tax adjustment, as previously reported. Going forward, we expect the effective tax rate to trend between 50bps and 100bps above the headline tax rate of 25%.

Basic earnings per share (EPS) for the period was 74.7 pence (FY23: 75.2 pence). Diluted earnings per share was 74.4 pence (FY23: 75.0 pence).

### **Cash generation and net debt**

In the period, the Group generated £132m of free cash flow (FY23: £160m), with conversion of operating profit to free cash flow of 62% (FY23: 81%). The lower conversion year-on-year is driven by higher capex, increased tax paid and a working capital outflow.

	<b>FY24 £m</b>	<b>FY23 £m</b>
<b>Operating profit</b>	213.3	198.8
Depreciation and amortisation <sup>17</sup>	82.0	79.4
Net movement in working capital	(17.7)	(4.2)
Share-based payments	4.3	4.8
Tax paid	(49.6)	(38.2)
<b>Net cash generated from operating activities</b>	<b>232.3</b>	<b>240.6</b>
Capex and business combinations	(39.9)	(21.8)
Net interest and loan transaction costs <sup>18</sup>	(3.3)	(1.1)
Interest paid on lease liabilities	(6.1)	(5.3)
Repayment of principal element of lease liabilities	(50.8)	(52.0)
<b>Free cash flow</b>	<b>132.2</b>	<b>160.4</b>

<sup>17</sup> Including impairment and loss on disposal.

<sup>18</sup> Excluding interest on lease liabilities.

The working capital outflow in the period was £18m (FY23: £4m outflow). The main contributing factors driving the outflow were the timing of a VAT payment and the impact on inventory of delays in our main shipping route, which we continue to manage well operationally. We expect working capital to be broadly neutral for FY25.

Total capital investment was £40m (FY23: £22m), in line with our guidance. Capex of c.£25m related to stores, including the six new superstores opened in the year, 13 refits of existing stores and our ongoing decarbonisation programme. In June 2024 we purchased a tenanted non-retail freehold property for £8m, providing current rental income and future capacity for our support centre.

In FY25 we expect our capital expenditure to increase to £50m - £60m. In line with previous guidance, we expect to open 5 - 10 new superstores (as in FY24, broadly evenly split between larger and smaller sites<sup>19</sup>) and we now expect new openings to continue at this rate for the medium term. In the early part of the new financial year, we secured a freehold tenanted retail property in an attractive location for £22m which we plan to convert to a Dunelm format in the future. Whilst we expect the majority of our new openings to be leasehold, we have the capacity to purchase freeholds where there are sufficiently attractive returns.

Cash tax paid was £50m (FY23: £38m), reflecting the higher effective tax rate.

In the period, the Group did not purchase any shares to be held in treasury (FY23: £7m). The Group held 1.2m shares in treasury as at 29 June 2024, sufficient to satisfy future obligations under its employee share schemes.

After total dividend payments in the period of £158m (FY23: £163m), the Group ended the year with net debt<sup>20</sup> of £56m (FY23: £31m).

<sup>19</sup> Larger superstores c.30,000 sq ft, smaller superstores c.15,000 sq ft.

<sup>20</sup> Excluding lease liabilities. Full definition provided in the table of alternative performance measures.

### **Banking agreements**

At the year end, the Group had in place a £250m unsecured revolving credit facility ("RCF"). The terms of the RCF included covenants in respect of leverage (net debt<sup>21</sup> to be no greater than 2.5x adjusted EBITDA<sup>22</sup>) and fixed charge cover (EBITDAR<sup>23</sup> to be no less than 1.75x fixed charges<sup>24</sup>), both of which were met comfortably as at 29 June 2024. A one-year extension to the facility was agreed in August 2024, with a maturity date of September 2028. The terms are consistent with normal business practice and the covenants are unchanged. There is an option to extend by another year at Dunelm's request, subject to lender consent. The Group also maintains £10m of uncommitted overdraft facilities.

<sup>21</sup> Excluding lease liabilities. Full definition provided in the table of alternative performance measures.

<sup>22</sup> Adjusted EBITDA defined as EBITDA less depreciation on right-of-use assets.

<sup>23</sup> EBITDAR defined as EBITDA plus rent.

<sup>24</sup> Fixed charges are defined as net interest costs plus right-of-use asset depreciation plus rent.

### **Going concern**

At the time of approving the financial statements, the Board of Directors is required to formally assess that the business has adequate resources to continue in operation and as such can continue to adopt the 'going concern' basis of accounting. To support this assessment, the Board is required to consider the Group's current financial position, its strategy, the market outlook and its principal risks.

