



Todd Wenning

President and Chief Investment Officer, KNA Capital Management



Howden Joinery

MOI Wide Moat Conference 2025

Todd Wenning, CFA
KNA Capital Management



Disclosures

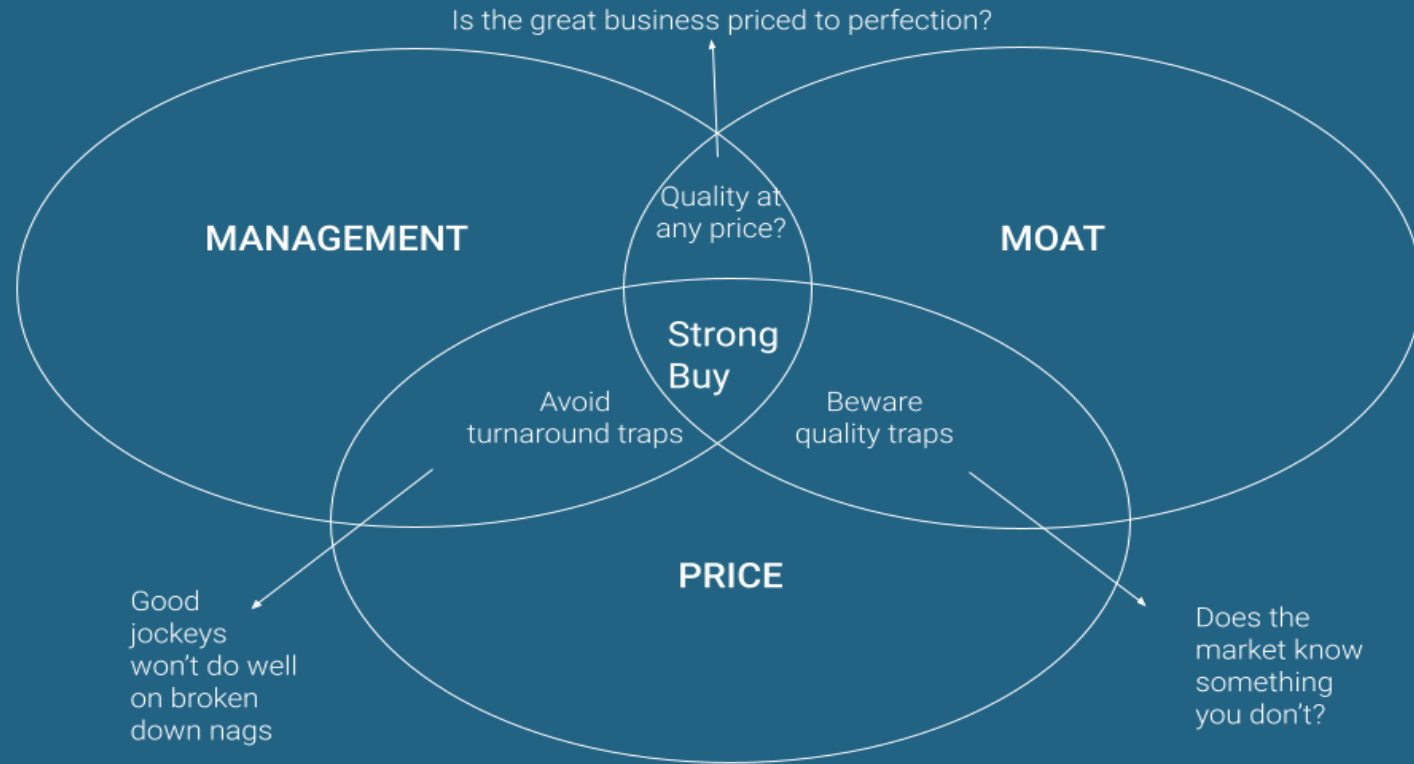
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About KNA Capital

- Founded in 2024, KNA Capital Management, LLC is a boutique investment advisor based in Cincinnati, Ohio that manages a proprietary equity strategy (Core Equity) alongside offering investment management services to high-net worth individuals, families, trusts, foundations, and other client types.
- The KNA investment philosophy is rooted in three core principles: owning companies with economic moats (durable competitive advantages) led by thoughtful stewards of shareholder capital and buying them at attractive prices. I value simplicity over complexity.
- KNA Capital fee structure: 1.25% of average assets under management (AUM); 1% above \$10 million.
- Minimum account size: \$250,000; household assets under management count toward the minimum.

Investment Philosophy

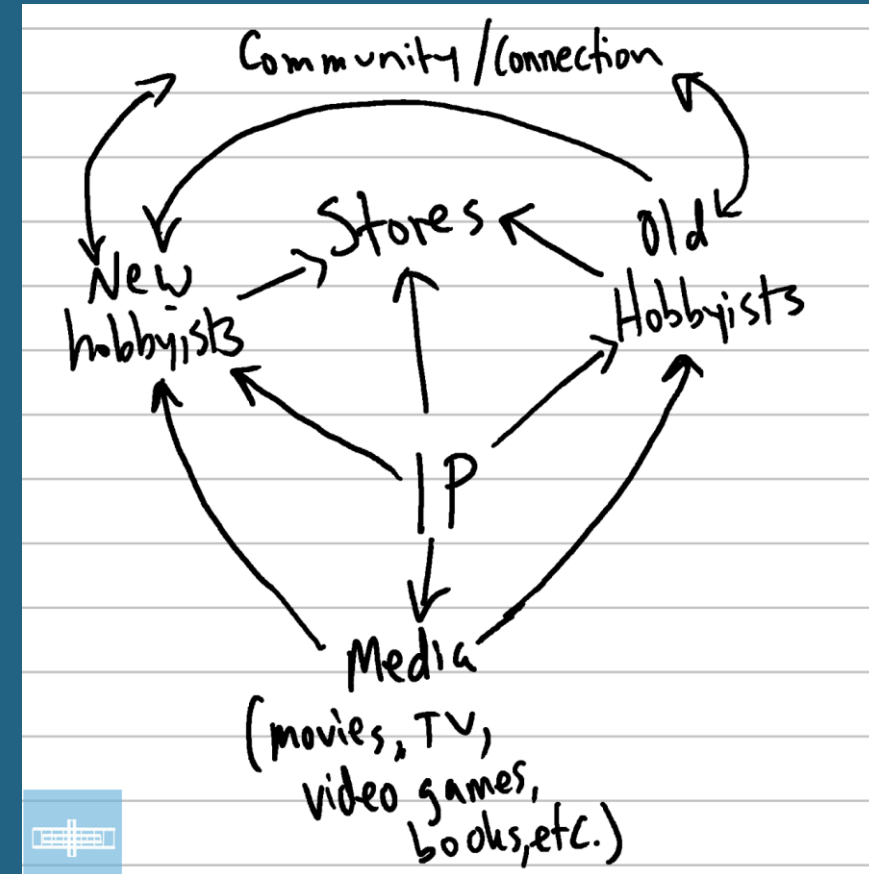


...then be patient

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Update on Games Workshop (GAW.L)

- Since last year's presentation (June 27, 2024), GAW has generated total returns of 55.8% (through June 10, 2025) versus 11.7% total returns for the S&P 500 (SPY).
- Virtuous “flywheel” around the core intellectual property persists and is growing stronger.
- Commonly cited threats to GAW's moat (3D printing substitutes, high cost of starting hobby, etc.) have had minimal impact.
- Proliferation of AI content can counterintuitively help GAW. Easy to create new content; can't replace nostalgia/time.
- Forthcoming Amazon series should further strengthen flywheel.



