



Topps Tiles

**Final Results
2015**

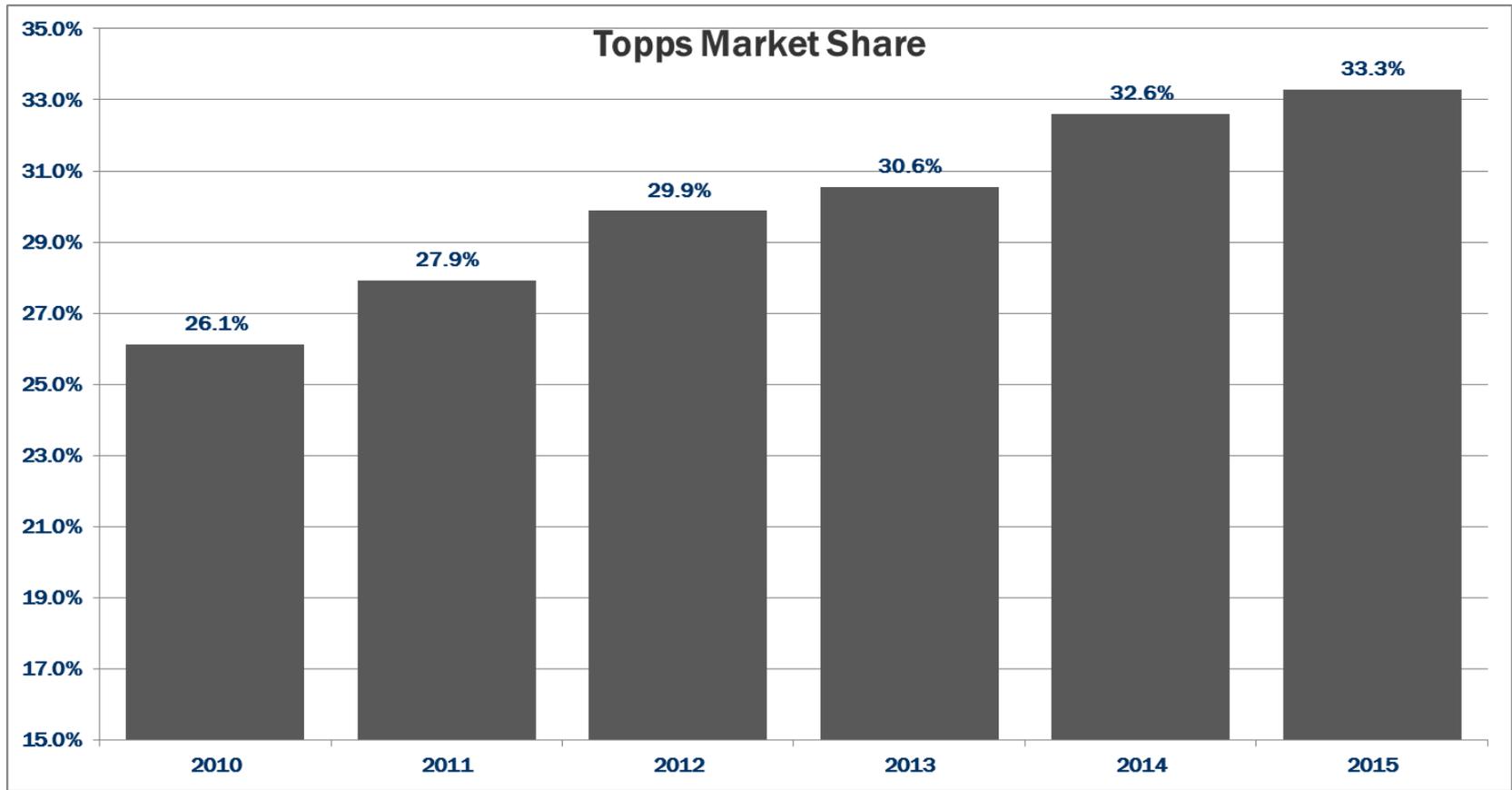
- **Introduction – Matthew Williams**
- **Financial Performance – Rob Parker**
- **Strategy & Operations – Matthew Williams**

Introduction

Matthew Williams
Chief Executive Officer

Financial performance	<ul style="list-style-type: none">▪ Record sales of £212m, +5.4% LFL▪ Profit before tax £20.4m, +19.3%▪ Dividend, +33%
Convenience	<ul style="list-style-type: none">▪ Trade mix growth▪ Portfolio management
Inspiration	<ul style="list-style-type: none">▪ World class customer service▪ All store improvements inspired by Boutique
Range	<ul style="list-style-type: none">▪ New product development & innovation▪ Exclusive hero ranges

