Dunelm Group plc

Capital and Dividend Policy

Prioritisation

The Group will return surplus cash to shareholders after prioritising investment in the business.

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 0.2x - 0.6x last twelve months' EBITDA (on a post IFRS16 basis).

Ordinary dividend

The Group will normally make an annual and interim dividend payment each year and 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

If the Group has surplus cash after investment in the business and payment of ordinary dividends, the Board will consider a return to shareholders by way of a special dividend, a buyback of the Group's shares, or a combination of both, subject to the necessary Board and shareholder approvals.

Share buybacks to satisfy employee incentive schemes

Aside from any capital return to shareholders, the Group will continue to purchase shares in the market for re-issue under employee share schemes to avoid dilution of existing shareholder interests.

Distributable reserves

The Board ensures that the parent company has sufficient distributable reserves available from which to make distributions.

Duration of this policy

This policy will be reviewed periodically, giving due consideration to market conditions, our business model, and the requirement to invest capital to support the growth of our business.