

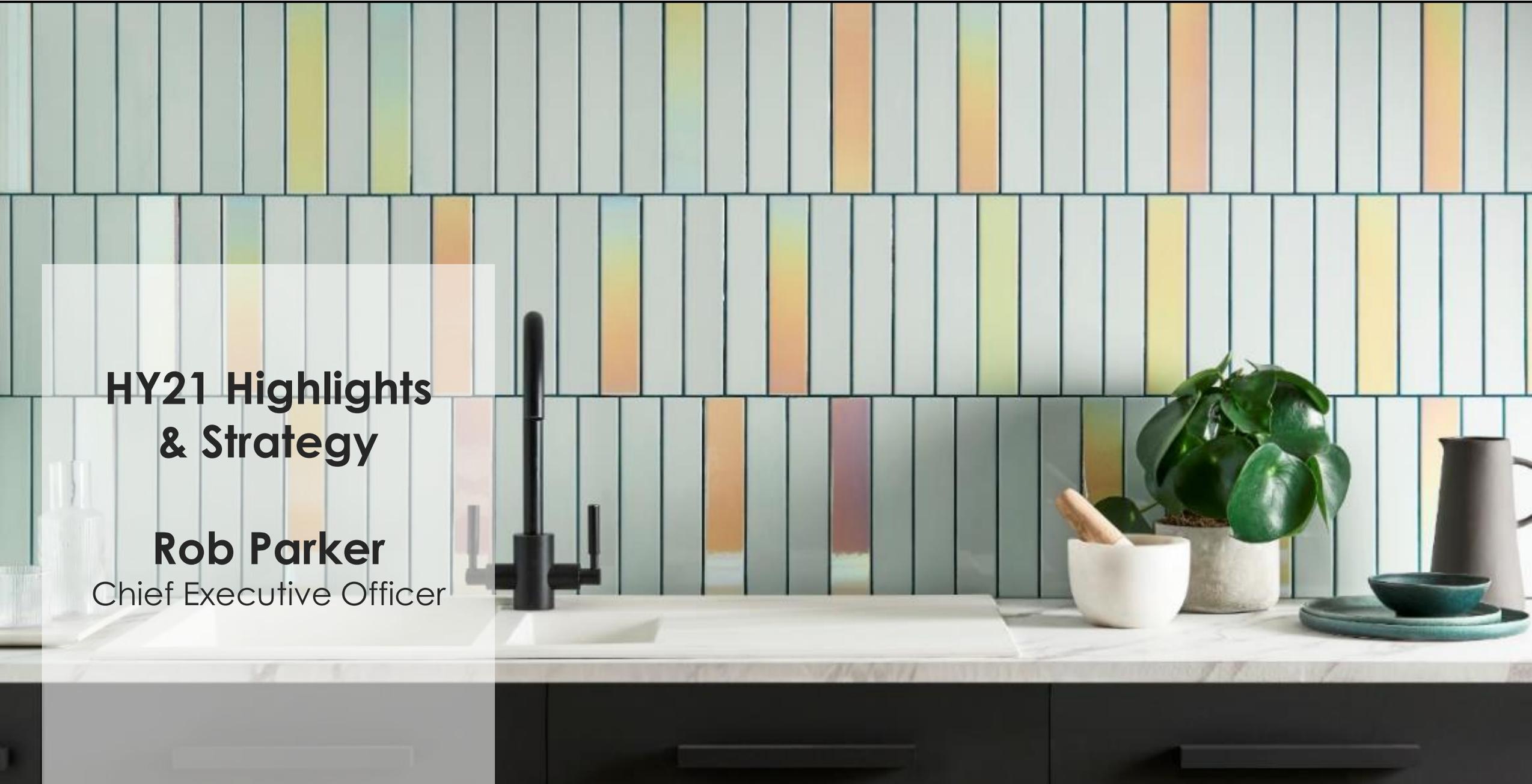


- **HY21 Highlights & Strategy – Rob Parker**
- **Financial Performance – Stephen Hopson**
- **Operations & Outlook – Rob Parker**

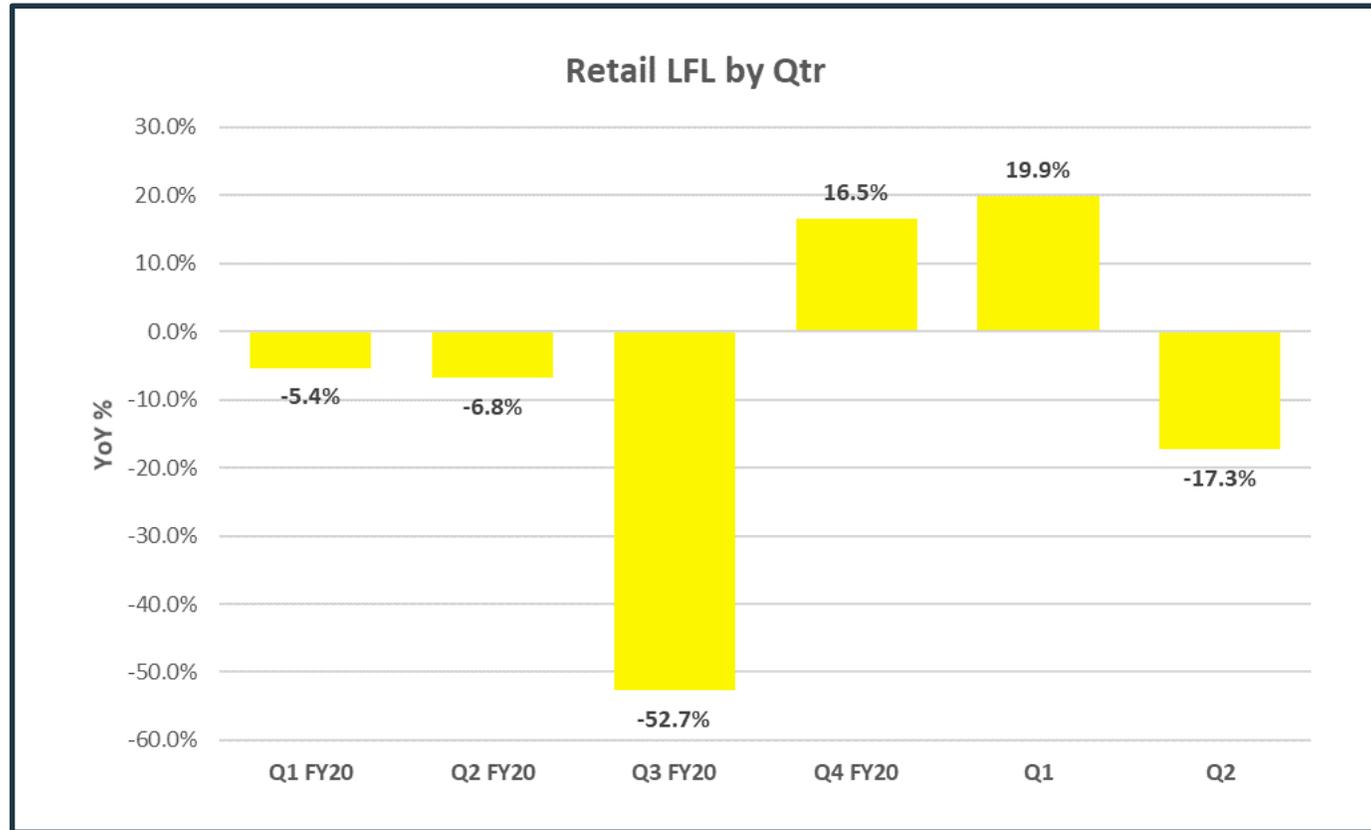


HY21 Highlights & Strategy

Rob Parker
Chief Executive Officer



HY21 in Summary



HY21 Performance Summary

Retail LFL sales	+2.0%
Sales	£103.2m
Adj. Pre Tax Profit	£5.1m
Adj. EPS	2.11p
Stat Pre Tax Profit	£4.0m
Adj Net Cash	£15.4m