Goal of taking £1 in every £3 of domestic tile spend achieved one year early



Assumptions:

- MBD forecast volume growth for 2015 = 2.6%, assumed value growth of 3.6%, and Topps tile sales growth of 5.8%
- Prior year market share has been restated based on 2015 MBD report

Financial Performance

Rob Parker

Chief Financial Officer

Income Statement Highlights - Adjusted

53 weeks ended 3 October 2015

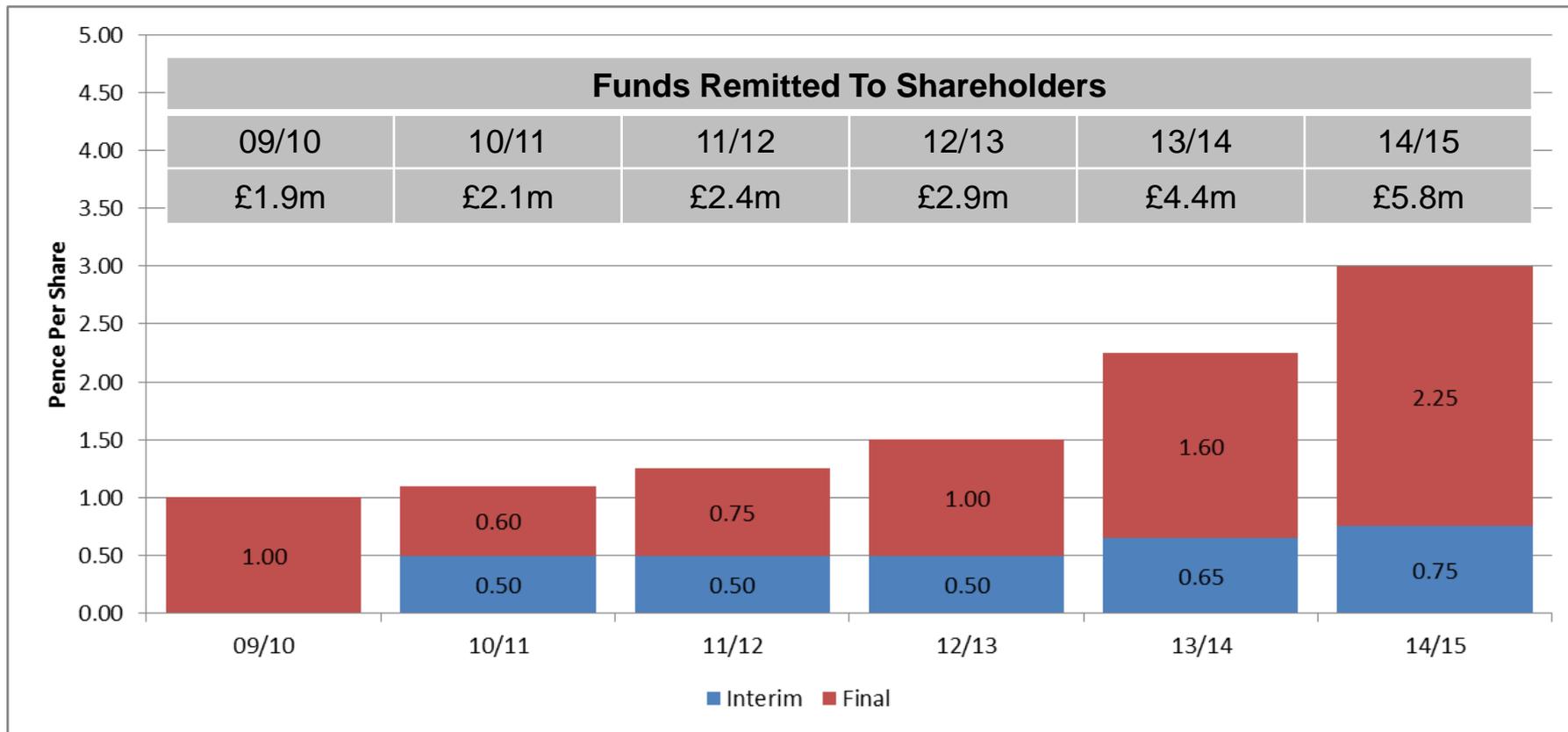


	FY 15	FY 14	YoY
Sales - £m	212.2	195.2	+8.7%
Gross Profit - £m	129.9	118.9	+9.3%
Gross Margin %	61.2%	60.9%	+0.3%
Adjusted Opex - £m	(108.4)	(100.2)	+8.2%
Adjusted Operating Profit - £m	21.5	18.7	+15.0%
Adjusted Interest - £m	(1.1)	(1.6)	(31.3)%
Adjusted PBT - £m	20.4	17.1	+19.3%
Adjusted Net Margin %	9.6%	8.8%	+0.8%
Adjusted EPS - pence	8.17	6.63	+23.2%

