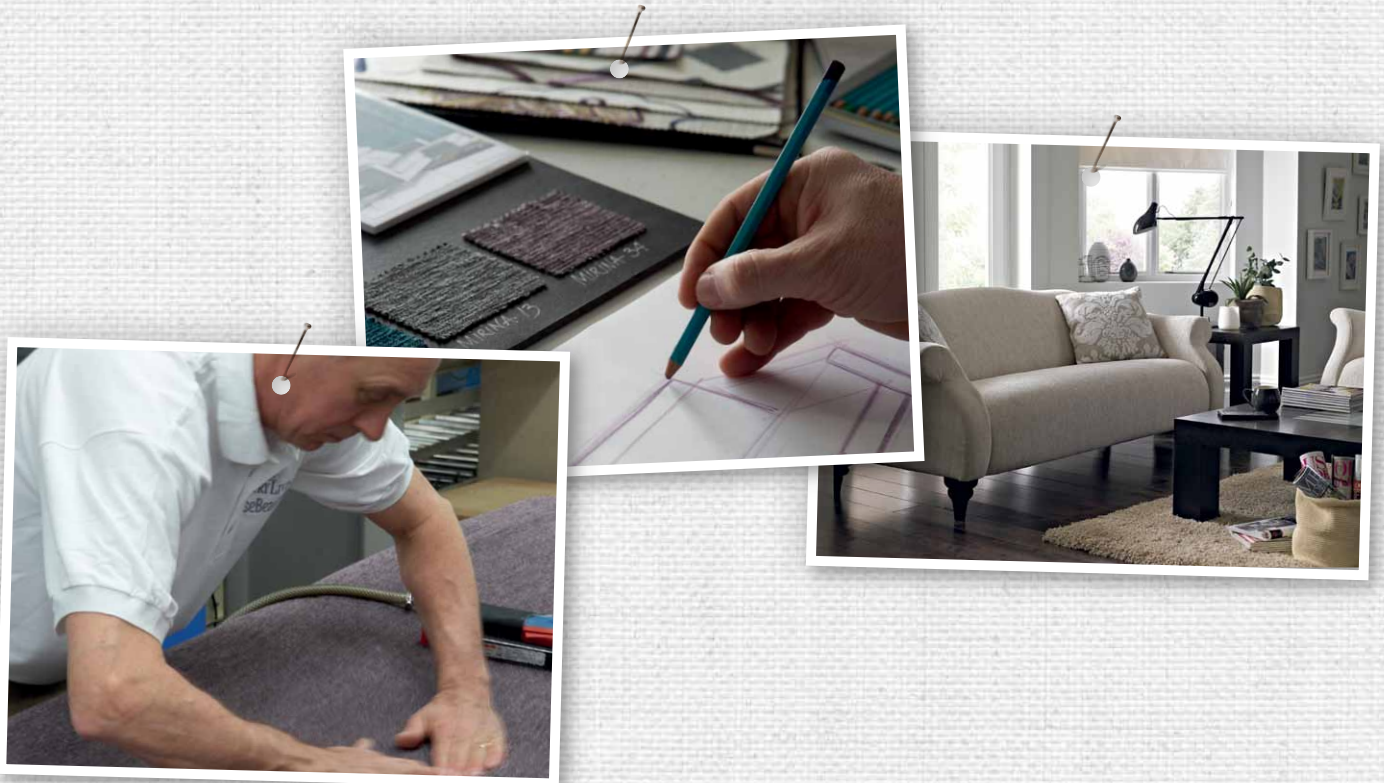


# the clear leader in UK upholstered furniture retail

- ♥ 45 years of specialist heritage in the design, manufacture and sale of upholstered furniture
- ♥ 25.7% market share of UK upholstered furniture retail
- ♥ 3.3x larger by sales than our next competitor, giving scale advantages
- ♥ End-to-end direct control of all aspects of our operations, from manufacturing to delivery and after sales service, allowing us to offer high-quality customer service and increase operational flexibility



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# we have an advantaged and hard to match business model that delivers sales growth, market share gain and strong margins

## Efficient delivery infrastructure

Delivering direct to customers' homes since the start thereby **well suited for online sales**

## Leading marketing spend driving visits

**4th largest UK retail advertiser** spending more than our next four sector competitors combined

## Well invested store estate

Achieving sales per store 2x greater than peers average with **every store contributing to profits**

