



**Topps Group**

**Full Year Results 2022**

**Analyst and Investor  
Presentation**

- 
- A bright, modern outdoor patio area. In the center, there is a teal-colored dining set consisting of a round table and four chairs with a woven backrest. The table is set with a glass of water, a glass of orange juice, and a potted plant in an orange pot. To the left, there is a large white planter box filled with various green plants, including a tall cactus in an orange pot. In the background, there is a blue arched door and a white decorative wall panel with a repeating geometric pattern. The floor is made of light-colored tiles, and the overall atmosphere is bright and airy.
- **FY22 Highlights & Strategy**  
Rob Parker
  - **Financial Performance**  
Stephen Hopson
  - **Operational Review**  
Rob Parker

A modern bathroom with marble walls, a bathtub, a sink, and a mirror. The room features a white bathtub with a gold showerhead, a white vessel sink on a black vanity with a gold faucet, and a large arched mirror. A hanging plant is visible near a window on the left. The walls are covered in white marble with gold veining. The floor is also covered in the same marble. A white mat is on the floor in the foreground.

## FY22 Highlights & Strategy

**Rob Parker**  
Chief Executive Officer

*UK's market leading tile specialist with ambitious growth strategy*

## Omni-channel



**Topps Tiles**

Sales - £227.0m

Market leading,  
omni-channel  
domestic specialist

Homeowners,  
trade customers &  
contractors

## Online Pure Play



**PROTILERTOOLS**



**Tile  
Warehouse**

Sales - £9.3m  
(FY equivalent £14.7m)

Digital specialists, Pro Tiler  
top 3 online player

Homeowners (TW)  
Tiling professionals (PTT)

## Commercial



**PARKSIDE**

Sales - £10.9m

5<sup>th</sup> largest commercial  
specialist

Architects, designers  
and contractors

Sales  
£247.2m, +8.4%

Market Share  
19.0%, +1.4ppts

Adj PBT  
£15.6m, +4.0%

Dividend  
3.6p (FY21 3.1p)

## Topps Tiles

- Record sales of £227.0m, +9.4% LFL%\*
- Strong strategic progress – store portfolio enhanced, category expansion, channels focus
- Customer satisfaction 90%

## PARKSIDE

- Continued growth, record sales of £10.9m (+26.7% YoY)
- Q4 trading – breakeven profitability
- Sector specialism source of advantage
- £25m+ sales ambition



- Commenced trading May '22, value focus targeting homeowners
- Low start up costs – c.£0.5m to launch
- PPC investment required to grow
- £15m+ sales ambition

## PROTILERTOOLS

- 60% acquired in March '22
- Strong growth post acquisition – Q4 +43% yoy
- Trade brand access benefits Group
- Additive to digital skillset
- £25m+ sales ambition

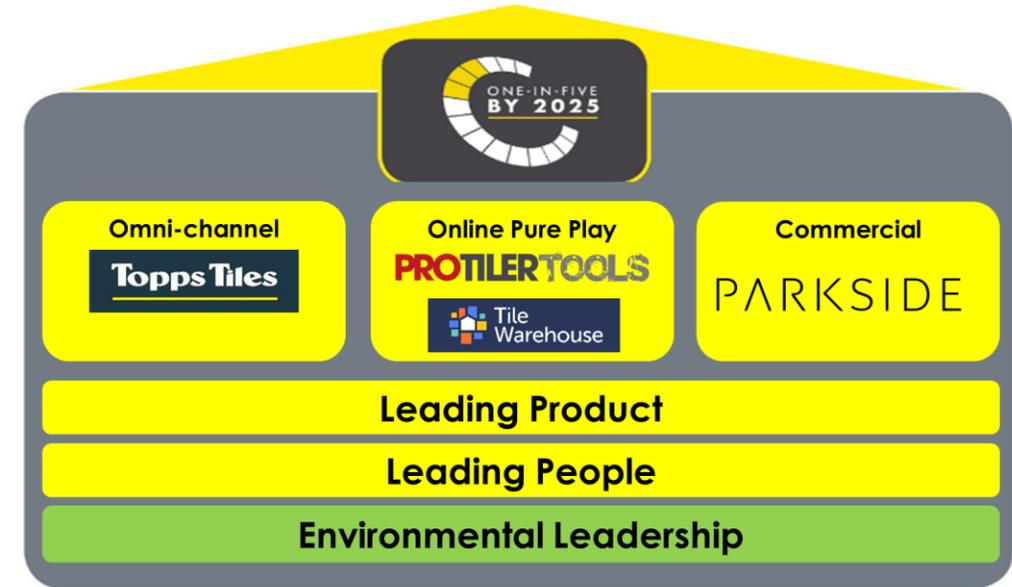
\* Like-for-like sales are defined as sales from online and stores within the Topps Tiles brand that have been trading for more than 52 weeks

## Goal



- Group goal of 1 in 5 by 2025 – 20% market share
- Total addressable market c. £1.3bn (coverings & associated products)
- FY22 estimated share at 19.0% - well on track to deliver the goal (up from 17% in 2019)
- Delivery of goal represents material upside in Group profitability

## Strategy



- Strategy focused on growth to take market share
- Core Group strengths of product and customer service
- Four trading businesses – ranging from well established omni-channel market leader to new online pure play start up
- Environmental ambition - goal to be carbon neutral by 2030

- **Summary**

- Record year of sales at £247.2m
- Market leading, omni channel offer through Topps Tiles brand - category expansion, portfolio optimisation and world-class customer service
- Strong recovery from Covid period – business trading ahead of 2019 levels
- Group developed and diversified – now four trading businesses, all in growth
- Strong progress towards 1 in 5 by 2025 – now at 19% market share

- **Current Trading and Outlook**

- Topps Tiles like-for-like sales in the last 8 weeks 3.4%
- Other business trading in line with our expectations
- Parkside & Pro Tiler profitable, Tile Warehouse growth to be driven through PPC investment
- Macro driving uncertainty – strong balance sheet and market leadership will be key



# Financial Performance

**Stephen Hopson**  
Chief Financial Officer

- Record turnover of £247.2m, up 8.4%
- Adjusted PBT of £15.6m, up 4.0%
- Cash outflow of £11.6m, incl H2 inflow of £2.8m
- Proposed full year dividend 3.6p, up 16.1%
- New banking facility agreed at £30m until at least 2025, with 2 year extension option

## Strong performance vs pre-pandemic period

- 2ppts market share growth vs 2019
- Sales +£28.0m (+12.8%) vs 2019
- Adj PBT +£1.9m (+14.1%) vs 2019