Staff

Customers

**Environment
and communities**

Worthwhile
for all concerned

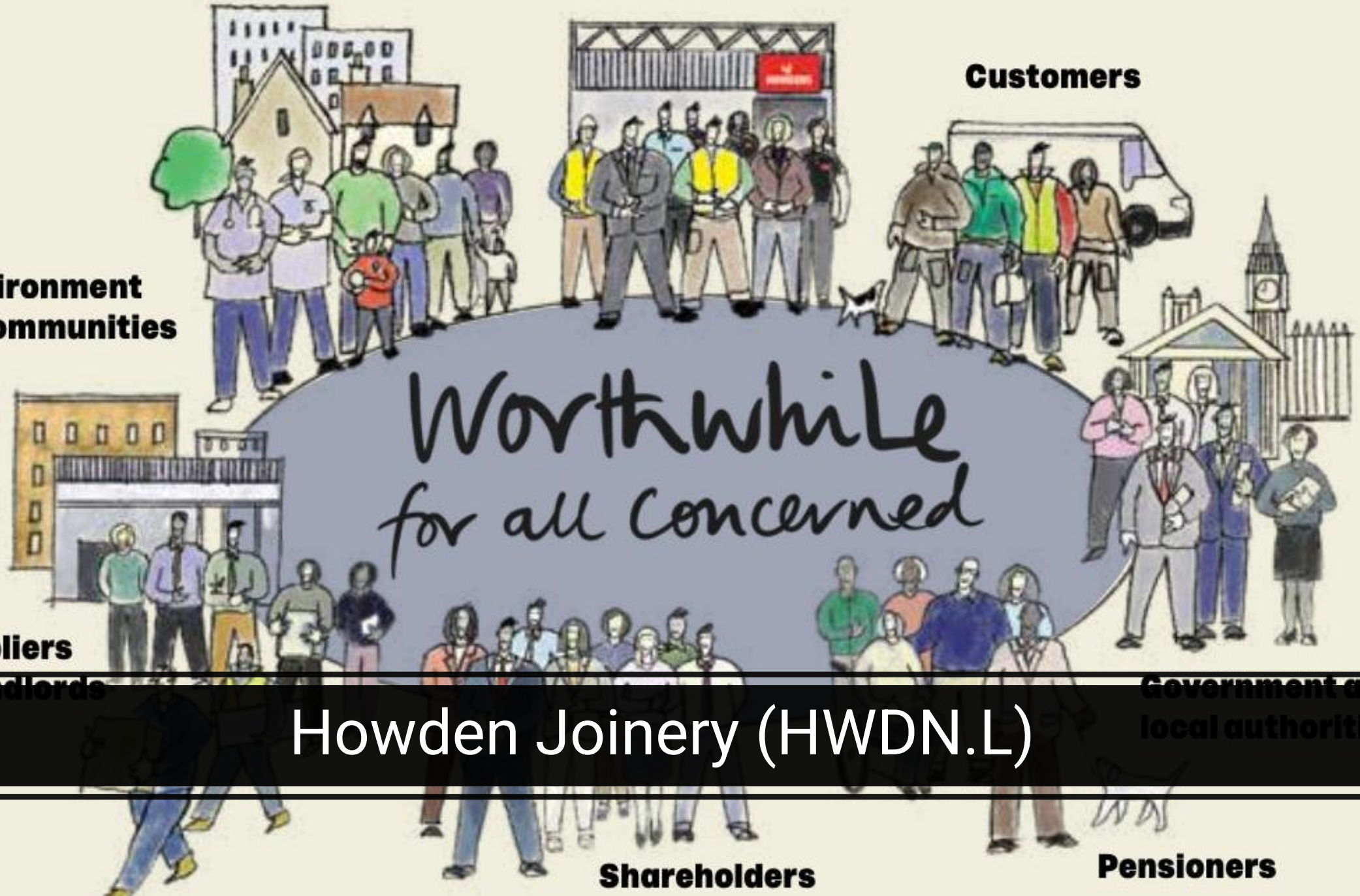
**Suppliers
and landlords**

**Government and
local authorities**

Howden Joinery (HWDN.L)

Shareholders

Pensioners



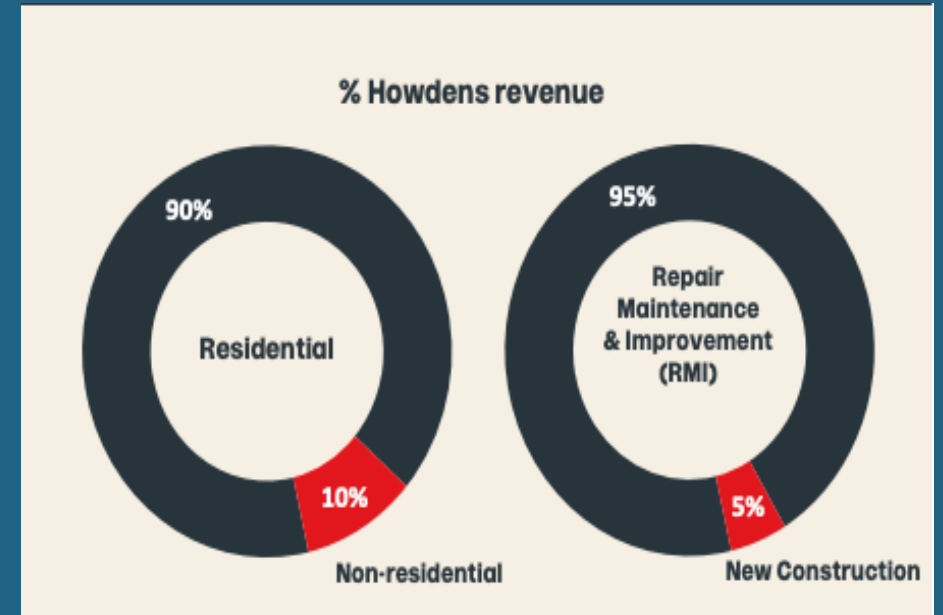
Company overview

- Market cap: GBP 4.8 billion
- P/E ratio (ntm): 18.9x
- Headquarters: London, UK
- Net cash: GBP 343 million (no financial debt)
- Depot locations:
 - UK: 871
 - International: 78
 - France, Belgium, and Republic of Ireland

