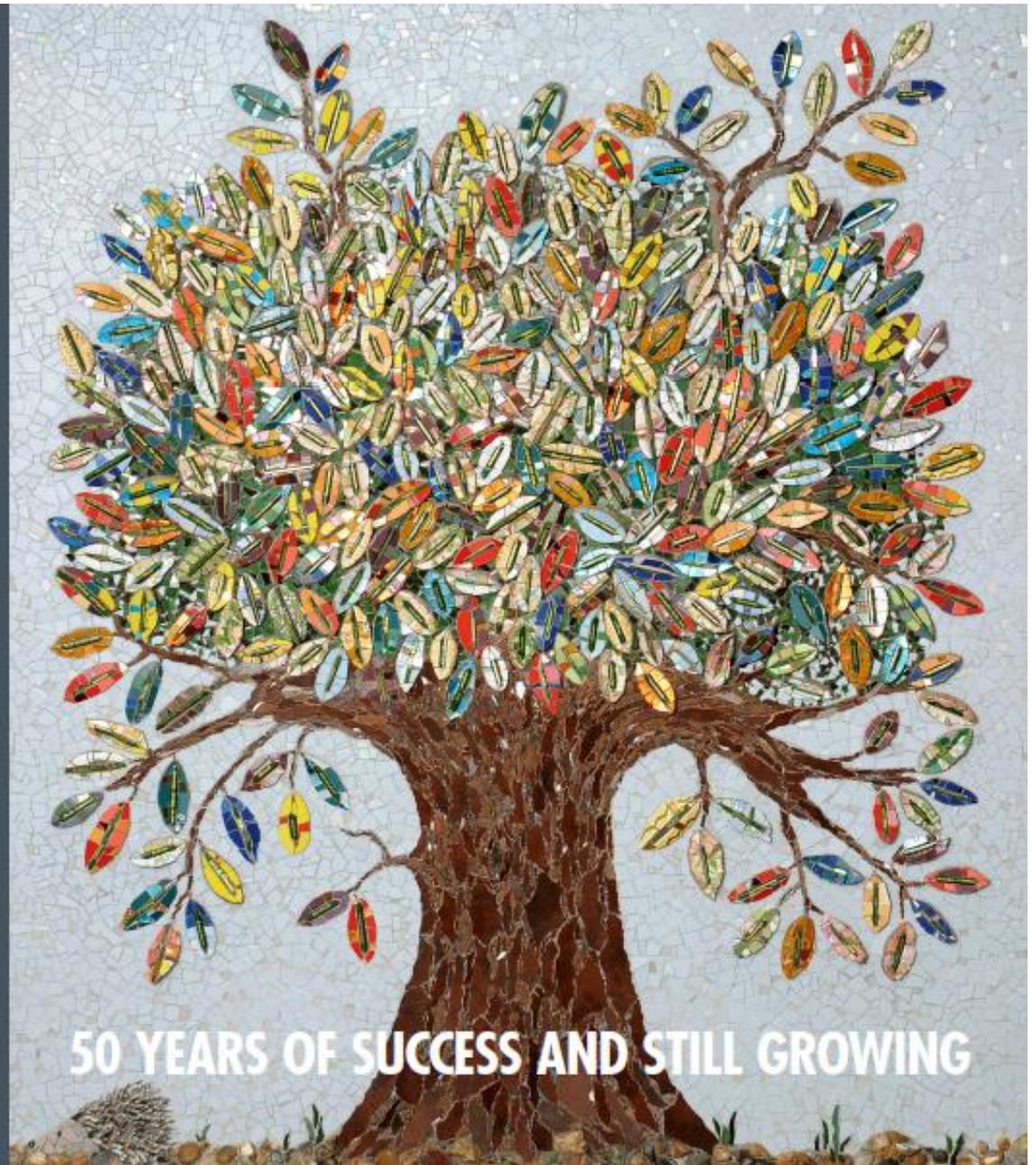


# Topps Tiles

RESULTS FOR THE  
52 WEEKS ENDED  
**29 SEPTEMBER 2013**



**50 YEARS OF SUCCESS AND STILL GROWING**

**Rob Parker**  
Chief Financial Officer

# Income Statement Highlights - Adjusted

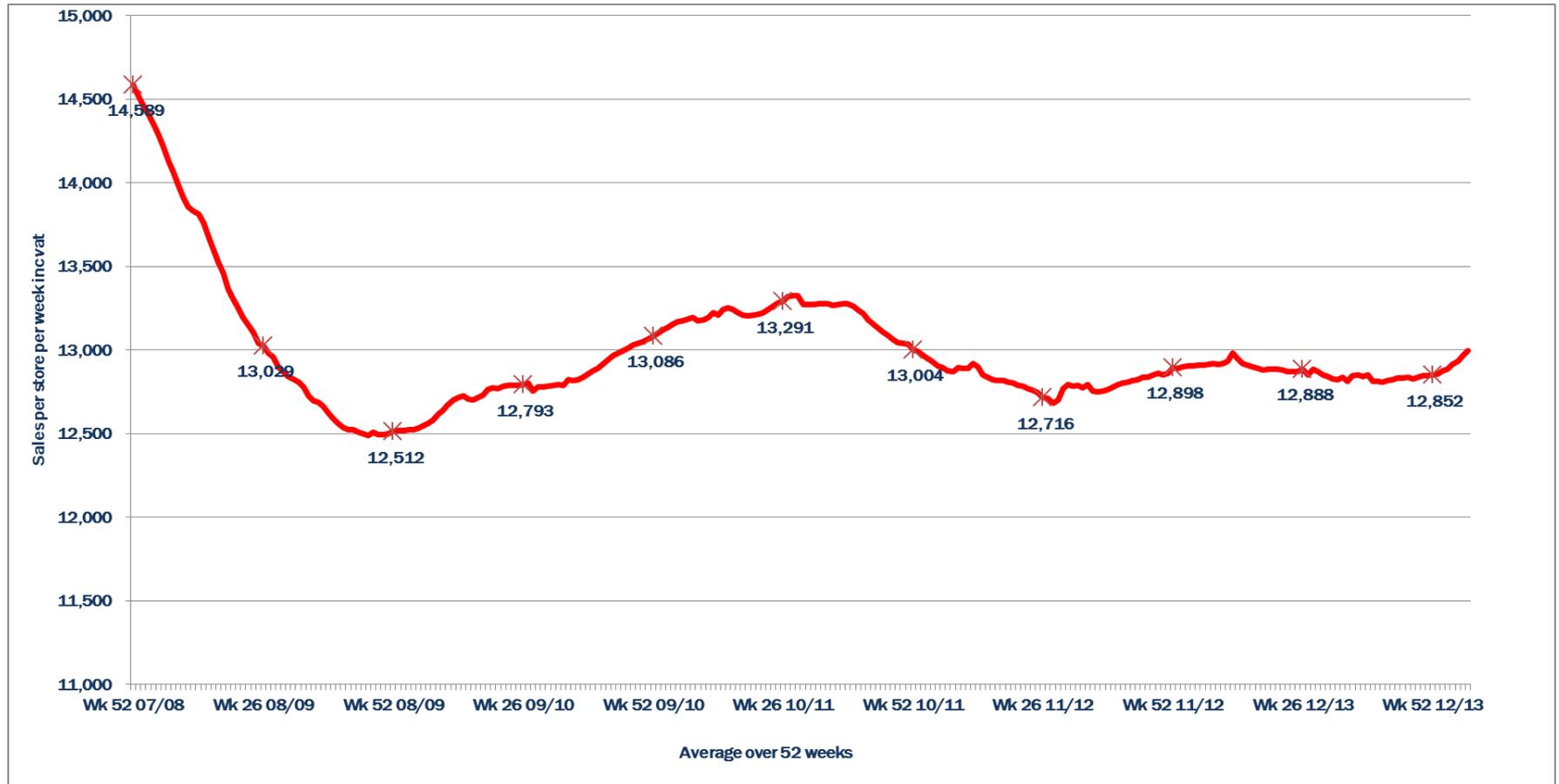
52 weeks ended 28 September 2013

**Topps Tiles**

	FY 2012/13	FY 2011/12	YoY
Sales - £m	177.8	177.7	0.1%
Gross Profit - £m	107.0	106.5	0.5%
Gross Margin %	60.2%	60.0%	0.2%
Adjusted Opex - £m	(91.5)	(90.0)	1.7%
