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For immediate release

**6 February 2015**

**DFS Furniture Limited**

**(to be re-registered as DFS Furniture plc)**

**Announcement of Intention to Float on the London Stock Exchange**

**Update on H1 Trading**

**Appointment of Further Independent Non-executive Director to the Board**

DFS Furniture Limited (the "Company" and, together with its subsidiaries, the "Group") today announces that it intends to proceed with an initial public offering (the "IPO" or the "Offer") of its ordinary shares ("Shares"). The Company intends to apply for admission of the Shares to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the main market of the London Stock Exchange (together "Admission"). The Offer will comprise an offer of new and existing Shares. As part of the expected pre-IPO reorganisation (as described below), the Company, the holding company of the Group, will be re-registered as DFS Furniture plc.

**Business Highlights**

- DFS<sup>1</sup> is the leading retailer of upholstered furniture in the United Kingdom ("UK"), with a 25.7% share of the c.£3 billion upholstered furniture market in 2014 (data according to Verdict<sup>2</sup>, the retail consultants). This share was over three times that of any other upholstered furniture retailer<sup>2</sup>.
- DFS designs, manufactures, sells, delivers and installs an extensive range of upholstered and other furniture products for its customers. Its exclusive product offering is complemented by market-leading consumer financing options, outstanding and comprehensive customer and after-sales service, a long-term structural guarantee and ongoing customer support in relation to the products it sells.
- Almost all of the upholstery products are made-to-order and, as a result, DFS does not trade from stock and is exposed to minimal inventory risk. This, combined with other factors such as scale and specialism, allows it to have the broadest upholstery product range amongst national furniture retailers in the UK market, in terms of styles across various price points.
- Since opening its first store in 1969, DFS has developed a national footprint with 105 stores in the United Kingdom, the Republic of Ireland and the Netherlands, totalling c.1.6 million sq. ft. of retail trading space. Most of these stores can be found in established retail parks. The Group has also recently acquired the Sofa Workshop and dwell brands to enhance its premium product proposition.

<sup>1</sup> The Group excluding the dwell and Sofa Workshop brands

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- DFS has a track record of substantial investment in marketing activities which has provided the Company with significant national brand recognition and allowed DFS to develop a successful retail business based on high footfall to a relatively small number of large retail stores.
- DFS seeks to engage with its customers through multiple channels of communication, including its stores, live chat service, telephone call centres, websites and software applications. DFS's websites serve an important role as they are typically the first point of engagement with prospective customers.
- DFS's strategy is focused on delivering the widest choice of sofas in the market; best value at every price point; and world class customer experience, in each case without compromising quality. The Group has a number of proven and developing growth initiatives to achieve this strategy, as set out below.

### **Financial performance**

Based on the last reported twelve months to the period ending 1 November 2014, the Group recorded gross sales<sup>3</sup> of £874.8m, revenues of £674.6m and Adjusted EBITDA of £85.2m at a margin of 12.6%. The Group's strong cash flow generation continued throughout this period with free cash flow of £70.0m and free cash flow conversion of 82.2%<sup>4</sup>.

### **Update on H1 trading**

The strong sales momentum reported in our first quarter results announcement of 23 December 2014 has continued into 2015. DFS gross sales for the first 26 weeks of the financial year, ending on 31 January 2015, were up 9% before including incremental sales from Sofa Workshop and dwell. Order intake in the important trading period from Boxing Day has also been positive compared to the prior year and in line with our expectations. This performance underpins the Board's confidence that DFS enjoys excellent prospects for the current year and for long term profitable growth as one of the UK's best-known brands, a major British manufacturer and the country's leading retailer of upholstered furniture<sup>5</sup>.

### **Board appointments**

DFS is pleased to announce that Julie Southern has been appointed to the Board as an independent non-executive director and chair of the Audit Committee. This follows the appointment of Luke Mayhew in October 2014 and Gwyn Burr in December 2014 as independent non-executive directors. These three individuals bring significant experience to the Board. Biographies of the Board members (the "Directors") are included below.

### **Ian Filby, CEO of DFS, said:**

"DFS is firmly established as the UK's leading retailer in upholstered products across all customer segments<sup>6</sup>. We aim to offer our customers the widest range of sofas in the market with the best value at every price point, whilst also providing an exceptional customer service proposition. The success of our model is proven by our 45 year track record, during which we have increased our market share and sales.

"Our vision is to take DFS from being a great British business to a world class business. This is an exciting time for us as we continue to drive growth initiatives that are already underway against a backdrop of an improving macroeconomic environment. We see significant opportunity to further increase the Group's penetration in the UK, strengthen our position as the market leader for online upholstered furniture sales and we recently entered Continental Europe with the opening of our first store in the Netherlands.

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<sup>3</sup> Gross Sales is the total amount payable by external customers including aftercare services (for which the Group acts as an agent), delivery charges and value added and other sales taxes

<sup>4</sup> Calculated using FY14 and Q115 numbers (audited) and Q114 numbers (unaudited)

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<sup>6</sup> As identified by DFS

“In recent years and under Advent's ownership we have invested substantially in the infrastructure of our business to create a robust platform to support our future growth plans. We have a track record of strong financial performance, including consistently strong cash generation, which has enabled us to deliver outstanding shareholder returns. We look forward to continuing to grow profitably in a new period of public ownership.”