- Strong sales growth of +5.4% on a LFL basis
- Gross margin grown by 30bps, including strong trade performance
- Adjusted PBT of £20.4m, +19.3%
- Final dividend of 2.25 pence per share, full year dividend 3.00 pence per share, +33%

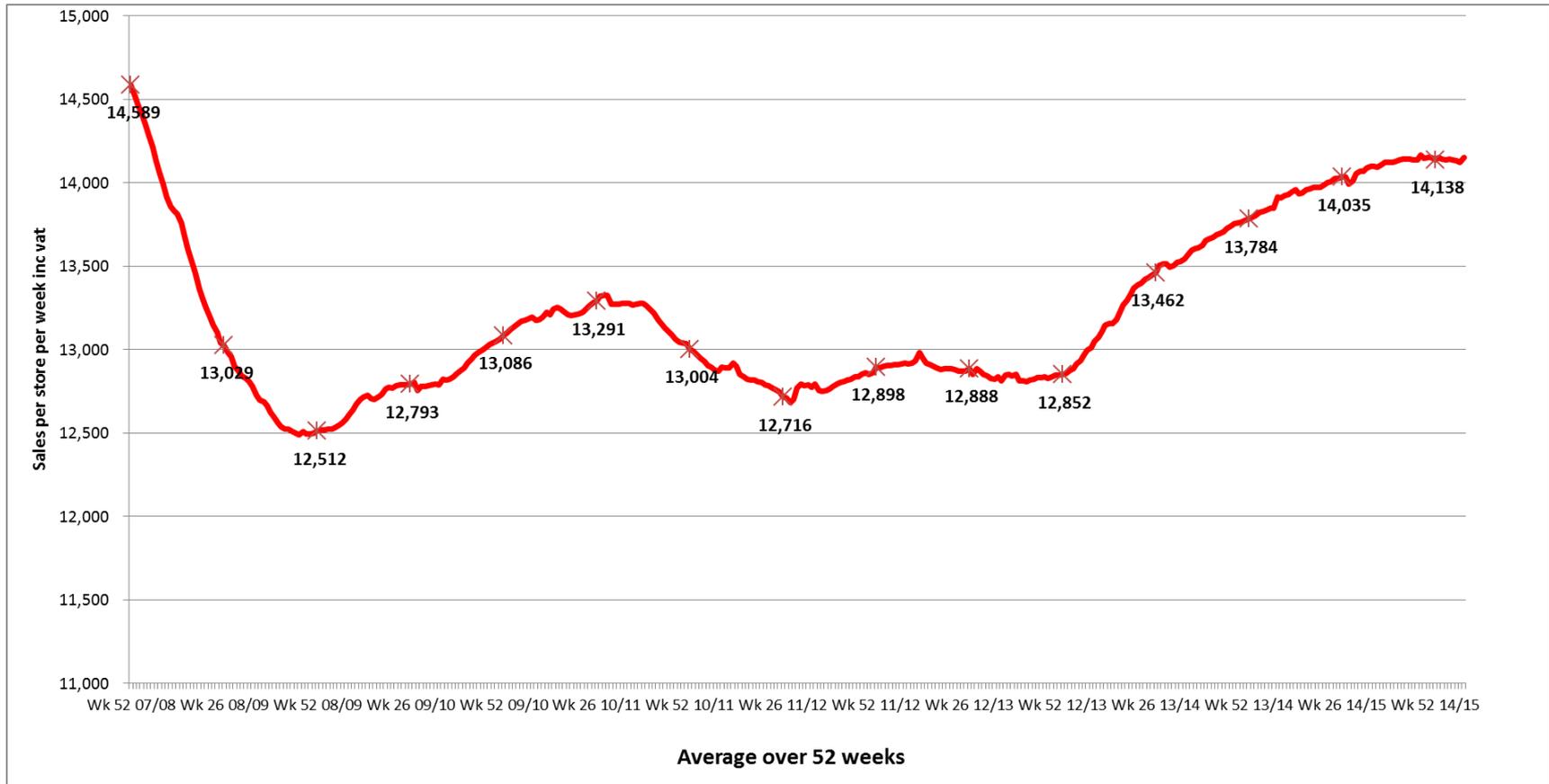
Dividend & Outlook

53 weeks ended 3 October 2015



- Increased dividend driven by improved EPS and payout ratio
- DPS increased by 50% in FY14 and 33% in FY15
- FY15 cover of 2.72x on an adjusted basis – target of 2x over medium term

