

A modern, bright living room with a large floor-to-ceiling window overlooking a lush garden. The room features a white sofa, a wooden coffee table, and a fireplace with a wood log holder. The floor is made of light-colored tiles. The text 'TOPPS GROUP' is overlaid on the left side of the image.

TOPPS GROUP

Half Year Results 2024

Analyst and Investor
Presentation

- 
- A photograph of a bathroom. The walls are covered in yellow rectangular tiles. On the left, there is a white square sink on a wooden vanity. Above the sink is a mirror with a decorative frame. To the right, there is a shower area with a glass door and a wall covered in blue and white patterned tiles. A large green plant is hanging from the ceiling in the shower area. In the foreground, there is a large, textured, brown woven basket. On the right side, there is a potted plant with long green leaves.
- **Introduction**
Rob Parker
 - **Financial Review**
Stephen Hopson
 - **Strategic Review**
Rob Parker



Introduction

Rob Parker

Chief Executive Officer



H1 2024 HIGHLIGHTS

- H1 trading challenging – sales down 5.8% yoy but taking market share (market down 10-15% yoy)
- Market c. -20% vs pre-covid levels, Group sales +11% vs H1 2019
- Gross margin recovery continued and costs lower yoy; profit down £1.3m yoy
- Continued strength of Online Pureplay: sales +39% yoy
- Parkside profitable following 2023 restructure
- Pro Tiler earn out period completed – c.5x EBITDA multiple
- Interim dividend maintained at 1.2 pps



MEDIUM TERM STRATEGIC PRIORITIES

- Grow sales to £365m
- Expand addressable market to hard surface coverings
- Investments into digital, marketing, systems and physical infrastructure
- All businesses in Group to achieve 8-10% PBT margin

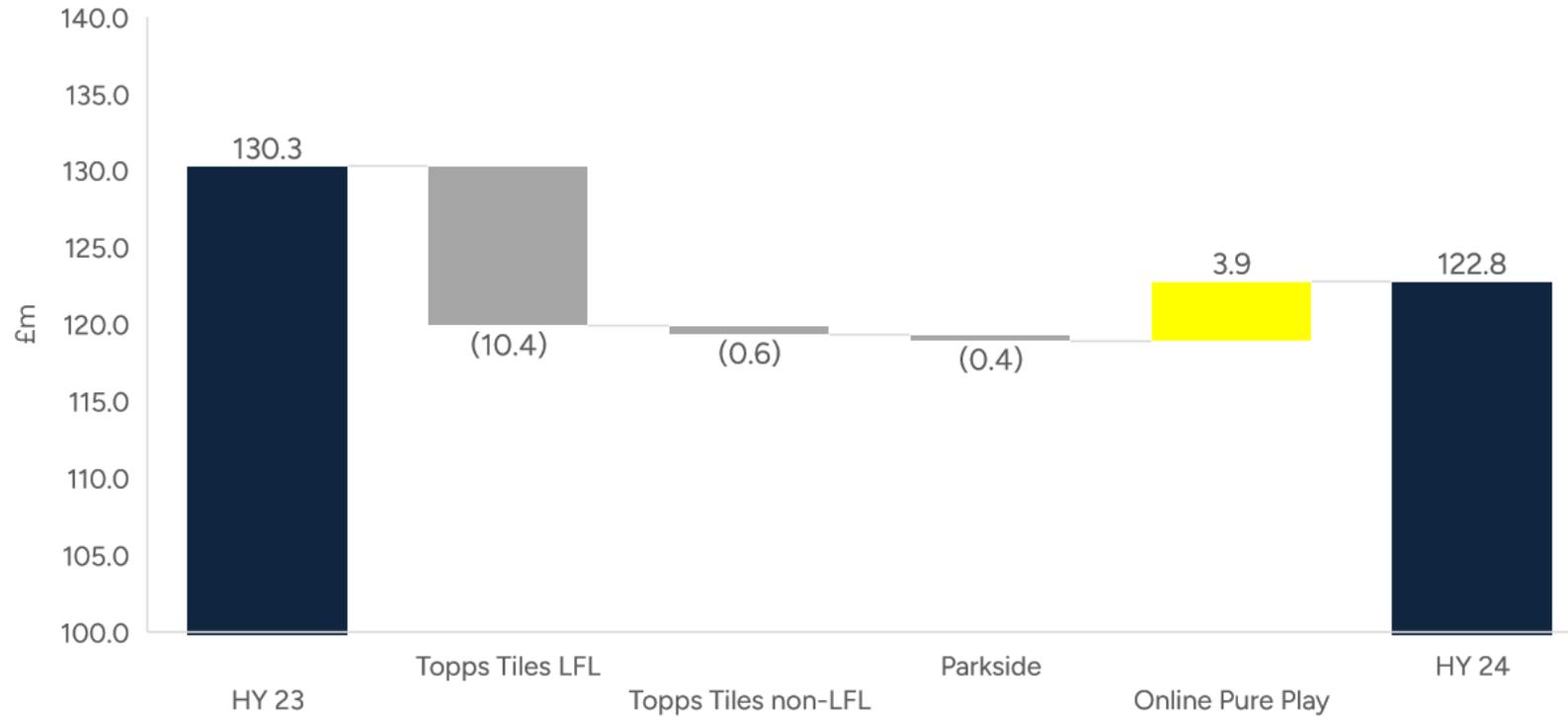
A modern bathroom with a double vanity, a walk-in shower, and a wooden stool. The vanity has a light-colored countertop and two sinks with chrome faucets. The shower has a glass door and a rainfall showerhead. The walls are covered in small square tiles, and the floor is dark grey. There are two mirrors above the vanity, each with a cylindrical light fixture. A small potted plant sits on the vanity, and a white towel is draped over the edge. A wooden stool is in the bottom right corner.

Financial Review

Stephen Hopson
Chief Financial Officer



Sales Bridge

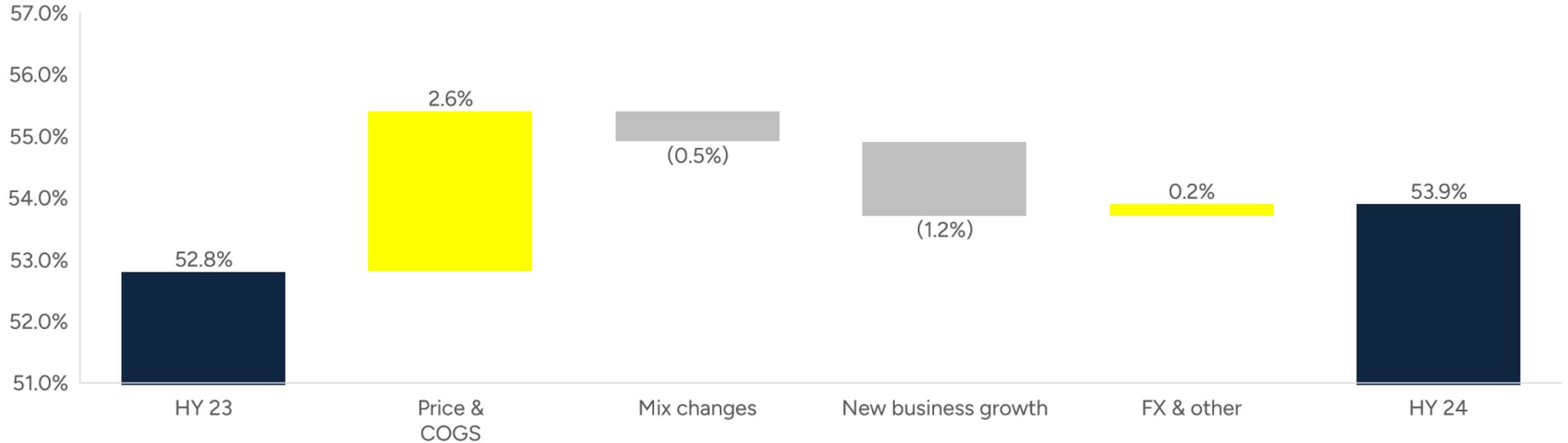


Total sales:	Topps Tiles £104.8m	Parkside £4.2m	Online Pure Play £13.8m	Group £122.8m
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- Group sales down 5.8% - taking share in a challenging market, down 10-15% yoy
- Topps Tiles LFL sales 9.2% lower yoy with conversion higher yoy, but footfall lower
- Trade remains more resilient than the homeowner
- Parkside sales £0.4m lower yoy, market remains subdued
- Online Pure Play 39% growth yoy, taking market share with high exposure to trade