The key judgement that the Directors have considered in forming their conclusion is the potential impact on future revenue, profits and cashflows of a downturn in consumer spending away from homewares, due to the ongoing impact of sustained inflation, as well as the impact of broader economic uncertainty across a three-year review period. This scenario could result in no growth in Year 1 and lower sales and higher costs across all channels throughout the review period. The Directors have also considered a deeper downturn in consumer spending away from homewares, resulting in negative growth in Year 1 and lower sales and higher costs across all channels throughout the review period.

In both downside scenarios Dunelm has sufficient liquidity to continue trading, including maintaining the payment of dividends in line with the business' dividend policy, and to comfortably meet financial covenants. The Directors continue to assess the risks that climate change poses to the business. Currently, climate change is not expected to have a significant impact on the Group's going concern assessment or on the viability of the Group over the next three years.

Reverse stress modelling has demonstrated that a prolonged sales reduction of 26% in each year is required to breach covenants by the end of FY26 and a 42% sales reduction in each year is required to breach the RCF limit by the end of FY26, assuming reasonable mitigating actions have been implemented.

Even in such an event, management would follow a similar course of action to that initially undertaken during the COVID-19 pandemic. Such actions could include reductions in discretionary spend and delaying investments.

As a result, the Board believes that the Group is well placed to manage its financing and other significant risks satisfactorily and that the Group will be able to operate within the level of its facilities and meet its liabilities as they fall due, for at least the next three years. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

### **Capital and dividend policies**

The Board policy on capital structure targets an average net debt level (excluding lease obligations and short-term fluctuations in working capital) of between 0.2x and 0.6x the last 12 months' EBITDA<sup>25</sup>. The Group expects to maintain or steadily increase the absolute amount of each dividend payment in line with the growth of the business.

The Group's dividend policy targets ordinary dividend cover of between 1.75x and 2.25x earnings per share during the financial year to which the dividend relates. The Board may allow a temporary fall in dividend cover requirements in order to maintain the dividend.

The Board will continue to consider returning surplus cash to shareholders if average net debt, excluding lease liabilities, over a period, consistently falls below the minimum target of 0.2x EBITDA<sup>25</sup>, subject to known and anticipated investment

and expenditure plans at the time.

The Group's full capital and dividend policies are available on our website at [corporate.dunelm.com](http://corporate.dunelm.com).

<sup>25</sup> EBITDA defined as operating profit plus depreciation and amortisation of property, plant and equipment and intangible assets plus loss on disposal and impairment of property, plant and equipment and intangible assets plus depreciation on right-of-use assets.

#### Dividends

The Board has proposed a final ordinary dividend of 27.5 pence per share, recognising our performance in the year and ongoing confidence in the business. This takes the full year ordinary dividend to 43.5 pence per share, 3.6% ahead of the 42.0 pence per share paid in FY23, with dividend cover<sup>26</sup> of 1.71x. Whilst dividend cover is slightly below the range set out in the Group's policy, the Board considers the level of cover appropriate in light of the 6.6% year-on-year increase in PBT, with earnings impacted by the increase in effective tax rate, including a non-recurring impact. The final dividend will be paid on 26 November 2024 subject to approval by shareholders at the AGM on 21 November 2024. The ex-dividend date is 31 October 2024 and the record date is 1 November 2024.

We paid total dividends of £158m in the year, including a special dividend of £71m.

<sup>26</sup> Dividend cover is calculated as earnings per share divided by the total ordinary dividend relating to the financial year.

#### Principal risks and uncertainties

The Board regularly reviews and monitors the risks and uncertainties which could have a material effect on the Group's results. The principal risks and uncertainties that could lead to a material impact have not significantly changed from those listed in the FY23 Annual Report.

A summary of the principal risks has been provided below:

Risk	Impact
Customer offer	Ongoing external uncertainty and inflationary pressure on consumers has led to significant change in consumer behaviour. Failure to respond to changing consumer needs and to maintain a competitive offer (value & choice, friendly & expert, fast & convenient and good & circular) will undermine our ambition to increase market share and drive profitable and sustainable growth.
Product reputation and trust	Our stakeholders expect us to deliver products that are safe, compliant with legal and regulatory requirements, and fit for purpose. Our customers are increasingly aware of the environmental and social impact of their purchases and want to know that our products have been responsibly sourced and that their environmental impact is minimised.  Nonconformance by our suppliers to uphold our approach to business ethics, human rights (including safety and modern slavery) and the environment may undermine our reputation as a responsible retailer.  Failure to meet these expectations could result in reputational damage and loss of confidence in Dunelm.
People and culture	Our business could be adversely impacted if we fail to attract, retain, and develop colleagues with the appropriate skills, capabilities and diverse background.  Failing to embed and live our values could impact business performance, the delivery of our purpose and the long-term sustainability of our business.
IT systems, data and cyber security	Our IT systems and infrastructure are critical to managing our operations, interacting with customers, and trading successfully.  A key system being unavailable or suffering a security breach could lead to operational difficulties, loss of sales and productivity, legal and regulatory penalties due to loss of personal data, reputational damage, and loss of stakeholder trust.
Business change	Dunelm recognises that there is a huge opportunity in digitalising the business and has invested and will continue to invest in system improvements to drive growth and efficiency.  Failing to successfully introduce and deliver wider technology and new systems across the business and leverage the data generated to further improve our proposition and operations could result in reduced operational efficiency, competitiveness, relevance and growth. Furthermore, failure to deliver the expected objectives on time and on budget, could impact the delivery of the planned business benefits.
Regulatory and compliance	We operate in an increasingly regulated environment and must comply with a wide range of laws, regulations, and standards.  Failure to comply with or to take appropriate steps to prevent a breach of these requirements could result in formal investigations, legal and financial penalties, reputational damage and loss of

