



Topps Tiles

**Interim results
presentation**

2015

- **Introduction – Matthew Williams**
- **Performance – Rob Parker**
- **Strategy & Operations – Matthew Williams**

Introduction

Matthew Williams
Chief Executive Officer

Financial performance	<ul style="list-style-type: none">▪ £104m of sales – record post 2008▪ Adj EPS of 3.67 pence, +14% yoy
Multichannel convenience	<ul style="list-style-type: none">▪ Trade focus▪ Boutique
Inspirational shopping experience	<ul style="list-style-type: none">▪ Visualiser & iPads in store▪ Store rebranding
Range authority	<ul style="list-style-type: none">▪ New product development & innovation▪ Hero ranges

Performance

Rob Parker

Chief Financial Officer

Income Statement Highlights - Adjusted

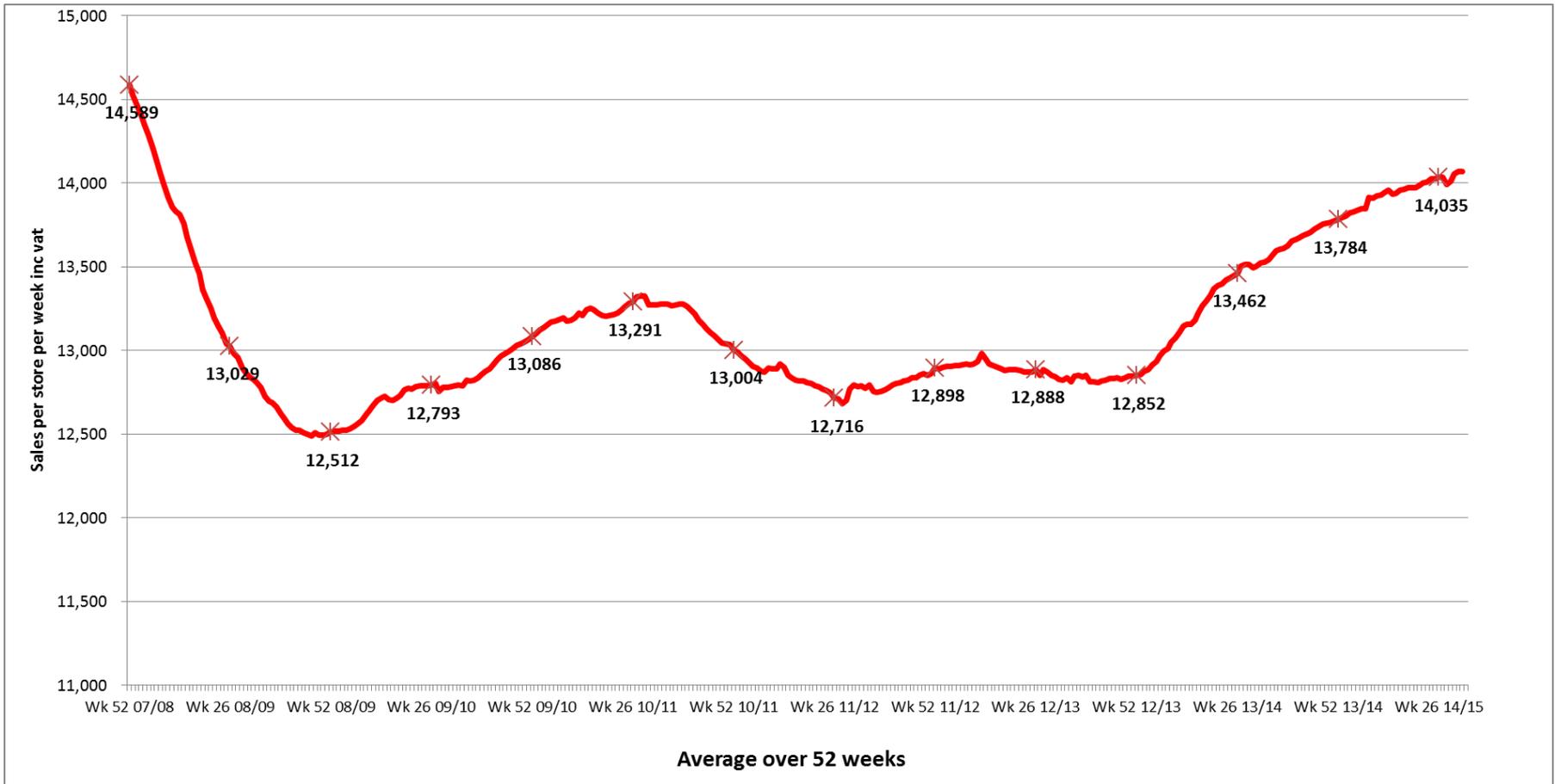
26 weeks ended 28 March 2015

Topps Tiles

	HY 15	HY 14	YoY
Sales - £m	104.0	97.7	+6.4%
Gross Profit - £m	63.2	59.4	+6.4%
Gross Margin %	60.7%	60.8%	(0.1)%
Adjusted Opex - £m	(53.5)	(50.5)	+5.9%
Adjusted Operating Profit - £m	9.6	8.9	+7.9%
Adjusted Interest - £m	(0.6)	(0.9)	(33.3)%
Adjusted PBT - £m	9.1	8.0	+13.8%
Adjusted Net Margin %	8.8%	8.2%	+0.6%
Adjusted EPS - pence	3.67	3.22	+14.0%

- **Good sales growth +5.3% on a LFL basis**
- **Margin down 10bps driven by strong trade performance**
- **Adjusted PBT of £9.1m, +13.8%**
- **Interim dividend of 0.75 pence per share, +15.4%**

52 Week Rolling Average Sales



- Sensitivity +1% LFL = c.£2m sales p.a. / £500 per store per week = c.£4.4m sales p.a.
- Target = 25% incremental operating margin for long term sustained increases in sales (net of investments into labour, marketing and other key activities)

