DFS GROUP

INTERIM RESULTS

13 March 2025

dfs sofology Feel at home on a sofa you love THE SOFA DELIVERY CO

Overview

dfs sofology THE SOFA DELIVERY CO

Introduction

Compelling customer propositions & strong operational execution driving profit growth

Growth in market share, margins and profitability:

- Outperforming a market in slight decline; order intake + 10.1% YoY
- Continued gross margin rate improvement; +70bps YoY
- Solid progress on lowering our cost base; cumulative annual savings £43m

£17m H1 PBTu(A) up +£8m YoY

Financial position strengthened:

- Disciplined capital investment
- Absolute debt reduced
- Significant reduction in leverage

1.6x leverage down from 2.5x at FY24

Strategically well positioned for the future:

- Clear market leader (3x size of nearest competitor), market drivers improving
- High operational gearing; 40% revenue to profit drop through
- Strong FCF expected: well invested asset base & negative working capital model

Medium-term targets remain: £1.4bn revenue & 8% PBT margin

Headlines

+8%

DFS YoY order intake[1]

+19%

Sofology YoY order intake[1]

> 40%

DFS exclusive brands sales mix

+10%

Post-delivery NPS score YoY

[1] Measured using the most comparable 25 weeks of each trading period to avoid distorting impact caused by a different number of winter sale trading days in each trading period

Overview

Results overview

(£m) unless stated	**H1 FY25**	**H1 FY24**	**YoY**
Order intake YoY	+10.1%[1]	(1.1%)	n/a
Gross sales	675.6	666.2	1.4%
Revenue	504.5	505.1	(0.1%)
Underlying PBT(A)[2]	**17.0**	**8.7**	**8.3**
Reported PBT[3]	15.8	0.9	14.9
Underlying basic EPS	5.3p	2.8p	2.5p
Net bank debt	116.7	133.9	(17.2)
Leverage[4]	**1.6x**	**1.6x**	**-**

- Strong order intake performance strengthening through the period, outperforming the market
- Gross sales +1.4% YoY; elevated order bank positioning the business well entering H2
- PBTu(A) and EPS growth driven by continued gross margin progression and sustainable cost savings
- Good cash discipline with leverage reduced from FY24 year end 2.5x peak

[1] Measured using the most comparable 25 weeks of each trading period to avoid distorting impact caused by a different number of winter sale trading days in each trading period [2] Excluding brand amortisation [3] £0.5m non-underlying costs incurred associated with ongoing operate for less initiatives [4] Leverage per banking covenant definition (Pre-IFRS 16)

Revenue

Good performance in challenging market conditions

Order intake YoY[1]	YoY
DFS (inc Dwell)	+7.8%
Sofology	+19.1%
	+10.1%

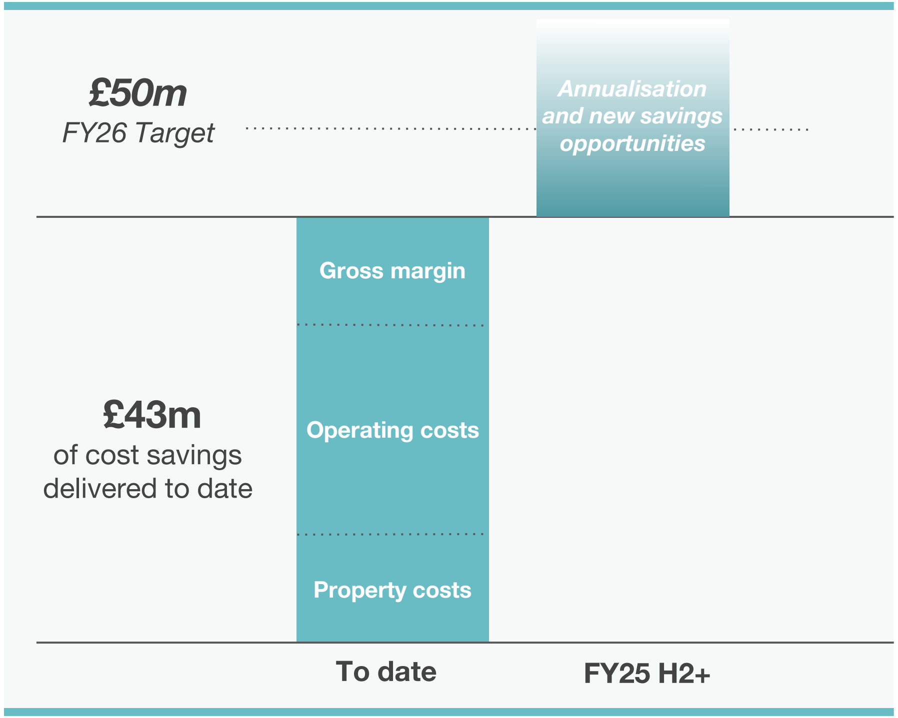
Gross Sales (£m)	H1 FY25	YoY
DFS (inc Dwell)	523.1	(0.5%)
Sofology	152.5	8.5%
	675.6	**1.4%**
Revenue	**504.5**	**(0.1%)**