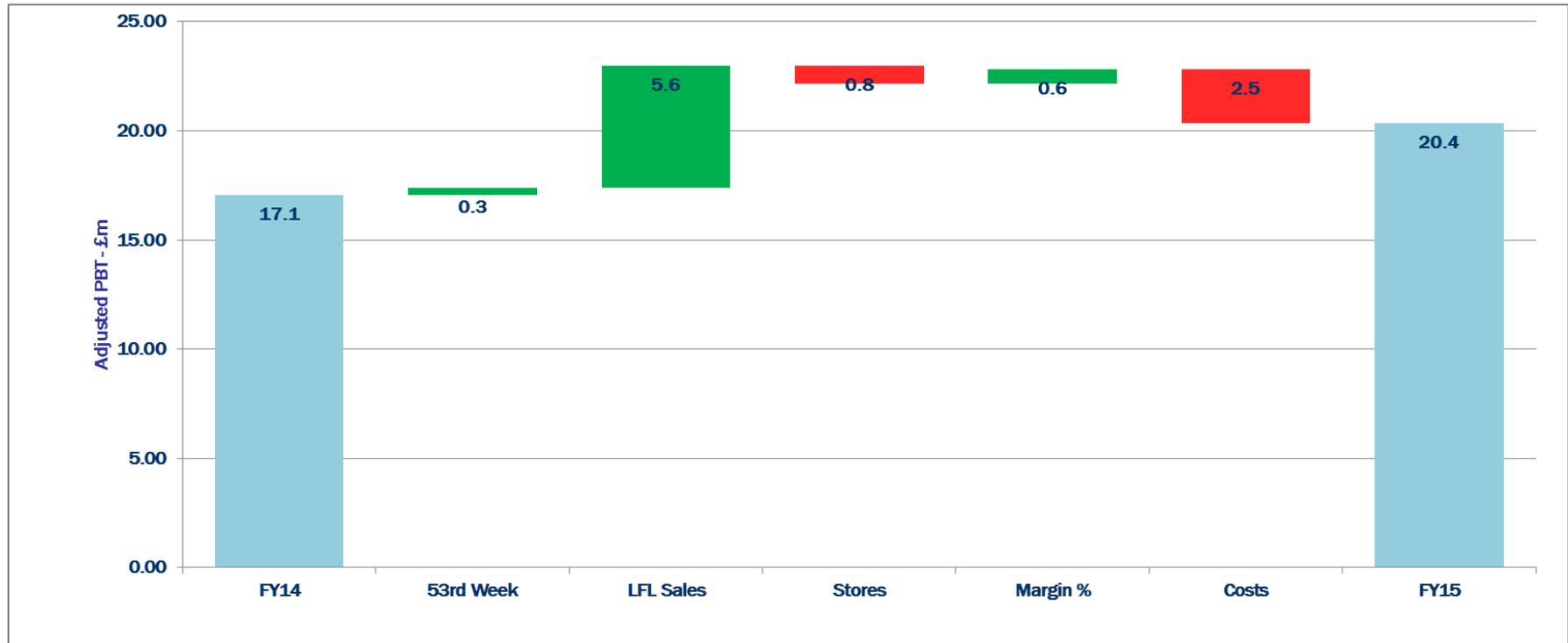
52 Week Rolling Average Sales



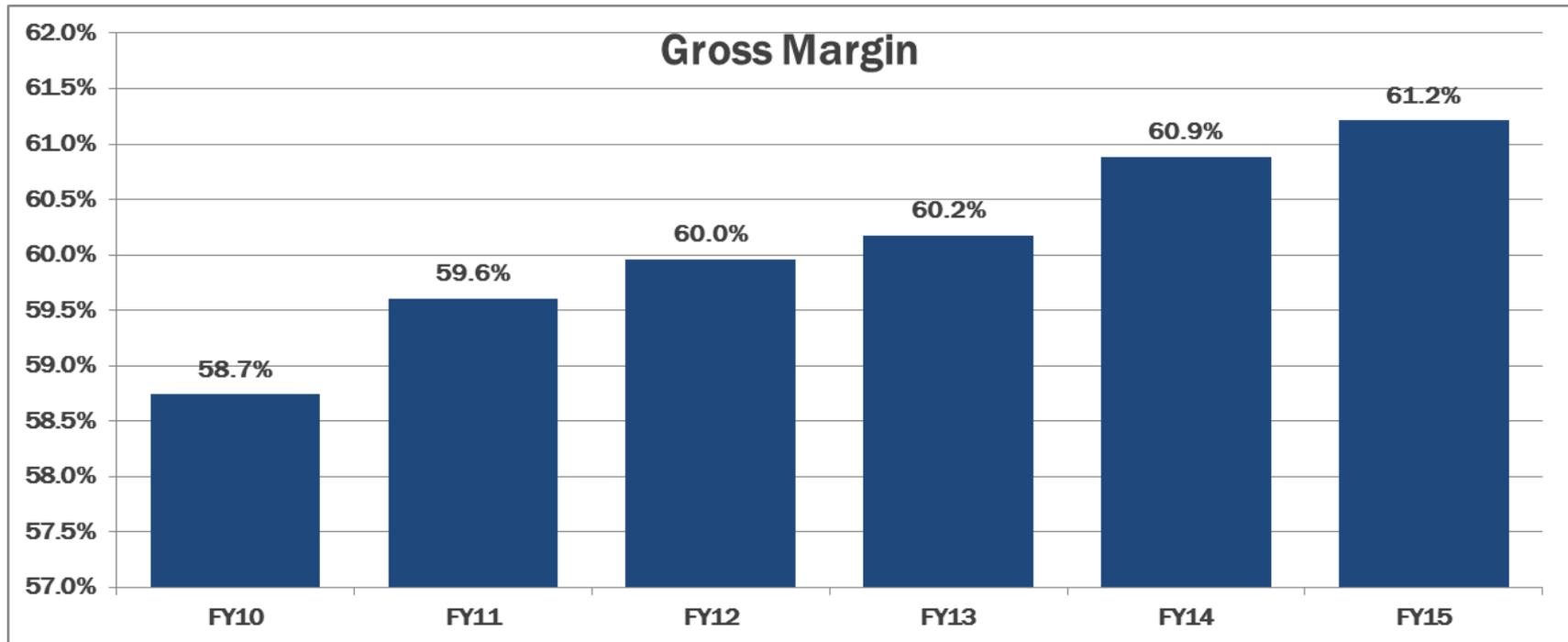
- Sensitivity +1% LFL = c.£2m sales p.a. / £500 per store per week = c.£7.5m sales p.a.
- Target = 25% incremental operating margin for long term sustained increases in sales (net of investments into labour, marketing and other key activities)

Adjusted Pre Tax Profit bridge

53 weeks ended 3 October 2015



- LFL is the key driver, £10.5m of additional sales and £5.6m of PBT
- Stores includes new stores, relocations and refits
- Gross margin +30bps vs FY14
- Costs includes inflation, interest, profit share and discretionary



- Full year gross margin of 61.2%, +30bps vs prior year
- Underlying gains driven from supply chain, new product development and own brand/exclusivity
- Includes dilution from strong growth of lower margin trade business - now c.50% of mix
- Outlook confident and further modest gains expected

Balance Sheet Highlights

3 October 2015

Topps Tiles

	FY 2015	FY 2014	YoY
Inventory	27.4	27.8	-1.4%
Stock Days	124	133	-6.8%
Net Assets	10.8	0.8	+1250%
Cash	16.6	19.5	-14.9%
Borrowings	45.0	50.0	-10.0%
Net Debt	28.4	30.5	-6.9%

- Inventory stable vs prior year, days cover reducing as sales grow
- Net assets position continues to strengthen
- Net debt improved vs interim expectation due to delay of HMRC historic payments (c.£4m) and improved working capital vs interim position

