

A modern bathroom interior featuring grey textured wall tiles and large light grey floor tiles. A shower area is visible with a rain showerhead and a handheld shower wand. A built-in shelf holds two dark bottles. A black stool with a white towel sits in the corner. To the left, a white sink is on a dark vanity with a stone countertop. A potted plant and a round mirror are also visible.

TOPPS GROUP

Full Year Results 2023

Analyst and Investor
Presentation

- 
- A modern bathroom with a patterned wall featuring a repeating motif of overlapping, rounded rectangular shapes in shades of blue, grey, and white. The wall is set against a dark blue background. A gold shower fixture with a handheld showerhead and a ceiling-mounted showerhead is visible on the left. A white pedestal sink with gold fixtures and a white towel hanging from its base is on the right. A large, square, gold-framed mirror is mounted on the wall above the sink. Two gold, cylindrical wall sconces with vertical ribbing are positioned on either side of the mirror. A white door with a gold handle is partially visible on the far right.
- **FY23 Highlights**
Rob Parker
 - **Financial Review**
Stephen Hopson
 - **Operational Review**
Rob Parker



FY23 Highlights

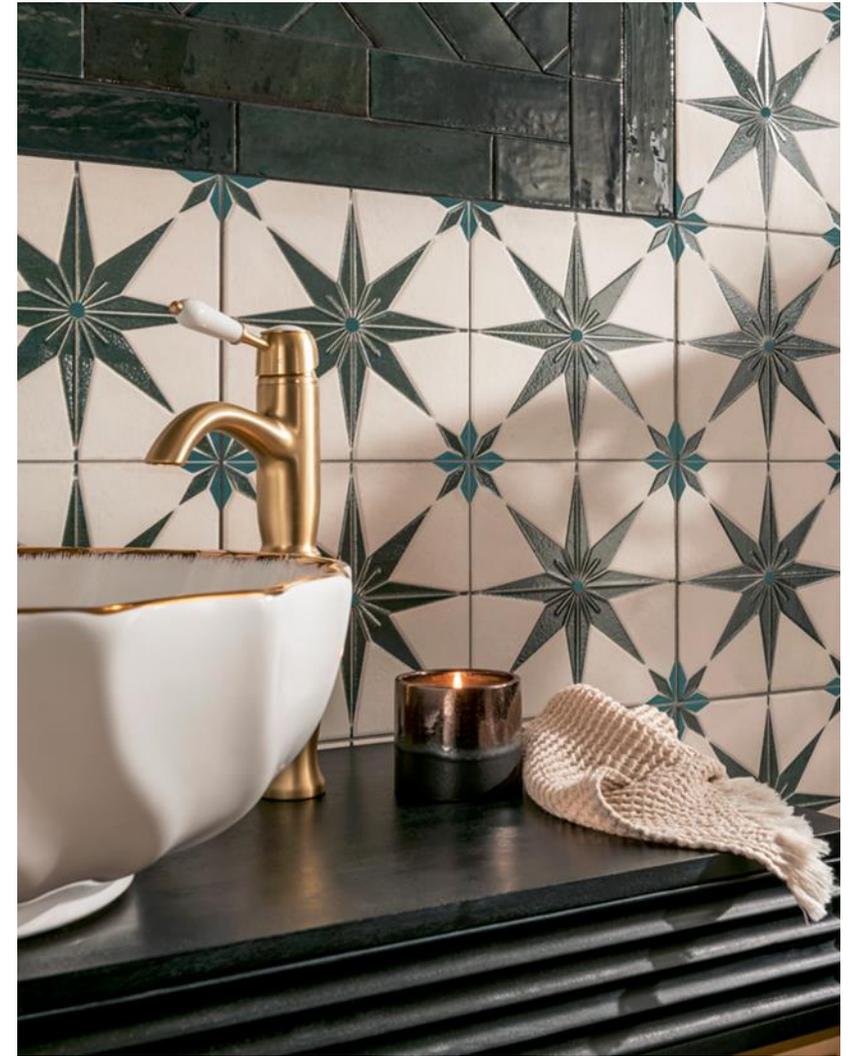
Rob Parker

Chief Executive Officer



Key Highlights from FY 2023

- 1 in 5 goal delivered - 2 years ahead of schedule
- Group record sales - £263m, +6.3% YoY
- Topps Tiles continued growth through stronger value, expanded offer and increased customer base
- Topps Tiles gross margin improvements QoQ through year
- Online pureplay +52% YoY growth
- Parkside restructure completed – Q4 profitable
- Adjusted PBT £12.5m, ahead of consensus
- Strong cash generation - £14.7m free cash flow
- Group rebranding to reflect changing shape of business





Topps Group – Strategic Repositioning 2019 to 2023

Rebranding to Topps Group to reflect the success of our strategy of developing and diversifying our operations and to underscore our future growth ambitions



	2019	2023
Trading Businesses	Topps Tiles, Parkside	Topps Tiles, Pro Tiler, Parkside, Tile Warehouse
Sales	£219m	£263m
Market share	17.0%	22.1%
Online penetration	4.3%	14.8%
Stores (sales per store)	362 (£13.5k pspw)	303 (£17.6k pspw)
Group trade mix	57.1%	64.2%
Cash/(debt)	£(11.3)m	£23.4m
Dividend	3.4pps	3.6pps

Financial Review

Stephen Hopson

Chief Financial Officer



Income Statement - Adjusted Measures



52 weeks ended 30 September 2023

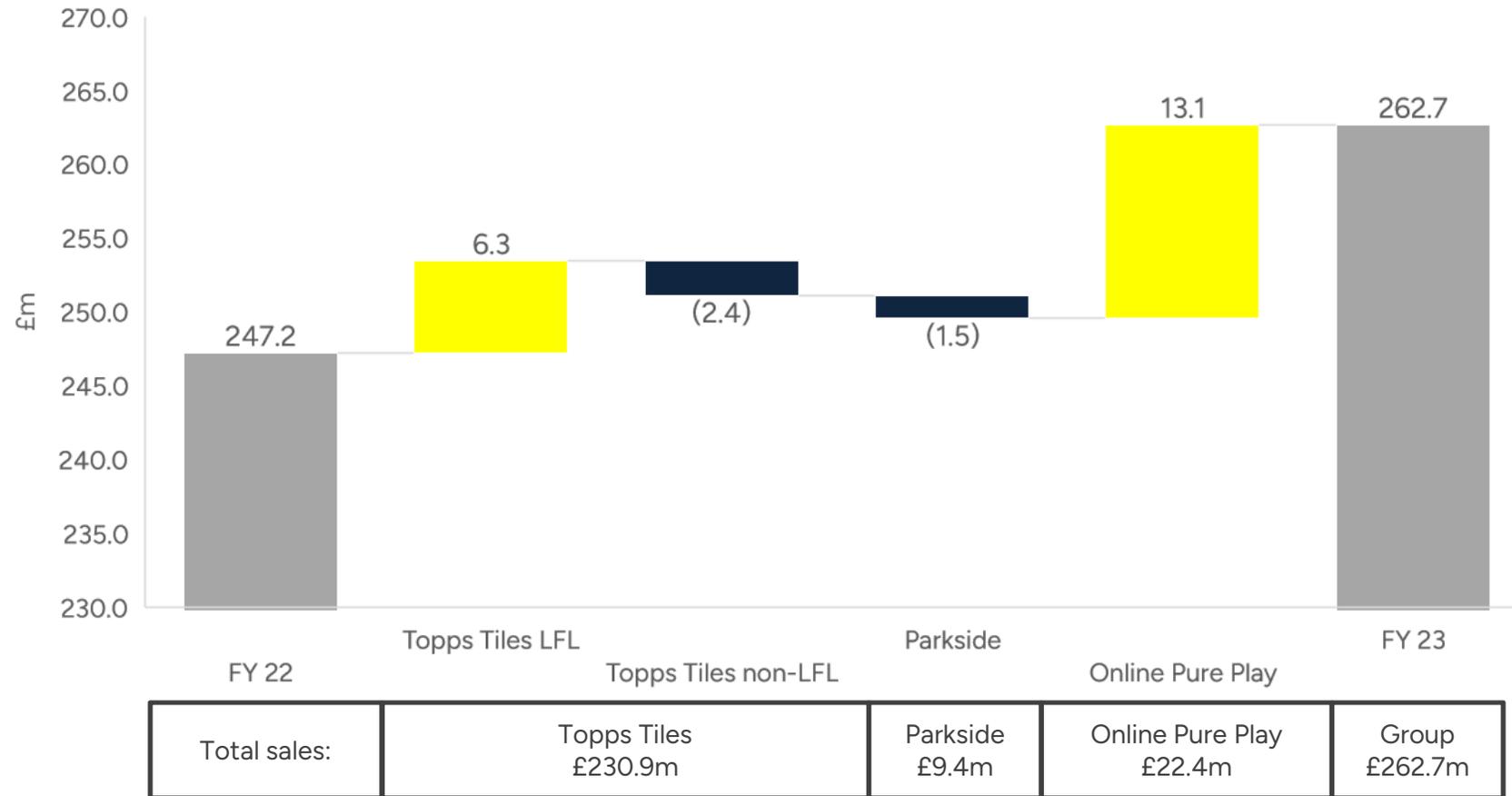
	FY 23	FY 22	YoY
Sales - £m	262.7	247.2	+6.3%
Gross Profit - £m	139.2	135.4	+2.8%
Gross Margin %	53.0%	54.8%	(1.8)ppts
Opex - £m	(122.6)	(116.0)	(5.7)%
Interest - £m	(4.1)	(3.8)	(7.9)%
PBT - £m	12.5	15.6	(19.9)%
PBT Margin %	4.8%	6.3%	(1.5)ppts
EPS - pence	4.49p	6.14p	(26.9)%