- Order intake +10.1%; Gross sales increased to a lesser extent due to order intake strengthening through the half leading to an elevated closing order bank to be delivered in H2
- Revenue broadly flat year on year; investment in market leading interest free credit proposition to stimulate demand and higher average order values in a subdued market
- Note: Every 1% movement in future base rates change interest free credit costs by £7-8m on an annualised basis

[1] Measured using the most comparable 25 weeks of each trading period to avoid distorting impact caused by a different number of winter sale trading days in each trading period

Cost to Operate efficiencies

Another strong period of sustainable cost savings



Gross margin

- Ongoing optimisation of product margins through redistribution of volumes with key supplier partnerships

Operating and property costs

- Optimising labour models across our brands, operations and head office
- Sofa Delivery Company efficiencies
- Property regears

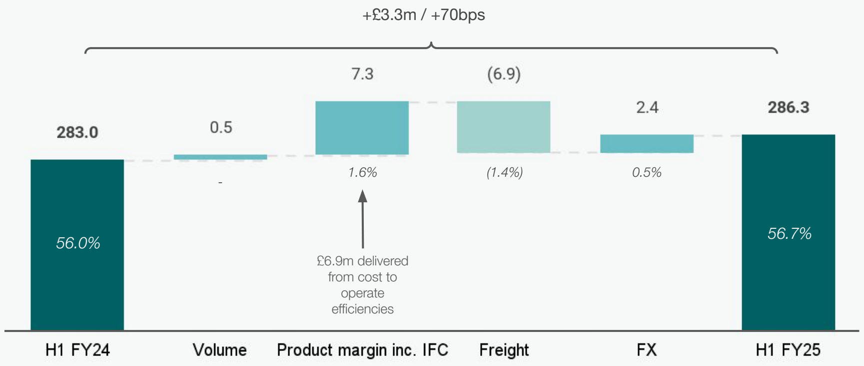
Future

- Further synergistic opportunities identified across the Group
- Pipeline of property cost saving opportunities

Note: £6.5m non underlying P&L charges / £4.1m cash incurred in FY24 to enable savings above; £1m of further one-off P&L and cash costs expected in FY25

