



Shareholder Presentation FY17

Tuesday 27th February 2018

Crowne Plaza, Kensington

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Agenda

- Opening Remarks
- CEO Review
- Finance Presentation
- Strategy Update
- Q&A



Chief Executive's Review

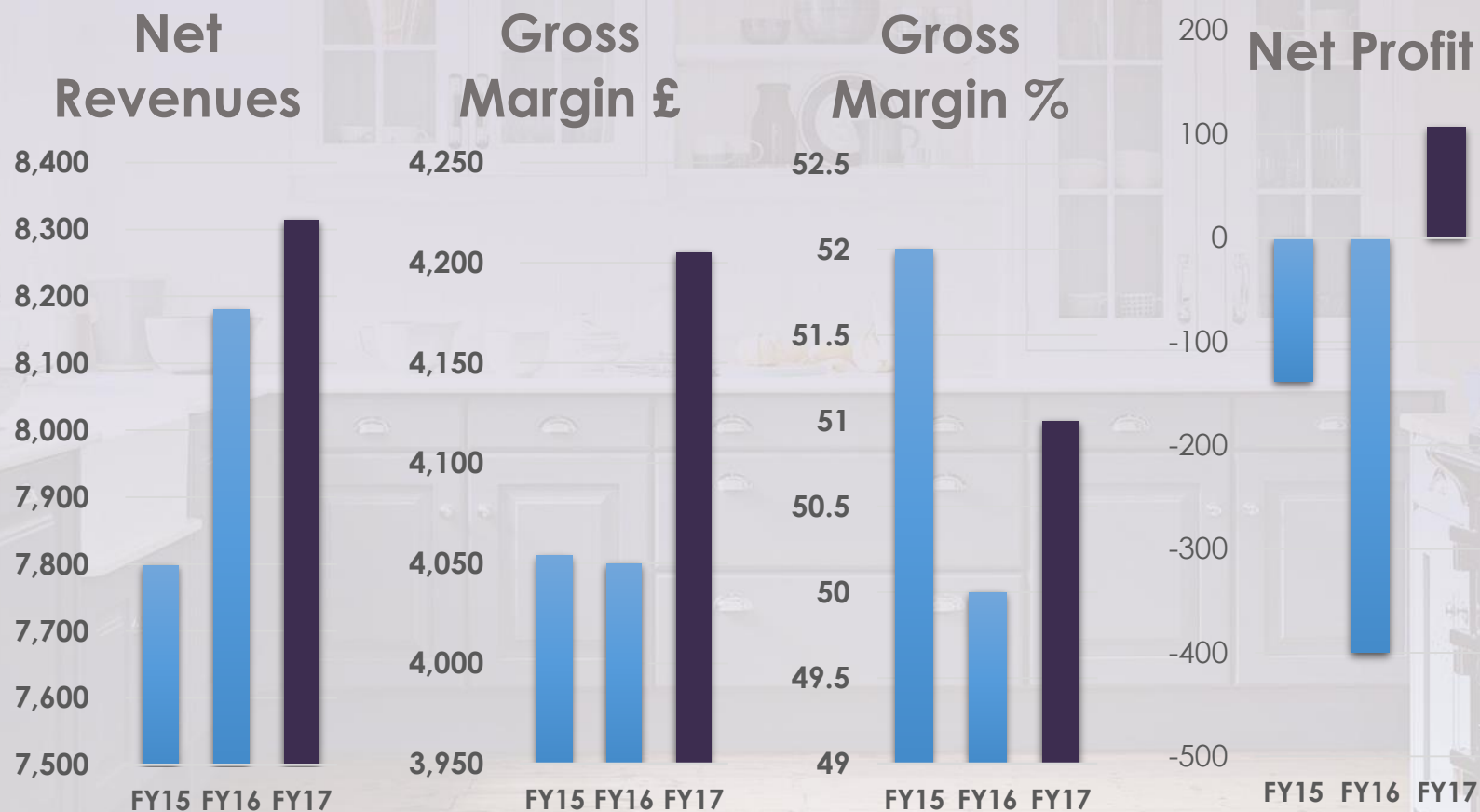
Primary Objectives for the Year

- Growth in top line sales income
- Identify improvements across the customer journey to aid conversion
- Resolve supply chain concerns to reduce cost of failure
- Overall reduction of error to improve bottom line performance
- Recognise opportunities to improve margin and return the business to profit