**Richard Baker, Non-Executive Chairman of DFS, said:**

“I am proud of what we have achieved at DFS since 2010 and excited about what the future holds. The Group has a compelling business model that is highly cash generative, has clear growth prospects, a very strong executive management team together with well-trained and motivated employees. The Board collectively brings a blend of highly valuable and wide-reaching experience. I remain confident that we have a best-in-class board capable of leading and supporting the Group in the execution of its strategy.”

**Key strengths**

**DFS is the clear market leader in the UK's estimated £3 billion upholstery market – both online and in store**

- Leading retailer of upholstered furniture in the UK with a 25.7% share of the c.£3 billion market in 2014<sup>7</sup>
  - Larger than the next four upholstery sector specialists combined and over three times bigger than the next competitor
- Market leading position across every customer demographic segment identified by the Group
- Market leader in online upholstery (which constitutes c.9% of the total market) with an estimated 28% share<sup>8</sup>
- DFS's marketing spend is higher than that of the next four upholstery specialists combined by size<sup>9</sup>, driving market leading brand awareness
  - DFS's average brand awareness is 75%, compared to 29% of the next competitor<sup>10</sup>
- Leading market position and significant discretionary promotional spend generates high footfall and sales densities which are among the highest in the UK retail sector; DFS's sales per store are more than 2x the average of the UK upholstery specialist peers<sup>11</sup>
  - This success has enabled investment in customer proposition, product, finance, service and marketing activities, contributing to a high level of customer satisfaction and brand recognition and thus perpetuating higher sales and cash flows

**Exceptional customer proposition made possible by the Group's relative scale – omnichannel approach, broad product range and outstanding service with best-in-class interest free credit**

- 105 DFS-branded stores in UK, Republic of Ireland and Netherlands
- Substantial recent investment in market-leading online channel, including re-platforming of DFS's website, development of in-store technology and apps, in-store kiosks, iPads and investment in live video chat
- DFS has the broadest upholstery product range in terms of styles across various price points amongst national furniture retailers in the UK market, supported by own manufacturing and a flexible sourcing strategy
- Product offering complemented by a highly distinctive customer service proposition including superior finance terms, 10 year structural guarantee and consistent value proposition
- Best interest-free consumer finance offering in the UK upholstered furniture market, as rated by Defaqto which is fully outsourced to 3<sup>rd</sup> parties, giving DFS no financing risk
- High-quality shopping and after-sales experience through well-trained and motivated employees supports a high level of customer satisfaction and brand recognition

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<sup>8</sup> Internally estimated by DFS

<sup>9</sup> Data sourced from Nielsen, the global information and measurement company

<sup>10</sup> Spontaneous brand awareness according to an independent survey conducted on behalf of DFS between November 2013 and July 2014

<sup>11</sup> Represents average of ScS, Furniture Village and Steinhoff UK

- Vertically integrated business model, controlling all aspects of the customer journey, has facilitated DFS achieving a post-purchase Net Promoter Score (“NPS”)<sup>12</sup> of 67%, materially above the retail sector average of c.30%

#### **Very efficient business model – highly flexible cost base, 100% direct and virtually stockless**

- Highly flexible and controlled cost base with over two-thirds of the costs variable, semi-variable or discretionary
- Made-to-order business model with minimal inventory risk
  - Bespoke products only manufactured once order has been placed and delivered directly to customers
- DFS is the leading national retailer of upholstered furniture in the UK<sup>13</sup> that combines sizeable internal UK design and manufacturing capability with an efficient external supply chain
  - Enables DFS to react to fashion trends and bring new products to its stores quickly whilst providing flexibility over lead times
  - Enhances understanding of supply chain costs and provides insight into negotiation with external manufacturers
  - Long-standing relationships with external suppliers and significant volumes provide strong buying power

#### **Track record of success – long term sales and market share growth, strong cash generation, attractive shareholder returns**

- DFS has a long-term track record of profitability with strong sales growth and market share expansion
  - Gross sales growth of 6.2% per year on a compound annual growth basis since 1999, during which time DFS has grown its market share from 12.5% to 25.7%
- DFS's EBITDA margins have significantly outperformed the UK specialist upholstery peers<sup>14</sup>
  - Average EBITDA margin of 13.2% for DFS in FY2012-FY2014 in comparison to average of 2.9% for UK specialist upholstery peers
- Consistent cash flow generation despite significant capital expenditure in the last three financial years
  - Adjusted EBITDA-to-cash flow conversion of 81.9% over the last three years, despite significant investment in new stores and online
- Negative working capital business model that has consistently generated cash from growth of the business
- The Directors believe that DFS's combination of the leading market position, exceptional customer proposition and strong cash flow generation, provides its business the ability to generate attractive total shareholder returns

#### **Highly experienced management team – combining the best of DFS's proven long-standing talent with new key hires**

- Senior management team of experienced executives with an average tenure of over 25 years in the retail, service and consumer goods sector
- Transitioned from a founder-led business to a professionally led organisation
  - Several key individuals recruited to its management team, including Chief Marketing Officer, Online & Business Development Director and Commercial Finance Director
  - Helped reinforce the Group's professional management structure, reporting lines and information systems

