



TOPPS GROUP

Full Year Results 2024

**Analyst and Investor
Presentation**



- **Summary**
Rob Parker

- **Financial Review**
Stephen Hopson

- **Strategic Review**
Rob Parker



Introduction

Rob Parker

Chief Executive Officer



Strategic Highlights

- Ambitious new goal - 'Mission 365'
- Centred on five growth initiatives, with significant progress achieved H224
- Improved Trader digital experience - strong growth in Q4
- Category expansion – focus on hard surfaces significantly expands addressable market
- B2B Growth – CTD acquisition (£30m-£40m sales)
- Pro Tiler – 30%+ growth, new DC open H125
- Tile Warehouse – run rates trebled YoY



Financial Highlights

- Group adjusted sales -5.4% vs estimated market decline of 10-15% YoY
- Market now c. 20% below 2019 levels vs Group +14.9%
- Adjusted PBT of £6.3m, down £6.2m YoY
- Two acquisitions completed – c.£19m cash outflow

Current Trading & Outlook

- Group sales returned to growth over first 8 weeks +1.2% YoY ex CTD (Topps Tiles LFL -0.4%)
- Strength of trade offer helping to offset continued weakness in consumer RMI
- Strategic progress leaves business well positioned for a market recovery



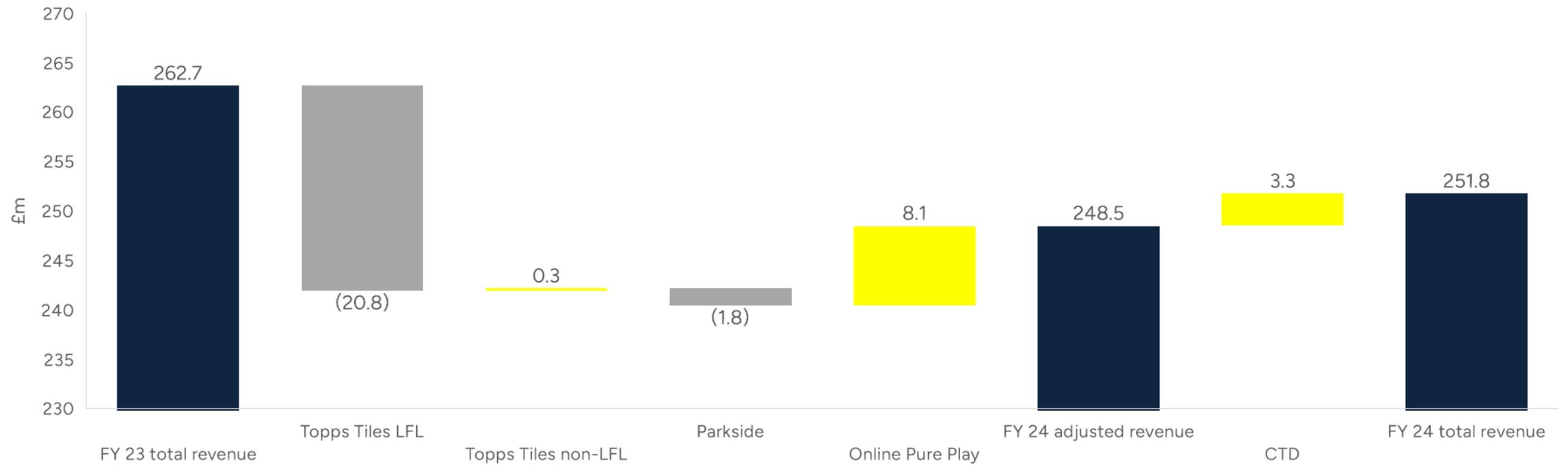
Financial Review

Stephen Hopson
Chief Financial Officer





Revenue

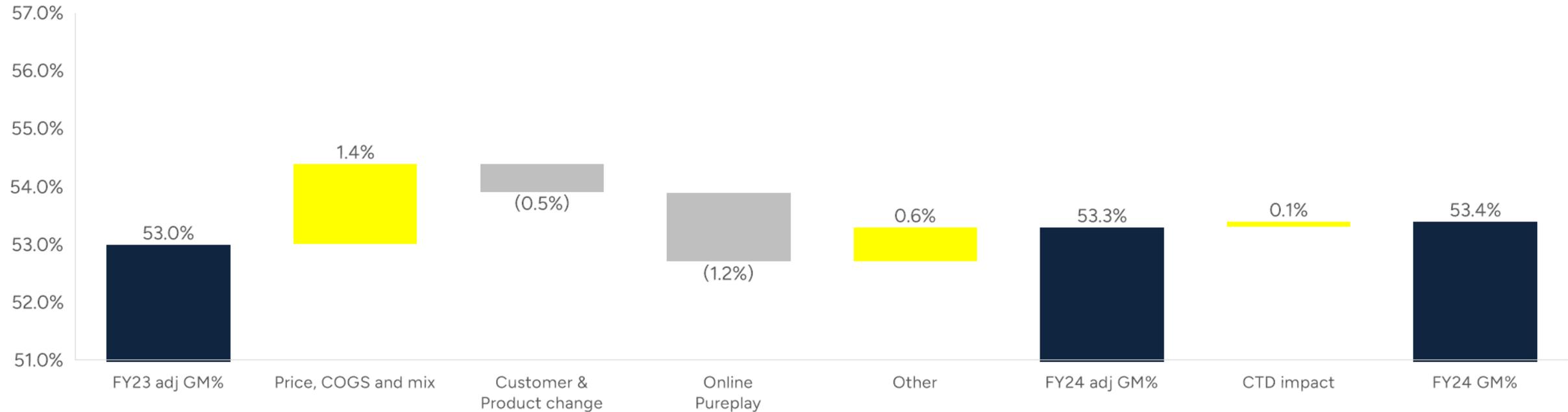


Total revenue:	Topps Tiles £210.4m	Parkside £7.6m	Online Pure Play £30.5m	Adj revenue £248.5m	CTD £3.3m	Group £251.8m
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- Group adjusted revenue down 5.4% - market down 10-15% YoY
- Topps Tiles LFL sales -9.1% but improving trend in Q4 and into 2025
- Trade stronger than homeowner with trade mix in Topps up to 62.8% of sales (FY23: 59.6%)
- Parkside sales £1.8m lower YoY in tough market
- Online Pure Play 36% growth YoY – now >£30m business from £nil in 2021
- CTD consolidated into Group accounts in last 6 weeks of financial year



