Financial review

Delivering for Shareholders

Mark George, Chief Financial Officer

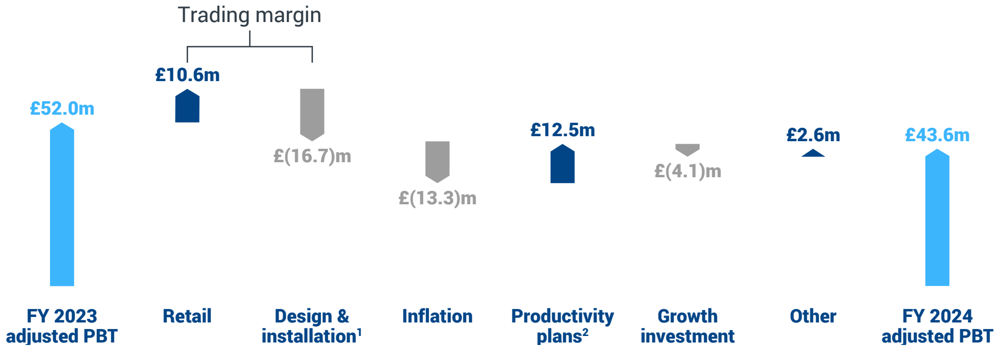
Revenue of £1,538.8m, including £10.0m contribution by Solar Fast since completion, reflects a contraction in sales of 1.0% year-on-year. Continued volume-driven growth in Retail was offset by LFL declines in Design & Installation. Gross margin increased by 16 basis points, reflecting careful management of range, price and promotions.

We faced considerable cost headwinds this year with another significant rise in the National Minimum Wage as well as more general inflationary pressures across the business. Our planned productivity initiatives have helped to mitigate these headwinds, with savings made across a number of areas including simplifying the customer journey, distribution, customer services and store shrinkage. Looking ahead, the unforeseen changes to National Insurance Contributions rates and thresholds announced in the Autumn Budget 2024 are expected to add c. £6m to our direct costs on an annualised basis or c. £4.5m pro forma for 2025. We will be seeking further productivity gains in order to help offset this additional cost headwind, as well as another significant increase in National Minimum Wage planned for April 2025.

> Our financial results have demonstrated the strength of our business model, delivering a good performance in challenging market conditions.

Adjusted profit before tax declined to £43.6m (2023: £52.0m) reflecting the factors noted above. Statutory profit before tax decreased by 43.6% to £23.2m (2023: £41.1m) reflecting an increased adjusting items charge, primarily due to non-cash impairment charges relating to IFRS 16 lease assets and to property, plant and equipment.

Adjusted PBT waterfall



1 Design & Installation trading margin excludes the impact of Solar Fast
2 The impact of YoY savings in distribution costs is displayed in productivity plans, whereas in the statutory income statement this is included in gross margin

Financial review continued

There was £86.3m of cash on balance sheet at the end of the period (2023: £97.5m), after the net initial payment for the acquisition of a 51% controlling stake in Solar Fast[1], the completion of the £25.0m share buyback programme[2] and the sale and leaseback of our Braintree store, which raised £6.2m. Average cash across the year was £144.3m, reflecting our normal cycle of working capital.

	Year end 2024	Average 2024
Debt	Nil	Nil
Cash & equivalents	£86m	£144m
Net cash/(debt)	£86m	£144m

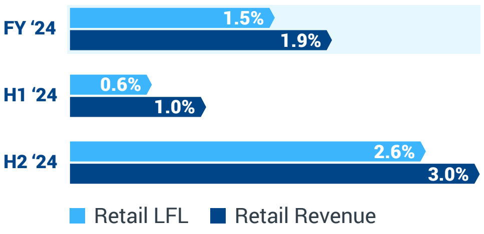
Revenue

Revenue for the 52 weeks to 28 December 2024 was £1,538.8m (2023: £1,553.8m), a decrease of 1.0% on the prior year. Net selling area was broadly flat year on year as new store openings in Long Eaton, Durham, Aberdeen and Leamington Spa were offset with closures of some older stores. LFL sales for the period were -2.0%.

Retail revenue – sales from products sold to DIY customers and local trade professionals – increased by 1.9% to £1,212.3m (2023: £1,189.1m). Retail LFL revenue increased by 1.5%, driven by positive volume growth, with selling prices in mild deflation.

Within Retail, our TradePro business continues to perform strongly, with sales +14%. This is driven by the number of active members increasing to 581,000 in 2024, as local traders continue to choose Wickes to save them time and money.