	business.
Supply chain resilience	We are dependent on complex global supply chains and fulfilment solutions to deliver products to our customers. Instability in the global supply chain or failure of a key supplier may impact our ability to effectively manage stock and satisfy customer demand.
Finance and treasury	Progress against business objectives may be constrained by a lack of short-term funding or access to long-term capital.
Climate change and environment	Failure to positively change our impact on the environment would fall short of the expectations of our customers, colleagues, shareholders, and other stakeholders which could lead to reputational damage and financial loss.  In addition, an inability to anticipate and mitigate against climate change and other environmental risks could cause disruption in the availability and quality of raw materials such as cotton and timber, affecting production capacity, product quality, and overall supply chain resilience. This, and potential transition risks related to environmental taxation, could result in higher costs, delays, and potential loss of customers.

#### Alternative performance measures (APMs)

APM	Definition, purpose and reconciliation to statutory measure
Total sales	Equivalent to revenue (from all channels). This is net of customer returns.
Digital sales	Digital sales include home delivery, Click & Collect and tablet-based sales in store.
Digital % total sales	Digital sales (as defined above) expressed as a percentage of revenue. This is not a measure that we seek to maximise in itself, but we measure it to track our adaptability to changing customer behaviours.
Ordinary dividend cover	Ordinary dividend cover is calculated as earnings per share divided by the total ordinary dividend relating to the financial year. This measure is used in our capital and dividend policy.
Gross margin %	Gross profit expressed as a percentage of revenue. Measures the profitability of product sales prior to operating costs.
Operating costs to sales ratio	Operating costs expressed as a percentage of revenue. To measure the growth of costs relative to sales growth.
EBITDA	Earnings before interest, tax, depreciation, amortisation and impairment. Operating profit plus depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets plus loss on disposal and impairment of property, plant and equipment and intangible assets. Used in our capital and dividend policy.
Adjusted EBITDA	EBITDA less depreciation on right-of-use assets. To measure compliance with bank covenants.
EBITDAR	EBITDAR is calculated as EBITDA plus rent. To measure compliance with bank covenants.
Effective tax rate	Taxation expressed as a percentage of profit before taxation. To measure how close we are to the UK corporation tax rate and understand the reasons for any differences.
Capex (net of disposals)	Acquisition of intangible assets, property, plant and equipment and investment properties, less proceeds on disposal of intangible assets, property, plant and equipment and investment properties.
Free cash flow	Free cash flow is defined as net cash generated from operating activities less capex (net of disposals) and business combinations, net interest paid (including leases) and loan transaction costs, and repayment of principal element of lease liabilities. Measures the cash generated that is available for disbursement to shareholders.
Net cash/(debt)	Cash and cash equivalents less total borrowings (as shown in note 16). Excludes IFRS 16 lease liabilities.
Cash conversion	Free cash flow expressed as a percentage of operating profit.

**Karen Witts**

Chief Financial Officer

11 September 2024

#### Consolidated Income Statement

For the 52 weeks ended 29 June 2024

	Note	2024 52 weeks £m	2023 52 weeks £m
<b>Revenue</b>	1	<b>1,706.5</b>	<b>1,638.8</b>
Cost of sales		(823.2)	(817.9)
<b>Gross profit</b>		<b>883.3</b>	<b>820.9</b>
Operating costs	2	(670.0)	(622.1)
<b>Operating profit</b>	3	<b>213.3</b>	<b>198.8</b>
Financial income	5	2.0	1.7
Financial expenses	5	(9.9)	(7.8)
<b>Profit before taxation</b>		<b>205.4</b>	<b>192.7</b>
Taxation	6	(54.2)	(40.8)
<b>Profit for the period</b>		<b>151.2</b>	<b>151.9</b>
Earnings per Ordinary Share - basic	8	74.7p	75.2p
Earnings per Ordinary Share - diluted	8	74.4p	75.0p

