

Topps Tiles Plc

**Results for the 52 weeks ended 1 October
2011**

www.toppstiles.co.uk



Matt Williams – Chief Executive Officer



Rob Parker – Finance Director

Matthew Williams
Chief Executive Officer

Highlights

- Total revenues of £175.5m, LFL sales decreased by 2.0%
- Further market share gains – now at 26.0%
- Gross margin increased to 60.3%^{#1} (2010: 58.7%)
- Adjusted profit before tax of £13.9m (2010 : £15.9m^{#2})
- Continued evolution of the Topps Tiles offer, supported by targeted advertising and staff training initiatives
- Net promoter score at 88.1%
- Prudent development of store estate – 14 new Topps stores opened in the year, net increase of 8
- New warehouse now fully operational
- Final dividend – 0.6 pence per share, 1.1 pence full year

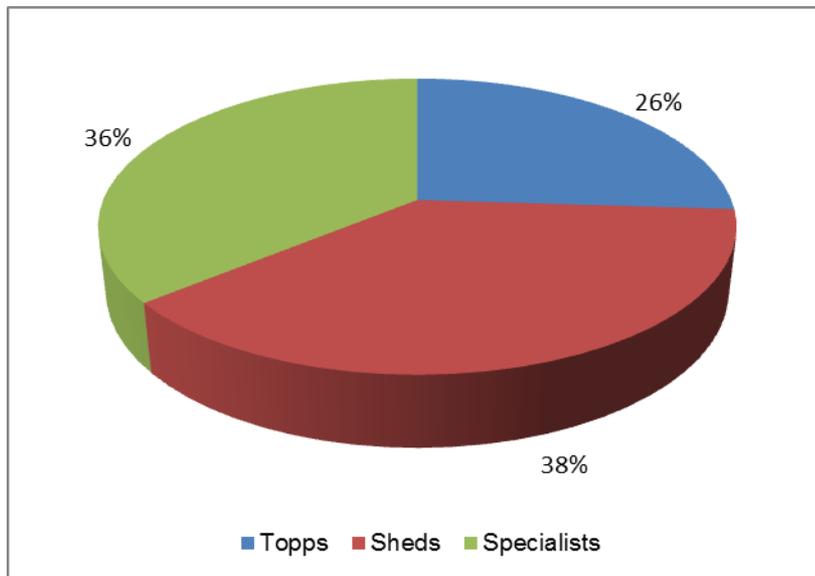
^{#1} – restated to exclude one off charge against display stock

^{#2} - 2010 Adjusted PBT has been restated on same reporting week basis - £0.4m impact

Topps Tiles

Competitive environment

- Continuing to outperform the market in tough trading conditions
- Market share increased to 26% (2010: 25%) reflecting service and value leadership
- Market consolidation and disruption amongst distributors



Source - MBD

Specialist Sector

The specialist sector is characterised by many independent operators and several regional or national players as follows:

- Tile Giant – 107 stores
- Al Murad – 45 stores
- Capital Tiles – 9 stores
- Tile Choice - 14 stores
- Tile Depot – 18 stores

Marketing

- Increased spend to drive awareness and footfall - National TV campaign / ITV weather sponsorship
- Greater emphasis on inspiring customers & attracting new customer groups
- Catalogue continues to develop and is key vehicle for the business

SERIOUSLY AFFORDABLE *Style*

UP TO **1/3 OFF** SELECTED TILES - STONE - WOOD

With over 300 stores nationwide, visit your local store today. **Topps Tiles** TILES FOR EVERYONE

Tel: 0800 783 6262 www.toppstiles.co.uk

Au Naturel

Help your interior look to connect with the outdoors, appeal to nature-lovers and inspire.

Natural textures
Mix natural stone with contemporary materials to create a warm, inviting atmosphere. Use natural stone tiles in the kitchen, bathroom and living areas.

Naturally inspired
Inspiration comes from the natural world. Use natural stone tiles in the kitchen, bathroom and living areas.

Style Guide
1. Natural stone tiles in the kitchen, bathroom and living areas.