# Income Statement Highlights - Adjusted Measures

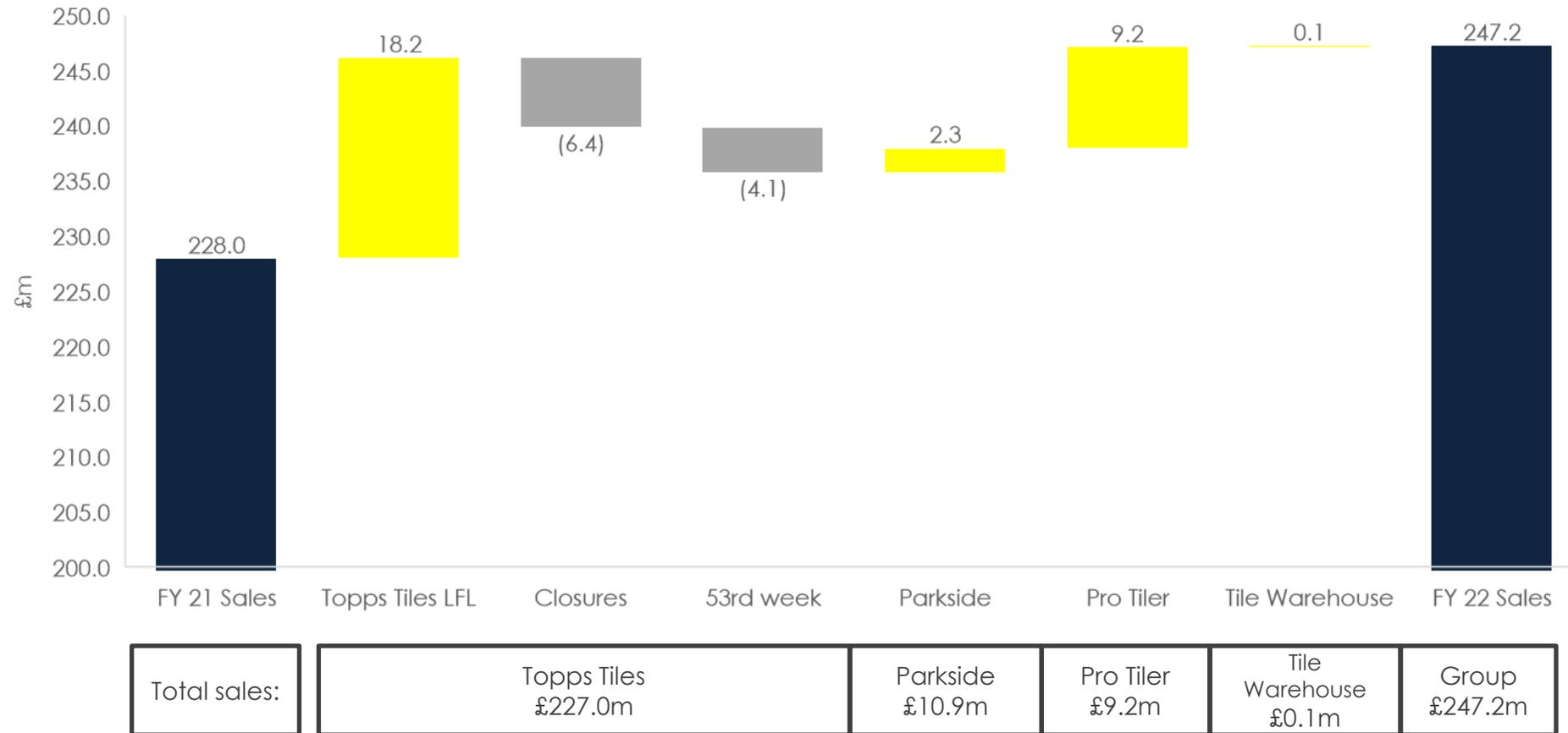
Topps Group

52 weeks ended 1 October 2022

	FY 22 (52 weeks)	FY 21 (53 weeks) (restated)	YoY
Sales - £m	247.2	228.0	+8.4%
Gross Profit - £m	135.4	130.7	+3.6%
Gross Margin %	54.8%	57.3%	(2.5)ppts
Opex - £m	116.0	111.7	+3.8%
Interest - £m	3.8	4.0	(5.0)%
PBT - £m	15.6	15.0	+4.0%
Net Margin %	6.3%	6.6%	(0.3)ppts
EPS - pence	6.14p	6.02p	+2.0%

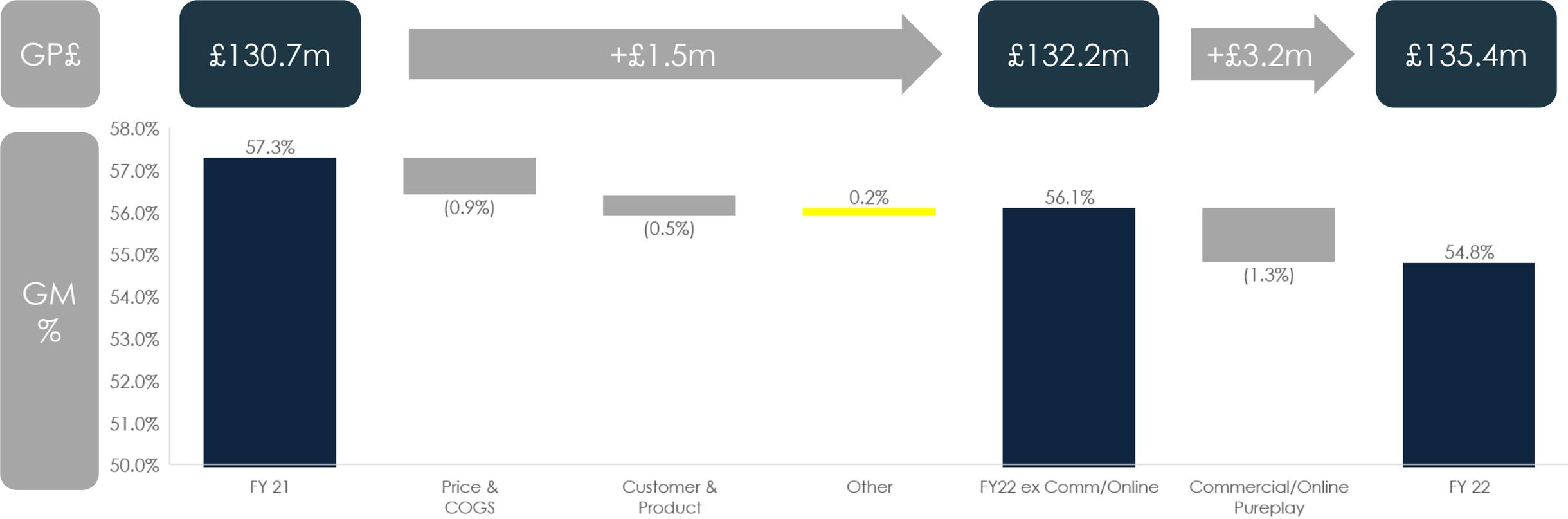
- Strong year on year sales growth across Topps Tiles, Parkside and Pro Tiler Tools
- Group gross profit up 3.6% with margin down 2.5 ppts due to business mix, product and customer changes, and approach to inflation pass through
- Adjusted operating expenses increase of 3.8% including a full year of business rates (£4m impact)
- Adjusted PBT up 4.0% to £15.6m, EPS up 2.0% to 6.14 pence

*Note - Adjusted measures exclude several items which are either one off in nature or fluctuate significantly from year to year. FY21 P&L restated by £0.3m of adjusted PBT as a result of IFRIC agenda decision in relation to configuration and customisation expenditure relating to cloud computing arrangements.*



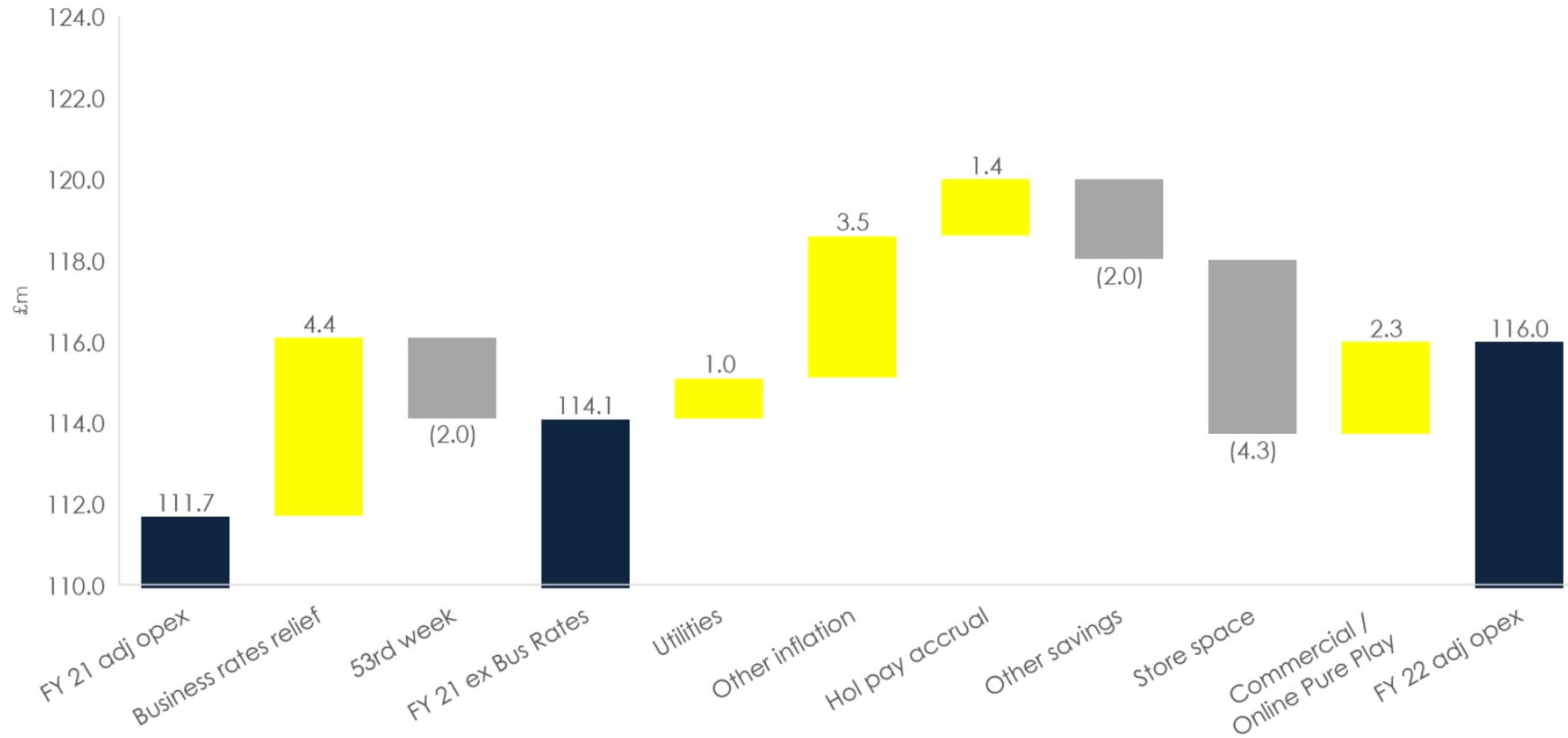
- Strong LFL sales within Topps Tiles brand, especially trade and essentials
- Average stores reduced from 331 last year to 310 this year; 304 stores at period end
- Parkside sales up 27% vs market up 2.5% - 5<sup>th</sup> consecutive record year for sales
- Pro Tiler consolidated £9.2m of sales into Topps Group but £14.7m FY, up 32.4% yoy
- Tile Warehouse launched in May & focused on establishing the offer

