



**Half Year  
Results  
2018**

- **Overview – Matthew Williams**
- **Financial Performance – Rob Parker**
- **Strategy & Operations – Matthew Williams**

# Overview

**Matthew Williams**  
Chief Executive Officer

## Financial Performance

- Adjusted sales of £109.6m, +2.8% YoY
- Adj profit before tax £7.2m, (28.7)% YoY
- Free cashflow generation of £6.8m, +127% YoY
- Dividend maintained @ 1.1 pence, 2.0x FY cover

## Retail

- Strategy of “Out-specialising the Specialists”
- Product differential drives competitive advantage – 95% of range is exclusive
- 375 stores – updated target of 20-25 priority openings
- Trade Rewards+ 70,000 active members
- Continue seamless integration of digital experience with stores

## Commercial

- Entry into commercial has approximately doubled the size of our addressable market
- Plan to disrupt market and construct a new market leader via price, product & people
- Good progress with recruitment and establishing central capability

# Financial Performance

**Rob Parker**

Chief Financial Officer

# Income Statement Highlights - Adjusted

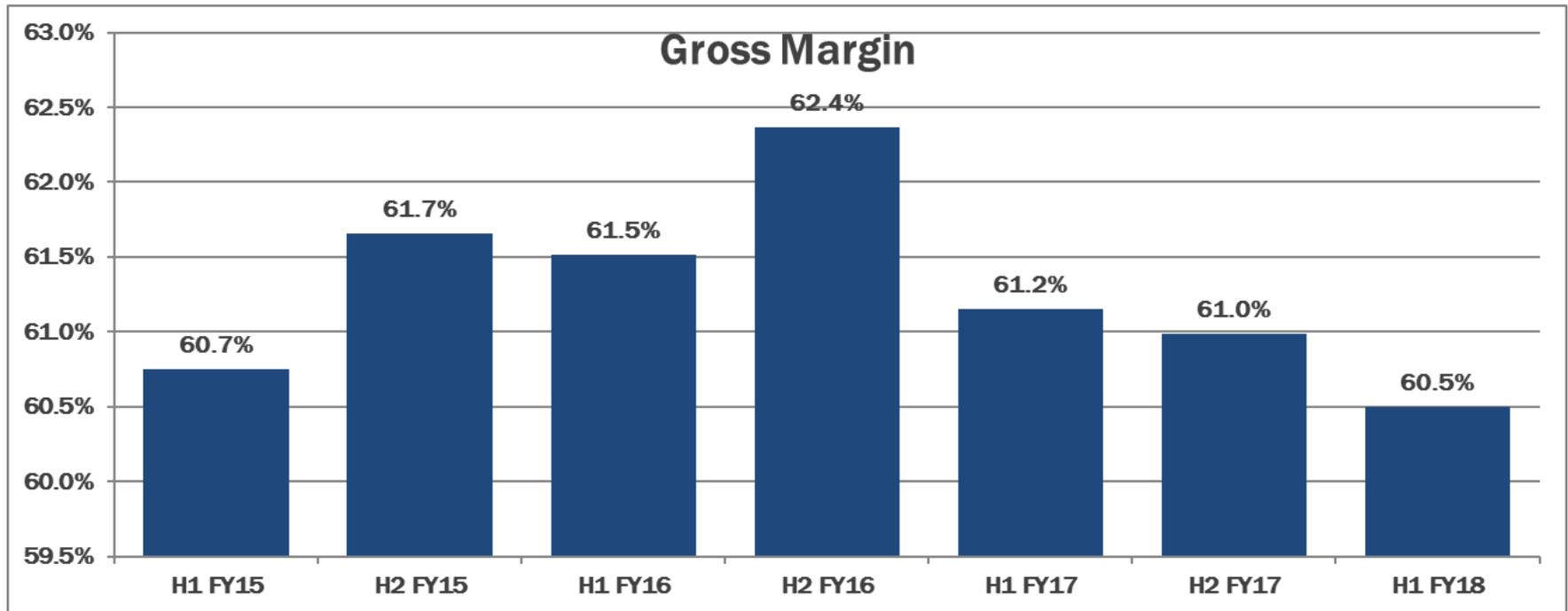
26 weeks ended 31 March 2018

**Topps Tiles**

	HY 18	HY 17	YoY
Sales - £m	109.6	106.6	2.8%
Gross Profit - £m	66.3	65.2	1.7%
Gross Margin %	60.5%	61.2%	(70)bps
Adjusted Opex - £m	58.7	54.6	8.1%
Adjusted Interest - £m	0.5	0.5	0.0%
Adjusted PBT - £m	7.2	10.1	(28.7)%
Adjusted Net Margin %	6.6%	9.5%	(290)bps
Adjusted EPS - pence	3.01	4.11	(26.8)%

- Sales increase of +0.6% on a LFL basis
- Gross margin decline of 70bps, largely due to deeper promotions YoY
- Opex increase of £4.1m, new stores and inflation are key drivers
- Adjusted PBT of £7.2m, -28.7% YoY
- Maintained interim dividend of 1.1 pence per share