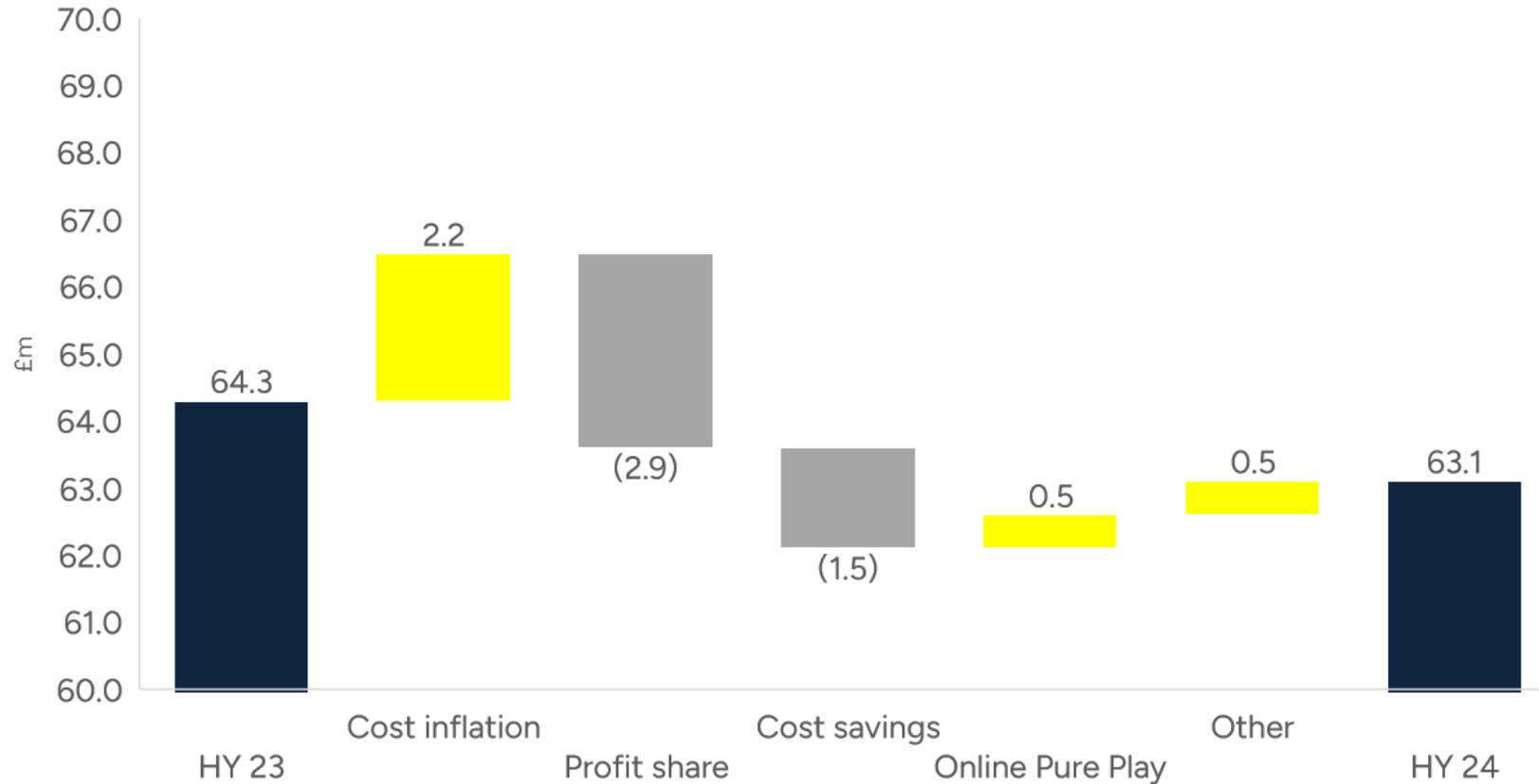
Gross Margin % Bridge



- Trading margins* in Topps Tiles maintained at Q4 2023 levels, significantly up yoy as expected
- COGS prices normalised and shipping costs lower yoy – limited impact from Red Sea
- Slight margin dilution due to higher mix of trade customer and changes to product mix
- Strong growth in Online Pure Play is dilutive to gross margin %, but not net margin %
- YoY FX accounting and other movements of +0.2%pts



Adjusted Operating Expenses and Interest Bridge



- Inflation across people, property, IT and insurance, with small net saving in utilities
- Substantial saving from variable remuneration across the business
- Cost savings include balance of Parkside savings from restructure in H2 last year and volume related savings
- Growth in supporting Pro Tiler sales growth and establishing Tile Warehouse



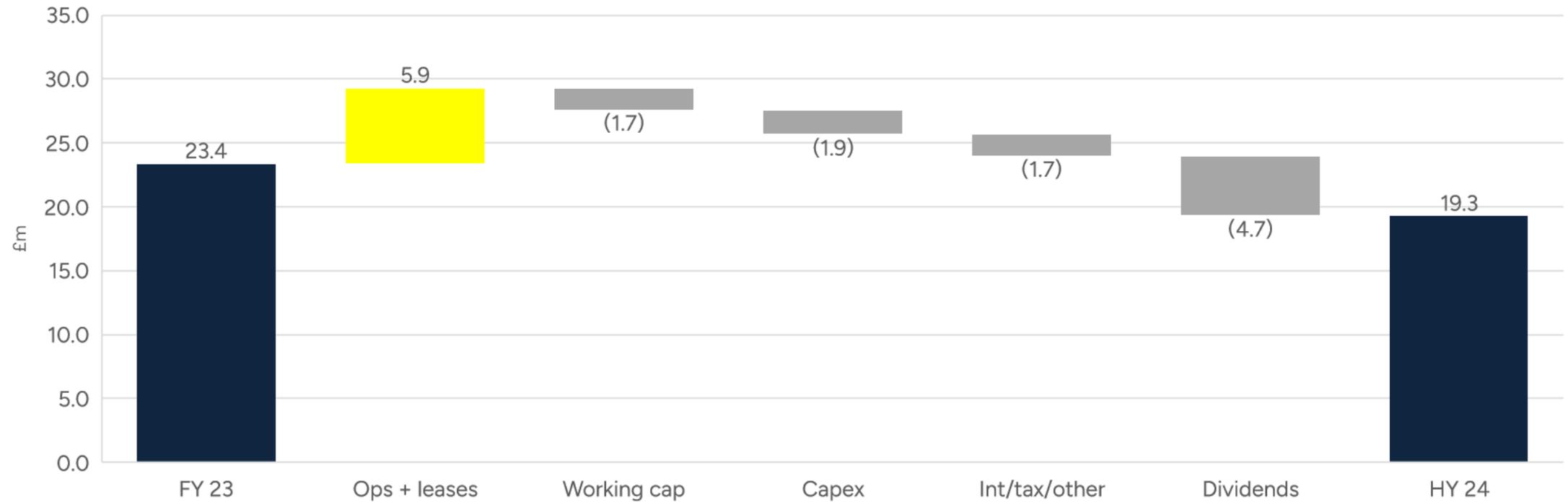
Income Statement - Adjusted Measures

	HY 24	HY 23	YoY
Sales - £m	122.8	130.3	(5.8)%
Gross Profit - £m	66.2	68.7	(3.6)%
Gross Margin %	53.9%	52.8%	+1.1 ppts
Opex - £m	(61.0)	(62.1)	(1.8)%
Interest - £m	(2.1)	(2.2)	(4.5)%
PBT - £m	3.1	4.4	(29.5)%
PBT Margin %	2.5%	3.4%	(0.9) ppts
EPS - pence	1.03p	1.57p	(34.4)%

- Sales - challenging market conditions, taking market share
- Group gross margin improving as expected, gross profit £2.5m lower due to sales declines
- Opex costs lower yoy despite continued inflation due to lower variable remuneration and cost savings
- PBT down £1.3m despite higher GM% and lower opex due to sales decline in tough markets
- EPS 34.4% lower at 1.03 pence, with slight increase in effective tax rate
- Interim dividend of 1.2 pence declared, set at 1/3 of full year dividend from FY 23



Adjusted Net Cash



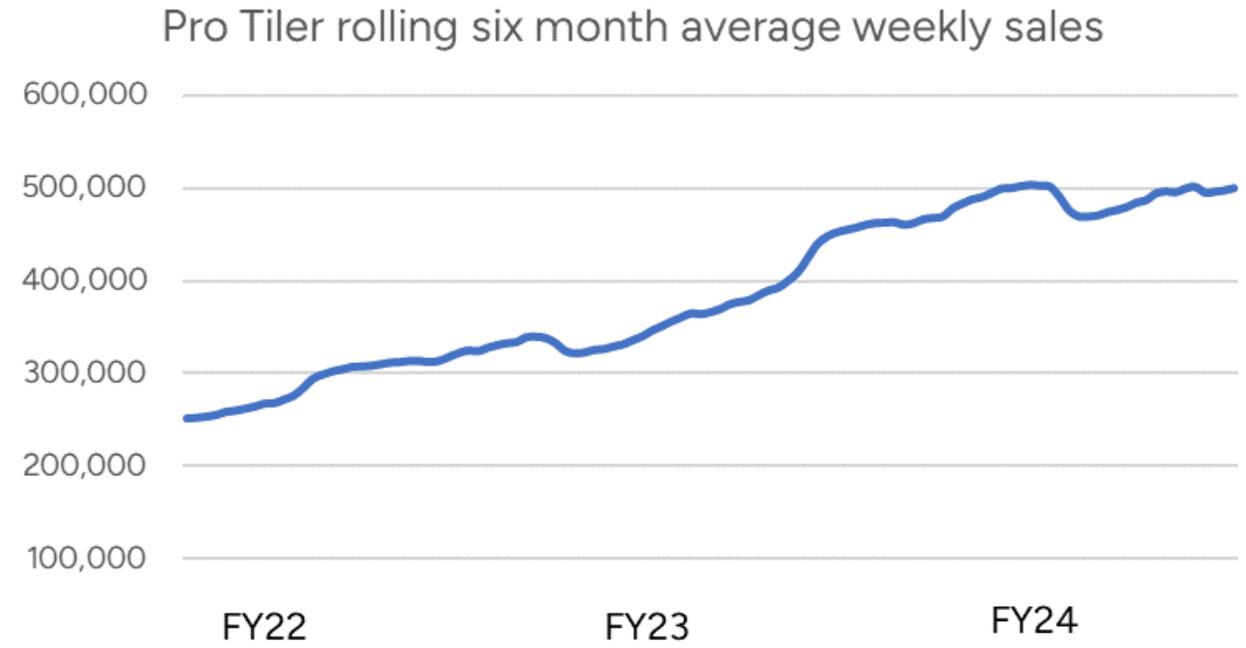
- Operational cash flows of £5.9m vs £7.2m last year, movement representative of movement in adjusted PBT
- Working capital outflow of £1.7m due to lower payables (VAT creditor, variable pay accruals, trade payables) and higher trade receivables given trade credit focus
- Stock days at 108 (LY: 117 days) and value lower than year end
- Capex remains modest, including 1 relocation and 1 new store opening in the period
- Cash tax and interest similar to last year
- Final dividend of 2.4p per share from FY 23 paid in HY 24 at a cost of £4.7m
- Balance sheet remains strong - £49.3m of headroom including unused £30m RCF

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.