# Gross Profit and Gross Margin % Bridge



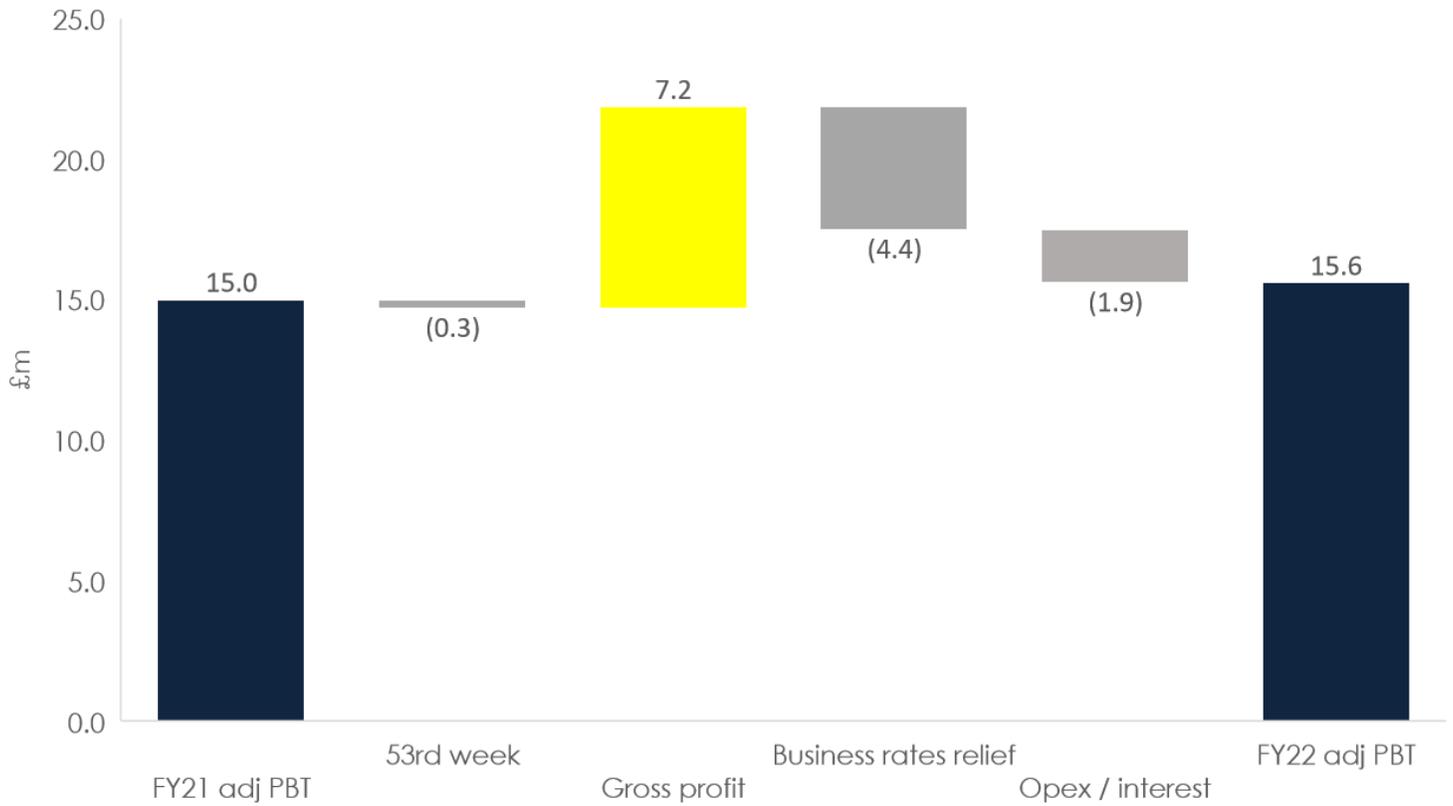
- Gross profit growth from both Topps Tiles and Commercial / Online Pure Play
- FY21 contained 53<sup>rd</sup> week – worth c £2.4m of GP£ in Topps Tiles
- Higher cost of goods passed on pound for pound – maintain GP£, lower GM%
- Increased sales to trade and NPD increases profit, reduces GM%
- New businesses run at lower margins than Topps Tiles but profit accretive

# Adjusted Operating Expenditure Bridge



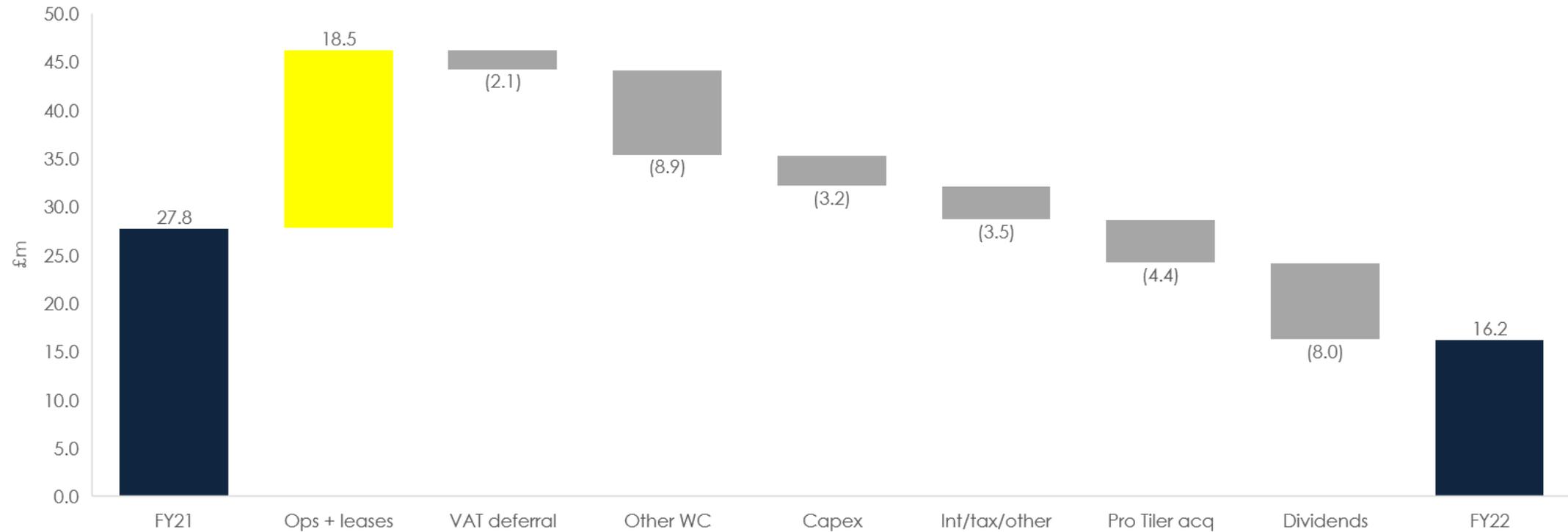
- Last year benefit of £4.4m of business rates relief not repeated – also reduction in accounting period of 1 week
- Utilities increase mainly due to gas prices – other inflation includes wages, rent and supply chain disruption costs
- Holiday pay accrual: credit of £1.6m in FY21, credit of £0.2m in FY22, so £1.4m increase in costs yoy
- Other savings include vacancies, property cost savings, profit share
- Average of 310 Topps Tiles stores vs 331 in the prior year generating £4.3m reduction in costs
- FY22 contains 7 months of Pro Tiler Tools overhead, early period Tile Warehouse costs and savings in Commercial