Highlights

- Achieved LFL growth of 5%
- Made a modest profit for the first time since 2014
- Increased designer productivity by 6%
- Developed tools to improve accuracy and improved our cost of failure by 33%
- Review of financial MIS to improve decision making and aid understanding
- Strategic discussions to formulate new 3-5 year plan

Three Year Trend



Sales Overview

- Exceptional individual and showroom performances
- Focus on conversion for front end customer journey
- Collaborative effort to produce complete Technical Manual
- Launch of new colours and assisting with NPD
- Internal refit champions, benefiting from customer insight each one adding sales immediately

Average Order Values

AVERAGE ORDER VALUE

FY17

£25,067

FY16

£24,675

FY15

£23,484

BY REGION - LONDON

£25,362

BY REGION - HOME COUNTIES

£26,138

BY REGION - WEST

£23,703

COMPANY AVERAGE

£25,067

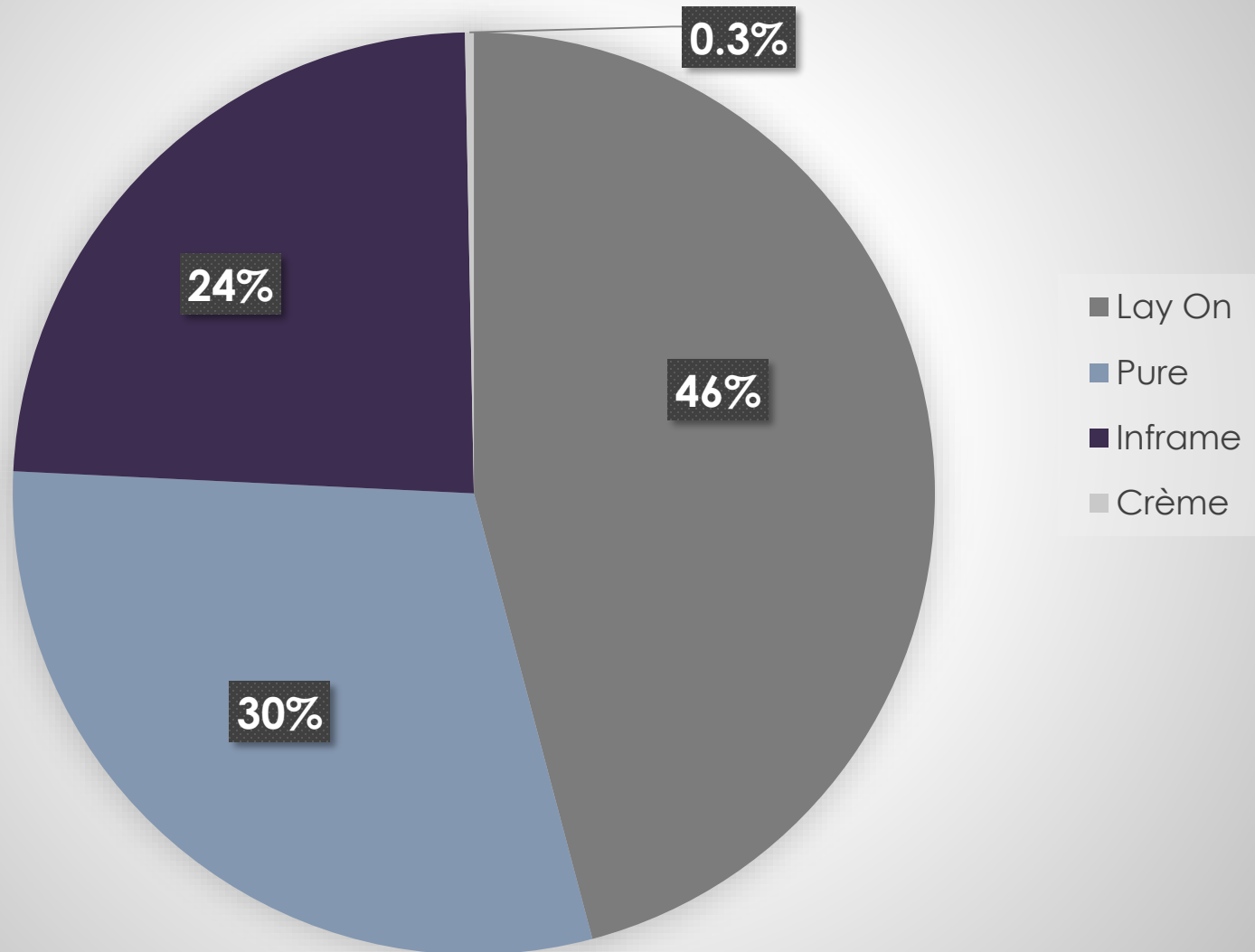
PREVIOUS YEAR

£24,675

Attachment Rates

	AVERAGE ORDER VALUE	APPLIANCES	WORKTOPS	INSTALL
LONDON	£25,362	89%	82%	91%
HOME COUNTIES	£26,138	87%	90%	96%
WEST	£23,703	86%	82%	93%
AVERAGE COMPANY	£25,067	88%	85%	93%
PREVIOUS YEAR	£24,675	80%	88%	90%

Kitchens Product Mix - FY17



Range Profitability

- What we now know...
 - We have been customer led to offer more contemporary style kitchens, we now **know** that this is **not** detrimental to our bottom line
 - The difference in the assembly time on Pure drawers is offset by the ease of manufacturing
 - Margins across all ranges are very similar, only the complex, bespoke cabinetry shows significant changes in margin
 - More work to do on bespoke pieces as volumes increase
 - Overall, manufacturing costs are small in comparison to price, relatively large variations in cost only have a small impact on overall margin.