## High quality customer service

**Directly employed DFS staff** from the sales person, through to delivery and after care

## Broad product range

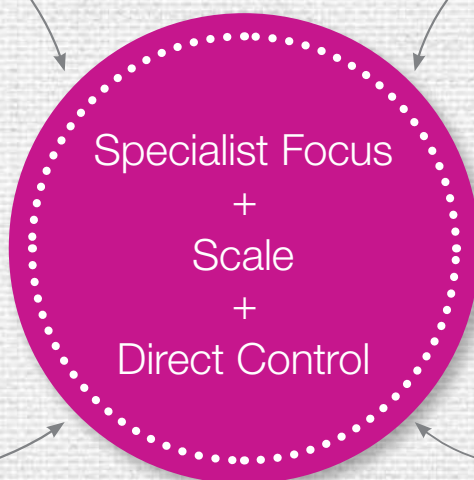
Over 200 upholstery ranges, each **exclusive to DFS**, available in a number of unit types and colours

## defaqto rated best-in-class interest free credit offer

Making purchases more affordable and **trading up possible**

## British in-house manufacturing

25% - 30% **in-house manufacturing gives flexibility** and insight in product buying negotiations



## This means we achieve...



**25.7%**

share of the £3 billion UK Upholstery Market by value

**3.3x**

the size of our next competitor



**75%**

unprompted brand awareness

**2.5x**

greater than our next competitor



**£875m**

gross sales (inc VAT)

**£85m**

Adjusted EBITDA over the last twelve months



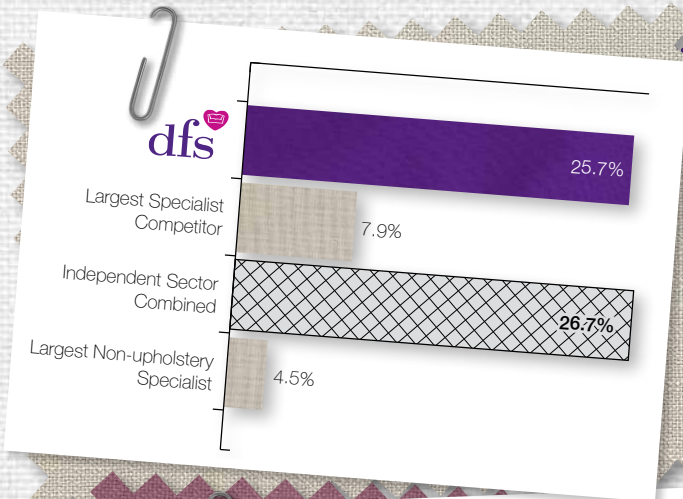
**#1** on Trustpilot out of 10 largest upholstery retailers

**8.8/10**



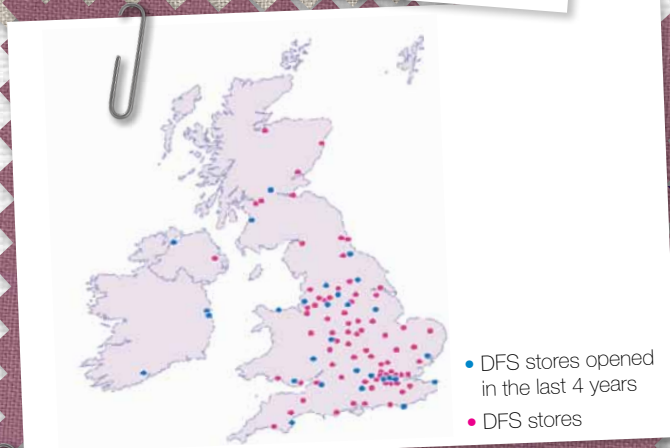
Note: Store contribution to profit calculated as before depreciation, marketing and central expenses  
 Trustpilot rating: [www.trustpilot.co.uk](http://www.trustpilot.co.uk), as extracted on 5 February 2015, compared against the ratings of ScS, Harvey's, Furniture Village, Sofaworks, Next, John Lewis, Marks & Spencer, Argos and Homebase  
 Source: 4th largest retail advertiser in 2013: Neilsen Media Research  
 Adjusted EBITDA = earnings before interest, tax, depreciation, amortisation and exceptional items  
 Sales density >2x peers based on average of ScS, Furniture Village, and Steinhoff UK as recorded in Companies House  
 Market share : Copyright © 2015, Verdict, Furniture & Floorcoverings, Retailing in the UK, reproduced with permission of Verdict  
 Rated #1 for Interest Free Credit: defaqto  
 75% Unprompted Brand Awareness: Independent survey conducted on behalf of DFS

we have been consistently capturing market share, achieving success through our differentiated customer proposition and omnichannel presence



Large, addressable market, taking share from independents...

**Increased market share by 8%** since 2007, largely at the expense of independent retailers



...reached by our 100+ UK and ROI stores...