**Consolidated Statement of Comprehensive Income****For the 52 weeks ended 29 June 2024**

	Note	2024 52 weeks £m	2023 52 weeks £m
Profit for the period		151.2	151.9
Other comprehensive income/(expense):			
Items that may be subsequently reclassified to profit or loss:			
Movement in fair value of cash flow hedges		0.2	(14.0)
Deferred tax on hedging movements		(1.0)	6.6
Other comprehensive income/(expense) for the period, net of tax		(0.8)	(7.4)
<b>Total comprehensive income for the period</b>		<b>150.4</b>	<b>144.5</b>

**Consolidated Statement of Financial Position****As at 29 June 2024**

	Note	29 June 2024 £m	1 July 2023 £m
<b>Non-current assets</b>			
Intangible assets	9	3.8	5.3
Property, plant and equipment	10	173.0	169.9
Right-of-use assets	11	222.9	231.3
Investment property	12	7.5	-
Deferred tax assets		1.8	6.9
Derivative financial instruments		0.1	-
<b>Total non-current assets</b>		<b>409.1</b>	<b>413.4</b>
<b>Current assets</b>			
Inventories	13	223.0	211.0
Trade and other receivables	14	26.2	24.3
Derivative financial instruments		0.3	1.8
Cash and cash equivalents		23.4	46.3
<b>Total current assets</b>		<b>272.9</b>	<b>283.4</b>
<b>Total assets</b>		<b>682.0</b>	<b>696.8</b>
<b>Current liabilities</b>			
Trade and other payables	15	(205.0)	(208.1)
Lease liabilities	11	(52.1)	(53.4)
Current tax liability		(1.5)	(0.2)
Derivative financial instruments		(4.9)	(7.9)
<b>Total current liabilities</b>		<b>(263.5)</b>	<b>(269.6)</b>
<b>Non-current liabilities</b>			
Bank loans	16	(77.0)	(75.9)
Lease liabilities	11	(197.5)	(204.8)
Provisions		(5.5)	(5.9)
Derivative financial instruments		(0.6)	(3.1)
<b>Total non-current liabilities</b>		<b>(280.6)</b>	<b>(289.7)</b>
<b>Total liabilities</b>		<b>(544.1)</b>	<b>(559.3)</b>
<b>Net assets</b>		<b>137.9</b>	<b>137.5</b>
<b>Equity</b>			
Issued share capital		2.0	2.0
Share premium account		1.7	1.7
Capital redemption reserve		43.2	43.2
Hedging reserve		(3.8)	(6.9)
Retained earnings		94.8	97.5
<b>Total equity attributable to equity holders of the Parent</b>		<b>137.9</b>	<b>137.5</b>

## Consolidated Statement of Cash Flows

For the 52 weeks ended 29 June 2024

	Note	2024 52 weeks £m	2023 52 weeks £m
<b>Cash flows from operating activities</b>			
<b>Profit before taxation</b>		<b>205.4</b>	<b>192.7</b>
Net financial expense	5	7.9	6.1
<b>Operating profit</b>		<b>213.3</b>	<b>198.8</b>
Depreciation and amortisation of property, plant and equipment and intangible assets	3	30.4	29.8
Depreciation of right-of-use assets	3	50.2	49.3
Loss on disposal and impairment of property, plant and equipment and intangible assets	3	0.5	0.3
Impairment of right-of-use assets	3	0.9	-
Share-based payments expense		4.3	4.8
<b>Operating cash flows before movements in working capital</b>		<b>299.6</b>	<b>283.0</b>
(Increase)/decrease in inventories		(12.0)	12.0
Increase in trade and other receivables		(1.9)	(1.6)
Decrease in trade and other payables		(3.8)	(14.6)
<b>Net movement in working capital</b>		<b>(17.7)</b>	<b>(4.2)</b>
Tax paid		(49.6)	(38.2)
<b>Net cash generated from operating activities</b>		<b>232.3</b>	<b>240.6</b>
<b>Cash flows from investing activities</b>			
Acquisition of intangible assets		(2.6)	(0.4)
Acquisition of property, plant and equipment		(29.8)	(21.4)
Acquisition of Investment Property		(7.5)	-
Interest received		1.6	1.1
<b>Net cash used in investing activities</b>		<b>(38.3)</b>	<b>(20.7)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of treasury shares and Ordinary Shares		0.1	2.4
Purchase of treasury shares		-	(7.0)
Drawdowns on Revolving Credit Facility		110.0	139.0
Repayments of Revolving Credit Facility		(108.0)	(116.0)
Interest paid and loan transaction costs		(4.9)	(2.2)
Interest paid on lease liabilities	11	(6.1)	(5.3)
Repayment of principal element of lease liabilities		(50.8)	(52.0)
Dividends paid	7	(157.6)	(163.3)
<b>Net cash used in financing activities</b>		<b>(217.3)</b>	<b>(204.4)</b>
Net (decrease)/increase in cash and cash equivalents		(23.3)	15.5
Foreign exchange revaluations	5	0.4	0.6
<b>Cash and cash equivalents at the beginning of the period</b>		<b>46.3</b>	<b>30.2</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>23.4</b>	<b>46.3</b>