Gross margin

Continued gross margin rate improvement

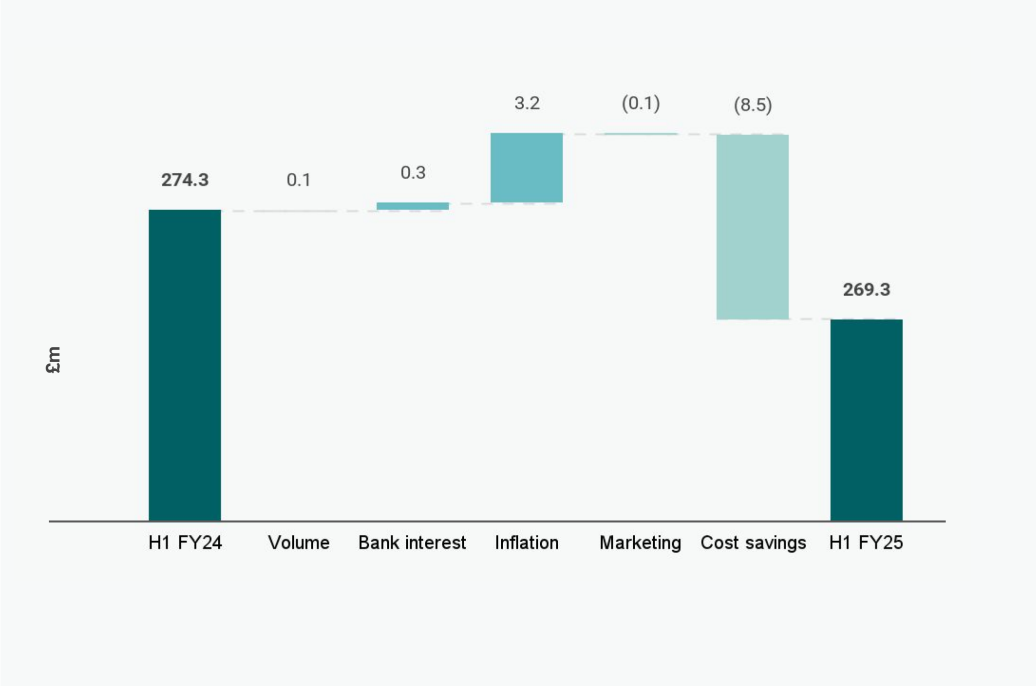


- Product margin improvement offsets higher interest free credit costs and freight rate increases
- 48 month interest free credit used to good effect, driving demand in a weak market
- Freight rate per container in the period broadly double prior year; recently started to reduce; $1,000 change in cost per container equates to c£7-8m annualised impact
- Confident in achieving 58% through further initiatives and BoE base rate reductions

Note gross margin rate impact of changes in interest free credit charges is lower than the impact of other changes to gross margin rate due to interest free credit costs being recognised as a deduction in arriving at revenue

Operating costs (inc dep & interest)

Further savings supported by cost efficiencies and disciplined cost management



- Volume related costs well controlled, reflecting the strong operational leverage within the business
- Inflation impact mainly wages, contained to £3.2m
- Data driven approach to marketing supports efficiency in spend while driving order intake growth
- Cost savings include annualisation of FY24 initiatives alongside new initiatives implemented in H1 FY25
- Operationally we remain ready to capitalise on future market recovery

Operating costs include sales, distribution, administration, depreciation, amortisation and interest, excludes brand amortisation

Cash Flow

Disciplined cash management and focused on improving our financial position

	H1 FY25	H1 FY24
Underlying EBITDA / other*	81.9	75.5
Capex	(10.4)	(14.7)
Interest and tax	(5.6)	(11.4)
Principal & interest paid on lease liabilities	(46.6)	(43.5)
Working capital	28.9	4.7
Underlying free cash flow	**48.2**	**10.6**
Non-underlying items	(0.1)	(4.2)
Free cash flow	**48.1**	**6.4**

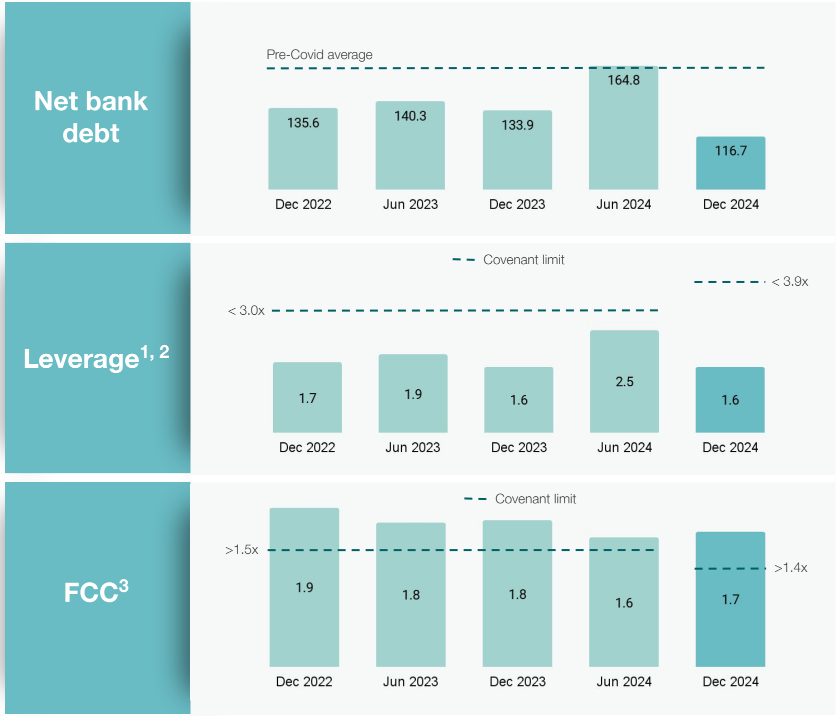
*Other of £1.0m in H1 FY25 and £2.0m in H1 FY24 includes gains on disposal of right of use assets, profit on disposal of fixed assets, FX revaluations and share based payments expense

