19 March 2024

Wickes Group plc - Full Year Results 2023
for the 52 weeks to 30 December 2023

Robust sales performance with adjusted PBT ahead of market expectations

Financial Highlights

- Total revenue of £1,553.8m in line with prior year (2022: £1,559.0m) reflecting LFL[1] sales -0.3%
- Strong productivity gains of £22m offsetting cost inflation (excl. energy) in line with guidance
- Statutory profit before tax: £41.1m (2022 £40.3m)
- Adjusted profit before tax after SaaS impact[2]: £52.0m, ahead of consensus
- Net cash position of £97.5m (2022 £99.5m), after £10.1m of share buybacks; Average cash across the year of £154.9m (2022 £153.6m)
- Final dividend of 7.3p, giving a total of 10.9p for the full year, in line with guidance
- £10.1m of £25.0m share buyback programme completed by year end[3]

Strategic Highlights

- Strong TradePro sales growth +11%, driven by significant expansion in TradePro members to 881k (2022: 746k)
- Record highs for customer satisfaction scores across all channels (stores, Click & Collect and Home Delivery), underpinning market share position
- Accelerated H2 sales growth of +24% in Wickes Lifestyle Kitchens range since highly successful relaunch to gain share of the volume kitchen market
- Three new stores opened, in Chelmsford, Widnes and Torquay, creating c. 90 new jobs
- Store refit programme delivering strong sales uplifts and ROCE with 11 refits completed
- New Customer Experience Centre and field service tech platforms driving increased lead conversion, greater efficiencies and 92% Net Promoter Score in Design & Installation[4]
- Successfully broadening customer appeal for home improvers with more than 1 in 4 Wickes shoppers female[5]
- Entry into energy-saving solutions with Solar Fast acquisition (see separate RNS also released today)

NB. Retail[6] refers to the revenue stream formerly described as Core. Design & Installation[4] refers to the revenue stream formerly described as DIFM or Do-it-for-me.

Current Trading & Outlook

In the first 11 weeks of 2024 Retail sales are in line with last year. As previously noted, the consumer environment for larger purchases continues to be challenging with weaker leads in the market for Design & Installation, resulting in new orders down single digits year on year.

We maintain good cost control and have productivity plans in place for 2024, however these will not offset fully the cost headwinds from the scale of increases in National Minimum Wage and business rates. Wickes' balanced business model and proven growth strategy affords the Group resilience in the current uncertain environment and leaves us well positioned for growth in the longer term. We are comfortable with consensus expectations for adjusted PBT after SaaS impact for FY24[7].

We will issue a Q1 trading update in May. We also plan to hold an investor insight event in May, focused on TradePro, with further details to follow in due course.

David Wood, Chief Executive of Wickes, commented:

"This has been another year of strong progress for Wickes. Our robust trading performance, targeted investment programme and disciplined cost control have delivered profits ahead of expectations.

"In the current economic environment, our unrivalled focus on providing great value and service has underpinned this performance. With this, I would like to thank each of my colleagues for their continued dedication and support, enabling us to achieve record customer satisfaction.

"I am also delighted to announce our acquisition of Solar Fast, which gives Wickes a majority stake in a leading operator in the emerging and exciting market for energy saving solutions. This acquisition enables us to rapidly accelerate our Design & Installation growth lever, capitalising on our expertise in installing major home improvement projects."

Summary of full year financial results

£m	**52 weeks to 31 Dec 2022**	**52 weeks to 30 Dec 2023**	**Change**
Statutory revenue	1,562.4	1,553.8	(0.6)%
Statutory gross profit *Gross profit margin*	572.2 *36.6%*	565.0 *36.4%*	(1.3)% -0.3ppts
Statutory operating profit *Operating profit margin*	68.8 *4.4%*	62.9 *4.0%*	(8.6)% -0.4ppts
Statutory profit before tax	40.3	41.1	2.0%
Adjusted[8] revenue *Retail* *Design & Installation*	**1,559.0** 1,187.9 371.1	**1,553.8** *1,189.1* *364.7*	**(0.3)%** 0.1% (1.7)%
Adjusted[8] gross profit *Gross profit margin*	**567.1** *36.4%*	**568.1** *36.6%*	**0.2%** **+0.2ppts**
Adjusted[8] operating profit *Adjusted operating profit margin*	103.9 *6.7%*	73.8 *4.7%*	(29.0)% -1.9ppts
Adjusted[8] profit before tax before SaaS impact	**75.4**	**59.5**	**(21.1)%**
Adjusted[8] profit before tax after SaaS impact	**75.4**	**52.0**	**(31.0)%**
Adjusted[8] basic earnings per share	**23.8p**	**15.1p**	**(36.6)%**
Basic earnings per share	12.6p	11.8p	(6.3)%
Full year dividend	10.9p	10.9p	N/A

Investor & Analyst meeting

A presentation for investors and analysts will be held today at 8.30am (UK time), followed by a Q&A with the Wickes management team. A live webcast can be accessed at: https://brrmedia.news/WIX_FY23

A recording of the webcast will be available on the Wickes Group plc website later today: https://wickesplc.co.uk

This announcement should be read in conjunction with the announcement regarding the acquisition of a majority stake in leading solar installations business Solar Fast, which has also been released today.

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About Wickes

Wickes is a digitally-led, service-enabled home improvement retailer, delivering choice, convenience, value and best-in-class service to customers across the United Kingdom, making it well placed to outperform its growing markets. In response to gradual structural shifts in its markets over recent years, Wickes has a balanced business focusing on three key customer journeys - TradePro, DIY (together reported as Retail) and our project-based Design & Installation division.

Wickes operates from its network of 229 right-sized stores, which support nationwide fulfilment from convenient locations throughout the United Kingdom, and through its digital channels including its website, TradePro mobile app for trade members, and Wickes DIY app. These digital channels allow customers to research and order an extended range of Wickes products and services, arrange virtual and in-person design consultations, and organise convenient Home Delivery or Click-and-Collect.

Forward looking statements

This announcement has been prepared by Wickes Group Plc. To the extent it includes forward-looking statements, these statements are based on current plans, estimates, targets and projections, and are subject to inherent risks, uncertainties and other factors which could cause actual results to differ materially from the future results expressed or implied by such forward-looking statements. Neither Wickes Group Plc, nor any of its officers, Directors or employees, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. Wickes Group Plc does not undertake any obligation, other than in accordance with our legal and regulatory obligations, to update or revise any forward-looking or other statement, whether as a result of new information, future developments or otherwise.

Business review

We delivered a robust sales performance in 2023, benefitting from a great value- and service-led proposition and underpinned by our balanced business model. We continued to achieve market share gains[9] in our Retail business, driven by impressive growth in membership of the TradePro scheme and volume growth in a number of strategically important categories. Our Design & Installation delivered sales were slightly down for the full year with sales declines in the second half reflecting the more challenging market environment for big ticket projects and the normalisation of our post-Covid order book.

As expected, overall profitability declined versus 2022, reflecting a market with softer demand and high cost inflation. Nonetheless our productivity programme enabled us to offset all cost increases other than energy and as a result we were able to deliver adjusted PBT ahead of expectations.

Market

The UK home improvement sector represents a large and attractive market of c.£27bn[10] and we have a relatively small market share of c.6% presenting us with a significant opportunity for long term growth. The market has grown at c.2.5% on average over the past ten years, driven by the high average age of the UK's housing stock, the rising number of UK households and increasing home ownership. People are also spending more time in their homes as a result of the rise of hybrid working, while there is an increasing trend of consumers investing in their homes for improved energy efficiency.