<sup>12</sup> A NPS is calculated by DFS based on a direct question that is posed as part of a survey distributed to all DFS customers: How likely is it that you would recommend our company/product/service to a friend or colleague? The scoring for this answer is based on a 0 to 10 scale. Promoters are those who respond with a score of 9 or 10 and are considered loyal enthusiasts. Detractors are those who respond with a score of 0 to 6. Scores of 7 and 8 are ignored. NPS is calculated by subtracting the percentage of customers who are detractors from the percentage of customers who are promoters

<sup>13</sup> According to Verdict market share data. Copyright © 2015, Verdict, Furniture & Floorcoverings, Retailing in the UK, reproduced with permission of Verdict

<sup>14</sup> Represents average of ScS, Furniture Village and Sofaworks EBITDA margins for FY2012-2014

## **Dividend policy**

Strong cash generation has meant that the Group has consistently returned cash to shareholders. Assuming that sufficient distributable reserves are available at the time, the Board intends to adopt a progressive dividend policy after Admission which reflects the long-term earnings and cash flow potential of the Group, with a dividend pay-out ratio of around 40-50% of profit after tax, split approximately one-third and two-thirds between interim and final dividends respectively.

The Directors expect that the first dividend to be declared following Admission will be the final dividend in respect of the financial year ending July 2015.

## **Details of the Offer**

The Company intends to apply for the Company's Shares to be admitted to listing on the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of the London Stock Exchange.

Shares will be offered (i) to certain institutional and other investors in the UK and elsewhere outside the United States of America; and (ii) in the United States of America, only to "qualified institutional buyers" as defined in and in reliance on Rule 144A under the United States of America Securities Act of 1933, as amended (the "Securities Act") or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act (the "Institutional Offer").

In addition, shares are being offered to private investors in the UK, the Channel Islands and the Isle of Man via appointed intermediaries (the "Intermediaries Offer"). An employee offer, allowing employees at DFS to apply to purchase shares at the offer price, will also be put in place as part of the Intermediaries Offer.

The Offer is expected to raise gross proceeds of c.£105 million in order to reduce the Group's financial borrowings and provide access to a lower cost of financing. DFS intends to use all of the primary proceeds from the Offer after costs to reduce indebtedness and together with existing cash resources and the proceeds of c.£200 million from the New Senior Facilities Agreement, to repay all amounts outstanding under the existing bond financing.

The Company anticipates net debt at Admission of c.2.3x LTM Adjusted EBITDA<sup>15</sup> with a strong deleveraging profile thereafter.

In addition, the Offer will include a partial sale of Shares held by an entity indirectly controlled by funds managed by Advent International Corporation ("Advent") and members of the Group's management team (the "Selling Shareholders"). Immediately following Admission, the Company and Selling Shareholders expect to target a free float of at least 25% of the Company's issued share capital.

Each of the Company, its directors, the Selling Shareholders and Advent will agree to customary lock-up arrangements in respect of their remaining holdings of Shares for specified periods of time following Admission. It is expected that Admission will take place in March 2015 and that, following Admission, the Company will be eligible for inclusion in the FTSE UK indices.

In relation to the Global Offer and Admission, Jefferies International Limited ("Jefferies") and UBS Limited ("UBS") are acting as Joint Global Co-ordinators, Joint Sponsors and Joint Bookrunners; Numis Securities Limited ("Numis") is acting as Joint Bookrunner and Joh. Berenberg, Gossler & Co. KG, London Branch ("Berenberg") and HSBC Bank plc ("HSBC") are acting as Co-Lead Managers.

Full details of the Offer will be included in the Prospectus, expected to be published in due course.

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<sup>15</sup> Based on LTM EBITDA of £85.2m for the period ended 1 November 2014

## **Enquiries**

**DFS** (enquiries via FTI)  
Ian Filby (CEO)  
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## **Note to Editors**

### **Further background on the Group**

DFS is the leading retailer of upholstered furniture in the UK<sup>16</sup>. DFS designs, manufactures, sells and delivers an extensive range of upholstered furniture products to its customers. The business operates a retail network of upholstered furniture stores in the UK and Europe, together with an online channel. These have been established and developed gradually over more than 45 years of operating history.

DFS attracts customers to its stores and website through its substantial and continued investment in nationwide marketing activities and reputation for high quality products and service, breadth of product ranges and price points and favourable consumer financing options.

DFS designs, displays and offers a variety of upholstered furniture product ranges, all of which are exclusive to DFS, with each range typically including a wide variety of different product units, including sofas, armchairs, reclining chairs and footstools. In order to enhance its product appeal for certain customer segments the Group has recently strengthened its exclusive own brand upholstery ranges and developed exclusive brand partnerships with Country Living, House Beautiful, French Connection and G-Plan.