- Strong sales growth, including good growth from Topps Tiles and full year contribution from Pro Tiler Tools
- Group gross profit increased to record levels
- Group gross margin down 1.8ppts due to FX and business mix; gross margin in Topps Tiles sequentially improving
- Opex up 5.7% due to inclusion of full year of Online Pure Play cost base and inflation, partially offset with savings from Parkside and smaller store base
- PBT down 19.9%, split -38.0% in H1, -4.7% in H2, PBT margin down 2.6ppts in H1 and 0.5ppts in H2
- EPS 26.9% lower due to PBT decline, UK corporation tax increase and NCI of Pro Tiler Limited

Note - Adjusted measures exclude several items which are either one off in nature or fluctuate significantly from year to year.



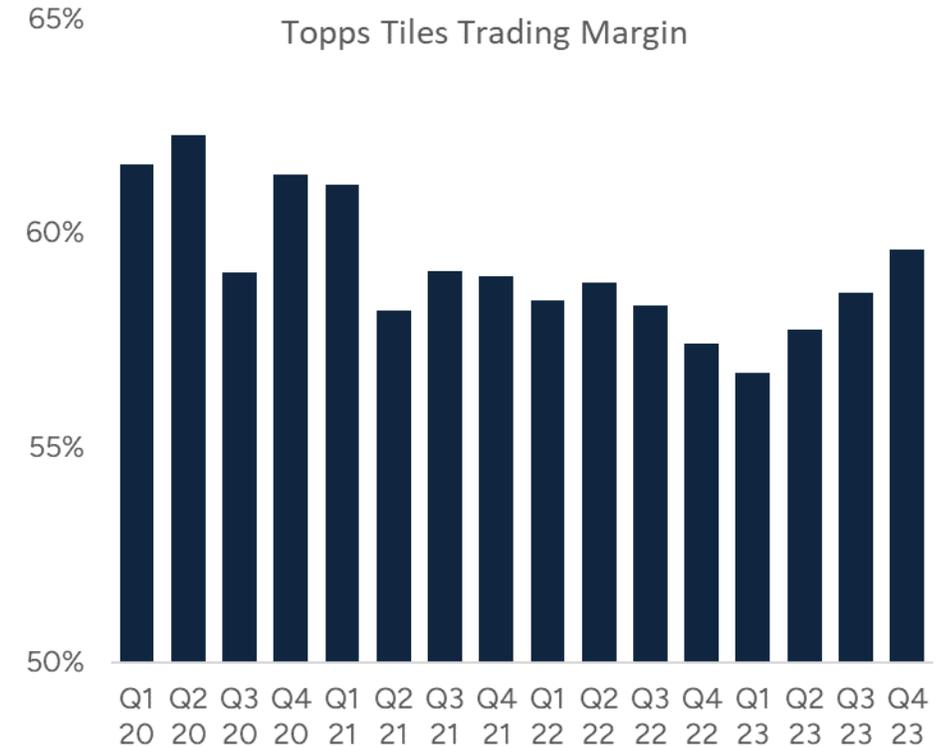
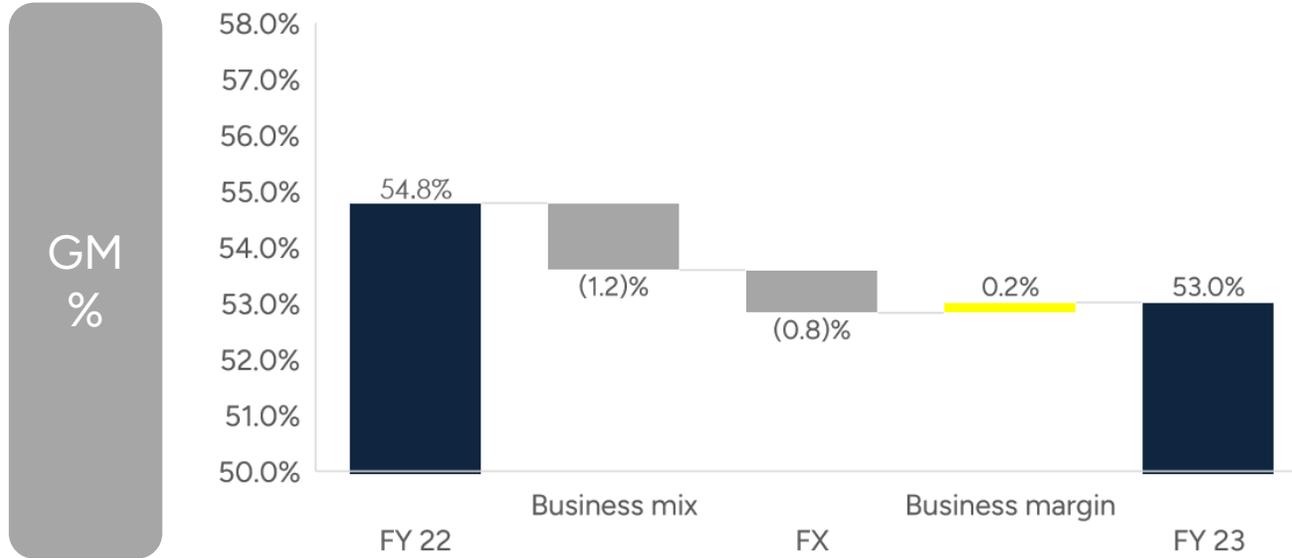
Sales Bridge



- Topps Tiles +1.7% includes +3.1% LFL growth, moderating throughout the year (H1: +4.3%, H2: +1.9%)
- Non-LFL includes FY22 and FY23 closures, together with sales from new openings until anniversary
- Parkside sales down 13.8%, with market yet to recover to pre-Covid levels
- Online Pure Play contributed £22.4m of sales in first full year – yoy sales up 52% including pre-acquisition period in 2022