- Cash capex prioritised in the period to lower risk, short payback growth investment
- Bank interest and tax reduction; utilisation of historical tax overpayments and non recurrence of FY24 refinancing costs
- Lease liabilities higher YoY due to movement of half year end date (FY24 53 wk period)
- Working capital inflows driven by negative working capital model and reflects:
    - A higher trade creditor position due to backweighting of delivered sales
    - Higher levels of customer deposits held due to strengthening order intake performance through the period

Net debt & covenants

Debt reducing, leverage reducing, fixed charge cover improving

- Financial strength improving; focus on strong free cash flow generation and reducing absolute net debt levels
- Both Leverage and FCC covenants improving
- Leverage[1] reduced from 2.5x to 1.6x, progressing towards our 0.5x-1.0x target range
- RCF extension option utilised; facility size:
    - RCF £200m to Sep-27 and £175m to Jan-29
    - USPP notes £50m to Sep-28, £25m to Sep-30



[1]Leverage per banking covenant definition (Pre-IFRS 16)
[2]Leverage covenant <3.0x to June 2024, <3.9x at H1 FY25 under amended covenants
[3]FCC covenant >1.5x to June 2024, >1.4x at H1 FY25 under amended covenants

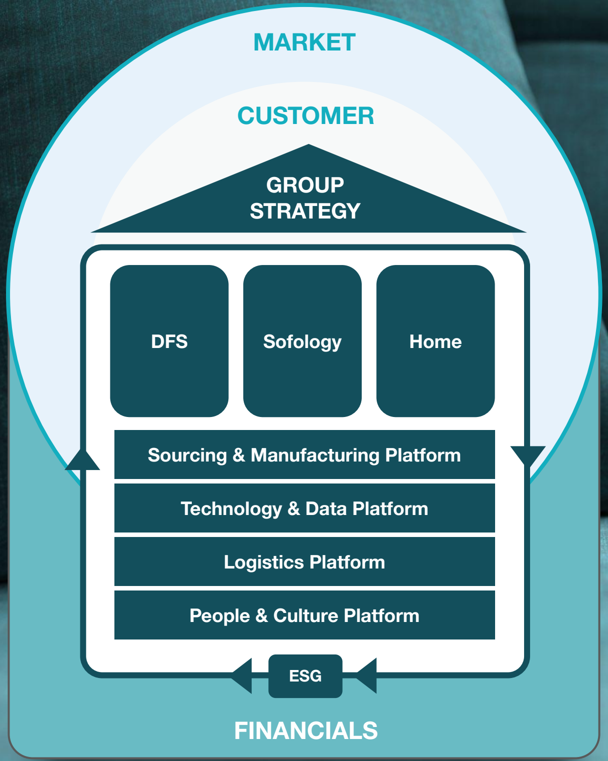
Capital allocation

Focused on strengthening our balance sheet

	Framework	Current position
Leverage[1] (excluding leases)	0.5x - 1.0x	• Expect to continue operating outside the Group's target leverage range in the near-term • Making progress towards reducing the ratio and deleveraging remains a high priority
Organic investment	Strategic organic capital investment to deliver attractive returns	• Maintenance capital requirements c.1.5%-2.0% of revenue • In the near-term expect to continue to incur prudent levels of capex
Dividend	Dividend payout ratio of 2.25x - 2.75x	• No interim dividend given leverage position • A decision will be made on the full year dividend based on profit outturn for the full year and future outlook
Supplementary shareholder returns	When operating below target leverage special dividends / buybacks will be considered at Board's discretion	• No supplementary returns expected given the Group will be operating above its target leverage ratio during FY25

[1]Leverage per banking covenant definition (Pre-IFRS 16)

