

## Chair's statement

*Focused on  
the future*

“We remain committed to developing the Group to deliver on the expectations of our customers”

**IAN DURANT**  
NON-EXECUTIVE CHAIR

**IN BRIEF**

- A resilient and agile response to the Covid-19 pandemic, allowing the Group to benefit from strong demand in our market.
- Record financial results, with Group revenue exceeding £1 billion for FY21.
- Creation of The Sofa Delivery Company to improve customer experience and deliver on our strategic plans.
- Further new store openings for Sofology.
- High levels of customer demand provide opportunities and challenges for the year ahead.
- Restart of dividends with 7.5 pence per share recommended.

**OVERVIEW**

The year to 27 June 2021 is the second year affected by the far-reaching consequences of the Covid-19 pandemic. In facing the multi-faceted challenges this has thrown up, our 5,000 colleagues have demonstrated high levels of resilience, tenacity, and loyalty in maintaining the momentum of recovery. Learning from the experience of the first UK lockdown and taking an agile approach in the face of ever changing lockdown restrictions and international supply chain disruption, the Group kept its manufacturing and supply chain operational and safe throughout the year. Online sales increased year on year by 184% benefiting from the investments in technology to improve the online experience for our customers, and our showroom colleagues provided additional support to customers wishing to purchase over the telephone.

From the outset of the pandemic a priority has been to look after our people. During the year I am pleased to say that despite many of our showrooms being closed for up to 21 weeks of the year the Group did not furlough any colleagues, and instead introduced a 'Coronavirus Absence Pay Scheme'. The aim of the scheme, which paid colleagues 80% of their pay, was to ensure that our colleagues had the peace of mind that they would be supported if they were absent from work because they were ill with the virus or could not work for other Covid-related reasons.

**STRATEGIC PROGRESS**

We have continued to progress the implementation of the Group's strategy and refine its priorities in response to changing market conditions and opportunities. This has included aspiring to ESG leadership in our sector and planning improvements to the effectiveness and scalability of our UK manufacturing.

## Chair's statement continued

A number of initiatives have been launched to develop the product ranges and the integrated retailer proposition of our two larger brands, which have led to an increase of c.2%pts in the Group's market share.

Sofology, which targets a different customer demographic to DFS, is continuing to perform well. The brand is now gaining national coverage after opening five showrooms in the year and with a strong pipeline in place is in a good position to take advantage of the growth in the home furnishings market.

Progress has also been made with the creation of our new Group final mile logistics operation; The Sofa Delivery Company which will significantly improve the UK logistics capability for both our brands. Over a thousand of our colleagues within DFS and Sofology joined the new business, with the aim of improving the customer experience and reducing both our operating costs and our carbon footprint.

### FINANCIAL RESULTS

Showrooms were closed for a significant portion of the year, but the periods when they were open saw exceptional levels of demand and similarly our online channels had a busy year. This has enabled suppliers and internal manufacturing operations to operate at high production levels and for the business to deliver an elevated volume of orders to our customers. Consequently, the Group has achieved a record level of revenue and profits. Total group revenue exceeded £1bn for the first time, generating underlying profit before tax and brand amortisation<sup>1</sup> of £105.8m. Reported profit before tax was £99.2m, giving rise to earnings per share of 34.5 pence.

Looking forward the Group has started the year with strong trading momentum, supported by a higher than normal order book entering the current financial year and a continued enthusiasm amongst customers for enhancing the comfort of their homes. This means the Group now holds relatively higher levels of visibility on customer demand for FY22 and alters the principal driver of our overall

financial performance in the new financial year to maximising our supply chain throughput, and mitigating any operating and raw material cost inflation or other Covid-19 disruption experienced.

The operating conditions in the new financial year are currently demanding and whilst the high levels of demand are welcome, they do present substantial operational challenges for our supply chain and manufacturing teams to overcome. Further, despite the roll out of the UK vaccination programme we may still have to change our ways of working to adapt to the continued impact of Covid-19. I am however confident that, given the way in which the Group has addressed all of the challenges of the last year, we are positioned to respond, with well-established leadership and appropriate structures in place to manage these risks.