FUNKY

You're a dedicated follower of fashion and trends. You like to be retro and eclectic.

GET STRIKING DESIGN FOR A REAL CONVERSATION PIECE

MAKE AN IMPACT
In a room that's full of personality, you want to make a statement. Use bold colors and patterns to create a space that's truly unique.

BE EXPERIMENTAL WITH MULTI-COLOURED MOSAICS

Business Strategy



Business Strategy – Customer Service

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

- Friendly, knowledgeable, helpful, honest staff – never pushy
- Results driven - commissions, balanced scorecard, mystery shop
- Share ownership amongst employees
- Internal communication
- Training – specialist product knowledge essential
- Customer satisfaction and conversion remain very high



Topps Tiles

Business Strategy- Customer 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

In-store Environment

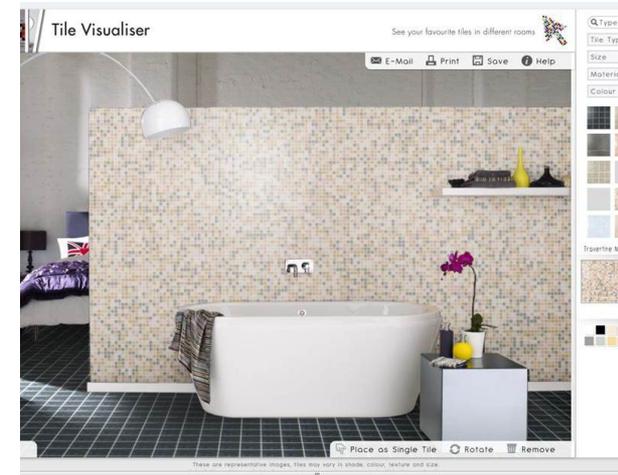
- Merchandising is a competitive advantage – e.g. extended use of photography, improved lighting and displays



Topps Tiles

Internet / Digital Initiatives

- Key marketing tool - website is often first point of call for pre-purchase research
- Closely integrated with in-store
 - Online sales commissions go to stores
- Encouraging response to improved website
 - Average of 400,000 visits per month, with 3m+ page views
- New developments including “visualiser”, iPad app and optimisation for mobile phone browsing
- Complemented by other social media channels (Facebook, Twitter, iPhone app)
- Primarily a research tool but online sales also growing in importance at c.1.5% of turnover



Topps Tiles

Investment in store estate

- 320 stores across the UK, 8 net new openings
- Project activity includes 12 new stores, 12 refits, 5 conversions, 3 relocations
- Conversions from TCH trading well, improved performance and greater synergies, 15 more planned for 11/12
- 5 net new stores planned for 2012



Topps Tiles

Investment in infrastructure

Warehouse

- New warehouse fully operational in Q4
- Capital cost £3m
- Adds capacity for up to 400 stores
- Increased direct sourcing over year will be key driver of margin growth
- Control of supply chain gives business competitive advantage

IT Systems

- New enterprise-wide IT system to be implemented H2 FY2012
- Capital cost c£1m, majority already spent
- New functionality across stores, warehouse and marketing
- Key enabler of new operational and customer initiatives