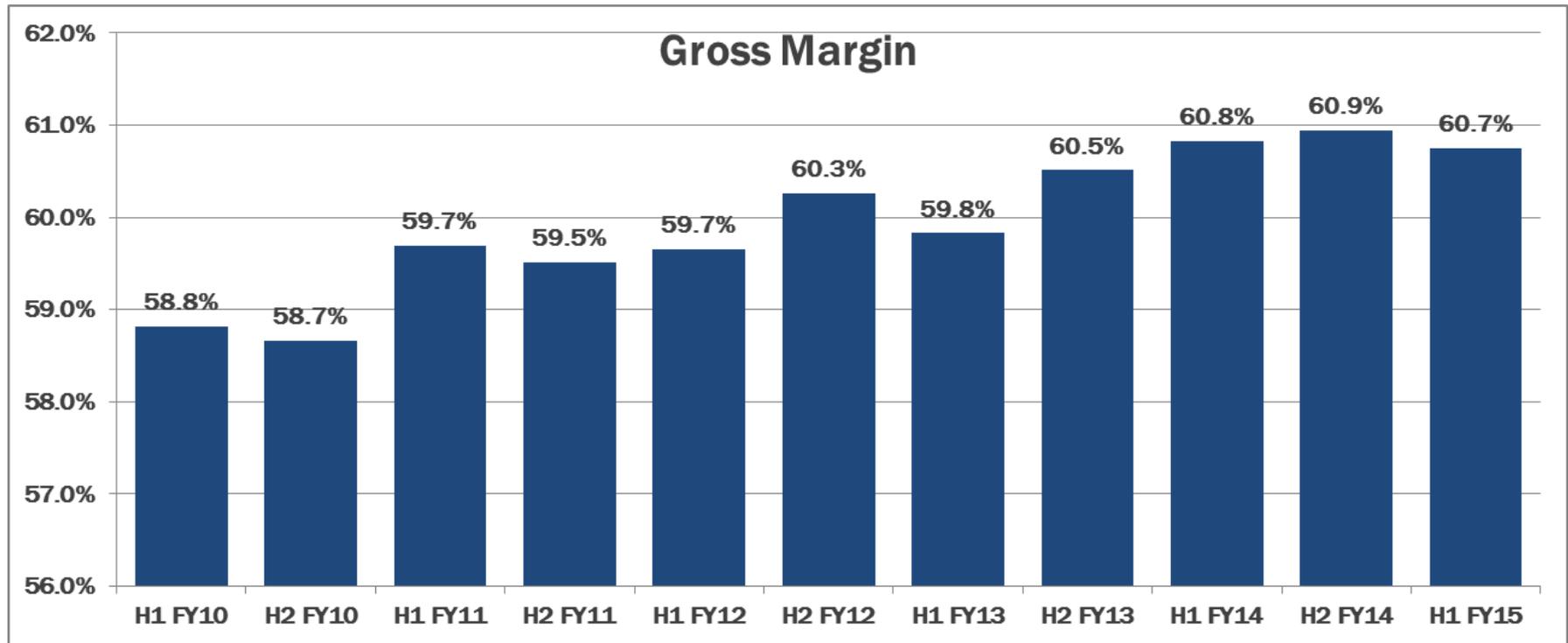
Adjusted Pre Tax Profit bridge

26 weeks ended 28 March 2015



- LFL is the key driver – £5.2m of additional sales and £3.1m of gross profit
- Space growth of 2.5% - avg of 336 stores vs 328, delivered 1.1% sales growth
- Gross margin -10bps vs HY14
- Profit share includes incentives across the business, driven by strong performance
- Other opex driven by volumes & inflation

Margin Performance



- Margin broadly stable year on year
- Underlying gains driven from supply chain, new product development and own brand/exclusivity
- Strong growth of lower margin trade business - now c.50% of sales

Cash Flow Highlights

26 weeks ended 28 March 2015

Summary Cashflow	HY 15		HY 14		YoY	
	£m	£m	£m	£m	£m	£m
Cashflows from operating activities (EBITDA)	12.6		11.4		1.2	
Change in working capital	(1.9)		(4.0)		2.1	
Interest	(1.3)		(0.7)		(0.6)	
Tax	(1.8)		(0.3)		(1.5)	
Operations		7.7		6.4		1.3
Capital Expenditure	(5.2)		(4.2)		(1.0)	
Proceeds from disposals	0.6		0.0		0.6	
Investments		(4.6)		(4.2)		(0.4)
Dividends	(3.1)		(1.9)		(1.2)	
Movement in loans	(5.0)		(5.0)		0.0	
Other	(0.5)		0.0		(0.5)	
Financing		(8.6)		(6.9)		(1.7)
Net movement in cash		(5.5)		(4.8)		(0.8)

H2 Outlook

- Working capital outflow of c.£9m for the year – driven by year end timing (WC gain in FY13)
- Closure of legacy tax enquiries – c.£4m outflow expected in H2
- Capex will be broadly flat yoy at c.£11m-£12m