DFS complements its product offering with a high-quality customer service proposition with an emphasis on delivering good customer outcomes, underpinned by well-trained and motivated

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employees, expedient order management and timely product deliveries. DFS's service proposition includes delivery and installation of its products in customers' homes, comprehensive after-sales service and a long-term structural guarantee. DFS generally offers its customers a consumer financing option of up to four years of interest-free credit, with no upfront deposit requirement and an option to defer payment for up to 12 months from the date of order. DFS's credit proposition has been rated by Defaqto to be the most competitive interest-free consumer finance offering in the UK upholstered furniture market. This financing is outsourced to 3<sup>rd</sup> parties who specialise in consumer finance, and as such DFS bears no repayment risk.

DFS advertises its products and services through a wide range of marketing and media channels, including television, national and local press, direct mailing, radio, the internet, outdoor advertising boards and in-store points of sale. Over the years, it has made significant investments in its marketing activities, which has made DFS the fourth largest retail and tenth largest consumer advertiser in the UK retail sector during 2013, according to Nielsen. DFS's substantial and continued investment in nationwide marketing has allowed DFS to expand its store network without incurring significant incremental marketing costs for each new store.

The Group has five proprietary manufacturing facilities, comprising three upholstery manufacturing facilities and two frame factories, all of which are located in the UK. The Company internally manufactured c.29% of its furniture orders by volume in FY2014. It sources the remaining products from carefully selected and long-standing supply partners in the UK, continental Europe and Asia.

### **History of the Group**

The DFS business was founded in 1969 by Graham Kirkham, the former Chairman of DFS Furniture Company Limited, with a single store near Doncaster. In 1993, with a total of 24 upholstery stores and revenue of £114.2 million, DFS Furniture Company plc was floated on the London Stock Exchange with an initial market capitalisation of c.£270 million.

During the publicly listed period of 1993 to 2004, DFS added a further 44 upholstery stores and continued to expand and diversify its sources of supply of upholstered furniture. In November 2004, the Company was acquired by Lord Kirkham and his family taking the Company private again. In the period thereafter, the strategic focus was on continued cash flow generation and consolidation with a modest number of new store openings.

In April 2010, Advent, a well-established global private equity firm acquired DFS. Following the acquisition, c.85% of the Group has been owned by Advent, with the remainder held by the Directors and the Group's management.

### **Key Headline Financials**

	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>Q12014</b>	<b>Q12015</b>
<i>No of DFS stores<sup>1</sup></i>	89	97	100	98	101
Gross sales (£m)	748.7	804.3	853.4	175.6	197.0
Revenue (£m)	567.9	614.4	656.8	134.9	152.7
<i>Total revenue growth (%)</i>	<i>na</i>	8.2%	6.9%	<i>na</i>	13.2%
Adjusted EBITDA (£m) <sup>2</sup>	81.2	83.8	82.3	7.5	10.4
<i>Adjusted EBITDA margin (%)<sup>2</sup></i>	<i>14.3%</i>	<i>13.6%</i>	<i>12.5%</i>	<i>5.6%</i>	<i>6.8%</i>
Free cash flow (£m) <sup>3</sup>	62.2	65.2	75.2	17.8	12.6
<i>Free cash flow conversion (%)<sup>4</sup></i>	<i>76.6%</i>	<i>77.8%</i>	<i>91.4%</i>	<i>237.3%</i>	<i>121.2%</i>

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Notes:

- 1 Excludes Sofa Workshop and dwell stores; Also excludes Hull clearance store for Q12014 and Q12015
- 2 Represents EBITDA adjusted to remove non-underlying items, bonus payments regarding prior years and initial losses in acquisitions
- 3 Free cash flow is calculated as Adjusted EBITDA – Capital Expenditure – Change in Working Capital
- 4 Free cash flow conversion is calculated as Free cash flow / Adjusted EBITDA

## **Strategy**

DFS's objective is to take the Company from being a great British business to a world class business. To achieve this objective, the Group has a number of proven and developing levers of growth.

- **Clear progress in capturing the Quality Seeker customer segment**
  - Quality Seeker segment represents c.41% of the total upholstery market by value and whilst DFS currently accounts for 25.7% of all UK upholstery market sales, the Group's market share in the Quality Seeker segment is currently c.22%<sup>17</sup>
  - The Group has proven its ability to capture market share in this segment having increased its market share from 18% in 2012 to 22% in 2014<sup>17</sup> with growth coming from a combination of own brand development, marketing refinement, brand partnerships and acquisitions
    - The Group's brand partnerships include Country Living, House Beautiful, French Connection and G-Plan with the ranges sold increasing more than 2x over the last 2 years
  - The Directors plan that the Group will continue this momentum through increasing contributions from own brands, brand partnerships and the roll-out of Sofa Workshop and dwell, both of which have a strong appeal to the Quality Seeker segment
  - Ongoing evolution of marketing strategy will also facilitate targeting of Quality Seekers
- **UK store roll-out**
  - DFS intends to continue to open new UK stores utilising a bespoke customer catchment area model, developed in partnership with CACI Ltd
    - Model has proved highly effective in predicting returns
    - The Group has rolled-out 27 UK stores in the past four years
    - Average payback of 21 months<sup>18</sup>
  - Up to 20 further sites already identified for 10-15,000 sq. ft. stores with the intention to roll out 3-5 new UK stores per year, in addition to new dwell and Sofa Workshop stores
    - Opportunity for operational leverage given limited incremental marketing costs for each new store
  - Additionally, the Group is considering the roll-out of smaller format stores of c.5,000 sq. ft. to target urban areas and small market towns
- **International store roll-out**
  - Proven ability to enter new markets having entered the Republic of Ireland in FY2012 by opening stores in Dublin and Cork
    - Grown to be second biggest player by sales
    - Potential to open more stores in addition to Carrickmines, which opened in December 2014
  - The Netherlands was identified as the optimal location for the next stage of DFS's international expansion
    - First store opened in Cruquius in November 2014
    - Potential for up to 20 further stores if the concept proves to be successful
  - Further potential international opportunities identified