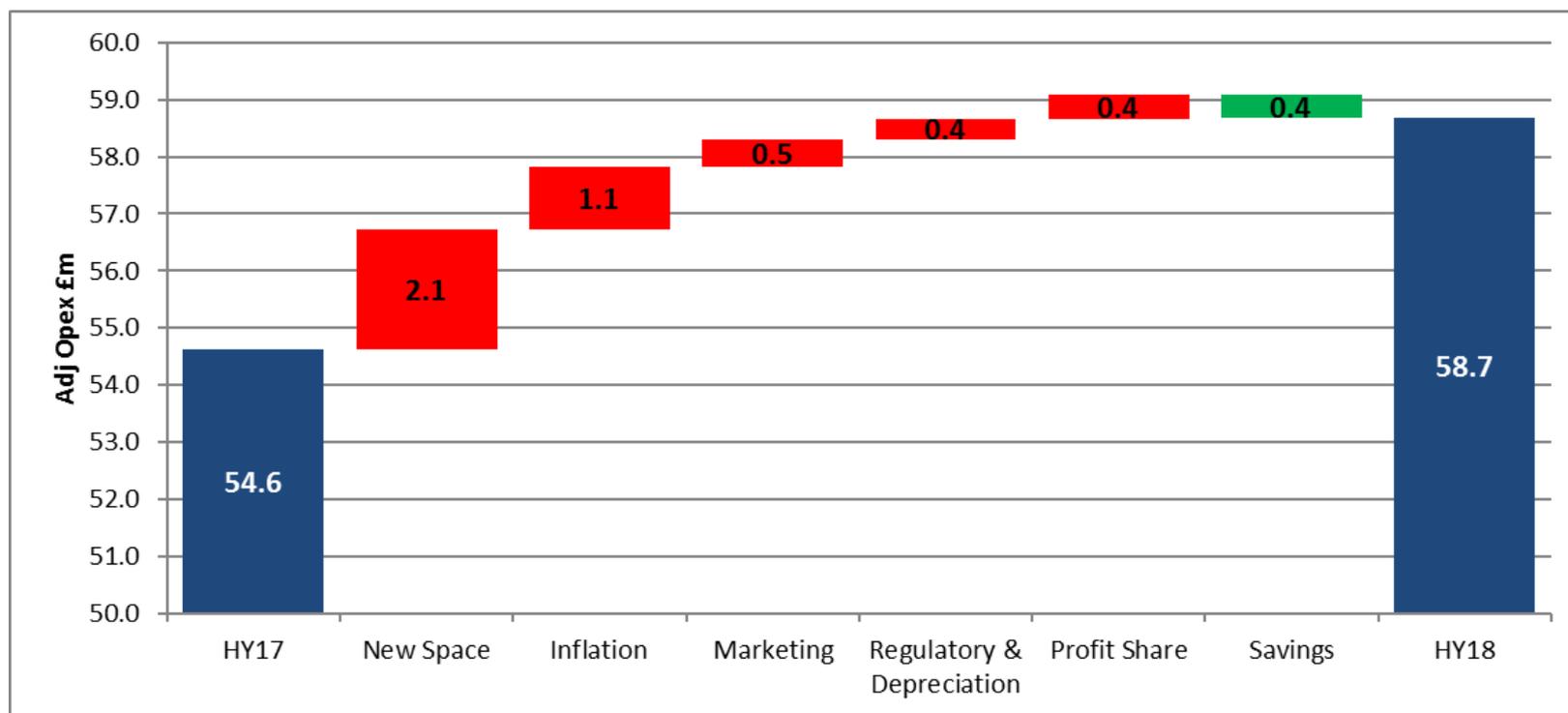
# Margin Performance



- H1 gross margin of 60.5%
- Adverse impacts from increased focus on promotional activity, trade mix dilution and Rewards+ loyalty scheme
- Partly offset by gains from FX , sourcing gains and differentiated product offer