The cost of living crisis has led to pressure on consumer spending in the UK, due to rising mortgage rates and rental costs, as well as continued inflation across energy, food and fuel. Whilst on average the Wickes customer base tends to be slightly older and more affluent than the UK average, these cost of living pressures have nonetheless had an impact on our business. High levels of interest rates have suppressed UK housing transactions, which are often a trigger to undertake major home improvement projects, although this is typically partially offset by renovations to properties in which consumers decide to stay for longer. Our exposure to new build housing is very limited.

The high cost of energy has motivated consumers to seek out ways to improve the energy efficiency of their homes. The average household energy efficiency rating for England and Wales is band D[11] and the UK's 28.6m homes are among the least energy efficient in Europe, losing heat up to three times faster than in continental Europe[12]. At Wickes we recognise how important climate change is and we are committed to helping our customers to improve the sustainability of their homes, to save money on their energy bills and to reduce their carbon footprint.

The February 2024 report from our proprietary Mood of the Nation survey shows that UK consumers are increasingly planning to put more money into savings or to undertake smaller home improvement projects over the next year, rather than undertaking large projects like a new kitchen or bathroom. The survey also shows that local trade professionals remain very busy, with more than 50% of tradespeople having a pipeline of work over three months and 1 in 4 having a pipeline of work of more than 12 months.

Strategic progress

We have continued to build on the strong operational progress made since demerger, in developing and extending our growth levers. These contribute to an improvement in our products and services, saving our customers time and money. Continued investment in these growth levers will drive further market share growth in the coming years.

In 2023, we have taken a number of actions to respond to more challenging market conditions such as investing in new ranges for customers looking to undertake small home refreshes, including our paint range, curtain poles and shelving. We have also seen a step change in sales of our relaunched Wickes Lifestyle Kitchens range[13], which appeals particularly to customers with a lower budget. This range now includes a free design service which has proven popular with both landlords and homeowners.

We have continued to invest in our low-cost, right-sized stores. We refitted another 11 stores in 2023, showcasing our full offer of kitchens and bathrooms, and taking the proportion of stores in the new format to 77%. We continue to see strong returns and sales uplifts in our refitted stores.

The refit programme also enables us to upgrade the efficiency of multi-channel order pick and despatch, which drives sales densities and underpins our 30-minute Click & Collect promise. All these initiatives are reflected in our customer satisfaction metrics, which have risen in all areas of the business: Self Serve in store, Click & Collect, Home Delivery and Design & Installation.

We opened three new stores in 2023, in Chelmsford, Widnes and Torquay. We are pleased with the initial performance of the new store opening programme, relative to our expectations and returns criteria.

LFL sales across the Group were -0.3% compared to 2022. Within this, Retail saw three consecutive quarters of positive LFL sales growth, driven by a positive volume performance from Q2 onwards. Design & Installation experienced a positive first half but a weaker second half, as a result of a softer market environment for large consumer purchases and the normalisation of our post-Covid order book.

Selling price inflation slowed throughout the year, driven by lower commodity costs such as timber. Price inflation was slightly negative by year end and we expect inflation to be broadly flat in 2024. We continue to work closely with our suppliers to maintain price leadership and our gross margins improved slightly year-on-year.

We faced significant cost headwinds this year with materially higher energy costs, an increase in the National Minimum Wage of 9.8% and general inflationary pressures across the business. However the successful implementation of our productivity plan helped to offset these headwinds, with the exception of energy. Further investment in energy saving initiatives, such as LED lighting and centralised heating controls, has helped reduce the impact of rising energy costs.

Winning for Trade

Our TradePro membership scheme showed increasing momentum in 2023 with 135,000 new customers enrolling, taking our total membership to 881,000. Local traders continue to switch to Wickes for its strong value credentials and simple discount scheme, as well as the convenience of our 30-minute Click-and-Collect service. The scheme saves both time and money for local traders, who benefit from our standard 10% discount across the store, regardless of spend level.

Our TradePro app has been further improved with new account features including digital receipts, a filter to show pricing excluding VAT, and project planning functionality. We run regular communications programmes using our Missions Motivation Engine (MME) which uses machine learning to further personalise the customer experience, driving engagement and incremental sales. We have launched a new loyalty scheme, TradePro Rewards, which aims to build deeper relationships with our most strategically valuable customers (worth ten times the value of an equivalent DIY customer) and to increase the frequency with which they shop and the amount they spend.

Sales from TradePro members in the year increased by 11% compared to 2022. A 19% growth in the number of active customers was partially offset by a slight decline in average basket size as tradespeople have been managing their material quantities more carefully.

Accelerating Design & Installation

Design & Installation delivered sales decreased by 1.7% over the year. The first half saw strong sales growth as we successfully worked through the elevated order book from the Covid period. However in the second half we experienced a more challenging market environment for larger ticket purchases, as well as delays in Order Fulfilment as a result of a new software implementation, which has since been resolved.

We have seen increased attachment rates of customers choosing to use Wickes to fit their kitchen and bathroom products, which leads to incremental spend on tiling, flooring and joinery, increasing the overall project value. Targeted recruitment of installer teams remains strong and we now have more than 3,000 installer teams offering nationwide coverage.

We continue to digitise our installation service, with installers now using our field service management software (FSM). This software systemises each of our steps along the installation process, reducing manual activity and potential human error. Alongside many other benefits, this has increased the speed of the customer journey.

Our new Customer Experience Centre is now live for all new installation customers, giving every project a named individual who will coordinate and manage communication between the customers, installers and product delivery teams. This has reduced the number of incoming queries as well as the average time to installation and this highly positive outcome for new customers has been reflected in a Net Promoter Score of 92%.

Wickes Lifestyle Kitchens has performed well since its relaunch with sales in the second half +24%. The range is designed to better serve the high-volume market for lower price point kitchens and offers significant opportunities for further growth. Customers are now able to use our free design service for a Wickes Lifestyle Kitchen and this has proven popular with both homeowners and landlords.

Whilst leads in our showrooms have slowed significantly during 2023, as a result of the more challenging market conditions, our conversion rates continue to strengthen, underpinned by our unique customer proposition.

DIY Category Wins

We continue to strive for the best possible range, price and availability for our customers. Our right-sized stores sell a carefully curated range of c.9,000 SKUs and we are constantly reviewing the range to ensure that each product category is meeting expectations. This year we have conducted 17 range reviews across categories including decorating, flooring, electrical, hardware and roofing. We have also added innovation for smaller projects on lower budgets, such as paint ranges, curtain poles and shelving. Customers remain interested in making their homes more energy efficient and we have responded with new products, in the lighting category in particular. Categories which have seen strong volume growth this year include shelving & storage, power tools and paint.

We have successfully broadened our brand proposition, from our heritage in trade and heavy-end DIY to now address a younger and more female customer base. The proportion of Wickes' DIY customers who are female has increased from just 16% in 2019 to 27% in 2023[5], following our proactive marketing to women, including developing rich online and social media content to help develop DIY skills and bring DIY to life in a relevant way.

Digital capability

We are investing further in our digital capabilities to deliver an integrated multi-channel shopping experience for our customers.

We use our predictive MME to deliver tailored content to customers to help them complete their home improvement missions and this is driving significant revenues. We have a comprehensive suite of MME-led programmes of marketing emails and app notifications, all of which are optimised for timing, audience and content for our different customer profiles, with incrementality measured against control groups.

We have also used technology to improve our fulfilment capability and modernise our order management solutions. This has enabled the rollout of our very popular 30-minute Click & Collect service, which has resulted in a 6.7% growth in Click & Collect sales this year and record customer satisfaction levels.