### OUR PURPOSE, OUR VALUES, AND OUR PEOPLE

The Group, the outright market leader in its sector in the UK, has a distinctive culture. There is a great sense of pride, loyalty, and commitment from our colleagues across the Group. Our purpose, built on our values of "Think Customer, Be Real and Aim High", is to bring great design and comfort into every living room, in an affordable, responsible, and sustainable manner. That our people live our values has been evident from their continued dedication and enthusiasm over the past year as they have worked hard to support our customers and each other through the challenges brought by the pandemic.

We are aware that the pandemic has had a serious impact on people's health and wellbeing. Over the year the Group has invested in resources to support our colleagues through the pandemic. This includes a new sick-pay scheme, increasing the number of mental health first aiders and working with partners to launch digital tools to help us understand how our colleagues are feeling and to help them try to deal with any health issues.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Over the last year the Group has made good progress against our initial ESG targets. Our strategy is to leverage our influence and scale as market leader to offer sustainable and ethical products, to drive a more circular product lifecycle and to act in a responsible manner with our customers, suppliers, and wider stakeholders.

Significant effort has been made in improving the traceability of the raw materials used in our products and obtaining third party certification and verification that our suppliers meet our sustainable sourcing requirements. This has initially focused on timber and leather, and we have now published new targets covering the fabrics we use. Both Sofology and DFS have introduced sustainable sofas during the year. For example, the DFS 'Grand Designs' range uses fabric made from recycled polyester yarns, with sustainably sourced timber and sustainable sofa cushions made using 50% recycled plastic from Plastic Bank, globally recognised as one of the leading solutions to reduce ocean plastic.

The Group has also committed to the BRC Climate Action Roadmap to be net zero by 2040 and we are in the process of securing a specialist advisor to help us understand our Scope 3 emissions and establish science-based targets to allow us to achieve our net zero ambitions.

During the year the Group's Leadership Team has developed our Inclusivity and Diversity strategy. The mission is to make DFS a place where "Everyone is Welcome" and whose ethnic make-up reflects the society in which we operate our business.

We believe this approach to sustainability and to responsible business is expected by our colleagues, our customers and our wider stakeholders and indeed embedding sustainability into everything we do is a key priority for the future. To support our progress and ensure that continuing appropriate focus is given, the Board has now decided to establish a Responsible and

Sustainable Business Committee to directly address these topics, with the committee's terms of reference available on our corporate website.

### THE BOARD

In late June 2021 we welcomed Loraine Martins to the Board as a Non-Executive Director. Loraine is already fully engaged within the business and brings a wealth of experience in inclusivity, diversity and health and safety to the Group. Further information about our Board and our engagement with stakeholders is set out on pages 72 and 46 respectively.

### DIVIDEND

Last year the Board took the decision not to recommend the payment of a dividend in order to support the Group's financial resilience. We do however recognise that dividends are an important element of the investment case for our shareholders, as stated in our Capital and Distribution policy, and we have the intention of steadily growing our dividends over time in line with our cash generation and prospects, while prioritising the Group's long-term financial health. As set out in greater detail in the CFO's report, this year, as a result of our strong financial performance I am pleased to confirm we will be recommending a final FY21 dividend of 7.5p per share.

### LOOKING AHEAD

As the UK's leading upholstery retailer and manufacturer, the Board is confident that our expertise in designing new and innovative products, our brand heritage, vertical integration, and financial strength, places the Group in a relatively strong position over the long term. We remain committed to developing the Group to deliver on the expectation of our customers, drive shareholder returns, have a positive impact on society and to provide an inclusive and rewarding place for our colleagues to work.

**Ian Durant**

**Chair of the Board  
23 September 2021**

1. Refer to pages 33 to 35 for APM definitions.