Pro Tiler Acquisition

	£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 22 - H1 24)	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 to be 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 to be derecognised and EPS to reflect 100% of earnings from H2

- Cash out flow of £9.8m in H2 (share purchase + 40% share of post-tax earnings)
- End to end, a 5.1x multiple of EBITDA paid for a high growth, profitable business
- Continue to look to deploy M&A or partnerships as part of growth strategy



- **Market**

- Macroeconomic lead indicators such as GDP, real wages, inflation, mortgage approvals & consumer confidence all improving
- Trading results yet to benefit from these upsides

- **Current Trading and Outlook**

- Group sales over the first 7 weeks -7.3% YoY (Topps Tiles LFL -10.1%)
- Business remains strong and well positioned to capitalise as consumer outlook improves
- Competitive advantage driven through market-leading brands, world-class customer service, specialist expertise, and best in class global sourcing
- Ambitious new set of strategic and financial goals launched

A hallway with blue tiled walls and a patterned tile floor. On the left, there is a wooden desk with a lamp, a stack of papers, and a small potted plant. At the end of the hallway is a white door with a mail slot and a handle. On the right, there is a larger potted plant. The floor has a repeating pattern of green, blue, and beige tiles.

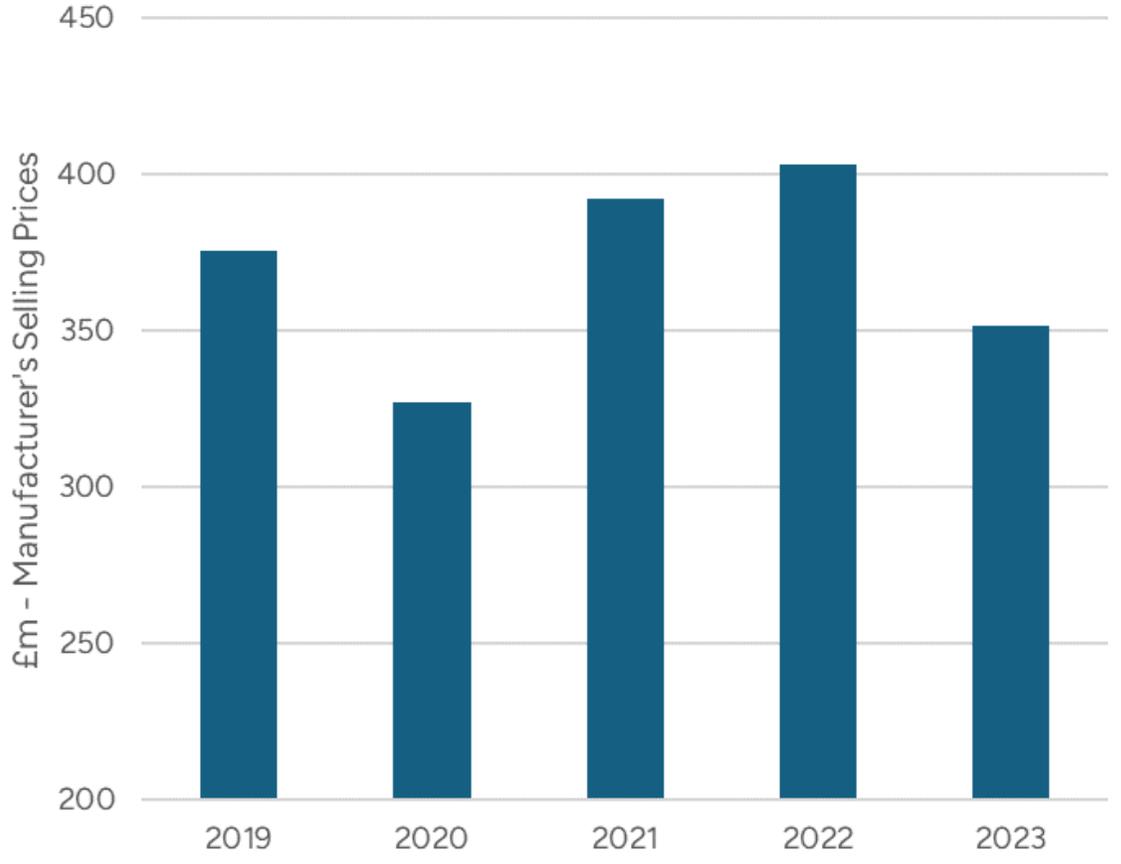
Strategic Review

Rob Parker
Chief Executive Officer

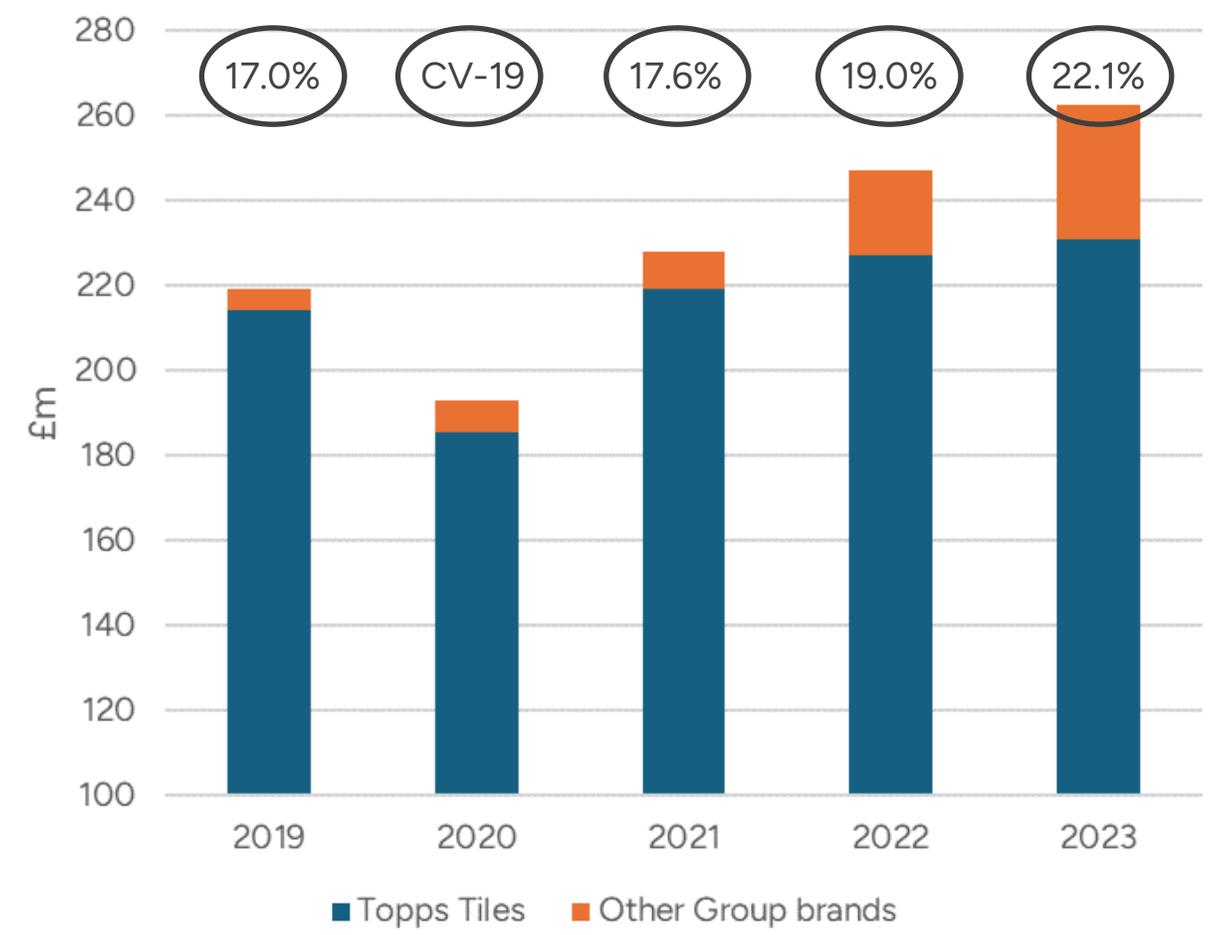


Topps Group Trading History and UK Tile Market

UK Tile Market



Topps Group Sales and Market Share





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



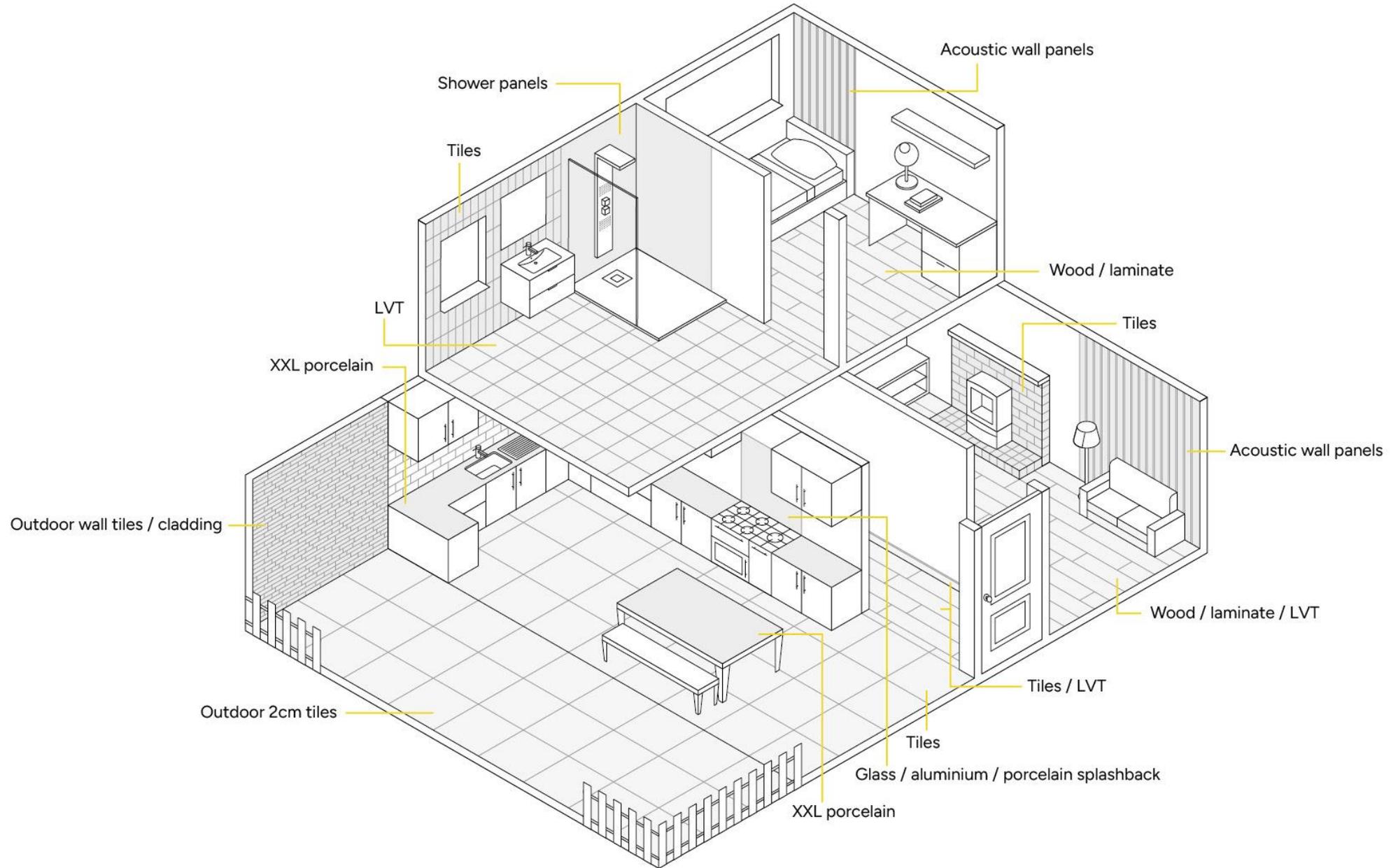
Addressable Market

- 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





Expanded Addressable Market





Organic Growth

Topps Tiles, Pro Tiler, Parkside,
Tile Warehouse

New Growth Channels

Leading Product

Leading People

Environmental Leadership