Gross Profit and Margin % Bridge

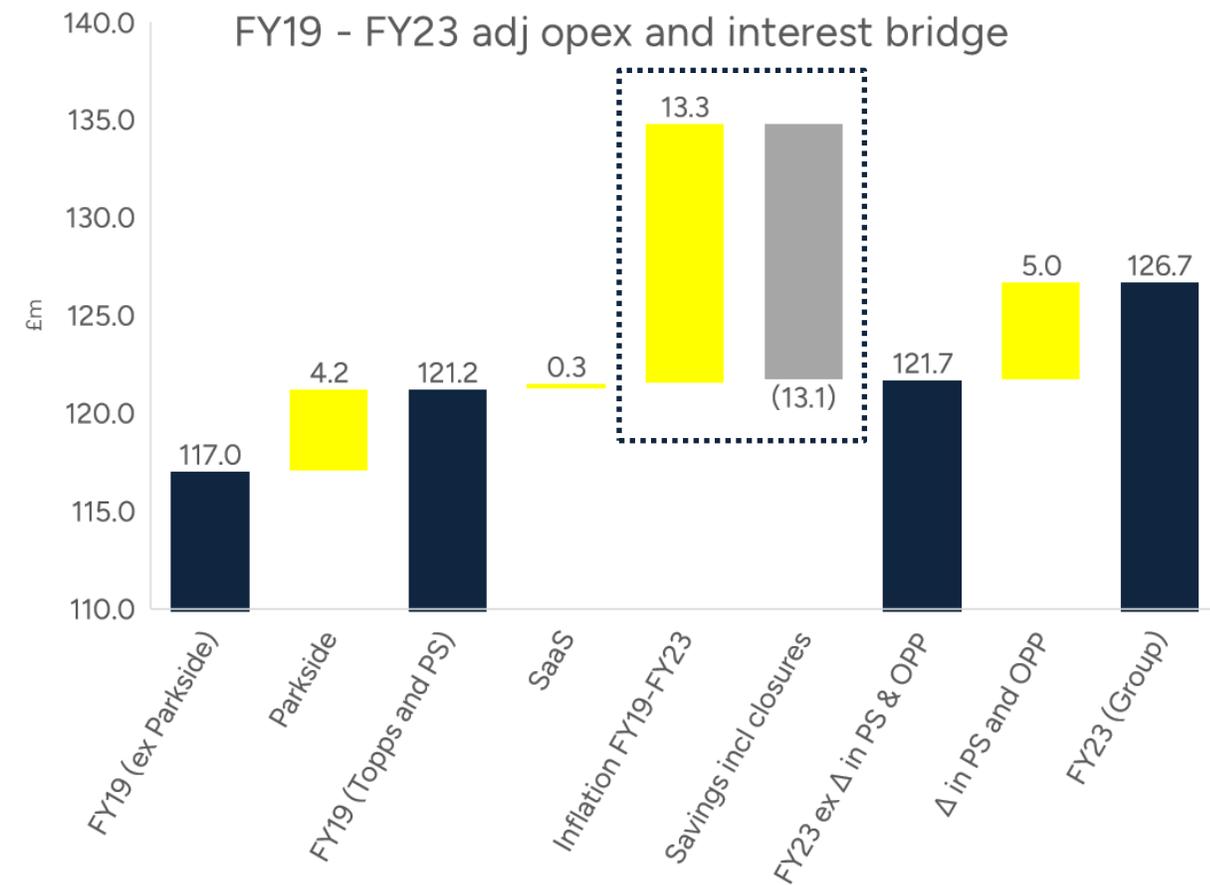
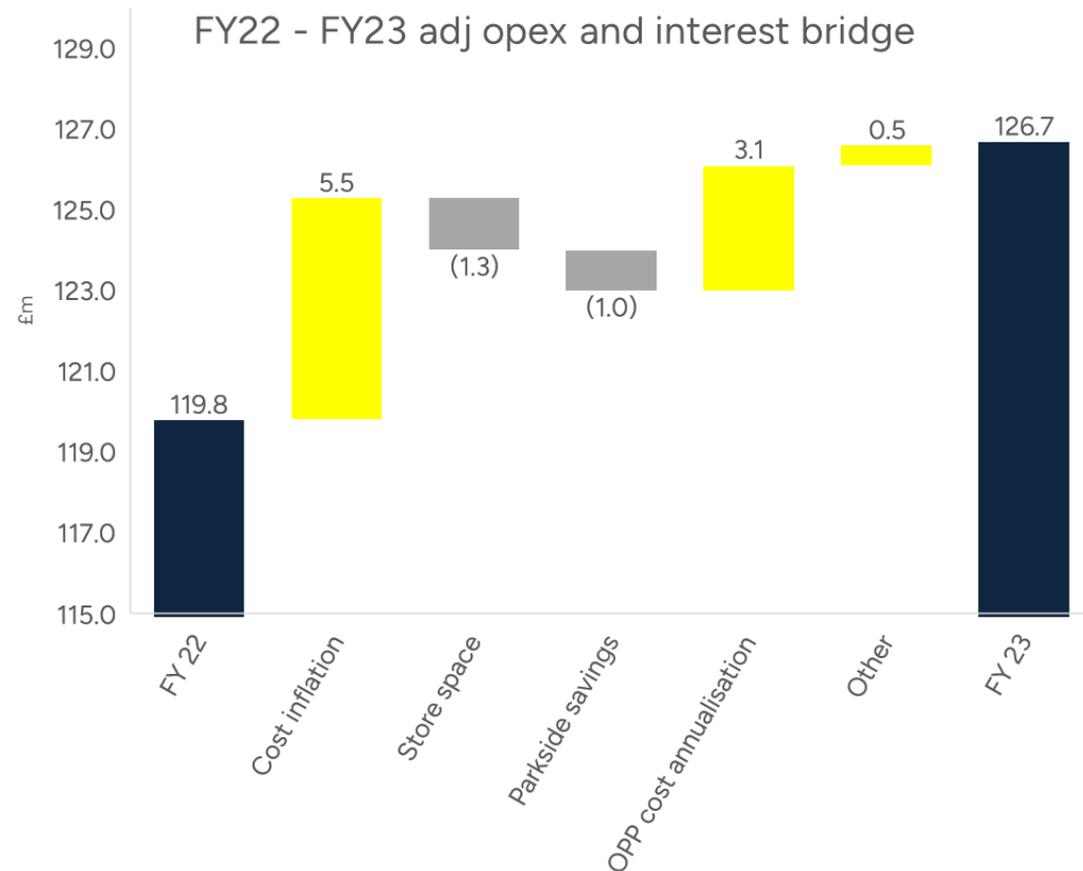


- Gross Profit increase of £3.8m due to growth in Topps Tiles and inclusion of full year for Online Pure Play
- Sequential recovery in Topps Tiles trading margin over the course of the year due to inflationary pressures abating and active resourcing. Group GM% 52.8% in H1 and 53.3% in H2.
- Online Pure Play gross margins are c 30% therefore dilutive to gross margin but not net margin
- YoY mark-to-market of FX contracts and retranslation movement of £(2.0)m or 0.8%
- Group gross margin will continue to fluctuate depending on mix of business between the brands

Note – Topps Tiles trading margin excludes rebates and other gross profit adjustments such as FX movements