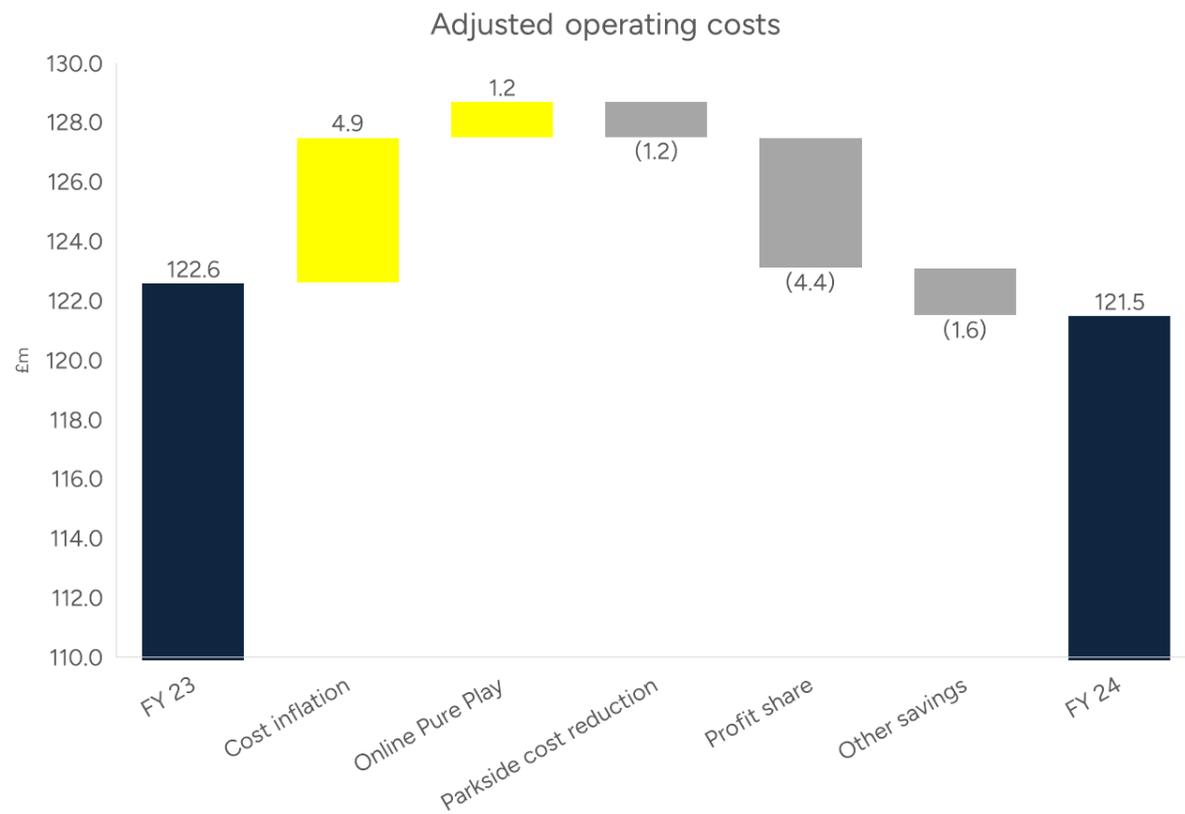
Gross Margin %



- Price/COGS benefits in Topps Tiles due to normalised shipping/product costs
- GM% dilution from higher trade and essentials mix
- Strong growth in Online Pure Play is dilutive to gross margin %, but accretive to net margin %
- Gains in 'other' primarily due to lower stock losses YoY
- Adjusted gross margin (ex CTD) up 30bps YoY
- Small impact from CTD in first few weeks due to one-off gains



Operating Expenses and Other Income



Adjusted operating costs to statutory cost bridge	£m
Adjusted operating costs and other income	121.5
Vacant store and closure costs	0.3
Store impairments and lease gains and losses	18.8
Pro Tiler share purchase expense	3.2
CTD costs	1.9
Statutory operating costs and other income	145.7

- Inflation across people, property, IT and insurance
- Continued expansion of Pro Tiler Tools and Tile Warehouse
- £1.2m YoY saving in Parkside - total saving of £2.2m over two years and resulting in slight profit in FY24
- Substantial reduction in variable remuneration across the business
- Other cost savings in stores and supply chain based on lower volumes
- Follows £13.1m of savings in FY19-23 – so c. £16m of cost savings (excl profit share) over this period



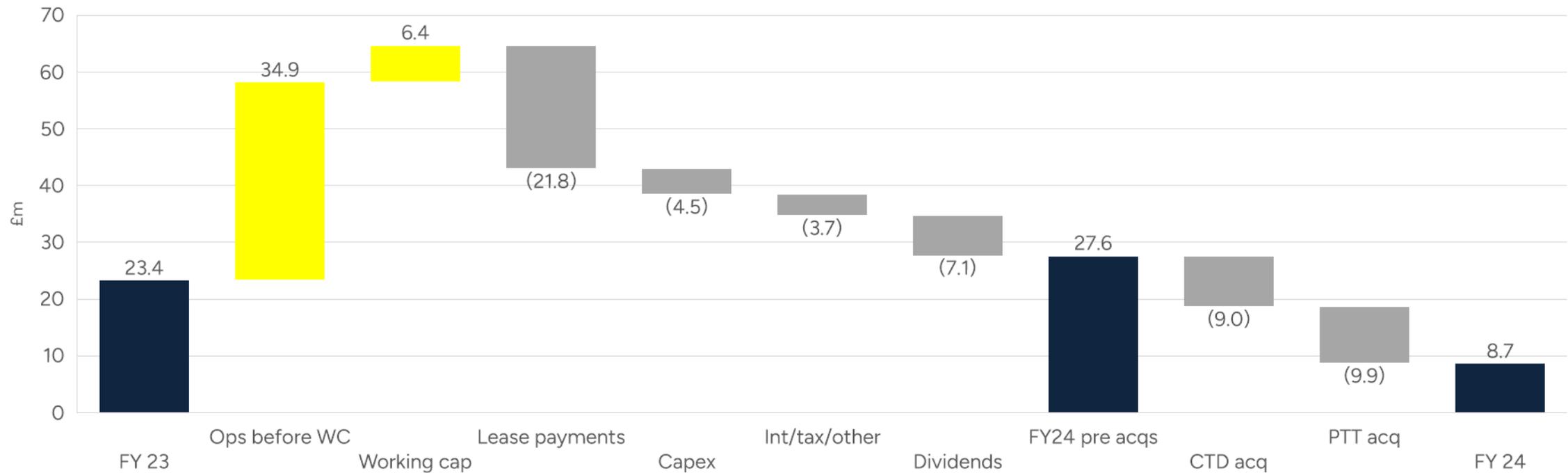
Statement of Profit or Loss - Adjusted Measures

	FY 24	FY 23	YoY
Sales - £m	248.5	262.7	(5.4)%
Gross Profit - £m	132.5	139.2	(4.8)%
Gross Margin %	53.3%	53.0%	+0.3 pts
Opex - £m	(121.5)	(122.6)	(0.9)%
Interest - £m	(4.7)	(4.1)	+14.6%
PBT - £m	6.3	12.5	(49.6)%
PBT Margin %	2.5%	4.8%	(2.3) pts
EPS - pence	2.4p	4.5p	(46.8)%
DPS - pence	2.4p	3.6p	(33.3)%

- Sales, gross profit and opex as per previous slides
- Interest includes £4.7m re IFRS16, other interest expenses of £0.5m and interest income of £0.5m
- PBT down £6.2m YoY, despite higher GM% and lower opex, due to operational gearing
- EPS down 2.1 pence to 2.4 pence, broadly in line with PBT



Adjusted Net Cash



- Operational cash flows of £34.9m vs £41.1m last year, movement representative of movement in adjusted PBT
- Working capital inflow of £6.4m, incl c £9m benefit due to timing of year end, to reverse in a future 53-week year
- Lease payments of £21.8m, down £1.2m YoY due to YE timing
- Capex remains modest, including 1 relocation and 1 new store opening in the period
- Final dividend of 2.4p per share from FY23 and interim dividend of 1.2p for FY24 paid at a cash cost of £7.1m
- Year end net cash pre-acquisitions of £27.6m
- CTD and Pro Tiler acquisitions (share purchase and dividend) account for £18.9m cash outflow in FY24
- Balance sheet remains robust – small net cash balance and £38.7m of headroom to £30m RCF at year end

Note: Adjusted net cash / debt excludes lease liabilities under IFRS 16 and unamortised issue fees. 'Ops before WC' is equal to cash generated by operations before working capital movements. CTD related cash flows (operational and working capital) are separated out for ease of interpretation.