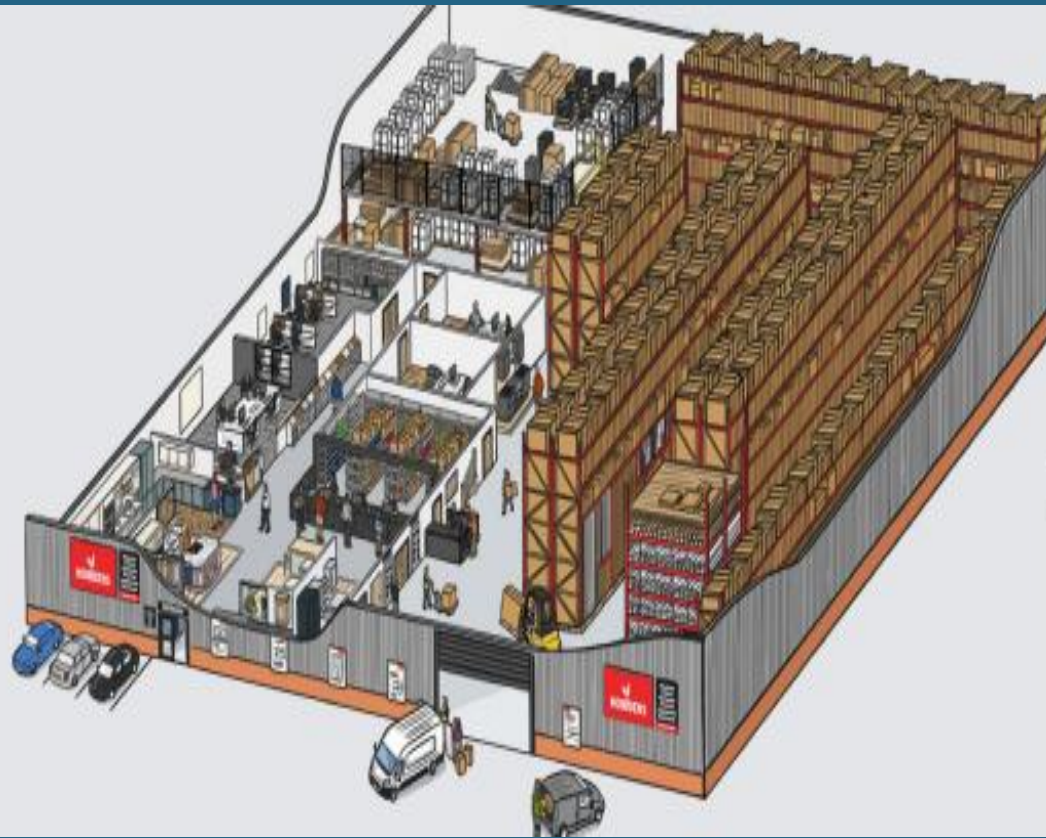


Unique Business Model

- Complete focus on trade (“Pro”) customer
- Vertically-integrated supply
- Depot-led operations with decision making done at the local rather than corporate level.
- Depot managers and staff share in their depot’s profitability



Depot Model: Howdens' Powerhouse



- Howdens empowers its depot managers and staff to run “small businesses with corporate support.”
- Prices are confidential, giving each depot agency to make decisions on what’s best.
- The starting salary for depot managers is ~ GBP 50,000 + monthly bonuses of 5% of depot-level EBIT.
- Depot staff get 5% of depot-level gross profit.
- Monthly payouts create strong motivation and energy
- Howdens’ corporate designed to support depots and depots support the trade
- UK depot manager turnover is just 2%

Trade Customer Focus

Remove the pain for tradesmen

- Handle the design
- Always have inventory in stock
- Have depots located near jobsites
- Give them best prices available
- Provide short-term working capital financing (~50 days on average)
- Help them turn projects faster and make more money
- Happy tradespeople more likely to come back to Howdens for new projects.



UK Market – Overview



- UK Kitchen & Joinery (Joinery = fine woodworking) market is about GBP 11 billion per year.
- Howdens thinks it has ~25% share of the UK K&J market.
- 90% of Howdens' business is residential; 95% of residential business is RMI (Repair, Maintenance, Improvement) and 5% new construction.
- Average kitchen refit is ~ GBP 3,500

UK Market – Types of K&J Operators

- **Trade-based:**

- Situated in industrial parks, low-cost real estate.
- Financing is with tradesperson.
- Vertical integration is key.
- Competitors like Travis Perkins and Magnet don't have this and can't keep up.

- **Retail:**

- Retail parks, fancier showrooms.
- Financing is with customers.
- Key competitors: Wren's, IKEA

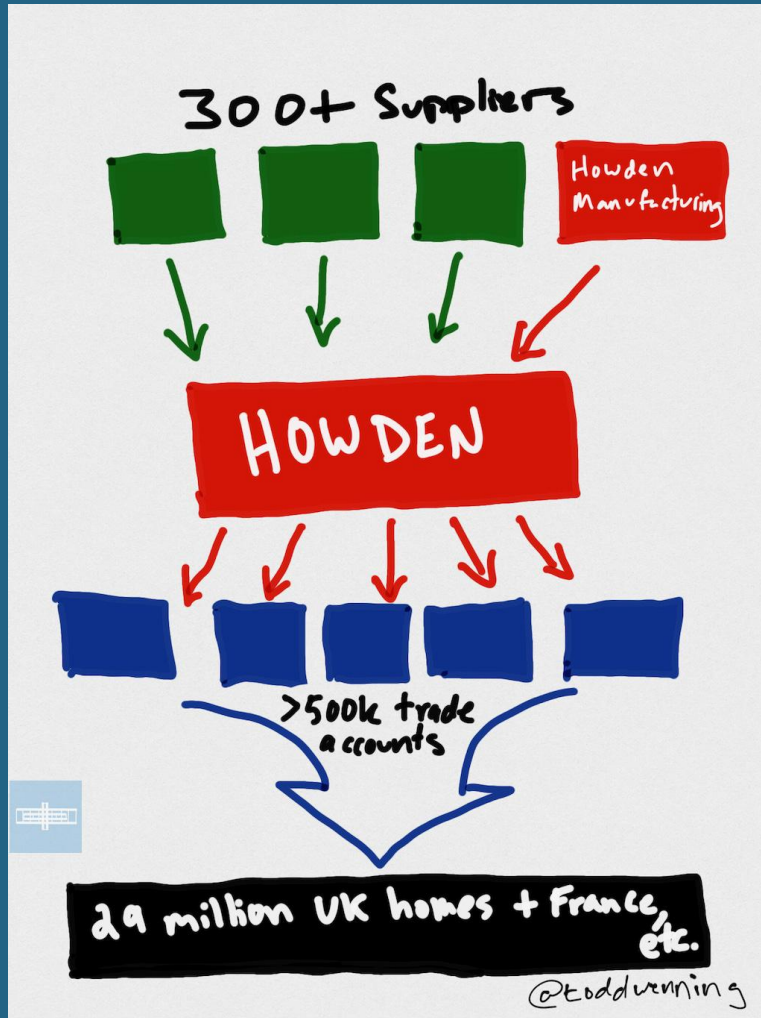
- **Mom & Pops:**

- Higher end customers with average installation price > GBP 10,000.
- Subscale operators donating share to Howdens and others.