# Adjusted Operating Expenditure Bridge

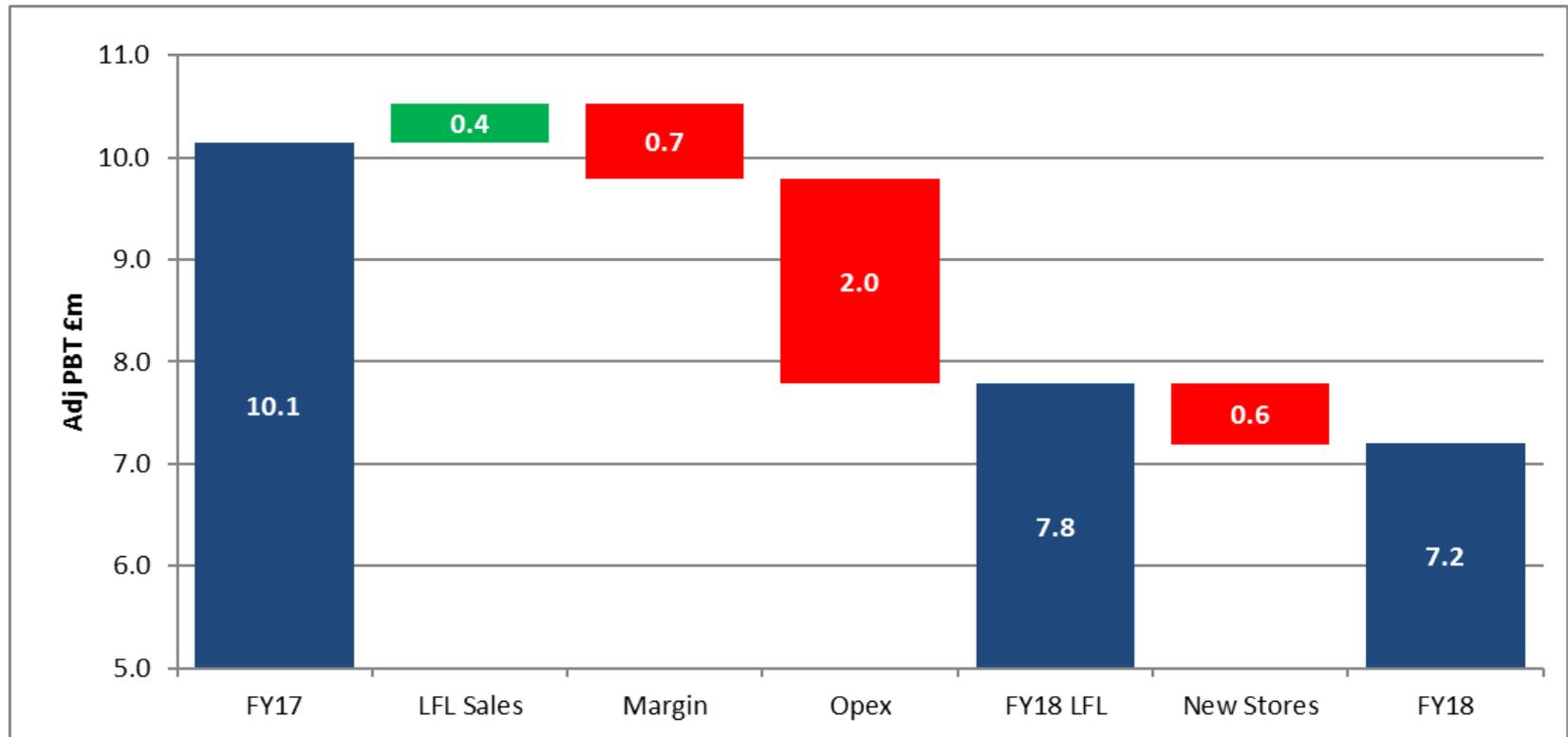
26 weeks ended 31 March 2018



- Adjusted opex increased by £4.1m
- Average of 372 stores vs 355 in the prior year = £2.1m of costs
- Inflation of c.2% = £1.1m;
- Marketing +£0.5m due to Qtr 1 TV advertising campaign
- Employee profit share +£0.4m due strong Qtr 1 sales performance and low payouts in PY;
- National Living Wage and higher depreciation +£0.4m
- Partially offset by savings across the business of £0.4m

# Adjusted Pre Tax Profit Bridge

26 weeks ended 31 March 2018



- LFL gross profit down £0.3m:
  - Sales growth from LFL stores of 0.6% generated c.£0.4m of additional gross profit
  - Reduction in gross margin resulted in £0.7m less gross profit
- Opex excluding new stores of £2.0m
- New stores generated a £0.6m trading loss due to maturity profile

# Balance Sheet Highlights

31 March 2018

**Topps Tiles**

	HY 2018	HY 2017	YoY	FY 2017
Inventory - £m	31.2	26.9	+16.0%	29.5
Stock Days	135	121	+11.6%	132
Creditor Days	82	72	+13.9%	81
Freehold Property - £m	15.5	15.9	-2.5%	16.5
Net Assets - £m	24.3	20.3	+19.7%	23.4
Cash - £m	9.9	13.4	-3.5m	7.5
Borrowings - £m	35.0	40.0	-5.0m	35.0
Net Debt - £m	25.1	26.6	-1.5m	27.5

- Inventory increased on prior year due to additional stores, additional stocks of key selling ranges and Parkside acquisition
- Creditor days at 82, improvement of 10 days year on year
- The Group holds 8 freehold properties at a book value of £15.5m
- Net assets position continues to strengthen +£4.0m YoY
- Net debt position reduced by £2.4m over H1 reflecting free cash flow strength