Adjusted Operating Expenses and Interest Bridge



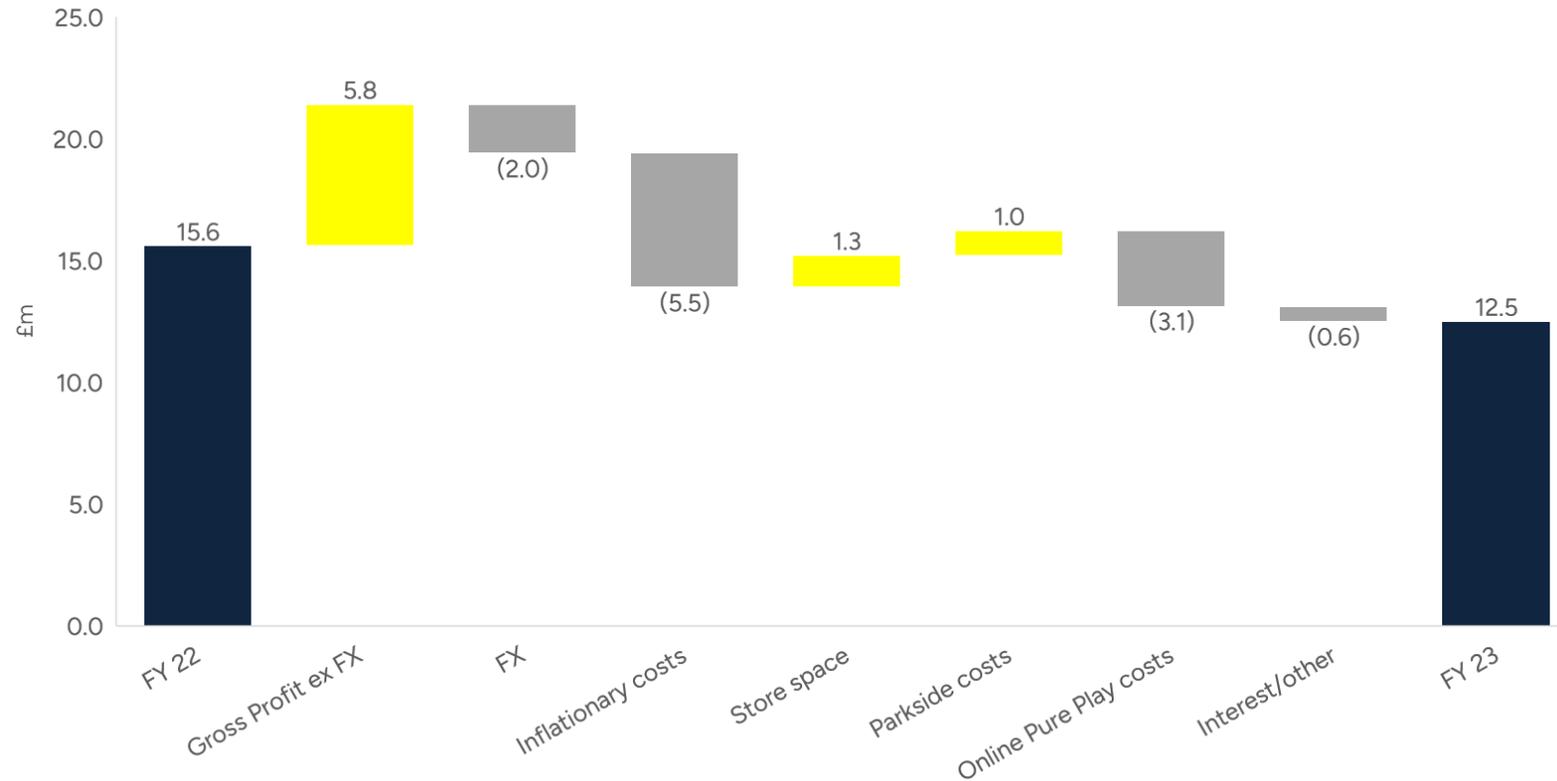
- Inflation across people, energy, property, IT and insurance
- Fewer stores in Topps Tiles (av 304 in FY23 vs 310 in FY22)
- Parkside savings include Q4 restructure
- Includes a full year of Online Pure Play cost base

- Significant inflation over a four-year period, particularly people, energy and property costs
- Virtually all cost inflation since FY19 offset through combination of smaller store estate and efficiency programmes
- Group now includes cost base from Parkside and Online Pure Play in adjusted profit

Note – FY19 was accounted for under IAS17, FY23 is under IFRS16, so operating costs and interest costs are combined above. In FY19, Parkside was excluded from adjusted profit metrics so is added back in the chart above.



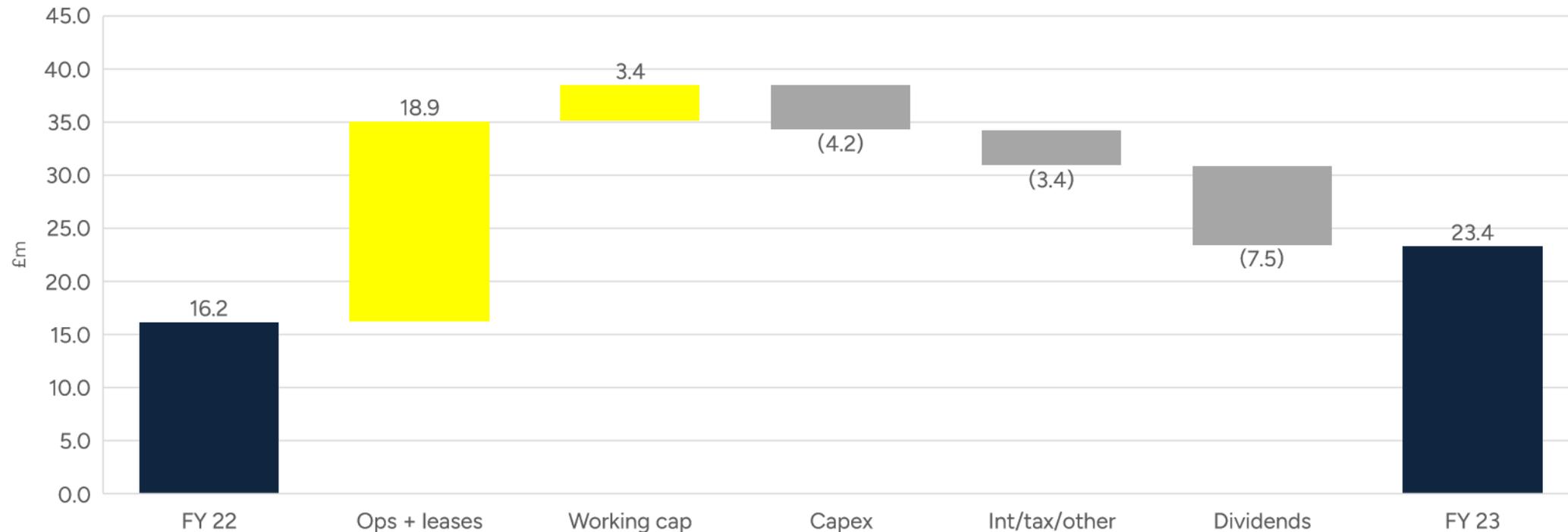
Adjusted Profit Before Tax Bridge



- Profitability enhanced through sales, improving gross margins and full year of Online Pure Play
- FX movements impacted profits in year
- Inflationary costs partially offset with savings across stores and in Parkside
- Inclusion of full year of Online Pure Play cost base
- Profits significantly weighted to second half (H1: £4.4m, H2: £8.1m) – H2 will remain >50% of profits



Adjusted Net Cash



- Strong year of operational cash generation (e.g. £2m FX is non-cash)
- Working capital gains from good stock control and slight gains across payables/receivables
- Capex relatively low in year vs depreciation
- Cash tax and interest £0.6m lower year on year
- Free cash flow generation of £14.7m
- Balance sheet strength enhanced with £23.4m cash at year end

Note: Adjusted net cash / debt excludes lease liabilities under IFRS 16. 'Ops + leases' is equal to cash generated by operations before working capital movements, less the interest and capital elements of lease payments.