 - More work to do on understanding profitability of bedroom category



Bedrooms



Bedrooms Category - Highlights

- Winchester Launch has given us the confidence to further develop the category
- Increased social presence
- More direct marketing
- No significant competitor in our market
- Significant opportunities to cross-sell, up-sell
- Multiple Bedrooms purchased

Bedrooms Business

	Bedrooms
FY18 (6 months)	69
FY17	75
FY16	87
FY15	84

Results for Cross-Selling

- 18 Bedrooms sold from Winchester so far
- 10 customers ordered with a Kitchen, with an average of 2-3 bedrooms each
- 20 customers account for 45 Bedrooms
- Designers across the estate promote the category more effectively
- Boosted by SEO and Social Media

Developing the Category Further

- 20% of all web enquiries are for Bedrooms
- Winchester has 50/50 footfall for Bedrooms and Kitchens which benefits both categories
- Maximising retail space for Bedroom displays
- Developing strategy to ensure all future showrooms have space dedicated to Bedrooms

❖ **Assessment of impact on production capacity, range profitability and margin currently in motion**

Key Learnings across Sales

- Mapping of full customer journey
- Detailed analytics across each part of the journey
 - How do we engage the customer
 - How do we complete the process by ensuring an optimised supply chain
 - How do we support the customer throughout the installation
- Use of tools to help us measure each step

Step 1 – Engage the Customer

- Investment in a new brochure which has inspired our customers and sales team
- Improved social media presence to inspire and engage potential buyers
- Investment in Showroom Portfolios to demonstrate our credentials and engender trust
- Developed 18 new paint colours
- Looking to invest in the website to improve traction once visitors arrive on our site