# Cash Flow Highlights

26 weeks ended 31 March 2018

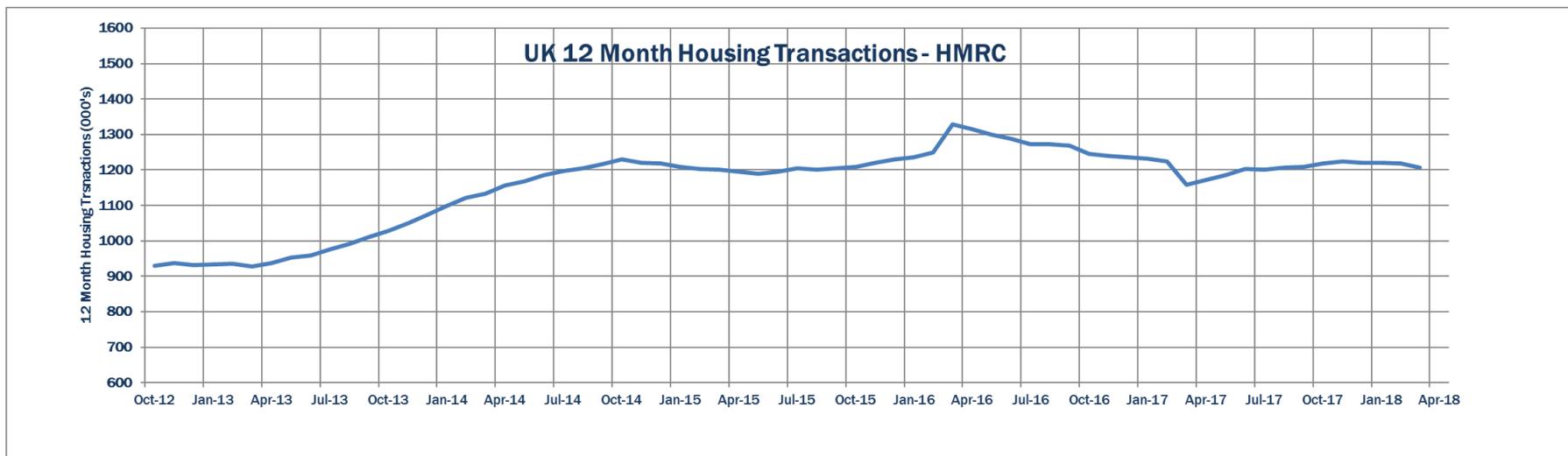
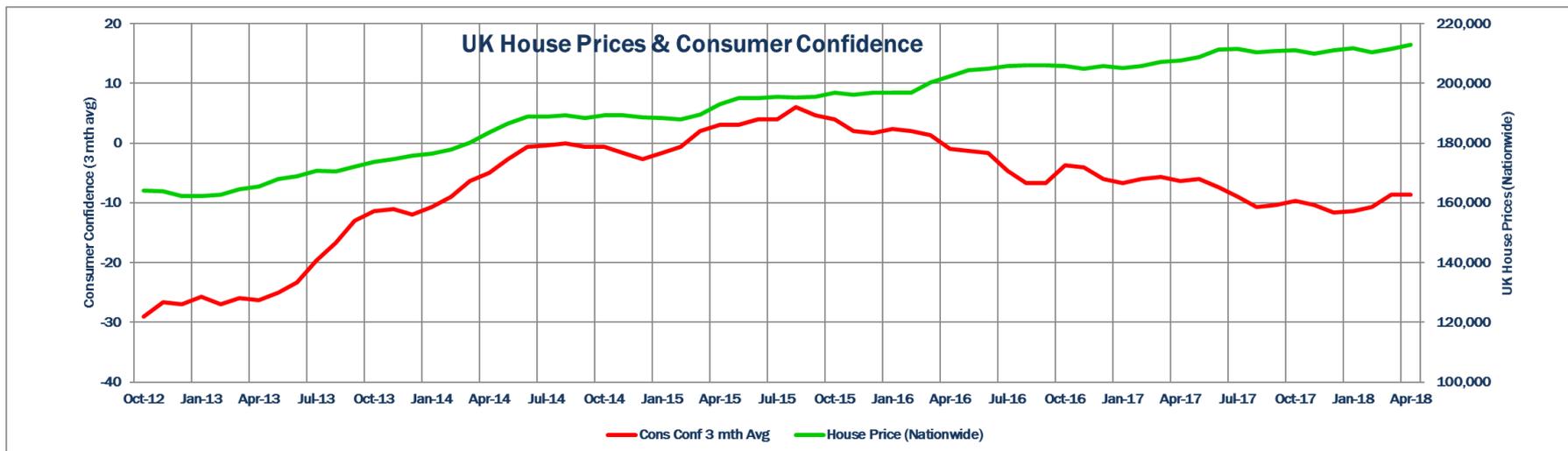
Summary Cashflow	HY 18		HY 17		YoY	
	£m	£m	£m	£m	£m	£m
Cash flows from operating activities (EBITDA)	+10.2		+13.6		(3.4)	
Change in working capital	(0.7)		(2.0)		+1.3	
Interest	(0.4)		(1.6)		+1.2	
Tax	(1.3)		(2.9)		+1.6	
<b>Operations</b>		<b>+7.8</b>		<b>+7.1</b>		<b>+0.7</b>
Capital expenditure	(2.0)		(4.1)		+2.1	
Proceeds from disposals	+1.0		0.0		+1.0	
<b>Investments</b>		<b>(1.0)</b>		<b>(4.1)</b>		<b>+3.1</b>
<b>Free Cashflow</b>		<b>+6.8</b>		<b>+3.0</b>		<b>+3.8</b>
Dividends	(4.4)		(4.8)		+0.4	
<b>Reduction/(increase) in net debt</b>		<b>+2.4</b>		<b>(1.8)</b>		<b>+4.2</b>

- Free cash flow generation of £6.8m (+127% YoY) and £2.4m reduction in net debt
- Key driver was a reduction in capex and disposal of one freehold property
- Tax and interest in HY 2017 includes impact of closure of legacy HMRC enquiries of £2.9m

- **Gross margin** – expected to be broadly flat yoy (assuming stable FX)
- **Adjusted opex** – expected to be between **£115.5m** and **£116.0m** (including new store costs)
- **New stores** – estimate around **5** net new openings for the FY
- **Commercial** – estimate **c.£1m** trading loss as we invest to drive longer term growth
- **Capex** – estimate **c.£6.0m** to include new stores, all store improvement programme and central facility investments
- **Working capital** – **c.£2.5m** year on year reduction across inventory, creditors and debtors