Rob Parker
Finance Director

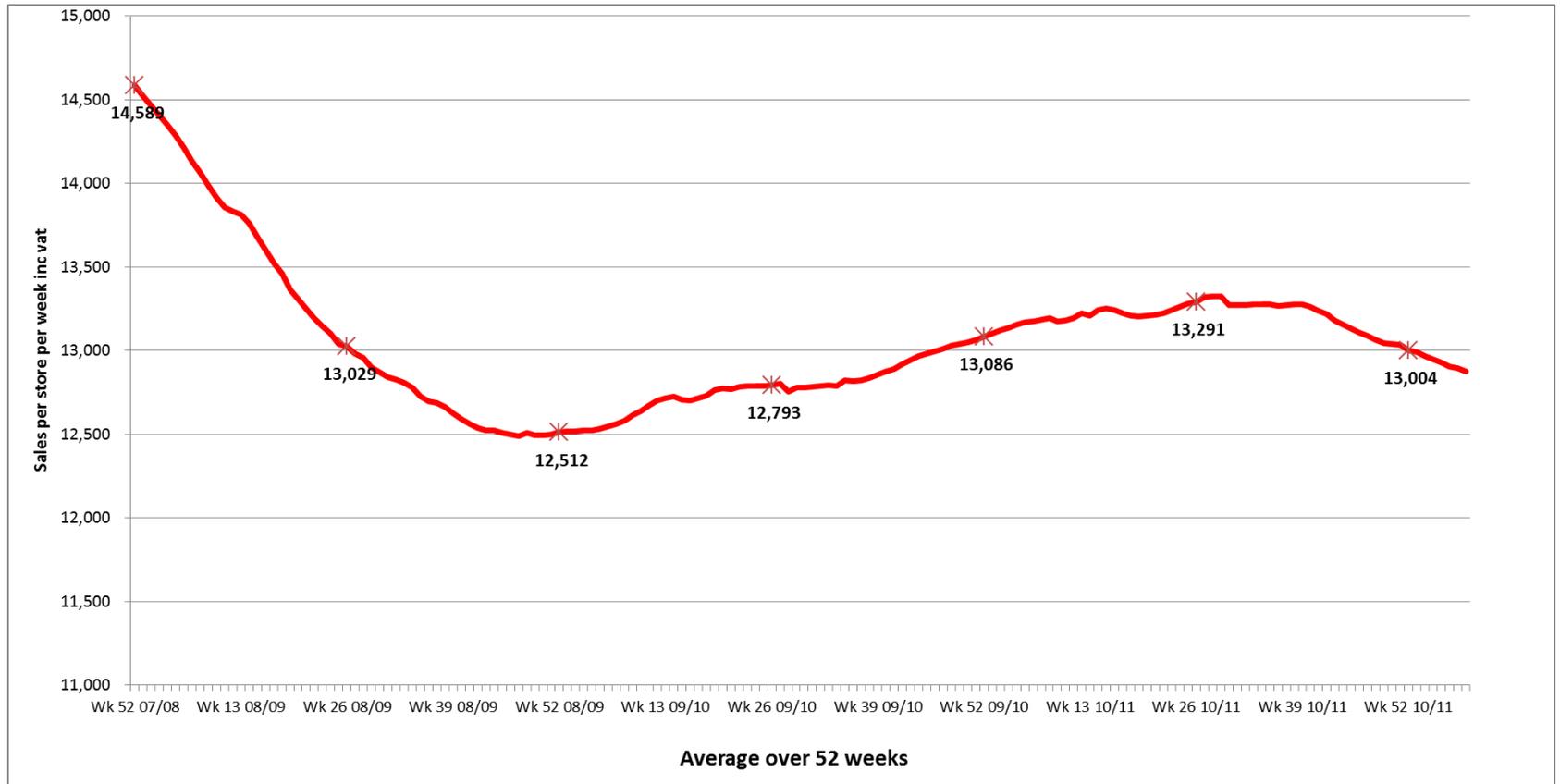
Income Statement Highlights

52 weeks ended 1 October 2011

	09/10 Adj		10/11	10/11	10/11	
	£m	YoY %	H1	H2	FY	YoY %
Sales - £m	178.8	0.0%	89.2	86.4	175.5	-1.8%
Gross Profit - £m	105.0	-0.8%	53.2	52.7	105.9	0.8%
Gross Margin %	58.7%	-0.5%	59.7%	61.0%	60.3%	1.6%
Opex - £m	(84.3)	1.6%	(43.9)	(43.8)	(87.7)	4.0%
Adjusted Operating Profit - £m	20.7	-9.4%	9.3	8.8	18.2	-12.2%
Operating Margin %	11.6%	-1.2%	10.5%	10.2%	10.4%	-1.2%