Customer Satisfaction 87.5%

Retail visitors c. 450k p/w

Commercial Sales £4.1m, -10%

Net Cash YoY +£32.7m

Strong Q1, followed by a much more challenging Q2 due to CV19 restrictions

Retail Business Q1 vs Q2

Q1 – Strong Performance

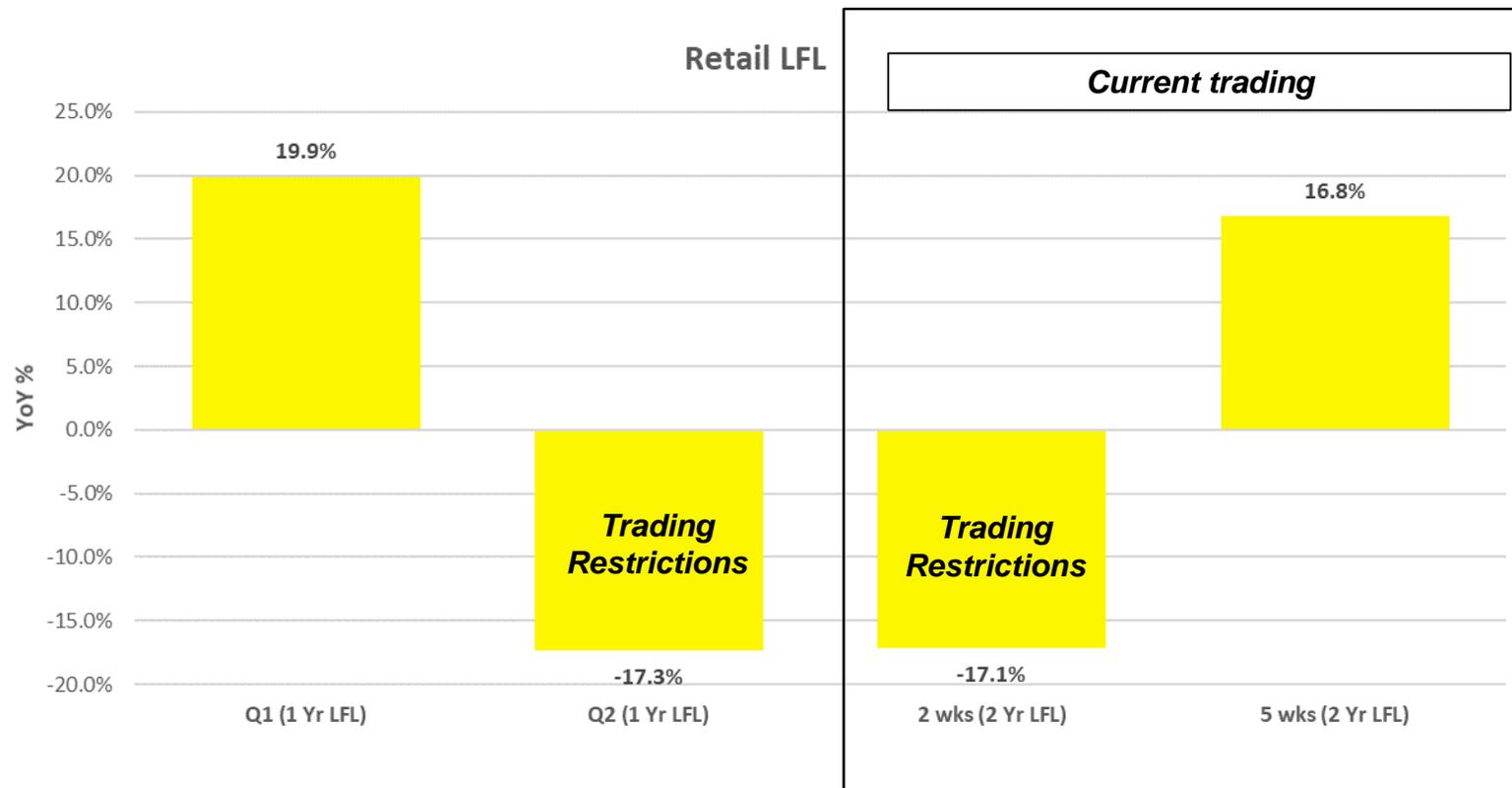
- Very strong sales performance with LFL growth of 19.9%
- Performance buoyed by continued home improvement boom and strategic progress
- Record level of Group sales for the quarter at £62.5m, +14.5% YoY
- Gross margin of 59.1% - within range of guidance
- Adjusted pre tax profit of £6.1m (excluding Govt support)
- M2 growth +19% YoY, growing ahead of sales
- Digital strength - web traffic +39%, sales +70% YoY

Q2 – Covid Disruption

- National lockdown from early January included new restrictions on browsing tile showrooms
- Impact for Retail business was a counter service model for registered traders only, click & collect for homeowners
- Homeowners increasingly switched into digital – web traffic +46% YoY, sales 135%+ YoY
- Samples key for customers – significant increase in demand through web site
- Stores remain key – c.85% of sales fulfilled through the store during restrictions (incl Click & Collect)
- Following initial drop of c.25% LFL, sales steadily improved over the period, net impact -17.3% LFL

Current Trading - Retail

- LFL growth on a 2 year basis has averaged 16.8% in the five weeks post lifting of restrictions
- Gross margin is improving as business KPIs normalise – trade/retail mix, coverings/essentials mix and direct delivery costs
- Order bay has also improved rapidly post re-opening – approximately doubling in the first three weeks post trading restrictions being lifted



Goal & Strategy

Goal



- Group goal of 1 in 5 by 2025 – 20% market share (17% today)
- Applies to coverings, adhesive & grouts – c.£1bn addressable market
- Need to outperform market by c.3.5% p.a.
- Equates to sales of c.£250m by 2025 - material upside in Group profitability

Strategy



- Strategy focused on growth to take market share
- Core Group strengths of product and customer service leveraged through two trading businesses
- Retail business is existing leader in domestic market, with opportunities to grow further
- Commercial represents two brands, clear ambition to be #1 by 2025 (est. £25m of sales)

Group

- Market share goal now embedded across business – 1 in 5 by 2025 provides great focus
- Leading Product – lead on innovation and leverage specialism and scale to drive long term value
- Leading People - world class service needs great colleagues - engagement at 80%
- Environmental agenda growing in importance and future source of competitive advantage

Retail

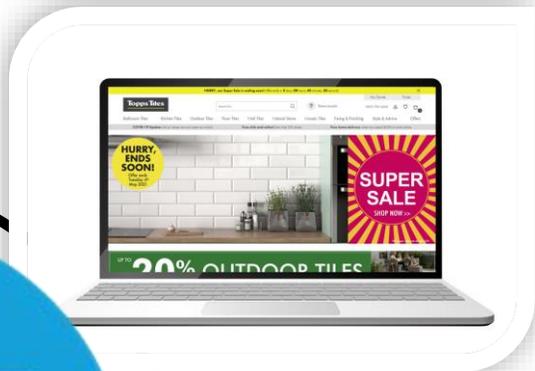
- Omni-channel strategy highly valued by customers – physical presence remains important
- Web site ranked in top 50 by RXUK (only tile specialist in top 350)
- Market leading web traffic – est. 25% share
- Stronger push into value – trade bulk deals, Get The Look For Less (GTLFL), retail essentials pricing & promotions

Commercial

- CV19 related disruption continues to impact market
- H1 sales of £4.1m, down 10%
- ONS 'Private Commercial' down 17.5% over H1
- Sales from disrupted hospitality and leisure sectors down 80% but 35% growth from other sectors
- Strategic supply relationships key – unrivalled access to product

Retail - Omni-channel Business Model

- c.45% of weekly visitors, flat yoy
 - 331 stores
- c.40% of online orders collected from store
- 98% of total sales involve a store



- c.55% of weekly visitors, up c.40% yoy
- #1 SEO rank on 16 of 20 search terms
- 25% share of online tile related traffic
- Pureplay accounts for 30% of online sales

- 65k Instagram followers
 - Instagram engagement up 100% YoY
 - Facebook impressions up 100% YoY
- Engaged audience of 600k on Pinterest



