DFS Group
Home Breakout
MARCH 2022

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Home: overview

THE WHY	Rationale & Ambition
THE WHAT	Beds, Dining, Living
THE HOW	3-phase plan

Rationale & Ambition

Rationale

i) Market adjacency & attractiveness

ii) Existing customer appeal/opportunity

iii) Leverages group platforms

Beds & Mattresses £3bn pa*
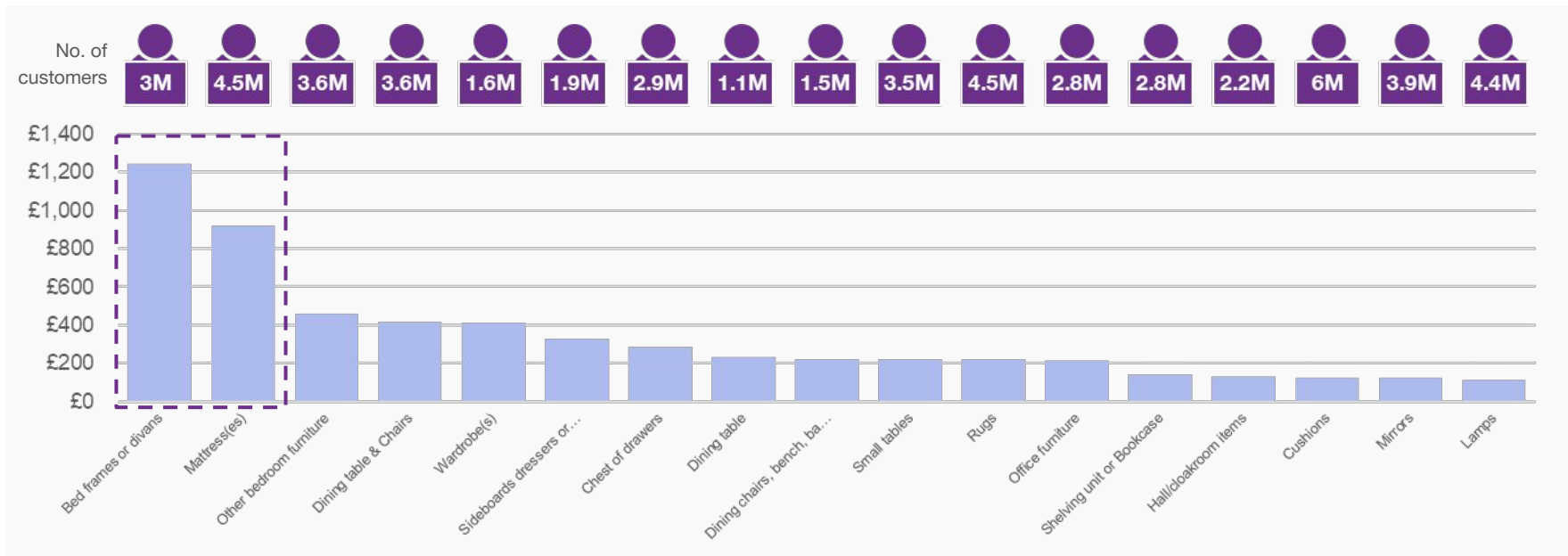**Dining £0.6bn pa***
Living Room £1.3bn pa*

Building on core £3bn pa upholstery market

Ambition

To drive revenues from c.£40m currently to **£135m by 2026** (c.4% market share) with **incremental PBT of £16m**

*GFK derived data 2019 (last stable year data available). Gross Sales.

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i Market adjacency & attractiveness

No. of customers

| 3M | 4.5M | 3.6M | 3.6M | 1.6M | 1.9M | 2.9M | 1.1M | 1.5M | 3.5M | 4.5M | 2.8M | 2.8M | 2.2M | 6M | 3.9M | 4.4M |

Chart: Claimed customer spend by category (£)