Strategic Enablers



The Team to Deliver the Plan

Robert Parker
Chief Executive



- Appointed to the role of Chief Executive in 2019.
- Rob joined the Board in 2007, serving as Chief Financial Officer.
- Accountable for Group Strategy, leadership of the Executive team, and Chairs the Group Health and Safety and Environmental Committees.

Stephen Hopson
Chief Financial Officer



- Stephen joined the Board in November 2020.
- Accountable for all areas of finance, IT, Property and Group legal matters.
- Previously Director of Central Finance for Western Europe at Molson Coors Beverage Company.

Sam & Todd Bucknall
Co-founders & joint MDs - Pro Tiler Tools



Tim Tatlock
Group Buying Director



- Appointed Buying Director in April 2018.
- Responsible for all product assets and leads creative, sourcing, technical, supply chain and inventory.
- Tim has over 20 years of tile industry experience and expert knowledge.

Simon Robinson
Topps Tiles Sales and Operations Director



- Appointed in January 2024 to lead the omni-channel Topps Tiles business as Sales and Operations Director.
- Simon was previously Retail Director at Toolstation (part of Travis Perkins Plc).
- Prior to Toolstation, Simon spent seven years as Store Operations Director with Aldi.

Joanne Shawcroft
HRD (Interim)



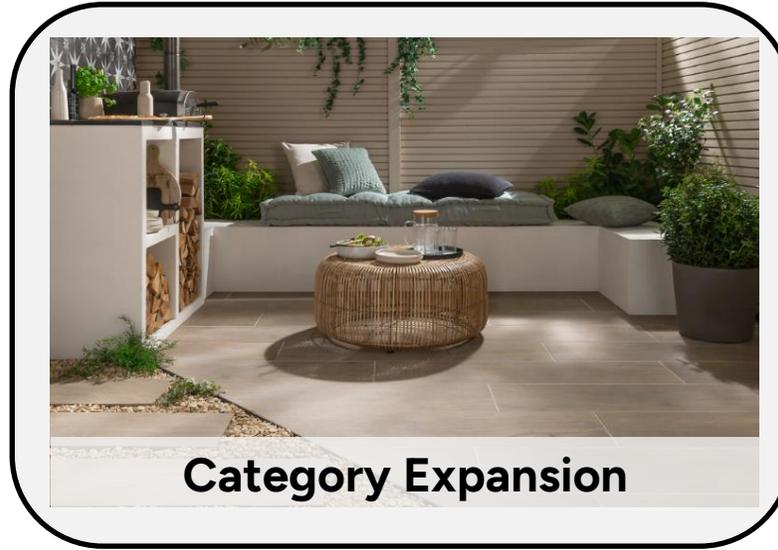
- Appointed in May 2024.
- Accountable for Leading People strategy and partnering Exec team.
- Extensive Retail and Plc HR experience within DFS, Boots, Wilkos and Argos.



Strategy Refresh - Key Areas of Focus



Trader Digital Experience



Category Expansion



B2B Growth





Trader Digital Experience

Historical strength of business despite limited digital interaction – represents major growth opportunity

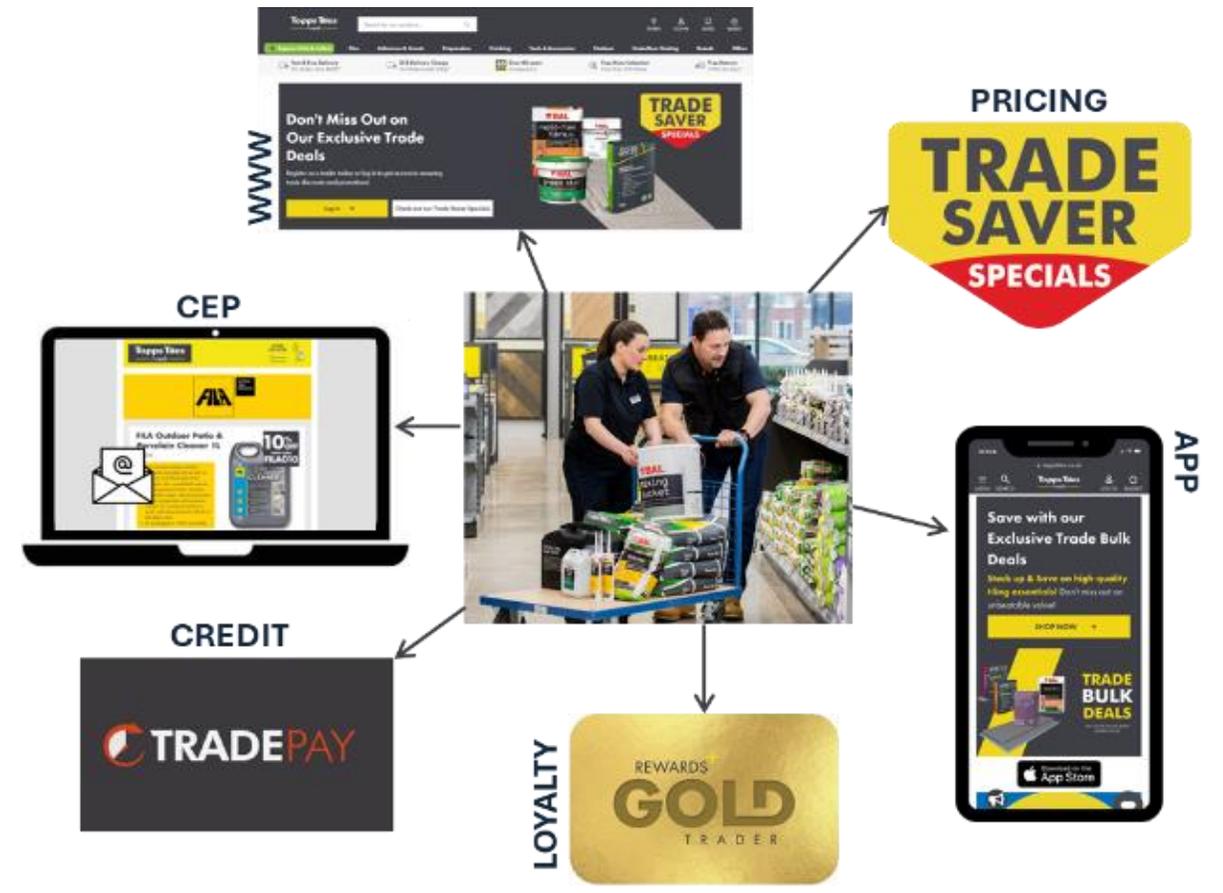
Existing Strength of Trade Offer

- >60% of Topps Tiles sales, consistently outperforming homeowner (Do It For Me)
- Store convenience, availability and relationships/service
- Brand ambassadors (homeowner and other traders)