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 2026
Headroom to facilities at year end of £53.4m		

- Cash of £23.4m at year end
- '3+1+1' facility could extend to Oct 2027

Dividend

- Final dividend of 2.4p proposed
- Full year dividend 3.6p (maintained yoy)
- Policy to look through periods of macroeconomic weakness

Lease adjusted return on capital employed

- Lease adjusted capital decreased 16% as a result of strong cash generation and lease exits
- Lease adjusted EBIT down 14% yoy
- LAROCCE down 1.6ppts to 15.7%

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



Forward Guidance

Income Statement

- C. £5m of inflationary pressures in FY24, including employment costs (NLW) and property costs
- Half on half profit seasonality:
 - H1 impacted by holiday pay accrual (£0.9m Dr) which fully reverses in H2
 - Energy costs still elevated, estimated cost in H1 is £1.5m higher than H2
- Pro Tiler Ltd share purchase provision increase continues until March 2024, £4.1m cost in FY23 (removed from adjusted PBT and not tax deductible)

Cash Flow

- Working capital inflow of c £7m in FY24 based on year end timing
- Capex of £6m-£8m
- Outflow in FY24 relating to purchasing of remaining 40% of shares in Pro Tiler Limited

General

- Store closure programme now complete, a handful of relocations each year
- Full year dividends to be set at 67% of adjusted EPS, but not reducing YoY (up to a limit of 100% of adj EPS)



**Strategic &
Operational
Review**

Rob Parker
Chief Executive Officer



<p data-bbox="86 258 137 601">Omni-channel</p> <div data-bbox="494 182 848 287"></div> <ul data-bbox="188 311 1187 686" style="list-style-type: none">• Record sales - £231m, +3.1% LFL• World class customer service – OSAT 91.5%• Continued strategic progress – stronger value, expanded offer and increased customer base• Store densities +30% vs 2019	<div data-bbox="1684 189 2048 291"></div> <p data-bbox="1276 258 1327 658">Online Pure Play</p> <ul data-bbox="1378 311 2226 629" style="list-style-type: none">• Website catering to value-conscious homeowners• Focus to date on learn & refine• FY24 meaningful growth expected• £15m+ sales ambition
<p data-bbox="86 882 137 1182">Commercial</p> <div data-bbox="453 753 886 825"><h2>PARKSIDE</h2></div> <ul data-bbox="188 872 1220 1253" style="list-style-type: none">• Business improvement plan delivered - cost exited, sales maintained• Business profitable in Q4• £20m+ sales ambition• Commercial market key opportunity – can be delivered through multi brand approach	<div data-bbox="1684 748 2048 819"></div> <p data-bbox="1276 811 1327 1210">Online Pure Play</p> <ul data-bbox="1378 872 2339 1190" style="list-style-type: none">• Very strong continued growth• Market leader in online tiling consumables• Two new brands established – leveraging digital skillset• £30m+ sales ambition



Goal & Strategy

GOAL

- 1 in 5 by 2025 goal delivered - two years ahead of schedule
- FY23 tile market estimate 9.0% down YoY*
- Market share now estimated at 22.1% (FY22 19.8%)
- New Group goal to be communicated in 2024



STRATEGY

- Clear strategy focused on growth – three trading units all focused on UK tile market
- Growth underpinned by strengths in product and customer service
- Topps Group leading the UK tile market in environmental progress



**Mintel Ceramic Tile UK Report 2023, adjusted to Topps Group financial years. FY22 market share restated from 19.0% to 19.8% following Mintel restatement of 2022 tile market down from £423.8m to £403.4m in their latest report.*



Leading Product

- Global sourcing & ranging a key source of competitive advantage
- Strategic supply base accounts for 66% of purchases (FY22: 73%)
- Supply chains fully restored – availability and timescales
- Market beating NPD - 63 new product launches complete FY23 (FY22: 34)
- Exclusive or own brand ranges represent 77% of sales (FY22: 76%)
- Excel Bond™ now within top 3 UK tile adhesive brands
- Category expansions continue to provide opportunity, LVT, shower panels and XL Tiles





Leading People

- Customer service ranks as world class - overall satisfaction rate of 91.5%* (FY22: 89.9%)
- Colleague engagement levels of 78% (UK average 68%**), with 85% completion rate (up 6% on LY)
- Colleague turnover 28.6% (FY22: 36.5%), retention at 80% (FY22: 77%)
- 70% of promotions into management positions filled internally
- DE&I programme launched - One Topps
- Mental health focus supported by manager training
- Charity fundraising for Alzheimer's Society
- Year of colleague celebrations to mark 60th anniversary



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

**Engage for Success 2022 report



Environmental Leadership

- Goal to be carbon neutral by 2030 (scope I and II emissions), or earlier
- Scope I and II = c. 5,000 tonnes of carbon generated annually
- Internal governance focused on decarbonisation and circularity
- 12% reduction in tile waste in FY23, further reduction targeted in FY24
- Solar – PV panels now installed at main site (70% of electricity needs), planning options for stores
- Scope III reporting on track for FY24
- 51% of company cars now electric/hybrid
- Sales of 50%+ recycled content product up 22% YoY

ENVIRONMENTAL LEADERSHIP

1. CARBON NEUTRAL BY 2030

- Reduction strategy
- Removal strategy

2. CIRCULAR ECONOMY

- Waste & recycling
- Product innovation

GOVERNANCE

- Sustainability Council led by Chief Executive



Normative

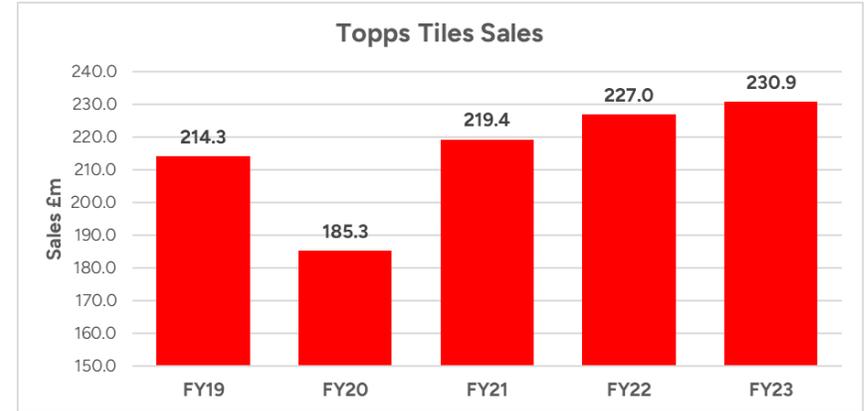
wrap



Topps Tiles

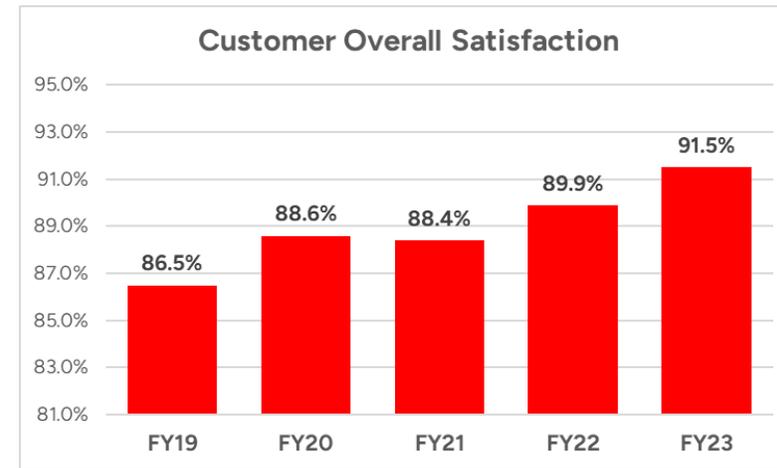
Investment case - market leading, omni-channel specialist with *opportunities for profitable growth*

- Celebrating 60 years of trading - tiles for everyone since 1963
- Record brand sales of £230.9m, sales per store +30% vs 2019
- Continued growth delivered through stronger value, expanded offer and increased customer base
- Square metres of coverings 4.9% down YoY
- National specialist with c.300 stores (3x next largest specialist)
- Overall customer satisfaction – 91.5% 5* ratings (+1.6% pts YoY)
- Truly omni-channel model – 90% of homeowners will visit website as part of their experience



Homeowner

- Omni-channel experience key for customers – vast majority still involve a store
- Brand awareness very strong – #1 UK tile specialist
- Market leading web traffic with 19% digital penetration (homeowners buying tiles)
- World class service – advice & inspiration vital for homeowners
- Value scores +3.4% year on year
- Customer – typically represents more affluent demographic but expanding with stronger value credentials and expanded offer



Topps Tiles Sponsored ·  

Get 10% off EVERYTHING online and pick up those tiles you've had your eye on for an even lower price!