- Bed frames or divans: ~£1,250
- Mattress(es): ~£900
- Other bedroom furniture: ~£450
- Dining table & Chairs: ~£420
- Wardrobe(s): ~£410
- Sideboards dressers or...: ~£330
- Chest of drawers: ~£280
- Dining table: ~£220
- Dining chairs, bench, ba...: ~£210
- Small tables: ~£210
- Rugs: ~£200
- Office furniture: ~£200
- Shelving unit or Bookcase: ~£140
- Hall/cloakroom items: ~£130
- Cushions: ~£120
- Mirrors: ~£120
- Lamps: ~£100
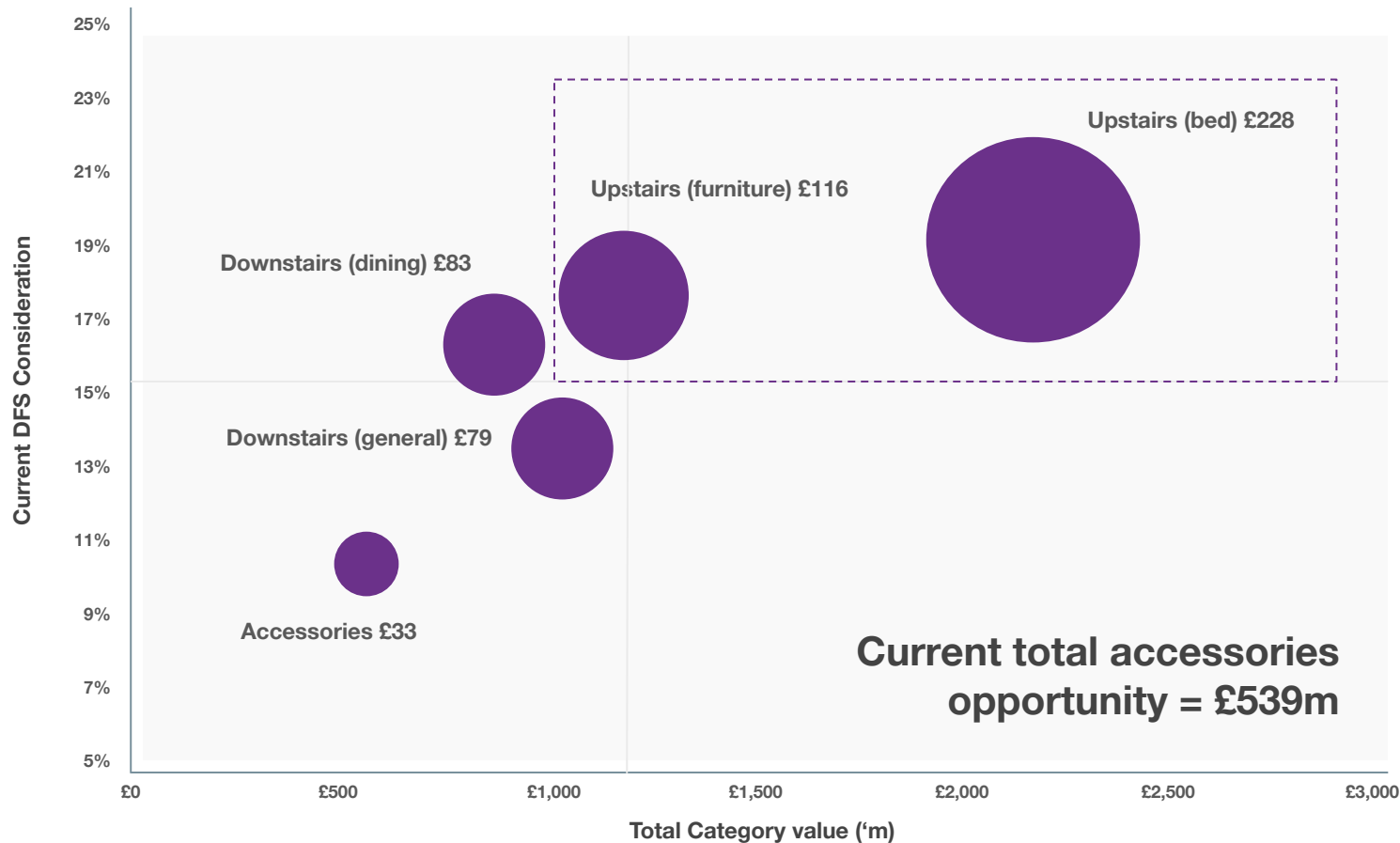
Beds and mattresses are clearly the largest category