## Consolidated Statement of Changes in Equity

For the 52 weeks ended 29 June 2024

	Note	Issued share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	Total equity attributable to equity holders of the Parent £m
<b>As at 2 July 2022</b>		<b>2.0</b>	<b>1.7</b>	<b>43.2</b>	<b>20.2</b>	<b>111.2</b>	<b>178.3</b>
Profit for the period	-	-	-	-	-	151.9	151.9
Movement in fair value of cash flow hedges	-	-	-	(14.0)	-	-	(14.0)
Deferred tax on hedging movements	-	-	-	6.6	-	-	6.6
Total comprehensive income for the period	-	-	-	(7.4)	151.9	144.5	
Proceeds from issue of treasury shares	-	-	-	-	-	2.4	2.4
Purchase of treasury shares	-	-	-	-	-	(7.0)	(7.0)
Share-based payments	-	-	-	-	-	4.8	4.8
Deferred tax on share-based payments	-	-	-	-	-	(3.1)	(3.1)
Current tax on share options exercised	-	-	-	-	-	0.6	0.6
Movement on cash flow hedges transferred to inventory	-	-	-	(19.7)	-	-	(19.7)
Dividends paid	7	-	-	-	-	(163.3)	(163.3)

Total transactions with owners, recorded directly in equity	-	-	-	(19.7)	(165.6)	(185.3)
<b>As at 1 July 2023</b>	<b>2.0</b>	<b>1.7</b>	<b>43.2</b>	<b>(6.9)</b>	<b>97.5</b>	<b>137.5</b>
Profit for the period	-	-	-	-	151.2	151.2
Movement in fair value of cash flow hedges	-	-	-	0.2	-	0.2
Deferred tax on hedging movements	-	-	-	(1.0)	-	(1.0)
Total comprehensive income for the period	-	-	-	(0.8)	151.2	150.4
Proceeds from issue of treasury shares	-	-	-	-	0.1	0.1
Purchase of treasury shares	-	-	-	-	-	-
Share-based payments	-	-	-	-	4.3	4.3
Deferred tax on share-based payments	-	-	-	-	(1.3)	(1.3)
Current tax on share options exercised	-	-	-	-	0.6	0.6
Movement on cash flow hedges transferred to inventory	-	-	-	3.9	-	(3.9)
Dividends paid	7	-	-	-	(157.6)	(157.6)
Total transactions with owners, recorded directly in equity	-	-	-	3.9	(153.9)	(150.0)
<b>As at 29 June 2024</b>	<b>2.0</b>	<b>1.7</b>	<b>43.2</b>	<b>(3.8)</b>	<b>94.8</b>	<b>137.9</b>

## Accounting Policies

### For the 52 weeks ended 29 June 2024

#### Basis of preparation

The financial statements presented cover a 52-week trading period for the financial period ended 29 June 2024 (2023: 52-week period ended 1 July 2023).

The annual report and financial statements for the period ended 29 June 2024 were approved by the board of directors on 11 September 2024 along with this preliminary announcement but have not yet been delivered to the Registrar of Companies. The financial information contained in this preliminary announcement does not constitute the Group's statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The auditor's report on the statutory accounts for the period ended 29 June 2024 was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

The statutory accounts of Dunelm Group plc for the period ended 1 July 2023 have been delivered to the Registrar of Companies. The auditor's report on the statutory accounts for the period ended 1 July 2023 was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

## 1. Revenue

The Group has one reportable segment, in accordance with IFRS 8 'Operating Segments', which is the retail of homewares in the UK.

Customers access the Group's offer across multiple channels and their journey often involves more than one channel. Therefore, internal reporting focuses on the Group as a whole and does not identify individual segments.

The Chief Operating Decision-maker is the Executive Board of Directors of Dunelm Group plc. The Executive Board reviews internal management reports on a monthly basis and performance is assessed based on a number of financial and non-financial KPIs as well as on profit before taxation.

Management believes that these measures are the most relevant in evaluating the performance of the Group and for making resource allocation decisions.