Balance Sheet Highlights

28 March 2015

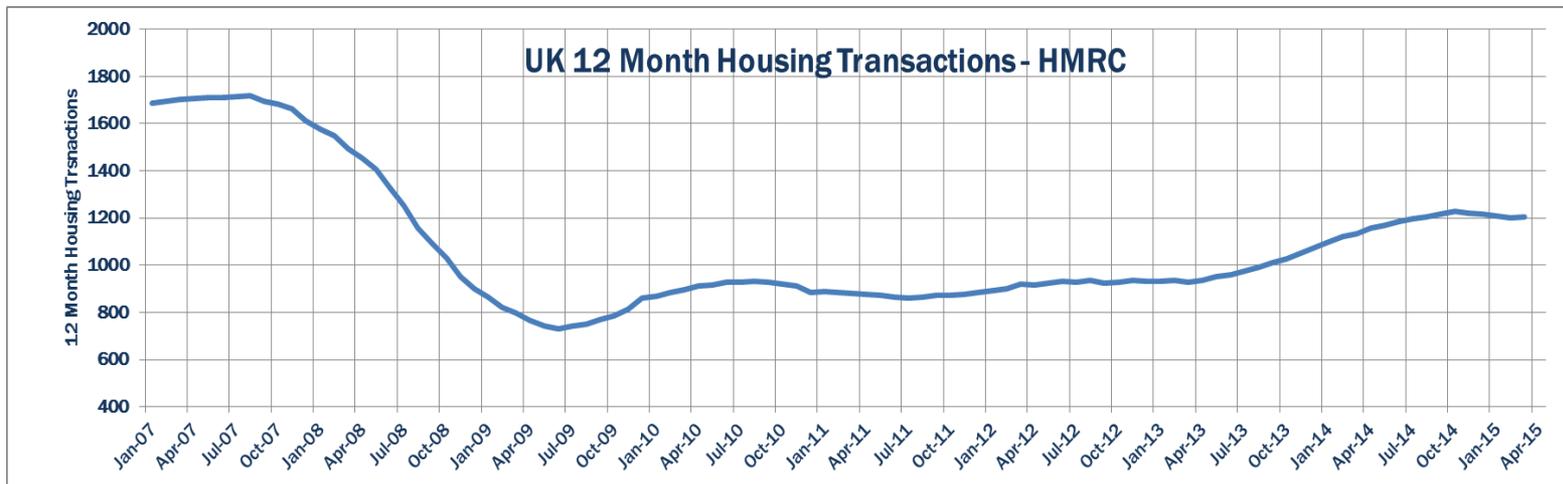
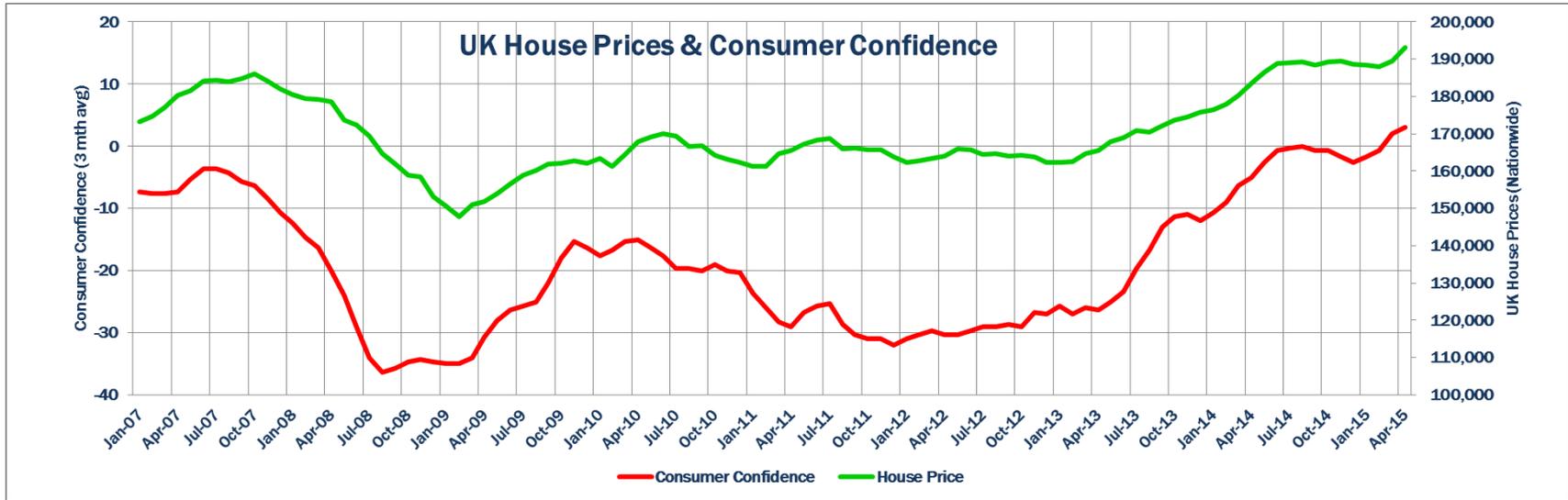
Topps Tiles

	HY 2015	HY 2014	YoY
Stock	30.4	28.8	+5.6%
Stock Days	141	143	-1.4%
Net Assets/(Liabilities)	4.6	(5.4)	n/a
Cash	14.0	13.7	+2.2%
Borrowings	(45.0)	(50.0)	-10.0%
Net Debt	(31.0)	(36.3)	-14.6%