Jim Barnard



A business and brand with material opportunities for further growth

- Base business:
 - A business with heritage, trusted and loved by customers
 - A brand that needs further differentiation and a proposition that needs clearer articulation
 - Media investment needing to be re-aligned to the consumer and sector
 - A differentiated customer experience, delivered inconsistently
- Growth beyond the base:
 - Geographical opportunities
 - Adjacent market opportunities - stand alone and cross sell

Primary objectives in the year

- Evaluate and refine our positioning, proposition and brand
- Drive customer experience and journey improvements
- Re-shape media usage - inbound emphasis
- Establish effective controls and measures to allow us to scale awareness
- Drive bedroom market penetration

Some highlights from the year

- Brand Awareness and Consideration
 - Search visibility & social engagement
 - Traffic and website engagement
 - eCRM
- Customer Journey
 - Footfall
 - Sales conversion & error rates
- Bedrooms

Our focus moving forward

- Investment in accelerating content development
- Continue to evolve our media mix and partners
- Marketing automation and CRM
- Further customer experience and journey improvements



Conversion



Focus on Early Customer Journey

- A detailed review of our conversion shows
 - 70% of all visitors take a brochure (2:3)
 - 26% of these will enter the design process (1:4)
 - 47% of these will buy from JLH (1:2)
- Positive - an improvement in our ability to engage, retain and convert active purchasers
- Next step – have more customers enter the design process

What we do well....

- Visit our customer homes to really understand the brief and then impress our customers with superb design solutions
- Install 95% of projects perfectly by project managing our installations to ensure that everything goes smoothly
- Visit at the end of the project to ensure our customers are happy, check in again within 1 year
- Produce beautiful photography to demonstrate our expertise and enhance our portfolio in-store, online and in magazines
- Recent additions of reviews on Houzz – London focus; adding more reviews on each showroom page

What we could do better....

- Improve attraction of customers with a renewed website
- Engage more customers that cross our threshold
- Follow up every prospect that takes away a brochure
- Follow up customers promptly after a design and quote has been completed
- Visit more customers to fully understand their dreams which aids conversion
- Visit more customers at the end of the project to improve advocacy

Step 2 – A good Supply Chain

- Release of Technical Manual, full database cleanse and improved CAD catalogue
- Maintain a watching brief on increases in cost pressures by developing more robust buying practices
- Full review of work flow to release capacity and prepare the facility for growth
- Investment in new paint booths to reduce contamination and cost for rework



Andy Tucker



Supply Chain Improvements

- Refined paint to obtain a right first time process
- Restructured, introducing a flexible workforce
- Introduced new processes and procedures
- Motivated a work force to work as a team to focus on OTIF
- Reduced turnaround time on replacement product