Note - FY21 adjusted opex restated by £0.3m as a result of IFRIC agenda decision in relation to configuration and customisation expenditure relating to cloud computing arrangements

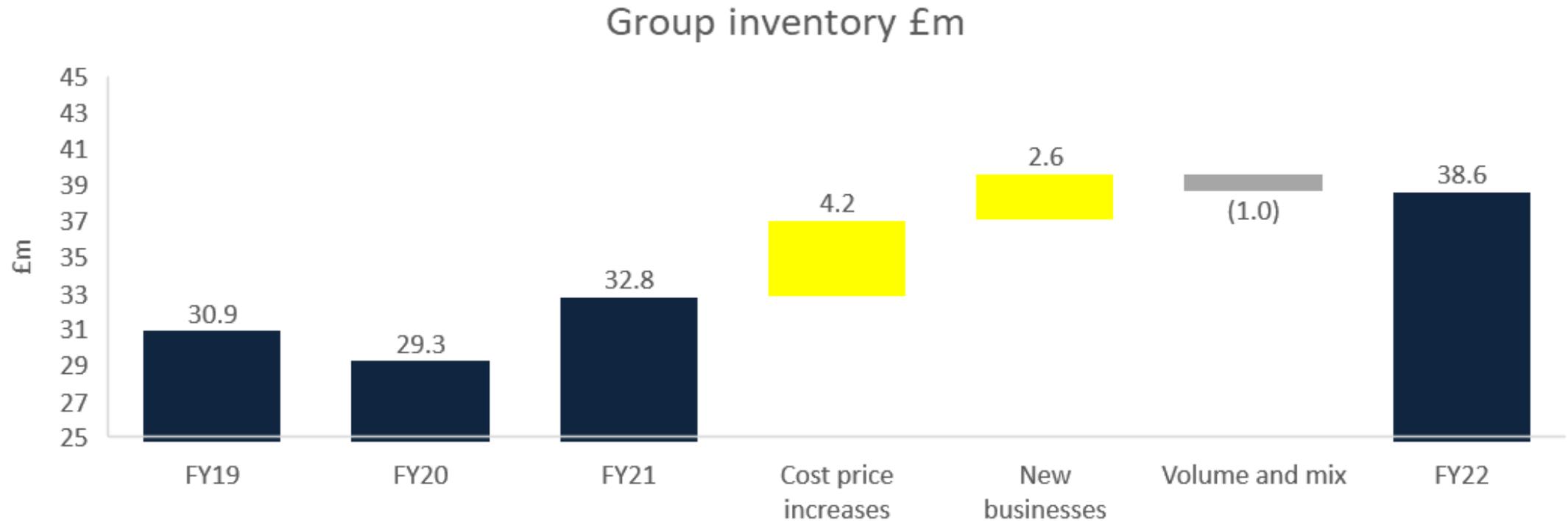


- One fewer trading weeks in FY22 compared to FY21
- Recovery in gross profit from Topps Tiles and inclusion of new/developing businesses
- Business rates relief not applicable this year
- Other costs well controlled – inflation and hol pay offset by fewer stores and other savings
- Profit up 4% year on year – or 6% on a 52 week comparable basis

Note - FY21 adjusted PBT restated by £0.3m as a result of IFRIC agenda decision in relation to configuration and customisation expenditure relating to cloud computing arrangements



- Strong operating cash flows pre WC - £18.5m in the year
- Total cash movements in year impacted by acquisition, FY21 full year dividend all paid in FY22 and final deferred VAT repayment – c £8.5m of non-repeating items
- Stock increase due to inflation and new businesses; Payables decrease due to payment timings
- Low capex in FY22, expected to be £6m-£7m in FY23



- Significant increase in balance sheet inventory value: +£5.8m year on year
- £4.2m due to higher cost prices driving stock value upwards
- £2.6m in new businesses – predominantly Pro Tiler (£2.3m), including £0.8m invested since acquisition
- Other stock in Topps remains at good levels, volume slightly down vs last year end
- Group stock days up marginally at 126 (+3 year on year)

## Capital allocation priorities

1. Business resilience
2. Investment in the core business
3. Value creative opportunities
4. Enhanced returns to shareholders

## Group credit facilities

Facility	Limit	Expiry
Revolving Credit Facility	£30m	October 2025
Headroom to facilities at year end of £46.2m		

- New RCF negotiated with 2 banks at favourable terms
- '3+1+1' facility so could extend to Oct 2027

## Dividend

- Final dividend of 2.6p proposed
- Full year dividend 3.6p (+16.1% yoy)
- Dividend increased to 59% of EPS – increasing to 67% next year

## Return on capital employed

- ROCE up 0.1ppt to 17.3%
- Lease adjusted capital increased £7.2m as a result of increase in equity and reduction in net cash, offset by lower lease liabilities

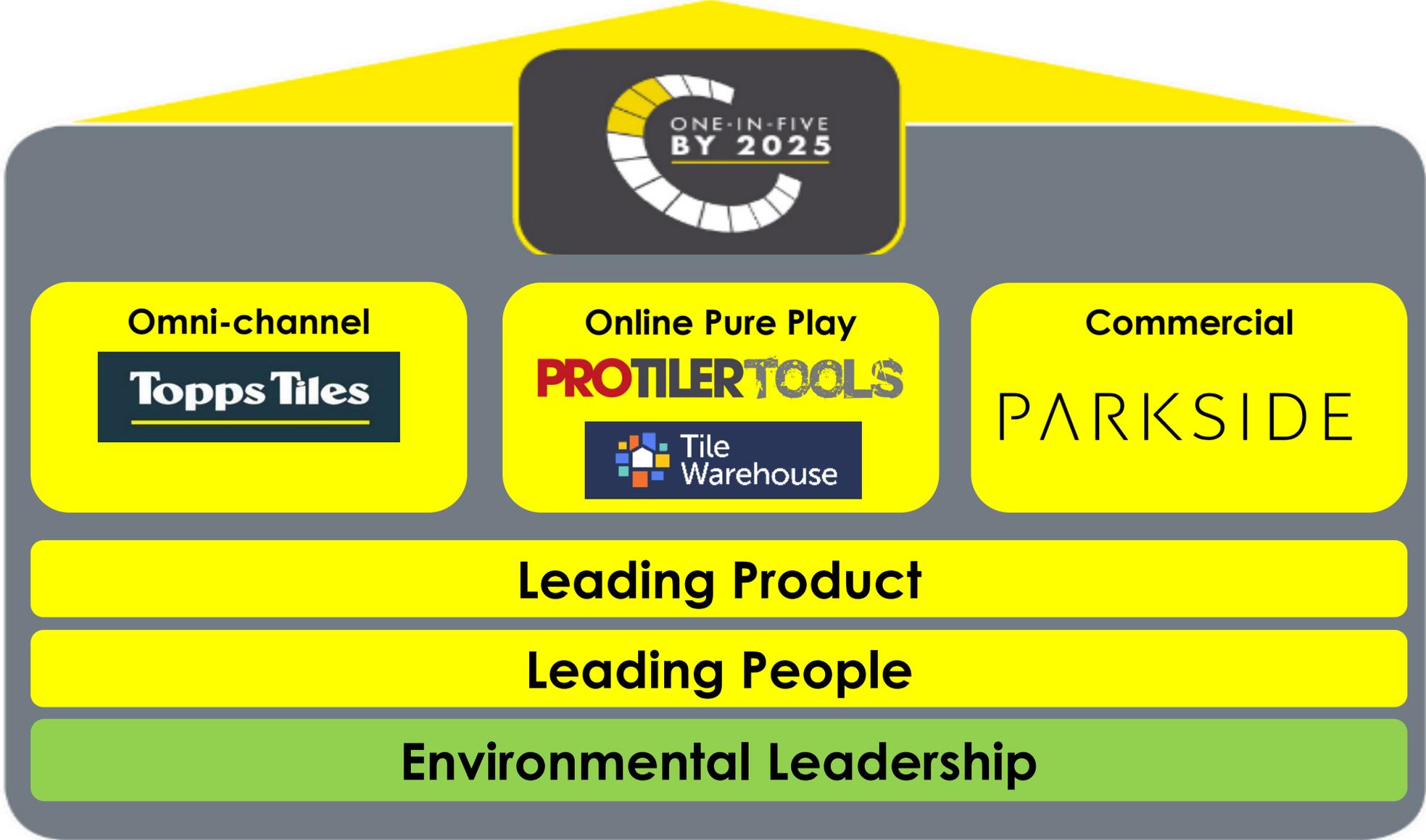
Note:  $ROCE = \frac{\text{Adjusted operating profit}}{(\text{Opening capital employed} + \text{Closing capital employed})/2}$  where capital employed = Net assets + net debt including lease liabilities

A kitchen scene featuring a white marble subway tile backsplash. A white shelf with decorative brackets holds a white pitcher, a black pepper mill, a white bowl, and a stack of white plates. A black clock with a white face is mounted on the wall. A white countertop with a marble pattern holds a black bowl, a potted basil plant, and several books. A window with a green plant is visible on the left. A dark teal cabinet with a brass handle is on the right.