# **Strategy & Operations**

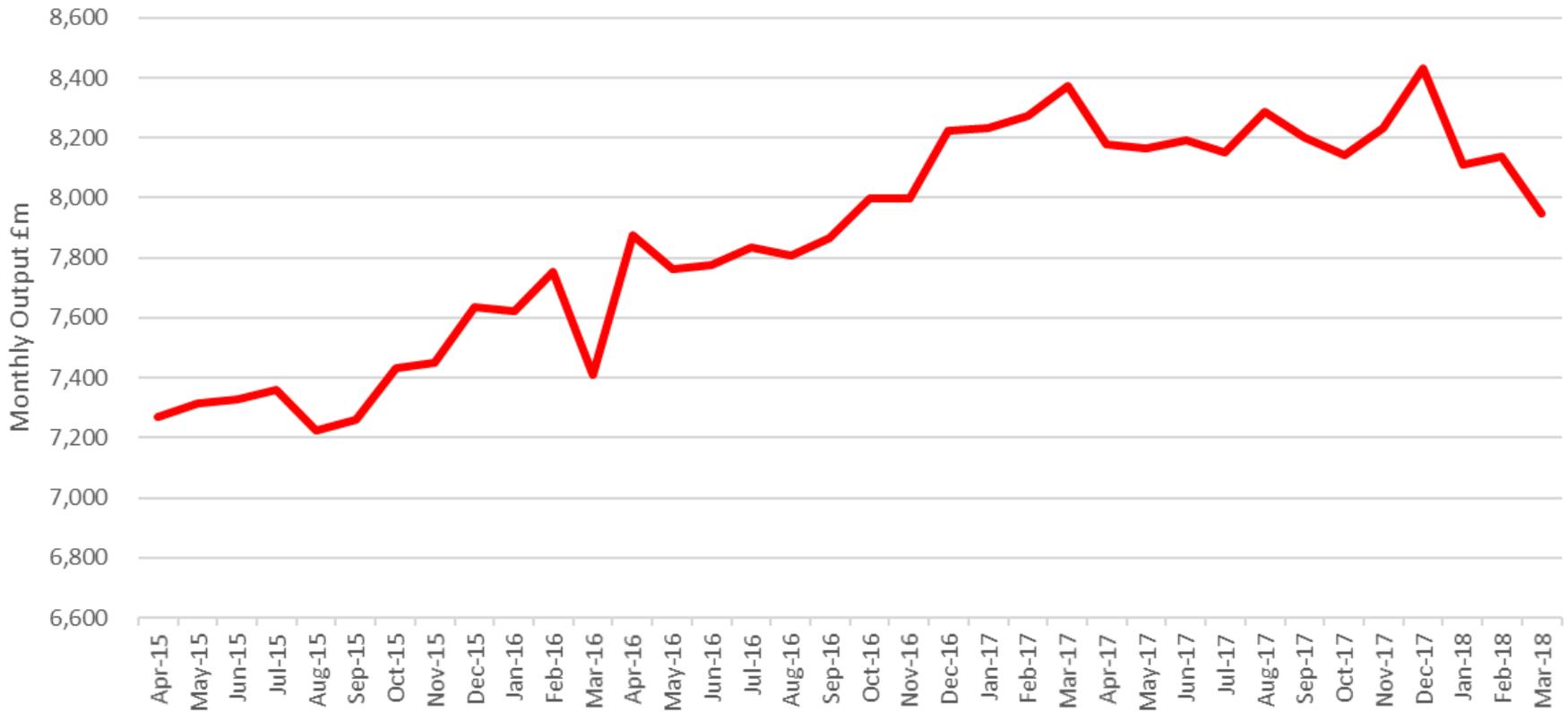
**Matthew Williams**  
Chief Executive Officer