- **Homebuilders:**

- About 5% of Howden's business. Not their bread and butter.

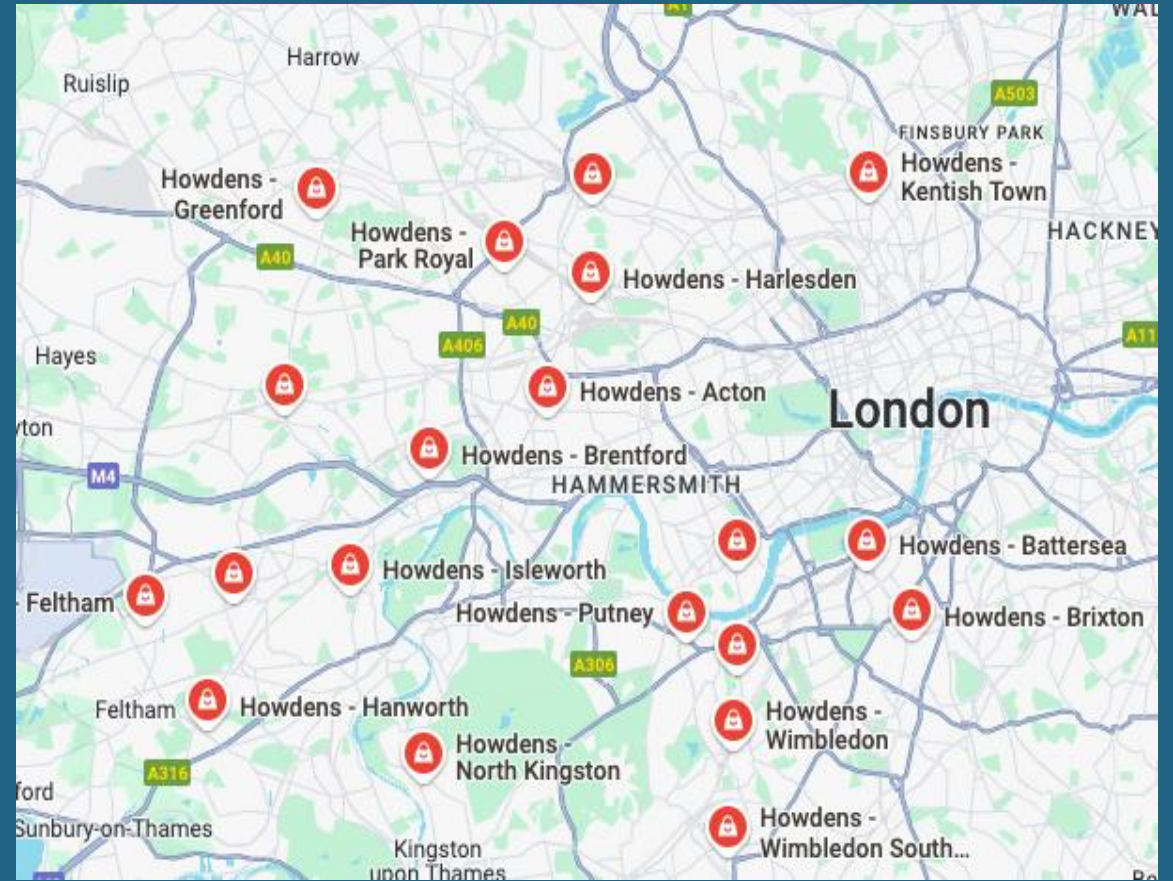
The Howdens Moat - Overview



- Howdens benefits from network effects, low-cost production, and switching cost advantages that make it difficult for new or existing competitors to gain a foothold.
- Its focus on B2B versus B2C creates stickier relationships that are hard for B2C outfits to match from a cultural standpoint.

