



Dunelm Group plc

Capital and dividend policy

Ordinary dividend

The Group will operate with a modest amount of leverage such that net debt, measured as daily average liquid funds over the most recent six month period, should fall within the range 0.25x - 0.75x last twelve months' EBITDA.

We will normally make an annual and interim dividend payment each year. We would expect to maintain or steadily increase the absolute amount of each dividend payment in line with the growth of the business.

The Board intends that ordinary dividend cover (by which we mean the Group's earnings per share divided by the total amount paid to shareholders by way of ordinary dividend) should be between 1.75 and 2.25x in the full year in respect of which the dividend is paid. The Board may allow a temporary fall in the dividend cover requirements in order to maintain the dividend.

Special distributions

The Board will consider returning cash to shareholders by way of a special distribution if average net debt over a period consistently falls below the minimum target level of 0.25x EBITDA, subject to known and anticipated investment plans at the time.

Share buyback

Our policy is to purchase shares in the market for re-issue under employee share schemes to avoid dilution of existing shareholder interests. We do not cancel shares purchased or use share buybacks as a way of returning cash to shareholders or for treasury management.

Distributable reserves

The Board ensures that the parent company has sufficient distributable reserves available from which to make distributions. During the FY16 financial year, the Group undertook a capital restructuring exercise which facilitated the payment of dividends from subsidiary undertakings to Dunelm Group plc of £359m. Consequently the parent company has retained earnings of £242.8m as at 2 July 2016.

Duration of this policy

Absent significant changes in our business model, a requirement to invest capital to support the growth of our business, or deterioration of our profitability we would expect this policy to apply for the foreseeable future.

How our policy has been applied

During FY16 dividends were paid as follows:

Dividend type	Financial year	Amount per share	Payment date
Ordinary (final)	2014-15	16.0p	27 November 2015
Ordinary (interim)	2015-16	6.0p	24 March 2016

Special	2015-16	31.5p	24 March 2016
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841,359 shares were purchased for re-issue to employees exercising options under the Company's share schemes.

The Board has proposed that a final ordinary dividend of 19.1p per share be paid in November 2016, subject to approval at the AGM. The total ordinary dividend of 25.1 p per ordinary share for FY16 has increased 16.7% year on year, compared with an increase EPS of 7.5%. Dividend cover was 2x.

Over the last five years, the Group's ordinary dividends and earnings per ordinary share were:-

Financial year	Ordinary dividend pence per share	Increase YOY	Diluted EPS pence per share	Increase YOY	Dividend cover
2012	14.0	21.7%	35.1	19.8%	2.5x
2013	16.0	14.3%	40.0	14.0%	2.5x
2014	20.0	25.0%	43.7	9.3%	2.2x
2015	21.5	7.5%	47.3	8.2%	2.2x
2016	25.1	16.7%	50.3	7.5%	2.0x

Total distributions, including special distributions, were:

Financial year	Total distributions pence per share
2012	14.0
2013	41.0
2014	20.0
2015	91.5
2016	56.6

Approved by the Board on 14 September 2016.