# Operational Review

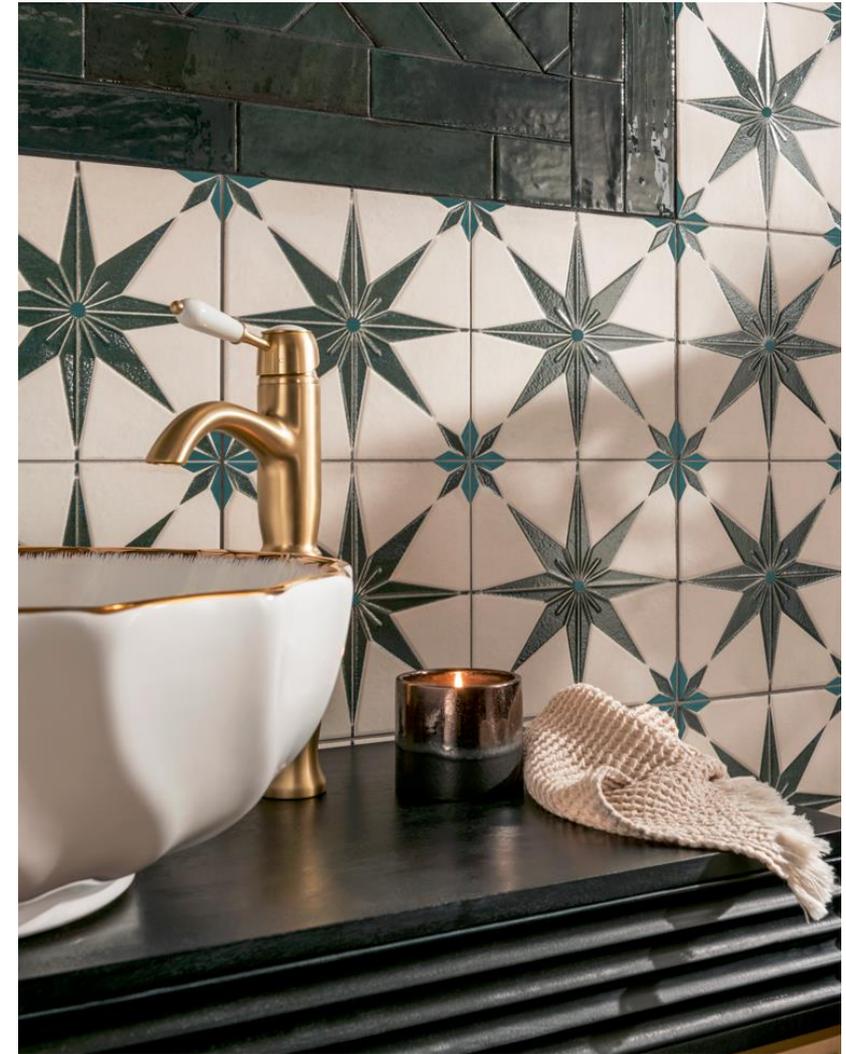
**Rob Parker**

Chief Executive Officer



## Leading Product (incl Supply Chain)

- Key source of competitive advantage – we are experts in ranging and sourcing of tiles and associated products on a global basis
- Leveraging scale – 76% of products in Topps Tiles are own brand or exclusive
- 34 new products launched, despite material supply chain challenges
- Range extended through Everscape™ (outdoor) and Luxury Vinyl Tile, trialling XXL and shower panels
- Access to trade brands extended through Pro Tiler acquisition
- FY22 global supply chain disruption due to energy costs, clay and transport – resilience and stock availability key strengths



# Leading People

- World class customer service at heart of offer – overall satisfaction rate of 90%\*
- Employment market challenging - greater focus on recruitment & retention - the 'Topps deal'
- In Topps Tiles, store manager role key – turnover at 16.8% (4.4% down YoY)
- Colleague development and progression - 65% of promotions into management positions filled internally
- Colleague engagement strong at 80% (UK average 68%)
- Wellbeing important – especially mental health & financial health (supported by our Bupa partnership)
- Growing Group provides more opportunities for colleagues



\*Overall satisfaction is measured as customers scoring us as 5 out of 5 for satisfaction

- Goal to be carbon neutral by 2030 (scope I and II emissions)
- Strategic partnership with World Land Trust – 3 stage process – measure, reduce, offset
- Scope I and II = 4,800 tonnes of carbon generated annually (40% reduction YoY due to switching to renewable energy)
- Internal governance will focus on carbon balancing, circularity and Commercial specifics
- Focus areas include – LED lighting across all sites, new euro 6 compliant fleet, waste and recycling initiatives (incl Wrap), customer information & solar panels
- Commercial business carbon balanced – 400 tonnes of carbon offset for FY22