Capital Allocation and Dividends (May 2022)

Capital allocation priorities

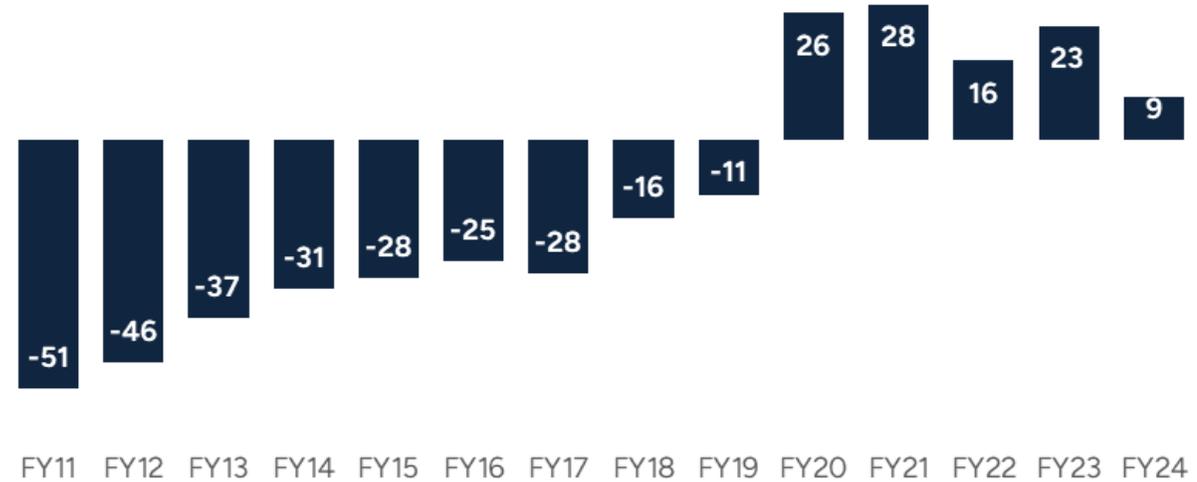
1) Business resilience

2) Investment in the core business

3) Value creative opportunities

4) Enhanced returns to shareholders

Adjusted net (debt) / cash (£m)



- C. £9m of net cash with year-end timing benefit of £9m
- Net debt : EBITDA (including leases) at 2.3x
- Robust balance sheet maintained with £30m committed RCF (to 2027)
- Core dividend policy set at 67% of adjusted EPS paid out each year, with ability to look through periods of weaker trading and pay out up to 100% of EPS
- Board proposal to pay out at upper limit of policy (100% of EPS)
- Final dividend proposed at 1.2 pence, full year dividend at 2.4 pence (2023: 3.6 pence), equivalent to 1x adj EPS cover



Non-cash Store Impairment

Right of Use Assets

£k	Land and buildings £'000	Equipment £'000	Total £'000
Opening balance	77,982	2,939	80,921
Additions	10,947	1,624	12,571
Disposals	(3,419)	(24)	(3,443)
Depreciation	(16,006)	(1,624)	(17,630)
Impairment	(17,094)	-	(17,094)
Closing balance	52,410	2,915	55,325

Property, Plant and Equipment

£k	Fixtures and fittings
Opening balance	17,749
Additions	4,101
Additions from business combinations	81
Depreciation	(4,505)
Disposals	(153)
Impairment charge	(2,290)
Closing balance	14,983

- Annual impairment review under IAS 36
- Market downturn viewed as a trigger across the estate
- Assets revalued to higher of VIU¹ and FVLCOD²
- VIU is judgemental area based on future cash flows

- Outcome of review – FY24:
 - Non-cash impairment of £19.4m across ROU and F&F
 - Charged against statutory profit
 - Treated as adjusting item in FY24
 - No impact on cash flows in FY24 or in future years

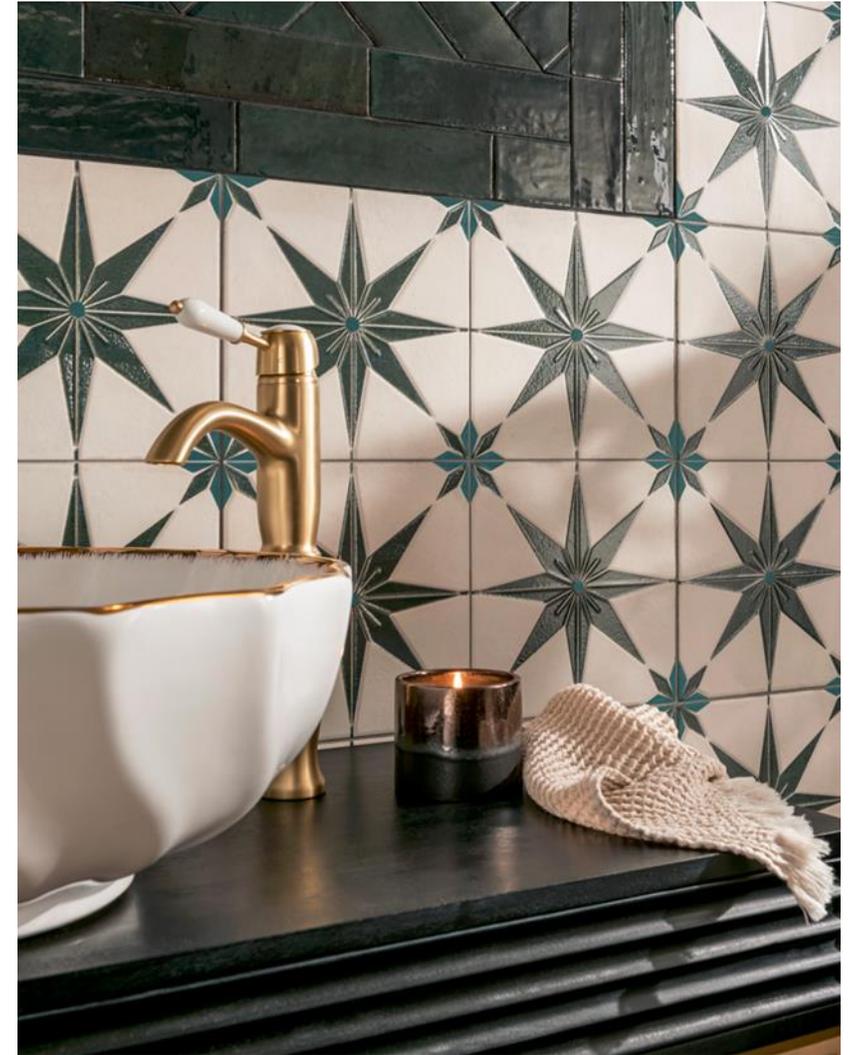
- Future years:
 - Depreciation from FY24 impairments *included* in adjusted profit in FY25 and onwards to avoid significant non-cash profit uplift
 - No impact on adjusted PBT/EPS moving forward
 - Statutory profit uplift due to no depreciation from impaired assets – estimated at £5.2m p.a.

¹ Value In Use
² Fair Value Less Costs Of Disposal



Forward Guidance

- Macroeconomic indicators mixed – mortgage approvals up but consumer confidence remains weak
- Current trading back into growth, partly due to weaker comparables last year, and trade strength
- Inflationary cost pressures of c. £5m YoY, including c. £2m of in-year NLW/NICs increases
- Continued expansion of online businesses, investment in strategic growth areas, and marketing
- Return to normal level of performance related pay, subject to performance against targets
- H1 – H2 phasing impacted by holiday pay accrual and higher heating costs
- Capex stepping up to £8m-£9m including fit out of new warehousing



A modern bathroom with a white vanity, dark green textured wall, and terrazzo floor. The vanity has two sinks with chrome faucets. A beige towel is draped over the right sink. A small potted plant sits on the vanity. The wall is covered in light-colored square tiles, and the vanity area is accented with dark green, vertically-ribbed tiles. The floor is made of white terrazzo with blue and yellow speckles. A wooden stool is visible in the bottom right corner. A semi-transparent white box on the left contains text.