All material operations of the Group are carried out in the UK. The Group's revenue is driven by the consolidation of individual small value transactions and as a result, Group revenue is not reliant on a major customer or group of customers.

At the period end the Group had £12.5m (2023: £13.8m) of sales orders placed that will be recognised in the Consolidated Income Statement when the goods are despatched in the following financial period.

## 2. Operating costs

	2024	2023
	52 weeks	52 weeks
	£m	£m
Selling and distribution costs	528.6	489.7
Tech and Support expenses	141.4	132.4
	670.0	622.1

## 3. Operating profit

Operating profit is stated after charging the following items:

	52 weeks £m	52 weeks £m
Cost of inventories included in cost of sales	812.3	803.4
Amortisation of intangible assets	4.1	4.6
Depreciation of owned property, plant and equipment	26.3	25.2
Depreciation of right-of-use assets	50.2	49.3
Loss on disposal and impairment of property, plant and equipment and intangible assets	0.5	0.3
Impairment of right-of-use assets	0.9	-
Expense related to short-term leases	3.7	1.6

The cost of inventories included in cost of sales includes the impact of a net increase in the provision for obsolete inventory of £0.6m (2023: £0.8m decrease).

The analysis of the auditor's remuneration is as follows:

	2024 52 weeks £'000	2023 52 weeks £'000
Fees payable to the Group's auditor for the audit of the Parent and consolidated annual financial statements	37	34
Fees payable to the Group's auditor and its associates for other services to the Group		
- Audit of the Company's subsidiaries pursuant to legislation	322	293
- Other assurance services	50	46

#### 4. Employee numbers and costs

The average monthly number of people employed by the Group (including Directors) was:

	2024 52 weeks Number ofheads	2024 52 weeks Full time equivalents	2023 52 weeks Number ofheads	2023 52 weeks Full time equivalents
Selling	9,591	5,258	9,446	5,252
Distribution	1,148	1,110	1,057	1,026
Administration	1,170	1,153	1,099	1,082
	11,909	7,521	11,602	7,360

The aggregate remuneration of all employees (including Directors) comprises:

	2024 52 weeks £m	2023 52 weeks £m
Wages and salaries (including termination benefits)	248.0	224.8
Social security costs	17.6	16.1
Share-based payment expense (note 22)	4.3	4.8
Pension costs - defined contribution plans	6.9	6.2
	276.8	251.9

#### 5. Financial income and expenses

	2024 52 weeks £m	2023 52 weeks £m
<b>Financial income</b>		
Interest on bank deposits	1.6	1.1
Net foreign exchange gains	0.4	0.6
	2.0	1.7
<b>Financial expenses</b>		
Interest on bank borrowings	(3.0)	(2.2)
Amortisation of issue costs of bank loans	(0.8)	(0.3)
Interest on lease liabilities	(6.1)	(5.3)
	(9.9)	(7.8)
<b>Net financial expense</b>	(7.9)	(6.1)

## 6. Taxation

	2024 52 weeks £m	2023 52 weeks £m
<b>Current taxation</b>		
UK corporation tax charge for the period	51.8	40.0
Adjustments in respect of prior periods	(0.4)	0.1
	<b>51.4</b>	<b>40.1</b>
<b>Deferred taxation</b>		
Origination of temporary differences	2.9	0.7
Adjustments in respect of prior periods	(0.1)	0.1
Impact of change in tax rate	-	(0.1)
	<b>2.8</b>	<b>0.7</b>
<b>Total tax expense</b>	<b>54.2</b>	<b>40.8</b>
The tax expense is reconciled with the standard rate of UK corporation tax as follows:		
	2024 52 weeks £m	2023 52 weeks £m
Profit before taxation	205.4	192.7
UK corporation tax at standard rate of 25.0% (2023: 20.5%)	51.4	39.5
Factors affecting the charge in the period:		
Non-deductible expenses	3.2	1.2
Adjustments in respect of prior periods	(0.5)	0.2
Profit on disposal of ineligible assets	0.1	-
Impact of change in tax rate	-	(0.1)
<b>Tax expense</b>	<b>54.2</b>	<b>40.8</b>

The taxation expense for the period as a percentage of profit before tax is 26.4% (2023: 21.2%). The UK Government substantively enacted an increase in the corporation tax rate to 25.0% effective from 1 April 2023. The deferred tax asset as at 1 July 2023 has been calculated based on the rate of 25.0%.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates. The legislation will be effective for the Group's financial year beginning 30 June 2024. The Group has performed an assessment of the Group's potential exposure to Pillar Two income taxes. This assessment is based on the most recent information available regarding the financial performance of the constituent entities in the Group. Based on the assessment performed, the Pillar Two effective tax rates in all jurisdictions in which the Group operates are above 15% and management is not currently aware of any circumstances under which this might change. Therefore, the Group does not expect a potential exposure to Pillar Two top up taxes.