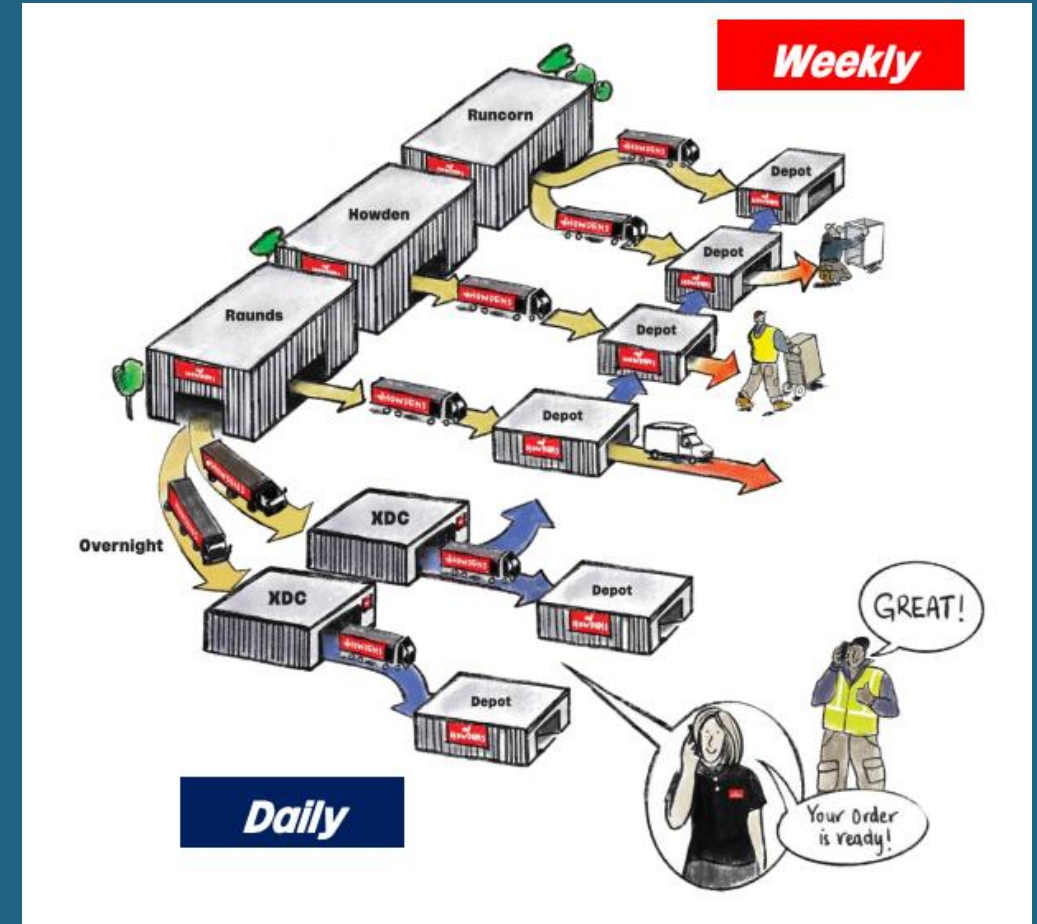
Moat #1: Network Effects

- 85% of customers are <5 miles from a Howdens depot
- 99.98% product availability from distribution to depots
- As Howdens adds more depots, the network becomes more valuable.
 - Lower transportation costs
 - Better product availability
 - Improved offer to tradespeople

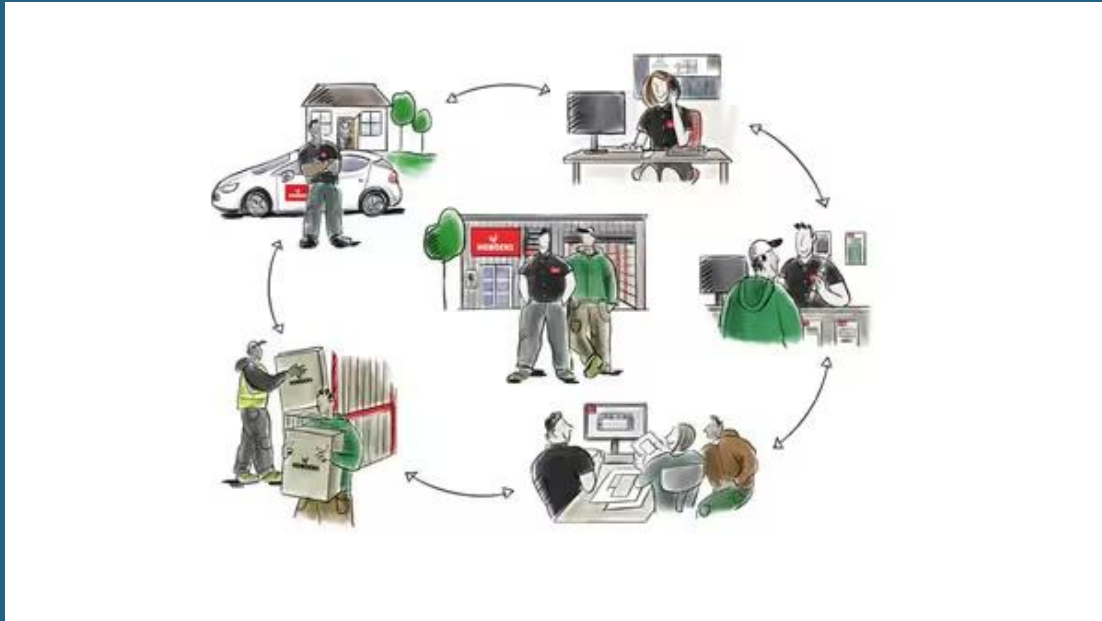


Moat #2: Low-Cost Production

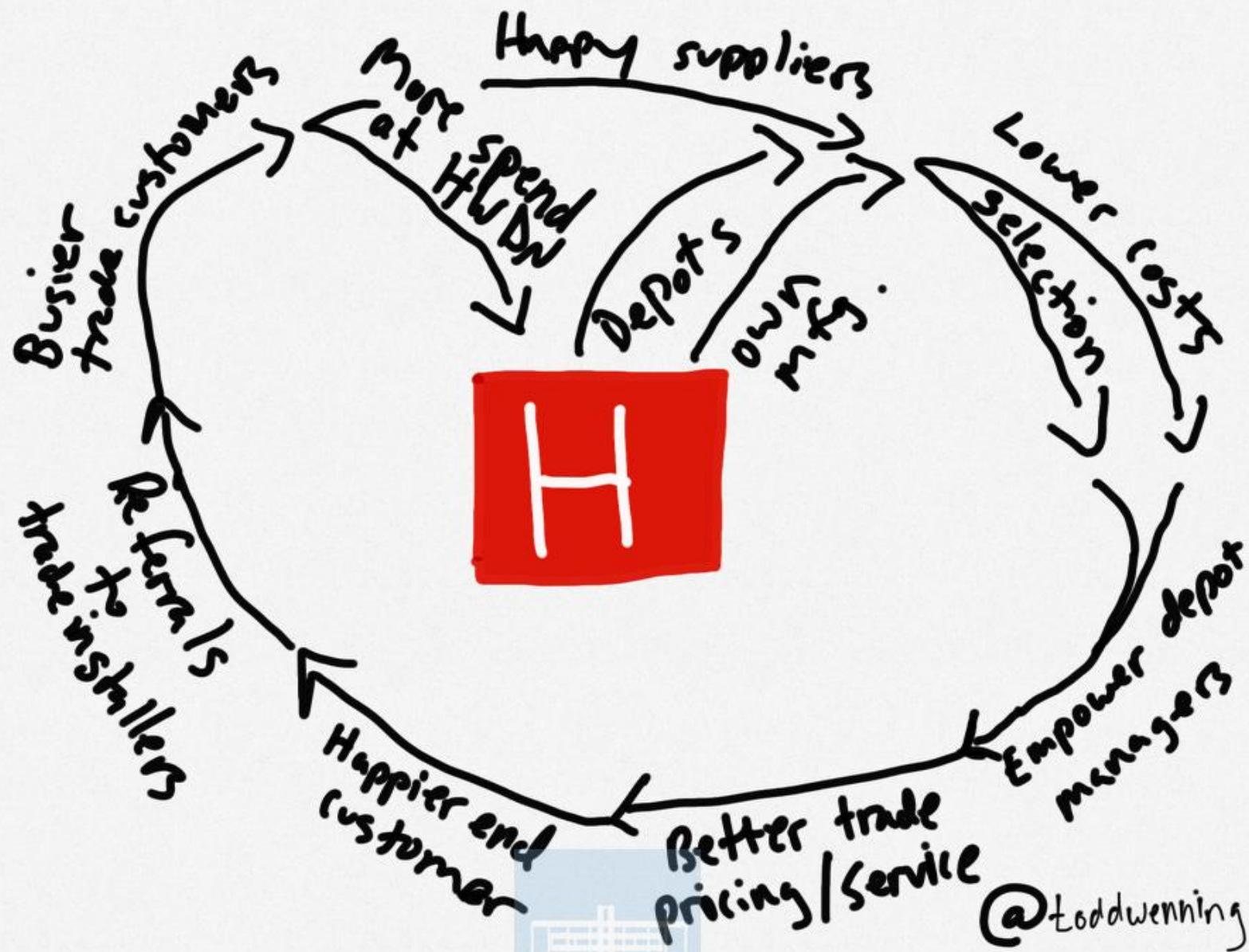
- The larger Howdens grows, the more bargaining power it has with its >300 suppliers.
- 36% of COGS are self-manufactured
 - All cabinets are made in-house
 - Lamona brand appliances
- A dense network of distribution centers and cross-distribution centers (XDCs) reduce transportation costs and make inventory management more efficient.