Macro environment remains challenging but stable

# Commercial Market Backdrop

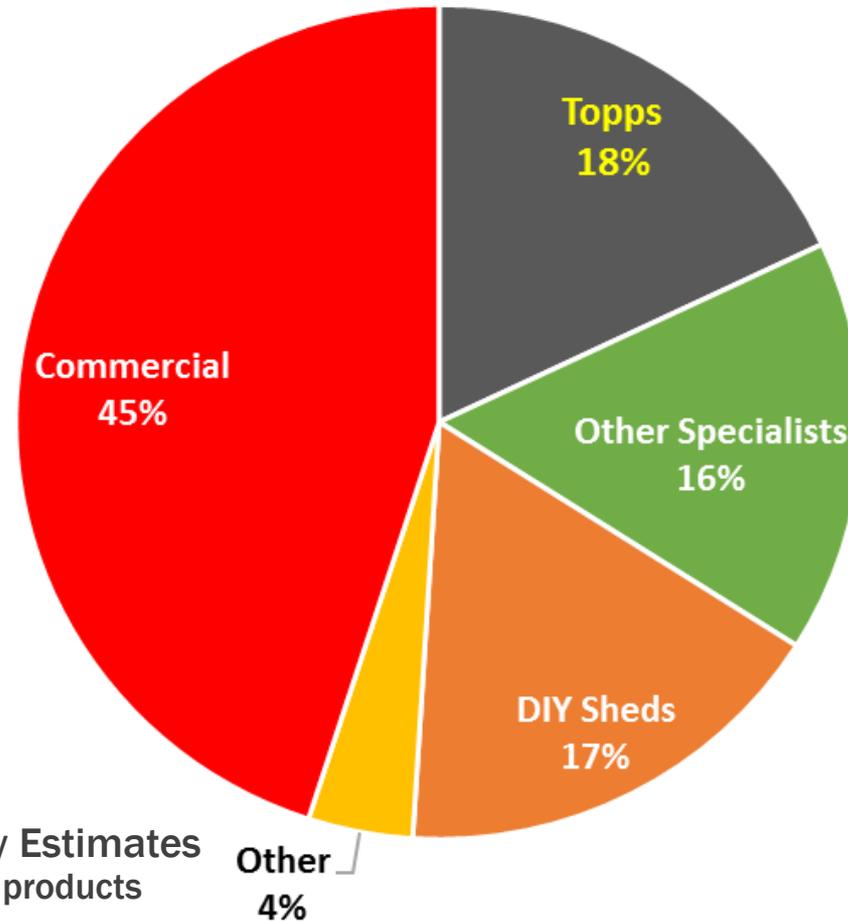
### UK Construction Commercial Output\*



**Tougher commercial market creates opportunity for Parkside to be disruptive**

UK tile market estimated at c.£700m\* @RSP

**Commercial -**  
principally catering  
for architects,  
designers and  
construction  
industry (c.45%)



**Retail –**  
refurbishment of  
residential properties  
(c.55%)

Source – MBD & Company Estimates  
\* Excludes sales of associated products

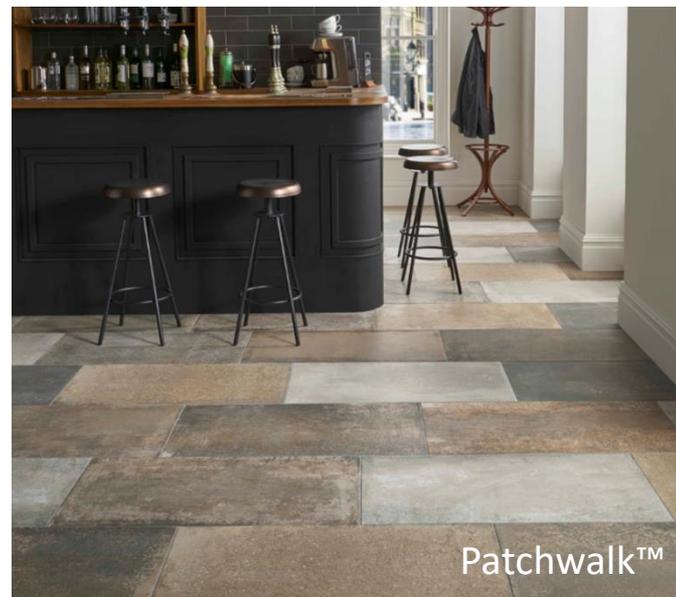
**Entry into commercial has nearly doubled our addressable market**



# Leading Range – Core Specialism

Topps Tiles

- Key source of competitive advantage = sourcing and developing differentiated ranges
- 75% of new ranges developed in house
- 95% of our tile range is own brand or exclusive
- Focus on branded product collections including Parkside exclusive
- Commercial expansion provides opportunity to further leverage our advantage





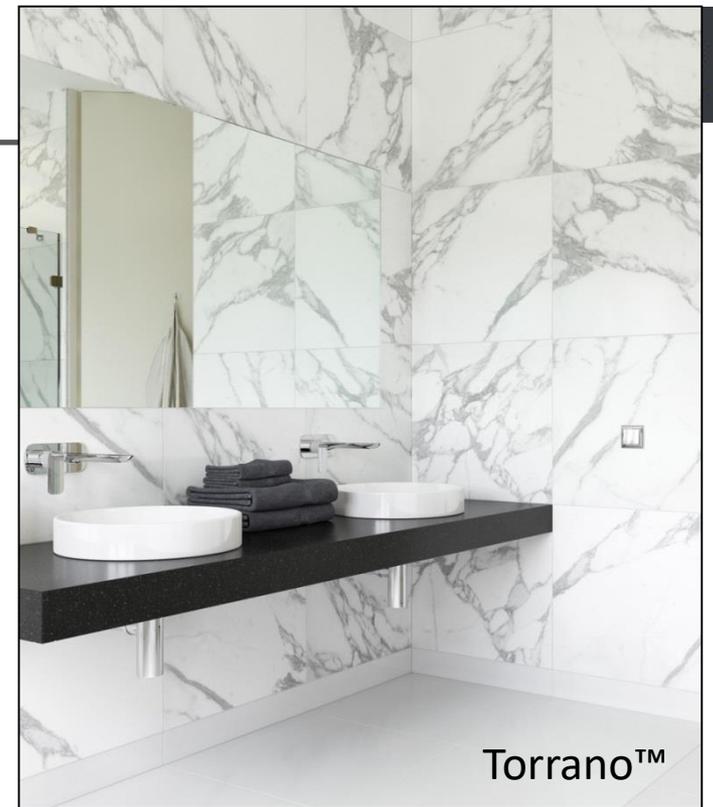
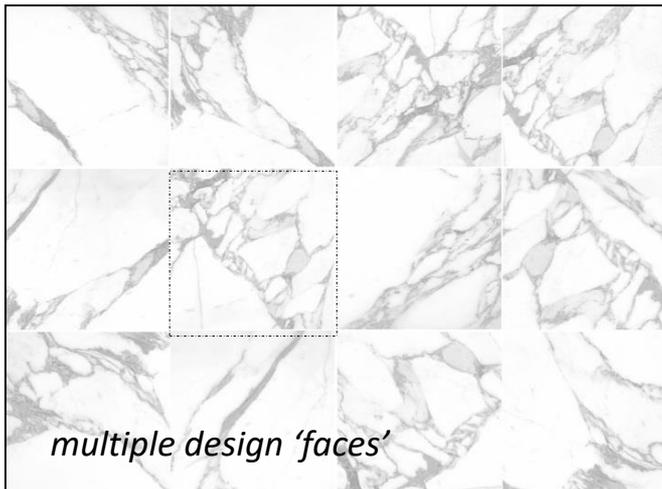
# Hero Range – Torrano™