- Dedicated UK based call centre
- 331 local store teams for queries & ordering

Financial Performance

Stephen Hopson
Chief Financial Officer



Income Statement Highlights - adjusted measures

26 weeks ended 27 March 2021

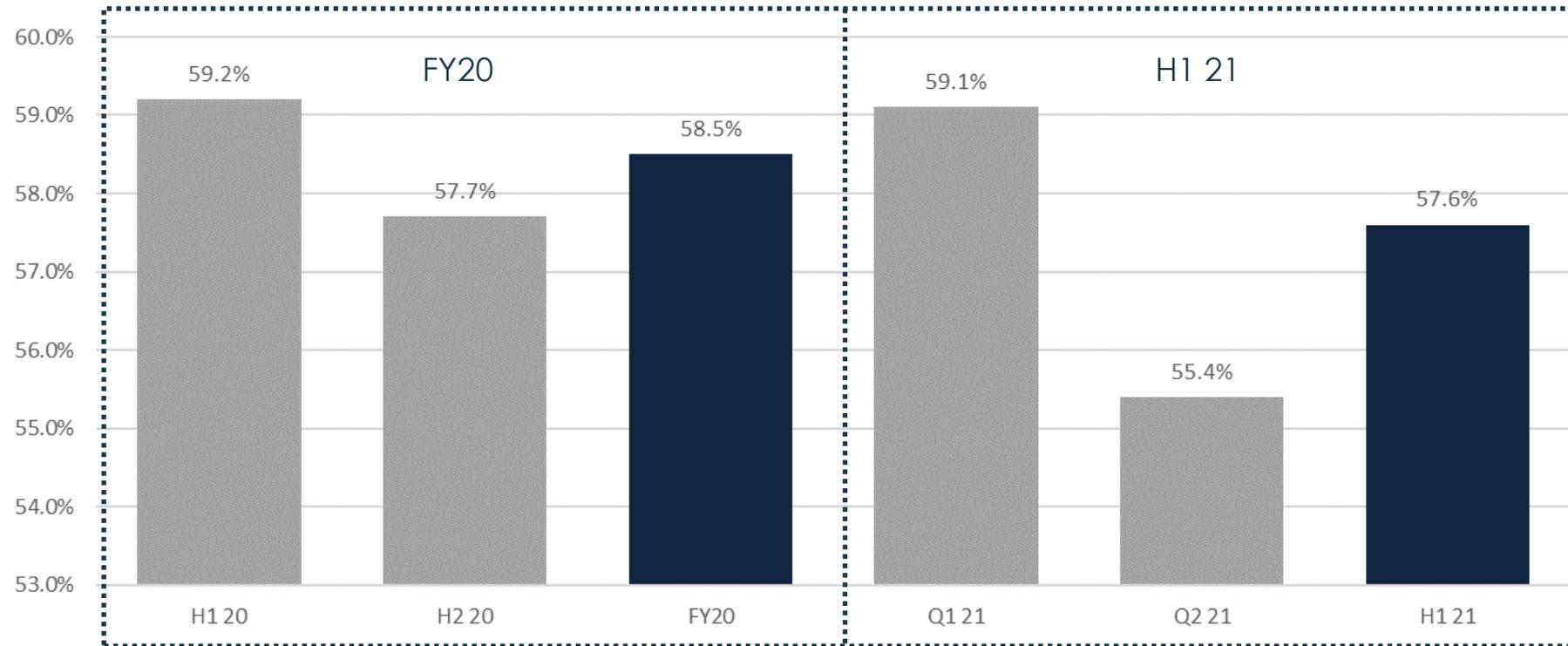
	HY 21 (IFRS16)	HY 21 (IAS17)	HY 20*	YoY
Sales - £m	103.2	103.2	106.2	(2.8)%
Gross Profit - £m	59.5	59.5	62.8	(5.3)%
Gross Margin %	57.6%	57.6%	59.2%	(1.6)ppts
Opex - £m	52.3	54.3	61.2	(14.5)%
Interest - £m	2.1	0.2	0.4	+425%
PBT - £m	5.1	5.0	1.2	+325%
Net Margin %	4.9%		1.1%	+3.8ppts
EPS - pence	2.11p		0.60p	+252%

- Retail LFL sales increase 2.0% : Q1 +19.9%, Q2 (17.3)%; Commercial sales £4.1m vs £4.5m in PY, down 10%
- Group gross margin decrease of 1.6 ppts. Retail and Commercial margins both down 1.6 ppts.
- Adjusted operating expenses reduce due to Government support through rates holiday (£4.4m), savings from store closure programme (£2.3m) and cost reduction programme (£1.9m).
- BAU element of IFRS16 now included in adjusted metrics - impact immaterial at PBT level
- Adjusted PBT of £5.1m against £1.2m last year

Note - Adjusted measures exclude several items which are either one off in nature or fluctuate significantly from year to year (such as some property related items)

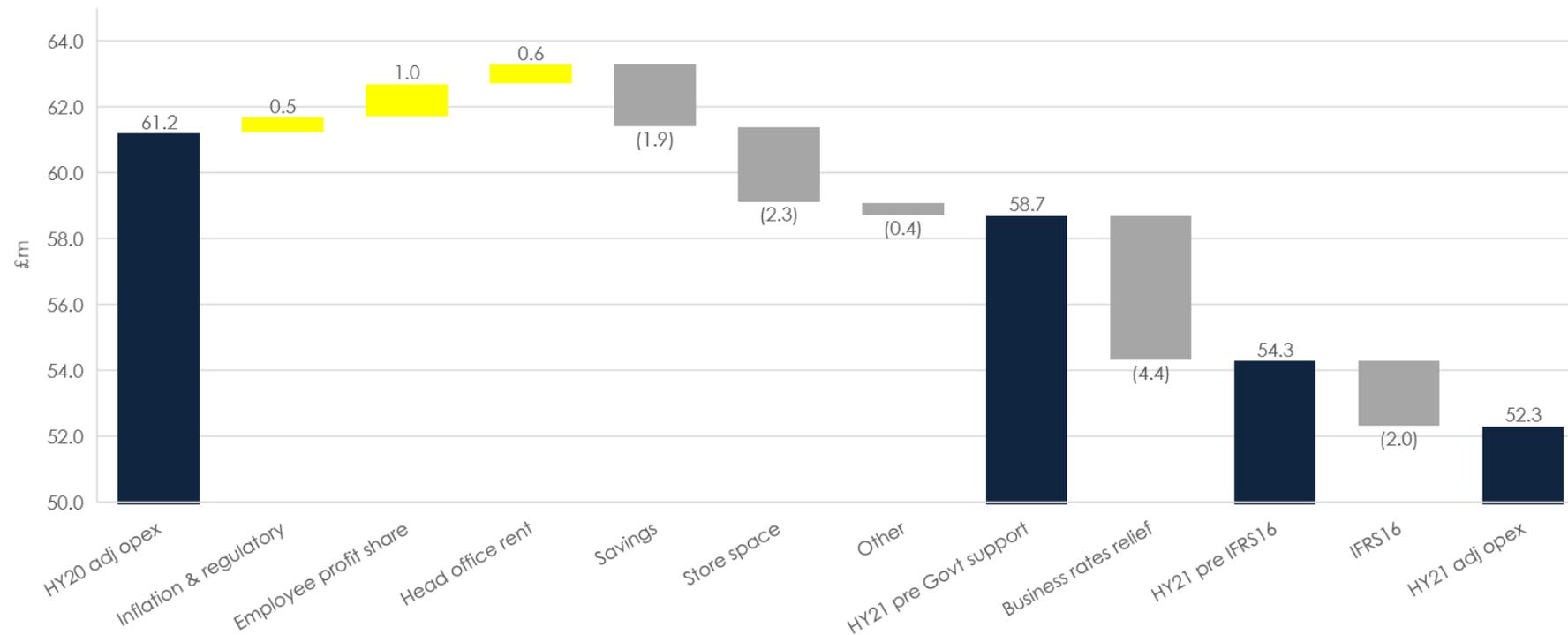
** Adjusted measures in FY2020 excluded the impact of IFRS16*