<b>Adjusted Operating Profit - £m</b>	<b>15.6</b>	<b>16.6</b>	<b>-6.0%</b>
Adjusted Interest - £m	(2.5)	(3.8)	-34.2%
<b>Adjusted PBT - £m</b>	<b>13.0</b>	<b>12.8</b>	<b>1.6%</b>
Adjusted Net Margin %	7.3%	7.2%	0.1%
<b>Adjusted EPS - pence</b>	<b>5.44</b>	<b>5.11</b>	<b>6.5%</b>

- Sales grew modestly YoY, Q4 more encouraging
- Gross margin improved 20bps, expected to continue
- Opex tightly controlled, inflation and m<sup>2</sup> only drivers, modest underlying savings
- Interest benefited from hedge exit
- PBT improved by £0.2m, +1.6%

# 52 Week Rolling Average Sales



- Sensitivity to sales is 1% LFL = c.£0.6m net profit p.a.
- £500 per store per week = c.£2.5m net profit p.a.

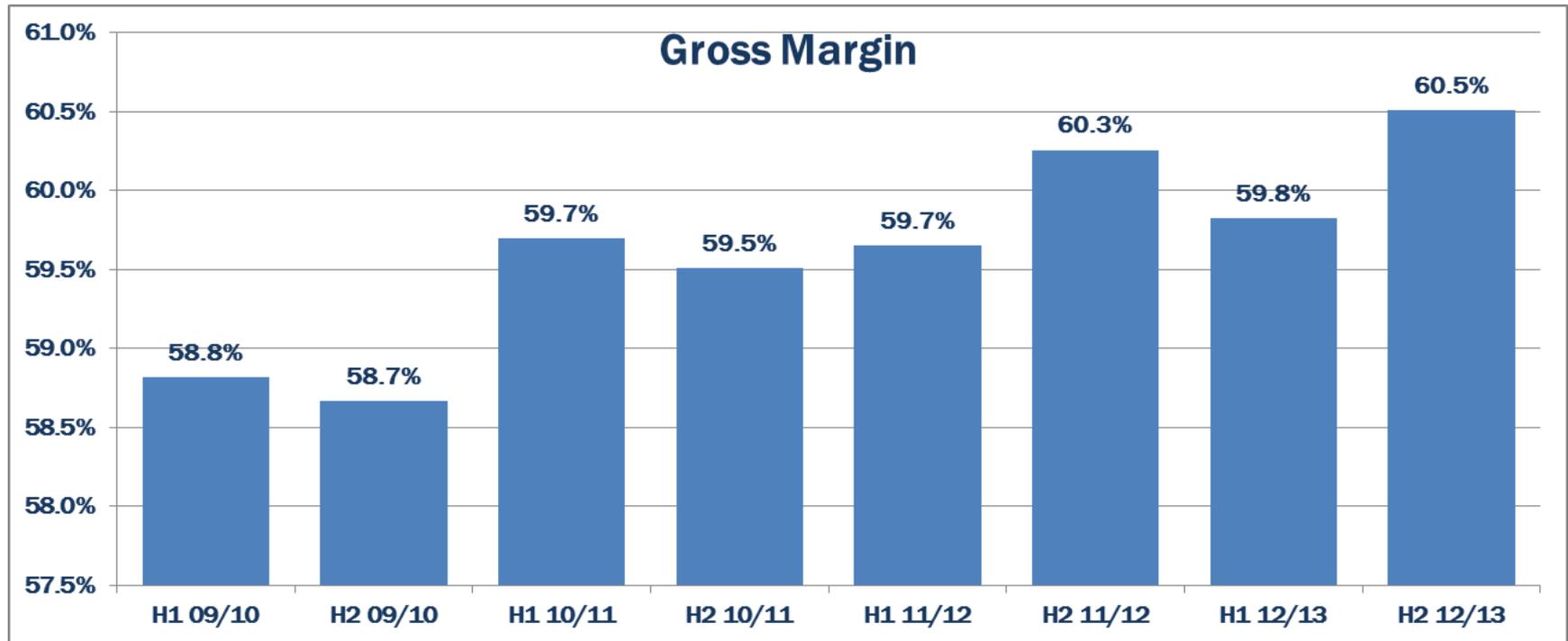
# Adjusted Pre Tax Profit bridge

52 weeks ended 28 September 2013

**Topps Tiles**



- New stores and gross margin both positive
- LFL small negative for the year but Q4 flat and improving trend into new year
- Costs driven by inflation of c.1.5%, remainder of cost base broadly flat
- Interest saving generated post cancellation of interest rate derivatives