Retail sales

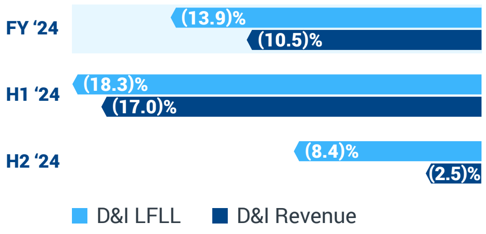


Our market share in Retail has grown to record levels with increases across numerous categories, particularly in the strategic categories of interior paint, decorative accessories and garden projects.

Wickes remains highly competitive on price, with weekly benchmarking of hundreds 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[3] – sales from projects sold by our showroom design consultants – was £326.5m (2023: £364.7m), a decrease of 10.5% or 13.9% on a LFL basis. This reflected challenging market conditions, with a softer market environment for large consumer purchases. Ordered sales[4] in 2024 saw a single digit LFL decline but, encouragingly, returned to year-on-year growth in Q4.

Design & Installation sales



From 2025 onwards, all kitchen and bathroom revenue will be reported within the Design & Installation Ranges revenue stream. This presentational change to segmental reporting groups all kitchen and bathroom ranges together, whether they are Lifestyle or Bespoke. This presentation aligns with our commercial operations and customer approach to buying kitchen and bathroom projects. Previously, any sales of Wickes Lifestyle Kitchens that included a design element were classified in the Design & Installation revenue stream, whereas self-serve purchases of the Wickes Lifestyle Kitchens range were classified in the Retail revenue stream. From 2025 onwards, Design & Installation Ranges will include all product categories which could be sold as part of a design and/or installation and where the majority of sales of those products are designed and/or installed. Solar sales will continue to be included in Design & Installation Ranges.

Had the new presentational approach been adopted for 2024, Retail revenue would have been £1,129.8m with revenue growth of 1.9% and LFL revenue growth of 1.5%. Design & Installation revenue would have been £409.0m with a revenue decline of 8.0% and LFL revenue decline of 10.9%.

Gross profit

Adjusted gross profit for 2024 was £565.1m, a slight decrease compared to the prior year (2023: £568.1m). Adjusted gross profit margin increased by 16 basis points, reflecting careful management of range, price and promotions.

Statutory gross profit of £566.6m increased slightly from the prior year (2023: £565.0m). Statutory gross profit margin increased by 46 basis points, for the reasons described above for adjusted gross profit, in addition to a positive derivative fair value movement in the year.

		FY 2024 current methodology	**FY 2024 new methodology**
Retail	Revenue	£1,212.3m	**£1,129.8m**
	Revenue growth	1.9%	**1.9%**
	LFL revenue growth	1.5%	**1.5%**
Design & Instillation	Revenue	£326.5m	**£409.0m**
	Revenue growth	(10.5)%	**(8.0)%**
	LFL revenue growth	(13.9)%	**(10.9)%**
Group	Revenue	£1,538.8m	**£1,538.8m**
	Revenue growth	(1.0)%	**(1.0)%**
	LFL revenue growth	(2.0)%	**(2.0)%**

In FY24 sales of Wickes Lifestyle Kitchens which include a design element are classified as D&I, whereas self-serve purchases of the Wickes Lifestyle Kitchens range are classified as Retail. From 2025 onwards, D&I will include all product categories which could be sold as part of a design and/or installation and where the majority of sales of those products are designed and/or installed. D&I will continue to include installation revenue and Wickes Solar.

1 The enterprise value of the 51% stake in Solar Fast was £5.1m. A further payment was made of £2.7m, representing Wickes' 51% of the cash acquired on completion, of which £2.5m was subsequently repaid by way of dividend
2 £10.0m (plus £0.1m stamp duty and fees) of the £25.0m share buyback programme was executed in 2023, with the remaining £15.0m (plus £0.1m stamp duty and fees) completed in 2024
3 Delivered sales refers to the revenue which is recognised when the Group has satisfied its performance obligation to the customer and the customer has obtained control of the goods or services being transferred
4 Ordered sales refers to the value of orders at the point when the order has been agreed

Financial review continued

£1,538.8m
Revenue 2024

£43.6m
Adjusted PBT

Operating profit

Adjusted operating profit of £67.4m decreased by 8.7% year on year (2023: £73.8m) and the adjusted operating profit margin decreased to 4.4% (2023: 4.7%). The decline in operating margin reflects an environment of weaker consumer demand for larger ticket items combined with the impact of pressure on operating costs due to wage inflation and other general inflationary factors as described above. These increases were partly mitigated by strong Retail performance and planned productivity initiatives.

Statutory operating profit decreased by 24.8% to £47.3m (2023: £62.9m), reflecting the decline in operating margin described above and the impact of increased impairment charges in the year, partially offset by reductions in other charges such as business separation/restructuring costs and a positive derivative fair value movement in the year.