Hurry, offer ends Monday at 6pm! 🏡

PS: This offer also applies to our up to 1/3 sale, so you can get an EXTRA 10% off... you don't want to miss out!



ENDS MONDAY
10% OFF
EVERYTHING ONLINE!

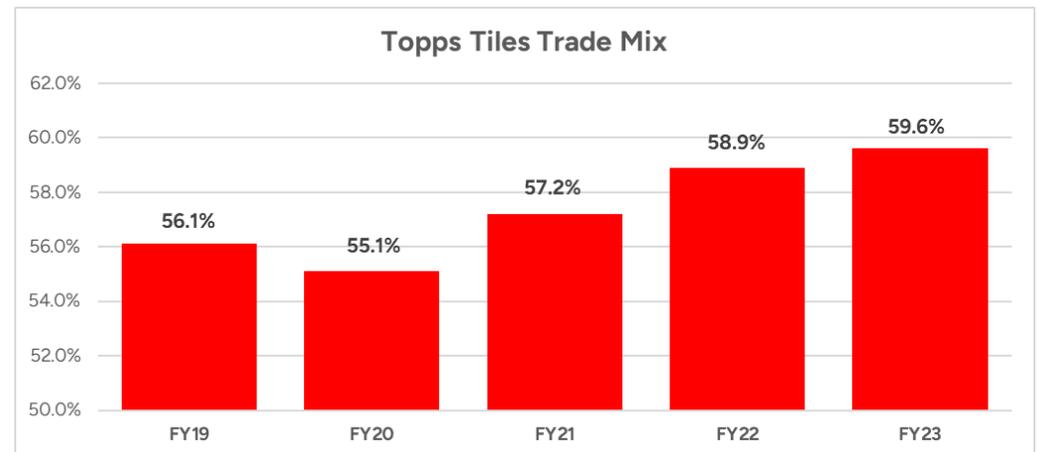
<https://www.toppstiles.co.uk>
EXTRA 10% OFF EVERYTHING ONLINE* Shop now

BECAUSE WE KNOW TILES

WE'RE THE UK's No.1 TILE SPECIALIST | **EST. 1963** WITH OVER 60 YEARS' EXPERIENCE | **98% OF OUR CUSTOMERS LOVE US**

Trade

- Large trade customer base – 132,000 active in last 12 months (>210,000 registered)
- Trade sales mix 59.6% (FY22 58.9%)
- Trade offer key source of advantage (discounts, bulk deals, pallet deals, loyalty scheme)
- 300 stores provides national presence and unrivalled convenience
- Offer strengthened through growing presence of trade brands
- Integration with homeowner a strength – showroom space for trader, store introductions, referral incentives
- Commercial market sales through local developers and small contractors





Commercial

PARKSIDE

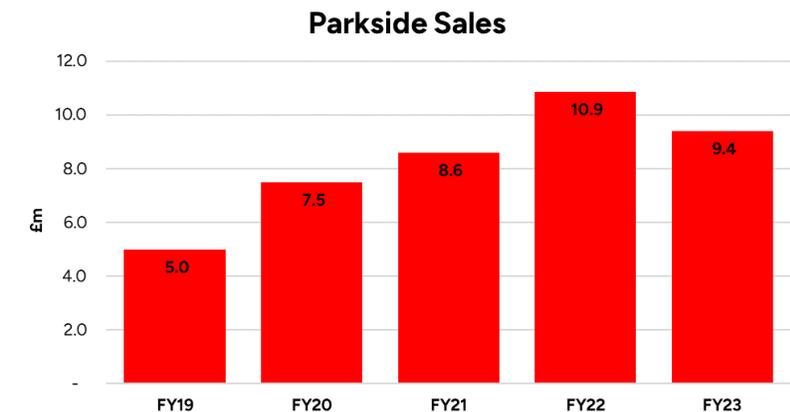


Topps Group operates in multiple aspects of Commercial market across different brands

	Architects & Designers	Smaller Contractors & Local Developers	
Group Brand	PARKSIDE	PROTILER	Topps Tiles
Product Area	Coverings	Essentials & Consumables (Tools, adhesives, grouts, etc)	Coverings, Essentials & Consumables
Competitive Advantage	Client relationships, supply chain strength, stock availability	Specialist offer, product/installation knowledge	World class service, 300 locations
Route to Market	Direct B2B sales team	Online Direct sales team	Stores and Contracts team
Customer/Projects	Large and medium-sized projects Architect specifies Contractor the ultimate buyer	Broad coverage from independent installers to contractors	Independent installers to medium sized contractors Small & medium sized developers
Sales Cycle	Longer lead times (up to 12-18 months)	Short lead times	Short to medium lead times

Investment case – B2B focus, leveraging Group product offer, £20m+ sales opportunity

- FY23 sales decline resulted in full year trading loss
- Business improvement plan implemented in Q3
- Plan included c.35% cost out - clients retained and sales maintained
- Business profitable over Q4
- Commercial market remains key strategic priority – almost 50% of UK market
- Group capability can be leveraged to deliver multi-faceted approach:
 - A&D, Contractors, Developers
 - Coverings vs Consumables





Online Pureplay

PROTILER TOOLS

N NORTHANTS
TOOLS

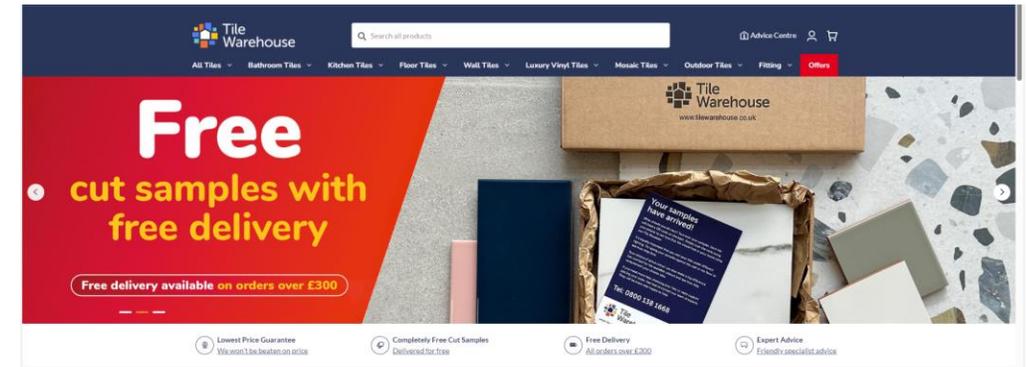
 Premium
Tile Trim

 WarmFloor
Store

 Tile
Warehouse

Investment case – £100m+ online market, value positioning complimentary to Topps Tiles

- Homeowner focused, value orientated website – launched May '22
- FY23 progress slower than planned due to technical issues and offer refinement
- Scale modest - management changed and business refocused
- Meaningful growth expected in FY24
- £15m+ sales ambition