- Business continues to target gross margin with a particular focus on:
  - Working with suppliers to control cost of goods
  - Maximising benefits from our own supply chain through direct sourcing
  - New product development including product innovation, own brands and exclusivity

# Income Statement Highlights - Statutory

**Topps Tiles**

52 weeks ended 28 September 2013

	FY 2012/13	FY 2011/12	YoY
Adjustments - £m	(2.6)	0.5	n/a
MTM - £m	0.2	(0.8)	n/a
PBT - £m	10.6	12.5	-15.2%
Net Margin %	6.0%	7.0%	-1.0%
Tax %	13.8%	21.8%	8.0%
PAT - £m	9.1	9.8	-7.1%
EPS – pence	4.76	5.14	-7.4%
Final dividend - pence	1.0	0.75	+33%
Full Year dividend - pence	1.5	1.25	+20%

- Adjusting items include increase in property related provisions - £0.9m, impairment of PPE - £0.6m, business restructuring costs - £0.2m, interest charge against historic tax liability - £1.0m (majority offset in tax)
- Tax rate favourably impacted by release of historic accrual (offset in interest), the underlying rate for the year is 25.3%

# Balance Sheet Highlights

28 September 2013

**Topps Tiles**

	<b>FY 2013</b>	<b>FY 2012</b>	<b>YoY</b>
Stock	26.2	25.9	1.2%
Stock Days	135	133	1.5%
Net Assets/(Liabilities)	(10.2)	(17.3)	-41.0%
Cash	18.4	14.4	27.8%
Borrowings	(55.0)	(60.0)	-8.3%
Net Cash/(Debt)	(36.6)	(45.6)	-19.7%
Adj EBITDA Interest Cover	7.3x	5.3x	37.7%

- Stock stable across the year
- Good progress within net assets – reflecting strong underlying cash generation
- Net debt flattered by year end timing by c.£9m – underlying position c.£45m
- EBITDA interest cover reflective of exiting interest rate derivatives

# Cash Flow Highlights

52 weeks ended 28 September 2013

Summary Cashflow	2012/13		2011/12		YoY	
	£m	£m	£m	£m	£m	£m
Cashflows from operating activities (EBITDA)	19.8		20.6		(1.9)	
Change in working capital	8.3		(0.9)		10.3	
Interest	(3.1)		(2.9)		(0.2)	
Tax	(2.6)		(2.2)		(0.5)	
<b>Operations</b>		<b>22.4</b>		<b>14.7</b>		<b>7.7</b>
Capital Expenditure	(5.6)		(6.5)		0.9	
Proceeds from disposals	0.4		5.4		(5.0)	
<b>Investments</b>		<b>(5.2)</b>		<b>(1.1)</b>		<b>(4.1)</b>
Dividends	(2.4)		(2.1)		(0.3)	
Movement in loans	(5.0)		0.0		(5.0)	
Derivative Cancellation	(5.9)		(6.7)		0.8	
Other	0.1		0.6		(0.5)	
<b>Financing</b>		<b>(13.2)</b>		<b>(8.2)</b>		<b>(5.0)</b>
<b>Net movement in cash</b>		<b>4.0</b>		<b>5.4</b>		<b>(1.4)</b>

