

Topps Tiles Plc

Results for the 26 weeks ended 31 March 2012

www.toppstiles.co.uk



Matt Williams – Chief Executive Officer



Rob Parker – Chief Financial Officer

Matthew Williams

Chief Executive Officer

Highlights

- Total revenues of £86.6m, a decrease of 2.8%
- #1 goal remains to take profitable market share
- Continued evolution of the Topps Tiles offer, supported by targeted advertising and staff training initiatives
- Net promoter score at 89.9% (2011 : 88.3%)
- Gross margin at 59.7% (2011: 59.7%)
- Adjusted profit before tax of £5.6m (2011 : £7.2m)
- Prudent development of store estate – 13 stores have been newly fitted out and a further 20 partially refitted
- Interim dividend – 0.5 pence per share

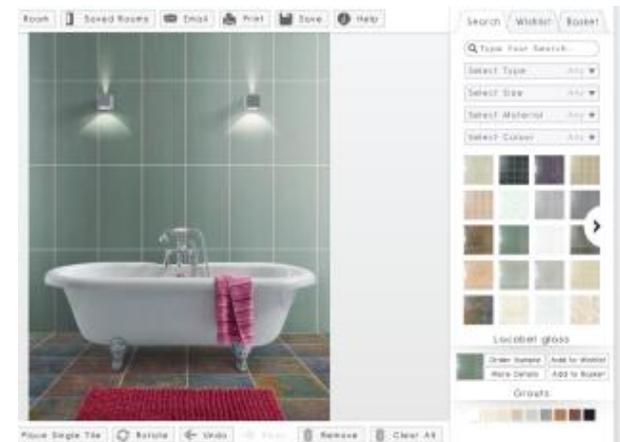
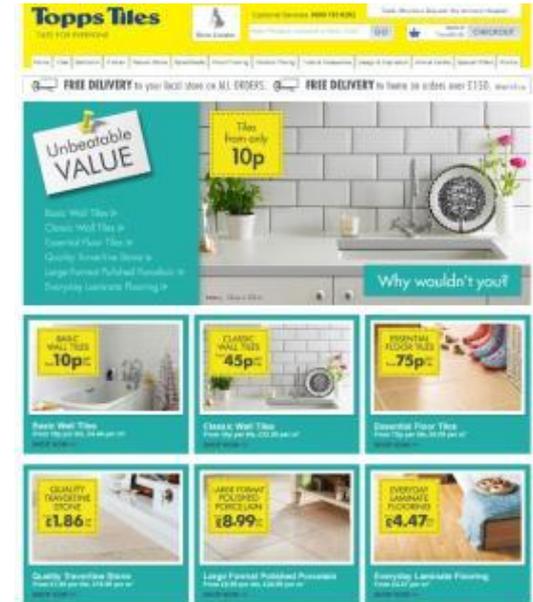
Marketing

- Marketing strategy is focussed on broadening appeal whilst continuing to concentrate on core customers
- Activities to drive awareness and footfall - National TV campaign / C4 news and ITV Daybreak sponsorship for H2
- PR activity and advertorials key in attracting new customer groups
- Catalogue continues to develop and is primary vehicle for the business



Marketing - Internet

- Key marketing tool - website is often first point of call for pre-purchase research
- Closely integrated with in-store
 - Online fulfillment through stores
- Encouraging response to improved website
 - Average of 400,000 visits per month, with 4.6m page views
- WWW based “visualiser” – options for store trial being considered
- Primarily a research tool but online sales also important at c.1.5% of turnover



Business Strategy



Business Strategy – Customer Service

Strategy continues to focus on engaging our people to deliver outstanding service to our customers

- Customer satisfaction and conversion remain very high – NPS of 89.9%
 - Friendly, knowledgeable, helpful, honest staff – never pushy
 - Results driven - commissions, balanced scorecard, mystery shop
- Staff engagement score of 82%
 - Share ownership encouraged amongst employees
 - Internal communication
 - Training – specialist product knowledge essential (on line training & face to face)
 - Apprenticeships – over 600 colleagues are involved with our NVQ programme