Overview

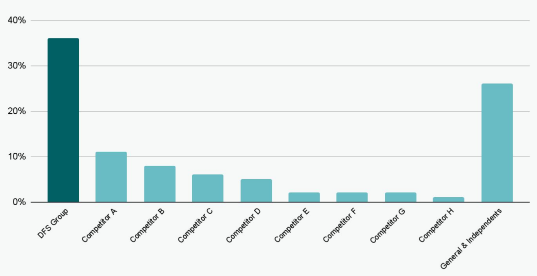


MARKET
CUSTOMER
GROUP STRATEGY
DFS
Sofology
Home
Sourcing & Manufacturing Platform
Technology & Data Platform
Logistics Platform
People & Culture Platform
ESG
FINANCIALS

Clear market leader

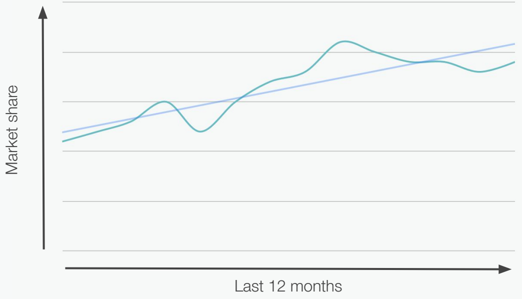
Position is strengthening

Market share[1]



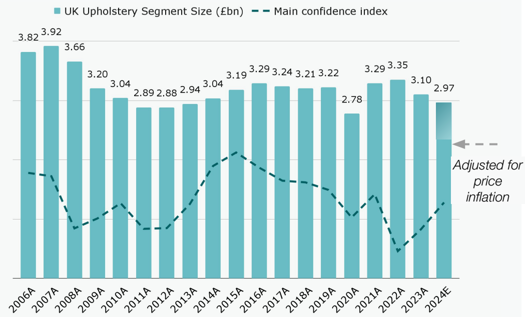
- Over 3x size of nearest competitor
- Clear market leader: fragmented long-tail of independents provide further opportunities to grow share
- General home & multi-category retailers gaining share from other specialists

Recent market share trend[2]



- Good recent growth; taking share in specialist upholstery retail sector
- Group has a history of growing market share in all trading environments

Consumer confidence / UK upholstery market size



- Group has a history of growing market share in all trading environments
- Consumer confidence volatile but on an upward trajectory and housing transactions in growth
- Household savings rates c4%pts higher than pre-covid average[3]

[1] Global Data [2] Proprietary Lloyds banking data specialist upholstery sub-sector [3] ONS Households' saving ratio

Strong growth potential

Three clear opportunities to drive profitable growth

Core self help

- Consistent track record of share gains
- Up to 10-15 new Sofology showrooms
- 58% gross margin target
- Cost action plan

Significant core market recovery potential

- Potentially exiting cyclical market trough
- Structurally improved cost base
- Vertically integrated capturing value throughout the supply chain
- 40% revenue to profit drop through
- Highly cash generative model; negative working capital, minimal maintenance capex (<2% revenues)

Growth beyond the core

- Sofa Delivery Company a unique and scalable asset
- Large TAM Home market medium term opportunity

Our winning Integrated Retail proposition

Two complementary retail brands meeting our customers' needs through our market-leading omnichannel experience

Customer Behaviour	Why our proposition works
c 90% of customers research online	• Leading marketing execution • Well invested websites • High online brand strength • Leading AR imagery

85% require a sit test	• National showroom coverage
	  ○ DFS 115
	  ○ Sofology 57
	• Well invested showrooms and product showcasing

Flexible ways to transact	• In showroom • Online • Shared baskets

Design, inspiration and sales force

Best sofa ranges supported by inspirational marketing and highly skilled sales colleagues

Our differentiators

Best ranges:

- Best designers in the sector
- Exclusive brand partnerships
- Innovation including more tech and recently granted patent

Efficient and effective marketing:

- Award winning data driven digital marketing approach
- Memorable advertising
- Retail brands that are household names