Net finance costs

Adjusted net finance costs were £23.8m (2023: £21.8m). These costs are a combination of the IFRS 16 interest charges associated with our property and equipment leases, partially offset by interest income earned on cash held in the business.

Statutory net finance costs were £24.1m (2023: £21.8m), comprising the elements noted above in addition to fees incurred in extending the Group's revolving credit facility (RCF).

Adjusted profit before tax

Adjusted profit before tax was £43.6m (2023: £52.0m), a decline of 16.2% year-on-year, reflecting the factors noted above. Adjusted PBT in the second half of the year was only 3.3% down year on year, representing a significant improvement compared to the first half.

Adjusting items

Pre-tax adjusting item charges were £20.4m (2023: £10.9m). These comprise a right-of-use asset impairment charge of £12.3m (2023: £2.7m), a property, plant and equipment impairment charge of £5.8m (2023: nil), costs related to restructuring in Design & Installation of £4.0m (2023: £8.8m of IT separation costs), costs related to the Solar Fast acquisition of £0.8m (H1 2023: nil) and costs related to the extension of the Revolving Credit Facility of £0.3m (H1 2023: nil), partially offset by derivative fair value gains on foreign exchange contracts of £1.5m (H1 2023: losses of £3.1m) and a reversal of impairment of right-of-use asset recognised in prior periods of £1.3m (2023: £3.7m).

> Productivity initiatives have largely mitigated headwinds in costs.

Profit before tax

Profit before tax decreased to £23.2m (2023: £41.1m) reflecting the factors noted above and includes £0.4m from Solar Fast.

Tax

The tax charge for the period was £4.8m (2023: £11.3m). The effective tax rate for the period was 20.3% (2023: 27.5%). The decrease primarily reflects capital allowance claims made in the period in respect of historical expenditure.

Tax credit on adjusting items was £4.9m (2023: £2.6m).

Investment and capital expenditure

Capital expenditure for the year was £26.1m (2023: £38.2m).

The largest component of capex was £13.3m investment in the store estate (2023: £20.4m), of which refits were £5.3m, new stores £7.1m and other store capex across the estate £0.9m. There was £4.8m capex investment in our digital capabilities (2023: £6.1m), as we continue to develop our multi-channel offer.

There was a net cash outflow of £5.1m for the acquisition of our 51% stake in Solar Fast. This comprises the initial aggregate consideration of £7.6m, representing £5.1m for the equity shares, less a £0.2m negative working capital adjustment, plus £2.7m for acquired cash, of which £2.5m cash was repaid to Wickes by dividend post completion.

Financial review continued

£41.1m

Returned to shareholders in 2024[1]

£144m

Average cash & equivalents 2024

We expect capital expenditure for 2025 to be c. £30-35m, 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 continue to invest in SaaS IT projects, which will be expensed through the income statement.

Cash/net debt

Cash at the end of the period was £86.3m (2023: £97.5m), in line with our expectations. This cash balance is stated after the net initial payment for the acquisition of a 51% controlling stake in Solar Fast, the completion of the £25.0m share buyback programme[2] and the sale and leaseback of our Braintree store, which raised £6.2m.

Operating profit decreased year-on-year, resulting in cash flows from operations of £170.6m (2023: £177.0m). Cash outflows related to working capital movements were £1.5m (2023: inflow of £2.6m), reflecting a lower Design & Installation order book, partially offset with improved inventory management.

> We continue to deliver strong cash generation and good returns to shareholders.

Cash outflows from financing activities of £158.5m (2023: £150.4m) include £114.4m (2023: £111.7m) related to lease liabilities, £26.1m dividend payments (2023: £27.4m) and £15.1m of share buybacks[2] (2023: £10.1m).

Inventories decreased slightly to £192.9m (2023: £195.5m).

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 2025 to shareholders on the register at the close of business on 25 April 2025. This will bring the full year dividend for the 2024 financial year 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 24 April 2025. 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 2025.

Share buy back

The £25m share buyback programme commenced in 2023 was completed in September 2024. A new share buyback programme of £20m has been announced today and will commence in April 2025.

Mark George
Chief Financial Officer

1 From dividends and completion of £25m share buyback
2 £10.0m (plus £0.1m stamp duty and fees) of the £25.0m share buyback programme was executed in 2023, with the remaining £15.0m (plus £0.1m stamp duty and fees) completed in 2024

Capital allocation policy

Strong balance sheet

- Operate with net cash at all times
- Cash of at least £50m at year end
- RCF provides additional liquidity

Investing in the business

- Capex of c.2% of sales
- Refits, new stores and IT
- Target blended ROIC >15%

Ordinary dividend

- Target dividend cover of 1.5x – 2.5x in normal trading

Return of surplus cash

- Excess cash will be returned to shareholders