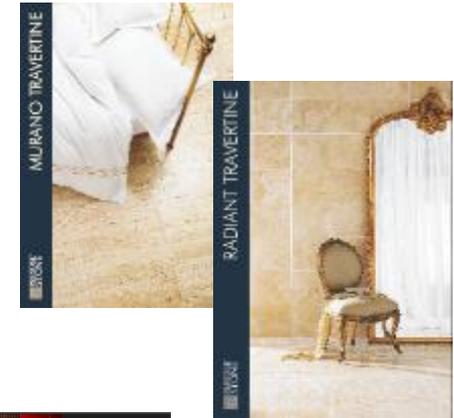
Business Strategy- Product Offer

Range

- Choice and availability are key
- Exclusive ranges and development of in-house brands
- Specialism – focussed on one product area
- Trends continue towards larger formats, porcelain and stone imitations

Visual Merchandising

- Merchandising is a competitive advantage – e.g. extended use of photography, improved lighting and displays
- Trials of new merchandising treatments in H2



Business Strategy- Locational Convenience

- 320 stores across the UK currently trading, target of 325 for year end
- 13 stores fully fitted in H1 (5 new stores, 7 conversions, 1 relocation)
- Conversions from TCH trading well, improved performance and greater synergies, majority now completed
- Lab store in Milton Keynes will trial a variety of new fixtures, fittings and merchandising treatments aimed at further improving ROI in this area
- Due to be complete by end of Q3