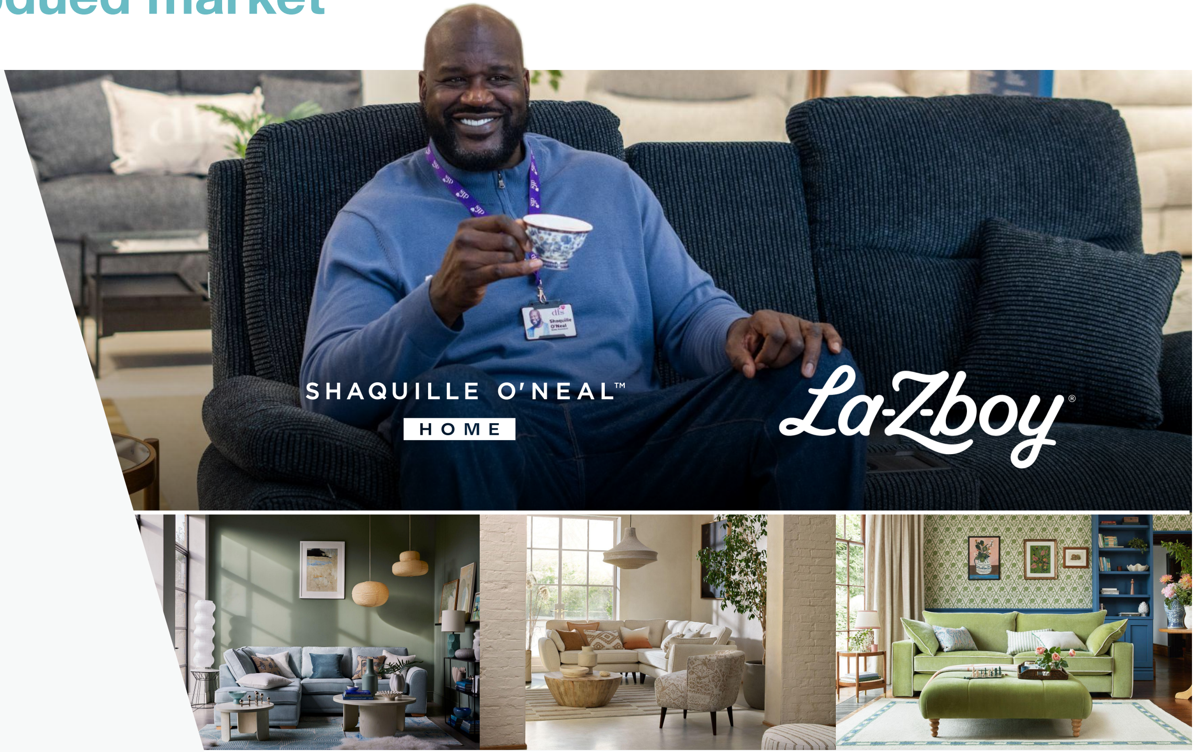
Best sales people:

- Increasing part time mix driving conversion and diversity
- New brand operating structure recently announced to facilitate best practice and drive further synergies

DFS

Trading well in a subdued market

- Order intake in H1 +7.8%
- Average order values up +4%
- Exclusive brand partnership sales mix at record high of 41%
- New branded partnership launched: La-Z-boy now live
- Leading IFC proposition driving conversion and order values
- Service levels resonating with customers: post purchase NPS close to record high



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Sofology

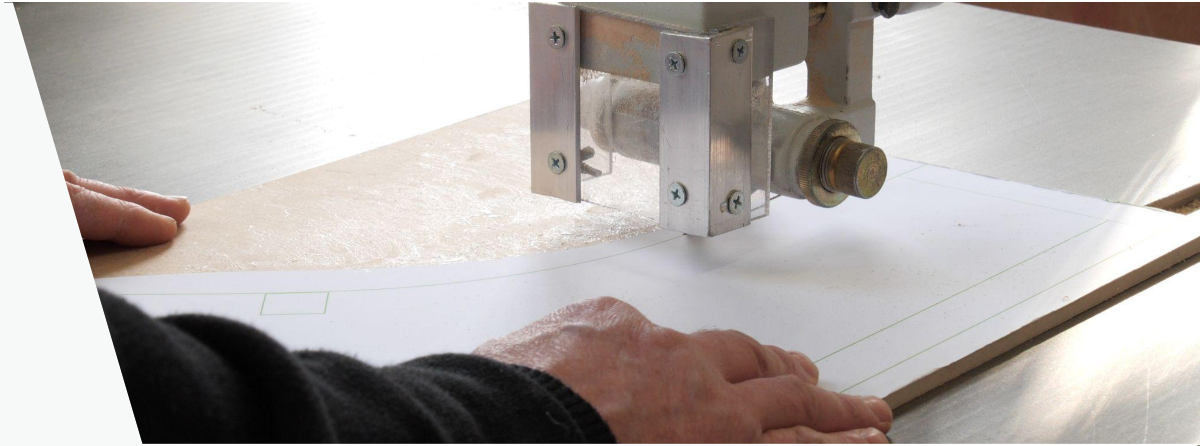
Range changes driving significant growth

