

**12 January 2022**  
**Immediate release**

**DFS Furniture plc ("DFS" and the "Group")**  
**Interim Trading Update**

**Strong order intake, supporting our positive trading outlook**

DFS Furniture plc, the market leading retailer of living room and upholstered furniture in the United Kingdom, today announces a trading update for the twenty-six week financial reporting period to 26 December 2021, together with an update on recent trading.

**Highlights**

- Strong order intake performance across the first half as a whole, with the important post-Christmas trading period starting well
- Gross sales up 10% on the FY19 comparator\* period with delivery throughput accelerating across the half
- Based upon reasonable delivery assumptions in H2, our scenarios\*\*\* for the full year Profit before Tax and Amortisation remain unchanged
- Order bank is strong going into H2, and continues to be approximately £200m higher than pre-pandemic levels on a revenue basis. Our order bank, combined with our current trading momentum is expected to generate incremental profits in FY23
- Robust financial position: Closing net bank debt (excluding capitalised leases) at half year expected to be £65-£70m, following some working capital normalisation
- Given the robust financial position and positive outlook for the Group, we will share our future investment and special capital return plans at our upcoming interims and investor event on 15 March 2022

**Trading overview**

Order intake over the first half of the financial year was materially ahead of the FY19 pre-pandemic comparative period\*. This performance was however lower than the exceptional FY21 period\*\* that had benefited from significant pent-up demand post lock-down. Current order intake performance remains strong, with the important post-Christmas trading period starting well. This sustained performance reflects a positive customer response to our initiatives to drive higher average order values that help mitigate the inflationary trends that we continue to experience.

Our order bank remains currently c. £200m higher than pre-pandemic comparator levels on a revenue basis.

**Deliveries**

Gross sales (excluding discontinued Sofa Workshop operations) increased by 10% against the 26 week FY19 pre-pandemic comparable period\*, but were 2% lower than the 26 week period ended 27 December 2020\*\*.

Covid-related absences, supplier manufacturing capacity and logistics performance, have affected both the furniture and wider retail industry, particularly in the first quarter. We have however seen a strong increase in deliveries across our second quarter, with overall gross sales in Q2 23% higher than in Q1. Looking forward, as a result of the significant recent operational investment in The Sofa Delivery Company, combined with the additional production capacity from new manufacturing partners, we have confidence that delivery levels will continue to grow across H2 FY22.

Notwithstanding the risk to delivery performance that the ongoing pandemic represents, our resilient and sizeable order bank means that any disruption experienced typically does not have a material impact on long-term profitability. This would instead cause profits to shift into a future reporting period.

## **Robust financial position and future capital returns**

We expect to report a closing interim net bank debt position at half year (excluding capitalised leases) in the region of £65-70m. This increase relative to the £19m of net bank debt reported at the end of the prior financial period reflects some normalisation of our working capital position and c. £28m of cash utilised for dividend payments and employee scheme related share repurchases.

The Group has also signed an extension to its senior revolving credit facility, with its existing syndicate of banks. This amended £215m ESG-linked facility has a December 2024 maturity (previously December 2023).

With ongoing good underlying cash generation, our significant available financial resources and positive trading outlook underpinned by our order bank, we are reviewing the current implementation of our Capital Allocation Policy\*\*\*\*. It is clear that we currently have significant capital available to deploy, and we will share our future investment and special capital return plans, together with our decision-making parameters, at our upcoming investor event on 15 March 2022.

## **Management change**

We are pleased to confirm the appointment of Emma Dinnis as Managing Director of Sofology. Emma joined the Group on 1 November and has now commenced in-role, following her induction period. Emma has extensive retail experience, including with Ikea, Arcadia Group, Marks and Spencer and most recently at M&Co as their Chief Customer Officer.

## **Outlook**

Our expectations for full year FY22 profit before tax and brand amortisation are unchanged from the trading outlook scenarios\*\*\* previously shared. This expected performance is underpinned by the current strong order bank, as well as recent trading momentum, that is expected to also generate incremental profit in FY23.

Manufacturing and logistics disruption remains a risk going into H2, however, the accelerated deliveries we have seen in Q2 as well as the on-boarding of new manufacturers and our recent investment in the Sofa Delivery Company, provides us with confidence as we enter the second half of the financial year.

We remain focused on strengthening our business and accelerating our strategy to lead sofa retailing in the digital age. We believe that a well-invested showroom and digital proposition remains at the heart of the sofa customer journey, and that our scale, trusted brand and proven experience gives us a relative advantage and allows us to maintain our trend of market share gains. We therefore believe our cash generation across the cycle and our overall growth prospects will drive attractive long-term financial returns for our shareholders.

The Group will announce its interim results for the period ending 26 December 2021, alongside a broader investor event, on 15 March 2022.

## **Comment from Tim Stacey, Group Chief Executive**

"I would once again like to thank all of our colleagues, who have shown tremendous spirit, resilience and commitment to our Group to deliver such a strong start to the financial year.

While the market remains hard to predict, we believe our scale, brand strength and integrated retail strategy will allow us to drive market share gains ahead of the competition.

Looking ahead we will continue to invest in our digital platforms and our showrooms, our delivery network, our UK manufacturing capacity, and with expansion into other home categories, we are well positioned to succeed."

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\* The period ended 29 December 2018 is used as a comparator because it represents the last 'normalised' trading period that was not impacted by government lock-downs.

\*\* Twenty-six week interim period ended 27 December 2020

\*\*\* Outlook scenarios for FY22 previously reported in September 2021: Underlying profit before tax and brand amortisation range of £66m - £96m with a medium-case scenario of £85m PBT before brand amortisation.

\*\*\*\* Details of our capital allocation policy can be found on our corporate website at <https://www.dfscorporate.co.uk/media/54332/Capital-and-Distribution-Policy-March-21.pdf>

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**About DFS Furniture plc**

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

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