- Stock increased principally due to more stores and new ranges – small reduction in stock days
- Net assets position continues to strengthen
- Net debt reduced £5.3m (14.6%) year on year – continued underlying cash generation

Strategy & Operations

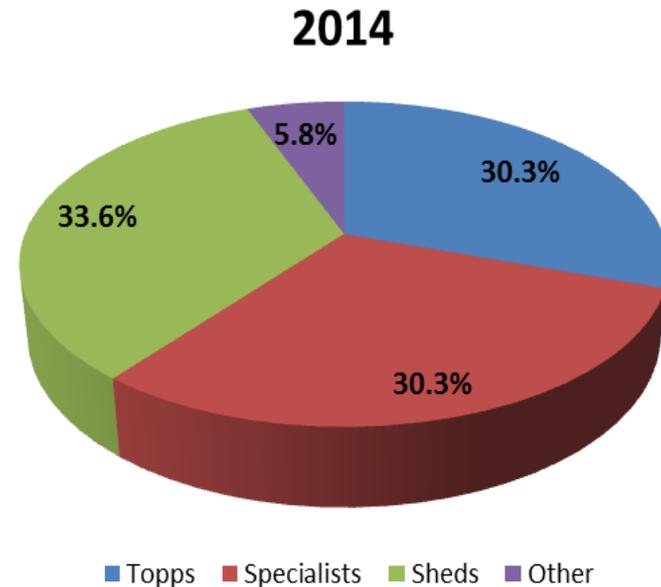
Matthew Williams
Chief Executive Officer



Market broadly split into 3 elements:

- Topps
- DIY sheds (generalists)
- Specialists (including chains)

Topps focus is on specialist competition



Source: MBD, Topps estimates

PORCELANOSA®

TILE DEPOT

FIRED EARTH

MANDARIN
STONE

TILE GIANT



SURFACE

Tile FLAIR



Domestic market accounts for c.50% of total UK tile market



Target £1 in every £3 of domestic tile spend

Multi-Channel Convenience

Seamless integration

Convenience is a vital element of consideration to shop with us. The seamless integration of all channels to market is an important source of competitive advantage, especially over the other specialists.



Multi-Channel Convenience

Leveraging the Trade 'channel'

Topps Tiles

- Growing 'Do It For Me' trend in home improvements market
- Topps well placed to exploit this with specialist trade ranges, convenient trade locations and - significantly - a fast growing loyalty/ rewards programme
- Relationships with traders in store remains key foundation of loyalty
- Currently over 8,000 active traders on the rewards scheme linked to just under 50% of trade sales



Multi-Channel Convenience

Boutique trial update

Topps Tiles

- 7 stores now trading with plans to end year with 12-13
- Research suggests helping to drive brand re-appraisal
- Learning from Boutique being implemented into core store estate
- Now trading in two separate geographic areas and Boutique+ format also being trialled



Islington



Knutsford



St John's Wood

Inspirational Shopping Experience

- Our world-class customer service continues to be at the heart of an inspirational customer experience
- Our biggest training programme in place to take service levels onto new heights and independently audited store standards
- All stores now rebranded with Boutique inspired signage which better reflects the improved in-store environment