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<sup>18</sup> Based on actual and estimated paybacks of 21 stores opened during FY2011, FY2012 and FY2013

- **Additional retail space from conversion of onsite store warehouses**
  - Customer Distribution Centre (“CDC”) conversions provide further retail space by moving and consolidating warehouse facilities currently located on retail store sites to lower rent and more logistically efficient locations
  - The Group has converted three CDCs releasing 49,000 sq. ft. of retail space across 12 stores
    - Retail space utilised to offer additional upholstery products, complementary range of dining furniture, beds and potential for Sofa Workshop and dwell store-in stores
  - DFS is targeting 17 CDCs across the country releasing c.400,000 sq. ft. of additional retail space, with 3 new CDCs each year
  
- **Online channel**
  - Market leading online platform and proven track record of growing margin-enhancing sales – online sales compound annual growth rate of c.10% from FY2010 to FY2014
    - Online platform is margin accretive given direct delivery model
    - c.70% of the online sales are from customers who have not visited a DFS store in the last three months
  - The Group intends to leverage its leading presence by adding additional ranges of direct home delivery furniture, utilising the Group's existing traffic and interest free credit offer and maximising the Sofa Workshop and dwell online opportunity
  
- **Other identified growth opportunities**
  - Direct marketing: utilising the Group's historical customer database of approximately 5.5 million individuals
  - Adjacent category extensions: expanding offering into the wider UK furniture market including beds, dining and cabinets, particularly through the DFS website and in-store kiosks
  - DFS contract furniture: development of presence in UK business-to-business upholstery market

## **Market Overview**

DFS is a specialist in the retail upholstered furniture market in the UK, which is part of the broader furniture and floorcoverings market. Verdict estimated that the broader furniture and floorcoverings market was c.£12.0 billion in 2014<sup>19</sup>. The retail upholstered furniture market accounts for over 25% of the total furniture and floorcoverings market, and was estimated by Verdict to be c.£3.0 billion in 2014 with DFS the clear market leader with 25.7% share by value<sup>19</sup>.

The retail upholstered furniture market encompasses the sale of leather or fabric upholstered two-seater, three-seater and four-seater sofas, sofa beds, armchairs and reclining chairs, footstools, combinations of module sofa units (e.g. corner units) and action furniture (which refers to furniture with moving parts such as recliners and unfolding footrests).

Between 2002 and 2007, the upholstered furniture market grew by 3.0% on a compound annual growth basis, peaking at £3.9 billion, according to Verdict<sup>19</sup>. Given the weakness in economic conditions impacting consumer confidence, the level of housing market activity and consumer credit availability, the market declined to £2.9 billion in 2011 from where it has since stabilised to £3.0 billion in 2014. The market is forecast to reach c.£3.1 billion in 2015 and Verdict forecasts this momentum to continue with the UK upholstery market estimated to grow by c.3.0% on a compound annual basis between 2014 and 2017<sup>19</sup>.

The furniture and floorcoverings market is dominated by purchases in-store, constituting c. 91% of total value versus online purchases of c.9%. Despite this low share of total upholstery sales, the online channel for many UK upholstery retailers is an important element of an omnichannel approach; online channels will typically be the first point of contact for potential customers and a source of potential inspiration prior to customers visiting a retail store.

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## **Board of Directors**

### ***Richard Baker – Non-Executive Chairman***

Richard Baker has 29 years of experience in the consumer and retail sector. Richard joined DFS in 2010 following the acquisition of the business by Advent, for whom he has acted as an operating partner since August 2009. Between 2003 and 2007, he was Chief Executive of Boots Group and Alliance Boots, and oversaw the merger between Boots Group and Alliance Unichem in 2006. Prior to joining Boots, Richard was Chief Operating Officer at the supermarket group Asda. Since September 2014, Richard has acted as non-executive Chairman of Whitbread plc, following his appointment as a non-executive director in September 2009. He is also currently non-executive Chairman of the Global Advisory Council of Aimia Inc, which owns and runs the Nectar loyalty programme in the UK and he is an independent director of the Lawn Tennis Association. Richard has an MA (Hons) in Engineering Science from Cambridge University and a Diploma in Strategic Retail Management from Harvard.

### ***Ian Filby – Chief Executive Officer***

Ian Filby joined DFS in September 2010 and has 34 years of retail experience, primarily at Alliance Boots, where his most recent roles were Retail Brand Development Director and Trading Director. Until January 2010, Ian was also Interim Chief Executive Officer of Nectar, the UK's leading coalition loyalty programme. He is also currently non-executive Chairman of Shoe Zone plc and is a member of the British Retail Consortium Board, and Chairman of the British Retail Consortium Policy Board. Ian has an MA (Hons) in Chemistry from Cambridge University.