Gross Margin Performance



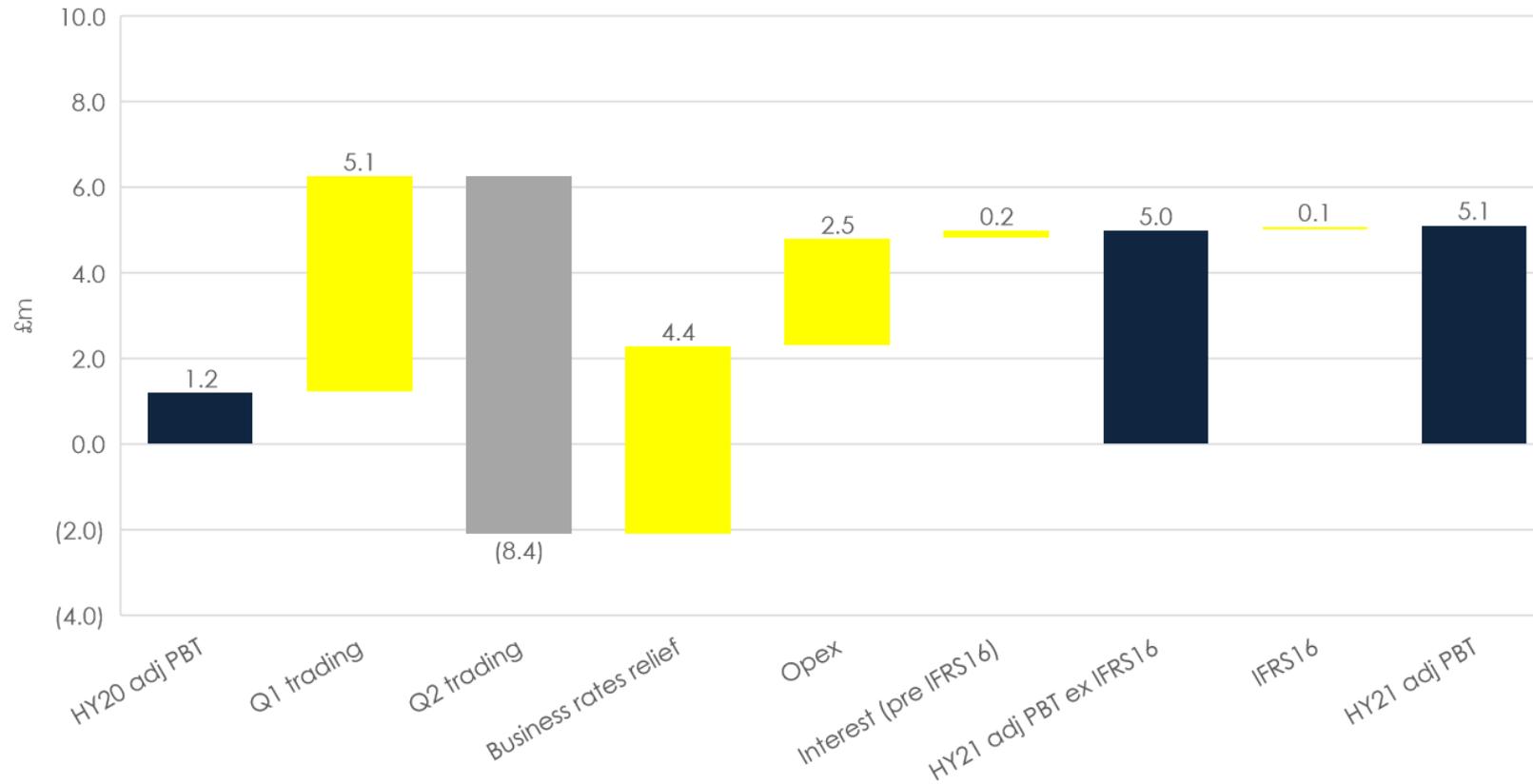
- Quarter one gross margin in line with 59-60% guidance and flat to H1 20
- Quarter two significantly impacted by trading restrictions:
 - Higher trade customer mix
 - Higher 'essentials' mix
 - More direct delivery costs
- Gross margins increasing following lifting of lock down towards previous guidance

Adjusted Operating Expenditure Bridge

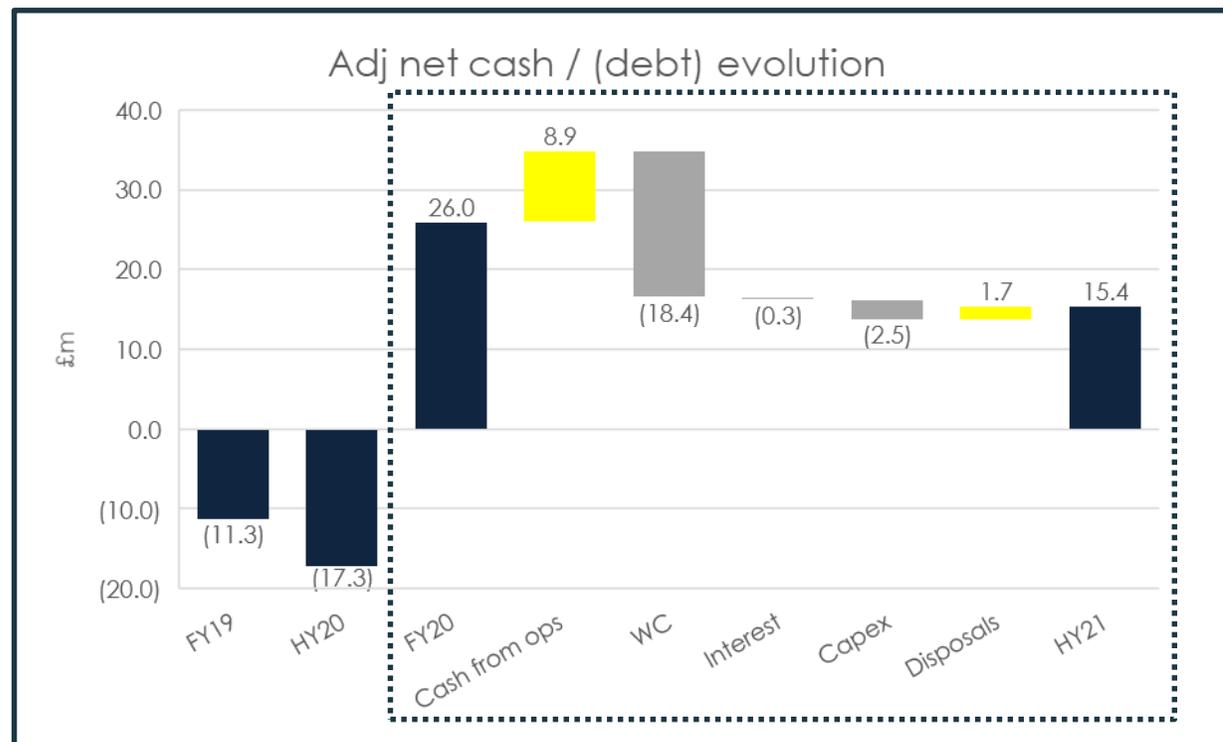


- Inflation of c. 0.5% with zero wage inflation in light of Covid response, regulatory cost increase of £0.2m from national living wage
- Employee profit share increases by £1.0m, particularly due to Q1 trading
- Leicester head office and warehouse now leased following freehold disposal in FY20
- Annualisation of cost reduction programme delivering a further £1.9m savings in the half year
- Average of 339 stores vs 360 in the prior year generating £2.3m reduction in costs
- Government support – business rates relief of £4.4m
- BAU element of IFRS16 now included in adjusted opex – new depreciation expense lower than previous lease expense (but interest element is higher by a broadly offsetting amount)

Adjusted Profit Before Tax Bridge



- Q1 was a record quarter for sales, with margins in line with guidance
- Q2 Retail LFLs down 17.3%, margins down 3.7 pts vs Q1; positive comparison with previous lockdown
- Estimated impact of trading restrictions in Q2 £10.9m
- Government support in adj profit consists of business rates only
- Opex savings (pre IFRS16) from efficient management of retail store estate & annualisation of FY20 cost reduction programme; offsets from employee profit share, HO lease and modest inflationary costs
- IFRS16 'business as usual' now included in adjusted numbers – effect immaterial at PBT level



- Net cash increase of £32.7m compared to a year ago
- FY20 result included WC gain at year end due to strong Q4 trading
- H1 WC movements include £13.7m swing in payables from year end, £2.6m higher stock and £2.1m in accruals and other items
- Capex includes LED lighting, two new openings and store improvements
- WC expected to improve by year end as trade normalises but remember 53rd week (£7m outflow) and VAT repayment (£6m outflow over period to March 22)
- £54m of headroom to facilities with no debt
- No interim dividend, however expect to reinstate dividends by end of year – payment covering full year earnings