In 2023, we increased our range of digital payment options by implementing both Apple Pay and Google Pay for online transactions (already in use in stores). This has increased our conversion rates by speeding up the check-out process for customers. We have also accessed the growing Buy Now Pay Later ('BNPL') market by adding Klarna to our online payment options, which has brought incremental revenue opportunities and access to a younger customer demographic.

Store investment

Investment in our store network continues, to modernise the stores, increase our showroom space and create additional fulfilment space for Click & Collect and Home Delivery. 11 store refits were successfully completed during 2023. Our refit programme continues to deliver c.25% ROCE with strong sales uplifts, in particular in Design & Installation. The programme continues, with 77% of the network now in our new format.

Our new store opening programme is gathering momentum, with three new stores opened during 2023 in Chelmsford, Widnes and Torquay. We have an exciting pipeline of new stores planned for the coming years, as we target an overall estate of 250 stores over the medium term.

During 2023, we closed four stores (Wigan, Loughborough, Paignton K&B and Darlington) which were not meeting our returns criteria. We therefore ended the year with 229 stores.

Enhanced store service model

Our '4C' model aims to meet our customers' needs through all four of our store network journeys: Self Serve, Assisted Selling, Order Fulfilment and the Design & Installation showrooms. Our approach offers a seamless shopping experience for customers and ensures that our store estate works hard for us. We have made changes to the store estate to increase back of house capacity for Click & Collect and Home Delivery Order Fulfilment, while reducing the impact on customers in the store. We have also transitioned to a new delivery partner which has helped to improve customer satisfaction.

This continued focus on how best to serve our customers has resulted in record customer satisfaction scores ('CSAT') in 2023. Self Serve customers who rate Wickes as 'excellent' or 'good' has increased by 4 percentage points ('ppts') year-on-year to 85%, whilst CSAT for our Click & Collect and Home Delivery[14] services has improved by 1ppt and 2ppts respectively. CSAT also continues to trend upwards in Design & Installation, with the key Lead to Order part of the process up 1ppt this year to a record 86%.

A winning culture

The Wickes culture has evolved over the past fifty years to become a modern, inclusive workplace where all colleagues can feel at home and have the opportunity to grow their skills and develop their career. We continue to engage with colleagues so that they are informed, inspired and motivated to play their part in delivering our strategy through exceptional levels of customer service. This year we have enabled all store managers to work flexibly and have introduced a number of cost of living initiatives to help colleagues.

Our annual colleague engagement survey seeks both quantitative and qualitative feedback from colleagues on a range of subjects and assesses overall colleague engagement. In 2023, our colleague engagement score was 79%,[15] which indicates a strong level of colleague engagement with the business.

Responsible Business Strategy update

2023 was the first full year of delivering our Responsible Business Strategy, Built to Last. This has been a year of integrating the strategy across our business and our supply chain, with continued progress made across all three pillars of the strategy and our foundation topics.

The health and safety of our colleagues and customers remains our number one priority and is one of the key foundations of our Responsible Business Strategy. In 2023, we demonstrated a continued reduction in injury numbers across the business and an improved performance in our Accident Frequency rate and number of lost time incidents, following a number of very strong years of pleasing performance.

We are committed to reduce the impact of the packaging we use in our own brand products, and we have removed 115 tonnes (annually) of plastic packaging, which is a reduction of 7% like-for-like volume compared with 2022.

People

Inclusion and diversity remains central to our people strategy through our 'Feel at Home' colleague-led inclusion and diversity programme. Following a successful trial, we are launching a new flexible working approach to all store management roles. Our 2023 Gender and Ethnicity Pay Gap report shows continued improvement in our gender pay gap, and a favourable ethnicity pay gap result.

Our Early Careers offering continues to focus on attracting and developing the skills our business needs for the future. In the year, we supported 280 individuals into Early Career placements, with 248 of these enrolled on an apprenticeship programme.

We employed on average 7,919 people in 2023, compared to an average headcount of 8,340 in 2022. As a result of the new supply chain logistics contract which went live in January, 339 colleagues transferred to the logistics supplier under the TUPE regulations. In 2023, we opened three new stores (Chelmsford, Widnes, and Torquay) and closed four (Wigan, Loughborough, Paignton K&B and Darlington). When we need to close stores, we take all reasonable steps to support our colleagues who are affected with securing alternative employment with Wickes.

We launched a new two-year charity partnership with The Brain Tumour Charity and in 2023, with the generosity of our colleagues, customers and suppliers, we raised £728,000 towards our £2 million target. All of our stores participated in the Wickes Community programme during the year, supporting around 1,500 projects across our local communities.

Environment

After receiving validation from the SBTi for our near term science-based targets ('SBT') in 2022, we have made significant progress towards achieving our Scope 1 and 2 SBTs by switching to a 100% renewable electricity contract from April 2023 onwards. During 2023, we achieved a 36.9% reduction in Scope 1 and 2 emissions compared to 2021. We are collaborating closely with our strategic suppliers to work towards achieving our two Scope 3 SBTs, and a meaningful proportion of our suppliers now have their own SBTi-validated targets.

For our second CDP (Carbon Disclosure Project) Climate submission we successfully increased our rating from a B- to a B, and for our first-ever CDP Forests submission, we were pleased to achieve a rating of C. We are continuing to work to understand our nature impacts and by the end of 2023 we stopped sourcing compost containing peat. Timber remains a significant part of our business and in 2023 we once again achieved a level of 99.8% of the timber sold having either an FSC or PEFC Chain of Custody certificate, confirming that it had been responsibly sourced.

Homes

In line with our purpose to make the nation feel house proud, and supporting our customers with the increased cost of living, we want to help our customers save energy and reduce the carbon footprint of their homes. We launched new product ranges to expand our offer, and we now offer solar PV products, air source heat pumps and charging kits for electric vehicles. We also provide information and guidance on our customer website and in-store to help our customers make informed choices on how to save energy, with a particular focus on the significant benefits of good insulation.

The acquisition of Solar Fast gives us a majority stake in a leading, nationwide operator in the emerging and exciting market for energy saving solutions. The market for domestic solar installations in the UK is growing from an estimated c.£1.1bn in 2024 to c.£1.5bn per year by 2028[16] and is a fragmented market with no clear brand leader. This acquisition enables us to rapidly accelerate our Design & Installation growth lever, capitalising on our expertise in installing major home improvement projects. The Wickes brand has been trusted by home improvers for over 50 years and with Solar Fast as part of our proposition we will be perfectly placed to support them with their energy saving plans and to help them feel house proud.

Financial review

Our financial results have demonstrated a robust performance in challenging market conditions.

Revenue of £1,553.8m reflects flat LFL sales growth for the year. The first half saw strong sales growth across the business whereas the second half was affected by the softer market environment for Design & Installation in particular. Gross margin increased by 19 basis points, reflecting a more stable inflationary environment, careful management of price and promotions, and productivity in distribution costs.

Despite a strong productivity programme, significant increases in operating costs, including higher energy prices and the 9.7% increase in the National Minimum Wage, meant that adjusted profit before tax on a pre-SaaS basis declined by 21.1% to £59.5m (2022: £75.4m). On a post-SaaS basis, adjusted profit before tax was £52.0m, which was ahead of market consensus. Statutory profit before tax increased by 2.0% to £41.1m (2022: £40.3m) reflecting lower adjusting items as the separation from Travis Perkins Plc reached its conclusion and lower net impairment charges.

There was £97.5m of cash on balance sheet at the year end (2022: £99.5m), after £10.1m of share buyback activity. Average cash through the year was £154.9m (2022: £153.6m).