Strategic Review

Rob Parker

Chief Executive Officer



Goal & Addressable Market

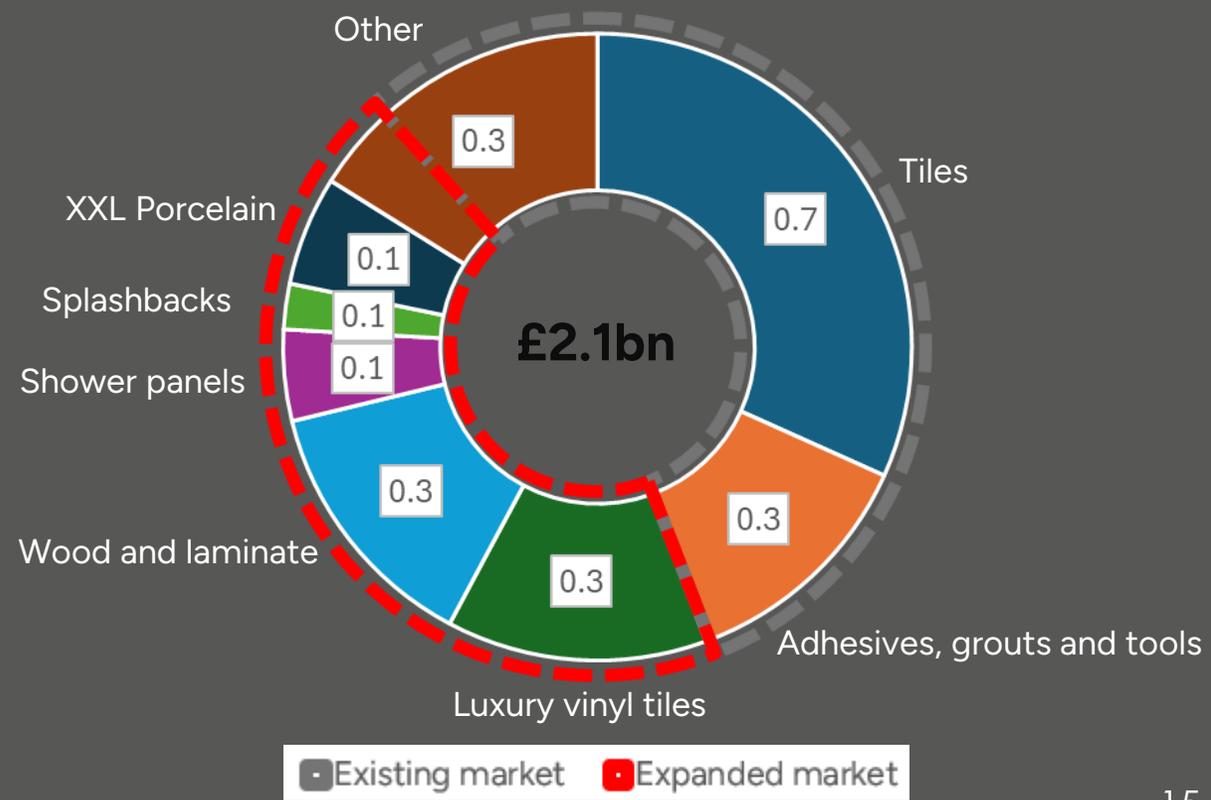
Goal

- New goal launched – Mission 365 – targeting £365m of sales in the medium term
- Focus on growing sales and building profits – target of 8%-10% adj PBT margin



Addressable Market

- Increase of 75% in addressable market from £1.2bn to £2.1bn by extending into *hard wall & floor surface coverings and related products*
- Potential to add other markets/products in time







Key Sources of Incremental Growth



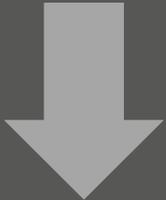
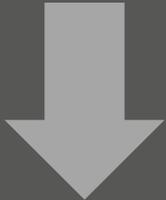
Category Expansion



Trader Digital Experience



B2B Growth



FAMOUS FOR
HARD SURFACES



FIRST FOR
CONSUMER



FIRST FOR
TRADE



FIRST FOR
TRADE

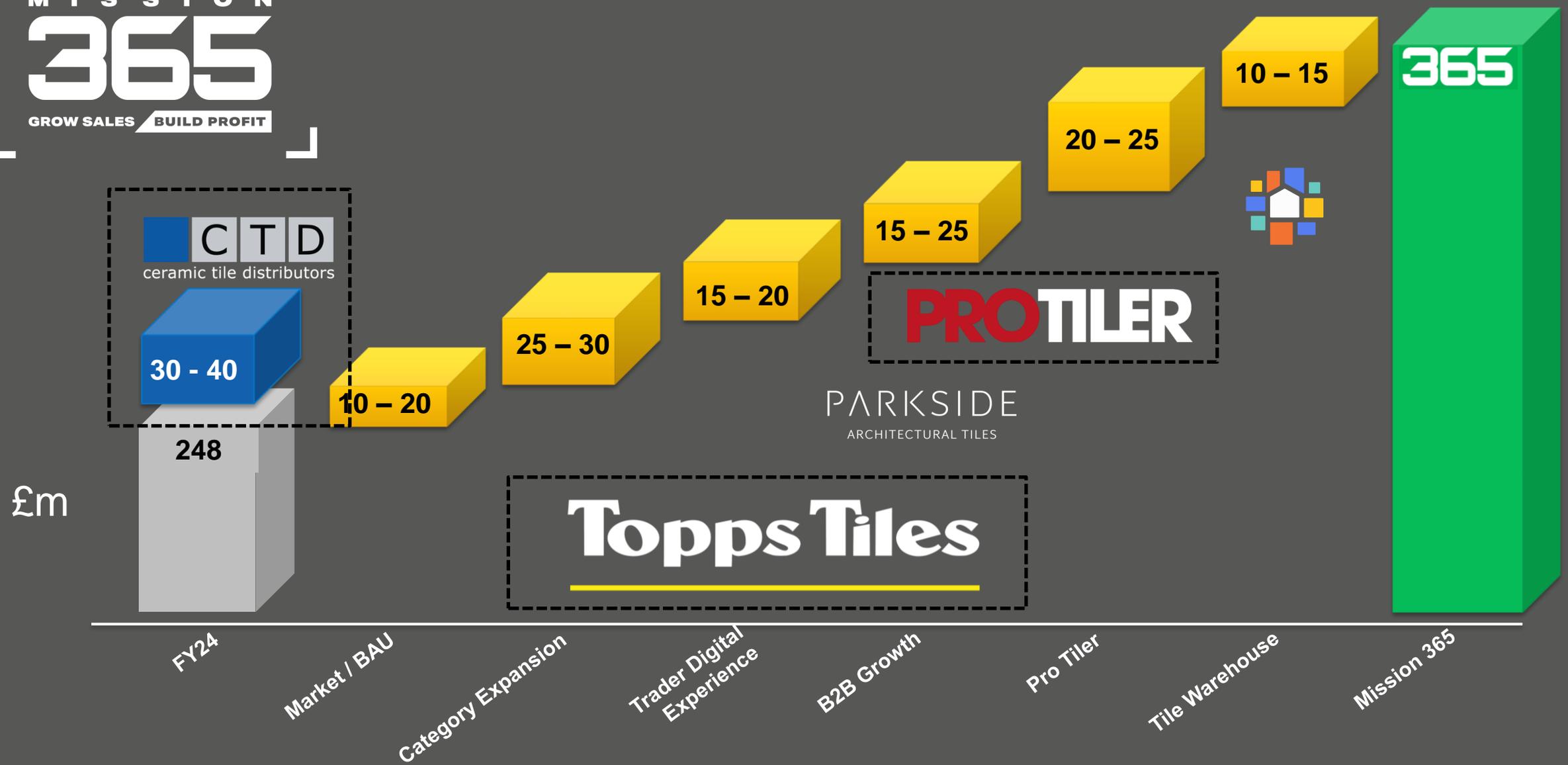


FIRST FOR
TRADE



The Road to 365

MISSION
365
 GROW SALES BUILD PROFIT



All numbers are £m and are indicative - illustrating one potential route to delivery of the Mission 365 goal