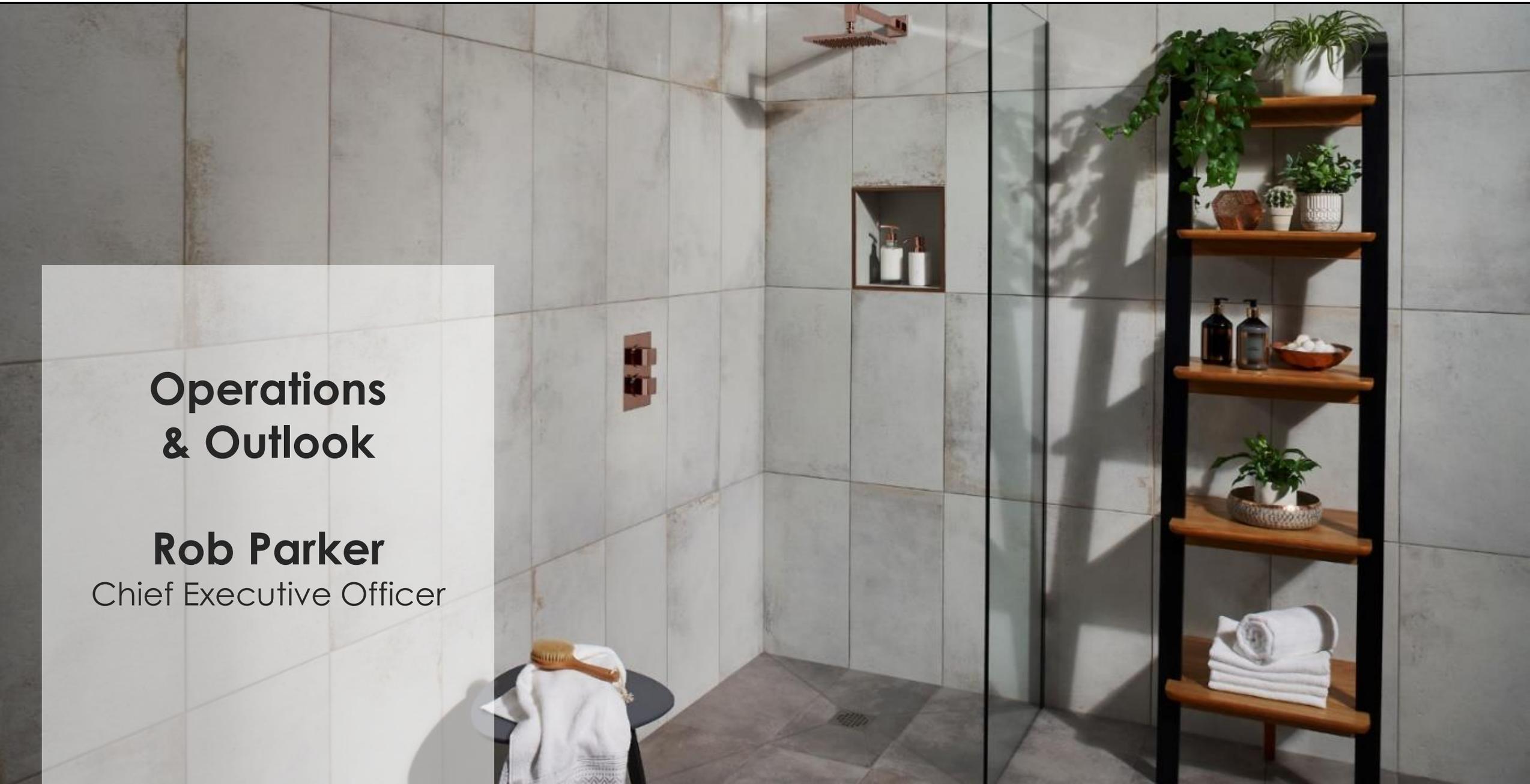
Credit facilities

Facility	Limit	Expiry
Revolving Credit Facility	£39m	July 2022
Headroom to facilities at half year end of £54m		

Operations & Outlook

Rob Parker

Chief Executive Officer





RETAIL TOPPS TILES



Great Experience, Great Product
and Great Value

COMMERCIAL PARKSIDE & STRATA



Disrupt and Construct

LEADING PRODUCT



LEADING PEOPLE





- Key source of competitive advantage – we are experts in ranging and sourcing of tiles and associated products
- Leveraging scale – 70% of group spend through strategic supply partners
- 20 new ranges launched so far this year, over 40% design-led by us in collaboration with partners
- Topps Group now holds over 200 registered marks including Flute™ (pictured) launched in Q2 this year
- Unrivalled and unique iterative cycle of change maintained despite pandemic; including new growth opportunities – Outdoor, anti-bacterial tiles, Luxury Vinyl Tiles and increased value offer across coverings and essentials

Hero Range – Everscape™

- Porcelain 2cm tiles represent a significant growth opportunity
- Domestic consumer focus on home and outdoor living spaces has been accelerated as a result of the pandemic
- Commercial sector see porcelain as attractive material under new building regulations for non-combustible materials
- Porcelain outperforms traditional materials; increased safety, durability, ease of installation, easy care and maintenance
- Topps group have made strong progress already with proven sales rate since 2019 in Retail and Commercial
- Range doubled in Spring 21' – we are at the forefront of design and innovation including in-house led developments and a market leading essentials and accessories offer
- New range includes strong value offer at entry level price point of just £25/m².



Leading People

- High levels of engagement are key to delivering world class customer service – 80% for FY20
- Strong well-being agenda – focus on – Mental / Financial / Physical / Social / Career health, including Mental Health First Aiders and Employee Assistance Programme
- Internal progression key - 43% of vacancies filled internally (PY 35%)
- Improved colleague turnover YoY, store manager turnover down to 12.8%
- Focus on D&I and gender within the organisation. Female colleagues constitute 25.5% of the workforce, and 20% of managers
- Two new NEDs appointed to the Board – now 1/3 female composition





New 'Principle™' range

98% recycled material

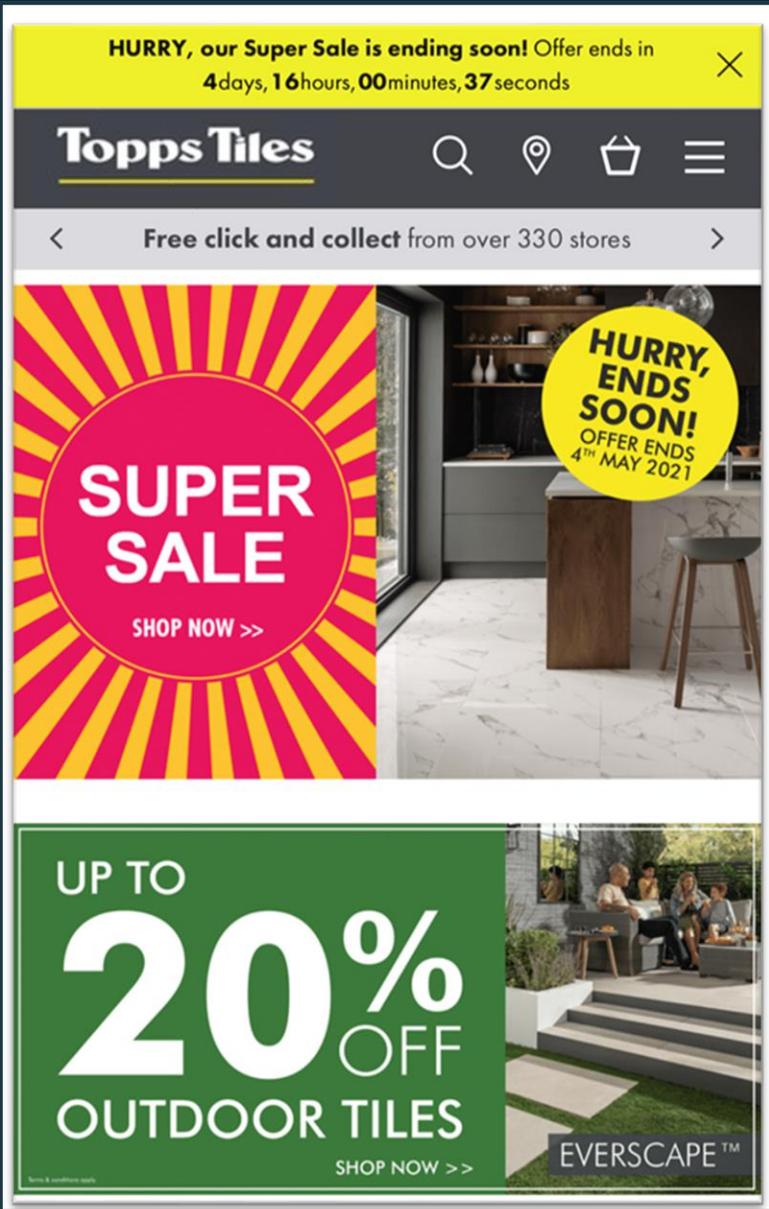
- Environmental agenda now established under Groupwide Sustainability Council
- ISO14001 - Commercial business is underway with process of applying for accreditation
- LED lighting - 72 remaining stores to be completed in H2 with the retro-fit of energy efficient lighting. 1,400 tonnes of carbon saving pa with c.£1 m pa reduced running costs
- World Land Trust - new strategic partnership now agreed with WLT to assist with carbon balancing
- New Principle™ range – launches in H2 – 98% recycled material with industrialised production – world first