Opportunity

- Digital interaction limited today – high level of drop out from online trade registrations and 1% of current registered traders log onto trade web site each week
- Pro Tiler learnings and management experience suggests material opportunity
- Excessive friction in journey to be addressed
- Drive both new trader acquisition and share of existing wallet

Trader Digital Experience Focus Areas





Coverings Category Expansion



Luxury Vinyl Tiles (LVT)



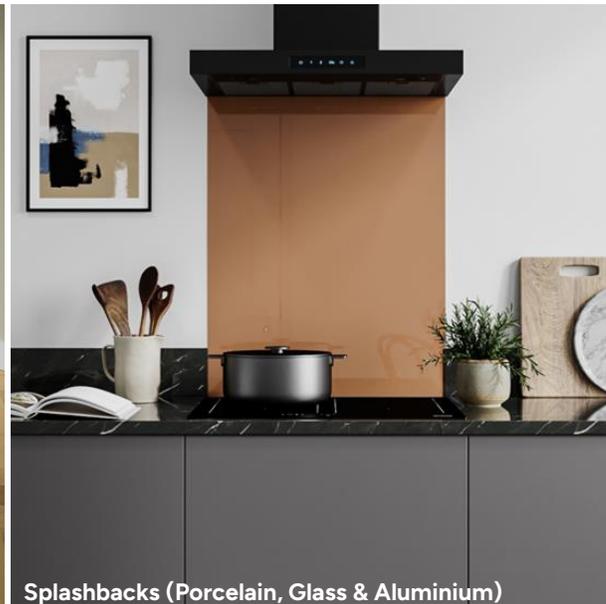
Showerpanels (Porcelain, Laminate & PVC)



Outdoor Tiles



Laminate and Engineered Wood



Splashbacks (Porcelain, Glass & Aluminium)



XXL Porcelain



Coverings Category Expansion



Luxury Vinyl Tiles

Market size = £285m
Current sales = £4m

5% share = £14m
Opportunity = £10m

Luxury Vinyl Tiles (LVT)



Shower Panels

Market size = £100m
Current sales = £1m

5% share = £5m
Opportunity = £4m

Showerpanels (Porcelain, Laminate & PVC)



Outdoor Tiles

Market size = £160m
Current sales = £6m

10% share = £16m
Opportunity = £10m

Outdoor Tiles



Wood and Laminate

Market size = £285m
Current sales = £0m

5% share = £14m
Opportunity = £14m

Laminate and Wood



Splashbacks

Market size = £50m
Current sales = £0m

5% share = £2.5m
Opportunity = £2.5m

Splashbacks (Ceramic, Stone, Glass)



XXL Porcelain

Market size = £120m
Current sales = £0m

5% share = £6m
Opportunity = £6m

XXL Porcelain

Key drivers of growth – range, marketing, training and in-store presentation



Sector Strategy and B2B Growth

Customer:

Homeowner	Independent Tile Fixers Local Builders	Smaller Contractors Local Developers	Larger Contractors National Accounts Housebuilders
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Sector:

<<< Domestic/B2C ----- Commercial/B2B >>>

Route to customer:

<<< Inbound ----- Hybrid ----- Outbound >>>

Brand	Key influencer
Tile Warehouse	Homeowner
Topps Tiles	Homeowner / Trader
Topps Tiles CONTRACTS	Contractor
PARKSIDE	Architect / Designer
PROTILER	Trader / Contractor

Coverings led, value focus
Digital only

Coverings and essentials, mid-market
Omni-channel offering, national store network

Essentials only
Digital

B2B OPPORTUNITY

Coverings and essentials
National store network and central infrastructure

Coverings led
Direct selling model

Essentials only
Direct selling model



B2B Growth Opportunity

Topps Group has the brands, physical assets, product range and service credentials to be a much larger player in the B2B space – we see a £15m - £25m opportunity across the Group

Brands →



PARKSIDE

PROTILER

Physical assets →



Product →

Ceramic and porcelain tiles, LVT, engineered wood, laminate, splashbacks, shower panels, XXL porcelain, outdoor tiles, supported by a full range of fitting and fixing products

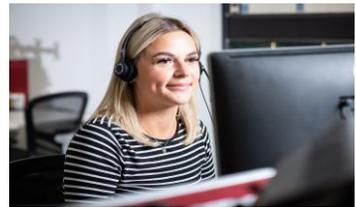
Service →



Nationwide store teams



Direct sales teams



Central support



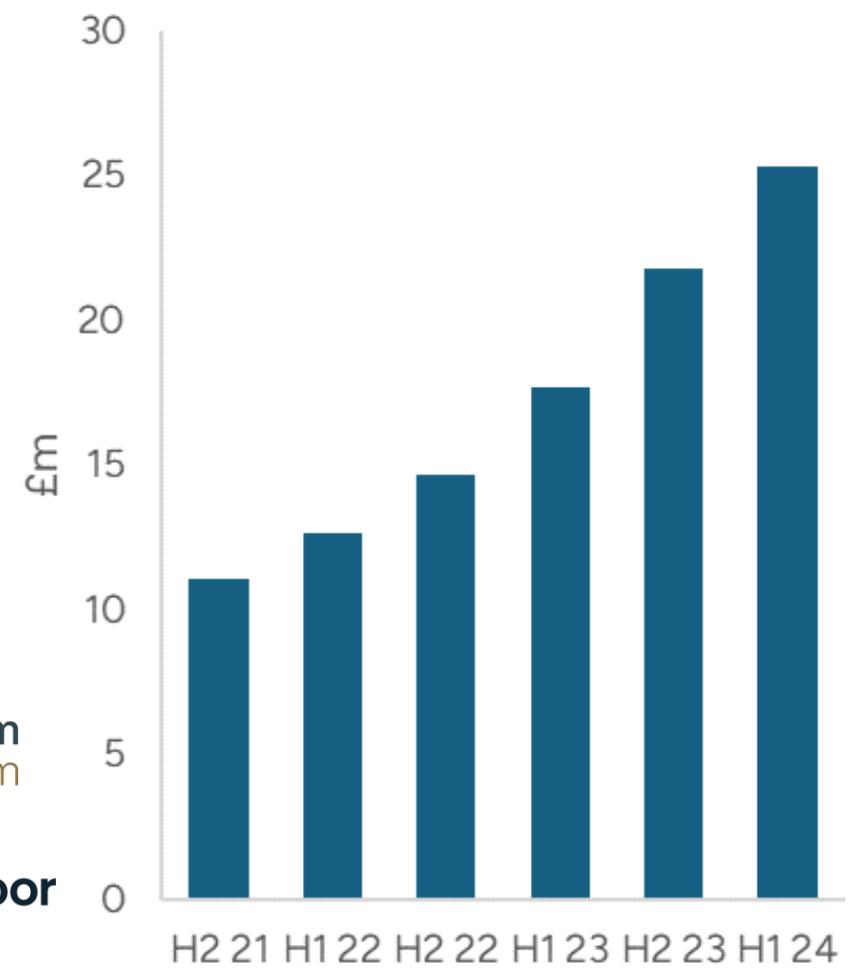
Digital convenience



Pro Tiler Growth

- Market leader in online tiling consumables
- Earn-out period completed – 5x EBITDA multiple over 2 years & founders retained
- Continued strong trading - £26m annualised sales in H1
- Opportunities for substantial growth in supplementary brands
- New warehousing in FY24/25 to enable next phase of growth
- Group cross selling opportunity – consumables into tiles and vice versa
- £50m sales ambition – already delivering target net margin*

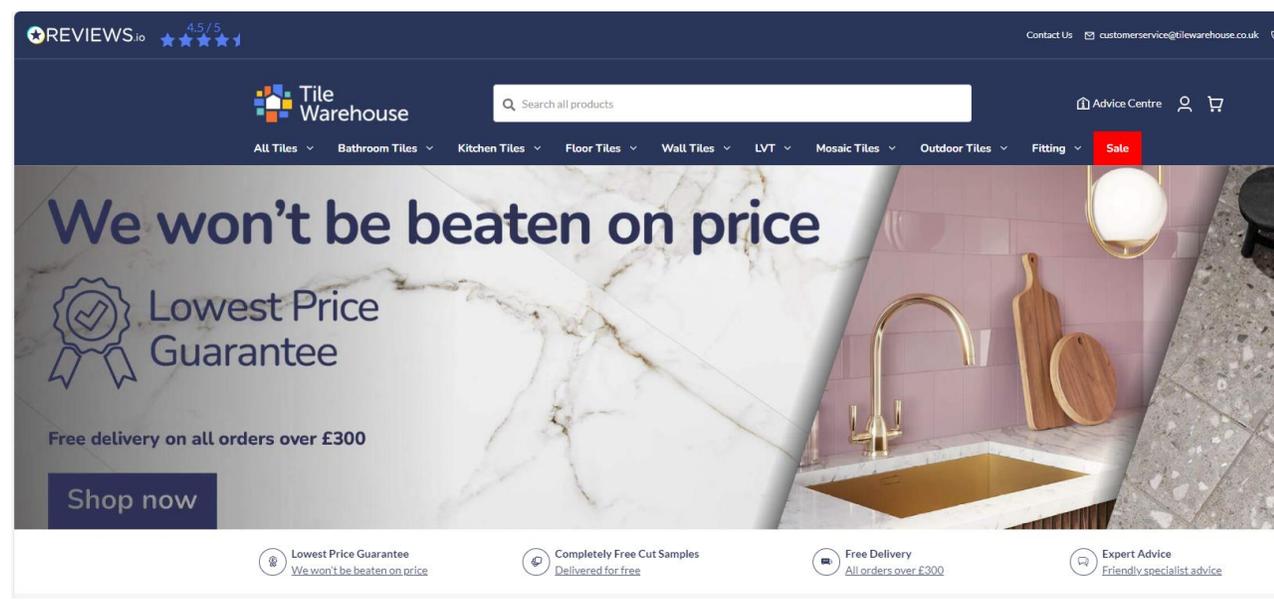
Pro Tiler Sales
(rolling 12 months)