Dining and the wider Living categories are a good fit with existing DFS business

CLAIMED SPEND £5.8b PER YEAR

TOTAL 13.3m UNIQUE TRANSACTIONS

SOURCE: CMI team DFS Homewares Market Sizing and Opportunity December 21 – Claimed customer spend

ii Customer opportunity

Current DFS Consideration (y-axis)

- 25%
- 23%
- 21%
- 19%
- 17%
- 15%
- 13%
- 11%
- 9%
- 7%
- 5%

Total Category value ('m) (x-axis): £0, £500, £1,000, £1,500, £2,000, £2,500, £3,000

Upstairs (bed) £228

Upstairs (furniture) £116

Downstairs (dining) £83

Downstairs (general) £79

Accessories £33

Current total accessories opportunity = £539m

* based on a 7-year customer pool (4.55m) with £850 AOV
Opportunity = Category Value x (Current Consideration * DFS upholstery market conversion)
Calibrated figures 25/1/22

Bubble size (and £'M shown) = DFS opportunity

Existing customers **twice as likely** to consider us than those who haven't shopped with us (20% vs 11%)

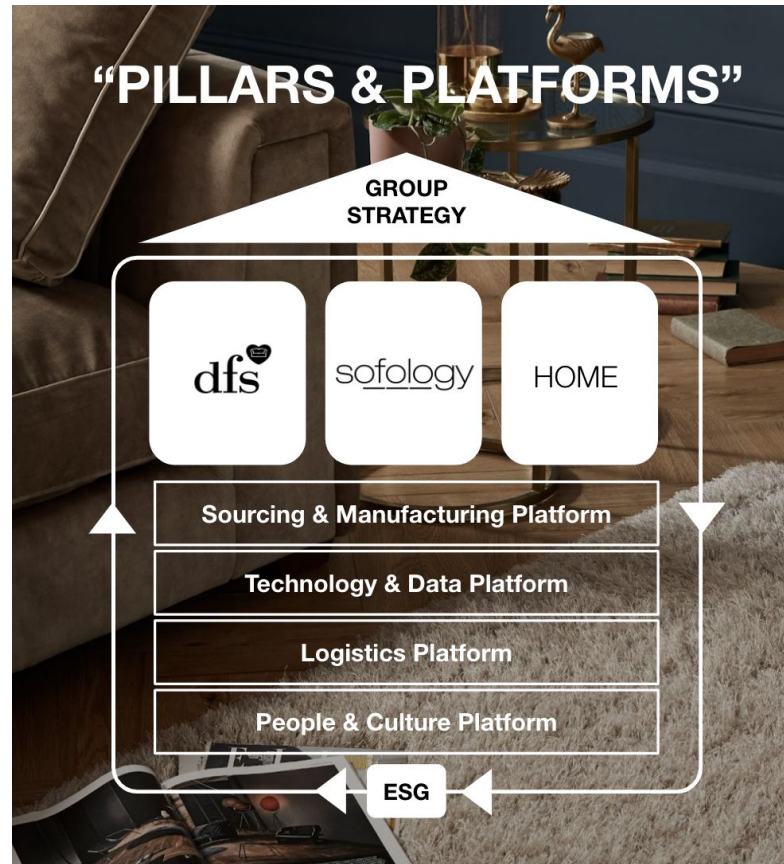We are running from a baseline of 31% awareness

iii Leverages Group platforms

We have a strong set of capabilities to help unlock the opportunity:

Products & Partnerships
- Built ranging strategy across all key Home Categories
- New Home exclusive brands selling strongly
- Major pipeline of NPD and new brands

Logistics & Fulfilment
- Strengthened existing capabilities
- Developing new partnerships to support (Wincanton)
- However, further work to do in this area

"PILLARS & PLATFORMS"

GROUP STRATEGY

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Sourcing & Manufacturing Platform