Cash Flow Highlights

53 weeks ended 3 October 2015

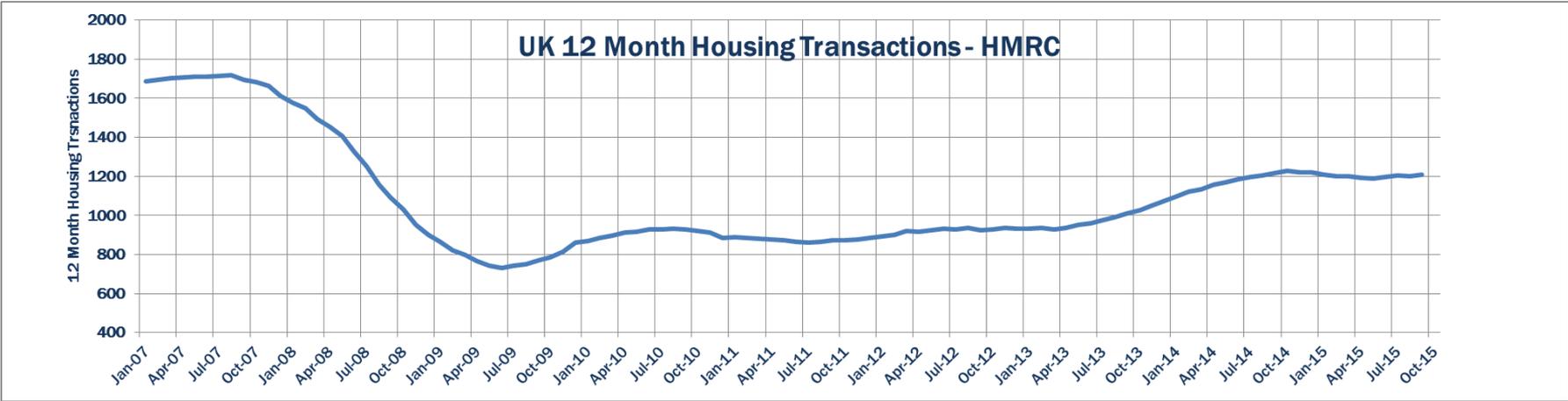
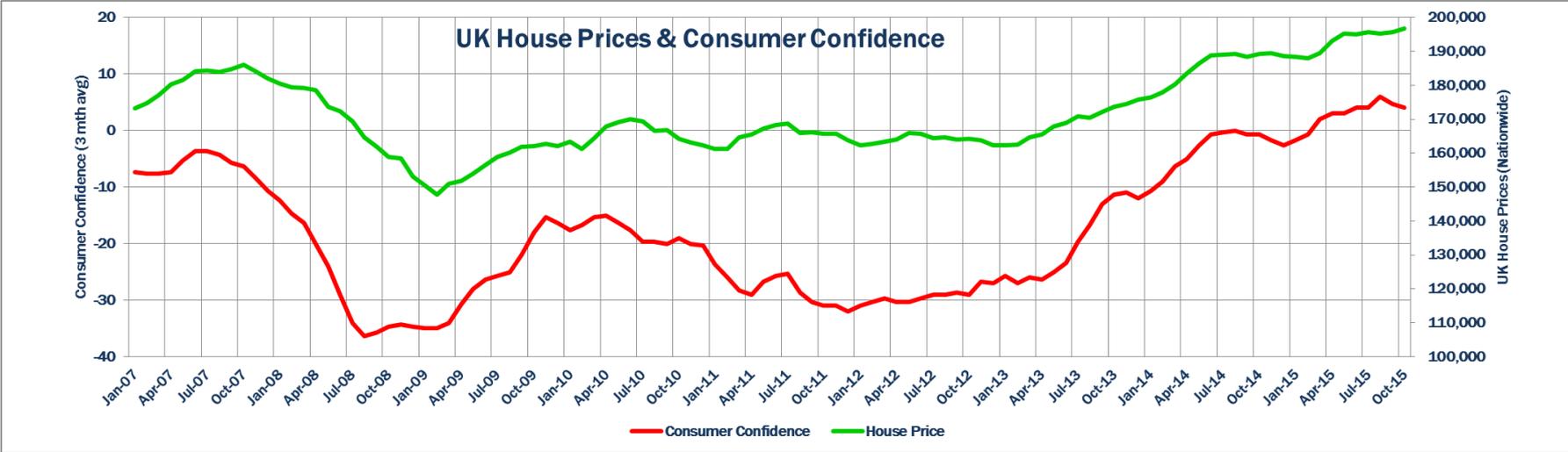
Summary Cashflow	FY 15		FY 14		YoY	
	£m	£m	£m	£m	£m	£m
Cashflows from operating activities (EBITDA)	26.0		24.4		1.6	
Change in working capital	(4.3)		0.5		(4.8)	
Interest	(1.9)		(1.7)		(0.2)	
Tax	(3.9)		(2.6)		(1.3)	
Exceptional items	2.6		0.0		2.6	
Operations		18.5		20.6		(2.1)
Capital Expenditure	(12.0)		(11.4)		(0.6)	
Proceeds from disposals	0.5		0.7		(0.2)	
Purchase of own shares and interest received	(0.4)		(0.5)		0.1	
Investments		(11.9)		(11.2)		(0.7)
Dividends	(4.5)		(3.2)		(1.3)	
Movement in loans	(5.0)		(5.0)		0.0	
Other	0.0		(0.1)		0.8	
Financing		(9.5)		(8.3)		(1.2)
Net movement in cash		(3.0)		1.1		(4.1)