FIRST FOR TILES

- UK's leading tile specialist – since 1963
- Global sourcing & ranging a key source of competitive advantage
- 80% of range exclusive or own brand (FY23: 79%)
- Market beating NPD - 71 new product launches complete (FY23: 63)

Strategic Growth

- Key enabler for core of business
- Market beating offer (innovation & exclusives)
- Range hierarchies to be refreshed
- Essentials brand authority





Famous For Hard Surfaces



FAMOUS FOR **HARD SURFACES**

Addressable market to include all hard wall and floor surface coverings = 75% increase in our addressable market to £2.1bn

Strategic Growth

- More of the house!
- £25m - £30m opportunity

Progress

- Outdoor & LVT in all stores
- XXL & showerpanels in roll out
- Wood & laminate 42 store trial
- Acoustic panels & splashbacks online
- Website content & UX refresh planned
- £0.5m additional PPC spend



Engineered Wood



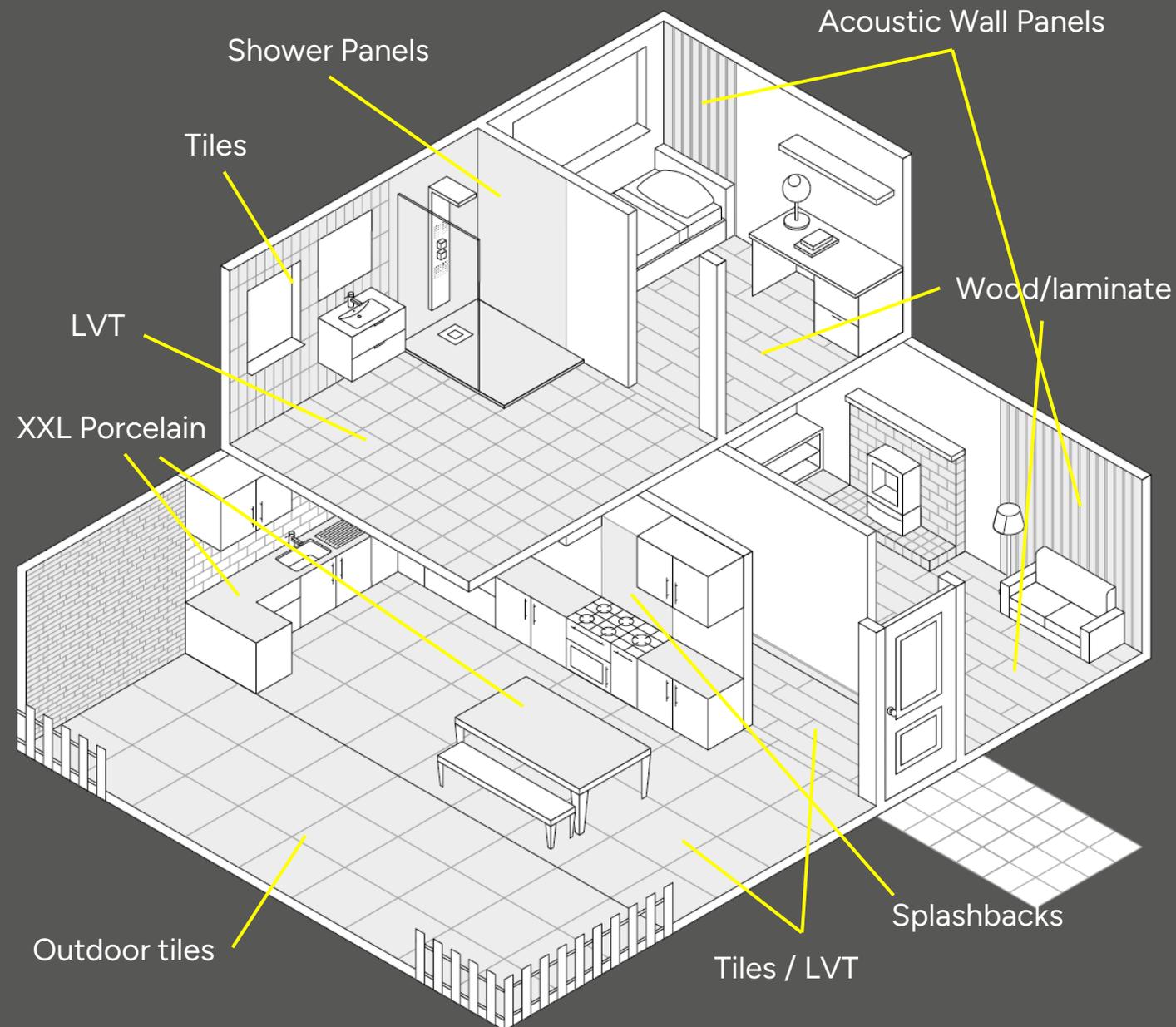
Shower Panels (Porcelain, Laminate & PVC)



Luxury Vinyl Tiles (LVT)



Expanded Addressable Market



Stores

- Porcelain & ceramic tiles
- Outdoor (2cm) tiles
- Natural stone
- Porcelain shower trays
- Luxury vinyl tiles

Roll out /trial

- Shower panels
- XXL tiles
- Wood & laminate flooring

Online

- Glass & metal splashbacks
- Porcelain splashbacks
- Acoustic wall panels



FIRST FOR **CONSUMER**



- Value orientated online only tile specialist
- Strong progress in FY24 – sales now at c.£50k+ pw
- £10m-£15m sales opportunity

Topps Tiles

Topps Tiles – market leading brand

- 33% unprompted awareness
- 25% of all tile related search traffic
- 'Topps Tiles' more searched than 'tiles'

Strategic Growth

- World class customer service
- New service brochure and in aisle technology
- Range hierarchies incl features and benefits
- Digital marketing investment



FIRST FOR TRADE

Domestic Trade

- Topps Tiles – trade base – 100k+
- Pro Tiler - market leader online

Commercial Trade

- Contractors / Housebuilders / Architect & Designer

Strategic Growth

- Topps Tiles
 - Strong growth from updated trade website
 - New trader acquisition +100% YoY through launch of Trade Club
 - £15m-£20m opportunity
- Pro Tiler
 - Strong continued growth – 30%+ YoY
 - New DC key enabler – Jan '25
 - £20m-£25m opportunity
- Commercial trade
 - £15m-£25m opportunity
 - CTD Tiles acquisition – accelerates delivery of Mission 365
 - Parkside profitable post 2023 restructure



Trader Digital Experience – Topps Tiles

Delivered H2 FY24

- Trade website relaunched - friction removed
- Pricing visibility and easier to register
 - Online registrations 100%+
 - Traffic 300%+
 - Online spend +60%

2025 Initiatives

- Customer engagement platform in development
- Relaunch of trade loyalty scheme
- Trade marketing – significant increase – pay per click, radio, trade mailers
- Launch of dedicated downloadable trade app
 - To include live stock, pricing, click & collect, trade credit and loyalty management

Wipe to Win: 1000s of prizes available to win! Get one play when you spend over £100, [click here](#) to find out if you're a winner!

Inc. VAT Ex. VAT Main website Need to know?

Topps Tiles Trade Search for our products...