# **Matthew Williams**

## Chief Executive Officer

## Self help initiatives have underpinned further profitable market share growth

### Sales drivers

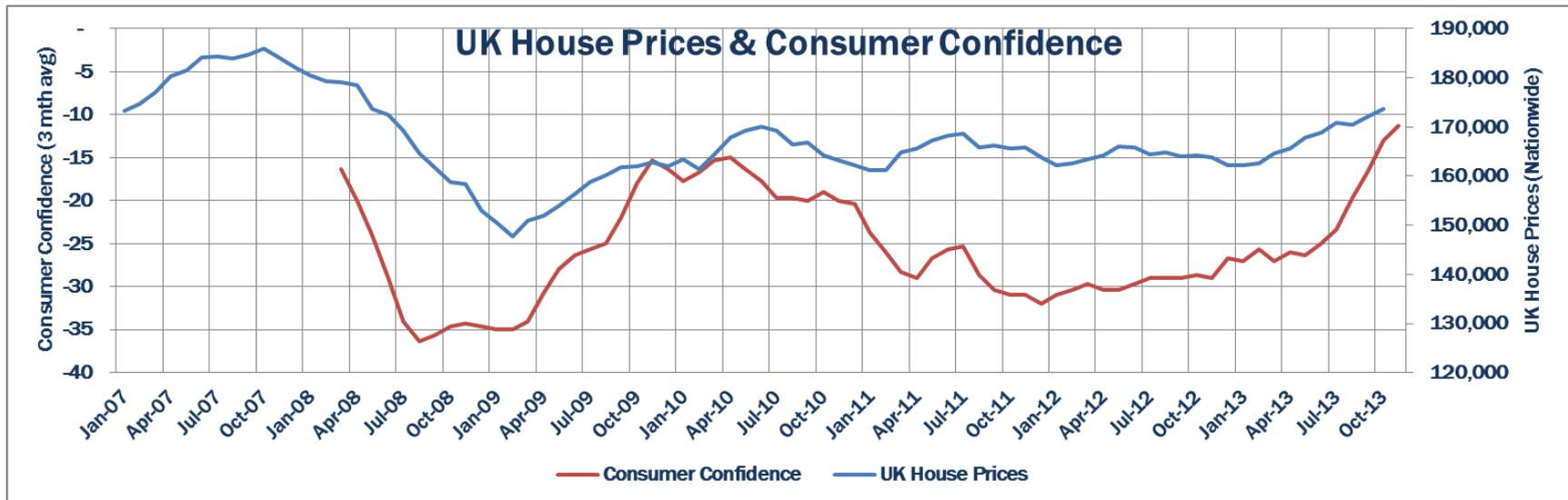
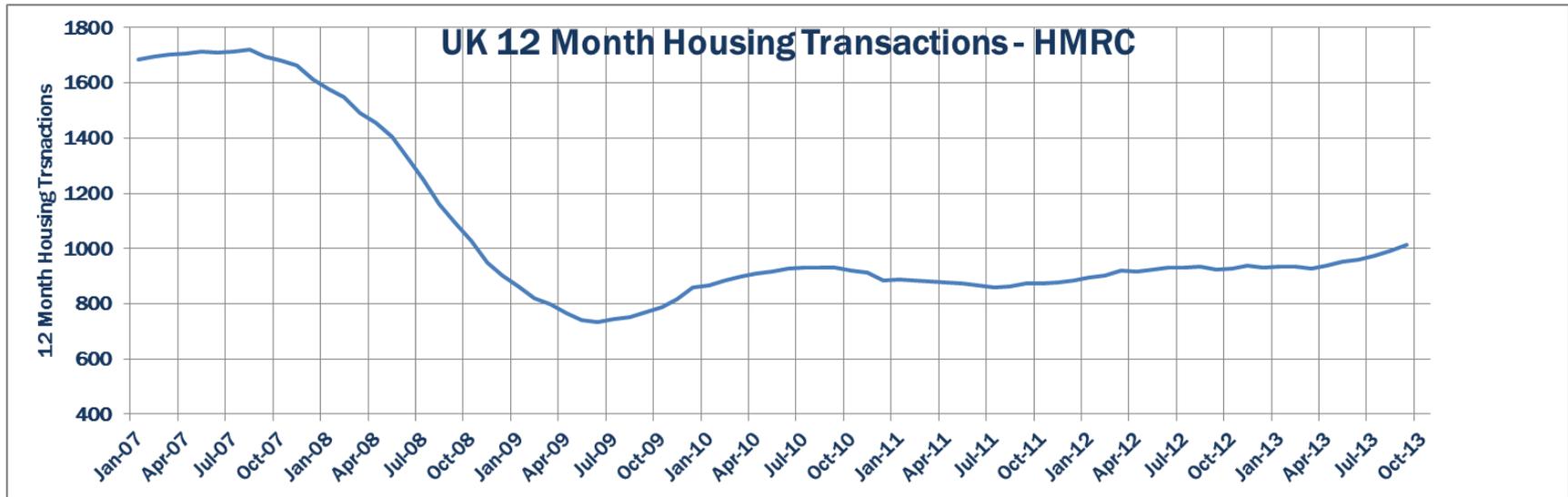
- Inspiration agenda - new product development and service
- Continued investment in stores
- Focus on Trade
- Digital