Technology & Data Platform
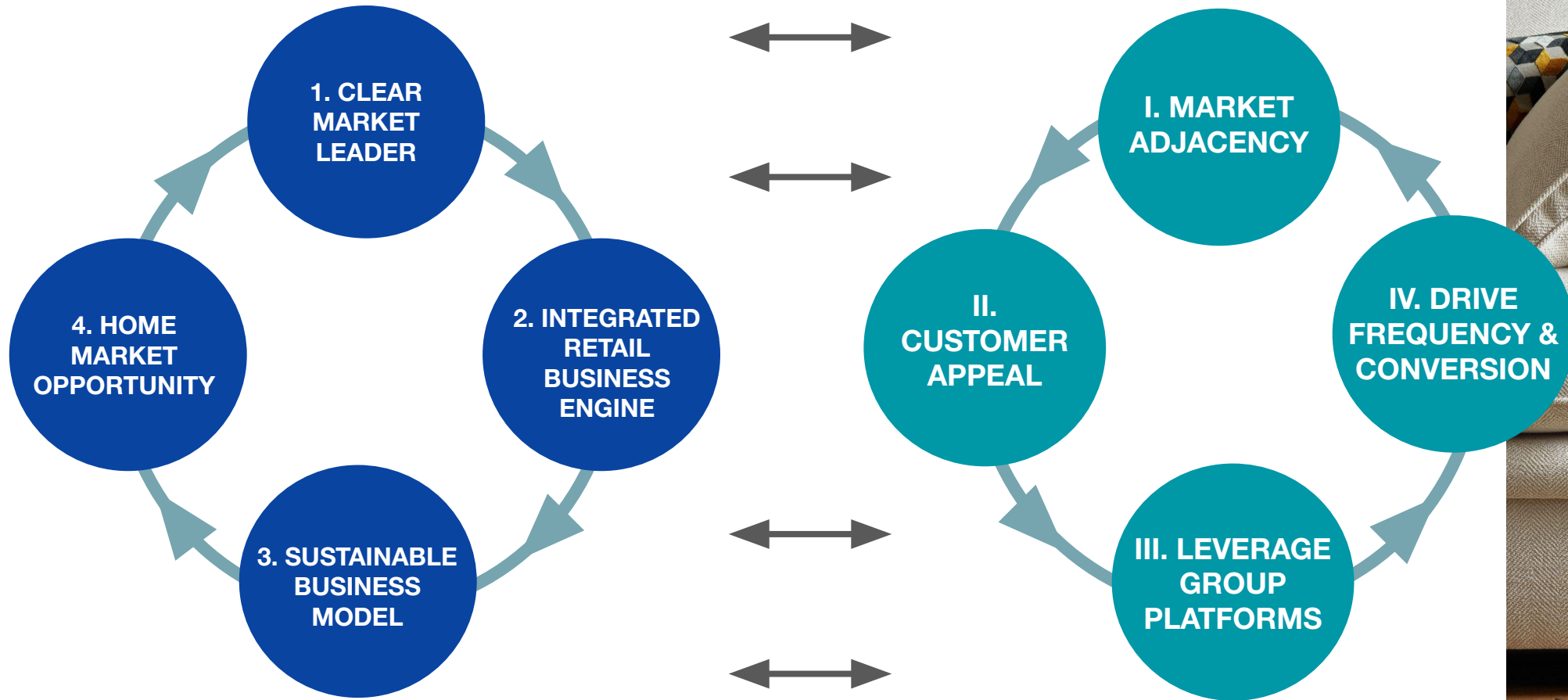
Logistics Platform

People & Culture Platform

ESG

Integrated capabilities
- Leading online marketing & ecommerce platform
- New website CX to work for Home (integrated search & navigation)
- Early stage marketing investment with strong ROI
- Replatformed Dwell

Intelligent Lending Platform
- 18 month development-to-launch breakthrough, multi-vendor finance solution
- Broadens our reach and significantly speeds up conversion
- Planned roll-out across the estate

Building a flywheel for growth

1. CLEAR MARKET LEADER

2. INTEGRATED RETAIL BUSINESS ENGINE

3. SUSTAINABLE BUSINESS MODEL

4. HOME MARKET OPPORTUNITY

I. MARKET ADJACENCY

II. CUSTOMER APPEAL

III. LEVERAGE GROUP PLATFORMS

IV. DRIVE FREQUENCY & CONVERSION

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Home Strategy

Proposition 1

To lead the market through an **integrated** & **curated** approach to key home categories