**White marble remains a key interior design trend in 2018**

**Expert global reach gives our customers access to lux-marble look at amazing value for money**

**Unique development capability:**

- **In house concept**
- **European design development**
- **Asian production**
- **Focus on high quality**



**Design and performance appeals to both Topps Tiles (Retail) and Parkside (Commercial) divisions**

**Suitable for wall & floor use**

**Format : 60x60**

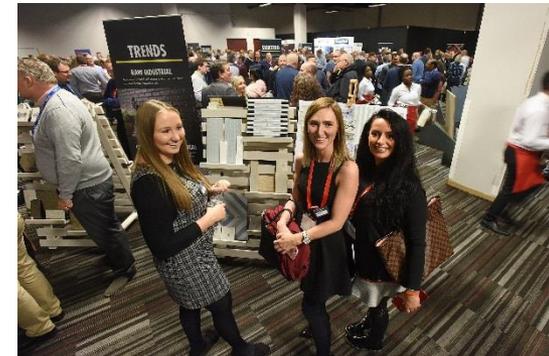
**Price: £29.69 m2**

# Retail



# People

- **Specialist service provided to customers means colleagues are critical to success. Two key areas of focus:**
- **Capability**
  - strong learning & development focussed on specialism
  - delivered through modern learning management system
  - 65% of store manager roles filled internally
- **Engagement**
  - highest ever company engagement score
  - pan company department engagement plans
  - Top 100 company ambition



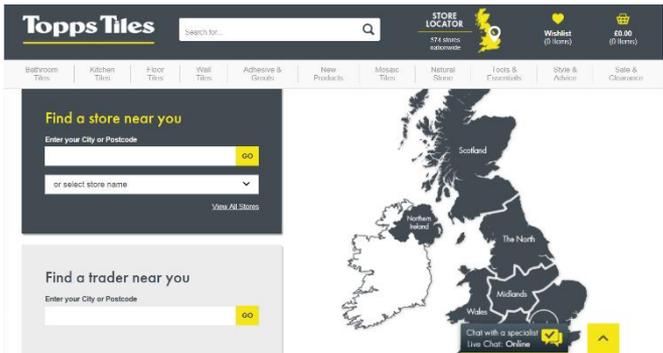


- Key source of growth but also channel to homeowner
- Relationships with traders vital
- Focus on price leadership and range
- Market leading Rewards+ trade loyalty programme now has over 70,000+ traders collecting points, up 80% YoY
- Trade credit solution launched to Rewards+ customers

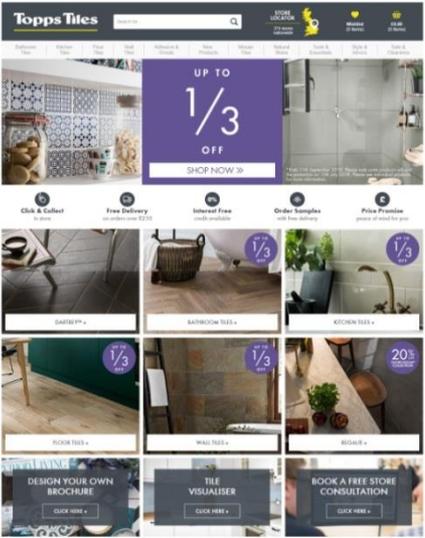




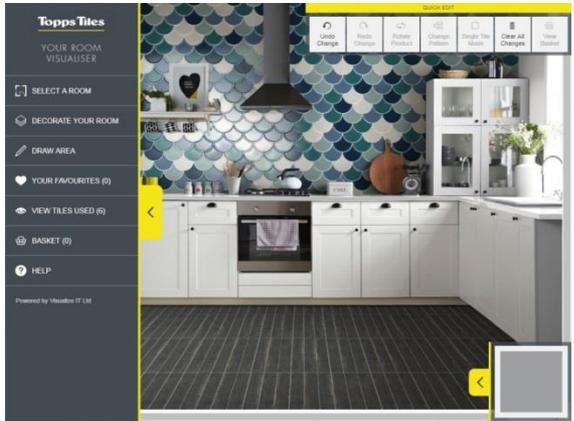
- Almost all customers will use digital at some stage
- Retail website voted top 25 in UK retail (InternetRetailing)
- Visualiser in strong growth – c.40,000 uses per week
- Over 5,000 personalised e-brochures sent to customers every month
- Driving online traffic is key (+50% YoY) because of strong link with store footfall