Rob Parker

Chief Financial Officer

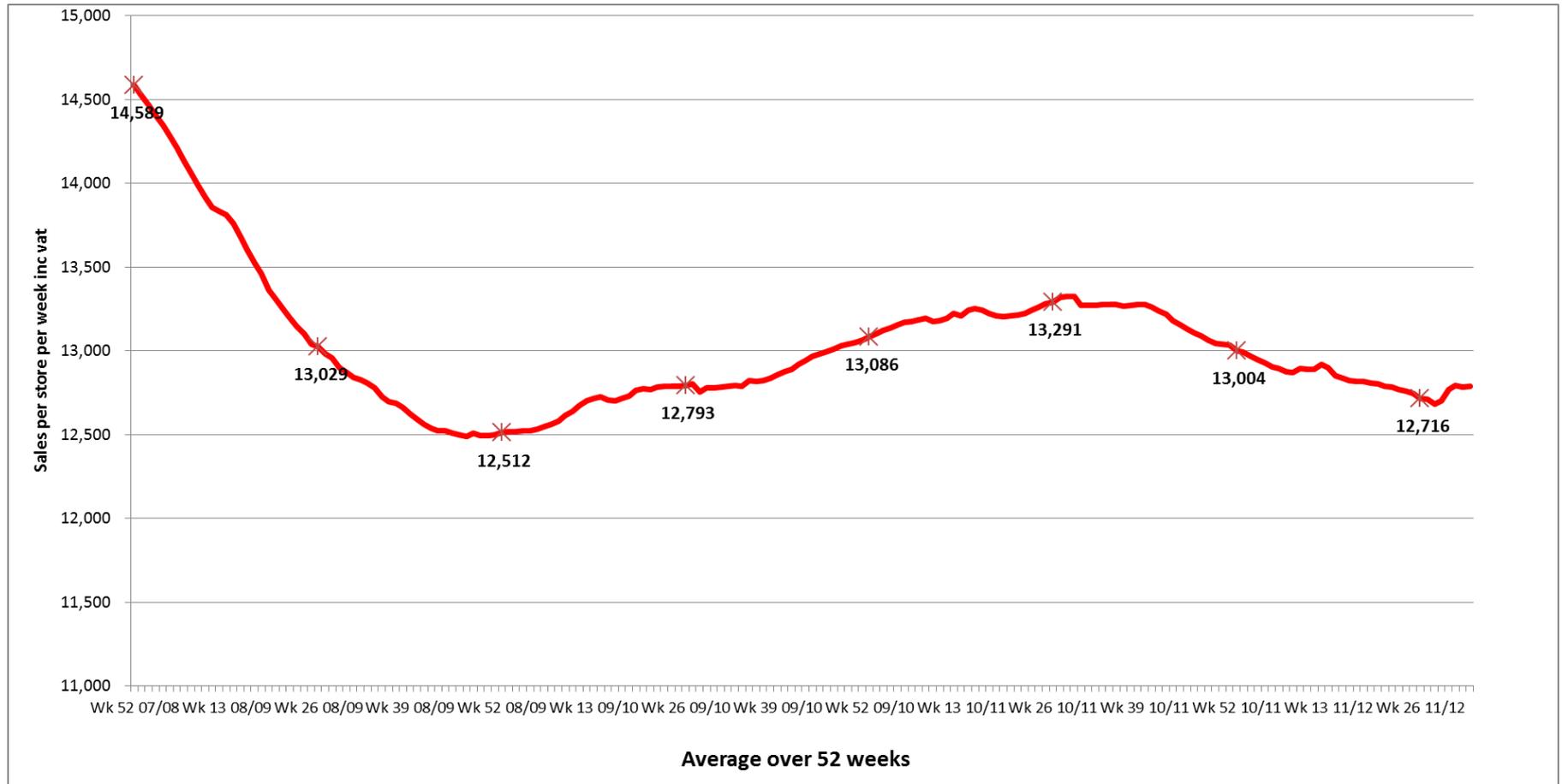
Income Statement Highlights

26 weeks ended 31 March 2012

	10/11 H1	11/12 H1	YoY %
Sales - £m	89.2	86.6	-2.8%
Gross Profit - £m	53.2	51.7	-2.9%
Gross Margin %	59.7%	59.7%	0.0%
Adjusted Opex - £m	(43.9)	(44.6)	1.6%
Adjusted Operating Profit - £m	9.3	7.1	-24.2%
Operating Margin %	10.5%	8.2%	-2.3%

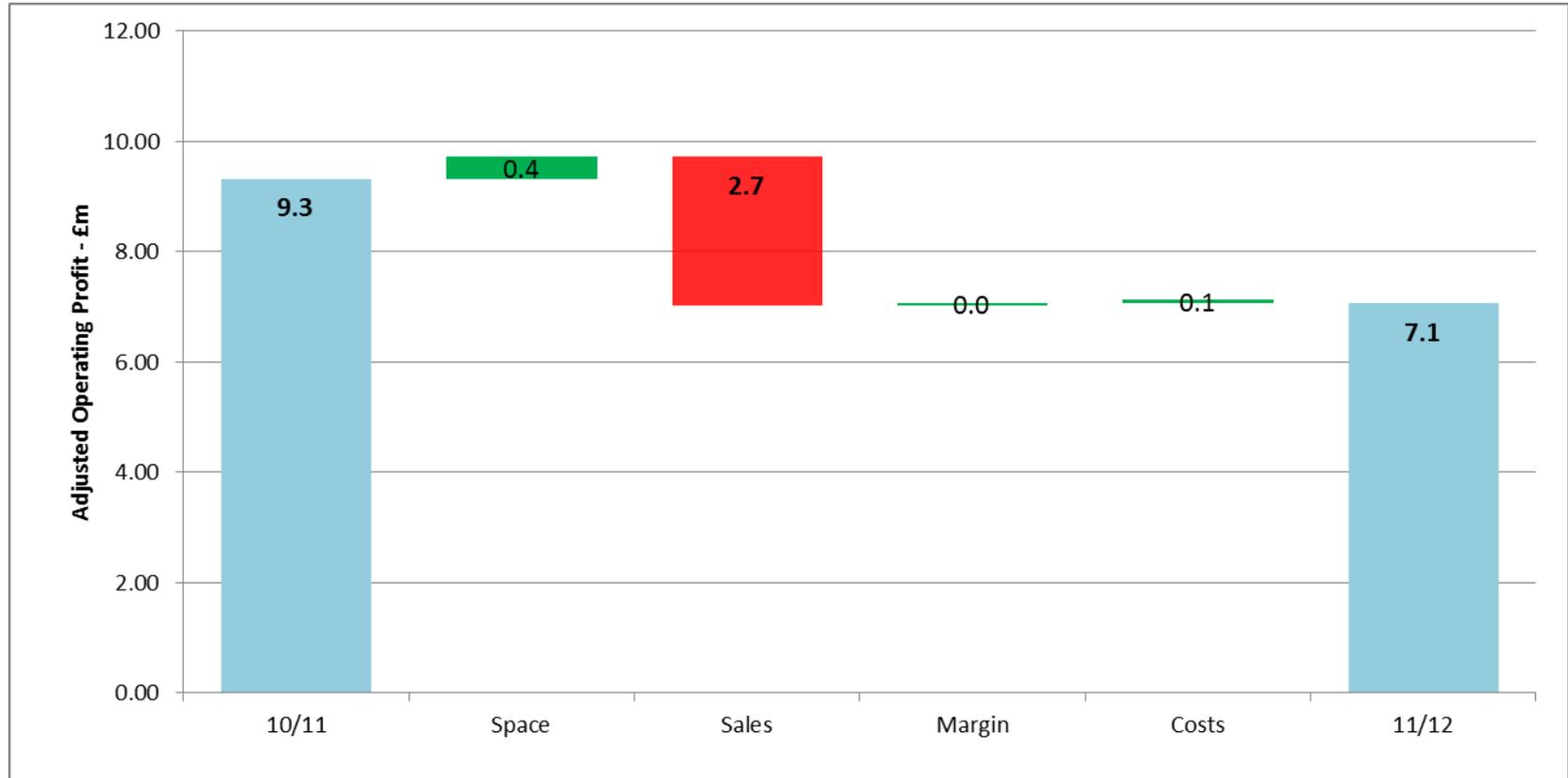
- Total revenues down 2.8%, -4.7% on a LFL basis
- Margin flat yoy – continuing warehouse gains offset by customer mix and harder trading
- Opex – increases driven by inflation and additional stores have been partially offset by savings