Revenue

Adjusted revenue for the 52 weeks to 30 December 2023 was £1,553.8m (2022: £1,559.0m), a decrease of 0.3% on the prior year. Net selling area was flat year on year as new store openings in Chelmsford, Widnes and Torquay were offset with closures of some older stores. Full year LFL sales were -0.3%.

Retail revenue – sales from products sold to DIY customers and local trade professionals – increased by 0.1% to £1,189.1m (2022: £1,187.9m). Retail LFL revenue increased by 0.1%, with three consecutive quarters of positive LFL performance from the second quarter onwards. This performance was driven by positive volume growth in the second half, with marginal selling price deflation towards the end of the year.

Our TradePro business continues to perform strongly, with double digit sales increases in the year. This is driven by increasing membership numbers, as local traders continue to choose Wickes to save them time and save them money.

Sales performance was strongest in the interior paint, decorative accessories and flooring categories. The Wickes Lifestyle Kitchens range also had a strong sales contribution following its relaunch during the year.

Wickes remains highly competitive on price, with weekly benchmarking of thousands of items to ensure we are competitive on the lines that matter most. Our strategy is to offer everyday low pricing with limited use of targeted promotions so that our customers can rely on consistent and transparent pricing.

Design & Installation delivered revenue – sales from projects sold by our showroom design consultants – were £364.7m (2022: £371.1m), a decrease of 1.7%. The first half was notable for strong delivered sales as we successfully worked through the elevated order book from the pandemic period. The second half was characterised by a more challenging market environment for larger ticket purchases and delays in Order Fulfilment as a result of a new software implementation, which has since been resolved. LFL sales for the full year decreased by 1.7%.

The attachment rate of customers choosing to use Wickes installation continues to be strong, driving increased average order values.

The order book has continued to normalise from its pandemic peak and ended the year close to normal levels. Whilst the level of new leads in the market has been subdued throughout the second half, cancellations remain at normal, low levels.

Statutory revenue decreased by 0.6% to £1,553.8m (2022: £1,562.4m).

Gross profit

Adjusted gross profit for the full year was £568.1m, in line with the prior year (2022: £567.1m). Adjusted gross profit margin increased by 19 basis points, primarily reflecting the impact of a more stable inflationary environment (particularly in the second half) and careful management of range, price and promotions.

Distribution costs, taken within gross profit, were lower as a percentage of sales year-on-year following a number of initiatives to improve productivity, including the consolidation of warehouse capacity and the outsourcing of some of our logistics operations.

Statutory gross profit decreased to £565.0m (2022: £572.2m) primarily reflecting the revised presentation for the prior year of net unrealised gains and losses on remeasurement of foreign exchange derivatives held at fair value relating to economic hedges. In 2022, these net unrealised gains and losses were presented in net finance costs, whereas in 2023 these amounts have been presented in cost of sales, in order to reflect that these foreign currency derivatives are entered into to mitigate the foreign exchange volatility arising from our purchase of inventory. The effect of these adjustments has been to reduce cost of sales in 2022 by £1.7m and to increase net finance costs by the same amount, as described in note 4.

Operating profit

Adjusted operating profit of £73.8m decreased by 29.0% year on year (2022: £103.9m) and the adjusted operating profit margin decreased to 4.7% (2022: 6.7%). The decline in operating margin reflects the impact of pressure on operating costs due to wage inflation, rising energy prices and other inflationary factors as described above, coinciding with an environment of weaker consumer demand. These cost increases were partly mitigated by productivity gains of £22m which offset inflationary cost increases except energy costs.

Statutory operating profit decreased by 8.6% to £62.9m (2022: £68.8m).

Net finance costs

Adjusted net finance costs were £21.8m (2022: £28.5m). The improvement in net finance costs relates primarily to the higher interest income received on our cash deposits, which is an offset to the IFRS16 interest charges due on store leases, which were little changed year-on-year.

Adjusted profit before tax

Adjusted profit before tax for the full year, after the impact of SaaS, was £52.0m (2022: £75.4m), a decline of 31.0% year-on-year.

Adjusting items

Pre-tax adjusting item charges were £10.9m (2022: £35.1m). These comprise a reversal of non-cash right-of-use asset impairment charges of £(3.7)m (2022: nil), which partially offset non-cash right-of-use asset impairment charges of £2.7m (2022: £15.4m); IT separation project costs of £8.8m (2022: £24.4m) representing the final charges in relation to the separation from our former parent company Travis Perkins Plc; and net unrealised foreign exchange losses of £3.1m (2022: £1.7m gain).

Profit before tax

Profit before tax for 2023 increased to £41.4m (2022: £40.3m) reflecting lower adjusting items as the IT separation project concluded and lower net impairment charges, offset by the reduction in adjusted profit before tax as described above.

Tax

The tax charge for the year was £11.3m compared to £8.4m in 2022. The underlying effective tax rate (before adjusting items) for the full year was 26.7% (2022: 20.2%). This was driven primarily by the increase in UK corporation tax rates from 19% to 25%, effective from 1 April 2023.

Tax credit on adjusting items was £2.6m (2022: £6.8m).

Capital expenditure

Capital expenditure in 2023 was broadly in line with our expectations at £38.2m (2022: £40.4m).

The largest component of capex was £20.4m investment in the store estate (2022: £24.7m), of which refits were £12.9m, new stores £5.8m and other store capex across the estate £1.7m. There was £6.1m investment in our digital capabilities (2022: £9.3m), as we continue to develop our multi-channel offer.

The reduction in capex year on year is due principally to a high proportion of our IT investment now being directed towards SaaS platforms which, in line with our accounting policies, must be expensed (see note on Alternative Performance Measures for details). SaaS project expenses of £7.8m were incurred in 2023 (2022: nil).

We expect capital expenditure for 2024 to be c.£30m driven by continued investment in the store estate and further IT capital expenditure as we continue to enhance our operating systems and customer experience. In addition we expect to invest c.£10m in SaaS IT projects, which will be expensed through the income statement.

Cash / net debt

Net cash at year end was £97.5m (2022: £99.5m), broadly flat year-on-year. This cash balance is stated after the execution of £10.1m of share buybacks. Average cash across the year was £154.9m (2022: £153.6m).

Operating profit excluding impairment decreased year-on-year, resulting in cash flows from operations decreasing to £177.0m (2022: £189.1m). Cash flows related to working capital movements were £2.6m (2022: £(28.7)m), with the material cash outflow in 2022 driven by a large stock build. The increased interest received of £7.2m (2022: £1.9m) reflected higher prevailing interest rates available for cash on deposit. Cash outflows from financing activities of £150.4m (2022: £141.9m) include £111.7m (2022: £109.7m) related to lease liabilities, £27.4m dividend payments (2022: £31.2m) and £10.1m of share buybacks (2022: nil).

The inventory position of £195.5m (2022: £201.6m) reflects the planned reduction of stock during the year to more normal levels following the stock build in 2022. Stock turn remained healthy at 4.3x.

IFRS16 net debt reduced to £578.3m (2022: £591.8m), reflecting the maturity profile of our leasehold store portfolio. IFRS16 leverage was 3.3x (2022: 2.9x).

Dividend

The Board has recommended a final dividend of 7.3p per share, in line with prior guidance, which will be paid on 6 June 2024 to Shareholders on the register at the close of business on 26 April 2024. This will bring the full year dividend for 2023 to 10.9p. The proposed final dividend is subject to the approval of Shareholders at this year's Annual General Meeting.

The shares will be quoted ex-dividend on 25 April 2024. Shareholders in the UK may elect to reinvest their dividend in the Dividend Reinvestment Plan (DRIP). The last date for receipt of DRIP elections and revocations will be 15 May 2024.