Floor Tiles



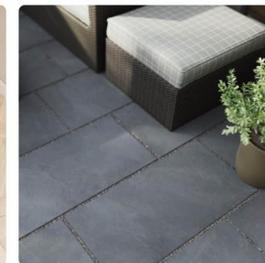
Bathroom Tiles



Kitchen Tiles



Wood Effect Tiles



Outdoor Tiles

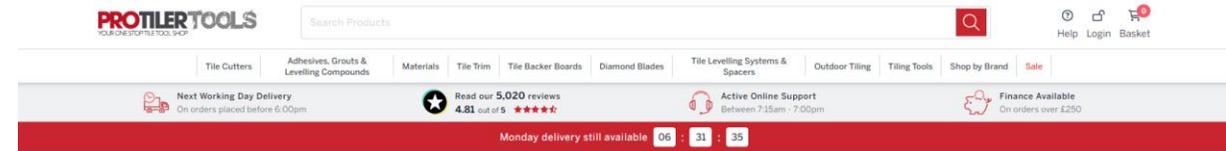


Luxury Vinyl Tiles



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

- Market leader in online tiling consumables
- Highly respected by trade customers - 4.8* reviews
- Group scale facilitating accelerated growth - c.50% YoY
- Net margin 8-10% achieved
- Two new brands launched – Warm Floor Store & Flooring Materials
- Remaining equity to be acquired in Apr '24
- High confidence in £30m+ sales opportunity



Northants Tools website header featuring a search bar, navigation menu (All Tools, Diamond Blades, Core Drilling, All Tiling, All Flooring, Primers & Additives, Cleaning & Polishing, Shop by Brand), and service banners for Next Working Day Delivery, Industry Leading Brands, Active Online Support, and Finance Available.

TOP-QUALITY PRODUCTS
TRANSFORM YOUR OUTDOOR SPACE
 We stock an extensive range of:
 ✓ Wet Saws ✓ Slurry Primers ✓ Diamond Blades
 ✓ External Grouts ✓ Levelling Compounds ✓ Adhesives

Logos for Warmup, Schenck Systems, Amber, DEVI, and homerit heating are displayed at the bottom.

Product Categories

Flooring Materials website header with search bar, navigation menu (Self Levelling Compound, Floor Adhesives, Floor Preparation, Floor Insulation Boards, Flooring Tools & Accessories, Underfloor Heating, Floor Trims, Shop by Brand, Sale), and service banners for Next Working Day Delivery, Industry Leading Brands, Active Online Support, and Monday delivery still available.

Flooring Materials **ULTRA FLOOR**
Ultra Floor Level It Two Self Levelling Compound
 Excellent Flexibility For Timber Floors & Underfloor Heating Systems
 Shop Now! →

Product details:
 Full 48 bag pallet Was £195.60 Ex VAT Now only **£578.40** Ex VAT
 Single bag Was £16.31 Ex VAT Now only **£120.50** Ex VAT

WarmFloor Store website header with search bar, navigation menu (Electric Underfloor Heating, Water Underfloor Heating, Thermostats, Adhesives, Grouts & Levelling Compound, Matting & Decoupling, Insulation Boards, Shop by Brand, Sale), and service banners for Next Working Day Delivery, Industry Leading Brands, Active Online Support, and Finance Available.

Warmup and WarmFloor Store logos.
Warmup Thermostats
 Ultimate Comfort And Control
 Variety of options including Touch Screen and Wi-Fi Thermostats
 ORDER TODAY!

Premium Tile Trim website header with search bar, navigation menu (Tile Trim, Corner Protection, Stair Nosings, Bath Seals, LED Lighting, Flooring Profiles, Tools, Brands, Sale), and service banners for Next Working Day Delivery, 4,77 out of 5 reviews, Active Online Support, and Monday delivery still available.

THE PERFECT FINISH FROM PREMIUM TILE TRIM
 100+ Colours To Choose From
 From **£1.99** Ex VAT
 Over 2000 Profiles In Stock
 Explore The Range!

Logos for Genesis, FOUNDRY, Schenck Systems, Complements, and DURAL are shown.



- **Market**

- Macroeconomic headwinds include inflation, mortgage rates & weaker housing market
- Market subdued post summer with softer build to seasonal peak
- Weaker discretionary consumer spending, especially RMI

- **Current Trading and Outlook**

- Group sales over the first 8 weeks -3.0% YoY (Topps Tiles LFL -6.1%)
- More challenging trading conditions will create opportunities, business well positioned to capitalise given balance sheet strength
- Competitive advantage driven through market-leading brands, world-class customer service, specialist expertise, and ambitious growth strategy

A modern dining room with a round wooden table, upholstered chairs, a large window, a potted plant, and a floor lamp. The room features light-colored wood flooring and white walls. A large window in the background offers a view of a green landscape. A potted plant sits on the floor near the wall, and a floor lamp is visible in the corner. A small wooden side table is placed near a white sofa.