Key Objectives 2

i) Drive awareness

ii) Convert existing

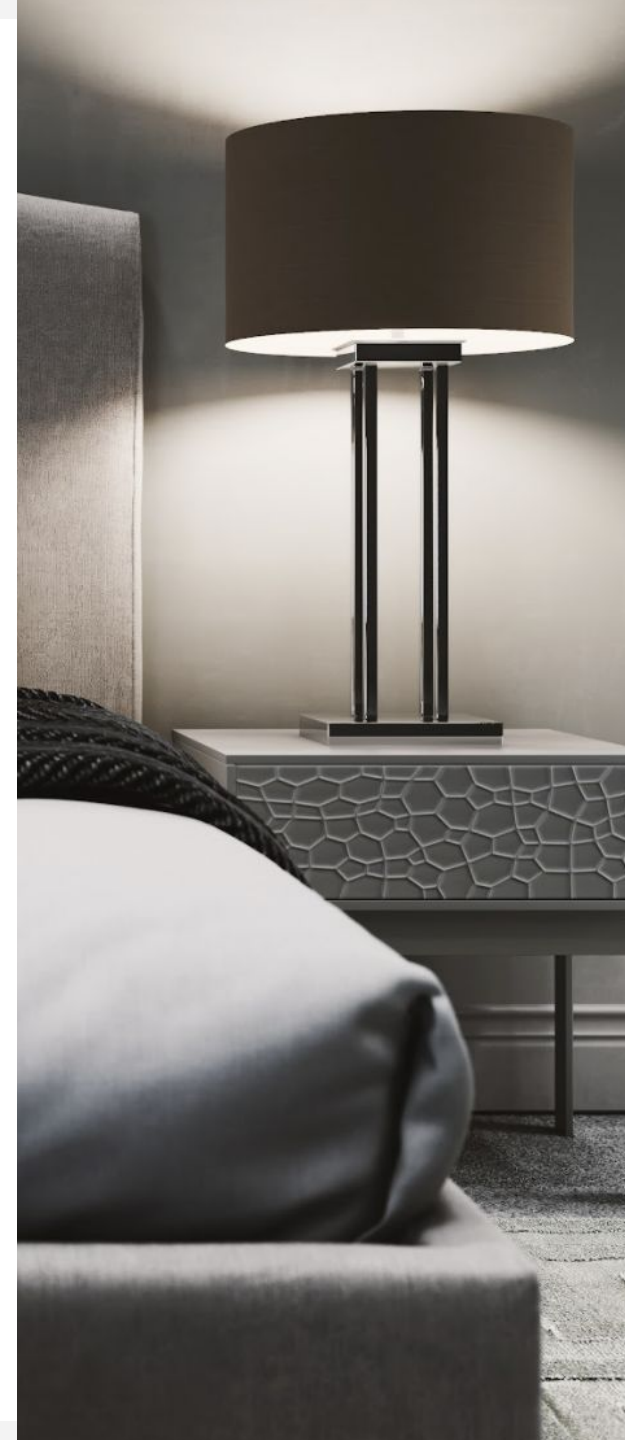iii) Recruit new

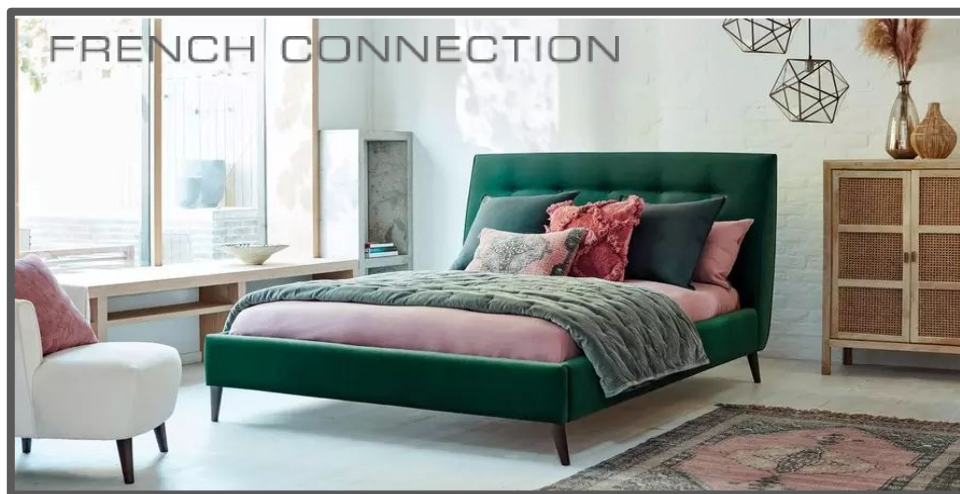iv) Enhanced AOV

Category Activation 3

Beds & Mattresses

▼

Dining

▼

Living

Brand Partnerships

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A phased approach

Impact

Phase 3.
"Unlock New Growth"

Phase 2.
"Drive to Scale"

Phase 1.
"Build the Foundations"

2021/22   2022-24   2025-
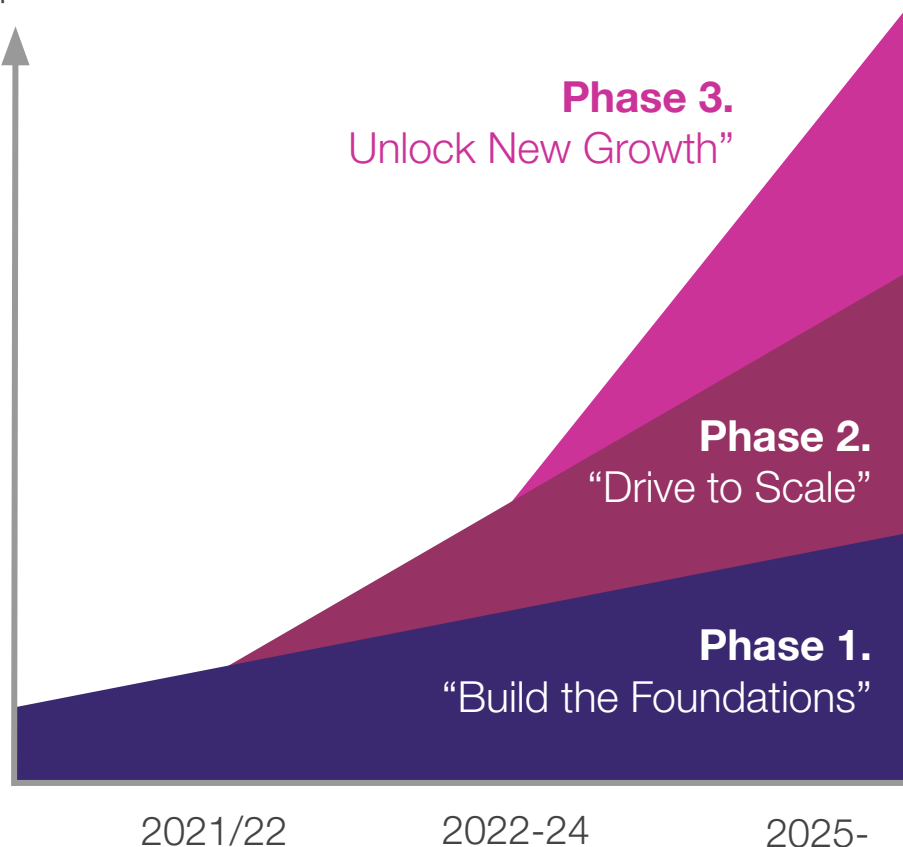
Additional Opportunities (tbc)	**Early stage exploration** • E.g. Extended Marketplace • E.g. Adjacent categories • E.g. Platform licensing (UK/RoW)
Leverage our "Integrated Retail" Capabilities	**Drive awareness & conversion** • Marketing • Omni-channel Retail • NPD, Sourcing & Manufacturing
Getting to 'Base Camp'	**Focus on beds, brands, Dwell integration** • Fulfilment across the Group • IT Platform & Finance offer • Team & resource

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Recap

Rationale

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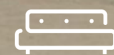dfs dwell sofology THE SOFA DELIVERY CO

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