Recycled Content





**Topps Tiles**

# Topps Tiles Summary

**Investment case** - market leading, omni channel specialist with *opportunities for profitable growth*



Completion of 3 year programme to right-size store estate

c.300 stores (c.4x next largest specialist), avg 20 min drive time to store



## Portfolio

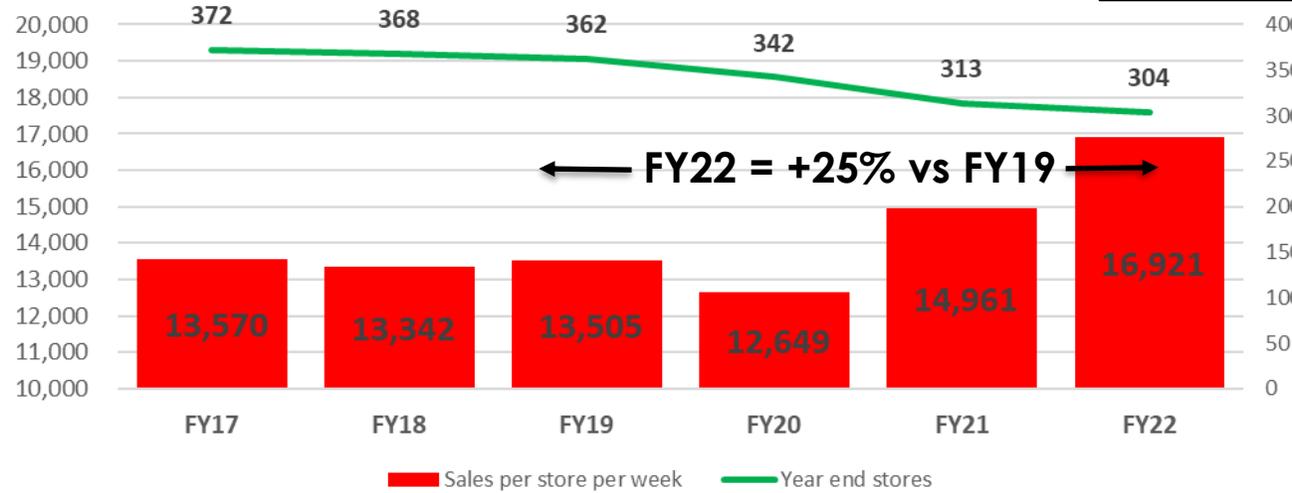
## Formats



- 33 superstores
- 14 clearance stores
- 257 core format



### Avg sales per store per week

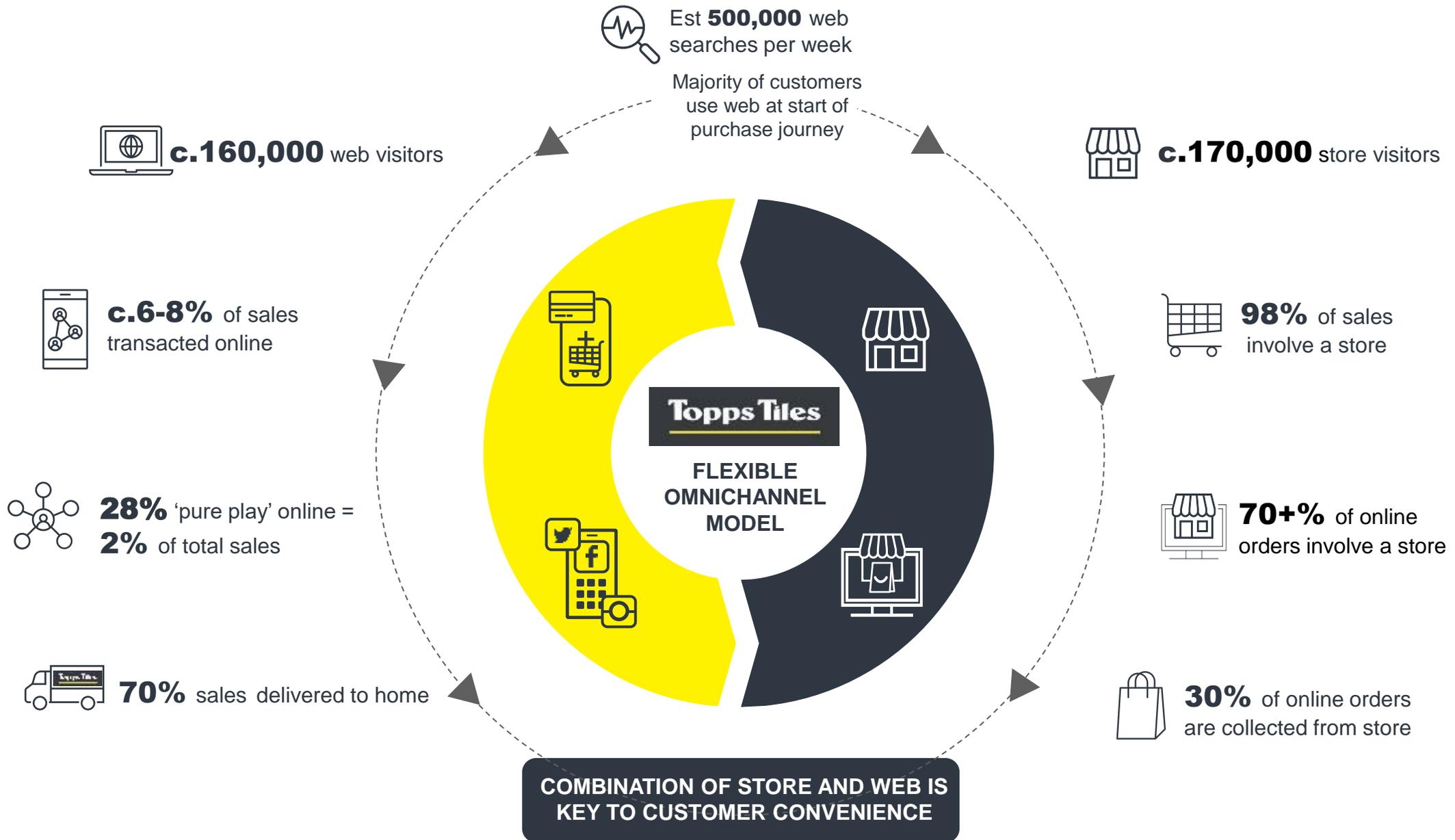


## Categories

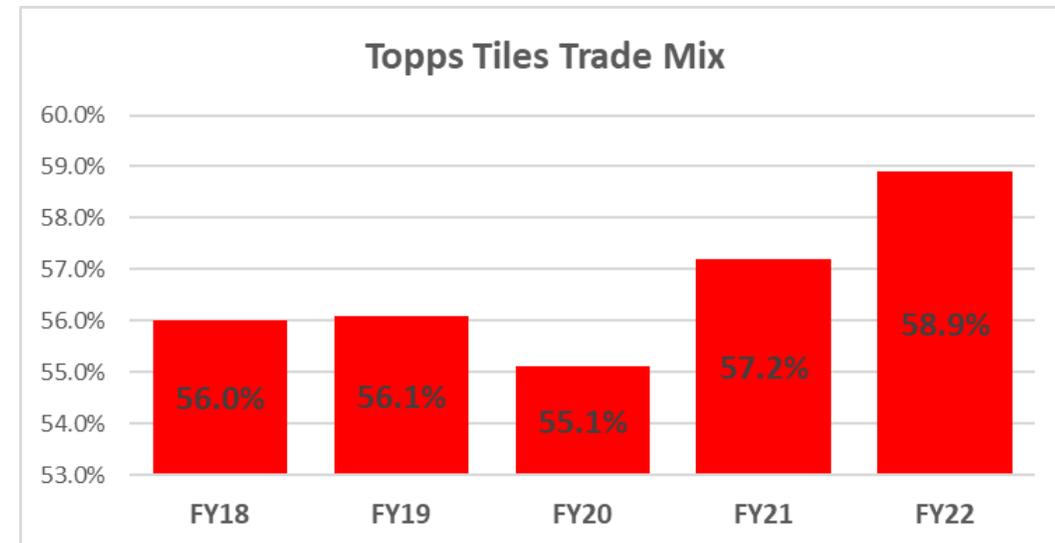
## Channels



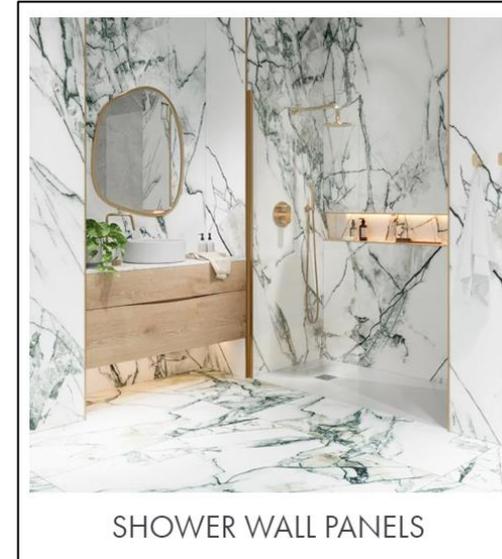
# Omni-channel business



- Merchant focus - professional installers account for c.60% of sales (Q4)
- Trade base works in harmony with homeowner – fitters use our store as their showroom
- Mutual referrals key – 50% rule on tiler/tile shop
- Strong customer base (c.100,000+ shopped in last 12 months)
- Limited digital penetration – stores key to convenience
- Value crucial – trade pricing, bulk deals, loyalty scheme
- Trade brands an opportunity to take share



- Strong omni channel model - homeowners very active across channels (only c.2% of sales are pure play)
- Weekly online traffic & physical footfall similar
- Market leader online – 3x traffic of next largest competitor
- Power of the brand – Topps Tiles scores 80% awareness
- Infrequently shopped means service key – world class with 90% of customers scoring 5 out of 5
- Mass appeal requires broad range of product & price – ‘Get the Look for Less’ and promotions strengthen value credentials





Online Pureplay

**PRO**TILER**TOOLS**



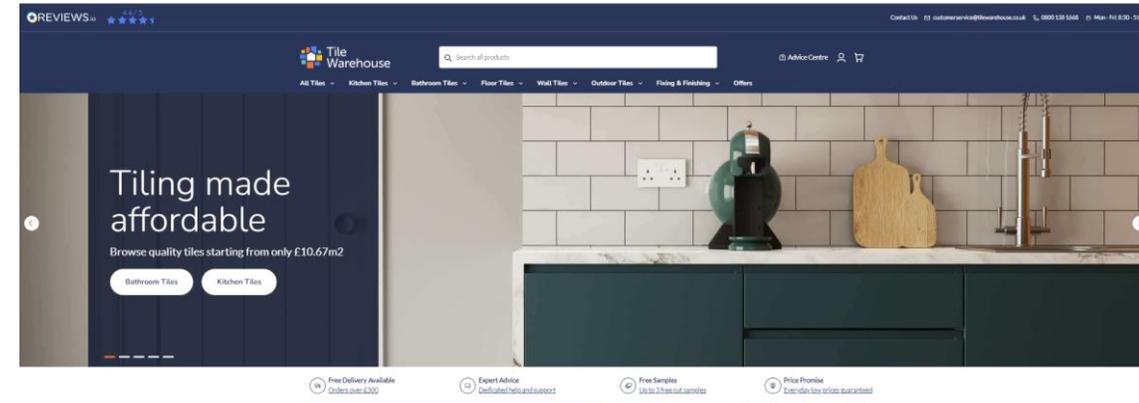
**Investment case** – trade focused, digital only consumables business with strong growth opportunity