Express Click & Collect Tiles Adhesives & Grouts Preparation Finishing Tools & Accessories Outdoor Underfloor Heating Brands Offers

Trade Discount Save up to 30% Instant Rewards Earn as you spend Bulk Deals Save when you buy 5 or more TradePay Credit 30 days interest free Referral Scheme Earn as your customers shop

ALREADY A TOPPS TILES TRADER? **TRADEPAY**
LOG IN HERE ▶ TO APPLY FOR 30 DAYS INTEREST FREE CREDIT

TRADE CLUB
JOIN TODAY
ENJOY YOUR BENEFITS STRAIGHT AWAY!
REGISTER NOW ▶

- ▶ **SAVE - up to 30%**
- ▶ **REWARDS - earn instantly**
- ▶ **CREDIT - 30 days interest free**

TRADE BULK DEALS **UNLOCK OUR LOWEST PRICES WHEN YOU BUY 5 OR MORE**



CTD Tiles

What?

- 30 stores – c.£20m¹ sales
- CTD Architectural – c.£8m¹ sales
- CTD Housebuilder – c.£16m¹ sales
- Brand, IP, www, customer data

Why?

- Brand positioning complementary
- Supercharges 'First for Trade' strategy
- Accelerates achievement of our goal - £30m-£40m sales opportunity

Next Steps

- Complete CMA enquiry
- Build sales and profitability





New Warehouse Facility – DC2

- Prime location just off J15a of M1, 140,000 sq ft
- 15 year lease (including 10 year break), operational from January 2025
- Running costs +£0.4m pa (plus some double running costs in FY25)
- Facilitates relocation of Pro Tiler with space for growth, plus enabler of Group growth plans



Investment in Systems

- Upgrade of existing MS Dynamics NAV2009 ERP system onto the latest MS 365 Business Central system
- SaaS hosted version which unlocks advanced AI functionality, enhanced security and performance scalability
- Project commencement Jan '25 with phase 1 go live Q3 FY26 (£1.2m implementation cost)
- Project includes store systems and all central functions; WMS out of scope short term but will follow



Microsoft Dynamics 365
Business Central

 **LS Retail**
an aptos company



Topp People, Topp Service

- Topp People will deliver the Topp Service in our market
- World class customer service - overall satisfaction rate of 92.1%* (FY23: 91.5%)
- Google reviews - FY24 – 13,000 reviews, avg score of 5.0
- Colleague turnover 26.3% (FY23: 28.6%), retention at 81.0% (F23: 79.5%)
- 'One Topps' DE&I programme launched – initial focus on listening groups
- Charity fundraising for Alzheimer's Society – now at c.£500,000 (£1m pledged across 5 years)



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



Carbon

Scope 1 & 2 – Neutral by 2030



c.2,500 tonnes



c.2,500 tonnes

Scope 3 – Measure & Reduce



est.177,000 tonnes

Circularity

Minimise waste & conserve natural resources

Bring customers & colleagues on the journey

112,000 pallets recovered

450,000 M² tiles sold with high recycled content



497 tonnes tile waste saved over 2 years

1,614 tonnes sand saved with Regenr8 & MM3





Mission 365 - Indicative Financial Outcomes

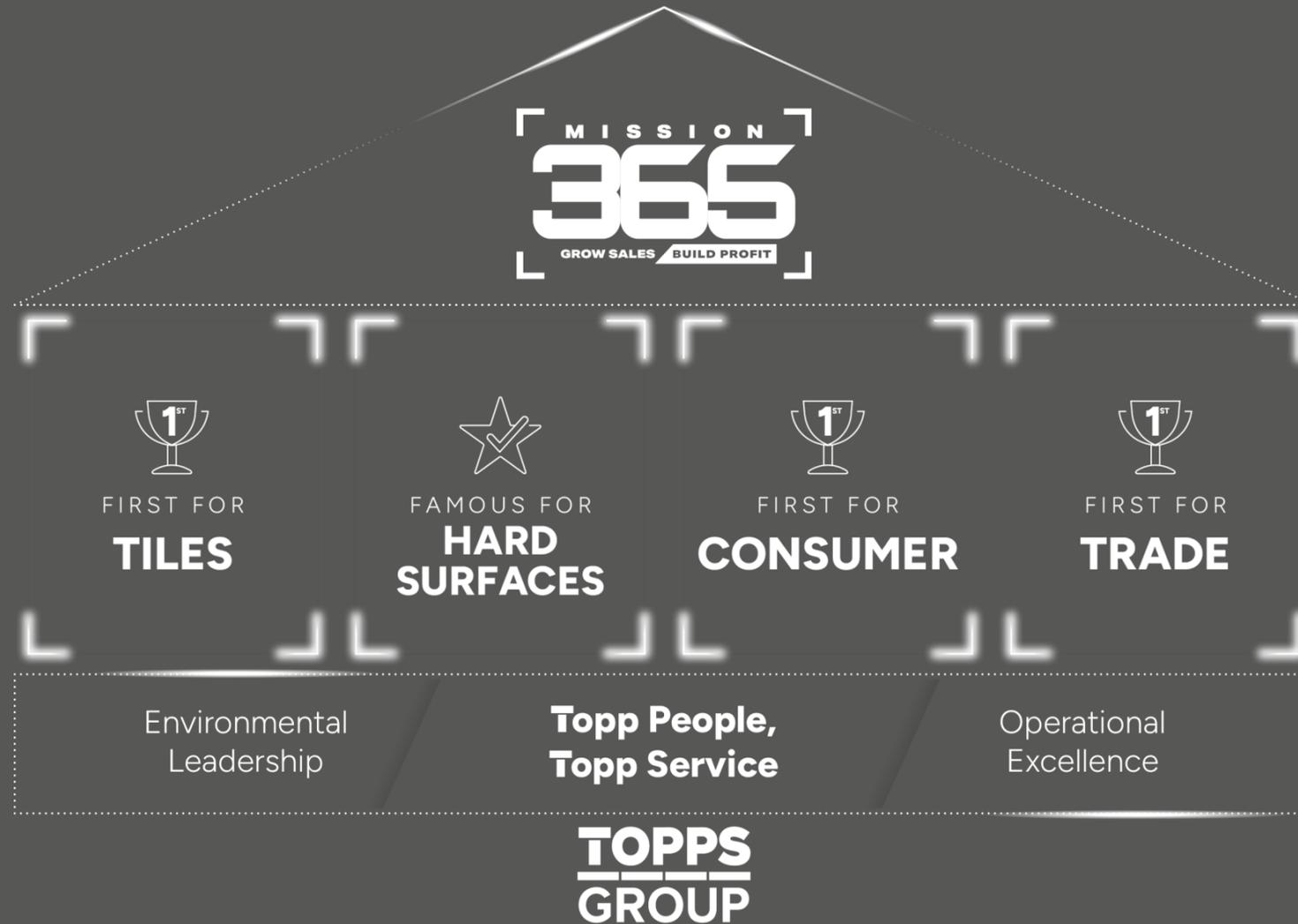
Metric	Drivers	Medium Term Target
Sales	<ul style="list-style-type: none"> • Trader digital experience, category extensions, B2B opportunity, PTT, TW 	£365m Group revenue (+ £115m vs today)
Gross Margin %	<ul style="list-style-type: none"> • c.2% improvement due to operational focus and mix management • c.2% decline due to coverings category expansion • c.2% decline due to business mix change 	c. 51-52% GM% (c. -2-3 ppts vs today)
PBT margin %	<ul style="list-style-type: none"> • Output of the above giving adj PBT margin between 8-10% 	£30m+ Group PBT
LAROCE*	<ul style="list-style-type: none"> • Only minor changes to store network required • Investment in supply chain for Pro Tiler and Topps in next 5 years (c. £5m) • Working capital increasing in line with sales 	Substantial incremental returns on capital

* Lease Adjusted Return On Capital Employed



Strategy Summary

Mission 365 - medium-term goal of £365m sales at 8-10% adj PBT margin



Topps Tiles

PARKSIDE

PROTILER

 Tile Warehouse

 CTD
ceramic tile distributors



Q&A

A man and a woman are sitting up in bed, smiling and talking to each other. They are both holding white mugs, suggesting they are drinking coffee or tea. The man is on the left, wearing a white t-shirt, and the woman is on the right, wearing a light-colored button-down shirt. They are covered with a white blanket. The bed has a beige headboard and several pillows, including a patterned one and a white one. To the right of the bed is a bedside table with a lit lamp, a stack of books, and a glass. The background is a wall with vertical wooden slats. A semi-transparent white box is overlaid on the left side of the image, containing the word "Appendix".