- Order intake in growth: H1 +19.1% YoY driven by volume
- Improved merchandising
- Introduction of promotional activation
- Service levels; post purchase NPS close to record high
- Q4 FY24 range changes having positive effect

Sourcing and manufacturing

Improving our own design & manufacturing and utilising strong relationships with our partners to drive innovation & margin

- Own design and factories
  - New design and development centre driving NPD
  - Quality scores at record highs
  - Profitability improved following closure of two sites in H1 FY24
- Largest European customer for 3rd party manufacturers in Europe and China enabling innovation and cost of goods savings
- Brand operational changes help enable further savings



The Sofa Delivery Company

Largest two person sofa delivery network in the UK - lowering costs whilst achieving record service levels

- Sector leading 2 person delivery and installation service
- Same infrastructure used to service both brands
- Smart well invested technology and integrated systems
- National coverage: 19 CDCs
- 7 day delivery operation
- Spare capacity to scale
- Delivery costs continue to fall: down -4% YoY
- Post-delivery NPS scores remain strong

Investing in our People

Creating a great place to work where everyone is welcome and can perform at their best

- Group leadership academies
  - Senior leaders development programme
  - Management development academy delivered to over 350 colleagues
  - Data literacy programme rolled out across Sofa Delivery Company
- Diversity and inclusion
  - 6 thriving colleague networks
  - Senior leader representation
  - Inclusive Employers Standard

Sustainability

Good progress on our commitments

- Near-term science-based emissions reduction target approved by SBTI
- Commitments secured from partners to develop their own science-based Net Zero plans
- LWG target set in 2020 achieved

FSC® C016391 FORESTS FOR ALL FOREVER™

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

LEATHER WORKING GROUP

Overview

FY25 Outlook

Full year profit expectations increased

- Trading has continued to be strong through the second half to date
    - YTD order intake +11% YoY (H1 +10% YoY*)
    - Ahead of our expectations
- Costs remain under good control
- Expect to deliver profit ahead of consensus**
- PBTu*** of £25-29m expected subject to no further supply chain disruption

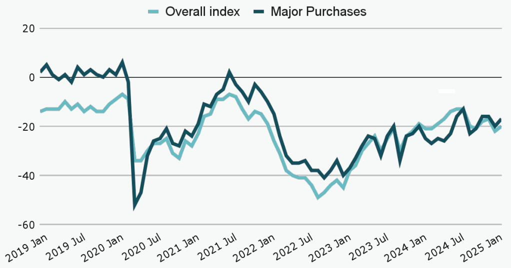
Note: Order intake growth expected to reduce as we now face into tougher comparatives as we anniversary stronger Q4

*Measured using the most comparable 25 weeks of each trading period to avoid distorting impact caused by a different number of winter sale trading days in each trading period
**Company compiled analyst consensus £22.7m PBTu
***Underlying profit before tax and brand amortisation

Market drivers

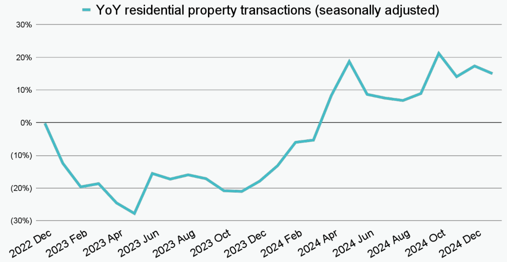
Outlook stable to positive supporting potential upholstery market recovery

Consumer confidence - major purchases



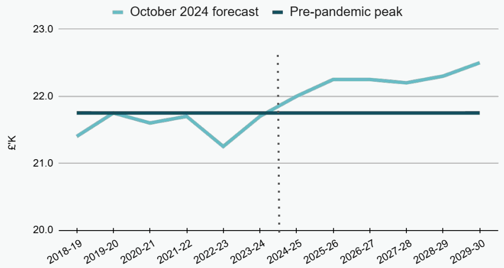
- 80% of transactions are replacements
- Strong correlation between consumer confidence and market demand
- Improving trend in both the overall index and appetite for major purchases (albeit volatile)

Property transactions



- Drive c20% of upholstery purchases
- 10 months of YoY growth; LTM property transactions -7% below pre COVID average