Inspirational Shopping Experience Visualiser

Topps Tiles

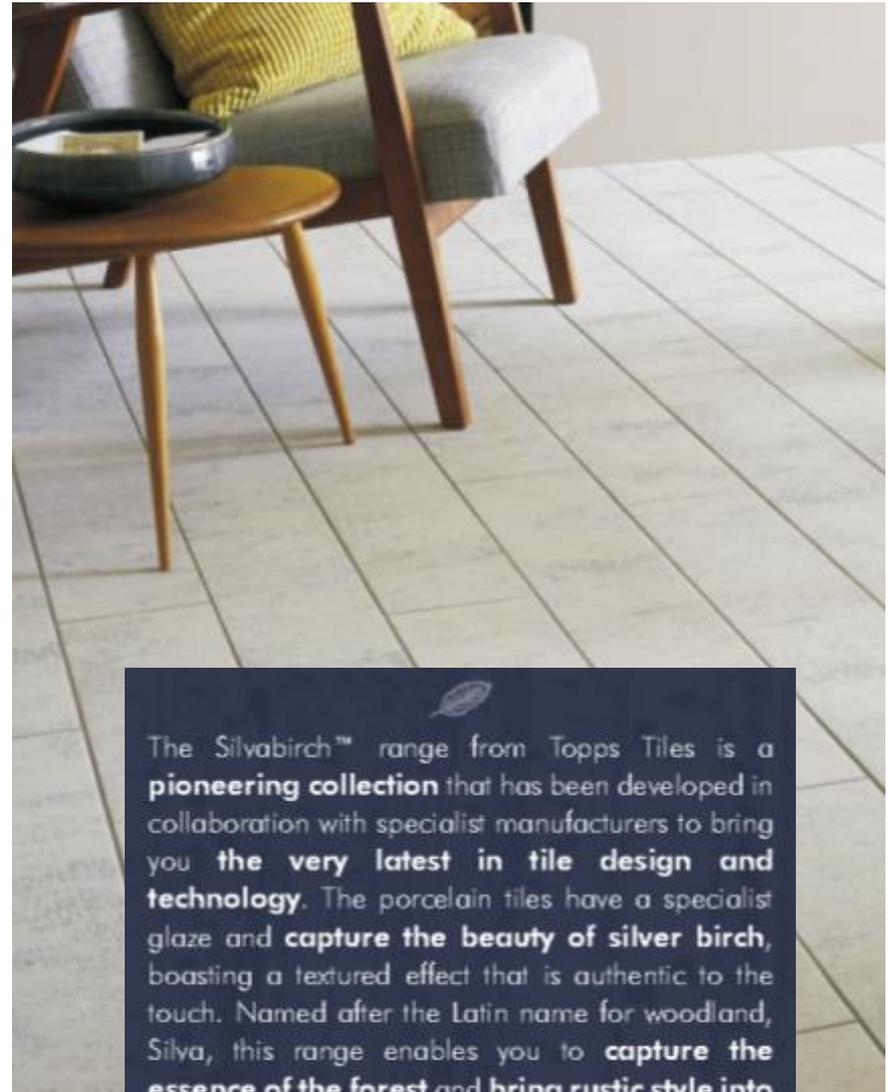
- New tile visualiser now part of store experience via iPads supporting inspirational sales process in all stores



- Unrivalled authority in product range across tiles and associated products
- New Product Development a key sales driver, including:
 - Closer collaboration / enhanced relationships with key suppliers
 - Innovation in manufacture & design
 - Faster and more frequent launches - more than one new range launched a week
- Best quality products with claims supported by independent testing house



- Unique design builds on trend to plank format and wood effect tiles
- Collaboration between Topps and both tile and glaze manufacturer
- Uses laser guided digital printing, to create depth of birch 'bark'
- Sourced under exclusive agreement with leading European manufacturer
- Trademarked and registered designs
- Attributes:
 - Launched May 2015
 - £70/m²
 - 91cm x 15.8cm
 - Displayed in wood effect area



The Silvabirch™ range from Topps Tiles is a **pioneering collection** that has been developed in collaboration with specialist manufacturers to bring you **the very latest in tile design and technology**. The porcelain tiles have a specialist glaze and **capture the beauty of silver birch**, boasting a textured effect that is authentic to the touch. Named after the Latin name for woodland, *Silva*, this range enables you to **capture the essence of the forest and bring rustic style into your home**.

- Design and pattern effects inspired by handmade Moroccan and Mexican terracotta tile designs
- On trend for smaller pretty-patterned tiles
- Using the latest ink jet printing technology allows customers to access the look for 1/3 normal price
- Exclusive design, trade marked
- Attributes:
 - Launched May 2015
 - £95/m²
 - 12cm x 12cm
 - Wall or floor suitable



Archivo™ is an exclusive innovation from Topps Tiles. Brought to you exclusively from **Spain** this ceramic tile captures the essence and beauty of real hand painted terracotta. By using the latest digital ink jet printing **technology** traditional patterns are brought to life. Available at a fraction of the cost of hand painted terracotta.