## 7. Dividends

The dividends set out in the table below relate to the 1 pence Ordinary Shares:

Dividend type	In respect of period ended	Pence per share	2024 52 weeks £'m	2023 52 weeks £'m
Final	2 July 2022	26.0	-	52.4
Interim	1 July 2023	15.0	-	30.2
Special	1 July 2023	40.0	-	80.7
Final	1 July 2023	27.0	54.5	-
Interim	29 June 2024	16.0	32.3	-
Special	29 June 2024	35.0	70.8	-
			<b>157.6</b>	<b>163.3</b>

The Board is proposing a final dividend of 27.5 pence per Ordinary Share for the period ended 29 June 2024 which equates to £55.6m. Subject to shareholder approval at the AGM this will be paid on 26 November 2024. The ex-dividend date is 31 October 2024 and the record date is 1 November 2024.

## 8. Earnings per Ordinary Share

Basic earnings per share is calculated by dividing the profit for the period attributable to equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period, excluding Ordinary Shares purchased by the Company and held as treasury shares.

For diluted earnings per share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all dilutive potential Ordinary Shares. These represent share options granted to employees where the exercise price is less than the average market price of the Group's Ordinary Shares during the period.

	2024 52 weeks	2023 52 weeks
	£m	£m
Profit for the period	151.2	151.9
	2024 52 weeks	2023 52 weeks
	'000	'000
Weighted average number of shares in issue during the period	202,355	201,917
Impact of share options	893	746
Number of shares for diluted earnings per share	203,248	202,663
<b>Earnings per Ordinary Share</b>	<b>2024 52 weeks</b>	<b>2023 52 weeks</b>
	£p	£p
Basic (pence)	74.7	75.2
Diluted (pence)	74.4	75.0

## 9. Intangible assets

	Software development and licences	Rights to brands and customer lists	Total
	£m	£m	£m
<b>Cost</b>			
At 2 July 2022	52.6	11.5	64.1
Additions	0.1	-	0.1
Disposals	(0.7)	-	(0.7)
At 1 July 2023	52.0	11.5	63.5
Additions	2.6	-	2.6
Disposals	(0.2)	-	(0.2)
<b>At 29 June 2024</b>	<b>54.4</b>	<b>11.5</b>	<b>65.9</b>
<b>Accumulated amortisation</b>			
2 July 2022	43.2	11.0	54.2
Charge for the financial period	4.5	0.1	4.6
Disposals	(0.6)	-	(0.6)
At 1 July 2023	47.1	11.1	58.2
Charge for the financial period	4.0	0.1	4.1
Disposals	(0.2)	-	(0.2)
<b>At 29 June 2024</b>	<b>50.9</b>	<b>11.2</b>	<b>62.1</b>
<b>Net book value</b>			
At 2 July 2022	9.4	0.5	9.9
At 1 July 2023	4.9	0.4	5.3
<b>At 29 June 2024</b>	<b>3.5</b>	<b>0.3</b>	<b>3.8</b>

All amortisation is included within operating costs in the Consolidated Income Statement.

Management's review of indicators of impairment did not result in the recognition of any impairment in the period (2023: £nil).

Within software development and licences there were £2.4m additions (2023: £nil) related to internally generated assets.

## 10. Property, plant and equipment

	Freehold land and buildings	Leasehold improvements	Fixtures, fittings and equipment	Total
	£m	£m	£m	£m
<b>Cost</b>				
At 2 July 2022	107.0	164.0	132.2	403.2
Transfer	-	0.2	(0.2)	-
Additions	-	10.2	11.4	21.6

<b>Disposals</b>	-	(7.2)	(3.1)	(10.3)
At 1 July 2023	107.0	167.2	140.3	414.5
Transfer	(0.2)	0.2	-	-
Additions	0.3	13.4	15.8	29.5
Disposals	-	(6.8)	(4.3)	(11.1)
<b>At 29 June 2024</b>	<b>107.1</b>	<b>174.0</b>	<b>151.8</b>	<b>432.9</b>
<b>Accumulated depreciation</b>				
At 2 July 2022	19.9	97.7	111.9	229.5
Transfer	0.1	0.1	(0.2)	-
Charge for the financial period	1.8	14.3	9.1	25.2
Disposals	-	(7.0)	(3.1)	(10.1)
At 1 July 2023	21.8	105.1	117.7	244.6
Charge for the financial period	1.8	14.0	10.5	26.3
Disposals	-	(6.7)	(4.1)	(10.8)
Impairment	-	(0.1)	(0.1)	(0.2)
<b>At 29 June 2024</b>	<b>23.6</b>	<b>112.3</b>	<b>124.0</b>	<b>259.9</b>
<b>Net book value</b>				
At 2 July 2022	87.1	66.3	20.3	173.7
At 1 July 2023	85.2	62.1	22.6	169.9
<b>At 29 June 2024</b>	<b>83.5</b>	<b>61.7</b>	<b>27.8</b>	<b>173.0</b>

All depreciation charges have been included within operating costs in the Consolidated Income Statement.