### ***William ("Bill") Barnes – Finance Director***

Bill Barnes has 25 years of experience in the retail sector. He joined DFS in October 2003 having spent 14 years at retailer Next plc where he was Group Financial Controller and Company Secretary. Bill has a B.Com (Bachelor of Commerce) from the University of Birmingham. He is a fellow of the Institute of Chartered Accountants.

### ***Luke Mayhew – Senior Independent Non-Executive Director***

Luke Mayhew joined DFS in October 2014 as Senior Independent Non-Executive Director. Luke previously served for 13 years on the Board of John Lewis Partnership, including as Managing Director of the Department Store division. Luke also spent five years at British Airways Plc and seven years at Thomas Cook Group PLC in senior positions. He was also previously Chairman of the British Retail Consortium, a Non-Executive Director of WH Smith PLC and Chairman of Pets at Home Group Limited. He is currently an independent non-executive director of InterContinental Hotels Group PLC and Trustee of BBC Children in Need. Luke has a BA (Hons) from Oxford University and a Masters in Economics from the University of London.

### ***Gwyn Burr – Independent Non-Executive Director***

Gwyn Burr joined DFS in December 2014, and chairs its Remuneration Committee. She previously served on the operating board of J Sainsbury plc with responsibility for customer service, human resources, corporate responsibility and corporate communications, as well as key sponsorship schemes including the Paralympic Games programme. Before that, she held various management positions within the supermarket group Asda. She is currently an INED of Metro AG, Wembley National Stadium Limited, Hammerson plc and Just Eat plc. She is also a NED of Sainsbury's Bank plc and the Financial Ombudsman Service. Gwyn has a BA (Hons) in Economics and History from Bradford University.

### ***Julie Southern – Independent Non-Executive Director***

Julie Southern joined DFS in February 2015, and chairs its Audit Committee. She was previously with Virgin Atlantic from 2000 to 2013, first spending ten years as CFO before taking on the role of Chief Commercial Officer in 2010. Prior to joining Virgin Atlantic, Julie was Group Finance Director of Porsche Cars GB and Finance and Operations Director of WH Smith's subsidiary HJ Chapman & Co. Julie currently is a non-executive director of NXP Semiconductors N.V. and also Rentokil Initial plc where she also chairs the Audit Committee. She is a qualified accountant, having trained with Price Waterhouse, and has an BA (Hons) in Economics from Cambridge University.

### ***Andy Dawson – Non-Executive Director***

Andy Dawson joined the Board in 2010 in connection with the acquisition of DFS by Advent. He is a Partner of Advent and coordinates Advent's retail activities in Europe. He has over 10 years of experience in private equity focused on the retail sector. Andy has a MA (Hons) in Engineering from Cambridge University.

### **Senior Management**

The Company's senior management, in addition to the Directors listed above, is as follows:

### ***Jonathan ("Jon") Massey – Chief Operating Officer***

Jon Massey has 42 years' experience in the retail sector. He joined DFS in 1988. Prior to this he spent 16 years working for retailer Allied Carpets, for eight years of which he was Director of accounting and management information systems. Jon is a fellow of the Institute of Chartered Accountants and started his career as a member of the predecessor of what is now KPMG LLP.

### ***Keith Baker – Projects Director***

Keith Baker has 35 years' experience in the retail sector and joined DFS in 1992 having spent nine years with retailer Sears plc. Keith has a B.ED from Birmingham University College of Education. Keith has worked extensively within the stores network, spending approximately 10 years as Retail Operations Director (South). From 2012, Keith has worked on/led the new store opening programme, initiated the CDC programme and is currently living in the Netherlands leading the DFS International expansion programme.

### ***Nicola Bancroft – Commercial Finance Director***

Nicola Bancroft has 27 years of experience in the retail sector. She joined DFS in January 2013 from Alliance Boots where she held a series of senior finance roles, latterly Commercial Finance Director and Retail & Transformation Finance Director. At DFS, Nicola has established the commercial finance function and is now responsible for strategic planning, financial planning and analysis and finance partnering supporting all business areas. She has a BA (Hons.) in Accounting and Finance and is a fellow of the Chartered Institute of Management Accountants.

### ***Helen Normoyle – Chief Marketing Officer***

Helen Normoyle joined DFS in 2012 from the BBC where she was Director of Marketing and Audiences and responsible for the corporation's marketing, audience services, research and planning across its television, radio, online and news programming. Helen's career has spanned brand and marketing communications, new product development and market research, and broadcast and telecoms regulation. She has worked across multiple sectors including media, telecommunications and pharmaceuticals. In addition to the BBC Helen has previously worked for GfK, Motorola and Ofcom.

### ***David Payling – Retail Operations Director***

Dave Payling has 33 years of experience in the retail sector and joined DFS in 1989 from retailer GUS. Dave began his career with DFS as a salesman and has held the roles of Store Manager, Area Manager, Regional Manager and Retail Operations Director (North) before being appointed Retail Operations Director in 2012. He is responsible for the performance of all stores and their warehouses in the UK and Ireland, and also customer administration and the customer aftercare service. Dave has a keen interest in promoting business, motivating the team and providing world class customer service.