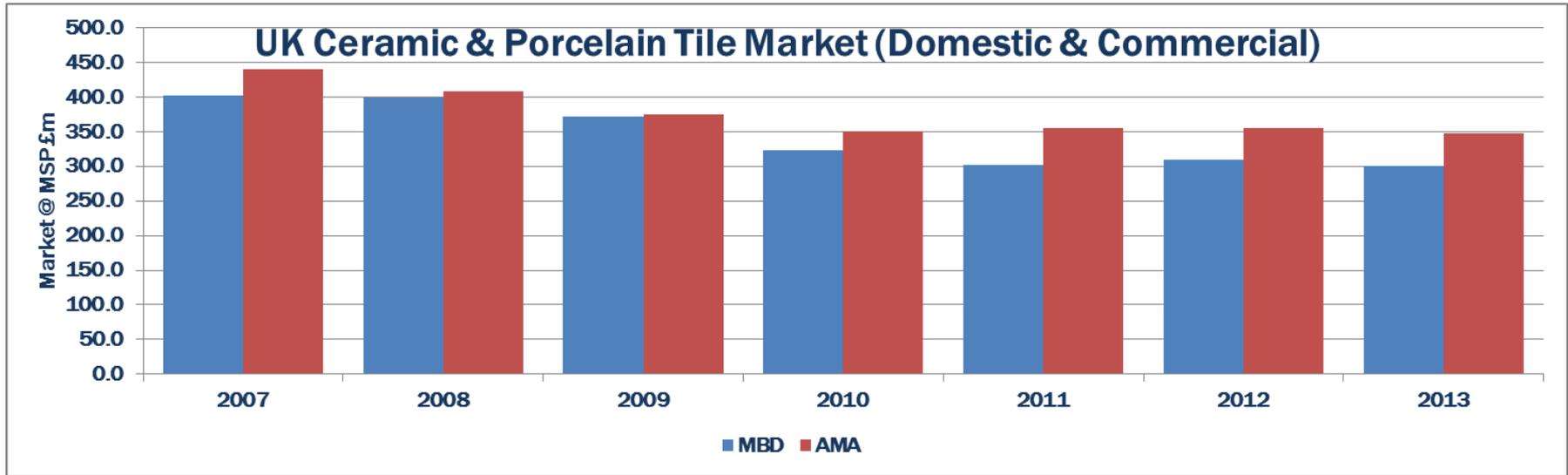
### Margin growth

- NPD has been able to command higher price
- Direct sourcing
- COGS control

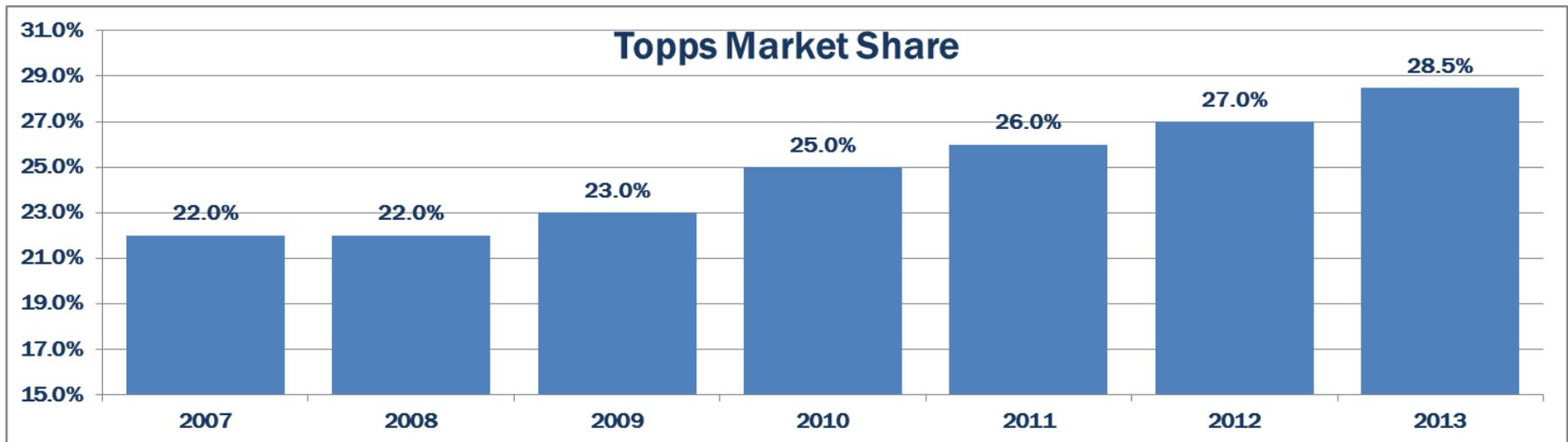
### Cost control

- Continued efficiency gains
- Strong opex performance v budget



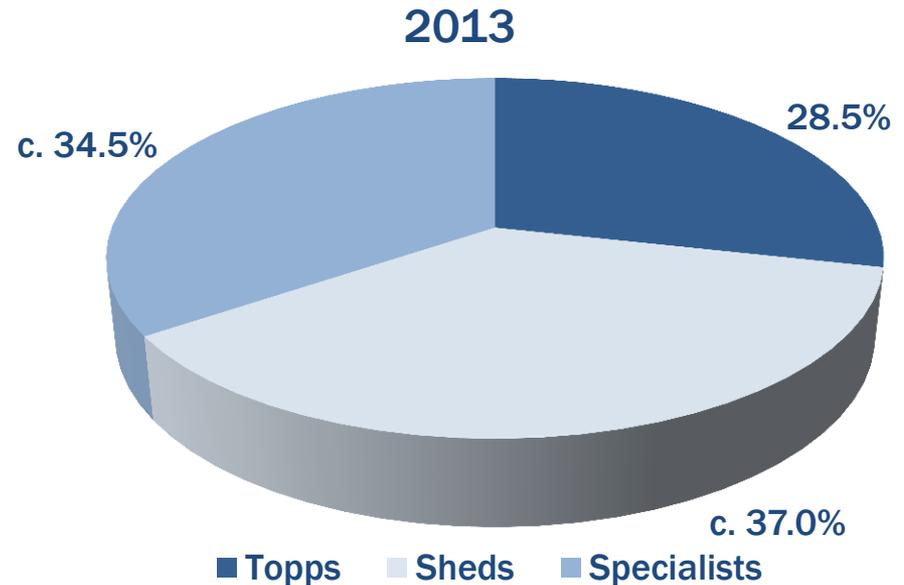


Note - 2013 numbers are estimates - MBD is based on AMA forecast decline of 3%



# Market Share Goal

- Primary goal remains to take profitable market share
- Targeting £1 in every £3 spent on tiles in the UK
- Continue to compete hard with the DIY sheds (price and service)
- Renewed focus on the independents by “out-specialising the specialists”



Source: MBD, Topps estimates

## Largest Specialists

Topps Tiles	327 stores, <a href="http://toppstiles.co.uk">toppstiles.co.uk</a>	Tile depot	21 stores, <a href="http://thetiledepot.com">thetiledepot online</a>
Tile Giant	104 stores, <a href="http://tilegiant.co.uk">tilegiant.co.uk</a> , <a href="http://tileHQ.com">tileHQ</a>	Porcelenosa	21 stores, no ecommerce
Fired Earth	54 UK stores	Tile Choice	15 stores
CTD / Tilebase	52 stores UK clearance online, store sales	Mandarin stone	10 showrooms
Al Murad	40 owned, 30 franchisee	Wall & Floors	Kettering showroom, internet



**Target £1 in every £3 of domestic tile spend**



- Service critical
- Customers' tastes more adventurous
- Inspiration – for trade
- In-store investment

- New Product Development
  - Faster to market
  - Increasing use of exclusives
- Development of in-house brands

# Multi-Channel Convenience

## Seamless integration

**Topps Tiles**

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 specialists.