- Complementary to existing Group operations – now serving professional installers through Topps Tiles stores and online
- High credibility with customer base – knowledgeable and reliable
- Provides access to trade specific brands – key opportunity to leverage future growth across the Group
- Website relaunched September '22 - improved mobile experience
- Options to leverage skillset into new opportunities
- Strong growth – H2 performance equivalent to £16.5m of sales (vs £12m at acquisition) – ambition for £25m+

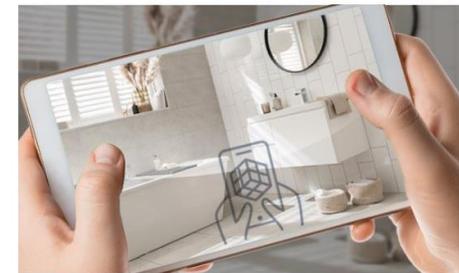


**Investment case** – access to £100m+ online market, value positioning complementary to Topps Tiles

- New digital brand launched May '22 – quality tiles at competitive prices
- Targeted at value conscious homeowners
- EDLP pricing model – focus on simplicity and transparency
- Working with social media influencer, 'Proper DIY', on bespoke 'how to' content
- Consumer brand separate to Topps Tiles – online only, value focus, narrow range, all delivered
- Low start up costs, requires PPC investment to drive traffic and sales
- £15m+ sales ambition within 5 years



## Tile Visualiser



Use our handy Tile Visualiser to find the right tiles for your home. We know that selecting the right tiles is a big decision, so we have a free and easy to use tool to view your tiles in your room.

Use our  
Tile Visualiser  
now!

With tiles coming in so many different shapes and sizes as well as materials and finishes, it can be a challenge knowing which tile will work best in your bathroom, kitchen or your garden.



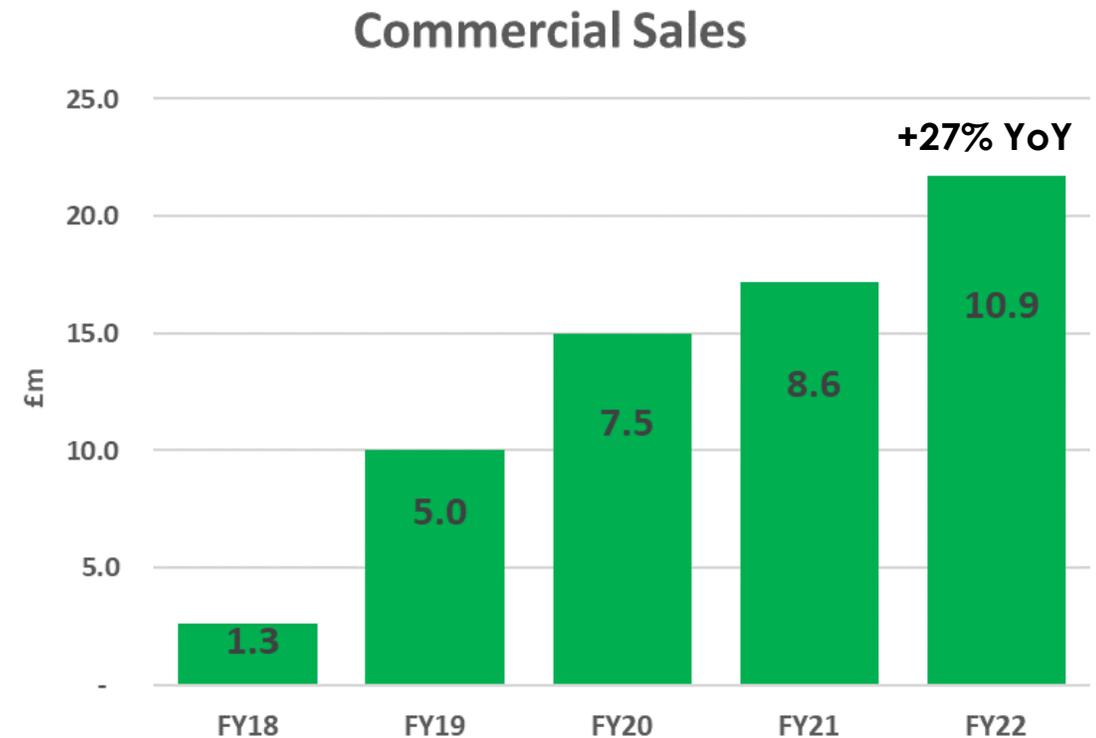


Commercial

PARKSIDE  
ARCHITECTURAL TILES

**Investment case** – Architect and designer specialist, leveraging Group strengths, £25m+ sales opportunity

- 5 years of growth – 5<sup>th</sup> largest commercial specialist
- Q4 trading at breakeven, profit expected for FY23
- Sector specialism developed across residential, retail & leisure, hotels, infrastructure and transport
- 120+ new clients acquired in year
- Market increased by 2.5% YoY, but remains c.20% below 2019 levels (source - ONS private commercial construction spend)
- Environmental leadership key for A&D community – Parkside now carbon balanced from FY22 forwards