Q&A

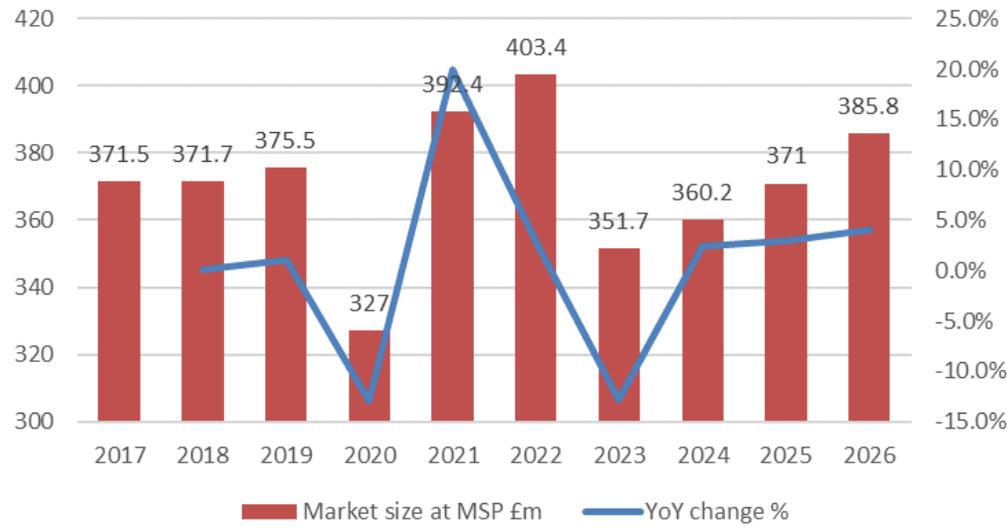


Appendix

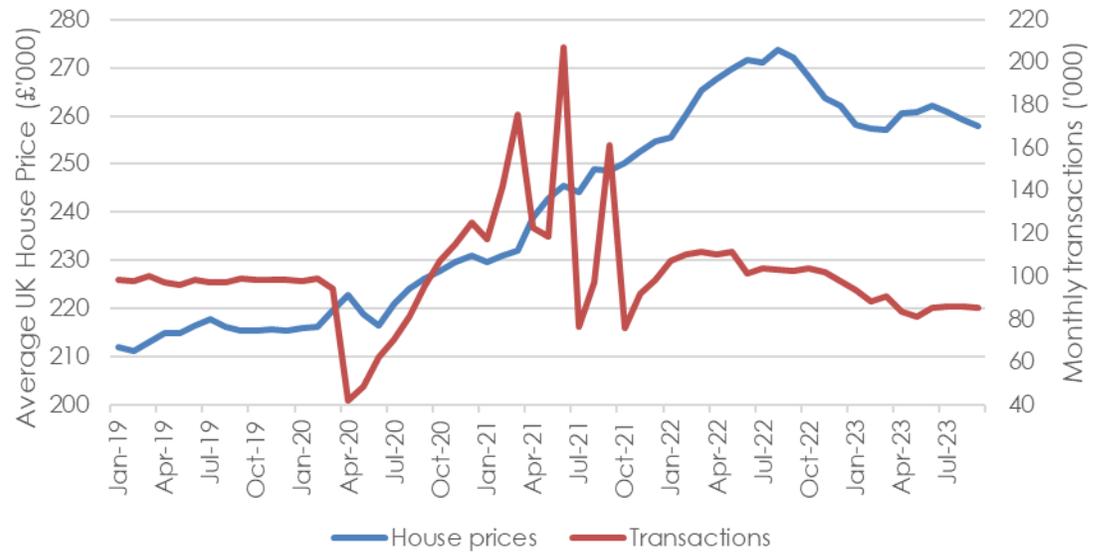


Market Data

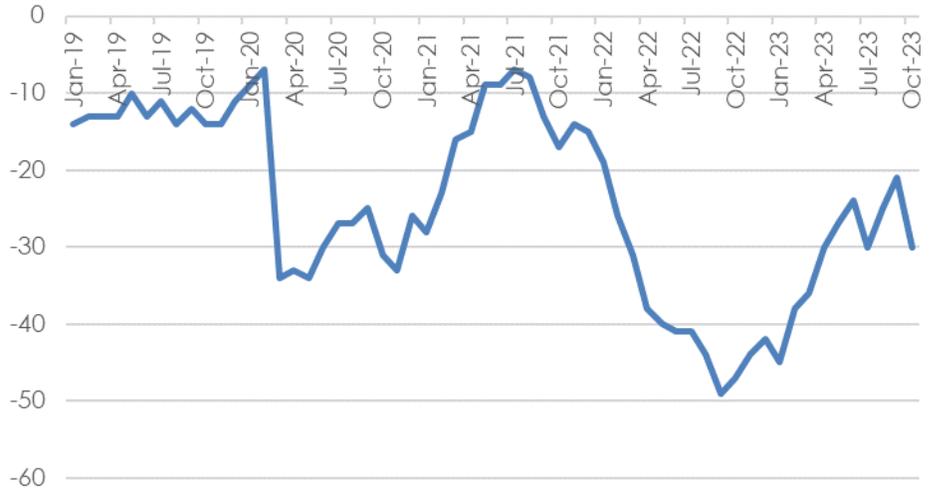
Mintel: UK Ceramic Tile Market at MSP



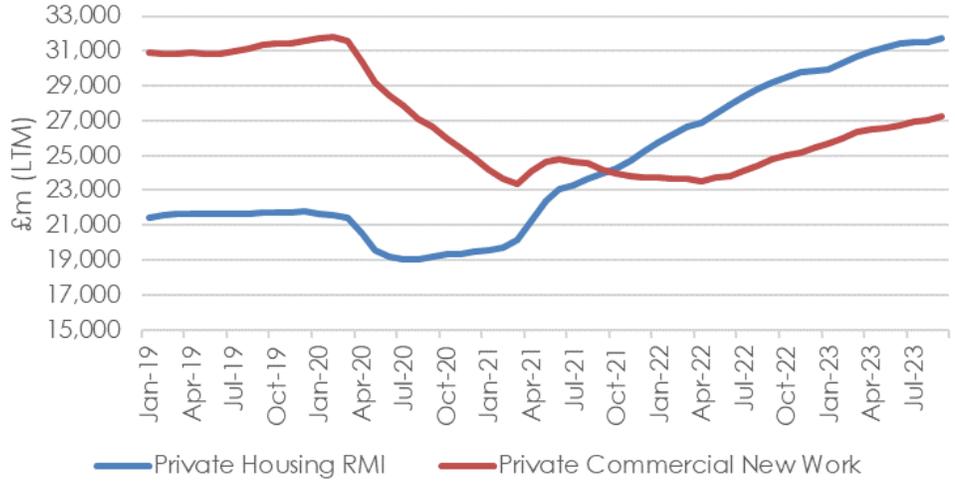
UK House Prices and Transactions



Consumer confidence



ONS Market Size



Sources: Mintel, 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



Statutory Income Statement

	FY 2023	FY 2022	YoY
Adjusted Profit before tax (£m)	12.5	15.6	(3.1)
Adjusting items (£m):			
Property	(0.9)	(2.4)	+1.5
Pro Tiler Ltd share purchase provision and deal costs	(4.1)	(1.8)	(2.3)
Restructuring and other	(0.7)	(0.5)	(0.2)
Profit before tax (£m)	6.8	10.9	(4.1)

- Adjusting items in FY 2023 consist of:
 - Property related items including vacant property and closure costs in connection with stores closed as part of the store closure programme which ended in FY22, also impairment of right-of-use assets and gains on lease disposals
 - Increases in the Pro Tiler Limited share purchase provision (accounted for as a remuneration cost under IFRS3 – Business Combinations due to conditions placed on selling shareholders to remain employed by the Group, however treated as a non-deductible expense in the UK tax code)
 - Restructuring and other costs of £0.7m



Cash Flow Highlights

	FY 2023		FY 2022		YoY	
	£m	£m	£m	£m	£m	£m
Cash flows generated by operations, including leases, before working capital movements	18.9		18.5		0.4	
Changes in working capital	3.4		(11.0)		14.4	
Capex	(4.2)		(3.2)		(1.0)	
Disposals	-		0.2		(0.2)	
Interest	0.1		(0.3)		0.4	
Tax	(3.3)		(3.5)		0.2	
Other	(0.2)		0.1		(0.3)	
Free cash flow		14.7		0.8		13.9
Acquisition of Pro Tiler Ltd, net of cash acquired*	-		(4.4)		4.4	
Dividends	(7.5)		(8.0)		0.5	
Change in net cash		7.2		(11.6)		18.8

- Free cash flow was +£14.7m, total cash flow was +£7.2m and closing net cash was £23.4m
- Key drivers for the increase in net cash were:
 - Strong cash flows from operations, with cash running ahead of profit due to a number of non-cash expenses
 - Working capital inflow of £3.4m including lower stock and a slight increase in payables
 - £7.5m dividend outflow relating to 2.6p final dividend from FY22 and 1.2p interim dividend from FY23



Balance Sheet Highlights

	FY 2023	FY 2022	YoY
Goodwill/Intangibles - £m	6.9	7.5	(0.6)
Property, plant and equipment - £m	19.3	20.9	(1.6)
Right-of-Use & Sublease Assets - £m	83.1	91.0	(7.9)
Inventory - £m	36.4	38.6	(2.2)
Receivables/Payables/Provisions - £m	(47.9)	(41.8)	(6.1)
Borrowings - £m	0.0	0.0	0.0
Lease Liabilities - £m	(94.5)	(102.9)	8.4
Cash - £m	23.4	16.2	7.2
Net Cash - £m (pre-IFRS 16)	23.4	16.2	7.2
Net Assets - £m	26.4	29.0	(2.6)
Capital Employed - £m	97.5	115.7	(18.2)

- Intangibles relate to assets acquired as part of Pro Tiler Limited (largely goodwill and brand)
- Fixed assets reduction relates to depreciation partially offset by net additions/disposals
- Right-of-use assets of £80.9m and sublease assets of £2.2m, including impairment review
- Inventory days reduced to 107 days (2022: 126 days), including larger mix of Pro Tiler inventory
- Provisions includes Pro Tiler share purchase provision (£5.6m) and dilapidations provision (£2.4m)
- Lease liabilities of £94.5m held on the balance sheet, down due to lower number of stores and exit of dark stores in year
- Net cash position of £23.4m, an increase of £7.2m year on year
- Capital employed decreased £18.2m to £97.5m (defined as net assets – net cash + lease liabilities) due to increase in net cash and lower lease liabilities