Moat #3: Switching costs



- Trade is a relationship-driven business where reliability and trust matter.
- The more a tradesperson works with Howdens, the better the pricing terms.
- Beyond pricing, Howdens can help the contractor become more efficient, which drives more business and deeper, anti-fragile relationships.



Growth Driver #1: New & Updated Depots

- Howdens is in the process of updating its legacy UK depots.
 - Better digital integration
 - Customer-friendly welcoming area
 - Improved display areas
 - More efficient warehouse area
- Management sees room for ~1,000 UK depots (871 today).
- International is the multi-billion-dollar question.
 - With hindsight, France was not launched properly. Has been a long process to fix, but on the right track with urban focus.
 - Republic of Ireland has proven a natural fit for the model.
 - US is possible, eventually. Lack of metric system is a problem!

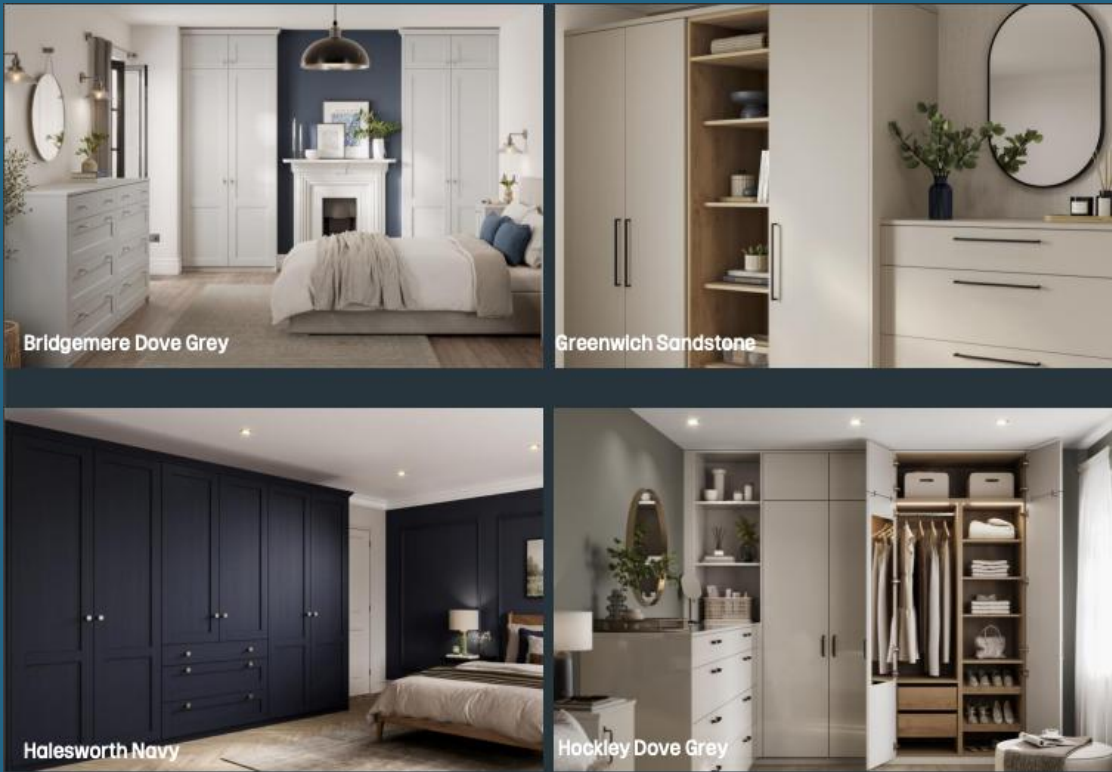


Growth Driver #2: Upscaling

- Moving upmarket on quality, take share from subscale independents



Growth Driver #3: New Product Lines



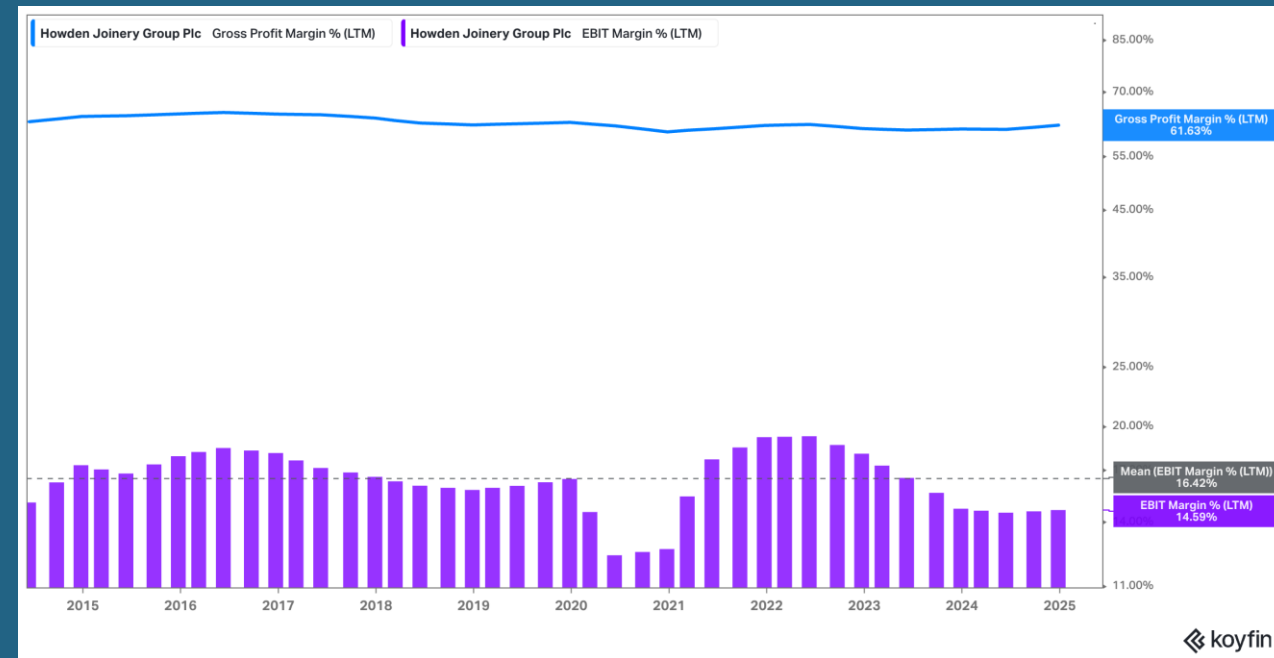
- In 2024, Howdens launched an entry into fitted bedrooms
- Plays to strengths in cabinetry
- Aligned with existing distribution, supply chain, and inventory management
- Provides trade customers with cross-selling opportunities.
- Other rooms possible