- **Strong financial performance in H1**
 - **Sales £104m, +6.4% YoY**
 - **Adj PBT £9.1m, +13.8% YoY**
 - **Adj EPS 3.67 pence per share, +14.0% YoY**
 - **Interim dividend at 0.75 pence per share, +15.0% yoy**
- **Clear objective – take profitable market share – closing in on “£1 in every £3 spent” target**
- **Success directly attributable to strategy of “out-specialising the specialists”**
- **Current trading remains strong at +5.1% LFL in first six weeks of H2**

Appendix

Income Statement Highlights - Statutory

26 weeks ended 28 March 2015

Topps Tiles

	HY 15	HY 14	YoY
Adjusted PBT - £m	9.1	8.0	+13.8%
Adjustments - £m	-	(0.1)	n/a
MTM (FX) - £m	-	0.1	n/a
PBT - £m	9.1	8.0	+13.8%
Net Margin %	8.8%	8.1%	+70bps
Tax %	21.8%	23.1%	(1.3)%
PAT - £m	7.1	6.1	+16.4%
EPS - pence	3.67	3.18	+15.4%
Interim dividend - pence	0.75	0.65	+15.4%

- Adjusting items includes impairment of PPE, movement in dilapidations provision, business restructuring costs & reduction in onerous liabilities
- PBT of £9.1m, 13.8% increase
- Interim dividend of 0.75 pence, 15.4% increase

On-line Visualiser

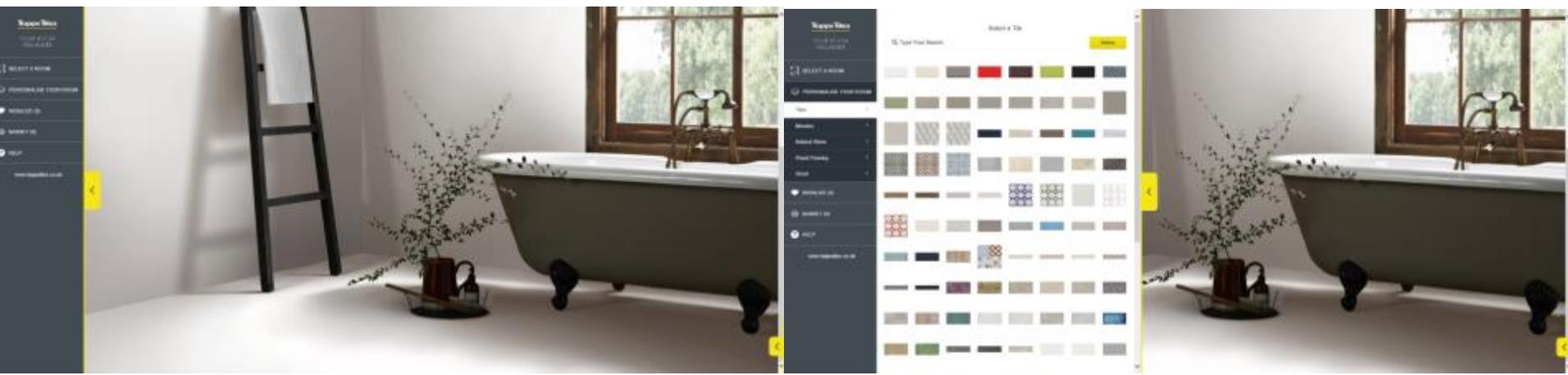
Inspirational Shopping Experience Visualiser