The impairment charge of £(0.2)m recognised in the period (2023: £nil) relates to temporary provision for impairment in respect of one store. The recoverable amount calculated in the impairment review was based on a value in use, applying a pre-tax discount rate of 12.5%.

## 11. Leases

Right-of-use assets included in the Consolidated Statement of Financial Position at 29 June 2024 were as follows:

	2024	2024	2024	2023
	Land and buildings £'m	Motor vehicles, plant and equipment £'m	Total £'m	Total £'m
At the beginning of the period	215.5	15.8	231.3	248.5
Additions	33.6	11.0	44.6	32.3
Disposals	(1.8)	(0.1)	(1.9)	(0.2)
Impairment	(0.9)	-	(0.9)	-
Depreciation	(44.7)	(5.5)	(50.2)	(49.3)
<b>At the end of the period</b>	<b>201.7</b>	<b>21.2</b>	<b>222.9</b>	<b>231.3</b>

Right-of-use additions included £5.2m of lease modifications in the period (2023: £nil).

The impairment charge of £(0.9)m (2023: £nil) relates to a temporary provision for impairment in respect of a lease for a property currently not in use.

Lease liabilities included in the Consolidated Statement of Financial Position at 29 June 2024 were as follows:

	2024	2024	2024	2023
	Land and buildings £'m	Motor vehicles, plant and equipment £'m	Total £'m	Total £'m
At the beginning of the period	(242.5)	(15.7)	(258.2)	(278.1)
Additions	(35.1)	(11.1)	(46.2)	(33.2)
Disposals	1.8	0.1	1.9	0.2
Interest	(5.1)	(1.0)	(6.1)	(5.3)
Repayment of lease liabilities	52.8	6.2	59.0	58.2
<b>At the end of the period</b>	<b>(228.1)</b>	<b>(21.5)</b>	<b>(249.6)</b>	<b>(258.2)</b>

The discount rate applied across all lease liabilities ranged between 0.90% and 6.76% (2023: 0.90% and 5.85%). The discount rate is determined at the inception of the lease and the rate reflects our incremental borrowing rate which we assess by considering the marginal rate on the Group's Revolving Credit Facility ('RCF'), the Bank of England base rate, the yield on Government bonds and the term of the lease.

## 12. Investment Property

In June 2024 we purchased a tenanted freehold property for £7.5m, providing current rental income and future capacity for our store support centre.

Given the proximity of the transaction to the end of the reporting period, an independent valuation has not been sought, as it is considered that the purchase price is consistent with its fair value as at the period-end date.

Subsequent to the period end, we also secured a freehold tenanted retail property in an attractive location for £22.2m. We expect to convert this into a Dunelm store in the future upon expiry of the existing lease.

## 13. Inventories

	2024 £m	2023 £m
Raw materials	1.3	1.6
Work in progress	0.1	-
Goods for resale	221.6	209.4
	223.0	211.0

Goods for resale includes a net realisable value provision of £21.3m (2023: £20.7m). Write-downs of inventories to net realisable value amounted to £30.7 m (2023: £30.2m). These were recognised as an expense during the period and were included in cost of sales in the Consolidated Income Statement.

## 14. Trade and other receivables

	2024 £m	2023 £m
Trade receivables	3.7	3.1
Other receivables	0.4	0.1
Prepayments and accrued income	22.1	21.1
	26.2	24.3

All trade receivables are due within one year from the end of the reporting period.

No impairment was incurred on trade and other receivables during the period and the expected credit loss provision held at period end is £nil (2023: £nil). No material amounts are overdue (2023: £nil).

## 15. Trade and other payables

	2024 £m	2023 £m
Trade payables	92.3	94.6
Accruals	67.3	63.5
Deferred income	12.5	12.5
Taxation and social security	32.3	37.3
Other payables	0.6	0.2
	205.0	208.1

## 16. Bank loans

	2024 £m	2023 £m
Total borrowings	79.0	77.0
Less: unamortised debt issue costs	(2.0)	(1.1)
Net borrowings	77.0	75.9

## 17. Commitments & Contingent liabilities

As at the period end date, the Group had entered into capital contracts for new stores and refits amounting to £1.5m (2023: £8.1m).

The Group had no contingent liabilities at the period end date (2023: £nil).

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