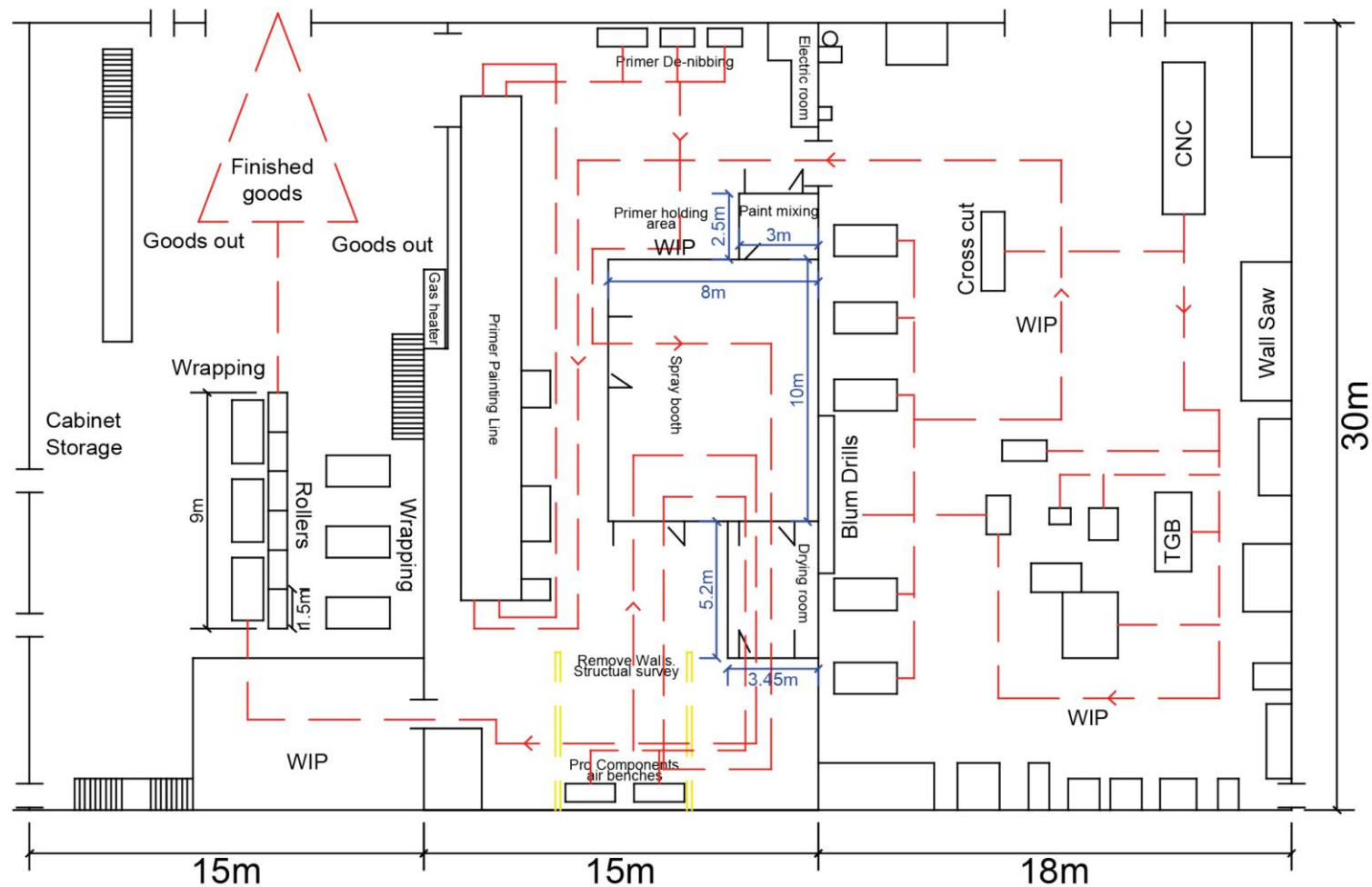
FY17 Progress

- Improved Quality Checking procedures
- Improved Packaging
- Introduced tracking of Product around the factory
- Consolidation of supplier base
- Capex replacement of Wall Saw
- Sense checked all Bills of Material
- Created a central file for all drawings and cutting lists

FY 2018.....

- New enclosed spray booth and oven to increase productivity, improve finish and reduce internal reworks
- Improved production flow through factory
- Review processes and procedure across all functions to improve efficiency and quality
- Further cost reduction initiatives
- Evaluate bar coding to track product around factory including goods in and out
- Capacity planning through the live computer system

Factory Plan





Paint booth



Step 3 – Project Management

- Designers remain the key point of contact
- Retention of skilled installation partners
- Improved presence of Installation Manager on-site
- Any corrective action highlighted early in the installation
- Improved sign off procedures to include designer validation
- Opportunity for photography, referrals and thank you



In Conclusion



Primary Objectives for the Year

How did we do?