Appendix

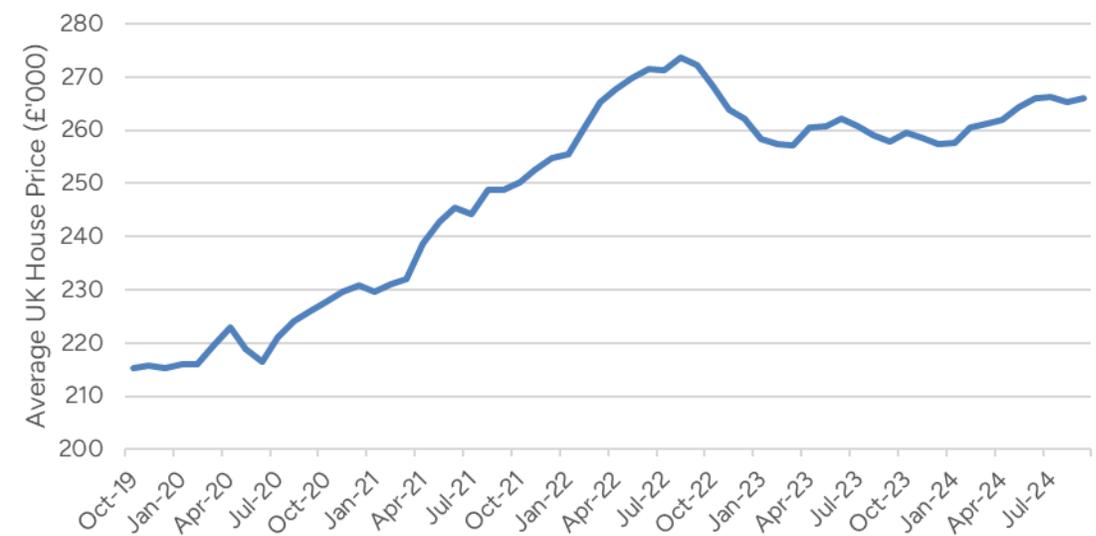


Market Data

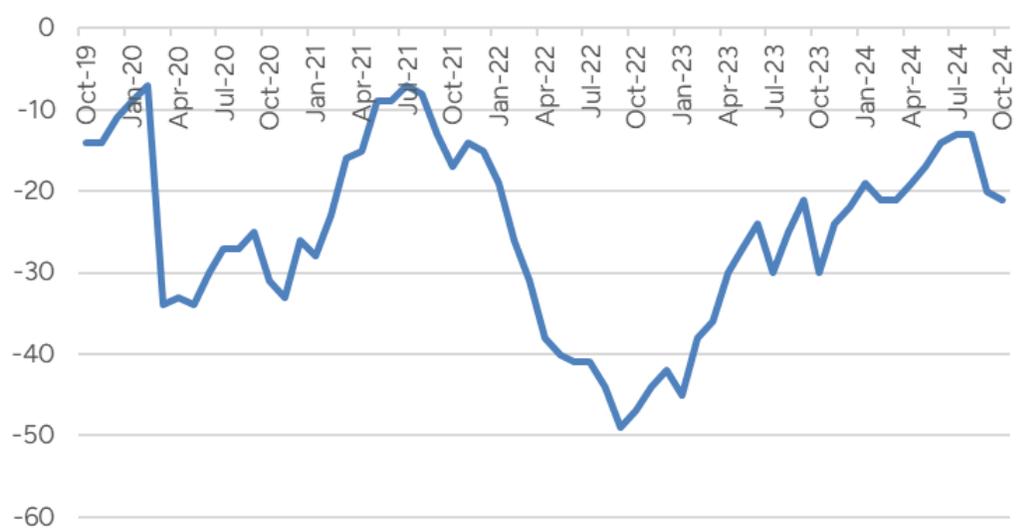
Mortgage approvals & housing transactions



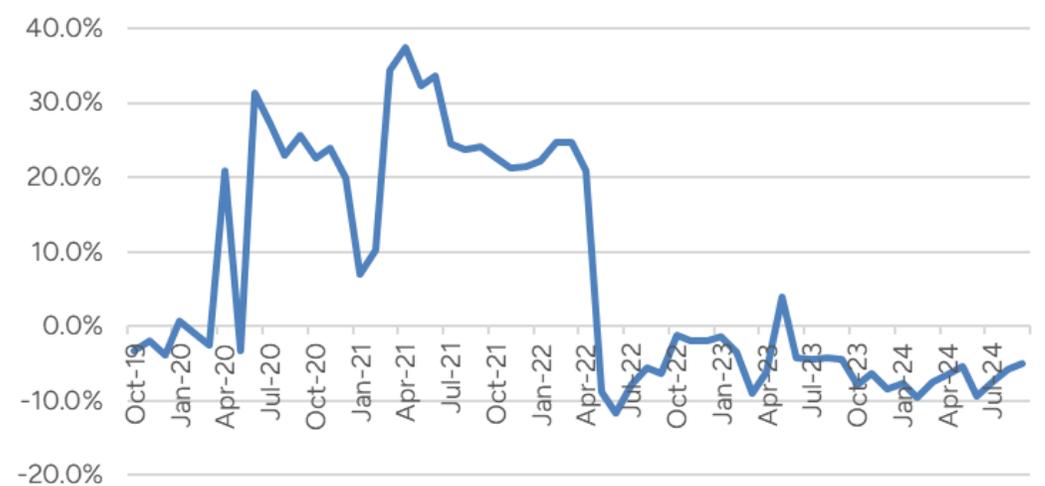
UK House Prices (Nationwide)



Consumer confidence



Barclays UK Consumer Spending Report - Home Improvement DIY Spend (yoy)



Sources: HMRC Monthly Property Transactions (residential); Bank of England Mortgage approval data; Nationwide House Price Index; GfK Consumer Confidence Index; Barclays UK Consumer Spending Report



Forward Guidance for FY25

Statement of Profit or Loss

- New inflationary pressures from HMG's budget of **c. £3.8m from FY25, £2.0m in year**, including employment costs (NLW/NICs) and rates
 - National Living Wage increase of 6.7% for over 21 year olds is **£1.4m p.a., £0.7m in FY25**
 - The Group already pays > £10 per hour to under 21 year olds so there is no impact from this change
 - Impact on other employees of c **£0.5m p.a., £0.3m in FY25**
 - National insurance contributions (rate and threshold) impact is **£1.8m p.a., £0.9m in FY25**
 - Business rates c **£0.1m** increase
- Overall inflation assumption of c. **£5m YoY in FY25** including the above specific increases as well as roll forward of LY inflation (such as April 2024 NLW increases) and general cost increases
- Normal levels of performance related pay expected in FY25 subject to performance against targets
- Half on half profit seasonality:
 - H1 impacted by holiday pay accrual (£1.0m Dr) which fully reverses in H2 (£1.0m Cr)
 - Higher energy costs in H1 vs H2 due to higher usage
 - NLW and NICs add c. £2.0m cost in H2 vs H1
- Effective tax rate on adjusted profit 2-3ppts higher than headline corporation tax rate
- All profits attributable to owners of Topps Tiles plc with no non-controlling interest in P&L or BS

Cash Flow

- Capex of £8m-£9m including £2m-£2.5m on fit out of new warehousing in Northampton

General

- Dividend policy: full year dividends to be set at 67% of adjusted EPS but not reducing YoY (up to a limit of 100% of adj EPS). Interim dividend to be set of 1/3 of prior year full year dividend.