Key Risks

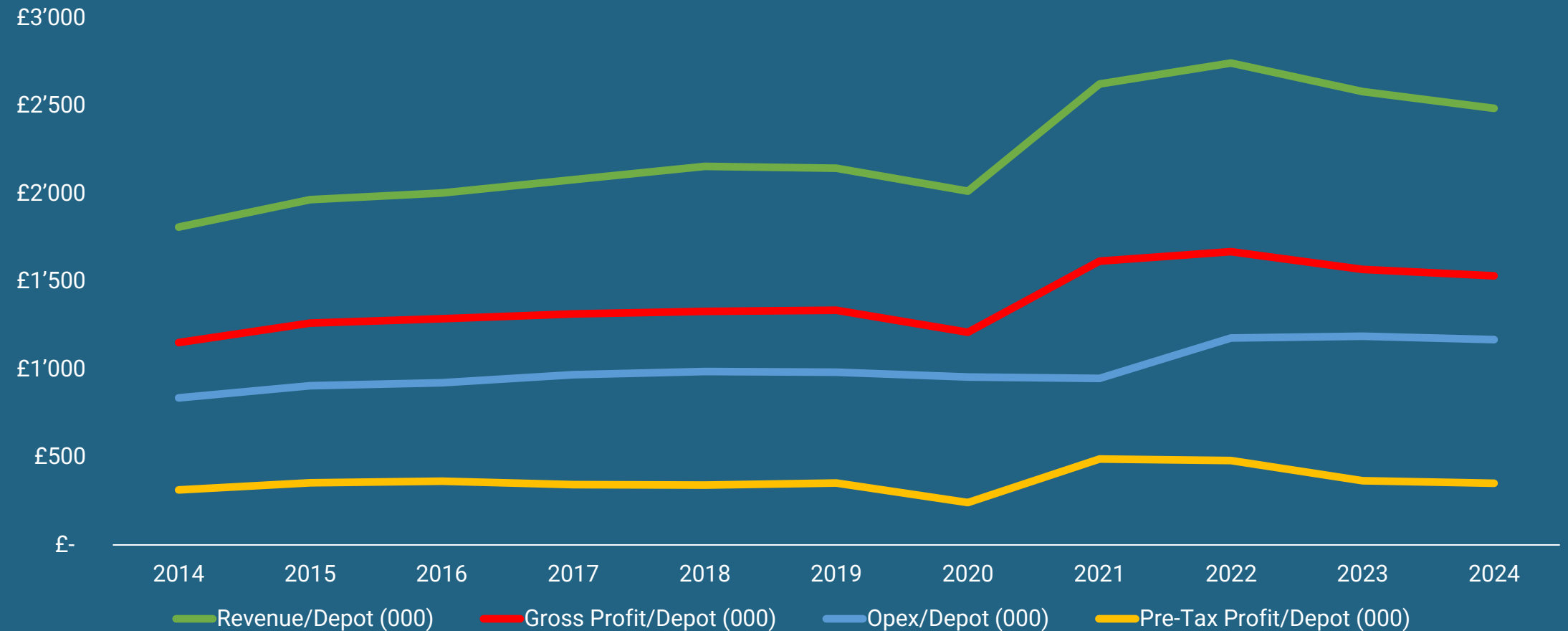
- **Bad debts:** If trade customers are unable to repay working capital credit, Howdens eats the cost and could become more conservative with the offer, slowing the flywheel.
 - Totaled GBP 9.8 million in 2024; ~GBP 18 per account
- **France:** Howdens is bent on succeeding in France and Belgium and continues to invest there, despite mixed results.
- **Consumer confidence:** While Howdens is B2B, trade activity is driving by consumer confidence. Kitchen remodels are large ticket items and are driven by interest rates, real estate values, and other macro variables.

Financials - Track Record

- Howdens' business model lends itself to consistent gross and operating margins across the cycle.
- It does not carry financial debt (untapped revolver), only lease liabilities.
- Annual dividend increases for 12 years.
 - Deferred in 2020, fully repaid in 2021