High sales densities:

**£6.3m** revenues per store (FY14)

**2x** peers' average



...and leading online presence

Website, tablet apps, and live video chat inspire and engage customers bringing them to our stores

- Our website attracts c. **40% of all sector traffic**
- **63% of online users likely to visit a store** within 30 days
- **Over 10% of our sales** made through the internet

comprehensive product and brand offering with an emphasis on customer service

our exclusive branded product ranges  
make our offer relevant to all identified  
customer groups

- ♥ End-to-end direct control of the customer experience – with all customer facing staff incentivised on service measures
- ♥ Every sofa is made to order and comes with a free 10 year structural guarantee



### Entry Level

Vale  
**£299**



### Mid-range

Shout  
(Capsule Collection)  
**£899**



### Premium

Loch Leven  
(Country Living)  
**£1,799**



# demonstrating strong financial results

Financial year 2012 vs. 12 months to 1 Nov 2014



Gross Sales (inc. VAT) grew from £749m in financial year 2012 to

**£875m**

in the 12 months to 1 Nov 2014



Adjusted EBITDA grew from £81m in financial year 2012 to

**£85m**

in the 12 months to 1 Nov 2014



Free cash flow before

tax & financing grew from

£62m in financial year 2012 to

**£70m**

in the 12 months to 1 Nov 2014

## Operate a highly flexible cost base

- Marketing and interest free credit is discretionary
- Incentive led pay for workforce

## Every store in the network contributes to profitability

## Virtually stockless sales model – negative working capital model

and we have proven strategies delivering growth

### 1. Forecast consistent growth of the upholstery market

- **Market set to grow c. 3.0% per annum** between 2014-17 driven by positive trends in consumer confidence, housing transactions and credit availability

### 2. Exclusive premium brands such as Country Living, House Beautiful, French Connection, Sofa Workshop and dwell are reaching new customers

- Continue momentum in capturing **share of c.£1.3bn** Quality Seeker market

### 3. UK store roll-out opportunities

- Proven success at **locating quality sites** using computer based analysis, targeting 3-5 new UK stores per year with a quick 21 month payback historically achieved

### 4. International roll-out in Republic of Ireland and trialling in the Netherlands

- We believe we now are the **2nd biggest player in the ROI** by sales, despite only entering in 2012

### 5. Selling space efficiency by releasing 400,000 sq. ft

- Creating additional selling space by converting in-store warehousing space into additional retail space can **drive incremental sales** and increase delivery efficiency

### 6. Web channel attracting new customers and growing rapidly

- Benefit from **holding the leading presence** in a rapidly expanding marketplace

Forecast Market Growth: Verdict

Adjusted EBITDA = earnings before interest, tax, depreciation, amortisation and exceptional items  
Flexible costs consists of sales, wage costs, delivery costs, marketing spend and Interest Free Credit

Store payback calculated from store openings during financial years 2011 - 2013

12 months to 1 Nov 2014 is calculated by combining: Q1 2015 with financial year 2014 and subtracting Q1 2014

2nd biggest player in ROI: DFS estimate

# established & experienced team



Richard Baker  
**Non-executive Chairman**

- Also Chairman of FTSE100 Whitbread PLC
- Former chief executive of Alliance Boots and COO of Asda



Ian Filby  
**CEO**

- Joined DFS in 2010
- 34 years of experience, primarily at Alliance Boots



Bill Barnes  
**Finance Director**

- 25 years of retail sector experience
- Joined DFS in 2003 having spent 14 years at Next plc

## Key risks

- Upholstered furniture purchases represent a significant discretionary expenditure for consumers and thus a reduction in consumer confidence and spending levels for any reason could negatively affect the results of the Group's operations
- The size of the Group's market is partly linked to the number of transactions occurring within the United Kingdom residential property market
- Any events that negatively impact the reputation of, or value associated with, the Group's brand or the upholstered furniture industry could adversely affect the Group's business
- The retail upholstered furniture industry in the United Kingdom is highly competitive and the Group's failure to compete effectively could erode its market share and, in turn, adversely affect its profitability
- DFS may not be able to accurately predict consumer preferences or demand
- The Group's business could suffer as a result of weak sales during peak promotional periods and/or its failure to deliver effective promotional campaigns
- The retail upholstered furniture industry's and hence the Group's sales may be negatively impacted by adverse weather conditions and popular events
- The Group may not be granted, or may be granted subject to restrictions, permission to carry on regulated consumer credit activities (including the provision of interest free credit) by the FCA
- Consumer-related legislation and various government regulations could affect the Group's trading operations
- The Group's agreements with its consumer credit providers contain termination provisions which if exercised may adversely affect the Group's ability to ensure continuity of its customer financing supply

**IMPORTANT NOTICE:** Prices of shares may go down as well as up and in the worst case you could lose all of your investment.

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