Updated technical guidance

The following represents guidance for the full year 2024:

- Net interest costs of £20m-25m
- Adjusted tax rate 25-26%
- Capex of c.£30m[17]
- Remainder of current £25m share buyback programme expected to be completed by 30 September 2024
- Based on current expectations dividend expected to be maintained at 10.9p
- Cash at year end expected to be lower as a result of share buyback and Solar Fast acquisition

Appendix

LFL sales growth	**Retail**	**Design & Installation[18]**	**Total**
Quarter 1 (13 weeks to 1 April)	(4.4)%	6.2%	**(1.8)%**
Quarter 2 (13 weeks to 1 July)	2.3%	5.3%	**3.0%**
Quarter 3 (13 weeks to 30 September)	1.1%	(5.5)%	**(0.5)%**
Quarter 4 (13 weeks to 30 December)	1.2%	(13.7)%	**(2.6)%**
Full year (52 weeks to 30 December)	**0.1%**	**(1.7)%**	**(0.3)%**

Adjusted EBITDA

Adjusted EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation and before adjusting items. Adjusting items are defined as those items of income and expenditure that are material in size or unusual in nature or incidence, and in the current year such items relate to separation and demerger costs and certain store impairments, as set out in more detail in note 9. Removal of such adjusting items allows the reader to understand the impact of these non-recurring items separately from the performance of the underlying business.

Calculation of adjusted EBITDA	**2022**	**2023**
Adjusted operating profit	103.9	73.8
Add back depreciation of property, plant and equipment	20.1	21.1
Add back depreciation of right of use assets	77.7	74.2
Add back amortisation	5.2	6.6
Adjusted EBITDA	**206.9**	**175.7**
Net debt / adjusted EBITDA	*2.9x*	*3.3x*

Footnotes

1) For a definition of like-for-like ('LFL') sales, see note 3
2) SaaS IT investment costs are those costs incurred which relate to 'software as a service' solutions that are immediately expensed under the Group's accounting policies and do not result in an intangible asset. See note on Alternative Performance Measures for further information.
3) Remaining £2.4m of the initial £12.5m programme completed by Feb-24
4) Design & Installation formerly described as DIFM or Do-it-for-me. Design & Installation revenue relates to projects such as kitchens and bathrooms, sold by our showroom Design Consultants. Revenue is recognised when delivery and installation (where applicable) is complete.
5) Wickes proprietary customer data 2023
6) Retail formerly described as Core. Retail revenue relates to products sold directly to customers (both DIY and local trade), in stores or online
7) Consensus PBT after SaaS impact for FY24 is £43.6m as at 8 March 2024
8) Adjusted measures represent results on an IFRS basis and exclude adjusting items including, but not limited to, significant restructurings, incremental costs relating to corporate transactions, significant write downs or impairments (or impairment reversals) of current and non-current assets, the associated costs of separating the business from the former parent company's IT systems, net unrealised gains and losses on remeasurement of foreign exchange derivatives held at fair value, the effect of changes in corporation tax rates on deferred tax balances, and in the comparative period a reclaim of overpaid VAT relating to prior years. See note 2 of the financial statements and both the Reconciliation of Alternative Performance Measures note and the Alternative Performance Measures note for a detailed explanation of these items.
9) Source: GfK GB point of sale data, sourced from GfK DIY Category Reporting December 2023
10) Source: GfK, Mintel and Wickes estimates
11) ONS Energy efficiency of housing in England and Wales 2023
12) Decarbonising Buildings: Insights from Across Europe, published by the Grantham Institute – Climate Change and the Environment at Imperial College London, December 2022
13) Sales of Wickes Lifestyle Kitchens which include a design element are classified as Design & Installation revenues, whereas Self Serve purchases of the Wickes Lifestyle Kitchen range are classified as Retail revenues.
14) Home Delivery refers to customer deliveries fulfilled from stores
15) The colleague engagement score is an average score in response to the main engagement questions covering respondents' likelihood to recommend Wickes as a place to work, likelihood to recommend Wickes' products or services, likelihood to remain at Wickes and overall job satisfaction. These engagement questions form part of a wider annual colleague survey.
16) Source: Wood Mackenzie UK PV Capacity Forecast
17) Excludes impact of expensed SaaS IT investment costs
18) Design & Installation LFL sales for Q3 were revised from -4.4% to -5.5%.

Consolidated income statement and other comprehensive income

(£m)	Notes	**52 weeks ended 30 December 2023**	52 weeks ended 31 December 2022 (Re-presented*)
Revenue	3	**1,553.8**	1,562.4
Cost of sales		**(988.8)**	(990.2)
Gross profit		**565.0**	572.2
Selling costs		**(341.6)**	(347.9)
Administrative expenses		**(160.5)**	(155.5)
Operating profit		**62.9**	68.8
Net finance costs	4	**(21.8)**	(28.5)
Profit before tax		**41.1**	40.3
Tax	6	**(11.3)**	(8.4)
Profit for the period and total comprehensive income		**29.8**	31.9
Profit for the period attributable to owners of the parent company		**29.8**	31.9
Earnings per share			
Basic	7	**11.8p**	12.6p
Diluted	7	**11.7p**	12.5p

Adjusted results[1]			
Adjusted revenue	5	**1,553.8**	1,559.0
Adjusted gross profit	5	**568.1**	567.1
Adjusted operating profit	5	**73.8**	103.9
Adjusted profit before tax	5	**52.0**	75.4
Adjusted profit after tax	5	**38.1**	60.2
Adjusted basic earnings per share	7	**15.1p**	23.8p
Adjusted diluted earnings per share	7	**14.9p**	23.7p

1 Defined in note 5.

* For details of re-presentation please see note 4.

Consolidated balance sheet

(£m)	**As at 30 December 2023**	As at 31 December 2022
Assets		
Non-current assets		
Goodwill	**8.4**	8.4
Other intangible assets	**14.3**	16.6
Property, plant and equipment	**123.2**	114.9
Right-of-use assets	**537.1**	542.4
Deferred tax asset	**23.0**	22.7
Total non-current assets	**706.0**	705.0
Current assets		
Inventories	**195.5**	201.6
Trade and other receivables	**74.1**	87.4
Corporation tax	–	8.4
Derivative financial instruments	–	2.6
Cash and cash equivalents	**97.5**	99.5
Total current assets	**367.1**	399.5
Total assets	**1,073.1**	1,104.5

Equity and Liabilities		
Capital and reserves		
Issued share capital	**25.2**	26.0
Capital redemption reserve	**0.8**	–
EBT share reserve	**(0.7)**	(0.7)
Other reserves	**(785.7)**	(785.7)
Retained earnings	**923.7**	924.8
Total equity	**163.3**	164.4
Non-current liabilities		
Lease liabilities	**596.0**	610.4
Long-term provisions	**2.3**	1.8
Total non-current liabilities	**598.3**	612.2
Current liabilities		
Lease liabilities	**79.8**	80.9
Trade and other payables	**219.1**	237.7
Corporation tax	**1.6**	–
Derivative financial instruments	**0.7**	0.2
Short-term provisions	**10.3**	9.1
Total current liabilities	**311.5**	327.9
Total liabilities	**909.8**	940.1
Total equity and liabilities	**1,073.1**	1,104.5

The consolidated financial statements of Wickes Group Plc, registered number 12189061, were approved by the Board of Directors on 18 March 2024 and signed on its behalf by:

David Wood
Chief Executive Officer

Mark George
Chief Financial Officer

Consolidated statement of changes in equity

(£m)	Notes	Issued share capital	Capital redemption reserve	EBT Share reserve	Other reserves	Retained earnings	Total equity
At 1 January 2022		26.0	–	(0.8)	(785.7)	921.3	160.8
Profit for the period and other comprehensive income		–	–	–	–	31.9	31.9
Dividends paid	9	–	–	–	–	(31.2)	(31.2)
Equity-settled share-based payments		–	–	0.1	–	4.3	4.4
Tax on equity-settled share-based payments		–	–	–	–	(1.5)	(1.5)
At 31 December 2022		26.0	–	(0.7)	(785.7)	924.8	164.4
Profit for the period and other comprehensive income		–	–	–	–	**29.8**	**29.8**
Dividends paid	9	–	–	–	–	**(27.4)**	**(27.4)**
Share buyback and cancellation		**(0.8)**	**0.8**	–	–	**(10.1)**	**(10.1)**
Purchase of own shares		–	–	**(0.2)**	–	–	**(0.2)**
Equity-settled share-based payments		–	–	**0.2**	–	**5.4**	**5.6**
Tax on equity-settled share-based payments		–	–	–	–	**1.2**	**1.2**
At 30 December 2023		**25.2**	**0.8**	**(0.7)**	**(785.7)**	**923.7**	**163.3**

Consolidated cash flow statement

(£m)	Notes	**52 weeks ended 30 December 2023**	52 weeks ended 31 December 2022 (Re-presented*)
Cash flows from operating activities			
Operating profit		**62.9**	68.8
Adjustments for:			
Amortisation of other intangible assets		**6.6**	5.2
Depreciation of property, plant and equipment		**21.1**	20.1
Depreciation of right-of-use assets		**74.2**	77.7
Impairment of property, plant and equipment		**–**	0.4
Impairment of right-of-use assets		**2.7**	15.4
Reversal of impairment of right-of-use assets		**(3.7)**	–
Losses/(gains) on terminations of leases		**0.1**	(1.8)
Write-off of intangible assets		**1.5**	–
Losses on disposal of other intangible assets		**0.3**	–
Losses on disposal of property, plant and equipment		**2.6**	0.6
Derivative fair value losses/(gains)		**3.1**	(1.7)
Share-based payments		**5.6**	4.4
Operating cash flows		**177.0**	189.1
Movements in working capital:			
Decrease/(increase) in inventories		**6.1**	(13.4)
Decrease/(increase) in trade and other receivables		**13.4**	(9.9)
Decrease in trade and other payables		**(18.6)**	(4.1)
Increase/(decrease) in provisions		**1.7**	(1.3)
Cash generated from operations		**179.6**	160.4
Income taxes paid		**(0.3)**	(4.3)
Net cash inflow from operating activities		**179.3**	156.1
Cash flows from investing activities			
Purchases of property, plant and equipment		**(32.1)**	(31.1)
Development costs of computer software		**(6.1)**	(9.3)
Proceeds on disposal of property, plant and equipment		**0.1**	0.4
Interest received		**7.2**	1.9
Net cash outflow from investing activities		**(30.9)**	(38.1)
Cash flows from financing activities			
Interest paid		**(1.0)**	(1.0)
Interest on lease liabilities		**(28.2)**	(29.4)
Payment of principal of lease liabilities		**(84.3)**	(82.4)
Lease incentives received		**0.8**	2.1
Own shares purchased for share schemes		**(0.2)**	–
Share buyback		**(10.1)**	–
Dividends paid to equity holders of the Parent	9	**(27.4)**	(31.2)
Net cash outflow from financing activities		**(150.4)**	(141.9)
Net decrease in cash and cash equivalents		**(2.0)**	(23.9)
Cash and cash equivalents at the beginning of the period		**99.5**	123.4
Cash and cash equivalents at the end of the period		**97.5**	99.5
Adjusting items	5		
Adjusting items paid included in the cash flow		**10.4**	21.7
Total pre-tax Adjusting items		**10.9**	35.1

*For details of re-presentation please see note 4. Additionally, the comparative cash flows have been re-presented to include interest paid and interest on lease liabilities as a financing rather than an operating cash flow. The change in presentation represents a voluntary change in accounting policy in line with IAS 8 and represents a more relevant grouping of cash flows in line with the nature of the business. This re-presentation increases the net cash inflow from operating activities and increases the net cash outflow from financing activities for the 52 weeks ended 31 December 2022 by £30.4m. No change has been made to the total cash flow for the comparative period.

Notes to the financial statements

1 General information and accounting policies

The Group's principal accounting policies are set out in the Annual Report and Accounts, which is available from 19 March 2024 on the Company's website www.wickes.co.uk

2 Statutory accounts

The financial information set out above does not constitute the company's statutory accounts for the financial years ended 30 December 2023 or 31 December 2022 but is derived from those accounts. Statutory accounts for 31 December 2022 have been delivered to the registrar of companies, and those for 30 December 2023 will be delivered in due course.

The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

3 Revenue

The Group has one operating segment in accordance with IFRS 8 'Operating Segments', which is the retail of home improvement products and services, both in stores and online.

The Chief Operating Decision Maker is the Executive Board of Directors. Internal management reports are reviewed by them on a regular basis. Performance of the segment is assessed based on a number of financial and non-financial KPIs as well as on profit before taxation.

The Group identifies two distinct revenue streams within its operating segment which are analysed below.

Both revenue streams operate entirely in the United Kingdom. The Group's revenue is driven by a large number of individual small value transactions and as a result, Group revenue is not reliant on a major customer or group of customers.

Adjusted Revenue (£m)	**52 weeks ended 30 December 2023**	52 weeks ended 31 December 2022
Retail (product revenue)	**1,189.1**	1,187.9
Design & Installation (project revenue)	**364.7**	371.1
	1,553.8	1,559.0

Revenue reconciliation and like-for-like adjusted revenue (£m)	**52 weeks ended 30 December 2023**	52 weeks ended 31 December 2022
Adjusted revenue	**1,553.8**	1,559.0
Network change	**(7.8)**	(1.0)
Adjusted revenue (like-for-like basis)	**1,546.0**	1,558.0
Prior period adjusted revenue	**1,559.0**	1,534.9
Prior period network change	**(8.0)**	(5.1)
Prior period other movements	**–**	(24.5)
Prior period adjusted revenue (like-for-like basis)	**1,551.0**	1,505.3
(Decrease)/increase arising on a like-for-like basis	**(5.0)**	52.7
Like-for-like adjusted revenue (%)	**(0.3)%**	3.5%

Calculating like-for-like revenue enables management to monitor the performance trend of the business period-on-period. It also gives management a good indication of the health of the business compared to competitors.

Like-for-like revenue is a measure of sales performance for two successive periods. Stores contribute to like-for-like revenue once they have been trading for more than twelve months. Revenue included in like-for-like revenue is for the equivalent times in both periods being compared. When stores close, revenue is excluded from the prior period figures for the months equivalent to the post closure period in the current period. These movements are explained by the Network change amounts. The Network change number varies year on year as it represents a different number of stores.

The comparative period other movements reflects the impact of the period ended 1 January 2022 being a 53 week period, in comparison to the period ended 31 December 2022, being a 52 week period. The extra week is presented separately to enable direct comparison.

4 Net finance costs

	52 weeks ended 30 December 2023	52 weeks ended 31 December 2022 (Re-presentation*)
Finance income		
Interest receivable	**7.5**	1.9
	7.5	1.9
Finance costs		
Interest on lease liabilities	**(28.2)**	(29.4)
Amortisation of loan arrangement fees	**(0.3)**	(0.3)
Commitment fee on revolving credit facilities	**(0.7)**	(0.7)
Other interest	**(0.1)**	–
	(29.3)	(30.4)
Net finance costs	**(21.8)**	(28.5)

* For details of re-presentation please see below.