- ✓ Growth in top line sales income
- ✓ Identify improvements across the whole customer journey
- ✓ Recognise opportunities to improve margin through operational efficiencies and best practice
- ✓ Resolve supply chain concerns to reduce cost of failure
- ✓ Overall reduction of error to improve bottom line performance

Summary

- Retention of our key people has allowed us to disseminate best practice efficiently
- Improved conversion has improved our operating model
- A reduced cost base, together with operational efficiencies has returned JLH to profit
- There was no adverse impact on our customer journey by doing so

Investing in the Future

- Be selective in how we invest in resource to help scale a more profitable model
- Key sales areas are those which release more capacity for the design team – business development and technical checking
- Operational areas include tools which will perfect the quality of our output and ensure consistency in execution
- Balance the need to re-invest with a tight control on margins
- Completion of the costing project so that we can reach the position of understanding profitability of each project
- Confidence to develop our model, without losing traction



Finance Presentation

Finance

- An area that needed attention
- Significant improvement in reporting of management information
- Absolute confidence in the reliability of our numbers
- Focus on systems and procedures that aid decision making

Key Financials (£'000)

(£'000)	2017	2016 (Restated)
Net revenues	8,315	8,180
Gross Margin	4,205	4,050
EBITDA	409	(42)
Profit/(Loss) Before tax	107	(411)
Restructuring Costs	0	(185)
Cap Ex	140	212

Year on Year Comparables

		Restated	
	2017	2016	Variance
	'000	'000	£
Total Turnover	8,315	8,180	135
Closed Stores	67	369	-302
Comparable stores (LFL)	8,248	7,811	437
Cost Of Sales	(4,110)	(4,130)	20
Gross Profit	4,205	4,050	155
Overheads/Other	(4,056)	(4,243)	187
Non - Recurring Expenses	-	(185)	185
Operating Profit/(Loss) before Finance Costs	149	(378)	527

Cash Balance

- **2017**

- £857k Cash

- £646k POA

- £1,503k Co. Balance

- **2016**

- £528k Cash

- £579k POA

- £1,107k Co. Balance

- Undrawn facility of Barclays Overdraft

Showroom Capex FY2017/18

- **Capex FY2017**

- Hungerford – Pure
- Winchester – Full Bedrooms installation
- Fulham – One display change
- Cobham – One display change

- **Capex Approved FY2018**

- Cambridge – large refit - includes Bedroom installation
- Blackheath – 2 display changes – includes Bedroom installation
- Cirencester – Pure plus Bedroom installation
- Beaconsfield – large refit
- Fulham – 2 display changes
- Cobham – 1 display change
- Chiswick – 1 display change

Additional FY18 Capex Approved

- Manufacturing
 - £20k - Machinery
 - £100k - Paint Booth
- Marketing
 - £15k - Website
 - £50k - CRM

A photograph of a kitchen with white cabinetry and a wooden floor, overlaid with a semi-transparent purple rectangle. The text "Strategy Update" is centered in white. The kitchen features upper cabinets with glass doors, open shelving with various items, and lower cabinets with drawers and doors. A wooden floor is visible in the foreground.

Strategy Update

Strategy Update

- Carried out Strategic Review
- Identified Internal Issues
- Identified Potential Growth Areas

Strategy Update

- Carried out Strategy Review

 - Review of Competition

 - Review of Market

 - Review of Base Business

 - Review of Future Opportunities

- Identified Internal Issues

- Identified Potential Growth Areas

Strategy Update

- Carried out Strategy Review
- **Identified Internal Issues**
 - Opportunities to maximise the customer journey
 - Acknowledged that systems needed to be updated to free up critical time on the front line
 - Manufacturing needed to be more organised and focused on continuous improvement
 - Quality Control needed to be more rigorous
 - Capital needs to update the estate and then fund other key improvements in production
 - Financial controls needed significant review
- Identified Potential Growth Areas

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- Identified Potential Growth Areas