Tile Warehouse Growth

- Focused on value conscious homeowners
- New digital brand, established summer '22
- Allows Group to respond to digital pureplay competitors without diluting Topps Tiles brand
- Leverages Group infrastructure – buying, logistics, team specialism
- Strong H1 growth – all key metrics improving rapidly
- Growth strategy based on building quality traffic, optimising conversion and delivering world class customer service
- £15m+ sales ambition within 5 years

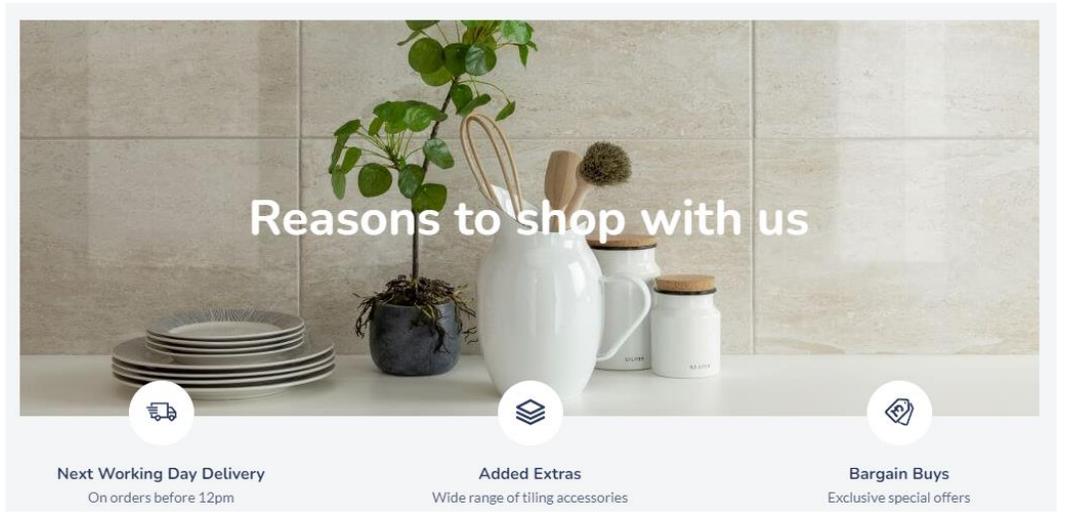


Tile Warehouse Reviews

★★★★★

4.5 Rating 281 Reviews

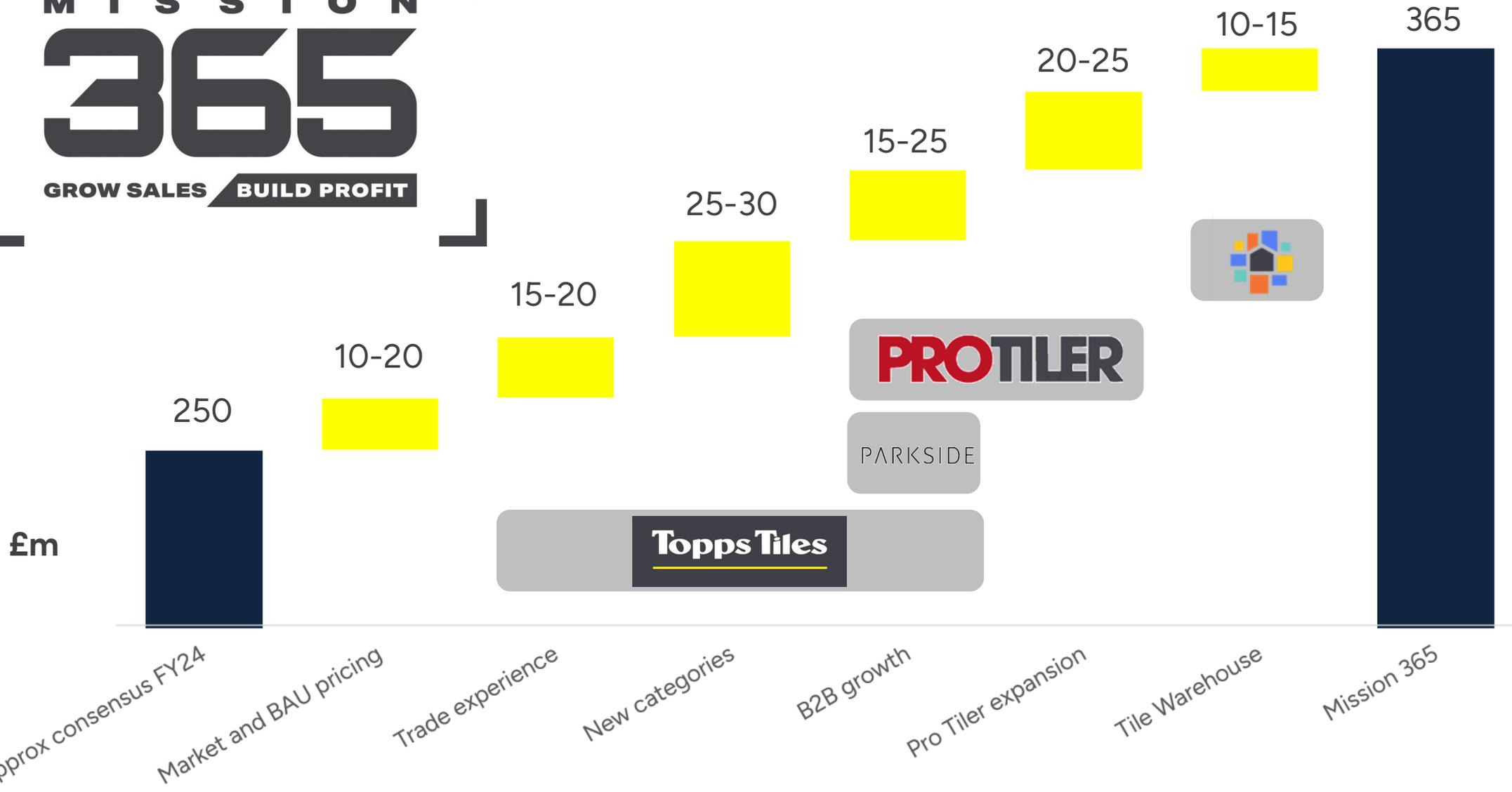
89% of reviewers recommend Tile Warehouse