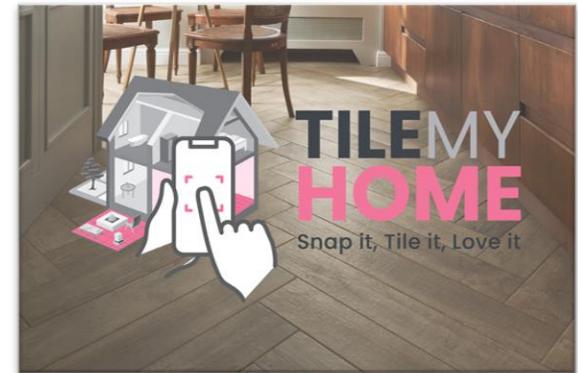


Retail

Great Experience - Digital



- Web site rated in top 50 of UK Retailers by RXUK (only tile specialist in top 350)
- Digital key for introduction and research – Topps traffic accounts for c.25% of tile related search terms
- 250,000+ unique weekly visitors – market leading share, growing at c.40%
- Free samples service online - demand trebled during Q2 lockdown
- Tile My Home – new augmented reality functionality – popular with both fitters and home owners
- Social media a key area of focus – capability being expanded



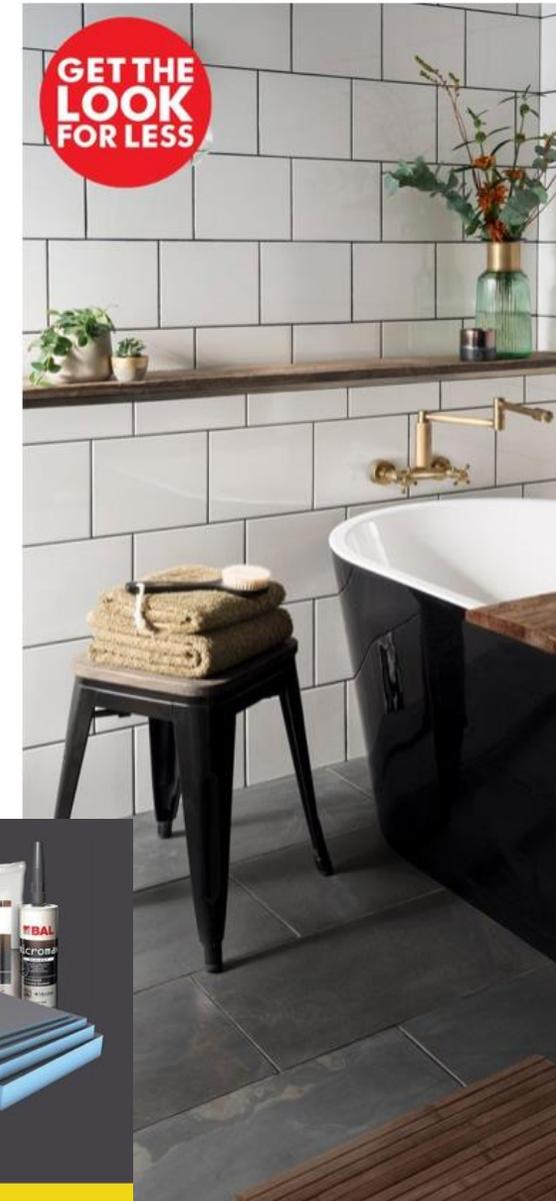
Great Experience – Stores

- Strong evidence that customers value omni-channel capabilities - majority will visit at some stage and c.85% use a store for collection (even during lockdown)
- World class customer service difficult to replicate online – infrequent purchase means homeowners value friendly knowledgeable specialist advice – 87.5% OSAT rating
- Fitters value physical offer – representing >55% of sales – loyalty driven through trade discounts, rewards scheme, relationships advice and convenience
- Store portfolio reducing modestly over time to enhance returns – reducing by c.30 to an ongoing estate of 300
- Flexibility in portfolio is a strength - average unexpired lease term of 3.2 years



Great Value

- 'Value' a greater area of focus for both coverings and essentials
- Lower priced ranges (<£25/m2) now branded as 'Get The Look For Less' – easy for customers to identify and helps us establish our broad appeal online and in-store
- Essentials ranges (especially adhesive and grouts) benchmarked against all key competitors
- Trade bulk deals (5+) allow even better prices for trade customers and lock in volume to us
- Strong promotional campaigns remain key – drives engagement and urgency
- Improved customer perception of value – intention to spend up over 18 months