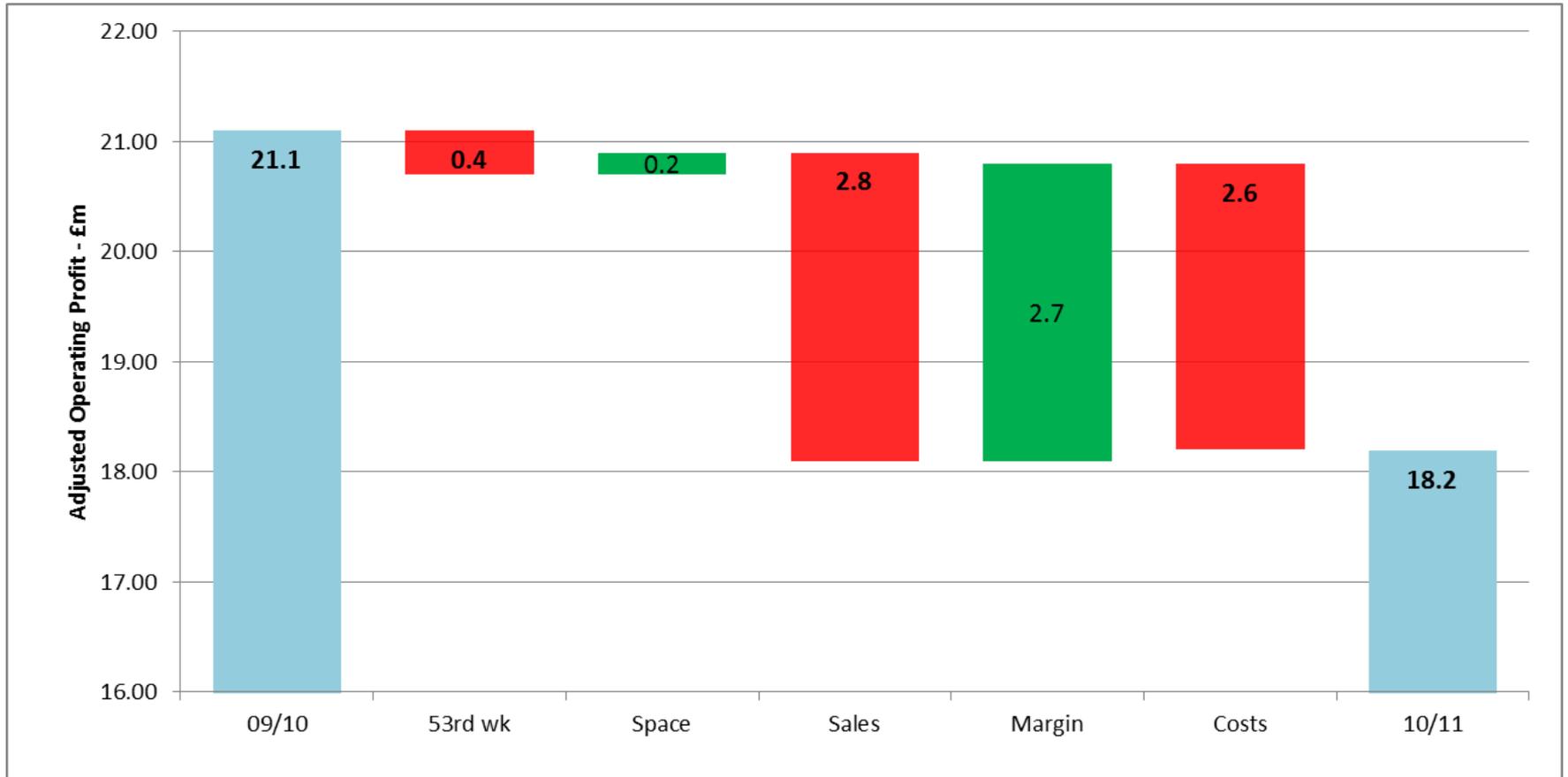
- 09/10 comparison restated on a 52 week basis
- Total revenues down 1.8%, -2.0% on a LFL basis
- Margin restated to exclude £1.3m one off charge – 61.0% H2 run rate
- Opex increase driven by inflation (£1.8m), additional stores (£0.7m) and increased marketing (£1.0m)