The Road to 365

MISSION
365
GROW SALES BUILD PROFIT

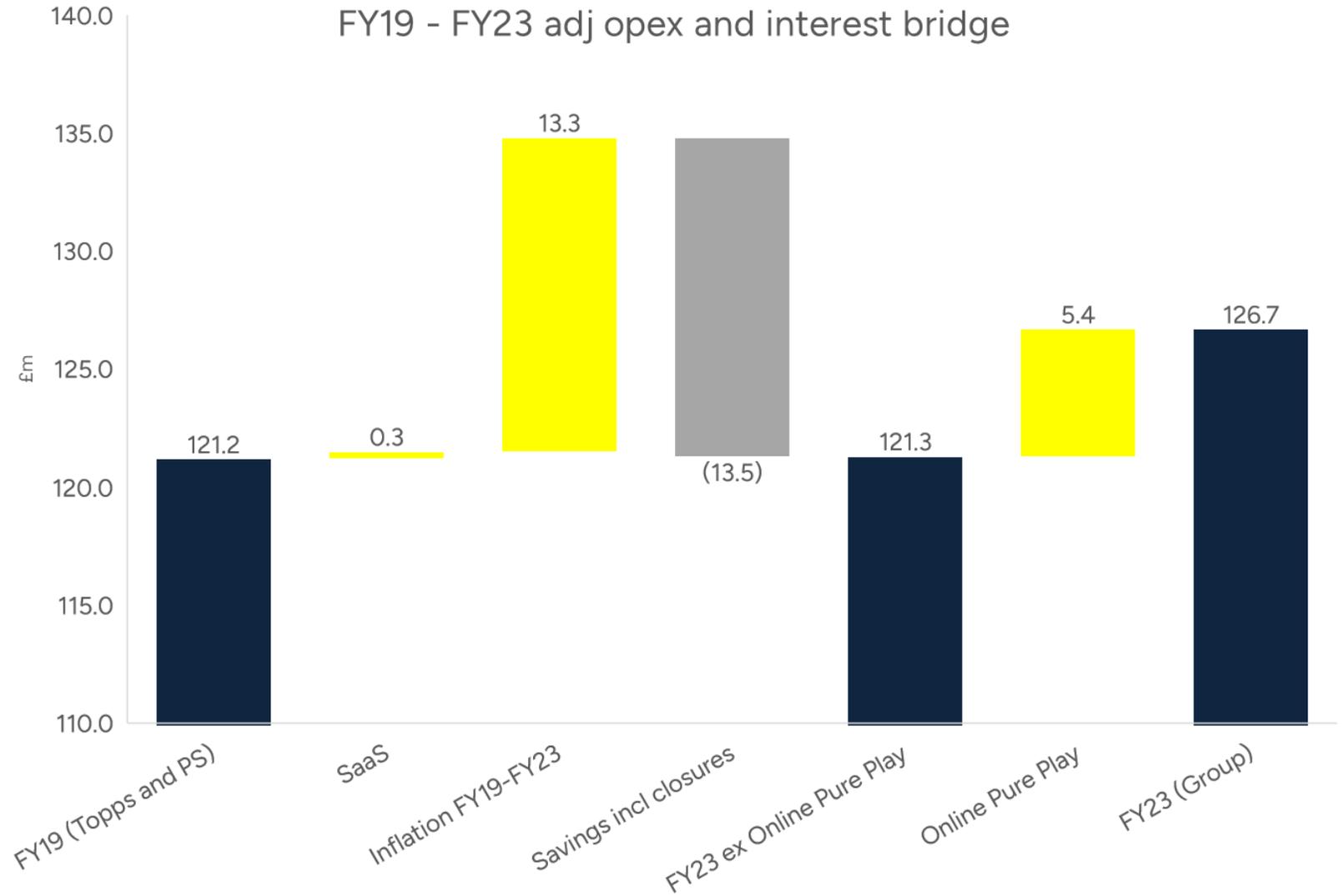


All numbers are £m and are indicative based on approximate market consensus for FY24 and illustrate one potential route to delivery of the Mission 365 goal.



Historical Cost Analysis

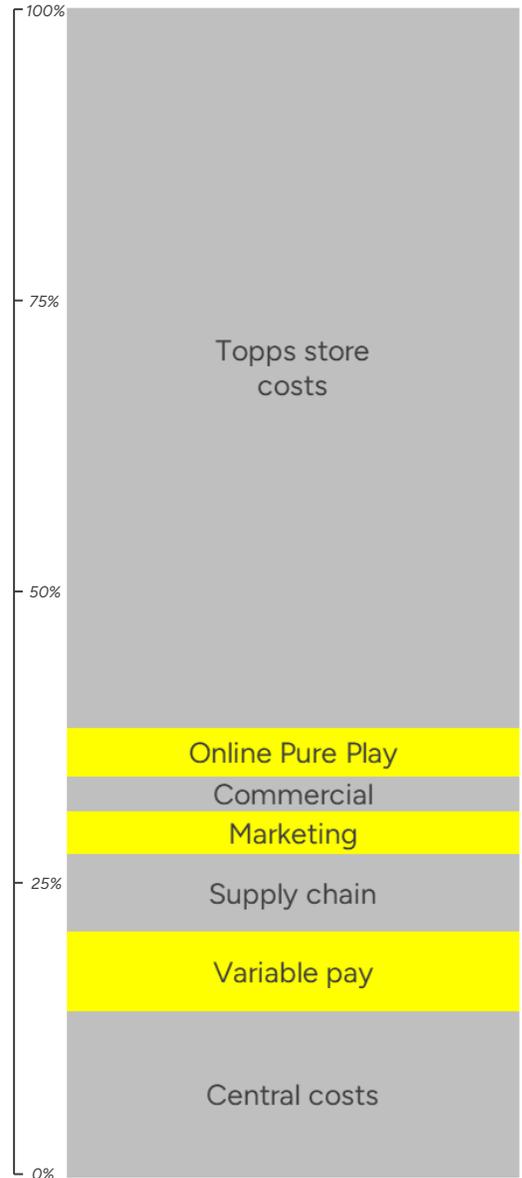
- Significant inflation over a four-year period, particularly people, energy and property costs
- All cost inflation since FY19 offset through combination of smaller store estate and efficiency programmes
- Group now includes cost base for Online Pure Play
- Group costs reduced from 54.4% of sales to 48.2% over this time frame





Cost Drivers and Investments

FY23 Group cost base



48% of sales

- ### COST DRIVERS
1. Store costs are driven largely by inflation. Significant opportunity to grow store sales with limited additional cost. Store numbers reduced by 20% since 2017 and estate will remain under review
 2. Sales growth in Online Pure Play and Commercial depends on opex investment, on digital marketing and people
 3. Supply chain costs largely driven by inflation, with some variability based on volumes
 4. Central costs and marketing costs historically driven by inflation
 5. Variable pay flexes with sales

- ### COST INVESTMENTS
1. Three-year systems investment programme to support sales and drive efficiencies (ERP, WMS, CEP, trade app, store systems) – total implementation cost <£3m
 2. Increased marketing investment to support trade experience and new product category expansion
 3. Recruitment of specialist roles to drive business growth
 4. Supply chain investment in PTT and Topps
 5. Most costs to increase more slowly than sales and tight discipline to be retained

Increased leverage of existing store network, tight cost control, modest investment and operational gearing to deliver substantial improvement in cost / sales ratio

Future Group cost base



c. 42-44% of sales 29



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

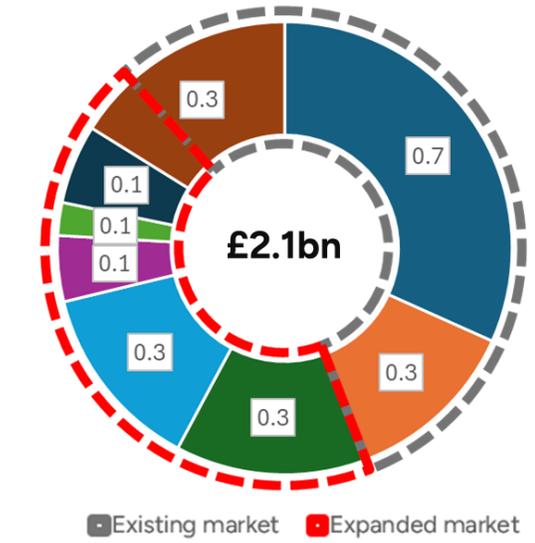


Strategy Summary

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



Hard wall and floor surface coverings
£2.1bn addressable market





Q&A



Appendix



Carbon Reduction

Scope 1 & 2

- Goal to be carbon neutral by 2030 - estimated at 5,000 tonnes today
- Key initiatives to reduce – diesel replacement (HVO) and store efficiency (heating systems)
- Likely to need some form of carbon credit to achieve by 2030 – heating technology dependent

Scope 3

- Initial measurement phase completed by Sep 24 (partnering with Normative)
- Work with suppliers to reduce – including targets

Circularity

- Minimising waste - tile waste reduction – on track for 12% FY24 (FY23 – 12% reduction)
- Conserving resources - Plastics Pact – own brand packaging = 100% recyclable and 30% from recycled content
- Innovative Product – targeting 15% of m2 to contain 30% recycled content
- Inspire customers – upskill colleagues, improve customer communication

*Principle -
winner of wall
tile of the year.
90%+ recycled
content*



Normative

wrap

ALUSID®



Leading Product

- Global sourcing & ranging a key source of competitive advantage
- Strategic supply base accounts for 67% of purchases (HY23: 66%)
- Market beating NPD - 33 new product launches complete (HY23: 32)
- Exclusive or own brand ranges represent 77% of sales (HY23: 74%)
- Category expansions continue to provide opportunity - LVT, shower panels, XL Tiles established with wood and splashbacks now being trialled
- Pronto LVT and Everscape Outdoor Solutions brands launched





Leading People

- World class customer service - overall satisfaction rate of 92.5%* (HY23: 91.3%)
- Colleague turnover 26.3% (HY23: 34.0%), retention at 80.6% (HY23: 80.8%)
- 58% of promotions into management positions filled internally (HY23: 62%)
- 'One Topps' DE&I programme launched – current focus on female & ethnicity listening groups
- Charity fundraising for Alzheimer's Society – now at c.£400,000 (£1m pledged across 5 years)



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

- Market leading, omni-channel specialist representing largest Group opportunity for profitable growth
- National specialist with c.300 stores (3x next largest specialist)
- Homeowner journey embedded in omni-channel – leading share of online tile related traffic and 90%+ also visit store
- World class customer service – overall satisfaction at 92.5% (+1.2% pts YoY)
- Trade sales represent 60%+ and outperforming market – strategy will leverage further
- New brand awareness campaign 'Because We Know Tiles' – 80 million impressions across digital and social channels



PROTILER

- Market leader in online tiling consumables
- Continued strong growth over H1 – c.35%+, with c.10% net margins
- Earn-out period completed – c. 5x multiple over 2 years & founders retained
- Group cross selling opportunity – consumables into tiles and vice versa
- Customer offer and brand access continues to be enhanced



PARKSIDE

- H1 market challenging – sales down 8.7%
- Following 2023 restructure business generated £0.2m profit (up from £0.5m loss in PY)
- Opportunity remains within B2B - A&D, contractors & developers - selling coverings & consumables