Store Locator



Website homepage



Visualiser online



# Shopping Experience

Topps Tiles

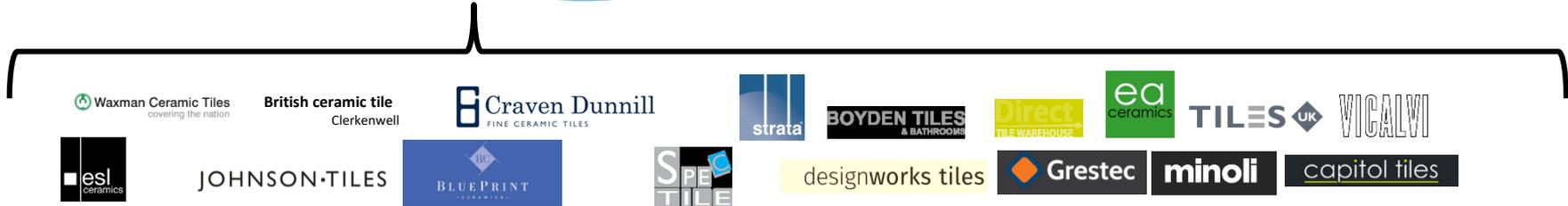
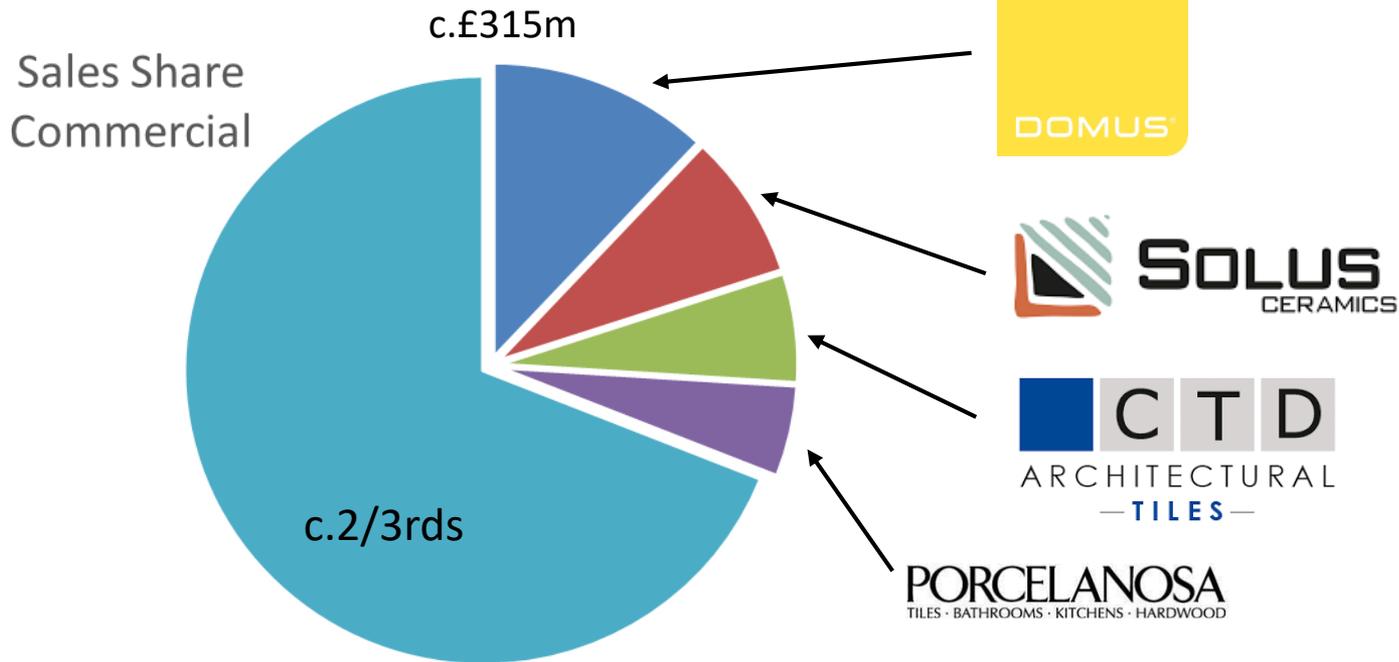
- Key focus on excellence in customer service – customers need and value this
- Net promoter score of 68%
- Programme of All Store Improvements - 124 stores with the latest merchandising treatments
- 5 stores opened and 4 stores closed in H1 – focus on maximising efficiency of portfolio
- 375 retail stores trading – updated research suggests opportunities for 20-25 more priority openings



# Commercial



## Commercial Tile Market – Competition



### Commercial market is highly fragmented

- Plan is to be disruptive as we grow and construct a new market leader over time
- Strategic advantage through a focus on price, product and people
- Pop up exhibition stand at Clerkenwell Design Week
- Clerkenwell & Midlands showrooms to open in H2
- Good progress on leveraging group infrastructure
- New website launched - [parkside.co.uk](http://parkside.co.uk)
- c.£1m of sales and £0.4m of trading losses in H1. Two years of investment planned.



CLERKENWELL  
DESIGN WEEK  
22 - 24 MAY 2018



- **Current trading & Outlook**
  - Improved trading vs Qtr2 - like-for-like revenue -0.2% over 7 weeks to 19 May 2018
  - Expect FY profits to be within the current range of market expectations
  
- **Sources of future growth**
  - Core business market outperformance through strategy of “Out-specialising the Specialists”
  - 20-25 priority retail store openings identified from updated catchment analysis work
  - Commercial opportunity – we have approximately doubled the size of our addressable market
  - Long term increased use of tiles will drive demand

# Appendix

# Income Statement Highlights - Statutory

26 weeks ended 31 March 2018

	HY 18	HY 17	YoY
Adjusted PBT - £m	7.2	10.1	(28.7)%
Adjustments - £m	(0.8)	(0.6)	(0.2)m
PBT - £m	6.4	9.5	(32.6)%
Net Margin %	5.8%	8.9%	(310)bps
Tax %	19.1%	21.9%	(280)bps
PAT - £m	5.2	7.4	(29.7)%
EPS - pence	2.67	3.86	(30.8)%
Interim dividend - pence	1.10	1.10	0.0%

- Adjusting items include onerous lease impairments of £0.4m, vacant property costs of £0.2m, a £0.2m gain on the disposal of a freehold property, and the Parkside trading loss for the period of £0.4m
- Statutory PBT of £6.4m, 32.6% decrease.