



Homebase Provides Update on Turnaround and Announces Financial Results for Six Months to 30 December 2018

- **Following the sale of Homebase in June 2018, the management team restructured the business and put in place a comprehensive turnaround plan**
- **The delivery of the turnaround plan is on track with significant progress made**
- **The improved performance was underpinned by:**
 - **Removal of £100m of fixed costs**
 - **Bringing back the ranges Homebase was famous for with its customers**
 - **Improved shopkeeping focusing on better service and availability**
- **EBITDA losses declined by nearly £140m driven by the £100m reduction in costs and a 21.8% improvement in Gross Profit**

Wednesday, 17 April 2019 - Homebase, one of the UK's leading decorating and garden retailers, today provides an update on the progress of its turnaround and announces its financial results for the six months to 30 December 2018.

Financial Headlines

Six months to 30 December 2018

The business has delivered a much stronger performance during the period, with EBITDA losses declining by nearly £140m. Gross Profit, which increased by 21.8%, benefitted from improved margin performance driven by significant improvements in both stock loss and the overall quality of stock.

	6 months to 30 December 2018 (£'m)	6 months to 31 December 2017 (£'m)	% Change
Turnover	497.8	515.6	(3.5)%
Gross Profit	217.1	178.3	21.8%
Operating loss pre - exceptionals	(39.1)	(187.3)	79.1%
EBITDA loss pre - exceptionals	(33.0)	(172.3)	80.8%
Exceptionals*	30.9	-	
Operating loss post exceptionals	(8.2)	(187.3)	95.6%

**Exceptional gain of £30.9m in the six months to 30 December 2018, includes the profit on the sale of a freehold store and the net writeback of various property related provisions.*

Delivery of Turnaround Plan on Track

Following the sale of Homebase in June 2018, the management team restructured the business and is implementing a comprehensive turnaround plan.

Significant progress has been made to deliver financial and operational stability, with the turnaround plan focusing on the following:



Cost management and financing

- Delivered a reduction of the fixed cost base of approximately £100m through the following measures:
 - Store Support Centre (Head Office) Restructure; Reduced head count by 38% and reorganised operations to remove complexity, increase productivity and simplify the business.
 - Company Voluntary Arrangement (“CVA”); Closed 47 significantly loss-making stores and secured rent reductions on an additional 70 stores.
 - Streamlined distribution network; Closed two out of six distribution centres to reflect the requirements of a smaller store estate and improved stock management.
- Secured an asset-based lending facility of up to £95m from Wells Fargo Capital Finance to support working capital requirements.

Improved shop keeping and in-store experience

- Responding to strong customer demand by enhancing its kitchen and lighting offer, as well as reintroducing popular ranges such as furniture and soft furnishings.
- Brought back complementary in-store concessions, with partnerships announced with Tapi, Silentnight and Ponden Home.
- Enhanced team member training programmes, with the number of team members till trained more than doubling, with 95% now qualified. Over three quarters of the team are now trained to take customer orders and able to mix paint.
- Laid the foundations to rebuild the digital offer, with early initiatives generating a double digit increase in traffic to the Homebase website.

Outlook and Current Trading

The successful delivery of the first phase of the turnaround plan has had a positive impact on performance and the momentum has continued into 2019. Management are confident a solid foundation for future growth is now in place and the business is well placed as it enters the key Spring and Summer trading period.

Damian McGloughlin, CEO of Homebase, said: *“After the change in ownership last year, we put a clear plan in place to restructure the business, with a focus on cost management, better shop keeping and bringing back the things our team and customers love most about Homebase.*

“The benefits of the changes we have made are starting to come through and I am extremely grateful for the loyalty, energy and support we have received from our team members and suppliers. It is their hard work that has enabled us to put in place these stronger foundations.

“Clearly, we are only 10-months into a three-year turnaround plan. Homebase remains one of the most recognisable retailers in the UK and Ireland, and the progress we have made in reinvigorating our customer experience means we are very optimistic about the future.”

Andy Coleman, CFO of Homebase, said: *“Central to our turnaround plan was the need to reduce our cost base through a series of difficult but necessary measures and we have already removed £100m of fixed costs from the business.*

“These changes combined with our improved operational execution are already bearing fruit with EBITDA losses declining by nearly £140m in the second half of 2018. We are encouraged by the progress we are making on our turnaround plan and believe that we now have a stable platform in place to support future growth.”



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Notes to editors:

About Homebase

Founded in 1979, Homebase is one of the UK's leading decorating and garden retailers. The company operates 186 stores across the UK and the Republic of Ireland.

Homebase's expansive product range includes painting and decorating, plants and gardening, in addition to kitchens, furniture and storage.