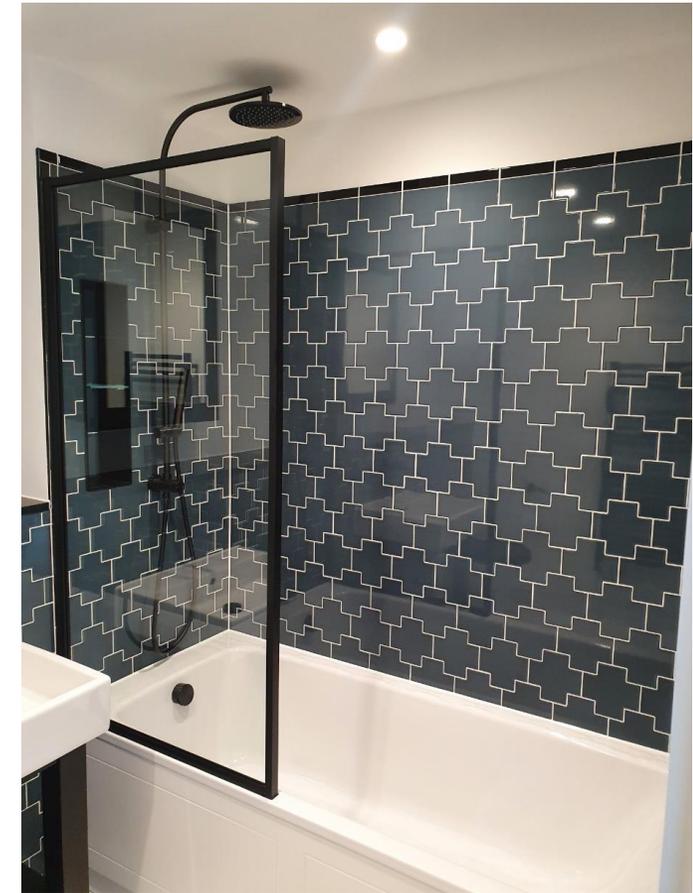




**Hilton Metropole**  
*NEC, Birmingham*



**Hotel Brooklyn**  
*Leicester*



**Berkeley Royal Exchange Apartments**  
*Kingston Upon Thames*

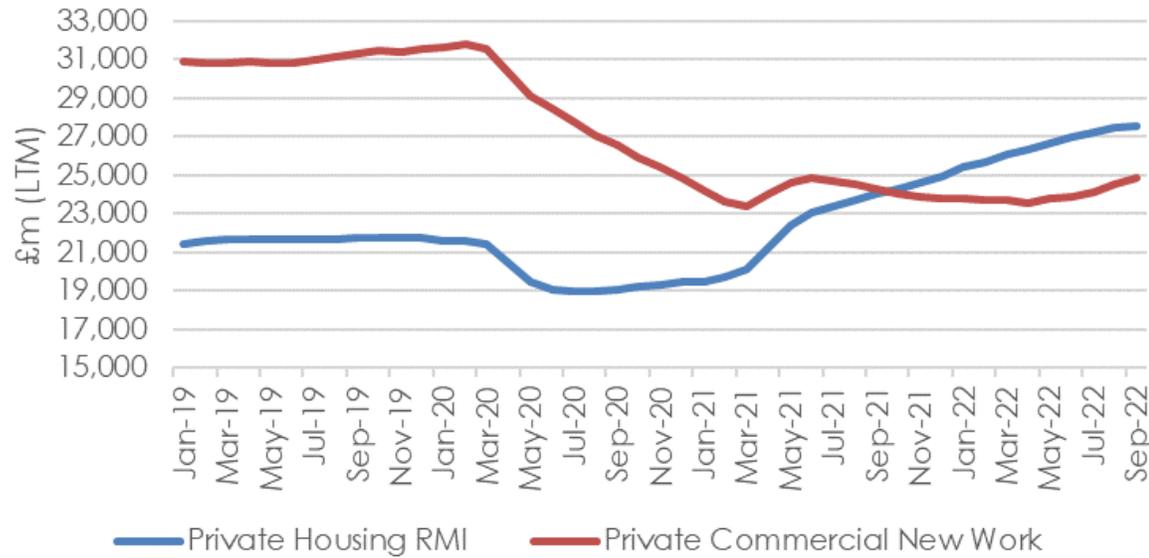




**Q&A**

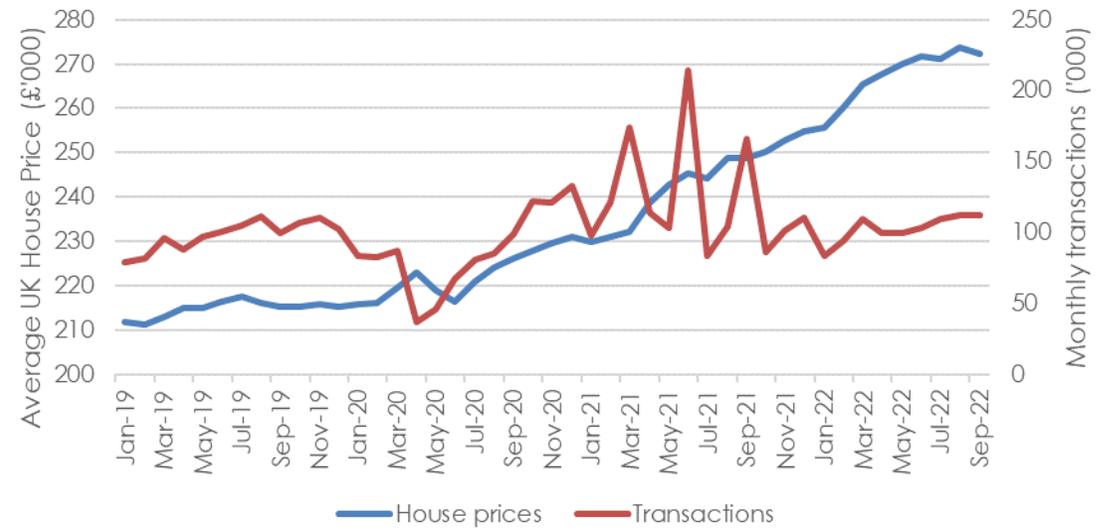
# Appendix

### ONS Market Size

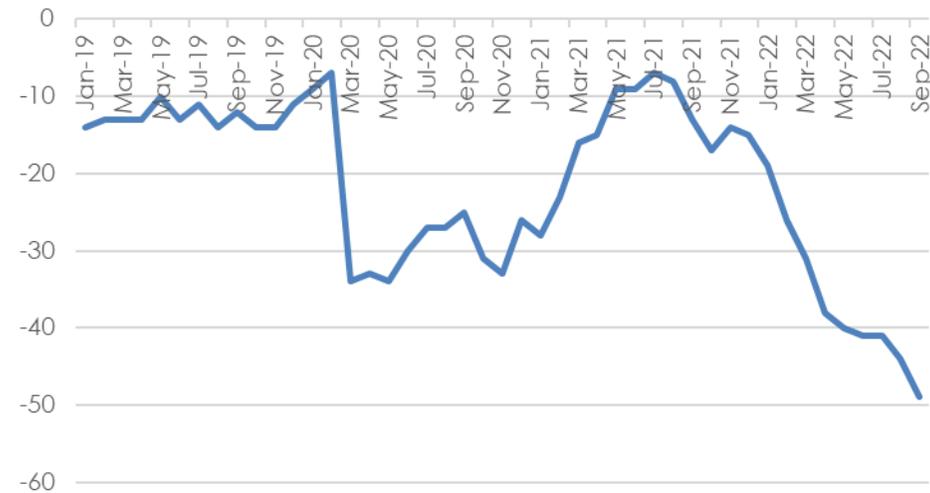


October 2021 to September 2022:  
 Private Housing RMI: +14.6% YoY  
 Private Commercial New Work: +2.5% YoY

### UK House Prices and Transactions



### Consumer confidence



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

	FY 2022		FY 2021 (restated)		YoY	
	£m	£m	£m	£m	£m	£m
Cash flows generated by operations, including leases, before working capital movements	18.5		20.7		(2.2)	
Changes in working capital	(11.0)		(14.6)		3.6	
Capex	(3.2)		(4.4)		1.2	
Disposals	0.2		2.1		(1.9)	
Interest	(0.3)		(0.5)		0.2	
Tax	(3.5)		(1.5)		(2.0)	
Other	0.1		0.0		0.1	
<b>Free cash flow</b>		<b>0.8</b>		<b>1.8</b>		<b>(1.0)</b>
Acquisition of Pro Tiler Ltd, net of cash acquired*	(4.4)		-		(4.4)	
Dividends	(8.0)		-		(8.0)	
<b>Change in net cash</b>		<b>(11.6)</b>		<b>1.8</b>		<b>(13.4)</b>

- Free cash flow was a £11.6m outflow, with closing net cash of £16.2m
- Key drivers for the decrease in net cash were:
  - Acquisition of 60% of Pro Tiler Limited, net of cash acquired and loan paid (£4.4m)
  - Working capital outflow of (£11.0m) including repayment of deferred VAT (£2.1m)
  - £8m dividend outflow includes £2m which would normally be paid as an Interim dividend in the prior year

\* Acquisition of Pro Tiler includes acquisition costs, net of cash acquired, and repayment of bank loans which happened immediately following acquisition

	FY 2022	FY 2021 (restated)	YoY
Goodwill/Intangibles - £m	7.5	0.5	7.0
Property, plant and equipment - £m	20.9	23.7	(2.8)
Right-of-Use & Sublease Assets - £m	91.0	98.3	(7.3)
Inventory - £m	38.6	32.8	5.8
Receivables/Payables/Provisions - £m	(41.3)	(45.2)	3.9
Borrowings - £m	0.0	0.0	0.0
Lease Liabilities - £m	(102.9)	(111.3)	8.4
Cash - £m	16.2	27.8	(11.6)
Net Cash - £m (pre-IFRS 16)	16.2	27.8	(11.6)
Net Assets - £m	29.0	25.0	4.0
Capital Employed - £m	115.7	108.5	7.2

- Intangibles increase relates to assets acquired as part of Pro Tiler Limited (largely goodwill and brand)
- Fixed assets reduction relates to the depreciation partially offset by net additions/disposals
- Right-of-use assets of £88.5m and sublease assets of £2.5m
- Inventory increased YoY as a result of increase in stock prices together with stock held as part of Pro Tiler Tools. Inventory days at 126 days (2021: 123 days)
- Lease liabilities of £102.9m held on the balance sheet
- Net cash position of £16.2m, a decrease of £11.6m year on year
- Capital employed increased £7.2m (defined as net assets – net cash + lease liabilities) with decrease in net cash partially offset with lower lease liabilities and increased net assets

	FY 2022	FY 2021 (restated)	YoY
<b>Adjusted Profit before tax (£m)</b>	<b>15.6</b>	<b>15.0</b>	<b>+0.6</b>
Adjusting items (£m):			
Property	(2.4)	(3.3)	+0.9
Business development costs	(2.3)	-	(2.3)
Other	-	2.3	(2.3)
<b>Profit before tax (£m)</b>	<b>10.9</b>	<b>14.0</b>	<b>(3.1)</b>

- Adjusting items in FY 2022 consist of:
  - Property related items including impairment of property, plant & equipment and right-of-use assets, offset by gains on lease disposals, as well as vacant property and closure costs
  - Business development costs including start up costs for Tile Warehouse (£0.5m), acquisition expenses relating to Pro Tiler Limited (£0.2m), and Pro Tiler share purchase accrual (£1.6m, accounted for as a remuneration cost)