52 week rolling average sales



Adjusted Operating Profit Bridge

26 weeks ended 31 March 2012



Income Statement Highlights

26 weeks ended 31 March 2012

	10/11 H1	11/12 H1	YoY %
Interest - £m	(2.2)	(1.5)	-31.1%
Adjusted PBT - £m	7.2	5.6	-22.1%
Net Margin %	8.0%	6.4%	-1.6%
Exceptionals/one offs - £m	(0.4)	(0.5)	27.5%
MTM - £m	3.3	(0.1)	-102.5%
PBT - £m	10.0	5.0	-50.1%
Net Margin %	11.3%	5.8%	-5.5%

- Interest rate derivatives now down to £30m complex (remaining elements have fallen away or been cancelled)
- Exceptionals includes charges for PPE impairments and onerous leases (£0.3m), business restructuring costs (£0.2m), MTM exit charge (£0.5m), gain on disposal of freehold (£0.4m)
- Tax rate for the period of 26.9% (2011: 27.7%)

Financial Highlights

26 weeks ended 31 March 2012

- Distributable profit of £3.7m (2011 : £7.3m)
- Basic EPS of 1.94 pence (2011: 3.85 pence)
- Adjusted basic EPS of 2.14 pence (2011 : 2.76 pence)
 - One off charges of £0.5m (2011 : £0.2m)
 - Fair value loss (MTM) on interest rate derivatives and FX of £0.1m (2011 : £3.3m gain)
- Interim dividend of 0.5 pence per share
 - £1.0m to be paid July 2012

Balance Sheet Highlights

31 March 2012

	2011 HY	2011 FY	2012 HY	YoY %
Stock	25.3	23.8	25.3	0.0%
Stock Days	126	131	134	6.3%
Net Assets/(Liabilities)	(23.1)	(25.5)	(22.8)	-1.3%
Cash	16.1	9.1	18.7	16.1%
Borrowings	(66.1)	(60.0)	(65.0)	-1.7%
Net Cash/(Debt)	(50.0)	(50.9)	(46.3)	-7.4%
Adj EBITDA Interest Cover	5.5x	5.2x	5.5x	0.2%

- Cancellation of 50% of remaining hedges triggered £6.2m payment – completed in April
- Net debt likely to rise slightly to full year

Cash Flow Highlights

26 weeks ended 31 March 2012

Summary Cashflow	2010/11		2011/12		YoY	
	£m	£m	£m	£m	£m	£m
Cashflows from operating activities (EBITDA)	11.4		8.9		(2.4)	
Change in working capital	0.4		0.7		0.3	
Interest	(2.1)		(1.3)		0.9	
Tax	(1.3)		(0.7)		0.6	
Operations		8.3		7.6		(0.6)
Capital Expenditure	(5.9)		(3.9)		2.0	
Other	0.0		0.0		0.0	
Proceeds from disposals	0.0		2.0		2.0	
Investments		(5.9)		(1.9)		4.0
Dividends	(1.9)		(1.1)		0.8	
Movement in loans	(24.9)		5.0		29.9	
Other	(1.4)		0.0		1.4	
Financing		(28.2)		3.9		32.0
Net movement in cash		(25.8)		9.7		35.4

- Warehouse disposal planned for H2 – c.£3m cash inflow

Outlook / Summary

- Current trading is encouraging at +4.5% LFL, but too early to determine a broader trend
- Plans to finish FY12 with 325 stores
- New IT systems planned for October 2012
- Warehouse disposal to generate c.£3m cash inflow
- Continue to focus on our overriding goal of taking profitable market share