Commercial

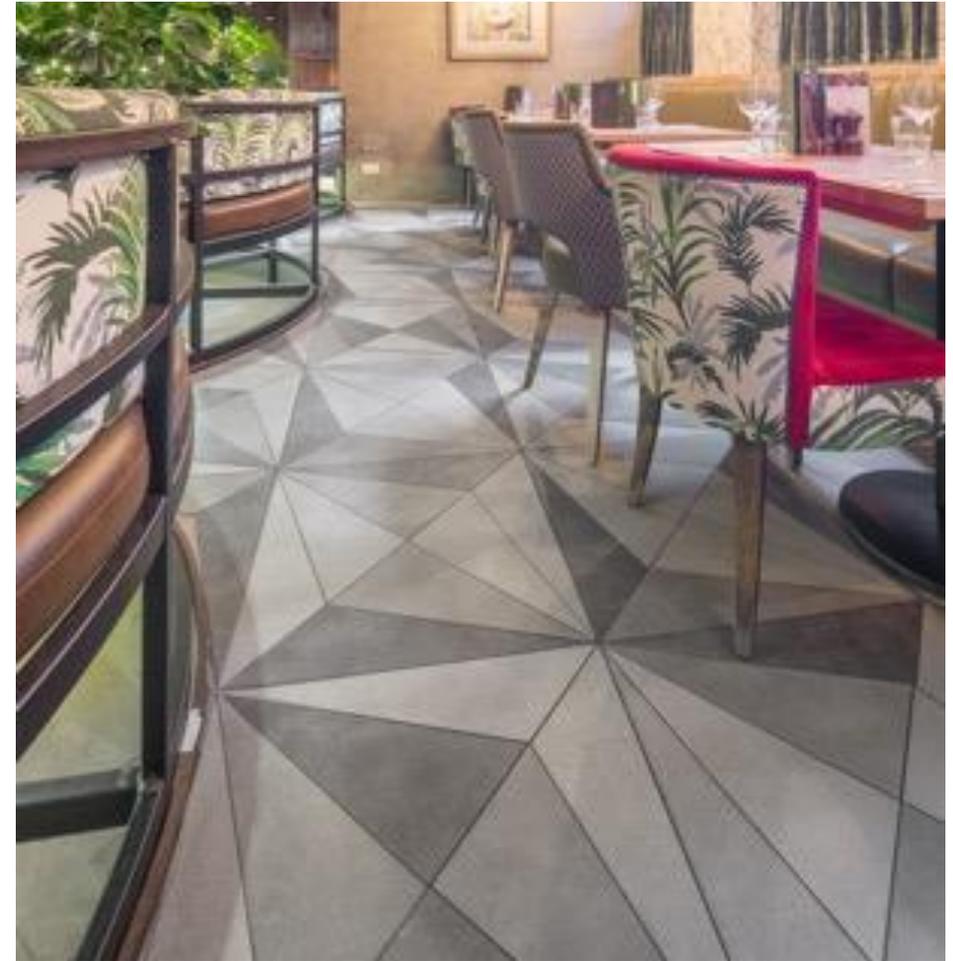
PARKSIDE
ARCHITECTURAL TILES

strata
tiles



Commercial Strategic Rationale

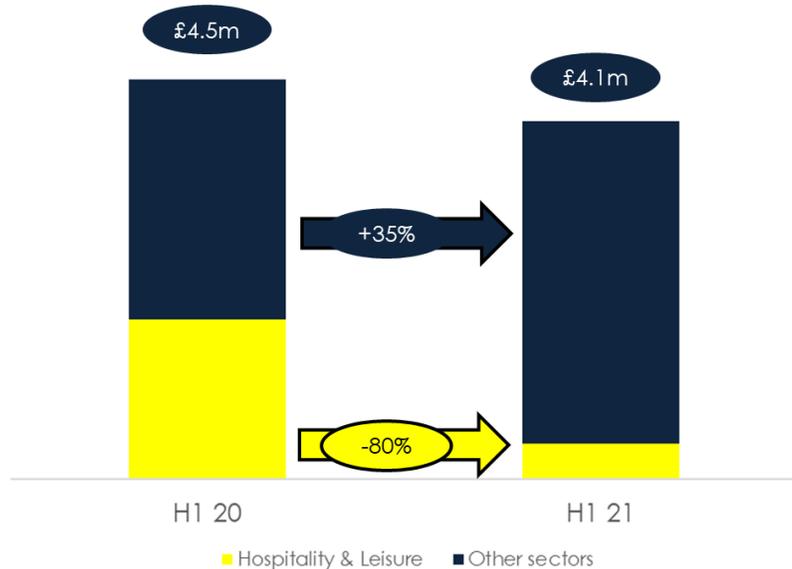
- Commercial market is approximately the same size as domestic - entry in 2017 doubled our addressable market whilst maintaining our specialism in tiles
- Strategy of 'disrupt and construct' with an ambition to be #1 – est. £25m of sales by 2025 – key component of our 1 in 5 by 2025 goal
- Group specialism - supplier relationships and scale are key sources of competitive advantage
- World class customer service – client relations vital
- Two brands with clear differentiation – Parkside – focus on design led tile specifications (esp Leisure, Hospitality & Housebuilding), Strata – technical tile specialists (esp Retail & Transport)
- Participation provides insights into tile trends and new technology through close relationships with designers and architects



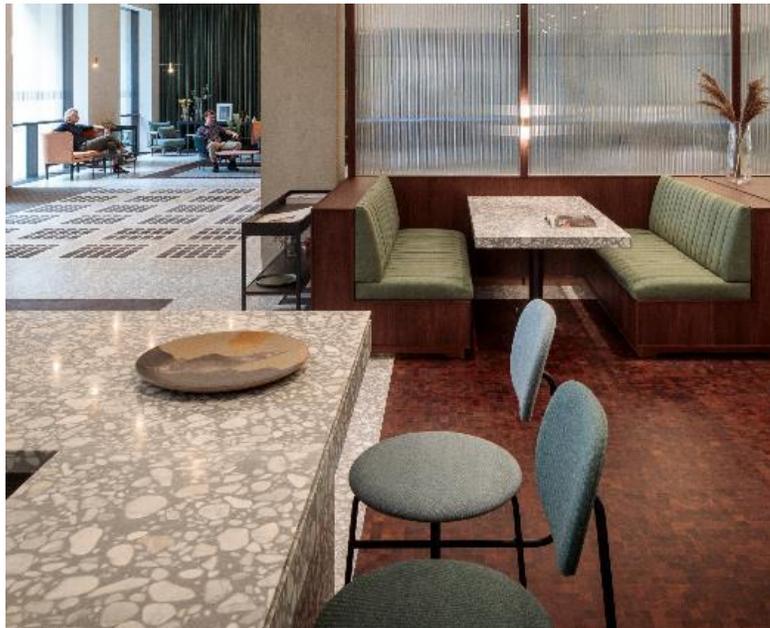
strata
tiles

PARKSIDE
ARCHITECTURAL TILES

Performance and Strategic Progress



- H1 sales of £4.1m, down 10% YoY
- Sales team focus re-orientated away from hospitality & leisure sectors (was 40% of sales, currently 10%) – majority of decline offset by c.35% growth in other sectors
- Hospitality & Leisure sales deferred not lost - our product still specified
- Establishing reputation as reliable, friendly professionals across industry – supported by our Leading People strategy (key to future success)
- Scale operations established – 55 people – 30 in sales roles, seven design studios – creative spaces to engage architects and designers
- Environmental pull strong – we are well positioned to service through our Leading Product strategy – increased focus on green agenda
- Trading loss of £0.9m, H2 projected to reduce (subject to continued recovery in forward indicators)



Case Study - Next (Fosse Park, Leicester)

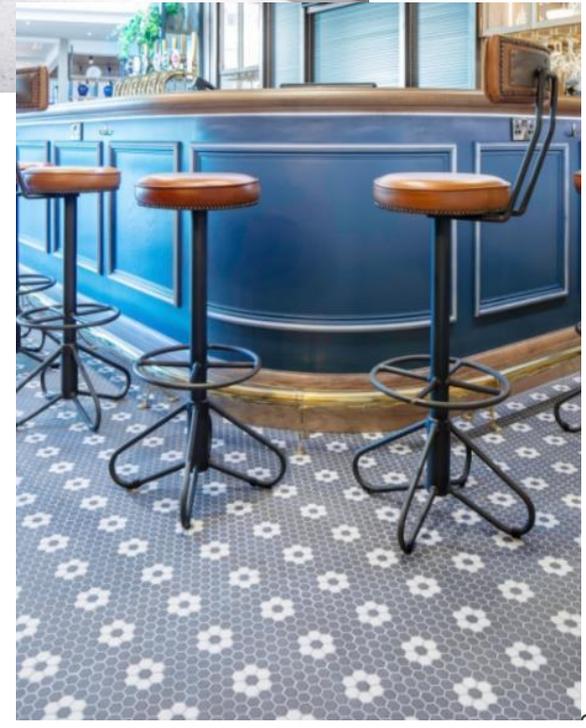
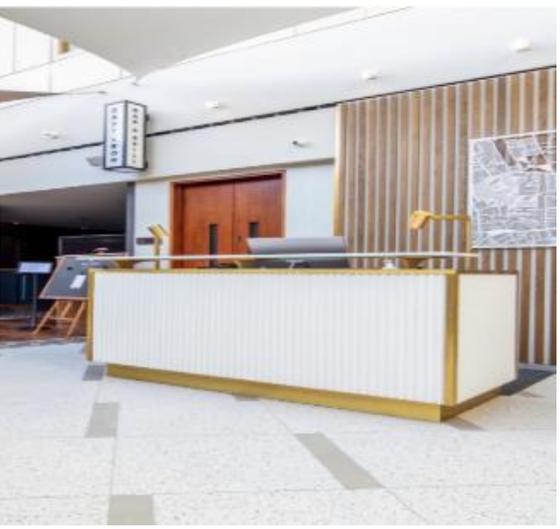
- Next Fosse Park - new flagship concept
- 17,000m² of shopping space - a journey of experiences through home interiors, fashion, books and travel
- Store design uses a range of porcelain floor tiles - creating zones that help shoppers to understand direction store flow
- Wood effect and concrete effect porcelain and Natural Stone marble mosaics - a bespoke natural stone design that's exclusive to Next



Photo Credit © Alicia Clarke

Case Study - Marriott Hotel, Kensington

- Inspired from the museums, architecture and culture of the Kensington district
- Parkside worked with interior designer to help create a range of themes – from an ultra modern reception area to a classic mid century themed restaurant
- Tiles supplied for the reception area (check in desk, counter and floor) include a large format terrazzo and 3D effect tiles
- Restaurant utilises custom mosaics and crochet patterned tiles hand inspired by traditional hand-painted terracotta tiles



▪ Summary

- H1 performance varied – Q1 very successful, Q2 dominated by Covid restrictions
- Growth strategy to deliver market share goal of '1 in 5 by 2025'
- Opportunities for further growth in Retail, supported by Commercial business with clear ambition to be #1
- Business well capitalised with strong balance sheet - £15.4m net cash at half year