Adjusted to Statutory PBT Bridge

	FY 2024	FY 2023	YoY
Adjusted Profit before tax (£m)	6.3	12.5	(6.2)
Adjusting items (£m):			
Vacant property and closure costs	(0.3)	(1.1)	0.8
Store impairment and lease gains and losses	(18.8)	0.2	(19.0)
Pro Tiler Ltd share purchase provision	(3.2)	(4.1)	0.9
CTD trading, transaction and CMA costs	(0.2)	-	(0.2)
Restructuring and other	-	(0.7)	0.7
(Loss)/Profit before tax (£m)	(16.2)	6.8	(23.0)

- Adjusting items in FY 2024 consist of:
 - £0.3m vacant property & closure costs in connection with stores closed as part of the store closure programme which ended in FY22
 - £19.4m of non-cash store impairment costs relating to right of use assets and fixtures and fittings, and £0.6m of gains from lease disposals and sublease gains and losses
 - A £3.2m increase 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), which was utilised in the second half year
 - A loss of £0.2m relating to CTD post-acquisition, including trading, acquisition costs and CMA-related costs



Adjusted Net Cash Flow

	FY 2024		FY 2023		YoY	
	£m	£m	£m	£m	£m	£m
Cash generated from operations, before movements in working capital, tax, interest and CTD cash flows	34.9		41.1		(6.2)	
Changes in working capital (excluding CTD)	6.4		4.1		2.3	
Outflow for leases in scope of IFRS16	(21.8)		(23.0)		1.2	
CTD cash generated by operations	(1.5)		-		(1.5)	
Capex	(4.5)		(4.2)		(0.3)	
Net bank interest	(0.1)		0.1		(0.2)	
Tax paid	(2.3)		(3.3)		1.0	
Other	0.2		(0.1)		0.3	
Free cash flow		11.3		14.7		(3.4)
Dividends paid to owners of Topps Tiles plc	(7.1)		(7.5)		0.4	
Change in adjusted net cash before acquisitions		4.2		7.2		(3.0)
Acquisition of CTD	(9.0)		-		(9.0)	
Acquisition of remaining 40% of shares in Pro Tiler Limited, including dividend paid	(9.9)		-		(9.9)	
Change in adjusted net cash		(14.7)		7.2		(21.9)
Adjusted net cash at start of period		23.4		16.2		7.2
Adjusted net cash at end of period		8.7		23.4		(14.7)

* Adjusted net cash flow means net cash flow excluding lease liabilities under IFRS 16. Net cash flow refers to cash net of borrowings.



Balance Sheet Highlights

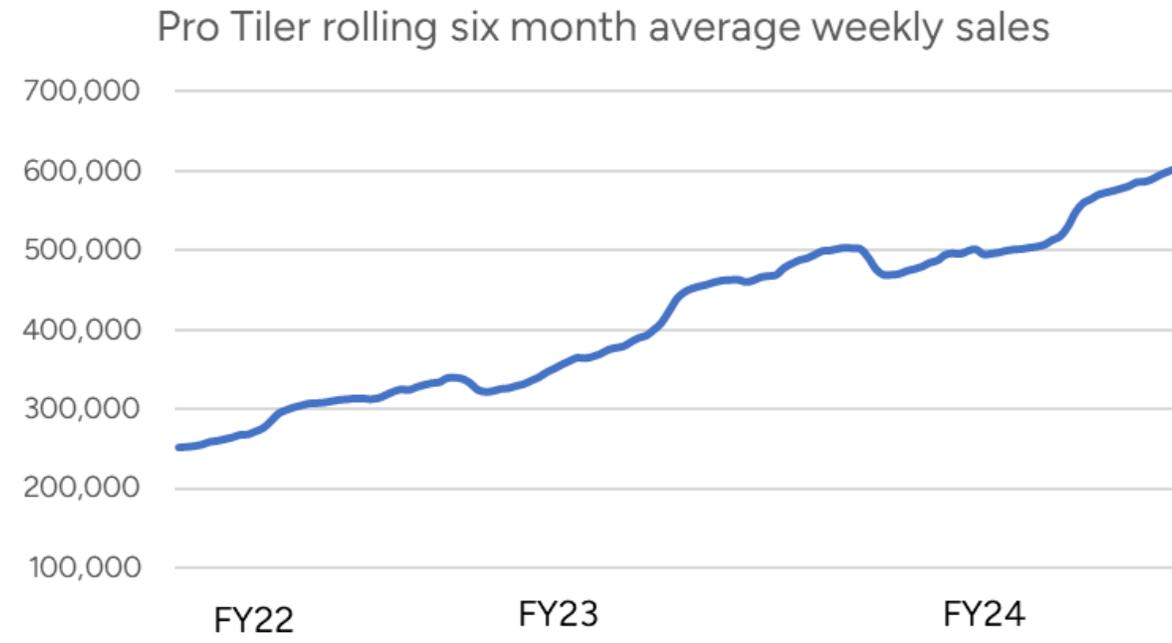
	FY 2024	FY 2023	YoY
Goodwill/Intangibles - £m	12.5	6.9	5.6
Property, plant and equipment - £m	17.3	19.3	(2.0)
Right-of-Use & Sublease Assets - £m	57.2	83.1	(25.9)
Inventory - £m	37.9	36.4	1.5
Receivables/Payables/Provisions - £m	(47.1)	(47.9)	0.8
Borrowings - £m	(15.0)	-	(15.0)
Lease Liabilities - £m	(86.0)	(94.5)	8.5
Cash - £m	23.7	23.4	0.3
Net Cash - £m (pre-IFRS 16)	8.7	23.4	(14.7)
Net Assets - £m	5.6	26.4	(20.8)
Capital Employed - £m	82.9	97.5	(14.6)

- Intangibles relate to assets acquired as part of CTD and Pro Tiler Limited (largely goodwill and brand)
- Property, plant and equipment reduction relates to depreciation and impairment partially offset by net additions/disposals
- Right-of-use assets of £55.3m and sublease assets of £1.9m, following impairment review
- Inventory days up slightly to 110 days (FY 2023: 107 days), excluding CTD, but down £1.4m in value YoY. Including CTD, stock up £1.5m yoy
- Provisions decrease from £8.1m to £3.0m following utilisation of Pro Tiler earn out provision
- Lease liabilities of £86.0m held on the balance sheet
- Net cash (pre-IFRS 16) £8.7m, a decrease of £14.7m YoY, with borrowing of £15m at year end
- Capital employed decreased £14.6m to £82.9m (defined as net assets – net cash + lease liabilities) due to lower lease liabilities and lower net assets



Pro Tiler Acquisition – Reminder

	£m
60% share purchase (March 2022)	5.3
40% share purchase (May 2024)	8.7
Total acquisition cost (A)	14.0
Post-tax earnings (H2 FY22 - H1 FY24)	2.8
Topps Group share (60%) (B)	1.7
Total cost less earnings to date (A-B)	12.3
Rolling 12-month EBITDA	2.4
EBITDA multiple	5.1x



- 2 year earn out period complete
- 40% remaining shares acquired at agreed multiple of EBITDA
- Final increase in share purchase provision (a remuneration cost under IFRS 3) in H1 as an adjusting item (£3.1m)
- Non-controlling interest in BS now derecognised and EPS reflects 100% of earnings from H2

- Cash out flow of £9.9m in H2 (share purchase + 40% share of post-tax earnings for H2 FY22 – H1 FY24)
- End to end, a 5.1x multiple of EBITDA paid for a high growth, profitable business (measured to HY 2024)
- £28.8m of sales reported in FY24 at net profit margins within Group target range of 8-10%