Real household disposable income

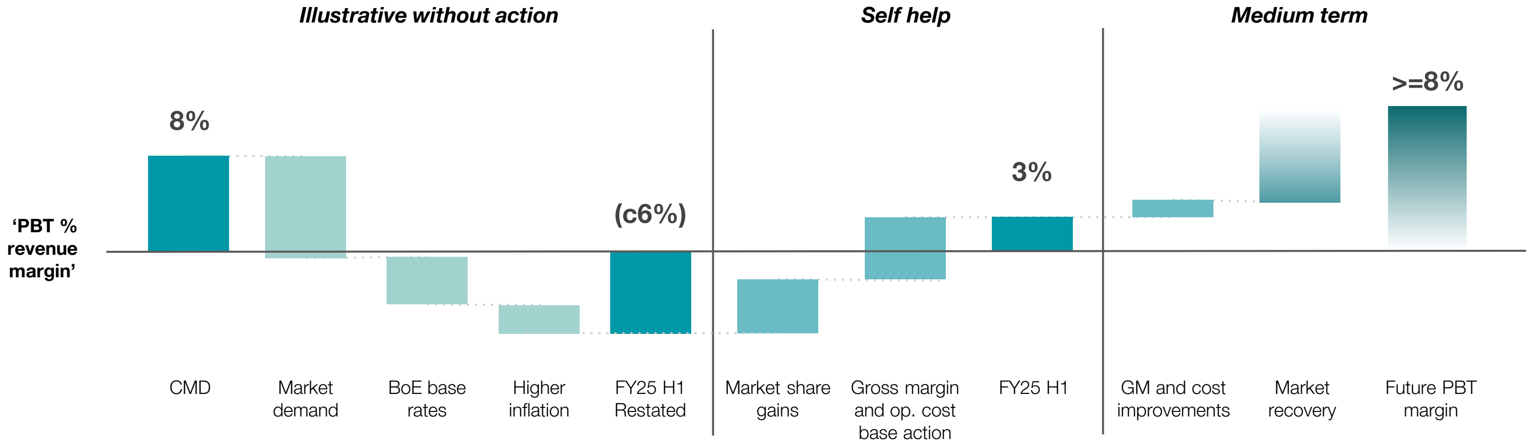


- Real disposable income inflexion point
- Asda income tracker
  - 3 of 13 regions having spending power > pre pandemic
  - January family spending power post essential spend +11% YoY

Consumer confidence: GFK Property transactions: HMRC Household disposable income growth: Most recent OBR forecasts: October 2024
Asda Income Tracker December 2024 and January 2025 reports

Medium term

Well positioned for future growth, CMD targets in tact



- Track record of share gains in all environments
- Interest rates falling
- Market expected to recover
- Non-core market growth opportunities

Profit growth, negative working capital model and disciplined cash flow management will result in strong free cash flow conversion and debt paydown, enabling further growth investment and a return to improved shareholder returns

Conclusions

A strong half, well positioned for full year & medium term

- **Controlling the controllables**; growth in market share, gross margins and profitability
- **Financial position strengthened;** absolute debt and leverage reducing
- **Internally well set up;** Customer proposition and operations in great shape
- **External opportunity;** market drivers stabilising / improving
- **Confident in FY25 outlook;** profit expectations increased
- Confident in delivering **medium term target of £1.4bn revenue and an 8% PBT margin**

FY25 INTERIM RESULTS

Overview

Introduction
Tim Stacey

Financials
Marie Wall

Strategy & Operational update
Tim Stacey

Outlook & Summary
Tim Stacey

Questions & Answers
Tim Stacey & Marie Wall

APPENDIX

Group Showroom Profile

AS AT 29 DECEMBER 2024 (VS. 24 DECEMBER 2023)

	UK	ROI	TOTAL
Large Format (c. 15,000sq.ft.+)	90 (-1)	3	93 (-1)
Medium Format (c. 10,000sq.ft.)	17	2	19
Small Format (c. 5,000sq.ft.)	2	-	2
Dwell standalone	1	-	1
DFS TOTAL	110 (-1)	5	115 (-1)
Large format (c. 15,000sq.ft.+)	55 (-1)	-	55 (-1)
Medium format (c.10,000-15,000 sq.ft)	2	-	2
Sofology TOTAL	57 (-1)	-	57 (-1)