Prior period re-presentation

In the year ended 30 December 2023 the Directors have reconsidered the presentation of net unrealised gains and losses on remeasurement of foreign exchange derivatives held at fair value relating to economic hedges.

Previously, in the Income Statement for the period ended 31 December 2022, the net unrealised gains and losses on remeasurement of foreign exchange derivatives held at fair value were presented in net finance costs. In the current period, these amounts have been presented in cost of sales to reflect that these foreign currency derivatives are entered into to mitigate the foreign exchange volatility arising from the Group's purchase of inventory.

The effect of these adjustments is that the reported costs of sales for the period ending 31 December 2022 has decreased by £1.7 million and the reported net finance costs has increased by £1.7 million. The revised presentation has no effect on reported profit before tax, net assets, or adjusted measures of performance for any period presented (see note 5 for a reconciliation of adjusted measures).

5 Reconciliation of alternative profit measures

Adjusted profit measures are an alternative performance measure used by the Board to monitor the operating performance of the Group. Adjusting items are those items of income and expenditure that, by reference to the Group, are material in size or unusual in nature or incidence and that in the judgement of the Directors should be disclosed separately on the face of the financial statements to ensure both that the reader has a proper understanding of the Group's financial performance and that there is comparability of financial performance between periods.

Items of income or expense that are considered by the Directors for designation as adjusting items include, but are not limited to, significant restructurings, incremental costs relating to corporate transactions, significant write downs or impairments (and reversals) of current and non-current assets, the costs of separating the business from the former parent company Travis Perkins Plc's IT systems, the effect of changes in corporation tax rates on deferred tax balances, net unrealised gains and losses on remeasurement of foreign exchange derivatives held at fair value, and in the previous period a VAT reclaim relating to overpaid output VAT in prior periods.

	52 weeks ended 30 December 2023				
(£m)	Revenue	Gross profit	Operating profit	Profit before tax	Profit after tax
Statutory performance measures	**1,553.8**	**565.0**	**62.9**	**41.1**	**29.8**
Derivative fair value losses	**–**	**3.1**	**3.1**	**3.1**	**3.1**
Right-of-use asset impairment charge	**–**	**–**	**2.7**	**2.7**	**2.7**
Reversal of impairment of right-of-use asset recognised in prior periods	**–**	**–**	**(3.7)**	**(3.7)**	**(3.7)**
IT separation project costs	**–**	**–**	**8.8**	**8.8**	**8.8**
Tax on adjusting items	**–**	**–**	**–**	**–**	**(2.6)**
Total adjustments to statutory performance measures	**–**	**3.1**	**10.9**	**10.9**	**8.3**
Adjusted performance measures	**1,553.8**	**568.1**	**73.8**	**52.0**	**38.1**

(£m)	52 weeks ended 31 December 2022 (Re-presented*) Revenue	Gross profit	Operating profit	Profit before tax	Profit after tax
Statutory performance measures	1,562.4	572.2	68.8	40.3	31.9
Output VAT reclaim	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)
Derivative fair value gains	–	(1.7)	(1.7)	(1.7)	(1.7)
Property, plant and equipment impairment charge	–	–	0.4	0.4	0.4
Right-of-use asset impairment charge	–	–	15.4	15.4	15.4
IT separation project costs	–	–	24.4	24.4	24.4
Tax on adjusting items	–	–	–	–	(6.8)
Total adjustments to statutory performance measures	(3.4)	(5.1)	35.1	35.1	28.3
Adjusted performance measures	**1,559.0**	**567.1**	**103.9**	**75.4**	**60.2**

* For details of re-presentation please see note 4.

Right-of-use asset and property, plant and equipment impairment charges and reversals

In the period ended 30 December 2023, 5 stores were identified as impaired with a resulting impairment charge of £2.7m, and 5 were identified as having an impairment reversal of £3.7m, both to right of use assets. Given the size of gross store impairment charge and reversal, this impairment charge and reversal are included within adjusting items. Future revisions to these impairments will also be recognised within adjusting items.

In the period ended 31 December 2022, 20 stores were identified as impaired with a resulting impairment charge of £15.4m to right of use assets and £0.4m to property, plant and equipment.

IT separation project costs

IT separation project costs are the costs incurred to enable the Wickes Group to operate an IT environment independent of Travis Perkins Plc. These include the following; the cost of creating standalone versions of existing systems, the cost of transferring data from Travis Perkins Plc to standalone systems, the cost of upgrading legacy systems including moving to ‘Software as a Service’ solutions and the costs of transitioning the IT and support function into the Wickes environment including the project management costs of all the above. Costs related to the maintenance and licensing of existing systems are included in adjusted profit as these costs will continue after the separation project is concluded. Where costs meet the definition of an intangible asset they have been capitalised, and future amortisation will be included in adjusted profit.

Derivative fair value movements

The Group recognises the potential for high levels of foreign exchange rate volatility and looks to mitigate its economic impact on financial performance by hedging planned future foreign currency purchases using foreign currency derivatives. The Group does not take advantage of the hedge accounting rules provided for in IFRS 9 since that standard requires certain stringent criteria to be met to hedge account, which, in the circumstances of the Group, are considered by the Board to not bring any significant economic benefit. As a result, IFRS requires that fair value gains or losses on these derivatives be recognised in the Income Statement.

In order to reflect the economic outcome of the forward contracts (derivatives), the impact of fair value movement on the derivatives has been removed in the underlying results. During the 52 weeks ended 30 December 2023 this adjustment was a net loss of £3.1m (52 weeks ended 31 December 2022: gain of £1.7m).

Output VAT reclaim

A claim for output VAT overpaid during the period from Q3 2018 to Q4 2021 was lodged with HMRC in August 2022. The claim arose due to output VAT being paid in error on zero and reduced rate products. Given the claim related to the three years prior to the comparative period, the £3.4m credit was reflected in adjusting items. There was no such claim in the 52 weeks ended 30 December 2023.

Adjusted profit before tax and before incremental impact of SAAS accounting

(£m)	**52 weeks ended 30 December 2023**
Adjusted profit before tax	**52.0**
SAAS IT investment costs charged to the income statement that were previously expected to be capitalised	**7.8**
Amortisation that would have been charged to the income statement if such costs had been capitalised	**(0.3)**
Adjusted profit before tax and before incremental impact of SAAS accounting	**59.5**

Software as a service ("SAAS") IT costs are amounts invested to improve the Group's IT systems and which are delivered using SAAS solutions. These costs are expensed immediately under IAS38 on the premise that the Company does not 'control' the asset and therefore does not qualify for capitalisation as an intangible asset. From a strategic perspective investment in technology, and specifically SAAS expenditure, is one of the Company's core growth levers and represents a long term investment in the business, with an expectation of generating future returns.

In the current period, in order to present a performance measure that aligns with original market expectations of performance, the directors have presented an adjusted profit before tax and before incremental impact of SAAS accounting as an alternative performance measure. This alternative performance measure reinstates the expenditure as an intangible asset, and then amortises it over its expected economic useful life.

The amounts reflected in the APM, which cannot be derived directly from the disclosures in the Financial Statements, represent the SAAS IT investment costs charged to the Income Statement during the period, against which a notional amortisation charge has been calculated. The notional amortisation charge has been calculated by applying the Company's amortisation policy for intangible fixed assets.

The APM set out above is therefore intended to enable users to understand the impact of our latest expectation of the nature of IT costs, and how these will be accounted for, on guidance previously issued. Future forecasts will be prepared based on our latest expectation of the nature of IT costs, meaning that this APM will not be provided after this year.

The comparative adjusted profit before tax and before incremental impact of SAAS accounting figure for the prior period would equal adjusted profit before tax as the incremental impact of SAAS accounting was nil in the prior period.