Outlook

- Closure of legacy tax enquiries – c.£4m outflow expected in H1
- Capex will be broadly flat yoy at c.£12m

Strategy & Operations

Matthew Williams
Chief Executive Officer



Source – Consumer confidence = GFK, UK house price = Nationwide, Housing transactions = HMRC

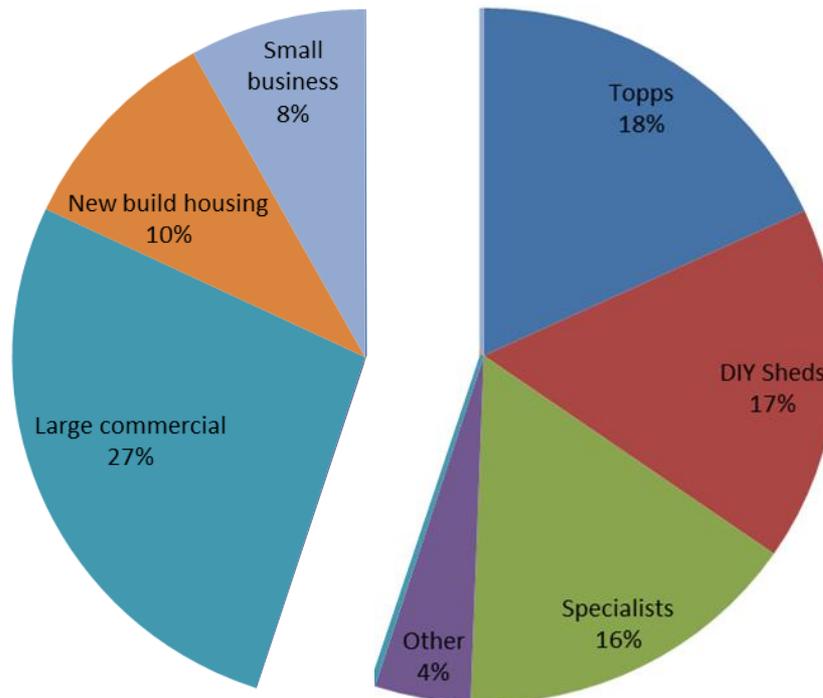


- Focus on further profitable sales growth in the core estate
- ‘Out Specialising the Specialists’ continues to have significant potential
- Opportunities to access elements of the commercial market through existing channels

The broader UK tile market is split into two end use segments:

- Domestic – principally refurbishment of residential properties (c.55%)
- Commercial – infrastructure projects, small business and new build domestic properties (c.45%)

The UK Tile Market is valued at RSP c.£640m



Source: AMA & MBD, Topps estimates

- **Active management of core store portfolio in FY15**
 - 10 new openings, 1 relocation, 6 closures – 323 stores trading (2014: 318)
 - 13 full refits, minor works to 7 stores
 - Decision to exit clearance format – 4 stores to be converted to core format, remaining 7 to close
- **Encouraging overall progress made with Boutique format**
 - 13 stores now trading (2014: 5)
 - Key role in driving brand re-appraisal and in evolving core estate
 - Further work planned in FY16 to optimise performance
 - Roll-out potential remains significant



Opportunity for up to 450 UK stores across all formats

Convenience

Focus on the Trade 'channel'

- Increased focus on trade channel to ensure we are well placed to exploit 'do it for me' trend and optimise availability
- Trade sales now 50% of mix, with further growth expected (2014: 46%)
- Building trader participation in the trade rewards programme
 - Over 12,000 traders participating
 - Over 60% of trade channel sales linked to participating traders
- New Microsoft Dynamics CRM system helping target trade communications

Topps Tiles Trade REWARDS CLUB

RECEIVE A **£20** TOPPS TILES VOUCHER OR **TRADE UP** NOW 12 GREAT PRODUCTS

DEC 15 - MAR 16

HOW DOES TOPPS TILES TRADE REWARDS CLUB WORK?
 1. Sign up to Topps Tiles Trade. 2. A line of your rewards card can be completed for every month of £50.00 spent in each transaction. 3. Get a voucher for every completed card or 'trade up' by exchanging your completed cards for top products.