# Multi-Channel Convenience – Stores

- Stores remain the dominant channel of choice for customers
  - Tactile nature of product, stock availability and service
- We continue to invest in the existing store network
  - Successful Lab Store innovations rolled out across the estate
  - Plans in place to make further improvements to ALL stores in current year
  - Fully refitted 12 stores and plan to accelerate programme to 15 refits this year and 20 next year
- .....and new stores and relocations
  - 18 new stores opened and 15 closed
  - Net increase of 3 to 328 at year-end
  - Net 5 new stores planned for current year



# Multi-Channel Convenience – Boutique format

**Topps Tiles**

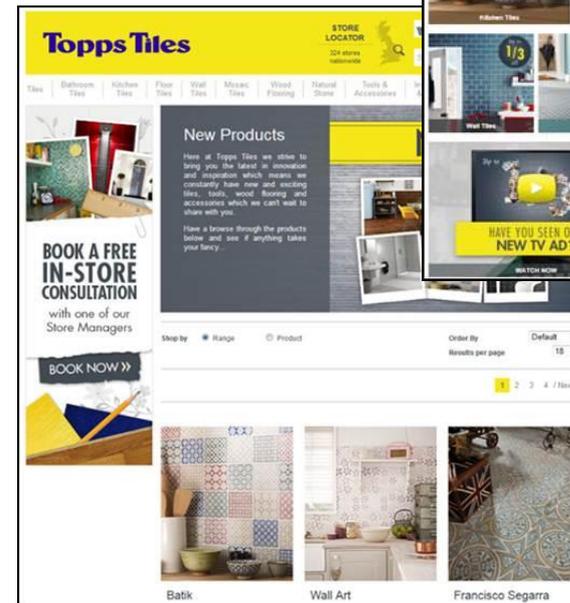
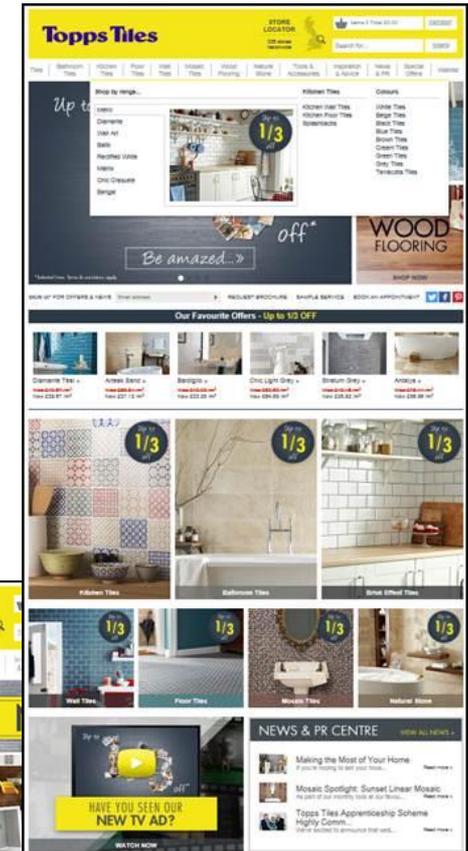
- Site availability constraining growth of traditional store format
- Small store format developed branded as Topps Tiles Boutique
- Sub set of current product range
- Replenished through partner stores
- More affluent demographic likely
- Targeting a similar ROI to Topps format store
- Trial commences January 2014



# Multi-Channel Convenience – Online

**Topps Tiles**

- >70% of customers use online
- Nature of product means pure online market remains very small
- Research / inspiration tool
- As a payment type
- Mobile development



- **Current trading is strong at +7.4% - but too early to establish a trend**
- **Economic data more encouraging – housing and consumer confidence**
- **Organisation focussed on goal of £1 in every £3 spent**
- **Strategy of “Out-specialising the specialists” is focussed on:**
  - **Inspirational shopping experience**
  - **Range authority**
  - **Multi-channel convenience**

# Topps Tiles

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