6 Taxation

(£m)	**52 weeks ended 30 December 2023**	52 weeks ended 31 December 2022
Current tax		
UK corporation tax expense	**10.4**	6.2
UK corporation tax adjustment in respect of prior periods	**0.1**	(3.7)
Total current tax charge	**10.5**	2.5
Deferred tax		
Deferred tax movement in period	**(0.4)**	0.6
Effect of change in tax rate	**–**	0.2
Adjustments in respect of prior periods	**1.2**	5.1
Total deferred tax charge	**0.8**	5.9
Total tax charge	**11.3**	8.4

The differences between the total tax charge and the amount calculated by applying the standard rate of UK corporation tax of 23.5% (52 weeks ended 31 December 2022: 19.0%) to the profit before tax for the Group are as follows:

(£m)	**52 weeks ended 30 December 2023**	52 weeks ended 31 December 2022
Profit before taxation	**41.1**	40.3
Tax at the standard corporation tax rate	**9.7**	7.7
Effects of:		
Depreciation of non-qualifying property	**0.9**	1.0
Tax effect of non-taxable income and non-deductible expenses	**(1.2)**	(0.3)
Adjustment to prior period	**1.3**	1.4
Effect of share based payments	**1.1**	(0.2)
Other	**(0.4)**	0.2
Impact of superdeduction	**(0.1)**	(1.4)
Total tax charge	**11.3**	8.4

The effective tax rate for the period is 27.5% (52 weeks ended 31 December 2022: 20.8%). The effective tax rate for the period was higher than the standard rate primarily due to an adjustment in respect of prior periods relating to leases, and is expected to reverse in future periods. This adjustment and its tax effect do not provide a guide to the Group's future tax charge.

The underlying effective tax rate (before adjusting items) for the 52 weeks ended 30 December 2023 is 26.7% (52 weeks ended 31 December 2022: 20.2%). The underlying effective tax rate can be calculated directly from the income statement.

7 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the 52 week period ended 30 December 2023.

(£m)	**52 weeks ended 30 December 2023**	52 weeks ended 31 December 2022
Profit attributable to the owners of the Parent	**29.8**	31.9
(No.)		
Weighted average number of ordinary shares	**258,667,102**	259,637,998
Adjustment for weighted average number of ordinary shares held in EBT	**(6,163,934)**	(6,941,807)
Weighted average number of ordinary shares in issue	**252,503,168**	252,696,191
Basic earnings per share (in pence per share)	**11.8p**	12.6p

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to include all dilutive potential ordinary shares arising from share options.

(£m)	**52 weeks ended 30 December 2023**	52 weeks ended 31 December 2022
Profit attributable to the owners of the Parent	**29.8**	31.9
(No.)		
Weighted average number of ordinary shares in issue	**252,503,168**	252,696,191
Diluted effect of share options on potential ordinary shares	**2,804,387**	1,698,226
Diluted weighted average number of ordinary shares in issue	**255,307,555**	254,394,417
Diluted earnings per share (in pence per share)	**11.7p**	12.5p

The Directors believe that EPS excluding Adjusting items ('Adjusted EPS') reflects the underlying performance of the business before the impact of unusual or one off events and assists in providing the reader with a consistent view of the trading performance of the Group.

Reconciliation of profit after taxation to profit after taxation excluding Adjusting items ('Adjusted profit'):

(£m)	**52 weeks ended 30 December 2023**	52 weeks ended 31 December 2022
Profit attributable to the owners of the parent from continuing operations	**29.8**	31.9
Adjusting items before tax	**10.9**	35.1
Tax on adjusting items	**(2.6)**	(6.8)
Adjusting items after tax (note 5)	**8.3**	28.3
Adjusted profit	**38.1**	60.2
Weighted average number of ordinary shares in issue	**252,503,168**	252,696,191
Weighted average number of dilutive ordinary shares in issue	**255,307,555**	254,394,417
Adjusted basic earnings per share (in pence per share)	**15.1**	23.8p
Adjusted diluted earnings per share (in pence per share)	**14.9**	23.7p

8 Movement in net debt

(£m)	**Cash and cash equivalents**	**Lease liability**	**Total**
At 1 January 2022	123.4	(742.1)	(618.7)
Decrease in cash and cash equivalents	(23.9)	–	(23.9)
Repayment of lease liabilities	–	111.8	111.8
Discount unwind on lease liability	–	(29.4)	(29.4)
Lease additions	–	(34.8)	(34.8)
Lease modifications	–	(8.2)	(8.2)
Lease incentives received	–	(2.1)	(2.1)
Lease terminations	–	13.5	13.5
At 31 December 2022	99.5	(691.3)	(591.8)
Decrease in cash and cash equivalents	**(2.0)**	**–**	**(2.0)**
Repayment of lease liabilities	**–**	**112.5**	**112.5**
Discount unwind on lease liability	**–**	**(28.2)**	**(28.2)**
Lease additions	**–**	**(22.2)**	**(22.2)**
Lease modifications	**–**	**(46.0)**	**(46.0)**
Lease incentives received	**–**	**(0.8)**	**(0.8)**
Lease terminations	**–**	**0.2**	**0.2**
At 30 December 2023	**97.5**	**(675.8)**	**(578.3)**

Balances (£m)	**As at 30 December 2023**	As at 31 December 2022
Cash and cash equivalents	**97.5**	99.5
Current lease liabilities	**(79.8)**	(80.9)
Non-current lease liabilities	**(596.0)**	(610.4)
Net debt	**(578.3)**	(591.8)

9 Dividends

(£m)	**As at 30 December 2023**	As at 31 December 2022
Amounts recognised in the financial statements as distributions to equity shareholders are shown below:		
• final dividend for the 52 weeks ended 31 December 2022 of 7.3 pence (53 weeks ended 1 January 2022: 8.8 pence)	**18.3**	22.1
• interim dividend for the 52 weeks ended 30 December 2023 of 3.6 pence (52 weeks ended 31 December 2022: 3.6 pence)	**9.1**	9.1
Total dividend	**27.4**	31.2

A final dividend of 7.3p is proposed in respect of the 52 weeks ending 30 December 2023. It will be paid on 6 June 2024 to shareholders on the register at the close of business on 26 April 2024 (the Record Date). The shares will be quoted ex-dividend on 25 April 2024.

Shareholders may elect to reinvest their dividend in the Dividend Reinvestment Plan (DRIP). The last date for receipt of DRIP elections and revocations will be 15 May 2024.

10 Events after the reporting period

Corporate transaction

On 18 March 2024, the Group agreed to acquire 51% of the issued share capital of Gas Fast Limited, operator of leading solar installations company Solar Fast. The business comprises a core solar panels installation business, in addition to a smaller business installing gas boilers. The acquisition will enable the Group to expand its offering into the fast-growing market for home energy solutions, initially with solar and gas boilers and, in time, air source heat pumps and other services. The acquisition is subject to FCA approval. The revenue will be reported within Design & Installation revenue.

The initial 51% controlling interest will be for initial consideration of £5.1m (net of cash acquired), with a further contingent payment, based on an earnings based valuation multiple, delivered in calendar year 2024. The contingent payment Is capped at £13.2m.

The Group has an option to buy the remaining 49% issued share capital for a period of 5 years following completion. The purchase price is based on a pre-agreed earnings based valuation multiple at that time.

Revolving credit facility

After the year end, the Group completed an “Amend and Extend” of its Rolling Credit Facility, lengthening the term by a further two years to March 2028, with an option for an additional one year extension. Total commitments on the facility remain at £80m, as well as retaining the £20m accordion.