Expansion of Store Base

Field Sales Team

Concessionary Opportunities

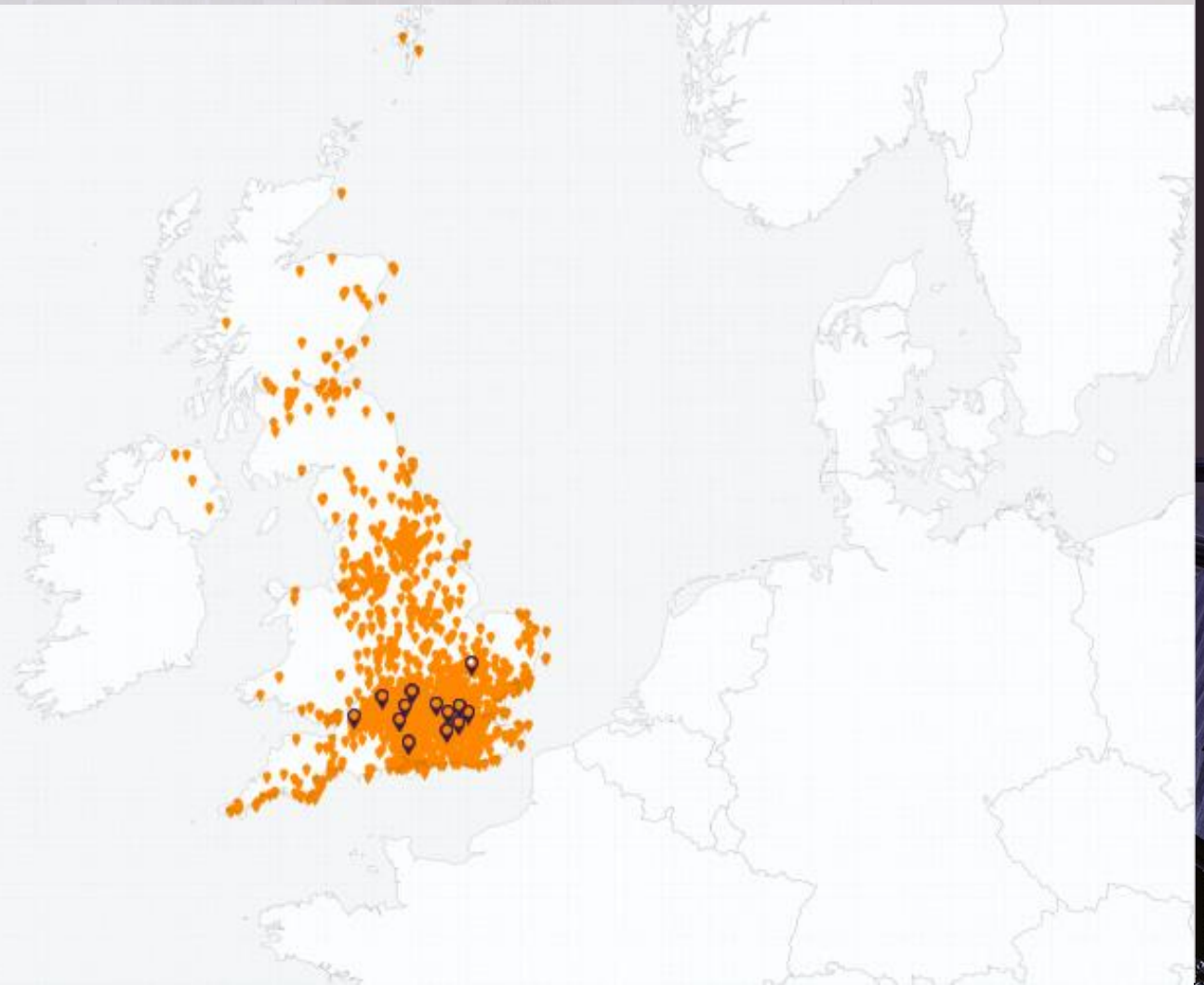
Distribution Expansion

Franchising

Online

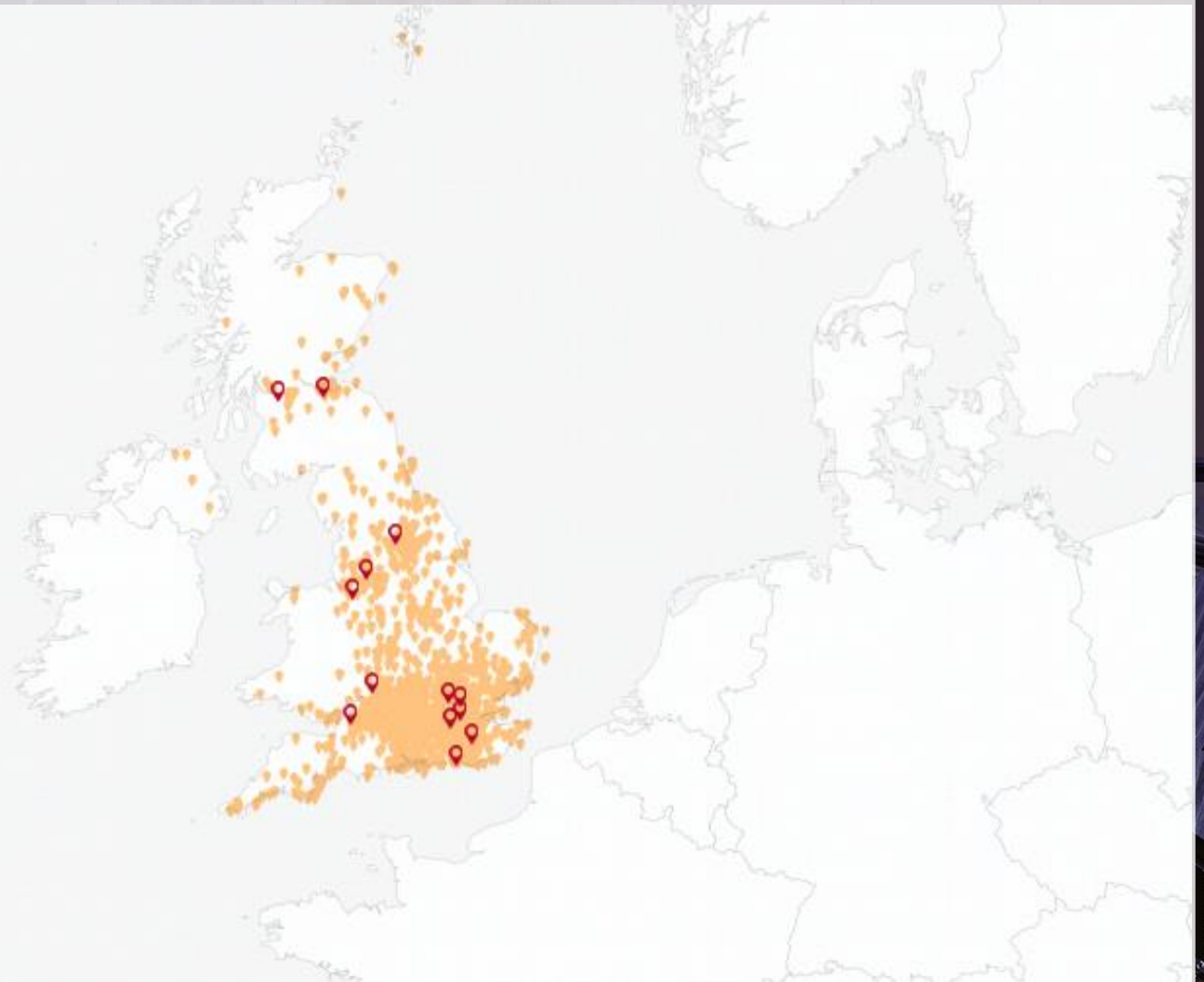
Strategy Update – JLH Showrooms

John Lewis
OF HUNGERFORD



Strategy Update – New Options

John Lewis
OF HUNGERFORD



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Q&A