### ***Gary Pitchford – Buying Director***

Gary Pitchford joined DFS in 1999 and has over 25 years' furniture experience. As Buying Director for DFS, Gary has overall responsibility for sourcing, price negotiations, ranging and design. Gary also heads up DFS's in house design and development teams for its fully owned manufacturing facilities.

### ***Tim Stacey – Online & Business Development Director***

Tim Stacey joined DFS in 2011 to lead the omnichannel transformation of the business and the growing online channels. Tim also leads the acquisition, integration and development of Sofa Workshop and dwell. Prior to DFS, he spent 12 years working for Alliance Boots, where he was Multi Channel Director responsible for Boots.com and introducing Order and Collect. He was also Commercial Finance Director and is a qualified Chartered Accountant, having trained with KPMG.

### ***Andrew Stephenson – Human Resources Director***

Andrew Stephenson joined DFS in 2009 having previously held sales, store and regional management, programme management and human resources roles at Dixons Retail, Virgin, B&Q and Vodafone. His role covers HR, Facilities Management, Corporate Responsibility, Customer Experience and Conferencing. Andrew has an MA from Staffordshire University in Strategic Human Resource Management, is a Certified Net Promoter System practitioner and is a Chartered Fellow of the Chartered Institute of Personnel and Development (FCIPD).

### ***Andrew Trofimowicz – Business Planning Director***

Andrew Trofimowicz has been at DFS for over 28 years joining the management team in 1986 and was Marketing Director from 2001 to 2011. Andrew has joint responsibility with the Strategy Board for managing risk, legislative retail compliance and developing a consistent world class brand experience for DFS customers. He graduated from University of Lancashire (BA in Accounting) before starting his career in retail store management.

### **Pre-IPO reorganisation**

Immediately prior to Admission, the Company's share capital will be reorganised. The reorganisation will result in the Company having a single class of ordinary shares. DFS Furniture Limited will be re-registered as a public company under the name DFS Furniture plc prior to Admission.

### **Disclaimers**

The contents of this announcement, which has been prepared by and is the sole responsibility of the Company, have been approved by Jefferies, UBS and Numis solely for the purposes of section 21 (2) (b) of the Financial Services and Markets Act 2000 (as amended).

The information contained in this announcement is for background purposes only and does not purport to be full or complete. No reliance may be placed for any purpose on the information contained in this announcement or its accuracy, fairness or completeness. This announcement is an advertisement for the purposes of the UK Prospectus Rules of the Financial Conduct Authority and not a prospectus and investors should not subscribe for or purchase any Shares referred to in this announcement except on the basis of information in the Prospectus to be published in connection with the Offer and Admission.

This announcement does not constitute, or form part of, any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for any Shares or other securities in any jurisdiction, including the United States, Australia, Canada or Japan or in any jurisdiction including those in which such offer or sale would be unlawful prior to registration, exemption from registration or qualification under the securities laws of any jurisdiction. The Offer and the distribution of this announcement and other information in connection with the Offer and Admission in certain jurisdictions may be restricted by law and persons into whose possession this announcement, any document or other information referred to herein comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Neither this announcement nor any part of it nor the fact of its distribution shall form the basis of or be relied on in connection with or act as an inducement to enter into any contract or commitment whatsoever.

The IPO timetable, including the publication of the Prospectus and/or the date of Admission, may be influenced by a range of circumstances, including market conditions. There is no guarantee that the Prospectus will be published or that the Offer or Admission will occur and you should not base your financial decisions on the Company's intentions in relation to the Offer and Admission at this stage.

Acquiring investments to which this announcement relates may expose an investor to a significant risk of losing all of the amount invested. Persons considering making such an investment should consult an authorised person specialising in advising on such investments. This announcement does not constitute a recommendation concerning the Offer. The value of the Shares can decrease as well as increase. Potential investors should consult a professional advisor as to the suitability of the Offer for the person concerned. Past performance cannot be relied upon as a guide to future performance.

This announcement is not for distribution, directly or indirectly, in whole or in part, in or into the United States (including its territories and possessions, any State of the United States and the District of Columbia), Australia, Canada or Japan or any other jurisdiction where it is unlawful to distribute this announcement. In particular, this announcement is not an offer of securities for sale in the United States. The securities proposed to be offered by the Company have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or under any securities laws of any State or other jurisdiction of the United States, and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There will be no public offer of the securities referred to herein in any jurisdiction, including in the United States, Australia, Canada or Japan. The securities referred to herein have not been registered under the applicable securities laws of Australia, Canada or Japan and, subject to certain exceptions, may not be offered or sold within Australia, Canada or Japan or to any national, resident or citizen of Australia, Canada or Japan.

This announcement is only addressed to and directed at persons in member states of the European Economic Area ("EEA") outside the United Kingdom who are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC), as amended ("Qualified Investors"). Any investment or investment activity to which this announcement relates is available only Qualified Investors in any member state of the EEA other than the United Kingdom, and will be engaged in only with such persons. Other persons should not rely or act upon this announcement or any of its contents.