▪ Current trading and Outlook

- Retail trading post lockdown strong – 5 weeks are +16.8% on a 2 year LFL basis
- Outlook for domestic home improvement remains strong – business will benefit
- Commercial forward indicators improving – confident of improved performance over H2
- Intention to re-instate dividend based on full year earnings



Q&A

Appendix

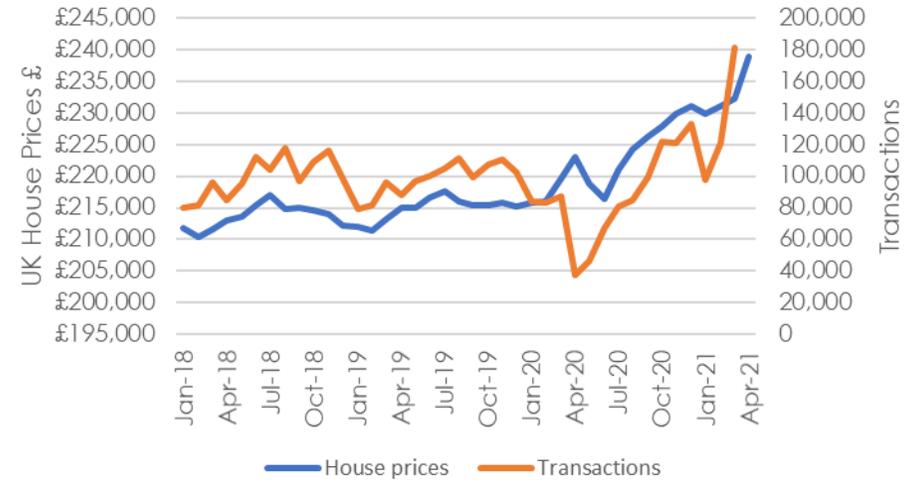
Market Data

ONS - RMI Private Housing



October 20 to March 21 : +7.0% YoY

UK House Prices and Transactions

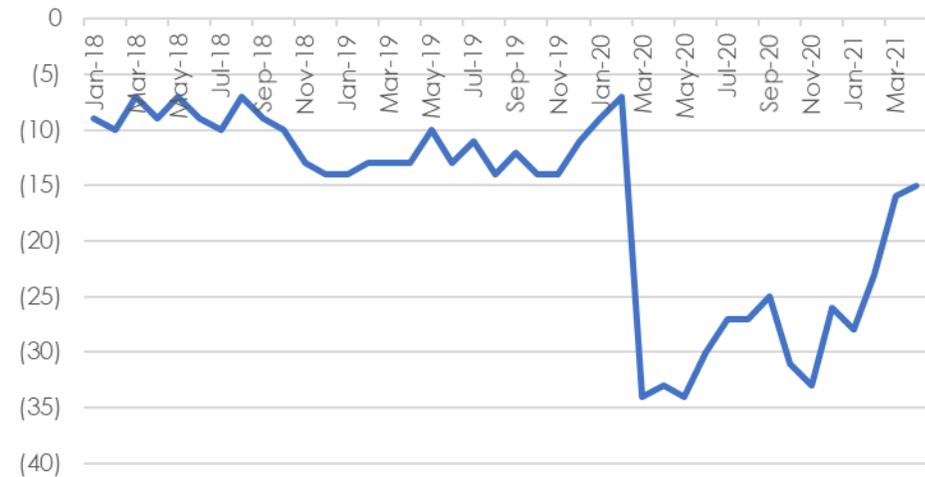


ONS - Private Commercial New Work



October 20 to March 21 : (17.5)% YoY

Consumer confidence



Sources: ONS 'Output in the construction industry' – volume seasonally adjusted data (2018 = 100); Nationwide House Price Index; National Statistics Monthly Property Transactions (residential); GfK Consumer Confidence Index

Cash Flow Highlights (Pre-IFRS 16)

26 weeks ended 27 March 2021

	HY 21		HY 20		YoY	
	£m	£m	£m	£m	£m	£m
Cash flows generated by operations before WC	8.9		5.0		3.9	
Change in working capital	(18.4)		(2.0)		(16.4)	
Interest	(0.3)		(0.5)		0.2	
Tax	-		(1.0)		1.0	
Operations		(9.8)		1.5		(11.3)
Capital expenditure	(2.5)		(3.1)		0.6	
Sale proceeds & other investments	1.7		-		1.7	
Investments		(0.8)		(3.1)		2.3
Free cash flow		(10.6)		(1.6)		(9.0)
Dividends	-		(4.5)		4.5	
Increase/(reduction) in net cash		(10.6)		(6.1)		(4.5)

- Free cash flow was a £10.6m outflow on a pre-IFRS 16 basis, with closing net cash of £15.4m
- Key drivers for the reduction in net cash were:
 - £18.4m outflow of working capital with the following key movements : higher stock (£2.6m) from lower trading and excess Brexit stock, high year end FY20 creditors from strong trading replaced by lower creditors from lower trading in lockdown (£13.7m), £2.2m changes in accruals and other small items
 - Reduced capital expenditure, no cash tax, no final dividend payment from the prior year

Balance Sheet Highlights (Statutory – post IFRS 16)

27 March 2021

	HY 2021	HY 2020	YoY	HY 2021 (pre-IFRS 16)
Goodwill/Intangibles - £m	1.0	5.8	(4.8)	1.0
Freehold Property - £m	1.6	13.6	(12.0)	1.6
Fixed Assets - £m	23.7	31.9	(8.2)	23.9
Right-of-Use & Sublease Assets - £m	100.3	109.5*	(9.2)	-
Inventory - £m	32.0	30.6	+1.4	32.0
Receivables/Payables/Provisions - £m	(41.1)	(35.0)	(6.1)	(45.1)
Borrowings - £m	-	(39.0)	+39.0	-
Lease Liabilities - £m	(114.9)	(118.7)	+3.8	-
Cash - £m	15.4	21.7	(6.3)	15.4
Net Cash / (Debt) - £m (pre-IFRS 16)	15.4	(17.3)	+32.7	15.4
Net Assets - £m	17.3	19.2	(1.9)	26.6

- Goodwill and intangibles reduction relates to the impairment of commercial assets (September 2020)
- The Group holds three freehold properties with a book value of £1.6m, having sold two properties during the half year (gross sale price £1.7m)
- Fixed assets reduction relates to the warehouse and head office sale (completed FY20), as well as 28 fewer stores vs HY20 and impairment due to closures
- Right-of-use & sublease assets of £100.3m, brought on balance sheet as a result of IFRS 16.
* HY2020 values restated as a result of the adoption of IFRS 16 and following the full year FY20 audit of the accounts.
- Inventory increased YoY with stock build in advance of Brexit being retained due to lower sales in Q2 as we worked under lockdown trading conditions. Inventory days at 138 days (2020: 132)
- Lease liabilities of £114.9m brought on balance sheet from the implementation of IFRS 16
- Net cash position of £15.4m, a reduction of £10.6m from the year end position - an improvement of £32.7m YoY

	HY 21	HY 20	YoY
Adjusted Profit before tax (£m)	5.1	1.2	3.9
Adjusting items (£m):			
Property	(1.8)	(1.6)	(0.2)
Furlough claims - to be repaid	1.0	-	1.0
IFRS 16 (HY 21: one off items only, HY 20 : total impact)	(0.3)	(2.8)	2.5
Profit before tax (£m)	4.0	(3.2)	7.2

- Adjusting items in FY21 consist of:
 - Property related items including vacant property costs (£1.2m) and impairment of property assets (£0.6m)
 - Furlough claims made in HY 21, to be repaid (£1.0m)
 - IFRS16 impact for one off items (£0.3m) – with gain of £0.1m IFRS16 business as usual impact included in adjusted profit from FY21 onwards

- *HY20 IFRS16 Restatement - Statutory Profit before tax for the 26 weeks ended 28 March 2020 has been restated to reduce the loss by £0.7m to £3.2m as a result of the adoption of IFRS 16 and following the audit of the accounts for the 52 weeks ended 26 September 2020. These restated amounts have been included as the comparator in the FY21 interim accounts. This restatement does not impact adjusted profit for HY20.*