Store No.	Transaction No.	Date
1	£50 SPENDING	
2	£50 SPENDING	
3	£50 SPENDING	
4	£50 SPENDING	
5	£50 SPENDING	
6	£50 SPENDING	
7	£50 SPENDING	
8	£50 SPENDING	

CLAIM YOUR VOUCHER OR PRODUCT BY SHOWING THE COMPLETED CARD AT THE COUNTER.



<p>1x CARD 590-40270</p> <p>HOLSON 10W LED RECHARGEABLE LIGHT WORTH £29.99 Inc VAT</p>	<p>1x CARD 590-01764 / 01623</p> <p>7 PAIRS OF RUBI NIPPERS WORTH £49.50 Inc VAT</p>	<p>2x CARDS 590-40266</p> <p>ABRU MAX PLATFORM ROOMM XL WORTH £49.99 Inc VAT</p>
<p>2x CARDS 590-00260</p> <p>RUBI TOOL BOX WORTH £63.56 Inc VAT</p>	<p>3x CARDS 590-00702 / 00807</p> <p>RUBI A115 ANGLE GRINDER & RUBI TPA 115MM SUPER PRO VAPER BLADE WORTH £70.50 Inc VAT</p>	<p>4x CARDS 590-00261</p> <p>KARCHER K2 HIGH PRESSURE CAR & HOME CLEANER WORTH £99.99 Inc VAT</p>

<p>6x CARDS 590-00702</p> <p>KARCHER N127.1 ALL PURPOSE VACUUM WET & DRY WORTH £159.99 Inc VAT</p>	<p>6x CARDS 590-00202</p> <p>RUBI ERGONOMIC SEAT WORTH £169.96 Inc VAT</p>	<p>7x CARDS 590-00214</p> <p>NEWLINEE M13-M18R RADIO WITH 600mAh BATTERY WORTH £167.89 Inc VAT</p>
<p>7x CARDS 590-00703</p> <p>MILX PALM CROSS LINE LASER & TRIPOD WORTH £189.99 Inc VAT</p>	<p>8x CARDS 590-00119</p> <p>FENY MULTIMASTER TOP 350 WORTH £227.95 Inc VAT</p>	<p>12x CARDS 590-00216</p> <p>NEWLINEE M18 PERCUSSION IMPACT KIT INCLUDING: M18C PANDA 3.6Ah BATTERY, CHARGER & CASE WORTH £299.99 Inc VAT</p>

- Our world-class customer service continues to be at the heart of an inspirational customer experience
- High customer service requirement
- NPS score of 73% - world class
- Colleague training key area of focus – high service requires high skill and knowledge levels
- Online is a key aspect of inspiration – research & industry leading visualiser



- **Lab stores opened in Worcester and Shoreditch**
 - New store treatments partially inspired by Boutique
 - Early rollout to all stores of new merchandising
 - Further merchandising trials planned
 - New stores to adopt majority of lab store merchandising
- **All stores rebranded during the year**



- Unrivalled authority in product range across tiles and associated products
- New Product Development a key sales and margin driver, including:
 - Closer collaboration / enhanced relationships with key suppliers
 - Continued innovation and pace of new product launch - more than one new range launched a week
- Extended and re-launched UTV range



Range – Regional Reflections

TM

Topps Tiles

- Unique collaborative design builds on digital print technology advances
- Six British stone quarries are the sources of inspiration with tiles using the names of nearby villages
- A hard wearing ceramic floor and wall tile that captures the looks of regional stone
- Concept initiated by Topps and sourced under exclusive agreement with a UK manufacturer



- Goal of £1 in every £3 in the UK domestic tile market achieved a year early
- Strong financial performance
- Updated dividend policy - targeting 2x cover
- Current trading positive at +3.3% LFL in first eight weeks of FY16
- Organisation focussed on delivering further profitable sales growth from strategy of “Out Specialising the Specialists”

Appendix

Income Statement Highlights - Statutory

53 weeks ended 3 October 2015

	FY 15	FY 14	YoY
Adjusted PBT - £m	20.4	17.1	+19.4%
Adjustments - £m	(3.5)	(0.5)	+600%
MTM (FX) - £m	0.1	0.1	0%
PBT - £m	17.0	16.7	+1.8%
Net Margin %	8.0%	8.6%	(60)bps
Tax %	23.2%	25.0%	(1.8)%
PAT - £m	13.1	12.5	+4.8%
EPS - pence	6.75	6.49	+4.0%
Final dividend - pence	2.25	1.60	+40.6%
Full Year dividend - pence	3.00	2.25	+33.3%

- Adjusting items includes provision for closure of seven Topps Clearance stores and centralisation of support functions onto one site in Leicester
- Statutory PBT of £17.0m, 1.8% increase