Any purchase or subscription of Shares in the proposed Offer should be made solely on the basis of the information contained in the final Prospectus to be published by the Company in connection with the Offer and Admission. The information in this announcement is for background purposes only and does not purport to be full or complete. No reliance may or should be placed for any purposes whatsoever on the information contained in this announcement or on its accuracy, completeness or fairness. The information in this announcement is subject to change. However, the Company, the Underwriters (as defined below) and each of their respective affiliates expressly disclaim any obligation or undertaking to provide the recipient of this announcement with any additional information, or to update this announcement or to correct any inaccuracies, and the distribution of this announcement shall not be deemed to be any form of commitment on the part of the Company to proceed with the Offer or any transaction or arrangement referred to herein. This announcement has not been approved by any competent regulatory authority.

Jefferies and Numis, each of which is authorised and regulated by the FCA in the UK, UBS and HSBC, each of which is authorised by the Prudential Regulation Authority ("PRA") and regulated and authorised by the PRA and FCA in the UK, and Berenberg, which is authorised by the German Federal Financial Supervisory Authority (BaFin) and subject to limited regulation by the FCA, are acting exclusively for the Company and no one else in connection with the Offer and Admission, and will not regard any other person as its client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients, nor for providing advice in relation to the Offer or the contents of this announcement or any transaction, arrangement or other matter referred to herein.

In connection with the Offer, Jefferies, UBS, Numis, HSBC, Berenberg (the "Underwriters") and any of their respective affiliates, acting as investors for their own accounts, may subscribe for or purchase Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in the Prospectus, once published, to the Shares being offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by each of the Underwriters and any of their respective affiliates acting as investors for their own accounts. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements and swaps in connection with

which they or their affiliates may from time to time acquire, hold or dispose of Shares. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

None of the Underwriters, nor any of their respective subsidiary undertakings, affiliates or any of their respective partners, directors, officers, employees, Advisors, agents or any other person accepts any responsibility or liability whatsoever for, or makes any representation or warranty, express or implied, as to the truth, accuracy, completeness or fairness of the information or opinions in this announcement (or whether any information has been omitted from the announcement) or any other information relating to the Company, its subsidiaries or associated companies, whether written, oral or in a visual or electronic form, and howsoever transmitted or made available or for any loss howsoever arising from any use of this announcement or its contents or otherwise arising in connection therewith.

In connection with the Offer, a stabilising manager (the "Stabilising Manager") may be appointed by the Company. Such Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Shares or effect other transactions with a view to supporting the market price of the Shares at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager would not be required to enter into such transactions and such transactions could be effected on any stock market, over-the-counter market, stock exchange or otherwise and could be undertaken at any time during the period commencing on the date of the commencement of conditional dealings of the Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there would be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilising measures, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Shares above the offer price.

In connection with the Offer and pursuant to applicable law and regulation, the Stabilising Manager could, for stabilisation purposes, over-allot Shares for the purposes of allowing it to cover short positions resulting from any such over-allotments and/or from sales of Shares effected by it during the stabilisation period, the Stabilising Manager would enter into over-allotment arrangements pursuant to which the Stabilising Manager may purchase or procure purchasers for additional the Shares (the "Over Allotment Shares") at the offer price. The over-allotment arrangements would be exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30th calendar day after the commencement of conditional trading of the Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the over-allotment arrangements, including for all dividends and other distributions declared, made or paid on the Shares, would rank *pari passu* in all respects with any Shares being sold in the Offer and would be purchased on the same terms and conditions as the Shares being issued or sold in the Offer and would form a single class for all purposes with the other Shares.

This announcement may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology or by discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements may and often do differ materially from actual results. All statements other than statements of historical facts included in this announcement are forward-looking statements. They appear in a number of places throughout this announcement and include statements regarding the Directors' or the Group's intentions, beliefs or current expectations concerning, among other things, its operating results, financial condition, prospects, growth, expansion plans, strategies, the industry in which the Group's operates and the general economic outlook. Forward-looking statements speak only as of the date they are made and cannot be relied upon as a guide to future performance. The Company, the Underwriters nor any of their affiliates do not undertake to release publicly the results of any revisions to any forward-looking statements in this announcement that may occur due to any change in its expectations or to reflect events or circumstances after the date of this announcement. Each of the Company, the Underwriters and their respective affiliates expressly disclaims any obligation or undertaking to update, review or revise any forward looking statement contained in this announcement whether as a result of new information, future developments or otherwise.

Certain figures contained in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this document may not conform exactly with the total figure given.

### **Market Data**

Unless otherwise stated, all market, industry, market share and competitive position data are provided by Verdict, the retail consultants (“Verdict”)<sup>20</sup>. Unless otherwise indicated, such market, industry, market share and competitive position data are estimates (and accordingly, approximate) and should be treated with caution. Such information has not been audited or independently verified, nor has the Company ascertained the underlying economic assumptions relied upon therein. The market share data refers to the relevant entity’s share in the relevant market or industry by revenue rather than for instance by volume of sales or profitability.

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<sup>20</sup> Certain information relating to DFS’s market share in its various industries and markets has also been calculated by the Company based on the published financial statements of its competitors