Visualiser Experience – Demonstration in pictures

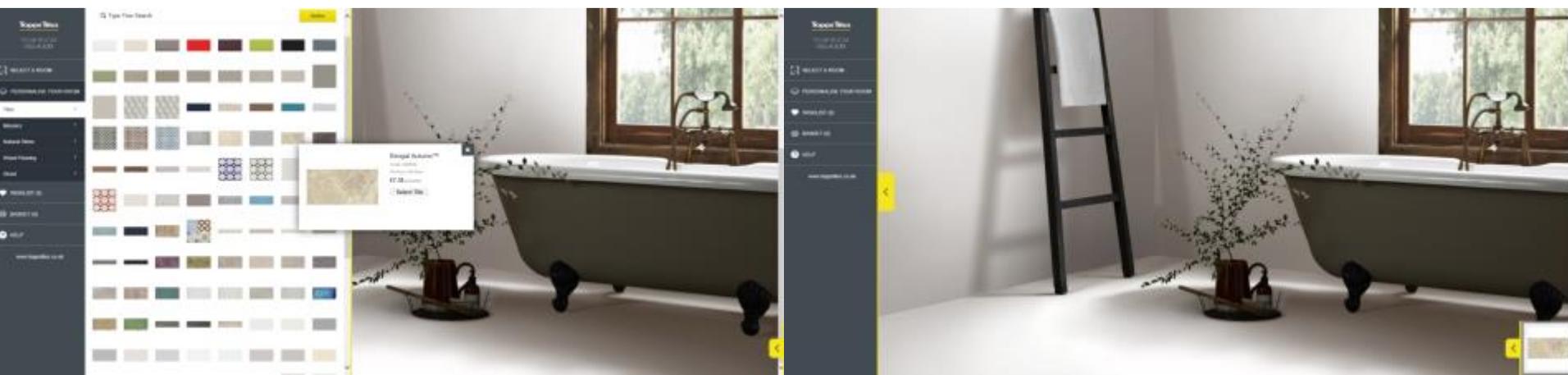
First you select a room from the left hand navigation

Then select 'personalise my room' and select a tile...



3 ways to do this but here we just select one we like - Bengal

This then appears bottom right as selected

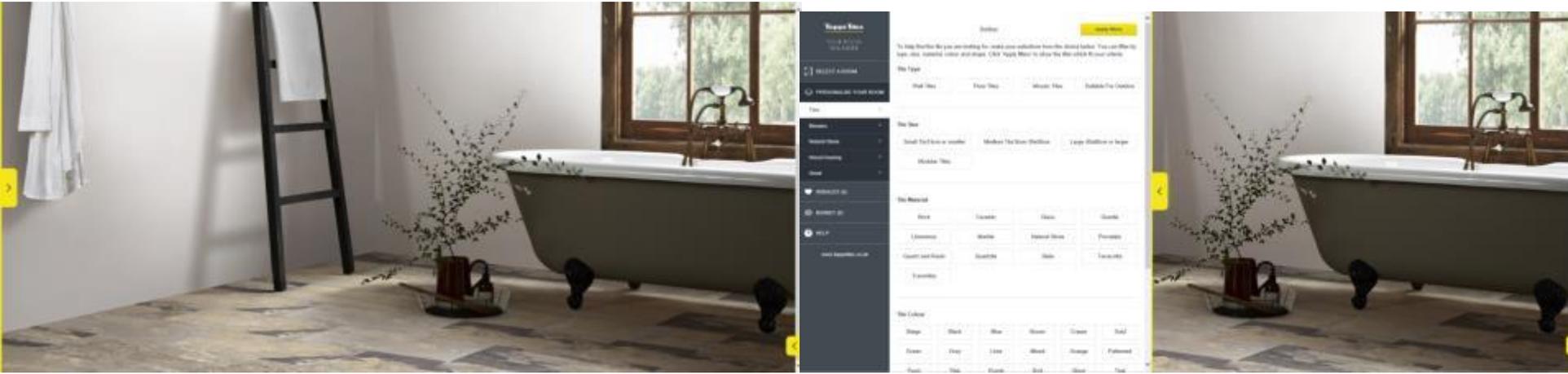


Inspirational Shopping Experience Visualiser

Topps Tiles

Then click on surface to cover and it appears

Now we will select a wall tile, this time by filters



And click on the two wall surfaces to cover it

We can change the laying pattern of the tile



Inspirational Shopping Experience Visualiser

Topps Tiles

A linear wall pattern is selected



A further change possible is to the grout colour



A smoke grey grout colour changes the look and a click on the surface will apply to the tiles



Once happy the look can be shared, in store email to home



Inspirational Shopping Experience

Visualiser

Topps Tiles

This picture arrives in your inbox/ to your partner



Inspirational Shopping Experience

Visualiser

Topps Tiles

Many room choices possible, includes the full tile range, fully connected to the ecommerce site... used in store as sales tool