52 week rolling average sales



Adjusted Operating Profit Bridge

52 weeks ended 1 October 2011



Income Statement Highlights

52 weeks ended 1 October 2011

	09/10 Adj		10/11	10/11	10/11	
	£m	YoY %	H1	H2	FY	YoY %
Interest - £m	(4.8)	-8.7%	(2.3)	(1.9)	(4.3)	-11.7%
Adjusted PBT - £m	15.9	-9.6%	7.0	6.9	13.9	-12.3%
Net Margin %	8.9%	-0.9%	7.8%	8.0%	7.9%	-0.9%
Exceptionals/one offs - £m	(1.1)	-39.1%	(0.2)	(4.2)	(4.4)	292.1%
MTM - £m	(2.8)	-52.3%	3.3	(4.9)	(1.6)	-41.4%
PBT - £m	12.0	21.2%	10.0	(2.1)	7.9	-34.0%
Net Margin %	6.7%	1.2%	11.3%	-2.5%	4.5%	-2.2%

- Exceptionals includes charges for impairments to plant, property & equipment (£1.0m), inventory charge (£1.3m), additional property provisions (£1.9m), and loan fee write down (£0.2m)
- Tax rate for the period of 27.7% (2010: 31.5%)

Financial Highlights

52 weeks ended 1 October 2011

- Distributable profit of £5.7m (2010 : £8.5m)
- Basic EPS of 3.04 pence (2010: 5.37 pence)
- Adjusted basic EPS of 5.50 pence (2010 : 6.18 pence)
 - One off charges of £4.4m (2010 : £1.1m)
 - Fair value loss (MTM) on interest rate derivatives of £1.6m (2010 : £2.8m loss)
- Dividend proposed of 0.6 pence per share
 - £1.1m to be paid Jan 2011
 - Dividend will remain under careful consideration

Financial Highlights

Interest Rate Derivatives

- Interest rate hedging was split into 3 products:
 - £20m cap @ 6%, 5 years to Feb 2012
 - £20m swap % 5.63%, 5 years to Feb 2012
 - £60m “complex” - cap and collar with digital floor, 10 years to Feb 2017
- MTM as at year end was £12.5m, majority in the “complex”
- Company has now closed out 50% of complex at a cost of c.£6.2m, payable in April 2012
- Based on current LIBOR rates annual benefit will be £1.25m
- Benefit in 11/12 financial year will be £1.6m, offset by £6.2m one off charge in H2

Balance Sheet Highlights

1 October 2011

	2010 FY	2011 HY	2011 FY	YoY %
Stock	24.9	25.3	23.8	-4.4%
Stock Days	121	126	131	8.3%
Net Assets/(Liabilities)	(28.5)	(23.1)	(25.5)	-10.6%
Cash	41.9	16.1	9.1	-78.3%
Borrowings	(91.0)	(66.1)	(60.0)	-34.1%
Net Cash/(Debt)	(49.1)	(50.0)	(50.9)	3.7%
EBITDA Interest Cover	5.1x	5.3x	4.3x	-16.3%

Cash Flow Highlights

52 weeks ended 1 October 2011

Summary Cashflow	2009/10		2010/11	
	£m	£m	£m	£m
Cashflows from operating activities (EBITDA)	25.4		22.3	
Change in working capital	(5.8)		(1.8)	
Interest	(5.2)		(4.2)	
Tax	(4.1)		(3.9)	
Operations		10.3		12.5
Capital Expenditure	(4.3)		(10.5)	
Proceeds from disposals	0.9		0.0	
Investments		(3.3)		(10.5)
Dividends	0.0		(2.8)	
Repayment of loans	(7.5)		(32.1)	
Other	15.1		0.2	
Financing		7.6		(34.7)
Net movement in cash		14.5		(32.8)

Outlook / Summary

- Improving trend versus Qtr 4, however, current trading continues to be challenging with like-for-like revenues down by 6.9%
- Plans to finish FY12 with 325 stores
- Continue to focus on engaging our people to deliver outstanding value and service to our customers, maximising returns for our shareholders
- Capitalising on our market leading position by growing market share