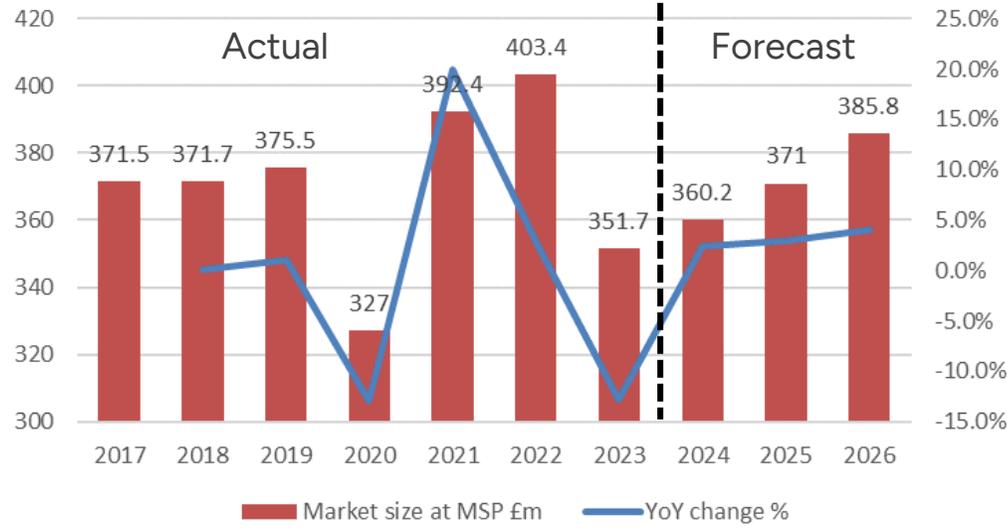


- Established summer '22, serving value conscious homeowners
- Strong growth being delivered – 3x FY23 exit rate

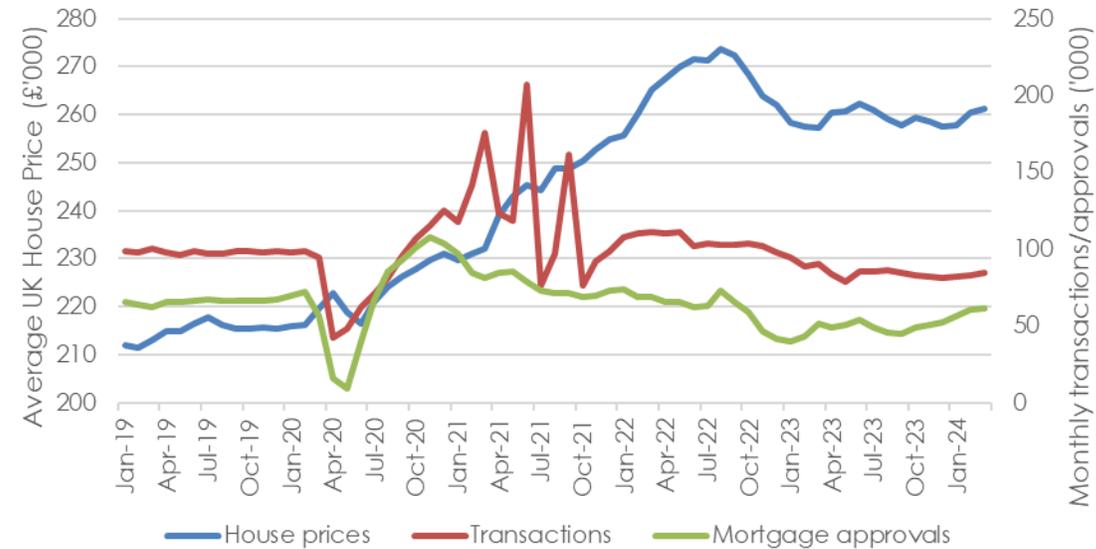


Market Data

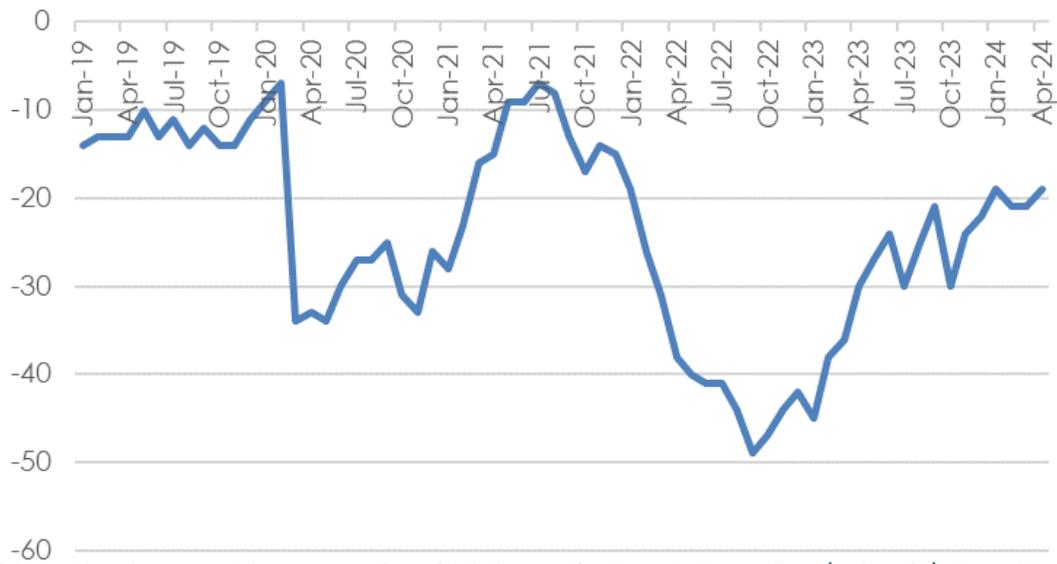
Mintel: UK Ceramic Tile Market at MSP



UK House Prices and Transactions



Consumer confidence



Barclays UK Consumer Spending Report - Home Improvement & DIY



Sources: Mintel, Nationwide House Price Index; National Statistics Monthly Property Transactions (residential); Bank of England Mortgage approval data; GfK Consumer Confidence Index



Forward Guidance

Income Statement

- Inflationary pressures of c.£5m in FY24, including employment costs (NLW) and property costs
- Half on half profit seasonality:
 - H1 impacted by holiday pay accrual (£0.8m Dr) which fully reverses in H2
 - Energy costs still elevated, estimated gas cost in H1 is £0.6m higher than H2
 - National Living Wage rate increases add c. £0.8m cost in H2 vs H1
- Pro Tiler Ltd share purchase accrual now ended

Cash Flow

- Working capital inflow of c £7m in FY24 based on year-end timing
- Capex of £6m-£8m
- Outflow of £9.8m in H2 24 relating to purchasing of remaining 40% of shares in Pro Tiler Limited and dividend representing 40% of post-tax earnings in last two years

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.



Statutory Income Statement

	HY 2024	HY 2023	YoY
Adjusted Profit before tax (£m)	3.1	4.4	(1.3)
Adjusting items (£m):			
Property	(1.4)	(0.6)	(0.8)
Pro Tiler Ltd share purchase provision	(3.1)	(1.7)	(1.4)
Restructuring and other	(0.1)	(0.4)	0.3
(Loss)/Profit before tax (£m)	(1.5)	1.7	(3.2)

- Adjusting items in HY 2024 consist of:
 - £1.1m of impairment of right-of-use assets and gains on lease disposals/sublets and £0.3m vacant property & closure costs in connection with stores closed as part of the store closure programme which ended in FY22
 - 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 £0.1m



Cash Flow Highlights

	HY 2024		HY 2023		YoY	
	£m	£m	£m	£m	£m	£m
Cash flows generated by operations, including leases, before working capital movements	5.9		7.2		(1.3)	
Changes in working capital	(1.7)		5.7		(7.4)	
Capex	(1.9)		(2.0)		0.1	
Disposals	-		-		-	
Interest	0.3		-		0.3	
Tax	(1.9)		(2.0)		0.1	
Other	(0.1)		(0.1)		-	
Free cash flow		0.6		8.8		(8.2)
Dividends	(4.7)		(5.1)		0.4	
Change in net cash		(4.1)		3.7		(7.8)

- Free cash flow was +£0.6m, total cash flow was -£4.1m and closing net cash was £19.3m
- Key drivers for the decrease in net cash were:
 - Movement in cash flows generated by operations incl leases ex WC in line with adjusted PBT movement of -£1.3m yoy
 - Working capital outflow of £1.7m including lower accruals for variable pay, lower VAT creditor and lower trade payables
 - £4.7m dividend outflow relating to 2.4p final dividend from FY23



Balance Sheet Highlights

	HY 2024	HY 2023	YoY
Goodwill/Intangibles - £m	6.6	7.2	(0.6)
Property, plant and equipment - £m	18.8	20.0	(1.2)
Right-of-Use & Sublease Assets - £m	76.9	88.5	(11.6)
Inventory - £m	35.1	38.8	(3.7)
Receivables/Payables/Provisions - £m	(48.4)	(49.7)	1.3
Borrowings - £m	0.0	0.0	0.0
Lease Liabilities - £m	(89.4)	(99.5)	10.1
Cash - £m	19.3	19.9	(0.6)
Net Cash - £m (pre-IFRS 16)	19.3	19.9	(0.6)
Net Assets - £m	19.7	25.3	(5.6)
Capital Employed - £m	89.8	104.9	(15.1)

- 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 £74.9m and sublease assets of £2.0m, following impairment review
- Inventory days reduced to 108 days (HY 2023: 117 days), including £3.1m held at Pro Tiler
- Provisions includes Pro Tiler share purchase provision and dilapidations provision
- Lease liabilities of £89.4m held on the balance sheet, down due to lower number of stores and exit of dark stores in period
- Net cash position of £19.3m, a decrease of £0.6m year on year
- Capital employed decreased £15.1m to £89.8m (defined as net assets – net cash + lease liabilities) due to lower lease liabilities and lower net assets