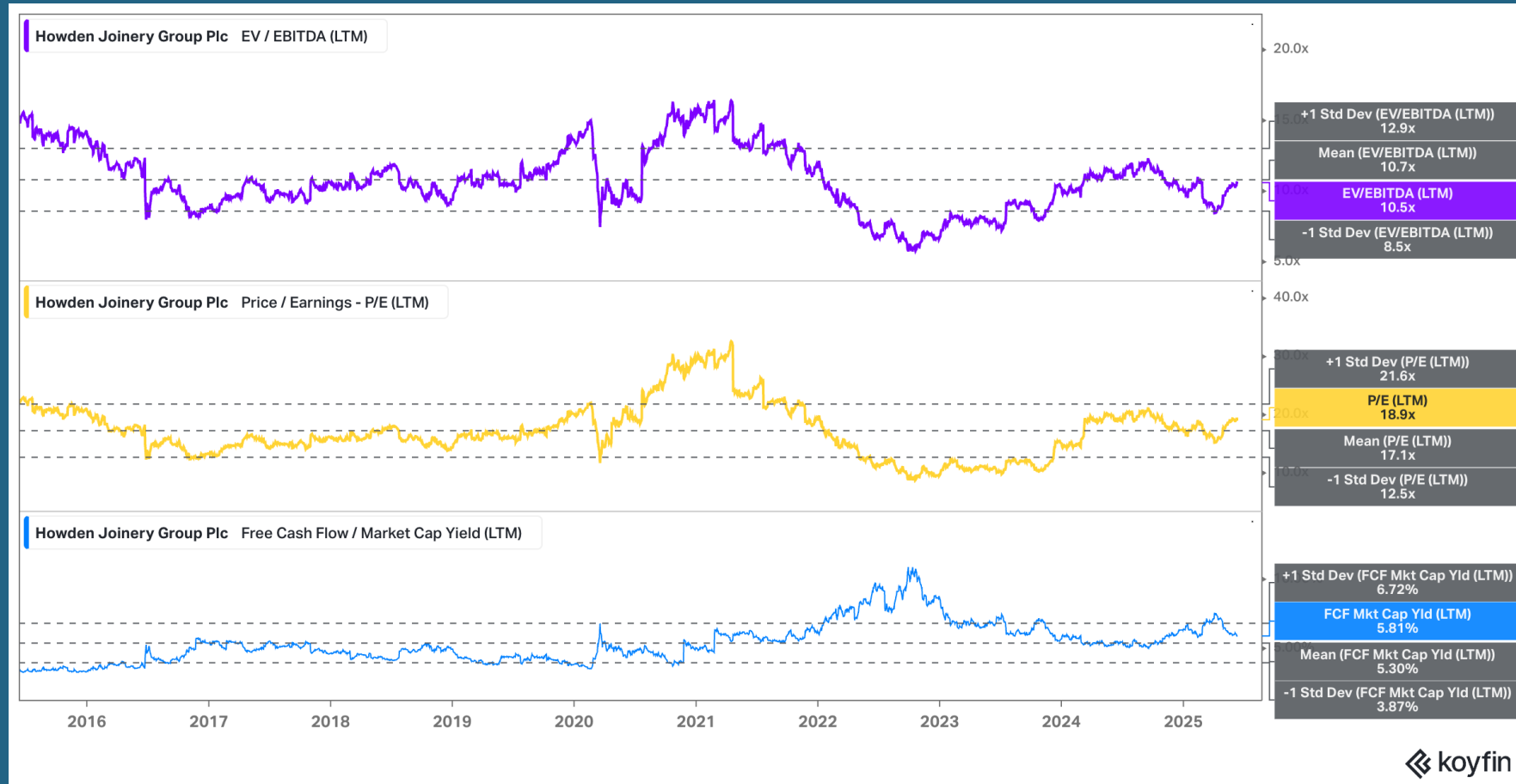
Financials – Depot Unit Economics



Management / Stewardship

- Founder Matthew Ingle no longer directly involved in the company, but Howdens retains “founder’s pedigree”
 - Created unique depot-level incentive program
 - Clear and thorough communication with shareholders
 - “Worthwhile for all concerned” - Stakeholder respect supports anti-fragility in what’s otherwise a cyclical market.
- Current CEO Andrew Livingston has been in the role since 2018 and was Ingle’s hand-picked successor
- Biggest blemish on capital allocation has been doubling-down on France, but that could change with time

Valuation - Overview



Valuation - Comparables

Idiosyncratic nature of Howdens' business makes it difficult to do apples-to-apples comps.

| | EV/EBITDA (LTM) | ROE (LTM) |
|--------|-----------------|-----------|
| HWDN.L | 10.5 | 23.7% |
| FERG | 13.4 | 29.1% |
| BLDR | 8.2 | 19.6% |
| GFTU.L | 8.0 | 7.5% |
| TPK.L | 7.5 | -2.0% |
| KGF.L | 6.3 | 2.9% |

Valuation – Absolute Value

Base case is that Howdens is worth **GBP 12 per share**.

Key assumptions:

- Depot growth to 1,116 by 2029 (currently 949)
- 4% revenue growth per depot, 2024-2029
- 60.2% gross margins through 2029
- 10% cost of capital
- Terminal multiple of 13x EV/EBIT, consistent with 10-year average and triangulated with terminal growth assumptions

Why is the market wrong today?

- The current market price (GBP 8.74) implies a slow recovery in the UK kitchen and joinery market and continued weakness in France.
- France is indeed a big question, but it's not Howdens' only growth opportunity.
- Expect international expansion in other densely populated European markets like Netherlands and Poland.
- Great companies and cultures like Howdens' tend to create unexpected value and I don't believe that optionality is priced in today.

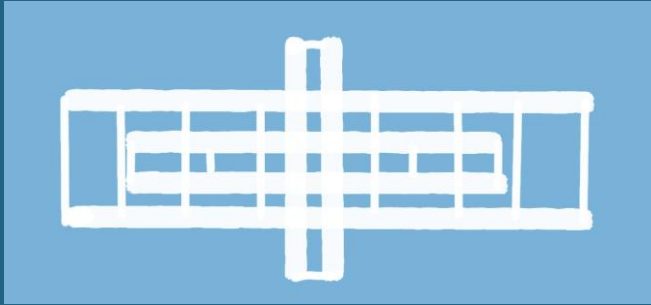
Thesis Summary

- Howdens is an idiosyncratic business with multiple moat sources, led by thoughtful stewards of shareholder capital, which has proven resilient while operating in niche, cyclical end markets.
- Its business model offers multiple avenues for growth with flywheel attributes that lends itself to long-term value creation.
- The market is underestimating Howdens' qualitative characteristics and culture.

Q&A



Selected Writings by the CIO



Flyover Stocks

- [The Inevitable Capital Cycle](#) – February 2025
- [Position Sizing: Optimizing for Better Returns](#) - August 2023
- [Mind the Gap: The Risks of Missing Moat, Management, or Valuation](#) - October 2023

KEEPING YOUR DIVIDEND EDGE

STRATEGIES FOR GROWING &
PROTECTING YOUR DIVIDENDS

TODD WENNING, CFA

About Todd Wenning, CFA

Todd Wenning is the President and CIO of KNA Capital Management. Before founding KNA Capital, Todd was a senior investment analyst at Ensemble Capital Management where he helped manage a \$1 billion concentrated equity portfolio.

Before joining Ensemble in 2017, Todd was a senior equity analyst at Johnson Investment Counsel, one of the largest independent RIAs in the U.S., where he worked on the firm's SMID cap equity strategy and supported the equity income portfolio.

From 2011 to 2015, Todd was a sell-side analyst at Morningstar and served as the Head of Morningstar's equity stewardship methodology.

Earlier in his career, Todd worked at The Motley Fool, SunTrust Asset Management, and The Vanguard Group.

Todd has written about investing since 2006, including his popular blog, *Flyover Stocks*, and his book, *Keeping Your Dividend Edge* (2016). He is a finance lecturer at The University of Dayton, where he is the advisor to the student-run sustainability fund.

He has earned the right to use the CFA designation and has obtained the CFA Certificate in ESG investing.



Footnotes

All performance data is as of June 11, 2025 unless otherwise specified. Data sources include company filings, Koyfin, and author estimates.

All images are sourced from Howden Joinery unless otherwise noted. The map of London was sourced from Google Maps on June 10, 2025.

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